



# IRI State of the Nations

Snapshot of Consumer Goods Trends in Western Economies

Q3 2017

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

November 2017



**IRI**

Growth delivered.

# IRI State of the Nations Q3 2017



**IRi**

Growth delivered.



France



Germany



Greece



Holland



Italy



Spain



United  
Kingdom



Please attribute to 'IRI, the big data and technology expert for consumer industries'.

Please also note that no additional restructuring or manipulation of IRI figures is permitted.





## Key findings – United Kingdom (UK)

---

- Economic activity (GDP) in the UK remains positive, having grown in almost every quarter since 2009. However forecasts have been revised downwards recently.
- The Consumer Price Index rose sharply to +2.9% in Q2 '17 but now appears to be stabilising. The impact on prices of the post-referendum devaluation of the £ has been less than expected, and competitive and other deflationary factors are still there. Food and beverage prices have increased nevertheless and are still up by more than the government's inflation target of 2%.
- The unemployment level continues to fall and is now only 4.2%, despite population uncertainties over Brexit. Investment levels and productivity levels are still low, however, and confidence levels have fallen again, thanks to rising prices, increasing debt levels and uncertainty over the ultimate result of the current Brexit negotiations.
- After a two-year period of growing real incomes in 2015-16, 2017 has seen prices rising faster than wages and they will continue do so for the foreseeable future, reducing real household disposable incomes. This will affect the grocery industry, as having less money to spend means behaviours change.
- Easter occurred in Q2 in 2017; it was in Q1 in 2016. This makes a quarterly comparison for Q2 versus the previous year difficult and caution is advised in interpreting Q1/Q2 data.



## Key findings - United Kingdom (UK)

---

- Topline volume sales trends remain negative into Q3 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. There is strong real consumer demand for some categories like alcohol and soft drink sales through supermarkets, also encouraged by product innovation.
- 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. Base price rose faster in Q2 and Q3 in some categories.
- Trade promotion support reduced dramatically in the first half of 2017 although the levels have started to stabilise in some categories and we are seeing variations between retailers. Levels remain heavily down on 2016 and we don't anticipate them rising to the previous high levels.
- 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.

