GROCERY

ABOUT GROCERY
Grocery comprises consumer-facing businesses that manufacture and market a variety of well-known brands both nationally and internationally. Twinings Ovaltine has the broadest geographical reach, selling premium teas and malted beverages in more than 100 countries.

AB World Foods focuses on the creation and development of world flavours and its Patak’s and Blue Dragon branded products are sold internationally. Westmill Foods specialises in high-quality ethnic foods including rice, spices, sauces, oils, flour and noodles sold under brands such as Rajah, Lucky Boat and Elephant.

Jordans, Dorset and Ryvita operate in the better-for-you cereal and savoury biscuits categories with increasing international presence. Jordans has a heritage of using traditional methods in the production of its wholegrain cereals and cereal bars. Dorset’s award-winning muesli and granolas are renowned for the quality of their natural ingredients. Ryvita has a strong reputation in healthy snacking and is the UK category leader in crispbreads. Allied Bakeries produces a range of bakery products under the Kingsmill, Sunblest, Allinson and Burgen brands, with flour and semolina produced by sister company, Allied Mills. Speedibake specialises in own-label baked goods for retail and foodservice customers. Silver Spoon and Billington’s are our two retail sugar brands in the UK, complemented by a range of dessert toppings and syrups under the Askeys and Crusha brands. HIGH5 and Reflex Nutrition are brands in the sports nutrition sector.

In Australia, Tip Top is one of the country’s most recognised brands, with an extensive range of bread and baked goods and George Weston Foods also manufactures a variety of bacon, ham and meat products including the Don and KR Castlemaine brands. ACH Foods includes within its range of branded products, Mazola, the leading corn oil in the US, and Capullo, a premium canola oil in Mexico. Acetum, acquired in 2017 and trading under the Mazzetti brand, is the leading Italian producer of Balsamic Vinegar of Modena.
Grocery revenues were ahead of last year and adjusted operating profit was well ahead, driven by strong growth in Twinings Ovaltine, improved margin at George Weston Foods in Australia and the first year of contribution from Acetum.

Twinings Ovaltine made excellent progress in profit. Ovaltine revenue growth was especially strong, led by the brand’s largest markets: Thailand, where growth was achieved in both ready-to-drink and powder products and Switzerland, due to the success of new product launches and increased distribution. In addition, good sales growth was achieved in other markets, including China, Brazil, Nigeria and Vietnam. Twinings benefited from new launches in the herbal tea segment in the UK, US, Australia and Italy and the launch of a new concept of Cold Infuse teas in the UK and Australia in the last quarter. Much progress has been made in recent years in reducing the operating costs of the Twinings tea supply chain, and we have announced that production at the Jinqiao, China site will cease in early 2019, with consolidation into our existing site in Poland.

At Allied Bakeries losses remained unacceptable, although some progress has been made with cost reduction programmes and price increases. Against a background of a continued increase in the market share of private label bread, investments in the Kingsmill and Allinson’s brands have included new product launches for Super Seeds and premium craft loaves. Speedibake opened an expanded doughnut facility in the year and continued its focus on cost control. Wheat prices increased significantly over the summer as a consequence of a reduction in global production. The impact of this on our costs will be reflected in our ongoing discussions with our customers.

Silver Spoon enjoyed increased sales in ice cream accompaniments in the extended period of warm weather over the summer, and increased sales of the Billington’s premium sugar brand through the Baking Mad website.

Jordans has continued to drive international expansion, delivering strong revenue growth in Australia, New Zealand, Canada and Brazil. In a challenging UK crispbread market, with a large shift towards private label, Ryvita launched a range of protein-enhanced variants. A new production facility was opened at Bardney providing additional crispbread capacity and improved efficiency.

At AB World Foods, Patak’s continued to deliver market share growth following the launch of paste pots, endorsed by Jamie Oliver, while Blue Dragon extended international sales growth in Canada, Scandinavia and Australia. Westmill Foods’ premium market-leading atta flour, Elephant, was successfully relaunched with a strong brand presence during Ramadan, while continued strong demand for noodles will be met by an expanded production facility in Manchester, investment in which is well underway.

In our sports nutrition businesses, the HIGH5 hydration brand was relaunched during the year with sales driven through event sponsorship, while our protein brand, Reflex, continued to drive sales in eastern Europe and the Middle East.

Acetum, the Modena-based balsamic vinegar business acquired last October, is progressing well. We have focused on continued international expansion, further development of the Mazzetti brand, and on price increases to cover inflation of grape must prices following a poor European grape harvest in 2017.
A taste of business for graduates

Find out more at www.abf.co.uk/responsibility
From day one, Grocery graduate trainees get a true taste of the business.

The Grocery group graduate programme was launched in 2006 to employ, develop and retain high-calibre individuals with leadership potential. It takes on around 25 recruits every year across seven functions, with each function having a scheme tailored to its priorities. Natasha’s 18-month supply chain scheme included roles as a manufacturing team leader, project commissioning manager, purchasing planner and health and safety advisor. Graduates in HR, by comparison, have two 12-month placements in different businesses, one in a head office environment, another in manufacturing. By involving such different placements across diverse Grocery businesses, participants experience a broad learning journey and maximise their development opportunities.

“\n
The scheme gives you a real role with real responsibility designed to challenge you and give you the opportunity to show what you’re capable of. I now have a range of new skills, broad business understanding and a wide internal network.”

Natasha Newman, AB World Foods trainee
Twinings has again used masterful innovation to extend its customer base, and the opportunities for drinking great tea, with the launch of the UK's first cold water infusion.

ACH performed well with favourable oil margins and the Heart Healthy advertising campaign increasing consumer demand for Mazola corn oil, resulting in share gains, while distribution was also expanded in Walmart, Sam’s Club and other retail chains. The increased contribution from this was partially offset by higher freight costs.

At George Weston Foods in Australia, Tip Top grew margin and operating profit primarily through ongoing cost reduction, strong sales of Thins and price increases on its branded bread range: The One, Sunblest and Abbotts. The Don KRC meat business significantly improved operating profit through improvements in factory performance, and also launched the nitrite-free All Naturals ham and bacon range.

On 17 September 2018 we completed the acquisition of Yumi’s Quality Foods, an Australian manufacturer of chilled dips and snacks. Yumi’s was founded by the Friedman brothers Benjamin (Yumi) and his brother Michael, both of whom will remain in the business, and specialises in dairy- and gluten-free dips, aioli, vegetarian snacks, mayonnaise and smoked fish for everyday consumption and entertaining. In the year ended 30 June 2018 the business generated sales of A$51m.

