



IRI Pulse Report Baby

Welcome to the Pulse Q2 2014 edition for baby. We hope you find it useful. Please do not hesitate to contact us if you have any questions or comments at EU.Marketing@IRIworldwide.com.

Q2 2014

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IRi

Growth delivered.

About the Report

- This baby report is one of 10 super category reports designed to show high-level comparison and analysis for retail markets across major countries in Europe.
- This report contains data gathered from across Europe. This market was split into the following categories: baby food, baby milks and drinks, nappies and baby toiletries.
- The report highlights key metrics, such as total sales figures, market trends, category share, and winners and losers for Europe and for individual countries.
- The data has been sourced from IRI retail databases and Eurostat—the statistical branch of administration for the European Commission.
- The countries included in the report are: France, Germany, Italy, the Netherlands, Spain and the United Kingdom (UK).
- The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drugstores and impulse outlets
ES	Hypermarkets, supermarkets, hard discounters and drugstores including the Canary Islands
DE	Hypermarkets, supermarkets, hard discounters and drugstores
NL	Hypermarkets, supermarkets, hard discounters and drugstores
IT	Hypermarkets, supermarkets, small self service, hard discounters and drugstores
FR	Hypermarkets and supermarkets

- For analytical purposes, the data sourced from available retail databases has been consolidated to provide consistent results. However, for some countries it has not been possible to source data pertaining to certain categories. Where this occurs, it has been documented in the *Notes* section found at the end of the report.

On the Radar

Sales declined across the baby universe (1.4%) during the last year, with the exception of Germany, which was the only country with positive trends in all segments. While baby milk received some push from Dutch and German exports, all other segments are struggling in all countries, especially baby food.

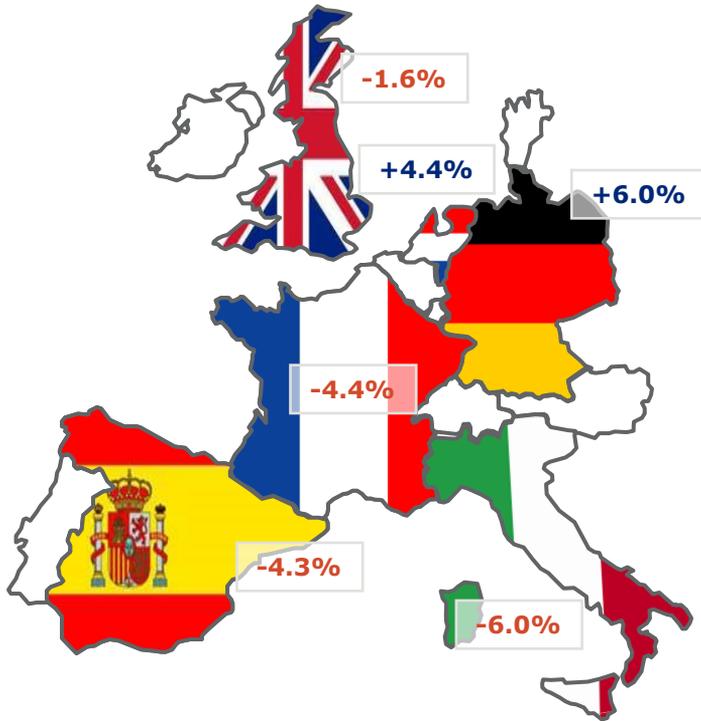
ECONOMIC FIGURES INFLUENCING CONSUMER BEHAVIOUR

	POPULATION IN MILLIONS		UNEMPLOYMENT (%)		AVERAGE 12 MONTH INFLATION RATES		GDP IN MILLIONS (€)		CRUDE BIRTH RATE PER 1000 INHABITANTS	
	Jan. 2012	Jan. 2013	Sep. 2013	Avg 2012	Sep. 2013	Average 2012	2012	2013 (Estimate)	2011	2012
France	65.3	65.6	11.1	10.2	+1.2	+2.5	2 032 297	2 059 358	12.6	12.6
Germany	80.3	80.5	5.2	5.5	+1.8	+2.4	2 644 200	2 694 499	8.1	8.4
Italy	59.3	59.6	12.5	10.7	+1.8	+3.5	1 565 916	1 568 388	9.0	9.0
Netherlands	16.7	16.8	7.0	5.3	+3.1	+2.8	600 638	604 459	10.8	10.5
Spain	46.8	46.7	26.6	25.0	+2.3	+2.3	1 049 525	1 051 076	10.1	9.7
United Kingdom	63.4	63.8	7.5	7.9	+2.7	+3.7	1 901 001	1 854 920	12.8	12.8

