



# IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q2 2017

[www.iriworldwide.com](http://www.iriworldwide.com)

September 2017



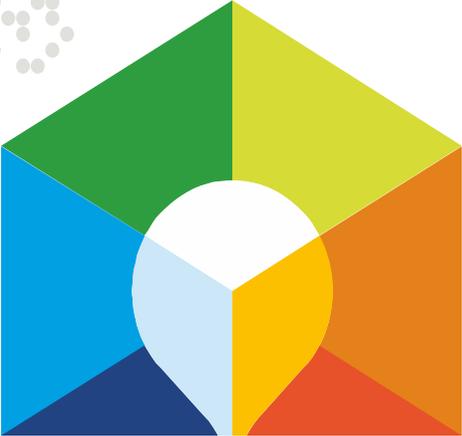
# IRI State of the Nations Q2 2017



**IRi**

Growth delivered.

	France
	Germany
	Greece
	Holland
	Italy
	Spain
	United Kingdom





## Key findings – United Kingdom (UK)

---

- The trend of GDP in the UK remains positive, having grown in almost every quarter since 2009.
- The CPI has risen sharply from zero in 2015 to +2.9% in Q2 '17. Food and beverage prices have risen more slowly but are still up by more than the government's inflation target of 2%. Currency fluctuation following the Brexit decision is partly to blame as the lower value of the £ gradually feeds into the system.
- Unemployment levels have dropped to only 4.4%, continuing the recent trend of growing employment which is a very good sign for the economy. Less good is the drop in confidence levels, brought about by rising prices, increasing debt levels and uncertainty over the ultimate result of the current Brexit negotiations.
- Only since early 2015 did the UK return to a period of wages rising faster than prices, after an extended period of prices rising faster than wages. The 'good times' only lasted for two years after which, in 2017, prices are again rising faster than wages and will do so for the foreseeable future, making economic decisions harder for many people and could affect the grocery industry, as people aim to keep the cost of their shopping down.



## Key findings - United Kingdom (UK)

---

- Easter has occurred in Q2 in 2017, whereas it was in Q1 in 2016. This makes a direct comparison year-on-year difficult and shows as a relative reduction in Q1 and a growth in Q2 for the sales measures.
- Topline volume sales trends remain negative as the traditional grocery sector continues to lose sales to the discounters.
- However, value sales trends are improving to show low level growth, as prices begin to rise.
- Prices have been going up year-on-year since January '17 but mainly due to trade support being reduced, rather than straight-forward everyday price increases, although base prices are beginning to rise by the end of the second quarter in some categories.
- Trade promotion support has reduced dramatically in the first half of 2017 and a similar trend is expected for the rest of the year. Initially it was multi-buy promotions that were being cut, now it's 'price off' promotions as well and there is less coming from off-shelf displays.
- Private label share is growing again, partially due to consumer switching as prices rise but also as premium ranges show growth and are expanded further.

