OUT-OF-HOME, OUT OF MIND?

UNDERSTANDING FOOD AND DRINK HABITS

APRIL 2018

A GLOBAL MARKET READ
TAKE-HOME AND OUT-OF-HOME

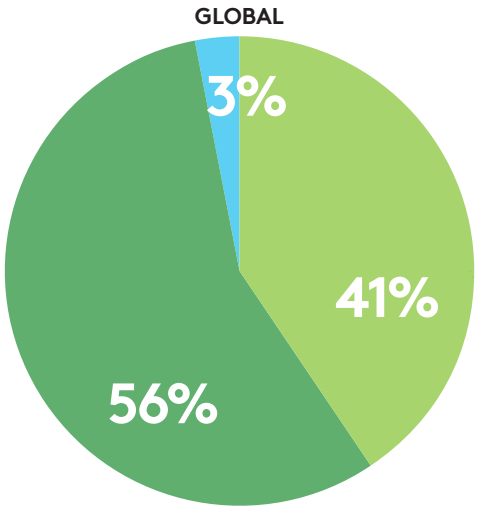
CHANNEL STRATEGY
WHERE DO OOH PURCHASES HAPPEN?

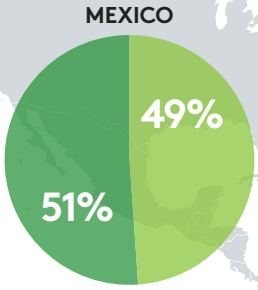
MODERN TRADE
HOW TO WIN IN OOH

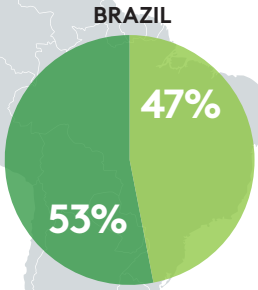
KANTAR WORLDPANEL

Out-of-home versus take-home spend
52 weeks ending June 2017
Source: Kantar Worldpanel

- OUT-OF-HOME
- TAKE-HOME
- E-COMMERCE TAKE-HOME







METHODOLOGY

Our unique mobile app allows us to record every snack and non-alcoholic drink bought for consumption outside the home—whether that's on the go, at the place of purchase, in the workplace, or otherwise.

To create a comprehensive view of the OOH market we look not only at what products are purchased – and where – but when the purchase was made and whether it was for sharing or for individual consumption.

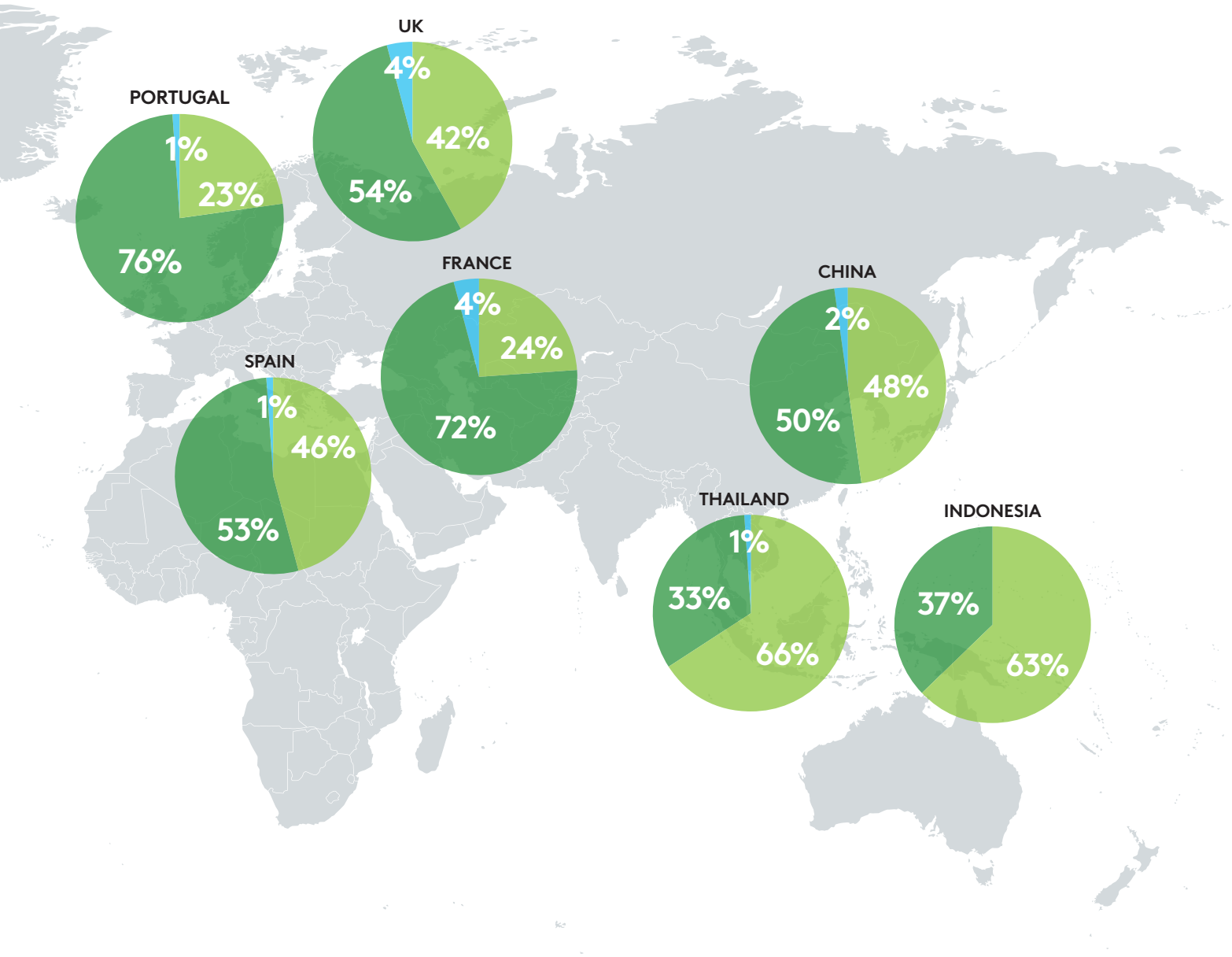
We currently collect this information for nine markets globally: Brazil, China, France, Indonesia, Mexico, Portugal, Spain, Thailand and the UK.

