FINDINGS IN THE RELATIONSHIP BETWEEN PL SHARE AND INNOVATION ACTIVITY IN FMCG

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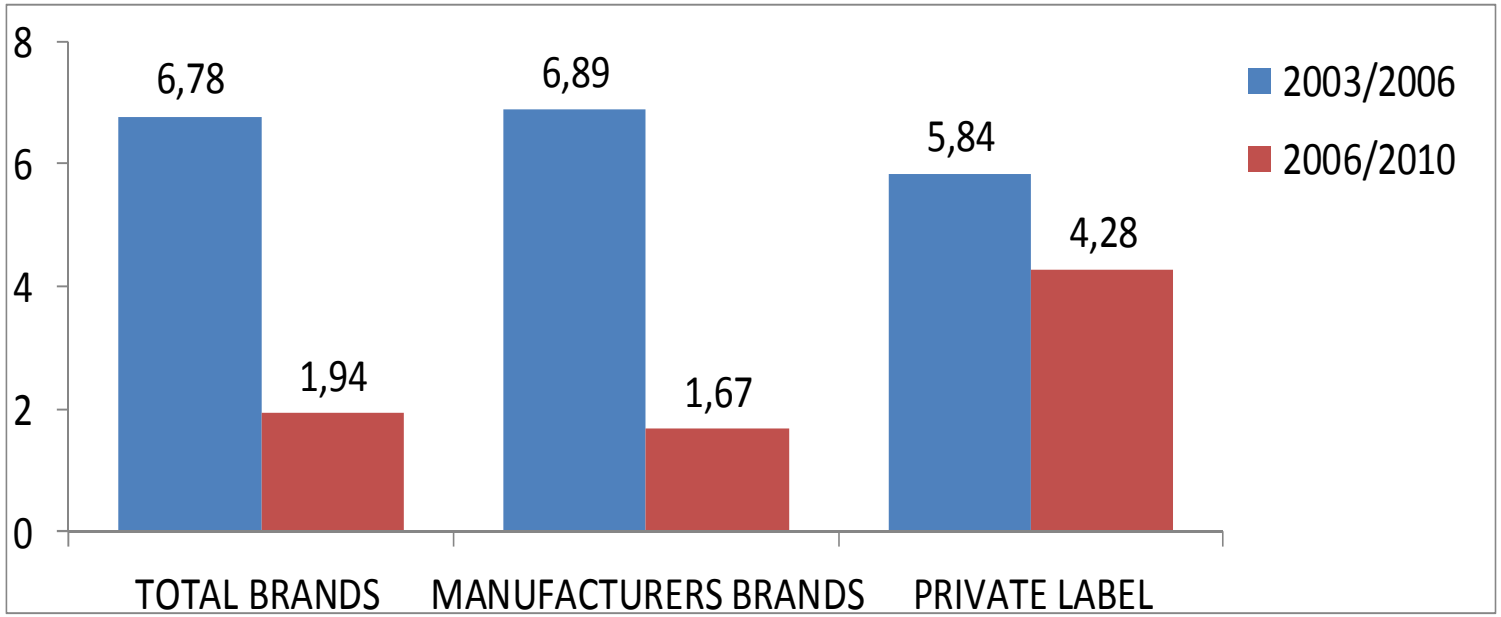
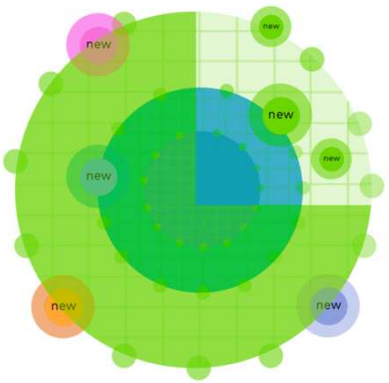
THE SPANISH NATIONAL COMPETITION AUTHORITY REFECTED A DRASTIC REDUCTION IN INNOVATION LEVELS IN THEIR LATEST REPORT (OCT 2011)

Drop in annual rate of new sku's introduction
(2003-2010)



Source: CNC report on Manufacturers Y Distribution relationship.(Oct 2011) Own data extracted from distributors data



INNOVATION RADAR (BRIEF METHODOLOGY)

New SKU detection → Innovation classification → Real Purchase Behaviour → Statistical analysis

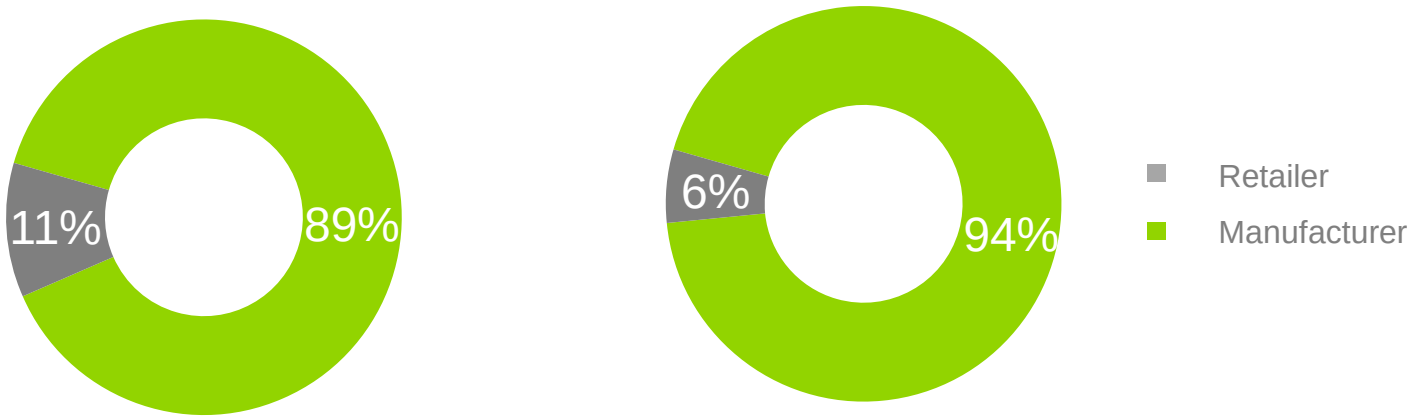
Innovation: SKU's with a NEW attribute for the CATEGORY

Period of Analysis: 2011-2013
Around **2.500 new SKU's** analyzed
Total FMCG
Total Spain

All data coming from **Kantar Worldpanel Household Panel**:
12.000 households
All sociodemo criteria, regions and habitats
Database monthly updated
Consumer Panel leader in Spain
Data provider of MAGRAMA, and main retailers and manufacturers in Spain.

