IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q1 2017

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Growth delivered.

July 2017

IRI State of the Nations Q1 2017

FRANCE

Key findings - France

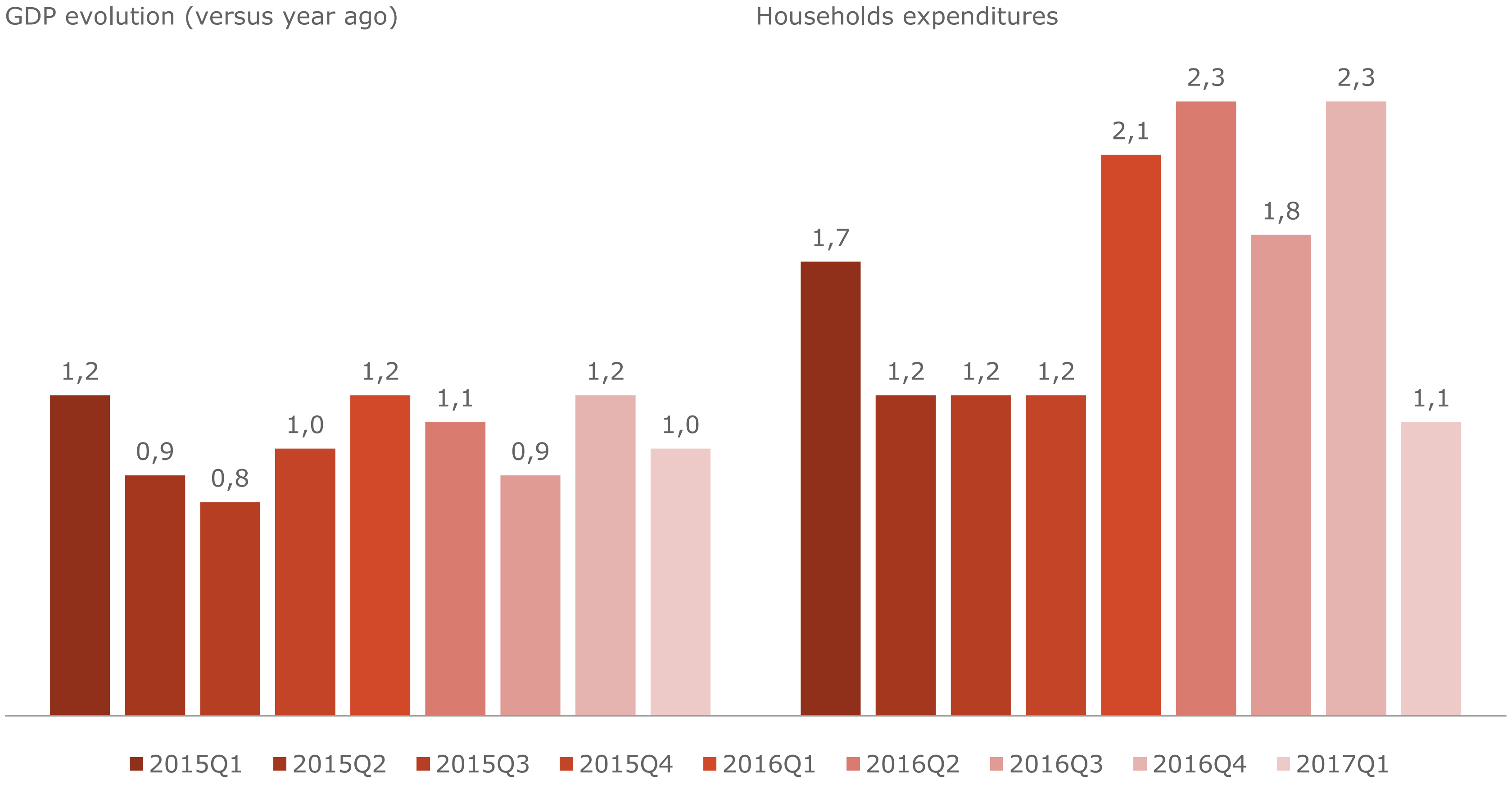
- Gross Domestic Product (GDP) in France is growing but remains lower than the European GDP. Despite French unemployment falling below 10%, it remains a challenge.
- Household purchasing power and spending are increasing fairly but now only at the rate of GDP in France. This favourable context contributes to the steady rise in the household confidence index.
- Fast Moving Consumer Goods (FMCG) does not really benefit from this encouraging environment at least in volumes sales which are growing at only 0.1% during Q1 2017. Revenues continue to rise significantly, despite the on-going deflation (although less important than before) in FMCG (-1% on Q1). The premiumisation trend that has been observed for several years now, still continues. Q1 2017 remains aligned with previous quarters: neither deterioration nor real improvement.
- Private labels are still losing ground, at the same rate as the previous quarters (and even in previous years).
- The value % under any promo is fairly stable in both the quarter and on the MAT at 19%+. Gondola ends and leaflets were the leading activities.

