Evolution and FMCG trends in Europe and Spain

Private Label, under pressure

Eva Vila Massanas
General Manager IRI Spain

Growth delivered.

Europe

Encouraging economy signs in Europe. FMCG is back to growth alongside with the economy

CPG € EVO	GDP	UNEMP
-1,8%	2,2%	5%

CPG € EVO	GDP	UNEMP
+0,5%	1,9%	6%

CPG € EVO	GDP	UNEMP
+1,2%	1,2%	10%

CPG € EVO	GDP	UNEMP
+1,6%	1,7%	4%

CPG € EVO	GDP	UNEMP
+1,8%	3,2%	20%

CPG € EVO	GDP	UNEMP
-1,8%	-0,5%	24%

FMCG	GDP	UNEMP
+3,0%	0,7%	11%

Source: IRI and other public sources

2015 was a recovery year for FMCG in most countries

VALUE	VOLUME
+1,0%	+0,7%

VALUE	VOLUME
-1,8%	-0,7%

VALUE	VOLUME
+0,5%	-0,5%

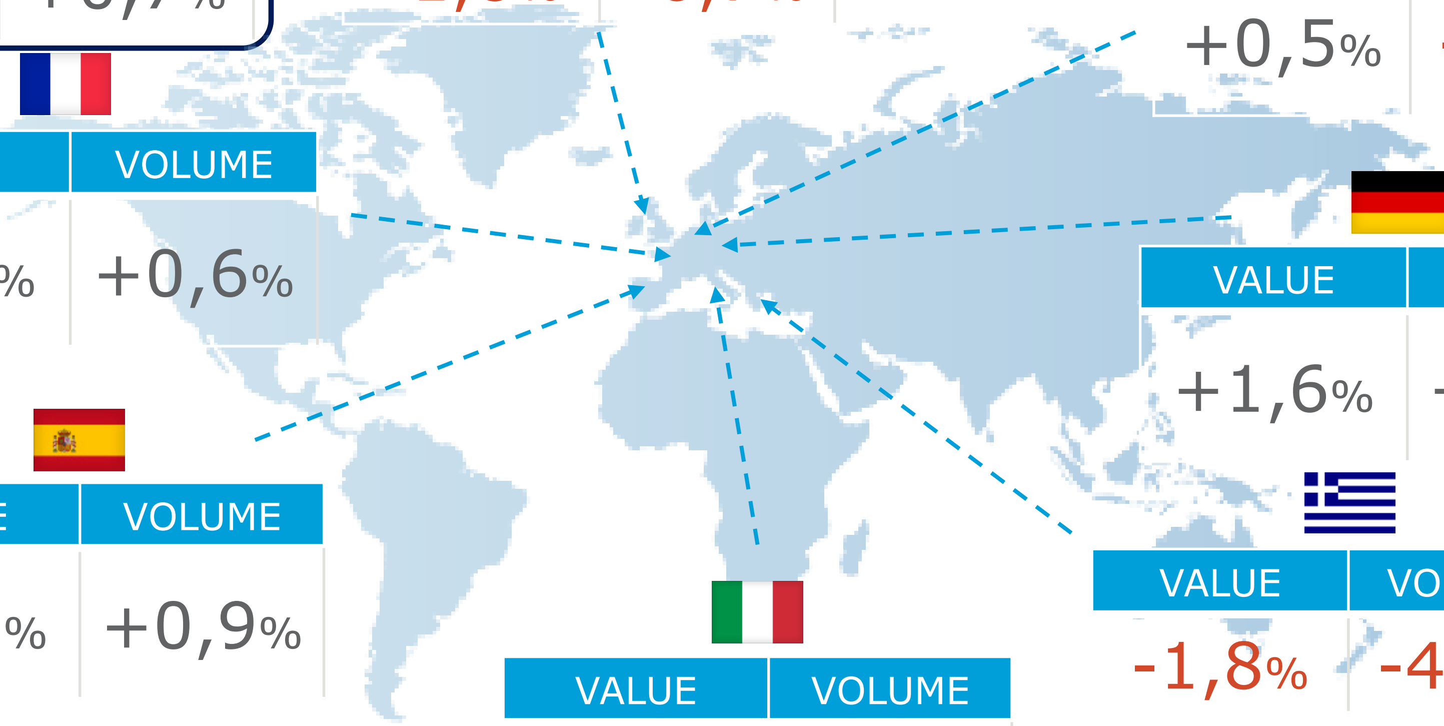
VALUE	VOLUME
+1,2%	+0,6%

VALUE	VOLUME
+1,6%	+1,5%

VALUE	VOLUME
+1,8%	+0,9%

VALUE	VOLUME
-1,8%	-4,4%

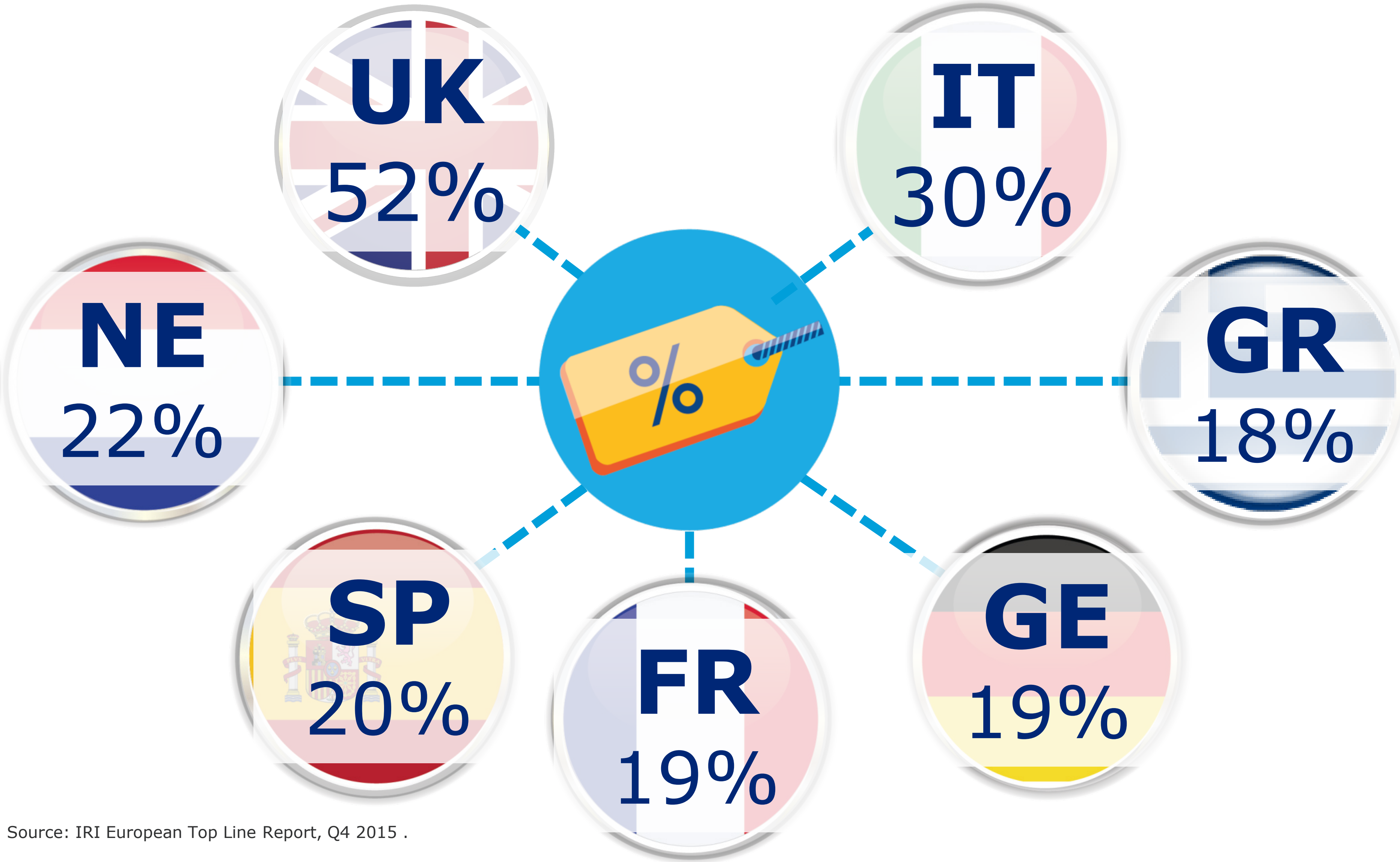
VALUE	VOLUME
+3,0%	+2,2%



Food price up is impacting volume in most countries

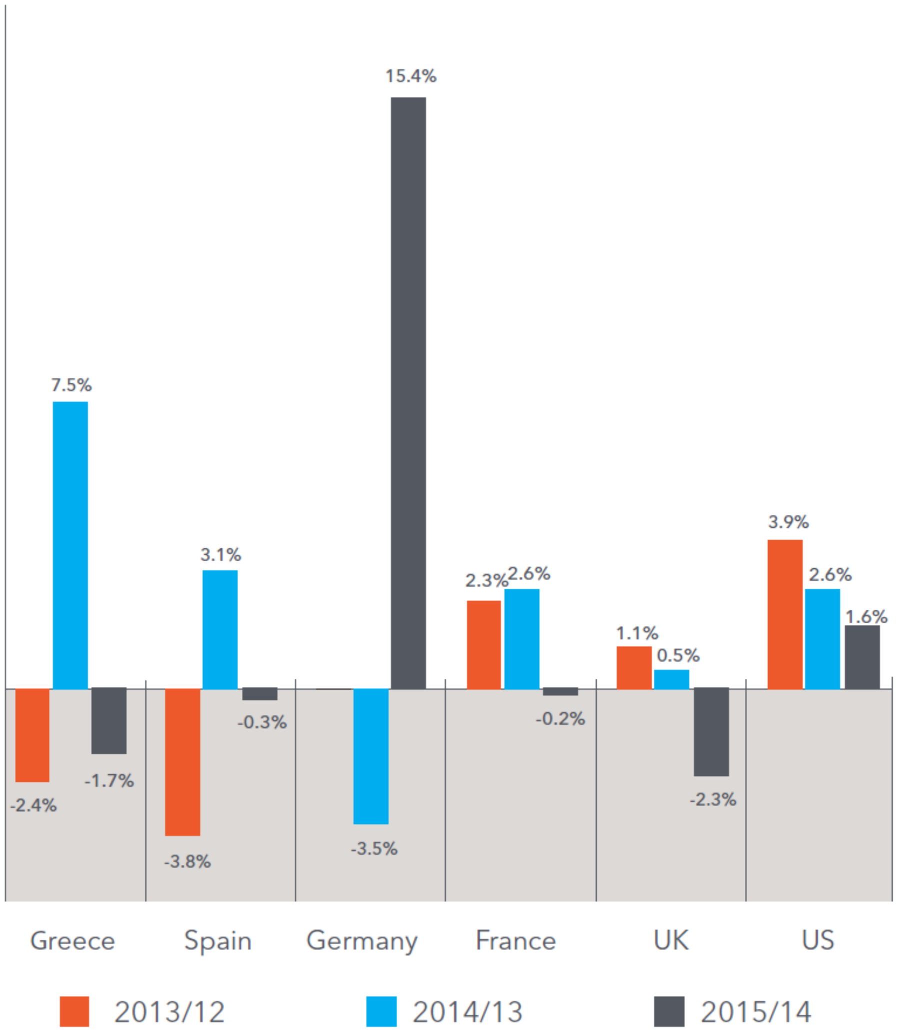
Source: IRI European Top Line Report, Total 2015

What is supporting the recovery…Promotions are not the key factor, different across the countries but quite stable



Source: IRI European Top Line Report, Q4 2015 .

