

Closer to customers



Sainsbury's
live well for less

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Welcome



What do our customers value and expect from us? How can we understand these things better than anyone else? The answers to these questions have helped Sainsbury's to provide great quality food at fair prices for 146 years. And we never stop asking these questions, because the closer we get to our customers, the better we are able to meet their needs and grow our business.

Understanding the values which influence our customers' shopping choices also allows us to have a much bigger impact when we talk about our own values and achievements. So in 2012, one year on from the launch of our *20x20 Sustainability Plan*, we carried out research to see how consumer behaviour had changed in the post-recession shopping era, hoping, as always, to gain greater insight into their values and expectations.

Our findings showed that a challenging economic environment had triggered a set of new, positive shopping behaviours across all socio-economic groups. These 'new-fashioned values' meant that as well as great value, consumers were found to be seeking quality, integrity and sustainability from their supermarket. In short they still expected us to 'do the right thing' when it came to managing supply chains and contributing to local communities.

Two years later, we asked over 5,000 consumers a new set of questions to find out what corporate responsibility issues were particularly important to them personally. This report details the values consumers prioritise, the motivations which influence where they shop and which products they buy. We hope it will enable us to identify areas where we can help our customers to live their values, by being the retailer they most trust to help them achieve this in practice.

We're conscious that corporate responsibility is a fast moving and complex agenda which our customers expect to have a dialogue with us on. Our *20x20 Sustainability Plan* brings together our broad range of stretching commitments to social and environmental responsibility. As we approach the half-way point of our *20x20 Sustainability Plan*, we are working to review our commitments to ensure we meet our customers' expectations and support their values – just as we have done for the past 146 years.

Judith Batchelar
Director, Sainsbury's brand

A handwritten signature in black ink, appearing to read 'Judith Batchelar'. The signature is fluid and cursive, with a small dot at the end.

We manage a complex economic, social and environmental value chain, with 24 million customer transactions each week, delivered by 161,000 colleagues and over 2,000 direct supplying sites in over 55 countries.

Our values underpin this value chain at every stage, helping to differentiate us from our competitors and meet the expectations of our customers, colleagues and suppliers around the world. They are integral to our long-term strategy for growth (see figure 1) and make good business sense. They are at the heart of our business operations.

Today, many of our customers are carefully watching their household budget, and are faced with more choices about how and where to shop. Our commitment to knowing our customers better than anyone else is therefore one of our top priorities and includes an in-depth understanding of their attitudes toward our values. This will help us continue to deliver great quality products and services at fair prices, while achieving our environmental and social goals.

Our Strategy

Figure 1



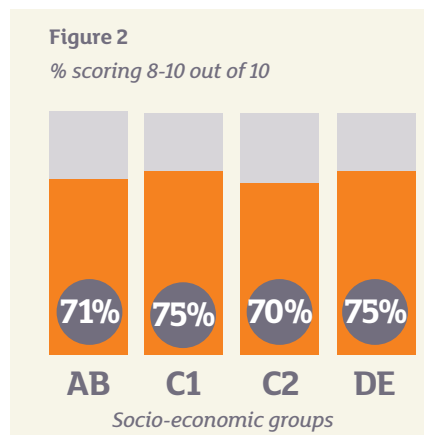
Our five values

- Best for food and health
- Sourcing with integrity
- Respect for our environment
- Making a positive difference to our community
- A great place to work

Consumers expect businesses to operate in a responsible manner. Our 2012 *New-Fashioned Values* research, carried out during the recession, showed that consumers strongly believe in the importance of 'doing business in a responsible manner'. At least 70 per cent of the 2,500 consumers we surveyed marked it as very important (scoring it eight out of 10 or higher), irrespective of their socio-economic group (see figure 2).

Our findings also indicated that many consumers were re-discovering the shopping and cooking habits of the past, and re-purposing them to suit their value-driven aspirations. The report demonstrated that consumers were increasingly sophisticated in their choices, considering decisions more carefully while looking to balance 'value' with 'values'.

Importance of 'doing business in a responsible manner'



Furthermore, our bi-annual surveys of over 1,500 consumers have helped us regularly understand which corporate responsibility issues consumers believe supermarkets should address in priority order. For the past three years they've consistently emphasised the following: being fair to employees, reducing waste, clear food labelling, fair treatment of suppliers and supporting British producers (see figure 3).

