KANTAR

FMCG Newsletter

Edition 2: Summer Review

The impact of summer 2019, trends such as low calorie ice cream and our concerns over plastic

- Welcome to the summer review
- Grocery market sees summer declines, but discounters weather the storm
- How do our consumption habits change over the summer?
- Eating and drinking out
- Low-calorie trend continues in ice cream
- Retail Corner: How are concerns around plastic changing the grocery market?
- Team contributers

© 2019. Kantar

Welcome to the Summer Review

As the nights draw in and the coats come out, settle down with a warm cup of tea and enjoy the second edition of the FMCG newsletter: summer.

With 115 fewer sunshine hours this year across June, July and August, tempting consumers to wine and dine al-fresco has certainly proven more of a challenge. Understanding how to attract consumers when they do venture out, is more important than ever.

Summer is not the time for innovation to take a holiday – it's needed more than ever in those warmer months. We'll look at which alcohol innovations have been consumers' tipple of choice as they enjoy barbeques (BBQs) and picnics, and how ice cream has tapped into health concerns in an effort to lap last year's exceptional performance.

In this issue, you will also find the first instalment of the 'Retail Corner', where we will be exploring how retailers are reacting to current challenges and what brands can do to complement this, first up: plastic.

Enjoy and get in touch if you have any questions about this review.

Megan Shillibier,
Kantar's FMCG Team

© 2019. Kantar

Grocery market sees summer declines, but discounters weather the storm

This summer, the UK hit its highest ever recorded temperature of 38.7°C *(Cambridge University Botanic Garden, 25th July)*. However, while hot summers are normally accompanied by drier weather, 2019 seems to have bucked the trend. The twelfth warmest summer since records began is also the seventh wettest, leaving retailers struggling against a backdrop of record sales during summer 2018.

Kantar's grocery market data shows that year-on-year (YOY) supermarket sales were flat during the 12 weeks to 11 August 2019. This is, in fact, a slight improvement on July's results, which showed a 12 week decline in the supermarket sector for the first time since June 2016 (-0.5%). The combination of unpredictable weather and more like-for-like price rises has made FMCG growth extremely hard to come by.

These difficulties were not unexpected. Summer 2018 saw warmer weather and more sunny hours than the average. National celebrations such as the Royal Wedding and Football World Cup also helped create a feel-good atmosphere. The take home grocery market saw sales grow +3.8%, with the discounters and convenience stores reaping the rewards. Shopping trips were made more frequently and closer to home, as shoppers topped up on their summer essentials.

The difficulties in emulating last year's performance are evident when looking at some of the traditional summer categories. Consumers spent £75 million less on alcohol YOY, with beer down 11% and cider down 13%. Soft drinks sales fell by £56 million, and ice cream by £55 million.

However, poor performance in the multiples is not just linked to weather, with many external factors leading to a change in consumer behaviour. Three of the Big Four saw decline over the 52 weeks to 11 August 2019, whilst Aldi & Lidl continued to grow. In fact, the discounters now account for almost £1 in every £7 spent on groceries in the UK. Nearly half of all households shopped in Aldi during the 12 weeks to 11 August 2019, while Lidl reached a record market share of 5.9%.

The fact that the discounters continue to perform well shows that growth is still possible if the offering is right. For the retailers who are struggling, it will be interesting to see how they perform next summer, when the annualisation of the strong summer 2018 has passed.

© 2019. Kantar

How do our consumption habits change over the summer?

Health is on the top of consumers' minds during the summer months, with over a third of all food consumed for health. From June to August, 7% of food servings were chosen 'To get a portion of fruit or veg' which is 9% more likely than at any other time of the year. 'Lower in fat/salt/sugar' is another key health need over this period, accounting for 7% of servings (4% more likely than the rest of the year).

We see shoppers move towards the more typical 'healthy' foods: fresh fruit (14% occasions), salad (11% occasions) and prepared vegetables (4% occasions) are all more likely to be consumed over the summer period. This conscious decision to eat healthier isn't limited to a certain time of the day either, with fresh fruit more likely to be consumed at breakfast and prepared vegetables and salad appearing more at lunch and evening meal occasions.