LESS NEW PRODUCTS EVERY YEAR IN SPAIN PUSHED MAINLY BY MANUFACTURERS

innovations in FMCG. Manufacturers Brands + Private Labels

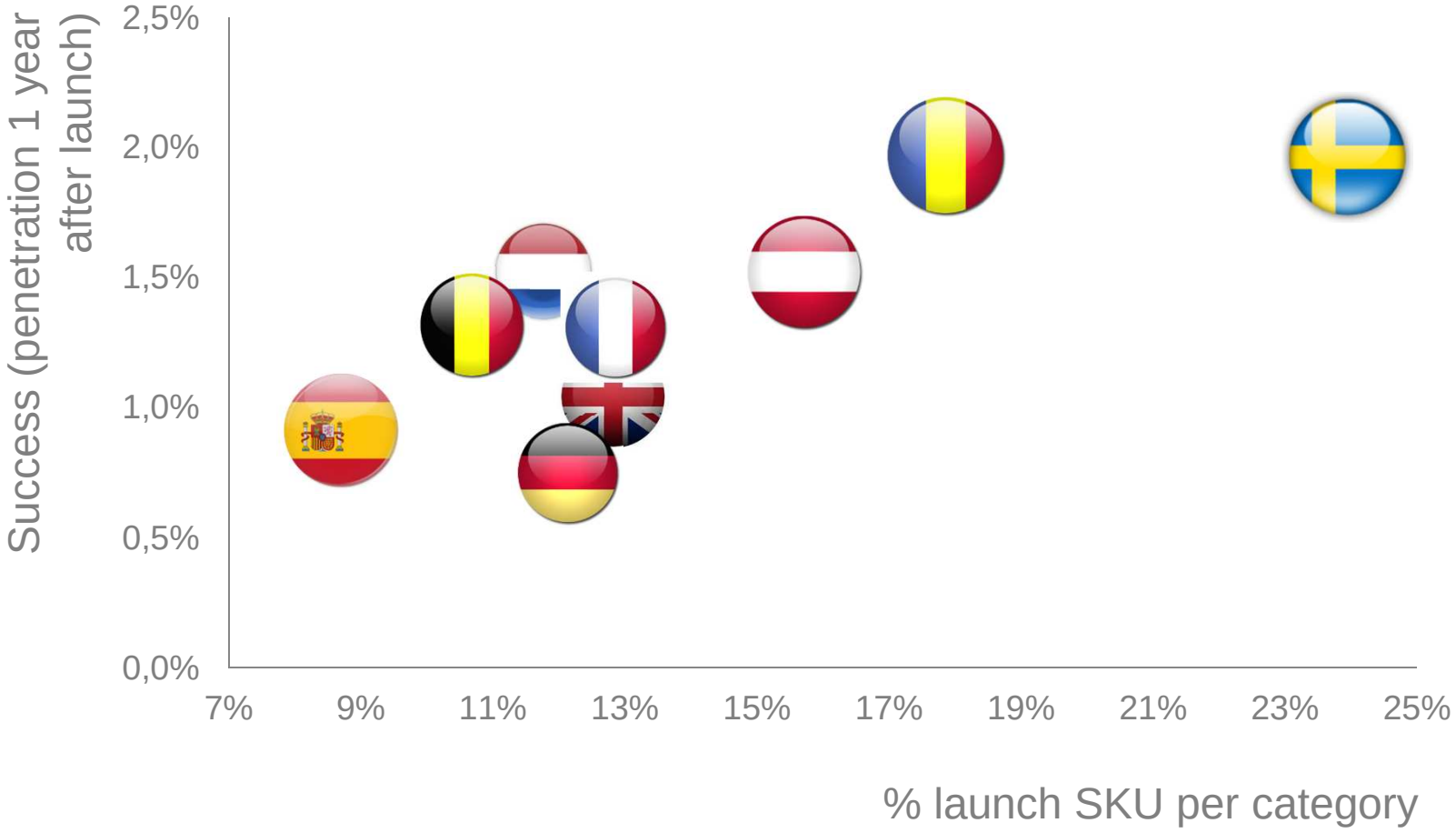


TAM 2/2013

TAM 4/2013

Source: Innovation Radar.

SPAIN AT THE VERY BOTTOM IN INNOVATION



HYPOTHESIS: The more Private Label prevails, the less innovative the category is

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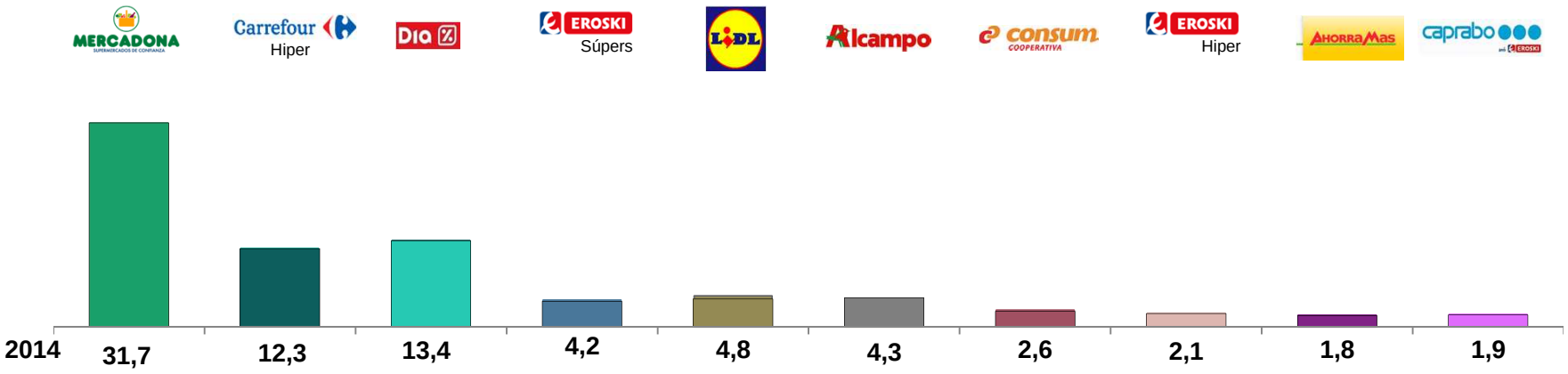
“SHORT ASSORTMENT” RETAILERS MEANS HALF PART OF MODERN TRADE

