5 things to know…

A snapshot view from NIQ Digital Advisory Council

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5 things to know

1 **A UK state of the nation for 2024.**
With consumers spending 18% more on FMCG vs. 2021, how are we adapting the the compounding effects of inflation?

2 **Strategies for adjusting and thriving in 2024.**
From better utilizing tactics of executional excellence in new channels to committing £ towards wellness & sustainability for our future.

3 **Social Commerce in 2024.**
TikTok consumers allocate a whopping 16% of their budget to TikTok. TikTok market share value is driven by core industries like personal care and confectionary, as they continue to expand in new categories like fragrance and begin tackling fulfillment via TikTok Shop.

4 **The future of the digital shelf.**
Prepping brand manufactures for success by evaluating core KPIs, capturing true ROI, utilizing automation to manage eretail media spend, and upscaling internally.

5 **Unveiling the dynamics of quick commerce.**
Quick commerce giants are quickly adapting plans to reduce churn like focusing on strategic audience, product analytics, and embrace new formats of social commerce with channels like TikTok.

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2023

in numbers

Inflation reached highest rates in over 40 years, driving shoppers to cut back and resulting in nominal growth

Total Store Value Sales

£196bn

Value Sales Growth vs Last Year

+7.0%

ONS CPI Annual Rate

+4.0%

Volume Sales Growth vs Last Year

-1.8%

Missed sales due to availability issues

£2.7bn

BRC/NIQ Food Price Index

+6.7%

Sources: NielsenIQ Scantrack, Total Store, Total Coverage incl. Discounters, 52 we 30.12.23 | NielsenIQ OSA, 52we 31st Dec 2022 | NielsenIQ QBN, 52we 31.12.22 | www.ons.gov.uk CPI Annual Rate to Dec 2023 | BRC/Nielsen IQ Food Inflation, December 2023

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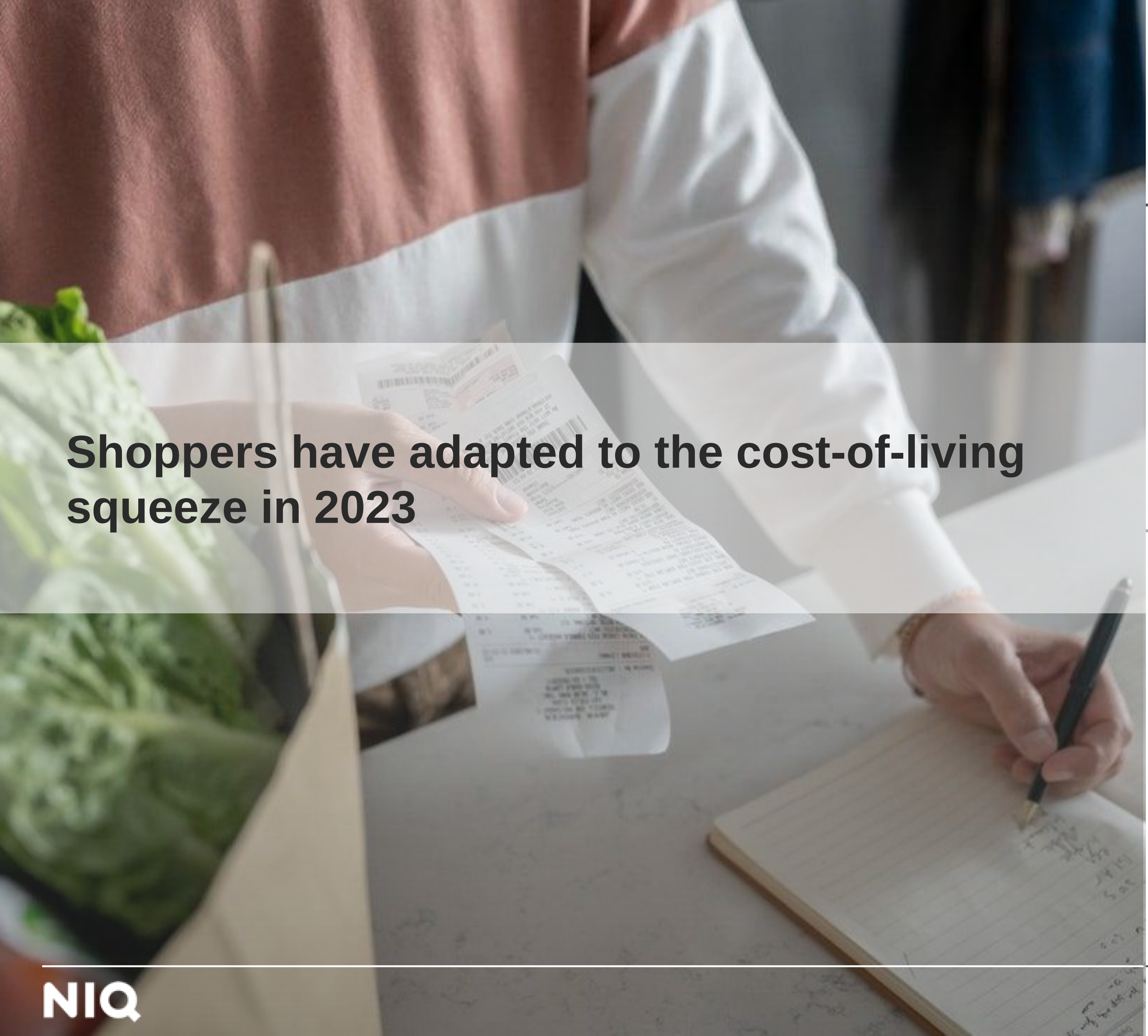

Shoppers have adapted to the cost-of-living squeeze in 2023

Economise and Reprioritise

- Buying less
- Reduced basket size
- Own Label alternatives
- Reprioritising spend

Shifting Spend

- Key attribute for store choice is price
- Helping to fuel Discounter growth
- Own Label spend movements within sub brand tiers
- Promotional activity shifted to loyalty price cut initiatives

Two dynamics affecting FMCG going into 2024.

1

2023 weighed heavily on household budgets - and on **grocery’s bottom line**

72%

of 251 subcategories added value sales in 2023, and of those 43% achieved double digit growth.

71%

of subcategories experienced unit declines in 2023.

38% of shoppers say it’s very important to make savings on their grocery bills so there was a need to balance budgets and cut back.

2

Shoppers tried to economise without compromising - by **turning to Own Label**

63%

Own Label Share of Unit Sales

Own Label growth +1.0% vs LY
Branded growth : -4.0% vs LY

55%

Own Label Share of Value Sales

Own Label growth: +12.0% vs LY
Branded growth: +6.5% vs LY

93% of people buy Own Label products, and over a third say it’s because they are as good as the branded products, just cheaper.

