

KANTAR WORLDPANEL

# THE DAIRY FOCUS

**NEWSLETTER** – Summer 2018







# WELCOME

Welcome to the summer 2018 issue of the Dairy Focus. This newsletter gives you our viewpoint on relevant industry news and consumer trends to help you kick-start thoughts and discussions that will help you to stay ahead.

In this edition, we will be taking a look at the proposed merger of Asda and Sainsbury's, the rise of niche yoghurt brands and the potential rise of the free from bay as well as a seeming contradiction in milk volume sales and consumption.

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

Best wishes,

The Kantar Worldpanel Dairy Team

## AGENDA

- 3 **An early view of the Asda/Sainsbury's merger and the dairy market**  
A major shift in the retail landscape was announced in April, what are the early implications for the dairy market?
- 4 **Are we pouring more than before?**  
Milk volumes are increasing but consumption is down, here we look into some hypotheses behind this apparent contradiction.
- 5 **The rise of niche yoghurt brands**  
We compare the fortunes of the traditional big players in the yoghurt category and the emerging small brands.
- 6 **The 'free from' bay – need or want?**  
With the rise of veganism and free from, are dedicated 'free from' bays the right way to go for retailers?
- 7 **Meet the Team**

# An early view of the Asda/Sainsbury's merger and the dairy market

On Saturday 28th April it was announced that the UK's second and third largest retailers, Asda and Sainsbury's, would merge creating "one of the UK's leading grocery, general merchandise and clothing retail groups, with combined revenues of c.£51 billion for 2017." This is a big event in the grocery market but what are the early implications from a dairy perspective?

For starters both Asda and Sainsbury's over-trade in dairy, with the combined entity seeing a 28.3% share of the market, making it an even bigger player in this sector. The sectors where both are particularly strong are lards and compounds (33.9% combined share), yoghurt (31.7%) and yoghurt drinks and juices (36.1%). However, despite the stronger presence of both retailers in the sector we see less of a cross over in their shoppers; overall just over half of the retailers'

combined shoppers (51.6% or 12.7 million) shop in both retailers but in the dairy market this reduces to 40.6% or 9.35 million. These shoppers lean more towards Asda when buying dairy (54.8% spend goes there) than in groceries overall (where only 49% goes there).

As well as this reduced cross-over, both retailers see some even greater over indexes in dairy with their core shopper groups. Asda see even more importance from shoppers aged under 55, families and those from their heartlands of Wales, Scotland and the North while Sainsbury's dairy shoppers are even more likely to be over 45 and from the older dependents, empty nesters or retired life stages. In line with its performance in the overall grocery market we see Sainsbury's relying less on promotions than Asda, aided by its greater share of own label, while the presence of its convenience outlets means it invariably gains more value from smaller trips than Asda.

What we are seeing then are two retailers that are already complementary in the overall market (contrast the 50% shopper cross over with an 80% cross over between Asda and Tesco) being even more so in dairy. They see even less cross over of shoppers and more marked differences in shopper demographics, despite both retailers' over performance in the market. This complementary nature suggests the new combined entity will not be as much of a monopoly as some fear, and even less so in the dairy market, thereby limiting its potential impact on competition. Of course the notion remains that the new entity will have increased buying power that would "allow it to negotiate lower prices with suppliers and/or to pass on excessive risks and unexpected or disproportionate costs to suppliers"<sup>2</sup> but shoppers will hope that this will only help the retailers deliver on their promise to "reduce prices on everyday items by around 10 per cent, lowering the cost of living for millions of UK households."<sup>3</sup>

Continued >



**9.35 million** shoppers buy dairy in both Asda and Sainsbury's

<sup>1</sup> <https://www.about.sainsbury.co.uk/news/latest-news/2018/combination-of-j-sainsbury-plc-and-asda-group-limited>

<sup>2</sup> <https://www.retailgazette.co.uk/blog/2018/06/cma-publishes-public-responses-to-sainsburys-asda-merger/>

<sup>3</sup> <https://www.retailgazette.co.uk/blog/2018/06/cma-publishes-public-responses-to-sainsburys-asda-merger/>



# An early view of the Asda/Sainsbury's merger and the dairy market

Continued

## So what do shoppers think of the proposed merger? We asked them:

Using our Worldpanel Plus survey capability we asked a sample of 10,864 shoppers their thoughts on the proposed Asda/Sainsbury's merger just 3 days after the news first broke.

