

Unlocking Growth in Uncertain Times: Innovation and the UK Grocery Market

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Purchase Behaviour

30,000

households



Continuous scanning



Consumption Behaviour

11,000

individuals



1 week online diary



Out of Home Behaviour

7,500

individuals



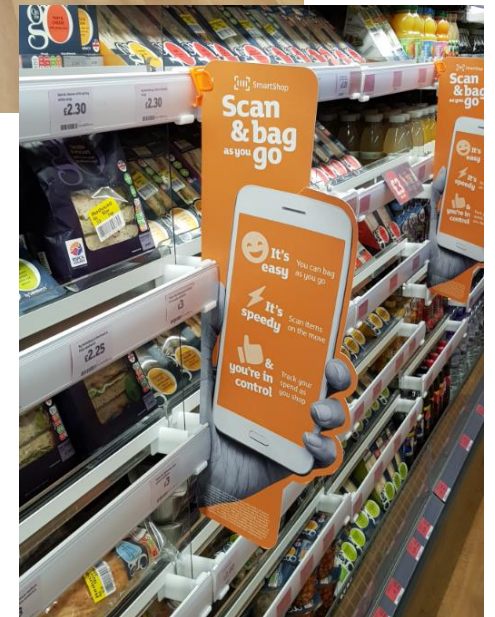
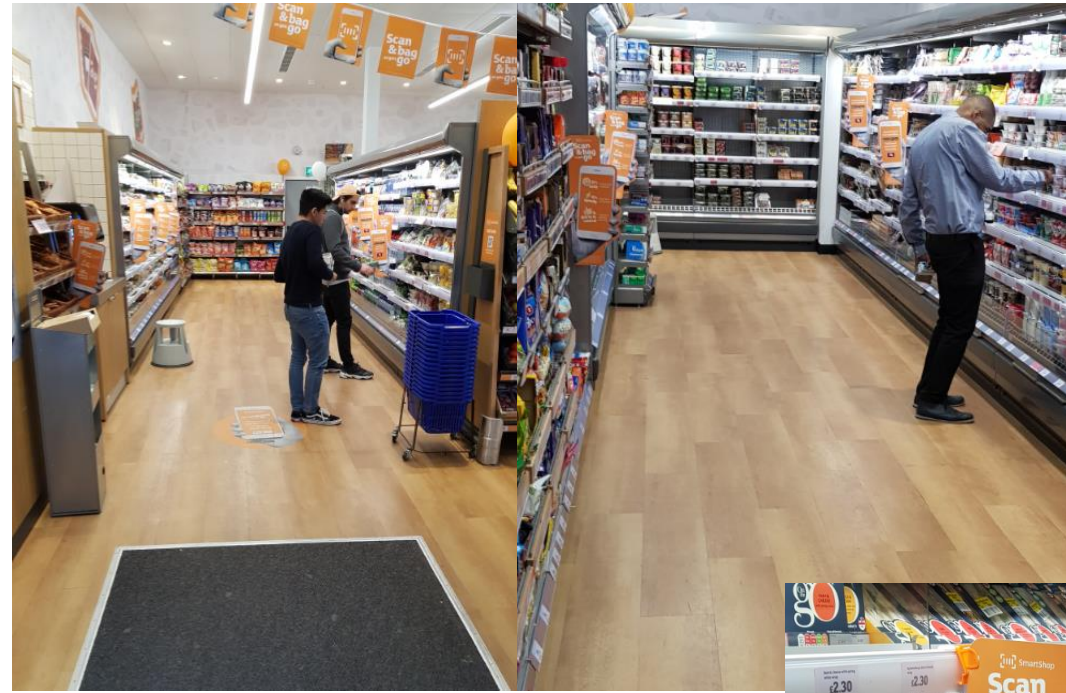
Continuous snapping

We can find out that...

1/2

Approximately half
of new launches
are detrimental to
the category

New till-less Sainsbury's in Holborn – Retail innovation



Starting today, shoppers at Sainsbury's Holborn Circus convenience store in London can check out the UK's first till-free grocery store. The experiment will put SmartShop Scan, Pay & Go technology to the test in a bespoke food-to-go store, making grocery shopping quicker and more convenient. Customer feedback from the experiment will help Sainsbury's develop the SmartShop Scan, Pay & Go app further before being rolled out more widely.

