



KANTAR WORLDPANEL

# THE GREENGROCER

**NEWSLETTER** – Spring 2017



# WELCOME

Welcome to the Spring issue of our quarterly newsletter. Inside we share our view on relevant industry news and consumer trends we hope will kick-start thoughts and discussions that help you to stay ahead.

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

Best wishes, The Kantar Worldpanel Produce Team.

## AGENDA

3

### **A focus on Easter in produce**

Easter is one of the biggest events in the grocery calendar. We look at the impact of this moveable feast on the produce aisle.

5

### **Growth of greens: A social affair?**

We unpick the meteoric rise of two star performers in produce, and how celebrity endorsements and social media affect what we put in our shopping baskets.

6

### **Pricing in produce**

With inflation returning to the grocery market this year, we analyse how pricing strategy affects growth, and whether one size can fit all when it comes to optimising price.

7

### **The organic produce market**

A deep dive in to the organic grocery market, which is worth almost £1bn and growing at 10.3%.

9

### **Meet the Team**



# A focus on Easter in produce



The shadow of Christmas may have only just passed but with Spring comes the Easter Weekend, another big fixture in the grocery calendar and the last hurrah of the winter veg season. We will soon have our grocery panel results for Easter 2017, but until then, looking at previous years gives us insight into how produce is likely to have fared.

As the chart on the following page shows, in 2016, only the four weeks of Christmas saw more main crop potatoes sold than in the four weeks leading up to Easter weekend. For broccoli and cabbage, the last four weeks of lent saw greater volume sales than any other equivalent period in the year.

However, in the two weeks leading up to Easter 2016, those vegetable staples fared poorly. Leeks, cauliflower and main crop potatoes all saw double digit value declines. At the other end of the scale, nectarines and cherries, categories with a history of wild fluctuations in performance (usually driven by availability), almost doubled in size compared to the build up to Easter 2015. The usual suspects as far as rapidly growing produce types are concerned – avocados (Up 32%), fresh beans (Up 23%) and spinach (Up 22%) also did well.

Unlike Christmas, Easter is a moveable feast, and the set piece meal is just as likely to be a roast dinner to warm us against the late winter chill, as an opportunity for the first barbeque of the summer in the late April sunshine. In 2014, Easter Sunday fell on the 20th April, following a March Easter in 2013. In volume terms, salad sales were 30% higher than they had been in 2013, but potato sales were 10% lower and root crop sales were down 12%.





# A focus on Easter in produce

CONTINUED

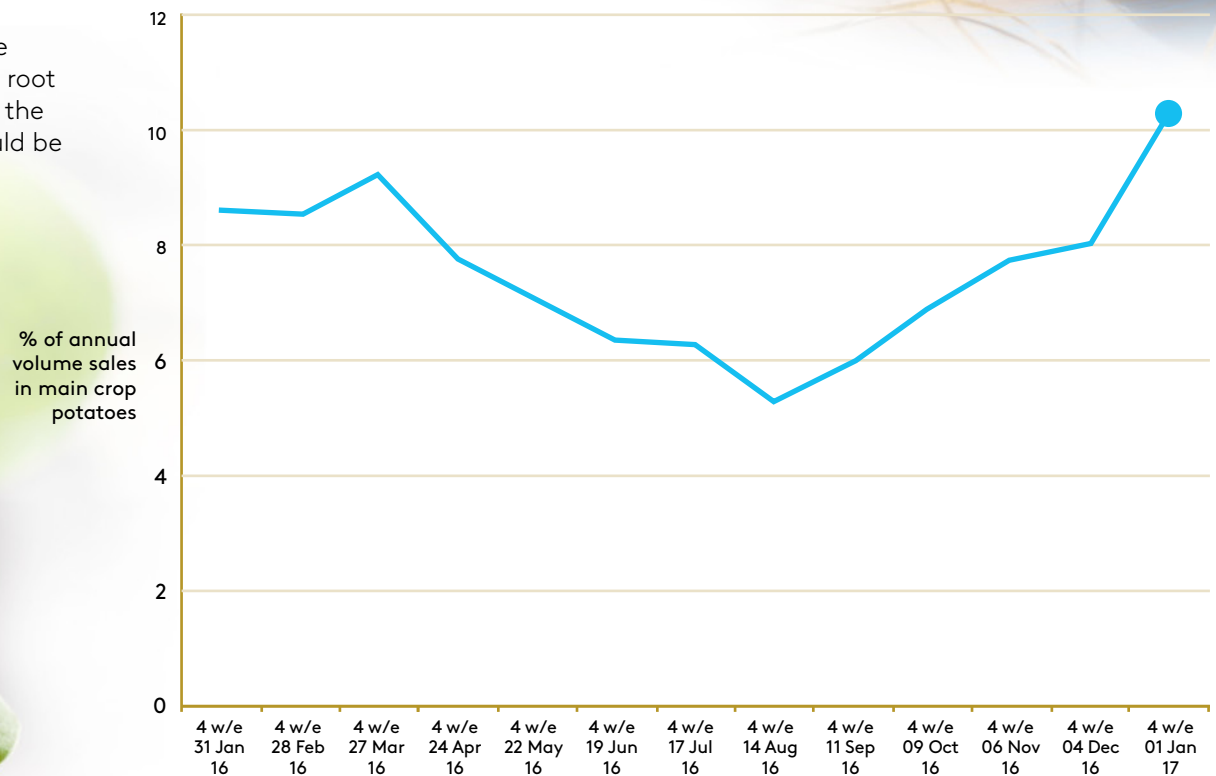
Easter usually leads to an uptick in promotions. However, again, the timing of the festival is crucial. Last year, when Easter fell on 27th March, the volume of potatoes sold on deal rose from 25% in February to 42% in March. Yet 2015's April Easter saw no such spike as the volume of potatoes sold on deal was steady at between 35% and 40% throughout the spring.

