



IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q2 2017

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September 2017



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Growth delivered.

IRI State of the Nations Q2 2017



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Growth delivered.



France



Germany



Greece



Holland



Italy



Spain



United Kingdom





Key findings - Italy

- Thanks to the improvement in international demand there are clear signs of the economic path strengthening in Italy, especially on the export side. GDP fluctuation is slightly positive.
- The economic recovery in Italy is confirmed and the gap with the main European partners reduced. Nonetheless, unresolved structural issues affecting the financial system and employment sector persist. International pressures on costs eased due to a weak dollar and energy trends.
- Strengthening is expected for the second and third quarters of the year. Consumption trends appear to be only moderately positive. The growth of household spending is still concentrated on car purchases.
- The purchasing power of consumers is burdened by the rise in inflation linked to energy products and food.



Key findings - Italy

- Fast moving consumer goods (FMCG) results for the first half of 2017 are clearly positive, partially favoured by the climate that keeps high the demand for beverages and seasonal foods (spring/summer).
- FMCG prices took a slightly negative turn in June, reflecting the lower general pressure on raw materials. A first drop in shopping basket value has been recorded.
- The usage of price promotions in the past few months has been affected by the greater activity of private labels, sustaining the FMCG sector's pressure. National brands experienced a counter-trend.
- In May and June private labels leveraged more often on promotional activities than the yearly average. National brands are dropping slightly.
- In terms of trend, the private labels reached in June the same levels of 2016, thanks to a good start in sales in the last two months.

