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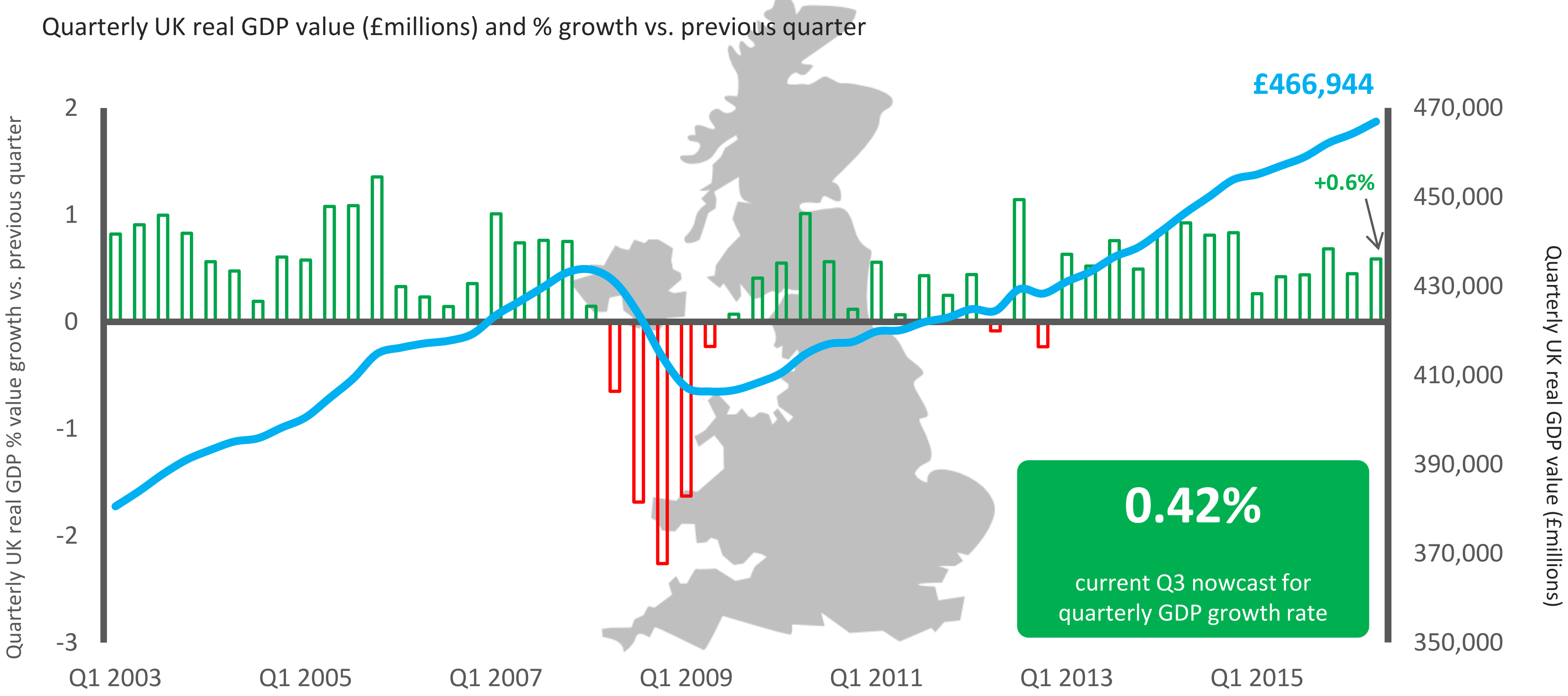
THE HUMBER SEAFOOD SUMMIT 2016

IGD is a global research and training charity that helps the food and consumer goods industry

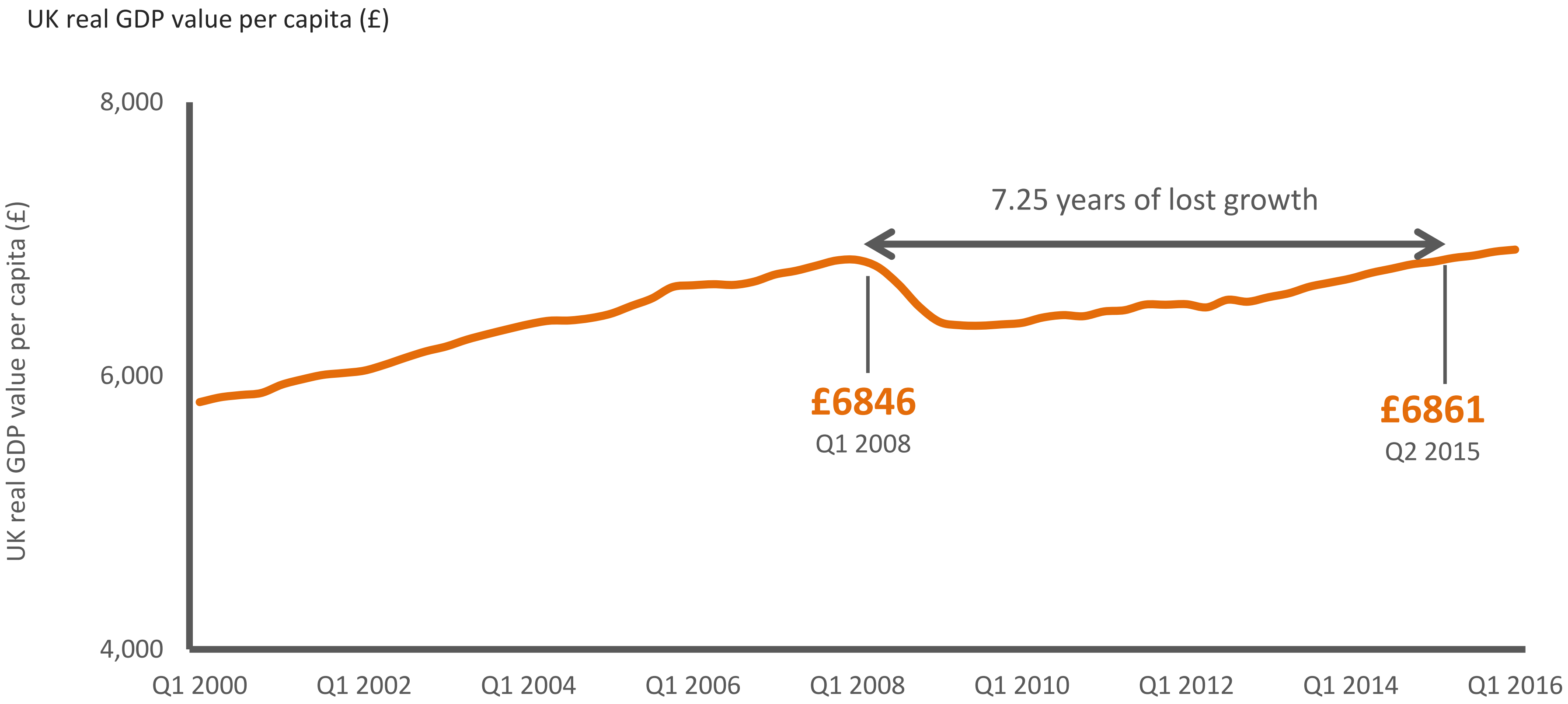
- Economic overview
- IGD grocery forecast: Why convenience and online are important
- The convenience channel
- The online channel

