

THE GREENGROCER

Newsletter
March 2016



WELCOME

Welcome to the first edition of The Greengrocer in 2016. We are finally wrapping up Christmas and looking to the year ahead. In this latest issue we have looked into some emerging trends, that we only see continuing going forwards; Fruit overtaking Vegetables for the first time, the rise of Smoothies, the continued growth of Out of Home produce and Winning the Future. As always any feedback you do have, we'd love to hear it.

The Produce Team

CONTENTS

2015: THE YEAR OF THE FRUIT MARKET

One of major events in produce in 2015 was fruits overtaking vegetables to become the largest half of the wholehead market. Beginning in September, rolling annual data began to show a lead for fruit, which by Christmas had increased to around half a share point.

How though would this affect the core of vegetable's winter heartland, Christmas?

Vegetables are still the largest portion of the festive produce market, making up 51.2% of produce sales in the four weeks of Christmas. However, back in 2011 vegetables had 56.8% of the market, so fruit has been making inroads in the depths of winter. Significantly, these inroads have been made whilst the volume shares held by the two halves of the produce market have remained stable. Vegetables' volume share over Christmas was 63.7% in 2015, actually up from their share in 2011 of 62.8%.

Nonetheless, Christmas 2015 was a prosperous one for many fruit categories. Citrus, the only fruit sector that could really be described as a "Christmas staple", saw every category in value and volume growth. Easy peelers, the largest category in citrus, and one that contains such festive fundamentals as satsumas, tangerines and clementines, saw close to 5% volume growth.

However, it was not Citrus that that was the fastest growing produce sector overall for Christmas 2015. Instead it was tropical fruit, driven by the all-conquering avocado, took the prize.

Plaudits should also be given to the much larger soft fruit sector, driven by the buoyant berry category, and to a lesser extent by grapes, which capped off its strong performance throughout 2015 by being the second-fastest growing produce sector over Christmas. This was in a year where soft fruit was heavily promoted, with the volume of soft fruit sold on deal up 28.1% compared to last year.

Indeed, fruit as a whole saw a modest increase in the amount of their volume that was sold on deal, of 0.8%, compared to a fall for vegetables of -5.7%. Despite this, overall vegetable prices continued to fall to the point that it became the most significant driver of the two halves of the produce market.

However, over the longer term, much of reason for the convergence in value of fruit and vegetables has been the contrasting performances of their respective largest categories, berries and potatoes. Berries have been buoyant over the last couple of years, achieving double digit value growth. By contrast, price falls have driven the potato, at times deeply, into negative territory.

However, Christmas 2015 was also a good one for the potato, as it achieved 5% volume growth. Perhaps resurgence for its largest category will drive vegetables back into growth. Alternatively, the march of the superfoods, like kale for vegetables and avocado for fruit, may decide the future of both halves of the produce market.

Time will tell.

Alex
McDonald
Category
Analyst



HEALTH – THE GROWTH OF HOMEMADE JUICES AND SMOOTHIES



As health continues to increase in importance, consumers find new ways of consuming Fruit and Vegetables. According to The Grocer*, sales of blenders and juicers have grown 49% over the past year. And this has translated into increased consumption of homemade juices and smoothies. Almost half a million people make homemade juices and smoothies in an average week and the market is now worth over £75m.

