Irish Grocery Retailing

– Latest Retail Developments and Rules for Brand Growth –

22nd January 2019

Douglas Faughnan

KANTAR WORLDPANEL

Irish Grocery – 5 Points for Discussion

- Europe's Most Competitive Landscape
- Aldi and Lidl are here to stay
- Deflation v Inflation
- Brexit
- Online

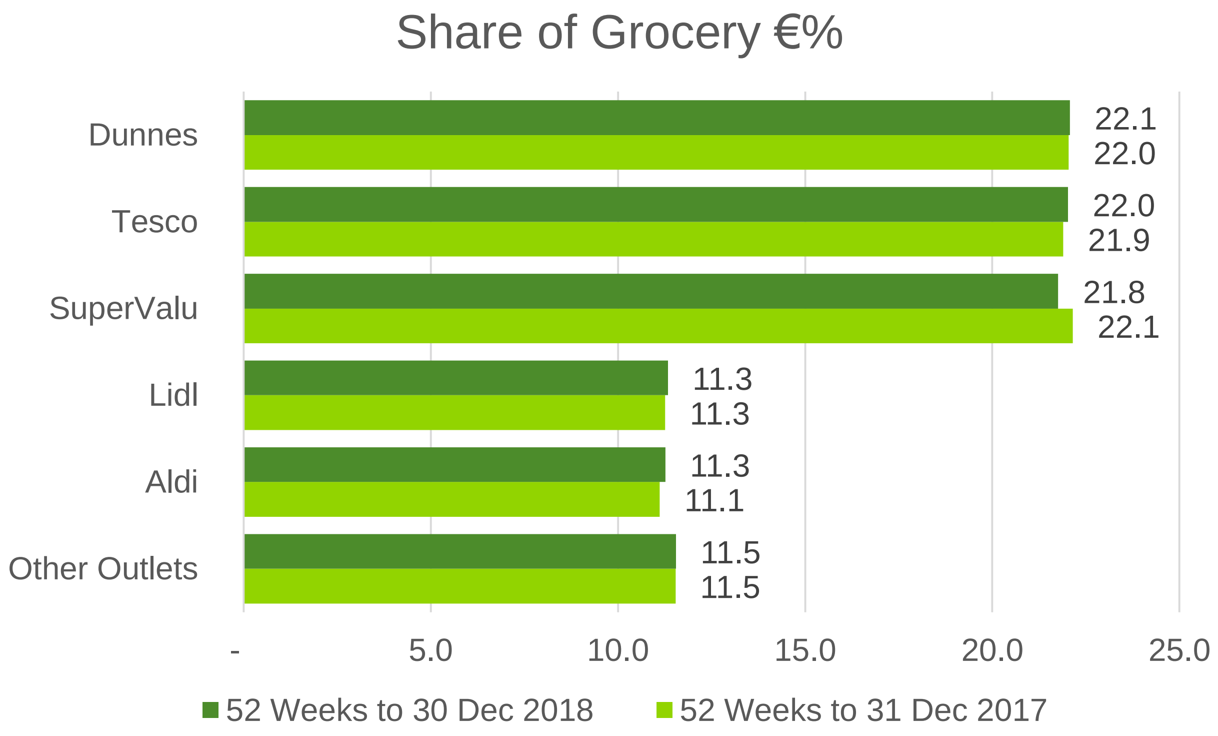
Rules for Brand Growth

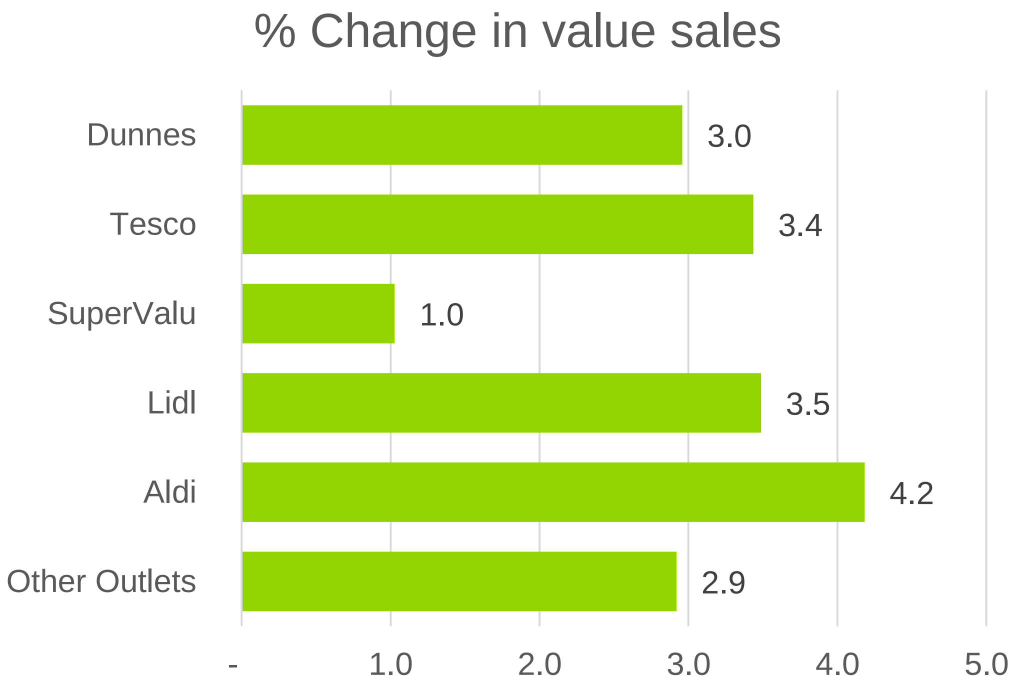
Irish Grocery

