

Going for Growth: The Impact of Food and Drink Wholesale Distributors







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Foreword



Wholesalers are the lifeblood of the nation – from supporting high street restaurants to supplying hospitals, schools and local retailers with food, the FWD membership is

delivering for people across the length and breadth of the UK. The wholesale sector’s role in the food supply chain and driving forward prosperity has never been more important as the UK Government strives to turbo charge economic growth.

This groundbreaking research, conducted for us by Capital Economics, provides a comprehensive economic impact of food and drink wholesale, demonstrating the value and importance of the sector in improving consumer choice through its support for retailers and caterers. We are delighted to have partnered with Capital Economics again and our report looks closely at the downstream

impacts of wholesale, the net positives our industry brings and demonstrates how our members reach all aspects of people’s lives. In this report we provide an up-to-date summary of the important economic contribution of food and drink wholesale to UK PLC, setting out both upstream and downstream impacts.

In total, food and drink wholesale distributors turned over a staggering £34 billion in 2023/4, directly employing 77,000 people. Given its reach and contribution, our sector has and will play a pivotal role in driving economic growth in the coming years. We look forward to partnering with policymakers across the UK to grow our industry further while meeting the everyday challenges our members face in areas such as increased transport costs and labour shortages.

**James Bielby Chief Executive,
Federation of Wholesale Distributors**



We are delighted to present this report on the economic contribution of the food and drink wholesale distribution sector in the United Kingdom.

By connecting large food and drink manufacturers with retailers and foodservice providers, the sector plays a key role in an important value chain serving communities in all regions of the country. The retail businesses it supplies are largely small independent stores, while the foodservice providers span across a wide range of activities including hospitality, travel, leisure and the public sector.

Our report shows the full extent of the sector’s value to the United Kingdom economy, as well as identifying some of the challenges and opportunities it faces in the coming years such as increased transport costs, labour shortages and navigating the path to net zero.

In total, food and drink wholesale distributors turned over £34 billion in 2023/4 and provided direct employment for 77,000 people. Including the activity supported in their supply chains, and the retail and foodservice businesses which they serve, around 1.5 million domestic jobs are supported by the sector.

**Andy Evans
Deputy Chief Economist,
Capital Economics**

Executive summary

Capital Economics has been commissioned by the Federation of Wholesale Distributors to research and report upon the **economic contribution of the food and drink wholesale distribution sector** and to identify the challenges facing the sector. Our key findings are:

- The food and drink wholesale distribution sector is a **crucial part of a value chain** which connects large food and drink manufacturers with small independent shops and foodservice providers; the sector generated £33.6 billion of turnover in 2023/24, with £17.5 billion coming from sales to mainly small independent retailers and £13.4 billion to foodservice providers and caterers.
- Food and drink wholesale distributors directly **contributed £3.5 billion** to national output in terms of gross value added in 2023/24 and around 77,000 people are employed in the sector.
- Based on the value of supplies being provided to retailers and foodservice providers, we estimate that food and drink wholesale distributors support around **1.2 million jobs and £33 billion of value added** in retail stores and foodservice businesses across a range of sectors.
- Unlike many industries, the sector is not disproportionately concentrated in any particular region of the UK. There are **over 5,000 jobs supported** in nine out of the twelve regions and devolved nations.
- Over a **quarter of a million jobs** are supported by spending on food and drink manufacturers and other businesses in the supply chain, associated with £18.6 billion of gross value added.
- Considering the entire value chain, we estimate that the food and drink wholesale distribution sector supports almost 1.5 million jobs across the UK, **generating £57 billion** of value added to the economy annually.
- Employees working for food and drink wholesalers spend £1.6 billion annually on goods and services from businesses across the country. This supports a further **17,800 jobs and £1.3 billion of gross value added**.



Food and drink wholesale distribution is a key cog in an important value chain

Wholesale distributors connect manufacturers with retailers and foodservice providers

Food and drink wholesalers directly contributed £3.5 billion in gross value to the United Kingdom economy in 2023/24. Although a substantial contribution in its own right, this masks the key role that the sector plays in connecting manufacturers with retailers, food service providers and caterers.

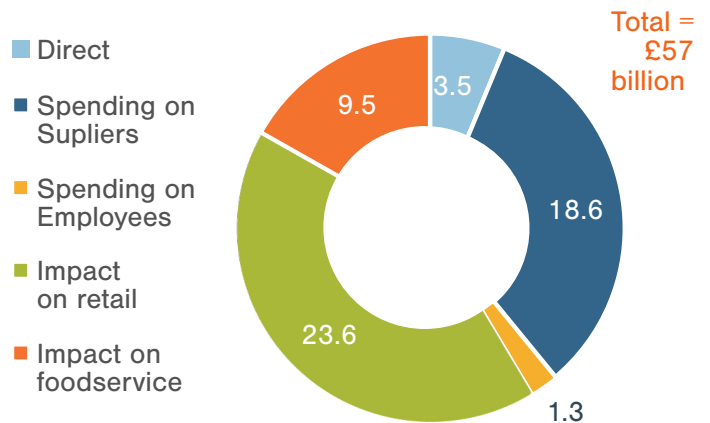
Considering the entire value chain, including impacts through the supply chain and activity in customers' businesses directly supplied by the sector, the gross value added totals £57 billion. This is more than Northern Ireland's GDP in 2022, which was £56.7 billion.¹

Over 1.5 million people employed across entire value chain

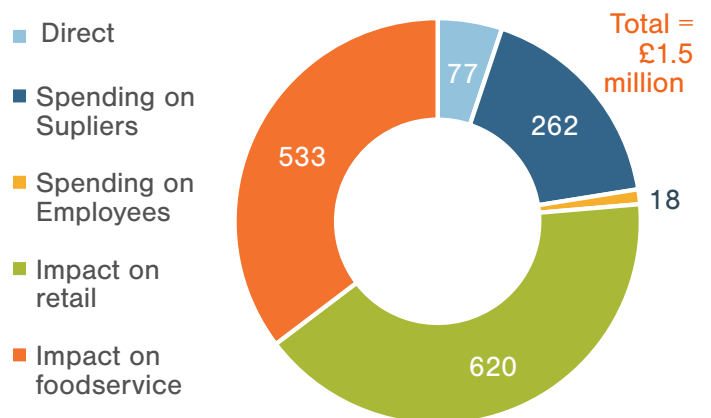
Around 77,000 people are directly employed by food and drink wholesale distributors. The overall value chain that it supports employs a total of 1.5 million people. This accounts for 4.8 per cent of all the employees in the UK and is larger than sectors such as finance and telecommunications.



Gross value added supported in the food and drink wholesale distribution value chain in 2023/24 (£ billion)



Employees supported supported in the food and drink wholesale distribution value chain in 2023/24 (thousands)



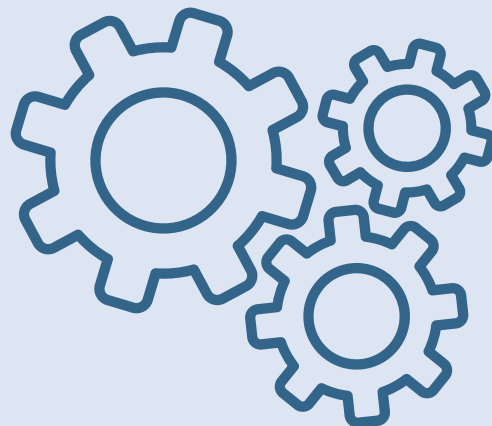
Source: Capital Economics analysis of survey of FWD members and official statistics



2. Overview of the industry

This section provides an overview of the scale, nature and current position of the food and drink wholesale distribution sector.

- The food and drink wholesale distribution sector turned over approximately £34 billion in 2023/24.
- The sector is a key cog in a large value chain which connects food and drink manufacturers and other suppliers with customers through retailers, caterers and foodservice providers.
- Retail businesses account for 52% of food and drink wholesalers' revenue, foodservice providers account for 29% and caterers account for 10%.
- The sector has a number of challenges to navigate over the next five years including transportation costs, adoption of AI and progressing towards net zero.



The structure and function of the food and drink wholesale distribution sector

Wholesaling supports 1.1 million jobs across the country

Wholesaling is a large industry in the United Kingdom, with annual turnover of over £800 billion and employing over 1.1 million people. It involves the resale of new and used goods to retailers, businesses to business trade, and the resale of goods to other wholesalers. It also includes the activities of agents or brokers in buying merchandise for, or selling merchandise to, these businesses. The range of businesses supplied spans multi-national retailers, industrial manufacturers, construction companies and small specialised stores.

