The UK Convenience Market

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30th January 2019

IGD: global membership organisation, retail insight specialists

Heritage and experience

Over 100 years experience developing learning and capability programs across the FMCG industry

Range of blended solutions

Blended solutions to create modern and engaging learning for all participants

Real world experience

Our team all have real world industry experience, and regularly work with all types and sizes of companies across the industry. They can relate theory to practice in the ‘day job’

Global, leading research and insight

Supported by globally leading research teams who offer unparalleled insight into international consumer goods retailing, supply chains, and shopper trends to ensure best practice

Real results

Deliver lasting results and ROI for your business by integrating into your ways of working and business cycles, and designing comprehensive embedding and support methods

Today’s presentation

1 **Market outlook to 2023**

2 Focus on UK convenience

3 The shopper of the future and the future of convenience

4 Q&A

Different tactics being deployed to save money

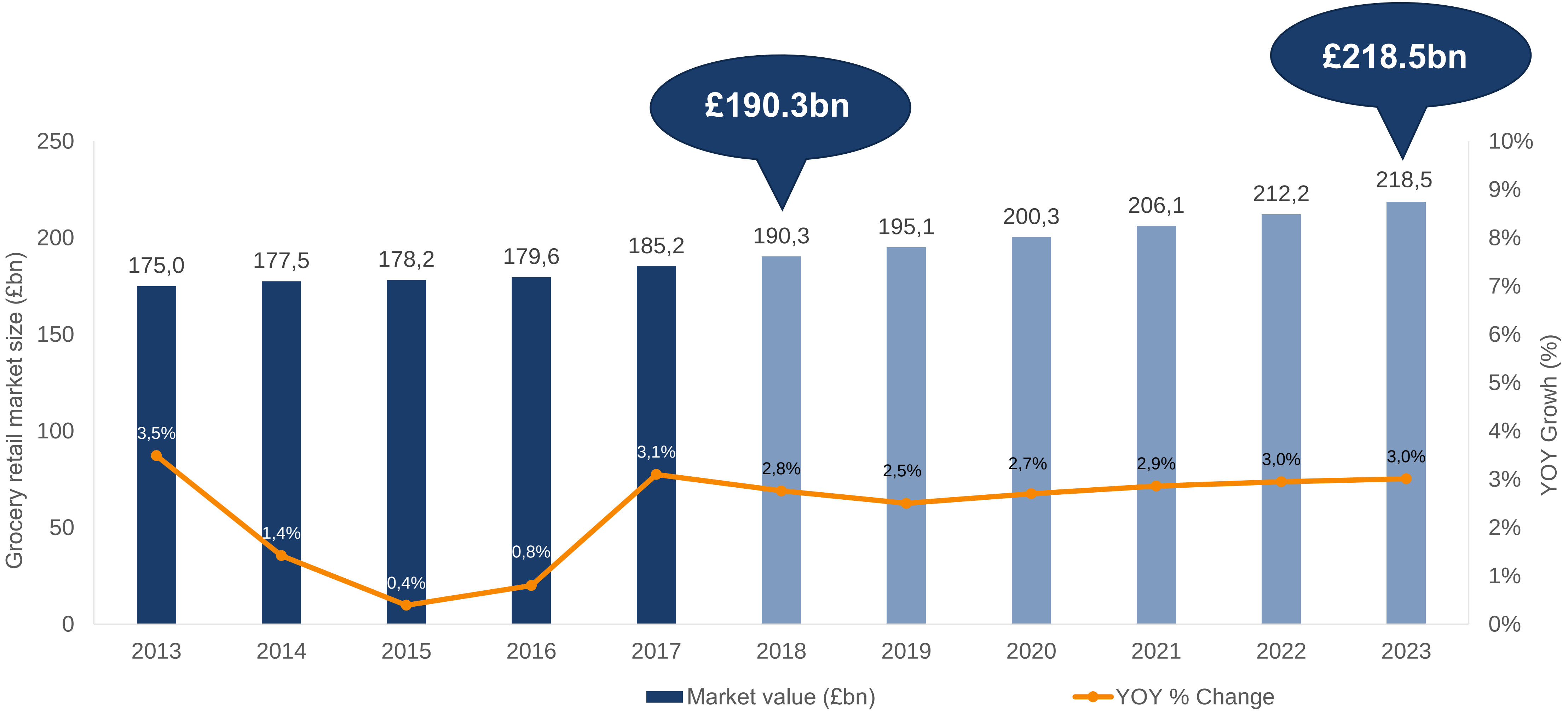
Forecast themes

Brexit countdown gathers pace

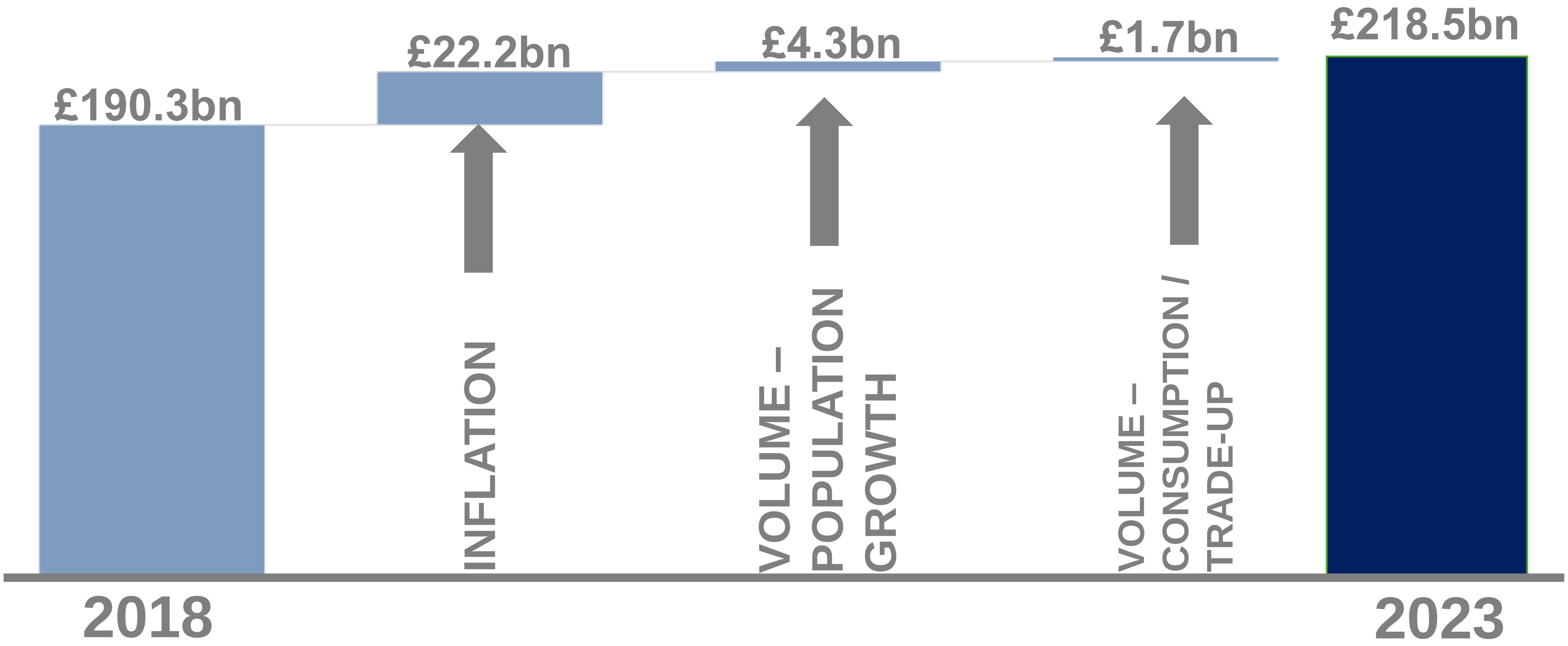
Modest market growth

Increasing quest for scale

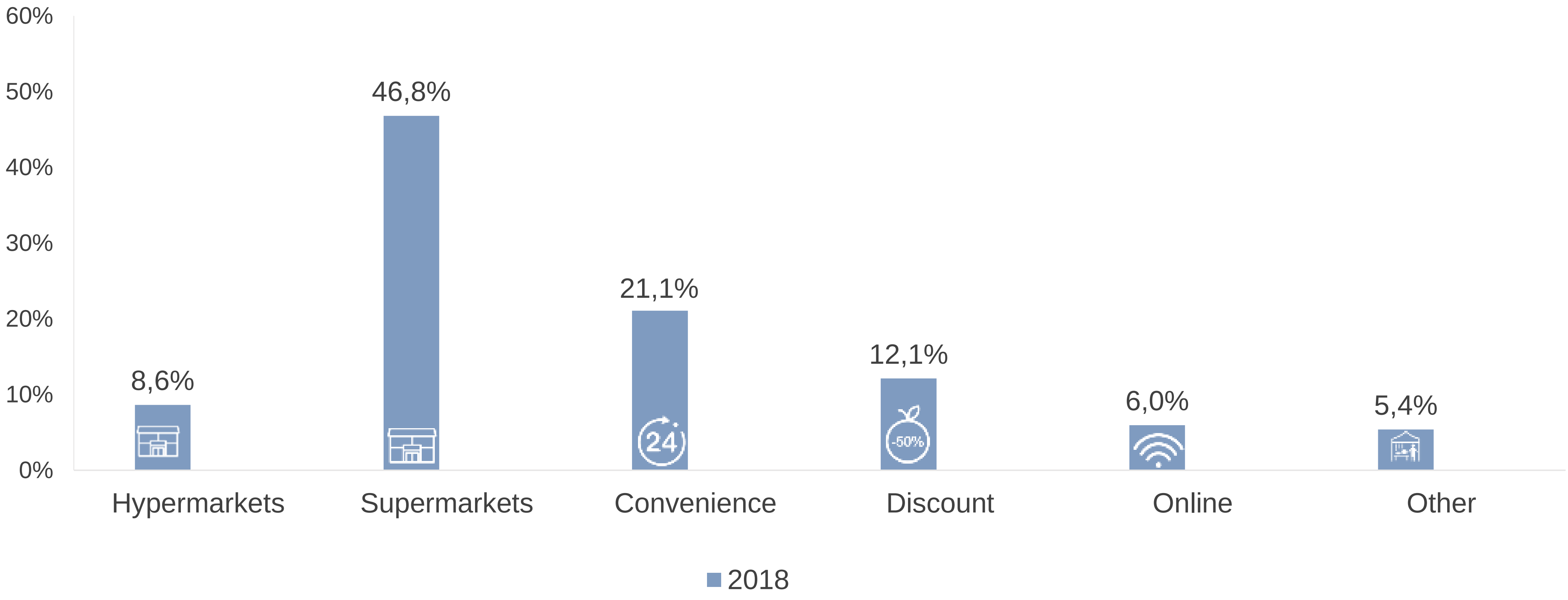
UK market set to grow by 15% by 2023



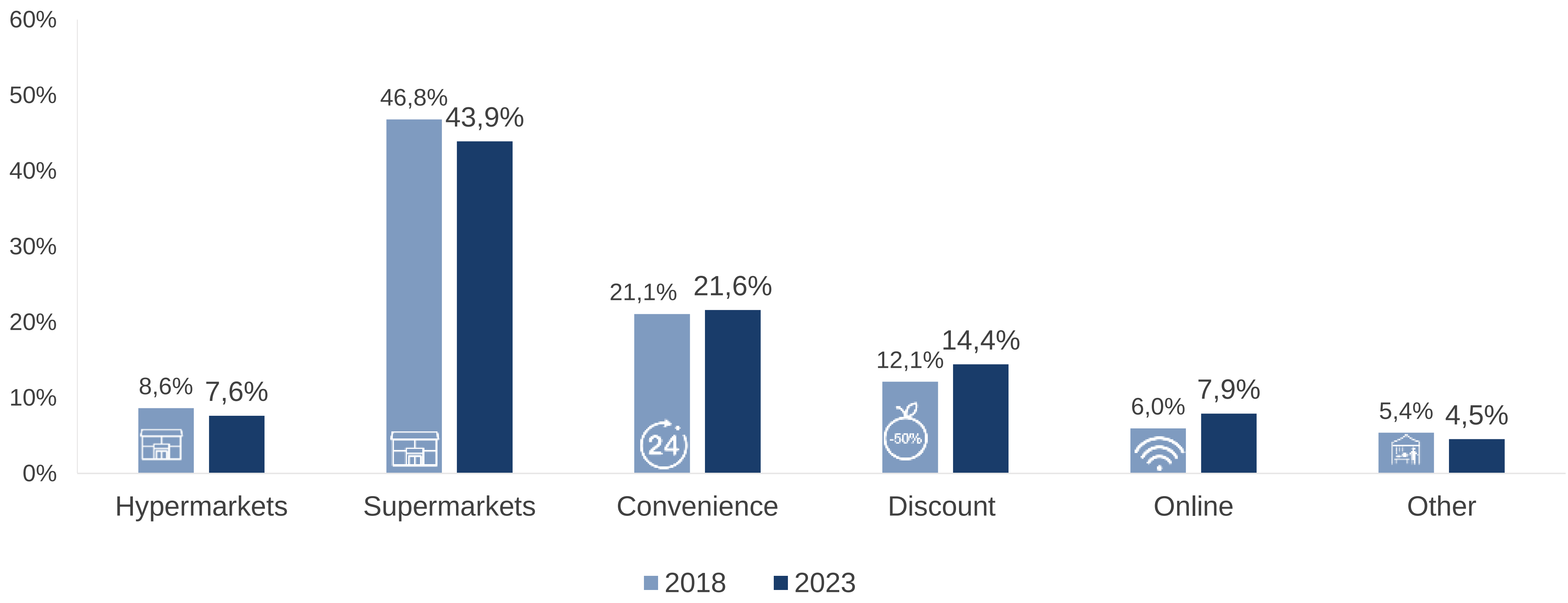
Inflation will drive growth



The channel landscape in 2018



Online and discount will capture half of market growth



	Hypermarkets	Supermarkets	Convenience	Discount	Online	Other	Total
£bn change	**+0.2**	**+6.9**	**+7.1**	**+8.5**	**+6.0**	**-0.4**	**+28.2**

Shoppers use an average of 4 to 5 channels per month

Source; IGD ShopperVista Base: 1,700+ ALL shoppers, Aug'18. * Specialist stores include butchers, greengrocers, bakers etc.

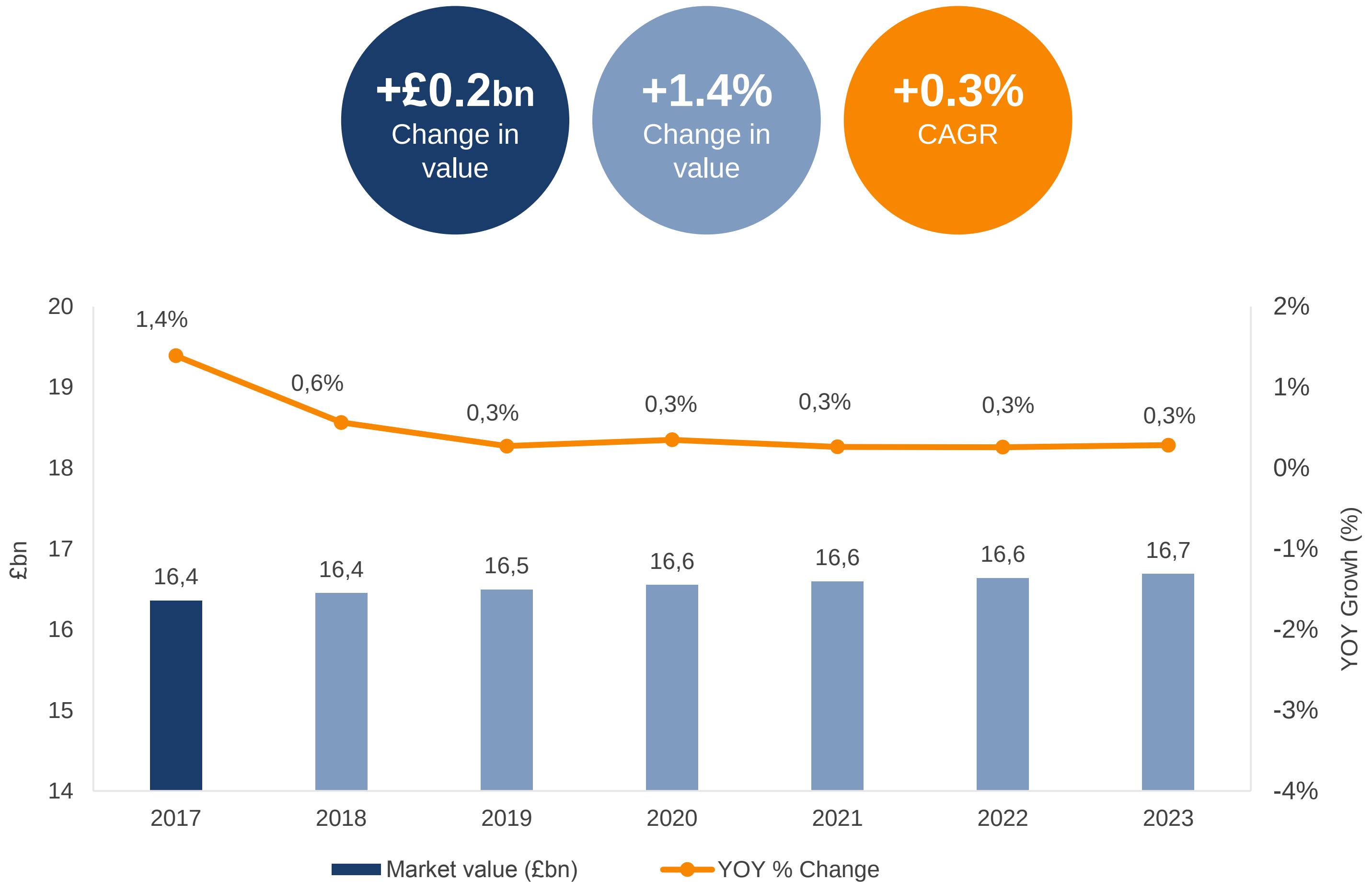
…and increasingly shopping across channels

 Source: IGD ShopperVista Base: 1,700+ ALL shoppers, May'18

Hypermarkets

- Marginal growth, with inflation just compensating for declining volumes and space reduction
- Continuing challenge to re-purpose stores
- No new stores expected to open
- Consolidated non-food offer
- Online order fulfilment

