



Presentation for Bord Bia Meat Prospects Seminar, January 2011

# THE EVOLUTION OF THE EUROPEAN GROCERY LANDSCAPE



# Today's session



## The European Trading Context



## Market Perspectives

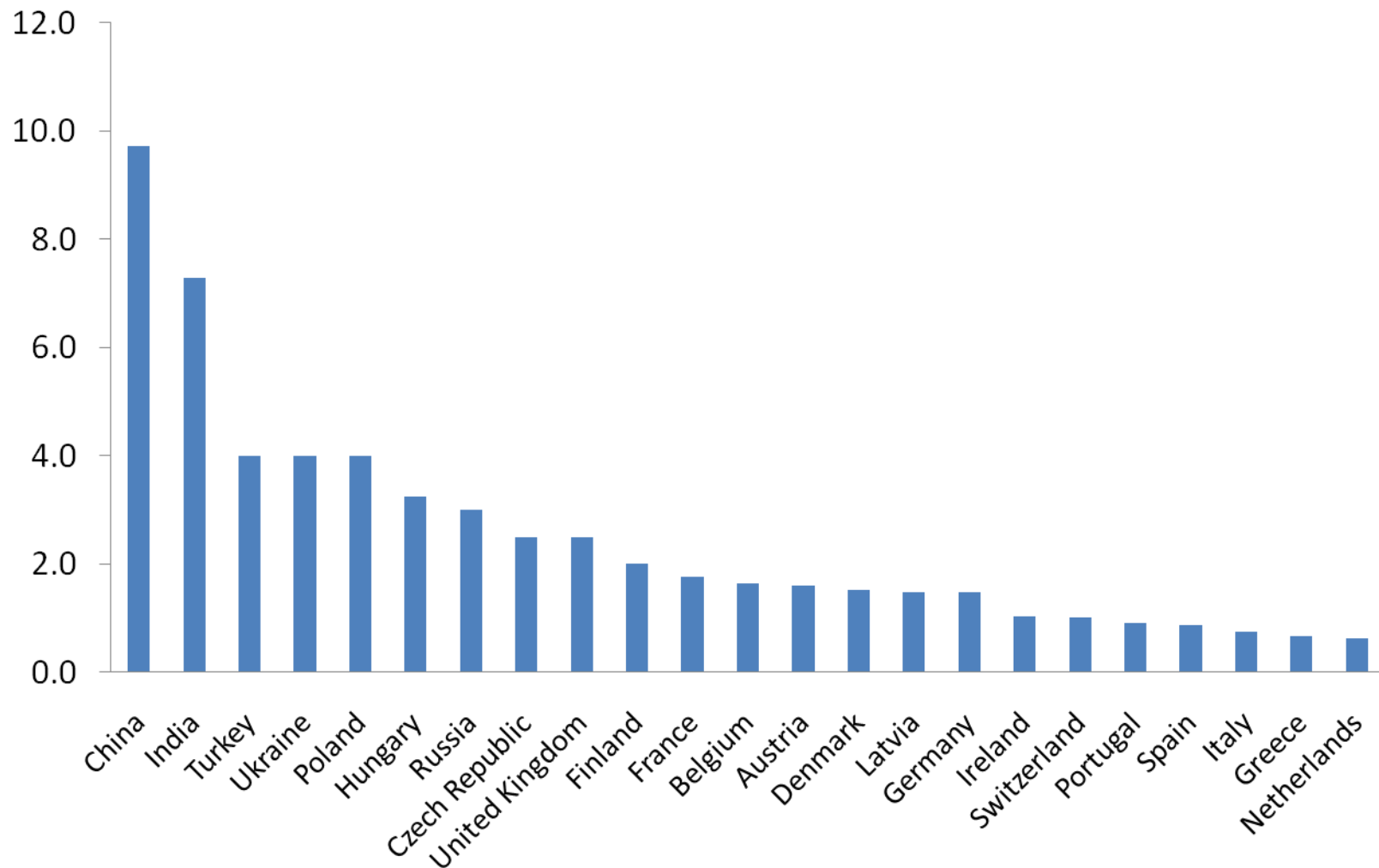


## Retailer and Channel Developments





# GDP