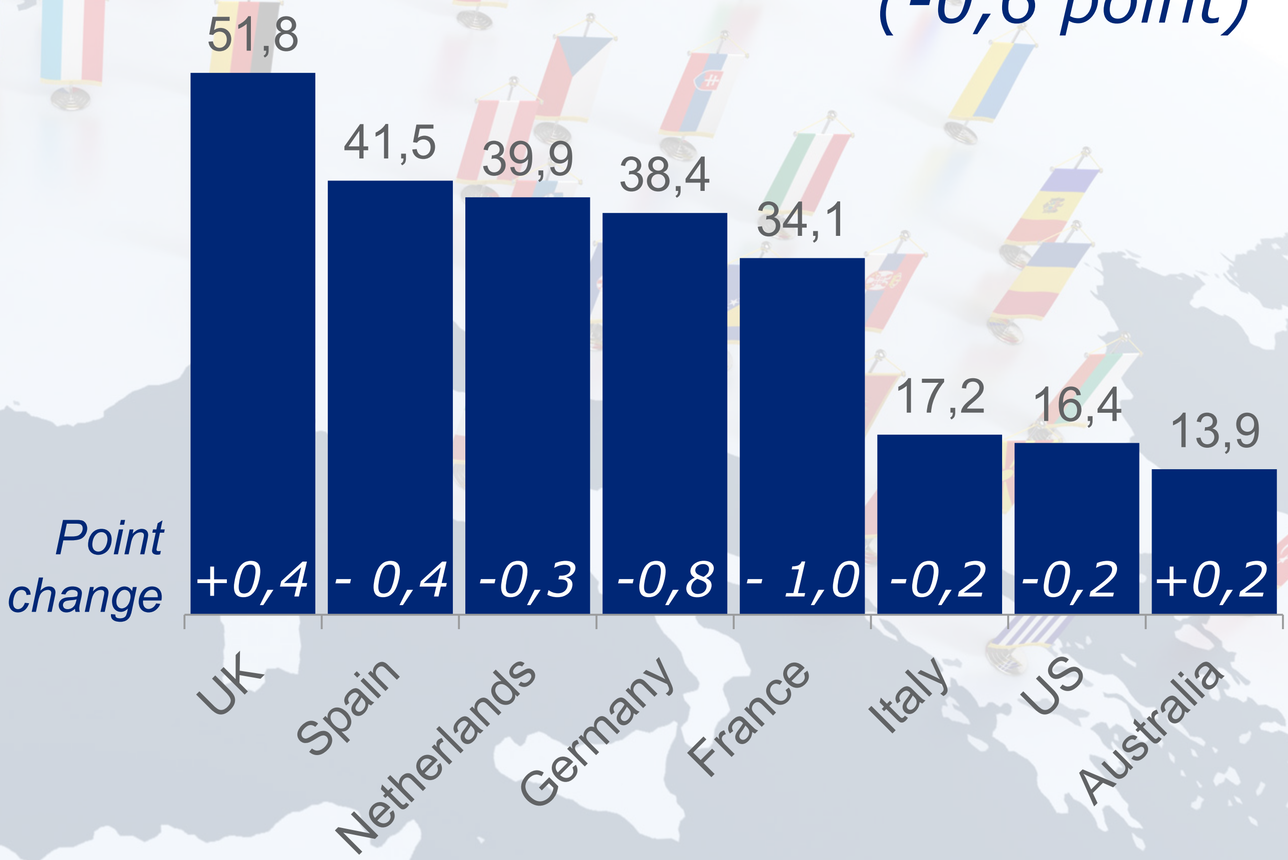
Assortment is not growing or even shrinking



Source: IRI Report Shrink to grow, June 2016.

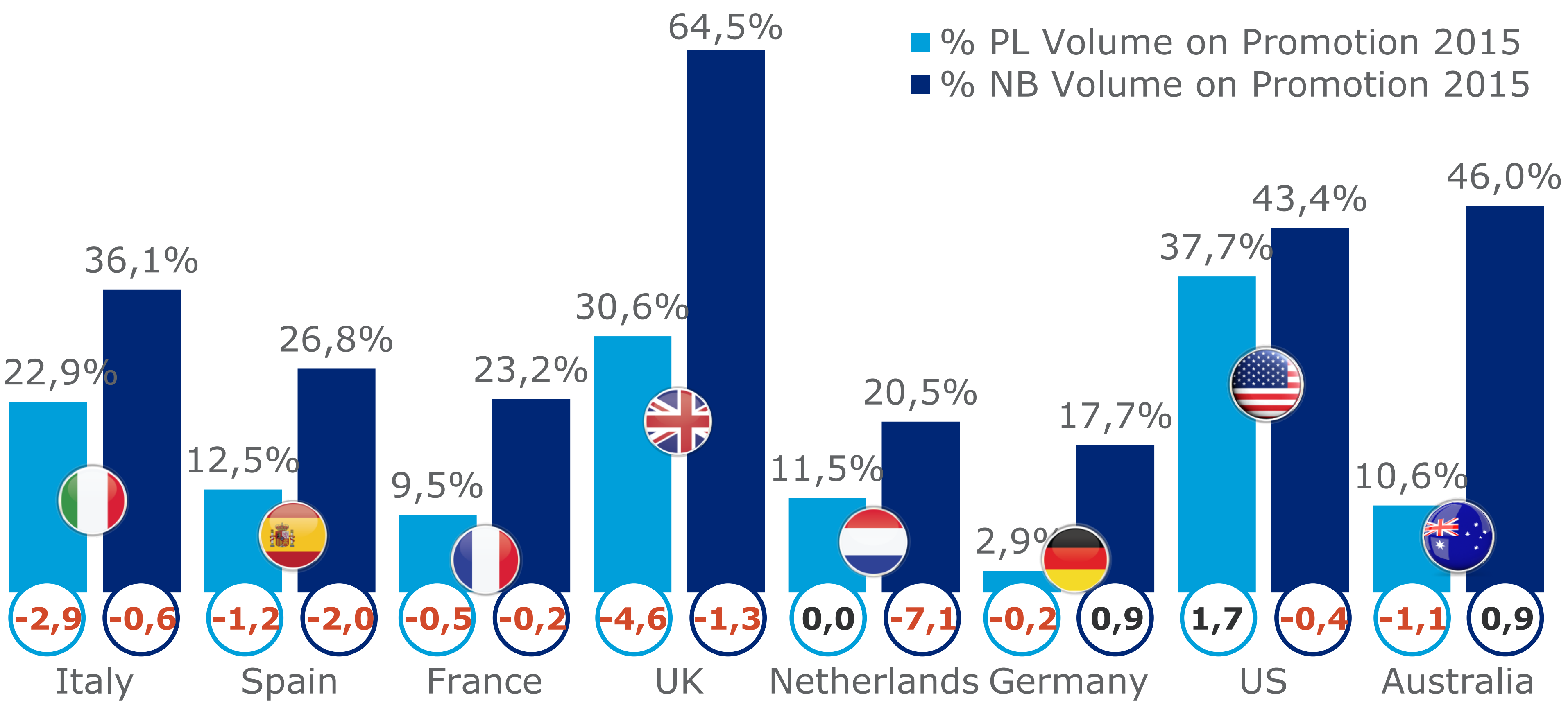
PL value share in Europe is 38%

(-0,6 point)



