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Navigating the UK retail landscape

Sara Reid

November 2022

Today I will…

Share how the UK looks vs other countries

What does the landscape look like: HFSS, Cost of Living

What does growth look like in the current climate

What the Worldpanel purchase panel is

A sample of 30,000 Households weighted up to represent the GB population

Demographically representative (Age, Lifestage, Region, Social Class, Income)

Continuous, so we can track real changes in behaviour over time

Syndicated, so it is one data source that all our clients access

The most comprehensive view of the entire grocery market and the areas driving growth: Online and Discounters

The size of our panel makes it possible to pinpoint realistic, lucrative opportunities for your categories and retail partners.

What we do

Leaders in UK shopper behavioural understanding for more than 30 years

Working with over 700 UK retailers and suppliers to understand the marketplace

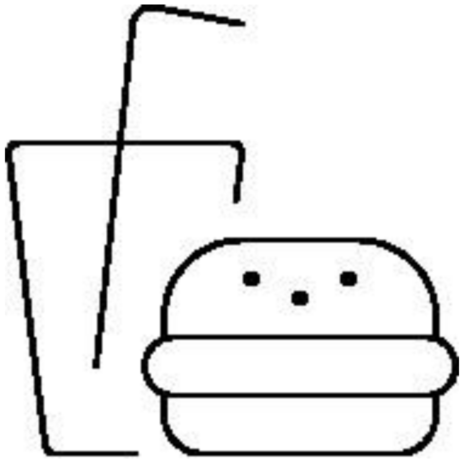
A dedicated team of 200+ experts working with clients to answer their business questions

The big numbers for FMCG in the UK

£115bn (+1%)

Take Home Groceries

£53bn (+2%)



Out of Home Food & Drink

(exc. Alcohol)

Source: Kantar, FMCG Panel, 52 w/e 29-Dec-19

Focussing on Take Home Groceries

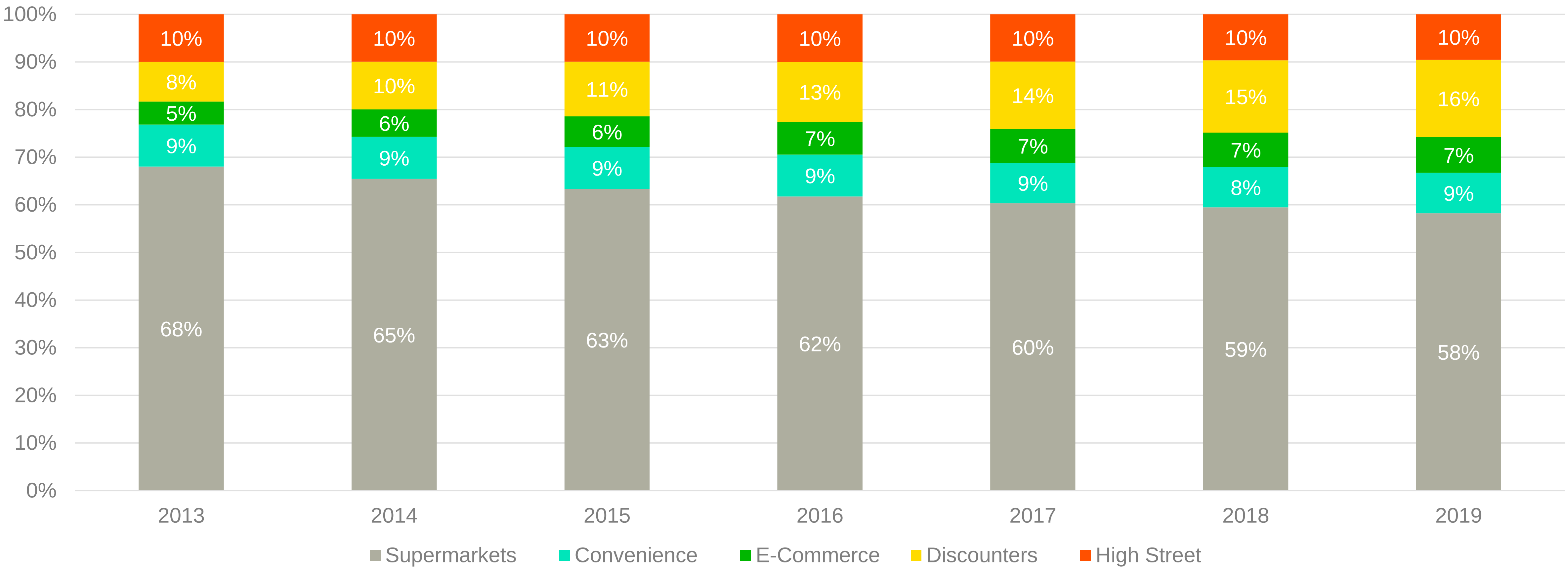
£115bn (+1%) Take Home Groceries

28 million households x 268 trips x £15.48 per trip

Source: Kantar, FMCG Panel, 52 w/e 29-Dec-19

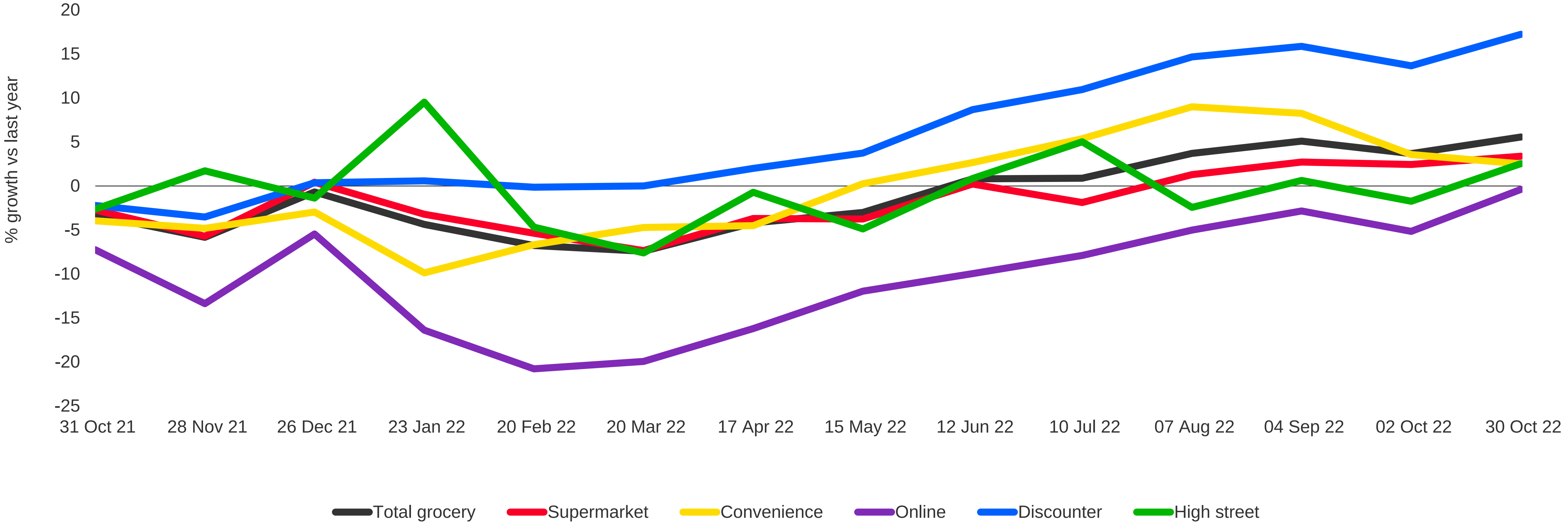
The channel landscape is still dominated by Supermarkets but there has been a steady movement towards online and discounters.