growth becoming more positive in 2011

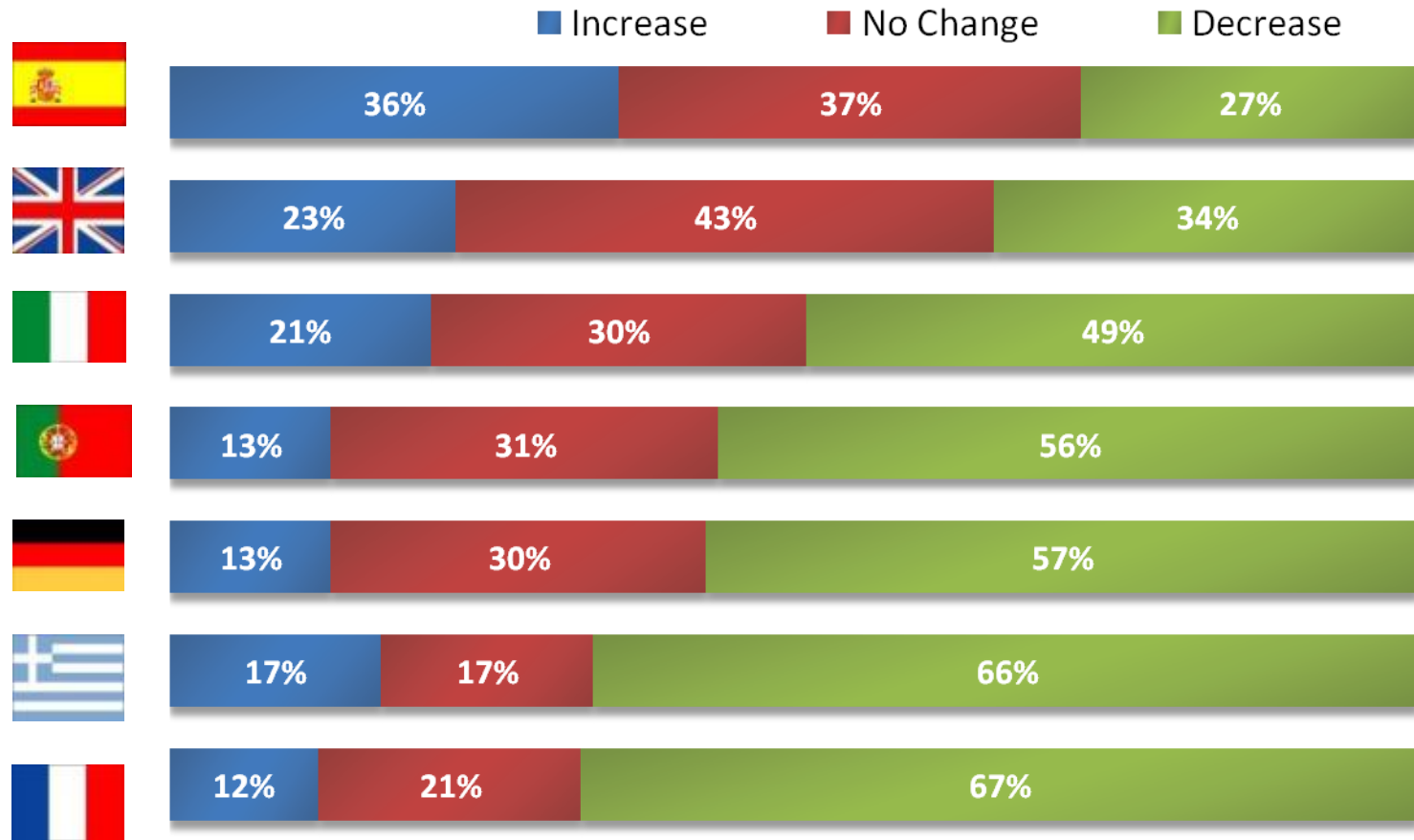




# Consumer confidence remains fragile



**In the next 2 years, do you think your purchasing power will increase, remain unchanged or decrease?**





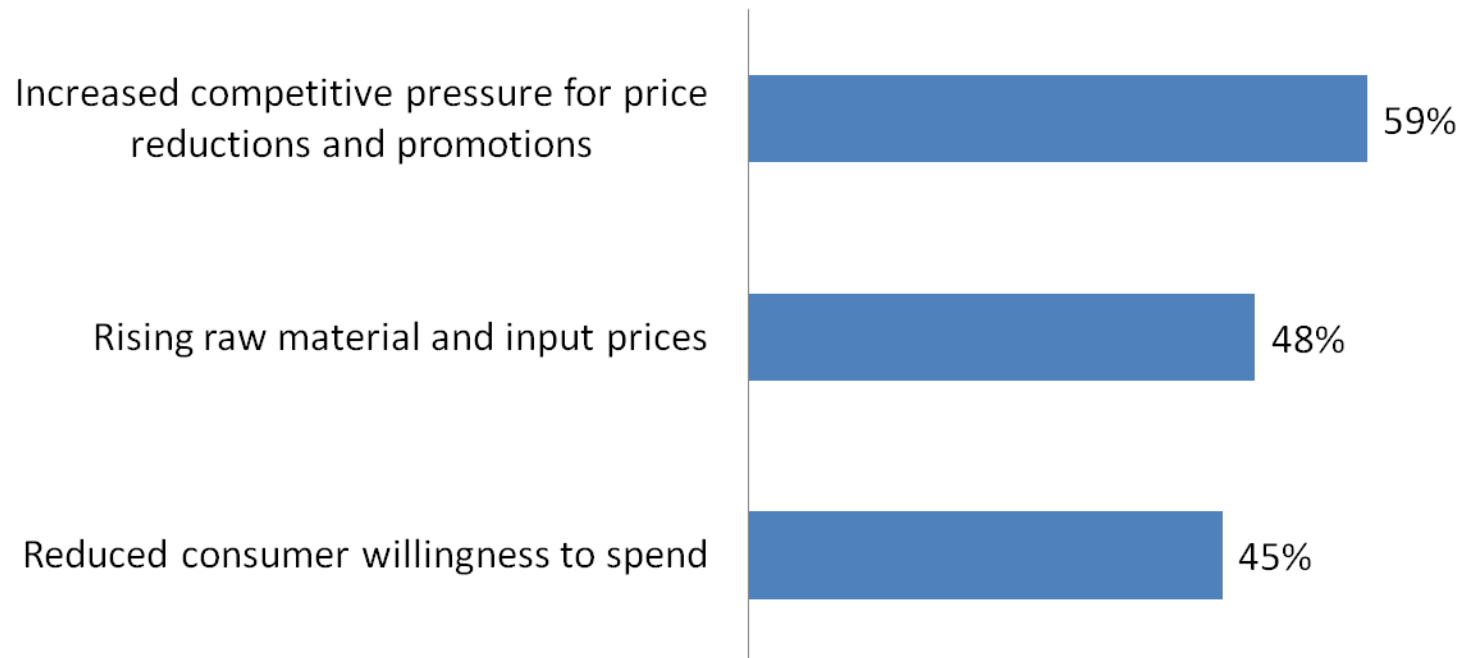
# Price pressure will remain a major driver in 2011



Pressure on prices is expected to come from both rising input costs and a continued tough trading environment. Changes in consumer behaviour and the growth of private label will also have a major impact in the year ahead according to survey respondents.