With Easter falling three weeks after the clocks go forward this year we would expect the summery half of the produce market to do well. And root vegetables should benefit from Easter falling on April 1st next year. On the other hand, as it moves later – to 21 April – in 2019 salad suppliers should be smiling as the timings once again swing back in their favour.

But with Easter this year failing to match the sunshine of the previous weekend, the famously unpredictable British weather could yet hold surprises for the sector.

Alex McDonald, Client Executive

## Easter sees second highest share of annual main crop potato volume sales



# Growth of greens: A social affair?

In the last few years avocados have been the king of green growth in the produce sector. Sales have tripled since March 2013, growing by £108m in 4 years. This accounts for 16% of all sales growth in the produce market since 2013 and is second only to that of berries.

What is behind this growth? Certainly investment in ripening facilities has played a role, by improving quality, and bringing consumers consistently ripe and ready avocados year-round. However, on the demand side, social media and the rise of the health agenda have raised the profile of avocados, and are influencing the way in which they are consumed.

Commenting on the trend, Jo Phillips from Kantar Futures said: *"Food has always been about sharing, and now it has become the ultimate tool for self-expression with Millennials broadcasting their personality, their skills and status to their networks by Instagramming their plate and tweeting their food experiences. This means that recipe, cuisine and ingredient trends can spread very quickly."*

Nowhere is this truer than when avocado on toast leapt into the limelight on Instagram in 2013. It became THE food trend. Capitalising on consumer appetite for something quick, tasty, with instant photo appeal, and most importantly that comes with health credentials, was key to its success.

Subsequently, avocado at breakfast has grown by over 17 million occasions since March 2014, and breakfast now accounts for over 16% of all avocado consumption.

And it is not just avocado that has benefited from being in the spotlight.

Kale has been around for over 2,000 years, and present in the UK for a long time, but this humble brassica has seen recent stratospheric growth. Back in March 2013 annual sales of kale were £12.7m, but have now reached £35m. In fact, kale sales are nearly double those of aubergines and have overtaken grapefruit in value terms.

High profile celebrities and bloggers have contributed to the popularity of kale – helping to turn a low profile vegetable often used as animal fodder into a lifestyle statement. Beyoncé's Kale sweatshirt going viral in 2014 is a case in point - with other celebrities such as Rihanna and Lena Dunham also getting in on the action.

Millennials were key to the initial interest in kale, and in March 2014 accounted for 16.7% of consumption (significantly higher than their 9% share of total fruit and vegetable consumption). As it has become more mainstream its appeal has widened, and now 25-54 year olds account for over half of kale eaten, compared to 35.5% in 2014.

But the growing interest in kale is more than just a response to celebrity endorsement. It is part of a broader pursuit of a healthy, balanced diet and lifestyle which extends beyond any one particular trend.

