



# Pricing and Promotion in Europe

*Adapting to the tough times that are set to last*

## JUNE 2012

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Symphony **IRI** Group

Insight.  
Innovation.  
Impact.

## Introduction – Transition to a New Era

This *SymphonyIRI Pricing and Promotion in Europe Special Report* provides FMCG retailers and manufacturers with a level of Europe-wide category data rarely available.

Our research goes into detail exploring the role price is playing across nine key food and non-food categories. It shows how the industry has managed to reclaim some of its lost profits, pass on costs and use promotions to sustain volumes.

Yet what is evident is that shoppers are increasingly in control. They are not only more price-driven than ever before but they have come to expect promotions as the norm. They are becoming more confident to shop using different channels, such as online, and will spend time hunting out bargains and special offers.

Each one of the seven countries surveyed has its own issues to deal with. Whilst the promotional landscape in the UK and Germany remains very competitive we are seeing deal levels being scaled back in Spain and France, but here we are seeing the beginnings of a price war as retailers try to define their own territory in shoppers' minds.

In other countries such as Greece the austerity measures being introduced mean retailers and manufacturers are operating in a tough consumer landscape unseen for decades, and value and volume sales are suffering.

How long can the promotional arms race continue? There are some indications of a shift in the direction of Every Day Low Prices (EDLP), will this change the game if the recession persist?

Our country analysis explains how the current consumer recession is changing shoppers' relationship with brands. More private label ranges are behaving like brands and subsequently being accepted by consumers who are eager to save money but reluctant to compromise on perceived quality.

This report provides FMCG marketers and retailers with invaluable insight into how price and promotion is being driven by the global recession which is subsequently influencing a change in consumer shopping behaviour.



Rod Street  
Executive Vice President, International Consulting  
SymphonyIRI Group

## Executive Summary – Current and Emerging Trends

The *Pricing and Promotion in Europe Special Report* reveals how prices have risen steeply in the past year, driven by soaring raw material costs and an attempt by retailers and brands to reclaim some of the margin lost since the recession began in 2008.

Average prices have risen by 3.0% across Europe with food inflation (3.2%) outstripping non-food (2.0%). Yet suppliers and retailers are reluctant to pass through all their increased costs for fear of losing market share.

Promotions have proved crucial to sustaining volumes, with food and non-food brand owners under constant shareholder pressure to demonstrate growth, even in the current harsh shopping climate. This has proved challenging in what is a full-blown consumer recession as wages stagnate but prices rise.

All food categories are growing in value with the largest contributors ironically non-alcoholic drinks (7.2%) and chilled, neither of which are low-cost solution categories. In volume terms frozen food, a relatively economic proposition, is in decline.

The picture on promotions is mixed. In France and Spain, the value and volume of all promotions have declined over the last year to 17.9% in France and 18.5% in Spain, reflecting different strategies by the leading retailers. In Germany and the UK, where retail competition continues to focus on promotions, the proportion of volume on promotion has increased (by 2.1% and 3.6% respectively). However, there is the tantalising hint that suggests that Every Day Low Prices (EDLP) strategies could be starting to spread across Europe. This could change the face of the promotional landscape markedly.

Pet food/pet care saw the largest year-on-year change, up 11.4%, in promotional volumes followed by confectionery which had the highest volume on promotion (29.2%) followed by non-alcoholic drinks and personal care.

Technological developments and economic pressures are combining across Europe to increase multi-channel shopping as consumers search out the best prices and promotions. Online non-food sales have grown. This seems to be prompting increased in-store promotion in this section of the store. It seems likely that online will continue to penetrate the grocery market with a combination of more 'click and collect' services and the acceleration in smartphone penetration. This may well mean smaller in-store baskets and an altered product mix. Stores adjust pricing and promotional strategies to reflect these changes.

The market for own label is increasing across Europe but we are seeing a different pricing and promotional emphasis in different countries depending on consumer perceptions of the quality of own label versus national brands.

Retailers are making more use of off-shelf fixtures such as gondola ends and foyer displays. This trend is particularly evident in France and Spain where deal volume is dropping. Off-shelf gets better sales uplifts and retailers are placing more products here, including own label. However, this is driving competition for display space and retailers are becoming tougher about which brands, deals and manufacturers they work with off-shelf.

## Executive Summary – Countries Highlights

- ❑ **France:** Promotional activity was less intense in France, particularly in food where the volume of products on promotion fell by -5.7%. In non-food the figure was -2.5%. Unlike in many countries, France has seen a reduction in own label share and hard discounters despite a real consumer recession. The first few months of 2012 have seen initial signs of a retail price war.
- ❑ **Spain:** Prices have started to move upwards since March 2011. In 2012 they have continued to increase, +1.1% in the first quarter, and consumption is up + 2.3% for the first few months of the year. Promotions have reduced but they remain aggressive, with confectionery and alcoholic drinks the only two categories within food or non-food to see an increase in the overall volume and value of promotions.
- ❑ **Germany:** The home of the low cost discounters, German shoppers have always been very price conscious which is why retailers were initially reluctant to pass on increases in raw material prices for basic products. Retailers have found promotions an effective way to give the shopper something back. The categories being driven most by promotions include pet food and household products where own label is strong.
- ❑ **United Kingdom:** The United Kingdom (UK) technically re-entered recession in April and with grocery prices continuing at well above the rate of inflation for more than 18 months, promotions have continued to grow despite their incredibly high starting value. The supermarkets remain locked in a price war using aggressive promotions, yet food sales are flat and non-food sales are down. Deals are more price-led with multi-buys out of favour. The most promoted categories in the UK are confectionery assortments, cola, deodorant, hair care, sun care, nappies, shower gel, yoghurt and chilled desserts.
- ❑ **Italy:** The FMCG market took a hit in Italy as a rise in VAT to 21% in September and double digit growth in many commodity costs fuelled inflation. Food value is up 3.5% but volumes are flat and non-food is down across both measures. The products consistently promoted were largely the ones which saw significant raw material price increases. These include extra virgin oil, tomato sauce, olive oil, Italian wine, pasta and crescenza cheese.
- ❑ **Netherlands:** The Netherlands has been in recession since the third quarter of 2011, yet prices have been rising, particularly in food, since the start of last year. This has hit food volumes which were broadly flat, although value sales were up 3.8% due to price increases. The rate of price rises has slowed this year. Across food, the average deal depth on promotion for all categories was 24.0% compared to 29.4% for non-food. The supermarkets have continued to grow their share of sales.
- ❑ **Greece:** The severity of the economic woes in Greece have hit consumer confidence as well as spending, so for brands and retailers the emphasis has been on price and volume promotions. A price war between key chains has intensified prompting more television advertising. Greece has traditionally had the highest food prices in Europe when it comes to international brands but it is a sign of the times that it had the lowest average price rises for food and non-food.

# Turning Key Insights Into Actions

## Key Insights

- ❑ Average price increase for food was 3.2% and for non-food 2.0%, with the biggest increase for non-alcoholic drinks.
- ❑ Volume sales increased by 0.8% across Europe, but while food is growing by 1.0% non-food slipped 0.3%.
- ❑ All food sectors are growing in sales value with largest contributors non-alcoholic drinks, chilled and ambient. In volume terms frozen food and ambient are in decline.
- ❑ In the FMCG sector as a whole, promotions have risen in most countries in the last three years, and now account for more than 56% in the UK and an average 25.6% across Europe. The level of promotion is lowest in Germany at 11.6%. This compares to 17.9% in France, 18.5% in Spain, 21.5% in the Netherlands and 29.7% in Italy.
- ❑ Promotional pressure in food has been less intense with the largest declines in France and Spain. The UK and Germany face the fiercest deal pressure. Promotional pressure in non-food is broadly flat.
- ❑ Retailers are looking more to off-shelf secondary fixtures to achieve the most efficient promotions and are increasingly placing more products on them.

## Actions

- ❑ Manufacturers must assess optimal price strategies by brand and category to maintain margins but minimise volume loss.
- ❑ Pan-European suppliers must target growth cells carefully and must plan from low/no volume growth scenarios to ensure robust market strategies.
- ❑ Opportunities for volume and value growth remain for well-targeted propositions that can be accessed by the many consumers for whom the recession remains mostly other peoples' problem.
- ❑ Growth strategies based on promotional acceleration are not sustainable and greater emphasis needs to be placed on everyday pricing, innovation and multi-channels development.
- ❑ Suppliers must be aware of any shift to 'EDLP type' pricing and ensure that their portfolio pricing has integrity in the face of such a move.
- ❑ Manufacturers need to understand brand and category incremental volumes for key display opportunities to tailor mutually profitable deals for themselves and retail partners.

# Turning Key Insights Into Actions

## Key Insights

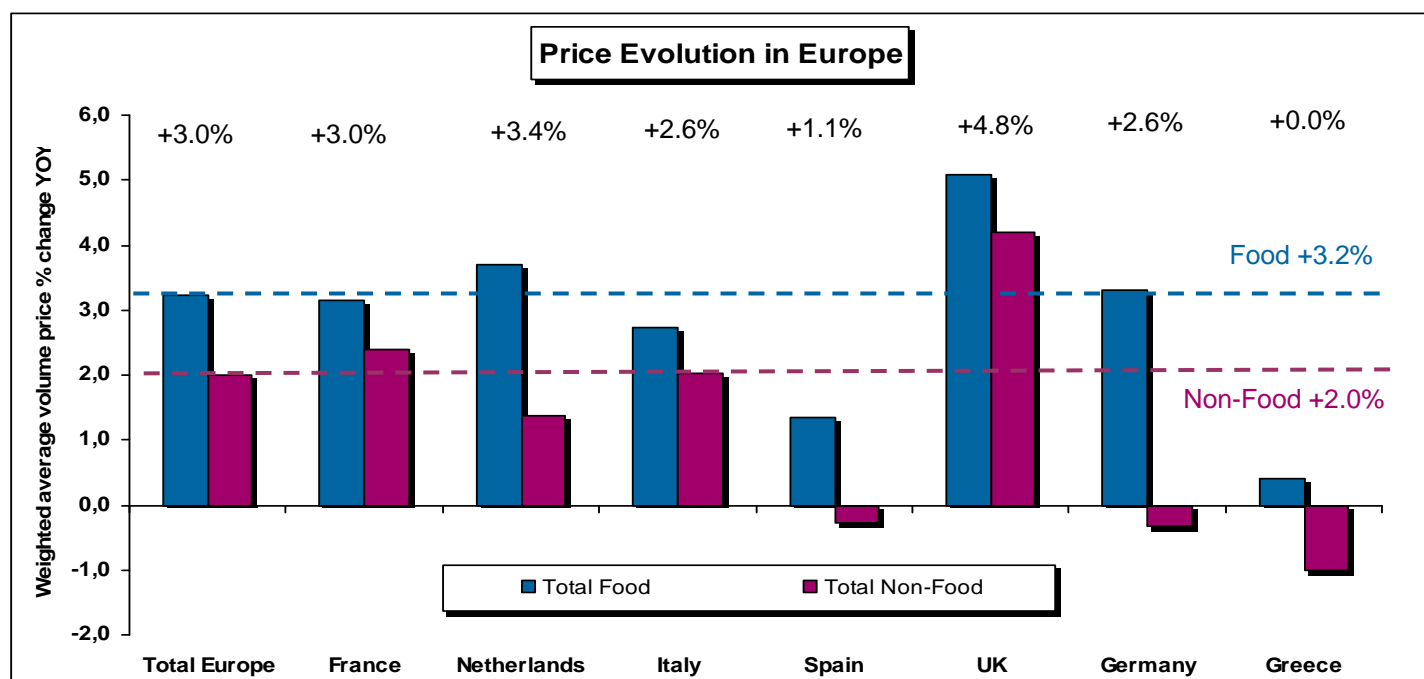
- ❑ Manufacturers are fighting hard to protect their share of sales and promotions in the face of fierce own label competition and some are re-engineering lines or launching new variants.
- ❑ Shoppers have a price threshold which varies according to the category of products. We can see it for instance in Germany where volume sales have slowed down, and in Greece with chilled and fresh food which saw the biggest price rise at 3.4%, and volumes subsequently slumped 2.1%.

## Actions

- ❑ Manufacturers need to assess the category competitive risk from own label growth and development and adjust their portfolio and retail approach.
- ❑ Shoppers will adapt their consumption and even change their behaviour and buy substitute lines. Defining segmentation and monitoring shoppers' changing behaviour will help retailers and manufacturers to identify growing areas.



## A Pricing Crisis – The Pressure to Promote



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Average prices have increased by 3.0% across Europe in the latest year.  
Food prices have accelerated faster than non-food prices in most countries.*

There is a new consumer reality facing FMCG brands and retailers who are pushing through price increases to cover their own rising costs while simultaneously promoting to sustain volumes as prices rise faster than their customers' earnings.

This is very much a consumer recession across Europe as stringent austerity measures, rising inflation, price hikes and stagnant wages sap shopper confidence as well as their buying power. Unlike in previous recessions this is impacting a majority, who are seeing their buying power squeezed and feeling the economic uncertainty. This is reinforced by the dawning realisation that this might last for many more years yet.

Prices are rising faster in Germany and the UK where the economic situation is

not as dire as in Greece or Spain. In the UK food prices rose by an average 5.1% while in Germany it was 3.3%. Compare this to a 0.4% rise in Greece and 1.3% in Spain for January and February 2012.

Consumers are holding their nerve in the face of rising prices and have responded by buying more carefully with total Europe volumes for grocery up just 0.8% even as price increases drove value sales up 3.7%.

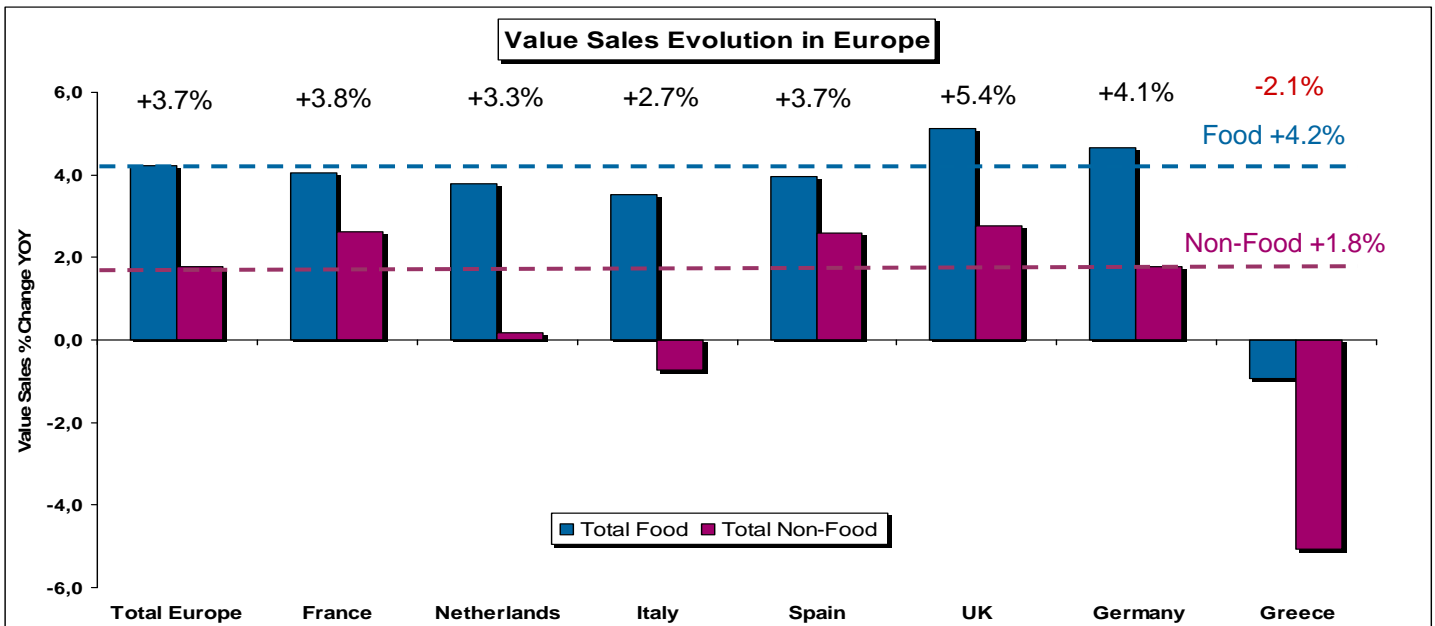
In frozen food the average price rise was 3.4% and volume sales were flat, while a 3.3% price hike across household hit sales by 1.7%.

