



MARKET

SUMMARY

RETAIL AND FOOD MARKET
OUTLOOK 2017

POWERED BY
BB BUSINESS BUYERS

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OUR SUCCESS IN THE RETAIL AND FOOD SECTOR

2017 has already got off to a flying start at Kings Business within the Retail and Food sector, activity levels are on a high and buyer demand is showing no signs of slowing down. Despite various industry challenges such as; the National Minimum Wage, the revaluation of business rates and uncertainty of Brexit, activity remained strong throughout.

In 2016, we saw some of the largest transactions that have occurred in the last 3 years; retail chain Poundland was acquired by South African group Steinhoff for an estimated £597m and Conviviality PLC (drinks wholesaler and distributor) acquired Bibendum PLB in a deal worth over £60m.

Convenience stores have gained popularity in the investment market outperforming all other areas of the sector and what's an even more pleasing is that 74% of acquisitions came from first-time buyers. Convenience retail now contributes over £5bn to the UK economy and has seen a 1.8% rise in sales in the last 12 months.

From Kings' perspective; the sector has gone from strength-to-strength and UK investors are likely to retain their positive view on the Retail and Food market, having operated in this dynamic market for decades through times of growth and recession. The sector continually displays signs of growth and stability and we anticipate 2017 to be no different.

Kings Business is keen to satisfy buyer demand and have embraced an already eventful 2017 with open arms.

Demand for our Corporate Sales Process continues to increase, with many business owners increasingly wanting to get the very best marketing packages and ultimately get the best possible deal. Our highly experienced Retail and Food team is a market leader and the quality and quantity of the sales achieved in 2016 was a testament to this.

The positive feedback we receive from business owners and buyers is also evidence of Kings commitment to offering a dedicated service and achieving a satisfying conclusion for all parties.

RETAIL MARKET OVERVIEW

2016 was an excellent year for the Retail and Food market, despite the sector facing numerous challenges over the last 12 months. Investment transactions continued to thrive and the volume of retail sales increased by 4.3%. Additionally, the average amount spent by consumers increased by 1.5%, when compared with 2015. The Institute of Grocery Distribution (IGD) have forecast the sector to grow by an estimated 9.9% year-on-year.

The Office for National Statistics stated that the key driver in this sector is predominantly food stores (for example, convenience stores and supermarkets). The main reason for this growth, is due to change in consumer purchasing habits. In recent years, shoppers have increasingly switched their allegiance from larger stores to channels that better suit their requirements. The ONS also stated that this is one of the core reasons that we are now seeing a rapid rise in convenience stores and discount retailers.

Analysts at Bernstein Research stated that sales at chains like Tesco express, Sainsbury's Local and Little Waitrose rose by 16% in 2016.

And it's not only the large grocery retailers seeing success in convenience stores, independent convenience stores have proved more resilient. The Association of Convenience Stores (ACS) suggests that there are now an estimated 50,747 convenience stores in the UK and 77% of these retailers are owned and operated by small business owners or 'independents'. What's an even more interesting statistic; is that more than two-thirds of independent retailers (67%) own the premises they operate from. In addition, the ACS stated that the convenience store segment of the market is becoming increasingly entrepreneurial; as more than 75% of owners are the first generation of their family to own or run a business in the UK. Convenience stores are forecast to increase in market share size by 3.4% in 2017.

Convenience stores on petrol forecourts are an important part of the market with a combination of multiple and independent stores making up 17% of convenience retailers. The Petrol Retailers Association suggests that fuel stations are one of the highest performing segments within the retail market and are becoming extremely popular in the independent dealer market, where there are slightly differential prices and room for competition.

Fuel filling station investment transactions hit a post-recession high in 2016, as the average price of the retail sites rose by 8.7%. Although, one issue in a section of the market is the lack of quality sites to satisfy buyer demand.

Market predictions

Over the next twelve months, we expect to see major grocery brands focus on independents to grow their convenience channel.

We also expect to see an increasing amount of new entrants to the convenience store sector.

