January 2002

Great North East Food and Drink

Food and Drink Sectoral Support Strategy

Project partners

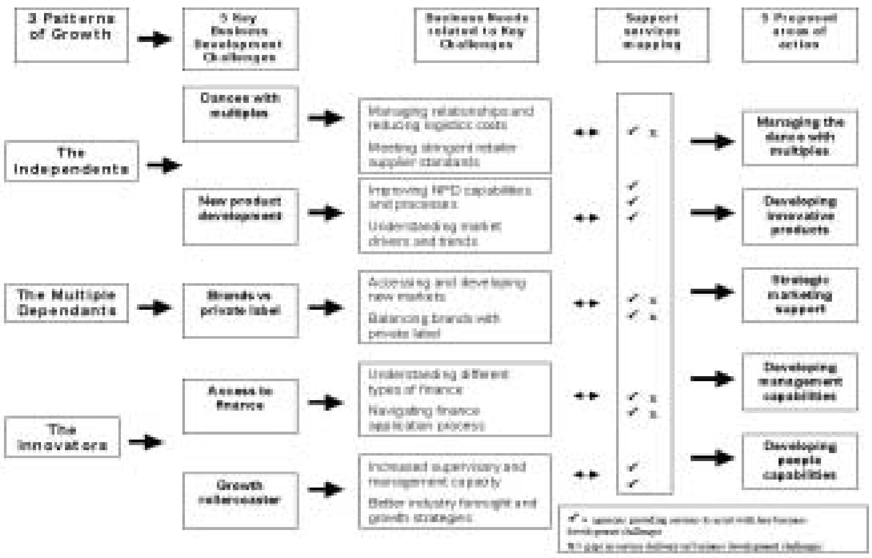
One North East, in partnership with food and drink businesses from across the region and the regional universities of the North East, has been engaged in designing and developing a Sectoral Support Strategy for the Food and Drink Industry in the North East.

The strategy development process involved a range of leading industrialists and support agencies throughout the region. The firms interviewed for this study were selected using a range of criteria, to reflect food and drink companies from various locations, producing a range of different products within the industry and operating at various points across the supply chain. Firms were also selected based on their size, type of ownership structure and number of employees.

The research has found that although there are a number of leading food and drink businesses in the North East, there are particular challenges and industry dynamics which require consideration in developing a strategy to develop the sector, including:

- Three patterns of growth in the sector which have an influence on possibilities for growth in the sector.
- Five key business development challenges which have a bearing on the 'type' of support provided to the sector.
- Trends regarding the use of and demand for business support services, which indicate gaps, overlaps and duplication in service delivery
- Indications of low levels of integration across supply chains, suggesting little regional coherence and integration among firms.

This report summarises and synthesises the key issues and implications to emerge from the analysis of the key business development needs of food and drink businesses in the North East. Commissioned by One North East, the project was undertaken by the Foundation for SME Development at the University of Durham, in collaboration with Newcastle Business School, Newcastle University, the Food Technology Centre, and EPICC.



Strategy Development Map

1. Current industry insights

The food and drink sector in the North East has developed a reputation for producing innovative products, having a strong manufacturing base, a stable labour force and supplying retailers with leading branded and private label products. This has seen the profile of the sector improving dramatically:

- Derwent Valley Foods has become the UK's leading producer of adult snacks.
- KP Foods has one of the largest crisp factories in the UK based in Billingham.
- Pride Valley Foods was awarded the national Entrepreneur of the Year Award.
- Ken Bell International has won a number of Export Awards.
- The Nestle facility in Fawdon is the global manufacturing base for 'Rolo'.
- Brand protection status was granted by the EU to Newcastle Brown Ale.
- Other successes include Mr Lazenby's, Orchid Drinks, SK Chilled Foods, Union Snack, Northumberland Cheese Company, Voyager Foods, Marlow Foods, International Cuisine, Ross Pickles, Kavli, Northumbrian Fine Foods, Lindisfarne Mead, and Hibernia Foods.

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Generally speaking, the sector is considered a relatively traditional sector, with many independently owned businesses, employing many people, producing low value commodity products. However, the region's examples of success are firms which have broken the mould, have attacked niche markets, and relied on new product development.

