The economic contribution of the Federation of Wholesale Distributors

A Cebr report for the Federation of Wholesale Distributors

July 2022

About

- The Federation of Wholesale Distributors' (FWD) members provide food and associated products to over 400,000 retail and catering businesses, either by direct delivery or via cash and carry depots. Their customers range from small independent stores to large restaurant chains, and from local coffee shops to hospitals and schools. For further information about FWD please visit https://www.fwd.co.uk/

- For over 25 years the Centre for Economics and Business Research (Cebr) has supplied independent economic forecasting and analysis to hundreds of private firms and public organisations. Our Economic Advisory team specialises in economic impact assessments, having advised several government departments as well as FTSE and multi-national firms on a range of topics. Cebr's Forecasting team delivers award-winning forecasts of the UK and global economies, helping our clients stay ahead of the game in anticipating future economic developments. For further information about Cebr please visit https://cebr.com/.

Executive Summary

Executive summary

- In 2020, the Federation of Wholesale Distributors (FWD) generated a turnover of £25.6 billion, a gross value added (GVA) of £2.9 billion, employed 74,717 full time equivalent (FTE) individuals and contributed £555 million to the UK Exchequer.

Turnover:	Gross Value Added:	Employment:	Employee Compensation:	Exchequer Contribution:
£25.6bn	£2.9bn	74,717 (FTE)	£2.5bn	£555m

- Through purchasing inputs and supporting further economic activity up their supply chain, the members produced an aggregate impact in 2020 of:

Turnover:	Gross Value Added:	Employment:	Employee Compensation:	Exchequer Contribution:
£57.7bn	£12.9bn	262,642 (FTE)	£10.0bn	£2.5bn

- 84.8% of the FWD companies' employment is outside of London, meaning that the capital increased its presence in FWD, as in 2018 this share was 89.5%. However as a comparison, in the total food and drink wholesale sector in the UK, this ratio is 79.9%, meaning FWD members disproportionately employ workers outside of London.
- In 2020, ambient foods accounted for the largest share of FWD purchases, followed by alcoholic drinks. In total, FWD members purchased £22.5bn of goods and services for their businesses.
- The most downstream revenue was facilitated in the food and drink retail sector, followed by restaurants and cafes. Overall, FWD members facilitated £38.7 billion of turnover in downstream sectors.
- The downstream induced impact equated to a further £23.5 billion turnover and £7.8 billion in GVA.

Executive summary

- In 2021, the Federation of Wholesale Distributors (FWD) generated a turnover of £30.7 billion, a gross value added (GVA) of £3.4 billion, employed 83,334 full time equivalent (FTE) individuals and contributed £662 million to the UK Exchequer.

Turnover:	Gross Value Added:	Employment:	Employee Compensation:	Exchequer Contribution:
£30.7bn	£3.4bn	83,334 (FTE)	£2.9bn	£662m

- Through purchasing inputs and supporting further economic activity up their supply chain, the members produced an aggregate impact in 2021 of:

Turnover:	Gross Value Added:	Employment:	Employee Compensation:	Exchequer Contribution:
£69.0bn	£15.2bn	283,679 (FTE)	£11.0bn	£2.8bn

- As a consequence of the Covid-19 pandemic, online sales have drastically risen; in 2021 more than half of all FWD sales were online. This fits an economy-wide trend of businesses moving online; this has nearly doubled for food businesses in the past two years.
- In terms of direct contributions to the economy, alongside many other industries, FWD members had a challenging year in 2020, but were able to rebound a year later. In 2021, by most variables members reached and even surpassed 2018 levels of direct economic output. The aggregate impacts had a positive last year too, with only turnover and income taxes yet to reach their 2018 values.
- Sales in the hotel and the leisure sectors have increased significantly: both of these industries' GVA doubled in 2021, and turnover, employment and employee compensation figures have risen greatly.
- However the sector does still face challenges. FWD members are worried about delays in the supply chain, as well as supply shortages, food inflation and staff shortages. The days to receive and distribute products from manufacturers to customers increased by nearly a third over the last 15 months.

Executive summary

- In 2020, FWD upstream impacts are graphically summarised below (the relative changes compared to 2018 estimates are in parentheses:

Turnover

1 DIRECT £25.6 bn → 2 INDIRECT (supply-chain) £21.0 bn → 3 INDUCED (wider-spending) £11.1 bn

Total Impact = 1 + 2 + 3 = £57.7 bn (-16.9%)

Gross Value Added

1 DIRECT £2.9 bn → 2 INDIRECT (supply-chain) £6.3 bn → 3 INDUCED (wider-spending) £3.7 bn

Total Impact = 1 + 2 + 3 = £12.9 bn (-11.6%)

Employment (FTE)

1 DIRECT 74,717 → 2 INDIRECT (supply-chain) 116,894 → 3 INDUCED (wider-spending) 71,030

Total Impact = 1 + 2 + 3 = 262,642 jobs (+5.6%)

Employee Compensation

1 DIRECT £2.5 bn → 2 INDIRECT (supply-chain) £5.4 bn → 3 INDUCED (wider-spending) £2.1 bn

Total Impact = 1 + 2 + 3 = £10.0 bn (+6.7%)

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Executive summary

- In 2021, FWD upstream impacts are graphically summarised below (the relative changes compared to 2020 estimates are in parentheses:

Turnover

1 DIRECT	2 INDIRECT (supply-chain)	3 INDUCED (wider-spending)
£30.7 bn	£26.3 bn	£12.0 bn

Total Impact = 1 + 2 + 3 = £69.0 bn (+19.5%)

Gross Value Added

1 DIRECT	2 INDIRECT (supply-chain)	3 INDUCED (wider-spending)
£3.4 bn	£7.8 bn	£4.0 bn

Total Impact = 1 + 2 + 3 = £15.2 bn (+17.8%)

Employment

1 DIRECT	2 INDIRECT (supply-chain)	3 INDUCED (wider-spending)
83,334	123,640	76,705

Total Impact = 1 + 2 + 3 = 283,679 jobs (+8.0%)

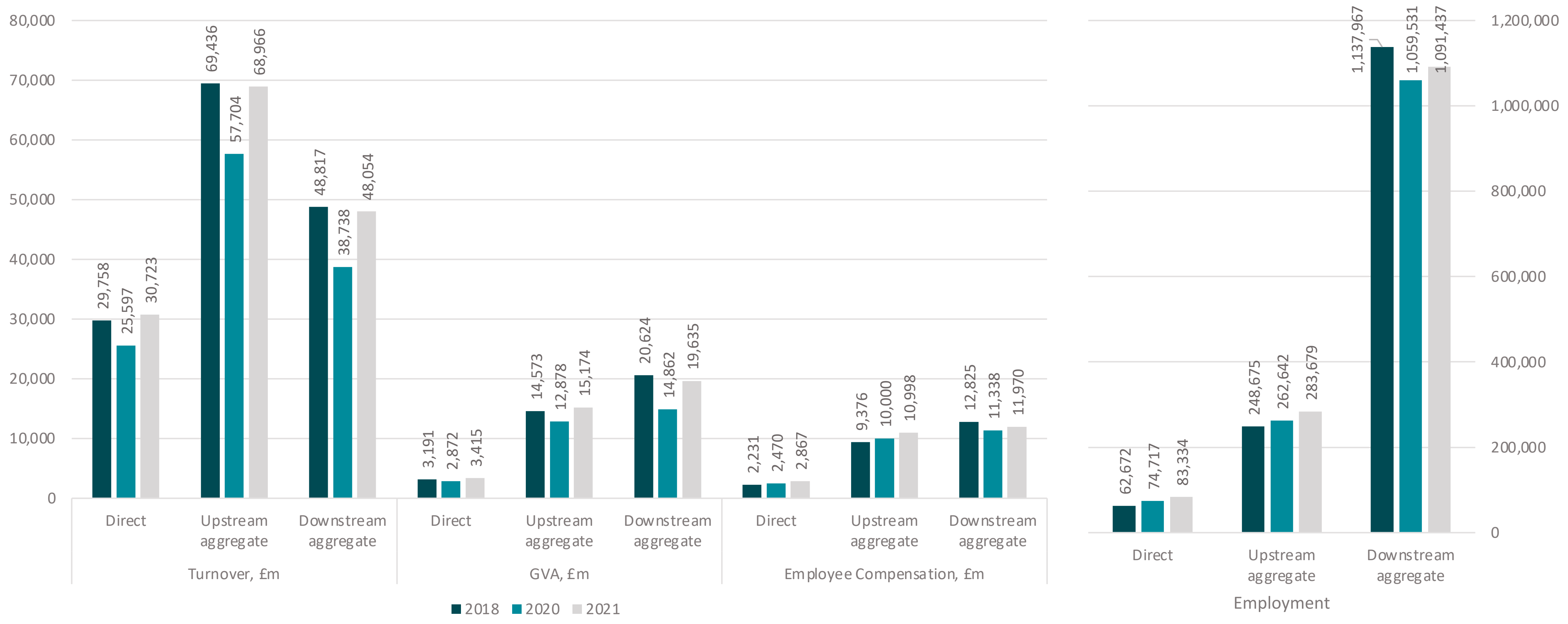
Employee Compensation

1 DIRECT	2 INDIRECT (supply-chain)	3 INDUCED (wider-spending)
£2.9 bn	£5.8 bn	£2.3 bn

Total Impact = 1 + 2 + 3 = £11.0 bn (+10.0%)

While both direct and upstream aggregate impacts have recovered to at least 2018 levels, downstream impacts are still slightly lower

Figure 1: Direct, upstream and downstream economic impacts of FWD



Source: FWD, ONS, Cebr survey and Cebr analysis

Cebr

Introduction

2022

The Federation of Wholesale Distributors industry

The Centre for Economics and Business Research (Cebr) is pleased to present this report to the Federation of Wholesale Distributors (FWD) on the economic impact of the food and drink wholesale distributor industry. This report serves as an update to the 2020 version of a similar report that Cebr produced, which estimated economic contributions of FWD members in 2018.

The aim of this study, is to show FWD how its members have been impacted by the Covid-19 pandemic, and how effective the recovery has been.

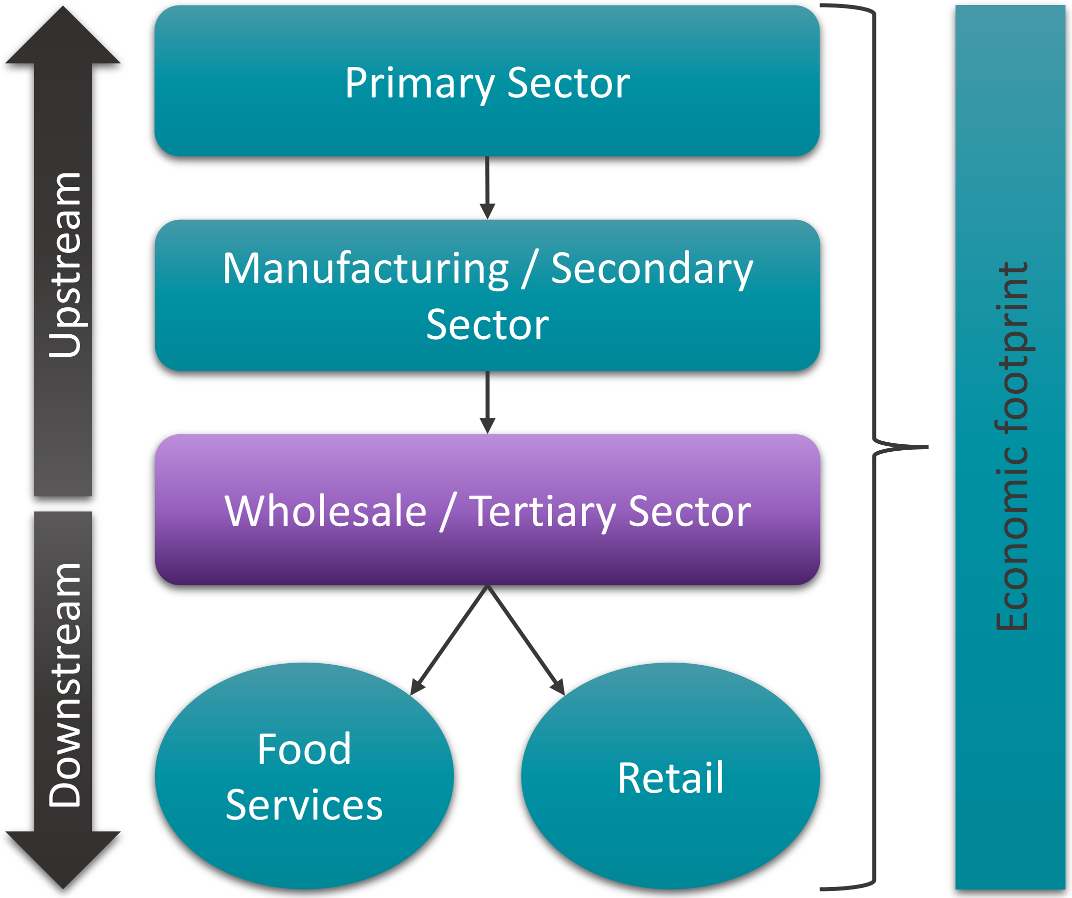
Structure of this report:

- While the focus of this report is on quantifying the economic contribution generated and supported by the Federation of Wholesale Distributors in the UK, it also seeks to provide greater context on the food and drink wholesaling industry.
- This report includes a mapped out supply chain of FWD. Upstream impacts illustrate the activity supported by FWD purchases while downstream impacts demonstrate the activity facilitated in the retail and food service industries.
- Providing additional context, we compare 2020 and 2021 results, as well as adding findings of the old report, to see how the pandemic initially affected the industry, and how effectively recovery occurred, in 2021.
- We also present a qualitative analysis on the risks and challenges wholesale companies have faced for the past two years, and highlight the current views of members in this space.
- The final secton of the report explains the methodology and the approach of the project; the gathering of the data; the modelling; and the research conducted.