*Source: NIQ Homescan Survey Nov 2023 | NIQ Scantrack Subcategory level, Total Store, Total Coverage incl. Discounters, 52 WE 301223

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Strategies for Growth in 2024

Measurable Growth Levers and
Future Differentiating Levers

Executional excellence
Growth in new channel

Innovation
Entering or creating new spaces

Understanding missions
Considered pack sizes and maximising occasions

Focus on brand equity
Communicating values

Health and wellness
Claims and communications

Environment and Sustainability
Commitments and credentials

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Measurable Growth Levers

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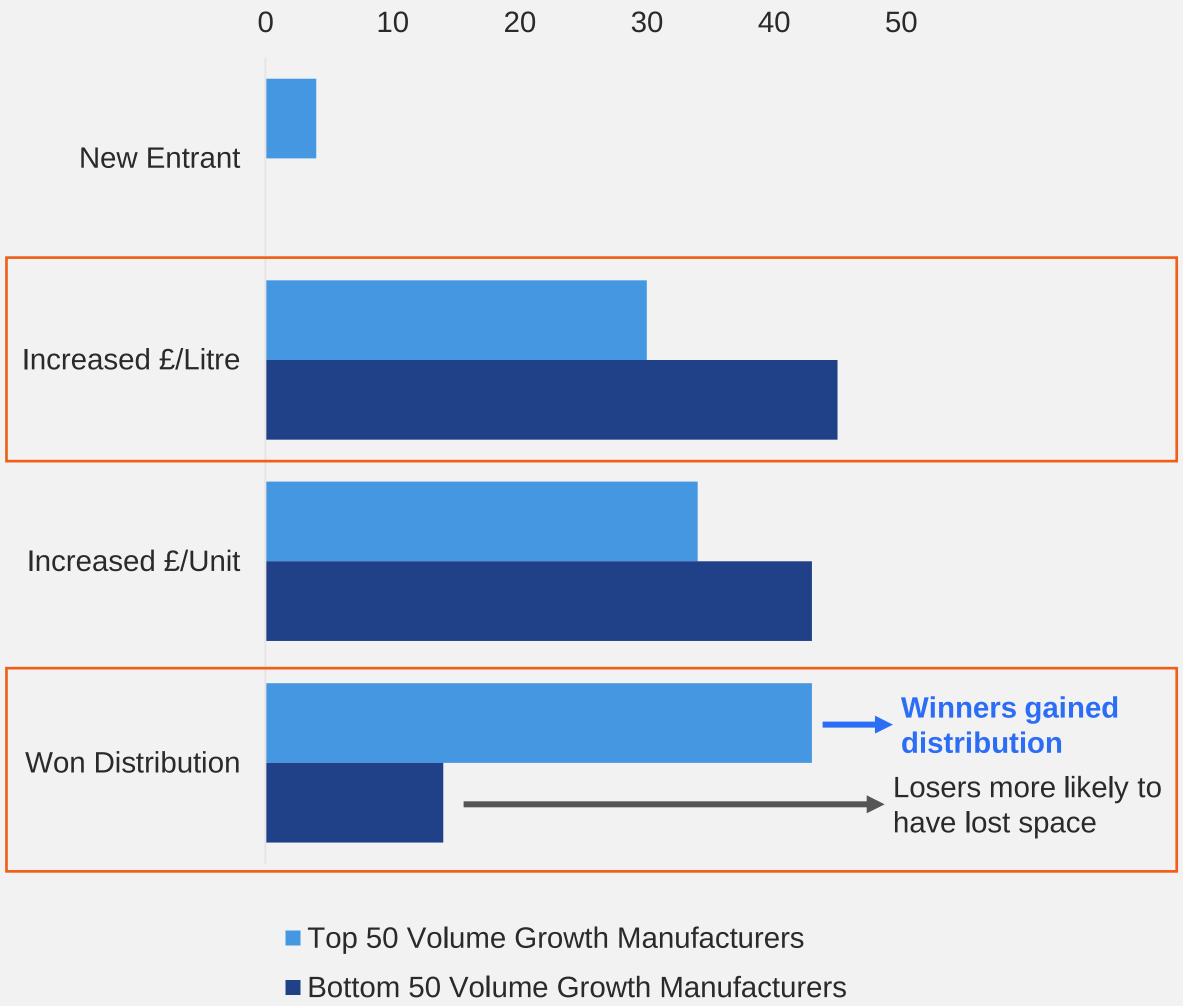
Volume winners and losers often dictated by distribution changes.

Number of Soft Drink Manufacturers



Source: NIQ RMS Soft Drinks, Total Coverage GB, 12 w/e 02/12/2023. Top/Bottom Manufacturers by Volume Sales Chg. vs YA

Future Differentiating Levers

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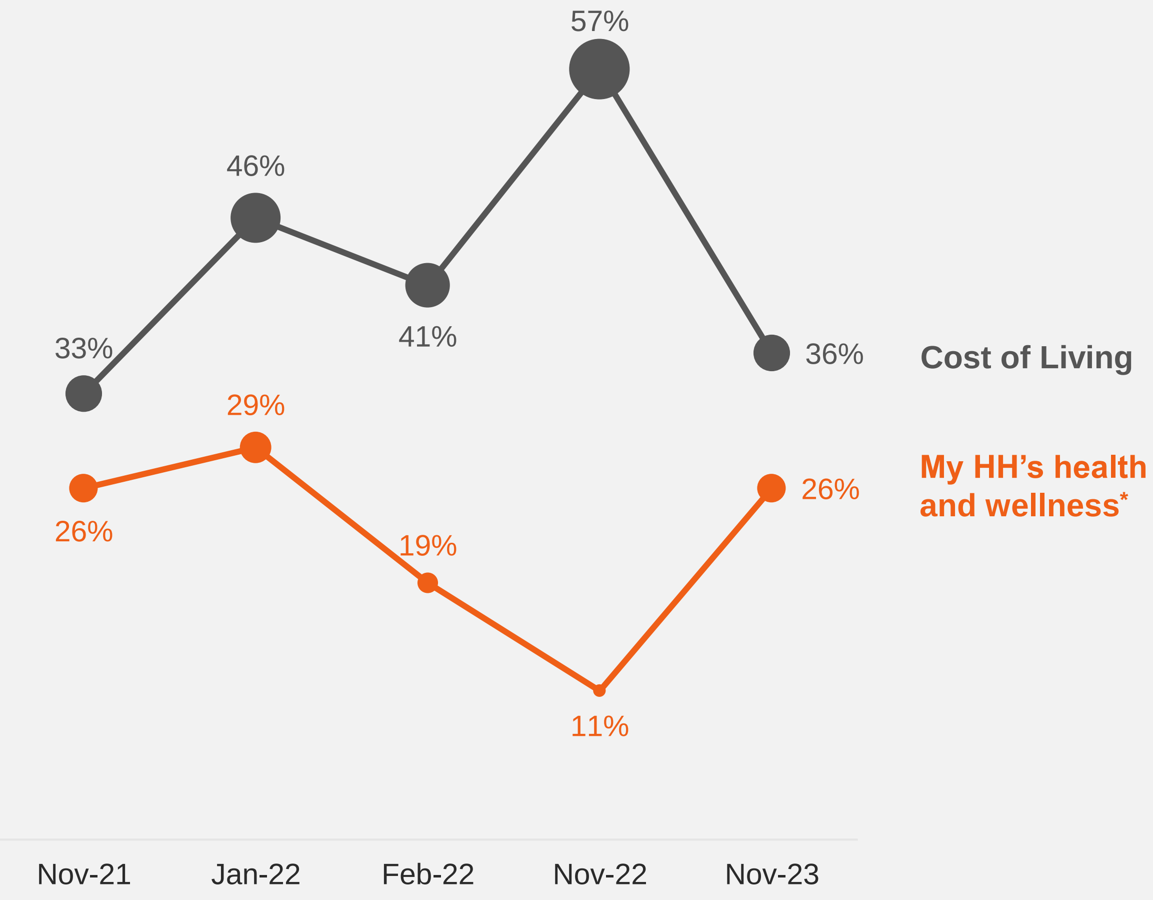
Health and wellness
Claims and communications

Health and wellness is rebounding as a key concern as we adapt to COL pressures.