A new wave of 'real-life' social media personalities such as Joe Wicks (aka The Body Coach), Ella Mills (aka Deliciously Ella), the Hemsley Sisters (aka Hemsley + Hemsley), and many more, have been actively promoting back to basics with healthy balanced meals incorporating fresh fruit and vegetables – many of which are referred to as 'superfoods'.

With Instagram and Twitter followers in the millions, (The Body Coach alone has 1.7m on Instagram), the influence of these fresh produce advocates is a powerful force for category growth. The industry will be watching eagerly to learn what will be the next big thing among these influencers.

**Emma Fencott**, Consumer Insight Director



# Pricing in produce

There's clearly a strong link between changing prices and a market's performance; set prices too high and you'll lose shoppers, too low and you're giving away sales. Given creeping inflation in the wider grocery market over recent months, and an exchange rate that continues to sit below that of this time last year, we took a look at the last year within produce to see any key learnings. Here are our observations:

## 1) There is a price conscious shopper

Firstly, are shoppers actually conscious about price? We know it's the third reason behind store choice (location still remains key, followed by habit) but when it comes to produce specifically there are slightly different factors at play. By looking at the most engaged produce shoppers (the top 10% of produce shoppers, accounting for a quarter of the market spend) and comparing these with the least engaged shoppers (the bottom 30% of produce shoppers, representing under 10% of market sales) we notice an interesting tension. The less engaged groups consider themselves more price conscious and say they work to a stricter budget, with the opposite being true for the heaviest shoppers.

Despite this, less engaged shoppers actually pay 9% more for their produce, and they're the only group increasing their average spend per kilogram.

This underlines the importance of looking at what people do, and not just what they say.

## 2) Start lowering prices and your chances of growing drop to 50%

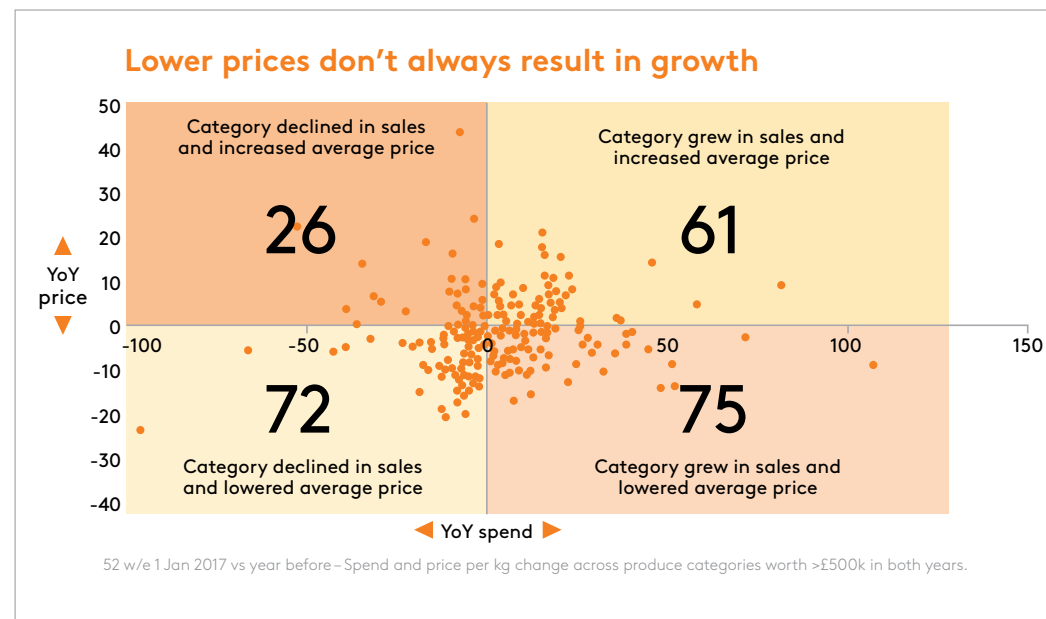
From looking at 234 produce 'sub categories' with annual sales of less than £500,000 in both 2015 and 2016, we can see that nearly 60% of them grew in value terms. However, among categories in which prices were lowered, the likelihood of growing fell to about 50%. Digging a bit deeper highlights that, perhaps unsurprisingly, external factors (e.g. some categories in long-term decline and those impacted by retailer relaunches of value and standard tier ranges) continue to have a bigger effect on attracting shoppers and driving their engagement with categories. Conversely 70% of markets where average prices increased saw growth. That's not to say produce is price inelastic – promotions are important at driving volume and every day value/low prices are a compelling

marketing tool. But playing with prices on largely commoditised (even "automatic" purchases) can and does lead to shrinking categories.