Increased investment in existing fuel filling stations to develop on-site stores and convenience services (i.e. food-to-go and pay at pump services).

FOOD MARKET OVERVIEW

The last five years have seen the growth of the online takeaway revolution. Hungry House, Europe's second most valuable internet company, now acts as an online middle man between consumers and more than 200,000 restaurants, 11,000 of those in the UK, generating 30m orders for meals worldwide each month.

The largest operator in Europe, Just Eat, estimates the British takeaway market to be worth around £9billion, growing substantially since 2009, when it was valued at £7.2bn, with an average UK household spend of £6.40 a week.

Online giant Uber is also embracing the takeaway sector with the launch of the recent new UberEats app, which is sure to make an impact in the sector.

It's not all about the online take away though, Just Eat reports that six in 10 orders are still made by phone proving that the traditional takeaway model is still a viable business decision. The UK demand for convenience food is still as strong as ever and the traditional fish and chip shop is and always will be a much loved UK treasure.

Take away market statistics

- The industry contributed £4bn to UK GDP during 2014.
- This was equivalent to around one-eighth (12.5%) of total gross value added (GVA) within the food services sector.
- Takeaway restaurants contributed £1.5bn in tax to the UK exchequer last year, whether through producing takeaways, buying supplies or paying workers.
- When including multiplier impacts, the industry's GVA contribution reached £8.3bn in 2014, equivalent to nearly 0.5% of UK GDP.

- With around 35,000 takeaway restaurants in the country, these local establishments are helping to add cultural diversity and choice to the high street; a place that had started to go into decline following the change in consumer habits that resulted from the adoption of consuming via the internet.

Supporting employment across the UK

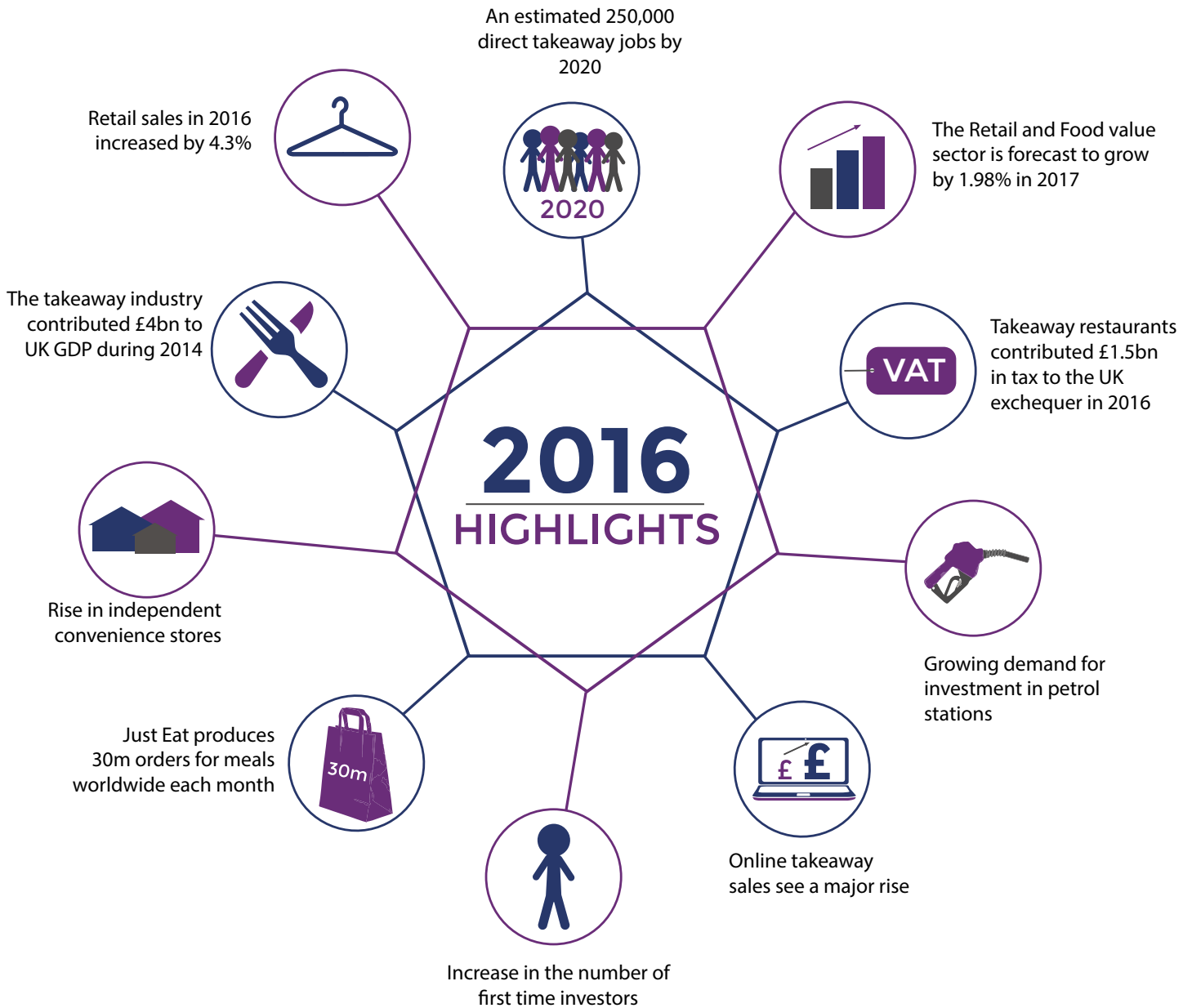
- The takeaway sector supported more than 220,000 direct jobs in 2014, of which nearly half (45%) were full-time roles. Adjusting for the proportions of full and part-time jobs the industry supports, this amounts to the equivalent of 153,000 full-time equivalent (FTE) jobs.
- The sector supports a further 72,000 full time equivalent (FTE) indirect (such as those employed by food manufacturers who supply takeaways) and induced jobs (such as those employed by the retailers which benefit from the spending of those in the takeaway industry).