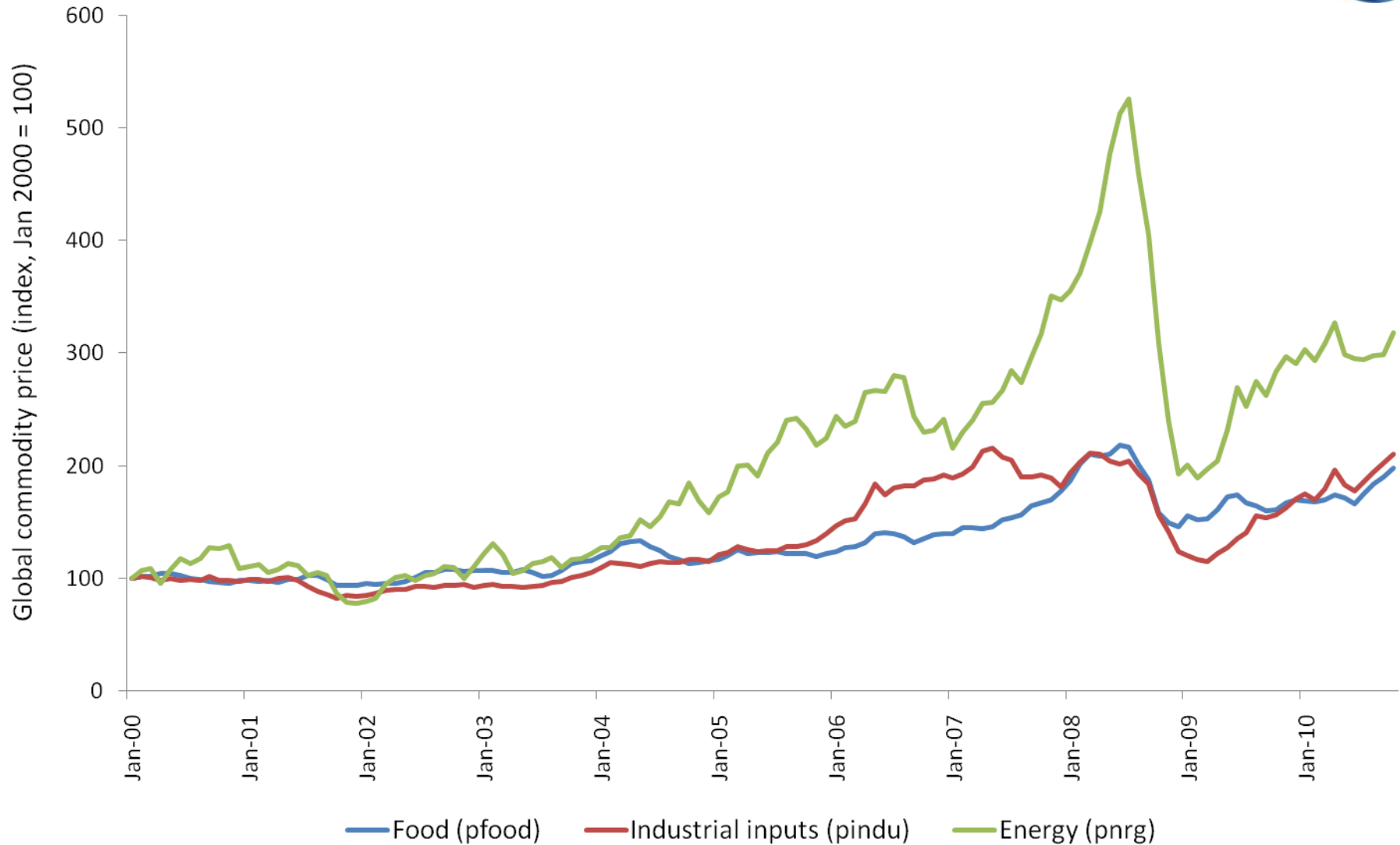
**What are the three most important threats for your business in the next 12 months? (Select three)**

