

IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q1 2017



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July 2017



IRI State of the Nations Q1 2017

SPAIN



Key findings - Spain



- Macroeconomic indicators confirm recovery for the Spanish economy with a Gross Domestic Product (GDP) growth of 0.8% in the first quarter 2017, which compared with the same quarter of the previous year is a growth of 3.0%.
- Employment increased in the first quarter of 2017 at 2.5%, and for the last 12 months, employment has grown by 408,700 people. However the unemployment rate in Spain remains very high, 18.75% in Q1 2017 (21% in Q1 2016).
- The fast moving consumer goods (FMCG) market grew in value by 2.1% in the first quarter 2017, driven by pricing (+1.6%) more than volume evolution (+0.5%).
- The growth of FMCG is provided by the supermarket channel (+2.6% value sales), the hypermarkets contribution is negative (-2.2% value sales).

Key findings - Spain



- All categories grew in Q1 2017 in value and volume. Frozen food grew the most, in value (+7.7%) and in volume (+ 4.9%).
- Looking at the product family level, only milks, shakes, dairy products, baby food and diapers decreased in Q1 2017. 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 Q1 2017 the percentage of sales in promotion has decreased versus a year ago, which is a new trend as the three previous quarters had a higher promotion pressure versus a year ago.
- Private label is losing market share.