Source: Eurostat, September 2013

GLOBAL TRENDS

TOTAL BABY VALUE SALES AND GROWTH AND DECLINE IN THE LAST YEAR

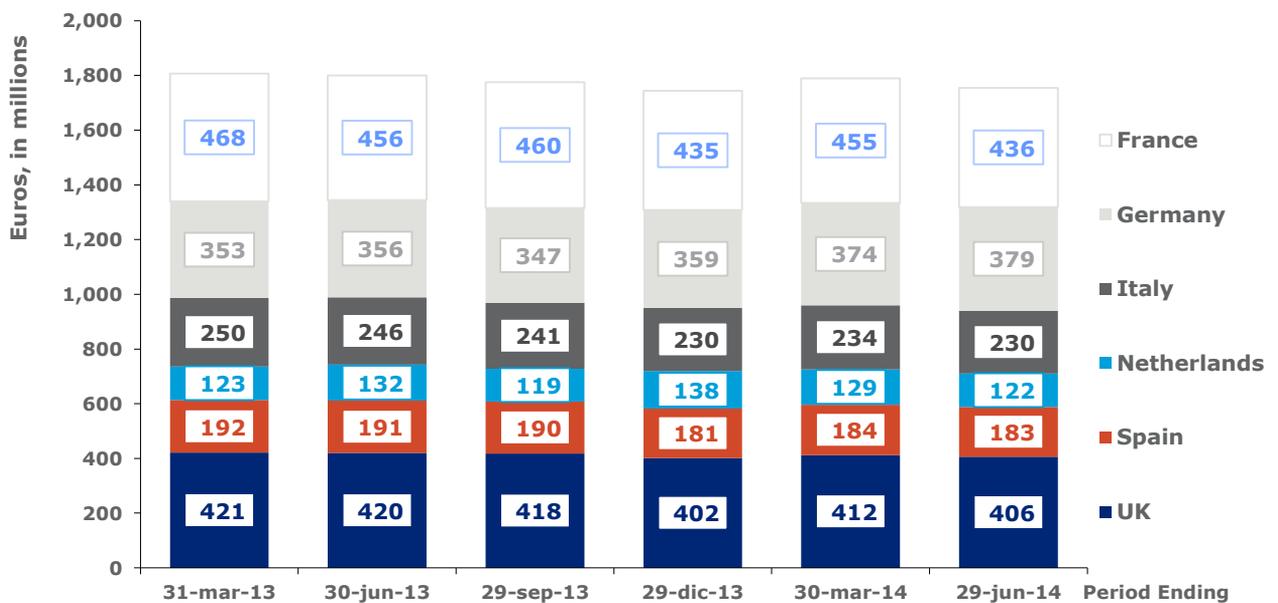


VALUE SALES IN MILLIONS (€)	
Total EU	7,063
FR	1,785
UK	1,638*
DE	1,459
IT	935
ES	738
NL	508

*based on an exchange rate of €1.150 to the pound

TOTAL EUROPE -1.4%

TOTAL BABY VALUE SALES FOR THE LAST SIX QUARTERS

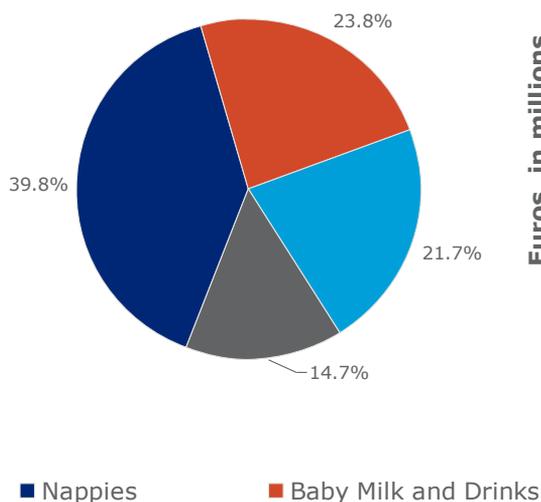


Source: IRI retail databases; period ending 29 June 2014

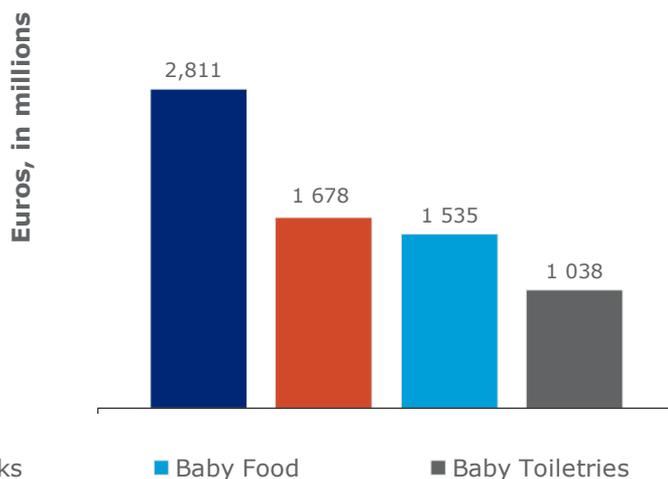


Europe

CATEGORY SHARE OF VALUE IN THE LAST YEAR

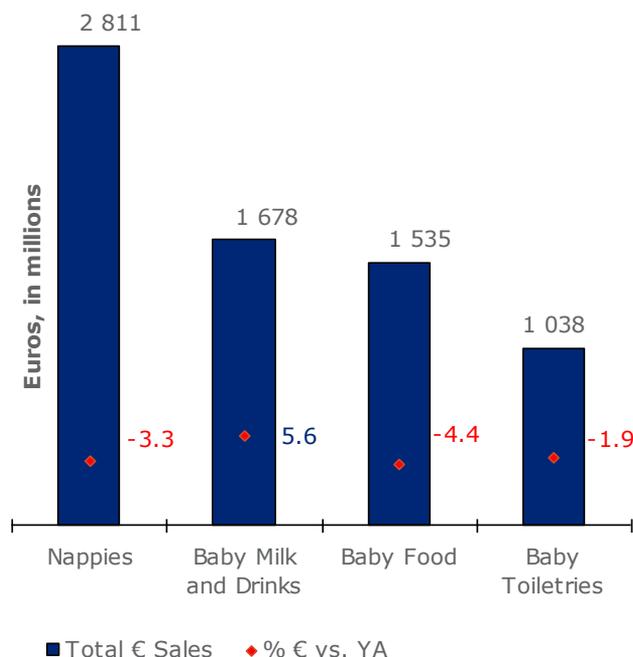


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

- Most baby categories across all countries experienced negative sales trends in Q2 2014.
- The decline in nappies of 3.3% in total (which represents 40% of the European baby care market) contributes to the baby care slowdown in Europe. In particular, all countries, except Germany, register sales decline.
- Positive trends in all segments were only observed in Germany. Few positive exceptions are visible in other countries:
 - Baby milks and drinks in the Netherlands (because of the export of baby formula to China).
 - Baby toiletries in Spain (private label is losing share, favouring manufacturers and their promotion activity).

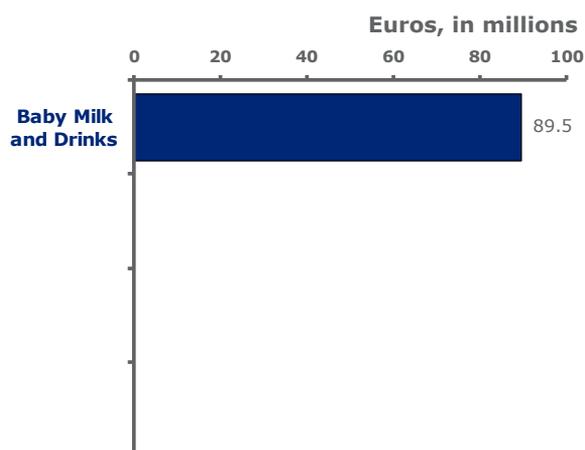
Europe includes: France, Germany, Italy, the Netherlands, Spain and the United Kingdom