Areas of focus



State of play in
Grocery/Dairy

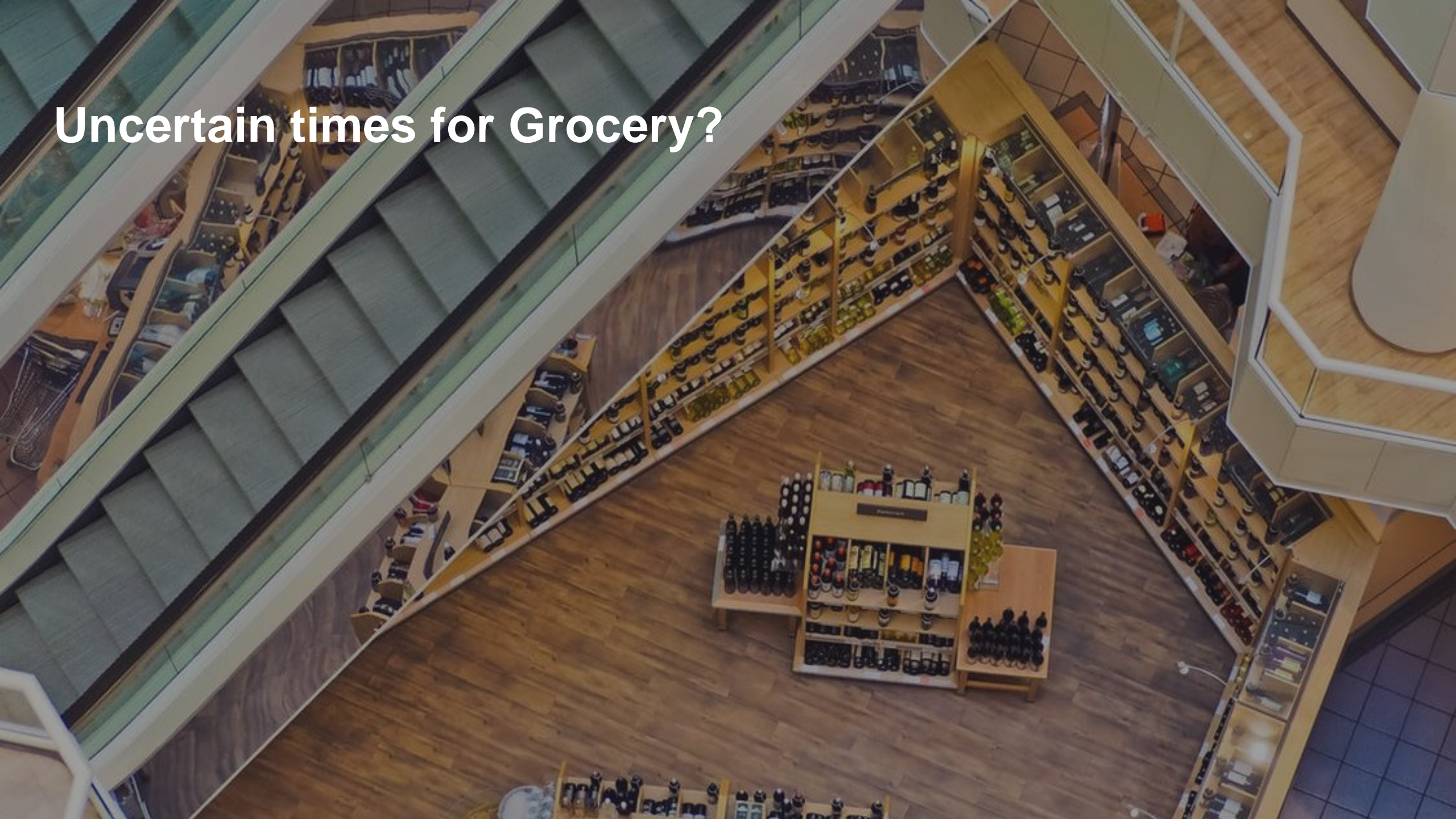


Importance of Innovation

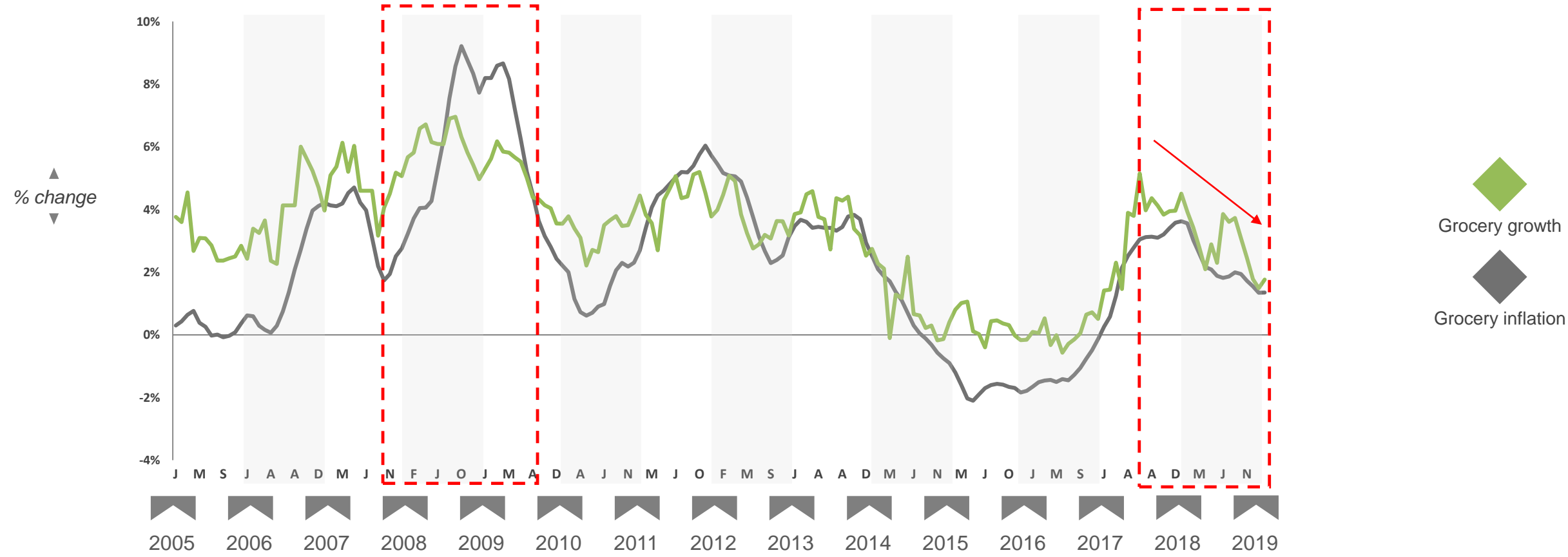


Tips and rules for
innovation

Uncertain times for Grocery?

