KANTAR WORLDPANEL

THE GREENGROCER

NEWSLETTER – Winter 2017

The tomato turnaround: Premium power

How changing habits are leaving potatoes out in the cold

Finding fresh opportunity for bananas

Apples: Finding the seeds of growth

Meet the team

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Welcome

Welcome to the Winter 2017 edition of the Greengrocer. We are fast approaching the end of an incredible year for our industry. The return of inflation is having far-reaching impacts across grocery, consumers' changing attitudes to health continue to transform how we eat and drink, and the rise of own label ranges is putting pressure on brands.

In this edition, we look how these major trends are filtering down to the produce aisle, looking at some categories which are flourishing in this new environment, and some which are ripe for innovation.

We hope you enjoy reading it. Do let us know if you have any thoughts or feedback.

Best wishes
The Kantar Worldpanel Produce Team

Agenda

3 **The tomato turnaround: Premium power**
The tomato market began to pick up in 2016, following a period of decline when price competition drove value out of the market. We look at how premium lines are turning things around for tomatoes and whether there is still headroom for growth in this category which is purchased more often than eggs and cereal.

4 **How changing habits are leaving potatoes out in the cold**
Health conscious consumers are eating traditional carbs less and less. We look at the impact of changing habits on our potato consumption and uncover some opportunities for growth.

6 **Finding fresh opportunity for bananas**
90.7% of the population buy bananas, and no other fruit is consumed by as high a proportion of the population in a week. We uncover where opportunities for growth might lie for this shopping basket mainstay.

8 **Apples: Finding the seeds of growth**
Apples are another high penetration produce category where keeping shoppers engaged is key to growth. But how do you add value to a £911m category? We explore which apple varieties are performing well and whether new varieties have kept shoppers engaged.

9 **Meet the team**

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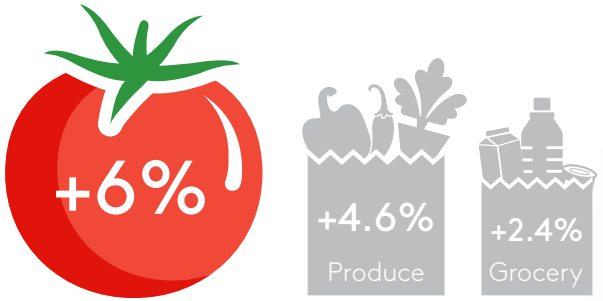
The tomato turnaround: Premium power

The tomato market has had an interesting ride over the last few years. Intense price competition through 2014 and 2015 drove value out of the market and resulted in a 6.3% decline in sales over that period. 2016 saw sales begin to pick up, and we have seen significant growth in 2017. The market is now worth £759m and has grown at a rate of +6% over the past year, outpacing both the produce market (+4.6%) and the wider grocery market (+2.4%).

YOY value growth



What's behind the turnaround in tomatoes?

The buzz word is premium.
Two-thirds of tomato sales growth this year has come from premium lines. Piccolo and other premium vine tomatoes have been key drivers – with Piccolo generating £15.5m worth of additional sales and vine tomatoes accounting for an extra £8.8m. There has inevitably been some movement of spend within price tiers, but three-quarters of the growth in premium tomatoes has been incremental to the tomato category. Essentially more shoppers are adding premium tomatoes to their repertoire, while premium tomato buyers are also spending more.

Tomatoes are not alone in seeing the effects of shoppers buying into premium ranges. The growth of premium tiers is a wider trend seen in the grocery market – particularly within retailer own label ranges where premium sales have increased by 14.8% over the past year.

So what does the future hold for tomatoes?

In a well-established category bought by almost the entire population, and purchased more often than eggs and breakfast cereal, growth can be difficult to come by. Premium lines have been pivotal in expanding the category in 2017 and the indications are that this remains an area ripe for growth.

With premium tomatoes bought by only one third of the population there is plenty of headroom to grow. Simply increasing penetration by a couple of percentage points is worth an extra £12m to the category. Furthermore, encouraging existing premium tomato shoppers to make an extra premium trip is potentially worth more than £6.5m.

Learning why shoppers select premium tomatoes and understanding how they are subsequently consumed will offer direction on how to activate further growth in this area.

Emma Fencott, Consumer Insight Director

52 w/e data to 13th August 2017

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How changing habits are leaving potatoes out in the cold

Wide-ranging changes in consumers' perceptions around health have seen us eating 2.1% carbs less often year on year. There has been a great deal of media noise around carbs and it would be easy to presume this is the reason potatoes are in 6.3% decline year on year. In truth, potatoes have been in a long-term decline, whilst at the same time, more varied carbs like noodles and cous-cous have been growing strongly at 3.8% and 35.2% respectively.

