# WINNING FOOD & DRINKS OCCASIONS OUT-OF-HOME

NOVEMBER 2019

THE COMPLETE IN AND OUT PICTURE

VALUE ENGINEERING

THE RISE OF FOOD TECH

KANTAR

# CONTENTS



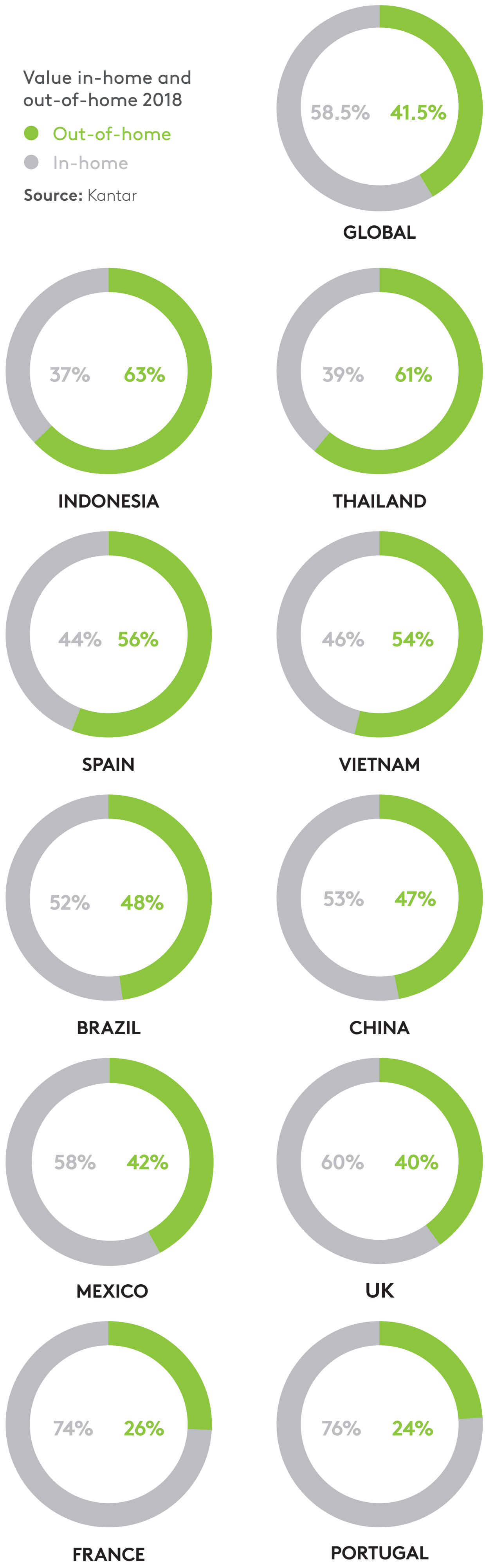
## METHODOLOGY

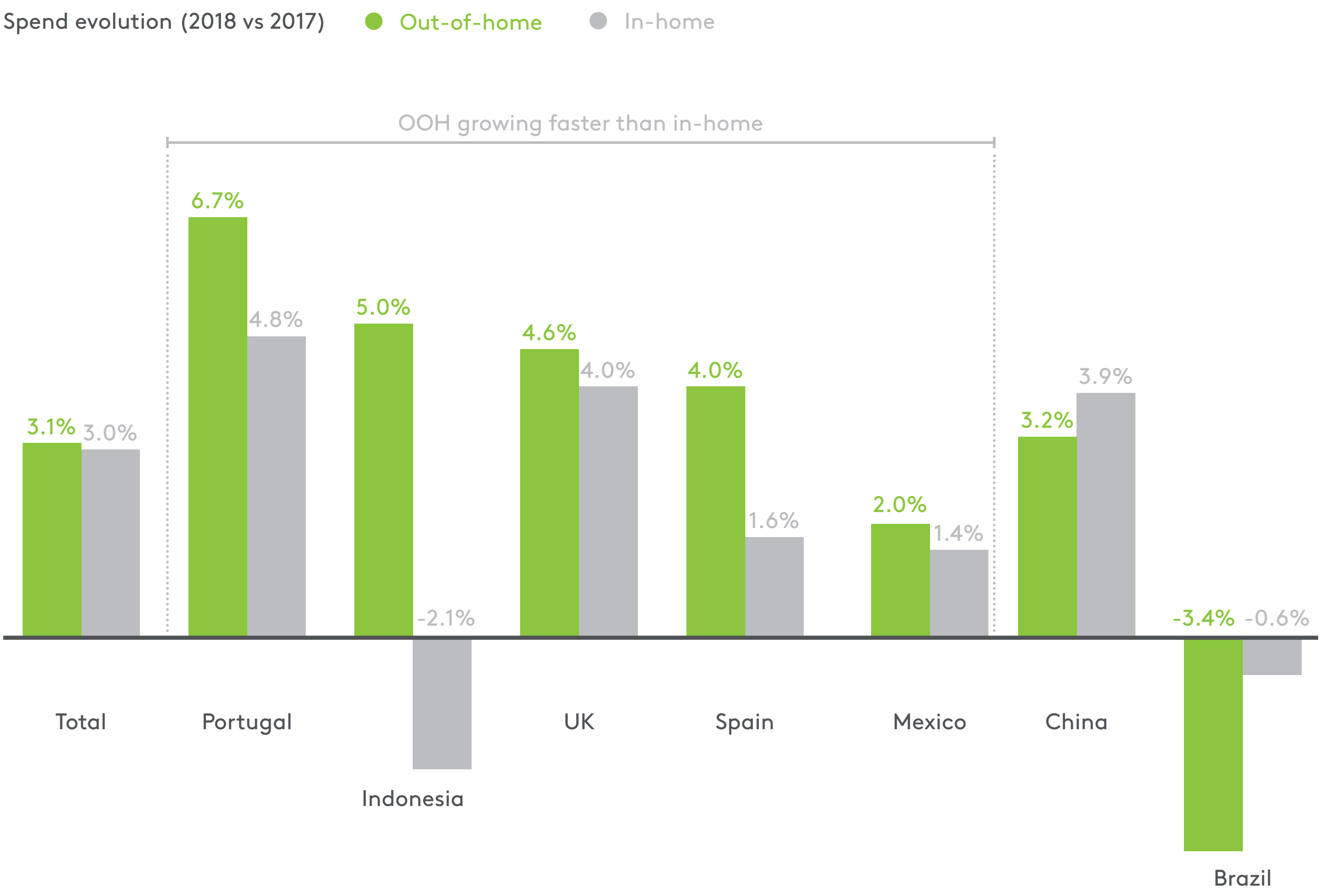
Our unique mobile app allows us to record every snack and non-alcoholic drink bought for consumption outside the home—whether that's on the go, at the place of purchase, in the workplace, or otherwise.