Results over three years from our corporate responsibility survey

Figure 3

	August 2012	August 2013	August 2014
<i>Being fair to employees</i>	1	1	1
<i>Reducing waste</i>	2	3	2
<i>Clear labelling on sugars, fats and salt in food</i>	5	4	3
<i>Fair to suppliers in both the UK and abroad</i>	6	5	4
<i>British products/farmers</i>	3	2	5

To add to our existing understanding of what consumers believe a supermarket should address, in 2014 we commissioned some additional research to identify which corporate responsibility activities (i) have the most personal importance for consumers and (ii) influence where they choose to do their supermarket shopping. We showed over 5,000 people a list of 27 different statements and asked them to rank them according to each of the two perspectives. This research enriched our understanding of what is most important to consumers.

When we compared these results to our existing corporate responsibility survey, we found that many of the themes were consistent (see figure 4). However, food waste and British sourcing were of heightened importance when consumers answered according to what was personally important to them, or what would influence where they shopped. When asked in regards to personal importance, wasting as little food as possible came top for consumers, followed by treating British producers fairly and sourcing British food. These areas also ranked very highly when it came to what influenced where consumers decide to do their grocery shopping.

Comparing our research to our existing corporate responsibility survey

Figure 4

Bi-annual corporate responsibility survey (over 1,500 consumers)

Q. On a scale of 1-5, how important, if at all, do you think it is for a supermarket to address each of the following issues? (Top five answers – August 2014)

- | | |
|--|---|
| 1. Being fair to its employees | 4. Fair to suppliers, both in the UK and abroad |
| 2. Reducing waste | 5. British products and farmers |
| 3. Clear labelling on sugars, fats and salts in food | |

Closer to Customers research (June 2014 – over 5,000 consumers)

Q. We are going to show you a list of statements and we would like you to think about which of these is most important to you personally. (Top five answers)

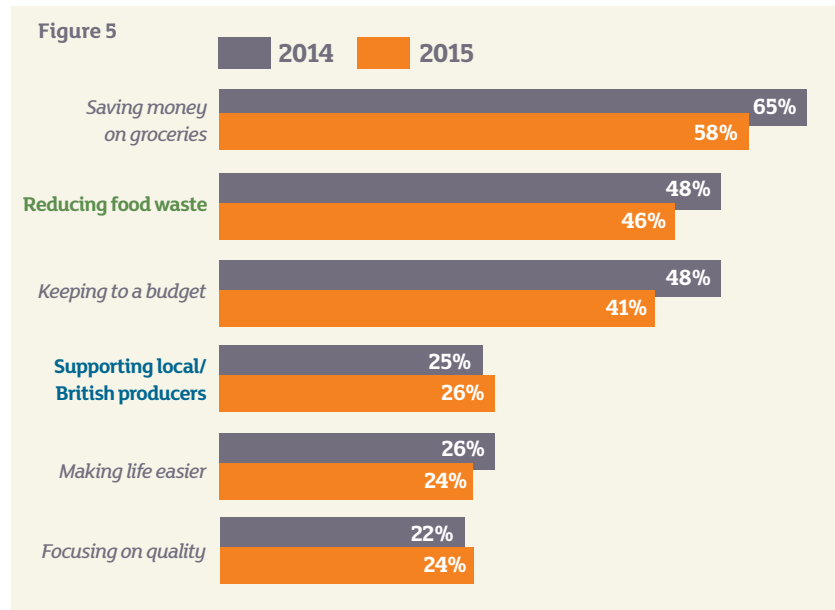
1. That I waste as little food as possible
2. That British food producers are treated fairly and paid fair prices
3. That as much food as possible that I buy is sourced from Britain
4. That I know where British food comes from and that it is fully traceable
5. That British farmers and growers are supported and helped to develop sustainably

Q. We are now going to show you a list of statements describing things that a supermarket could do. We would like you to think about which of these is most important in influencing where you would decide to do your grocery shopping. (Top five answers)

1. Sourcing British food
2. Treating British producers fairly and giving them a fair price
3. Knowing where our British food comes from and ensuring it is fully traceable
4. Helping customers to waste less food
5. Investing in and supporting British farmers and growers; helping them develop sustainably and efficiently

Food waste and British sourcing have consistently been in the top five of our bi-annual survey, and now our most recent research has confirmed their importance to consumers. These findings are also supported by a recent IGD Shopper Vista survey, which shows that reducing food waste is a top priority for consumers, while supporting local/British producers is an issue of noteworthy and growing importance (see figure 5).