UK Take Home Groceries – Channel Shares - £%



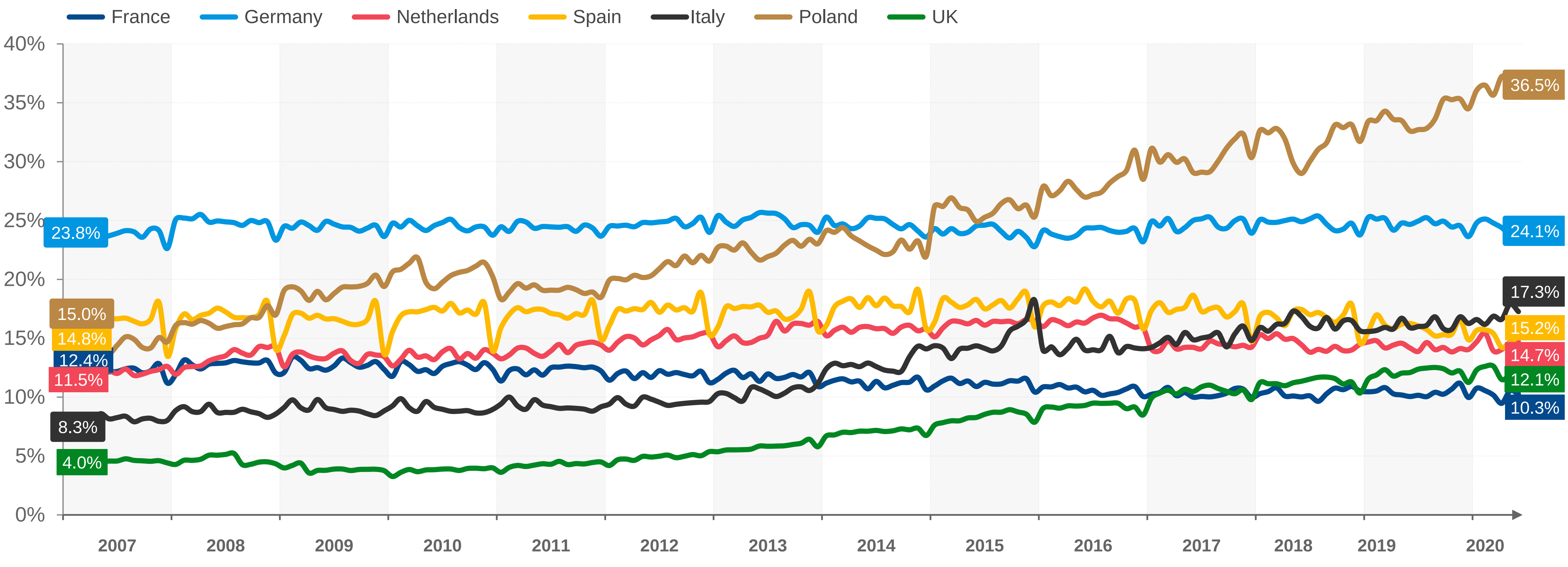
Channel trends in the UK

Growth gap between discounters and the rest has widened



Discounters have built from a lower base than the rest of Europe but have caught up quickly.

Global Take Home Groceries – Grocery Discounter Shares



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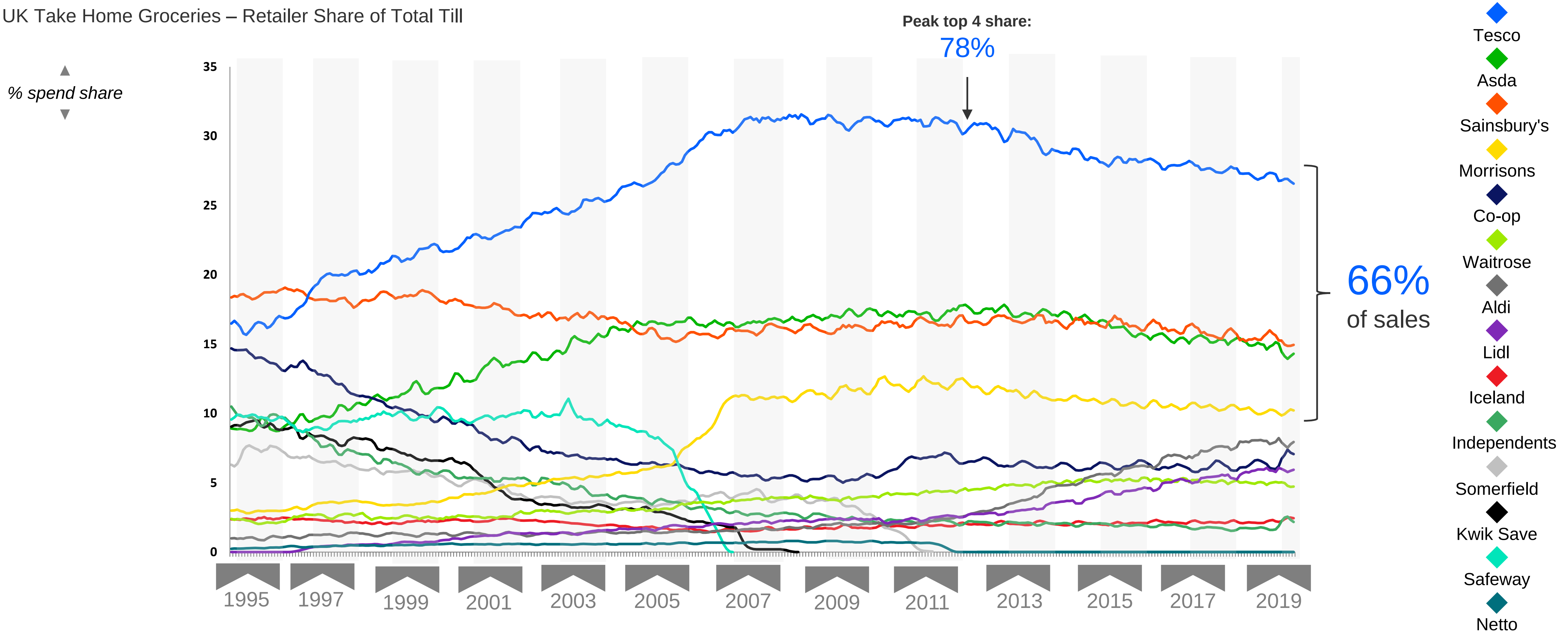
Source: Kantar & GFK household panels

The result is slow erosion of share for the top 4 and a major focus on resisting the rise of the discounters.

