



IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q2 2017

www.iriworldwide.com

September 2017



IRi

Growth delivered.

IRI State of the Nations Q2 2017



IRi

Growth delivered.



France



Germany



Greece



Holland



Italy



Spain



United Kingdom



Please attribute to 'IRI, a retail and FMCG market intelligence company'.
Please also note that no additional restructuring or manipulation of IRI figures is permitted.





Key findings – Spain

- All categories grew in Q2 2017 in value and volume. Frozen food grew the most, in value (+5.7%) and in volume (+4.8%).
- Looking at the product family level, families that contribute negatively to growth in Q2 are milks, shakes, dairy products, baby food and diapers. Dairy products are suffering from the development of substitute products of vegetable origin (soy, oats, rice...). For baby food and diapers the decrease is due to a smaller number of births, -2.8% births in 2016 versus the previous year.
- In the first half of 2017 the percentage of sales on promotion has decreased versus a year ago. In the last half of the year 2016 the percentage of sales on promotion grew.
- Private label is losing market share.



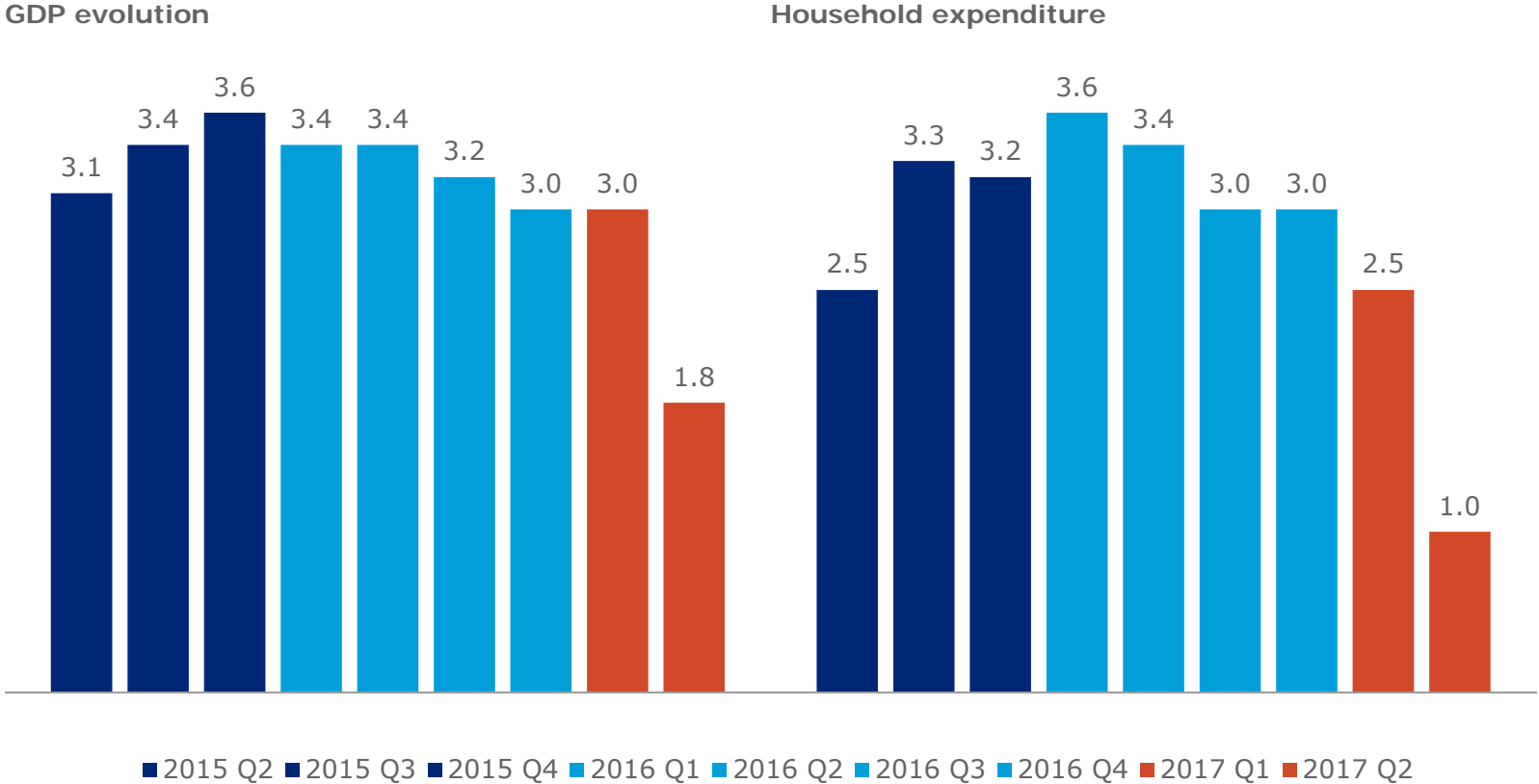
Key findings – Spain

- Macroeconomic indicators confirm recovery for the Spanish economy with a Gross Domestic Product (GDP) growth of 0.9% in the second quarter 2017. Compared with the same quarter of the previous year, growth stands at 3.1%.
- Employment increased in the second quarter of 2017 by 2.0%, and for the last 12 months, employment has grown by 512,300 people (+2.8%). However in Q2 2017 the unemployment rate in Spain remains very high at 17.22% (it was 20.0% in Q2 2016).
- The fast moving consumer goods (FMCG) market grew in value by 2.6% in the second 2017 quarter, driven by pricing (+1.6%) more than volume evolution (+1.0%).
- The growth of FMCG is provided by the supermarket channel (+3.2% value sales), the hypermarkets contribution is negative (-0.9% value sales).