■ % survey respondents





# Commodity prices are rising again



Source: IMF, December 2010

Letter codes refer to specific IMF measures



# VAT rises across Europe





# Capital and resource efficiency will drive store investment decisions



The legacy of the *Credit Crunch* and the recession will play itself out for some time to come



Capital efficiency requirements and focus on “sweating assets” to maximise ROI



Rising energy prices, legislative pressure and corporate responsibility goals will drive focus on energy efficiency, sustainable sourcing and waste reduction



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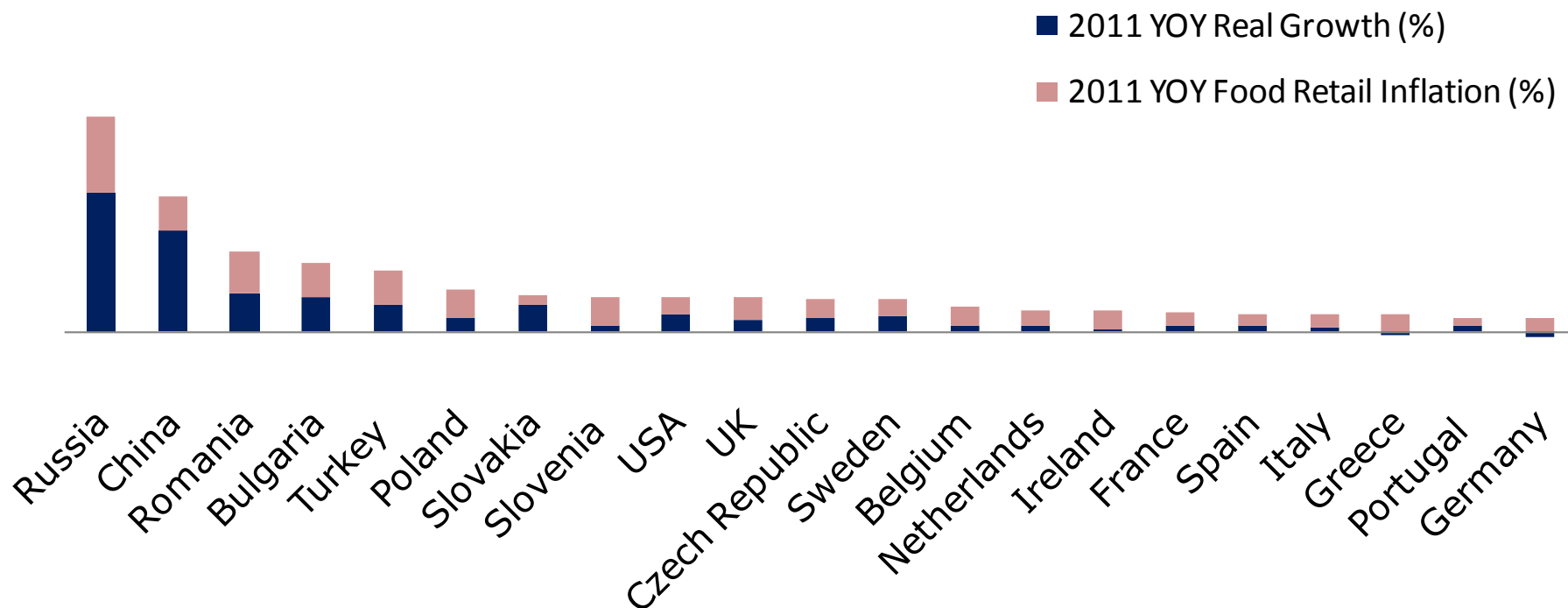


