The changing face of the UK grocery market and shopper

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VANESSA HENRY

CO-OPERATIVES UK

Today's agenda

Forces of change shaping our industry

Check in: Where we are today

What channels and formats will be best placed to win?

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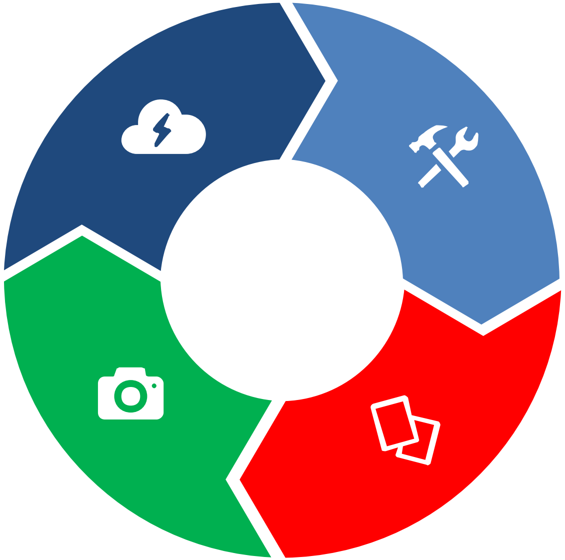
Key macro-level trends driving change



RESOURCE RESILIENCE

Skills gap and demand planning

SOCIETAL SHIFTS

Urbanisation and personalisation

ALTERING AUTHORITIES

De-globalization and anti-establishment

TRANSFORMATIVE TECHNOLOGY

Automation and connectivity

Source: IGD UK Grocery Channel Forecasts 2017

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Significant lifestyle changes are underway

More **single** person households

People will be **working longer** as retirement age rises

Life expectancy will continue to rise

Health consciousness will rise

Cities will expand as population increases

Living space will become more of a premium

More **dual income** households

Technology will continue to impact the everyday

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We're entering an age of interconnectivity

Vehicles
Including vehicle to vehicle and vehicle to network communications

Home
Smart locks, energy management, connected appliances

Cities
Access to information and services, and predictive alerts

Health
Wearables, smart sleep. diagnostic tools & services

Living
Ecommerce, robotics, AR, baby and kids, education and training

Leisure
Gaming, sports and play

However, fundamental shopper truths will remain

VALUE	TIME	QUALITY	HEALTH
Help me save money	Help me save time	Help me get the best quality	Help me make healthy choices

‘Help me save money’

EDLP over special offers

“There should be fewer offers and have EDLP instead”

Price reductions over multi-buys

“I prefer price reductions over multi-buys”

Simpler and clearer value communication

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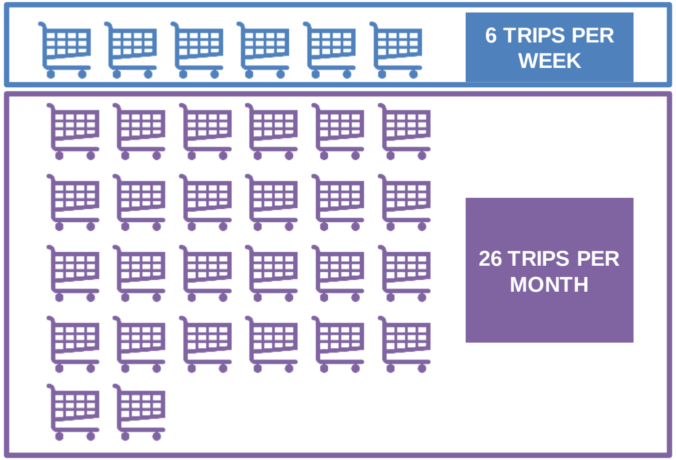
‘Help me save time’



Pay-and-go technology in action to speed up shopping

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‘Help me get the best quality’

Better appearance

British / local products

Better flavour products

More environmentally friendly

Freshly prepared products

Healthier products

Better ingredients

Ethical products

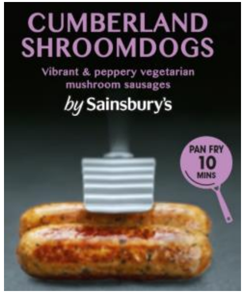
Brand name

Be more local…sell products that tell stories

…and ethical can translate to better quality

‘Help me make healthier choices’

Solutions | **Advice** | **Incentives?**



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Signs of weakness in the UK economy

