Get your slice of the 19% growth

Most of us in retailing are only too aware of the noise that experts have made around the chilled and fresh arena and its importance to the convenience channel. Chilled dairy over-indexes heavily in convenience and this is driven by the "top up" shopper mission; the main shopper mission in convenience[1].

Cheese is a key category within chilled. The category itself is a significant size within chilled dairy and convenience, with the total cheese category worth 2.8bn[2], so it deserves a focus in your store - and it's a category worth getting right.

Mondelēz International is a key player in the cheese category and counts the No. 2 and No. 3 brands in the UK - Philadelphia and Dairylea - within its portfolio. The company not only has great cheese category insight and expertise, but it is also a leading supplier in the snacking cheese arena; Mondelez is the No.1 snacking cheese manufacturer with 45% share in the total market and the company plays in all the snacking cheese sub-categories[3].

This is an increasingly important area for convenience in the UK with snacking cheese products helping to drive growth in the total cheese category.

What's more, cheese is changing. Traditional cheddar is in decline but other sub-segments are increasing in sales terms. Retailers need to stay ahead of the trends and use latest insight to help shape their ranges in order to maximise sales.

Cheddar important but hard to grow

Cheddar cheese is really important to the cheese category, with over 43% share[2]. However, it is in -5% decline[2] and its penetration is saturated at 95%[5], meaning there is limited headroom for growth. So, whilst Cheddar should always be part of a store's offer, it is important not to over-index on cheddar and to look at other segments of the category to drive growth.

Where's the opportunity?

Snacking cheese equates to 19% of total cheese and is one of the main segments, along with continental cheeses, that are delivering growth within the category[2]. These sub-categories can help bring new consumers to the fixture and add excitement to the range in your store.

The snacking cheese category incorporates soft white cheese (eg Philadelphia) and processed cheese. Processed cheese refers to spreads, slices and snacks. Snacks are further categorised into kids' snacks, lunch combinations and adult snacks.

Kids' snacks and lunch combinations are the strongest drivers of growth[3] for the convenience channel within snacking cheese. So our recommendation is that they should always be a key segment within stores.

Within snacking cheese, soft white cheese and processed cheese are both in growth[4].

Importantly, snacking cheese shows headroom for growth with 86% penetration[5], while soft white and processed cheese show even greater potential.

- Soft white penetration = 65%[5]
- Processed penetration = 71%[5]

These sub-categories can therefore help provide an opportunity for growth.

Driving snacking cheese sales

Snacking cheese provides added value for shoppers looking for convenience, and the category is highly expandable, with a large range of products that meet different need states and occasions.

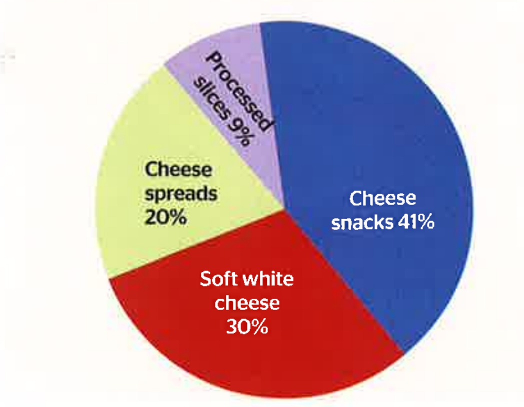
There is also strong shopper demand for snacking cheese:

- 9/10 households buy each year[6]
- Buying, on average, once a month (x 12 frequency)[6]
- Spending nearly the same amount on snacking cheese as they do on tea (About £22 per household)[6].

In addition, impulse purchasing is on the increase (90% of consumers said they purchased on impulse in 2014, compared to 83% in 2011[7]). This is important to the category, as we believe there is an opportunity to inspire purchase in-store by having a comprehensive and exciting range of core cheese, covering each important sub-category.