## 3) One size doesn't fit all

As with anything, when looking at the relationship between price and performance, there isn't a magic bullet or single set of rules that applies in all cases. And clearly even if there were, suppliers have limited control over prices. However, looking forward, and particularly to the challenges inflation brings, we need to acknowledge that price is important to some shoppers. But focussing efforts here could actually end up hurting overall categories, rather than promoting growth.

Chris Cowan, Consumer Insight Director



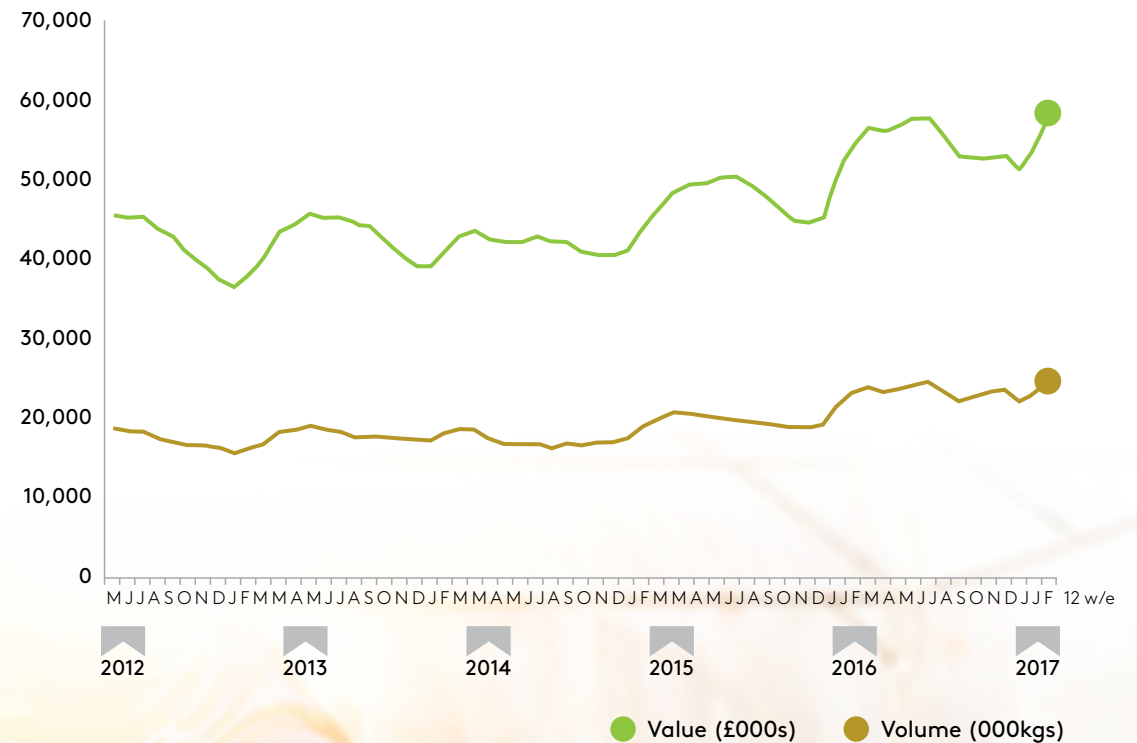
# The organic produce market

A key aspect of grocery is the constant drive for manufacturers and retailers to achieve differentiation and a unique selling point in a highly competitive marketplace. The organic grocery market is an important part of this innovation cycle. Worth almost £1bn, organic grocery is a constantly evolving market, growing at 10.3%. Fresh and chilled organic make up 69.3% of sales; and organic produce (wholehead and prepared) plays a significant role in this. Valued at £255.1m, it is the fastest growing sector within the fresh and chilled organic sector.

If we focus in even further on the wholehead organic produce market, we can see it is currently valued at £239.8m. It has grown by 33.1% over the past five years, which compared to the non-organic produce market at 6.5%, is a very strong over performance. If we look at the rolling 12 week ending sales over the past five years, we can see that the latest quarter has produced the highest sales of organic produce in both value and volume terms.