Overall economic growth slow

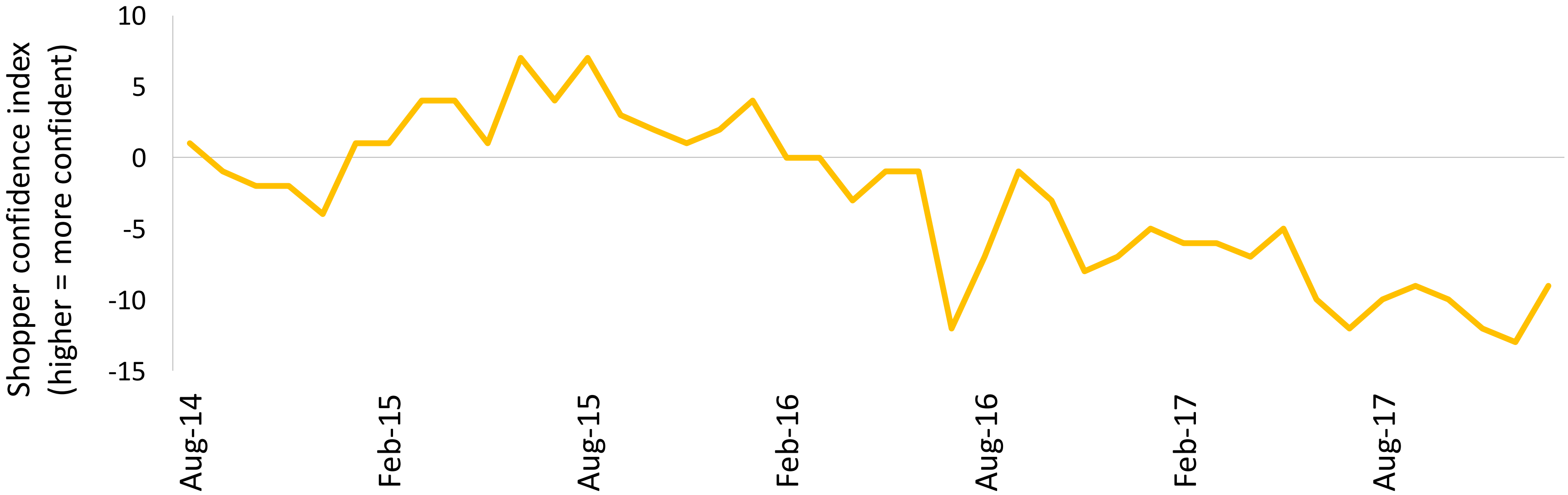

Inflation returning to normal

Real pay falling, esp in pub sector

Concerns over household debt


Shopper confidence weakening
Car sales slowing, house prices sluggish