5 Points for Discussion

We operate in an intensely competitive retail environment

Just .3 of a percentage point separates the three largest retailers





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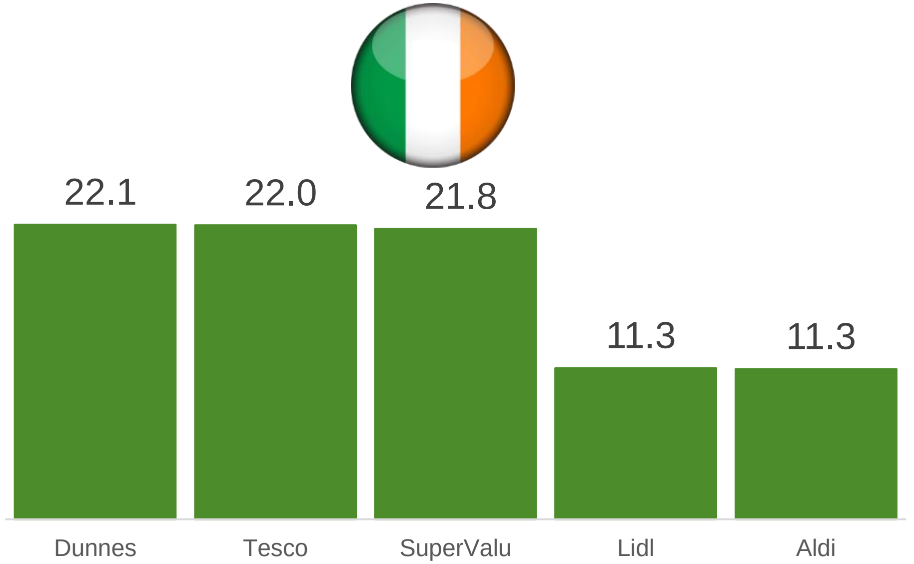
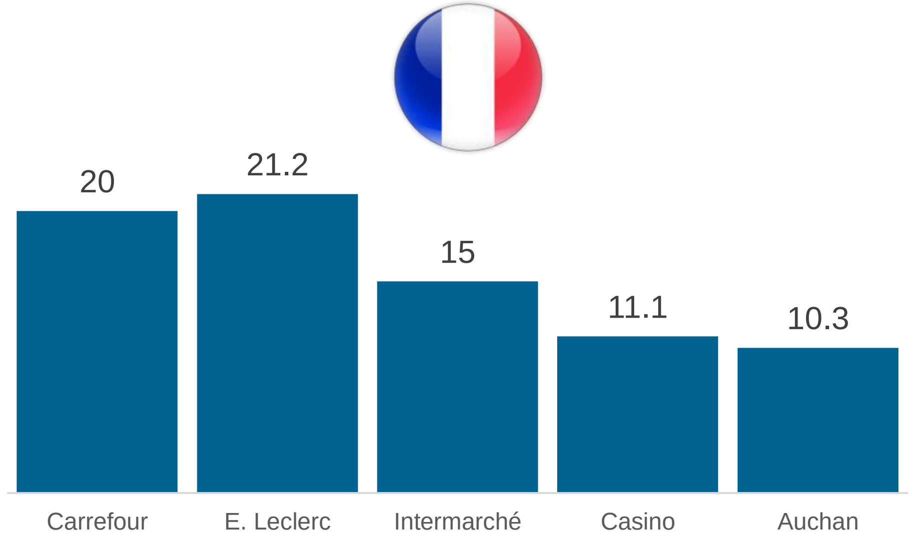
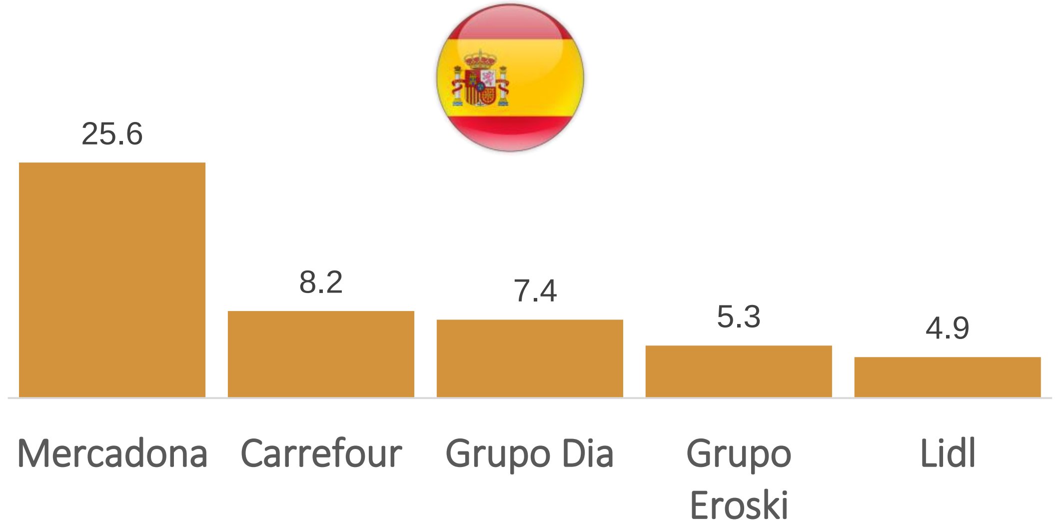
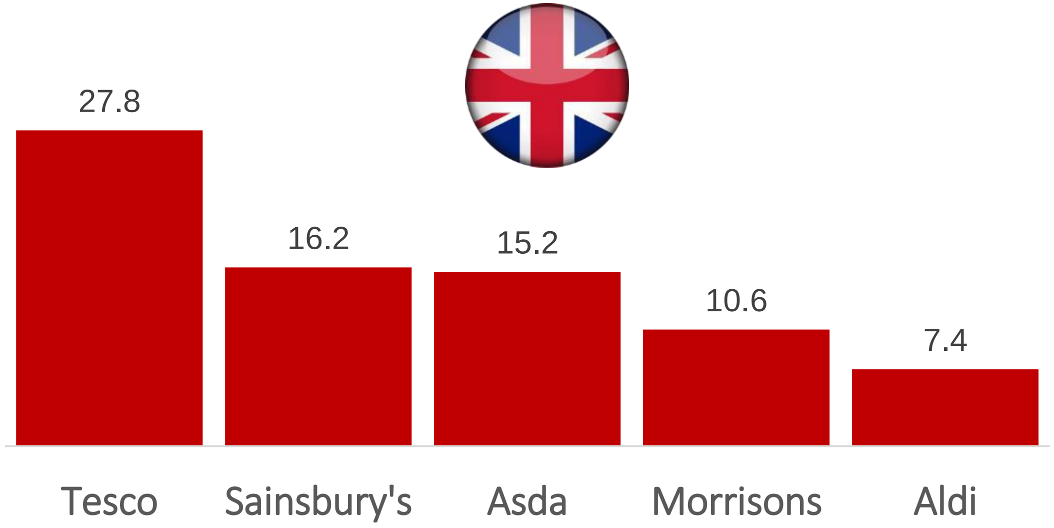
The most competitive in Europe….