Source: IRI retail databases; period ending 29 June 2014

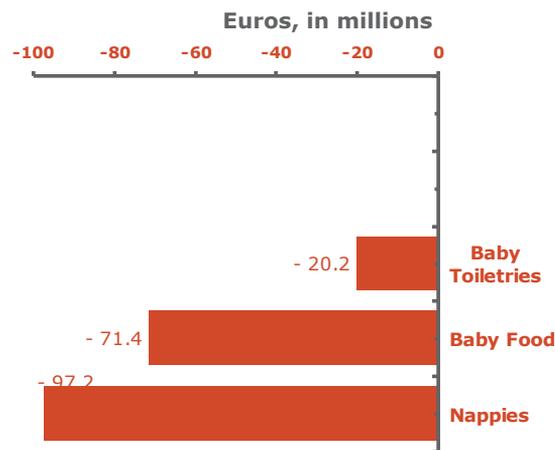


Europe

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



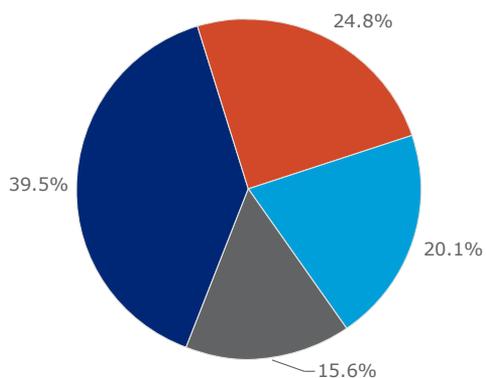
CATEGORY INSIGHTS

- The baby milk and drinks category performed best for the quarter, driven by increased sales in the Netherlands (32.7%) and Germany (19.0%). Category growth is driven mainly by the fear of the quality of China's milk and the exports of milk.
- Baby food is the category with the greatest sales decline (4-4%), decreasing in all countries (particularly France and Italy), with the exception of Germany, which experienced an increase (3.4%) due mostly to the sales boost in soft discounters.
- All countries, except Germany, experienced sales decline in nappies, with Italy, the Netherlands and Spain showing the sharpest negative trend.
- Baby toiletries continue to show a declining trend in all countries, except Germany and the turnaround of Spain (0.4%).

Europe includes: France, Germany, Italy, the Netherlands, Spain and the United Kingdom

Source: IRI retail databases; period ending 29 June 2014

CATEGORY SHARE OF VALUE IN THE LAST YEAR



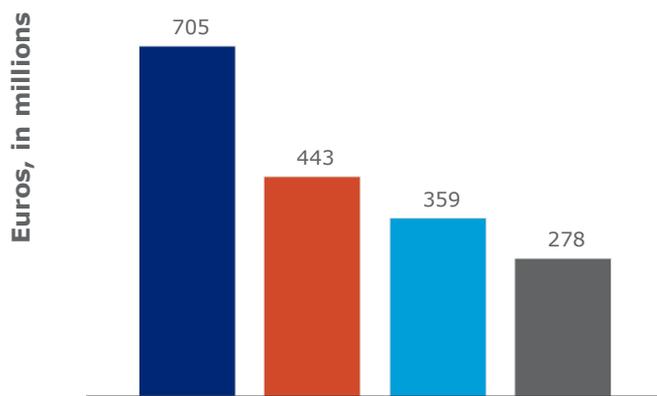
■ Nappies

■ Baby Food

■ Baby Milk and Drinks

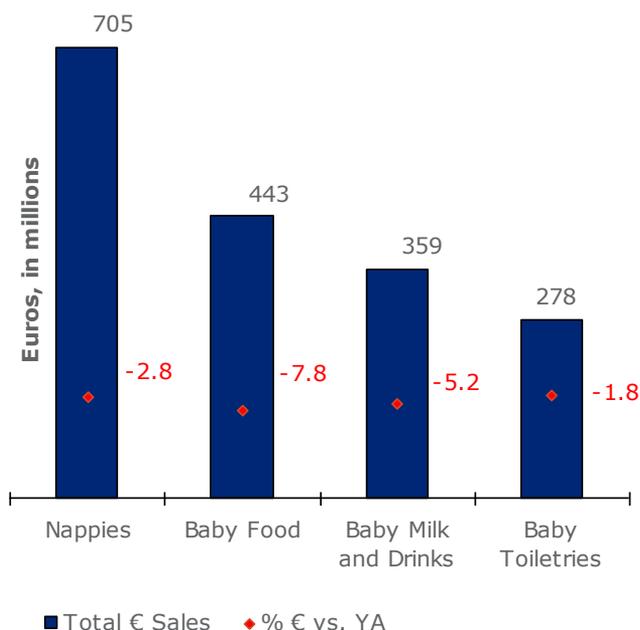
■ Baby Toiletries

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago

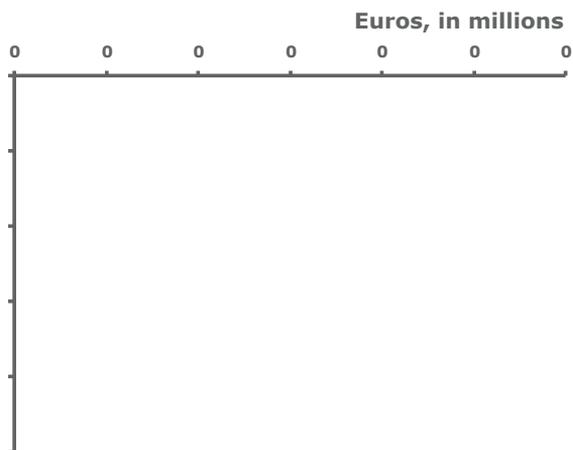


KEY TRENDS

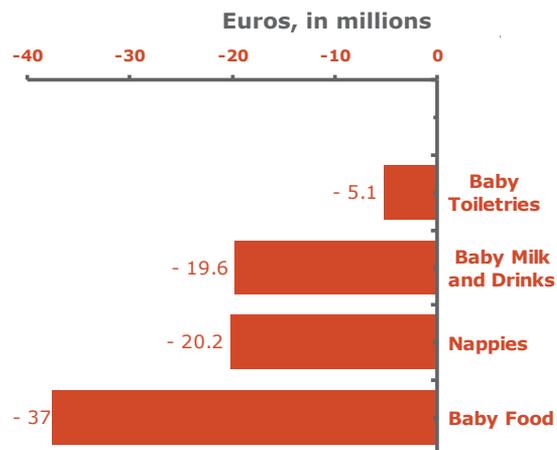
- The baby sector experienced a value sales decline of 4.4% across hypermarkets and supermarkets (HMSM) and declines of 2.6% across hypermarkets, supermarkets and drive.
- The drive channel is growing at a lower pace than previously observed; it represents 6.3% of the baby universe and is not expected to change.
- The four baby categories show negative growth for the year, and declines remained strong during the last quarter.
- Declines are sharpest in the baby food sector (7.8% value sales in HMSM, 6.1% in HMSM and drive); baby milk sales are also falling (5.2% in HMSM, 3.7% in HMSM and drive).
- Nappies and toiletries are less affected (2.8% in HMSM, 0.6% in HMSM and drive, and 1.8% in HMSM, -0.3% in HMSM and drive, respectively).

Source: IRI retail databases; period ending 29 June 2014

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



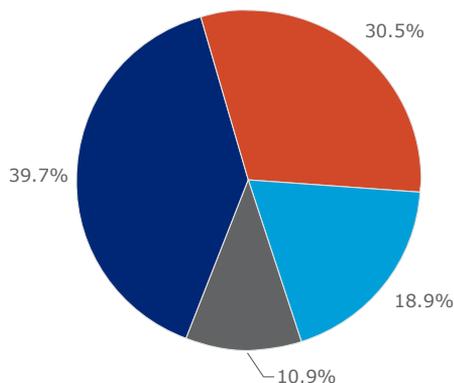
CATEGORY INSIGHTS

- The baby food category is now responsible for 45.0% of the losses experienced by the baby category with -37M€ sales versus last year while it only represents 24.8% of market share.