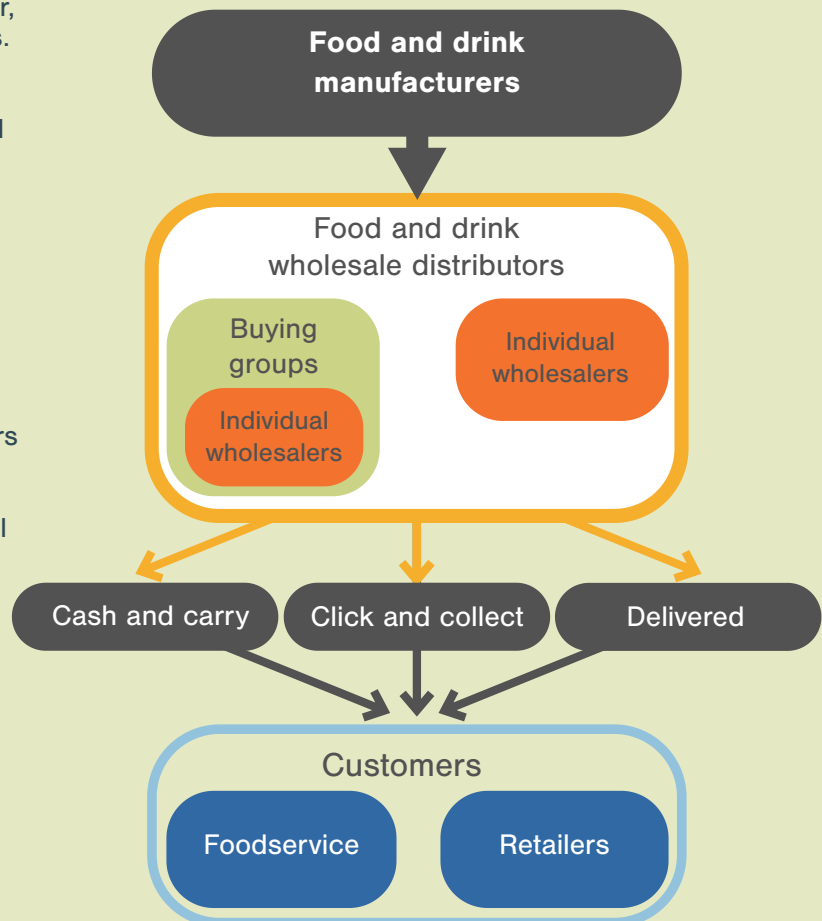
The food and drink wholesale distribution sector has an annual turnover of over £34 billion

This report is focussed on the food and drink wholesale distribution sector, which connects large food and drink manufacturers with independent retailers, caterers and hospitality businesses. It is a significant industry that supports high streets and local communities across the country.

Food and drink wholesalers buy products in bulk, selling and distributing them to smaller buyers at lower prices than they could negotiate individually. There are two business models: individual wholesalers and buying groups. Individual wholesalers operate independently, managing the purchase, sale, and distribution of goods. Buying groups, on the other hand, are membership organisations that negotiate purchases from manufacturers on behalf of all their members, which tend to be the smaller wholesale members. The members are then responsible for selling and distributing the goods.

Goods reach customers via direct delivery, cash-and-carry locations, or click-and-collect services.

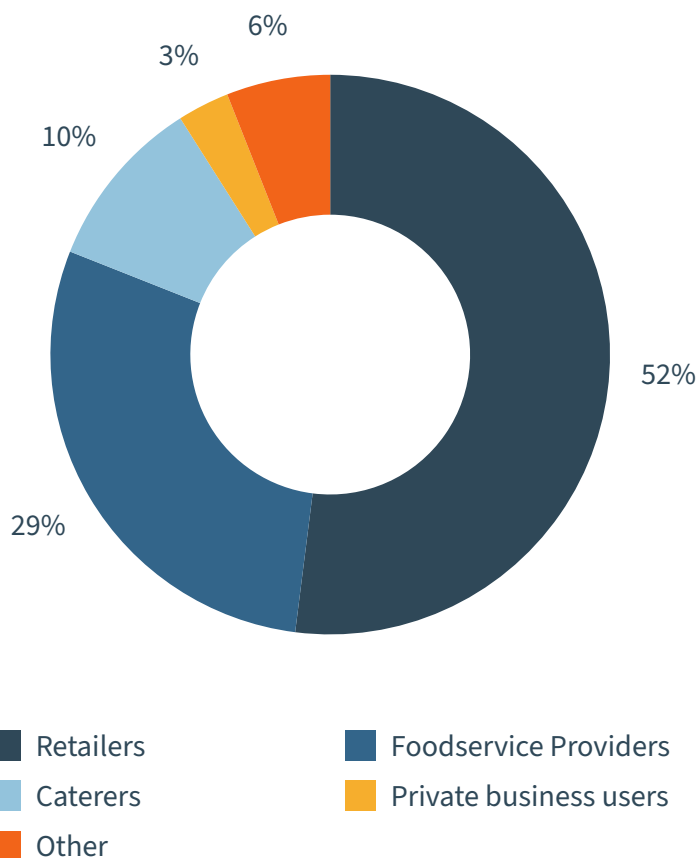
Food and drink wholesale distribution sector business model



Source: Capital Economics

Food and drink wholesale distributors supply retailers and foodservice providers across the country

Food and drink wholesale customers by broad category and revenue share in 2023/24



Retail, foodservice and catering are main revenue streams

Food and drink wholesale distributors serve a variety of customers, including retailers, foodservice providers, caterers and private business users. Most of the sector's sales go to independent businesses, which are predominately small and medium sized enterprises. An overview of the customer groups is provided below:

Retailers resell food and drink products to consumers. These are mainly independent stores, convenience stores, forecourt shops and similar outlets.

Foodservice providers prepare and serve food and drink to customers on their premises, such as restaurants or pubs. This includes businesses in the hospitality sector, retail, travel and leisure sectors. It also includes catering on a contractual basis.

Caterers supply food and drink for events, parties, or large gatherings, serving private or public-sector clients. Goods are supplied through ad-hoc delivery or cash and carry.

Private business users purchase food and drink products for internal use, such as in staff canteens or office kitchens. Goods are not bought to be sold on at a margin.

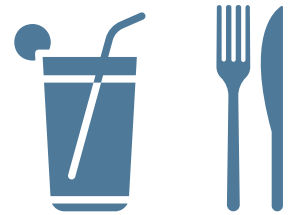
In 2023/24, £17.5 billion in revenue for food and drink wholesale distributors came from sales to retailers, accounting for 52% of the sector's total revenue. Sales to foodservice providers totalled £9.9 billion, accounting for 29%. Sales for catering businesses were £3.4 billion, accounting for another 10% of total revenue in the sector.

The impact of food and drink wholesale distribution goes beyond direct impact – it is a crucial cog in a much larger value chain **supplying communities across the country**