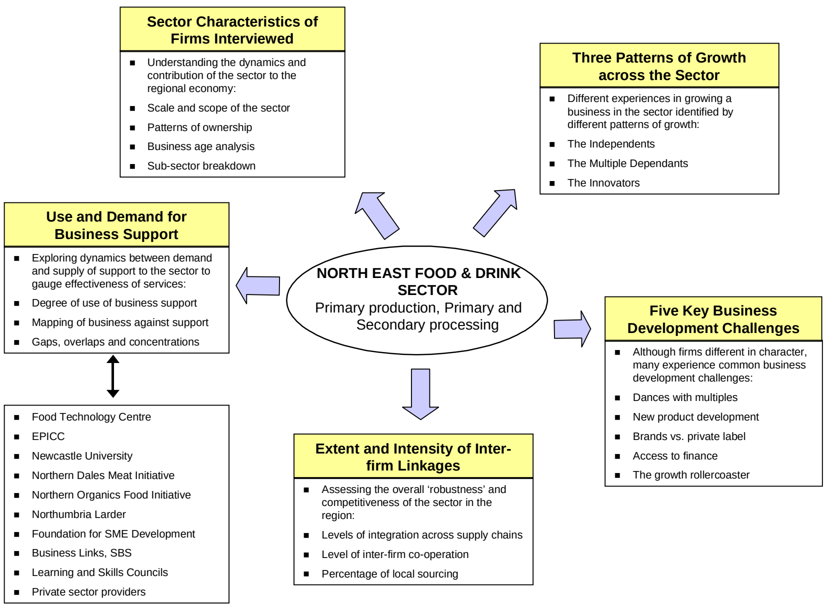
Listed below are some of the broad macro indicators for the sector:

- The food and drink sector is a leading employer in the manufacturing sector, employing about 25,000 people, i.e. approximately 9% of the region's manufacturing base.
- The sector adds approximately £2 billion per year to the regional economy.
- The food and drink manufacturing sector as a whole in the North East has no dominant sub-sectoral focus. Most people are employed in the manufacture of 'other food' products (49.02%), followed by beverages (15.55%), and the processing or preserving of fruit and vegetables (14.48%). 'Other' food products includes bread, pastries, biscuits, confectionery, pastas, tea, coffee, soups, condiments and seasonings etc.

However, there are a number of unanswered questions about the sector:

- We need a clearer understanding of the needs and business development challenges in the sector.
- We need a better understanding of how effectively support is delivered to the sector, and why and how firms use support.

These factors, and the commitment of leading industrialists, are the key drivers to developing a Sectoral Support Strategy.



Food and Drink Industry – Key Characteristics

2. Business characteristics

The Sectoral Support Strategy project focused on food and drink *manufacturers*, i.e. those firms at the heart of the value-adding process within the industry, and generally on small and medium-sized businesses in the sector. The findings about some of the key characteristics of the firms interviewed are noted below:

Employment and size of business
The average size of firm, at 90 employees per firm is skewed somewhat by the five largest firms in the sample, which collectively employ 47% of the people in the firms surveyed. When taking this group out of the sample, the average number of employees drops to 57. However, this is still higher than the national small firm average of 14 people.

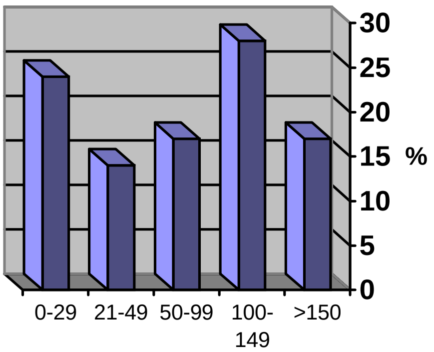


Fig 1: Employment by firm size

Business ownership
The vast majority of companies were independently owned and indigenous to the region, with only 8 being subsidiaries of larger corporate structures. Just over half of the firms interviewed (51%) were family-owned enterprises, with long histories of involvement in the industry. Type of ownership also had implications for capability – many of the 'smaller', independently-owned businesses had less resources and capability than the larger, subsidiary and 'group'-owned businesses.

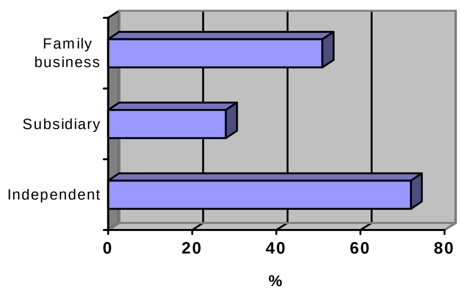


Fig 2: Ownership of firms interviewed

Business age analysis
The age analysis reveals that the interviewed food and drink businesses are either young or old. Along the age continuum 51% of firms are less than 20 years old (relatively young), whereas 37% are older than 50 years. In an economic climate of rapid start-ups, dinosaur deaths and the new economy, it may be of concern that almost half of the firms interviewed (48%) are older than 20 years.

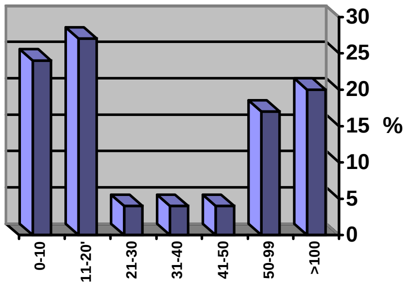


Fig 3: Number of years trading of firms interviewed

The stark differences in the age of businesses in the sector may have implications for the type of services provided by support agencies. Increased service delivery may be needed for start-ups to increase the stock of young, innovative businesses in the sector to underpin the dynamism, innovation and robustness in the sector.

