KANTAR WORLDPANEL

THE GREENGROCER

NEWSLETTER – Summer 2017

Summer heats up the produce aisle

Prepared fruit and the rise of the healthy snack

What's the next avocado?

Meet the Team

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Welcome

Welcome to the summer 2017 edition of the Greengrocer. This has been a remarkable year for the grocery market as a whole. The return to inflation following a prolonged period of price decreases is having seismic impacts across grocery, and produce is no different. In this edition we look at how summer 2017 is shaping up for produce, and how the market and shoppers are responding to this new reality. We take a look at the rise of prepared fruit in snacking, and attempt to answer the million dollar question – what is the next avocado?

We hope you enjoy reading it. Do let us know if you have any thoughts or feedback.

Best wishes
The Kantar Worldpanel Produce Team

Agenda

3 **Summer heats up the produce aisle**
What impact will the summer season have on UK produce? We explore the key trends of last summer at both a driver and category level and look at how summer 2017 is shaping up.

5 **Prepared fruit and the rise of the healthy snack**
We look at why Brits have doubled how often they eat prepared fruit as a snack – now at 28 million occasions, up from 15 million last year.

6 **What is the next avocado?**
We tackle the question on everyone's lips and uncover two potential "next big things" in produce.

7 **Meet the Team**

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Summer heats up the **produce** aisle

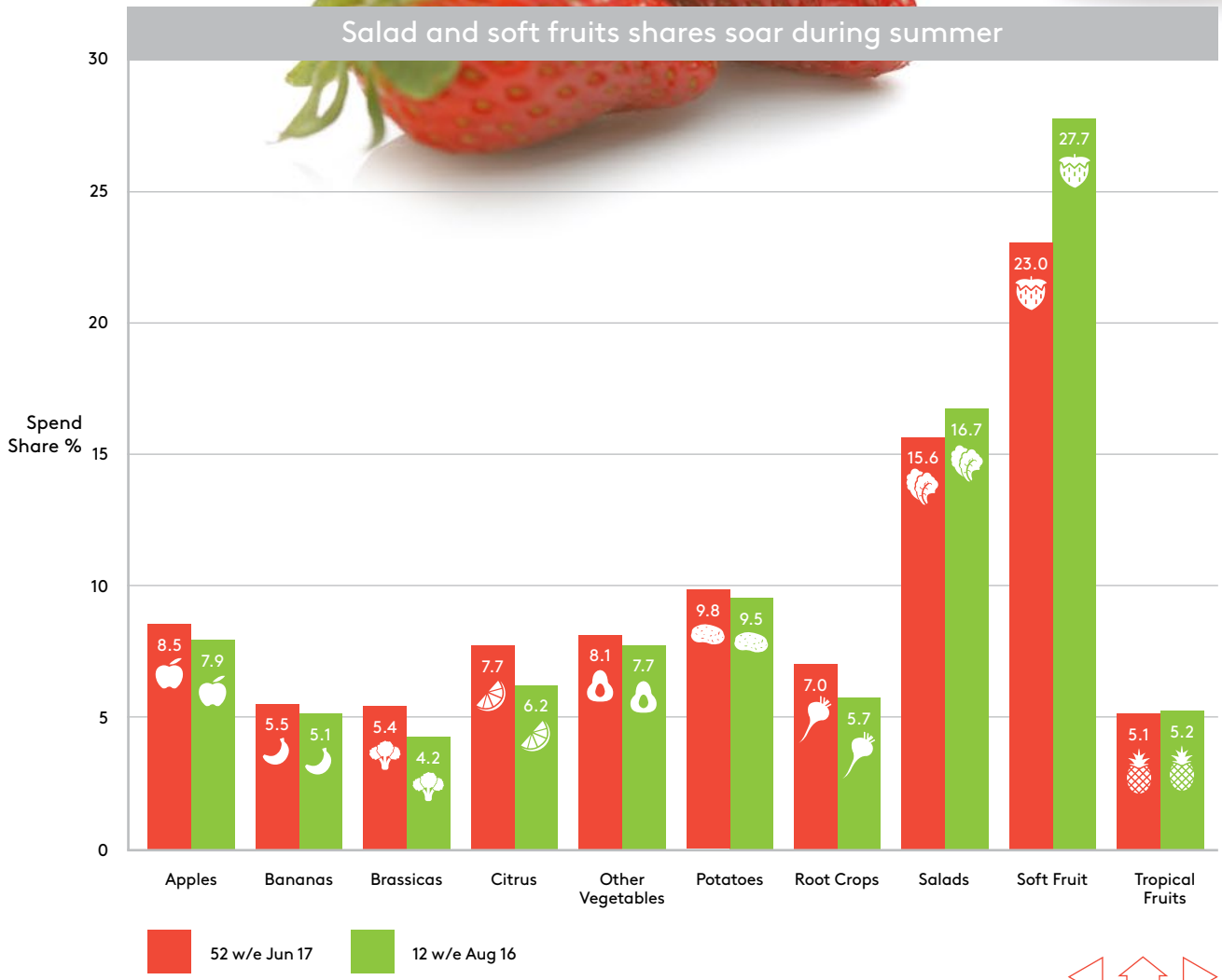
As we find ourselves in the middle of a classic British summer, what can we expect from UK produce? In this piece we explore the key trends of last summer at both a driver and category level and look at how the market might perform this summer.