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% Value Share – 12 w/e 30th December 2018

Aldi and Lidl are here to stay

The focus now shifts to how much share of wallet they can capture

84.5% of households shop there

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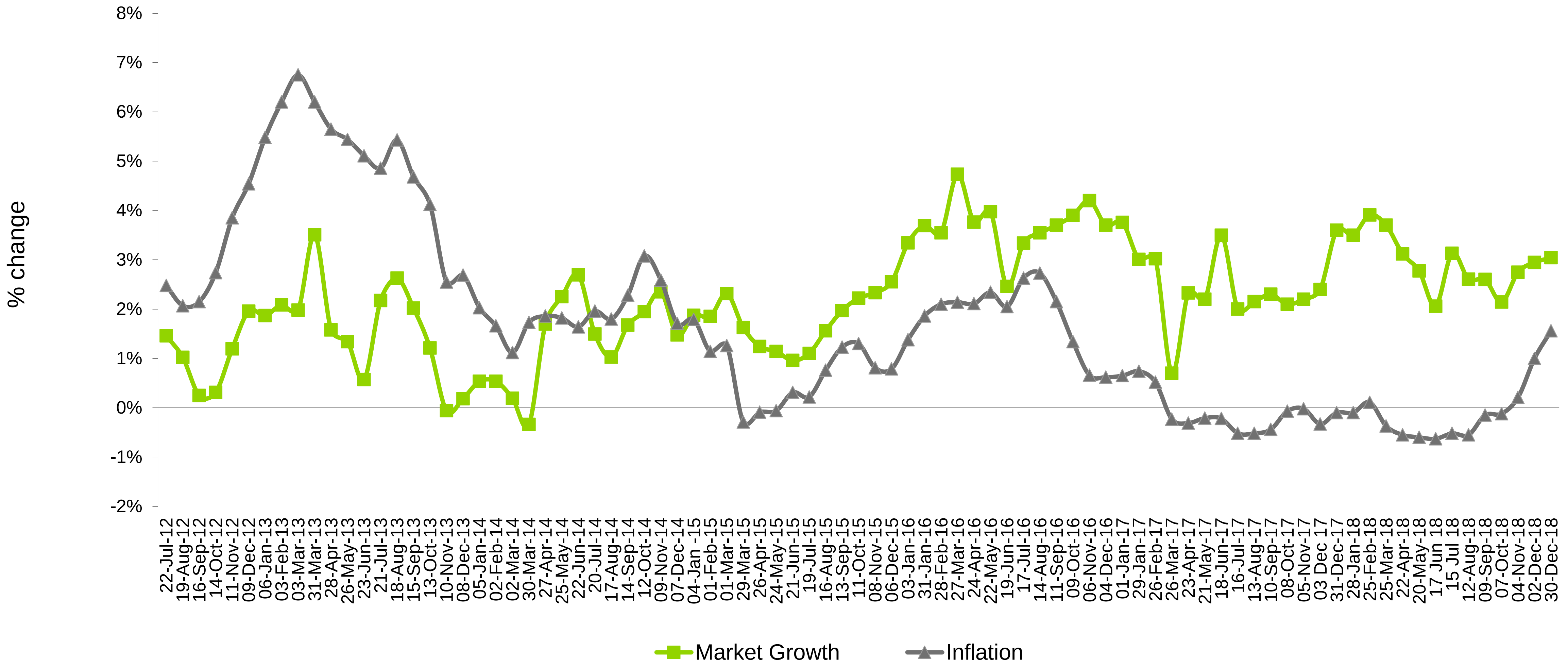
Traditional Retailers fight back with strong value orientated propositions