Main priorities for food and grocery shopping in 2015¹



Source 1: IGD Shopper Vista, 'Shopper Trends Q1 2015', (February 2015), page 8. Available to members via: <http://shoppervista.igd.com/Hub.aspx?id=64&tid=19&pid=490>




When we dug a little deeper to understand the motivations behind why consumers ranked corporate responsibility activities in this way, we found that those which were ranked most important typically impacted our respondents on a day-to-day basis. In essence, consumers prioritised activities in order of those that affected them and their family first, then their local community, and then the wider world.

We observed that activities that have a direct influence on household budgets or health took precedence over issues that affect consumers less directly. For example, supporting British farmers and producers consistently ranked higher than supporting international farmers and producers because of the more immediate relevance of supporting the local and national economy. As one consumer put it: *“Whilst this is an important issue, I was trying to answer with things that affect me and my family on a daily basis.”*

By understanding this consumer lens, a pattern we have come to call ‘me, my world, wider world’, we believe we can better reflect the values held by consumers. We are also able to engage with them more effectively on the issues they feel are the most personally pressing, and influential when deciding where to do their grocery shopping.



This report will explore the top three values ranked by consumers according to what is most important to them personally:

-  1. Consumers wasting as little food as possible
-  2. Treating British producers fairly
-  3. Sourcing British food

1. Consumers wasting as little food as possible



Research from the Waste & Resources Action Programme (WRAP) shows that consumers generate 4.2 million tonnes of avoidable food waste each year. This doesn't just have an environmental cost, as the average UK household with children spends £700 per year on food that could be eaten, but is instead thrown away. In fact, household waste now accounts for almost half the total UK food waste².

The food industry is concerned about this waste, and so are consumers. When asked to rate the importance of various responsible business activities, over a third of the consumers we surveyed (35 per cent) said their top priority was supermarkets helping them to waste less food. Breaking this down further, over three-quarters of the consumers who cited this as one of their priorities did so for financial reasons (77 per cent). In other words, they saw it as a means of managing their household budget. Or as one consumer put it: *"The cost of living is going up and my income isn't, so I can't afford to be wasting food."*

Only a small minority of consumers (2 per cent) prioritised supermarkets helping them to waste less food because they felt it would be better for the environment.



Saving food saves money

"Wasting food wastes money"



Reducing environmental impacts

"I have two children who will need a decent world to live in"

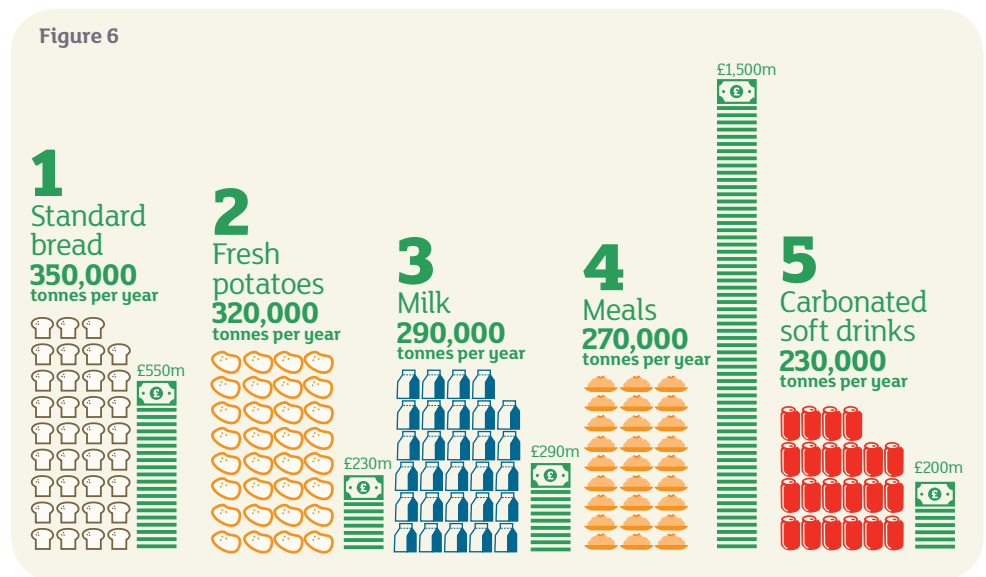
Source 2: Waste & Resources Action Programme, 'Household food and drink waste in the UK', (2012), pages 3, 8 and 9. Available: <http://www.wrap.org.uk/content/household-food-and-drink-waste-uk-2012>



How we are helping our customers to waste less food

Our research also showed that consumers are keen for supermarkets to help them reduce their food waste. This is an issue we are already addressing, but look to continue our momentum in this area as the quantity and cost of avoidable food waste remains at large for consumers in the UK (see figure 6).