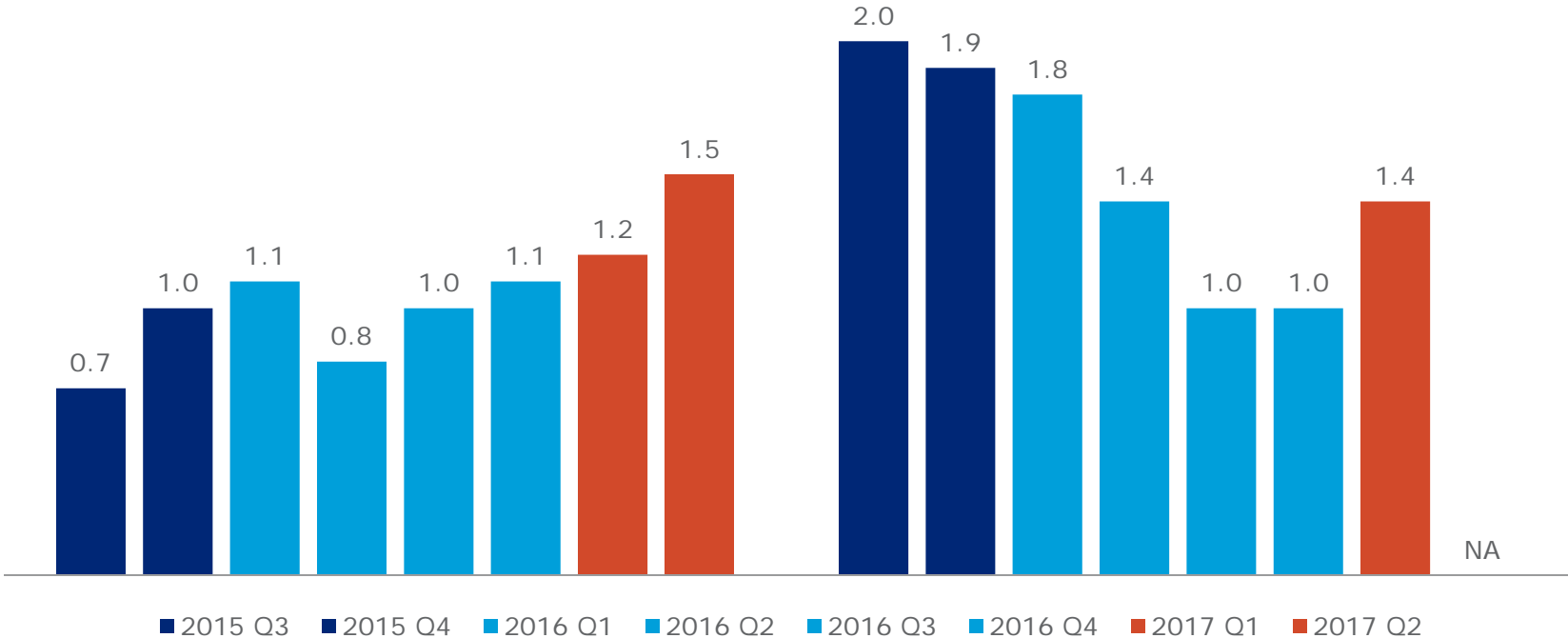
Macro-economic context – Italy



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

GDP evolution

Households expenditure



Source: Eurostat

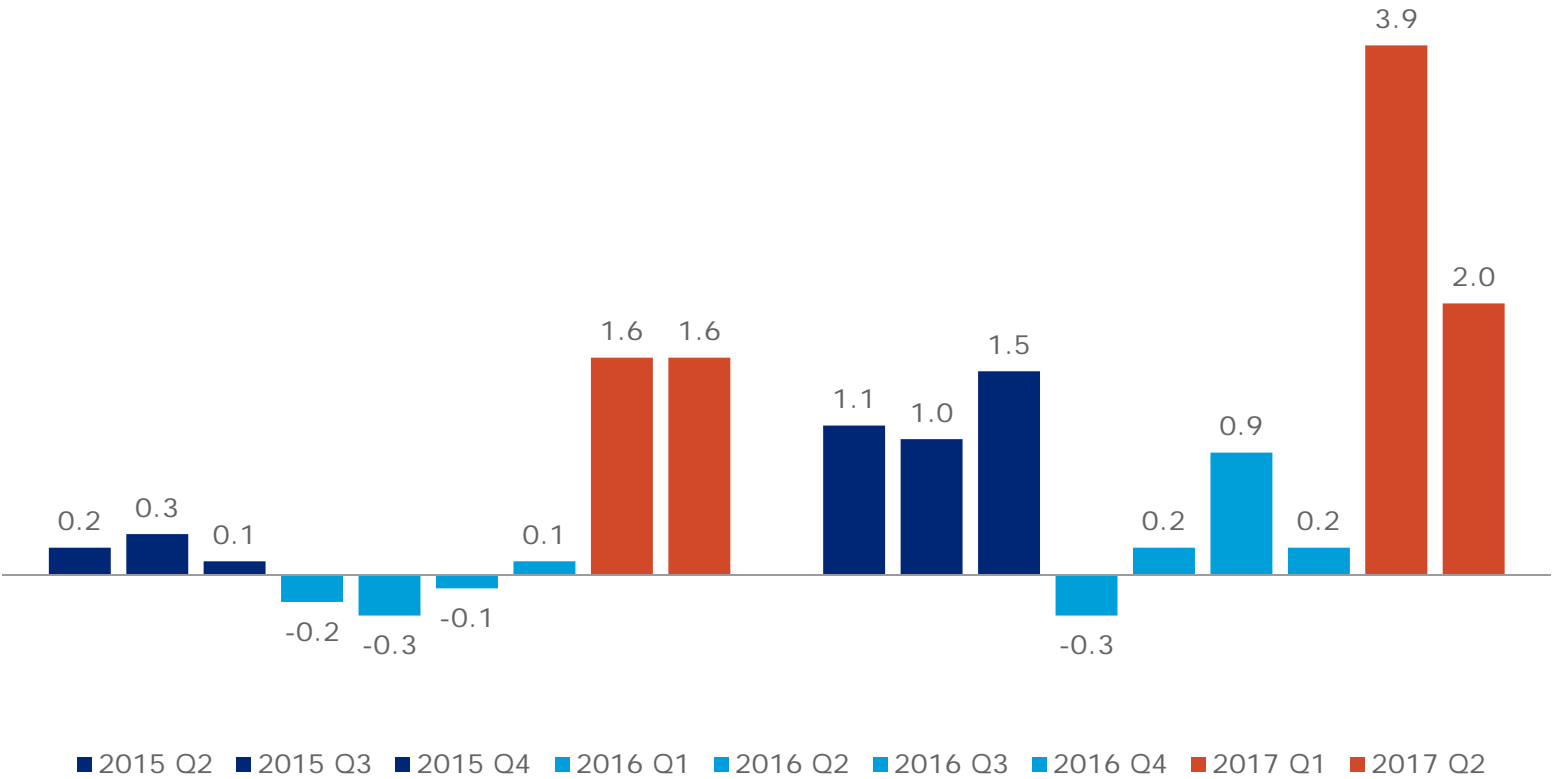
Macro-economic context – Italy



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

Total inflation rate

Food and beverage inflation rate



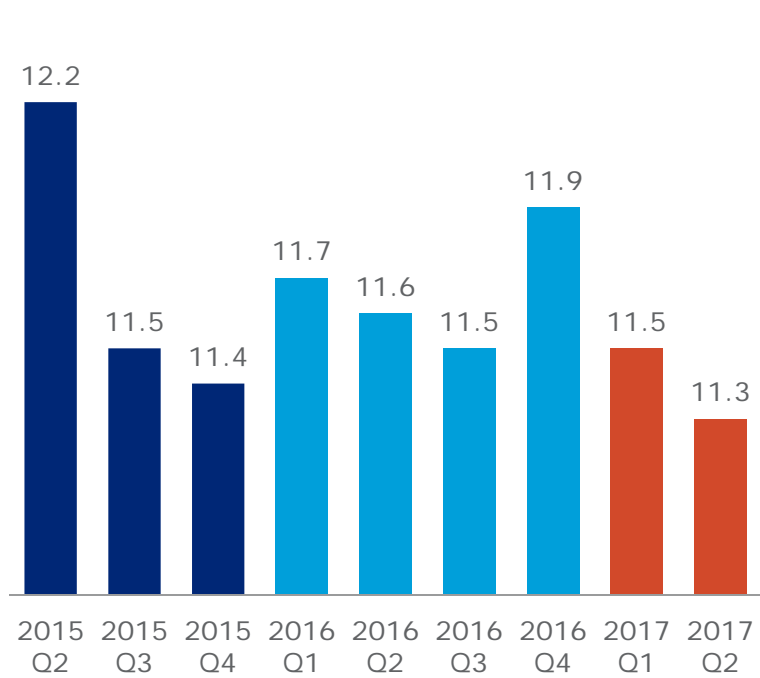
Source: Eurostat