UK shopper confidence is challenging…



Inflation has returned to the UK economy

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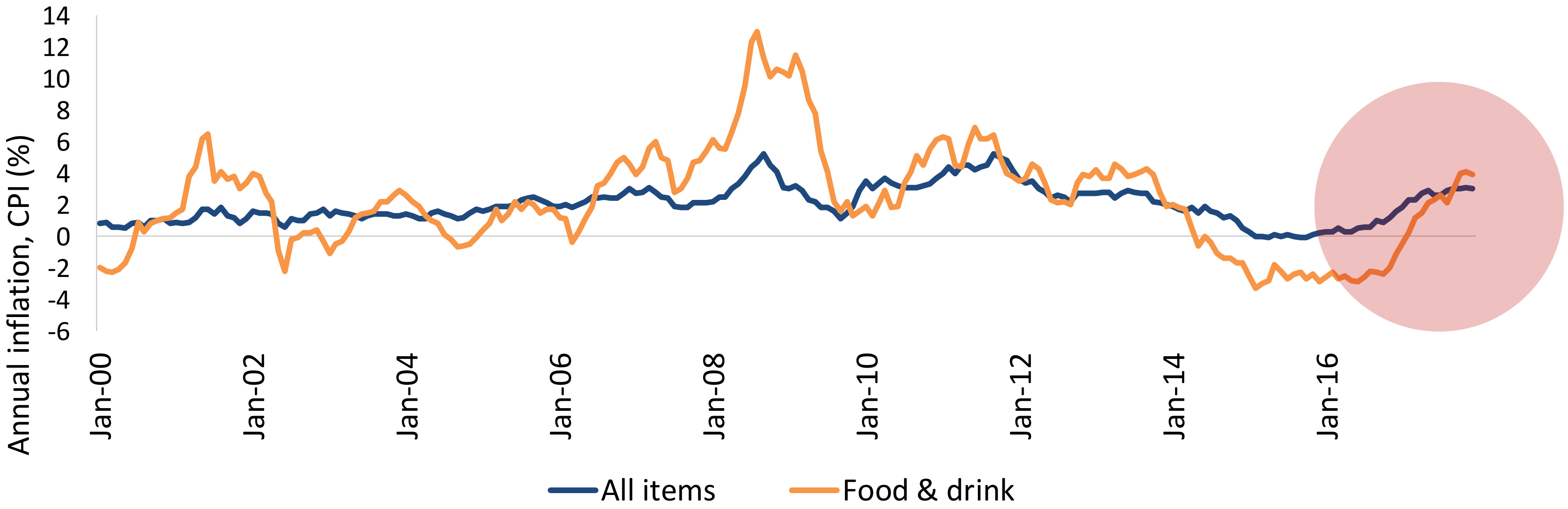
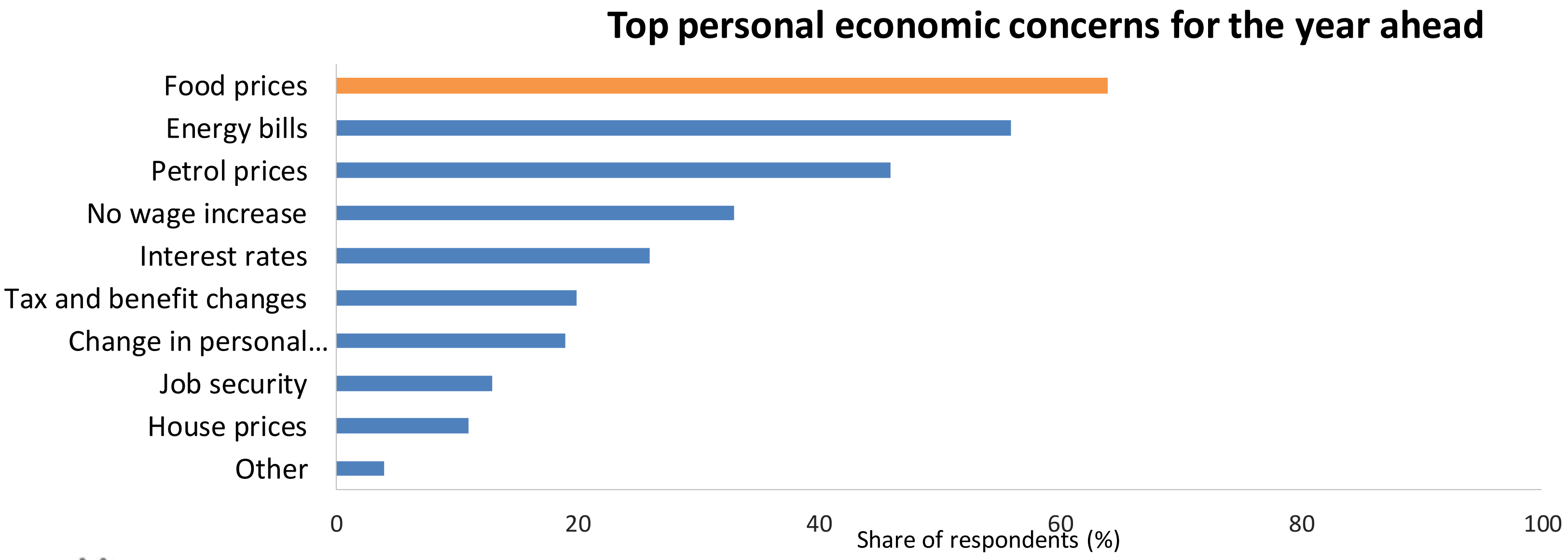
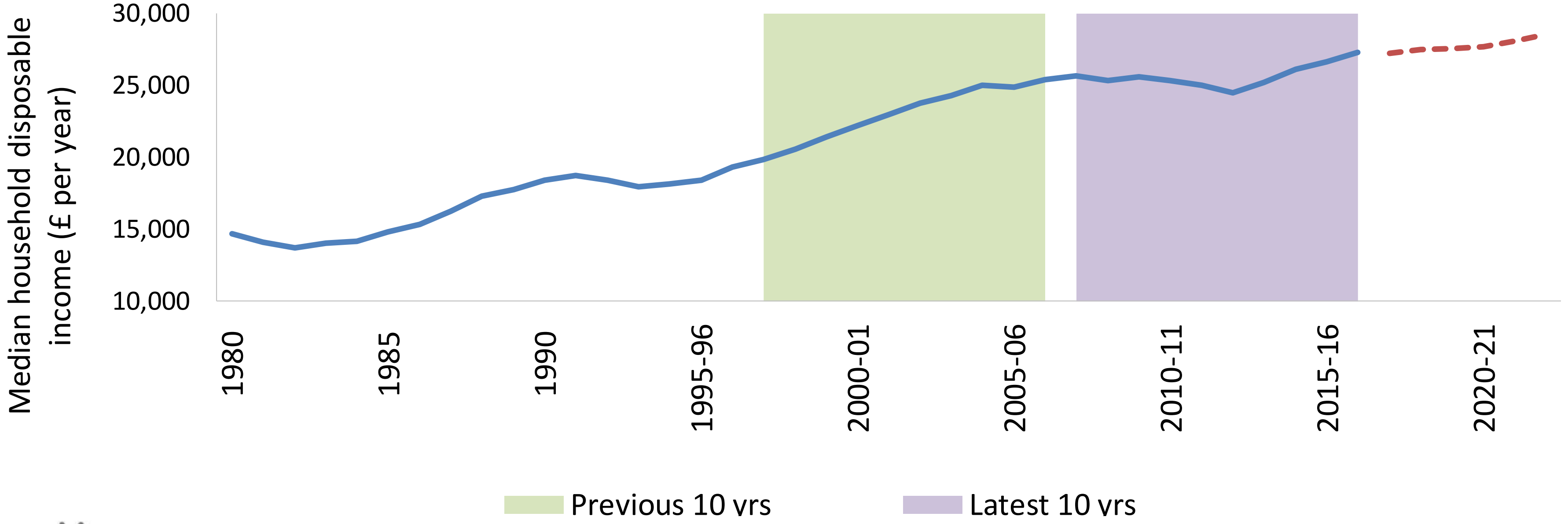


