Summer of Fun

The nation unlocks?

July 14th 2021

Agenda

Mike Watkins

Head of Retailer/Business Insight
NielsenIQ

Aylin Ceylan

Consumer Intelligence Commercial Manager, UK,
NielsenIQ

Will Torn

Customer Success Lead, Grocery, UK, NielsenIQ

Q&A Panel

Thank you for joining!

We will begin the webinar shortly.

You can **ask questions** on the control panel.

If we don't have time to answer all the questions, **we'll follow up** later.

Supporting materials will be available.

The channel perspective

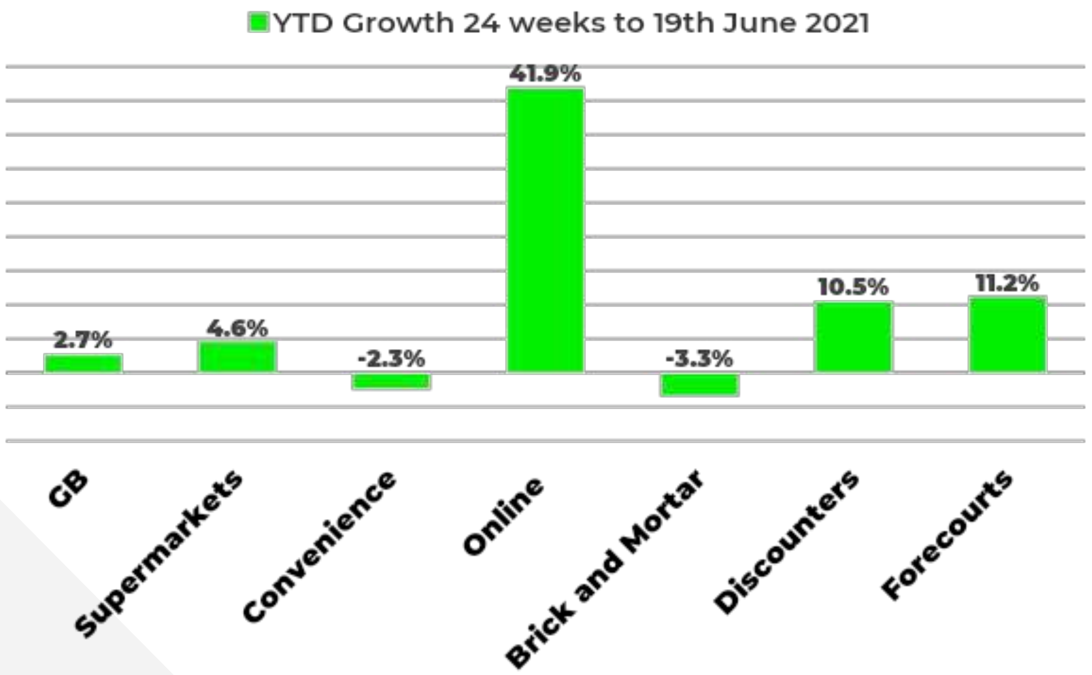
What will shape the retail landscape?