What is the most important concern to you at the moment?



*Source: NIQ Homescan Survey Nov 2023 | *Note: Wellness only included in survey from Nov-23

Future Differentiating Levers

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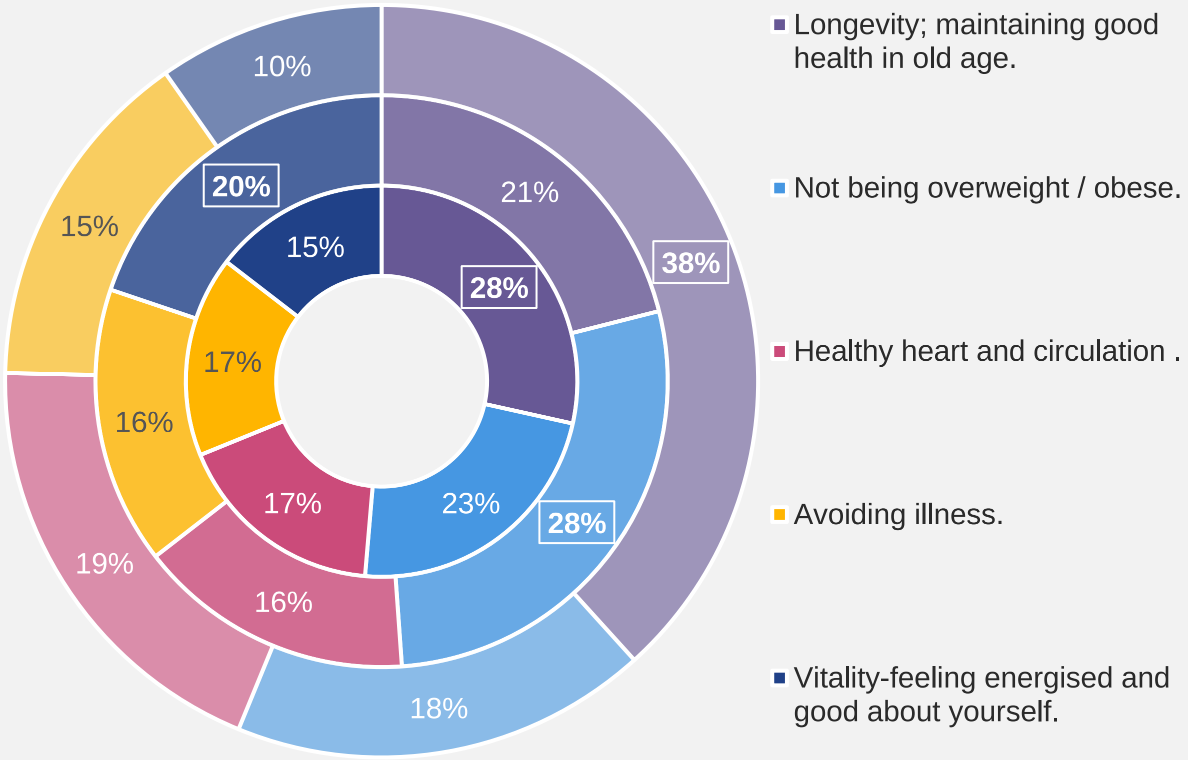
Health and wellness
Claims and communications

… and health concerns differ by demographic group so fine tune your message to fit.

Which do you think is the main benefit of a healthy diet?

Total GB inner, <35 middle, 65+ outer



*Source: NIQ Homescan Survey Nov 2023 | *Note: Wellness only included in survey from Nov-23

2024

Revive

the industry with volume growth

Expect volume growth in FMCG 2024
Ensure you are positioned be a growth driver.

Price and promotions will shape the agenda
Get the balance right.

Review channel and format strategy
Think Convenience, Omni, as well as Discounters and Value Retail.

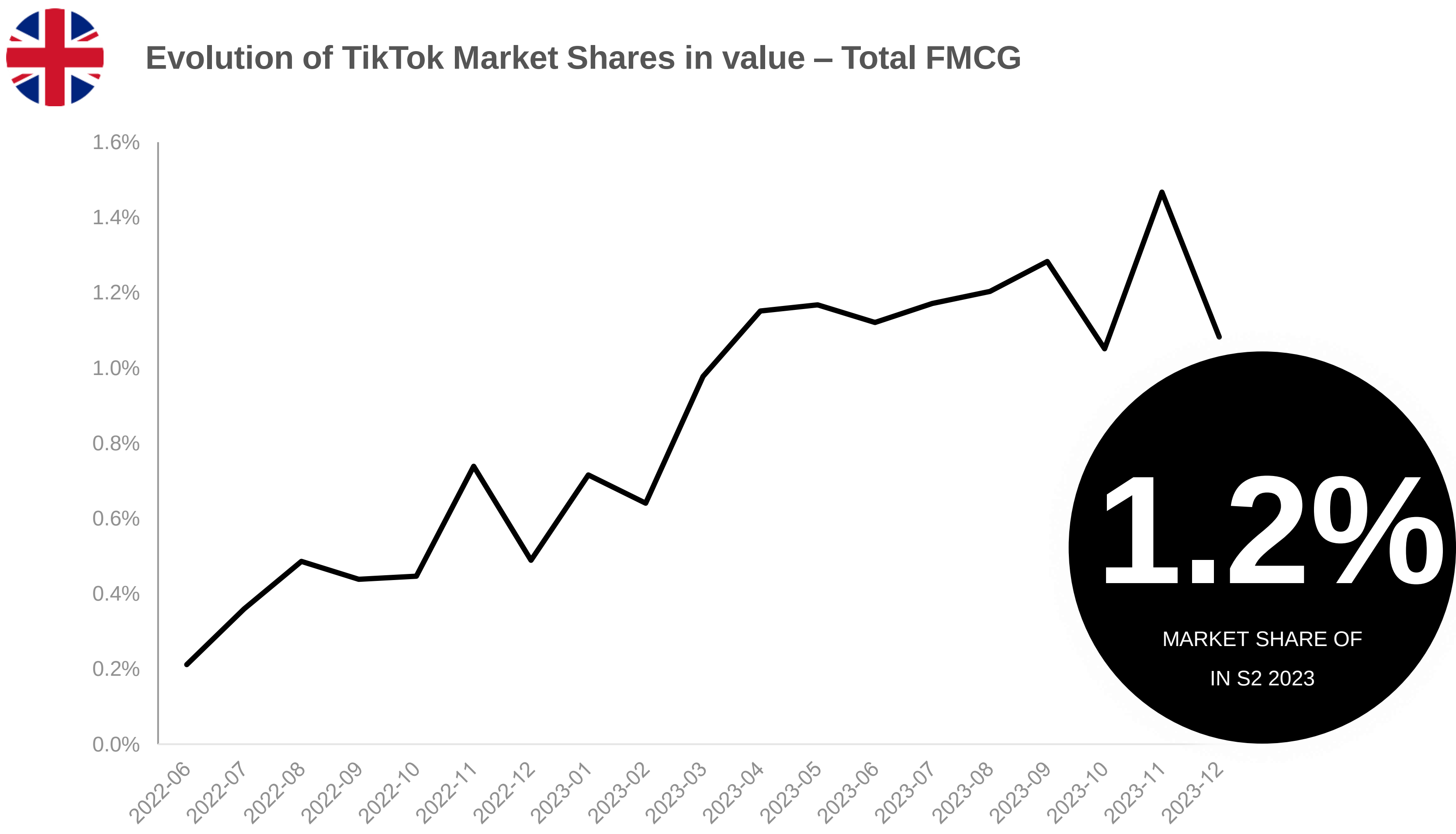
Understanding missions will become more important
Look to help the consumer both practically as well as tactically.