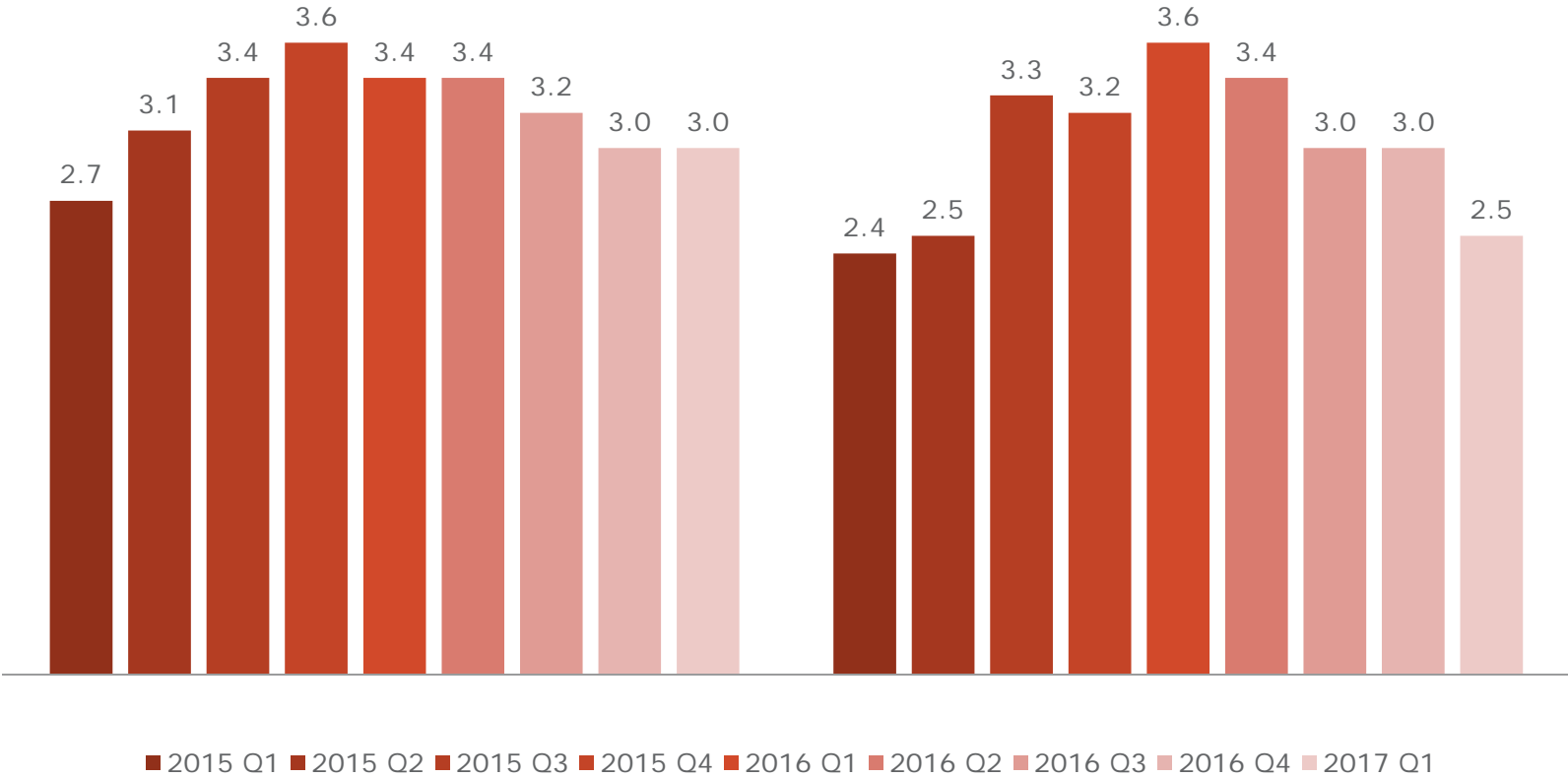
Macro-economic context - Spain



GDP and household expenditures evolution, in %, Spain

GDP evolution (versus year ago)