To create a comprehensive view of the OOH market we look not only at what products are purchased – and where – but when the purchase was made and whether it was for sharing or for individual consumption.

We currently collect this information for ten markets globally: Brazil, China, France, Indonesia, Mexico, Portugal, Spain, Thailand, the UK and Vietnam.

The data analysed in this publication covers the 52 weeks ending December 2018, compared to the same period in 2017.






**Source:** Kantar

# THE GROWTH OF OUT-OF-HOME

## by Maria Josep Martínez, Global OOH Director

Out-of-home (OOH) consumption – which accounts for 41.5% of spend on snacking foods and non-alcoholic beverages across ten markets – grew at 3.1% in 2018.

This figure is just ahead of in-home growth for the same categories, but despite the similarities there is plenty happening under the surface—with varying performances by market, category and channel, which we will explore throughout this publication.

What is consistent, however – and the main message of this paper – is that OOH growth is everywhere. And that means winning here is necessary for brands playing in the snacking foods and non-alcoholic beverages categories—in fact, those not succeeding here are losing share.

Whichever lens we look through, OOH growth is the norm and decline is the exception. There's only one market – Brazil – and one category – Juice Drinks – seeing a fall in spend, and all channels are experiencing an increase in spend.

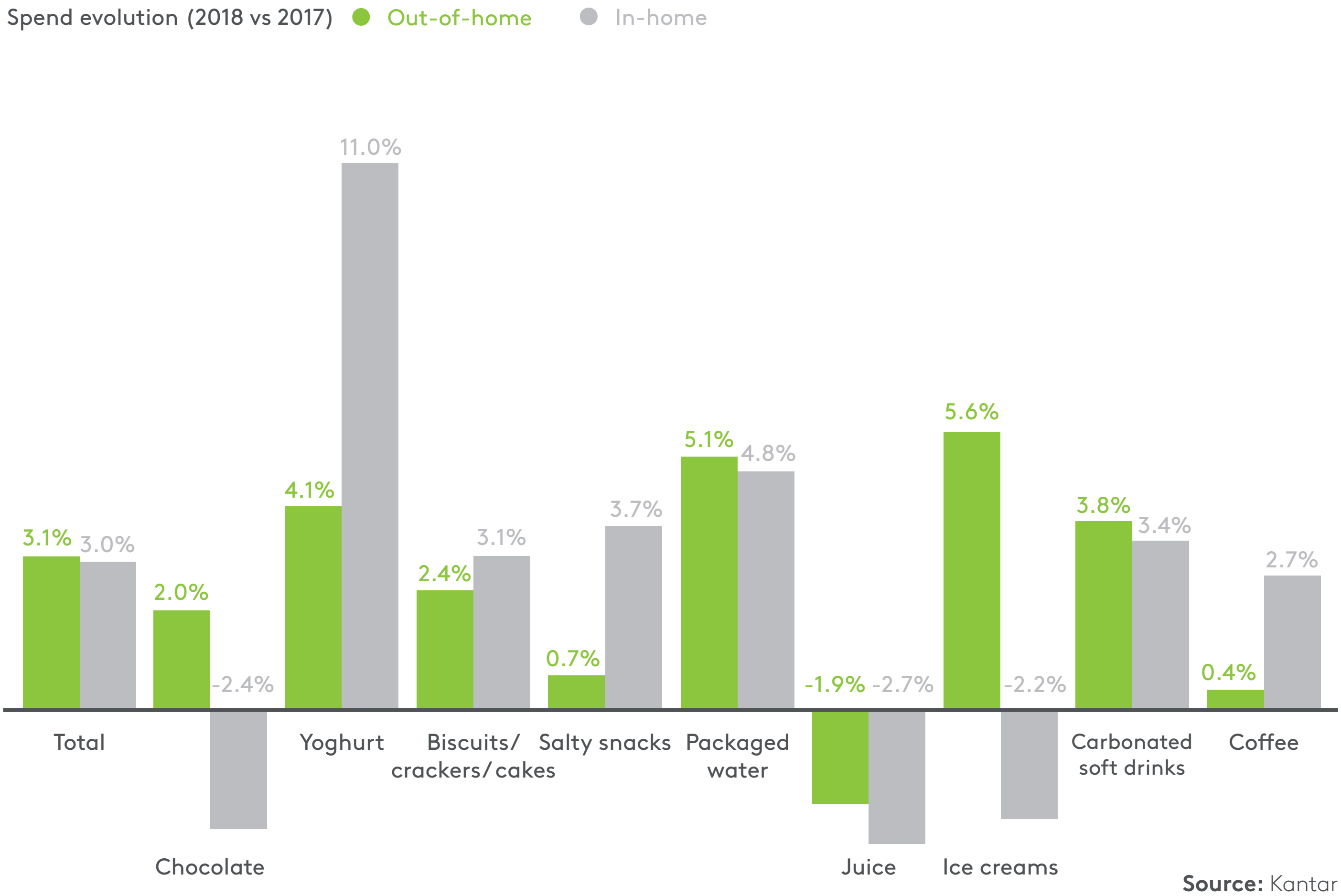
Given the importance of OOH, we will look in particular at what is driving this growth. As we will see, categories that are 'habitual' – both highly penetrated and with high frequency – are more likely to be in growth, with more than 70% seeing an increase in spend.

Increasing spend per trip was the biggest driver of performance in 2018, as the number of occasions remained flat. Again, there were differences by market and channel, and we will show examples of value engineering in different categories around the world.