NielsenIQ

FMCG growth in 2021 shows a channel shift away from stores to online

+9.5% growth v 2019

Over £1b every 4 weeks shifting to food retailers

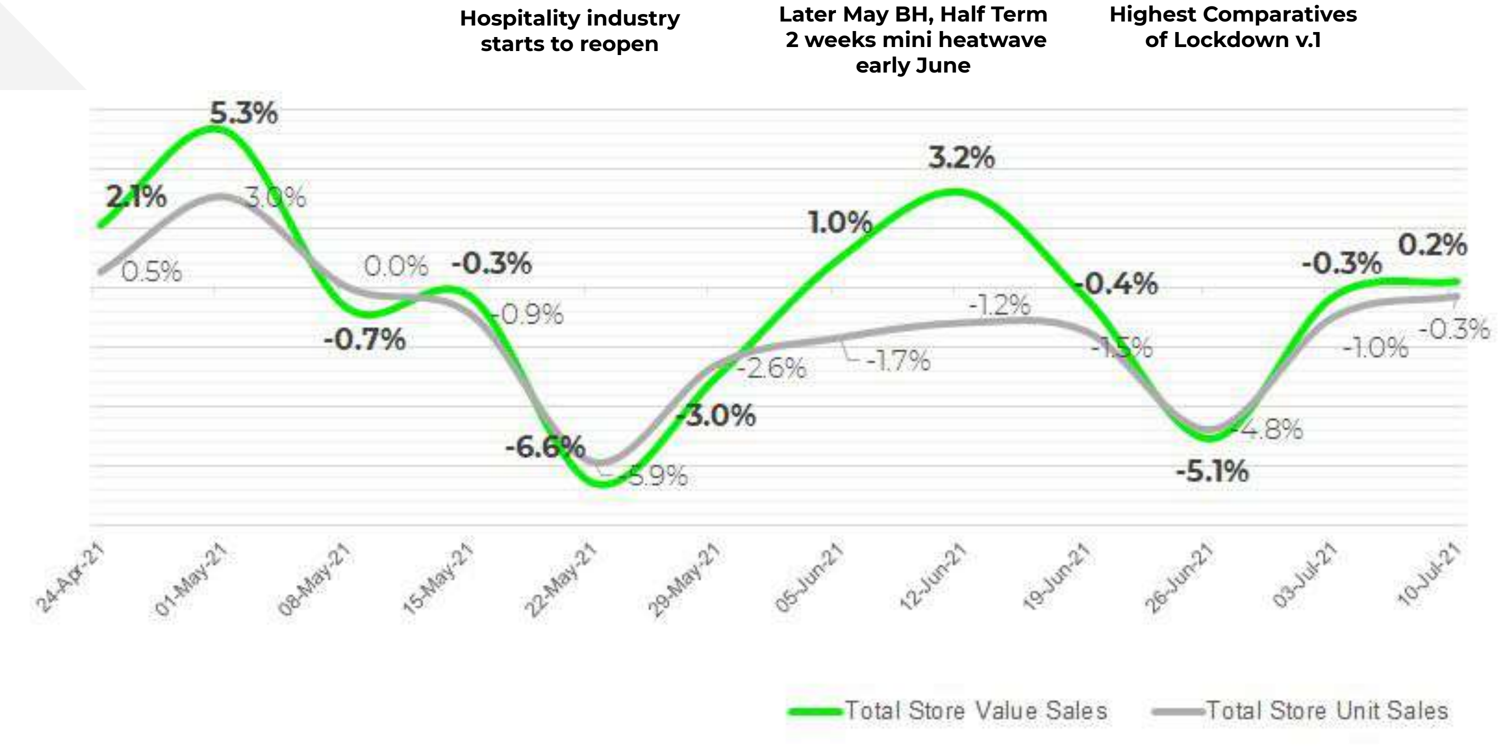


*Supermarkets include Online Dark Stores, Depots and Picking stores

Source: NielsenIQ Scantrack (FMCG = Total Store Read excluding General Merchandise, Tobacco and Medicines / Homescan for Online, B&M and Discounters

Supermarkets > 3,000sqft
Convenience < 3,000sqft

The next tipping point is end of July when the nation fully unlocks



Source: NielsenIQ Scantrack FMCG Grocery Multiples : Weekly TSR growths

How will we shop in the future ? 4 channels expected to grow share

Online

- 4 in 10 households could be regular shoppers
- All cohorts and all categories
- Smaller baskets

Discounters

- New formats as well as new stores
- Driving frequency of visit as well as bigger baskets

Convenience

- Lifestyle as well as Location
- \`Little and Often\` returns post pandemic
- Next generation of stores will blend local, weekly shopping, with e commerce, food to go and food service

Value Retail

- Retail Parks become destination for leisure, non food and non edible grocery
- Alternative to Superstores for Ambient and Frozen FMCG

Stores will need to innovate to be relevant, distinct and memorable

Source: Retailer and Business Insight team.

