

Servicing the Irish Convenience Retail Sector

Irish Retail Programme

27 May 2010

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Agenda

- 09.30** **‘An overview of the Irish Convenience Retail Sector’, Gillian Swaine**
- 10.15** **‘Key Account Management with a Convenience Retailer & Understanding Commercials’ Dermot O’Connell, Retail Support Services & Retail Direct Distribution**
- 11.15** **‘Distributing to a Convenience Retailer’ – Robbie Gill, Retail Support Services & Retail Direct Distribution**
- 12.00** **Tea / Coffee Break**
- 12.15** **Q&A Session**
- 12.25** **Industry Watch – BWG Spar & Mace, Daniel O’Connell**

Irish Retail Programme 2010

Objectives

- To provide client companies with up-to-date and **relevant market information** on the Irish retail industry and to increase awareness of **business opportunities** within this sector.
- To **develop** strong **relationships** with key contacts in the multiple convenience and discount retail with the aim of **developing & increasing sales** for client companies.

✓ **Market Information**

- Irish Retailer Profiles & updated buyer contact details
- Monthly Irish Retail Market Report
- Briefings on Irish Retail Market & Trends
- Irish Retail Seminar - Sept '10

✓ **Business Development**

- Buyer Relationship Development
- Providing Information to retail trade
- Retailer / Supplier Contact

✓ **Capability Development**

- Up skilling the capabilities of client companies to deal effectively with today's retailer
- KAM / Buyer Presentation & Negotiation Skills

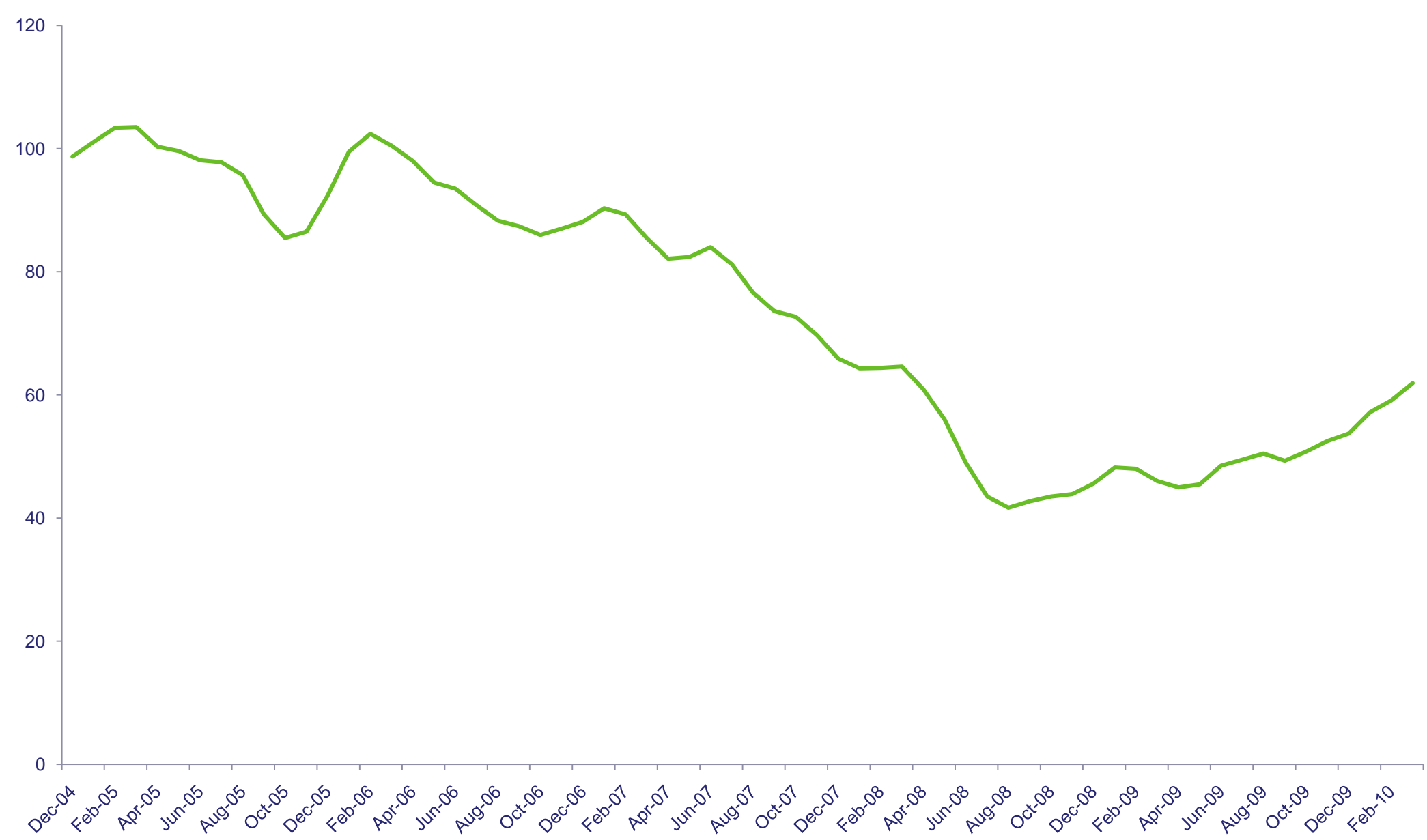
The Current Trading Environment - 2010

The tide is out

- Unemployment at 13% (Up from 4.9% in March 2009)
- Average weekly earnings down to €691 (-0.8%)
- €4 billion of spending cuts and taxes in 2010
- Economy 14% smaller than in 2008

But...