Households expenditures



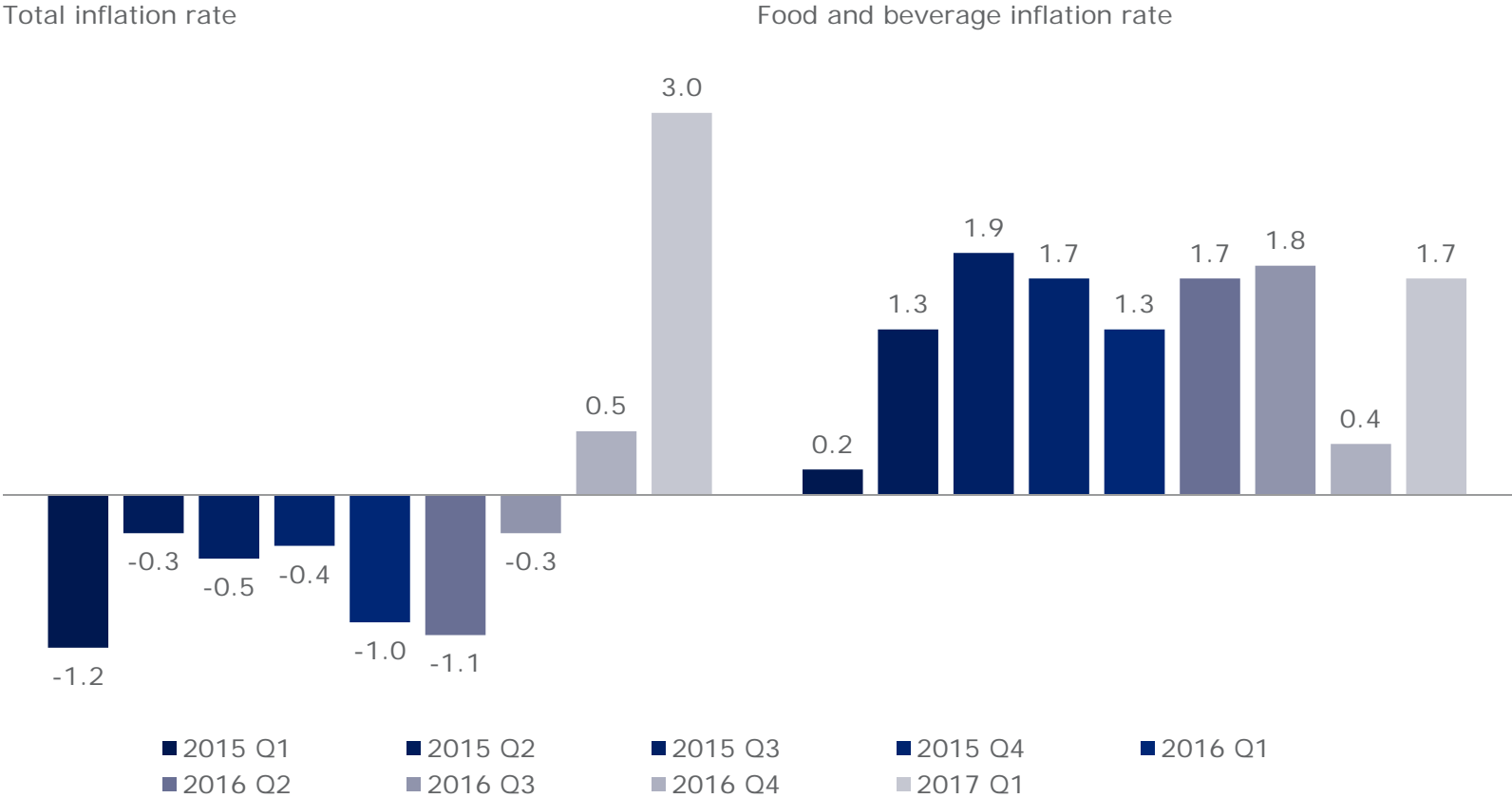
Source: Eurostat



Macro-economic context - Spain



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



Source: Eurostat

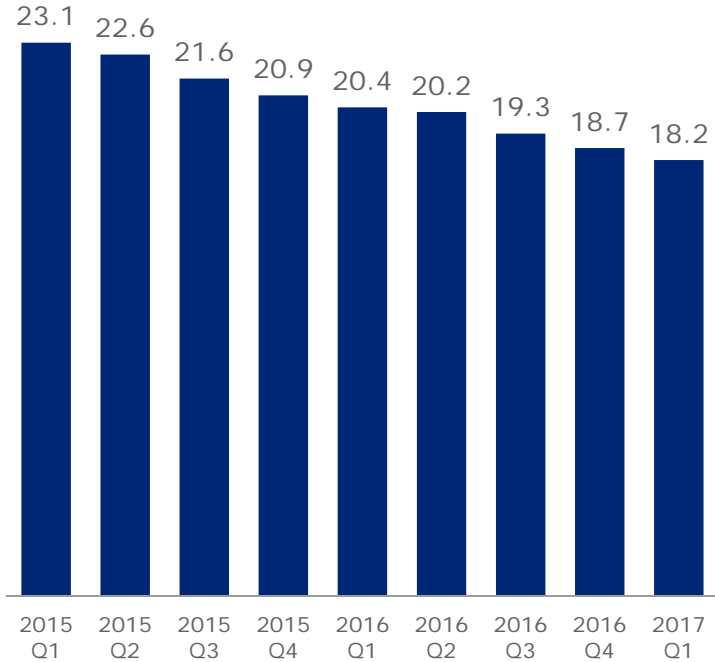


Macro-economic context – Spain

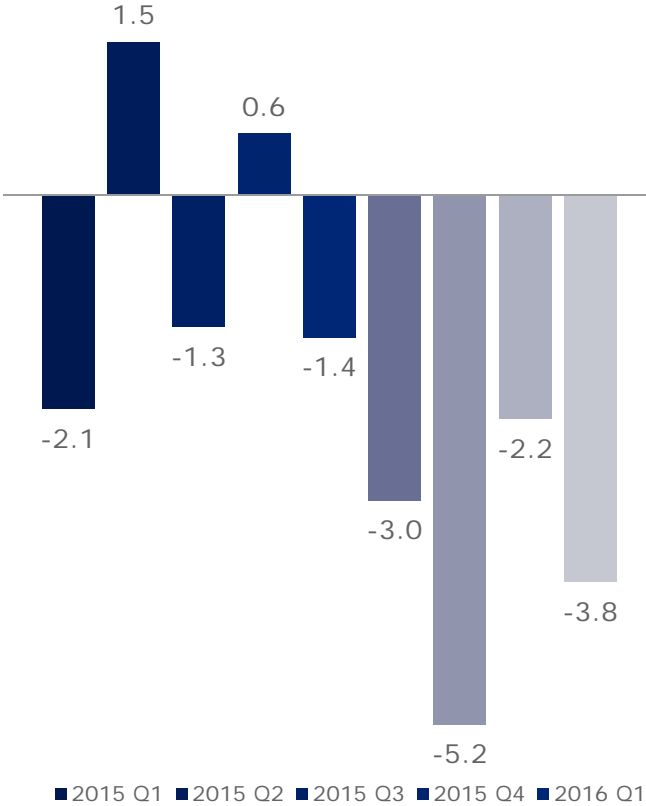


Unemployment and household confidence evolution, in %, in Spain

Unemployment rate (first month of each quarter)



