

56 The data

Bianca Draghici of Kantar Worldpanel presents sector performance by subcategory

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Why are baked beans in decline and what are manufacturers doing to fight back?

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Suppliers are generating fresh appeal with innovative packs and imaginative recipes



Cans crash

Range rationalisation programmes have hit canned brands hard. How can suppliers respond and return the category to growth?

Alex Wright

The 1980s were something of a golden age for Heinz. Global sales soared from \$2.9bn to \$6.1bn during the decade. Net profits quadrupled to \$504m. A can of Beans even made it into outer space on no fewer than 91 occasions in kids TV series *Button Moon*.

Those days are gone. The UK canned & ambient food sector's biggest brand has had £55.6m wiped off its value in the past three years [IRI]. The overall market has declined 2.6% to just shy of £2.2bn on volumes down 0.8% in the past year [Kantar Worldpanel 52 w/e 31 March 2017]. Heinz has contributed nearly £9m to the sector's £58.4m decline.

Heinz is by no means the only brand that's suffering. Homepride, Dolmio and Princes have lost £5.8m, £14.9m and £40.7m respectively [IRI 52 w/e 20 May 2017]. According to

Kantar, brands have lost a whopping £82.6m combined in the past year as own label has grown to the tune of £24.2m (2.9%). So why are canned brands crashing and burning? What can be done to resurrect growth?

There are two key factors at play here, and they're interlinked: shoppers' ongoing migration to the discounters and other value retailers (Aldi, Lidl and Iceland are all outperforming the market – see p56) and the mainstream mults' efforts to make their operations leaner and more competitive.

“We’ve seen a reduction in space allocated to standard and promotional fixtures”

Range rationalisation has resulted in volume declines across the category, with tinned tomatoes, veg and peas the only subsectors in volume growth. “We’ve seen a reduction in space allocated to standard and promotional fixtures for certain canned & ambient products, which has led to decreased volumes for the category,” says Princes marketing director Neil Brownbill.

Own label, meanwhile, is growing share. “Private label is winning shoppers from brands with lower prices – its year-on-year price decline has been much higher (1.4% versus 0.5%),” says Kantar analyst Bianca Draghici. “Branded products face an increasing battle to justify their premium pricing and differentiate themselves from own label. Within own label, Tesco has seen sales increase 7%, though this has not been enough to offset branded losses and Tesco has still declined by 3.3% at total level.” ➔

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- Napolina is the UK's No.1 Italian, canned tomato and canned pulses brand.*
- Crosse & Blackwell Best of British is the only canned soup brand promoting British provenance.
- Branston Beans are approved by the Good Housekeeping Institute and were recently voted best tasting Baked Beans brand in Channel 4's Tried and Tested programme†.
- Batchelors is the UK's No.1 canned peas brand** and continues to be an official partner of the Rugby Super League.
- Farrow's is a trusted store cupboard essential, British grown and packed since 1929.

Loved Canned Food is a joint partnership with Crown Food Europe designed to raise awareness of the positive benefits of canned food.

Source: *IRI 52we 17th June 2017

**Kantar WorldPanel 52we 18th June 2017

†June 2017

www.princesgroup.com



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● The £58.4m loss for canned foods is mainly due to a decrease in price per kg in most sectors of -1.8%, equivalent to £40.2m.

● The 2.9% growth for own label has primarily been driven by more frequent trips (+3.1%) as shoppers switch more spend from brands. Own label's price decline has been steeper.

● Brands face an increasing battle to justify their premium pricing and differentiate themselves as shoppers purchase less.

● Tesco has seen own-label sales increase 7%, but this has not been enough to offset branded losses: it has declined 3.3% at total canned goods level. Asda and Morrisons fell 9.3% and 6% respectively.

● Losses among the big four are primarily driven by shoppers spending less. Asda is also seeing shoppers switch spend to other retailers, especially Aldi and Tesco.

● Aldi and Iceland have bucked the trend with sales up 9.1% and 8.6% respectively.

● Some subcategory declines could be due to the general shift to meals with lower fat and salt.

● Canned fish is in decline at a total market level, but own-label sales rose 9.3%.

● The percentage sold on promotion has fallen from 40.2% to 37.5%.

