

KANTAR **WORLD**PANEL

MEAT, FISH & POULTRY

NEWSLETTER – Winter 2017/18





Welcome to the latest Meat, Fish and Poultry newsletter

A lot has happened since our last newsletter. We've seen a whole year of exciting events, and witnessed some big changes to the market as inflation and Brexit fears prompted suppliers, processors and retailers to change course. Shoppers aren't operating in a bubble, and are making choices to cope with the uncertainty in the market and rising costs in grocery and beyond. In this edition we focus on events, inflation and the continued march of online retail.

We know that retailers want bigger and better events, and we are all looking to drive more profitable and sustainable growth. Of course, we look at the big event of the year in Michael's piece on Christmas (p9), but also look at the other events which can affect your market in Tom and Con's article (p7).

Digging a little deeper into the thoughts and attitudes of shoppers around events, we've got a piece from Alan, and our Worldpanel Plus experts looking at how our exciting new service can help you understand events and their impact on categories (p8). Whilst this case study isn't focused on MFP, it showcases the possibilities opened through the service and gives everyone an idea of how we could use the service to understand your events better. We can't get away from the impact of inflation on the market and the shopper psyche, and Marta's article will look at some of the impact we are seeing on shoppers and consumers (p6). Channels are increasingly important and we've seen online growth slow in grocery, but we are still seeing stronger growth for MFP and Alan looks at this in more detail in his e-commerce article (p4).

Personally, I've really enjoyed the wide breadth of client visits and conferences I've attended or presented at this year. Getting out on the road and meeting our clients (and their customers) has been invaluable for me and has given me opportunities to share our knowledge and expertise with you. A big highlight for me was definitely our second annual MFP conference earlier in the year. Your feedback demonstrated that it was a great success and I was proud that the majority of speakers came from the MFP team. It's great seeing the team flourish and receive great feedback from you. We are looking to have another event in early 2018, so I hope you take the opportunity to join us when we invite our clients to attend.

As ever, we'd love your input on themes for the conference or thought leadership pieces, so please feel free to email me at Nathan.Ward@kantarroworldpanel.com if there is anything you'd like us to look at in 2018!

All that remains is to thank everyone for a great year. I hope you enjoy this release of our newsletter. Everyone in the MFP team would like to wish you a successful and Happy New Year!

**Nathan Ward, Business Unit Director,
Meat, Fish and Poultry Team**



Agenda

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Clicks and mortar

E-commerce is a small but significant part of the UK grocery market, and is growing in the MFP categories. Although the long-term double digit growth is slowing and questions remain over the profitability of home deliveries, the online channel is projected to be 12% of total grocery by 2025. We unpick the online opportunities for our categories.

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The price to pay

Inflation is rarely out of the news, and its effect felt across multiple markets. Both retailers and consumers have found ways to counterbalance the increase in prices and Meat, Fish and Poultry (MFP) is one such market where this is taking place.

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Bonfire night goes off with a bang(er)

From the outside MFP seems to hinge more on Easter and Christmas than some other FMCG categories. However, smaller seasonal events and everyday occasions offer sizeable opportunities if retailers and manufacturers can tap into the need for convenience and affordability.

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A real plus at Halloween

Halloween categories added an incremental £117m to the grocery market this year. Our Worldpanel Plus team took to the new service to investigate the mechanics behind this uplift and to ask our panellists their thoughts.

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The biggest Christmas ever?

