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SPAIN MARKET Highlights to prepare for a Market Entry
Strategic approach

-June 2024-

INDEX

EXECUTIVE SUMMARY

- **In Spain Food & Bev is driven by socialisation of Spaniards and tourists' satisfaction**
- **The market is highly regionalised. Diversity and fragmentation are key words as relates to eating, shopping and going-out**
- **Fresh produce offerings and assisted shopping (over the counter) are still popular behaviours**
- **Private Labels (Retailers own brands) dominating the offerings**
- **Barriers to watch out doing business in Spain:**
  - ✓ Local suppliers/brands and retailers hold strong positions in all categories
  - ✓ Supply chain processes are slow and complex
  - ✓ The buyers at retailers have a low level of English proficiency
- **Opportunities to grasp in Spain:**
  - ➢ Spaniards have a curious mind open to innovations
  - ➢ Brand building is easy and cost efficient
  - ➢ Retailers have a relative low level of concentration

The Market

Spain – Economic Structure

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GDP PER CÁPITA 2022 (INE)

Source: The Economist, INE

2022 Economic Indicators

- **Area: 505,000 Km2**
- **Nr. of Households: 18.7 million**
- **47.4 M inhabitants (4.7 M immigrants)**
  - 14% (1-15 y.o.)
  - 32% (15-40 y.o.)
  - 34% (40-65 y.o.)
  - 20% (+65 y.o.)
- **Dec 2022 unemployment rate: 12.9%**
- **2022 GDP per Capita: 28,162 €**
- **Main 5 cities:** Madrid, Barcelona, Valencia, Palma de Mallorca and Bilbao

Spain – 17+2 Markets in 1

- **17 markets:** One in each of the 17 regions with highly differentiated economics, language, political structure, etc
- **2 markets:** as corresponds to 2 differentiated groups of consumers: The Nationals and the Foreigners

Spain – 2 markets in 1

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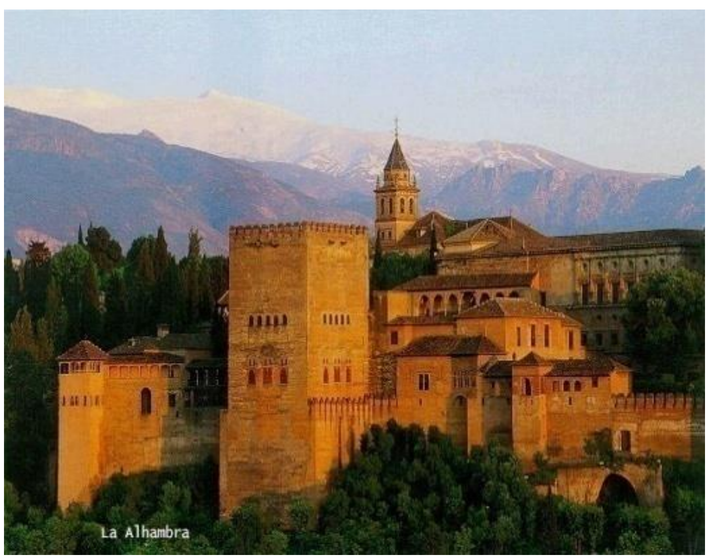


Domestic Market - Social Trends

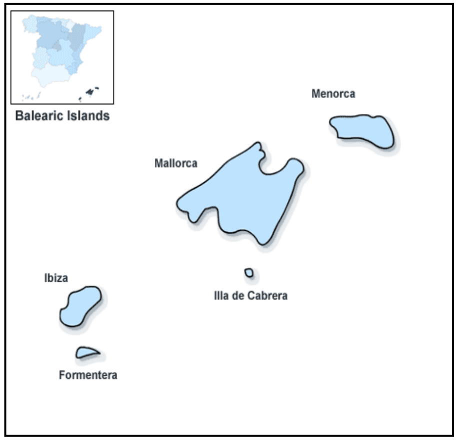
- **Strong Family tradition and family oriented people**
  - however very low birth rate
  - 1.18 per women in 2020 (2.2 in 1980)

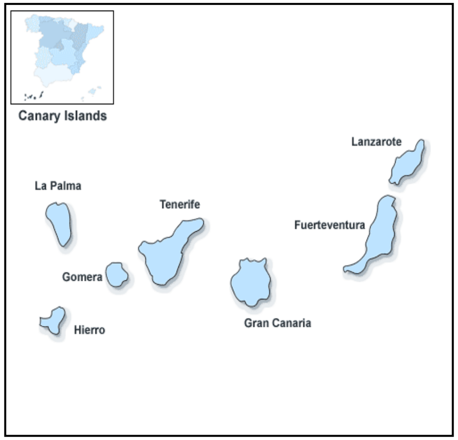
- **Regional diversity**
  - Language and culture
  - Climate
  - Different ways of cooking & eating

- **Food plays a crucial role**
  - Eating is a social activity
  - Restaurants and bars play an important role in the social scene.

