Londis news

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New year, new start

Awards review of the year

Investing in Own Brand



New year, new start: resolve to win

When the Christmas trees come down, the tinsel is stored for another year and the turkey leftovers have been exhausted, the hard work really begins for retailers as their customers focus on healthier living

Dateline: 1 January 2016. You made a killing on alcohol and indulgence items, you catered for the 10pm Christmas Eve emergency dash for PAXO and you ordered – more or less – the right volume of stock.

But now it is all over and many customers feel guilty about the pounds – more on their waists and fewer in their pockets. They resolve to begin the new year on a healthier footing.

Perhaps some will make January a 'dry' month, join a gym or resolve to reduce sugar and saturated-fat intake. Perhaps they will decide to reduce caffeine intake and increase their consumption of bottled waters and green teas.

Those independents that help support customers in their perceived new healthy choices will have an opportunity for incremental sales on top of the basics – at least in January.

But those basics are still essential: a convenience store should still be convenient and people will continue to want chocolate biscuits, snacks and all those products, including ready meals, that make their lives easier in the time-starved society in which we live today.

This is not about revolution and throwing out the kitchen sink – it is about adapting and making modifications to suit the trends for the time of year.

Past lessons

Those who save into a private pension will be familiar with the caveat that comes with their annual statement: past results are not necessarily a prediction of future performance.

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> Chocolate and sugar confectionery both saw 17% fewer sales in January this year compared with the annual monthly average

This is also true for retailing but much can still be learnt from recent history and by intelligently applying the findings of market research and EPoS data.

View this information in the context of what is happening in the news, what you read in the trade press and what the trends are on TV food programmes – and then apply this intelligence to what you know about your customers.

Examine the trends, see what brands apply to them and then ask yourself if there is a Londis alternative that will offer cash-strapped shoppers better value and still give you a decent margin.

Alcohol and confectionery

Beer, wines and spirits and confectionery all have a relatively quiet period in the new year. Chocolate and sugar confectionery both saw 17% fewer sales in January this year compared with the annual monthly average, says IRI, which provides predictive analytics and foresight in the FMCG, retail and over-the-counter health care industries.

Stephen Lampard, head of convenience at IRI, says:



"January sees a move away from the tipples and treats of Christmas with the focus shifting to more health-orientated options."

With people going back to work, quick breakfast and snacking options that do not expand the waistline are popular, he says.

Cereal bars and fruit snacking have both performed well, he says, and they see strong sales in January. He points to Nakd, Fruit Bowl, Belvita and Go Ahead as good stock lines in these sectors.

Soft drinks

A marked shift has been apparent in soft drinks – from sugary carbonated products towards water. IRI says water manufacturers now see themselves as serious players in the soft drinks category, rather than being simply part of their own water category.

Lampard says flavoured waters and 'benefit' waters are growing on the back of trends towards lower sugar and healthier products. Items such as coconut water have performed well as consumers focus more on health benefits and less on dieting. Diet carbonates seem to have gone out of fashion, he says.

Fruit juice shows trended decline over the past two years, according to IRI's research, with a noticeable slump in January. Low calorie juice remains small, with top brands all seeing decline on the prior period, it says.



Dairy drinks and tea

Dairy drink sales grow following the Christmas period, with non-dairy also improving versus the annual average. Brands such as Actimel and Benecol grow as health becomes a focus.

Speciality tea is one of the categories that sees a strong uplift after the festive period. Lampard says: "Generally this trend lasts for one or two periods. However, with green tea, this peak in sales grows the category and a higher average sale is maintained throughout the year, with new consumers staying with the category." Not many categories see such a sales pattern, he adds.

IRI says green bags saw the largest uplift last January – 42% against the monthly average, with Twining's the largest

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manufacturers for herbal infusions, followed by Pukka and Tetley for its Tetley Green.

Butters and yogurt drinks

Butters and spreads, along with yogurt drinks, are categories that are going through significant changes, driven by changing consumer habits and tastes.

IRI says manufacturers have responded by adding ingredients that give a functional benefit such as vitamin enrichment in spreads, or bone and health benefits in yogurt drinks.

Cold-pressed and 'free from'

Andrew Wardlaw, insight director at global consumer market research agency MMR Research Worldwide, says cold-pressed juices appear to be bucking the downward juices trend – successfully marketing themselves on the basis of heightened nutrition. Therefore January would be the time to increase emphasis.

Wardlaw also points to growth in products such as almond milk, which has eclipsed soya milk. "Perhaps extend the ranges accordingly because these products lead the charge in the health-conscious consumer," he says.

"We can't ignore the fact that 'free from' is still growing...but I think retailers should be selective about what products are taken on board," he adds.

