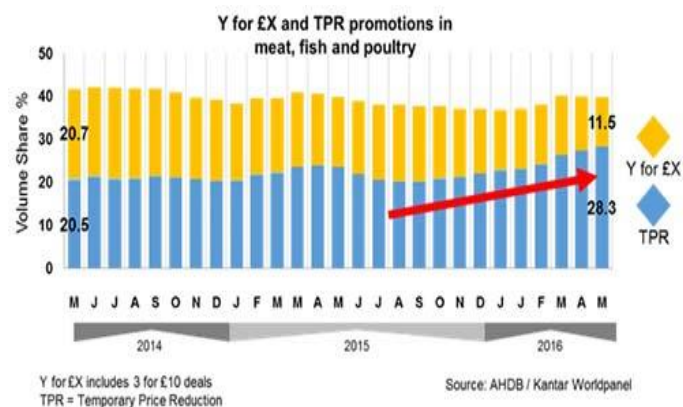


Red meat hit by reduction in volume-driving deals

The major multiples are moving away from multibuy and Y for £X promotions as they look to simplify their offering and focus more on an everyday low pricing strategy in order to compete with the Hard Discounters. This is one of the biggest changes occurring in grocery as a whole and it's definitely affected meat, which has historically relied on these promotions in order to boost volume.

Around 40% of grocery sales are through promotions; this is also the case for meat, fish and poultry (MFP). This proportion has been consistent for a number of years, but what is changing are the promotional mechanics. Retailers are moving away from Y for £X deals (e.g. 3 for £10) and multibuys (e.g. buy one, get one free), to simpler temporary price reductions (TPRs).

There has also been some growth in non-promoted product sales as retailers move towards an everyday low pricing (EDLP) strategy. The focus for the major multiples is on pricing in order to better compete with the Hard Discounters, while Aldi and Lidl themselves look to areas such as more store openings for further growth.

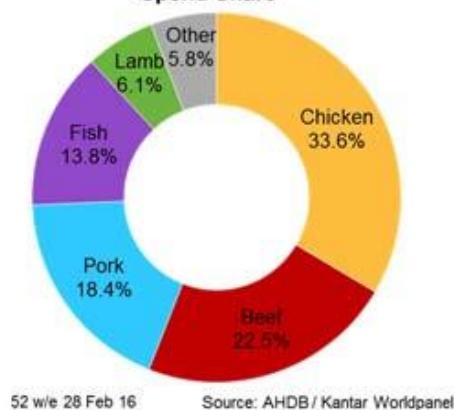


The cutting of Y for £X deals has been led by Sainsbury's, which has cited direct competition from the discounters as a driving force behind this. Sainsbury's decision was based on its customers need for simpler, clearer prices and it has reported increased customer satisfaction during the time it phased out multibuys. Although the offer is still present at a number of retailers, Tesco recently joined Sainsbury's in phasing out the deal. Together, these two retailers have almost 45% market share of grocery.

Meat, fish and poultry are more reliant on promotions than other categories and the leading 3 for £10 offer is well recognised by shoppers. This type of deal is also featured in sausages and bacon, with 2 for £4/£5 offers.

The most popular way for shoppers to fulfil the 3 for £10 deal was bulk buying three packs of chicken breasts, followed by three steaks or packs of mince. Pork is often a later consideration, making up the final product to fulfil the deal. Without this offer, shoppers need more persuasion to add pork to their baskets.

3 for £10 deals in Meat, Fish and Poultry Spend Share



The reduction in Y for £X deals resulted in a loss to MFP of £272 million; in volume this equates to 28,000 tonnes annually. Around 40% of the loss in spend is solely from 3 for £10. The categories most affected by the decline of Y for £X are red meat and sausages, as poultry has managed to negate much of the decline through TPR deals.

Retailers are looking to simplify their offering for an overarching increase in customer satisfaction and long-term trust. Many individual categories, such as meat, are suffering the impact of this, at least in the short term. If other major multiples move this way and shoppers react in a similar way, it could result in a further loss to MFP of over £100m.

Deals ensured that shoppers were putting a fair amount of meat in their baskets but now the purchase will be more considered. Shoppers may move away from their default bulk-buy and become more susceptible to other messaging and more varied purchases. Volumes are likely to take a hit, as they have already. The long-term impact of this change remains to be seen and will continue to be monitored.

With the loss of the multibuy promotional mechanism, it has become more critical than ever to bring pork to the front of the consumer mind-set and make it more of a destination or dish-based purchase than an additional buy in an X for Y deal. The recent AHDB Pulled Pork Campaign provided an ideal opportunity to fulfil this criteria. The full analysis of the impact of the second wave of the Pulled Pork campaign is due to be published soon but the first wave led to a significant uplift in pork sales.

Despite the reduction in pork sold on Y for £X deals, the amount sold overall has only declined slightly. However, this is partly because the retail price of pork has been falling over the last two years. The recent rise in farmgate prices may eventually lead to pressure for retail prices to rise too. Already, producers' share of the final price has started to increase, from historic lows of 31% in the first quarter of 2016 to 35% in the latest figures. In a retail environment that is still applying deflationary pressure, any price rise for pork will mean it will have to fight even harder to maintain retail sales amid the changed promotional mix.