Household confidence level



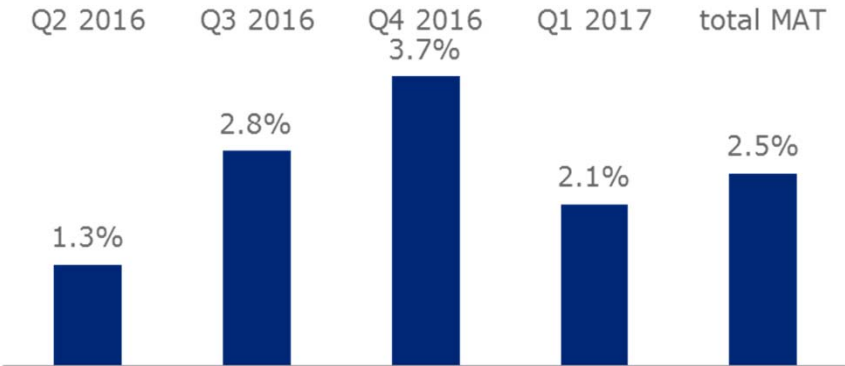
Source: Eurostat

Total FMCG, Q1 2017 - Spain



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

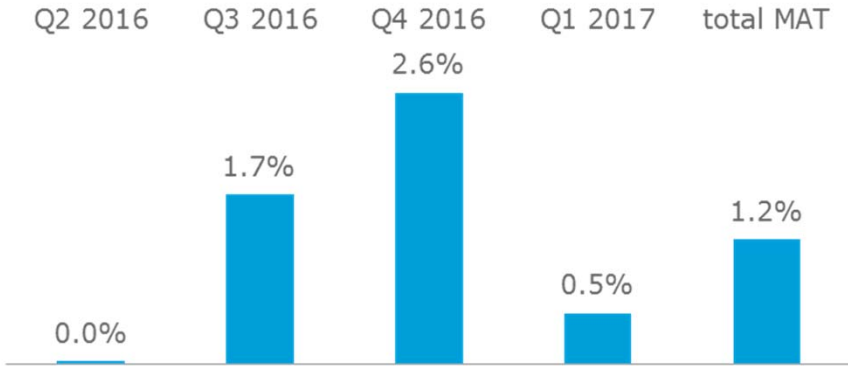
Total FMCG value (% increase)



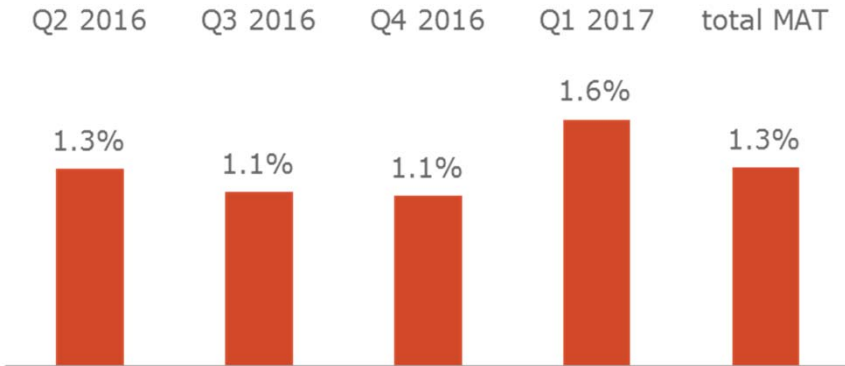
Comments

- FMCG grows in value +2.5% in MAT.
- This growth is driven by both price and volume, both are in positive thought in all quarters.
- In Q1 2017 pricing (+1.6%) is driven more than volume evolution (+0.5%).

Total FMCG volume (% increase)



Total FMCG volume price (% increase)



