



Tomato Market Update

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Kantar

KANTAR

Tomato market update



Joe Shaw Roberts

September 2023

Where have I heard that before?

prices are rising

consumers are
worried

trading down
and buying a bit
less

switching to
Private Label

shopping around

flocking to the
discounters

lipstick
effect

short term
priorities

growing risk
aversion

At the start of 2023 we said

prices are rising

consumers are
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A shift in mindset and retail environment has driven behavioural change

We should plan for that **behaviour to outlast both the economic conditions and the mindset that created it**

Unless we're able to provide the impetus to reverse the flow

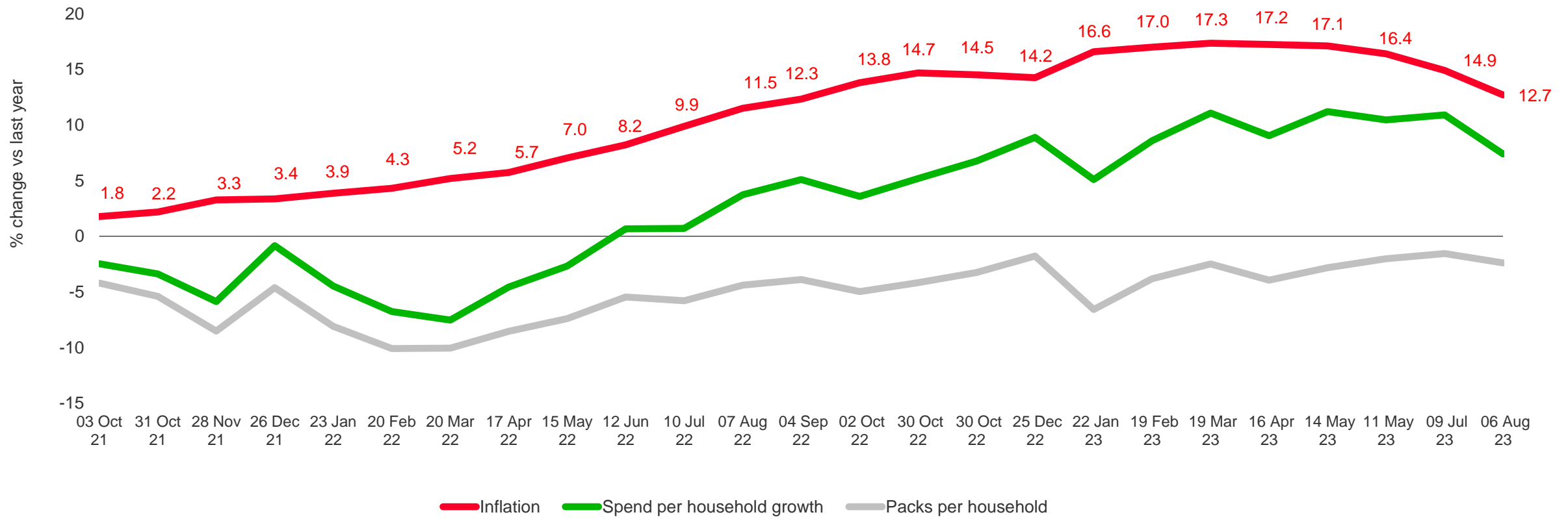
What do we think about the start of 2024?

prices are rising

prices are rising

FMCG like-for-like inflation

As price rises have slowed, coupled with lower volumes, spend per household only up 7.4%



Predictions: start of 2024

prices are rising

consumers are
worried

Compared to this time last year, there are less managing and more struggling households

I don't have to restrict my spending in any way

I'm comfortable & can afford most things

On the whole I can manage ok

I'm just making ends meet

It's not sufficient to cover expenses

5% (-1pp)

28% (no change)

42% (-2pp)

21% (+2pp)

5% (+1pp)

33% Comfortable (-1pp)

42% Managing (-2pp)

25% Struggling (+3pp)