Key findings - France

- Frozen food and personal care remain in a challenging context:
  - Frozen foods, mainly starters and seafood were impacted by the Easter effect, but also the generalization of fresh fish in slices.
  - Promotional activities (*opé-beauté*) in personal care were pushed to Q2 impacting Q1 sales as this sector is very "promo-dependent".
- Beverage market remains the most dynamic sector. The good weather conditions in Q1 2017 were beneficial to soft drinks. Beers reached a + 5% in volume and + 9% in value sales boosting spirits performance.
- Organic market for food, and now in personal care, is growing well.
- Channel performances:
  - The EDMP (former hard discounters) are still impacted by the transformation of DIA stores (Carrefour Group) in convenience stores.
  - Convenient stores are gaining ground - not only due do this change.
  - Hypermarkets, especially large ones, performance is getting much worse and the Easter effect did not help.
  - Click and collect growth remains almost in line with what was recorded in 2016.

Macro-economic context - France

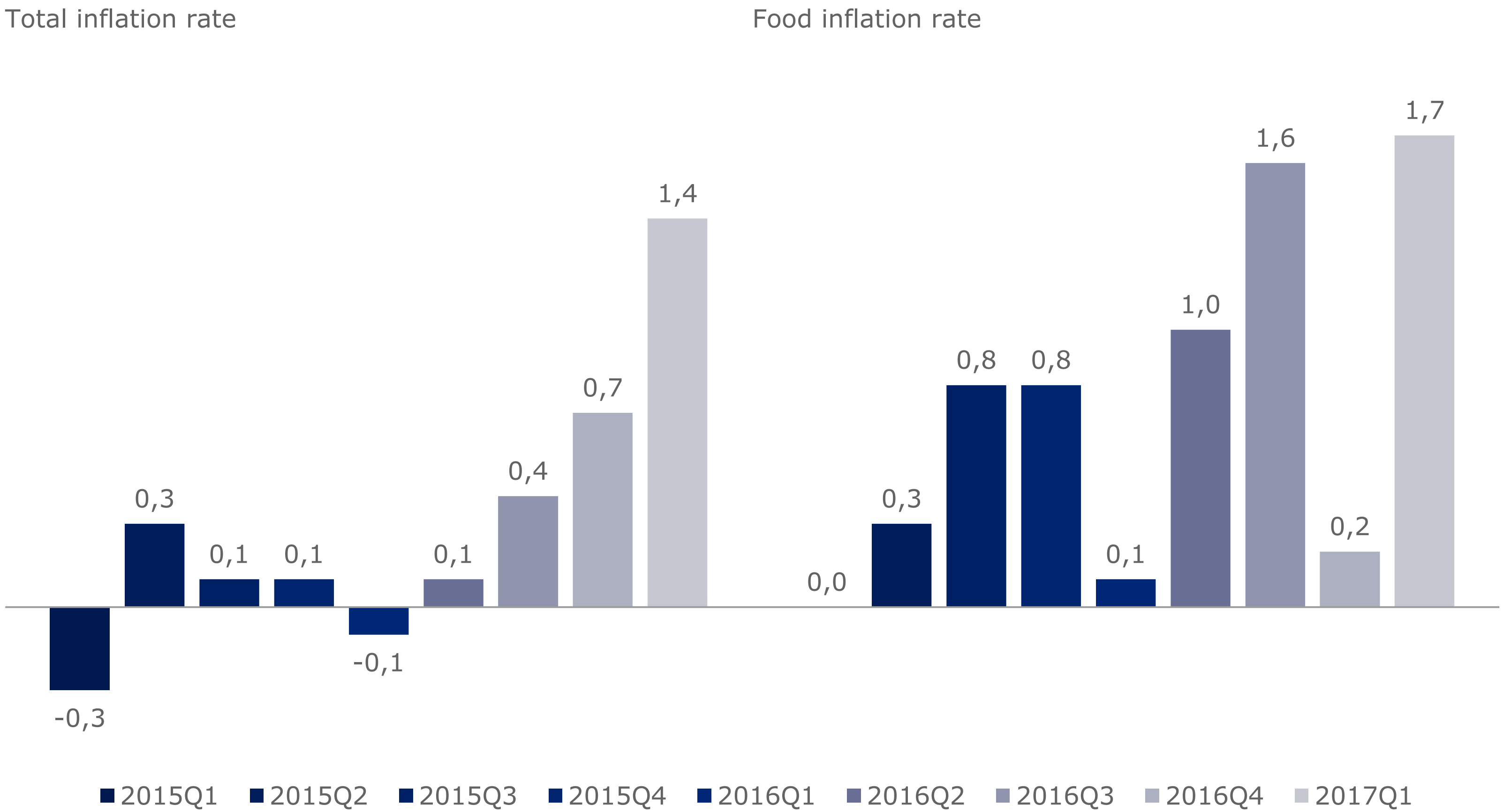
GDP and household expenditure evolution, in %, in France