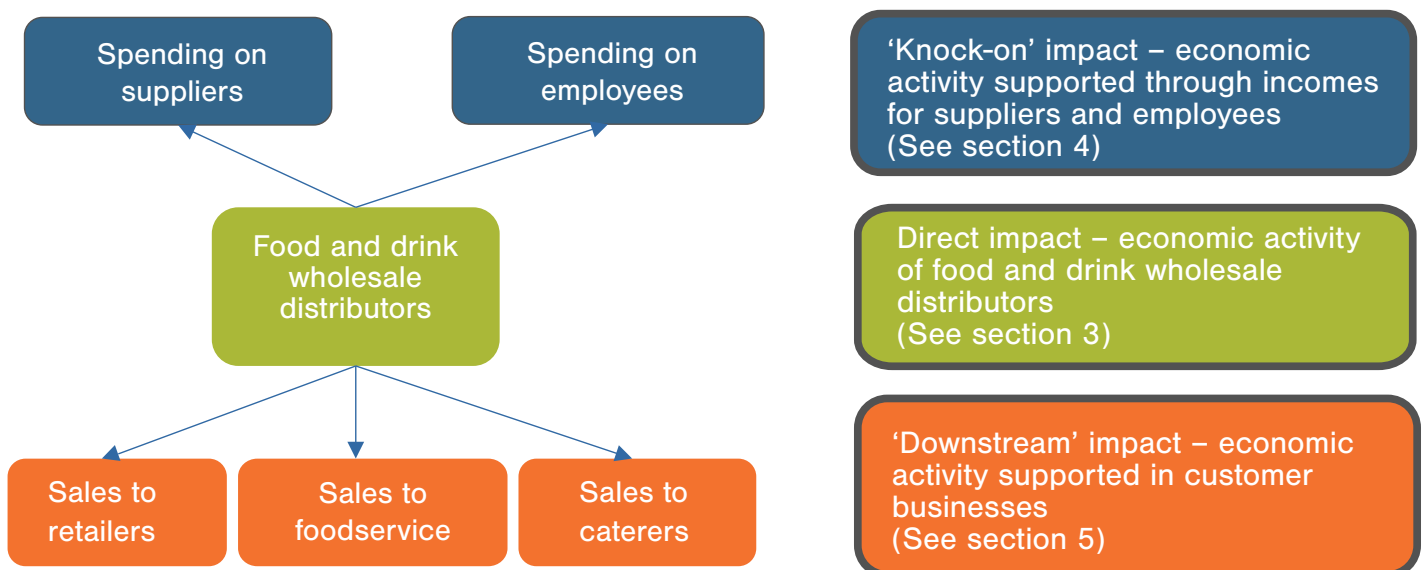
Food and drink wholesale distribution contributes directly

The chart illustrates the economic activity driven by the food and drink wholesale distribution sector, highlighting the routes through which it contributes to job creation and value generation in the UK economy.

Our survey indicated that, in 2023/24, approximately 77,000 individuals were employed directly in the sector across all regions and nations, generating £3.5 billion in gross value added.



Overview of the economic activity supported by the food and drink wholesale distribution sector



Source: Capital Economics

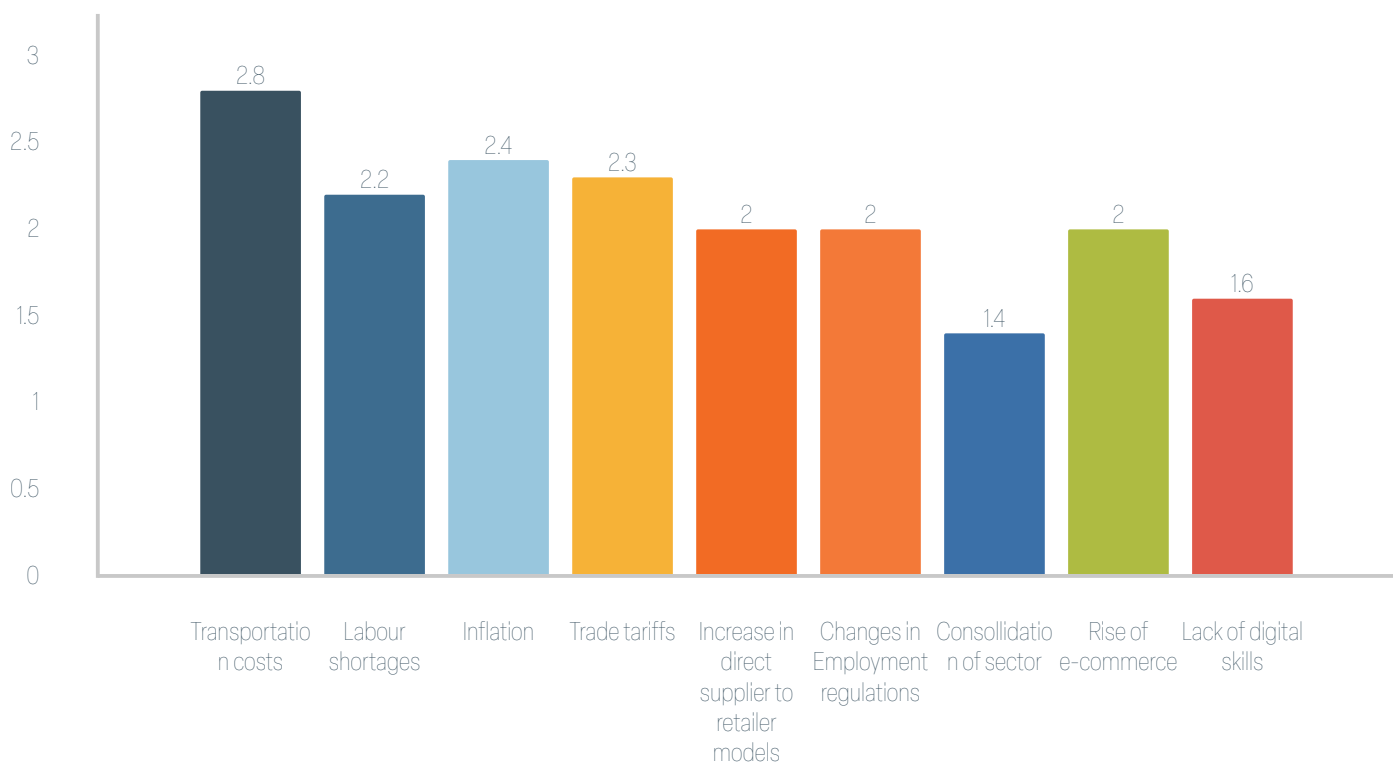
The sector supports a much larger portion of the economy

Beyond the direct contribution of food and drink wholesale distributors, the sector also influences economic activity and employment within the broader economy. This impact stems from both the sector's purchases from suppliers and employee spending. In total, we estimate that these factors support 280,000 additional jobs in the UK.

In addition to its direct and knock-on impacts, the food and drink wholesale distribution sector plays a vital role in supporting foodservice providers, retailers and caterers nationwide who depend on wholesalers to supply their goods. The services provided by wholesale distributors support around 1.2 million jobs across high streets and foodservice establishments throughout the UK.

The sector has challenges to navigate over the next five years

Average score of how significant challenges to distributors are in the next five years (scale of 1-3, with 1 being the least challenging and 3 the most)



Source: Capital Economics analysis of survey of FWD members (responses cover 22.5% of the individual wholesaler's market)

A range of issues to confront in the next five years

Through a survey of FWD members, food and drink wholesale distributors shared their views on challenges to their business performance over the next five years. These range from inflation and increased transportation costs, labour and skills shortages to tariffs and regulations. The survey of FWD members suggests that transportation costs are front of mind. Energy costs have risen by over 30% since the onset of the pandemic in 2020, putting pressure on energy intensive businesses. Transportation costs will also be influenced by the need to meet net zero targets and in particular the role of electrifying vehicle fleets.

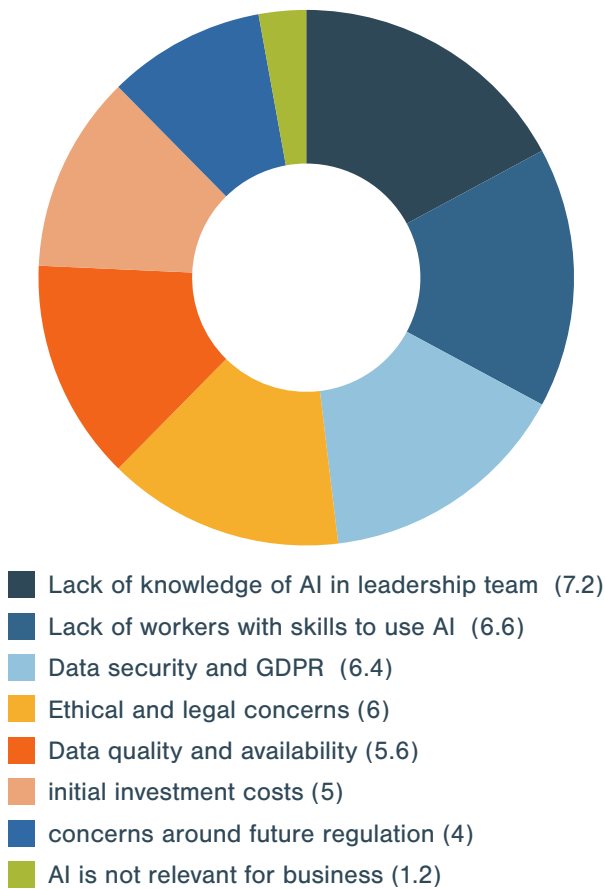
The issues identified as most of a challenge for the businesses in our sample were labour shortages and overall inflation. The survey also asked directly about the impact of AI and automation on wholesalers' business and the issue of meeting net zero targets. (Please see pages 12 and 13.)