Economic recovery has slowed



Source: ONS September 2016 and nowcast forecast

Consumers have felt the effects for even longer

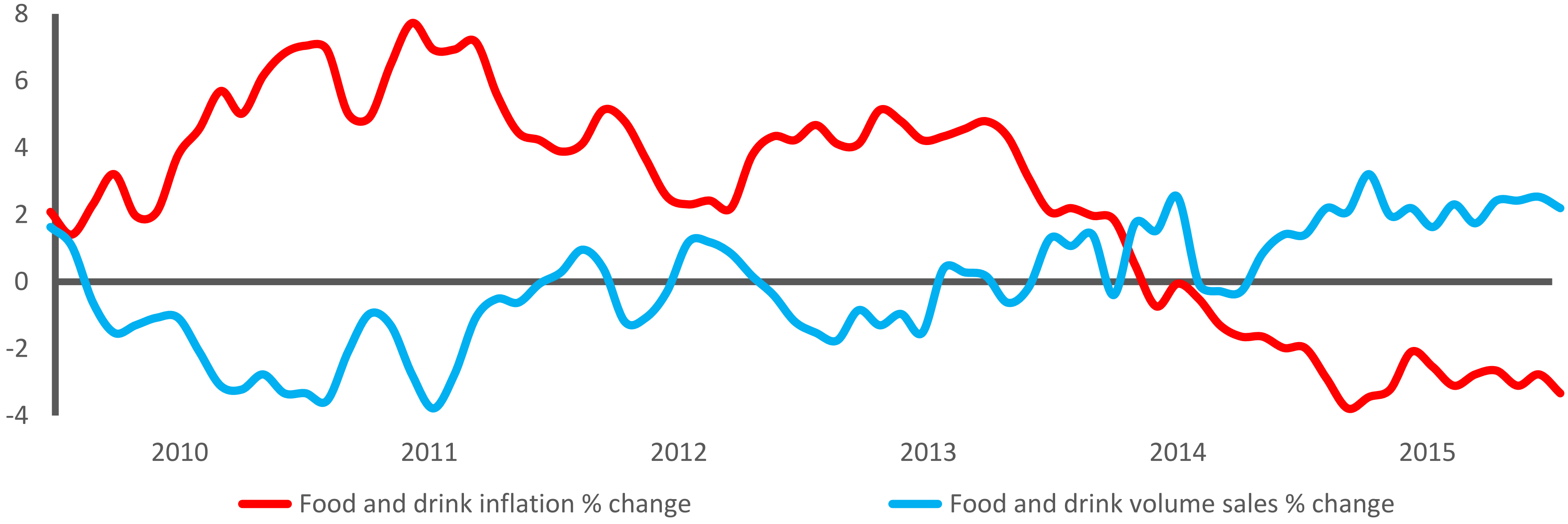


Source: ONS September 2016


Sainsbury's
Try something new today
100% FRESH
Regionally caught from sustainable sources.
JS1869
A TASTE OF SCOTLAND
100% SCOTTISH
From farmers we know and trust.
Avery Berkel
Fresh South coast scallops
£2.49
Fresh whole British squid
£1.05
Fresh British lemon sole fillet
£1.89
suitable for home freezing
any weight cut
IGD

Inflationary pressures saw shoppers reduce consumption

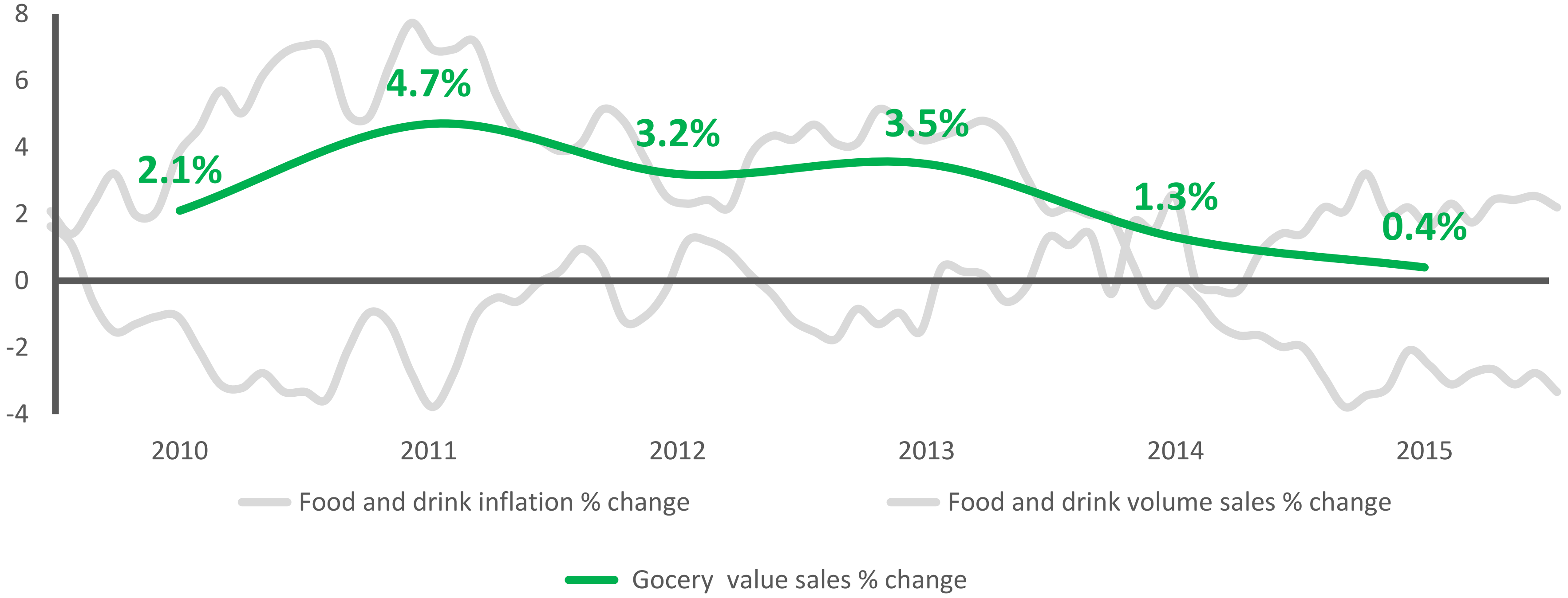
Tracking food and drink % volume sales change and food and drink inflation



Source: ONS data to December 2015 (IEFB)

Industry growth has decelerated despite volume gains

Tracking food and drink % volume sales change, food and drink price inflation and grocery value sales % change



Source: ONS and IGD data to December 2015 (IEFB)