2018-23 Channel Performance



Supermarkets

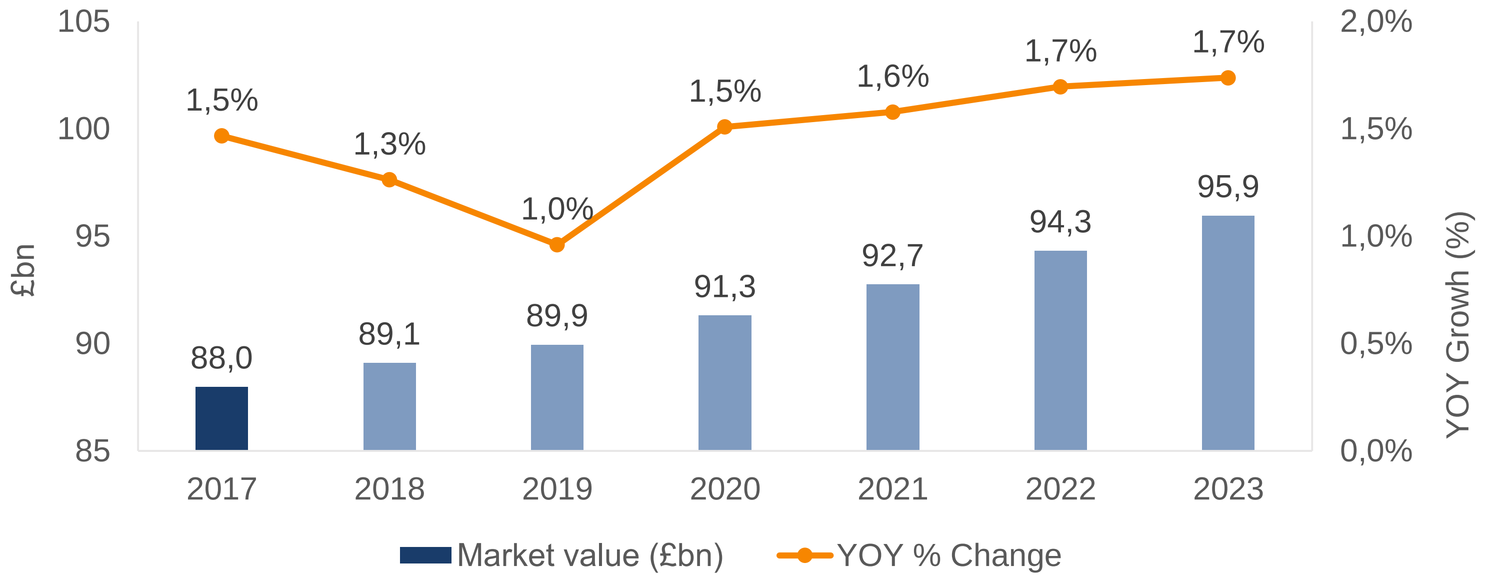
- **Modest growth from improvements to shopper experience**
- **Forecast lifted by trading momentum at Big Four**
- **Some new store opening and downsized hypermarkets**
- **Most growth from improved trading at existing stores**

2018-23 Channel Performance

+£6.9bn
Change in value

+7.7%
Change in value

+1.5%
CAGR



Discount

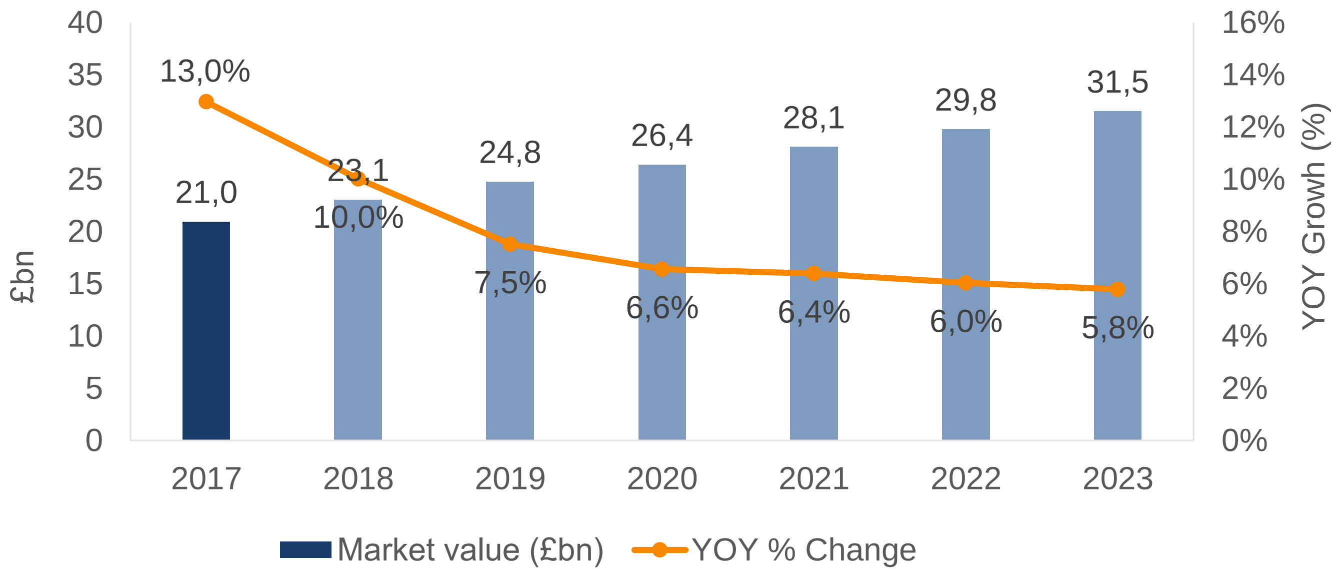
2018-23 Channel Performance

- **Faster expansion plans and store renewal from Aldi and Lidl**
- **Targeted improvements to key categories**
- **Mixed performance among variety discounters**