The data analysed in this publication covers the 52 weeks ending June 2017.

Out-of-home consumption accounts for

41%

of spend on snacking and non-alcoholic beverages



OUT-OF-HOME SPEND ALMOST DOUBLES THE MARKET

by Maria Josep Martínez, Global OOH Director

Out-of-home (OOH) consumption accounts for 41% of spend on snacking and non-alcoholic beverages. This means that – in Brazil, China, France, Indonesia, Mexico, Portugal, Spain, Thailand and the UK – adding an OOH strategy can almost double the market opportunity for CPG brands.

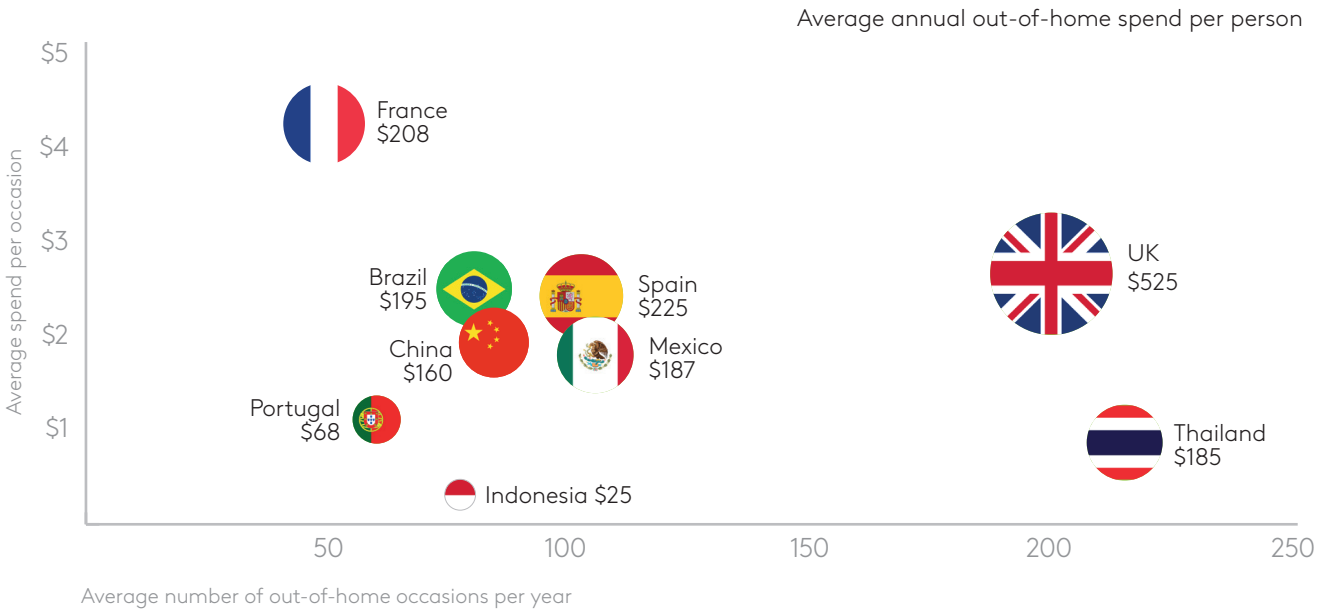
Retailers and manufacturers in these countries must recognise and consider OOH purchases if they are to gain a full and accurate market understanding. In the following pages we will focus on three pillars of OOH, exploring the behaviour of shoppers at a local level and sharing our understanding of how to reach them.

There's no one-size-fits-all approach for OOH
We have investigated the different purchase behaviours in nine countries, identifying unique patterns influencing OOH in each.

Where OOH purchases happen defines the strategy
People are frequently shopping across channels to meet their different needs. Brands need to consider how the local trade landscape impacts OOH purchases.

OOH is incremental to modern trade
The inclusion of OOH purchases alongside traditional take-home channels is vital for a complete market read. This is particularly relevant for convenience stores, and hypermarkets and supermarkets.

UNIQUE REGIONAL PATTERNS FOR OUT-OF-HOME



FREQUENCY IS THE REAL DIFFERENTIATOR

Out-of-home purchase behaviour differs significantly across markets.

With penetration close to 100% in most markets, it's frequency – the number of individual purchase occasions per shopper – that's the real differentiator. Thailand's shoppers are the most frequent OOH buyers, with 214 trips on average per year—more than once every other day. The UK is close behind (199), before a big gap to the next most frequent shoppers in Mexico (105) and Spain (102), who make OOH trips just over half as often as their counterparts in the UK and Thailand.

PREMIUM VERSUS ROUTINE

The other metric driving annual spend is how much shoppers pay on each individual OOH occasion. There are several factors influencing this, including channel and store choice, category preference, product choice within the category, and the number of items purchased.