- **Changing working hours patterns**
  - working hours moving towards EU patterns *but still…*

Spain – 2 markets in 1





Source: INE and Commonwealth office

Tourist Market - Top Line data

- **85.1 Mill. tourists visited Spain in 2023**
  - **+ 2% from 2019 prepandemic**
  - **2nd destination in the world**
  - **Average stay 6 days**
- **Distribution by origin**
  - 17.3 mill UK
  - 11.8 mill France
  - 10.8 mill Germany
  - 6.8 mill Benelux
  - 4.9 mill Nordic
  - 4.9 mill Italy
- **40% of British tourists visit the Canary & Balearic Islands**.
- **± 600,000 British residents living in Spain** 65% of expatriates located in Andalucia and Valencia

The curious Consumer & Food trends in Spain

Spanish Consumer Trends

Spanish Consumer trends center on:

Health and Wellbeing-Mediterranean Diet

- Functional foods
- Pure products. Seasonality
- Fresh
- Organic
- Indulgence
- 'Comfort food'

Sustainability

- Local/Regional food

Convenience

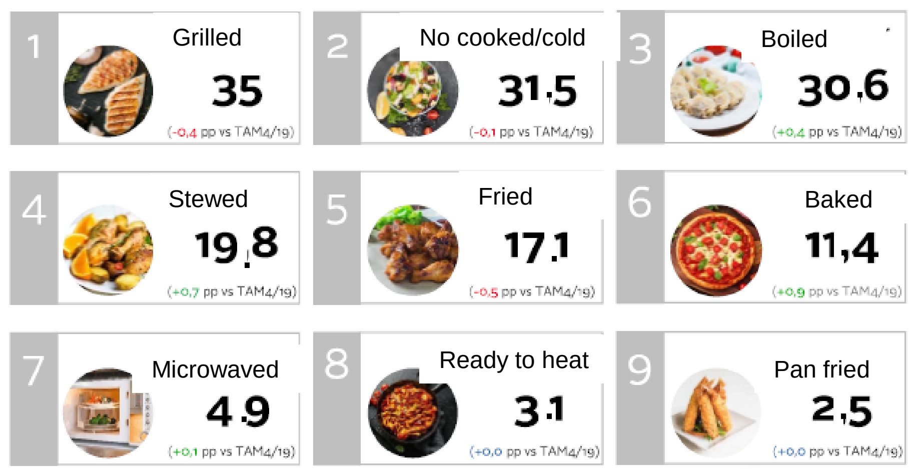
- Time saving
- Ready meals (and components)
- More snacking

Individualism vs. sharing

- Products to fit lifestyle
- Focus on smaller target groups

WAY OF COOKING

Percents in ways of cooking

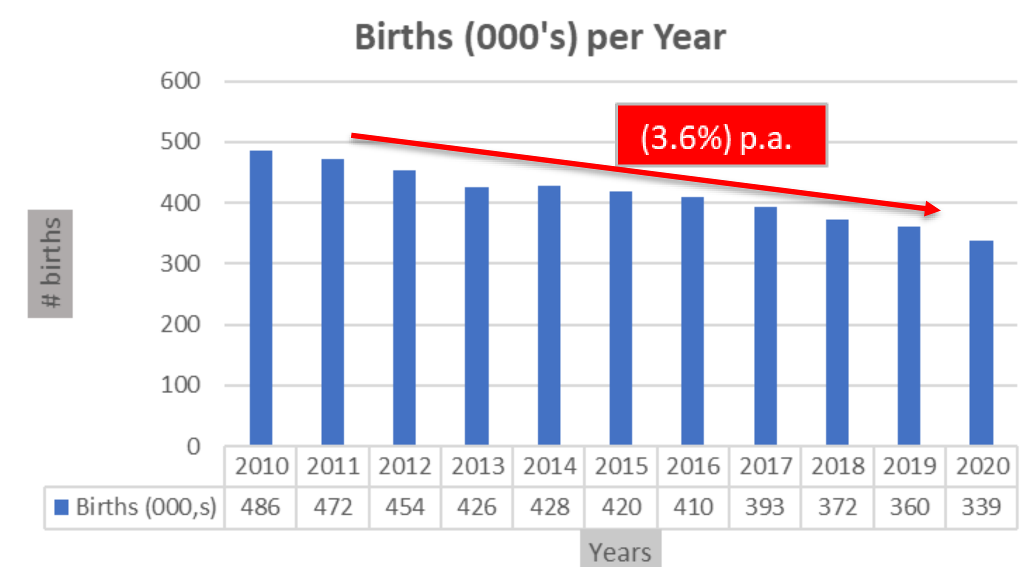


Source: MAPA-Inf. Consumo Aliment. 2020

The Spanish people -1

Demographic developments:

- Smaller households
- Less households with children
- Spain is ageing -- > Older consumers



Source: INE June 2021

Other developments:

- Change of traditional occasions/ moments of consumption but differing by Region (e.g. aperitif time and pre dinner drinks)
- Increased number of consumptions at home accelerated by covid and inflationary pressures

Source: INE June 2021,MAPA-Panel Hogar 2020

The Spanish people-2

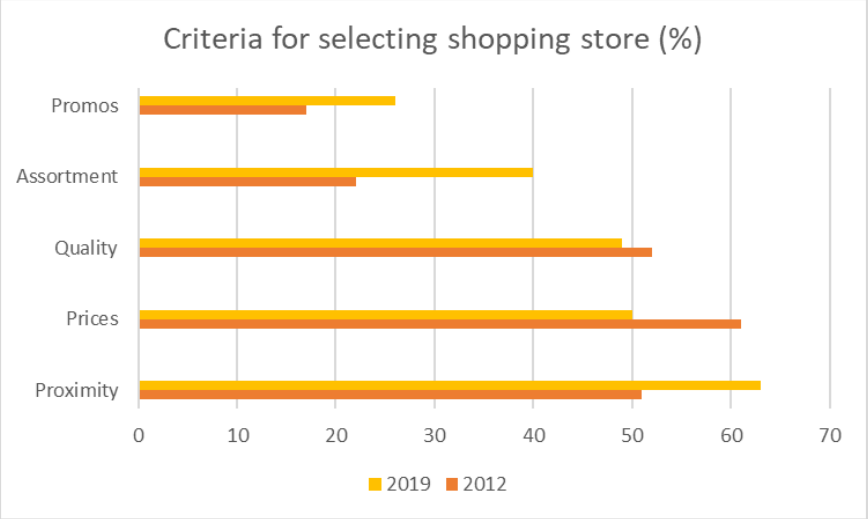
Spanish Shopping behaviour:

- Attitude: Eat healthy and seeking convenience. Respect seasonal products
- Supermarket shopping average of 2 times a week
- No longer In-store decisions: shopping list is highly respected

Promotional trends:

- Frequency incentives
- Trial enhancement

Source: MAPA-Panel Hogar 2019. Alimarket and GS elaboration



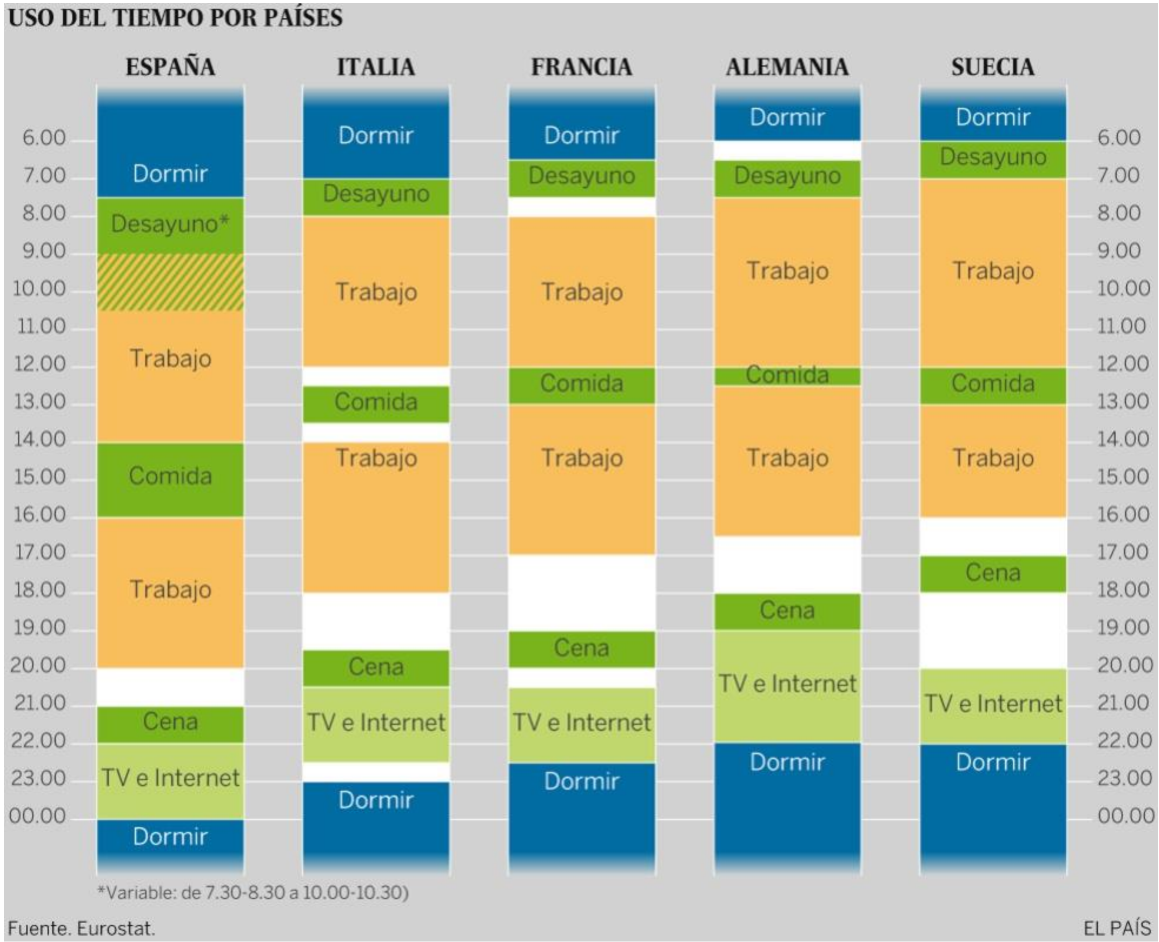
Promotional Mechanics in Spain- March 2021