Health, wellness and sustainability are front of mind
Communicate quality, benefits and credentials.

Social Commerce, another channel to keep a close eye on

Evolution of Tiktok in UK is one of many examples of E-com landscape dynamism

TikTok is getting stronger in FMCG
- accounting for 1.2% of Online during the 2nd semester of 2023



Source: Consumer Panel Foxintelligence by NielsenIQ | FMCG calibrated e-commerce data | TikTok Shop UK Online Sales in value

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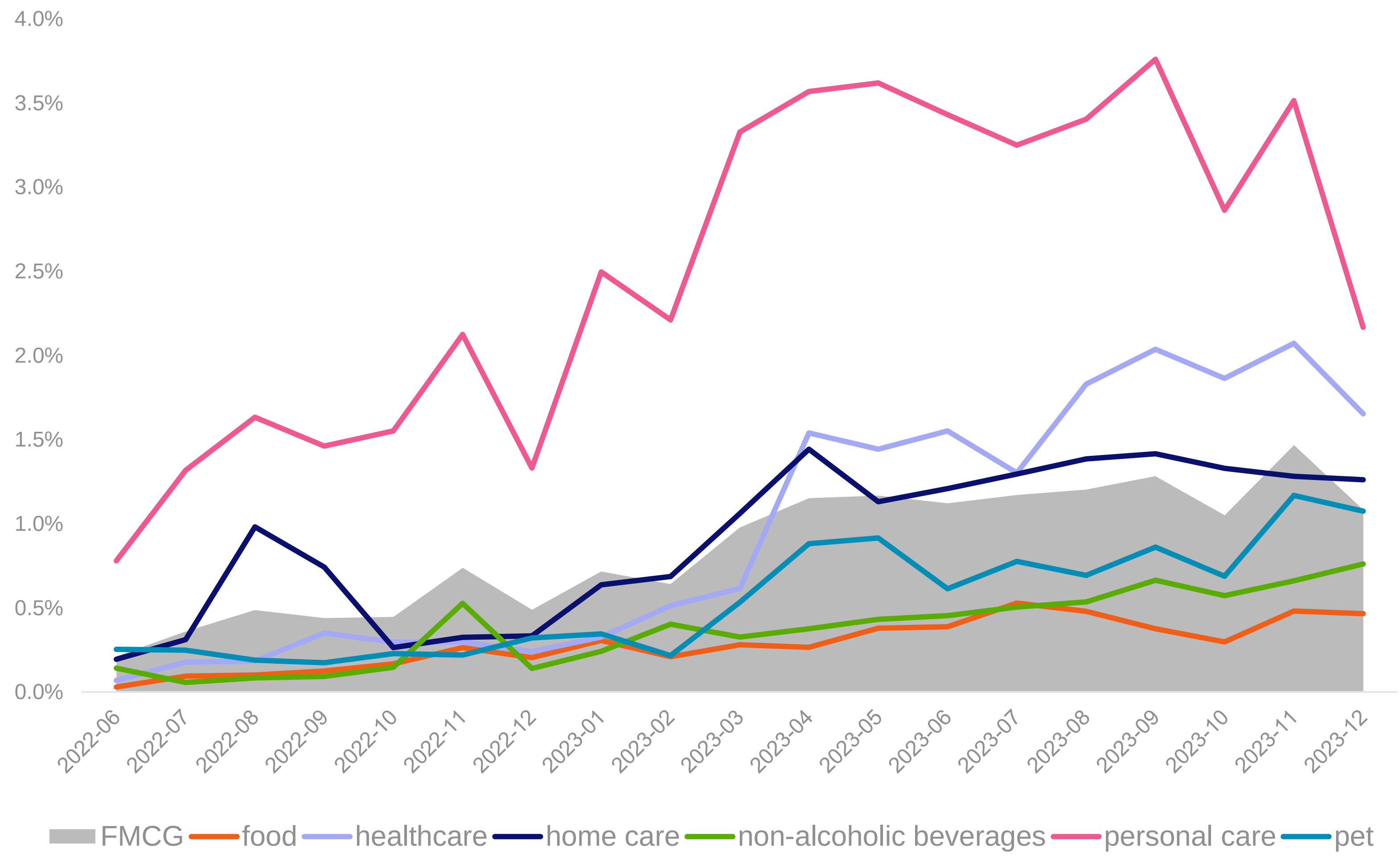
TikTok performance remain the strongest in Personal Care

Evolution of TikTok Market Shares per FMCG categories in value



Source: Consumer Panel Foxintelligence by NielsenIQ | FMCG calibrated e-commerce data | TikTok Shop UK Online Sales in value

TikTok is #11 online in Fragrances,

bigger than Superdrug or Sephora

Market share per merchant – Fragrances Category – FY 2023

	Market Shares per Merchant	Market share in Value
1	Amazon	22.7%
2	Boots	10.3%
3	Thefragranceshop	7.1%
4	Theperfumeshop	6.5%
5	Ebay	6.3%
6	Lookfantastic	5%
7	John Lewis	3.8%
8	Next	2.7%
9	Very	2.6%
10	Notino	2.3%

	Market Shares per Merchant	Market share in Value
11	Tiktok	2.2%
12	Allbeauty	2.1%
13	Debenhams	2%
14	Superdrug	1.8%
15	Vinted	1.7%
16	Sephora	1.6%
17	Zara	1.5%
18	Fragrancedirect	1.2%
19	Cultbeauty	1.1%
20	Asos	1%

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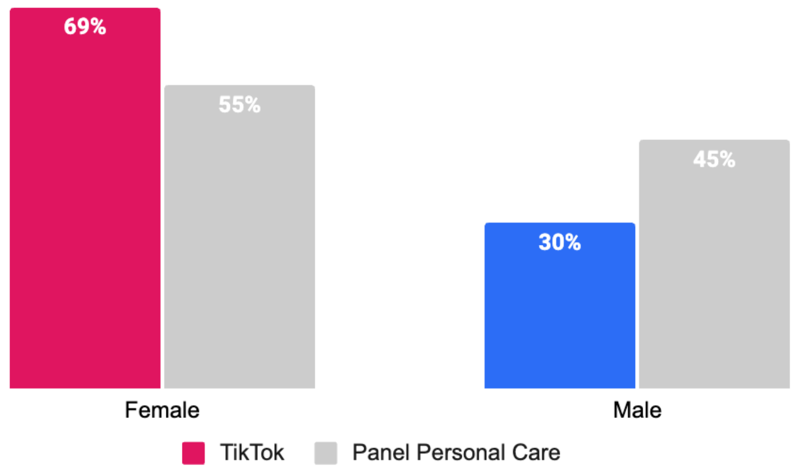
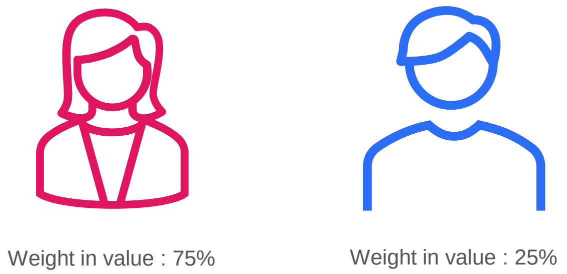
Who is the TikTok Shop Shopper?