All recognise the importance of competing on price

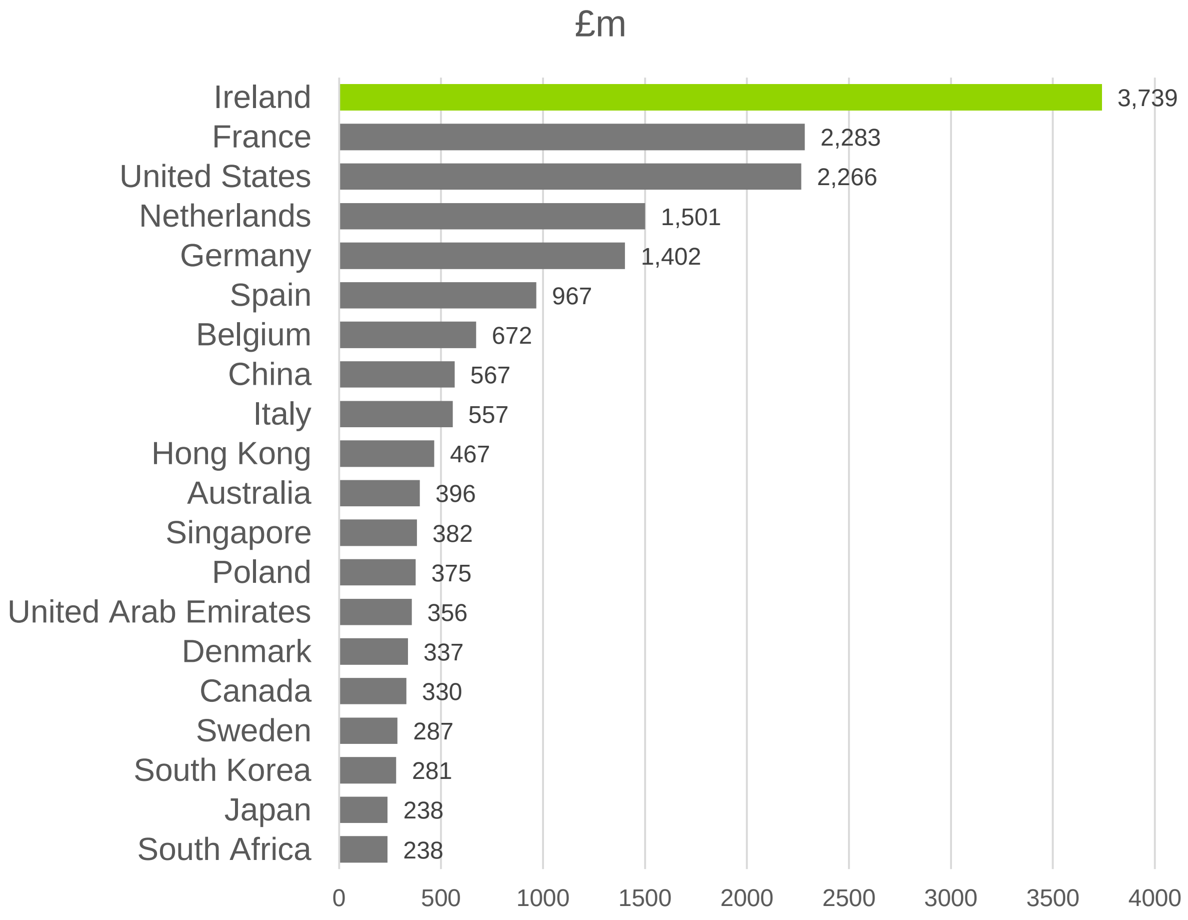
Intense price competition coupled with a stronger Euro v Sterling has seen a prolonged period of falling prices

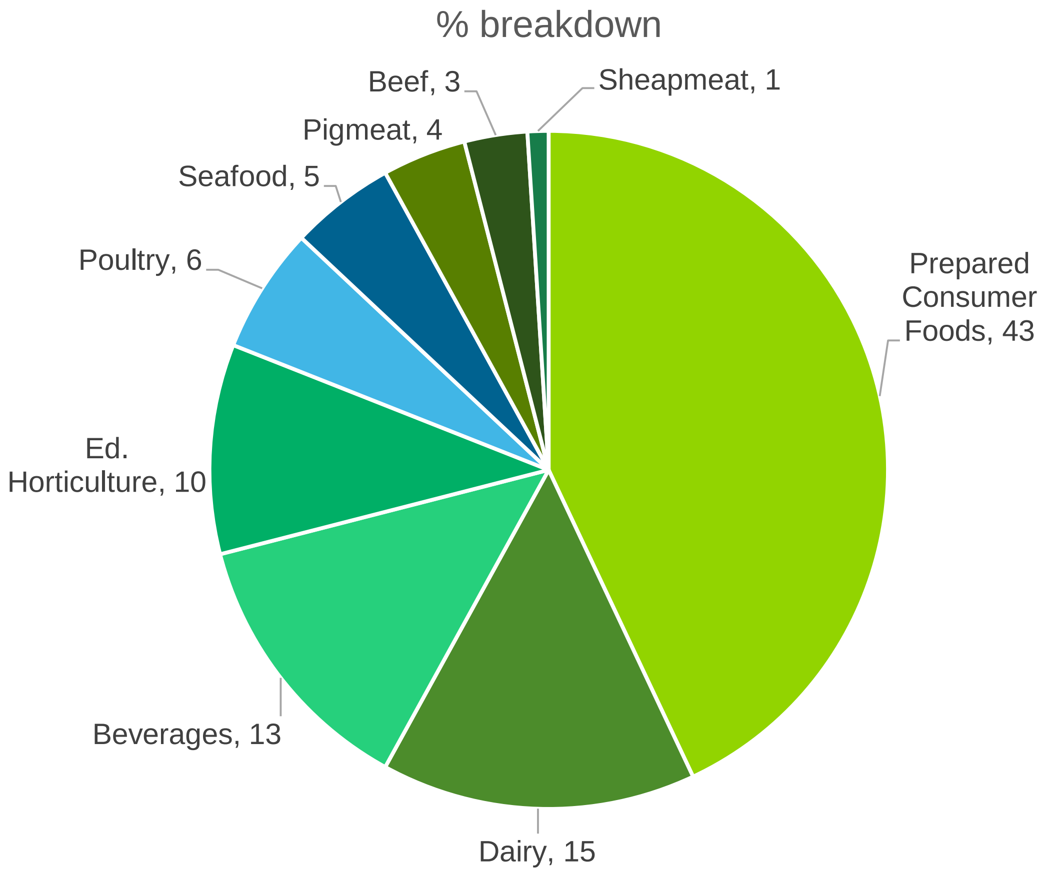
However, that is already starting to reverse even before Brexit