Economic overview

IGD grocery forecast: Why convenience and online are important

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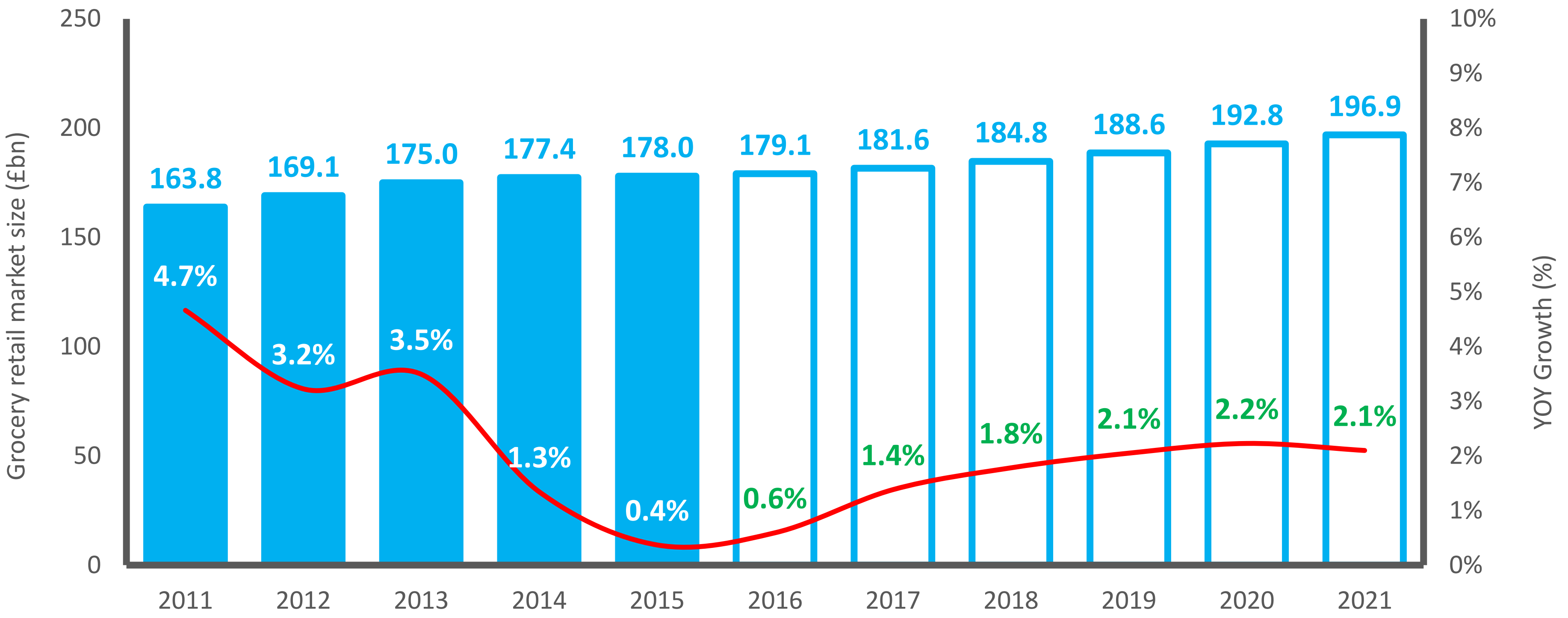
Current (pre-Brexit) forecast anticipates modest growth

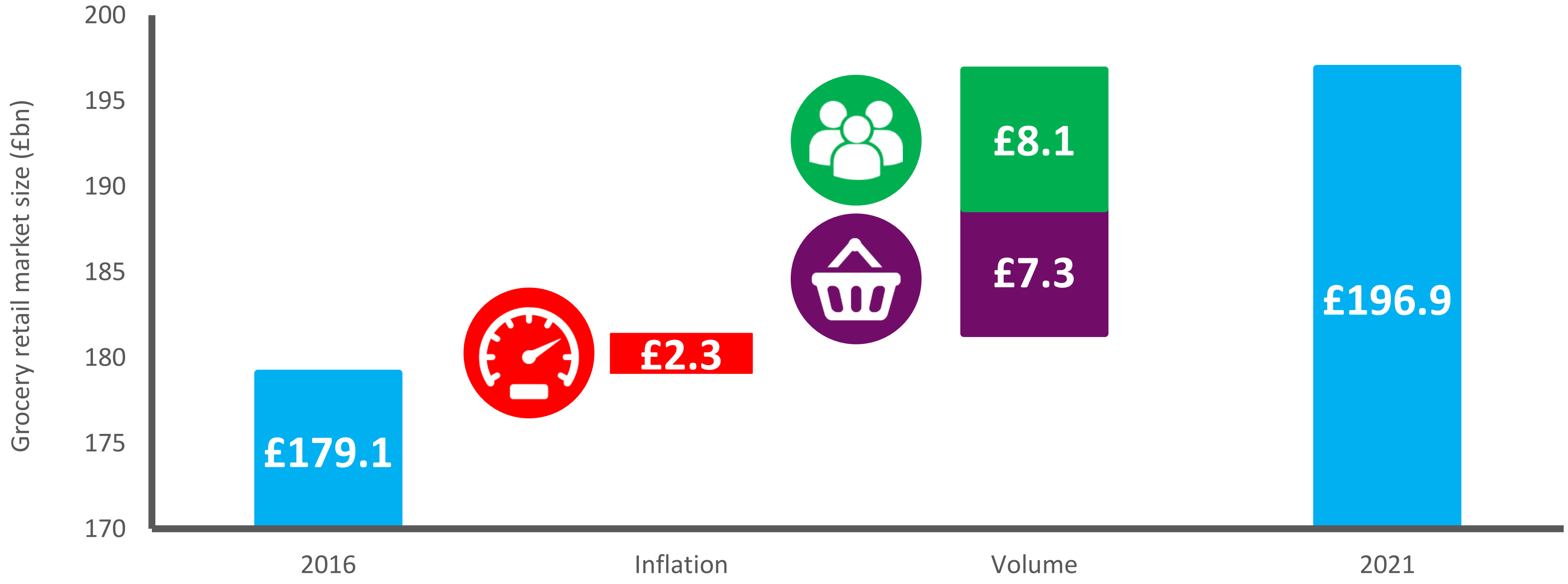
Grocery retail market size (£bn) and YOY % growth 2016 - 2021



Source: IGD Research, Grocery Retail forecast 2016 - 2021

Population growth has the most significant impact

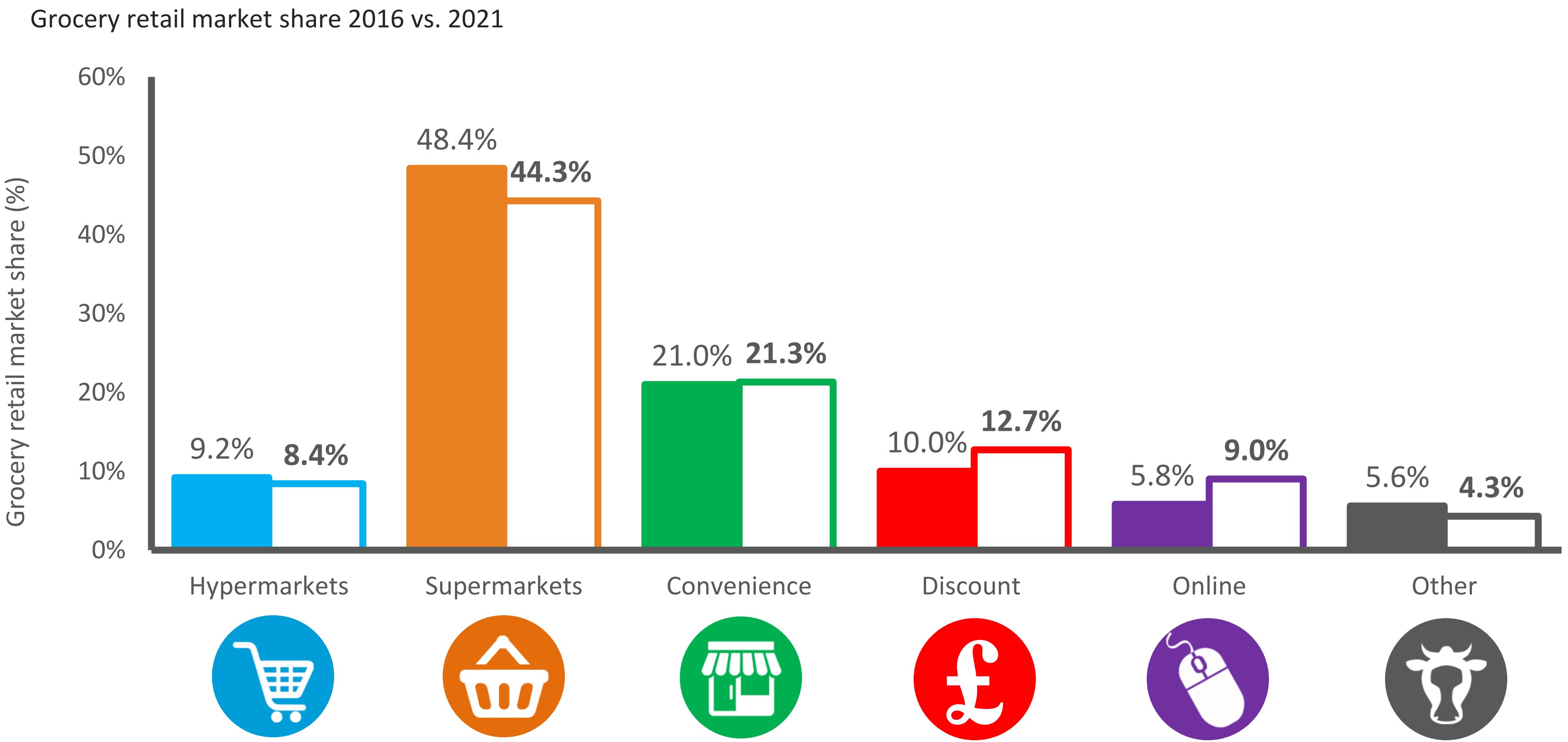
Grocery retail market size and growth contributors 2016 - 2021