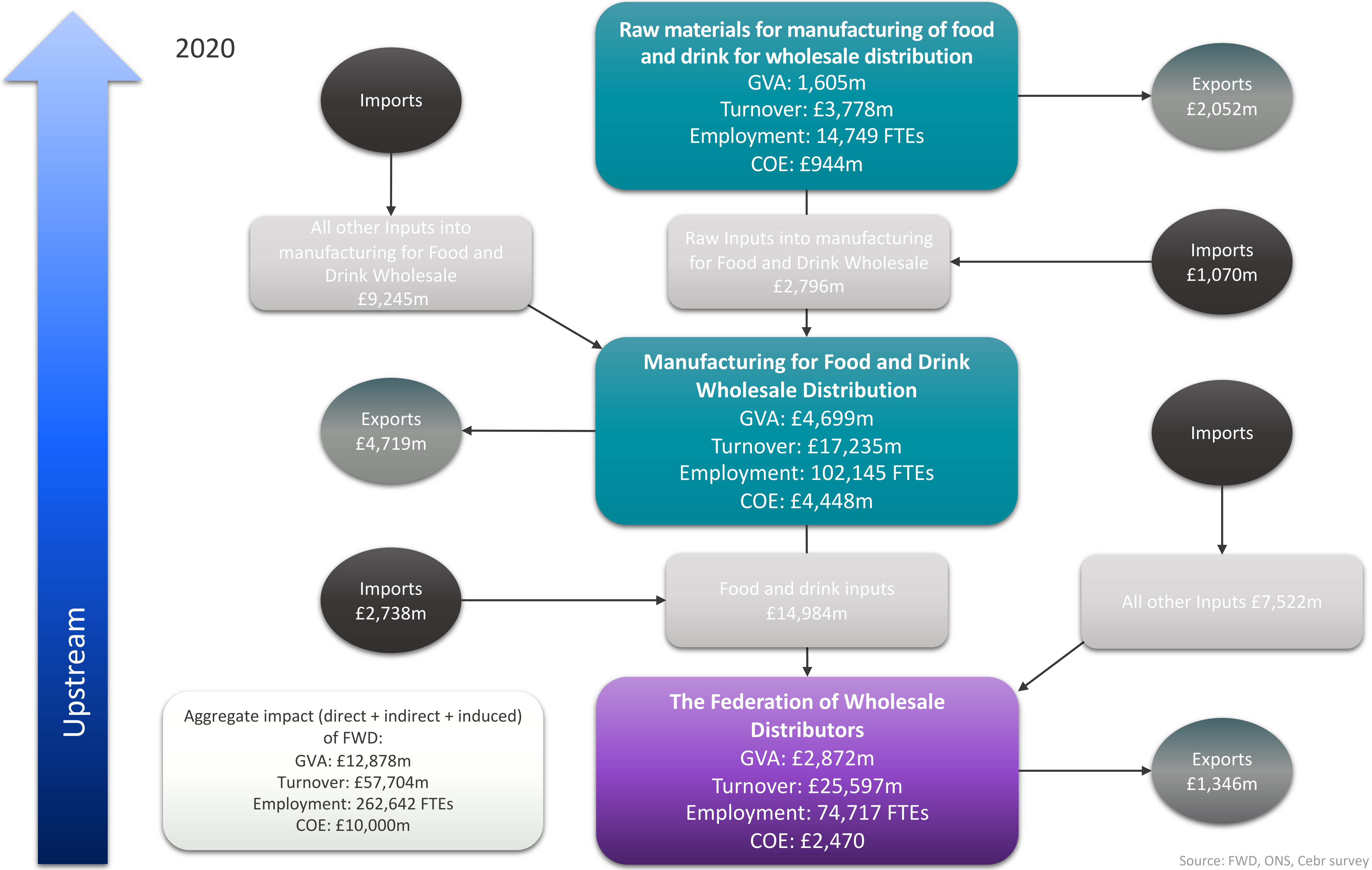
Supply chain of the Federation of Wholesale Distributors

The supply chain of Federation of Wholesale Distributors

- The direct impact of FWD is the gross value added (GVA), turnover, employment and compensation of employees (COE) attributable to the FWD's primary activities. It is depicted in the purple box.
- GVA is equal to Gross Domestic Product (GDP) less taxes and subsidies on production. Put another way, it refers to the total value of the output produced by each industry minus their intermediate consumption used to produce this. Hence it can be thought of as the monetary 'value added' to the UK economy by each industry.
- When FWD members purchase goods and services used in their operations, they place demands along their upstream supply chain. This supports further economic activity. As such, the following slide depicts the upstream supply chain of support characterised by the FWD's economic activity. At each stage, it is the GVA, turnover, employment and COE that is related to and supported by FWD members.
- The values upstream of FWD members represent the proportion of activity of the entire raw materials and manufacturing industries that feeds into the wholesale industry. For example, the raw materials for manufacturing of food and drink for distribution is the value of raw material activity that ends up in food and drink manufacturing to be distributed by food and drink wholesalers once sold on.
- The FWD also facilitates further activity downstream – depicted on slides 14 for 2020 and 17 for 2021. Purchases from FWD members can be thought of as facilitating additional activity in the economy by providing a proportion of the key inputs into the respective industries. This is a weaker form of support but provides insight into the size of FWD members in the economy.

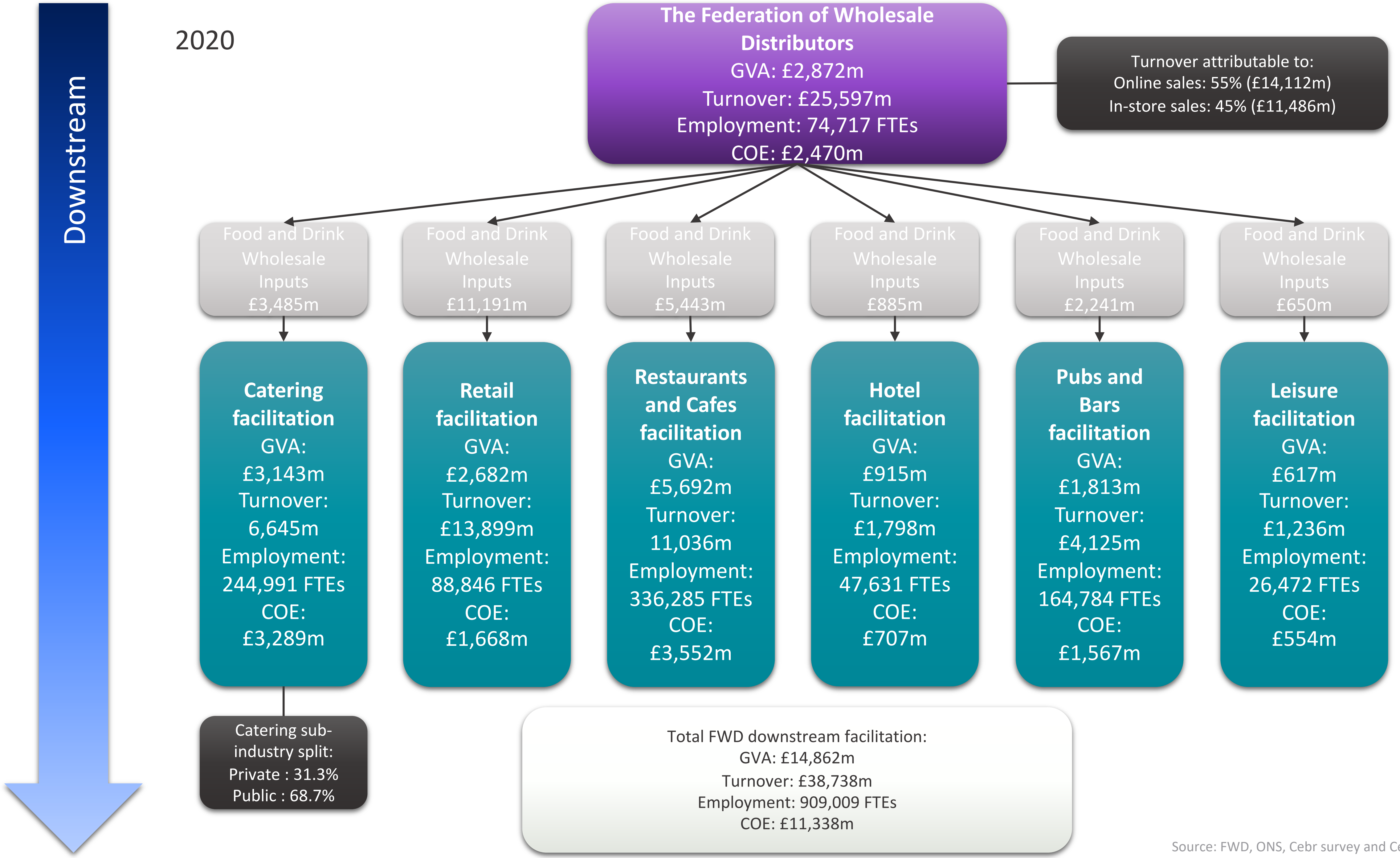


2020



Source: FWD, ONS, Cebr survey and Cebr analysis

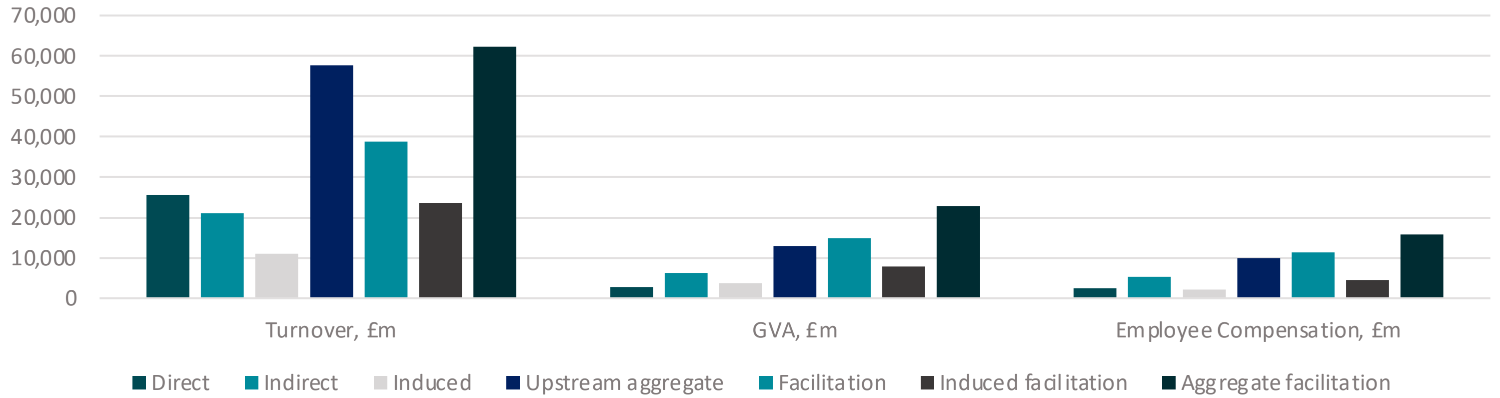
2020



Source: FWD, ONS, Cebr survey and Cebr analysis

The impact of Covid was severe in 2020, and most metrics saw a contraction compared to 2018

