Other Conference Item

Mega trends: I. Consumer well-being and health

Author(s):
Hughes, David

Publication Date:
2001

Permanent Link:
https://doi.org/10.3929/ethz-a-004283015

Rights / License:
In Copyright - Non-Commercial Use Permitted
Mega-Trends:
I. Consumer Well-Being and Health

- improved knowledge of relationship between diet and health
- ageing population and search for elixir
- “look good” society
- rising personal cost of healthcare
- in this century, my health is my responsibility
- concern about food safety
- impact of food production on the environment

New product introduction impact:

- lifestyle versus medical
- food plus and food minus
- natural and organic
- vegetarian
Mega-Trends: II. Convenience and More

- two income households and changing household size
- increased pace of life
- trading up
- blurring of eating occasions e.g. breakfast-snack-"deskfast"
- blurring of mode-of-purchase i.e. food service and retail boundaries merge

Meal solution categories include:

- ready-to-make (e.g. raw ingredients)
- ready-to-prepare (e.g. pasta and sauces)
- ready-to-heat (e.g. ready meals)
- ready-to-eat (e.g. takeaways, hand-held)
Mega-Trends:

III. Pleasure and Status Indicator

- debit and credit philosophy
- income rich-time poor, and income poor-time poor (both stress-inducing)
- trading up
- increased travel
- TV chefs and media
- ethnic population and restaurants

New product introduction impact:

- exotic flavours
- ethnic flavours
- traditional tastes
- premium products
- premium “look-alikes”
Apart from price, what factors influence your purchase decision most?

*In order of importance (across)*

- convenience/ease of preparation
- taste
- sell-by-date
- healthy version
- home grown
- ingredients
- organic
- appearance
- brand
- non-GM
- free range
- assurance

source: IGD Imperial College 2000
## Potatoes Are a Staple Food: Difficult to Add Value?

<table>
<thead>
<tr>
<th>Frozen</th>
<th>Retail € per Kg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microwave Chips</td>
<td>8.87</td>
</tr>
<tr>
<td>BEW Waffles</td>
<td>6.34</td>
</tr>
<tr>
<td>McCain’s Smiley Faces</td>
<td>3.53</td>
</tr>
<tr>
<td>Waitrose Croquettes</td>
<td>2.40</td>
</tr>
<tr>
<td>Chip Shop Fries</td>
<td>1.95</td>
</tr>
<tr>
<td>Somerfield Crinkle</td>
<td>1.56</td>
</tr>
<tr>
<td>Waitrose Chips</td>
<td>1.15</td>
</tr>
<tr>
<td>Somerfield Basic Fry</td>
<td>0.56</td>
</tr>
</tbody>
</table>

*Source: Waitrose and Somerfield, February 2001*
## Market Share of Top 5 Grocery Chains in Europe by Food Turnover, 2000

<table>
<thead>
<tr>
<th>Rank</th>
<th>Country</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Norway</td>
<td>98.5</td>
</tr>
<tr>
<td>3</td>
<td>Sweden</td>
<td>94.3</td>
</tr>
<tr>
<td>6</td>
<td>Denmark</td>
<td>79.3</td>
</tr>
<tr>
<td>8</td>
<td>France</td>
<td>76.4</td>
</tr>
<tr>
<td>11</td>
<td>UK</td>
<td>63.4</td>
</tr>
<tr>
<td>14</td>
<td>Germany</td>
<td>61.8</td>
</tr>
<tr>
<td>16</td>
<td>Spain</td>
<td>53.7</td>
</tr>
<tr>
<td>18</td>
<td>Czech Republic</td>
<td>30.3</td>
</tr>
<tr>
<td>19</td>
<td>Italy</td>
<td>28.0</td>
</tr>
<tr>
<td>20</td>
<td>Poland</td>
<td>16.8</td>
</tr>
</tbody>
</table>

*Source: M+M EUROdATA*
Retail Globalisation Criteria

- global turnover
- countries of operation
- key region presence
- home market dominance
- clarity of global strategy
- global culture
- cross-corporate information sharing and learning

Source: IGD 2001
### Who Are The Global Retailers?

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>Base</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Carrefour</td>
<td>France</td>
</tr>
<tr>
<td>2.</td>
<td>Ahold</td>
<td>Neths</td>
</tr>
<tr>
<td>3.</td>
<td>Wal-Mart</td>
<td>USA</td>
</tr>
<tr>
<td>4.</td>
<td>Metro</td>
<td>Germany</td>
</tr>
<tr>
<td>5.</td>
<td>Ito Yokado</td>
<td>Japan</td>
</tr>
<tr>
<td>6.</td>
<td>Delhaize</td>
<td>Belgium</td>
</tr>
<tr>
<td>7.</td>
<td>Tesco</td>
<td>UK</td>
</tr>
<tr>
<td>8.</td>
<td>Casino</td>
<td>France</td>
</tr>
<tr>
<td>9.</td>
<td>Auchan</td>
<td>France</td>
</tr>
<tr>
<td>10.</td>
<td>Aldi</td>
<td>Germany</td>
</tr>
</tbody>
</table>