+£8.5bn Change in value

+36.7% Change in value

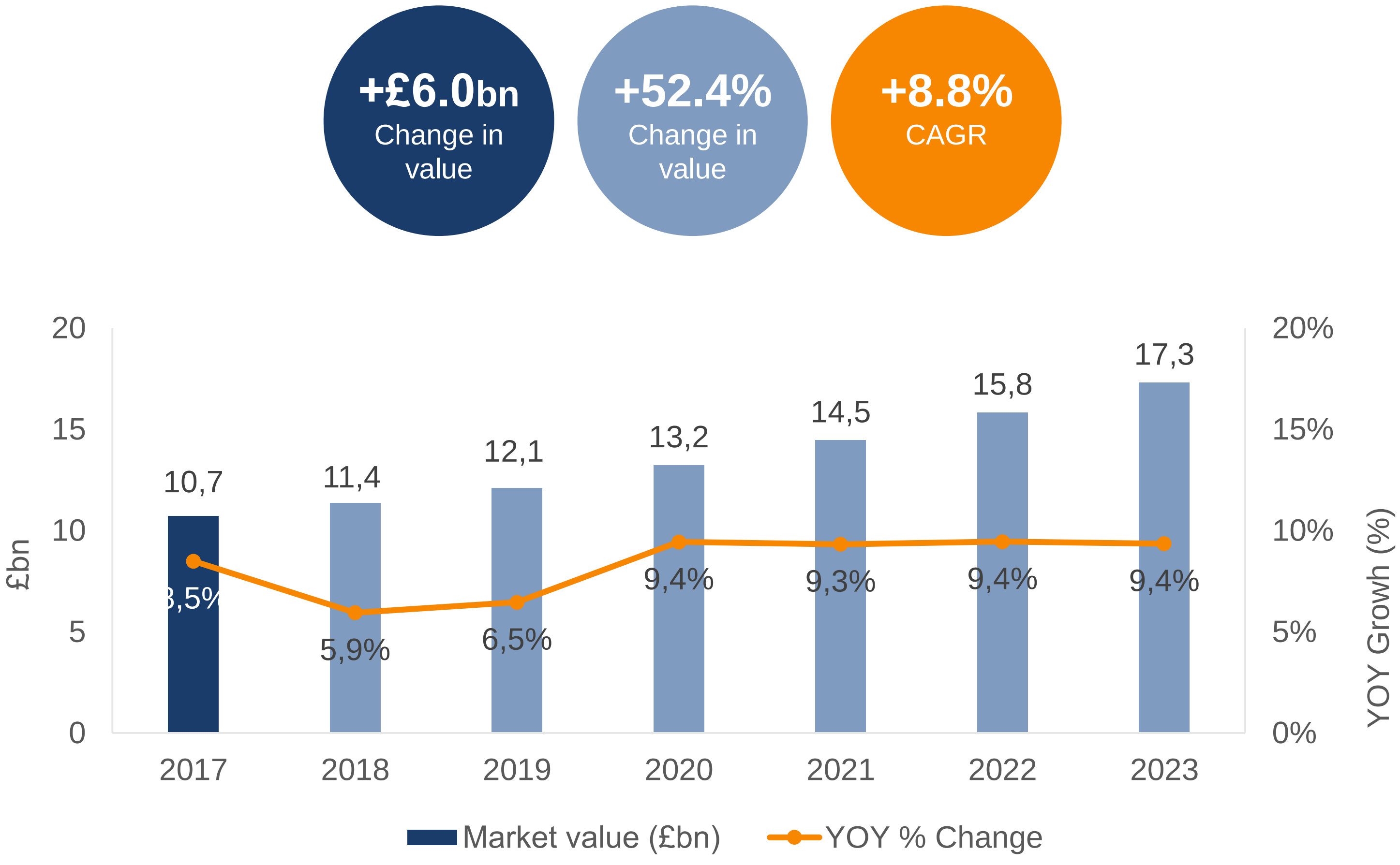
+6.5% CAGR



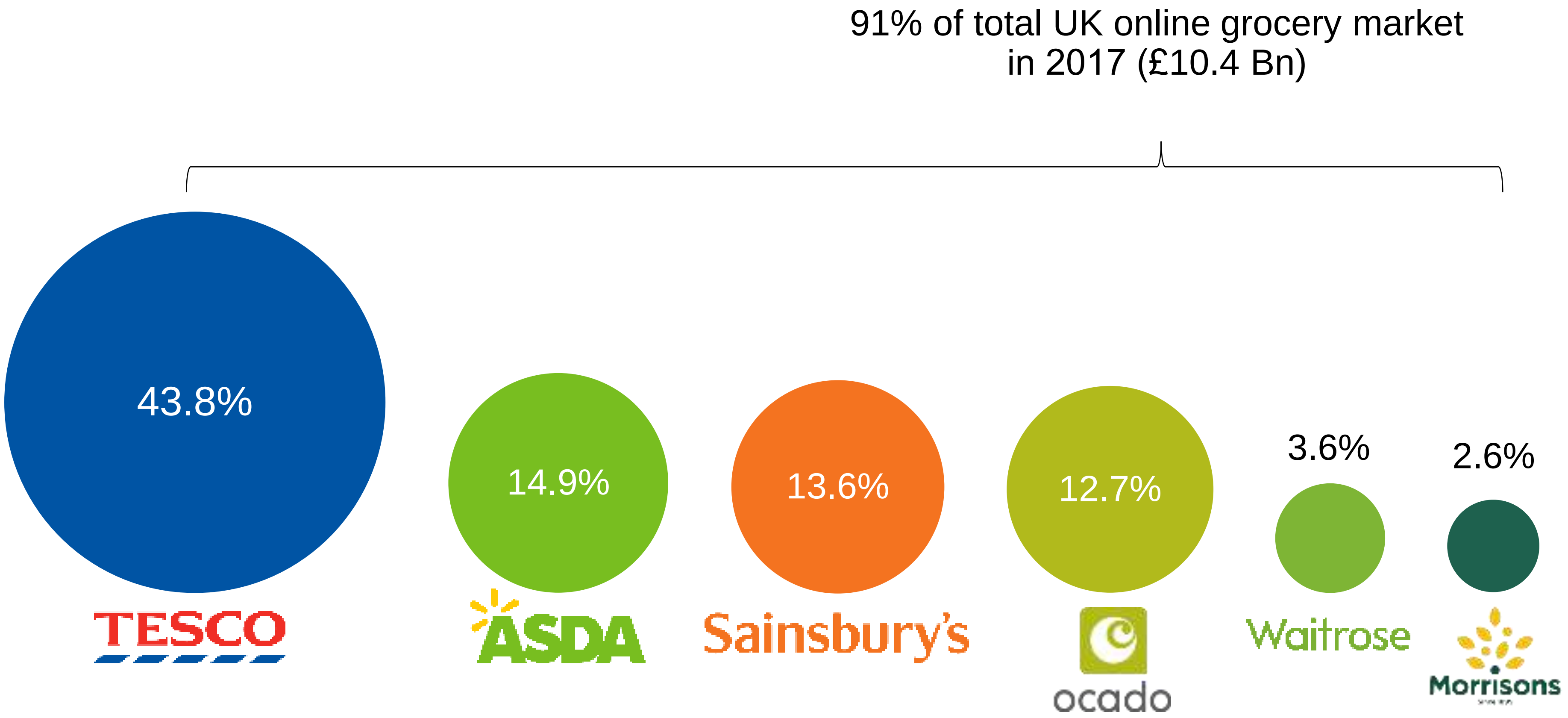
Online

- **Maturing channel**
- **Renewed investment in online by multiples**
- **Smaller operators will drive growth**
- **Investment in new services**

2018-23 Channel Performance



Online market shares



amazon.co.uk operating in a growing number of areas of London, sales unknown, but not yet significant.

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Convenience

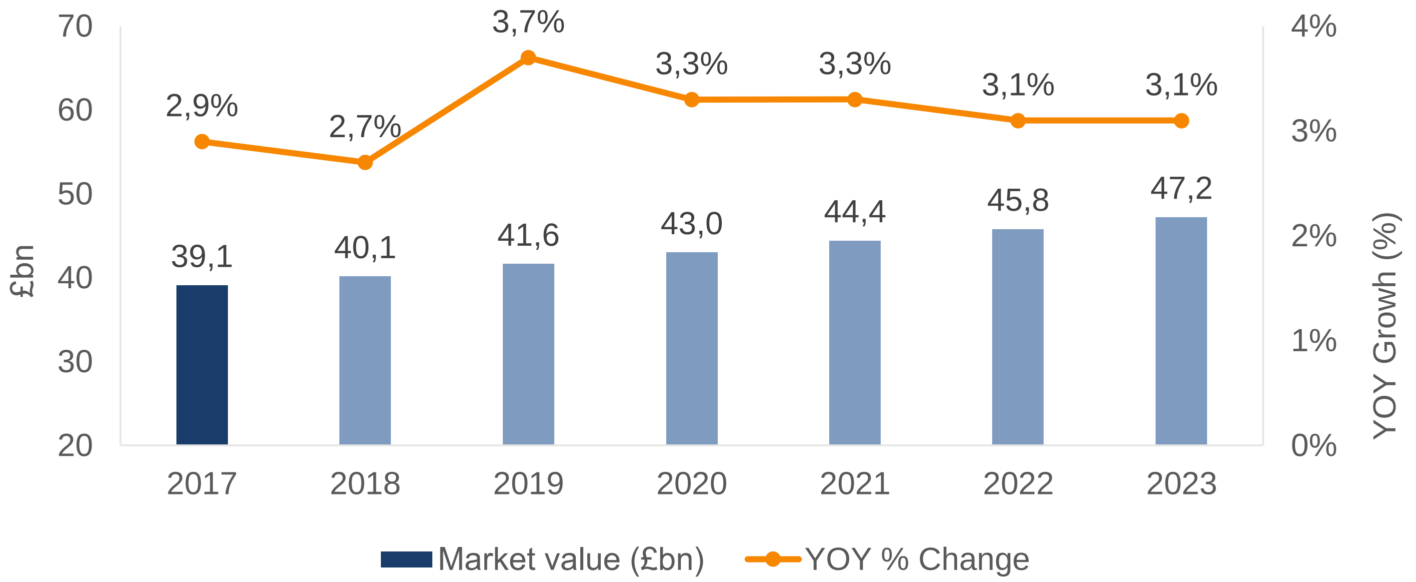
- **Most operators focused on expansion but short term challenges**
- **P&H collapse disrupts supply chain**
- **Tobacco tax impact**
- **Recovery expected from 2019**
- **More conservative multiple expansion**

