STATE OF THE NATION

NIELSEN IQ WEBINAR

10:00, 14 January 2021

AGENDA

10:00 AM **Welcome**: Rachel White, Retail Intelligence Director Nielsen UK & Ireland

2020 Christmas Headlines: Aylin Ceylan, Consumer Intelligence Partner Nielsen UK

The Retail Reset: Ben Morrison, Retail Services Director UK & Ireland

The Consumer Reset: James Oates, Consumer Intelligence Director Nielsen UK

11:00 AM **Panel Discussion with guests**: Hosted by Rachel White, Commercial Director

Mike Watkins, Retail and Business Insight Leader Nielsen UK

Nick Steel, Growth Strategy Insight & Analytics Director, Nomad Foods

Adam Leyland, Editor, The Grocer

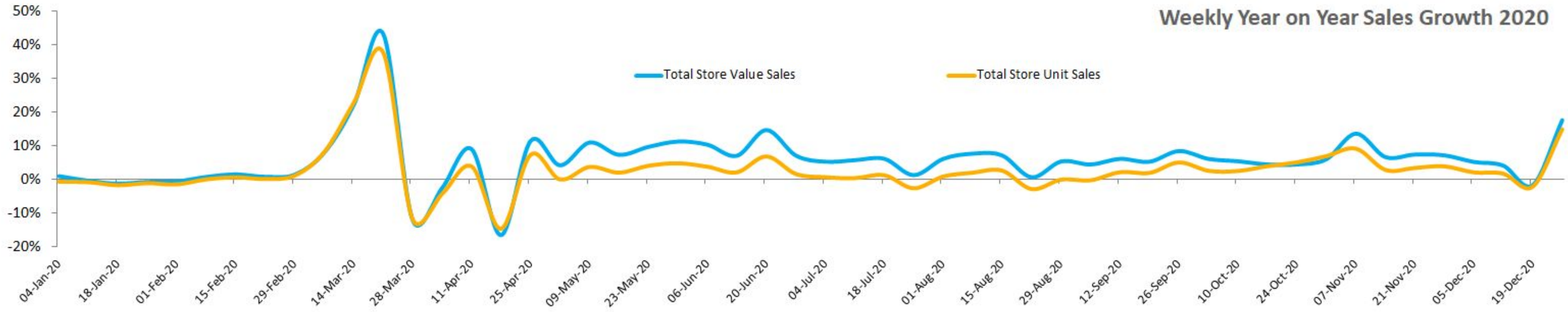
11:20 AM **Close**

PLEASE KEEP AN EYE ON YOUR INBOX FOR YOUR FOLLOW UP RECORDINGS OF PRESENTATIONS IN FULL

2020 THE YEAR THAT RESET THE WAY WE SHOP

LOCKDOWN AND RESTRICTED LIVING HAS BROUGHT WITH IT MIXED FORTUNES. FOR FMCG THERE WAS SIGNIFICANT GROWTH

VALUE SALES	GROWTH %	ONLINE SALES GROWTH IN 2020
£119bn	**+9.2%**	**79%**



Source: Nielsen Homescan data MAT to 26.12.20, Source: Nielsen Scantrack Grocery Multiples Weekly data to 26.12.20

EXTERNAL FACTORS ARE BIGGEST IMPACT ON FMCG PERFORMANCE NOW AND IN THE NEXT 18 MONTHS

Get ready for Brexit

4.8%

Jul - Sep 2020 **Unemployment** levels

Cabinet Office

Department of Health & Social Care

AN UNEXPECTED CHRISTMAS

Christmas Period: 4 wks 26.12.20

Unexpected Christmas led to unexpected winners

Online and value retailers benefitted from current shopper sentiment

+8.0%	+17.9%	+16.1%	-9.3%	+0.9%
Total GB FMCG SPEND	SPEND PER TRIP	UNITS PER TRIP	AVG FREQUENCY	SHOPPERS

Iceland +15.6%

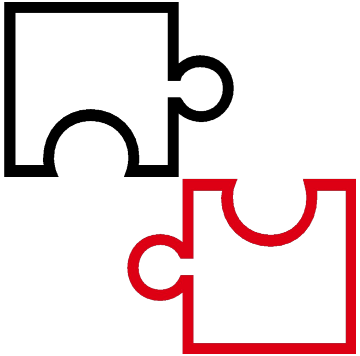
ocado +38.5%

LIDL +21.9%

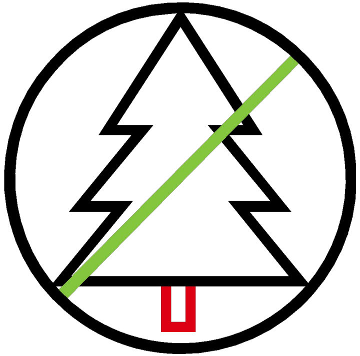
London saw the highest growth, outperforming the market

Source: Nielsen Homescan Panel, FMCG, 4wks to 26.12.20 vs 4wks to 28.12.19

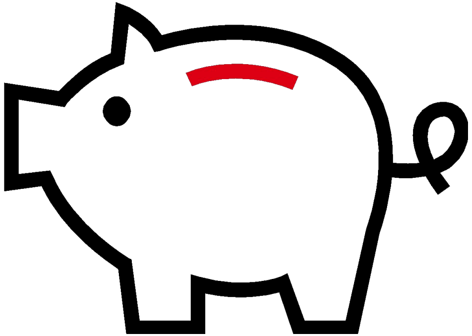
How consumers reset their holiday behaviours



