



IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q2 2017

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September 2017



IRI State of the Nations Q2 2017



IRi

Growth delivered.



France



Germany



Greece



Holland



Italy



Spain



United Kingdom





Key findings - Germany

- The GDP shows a constantly positive trend over the last five quarters. Export and low capital costs especially are driving this positive development. The historically low number of unemployed people let the GDP grow as well.
- The household spending in Q2 2017 shows a significant increase in final consumer prices. In particular, the acquisition costs for energy and raw materials increase the production costs for food and beverages and thus drive consumer prices.
- The inflation rate shows a significant level in Q1 2017 in Germany, with a growth of 1.4%. Compared to Q1 2017 it shows a lower development. The main reason is the lower pricing development of crude oil.
- After the last six quarters of pessimism, the future looks optimistic for German households in Q2 2017. The election campaign and the forthcoming Bundestag elections are providing hope for a positive development in the future.



Key findings - Germany

- Q2 2017 shows a significant increase in value sales (+5.7%), mainly driven by an increase in average volume prices.
- The key driver for the significant increase in value sales is a significant increase of the raw material price of milk. This higher price level was passed on to the final consumer in the total German retail business. The discounters and large consumer markets (>800m² selling space) especially significantly increased prices in their dairy products category.
- The private label value market share in Q2 2017 is nearly stable compared to Q2 2016. The price increase of dairy products was implemented for private labels as well as for national brands.
- Through a shift in the Easter holidays and the associated calendar effect, the promotion value sales for the sweet products and confectionery category shows growth in Q2 2017.