Consumers sentiment is recovering



ESRI Consumer Confidence Index
3 months moving average

Food prices down further in Ireland but stability returning

Ireland continues to benefit more from easing food prices compared to elsewhere



Consumer Power Leads To Price Cuts

Demand for cheaper groceries, along with competition, means retailers have moved their businesses into value decline, writes David Berry

Comparing the first quarter of this year with the same period last year highlights the fundamental shift that has taken place in the grocery market since the onset of the recession. This is best illustrated by the average shopping trip made by the Irish household. In 2009 the average basket contained 12 items and had a value of €23. This year the number of items has increased to 13 but the value has declined by 7% to €21.50.



Aldi and Lidl, along with Tesco, are the supermarkets to have made gains over the past year

This saving on groceries has been a clear bright point for shoppers during the gloom of recession and falling household incomes. The amount we spend as a household has reduced by 7.5% over the last year, saving us each €450.

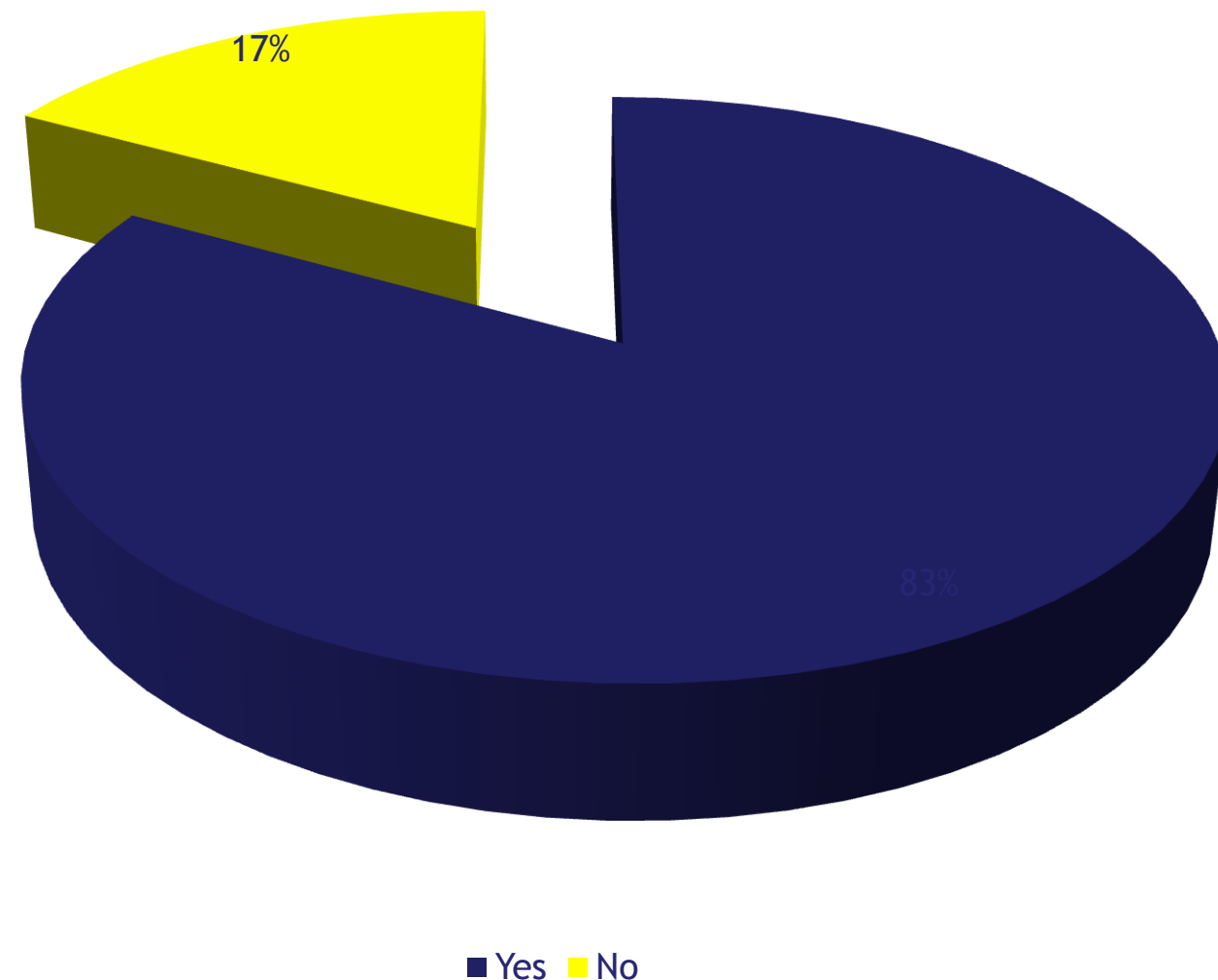
This change is underpinned by a significant decline in the price consumers pay for their groceries, with like-for-like price deflation reaching 7% in March. In addition to saving money by buying the same products for less, shoppers have also adopted coping strategies to further cut their grocery expenditure. The average price paid per item has dropped by more than 11%, a greater fall than the level of deflation. Shoppers have actively traded down to lower-priced product tiers, with own-label products becoming much more widely adopted. Over a third of our grocery shopping is now made up of own-label products, with all retailers increasing their own-label offer over the past

Key headlines

- Basket size increasing
- No growth in trips
- Cross border falling back
- Shopping around less evident
- Shoppers switching to cheaper alternatives
- €1 in every €3 is now accounted for by private label

Local Food..... New Research

Penetration of Local Food



Q3. Thinking about all of the food you buy, eat or cook at home, would you describe any of that food as “Local Food” or not? Base: All

A people at a cultural crossroads...



