



IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q3 2017

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November 2017



IRI State of the Nations Q3 2017



IRi

Growth delivered.



France



Germany



Greece



Holland



Italy



Spain



United
Kingdom



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Please also note that no additional restructuring or manipulation of IRI figures is permitted.





Key findings - Germany

- The GDP shows a constant positive trend over the last five quarters. Production in Germany's manufacturing sector in Q3 2017 is at its highest level in the past six years. Exports, and the very good order level in the construction industry in Q3 2017, drive the positive development as well.
- Household spending in Q3 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 Q3 2017 in Germany, with a growth of 1.8%. The main drivers are the increasing costs for energy and consumer goods.
- After the last six quarters of pessimism, the future looks optimistic for German households in Q3 2017. The positive economic development and the low rate of unemployment supports a positive general mood.



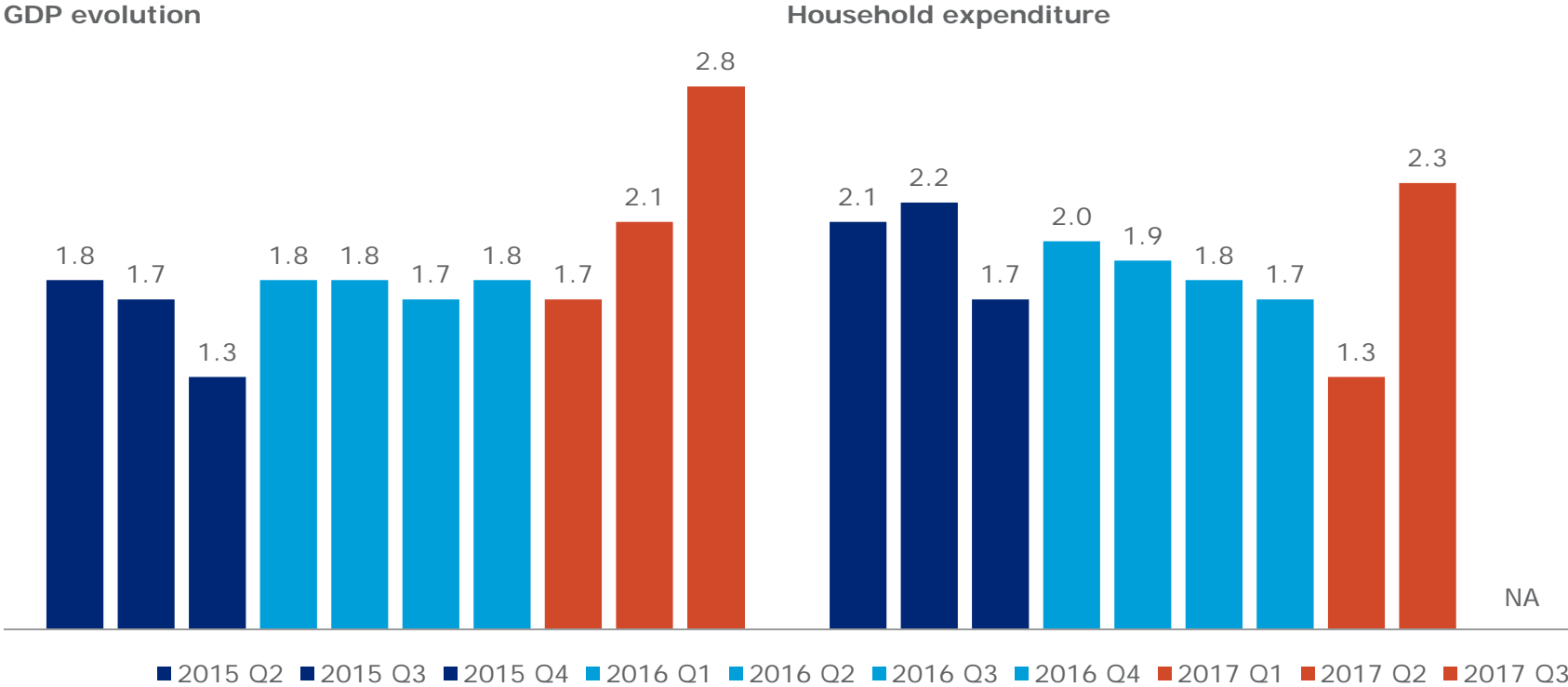
Key findings - Germany

- Q3 2017 shows a significant increase in value sales (+3.5%), mainly driven by an increase in average volume prices. Compared to Q2 2017 the development in value sales shows a lower performance, due to decreasing volume sales.
- The key driver for the significant increase in value sales in total FMCG is a significant increase of the raw material price of milk. The bad weather conditions in Q3 2017 drove the volume sales of beverages negatively. Therefore, the positive value sales development in Q3 2017 is on a lower level trend compared to Q2 2017.
- The private label value market share in Q3 2017 is nearly stable compared to Q3 2016. The price increase of the raw material price of milk and the decreasing volume sales of beverages influence here as well.
- Only supermarkets (200-799m²) show a nearly stable development. The average price increase compensate the losses in volume sales by nearly 100%. The main driver here is also the price increase of dairy products.