Retail Reset - structural change will now accelerate

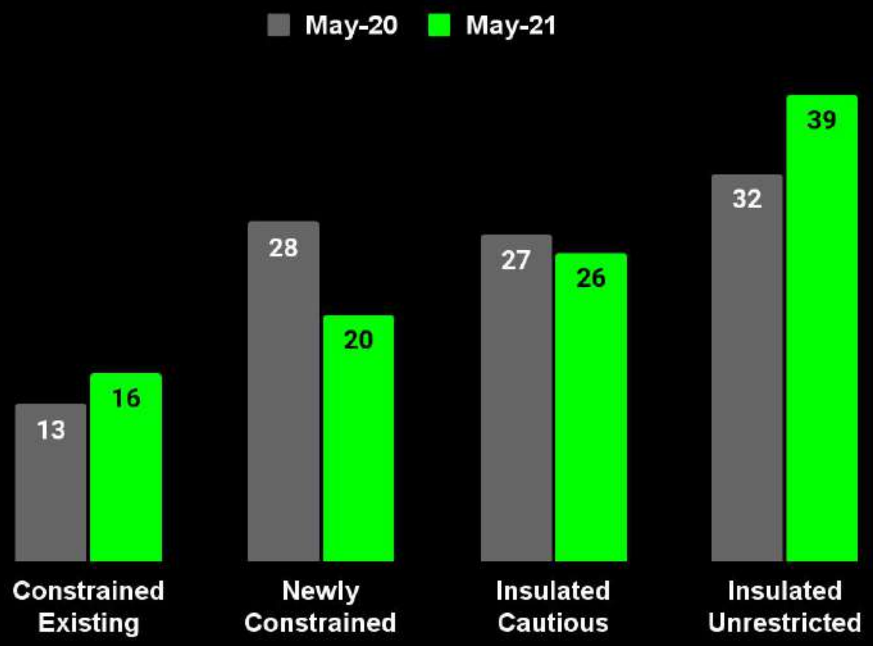
- Multi Channel Grocery retailing
- Diversification by Supermarkets
- Making stores more efficient / reducing costs
- Growth in Leisure, Lifestyle and Experiences
- Personalisation of Product and Preferences, Digital Reward programmes
- New Business Models e.g Subscription services
- Technology as a competitive advantage
- Industry consolidation

Technology will improve the shopping experience by making stores more convenient

Consumer Reset:

Engaging with shoppers in the “new normal”

Shoppers bounce back post-Covid but caution remains



41% of all shoppers are **watching their spend more** now than before Covid

20% can only **afford the basics**

However,

two-thirds

claim to **live comfortably**

Source: NielsenIQ Panel Survey - Omnibus European Survey; May 2021

Cautious optimism results in balance of value vs. spend

Engaging with Value Seekers

- Use **price promotions** and **basket discounts** to attract savvy shoppers
- **Promotions & recommendations** key for to drive awareness and trial of NPD
- Shoppers seek **value proposition** when trying new products

Where shoppers will flex spend

Top **attributes** shoppers are prepared to pay more for:

- Free range meats/eggs/Freedom foods
- Locally made (craft- artisan) products
- Products made/produced in Britain