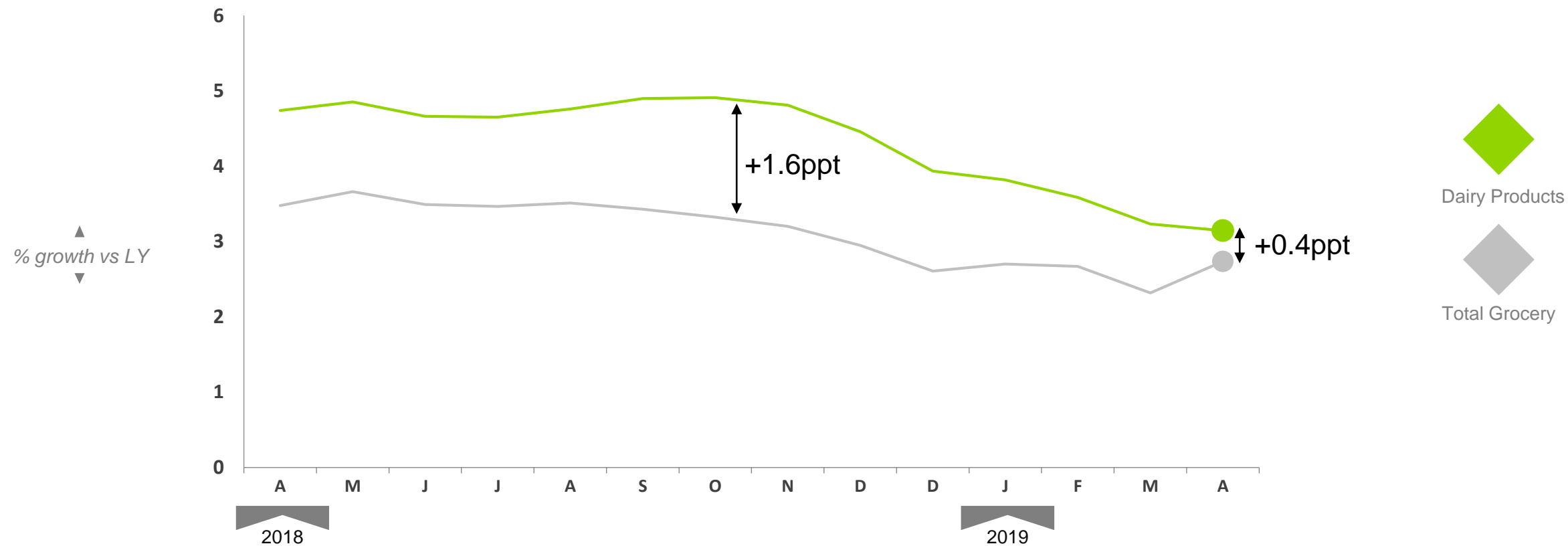


Growth coming down as inflation eases

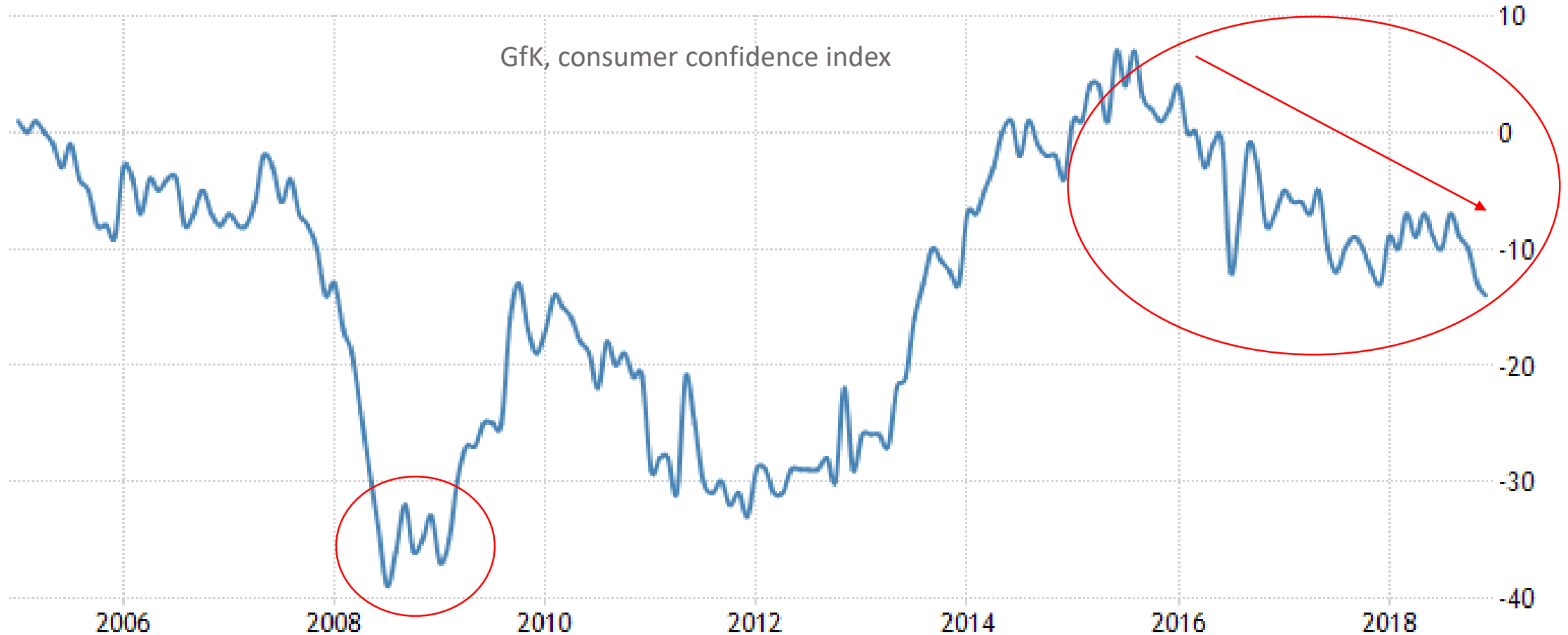


More marked for Dairy

Dairy vs Grocery Spend growth



With consumer confidence following a similar trend, why might this be...



SOURCE: TRADINGECONOMICS.COM | GfK NOP (UK)

...The B word

SCOTLAND
Printed in Scotland
May 14 2016
Brexit for Britain

EXCLUSIVE
BRITAIN FACES
BREXIT TRADE
DISASTER

IT'S MY
DEAL...
OR NO
BREXIT

The Guardian
May suffers historic defeat
as Tories turn against her



● Brexit vote is an unprecedented loss for government
● Jeremy Corbyn tables vote of no confidence

How they voted
Yes 202
No 432
Majority 230


Mirror
BREXIT SHAMBLES
No deal..
No hope..