On the other hand, targeted support may also be required for the older family-owned businesses, many of which highlighted succession in the business as a key constraint to growth.

Sub-sector breakdown of firms
In terms of the nature of activity of the interviewed companies, firms operated across a broad range of sub-sectors, dominated by snacks and bakery products, food ingredients and dairy products (see Figure 4 overleaf). This highlights the strength in the region in snack and bakery products, fruit and vegetables/food ingredients, and beverages. These sub-sectors also mirror the national trends in the industry towards the increasing consumption of convenience, snack and ready meals. The increasing numbers of firms in these 'new', high value-added sub-sectors reflects a slow departure out of the more traditional sectors such as dairy, meat and bakery products. This growing trend is a positive factor for the region, and may be the sector's competitive advantage in the future.

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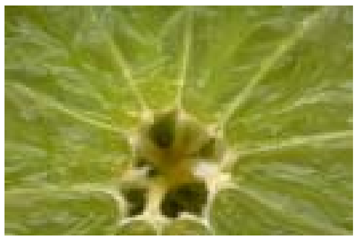

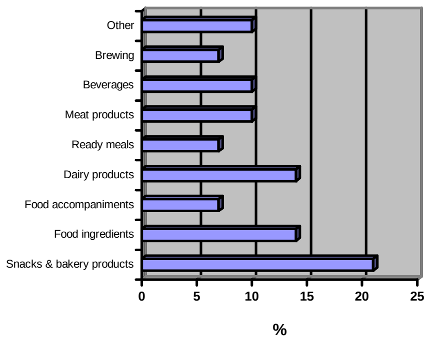

Fig 4: Sub-sector analysis of firms interviewed

3. Critical industry issues

The research has found that although firms may experience similar business development challenges, the dynamics and complexity of these problems vary according to a set of patterns of growth. As a consequence the responses required to deal with these challenges have to be different.

Four broad themes emerged from the research on the key business and management development needs of food and drink businesses in the region. These four themes reflect the indicative challenges facing firms across the industry, and have a direct bearing on the nature, scope and scale of the proposed sectoral strategy framework. The four issues are:

Issue 1: Key patterns of growth

The interviews highlighted that businesses had different experiences in developing their business. Although each business operated under distinctive types of circumstances because of differences in their internal and external operating environments, three key groups or types of growth pattern have emerged:

- The first group, known as *The Independents*, tend to serve local markets, and operate outside of the supply chain network of the large multiples.
- The second group, *The Multiple Dependants*, are caught up in the rigours of managing supply relationships with the large multiple retailers (e.g. Marks and Spencer, Tesco, Sainsbury's). Generally operating in a paradigm of responding to market pressures and the demands of the large retailers, these firms' growth patterns are mostly determined by how they respond to the requirements and needs of their large customers.
- The third group, called *The Innovators*, include firms which have strong partnerships with the multiple retailers, and are generally in a position to shape their environment, and negotiate more equitable terms and conditions of supply with their large retail customers.

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The table below outlines some of the key characteristics of firms across the three patterns of growth.

Type of growth pattern	Key characteristics	Key characteristics
The Independents	Local Independents • Family-owned • Local markets • Outside supply chains • 'Lifestyle' businesses • Traditional sectors • Own retail outlets	Growth-focused Independents • Proactive about growth • Trying to access retailer supply chains • Emphasis on NPD • Hamstrung by compliance with laws and regulations
The Multiple Dependants	• Reactive Multiple Dependants • Supply large retailers • Disparity in relations • Lack resources to respond effectively • Caught on back foot	Proactive Multiple Dependants • Supply large retailers • Emphasis on NPD • Equity in relations • Bespoke products, niche markets
The Innovators	Independent innovators • Market or category leaders • Team-based businesses • Premium value products • Emphasis on NPD and new markets • Long term relationships with customers	Subsidiary innovators • Plant production • Rely on head office for NPD and new market development • Innovative responses to market needs • Rely on scale of operations to compete

The sample set of firms interviewed showed a fair spread across the three patterns of growth identified in the research (see Fig 5 below). However, one clear distinction separates the first group from the second and third grouping. The first grouping of firms *do not* supply the large retailers, whereas the second and third groupings *do*. This distinction captures the key difference among firms in the industry – whether or not they provide products into the major multiple retailers.

Implications from patterns of growth

Developing a model to determine patterns of growth in the food and drink sector has helped to identify that businesses within the three groups have somewhat different characteristics and engage in different types of activity. For example, many of the *Local Independents* tend to be family-owned businesses operating in local markets. By contrast, the *Multiple Dependants* servicing the multiples operate in national markets, have more developed management systems and have a different scale of operation.