The top 5 wasted foods from UK homes (2012/13)³



Over the past few years, we've introduced a number of initiatives to help reduce waste in the home. Take our part bake bread lines: we've modified the gas mix to increase their product life and changed the packaging from one compartment to two, meaning our customers need only use one loaf at a time. Similarly, our beef and lamb products now stay fresh for longer thanks to packaging improvements.

According to data from Google, searches for recipes using leftovers surged by 80 per cent between 2012 and 2014⁴. In partnership with Google, we've developed Sainsbury's Food Rescue, a mobile and online tool that helps our customers turn leftovers into tasty meals. Once they've read out or typed in the ingredients they have at home, the tool offers them relevant recipes from over 1,200 options.

Recipes containing potato have been the most common search in our Sainsbury's Food Rescue tool; while research from the Waste & Resources Action Programme (WRAP) confirms potatoes are one of the most commonly wasted food items, costing UK consumers an estimated £230 million a year (see figure 6). Sainsbury's Food Rescue also records the weight of food 'rescued' and how much money has been saved. The figures will be collated and compared across regions in the UK, helping to raise further awareness of food waste in the home.

Source 3: Waste & Resources Action Programme survey 2012/13, 'The top 5 wasted foods from UK homes, with associated value', (published November 2013).

Source 4: Data from Google Trends, <http://www.google.com/trends/>, accessed 24th April 2015.



For more about Sainsbury's Food Rescue, visit sainsburysfoodrescue.co.uk

2. Treating British producers fairly



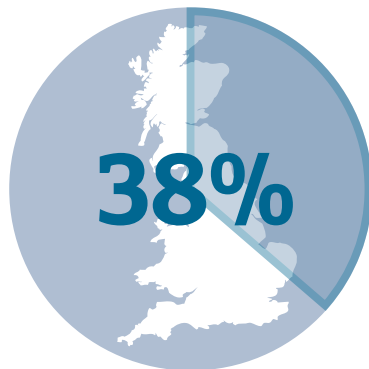
Each month the Department for Environment, Food & Rural Affairs (DEFRA) produces farming and food briefs covering food prices and the market context for UK agriculture. In January 2015, DEFRA reported that the average UK farm gate milk price was 22 per cent lower than the previous year, reflecting low dairy commodity prices worldwide⁵. Challenging economic circumstances for British dairy farmers is not a recent issue, with the number of dairy farms in England and Wales falling by 37.7 per cent between 2003 and 2013, according to figures from DairyCo⁶. In our consumer research, treating British producers fairly was the second most frequently prioritised corporate responsibility activity.

Moreover, 44 per cent of consumers who prioritised the fair treatment of British producers consistently told us that supermarkets should pay producers a decent price for their products, and ensure we respect and reward farmers in order to encourage British production. As one consumer put it: *“For farmers to invest in sustainable, environmentally-friendly farming and promote animal welfare, it is essential they get a fair return for their work.”*



Fair prices for produce

“British producers work hard to provide food and should be given a fair price for their goods”



Our economic future

“We need to retain a strong and efficient food industry in this country”

Source 5: Department for Environment Food and Rural Affairs, 'Farming and Food Brief' (February 2015), page 7, www.gov.uk/government/uploads/system/uploads/attachment_data/file/409703/foodfarmbrief-06mar15.pdf

Source 6: DairyCo, 'Dairy Statistics: An Insider's Guide', (September 2014), page 10, www.dairyco.org.uk/resources-library/market-information/dairy-statistics

A key finding from this research was that more than a third of the consumers who prioritised the fair treatment of British producers did so because they believe it will help to future-proof the economy and contribute to 'giving employment to those in our own country' (38 per cent). This is an emerging theme, one that stems from consumer concern over the future security and sustainability of home-grown produce. Concerns about the treatment of British producers represents the 'my world' mind-set of our 'me, my world, wider world' model. Consumers believe it is important to support 'my world' by helping to make the local economy resilient and competitive both now and in future.

The other primary motivation recognised the importance of paying producers a fair price (44 per cent). This is already a key principle for Sainsbury's, wherever we source from.



How we are treating our British producers fairly

We have a close relationship with our fresh milk farmers. Collectively they're part of what is known as the Sainsbury's Dairy Development Group (SDDG), and since 2008 we've been holding regular meetings with them across the UK.