Macro-economic context – Germany

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



Source: Eurostat



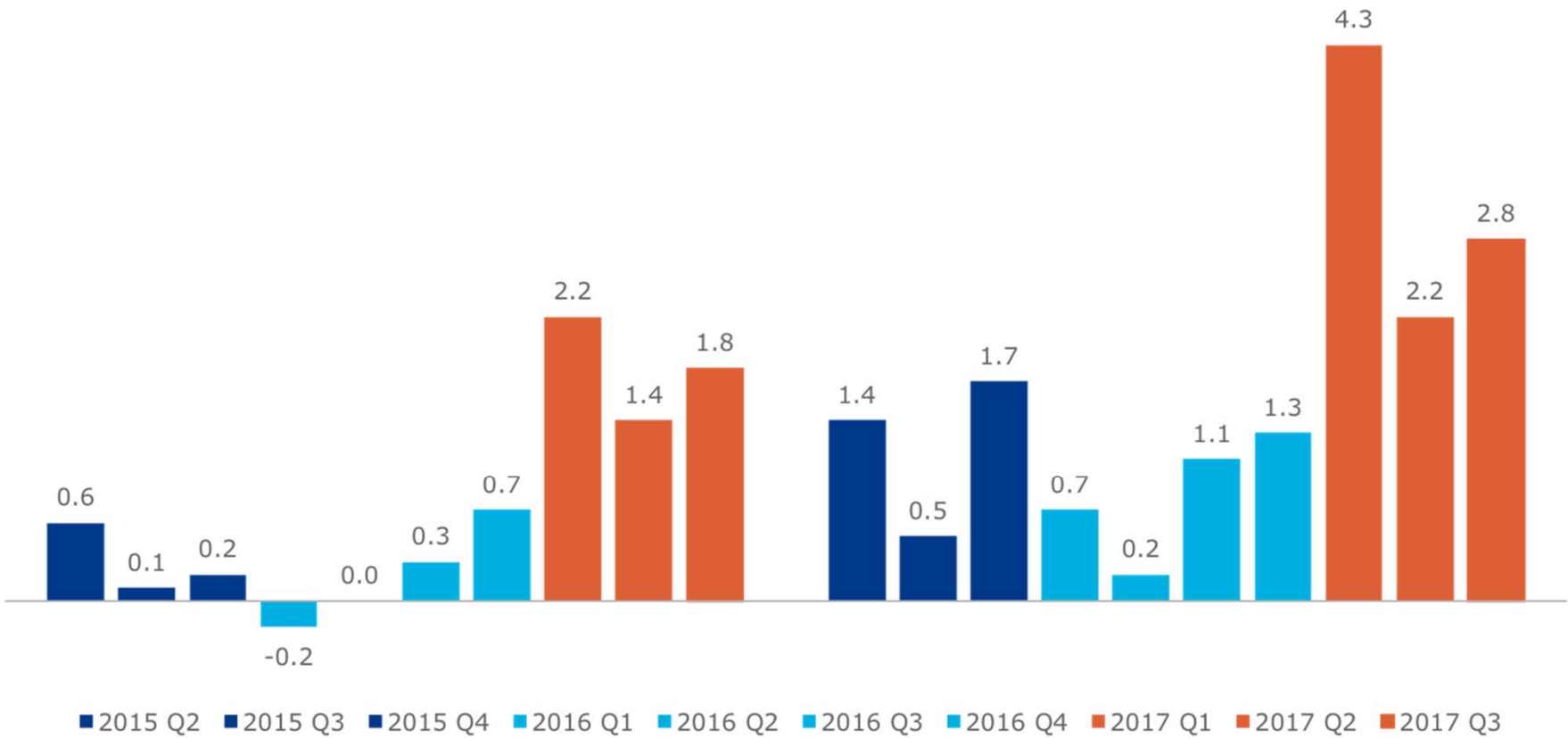


Macro-economic context – Germany

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

Total inflation rate

Food and beverage inflation rate



Source: Eurostat

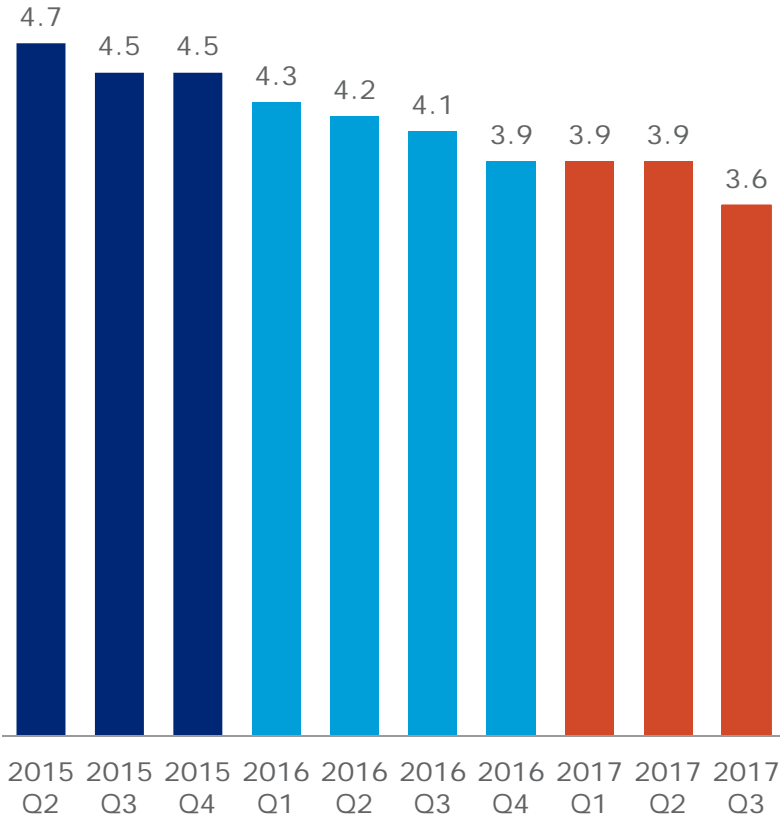




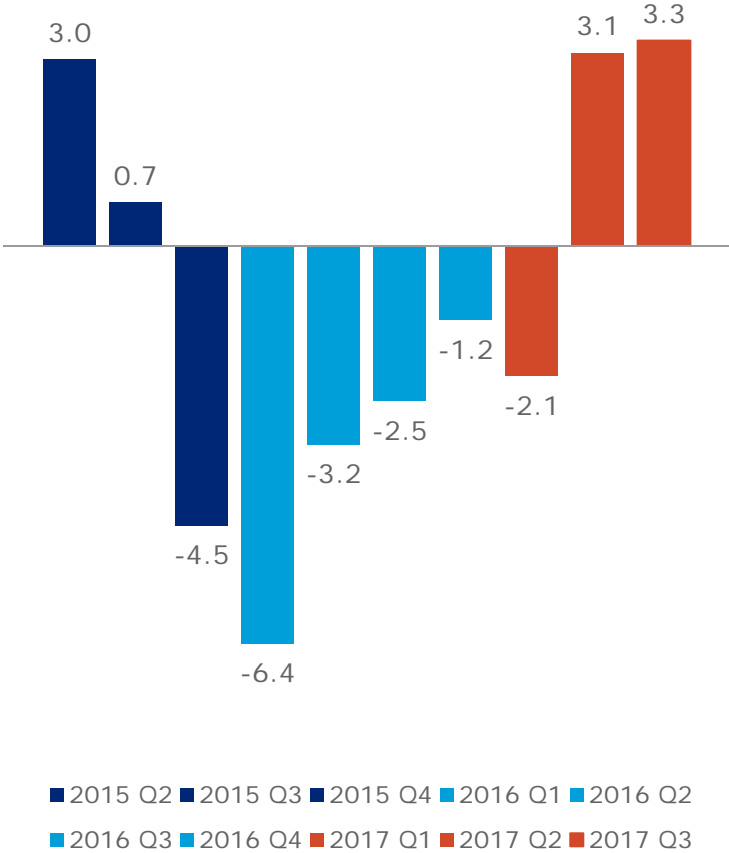
Macro-economic context – Germany

Unemployment and household confidence evolution, in %, in Germany

Unemployment rate



Household confidence level



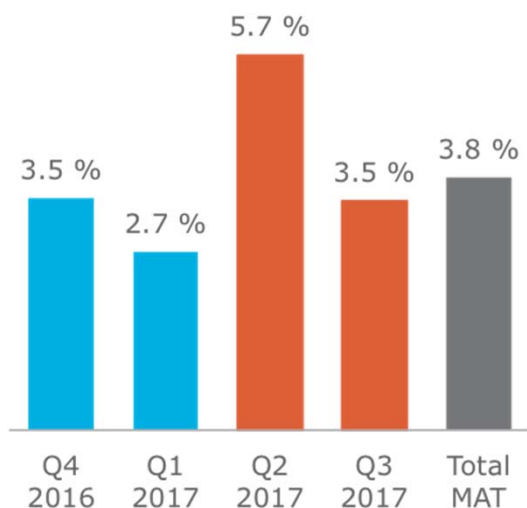
