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THE GROCER'S TOP PRODUCTS SURVEY 2009

BABY PRODUCTS

Baby product market in need of nurturing

While price rises and interest in premium brands is driving value across baby care, many sub-sectors are losing volume

The UK birth rate was up for the seventh consecutive year in 2008, with an average of 1.95 children per woman, according to the Office for National Statistics.

Yet volume sales of babyfood are static and volumes of baby drinks and snacks have both fallen. The one exception is baby milk, where volumes are up 1.8% and value sales have risen 8.1%. This increase seems to have been driven by the success of products that extend the age range baby milk products are aimed at – sales of Cow & Gate Growing Up milk are up by 83.2%, for example.

Within the sub-category there is also a fair amount of jostling for position. Although SMA Gold is still the market leader, its 15.6% share is down from 18.9% in 2008, and the product's sales value is down 10.6%. All three SMA products in our table lost value year-on-year, while sales of Cow & Gate and Aptamil baby milks were up across every product. Aptamil First sales have risen 31.5%, after an increase of 49.2% last year.

The other sub-sectors within baby care did not fare so well, with volume sales static or declining despite value sales of wet babyfood and snacks rising. However, price rises and shoppers opting for more premium products boosted value sales by 10.2%. While market-leading brand Hipp Organic was down 3% and Heinz jars fell 24.2%, but there was massive value growth from Cow & Gate Baby Balance, Ella's Kitchen and Plum Baby.

While premium products might not have been expected to flourish during a recession, Alex Kwasny, feedtime buyer at Boots, believes they have benefited from the fact mothers always want the best for their babies. She argues this is shown in the type of launches in the sector.

"Organic ingredients and controlled sugar and salt levels feature heavily in new product launches – and it's a trend we don't see diminishing any time soon," she says.

With health and convenience to the fore, the savoury meal sector accounted for 71% of the growth in wet foods. Ella's Kitchen savoury pouches – stage 2 was launched late 2008 and stage 3 launched in June 2009 – were responsible for a proportion of the growth, and it is the fastest-growing brand in the wet food sector.

Kwasny is also encouraged by developments in the cook-at-home market. "The baby market has seen exciting new product developments over the past 12 months, particularly within the home cooking product ranges," she adds.

Heinz was the first leading brand to launch into the babyfood 'components' sector when it unveiled Heinz Cook at Home in 2007, and the range has shown strong growth, with sales up 53.4% year-on-year. "The components range has brought new mums into the category," says Laura Groves, marketing manager, infant feeding, at Heinz. "Cooking meals from scratch and eating around the table as a family has become more important."

Boots has also launched an own-label range to tap into the popularity of cook-at-home products.

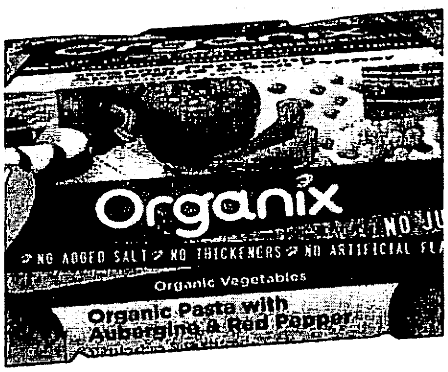
Also seeing strong value growth is the nascent baby snacks market. Sales are up 12.9% – more than the wet food category – but volume is down 0.5%. The sector is now dominated by organic products, including biscuits and dried fruits as well as rusks and rice cakes.

Organix, with the top two brands in the sector – Goodies and Finger Foods – is a clear category leader with 61.6% of the total snacks market. Organix Goodies, which includes more than 20 products, continues to be the bestselling range, with value up 23.3% over the past 12 months following similar growth the previous year. Heinz Biscotti continues to grow, up 18.1% after a 50% increase in 2008.

Juice is the only sector to drop in overall value year-on-year, down 2.5%, and volume has dropped 4.3%. Notably bucking the trend is Hipp Organic's drinks, which rose 12.5% in value.

It would seem the whole category could do with taking a leaf out of the baby milk book and expand the appeal of baby juices if they are to halt the volume decline. ■

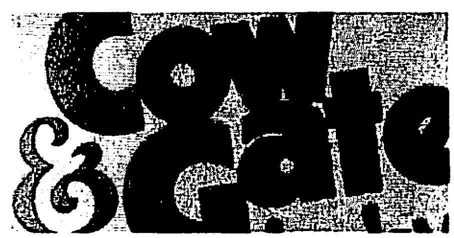
Source: Nielsen Period: MAT 3 October 2009 Notes & Methodology:



TOP LAUNCH

ORGANIX SAVOURY MEALS Organix Brands

With babyfoods increasingly moving away from the usual nursery flavours, these savoury meals from Organix are bang on trend. The range includes organic spinach & salmon risotto, and organic pasta with aubergine & red pepper. They offer "a taste adventure to help expand a baby's palate", says Organix MD Anna Rosier, who says the range can help to make it easier for children to make the shift to adult foods.