% Value Share CUMP10/2014 / Modern Trade **FMCG**

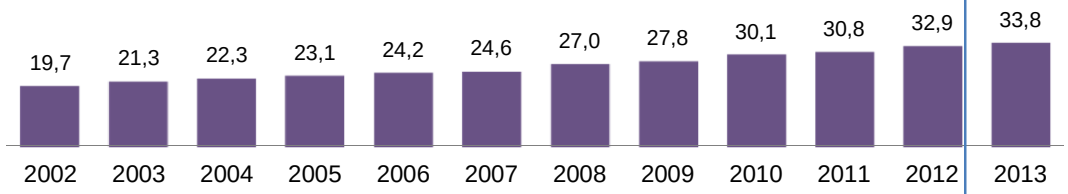


Fuente: Kantar Worldpanel

PRIVATE LABEL IN SPAIN IS BIGGER AND GROW FASTER THAN ANYWHERE IN EUROPE

Total FMCG**

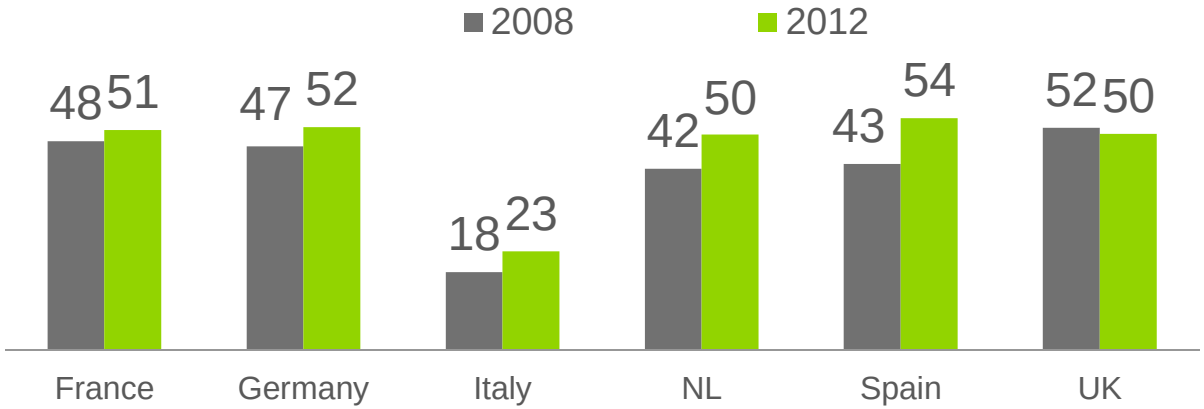
% value share
PL CUM P11/2014



s/ Modern Trade

Total FMCG**

% purchases election share*



* Source Europanel based on monthly trends on the number of buyers and their purchase frequency for hundreds of FMCG categories in each country

** Total FMCG Envasado: Alimentación Envasada (sin frescos perecederos) + Droguería + Perfumería + Baby + Pet Food.

Fuente: Kantar Worldpanel

ALTHOUGH STORES ARE GROWING AT 6% AND TOTAL SURFACE AT 15%, THE TOTAL SKU'S ARE BEEN REDUCED BY -3%

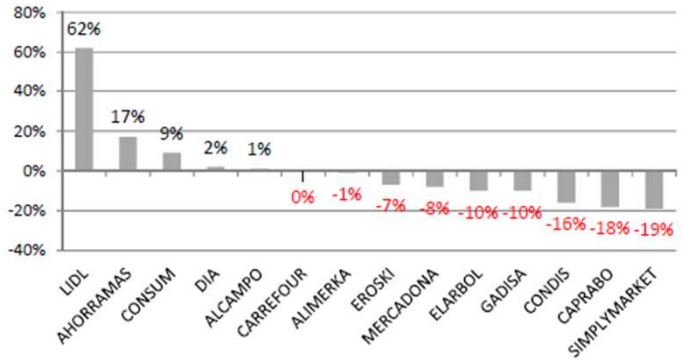
3.1. Volumen de referencias (SKU): Total

EL Nº TOTAL DE SKU'S (MDF+MDD) EN LAS 15 CADENAS ANALIZADAS SE REDUCE UN

-3%

% Variación Nº SKU's TOTALES 2013-2007

(Diferencia 2013-2007 sobre valor en 2007)



CADENA	2013 vs 2007 %Variación Nº sku's TOTALES
LIDL	62
AHORRAMAS	17
CONSUM	9
DIA	2
ALCAMPO	1
CARREFOUR	0
ALIMERKA	-1
EROSKI	-7
MERCADONA	-8
EL ARBOL	-10
GADISA	-10
CONDIS	-16
CAPRABO	-18
SIMPLY MARKET	-19
TOTAL	-3

ESADE BRAND INSTITUTE

Fuente: Análisis propio a partir de datos de KWP.

