KANTAR WORLDPANEL

FRESH FOCUS

Newsletter

June 2016

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WELCOME

Welcome to the second edition of Fresh Focus. We hope to highlight wider grocery and consumer trends and how these are influencing the Fresh and Chilled category to inspire discussions within your market.

Within the edition, we look into how shoppers' changing habits are putting pressure on the traditional supermarket main shop. Plus, we discuss consumer choices in terms of premium treats and the Free From lifestyle.

Many thanks
The Kantar Worldpanel Fresh Focus Team

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FRESH MISSIONS

Since the first edition of Fresh Focus 6 months ago, Fresh and Chilled continues to be a growing sector at +0.7% year on year. This is primarily driven by the Discounters, +23.6% YoY, and secondly by online, which grew by 11% in the latest 52 w/e period. Main estate on the other hand is having a hard time illustrated by the Big 4, who as a whole posted a decline of 2.6% in Fresh and Chilled, while their online business grew by 9.1%, reaching £2.3b.

It is no secret that main estate is an area of the market that is struggling. Not only are other channels playing a part here, but the missions behind our shopping habits also are. The traditional supermarket main shop is under pressure, as shoppers spend less during these trips and more during top-up trips. This reflects a general trend whereby shoppers enter stores with less time on their hands and are therefore more likely to simply top up or buy for a particular meal. In Fresh and Chilled, main shops are down by 0.7% while top up shops and 'for tonight' are up by 1.3% and 2.5% respectively.

This has benefitted other channels, such as the Discounters' whose combined share of total groceries reaches 8.6%, while their share of fresh and chilled is 11.6%. It is therefore not surprising to see that categories such as fresh fish, chilled bakery and chilled drinks have seen a five-fold share increase in the Discounters since 2012, while most other fresh and chilled categories have, at the very least, doubled their share over the same period of time in Aldi and Lidl.

Of course, the Big 4 are not going down without a fight. They've responded by redistributing their space. Sainsbury's, for example, have introduced the concept of micro-stores for busy shoppers, while Tesco are in the process of integrating Harris + Hoole coffee chains as part of their larger brick and mortar stores.

As Luis Simoes noted in the latest Brand Footprint release from Kantar Worldpanel, increasing mental or physical availability is key for brands to grow penetration. With this in mind, the continued rise of the discounters and the online channel, the growing importance of the top up shop, and supermarkets expanding their in-store experience are all opportunities to showcase your brand and appeal to widening shopper needs and missions.

William Sohler
Category Analyst

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THE UNLIKELY STAR OF THE PRICE WAR

Amidst the current price war triggered by the everyday low prices of the Discounters, premiumisation is emerging as an unlikely driver of growth in the market. As consumers continue to save money on the basics, they are not averse to treating themselves.

Premium Private Label has grown 6.6% in the last 12 weeks, well ahead of total grocery, as it is the one sector to be growing across almost all of the retailers. As usual, Aldi and Lidl are leading the way as their premium lines grow twice as quickly as the rest of their ranges in store. However, it's not just the discounters enjoying success. Morrisons, The Co-Op and Waitrose are all driving their premium PL ranges and reaping the benefits. M&S, renowned for their up-market products, have enjoyed a 34.7% increase on spend on their premium PL range in the last year alone.

However, the success of premium PL has come at a price for brands. Only 13% of the sector's growth has been incremental to the category. Brands have been hit the hardest, as 65% of their £1.5M YoY loss can be attributed to switching to premium OL ranges. Consumers are losing engagement with brands but are still seeking quality and value for money – a need that premium PL is more than able to satisfy.

Premium PL within Fresh and Chilled has been no stranger to success. The category as a whole grew by 4.1%, with Premium PL CRM driving growth at +15.3% in the last year. Premium PL Chilled Desserts were close behind with a growth of 10.7%. Chilled Pizza & Bases, Chilled Cakes and Chilled Olives are other areas which have enjoyed strong premium PL growth.

This trend is likely to continue as retailers reinvigorate their PL ranges. Waitrose are launching their first PL range in 7 years, bringing together its existing luxury ranges under one label and developing hundreds of new products to capitalise on the trend. Tesco are attempting to combat their decline in premium PL by launching their new range of Farm brands.

Despite losing to premium PL, Brands are also capitalising on the trend and benefiting from premiumisation across many grocery and Fresh & Chilled categories. Premium ranges have been key for the success of branded in Chilled Ready Meals over the last year. There has been a trend towards premium branded Pies and Soup brands continue to innovate with flavours to create a more premium offering.

As the race to everyday low prices continues, products that can push price points and maintain consumer demand will surely continue to be the most sought after by all major retailers.

Chloe Ashe
Category Analyst

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FREE FROM FOCUS

The category benefits from two 'camps', those who suffer or live with a sufferer and those who adopt Free From as a lifestyle choice and, as a result, growth has accelerated to +26.5% year on year. For many of us, 'Free From' generates images of bread and carbohydrates but Fresh & Chilled actually out-performs the total market with growth of +38.9%, equalling an impressive £213m.

Whilst over a third of UK households contribute towards this figure, for the past 2 years we have bought Fresh & Chilled Free From on average only 7.4 times a year. This works out at little more than once every 2 months. To put this into perspective, as a nation we all visit the Chilled aisle more than three times per week and so having the right range, with standout products, could catapult this category into further growth.

Aside from Dairy Free alternatives, where Milk, Cheese, Yoghurt and Butter have all enjoyed continued success, Meat and Prepared Meals are gaining traction. Wheat and Gluten Free is the biggest proportion of this market and affects categories wider than bakery. The winner in terms of performance is undoubtedly Sausages, which have doubled in value in the latest year and now boast £50m of sales. How has this been achieved? Great branding, premium ranges and no sacrifice on taste and quality, all of which are key to success in this area.

Interestingly, they have also succeeded in widening the shopper base as, broadly speaking, Free From attracts a more affluent, pre-family shopper. However, sausages have opened the market up to families and, considering this is the fastest growing demographic in Free From, this is good news!

Let's not forget Chilled Ready Meals, which have also celebrated double digit growth with thanks mainly to branded offerings. However, the wider health benefit perhaps deters even stronger growth and, whilst many of us perceive Free From as a healthy lifestyle, manufacturers need to address other nutritional content such as sugar and fat.

What's interesting is that whilst Fresh & Chilled continue to attract new shoppers, Chilled Desserts have been unable to make their mark with a year on year decline of -9.7%. We know that there is demand but when it comes to our treats, is this a sacrifice we aren't willing to make? Taking the rules from above; think premium, think taste and think quality.

Kathryn Brown
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MEET THE AUTHORS

William Sohler

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Joined Kantar: September 2015
Favourite Dish: Steak and chips

After graduating from the University of Exeter, Will joined Kantar's Fresh and Chilled team as a Category Analyst. As all good French men, he loves to ride his bike around the city, head to the park for a game of football with friends and playing boules.

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Favourite Dish: Currently anything Mediterranean or Lebanese, but always finished off with cheesecake!

Kathryn graduated from Nottingham Trent University in 2011 with a degree in Fashion Marketing and Branding. Before joining Kantar she was working in a marketing role at Thorntons. Outside of work she enjoys staying active by running, climbing and escaping to the countryside.

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