Rising grocery prices are highly likely following Brexit

Britain exports more food & drink to Ireland than any other country





Source: UK Food and Drink Federation

Online grocery is growing strongly

But remember – it has taken Ocado almost two decades to capture 1% of UK Grocery Market

Online is growing 7.1% YoY

One in five households shopped online for groceries in 2018

€68.22 is spent on average online per trip

Compared to €23.41 per trip on average

Young & Pre Families

Aged **under 45**, with **3+ Members**, living in **Leinster**, more likely to Shop online

Irish Grocery – The Key Points for Discussion

Competition

Competition shows no sigh of letting up, with pressure from other channels only going to increase

Aldi/Lidl

Both retailers are most definitely here to stay, the focus now shifts to attracting more of shoppers spend

Inflation

Following almost two years of falling prices, it is almost inconceivable that prices will continue to fall

Brexit

Will have a direct impact on grocery in Ireland

Online

Continues to grow, but still substantial barriers to overcome

Rules for Brand Growth

As shoppers, we make different brand choices every day

#1 Our shoppers don’t belong to us

Loyalty Rate

59%

People are loyal but it's polygamous loyalty – driven by habit and *fast* decision making

Both of which are influenced by mental and physical availability

If loyalty levels are so low

(Between 30% and 40%)

Does differentiation matter?

Mental availability: Differentiation v Distinctiveness

Colour

Shape

People

Campaigns

Distinctiveness – Saliency – Mental Availability - Loyalty

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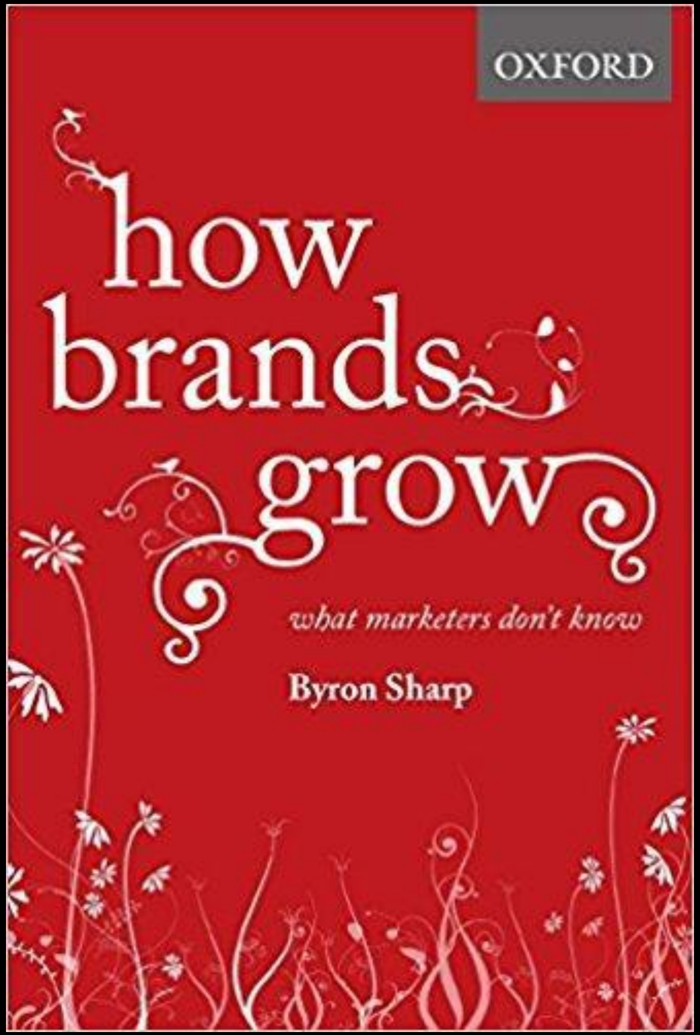


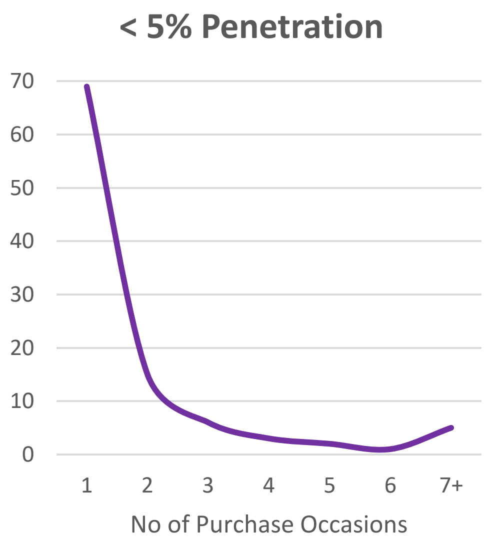
Brands grow by attracting new shoppers as opposed to getting existing shoppers to buy more