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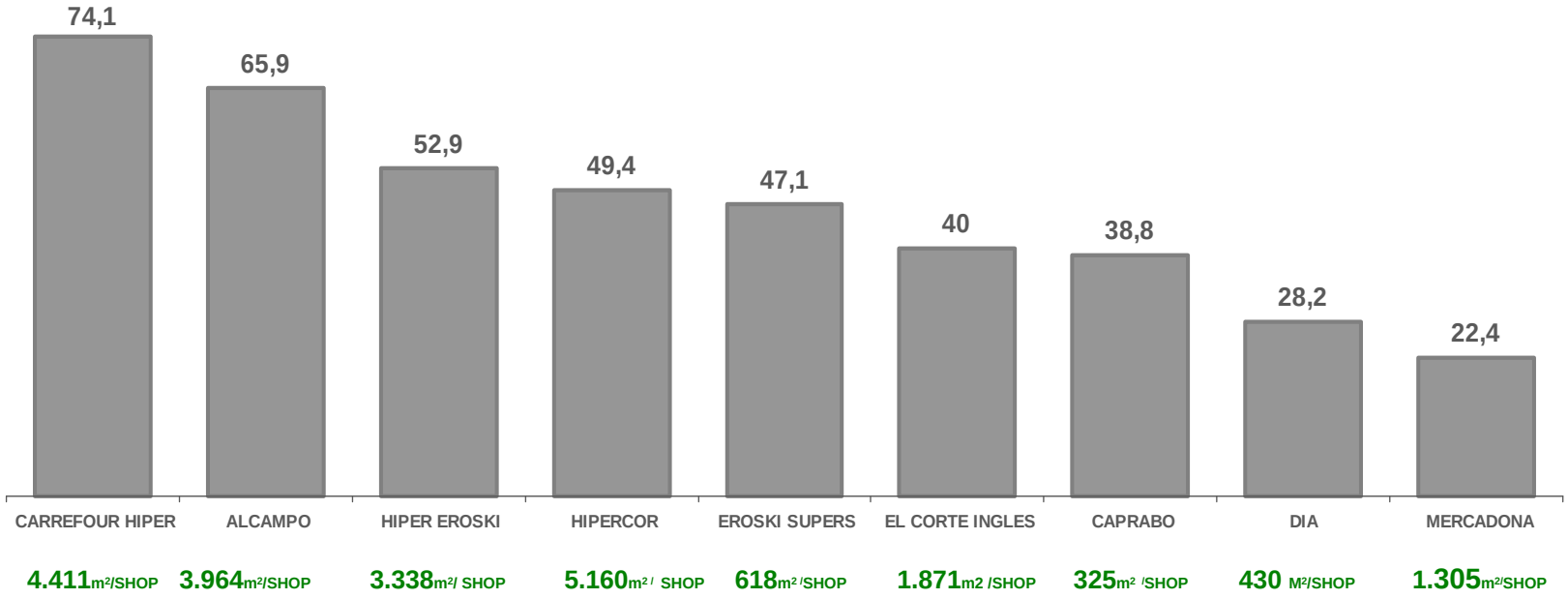
MOST INNOVATIONS ARE NEVER AVAILABLE FOR CONSUMERS

% INNOVATION AVAILABLE PER RETAILER

MANUFACTURER BRANDS– FOOD + NON FOOD

Source: % Innovation KWP- T. Rolling Year 11/2011 / m² /shop Alimarket 2012 (2011 data)



PACKAGED FMCG

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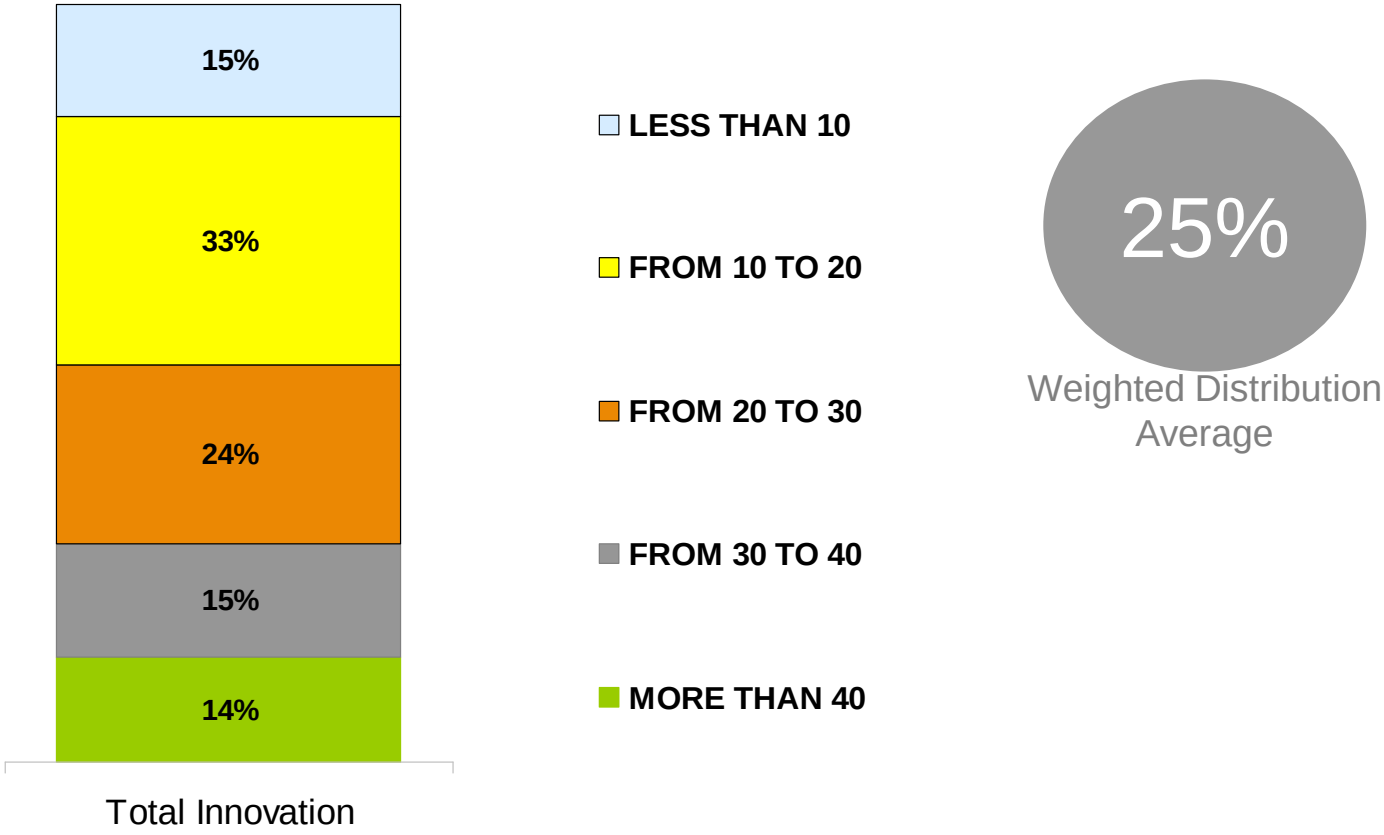
ONLY 29% OF INNOVATIONS OBTAIN DISTRIBUTION HIGHER THAN 30%