Cold Infuse is available in six delicious natural flavours, from Rose Lemonade to Coconut and Pineapple. Supporting the trend for drinking more water – particularly on the move – consumers just drop a Cold Infuse bag into their water bottle, shake it, wait for five minutes, and then enjoy. It is aimed at health conscious 22- to 45-year-olds, so extending the brand’s core, older demographic.

The product’s UK launch, Twinings' biggest for five years, was supported by a major advertising campaign, including engaging billboards, social and digital media, ads on London Underground, sampling, and in-store tasting. A similarly high-profile introduction in Australia followed.

Cold Infuse was developed in a two-year collaboration between Twinings’ UK and Australia teams, with extensive qualitative and quantitative consumer research into all aspects of the product – from flavours to packaging format and design.

22-45
Aimed at health conscious 22- to 45-year-olds
Traditional balsamic vinegar production in Italy can be traced back to the Romans, and it is now produced only in the Modena region to a ‘Denominazione d’Origine Protetta’ (or DOP) standard. This super premium vinegar is made only of grape must that is aged for a minimum of 12 years in a succession of seven decreasing sized barrels, each one made of a different wood (called a ‘battaria’). The volumes which can be produced are very small, and the retail price correspondingly high (over £100 for 100ml).

Acetum is one of the biggest producers of this ‘Tradizionale’ vinegar, as well as the balsamic with which most consumers in Europe and the US are familiar, which is made from a blend of grape must and wine vinegar in varying proportions. Balsamic vinegar production of this type has been granted official European Protected Geographical Indication (PGI) status due to its unique manufacturing tradition and provenance. It has a number of characteristics that align closely with modern consumer preferences, being derived from natural sources, with a long heritage and rich provenance.

Founded by Cesare Mazzetti and Marco Bombarda, who remain as directors of the business, Acetum operates five high-quality manufacturing sites in the Emilia Romagna region, employing 150 people. It is the global leader in balsamic vinegar, and one of the world’s leading producers of speciality vinegars for retail. The Mazzetti brand is present in many global markets, and is brand leader in Germany, Australia and Holland. ABF plans to build on this success by utilising its extensive global footprint to support the growth of the business and its products in other international markets.

“ABF has a great reputation for nurturing family businesses and I look forward to working together in the future and sharing our expertise.”

Cesare Mazzetti, Founder

In October 2017 we completed the acquisition of Acetum S.p.A, the leading Italian producer of ‘Balsamic Vinegar of Modena’. A PASSION FOR QUALITY

Associated British Foods plc

Annual Report and Accounts 2018
Mazola, the leading corn oil brand, is growing market share in the US market by driving awareness of corn oil’s superior contribution to heart health.

**HEARTFELT GROWTH**

Mazola led a 2.1% annual increase in corn oil consumption from 2014 to 2017, reversing a previous decline. This impressive growth far outstripped that of soybean, canola and olive oils and, with Mazola representing 10% of the US cooking oils market, bodes well for the brand’s expansion in the future.

The turnaround in demand for corn oil followed an ACH-backed clinical study into the comparative impact of corn oil and extra virgin olive oil in lowering “bad” cholesterol. Researchers found corn oil reduced low-density lipoprotein (LDL) cholesterol by almost 11%, against just 3.5% for olive oil, when consumed by a group of healthy men and women over a three-week period. Overall, study participants experienced an 8.2% decrease in total cholesterol with corn oil compared to just 1.8% with olive oil. The significant differences in response reflect, in part, the much higher level of naturally-occurring – and cholesterol-lowering – plant sterols in corn oil, compared with olive oil.

**TRANSFORMING PERCEPTIONS**

Mazola has successfully showcased the study findings, which were published in respected scientific journals, to transform perceptions of corn oil. Using an integrated media campaign it has raised consumer understanding of the health benefits of corn oil, which had often been considered less beneficial than the Mediterranean diet-staple, olive oil.

The century-old brand is particularly targeting health-focused consumers, while continuing to maintain its strong, long-established bonds with the wider Hispanic community. This year’s awareness-raising programme has included promotional activity in city centre shopping areas, sponsorship of a popular health TV show, and a strong social, digital, and TV media presence.

11%
Researchers found corn oil reduced LDL cholesterol by almost 11%
Leading bakery brand Tip Top has redefined the bread market in Australia with a trio of innovations defined by consumer insight.

A SLICE OF BREAD HEAVEN

In a mature bread market, the business has re-engaged consumers, thereby driving significant sales and profit growth. In particular, in October 2014, Tip Top created an online Bakery Conversations community to build its understanding of consumer motivations and behaviours. It then worked with this 3,000-strong community to support innovation, test products, and evaluate marketing campaigns.
Tip Top used learnings from its consumer community to develop the Abbott’s Village Bakery gluten-free range, available in soy & linseed, rustic white and mixed seeds variants. The range has been a huge hit since its October 2016 launch with many consumers – whether gluten intolerant or just keen to reduce their gluten intake – reporting that it tastes just like regular bread. After only eight months, Abbott’s Village Bakery became the leading gluten-free brand, capturing 30% market share as consumers gave its soft large slices a 59% edge over competitor lines. The product is now delivering profitable growth for Tip Top and retailers by bringing consumers back to bread.

Tip Top also drew on insights from the Bakery Conversations community to transform its core Abbott’s Village Bakery premium range. With feedback showing that consumers crave new and different tastes and textures in bread, in mid-2018 Tip Top introduced its Sensations range. With creative recipes like pumpkin, sunflower seeds & caramelised onion, toasted soy, chickpea & quinoa, and sundried tomato & basil, Sensations has captivated consumers and driven incremental purchases. At a significant premium to the core Abbott’s Village Bakery range, Sensations is also delivering value growth for the category and brand.

30% market share captured by the leading gluten-free brand, Abbott’s Village Bakery

In another innovative move, in 2017 Tip Top launched a new soft bread format, Sandwich Thins, which are available in 99-calorie, six-slice packs. Thins are presented as a lunchtime alternative to ‘toast, top or fill’ and are proving particularly popular for schoolchildren’s lunchboxes. Thins are driving the growth in the sandwich alternatives segment and attracting more new shoppers than leading wraps brands. All three Thins variants – original, wholemeal and lightly seeded – are in the top four for penetration in the segment. Tip Top will extend the Sandwich Thins concept this autumn with an Abbott’s Village Bakery-branded line.