Macro-economic context - Italy

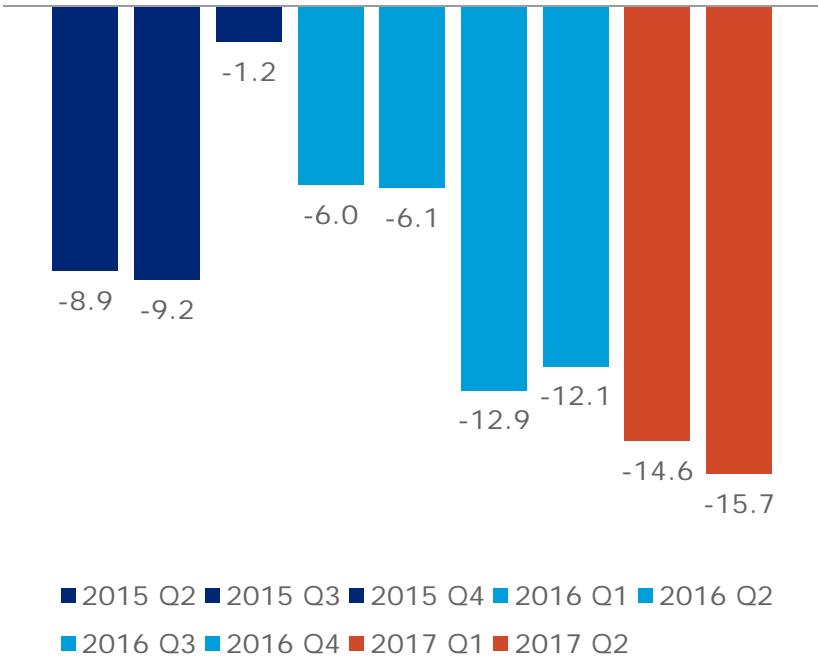


Unemployment and household confidence evolution, in %, in Italy

Unemployment rate



Household confidence level



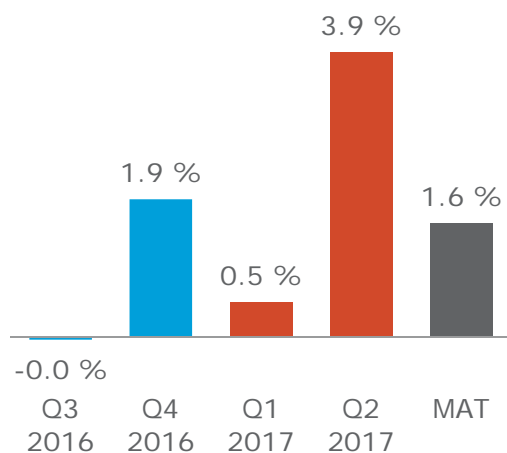
Source: Eurostat



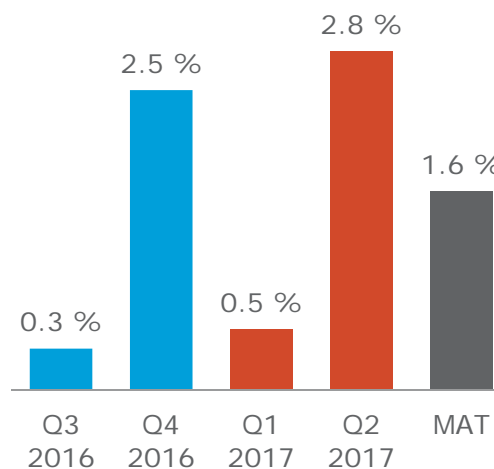
Total FMCG, Q2 2017 - Italy

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

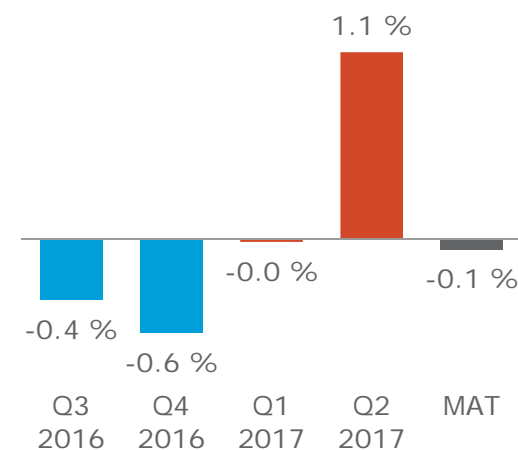
Total FMCG value