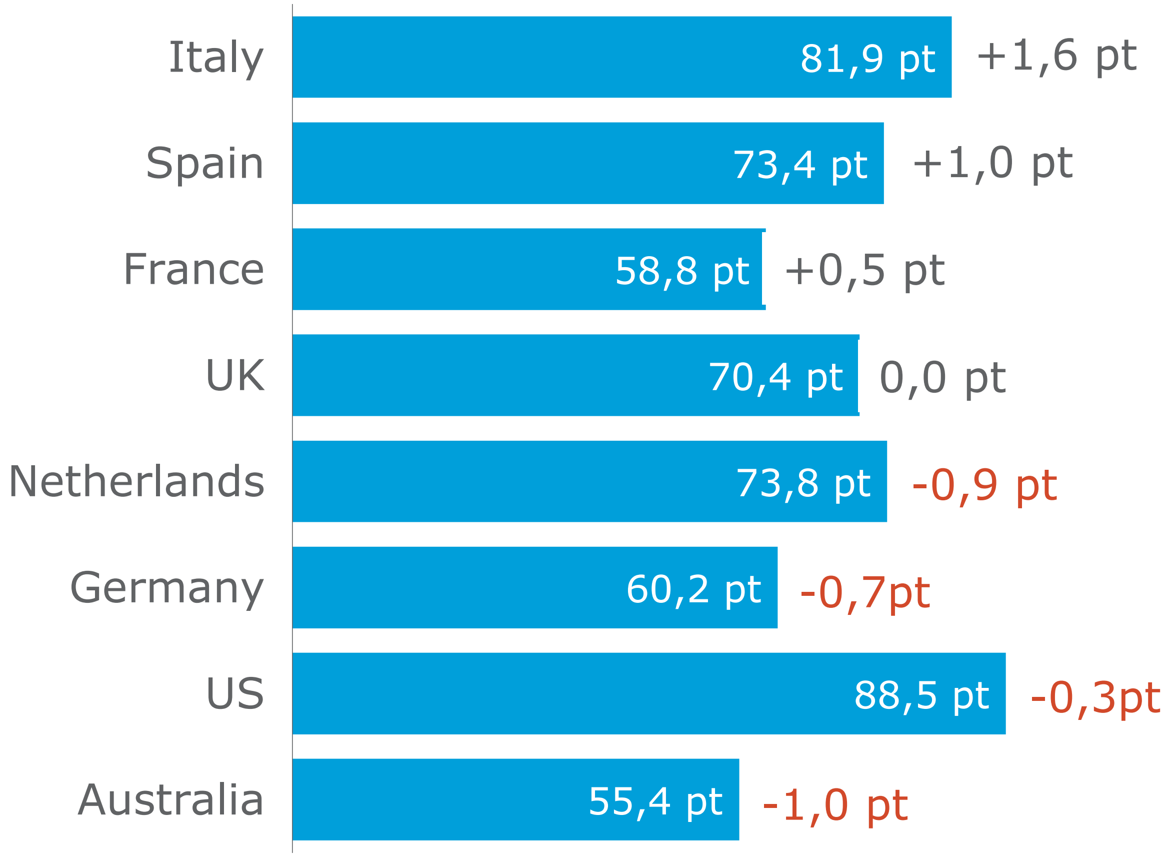
Source: IRI Private Label in Western Economies, Total 2015

National Brands do more efforts in promotions than Private Label, but promotional pressure reduces in most countries



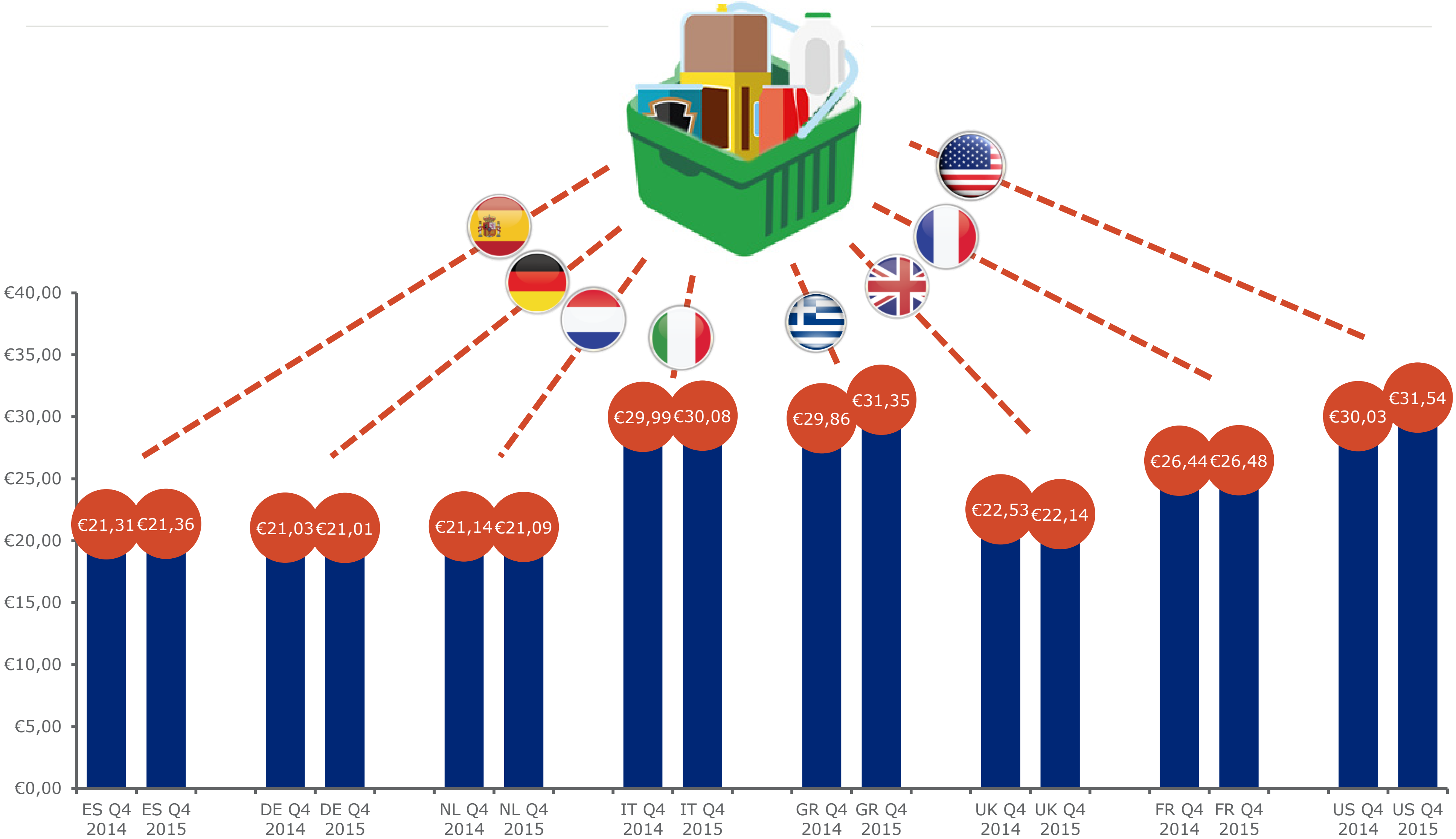
Sources: Private Label in Western Economies, Total 2015. IRI Infoscan hypermarkets and supermarkets (UK, France, Italy, Spain and Netherlands); IRI Infoscan grocery and drugstores excluding hard discount in Germany; IRI Infoscan total food in the US (% unit sales); IRI total food for Australia.

France, Germany and Australia have the highest gap of PL prices vs. NB.



