CHANGING GROCERY STORE FORMATS

STAYING AHEAD OF THE C-STORE SHOPPER

16TH JULY 2013

The Society for Location Analysis

THE RACE IS ON!

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CONVENIENCE HEADING TOWARDS 2ND PLACE

	Year to April 2012 Value (£bn)	Year to April 2017 Value (£bn)	Change in Value %
Superstores and hypermarkets	72.3	76.9	6.4
Small supermarkets (3,000-25,000 sq ft)	34.5	38.8	12.5
Convenience	33.9	43.6	28.5
Discounters[1]	7.5	12.4	64.7
Online	5.6	11.1	97.7
Other retailers[2]	9.4	9.8	4.2
Total	**163.2**	**192.6**	**18.0**

Note:
1. Discounters includes all sales of Aldi and Lidl and grocery only sales of principal high street discounters
2. 'Other retailers' includes specialist food and drink retailers, food sales from mainly non-food retailers and street markets. It replaces the 'traditional retailers' channel in previously published versions of this table and results in a slightly larger total market size

Source: IGD Research

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THE MULTS ARE FLYING!

	2013	2018	Total Growth
Symbols	£14.8bn	£19.7bn	+33%
Independents	£6.5bn	£6.2bn	-5%
Multiples	£6.3bn	£11.3bn	+80%
Forecourts	£4.0bn	£3.9bn	-3%
Co-operatives	£4.0bn	£5.1bn	+28%
Total	**£35.6bn**	**£46.2bn**	**+30%**

Note:
1. Discounters includes all sales of Aldi and Lidl and grocery only sales of principal high street discounters
2. 'Other retailers' includes specialist food and drink retailers, food sales from mainly non-food retailers and street markets. It replaces the 'traditional retailers' channel in previously published versions of this table and results in a slightly larger total market size

Source: IGD Research

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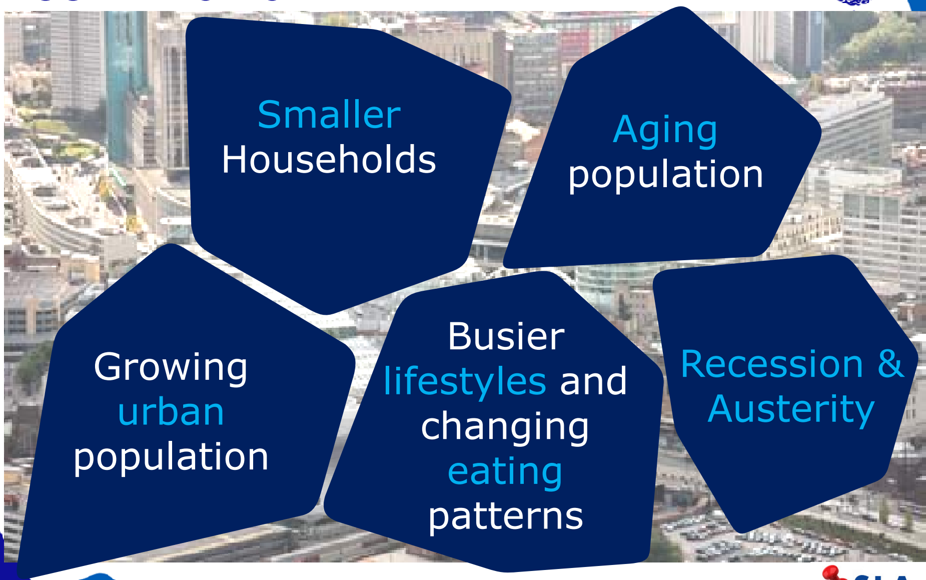
TODAY SEES MANY TRENDS CONVERGING



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CONVENIENCE RETAILING IS TRANSFORMING

Unilever

Independent Corner Shop

Diffe d Propos

Diversification

Standardised and commercialised branded environment – Express 1994

M-Local and Little Waitrose 2011

Musgrave in Boots Poundland 'food for now'