## Retailer and Channel Developments





# Growth prospects by market, 2011





# Top 10 Grocery Retail Markets to 2014



2006			2010E			2014F		
Rank	Country	€bn	Rank	Country	€bn	Rank	Country	€bn
1	US	612	1	US	638	<b>1</b>	<b>China</b>	<b>761</b>
<b>2</b>	<b>China</b>	<b>328</b>	<b>2</b>	<b>China</b>	<b>529</b>	2	US	745
3	Japan	297	3	Japan	345	<b>3</b>	<b>India</b>	<b>448</b>
4	France	206	<b>4</b>	<b>India</b>	<b>279</b>	4	Japan	360
<b>5</b>	<b>India</b>	<b>190</b>	5	France	205	<b>5</b>	<b>Russia</b>	<b>322</b>
6	UK	188	<b>6</b>	<b>Russia</b>	<b>186</b>	<b>6</b>	<b>Brazil</b>	<b>284</b>
7	Germany	150	<b>7</b>	<b>Brazil</b>	<b>185</b>	7	France	228
8	Italy	127	8	UK	170	8	UK	198
<b>9</b>	<b>Russia</b>	<b>116</b>	9	Germany	160	9	Germany	168
10	Mexico	112	10	Italy	130	10	Indonesia	167
		<b>2,326</b>			<b>2,827</b>			<b>3,681</b>



# Markets to watch: Russia



- Economic environment has been challenging but is improving fast
- Better growth among middle classes but higher food inflation is set to refocus poorer shoppers on basic products
- Highly fragmented market, but fast expansion into the regions and retail consolidation are key current trends
- Private label development a key current focus