Sources: Price Index: IRI Infoscan hypermarkets and supermarkets for UK, Spain and Italy; IRI Infoscan total market including hard discounters for Germany, the Netherlands and France (including Drive); IRI Infoscan total food in the US; IRI total market in Australia

US, Greece and Italy have the most expensive basket

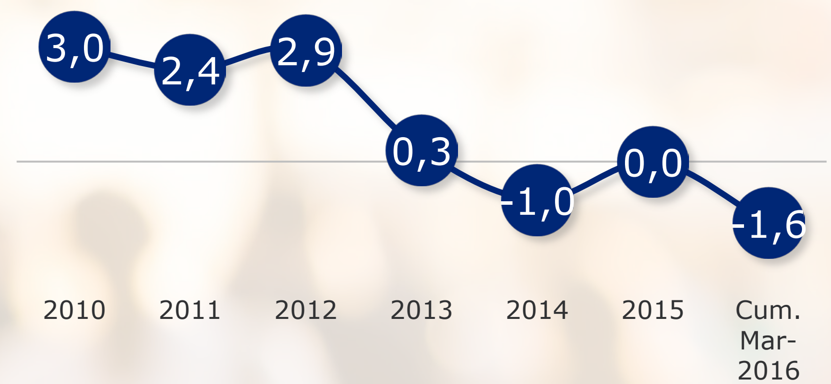


Source: IRI Food Shopping Basket, Q4 2015. Average Wighted price in Euros

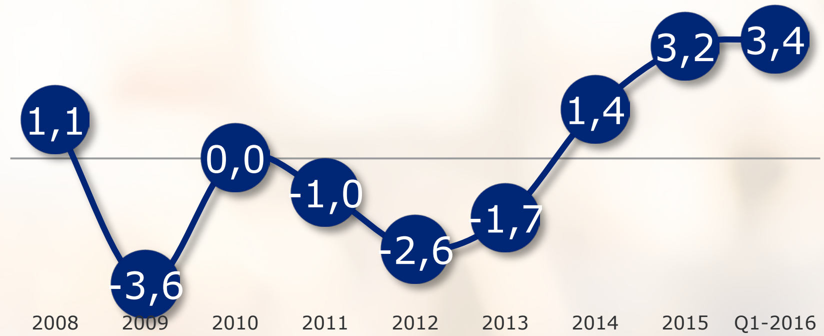
Spain

Macroeconomic situation in Spain

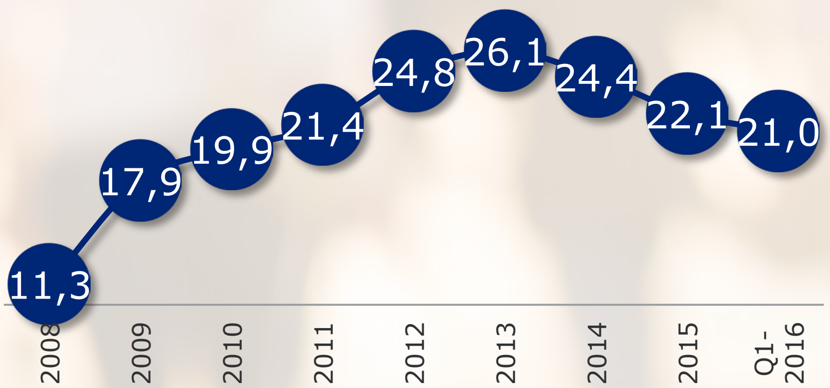
IPC



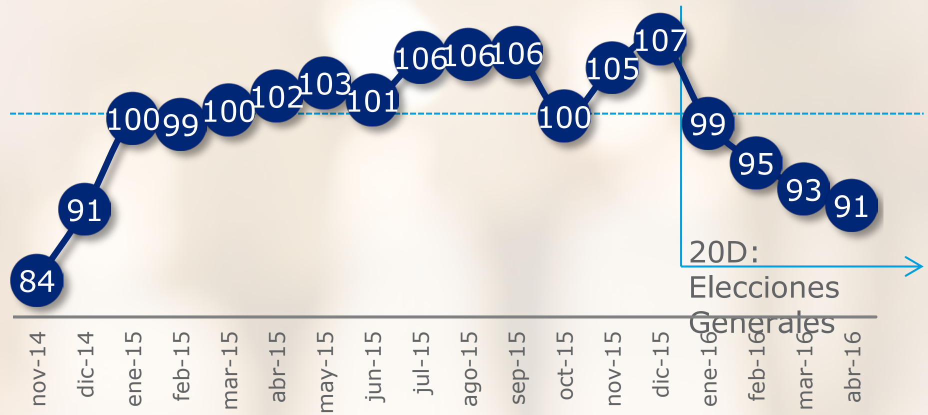
PIB



UNEMPLOYMENT RATE



ICC (Confidence Index)