UK Take Home Groceries – Retailer Share of Total Till



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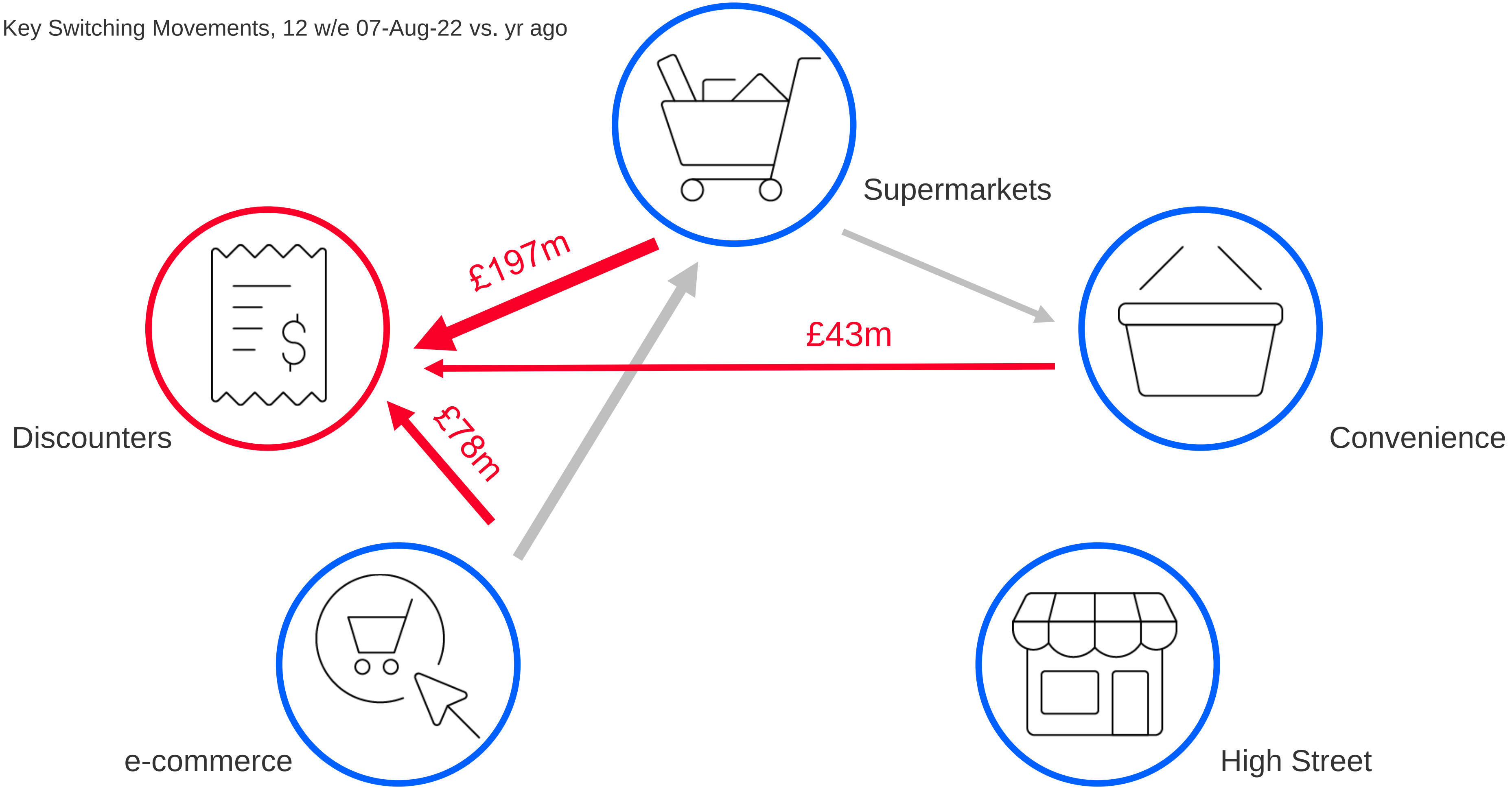
Source: Kantar, UK FMCG Panel, 12 w/e Till Roll Shares (£%)

Discounters are picking up share from every other channel

Take Home Groceries – Key Switching Movements, 12 w/e 07-Aug-22 vs. yr ago

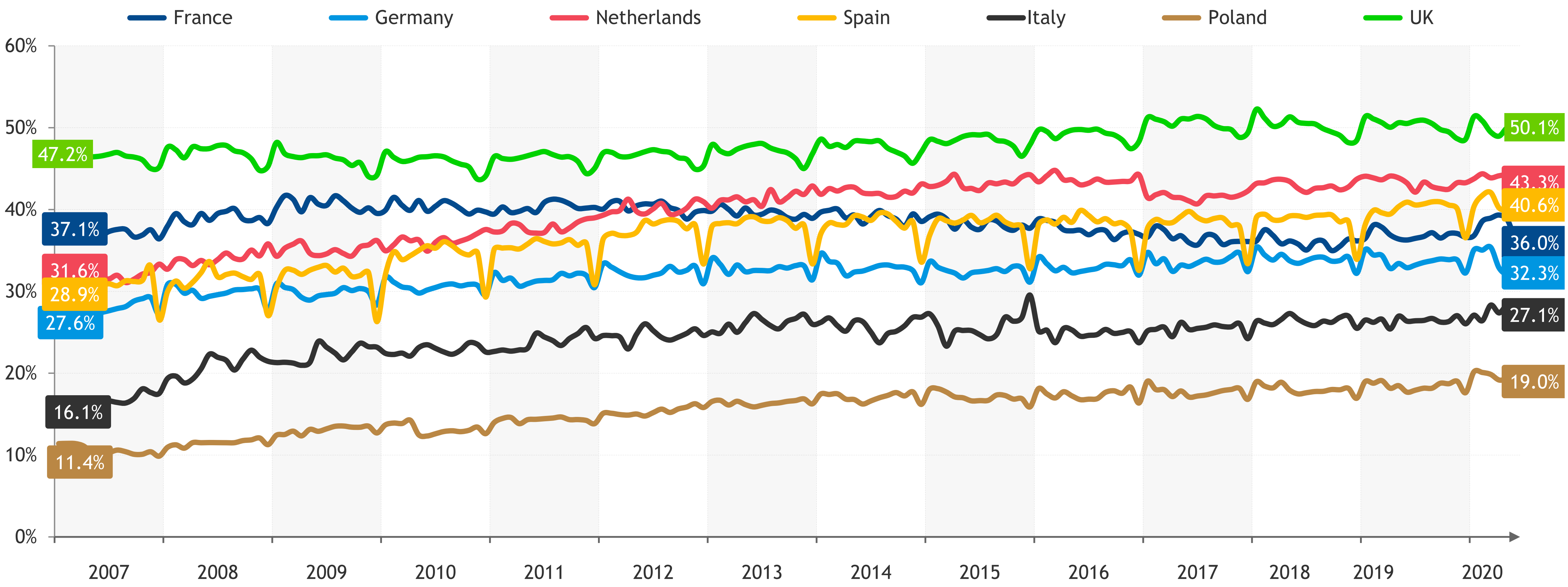


The response has consistently been to try to mimic the discounter model.