Macro-economic context – Spain

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



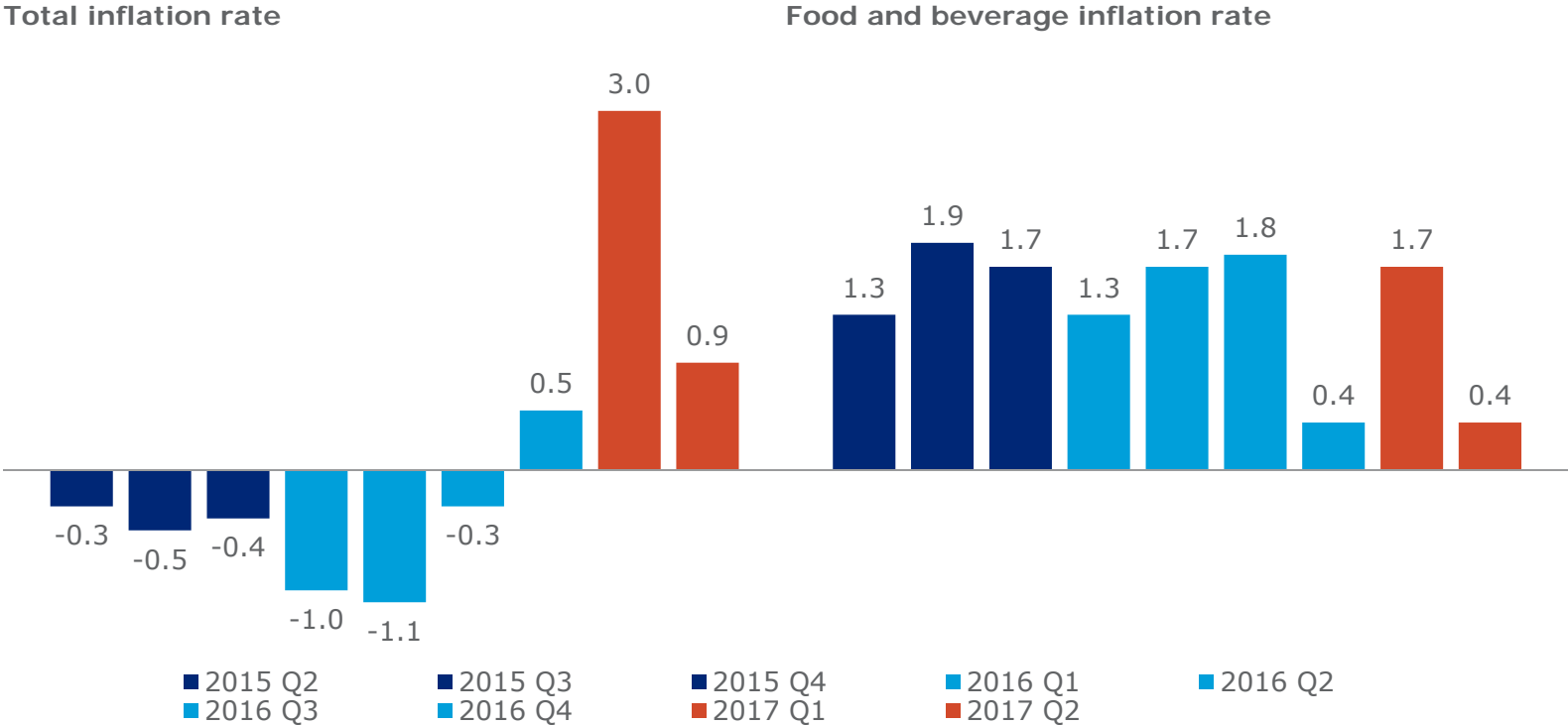
Source: Eurostat





Macro-economic context – Spain

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



Source: Eurostat

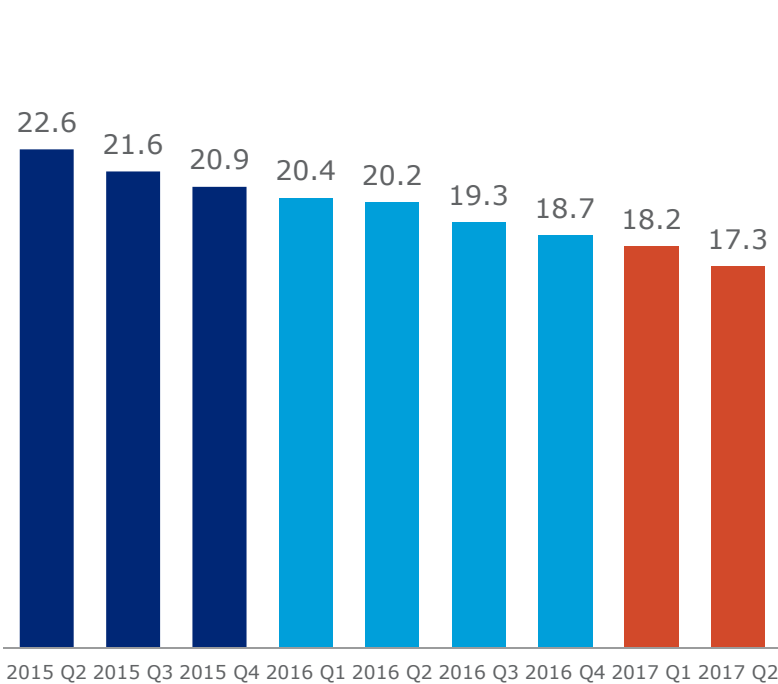




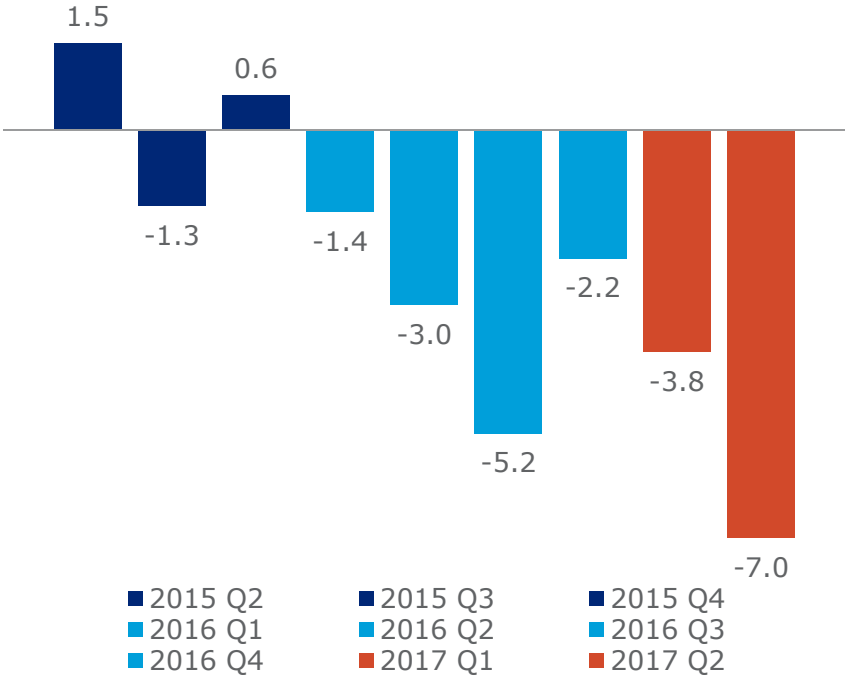
Macro-economic context – Spain

Unemployment and household confidence evolution, in %, in Spain

Unemployment rate



Household confidence level