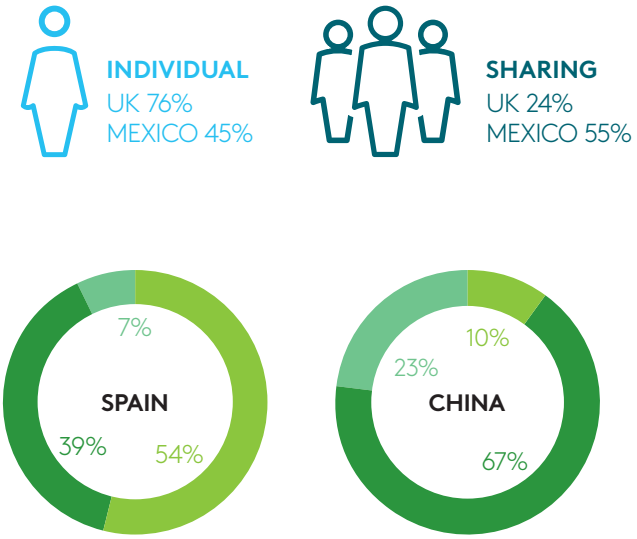
Understandably, shoppers picking up both a drink and a snack are likely to spend considerably more on that occasion—but this happens relatively infrequently. Shoppers are most likely to do so in France, Brazil and the UK, but even in these countries a drink-plus-snack occasion accounts for less than one in five trips. The potential for additional 'combination' purchases offers retailers a significant opportunity.

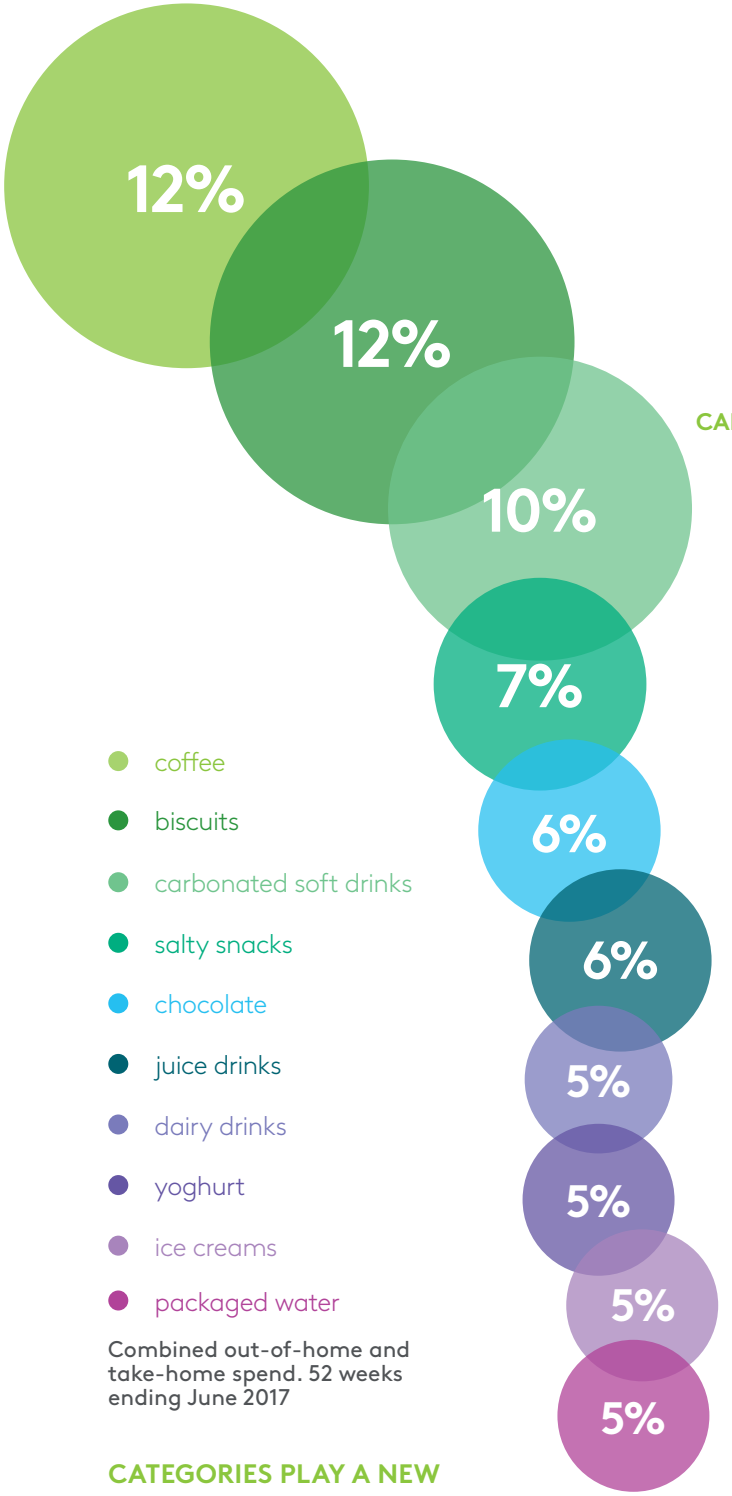
SOCIAL VERSUS ON-THE-GO

Other behaviours that vary by country include when the OOH occasion takes place, and whether it's an individual or sharing occasion. For example, more than half of Spanish OOH occasions happen at breakfast time, while in China more than two thirds take place between meals—especially in the afternoon and after work.