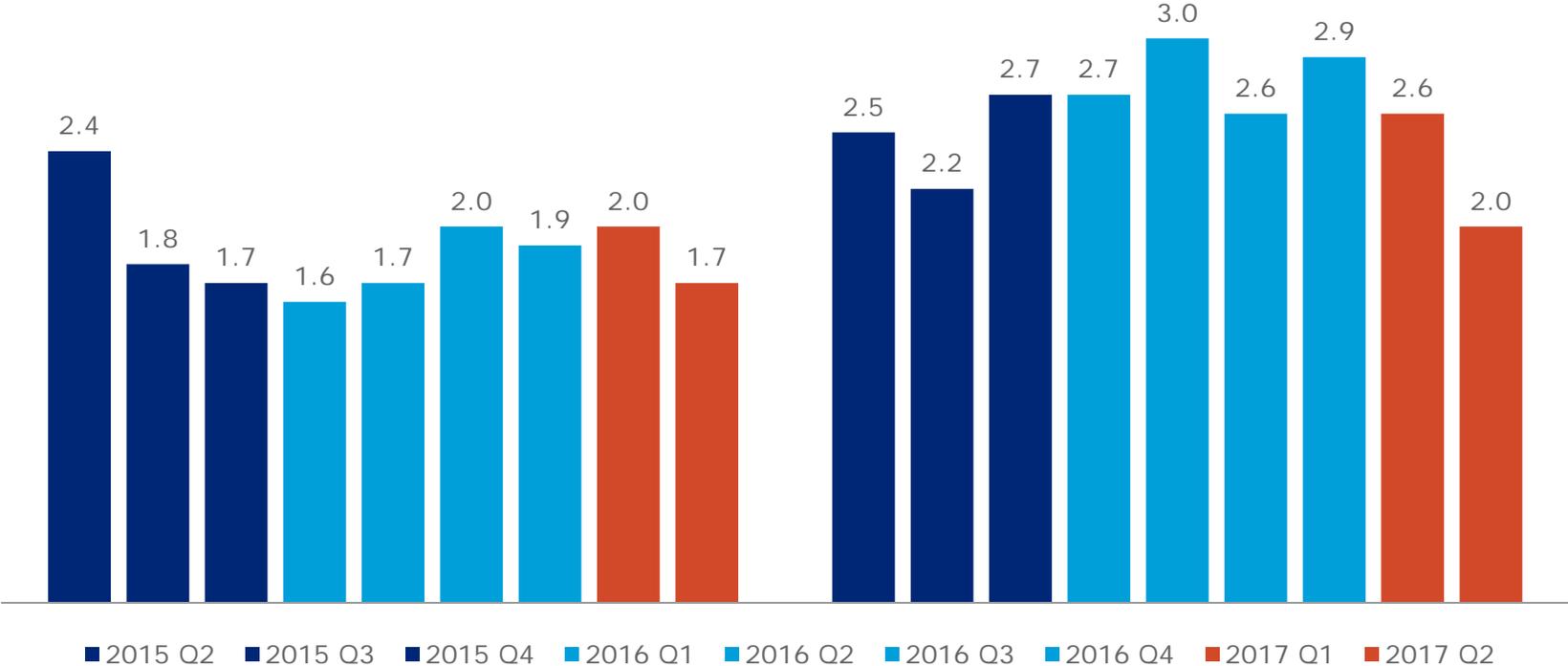


# Macro-economic context – UK

## GDP and household expenditure evolution, in %, versus year ago, in the UK

GDP evolution

Households expenditure

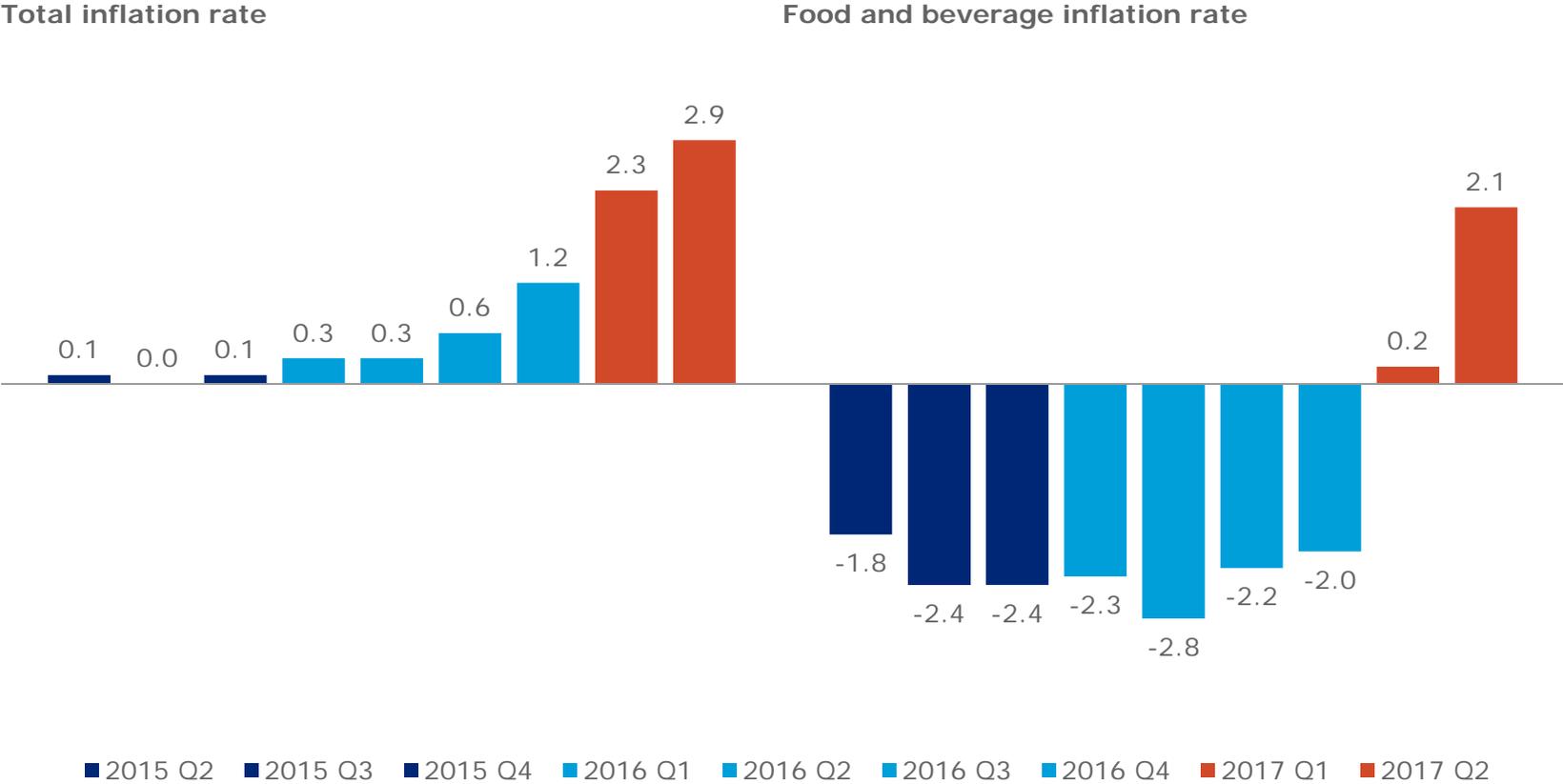


Source: Eurostat



# Macro-economic context - UK

## Total inflation and food & beverage evolution, in %, versus year ago, in the UK



Source: Eurostat