- The economic collapse means everything is up for review
- The Irish consumer is talks about how they **'lost the run of themselves'** during the boom
- The solution, many consumers talk about is, getting back to our 'roots'
- The new austerity means people have to scale back and **'change their ways'**

A positive legacy of the boom...

- We like the idea of Irish people doing well now - **the entrepreneur is valued**
- As a result we hear people talk about **‘wanting to support their own’**
- But simply ‘supporting your own’ is not the core motivation to purchase local



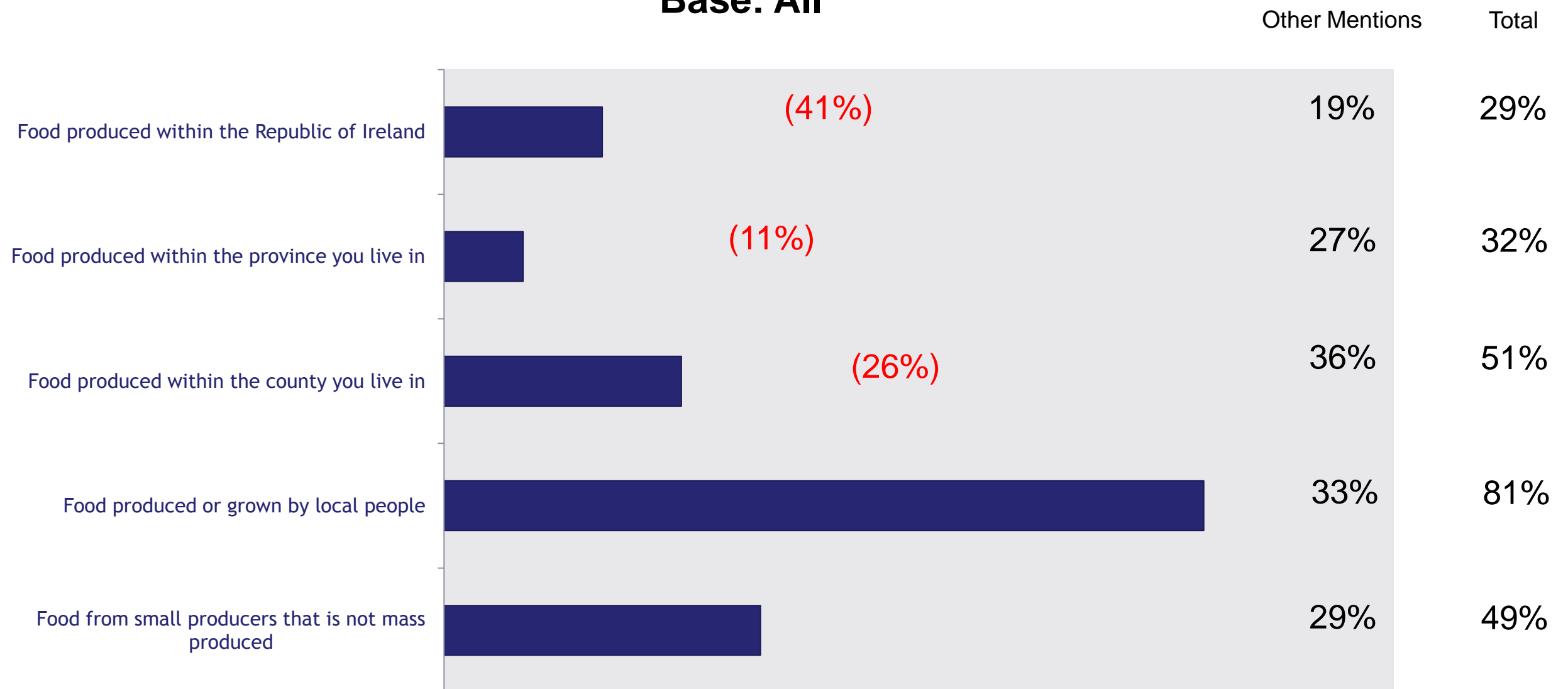
- The nostalgia for simpler times pre-boom means people say they want **simpler food**
- And simple food means meat, vegetables and soup...

LOCAL FOOD - DEFINITION

Definition of Local Food

Q2. Which of the following best describes what you consider to be Local Food?

Base: All



Note: Figures in red refer to 2007 study - source Lansdowne Market Research

And the 'definition' has shifted from a geographically focused one to a more producer and product-centric one...

It is about people...