Predictions: start of 2024

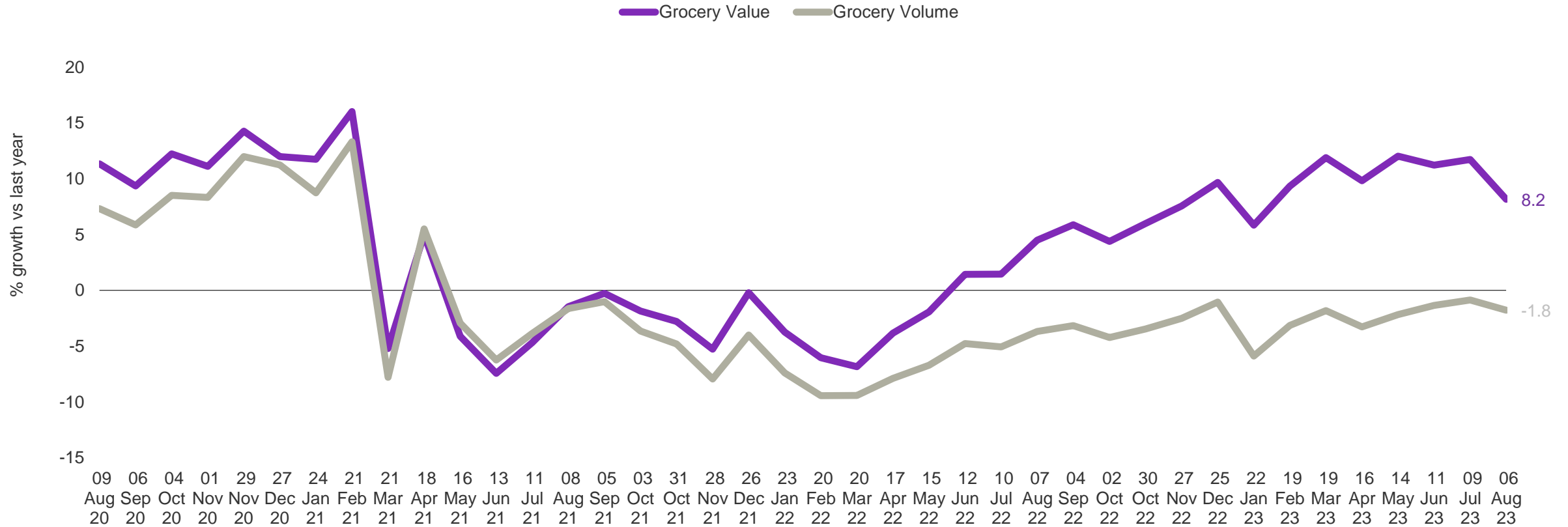
prices are rising

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Trading down and buying a bit less

Grocery volumes have continued to be suppressed against a backdrop of higher inflation.

