KANTAR WORLDPANEL

Meat & Poultry

Newsletter

January 2014

In this first edition of the newsletter we reflect upon 2013 and in particular how Meat and Poultry based markets fared over a challenging Christmas period. Whilst the Discounters thrived over the past year, the growth of online at the same time culminated in an interesting set of results for Christmas 2013.

We would love to hear your thoughts on any of our articles within this newsletter. If you have any comments please do get in contact with your Client Service personnel, contact details can be found in Meet the Team.

Enjoy!

2013 Meat & Poultry Review

On the face of it market performance has been relatively robust in 2013 with British households spending 4% more on fresh primary meat & poultry compared to 2012. However, retailers & processors alike will be concerned by an underlying decline in volume sales. From a consumer perspective the average price in the category has risen by 6% in 2013 which has continued to put pressure on the household budget.

The key headline in 2013 was of course the horsemeat scandal. Sales of frozen burgers & ready meals plummeted as shoppers moved away from processed foods into fresh primary proteins. However, that trend was to be relatively short lived as frozen burger sales picked up again as we moved through spring & into a hot summer.

The move towards fresh primary proteins was also short lived, with volume sales falling by 2% this year. Particularly affected, were Beef, Chicken and Pork. Bucking the trend here was Lamb, seeing a 10% uplift in volume sales.

The emergence of Lamb as the best performing protein was the big surprise of 2013. However its success underlines the importance of promotions in the category and the continued desire from shoppers to snap up a bargain. With retailers offering up to 1/3 off Lamb Legs in the first quarter of 2013 it is not hard to see why they flew off the shelf. If these Lamb promotions are not replicated this year, expect to see one of the other major proteins fill the void and take the associated growth in Q1 2014.

The promotional activity in Lamb encouraged shoppers to trade up to a more expensive sector in the market. However, not all promotional activity has the same effect. Long term Yfor£X deals in Bacon & Sausages are starting to impact purchase frequency and both categories have seen volume sales fall in 2013.

Away from promotions, the key trend we take forward from 2013 is the importance of versatility. A move away from the traditional meat & two veg meal format is impacting what British consumers are looking for in the category. Products targeted at growing dishes, such as pasta and rice based meals have performed well in 2013. As an example, fresh chicken breasts have been a winner this year, but these growing meal occasions create opportunities for added value products as well. Notably, sales of chilled meatballs have grown by 50% since 2009, with 1 in 4 British households buying into the sector in the last year.

So what should we expect in 2014? The strong performance of ALDI and Lidl at Christmas puts increased pressure on main stream retailers to stem the loss of shoppers to this sector of the market. Demonstrating value for money will of course be a key focus for retailers in an inflationary market. Pack size reduction has been employed by some in recent months but the resulting reduction in basket size will ultimately put pressure on the supply chain.

by *Simon Parnell*

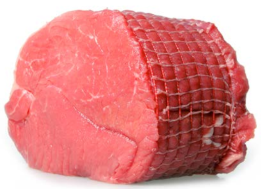
Meat & Poultry Supermarket Xmas Round up

2/3 of fresh beef joints being bought on deal in ASDA

Meat & poultry is a key battleground for supermarkets at Christmas as they look to lock in the lucrative Christmas shop from their customers.

Retailers spend millions of pounds on their Christmas adverts & the meat category features heavily across their campaigns. ASDA led with their "Meat lovers are better off at ASDA" campaign, specifically targeted at winning the meat & poultry battle. Focussing heavily on fresh beef joints, ASDA's campaign may have paid off as it is the only Top 4 retailer to see volume growth in fresh primary meat & poultry over Christmas. Performance has been driven by a surge in sales of fresh beef joints as featured in the advert. However, in-store support also played a crucial role with 2/3 of fresh beef joints purchased on deal.

Despite ASDA's strong performance it looks like shoppers were even better off at ALDI & Lidl which both posted record sales with double digit volume growth across the category.