The snacking cheese market

Snacking cheese, including soft white, sub-segment shares. Total snacking cheese is worth £485m, and Mondelēz is the No. 1 player with a 45% share



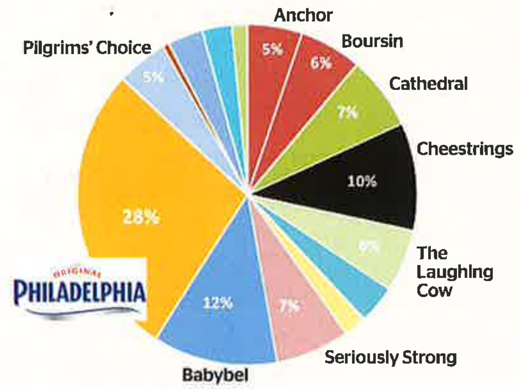
Why you need to stock snacking cheese

Snacking cheese segment	Consumer uses	Brand facts*
Soft white cheese	Very versatile - spread on sandwiches, used in main meals and baking	Philadelphia is the No. 1 soft white cheese
Processed cheese, split as follows:		
Spreads	Ideal for sandwiches	Dairylea is the No. 1 slice
Slices	Sandwiches, burgers	Dairylea is the No. 1 spread
Snacks, split as follows:		
Kids' snacks	Perfect for lunch box or afternoon snack	Dairylea Dunkers are the No. 1 kids' snack
Lunch combinations	On the go meal solution	Lunchables are the No. 1 lunch combinations
Adult snacks	On-the-go snacks for adults	Philadelphia the No. 2 adult snack brand

Source Nielsen - Impulse, Total snacking cheese, sales, MAT to 26.12.15

Media spend on cheese

Philadelphia is the biggest investor in the whole cheese category, helping to get more shoppers to cream cheese zone




EDWARDS PREMIER BEFORE


EDWARDS PREMIER AFTER

Strong investment in the category to continue driving growth

Strong media investment from best-selling brands can really help drive your sales, because they are at the front of shoppers' minds when in-store. Best-selling core brands that are regularly supported by TV and media should be "must stocks" for convenience stores.

Philadelphia, the No.1 soft white cheese brand, is the largest investor in above-the-line media (TV, radio and poster campaigns) within the total cheese category, with a 28% share of spend[8].


EDWARDS PREMIER AFTER

Cheese - keeping it simple.

Making the chilled fixture easy to shop is key to unlocking the total cheese potential in your store

- Availability, ease of shop and a range of products to meet requirements all rank within the top five most important needs of a c-store shopper[1].

With space in c-store chillers at a premium, it is vital that retailers follow these simple rules to ensure that cheese shelves within their chillers meet the demands of their shoppers.

Top merchandising tips

- Stock the best sellers within each sub-category.

- Position best-selling categories in best-selling locations on the fixture (the focal point of the fixture; where the consumer's eye goes to first).
  Cheddar, processed cheese and soft white cheese are all high-penetration and high-frequency categories, so should be located in best-selling areas of the fixture.

- Avoid duplication and ensure your shoppers have choice - breadth, not depth, of range is key (eg why stock eight lines of cheddar when you can offer a range of cheese segments, ie - such as Continental, grated, sliced, snacking cheese)?

- Meet the shopping missions:
  - Small packs to meet top-up mission (59% of c-store shoppers walk to the store)[1].
  - Where secondary on-the-go chiller space is available, ensure you have cheese snack lines alongside sandwiches, drinks, etc (see right) to make it easy for the shopper. Where we did this in the trial, 166% value growth on cheese snacks was achieved.

- Secondary on-the-go chiller space should be located at front of store so it is easily accessible.

- Where there is no space for a secondary cheese fixture, create a distinct on-the-go section within your main chiller.

- Product visibility is key: front-face products rather than penny stacking (see photo opposite).

- Use manufacturers' point of sale (pos) to increase visibility.

- Maximise fixture flow to help consumers scan and shop the range, as well as putting formats and brands together within sub-categories.

Jeff McGillan (left) with Ottershaw Londis owner Rohit Patel

"Maintaining an alignment with convenience trends and following key merchandising principles is key to growing and maximising your store's cheese potential. The Shop Project shows there is real potential to grow your cheese sales by following our simple guidelines, and that sales can be maximised if you use a separate on-the-go offer as was the case in the Chester store."