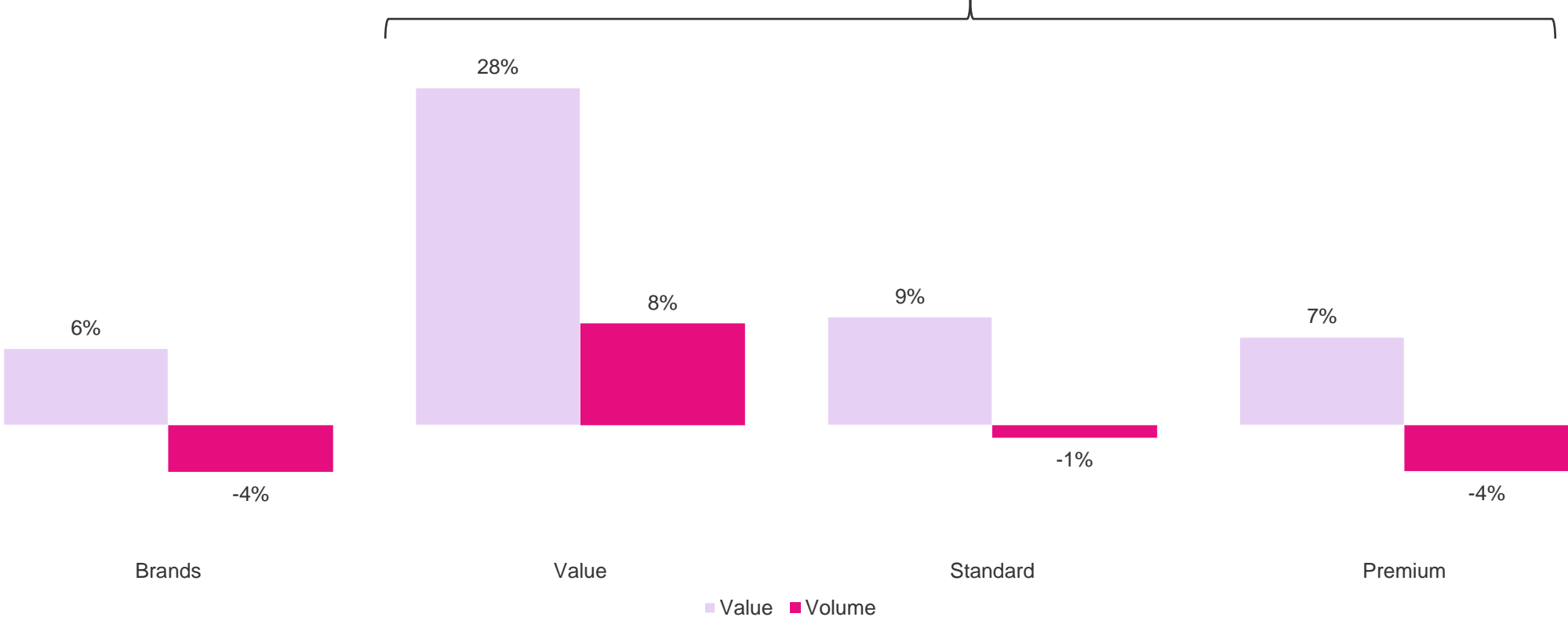


Trading down and buying a bit less

Grocery growth by product tier in both value and volume terms

Value own label is the only tier currently in volume growth

+10% value, -1% volume



Predictions: start of 2024

prices are rising

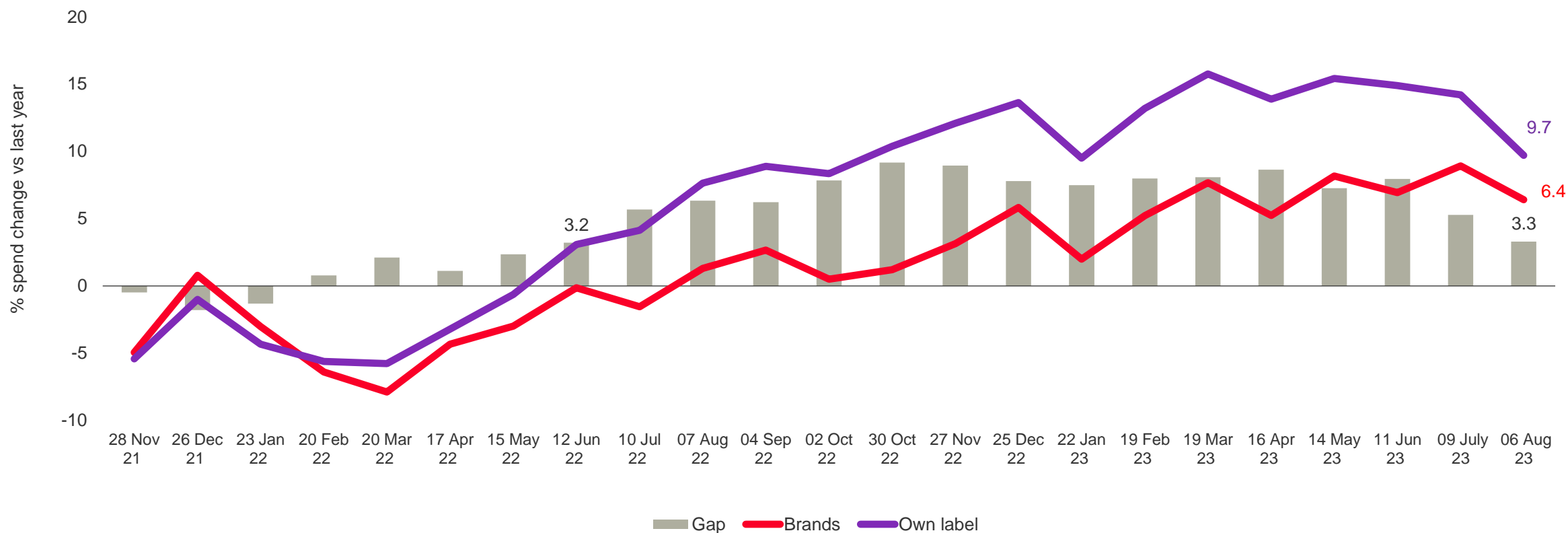
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Brands vs own label growth trend

Own label growth falls faster, so gap ahead of brands at smallest since June last year



Predictions: start of 2024

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consumers are
worried

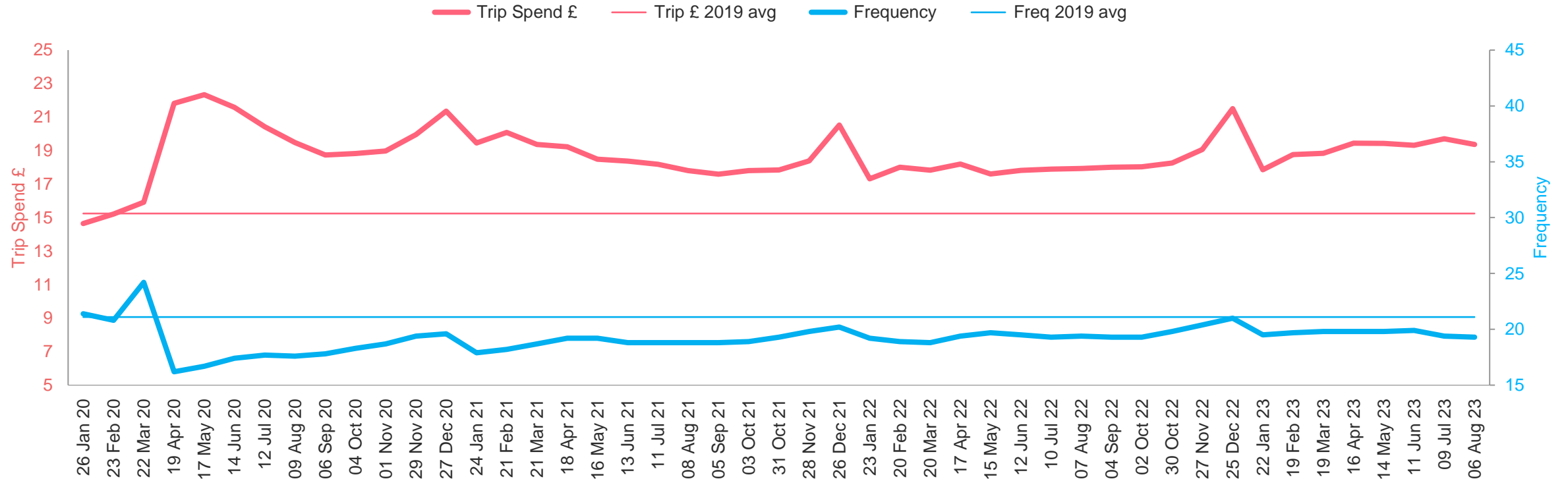
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shopping around

Frequency and basket size – 4 weekly trend

Number of shopping trips per household in August stuck 9% below pre-covid average



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Growth is a 50:50 mix of existing stores + new stores.