This found that most were unsure whether the merger would be a good or bad thing, with over 50% of all three shopper groups surveyed (Asda shoppers, Sainsbury's shoppers and those who buy in both) feeling this way. What was interesting to find was that a high proportion of the two groups who shop in only one of the retailers felt the merger would be a good or great thing while the shoppers of both retailers were more likely to see it as a bad or terrible thing.

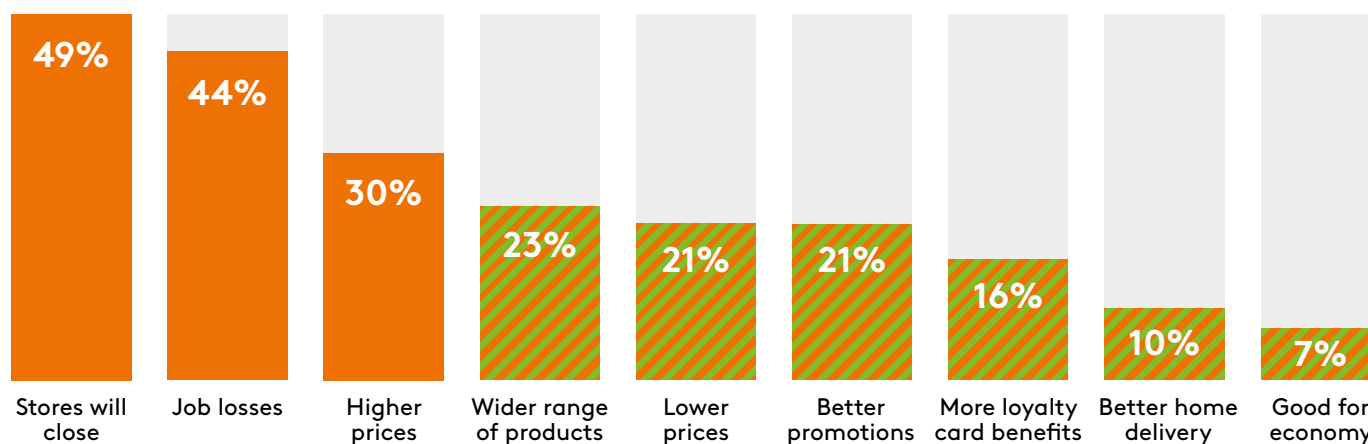
In terms of what they think might happen, Sainsbury's only shoppers were optimistic that it would result in wider ranges, better promotions, and lower prices. Those who only shop at Asda were fearful of their prices going up and those who shop in both stores were concerned about store closures and job losses.

Oliver Bluring, Client Executive



## Despite concerns, shoppers hope for wider ranges and more promotions

What do you think will happen in the stores?



People who have shopped in both Sainsbury's and Asda

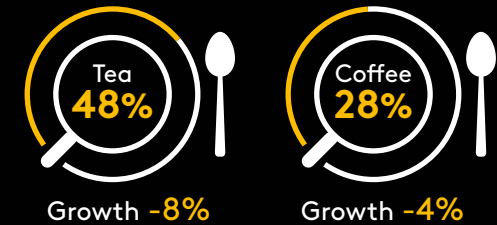
# Are we pouring more than before?

Shoppers are buying larger volumes of milk than before – 6 pint packs are gaining spend share, now making up 15% of value sales of milk (2% up on the previous year) and shoppers are trading up to larger sizes. With more milk coming into the home it might seem safe to assume this means we're consuming more, despite the trends towards veganism and nut milks.

However, whilst the volume of milk being purchased is increasing, we see consumption occasions are in decline. Over the three years since 2015, milk was consumed an incredible 1,708 million fewer times (-5% YOY.) Looking at the consumption of milk and how this is changing, this dynamic looks to be the cumulative effect of multiple factors.