Looking at the 12 weeks prior to 14th August 2016, the peak summer period, we did see an over reliance on fruit performance for produce growth. The vegetable market dropped into decline over this period compared to the previous year, amounting to £13 million lost from the category. Behind this was a shift in price; with the average price per kilo of veg falling from £1.55 to £1.49 as potatoes – the often market-determining category – continued to see price decline. Conversely, fruit actually saw a slight pick up in price per kilo.

Fortunately, this didn't have an impact on shopper engagement with the average fruit shopper buying fruit an additional 0.6 times over the 12 weeks. Integral to fruit growth over the summer season were categories such as citrus where easy peelers recorded double-digit growth and berries, which still boost the summer produce market, despite the fact that the majority of growth in recent years has been "banked" in their traditionally smaller winter months.

Indeed, despite improvements in winter supply, it is still soft fruit that has by far the largest summer overtrade (see chart).

Continued ▷



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Summer heats up the **produce aisle**

Continued

The summer of 2016 also saw standard tier produce ranges squeezed from opposite ends of the tiering spectrum. Both Premium and Value (powered by relaunched ranges) grew from their 2015 level with the latter more than doubling its share to just short of 5% of produce. But is this likely to continue?

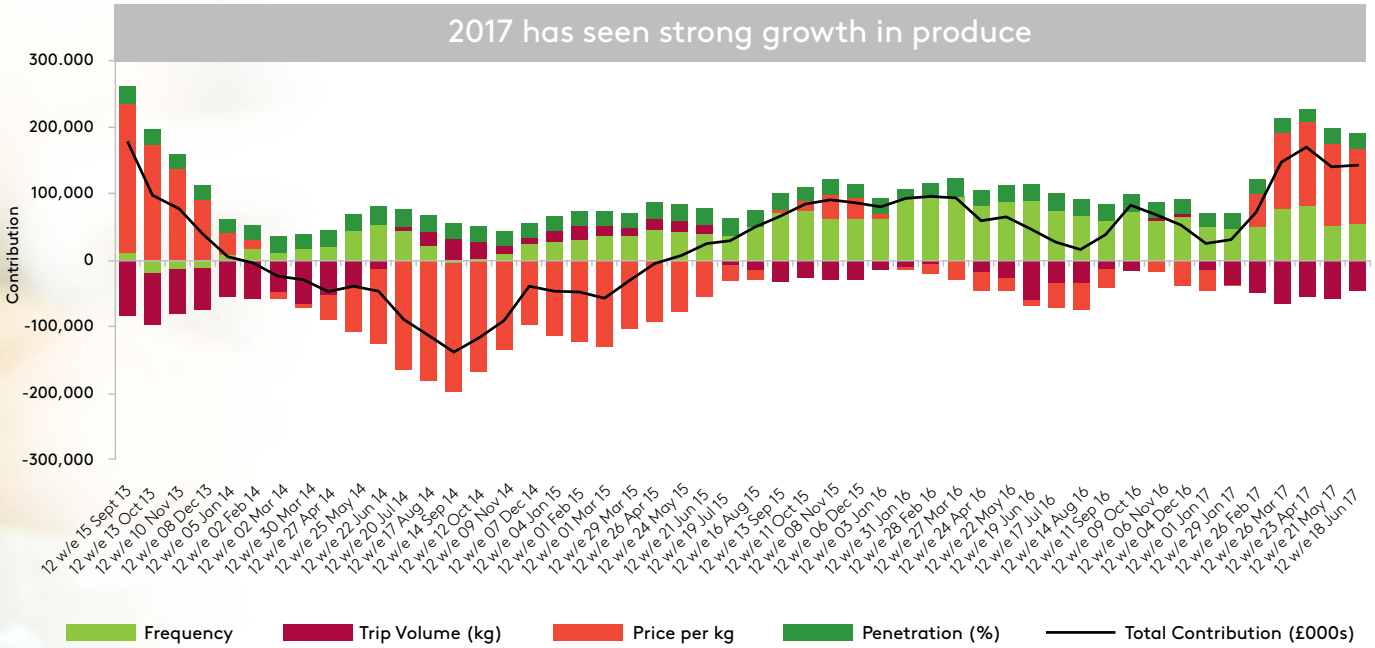
Inflation has returned to the grocery market for the first time in more than two years, and history shows that shoppers are likely to trade down to manage their spend when prices start to rise. Throw in to the mix that retailers are reinventing their value lines, and it looks clear that this trend will continue.

Since the turn of the year produce has witnessed strong levels of growth of the kind that have not been seen since 2013. With inflation becoming an increasingly prominent factor across UK grocery, and likely to increase further as we progress through the year, we have seen higher prices filter through to produce.

A higher average price point has impacted both fruit and vegetables this year with supply issues across Europe and a depreciating sterling exchange rate increasing the cost of imports. There is little evidence yet of these higher prices altering shoppers' behaviour.