- The people who produce the food, their expertise and their commitment
- Consumers enjoy the social interaction between themselves and those people
- They can best experience this at a farmers market
- But also in local shops and direct from the farm gate

Growing the success of Irish food & horticulture



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‘An overview of the Irish Convenience Retail Sector’

- ✓ **The Convenience Retail Landscape**
- ✓ **The Irish Convenience Retail Sector**
- ✓ **The Key Players**
- ✓ **Key Trends**

The Convenience Retail Landscape

- ✓ 5,300 + outlets operating in the convenience retail sector
- ✓ Store numbers down 4.4% YOY...mainly due to increased competition from multiples / discounters...however no's of independents converting to Symbol groups is on the increase.
- ✓ Convenience channel is losing share of the grocery basket shop – down from 29.1% share to 28.4% in 2009
- ✓ In order to compete - store standards and offers are improving / the recession had refocused the minds of convenience store retailers
- ✓ Location credentials and appealing to time poor consumers is an important point of differentiation
- ✓ Having a local food offering has a strong role to play

The Irish Convenience Retail Sector

The Irish Convenience Retail Sector

- ✓ Convenience retailers are worth **€468m** to the Irish take home grocery market.
- ✓ Combined **grocery market share** of **5.3%**.
- ✓ **987,000 households** shop in convenience retailers every year.
- ✓ Each of these households spent an average **€475 in the store** last year.
- ✓ Shopped in a convenience store almost **once every week** in the past year.
- ✓ The average basket size for a convenience grocery trip is **€10.20**.

The Irish Convenience Retail Sector

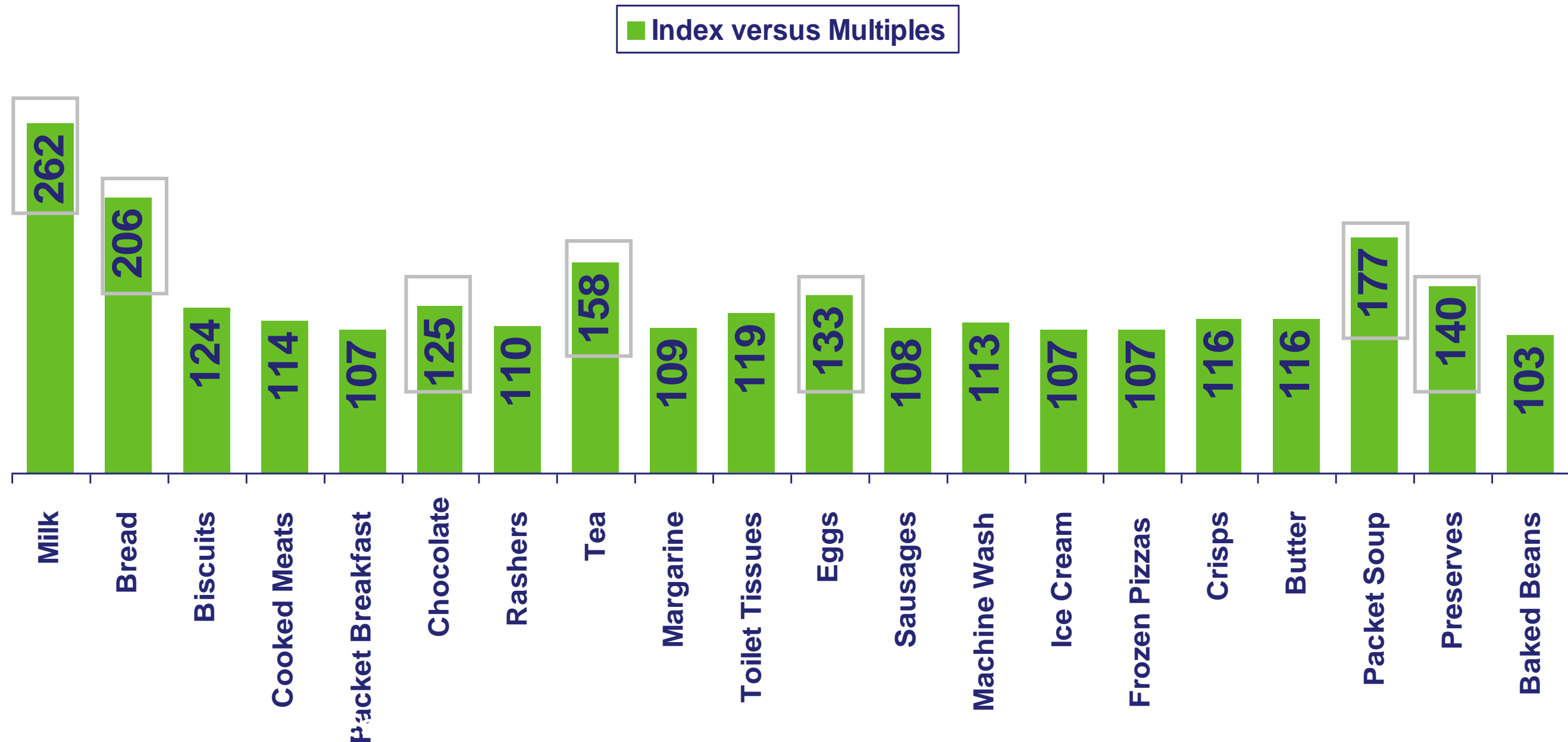
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- ✓ Mainly households shop there for quick top up shops and smaller basket size shops.
- ✓ Categories that perform well include dairy categories, breakfast meats, everyday ambient categories and frozen convenience food.
- ✓ For a brand to succeed in store they must be aware of where their product will fit – Is it convenient? Will it match the demographic profile of the store? Is it competitively priced, especially versus the multiples?