In addition, the different motivations and barriers/challenges faced by firms at each level of growth demonstrate a set of requirements and needs which are different for each of the different patterns of growth. The *Independents* were more concerned with securing a source of income for their family or simply to sustain the business. On the other hand the motivators driving the growth of *Multiple Dependants* and *Innovators* were centred around growing the business, increasing turnover, improving profits and the 'size' of the business. This implies that different support strategies are required to engage with firms in and across the three types of growth patterns.

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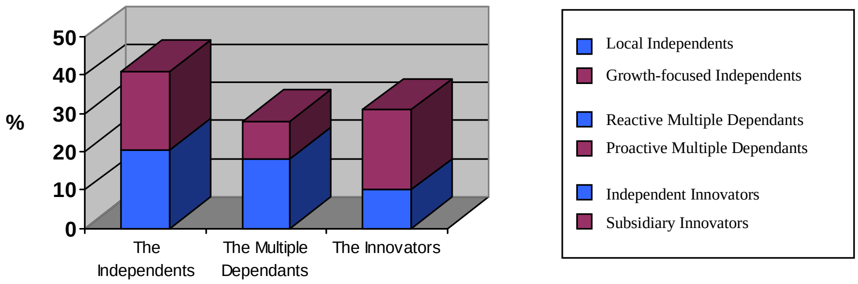

Fig 5: Fit of firms with growth patterns

Issue 2: Business development challenges

Analysis of the data has highlighted that firms from across all three patterns of growth have experienced, to varying degrees, five key business development challenges. This section outlines these business development needs and associated challenges.

1. Dancing with multiples

The key challenge mentioned by one business in two was the difficulty and pressure of dealing with the large multiple retailers. In many cases businesses were reactive in dealing with the retailers. For those businesses that noted that 'dancing with the multiples' was a key driver in the development of the business, a number of firms interviewed commented about why this was so:

- pressure on margins was forcing firms to find additional cost reductions and production efficiencies, to pass on savings to their large retail customers;
- the rationalisation of supply chains by the large multiples was making it more difficult to retain supply contracts;
- pressure from the multiples created a major shift away from product brands to own (private) label goods, causing firms to 'lose control of their market'.

As a result some businesses have consciously decided not to extend their market into the multiples, the 'hassle factor' in dealing with the multiples being the major stumbling block. On the other hand some firms have developed positive relationships with retailers either directly, or through agencies such as the FTC, Newcastle University or other brokering agencies.

Many of the interviewed firms noted that without new markets, new products and new ideas firms in the food and drink industry would simply lose their competitive edge.

2. New Product Development

Given the importance placed on new product development by the large multiple retailers it was not surprising to find that 68% of the interviewed firms raised new product development (NPD) as a key challenge in developing the business. Discussions with the interviewed businesses revealed that there are varied descriptions and applications of NPD in food and drink businesses, including new products, new applications of existing products, product extensions, and new product processes.

This variety of meanings for NPD, and applications of NPD in the business results in a number of different problems, including:

- Difficulties in diagnosing the impact of NPD in the business, both in terms of overall cost and contribution to revenues.
- Difficulties in allocating sufficient resources and time to NPD given the demands of existing production needs.
- Lack of resources (e.g. testing facilities) or lack of know-what (market intelligence) and know-how (incorporating NPD as an integral business function).

The interviewed firms indicated that NPD was an important part of differentiating their products in the market place, but required a proactive management approach to ensure that it was well managed as a central part of the business. Without rigorous systems, R&D costs could spiral out of control. In producing a particular snack product, one company used 3 different bakers, various sources of flour and spent 2 years in development time bringing the product to market. And this while still 'having a business to run'.

3. Brands versus private label

The challenge firms have in finding markets, building and managing brands, and taking advantage of strategic opportunities in the market lies at the heart of the challenge for the food and drink sector in the North East. Many of the interviewed firms and sector commentators noted that without new markets, new products and new ideas firms in the food and drink industry would simply lose their competitive edge.

The key business development challenge in the market place was not only about brands versus private label. Many of the smaller firms during the interviews noted that finding new markets to reduce their reliance on single customers was a key problem. Businesses lacked the resources to generate a profile for their products to open up new market opportunities, to know how to test demand in new markets, and improve market presence and market penetration.

4. Access to Finance

Lack of finance among small and medium-sized enterprises in the food and drink sector featured as a constraint to growth among 18% of the interviewed firms. It was also raised as a key concern in the focus group discussions on promoting growth in the sector. Specific problems included:

- Lack of sufficient working capital to develop production in order to meet large volume orders from customers.
- Lack of finance to fund new product development – no capital for test facilities, prototyping, mini production tests and for recruiting skilled NPD people.
- Lack of capital for new production facilities, equipment and technology for expanding the business.