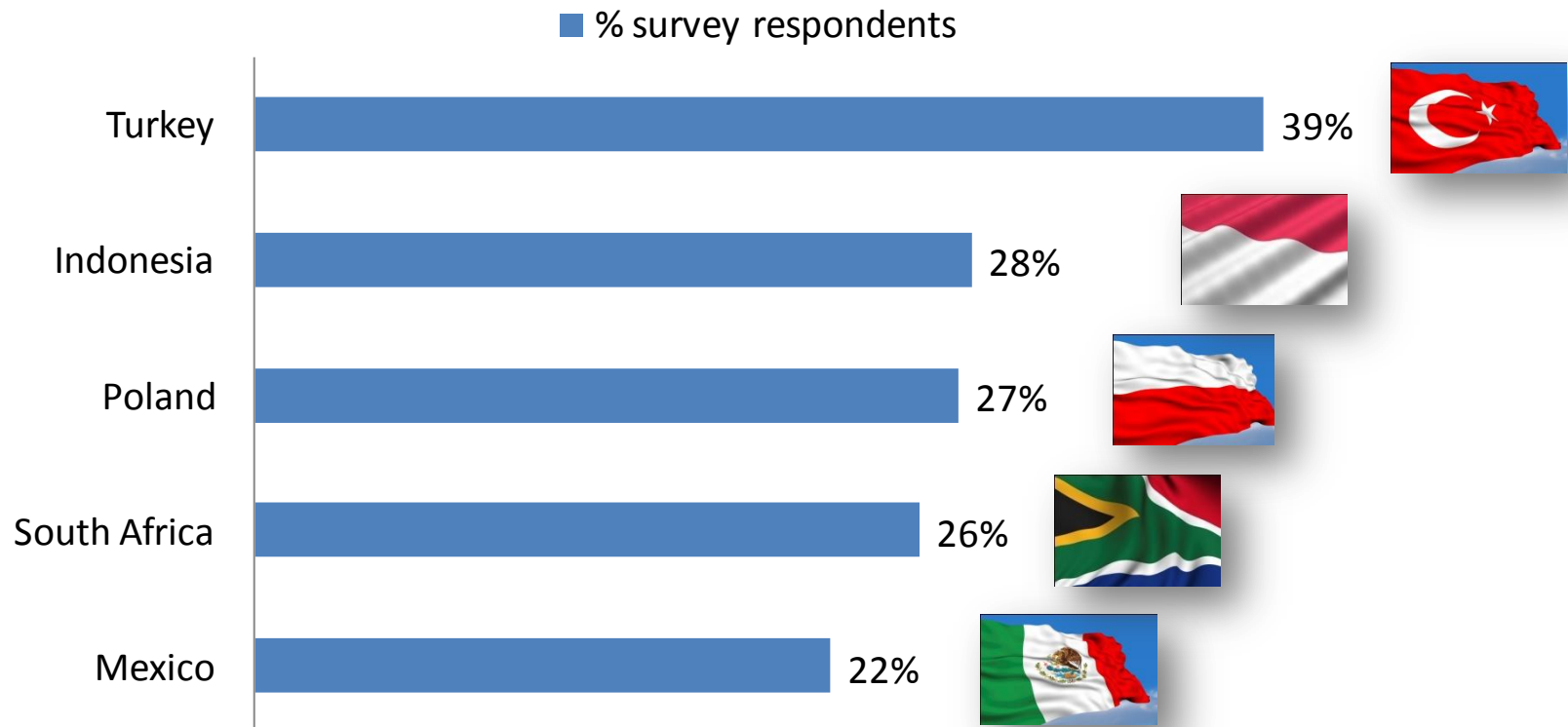




# Turkey will be a key market to watch to 2015



**Which five emerging markets beyond the BRIC markets (Brazil, Russia, India, China) will attract the highest levels of grocery retailer investment in the next five years? (Select five)**





# Markets to watch: Turkey



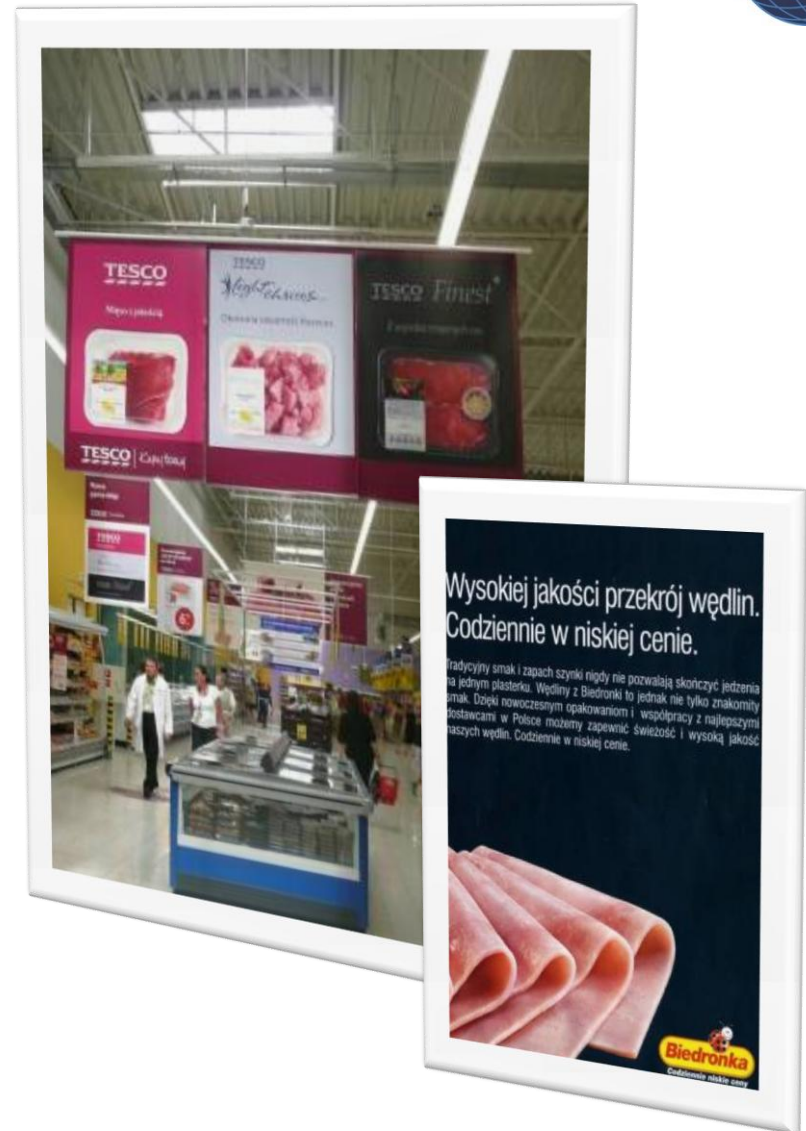
- Economy rebounded in 2010 with good prospects for 2011
- Grocery sector performance on an improving trend and remains unconsolidated
- Among leading international retailers, Carrefour has the strongest position, though Tesco building fast and Metro (Real) also present
- Migros Turk and BIM key local operators – but both very different