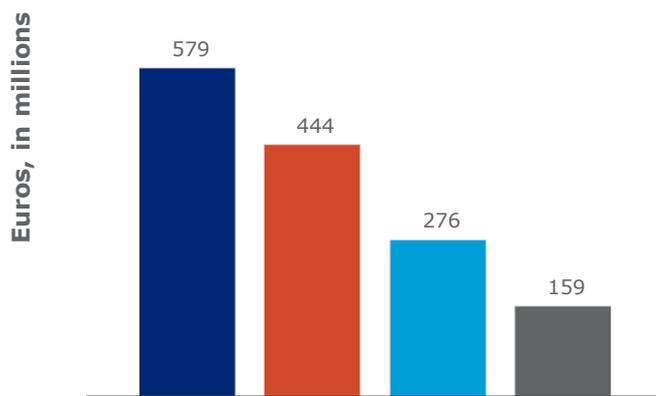
Germany

CATEGORY SHARE OF VALUE IN THE LAST YEAR



■ Nappies ■ Baby Milk and Drinks

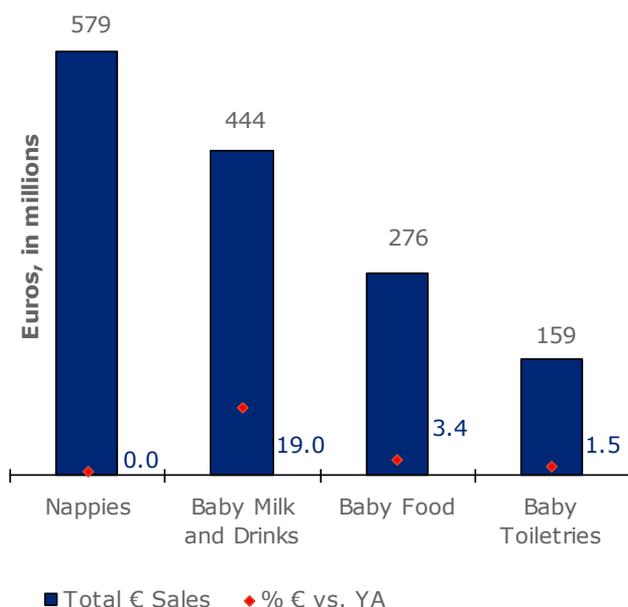
CATEGORY VALUE SALES IN THE LAST YEAR



■ Baby Food ■ Baby Toiletries

TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

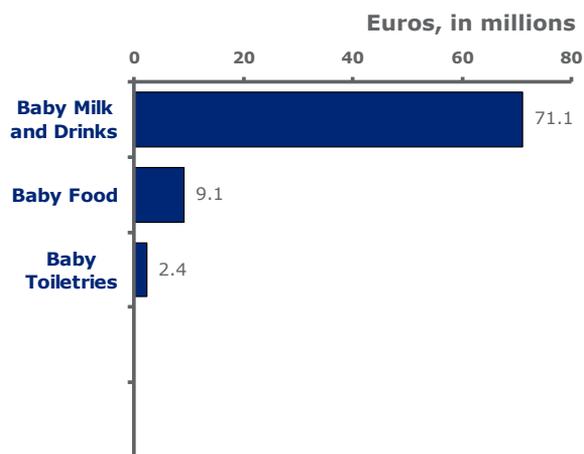
- Baby milk and drinks, which is the second largest category in terms of market share has experienced double-digit growth driven by the baby milk category. Baby milk is benefitting from the continued high demand from Chinese parents who import high quality baby milk powder from Germany. Major baby milk channels are hypermarkets and drugstores, however, the baby drinks category continues to decline.
- The nappy category, being the largest sector in the baby market, experiences a stable development. Positive growth in drugstores stabilizes the overall growth rate of the category. However, discounters experienced a dip primarily due to losses in hard discounters (with the dip in sales of its new range of premium diapers).
- Baby food has also shown positive growth this quarter. The growth is mainly contributed to by drugstores followed by soft discounters.
- The baby toiletries category grew with push from its main channel, drugstores.

Source: IRI retail databases; period ending 29 June 2014

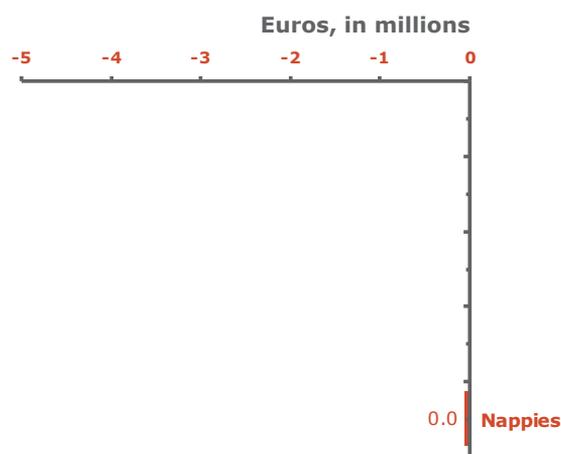


Germany

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)