UNCERTAINTY



SUBDUED CELEBRATIONS



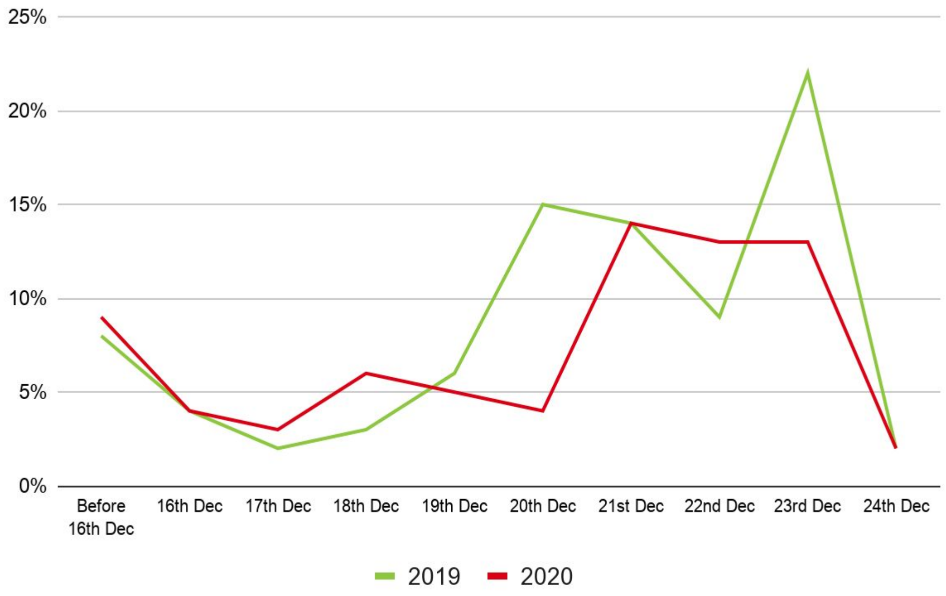
SAVINGS

More details: https://www.nielsen.com/us/en/insights/article/2020/predicting-holiday-spending-across-consumer-types-in-the-new-normal/

Christmas shopping is uncertain this year

While shoppers continue to buy Christmas items ahead of December, plans for the main Christmas meal shop are more up in the air

28% of those celebrating Christmas were uncertain on when they would do their main Christmas shop
*(vs **15%** LY)*



Christmas spend was spread across **3 key trading days**...

...with most spend spent on **Tuesday 22nd Dec**

Source: Nielsen State of the Nation 2021 Homescan Survey

Restrictions on festive celebrations

Subdued festivities due to government regulations and safety concerns

64%

Not seeing as many people

49%

Not entertaining as much

29%

Not as interested in Christmas

Source: Nielsen State of the Nation 2021 Homescan Survey

Polarisation of savings mindset at Christmas

Only 7% of shoppers planned to spend **more**

51% **58%**

Shoppers who were planning to celebrate planned to spend the **SAME** on Christmas presents and groceries

34% **26%**

Shoppers who were planning to celebrate planned to spend **LESS** on Christmas presents and groceries

Grocery tends to be less impacted than other Christmas expenditures

Source: Nielsen State of the Nation 2021 Homescan Survey

What was for Christmas Dinner?

BAKING

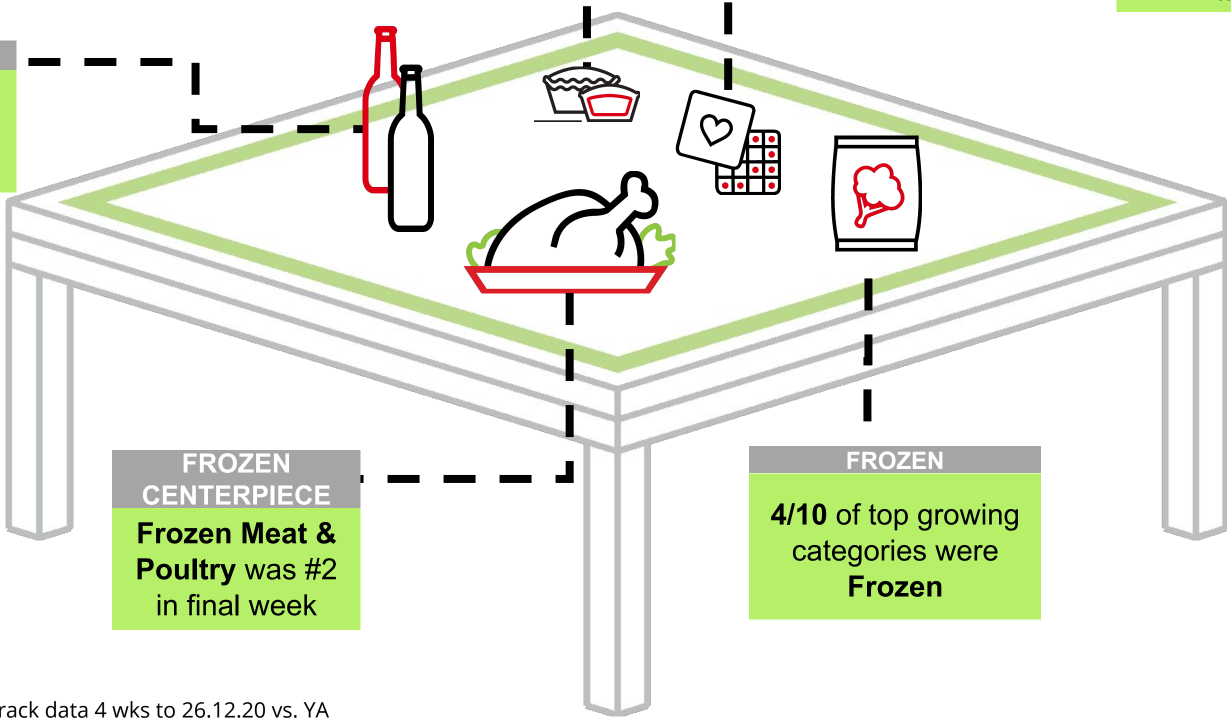
Home Baking was #1 in final week

CONFECTIONERY

Shoppers made savings on **Chocolate**; Confectionery growth was low

BEER & CIDER

#1 growing category this Christmas



FROZEN CENTERPIECE

Frozen Meat & Poultry was #2 in final week

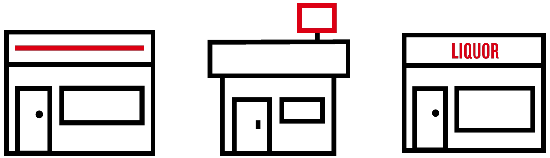
FROZEN

4/10 of top growing categories were **Frozen**

Source: Nielsen Scantrack data 4 wks to 26.12.20 vs. YA

Shoppers shopped around less this Christmas

However, shopping around at Christmas was still prevalent compared to the rest of the year



"cherry-pick products from different supermarkets depending on prices, products or range"

Saw this largest drop this year with shoppers prioritising **SAFETY** over value

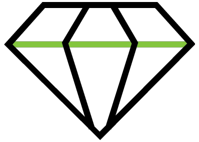
5.2

Average fascias shopped LY

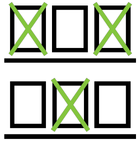
4.8

Average fascias shopped TY

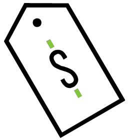
Store Choice Drivers:



QUALITY



AVAILABILITY



PRICE

Source: Nielsen State of the Nation Homescan Survey 2021 & Nielsen Homescan Panel, FMCG, 4wks to 26.12.20 vs 4wks to 28.12.19

RETAIL RESET: WHAT'S NEXT IN RETAIL?