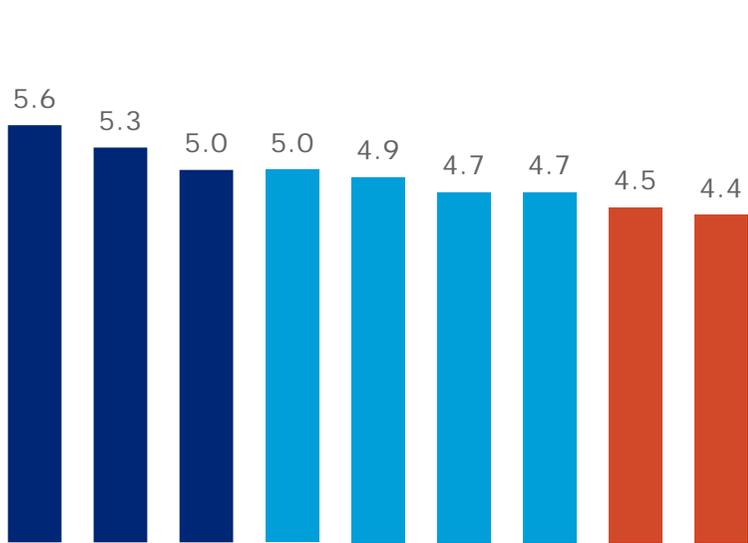




# Macro-economic context - UK

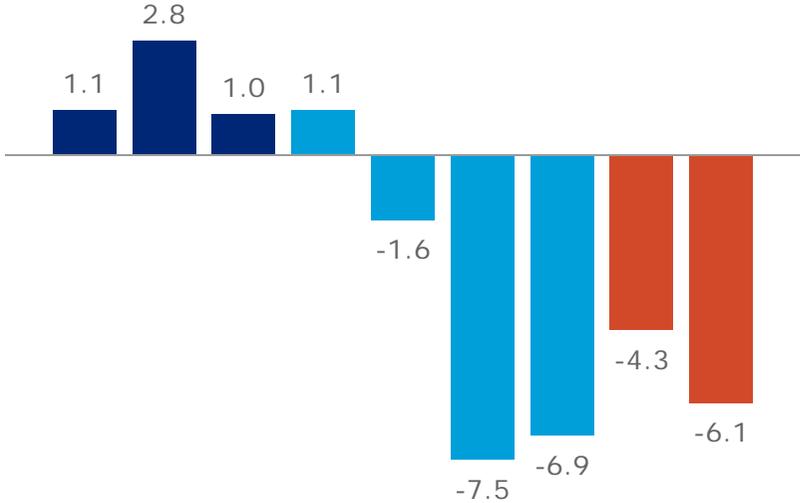
## Unemployment and household confidence evolution, in %, in the UK

Unemployment rate



■ 2015 Q2 ■ 2015 Q3 ■ 2015 Q4 ■ 2016 Q1 ■ 2016 Q2  
■ 2016 Q3 ■ 2016 Q4 ■ 2017 Q1 ■ 2017 Q2

Household confidence level