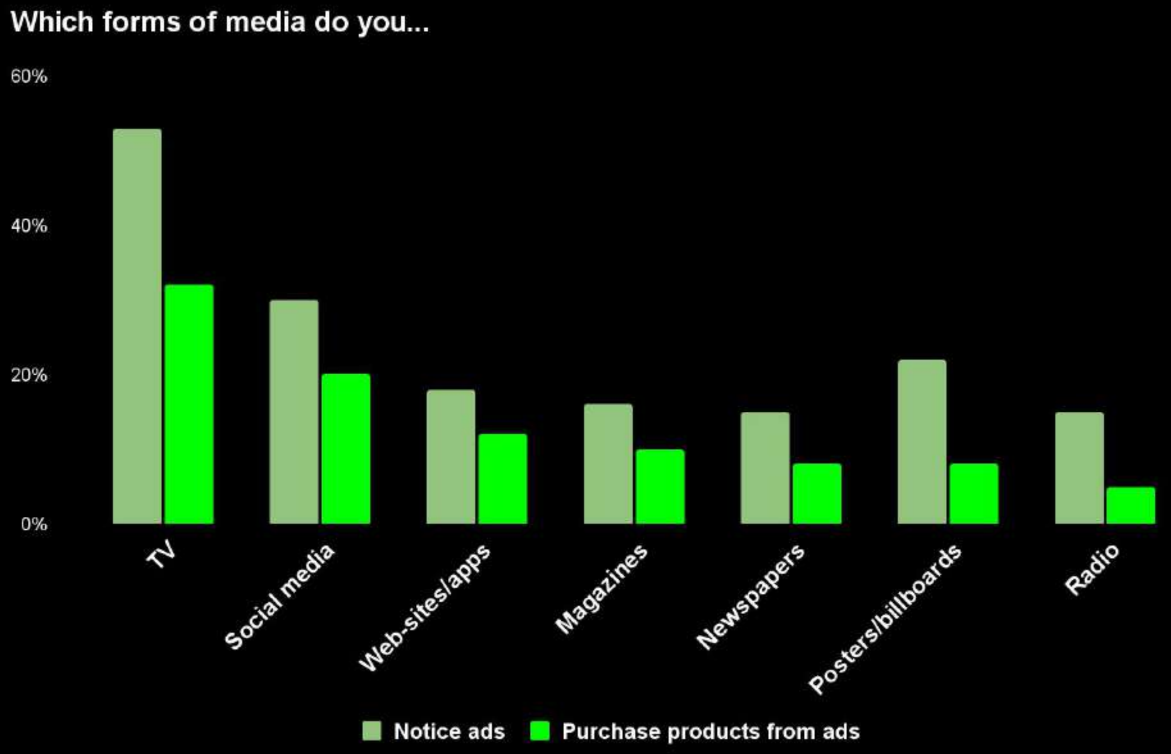
Branded growing ahead of OL → **Trust**

Provenance, Local & Unique

Source: NielsenIQ Panel Survey - SOTN Part II; Feb 2021

How to reach your shoppers

TV and Social Media are most effective at converting shoppers from ads



43% of shoppers read **emails from retailers**

TV advertising is #1 for **NPD**

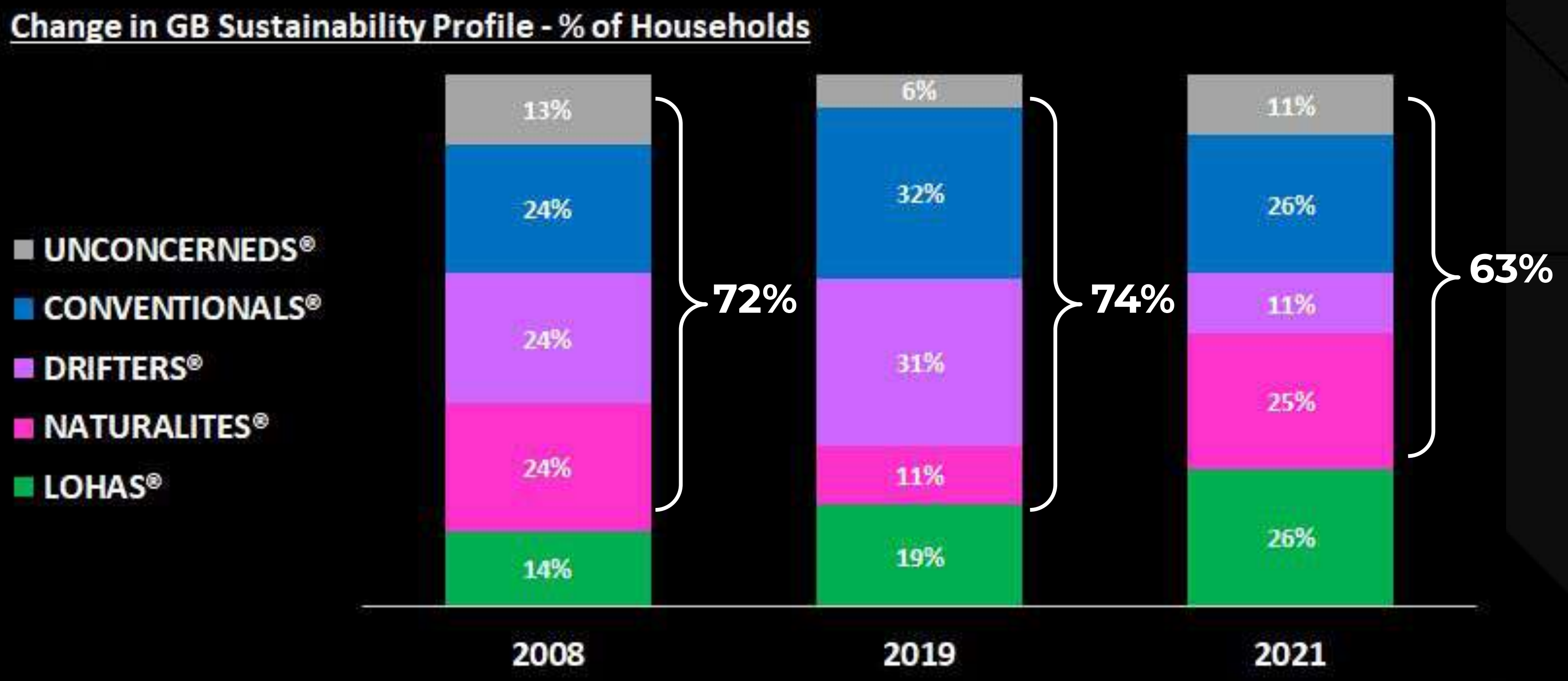
Three-quarters of shoppers use **social media** daily