Total FMCG volume



Total FMCG volume price



Comments

- Despite the setback experienced in May, the progressive balance for the first six months of 2017 in Italy was marked by appreciable growth in volume and purchases.
- Prices have returned to growth, even if at moderate rates during Q2.

Source: IRI

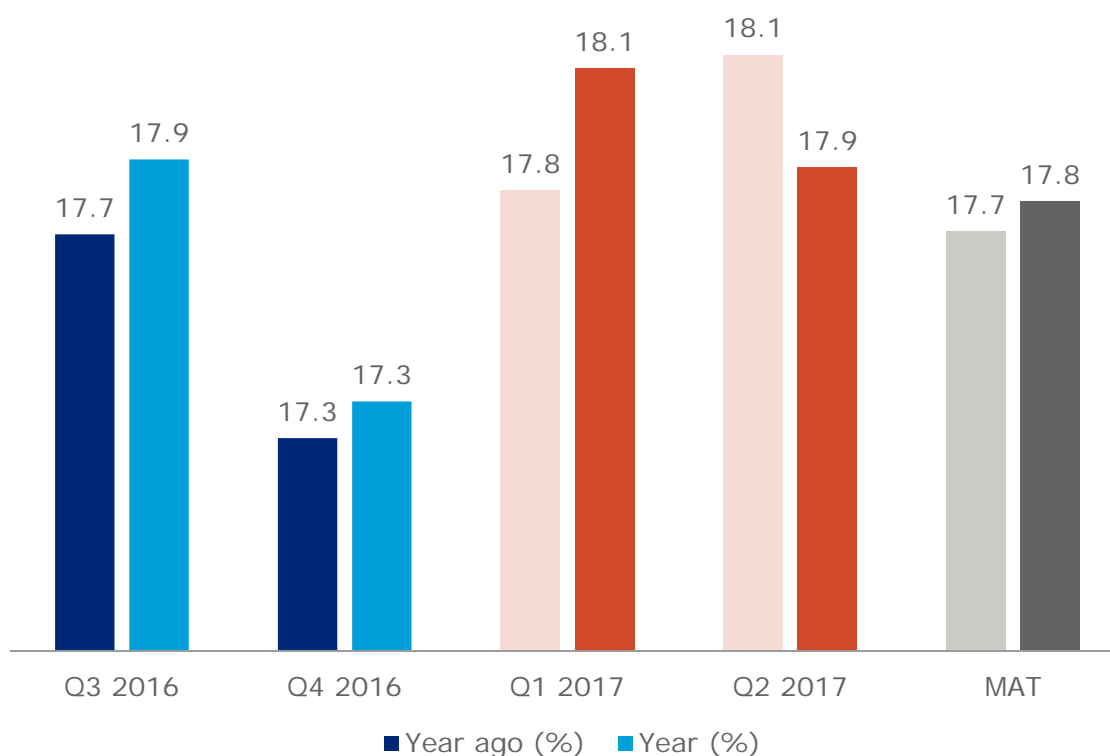
Coverage: hypermarkets, supermarkets, small shops, drugstores, hard discounters