The interviews highlighted that food and drink companies had different financing requirements at different points along the business development cycle. When firms *started up*, in most cases the owner-manager's capital base was normally sufficient to fund the initial growth of the business. When larger in size, the business required larger investment, and found that venture capital funding or bank finance was often more difficult to secure. During the *early stages of growth*, firms usually relied on bank overdrafts and debtor financing to cover their financing needs. A number of the smaller firms had difficulty in securing finance in this phase as they battled to successfully work through the process of complying with the requirements set by the finance institutions.

5. Managing the growth rollercoaster

Managing the business through the growth rollercoaster was identified as a key constraint for three quarters of interviewed firms. The growth problems experienced by firms were varied in nature, and included:

- managing the transition of the business from an owner-managed business to a team-based management structure;
- complying with government regulations;
- changing the management style of the leadership team;
- improving production processes and technologies.

Over 50% of the businesses interviewed were family-owned businesses. Of these, almost a third raised succession in the management of the business as a key issue. In some of these businesses, the problem of succession meant *"finding the right people and the right time to ensure the transition was smooth"*. In others, continued family involvement was not always a foregone conclusion as sometimes the children were not interested in the business or family members didn't have the management capabilities to handle the future growth of the business.

Aside from functional capabilities, managing the "growth rollercoaster" in food and drink businesses also involved dealing with some specific issues, related to the capabilities of the owner-manager, the management team and the employees in the business:

5.1 Managing the people
The 'lack of skilled people' was highlighted as a major barrier in growing businesses in the sector. Many firms referred to the lack of skilled labour in middle management and supervisory roles, and in more specialised activities such as food technology, electronic supply chain management and business to business (B2B) e-commerce.

Aside from the difficulties in attracting graduates and skilled technical staff, many graduates were considered 'too green' to fill key vacancies. Despite this, interviewed firms highlighted the need for more student placements in companies as a vehicle for alleviating the skills shortage in the longer term.

5.2 Managing the business
In some businesses, business development was considered synonymous with people development. For many this meant that growing the business relied heavily on the management capabilities of the firm. Business success required not only managing the functional aspects of the business, but also leading the business with vision, passion and the commitment to succeed.

Since many of the owner-managers felt they did not have the time to step outside the business for formal training, a number of firms stressed the importance of networking among owner-managers in the sector, to share experiences and learn from each other. A number of the more experienced owner-managers also mentioned that growing the management capabilities of the business also meant recognising the need for bringing people into the business to grow the business.

5.3 Managing the future
Growing the business also involved being proactive about managing the future. The interviews indicated that firms recognised the need to develop their strategic awareness capabilities in terms of understanding where the food and drink industry was heading, which growth strategies were driving the retailers, and what patterns in consumption were going to affect future growth prospects in the sector.

The interviews also highlighted that many of the smaller firms felt they were so engrossed in dealing with day-to-day management issues that they had little time for 'being strategic' about the growth prospects of their businesses. In some cases this involved recognising that the current management capabilities of the firm did not have the skills for this. Some of the interviewed firms recognised this, and used external consultants or non-executive directors to help steer the business in the right direction.

Issue 3: Use of business support services

The interviews provided an opportunity to explore the type of support used by firms in the sector, and found that a significant proportion of the firms interviewed (68%) had used some form of business support in the past.

Figure 6 below summarises the sources of support services used by food and drink companies. Firms used support services to address a range of different 'how to' needs and requirements, and used a variety of services, ranging from informal networking to formal training, advice and consultancy.

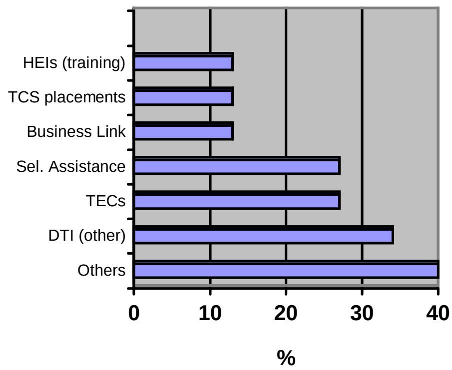

Fig 6: Usage of support services

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Overall, the vagueness with which firms referred to the support network seems to indicate that there may be a lack of coherence in service delivery. A number of the interviewed firms spoke in generalities in describing their experiences of using support. Use of support was generally ad hoc, arising either opportunistically or where a specific threat or problem required solving.

Issue 4: Levels of integration in the sector

Previous research on clusters done by the Foundation in County Durham found that food companies were clustered around two geographic concentrations in the county. One group was clustered around Consett, and another group was based in East Durham, particularly on the Seaham Grange Industrial Estate. These groupings were dominated by very successful specialist manufacturers of niche products. These companies worked together for a number of reasons, and achieved positive benefits from collaborating, including:

The research found that co-operative relationships worked where the companies had common, but not overlapping or competing interests. Open relationships were also based on co-operative attitudes and willingness among the firms.