No clue..
No confidence



JEREMY CORBYN
JEREMY CORBYN last night launched a bid to topple Theresa May after the government's Brexit vote.

**MAY'S LAST
ROLL OF
THE DICE**

Facing a humiliating defeat on her Brexit vote which could have toppled her, PM is forced into dramatic climbdown – and a last-ditch tour of Europe to salvage her deal. So is this...



**MAY RUNNING
SCARED**
Desperate PM goes crawling back to Brussels after calling off vote on her deal

**Mayday Mayday
...abandon vote**
Desperate May reveals her plan B: to buy more time

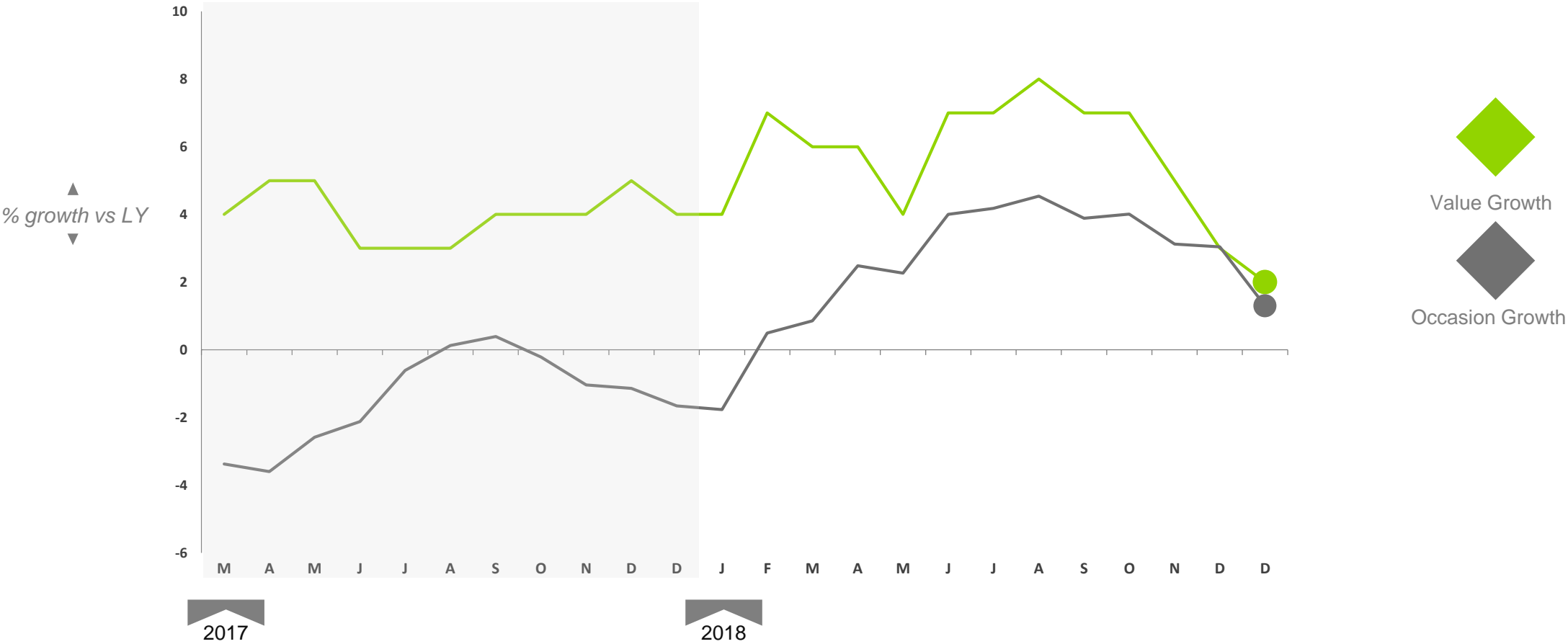
The lady is for turning



Against a backdrop of political uncertainty, are consumers returning to recessionary behaviour...