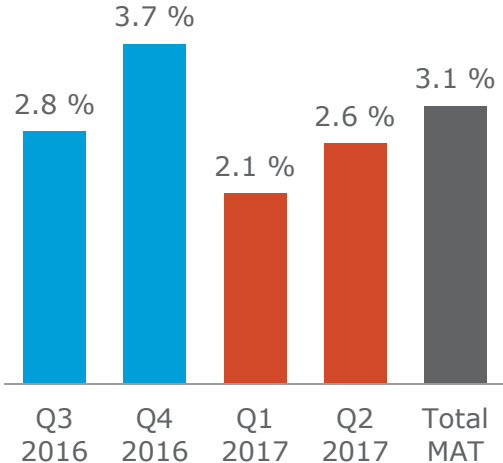
Source: Eurostat



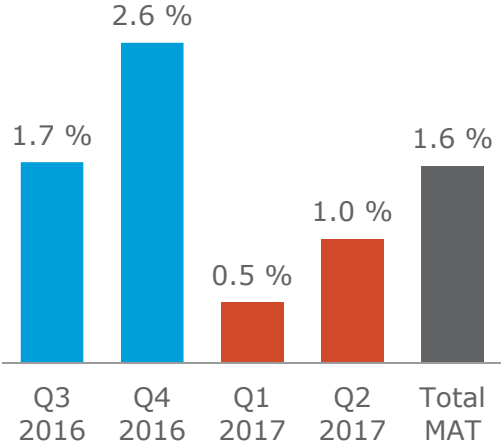
Total FMCG, Q2 2017 – Spain

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

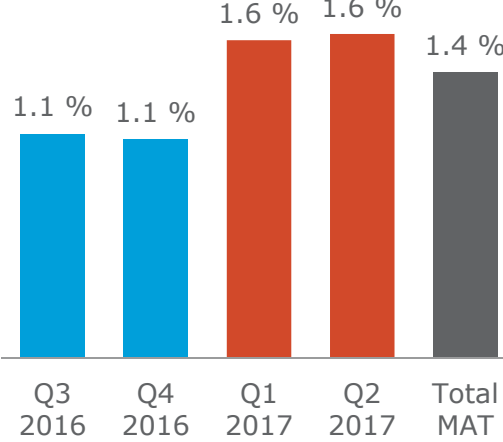
Total FMCG value (%)



Total FMCG volume (%)



Total FMCG volume price (%)



Comments

- FMCG grow in value, +3.1% in MAT.
- This growth is driven by price and volume, both are in positive in all quarters.
- In Q2 2017 pricing (+1.6%) is driven more than volume evolution (+1.0%).

Source: IRI
Coverage: hypermarkets, supermarkets and PDM



Private labels, Q2 2017 – Spain

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

Total FMCG private labels marketshare



Comments

- Private labels are losing market shares as national brands are growing faster than private labels.
- Private labels' market share has fallen slightly for several quarters to the benefit of national brands.
- The recovery of consumption after the crisis has also helped manufacturers brands to increase their market share.