WEIGHTED DISTRIBUTION OF INNOVATION

MANUFACTURER BRANDS– FOOD + NON FOOD
(2011)



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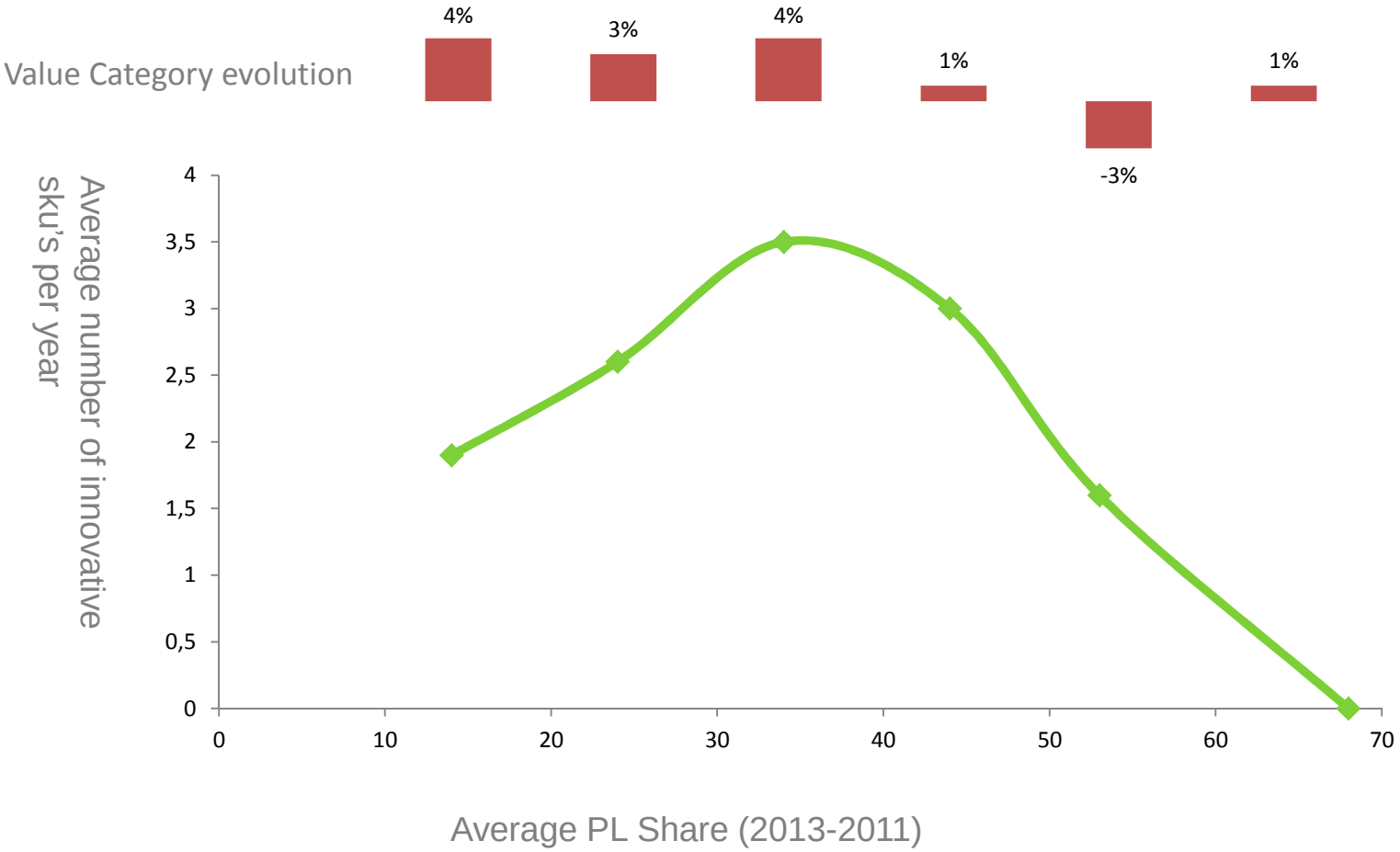
BEYOND 35% PL SHARE, INNOVATION AND GROWTH DECLINE

FMCG (103 categories)

Relationship between MDD share and number of innovations



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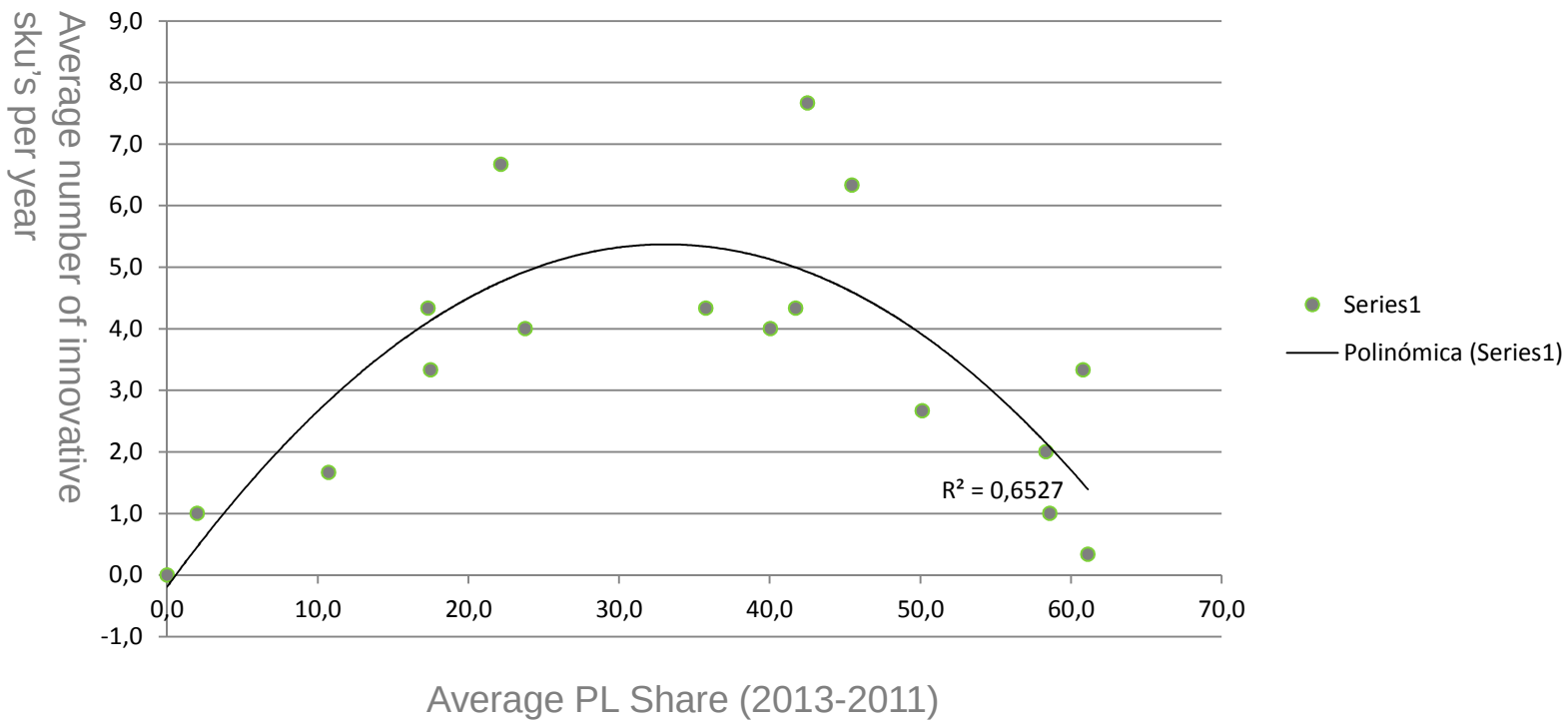
COMPETITION AND INNOVATION INCENTIVE SEEM TO BE CONNECTED