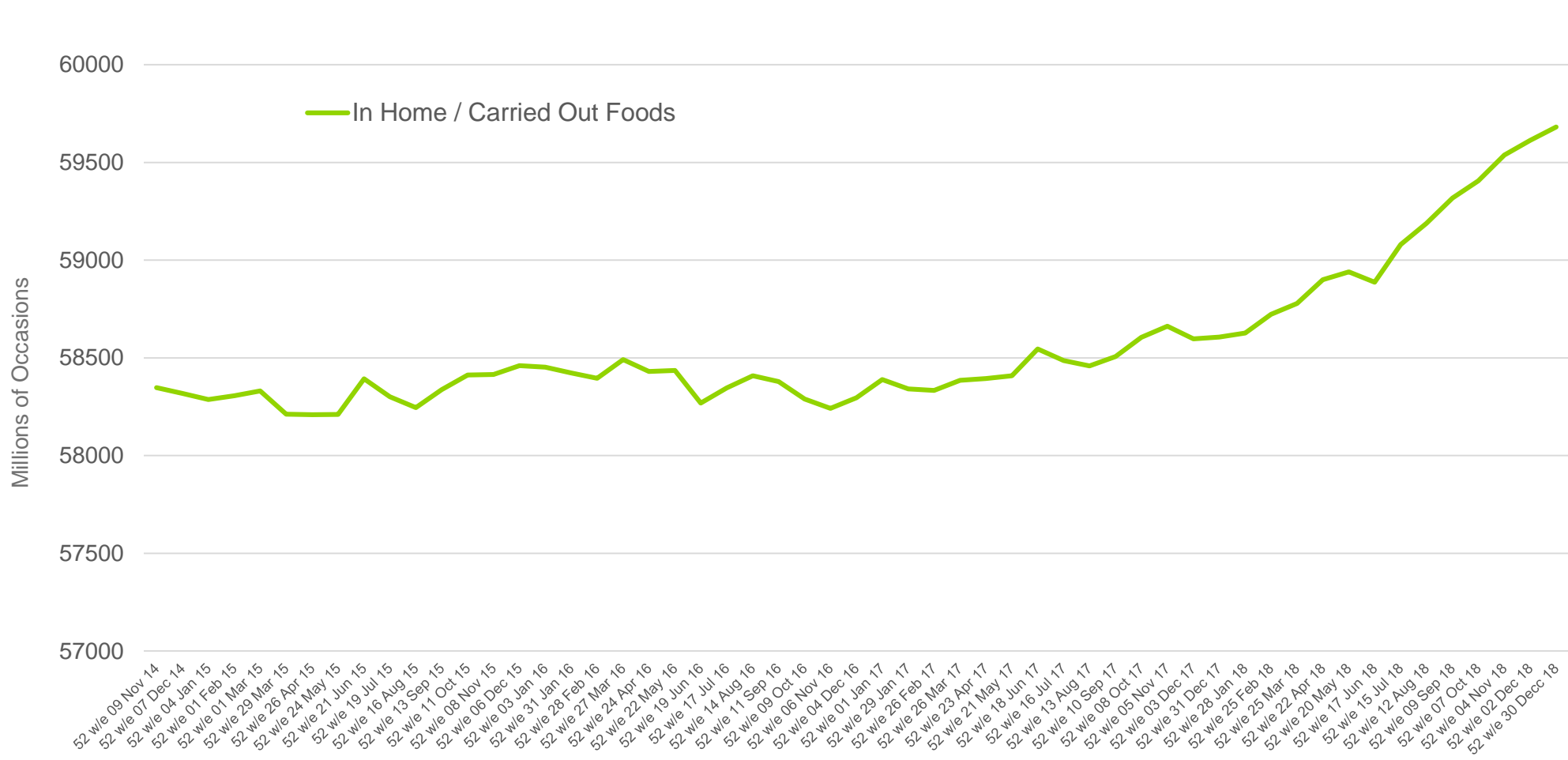


Out of Home growth slowdown



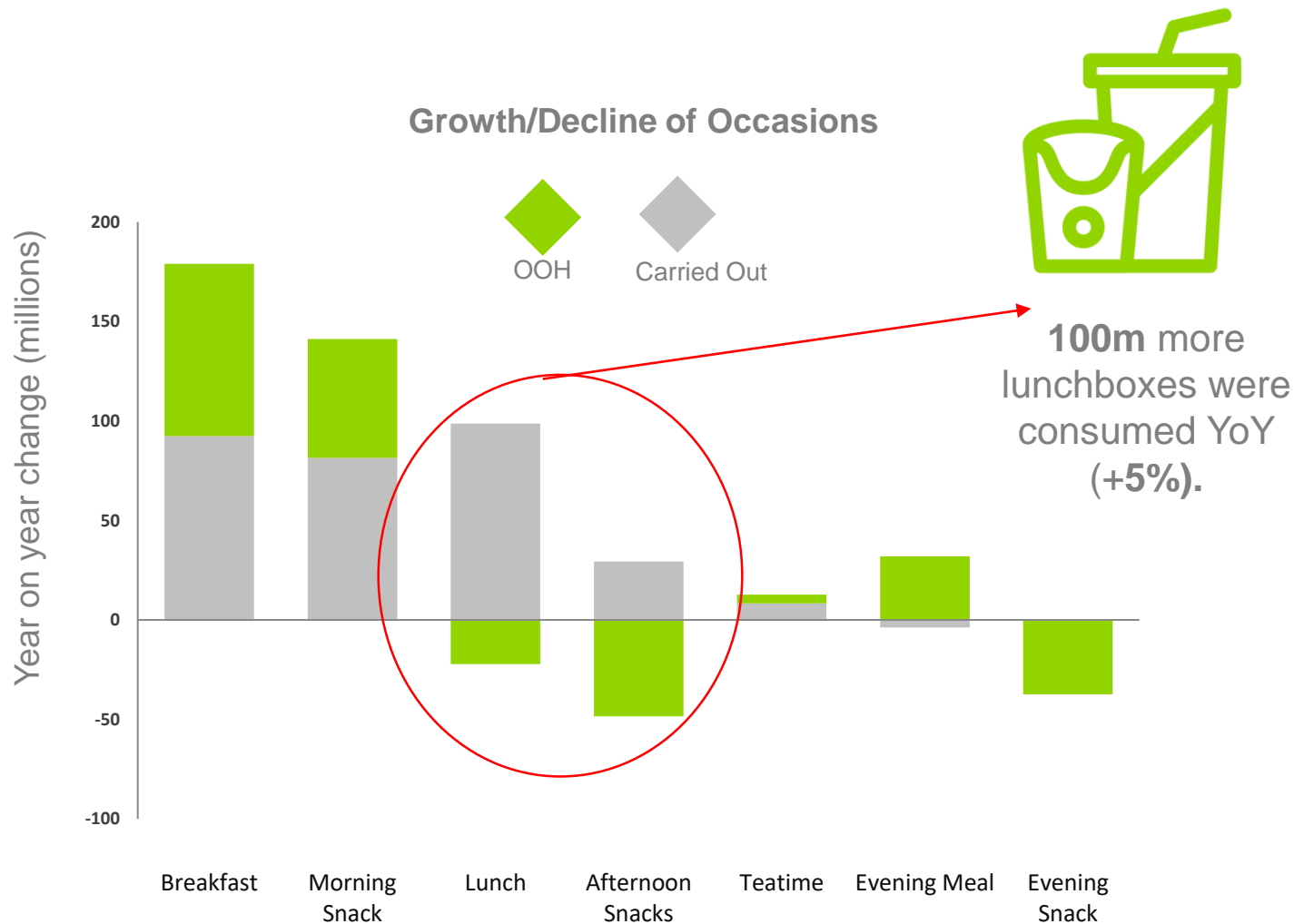
1bn additional meals In Home /Carried Out YoY

Compared to growth of only 22m the year before



15 additional in home meal occasions for every person in the UK.

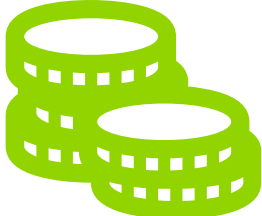
Consumers increasingly choosing to Carry Out lunch and daytime snacks.



Spend per snack occasion (£)

Carried Out
£0.75

In Home
£0.92



Out of Home
£2.25



Health is a key driver of growth for Carried Out Snacking (+3.6% YoY)

Recessionary behaviours

Volumes steady/up

Key lever for saving
money is product choice
(followed by store)

Out of Home slowdown

In Home/Carried Out
meals up 1bn! (15
additional meals per
person)