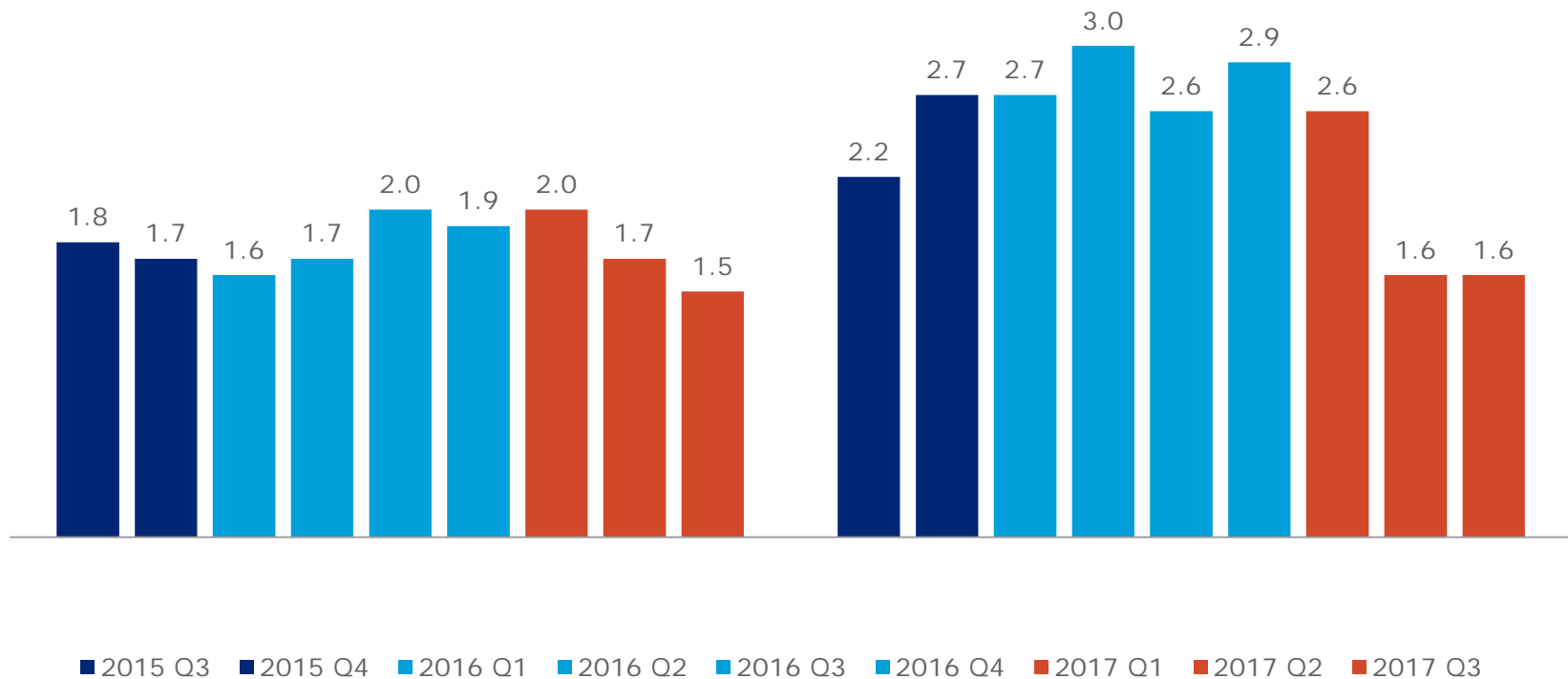


# Macro-economic context – UK

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

GDP evolution

Household expenditure



Source: Eurostat

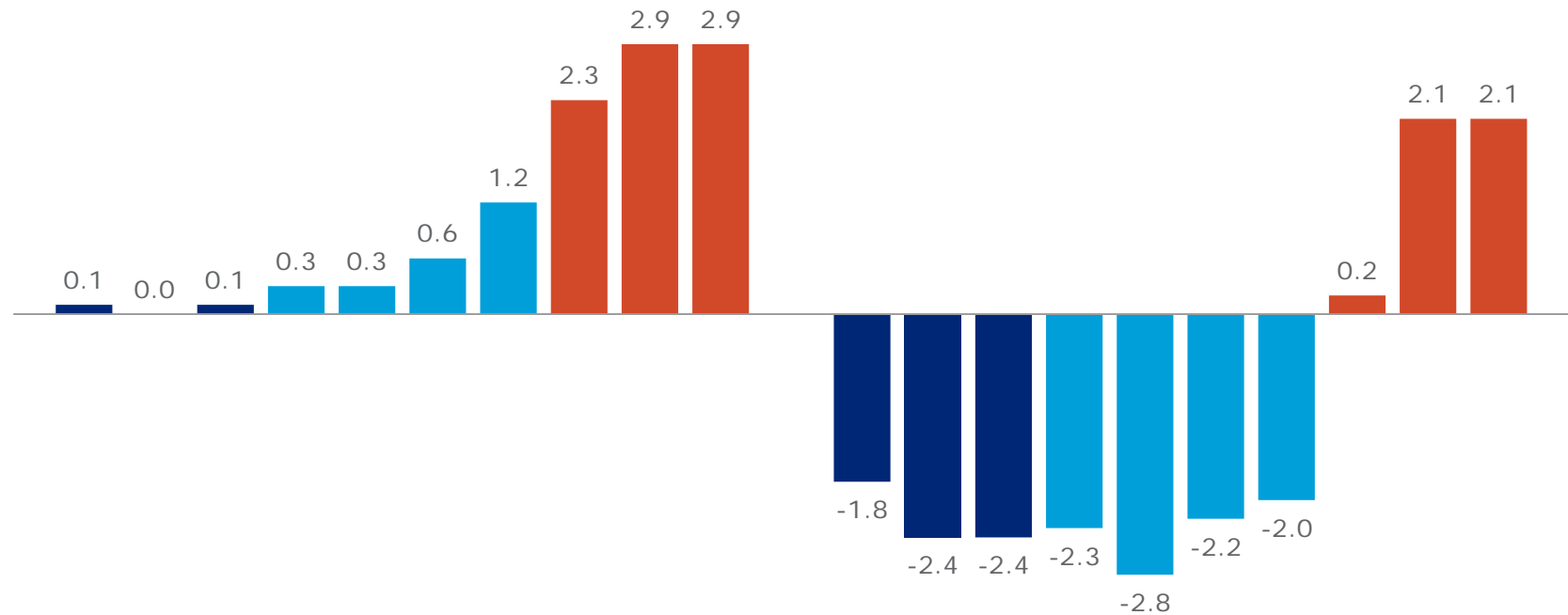


# Macro-economic context - UK

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

Total inflation rate

Food and beverage inflation rate



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