One thing that is certain is that our status as a tea-drinking nation is dwindling fast – tea and coffee have been in long term decline and this has been particularly detrimental to milk as a category, with the classic accompaniment to a cuppa, biscuits, also suffering. Tea's decline is having the most significant impact – almost half of all milk occasions involve a cup of tea (48% of occasions) with coffee having a smaller share (28%). Our consumption of tea is also dropping off more rapidly, declining at 8% compared with coffee at 4%.

## Share of milk occasions



So how can we be using more milk if we're cutting down on our daily caffeine habit? This may be something to do with both which hot drinks we're having and who is drinking them.

Given tea is losing share of milk occasions (-1% share since 2015) and coffee gaining share (0.5%), average serving sizes are likely getting larger, as tea generally involves less milk. Coffee consumers are younger than before – 16 to 34 year olds have become more significant to the sector (+2% share of milk in coffee occasions vs 2015) – and may be using much more milk than the average portion used in coffee than in the past. Perhaps milk frothers are encouraging a heavier hand on the milk carton, as younger consumers try to create the barista experience in their own home. In addition to coffee getting milkier the increasing trend towards hot chocolate and malted milk drinks (up 2% vs 2015) are adding to this, along with the rise of protein shakes. We also see that some consumers are drinking more milk as a drink in its own right, with those aged 65 and over and 16 to 24s each gaining 2% share of milk drinking occasions.

The data backs up the theory that portion size is increasing and leading us back into store to purchase more milk. However we are yet to understand to what extent wastage is coming into the equation.

Chloe Roberts, Client Executive



# The rise of niche yoghurt brands

While no one would expect the big names of Müller, Nestlé, Danone and Yoplait to disappear in the next few years, there has been a significant difference in the growth of the bigger and smaller brands in the yoghurt sector.

Big brands are down 0.9% over the latest year, whereas smaller brands are growing at 1.2%. The smallest 20% of yoghurt brands are paving the way forward, offering health benefits that attract younger shoppers looking for a high protein, lower sugar alternative to sweet treats.

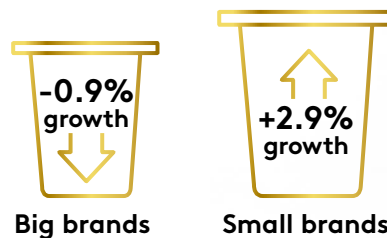
The Collective Dairy is the benchmark for success over the last 5 years. The brand's range of indulgent yoghurts offers a lighter alternative to traditional desserts, and has delivered 280% growth in the last 5 years (20% year on year), taking overall sales to £29m in the last year. The Collective has also recently entered the growing market for high protein, single-serve yoghurts with their Pro-Yo yoghurts, which sold over £1m in their first year. If the brand continues to expand, it will be on its way to becoming a serious contender in the market, breaking into the top 20% of brands in chilled yoghurts and potted desserts.

The Coconut Collaborative and KOKO are two more up-and-coming yoghurt brands delivering impressive growth. Tapping into the trend for dairy-free in yoghurt and potted desserts the Coconut Collaborative is growing at 28% with overall sales of £4.3m and KOKO is doing similarly well, adding £1m to the category and achieving 44% growth.

But the big players haven't just let these niche brands chip away at their share. Nestlé has recently launched its own 'niche brand': Lindahl's Kvarg – a high protein quark product that has sold over £2m this year.

Both large and small yoghurt brands will continue to launch new products throughout 2018 and into 2019, but given the success of the smaller brands we might see that NPD has a decidedly 'niche' feel to it.

**Bertie Lewis, Client Executive**



# The 'free from' bay – A need or a want

Veganism and flexitarianism are two very prominent lifestyle changes adopted by consumers in recent years. The rise of these trends is evident when looking the growth of dairy free products (up 7.7%) and meat free (growing 9.3%).<sup>4</sup>

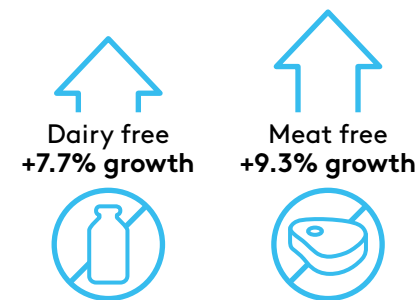
As more manufacturers launch free from products to ensure their range covers all needs, retailers are also experimenting with the creation of a free from bay.