Online and convenience will account for **60%** of market growth

Hypermarket	Supermarkets	Discount	Convenience	Online
+0.2%	+0.8%	+39.5%	+11.7%	+68.3%
£0	£0.7bn	£7.1bn	£4.4bn	£7.2bn

Large stores will continue to attract the majority of transactions

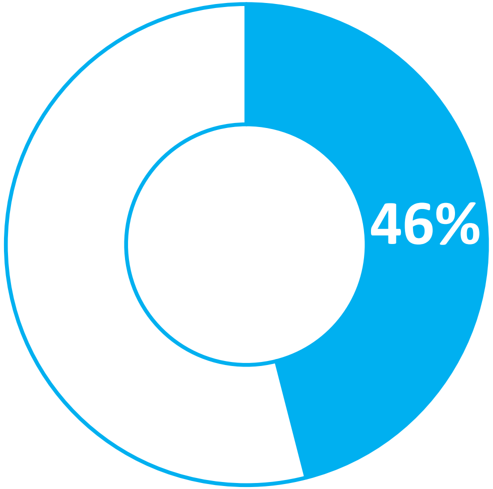


Source: IGD Research, Grocery Retail forecast 2016 - 2021

We continue to shop little and often, more frequently

46% are top-up shopping more frequently

London: 56%



18-34: 55%

41%
buy more items per trip

Families with children aged 5-10: 52%

Source: IGD ShopperVista, February 2016

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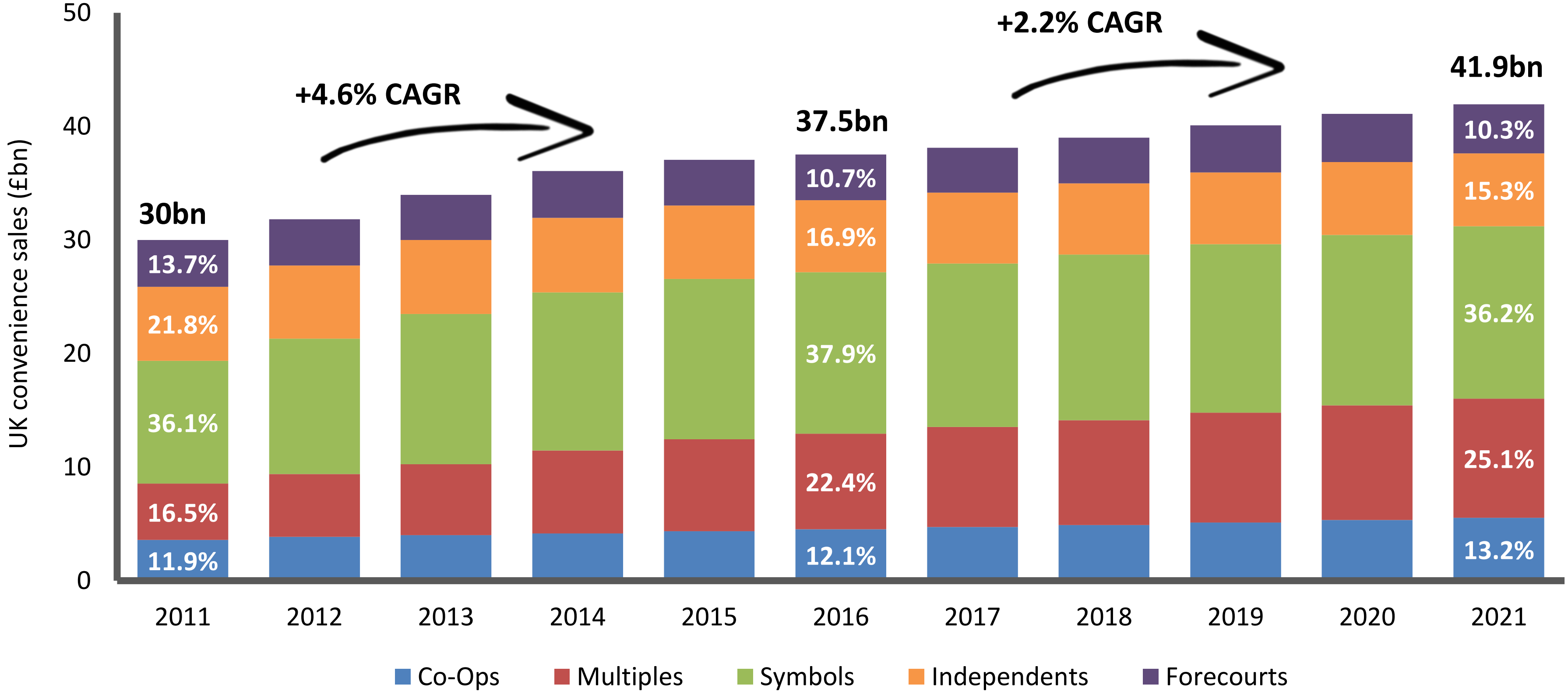
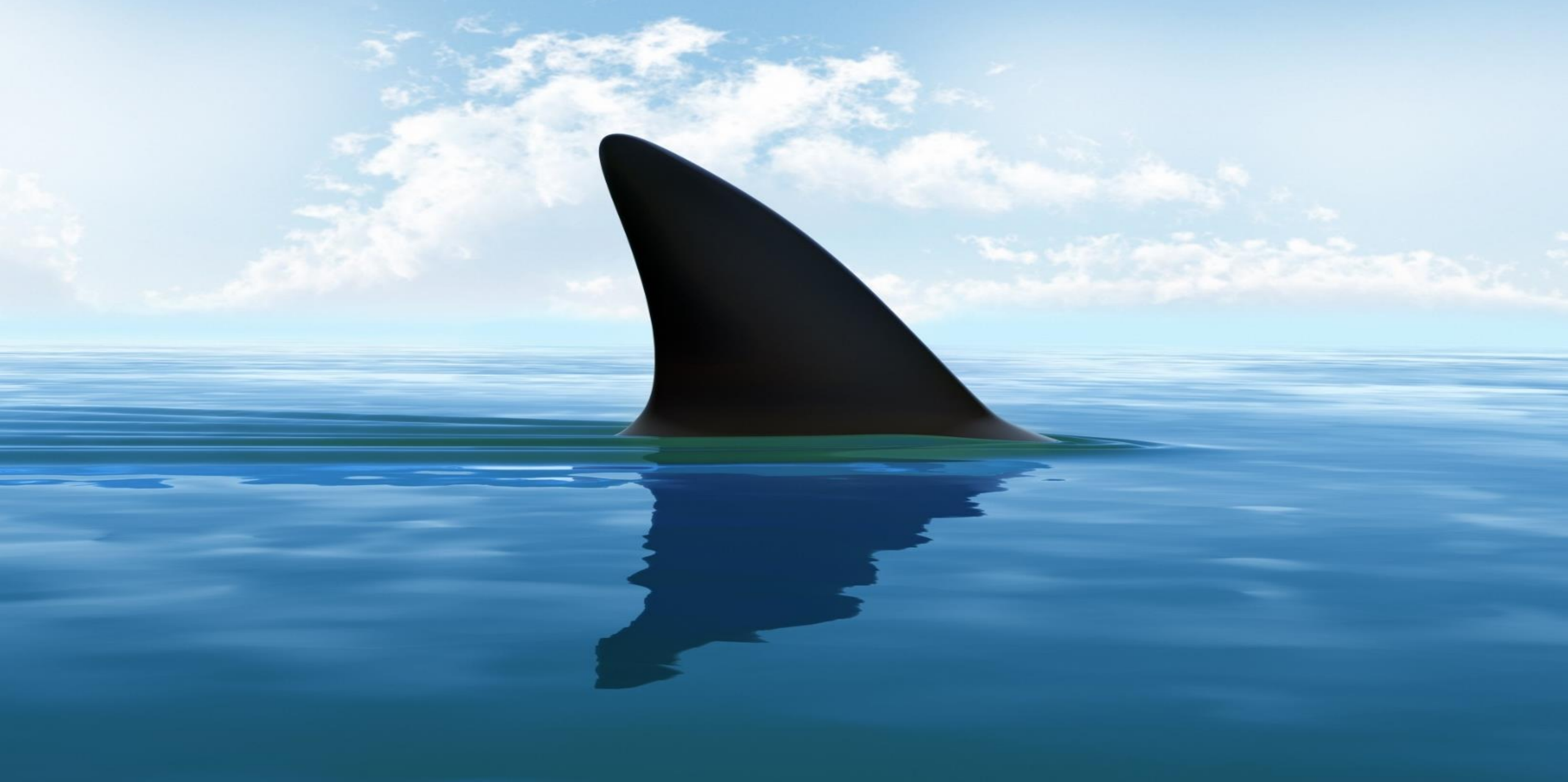
Organised chains will grow fastest as the channel matures