In the final feature of this year's publication we'll discuss the increasing importance of food technology and how this is driving spend for home delivery and take-aways. Perhaps most importantly, this trend is driving incremental growth for both restaurants and the technology aggregators—capturing occasions from cooking at home.

However, as we will see, retailers are not taking this lying down and are coming up with innovative solutions to increase on-the-go food consumption spend in stores.

We hope you find the insights in this publication useful and that they provide you with plenty of food for thought in growing OOH.




**Source:** Kantar

# IN- AND OUT-OF-HOME: A GLOBAL MARKET READ

As the chart on the previous page shows, OOH is growing faster than in-home across five markets.

Portugal and the UK have seen particularly strong growth across both channels, as has Spain—although in the latter OOH has grown more than twice as quickly. In Indonesia we've seen the most dramatic gap in performance, with the main driver being Ice Cream (+8% OOH versus -12% in-home).

It's clear that economic uncertainty in several regions is the major factor holding back the total OOH market.

Brazil, for example, saw the slowest economic growth—and spend declined across both in-home and OOH. This, combined with minimal growth in Mexico, makes Latin America the region struggling the most globally.

## CATEGORY GROWTH

Biscuits and Coffee are the biggest categories globally, accounting for 26% of combined in- and out-of-home spend (for snacking foods and non-alcoholic beverages).

The importance of OOH differs significantly across all categories, but these two are perhaps the most perfect examples. Worldwide, OOH accounts for just one third of Biscuits sales but 70% of those for Coffee.

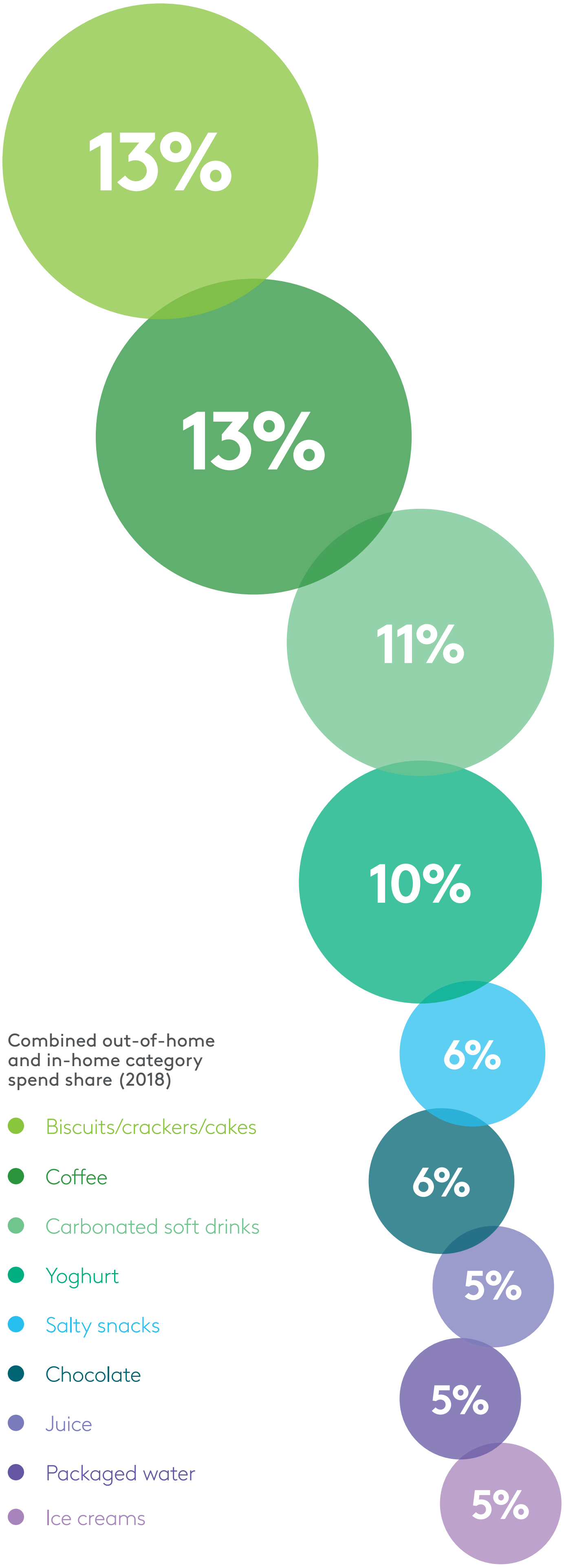
Almost all major categories are seeing overall value growth, with Juice Drinks the exception. The biggest three – Carbonated Soft Drinks, Biscuits and Coffee – experienced solid growth.

Yoghurt and Packaged Water were the categories with the strongest overall growth, and saw good performance across both in- and out-of-home.

Chocolate, Salty Snacks and Ice Creams – arguably the most enjoyable categories – saw growth driven solely by OOH, while in-home sales declined across the board.