- Using a common distributor/logistics firm to deliver products to the same customer, deliver combined products or to produce full loads to avoid increased costs from partial/small loads.
- Developing common product packages by combining their products to offer a more complete package, e.g. two snack producers jointly developed a 'Christmas pack,' for their retail clients.
- Informal sharing and exchanging of 'favours' involved information exchange, borrowing and sharing equipment, experiences and contacts.

The research found that these co-operative relationships worked where the companies had common, but not overlapping or competing interests. Open relationships were also based on co-operative attitudes and willingness among the firms. Greater value was achieved through building a relationship rather than competing individually. However, clustering relationships were not effective where neither party demonstrated a willingness to compromise, and there was a perception that no benefits and increased competitiveness arose from the relationship.

The research data further suggests that there is little regional coherence and integration among firms in the region. However, efforts to build a speciality foods network to help speciality food businesses access markets in the South East are underway. Another collaborative project on a North-South logistics hub is being explored to share loads, engage in piggy-backing and back-hauling to generate economic order quantities for smaller food and drink producers. The FTC/EPICC food manufacturing good practice roundtables offer a forum in which to share experiences, learn from each other and explore opportunities for closer linkages.

4. Mapping support services

Mapping the provision of services to the sector against the key business development challenges helped identify current overlaps, gaps and concentrations in service delivery. The type of service provided ranged from general business development advice and training, to technical support in technology transfer, specialist support for improving manufacturing processes, marketing advice and consultancy, to student placements.

Mapping provision vs. need

The research found a number of gaps, overlaps and concentrations in current service provision, and indicates that there is a plethora of support for helping firms deal with various aspects of the growth rollercoaster and new product development. In contrast, there is a relative lack of support for helping firms deal with access to finance, dancing with the multiples, and managing brands/developing new markets.

Many of the firms in the Multiple Dependants category commented on the need for support in engaging and managing their relationships with the large retailers. Those Independents who were trying to access retailer supply contracts felt ill-equipped for taking the step of gearing up their businesses to supply the retailers. They simply lacked the requisite 'how to' skills and capabilities to engage with the retailers, and also struggled to articulate their needs clearly.

Given the dominance of the large retailers in the food and drink sector, the lack of direct service provision to support firms through the process of engaging the retailers was noted as a key gap. Specialist agencies such as the Food Technology Centre (technology, training, legislation), EPICC (manufacturing processes), the University of Newcastle (marketing, agriculture), and the Foundation (business development) provide services which do address *some* of the development needs in the sector, but not all.

Private sector support

A range of private sector support providers deliver important services to the food and drink industry. Many of these services assist with the technical, logistical and technological requirements of food and drink firms, and include services such as refrigeration, design and construction of production plants, packaging, recruitment agencies, a broad range of specialist suppliers providing product flavours, fragrances and ingredients, general business services including lawyers, banks, business development consultancies, and marketing and advertising agencies, and logistics and distribution hauliers. At this stage the extent of the overlap or complementarity between private sector and public sector services is not fully known, and requires further investigation.

5. A segmented approach

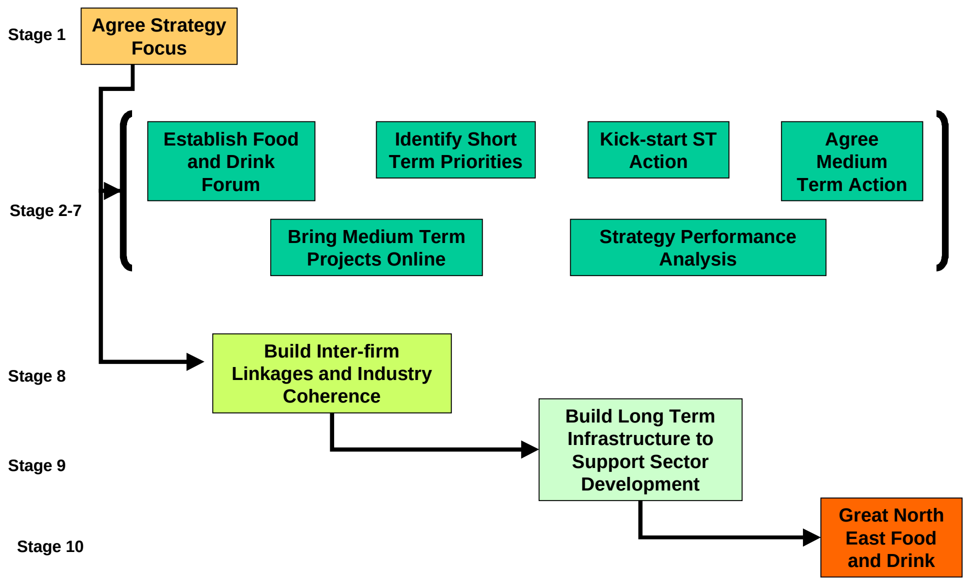
A comparison of the demand-side and supply-side highlights a number of key issues in terms of developing a strategy to support business development in the food and drink sector.