Although the category seeing the highest average price rise, non-alcoholic drinks (4.5%), witnessed the biggest volume rise

of 2.7%. This demonstrates how some categories buck even broad trends, thanks in part to the popularity of energy drinks. In the Netherlands, for instance, the price of non-alcoholic drinks rose 9.3% and volumes remained flat rather than falling. Coffee was mainly responsible for this increase.

In Greece where the population is suffering severe cuts in their household income, chilled and fresh food saw the biggest price rise at 3.4% and volumes subsequently slumped 2.1%. Many Greek consumers are trading out of categories to cheaper areas or replacing ready-to-eat meals with home made or do-it-yourself foods, depending on their shopper profile.

# A Pricing Crisis – The Pressure to Promote



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Value sales are increasing by 3-4% year-on-year but Greece has declined significantly.*

Perhaps the most interesting question surrounds where promotions might go next. There are patchy indications that the rise of recent years might be halting. If so retailers will need another approach to drive value. This must raise questions around EDLP or EDLP like approaches. This was originally launched many years ago by Wal-Mart in the US and now being reinvigorated by them globally and promoted in the UK through the Asda chain. Could it grow in Europe? Could budget constrained shoppers demand the assurance of value that this gives? If so, it could change the face of in-store promotions. The jury is still out on this.

The growth of 'pound/euro' stores and discounters in some countries would tend to suggest it has consumer appeal. But in Italy, Carrefour Express, Simply Market and U2 have tested EDLP and nothing indicates so far that this strategy will

expand to more channels. If the tide turns on promotional growth it will only do so because shoppers see real value for money in the everyday prices on offer in stores and recognise this overall store proposition to be stronger. It is probably too early to tell but certainly worth watching as economic challenges persist.

Price is still clearly high on the shopper's agenda all across Europe. It is one reason for the continued growth of the rounding up prices to a clear Euro or Pound, with a move away from the 99c approach. This trend by retailers could dampen price rises throughout 2012/13. An alternative will be more reengineering of pack sizes that keep prices down and enable shoppers to still enjoy their favourite brands.

The reduction in the amount of products people are buying - most evident in

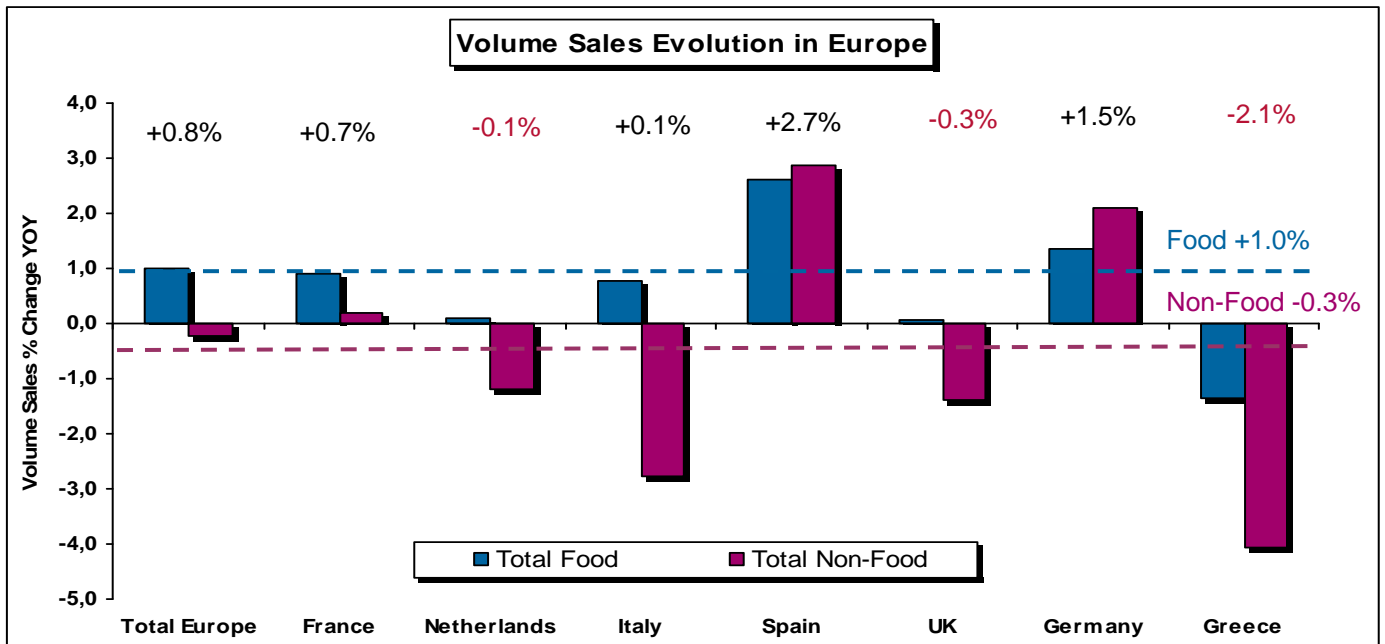
Greece and the UK - is helping to mask the intensity of the price pressure that is evident in most categories and the increasingly sophisticated way shoppers are securing more value.

They are planning their shopping trips more effectively using shopping lists, internet price comparison sites and are between brands and retailers to save money. This all means there needs to be more strategic thinking and less tactical deals from brands and stores.

Some brands, for example in soft drinks, are working hard to avoid head to head cross retailer price comparisons and exploiting brand strength and clever use of price and promotions to good effect. Using high promotional volumes but with tight deal depths to maintain the margin that it and the stores need. Innovation, tailored propositions and clever pack



# A Pricing Crisis – The Pressure to Promote



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Shoppers are buying more carefully with the rise of prices.  
In Europe the volume sales increased by 0.8% only in the latest year.*

sizes enable them to ride the threats of these recessionary times successfully.

Manufacturers are keen to see prices rise and many brands have reached the limit of how much they can absorb and increasingly feel they have no choice but to pass it on.

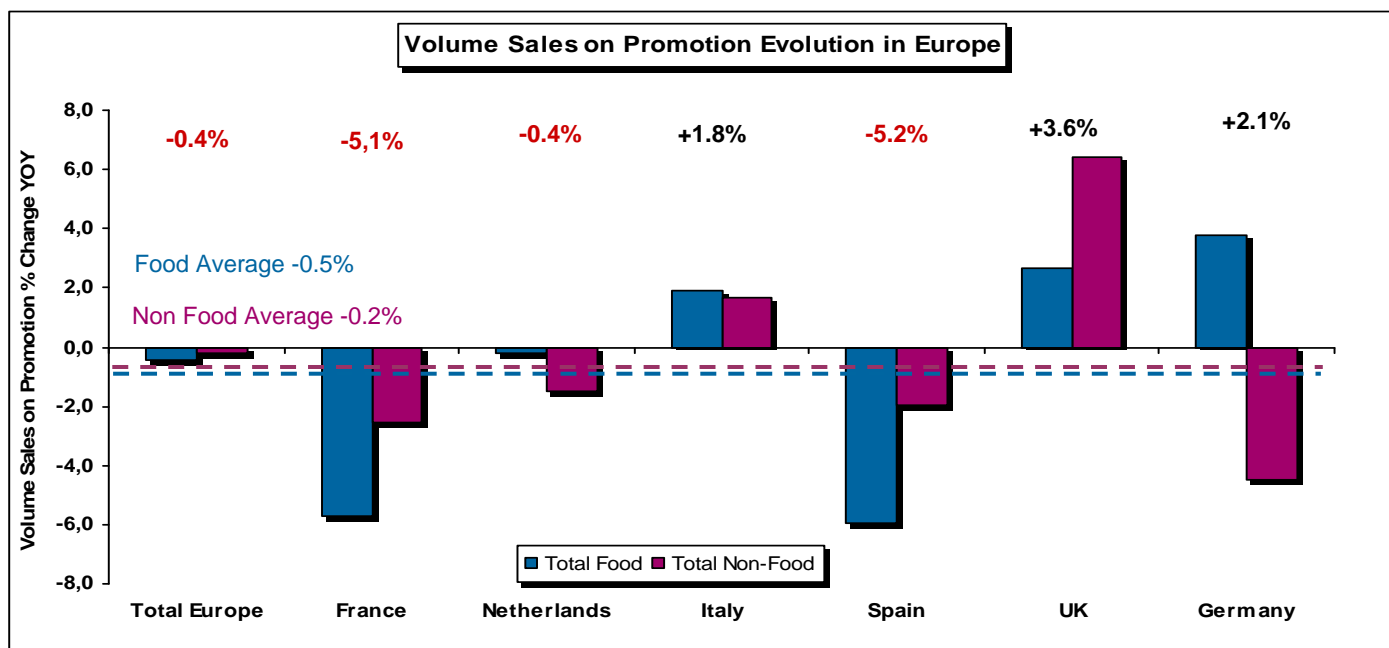
This has led to real challenges for many manufacturers. Sometimes with high profile problems. One public example was seen last year in a dispute between Premier Foods, the UK’s largest food manufacturer and Tesco. The owner of brands such as Mr Kipling, Hovis and Oxo tried to push through a significant price increase but Tesco delisted a large number of products. The fallout materially impacted earnings for the year.

Another in France, between Lactalis and

E.Leclerc led to Lactalis products being unavailable in E.Leclerc shops for several months. The two parties finally found a solution as neither wanted the consumer to start shopping elsewhere.

These disputes harm both parties but are likely to continue across many categories in the current economic pressures.

# Adapting to the Never-Ending Recession



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

Two distinct groups for promotional pressure in Europe: Spain and France have seen a de-escalation in promotional whilst promotion has risen in the UK, Germany and Italy.

As it moves towards its fifth year, the recession across Europe has lasted longer than many retailers and manufacturers expected and they are starting to think differently about the promotions they use to protect their margin and volumes.

Brands and stores are making more of the data they collect on their shoppers to understand them better so the promotional mechanic and depth of promotion is as effective as it can be and generates rather than simply cannibalises sales.

Promotional pressure in many food categories has reduced in the latest year with the largest declines in support seen in France and Spain. The UK and Germany have seen increased promotional pressure, the UK driven by

the ambient food sector, with volume on promotion up 6.4% for non-food and 3.6% in total.

Non-food promotions are down more significantly in France and Germany, with personal care down more than 3.6% on volume and 3.8% on value in France and by 8.0% and 6.4% in Germany.

In the FMCG sector as a whole, promotions have risen in most countries in the last three years, and now account for more than 56% in the UK and an average 25.6% across Europe.

Confectionery at 29.2% has the largest volume on promotion, followed by non-alcoholic drinks (28.9%), personal care (28.8%) and alcoholic drinks (28.5%).

Loyalty cards, online coupons and leaflets

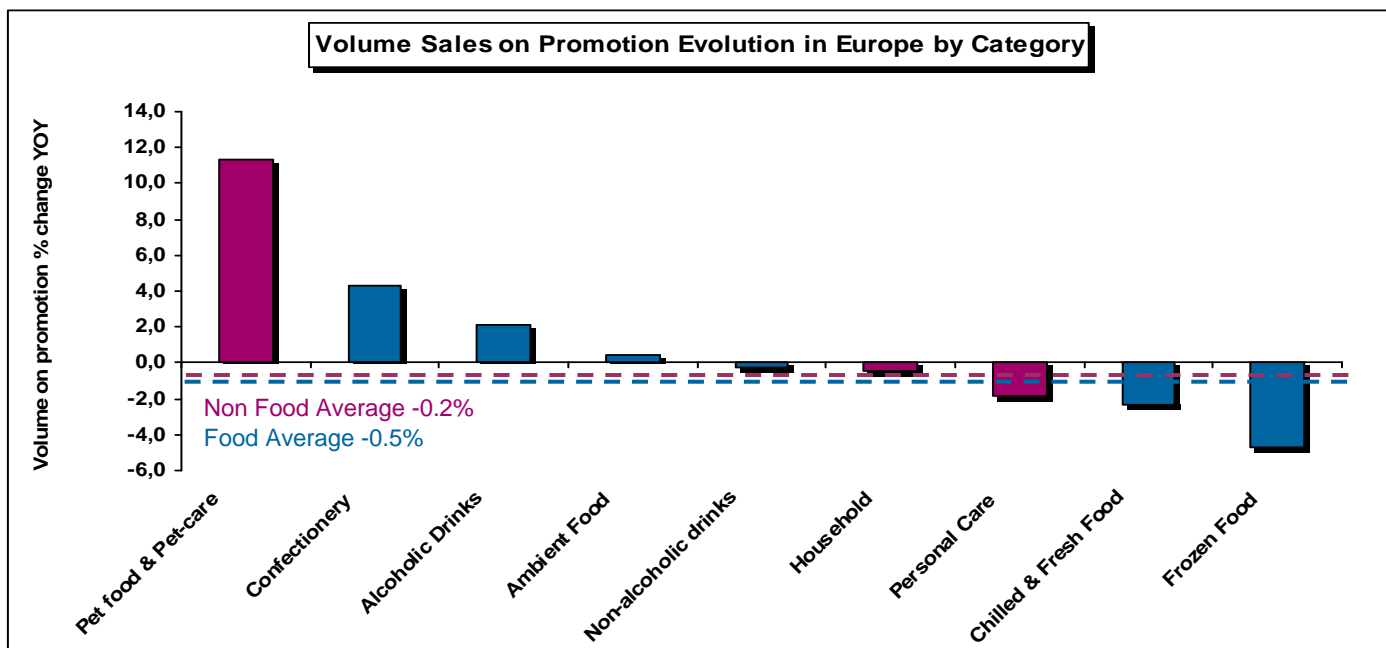
full of retailer-specific price cuts sent to homes and distributed in-store are increasingly being used to keep volumes up and spark the growth that keeps investors happy.

In Germany retailers have made more use of coupons and loyalty cards, all with the intention of tempting the shopper to their particular retail chain.

It has been a jump in the use of promotional flyers which has caught the eye in Italy. During 2011 the number of brands promoted on flyers was up by 10% and the number of products promoted by 18%. The trend has continued this year. It resulted in a rise in value sales overall in Italy of 2.7%, with food up 3.5% but non-food still fell, by 0.7%.

In Spain price cuts were the norm

# Adapting to the Never-Ending Recession



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

## Trade promotion in FMCG sector now accounts 25.6% on average across Europe.

between 2008 and 2010 but prices began to rise in 2011 and they continue to rise. As the country struggles with continued recession, stores have had to improve the overall shopping experience. This began in 2010 with the launch of Carrefour Planet and has continued with Eroski testing a new store concept to wow shoppers. Elsewhere, El Corte Inglés has introduced a 'fast shopping' store model to make the shopping experience as easy as possible for consumers.

The brand owners are also trying different things in Spain and are working with retailers. Reckitt Benckiser, for instance, has been making more use of direct marketing with money-off coupons that can be redeemed in-store.

Coca-Cola is also mentioning price reductions in its advertising for the first time in Spain, promoting a 1.5l bottle for

€1, and has also started selling its products via the telephone, telling consumers about in-store promotions and special offers.

### An opportunity for Private Labels?

Across many categories, particularly in pet food, dairy products, frozen food and household, own labels are challenging national brands. Share is increasing in most European countries and they compete strongly with increased trade promotion on national brands.

In Spain, private label has 10% of sales on promotion in the first quarter of 2012, down slightly from 11% the year before, while own label deals in Germany are prolific.

In France, however, promotional activity on private label has been moving

downwards for two years, while in the Netherlands brands are fighting back with more promotions to retain their market share.

In Italy, premium brands have been able to absorb price rises more effectively than budget brands enabling them to compete more strongly with private label.

### Legislation and its impact

Alcoholic drinks is one category where the face of promotions may have to change. In the survey, 28.5% of volume was on deal, up 2.2%, but higher taxes on alcohol in France and plans for a minimum pricing in the UK could affect the category across Europe in the long term if the scheme is more widely adopted by the EU.

Minimum pricing is expected to be passed into law in Scotland later this year with a

# Adapting to the Never-Ending Recession

likely minimum price per unit of £0.45.

One piece of legislation already introduced in Scotland in October 2011 is the banning of multi-buy deals on alcohol. There is some evidence that this is already impacting volumes, particularly in the wine category now that consumers are no longer faced with the temptation of '3 for £10' deals.