Source: IGD Research, Grocery Retail forecast 2016 - 2021

The convenience channel is not without competition



Convenience stores must become more competitive

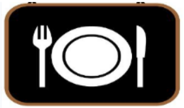
% extremely or very satisfied with last top-up shop

Overall satisfaction	Prices	Range	Finding the aisle where products are located
1. Food discount (82%)	1. Food discount (78%)	1. Supermarkets (71%)	1. Food discount (82%)
2. Supermarkets (79%)	2. Supermarkets (56%)	2. Food discount (67%)	2. Supermarkets (78%)
3. Convenience multiples (71%)	3. Convenience multiples (44%)	3. Symbols (58%)	3. Convenience multiples (71%)
4. Co-operatives (63%)	4. Symbols (38%)	4. Convenience multiples (51%)	4. Symbols (69%)
5. Symbols (60%)	5.Co-operatives (32%)	5.Co-operatives (43%)	5.Co-operatives (66%)

Source- IGD ShopperVista, Base: All grocery shoppers, March’16

CONVENIEN~~CE~~T

Convenience retailers are not winning in key missions

MISSION	 Staple top-up	 Fresh top-up	 Evening meal
TOP RETAILERS USED	TESCO express	ALDI	TESCO
	Co-op	LIDL	TESCO express
	TESCO	TESCO	Sainsbury's
	Sainsbury's Local	TESCO express	ASDA
	ASDA	Sainsbury's	

Source- IGD ShopperVista, Base: All grocery shoppers, March'16

Fresh fish is a key category within the ‘evening meal’ mission

…and yet only a minority of us are purchasing fresh fish within convenience stores

Source- IGD ShopperVista 2016 convenience penetration data, Category Benchmarks 2015

We need to take shopper preferences into account

Fresh fish shopper feedback vs. fresh average

50% enjoy shopping fish	35%
48% like to browse	31%
51% want increased choice	32%
21% find it confusing	11%

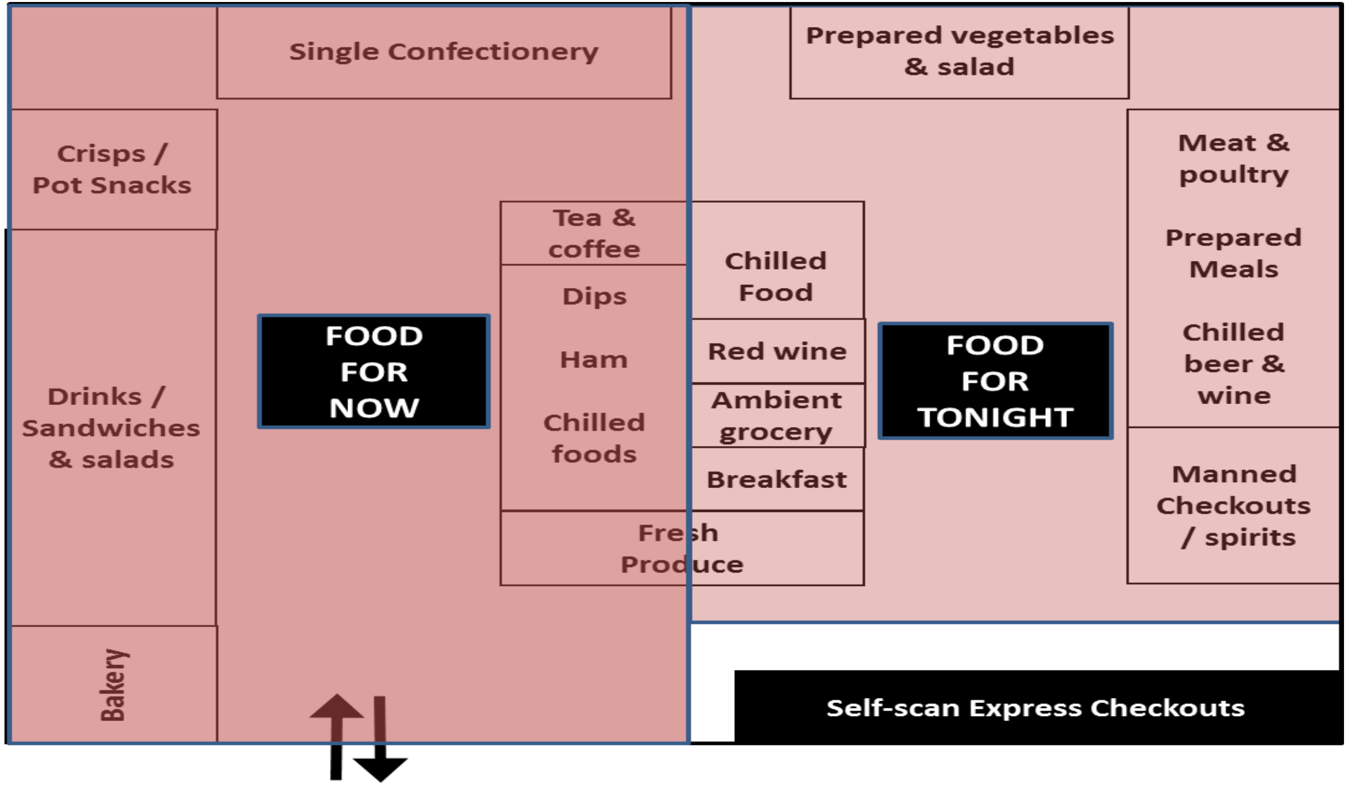
Fresh fish purchase drivers vs. fresh average