In hotter months, consumers are opting to prepare their foods from cold, making the oven and stove-top a less popular option compared to the rest of the year. With nearly two thirds of occasions prepared cold in the summer, foods like salads, sandwiches, pies and quiches all over-index.

As consumers turn down the heat in the kitchen, turning up the heat outdoors is no problem as BBQ prepared foods also over-index in the summer (ix. 250 vs. rest of year). Although summer is the most important time of year for the BBQ sector, it still only makes up 1% of total occasions. With that in mind, we do see categories popular at a BBQ occasions over–indexing during the summer: dips, sandwich fillers and cooked meats are more likely to be consumed.

© 2019. Kantar

Eating and drinking out

Unsurprisingly, the warm weather means spending more time outside (one fifth of out of home consumption occasions take place outdoors,12 weeks to 11 August 2019). Shoppers also want something for their summer sweet tooth. Sweet snacks are a real favourite (another ice cream, please) as well as sweeter drinks; cider makes-up 14% of serves. Combine this need for sweetness with convenience and you're on to winner. Pre-mixed spirits and mixers demonstrate this beautifully as they continue to grow at +15% YOY.

This convenience driver isn't limited to alcohol though. There are more trips to buy carbonates, water and packaged salads. Retailers and manufactures should also be aware that 'fancied a change' becomes more important over this time. Are there some classics that could be re-imagined to meet our new needs?

The beverages market is a good example of shoppers responding well to summer innovation. Half of those drinking alcohol at a BBQ or picnic claim that they love to try new alcoholic drinks. As above, pre-mixed drinks are growing, having attracted 670k new shoppers – this is primarily being driven by branded innovations. In the non-alcoholic drinks market, reinvention in ready-to-drink coffee has resulted in strong growth too.

This growth is particularly impressive as, thanks to the 2018 summer heatwave, the majority of the drinks sector saw a YOY decline.

During the summer,
1 in 5
out of home occasions take place outdoors

15%
Pre-mixed spirit & mixers perform well over summer, growing at **15%** and gaining **680k** new shoppers this year

When eating and drinking out of home, **"fancied a change"** becomes more important to consumers in the summertime

14%
of alcohol serves during the summer are cider

© 2019. Kantar

Low-calorie trend continues in **ice cream**

The drinks sector is not the only market to have been hit hard by last year's summer. The ice cream market has struggled to reach the same sales levels, with the entire market down by £55 million. Empty nesters (aged 45-65 with no children) were the main contributors, accounting for £12m of the decline, followed by retired shoppers at £10m of the decline. It's evident that older demographics are important to ice cream. What, apart from the weather, is contributing to their decline? This answer will be imperative for the sector's growth.

Within ice cream, handheld sticks met the demand for portability and convenience (the need for a product that "can be eaten on the move" is **58%** more likely to be fulfilled over summer) and accounted for **63%** of ice cream value, slightly down on last year (**64%**). Halo Top, initially a tub format, acknowledged this hand-held need in time for summer and launched four flavours coming in at 100 calories (or less) per stick.

Within tubs, we have seen the launch of Ben & Jerry's Moophoria – offering consumers indulgence but with fewer calories. However, it wasn't just brands launching into low-calorie variants this summer; the likes of Aldi, Lidl and Morrisons also launched products which helped make this previously premium sector more accessible (price index of **73** vs. existing low-calorie brands). With the **Government aiming to reduce calories in products consumed by families by 20% by 2024** this suggests low-calorie ice cream may be present in the UK market for the foreseeable future. It will be interesting to see how brands further adapt to shopper demands in this category.

© 2019. Kantar

Retail Corner

How are concerns around plastic changing the grocery market?

In the wake of the BBC's Blue Planet II, Google search interest for 'plastic pollution' increased more than tenfold. In the UK, half of 16 to 35 year olds are concerned about how much packaging they're buying, and this rises to over 70% among over-55s. So, as this awareness grows, retailers are evolving their packaging offerings.