Half of shoppers are **online** more than **21+ hrs** per week

Source: Nielsen Homescan Media Survey | May 2021

Shoppers seek companies with aligned values

LOHAS account for over a quarter of the population representing an opportunity to engage on sustainability

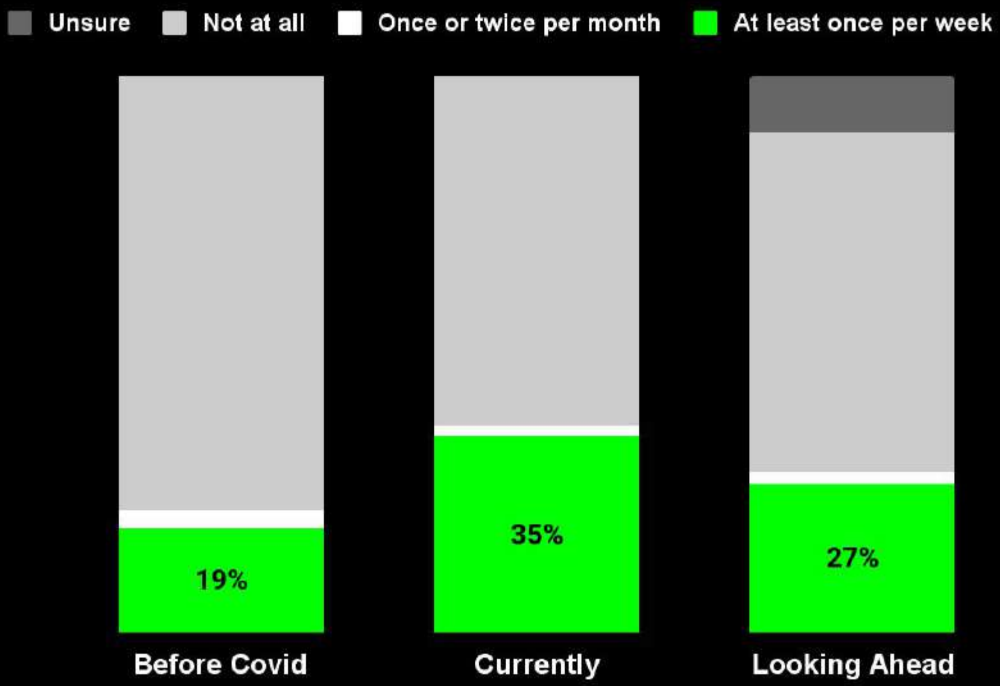


Source: NMI Sustainability Segmentation in collaboration with NielsenIQ; April 2021