*Source: IGD 2001*
### Compound Annual Growth Rates in Sales, Profitability And Capital Investment for Selected Major European Grocery Companies 1996-2002

<table>
<thead>
<tr>
<th>Company</th>
<th>Sales Momentum</th>
<th>EBITDA Momentum</th>
<th>Capital Expenditure Momentum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ahold</td>
<td>27.8</td>
<td>29.7</td>
<td>35.1</td>
</tr>
<tr>
<td>Carrefour</td>
<td>22.1</td>
<td>26.9</td>
<td>17.0</td>
</tr>
<tr>
<td>Casino</td>
<td>15.4</td>
<td>21.9</td>
<td>17.9</td>
</tr>
<tr>
<td>Delhaize</td>
<td>13.6</td>
<td>18.0</td>
<td>8.9</td>
</tr>
<tr>
<td>Metro</td>
<td>11.6</td>
<td>15.8</td>
<td>10.8</td>
</tr>
<tr>
<td>Tesco</td>
<td>11.5</td>
<td>11.8</td>
<td>19.4</td>
</tr>
<tr>
<td>J. Sainsbury</td>
<td>5.0</td>
<td>2.5</td>
<td>5.6</td>
</tr>
</tbody>
</table>

1. 2002 figures are forecasts. CAGR based on total international sales.
2. EBITDA: Earnings before Interest, Tax, Depreciation, and Amortization.

Source: Commerzbank AG, Frankfurt am Main, Germany, 2001
imperial technology gives competitors opportunities to

• Wal-Mart slow to adapt to non-American environment

• Strong competitors (e.g., Tesco, Carrefour, Ahold)

• Defensive mergers reduce acquisition targets

• Stronger trade unions in Europe, Australia

• This limits buying scale opportunities (relative to US)

• National/regional markets still differ

Global Tidal Wave across the

What's constraining the

Wal-Mart
ROUTES TO MARKETS

OUT OF HOME

RETAIL
- GROCERY
  - Supermarkets
  - Discounters
  - Convenience
  - Warehouse Clubs
- OTHER
  - General Merchandise
  - Chemists
- SPECIALIST
  - Farmers markets
  - Video shops
  - Noodle shops
  - Butchers
  - Delis

TRAVEL
- Gas stations
- Rail
- Airports
- Ferries
- Subways
- Motorways

LEISURE
- Cinemas
- Beaches
- Sports
- Bowling

FOOD SERVICE
- COMMERCIAL
  - Hotels
  - Restaurants
  - Fast Food
  - Cafés
  - Bars
- INSTITUTIONS
  - Hospitals
  - Schools
  - Factories
  - Prisons
  - Military
Manufacturer Responses to the Changing Global Grocery Marketing Environment:

Avoiding the ‘Boiled Frog’ Syndrome

• innovate - NPD and everything
• cost leadership - a necessary condition, not an option
• join a buying group for basics
• geographic diversification - beware ‘Chinese Market Myth’
• search for and dominate growth categories
• identify new consumer needs and invent a new category
• expand and develop new routes to the consumer
Avoiding the ‘Boiled Frog’ syndrome (continued):

• reduce brand portfolio and focus more R&D and promotional spend on fewer brands
• target markets where you can be No.1
• make your brand the most profitable (attractive) in its category for your customer
• develop new brands based on proprietary technology
• gain exclusive access to key raw materials
• develop alliances - horizontal and vertical
• simplify the merchandising approach - EDLP
• consider the unspoken and produce retailer private label!
Only 10 per cent of Top 100 Brands launched in last 10 years

- Less than 1 year: 3 brands
- 1-5 years: 8 brands
- 6-10 years: 10 brands
- 11-20 years: 15 brands
- 21-30 years: 27 brands
- 31-50 years: 38 brands

Years since launch
90 Per Cent of New Food and Drink Products Fail within Two Years

• True innovation greater success rate than
  “Me Too” or line extension

• Products must deliver concept promise

• Long term support - persistence essential

• Major category players most successful

• First to market have lasting advantage

• Trial rates key factor influencing sales volume
Frozen Category: Shopper Research

- Shopper research studies in the UK, Belgium, Italy and Germany consistently identify the Frozen Category as having low interest for consumers instore.

- Consumers describe it as:
  - Visually unappealing
  - Cold, sterile, hospital like
  - Difficult to see what’s available and find what you want
  - Complex
  - Unexciting
  - Does not stimulate impulse buying with little time spent browsing

  → lack of consumer satisfaction
Early 1990s criteria were:

- technical excellence
- hitting service levels
- price competitive

Beginning of 2000s, add on:

- strategic orientation
- innovative
- offering some exclusivity
- profitability