In Scotland, currently 75% of lager, cider and Ale volume in the major multiples is sold below this proposed minimum unit price. It will require an average price increase of almost 25% for the category to meet this threshold; cider prices will be impacted most heavily (+40%), followed by lager prices (+20%).

The implication will be even more significant for certain products, in particular the large cases of lager and cider that are heavily promoted through the summer and around holiday periods will typically need to increase price by over 50% and cheap strong cider prices could more than double.

It could mean more field marketing within stores, such as sampling, as the focus shifts from promoting low prices to promoting the brand. Alternatively we could see suppliers reduce the strength of some products to avoid having to hike up the price of their favourite loss leader.

## The multi-channel factor

Changing consumer shopping behaviour in terms of the channels people use will

continue to have an impact on pricing and promotions. There are more non-food sales coming from online and from discounters in the UK, Germany and the Netherlands.

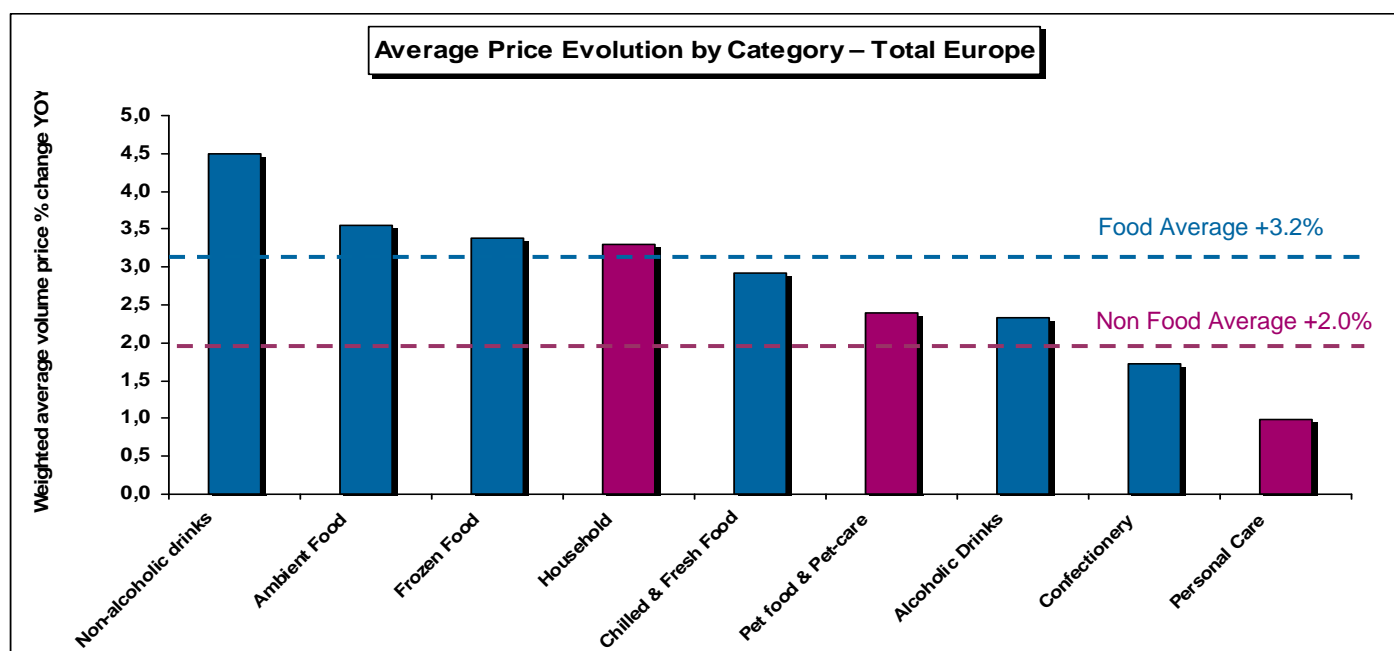
Multi-channel shopping is here to stay and with it comes the price transparency and easy product selection that consumers demand. It will mean small shopping baskets when consumers do visit the supermarket and it is inevitable in-store promotions will have to reflect this.

Across Europe internet and online promotions are becoming more important channels for shoppers who are searching out exclusive online coupons, cross-promotions, virtual gifts or mobile offers. At Christmas in the UK over two million people used mySupermarket.co.uk to compare prices, shop and create lists.

In Germany retailers are using more online-only offers and couponing is huge on the internet, while in the Netherlands non-food sales online are accelerating and retailers are experimenting with pick up points.

In Spain online shoppers are relatively scarce but many people are using the web to compare prices even if they are not yet ready to buy goods remotely.

## Price Bifurcation: Food versus Non-Food



Source: SymphonyIRI Infoscand; 52 weeks ending mid March 2012 versus same period prior year.

### Overall food is driving the volume growth retailers are seeing.

Shoppers have had to get used to commodity-cost driven price rises, yet retailers and suppliers remain scared about passing on their full additional costs or breaking the cycle of promotions because they risk losing valuable market share.

Price rises will continue to rise to back fill profit lost in the past few years. Value sales for food are growing by between 3%-4% across Europe, yet value growth in non-food is not coming through as shoppers are trade down and reduce their frequency of purchase in categories such as personal care and household.

The latest SymphonyIRI research demonstrates how commodity prices in France have had a big impact on rising prices in the shops. More recently, higher taxes on alcohol and non-alcoholic drinks added to inflation in this category.

In Spain, raw material prices, fewer promotions and rising inflation have all contributed to rising prices in food, while non-food prices are decreasing influenced by the growth of private labels.

The often local nature of food markets means that food prices vary across the continent even within countries where there can be big regional differences.

Promotions remain crucial to keep volumes up in food and non-food with big brand owners such as Unilever, Reckitt Benckiser, Johnson & Johnson and Procter & Gamble under constant shareholder pressure to meet their growth projections, even in the current harsh trading climate.

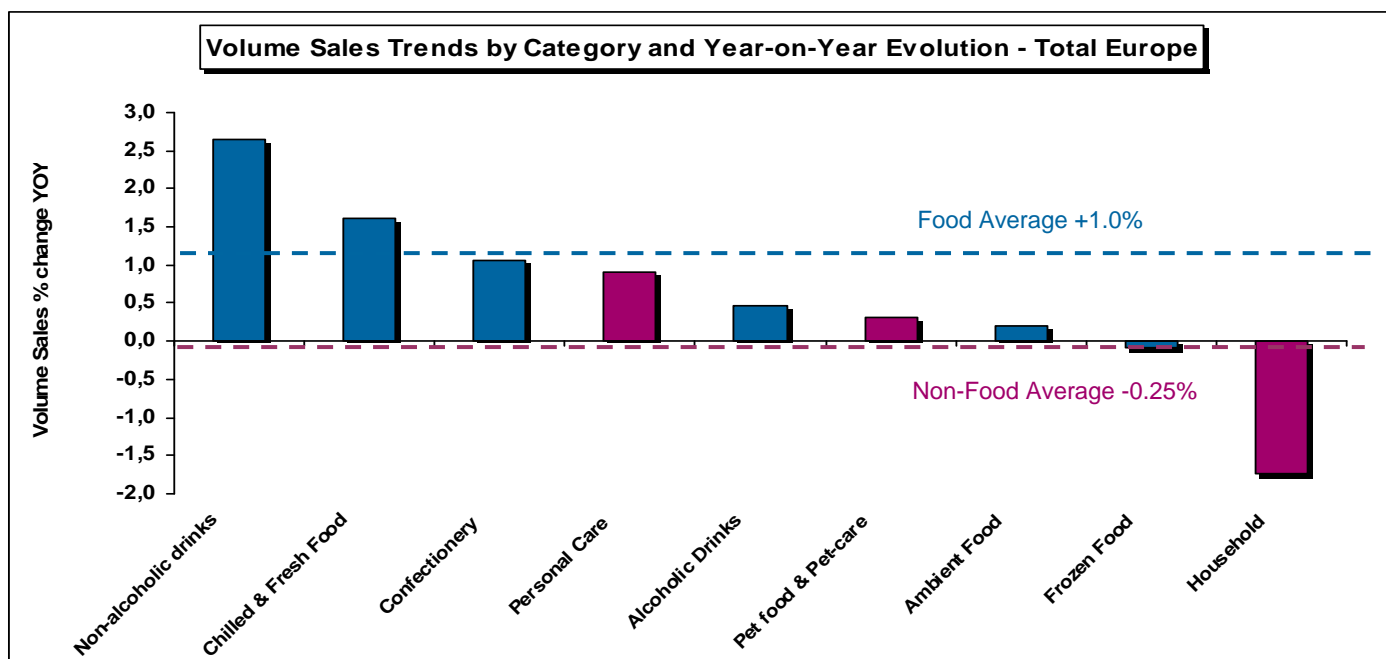
Overall food is driving the volume growth retailers are seeing. Yet not across the board with volume sales for frozen food flat whilst the much larger chilled category

has performed better with volumes up 1.6%, despite a 2.9% increase in average prices as shoppers look for affordable indulgence.

We are seeing more suppliers reengineering products and pack sizes to keep prices stable and affordable for shoppers who are seeing the weight and size of their favourite lines shrink. Retailers are changing the material or shape of the packaging to reduce the cost, and subsequently the price. In Spain Mercadona has been able to reduce the cost of some of its own label products by removing the labels and showing products in the 'raw'.

There are signs, however, that consumers are becoming fed up with tightening their belts. In Spain where volume sales rose 2.7% in 2011, shoppers replaced dining out with dining at home and now buy quality products to enjoy at home.

## Divergent Trends: Focus on Two Categories



Source: SymphonyIRI Infoscant; 52 weeks ending mid March 2012 versus same period prior year.

*Overall volume sales have increased by 0.75% across Europe in the latest year.*

### Household

Prices of household items rose on average by 3.3% across Europe, well ahead of the non-food average of 2.0%.

Yet volume sales dipped by 1.8%, down in every country surveyed, and even value sales rose by only 1.6% as this is one category where changing shopper behaviour is blatantly apparent.

Consumers are using household products less, trading down to cheaper and own label brands and switching retail channels. They are also making products last longer by following useful tips such as adding water.

In many countries discounters and 'pound shops' have begun to sell household items at low prices, especially in Germany and the UK.

In Greece, value and volume sales of household items slumped by more than 5.5%.

Overall volume on promotion fell 0.5% across Europe but there was a 6.6% increase in the volume on promotion in the UK as the supermarkets tried hard to convince shoppers to buy items with them. On-shelf was up 5.9% and off-shelf by 6.9% with an average price cut of 28.4%.

In Spain value on promotion for household rose by 2.2% as this category saw the biggest shift from on-shelf to off-shelf deals with a 20.8% increase in off-shelf activity compared to a 2.5% drop in on-shelf deals.

Household is a category where own label is strengthening its position and challenging national brands as shoppers

become more reluctant to pay for top names. This is particularly true in glass/window cleaners, dishwashing and hand dishwashing and household cleaners. Brand promotions in the last two categories were down in 2011.

### Chilled and Fresh Food

Commodity-driven price rises averaging 2.9% meant overall value sales in the chilled category rose by 4.6% with volumes up 1.6%.

This category has been driven largely by the performance of private label lines and hard discounters have lost value and volume share within dairy after putting too much focus on price competition and then being unable to maintain the price gap versus competing channels.



## Divergent Trends: Focus on Two Categories

The hypermarkets are managing to pass on the strongest price increases, deemed necessary due to the significant jumps in raw material prices of margarine, butter and fats and cheese.

Milk is the only sector in Europe showing a decline and is still driven almost entirely by price and promotion, particularly in the UK where price cuts are having a major impact on some dairy farmers.

Overall volumes on promotion were down 2.4% over the year with the largest amount of activity around cheese, charcuterie and yoghurt. The percentage volume on promotion was 22.5%, the lowest for all the food categories surveyed.

There were sharp drops in volumes on promotion in France (-9.3%) and in Spain (-10.7%). In France there was a 17.1% reduction in on-shelf promotion for chilled foods with off-shelf deals flat. Nevertheless, value sales in France were still up by 4.1% with volumes 1.1% higher.

Chilled ready meals have proved a hit with European consumers who cannot afford to eat out as much as they used to and who perceive frozen food as poorer quality than chilled. Volumes grew across most of the countries surveyed but fell 2.1% in Greece where consumers cannot justify paying for ready meals in such tough times.

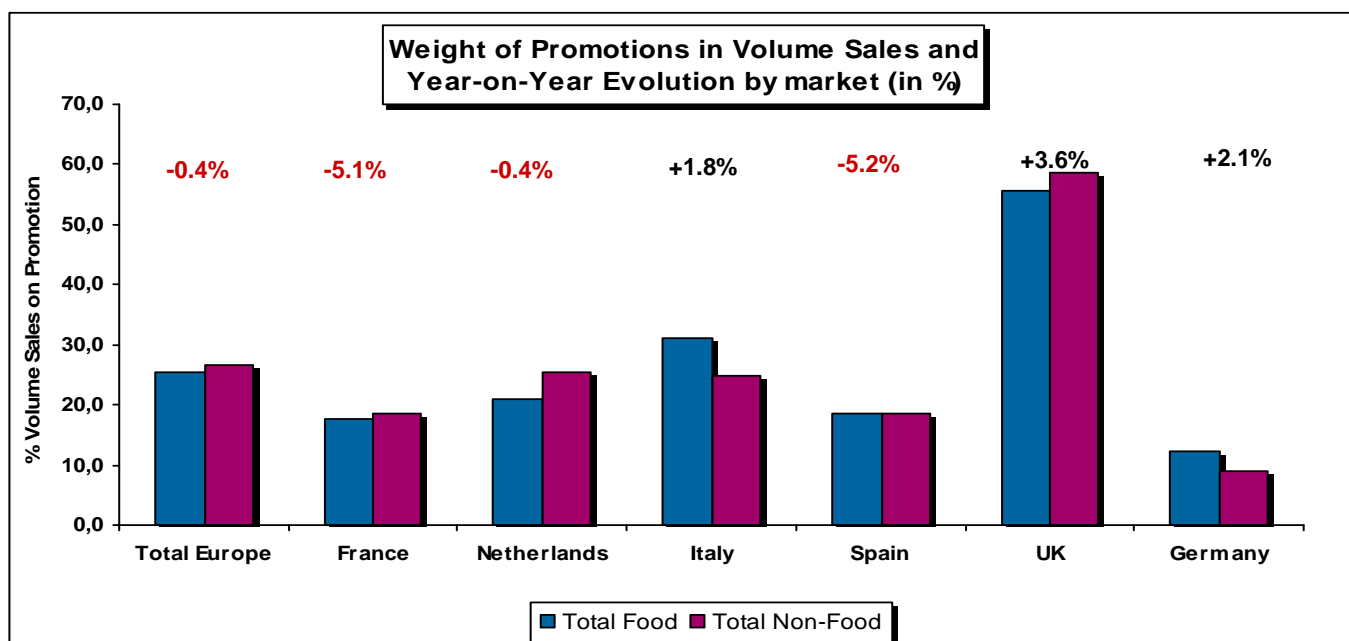
Chilled in many countries is perceived as a premium category, so its success in the downturn has surprised many but is a reflection of the austerity measures people are implementing by eating in instead of out of home in some countries.

The popularity of such affordable indulgence and convenience has captured peoples' imaginations thanks to inspiring television and in-store advertising. In the UK, retailers Marks & Spencer and Waitrose have both heavily promoted 'dining at home' offers.

These trends mean prices were able to rise without having the kind of negative impact on volumes which were seen in other categories such as household (-1.7%) or frozen food (-0.1%).

The robustness of the Chilled category through the downturn is evidence that its sustained growth over many years is being sustained despite the recession, at least for the moment.

## On-Shelf versus Off-Shelf



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Spain and France where volume on deal are dropping are now more focused on off-shelf activities which usually generate better uplifts.*

In many countries retailers have begun to shift away from on-shelf promotions and make more use of secondary off-shelf fixtures which are proving more successful in lifting volumes.

The trend to use more displays such as gondola ends and store foyers is particularly evident in France and Spain where deal volume is dropping.

In France on-shelf promotion fell 11.4% in volume and 11.0% in value terms yet off-shelf activity grew by 1.9% and 2.4% respectively.

The biggest category shift from on-shelf to off-shelf deals in France came in non-alcoholic drinks, whereas in Spain it was in household items.

Yet in UK levels of on-shelf promoted volume are still outperforming off-shelf; up

by 4.9%, compared to 2.2% for off-shelf.

