

IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q1 2017



www.iriworldwide.com

July 2017



IRI State of the Nations Q1 2017

ITALY



Key findings - Italy



- The first 2017 quarter shows a moderately positive macroeconomic situation in Italy. Issues relating to the unemployment rate and the general macroeconomic scenario are less intensive. However, there are still sources of uncertainty linked to a complex international scenario, and hurdles to significantly boost the purchasing power of households in the medium term. Finally, expectations about prices rising quickly are changing due to the sudden devaluation of the dollar and the new drop in the price of raw materials (especially energy). Despite this we register a little inflation.
- The FMCG market registered a modest growth in the first 2017 quarter, but the result is scarcely significant when compared to the same 2016 period, considering that Easter was in March in 2016 (this calendar issue significantly impacts on trends). However, considering that the first quarter closed with results aligned to the ones of the previous year, it is reasonable to expect a considerable growth in FMCG sales in the coming months.

Key findings - Italy



- Prices are gradually recovering from the deflation that characterised the entire 2016, but the trend is mainly the result of the performance of fresh fruit and vegetables categories which were hit by the effects of cold weather in January and February 2017.
- Promotions in March were influenced by calendar effects (Easter).
- Private labels gained in market share, but this result is distorted by the fact that Easter fell in the month of April this year.

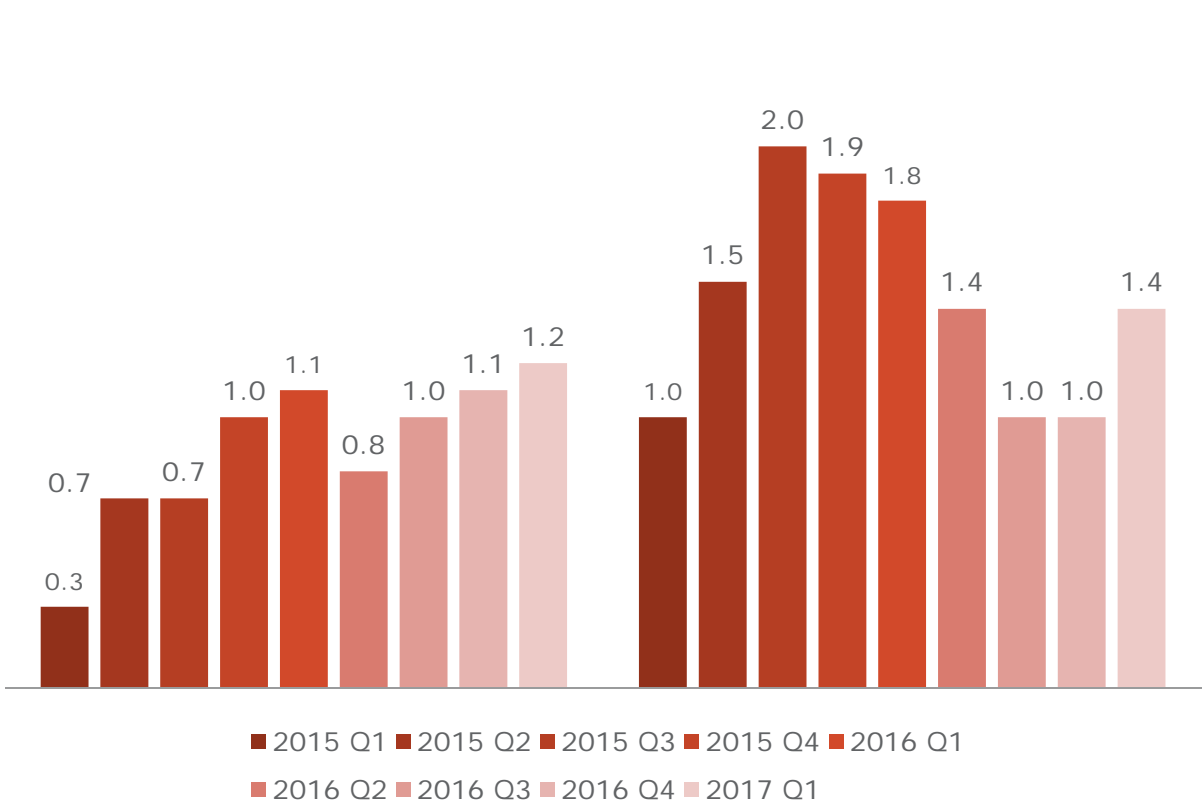
Macro-economic context - Italy



GDP and household expenditure evolution, in %, in Italy

GDP evolution (versus year ago)