Reports of store openings slowing by 50% suggests growth will be a maximum of 75% of figures seen this year...meaning still ~15% growth.

c.90 new stores
detected in our data in the
past 2 years*



c. 45% contribution
from those stores to Aldi's
Revenue growth in 2022

*Refurbished stores and those replacing another Aldi store in the same catchment are excluded from new stores

Predictions: start of 2024

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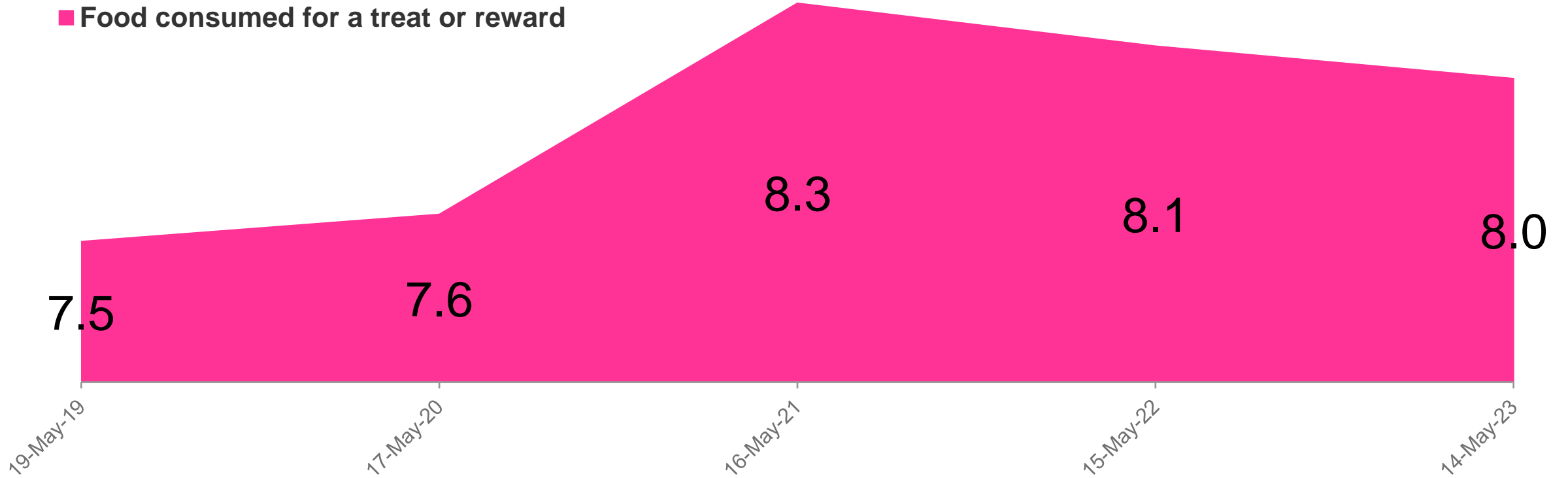
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Consumption as a 'treat' remains elevated vs pre-covid



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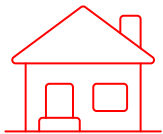
short term priorities

Financial pressure, exacerbated by inflation, will mean shoppers continue to react & adapt in ways we must support



69% of households are extremely or very concerned with the **rising cost of groceries**

(59% in November 21)



These shoppers account for **£92 billion** worth of grocery spend

Ahead of worries about:

- General economy
- Climate change
- Rising petrol prices
- Public sector strikes
- War in Ukraine

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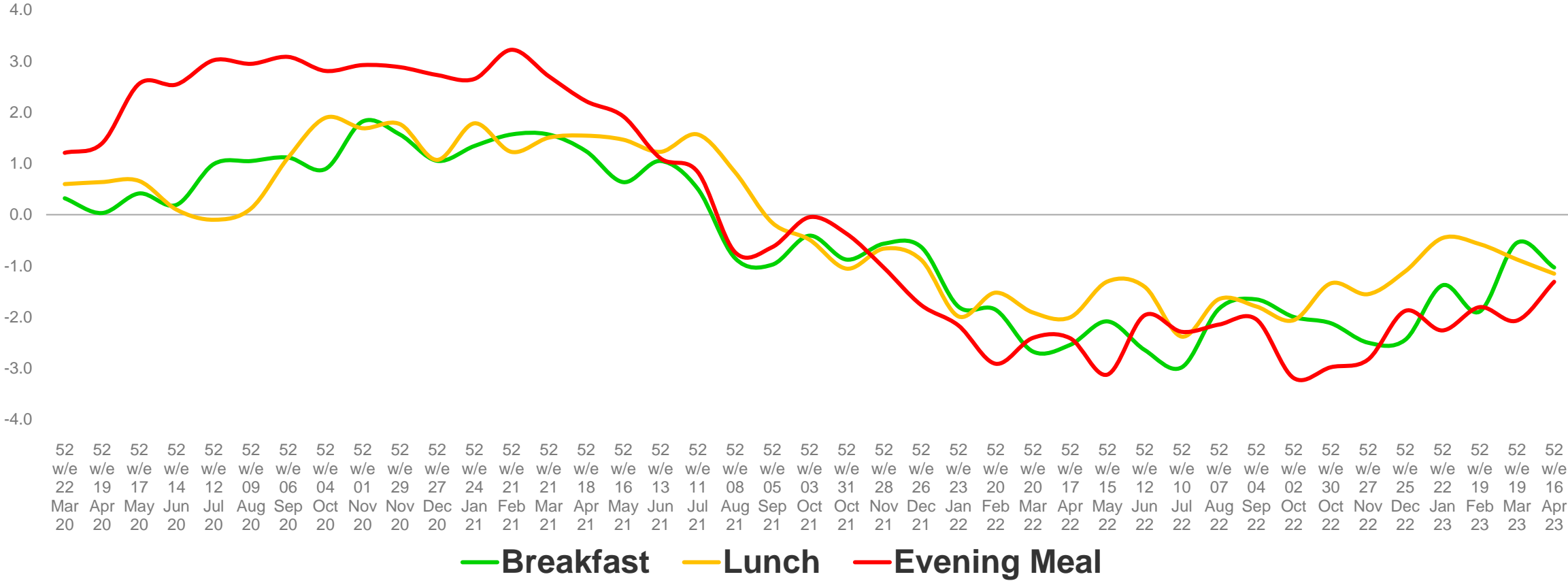
short term priorities