They should not be treated as substitutes for something else but should be celebrated for what they are in their own right – "not just for people who are avoiding wheat and dairy but also for those consumers who feel 'free from' is better for them", he advises.

Organic and functional

Wardlaw thinks organic has lost a lot of its clout. "I believe the consumer understands it's probably better for them...but the Soil Association needs to do a lot of work to convince the public why."

In addition MMR Research believes functional foods is an area that is dying "because it puts design before taste". Wardlaw says: "Consumers have long embraced the fact they can have pleasure and wellbeing at the same time through natural, great-tasting products that have ingredients that have a healthy halo, such as kale in a smoothie, for example, and don't need a claim for consumers to believe them to be better for them."

Fibre

Fibre is going to be the big one for 2015, MMR Research believes. "I think it could start in January," says Wardlaw. But he also feels that consumers are tiring of the five-a-day message, although it is still something to which they aspire.

He says new messaging is needed around why people need five a day. "Fibre is still sometimes linked with difficult things like bran flakes," he suggests.

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Own brand

The British own-label market, including produce, makes up half of overall grocery market value sales but in symbols and independents. According to research, data and insight company Kantar's figures for October, own label is struggling to get beyond 7-8%.

At a time of year when cash is tight, upping the own-label count could win new friends, and shoppers will appreciate the fact that you are trying to help them.

Global information and measurement company Nielsen points out that private-label success is strongest in commodity-driven, high-purchase categories and those where consumers perceive little differentiation.

But retailers would do well to bear in mind Nielsen's caveat that private label growth typically comes at the expense of small and mid-sized brands, while category leaders remain relatively safe.

Nielsen said in its last *Global Survey of Private Label* that perception of own-brand products in the UK is higher than in Europe, with 71% of UK respondents believing quality has improved compared with 62% of Europeans overall.

And 60% of people in the UK said the quality of most own-label goods was as good as that of named brands. Therein lies opportunity. The discount multiples have proven that there are opportunities beyond the well-known brands and that it is not just the advertised household names that deliver quality. See page 48 for more information on how to capitalise on the own brand opportunity.



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Top sales tips

- Run joint promotions with local gyms.
- Build health-oriented displays in windows, and at checkouts.
- Promote multiple deals that have a 'health' emphasis.
- Use own-label tactically.
- Emphasise great service: smile, speak to customers, ensure staff look after them
- Make the most of gondolas where space allows.
- Apply promotional language to the time of year.
- Make use of market research, EPoS data, trade press.
- Follow advice or recommendations from Londis.
- Make your shop cheerful – people feel glum after the holiday season.



Shopper and market insights: embracing your customer

The latest ShopperVista research from IGD suggests a massive market shake-up is under way. Londis News examines the findings to pinpoint the trends that are shaping shopper behaviour

Retailers who "embrace shopper power, reset standards and redefine concepts" will be tomorrow's winners, says Joanne Denney-Finch, chief executive with IGD, in the introduction to the IGD Shopper Vista report, *Shopper Trends – shaping future behaviour.*

The key findings from quizzing grocery shoppers about their motivations and the way they shop, include:

- Relatively high satisfaction with in-store experience.
- Opportunities for increased provenance transparency and in-store inspiration.
- Technology that helps shoppers find the best value more conveniently could determine tomorrow's winners.
- The higher number of shoppers claiming to shop more frequently is helping to embed the multichannel trend.
- Better harnessing of technology and data could have a massive impact on loyalty.
- Shoppers want help to buy healthier.

Value for money

Discounters have redefined shoppers' quality and value expectations. The research shows that some shoppers are prepared to sacrifice more for price and convenience, but others are more inclined to focus on quality. Striking a balance is therefore essential.

Twenty-seven per cent of shoppers want at least the same quality for less money, despite an uplift in confidence since the recession. However, a significantly larger number – 31% in December 2012 compared with 44% in August this year – would focus on quality over saving money.

Value does not necessarily mean cheap. Retailers can provide value while charging a premium if they can demonstrate extra benefits or innovations.

Satisfaction

Fourteen per cent more shoppers (57%) enjoy food shopping today than did in 2008 (43%). Product quality scores the highest satisfaction rating today – 77%. Overall in-store experience scores 74% and range, on which the industry has been over-delivering, 65%.

Provenance and in-store 'inspiration', such as specialist advice on products and ideas about what meals to cook, could be better.

The IGD says c-store operators can build on satisfaction to encourage extra purchases with:

- Clear, spacious and inspiring environments.
- Tactical in-store levers, such as product dual-siting.
- Maximising event opportunities in cooperation with manufacturers.