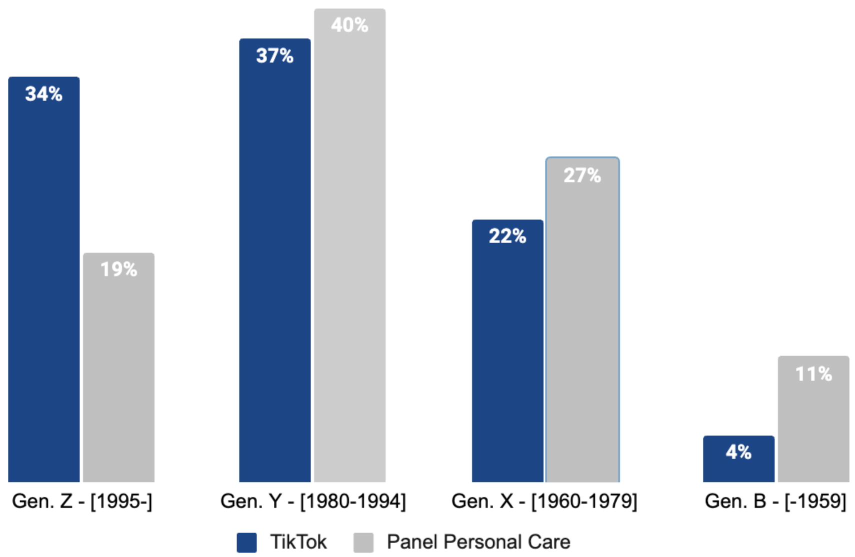
Gender & Age

Personal Care Penetration by gender and age (in %) I MAT





Women & Gen Z are over-represented in TikTok



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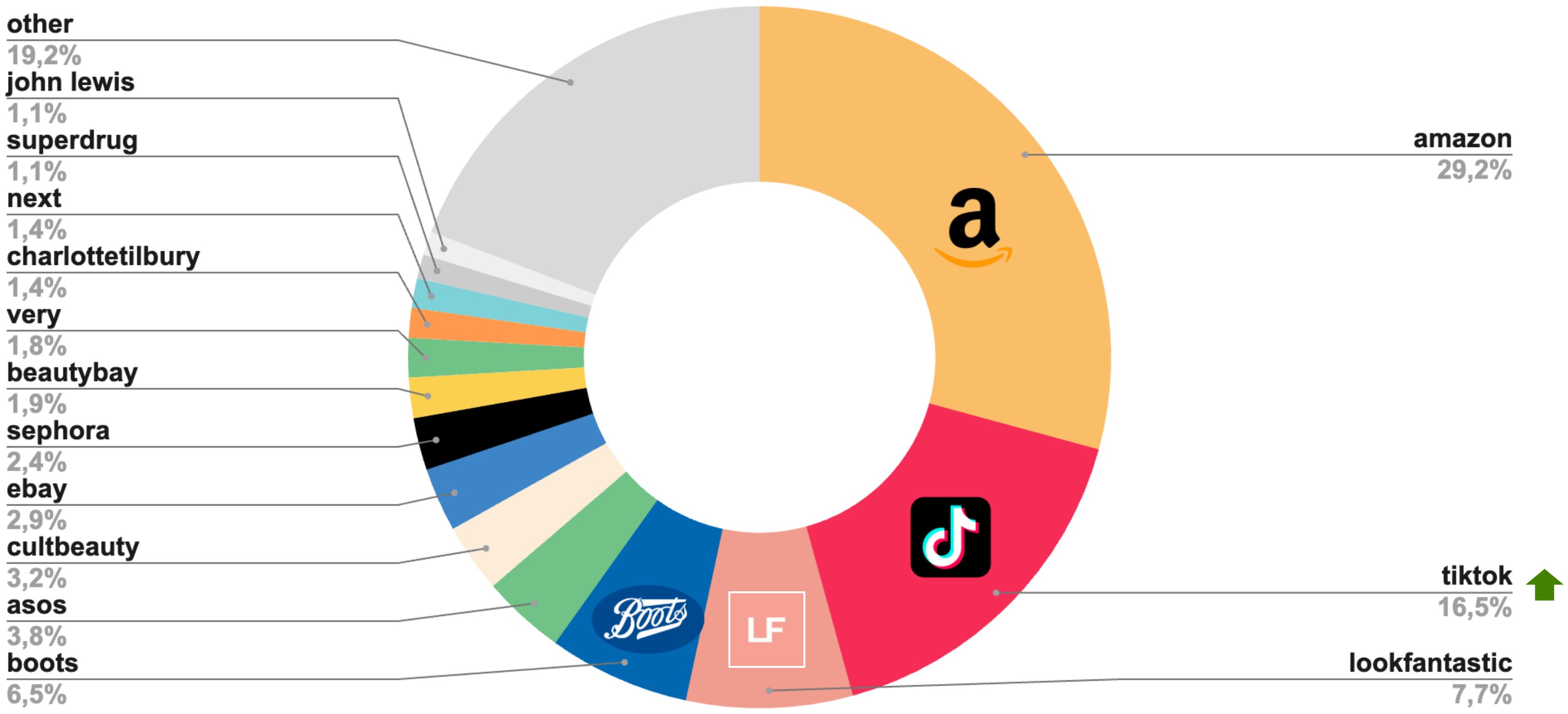
TikTok Consumers allocate 16% of their budget to TikTok

with the remaining portion going mostly to Amazon, Look Fantastic, Boots

Share of Wallet in value og Tiktok's customer base in Personal Care - FY 2023



Source: Consumer Panel Foxintelligence by NielsenIQ | UK Online Sales in value

What are the key drivers of change likely to be?