growing risk aversion

Growing risk aversion

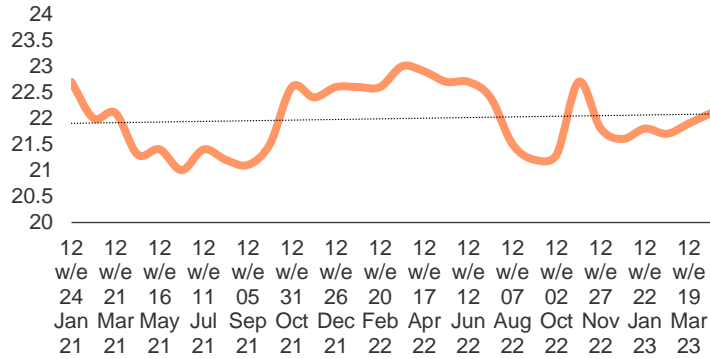
Our simplification of meals has continued, with breakfast, lunch & dinner all seeing similar levels of decline in how many items make it to the plate.

YoY % change of average number of items featuring at the occasion

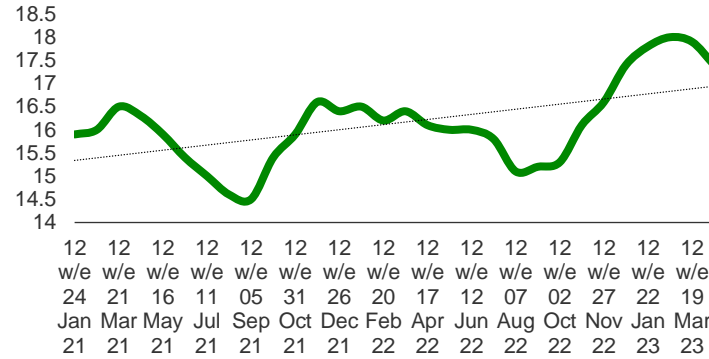


There is notable movement towards microwave and grilling/toasting in recent periods. Oven cooked sees slight decline, along with falls in frying and hob heating too.