Source: IRI

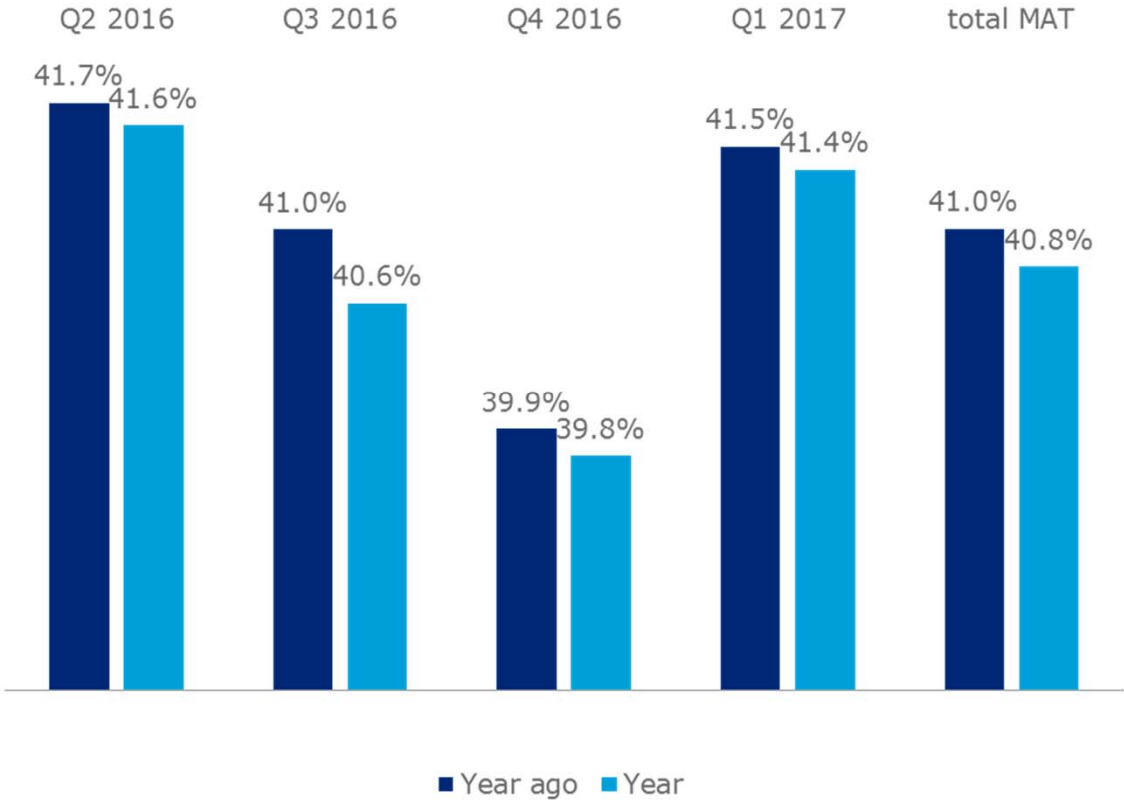
Coverage: hypermarkets, supermarkets and PDM



Private labels, Q1 2017 - Spain



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



Comments

- Private labels are losing market share 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 improvement of consumption after the crisis has also helped manufacturers brands to increase their market share.

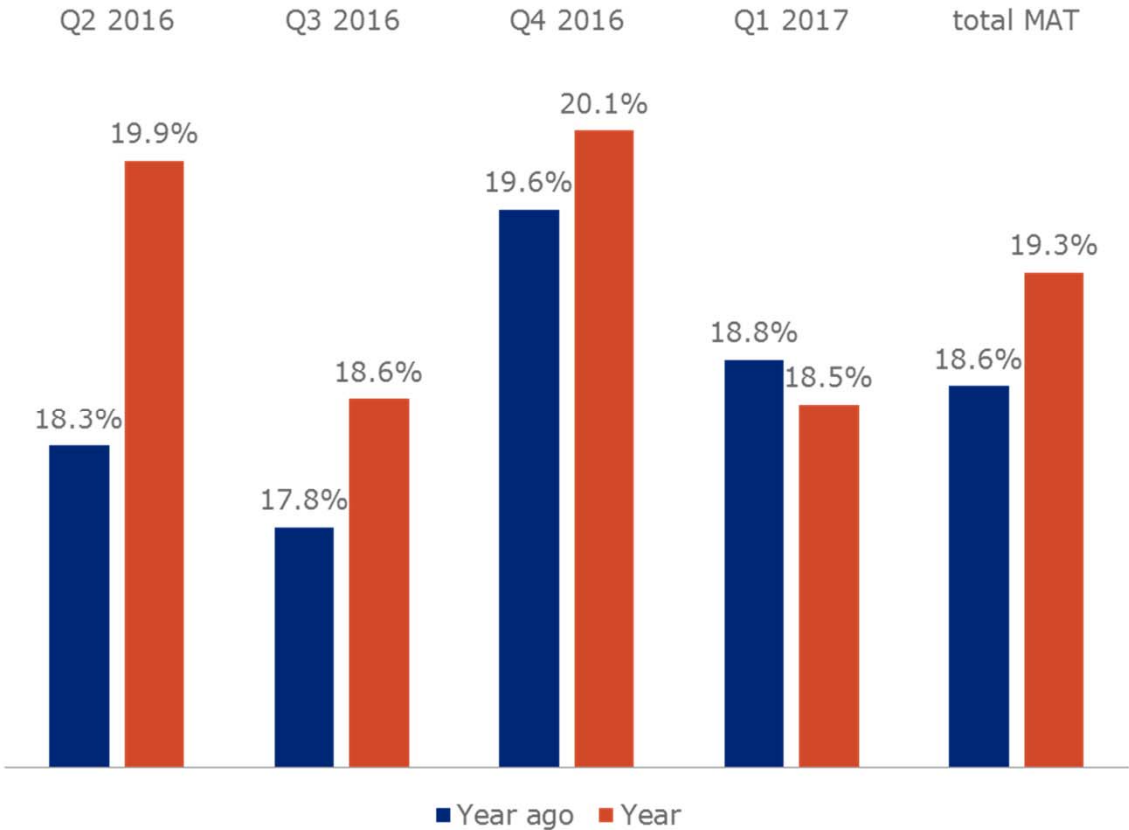
Source: IRI
 Coverage: hypermarkets, supermarkets and PDM



