KANTAR WORLDPANEL

THE DAIRY FOCUS

Welcome to the third issue of our quarterly Dairy newsletter.

Newsletter

June 2016

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WELCOME

Welcome to the third issue of our quarterly Dairy newsletter. This newsletter aims to give you our opinion on relevant industry and consumer trends, to help kick-start thoughts and discussions that will help you to stay ahead.

In this edition, we will be focusing on the world of Free From with a special focus on Dairy. Strong growth of this market has captured the interest of retailers and manufacturers, sparking increasing questions and curiosity as to whether this is a trend that's here to stay.

We very much hope you enjoy reading the articles and we look forward to hearing your opinion and feedback.

Best wishes

The Kantar Worldpanel Dairy Team

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FOCUSING ON FREE FROM DAIRY

It is well-known that Dairy has been having a tough time recently with price deflation continuing to drive year on year value decline. Yet Free From Dairy is a pocket of the market that is seeing strong growth from a value of £280m last year to £334m this year. While relatively niche for now, with just 2.8% spend share of Total Dairy, the market has been successful in attracting shoppers [1].

Increasingly, we see people wanting to be healthy, from choosing to be vegan, trialling the paleo diet or following in the footsteps of health bloggers such as Deliciously Ella. In the latest year, 1 in 3 households have picked up a Free From product [1], catering not only to those with an intolerance, but also the health conscious. Health certainly comes to mind when people choose this market – it is the key motivator behind consumption of Free From Dairy in 64% of occasions. This compares to just 37% when looking at all Dairy occasions [2].

Soya is still the biggest alternative type and reaches the most shoppers, yet its share of Free From Dairy has dropped significantly over the last 5 years from 65% in 2012 to just 40% this year [1]. This is due to the strong growth seen from emerging product types, increasing choice for shoppers wanting to try a product from this market and providing taste profiles that new shoppers may be more familiar with – such as almond and coconut.

Nut and Lactose Free products are primarily driving value growth for the category. Lactose Free has seen 29.7% growth to a value of £80m and Nut is now worth £53m, a 39.7% increase year on year [1]. Coconut is also one to watch out for – currently worth £26m, the sector has seen almost 1m new shoppers this year (something we will focus on in a following article).

Milk remains the heartland for Free From Dairy, but we are increasingly seeing other Dairy categories become more established in this arena. New brands and products are emerging within Ambient Flavoured Milk, Yoghurts and Pot Desserts, driving growth of these categories ahead of the market. The improved range of options across categories means that there is an ever-increasing choice of products on offer to shoppers.

Despite this, there is still a lot of headroom for growth within the market. Currently, Free From Dairy is picked up 16 times a year on average, whilst we tend to buy Dairy products 121 times in the same time period [1]. As a result, there are yet to be any households that are purely Free From in their shopping behaviour.

Those most likely to be shopping the fixture are younger and more affluent than the average Dairy shopper, with a high proportion of spend on the market coming from those in the capital [1]. There is also a female bias, with women accounting for 61% of consumption [2]. Whilst the more premium prices may be attracting this demographic of shopper, it could also be argued that growth is merely the result of a fashionable trend amongst this group. Can the market become more mainstream or will there be a penetration ceiling?

Regardless, the Free From Dairy market is one for the rest of Dairy to watch out for. Expect more innovation and expansion into new categories. In the US, we have already seen the launch of pea milk and in the UK, a cashew milk has been brought to market. What will be next?

Steph Sims
Client Executive

> **Did you know... Vegetarians are more likely to consume Free From Dairy products.**

(1) Kantar Worldpanel, 52 w/e 24th April 2016.
(2) Kantar Worldpanel Usage, 52 w/e 28th February 2016.

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INTRODUCING OUR NEW FREE FROM CAPABILITY

With the growth of the Free From Dairy market and as more and more manufacturers enter the market, the need to understand and track performance has become increasingly important. In response to this need, the Dairy team here at Kantar Worldpanel has built a new attribute that provides insight into the overall Free From Dairy market.

Whether you have questions about performance across all of Dairy in it's entirety or specific categories (milk, cheese, yoghurt, etc.), we are now able to support you to look at the drivers of growth within this Free From arena – looking at shoppers, brands, retailers and type.

This attribute has been built to be as comprehensive as possible and as such, includes the following splits:

- Soya
- Coconut
- Lactofree
- Rice
- Nut
- Oats
- Other

We also have the ability to split out 'Other Animal' products, broken down by Buffalo, Goat, Sheep and Sheep + Goat.

If you are interested in accessing insights from this market or for any further questions, please contact a member of your Kantar Worldpanel client service team.

Hannah Libot
Client Executive

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GOING NUTS FOR COCONUTS

Of all the trends that have changed our consumption in recent years, perhaps the most prevalent is our desire for a healthier and more natural diet. One third of all food we eat is consumed to serve this purpose, with occasions involving food perceived to be 'natural' growing by 5% year on year [2]. A perfect example of this is the success of coconut-derived products, which can check all the boxes when it comes to meeting the needs of these health-conscious consumers.