The future looks appetising

Takeaway demand is expected to grow at about the rate of inflation for the next five years, supporting an estimated 250,000 direct jobs by 2020

(*source Just Eat report)

2016 HIGHLIGHTS



ADVANTAGES OF USING A BUSINESS BROKER

We believe that using a business broker is certainly the best course of action to take for anyone who wants to sell their business effectively. Although there are opportunities to sell direct, selling a business is not always a straightforward process and going it alone may offer various disadvantages including; negotiation experience, time management, lack of evaluation and legality expertise etc. We strongly believe that business owners who decide to sell should place confidence in working alongside an experienced and well-knowledged broker to offer support and advice in making all important decisions for these essential reasons;

Advertising & Marketing

When selling a business, the way the business is perceived by potential buyers is crucial. Experienced brokers know exactly where to advertise your business to maximise interest and more significantly how to market your business so that it gets noticed by serious, potential investors.

Negotiation Expertise

Business brokers are skilled negotiators who are driven to maximise your sale price. The role of a business broker is to bring “serious” buyers and sellers together.

Qualified Buyers

Business brokers qualify all prospective buyers at the primary stage of the sales process. When a broker qualifies a buyer, they will ensure that the buyer is serious about purchasing the business and will also identify if the potential buyer has the realistic financial capacity to complete the transaction.

Time Management

By using a business broker, you can concentrate on running your business instead of answering enquiries about the business sale. You ensure the business is still running optimally, and let the broker take care of the rest.

Confidentiality & Discretion

When selling a business, you may not want your competitors, employees or customers knowing that you are selling your business.

A broker will keep all details of a sale completely confidential. All potential buyers will sign a legal confidentiality agreement and then be ‘qualified’ as a serious buyer. It is only then, that the potential buyer will be presented with details of a business for sale.

Business Appraisals

Experienced business brokers possess the knowledge, skills and on-hand information directly related to your business, industry and location. This gives the broker the ability to accurately appraise your business.