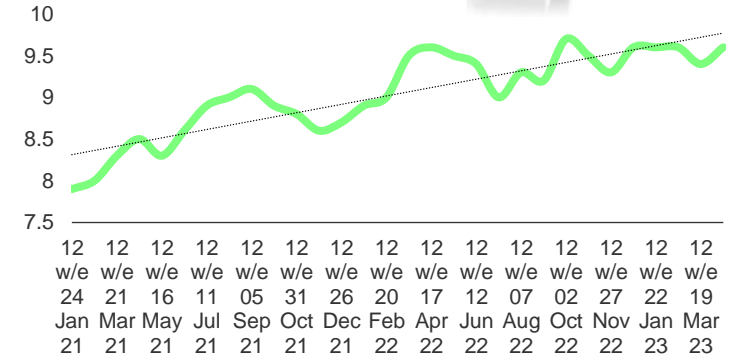
Boiled/Steamed



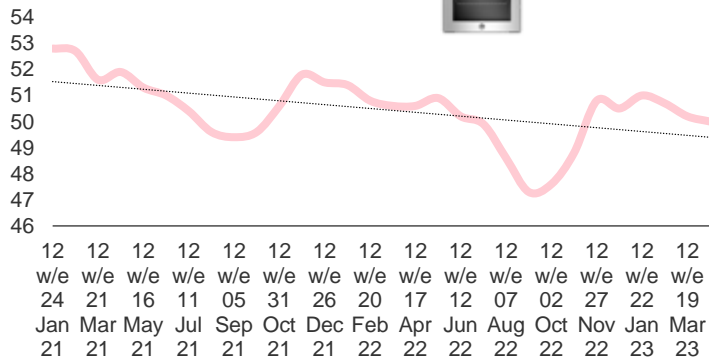
Microwaved



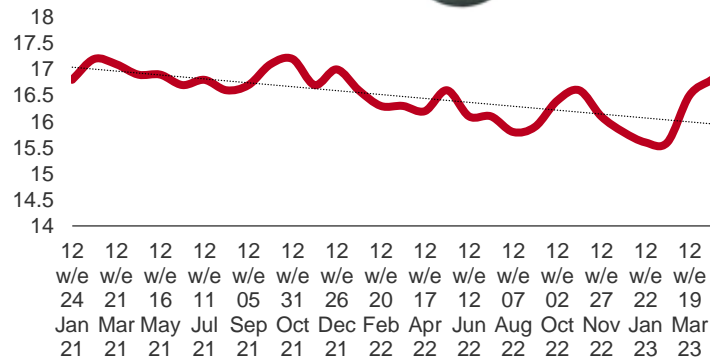
Grilled/Toasted



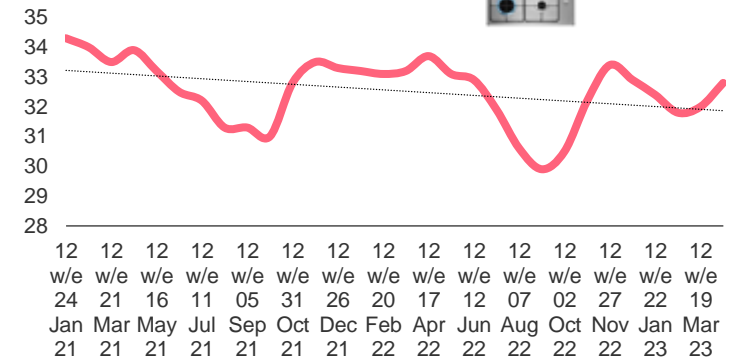
Oven Cooked



Fried



Heated on Hob



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Implications for tomatoes



2019

2020

2021

2022

2023