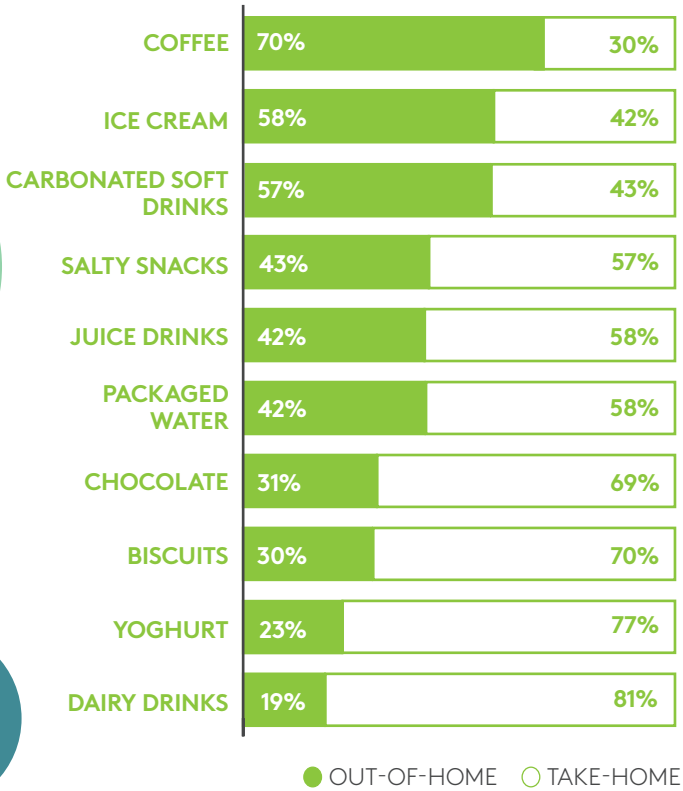
Although OOH is predominantly an individual purchase – 76% of the time in the UK, for example – we find countries where it's a more social moment—including Mexico, where 55% are shared occasions.

These nuances impact category preferences.





Combined out-of-home and take-home spend. 52 weeks ending June 2017



Significance of out-of-home versus take-home spend. 52 weeks ending June 2017

CATEGORIES PLAY A NEW ROLE WHEN OOH IS ADDED UP

Combining out-of-home spend with that of take-home demonstrates certain categories' prominence in OOH. Through this lens we see coffee become the strongest category, accounting for 12% of combined spend—double the size it represents in take-home. Carbonated soft drinks are also positively impacted, seeing 10% combined spend versus 7% for take-home alone.

For several of the categories we analysed, OOH makes up the majority of total spend—that's true for coffee (70%) and carbonated soft drinks (57%). In fact, with two thirds of all OOH occasions outside of main meals being beverages-only, these two categories dominate.

It's a similar story for ice cream, where OOH spend is 58% of the total. In contrast, OOH accounts for just 19% of dairy drinks sales, and for yoghurt the figure is only 23%. But consumption habits vary further depending on the country the shopper lives in.

WHERE YOU LIVE, WHAT YOU DRINK

Where drinks are concerned, there are three clear regional preferences. Carbonated soft drinks are most popular in Latin American countries Mexico and Brazil—a trend that extends to take-home purchasing, with Coca-Cola the most-chosen brand in these countries, as seen in our annual *Brand Footprint* report.

In the Asian countries we've analysed, water sees the OOH highest spend. It's the largest drinks category in China, and a close second in Thailand and Indonesia (just behind carbonated soft drinks and iced tea respectively). In Europe coffee reigns supreme, and is number one across Spain, the UK, France and Portugal.

UNIQUE SNACKING FOOD CHOICES

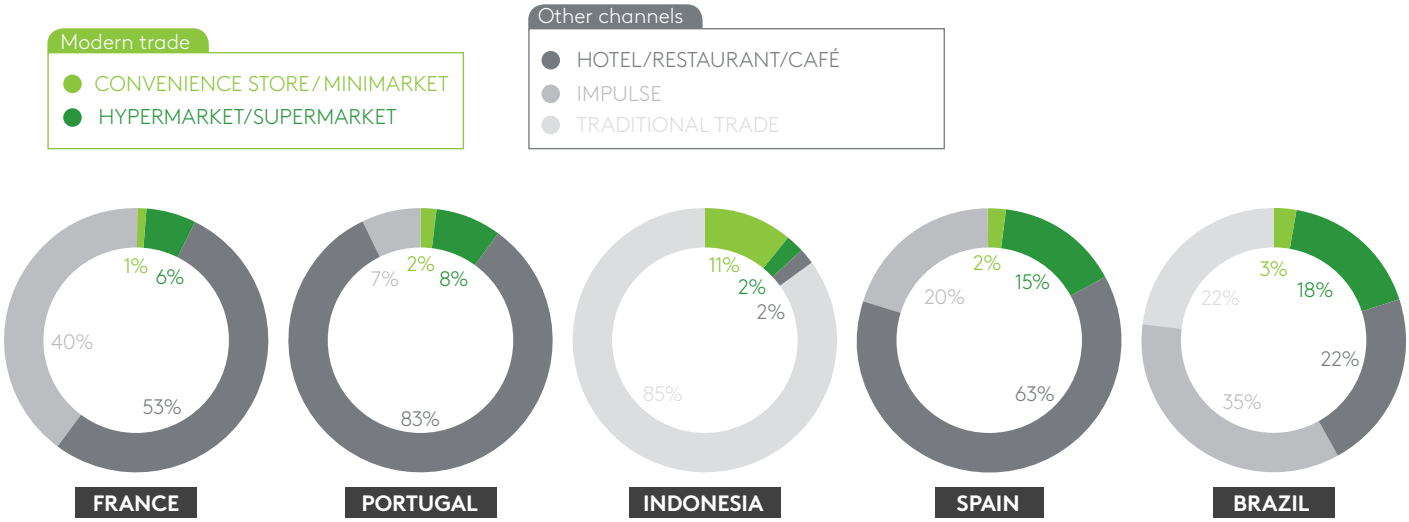
Snacking habits are less easily defined, and many countries have unique preferences—although salty snacks perform well across the board. Biscuits are popular in Indonesia, Spain and the UK, while Chinese and Portuguese shoppers are most likely to choose ice cream.

China is alone in its preference for yoghurt, with sweets a regular OOH purchase in Spain and Brazil, and similarly chocolate in the UK and Indonesia. Generally, Europe prefers sweet treats, Latin America chooses salty snacks, and Asia opts for dairy products.