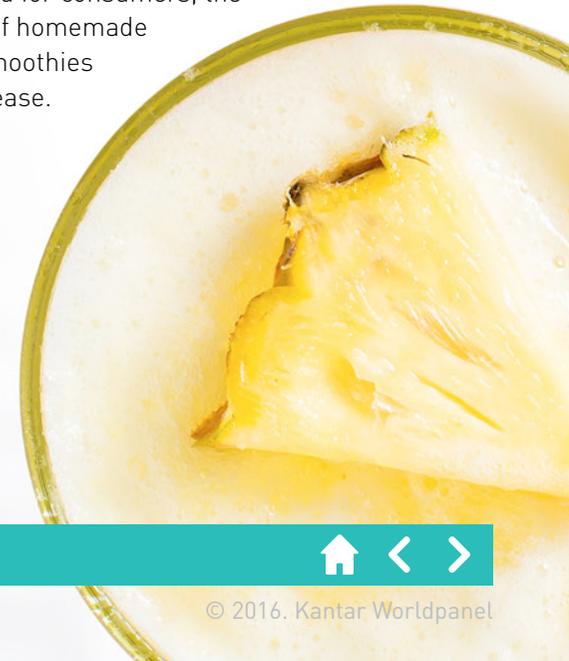
As we tend to start the day with good intentions, we are most likely to make juices in the morning (over half of the occasions). In home lunch is the second biggest occasion – this is when 1 in 6 juices are consumed. Linking with the over index on breakfast, health related needs as well as being filling are the key drivers of consumption. As expected, females are the core consumers of the category – they account for almost



2/3rds of all the occasions. Males are much less likely to prepare juices and smoothies at home compared to total food.

Consumers are much more likely to use Fruit than Vegetables when making juices and smoothies. Almost 9 in 10 occasions are made using Fruit, compared to just under a half using Vegetables. Spinach is the top Vegetable chosen by consumers. Within Fruit, Bananas are key to homemade juices and smoothies and feature in over 7 out of 10 occasions. With health continuing to be top of mind for consumers, the importance of homemade juices and smoothies is set to increase.

Marcelina Fedczyszyn
Client Executive





OUT OF HOME PRODUCE NEARS THE £200M MARK



It seems as every year goes by, we're spending less time in the kitchen, more time on the move and living increasingly busier lives. With that in mind, it's no surprise that in the last 12 week period (data ending 31st of January 2016) out of home produce has nearly hit the £200m mark. This has been predominantly driven by strong growth in Prepared Fruit, up 9.2% in the last 12 weeks compared to last year. It's not all good news however, as prepared salads sees strong sales decline of -8%, driven by flavours such as 'tuna sweetcorn pasta salad' and 'cheese and tomato pasta salad'. We're also spending more per trip in produce than we did last year, up 32.6% compared to last year, with shoppers now spending over £1.50 in an average trip.

After salads, soft fruit dominates the fruit and veg categories. We spend more on grapes than any other fruit and veg purchased on the go with Berries and Apples following closely behind. These categories might not surprise due to their portable nature but it gives food for thought on how other categories can follow suit. Vegetables don't feature in the top 10 out of home fruit and vegetables categories and with prepared

vegetables doing well as a whole, there is a prime opportunity for some vegetables to play a significant role in out of home purchases. If we're being encouraged to swap our chocolate bar for a piece of fruit, our fizzy drinks for water, why can't vegetables in portable packaging be an ample replacement for crisps and other savoury snacks? As we know, tapping into a new occasion can be a significant source of growth for any market.

James Foti
Client Executive



*OOH Produce includes: Salads, Fruit, Vegetables and Prepared Fruit

WINNING THE FUTURE



Winning, by its very nature, isn't easy. Nor is it for everyone in every walk of life. However, at the recent Kantar client day – Winning The Future – it was the central theme across nearly 500 clients. With the evolving retailer landscape, not everyone will win. With the changing demands of a dynamic population, not everyone will win. However, there are ways to ensure your best chances of winning are at their greatest and perhaps, unsurprisingly, I think a lot of that is achieved by understanding people as best as one can.

If we take the Produce market – worth over £11bn in retail sales – we know that the Prepared market has grown by over 20% over 5 years, vs 'only' 11% in Wholehead. However, much of Prepared's success has come from a highly fragmented market which, at a time that the major multiples are looking to rationalise their range, begs the question – how sustainable is this? Thinking about the Wholehead side of things, the key categories that have driven its growth haven't done so by ramping up their promotion levels in the main. Berries has benefitted from greater year-round supply and, from the end of 2014 we see strong shopper growth (both in number of households buying but also frequency) being behind it hitting the £1bn sales mark in 2015. Yet, despite these positives, we still need to engage shoppers – nearly three and a half million households who bought in the 12 week run up to Christmas 2014 didn't repeat this year. So, even when winning, there are still opportunities to win even more.