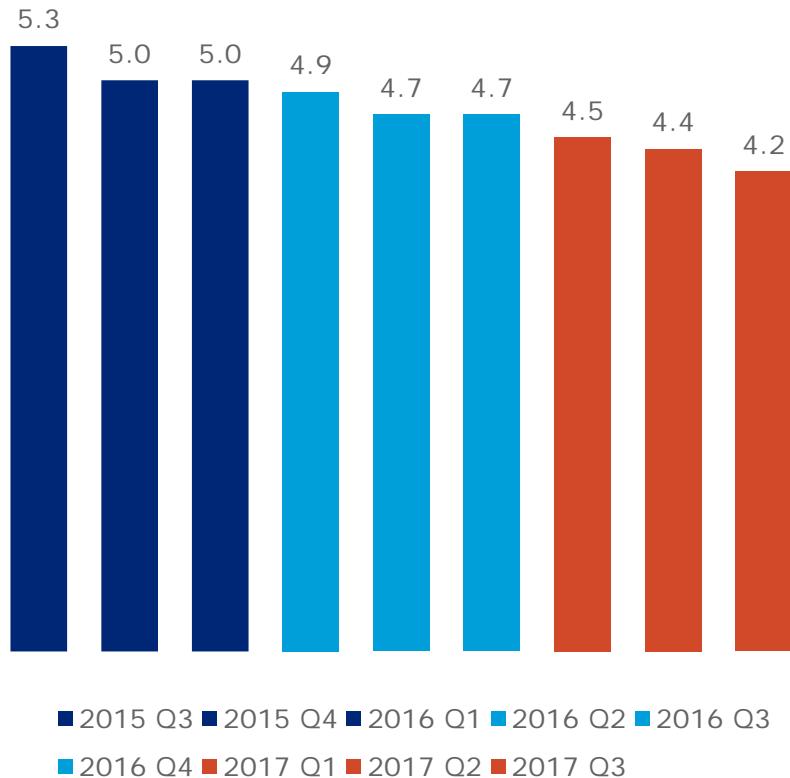
Source: Eurostat



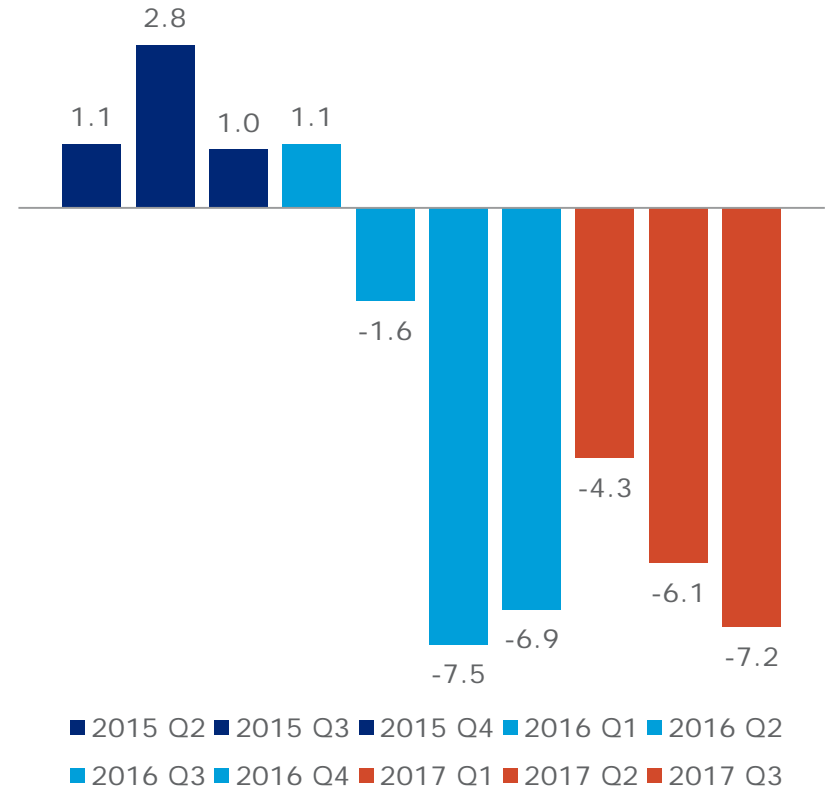
# Macro-economic context - UK

## Unemployment rate (%) and household confidence evolution, in %, in the UK

### Unemployment rate



### Household confidence level

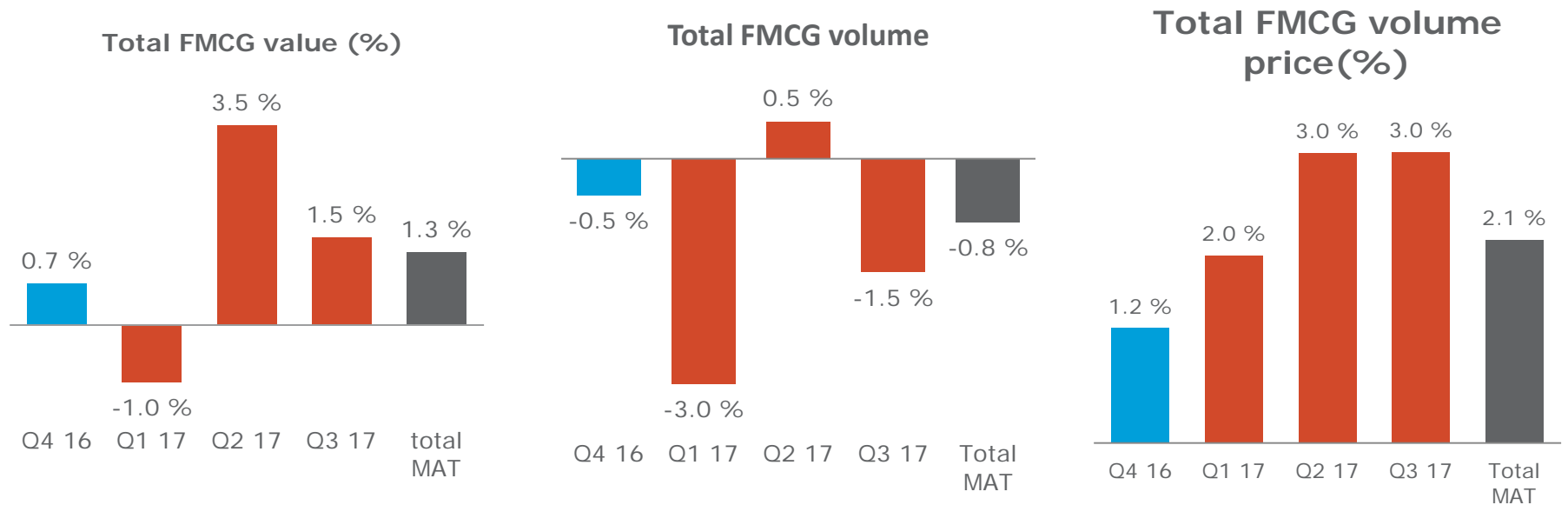


Source: Eurostat



# Total FMCG, Q3 2017 - UK

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



### Comments

- Q2 showed strong sales, driven mainly by Easter moving from Q1 in '16 to Q2 in '17. Volume price change continued at +3% reflecting higher prices and reduced promotion levels in FMCG, reflecting the recent increase in UK CPI.
- Sales in Q3 and for the year are now up but this is mainly driven by higher food prices overall. Alcohol performed strongly.
- 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