Skills are needed to reap the benefits of AI and automation

Extent to which AI distributor's have adopted AI in their various operations (%)



The importance of factors in restricting a distributors' adoption of AI, scale of 1-10



Wholesale distributors are not yet fully utilising AI

AI and automation hold significant potential to positively impact the wholesale distribution sector. There are many ways in which AI could benefit businesses in the sector across a range of functions. For example, research by Proton suggests that AI can boost sales by identifying wallet share gaps and predicting reorder needs. Moreover, AI can suggest additional products to customers, leading to a 5-10% sales increase.²

However, companies are not yet fully embracing these technologies. Our survey found that no distributor reported having integrated AI into its operations "to a great extent." Furthermore, 60% of respondents indicated they had only incorporated AI into supply chain management, inventory tracking, and buying operations "to some extent." This is consistent with other evidence such as a survey from Distribution Strategy Group published by the National Association of Wholesaler-Distributors found that just 12% of distributors use AI in sales and marketing today.³

Range of issues hampering adoption

There are challenges for the food and drink wholesale distribution to address to fully benefit from the potential productivity boosts from AI and automation. An article by The Grocer argues that the widespread adoption of AI is hindered by factors such as cost concerns, challenges in integrating with existing systems, resistance to change, and a lack of clarity on how to effectively implement AI to enhance operations.³

Responses from our survey suggest that the barriers to AI adoption are the lack of AI knowledge within leadership teams and a shortage of workers with the necessary skills to effectively use AI.

Source: Capital Economics analysis of survey of FWD members (responses to question in the top chart cover 56% of the individual wholesaler's market and responses to question in the bottom chart cover 22.5% of the individual wholesaler's market)

Wholesale industry aiming to reach net zero by 2040



The UK wholesale sector aims for Net-Zero emissions by 2040

The climate crisis poses a significant threat to society, particularly for companies in the food and drink value chain, which face challenges like extreme weather and supply chain disruptions. To address this, the UK wholesale sector, with FWD support, is aiming to reach net zero Scope 1, 2 and 3 emissions by 2040.⁴ Achieving net zero will require at least a 90% reduction in emissions and coordinated action across value chains, supported by business and policy efforts. As such, five decarbonisation themes are being targeted:

Zero emissions vehicles. HGV road transport contributes 60% of the sector's Scope 1 and 2 emissions, making decarbonisation a priority, and requiring zero-emissions vehicle infrastructure and strong policy support.

Renewable electricity. Electricity accounts for 25% of the sector's Scope 1 and 2 emissions. As it powers decarbonised transport and heat, prioritising energy efficiency and renewable energy is crucial for the sector's climate transition.

Low carbon refrigeration. Refrigeration is essential in the food and drink supply chain, but F-gases have a GWP thousands of times higher than CO₂. Emissions can be reduced by using lower-GWP alternatives and preventing leaks.

Heat decarbonisation. Deep decarbonisation of buildings requires reducing fuel use and shifting to low- or no-carbon energy, through retrofitting existing buildings and enforcing strict carbon standards for new constructions.

Value chain engagement. Scope 3 emissions, comprising about 96% of a wholesaler's total carbon footprint, include emissions from product ingredients, deforestation-risk commodities, and agricultural processes.



Government support is critical

Government support is vital for achieving net-zero across Scopes 1, 2 and 4³ by 2040. A clear strategy for road freight decarbonisation is crucial and a long-term legislative plan should promote innovative retrofitting and low-carbon technology trials. Standardised corporate reporting requirements will ensure wholesalers, suppliers, and customers regularly publish useful emissions data to inform the sector's progress.

In our survey, related to transportation costs, we asked FWD members what factors were the most important in restricting its adoption of electric vehicles. The most important was the cost of vehicles, followed by their lower driving range and charging time.

Importance of factors affecting distributors' adoption of EV vehicles (scale of 1-10)

Factors restricting adoption of EVs Importance, 1-10	
Cost of the vehicles	8.00
Lower driving range	7.50
Charging time	7.00
Cost of charging infrastructure	6.50
Lack of charging infrastructure	6.25
Running and maintenance costs	5.00
Depreciation of the vehicles	5.25

Source: Capital Economics analysis of survey of FWD members (responses cover 22.5% of the individual wholesaler's market)

Labour shortages in the sector stem from an ageing workforce, Brexit, image issues and competition

Recruitment challenges driven by demand and supply factors

Food and drink wholesalers face challenges in finding the skilled workers needed. A study by ECI ranked the wholesale industry among the top ten sectors facing recruitment challenges, highlighting difficulties in hiring the right candidates due to low demand.⁵ Labour and skills shortages are driven by a range of factors:

- **The UK's ageing population** is creating workforce challenges, with many employees nearing retirement and younger generations not replacing them fast enough, leading to expected long-term labour shortages. As of 2023, c. 25% of workers in the wholesale industry are aged 50 or over.⁶
- **Brexit** has further intensified the worker shortage, with estimates suggesting that EU migrants made up about one in five workers in a typical UK warehouse. The Q2 2024 performance tracker from Logistics UK reported notable staff turnover in the logistics sector, with warehouse staff experiencing the highest turnover rate at 10.5%.⁷
- **The sector's image** poses a challenge in attracting new recruits, with over 90% of people never considering a career in logistics, according to Generation Logistics. Their research revealed that terms like "demanding" and "boring" were among the most commonly associated with warehouse work, cited by 37% and 30% of respondents, respectively.⁸

Rising competition means that wholesale businesses face competition not only from each other but also from industries like retail, logistics, and e-commerce, which offer similar roles and can be more attractive, making it harder to attract and retain skilled workers.

The top 10 industries with the biggest challenges to recruit

Industry	Number of job roles available on LinkedIn	Number of people searching for jobs	% of likelihood to be filled
Insurance	46,578	570	1.22%
Ecommerce	35,800	620	1.73%
Transport	54,996	2,410	4.38%
Retail	56,067	2630	4.69%
Tech	118,211	6,800	5.75%
Consultancy	40,163	2,560	6.37%
Construction	34,478	2,870	8.32%
Wholesale	54,920	5,400	9.83%
Finance	62,294	6,610	10.61%
Engineering	64,580	7,180	11.12%

Source: ECI Skills Shortage report and Capital Economics





3. The direct contribution of wholesale distribution activities

In this section we assess the scale and nature of the direct economic contribution of the food and drink wholesale distribution sector.

- Food and drink wholesale distribution generates £33.6 billion of turnover, with £17.5 billion through sales to mainly small independent retailers and £13.4 billion to foodservice providers.
- Delivery is the most common route to fulfill sales, accounting for 58% of turnover. Cash and carry business accounts for 40% of sales revenue while a small proportion is generated through click and collect services.
- Food and drink wholesale distributors directly contributed £3.5 billion to national output in terms of gross value added in 2023/24.
- Around 77,000 people are employed in the sector. As the sector provides significant opportunities for part time work, this is equivalent to 54,000 full time employees.
- Unlike many industries, the sector is not disproportionately concentrated in any particular region of the UK. There are over 5,000 jobs supported in nine out of the twelve regions and devolved nations.



Food and drink wholesale distributors turned over £34 billion in 2023/2024



Largest customer segment is predominantly small independent retail stores

We estimate that food and drink wholesale distributors in the UK turned over approximately £34 billion in 2023/24.

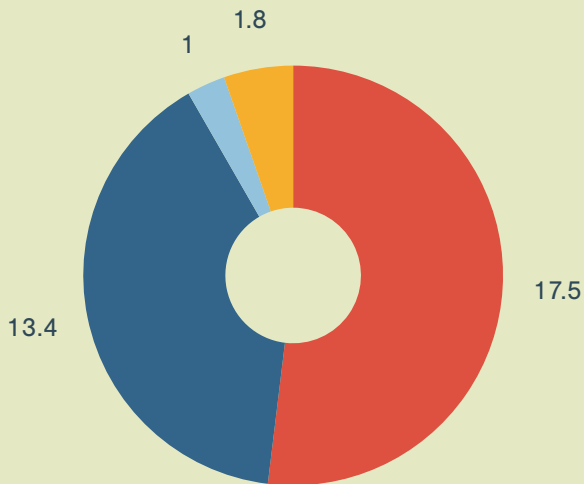
The majority of activity in the sector is the supply of goods to small independent retailers and foodservice providers. In 2023/24, £17.5 billion of turnover was generated for food and drink wholesalers through sales to retailers and £13.4 billion through sales to foodservice providers and caterers. (See pages 23-25 for more detail.)