Promotion, Q1 2017 - Spain



Total FMCG value on promotion, in %, in Spain



Comments

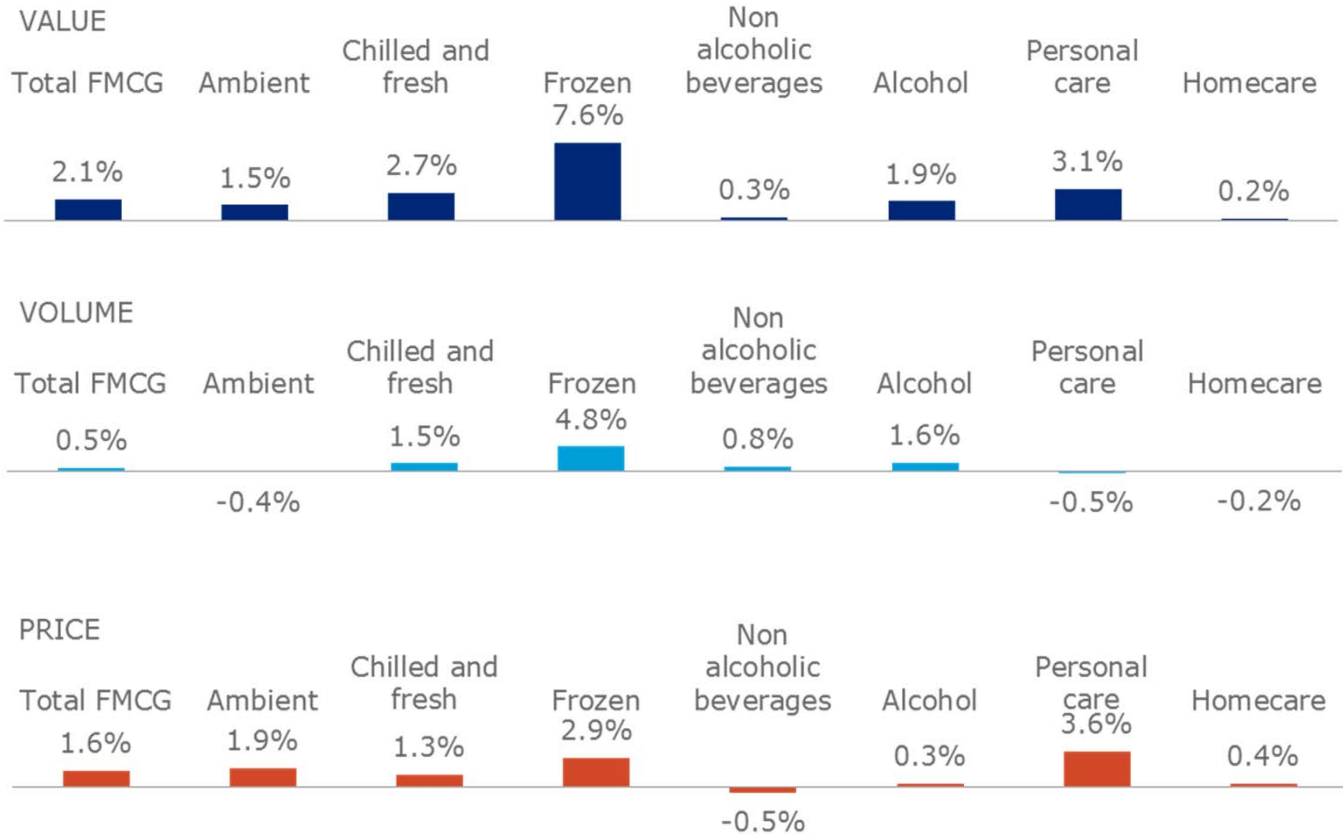
- Promotion pressure has grown over the past quarters except in Q1 2017.
- Promotions in the last Q1 2017 moving annual total (MAT) are at 19.3%, +0.7 points versus MAT Q1 2016
- In a market where supermarkets are dominated by Mercadona and its no-promotion policy, hypermarkets look like the only channel for promotional pressure for national brands, which is impacting promotional rates.