Households expenditures



Source: Eurostat

Comments

- In the first quarter of 2017 the Italian Gross Domestic Product (GDP) increased by 0.1% on the fourth quarter of 2016 and compared to the first quarter of 2016.
- In 2017 the Italian GDP is expected to grow by 1.3%.
- Household expenditure is registering an increase during the first 2017 quarter. Despite this household consumption expenditure is expected to grow by 1.0% in 2017, slowing down slightly compared to 2016 (Istat forecasts updated to June 2017).

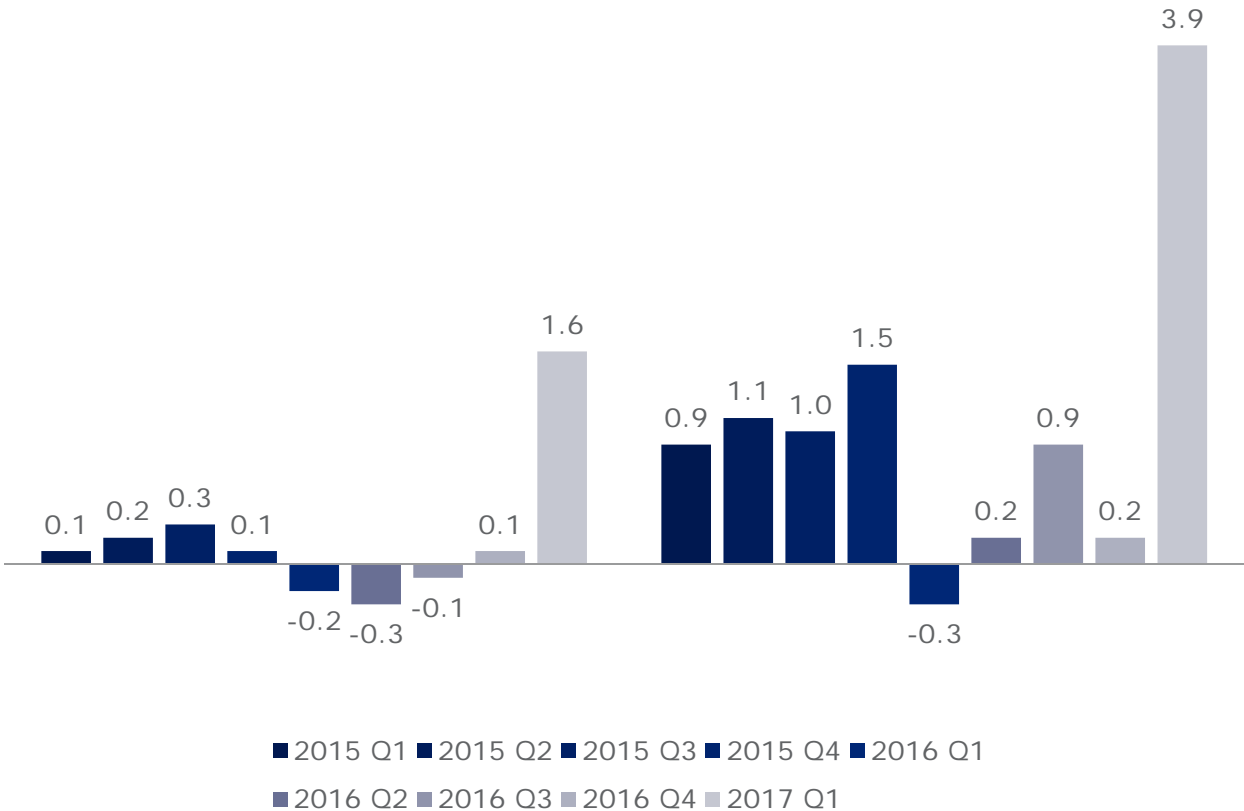
Macro-economic context - Italy



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

Total inflation rate

Food and beverage inflation rate



Comments

- After a year of deflation, prices start to grow again in Italy during the first 2017 quarter.
- Food prices were impacted also by weather during the first quarter of 2017 (cold weather during January and February impacted Fresh Food prices in Italy).