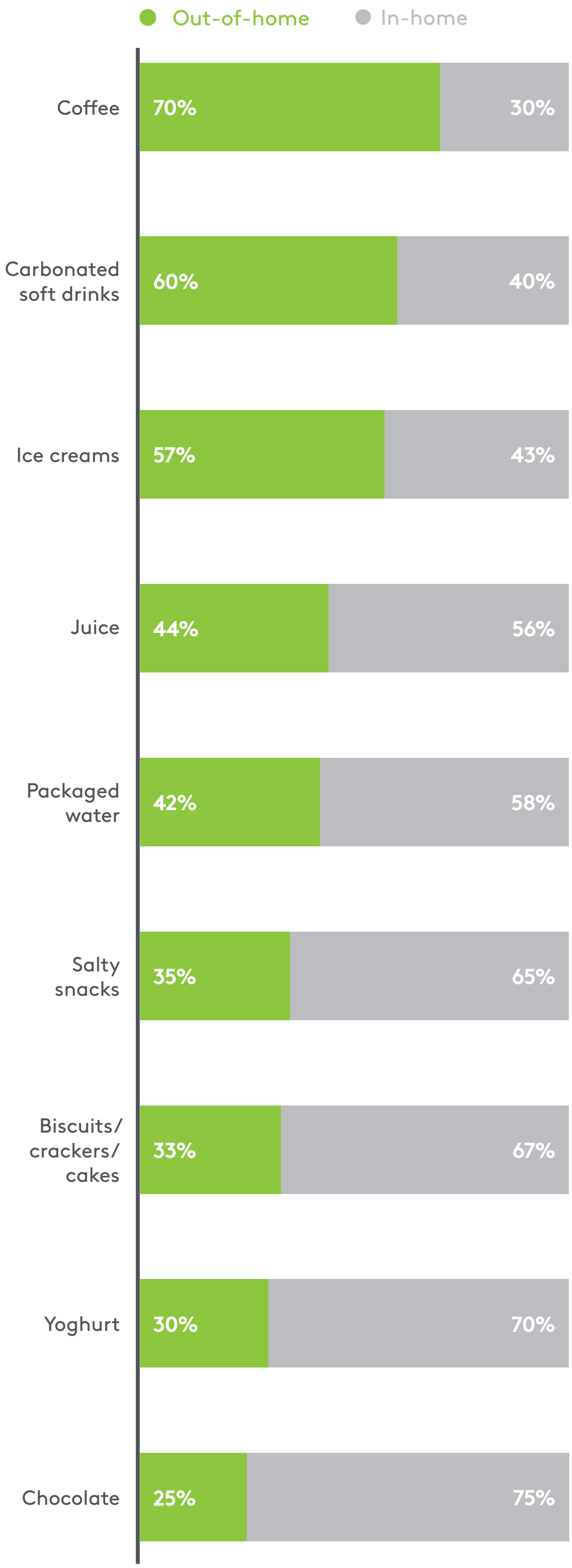
This link to enjoyment, particularly on the go, is key to category growth.

Combined out-of-home and in-home category spend share (2018)




**Source:** Kantar

Out-of-home versus in-home spend share (2018)




**Source:** Kantar

# OUT-OF-HOME: FACTS OF GROWTH

## THE TRADE LANDSCAPE

With the value of OOH growing across most markets and categories, it's clear that on-the-go occasions remain attractive to shoppers. But what's driving this rise? Here, we analyse the top-line OOH growth by channel – and through the consumer lens – before we explore how value has been engineered across the different sectors.

In 2018, all channels contributed to the continued importance of OOH. Achieving +3.5% growth and accounting for 44% of spend, the Horeca (hotels, restaurants and cafés) channel was the biggest driver of OOH success, contributing more than half the overall growth.

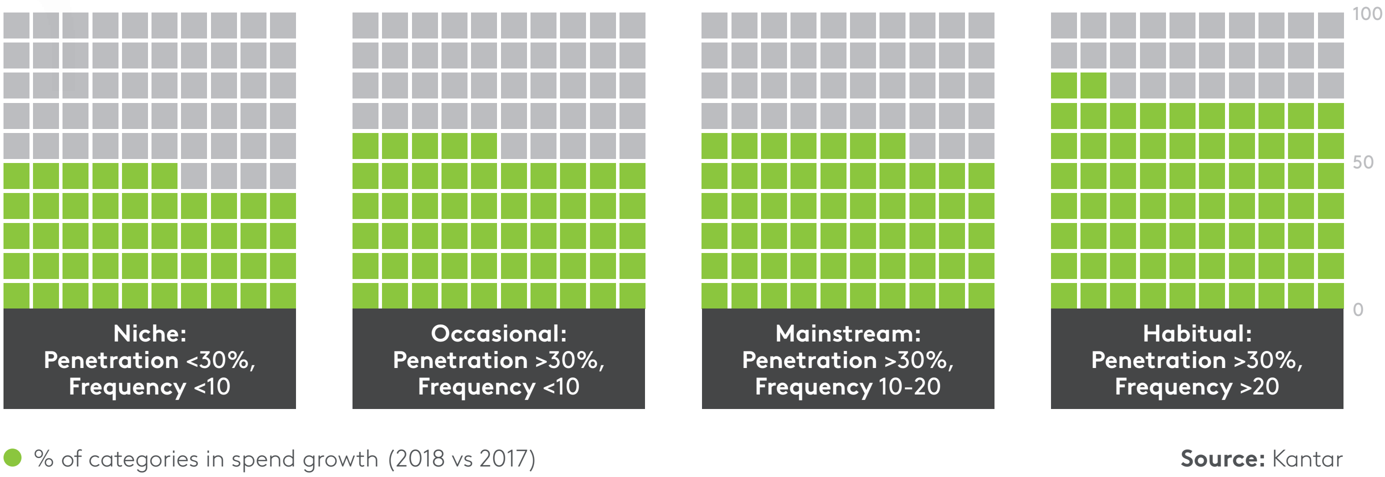
Traditional Trade – such as street vendors and markets – was the next strongest channels at +3%, but its low share means its contribution made up just 10% of OOH's total growth—behind that of Modern Trade, which grew at +2.9% but contributed a quarter of the total. The Impulse channel – vending machines and food trucks, for example – grew the slowest at 1.3%.

## CREATURES OF HABIT

Another key driver of OOH growth is 'habitual' categories—those that come from high-penetration or high-frequency sectors. In 2018, 72% of habitual categories were in growth.

For brands and retailers, their immediate focus should be on winning in the regular, everyday moments of OOH shopping before they consider more niche categories.

And, of all the categories in growth globally, two thirds are growing thanks to penetration. As with in-home shopping, the best way to find growth is to focus on penetration within these more established categories.




**Source:** Kantar

# VALUE ENGINEERING

### SPEND PER TRIP IS DRIVING GROWTH

The spend per OOH occasion grew by +3% in 2018 and, given value growth for OOH sales was just +3.1%, this indicates that the number of occasions globally is relatively flat. Instead, growth has come through higher value OOH baskets.

This trend is seen across all markets, to varying degrees. In Mexico, Portugal and Brazil, the metric grew in line or faster than the global average. This is particularly key in the Latin American markets as, without this increase, OOH performance would have slid into negative figures in Mexico and the decline in Brazil would have been even more severe.

The growth in spend per trip was less pronounced in Indonesia and China, meaning much of the OOH growth in these markets came through an increase in occasions.