CHANNEL PERFORMANCE - RIGHT TIME, RIGHT PLACE

TOTAL GB

+9.2%

GROCERY MULTS

72.6% | -0.2ppts

DISCOUNTERS

14.9% | +0.2ppts

VALUE RETAILERS

3.2% | -0.3ppts

ONLINE

11.5% | +4.5ppts

CONVENIENCE*

24.1% | 0.0ppts

%

21%

-4.4ppts

BRAND

48%

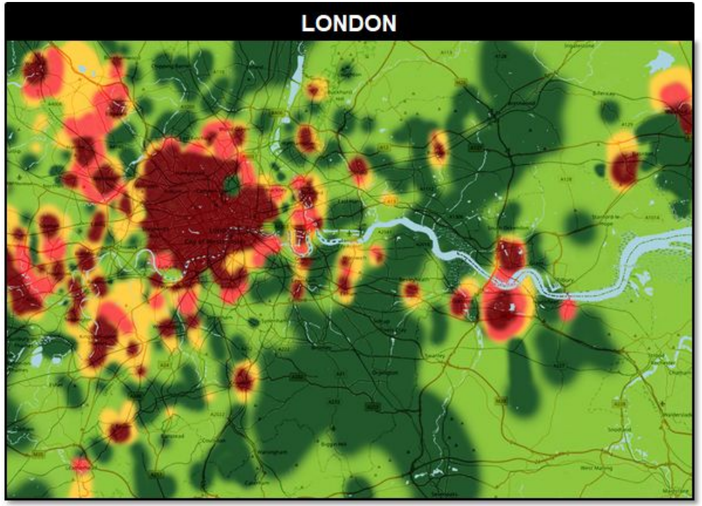
+1.2ppts

Source: Nielsen Homescan FMCG, MAT data to w/e 26.12.20 vs YA, *Convenience data from Nielsen Scantrack

RESTRICTIONS AND HEALTH CONCERNS CHANGED THE FMCG LOCATION AND MISSION

- On The Go
- Commuting
- Meal for tonight
- Working Lunch

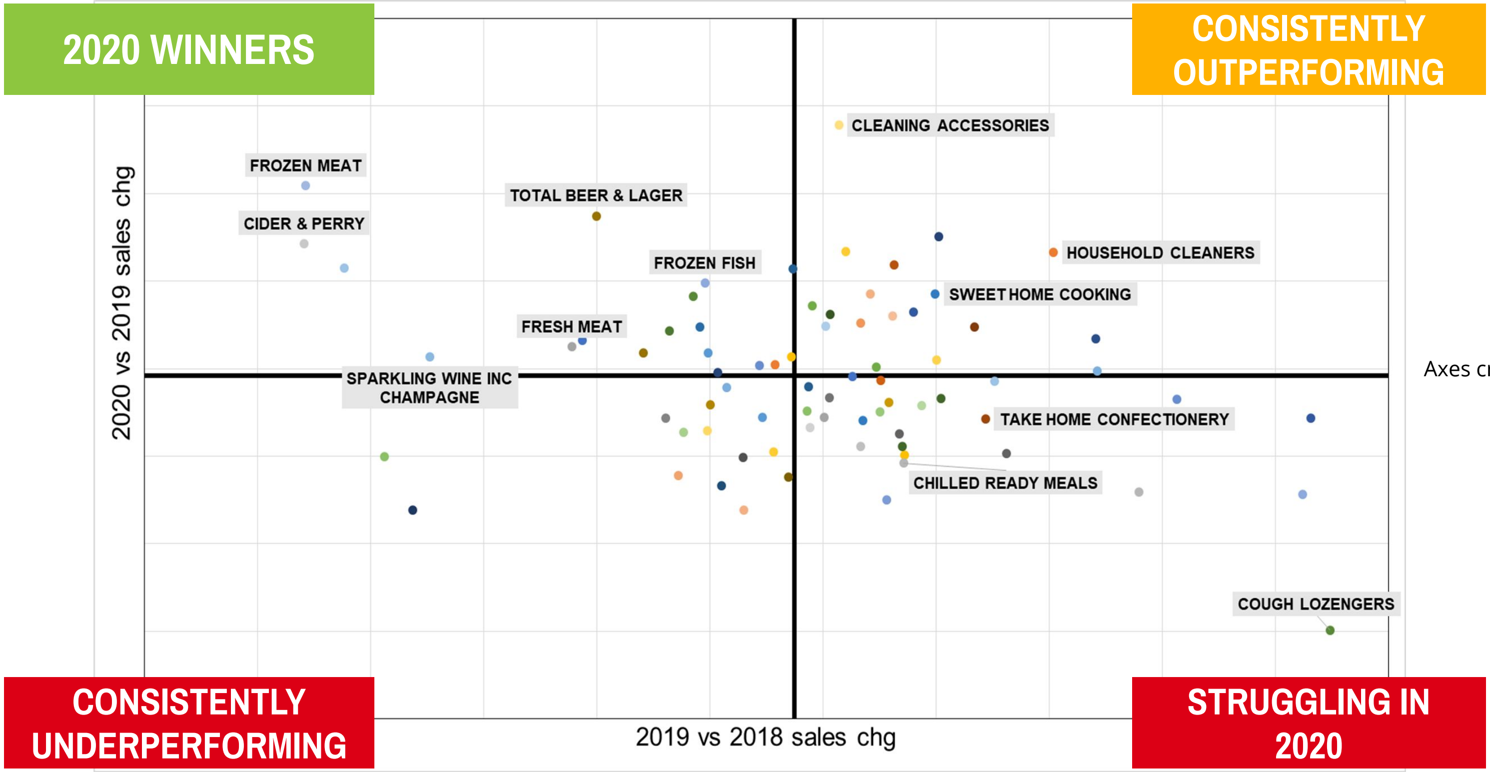
- Top Up Shop
- Home Office
- Weekly Shops
- Online



