



IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q3 2017 - Italy

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November 2017



IRI State of the Nations Q2 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 - Italy

- The Italian economy is definitely on the path to recovery. The rate of recovery, however, is much slower than the one reported by other major European partners. The vulnerability elements tied to the weakness in employment remained unchanged, affected also by a low purchasing power and by the potential adoption in the immediate future of stricter public budget policies (ECB's easing/abolition of quantitative easing).
- The positive recovery trend in Italy mirrors the effect of the export trends, which are reinforced by the global demand. The framework for capital expenditure in automotive is also positive, exploiting the Industry 4.0 tax incentives.
- Thanks to the positive indicators registered in the past few months, growth forecasts have been revised to reflect a rebound.
- GDP growth this year is estimated to be 1.5 percent, while consumer spending is expected to reach 1.3 percent.



Key findings - Italy

- The 2017 Q3 registers a FMCG sales growth. The positive data is tied to trends in the Food sector, while Non Food segments (Home Care and Personal care) experienced a decrease.
- Beverages were also marked by a setback; a trend largely influenced by the climate (a colder September than usual). However July and August were very favourable for this category.
- FMCG prices remained weak, but all food sectors recorded a price increase in the past few months (an evident trend in fresh products – fixed weight).
- The non-food sectors continue to be affected by deflation, which hinders revenue growth.
- The increase in shopping basket value (trading-up) is confirmed also in Q3.
- Promotional pressure in the FMCG sector in September was lower than the one recorded in the same period of 2016 because of less Hi-Lo *promotion activities* planned by private labels.
- Private labels market shares remained at those of 2016 Q3.