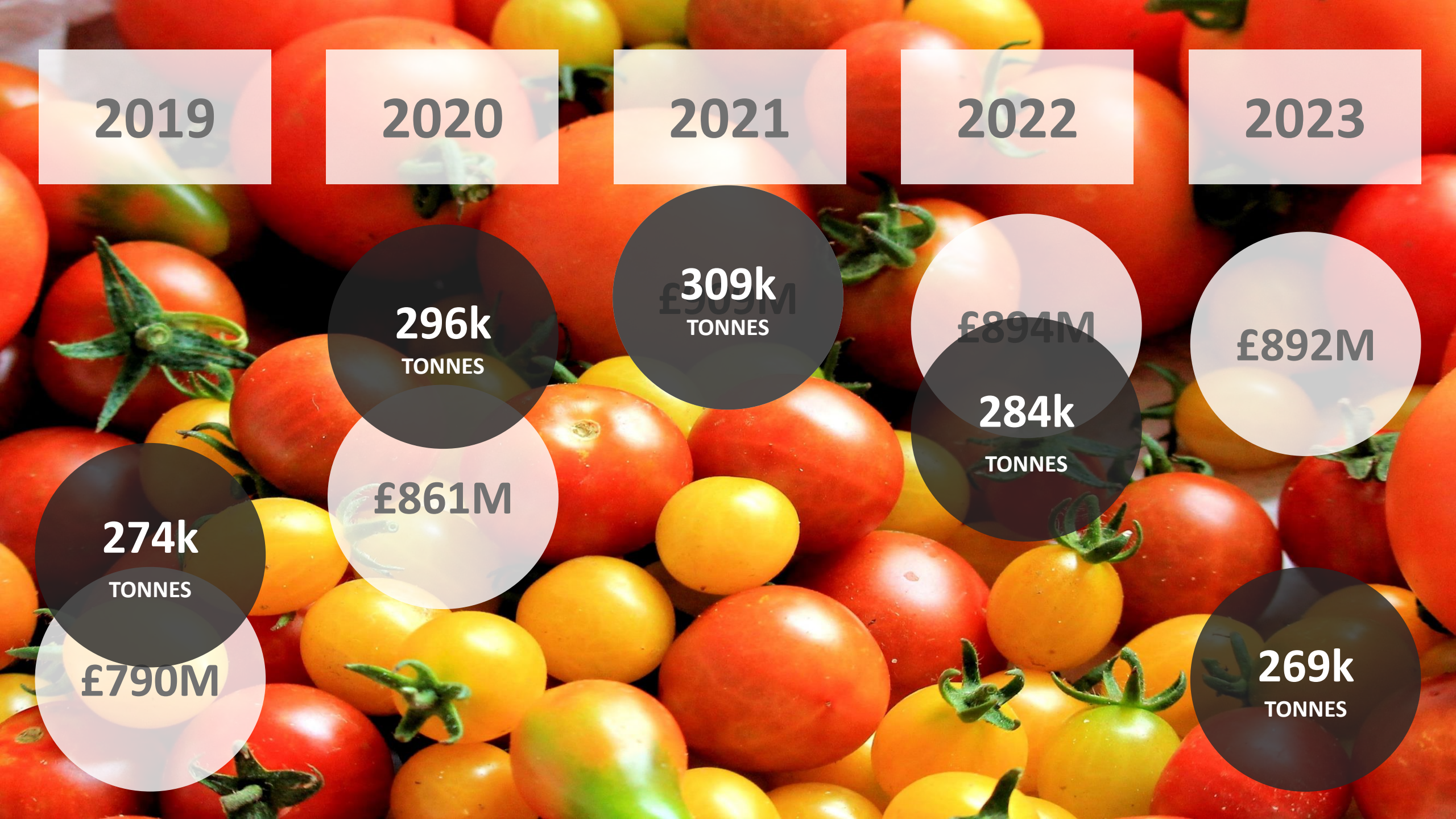
£909M

£894M

£892M

£861M

£790M



2019

2020

2021

2022

2023

296k
TONNES

309k
TONNES

£894M

£892M

284k
TONNES

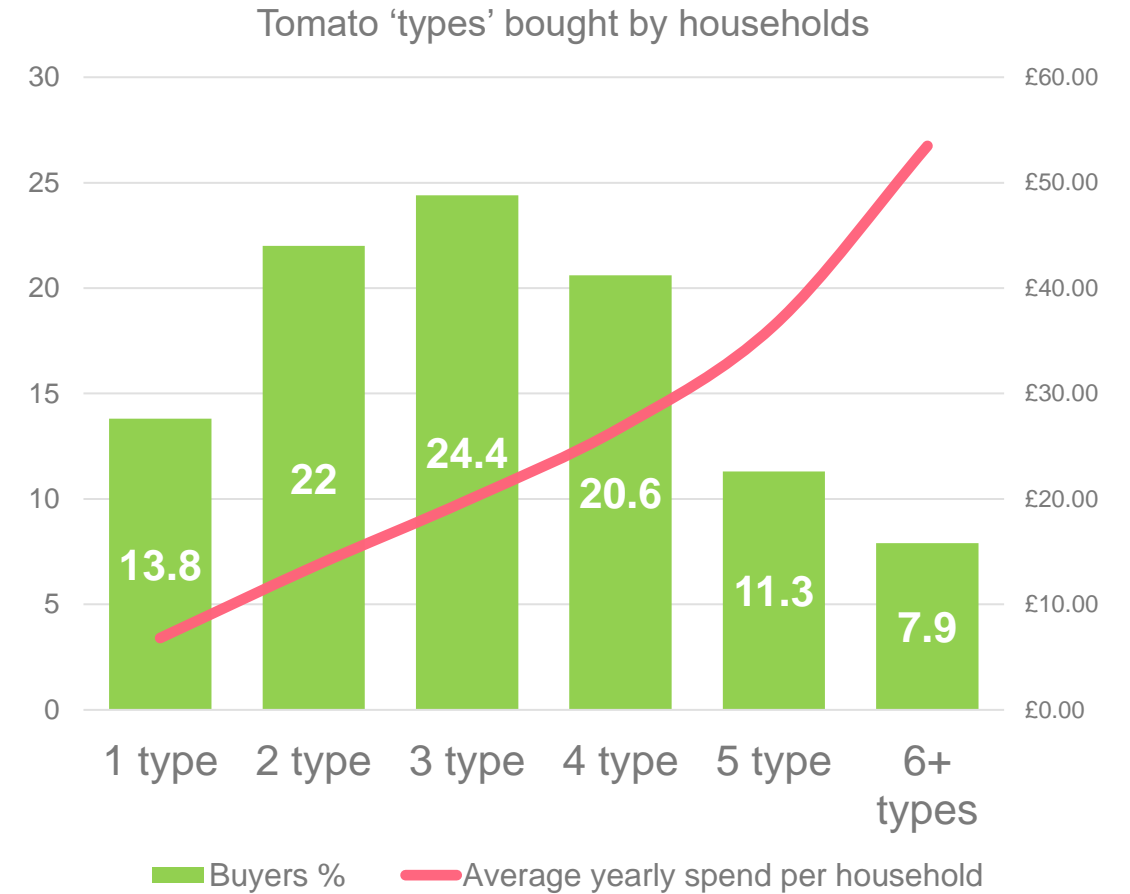
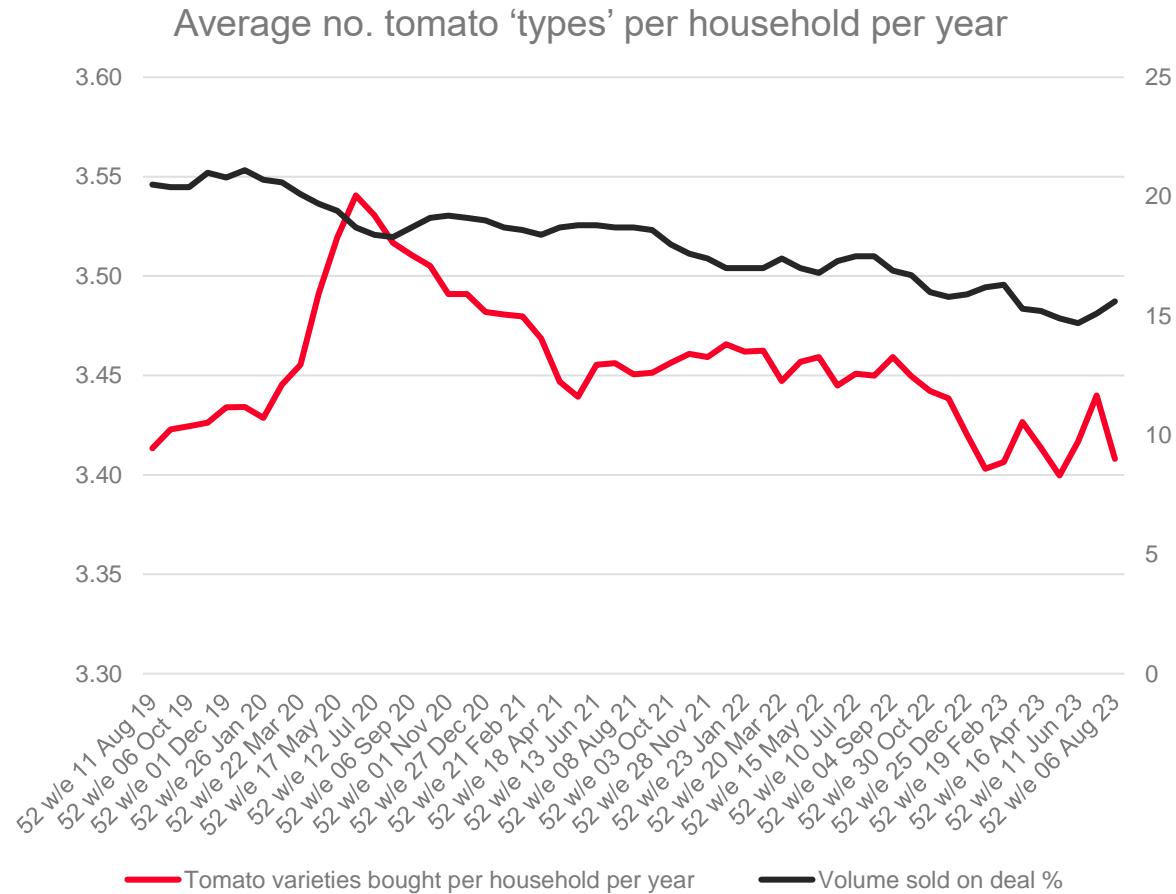
£861M

274k
TONNES

£790M

269k
TONNES

Focus on building shoppers' repertoires and using promotions to entice shoppers into new varieties.