2018-23 Channel Performance

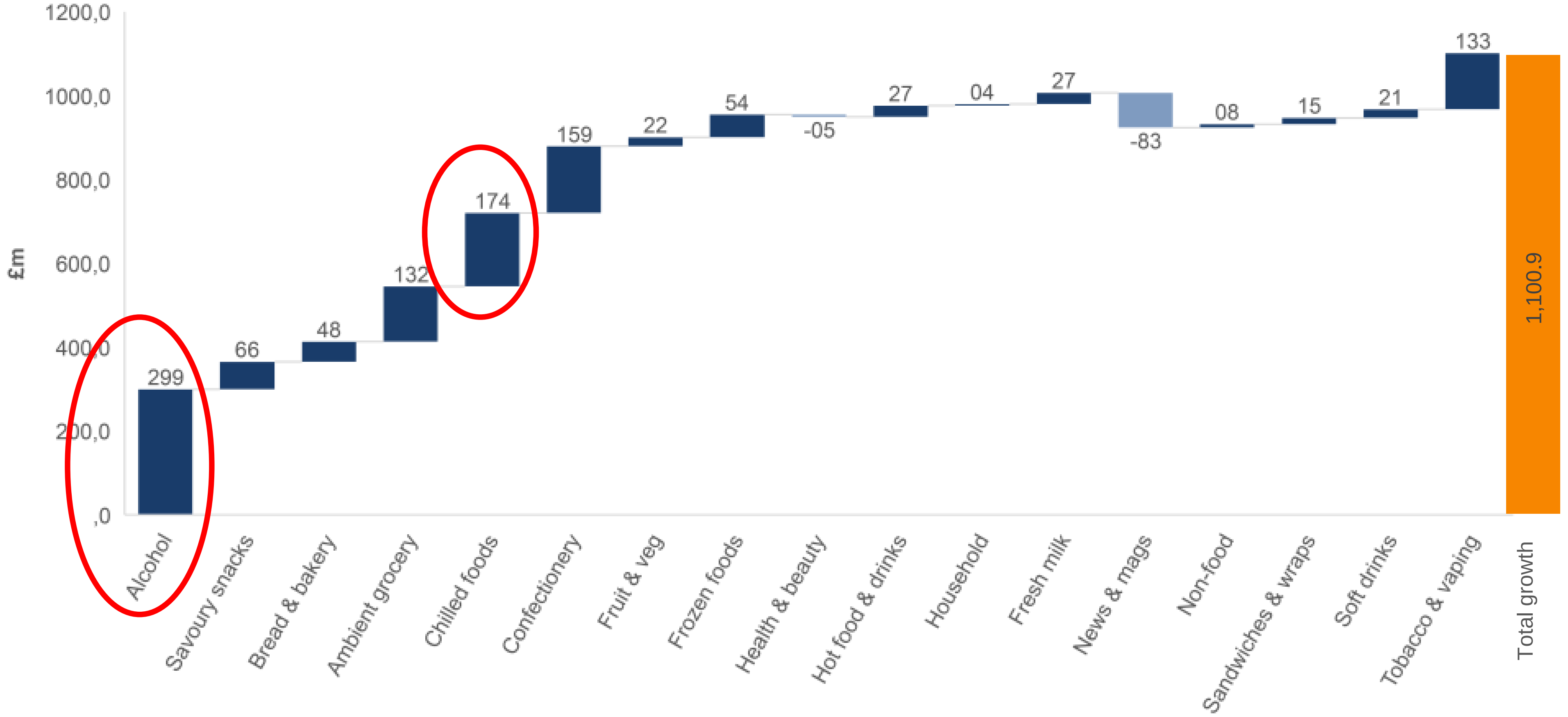
+£7.1bn Change in value

+17.6% Change in value

+3.3% CAGR

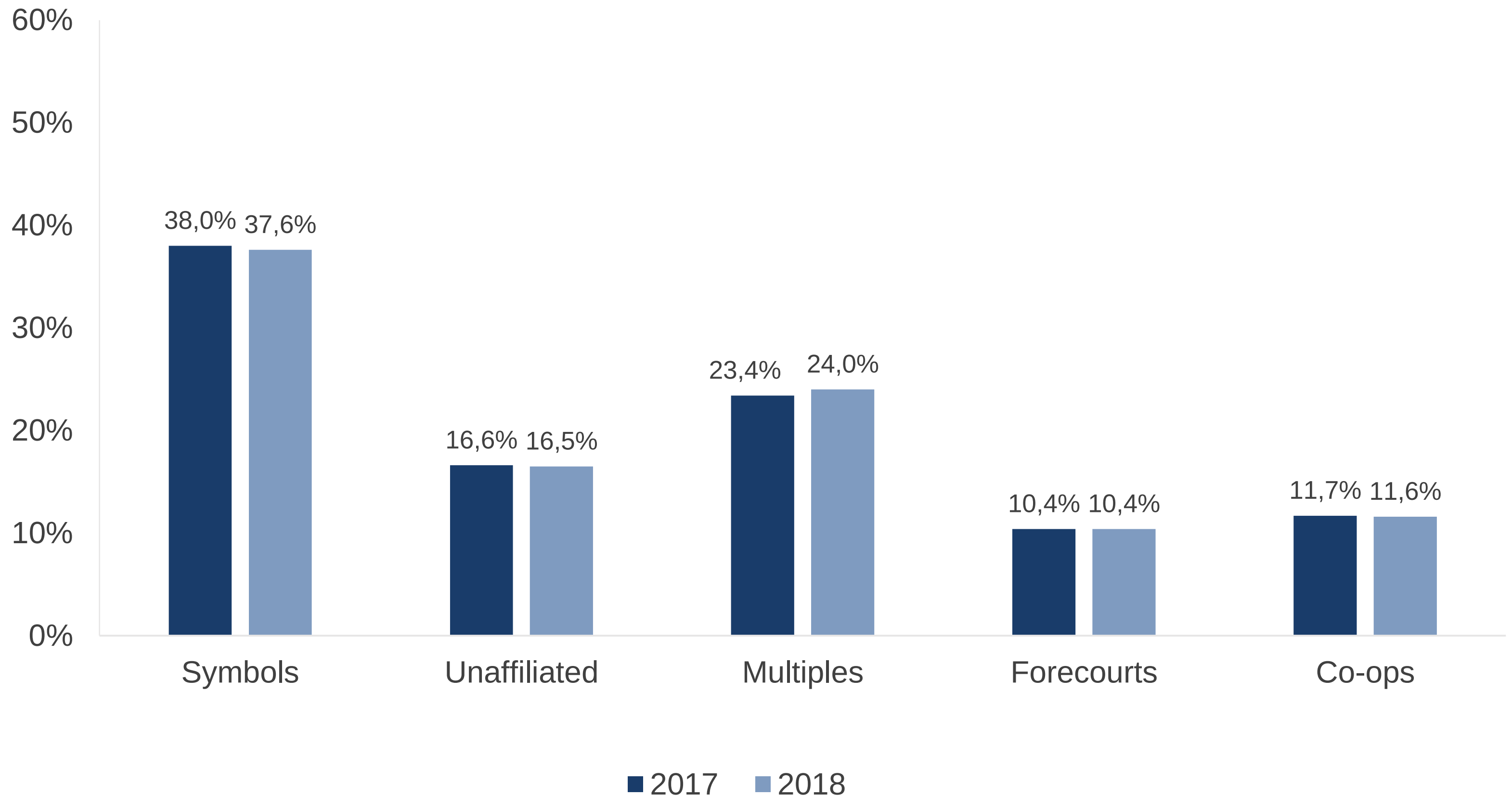


UK Convenience 2018 – category growth



UK convenience, segment size & growth 2018

Convenience segment shares 2017 - 2018



	Symbols	Unaffiliated	Multiples	Forecourts	Co-ops	Total
Cash growth £m	+252	+136	+480	+105	+82	+1,055

UK convenience - major banners by segment

Multiples

TESCO express	1,754 stores
one stop your local store	948 stores
McColl's	1,242 stores
M&S SIMPLY FOOD	714 stores
Sainsbury's Local	605 stores

Symbols

Premier	3,343 stores
SPAR There for you	2,555 stores
Londis	1,957 stores
best-one	2,005 stores
Costcutter Shop the way you live	1,776 stores
Nisalocal	975 stores

Co-ops

co op	1,968 stores

Forecourts

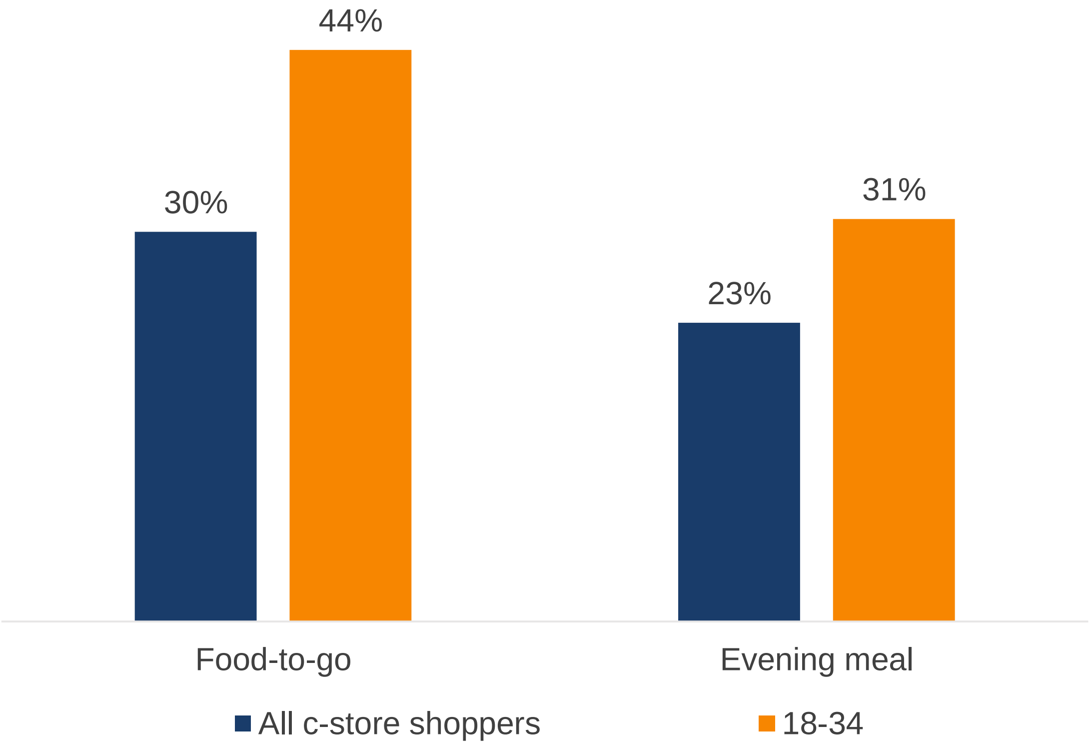
mfg motor fuel group	885 stores
Shell	525 stores

Top-up mission still dominates

Base: 1,024 All Convenience store shoppers, March-May'18. .

Younger shoppers are driving convenience store growth

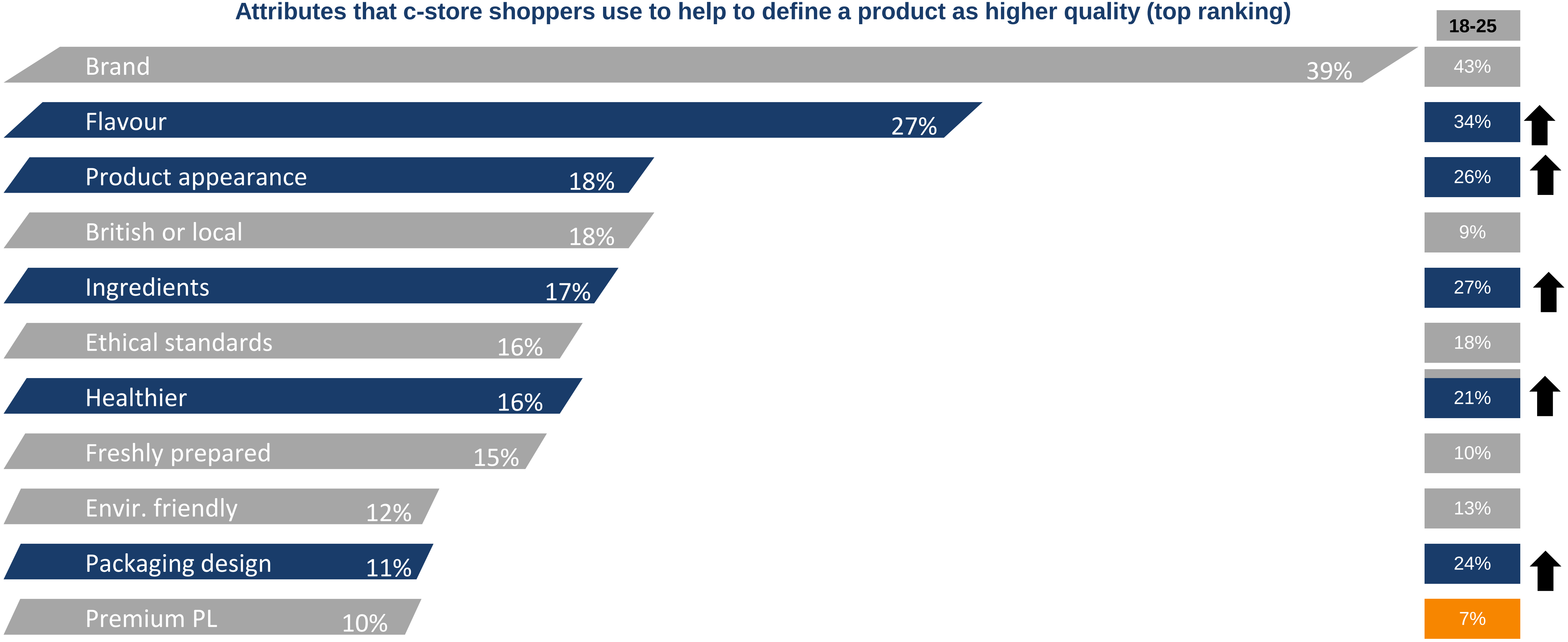
Top missions claimed to be conducted on last c-store trip