2008

2020

Once in store, we have most private label driven market in the world.



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Source: Kantar & GFK household panels

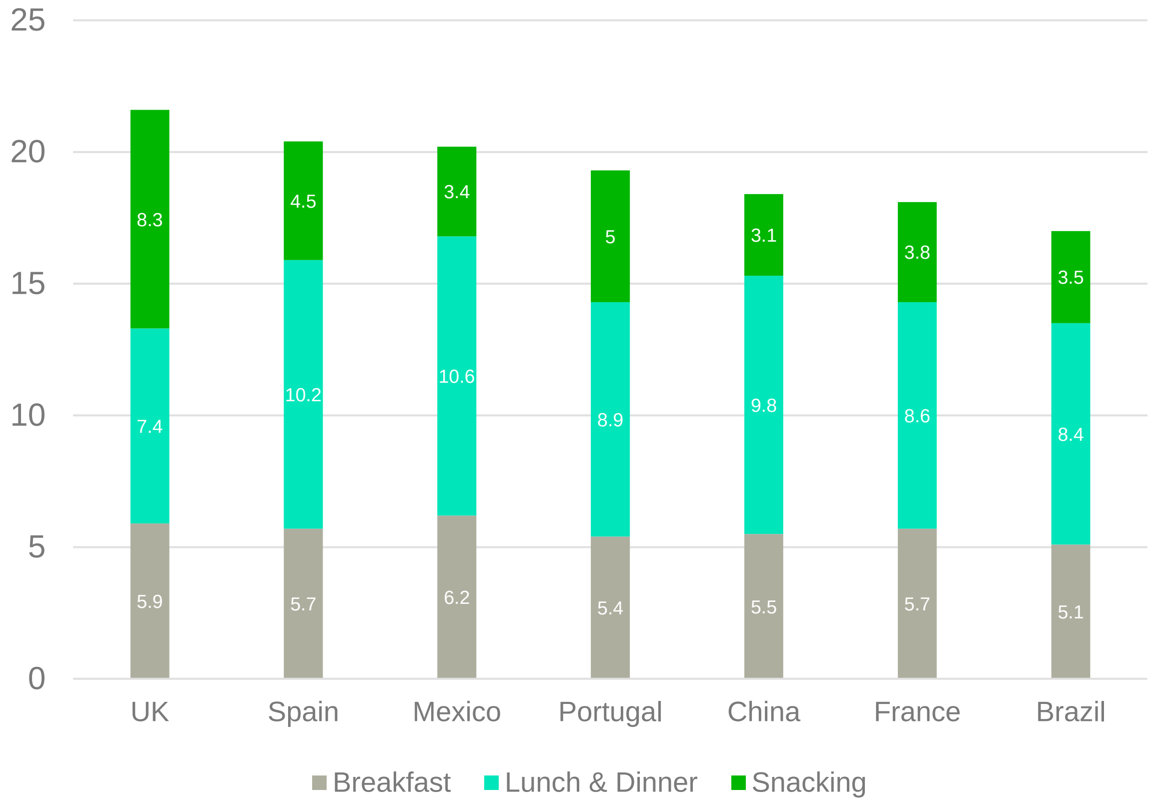
And the most promotionally heavy market in the world

Total FMCG - % sales on promotion

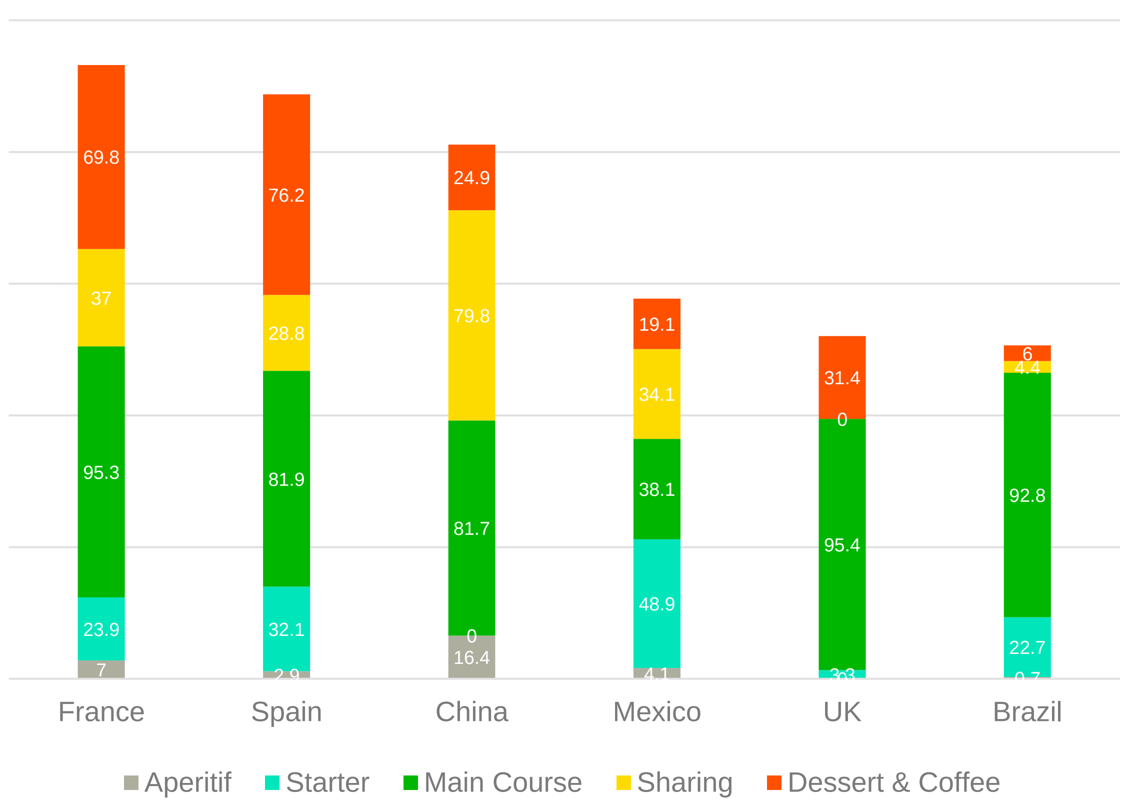
24%	19%	16%	16%	15%	10%

When it comes to food & drink, we’re heavy snackers but simple when it comes to meal times.