It remains to be seen whether this will be sustainable if prices continue to rise.

Will Strange, Placement



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Prepared fruit and the rise of the healthy snack

As consumers are becoming more health conscious and eating on the go more often, they are cutting down on snacking in home. As a result, we're snacking 2.4% less YOY; equating to 275 million fewer snacks compared to last year. Consequently, some of the categories perceived as being less healthy, like ambient cakes, crisps and biscuits are in decline at the snacking occasion. Surprisingly, this trend also extends to wholehead fruit; the number one snacking food which accounts for nearly one in every four snacks is declining 0.6% YOY at the snacking occasion. The decline is driven mainly by consumers eating less easy peelers, grapes and oranges as snacks.

On the other hand, prepared fruit has nearly doubled how often it is consumed as a snack - up from 15 million occasions last year to over 28 million occasions in the year to 21st May 2017. This growth has been driven by people choosing prepared fruit as a morning and evening snack as well as a carried out option. That said, prepared fruit accounts for less than 1% of all snacking occasions suggesting there is still huge headroom for growth. Should eating prepared fruit at snack times continue to grow at the current rate, it will be worth £22 million by next year.

Currently, apple slices are the number one prepared fruit at snacking and account for three in ten occasions. Packs of mixed fruit are the second biggest type, accounting for about 22% of occasions.

When snacking on fruit, consumers are more likely to choose prepared for health related reasons compared to wholehead. This is particularly driven by us looking 'to get a portion of fruit', their health related benefits and by these options being perceived as more natural. Prepared fruit is also seen as tastier and a lighter alternative.
On the other hand wholehead does well when consumers are looking for a change or something treaty and rewarding.

Marcelina Fedczyszyn,
Client Manager

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What's the next avocado?

Avocados have performed remarkably since May 2013, growing by 194%, to what is now a £169 million market. So why have avocados done so well but more importantly, what can we learn from it?

Like any produce category, the fastest way to grow is by attracting new shoppers, and this is precisely what has happened in the case of the avocado. They are now bought by over a third of the British population; penetration has surged from 22% in 2012 to 35% in 2017, which equates to almost 3.5 million additional shoppers.

Whilst this is a hard act to follow, there have been some other products following a similar trend, with kale and aubergines being two which stand out.

The case for kale

When looking back at the kale market in May 2013, it was worth £12.1 million. However, due its tremendous growth of 198%, it has now soared to £36.2 million in sales.

Similarly to avocados, kale's growth has been the result of attracting more shoppers, particularly the under 28's, who have contributed the most to the growth of this sector – no doubt helped by the influence of social media.

However, in order to continue this high level of growth, it's important for kale to broaden its audience and identify other pockets of opportunity. For example, targeting the 55 and over age group, in which kale under-trades, could bring approximately £5 million into the category.

In addition to broadening appeal to attract more shoppers, another way to stimulate growth is to encourage existing shoppers to buy more frequently. This can be supported by a strategy designed to encourage consumers to eat kale at different occasions.

With avocados, eating at breakfast was spurred on by the 'avocado on toast' trend. The consumption of kale has also increased at breakfast time and in addition to this, there has been growth in eating kale at tea time; and both now account for 17% of total kale occasions.

Despite this there is still more room for growth within this category. Currently six out of ten kale occasions are consumed at the evening meal. If kale was to gain its fair share among vegetables at the evening meal, it could add £4 million to the market; growing the category by 11%.

In conclusion, if kale producers continue to play on its strength and make use of the opportunities to target new shoppers, and encourage shoppers to consume more often, it could grow even faster than it has done so far, potentially catching up with the avocado.

The case for aubergines

Looking at how avocados were performing five years ago also holds clues as to what could be the next big thing in produce.

The avocado had a penetration base of around 22% of shoppers in 2012, which gives us an indication of where to look in order to find produce's next rising star.

Given that Brexit may lead to higher prices of imported produce, it is crucial that the next big thing has a strong growing season in the UK. For millennials and social media users, part of the appeal of avocados is having a point of difference, or something out of the ordinary, and their vibrant colour certainly brings any Instagram post to life.

The aubergine is one option which ticks all these boxes. With a current penetration of 19.5%, aubergines are growing at just over 12% in the latest year. Furthermore, with a rise in high protein and low carb diets, many new variations of produce are cropping up in supermarkets. For example, courgette spaghetti is being picked up by shoppers as a replacement for carb-heavy pasta. The versatility of aubergines means they can be used as a substitute for many ingredients from lasagne sheets to bread. With purple being billed as the colour of 2017 – this could be the year that aubergines start to charge towards the sort of growth we would associate with more traditional superfoods.

Agatha Martins, Client Manager
Anthony But, Category Analyst

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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
Strategic 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).

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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!

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Lauren Webb
Business Development Director

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.

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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...

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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.

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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.

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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.

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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.

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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.

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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.

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Oliver Wingfield
Placement

Oliver joined the Produce Team in July 2017, starting a year-long placement from Brunel University, where he studies Business Management and Accounting. He's enjoying using his analytical skills to develop a strong understanding of the diverse produce market.

He appreciates a good fruit salad.

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CONTACT US

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