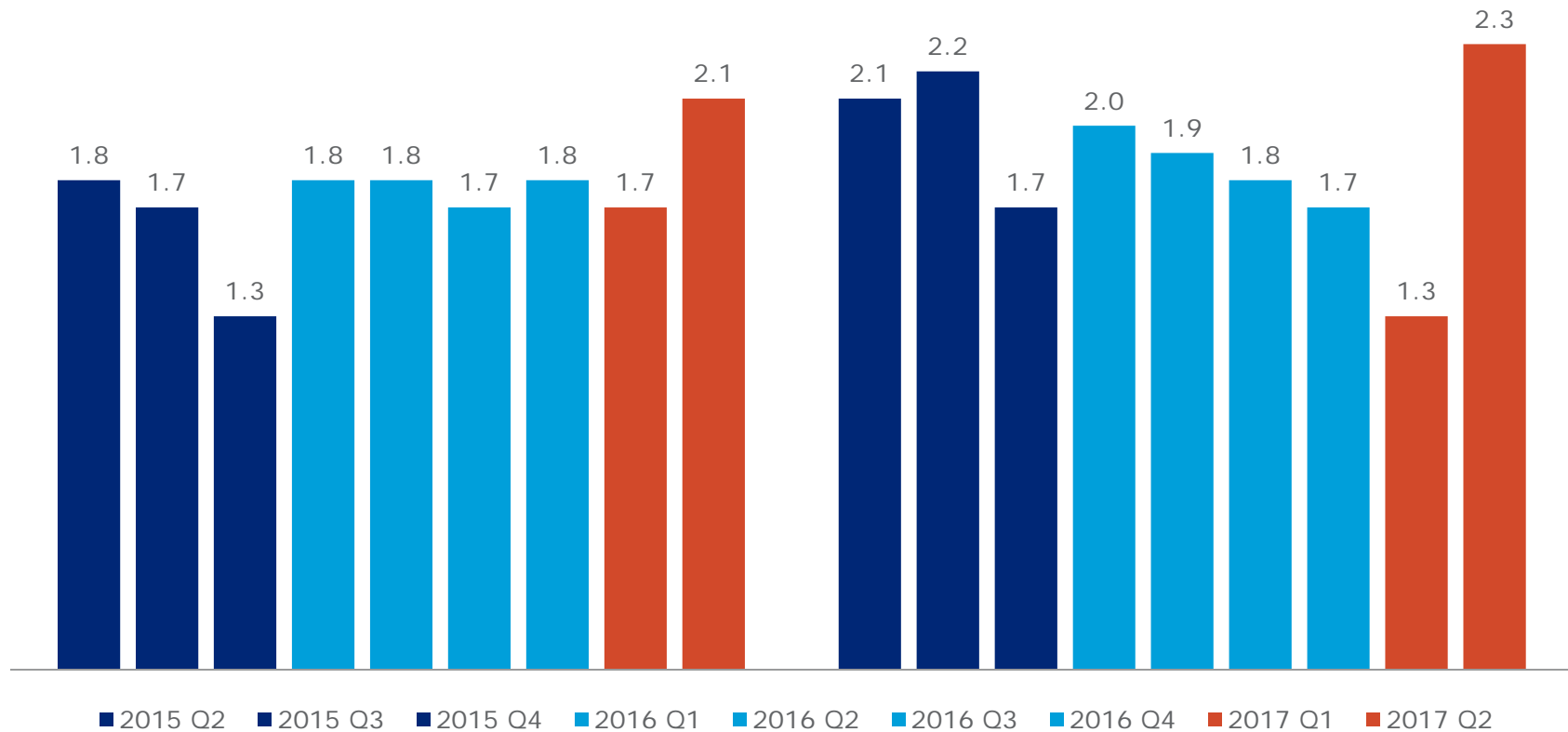


Macro-economic context – Germany

GDP and household expenditure evolution, in %, versus year ago, in Germany

GDP evolution (versus year ago)