By successfully focusing on health, convenience and premiumisation, Tip Top has delivered new ways to excite consumers about bread, grow the category, and deliver strong value for the business.
ABOUT SUGAR
AB Sugar is a leading producer of sugar and sugar-derived co-products in southern Africa, the UK, Spain, and north east China. We operate 24 plants in ten countries with the capacity to produce some 4.5 million tonnes of sugar annually and are a significant employer. Our products are sold into industry sectors including food and drink, pharmaceutical, industrial, agricultural, power and energy.

In the EU, Azucarera is the largest producer in Iberia and British Sugar is the sole processor of the UK sugar beet crop. Ilovo Sugar is the biggest sugar processor in Africa and in June 2016, ABF acquired full ownership putting both AB Sugar and Ilovo Sugar into a stronger position to navigate the complex sugar landscape whilst capitalising on Africa’s growth markets. We have a beet sugar business in north China that has achieved a strong record of performance improvement in agriculture and production efficiencies, resulting in sugar beet production being cost-competitive with that of cane.

Our success has been built on continued development and innovation to meet the changing priorities of our customers, to continually improve our operations and to work with our growers to ensure sustainable, efficient agricultural production.

As a global business, we operate in a diverse and continually changing environment with many opportunities and challenges. Although we have a global portfolio, we operate with a local heart, working together to do what is right for the location and market. As we evolve to meet the world’s changing needs – customers, growers and others – it is our role to ensure we use resources responsibly, build strong rural economies and ensure thriving healthy communities.

By drawing upon everything we have learnt over many decades as a sugar producer, we continue to embrace innovation and strive to create more from less by working collaboratively across our group and with our stakeholders.
Revenue and adjusted operating profit for ongoing businesses at AB Sugar were substantially lower than the previous year due primarily to lower EU prices which adversely affected our UK and Spanish businesses. Our African business, Illovo, had another successful year and continued to be highly profitable.

We have shut down operations at the Vivergo bioethanol plant and the operating losses of this business are shown separately under businesses disposed in the segmental analysis.

We remained focused on delivering significant cost reduction across all of our businesses through our ongoing performance improvement programme, and efficiencies continued to be identified in production and procurement.

The global supply of sugar has moved into surplus and the world market sugar price reduced this year. The EU sugar regime ended in October 2017 with the consequent removal of sales quotas. This structural change increased the supply of sugar in the EU market and prices were expected to fall as a result. EU prices have actually fallen faster and more significantly than expected as a consequence of substantially higher EU sugar production in 2017/18, following an increase in crop area and higher than average beet yields. In our next financial year we will see the full year effect of the current level of EU sugar prices, which will represent a further reduction on those prices achieved this year. The effect of these lower prices on our UK and Spanish businesses will be only partially offset by continuing performance improvement initiatives and, in line with previous guidance, the profit at AB Sugar will be significantly lower than that achieved this year.

In the UK, sugar production increased considerably to 1.37 million tonnes reflecting record beet yields and an increase in crop area. The latest sugar production estimate for 2018/19 is a reduction to some 1.05 million tonnes as a consequence of late drilling this spring followed by the unusually dry summer. British Sugar stocks are expected to decline next year as a result.

Looking to the financial year 2019/20, a reduction in beet price has been agreed with our farmers and we expect sugar production to be affected by a lower crop area to be planted in spring 2019. NFU Sugar and British Sugar are disappointed by the UK Government’s decision to reject the emergency application for the use of neonicotinoids as a seed treatment from next year. We believe that this decision is ill-founded and disproportionate.

In Spain, beet sugar production is expected to be slightly ahead of last year at 0.4 million tonnes. The Guadelete refinery operated for a much-reduced period this year, with sales supported by stocks carried forward from the previous season. Despite a good operating performance, at current sugar prices our Spanish business is expected to make a substantial loss in our next financial year. Management will be addressing the unsustainably high cost base in this new sugar environment.
Building online communities across AB Sugar

Find out more at www.abf.co.uk/responsibility
Employees from across AB Sugar’s operations are developing their skills and knowledge by sharing challenges, solutions and successes via online communities.

These communities – part of a programme of initiatives driving collaboration across AB Sugar’s five businesses – create teams of people in related roles and functions. For example, a chemical engineer in one part of the business could answer a technical query posted earlier by a colleague whom they had never met on another continent.

As well as enabling online colleague interaction, the sites also help employees develop through more structured means, such as webinars and the facilitation of face-to-face meetings.

Since the first communities were established in 2012, the number of regular employee users has grown to 2,000, representing a staggering 21,000 years of combined experience, with a 25% increase in the past year alone. This year saw 2,000 posts, 3,000 replies and 190,000 page views.
Sugar production at Illovo increased to 1.7 million tonnes from 1.64 million tonnes last year. Favourable weather conditions, improved irrigation and crop management more than offset lower yields in Zambia. Illovo remained focused on building domestic and regional sales. The consumer offering was developed further in a number of markets, with investment in the local brand and the introduction of pack sizes at affordable prices for our consumers.

In China, our two factories at Zhangbei and Qianqi completed an excellent campaign, producing 166,000 tonnes of sugar. Major success in further mechanising agricultural operations and the adoption of better beet storage methods improved beet quality and delivered a much higher operating profit for the year. The crop area for the 2018/19 campaign remains in line with expectations but lower sugar prices are expected to reduce the operating profit next year. We have shut down operations at the Vivergo bioethanol plant in Hull. The current market conditions, particularly high wheat costs and low bioethanol prices, made the operation uneconomic and we do not see these conditions improving for the foreseeable future. A charge has been included in the loss on closure of businesses line in the income statement, as set out in note 21, and the operating losses are separately disclosed under businesses disposed in the segmental analysis.

Germaines, our seed treatment and enhancement business, continued to develop new products, particularly in the US, where expansion of the plant at Gilroy, California, is progressing as planned.

AB Sugar China has transformed the efficiency and sustainability of the sugar beet industry in China by putting a strong partnership with growers at the heart of its strategy.