Figure 2: Economic impacts of FWD, 2020



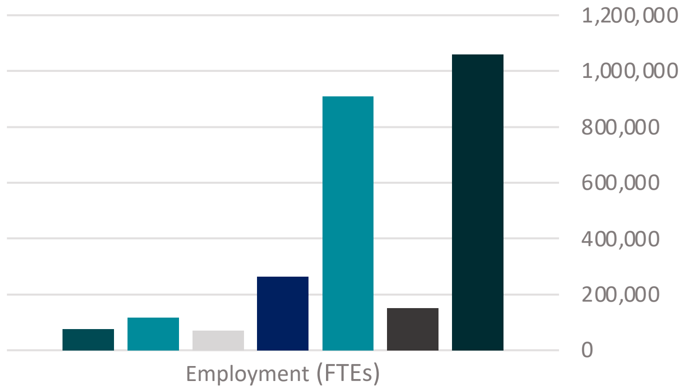


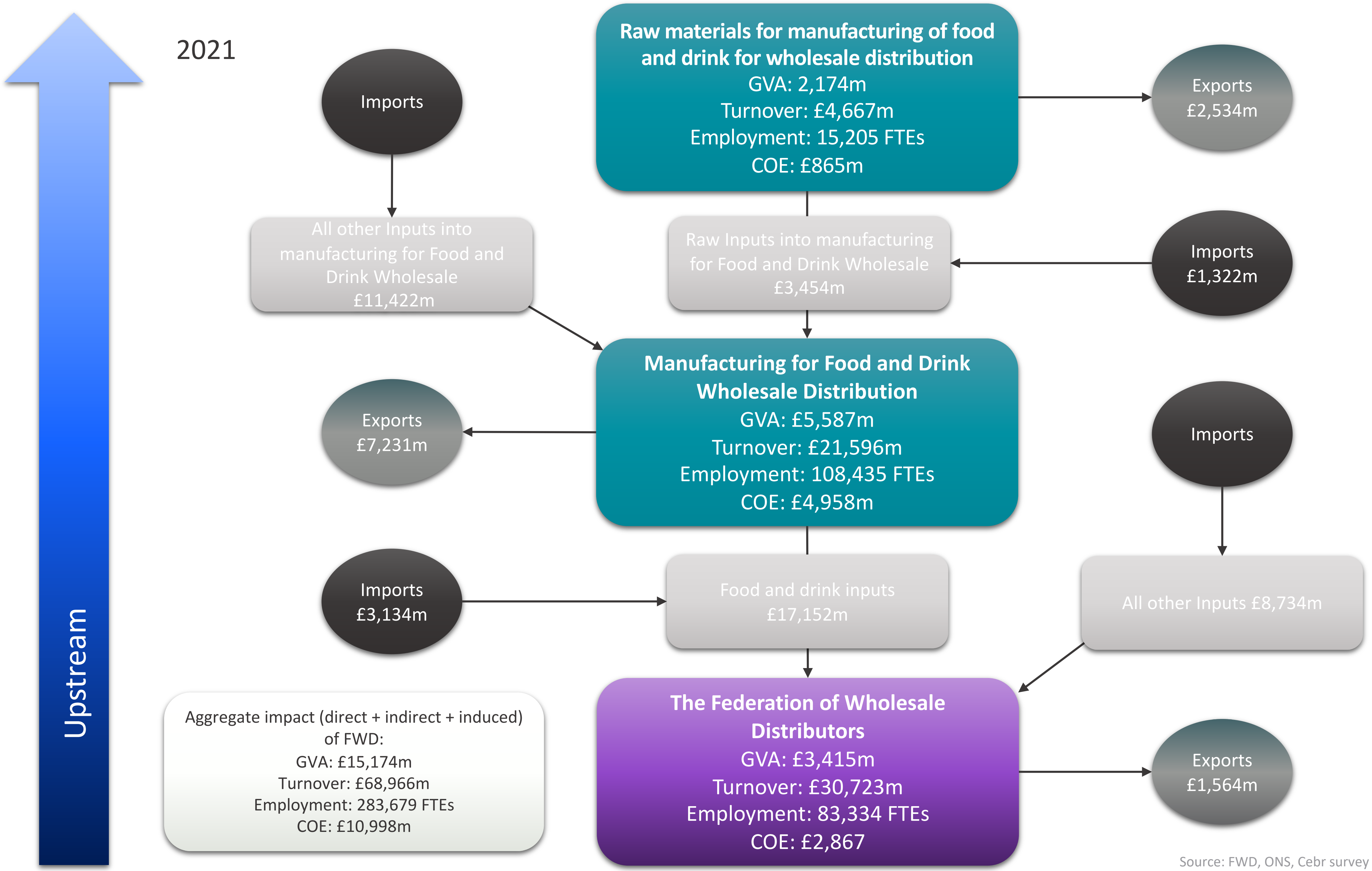
Table 1: Summarised economic impacts of FWD, 2020 (% changes relative to 2018 values in parentheses)

	Turnover, £m	GVA, £m	Employment (FTE)	Employee Compensation, £m
Direct (FWD)	**25,597 (-14.0%)**	**2,872 (-10.0%)**	**74,717 (19.2%)**	**2,470 (10.7%)**
Indirect impact (Manufacturing + Raw Material support)	21,013 (-25.4%)	6,304 (-18.0%)	116,894 (3.7%)	5,392 (3.7%)
Upstream induced impact (employee spending)	11,094 (-3.6%)	3,702 (0.1%)	71,030 (-3.0%)	2,137 (10.0%)
Upstream aggregate support (Direct + Indirect + Induced)	**57,704 (-16.9%)**	**12,878 (-11.6%)**	**262,642 (5.6%)**	**10,000 (6.7%)**
Downstream facilitation	38,738 (-20.6%)	14,862 (-27.9%)	909,009 (-5.8%)	11,338 (-11.6%)
Downstream induced impact	23,510 (-13.3%)	7,845 (-10.0%)	150,521 (-12.8%)	4,529 (-1.2%)
Downstream aggregate facilitation	**62,247 (-18.0%)**	**22,707 (-22.6%)**	**1,059,531 (-6.9%)**	**15,867 (-8.8%)**

Source: FWD, ONS, Cebr survey and Cebr analysis

Cebr

2022



Source: FWD, ONS, Cebr survey and Cebr analysis

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Downstream

2021

The Federation of Wholesale Distributors
GVA: £3,415m
Turnover: £30,723m
Employment: 83,334 FTEs
COE: £2,867m

Turnover attributable to:
Online sales: 61% (£18,808m)
In-store sales: 39% (£11,915m)

Food and Drink Wholesale Inputs £4,415m	Food and Drink Wholesale Inputs £12,348m	Food and Drink Wholesale Inputs £6,514m	Food and Drink Wholesale Inputs £1,353m	Food and Drink Wholesale Inputs £2,456m	Food and Drink Wholesale Inputs £1,241m
Catering facilitation GVA: £5,352m Turnover: 9,739m Employment: 226,911 FTEs COE: £3,539m	**Retail facilitation** GVA: £2,659m Turnover: £15,110m Employment: 96,234 FTEs COE: £1,735m	**Restaurants and Cafes facilitation** GVA: £6,342m Turnover: 12,796m Employment: 381,116 FTEs COE: £3,727m	**Hotel facilitation** GVA: £1,909m Turnover: £3,251m Employment: 65,130 FTEs COE: £901m	**Pubs and Bars facilitation** GVA: £2,117m Turnover: £4,668m Employment: 122,813 FTEs COE: £1,215m	**Leisure facilitation** GVA: £1,255m Turnover: £2,490m Employment: 39,740 FTEs COE: £854m

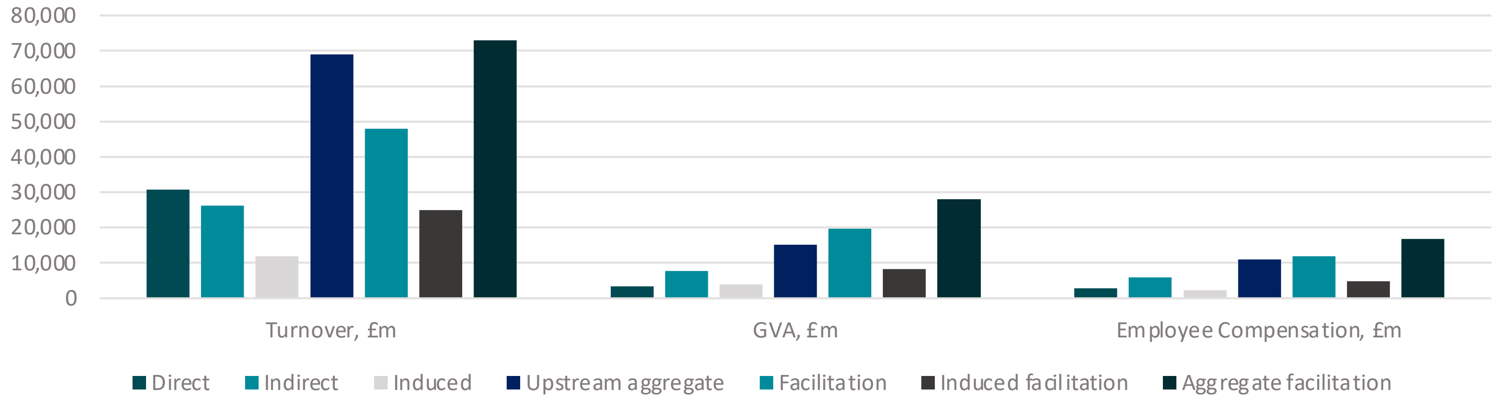
Catering sub-industry split:
Private : 32.1%
Public : 67.9%

Total FWD downstream facilitation:
GVA: £19,635m
Turnover: £48,054m
Employment: 931,943 FTEs
COE: £11,970m

Source: FWD, ONS, Cebr survey and Cebr analysis

After the contraction of 2020, FWD members recovered strongly in 2021

Figure 3: Economic impacts of FWD, 2021



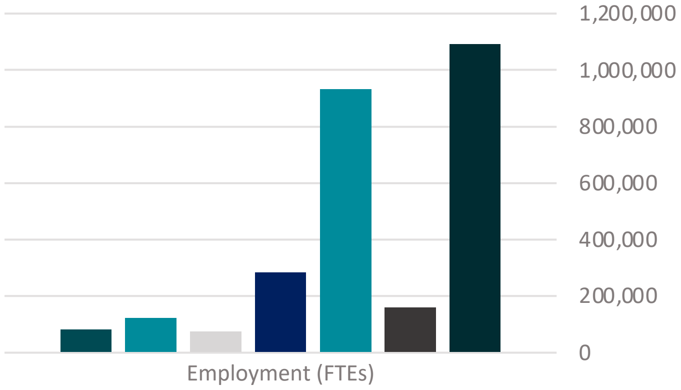


Table 2: Summarised economic impacts of FWD, 2021 (% changes relative to 2020 values in parentheses)

	Turnover, £m	GVA, £m	Employment (FTEs)	Employee Compensation, £m
Direct (FWD)	**30,723 (20.0%)**	**3,415 (18.9%)**	**83,334 (11.5%)**	**2,867 (16.0%)**
Indirect impact (Manufacturing + Raw Material support)	26,263 (25.0%)	7,761 (23.1%)	123,640 (5.8%)	5,823 (8.0%)
Upstream induced impact (employee spending)	11,980 (8.0%)	3,998 (8.0%)	76,705 (8.0%)	2,308 (8.0%)
Upstream aggregate support (Direct + Indirect + Induced)	**68,966 (19.5%)**	**15,174 (17.8%)**	**283,679 (8.0%)**	**10,998 (10.0%)**
Downstream facilitation	48,054 (24.0%)	19,635 (32.1%)	931,943 (2.5%)	11,970 (5.6%)
Downstream induced impact	24,911 (6.0%)	8,313 (6.0%)	159,493 (6.0%)	4,799 (6.0%)
Downstream aggregate facilitation	**72,965 (17.2%)**	**27,947 (23.1%)**	**1,091,437 (3.0%)**	**16,769 (5.7%)**

Source: FWD, ONS, Cebr survey and Cebr analysis

Upstream analysis

2022

In 2020, FWD members purchased £2 billion less worth of goods and services for their businesses compared to 2018

Firms support activity upstream through their intermediate consumption. Based on our survey, we estimate that £15.0 billion was spent on food and drink goods, £5.0 billion on other goods for sale and £2.5 billion on goods and services used in the running of their businesses. In 2018, these figures were £21.0 billion, £1.3 billion and £2.6 billion, which shows a shift of resources spent on foods and drink to other goods.

- Within food and drink purchases, expenditure on ambient foods dominate at 45.7% followed by alcoholic beverages at 21.6%. The majority of food and drink purchases were domestic, with only £0.6 billion being imported (4.0%).
- Purchases used in the running of the business include areas such as transportation and storage, general non-food and drink manufacturing and service activities such as recruitment agencies and legal fees.
- In 2018, firms are estimated to have spent £24.8 billion on goods and services for their businesses. In 2020 however, this decreased to £22.5 billion. The whole disaggregation is displayed below in Table 3.

Table 3: The Federation of Wholesale Distributors' intermediate purchases, disaggregated by sub-group, 2020

	Food and drink purchases					All purchases			
	Ambient foods	Chilled and fresh foods	Frozen foods	Alcoholic beverages	Soft drinks	Total food and drink	Other goods for wholesale trade	Goods and services used in running the company	Total purchases
Purchase value, £m	6,844	1,167	1,402	3,238	2,332	14,984	4,974	2,548	22,506
Share of total	45.7%	7.8%	9.4%	21.6%	15.6%	66.6%	22.1%	11.3%	100.0%

Source: FWD, ONS, Cebr survey and Cebr analysis
Note: numbers may not add due to rounding

By 2021, purchases bounced back and even surpassed 2018 levels

Based on our estimation, in 2021 £17.2 billion was spent on food and drink goods, £5.6 billion on other goods for sale and £3.1 billion on goods and services used in the running of their businesses. This is an increase of 14.5%, 12.9% and 22.3%, respectively.

- Within food and drink purchases, expenditure on ambient foods still dominate at 43.2%, although now to a lesser extent. The greatest relative increase was seen in the purchases of frozen foods, with 28.1%, increasing its share of all food and drink purchases from 9.4% to 10.5%. While imports rose as well to £0.8 billion, their impact on the industry is still relatively small (4.4%).
- Purchases used in the running of the business also increased by £0.6 billion. Their share of all purchases therefore reached 12.0%.
- Overall, purchases rose to £25.9 billion, which is an increase of by £3.4 billion, or 15.0%. This figure is higher than its 2018 equivalent as well, it surpassed it by £ 1.1 billion. The disaggregation is shown in Table 4.