Scale: 1:800,000 | 1cm=8km

> +15% GROWTH	5 to 15% GROWTH	-5 to +5% CHANGE	-5 to 15% DECLINE	> -15% DECLINE

CATEGORY WINNERS INCLUDE BWS AND FROZEN



Axes cross at FMCG % chg

Source: Nielsen Homescan, Total GB, MAT data to w/e 26.12.20 vs YA

TOP RETAILERS ALL GREW DUE TO HUGE DEMAND, BUT ALSO MASSIVE INVESTMENT

TESCO
26.8% | +8.7%

Sainsbury's
14.0% | +9.0%

ASDA
12.4% | +6.3%

ALDI
10.0% | +9.4%

Morrisons
Since 1899
9.7% | +9.2%

LIDL
6.4% | +13.2%

co op
5.2% | +9.3%

WAITROSE & PARTNERS
4.3% | +8.4%

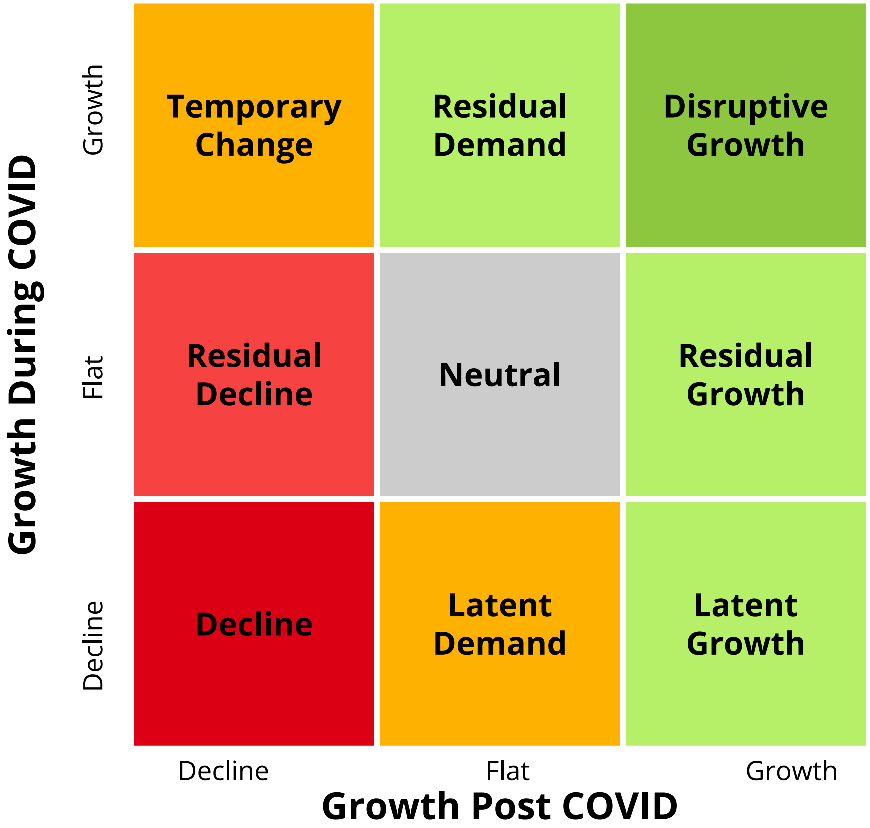
M&S
3.3% | +2.3%

Iceland
2.7% | +17.2%

ocado
1.6% | +34.9%

Source: Nielsen Total Till FMCG report, MAT data to w/e 26.12.20 vs YA

PLACING THE RIGHT BETS NOW WILL IMPACT YOUR POST COVID PERFORMANCE



Understanding the drivers of COVID performance will help determine which trends needs longer term investment or development.