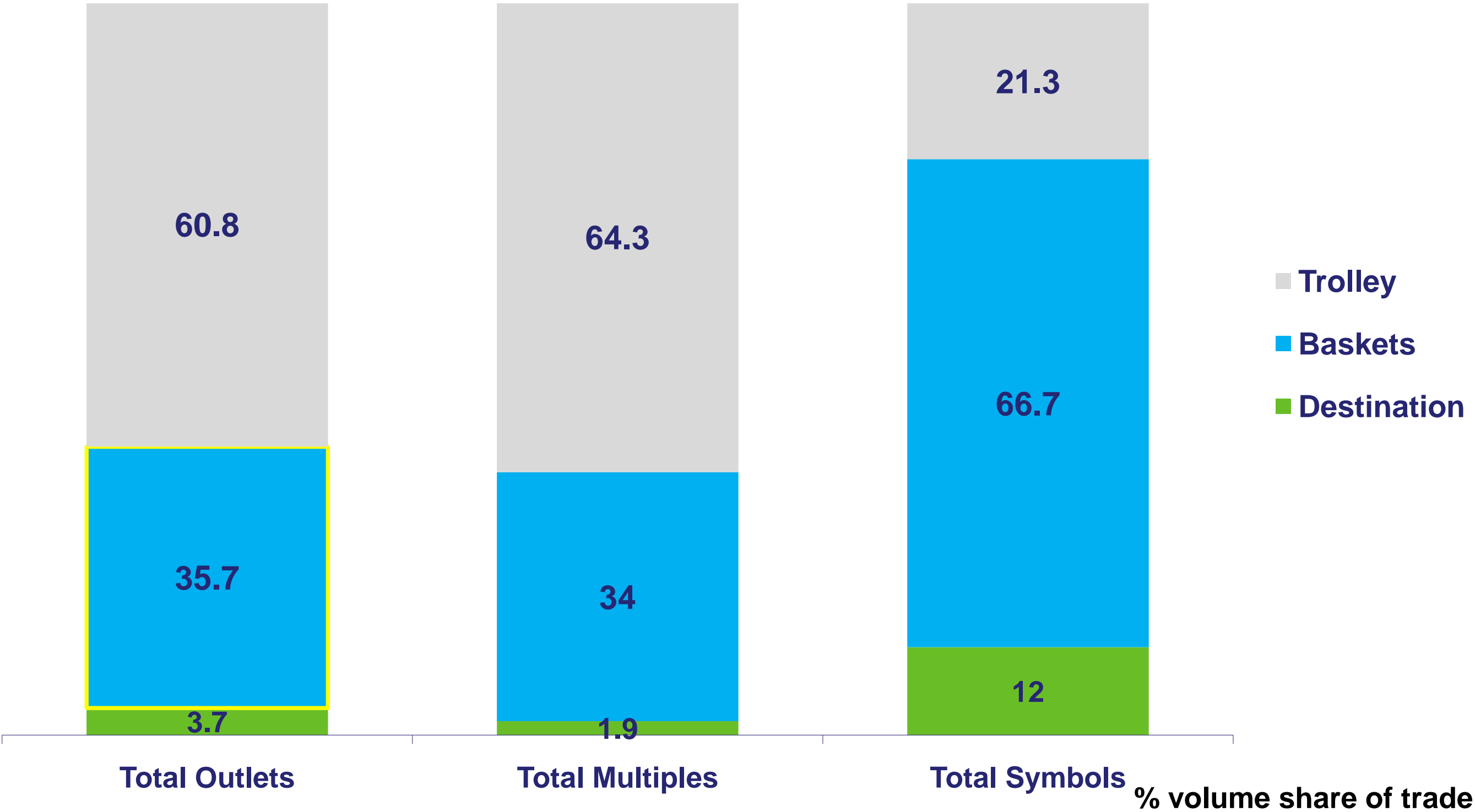
Convenience Retailers -The Threats!

- ✓ Take home convenience grocery sector **lost €70m** over the past year.
- ✓ Continue to attract same no. of households but these households are **spending €68 less** in store versus previous year.
- ✓ Households are **switching spend** to the larger retailers – looking for better value.
- ✓ Brands are under pressure as **Private Label** goods now account for 10% of sales.

What are the top 20 key categories for the Convenience Retailers where they over index versus the multiples?



Basket Type – The Symbols are used as a Basket shop, not many people use the symbols for a complete trolley shop.



Who are these heavy buyers?

**No of
Households**
190,000 hhs

74% of Symbols
sales come from a
small group of
Heavy shoppers

Region
Connaught + Ulster 29.9% spend
Munster 27.5% spend

Age
Older 45+ 65.4% spend

**Visit the
Symbols**
3 times per
week



Social Status
C1C2 59.1% spend

Spend in the Symbols
€1,846 p.a

Life stage
Empty Nesters
33.5% Spend

Children?
No Children 76% spend

The Key Players



- ✓ The Musgrave's group operates 700 convenience stores under the Centra, Daybreak and Day Today banners (Mace / XL Stop & Shop NI).
- ✓ 473 Centra stores – Ranges include 'Good to Go' / Private Label Offering 'Centra Range' 'Good Value'
- ✓ Individual stores are nearly all owned by franchise holders
- ✓ Musgrave's offering is primarily as a wholesaler and marketer
- ✓ **Strategy**
 - Providing a convenient offer of fresh foods & grocery
 - Increasing focus on food-to-go and counter services
 - Tailoring locally owned stores to meet local needs
 - Emphasis on growing private label / retailer promotions

- ✓ BWG Retail owns and operates the SPAR brand in Ireland
- ✓ Stores: 470+ Spar outlets in ROI
- ✓ Formats: Spar, Spar Express and Eurospar (31 EUROSPAR's)
- ✓ BWG also operate the Mace (230 Stores) and XL Stop & Shop brands
- ✓ Provides forecourt services to the Maxol Group
- ✓ **Strategy:**
 - Growing the Eurospar format / Expansion of main Spar format
 - Driving its food-to-go offer in store
 - Private Label Growth – PL volumes up 40% in 2009

ADM Londis

LONDIS  **top shop**



- ✓ The Londis format is controlled by grocer-owned wholesaler ADM Londis plc
- ✓ 370 Londis Stores
- ✓ Formats: Londis PLUS Supermarkets, Londis Foodmarkets, Londis Convenience and Forecourt stores
- ✓ Distribution Centre located in Johnstown, Naas, Co Kildare
- ✓ In September 2009, signed an agreement with UK wholesaler Nisa –Today's to source a range of International branded products & private label range.