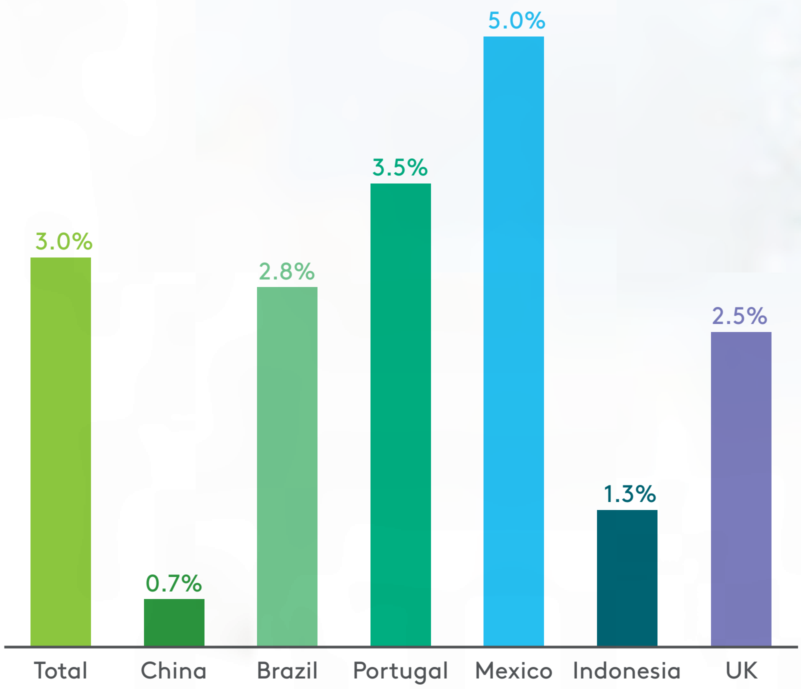
And, while an increase in basket value happened across all markets, we do not see the same picture when analysing by sector.

Both Cold and Hot Beverages saw a rise in spend per trip. Given the importance of non-alcoholic beverages to the OOH occasion, categories within these sectors have been key for driving this metric.

However, on the Snacking side, we see a mixed performance—with Salty Snacks experiencing growth in trip spend but Sweet Snacks seeing the opposite.

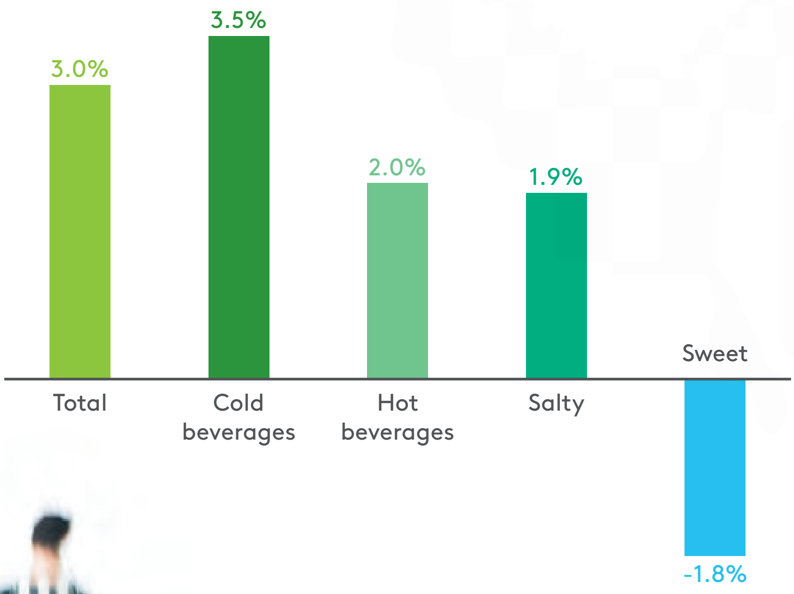
Despite this, each sector can find examples of categories that are successfully increasing the spend per trip. We'll explore these over the next two pages to show how, even within struggling sectors like Sweet Snacks, there are learnings to be taken.

% evolution in spend per OOH occasion (2018 vs 2017)




**Source:** Kantar

% evolution in spend per OOH occasion (2018 vs 2017)




**Source:** Kantar

## THE BRITS LOVE COFFEE

Hot Coffee represents 80% of Hot Beverages spend, according to our OOH read. And the UK, which accounts for 51% of that value, is the market with the greatest impact.

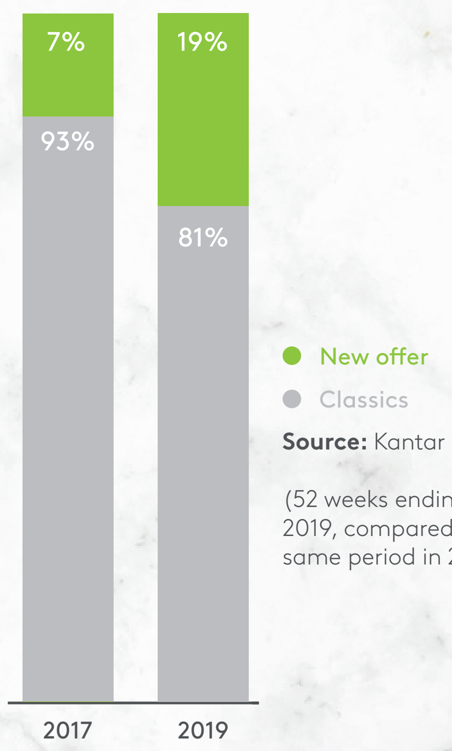
Given Hot Coffee spend per occasion also grew faster in the UK than in any other market, it is clearly responsible for the overall spend per occasion growth.

One of the key factors behind coffee's success in the UK is the proliferation of coffee shops and cafés in this market. They represent 42% of all spend, and have seen a 5% increase in spend per occasion—despite this already being higher than for other channels.

The importance of this premiumisation for the growth of Hot Coffees and the Coffee Shop channel is highlighted by the fact that the number of occasions actually decreased by 1%. However, premiumisation meant the channel saw healthy growth of +4%.

Coffee shops are upgrading their offer in terms of coffee variants, encouraging customers to move from 'classic' serves – such as americanos and cappuccinos – to more expensive, newer offers like flat whites and frapuccinos—which have a higher price index.