Table 4: The Federation of Wholesale Distributors' intermediate purchases, disaggregated by sub-group, 2021

	Food and drink purchases					All purchases			
	Ambient foods	Chilled and fresh foods	Frozen foods	Alcoholic beverages	Soft drinks	Total food and drink	Other goods for wholesale trade	Goods and services used in running the company	Total purchases
Purchase value, £m	7,416	1,406	1,797	3,762	2,771	17,152	5,617	3,117	25,886
Share of total	43.2%	8.2%	10.5%	21.9%	16.2%	66.3%	21.7%	12.0%	100.0%

Source: FWD, ONS, Cebr survey and Cebr analysis
Note: numbers may not add due to rounding

This total trend over the assessed period can be seen below:

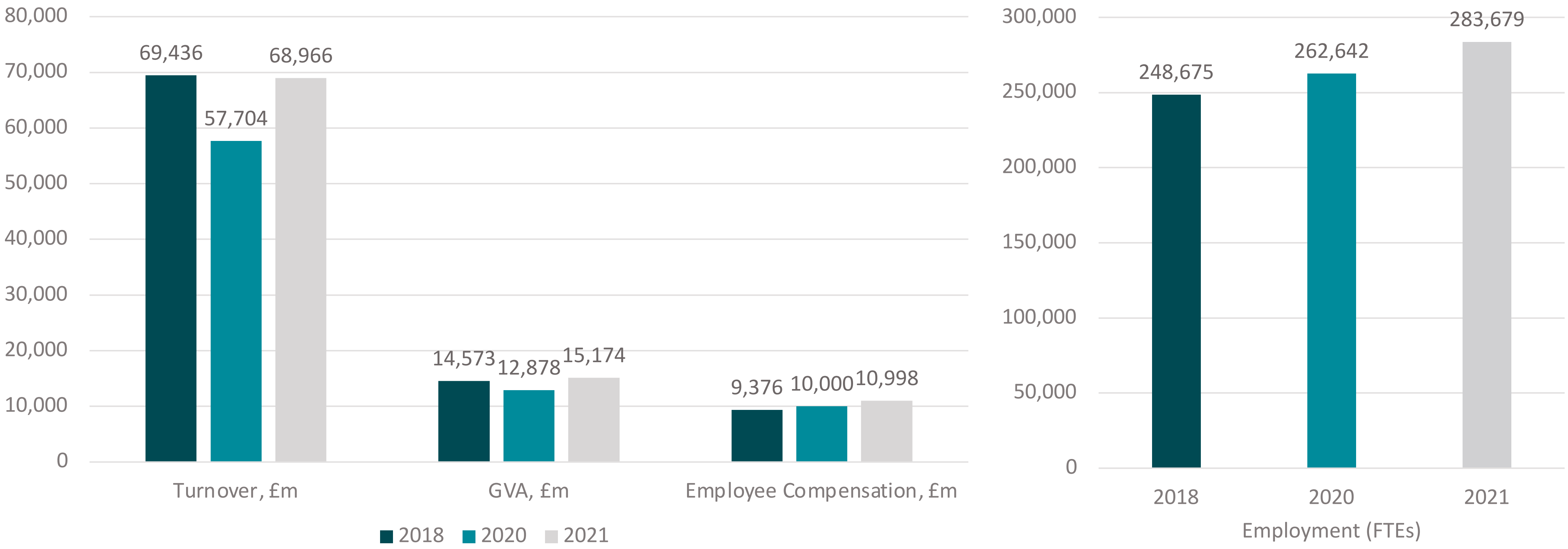
Table 5: The Federation of Wholesale Distributors' intermediate purchases, disaggregated by sub-group, £m

	Food and drink purchases					All purchases			
	Ambient foods	Chilled and fresh foods	Frozen foods	Alcoholic beverages	Soft drinks	Total food and drink	Other goods for wholesale trade	Goods and services used in running the company	Total purchases
2018	10,510	1,270	1,790	4,030	3,350	20,950	1,270	2,610	24,830
2020	6,844	1,167	1,402	3,238	2,332	14,984	4,974	2,548	22,506
2021	7,416	1,406	1,797	3,762	2,771	17,152	5,617	3,117	25,886

Source: FWD, ONS, Cebr survey and Cebr analysis
Note: numbers may not add due to rounding

This total growth in purchases supported an increasing aggregate upstream economic impact

Figure 4: Aggregate economic impacts of FWD



Source: FWD, ONS, Cebr survey and Cebr analysis

The Federation of Wholesale Distributors directly contributed £555 million in income-based taxes in 2020

In total, from FWD direct activity, indirect support and induced effects, a little more than £2.5 billion was contributed to the UK Exchequer in 2020, and just under £2.8 billion in 2021.

- The indirect tax contributions can be thought of as the additional income-based taxes supported through the supply chain from members purchasing inputs thus indirectly supporting economic activity. The induced tax contribution occurs from the activity supported by FWD employees and up the supply chain spending their wages.

- This is only an income-based tax metric and thus will understate the true tax contributions of the industry; VAT and corporation tax will also increase these figures.

Table 6: Income-based Exchequer contributions, 2020

	Income tax	Employees' NICs	Employers' NICs	Total income-based Exchequer contribution
Average tax per employee amongst FWD members, £	2,512	2,028	2,332	6,872
Direct tax contribution, £m	203	164	188	555
Indirect tax contribution, £m	599	405	479	1,483
Induced tax contribution, £m	175	141	162	478
Aggregate tax contribution, £m	978	710	829	2,516

Source: HMRC, ONS, FWD, Cebr survey and Cebr analysis

Table 7: Income-based Exchequer contributions, 2021

	Income tax	Employees' NICs	Employers' NICs	Total income-based Exchequer contribution
Average tax per employee amongst FWD members, £	2,724	2,163	2,487	7,374
Direct tax contribution, £m	244	194	223	662
Indirect tax contribution, £m	644	449	520	1,613
Induced tax contribution, £m	186	152	175	513
Aggregate tax contribution, £m	1,075	796	918	2,788

Source: HMRC, ONS, FWD, Cebr survey and Cebr analysis

Downstream analysis

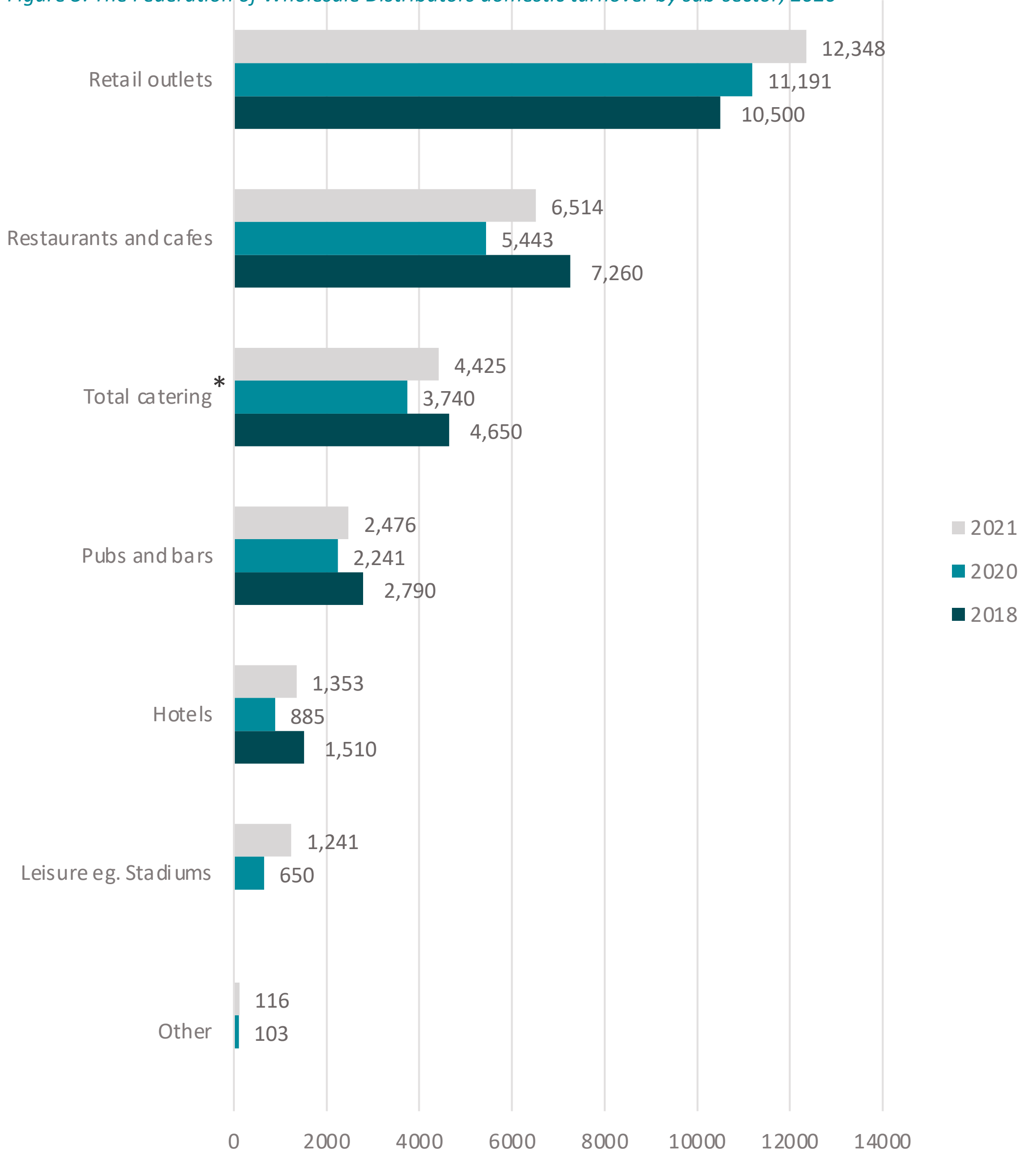
Retail outlets still dominate FWD sales

Total turnover of FWD companies in 2020 was £25.6 billion, of which £24.3 billion was domestic sales. This is down by £2.4 billion compared to 2018. Online sales accounted for £14.1 billion of sales. In 2021 sales reached £30.7 billion, of which £28.5 billion was domestic sales. £18.8 billion was online sales.

Retail outlets contributed the largest singular share of sales, but overall, the foodservice sub-sectors accounted for 53.1% of sales.

- Turnover from the retail sector increased by £0.7 billion, which totalled £11.2 billion in 2020. As the total turnover decreased from 2018 to 2020, this also results in a higher share of sales contributed to companies, 46.1% compared to 39.3% two years ago. In 2021 this ratio falls back to 43.4%.
- Restaurants and cafes experienced a rise of 19.7% in 2021, while hotels bounced back to near-2018 levels with an increase of 52%.
- The industry with the highest relative growth from 2020 to 2021 however is the leisure sector, it nearly doubled its figures from £650 million to more than £1.2 billion (90.8%).
- As we only analysed food and drink sales, it is likely that retail would have been higher if we hadn't excluded non-food and drink products. For example, had we included tobacco sales, which is predominantly sold in retail, total retail figures would have been significantly higher.

Figure 5: The Federation of Wholesale Distributors domestic turnover by sub-sector, 2020



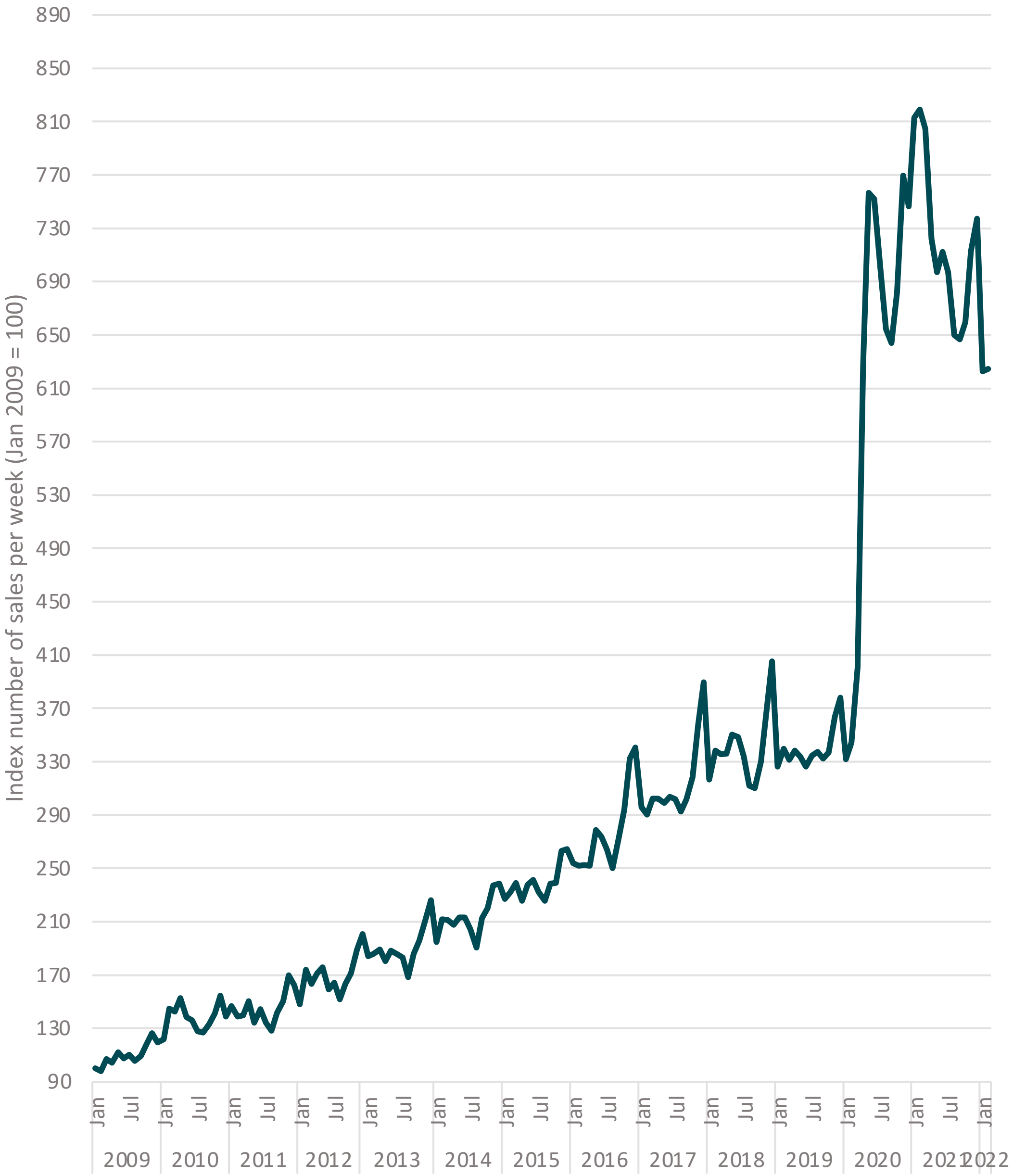
Source: FWD, Cebr Survey and Cebr analysis
Note: Numbers may not add due to rounding

* In the 2020 version of the report, leisure was included in the catering sector, therefore the 2018 value is not comparable to 2020/2021 due to greater granularity in this iteration.