Costcutter

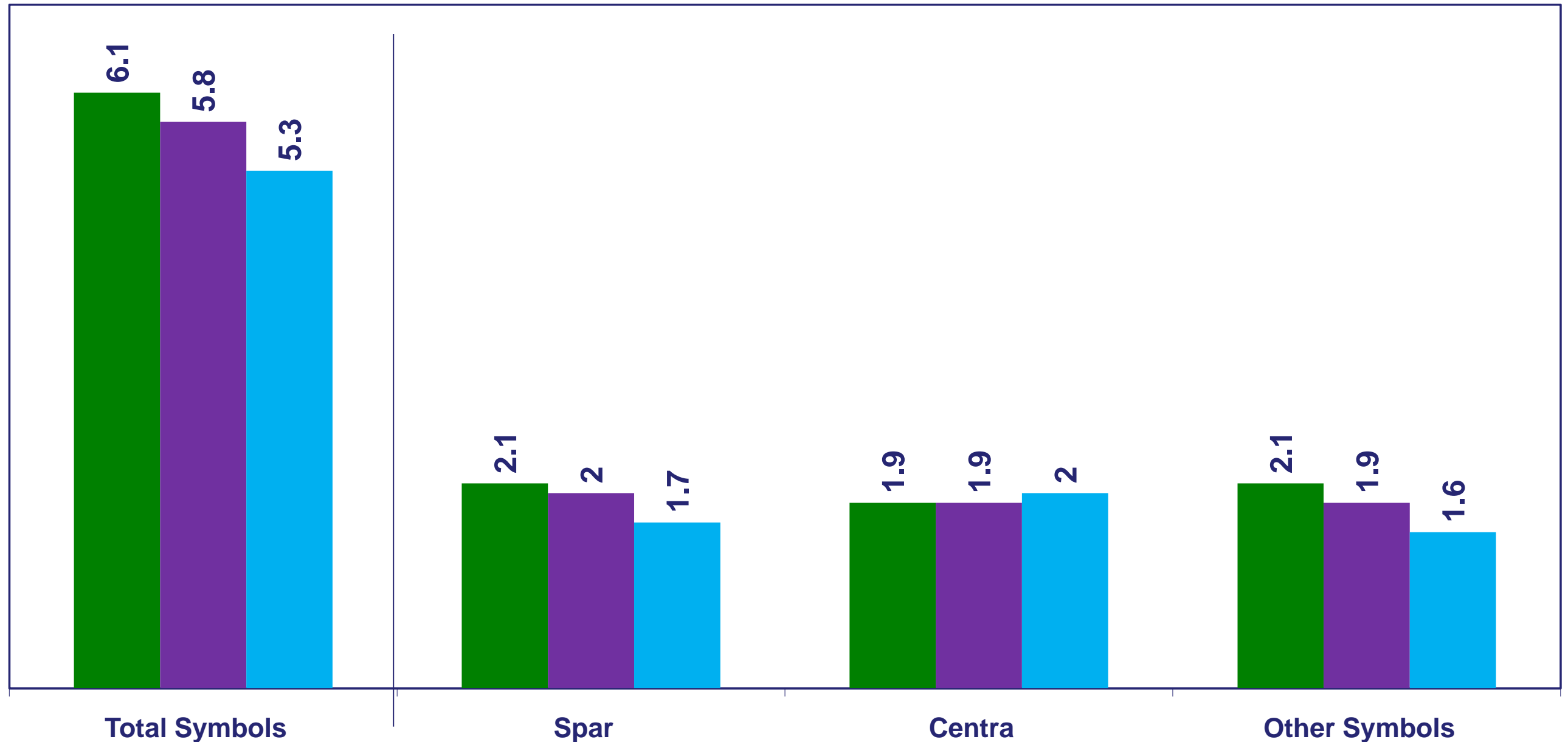


- ✓ Barry's acquired the Costcutter Franchise for ROI in 2000.
- ✓ Store numbers: 120 Costcutter Stores / 60 Quick Pick
- ✓ Formats: Costcutter Supermarket / Costcutter Express / Quick Pick
- ✓ Brands: Buy Lo and Quik Pick brands
- ✓ Supply non independent retailers/ Wholesalers
- ✓ Central distribution centre in Mallow

How is the Share Distributed?

52 w/e 18 April 2010... Centra have held their share of the market with Spar and other symbols losing.