**TRANSFORMING CHINA’S SUGAR BEET INDUSTRY**

2017/18 proved to be a milestone for AB Sugar China with beet yields higher than ever, an unprecedented number of growers renewing their contracts with the business, and grower satisfaction reaching peak levels.

The picture was very different when the businesses were acquired 11 years ago. In 2007, grower commitment to sugar beet was weak because of the appeal of other more lucrative crops. Yields were low, with minimal mechanisation, poor skills and an agricultural labour force becoming more scarce with migration to the cities.
AB Sugar China has transformed its approach to the growers. This cultural change, set out in the 2011 Grower Centric Agriculture Strategy, is rooted in a commitment to understanding growers’ needs and helping them develop their output and skills. In doing so, both the grower and processor benefit from the increased profitability of the crop.

BUILDING INSIGHTS

The most fundamental early insight was that traditional farming methods were not sustainable for growers or processors. Based on this understanding, growers were given help to improve their approach and output. To free growers from the insecurity of fluctuating prices and so encourage them to become sugar beet growers, the business introduced guaranteed purchase prices. To help growers develop their skills and approach we now support them at each stage of the process. We help them choose the right type and amount of fertiliser for managing soil health and methods for controlling disease. With high smartphone penetration, such expertise is increasingly communicated digitally via WeChat, the dominant social media platform in China. Loyalty programmes offer further benefits such as weekly account manager visits and free technical guides.

TRANSFORMING AGRICULTURE

Mechanisation has been a key element in developing growers’ performance. A decade ago, limited resources, lower yields and productivity for sugar beet relative to some other crops, and a perception that small plots, then very common, did not require mechanisation resulted in many growers being unwilling to invest in sugar beet machinery. AB Sugar China stepped in to subsidise mechanisation, investing time, expertise and finance in sourcing and developing equipment that suited the size and nature of local growers. This pump-priming helped to vastly increase efficiency, resolve labour shortages and enable land consolidation.
Understanding and supporting growers is a priority at all levels of the business. Senior Chinese management regularly visit growers and teams follow a service-based approach, in contrast to the more traditional transactional style, working in partnership with growers, business-wide.

In generating grower insights, the business also calls on expertise from outside the company. In December 2017, external researchers carried out a qualitative study of growers’ perceptions of AB Sugar China. While they found generally high levels of satisfaction, some areas of improvement, such as how sugar beet is transported post-harvest, were identified and are now being addressed.

**LOOKING AHEAD**

In its next decade, AB Sugar China intends to hit further stretching targets, from cutting the cost of sucrose per tonne to reducing its wider environmental footprint. Its achievements to date, from aligning the competitiveness of sugar beet with that of sugar cane, to encouraging growers to remain on the land, put it in a good position to succeed.
British Sugar is further strengthening its supply chain to boost its competitiveness, as the industry transitions from regulation to liberalisation.

**A PASSION FOR QUALITY**

The business has consistently invested in its operations to drive efficiency improvements, reduce energy costs and emissions, and improve operational flexibility. It has consistently invested capital over this time to make its factories in Bury St Edmunds, Cantley, Newark and Wissington as efficient and productive as possible.

25% yield improvements in the past ten years

British beet sugar production is already highly efficient and a sustained focus on research and development and targeted initiatives has resulted in compound yield improvements of 25% over the past ten years. British Sugar is now one of the world’s lowest cost sugar beet processors. It is further honing its packaging, warehousing and logistics operations to ensure they deliver the quality and flexibility of service and formats that UK and international customers want, now and in the future.

**FLEXIBLE OPERATIONS**

British Sugar has created a flexible factory operating model by assigning dedicated roles to each of its four sugar production plants with, for example, Bury St Edmunds, in Suffolk, focusing on retail customers, while Newark, in Nottinghamshire, specialises in bulk deliveries for food and drink manufacturing while being able to flex these roles if required. This centre of excellence approach enables each factory to develop its specialisms, while being able to work closely together to deliver an integrated customer service.

The business is simplifying and automating operating processes at the four factories to reduce costs and further improve efficiency. Such investment is, among other advances, enabling the production of a wider variety of packaging formats to meet diverse and changing customer preferences; three locations now provide 50kg bags of sugar, for example, whereas they were previously produced at just one. This expansion in capability increases the attractiveness of British Sugar’s offering in the world market, where the 50kg format is in particular demand. In another move to develop its international customer base, British Sugar is developing its site at Cantley, near the Norfolk coast, as its key export hub given its proximity to Felixstowe.

50kg bags of sugar provided at three locations
AUTOMATED WAREHOUSING

In another significant investment, British Sugar is fully automating the warehouse at its Wissington sugar production plant in Norfolk, one of Europe’s largest sugar factories. This will see intelligent software automatically programming the movement of pallets in and out of the warehouse based on customer orders and the production schedule, enabling a swift response to changing customer needs and supporting future growth. To further reduce the need for, and costs of, additional warehousing, British Sugar is also planning to increase its own storage capacity. In the meantime, faster lorry-loading times have eased pressure on storage space.

TRANSFORMING LOGISTICS

In recognition of the central role that efficient delivery plays in customer satisfaction, and the significant cost of haulage, British Sugar is transforming its logistics operations. The business has strengthened the size and expertise of its logistics team, is working with its haulier partners to extend logistics operations, and is developing its understanding of customer delivery preferences to ensure it meets their needs.

WINNING IN THE MARKET

British Sugar’s supply chain improvement programme drew on best practice from within and outside the business, and on insights into the development of the global sugar industry. It involved close collaboration between the business’s commercial and operations teams; an integrated approach that underpins British Sugar’s core strategy of winning in the market by always exceeding customer expectations and providing the products and service they want.

One year on from the full liberalisation of the beet sugar industry, the programme has helped British Sugar achieve another significant step towards its goal of becoming the firm supplier of choice for its customers.
ABOUT AGRICULTURE
AB Agri occupies a position across the agri-food supply chain. Its focus is to add value and deliver profit for partners all along that chain by improving the sustainability of food production. This is achieved by investing in research and development, driving the use of technology and exploring how data can deliver insight and enable improvements. A top three player in almost all the markets in which it operates, it continues to expand its global footprint and is rapidly becoming a major international agri-business. AB Agri’s core capabilities include:

Specialised feed ingredients
Offering pioneering feed ingredients, additive products and technical services to the global animal feed industry as well as high-quality, bespoke, vitamin/mineral premixes, starter feeds and micro-ingredients developed through world-class expertise in nutrition and product formulation.