However, this has been under threat despite healthy levels of promotion.

CUTTING DOWN

Shoppers cutting
back on extent of
Premium Tier
purchasing

CUTTING OUT

Shoppers moving
Premium Tier
purchases directly to
Standard Tier

When facing into the COL challenge we need to consider both parts of the value equation

$$\text{Value} = \frac{\text{perceived benefits}}{\text{cost}}$$

Perhaps it's more useful to think about it like this

Differentiation is our key tool to cut through the headwinds for premium varieties

$$\text{Risk of trade down} = \frac{\text{price differential} + \text{shopper desire for savings} + \text{retailer tiering strategy}}{\text{differentiation}}$$

Tomatoes' tiering strategy is a lesson for wider Fresh Produce fixtures.
A better fit for the financial comfort of the population AND category health.



Premium tier share

Fresh Produce

5

Salads

4.6

Tomatoes

12.8



Value tier share

8.8

9.4

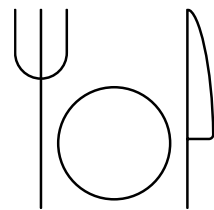
11.1



“Complements rest of meal”

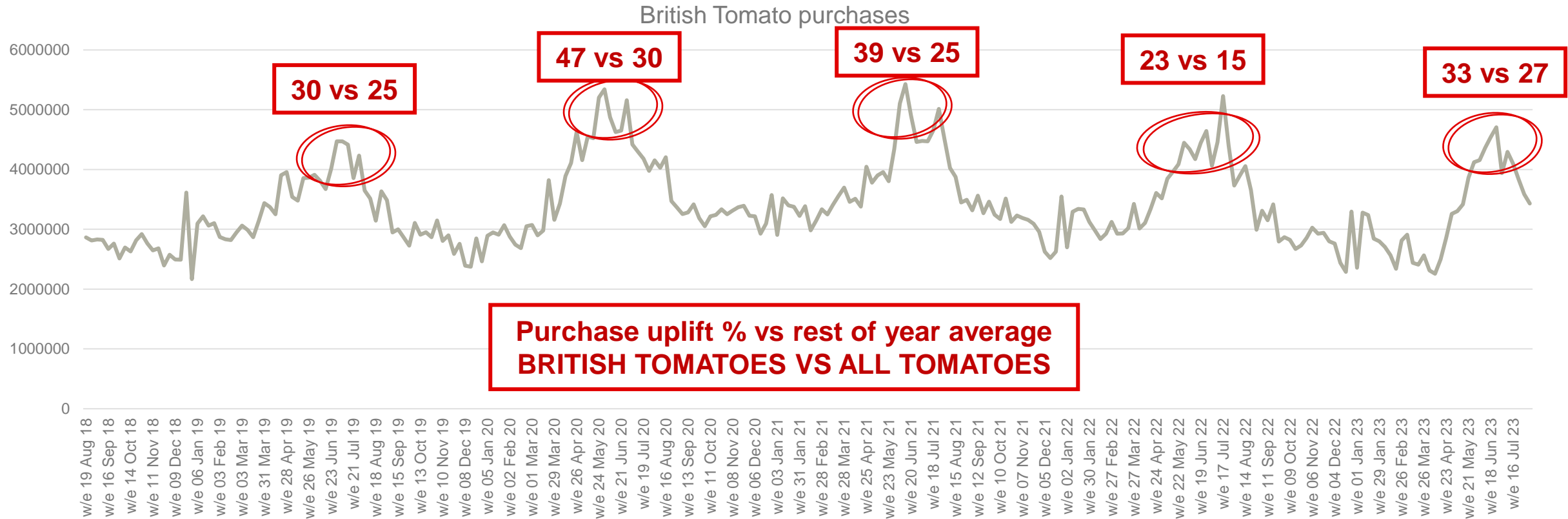


A point of difference for tomato consumption vs Veg & Salads

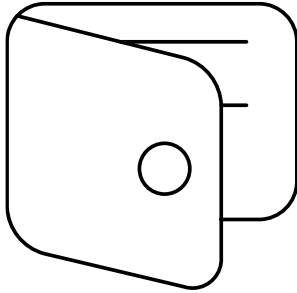


Recipe suggestions to drive purchase of different varieties!

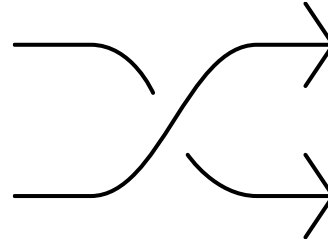
Speaking of differentiation – British Tomato Fortnight!



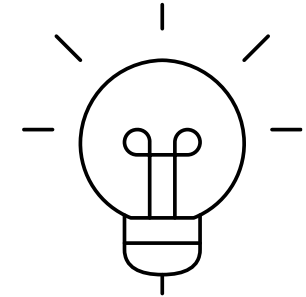
Summary



Tomatoes & particularly premium Tomato ranges have seen the **effects of consumers tightening their belts**. Absence of promotions hasn't helped.



New, premium varieties are a long-term growth driver. The more shoppers we can tempt to buy these ranges (with promo), the more the health of the overall category will grow.



Pay real attention to **differentiation** and how it's communicated for new varieties. Educate consumers with **recipe suggestions**. **British Tomato fortnight** makes a difference! Focus recipe activity here.