22 Food Categories*

Relationship between MDD share and number of innovations



Analyisis based on 22 categories included in "the economic impact of modern retail on choice and innovation in the food sector)

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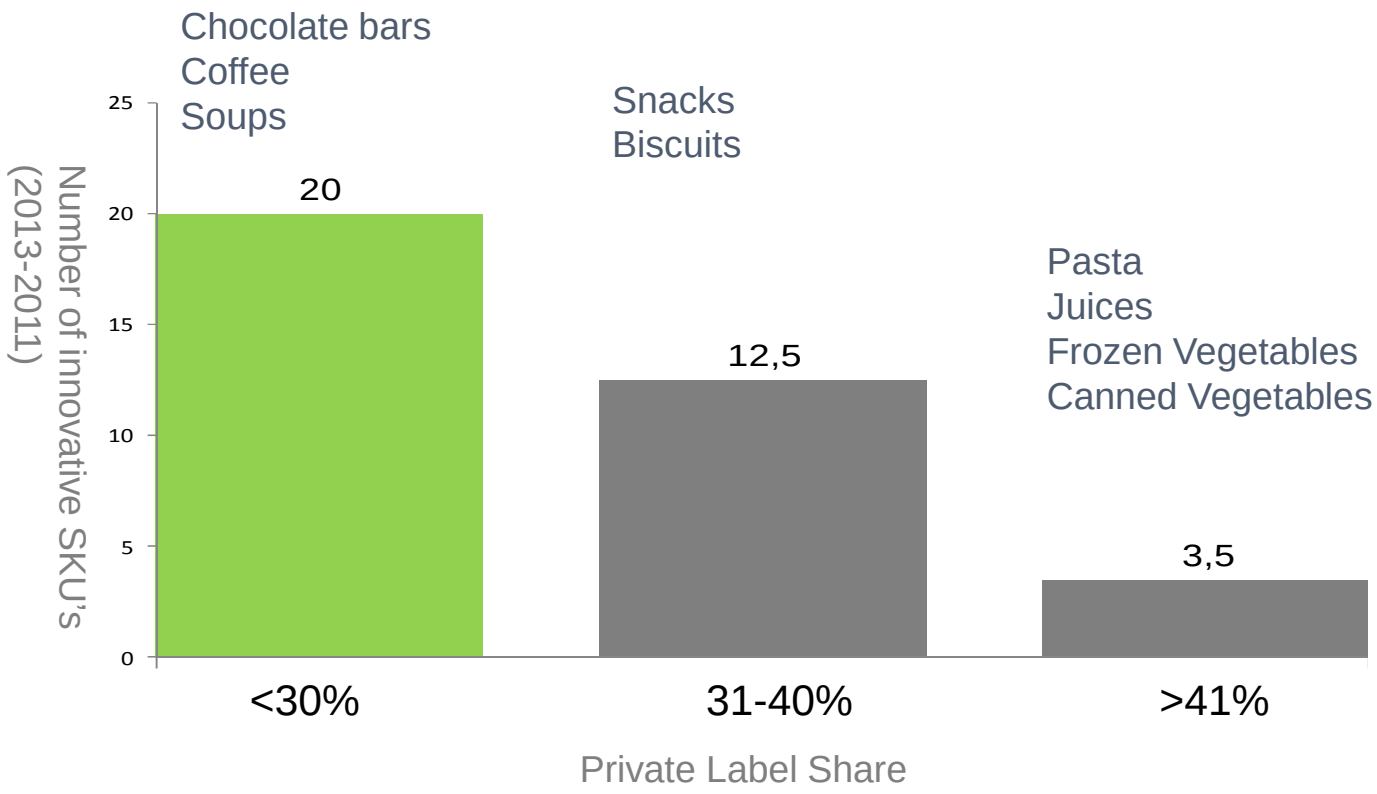
EXAMPLES OF RELATIONSHIP BETWEEN PL AND INNOVATION

Relationship between PL evolution (in points of share) and evolution of number of innovative sku's



Analyisis based on 22 categories included in "the economic impact of modern retail on choice and innovation in the food sector)