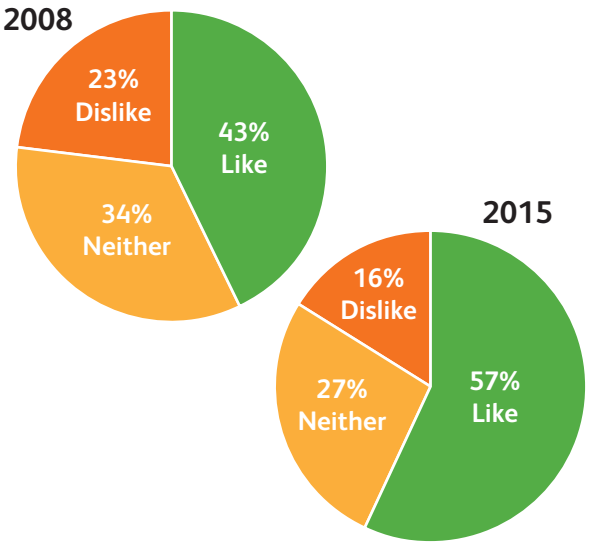
The C Factor

Convenience is an important factor when grocery shopping, and comes second in the top-three drivers of where to shop, behind price and ahead of special offers.

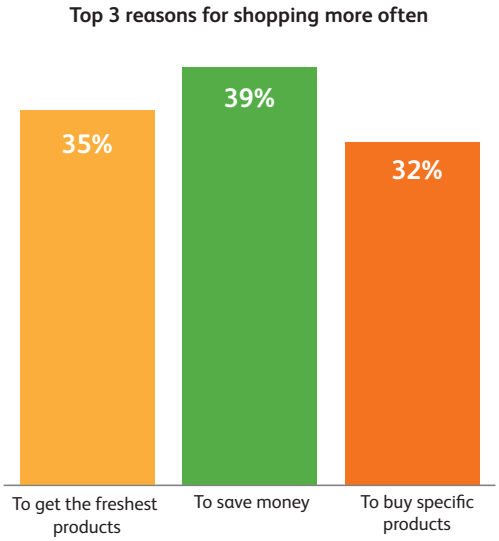
The shopper's in-store experience could be improved through better navigation and greater ease of price comparisons. Some 10% of shoppers find it difficult to locate products and 18% find it hard to compare prices.

In this context, technology that feeds into finding the best value more conveniently will find a willing audience.

An increasing number of shoppers say they enjoy food and grocery shopping



A range of factors is driving shopping frequency but value and range are particularly important



Base: All main grocery shoppers, Aug 14–16 2015

Tomorrow people

Continuing this theme, technology, especially smartphones, has driven multichannel retailing and will continue to do so. Retailer awareness of mobile-phone-based approaches that interest shoppers will be an essential part of future planning. For example, money-off vouchers are the mechanic shoppers say they are most interested in for the future (44%), while comparing prices on their phone is the next popular mechanic that shoppers named (20%), followed by collecting and using loyalty points with their phones (17%).

In fact, the mobile phone features in all convenience factors shoppers mention, including getting offers near stores (14%) and before they go shopping (13%), and for scanning to speed up the checkout process (12%).

Frequent shopper

Multichannel shopping has created more choice and helped drive increasing frequency as customers aim to save money, get the freshest products and to buy specific goods. Waste reduction, difficulty planning meals and smaller households are other influencers.

Improved finances, a more enjoyable store environment and more outlets could drive even greater frequency, the IGD says. In fact 36% of shoppers agree they would shop more often if they were "better off" and 29% if the experience were more enjoyable.

Loyalty

The overwhelming priority for shoppers is a better way to compare prices and find value. Just 10% claim to do all their grocery shopping at the same retailer and 68% "almost all" or "most".

Seventy-four per cent of shoppers say certain changes would encourage loyalty. Of those changes, 31% cite better prices, 22% wider choice and 18% better loyalty rewards.

Some 62% agree the values and benefits of well-known brands mean less today than they used to.

Health

Changes to store layouts could help shoppers who want to follow a balanced diet. This is important because the proportion of shoppers wanting healthy products grouped together is growing. Not only do shoppers want more space for healthier foods but more people than ever want healthier meal suggestions.

Some 29% want the least healthy products removed from sale; this is the third from top health request from shoppers this year. Integrity is key: shoppers want confidence in health claims.

Take it away

So what can we glean from these findings? Firstly that retailing is undergoing huge changes. In particular, independents need to keep on top of technological advances which will help to drive loyalty and promotional activity.

Shoppers are more canny than ever. They know what value is. They want honesty, integrity and advice they can trust.

The way they shop is changing in a world in which there are increasing demands on their time. This is where you, the convenience retailer, can help, both by improving their shopping experience and enhancing their shopping satisfaction. ■