# Markets to watch : Poland

- The economy has successfully avoided the worst of the economic downturn
- Biedronka still enjoying impressive growth and is a clear market leader
- Convenience development a priority for both Tesco and Carrefour
- But wage reductions in real terms means value is an increasing priority, and private label development is being prioritised





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# Tesco: Areas of focus



It all adds up faster with  
**double points**

Spend **£25** per week over 10 weeks on groceries

Normally you get	With double points you get	Which is worth
250 points	<b>500</b> points*	 in Clubcard vouchers



# Carrefour: Areas of focus





# Metro: Areas of focus





# Retailers to watch: recapping





# Retailers to watch: X5



- Leading retailer in Russia – X5 is building its market share through M&A and store rollout across a multi-format strategy
- Through the recession X5 has reinvested in lower prices to drive traffic and LFL sales, with success in its Pyaterochka format
- No. 1 position in Moscow and St. Petersburg, leading positions in 5 other cities with population of >500,000 people and present in 45 cities in W. Russia and the Urals
- Recent acquisition of Kopeyka (3<sup>rd</sup> largest soft discount chain in Russia), X5 Retail Group solidifies its leadership in Russia, and especially in Moscow



# Retailers to watch: Leclerc



- Consistent market share growth in France and H1 sales of €13.3bn, +4.7%
- Price leadership and private label (around 30% of SKUs) remain major areas of focus
- Simplification in new generation of stores with less visual clutter and POS material
- Sustainability moving rapidly up the agenda – to drive social commitment and cost savings
- Building online through “drive” a key current priority





# Multi-channel is emerging as a key future theme



**Reinventing the hypermarket**



**“Pay and collect” solutions**



**Integrating online ordering and physical stores**



**Strong specialists**



**Focus on small stores**



# Hypermarket development: Carrefour Planet





# Convenience evolution: Waitrose





# Technology opens up new opportunities



Mobile shopping and engagement



Product information



Loyalty and promotions



Quicker shopping experience



Price comparisons



Cost savings



# The adoption of new technology is accelerating



The pace of technology adoption is speeding up, yet the uptake will not be even across all segments of society. However, many experts believe we are entering another golden era of technology, which will drive accelerated social and economic change.

## Years to reach 50 million users:



**Radio:**  
**38 years**



**TV:**  
**13 years**



**Facebook:**  
**3 years**



# Factors that will shape the future store



**Connected**



**Customised**



**Empowered**



**Multi-  
channel**



**Sustainable**





# Summary: The outlook ahead



1. **A tough economic backdrop, but opportunities remain.**
2. **A more multi-format future is emerging:** different formats are gaining growing scale for more retailers. How are you reflecting these in your trading strategies?
3. **Technology set to have a major impact on the shopping experience:** Online and multi-channel forms part of this, but advances in scanning technology and the growing penetration of smart phones have the potential to revolutionise the way in which we shop.
4. **Retailers' sustainability strategies will gain momentum:** Rising energy costs sit in tandem with the growing sustainability imperative to make energy reduction a key focus ahead.



# Thank you!



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