Households expenditure



Source: Eurostat

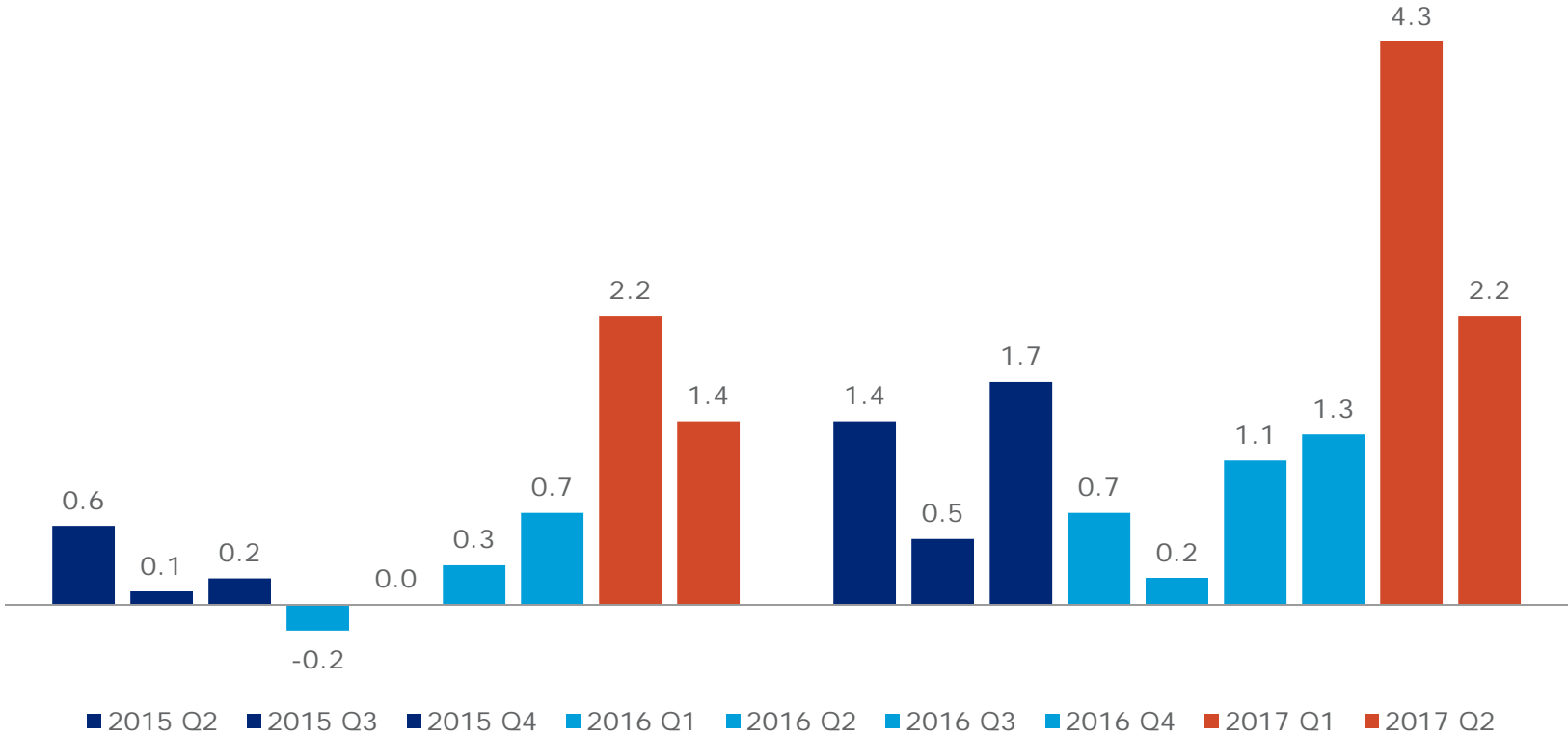


Macro-economic context – Germany

Total inflation and food & beverage evolution, in %, versus year ago, in Germany

Total inflation rate

Food and beverage inflation rate



Source: Eurostat

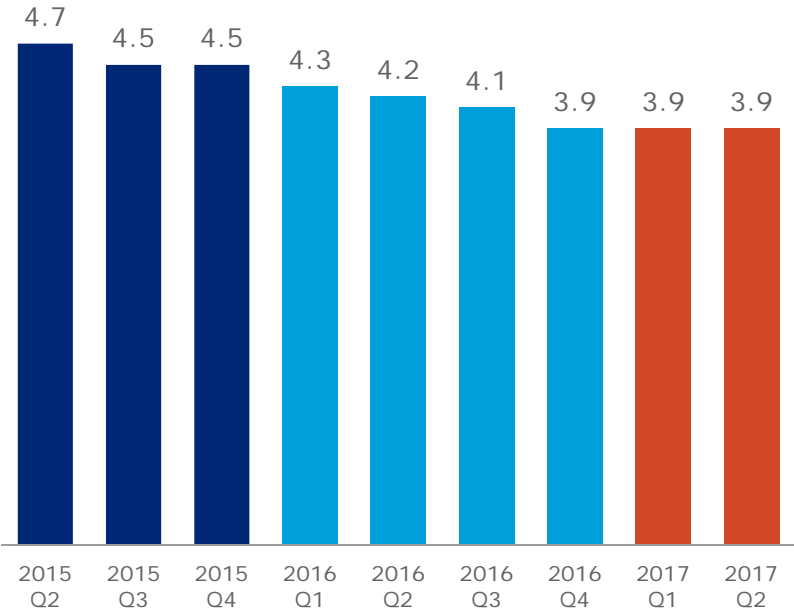




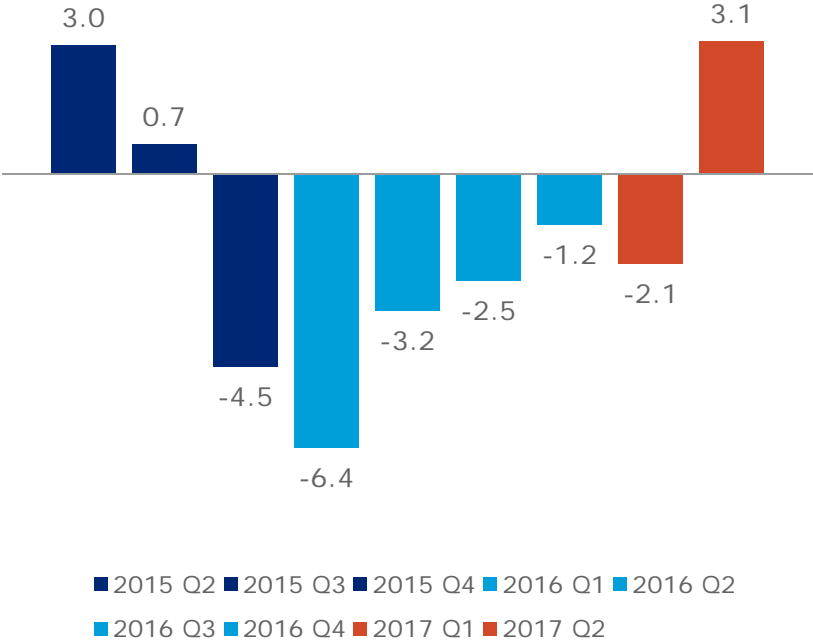
Macro-economic context – Germany

Unemployment and household confidence evolution, in %, in Germany

Unemployment rate



Household confidence level



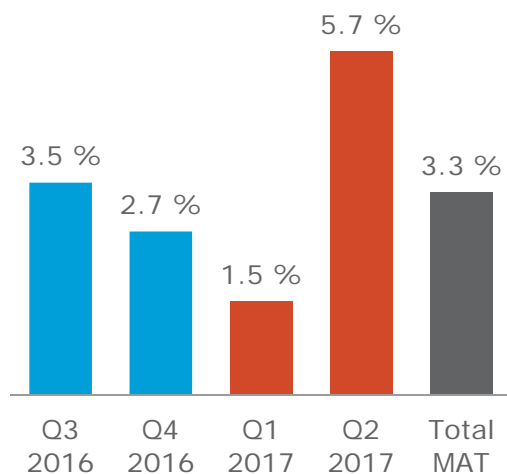
Source: Eurostat



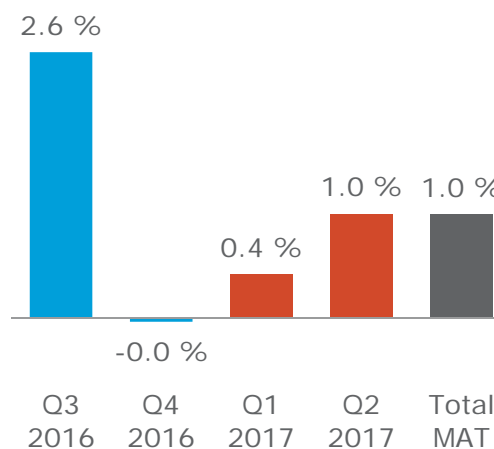
Total FMCG, Q2 2017 - Germany

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

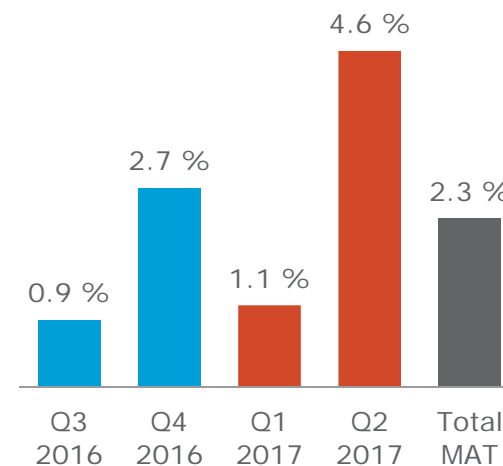
Total FMCG value



Total FMCG volume



Total FMCG volume price



Comments

- Q2 shows a significant increase in value sales, mainly driven by an increase in average volume prices.
- Dairy products are mainly responsible for this development. By an increase in the raw material price of milk, which was passed on to the final consumer in the total retail, the products show a higher price level compared to Q2 2016.
- In particular, the discounters and large consumer markets significantly increased prices in the dairy products category.