Source: Eurostat

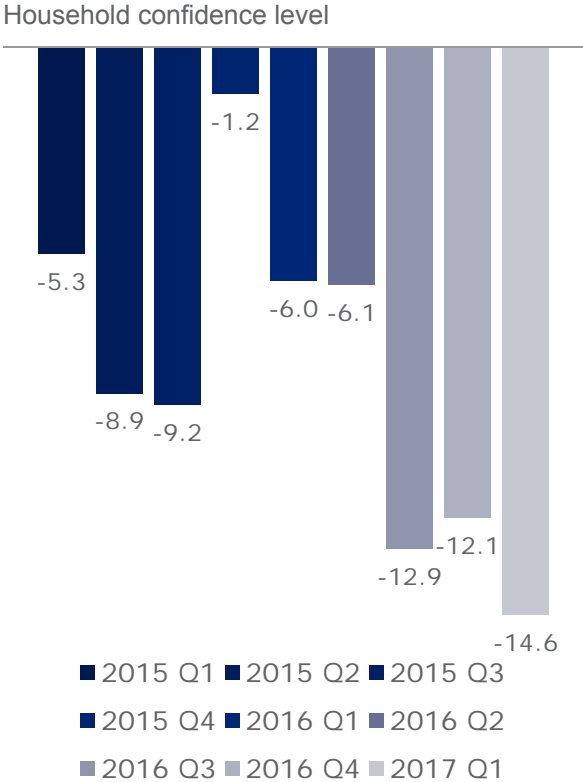
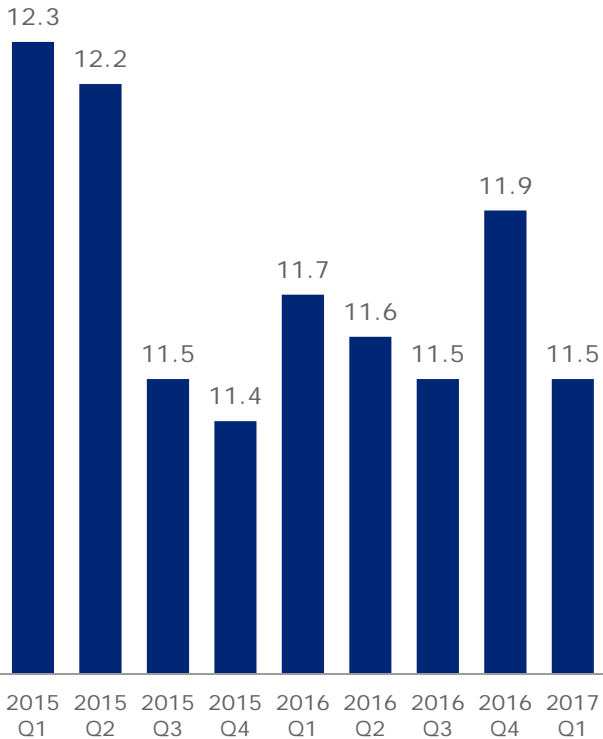


Macro-economic context - Italy



Unemployment and confidence evolution, in %, in Italy

Unemployment rate (first month of each quarter)



Comments

- Unemployment rate in the first quarter of 2017 was at 11.5%.
- Young people unemployed are still at a higher percentage in Italy.
- The household confidence level is slowing down since two years ago.

