Market trends

A changing food landscape

The food landscape has changed dramatically due to the COVID-19 pandemic, and continues to evolve. However, the structural trends of health, convenience and value continue to endure and these underpin the changing behaviours and preferences of consumers, the UK grocery sector and the wider food industry.

We are well positioned to prosper in this environment given our mix of attractive product categories and our extensive capability set.

Food shoppers

As a result of COVID-19 consumers are changing where they shop and also where they consume their food. Convenience shopping has become important with more local shopping, focusing on bigger basket sizes albeit with less frequency.

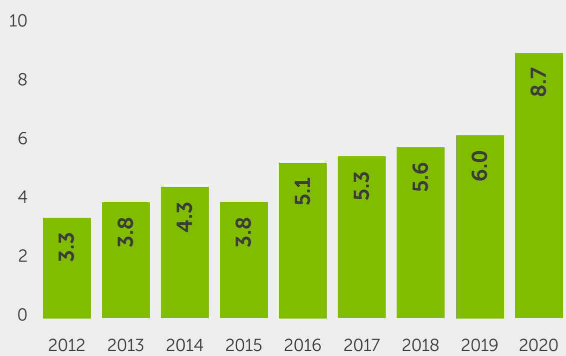
Social restrictions arising from COVID-19 have led to a demand shift from out-of-home consumption to at-home meal occasions.

Online penetration is accelerating markedly with strong demand for digital and low touch delivery and collection solutions.

Shoppers continue to prioritise healthier and more sustainable food options, including consciously choosing more plant-based options and foods with lower calorie and salt counts.

We invest in consumer and category insights and research to understand and respond to food shopper behaviours, and to anticipate how structural trends can shape future wants and needs.

Percentage share of online UK grocery retail



(Source: IGD)

Percentage share of at-home consumption of food and drink, 2019 to 2020

55% to 59%

(Source: ONS via Statista)

Percentage of food choices now being made based on positive health benefits, 2019 to 2020

12% to 18%

(Source: Kantar)

See **Strategy in action** on **page 26**

UK grocery

The grocery sector responded quickly to keep the UK fed through this pandemic. This has been reflected in a marked increase in the trust and brand equity of the grocery sector overall. The grocery sector is seen as a safe place to shop and it offers better choice and availability of key ingredients and great tasting products.

The sector has benefitted from relative market share gains as other channels, including foodservice, have had to temporarily shut or fundamentally reset how they serve consumers. The convenience and food to go formats in grocers are likely to do disproportionately better than mainstream foodservice in this context.

Value for money is more important than ever in a period when the UK economy is more challenged. Many retailers are moving away from price promotions and towards low price models, potentially driving increased use of private label and cheaper alternatives.

UK grocers are moving to simplify and streamline operations and to restore profitable value added elements of their product mix. This enables them to mitigate a lot of the new costs associated with COVID-19 and adapt their models to offer more online, delivery and 'click and collect' solutions.

Our deep customer relationships and wide capability set place us at the centre of how the sector is responding to short term and long term trends.

Trust levels in supermarkets

6.7 to 7.4

(Source: Greencore consumer research, March 2020 to September 2020 (ranking 1-10))

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Wider food industry

There have been significant structural changes across the supply chain in both food to go and other convenience food areas, which is leading to fewer and more specialised players in the market. COVID-19 has accelerated this in many market segments.

Managing product costs and availability, particularly as the UK formally exits the EU at the end of the transition period on 1 January 2021, will be a challenge for the wider food industry and puts pressure on the whole food supply chain.

The food industry is increasingly collaborating on important challenges such as reducing food waste, ensuring employee safety, reducing road miles and developing sustainable packaging solutions. These demands are driven by consumers, regulators and other industry stakeholders.

The emergence of the National Food Strategy, the first independent review of UK food policy in 75 years, is also set to shape the future direction of our industry as it seeks to ensure a sustainable and equitable food system for the next generation and beyond.

Our scale, strategy and agile business model enable us to capitalise on potential new business opportunities that could arise across the industry supply chain.

Percentage of UK adults conscious about what food they put into their bodies

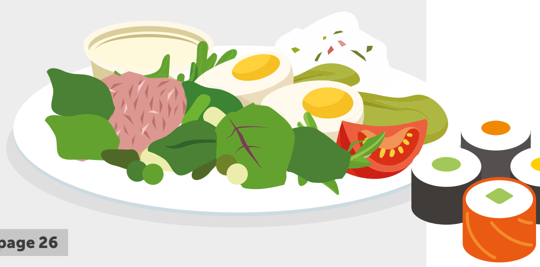
59%

(Source: Statista, June 2020)

Food waste annually in the UK

>£19bn

(Source: WRAP, January 2020)



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