Health	36%	28%
Price	34%	44%
Familiarity	25%	29%
Quality	24%	28%
Sell by	23%	24%
Origin	21%	11%

Source- IGD ShopperVista, Category Benchmarks 2015

Mission-based formats – Sainsbury's UK

Sainsbury's Holborn Circus



Mission-based formats – The Co-operative

The Co-operative, Whitstable

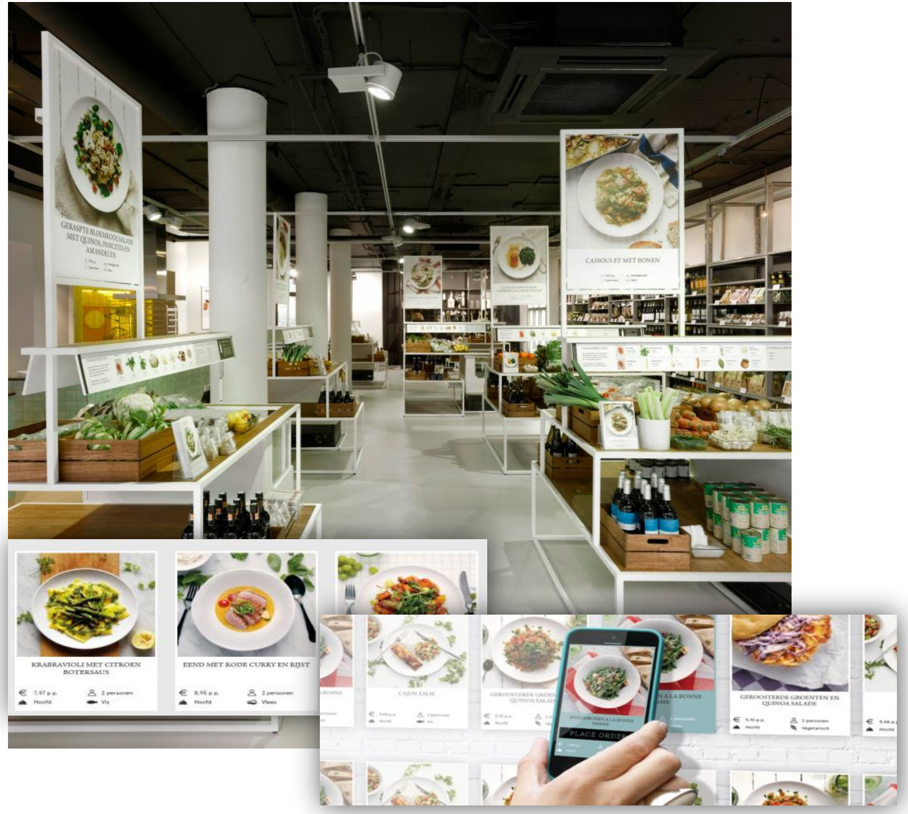
Gen 2 format caters to short-term meal solutions and top-up shopping missions

Credited with an average sales uplift of **+6%**

Better catering to specific meal solutions – Demark/Netherlands

MAD Cooperativet, Denmark

Bilder & De Clerq, Netherlands



Bringing fresh fish and meat to life – Spar UK

SPAR Parkfoot Petrol Forecourt, UK

Source- IGD Research

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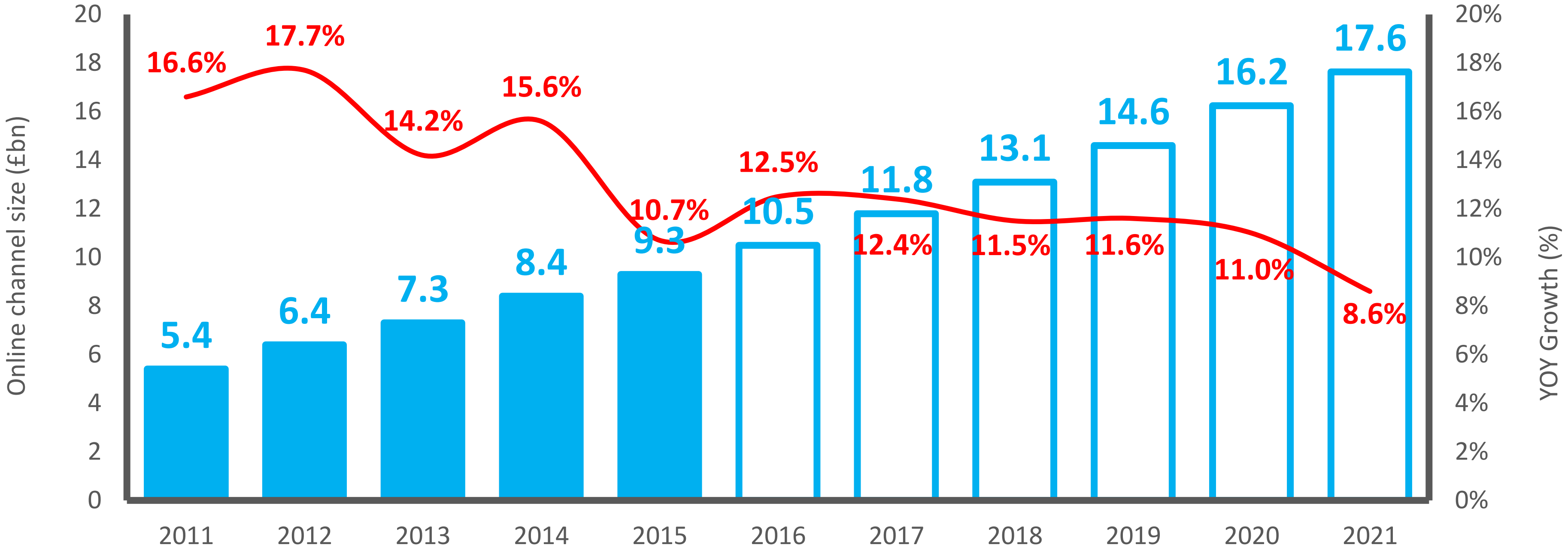
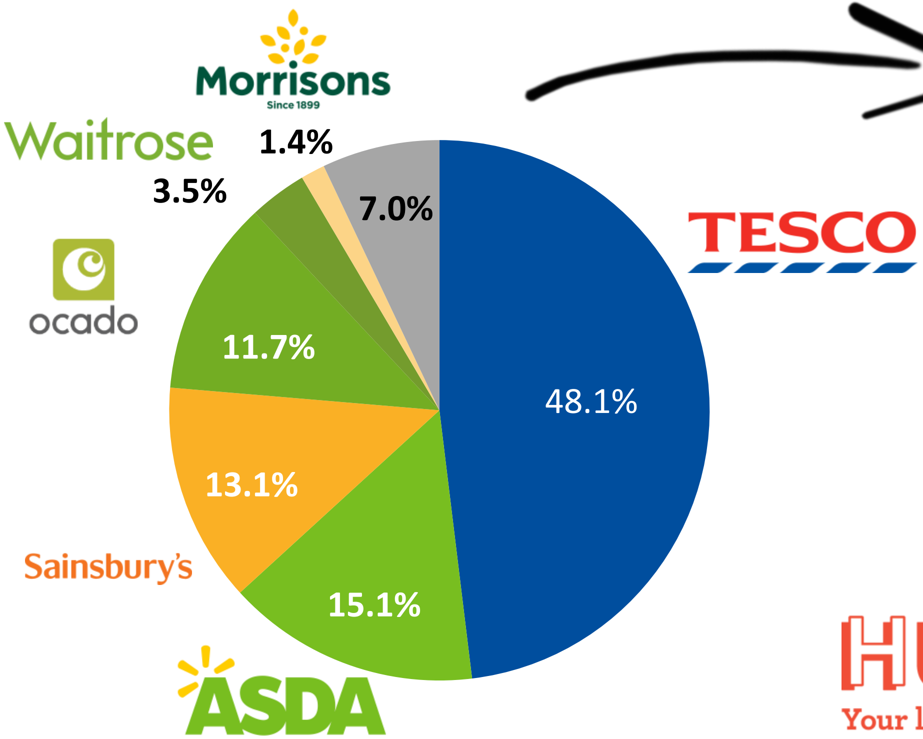
Online will be the fastest growing channel in the UK