Source: IRI

Coverage: total channels

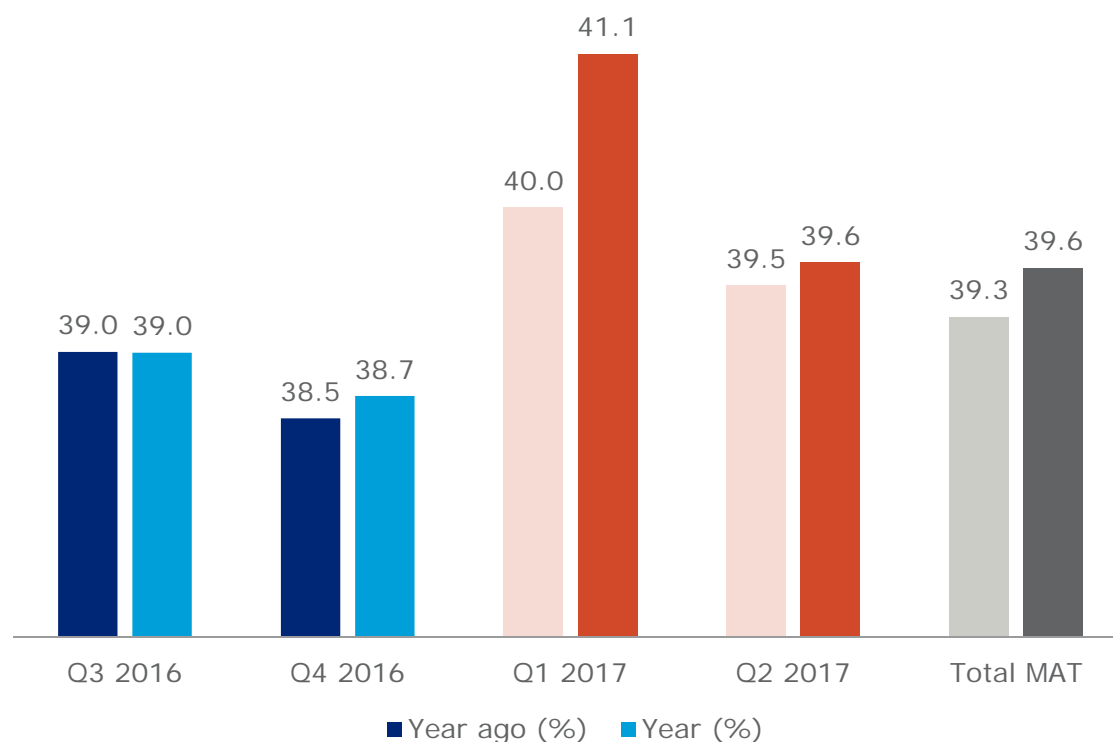




Private labels, Q2 2017 – Germany

Total FMCG private label market share, in %, in Germany

Total FMCG private labels marketshare



Comments

- The private label value market share in Q2 2017 is nearly stable compared to Q2/2016.
- The price increase of dairy products does also effect the development of private label products.
- As a result this price increase is also impacting national brands. There is hardly any change in the value market shares between private label and national brands.
- In addition, the private labels show a significant increase in sales of nuts. Here, the more productive harvest in 2017 drives the sales share of the private labels.

Source: IRI

Coverage: total channels

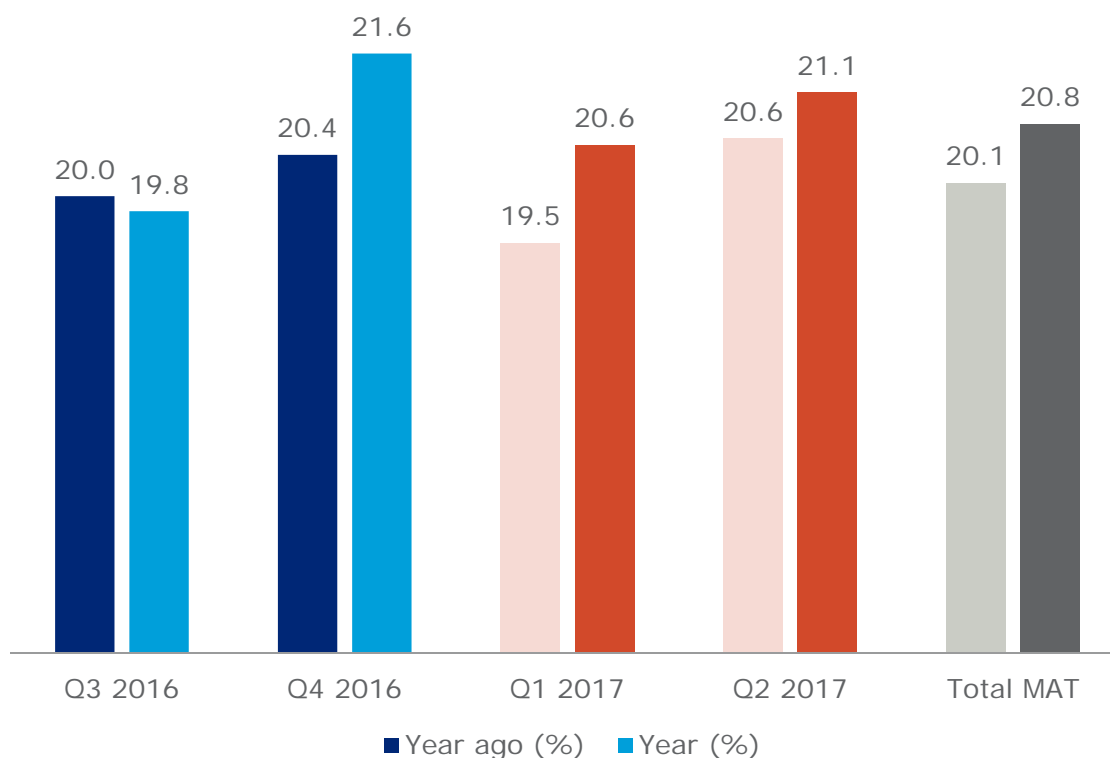




Promotion, Q2 2017 - Germany

Total FMCG value on promotion, versus year ago, in %, in Germany

Total FMCG value on promotion



Comments

- The promotion share shows a high level in Q2.
- The beer and confectionery categories in particular show a significant increase in promotion turnover. This is mainly due to the shift in Easter holidays from Q1 2016 to Q2 2017. The main driver is this calendar effect.
- The category of butcher products also shows an increase of promotion value sales. The main driver here is the general extension to promotional offers in the category.