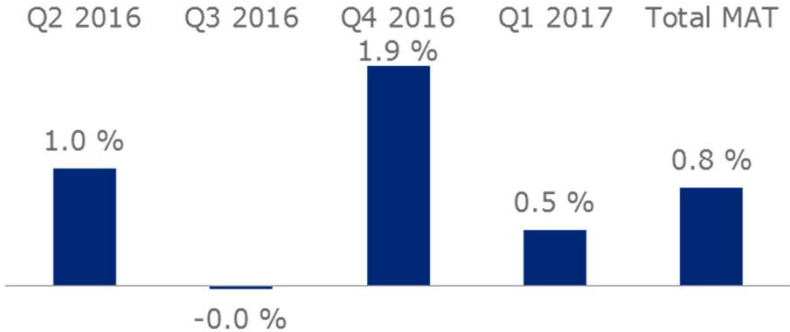
Source: Eurostat

Total FMCG, Q1 2017 - Italy



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

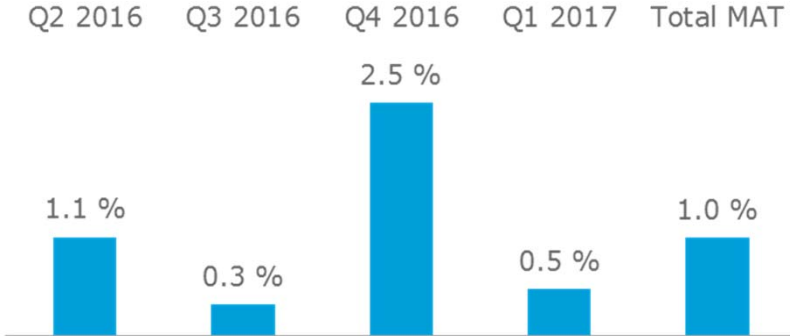
Total FMCG value (% increase)



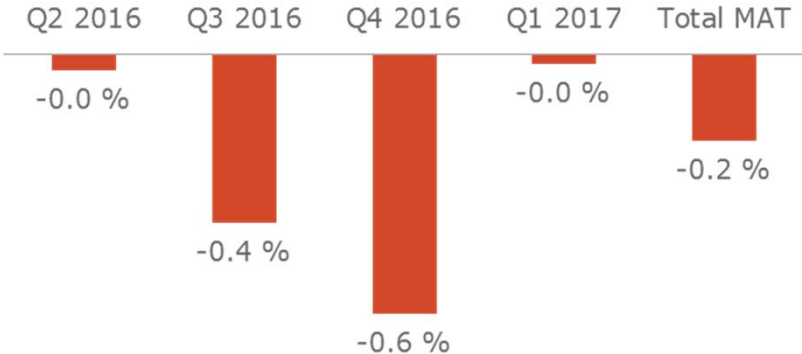
Comments

- The comparison with Easter 2016 impacts the first quarter results in both volume and value sales.
- But the modest growth in sales in value and in volume is a positive signal for the coming months of 2017.
- FMCG prices have stopped declining after one year of deflation, even if they are still flat in Q1 2017.