Weekly at home food & drink consumption occasions by country



% at home lunch & dinner occasions featuring each ‘course’



Revised timing to HFSS legislation

Restrictions on locations

- Restrictions on in store locations of HFSS products **will still go ahead in Oct 2022**
- HFSS products can no longer be merchandised in key store locations such as **gondola ends**, **checkouts**, **store entrances** and **online equivalents**

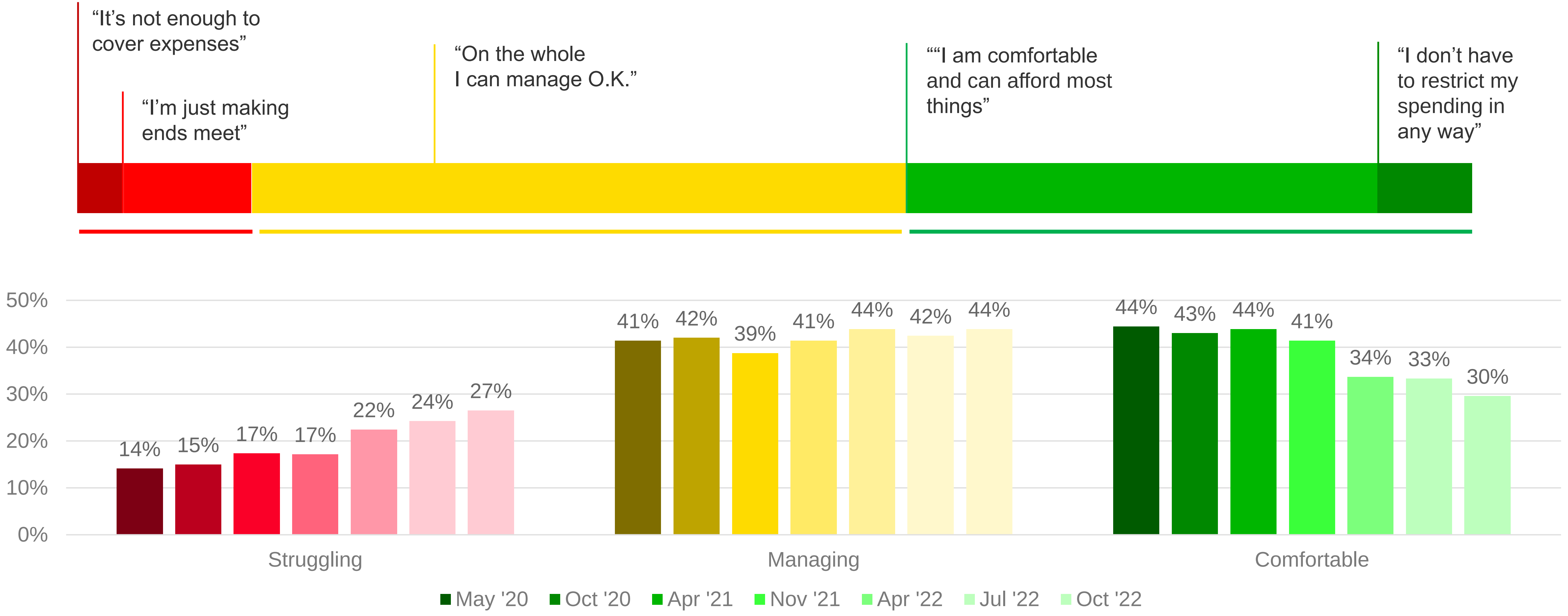
Rules banning multi-buy deals

- BOGOF, 3 for 2, free refills, are **delayed for a year**
- Ban on TV advertising before 9pm and paid online advertising will be **delayed for a year.** Will now come into force **Jan 2024.**

Despite the partial delay, the impact will still be significant in these categories

More than 1 in 4 households now describing themselves as struggling

Speak to your client service team to understand the impact in your category



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How to grow your business amidst the cost of living crisis

Real behaviour to unpick how shoppers will respond

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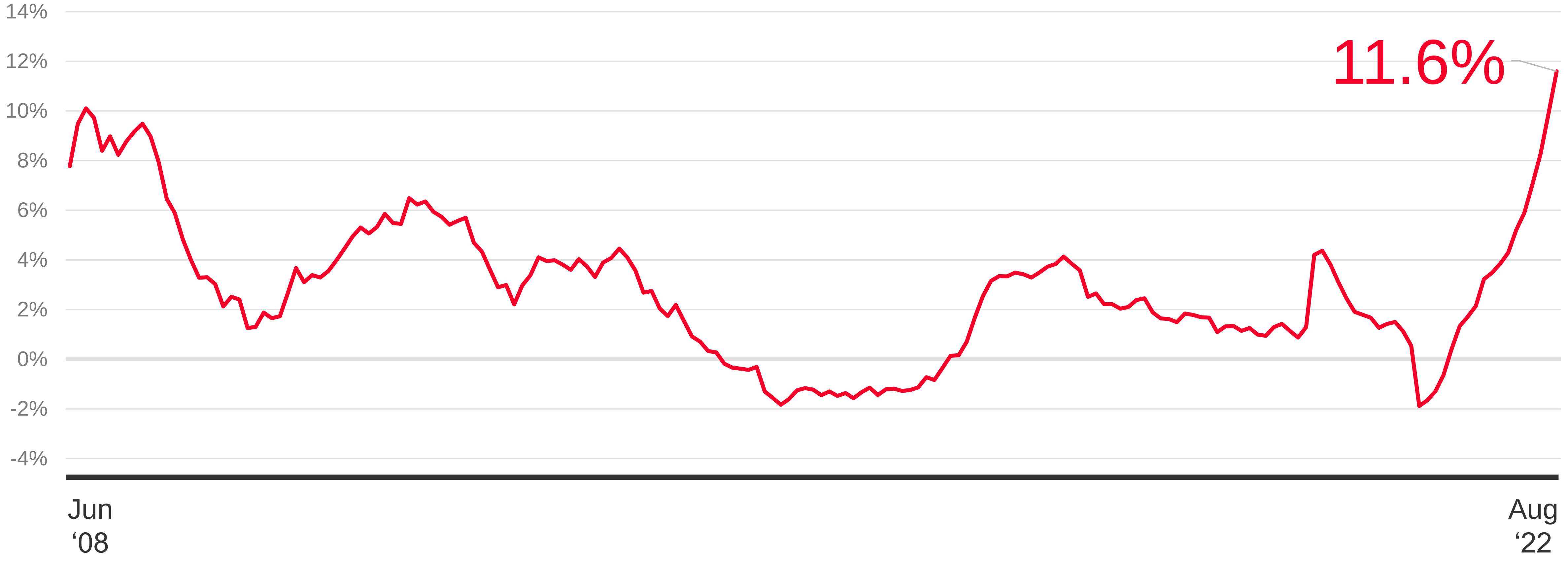
Cost of living pressure is heating up

