

FRESH FOCUS

Welcome to the first edition of 'Fresh Focus'.

Within this edition of Fresh Focus, we cover the overall performance of the Fresh and Chilled category, as well as delving into some of the key sectors, including the trend towards and demand for convenience.

Newsletter
October 2015



A FRESH APPROACH



While Total Grocery is in slight growth overall, Fresh and Chilled is lagging behind with sales down by -0.1% YOY. This equates to -£59.3m over the past year.

Price deflation is the main factor in this decline with the average price per pack down by -3.4% on last year. Commodities such as milk have been a major driver of this as competition between retailers drives prices down. This has sparked a wave of protests from farmers, who claim that these low prices make production unprofitable, and has forced several retailers into agreeing new minimum prices per litre for milk.

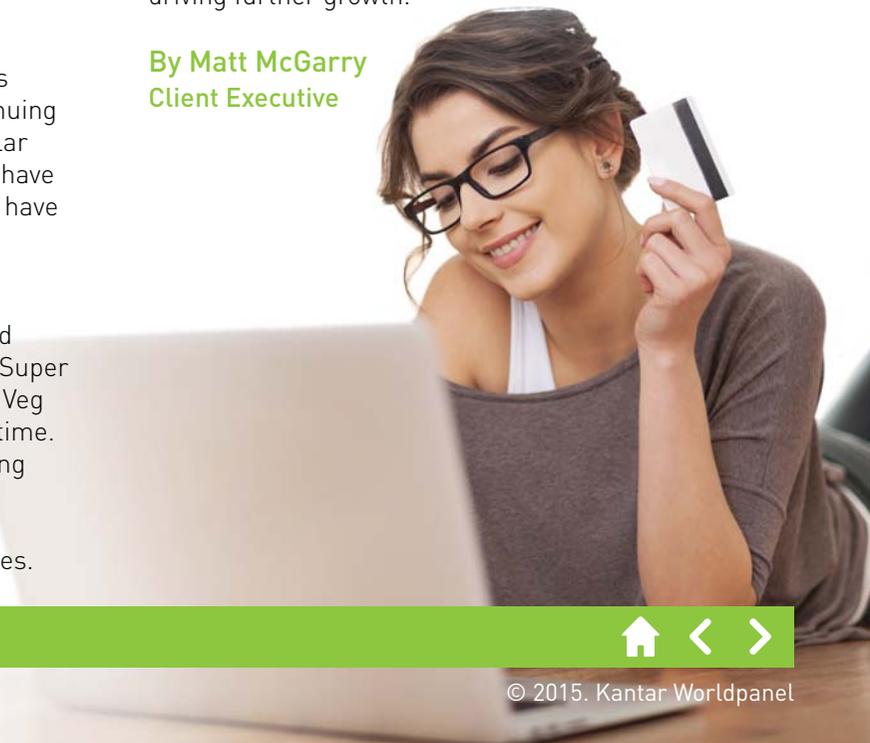
As we have seen across grocery as a whole, supermarkets have been the hardest hit by this decline with Discounter and Online sales continuing to see rapid growth. The Big 4 retailers in particular are continuing to promote heavily and, while they have brought more shoppers in overall, any gains here have been offset by the loss of value.

The two strongest areas of performance for the Discounters within Fresh and Chilled are Fruit and Vegetables. This has been driven in part by Aldi's Super 6 offer, whereby a revolving selection of Fruit and Veg are placed on offer for 59p per pack for a limited time. Not only is this likely to drive demand, the changing nature of the offers means there is an incentive for consumers to come back repeatedly. In turn, supermarkets have seen heavy losses in vegetables.

One area where supermarkets have performed well is in Chilled Ready Meals and this is in keeping with the overall trend towards convenience that we have seen in recent years. With consumers prepared to pay a premium for products that make their lives easier, it could be a key opportunity for retailers to drive growth back into the market.

Online represents another opportunity as sales are predicted to reach 10% of the market by 2020. Therefore, it will be crucial for retailers and manufacturers alike to get their offering in this area right. Online seems to appeal particularly to younger and more affluent shoppers, as well as families, suggesting targeting these groups will be key in driving further growth.

By Matt McGarry
Client Executive



READY STEADY PING



Growth has been consistent and unrelenting, with the category having grown YOY in 19 of the last 20 years. In more recent times, the boom has been fuelled by the recession as we tightened our belts in the wake of the global economic crisis of 2008/09. During this period, we moved from eating out to dining in, with 1.2 billion meals being brought back into the home.