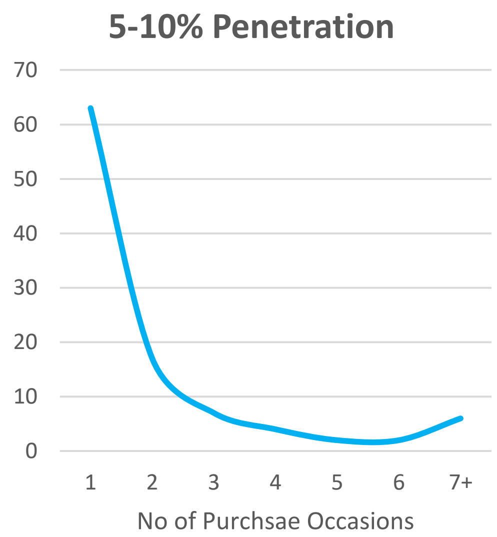
Established wisdom from Kotler and others is that growth can be derived from both penetration and frequency/loyalty

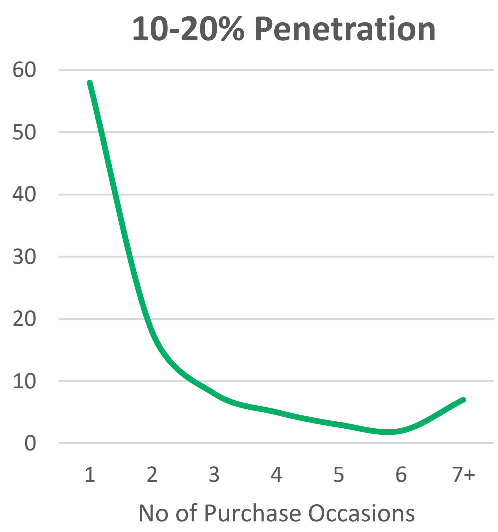
#2 Most shoppers buy your brand only once

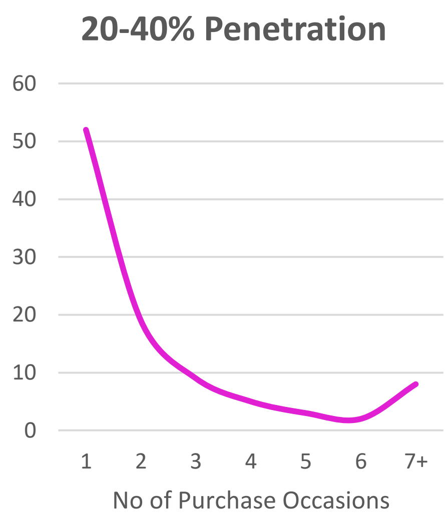
Lets look at the facts:

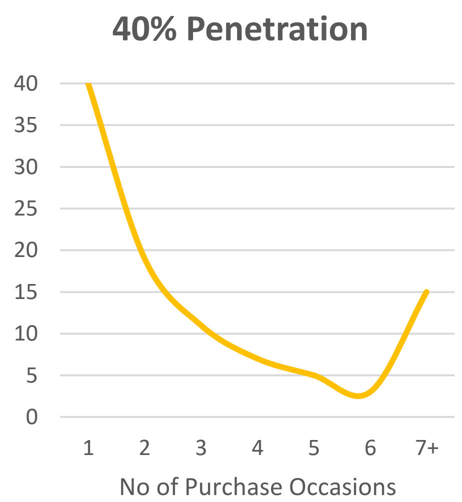
Most brands have lots of non and light buyers and few heavy buyers, regardless of how big they are











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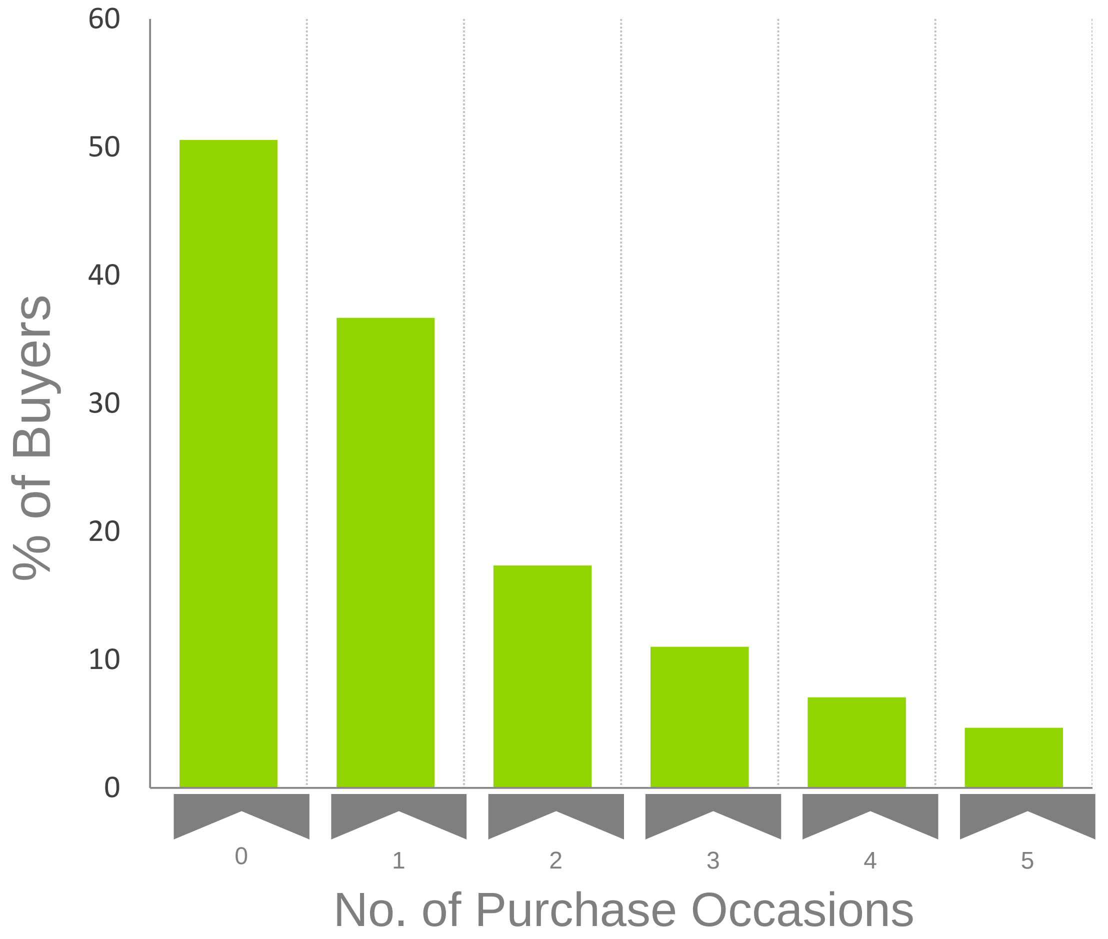