1. Channel Performance
2. Retailer/Category performance
3. Instore execution
4. Consumer Preference

ONLINE WILL HIT 15% 2 YEARS EARLIER

DEMAND

57% +9ppts

2020 Penetration
3.4M HH's new to online in 2020

CAPACITY

128%

Increase in Grocery Online capacity from Feb to Dec 2020

DISRUPTIVE CHANGE

47% + **23%**

Of HH's will shop online **the same or more** in the next 6 months

deliveroo · JUST EAT · Uber Eats

Of HH's will shop via apps **the same or more** in the next 6 months

Projected Online Share by 2023: **15%**

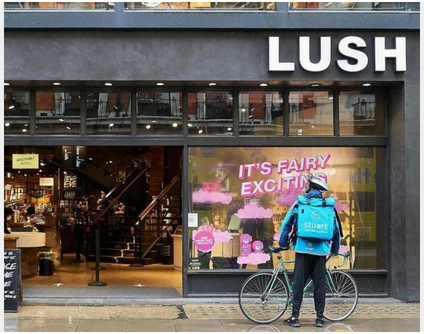
Growing £1.5bn per year

DISRUPTIVE GROWTH

Source: Nielsen Homescan Survey April & November 2020 & My Digital Shelf

HIGH STREET RECOVERY IS NOT A GUARANTEED AND OOT WILL FEEL DRAG OF ONLINE

FOOTFALL IMPACTS SPECIALIST STORES



STORE TURNS INTO MINI DISTRIBUTION CENTRE

ICELAND GROWTH DRIVEN BY ONLINE & WAREHOUSE STORES

TESCO

Sainsbury's

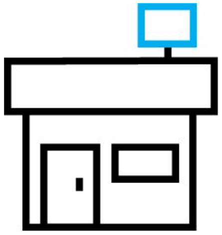
ASDA

+

SUPERMARKET PARTNERSHIPS CONTINUE TO EXPAND

TEMPORARY CHANGE / RESIDUAL DECLINE

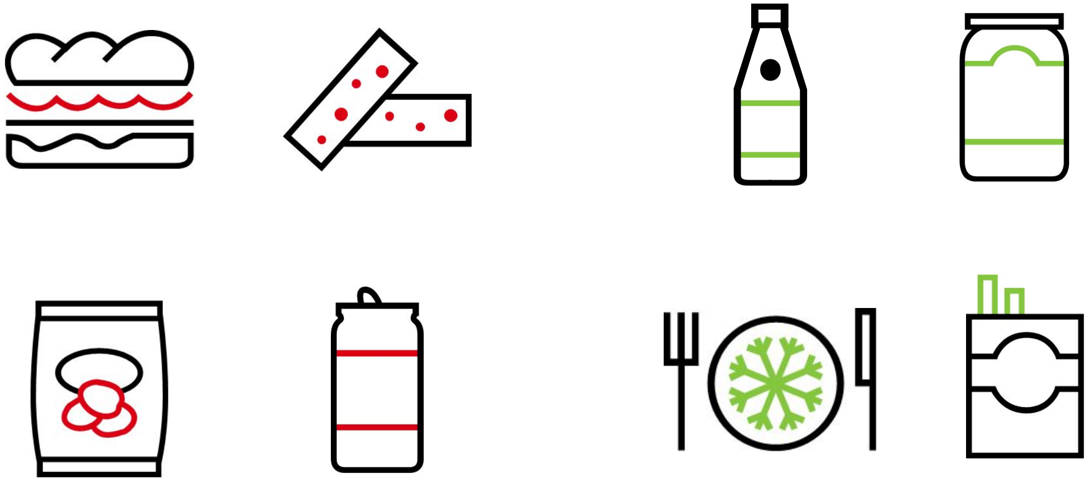
CONVENIENCE RESET PROVIDES POLARISED OPPORTUNITY



+7.3%

On The Go

Top Up Shop

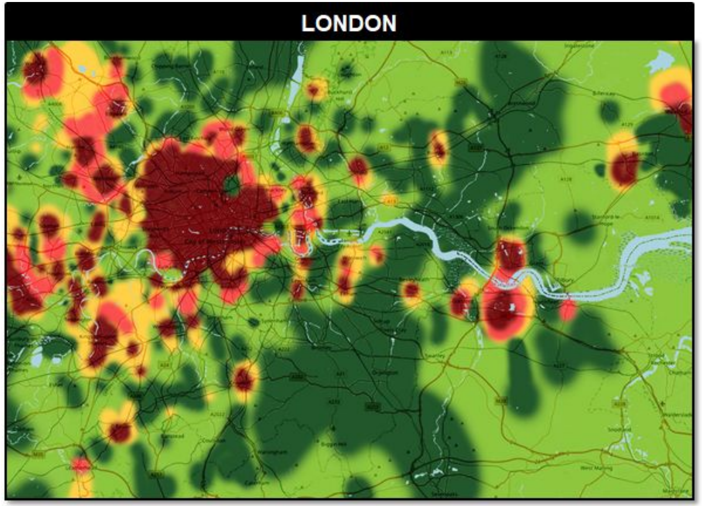


RESIDUAL / LATENT DEMAND

Source: Nielsen Scantrack data to: 19.12.20

DIFFERENT NEEDS TO BE MET AS SHOPPING TRIPS SHIFT

On The Go ⟷ **Top Up Shop**



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DISCOUNTERS' SHARE GAIN MOMENTUM WILL RETURN - PROJECTED TO HIT 20% BY 2023

Value Share Gain	2019	2020
	+1.2pts	+0.2pts

Price & most **improved supermarkets**
2020 vs 2019

11%
claim they will shop at Discounters **more** over the next 6 months

+

164 INDEX
CONSTRAINED NEW

+

Store openings

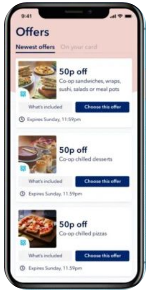
ALDI +100 by 2021

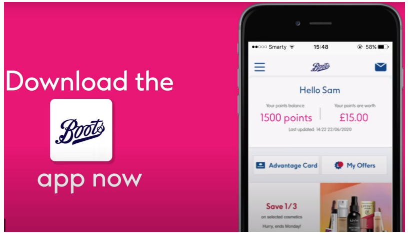
LIDL +100 by 2022

RESIDUAL / LATENT GROWTH

Source: Nielsen Homescan data to 26.12.20. Fascia data post-lockdown to 28.11.20. Source: Nielsen's Britain's Favourite Supermarket 2020

LOYALTY SCHEMES DRIVEN BY INCENTIVES AND CONVENIENCE - THE BRIDGE TO ONLINE?





82%

occasions use a loyalty card*

23%

shoppers say retailer loyalty promotions were important when deciding where to do their Christmas shopping in store

OPPORTUNITY TO PERSONALISE OFFERS TO DRIVE PURCHASE

Source: Nielsen Homescan and State of the Nation Homescan Survey 2021.
*Average across Tesco, Sainsburys & Co-op

RANGE REDUCTION HELPS COST CONTROL BUT NPD WILL STILL BE IMPORTANT

-6.6%

-15%

NPD's launched 2020 vs 2019*

-8.5%

NPD's value 2020 vs 2019*

When I'm shopping at a store I now try to get out as quickly as possible

When I'm shopping I am browsing less because of other customers around me wanting to access the shelves.

DISTRIBUTION REDUCED FOR KEY CATEGORIES

FEWER INNOVATIONS LAUNCHED - WORKING HARDER IN VALUE

NEARLY HALF OF SHOPPERS LESS AWARE OF NPD SINCE COVID

Source: Nielsen Scantrack, Total Distribution Points (AC Wtd) data to 26.12.20 .
Please note *NPD trends looking at Snacking categories such as Chocolate Countlines & Tablets and Biscuits.

GOVERNMENT INTERVENTION WILL TO CONTINUE TO HAVE MAJOR IMPACT ACROSS SECTOR

Policy paper

Plastic packaging tax

Updated 26 November 2020

SINGLE USE PLASTIC BAN, PACKAGING TAX AND CORRECT LABELING

HIGH FAT SUGAR & SALT PROMOTIONS CUT

BREXIT IMPACT ON PRICE

WHAT IS RETAIL LOOK LIKE IN 2023?