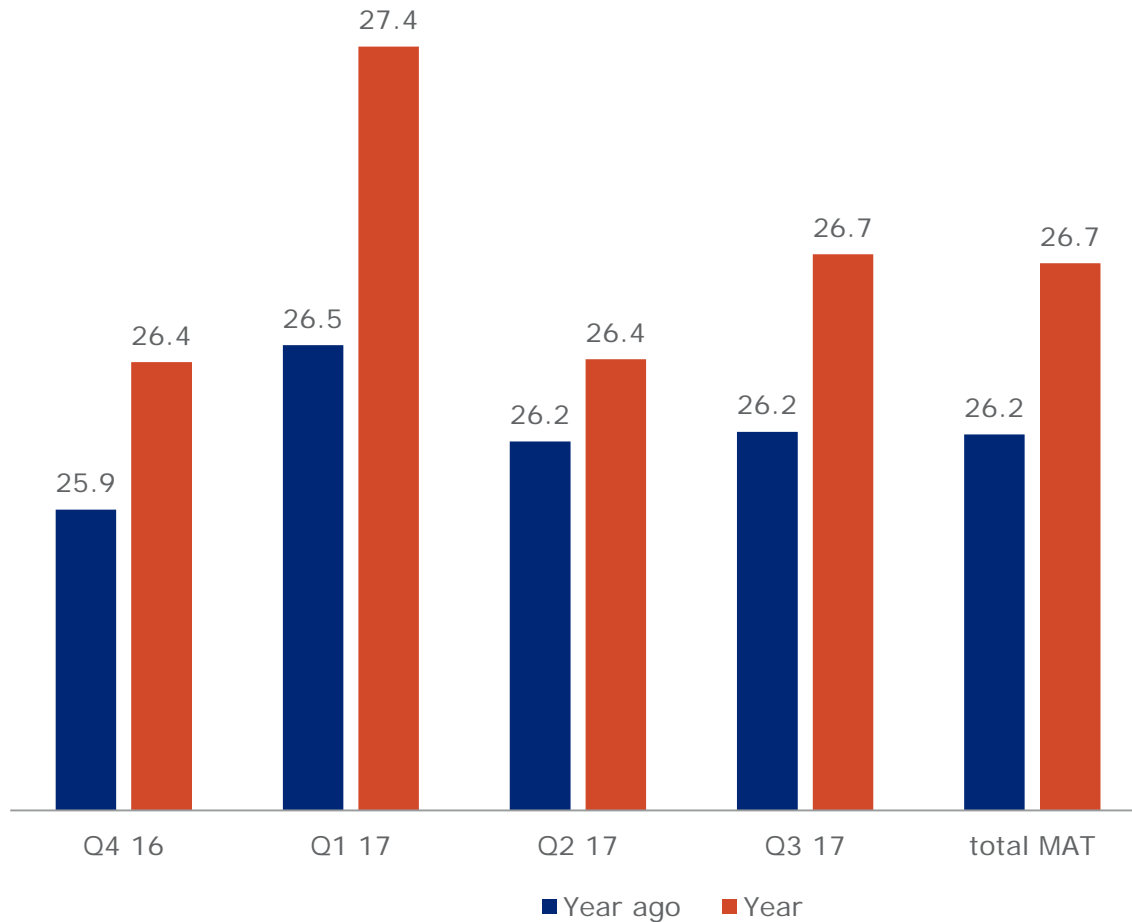
Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)