Source: IRI

Coverage: total channels

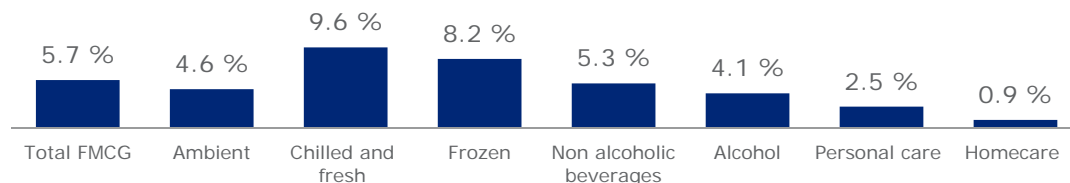




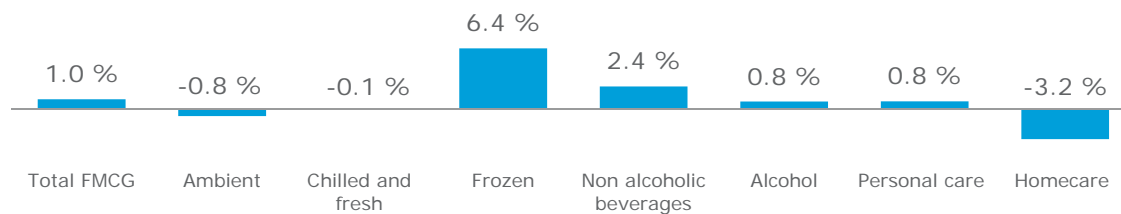
Categories short term sales, Q2 2017 - Germany

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

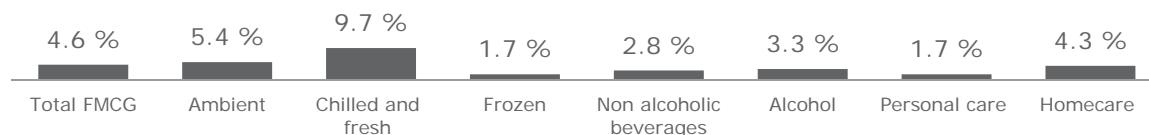
Value (%)



Volume (%)



Price (%)



Comments

- The chilled and fresh category shows a significant development in value sales.
- The volume sales in the category chilled and fresh category are nearly stably.
- The positive trend of sales is therefore driven 100% by the price increase of dairy products.
- In frozen categories the volume is driving the growth. Ice cream family packs especially generate a significant higher level in volume sales (+13.7%).