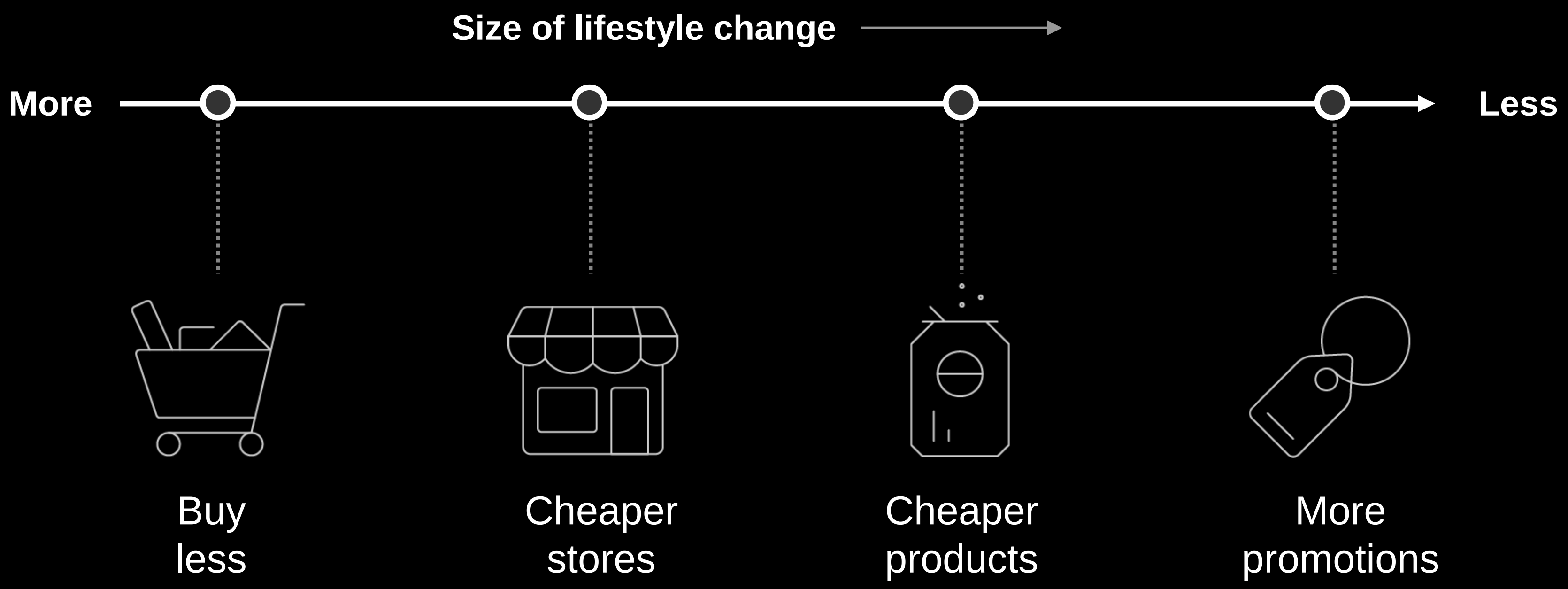
Grocery inflation at its highest point for at least 30 years

Take Home FMCG – 4 w/e inflation



Source: Kantar, FMCG panel

What should we expect from shoppers?



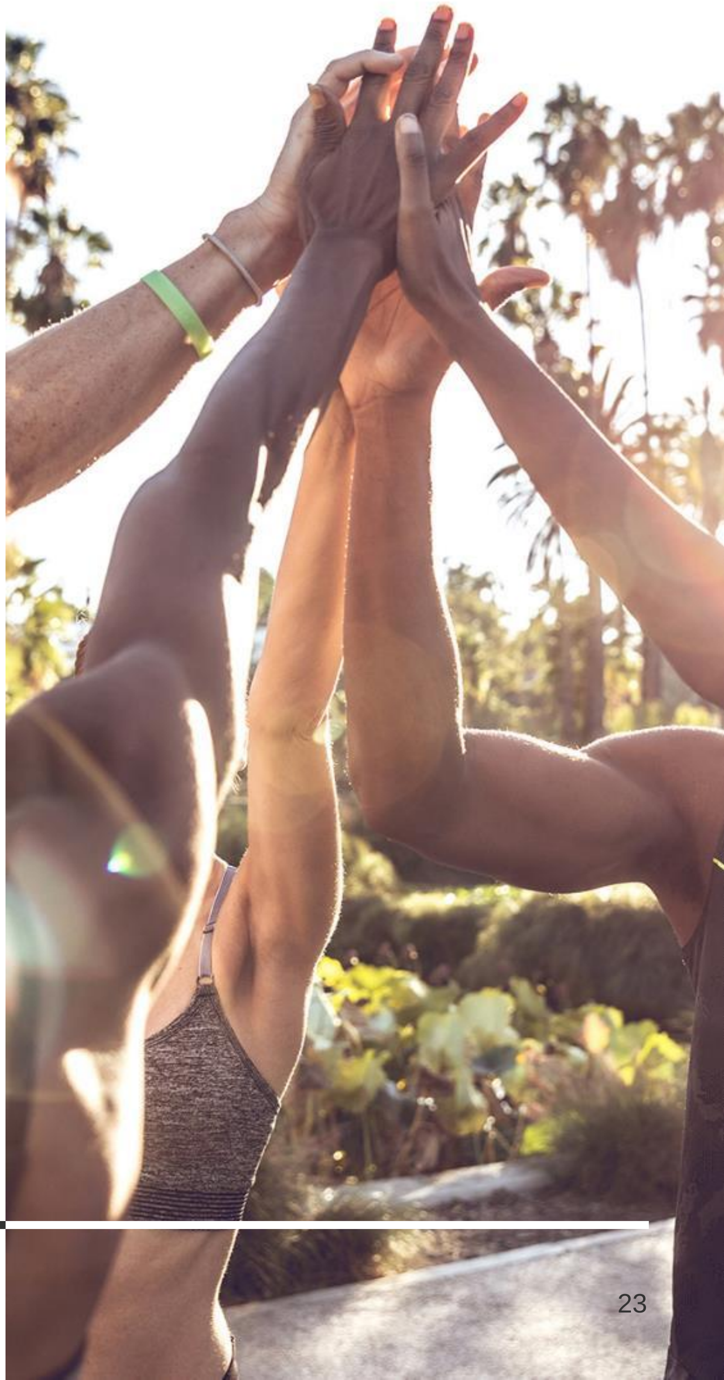
Savings are made where they cause least disruption to our lives

Take Home FMCG – Impact of each ‘coping strategy’ on total market value

Size of lifestyle change →

More → **Less**

Buy less	Cheaper stores	Cheaper products	More promotions
+0.8%	-0.5%	-1.6%	-1.2%



Kantar FMCG purchase panel. Average of 12we coping strategies over P7 2008 through P6 2009 covering time of UK official recession