Total FMCG volume



Total FMCG volume price



Source: IRI

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

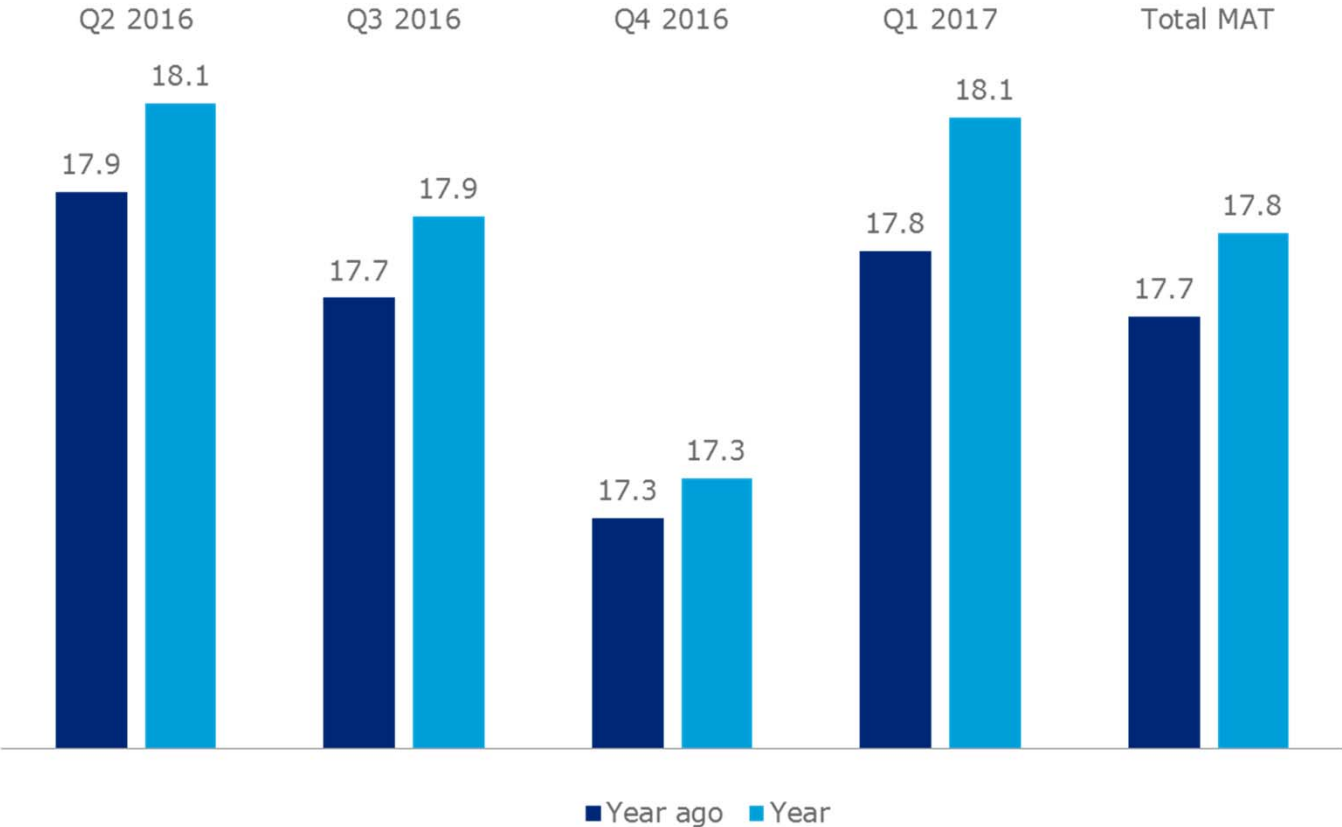


Private labels, Q1 2017 - Italy



Private label market share for total FMCG excluding fresh segments, in %, in the Italy

Total FMCG Private labels Value marketshare



Comments

- Private labels gained in market share during the first 2017 quarter. This trend