Source: Eurostat



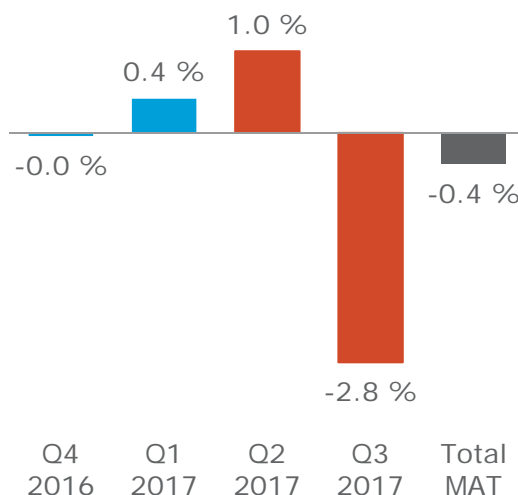
Total FMCG, Q3 2017 - Germany

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

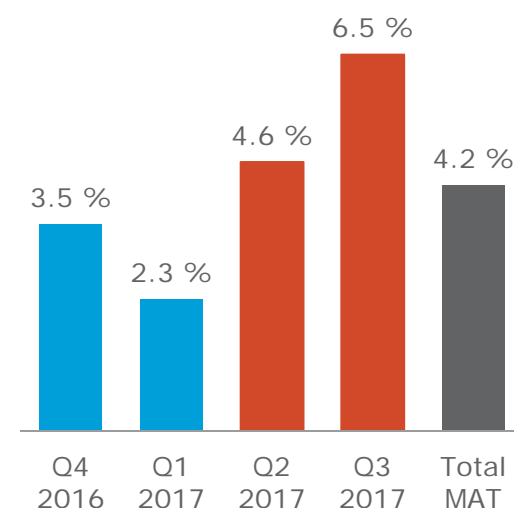
Total FMCG value (% increase)



Total FMCG volume



Total FMCG volume price



Comments

- Q3 shows a significant increase in value sales, mainly driven by an increase in average volume prices. Compared to Q2 the development in value sales shows a lower performance, because of decreasing volume sales.
- Dairy products are mainly responsible for the price pick, due to the increase of the price of raw material milk, which was passed on to the final consumer in the total retail cost Dairy products show a higher price level compared to Q3 2016.
- In particular, the discounters and large consumer markets significantly increased prices in the dairy products category in Q2 and Q3; volume sales are nearly stable.
- The decrease of volume sales is mainly driven by the beverages categories. Especially still and acid water showed a disproportionate high negative development. The main reason was the bad weather conditions in September compared to 2016.