■ 2015 Q2 ■ 2015 Q3 ■ 2015 Q4 ■ 2016 Q1 ■ 2016 Q2  
■ 2016 Q3 ■ 2016 Q4 ■ 2017 Q1 ■ 2017 Q2

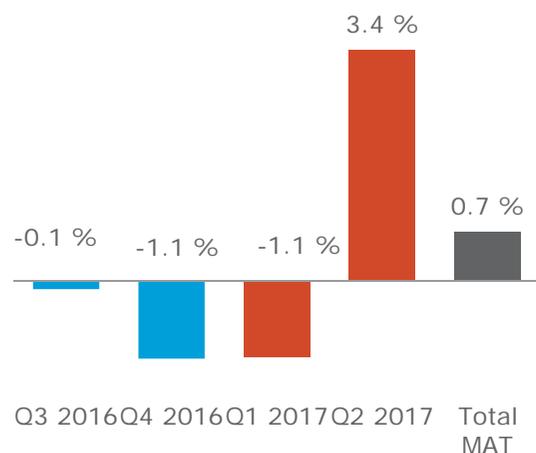
Source: Eurostat



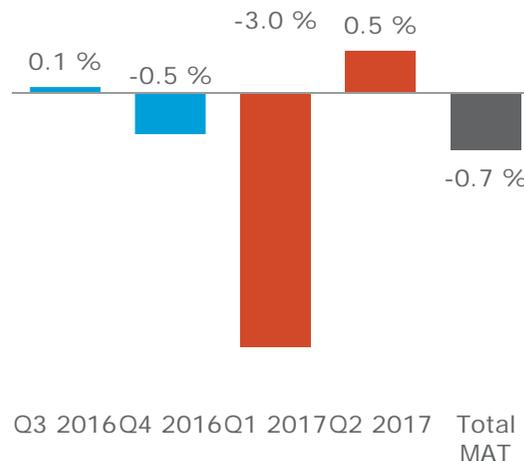
# Total FMCG, Q2 2017 - UK

## FMCG evolution in value, volume and volume price, in %, in the UK

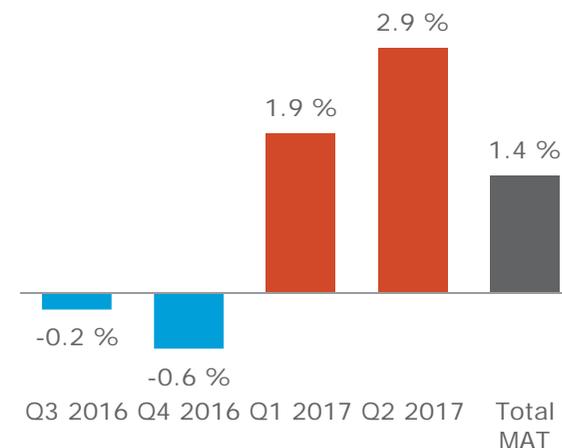
Total FMCG value (%)