Co-product innovation and marketing
The UK’s largest and most progressive marketer of food, drink and energy industry co-products.

Finished feed manufacture
A major international manufacturer and supplier of pig, poultry and dairy feeds, with 28 production sites in the UK, continental Europe and China. We work closely with major processors and producers to benchmark productivity and performance and develop tailored feeds and new feeding regimes to improve performance for every customer.

Supply chain solutions
Working exclusively with major brands and retailers for more than 15 years, we create value through the implementation of continuous improvement programmes, working across food, agriculture and natural resource supply chains in over 65 countries.

Commodity risk management
Providing customers with in-depth insight on global commodity markets, we are also the UK’s leading grain trading and crop inputs company through Frontier Agriculture, our joint venture with Cargill plc.
DRIVING FOOD SUSTAINABILITY THROUGH DATA

See page 34 to read more
AB Agri revenues were well ahead of last year, with growth in all businesses, and with a consequent increase in operating profit.

In the UK, compound feed and premix sales grew significantly and the large sugar beet crop increased the availability of co-products which provided more volume for Trident Feeds. Higher vitamin costs drove an increase in feed prices. A new premix factory at Fradley Park, Staffordshire, opened at the end of the financial year. Operating profit at Frontier was held back by limited grain trading opportunities following a smaller UK wheat crop, while its crop inputs business delivered a record performance with high demand during the growing season in spring and early summer.

AB Vista continued to build international sales and share in the feed enzyme market and is now a leader in the phytase segment. Sales in the ruminant segment and in North America showed good growth but were held back by a reduced demand by the Vietnamese pig industry.

Starter feed exports to continental Europe by our Primary Diets business in the UK grew strongly, especially to Poland, Germany, Denmark and Italy. Agrokorn, our Danish speciality protein business acquired in 2016, continued to grow. Our compound feed business in China had another good year and entered the new markets of sheep and duck feed. Our flaked maize plant in Rudong and a new premix mill were both completed during the year.
State-of-the-art safety

Find out more at www.abf.co.uk/responsibility
Premier Nutrition’s state-of-the-art Staffordshire factory puts safety firmly to the fore.

The AB Agri business’s new Fradley Park facility incorporates the latest technology and industrial design to ensure product and operator safety. The automated production line is system-driven, reducing the need for manual handling with, for example, pallets being stacked automatically rather than by hand. Safe movement of staff and visitors is a priority, with a pedestrian-free delivery yard, forklift truck thoroughfares and a separate charging area.

To further ensure product safety, the factory is built to food industry standards. This includes separate dirty and clean changing areas, a full kitchen/eating suite, and personal protective equipment storage facilities. There is also seamless traceability, with barcode technology monitoring all movement – from the arrival of raw materials to product despatch.

Before the factory’s July 2018 opening, Premier Nutrition conducted more than 3,500 tests to ensure it met its high health and safety, product safety and environmental standards.
Amur, AB Agri’s anaerobic digestion business, turns food waste into renewable energy. Anaerobic digestion is the breakdown of organic matter without oxygen to produce flammable gases. These gases can be burned in an engine to produce heat and electricity, or cleaned up and used in the same way as natural gas, to heat our homes and cook our food.

Amur’s Yorkshire-based anaerobic digestion plant was launched in November 2016 and constitutes a key element of AB Agri’s commitment to being a circular business: it now converts 52,000 tonnes of food waste each year into 35,000 MWh of bio-methane gas for the local grid. The residue from this process goes back onto fields as fertiliser, completing the full cycle.

Amur has also turned its expertise into a business model: it provides product innovation, testing and consulting services, helping the UK anaerobic digestion industry to grow and develop. In particular, Amur helps its customers improve the performance of their facilities, by optimising gas yields and supplying consistent feedstock that drives industry standards. Running its own plant and test laboratories gives Amur credibility and understanding of its customers’ needs. It also enables the business to trial and test innovative products such as feedstock, of which Amur sells 39,000 tonnes each year to third-party sites generating an estimated additional 27,000 MWh of bio-methane.

52,000 tonnes of food waste can be converted into 35,000 MWh of methane gas.
AB Agri is helping customers across the agri-food supply chain to deliver business improvements with the smart use of new technology.

From farm to fork, AB Agri is using its advanced technology and rich data to boost performance for its agri-food customers. One such example is SOYL precision farming, part of AB Agri’s Frontier Agriculture business. SOYL uses innovative software, robust data, expert advice and technical support to help farmers improve crop production.

Currently, only one-third of land in the UK used to grow cereals applies precision technology to indicate where, and in what measure, inputs such as seeds and fertiliser need to be applied – despite clear evidence of both value creation for farmers, and of the more responsible use of resources which result. To help unlock this value, SOYL has mapped 1 million hectares of land and is using the resulting data to provide insight. Case studies show that applying nitrogen fertilisers variably to wheat crops, based on SOYL’s satellite imagery, can deliver a typical yield improvement of between 4% and 7%. For a farm with 100 hectares of wheat yielding 8 tonnes/hectare, a switch to variable rate nitrogen fertiliser application could generate an uplift in sales of up to £10,000 per annum.

SOYL is increasingly putting such insight into farmers’ hands, via apps and other digital products. For example, growers can see their precision farming data live via a web-based data management tool, monitor issues via a field scouting app and directly transfer variable rate application maps to, and execute them from, a tractor cab.

4%—7%

Typical yield improvement based on SOYL satellite imagery
MAKING LIGHT WORK

Another of AB Agri’s innovative businesses, Aunir, part of the AB Vista business, uses light – specifically near infrared (NIR) analysis – to test the nutritional, chemical and physical properties of ingredients and products.

NIR technology offers many benefits over traditional analytical methods. It requires little or no sample preparation, is chemical-free, and provides reliable and precise results in seconds, thus enabling customers to make quick decisions. It is widely used for quality control in animal feed but Aunir has taken its application to new heights. Its cutting-edge technology, extensive online databases and processing power enable it to perform complex analysis that can help make the whole agri-food supply chain more efficient.

Its services include helping customers:

• check the quality of feed ingredients online against a database of more than 4 million data points;
• measure the nutrient and energy content of forage, to establish what livestock eat; and
• assess animal performance, and allow the feed to be balanced to optimise animal production while reducing nutrient losses into the environment.