-6.3% -2.2% +3.8% +35.2%

Other high level trends such as the decline of traditional "meat-centred" meals pose a further threat to potato consumption. Meals with meat at the centre are really important to the category because they make up almost half of occasions where potatoes are consumed. And the trend shows no signs of stopping; consumption of meals with meat at the centre is currently declining 1.8% year on year.

Continued ▷

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How changing habits are leaving potatoes out in the cold Continued

The end of the roast dinner?

Roast dinners account for 17% of the meat-centred meals where we're consuming potatoes. However, the classic roast has been in long-term decline, and Brits consumed 11% fewer roast dinners compared to last year. The impact of this decline on potatoes is particularly stark when you factor in their significance among heavy, medium and light consumers of potato. For the heaviest potato consumers, roasts account for just 13% of their meals which feature potatoes.

Roast dinners increase in importance for both medium and light consumers – making up 18.2% and 20% of their meals which feature potatoes – so for these consumers, the end of the roast signals a much greater risk to their consumption of potatoes overall.

Roast dinners increase in importance for both medium and light consumers

World foods an opportunity for growth

One big opportunity for potatoes is as an ingredient in ethnic and continental cuisines (i.e. Indian, Italian, Mexican and Oriental). We're consuming these more (+3.6%) but only 5% of potatoes are consumed in these dishes. Finding a way to incorporate potatoes into ethnic and continental dishes would offer scope for growth.

In this challenging market discounters have managed to deliver growth by defying these wider trends. Potatoes sourced from Aldi or Lidl are growing at all key occasions; meat centred plates (+26%), roast dinners (+16%) and ethnic dishes (+9%).

And finally, there is scope for growth in the evening meal through convenience retailers. Gaining fair share of vegetables at the evening meal within the convenience channel is worth £4.6m for the category. The easiest route for this is around linking potatoes to dishes that are more likely to be sourced from the convenience channel including oriental dishes, fish meals, stews and salads.

Marcelina Fedczyszyn, Client Manager

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Finding fresh opportunity for bananas

Bananas are the epitome of a food staple. Within produce, only tomatoes and potatoes appeal to a broader group of people than the 90.7% of the population who buy bananas. No category matches the banana for frequency of purchase, with shoppers buying bananas more than once a fortnight (29.5 times a year) on average.

Subsequently this is a category that shifts some serious volume – accounting for 270g in every kilo of fruit sold in the UK market in the last year. Although the kilo price is relatively low compared to other fruit, Britons still spent more than half a billion pounds on bananas in the last year. If bananas were an FMCG brand, only Walkers would be bigger.

Broadening appeal?

The saturated nature of the market presents its own challenge. Clearly, the mantra that penetration is key when it comes to growing a category is not going to provide all of the answers when your buyers outnumber your non-buyers by almost ten to one.

When penetration gains are difficult, we turn to frequency, and we see that there is potential growth here. With only 9% of banana occasions featuring in the evening meal there should be scope to grow bananas as an ingredient within a meal, so they're viewed as more than just as a snack.

However, 4 in 10 consumers eat bananas in any given week which is more than twice the rate we're eating citrus, and comfortably ahead of apples, so increasing banana consumption too, will be a challenge.

Continued ▷

90.7%
of the population buy bananas

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Finding fresh opportunity for bananas Continued

Trading up for growth?

Finding ways to encourage shoppers to pay more for bananas should be, in theory, more promising. According to some estimates, if the price of bananas had increased at the same rate as Mars Bars since 1990 – the price of a banana would now be more than £2.60 a kilo. With a current price of 80p a kilo there is headroom here.

However, other features of bananas as a category make using price as a lever for growth challenging. Since the global supply of the Gros Michel variety of banana was laid to waste by Panama disease in the 1950s, the Cavendish Banana has come to dominate the market, accounting for almost all the bananas (17m tonnes) exported globally every year. Although over half of bananas grown worldwide are non-Cavendish – few of these make it beyond local markets, and almost none have been incorporated into an efficient global supply chain.

Consequently, virtually every banana on British supermarket shelves is the same as the next. In many produce categories, varieties like Sable grapes or Marabel potatoes have given rise to premiumisation, allowing categories to grow by trading shoppers up, not by selling more volume. However, for the time being at least, this avenue looks less accessible for bananas.

We buy bananas

29.5

times a year

Pack format therefore, is where the current opportunity to maximise value exists. Smaller packs and kids packs have both proven to be viable ways to increase the amount shoppers are willing to pay for their bananas. After all, the humble standard pre-packed banana is still at a significant price premium against loose – so we know shoppers will pay extra to buy bananas delivered to them in the way they want. The importance of understanding shopper needs in this area will play a key role in determining the success of a format led strategy.