Total FMCG volume (%)



Total FMCG volume price(%)



### Comments

- Q2 showed strong sales, driven mainly by Easter moving from Q1 in '16 to Q2 in '17.
- Outside of the Easter anomaly, UK volume sales have remained negative, as sales transfer into the discounter sector.
- The trend of prices has completely reversed as cost increases are gradually being met through a significant reduction in trade promotion support.
- In categories where trade promotion levels are high and where most response is achieved, base prices remain fairly stable or are even down, in other categories base prices are rising.

Source: IRI

Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)

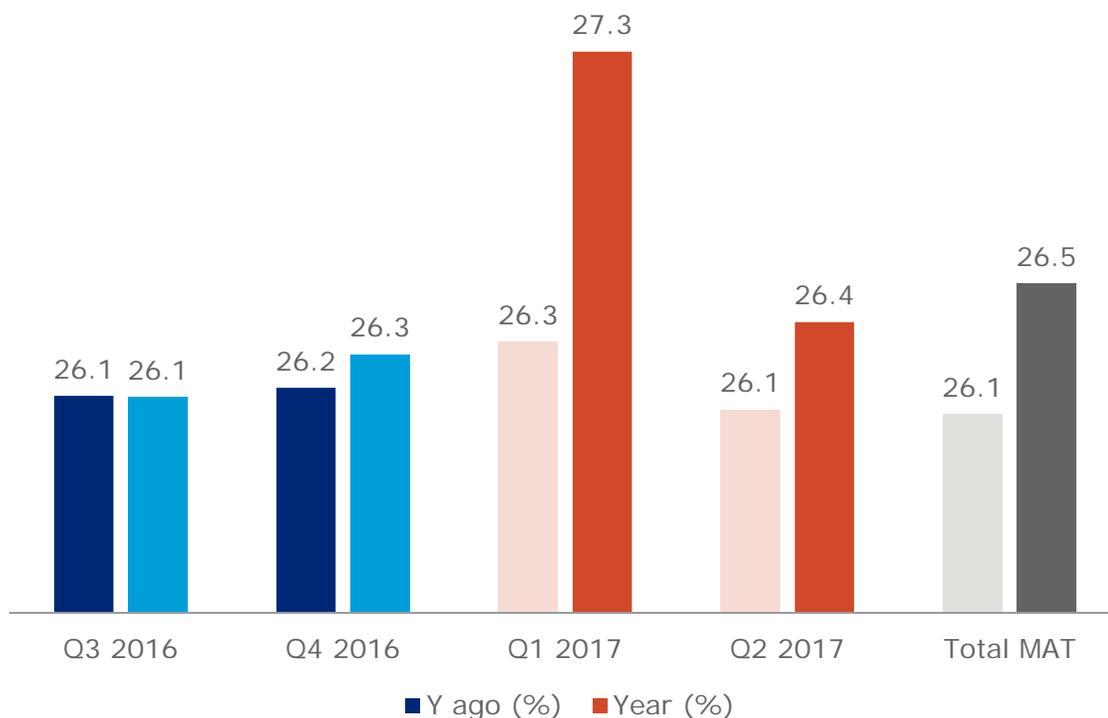




# Private labels, Q2 2017 - UK

## Total FMCG private label value market share, in %, in the UK

Total FMCG private labels marketshare



### Comments

- The private label sector has been looking much more buoyant recently.
- As prices are rising and trade promotion support is removed from both private labels and brands, the private label sector is looking more attractive from a money-saving point of view.
- Private label ranges have also been expanded at the premium end, which will have a greater impact on value sales share than on volume.