Source: Eurostat

Macro-economic context - France

Total inflation and food & beverage evolution, in %, in France

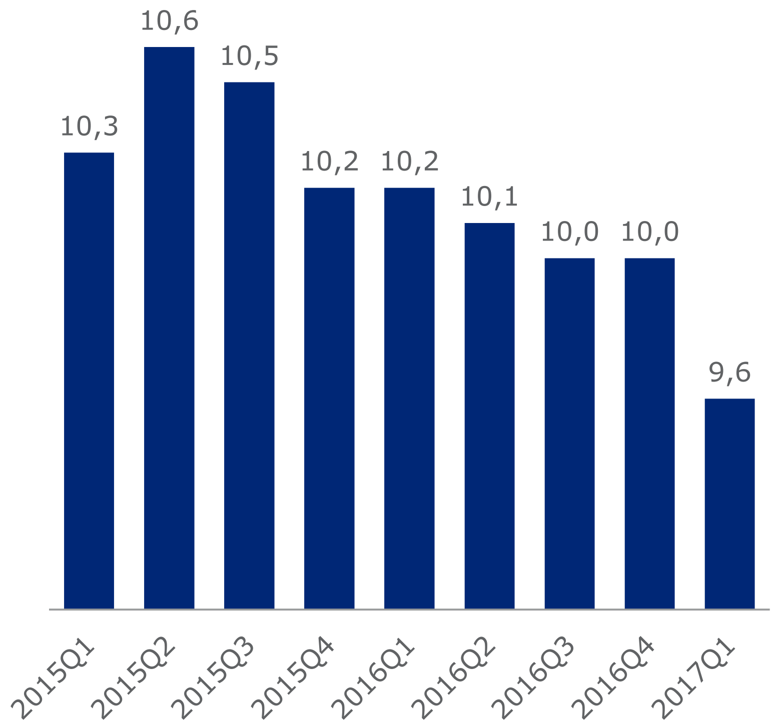


Source: Eurostat

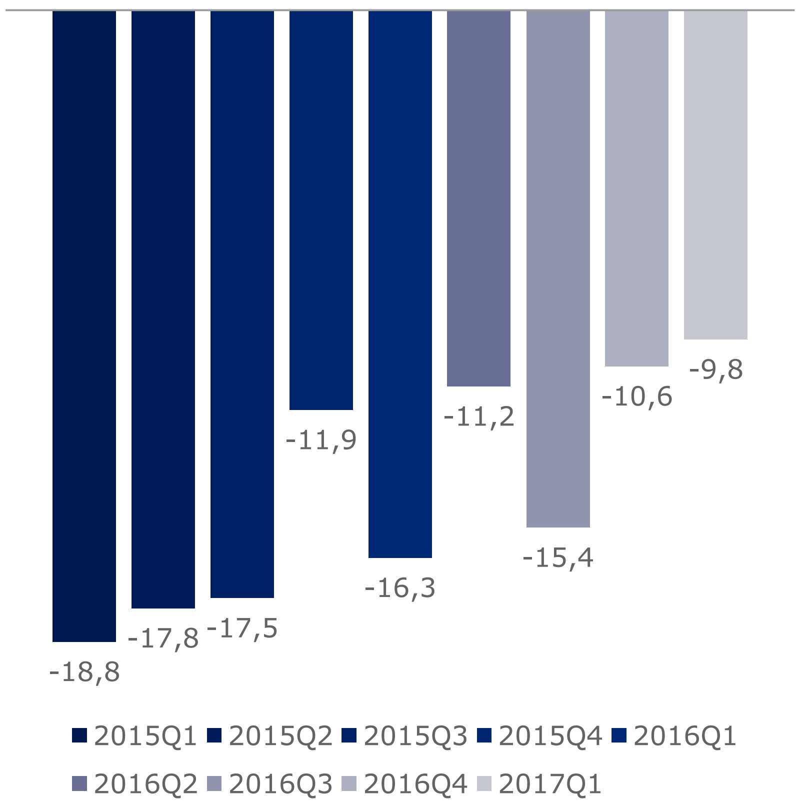
Macro-economic context - France

Unemployment and household confidence evolution, in %, in France

Unemployment rate (first month of each quarter)



Household confidence level

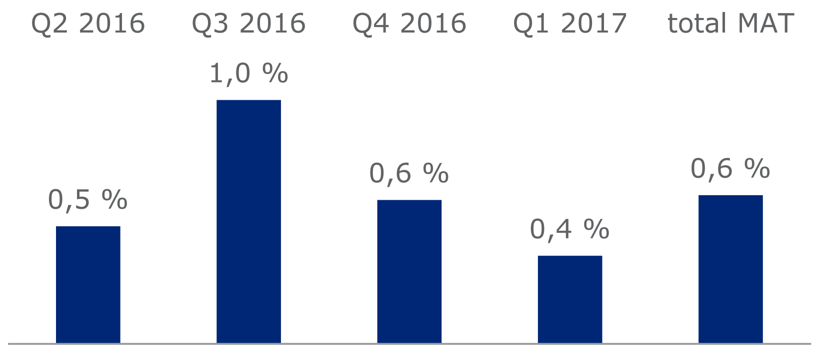


Source: Eurostat

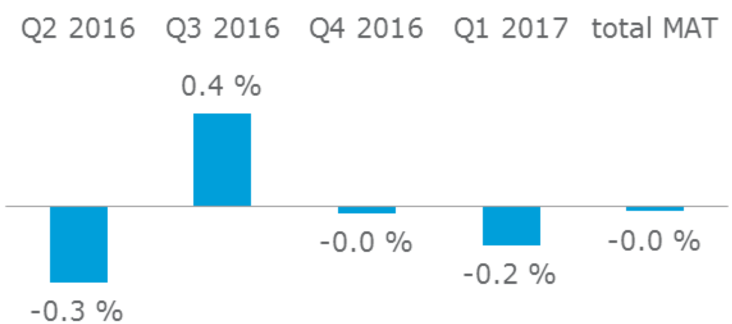
Total FMCG, Q1 2017 - France

FMCG evolution in value, volume and volume price, in %, in France

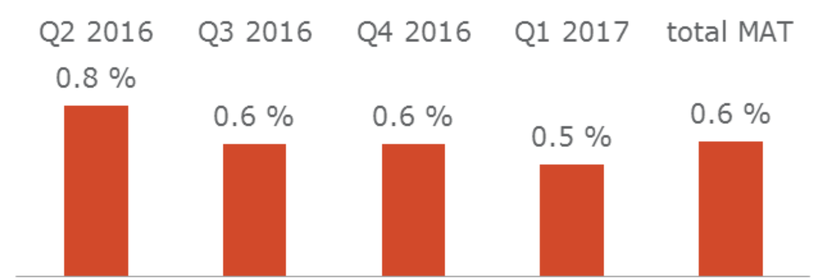
Total FMCG value evolution (in %)