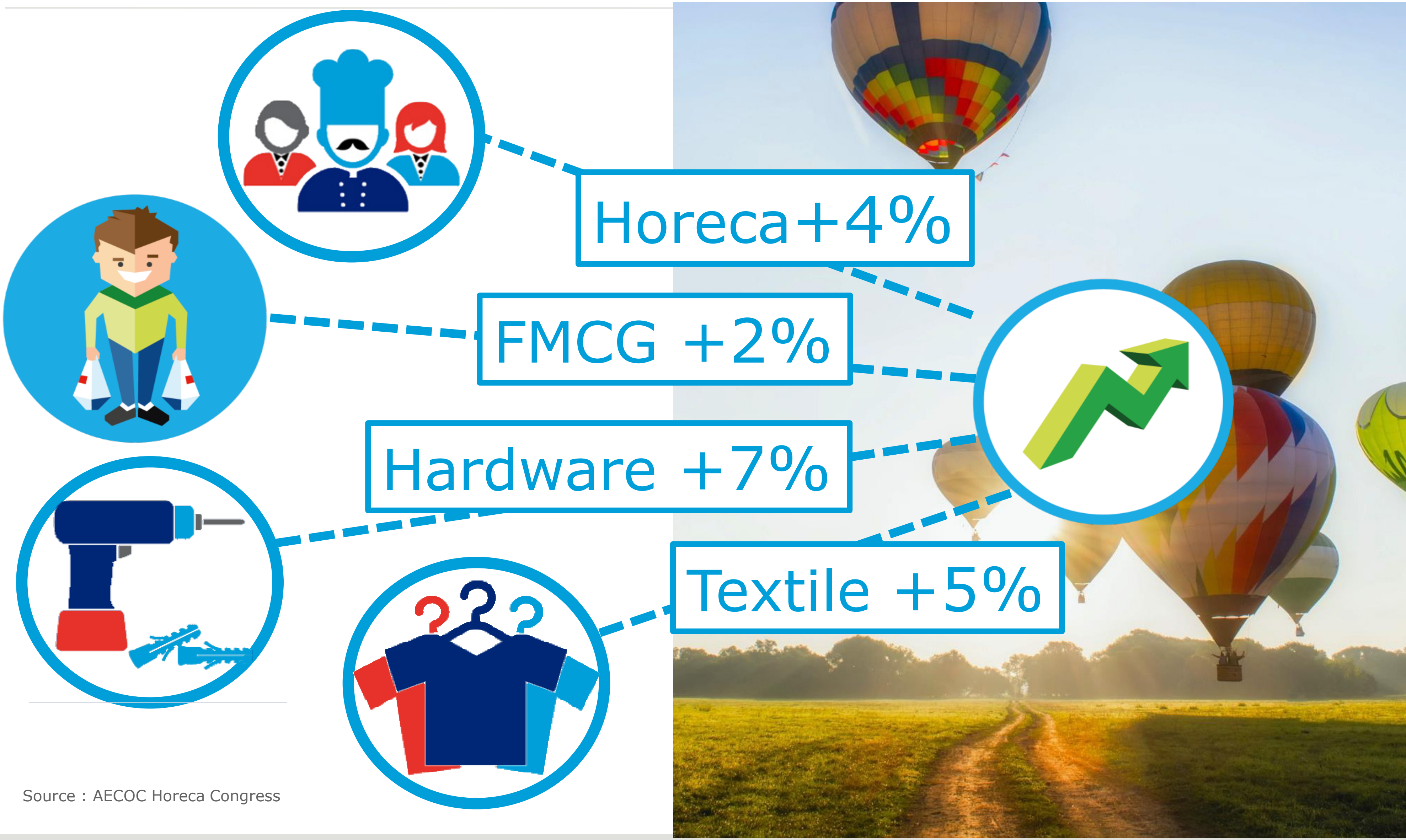
Source: INE and CIS

Since the beginning of the recession the population is shrinking

POPULATION

Source : INE

FMCG is growing, but not at the same level than other sectors



Source : AECOC Horeca Congress

In Spain FMCG has a turnover of 42.700M €

+1,8% € Sales Evol.

+0,9% Demand Evol.

+0,9% Price Evol.

19,7% Promo Share

Source: IRI InfoScanCensusTM. Total 2015, Hypermarkets + Supermarkets.

Forecast CPG

2016

+1,8%

Source: IRI Forecasting.

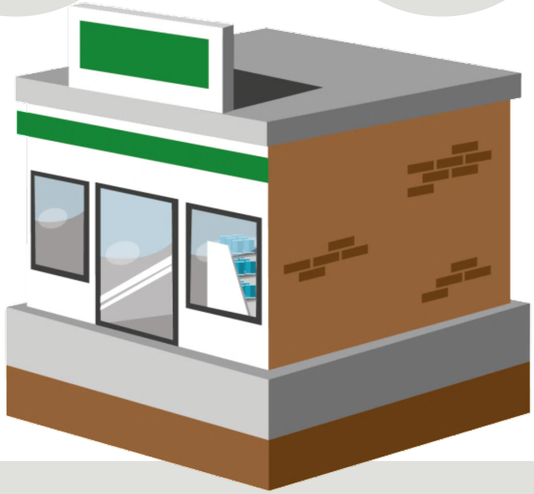
Half of value sales are done in large supermarkets…

Híper
17%

Súper G
49%

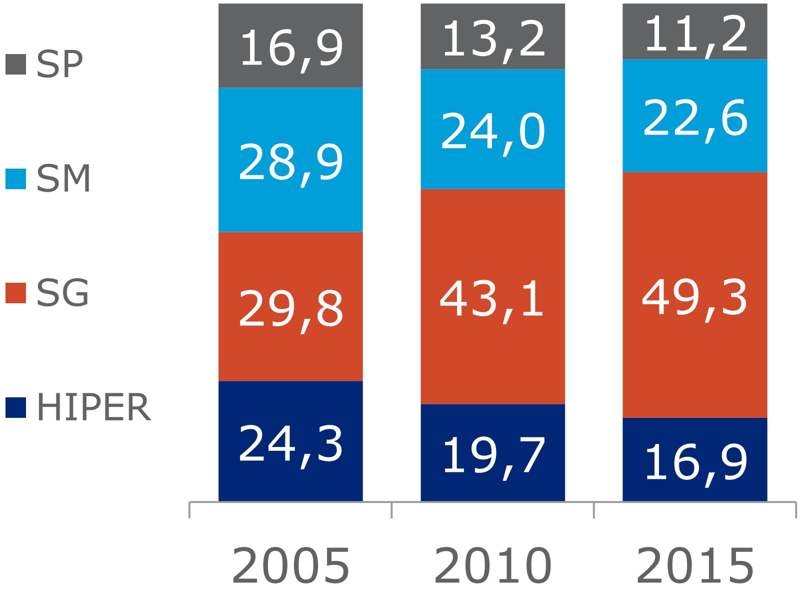
Súper M
23%

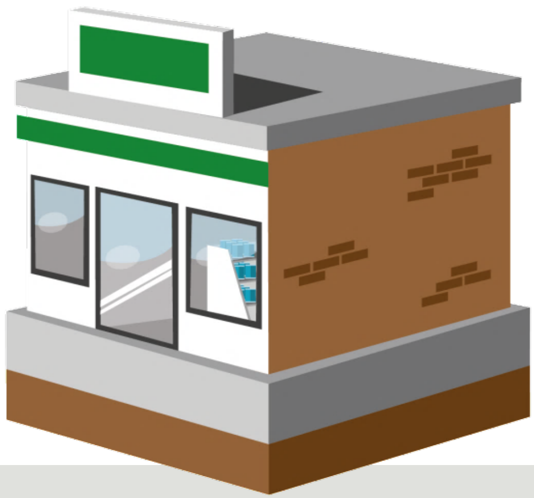
Súper P
11%



Source: IRI InfoScanCensus™. Total 2015, Hypermarkets + Supermarkets.

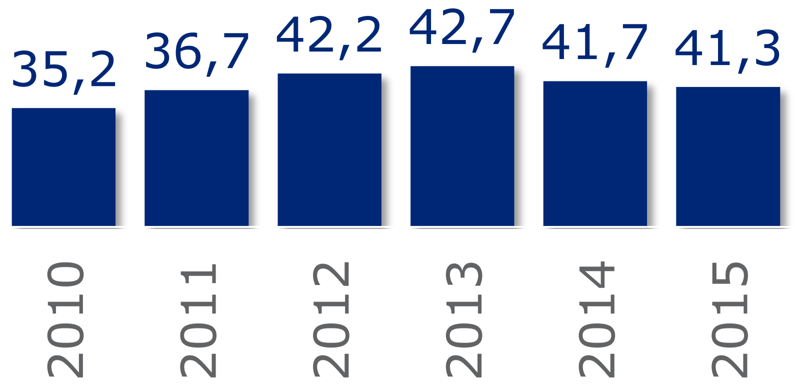
… and increasing the most, while hypermarket is reducing share





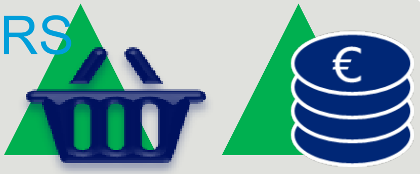
Source: IRI InfoScanCensus™. Total 2015, Hypermarkets + Supermarkets.