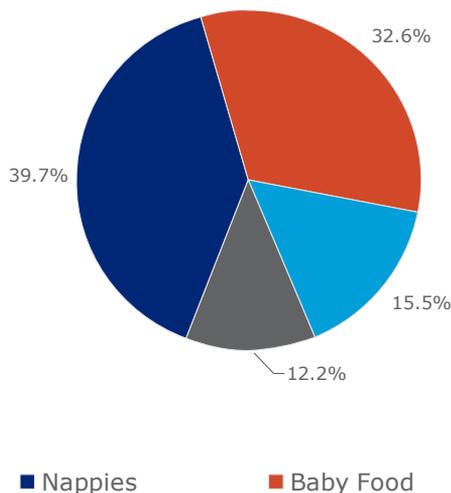


CATEGORY INSIGHTS

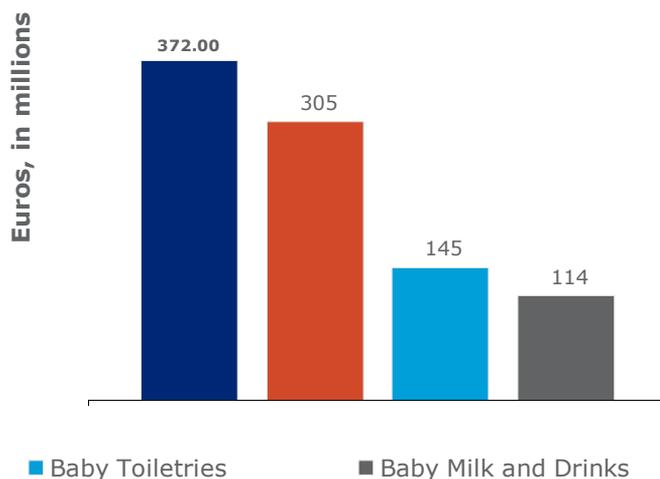
- The baby milk and drinks category is the strongest performing category in the baby market. The baby milk category, specifically the dry milk segment, is driving the sales growth both in value and volume. Chinese demand for German baby milk powder from German shelves continues and is responsible for the huge growth in a market where the birth rate is stagnant. Drugstores remain the main point of sale, with dm drug market being the major store. Hypermarkets is the second largest channel fuelling the sales growth. Private labels in the baby milk and drinks category have shown tremendous growth. The baby juices sector continues to decline.
- The baby food category is the second strongest growing category contributing to overall baby sector development. Drugstores play an important role in driving the sales growth. Soft discounters also add to the positive development with its double-digit value growth rate. Slight increases in price/volume benefited the overall sales growth. Private label has presence only in drugstores, and shows flat growth.
- The nappies market shows a flat growth. Drugstores, being the main channel, (with about 60% value market share) has shown positive growth, and has over-shadowed the losses incurred in other channels. The dip in hard discounters is attributed to a decrease in promotions of the premium diaper range available since Q4 2012. Hypermarkets also experienced a decline resulting in the slow down in the overall sales performance. Private label, which holds around 32% market share, has seen a decline with a drastic fall in promotions sales.
- Baby toiletries, of which drugstores are the main point of sale, attributes to the positive development of the baby toiletries category. Soft discounters have captured increased share in both value and volume. Baby wipes are the main growing segment. Private label holds an immense market share of the baby toiletries market, and is enjoying a stable growth.

Source: IRI retail databases; period ending 29 June 2014

CATEGORY SHARE OF VALUE IN THE LAST YEAR

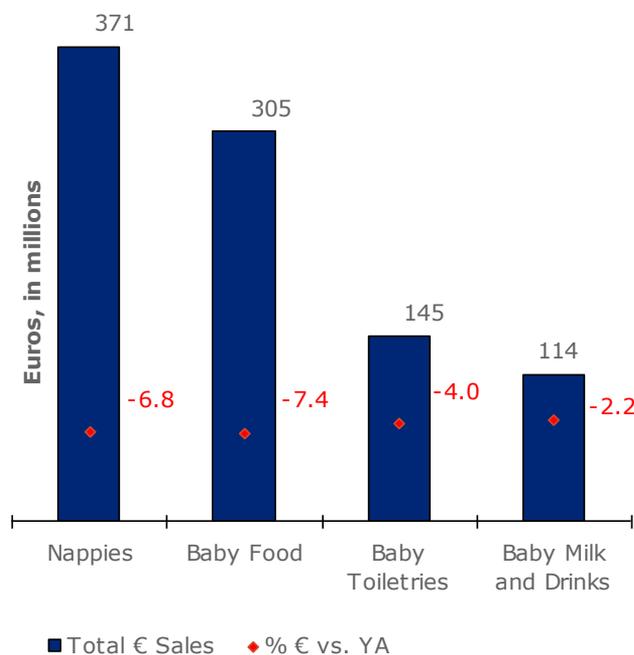


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



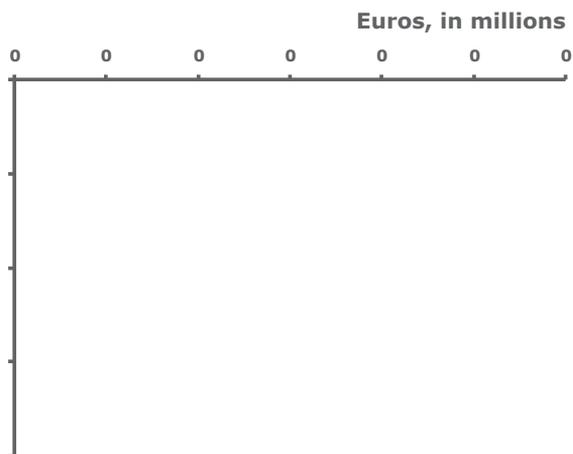
KEY TRENDS

- Total baby care in Italy shows a decline of 1.9% in volume and 6.0% in value for Q2 2014. The negative volume trend is mainly driven by strong sales declines in hypermarkets (6.1%) and supermarkets (3.5%), which account for 28.0% and 49.4% of category sales, respectively.
- Nappies category shows a strong decline in volume particularly in hypermarkets (7.8%) and supermarkets (58.0%), despite the increase in promotions.
- Baby food and baby toiletries, representing a combined total of 48.1% of segment sales, are also contributing to lacklustre baby category sales, particularly in hypermarkets.
- Promotional pressure keeps increasing for this category, to 46.1% in hypermarkets and 41.7% in supermarkets.

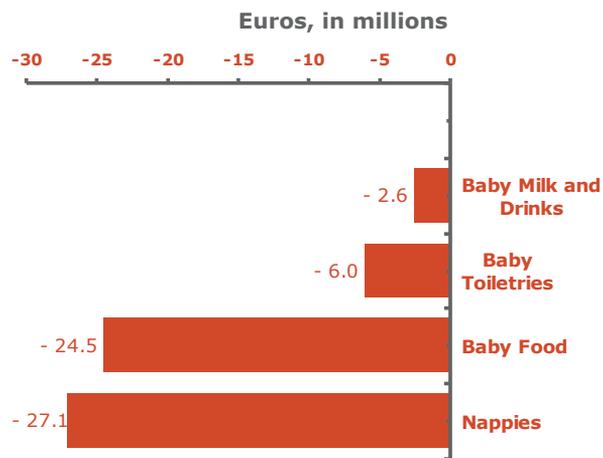
Source: IRI retail databases; period ending 29 June 2014



TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

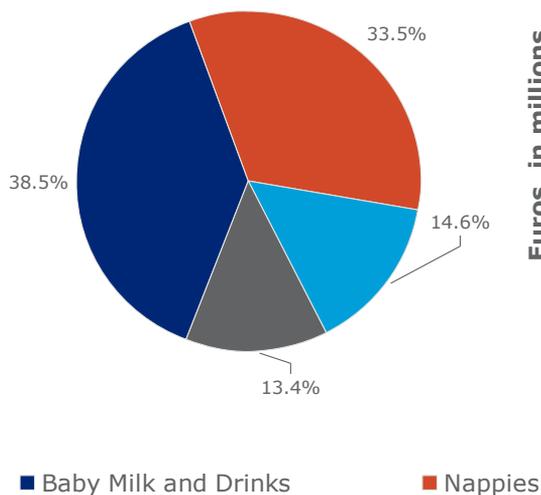
- Baby products are showing a negative trend in Q2 2014 versus Q2 2013, in particular baby food and nappies. This trend reflects the overall situation in Italy: Italians are getting older, women of childbearing age are fewer in number, and fewer children are born due to the difficulties in finding a job and the reduction of disposable income.
- Nappies keeps its leading position with a retail value share of almost 64%. The market leader strong position in the category is due mainly to the popularity of its Number One brand, which is highly trusted amongst Italian consumers. The brand’s loyalty has been built up throughout time, thanks to continuous advertising and an interactive website with a wide variety of tips for mothers. They also have frequent launches of new and improved lines.