Alex McDonald, Client Executive

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Apples: Finding the seeds of growth

Apples are another produce category with notoriously high penetration (87.7%), so keeping shoppers engaged is a hot topic that suppliers and retailers are looking to explore. So how do you add value to a £911m category? To find out, we looked at which apple varieties are performing well and whether new varieties have kept shoppers engaged.

Looking at the latest data, apples have performed well compared to other produce sectors – sitting in second place in terms of year-on-year sales growth (6%), just behind salads (7.2%). The key driving factor for growth is prices, which have risen from £1.80 to £1.94 per kilo; the highest percentage change of any produce category, amounting to a £67m additional income. So it is clear the spring frost had an impact on prices, but this hasn't put people off buying apples.

All that Jazz

Fresh and innovative rebranding executed in the right way can achieve cut through in such a competitive environment, and that's exactly what Jazz apples have achieved. The variety, which is the 6th biggest in terms of spend, has grown 18.6% by attracting new shoppers, and shoppers buying more frequently at a premium price point.

Furthermore, Jazz apples have inspired repeat purchase, resulting in £2.9m added value. In doing so, they have established a strong presence in the market. A combination of these factors has provided a winning formula for Jazz apples, but the question is whether this can continue or if other varieties will follow suit?

Engaging core shoppers

Does an understanding of who is buying and consuming apples reveal how to keep category engagement high? Firstly, families make up a third of apple spend so it's no surprise that they're an important group to target and engage. Secondly, analysing consumption over the course of a year (52 w/e May 2017), reveals that children are more likely to eat apples than other fruit but that their apple consumption is declining. It is therefore of key importance that retailers re-engage parents to turn this decline around.

Rikesh Panchmatia, Category Analyst

Families make up
1/3
of apple spend

6%
YOY sales growth

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MEET THE TEAM

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

Chris Cowan
Strategic Insight Director

Chris leads Kantar's Produce Team – combining his interest in understanding the supply chain with his inner data geek to spot and develop how to grow produce markets at a retail level. During his 4 years in produce, he's worked across a number of categories with retailers, suppliers and consultancies and readily welcomes opportunities to share anecdotes within the market.

His favourite produce dish is smashed avocado, chilli, feta and a poached egg (Instagrammed, of course).

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Emma Fencott
Consumer Insight Director

Emma joined the team last year, and brings with her a wealth of experience from the world of FMCG having worked with a number of leading Food, Drink and Personal Care Product manufacturers. She is particularly interested in identifying and bringing insights to life and working with clients to turn these into a competitive advantage.

Her favourite produce dish is anything containing sweet potato, and in any form – mash, wedges, fries, puree, crisps!

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Lauren Webb
Business Development Director

Lauren has been in the Produce Team for over 3 years, working across all elements of the produce industry. This has helped her to understand the constant changes within the market, building on her previous retail experience.

Lauren's favourite produce dish is courgette fries, although her sweet tooth means she also loves fruit dipped in chocolate.

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Agatha Martins
Client Manager

Agatha has been at Kantar Worldpanel for just over 3 years. During her time at the company, Agatha has worked with a range of different clients across a series of categories, giving her a wide understanding of the overall Grocery Market. She is now focused on produce.

Her favourite produce dish is anything with tropical fruit in, mango, pineapple...

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Marcelina Fedczyszyn
Client Manager

Marcelina works within the Usage team and is an expert in understanding consumption trends in produce.

Her favourite produce meal is Hungarian Lesco – a thick vegetable stew.

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Alex McDonald
Client Executive

Alex has worked in the Produce Team for a year and a half, joining in November 2015. Before this, he studied at The University of Leicester, and worked a range of jobs including open top bus Tour Guide in London and English Teacher in Asia.

Alex enjoys a range of roasted vegetables, and has now developed a fondness for Kale, both in its wholehead and smoothied form.

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Anthony But
Category Analyst

Anthony joined the fresh Produce Team in summer 2016. Prior to this he studied Psychology in Hong Kong and worked in various jobs before settling in a career within market research. He works across a range of produce clients.

His favourite fruit, not vegetable, are cherry tomatoes.

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Rikesh Panchmatia
Category Analyst

Rikesh joined the Produce Team in March 2017. Having studied Chemical Engineering at Loughborough University, he is able to use his problem solving and analysis skills to understand and tackle the produce sector's dynamic market.

His favourite fruits are pineapple and mango.

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Oliver Wingfield
Placement

Oliver joined the Produce Team in July 2017, starting a year-long placement from Brunel University, where he studies Business Management and Accounting. He's enjoying using his analytical skills to develop a strong understanding of the diverse produce market.

He appreciates a good fruit salad.

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