Total FMCG volume evolution (in %)



Total FMCG volume price evolution (in%)

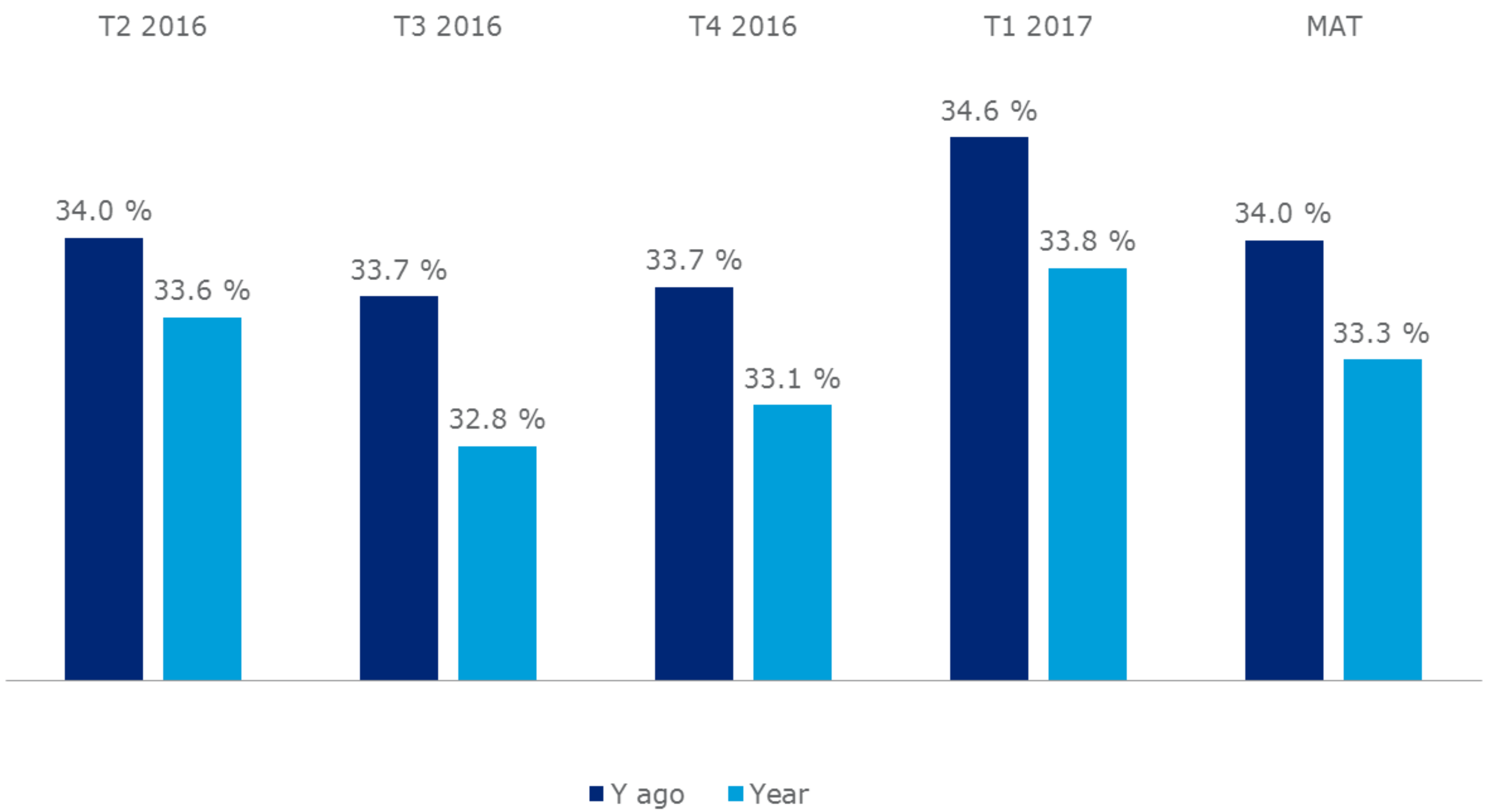


Source: IRI

Coverage: hypermarkets, supermarkets, click and collect, convenience stores and EDMP (hard discounters)