was emphasised also by the fact that Easter was in April during 2017.
- The share of private labels continued to shrink in home care categories while it increased a little in the other macro categories.
- Private labels are leveraging less on promotions than national brands in the first 2017 quarter.

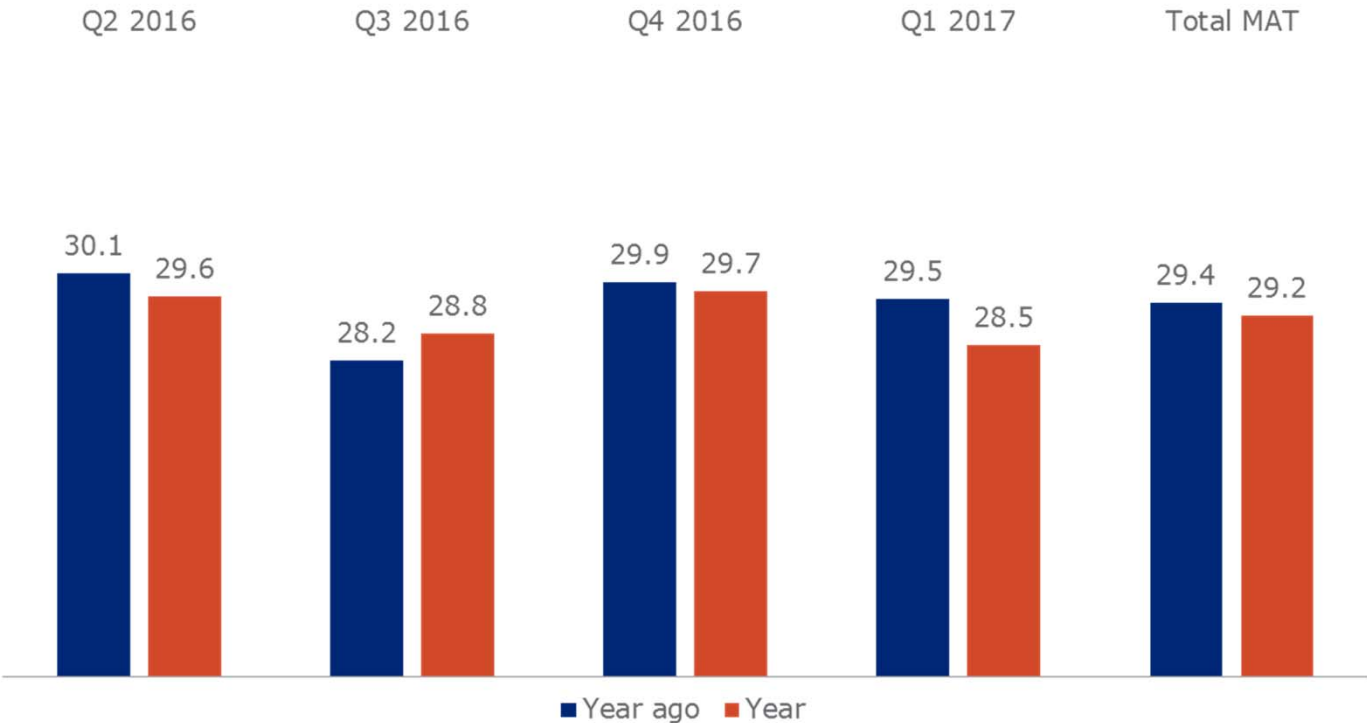
Source: IRI
 Coverage: hypermarkets, supermarkets, small shops, drugstores