Source: IRI retail databases; period ending 29 June 2014

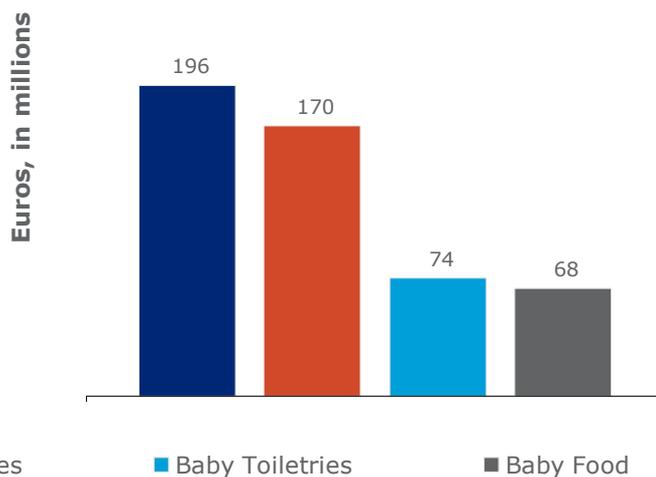


The Netherlands

CATEGORY SHARE OF VALUE IN THE LAST YEAR

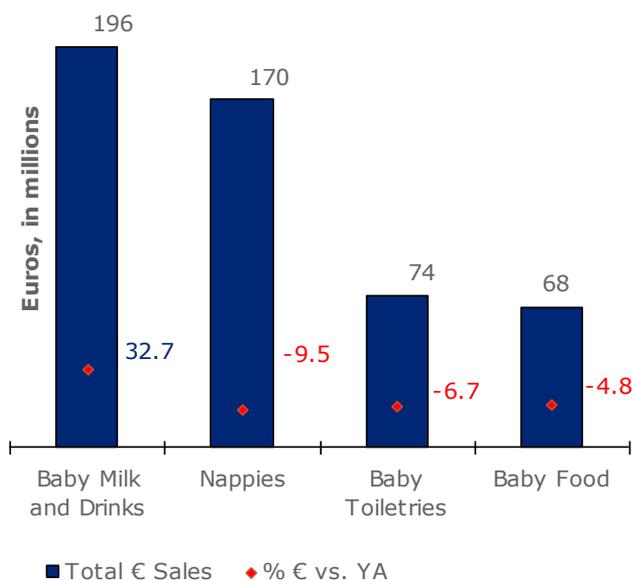


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

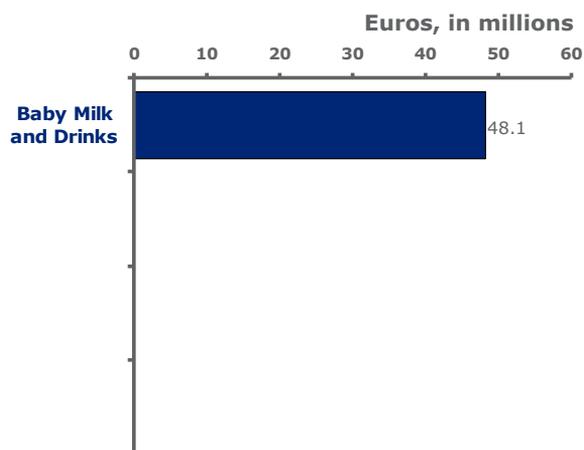
- As a result of general fast moving consumer goods (FMCG) market trends, and declining birth rates, baby products in the Netherlands are under pressure.
- Both channels show growth in total baby compared to same period last year, with supermarkets outperforming drugstores supermarkets moving annual total (MAT) index of +5.7% and drugstores of +2.0% in total baby value sales. Growth within total baby is still heavily influenced by the export of baby milk to China.
- Toiletries, nappies and other baby products are in decline, especially the biggest category nappies within supermarkets (MAT-12.4%). In drugstores, baby toiletries volume grew slightly due to growth of pacifiers and drinking cups.
- Promotional pressure is slowly declining for this category after a long period of growth, to 58.7% (-0.9%) in drugstores and 24.8% (-2.5%) in supermarkets. This is mainly driven by promotions in baby food (excluding milk), toiletries and articles like bottles.

Source: IRI retail databases; period ending 29 June 2014

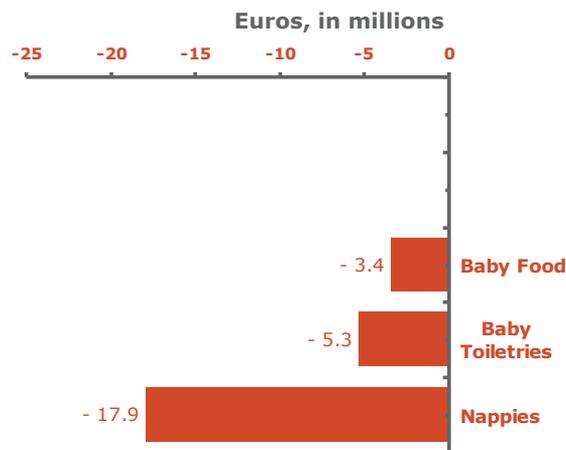


The Netherlands

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

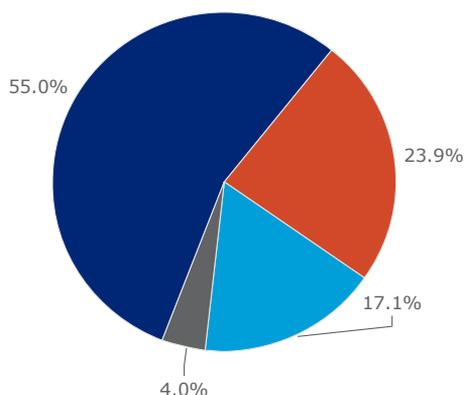
- Baby food (excluding milk) is declining in both value and volume despite high promotional activity. Upgrading private label assortment provides growth within value. Self-made meals remain impacting baby food performance negatively.
- Nappies value sales turned negative in Q2 2014, largely as a result of increased purchase activity across non-FMCG channels, including online (Bol.com/ Wehkamp) or grey channels like Action. The grey channels remain growing within the market due to higher sales as well as opening extra stores.
- The natural/bio trend is expanding within baby nappies, mainly at internet stores. The natural products without perfume/lotion/moisturizer/chemicals and unbleached are available at many online stores and fit the trend of the increase in consumer awareness of products they buy.
- Within baby toiletries there is trend of using baby-like coconut oil as an alternative to shampoo or shower gel, as this can be used for almost everything and is a cheaper alternative.