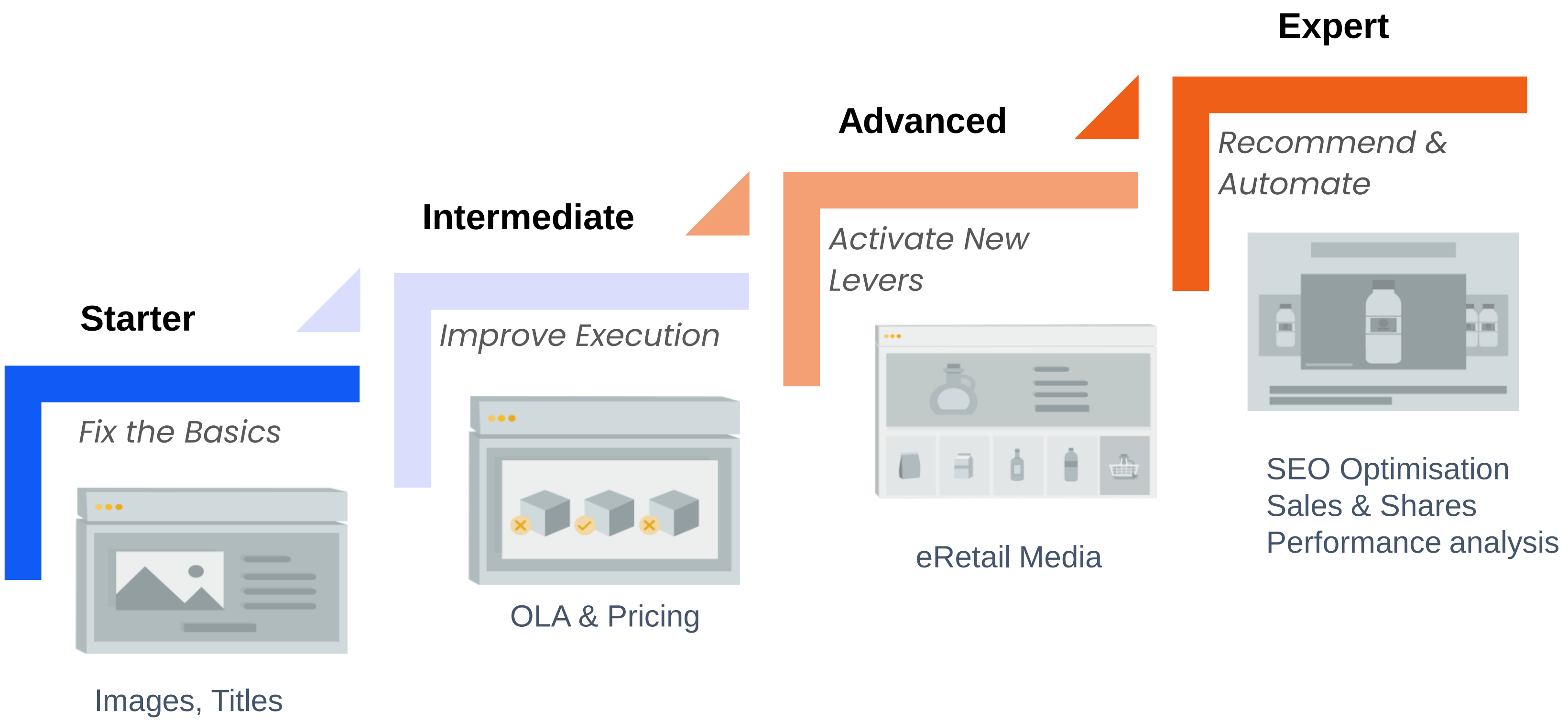
2023	2024	2025	2026	2027
More digital	More automation	More integration	More live	More personalised
In 2027, 70% of US retail Sales will be digitally influenced (vs. 59% in 2021)[(1)]	*76% people think automation will become commonplace in generating product content*[(2)]	*72% believe retail transactional data will be integrated to provide a reliable attribution model*[(3)]	*49% people believe that store-level SKU conversion data will be delivered daily*[(4)]	*70% people believe store will use smart screens, AR experiences and localised store GPS*[(5)]

What does that mean for you ?

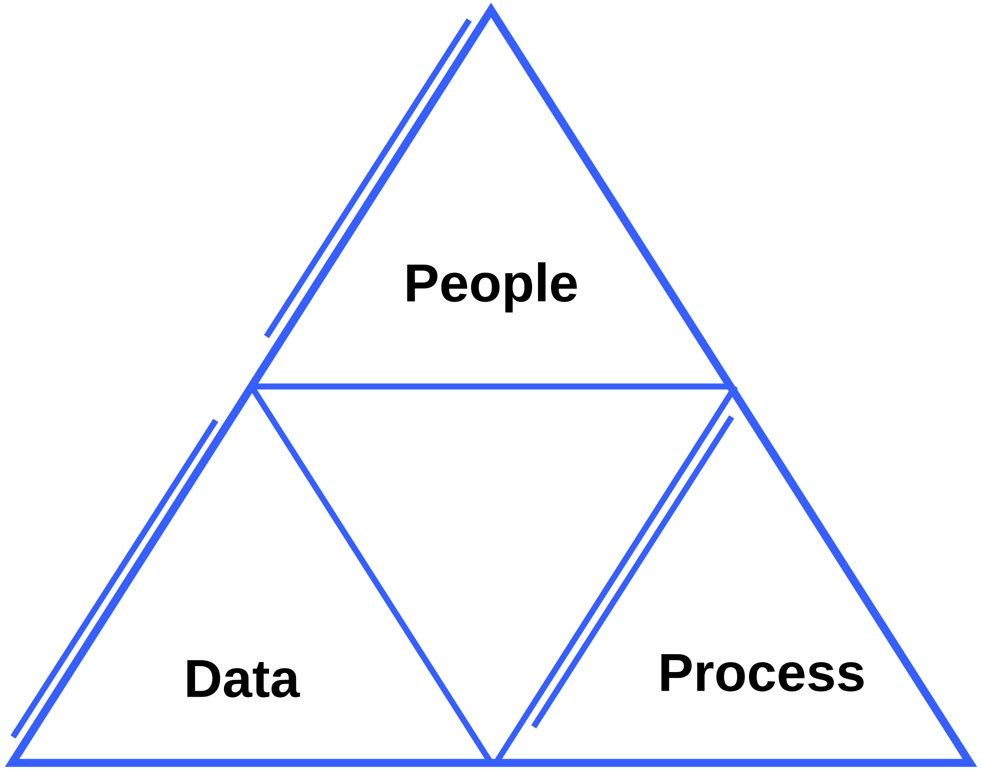
Sources: [(1),(3),(4),(5)]Publicis Commerce Digital Grocery Survey 2023, [(2)]Forrester Research Inc, .

It’s also important to remember that each market is on a different step of the journey