# Private Labels, Q3 2017 - UK

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



### 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.

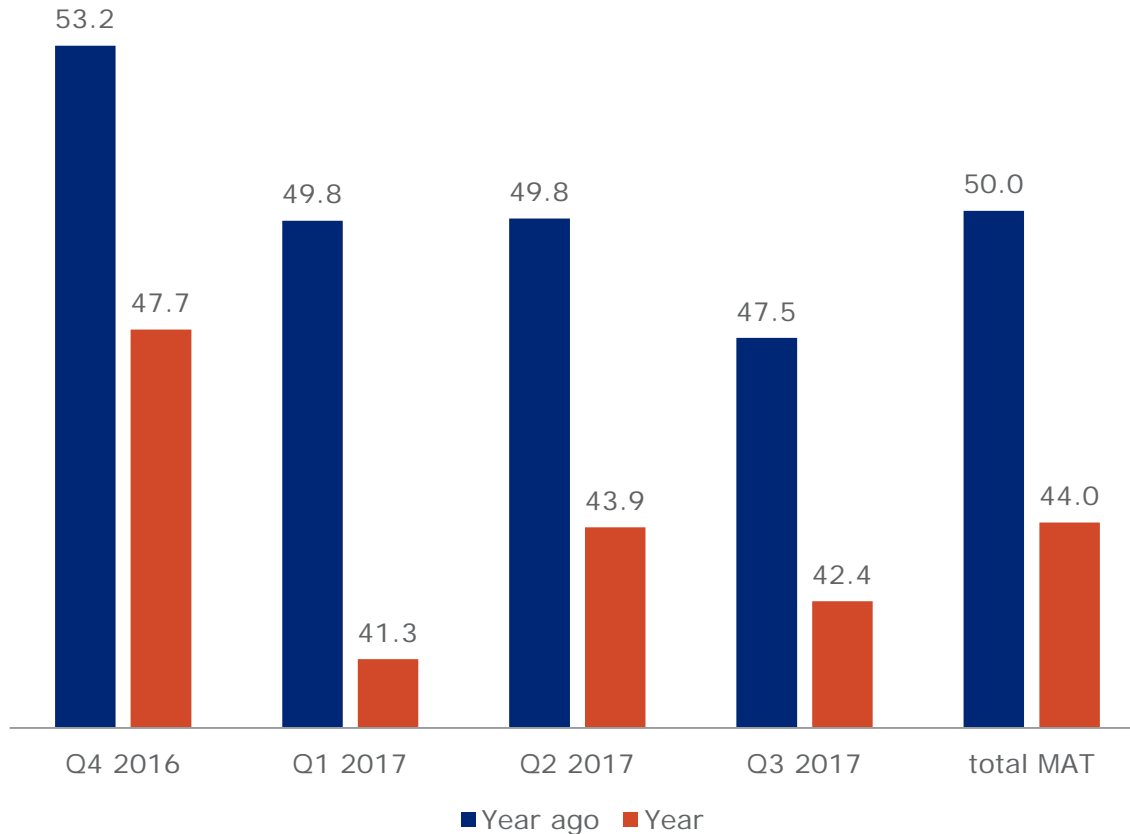
Source: IRI

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



# Promotions, Q3 2017 - UK

Total FMCG value sales on promotion, in %, in the UK



## Comments

- We have seen unprecedented low levels of support during 2017 compared with 2016.
- As cost prices increase, suppliers have found it necessary to recoup these through increased prices at the till.
- Currently, the mechanism chosen to achieve this, is, in most cases with brands, reduced trade promotion support, rather than a straight-forward increase in base (everyday) prices.
- However the level of promo support now appears to be stabilising at this new lower level, and we are seeing variations between retailers on a monthly basis.