Aunir has made NIR technology even more user-friendly by offering portable ‘NIR4’ devices. These handheld tools enable farmers to quickly and cheaply test the quality of animal feed on-farm and, if necessary, immediately balance its nutrient base, without needing to revert to a laboratory.

350,000
samples analysed to create in excess of 4 million data points

DRIVING FOOD SUSTAINABILITY

By investing in research and development, driving the use of new technology and using data to deliver insight, AB Agri companies like SOYL and Aunir are delivering sustainable food production, adding value and delivering profit for partners across the global agri-food supply chain.
INGREDIENTS

ABOUT INGREDIENTS
Ingredients comprises a number of businesses that supply a range of ingredients to food and non-food manufacturers, which together employ 8,000 people.

AB Mauri has a global presence in bakers’ yeast with significant market positions in the Americas, Europe and Asia, and is a technology leader in, and supplier of, bread improvers, dough conditioners and bakery mixes. The business employs experts who have extensive knowledge and understanding of the yeast and bakery ingredients business, the equipment, the processes and the raw material.

ABF Ingredients operates a global footprint with production facilities in Europe, the Americas and India and customers in more than 50 countries. It comprises businesses focusing on high-value ingredients for food, feed, pharmaceutical and industrial applications: AB Enzymes; Abitec (speciality lipids and surfactants); Ohly (yeast extracts and seasoning powders); PGP International (extruded ingredients and specialty rice flours); and SPI Pharma (pharmaceutical excipients and antacids).
At constant currency, Ingredients’ revenues were 6% ahead of last year. Adjusted operating profit was well ahead of last year again, delivering a further increase in margin.

AB Mauri delivered another year of sustained growth, in both yeast and bakery ingredients, through continued improvements in operational performance. Significant progress was made in our multi-year investment programme aimed at developing our capabilities in bakery ingredients technology. The goal of this investment is to provide the baker with optimal solutions for their present and future product needs.

North America benefited from cost reductions in yeast manufacturing, sustained growth in bakery ingredients and a full year of ownership of the Speciality Blending business acquired in 2017. Our Latin American businesses have grown despite ongoing economic difficulties and competitive pressures. The operation in Argentina opened its new bakery ingredients plant in Lanus in the year. Trading performance in EMEA continued to be strong and further investments were made in research and development. In June 2018 the acquisition was completed of Holgran, a supplier of malted grains, and Fleming Howden, an Edinburgh-based blender and distributor of bakery ingredients.

ABF Ingredients delivered an outstanding performance with another year of strong profit growth. Gross profit margins improved in all five businesses as a result of a favourable product mix, with sales managed towards markets with higher margins. In our enzymes businesses, innovative products serving the bakery, pulp and paper and detergents markets delivered the sales growth. The increase in enzyme production capacity at the Rajamäki site in Finland was utilised as planned to satisfy the growth in customer demand.

Abitec, our speciality lipids business in North America, continued to perform well. SPI Pharma sustained its growth in excipients and drug delivery solutions driven by the ongoing expansion in the market for pharmaceutical reformulations. Our US protein extrusion business, PGP International, continued to develop its sales of protein crisps which are used in the rapidly expanding health bar and gluten-free segments in the US.
Recognising great safety performance

Find out more at www.abf.co.uk/responsibility
Innovative safety initiatives are being shared across ABF Ingredients, following a programme spanning all of its businesses.

The Safety Recognition Programme, which aims to acknowledge, encourage and share best practice, was launched simultaneously by the CEOs of ABF Ingredients’ five businesses in August 2017. Locations were asked to submit schemes showing solid evidence of sustainable health and safety improvements which could be replicated in all businesses. Safety forms part of our People section in the corporate responsibility logo illustrated opposite.

Six different sites were recognised by the senior leadership team. The winners, who each made donations to local charities, included:

- the ABITEC site in Janesville, USA, which has had no Lost Time Injuries for four years due to a strong safety culture that is fully embraced by all team members; and

- PGP International, which was recognised for its ‘buddy safety system’, which sees each new starter wearing a red strip on their hard hat so that everyone knows they need safety guidance. They are buddied up with a more experienced operator who wears a yellow strip on their hat and coaches them on day-to-day tasks.
THE PROOF OF A GREAT LOAF

AB Mauri Brazil’s Panesse range of pre-proved bread products has captured a loyal retail and consumer base and a trio of food quality awards – just 18 months after launch.

Panesse’s superior quality ingredients deliver a thin, crunchy crust and a delicious, aerated crumb. As well as tasting great, due to the product’s 40-hour fermentation process, it is very easy to digest.

The premium brand targets both the craft baker and the consumer, with the combined promise of convenience and quality. Bakers can buy chilled Panesse dough, which they bake on their premises and sell in branded wrappers. Consumers, meanwhile, can purchase frozen part-baked loaves in supermarkets to finish at home.

THE BREAD SOMMELIER

Panesse, which has been launched initially in São Paulo, is helping AB Mauri Brazil raise the bar of the bread category – as evidenced by its brand slogan “the bread sommelier”. Further testimony to its superiority has come from the International Taste & Quality Institute which, in April 2018, presented ‘Superior taste awards’ to three Panesse products. Whole Grain won the highest possible score – three golden stars – and was judged as having ‘exceptional taste’. The Traditional and Grain variants received two stars and were assessed as having ‘remarkable taste’.

Panesse was developed over three years in a collaboration between AB Mauri’s global research and technology centre in Made, the Netherlands, and its Brazilian team. It is another example of the track record of the business in supplying innovative and high-quality products to artisanal bakers.

We are enabling artisanal bakers in Brazil to offer a wider choice of products more conveniently and easily.
EXTRUDED CRISPS

PGPI makes its extruded crisps from soy, pea and rice protein, as well as from quinoa, sorghum and a number of ancient grains. Packed with nutritional ingredients, the crisps come in various sizes, densities and textures, tailored to customer needs. Innovation is constant, with our highly skilled product development teams working closely with customers to explore and create new processes to develop new, and enhance existing, recipes.

Our protein crisp sales have grown significantly to satisfy the increased demand for plant-based protein due to the potential health benefits.

THE INGREDIENTS FOR GROWTH

California-based PGPI is a leading manufacturer of extruded protein and grain crisps, and of rice and rice flour products. Its ingredients are used by major food companies in the US and beyond in granola, energy and nutrition bars, snacks, confectionery, baked foods, and speciality cereals.