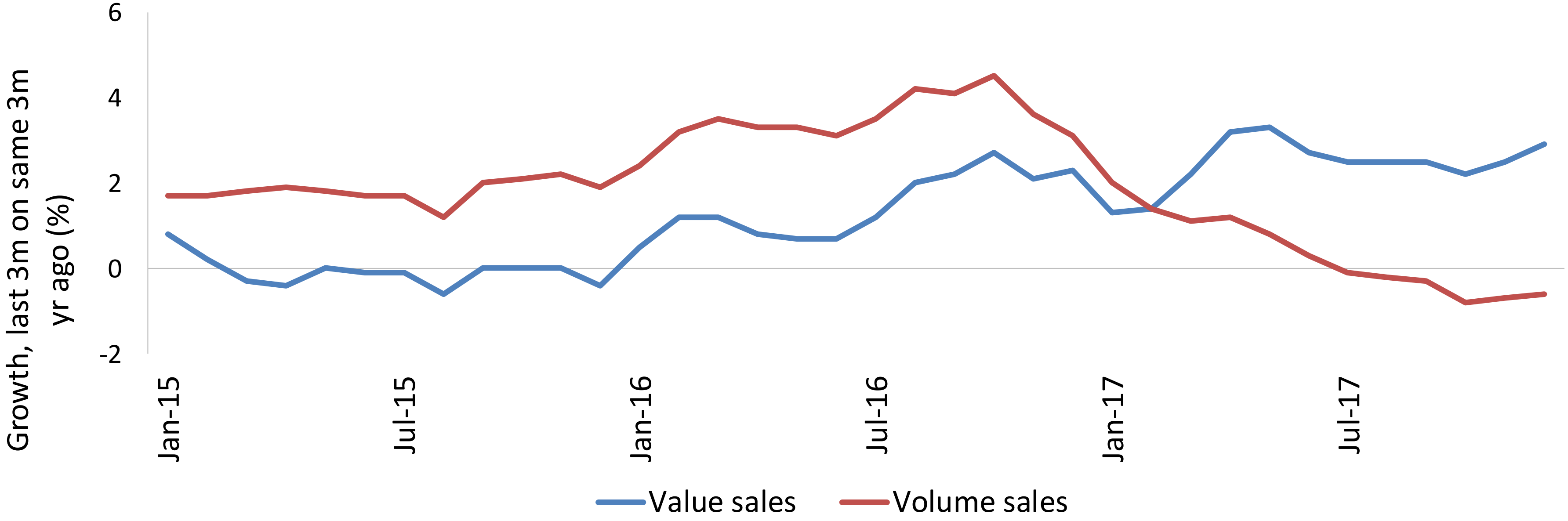
Shoppers are sensitised to inflation



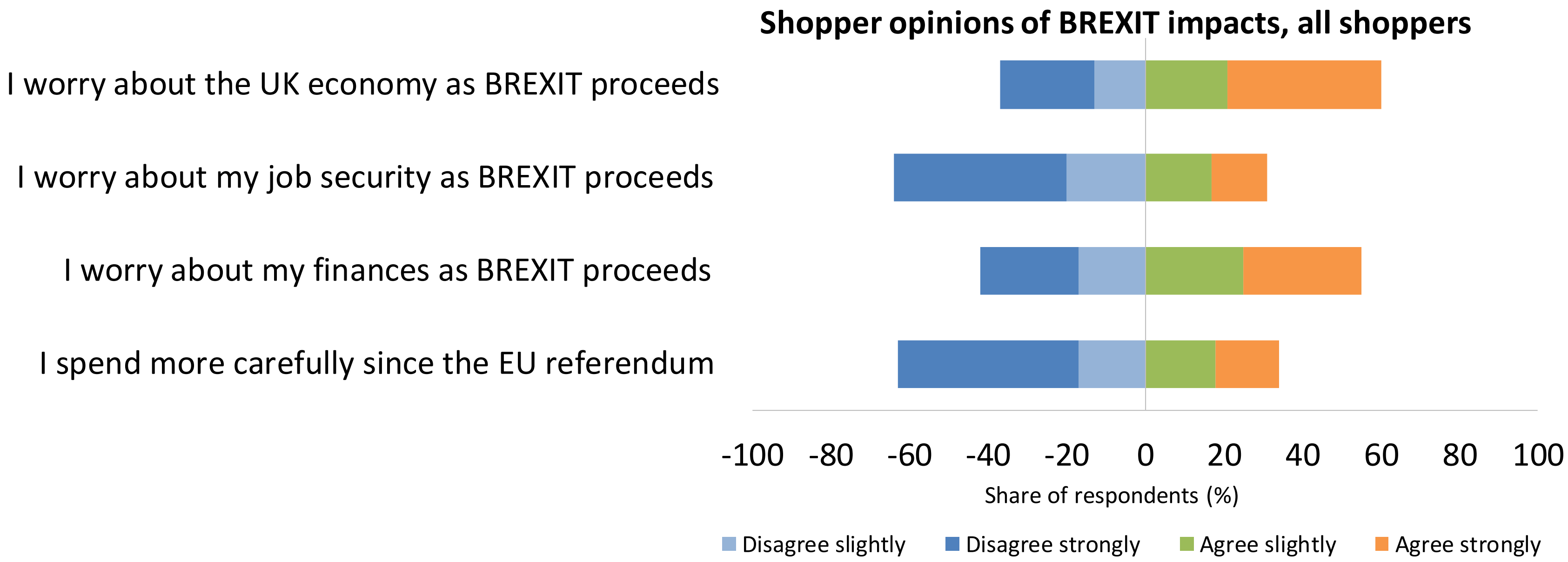
Household income growth has slowed



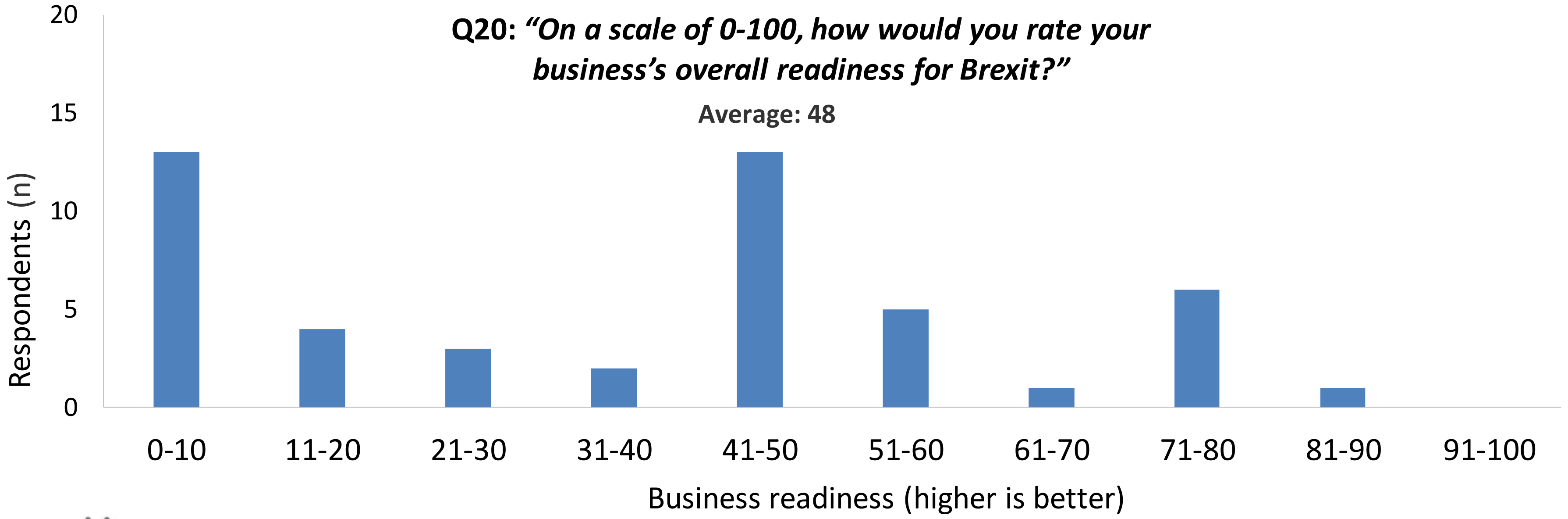
Grocery retail volumes were static in 2017



Some shoppers feeling the 'Brexit Blues'