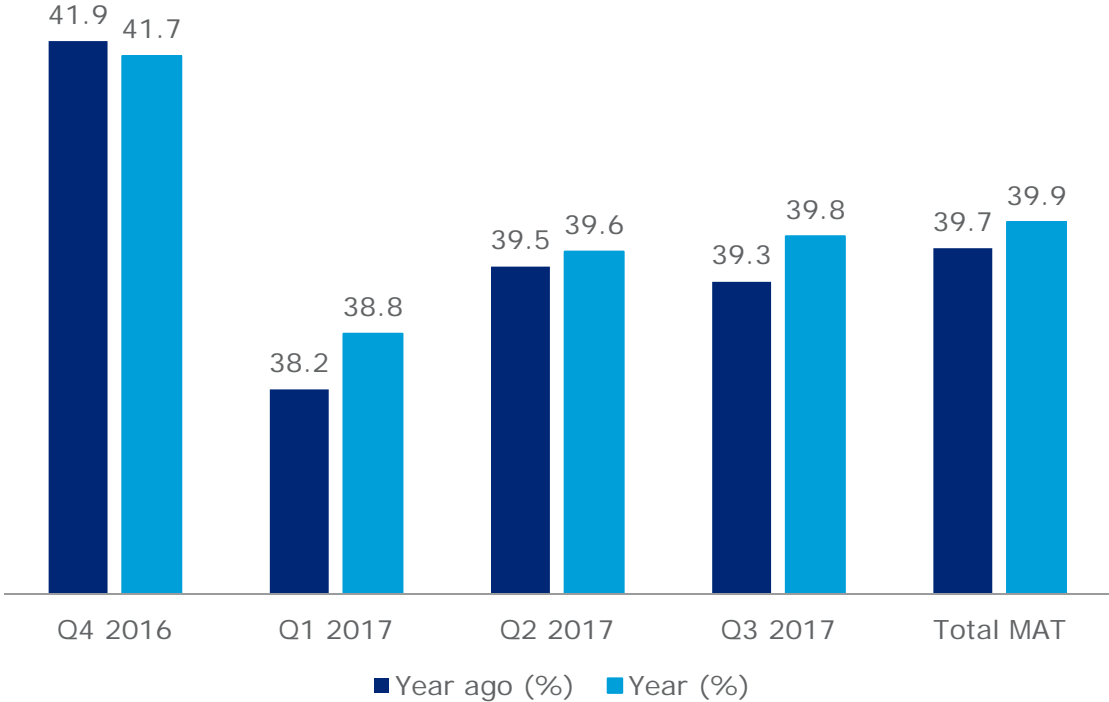
Source: IRI
Coverage: total channels



Private labels, Q3 2017 – Germany

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

Total FMCG private labels market share



Comments

- The private label value market share in Q3 2017 is nearly stable compared to Q3 2016.
- The price increase of dairy products does also effect the value sales development of private label products. In contrast to the total market view, we register a volume decrease in the private label product portfolio for dairy products. The main reason is the higher price sensibility of private label shoppers and the more price competitiveness of branded products after the price increase.
- Also the private label products in the beverages category show a negative development in value and volume sales compared to Q3 2016. The bad weather in September 2017 compared to 2016 is the main reason.