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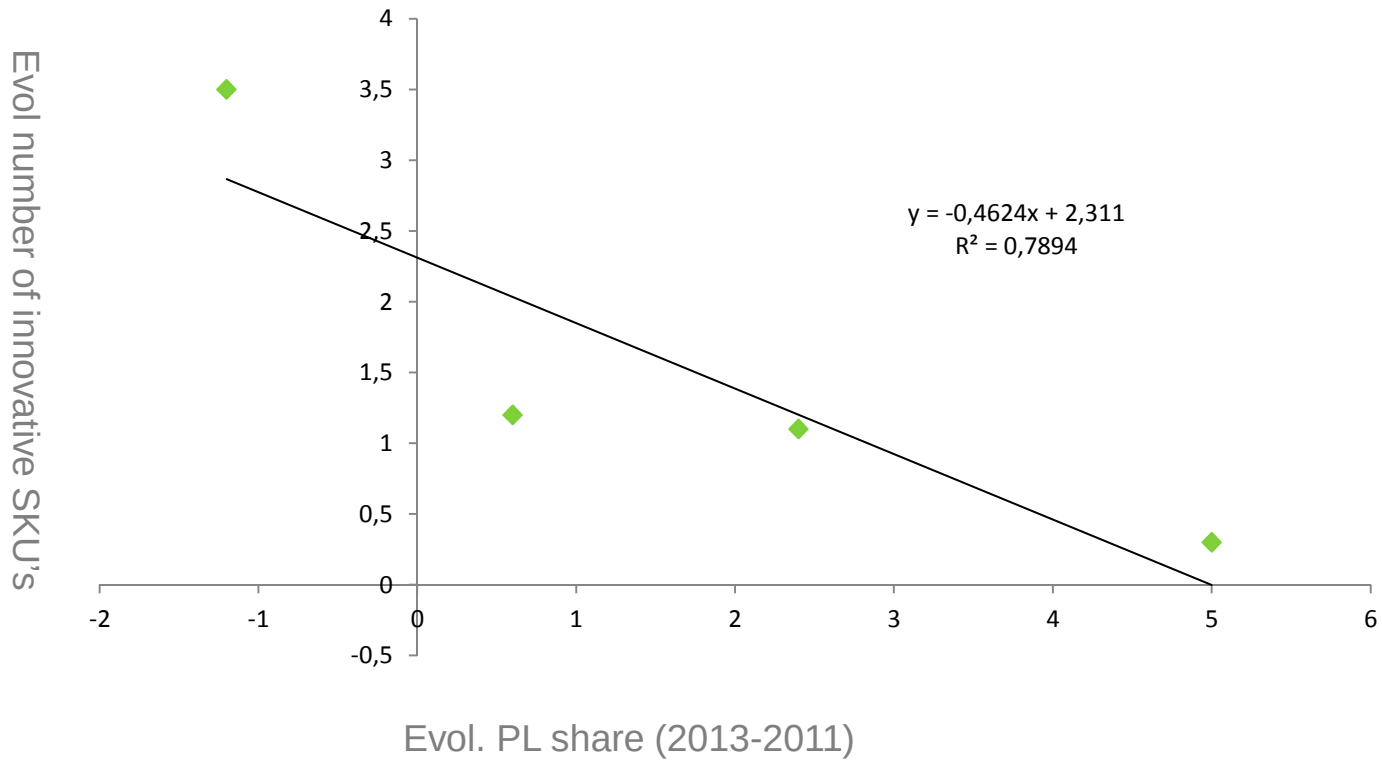
EVERY ADITIONAL POINT OF SHARE FOR PRIVATE LABEL MEANS -16% OF INNOVATIVE SKU'S IN THE CATEGORY

FMCG (103 categories)

Relationship between PL evolution (in points of share) and evolution of number of innovative sku's



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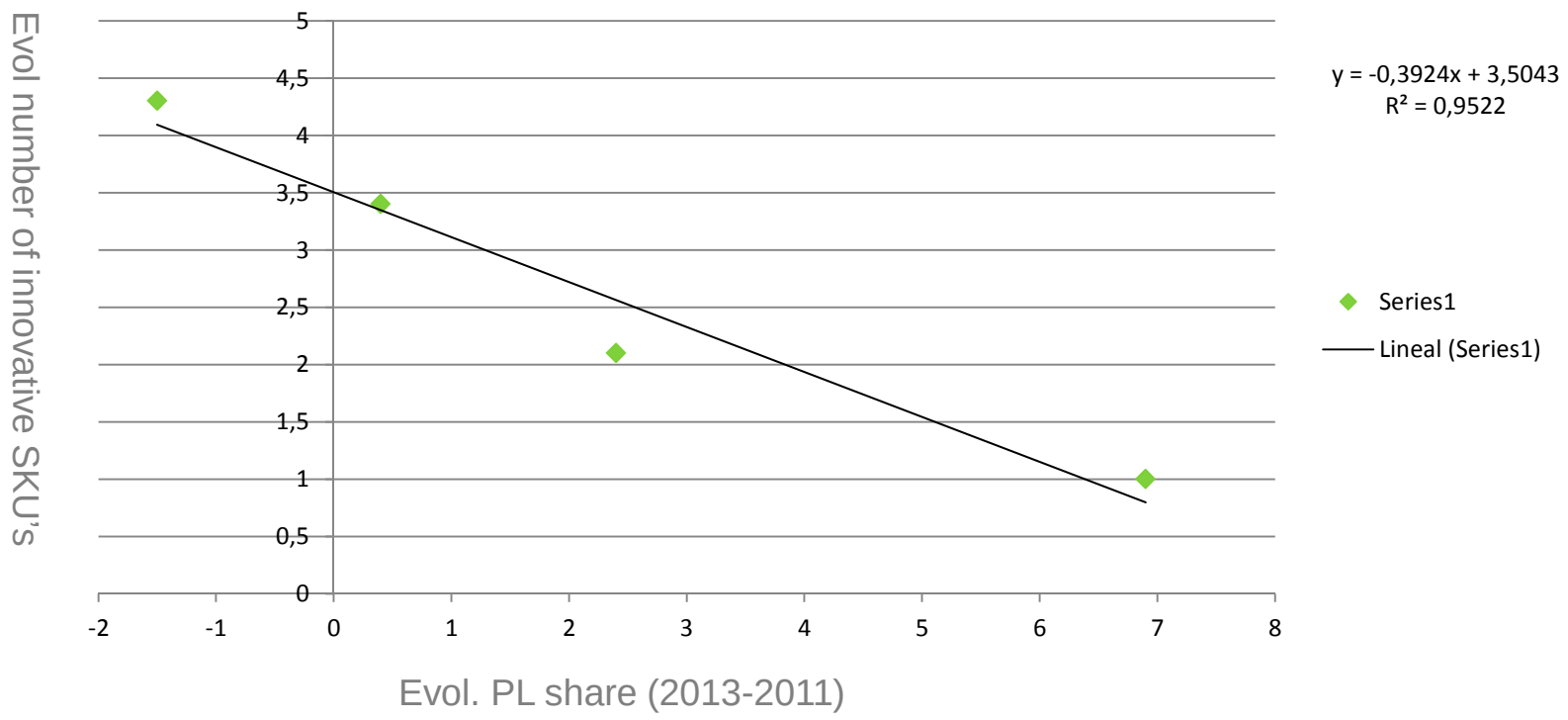
EVEN MORE CLEAR IN FOOD CATEGORIES