The most common behaviour, is that shoppers **don't buy your brand at all**

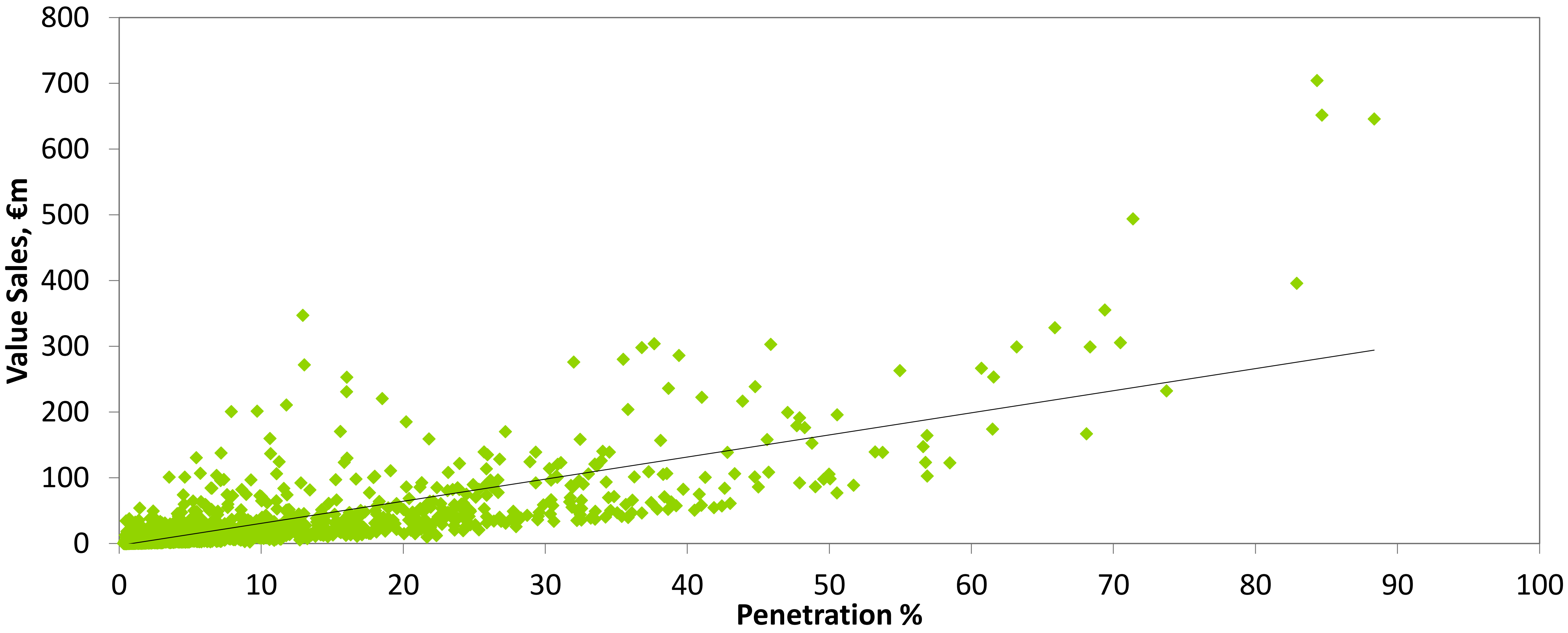
Lets look at the facts:

Most brands have lots of non and light buyers and few heavy buyers, regardless of how big they are

The most common behaviour, is that shoppers **don't buy your brand at all**

Lets look at the facts:

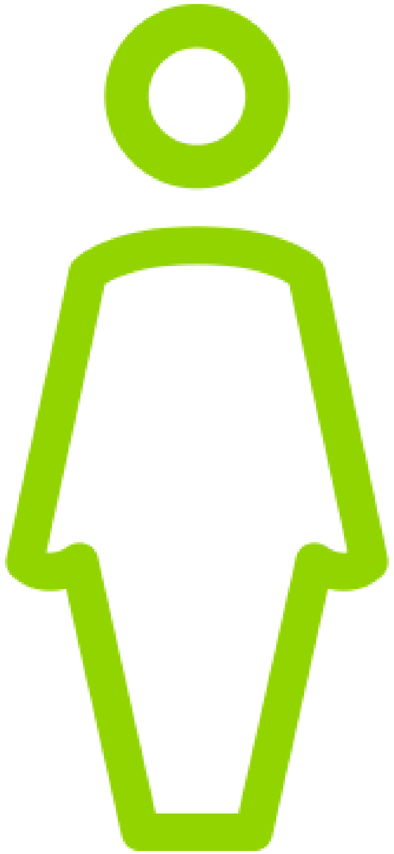
The relationship between penetration and size show that bigger brands have more shoppers



Who they are

What they think

What they eat and use



Where they shop

What they buy

What they watch and read

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#3 Your buyer base is in constant churn

ALL brands (big or small) need to recruit new shoppers just to stand still, never mind grow!

Total Market Buyer Churn

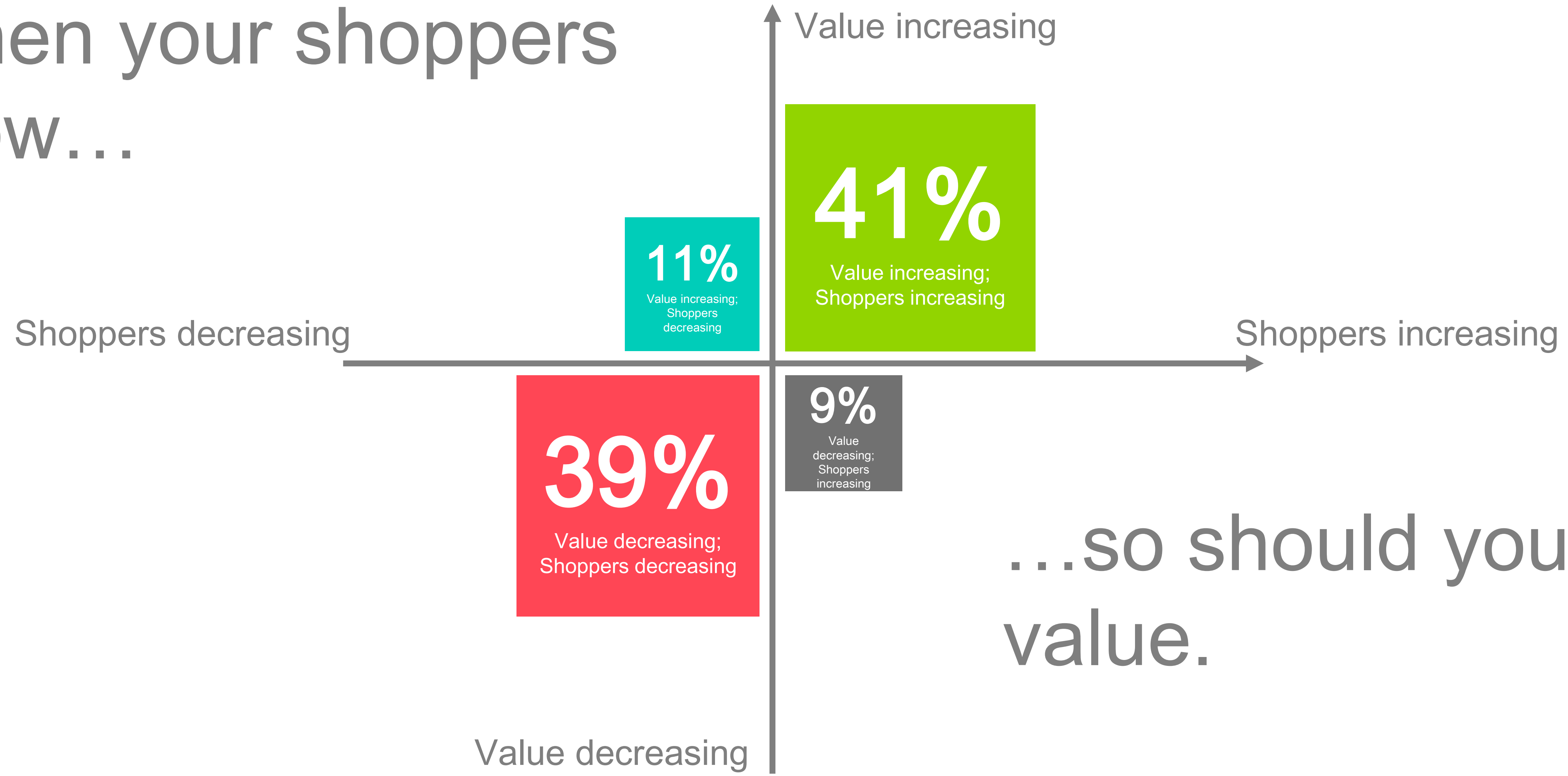
An average of 43% of shoppers leave brands each year

Alpro is an example of a brand growing through launching into new categories…..and increasing shoppers as a result

Therefore brands always need to think about *new* shoppers and not just existing shoppers

#4 Growth comes from new shoppers

When your shoppers grow…



…so should your value.

Penetration is the **primary** driver of brand performance

So, why not try our four rules…

#1
Growth comes from new shoppers

#2
Most shoppers buy your brand only once

#3
Your shoppers don't belong to you

#4
Your buyer base is in constant churn

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Thank You

22nd January 2019

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