Source: IGD ShopperVista, March-May'18,

Younger shoppers have different priorities

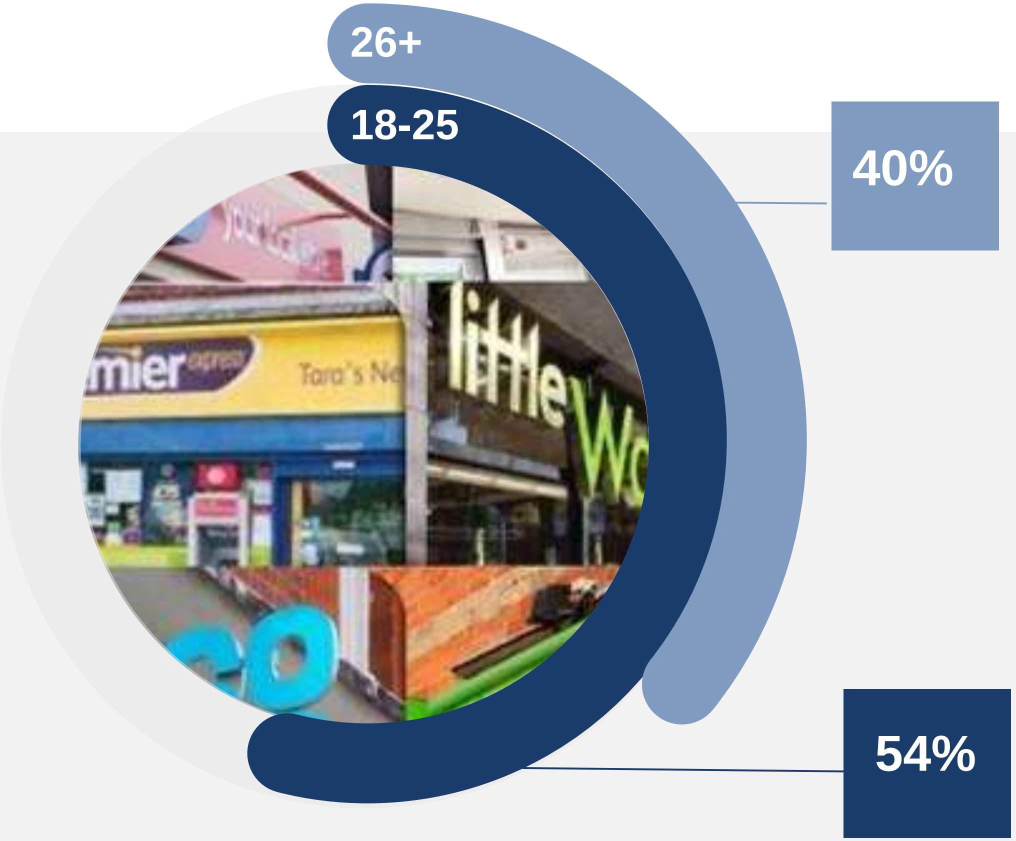
Attributes that c-store shoppers use to help to define a product as higher quality (top ranking)



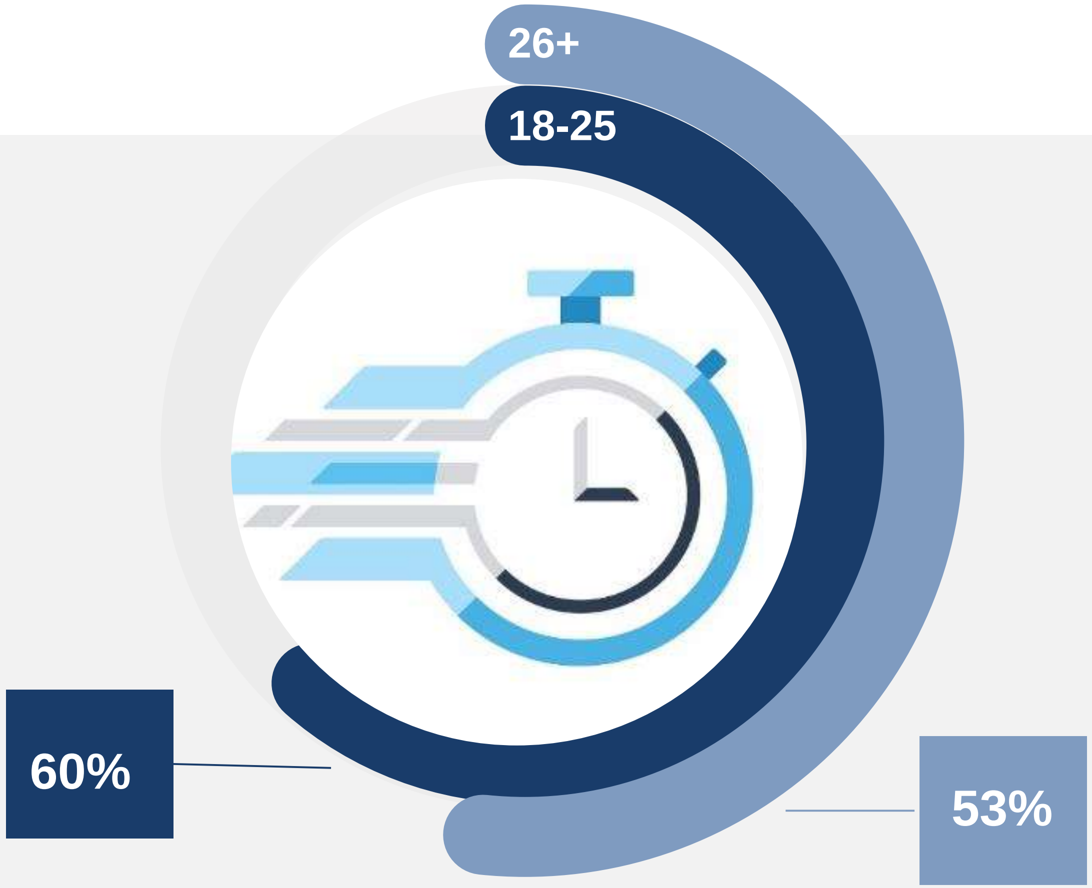
Base: 1,022 All Convenience store shoppers, March-May'18

More willing to spend extra to save time

Sometimes I go to the NEAREST STORE even if it is more expensive



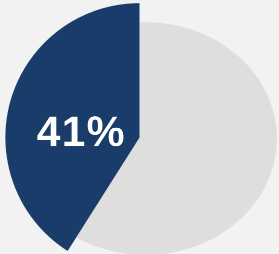
% choosing last convenience store as it is quicker and easier in-store



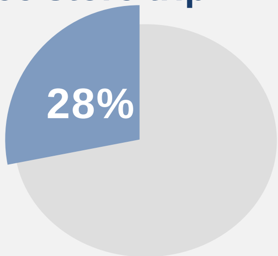
Base; 212 shoppers aged 18-25; 1,511 shoppers aged 26+ Sep'16; 583 adults aged 18-25; 3,798 adults aged 26+, Sep'16-Aug'17