WHERE DO OUT-OF-HOME PURCHASES HAPPEN?

From inner-city markets to out-of-town superstores, OOH consumption happens everywhere. Everything from cups of coffee and soft drinks to ice cream and ready-made sandwiches can be purchased almost anywhere, at any time—from hotels, restaurants, cafés and street vendors, through to supermarkets and convenience stores.

And yet, despite its global presence, OOH trends vary significantly in different markets—influenced by local customs and cultures, by climate, or simply by the channels available to shoppers.



MODERN TRADE LESS PREVALENT

52 weeks ending June 2017

HOTELS, RESTAURANTS AND CAFÉS (HORECA)

'Horeca' is one of the most recognised OOH channels, and within our study this segment also includes bars, pubs and coffee shops. Consumption here tends to be defined by the country's heritage, and we see this channel perform strongest in Europe—particularly on the continent.

Portugal, Spain and France are the markets where horeca enjoys the largest share of OOH spend. Portugal has strong historical attachment to coffee, and 83% of its OOH spend takes place in horeca locations.

In Spain, where this channel accounts for more than 60% of OOH spend, 24% of that total happens in bars. In fact, its population enjoys access to over 100,000 bars, almost three for every 500 residents.

ACTING ON IMPULSE

Channels that cater for impulsive purchases arguably provide the greatest opportunity for creativity in OOH. As a result, impulse channels have evolved differently across markets, dependent on the factors influencing life and customs in each country.

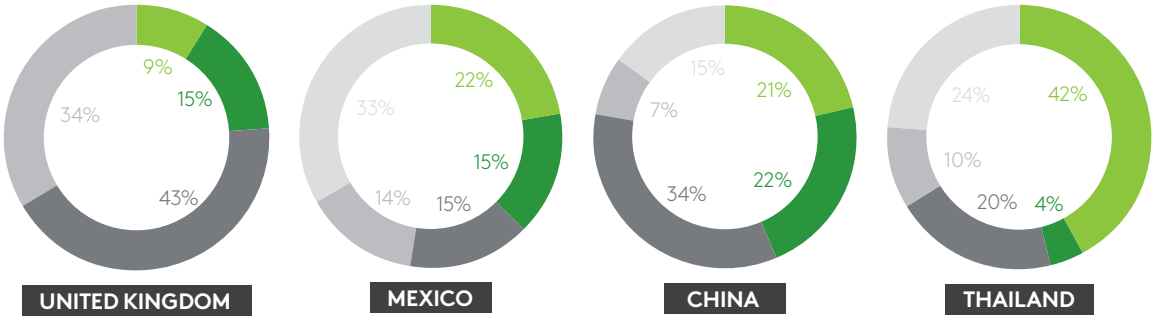
For instance, mobile carts and street vendors are the most popular place to purchase ice cream in Thailand. In Brazil, more than a third (35%) of OOH occasions for snack foods happen through impulse channels—often consisting of individual sellers winding their way through queues of cars that fill narrow traffic lanes, with shoppers making purchases through their windows.

France is a unique market. Boulangeries account for 19% of all OOH spend, while the country has the highest vending machine use in Europe—such occasions make up 14% of all OOH purchases.

TRADITIONAL TRADE

OOH consumption is heavily influenced not only by cultural habits and preferences, but by the existing trade landscape of a region. For that reason, traditional trade – market stalls selling in small quantities, for example – is one of the most significant OOH channels in markets such as Thailand (24%) and Mexico (33%).

In Indonesia, trips to the 'pasar' (large, multi-vendor markets that sell an abundance of fruit, vegetables, meat and more) are a daily occurrence—with Indonesians generally averse to the concept of a weekly shop at a hyper- or supermarket. This general preference for long-established customs means that 85% of OOH occasions happen in more traditional locations.



MODERN TRADE MORE PREVALENT

MODERN TRADE

Yet, as modern trade (hypermarkets, supermarkets and convenience stores) has begun to proliferate in less developed markets, there has been a knock-on effect for OOH consumption.

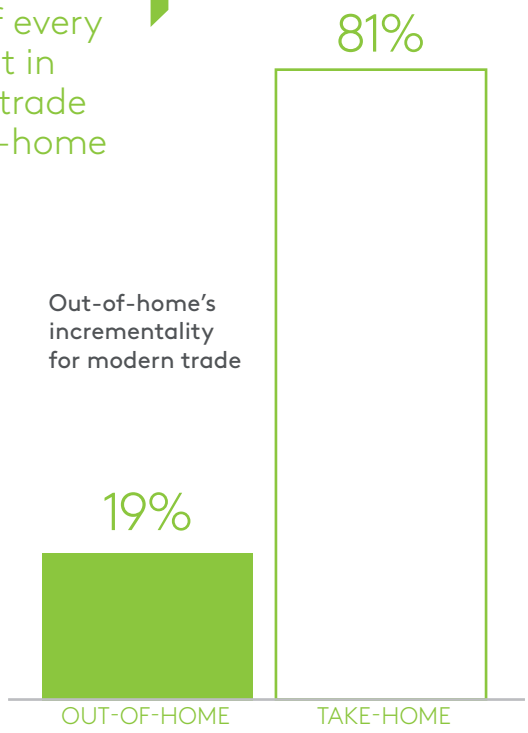
In Thailand and Mexico traditional trade is still significant. But modern trade – totalling 46% in Thailand and 37% in Mexico – has become the stage for OOH purchases.

And it's not only here that modern trade is leading the way. In fact, in most of the markets we've analysed, it accounts for a large portion of OOH spend. Even in Europe, where modern trade is a less popular choice for OOH spend, its share of occasions in Spain (17%) and the UK (24%) remains substantial.