Jeff McGillan, Mondelez customer development manager

Shop Project trial

Mondelēz International took a category approach in three of the Shop Project trial stores, testing a strong category range and key merchandising principles.

- Sales were measured for seven weeks before and then again, during, the test period.
- Well-established range and merchandising principles (see panel, above) were followed – with a real focus on keeping everything simple and straightforward to manage for the retailers, whilst making the fixture easy to shop for consumers as well.

★ RESULTS ★

By following the above principles, overall sales increased by 19% across the three stores. The greatest success was seen where the store was able to provide a distinct on-the-go offering, particularly one located in a separate chiller near the front of the store.

- Space allowed for this in the Edwards Premier, Chester, where sales increased by 28%, and cheese snacks growth was 166%.
- In all stores, distinct top-up and on-the-go missions were catered for through the creation of specific zones in the chiller.
- Most growth came from cheese snacks (Dairylea Dunkers, Lunchables, Cheestrings) and the segment grew across all three stores by an average 47% during the trial period.
- Grated cheese showed the next highest growth, highlighting the need for convenience, with the top-up mission offering. In the trial, we grouped grated cheeses together, helping consumers to spot them more easily on shelf. Grated cheese also helps to drive added-value sales. Whilst we did see a slight decline in block Cheddar, this was more than compensated by total cheese sales.
- Aligning to market trends and key merchandising principles, overall sales values of grated cheese increased by 19% across all stores, with growth in every segment, except block Cheddar.
- Soft white cheese and speciality cheese were other notable growth segments, with soft white cheese growing by 27% in value terms across the three stores.
- In each store we ensured forward-facing merchandising and a focus on a core range.

sales increased by 28%, and cheese snacks growth was 166% at Edwards Premier, Chester

SOUTHERN CROSS
AFTER

It is important to front-face products rather than penny stacking

Snacking cheese: recommended ranges

No. 1 on-the-go kids' snack	No. 1 sku overall & No. 1 lunch combo	No. 1 spread	No. 1 slice	No. 1 soft white	No. 2 soft white

Cheese fixture (if snacks in a separate on-the-go chiller)

Priority	Product	Core or extended	Sub-segment
1	Philadelphia Original 180g	Core	Soft white
2	Philadelphia Light Original 180g	Core	Soft white
3	Dairylea Cheese Slice 200g	Core	Slice
4	Dairylea Spread Full Fat 145g	Core	Spread
5	Mini Babybel 6-pack 120g	Extended	Snack

Separate on-the-go snacks chiller

Priority	Product	Core or extended	Sub-segment
1	Lunchables Ham & Cheese Cracker 102g	Core	On-the-go snack
2	Dairylea Dunkers Jumbo Tubes 47g	Core	On-the-go snack
3	Dairylea Dunkers Breadsticks 47g	Extended	On-the-go snack
4	Lunchables Chicken & Cheese 93g	Extended	On-the-go snack
5	Cheestrings 20g	Extended	On-the-go snack

Cheese fixture (without a separate on-the-go chiller)

Priority	Product	Core or extended	Sub-segment
1	Lunchables Ham & Cheese Cracker 102g	Core	On-the-go snack
2	Dairylea Dunkers Jumbo Tubes 47g	Core	On-the-go snack
3	Philadelphia Original 180g	Core	Soft white
4	Dairylea Cheese Slice 200g	Core	Slice
5	Dairylea Spread Full Fat 145g	Core	Spread
6	Philadelphia Light Original 180g	Extended	Soft white

Sources:
1 Him! 2015 2 Kantar Worldpanel, Total Cheese, 52w/e 16 August 2015 vs. YA 3 Nielsen MAT to w/e 26.12.15 4 Kantar Worldpanel, Total Cheese, 52w/e 16 August 2015 vs.Y,A,Soft white cheese +6%, processed cheese +2% 5 Kantar Worldpanel, Snacking Cheese Inc. Soft White, 52w/e 06 December 2015 6 Kantar Worldpanel 05.12.15 7 IGD 2014 8 *Nielsen AdDynamix 2015*