Source : Fitch Global Convenience Best Practice 2010 with 2011 refreshes

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THE WINNERS ARE RECOGNISING THE IMPORTANCE OF LOCATION & MISSION

LOCATION				
Transient	Neighbourhood	High Street	Edge of Town	Out of Town
PREVALENT STORE FORMAT				
Convenience	Convenience	Small/Medium Supermarkets	Medium/Large Supermarkets	Large/ Hypermarkets
PREVALENT SHOPPING MISSION excl fuel				
Food for Now Meal for Tonight Top Up	Top Up Meal for Tonight Food for Now	Food for Now Meal for Tonight Top Up	Trolley	Trolley

Source: Leapfrog Mission Understanding, qualitative research Dec 10 / Jan 11

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THE M-LOCAL JOURNEY SO FAR......

M Local

MISSION BASED STORE LAYOUTS MAKE IT INTUITIVE TO SHOP

Source : HIM Convenience Tracking Programme, Super C- Stores, Spring 2012*

MISSIONS DRIVE WHAT SHOPPERS BUY

Food for Now

Chilled Soft Drinks
Single Crisps, Nuts & dried Fruit
Pot Snacks
Single Chilled Snacks
Single Yoghurts
Sandwiches
Single Fruit
Single Soup
Single Confectionery
Single Ice-cream
Single ISB

Newsagent

Lottery
Tobacco
News & Mags
Top Up Cards

Meal for Tonight

Large Soup
Garlic Bread
Pasta
Large Quiches
Large Soup
Desserts
Rice
Fruit & Vegetables
Fresh Meat, Fish & Poultry
Pizza
Frozen
Cooking Sauces
Ready Meals

Top Up

Juice
Preserves
Bread
Cooked Meats
Free From
Cereals
Toiletries
Pet
MP Yoghurt
Morning Goods
Household
Hot Beverages
Milk
Cheese
Eggs
Grocery
Home Baking
Dips
Biscuits
Butter & Margarine
Confectionery & Crisp MP
Large Soft Drinks

Entertaining

Sharing Crisps & Nuts
Boxed Confectionery
Alcohol
Sharing Confectionery
Cards
Flowers

Source: ACNielsen Unilever Commissioned Research, Shopping Mission Panel, category ranking by 31,321 shopping mission trips

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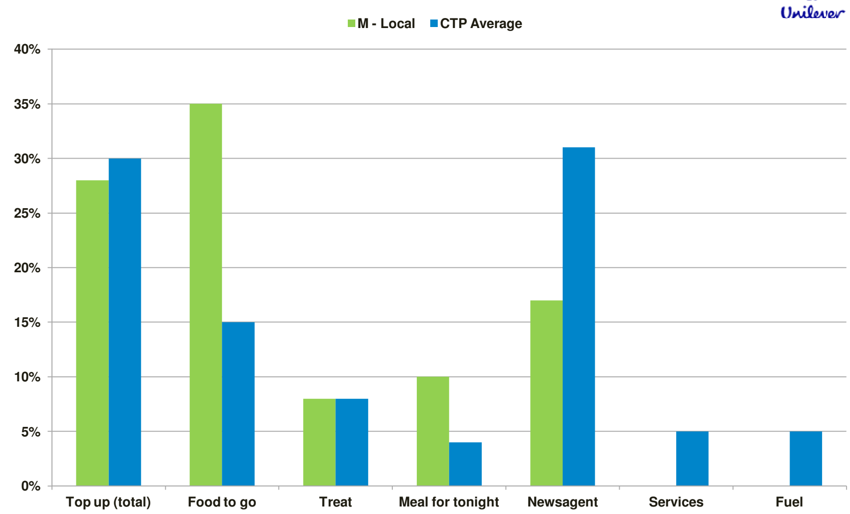
M-LOCAL BY MISSION