Source: IRI
 Coverage: hypermarkets, supermarkets and PDM

Categories short term sales, Q1 2017 - Spain



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



Comments

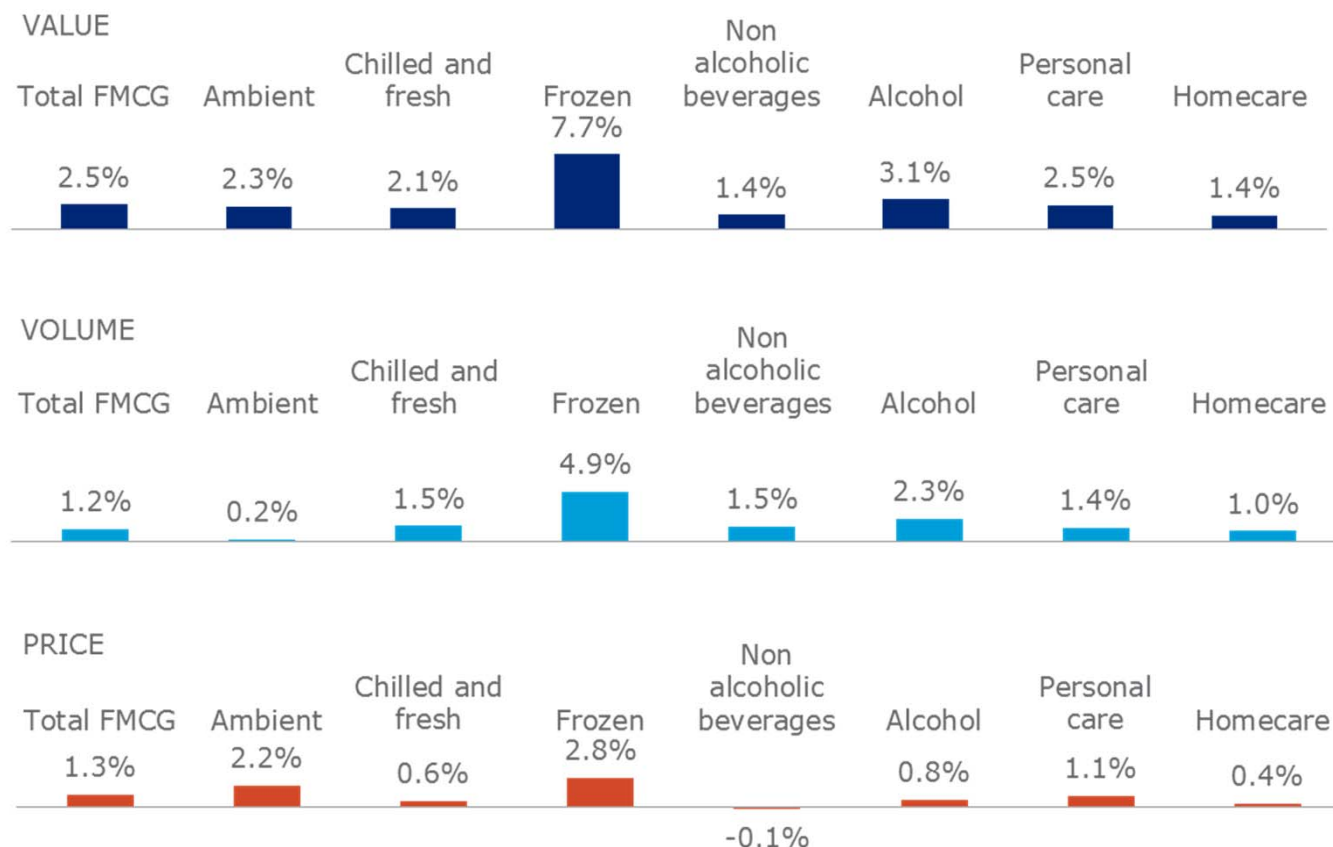
- Frozen is the FMCG category that has grown the most in both value and volume along with alcohol and chilled and fresh.
- Homecare and ambient have the worst results.
- The exception to this is personal care, which increased in value and falls in volume.