The pandemic accelarated online sales amongst all food stores

- Online sales from predominantly food stores has grown rapidly over the past decade. Between January 2009 and February 2022, the volume of sales per week increased by 524%. This is illustrated in Figure 9.
- It is very clear from the graph that up until March 2020, the trend was a steady and fast increase of online sales. In March, the index of online sales relative to January 2009 stood at 400.7%, but by June this had jumped to 752.0%.
- The peak of the online sales was reached in February 2021, during the third national lockdown, when the index was 819.0%. Since then it's on a downward trend, nonetheless, at the end of the year there was a spike, when it jumped to 737.1% in December.
- FWD members also shifted their businesses to more online. In 2020, £14.1 billion worth of sales came through online orders. This online channel hence facilitated £21.1 billion of turnover, 489,149 employees and a GVA of £7.9 billion downstream in the food service industry. In 2021 these metrics reached £28.6 billion, 550,884 and £11.4 billion, respectively.
- Within the FWD industry, online sales have grown from 33.0% of all sales in 2018 to 55.1% in 2020 and 61.2% in 2021. This is an increase of 85.5% over the three year period and highlights the importance of this emerging channel.

Figure 6: NSA Index number of online sales per week from predominantly food stores, 2009 - 2022



Source: ONS and Cebr analysis

FWD members facilitate significant activity in the food and drink services industry

FWD plays a vital role in the downstream food and drink service activities by providing key inputs used in each service. Overall, FWD members facilitated approximately £38.7 billion of turnover within food and drink downstream services in 2020.

- It is important to note that facilitation is not synonymous with generates. Although the downstream activity does rely on FWD companies for a substantial proportion of their inputs, it is too strong to say that the industry generates the activity.
- The biggest contributor to downstream facility is the retail industry. Within that sector, turnover, GVA and COE supported increased, while employment fell. In every metric, hotels performed the worst not just in absolute, but in relative terms as well: more than half of 2018 turnover and GVA estimates were lost, while employment and COE figures fell by around a quarter as well.

Table 8: Activity facilitated by the Federation of Wholesale Distributors, 2020 (relative changes compared to 2018 in parentheses)

	Activity facilitated by FWD members			
	Turnover, £m	GVA, £m	Employment (FTEs)	Compensation of Employees, £m
Food and drink retail	13,899 (-3.3%)	2,682 (+9.8%)	88,846 (-14.3%)	1,668 (+0.9%)
Total catering	6,645	3,143	244,991	3,289
Pubs and Bars	4,125 (-23.2%)	1,813 (-26.3%)	164,784 (+31.1%)	1,567 (-14.9%)
Hotels	1,798 (-51.5%)	915 (-58.3%)	47,631 (-22.2%)	707 (-27.6%)
Restaurants and Cafes	11,036 (-26.2%)	5,692 (-25.3%)	336,285 (-17.0%)	3,552 (-20.0%)
Leisure eg. Stadiums	1,236	617	26,472	554
Total	38,738 (-20.6%)	14,862 (-27.9%)	909,009 (-5.8%)	11,338 (-11.6%)

Source: FWD, Cebr Survey and Cebr analysis
Note: Numbers may not add due to rounding

Downstream facilitation by members grew in 2021 and turnover was higher than its 2018 equivalent

In 2021 FWD companies facilitated approximately £48.1 billion of turnover within food and drink downstream services, which is 24.0% higher than a year earlier.

- Every sector was able to increase its turnover and GVA facility by FWD members, and only pubs and bars saw a decrease in COE. Overall, turnover grew by 24.0%, GVA by 32.1%, employment by 2.5% and COE by 5.6%. The values however are still less than their 2018 estimates (except for turnover), although now much closer.

- The most significant bounce-back was experienced in the leisure sector; it doubled its turnover and GVA within a year (+101.5% and +103.5%), but employment (+50.1%) and COE (+54.1%) also rose significantly.

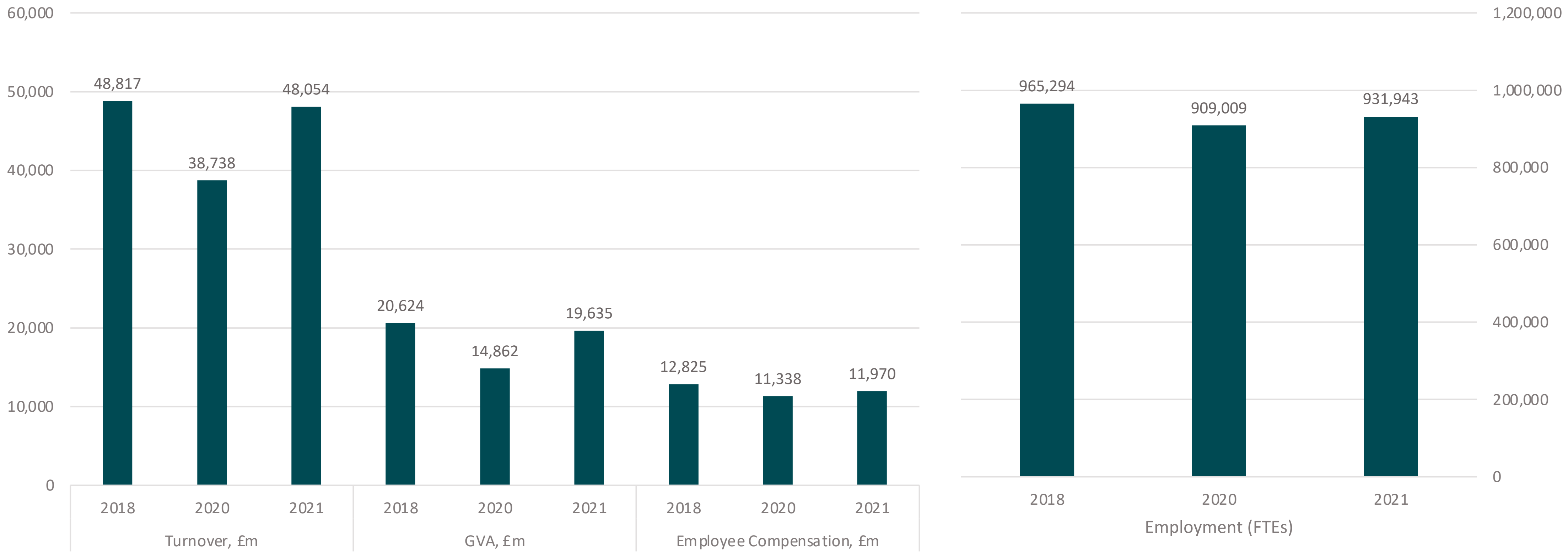
Table 9: Activity facilitated by the Federation of Wholesale Distributors, 2021 (relative changes compared to 2020 in parentheses)

	Activity facilitated by FWD members			
	Turnover, £m	**GVA, £m**	**Employment (FTEs)**	**Compensation of Employees, £m**
Food and drink retail	15,110 (+8.7%)	2,659 (-0.9%)	96,234 (+8.3%)	1,735 (+4.0%)
Total catering	9,739 (+46.5%)	5,352 (+70.3%)	226,911 (-7.4%)	3,539 (+7.6%)
Pubs and Bars	4,668 (+13.2%)	2,117 (+16.8%)	122,813 (-25.5%)	1,215 (-22.5%)
Hotels	3,251 (+80.8%)	1,909 (+108.7%)	65,130 (+36.7%)	901 (+27.5%)
Restaurants and Cafes	12,796 (+16.0%)	6,342 (+11.4%)	381,116 (+13.3%)	3,727 (+4.9%)
Leisure eg. Stadiums	2,490 (+101.5%)	1,255 (+103.5%)	39,740 (+50.1%)	854 (+54.1%)
Total	48,054 (+24.0%)	19,635 (+32.1%)	931,943 (+2.5%)	11,970 (+5.6%)

Source: FWD, Cebr Survey and Cebr analysis
Note: Numbers may not add due to rounding

Overall, FWD downstream turnover was higher in 2021 than in 2018, and the other metrics are also very close

Figure 7: Downstream facilitation impact of FWD members



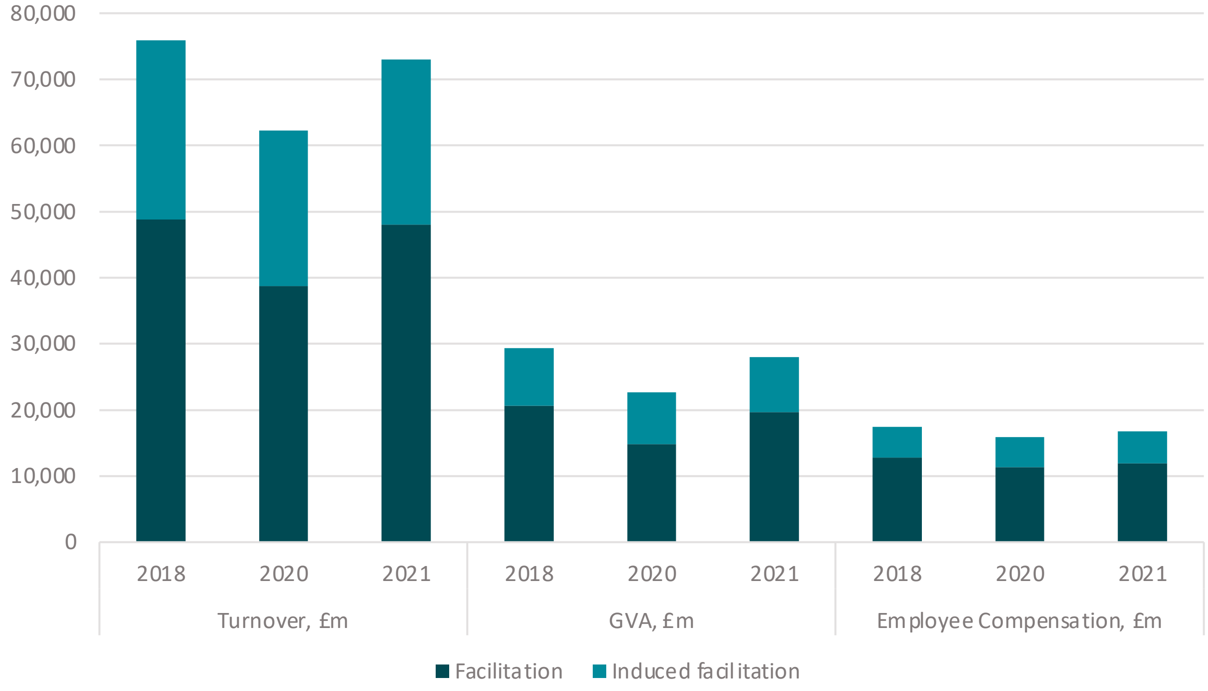
Source: FWD, Cebr survey and Cebr analysis

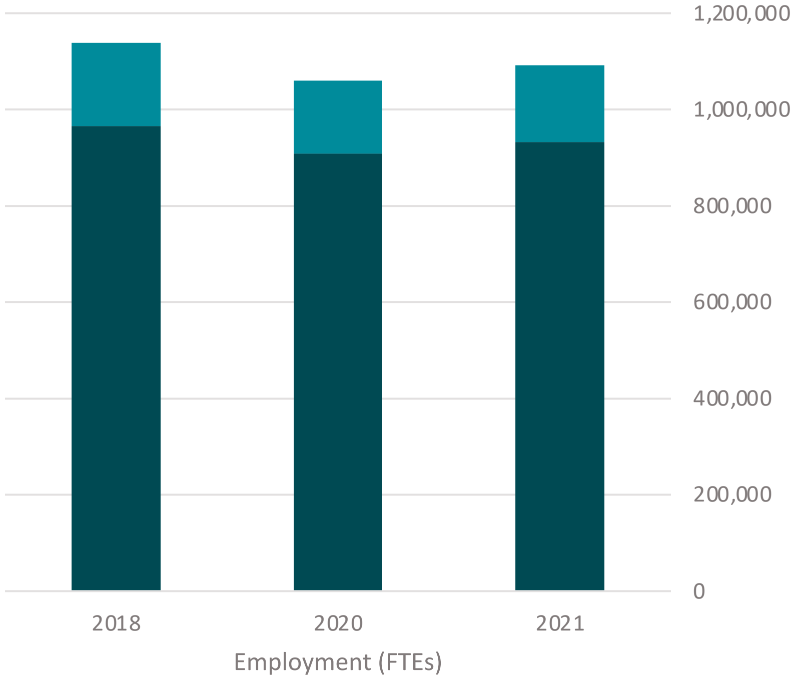
FWD downstream support also stimulates employee spending – an induced facilitation impact

FWD members provide the inputs supporting downstream activity. This activity facilitated 909,009 employees in 2020 who then supported a second round of activity when they spent their wages – the induced facilitation impact.

The downstream facilitation and the induced facilitation impact together produce an aggregate facilitation impact. This is the total downstream economic activity facilitated by FWD providing key inputs into the downstream industries.