Promotion, Q1 2017 - Italy



Total FMCG excluding fresh segments, value on promotion, in %, in the Italy

Total FMCG % value on promotion (HM+SM)



Comments

- The use of price promotions dropped in Q1 2017 but it is due to the different Easter date versus 2016.
- In general national brands during the first three months of 2017 leveraged less on promotions versus the same period of 2016. This is particularly true during March. In March, in fact, national brands delayed promotions to April to leverage Easter sales campaigns.
- Since the beginning of 2017 we register a decrease in the promo lever usage in Italy after five years of increase (+11.5%).

Source: IRI
 Coverage: hypermarkets and supermarkets

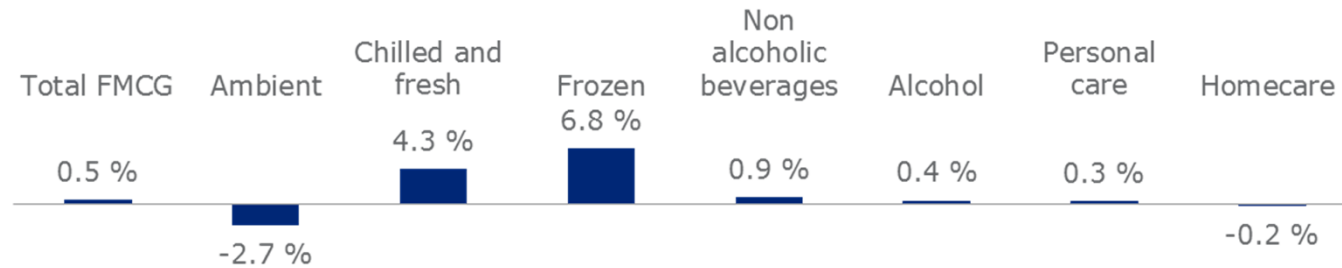


Categories short term sales, Q1 2017 - Italy

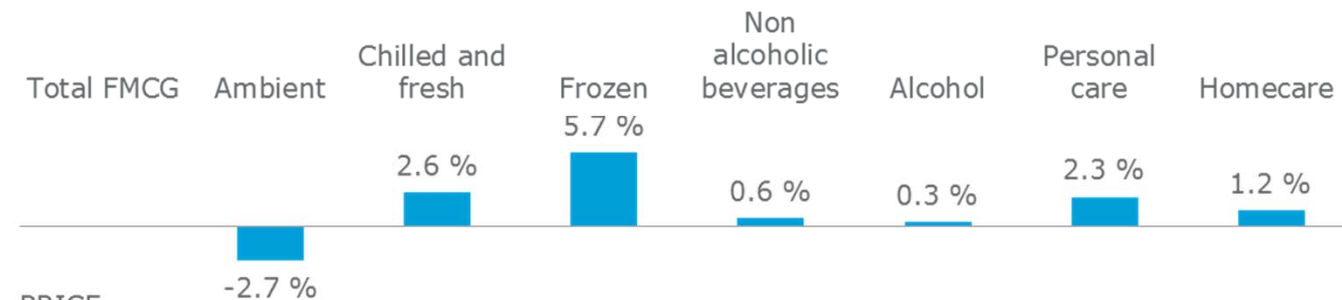


FMCG categories value, volume and price evolution, in %, in Italy

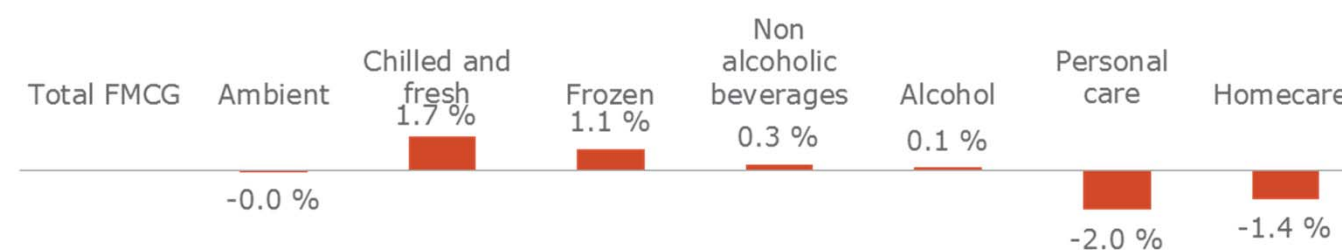
VALUE



VOLUME



PRICE



Source: IRI

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

Comments

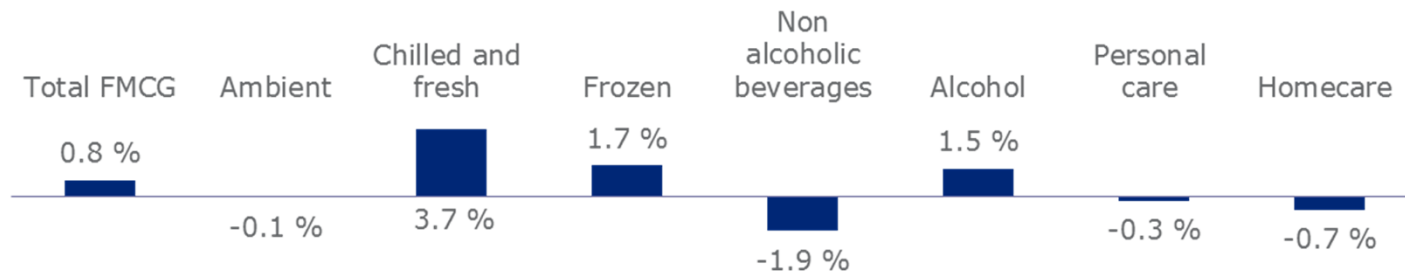
- Ambient category was responsible for the slowdown in food products. This was caused by calendar effects (Easter).
- The growth in chilled products was in part driven by the replacement of fresh products (especially random weight products) hit by the sharp price hikes especially in fruit and vegetables and fish markets.
- Ice creams also did well thanks to very mild weather in March.
- Personal care and homecare registered low performances despite the price decreases. The price trends in these categories impacted the value trends.