Looking ahead, lockdown trends that stick

Shoppers will work from home more, continue to bake and cook keeping spend in FMCG

Working from home trends:



28% of at home meal occasions during Covid will **remain at home**

Baking and experimenting with **new recipes** will continue

A THIRD of shoppers plan to buy **on-the-go** food from Supermarkets

70% planned to **stay in the UK** for summer holidays

Source: NielsenIQ Panel Survey - SOTN Part II; Feb 2021

What can we expect from consumers

Summary

- Balancing **cautious optimism** will be a priority
- Shoppers want to support companies with **aligned values**
- Knowing where and how to **effectively reach** shoppers will drive awareness & spend
- Some lockdown trends will **stick**!

Opportunity

- **Provenance** & **Sustainability** are other ways to engage with shoppers apart from value focus
- Optimise **media spend** on the right channels and platforms to effectively reach shoppers
- **At home meal occasions** are here to stay
- **OTG** occasion in supermarkets is key, particularly at lunchtime

Category Reset:

Starting from a new base

Summer of Fun?

19th July

“Freedom Day” in England for
the lifting of restrictions

Sport

31m viewers of the Euro 2020
final

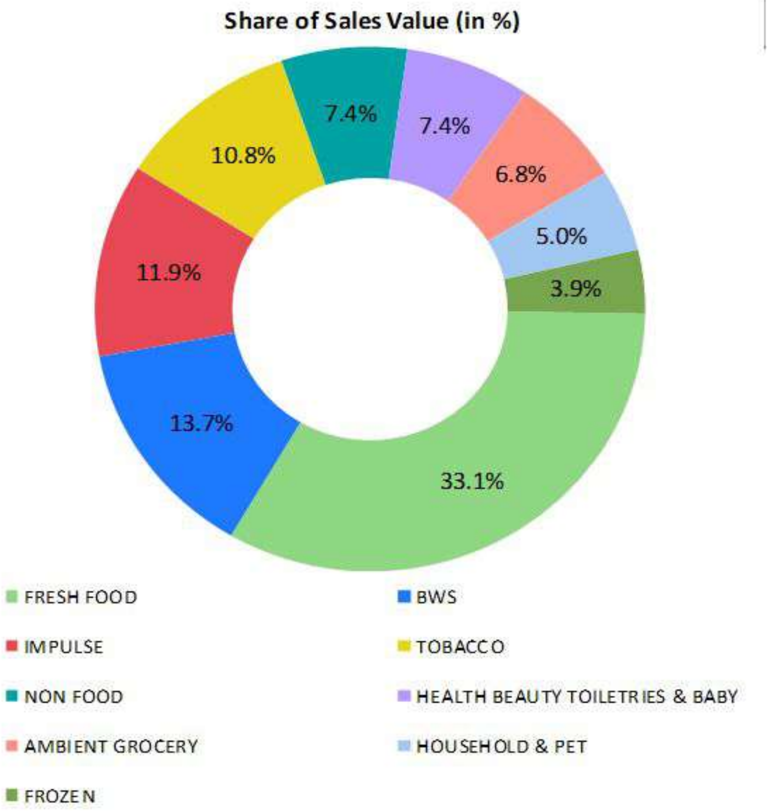
Reset of fun

Back to the office and
staycations

Categories are starting to reset after an unprecedented year

Total Coverage | Super-category Growth and Importance | Value | Latest 4 weeks vs 2YA

	Value (in £M)	Chg. Value (in £M)	% Chg. Value (in %)
Total	**12429.3**	**985.1**	**8.6**
FRESH FOOD	4120.0	214.5	5.5
BWS	1700.5	309.8	22.3
IMPULSE	1480.9	110.8	8.1
TOBACCO	1338.4	232.7	21.0
NON FOOD	918.4	-5.2	-0.6
HEALTH BEAUTY TOILETRIES & BABY	916.6	-6.2	-0.7
AMBIENT GROCERY	841.2	39.5	4.9
HOUSEHOLD & PET	626.7	38.8	6.6
FROZEN	486.7	50.2	11.5