Private labels, Q2 2017 – Italy

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

Total FMCG private labels market share)



Comments

- Private labels maintain their market share and are nearly stable in respect to the levels achieved in the first six months of 2016 (only a 0.2 % point of decrease is registered).
- The share of private labels continued to shrink a little in home care and personal care categories while it is stable in the other macro categories.
- Private labels are leveraging less on promotions than national brands in the first semester of 2017. But during May and June they increased the promotional pressure.
- Private label assortment grew more than the national brands' during May and June.

Source: IRI

Coverage: hypermarkets, supermarkets, small shops, drugstores

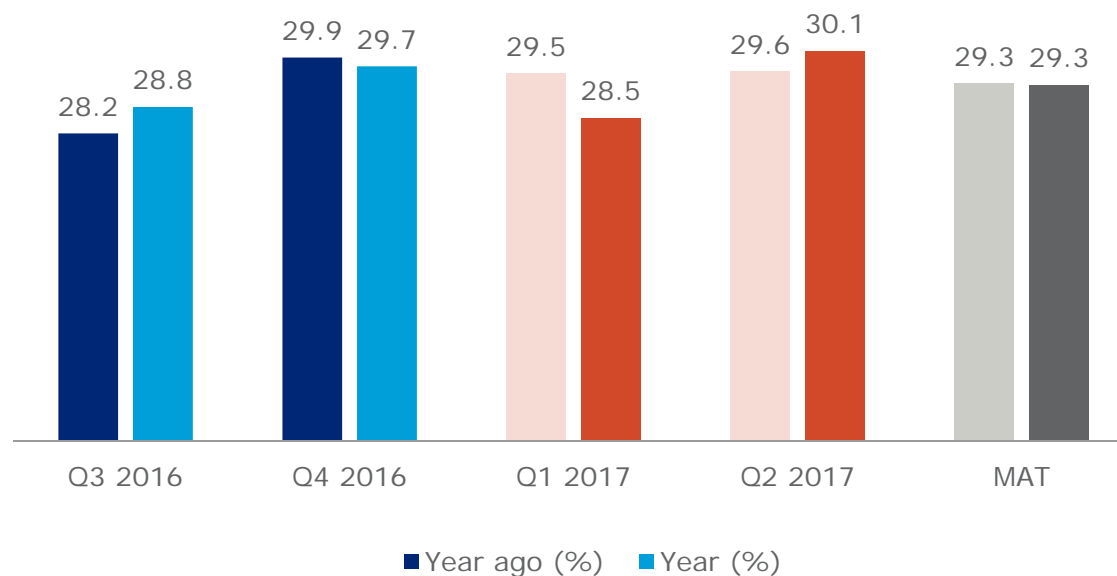




Promotion, Q2 2017 - Italy

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

Total FMCG value on promotion



Comments

- The use of price promotions increased in Q2 2017 while the promo effectiveness decreased a little.
- In general national brands during the first semester of 2017 leveraged less on promotions versus the same period of 2016.
- Private labels' promotional pressure is lower than the national brands one.