Online channel size (£bn) and YOY % growth 2016 - 2021



Source: IGD Research, Grocery Retail forecast 2016 - 2021

Established players dominate, but disruptors are innovating



HUBBUB Your local shops delivered

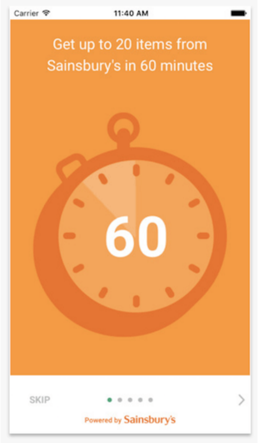
Gousto

Source: IGD Datacentre research

Sales are ex VAT for 2015 financial year. Others includes Amazon, M&S, Iceland, meal kit providers, online food/drink specialists etc.

Development focuses on loyalty, convenience and experience

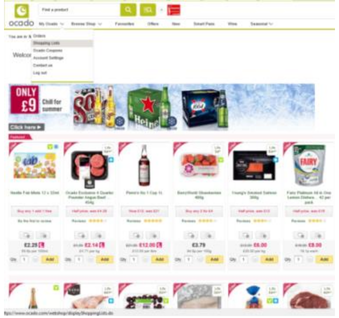
Convenience

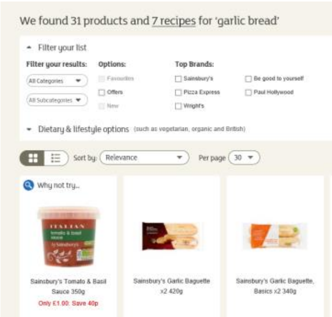


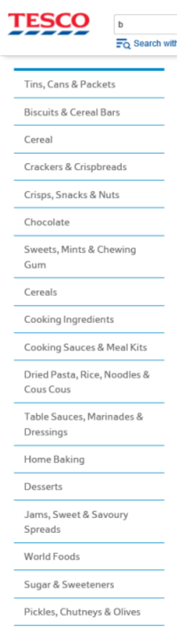
Loyalty

amazon.com Prime

Experience



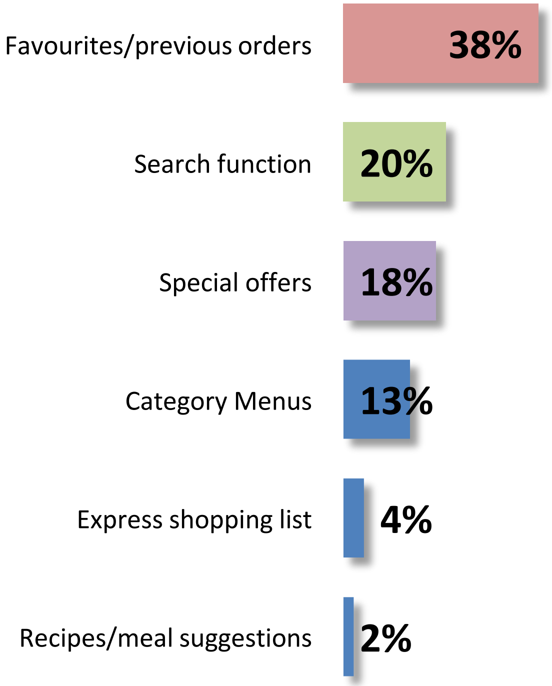




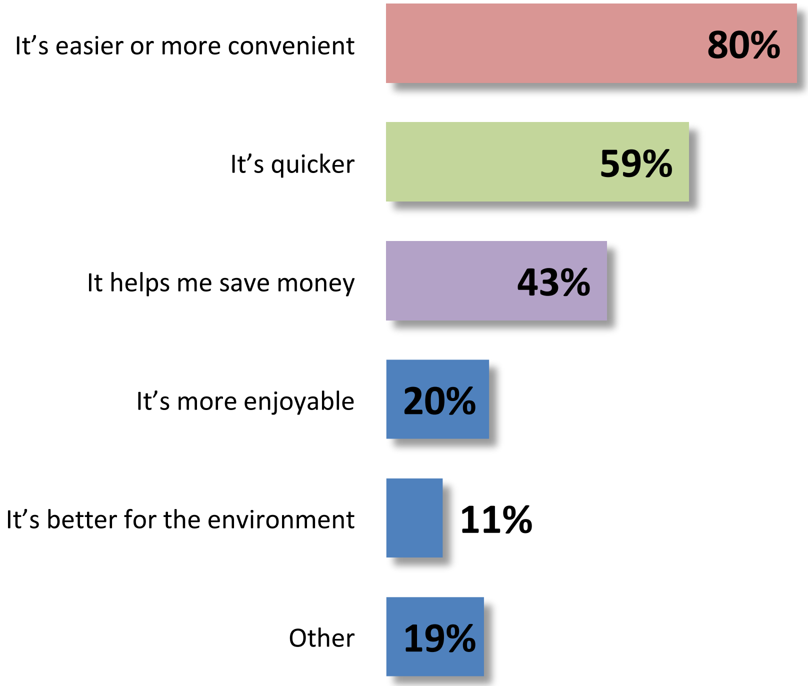
Source- IGD Research

Prioritising search and navigation aids fulfilment and convenience

First approach when online grocery shopping



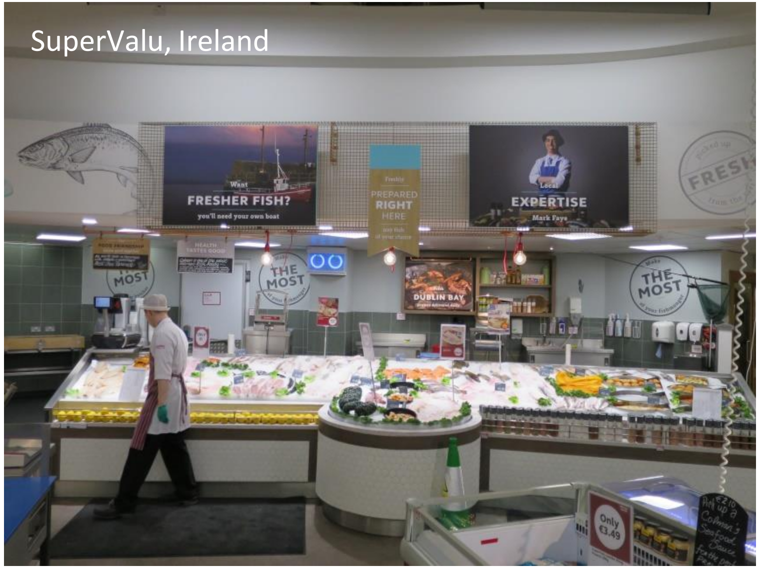
Reasons for shopping online

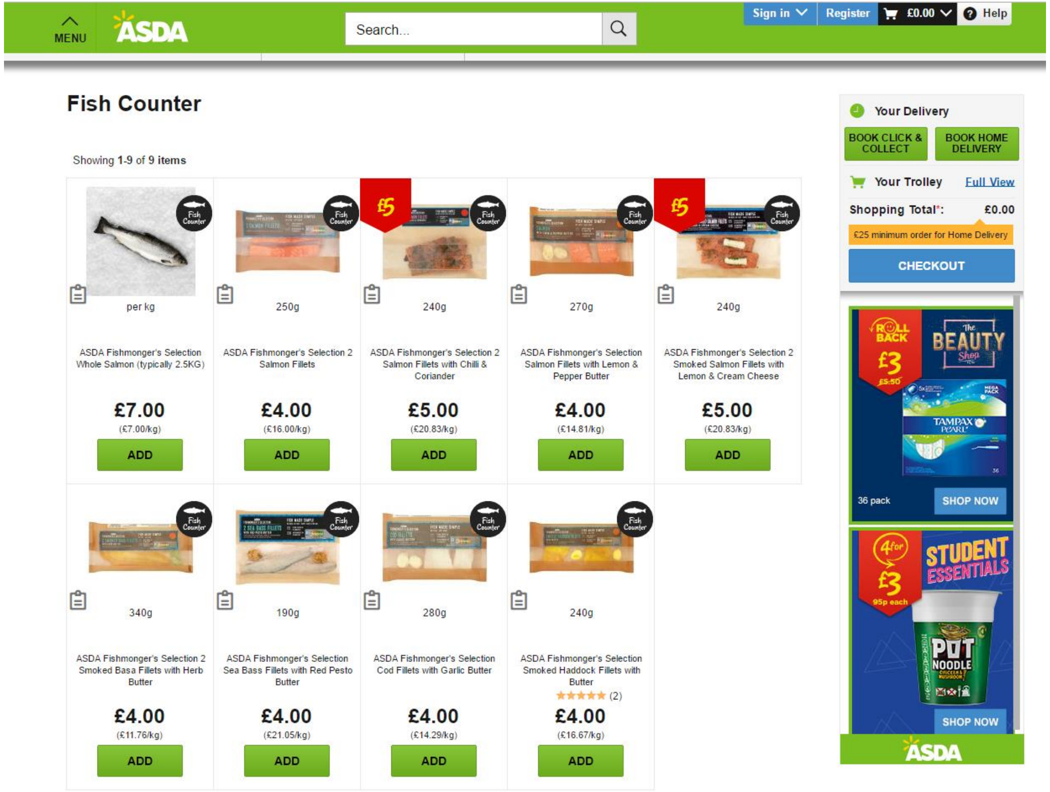


But we're frequently left to do a lot of the figuring out