Encourage trade-up with time saving solutions

% claiming to buy from a secondary location on last Convenience store trip



18-25



26+

Often buy meals in c-stores that take less than 30 minutes to prepare

18-25	**51%**
26+	41%

Often buy food-to-go in c-stores

18-25	**51%**
26+	26%

Often buy pre-cut products in c-stores

18-25	**27%**
26+	23%

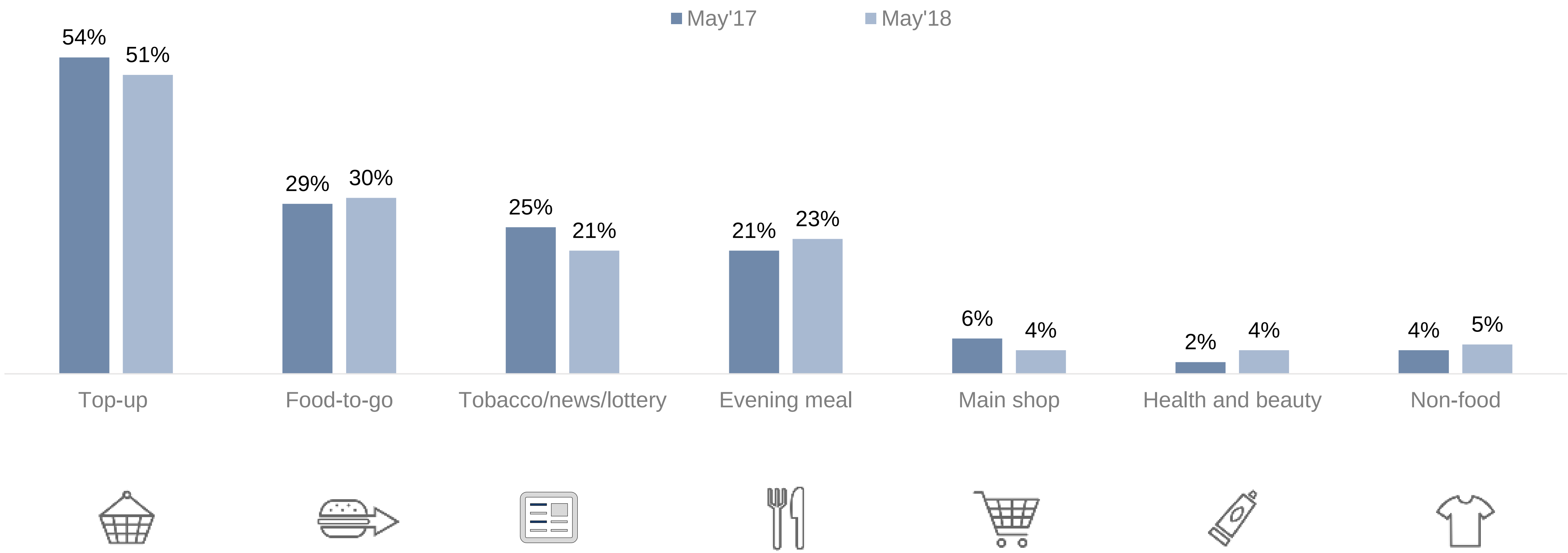
Often buy meal kits in c-stores

18-25	**18%**
26+	9%

Base: 143 adults aged 18-25; 888 adults aged 26+, June-Aug'17

…yet little overall change in shopping missions

Top missions claimed to be conducted on the last c-store trip



Source: IGD ShopperVista, March-May’18,

Delivering the top-up mission

Standing out for the evening meal

Evening meal – some good examples, but hardly universal

Improving the food-to-go counter offer

Blurring grocery retail, food-to-go and foodservice

Food-to-go: bringing focus

Shell, St Albans

Londis, Leeds

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Yet "fundamental truths" remain

VALUE

Help me get quality at fair prices

TIME

Don't make me spend more time than I want to

CHOICE

Help me find the products I want to buy

…but expectations and behaviours do change

Shoppers will…

1. BE TIME-OPTIMISERS

The grocery shopping experience will have to work harder so shoppers can optimise and make the most of their time.

We’re choosing to be busier…we’re not actually busier!

28

The number of times we check our phones each day

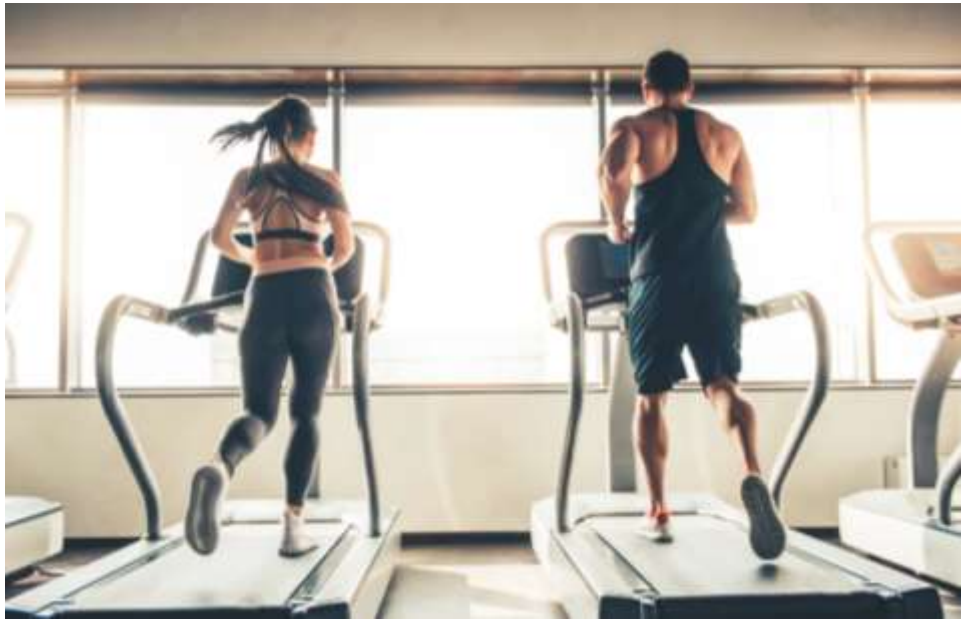
6

The number of hours we spend online per day

2

The number of hours we spend on social media each day

£5bn



value of the UK fitness industry

Food and grocery shopping is very time consuming

16.7 HOURS A MONTH

9.8 HOURS TRAVEL

6.9 HOURS IN-STORE

Source: IGD ShopperVista Base: 1,811 shopping trips, April 2017

Online: Making in-store shopping frictionless

How online is enhancing the in-store shopping experience

84%
of convenience store shoppers who say they would like in-store technologies to help them with their grocery shopping

Make it quick and easy

Coop – provenance

Give me the right choice

UbaMarket – scan and go
with dynamic shopping list and geo location capability

Give me the best value

Sainsbury's is trialling a personalised loyalty app
Aldi's app allows shoppers to buy 'Specialbuys before launch

16% …of shoppers want to use technology to get more product information

37% …of shoppers want to use technology to find products instore

39% …of shoppers want to use technology to find out about offers in-store

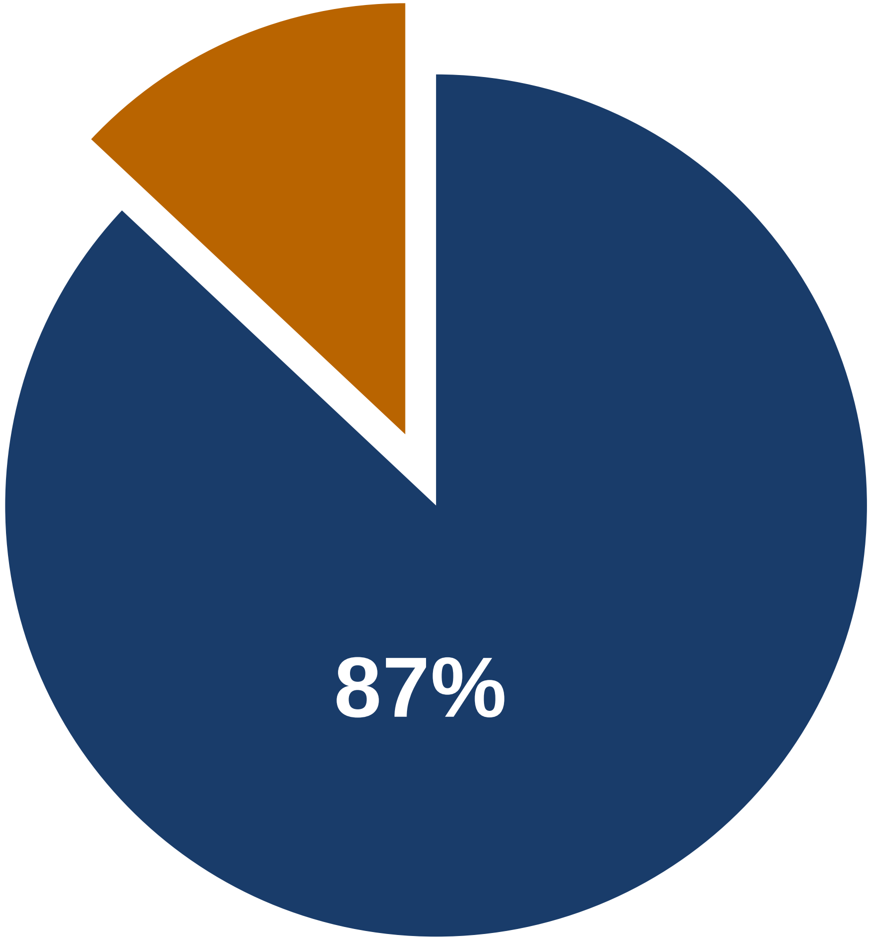
Source: IGD ShopperVista "The in-store technology opportunity" Base: 1,721 British grocery shoppers, Dec'17

Shoppers will…

2. BE MORE HEALTH CONSCIOUS

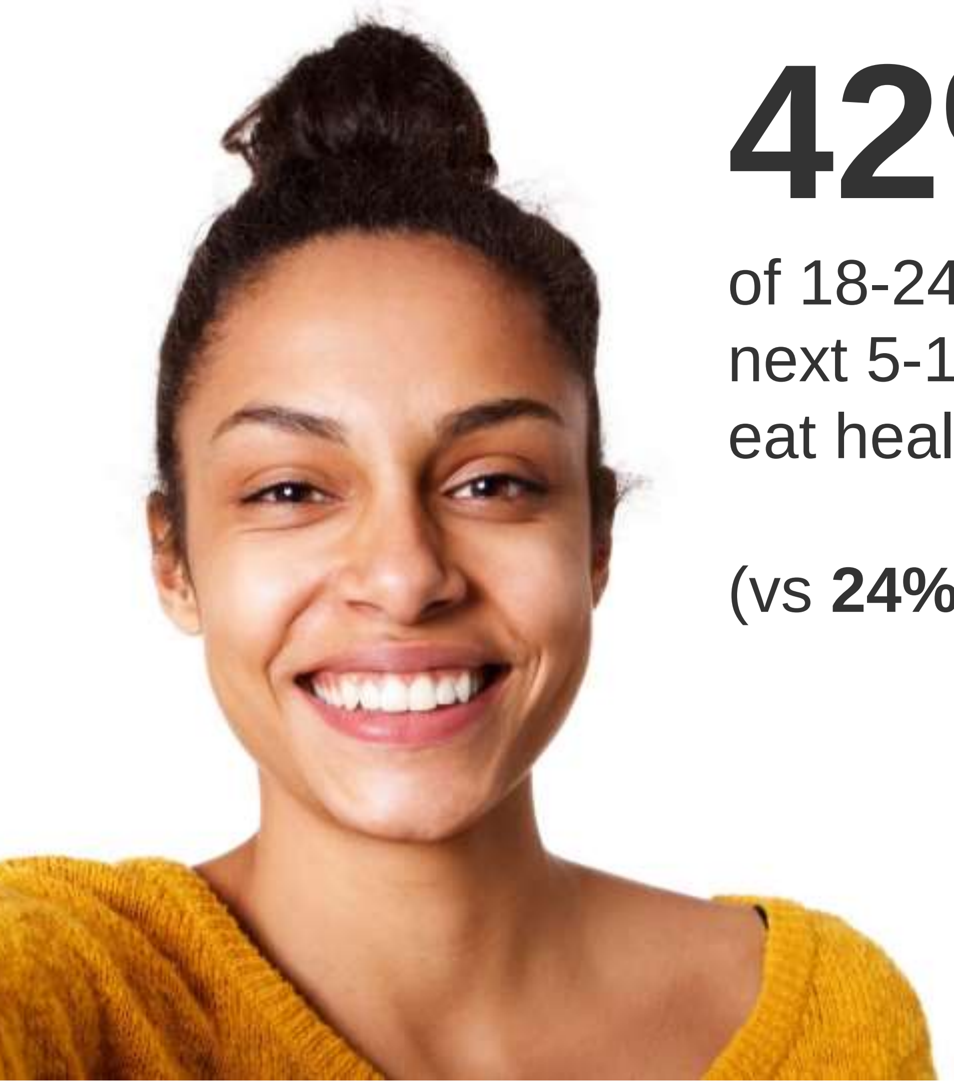
Health and wellbeing will grow in importance with subtle differences owing to individual motivations.