Waitrose is the first UK supermarket to launch a dedicated vegan section in 125 of its stores. They have an exclusive partnership with The Happy Pear, a plant-based brand and The Vegetarian Butcher which makes meat substitutes. Reception from shoppers is positive, as Chloe Graves, Chilled Vegetarian and Vegan Buyer, says: "Our current selection of products has been selling really well week after week, with requests for more choice coming from our customers and partners, so we would clearly see there was an appetite to have more vegetarian and vegan options in our shops."<sup>5</sup>

Sainsbury's takes a different route as it begins to stock meat alternatives alongside meat at 400 of its stores. The retailer's vegan range includes Danish plant-based food manufacturer Naturli' Foods' bleeding mushroom burger and a beef mince alternative. While sales of meat alternative products in Sainsbury's are increasing by 20% each week, we see their response to this growing demand is very different to Waitrose's.<sup>6</sup>

Outside of the grocers, Holland & Barrett have expressed a desire to open a vegan-only branch. The health food retailer is considering adding 500 more vegan lines to its 800 stores in the UK and Ireland. These lines would include snacking, sports nutrition, on-the-go and chilled and frozen.<sup>7</sup>

There's no question of the rising demand for free from, but is this a need or a want for consumers?



When looking at the bigger picture, only 3.7% of all main meal occasions are vegan-friendly, whereas 65% of main meal occasions feature dairy (52 w/e 10th September 2017). Based on the relative size, retailers may be justified in not dedicating a section purely to free from.

However, this year for the Grocer Gold Awards, three new metrics: vegan, vegetarian and free from were added, scoring supermarkets according to which meet the widest needs. If supermarkets are being judged on their ability to cater for a range of needs including free from, it suggests all the more reason to highlight their free from range with a bay of its own.

Yet when looking at purchasing behaviour, only 49% of free from milk shoppers buy into other free from categories (defined as: cream, butters and spreads, cheese, yoghurts, active health drinks and desserts) compared to 94% of free from milk shoppers who buy into traditional milk. This means it's more likely free from milk is purchased with regular milk, than with other free from products – an observation which can be seen across multiple categories. The decision to place free from products alongside their non free from counterparts appears to be the more rational decision based on purchasing habits, thereby making the free from aisle a want, rather than a need.

Nishita Pattni, Category Analyst

<sup>4</sup> (52w/e 18th June 2018).  
<sup>5</sup> Plantbased News, 14th May 2018  
<sup>6</sup> The Grocer, 16th June 2018  
<sup>7</sup> The Grocer, 16th June 2018



# THE KANTAR WORLD PANEL DAIRY TEAM



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



# MEET THE AUTHORS



## Chloe Roberts

Client Executive, Usage

Favourite dairy product: Semi-skimmed milk (Very cold!)  
Chloe has been at Kantar Worldpanel for over two years, working in our Usage team.

E: [Chloe.Roberts@kantarworldpanel.com](mailto:Chloe.Roberts@kantarworldpanel.com)



## Oliver Bluring

Client Executive

Favourite dairy product: Extra mature cheddar  
Oliver has worked at Kantar Worldpanel for almost two years now, having joined as a graduate in September 2016

E: [Oliver.Bluring@kantarworldpanel.com](mailto:Oliver.Bluring@kantarworldpanel.com)



## Bertie Lewis

Client Executive

Favourite dairy product: Gorgonzola cheese – melted into a creamy pasta sauce  
Bertie is approaching his anniversary at Kantar Worldpanel, having joined last September.

E: [Bertie.Lewis@kantarworldpanel.com](mailto:Bertie.Lewis@kantarworldpanel.com)



## Nishita Pattni

Category Analyst

Favourite dairy product: Strawberry milkshake  
Nishita is also approaching her first full year at Kantar Worldpanel, having joined as graduate last September.

E: [Nishita.Pattni@kantarworldpanel.com](mailto:Nishita.Pattni@kantarworldpanel.com)







# CONTACT US

For further information about Kantar Worldpanel and the services we can provide for you, please contact:

Kantar Worldpanel  
Westgate  
London W5 1UA

**T:** +44 (0)20 8967 4200

**W:** [www.kantarworldpanel.co.uk](http://www.kantarworldpanel.co.uk)