Bianca Draghici
Kantar Worldpanel

TAKE-HOME SHARE

Kantar Worldpanel: 52 w/e March 2017

	VALUE		VOLUME	
	£m	y-o-y%	kg (m)	y-o-y%
Canned fish	483.7	-2.5	89.3	-0.7
Baked beans	325.8	-3.8	284.4	-2.3
Ambient soup	312.6	-4.3	188.7	-2.7
Tomato products	238.1	1.6	224.3	5.3
Canned hot meats	158.5	-4.0	61.7	-3.5
Tinned fruit	157.6	-0.2	83.3	-1.3
Prepared peas & beans	134.1	-0.1	114.0	1.1
Cold canned meats	118.4	-7.9	22.7	-5.8
Canned vegetables	117.1	1.3	74.3	2.1
Canned pasta products	91.6	-3.9	62.4	-6.7
Canned rice puddings	30.8	-12.0	26.4	-8.6
Vegetable in jar	20.1	5.3	3.5	5.2
Ambient vgtrn products	3.1	5.0	0.8	-1.6
Fruit filling	2.9	-1.4	1.0	-0.3
Tinned sponge puddings	1.0	-24.8	0.3	-25.1
TOTAL CANNED GOODS	2,195.4	-2.6	1,237.3	-0.8

BRANDED VS OWN LABEL

Kantar Worldpanel: 52 w/e March 2017

	VALUE		VOLUME	
	£m	y-o-y%	kg (m)	y-o-y%
Branded	1,327.6	-5.9	630.6	-5.3
Own label	867.7	2.9	606.6	4.3

RETAIL SHARE

Kantar Worldpanel: 52 w/e March 2017

	TRADING			VALUE
	grocery	category	index	y-o-y%
Asda	13.2	15.2	115.2	-9.3
Morrisons	9.9	11.4	115.2	-6.0
Lidl	4.0	4.6	115.0	2.2
Aldi	5.4	6.1	113.0	9.1
Sainsbury's	14.1	14.7	104.3	-1.4
Tesco	25.1	26.1	104.0	-3.3
Iceland	2.2	2.0	90.9	8.6
Co-op	5.2	4.3	82.7	-3.0
Waitrose	5.0	4.0	80.0	0.3
Marks & Spencer	3.5	1.6	45.7	-5.5

KANTAR WORLD PANEL

The take-home snapshot is produced by Kantar Worldpanel. Kantar Worldpanel monitors the grocery retailer take-home purchasing habits of 30,000 demographically representative British households. Call 020 8967 0007 or visit www.kantarworldpanel.com for details

“Passata is the star performer in the tomatoes sector with growth of £4.4m”

☞ Asda has also been focused on promoting its own-label canned & ambient lines. “We’ve launched a number of innovative own-label lines like our award-winning soup range,” says a spokeswoman. “Earlier this year we launched Asda Peri Peri Chicken Soup, which was Innovation Winner in The Grocer’s Own Label Food & Drink Awards 2017, and has proven very popular.”

Rationalisation

You could argue that such activity is forcing brands, which still account for 60.5% of total market value, to up their game. Princes, for example, launched Tuna Fillers in May, a four-strong single-serve range comprising New York Deli, Mexican, Tuna Mayo & Sweetcorn and Tikka Mayo, to appeal to younger office workers looking for a convenient lunchtime sandwich or jacket potato filling.

And despite Heinz’s ongoing decline, the company says the rationalisation of branded ranges is benefiting certain products. “By giving preference to the best-performing SKUs, and by actively looking to allocate more space to fast-growing segments of health and convenient formats such as Heinz Beanz Snap Pots, everyday availability has increased,” says Heinz Beanz and Pasta marketing lead Lucy Clark. “This not only drives better sales, but also increases the relevance of the brand.”

Heinz reports strong growth for its Beanz and Pasta Shapes Snap Pots. Another area of growth is the brand’s 50% Less Sugar Beanz and No Added Sugar Beanz, says Clark. “With healthier eating dominating shoppers’ diets, one area seeing impressive growth is the healthy beans sector. With the launch of Heinz No Added Sugar Beanz in February this year, Heinz is growing ahead of the category.”

Kraft Heinz has launched a campaign to cash in on health trends further, promoting Heinz Beanz’s high protein and fibre credentials, as well as them being low in fat and contributing to one of the 5 a day. The brand aired its new Heinz Beanz ‘Good for you, without going on about it’ campaign during May and June. It is due to run again in September, with continued in-store activation promoting Beanz’s goodness.