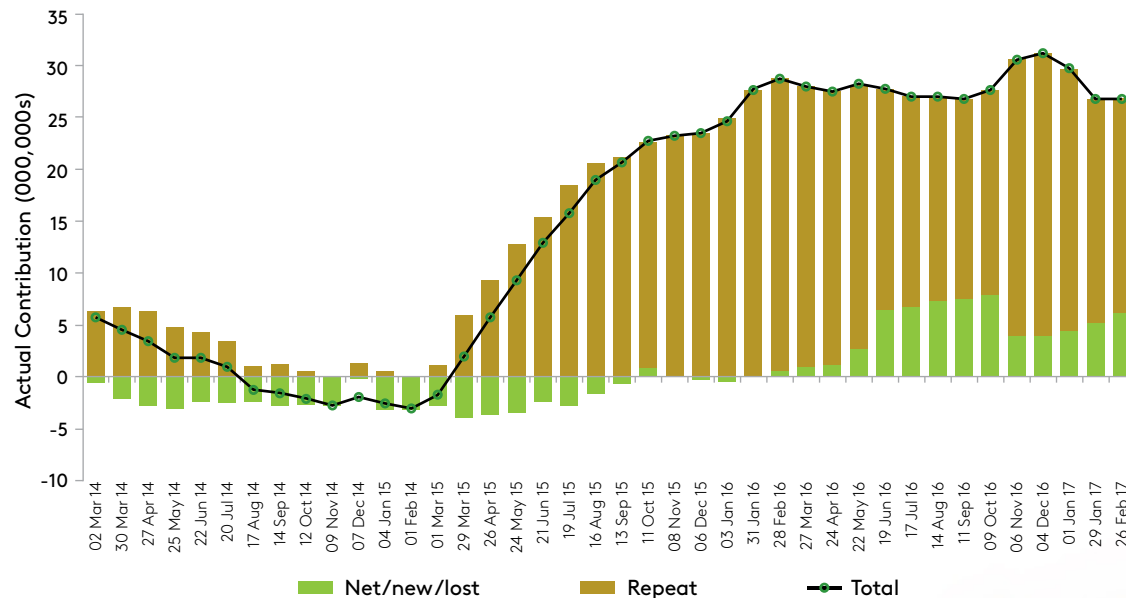
Looking at the latest year in organic wholehead produce, the market has grown 12.6%, attracting new shoppers (with 60.5% of the population now buying organic produce) and bringing shoppers back to the fixture more often. Existing shoppers spending more on the category has been the main source of change, and to a slightly lesser extent, non-organic produce shoppers adding it to their produce buying repertoire. This is further emphasised by repeat shoppers contributing the most actual spend to the organic market, although over the past year new shoppers have also been beneficial.

## Wholehead organic produce value and volume growth over time



# The organic produce market CONTINUED

## Organic – Net/new/lost and repeat buyers – Contribution to change



### Top 5 best selling organic produce types

	1. Bananas	£40m
	2. Carrots	£24m
	3. Dessert Apples	£21m
	4. Tomatoes	£18m
	5. Berries+Currants	£17m

### Top 5 best performing organic produce types (£1m minimum)

	1. Kale	+62%
	2. Leeks	+41%
	3. Berries+Currants	+39%
	4. Bananas	+39%
	5. Peppers	+29%

So, who are the most important shoppers to organic produce? Smaller households are central to the sector, with almost 70% of spend coming from one or two member households. Even with a slight drop in price this year, more affluent shoppers (Class ABC1) still make up 65% of spend, whilst empty nesters and retirees account for just over 50%. Some 36% of spend comes from London, the only region to see an over index compared with the average total produce shopper – perhaps unsurprising considering the Capital’s role at the forefront of trends.

What is important to these shoppers? Health appears to be a key concern for those who buy organic produce, with almost 77% agreeing that they try to lead a healthy lifestyle, and just over 62% claiming to be good cooks. In addition, 38% of them do not actively work to a strict budget. So we can see these consumers are looking for good quality produce that will benefit both them and their dishes.

It is important to remember that organic products still only make up 2.3% of the produce market; therefore it is still crucial not to solely rely on this element of growth. Trends can help to propel growth in produce especially when shoppers fully understand the benefits they are gaining from products. But we cannot rely on a ‘label’ doing all the work, in order to successfully capitalise on the next big thing retailers and producers have a role to play in educating consumers.