- General trend of increased focus on volumen promotions
- Retailers are selling around 25% of products under promotion
- Promo sensitive Consumer enhancing **FREQUENCY**
  - ✓ Couponing
  - ✓ Price Cuts
  - ✓ Extra volume on pack
  - ✓ Multi-buy
  - ✓ Stickers activation
- Curious Consumer seeking for **TRIAL**
  - ✓ In-store tastings
  - ✓ Sampling
  - ✓ Cross promotions

The Spanish people -3

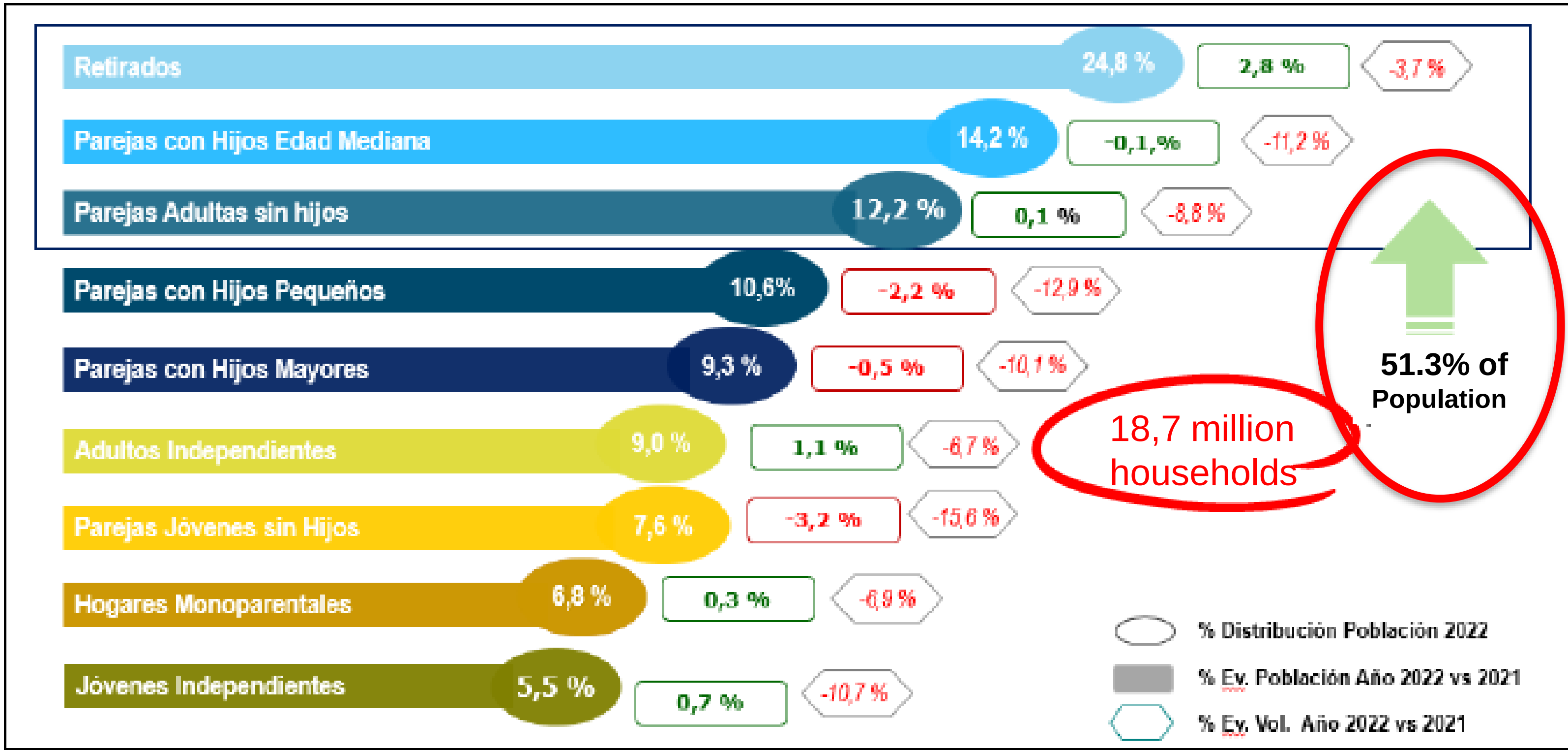
BUT STILL THE LIGHT HOURS AND OUR SOCIAL HABITS MAKE US DIFFERENT:

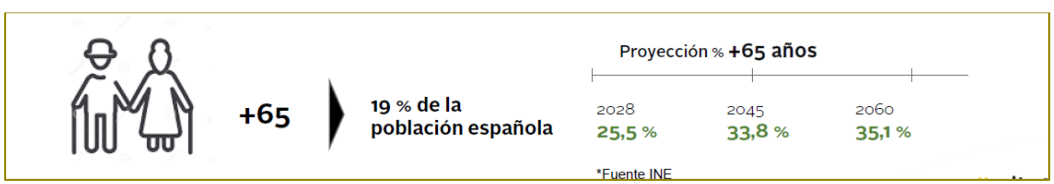
WHEN A SPANIARD IS DINNING A GERMAN IS GOING TO SLEEP



Spain Households Structure & Consumption evolution-2022

Evolución de la población y el consumo por tipo de hogar





Spain Food and Bev consumption 2022

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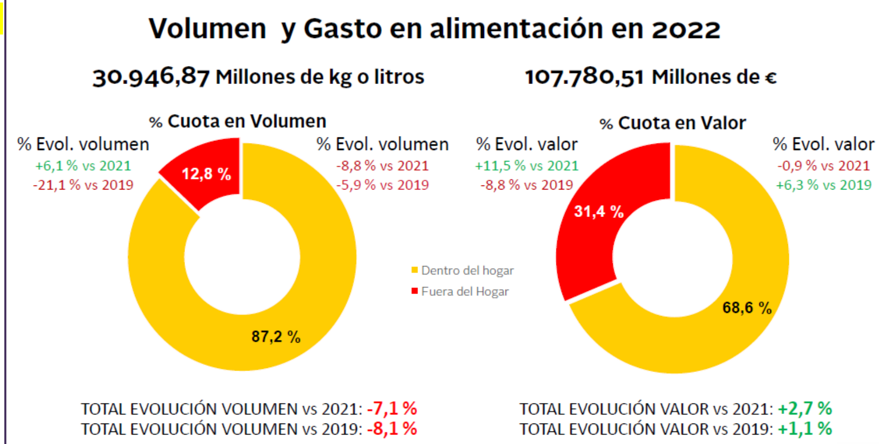
Food and Drinks Consumption in Spain represents (2022) 25 % of total households spending. –8,070 eur. per family– (2nd spend item after Housing =32%)

- 16 % at home
- 9 % out of home

TOTAL FOOD AND BEV CONSUMPTION IN SPAIN-2022

	EUR Million	Kgs. Million	Value per kg
AT HOME	**73.893**	**26.988**	**2,74**
Memo 2019	69.503	28.669	2,42
2022 vs 2019	6%	-6%	13%
OUT OF HOME	**33.887**	**3.959**	**8,56**
Memo 2019	35.962	4.634	7,76
2022 vs 2019	-6%	-15%	10%
TOTAL FOOD&BEV	**107.780**	**30.947**	
Memo 2019	105.465	33.303	
2022 vs 2019	2,2%	-7,1%	

Source: Mapa data base july 2023 and july 2020



Spanish Food Categories Overview-1

MAIN FOOD CATEGORIES-HOME

(10 groups represent 70% of volume)

