

KANTAR WORLDPANEL

THE DAIRY FOCUS

NEWSLETTER – October 2016



WELCOME

Welcome to the Autumn issue of our quarterly Dairy newsletter. This newsletter aims to give you our opinion 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 focusing on some 'hot' topics from over the Summer, including how certain seasonal categories performed as well as answering some of the big questions we've received over the last few months.

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

Best wishes

The Kantar Worldpanel Dairy Team

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Is Ice Cream in danger of melting?

The Ice Cream category has endured a summer of two halves this year, but seems to have weathered a stormy June to finish the peak season on a brighter note. For the 24 weeks to the 11th September, take home ice cream has grown by +2.2% in value, and +3.4% in volume. This is particularly impressive, given that for the 12 weeks to 19th June, the category had actually contracted by -2.4% in value and -0.5% in volume vs. 2015.

In the last 4 weeks alone, almost 1.8 million more households have bought ice cream in home than a year ago. This recent resurgence is not just limited to take home – in the out of home channel, during the last 12 weeks, an average of 12 ice creams were sold per second across the country (vs. 11 in 2015).

However has the recent sunshine papered over some category cracks? Up to the middle of August, levels of consumption are flat vs. 2015, and this even represents a recovery from the declines during the end of last year and the start of this one. Until very recently, adults had been consuming ice cream less often in an average week, whilst kids were dropping out of the category altogether. Given almost 1 in 3 children consume ice cream on a weekly basis, this drop was a particular cause for concern. Promotions have helped prop up purchasing, with over 30% of the category value being subsidised through dealing annually (an additional £26m vs. 2015). However, without strong demand from

consumers, the danger is that promotions could have a deflationary effect on the category in the future (if shoppers just use deals to stock their freezers). The decline in consumption amongst future potential ice cream eaters is a particular worry and perhaps symptomatic of the sugar backlash and wider choice of desserts options available. We have already seen some manufacturers reduce the size of some of their iconic brands to keep the calorie count down. Having said this, the category's 'treat' status seems to have protected it from the sharp declines seen in Soft Drinks... for now.

Growth is not evenly distributed across the category either. While more premium tubs continue to perform well, your everyday standard vanilla tubs are cancelling out much of this growth. The role of a scoop of vanilla ice cream to complete a dessert is diminishing, as more premium brands become more affordable and widely available. Though the category currently benefits in value from this trade up, the future concern is that without a strong offering in "everyday" ice cream, there will not be "everyday" consumption. Getting this balance right is a key challenge facing manufacturers and retailers alike.

James Foster, Consumer Insight Director

Source: Kantar Worldpanel Data w/e 11 September 2016, Kantar Worldpanel Usage Data w/e 14th August 2016, Kantar Worldpanel Out of Home, Data 12 w/e 11 September 2016.





A bite-size view of the Snacking Market

Whilst you would hope most British consumers are only eating a maximum of 21 meals in a week, it is important to recognise that the number of snacks they may consume is far more flexible. As a truly volume-expandable occasion, snacking offers a great opportunity to manufacturers and retailers by adding incrementally to whole store sales.

We have seen the snacking market drastically evolve over the last 5 years. Popcorn continues as the biggest blockbuster, in double digit growth up +17.5%, whilst pork scratchings are also hogging the limelight with 13.2% growth. In contrast, traditional snacks have fared far poorer, with biscuits down £21 million, crisps decreasing by £16 million and sweets losing out on £4.6 million this year. Perhaps explaining this trend is the growth of health as a reason for snacking. In the latest year, nearly a third (30.7%) of all snacking occasions were chosen because individuals were looking for something healthy.¹

But what of our Dairy market? It seems that, compared to some of the unhealthy examples above, Dairy is riding the snacking success. Cheese snacking has grown +11% this year, with some hugely successful NPD in the adult snacking category, and promotions strengthening the kids market. Laughing Cow Mini

Cravings have proven the biggest cheese snacking NPD to adult snacking in the past 3 years. Having said this, there is still room for growth in the cheese snacking category, with consumers having to turn to snacking on blocks of cheese to fulfil their needs.²

Meanwhile, yoghurt snacking occasions have grown by 10% this year. Key to yoghurt snacking are females 45-54, who make up 9.4% of occasions. As a whole, adult females 16-64 are more likely to choose yoghurt when snacking than other foods. Nearly 60% of occasions are chosen for health reasons – consumers choose yoghurt rather than other foods as it has a greater perception of providing a health benefit (32.4% of occasions), it is lower in fat, salt and sugar (15% of occasions), and more natural and less processed (13.6%). Fruit is a top addition to yoghurt, and even more so at the snacking occasion (33.3%).³

In both Dairy and Total Grocery, there are still huge opportunities for all to capitalise on this growing sector, for those that do not make a meal of it.