Retailers have become smarter at forecasting their return from specific off-shelf promotions. There is evidence that off-shelf often achieves better uplifts and is more efficient for retailers who are choosing to place more products on them to maximise their effect. Levels of cannibalisation are lower and the secondary sites are more likely to induce impulse purchases.

In the UK there was a 5.9% increase in off-shelf promotions for confectionery in an already highly promoted category where 70% of chocolate is sold on deal. It was also a highly-promoted category in Spain where on-shelf promotions still work well and were up 18.5%.

The severe economic situation in Greece means the overall basket has fallen in

value as shoppers move to cheaper retailer own labels which are increasingly appearing on off-shelf fixtures. Retailers see these sites as a key way to drive trial and take or defend market share.

Manufacturers would prefer to reduce their level of promotion on-shelf and off-shelf because the fees and discount is now one of the most significant marketing expenses, usually costing more than TV advertising. However, retailers will often only choose a brand for a display if the deal depth is high enough and the brand has enough pulling power.

Non-alcoholic drinks, led in many countries by the fashion for energy drinks, saw the largest value (7.2%) and volume (2.7%) sales jump across the continent. Yet the volume on promotion was actually down 0.3% year-on-year on-shelf and off-shelf with fewer multi-buys.

## Pricing and Promotion in Europe

## On-Shelf versus Off-Shelf

In the UK the volume of non-alcoholic drinks on deal in the 52 weeks surveyed was 65.0%, whereas it was just 24.8% in Spain and 19.2% in France.

Strong value sales in non-alcoholic drinks were driven partly by a 20%-plus increase in coffee costs. Overall, however, this tends to be one category not as sensitive to price increases as others. Consumers are reluctant to forego their caffeine fix and they may spend less time and money at coffee shops but they still want good quality coffee at home.

There is also the popularity of energy drinks such as Red Bull and Lucozade which continue to perform well thanks to the large marketing investments in this category. As a premium category, volume growth will always have a disproportionate impact on value sales.

It was pet food and pet care which saw the largest year-on-year change in volume promotional support, up 11.4%, fuelled by a large private label market and discounting by large brand owner Mars which owns Pedigree Petfoods.

Confectionery saw the second biggest annual rise in promotional activity, up 4.3%. In Greece, promotions helped confectionery achieve a 10.3% rise in value sales and a 13.3% jump in volume as prices fell and consumers looked for a cheap way to cheer themselves up.

Alcoholic drinks suffered from the lack of any big sporting event last year, which traditionally encourages multi-pack sales. Across Europe, 28.5% of volume was on deal, up 2.2%. Prices rose but volumes were flat overall thanks to the level of promotions.

There were significant value and volume falls in alcoholic drinks in Greece and volume falls in the UK, despite 71.7% of volume here being on offer. This may make brands and retailers look closely at what mechanics they adopt next time they have no big event or good summer weather to promote around.

The deal depth demonstrates the challenges that retailers and brands face on- and off-shelf.

In the Netherlands the average is 24.8% with the biggest average price cut 31.2% on personal care as consumers make products last longer and buy less frequently. In the UK the average is 23.5% with personal care again facing the deepest cuts at an average of 33.7% followed by confectionery at 30.8%.

## Conclusion

The economic difficulties faced by consumers across Europe means FMCG retailers and manufacturers must master a tough balancing act.

Brand owners need to raise prices to cover their own soaring raw material costs and reclaim lost profits but promotions remain crucial to ensure volumes are sustained as shoppers change their behaviour and take a more multi-channel approach when buying food and non-food.

This is a real consumer recession and levels of discounts are being reduced in an attempt to retain profitability. Yet retailers are putting pressure on manufacturers to demonstrate strong deal depth or brands may not appear on lucrative off-shelf displays where the best sales uplifts are coming from. Retailers in many countries are stocking these fixings with more and more own label promotions.

Each European market has its own issues to deal with. Greece is in dire straits as consumers struggle to make ends meet while in Germany the economy is relatively healthy but consumers remain extremely price conscious.

However sustained economic uncertainty and tight household disposable income could well fuel a shift away from the promotional acceleration that we have seen in the last four years towards Every Day Low Prices to address value for money perceptions. If this grows and spreads across the continent, it will be interesting to see how retailers and manufacturers respond in terms of the types of promotions they champion if this does happen. Innovation and insight will be crucial.

Meanwhile, retailers' own labels will continue to take share and national brands must focus on intelligent promotions, pack re-engineering, innovation and partnering even more closely with stores to grow the category, if they are to protect their market share.

We at SymphonyIRI look forward to providing solutions and helping FMCG retailers and manufacturers perform as well as they can in such tough economic times.

## About the Report

- This report contains data gathered from seven countries in Europe: France, Italy, Spain, the United Kingdom, Germany, the Netherlands and Greece. The data has been sourced from SymphonyIRI Group retail databases.
- Macro-categories we are looking at are: Chilled & Fresh Food, Ambient Food, Frozen Food, Non-Alcoholic Drinks (it includes Tea and Coffee), Household, Personal Care, Confectionery, Pet Food/Pet Care and Alcoholic Drinks (it doesn't include Wine for the UK and Greece).
- The market channels used for each country in this report are as follows:

Country	Channels used
UK	Hypermarkets, supermarkets, drugstores and impulse outlets
SP	Hypermarkets and supermarkets
GR	Hypermarkets and supermarkets
GY	Hypermarkets, Supermarkets and hard discounters (excl. Aldi)
NL	Hypermarkets and supermarkets
IT	Hypermarkets and supermarkets
FR	Hypermarkets and supermarkets

**To gain insight into opportunities across specific categories, segments, channels or retailers, contact your SymphonyIRI client service representative regarding custom analyses leveraging the following resources:**

- **InfoScan Census**® is a syndicated retail tracking service that enables manufacturers and retailers to acquire industry insights used to make better business decisions. InfoScan Census utilises the data that SymphonyIRI Group collects from grocery, drug, and mass merchandise retailers to provide the most comprehensive and accurate syndicated data offering in the Fast Moving Consumer Goods (FMCG) sector. With access to accurate, granular detail by category, geography, measure and time period, clients have the tools needed to develop marketing and sales strategies based on product performance, distribution, and promotion responsiveness.
- **Analytics Advantage™ Suite** provides global solutions for all strategic marketing needs. It enables retailers and manufacturers to get fast and in-depth category insights and dynamic analysis for identifying growth opportunities and measure business impact in term of return on investment, sales and profit. Analytics Advantage Suite goes from in-store interviews to advanced modelling solutions.

### About SymphonyIRI Group

SymphonyIRI Group, formerly named Information Resources, Inc. ("IRI"), is the global leader in innovative solutions and services for driving revenue and profit growth in FMCG, retail and healthcare companies. SymphonyIRI offers two families of solutions: Core IRI solutions for market measurement and Symphony Advantage solutions for enabling new growth opportunities in marketing, sales, shopper marketing and category management. SymphonyIRI solutions uniquely combine content, analytics and technology to deliver maximum impact. SymphonyIRI helps companies create, plan and execute forward-looking, shopper-centric strategies across every level of the organization. For more information, visit [www.SymphonyIRI.eu](http://www.SymphonyIRI.eu).

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## Appendix

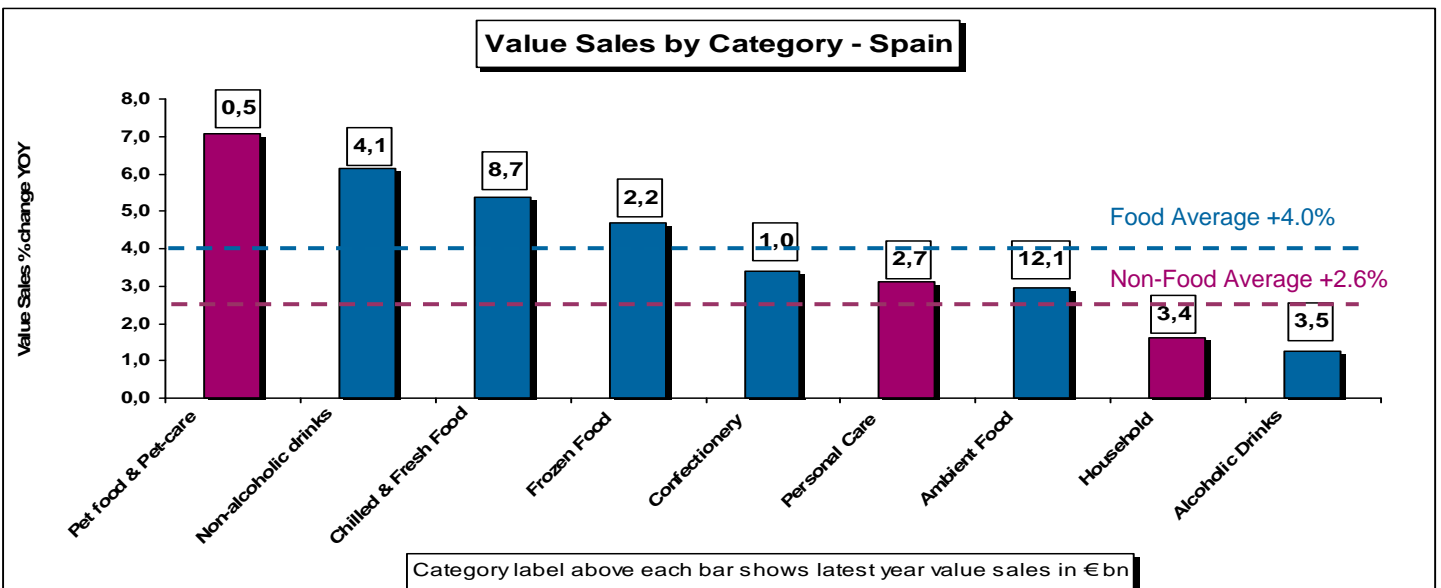
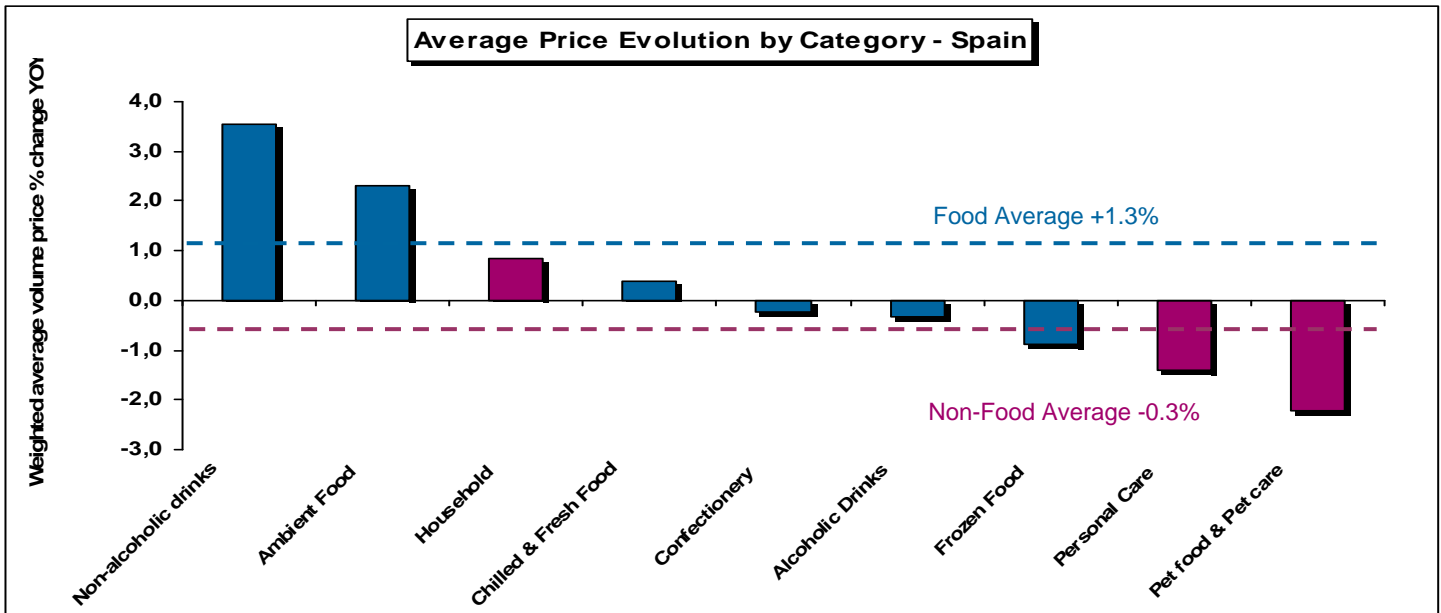
### *Country by Country Review*

Symphony **IRI** Group

Insight.  
Innovation.  
Impact.



# Trends in Spain



Source: SymphonyIRI Infocan; 52 weeks ending mid March 2012 versus same period prior year.

*Prices have started to move upwards in 2012, by 1.1% in the first three months as consumption increased by 2.3%. Value sales have increased by 3.7% during the last year in Spain.*

Unemployment in Spain was running at 24.4% in the first quarter of 2012 and this is having a massive effect on the country's attempts to come out of recession, as well as on retailers' efforts to get consumers spending again.

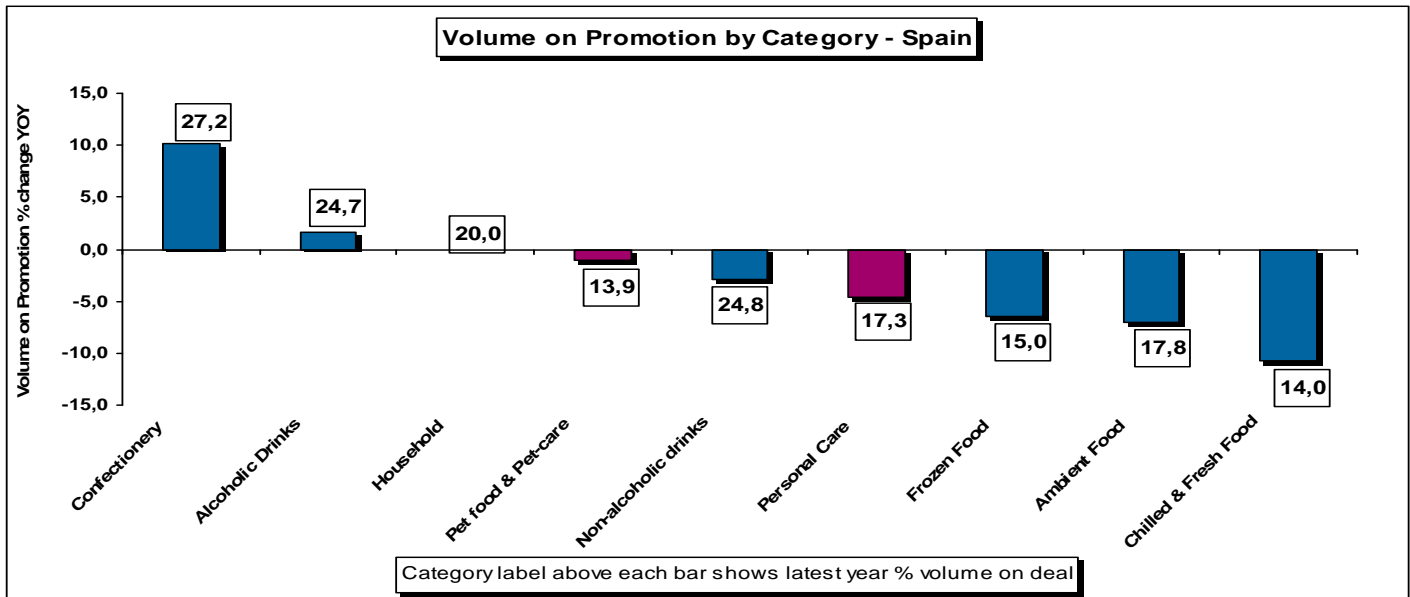
Prices in Spain at the end of 2011 were just 0.7% higher than in 2010 and they

have continued to move upwards in 2012, by 1.1% in the first three months as consumption increased by 2.3%.

Price has dominated marketing campaigns here since 2008 with brands such as Olay and Coke using price in their commercials to woo consumers.