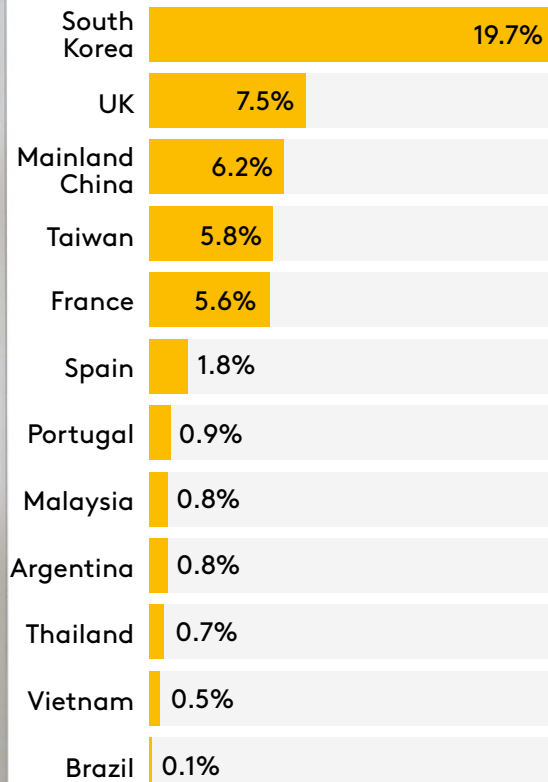
Casting an eye at the past always gives us a good indication of what is likely to happen in the future. In this article, we reflect on Christmas 2016 to see what we can expect to have happened over the latest Christmas period. Will this festive period top last year – the biggest on record?

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Meat the team

Clicks and mortar

E-Commerce value share (%)



12 months to March 2017

E-commerce now accounts for 7.5% of the UK grocery market. This share is higher than not only the US, but also any other country in Europe. To put this in context, it makes up a larger share than each of Aldi, Co-Op, Waitrose, Lidl and Iceland. The online channel is still growing, having gained £365m from supermarkets alone over the last year. According to Stéphane Roger, Kantar Worldpanel's Global Director of Shopper and Retail, the value share of e-commerce in the UK is expected to climb from 7.5% to 12% by 2025.

Within grocery, trips online are generally for the big weekly shops and stocking up, as opposed to the immediacy of 'for tonight' or replenishment. The categories seeing strongest growth in the online channel are store cupboard items such as take-home confectionery and take home soft drinks as well as weekly shop items like eggs, yoghurt and of course beer, wine and cider. There remains considerable headroom for growth, as only 27% of the UK population made an online grocery purchase over the last year and the number of consumers converting to internet shopping is slowing. That said, the online channel has started growing in other ways; increases in trip frequency contributed £41m and £60m to alcohol and dairy products respectively in 2017.

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Clicks and mortar

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Although traditionally lagging behind the grocery market, online sales within MFP have grown ahead of total grocery over the last year. Fresh and frozen poultry in particular has enjoyed an uplift of +8% in volume terms and the online channel now over-trades when compared to the total grocery market. However, the picture isn't so rosy across the board; online could grow by £36m in fresh and frozen red meat and £18m in fresh fish by reaching its fair share. If poultry over-trades in internet spend, can red meat replicate this? With a similar shopper reach to poultry over the last year it would appear so but crucially, online poultry shoppers put a quarter of a kilo per trip more in their e-basket than red meat shoppers did.

Tesco online is still the market leader within MFP, with over 40% share of online spending. It is, however, in its third year of losing share as other retailers take advantage of the channel. Meat and poultry have felt the brunt of this, seeing 4% fewer shoppers in both areas. The rest of the big 4 have all grown ahead of the

market, and online grocery big hitter Ocado (with 16% of the online MFP market) continues to enjoy double digit growth. Amazon, after the launch of Amazon Fresh, has 0.2% of the online MFP market, but currently a very small distribution network focused on East London.

Picking grocery items for online orders is very cost intensive, which has led to some retailers grappling with the profitability of e-commerce and home deliveries. With demographic expansion more difficult to come by, retailers must weigh up the importance of attracting new shoppers against the investment it may demand. In the short term at least, there are some years of growth ahead and clear opportunities to take advantage of. An area which we expect to grow will be the "pure play" meal retailers, like "HelloFresh", particularly as these also come into store and allow people to try the concept with less risk.