When comparing OOH and take-home spend within modern trade, the significance of analysing OOH becomes all the more apparent. Globally, OOH offers 19% incrementallity, but we can find countries where OOH accounts for more than half the total modern trade spend—such as Thailand (59%) and Mexico (60%).

To consider modern trade strategies in these countries without an understanding of OOH occasions would mean missing half the opportunity.

$2 out of every $10 spent in modern trade is out-of-home



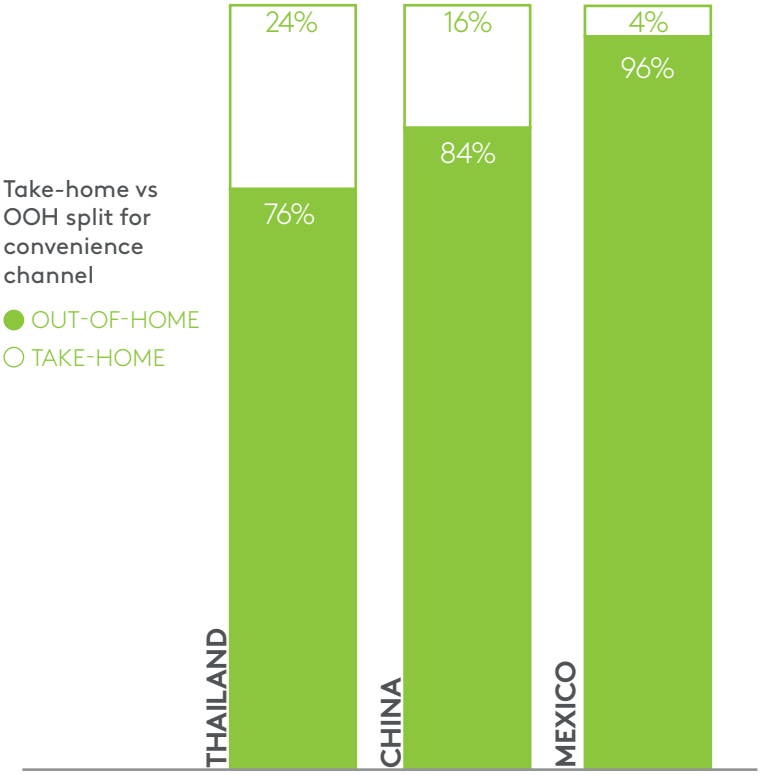
CONVENIENCE AS A PURE OUT-OF-HOME PLAYER

In our *Omnichannel* publication, released last year, we showcased the changing shopper habits that are seeing large bricks and mortar stores shelved in favour of smaller discount and convenience formats. These changes are fuelling the rapid rise of consumer packaged goods (CPG) sales in convenience stores.

Such stores cater to the hectic lifestyles of modern urban professionals, and typically have one or two checkout counters operational 24-hours-a-day.

We have discussed the importance of OOH for understanding modern trade but, when we drill into 'convenience' specifically, it's even more significant. In Thailand, China and Mexico, the convenience channel is almost a pure OOH player—and it's that ability to cater for OOH occasions that has been the cornerstone of convenience stores' success.

Over the years, it has become routine for shoppers to purchase snacks and beverages on the go.



COUNTRY FOCUS: CHINA

In recent years, China's booming economy has inspired more people to purchase snacks on the move, rather than preparing them at home. We see 84% of convenience store spend coming from OOH in this country—the second highest of the countries in our analysis.

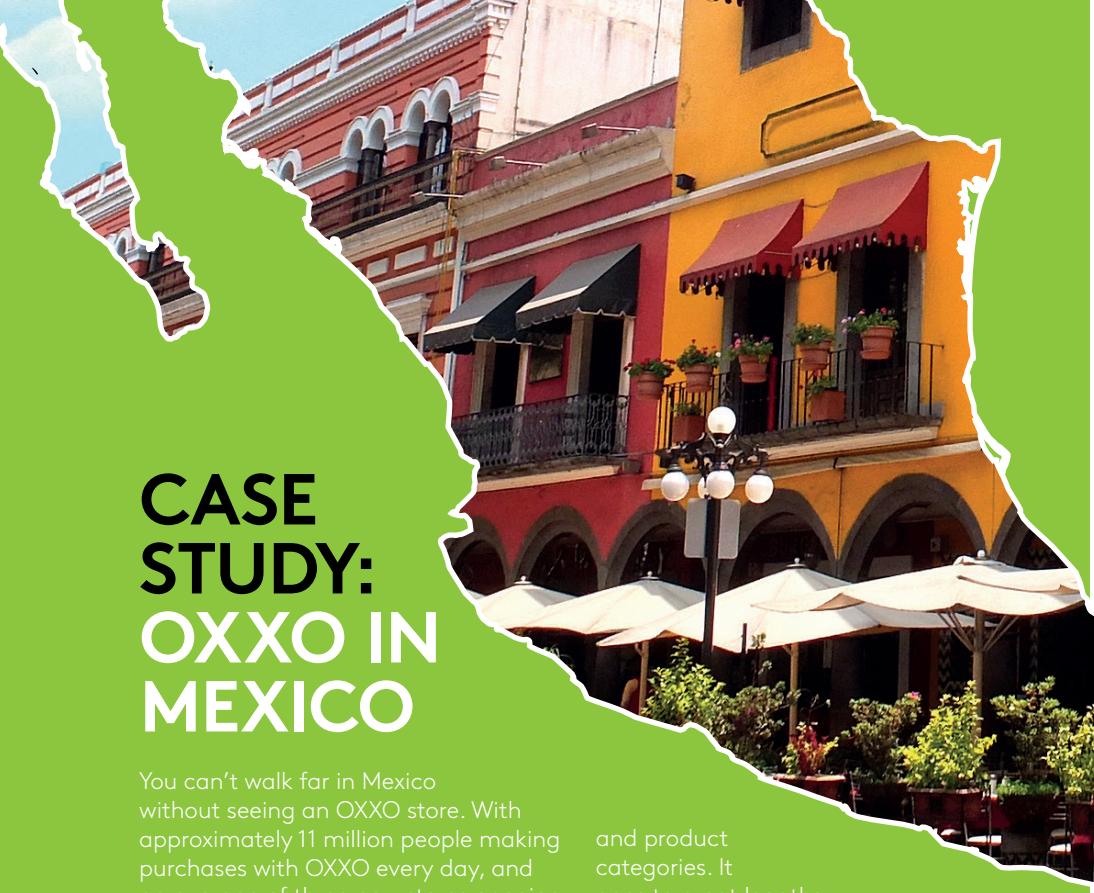
The number of convenience stores in China doubled between 2010 and 2015. This, combined with the growth of OOH consumption, has meant the convenience channel has outperformed the total CPG market consistently—as well as becoming more prominent in take-home shopping alongside this.