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TOP 5 BABY SNACKS

RANK	2008			2009	CHANGE
		TOTAL CATEGORY VALUE		38.8	12.9
		TOTAL PRIVATE LABEL VALUE		0.4	33.3
		TOTAL CATEGORY VOLUME			-0.5
1	1	Organix Goodies	Organix Brands	16.6	23.3
2	3	Organix Finger Foods	Organix Brands	7.4	26.9
3	2	Farley's	HJ Heinz	7.3	-5.0
4	4	Heinz Organic Biscotti	HJ Heinz	3.1	18.1
5	5	Heinz It's All Good	HJ Heinz	2.1	7.4

TOP 5 BABY JUICE

RANK	2008			2009	CHANGE
		TOTAL CATEGORY VALUE		12.4	-2.5
		TOTAL PRIVATE LABEL VALUE		0.5	3.5
		TOTAL CATEGORY VOLUME			-4.3
1	1	Heinz RTD	HJ Heinz	5.0	-3.2
2	3	Hipp Organic RTD	Hipp Nutrition	2.4	12.5
3	2	Cow & Gate RTD	Nutricia	2.2	-6.7
4	4	Cow & Gate concentrated juices	Nutricia	1.1	-10.9
5	5	Heinz Organic	HJ Heinz	0.6	-34.9

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Ella's Kitchen savoury pouches were responsible for driving a large part of the growth in the wet food market, with total sales for the brand up 174.2% year-on-year to £9.1m, making it the fastest-growing name in the category. The success of the organic pouches was just one indication of how important health and convenience are to mums.

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TOP 10 BABY MILK FORMULA

RANK	2008			2009	CHANGE
			TOTAL CATEGORY VALUE	264.2	8.1
			TOTAL PRIVATE LABEL VALUE	-	–
			TOTAL CATEGORY VOLUME		1.8
1	1	SMA Gold	SMA Nutrition	41.3	−10.6
2	5	Aptamil First With Milupa	Nutricia	27.9	31.5
3	3	C&G First Infant Milk	Nutricia	24.5	7.9
4	2	SMA Progress	SMA Nutrition	24.0	−14.6
5	6	C&G Milk for Hungrier Babies	Nutricia	22.9	9.9
6	8	Aptamil Forward Follow On Milk	Nutricia	21.4	29.1
7	4	SMA White	SMA Nutrition	20.7	−7.4
8	7	C&G Follow-on Milk	Nutricia	20.5	15.9
9	10	C&G Growing up Milk	Nutricia	15.7	83.2
10	9	Aptamil Extra With Milupa	Nutricia	13.6	24.4

TOP 10 WET BABYFOODS

RANK	2008			2009	CHANGE
			TOTAL CATEGORY VALUE	136.2	10.2
			TOTAL PRIVATE LABEL VALUE	2.1	4.5
			TOTAL CATEGORY VOLUME		0.0
1	1	Hipp Organic	Hipp Nutrition	31.5	−3.0
2	2	Cow & Gate Baby Balance	Nutricia	25.9	34.6
3	3	Heinz Mum's Own	HJ Heinz	17.0	4.5
4	4	Hipp Organic Growing Up Meals	Hipp Nutrition	9.2	10.0
5	6	Ella's Kitchen Organic	Ella's Kitchen	9.1	174.2
6	10	C&G Frutapura (inc pouches)	Nutricia	7.8	2.2
7	7	Heinz	HJ Heinz	6.6	−24.2
8	5	Plum Baby	Plum Baby	6.2	18.1
9	9	Baby Organix	Organix Brands	6.2	6.0
10	8	Heinz Cook At Home	HJ Heinz	2.8	53.4

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"Grocery not only weathered the recession, but delivered a host of surprises to confound the pundits"
Adam Leyland
Editor of the Year, British Society of Magazine Editors 2009

If some of the more memorable themes of this year's Top Products Survey (pp36-137) seem familiar - own-label losing share to brands; promotions reaching record levels; food price inflation; supplier consolidation; and the revival of several big brands, as well as retro launches - that's because you're a reader of The Grocer, and we've been informing you on these topics, breaking exclusive stories, offering exclusive insights, throughout the past 50 issues.

We also said, just over a year ago, that if you were going to be in one sector in this recession, grocery was a good one to pick. And so it has proved. Though it took blood, sweat and a few tears, no doubt, volume sales increased by 0.9%. So maybe the downturn won't trim the nation's waistline after all.

There are also some significant surprises. Stories that by the time you read this (buy your own copy!) may already be national news. For example, while frozen foods were expected to benefit from recession, the endless promotion of the category actually delivered volume declines. Volume sales of chewing gum fell. So too chocolate confectionery. And sales of water - yes, water - increased. Who knew?

But the survey isn't just about overarching themes. It's also about individual success stories, all the more stirring in this climate. Like the resurgence of Hovis; and the serious challenge Wilkinson and King of Shaves are mounting to the all-powerful Gillette. Or the stunning growth of Ella's Kitchen and Veetee Rice. Or top new launches such as Ariel Excel Gel, Arctic Roll, Bake to Perfection, Innocent Squeezies.

We've also picked our top ad campaigns, including my personal favourite, for Robinsons Be Natural. In fact, if it's stats and colour you want - as well as a comprehensive take on the 67 leading categories in the grocery sector - fill your boots. We've got them here over the next 160 pages. Happy reading (and Christmas, of course).