National Brands grow over Private Label, that reduces share



MANUFACTURERS

+2,5%



+1,0 +1,3

PRIVATE LABEL

+0,9%

+0,4 +0,4

Source: IRI InfoScanCensus™. Total 2015, Hypermarkets + Supermarkets.

Medium and small manufacturers increasing the most

Who's growing?

From top 50 holdings **31** grew in 2015 and **22** over the market.

Who's changing?

14 improved their position. Top **10** doesn't change.

How much?

Top 10: +0,3%

Top 50: +0,7%

51-100: +4,4%

+100: +4,3%

Source: IRI InfoScanCensus™. Context Data 2015. Total Spain (Hypermarket + Supermarket + PDM)

Shopper has also learnt from recession

The New Shopper

2009

- First signs of recession
- "Distrust" in institutions
- Fear, frustration and prudence

Shopping and consumption habits change

2011

- Retailers reduce prices and increasing promos
- Shopper familiar with recession

Price plays an emotional frontier but not the only key shopping driver

2013

- Unemployment >27%
- VAT increase
- Indignation: corruption, evictions…
- Uncertainty

New habits to overcome fear and frustration.

2015

- Macro indicators improvement
- NB increase
- Millenials, new shopping strategies

Consolidation of adquired habits during crisis

Source: IRI Shopper Syndicated Study 2015

They are experts and focuse interest in themselves

Uncertainty

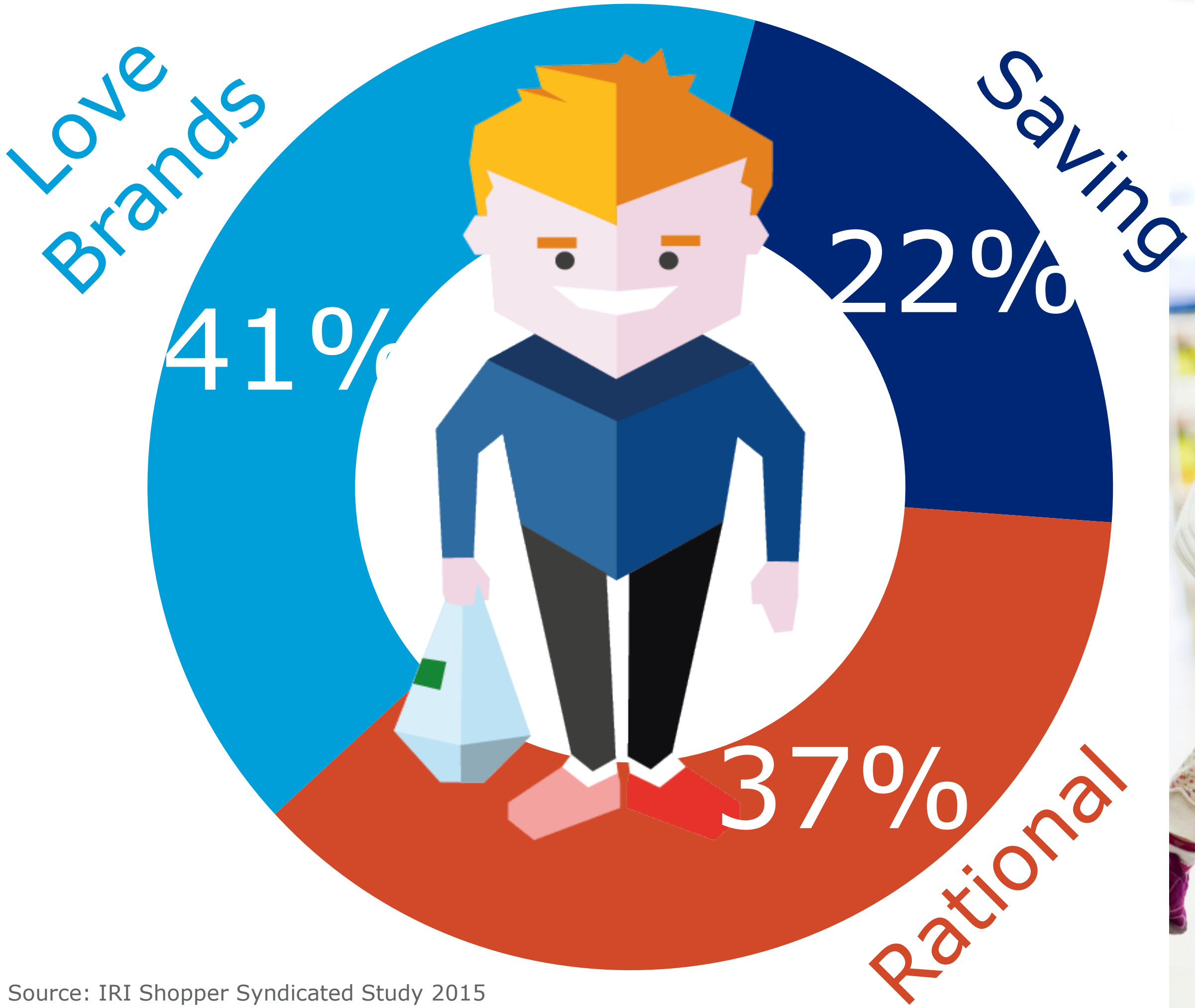
Distrust

Control
Must over pleasure

- ✓ Complex searching, using more sources to be informed.
- ✓ Control of expenses
- ✓ Predominates proximity and familiarity