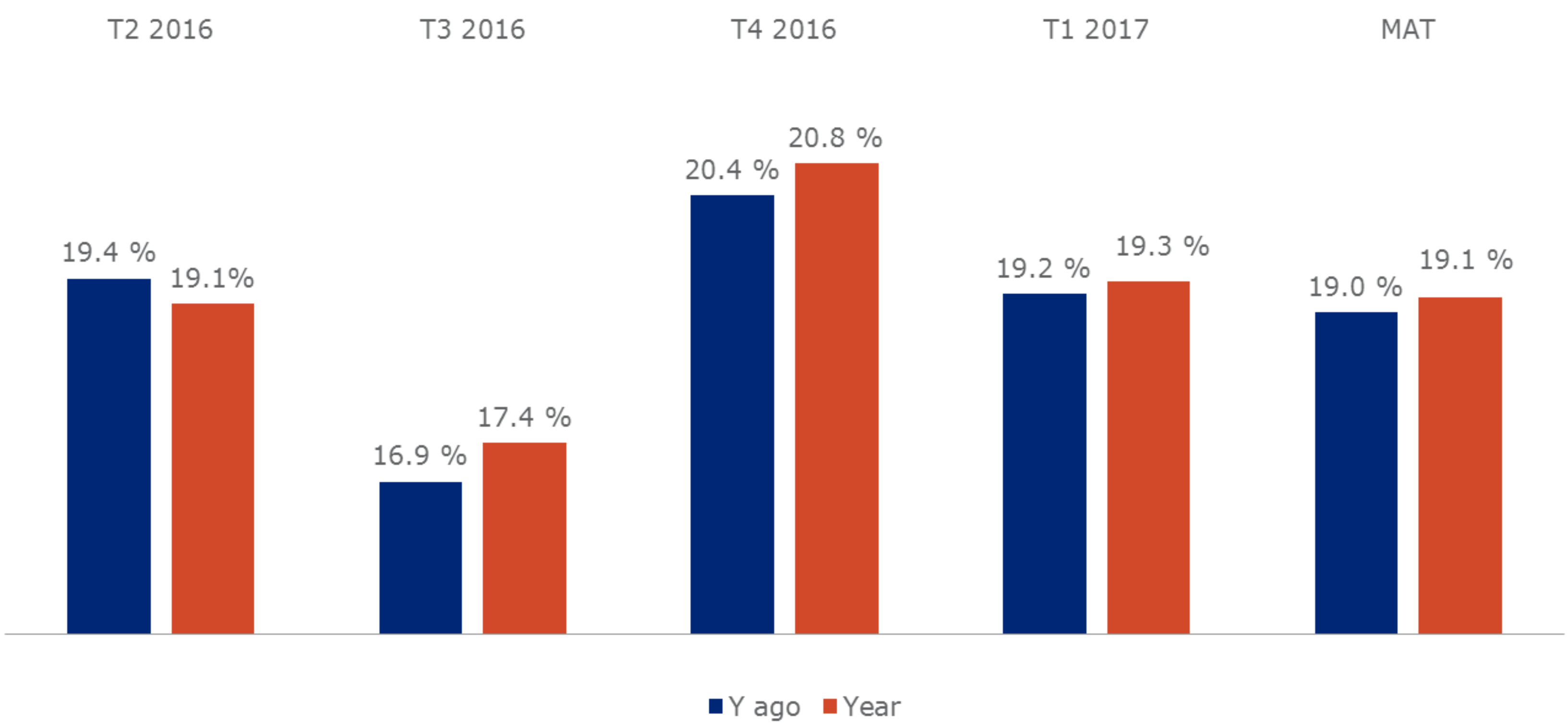
Private labels, Q1 2017 - France

Total FMCG private label marketshare, in %, in France



Promotion, Q1 2017- France

Total FMCG value on promotion, in %, in France

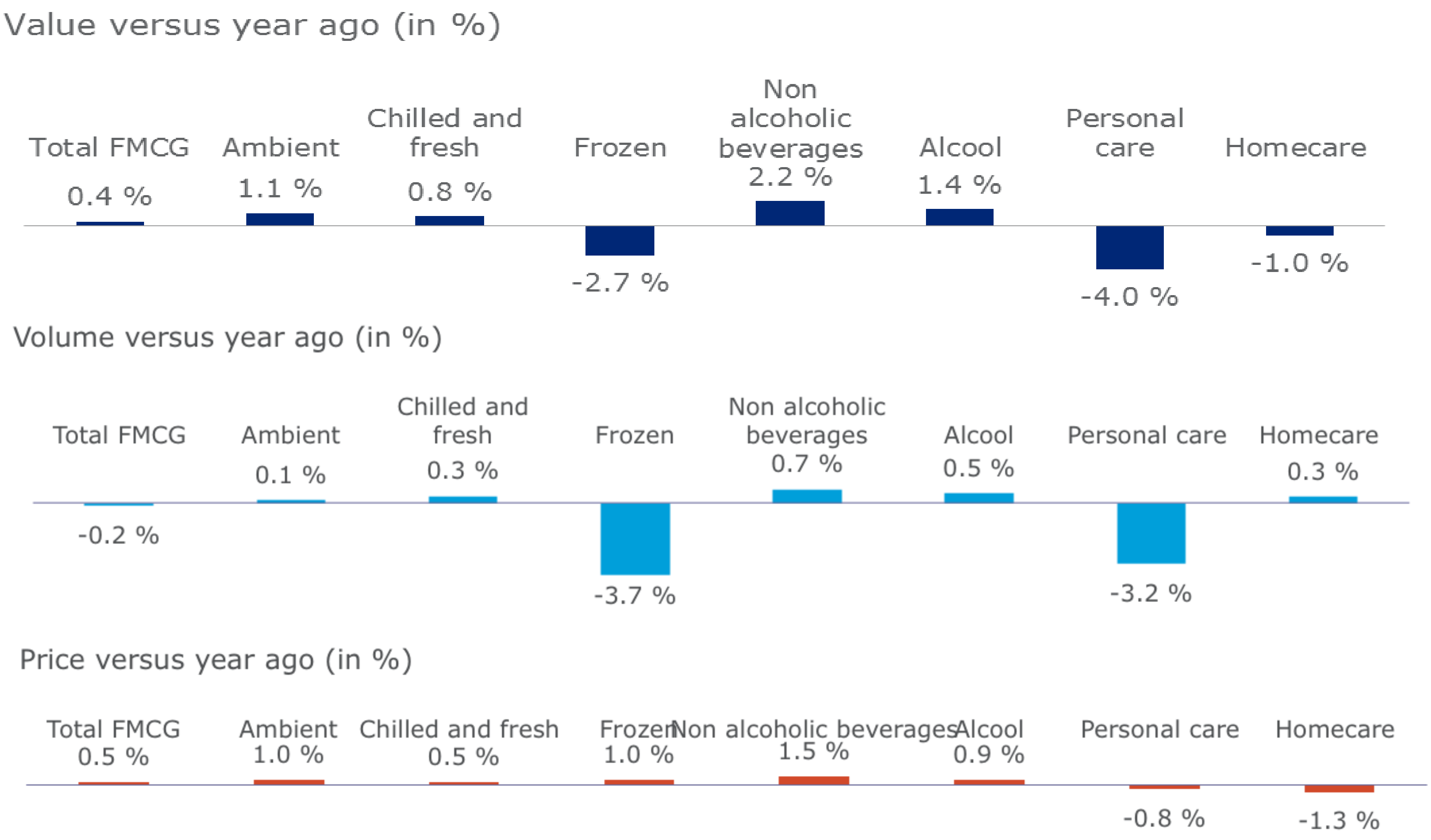


Source: IRI

Coverage: hypermarkets and supermarkets

Categories short term sales, Q1 2017 - France

FMCG categories value, volume and price evolution, in %, in France