Following a majority vote in 2012, our SDDG farmers now benefit from a Cost of Production model, which aims to ensure their long-term sustainability and profitability. Milk prices are reviewed every three months to account for the volatility of farmers' costs for feed, fuel and fertiliser, ensuring they receive a fair deal. Bonus payments are also offered for outstanding animal welfare and environmental standards.

Data from each farm is collected by independent consultants, and the results are presented back to the farmer as a scorecard that identifies areas for improvement, with advice on how to implement the suggested changes. Some of our farmers have achieved higher yields per cow by using feed more efficiently, or by managing their fertiliser and manure applications differently.

It's important to note that the price we charge our customers for milk is not a function of the price we pay our farmers. We must remain competitive, but when we drop the price of milk to match our competitors' prices the cost of doing so is not passed on to our dairy farmers. We've also spent nearly £60 million over the last eight years on vets and other assistance for our farmers, because like the consumers we surveyed, we believe that support for British producers is an essential part of any sustainable supply chain.



To find out more about our Cost of Production model, visit [j-sainsbury.co.uk/milkcop](https://www.j-sainsbury.co.uk/milkcop)



One of our Sainsbury's Dairy Development Group farmers



The 2015 Annual Conference of the National Farmers Union was themed ‘backing British farming in a volatile world’⁷. This sentiment was in part reflected in the results of our own research. When we asked consumers which values were personally important to them and why, ‘Sourcing British food’ was the third most important activity to them overall. Furthermore, sourcing British became the top priority when we asked consumers which values would influence where they would do their grocery shopping. The primary reason for this was the traceability of food and knowing its source (53 per cent). A quarter of consumers (25 per cent) cited the fact that buying British shortened the food chain, reducing food transport miles and our carbon footprint. Just over a fifth (21 per cent) felt British sourcing ensured fresher or better quality food with more flavour or better taste.

One consumer said: *“I would like to think that by buying locally produced/UK produced food there is less impact and subsequent carbon emissions in producing the food I buy.”* Another claimed they would prefer to buy British food even if it meant less choice.



Traceability

“I like to know where my food comes from”



Fewer food miles

“We should support our own producers to cut down on transport of food and other goods from thousands of miles away”

In order to better understand consumers’ motivations for buying British, we also asked them about specific product types to see how this influenced their thinking. They felt British sourcing was particularly important for dairy items such as milk and eggs, as well as meat, with ‘British’ seen as a proxy for quality, freshness and traceability. As one consumer put it: “After the horsemeat scandal, I’d like to know where all our food comes from.” However, when asked about packaged food such as baked items, snacks and breakfast cereals, consumer motivations for buying British focused on issues like supporting the economy and British jobs.

By prioritising ‘sourcing British food’, consumers are demonstrating a mix of the ‘me’ and ‘my world’ mindset. Consumers personally preferred British food, identifying it with improved traceability and product quality. More broadly, sourcing British food was seen to contribute to economic and environmental benefits for the agricultural supply chain in the UK.

Source 7: *NFU Conference ‘Backing British Farming in a Volatile World’, (2015), www.nfuonline.com/news/nfu-conference-2015/nfu-conference-2015-news/watch-the-nfu-conference-live/*



How we are sourcing, and investing in, British food

We believe that developing strong, long-term partnerships with our British farmers and growers is a key part of achieving sustainable and secure supply chains. For instance, our ten Farmer and Grower Development Groups help to ensure our British farmers benefit from sustainable and profitable supply chains. Since 2012, we've invested over £2.2 million in research and development projects that will directly benefit British agriculture.

We also co-chair the Government's Agri-Tech Leadership Council which is driving the strategic vision and directing investment in the sector. The strategy is delivered through the Agri-Tech Catalyst, funding leading edge collaborative research, and through the Centres for Agricultural Innovation. In both initiatives we are playing a full and active role.

One project is dedicated to improving strawberry yields in UK glasshouses, as around 40 per cent of strawberries are currently imported. We are working with East Malling Research and our supplier CPM to improve efficiency in water use, increase yields of class one fruit and reduce waste. The project will provide British strawberries, sourced with fewer food miles, while meeting consumer expectations for fresh, great quality produce. The project's focus on efficiency could be a catalyst to improve the productivity of a range of UK glasshouse growers and make sourcing British strawberries an increasingly available and competitive option.

Our research activities demonstrate how we are building on our heritage of sourcing British products, of which we have more than 1,900 in our own-brand range, while partnering with our suppliers to invest in the future of British agriculture.