Risk

Achieving the best possible deal, out of the transaction is the most essential aspect of the process. The knowledgeable broker will work to their greatest ability to ensure that you get the most realistic sale possible, taking the risk out of you receiving a below market value sale for your business.

Legalities

If you are considering a sale within the near future, then it is crucial that you consider your exit strategy. Tax planning and legal advice are a must and will ensure that the path to the exit is smoother and less costly than leaving everything to the last minute. It is essential that you have a strong professional team who are all working on your behalf.

Here at King’s Business, we believe that each business is unique, and that individual owners have different needs, requirements and aspirations – that is why we offer a free, no obligation business appraisal, to show you what we can do for the sale of your business.

RECENT SALES IN RETAIL AND FOOD



THE MIXING BOWL

Kings Business are delighted to announce the sale of The Mixing Bowl Delicatessen, a traditional delicatessen operating in the popular coastal town of Colchester, Essex.

The Mixing Bowl provides an extremely good selection of parma hams, cooked meats, fresh olives, homemade coleslaws and a vast selection of cheeses from around the world.

The business also retails a good selection of breads which are baked on the premises on a daily basis, as well as olive oils, balsamic vinegars and wines to complement the produce.

This was a superb opportunity to acquire a well-established deli, which had been under the ownership of the vendor, Mr

Craig Formoy, since 2011. He only decided to place the business on the market due to his wish to retire.

Following 5 viewings, a smooth sale was achieved to a confidential buyer, who was looking for exactly this sort of opportunity within the Essex area, on a leasehold basis. The vendor now plans to go on a well-earned break.

Joshua Higham, Sales Negotiator at Kings Business Transfer, commented: **“All parties were co-operative and easy to work with, and it was a pleasure to eventually get the deal over the line. I would like to wish the new owners the best of luck going forwards and the sellers good luck with their break.”**

RECENT SALES IN RETAIL AND FOOD



DENHOLME FISHERIES, WEST YORKSHIRE

Kings Business are delighted to announce the sale of Denholme Fisheries in Bradford, West Yorkshire.

The fish and chip shop has been established on the same site since 1908. Operated by a husband and wife partnership for many years, they decided it was the right time to sell due to their wish to relocate down south.

The property occupies a prominent corner location on a popular high street. Operating on a limited basis, the business offers the new owner excellent scope for growth by simply extending opening times, as an example.

The sale also came with a separate self-contained home with accommodation extending over four floors. The property has a good sized living room, fitted dining kitchen area and three spacious bedrooms.

The business generated strong levels of interest and following 7 viewings and 5 offers, Denholme Fisheries was sold to a private buyer on a freehold basis. The sale was completed in just 2 months.

Senga Shuttleworth, Sales Negotiator at Kings Business Transfer comments "We are pleased that a speedy sale has been achieved for both the buyer and seller. I wish them the best of luck for the future"

RECENT SALES IN RETAIL AND FOOD



CAFE FRAPA LIMITED

Kings Business are delighted to announce the sale of Café Frapa Limited a charming café and coffee shop located within Suffolk.

Established by the vendor, Mr Roy, back in 2012; the café represents a wonderful lifestyle business which is surrounded by a mix of independent retail outlets which attracts both local shoppers and tourists.

The business benefits from 32 internal covers and 20 external covers. Since opening, the business has built up a loyal customer base; resulting in high levels of repeat custom. Mr Roy also previously invested in refurbishing the property throughout.

The leasehold café was acquired by Mr Saunders, who was an employee of the business, and sale completion only took two months.