Figure 8: Aggregate facilitation impact of FWD members,





Source: FWD, Cebr Survey and Cebr analysis

Regional impact of FWD members

FWD members have a significant employment footprint throughout the UK

The industry directly employed 74,717 full-time equivalent (FTE) employees and supported a further 187,925 jobs in the indirect and induced impact layers in 2020.

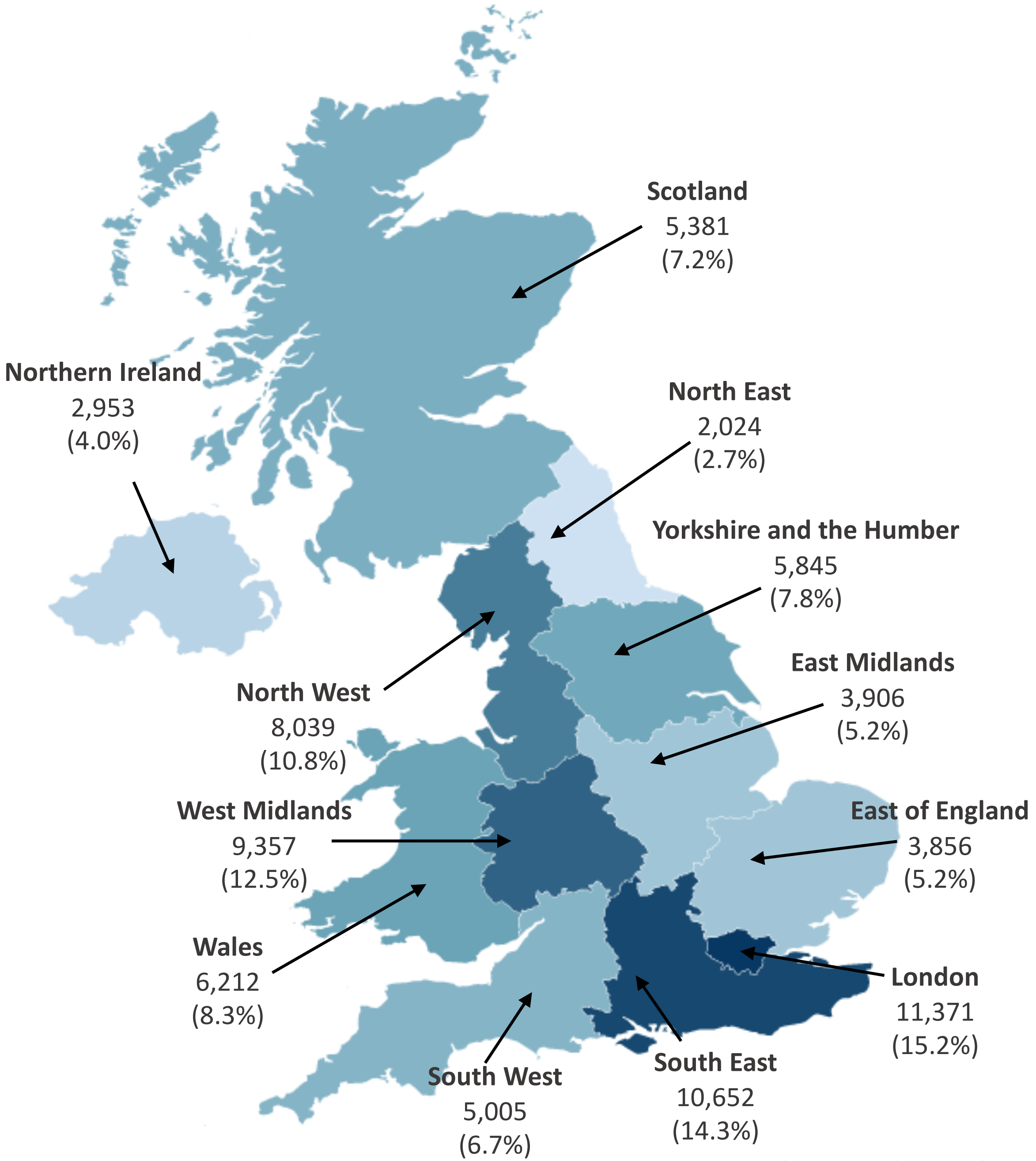
This direct employment is decentralised and spread throughout the UK. Non-London employment amounts to 63,229 employees, 84.8% of total. As a comparison, in the total food and drink wholesale sector in the UK, this ratio is 79.9%, while in the whole economy it is 83.2%.

Table 10: The Federation of Wholesale Distributors employee distribution, 2020

	Number of FTE employees	Percentage of total
London	11,371	15.2%
South East	10,652	14.3%
West Midlands	9,357	12.5%
North West	8,039	10.8%
Wales	6,212	8.3%
Yorkshire and the Humber	5,845	7.8%
Scotland	5,381	7.2%
South West	5,005	6.7%
East Midlands	3,906	5.2%
East	3,856	5.2%
Northern Ireland	2,953	4.0%
North East	2,024	2.7%

Source: FWD, Cebr survey and Cebr analysis

Figure 9: The Federation of Wholesale Distributors employee distribution throughout the UK, 2020



Source: FWD, Cebr survey and Cebr analysis

Cebr

GVA is much more centralised in London and the South East

Overall GVA produced by FWD members in 2020 was £2.9 billion, with a further £10.0 billion of upstream indirect and induced supported.

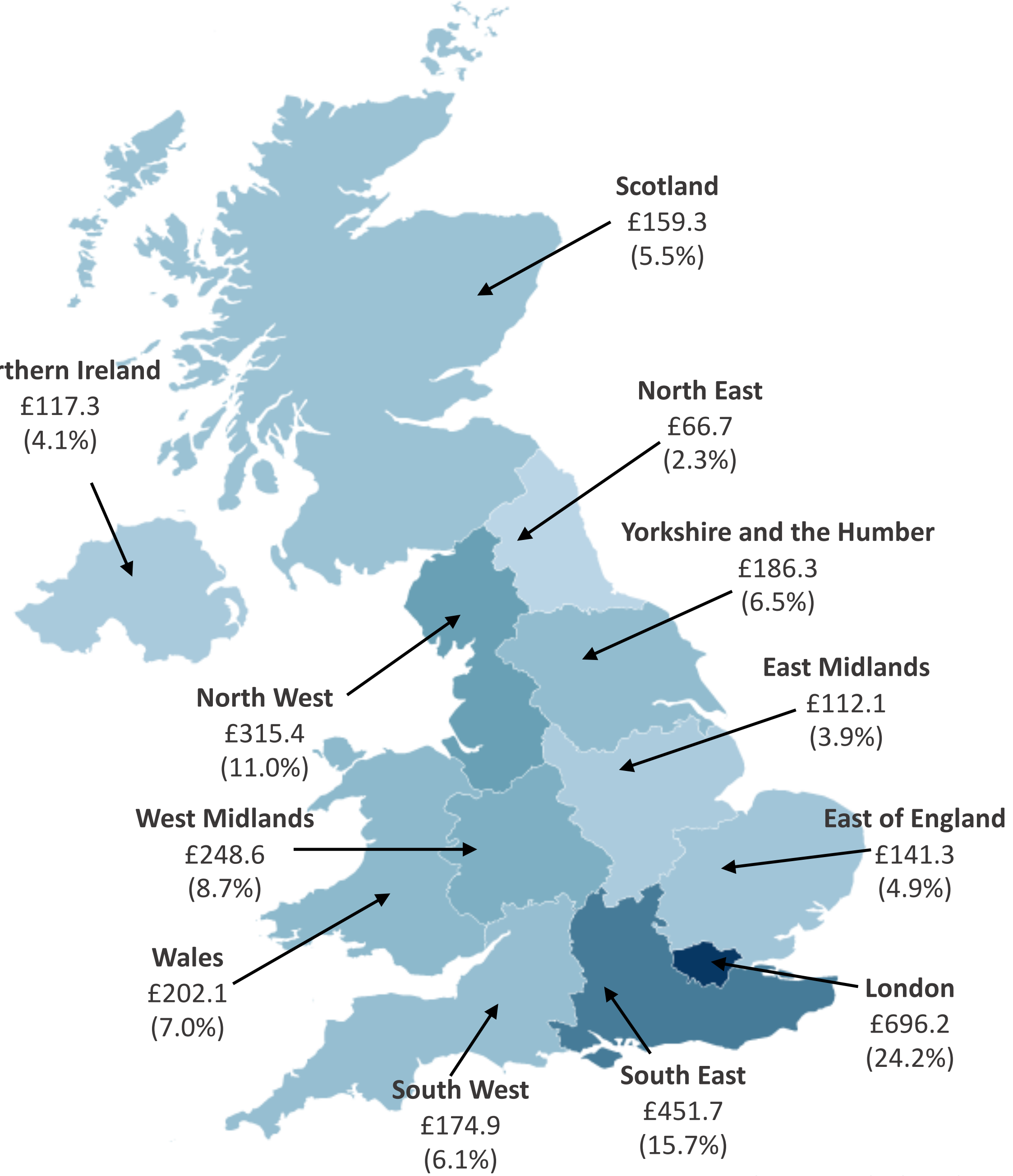
London contributes £696.2 million, which is 24.2% of the total amount. As the employment ratio is only 15.2%, this means that **London has a very high productivity rate, £61,219 per worker**. The second most productive region is the South East with £42,409.

Table 11: The Federation of Wholesale Distributors GVA distribution, 2020

	GVA, £ million	Percentage of total
London	£696.2	24.2%
South East	£451.7	15.7%
North West	£315.4	11.0%
West Midlands	£248.6	8.7%
Wales	£202.1	7.0%
Yorkshire and the Humber	£186.3	6.5%
South West	£174.9	6.1%
Scotland	£159.3	5.5%
East	£141.3	4.9%
Northern Ireland	£117.3	4.1%
East Midlands	£112.1	3.9%
North East	£66.7	2.3%

Source: FWD, Cebr survey and Cebr analysis

Figure 10: The Federation of Wholesale Distributors GVA distribution throughout the UK, 2020



Source: FWD, Cebr survey and Cebr analysis

Cebr

COE is more decentralised, but London is still the biggest spender

Workers at FWD members in 2020 received £2.5 billion overall, and £7.5 billion of upstream indirect and induced employee compensation was distributed as well.

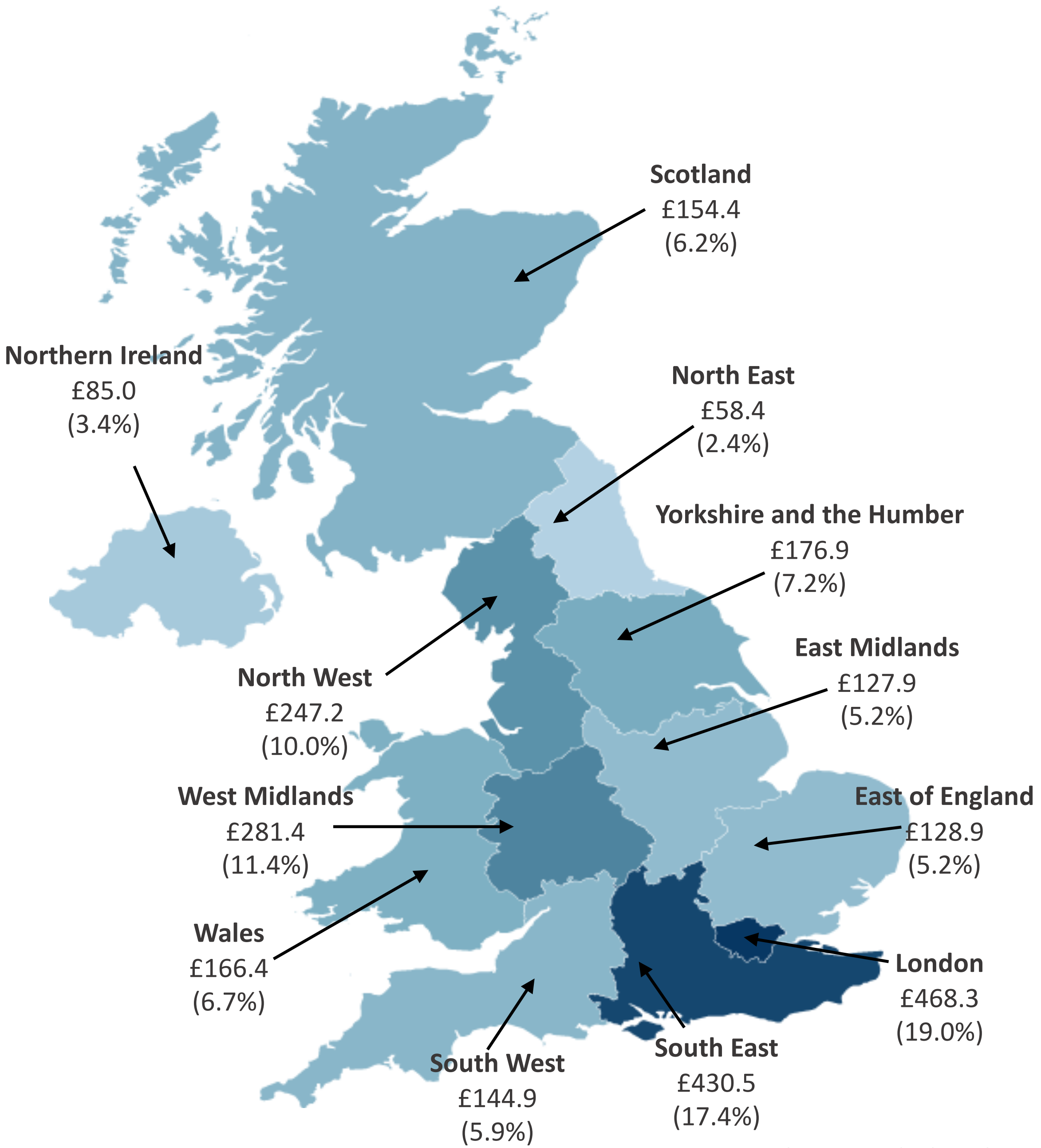
The most COE was recognised in London, £468.3 million was spent to compensate workers. **The COE/FTE ratio is £41,183 in the capital; consistent with broader trends across the economy, this is the highest in the UK.** The South East is also very close with £40,417.