Spain, along with Germany, is however bucking the trend in non-food volume sales, up 2.9% overall. The biggest rise was in pet care, up 9.3%, followed by personal care (4.5%) where average prices dipped 1.4% and despite a 4.6% drop in volume on promotion and a 3.9% fall in value on promotion. Only 17.3% of

# Trends in Spain



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Volume on promotion has declined by 5.2% in Spain during the last year.*

products in this category were on offer.

Promotions overall have nevertheless become less intense with 18.5% of products on promotion in Spain in the year to February. Confectionery (27.2%) and alcoholic drinks (24.7%) are the only two categories within food or non-food to see an increase in volume and value promotions.

It is how retailers are choosing to promote which is interesting. Across food and non-food the medium-term trend is away from volume on-shelf (down 5.2%) and towards off-shelf (up 0.4%). This is certainly happening in the household category where the amount of off-shelf promotions rose by 20.8% and on-shelf fell by 2.5%.

However, for confectionery and alcoholic drinks the opposite was true, with confectionery experiencing an 18.5%

increase in on-shelf promotion over the year whilst the amount of off-shelf was flat.

The Top 10 retailers in Spain have been reluctant to use price and promotion, especially as Mercadona is not running offers, but their share of sales has increased from 82% to 84% between 2008 and 2010.

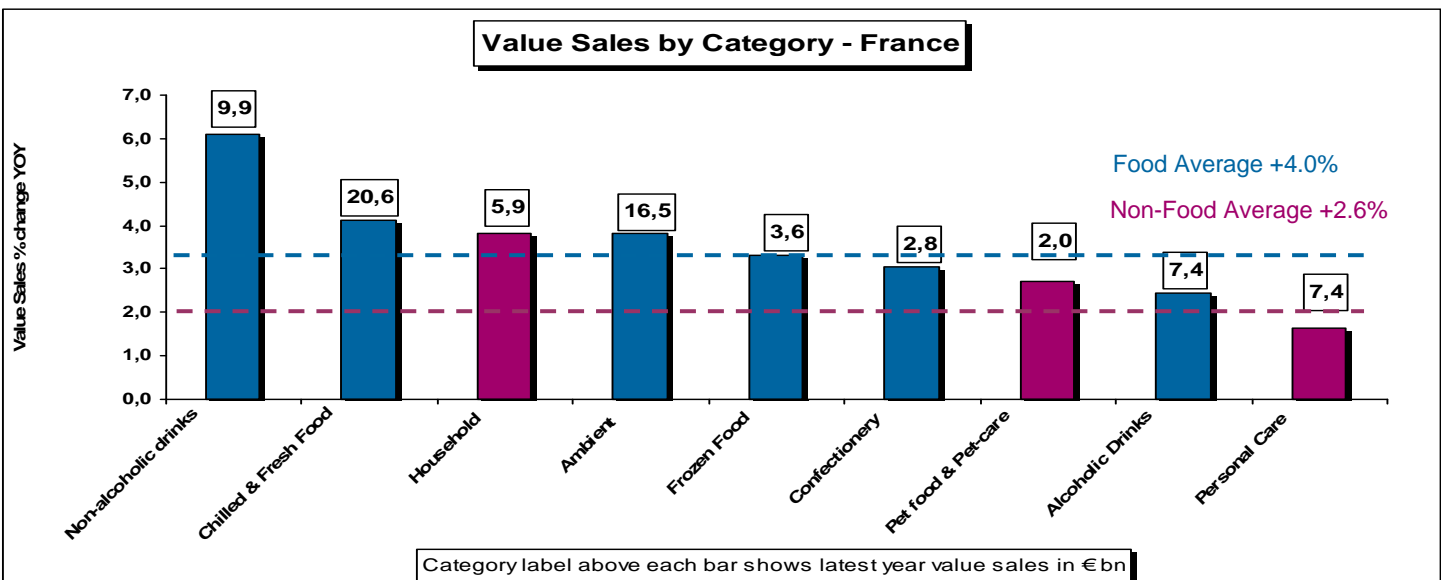
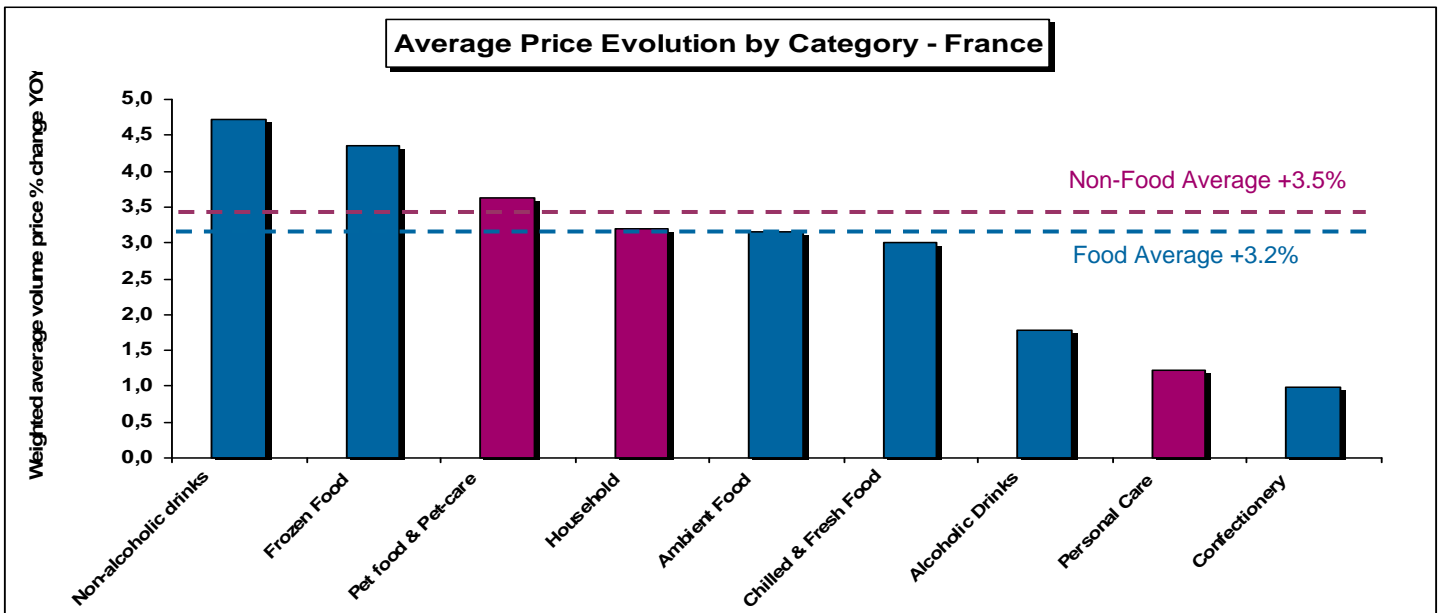
The recession has accelerated the growth of the proximity channels (large and medium-sized local supermarkets). They increased their number of stores by about 5% in 2011 as more people stayed in and cooked at home.

Private label promotions are running at about 11% and a number of retailers have developed own brands to fit different price points, such as value, standard and premium. This is meeting shoppers'

needs to go back to basics in the current economic climate. Eroski has launched Eroski Natur, a premium fresh products line.

A survey last year by SymphonyIRI revealed how, with so many promotions available to them, it is becoming harder to tempt Spaniards. In November 2011 just 6% of shoppers made a purchasing decision due to a promotion, down from 10% in 2008. However, two thirds of consumers say they will change their approach to shopping to save money this year and look for promotions and offers.

# Trends in France



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*The first few months of 2012 have seen initial signs of a retail price war. Value sales have increased by 3.75% during the last year in France.*

The latest SymphonyIRI research reveals less intense promotional activity, particularly in food where the volume of products on promotion fell by -5.7%. In non-food the figure was -2.5%.

France was the only country where every food category surveyed saw a reduction

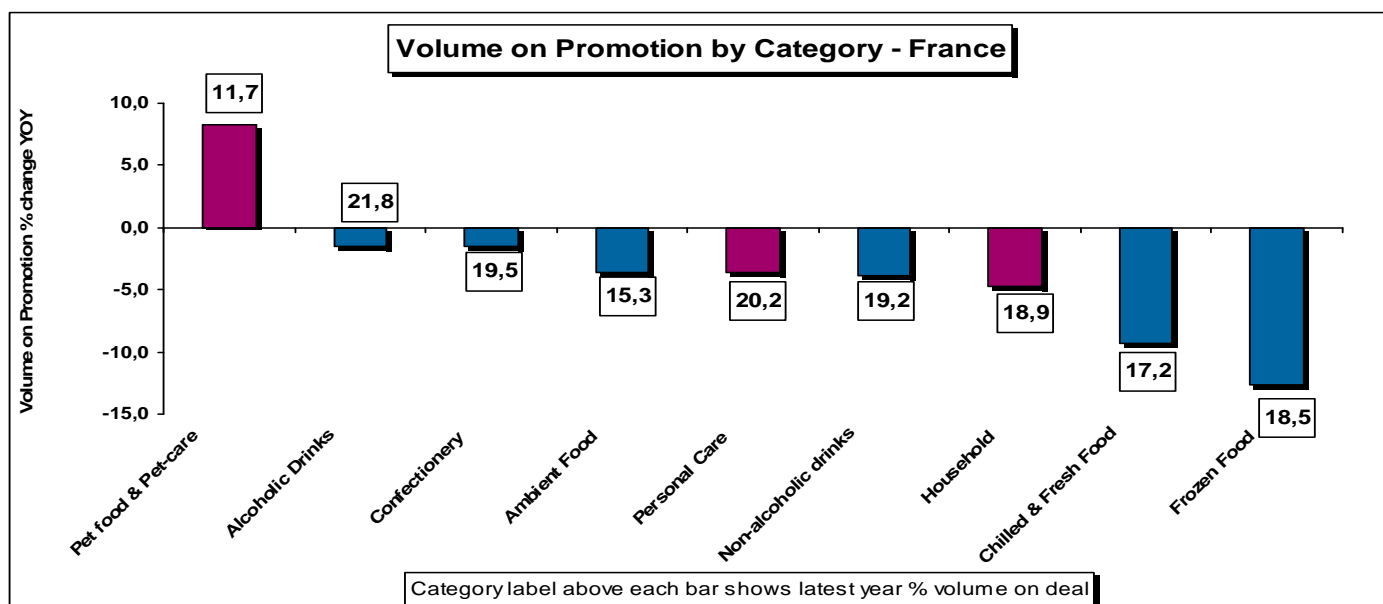
in promotional support in volume and value terms, with frozen food seeing the biggest drop (-12.6% and -8.6% respectively).

In non-food, only pet food and pet care saw an increase in value and volume sales on deal. As the survey period

closed in mid March Pedigree Petfoods, a subsidiary of Mars, and Colgate-Palmolive were being fined more than €35m by France's antitrust authority for pressuring wholesalers to keep prices of pet food high between 2004 and 2008.

Since 2008 French consumers have

## Trends in France



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Volume on promotion has declined by 5.1% in France during the last year.*

become increasingly suspicious about pricing and promotion strategies in their grocery stores. Overall 17.9% of products were on promotion in France with on-shelf offers taking a battering (-11.4%) as off-shelf promotions became more popular (1.9%) in a bid to tempt consumers lacking the confidence to buy.

The first few months of 2012 have seen initial signs of a retail price war with several chains blatant about protecting their competitive position.

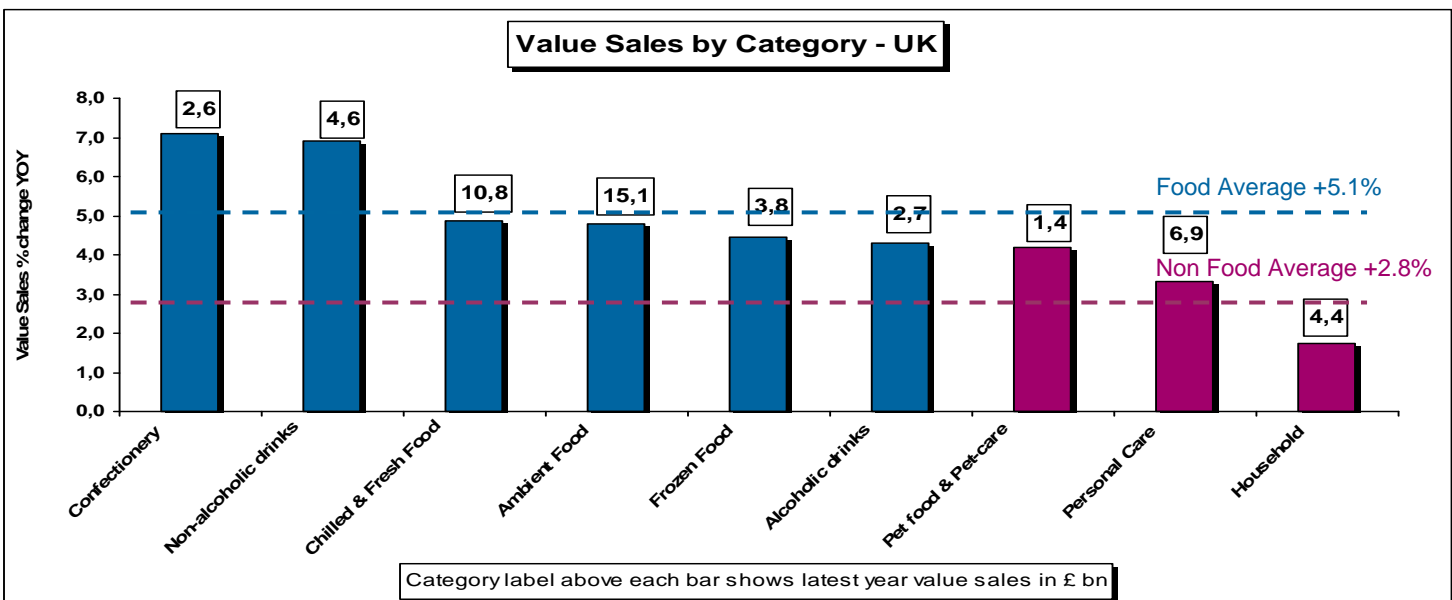
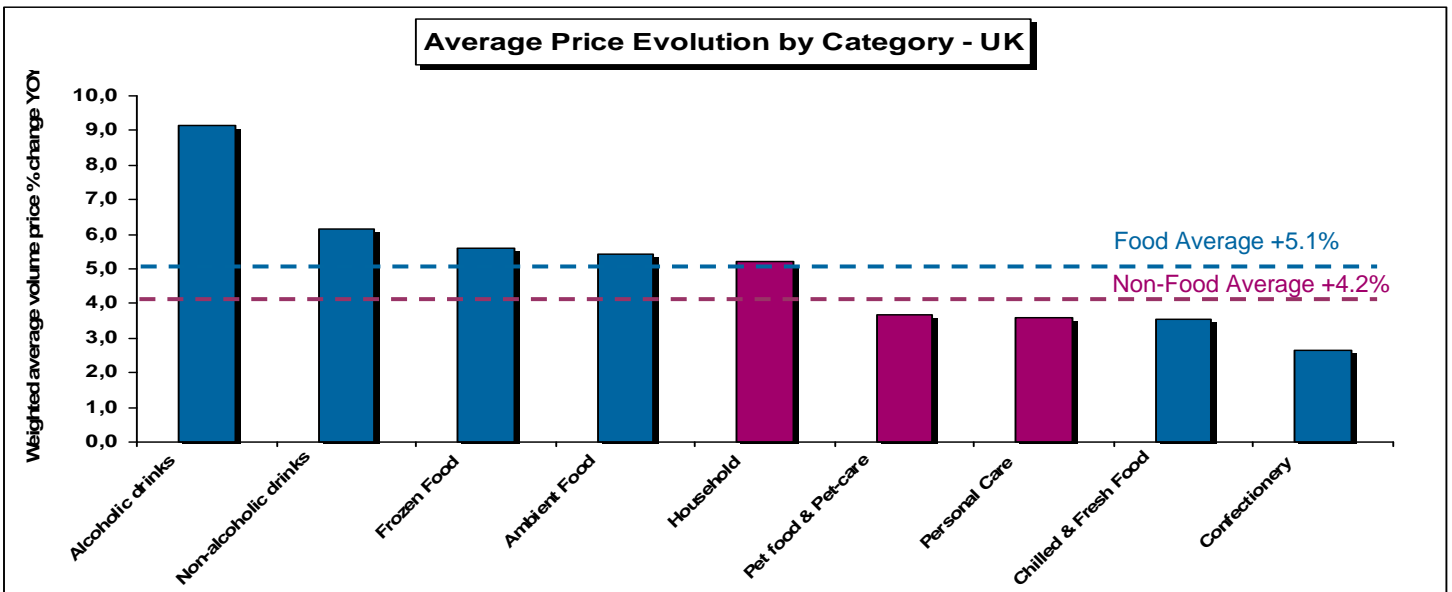
Carrefour has committed to pay two times the difference if a consumer buys an item cheaper elsewhere. Leclerc and Auchan have their own marketing ideas with Auchan launching aggressive promotions on fresh produce.