To find out about the Agricultural Research and Development Grants awarded to our UK suppliers in December 2014, visit j-sainsbury.co.uk/bigdatagrants



LED lighting is another technology used by our strawberry suppliers

Our research has improved our understanding of how consumers think and feel about corporate responsibility, especially in relation to what matters most when influencing personal choices.

Ensuring they waste as little food as possible, treating British producers fairly and sourcing British food are consumers' top corporate responsibility priorities. This report has also started to reveal the motivations behind these choices. Managing household spend is the main reason why minimising food waste is so compelling for consumers. Consumers expect farmers to be treated fairly and have a desire to support the national economy when they prioritise British sourcing and the treatment of British producers. They also have positive views of traceability, fewer food miles and increased product freshness associated with the shorter supply chains.

We already have a strong legacy of working in the areas highlighted by this research. We are proud of our ten Agricultural Development Groups including our Dairy Development Group through which our farmers are paid a cost of production model for their supply of *by* Sainsbury's milk. We already offer over 1,900 British own-brand products, and are engaged in a number of research projects to source more British produce, at competitive prices and with good environmental stewardship, both now and in the future. Our **Love your leftovers, Make your roast go further, Love your freezer** and **Food Rescue** campaigns have also helped to inspire our customers with ideas to reduce food waste in the home.

With the clarity provided by this research, as well as technological advances and relevant collaborations, we have an opportunity to further develop our work in these areas. An early example of how we have used the insights from this report is our new corporate responsibility communications in our supermarkets. In April 2014 we updated our messaging to display a number of large posters highlighting our British credentials in prominent locations, such as behind our checkouts. This is one improvement to the way we communicate our corporate responsibility activities to our customers.



An example of one of our posters highlighting our commitment to British producers

Our values have always been an integral part of what makes us different and we continue to look for new ways to help our customers live their own personal values, and be the retailer they trust to help them achieve this in practice. This research will also help inform our broader strategic review of the commitments in our *20x20 Sustainability Plan* to ensure we remain as focused as ever on delivering value and values for our customers, suppliers, colleagues and stakeholders.



Your feedback and ideas

We welcome feedback on both the findings of this research and more broadly our corporate responsibility plans, as we are always striving to improve, learn and hear new ideas from our stakeholders. Please get in touch by e-mailing our Head of Corporate Responsibility Sarah Ellis on sarahA.ellis@sainsburys.co.uk – we look forward to hearing from you!



Our world is changing rapidly. Forum for the Future's *Retail Horizons* research contains valuable insights for the future of retail. Some trends are fairly certain, for example the declining availability of key resources such as water, or increasing customer expectations for transparency and convenience. Other trends are less certain, including who consumers will rely on and trust to meet their daily needs and to what extent the current trend towards community reliance will develop.

One thing is clear however: to be successful in the future, retailers must develop business models, products and services that will allow them to thrive in a more sustainable world, while taking their customers with them on that journey. Our *Retail Horizons* work provides four key recommendations:

- **Prepare now for a radically different future:** understand your supply chain and business model risks, and your wider environmental and social context
- **Seize the opportunity to be a pioneer:** proactively address challenges, taking the lead in making the case for sustainability to investors and consumers, and working with others to drive collective industry action
- **Embrace change:** invest in innovation and experiment with new business models, to be better prepared for a complex and unpredictable world
- **Develop skills for a new world:** build expertise now around climate change, closed-loop manufacturing and the business models of the future.

Through its *20x20 Sustainability Plan*, Sainsbury's is already living up to many of these recommendations and responding to challenges such as climate change and rising obesity. This report reflects Sainsbury's desire to understand what really motivates consumers in their daily lives, and shows that focusing on what matters most to them can help to accelerate and reward progress toward a sustainable future.

The Sainsbury's Food Rescue tool is a great example of an innovative collaboration that delivers clear benefits to consumers while addressing the wider food waste challenge. With milk in the headlines, Sainsbury's long-term investments in the future of UK dairy farming (as well as its commitment to Fairtrade elsewhere) highlight how experimenting with financing models and new ways of working with farmers chimes with consumer support for fair treatment of British producers. Finally, Sainsbury's efforts to source British not only address business risks around security of supply, but also consumer demand for local, safe, quality and traceable food.

We look forward to seeing how Sainsbury's can use these insights to understand more about what consumers of the future might care about. It will help them to continue to innovate, and address future challenges, while taking consumers with them on the journey.

Sally Uren,
Chief Executive, Forum for the Future

Sally Uren



To read the full *Retail Horizons* report (with the US Retail Industry Leaders Association), visit forumforthefuture.org/project/retail-horizons/overview