All this makes it clear it’s still possible for brands to add value to the sector through product and format innovation. Another example of this can be seen in John West’s performance. The brand might be down 1.4% ☞

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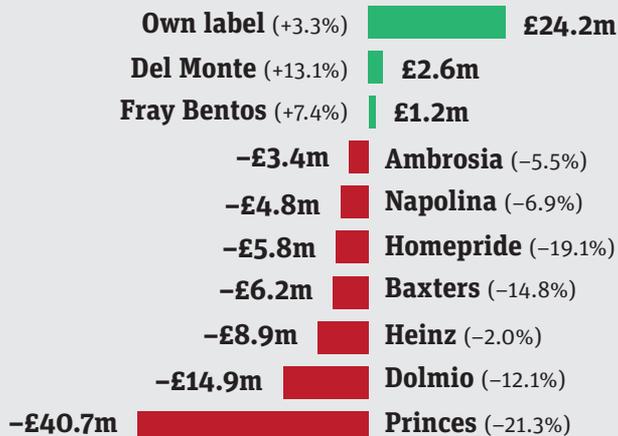


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Canned & ambient: Winners & losers



Source: IRI 52 w/e 20 May 2017

● It's hard to find many winners in a category that has seen sales plunge 4.1% on volumes down 3.5% (according to IRI, whose read does not include the discounters).

● But there are some: Del Monte is defying the downturn in canned food by emphasising the health benefits of fruit and developing exotic fruit mixes in a variety of formats; Fray Bentos is up partly as a result of lower prices.

● Own label is the real winner, however, having grown 3.3%. Tesco has

been the biggest driver of this, according to further analysis from Kantar, with its canned & ambient own label sales up 7%. That the retailer's overall sector sales are still down (see p56) suggests that brands are still crucial to the health of the category.

● So long as they offer a tangible, significant point of difference to own label, that is. With Princes' sales down a whopping £40.7m in the past year, you could argue the brand has failed to do this. Princes has suffered huge losses of shelf space; its fish products

have been the biggest casualty, losing £29.1m (25.7% of its value), while its meat products lost £8m (13.8%) and fruit declined by £3.4m (16.7%).

● Heinz's performance points to the humble can's fall from favour. Tinned beans are the greatest contributor to the brand's £8.9m loss – they're down £4.1m (2.2%) – followed by its Classic soups, which have lost £3.8m or 2.6%. Meanwhile, Heinz Beanz Snap Pots are flying, up 9.3% to £13.4m. Pasta Snap Pots are up 548.3%, albeit from a smaller base.

“Canned tomatoes are in such strong growth because more people are cooking from scratch”

☞ to £168m on volumes down 2.1% but it's in far better shape than rival Princes, which has seen its canned fish sales fall 25.7% to £84m on volumes down 28%, thanks largely to distribution losses in the major mults.

Canned fish

John West marketing director Jon Burton says the brand's performance has been buoyed by its no drain product, which he says attracted almost 3.5 million new buyers last year, and Meal Time Inspiration products such as 2016 launches Tuna Sweetcorn Spreadables and Salmon Infusions.

“These sectors have been in significant growth over the last few years as shoppers recognise the differentiated benefits they deliver – increased convenience, taste and versatility,” says Burton. “Consumer research has demonstrated that consumers crave inspiration from the category; John West has responded to this by incorporating global cuisine flavour trends.”

The April 2016 launch of John West Fridge Packs – plastic pots of ready mixed tuna & sweetcorn designed to make canned fish more convenient – is another case in point. Many suggest that we should expect more such format innovations and the gradual shift away from the can.

Plastic pots, pouches and PET bottles are becoming more popular, partly because they can be stored in a fridge once opened (tins can leach metallic flavours into their contents when stored in a fridge).

“New packaging formats can play a major role in helping manufacturers freshen up the category,” says Ian Williamson, business development manager at Tetra Pak North West Europe, adding the UK's first babyfood in a carton is due to launch imminently.

There are other examples, too. I Am Souper has sought to bridge the gap between fresh and long life with the launch of its new carton format into Asda and Sainsbury's. The range includes such on-trend products as Pulled Pork & Jalapeños and Peppered Beef & Superbeans Soup and has been extended to include a line of pouched beans, including Texan Pulled Pork & BBQ Baked Beans and Spelt, Berlotti Bean & Mint.