Manufacturers are being drawn into the retail price war. We are already seeing

this with big brand owners such as L'Oreal introducing additional entry-level products into the €1.6bn personal care category.

France has many diverse regions and there are often different levels of food and non-food inflation across the country. For example, there is higher price inflation in the south east and in the Paris area where high value retailers such as Casino and Monoprix have a strong position. There have been lower price increases in the west where price-sensitive supermarkets such as Leclerc is dominant. So inflation in the regions is very much linked to the retailer landscape.

# Trends in the UK



Source: SymphonyIRI Infocan; 52 weeks ending mid March 2012 versus same period prior year.

*A fierce price war among the big four supermarkets that increased their promotional activity. Value sales have increased by 4.5% during the last year in the UK.*

In April the UK officially entered a double-dip recession, although the country has been in the grips of a consumer slump for at least two years.

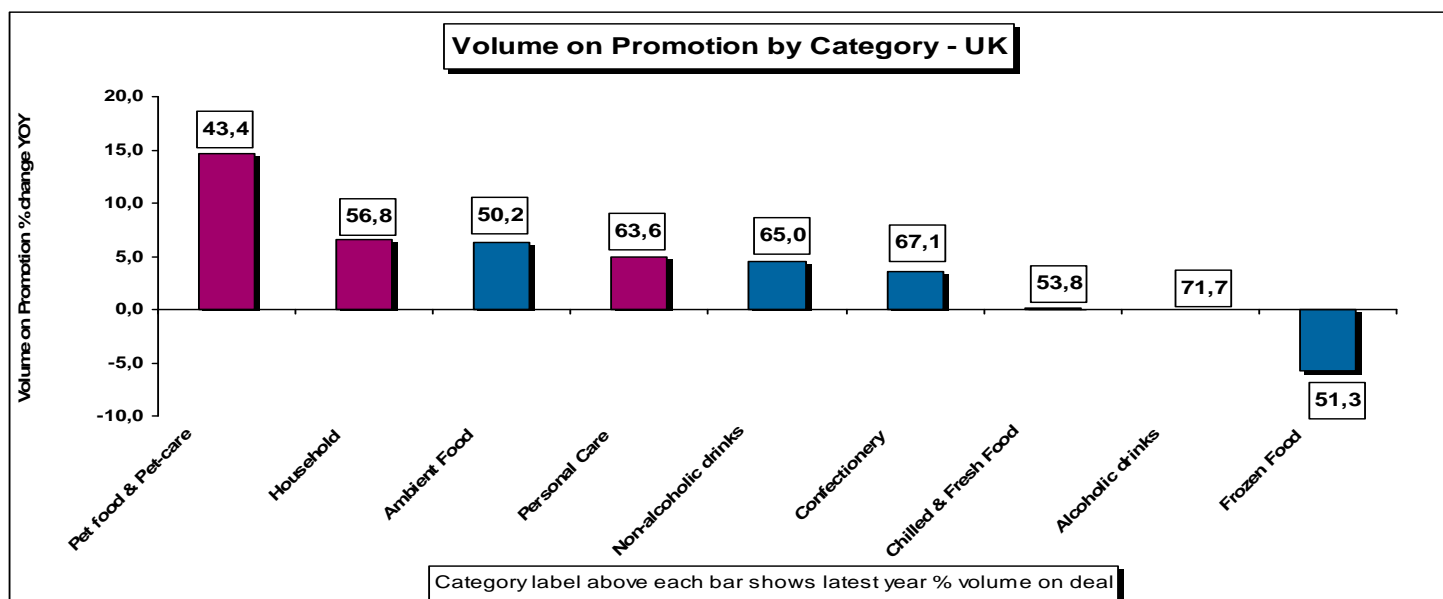
Grocery prices have been accelerating above the rate of inflation for more than 18 months, encouraging an even fiercer

price war among the big four supermarkets that increased their promotional activity, particularly in spring and autumn 2011.

The UK's average price rise for food of 5.1% is way ahead of the European average, partly because of the exchange

rate and also because VAT rose from 17.5% to 20%. Yet after a year of the new VAT rate being included in the measure there is no evidence of any year-on-year decline in the rate of increase, demonstrating just how much prices have risen and continue to rise.

## Trends in the UK



Source: SymphonyIRI Infoscán; 52 weeks ending mid March 2012 versus same period prior year.

*Volume on promotion has increased by 3.6% in the UK during the last year.*

Price rises to this extent meant volumes for food were flat (0.1%), only failing to show a decline because 55.6% of all food is on deal and as high as 71.7% for the predominantly loss-leading alcohol category.

The aim has been to use promotions to sustain sales but in the UK volumes were down in five of the nine categories, with household (-3.5%) taking the biggest hit as average prices rose by an average 5.2%. Consumers are realising there are better deals to be had away from the traditional supermarkets.

The UK has seen growth in on-shelf promoted volume (4.9%) and off-shelf (2.2%), but more deals are coming from secondary displays such as gondola ends where there is evidence promotions bring higher value sales than when a deal is on-shelf only.

Along with Germany and Italy, promotional support has risen in the UK, up 3.6%, which was higher than for anywhere else in Europe. Compare this to a 5.2% decline in promotional support in Spain and a similar slide in France and it demonstrates how the retail battle for shoppers in the UK is as fierce as ever.

The most promoted categories in the UK are confectionery assortments, cola, deodorant, hair care, sun care, nappies, shower gel, yoghurt and chilled desserts with volume on deal at between 75%-85%. Some 40% of own label sales are on deal too, but this level is rising slower than for brands which account for 75% of trade promoted volume.

Deal depth is a big talking point with the average price reduction 25.3%, with non-food (29.5%) and food (20.85). The categories demonstrating the deepest

price cuts are personal care (33.7%), confectionery (30.8%) and household (28.4%).

Consumer feedback has prompted UK retailers to reduce their use of multi-buys by almost 5.0% and instead offer larger discounts on single items. Multi-buy promotions in the UK are down 23% in frozen food and 17.2% in confectionery. Only pet food and pet care, and alcoholic drinks saw an increase in multi-buy deals, up by 3.2% and 0.6% in volume.

Instead there are many more price-led deals such as 'Better than half price' offers.

Increasingly retailers are giving money off whole baskets and funding these promotions themselves when traditionally they would have expected the supplier to foot the bill. In early May, anyone



## Trends in the UK

spending in Tesco received a £10-off voucher against the next week's shopping if they spend more than £80.

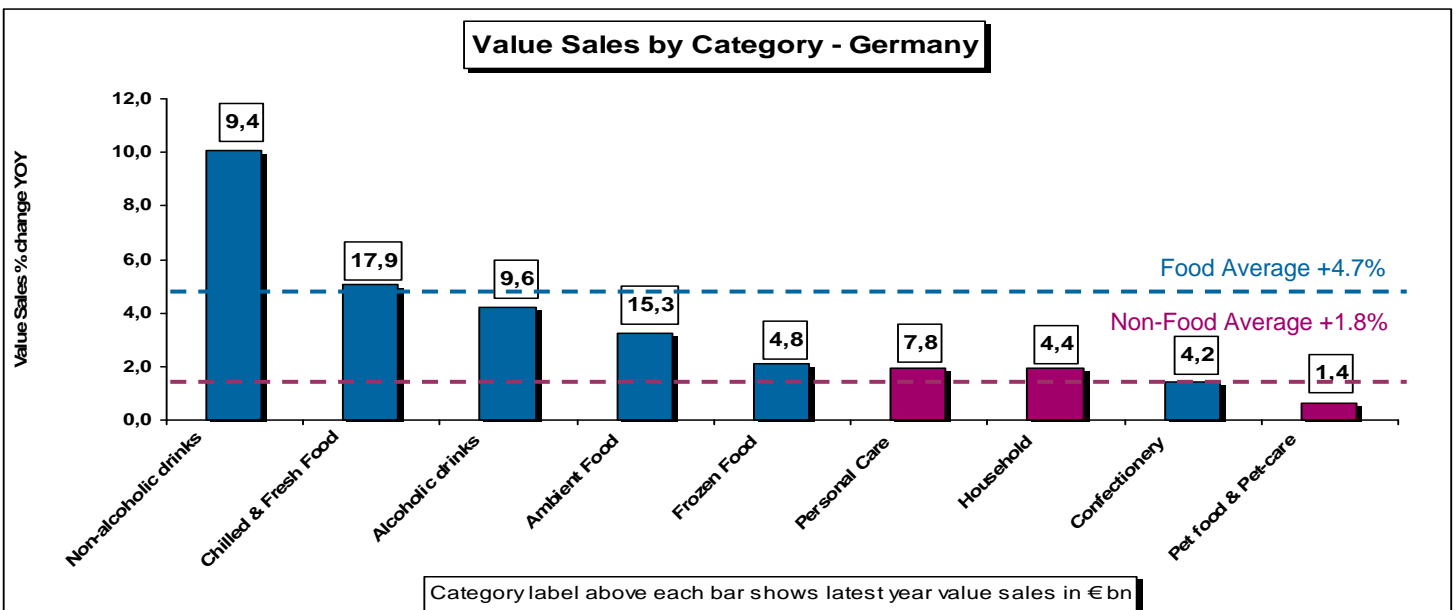
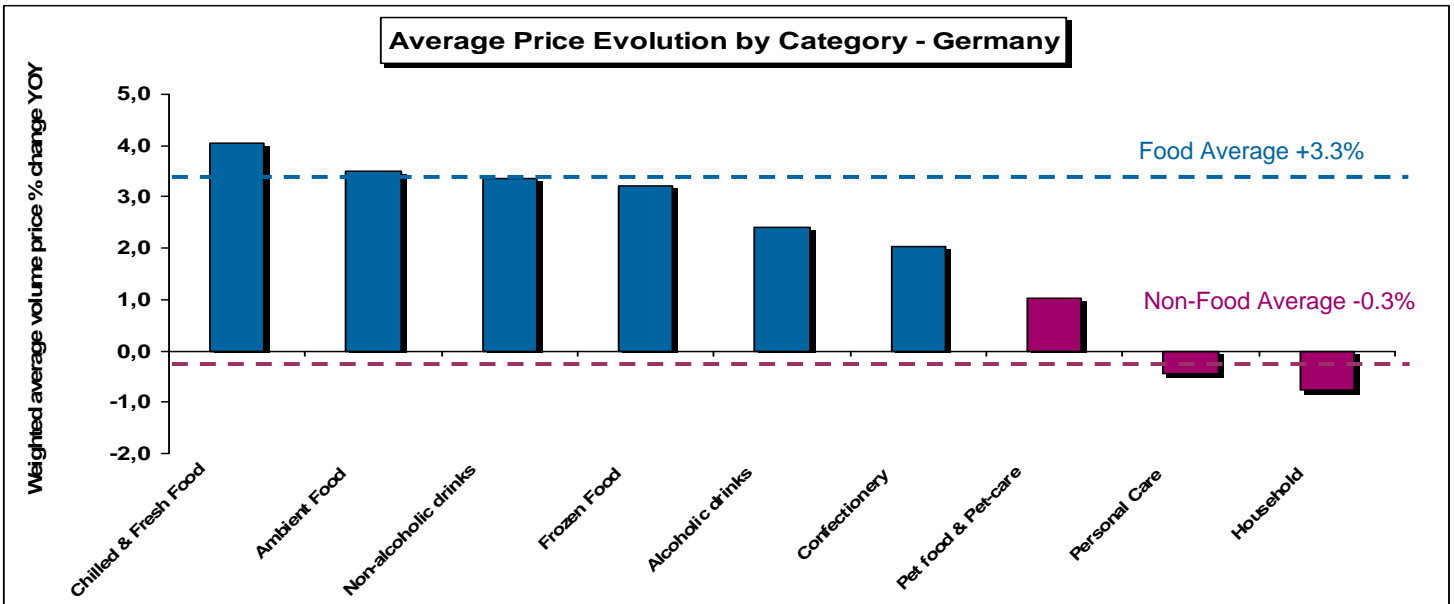
Tesco is in the Every Day Low Price corner, along with Asda, and is adding value to its price offer with exclusive brands known as Venture brands. These are marketed as low-price and consumers are responding positively.

Venture brands are still classed as own label and retailers continue to market their private ranges at the top and bottom of the price scale with national brands having to fit in somewhere in between. Many manufacturers are launching new variants and marketing them as premium products to win back some margin.

UK consumers have led the way in multi-channel shopping and online sales now account for 5% of the market and could be as high as 7% by 2016. Home delivery is becoming more popular and retailers continue to invest in convenience store locations.

Discounters such as Lidl and Aldi are growing strongly and there has been an explosion of 'pound shops' selling an expanding range of non-food items. This is hitting categories such as household, toiletries and confectionery.

# Trends in Germany



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Retailers and manufacturers have boosted the amount of promotions to mitigate price increases. Value sales have increased by 4.1% during the last year in Germany.*

German shoppers have always been very price conscious which is why retailers were initially reluctant to pass on increases in raw material prices for basic products such as sugar, oil and wheat-based foods. Eventually they had to increase retail prices and there have been some significant commodity-driven price rises. The cost of margarine, for instance,

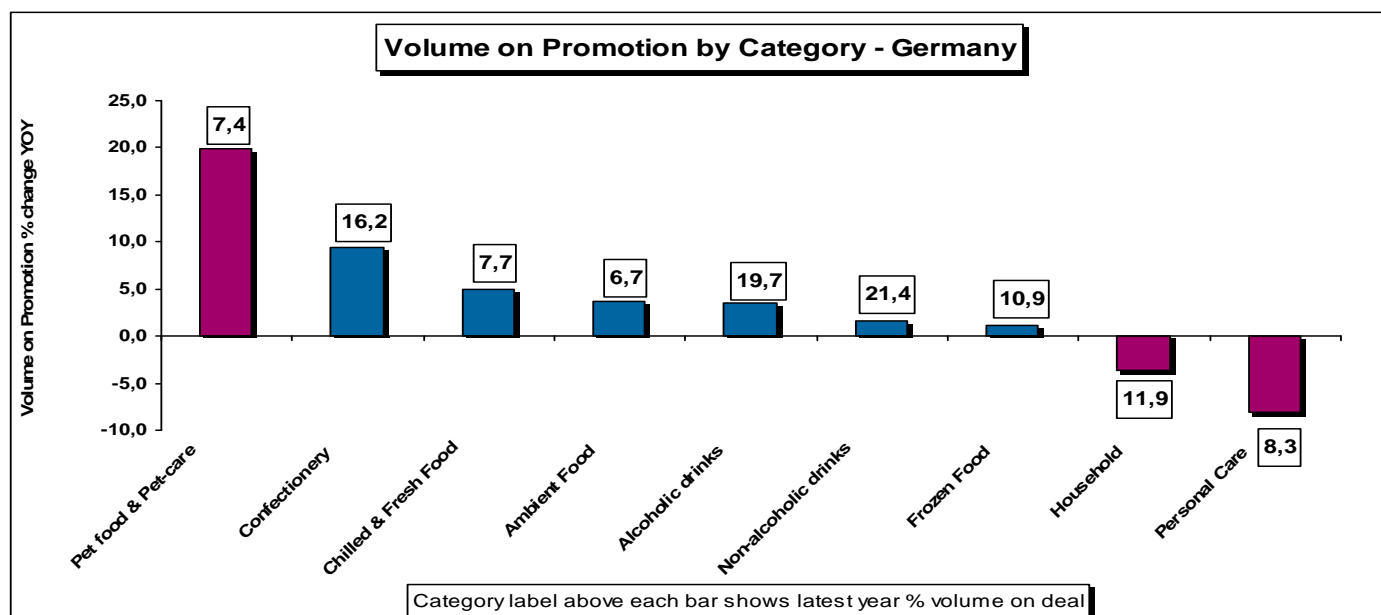
has risen by as much as 16% in Germany and by well above 10% elsewhere in Europe.