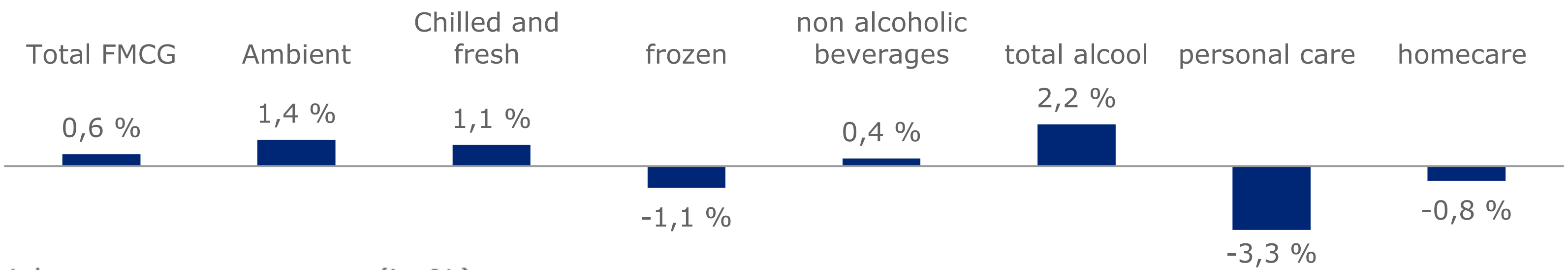
Source: IRI

Coverage: hypermarkets, supermarkets, click and collect, convenience stores and EDMP (hard discounters)

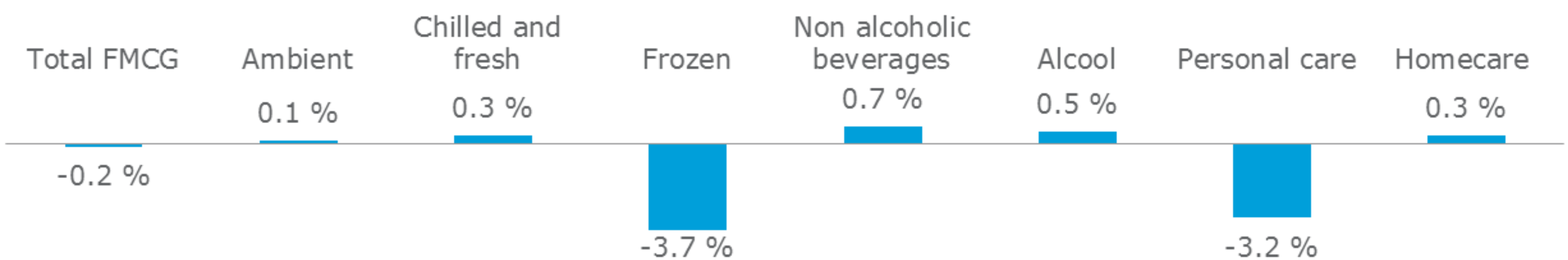
Categories sales, moving annual total, Q1 2017 - France

FMCG categories value, volume and price evolution, in %, in France

Value versus year ago (in %)



Volume versus year ago (in %)