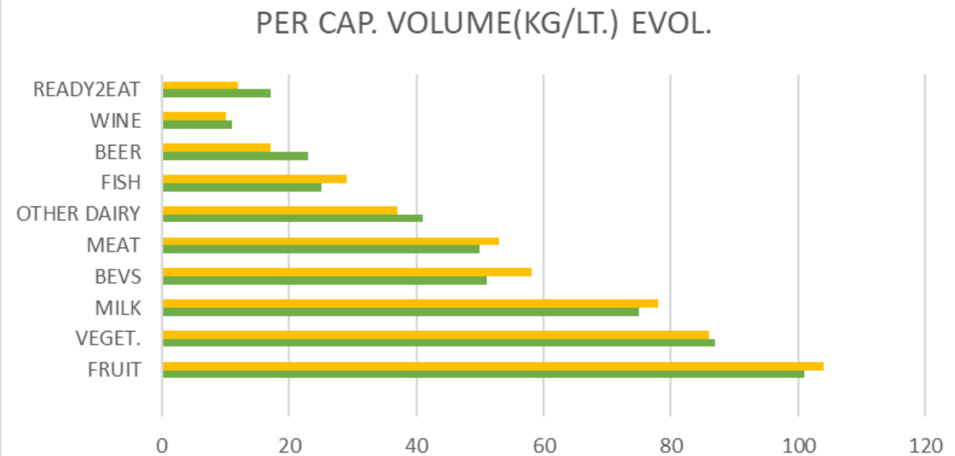
-#1 Fruit and vegs. leads with 188 kg/cap/year

-#2 Milk with 75 liter/cap being substituted by non-dairy drinks and other

-Soft drinks + Juices declining as beer grows

-Meat and fish declining compensated by ready-2-eat meals

-Wine remains steady in liters but prices up



	FRUIT	VEGET.	MILK	BEVS	MEAT	OTHER DAIRY	FISH	BEER	WINE	READY2 EAT
2010	104	86	78	58	53	37	29	17	10	12
2020	101	87	75	51	50	41	25	23	11	17

2010 2020

SOURCING ORIGIN:

- 75% manufactured inland and traded under local brands. 14 out of 20 first brands consumed are owned by local companies
- 25% imported of which 52% from EU

Source: MAPA-Panel Hogar 2010 y 2020 -tam a sept. Alimarket and GS elaboration

Spanish Food Categories Overview-2

MAIN FOOD CATEGORIES BRANDS

-No Private Label represented-

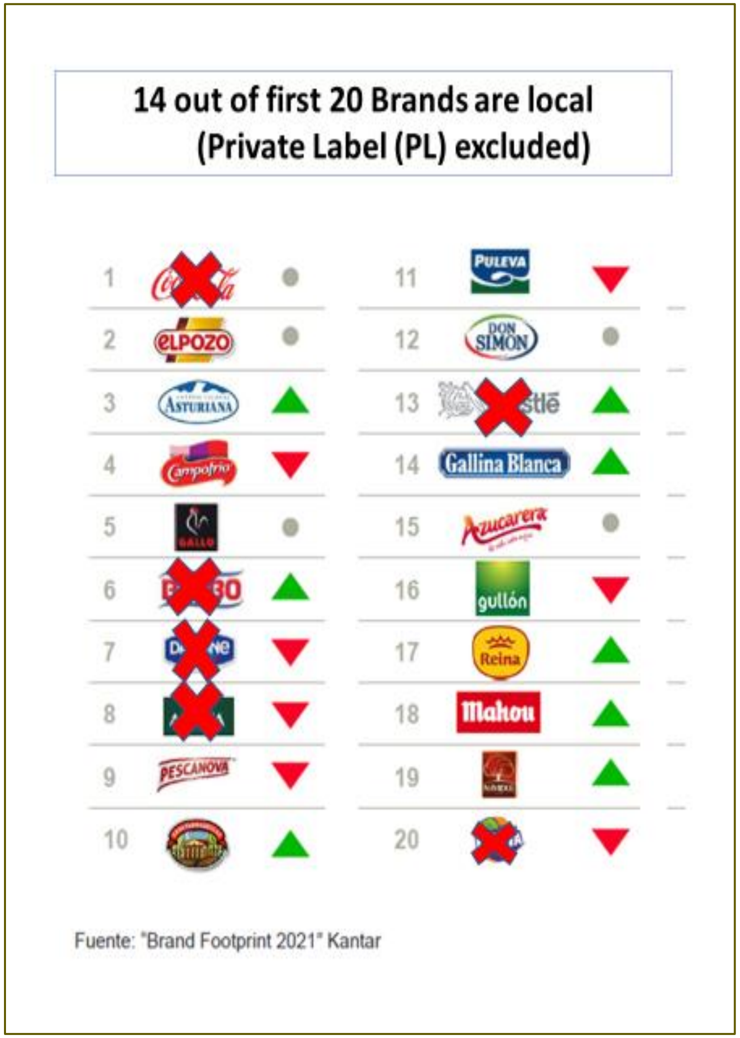
-Fruit and vegs. (nr. 1 category) is mainly traded without branding support and 55% of it in traditional channel