Brexit preparation appears patchy



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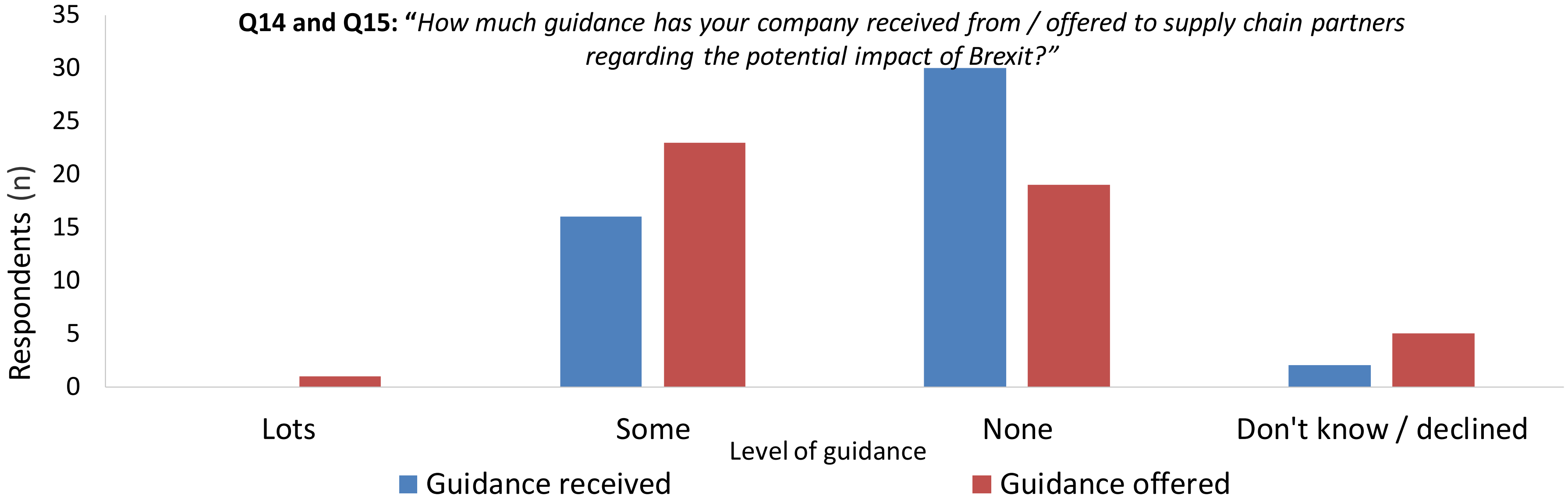
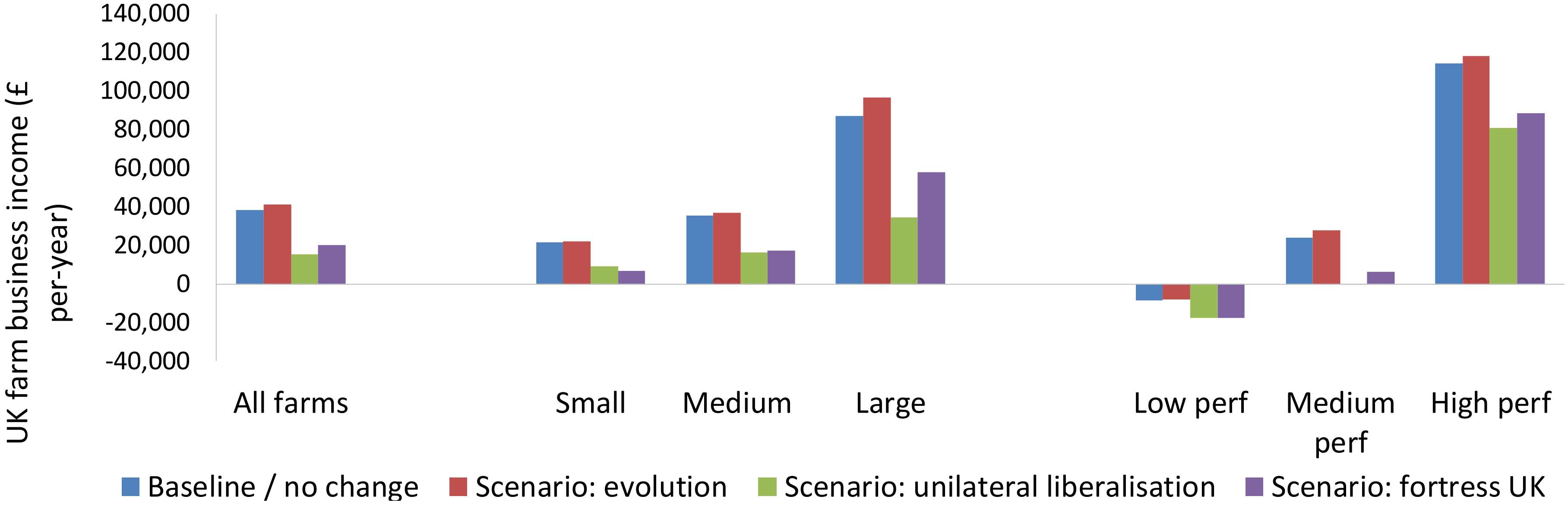
Few businesses seem to be talking about Brexit