Source: IRI

Coverage: hypermarkets and supermarkets

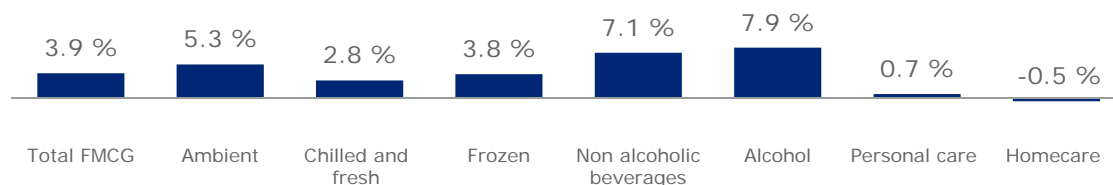




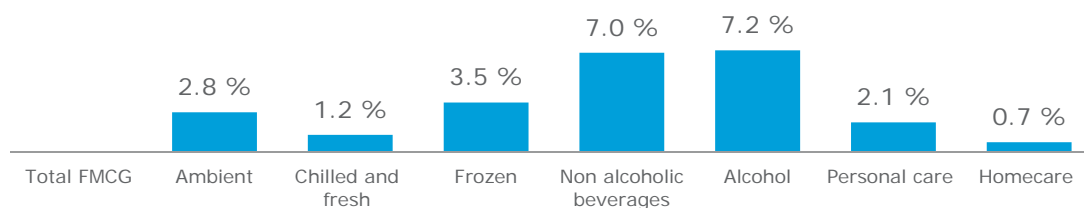
Categories short term sales, Q2 2017 - Italy

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

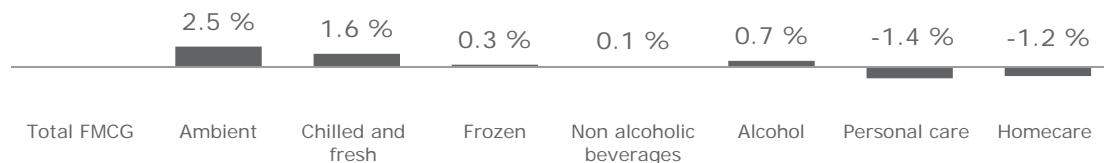
Value (%)



Volume (%)



Price (%)



Source: IRI

Coverage: hypermarkets, supermarkets, small shops, drugstores, hard discounters

Comments

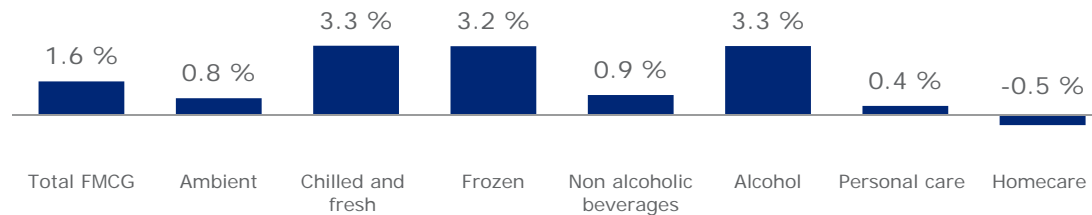
- Note the positive trend of the beverage sector in its non-alcoholic component, favoured by the spring-summer season, which was warmer compared to last year.
- Also alcoholic products are performing well in both sales in value and sales in volume during Q2.
- Ambient food and chilled and fresh food show a good trend in volume, despite the rise in prices.
- Personal care and homecare volumes are on the rise, but revenues are penalised by falling price trends recorded in the first six months of 2017.



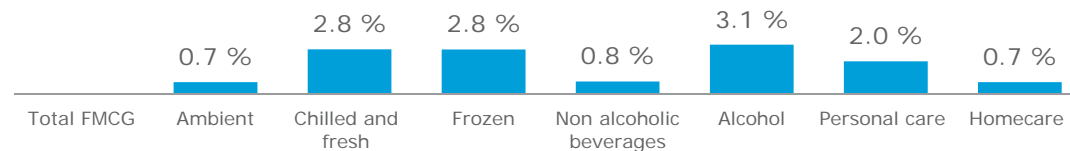
Categories sales, moving annual total, Q2 2017 - Italy