Source: IRI

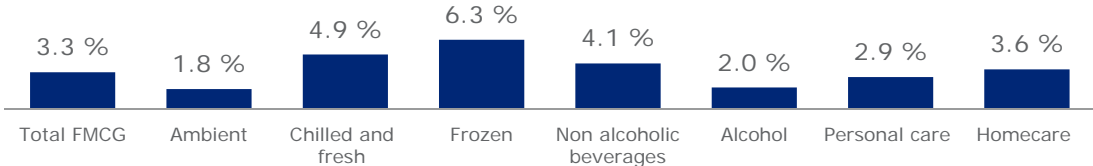
Coverage: total channels

Categories sales, moving annual total, Q2 2017 - Germany

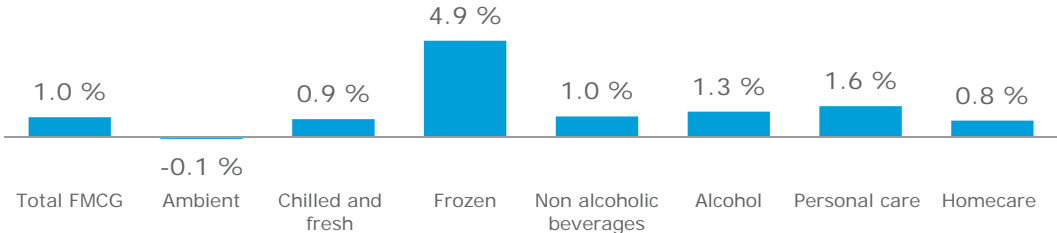


FMCG categories value, volume and price evolution, in %, in Germany

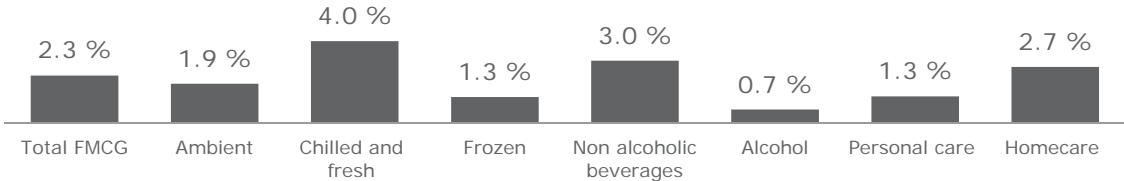
Value (%)



Volume (%)



Price (%)



Comments

- Chilled and fresh and frozen food categories good performance in Q2 2017 are the main driver of the positive development of the current moving annual total (MAT).
- The price increase of the milk raw material mainly drives also the growth in the current MAT.

Source: IRI
Coverage: total channels

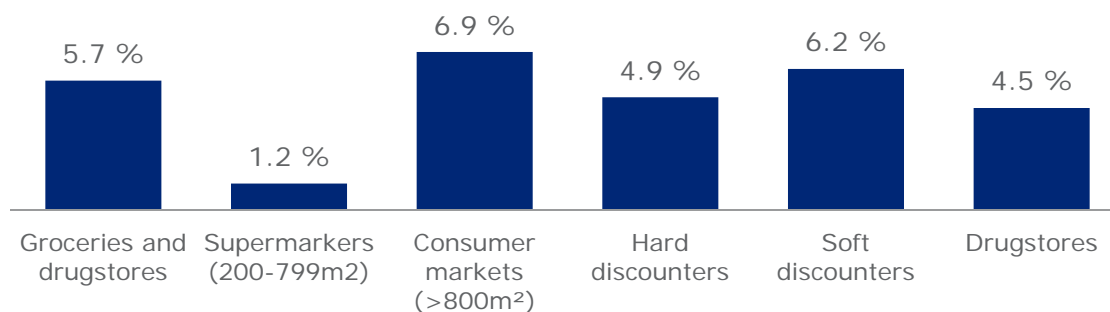




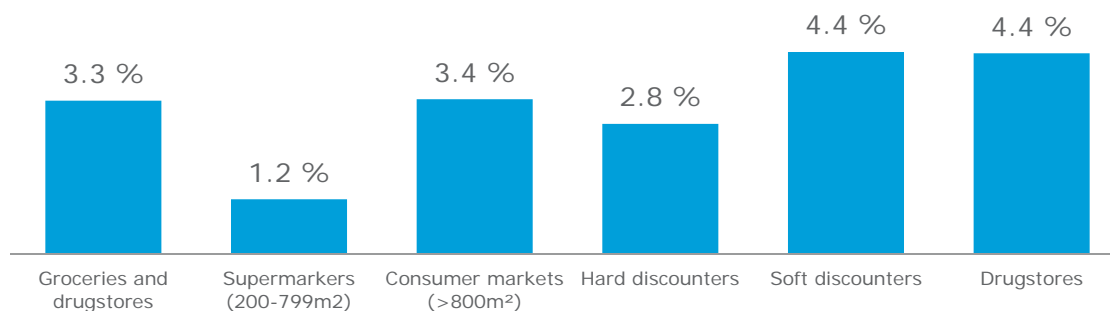
Channels landscape, Q2 2017 - Germany

FMCG channels weight evolution, in %, in Germany

Channels short term results



Channels MAT results



Comments

- Driver is the significant price increase of dairy products which was mainly executed in the large consumer markets and the soft discounters.
- Soft discounters also show a significant positive development in alcoholic and non-alcoholic beverages pricing, which leads to a value sales increase in Q2.

Source: IRI

Coverage: total channels



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 DRIVE GROWTH?

- **IRI Global Executive Market Reviews (IRI GEMs)** give Fast Moving Consumer Goods (FMCG) 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.
- **Channel coverage:** Supermarkets, hard and soft discounters, convenient stores and drugstores.