■ 52 w/e 20 Apr 08 ■ 52 w/e 19 Apr 09 ■ 52 w/e 18 Apr 10



Key Trends

1. Promotions

Daybreak

DOUBLE DEALS

ONLY €1.50
JUMBO SAUSAGE ROLL & CLUB CONTOUR

ONLY €2
TEA OR COFFEE & KIT KAT

BREAKFAST FOR €5
Denny Gold Medal Sausages, Rashers and Black or White Pudding

ONLY €1
Pineapple and Apple

ONLY €2
Pineapple and Apple

ONLY €1.69
Pineapple and Apple

ONLY €1
Pineapple and Apple

ONLY 89c
Pineapple and Apple

ONLY €1
Pineapple and Apple

ONLY €1.59
Pineapple and Apple

2 FOR €1.20
Pineapple and Apple

3 FOR €1.20
Pineapple and Apple

2 FOR €1
Pineapple and Apple

SPAR
Isotonic Sports Drinks
Orange/Mixed Berry
600ml

BUY 1 GET 1 FREE!

SPECIAL OFFER

Now Only €2.00 Each
Flahavans Oaty flapjacks Original/Choc Chip 240g

SPECIAL OFFER

Now Only €2.99 Each
Jacobs Milk Chocolate Polo, Goldgrain, Digestive 2 x 300g

SPECIAL OFFER

Only €4.50 Twin Pack Value
Listerine Freshburst & Total Care Sensitive 2x500ml Duo Pack

SPECIAL OFFER

Regular Tea/Coffee & Cadbury Snack Wafer 36g

Coffee & Snack Only €2.00

SPECIAL OFFER

Only €1.00 Each
Gala White Sliced Pan 800g

Centra SMART SAVINGS
19th April to 1st May

Lighten up your cuppa

€2
Centra Good-to-go + Maltesers

Chip off the block

€4
Centra Straight Cut Chips + Beef Burgers + Garden Peas

Hot food, cool prices
EVERYDAY VALUE

€1 Large Sausage Roll
€2 Chicken Snack Stick/Chicken Kebab
€2 4 x Small Sausage Rolls
€4 Hot Chicken Baguette/Hot Chicken Wrap

SPAR
Isotonic Sports Drinks
Orange/Mixed Berry
600ml

BUY 1 GET 1 FREE!

WEETABIX
12's
215g

only €1.00
€4.65 per kg

SPAR

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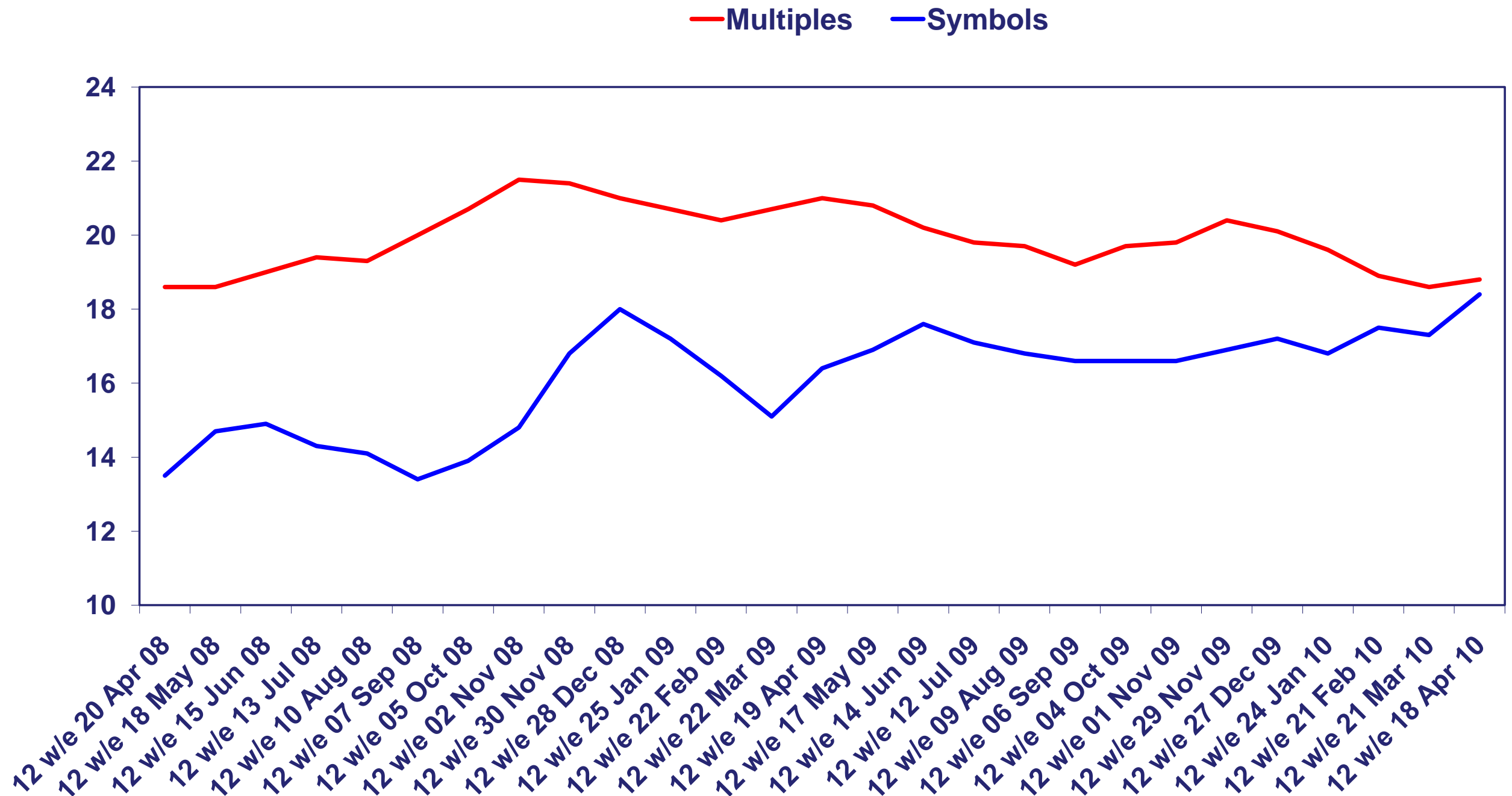
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...Promotions

- ✓ In order to compete convenience retailers have had to fully engage in promotional activities
- ✓ Promotions are now a standard part of the convenience offer – consumers awareness of value for money in c-retailers is growing
- ✓ Monthly promotional offers are sent out via handbill / promo offer leaflets
- ✓ Just over half of Symbols promotions are pure price reductions with the other half extra free offers.