210m more scratch
cooking occasions

Importance of Innovation and how to win



Innovation can be key in these times

Grocery Brands
2018



Branded Innovation
2018

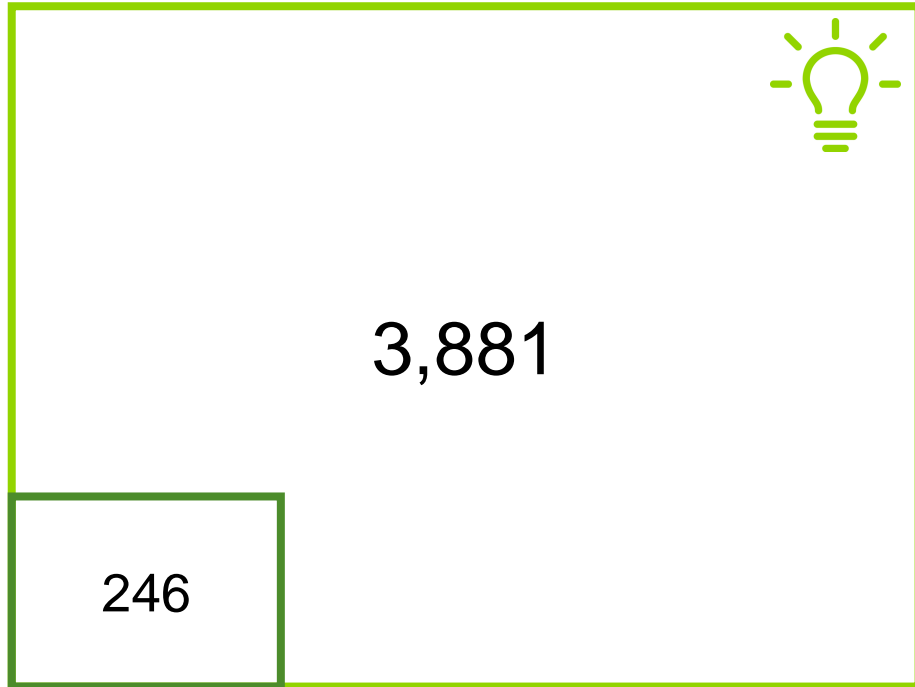


13.4% of
branded value

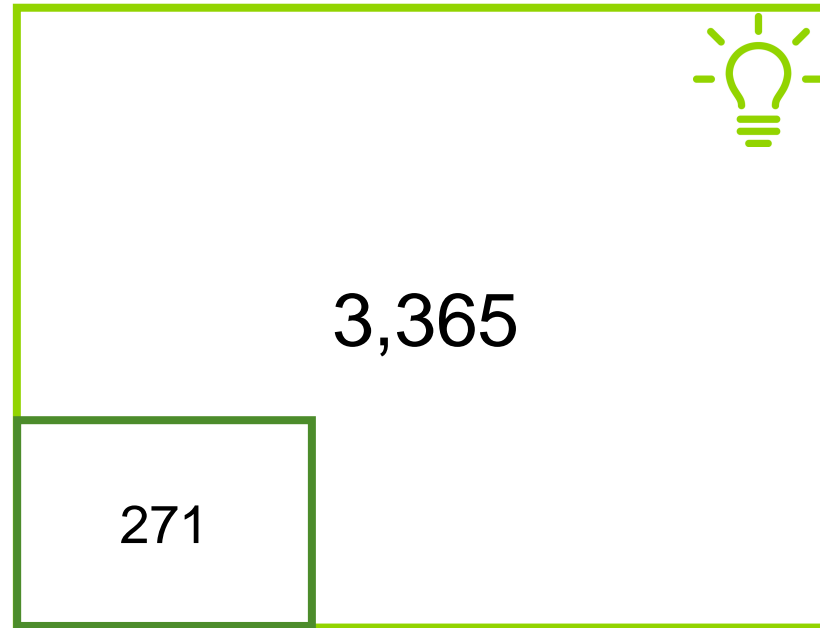
Bigger and Better

Less launches but more success

2017



2018



Total
Launches

£1m+
Launches

Happening across Major Retailers

Change in innovation as a % of branded sales

TESCO

+0.8%

**ASDA**

+0.8%


MORRISONS

+0.6%

Sainsbury's

+1.2%

Waitrose

+1.9%

Importance to Dairy

A key lever for growth but room to improve?

Dairy Brands
2018



Branded Dairy
Innovation 2018



5.7% of
branded value

So what has been successful?



What do this year's top 10 have in common?

☆ Marketed as premium or 'the best'



🎯 Targeted a distinctly different shopper or occasion



📈 Met an unmet need in their category - tapping into emerging trends



Which one do you think is #1 in sales terms? And most incremental to the category?



#1

#1 Most Incremental brand launch last year was Halo Top



- ✓ No Parent brand
- ✓ Significant Price premium
- ✓ Tapped into several key hot consumer trends
- ✓ Unmet need
- ✓ Evidence of working in the US
- ✓ Extensive media

Tapping into more needs unlocks additional spend

“Trading up and down has become the norm for consumers – choosing to spend more money on what matters to them, and less on what doesn’t.”