The trend made an initial splash with the growth of Coconut water. Between January 2013 and May 2015, shoppers of this market increased more than 9 fold as more and more products hit the shelves. Complete with celebrity backers such as Madonna, the flavour found itself in vogue.

Soon after, Coconut Oil joined in the movement; seen as a healthier and more versatile option, as well as gaining foothold as a beauty product, buyers flocked in their numbers. Coconut now finds itself as the clear strongest grower in the oil market with 163% uplift year on year [1]. (All 52 w/e 27 March 2016).

This tropical trend has now filtered through to the Free From Dairy industry, with coconut milk providing an answer for the dairy intolerant as well as the health-aware. Free From coconut products have seen 66% value growth this year with one million new shoppers driving this, increasing penetration of the sector to 8.8% [1]. Health benefits are a core reason for consuming coconut milk, driving use in 66% of all its occasions (vs 30% for total milk) [2].

Given the size of the brand, Alpro is contributing heavily to the growth, with 111% uplift in value from their coconut variants. This has been aided by new products such as their Coconut and Almond variant. But it is not just Alpro capitalising on this lucrative market trend. Co Yo, The Coconut Collaborative and more recently Rebel Kitchen have all launched coconut milk based yoghurts, with the former two already enjoying considerable success. Tesco have also got involved with the launch of a Private Label coconut oil based spread to rival butter [3].

With even more NPD undoubtedly on the horizon, it is difficult to see what could prevent this movement from growing throughout the year and beyond. Coconut-derived products are natural, they cater to the Free From market both in and out of Dairy, and they can even be seen as an adventurous alternative for some of these more commoditised markets. For those that can crack the coconut, success could follow.

Chris Barron
Category Analyst

DID YOU KNOW
Within Free From Dairy, Coconut is the sector most likely to appeal to children.

1 Kantar Worldpanel, 52 w/e 27 March 2016
2 Kantar Worldpanel Usage 52 w/e 28th February 2016 vs 2015
3 Kantar Worldpanel, 52 w/e 24 April 2016

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KEEPING AN EYE ON NPD

The highest value NPD launches into Free From Dairy over the last two years based on size

With the growth of Free From Dairy comes an influx of brands looking to capitalise on the interest of new shoppers. We see NPD coming in across categories – Cheese, Cream, Yoghurt, Butter/Spreads and Flavoured Milk – providing an increasing number of offerings to Free From shoppers.

NPD also spans across product type. Whilst Chi, Alpro and Koko have all launched Coconut based products, Lactose-Free, Almond and Soya launches feature in the top 10 too.

Undoubtedly, this is merely a short term snapshot of the rankings. With new products and brands entering the market all the time, the landscape is ever-changing with a battleground for the number 1 spot.

Daniel Viana, Client Executive and
Steph Sims, Client Executive

Rankings determined by value size 52 w/e 24 April 2016, run at Brand level – excluding Private Label - regardless of time in the market. (Source: Kantar Worldpanel)

1 Violife Cheese

Periods since launch: 19

Rivalling Arla Lactofree, Violife have launched a Lactose Free Cheese.

2 Alpro Soya Cream

Periods since launch: 15

Alpro launch into Cream with a soya-based fresh single cream product.

3 Alpro Go On

Periods since launch: 3

In 3 flavours, Mango, Passionfruit and Blackcurrant, Alpro have targeted on-the-go consumption with their newest soya-based yoghurt offering.

4 Philadelphia Lactose Free

Periods since launch: 23

As we have seen various brands do, Philadelphia introduced a Lactose Free offering to their range last year.

5 Arla Lactofree Flavoured Milk

Periods since launch: 13

Arla have expanded their Lactofree brand offering into Flavoured Milk with this Chocolate flavoured product.

6 Alpro Coconut Flavoured Milk

Periods since launch: 10

Alpro continue to broaden their range with the launch of this coconut-based chocolate milk product.

7 Flora Freedom Spread

Periods since launch: 3

Unilever have acted on the growth of Free From Dairy and recently launched a Dairy Free Spread with the relaunch of their Flora brand.

8 Chi Flavoured Milk

Periods since launch: 14

Chi have existing ranges in Coconut water and Coconut oil but have more recently launched into coconut-based flavoured milk – both in on-the-go and 1 litre carton formats.

9 Blue Diamond Vanilla Flavoured Milk

Periods since launch: 20

Blue Diamond add a Vanilla almond-based flavoured milk to their Almond Breeze range.

10 Koko Dairy Free Spread

Periods since launch: 9

Koko – more well known for their coconut milk offering – have launched a dairy free spread.

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BEYOND DAIRY: FREE FROM IN OTHER MARKETS

Dairy alternatives hold the highest share of Free From, and so play a significant role in this growth, but actually grow slower than Free From overall, which is currently growing at 27.3%.