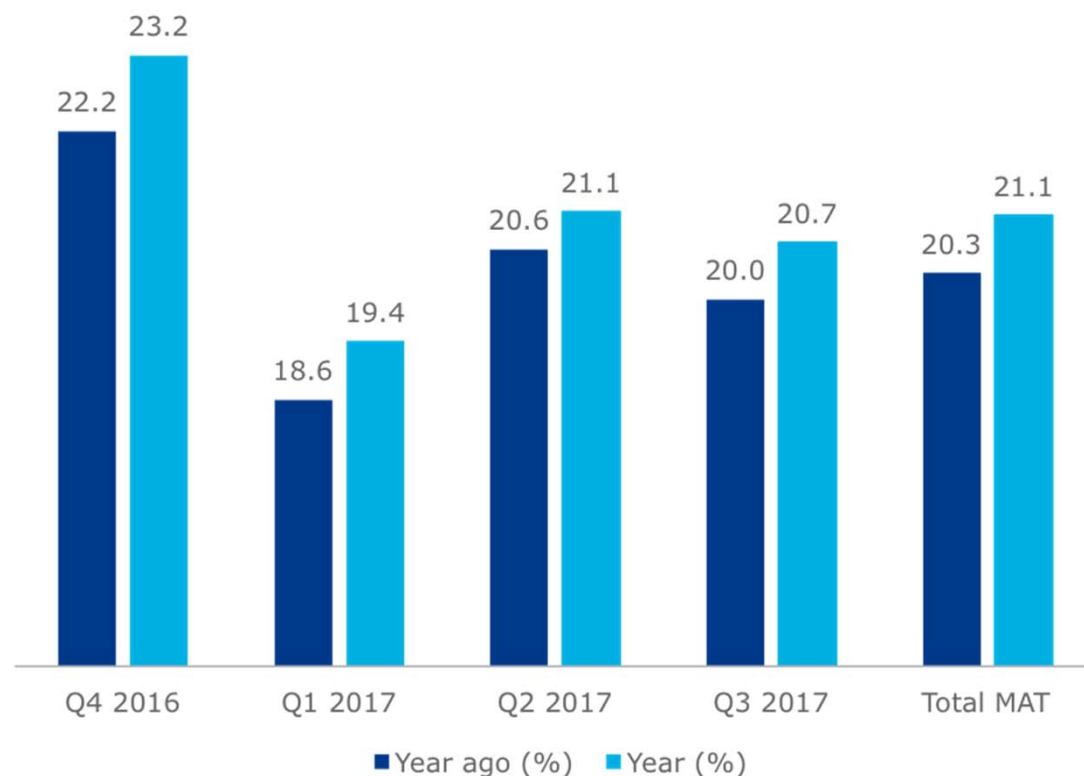
Source: IRI
Coverage: total channels



Promotion, Q3 2017 - Germany

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

Total FMCG value on promotion



Comments

- Compared to Q3 2016, the promotion value share shows a slight increase.
- The main driver is the beverages category. The price level for promotions, especially for carbonated soft drinks and juices was 8.5% higher compared to Q3 2016. Beside that, the promotion activities increased as well.
- On the other hand, alcoholic products showed a stable development compared to Q3 2016.
- Another driver was the frozen food category. The promotion activities in frozen fish and frozen meat increased compared to stable development in ice cream.