Source: IRI
 Coverage: hypermarkets, supermarkets and PDM



Categories sales, moving annual total, Q1 2017, in Spain

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



Comments

- Frozen food is the FMCG category that has grown the most in both value and volume along with alcohol and personal care.
- Unprepared frozen fish from national brands is pulling down the frozen market.
- Homecare has the worst result.
- The growing trend of personal grooming records an increase in this segment every year – caused by the “selfie effect”.

Source: IRI

Coverage: hypermarkets, supermarkets and PDM

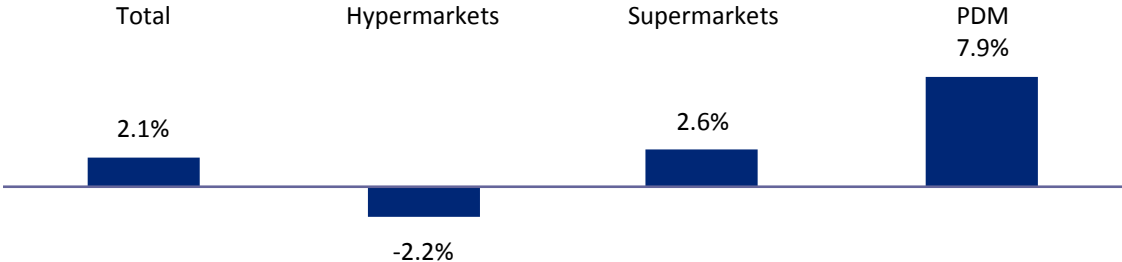


Channels landscape, Q1 2017 - Spain

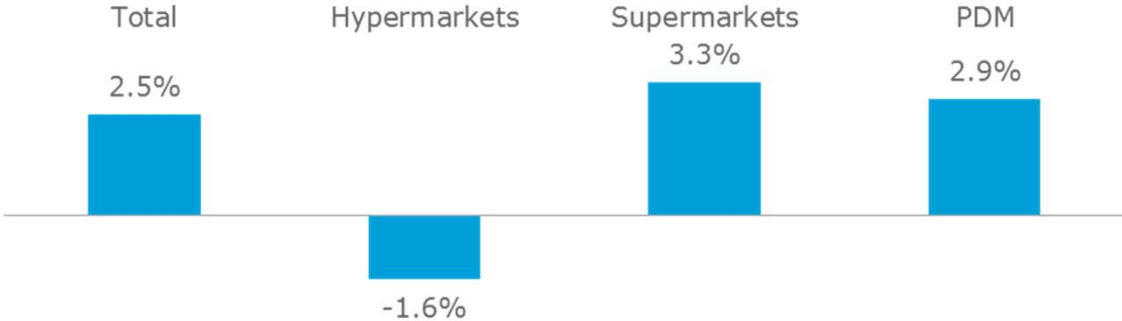


FMCG channels weight evolution, in %, in Spain

Channel short term results Q1 2017 versus year ago



Channels, moving annual total (MAT)



Comments

- In Q1 2017 PDM (modern perfumeries and modern drugstores) have the best results while hypermarkets fall.
- In MAT supermarket reach has the highest increase while hypermarkets fall, as in Q1.
- Note that the weight of the channels in the last MAT for FMCG are as follows:
 - Hypermarkets: 15.2%
 - Supermarket: 80.3%
 - 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.





HOW WE CAN HELP YOU FINDING GROWTH?

- **IRI Global Executive Market Reviews (IRI GEMs)** give fast moving consumer goods 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.
- **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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