The remaining turnover amounts to £2.8 billion which is made up of private business users and other revenue streams.

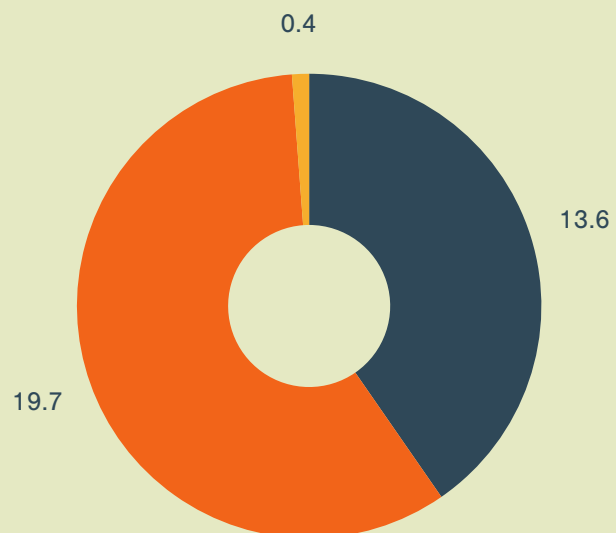
Delivery remains most common route to customer

Almost three fifths (58%) of sales value is fulfilled through deliveries made direct to the customer. Meanwhile, 40% of sales revenue is fulfilled through cash and carry business whereby the customer purchases the goods at the depot and takes them immediately. The remaining 1.3% of sales are made through click and collect services, whereby customers pay for the goods online and then collect the items at a later time.

Value of turnover of the food and drink wholesale distribution sector by type of customer in 2023/24 (£billion)



...of which:



- Retail
- Foodservice and catering (goods supplied to customers via cash and carry, ad-hoc delivery or delivery on a contractual basis)
- Private business users (customers that buy goods for personal or business use that are not intended to be sold on at a margin)
- Other

- Cash and Carry
- Delivered
- Click and collect

Source: Capital Economics analysis of survey of FWD members

Sector provides **77,000 jobs** across the United Kingdom

Food and drink wholesalers are significant UK employers

In 2023/24, 77,400 people were directly employed by companies in the food and drink wholesale distribution sector.

On a full-time equivalent basis (FTE), which accounts for those working part time, there were 54,400 jobs provided by the sector.

The jobs are spread across different parts of businesses. The largest job creator was depot operations, for which there were 39,200 workers in 2023/24. There were 13,600 HGV drivers and almost 8,000 people employed in business headquarter based roles.

All UK regions benefit from wholesale jobs

Unlike many other industries, the food and drink wholesale distribution sector is not disproportionately concentrated in any particular region of the UK. There are over 5,000 jobs supported in nine out of the twelve regions and devolved nations.

The number of jobs in each region is broadly proportionate its size. As such, the regions with the most employment are the largest regions in terms of economic output and population. These are London, the North West and the South East, which account for 12,300, 10,300 and 9,800 jobs in the sector respectively. However, there are some regions that benefit disproportionately compared to their overall share of UK employment, including the North West, West Midlands and Scotland.



Employees in the food and drink wholesale distribution sector in 2023/24 (thousands)

Scotland		Empl.
HQ		0.7
Depot		3.8
HGV Driver		1.2
Field and Other		1.5
Total		7.3
Share of wholesale jobs (%)		9.4
Share of all jobs (%)		7.7



United Kingdom		
HQ	Empl.	FTE
HQ	7.8	5.5
Depot	39.2	27.5
HGV Driver	13.6	9.5
Field and Other	16.8	11.8
Total	77.4	54.4

North East		Empl.
HQ		0.1
Depot		1.2
HGV Driver		0.2
Field and Other		0.3
Total		1.8
Share of wholesale jobs (%)		2.3
Share of all jobs (%)		3.6

North West		Empl.
HQ		1.0
Depot		5.3
HGV Driver		1.8
Field and Other		2.2
Total		10.3
Share of wholesale jobs (%)		13.3
Share of all jobs (%)		10.9

Yorkshire and Humber		Empl.
HQ		0.5
Depot		3.8
HGV Driver		0.9
Field and Other		1.1
Total		6.4
Share of wholesale jobs (%)		8.3
Share of all jobs (%)		7.8

Northern Ireland		Empl.
HQ		0.2
Depot		1.0
HGV Driver		0.3
Field and Other		0.3
Total		1.8
Share of wholesale jobs (%)		2.3
Share of all jobs (%)		2.7

West Midlands		Empl.
HQ		0.8
Depot		3.6
HGV Driver		1.4
Field and Other		1.8
Total		7.7
Share of wholesale jobs (%)		9.9
Share of all jobs (%)		8.7

East Midlands		Empl.
HQ		0.6
Depot		2.9
HGV Driver		1.0
Field and Other		1.3
Total		5.9
Share of wholesale jobs (%)		7.6
Share of all jobs (%)		7.2

Wales		Empl.
HQ		0.2
Depot		1.9
HGV Driver		0.3
Field and Other		0.4
Total		2.8
Share of wholesale jobs (%)		3.6
Share of all jobs (%)		4.3

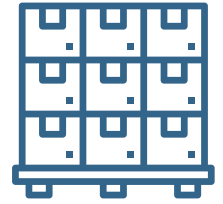
East		Empl.
HQ		0.7
Depot		1.9
HGV Driver		1.2
Field and Other		1.5
Total		5.4
Share of wholesale jobs (%)		7.0
Share of all jobs (%)		9.7

London		Empl.
HQ		1.3
Depot		5.9
HGV Driver		2.3
Field and Other		2.8
Total		12.3
Share of wholesale jobs (%)		15.9
Share of all jobs (%)		14.6

South East		Empl.
HQ		1.0
Depot		5.0
HGV Driver		1.7
Field and Other		2.1
Total		9.8
Share of wholesale jobs (%)		12.7
Share of all jobs (%)		14.2

South West		Empl.
HQ		0.6
Depot		3.0
HGV Driver		1.1
Field and Other		1.4
Total		6.1
Share of wholesale jobs (%)		7.9
Share of all jobs (%)		8.7

£3.5 billion of value is added to the economy annually by the sector

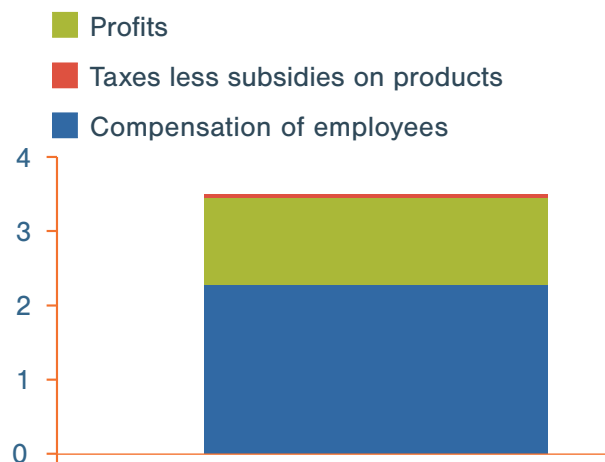


Sector directly contributes £3.5 billion of gross value added

Based on a combination of official statistics and a survey of companies in the sector, we estimate that the food and drink wholesale distribution sector directly contributed £3.5 billion to UK output in 2023/24.

We were unable to obtain enough data on company profits through the survey and publicly available information. As such, we have used a top-down approach to estimate the profits in the sector. We estimate that profits amounted to £1.2 billion. Combined with £2.3 billion paid to employees, this makes up the majority of gross added value.