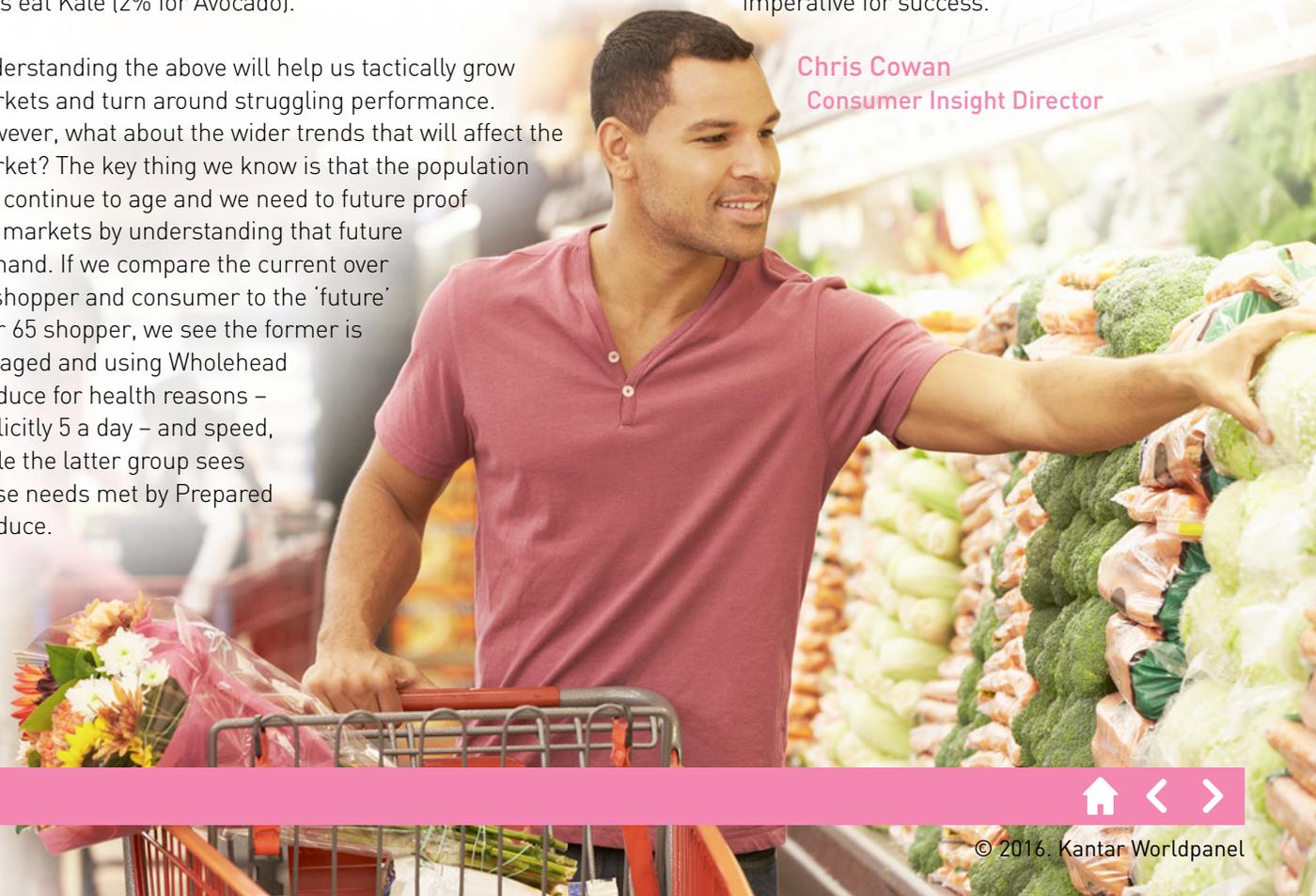
How about going beyond trade promotions? Kale and Avocado continue to see strong growth and both benefitting from social media impact – whether it's celebrity endorsements or the 'instagram-effect.' However, what's the headroom? Looking at how often they're consumed, there's a lot of plates of food to go after as Avocado and Kale only feature in 120m and 50m servings respectively, and in an average week, only 1% of us eat Kale (2% for Avocado).