Jordan Vaughan, Client Manager

¹ Kantar Worldpanel Usage Data 52 w/e 3 January 2016

² Kantar Worldpanel Data 52 w/e 19 June 2016

³ Kantar Worldpanel Usage Data 52 w/e 14 August 2016

Did you know... about our Out of Home Panel?

A hand holding a smartphone with a coffee cup in the background.

KWP is known for being the currency for 'take home' food and drink, and over the last couple of years have developed capabilities to measure all food and drink consumed out of home.

We have 7,500 individual panellists (who are a subset of the 30,000 Households) who use an app on their mobile phone to record barcodes, or use a drop down menu for meals.

So how does it work?

- Panellists input what they purchased and consumed on the go (incl. Take-aways eaten at home)
- They tell us what occasion the item was purchased for and the needs driving them
- By knowing where they purchased we can further split the data into Channels (QSR, Casual Dining, Pubs etc)

With the Out of Home Food and Drink Universe worth £45 Billion, can you afford not to know what is going on..?

For more information please contact a member of your Kantar Worldpanel Team.

Chris Hayward, Head of Business Development

Cream fails to match Murray success at Wimbledon 2016



The tradition of Strawberries and Cream at Wimbledon means that the 4 week period over the tournament represents the second biggest month for cream during the year, with 8.8% of total Fresh Cream sold during this time.

One in 3 households purchased Fresh Cream over these 4 weeks ending 17th July 2016, consuming over 8.8m Litres – that's nearly 1 litre per household. However, this represents a 5.2% decline compared to last year, with sales also declining by 3.9%.

Is the population falling out of love with Cream?

Cream is highly reliant on older shoppers; retired households account for nearly a third (32.2%) of total spend and these group also represent the group in fastest spend decline year on year, spending 7.5% less than last year.

This is driven by the rise of health on consumer agenda among older shoppers. But are strawberries the same without cream? Surely not, and this is what younger shoppers are discovering as pre- and young families are showing fastest growth with 329,000 new households picking up the category this year.

Silvia Perini, Client Executive

Source: Kantar Worldpanel Data w/e to 17 July 2016



Fresh Organic Milk at a glance

Organic Milk has had a turbulent couple of years as we saw volumes decline when the Standard Fresh price wars hit. Since the price of Standard Fresh has begun to stabilise over the past year, we have seen Organic volumes rise again.

More than 20% of the GB population bought Fresh Organic Milk in the latest year (52 w/e August data) and 19% of the GB population bought Own Label Organic Fresh Milk. The sector has been increasingly important over time without relying on promotions.

Organic Fresh Milk now represents 3.7% (£114 Million) of Milk value in the total market and is growing by +9% this year due to shopper gains and more shopping trips.

Compared to Fresh Milk, the frequency of Organic is low with shoppers only buying once a month on average. This suggests Organic Milk shoppers aren't replacing their conventional Fresh Milk with Organic Fresh Milk entirely just yet.

And the winners are... Brands or OL?

Own Label (OL) represents 83% of the Market in Volume and is responsible for growth in category. Those brands that have entered the market see mixed performance; Yeo Valley is in heavy decline as shoppers drop out and buy the brand less often. Yet, whilst remaining small in size with 0.7% of the population having picked up the brand in the last year, Grahams is growing through shoppers buying more frequently.

The top 4?

The first key players are Tesco, Sainsbury's and Waitrose, while Asda and Morrisons under-trade in this sector. Tesco and Waitrose are, however, the only retailers to be seeing any volume growth. When looking at OL only, Waitrose becomes the Number 1 player in Total Market. Overall, Organic Fresh Milk brings more than £2 Million incremental value as the sector trades shoppers up from cheaper Milk sectors, putting itself in prime position to help retailers drive value back into a category that has been in long term value decline.





Continued...

Why do people shop Fresh Organic Milk?



Total Organic Grocery has grown **+11.2%** in value year on year

Is Health the main reason for shoppers picking up Organic Milk?

Kantar Worldpanel Usage data indicates that consumers choose Organic Milk to drink due to it being healthier than non-Organic alternatives. In particular, consumers perceive the sector to be more natural and less processed than other options in the category (an over-index of 195). According to the NHS, *"while researchers have shown that some potentially beneficial fats are higher in organic milk than conventional milk, we don't know how much of an effect this would have on people's health."* It also remains to be answered whether shoppers are buying into Organic for environmental or animal welfare reasons. With Organic on the rise again in recent months, it is a category worth understanding to capitalise on consumer trends.

Source: Kantar Worldpanel – 52 w/e to 14 August 2016 data, Kantar Worldpanel Usage Data – 52 w/e 14 August 2016 and <http://www.nhs.uk/news/2016/02February/Pages/Organic-milk-is-healthier-than-conventional-milk-study-says.aspx>

Rachel Lombard, Client Executive

THE KANTAR WORLDPANEL DAIRY TEAM

MEET THE AUTHORS



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



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