Gross value added in the food and drink wholesale distribution sector in 2023/24 (£ billion)



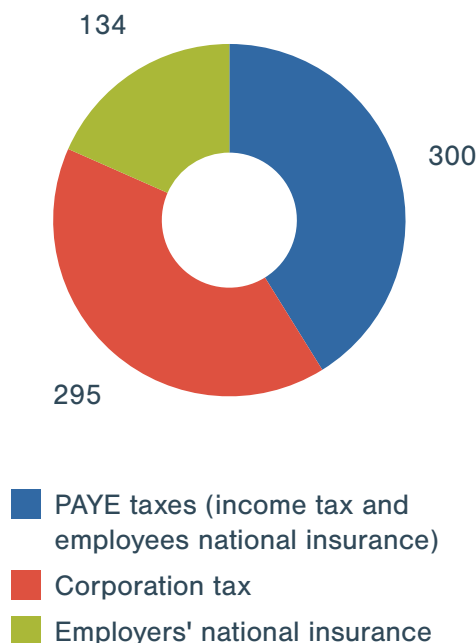
At least £730 million generated in tax revenue

In total we estimate that the food and drink wholesale distribution sector generated £730 million in tax revenue in 2023/24 through PAYE taxes, corporation tax and employers' national insurance contributions.

Estimates were calculated using a combination of data collected through a survey of wholesalers combined with official statistics on wages and profits in the wholesale sector.

The estimate of total tax revenue generated by the sector can be seen as a conservative because we did not have sufficient data to include contributions through other tax streams such as business rates or value added tax.

Tax revenue generated by direct activities of food and drink wholesale distributors in 2023/24 (£ million)



Sources: Capital Economics analysis of survey of FWD members, Office for National Statistics and HMRC



4. The 'knock-on' impacts of **wholesale** **distribution**

In this section we assess the scale and nature of the economic activity supported by the purchases of food and drink wholesale distributors and the spending of their employees and suppliers.

- In total, food and drink wholesale distributors spent £27 billion on the purchases of stock in 2023/24, with a further £2.7 billion spent on the operation of their business.
- Over a quarter of a million jobs are supported by this spending in food and drink manufacturers and other businesses in the supply chain, associated with £18.6 billion of gross value added.
- Employees working for food and drink wholesalers spend £1.6 billion annually on goods and services from businesses across the country. This supports a further 17,800 jobs and £1.3 billion of gross value added.
- Given the dispersion of the industry across the country, the economic activity supported by the spending on suppliers and spending by employees is not disproportionately concentrated in any particular region of the UK. There are over 20,000 jobs supported in nine out of the twelve regions and devolved nations.





Wholesale distributors spent over £30 billion on suppliers

£27 billion spent on food and drink manufacturers

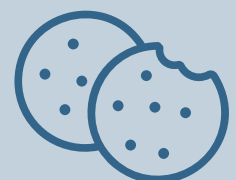
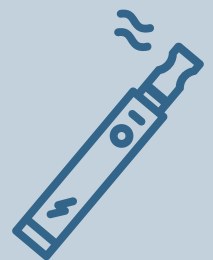
In total, food and drink wholesalers spent £27 billion on stock to be sold on to retailers and foodservice providers. A further £2.8 billion was spent on general business needs such as office and depot space, vehicles and legal and accounting services.

Tobacco, vaping and alcohol were largest purchases

The largest product categories were tobacco/vaping and alcohol, which accounted for £5.3 and £5.0 billion of spending respectively. Food and soft drinks made up the next largest product categories, with £3.2 billion spent on soft drinks, £3.0 billion on frozen foods and £2.8 billion on confectionary, crisps, snacks and biscuits.

Total expenditure (excluding staff) by the food and drink wholesale distribution sector in 2023/24 (£ billions)

	Expenditure (£ billions)
Tobacco and vaping	5.3
Beer, cider, wine and spirits	5.0
Soft drinks and hot beverages	3.2
Frozen foods	3.0
Confectionary, crisps, snacks and biscuits	2.8
Other	2.3
Chilled foods	1.8
Canned goods and meal kits	1.0
Healthcare and beauty	0.9
Cereals, home baking, table sauces	0.9
Pet	0.7
Household	0.5
Total	27.3
Current expenditure (excluding stock)	2.1
Capital expenditure (excluding stock)	0.6
Total spending	30.1



Source: Capital Economics analysis of survey of FWD members

Over a quarter of a million jobs supported in the supply chain

262,000 jobs supported through supply chain purchases

The food and drink wholesale distribution sector stimulates economic activity through its spending on the supply chain. Purchasing the stock from manufacturers supports incomes in those suppliers, who use that to pay their employees and generate profit. They also spend a portion of that income on their own suppliers which supports economic activity further along the supply chain.

Accounting for imports, which average around 20% of spending for wholesale businesses, spending by food and drink wholesalers on UK businesses totalled £30 billion in 2023/24. This supports £18.6 billion in gross value added and over a quarter of a million jobs. ,

Benefits felt in all regions of the UK

Economic activity supported by food and drink wholesalers is spread across the country. Unlike many other industries, the sector and its supply chain is not disproportionately concentrated in any particular region of the UK. There are over 20,000 jobs supported in nine out of the twelve regions and devolved nations.

The most activity is supported by London, followed by the North West and the South East.



Economic activity supported by food and drink wholesale distributors' expenditure in 2023/24

Scotland	
Turnover (£billion)	5.7
Gross value added (£ billion)	2.1
Employees (thousands)	25.4

TOTAL	
Turnover (£billion)	47.8
Gross value added (£ billion)	18.6
Employees (thousands)	262.0

Northern Ireland	
Turnover (£billion)	1.3
Gross value added (£ billion)	0.5
Employees (thousands)	7.1

North West	
Turnover (£billion)	5.2
Gross value added (£ billion)	2.0
Employees (thousands)	28.9

North East	
Turnover (£billion)	1.4
Gross value added (£ billion)	0.5
Employees (thousands)	7.5

Yorkshire and Humber	
Turnover (£billion)	4.9
Gross value added (£ billion)	1.7
Employees (thousands)	25.3

Wales	
Turnover (£billion)	2.2
Gross value added (£ billion)	0.8
Employees (thousands)	11.6

West Midlands	
Turnover (£billion)	4.7
Gross value added (£ billion)	1.8
Employees (thousands)	25.5

East	
Turnover (£billion)	4.7
Gross value added (£ billion)	1.8
Employees (thousands)	26.2

London	
Turnover (£billion)	5.3
Gross value added (£ billion)	2.4
Employees (thousands)	32.9

South East	
Turnover (£billion)	4.9
Gross value added (£ billion)	2.0
Employees (thousands)	28.8

South West	
Turnover (£billion)	3.5
Gross value added (£ billion)	1.4
Employees (thousands)	20.1

Source: Capital Economics analysis of survey of FWD members

Employees spend £1.6 billion on UK businesses

17,800 jobs supported through employee spending

Economic activity is supported in businesses around the country by the spending of employees in the food and drink wholesale distribution sector. After accounting for taxes and saving, we estimate that the 77,000 people employed in the sector spend a total of £1.6 billion annually on goods and services. This spending supports £1.3 billion of gross value added and 17,800 jobs.

All regions benefit from food and drink wholesale distribution

The economic activity supported by the spending of employees is distributed across all regions of the UK. The distribution of the activity supported is in part driven by where the employees live and work, as a large portion of spending is done locally. As the sector is not concentrated in any one location, the economic activity supported is also spread across the country.

The most jobs were supported in London, the South East and the North West which supported a combined 7,400 jobs.



Economic activity supported by the spending of food and drink wholesale distribution employees in 2023/24

Scotland	
Turnover (£million)	220
Gross value added (£million)	110
Employees (number)	1,470

TOTAL	
Turnover (£million)	2,610
Gross value added (£million)	1,330
Employees (number)	17,810

Northern Ireland	
Turnover (£million)	70
Gross value added (£million)	30
Employees (number)	460

North West	
Turnover (£million)	310
Gross value added (£million)	150
Employees (number)	2,110

North East	
Turnover (£million)	80
Gross value added (£million)	40
Employees (number)	510

Yorkshire and Humber	
Turnover (£million)	210
Gross value added (£million)	110
Employees (number)	1,350

Wales	
Turnover (£million)	100
Gross value added (£million)	50
Employees (number)	640

West Midlands	
Turnover (£million)	220
Gross value added (£million)	110
Employees (number)	1,510

East	
Turnover (£million)	210
Gross value added (£million)	110
Employees (number)	1,530

London	
Turnover (£million)	440
Gross value added (£million)	240
Employees (number)	3,050

South West	
Turnover (£million)	220
Gross value added (£million)	110
Employees (number)	1,520

South East	
Turnover (£million)	330
Gross value added (£million)	170
Employees (number)	2,280

Source: Capital Economics analysis of survey of FWD members

5. The 'downstream' impacts of wholesale distribution

In this section, we assess the economic activity supported in foodservice providers and retailers.