Table 12: The Federation of Wholesale Distributors COE distribution, 2020

	GVA, £ million	Percentage of total
London	£468.3	19.0%
South East	£430.5	17.4%
West Midlands	£281.4	11.4%
North West	£247.2	10.0%
Yorkshire and the Humber	£176.9	7.2%
Wales	£166.4	6.7%
Scotland	£154.4	6.2%
South West	£144.9	5.9%
East	£128.9	5.2%
East Midlands	£127.9	5.2%
Northern Ireland	£85.0	3.4%
North East	£58.4	2.4%

Source: FWD, Cebr survey and Cebr analysis

Figure 11: The Federation of Wholesale Distributors COE distribution throughout the UK, 2020



Source: FWD, Cebr survey and Cebr analysis

Supply Chain Issues

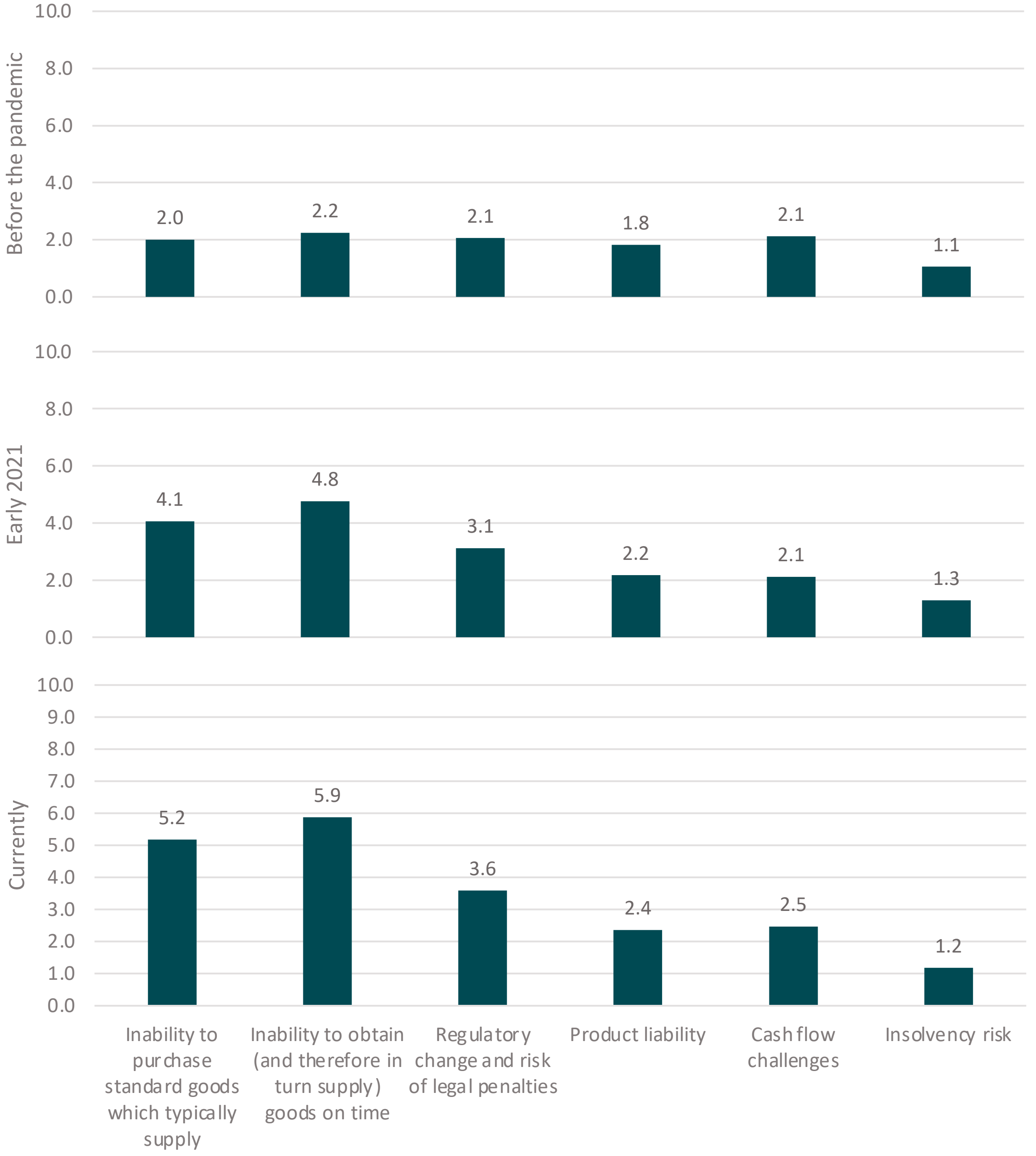
Distributors face higher risks now than before the pandemic

- We asked survey respondents to assign a numeric value in terms of how much risk they faced in six different areas on a scale of 1 (no risk at all) to 10 (extremely risky) at three different points of time.

- Respondents assigned very low values to every area before the pandemic: the highest value was recorded in the inability to obtain goods on time, 2.2. This more than doubled by early 2021 (4.8), along with the inability to purchase standard goods (from 2.0 to 4.1). The risk of regulatory changes and legal penalties also increased significantly (from 2.1 to 3.1), but it is still considered relatively low risk.

- Currently companies consider the inability to obtian goods on time and the inability to purchase standard goods somewhat risky (5.9 and 5.2). Since the start of the pandemic, firms have experienced a riskier and more challenging environment in every area discussed in the survey. However, the level of risk is still relatively low in four out of the six fields.

Figure 12: Risks faced by food and drink wholesalers



Source: FWD, Cebr Survey and Cebr analysis

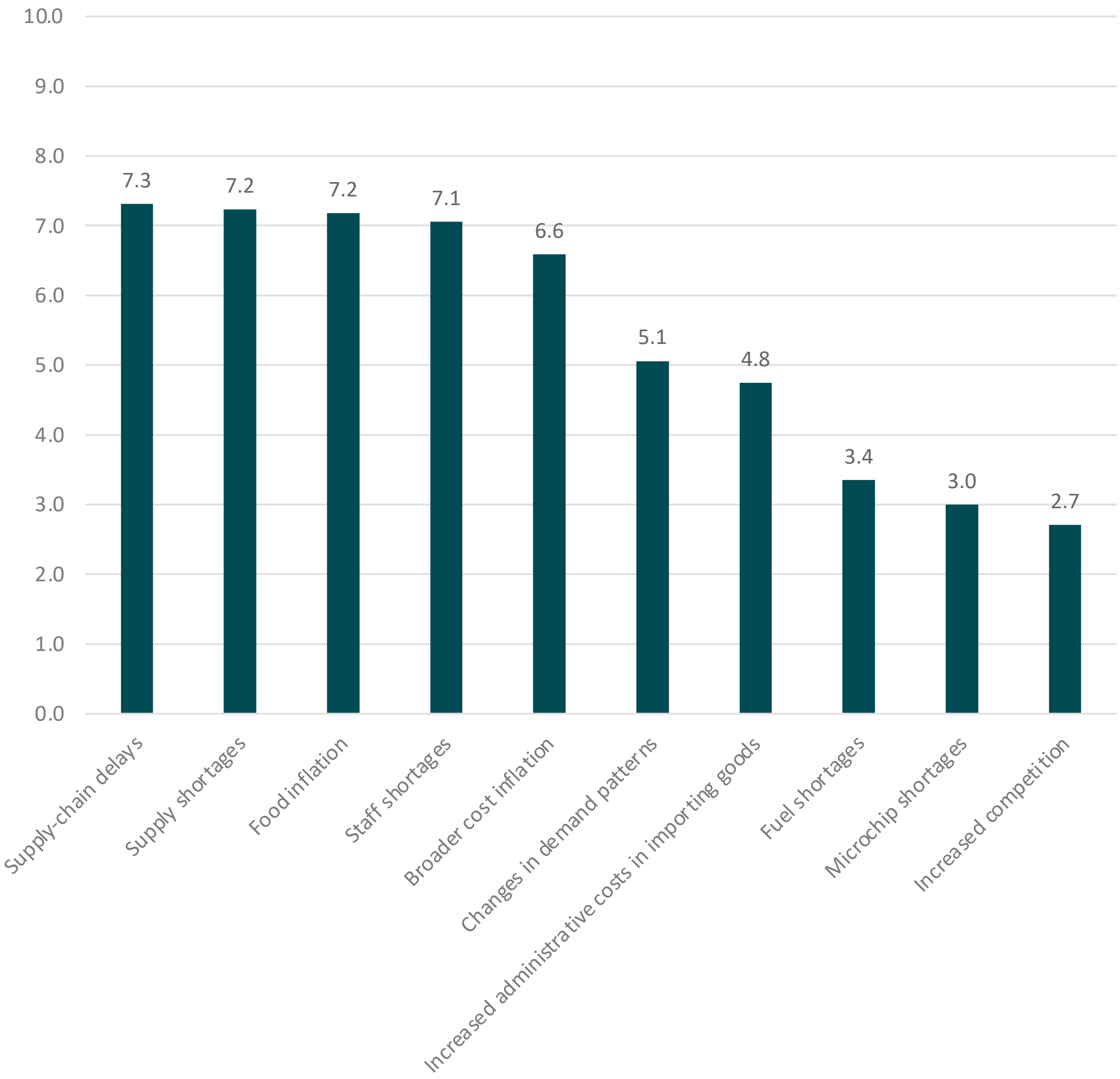
Companies are exposed to many new challenges

- Companies also reported that supply-chain delays, supply shortages, food inflation and staff shortages have caused significant challenges in the past year: on a scale of 1 (no challenge at all) to 10 (extreme challenges), these problems received an average value higher than 7.

- They are also relatively concerned about broader cost inflation (6.6) and somewhat concerned about changes in demand patterns (5.1) and increased administrative costs in importing goods (4.8).

- Currently it seems that fuel shortages are not a big concern to FWD members (3.4), and they are not overly worried about microchip shortages (3.0) and increased competition (2.7) either.

Figure 13: Challenges and the level of disturbance caused to food and drink wholesalers



Source: FWD, Cebr Survey and Cebr analysis

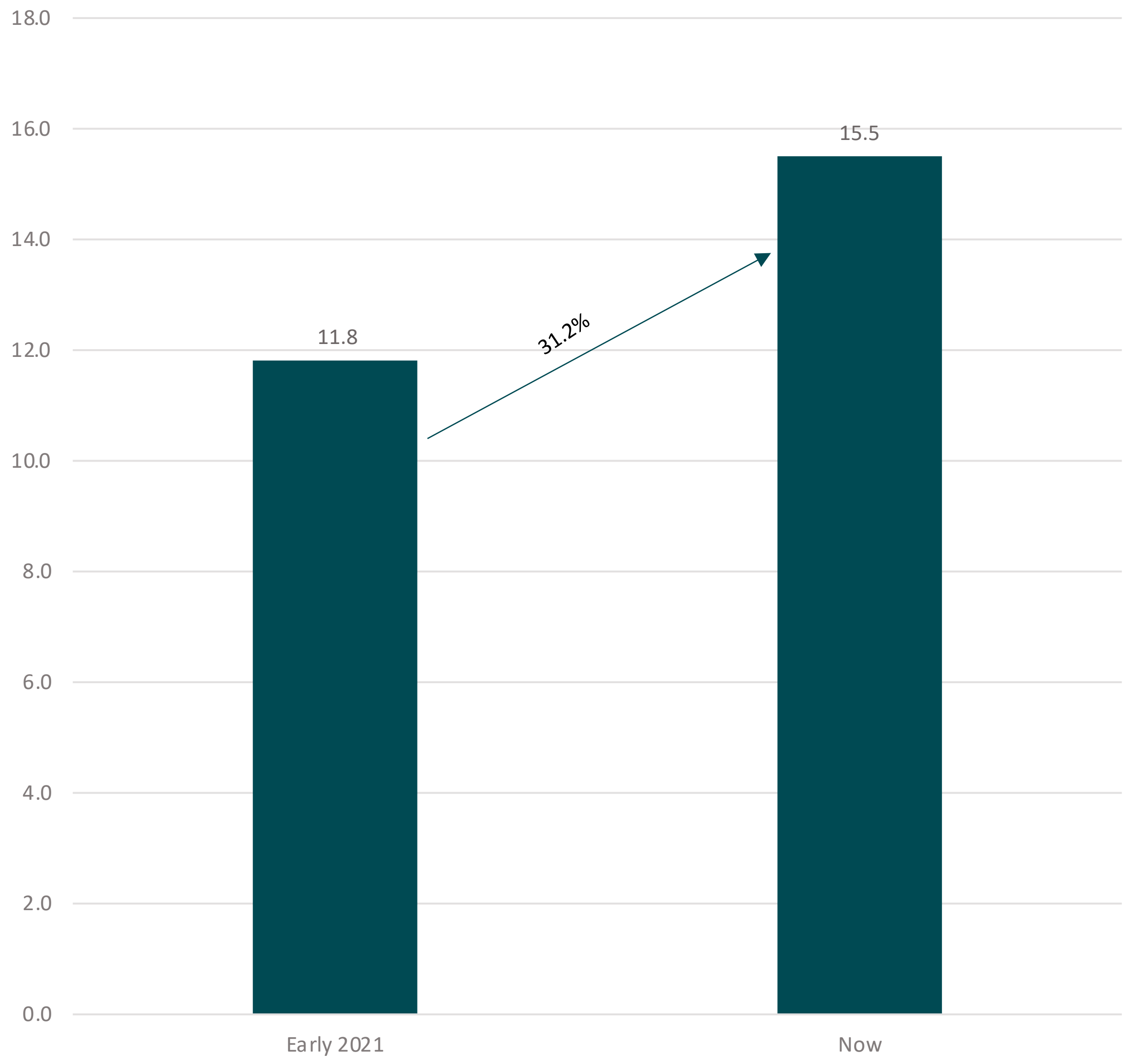
Cebr

Product distribution takes much longer than in early 2021

- As seen earlier, wholesale distributors consider supply-chain delays the most challenging attribute in running their business at the moment. Indeed respondents experienced a serious increase in their cycle of product distribution.