15%
Online

Range
Change and
Promo Decline

High Street,
OOH, OTG
recovering but
different

20%
Discounters

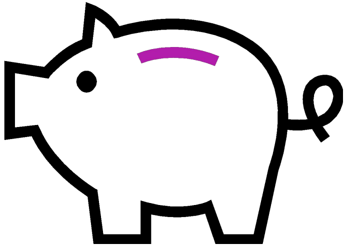
Supply chain
adapted

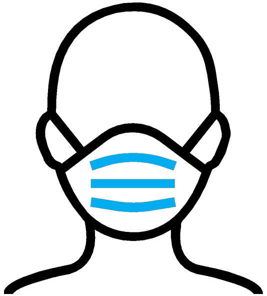
Incentivised,
Convenient
Loyalty

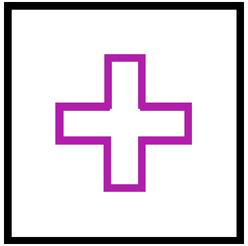
CONSUMER RESET: WHAT'S NEXT FOR SHOPPERS?

This artwork was created using Nielsen data.

NOT SO MUCH A RESET BUT BEHAVIOUR BEING SHAPED BY PERSONAL WEALTH AND HEALTH CONCERNS

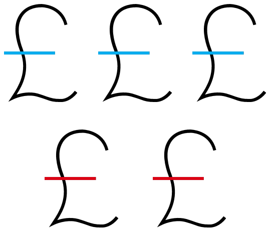






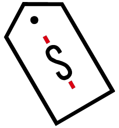
TODAY'S CONSUMER IS WORRIED

Financial, Economic household status will shape shopper decisions

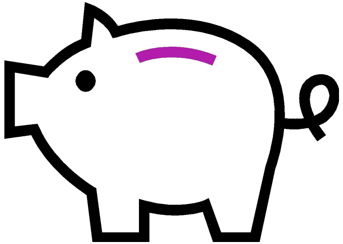


TWO of the TOP 5 overall concerns are related to **financial worries**

39% are concerned about the impact Brexit will have on grocery shopping



#1 concern = Prices rising due to Brexit



91% say it's important to actively make **savings** on groceries

Source: The Conference Board Global Consumer Confidence Survey conducted in collaboration with Nielsen Q2 2020 & Nielsen State of the Nation Homescan Survey 2021

2021 LESS SHOPPING TRIPS IS KEY
less chances to be bought - Distribution a focus

PRE COVID

£ +2%

Basket -0.4%

Trips +2%

Jan & Feb

LOCKDOWN 1.0

£ +13%

Basket +30%

Trips -13%

March - July

BETWEEN LOCKDOWNS

£ +8%

Basket +22%

Trips -12%

Aug-Oct

LOCKDOWN 2.0

£ +10%

Basket +22%

Trips -10%

November

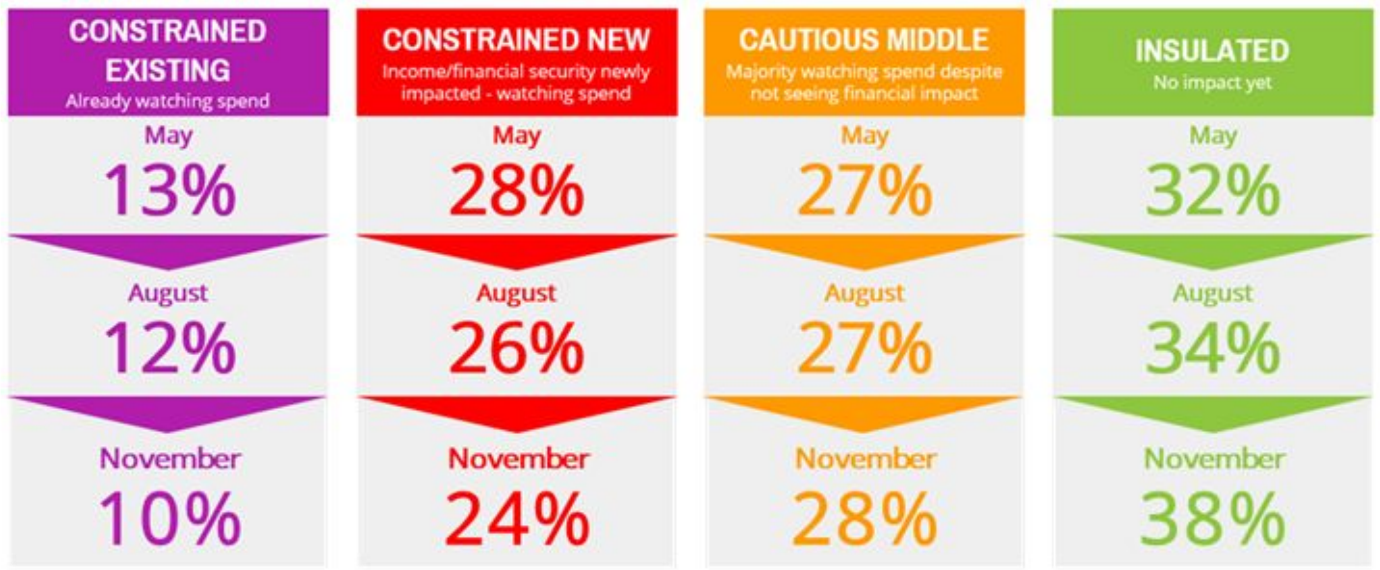
DECEMBER

£ +8%

Source: Nielsen Homescan Panel Data

CONCERNS REFLECTED BY HOW SHOPPERS REACT…

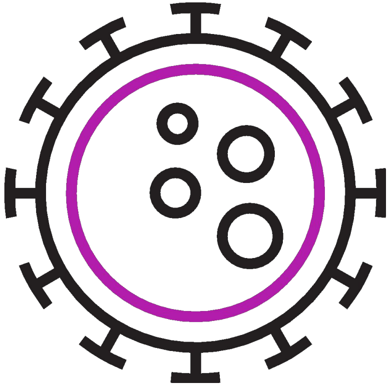
Newly Constrained shoppers have been hit the hardest and are the most worried = likely to grow again from lockdown 3



2021 H1

Source: Nielsen State of the Nation Homescan Survey 2021 & Nielsen Covid Panel Surveys May & August 2020