Source: IRI retail databases; period ending 29 June 2014



Spain

CATEGORY SHARE OF VALUE IN THE LAST YEAR



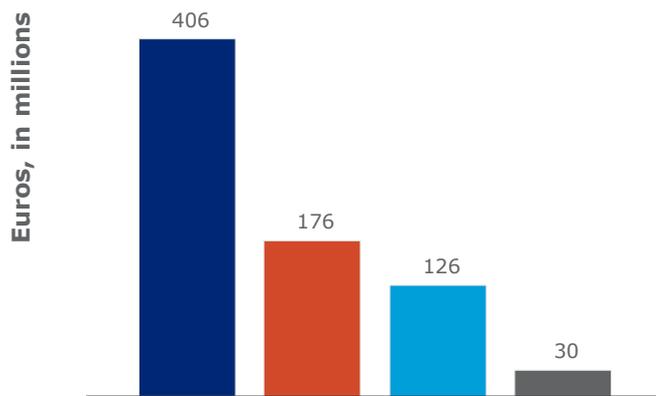
■ Nappies

■ Baby Food

■ Baby Milk and Drinks

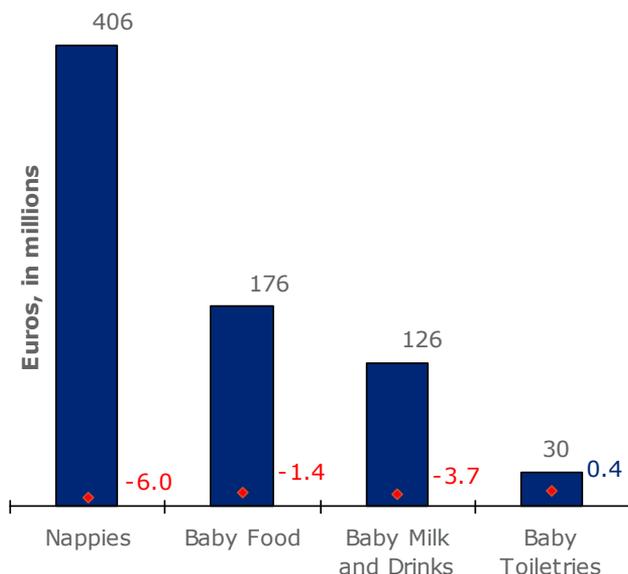
■ Baby Toiletries

CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



■ Total € Sales ◆ % € vs. YA

KEY TRENDS

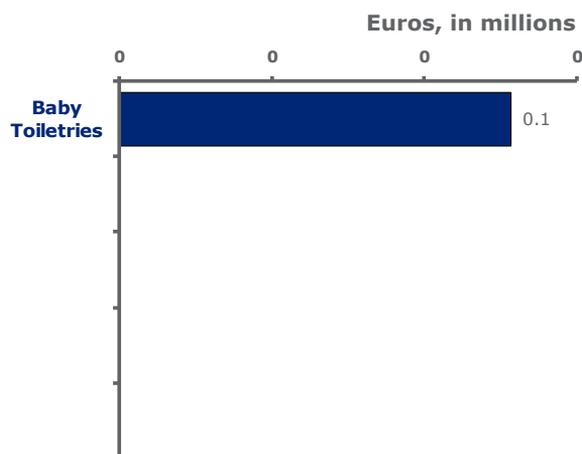
- In Spain, the baby category declined in Q2 2014 (4.2% value sales), with negative performance in most of segments, except baby toiletries, where we observed the positive evolution of sales 0.5%.
- The negative trend comes from decreases of the birth rate, the power of private label in baby food, and nappies segments.
- The negative evolution is observed in hypermarkets and supermarkets, but in hypermarkets this trend is much bigger.
- Promotional activity has decreased 1.6% compared to last year, and prices are rising, both elements are not favourable for the market.

Source: IRI retail databases; period ending 29 June 2014

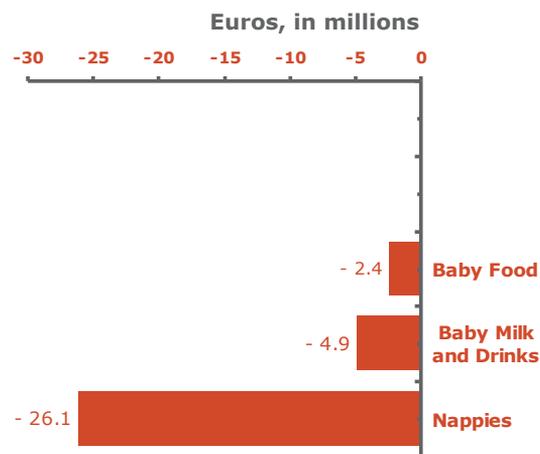


Spain

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

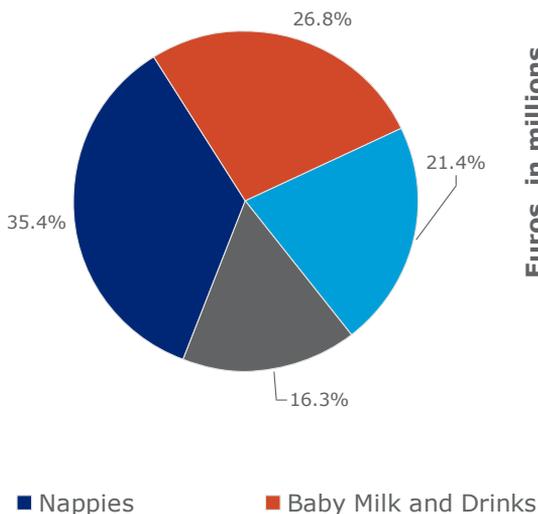
- Nappies is the largest segment of Spain's baby category, representing 55.0% share. The sector is experiencing a decline (5.9%), driven by a reduction in the birth rates and by the economic crisis. Price continues to rise (0.7%), and consumers are opting for cheaper and lower quality; private label decreased prices by 1.2% and increased its promotional activity. Private label has been a player in this category for some time, and represents 39.0% of total value sales (+3 points versus year ago).
- Baby toiletries is the only category that experienced growth for this period. Private label loses market share (3.6 point less than last year). Manufacturers increased their promotional activity and slightly raised prices, while private label is decreased their prices, but this did not generate more demand.
- Baby food has decreased sales compared to last year (1.2%), because of negative evolution of manufacturers Nestle and Hero. Instead, private label is gaining market share with 43.0% value and +4 point of share versus a year ago. Manufacturers are trying to recover with high promotional activity, but private label price declines are very strong (7.0%). Decline in porridge food (4.7%) is heavily impacting the baby food category performance, whereas jar food is flat (0.0%). Main manufacturers are still investing in innovation to achieve quality of their products. New trends for natural products and new flavours succeeded among the most demanding consumers. Private label has reduced promotional activity by 7.6 points, while manufacturers are increasing presence in leaflets and secondary locations.