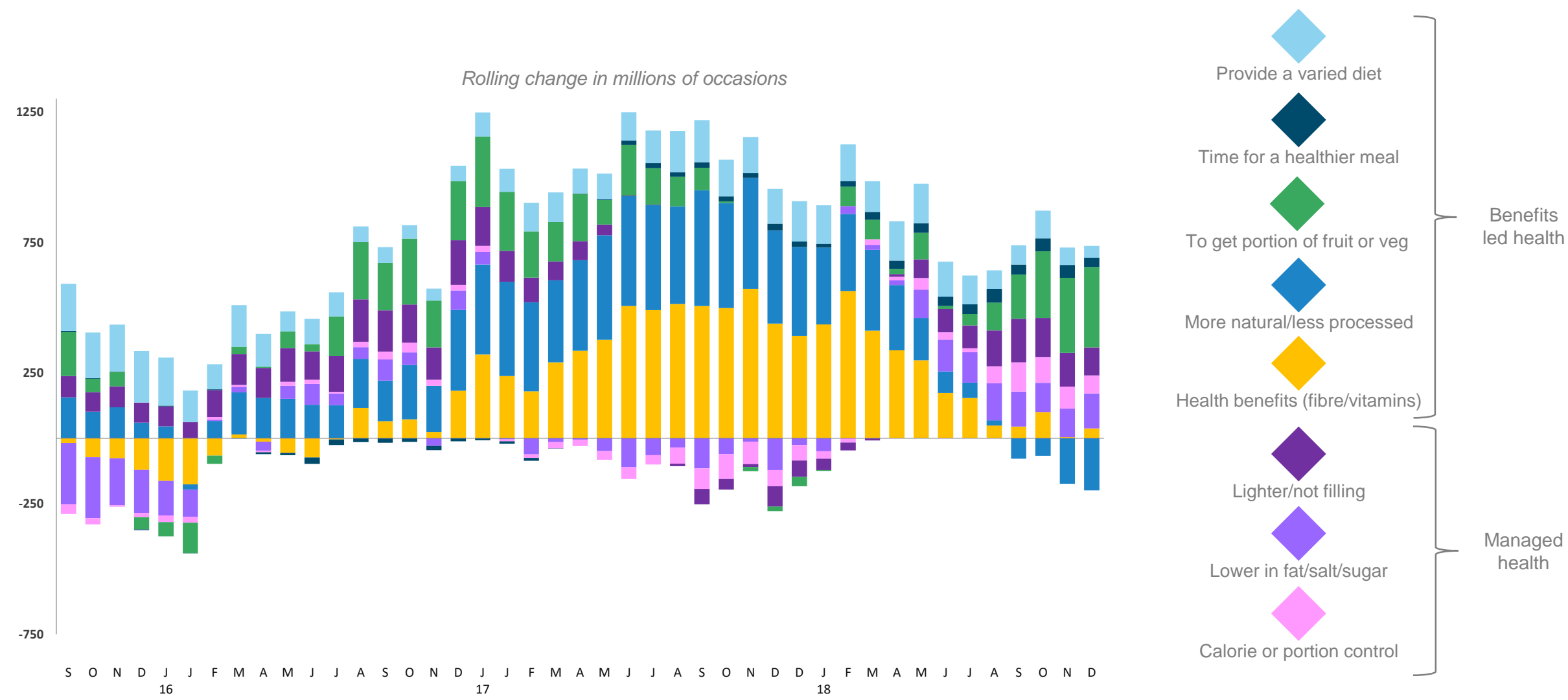
Kantar Futures



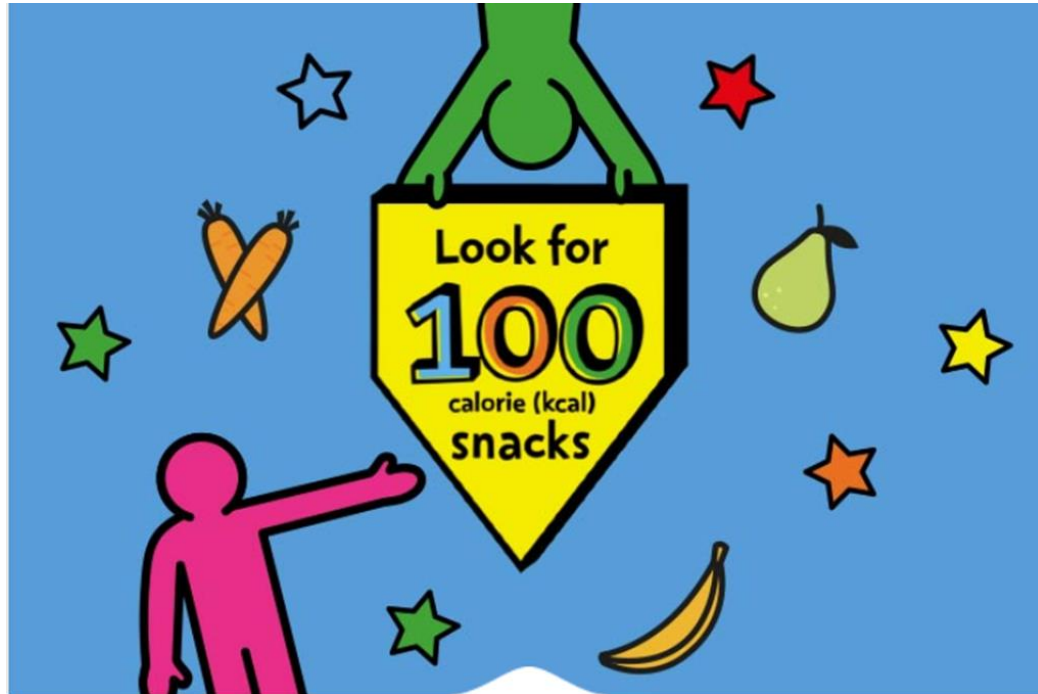
Sells at a **25% premium** to a typical chocolate bar despite being 40% lighter in weight



Health has grown +11% since 2014 and managing health is back in growth



Public Health England – Portion reduction program





**KEEP
CALM
&
FOLLOW
THE RULES**

In summary...

Success in NPD is hard but understanding the 'rules' of category launches will mitigate risk.

Brand Stretch

New needs
New occasions



Mental and
Physical
Availability

Premiumise

Promote

Larger Packs

A Big Year 1 Impact

Scope To Increase Activity

Things to remember



Grocery/Dairy slowing in line with consumer confidence – return to recessionary habits



Innovation as important as ever to find growth. Clear examples of success to follow



Focus on meeting (multiple) needs and stretching your brand

KANTAR



Thank You