Leaving the UK could shock UK farming



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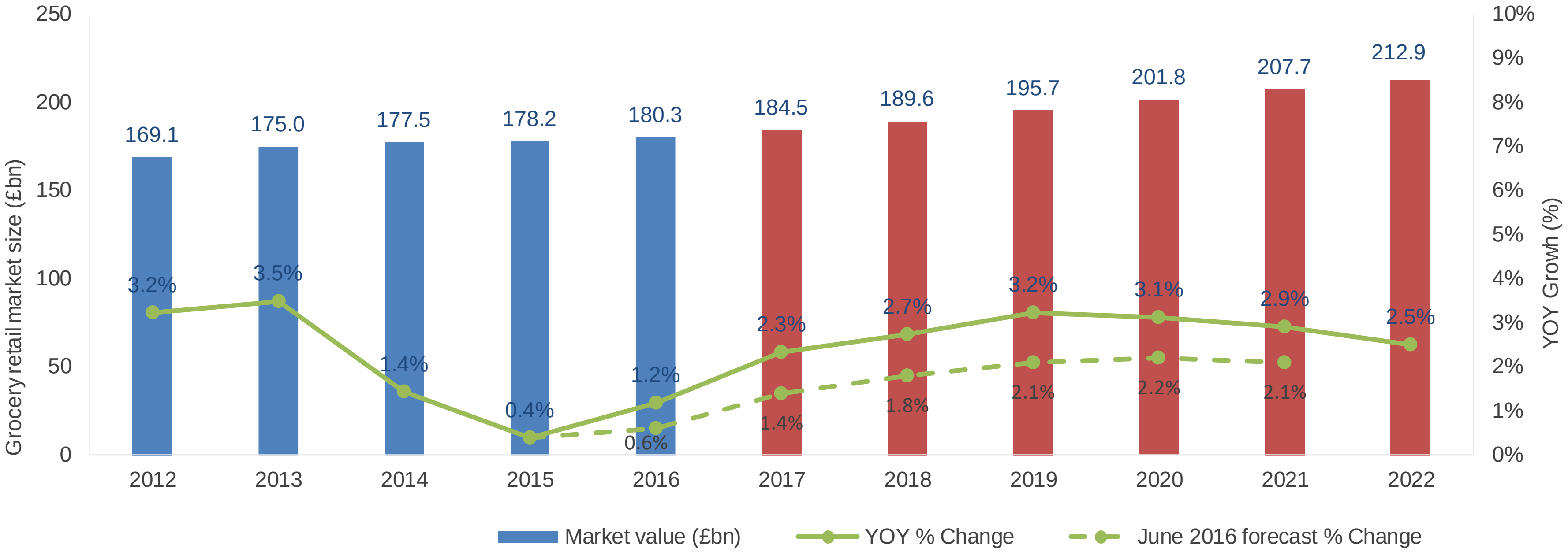
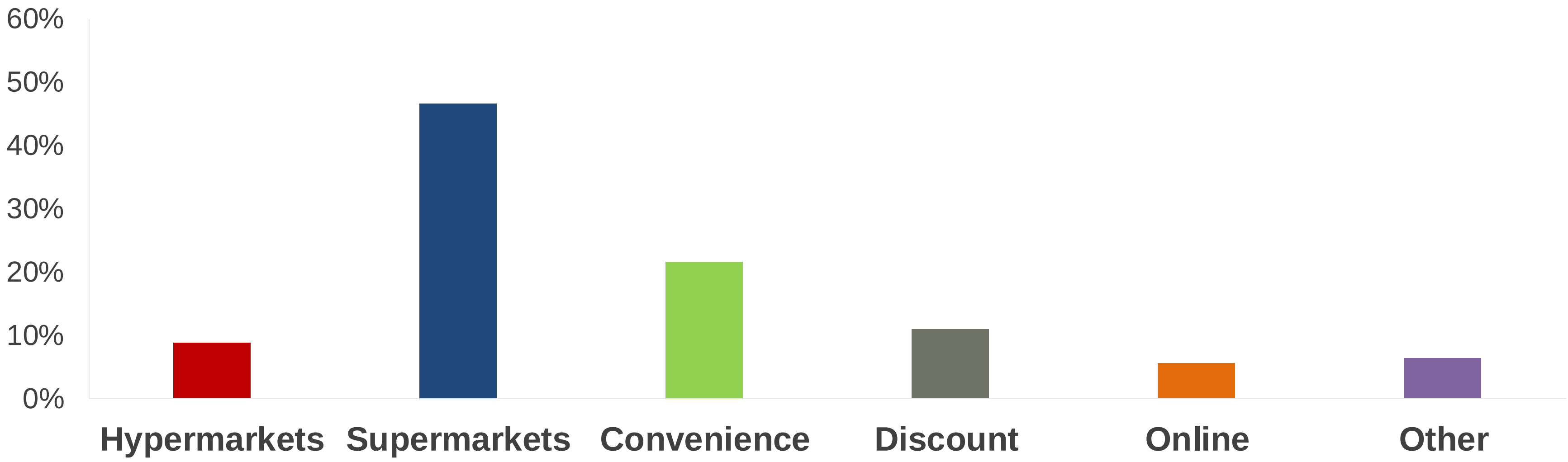
Inflation will drive growth in UK grocery