% UK Coffee Shop occasions




**Source:** Kantar

(52 weeks ending April 2019, compared to the same period in 2017)

## INDONESIANS ARE HUNGRY FOR BISCUITS

The Biscuits and Cakes category is interesting to explore within Sweet Snacks, given it is the largest category and one that is in growth despite trip spend declining at a faster rate than the rest of the sector.

This means its growth has been solely down to an increase in occasions. If it could reverse the falling spend per occasion that we are seeing, the category would be growing at an even faster rate.

As always, the global picture hides what is going on under the surface—and the trends by market again tell a different story, with Indonesia outperforming the rest. This market accounted for 33% of the total category growth, despite only being worth 10% of the global Biscuits and Cakes segment, while experiencing double-digit growth through an increase in occasions and a higher basket spend.

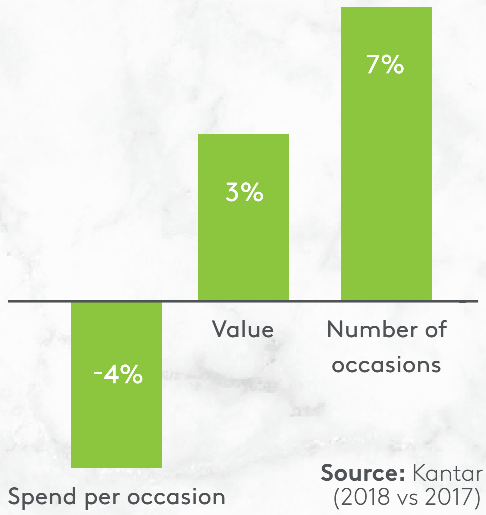
There were three growth drivers for the Biscuits category in Indonesia, and these can be applied in other markets:

1. **More innovation.**
Biscuit brands launched more new products in 2018, including different flavours across the category.

2. **Affordable packs.**
Manufacturers have focused on offering affordability to customers by launching smaller packs or packs that offer better value per biscuit.

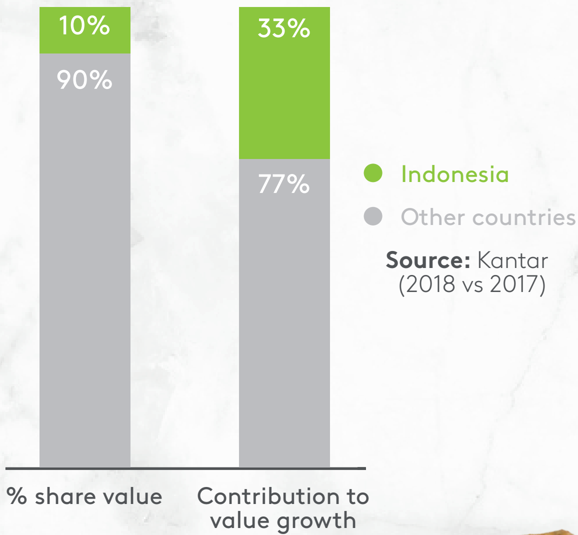
3. **Focusing on 'on the go' occasions.**
Manufacturers have increased their focus on the OOH occasion through brand relevance and meeting the needs of busier urban lifestyles.

Indonesia Biscuits Value Evolution




**Source:** Kantar (2018 vs 2017)

Indonesia Value Share of Biscuits




**Source:** Kantar (2018 vs 2017)

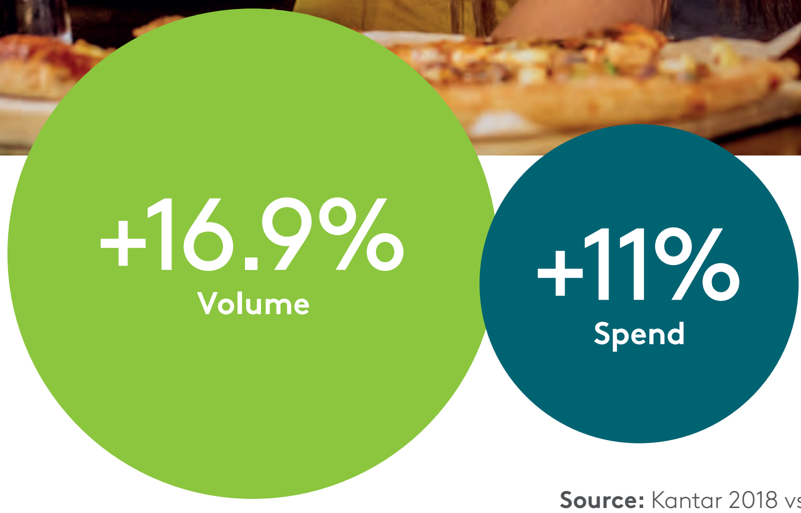
## NOTHING BEATS A COLD FIZZY DRINK FOR BRAZILIANS

As the second biggest individual OOH category, the performance of Carbonated Soft Drinks (CSDs) is key for the whole sector—and, given trip spend grew by 4.7% (versus +3.5% for Cold Beverages), this category was the main driver behind OOH performance. The two markets with the biggest change in CSD trip spend were Brazil (+11%) and Mexico (+9.1%).

Taking a closer look at Brazil we see that, in the Horeca channel (which accounts for 47% of CSD, with 72% of that being restaurants), spend per occasion grew by 11%—the fastest of any channel in the market.

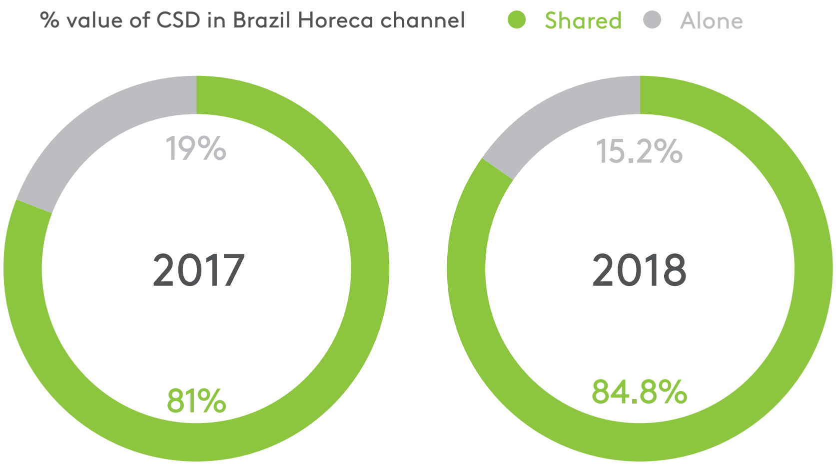
Spend per occasion has been driven by the rise of the sharing occasion. The number of 'alone' occasions is dropping as people instead buy larger pack sizes for sharing—increasing the average volume per trip.