Journey of Digital Shelf & E-commerce measurement



When predicting the future, it’s important to have a clear reading grid



In order to be future ready, it’s important to set strong readiness pillars

Process

People

- People development
- Cross collaboration
- Execution enablement

Data

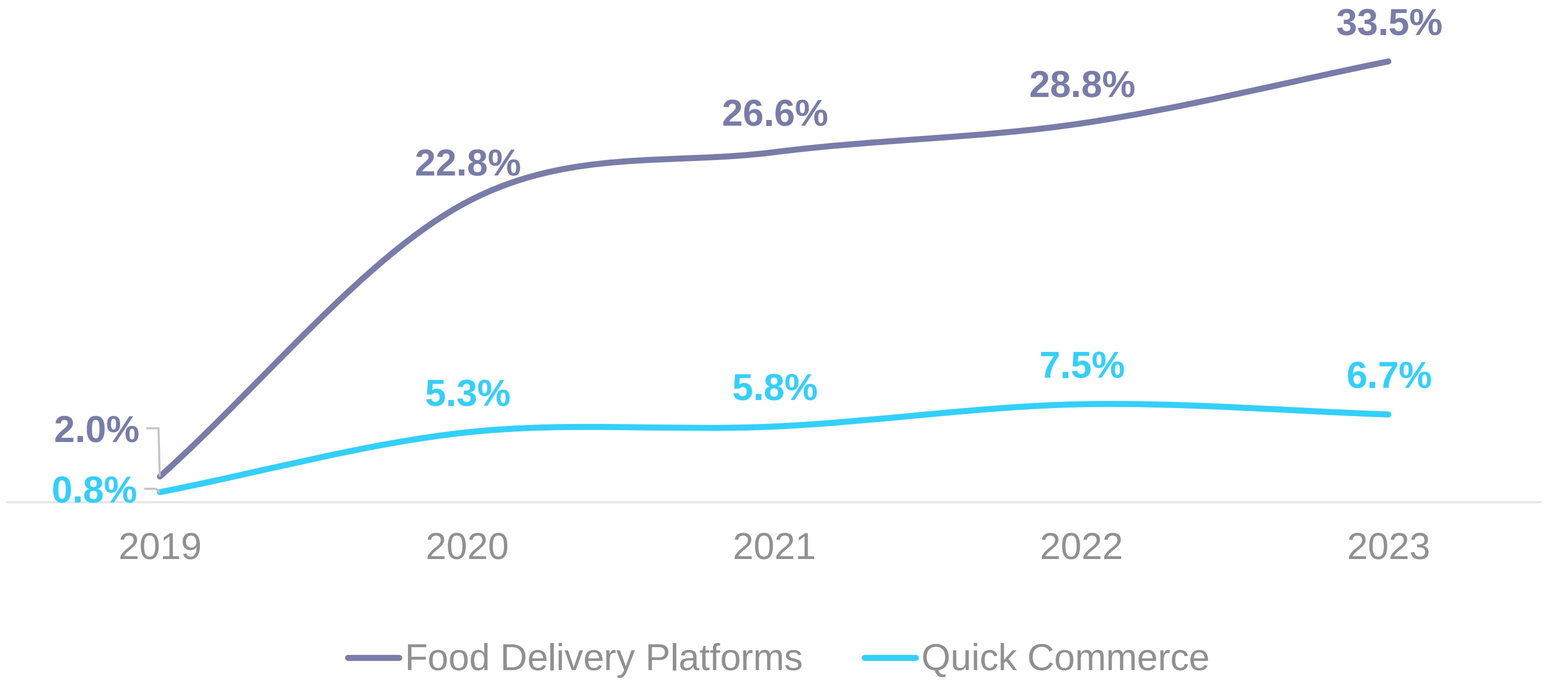
- Accurate
- Clean
- Effortless
- Organized
- Enables integration in an open ecosystem

Process

- Focused on the Action and execution
- Using automations and orchestrations

Quick commerce seems to have reached its peak in 2022

Share of merchant type
Total Food and Beverages same-day deliveries– In value

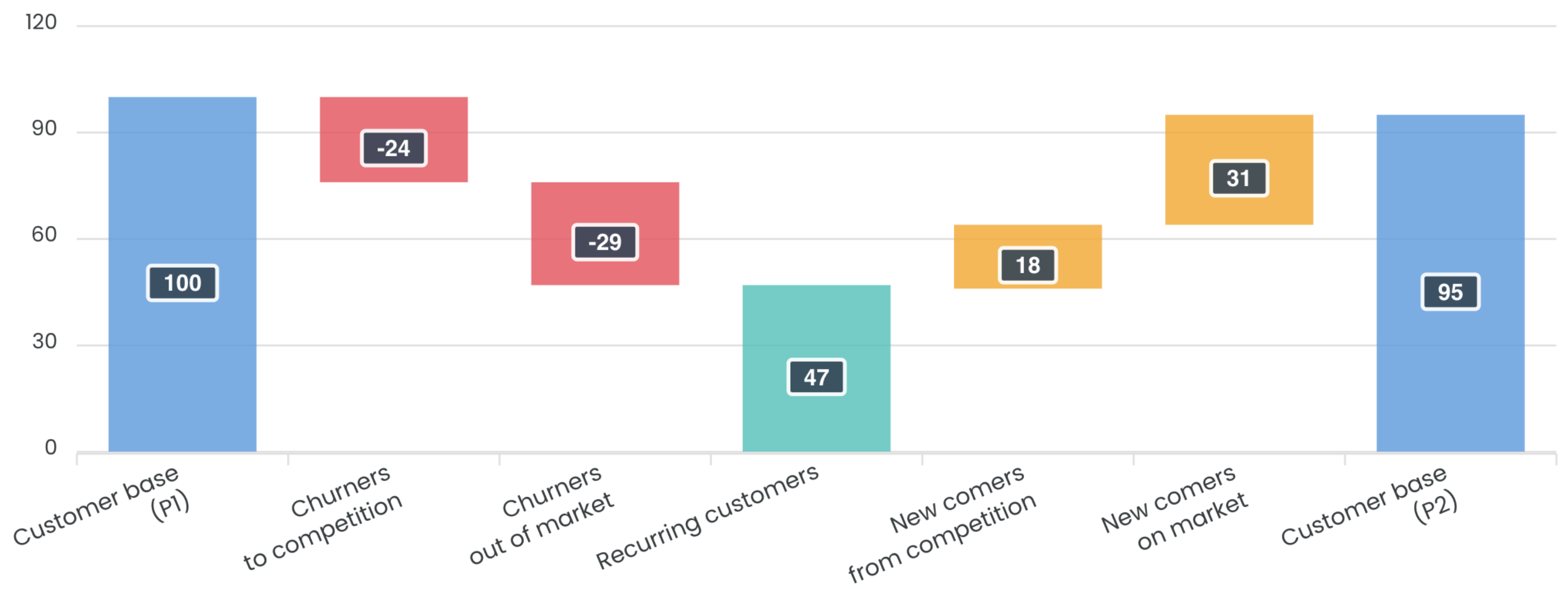


Source: Consumer Panel Foxintelligence by NielsenIQ
Categorical scope : alcoholic beverages, food, non-alcoholic beverages, other grocery

Quick commerce lost more clients than it gained in 2023

Customer switch - 2023 vs 2022

Total Food and Beverages same-day deliveries – In number of customer



Source: Consumer Panel Foxintelligence by NielsenIQ
Categorical scope : alcoholic beverages, food, non-alcoholic beverages, other grocery

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Quick commerce shoppers are frequent and high spenders

2023 Consumer KPIs
Food and Beverages same-day deliveries

	Quick commerce customer base	Same-day grocery deliveries customer base
Average spend	£517	£313
Average order value	£29	£38
Average item price	£5	£4
Purchase frequency	18	8.2

Source: Consumer Panel Foxintelligence by NielsenIQ
Categorical scope : alcoholic beverages, food, non-alcoholic beverages, other grocery – same-day dellivery