The impressive growth in Free From comes from a variety of categories, with Sausage Meat, cake and Meal Solutions products such as soup, rice and ready meals all growing at more than 50% vs. last year. In terms of where these categories operate in the Free From arena, it is predominantly for Gluten or Wheat Free diets and, in effect, Gluten/Wheat Free drives growth in the market. The two combined hold a 58% share of the Free From market and grow at 35.8%.

Gluten/Wheat free is becoming increasingly important. In the last year, 61% of UK households bought into gluten free – an uplift of 6.6 percentage points vs. last year. Shoppers also bought more often than last year, with the average household making 8.3 trips a year. The category is becoming increasingly popular with both sufferers and those believing it can contribute towards a healthier lifestyle.

Naturally, Ambient Bakery is a key category in the world of Gluten/Wheat Free, with bread alone holding over 5% share of the market and growing just behind the market at 25% vs. last year.

With this in mind, it is no surprise that 'every day' products such as wrapped bread, rolls and sandwich alternatives are the most established Free From categories and are all still growing as people reach for their staples to meet every day needs. That said, the fastest growing category is Meal Accompaniment Breads as variants such as Free From Ciabatta reaches nearly £4m.

The variety now available in the market means those with intolerances are not facing the same meal restrictions they once were and, as Free From continues to grow, we expect more and more categories to enter this arena.

Charlotte Elver
Consumer Insight Director, Chilled & Bakery Team

DID YOU KNOW
52% of all Free From products are consumed by women
Kantar Worldpanel Usage, 52 w/e 28th February 2016

Data: Kantar Worldpanel, 52 w/e 24th April 2016

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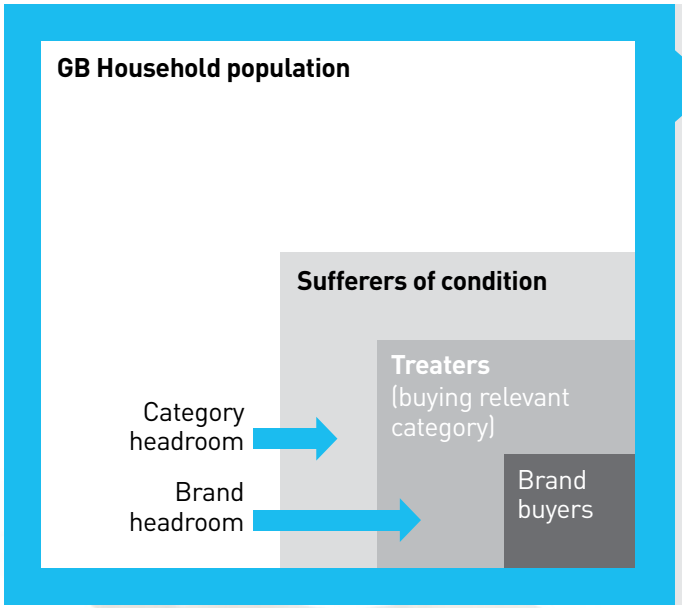
INTOLERANCE vs. LIFESTYLE CHOICE

The role of health conditions in the Free From Dairy boom

We're ready to help you quantify how important those with dairy/lactose intolerances are to the Free From Dairy market so you can target more effectively and maximise sales.

Our LinkQ team send an annual "Managing My Health" survey to a representative sample of 20,000 panellists, which uncovers whether household members suffer from health conditions e.g. dairy/lactose intolerances. We then link responses to panellists' actual purchasing behaviour to allow you to profile and understand sufferers/non-sufferers in detail.

Rachel Knight
Consumer Insight Director



- Identify the **penetration** and market size of suffering households
- **Size the prize** for converting sufferers and non-sufferers to stretch brand performance
- Understand the **demographics and behaviour** of sufferers to better target
- Establish **brand repertoire** of sufferers/ non-sufferers to gague opportunities
- Create **retailer opportunities** to build listings arguments

How can the insights be used?

- Identify target shoppers to grow brand, category or retailer penetration and conversion of sufferers
- Build up a complete understanding of these targets so communication can be accurately planned to reach them
- Quantify the size of the prize; create compelling trade stories that can be used to drive category growth strategies

For example, **one fifth of households with a Dairy/Lactose intolerance do not currently buy into the Free From Dairy category** meaning there is lots of headroom for growth in targeting these shoppers. Yet sufferers should not be the only target market for Free From...

Quick Quiz

What proportion of non-sufferers of a Dairy/Lactose intolerance buy Free From Dairy in a year? *

8.9% 29.1% 67.2%

If you're interested in hearing more about this capability, please contact your Client Service Team.

*The answer is 29.1%

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MEET THE AUTHORS

Please get in touch with any feedback on the articles you have read or with any questions you may have.

THE KANTAR WORLDPANEL DAIRY TEAM

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Favourite Dairy product: Parmesan Cheese

Daniel joined the Dairy Team recently, bringing previous experience at other market research agencies.

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Rachel Knight
Consumer Insight Director

Favourite Dairy product: Smoked Cheese with Grapes

Rachel has been at Kantar Worldpanel almost 4 years with experience working across various clients.

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