Categories sales, moving annual total, Q1 2017 - Italy

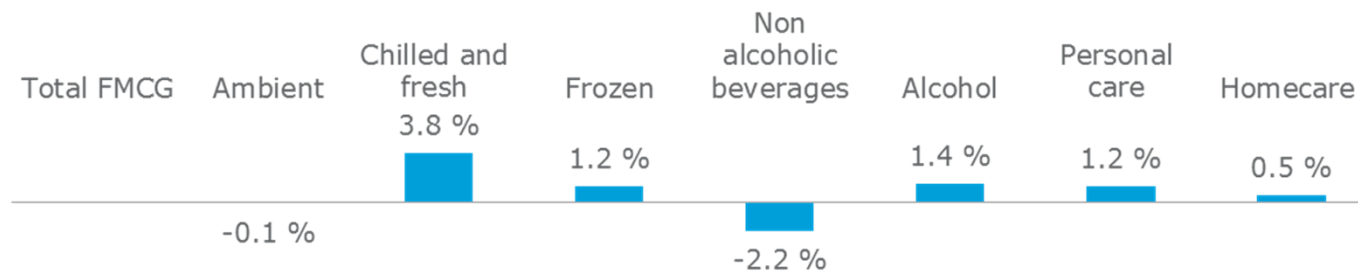


FMCG categories value, volume and price evolution, in %, in Italy

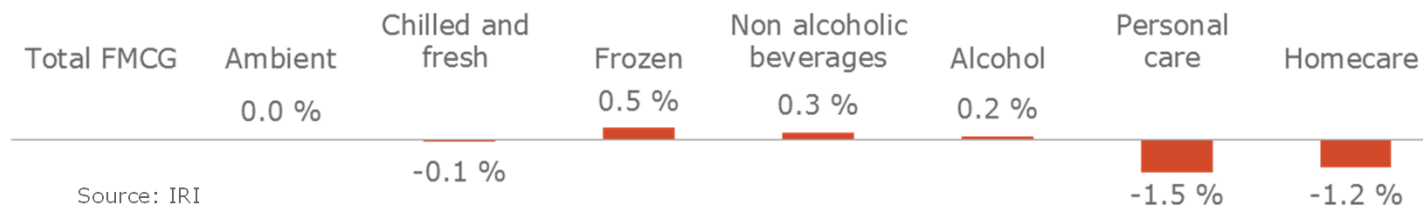
VALUE



VOLUME



PRICE



Source: IRI

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

Comments

- Value trends in many categories were affected by the price trend during the entire 2016 which registered deflation.
- Homecare and personal care categories were the most impacted in terms of price decrease.
- Despite this, volume sales were not growing significantly.
- During the last 12 months, in the food macro category, fresh products were driving the growth, while ambient products were struggling.
- Beverage categories were negatively impacted by an unfavorable 2016 summer season.

Channels landscape, Q1 2017 - Italy

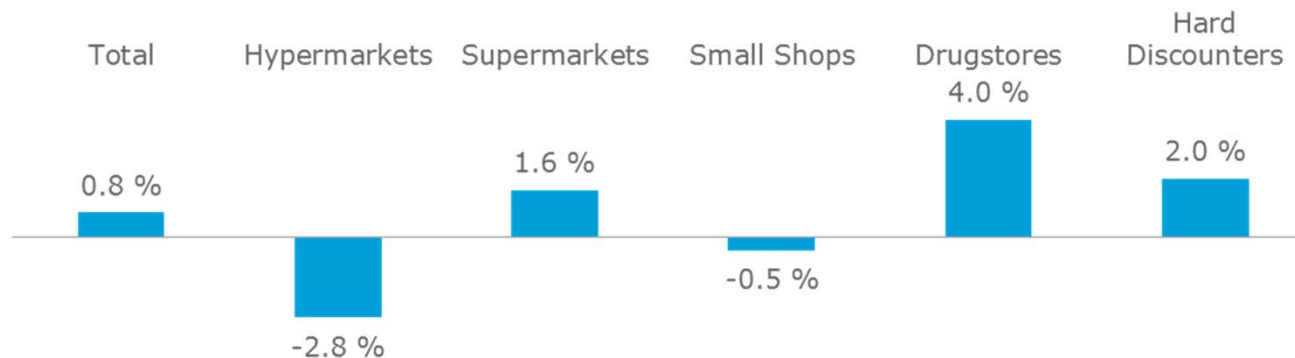


FMCG channels weight evolution, in %, in Italy

Channels short term results Q1 2017 versus year ago



Channels, moving annual total (MAT) results



Source: IRI

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

Comments

- The slowdown in the first quarter affecting all formats is caused by the comparison with Easter 2016.
- The specialisation of drugstores limited the distorting effect of the late Easter of this year.
- Hypermarkets is a format registering a long crisis in Italy. This is shown in both Q1 trends and in MAT trends.
- 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.





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.



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:
Francesca.FumagalliCeri@iriworldwide.com



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

Copyright © 2017 Information Resources, Inc. (IRI). All rights reserved. IRI, the IRI logo and the names of IRI products and services referenced herein are either trademarks or registered trademarks of IRI. All other trademarks are the property of their respective owners.