Alan Creswell,
Client Manager

The price to pay

After 30 consecutive periods of deflation, households started seeing an increase in prices at the beginning of 2017. Widespread media coverage and stark headlines made shoppers hyperaware of inflation and the potential impact on their wallets. But how much of these price rises are down to inflation and what other factors will be impacting the price shoppers pay?

Looking at the 12 week inflation figure up to the beginning of November, the grocery market has seen inflation of +3.4%. But this top-line figure masks wild variations from category to category. Butter is a great example of this; there's been a huge uplift in prices, due to high inflation (over 30%), but other factors are at play as well such as a decrease in promotions. Within alcohol, prices have risen +2.9% compared with last year, due not only to inflation and a reduction promotional giveaway, but also a movement towards more premium products.

With prices increasing, shoppers have developed coping strategies. Instead of buying less, shoppers are most often trading down tiers. The recent growth and investment in the value tier is testament to this, as not only do shoppers use it as a coping strategy, but retailers also use it to compete with the discounters and keep their volumes up. A recent example is Asda's launch of Farm Stores, which has led to a drop in price of their value tier and has played a role in the volume stabilisation we are seeing for the retailer. Tesco Farm Brands set the benchmark here, being successful in driving volume and giving shoppers a clear reason to buy the value tier.

Switching it up

Changing stores is a lesser used coping strategy, but some shoppers are still opting to do so to combat inflation. Healthcare is a great example of a category seeing strong inflation, but where shoppers are keen to stay with their preferred brands. The impact of this product/brand loyalty is that some spend has started moving into the Bargain Stores for branded healthcare products. Within MFP, different categories have been subjected to different changes of price. Fresh and frozen fish, particularly salmon, has been highly susceptible to inflation and this rise in price has driven shoppers to make different choices and opt for cheaper fish and other proteins. Fresh pork has also seen strong inflationary rises, but has grown volume, benefiting from being the most affordable of the proteins and strong above the line support in AHDB's 'midweek meal' campaign and below the line support through promotions.

Retailers need mechanisms of their own to help shoppers cope with inflation and absorb the inflated prices where possible. The two key ways retailers are helping are through continued "shrinkflation" and a slight return to promotional investment. "Shrinkflation" has become somewhat of a dirty word in the industry, but reducing the size of products (or portions in products) being reduced is one way retailers are able to hit the right price points for consumers whilst the raw material prices increase. A return to promotions has also been used effectively to reduce the impact of these underlying rises. Over the last 12 weeks, all retailers have increased their share of volume sold on promotions, mainly through using more Y for £X deals. The wider MFP proteins have followed this

trend, especially those affected by high inflation. Pork has seen its performance improve with increased support above and below the line, helping to bring new shoppers into the protein. Promotional support has come from increasing use of Y for £X deals, and volumes in the category rose 3.5% over the last 12 weeks.

Inflation has made it difficult to separate the performance of the proteins from the impact of price changes, but the impact of currency changes is gradually falling out of the year on year comparisons and we are now seeing the impact of other factors driving up prices. We know that inflation is likely to continue in to 2018 and start to slow as the year goes on. In the short term shoppers and retailers will need to find ways to mitigate price increases, giving brands and manufacturers opportunity to influence the choices made in store. The good news is that shoppers are making positive choices and we've seen evidence that these strategies can help volume to grow across proteins, particularly when we focus on what shoppers and consumers want from our products, rather than what we want to sell.

Marta Carrasco Mateu,
Category Analyst

Bonfire Night goes off with a bang(er)

Across FMCG, events and holidays are critical. Retailers are looking to capitalise on more and more events in order to gain a competitive edge, but as everyone is doing the same thing, retailers have to innovate to even stay static over these periods. This year, Halloween added an incremental £117m spend to the grocery market, largely in confectionery and bakery, whilst Mother's Day was worth an extra £23m in wine, flowers, and chocolate.

Meat, fish, and poultry sales rely much more heavily on Easter and Christmas, but smaller events in the MFP calendar can still offer sizeable opportunities if the right conditions are provided for growth. Namely; the right products being available, coupled with a great feature in store and above and below the line support from the retailers. We saw much more of this outside of the key events in 2017.