- Survey respondents stated that, on average, it takes 15.5 days to receive products from manufacturers, then distribute them to their customers. This is an increase of 31.2% compared to early 2021 (11.8 days).

Figure 14: Days to receive and distribute products from manufacturers to consumers

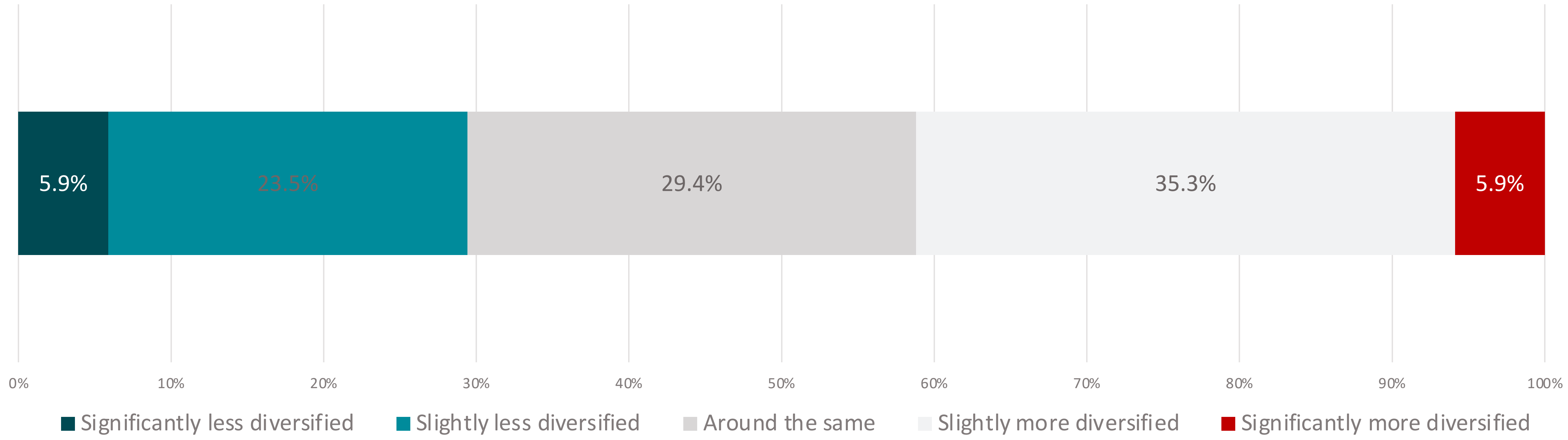


Source: FWD, Cebr Survey and Cebr analysis

2022

Over a third of FWD members report that they are a bit more diversified than a year ago, but this is not a consistently strong trend.

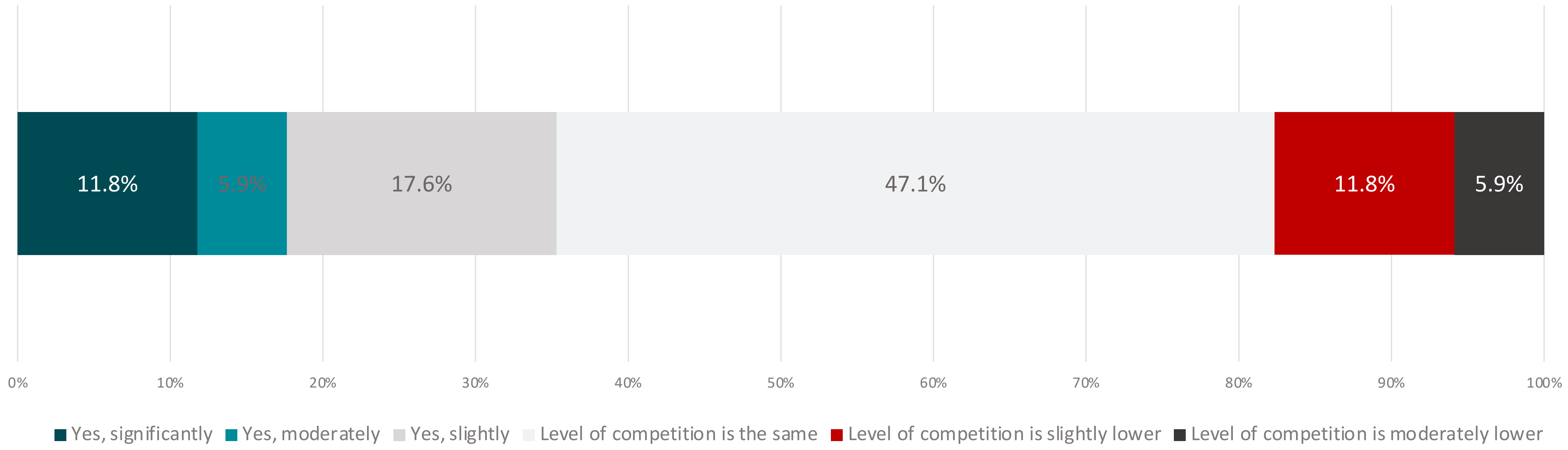
Figure 15: Is your supply chain currently more or less diversified (in terms of number/breadth of suppliers) compared to early 2021?



Source: FWD, Cebr Survey and Cebr analysis

Nearly half of firms believe that their level of competition is the same as before, but 35.3% report a more competitive market to some extent

*Figure 16: Do you face more competition from other wholesalers compared to pre-pandemic?**

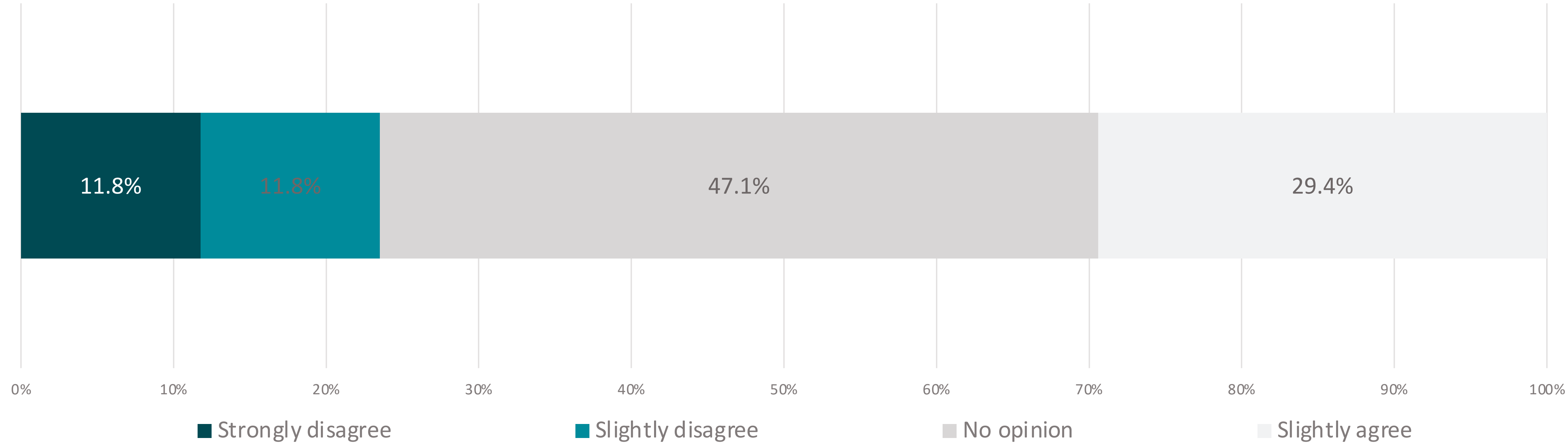


Source: FWD, Cebr Survey and Cebr analysis

* Another option was included in the survey (*Level of competition is significantly lower)*, but no responders selected this answer

The majority of FWD members don't agree that food and drink manufacturers and retailers tend to bypass the wholesale distribution channel more often than before

*Figure 17: Compared to early 2021, manufacturers and retailers, supermarkets foodservice outlets and other wholesale customers are now more inclined to bypass the wholesale distribution channel, and instead do business directly with each other under a "Direct to Consumer" (D2C) business model."**



Source: FWD, Cebr Survey and Cebr analysis

* Another option was included in the survey (*Strongly agree)*, but no responders selected this answer

Methodology

Methodological overview

Our starting point was a survey designed by Cebr on SurveyMonkey, asking FWD members directly about their financial performance in financial years 2020/21 and 2021/22. In this we asked companies about key variables such as sales, purchases, employment, alongside more qualitative questions.

↓

Next, we updated our industry model, first developed to estimate 2018 impacts. This maps the role of FWD members, alongside related upstream/downstream sectors. Updated data included 2020 data from the Annual Business Survey (ABS); the Business Register and Employment (BRES); supply-use datasets etc.

↓

Finally, as most of the required datasets only run until 2020 currently, we estimated 2021 values by using broader industry-level yearly index metrics to scale figures, alongside the aforementioned survey responses.

↓

Economic contribution of FWD members for 2020 and 2021

Survey design

The backbone of the research was a survey designed by Cebr on SurveyMonkey to ask FWD members directly about their financial performance in financial years 2020/21 and 2021/22.

The structure of the survey was the following:

- First, we asked about the turnover companies accumulated in the past two financial years. In order to accurately map it, firms also provided us what percentage of their sales was recognised in different sectors, such as retail, catering, etc. We then asked about the ratio exported to solely map the domestic sales.
- Secondly, members answered questions about the values of purchases they made, and how much of that was attributable to food and drink for wholesale. This was broken down into different type of products purchased, such as ambient foods, chilled foods, soft drinks etc.
- After that companies had to provide their headcount employment numbers for both financial years, along with the percentage of full-time workers in the company, to derive the FTE values for both years. We also asked for employee compensation data for both years, and for FY 2020/21, the breakdown of regional distribution of employment.
- Finally, the survey concluded with some descriptive questions to get an idea of the broader landscape of the industry: what challenges food and drink wholesale companies are facing currently, what the risks have been and what they are right now.

Project scope and implications

In the survey we separated food and drink sales and purchases and non-food and drink products. Our analysis focused solely on the former categories.

- As mentioned, the most important dataset we used was our survey responses. Due to the granularity of information required (for example percentage of sales going to different channels, or percentage of turnover attributable to food and drink), it was not always possible to compare our analysis to public domain sources. Where feasible (for example comparing with accounts data from Companies House when this was available), this was checked, but this was not always possible. We therefore rely on the accuracy of the survey data provided by FWD members relatively heavily within the analysis.

- We note that our results from the downstream analysis differ from other researchers. Our results suggest that while retail is the biggest single sector of FWD member sales, it is smaller than the sum of foodservice sales. This is most likely driven by the fact that we excluded non-food and drink products. If we had included non-food and drink products – for example, tobacco – then we expect that the retail sales would have been much higher, as these products are predominantly sold in retail. Our scope only considering FWD members, compared to looking at the totality of food and drink wholesaling and only considering domestic sales may also make a small difference.

- However there is also the possibility that our sample of respondents is not completely representative of the wider FWD membership base. For example, if every member which operates only in Northern Ireland fills out the survey, Northern Ireland's regional impact would be overestimated. We had a reasonably strong sample of respondents (by turnover, a little under half of the total for FWD members) and this was controlled for on a best effort basis, however it is not possible to rule out this slightly impacting the analysis.

Datasets, their use, and modelling

For the purposes of the study, we needed to use data from the Office of National Statistics (ONS). The most crucial one was the Annual Business Survey (ABS), which measures the non-financial business economy, using the UK Standard Industrial Classification (SIC) codes. It covers turnover, GVA, COE and intermediate costs as well.

As ABS data only runs until 2020, we needed to estimate 2021 metrics. In order to do that, we used the GVA index rates of 1-digit SIC codes for 2021, and used the 2019 values as the base. In cases when 2019 data was unavailable, we used 2020 figures to derive last year's numbers.

We used numerous other datasets for the project, including:

- Employment data from the Business Register and Employment Survey (BRES). As BRES excludes Northern Ireland, we scaled the values up based on the share of workers from Northern Ireland based on the Labor Force Survey (LFS) to get a more accurate result.
- Export and intermediate spending from the supply-use dataset. Since this runs only until 2019, the data were scaled in order to derive both the 2020 and 2021 estimates.
- Gross salary data from the Annual Survey of Hours and Earnings (ASHE) to estimate regional-level COE.
- Cebr's in-house income tax and NICs calculator to measure the direct, indirect and induced tax income of FWD members.
- Internet retail sales tables to get the monthly index and growth of online sales in the food and drink market.

Contact

Economic Advisory Team

advisory@cebr.com

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Authorship and acknowledgements
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London, July 2022

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