% Sold on Deal Trended

12 w/e 18 Apr 2010... The Symbols have caught up with the major multiples in terms of percentage of goods sold on promotion.

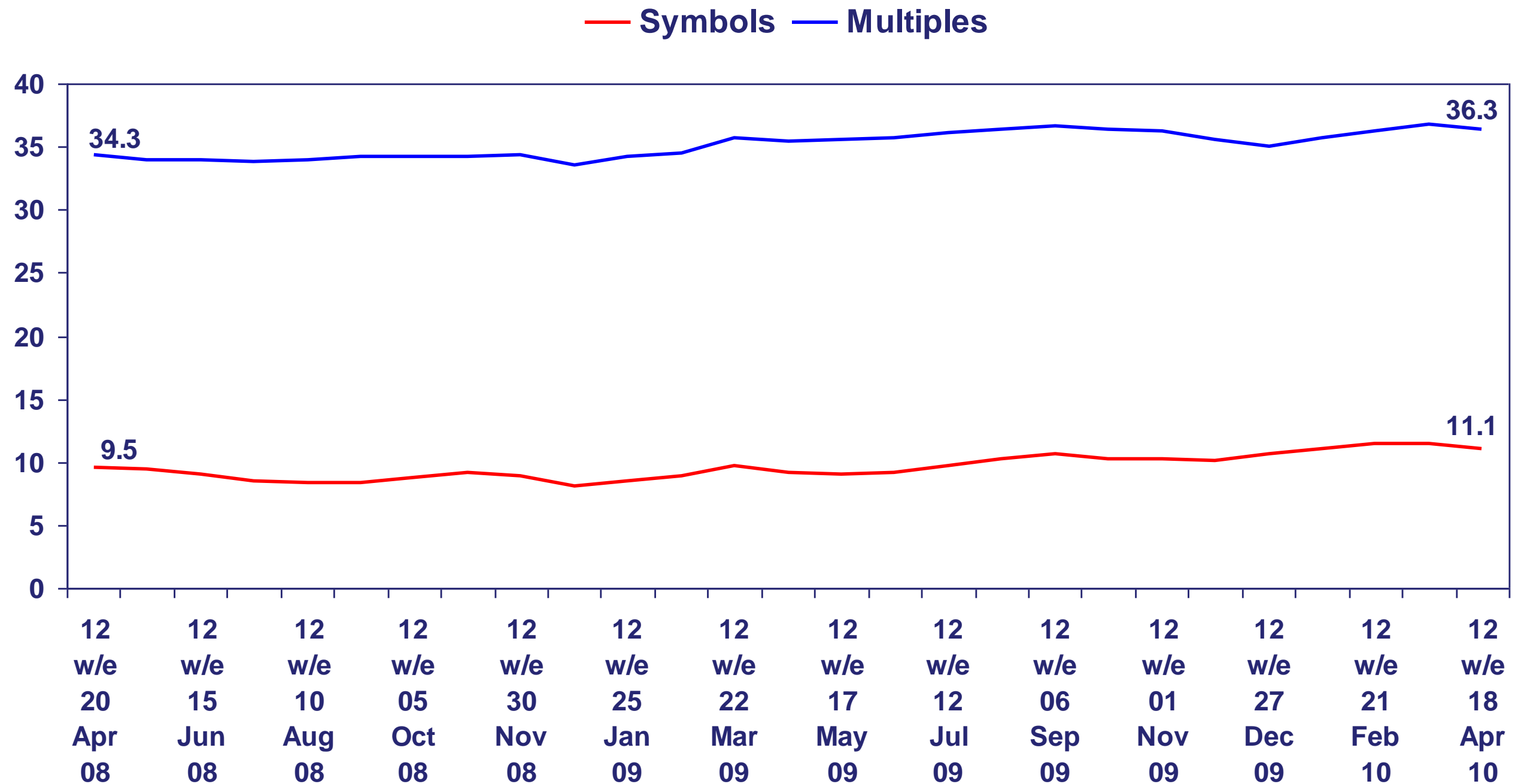


2. Private Label

- ✓ Traditional offering was very much focused on branded sales
- ✓ Private label is now a key part of convenience retailers strategies
- ✓ The share of private label has grown significantly in convenience retail
- ✓ It has enabled convenience retailers to cut their prices / have a value offering to compete with multiples / discounters
- ✓ Trip on trip Private label is showing steady growth in all of the major grocery categories

% Private Label Sales

12 w/e 18 Apr 2010...



In Summary

- ✓ Numerous opportunities with the convenience retail sector
- ✓ Target market of 1 million consumers
- ✓ Value added and convenience food continue to experience strong growth...catering to the busy Irish lifestyles of consumers
- ✓ Local food offering is growing....opportunity to tap into this...

Thank You