COUNTRY FOCUS: MEXICO

It is often said that Mexico has two personas: one formal, the other informal. However, shoppers from both sides of the coin make up the country's burgeoning middles classes. Driven by the relentless pace of life and heavy traffic in Mexican cities, this emerging demographic is looking for good quality products that can help save time and money.

As well as the appeal of convenience, millennial shoppers are also seeking a more personalised shopping experience, making customer service a powerful factor in an individual's purchasing decision. Above all, time-poor shoppers are looking for efficient experiences—and they're prepared to pay a premium.

The growth of the convenience format in Mexico is testament to this trend. One in every four retail dollars is now spent in a convenience store, representing 22% of the country's total OOH market. In addition, 96% of convenience store purchases in Mexico relate to OOH—a higher percentage than any other country we've analysed.



CASE STUDY: OXXO IN MEXICO

You can't walk far in Mexico without seeing an OXXO store. With approximately 11 million people making purchases with OXXO every day, and an average of three new stores opening daily, it's now the third largest retailer in the country by revenue—and the leader in Latin America by retail units.

Launched in 1978, OXXO is owned by Femsa, proprietor of Coca-Cola Femsa and one of a handful of Mexican businesses that have thrived internationally. Now seven times larger than 7-Eleven, OXXO has also performed well against foreign rivals.

But what has made it so successful?

Ada Ortiz, Head of Market Intelligence at OXXO, outlines the factors that have contributed to the retailer's meteoric rise.

Out-of-home product range
OXXO has tapped into shifting demographics in Mexico by fulfilling the OOH needs of modern shoppers. It has developed a range of premium, pre-prepared foods such as Britz and Delixia, successfully appealing to shoppers' hunger for convenience.

The business has been able to extend this range thanks to its 16 distribution centres that enable it to work closely with local suppliers across the country. As a result, OXXO's penetration for OOH is more than 60%—compared to 23% for take-home.

Going beyond customer segmentation
OXXO uses proprietary models to identify optimal store locations, layouts and product categories. It goes to great lengths to design its store and product offerings around different shopping occasions.

As well as assessing local land use and the demographics of residents, OXXO plans its point-of-sale around shopper motivations—including different products being given prominence according to the time of day. Coffee and breakfast items in the morning, for example, and ready meals in the afternoon.

OXXO ensures the most distinctive and accessible displays host the products that shoppers are most likely to desire in that moment.

Customer experience
OXXO regularly invites feedback from customers by asking what they care about most. One such recent survey found that shoppers value the in-store experience over anything else – including price – so the business has invested heavily in new technology to ensure a seamless shopping experience.

As part of this, OXXO has enhanced its services platform, particularly through partnerships with financial services brands. It has added HSBC and Banorte to its banking network, and has launched a nationwide partnership with Western Union to roll out a self-service feature that allows customers to receive funds faster at the check-out.

PENETRATION 23% TAKE-HOME, 63% OUT-OF-HOME

11 MILLION DAILY SHOPPERS AT OXXO

3 NEW OXXO STORES OPENING PER DAY

OXXO'S REVENUE IS 94% OUT-OF-HOME PURCHASES

MODERN TRADE'S UNTAPPED POTENTIAL

by Simon Quirk, UK OOH Director

The UK is undoubtedly one of the most developed OOH markets in the world. The country sees 95% penetration for OOH, with shoppers making 199 individual trips on average per year—and spending an average of $525.