Retailers have found promotions an effective way to give the shopper something back. In fact, retailers and brands have boosted the amount of promotions they are doing in store and in

the survey period 11.6% of all volume were on promotion. Non-alcoholic drinks (21.4%) had the highest volume on promotion and saw the biggest increase in value sales (10.1%).

Non-alcoholic drinks remains one of the most heavily promoted categories in Germany, the largest market surveyed,

## Trends in Germany



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Volume on promotion has increased by 2.1% in Germany during the last year.*

although promotions for this category fell at a total European level (-0.3%), although less of a decline than for other food categories.

There is a long-term relationship in continental Europe with cola and mineral water. In Germany, the average price for cola has decreased in the last year and there may be a halo benefit from the isotonic and energy drinks category and the trend for caffeinated, high-sugar soft drinks.

The German shopper is known for switching sales channels or brands to find a bargain even though the economy is stronger than in many other parts of Europe. Its GDP growth at the end of 2011 was 2% compared with the Euro area figure of 0.7% while unemployment is 7% against 24% for Spain and about 20% for Greece. It could be that German consumers have become more alert to

promotions - volume and value offers were both up by 2.1% - while German retailers might be increasing the amount of promotional deals they offer.

The categories being driven more and more by promotions include pet food and pet care, confectionery and chilled. The volume of pet food and pet care products on promotion was up by 20.0% but this is one category where own label is substantial.

German shoppers are aware that promotions for certain categories, such as pet food and pet care and household products, come along at regular intervals. It means that when they see a product on offer they will buy more than they used to last them until the next promotion.

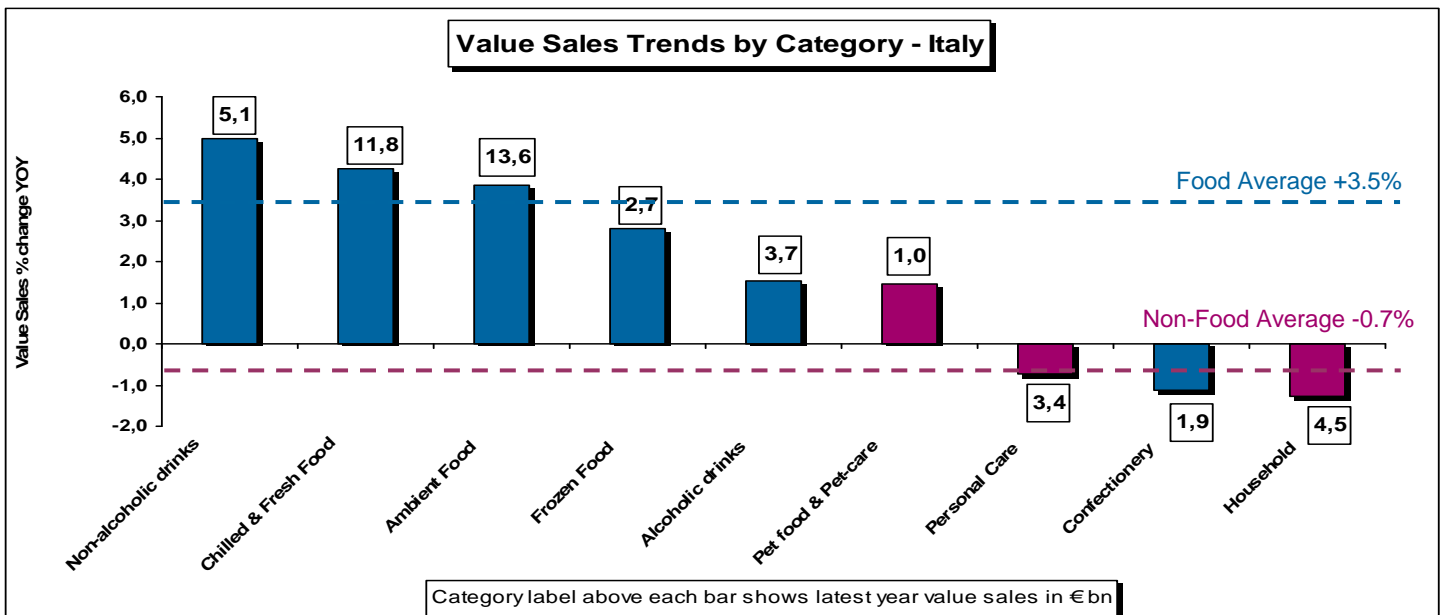
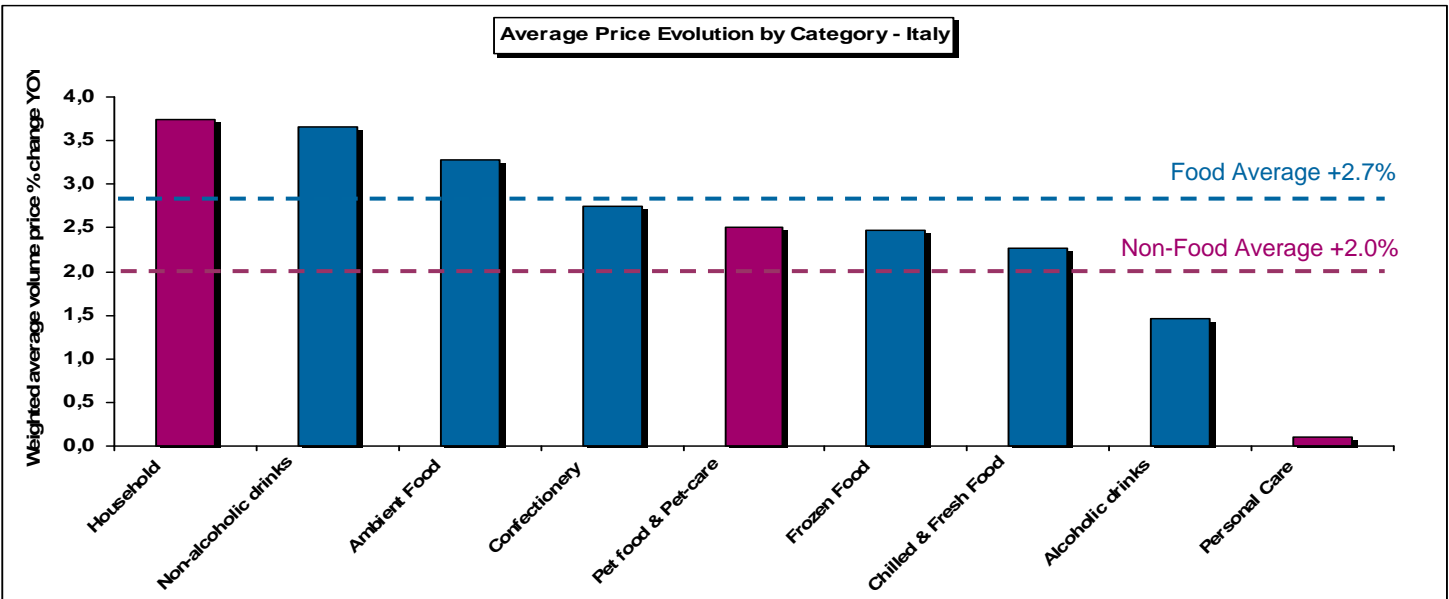
Most private label promotions in Germany are off-shelf displays and because these products tend to be cheaper than brands

anyway consumers are responsive to multi-buys. However, Germans do seem to have a particular fondness for private label ranges which is unmatched elsewhere in Europe and they tend to buy them whether they are on promotion or not.

Loyalty schemes have started to replace traditional in-store promotions as retailers realise price on its own is not enough to retain market share.

We are also seeing more emphasis on online promotions, in particular coupons which shoppers are collecting in ever increasing numbers. Leaflets carrying special offers are also taken incredibly seriously by German shoppers who study them and compare the promotions from different retailers.

# Trends in Italy



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Value sales have increased by 2.7% during the last year in Italy.  
29.8% of volume sales were on deal.*

The FMCG market took a hammering in Italy as a rise in VAT to 21% in September 2011 and double digit growth in many commodity costs fuelled inflation.

Rises in the price of coffee (83.0%), cereals (77.6%), wheat (71.5%), sugar (14.6%) and cocoa (4.7%) meant by February 2012 FMCG inflation in Italy stood at 3.4%.

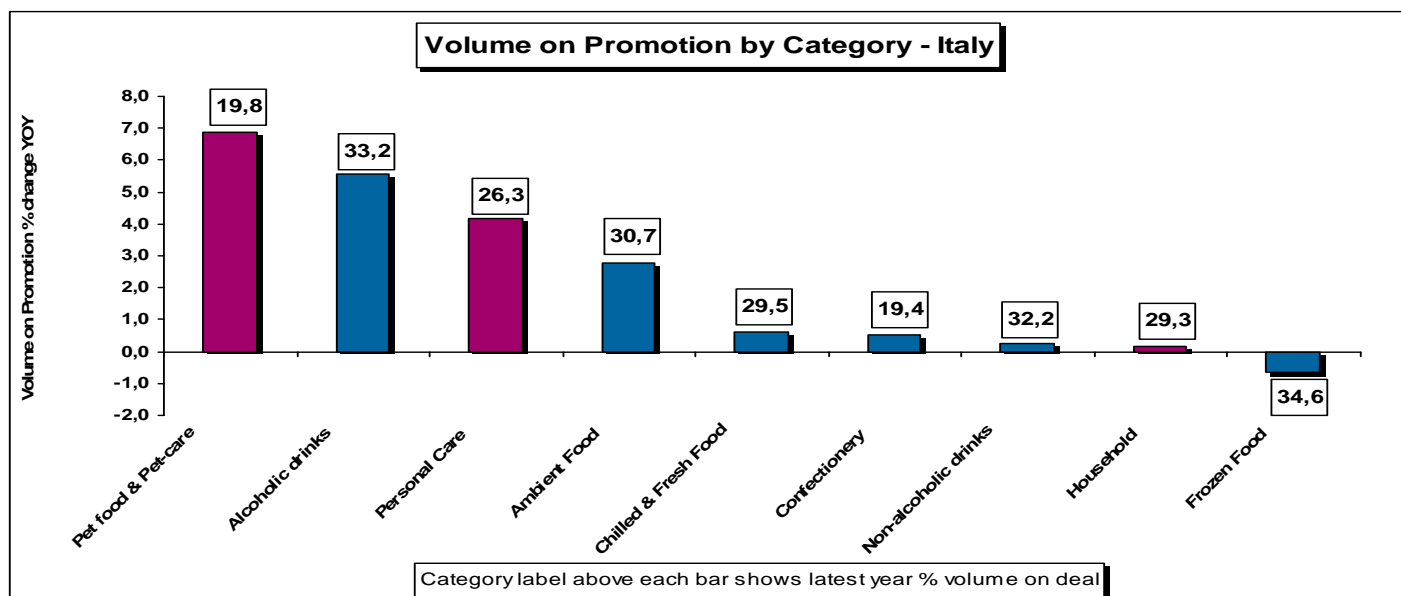
Not surprisingly then, food saw rises in value (3.5%) as these large price increases took affect but volumes were flat (0.8%).

Shoppers have become more reluctant to open their wallets and purses particularly to buy non-food items where value (-0.7%) and volume (-2.8%) sales are down.

Promotions, both on- and off-shelf, have become the most effective way for retailers and manufacturers to try to retain volume sales and 29.8% were on deal across all categories, but offers have had a mixed effect.

The Italians are buying personal care and household items less frequently in

## Trends in Italy



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Volume on promotion has increased by 1.8% in Italy during the last year.*

hypermarkets and supermarkets, and personal care saw a 4.2% increase in the volume on promotion at 26.3%, but this failed to stop a fall in value and volume sales in this category. In fact, value sales with any promotion actually slumped by a massive -31.0%. These categories are performing better in Specialized Shops in Italy.

Total volumes on promotion for non-food were 24.8%, with household having the highest number at 29.3%. Value and volume sales overall were both down in this category but at least values rose where there was an offer, up 4.2%.

Total volumes on promotion in food were 31%; with the level of promotions relatively flat for the year but volume and value sales slightly up as consumers treat themselves in difficult times. Alcoholic drinks experienced a 5.6% increase in volume and value on promotion – second only to pet care – which was enough to

post a small rise in value sales (1.5%) but volumes were up by just 0.1%.

Drilling into the figures reveals that the products consistently promoted were largely the ones which saw significant raw material price increases. These include extra virgin oil, tomato sauce, olive oil, Italian wine, pasta and crescenza cheese. All popular items in Italy and retailers have needed special offers to sustain and grow volumes.

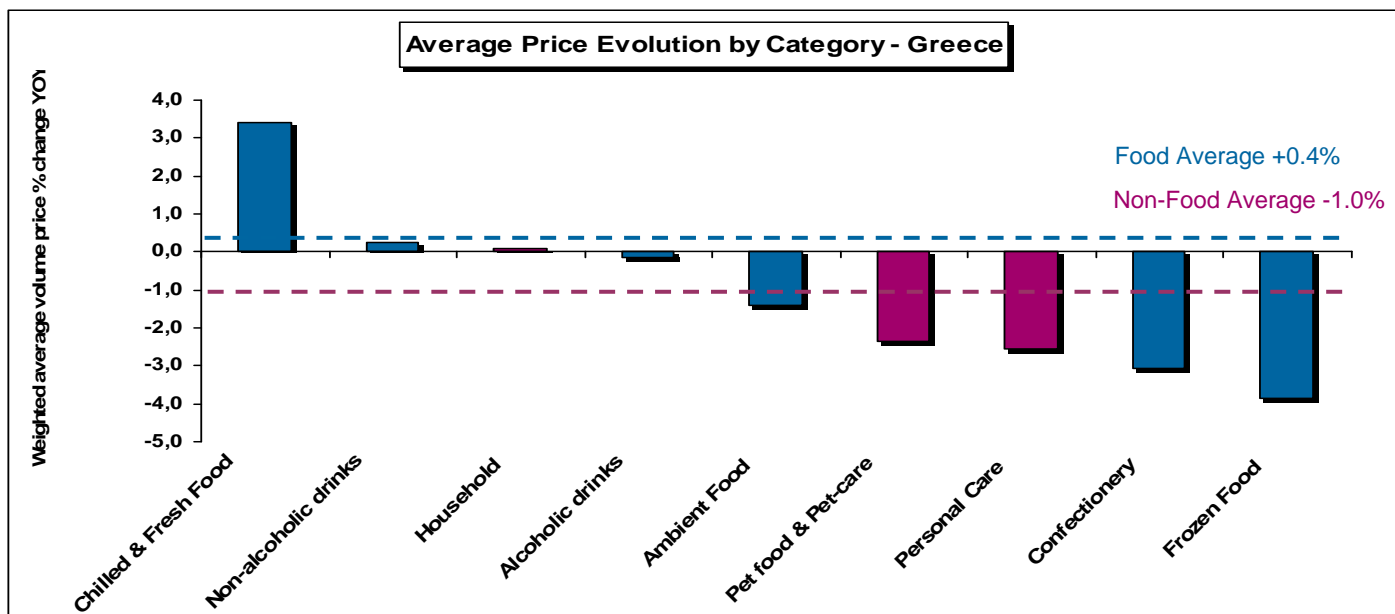
Generally in Italy we are seeing more promotions among brands than private label. In February 2012, 26.9% of value sales were under promotion by brands, up 1.6% on the year. This compares to 22.5% (-4%) for private label. The reduction in private label promotions has been particularly evident since the end of quarter three 2011. Retailers can retain their margins on these items and are using their dominant position and concentrating promotions on branded

products.

When it comes to price increases in Italy there have been some regional differences. Consumers in the south of the country began cutting back on their shopping before the rest of the country because unemployment is higher in this region. Another factor is the strong competition among retailers in the north west and the north east which means the number of promotions tends to be higher.

Wherever they are living, Italian shoppers are becoming less brand loyal and more cautious. They also tend to shop more often but spend less at each visit. Today 67% of Italians write a shopping list, up from 45% in 2004. It means brand and private label promotions need to be creative, timely and well-targeted to protect margins and volumes.

## Trends in Greece



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Greece has traditionally had among the highest food prices in Europe, but the overall basket price is down as the economic situation is having an impact on essential goods.*

The economic woes in Greece have been felt hard with billions of Euros in spending cuts, two Euro zone bailouts worth €130bn plus a €100bn write down of debt, wrecking consumer confidence and shoppers' spending power.