-Milk (nr. 2) has 2 local brands in the top 20 ranking. Nrs 3 and 11

-Soft drinks, Juices and Beer are represented by 2 local brands in the ranking. Nrs 12 & 18

-Meat & fish and ready-2-eat have 6 local brands as main preference of consumers. Nrs 2,4,9,10,14 & 19

-Local pasta, sugar, other dairy and biscuits brands hold the balance. Nrs 5,15,16 & 17

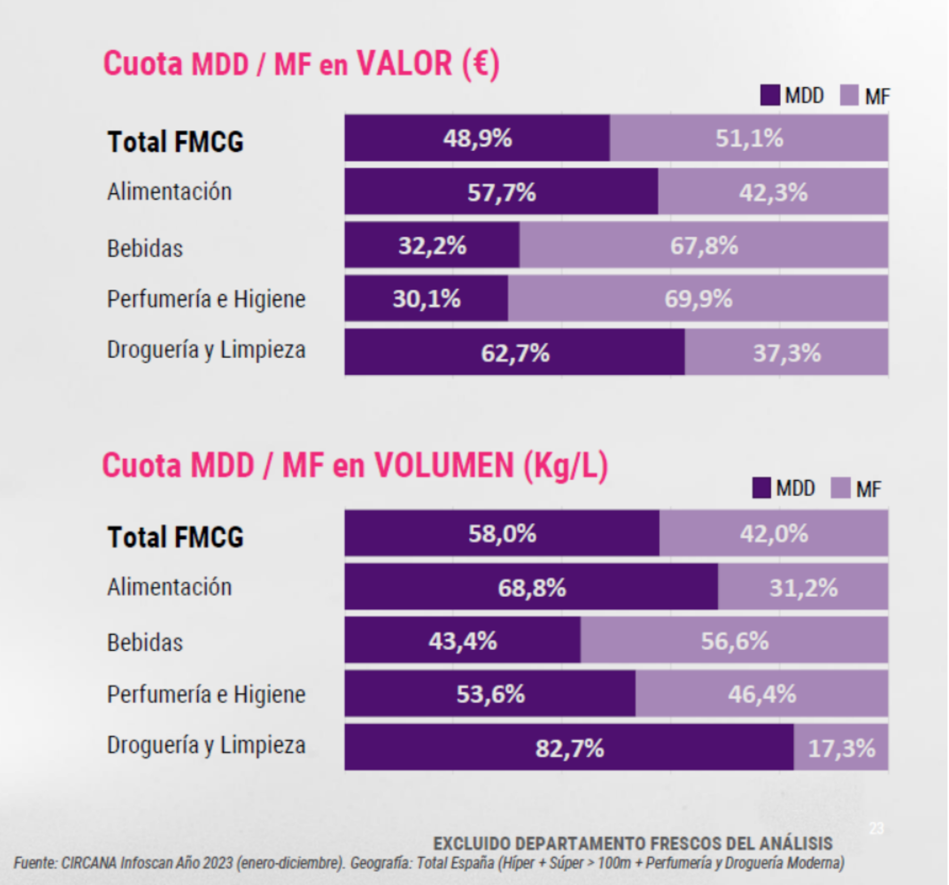


Source: MAPA-Panel Hogar 2020 . Alimarket, Kantar may 2021 report and GS elaboration

Spanish Food Categories Overview-3

PRIVATE LABEL IN FOOD & BEV CATEGORIES

- ✓ **Food categories penetration of Private Label in volume jumps to 68.8% at close ’23. In value terms goes up to 57.7%**
- ✓ **60% of shoppers do not find their brand any more in their supermarket shelves (Expansion article the14th april ’24)**
- ✓ **1 out of 5 shopping baskets ONLY contain private label products inside (Nielsen, 14-04-24)**
- ✓ **As compares to 5 years ago, the private label weights at close ’23, 10 percentage points more in value terms pulling out of the shelves almost 1/4th of the national brands products while private label assortment has increased by 13%**