Mother's Day has been a growing event over the last few years and is now a fixture in the calendar, but we've seen less neglect for Fathers this year, with greater focus and investment in Father's Day. In the week leading up to Father's Day, £10m more was spent on MFP compared to the same period last year. Steak remained a favourite, adding £1.7m compared to the average week in 2017, despite some retailers not investing in that cut. Apparently we did want to treat our dads – but not too much! Shoppers did not invest in the premium cuts of beef, and the economy tier was the clear winner in 2017. Value offerings took over with share of steaks rising to 14.6% in the week before Father's Day, more than double the share we saw in 2016.

As winter draws in and the nights get longer, we find events in MFP are harder to come by, so more events in Autumn is a must for the future. This year we saw great success for pork sausages on Bonfire Night. Hundreds of thousands of people attend firework displays each year and need convenient, hand-held food (like hotdogs or toffee apples) to eat whilst huddled around a bonfire or watching the pyrotechnics. Whilst this is an outdoor occasion (and out of home occasion), the impact does translate to take-home purchases. Indeed, 2017's Bonfire Night week was particularly strong for sausages. Not only was it the most valuable Bonfire Night of the last four years, but it drove £2.3m more in sales than the average week in 2017. Again, affordability was key at this event, with the Discounters performing well.

Lidl saw a spike in its volume share as it was the only retailer to drop its average price below £3 per kilo during Bonfire Night week. We know that cost and convenience are priorities in this event, so could other products in our area benefit from a Bonfire Night uplift? Burgers, sausage rolls, and pork pies are currently unaffected by the event, but could benefit from being positioned as party foods aimed at this and the Halloween period.

Easter and Christmas are still the key events to get right, and when they go wrong the impact on the category can be huge. A poor Christmas for turkey or gammon will likely cause a clear decline in the category and a difficult Easter for roasts will affect beef, lamb and pork overall. Easter this year is a great example where the late Easter, coupled with the launch

of BBQ ranges in store and a hot Easter weekend, all helped to drive the decline of roasting in 2017 as shoppers bought into different options for the Easter meal or ate out.

Overall, while Easter and Christmas remain the top priority for MFP, these smaller seasonal events provide opportunities if a good quality and convenient product can be offered at the right price. The risk for primary producers is the continued encroachment of more prepared products on these occasions, with promotions focusing even more on convenience and quality. These products are winning as shoppers can still treat themselves without breaking the bank or spending all their time in the kitchen instead of with their family and friends.

Constantine Coombe, Placement Student and
Tom Allen, Client Executive



A real plus at Halloween

Worldpanel Plus is our new and exciting service, which launched late last year. We wanted to demonstrate with real live data some of the great insights we can derive through this new panel. Getting behind motivations around events is a great way to use the panel, and we've used the service to uncover some fresh insights on Halloween.

We found 54% of the panellists using our new app say they either like or love Halloween, so it's easy to see why the scary season has fast become an important time of year for retailers and suppliers. A whopping 40% of our respondents stated they were celebrating Halloween by carving pumpkins, so it is no surprise that making the most of the fruit was key to a successful Halloween. Like Christmas, the Friday before the event was the largest day for pumpkins, suggesting they're picked up as part of a large shop. Indeed, shopping trips which include a pumpkin are worth an additional £11.34 on average.

Tesco used this tactic and had very successful Halloween. Although not selling as many pumpkins as Asda, Tesco had the largest pumpkin per trip ratio of all retailers and had the greatest uplift in basket value from a pumpkin trip, particularly in the week of Halloween. It is possible that the lack of pumpkins in Tesco's convenience stores and their presence instead in the superstores meant that shoppers had a greater selection of products to buy at the same time which in turn led to the uplift in basket value.

Interestingly, the second largest group of pumpkin purchasers were those who neither liked nor disliked Halloween suggesting that it doesn't particularly matter whether the consumer likes or intends to celebrate Halloween. Spider-themed items were the most popular, an interesting juxtaposition to the fact that 44% of respondents reported that they were scared of creepy crawlies.