% of customers on a particular shopping mission

Source: HIM Spring 2013 Survey

SAINSBURY'S LOCAL, EARLSFIELD

Source : IGD

LITTLE WAITROSE IS FOLLOWING MISSIONS

Old Brompton Road

MEAL FOR TONIGHT IS KEY

75% people don't know what they are having for dinner at 4pm

1980 60 minutes

1990 45 minutes

2012 34 minutes

Average time to cook a meal

Mums juggle busy lives and demands from the family with a repertoire of 6.5 dishes (in a fortnight)

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MEAL FOR TONIGHT – INSPIRE ME

Waitrose, UK

Source : Fitch Global Convenience Best Practice 2010 with 2011 refreshes

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‘LOCATION DRIVES THE SHOPPER MISSION……..

AND MISSION DRIVES BEHAVIOUR IN STORE’

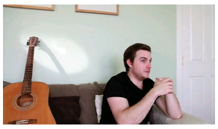
C-STORES WILL BE IMPORTANT IN THE FUTURE RETAIL LANDSCAPE

FITCH

QUAL SHOPPER RESEARCH

FITCH Unilever

NAME: Graham
AGE: 28
OCCUPATION: Musician/Project Manager
CITY: Glasgow



NAME: Lisa
AGE: 29
OCCUPATION: Hire Sales Controller
CITY: Livingston

NAME: Cath
AGE: 54
OCCUPATION: Dog Groomer/Campaigne
CITY: Liverpool

NAME: Paul
AGE: 54
OCCUPATION: Brand Consultant
CITY: London

NAME: Julia
AGE: 29
OCCUPATION: Actress
CITY: Glasgow

NAME: Martin
AGE: 60
OCCUPATION: Retired
CITY: Liverpool

NAME: Lulu
AGE: 33
OCCUPATION: Childrenswear Designer (maternity leave)
CITY: London

The way shoppers talk about their habits leads to 3 key future trends

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1

Greater awareness of healthy lifestyles and more emphasis on the quality and origin of our food is driving demand for fresh produce. However, shoppers will continue to insist on high standards of value and convenience too.

Unilever

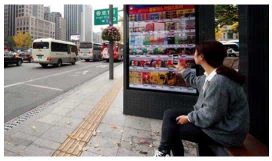
- Health and Wellness
- Trust & Transparency
- Making a difference

Ethically Fresh

- Famous for Fresh
- Made In Store
- Food For Now
- Efficiency by Design
- Provenance

2

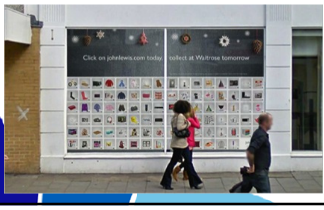
Busy shoppers are increasingly not prepared to wait. As they become accustomed to a world of digital choice at their fingertips, they want to conveniently locate and explore products whenever and wherever they happen to be.



- Busy Lifestyles
- Seamless Technology
- Curated Choices

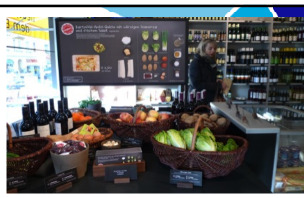
Heightened Convenience

- Vending & Self Service
- Stolen Moments
- Click & Collect
- Extra Services
- Co-branding
- Delivery & Mobile Stores



3

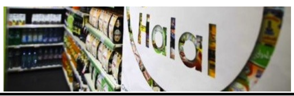
Shoppers are looking to balance their ever busy schedules and more isolated digital lives with rich, social occasions. Shared meals are a growing means of reconnecting with friends, family and the local community.



- Try new things
- Get involved
- A sense of belonging

Living Social

- Scratch Cooking
- Expert Advice
- Value Offers
- Community Engagement
- Social Spaces
- Local Relevance



HOW TO STAY AHEAD OF THE C-STORE SHOPPER

Be local

Be quick

Be bold

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THANK YOU ☺