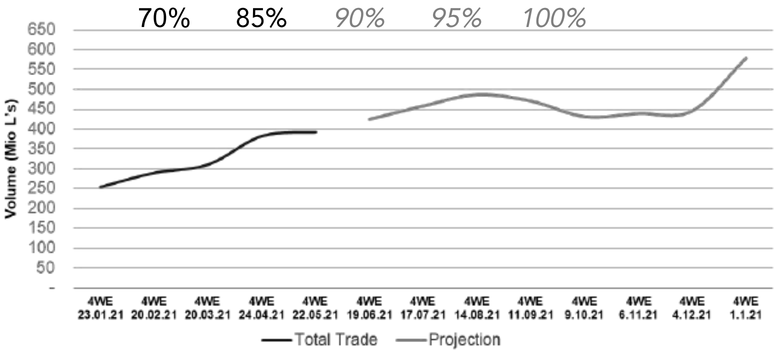


Source: NielsenIQ Scantrack Data to WE 03.07.21

Off Trade continues to thrive as the On trade opens up

- Total Market Total Alcohol £ sales are **-30%** in the latest MAT
- Over **75%** of £ spent on Alcohol have been in the Off Trade over the last year
- In May, volume Sales reached **85**% of 2019 levels
- As restrictions are removed volume and value will continue to shift out of retailers
- Assuming reaching 2019 sales volumes by August would see the Total of 2021 volume surpass last years sales by **3%**