Trip size evolution for CSD in Brazil Horeca channel




**Source:** Kantar 2018 vs 2017

% value of CSD in Brazil Horeca channel




**Source:** Kantar

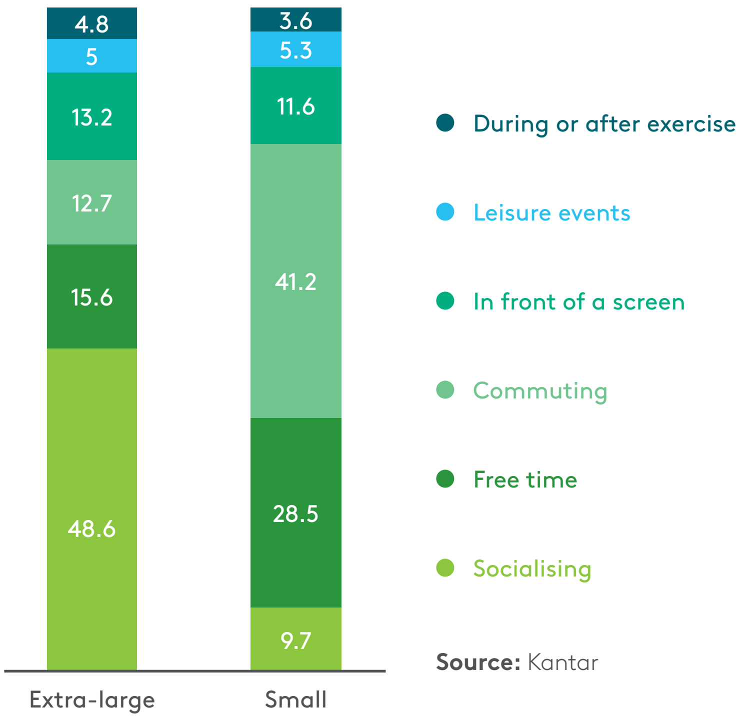
## MEXICANS GO LARGE FOR SALTY SNACKS

While Salty Snacks may be the smallest OOH sector, trip spend grew 1.9% in 2018—with Mexico seeing the biggest increase at +8.1%. The largest channel in Mexico for Salty Snacks is Modern Trade (40% of value) and, in this channel, the sector saw a 22% increase in spend per occasion.

This significant increase was driven by the pack size shoppers purchased, with the volume share of Extra-large packs increasing from 27.3% in 2017 to 38.4% in 2018. With the spend per occasion being +65% higher for Extra-large occasions – even versus Large occasions – this has been instrumental in the sector's growth.

The popularity of this pack size can be explained by looking at the reasons people buy Salty Snacks. Almost half of Extra-large volume is sold when consumers are socialising—and certain brands are winning through tailoring their marketing to attract shoppers for this specific occasion.

% volume of Salty Snacks in Mexico Modern Trade (2018)




**Source:** Kantar

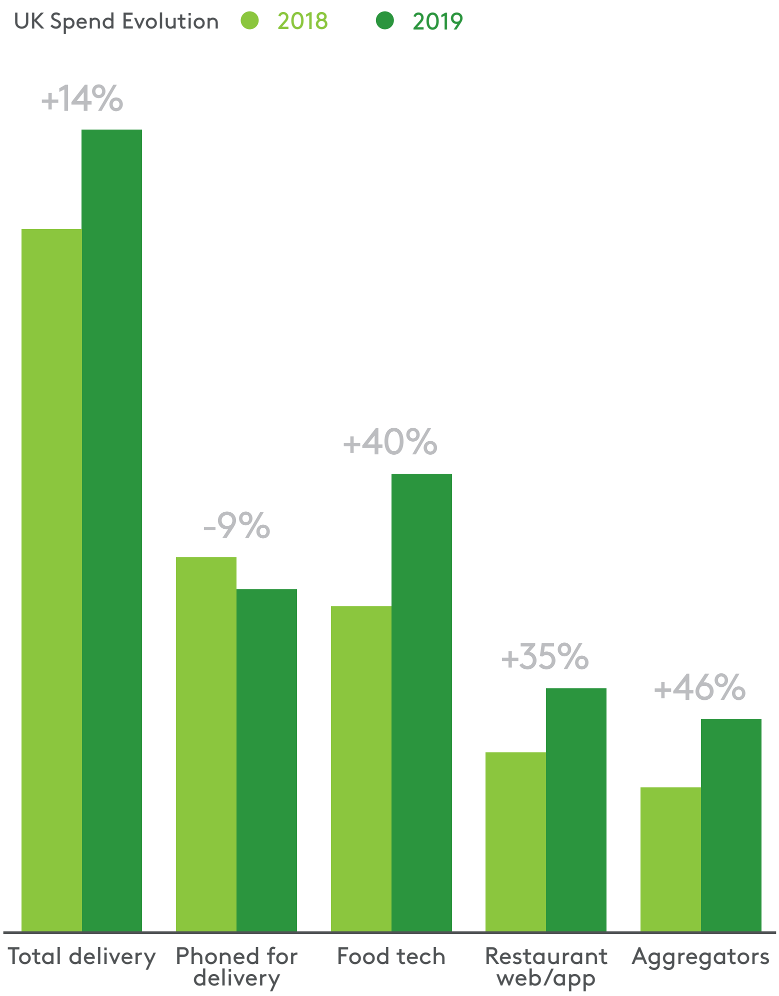
# NEW DEVELOPMENTS FOR MEAL OCCASIONS

Delivery and take-away are rapidly growing their OOH share. Across the UK, France and Spain they now account for 12.3% of total OOH spend.