Source: IRI retail databases; period ending 29 June 2014

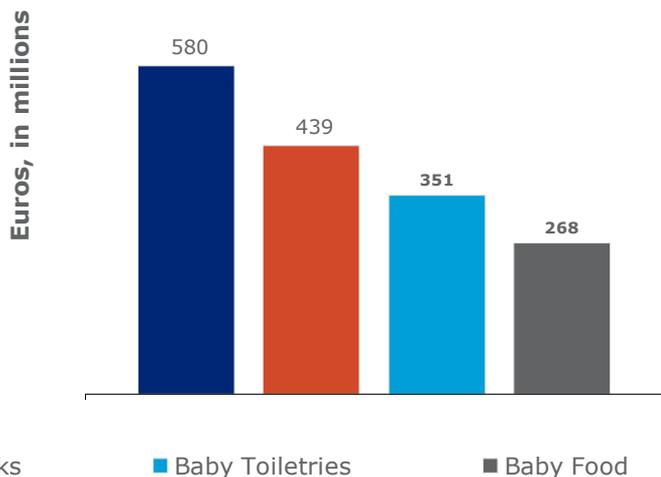


The United Kingdom

CATEGORY SHARE OF VALUE IN THE LAST YEAR

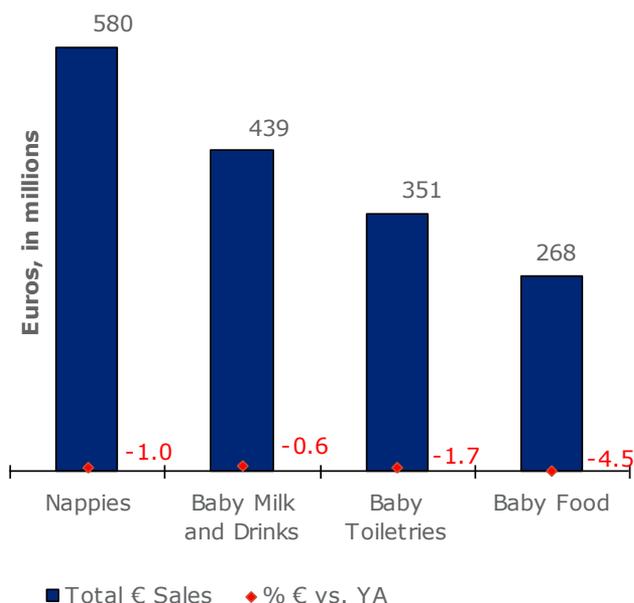


CATEGORY VALUE SALES IN THE LAST YEAR



TOP 5 CATEGORIES: EVOLUTION

Value sales (€) and % change versus a year ago



KEY TRENDS

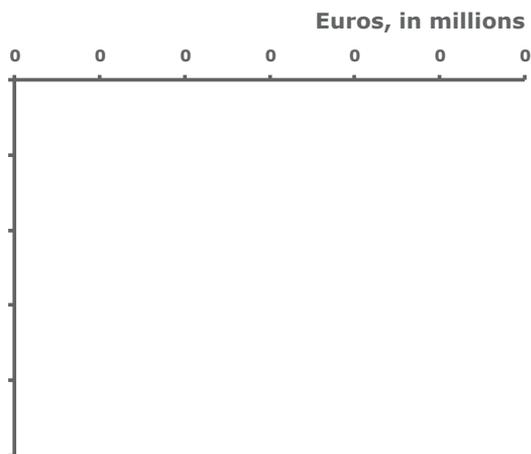
- After recent strong growth all baby categories have seen declines in Q2 2014.
- Decline has been driven by less export to China for baby milk, and by Huggies delisting from the market with volume begin picked up by cheaper private label nappy brands. The rise of discounters in the UK is also damaging sales from more traditional channels.

Source: IRI retail databases; period ending 29 June 2014

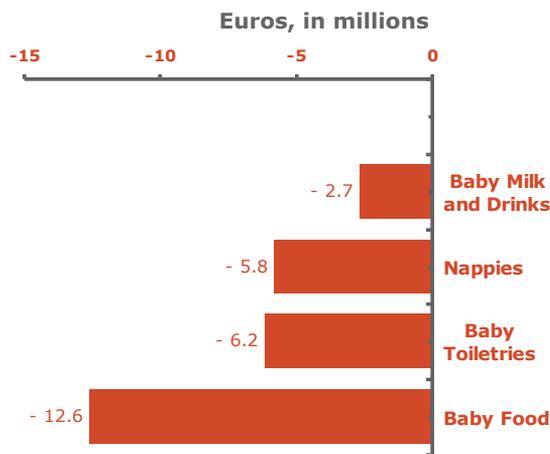


The United Kingdom

TOP WINNERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



TOP LOSERS: VALUE SALES CHANGE VERSUS A YEAR AGO (€)



CATEGORY INSIGHTS

- The baby sector is experiencing sales decline due to recent baby boomer slows and consumer preference for discounters and online channels.
- For baby milk, the decrease of exports to China has resulted in a decline in sales. Danone’s Aptamil and Cow & Gate, the benefactors of last years export volume, have increased toddler promotions in order to maintain volume and share year on year.
- In nappies, value sales declined as Pampers taped diapers range changed in 2013 annualised this year. Private label taped diapers continued to win volume through lower price (deeper deals) and higher share of distribution, further driving value sales declines. Non-taped diapers also contributed to the category decline, with marginally higher prices and fewer display supports.

Source: IRI retail databases; period ending 29 June 2014

Final Notes

Notes on category definitions for countries

Due to the diverse products found in individual countries across this market it was necessary to consolidate the available data into the categories in this report. In some cases it was not possible to align products across all six countries, hence the need to highlight any anomalies in the report. These exceptions are listed below:

Baby milk and drinks

- The data from France in this report only contains baby milk, whereas the other countries include other baby drinks and baby milk.

Resources

To gain insight into opportunities across specific categories, segments, channels or retailers, contact your IRI client service representative regarding custom analyses leveraging the following resources:

- **InfoScan Census®** is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that IRI collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the FMCG sector. With access to accurate, granular detail by category, geography, measure and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness. All data about baby comes from InfoScan Census.
- **IRI Consulting** provides strategic insights and advice leveraging a variety of data sources, predictive analytics, enabling technologies, and business analyses to help FMCG manufacturers and retailers address significant sales and marketing issues effectively.

FOR MORE INFORMATION

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About IRI. IRI is a leader in delivering powerful market and shopper information, predictive analysis and the foresight that leads to action. We go beyond the data to ignite extraordinary growth for our clients in the CPG, retail and over-the-counter healthcare industries by pinpointing what matters and illuminating how it can impact their businesses across sales and marketing. Move your business forward at IRIworldwide.eu

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