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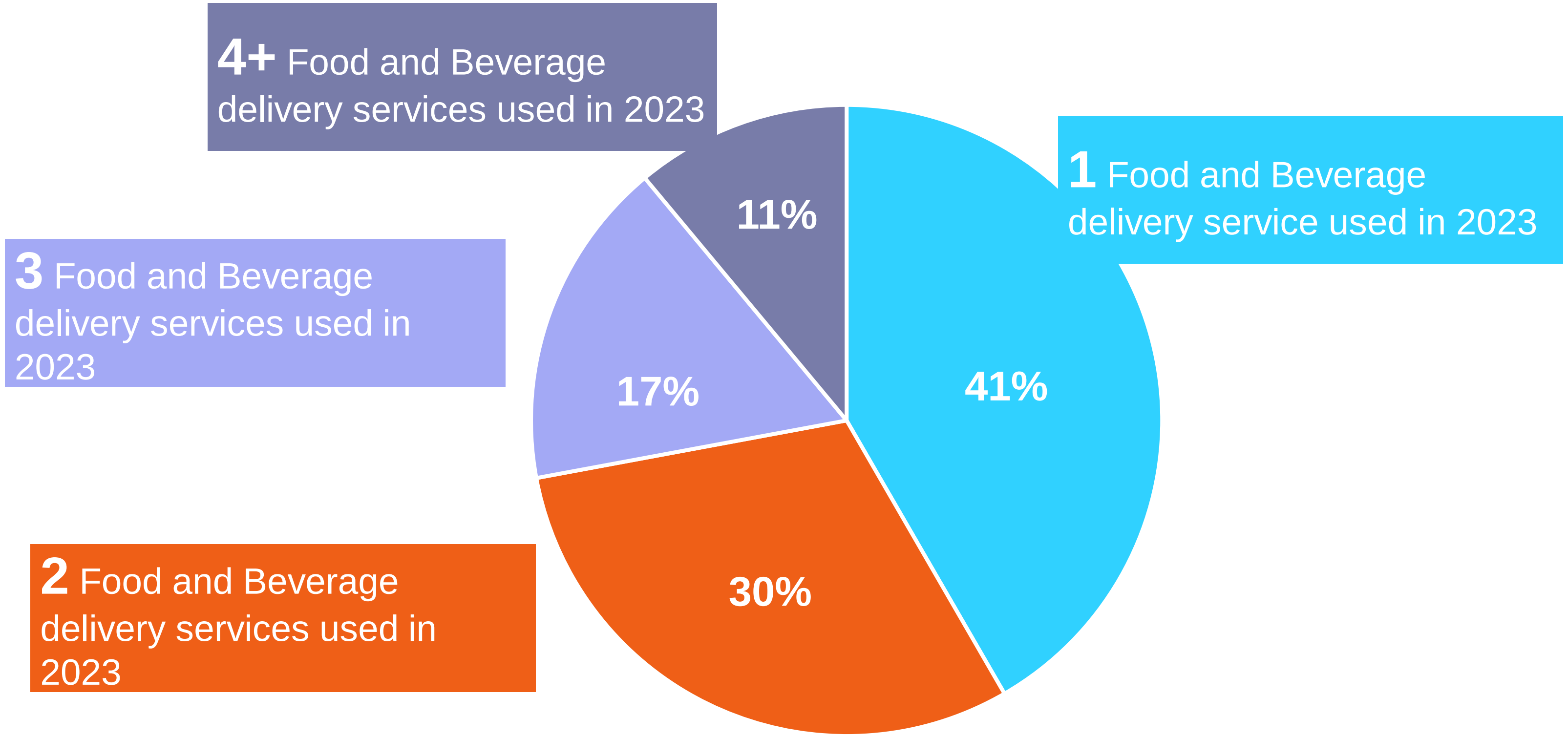
41% of Quick Commerce e-shoppers are exclusive

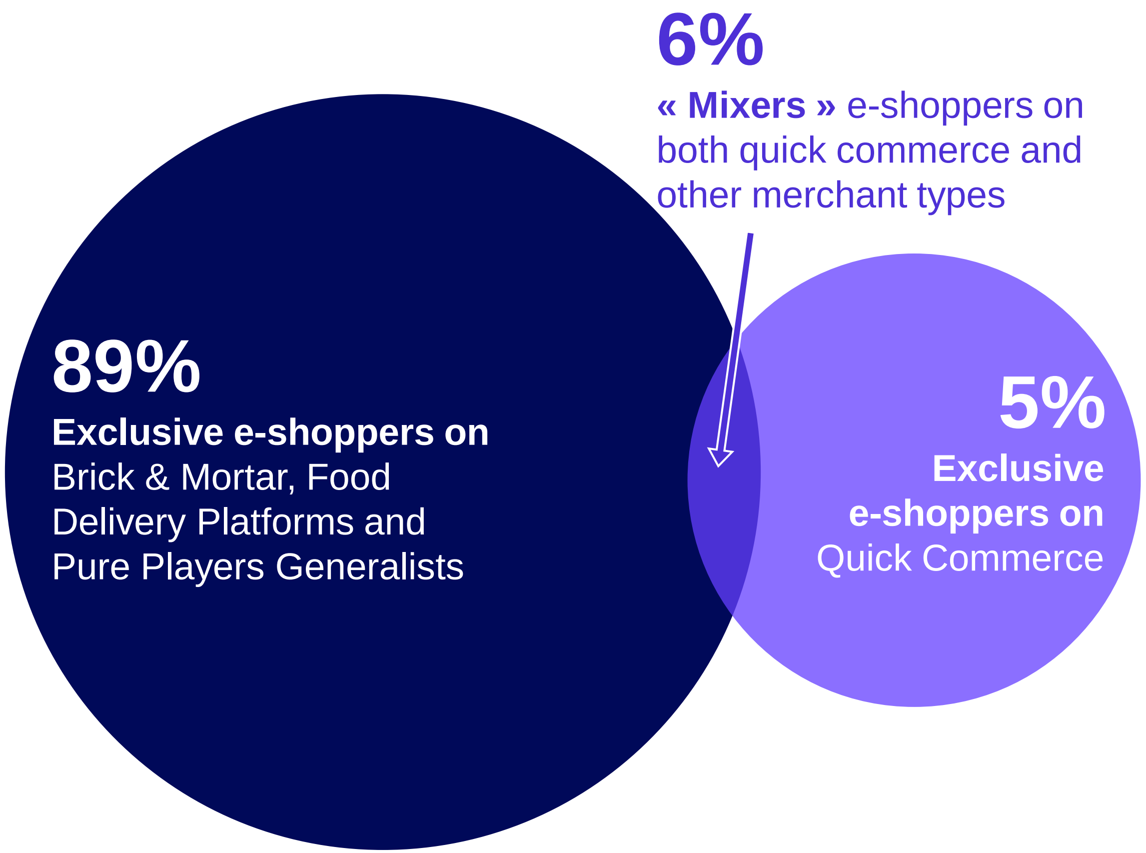
% Quick Commerce shoppers per number of same-day delivery services used in 2023
Total Food and Beverages same-day deliveries



Source: Consumer Panel Foxintelligence by NielsenIQ
Categorical scope : alcoholic beverages, food, non-alcoholic beverages, other grocery – same-day delivery

5% of same-day e-shoppers are exclusively buying on Quick Commerce

Breakdown of same-day e-shoppers between quick commerce and other merchant types
Total Food and Beverages same-day deliveries



Source: Consumer Panel Foxintelligence by NielsenIQ
Categorical scope : alcoholic beverages, food, non-alcoholic beverages, other grocery – same-day delivery

Is Quick Commerce still worthwhile?

Speed is of the essence. Consumers are becoming increasingly unwilling to wait, with half of them using online same-day delivery services.

Despite a downward trend, **Quick Commerce should not be overlooked:**

- Its loyal customer base are frequent and high spenders, mostly untapped by Brick and Mortar same-day delivery services
- Quick Commerce can serve as an indispensable distribution channel at local level

Leverage digital shelf & performance analytics to maintain a competitive edge:

- Identify strategic local partner
- Tailor the product mix to cater to this specific target group
- Continuously monitor and ensure product availability

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