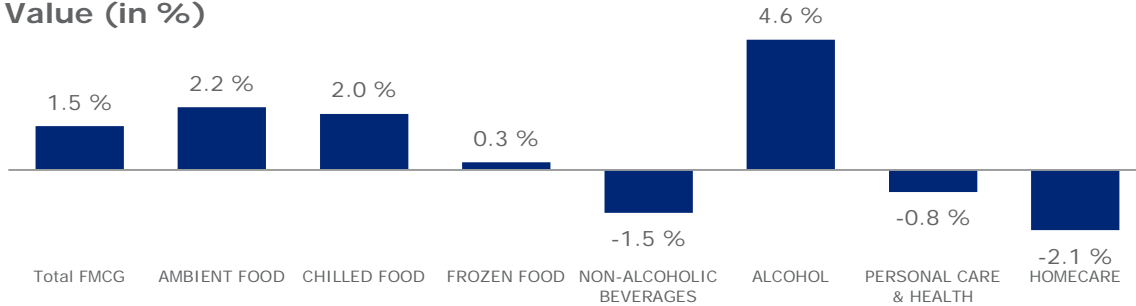
Source: IRI  
Coverage: supermarkets



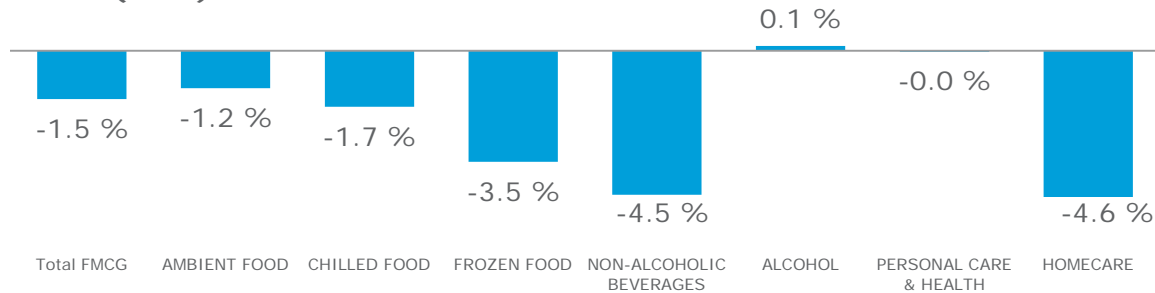
# Category trends, Q3 2017 - UK

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

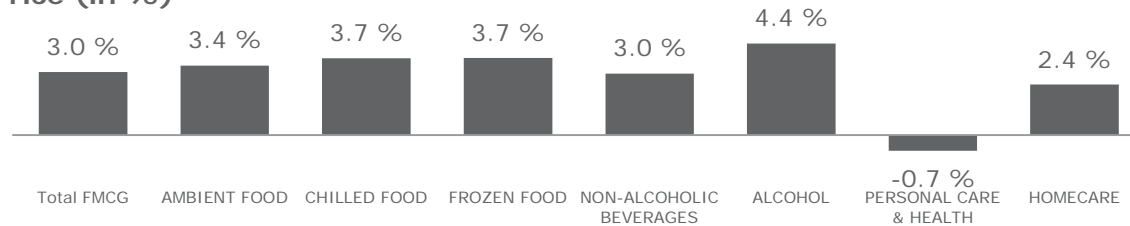
### Value (in %)



### Volume (in %)



### Price (in %)



### Comments

- Q3 shows the topline impact of increased prices on sales compared with a year ago.
- Prices have been rising in almost all sectors as trade promotion support has been reduced, and costs increase.
- Alcohol has benefited from trading up as consumers have bought more expensive spirits, and craft beers.
- The weather in Q3 was colder and wetter than in 2016, keeping sales of ambient food relatively more stable than other sectors and depressing sales of non-alcoholic drinks.
- Homecare continues to lose shoppers to excluded formats.

Source: IRI

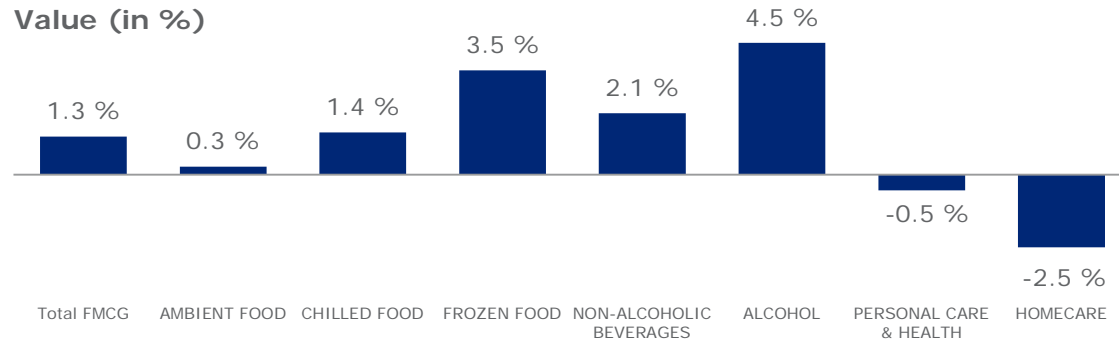
Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)



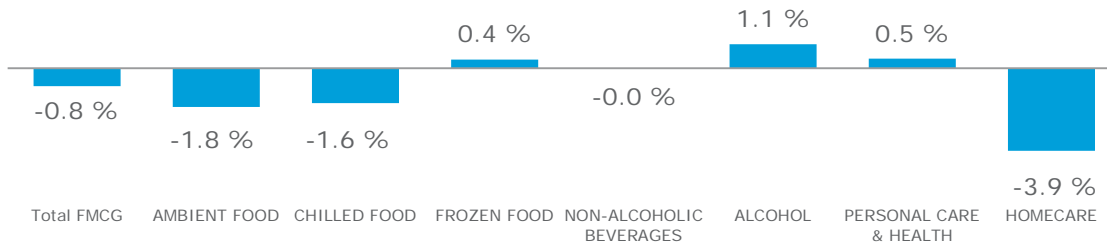
# Category trends, moving annual total, Q3 2017 - UK