Unemployment has passed the 20% mark and the country's GDP was reduced by 6.2% for the first three months in 2012.

In this context it is not surprising that for FMCG manufacturers and retailers the emphasis has been on price and volume promotions. A price war between key chains has intensified and this has led to more television advertising in a battle of the brands.

Short-term tactical promotions have become popular in Greece with retailers investing more in advertising their bespoke tailor-made sales as they

happen. BOGOFs are still popular across entire categories and manufacturers are keen to reduce prices in a bid to sustain volumes the best they can in what are extremely difficult trading conditions.

Greece has traditionally had some of the highest food prices in Europe, when referring to international brands, but it is a sign of the times that it had the lowest average price rises for food (0.4%) while non-food prices fell -1.0%.

Value and volume sales in food and non-food have moved into the red. Value sales for food fell 0.9% and non-food by 5.1% year-on-year, the biggest drop of any of the countries surveyed. Average prices fell in six of the nine categories surveyed. Times are tough.

The overall basket price went down in Greece where the severe economic

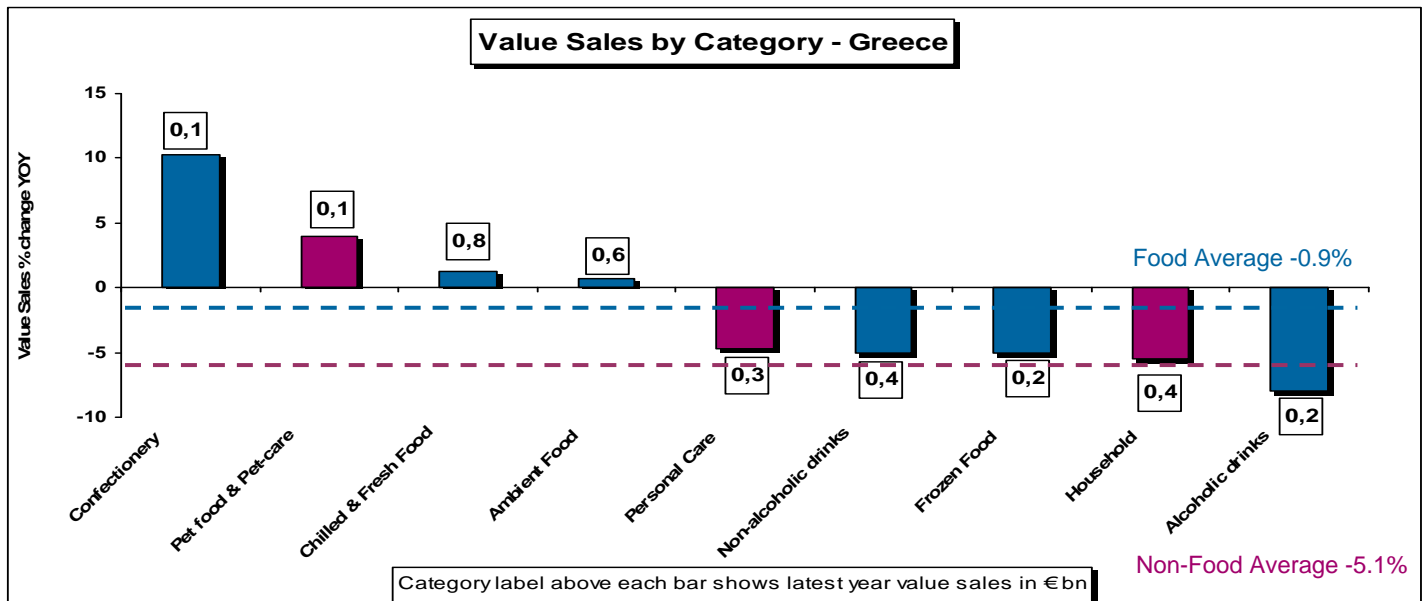
situation is having an impact even on essential goods as shoppers switch to cheaper retailer own label products.

With this in mind it is understandable that competition between the top seven retailers has intensified and they continue to grab market share at the expense of smaller chains.

The retail landscape is changing in Greece as the big boys promote their own label ranges more and expand their store network by opening new outlets or buying up struggling smaller players that are desperate to sell up.

To compete with aggressive marketing of own label products many brands have to fight back on price. This is prominent in the household category where volume and value sales are both down by more than 5.5%, with washing powders and

# Trends in Greece



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

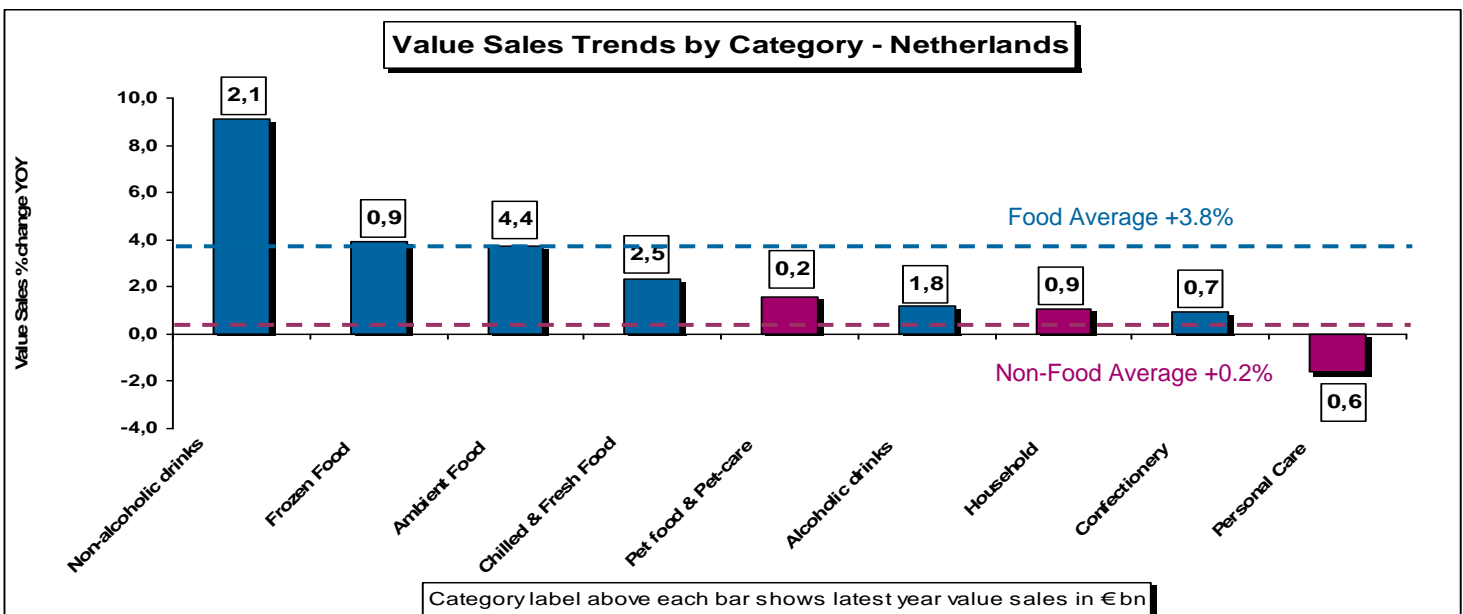
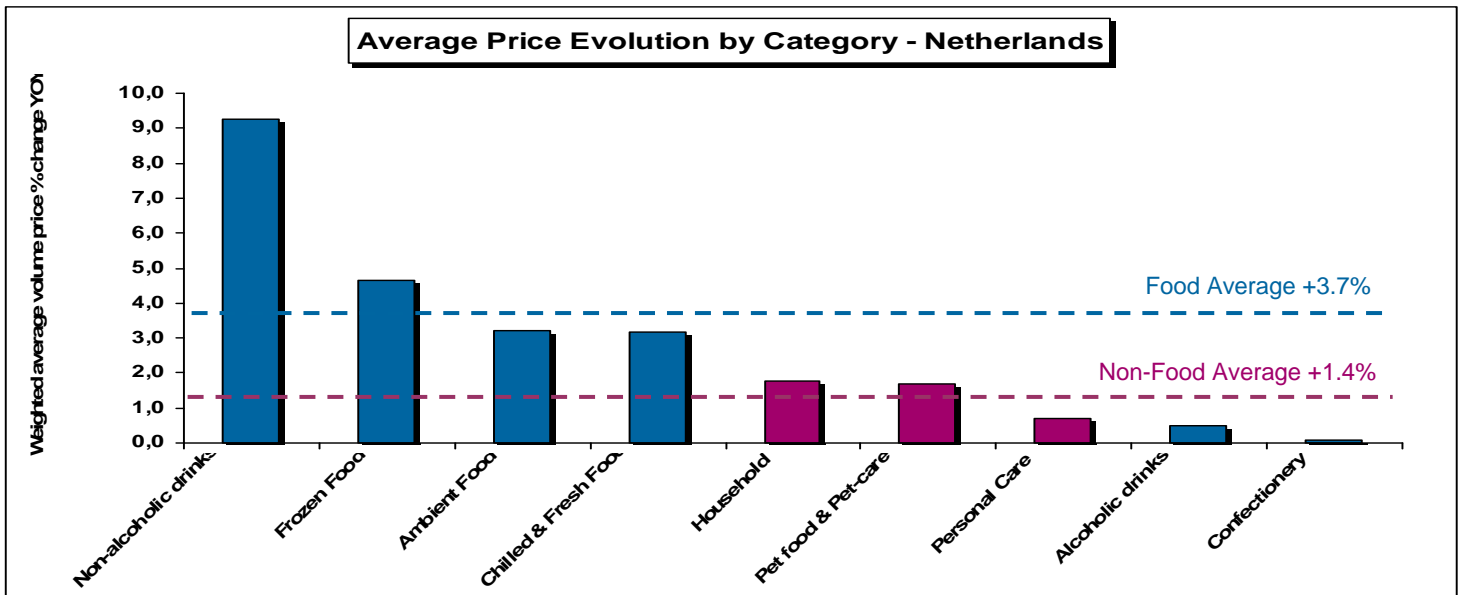
*Value sales have fallen by 2.1% in Greece during the last year.*

detergents particularly badly hit as shoppers buy less frequently and trade down.

As well as retail price promotions, manufacturers are doing more to try and sell their products. They are adding information about their products' benefits on to the packaging and in any marketing campaigns. The toothpaste brands have led the way on this in a personal care category where value sales have fallen by more than 4.7% and many brands see pushing multi-buy promotions as the only way to get consumers to spend.



# Trends in the Netherlands



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

*Value sales have increased by 2.3% during the last year in the Netherlands. Prices have been rising since the recession has started and it has hit volume sales.*

The Netherlands has been in recession since the third quarter of 2011, yet prices have been rising, particularly in food, since the start of last year.

This has hit food volumes which were broadly flat over the year (0.1%), although value sales were up by 3.8%. The rate of price rises has slowed in 2012.

Non-food actually lost volume (-1.2%) and even with price rises value was flat at 0.2% up on the year.

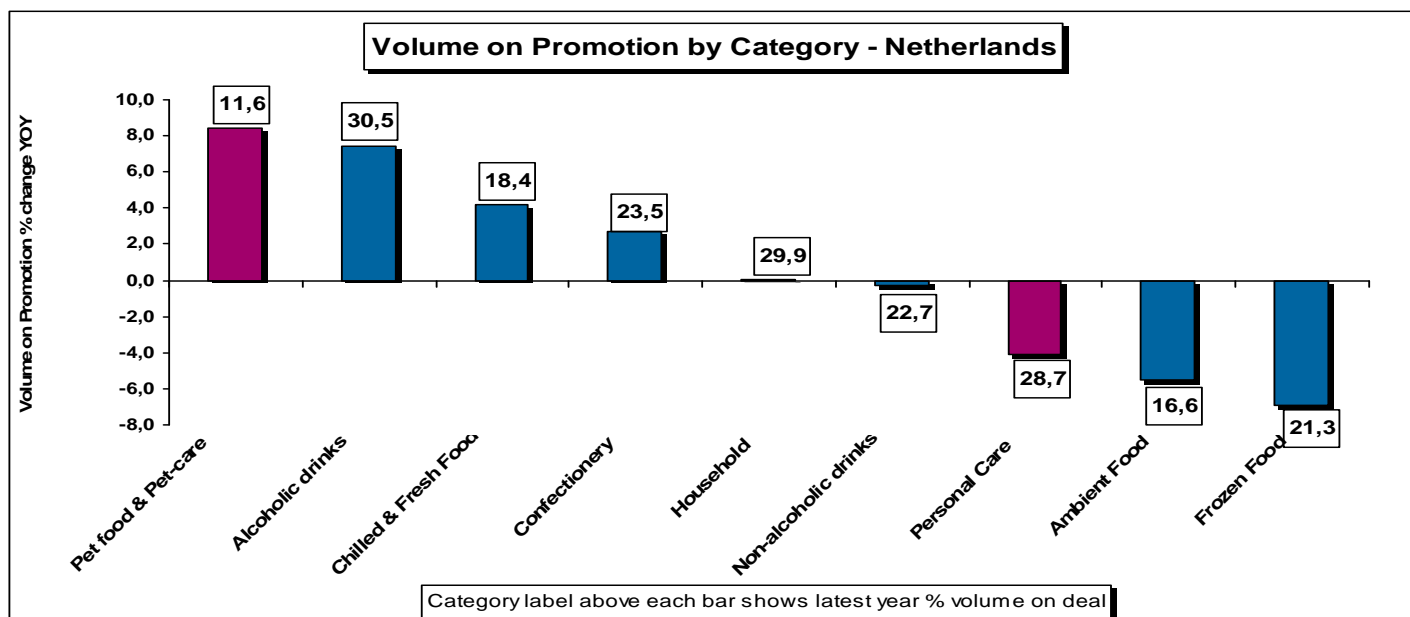
The retail focus in the Netherlands is still very much on price. After having to raise prices in 2011 because of soaring raw material costs in some categories, stores still see promotions as one way of

soothing shoppers' pain.

There has been more value on deal promotions across branded rather than on private label where sales have remained relatively stable.

Across food the average price reduction on promotion for all categories was 21.0%

## Trends in the Netherlands



Source: SymphonyIRI Infoscan; 52 weeks ending mid March 2012 versus same period prior year.

### *Volume on promotion has declined by 0.3% in the Netherlands during the last year.*

compared to 25.3% for non-food.

Alcoholic drinks had the biggest volume on promotion (30.5%), followed by household (29.9%) and personal care (28.7%).

The economic situation is slightly more positive in the Netherlands than in many parts of Europe with unemployment relatively low at around 6%, but it is rising. Consumers are less pessimistic than they were a year ago about their own financial situation but they still have fears about the wider economic situation.

In the grocery market, the supermarkets grew their share of sales by 2.7% as they have tried to keep prices down by using promotions. Nevertheless, there was no volume growth. Trade promoted volume declined for the whole of 2011 but was quite equal to 2010 and this year promotion is growing.

The stores promoting EDLP are gaining

market share. These include the family-owned chain Jumbo, which over more than 30 years has grown by building its reputation regionally. EDLP is certainly winning in this market and helping Jumbo. It will grow to 550-600 stores thanks to its acquisition strategy. It had 262 stores when it bought 39 Super de Boer (Hi-Lo) stores which will become Jumbo branded and it took over C1000 which has 422 stores. Meanwhile, Jumbo sold 82 outlets to Albert Heijn and 54 to Co-Op.

Other discounters doing well are Lidl and Action, a more general retailer selling old manufacturers' stock and parallel imports covering everything from confectionery, soup, deodorant, toys and garden furniture. It is selling more and more food on promotion.

The relationship between retailers and manufacturers is sometimes strained as brand owners try to push through price rises to reflect their rising costs. Retailers

have boycotted products in protest, something which has been seen elsewhere in Europe including the UK. But suppliers are beginning to fight back with one proclaiming a 15% 'take it or leave it' rise to stores in a bid to call their bluff but a boycott of some brands remains.

The depth of deals in the Netherlands is a talking point with some brand manufacturers urging less deep and less frequent promotions while others want more offers to protect their sales against private label. The average price cut across all categories is 24.8%, with cuts deeper in non-food (29.4%) than for food (24.0%). The highest average price reduction was in personal care (31.2%), yet despite this it was the only category to experience an overall fall (-1.6%) and in value sales (-2.31%), which is the strongest volume sales drop across the categories surveyed.