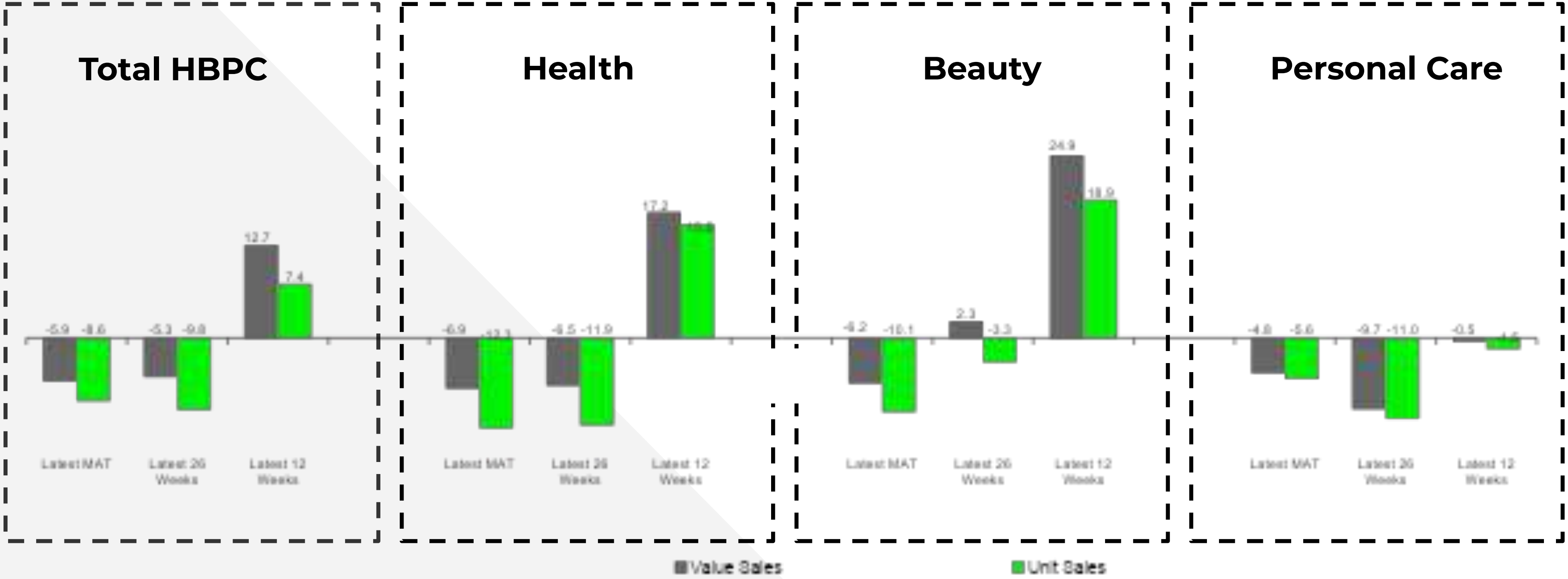
Total BWS - Total Trade % of 2019 sales



Source: NielsenIQ and CGA (DMSO Report) June Data

Health & Beauty categories begin recovery as the country unlocks

Total Coverage | HBPC – Mega Categories | Value & Unit % Change vs YA | MAT TY , L26 W & L12 W vs YA



Source: NielsenIQ Scantrack Data to WE 19.06.2021

On-the-Go

£6.1bn

(-5.6%, -£356m)

*Total FMCG, MAT to 26.06.21**

Worth 3.8% of FMCG Sales. Down from 4.8% pre- COVID

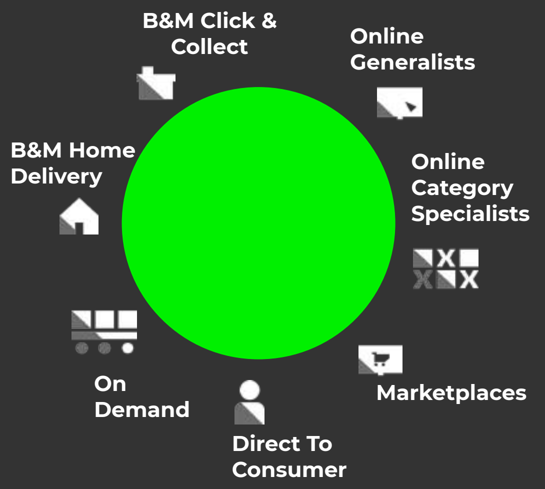
NielsenIQ Scantrack|Total Coverage| 52w to 27.02.21| Nielsen defined categories. *Bagged Snacks and Nuts data to 19.06.21

What can we expect from category?

Summary	Opportunity
A shift back……	
but catering for the at home occasion remains significant	Products and categories that dipped can be rekindled. 19.3m occasions weekly to pitch to OTG
A Summer of celebration and reconnection to continue with people holidaying in the UK	There will be a shift of Alcohol spend back to the on trade, but the summer offers plenty of room to defend.
Health and Beauty to surge for good… and bad	H&B comes back into the spotlight and will drive YoY growth for many retailers
Uncertainty continues with COVID cases and a changing retail environment.	Speed of change remains critical, with legislation creating further variables

The channel perspective

Don't give up on stores - **the future is omnichannel**

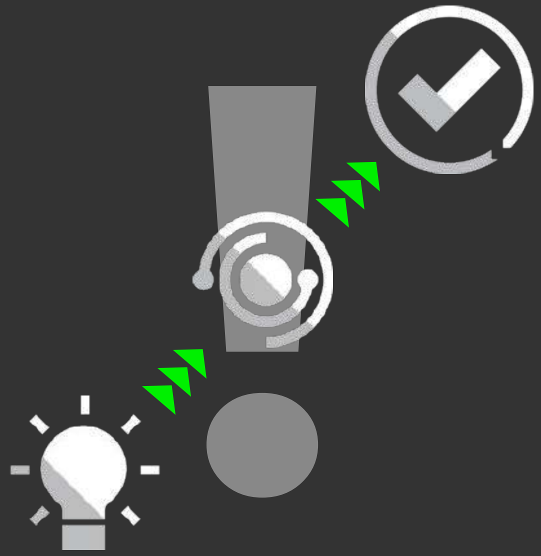


Consumer reset

Cautious optimism from consumers

Category reset

Innovation: adapt and **change quickly**



Q&A Panel

Thank You.