




KANTAR **WORLD**PANEL

FRESH FOCUS

NEWSLETTER – April 2017

WELCOME

AGENDA



Welcome to the Spring issue of our Fresh Focus 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.

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

Best wishes

The Kantar Worldpanel Fresh Focus Team

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A breath of fresh air

Big news in the UK grocery world – Aldi is now the fifth largest retailer by spend, overtaking the well performing Co-op. Fresh and chilled produce is at the forefront of this growth and helped the discounters to hold on to The Grocer of the Year title between them for the past two years.

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Chill, you're ready for this

With value now approaching £2.5bn, the chilled ready meals category has seen its value rise significantly over the last 6 months. Three tangible factors have influenced this; more transactions, pack price inflation, and new shoppers.

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Simply souper!

Fresh soup outperforms the fresh and chilled category this year. But are there still growth opportunities in the sector?

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A breath of fresh air



The rise of Aldi and Lidl has been dramatic yet calculated. A decade ago Aldi was the UK's tenth largest retailer holding 2% of the grocery market. The retailer prospered along with Lidl as consumers looked to make cut backs in the wake of the recession in 2008.

Growth in the discounters has been propelled as they concentrated on offering high quality products at low prices. More recently a large proportion of their focus has been in British fresh and chilled products, a logical move, given the category outperforms the market. As a result, they now both over index by one percentage point in the fresh and chilled sector compared with total grocery.

A distinctive outperforming sector within Aldi and Lidl has been chilled bakery, a subsector of the fresh and chilled sector which is growing at +5.1%. The discounters' fresh approach to the market has aided this growth; with Aldi increasing spend by +37% and Lidl pushing further with +39% growth this year to date.

This strong performance has been achieved through attracting large numbers of new shoppers to the sector. Aldi added 680,000 new shoppers to their chilled bakery sector, up +16.4%. Another key factor has been the discounters' strong growth in loyalty. Aldi shoppers now spend 15% of their chilled bakery spend in the store, compared to just 5% in the previous year. Although Lidl's loyalty is still fairly low, the retailer has managed to more than triple this measure from 1.4% to 4.8%. Garlic flavoured products are the key contributors to this growth as well as increased choice.

Despite such out-performance and the discounters' over index in the wider category, both Aldi and Lidl under index within chilled bakery. This presents headroom for them to continue to grow with significant multi-million pound opportunities if they were to achieve fair shares – £9.1m and £15.2m respectively. Another fresh face to watch out for in the chilled bakery market is Iceland. The traditionally frozen food experts have adjusted their business strategy, recognising fresh and ambient as key sectors to expand.

Iceland, along with Aldi and Lidl, will continue to challenge its rival retailers, as consumers become accustomed to finding high quality fresh goods at low prices.

Alan Cowley, Category Analyst

Chill, you're ready for this

Chilled ready meals have benefitted from the culture of convenience shopping. We have been buying them more often over the last few years as an increasing number of time-poor, one or two person households choose prepared food over cooking from scratch. The horsemeat scandal prompted shoppers and retailers alike to choose more premium offerings, with ranges such as Charlie Bigham's prospering as they emphasised their premium ingredients. With shoppers now going to more effort to understand supply chains, the sector has rallied around top tier offerings and shows no signs of slowing down.

Shoppers are now purchasing the category more often, with Sainsbury's leading growth in this area. The retailer initially saw volume decline following the elimination of volume-based promotional deals, however it has now rebounded from this initial setback by increasing transactions.

Pack price inflation has been driven by Tesco, whose average pack price has risen 8p compared with last year. Sainsbury's, Waitrose and M&S have also contributed to inflation with more gentle increases. With increased spend from mid-affluence C2 shoppers driving the market, retailers should aim to offer a range of prices to cater for different groups.

As inflation continues to rise, how the category responds to consumer coping strategies will be key.

In the fresh and chilled market, previous analysis shows that during times of low consumer confidence or economic uncertainty, shoppers buy lower volumes. However, grocery inflation in the last 6 months hasn't notably impacted volume. Along with higher pack prices of premium products, it has actually contributed to the growth of chilled ready meals.

An additional 240,000 shoppers have bought chilled ready meals this year versus last year. This has been driven by M&S; Britain's most valuable retailer for chilled ready meals has driven shoppers through the door with its hugely popular Gastropub range. Through its 2 for £7 offer the premium retailer has grown its category volume, almost offsetting the volume loss that Sainsbury's change of promotional strategy caused.

British cuisine, the largest sector of the market in value terms, continues its steady growth with premium offerings performing particularly well. If manufacturers were to look further afield however, NPD in the smaller but fast-growing American and Greek sectors could win its way into shoppers' baskets.

Joe Shaw Roberts, Client Manager

Simply souper!

In the latest year, fresh soup outperformed the wider fresh and chilled category and grew by 4.3% (to £132M). Private label drove growth, with M&S and Tesco's offerings performing the best (27.8% and 20% respective growth). This was to the detriment of brands – particularly Covent Garden – which continue to struggle with penetration losses and reliance on promotions.

Conversely, ambient soup has long suffered decline (-6.2%). This seemingly is not coincidental – so what might explain this disparate performance?

For one, health is increasingly at the forefront of consumers' minds with 38% of meals now including an ingredient chosen for health reasons. Moreover, perceptions of 'health' are changing – consumers are moving away from processed food and calorie counting and are looking for fresher, more natural products. This is evident in the decline of 'Diet' soups running concurrently to growth in 'Organic' and 'Super' soups. Furthermore, longer shelf lives and higher sugar and salt contents of ambient soup may be steering people towards fresh soup.

In addition to the challenge from the ambient aisle, home cooking is a key competitor for fresh soup. There are nearly 4 times as many homemade soup occasions than fresh, and homemade options are often cheaper and healthier. Moving forward fresh soup needs to offer something additional if it is to thrive.

One option is taste. Our Usage data shows that fresh soup is perceived as more filling and is likely to be consumed for reasons motivated by taste. It also has a younger demographic who are more likely to be enticed by exotic flavours. Thus fresh soup would do well to capitalise on this opportunity. Some brands are jumping on the Danish 'Hygge' trend in marketing activity, emphasising comfort and indulgence as motivations for consumption.

Another option to focus on is convenience. We know that we make a decision on what to eat based on convenience 8 times a week, and that this is worth a premium (approximately £1.61 per serving). Convenient packaging (both size and format) and easy preparation are advantages fresh soup can and should continue to emphasise. In addition, availability in convenience stores will play well to 'for tonight' shopping missions.

A third of us purchase fresh soup on average 8 times a year and considering 99% of consumers buy chilled convenience on average 78 times a year, there is plenty of scope for fresh soup to grow. Looking at health, taste, and convenience should ensure the category is poised to prosper.

Katie Bowden, Category Analyst



MEET THE AUTHORS

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



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Joined Kantar: September 2016

Favourite Dish: Red Thai Curry

Alan joined the chilled and bakery team having completed a Business Economics degree in Cambridge. He is a keen traveller, having spent a number of years working abroad. Nowadays he spends his free time socialising, following any sport on television and cycling.

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Joe Shaw Roberts

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Having graduated from the University of Exeter with a degree in English Literature and German, Joe started his career at GfK before moving to Kantar Worldpanel. Outside work, he is a sports and fitness addict, which enables his love of trying different cuisines – in large quantities!

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Katie Bowden

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Joined Kantar: September 2016

Favourite Dish: Anything from Greggs!

Katie joined Kantar in September 2016 after studying Politics, Philosophy and Economics at the University of Manchester. In her spare time she enjoys exploring London, trying new bars and restaurants, and cooking.

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