However, as the state of the economy and consequently our confidence improved, it had been forecasted we would revert back to dining out and ready meals would suffer as a result. Notably, this prediction has only been partially correct. Although 7% more of our meal occasions are now being eaten out of the home, the Chilled Ready Meal market continues to grow from strength to strength. This growth is not just price driven either as volume has just grown by the largest amount in 5 years. One of the factors for this is there has been a slight shift away from volume based deals to TPR, which has resulted in shoppers visiting the category more often.

However, another important factor to be considered is that improving product quality is resulting in shoppers becoming more engaged with the category, as evidenced by a 1.1% increase in shopper numbers. This is no mean feat given that penetration already stands at over 90%. The fact that premium retailers strongly overtrade in Chilled Ready Meals further supports the premium nature of the category. M&S and Waitrose continue to drive growth in the category and gain market share at the expense of the Big 4, with Morrisons and Tesco being the big retailers to lose out.

Given the continuously increasing desire for quicker, more convenient meal solutions, coupled with socio-economic factors such as the predicted rise of single member households to 38% in 2022, it would be a major surprise if the Chilled Ready Meal fixture sees a slowdown in growth anytime soon. In fact, given the category's bias towards single portion meals, there may be untapped growth amongst the 36% of in-home meal occasions that involve 2 people.

By Matthew Garside
Client Executive



HOT TOPICS IN CHILLED DESSERTS

Chilled Desserts grow ahead of Chilled Convenience, whilst Fresh and Chilled Groceries are in slight decline over the last year. Price inflation has been the key driver of this performance with Asda, Morrisons and Sainsbury's seeing the biggest price increases. Despite the dominance of base sales, TPR has seen the biggest growth.

The other key driver of growth in Chilled Desserts is increased shopper numbers. Eight out of ten Grocery shoppers now buy Chilled Desserts. As seen across most Chilled Convenience categories, the Discounters have seen the greatest increase in footfall. Aldi and Lidl not only offer the cheapest products but also cater for the demand of high quality and great tasting products, which is crucial when it comes to indulgence. They have partly achieved this by investing heavily in advertising.

So who buys Chilled Desserts? Affluent shoppers aged over 45 who come from smaller households. Despite their price being 20 pence higher than the market average, Waitrose continue to grow through attracting more shoppers. This shift towards premium potentially opens up great opportunities for manufacturers to upgrade their current offerings.

Sponge Puddings perform best within Chilled Desserts, with Trifle and Rice Puddings also adding incremental value. As buyers actively shop around, Sponge Puddings and Trifle gain the most from Flavoured Desserts, Cheesecake and Mousse.

What is the nation's favourite flavour? Chocolate! However, plain chocolate Chilled Desserts have lost shopper spend to more exciting chocolate variances, such as chocolate orange and salted caramel. We have also seen new flavours emerging this year such as Bourbon Chocolate, Chocolate and Peppermint, Millionaires Shortcake, Morello Cherry and Blueberry and Pomegranate with Raspberry & Elderflower.

Free From is a hot topic across grocery but in Chilled Desserts it currently declines. Whilst at first glance it may not appeal to manufacturers, it actually presents the market with an opportunity for growth in terms of vegetarian, vegan and other free-from desserts, especially in light of performance elsewhere such as within the yoghurt and bakery categories.



In summary, it is all about finding new ways to surprise and delight the shopper to maintain their curiosity through new flavours, textures and more. Christmas is quickly approaching, which creates the perfect opportunity to show-case innovation.

By Julija Veselova
Client Executive



MEET THE AUTHORS



Matt McGarry
Client Executive

Joined Kantar: March 2014
Favourite Dish: Chicken jalfrezi

Matt joined Kantar after graduating from the University of Exeter, with a degree in Business and Management. He now works on a variety of chilled, frozen and bakery sectors. Outside of work he enjoys watching and playing sports, especially football and cricket.

E: Matt.McGarry@kantarworldpanel.com
T: +44 (0)20 8967 4166



Matthew Garside
Client Executive

Joined Kantar: September 2013
Favourite Dish: Steak (medium rare) and french fries. No sauce!

Matt joined Kantar Worldpanel in 2013 after graduating from Bournemouth University, where he undertook a Marketing degree. Matt has a variety of different interests outside of work, ranging from football to fashion and even horse racing and music.

E: Matthew.Garside@kantarworldpanel.com
T: +44 (0)20 8967 2160



Julija Veselova
Client Executive

Joined Kantar: September 2014
Favourite Dish: Honey soy grilled salmon with edamame

Julija graduated with a masters degree in Business and Marketing Analytics from Aston University and now specialises in the Chilled Convenience and Bakery markets. Out of work she enjoys experimenting with flavours and recipes and loves exploring international cuisine.

E: Julija.Veselova@kantarworldpanel.com
T: +44 (0)20 8967 4548



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 4390

W: www.kantarworldpanel.com