Half of British homes now shop in ALDI or Lidl so their record Christmas sales shouldn't come as a surprise. Fresh meat & poultry has traditionally been a challenge for the Discounters, especially at Christmas. However, this appears to be changing as they took 5.5% of fresh primary meat & poultry sales this Christmas, up from 4.2% last year. Lidl has even reported selling out of Turkeys on Christmas Eve as Fresh Turkey sales more than doubled this Christmas.

by *Simon Parnell*

Christmas Protein Winners & Losers

From a value perspective Fresh Meat and Poultry had a good Christmas this year, with value up 4.6% as a whole. The main winners here were Fresh Turkey and Beef, which saw growth of 7.9% and 7.2% respectively.

Although this growth was mainly driven by price increases, the more expensive cuts within Fresh Beef, such as Frying/Grilling and Roasting, did very well this Christmas and really cemented the sector as the value winner within Fresh Red Meat. This may well have been influenced by the various Christmas campaigns launched by the retailers this year, particularly ASDA and their "Meat lovers are better off at ASDA".

There was a similar story behind Fresh Turkey's value growth, as this year shoppers opted for the generally more expensive Crown and Roll/Roast cuts as opposed to Whole Turkeys. Another factor within this could well have been shoppers trading up from Economy to more Premium products, a shift seen across the Fresh Poultry market. On the Frozen side however, Turkey didn't have such successes with value staying pretty flat at 0.7% and Volume declining at 4.4%.

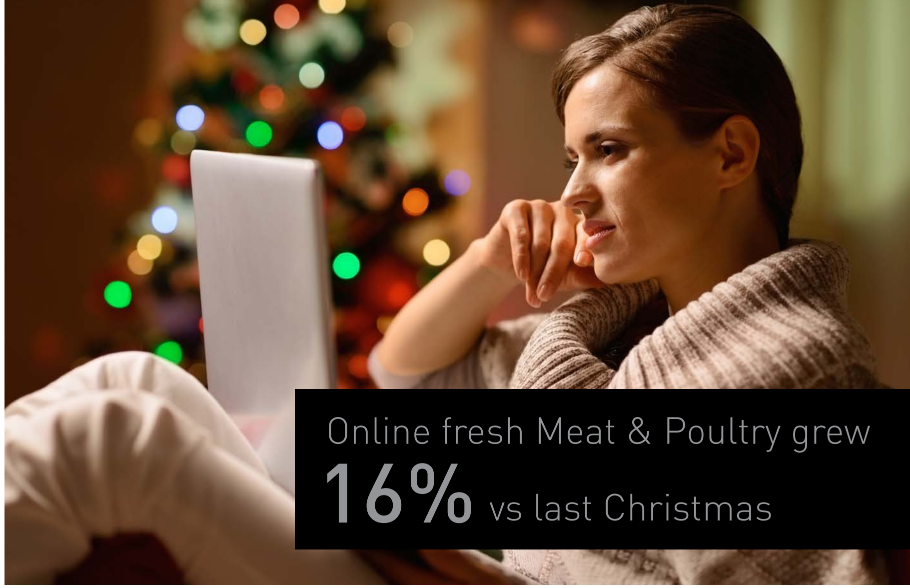
Despite the positive results for most of the Fresh Primary Proteins, Fresh Chicken suffered this year as it was the only sector to see value and volume decline. Shoppers switching in to other proteins were the main cause of this and meant that Fresh Chicken only saw gains from Fresh Lamb in the end.

When it comes to Volume, there is a much less encouraging story this year as out of all the main proteins (Beef, Lamb, Pork, Chicken, Turkey) only Pork was able to secure growth this Christmas. Roasting joints pushed the growth, with the main reason behind this being promotional activity; in particular price cuts.