Source: IRI

Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)





# Promotion, Q2 2017 - UK

## Total FMCG value on promotion, versus year ago, in %, in the UK

Total FMCG value on promotion



### Comments

- We are seeing an unprecedented reduction in trade promotion support, especially over the first two quarters of 2017.
- As cost prices increase, suppliers are finding it necessary to recoup these through increased prices at the till.
- Currently, the mechanism chosen to achieve this, is, in most cases, reduced trade promotion support, rather than a straight-forward increase in base (everyday) prices.

Source: IRI

Coverage: supermarkets

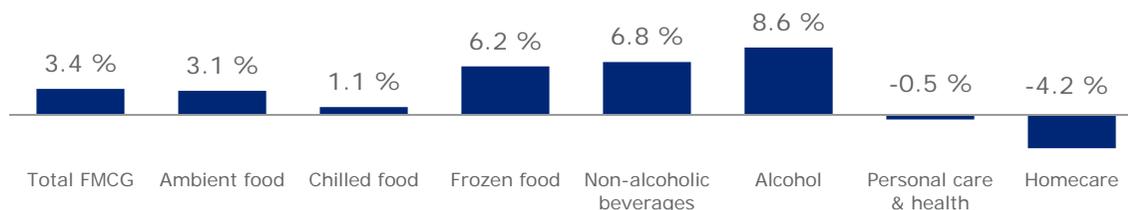




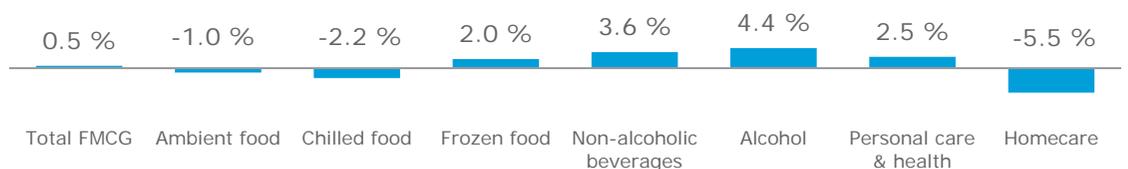
# Categories short term sales, Q2 2017 - UK

## FMCG categories value, volume and price evolution, in %, in the UK

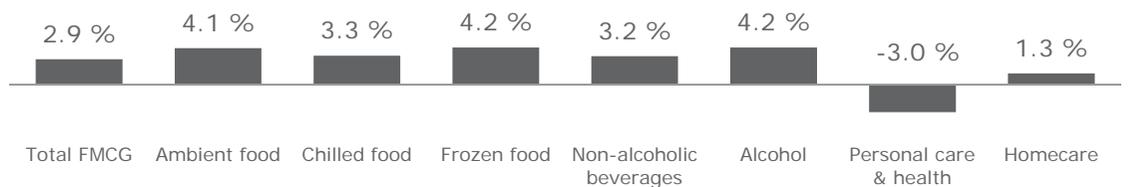
Value (in %)



Volume (in %)



Price (in %)



### Comments

- Q2 '17 contains Easter sales whereas Q2 '16 did not, so we are seeing sales increases as a result.
- The temperature in 2017 has been higher than in 2016 in almost every month. This has helped both alcoholic and non-alcoholic drinks, especially bottled water, which is providing most of the volume gains.
- Frozen food is growing through vegetarian food, desserts and frozen sausages.
- Prices have been rising in all almost all sectors as trade promotion support has been reduced.

Source: IRI

Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)