COVID IMPACT AT THE HOUSEHOLD LEVEL IS CLEAR



HALF of shoppers are **worried**/very worried about Covid-19

~25% of Constrained New

Paying the bills and putting food on the table

Is 1st or 2nd Concern

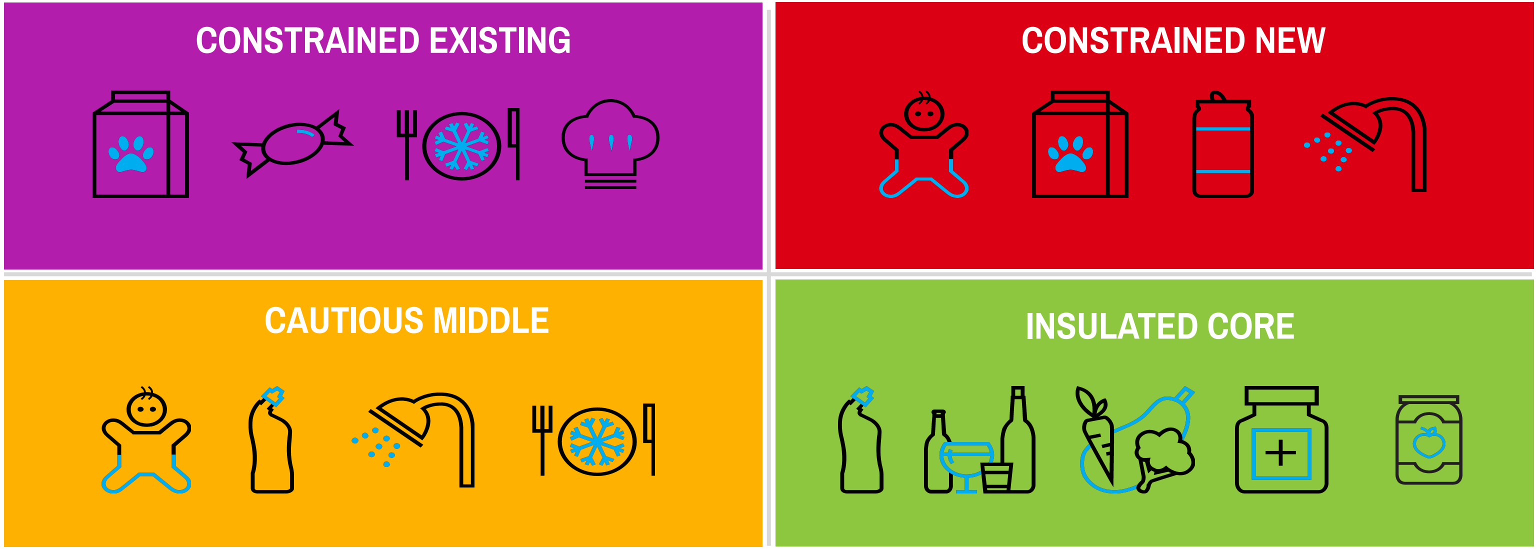
~40% of Insulated H/holds

Not being able to meet up freely with family and friends

1st or 2nd concern

Source: Nielsen State of the Nation Homescan Survey 2021

SOME CATEGORIES ARE MORE IMPORTANT BUT THE OVERALL MIX OF BASKETS IS SIMILAR



KEY CATEGORIES WHERE SHOPPERS SAY THEY WILL SAVE WHEN CONSTRAINED

MEAT/FISH/POULTRY   CRISPS & SNACKS   TOILETRIES   BWS   READY MEALS   BEAUTY

Source: Nielsen Homescan Panel Data 48 wks to 28.11.20

SPOTLIGHT ON GROCERY SPEND - HIGHER THAN BEFORE

Shopper tactics still revolve around promotions & price but wasting less increased vs. last year - key to get price and pack size offering right

TWO THIRDS of shoppers looking for savings claim to be **actively** watching their **Grocery** spend

(#1 area of household expenditure to make savings on)

TOP SAVINGS TACTICS:

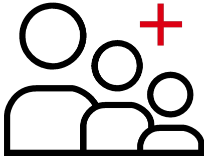
- Price discounts
- Buying more on promotion
- Wasting less

#1 savings tactic in April 2020

- Buying **less treats/indulgent** products
- Switching to **Own Label**
- Switching to **cheaper Brands**
- Shopping **Online**