Firstly, the three patterns of growth identified in the research, and the differing needs of firms within each of the levels of growth, allude to the need for a more differentiated approach in developing and delivering support to the sector. Although five key business development challenges are covered in this report, it is critical that the responses provided in the sector strategy are shaped around the *differing* needs of businesses. This requires a more flexible approach to service delivery. The categorisation of firms into *three distinct patterns of growth* suggests that a two-tier system of targeted support for the food and drink sector could be developed. One level of support could be designed and delivered to the first tier of segmentation known as The Independents as their business development challenges are generally different in nature, scope and scale to those in the second and third levels of firms, i.e. The Multiple Dependants and The Innovators.

This segmentation is based on the structure and dynamics of the industry. The dominance by the large multiple retailers was consistently raised as a key structural factor by firms in the interviews and focus groups. This dominance inferred a certain 'logic' that supplying the multiples required a level of 'size' in the business, both in scale and scope. As this could be perceived to exclude smaller businesses, targeted support could be provided to help firms through the 'scaling up' process in order to move into supplying the large retailers.

Hence firms need help with accreditation for entry into retailer supply chains – quality and safety audit systems, regulation compliance, coping with the unpredictable demands of the retailers, and achieving the required scale in the business. Alternatively, small firms could also be assisted to develop 'non-multiple' markets, e.g. farmers markets.

Although five key business development challenges are covered in this report, it is critical that the responses provided in the sector strategy are shaped around the differing needs of businesses.



Sectoral support strategy implementation process

On the other hand, another set of strategies is required to help existing suppliers to deal with the rigours and complexities of serving the multiples. This could involve helping firms:

- to grow their NPD resources to cope with market demand for differentiated products;
- to improve the management capacity in their businesses to deal with the demands of growing a food business.

The sector strategy has been grounded in understanding the three patterns of growth in the industry, the five key business development challenges facing firms in the sector, and by determining the types of demand-sensitive responses required to deal with these challenges.

6. Five key areas of action

The Sectoral Support Strategy proposes a set of actions that are grounded in a *phased approach* to implementation. It recognises that not everything can be achieved at once. In summary, it covers the following themes, each of which require a set of actions delivered over the short, medium and long term:

- ***Establishing an Industry Action Group:*** to provide industry leadership and direction in implementing and guiding the strategy.
- ***Managing the dance with multiples:*** to provide a package of support to help firms improve their relationships with the multiples, improve distribution channels and encourage experience exchange.
- ***Developing innovative products:*** a package of support to help firms develop and improve their NPD processes and capabilities, and gain better access to NPD capacity.
- ***Strategic marketing support:*** helping firms understand how to access new markets, use market information to inform the growth of their businesses, and gain access to new markets through collaborative action (e.g. speciality foods).
- ***Developing management capabilities:*** a tailored business management development programme to improve the capabilities of owner-managers to manage the growth rollercoaster.
- ***Developing people capabilities:*** providing support to build the management and technical capabilities of middle managers, supervisors and young managers in food and drink businesses.

Industry leadership

The actions required to implement the Food and Drink Sectoral Support Strategy require proactive industry leadership. As a result of the strategy development process initiated by this project, an industry Action Group (IAG) has been established, consisting of leading industrialists in the sector from throughout the region, across the food supply chain, and from large and small businesses. This Industry Action Group (IAG) will provide oversight, industry leadership, and monitor the implementation of the sector strategy.

Virtual portal

By housing available support from the various centres of excellence throughout the region on a single internet hub, food and drink companies will be able to access a variety of services from a single point. A virtual centre of excellence will allow for the rapid diffusion of innovation and best practice, easily promote collective action and establish effective networks for knowledge sharing, capacity building and technology transfer.

Actions summary

Key to the implementation of the actions outlined below is the establishment and adequate resourcing of a *'Food and Drink Forum'* supported by an industry-led Industry Action Group.

It is critical that the sector buys into the vision, strategy and actions outlined in the Sectoral Support Strategy, and acknowledges the private and public sector partnership approach proposed to drive forward the implementation process. Secondly, it is critical that the Industry Action Group is afforded adequate resourcing and recognition from One North East as *the* forum through which to deliver the sector strategy.

It is critical that the sector buys into the vision, strategy and actions outlined in the Sectoral Support Strategy, and acknowledges the private and public sector partnership approach proposed to drive forward the implementation process.

Given the need for *prioritisation*, the table on the opposite page provides a framework for initiating a set of immediate actions, based on the priorities identified by the industry itself through the research. Although some of these initiatives may require more time, this list provides a comprehensive set of actions that will meet the needs of the sector.