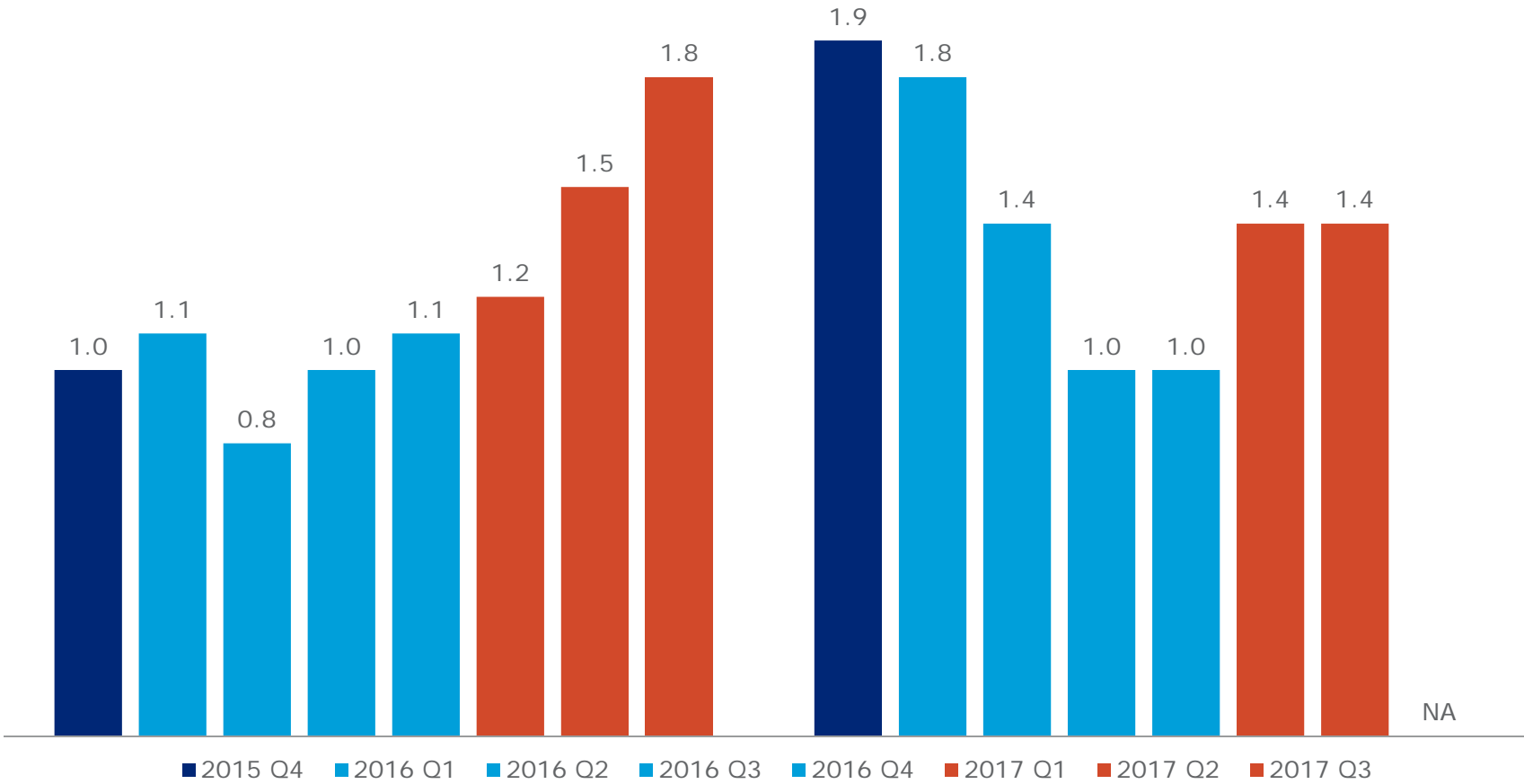
Macro-economic context – Italy



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

GDP evolution

Household expenditure



Source: Eurostat

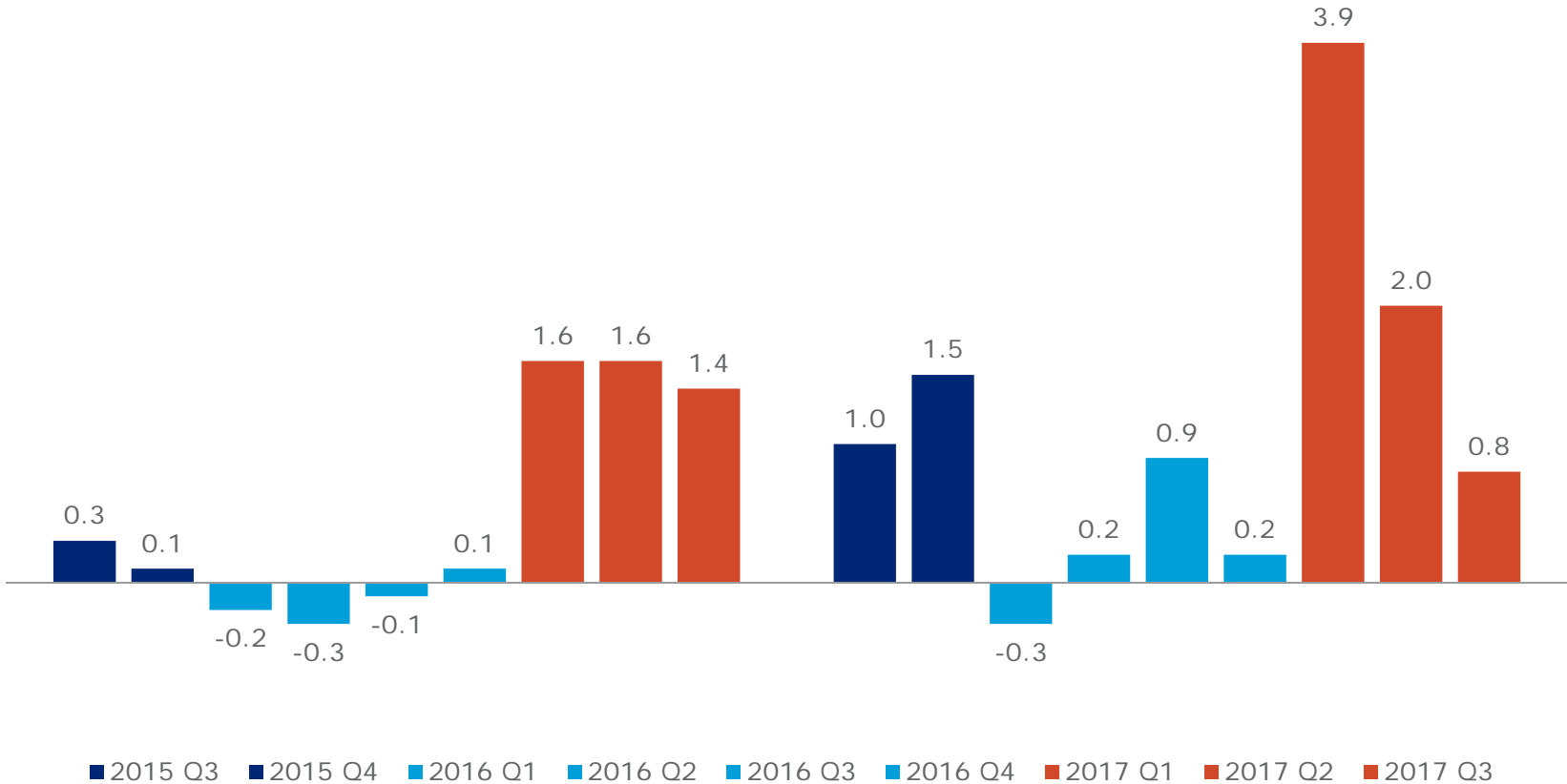
Macro-economic context – Italy



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