Outside of Fresh Pork, volume across the proteins has either stayed flat or declined which resulted in an underlying decline across the sector. Consequently, whilst in value terms it can be viewed as a positive Christmas; manufacturers are likely to be resistant in labelling it as so with the rather disappointing volume figures reported.

by *Hayley Lomax*

Clicks over bricks this Christmas



Online Grocery shopping has thrived this Christmas, and its contribution to the growth of fresh Meat & Poultry has been imperative. Overall, online fresh Meat & Poultry grew at an impressive 16% in volume vs last Christmas. ASDA was the clear winner here, growing more than double Sainsbury's in second place. This has clearly helped ASDA have their "biggest Online Christmas ever" as described by Andy Clarke, CEO of ASDA.

Frozen Meat & Poultry online growth is even more impressive at 20% and ASDA also won this battle, albeit not by such a high margin.

Turkey has been the biggest contributor to online growth, with an extra 100,000 UK households choosing to buy their Turkey (fresh or frozen) online versus last Christmas. Taking the win in this battle was Tesco.

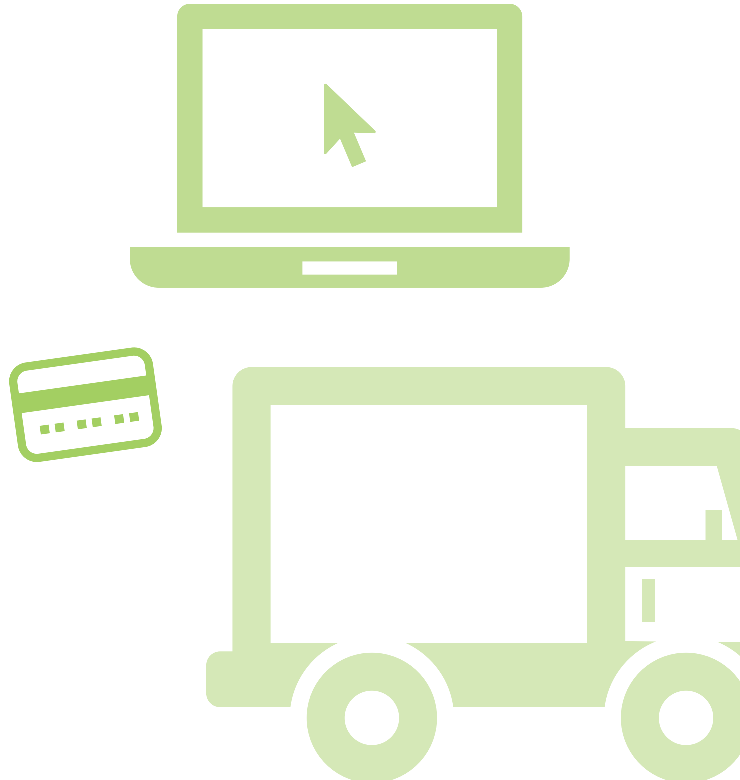
A number of factors have driven the desire to shop online; click and collect has taken off extremely well, especially with new ideas put forward by ASDA, pick up points at tube stations and Amazon pick up lockers at Co-Op stores. Ultimately, these have made the whole experience more convenient and easy for shoppers.

At the same time, the increased use of smartphones and tablets has facilitated this. Tesco have said that a third of their online grocery orders were placed on a mobile device in the run up to Christmas and ASDA sales through mobile phones are up 200% on last year. This has also driven business at new times of the day – early morning from bed or in the evening whilst in front of the TV.

Grocery still has a long way to go to catch up with non-food, where 1 in 5 items were bought online at Christmas. John Lewis, Next & House of Fraser all performed particularly well. However in fresh Meat & Poultry, Online only accounted for 4% of sales. Only 5% of UK households chose to buy fresh Meat & Poultry online this Christmas, despite 21m households (83%) having internet access.

Online Grocery shopping will only get bigger in 2014 and this will have a positive effect on fresh Meat & Poultry. Click & Collect will continue to take off, more people will have smartphones & tablets, and Morrisons will join the race.

by *Tom Baxter*



A thought on Turkey

Christmas is clearly the most important time of year for fresh turkey, but how does it fare beyond the festive season?