Last year almost all the UK's major supermarket chains, as well as leading manufacturers, signed up to the UK Plastics Pact, which aims to eradicate single-use plastics from packaging by 2025.

This year, Waitrose opened a store in Oxford which offers its customers the chance to buy food and drink which is completely free of packaging. Shoppers fill their own containers from dispensers and prices are typically 15% cheaper than packaged alternatives. Additionally, Tesco no longer uses plastic carrier bags to deliver online groceries, which is estimated to save two tonnes of plastic a year.

Still, according to research by Kantar, Morrisons was the most mentioned retailer in the UK for its efforts to reduce plastic. The supermarket has pledged to completely remove packaging from its fruit and vegetables in 2019. Customers can buy fruit and vegetables loose or wrapped in recyclable paper and can bring their own containers to purchase meat, cheese and fish.

So, should we forget plastic and move to other solutions? Only if consumers perceive the solution as a genuine benefit to themselves will it be successful. Consumers are willing to make small tweaks to their daily habits, but when it comes to inconveniencing themselves they are less likely to act. For example, shoppers who say they are not looking for 100% recycled or alternative material were more likely to blame simply being unable to find these products, rather than thinking they're of poor quality or too expensive.

Concerns around plastic affect certain categories more than others. Bottled water has seen a big hit; over 90% of the decline in spend on still water has been caused by shoppers dropping out of the category. The sector has been more affected than other soft drinks, partly because it has a direct replacement in tap water. In soft drinks, the number of plastic bottles purchased and taken back into the home has grown by over +150m this year alone. This suggests that despite the scrutiny on plastic, there remains a strong consumer need for products which have plastic packaging. Nonetheless, there is varying consumer knowledge of which products contain plastic, for instance wet wipes and teabags are both low awareness categories. Even so, the Co-Op became the first retailer to find a solution for the nation's favourite beverage by creating a fully biodegradable paper tea bag.

It is fair to say that acting on plastic is around 'when' rather than 'if' due to pressures from governments and consumers. Kantar tracks the attitudes and behaviours of shoppers towards plastic and sustainability. For more information, see Kantar's publication exploring consumers' response to plastic waste available now.

50% of 16-34 year olds
are concerned about how much packaging they're buying

Over 70% of over-55s
are concerned about how much packaging they're buying

© 2019. Kantar

Team contributors

Iona White
Newsletter Editor
iona.white@kantar.com
Favourite summer food: pulled pork burger

Megan Shillibier
Newsletter Editor
megan.shillibier@kantar.com
Favourite summer food: passionfruit ice cream

Natalie Bendel
Newsletter Editor
natalie.bendel@kantar.com
Favourite summer food: BBQd lamb burger

Marianna Avgousti
Author: How are concerns around plastic changing the grocery market?
marianna.avgousti@kantar.com
Favourite summer food: BBQd halloumi

Erin Salisbury
Author: Low-calorie trend continues in ice cream
erin.salisbury@kantar.com
Favourite summer food: Magnum ice cream

Isabel Zakers
Author: Low-calorie trend continues in ice cream
isabel.zakers@kantar.com
Favourite summer food: orange Calippo

Katherine Spry
Author: How do our consumption habits change over the summer?
katherine.spry@kantar.com
Favourite summer food: watermelon

Chris Cusack
Author: How do our consumption habits change over the summer?
christopher.cusack@kantar.com
Favourite summer food: hot dog

Catriona Stewart
Author: Eating and drinking out
catriona.stewart@kantar.com
Favourite summer food: BBQd chicken

Amy Clark
Author: Eating and drinking out
amy.clark@kantar.com
Favourite summer food: ice cream

Benjamin Montague
Author: Grocery market sees summer declines, but discounters weather the storm
benjamin.montague@kantar.com
Favourite summer food: burger and chips

© 2019. Kantar

CONTACT US

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

T: **020 8967 4200**
E: **kantar.worldpanel@kantarworldpanel.com**
W: **www.kantar.com/worldpanel**

© 2019. Kantar