Total inflation rate

Food and beverage inflation rate



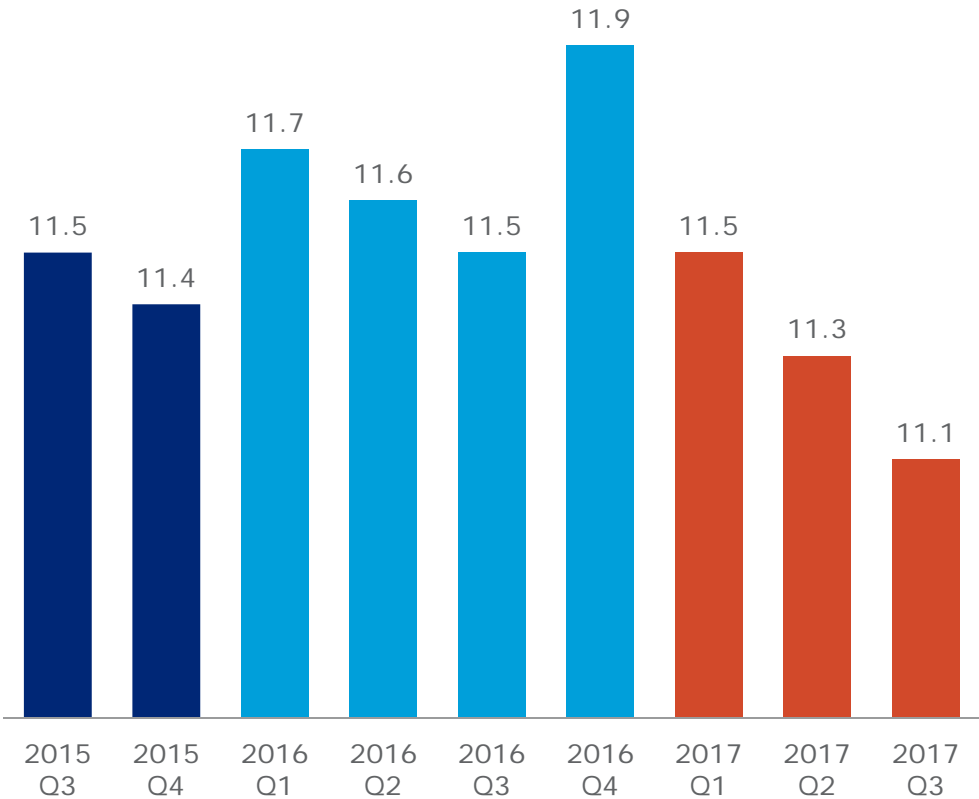
Source: Eurostat

Macro-economic context - Italy

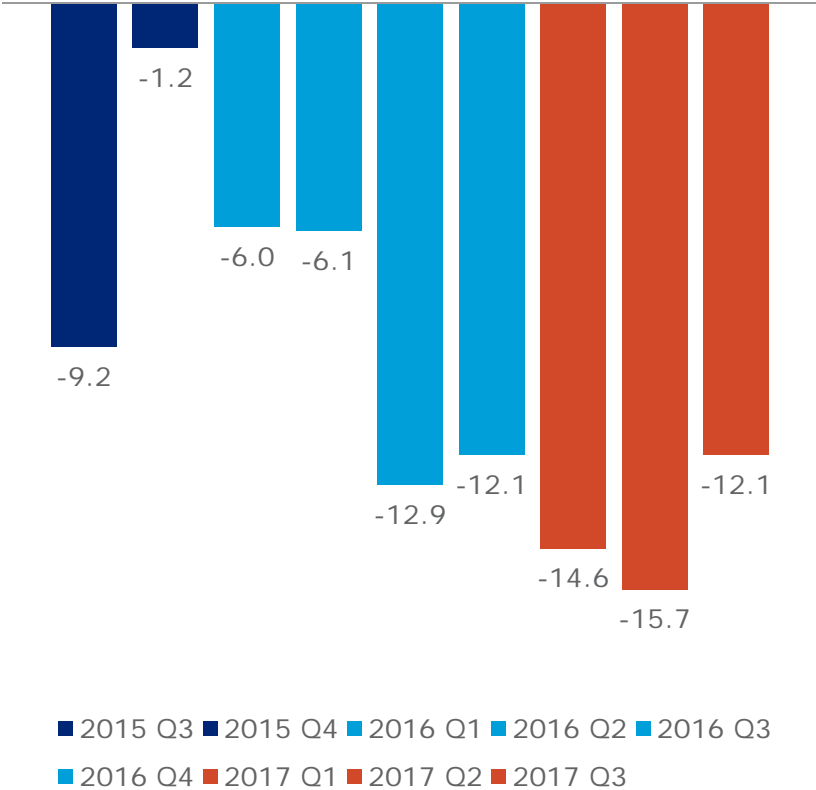


Unemployment and household confidence evolution, in %, in Italy

Unemployment rate