- Food and drink wholesale distributors are a key supplier for foodservice providers in hospitality businesses, retail, travel and leisure venues, and contract catering for the private and public sector. 22
- In total, they supply £13.4 billion of goods to foodservice providers, accounting for around one third of their supplies.
- We estimate that food and drink wholesale distributors support approximately 533,000 jobs in these businesses. This is associated with turnover of £20.9 billion and £9.5 billion of gross value added.
- The other major market for the food and drink wholesale distribution is retail stores, which are predominantly small independent convenience stores serving local communities across the country.
- We estimate that the food and drink wholesale distributors support a total of 620,000 jobs and £24 billion of gross value added in over 70,000 retail stores.



Food and drink wholesale distributors are essential to supporting the wide range of services within the **foodservice sector**

There is a wide range of foodservice customers

Foodservice customers can be divided into three sub-categories:

- i) Hospitality businesses – food and drink served in hotels, restaurants and pubs
- ii) Retail, travel and leisure businesses – food and drink outlets in retail stores, travel hubs and leisure facilities
- iii) Contract catering – food and drink provided on a contractual basis in canteens and elsewhere for private businesses and the public sector

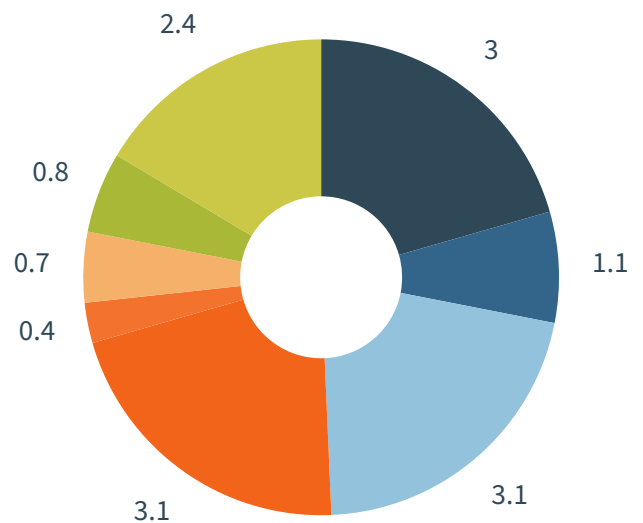


Hospitality businesses provide the most revenue

Hospitality businesses purchased £7.2 billion of stock from food and drink wholesalers in 2023/24. This comprised £3.0 billion from hotels, £1.1 billion from pubs and bars and £3.1 billion from restaurants.

The sector supplied £2.5 billion of food and drink to retail, travel and leisure businesses in 2023/24. Contract catering sales amounted to £3.2 billion over the same period, with £2.4 billion of those serving public sector organisations.

Breakdown of foodservice customers by value of sales in 2023/24 (£ billions)



- Hotels: full service, budget, guest houses, holiday parks, conference centres
- Pubs and bars: branded and managed, tenanted and leased, independent, social clubs, nightclubs
- Restaurants: fine dining, independent, fast-food outlets, street food
- Retail: coffee shops, sandwich bars, bakery stores, supermarket cafes
- Travel: roadside, petrol forecourts, railway stations, airports, ports
- Leisure: sports clubs, event catering, stadia, visitor attractions, entertainment venues
- Contract catering for business: contracted, in-house
- Contract catering for public sector: hospitals, schools and further education institutions, care homes, local authorities.

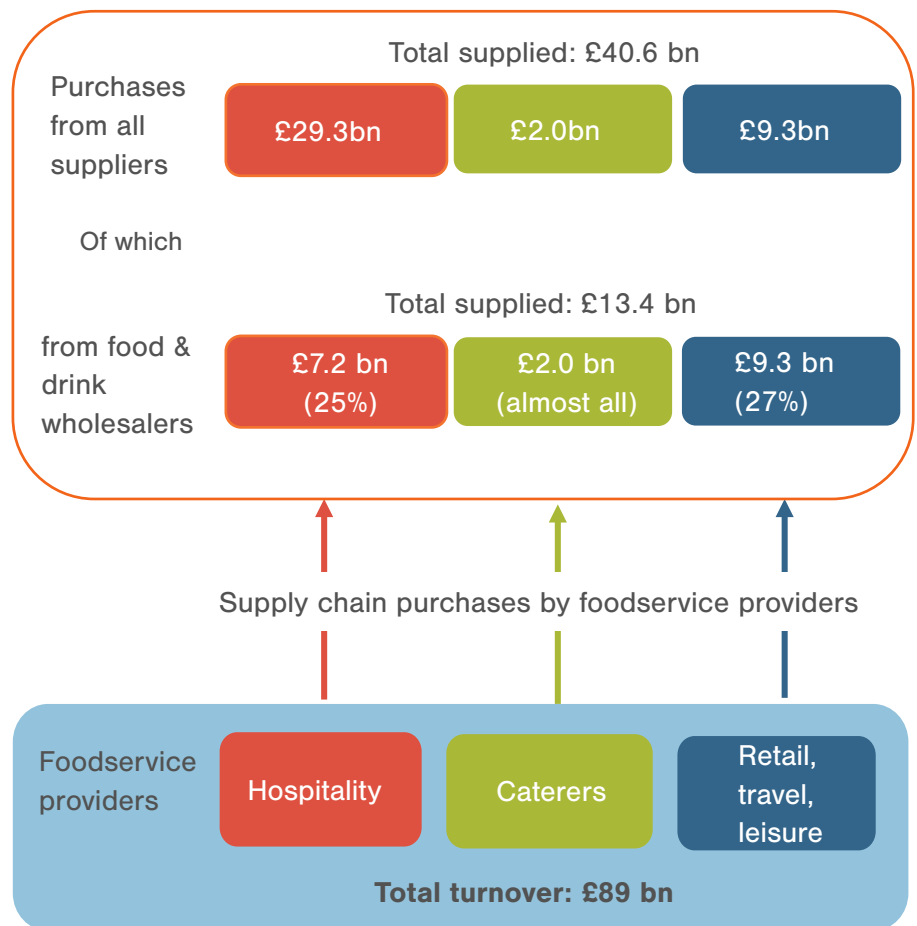
£13.4 billion of goods supplied to foodservice providers

Sector accounts for one third of supplies to foodservice providers

Based on our analysis of publicly available data from MCA, Global data and the Office for National Statistics we estimate that the foodservice sector in the UK turns over around £89 billion with associated expenditure of £41 billion on suppliers.¹² Using results from the survey of wholesalers, combined with official statistics, we have estimated the share of that spending that is fulfilled by food and drink wholesale distributors. In total, we estimate that it accounts for around 33%. It accounts for 25% of hospitality foodservice, 27% of retail, travel and leisure and almost all of contract catering.



Share of foodservice providers supplied by food and drink wholesale distributors in 2023



Source: Capital Economics analysis of survey of FWD members, office for national statistics, MCA and Global Data

Over half a million jobs supported in foodservice sector

To estimate the number of jobs supported by food and drink wholesale distributors in the foodservice sector, we used data from the British Hospitality Association's 2023 report on the broader hospitality industry. From this we estimated the share of the sector supplied by food and drink wholesale distributors.

Overall, we estimate that food and drink wholesale distributors support approximately 533,000 jobs in these 'downstream' businesses. This is associated with turnover of £20.9 billion and £9.5 billion of gross value added.