Sector strategy action framework

Stream	Action Themes	Lead Organisation	Time
North East Food and Drink Forum	**Resourcing a co-ordinating function** Establishing a forum (regional partners) with secretariat and an industry-led Action Group to guide and co-ordinate strategy implementation.	One North East	Mar 2002
Creating a virtual portal	**Creating a 'first-stop' internet hub** Housing a virtual centre of excellence (regional portal) to access support for the industry from a single point.	One North East	Apr 2002
Managing the dance with multiples	**Improving relationships with the multiples** Technical assistance, e.g. mentoring schemes, best practice workshops, and consultancy.	One North East Food Technology Centre Newcastle University	Jul 2002
	Logistics hub A logistics hub to offer spare load capacity, back-hauling and piggy-backing. Research into the feasibility of a regional consolidation centre.	Newcastle University One North East	Jul 2002
	Clustering/experience exchange Best practice forums along with active animation by cluster experts to broker and build stronger inter-firm linkages.	Foundation, Durham University EPICC, FTC	Sept 2002
Developing innovative products	**New product development programme** Help firms develop NPD capabilities through technology transfer from the universities, NPD training and student placements.	Food Technology Centre EPICC	Jul 2002
	Technical support Technical assistance on market data analysis of market trends, production systems and processes, and NPD project management.	Food Technology Centre Newcastle University EPICC	Jul 2002
Strategic marketing support	**Marketing hub** A Regional Marketing Observatory for disseminating reports on industry trends, and co-ordinating product promotions.	Newcastle University	Jul 2002
	Capacity building Easy to use 'how to' directories of support, case studies, focused seminars and a large-small firm mentoring programme.	Food Technology Centre Foundation, Durham University Business Links, SBS	Sept 2002
	Speciality foods network Developing a regional speciality foods network to help speciality foods businesses build a regional brand for speciality foods.	Newcastle University Northumbria Larder	Jan 2002
Developing management capability	**Business management programme** Tailored business management development programmes for owner-managers in small firms, e.g. a growth programme.	Foundation, Durham University Business Links, SBS EPICC	Jul 2002
	Mentors and non-execs Support for building a network of finance institutions and business angels in the region to provide finance and mentoring support.	One North East Business Links, SBS Foundation, Durham University	Jan 2003
Developing people capabilities	**Continuing Professional Development (CPD)** Opportunities for life-long learning for supervisors and middle managers in food and drink businesses.	Newcastle University Learning & Skills Councils Food Technology Centre	Jul 2002
	TCS placements To increase the numbers of graduate placements in food and drink businesses.	Food Technology Centre Newcastle University Learning & Skills Councils	Apr 2002

7. Way forward

This report has outlined the scale and scope of the food and drink industry in the North East, identified the key business development needs and challenges of businesses in the sector, and has outlined a Sectoral Support Strategy framework for delivering support to address the key needs of business. The report has proposed a set of actions premised on the key business needs highlighted in the research:

- managing the dance with multiples;
- developing innovative products;
- strategic marketing support;
- developing management capability;
- developing people capabilities.

These five key areas for action have been endorsed by the leading industrialists who have been involved throughout the strategy development process, support agencies in the region and One North East. There is, however, a need to *resource* the Sectoral Support Strategy framework outlined in this report and ensure *expert* co-ordination and management of the implementation phases.

It is important that the implementation of the strategy is industry-led, in the sense that the industry has ownership and involvement in determining which services are delivered to meet their needs.

We propose that immediate attention be given to the *short term priorities* highlighted in the Table on the previous page. Where the proposed services are already being delivered, duplication should be avoided at all costs. Instead, existing programmes and agencies should be appropriately resourced and scaled up to improve and expand their delivery capabilities to meet the needs of the region. Where new initiatives are required, these should be collaboratively discussed and agreed between One North East and industry representatives serving on the Industry Action Group. Implementation should be delegated to capable delivery agencies and monitored by the Industry Action Group.

It is important that the implementation of the strategy is industry-led, in the sense that the industry has ownership and involvement in determining which services are delivered to meet their needs. If not, the strategy will become just one of many supply-side initiatives which never resolve the key challenges facing the industry.

Of the actions outlined in the Sector Strategy Action Framework, it is proposed that in the short term implementation should focus on:

- Establishing a North East Food and Drink Forum.
- Supporting the speciality foods network, Northumbria Larder.
- Continuing the provision of qualified graduates to the industry via the TCS programme.
- Providing specialised training for supervisors and middle managers.
- Providing expert technical support to businesses to assist with new product development.

A strategic core of firms are committed to supporting One North East in ensuring that the sectoral support strategy is implemented. However, this commitment by the private sector is tempered by the expectation that One North East will demonstrate its support for the sector through *actions* and the implementation of the recommendations from the Sectoral Support Strategy Project and the mapping exercise. To ensure that this willingness and support is maintained, One North East should deliver a number of clear, tangible activities within the immediate future. Empty promises will not be tolerated by a sector which has invested considerable time and energy in developing a strategy which meets its needs.

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