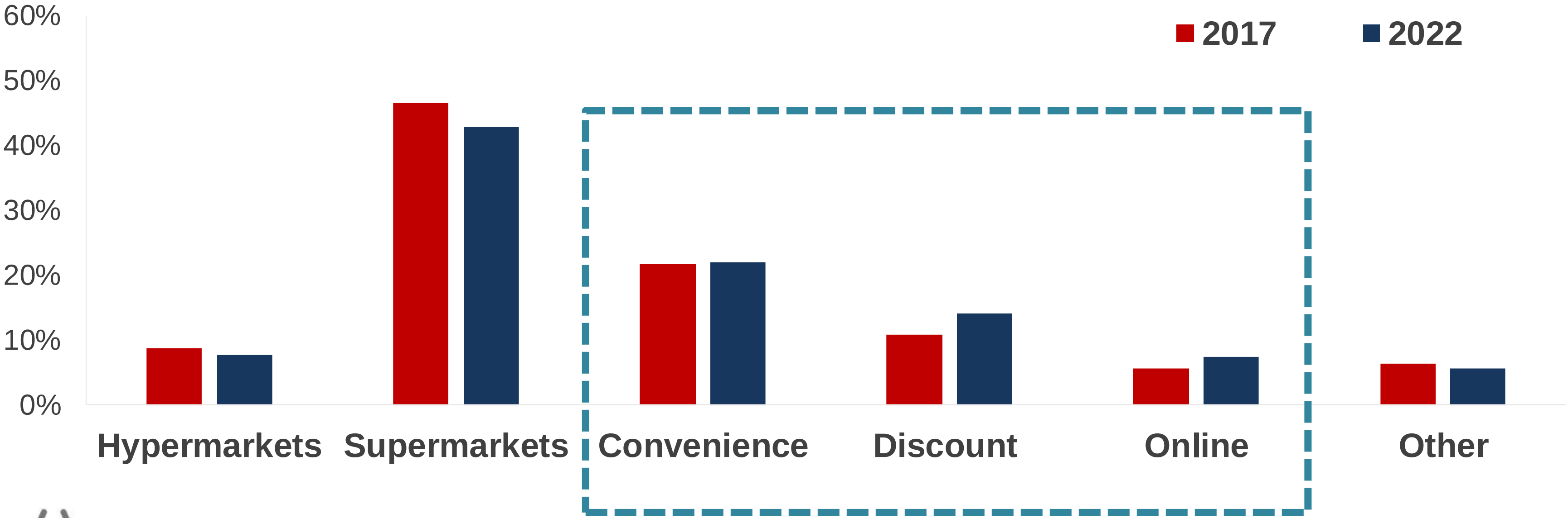


Large stores account for 50p in each £1 today…



Source: IGD UK Grocery Channel Forecasts 2017

…but they'll be challenged by other channels in the next few years



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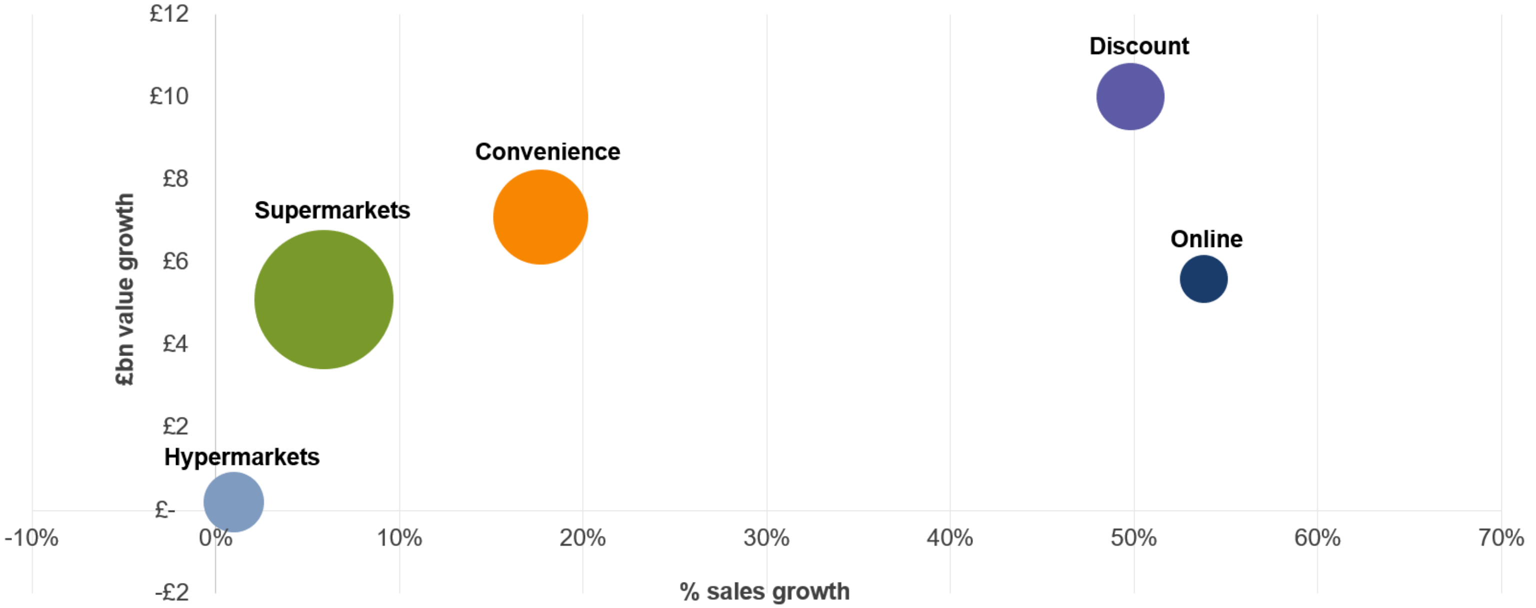
Source: IGD UK Grocery Channel Forecasts 2017

Top three growth channels to deliver +£23bn sales



 Source: IGD channel forecasts 2017

Online set to continue to drive appeal

43% ...of all British grocery shoppers say they've shopped online for some part of their groceries in the last 4 weeks

60% ...say it's likely they will be shopping online and getting their groceries delivered to their home in the next 2-3 years

New stores and quality driving food discounters

Expanding store networks

Improving in quality, staying low on price

Differentiating their offer

Convenience retailing at a glance

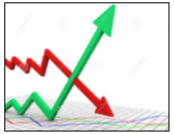
Worth £39.2bn – growth of 3.3% in 2017*

45,652 stores - limited increase in numbers, but sales/store rising

Multiples sales +7.9% – the fastest growing retailer segment

Symbol share 38.1% - still significantly the largest retailer segment

BWS top growing category – reaching 14.5% participation over five years



Forecast growth of £6.9bn – by 2022 reaching £46.2bn

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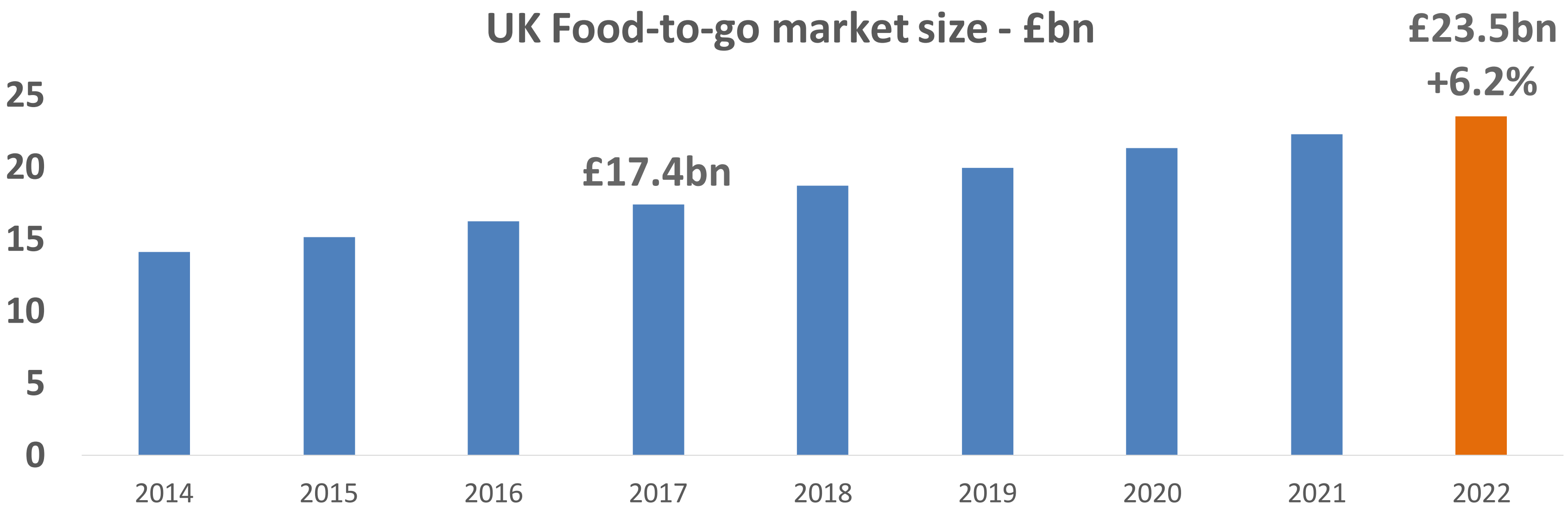
C-stores appealing to shopper needs