RISING DEMAND FOR HEALTHY FOODS, AND STRONG INNOVATION, HAS DELIVERED SIGNIFICANT GROWTH FOR PGP INTERNATIONAL (PGPI), ONE OF THE ABF INGREDIENTS BUSINESSES.

AN ENERGY FOR INNOVATION
**RICE PRODUCTS**

PGPI offers a wide variety of rice flours and meals – including certified organic and GMO-free lines – made from different types of rice in many particle sizes. Its gluten-free rice flour products are used largely in bakery mixes, cereals and healthy snacks.

Sales of PGPI rice products have experienced significant growth, driven by the growing demand for gluten-free products. This demand extends beyond those consumers with a gluten intolerance, with many people now turning to gluten-free products because they consider them healthier and more natural. The business is recognised by the Gluten Free Certification Organisation, with its products containing half the already low level of gluten allowed by the US Food and Drug Administration.

**VERSATILITY**

The versatility of these products also increases their attraction. Its pea protein crisps can, for example, be used in nutrition bars, incorporated into clusters or simply added to breakfast cereals. And while their high-protein, energy-boosting effects make them an ideal ingredient for nutrition foods, their light flavour means they are versatile enough to incorporate in confectionery and desserts. PGPI’s rice flour products are similarly versatile; its glutinous (sweet) short grain rice flour, for instance, is a strong stabiliser and thickener, survives freeze-thawing processes, and breakage during packaging.

Such versatility, along with PGPI’s innovation strengths and the rising interest in healthy food, has helped PGPI to achieve three years of positive growth.
ABOUT RETAIL
Primark is one of the largest clothing retailers in Europe. It has 360 stores and employs over 75,000 people in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France, Italy and the US. It was founded in June 1969 in the Republic of Ireland where it continues to trade as Penneys.

Primark’s organic growth has been mainly achieved through increased selling space. Investment in buying, merchandising and our success in constantly refreshing our stores ensures they remain exciting places to shop. The increase in selling space has been driven by capital investment in freehold and leasehold properties as they have become available, first on the high streets of the UK and Ireland, and more recently on the high streets and in the shopping centres of continental Europe and the US. 2006 saw Primark’s first foray into continental Europe with the opening of a store in Madrid and it now operates from 14.8 million sq ft of selling space across 11 countries.

With a unique combination of the latest fashion and lean operations, Primark offers customers quality, up-to-the-minute designs at value-for-money prices. Buying and merchandising teams travel internationally to source and buy garments that best reflect each season’s key fashion trends. Primark’s range includes womenswear, lingerie, childrenswear, menswear, footwear, accessories, hosiery, beauty and homeware.
Sales at Primark were 6% ahead of last year at actual exchange rates and 5.2% ahead at constant currency, driven by increased selling space offset by a 2.1% decline in like-for-like sales. Operating profit margin increased to 11.3% from 10.4% and, as a consequence, adjusted operating profit was 13% ahead at constant currency.

Primark performed particularly well in the UK: sales were 5.3% ahead of last year, like-for-like sales growth for the full year was 1.2% and our share of the total clothing market increased significantly. This was achieved in a market which declined year-on-year. Like-for-like growth was strong in the first half of the year and was marginally down in the second half in a much weaker market and which compared to an exceptionally strong second half last year. Sell-through of the summer range was strong, and, as a result, markdowns were lower than expected. Early trading of our new autumn/winter range has been encouraging.

Our store in central Belfast was sadly destroyed by fire in August. The safety and well-being of our customers, colleagues and construction team was the most important consideration, and all were evacuated safely and quickly. Our store is housed in an iconic building which is much loved by the people of Belfast. We will shortly re-establish a trading presence in Belfast with the opening of a store in Commonwealth House and are committed to working with the authorities to restore Bank Buildings over the longer term. The full replacement cost of the building and resulting business interruption is insured.

Sales in the Eurozone were 4.7% ahead of last year at constant currency and like-for-like sales fell by 4.7%. Sales growth was achieved in Spain, Portugal and Germany and was especially strong in France, Belgium and Italy. Adjusting for cannibalisation from new store openings, we estimate that the like-for-like decline was 3.6%. This decline was driven by unseasonable weather during three distinct periods this year, especially in northern Europe, and by soft trading in a weak German market.

We are very pleased with our US performance in the second half of this year. Our ninth store, which opened in Brooklyn in July, has been trading very strongly. Our existing stores delivered like-for-like growth in the second half including those stores with reduced selling space, at Freehold and Danbury, with a consequent benefit to store profitability. We have signed agreements for two further stores: American Dream, New Jersey is planned to open in 2019 and Sawgrass Mills, Florida in 2020. We are working on adding further stores in the medium term in the eastern region of the US which would be serviced from our existing US warehouse.

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Growing Talent

*Find out more at www.abf.co.uk/responsibility*
Primark’s success reflects the ambition, innovation and hard work of its people – and its continued investment in developing their skills.

In 2018, the business introduced the Make Your Primark process. This aims to ensure all employees understand their priorities, how they contribute to business success, and that managers can effectively structure performance and personal development conversations with employees.

As part of Make Your Primark, managers have three structured conversations with individuals every year. In the first, they agree a set of goals that reflect the needs of both the business and competency-based employee development objectives. In the second, they review progress towards these goals. In the third, they acknowledge and celebrate goal achievement. To help managers approach such conversations effectively, Primark delivered an Effective Conversations learning workshop for more than 1,500 leaders from across the business.
Social media continues to underpin Primark’s loyal fashion following with total followers growing to nearly 13 million, up from 10 million last year. Primark’s social media channels aim to inspire, and enable its followers to keep up-to-date on all the latest products, create wish lists, receive styling advice, and upload outfit posts to Primania.

Operating profit margin in the second half of the year was well ahead of the first half, and last year, and was driven by the benefit of the weakening of the US dollar exchange rate on purchases and by better buying. Following a very successful sell through of our summer ranges the level of markdowns in the second half was lower than expected, although above the unusually low level in the comparative period last year. These factors together drove the improvement in full year margin from 10.4% to 11.3%.