Source: Nielsen State of the Nation Homescan Survey 2021

COVID CONNECTED HEALTH ISSUES AND ‘TRADITIONAL HEALTH’ ARE BOTH AREAS OF CONCERN



#2 & #3 OVERALL CONCERNS ARE RELATED TO HEALTH WORRIES

A QUARTER OF SHOPPERS ARE MORE INFLUENCED BY HEALTH WHEN DOING THEIR GROCERY SHOPPING

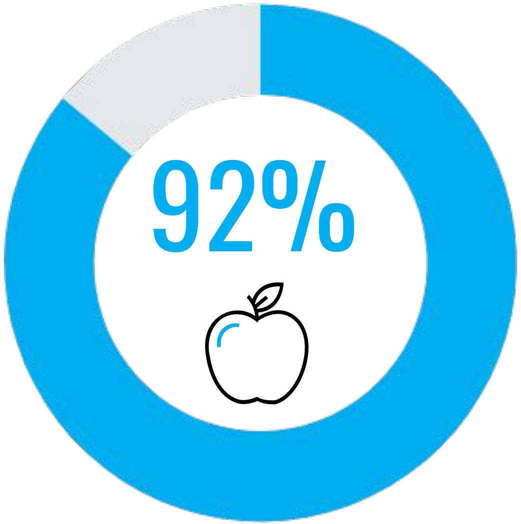
LIMITING SUGAR AND 5 PORTIONS OF FRUIT & VEG ARE NOW #8 & #7 RESPECTIVELY

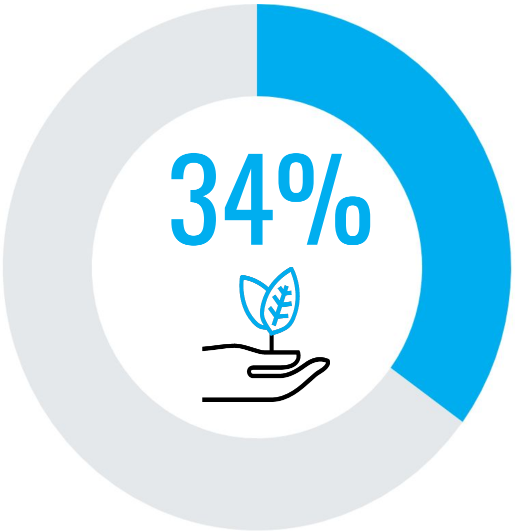
FAT
SALT
SWEETENERS
CALORIES

A STRONG GROWTH AREA DRIVEN BY THE INSULATED SHOPPER. CONSUMERS ARE STILL LOOKING FOR WAYS TO INDULGE

Source: Nielsen State of the Nation Homescan Survey 2021

SUSTAINABILITY REMAINS INCREASINGLY IMPORTANT DESPITE THE INCREASE IN PRIORITISING HEALTH





76% Reduce food waste

64% Reduce plastic consumption

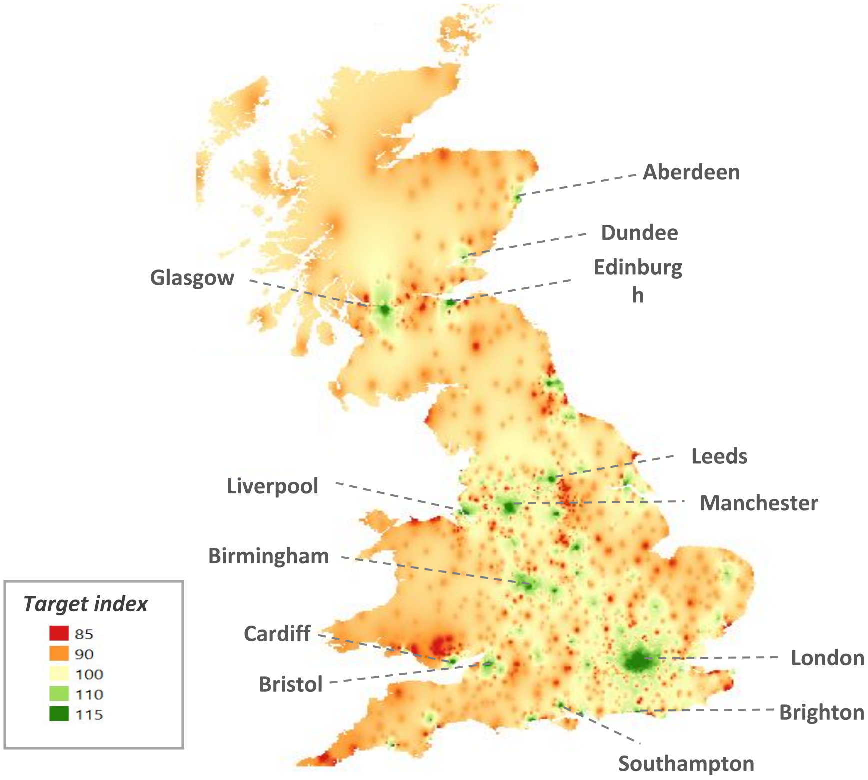
58% Buying local

56% Climate change

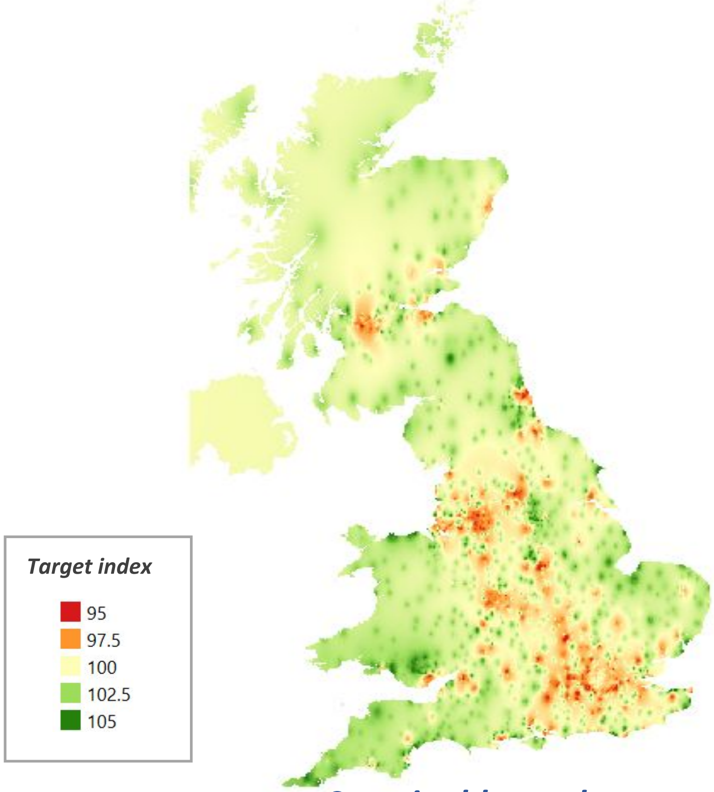
Newly Constrained shoppers want to be sustainable but not willing to pay a premium

Source: Nielsen State of the Nation Homescan Survey 2021

SUSTAINABILITY HAS HOT SPOTS IN URBAN CENTRES BUT OPPORTUNITY FOR ENGAGEMENT IS NATIONAL



Sustainable products
Very important



Sustainable products
Moderately important

Source: Nielsen Spectra

BALANCE NEAR AND MEDIUM TERM ACTIONS TO NAVIGATE 2021

	DISTRIBUTION/PENETRATION	PRICE	PRODUCT	PRODUCT
CALL OUT	Shoppers shopping less often and engaged with new formats	Pressure on grocery spend and shoppers looking for help	Mixed role of Health - fighting covid and dietary health	Sustainability - consumers want to contribute - but need help to understand how
ACTION	• Review, protect and push physical and digital availability • Mental availability - don’t assume shoppers know you are there	• Know your role and price point in the category • Get the right price vs pack size relationship	• Meet immediate shopper needs if you can • Evolve range to take into account healthy eating balance	• Engage shoppers with your proposition now • Pick the sweet spot on sustainability that fits your offering

40

CONSUMERS ARE RESETTING THEIR BEHAVIOURS... BUT WE CAN BETTER POSITION OURSELVES TO RESPOND TO THESE IN 2021

BASKET RESET

Consumers need to account for emerging basket essentials, stretching their money further to merge old and new needs.

HOMEBODY RESET

Business closures and restricted living means consumers prioritize in-home spending over discretionary out-of-home expenses.

RATIONALE RESET

New priorities shift how and why consumers spend spare cash.

AFFORDABILITY RESET

Consumers become more risk averse, seeking products/services that deliver value, quality and peace of mind.

CONSUMER RESET

RETAIL RESET

DISCUSSION PANEL

nielsen