Confectionery is one category that lends itself well to themes and is a further example of one that comes into its own during the last days of October. 71% of people hosting a Halloween party and 63% of those attending one said they bought sweets especially for the occasion and a vast 78% of respondents stated that they bought them for trick or treating.

However, with 49% of respondents saying they never do anything to celebrate Halloween, there still exists significant headroom for growth. The activity that led to the most spend on confectionery was going to the cinema, suggesting that confectionery for the in-home occasion may still be an area to target.

Worldpanel Plus has uncovered just how important a role pumpkins and sweets have with the consumer's relationship with Halloween, and has shown where the opportunities are. MFP isn't a huge part of Halloween, but is definitely a key part of Christmas and Easter. Using a similar approach with more of a focus on our categories at Christmas or Easter would likely uncover invaluable results for brands, producers and retailers.

Alan Cresswell, Client Manager

The biggest Christmas ever?

Christmas 2016 was the biggest ever (in terms of spend) as shoppers splashed the cash over the festive period. Inflation returned to the market after 28 periods of deflation, which helped boost retailer spend performance. With Christmas falling on a Sunday last year, spending peaked on the Thursday and Friday before the big day. With Christmas having fallen on a Monday this year, we expect to see a similar trend, with Friday and Saturday showing the largest spend, but not to the same levels as 2016.

Shoppers trading up was a key trend in Christmas 2016, with premium own label ranges growing 12.8%. Retailers which are perceived as better value were key winners at a total grocery level; both the discounters and Iceland saw over 7% growth, as they attracted more shoppers. These retailers invested in premium lines, as well as their usual value ranges, driving trade-ups in store. The big 4 lost share of Christmas sales to the rest of the retailers, especially the discounters, whose penetration of the big Christmas shop was approaching the levels of the big 4 retailers last year - so they will be the channel to watch this Christmas.

The most wonderful time of the year

Shoppers returned to traditional MFP products in Christmas 2016 with gammon and turkey performing well. Despite the trading up in other key Christmas categories at a total grocery level, we saw shoppers switch spend to cheaper meats. Gammon was a clear winner last year, with 10% volume growth driven by switching gains from other key proteins and existing Christmas MFP shoppers adding gammon into their repertoires. Value tier gammon grew ahead of other tiers perhaps as a result of greater promotions. There was a return to tradition as turkey saw a large uplift

with shoppers attracted by falling prices, particularly in the value tiers. At the same time, convenience continued to be important for shoppers, and growth in turkey was driven by fresh crowns and joints rather than less convenient and slower to cook cuts.

Pork also performed well, with higher average prices resulting in greater spend from existing shoppers. However, with a still lower average price than other proteins, pork gained well from lamb joints as, once again, shoppers looked to value protein options for Christmas.

Lamb struggled as shoppers traded down and switched to other proteins. Lamb roasting joints saw the lowest volume of sales in five years, losing 500,000 shoppers compared to the Christmas before. Chicken also struggled to follow up on a successful 2015, with falling prices and a loss of shoppers resulting in spend and volume decline.

Look to the future now

So what can we expect from Christmas 2017? We anticipate two opposing trends to take hold as shoppers look to extract value from the options available to them, but also take advantage of convenient options. The need for convenience increased across 2017 and is likely to have continued to be a key theme at Christmas, with shoppers finding ways to save time over the busy period. With inflation still affecting the market, base prices will have risen; forcing shoppers to choose where to invest their Christmas spend. We expect shoppers to have traded up for convenient categories, and also to have looked at value options in others to keep Christmas shopping spend in check.

Michael Moniz, Category Analyst

*Christmas MFP definition- Fresh Beef, Lamb, Pork Joints, Fresh Poultry Whole Bird, Crown & Joints, Fresh Fish, Fresh Gammon * 4 we 1st January 2016



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