Senga Shuttleworth, Sales Negotiator at Kings Business Transfer commented **“Mr Roy decided to bring the business to the market due to his to retire. I wish him all the best, as well as Mr Saunders with his new venture”**

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
March	First Stop News Ltd	James Convenience Retail	Acquisition of 77 stores trading under Supernews, Arden News and Maynews fascias to James Convenience Retail with a long-term franchise agreement with Conviviality Plc for all of the stores
April	Rontec	Sainsbury's	Acquisition of 3 sites. Rontec will act as Sainsbury's development partner
June	Gillet's	Appleby Westward	Acquisition of 63 Spar convenience stores around Cornwall and Devon
July	North East Convenience Stores	James Hall & Co	Sale of 30 convenience stores around Newcastle and Northumberland to Spar Wholesaler James Hall & Co
July	The Co-operative Group	McColl's Retail Group plc	McColl's acquiring 298 neighborhood convenience stores from The Co-operative group
July	My Local Convenience Ltd	Numerous	Acquisition of 20 or more My Local convenience stores by a range of corporate operators following My Local entering administration

MAJOR TRANSACTIONS

	Vendor	Purchaser	Transaction
August	Synergie Holdings Ltd	Motor Fuel Group	Acquisition of 19 petrol filling stations situated throughout the Northwest
August	Roadside Group	Motor Fuel Group	Acquisition of 10 petrol filling stations situated throughout the Northeast
September	East of England Co-operative	McColl's Retail Group plc	Acquisition of 4 neighbourhood convenience stores
December	Conviviality Retail	KMD Enterprises	Acquisition of 15 family owned convenience stores in the Southeast
December	Rontec	Rontec	Acquisition for 40 petrol filling stations from The Co-operative

#RETAIL

@Hbcretailnews

Consumer attitudes are transforming #grocery #retail market, quick and easy is key in 2017 #groceryretail

@RetailWeek

6/10 #retailers expect growth in 2017 #Retail2017

@CStoreMagazine

Independents drive rise in high street store openings

@CStoreMagazine

Food-to-go driving new store openings

@CStoreMagazine

Independents drive rise in high street store openings

#FOOD

@QuickBiteMag

The UK's biggest supermarket group, @Tesco to buy @BookerWholesale for a deal worth £3.7bn.

@QuickBiteMag

Online platform @hungryhouse and @quiquip team up to take the hassle out of #takeaway delivery

@QSRmagazine

Has voice-activated ordering ushered in a new era for quick service?

@pizzahut,

@dominos,

@QSRAutomations think so.

#STATS

@RDisplayshop

New business rates to cost #retailers £2.3 billion - #economy #uk #tax

@ACS_LocalShops

The Rural Shop Report shows that rural shops are on the rise by 7% in 2016

@CStoreMagazine

Convenience store retailers make "record" store investments in Q4

#SALES

@PalletEvolution

Grocery sales forecast to reach £200bn by 2020 #retail #food #growth #UK

@virtualstock

#UK #food sales have the highest increase since November 2013

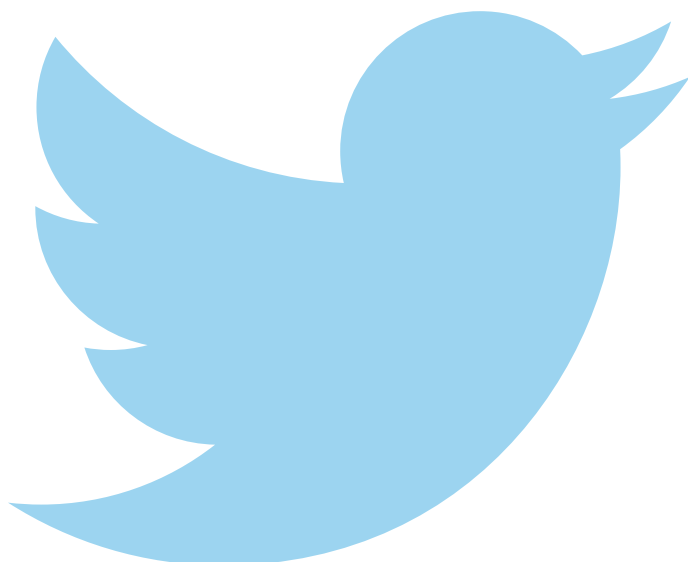
@CStoreMagazine

Petrol station transactions hit post-recession high in 2016 #PetrolStation

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