Household confidence level



Source: Eurostat

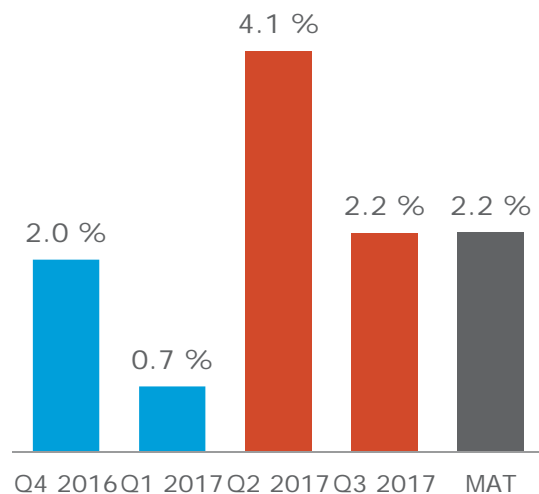




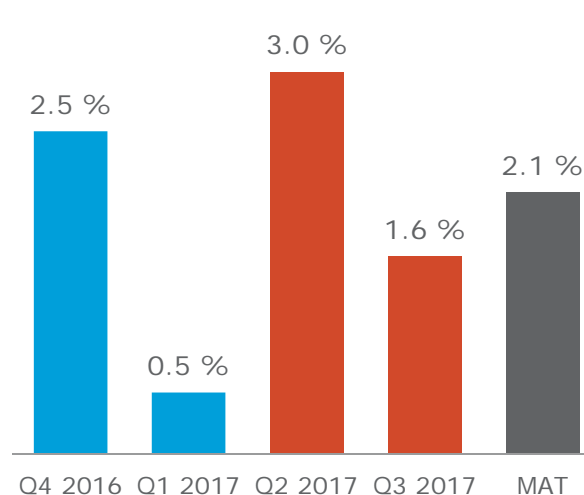
Total FMCG, Q3 2017 - Italy

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

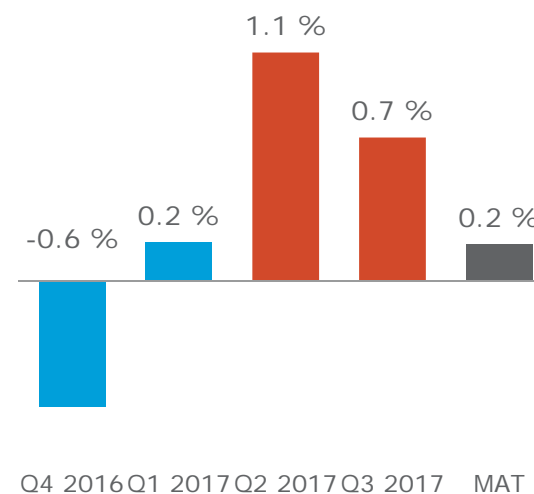
Total FMCG value



Total FMCG volume