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

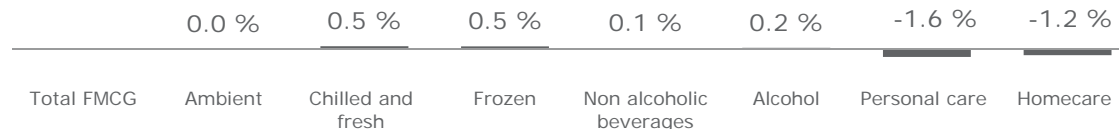
Value (%)



Volume (%)



Price (%)



Comments

- Value trends in many categories were affected by the price decrease of the entire 2016 which occurred also in 2017.
- Homecare and personal care categories were the most impacted in terms of price decrease.
- Despite this, volume sales were not growing significantly. Homecare is also decreasing.
- During the last 12 months, in the food macro category, fresh products were driving growth.

Source: IRI

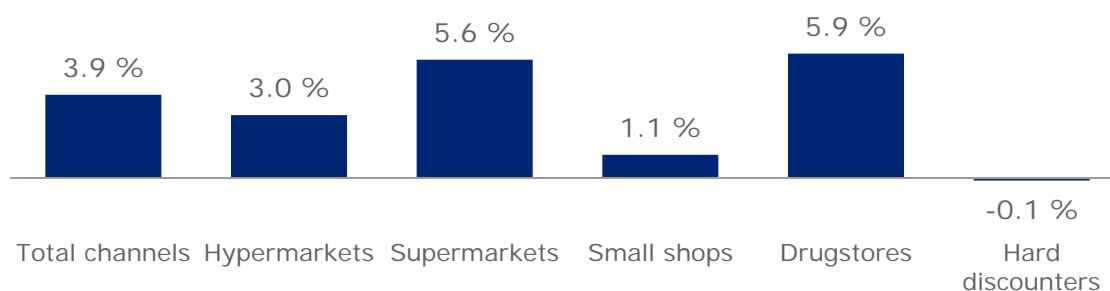
Coverage: hypermarkets, supermarkets, small shops, drugstores, hard discounters



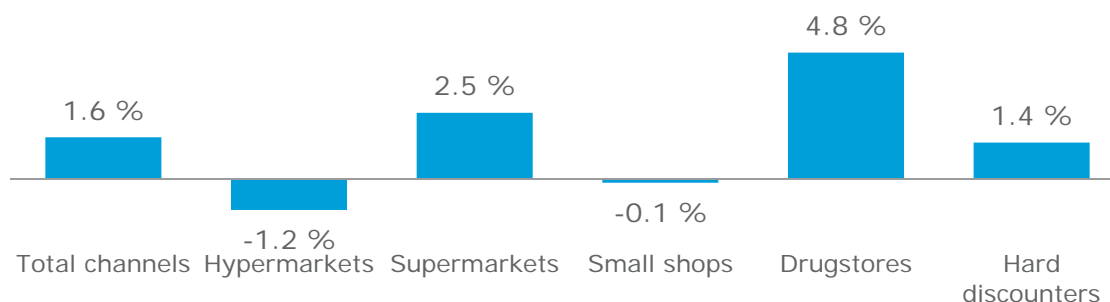
Channels landscape, Q2 2017 - Italy

FMCG channels weight evolution, in %, in Italy

Channels short term results



Channels MAT results



Source: IRI

Coverage: hypermarkets, supermarkets, small shops, drugstores, hard discounters

Comments

- In June, hypermarkets, supermarkets and small shops showed appreciable results.
- Drugstores maintain unchanged from the excellent development achieved in the previous year during Q2.
- The slowdown in the discount sector recorded in the first six months of last year has been confirmed also in 2017.
- During the last 12 months the best performers were drugstores.
- Within the supermarket channel, "Superstores" (shops larger than 2.500 square meters) are the top performers in Italy.
- Small shops are struggling, which has been the case for years in Italy.

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 - Italy

FINAL NOTES

- **Source:** IRI InfoScan, syndicated retail tracking service.
- **Methodology:** Quarterly review, year-on-year data for fast moving consumer goods.
- **Channel coverage:** hypermarkets, supermarkets, small shops, drugstores, hard discounters. For promotion: hypermarkets, supermarkets

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:
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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.
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