Understanding the above will help us tactically grow markets and turn around struggling performance. However, what about the wider trends that will affect the market? The key thing we know is that the population will continue to age and we need to future proof our markets by understanding that future demand. If we compare the current over 65 shopper and consumer to the 'future' over 65 shopper, we see the former is engaged and using Wholehead produce for health reasons – explicitly 5 a day – and speed, while the latter group sees these needs met by Prepared produce.

We see that, across different markets, different shopper groups have their needs for different products – whether that's health, convenience, filling or for pure enjoyment.

Ultimately though, whether it's winning in the immediate future, or developing a longer term strategy, I strongly believe that understanding shoppers and consumers is imperative for success.

Chris Cowan
Consumer Insight Director



MEET THE TEAM



Chris Cowan

Consumer Insight Director

Chris leads Kantar's specialist Produce team, working across our portfolio of Fruit and Vegetable clients. Over the past 3 years, he's developed the team's outlook on wider Produce trends and understanding of how our data and

insight can highlight opportunities beyond just relying upon price.

His favourite Produce dish is an Instagram friendly Avocado and poached egg combo.

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Amy Stratton

Client Manager

Amy works within the New Business team, previously working across multiple fresh areas, she is now dedicated to Produce!

Her favourite vegetable is currently courgette having recently discovered a love for it.

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Olivia Cole

Client Executive

Olivia joined the produce team two and a half years ago, having studied Business at Imperial College. She works across wholehead and prepped markets, and has recently got an allotment which has furthered her knowledge.

Her favourite veg is fennel, which she's just planted.

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Lauren Webb

Client Executive

Lauren has been in the Produce Team for 2 years now, working across all elements of the Produce industry. This has helped her to understand the constant changes within the market, building on her previous

retail experience.

Lauren's favourite produce dish is courgette fries, although her sweet tooth means she also loves fruit dipped in chocolate.

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James Foti

Client Executive

James joined in 2014 having studied Marketing at Lancaster University, and after spending a year in a start-up as a Product Manager.

Since joining the team James has been inspired to try a wider range of produce and his favourite dish is now roasted peppers and olives.

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Annabelle Gough

Client Executive

Annabelle joined the Produce Team 8 months ago, after spending 2 years at a printing and publishing company as a Sales and Marketing Executive. Prior to that, she studied German and History at the University of Nottingham.

Her favourite produce dish is anything involving mushrooms; stuffed mushrooms being a particular favourite.

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Marcelina Fedczyszyn

Client Executive

Marcelina works within the Usage team and is an expert in understanding consumption/usage trends in Produce.

Her favourite produce meal is Hungarian Lesco – a thick vegetable stew.

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Alex McDonald

Category Analyst

Alex joined the Produce team in November 2015 after completing an MA at King's College London. Before this he studied Geography at the University of Leicester, and worked as a tour guide on the open top buses that circulate around Central London in the summer.

His favourite produce item is raw carrots.

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Rob Poole

Business Development Analyst

Rob works within the New Business team, and now has a sole focus on Produce. He has a background in Sales having previously worked for a top FMCG manufacturer, and studied Business at Sheffield Hallam.

His favourite Produce dish is a baked Sweet Potato with a side of Kale.

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