Total FMCG volume price



Comments

- A solid demand for fast moving consumer goods recorded a growth exceeding 2% in September.
- Prices are slightly rebounding during Q3.

Source: IRI

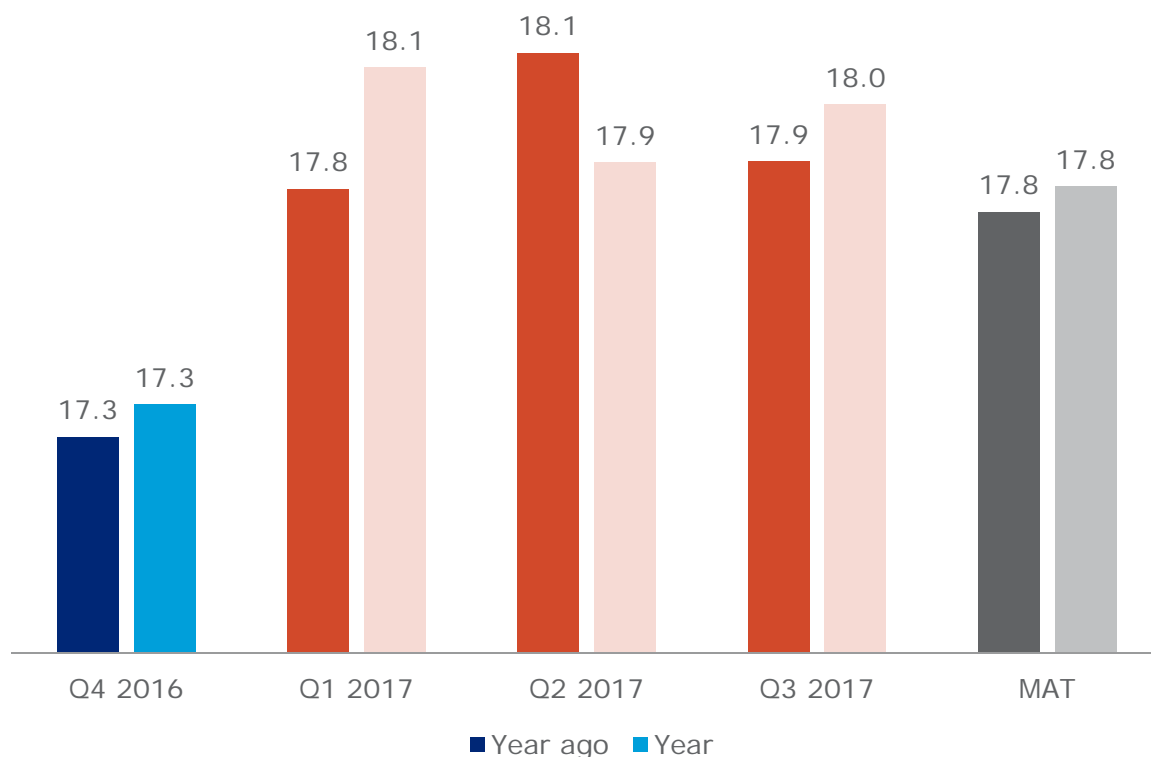
Coverage: hypermarkets, supermarkets, small shops, drugstores, hard discounters