22 Food Categories*

Relationship between PL evolution (in points of share) and evolution of number of innovative sku's



Analyisis based on 22 categories included in "the economic impact of modern retail on choice and innovation in the food sector)

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conclusions

Innovation in Spain below european average because is installed in a vicious circle

PL is growing fast in Spain pushed by main retailers
The more PL, the less innovation
Only Manufacturers innovates while their share is declining every year
Manufacturers innovation is hardly distributed, so tends to fail.
As innovation usually fails, manufactures reduces the investment
Without innovations PL grow faster
…

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ANNEX

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Kantar is the data investment management division of WPP and one of the world's largest insight, information and consultancy groups

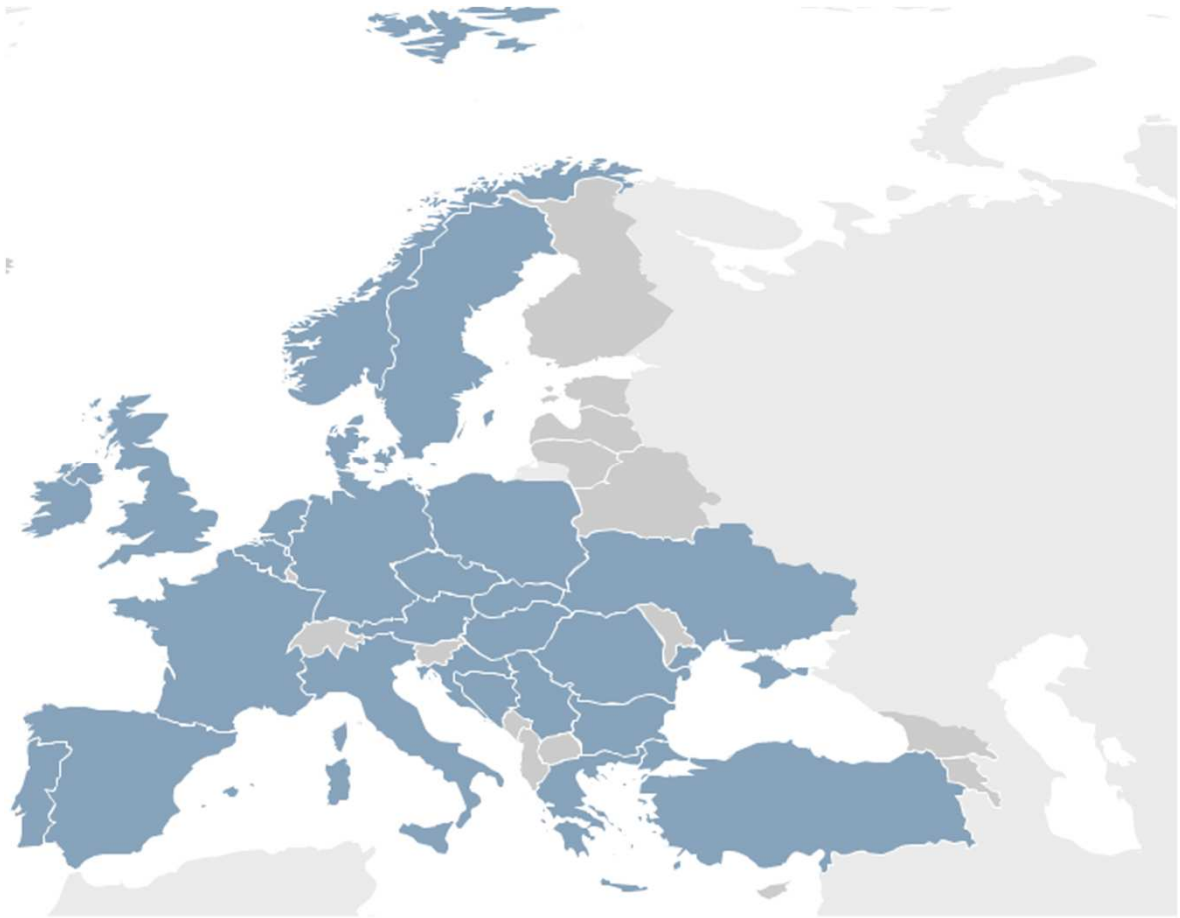
- 13 specialist companies
- 28,500 employees
- 100 countries

Kantar Worldpanel is the global leader in delivering impactful insights from consumer panels

1.3 million consumers monitored on a continuous basis

Representing more than **4,500 million consumers** across the world (2/3 of the world population)

OUR COUNTRIES IN EUROPE



Country coverage of Europanel

Food category selection mirrowing those included in the study from European Comission “the economic impact of modern retail on choice and innovation in the food sector”.

- FROZEN VEGETABLES
- ICE CREAM
- CANNED VEGETABLES
- JUICES
- LIQUID MILK
- BUTTER
- DAIRY PRODUCTS (DESSERTS)
- OIL
- DAIRY PRODUCTS (YOGHOURT)
- BREAKFAST CEREALS
- SNACKS
- COOKIES
- TEA AND OTHER INFUSIONS
- NATURAL CHEESE
- COFFEE
- MARGARINE
- CHOCOLATE BARS AND SNACKS
- WATER
- SOFT DRINKS
- BABY FOOD
- BABY CEREALS
- BABY MILK

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SOME DETAILED EXAMPLES

	Average Share PL (2011-2013)	Nº SKU innovation (2011-2013)
FROZEN VEGETABLES	61,1	1
CANNED VEGETABLES	58,6	3
JUICE	58,3	6
PASTA	51	4
SNACKS	40,1	12
BISCUITS	35,8	13
SOUPS	30,2	29
COFFEE	23,8	12
CHOCOLATE BARS	22,2	20

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