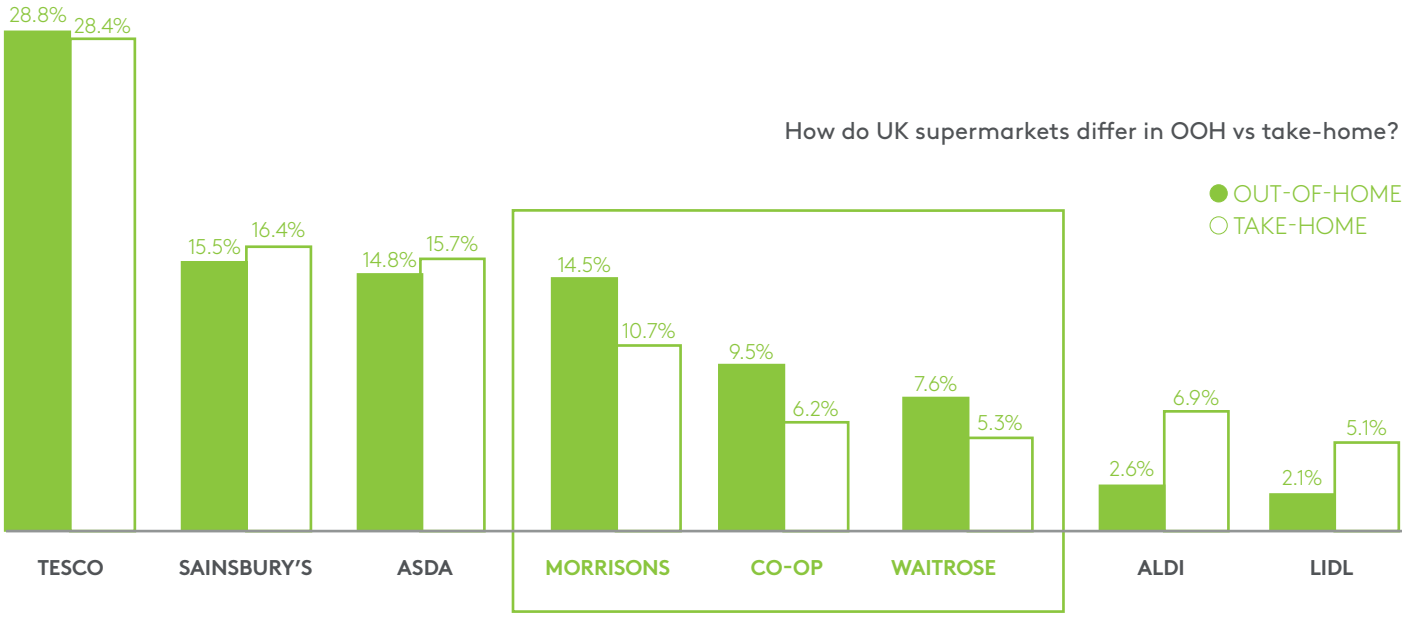
The UK is synonymous with snacking, thanks to much of its population being happy to eat and drink on the go. The huge variety in, and proliferation of, channels – not to mention widespread availability of different products – has seen retailers and manufacturers capitalise on shoppers' increasingly busy, unpredictable lifestyles.

Modern trade accounts for almost a quarter (24%) of all OOH spend in the UK. For many of the country's biggest modern trade players, however, OOH remains an opportunity not yet exploited to its full potential.

Across a number of supermarkets in the UK, their share of the take-home market exceeds that of out-of-home, but there are several bucking the trend. Morrisons, Co-op and Waitrose are significantly bigger players in OOH.

To put the data into context, Morrisons' share of the OOH market is 36% higher than its share of take-home, while Co-op's is 53% higher and Waitrose's is 43% higher. These supermarkets are outperforming rival retailers they usually struggle to compete with for take-home share.

Morrisons is considered one of the 'big four' UK supermarkets—those that dominate both in terms of physical retail units and share of market. Of the other three, Sainsbury's and Asda have a clear opportunity to gain OOH market share in line with their position in take-home. Tesco, the other member of the big four, already has a marginally higher share of OOH than take-home (0.4% higher).



SUPERMARKETS UP THE INNOVATION

WAITROSE
Waitrose is well-known as an innovator, after launching its 'myWaitrose' free coffee loyalty scheme in 2012—an initiative which has seen it since claim a 19% share of total OOH hot beverages from supermarkets.

MORRISONS
Morrisons has revamped its in-store cafés, leading to 15% year-on-year growth for the chain. Its investment in chain-wide refurbishments, new food ranges and free WiFi means it takes a larger share of OOH spend versus competitors than it does for take-home.

LIDL
Lidl's in-store bakery is driving more immediate consumption from a smaller supermarket that has traditionally relied on take-home goods, with OOH cake sales growing 42% year-on-year.

WINNING OUT-OF-HOME

by Javier Sánchez, Global OOH Manager

In this paper we have shown why retailers and manufacturers need to take OOH seriously. Across the markets we have analysed, we see that $4 out of every $10 spent on non-alcoholic drinks and snacking is for out-of-home consumption.

But building a successful global OOH business strategy can be challenging. Each country has unique and long-established customs, which can make adapting OOH offerings across regions difficult—businesses can't adopt a one-size-fits-all approach.

EVERYBODY IS A POTENTIAL OOH SHOPPER

The key country differentiators are how often purchases are made, with whom, and what.

High vs low frequency: People in Thailand and the UK shop OOH the most, but the Chinese, Brazilian and Mexican markets offer huge potential given their population size.

Social vs functional: An understanding of both dimensions is needed to define the right products to bring to market. Consider the UK, where 76% of occasions are individual, compared with Mexico, where it's a shared occasion 55% of the time.

Category variations: With drinks being key to OOH success, ensure the right offering for carbonated soft drinks in Brazil and Mexico, coffee in Europe and bottled water in Asia.

UNDERSTAND DIFFERENT CHANNELS

Most shoppers visit a variety of channels, but knowing the key channel by market is crucial.

Horeca or Impulse, as traditional OOH channels, are present everywhere—and they provide the greatest opportunity for creativity.

OOH is always incremental for modern trade, representing 19% of total hypermarket, supermarket and convenience store spend—with the convenience channel almost a pure OOH player in China (where OOH accounts for 84% of all purchases) and Mexico (where the figure is 96%).

ABOUT KANTAR WORLDPANEL

Kantar Worldpanel is the global expert in shoppers' behaviour. Through continuous monitoring, advanced analytics and tailored solutions, Kantar Worldpanel inspires successful decisions by brand owners, retailers, market analysts and government organisations globally.

With over 60 years' experience, a team of 3,500, and services covering 60 countries directly or through partners, Kantar Worldpanel turns purchase behaviour into competitive advantage in markets as diverse as FMCG, impulse products, fashion, baby, telecommunications and entertainment, among many others.

KANTAR WORLDPANEL

FIND OUT MORE

If you'd like additional information on our out-of-home offering, please get in touch with your usual Kantar Worldpanel contacts or email:

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