Private labels, Q3 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 nine months of 2016 (only a 0.1 % point of increase 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 third quarter of 2017. In September they decreased promo pressure of over three points versus the same period of 2016.
- Private labels assortment grew more than the national brands during September.

Source: IRI

Coverage: hypermarkets, supermarkets, small shops, drugstores

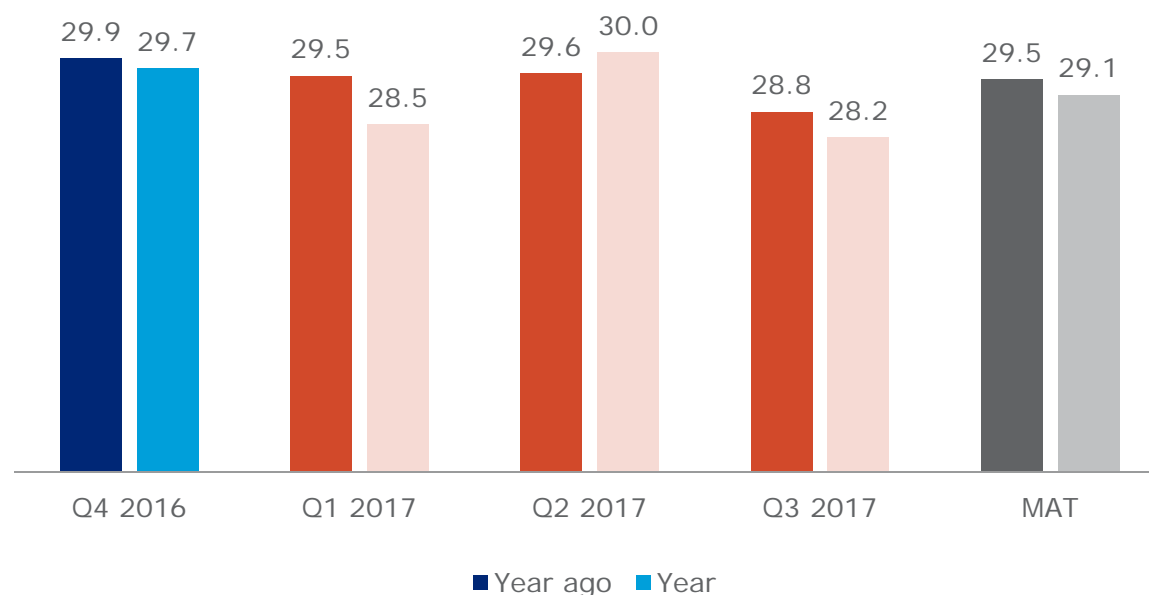




Promotion, Q3 2017 - Italy

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

Total FMCG value on promotion



Comments

- The use of price promotions decreased in Q3 2017.
- Promotional pressure in the FMCG sector in Q3 was lower than the one recorded in the same month of 2016 because of less Hi-Lo promotion activities planned by private labels.
- In general national brands during the first nine months 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