Lauren Webb, Client Manager



# MEET THE TEAM

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



**Chris Cowan**  
Consumer Insight Director

Chris leads Kantar's produce team – combining his interest in understanding the supply chain with his inner data geek to spot and develop how to grow produce markets at a retail level. During his 4 years in produce, he's worked across a number of categories with retailers, suppliers and consultancies and readily welcomes opportunities to share anecdotes within the market.

His favourite produce dish is smashed avocado, chilli, feta and a poached egg (Instagrammed, of course).

**T:** +44 (0)778 994 7195  
**E:** Chris.Cowan@kantarworldpanel.com



**Emma Fencott**  
Consumer Insight Director

Emma joined the team last year, and brings with her a wealth of experience from the world of FMCG having worked with a number of leading Food, Drink and Personal Care Product manufacturers. She is particularly interested in identifying and bringing insights to life and working with clients to turn these into a competitive advantage.

Her favourite produce dish is anything containing sweet potato, and in any form – mash, wedges, fries, puree, crisps!

**T:** +44 (0)734 207 1381  
**E:** Emma.Fencott@kantarworldpanel.com



**Lauren Webb**  
Client Manager

Lauren has been in the Produce Team for over 3 years, 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.

**T:** +44 (0)746 937 1637  
**E:** Lauren.Webb@kantarworldpanel.com



**Agatha Martins**  
Client Manager

Agatha has been at Kantar Worldpanel for just over 3 years. During her time at the company, Agatha has worked with a range of different clients across a series of categories, giving her a wide understanding of the overall Grocery Market. She is now focused on Produce.

Her favourite produce dish is anything with tropical fruit in, mango, pineapple...

**T:** +44 (0)792 024 4111  
**E:** Agatha.Martins@kantarworldpanel.com



**Marcelina Fedczyszyn**  
Client Manager

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

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

**T:** +44 (0)20 8967 1428  
**E:** Marcelina.Fedczyszyn@kantarworldpanel.com



**Julija Veselova**  
Client Executive

Julija joined the Produce team a year ago after spending 18 months looking after branded and private label chilled food manufacturers. Dedicated to produce, Julija is now working across multiple categories and has built up expertise on everything from apples to sweet potato.

Julija loves blueberries and avocados.

**T:** +44 (0)746 937 1617  
**E:** Julija.veselova@kantarworldpanel.com



**Alex McDonald**  
Client Executive

Alex has worked in the produce team for a year and a half, joining in November 2015. Before this, he studied at The University of Leicester, and worked a range of jobs including open top bus Tour Guide in London and English Teacher in Asia.

Alex enjoys a range of roasted vegetables, and has now developed a fondness for Kale, both in its wholehead and smoothied form.

**T:** +44 (0)792 024 4080  
**E:** Alex.McDonald@kantarworldpanel.com



**Anthony But**  
Category Analyst

Anthony joined the fresh produce team in Summer 2016. Prior to this he studied Psychology in Hong Kong and worked in various jobs before settling in a career within market research. He works across a range of produce clients.

His favourite fruit, not vegetable, are cherry tomatoes.

**T:** +44 (0)20 8967 4970  
**E:** Anthony.But@kantarworldpanel.com



**Rikesh Panchmatia**  
Category Analyst

Rikesh joined the produce team in March 2017. Having studied Chemical Engineering at Loughborough University, he is able to use his problem solving and analysis skills to understand and tackle the produce sector's dynamic market.

His favourite fruits are pineapple and mango.

**E:** Rikesh.Panchmatia@kantarworldpanel.com



**Will Strange**  
Placement

Will joined the Produce team last Summer, currently on a year-long placement from Loughborough University where he studies Economics and Finance. Since joining the team he has been able to capitalise on his analytical background to understand and explore the dynamic produce market.

His favourite produce dish is bruschetta topped with avocado.

**T:** +44 (0)20 8967 4084  
**E:** William.Strange@kantarworldpanel.com





# CONTACT US

For further information about Kantar Worldpanel and the services we can provide for you, please contact:

**T:** +44 (0)20 8967 4390

**E:** [Kantar.Worldpanel@kantarworldpanel.com](mailto:Kantar.Worldpanel@kantarworldpanel.com)

**W:** [www.kantarworldpanel.com](http://www.kantarworldpanel.com)