Food and drink wholesale distributors support 620,000 jobs in the retail sector

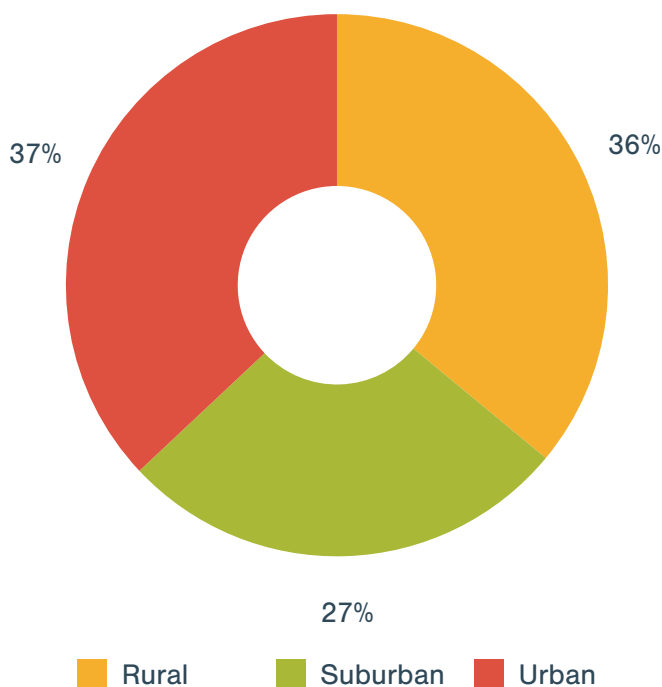
Food and drink wholesalers support 620,000 jobs within retail stores

The Association of Convenience Store's (ACS) Local Shop Report 2024 estimates that there are a total of 50,387 independent convenience stores, excluding multiple chains and co-operatives. These stores are distributed throughout the country with 36 per cent in rural areas, 37 per cent in urban areas and 27 per cent in suburban areas.⁹

The report revealed that convenience stores support 445,000 jobs nationwide, averaging 8.8 jobs per store.¹⁰ Based on this data, we have scaled up to the retail sector as a whole estimate that the food and drink wholesale distribution sector supports a total of approximately 620,000 jobs in over 70,000 retail stores (including convenience stores) and generates £24 billion in gross value added.



Share of convenience stores by location type in the country (%)



Sources: The Association of Convenience Stores and Capital Economics.

6. Overall impact

In this section, we present the overall contribution of the food and drink wholesale distribution sector through its role in a value chain connecting manufacturers with customers.

The food and drink wholesale distribution sector supports:

- £3.5 billion of value added and 77,000 jobs directly generated by businesses in the sector.
- 280,000 jobs and £20 billion of gross value added through the supply chain and via spending of direct employees.
- 1.2 million jobs and £33 billion of gross value added in retail outlets and foodservice providers.





Over 1.5 million jobs in value chain directly supported by food and drink wholesalers

The food and drink wholesale distribution sector makes a significant contribution to the UK economy. We have found:

- The food and drink wholesale distribution sector is a crucial part of a value chain which connects large food and drink manufacturers with small independent shops and foodservice providers
- Food and drink wholesale distributors generate £3.5 billion of value added annually and provide employment for 77,000 people (direct impact)
- As well as the value created and people employed in food and drink wholesale distributors themselves, they support economic activity in their supply chain and through the spending of their employees, totalling 280,000 jobs and £20 billion of value added (multiplier impact)
- Wholesale distributors supply retailers and foodservice providers, supporting around 1.2 million jobs and £33 billion of value added in these sectors (customer impact)
- In total, we estimate that the sector supports almost 1.5 million jobs across the UK, generating £57 billion of value added to the economy annually

Economic activity supported by the spending of food and drink wholesale distribution employees, 2023



	Employees (thousands)	Turnover (£ billion)	Gross value added (£ billion)
Direct impact	77	34	3.5
Multiplier impact	280	50	20
Supported by wholesalers' purchases from suppliers	262	48	19
Supported by spending of wholesale employees	18	2.6	1.3
Customer impact	1,153	60	33
Supported in retail stores	620	39	24
Supported in foodservice	533	21	10
Total	1,510	144	57

Food and wholesale distribution supports a significant share of the economy

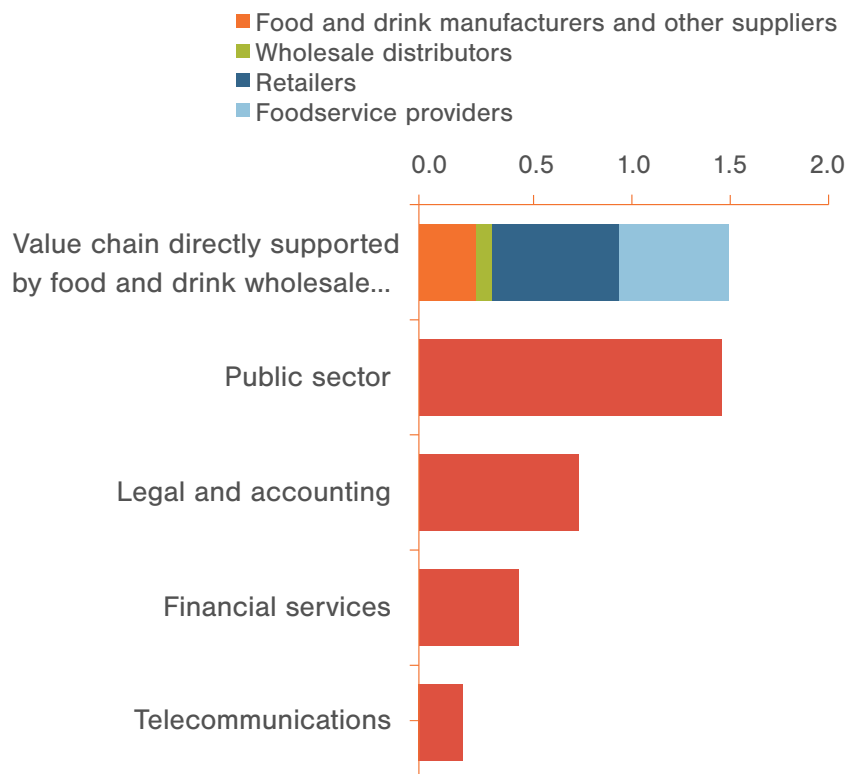
Wholesale distributors support 1.5 million jobs across value chain



Food and drink wholesale distributors operate in a value chain connecting food, drink and tobacco manufacturers with retailers and foodservice providers. In total, these sectors employ 5.5 million people nationally, or eighteen per cent of the workforce.

We have estimated that the value chain that food and drink wholesale distributors are directly involved in supports 1.5 million people across the country, or 4.8 per cent of the workforce. The employment supported by the value chain as a whole is larger than major industries in the economy such as the entire public sector, financial services or telecommunications.

Number of employees in 2023/24 (millions)



Source: Capital Economics analysis of survey of FWD members and Office for National Statistics

February 2025

Andrew Evans and Sophie
Bleaney



ABOUT US

About FWD

The Federation of Wholesale Distributors is the member organisation for UK wholesalers operating in the grocery and foodservice markets supplying independent retailers and caterers.

About Capital Economics

Capital Economics is one of the leading independent macro-economic research companies in the world, providing research on the US, Canada, Europe, Africa, Asia and Australasia, Latin America, the Middle East and the UK, as well as analysis of financial markets, commodities and the consumer and property sectors.

Founded in 1999, by the leading economist Roger Bootle, Capital Economics conduct research for companies, government agencies, and trade associations.

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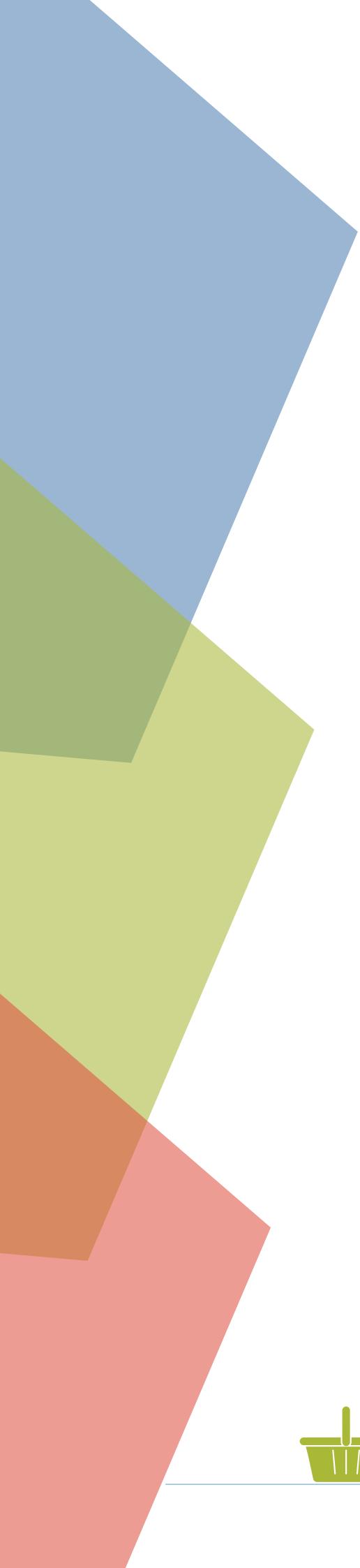
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