Increasing participation from new generations of shoppers

Speed of in-store experience

Targeting more missions, more effectively

Food-for-now: a massive growth opportunity



Source: IGD Research, Retail Analysis

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…and it will be a significant c-store growth driver

FTG is forecast to grow to £23.5bn in 2020: +35% (+6.2% CAGR)

	2017 £bn	CAGR 2017-2022 %	2022 £bn
Coffee specialists	2.9	7.4%	4.2
QSRs	5.4	3.4%	6.3
FTG specialists	5.1	8.4%	7.7
Convenience, forecourt & other retailers	2.7	6.1%	3.6
Supermarkets & hypermarkets	1.3	5.9%	1.7

FTG in convenience will grow at **twice the rate** of the channel overall and contribute **13% of the incremental convenience value.**

Large stores are having to evolve their offer

Re-thinking space

Getting the range right

Focus on fresh food: for now and for later

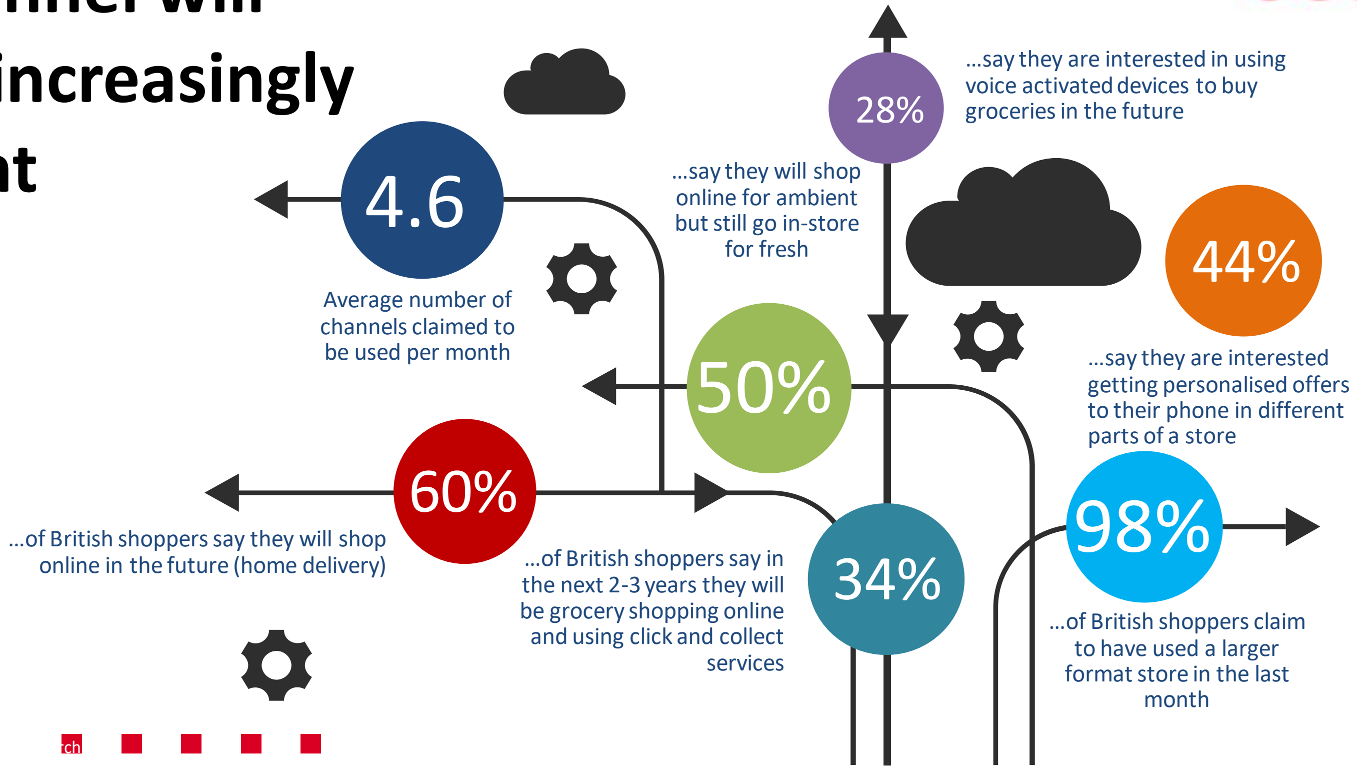
Additional market developments

TESCO / BOOKER

Co-op / Nisa / Costcutter

McColl's / Morrisons Since 1899

Omnichannel will become increasingly important



In summary…

- **Forces of change** are in motion, shaping how we live, and how we shop
- But **fundamental shopper truths** remain: saving time and helping save money are particularly poignant
- **Attracting** and **retaining** shoppers is even more vital while volume growth remains challenging
- Aligning with customer **missions** and **values** will help retailers lead, rather than follow trends
- **Discount**, **online** and **convenience** are driving growth
- But remember – **larger formats** will still account for 50p in every £1

Checklist to engage your shoppers

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1. Be more than just a store	2. Think 'missions' to build baskets	3. Engage with the health trend	4. There's more than one way to do 'fresh'
5. Give shoppers back time	6. Exceed expectations	7. Engage with and reward your shoppers	8. Be local – sell products that tell stories
	9. Be famous for something	10. Add personality to everything you do	


Q & A