We're already seeing the same pattern this time around

Volume reductions can be seen as release of lockdown restrictions not inflation response

Take Home FMCG – Impact of each 'coping strategy' on total market value

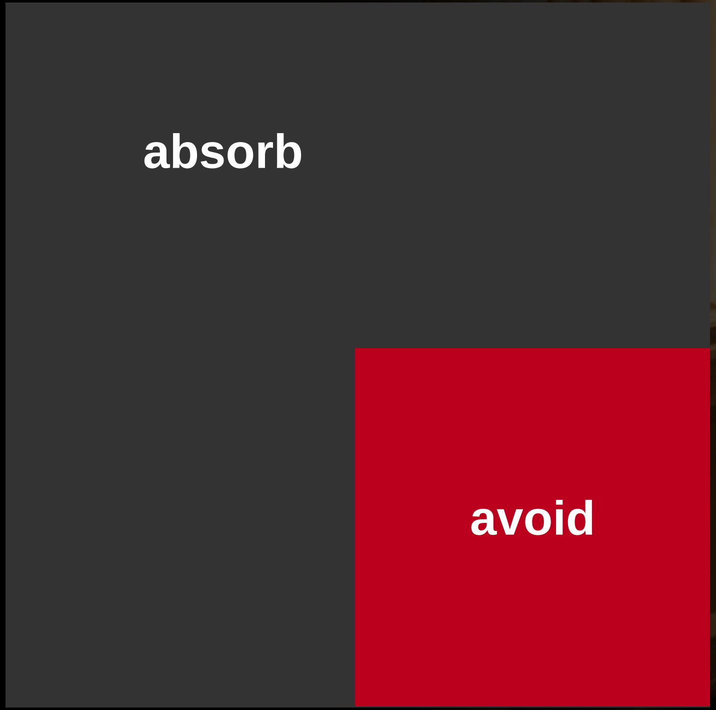
Size of lifestyle change

More → **Less**

Buy less	Cheaper stores	Cheaper products	More promotions
-5.2%	-0.3%	-4.9%	+2.5%

This doesn't mean that every price rise will be rejected by shoppers

Historically shoppers have absorbed ¾ of grocery price increases



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* Based on Average CPG Growth versus Food Inflation for 2008-2021 across 9 countries
Source: Europanel Barometer 9 countries – 14 years from 2008 to 2021

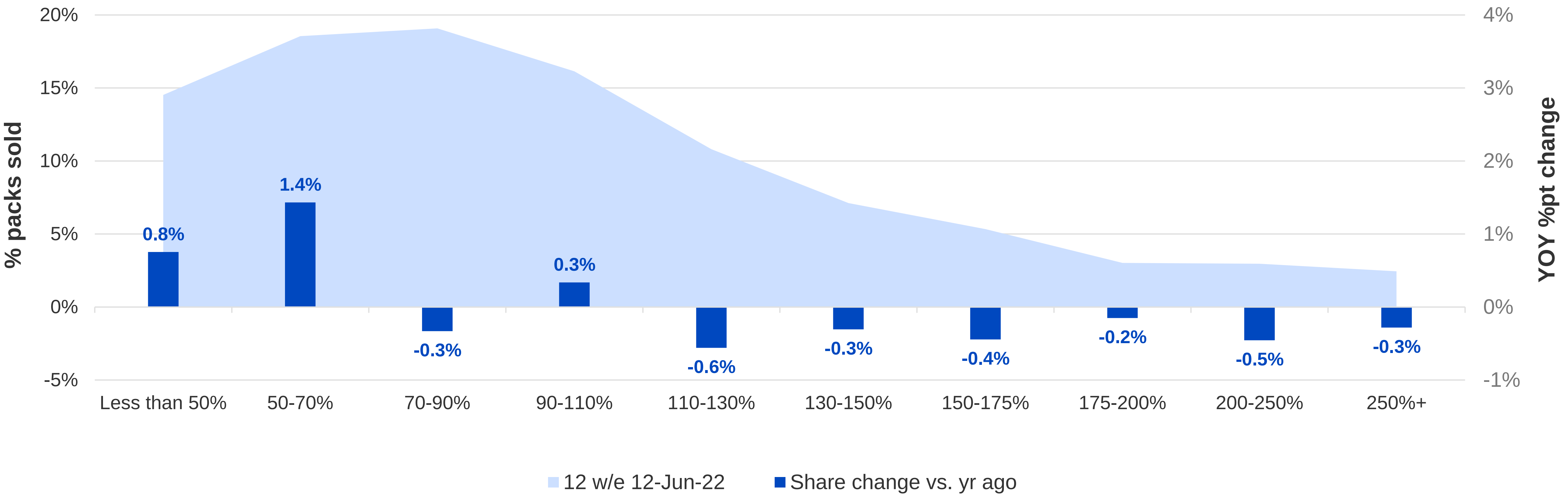
01

Be prepared to work harder to justify price premiums

Selling at a premium just got tougher

Less than 15% packs (and falling) are sold at a 50% price premium

Take Home FMCG – % packs sold by price index vs. category average (price indices based on price per pack)



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Source: Kantar, FMCG Panel, Average of the top 100 categories, 12 w/e 12-Jun-22

Continue to invest where you can

Winning vs Losing Brands 2008 to 2011

60%

more innovations

60%

more renovations

Innovations = new brands/sub-brands
Renovations = new size, flavour, type

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Source: Europanel, BG20 - 900 brands in Denmark, Sweden and UK

28

The best performing brands continue to be those seeking new shoppers

(not those simply looking to hold what they have)

Top 5 best performing brands (value sales % growth) – 12 w/e 12-Jun-22

01	Monster Energy	+42%
02	Baileys	+35%
03	Smirnoff	+31%
04	Kleenex	+30%
05	Lindt Lindor	+27%

Source: Kantar, FMCG Panel, filtered to the top 150 brands by value sales

Each by pulling one of our established brand growth levers

Top 5 best performing brands (value sales % growth) – 12 w/e 12-Jun-22

01

ASDA

+42%

More presence

02

+35%

More moments

03

+31%

More moments

04

+30%

New needs

05

+27%

More categories

02

Communicate value not price

We’ve been far quicker to return to valued, social occasions post covid

It has been the incidental and functional that we’ve dropped

59%

of 2019

101%

of 2019

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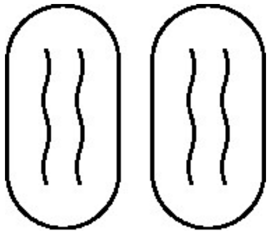
Source: Kantar, Out of home panel , number of on-premise non-alcoholic food & drink occasions where is spend is less than or greater than £10, time period comparison is 12 w/e 12-Jun-22 vs. 12 w/e 16-Jun-19