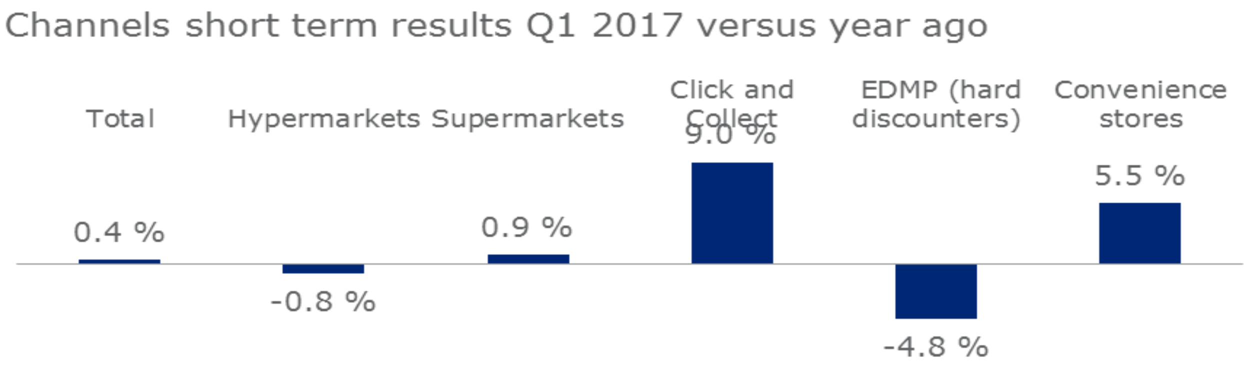
Price versus year ago (in %)

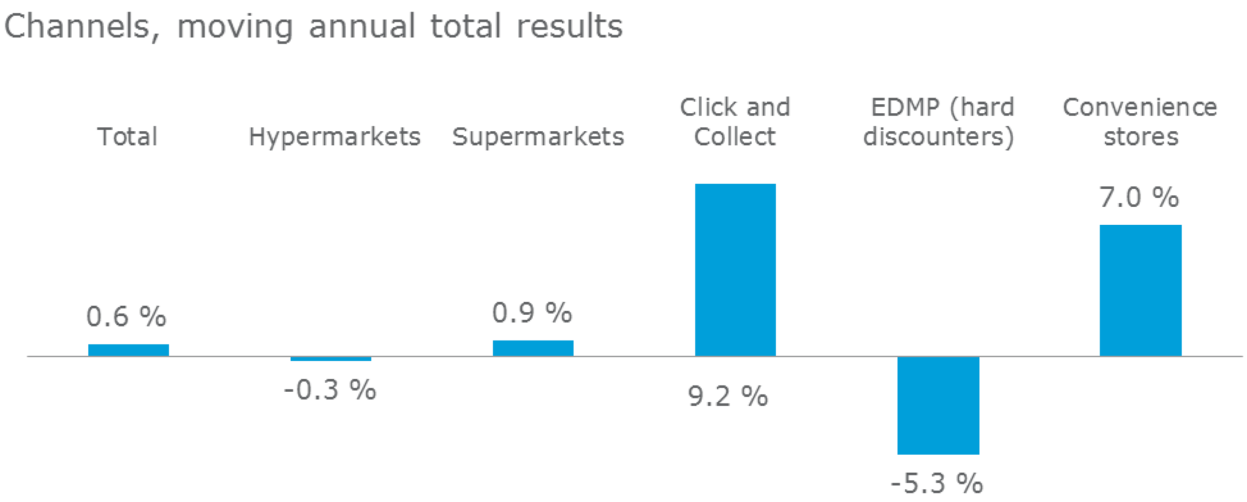
Source: IRI

Coverage: hypermarkets, supermarkets, click and collect, convenience stores and EDMP (hard discounters)

Channels landscape, Q1 2017 - France

FMCG channels weight evolution, in %, in France





Source: IRI

Coverage: hypermarkets, supermarkets, click and collect, convenience stores and EDMP (hard discounters)

Growth Opportunities

- **Price and promotion can't be the only levers**. Retailers need to find differentiations in the shopping experience (e.g. assortment, services, channels).
- **As margins are shrinking** for retailers and manufacturers, they need **to focus on collaboration** and work as partners with one common objective: to enhance the shopper experience. Big data technology and collaborative portals will enable both parties to better understand the path to purchase.
- Manufacturers and retailers can use the same **assortment optimisation** solution that assesses the true value of each item, based on its attributes (such as pack size, format, function, price band, etc.), to identify and understand crucial elements that influence shopper decisions and the drivers of growth for individual brands and a category as a whole.
- Brand teams need **a clear view of what impacts each trip mission** for each shopper segment if they are to gain market share and/or develop margins.

- **Systematic promotion analysis must become normal practice**. With set goals, appropriate analytics solutions will simulate price and promotion tactics to improve margins, revenue, brand and category performance as well as competitive advantage.

Resources

HOW WE CAN HELP YOU FIND GROWTH?