Looking ahead to next year, forward exchange contracts have been secured against all merchandise in the first half, and the weaker US dollar exchange rate for these contracts will deliver a higher first half margin compared to the first half of this year. Assuming that purchases for the spring/summer range are secured at current exchange rates we would expect a lower second half margin. The full year operating margin in Primark at this stage is expected to be broadly in line with this year. However, the exchange rate applicable to purchases in the second half will be sensitive to sterling exchange rate volatility which is likely to arise given a period of intense Brexit negotiations.

Retail selling space increased by a net 0.9 million sq ft this year with 15 net new stores. This brings the total estate to 360 stores, trading from 14.8 million sq ft which compared to 13.9 million sq ft a year ago. Selling space increased by a gross 1 million sq ft with 16 new stores added; five stores were added in Germany; four in the UK; two in France and one each in Portugal, Belgium, Spain, the Netherlands and the US. A small store at Lisnagelvin, Londonderry, in Northern Ireland was closed and selling space in the US stores in Freehold and Danbury was reduced.

In the next financial year, we are planning to add over 1 million sq ft of net additional selling space. Germany, France, Spain and the UK will see the most space added and overall, we will add a net 15 new stores. We will move to new premises at Birmingham Pavilions which, at 160,000 sq ft, will become our largest store in the whole estate. We have already opened large new stores in Berlin in Germany; Toulouse in France; and Seville and Almeria in Spain. Other large new stores to open later in the year will be: Bordeaux in France; Brussels in Belgium; Utrecht in the Netherlands; and Milton Keynes in the UK.

Our first store in Slovenia will open in 2019 in Ljubljana, taking Primark to its twelfth country. We are planning to enter a number of other markets in central and eastern Europe over the coming years, and have signed the lease for our first store in Poland, Warsaw.

NEW STORE OPENINGS
UK: Charlton, Staines, Burnley, Westfield – London
Spain: Valencia
Portugal: Algarve
France: Le Havre, Metz
Belgium: Antwerp
The Netherlands: Tilburg
Germany: Bielefeld, Münster, Stuttgart Königstraße, Munich PEP, Ingolstadt
US: Brooklyn

RELOCATIONS
UK: Oxford, Rotherham, Grimsby, Kingston, Norwich
Spain: Islazul Madrid
EXPONENTIAL GROWTH

The business sells a huge range of licensed products, covering global brands such as Warner Bros, Disney and Marvel; major TV series, such as Love Island and Game Of Thrones; classic superbands, such as the Beatles and the Rolling Stones; and leading computer games.

Licensed products make a huge contribution to Primark’s success – one that has grown exponentially over the past five years. They feature across all store categories. Although other retailers sell products under similar licences, Primark’s competitive prices, innovative designs and swift translation of concepts from screen to store, give it a particular edge.

This year’s 90th birthday of Mickey Mouse, for example, has inspired a winning collection of products across the store. A House of Mouse homeware range extends from fairy lights and mugs to stationery and lamps (all with very large ears), while #Mickey90 adorns children’s, men’s and women’s fashion and accessories ranges. Meanwhile, other beloved Disney characters, such as the Aristocats and Bambi, were the stars of a hugely popular 2018 spring fashion collection.

Mickey Mouse celebrated his 90th birthday this year.

Superheroes, dastardly villains and boy wizards have flown from the screen to the high street, thanks to Primark’s unbeatable range of licensed products.
UNIQUE EXPERIENCES

The brand’s commitment to developing a unique experience around its licensed products is a further draw: the recently opened store near Disneyland Paris, at Val d’Europe, for example, has a magical department for all things Disney – from princess ball gowns to cosy nightwear.

Fans of Harry Potter, meanwhile, can enter the boy wizard’s world at Primark stores in Boston, Dublin, Madrid, Antwerp and Oxford Street East, London. White owls carry letters overhead against a night sky; Gryffindor, Ravenclaw, Slytherin and Hufflepuff house flags are suspended from the ceiling; trunks and suitcases are stacked in every corner; and there are more Harry Potter-themed clothes, bags, soft furnishings and shoes than you could shake a wand at. Customers are kept spellbound online: Primark’s website features a ‘store safari’ video tour of the Oxford Street East Potter area; a Facebook video reveals how to achieve a Harry Potter bedroom makeover, and Instagram clips capture the wizarding clothing range.

A SHOPPING DESTINATION

By building on the existing allure of much-loved characters with novel online and physical shopping experiences, innovative must-have products and competitive prices, Primark’s licensed products are helping to make the store even more of a shopping destination.
SOARING HIGH ON SOCIAL MEDIA

Primark’s engaging digital sites are attracting huge customer numbers to the brand’s physical stores.

Two million people visit the brand’s website every week and, in the UK, Primark is among the top ten most-visited fashion retailer sites. The brand has also built up a community of nearly 13 million on its social media sites including Facebook and Instagram. Such high visitor levels are particularly striking given the fact that, unlike many retail brands, Primark does not sell online.

CUSTOMER-FOCUSED CONTENT

Primark puts the customer at the heart of all its digital content. Reflecting insights from customer research, the language and tone are friendly and informal, subjects extend beyond Primark products to include broader lifestyle interests, from health to celebrity, and the varied formats cover everything from video city guides to beauty tutorials.

In spring 2018 social media played a huge part in creating excitement ahead of the opening of Primark’s ninth US store, in Brooklyn, New York. Customers were invited to a pop-up shop on Long Island, where they could model and be photographed wearing Primark products. The customer portraits were then posted and shared across social media and used in in-store advertising in the Brooklyn Primark. The campaign was widely covered in mainstream media.

One of our many customer influencers who helped generate a social media buzz around the opening of Brooklyn Primark

Associated British Foods plc

Annual Report and Accounts 2018
Primark partners with around 1,000 key influencers, who help promote the brand’s products on their own online channels. These include both nationally- and internationally-renowned celebrities and individuals with a more local or niche following. Sponsored product collaborations with celebrities – such as a recent activewear range developed with online fitness guru, Alice Liveing – also generate significant social media coverage.

To extend this online community, Primark encourages customers to share and tag the brand in their photos and images. For example, following the Brooklyn customer photo shoot, people who posted their favourite, PrimarkUSA-tagged shot on Instagram, had the chance of featuring in a campaign photo. In another move to extend user engagement, in late 2018, as part of an increased focus on video channels, Primark extended its practice of replying to Facebook and Twitter posts to include Instagram too.

Primark’s social media leadership is delivering clear results in the physical as well as virtual worlds.

1,000 key influencers have partnered with Primark