It is no great surprise that almost 40% of turkey is consumed on Sunday and Monday, showing the reliance of the category on Sunday lunch (and leftovers) to break into the average consumers' repertoire.

Having said that, turkey consumption habits in GB are not all without surprises. If we examine the drivers of consumption, turkey is perceived as being healthier than other poultry & red meat proteins. However, when it comes to taste turkey doesn't score as well as its competitors.

Now I don't know about you, but this perception of turkey not being as tasty as some other proteins is in direct conflict with the succulent turkey piled high on my plate on Christmas day. My freezer is currently populated with numerous portions of turkey and Brussel sprout curry (believe it or not this combination works as long as you don't overcook the sprouts before adding them to the mix). Tasty is one of the first words I would use to describe any turkey dish I've ever made. This gap between my experience and wider consumer option highlights the importance of promoting the taste qualities of turkey outside the festive period.

For Turkey to play a more central role in consumers' weekly repertoire, providing easy to follow guidance on how to deliver maximum taste is critical to compete more effectively with other proteins.

by *Andrew Eagle*

Meet the Team

Simon Parnell

Strategic Insight Director

Joined Kantar: 2005

Favourite Meat Dish: Flank Steak

Simon has 9 years' experience working with leading processors and trade boards across the UK meat & poultry industry. Now heading up the Worldpanel Meat & Poultry team Simon is the senior contact for operators in this industry.

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Tom Baxter

Consumer Insight Director

Joined Kantar: 2009

Favourite Meat Dish: Fillet Steak

Tom heads up half of the Meat & Poultry Team working with a range of suppliers in the UK. Tom has 2 years' experience in the meat industry, having previously spent his time at Kantar working with Tesco & in the Dairy team.

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Chris Hogan

Client Manager

Joined Kantar: 2011

Favourite Meat Dish: Green Pesto Chicken Linguine

Chris is now entering his 4th year with Kantar after joining from P&G in 2011, with a background in Category planning. Chris works across a variety of different meat clients, including Levy boards and leading Meat suppliers.

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Charlie McGregor

Client Executive

Joined Kantar: 2012

Favourite Meat Dish: Crispy Pork Belly

Charlie has been at Worldpanel for over a year having previously worked for a Branding Agency. He is the day-to-day contact for a diverse portfolio of clients working across multiple markets.

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Anish Mashru

Category Analyst

Joined Kantar: 2013

Favourite Meat Dish: Wild Boar & Chorizo Burger

Anish joined on the graduate scheme after completing a degree in French and Spanish and working as a Marketing Executive in Spain. Anish works with suppliers across 8 different markets in the Meat industry.

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Dominic Bath

Client Executive

Joined Kantar: 2013

Favourite Meat Dish: BBQ Lamb Ribs

Dom previously worked in qualitative research for a packaging Research Agency. During his 2 years, he conducted studies in over 20 countries for clients such as Unilever, Nestle and Kraft. He speaks French having spent a year in France as part of his University degree.

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Hayley Lomax

Client Executive

Joined Kantar: 2013

Favourite Meat Dish: Lamb Shank

Hayley graduated with a degree in Psychology from The University of Manchester in 2011. After working for two years in Research and Insight Recruitment, she joined Kantar Worldpanel in September 2013.

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Andrew Eagle

Usage Business Development Manager

Joined Kantar: 2011

Favourite Meat Dish: Spaghetti Bolognese

Andrew joined Kantar's Usage division after ten years of experience as an information and insight provider to the paper, packaging and print industries at Pira International. Andrew works with dairy companies as well as suppliers throughout the meat category.

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Simon Hulbert

Consumer Insight Consultant

Joined Kantar: 2005

Favourite Meat Dish: 12 Hour (minimum!) Slow Smoked BBQ Beef Brisket

Simon has worked across several leading clients, spending 4 years in the Fresh Foods division, before a 3 year spell on the Unilever account. During his time there, Simon moved to specialise more directly in Analysis and Insight, and Expert Services Project delivery, a role he now holds back within the Fresh Foods division since the start of 2013.

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