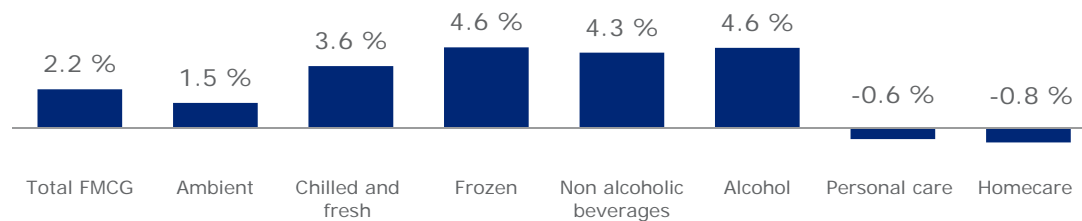




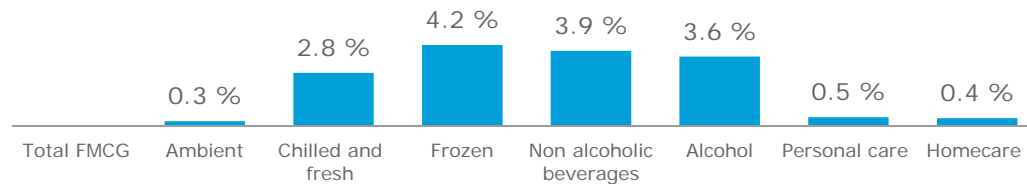
Categories short term sales, Q3 2017 - Italy

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

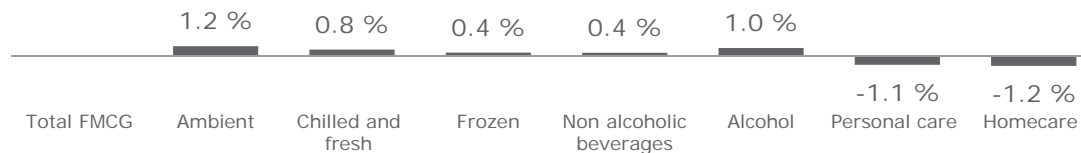
Value (%)



Volume (%)



Price (%)



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 Q3.
- Chilled and frozen food show a good trend in volume, boosted by a very hot July and August compared with 2016.
- Personal care and homecare volumes are slightly positive, but revenues are penalised by falling price trends recorded in Q3.

Source: IRI

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

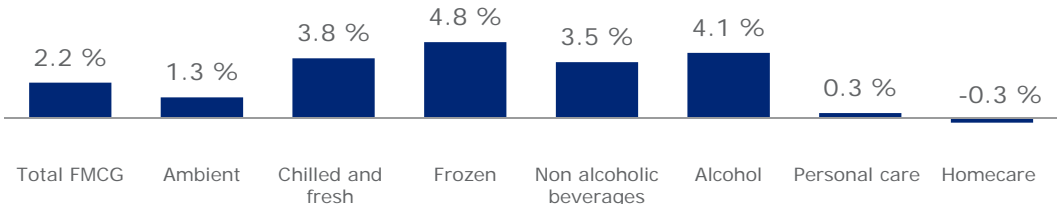


Categories sales, moving annual total, Q3 2017 - Italy

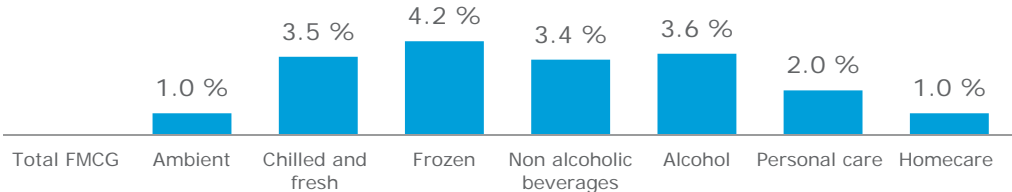


FMCG categories value, volume and price evolution, in %, in Italy

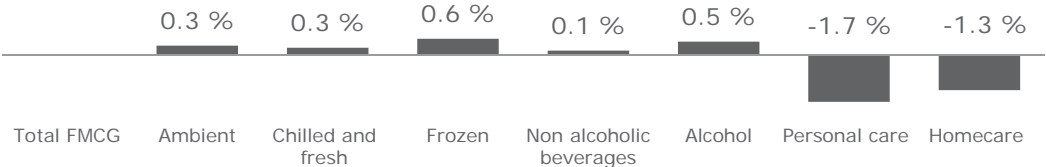
Value (%)