Source: IRI

Coverage: hypermarkets, supermarkets and PDM





Promotion, Q2 2017 - Spain

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

Total FMCG value on promotion



Comments

- In the last half year the promotional pressure has started to decrease.
- Promotions in the last Q2 2017 moving annual total (MAT) are at 19.0%, which is flat at +0.1 points versus MAT Q2 2016
- In a market where supermarkets are dominated by Mercadona and its no-promotion policy, hypermarkets look like the only channel for promotional pressure for national brands, which is impacting the promotional rates.

Source: IRI

Coverage: hypermarkets, supermarkets and PDM

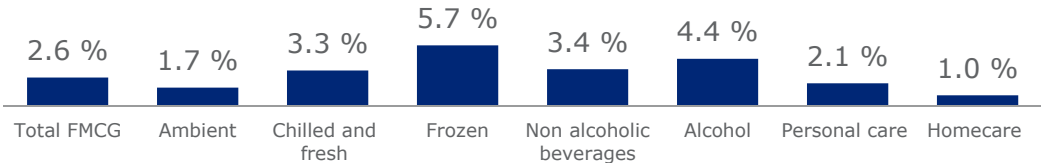




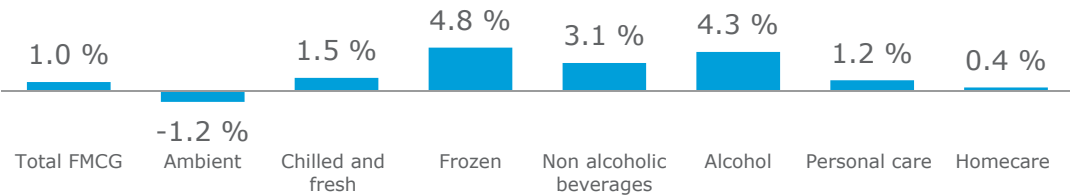
Categories short term sales, Q2 2017 - Spain

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

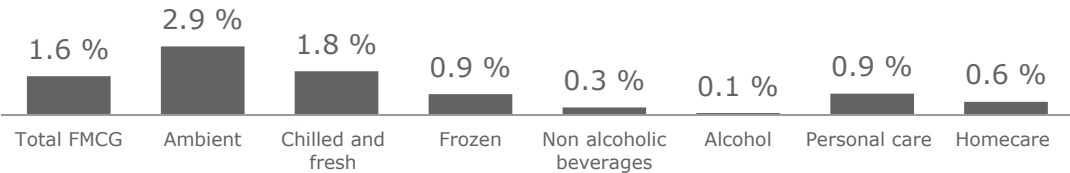
Value (%)



Volume (%)



Price (%)



Comments

- Frozen is the FMCG category with the most growth in both value and volume along with alcohol and non alcoholic beverages.
- Homecare and ambient have the worst results.
- Ambient increased in value and falls in volume.

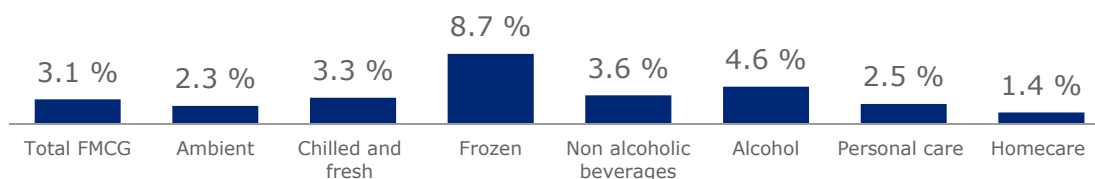
Source: IRI
Coverage: hypermarkets, supermarkets and PDM



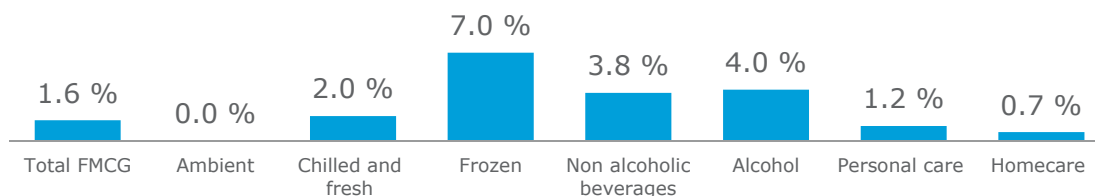
Categories sales, moving annual total, Q2 2017 - Spain