Strong interest in healthy options



% of convenience store shoppers actively trying to improve their diet

‘Look good’ motivations driving health agenda for younger shoppers

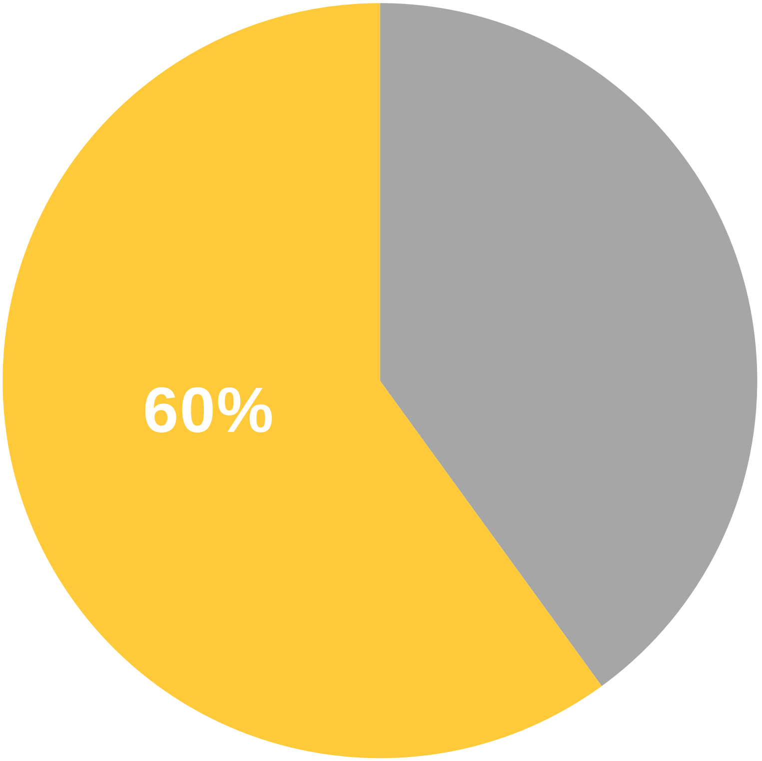


42%

of 18-24 year old shoppers say in the next 5-10 years they will be more likely to eat healthily to **look good**

(vs **24%** of all shoppers)

Meet c-store shoppers' health needs



Would like a bigger range of products for a healthy diet at c-stores

Budgens, Islington

Showcasing health and wellbeing

 Source: IGD Retail Analysis

Shoppers will…

3. EMBRACE PERSONALISATION

Shoppers in the future will be open to a more personalised food and grocery experience, but only if there is a clear benefit to them with minimal effort.

Executed well…personalisation could be game changing

Drive better conversion rates

Improve shopper retention

Create useful marketing data

Personalising the food-to-go offer

Source: IGD Retail Analysis

Smartphones could be key to unlocking personalisation in-store

53%

'My mobile phone is the one thing which connects so many aspects of my life together'

44%

'I'd like to receive personalised offers sent to my phone when I'm in different parts of a store

Shoppers will…

4. BE MORE EXPERIMENTAL

Shoppers in the future will increasingly experiment with their shopping and meal preparation to broaden their repertoires.

Experiment more

80%

Open to trying new / different food and non-food products, services and experiences

45m

Number of holiday visits abroad by UK residents in 2016

9.3m

Number of people living in the UK who were born outside the UK in 2017

Source: IGD ShopperVista, April and May 2018;

What's different is how we're finding inspiration and how quickly

Source: Unilever

Experimentation and time saving

Premier Victoria Dock, Hull

Tesco Express, Jersey Farm

Experimental

Shoppers will…

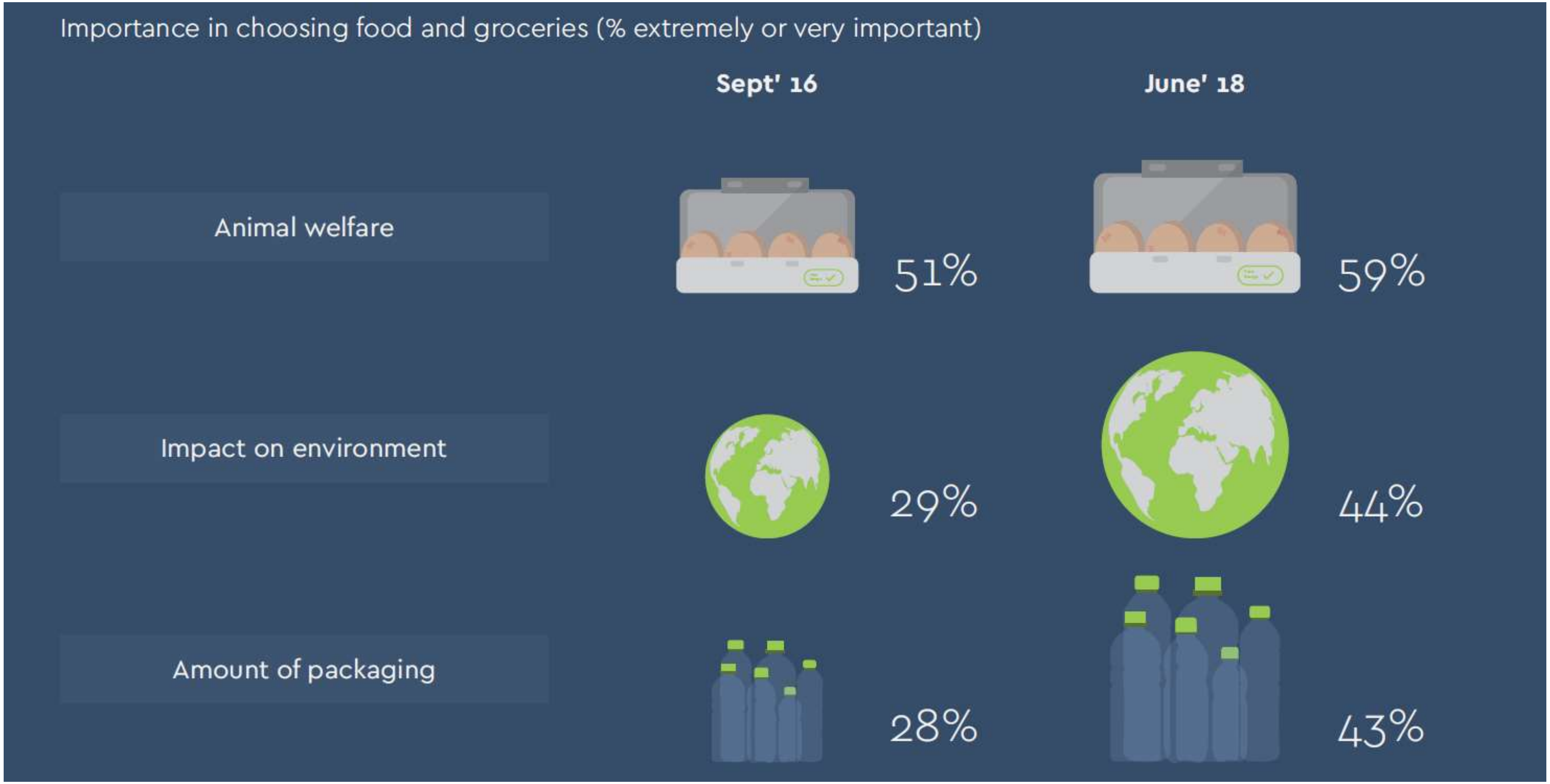
5. BE MORE SOCIALLY CONSCIOUS

Shoppers will want to make sustainable and ethical choices, but only if other needs are also satisfied.

Tipping points: ‘Blue Planet’ effect

> *I was quite surprised that my son said at university more of his friends watched that David Attenborough planet Earth than some of the football matches. They were glued to it.*

Ethical shopping: here to stay



 Source: IGD ShopperVista, June 2018;

Sustainability packaging innovation

 Source: L'Oreal, Method

Engage shoppers with the ethical agenda

Source: IGD Retail Analysis

Celebrating local

Source: IGD Retail Analysis

Celebrating local

Appealing to the shoppers of the future

Optimise shoppers time in-store

Help younger shoppers' health aspirations

Make it more personal

Experiment more to appeal to shoppers

Engage with shoppers on ethics

Thank you for listening

Further insights can be found on retailanalysis.igd.com

Or find me over lunch!

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Questions