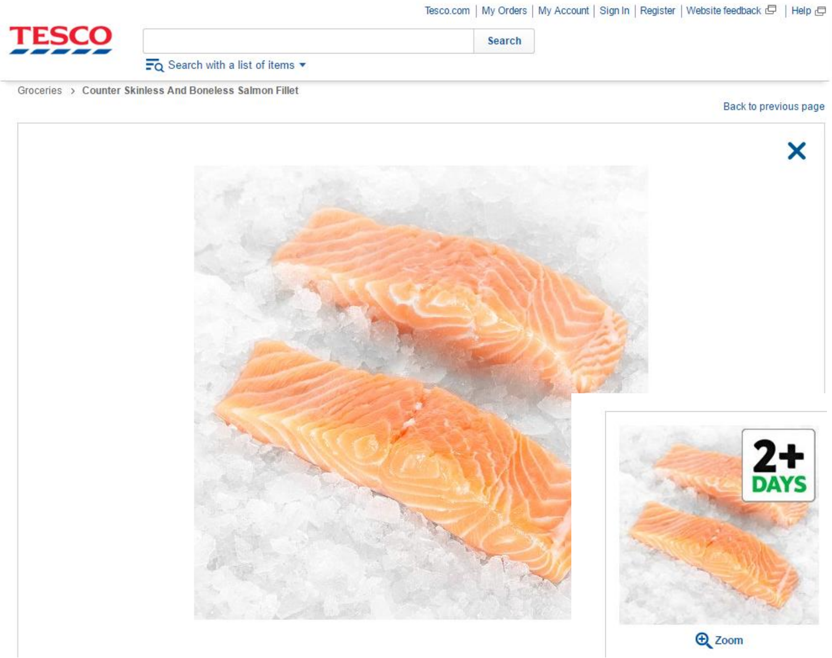
And it doesn’t always go to plan

Work still to be done to bring high engagement categories to life





But progress is being made



We need to treat online as a shop window

TESCO

In a typical week…

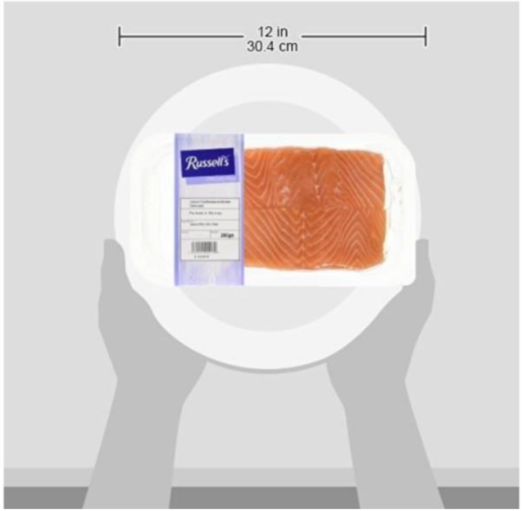
5 million visits to our grocery website

Around a million interactions between us and the customer

Hundreds of thousands of customers are researching online, purchasing in store.

Disruptors raise the bar & create new consumption opportunities

amazon fresh



HUBBUB
Your local shops delivered

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PROPER FOOD, PROPER DELIVERY

Disruptors raise the bar & create new consumption opportunities

HelloFresh

Goûsto

COOKING simplified

Closing thoughts

- Convenience and online are strong growth opportunities
- Convenience must become more convenient
- Online must move beyond functionality
- Take opportunities to engage around fresh fish
- Look out for new opportunities from technology disruptors

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