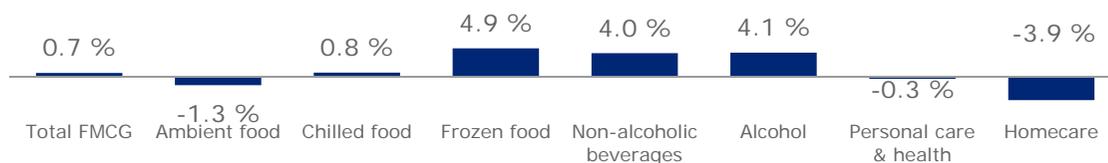




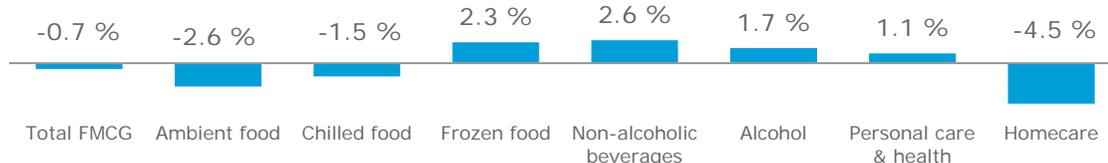
# Categories sales, moving annual total, Q2 2017 - UK

## FMCG categories value, volume and price evolution, in %, in the UK

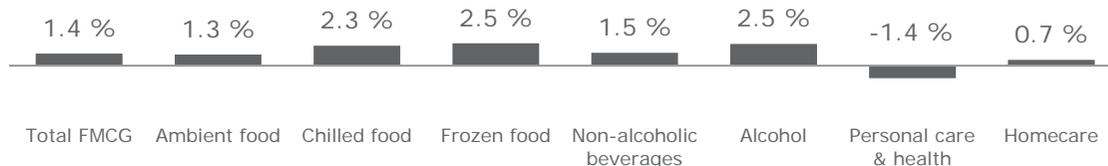
### Value (in %)



### Volume (in%)



### Price (in%)



### Comments

- This longer term view still shows the growth of the drinks sectors and of frozen food. The late summer peaks in 2016 helped all of these sectors.
- The homecare sector is losing sales to the bargain stores, in a similar way, ambient food is taking the biggest hit in the overall loss to the discounter sector.
- Personal care prices have been rising more slowly in 2017 than other sectors, leaving them still down overall for the latest year.
- The overall price change of +1.4% is a combination of falling prices in 2016 and rising prices in 2017.

Source: IRI

Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)

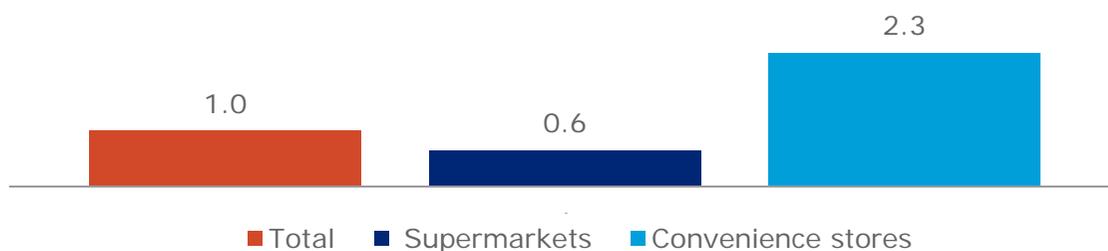




# Channels landscape, Q2 2017 - UK

## FMCG channels weight evolution, in %, in the UK

Channels short term results (%)



Channels MAT results (%)



### Comments

- Although relatively slow, the growth of the convenience sector, fueled mainly by the convenience multiples, is steady and relentless.
- This has been the case for two years or more and as shopping habits evolve towards smaller baskets and more frequent trips, this sector will continue to benefit at the expense of the supermarkets.

Source: IRI

Coverage: supermarkets and convenience stores



# 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 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.

# IRI State of the Nations

## FINAL NOTES

---

- **Source:** IRI InfoScan, syndicated retail tracking service.
- **Methodology:** Quarterly review, year-on-year data for fast moving consumer goods.
- **Channel coverage:** supermarkets, independents grocers and convenience Stores, excludes hard discounters, M&S and bargain stores.

Source: IRI

Coverage: All outlets (Supermarkets, Independents Grocers & Convenience Stores, excludes Hard Discounters, M&S and Bargain Stores)



# 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: [tim.eales@iriworldwide.com](mailto:tim.eales@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](http://IRIworldwide.com)**

### International Headquarters

1 Arlington Square,  
Bracknell, Berkshire RG12 1WA,  
United Kingdom  
+44 1344 746 000

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.