Winning categories in the last recession were certainly not basic essentials

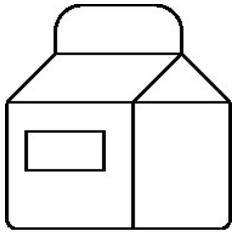
Total FMCG – Top 10 Growing Categories – Value Sales CAGR - 2007 to 2014 (filtered to categories worth more than £100m annually)

#1



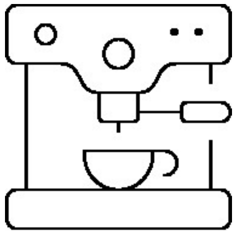
Healthier Biscuits
+13%

#2



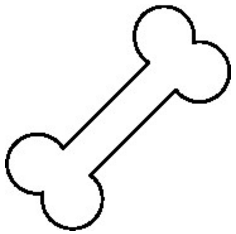
Chilled Flavoured Milk
+11%

#3



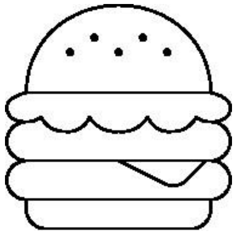
Ground Coffee/Beans
+11%

#4



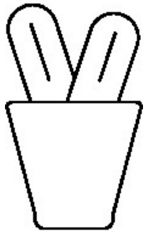
Cat & Dog Treats
+10%

#5



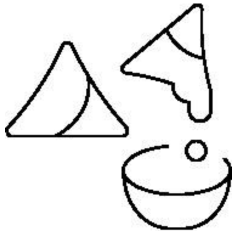
Chilled Burgers/Grills
+9%

#6



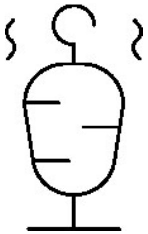
Savoury Biscuits
+9%

#7



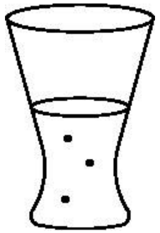
Ethnic Ingredients
+9%

#8



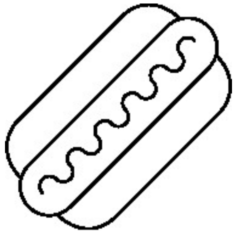
Flavoured Meats
+9%

#9



Cider
+9%

#10



Chilled Frkfrtr/Cont. Sausage
+8%

Source: Kantar

03

Don’t overlook the older shopper

Older shoppers are starting from a more comfortable position

The Daily Telegraph

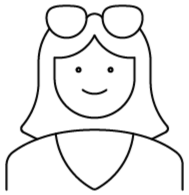
How workers are being left behind as pensioners' disposable income soars

Retirees' income that used to lag behind working households has seen a spike driven by the Government's commitment to the triple lock

By Ben Butcher
22 June 2022 • 8:04pm

Financially comfortable?*

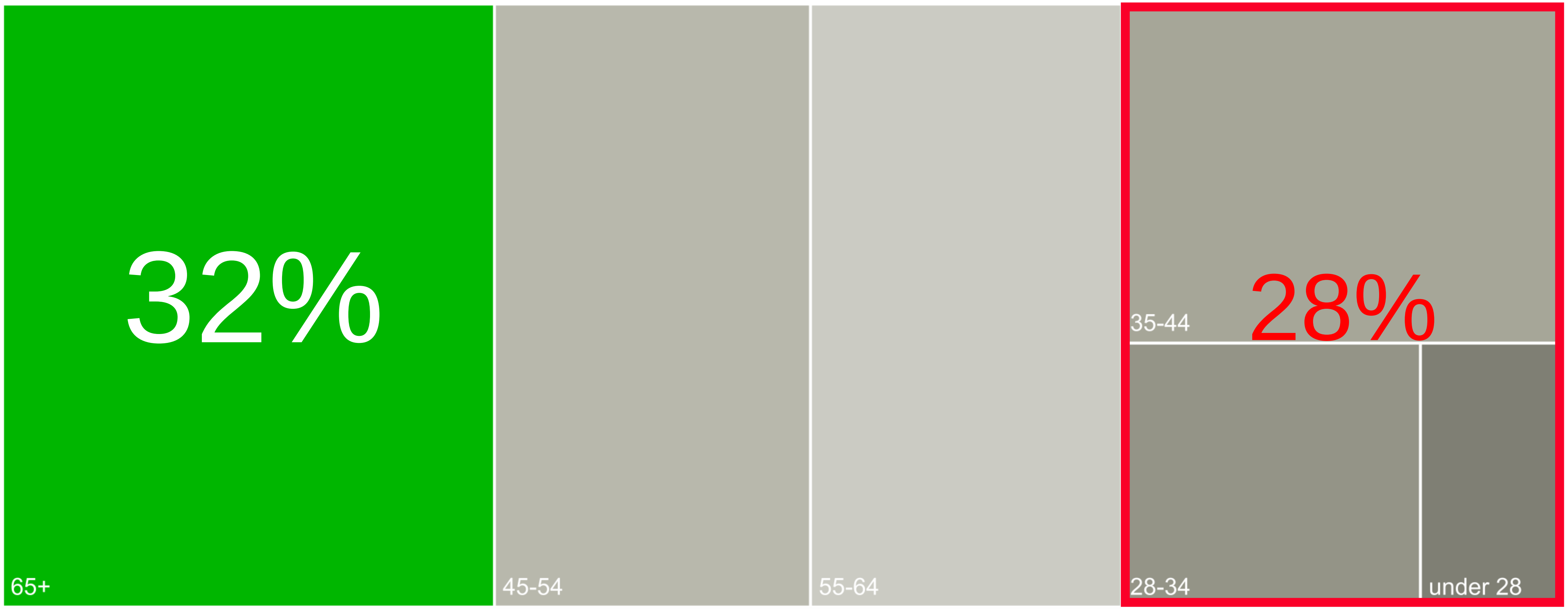
28%	38%
Under 35s	Over 65s



Source: Kantar, FMCG Panel, LinkQ study, May 2022

And we typically under-estimate their importance to the industry

Take Home Groceries - % sales by age of main shopper in the household



Source: Kantar, FMCG Panel, 52 w/e 20-Mar-22

There is a traditional slant to many of their choices

Categories with >40% sales from over 65s

Chilled Cakes

Fresh Lamb

Brands with >50% sales from over 65s

Werther's Original

Ovaltine

Less traditional lines also play a key role if they connect to a relevant need

Categories with >40% sales from over 65s

Chilled Prepared Fish

Yoghurt Drinks & Juices

Brands with >50% sales from over 65s

Charlie Bigham's

FLORA pro·activ

Source: Kantar, FMCG Panel, 52 w/e 20-Mar-22

In conclusion

Build your channel strategy to address the supermarkets and be aware of the impact of discounters

Pricing and value for money are key considerations ahead of any UK launch

Which consumers are most valuable to your brand might not be your initial target

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Thank you

If you would like to understand more about how we can help you get to grips with the UK retail landscape and its shoppers please contact

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