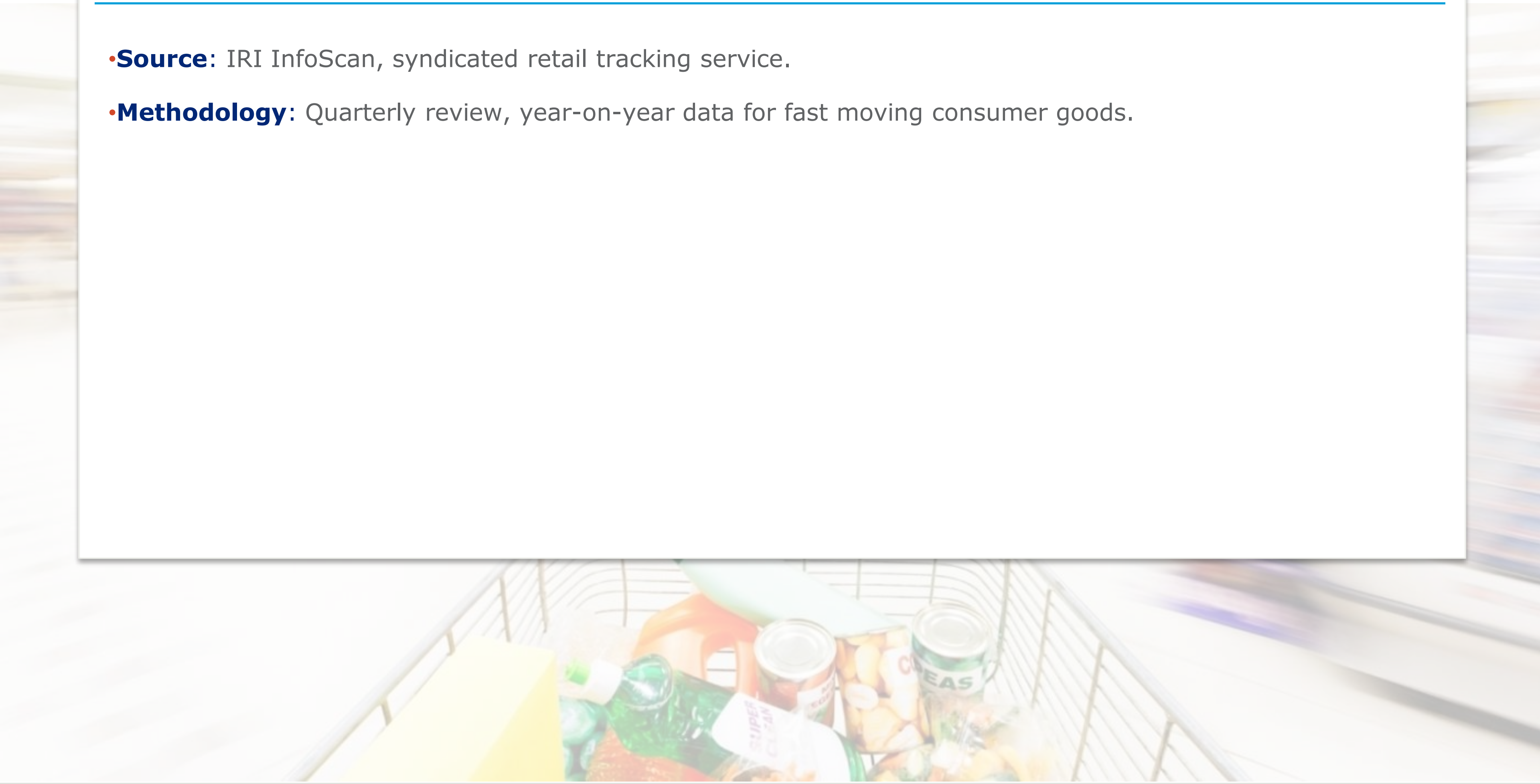
- **IRI Global Executive Market Reviews (IRI GEMs)** give fast moving consumer goods manufacturers and retailers access to POS-based information outside of their home country. This solution is ideal for exploring new market opportunities, to understand the players and products in countries where you don't yet have a presence. This is also valuable for understanding new or adjacent categories in foreign markets. IRI GEMs are based on the retail census data IRI collects from grocery, drug and other available FMCG retailers across countries. Information is available from the United States, the UK, France, Germany, Spain, Italy, the Netherlands, Greece, Puerto Rico, Australia, New Zealand and Japan.

- **IRI Price & Promo models** provide a global analytical solution for all revenue management needs. They enable both retailers and manufacturers to get fast and in-depth category insights on key price and promotional levers, to understand their respective impacts on the portfolio, allowing full return on investment analyses, identifying growth opportunities, and enhancing overall bottom line.

WHY ONLY WITH IRI?

- **Faster:** IRI's unique Liquid Modeling™ technology, leverages WhiteBox in-memory database-farm to ensure integrated workflows with high responsiveness and unprecedented speed across the what, so what and now what.
- **More Accurate**: Proprietary IRI algorithms and advanced prescriptive analytic methodologies identify opportunities, quantify the revenue potential and recommend specific actions.
- **Proven**: A never before used integrated and expanded causal dataset, built on the basis of three decades of unique IRI expertise.
- **Trusted**: Working with 95% of CPG, retail and health & beauty companies in the Fortune 100.
- **Certified**: The biggest and fastest growing marketing analytics centre in the world, located in Europe and ISO certified.

IRI State of the Nations



FINAL NOTES

- **Source**: IRI InfoScan, syndicated retail tracking service.
- **Methodology**: Quarterly review, year-on-year data for fast moving consumer goods.

Contact

FOR MORE INFORMATION

To gain deeper insights, predictive analysis and recommendations on specific products, categories, segments, channels or retailers contact your IRI Consultant or email:

jacques.dupre@iriworldwide.com

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Growth delivered.

ABOUT IRI

About IRI. IRI is a leading provider of big data, predictive analytics and forward-looking insights that help CPG, OTC health care, retailers and media companies to grow. With the largest repository of purchase, media, social, causal and loyalty data, all integrated on an on-demand cloud-based technology platform, IRI guides over 5,000 clients globally in their quests to remain relentlessly relevant, capture market share, connect with consumers and deliver growth. **IRIworldwide.com**