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

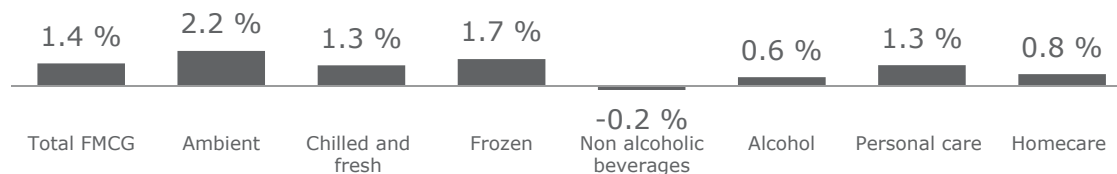
Value (%)



Volume (%)



Price (%)



Comments

- Frozen food is the FMCG category with the most growth in both value and volume along with alcohol and non alcoholic beverages.
- Unprepared frozen fish from national brands is pulling up the frozen market.
- Homecare has the worst result.
- The growing trend of personal grooming sees this segment increase every year – due to the “selfie effect”.

Source: IRI

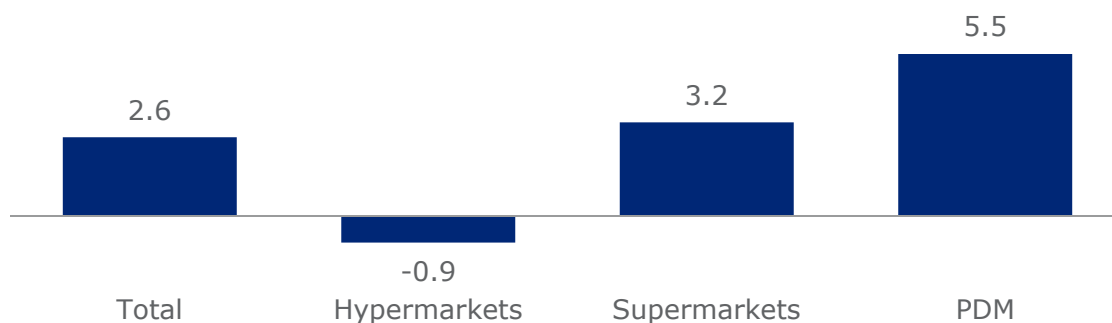
Coverage: hypermarkets, supermarkets and PDM



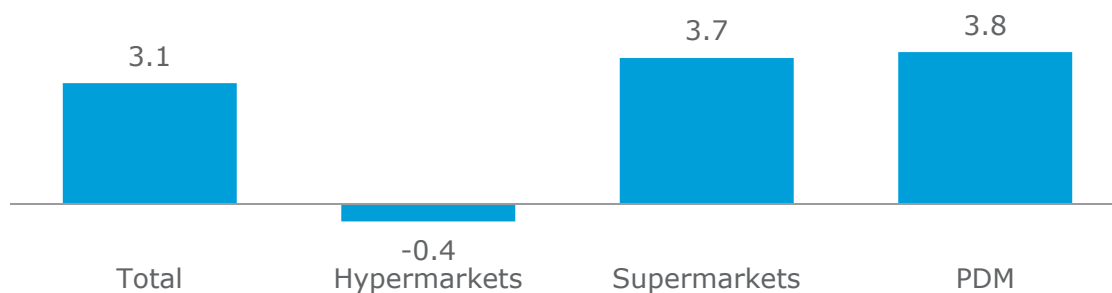
Channels landscape, Q2 2017 - Spain

FMCG channels weight evolution, in %, in Spain

Channels short term results



Channels MAT results



Comments

- In Q2 2017 supermarkets have the best results while hypermarkets fall.
- In MAT, supermarkets have the highest increase and hypermarkets fall.
- Note that the weight of the channels in the last MAT for FMCG are as follows:
 - Hypermarkets: 15.0%
 - Supermarket: 80.5%
 - PDM: 4.5%

Source: IRI

Coverage: hypermarkets, supermarkets and PDM



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.

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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 and PDM (modern perfumeries and modern drugstores)

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 email:

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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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