And within these three markets, as examples of countries where Quick-service Restaurants are more mature, we can see that take-away and delivery share accounts for a significant percentage of all orders. This is most pronounced in the UK, where 60% of Quick-service Restaurants spend is for take-away or delivery.

This growth is being heavily influenced by the introduction of new technology for food deliveries. As we can see in the chart on the right, in the UK purchases through food tech now outstrip those through traditional means of phoning a restaurant and placing an order.

And these new methods of ordering do not only provide an opportunity for the technology platforms—both the restaurant and the aggregators are benefitting. As we can see, the revenue split between the restaurant's own website or app and those of aggregators, such as Deliveroo and UberEats, is at a similar level—and both are showing extremely healthy growth figures.

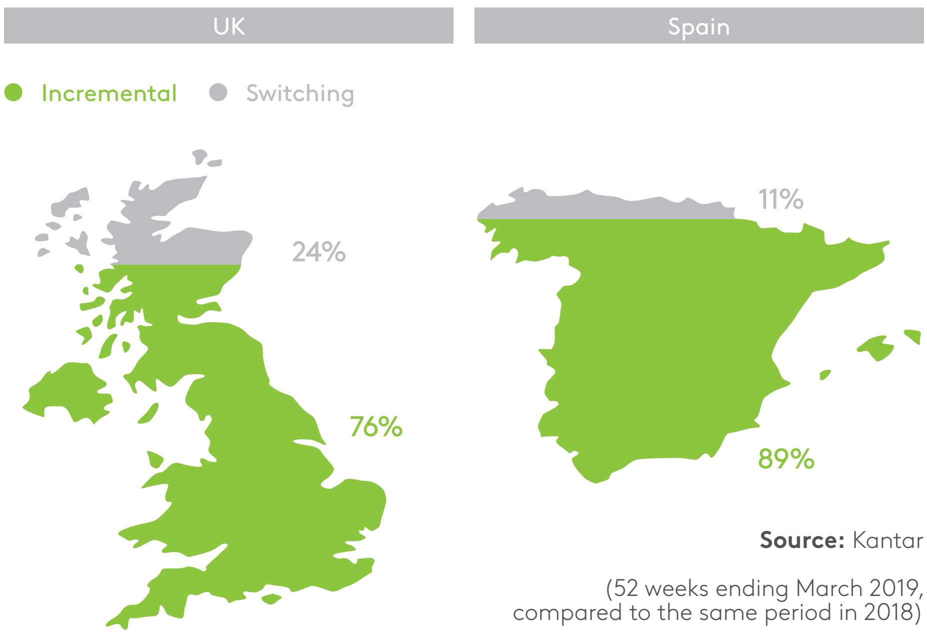



**Source:** Kantar

Perhaps most importantly, our analysis shows that in the UK 76% – and even higher in Spain at 83% – of the revenue generated by take-away and delivery is incremental to OOH value.

This new behaviour is replacing cooking at home, and is having a significant impact on price per occasion. Taking France as the starkest example, price per occasion increases from €4.30 when meals are prepared at home to €17.70 when they're ordered for home delivery or take-away.

This shift is clearly a threat to retailers, but they are finding new ways to combat the performance of Quick-service Restaurants.




**Source:** Kantar

(52 weeks ending March 2019, compared to the same period in 2018)

# RETAILERS FIGHT BACK

MERCADONA

**Mercadona**, Spain's biggest grocery retailer, recently launched 'Listo para Comer' (Ready to Eat). This new take-out section of the store offers a vast variety of different options to consumers, from hot sandwiches, pasta and pizzas to healthier options such as a salad buffet and sushi.

franprix

**Franprix** in France has taken it a step further. The retailer has developed an app that allows customers to order meals directly and have them delivered to their home within 40 minutes. Additionally, fans of Franprix food can order through an aggregator, as their meals are also available through Just Eat.

WAITROSE & PARTNERS

Bidding to provide a premium, meaningful eating experience in-store, **Waitrose** shoppers (in the UK) can now stop for oysters and champagne during their weekly grocery shop.

# WINNING THE OUT-OF-HOME OCCASION

In exploring the growth of OOH over the past year, we have identified six key considerations for retailers and manufacturers looking to win with customers in this highly competitive arena:

**#1: OOH ACCOUNTS FOR HALF OF SNACKING & NON-ALCHOLIC BEVERAGES GROWTH**
It is necessary to properly quantify In and Out-of-home to understand the full growth picture—particularly the differences by market.

**#2: OOH GROWTH IS THE NORM, DECLINE THE EXCEPTION**
Growth is happening in all channels, eight out of nine categories and seven out of eight markets.

**#3: HABITUAL OOH CATEGORIES DRIVING ADDITIONAL PURCHASING**
72% of highly penetrated and frequently purchased categories saw growth—with more shoppers behind the performance.

**#4: VALUE ENGINEERING INSTRUMENTAL**
While the number of OOH occasions are not increasing in general, spend per trip helps to drive OOH growth—especially in Hot Coffee, Carbonated Soft Drinks and Salty Snacks.

**#5: FOOD TECH DRIVING HIGHLY INCREMENTAL GROWTH**
Food Tech growth is as high as 40% (in the UK) and is not taking spend away from more traditional OOH business. Rather, it is adding value for the whole market.

**#6: GROCERY RETAILERS ARE FIGHTING BACK**
Traditional take-home retailers have identified the threat of Food Tech and are finding their own ways to disrupt and change the OOH landscape.

# ABOUT US

**ABOUT KANTAR**
Kantar is the world's leading data, insights and consulting company. We understand more about how people think, feel, shop, share, vote and view than anyone else.

Combining our expertise in human understanding with advanced technologies, Kantar's 30,000 people help the world's leading organisations succeed and grow.

**FIND OUT MORE**
If you'd like additional information on our offering, please get in touch with your usual Kantar contacts or email:

Maria Josep Martínez
**Global OOH Director**
mariajosep.martinez@kantar.com
+34 93 581 93 55

Javier Sánchez
**Global OOH Manager**
javier.sanchez@kantar.com
+34 93 581 98 26

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