Source: IRI
Coverage: total channels

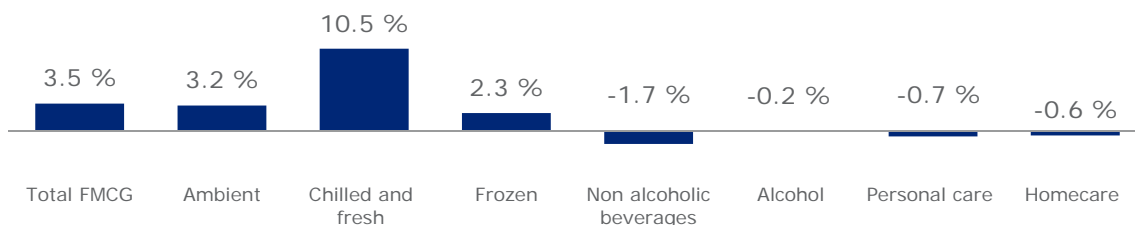




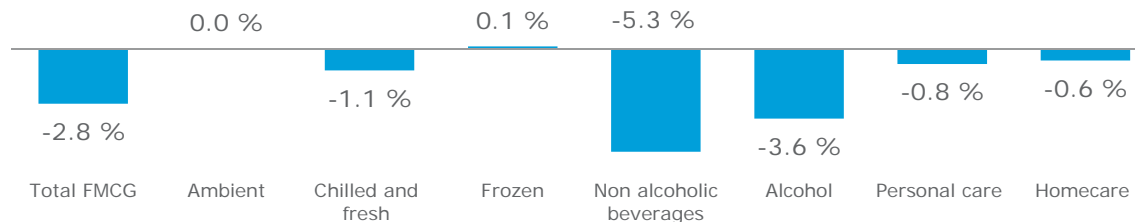
Categories short term sales, Q3 2017 - Germany

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

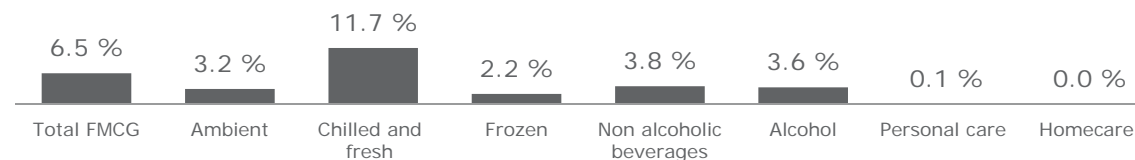
Value (%)



Volume (%)



Price (%)



Comments

- The chilled and fresh category shows a significant development in value sales.
- The volume sales in the category chilled and fresh are decreasing.
- The positive trend of sales is therefore driven 100% by the price increase of dairy products.
- The beverages categories show a negative development in volume sales due to bad weather conditions especially in September compared with a higher pricing level.
- The increasing prices in beverages can't compensate the decreasing volume sales in value terms.

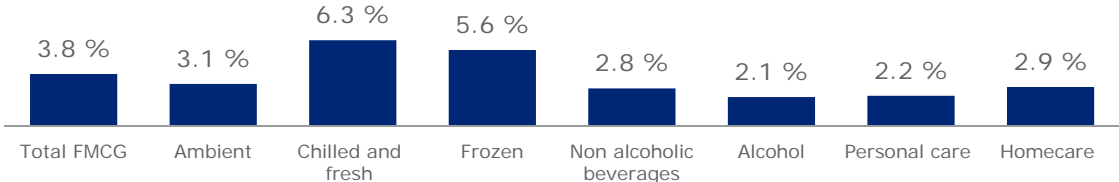
Source: IRI
Coverage: total channels

Categories sales, moving annual total, Q3 2017 - Germany

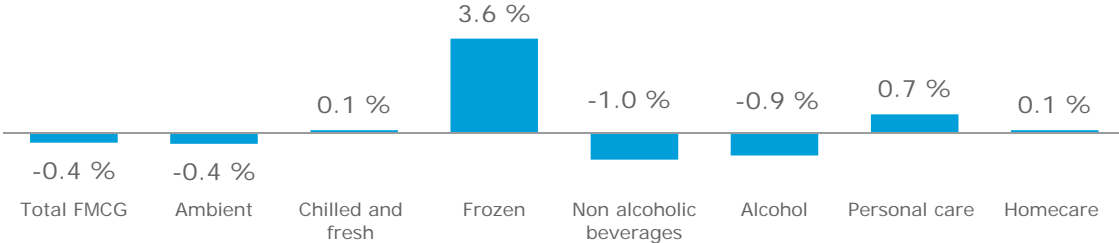


FMCG categories value, volume and price evolution, in %, in Germany

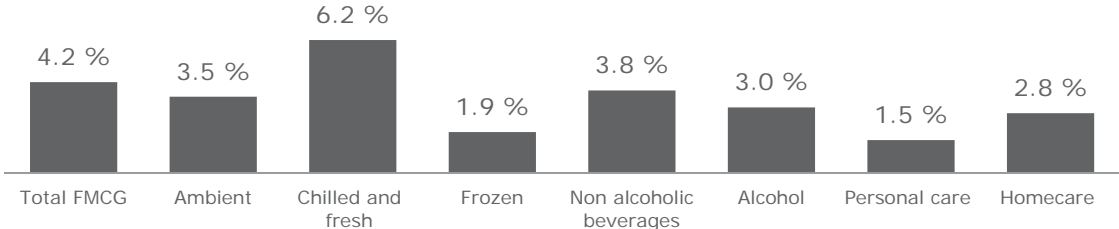
Value (%)