Source: IRI Shopper Syndicated Study 2015

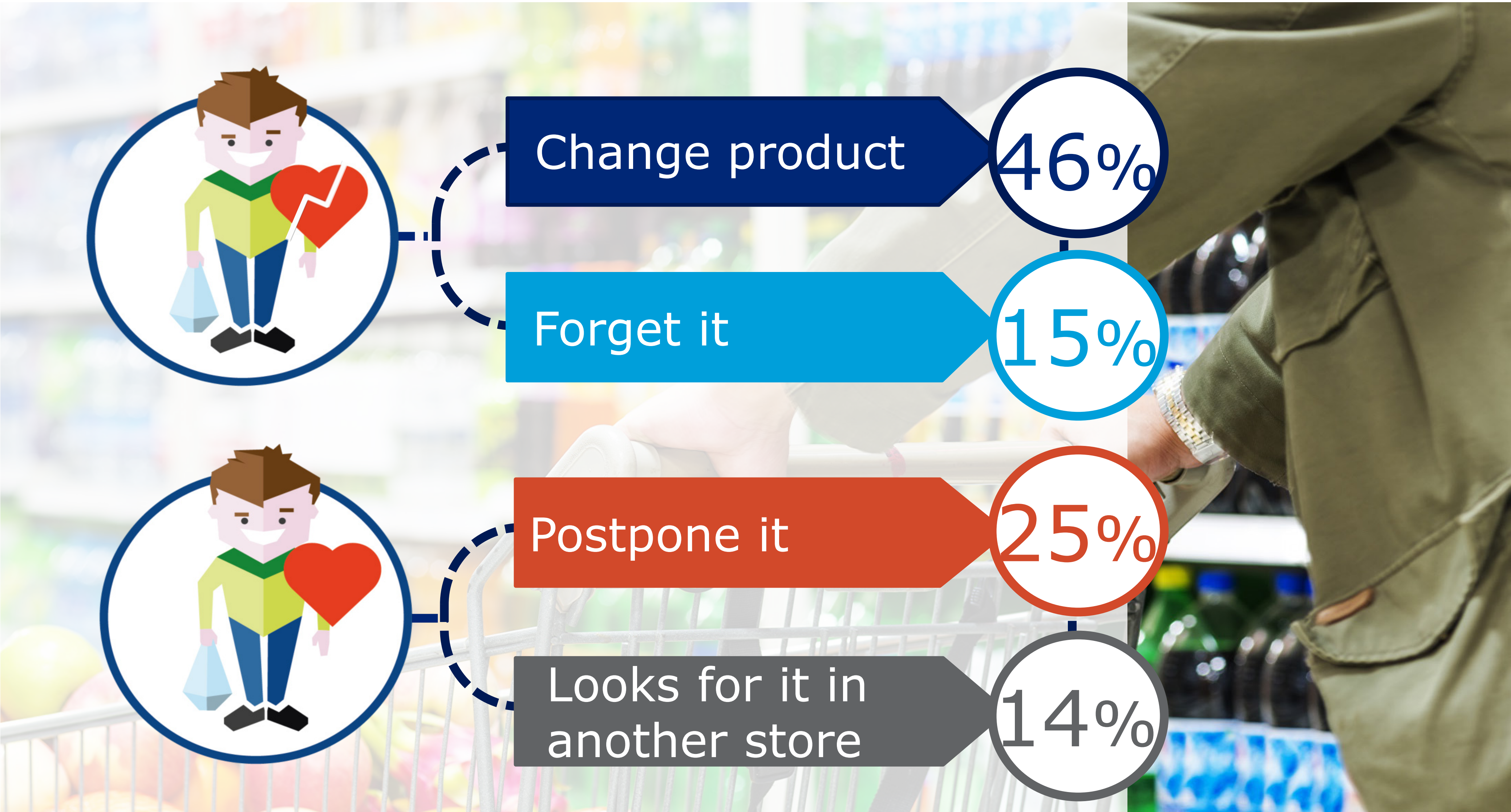
Spanish shopper prefers purchasing a brand although it is more expensive



Source: IRI Shopper Syndicated Study 2015

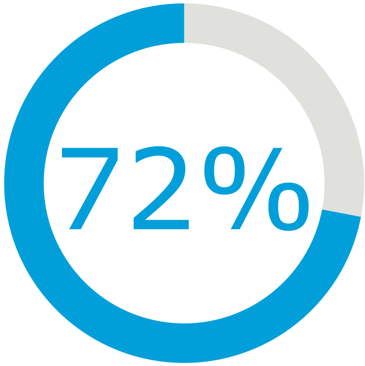
IRi

But they are not very loyal to products…



Source: IRI Shopper Syndicated Study 2015

And neither to the store…



of shoppers interwieved were in their usual store (80% in 2008)

Source: IRI Shopper Syndicated Study 2015

Most shopping decissions are taken at the store, although most are planned

Planned and predetermined	41%
Planned and not predetermined	39%
Not planned and predetermined	7%
Not planned and not predetermined	13%

Brand selection at store

Impulse

Home decission

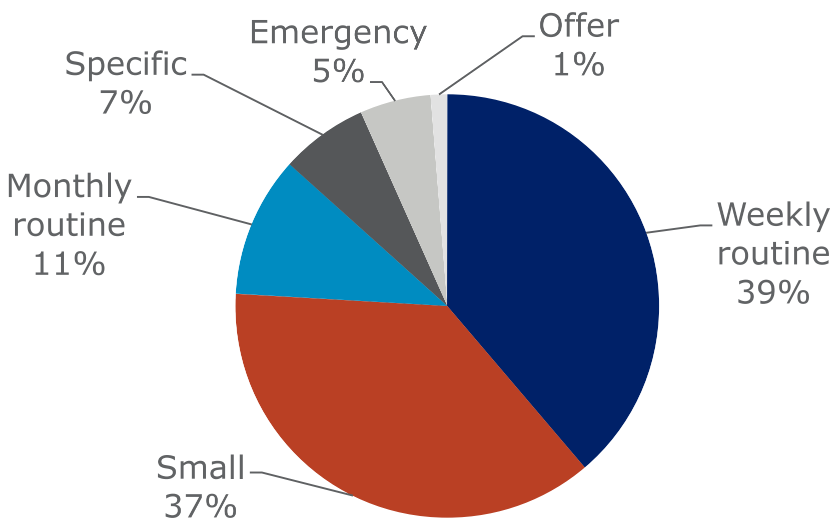
Store decission 59%

Source: IRI Shopper Syndicated Study 2015

More frequency, little time in the store and a bit larger tickets

FREQUENCY

SHOPPING MISSION



TICKET

43€

TIME

47'' in the section

Source: IRI Shopper Syndicated Study 2015

The border for PL and NB is not clear…
and shopper's expectations are higher than ever for PL

Requirements for PL…

price
promotions
security
health
confidence
variety
assortment

Requirements for NB…

price

and then:

quality
confidence
innovation

Source: IRI Shopper Syndicated Study 2015

Shopper turns omnichannel

Competition in retail intensifies

New operators

COSTCO WHOLESALE
PrimaPrix
Dealz
a

DIA joints T-Mall

New formats

✓ Super+Cash

Supeco El Cash de la Familia
Cash Lepe
HIPERBER

Hard discount: closer to shopper

✓ Fresh sections
✓ Nice stores

New partnerships

✓ Alcampo & Simply joint Euromadi
✓ DIA & Eroski

New shopping experiences

✓ **Carrefour**: 24x7
✓ **Carrefour** gourmet

Soysuper.com convert **recipies** into shopping list

Online

✓ **Condislife**: Virtual visit to stores
✓ **Hipercor**: New APP Catalog

1st **Goodafter:** Online shop of expiring products

Win-win: brands make life easier to shoppers, as shoppers become best embassadors to brands

Smart fridge,
tells you what to buy

Adictik,
consumer as prescriptor