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

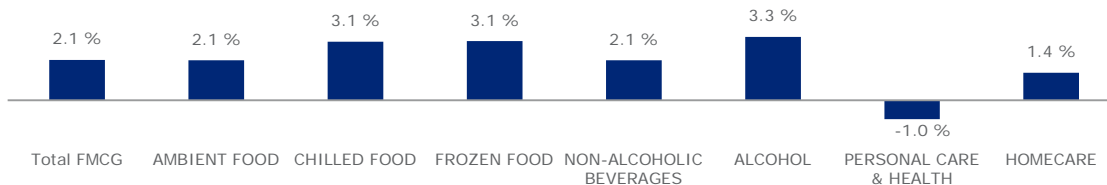
### Value (in %)



### Volume (in%)



### Price (in %)



### Comments

- This longer term view shows the growth of the drinks sectors and of frozen food. This has been helped by generally better weather in 2017 overall, compared with 2016.
- The homecare sector is losing sales to the bargain stores. In a similar way, ambient food is taking a big 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 +2.1% is a combination of falling prices in 2016 and rising prices in 2017.

Source: IRI

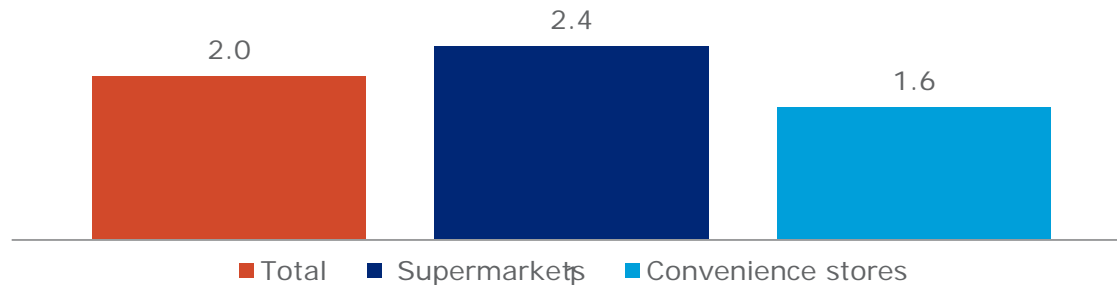
Coverage: All outlets (supermarkets, independents grocers and convenience stores, excludes hard discounters, M&S and bargain stores)



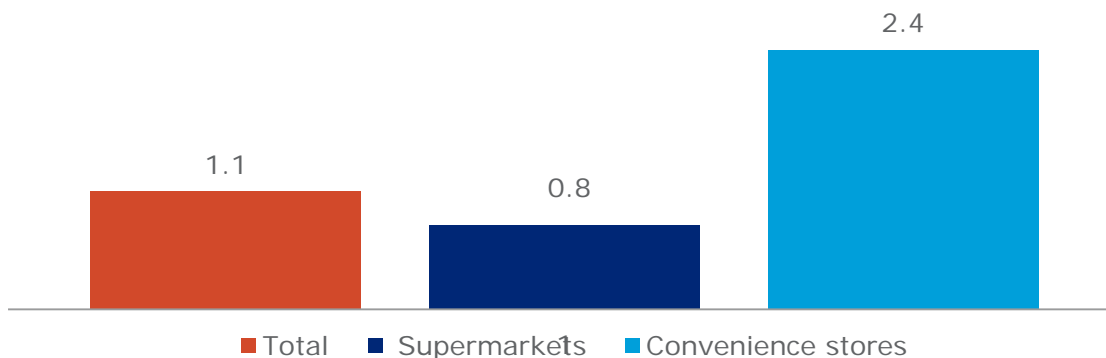
# Channel landscape, Q3 2017 - UK

## FMCG channel sales evolution, in %, in the UK

Channels short term results (%)



Channels MAT results (%)



### Comments

- The convenience sector has been growing faster than supermarkets over the past three years, as shopping habits evolve towards smaller baskets and more frequent trips, and the major supermarkets continue to improve their convenience offer.
- During 2017 the rate of growth in convenience has slowed down thanks to the impact of tobacco restrictions which have reduced footfall in convenience stores. Smokers have been switching to supermarkets to buy cigarettes.

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.