Such product and format innovation could help breathe new life into the baked beans category, which is down 3.8% on volumes down 2.3% [Kantar]. It appears to be helping

sales of tinned fruit, which are holding up better than the rest of the sector, having dipped 0.2% in value, 1.3% in volume. Potted fruit such as the Nature's Finest Grapefruit in Juice line (see right) and Princes' launch of Peach Chunks with Juice in single-serve cans are helping the sector appeal to younger, busier and increasingly health-conscious consumers, tapping the need for convenience, particularly for the breakfast occasion.

Tinned tomatoes

Of course convenience is crucial if players are to appeal to time-poor, cash-rich consumers. But it's not everything. The same group of shoppers are also spending more time cooking as a means of relaxing at the weekends. This is driving surging sales of tinned tomatoes and other tomato products such as passata. Canned veg is also on the up (see p56).

More than 80% of households now buy ambient tomatoes, according to Brownbill at Napolina owner Princes. Passata is the star performer in the tomatoes sector, with year-on-year growth worth £4.4m, says Brownbill. "More consumers are buying into this sector as they become increasingly aware of passata's versatility in sauces, soups, casseroles and other dishes."

Chopped tomatoes and speciality tomatoes like Cirio Filetti have also done well because of the scratch cooking trend. Cirio UK MD Diego Pariotti believes others can tap this through creating and updating recipes, innovation, finding gaps and developing packaging that speaks to a larger audience. "Canned tomatoes are enjoying strong growth because more and more people are cooking from scratch," he says. "For a quality meal you must use quality, authentic ingredients."

This is the message that RH Amar, which distributes Italian tomato brand Mutti, is pushing too. "Our provenance message is really resonating with shoppers," says Marcus Blowers, category insights manager at RH Amar. "And Mutti's growing popularity is helping us to reach beyond our UK launch ground of specialist wholesale to secure a growing number of more mainstream listings."

They would do well to speak with Iceland, which is looking to increase its canned & ambient food ranges. "We have always been a value-driven retailer: most recently we are working to extend our choice and consider more premium options too," says Sanj Dosanji, trading director – grocery. "We have also been prepared to consider different pack sizes to drive convenience and value."

So sales might be falling but there are still opportunities for growth. If players can combine the right product with the right format and get the marketing message right, canned & ambient food could once again be heading for the stars.



Nature's Finest Grapefruit in Juice

Launch date: June 2017 **Manufacturer:** Nature's Finest

Meeting the health and fruit snack trend, Nature's Finest Grapefruit in Juice (rsp: £1.67/390g) is the latest addition to its exotic fruit range. Available in Waitrose and rolling out to more retailers in coming weeks, each pot contains segments of grapefruit in juice with no added sugar. "NPD is an important initiative for us, and with current trends pointing towards a need for healthy breakfast products, Grapefruit was a natural choice for us," says marketing manager Georgina Edmonds.



Minor Figures Cold Brew Coffee Nitro

Launched: April 2017
Manufacturer: Minor Figures

An interesting innovation in canned technology, this seeks to introduce the US nitro coffee trend to Brits. Minor Figures has partnered with packaging firm Ardagh Group to create nitro cold brew coffee in a can. The can features a nitrogen-infused capsule that enhances the coffee's aroma and gives it a creamy, frothy head. Rsp: £2.50/221g.



Mutti Pizza Sauce

Launched: June 2017
Distributor: RH Amar

Mutti Pizza Sauce (rsp: £1.29/400g) provides shoppers with a quick, easy and healthy way to make their own pizzas. With no added sugar, it contains 99.2% tomato, salt, basil, oregano, onion and natural flavouring. Its launch was accompanied by Mutti San Marzano Tomatoes (rsp: £1.99/400g) and Mutti Passata (rsp: £1.39/400g).



Heinz Soup of the Day

Launched: July 2017
Manufacturer: Kraft Heinz

The new Heinz Soup of the Day range (rsp: £1.39/400g) launches this month in a new multi-layered carton pack. Made of natural ingredients with no artificial flavours, colours or preservatives and no added sugar, the six-strong range is cooked for a shorter time to ensure a fresher appearance and taste.