Volume (%)



Price (%)



Comments

- Value trends in many categories were affected by the price decrease of the entire 2016 which occurred also in 2017.
- Food categories are leading the FMCG growth during the entire 2017.
- Homecare and personal care categories were the most impacted in terms of price decrease.
- Despite this, volume sales grew less than other macro categories.
- During the last 12 months, in the food macro category, fresh and chilled products were driving the growth. Frozen food (ice creams) was sustained by a very favourable summer season.

Source: IRI

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

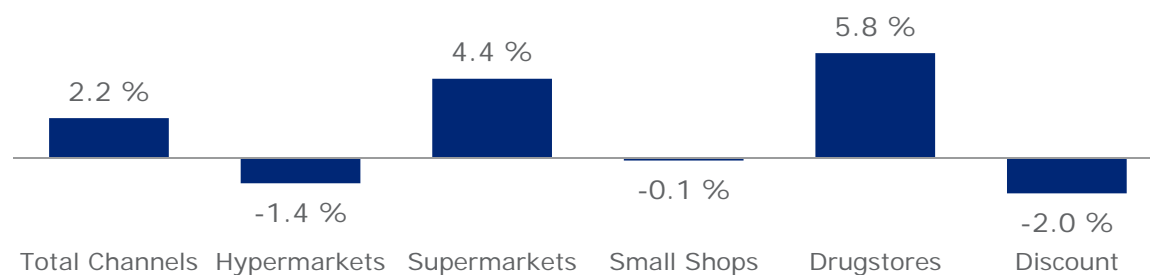




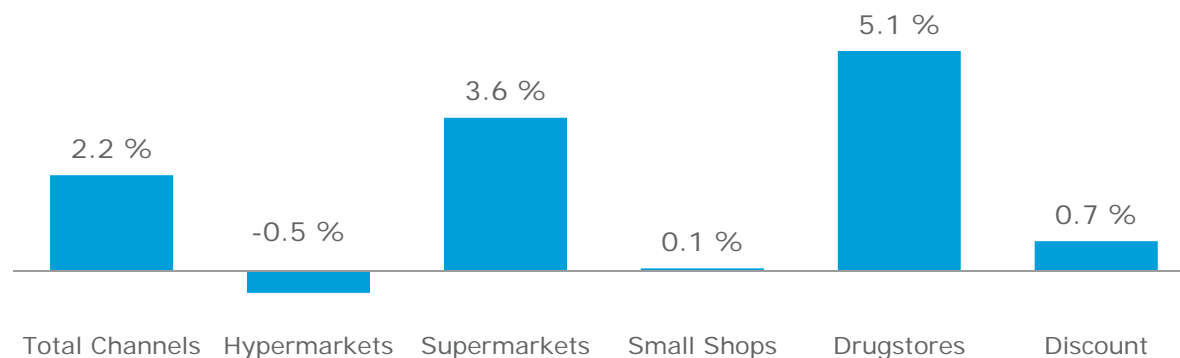
Channels landscape, Q3 2017 - Italy

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

- Q3 was very dynamic thanks to volume demand in supermarkets and drugstores.
- Hard discounters recorded a slowdown stabilising below the levels reached in 2016.
- The migration of a portion of purchases from discounters towards other distribution channels led to an increase of prices in the FMCG formats overall (+0.3%).
- During the last 12 months the best performers were drugstores and supermarkets.
- 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

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