Volume (%)



Price (%)



Source: IRI
Coverage: total channels

Comments

- Focusing on the current moving annual total (MAT), the chilled and fresh and frozen food categories positive performance in value terms in Q2 2017 and Q3 2017 are the main driver of the increasing development.
- The price increase of the milk raw material mainly drives also the growth in the current MAT.
- Frozen food is mainly driven by a volume increase in frozen meat and frozen fish. The range of products here are especially responsible for the expanse by +3.9%.

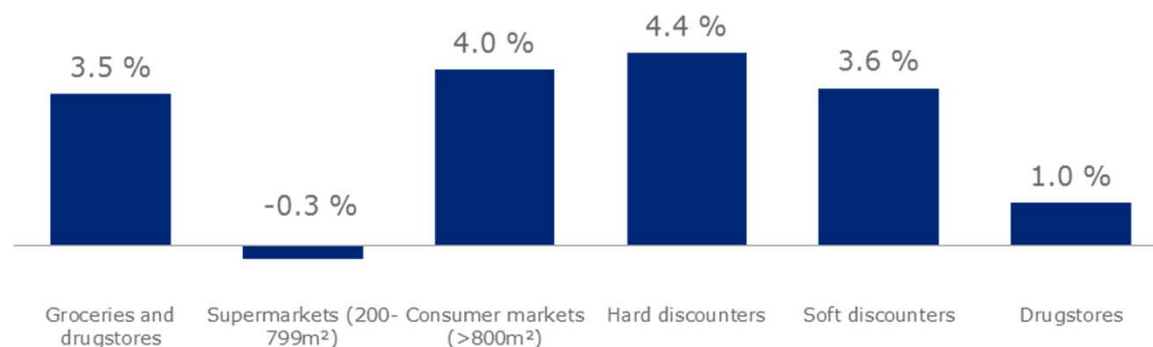




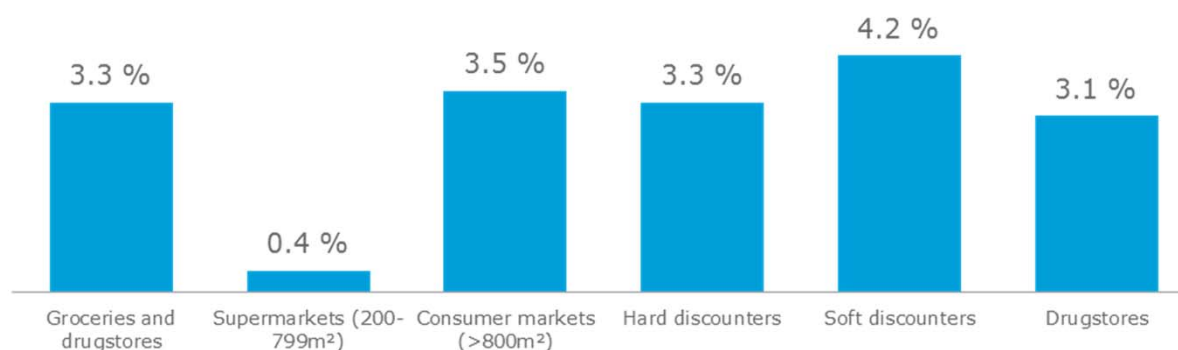
Channels landscape, Q3 2017 - Germany

FMCG channels weight evolution, in %, in Germany

Channels short term results Q3 2017



Channels MAT results



Source: IRI

Coverage: total channels

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 Q3.
- Only Supermarkets (200-799m²) show a nearly stable development. The average price increase compensate the losses in volume sales by nearly 100%. The main driver here is also the price increase of dairy products.

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.