Source: CIRCANA Irl to Dec 23, Alimarket and GS elaboration

A fragmented trade scene

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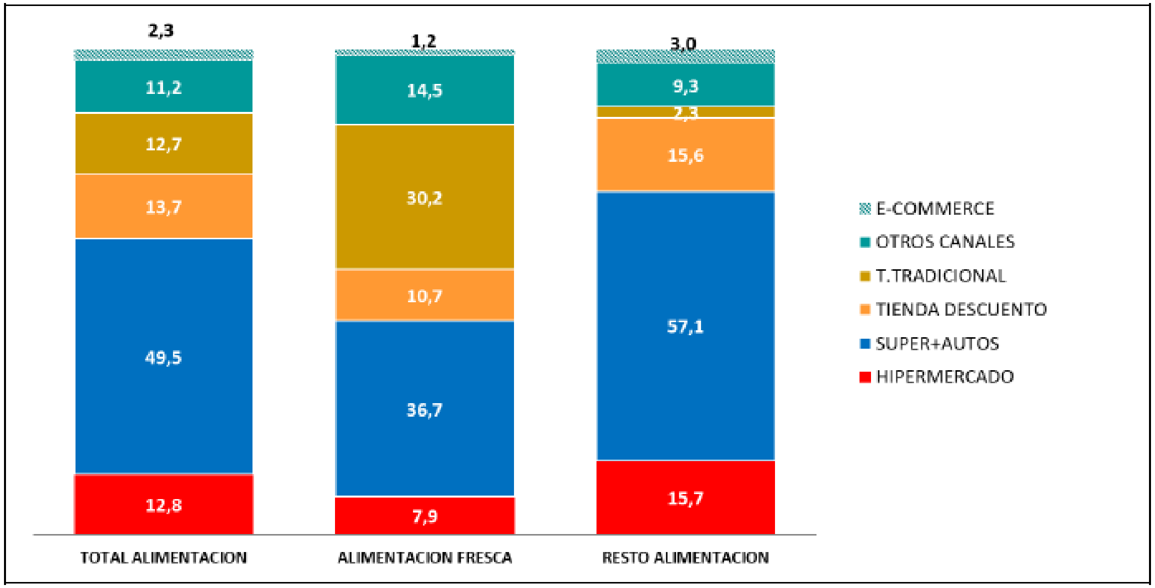
Spanish Trade Profile-Overview -1

- **Home consumption representing 70%, takes place through buying in retail channels with the following structure (share of volume):**

Importancia de los canales de compra (% volumen) según los tipos de alimentación (total alimentación, alimentación fresca, resto alimentación)



- **Out of Home represents 30% of consumption taking place in**
  - ✓ **Food Service outlets which are still highly attractive despite decline in consumption due to changing habits. 300,000 outlets for on-premise consumption**
  - ✓ **Impulse & Convenience growing fast in last 5 years up to 120,000 outlets. Difficult to evaluate**

Source: Alimarket, Aral, MAPA

Spanish Trade Profile-Overview -2

- Relative FRAGMENTATION both in Retail, Food Service and Impulse

- Heavy increase of Private Label brands which account for 50 percent in value of total Food&Bev consumption during 2023.

- Retail environment clearly divided among Modern Retail (half of it owned by Spanish companies/families) with 24,100 outlets holding 70% of shoppers penetration and Traditional Retail with 45,000 plus outlets with a penetration of 25% of shoppers

- Food Service under intense transformation. 300,000 outlets for on-premise consumption

- Impulse & Convenience growing fast in last 5 years up to 120,000 outlets. Difficult to evaluate

- On-line purchasing still relatively low market share but exponentially growing

Source: Alimarket, Aral, MAPA and Kantar

The Modern Retail Channel

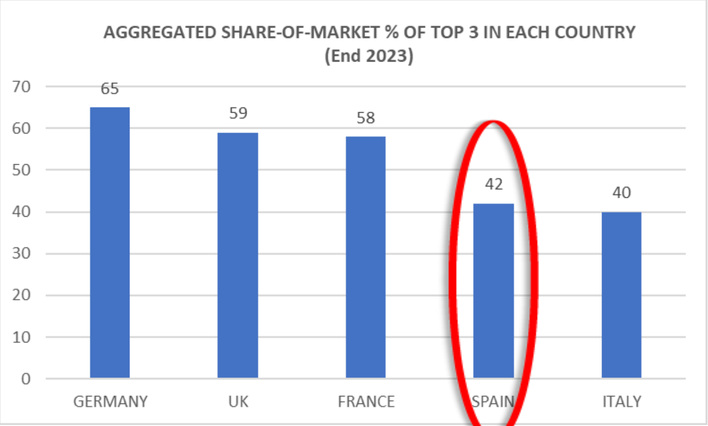
SPANISH RETAIL-Overview of Context

Top 10 European grocery retail markets - 2020

Country	Grocery market (bn eur)	Population (m)	Per capita (eur)	Grocery market growth YoY
Germany	266	83	3,209	4.80%
France	255	65	3,899	3.40%
United Kingdom	236	67	3,511	3.60%
Russia	230	144	1,600	-5.60%
Italy	187	61	3,082	3.20%
Spain	119	47	2,545	4.20%
Turkey	85	84	1,014	8.40%
Poland	68	38	1,794	4.40%
Netherlands	54	17	3,127	6.40%
Belgium	45	12	3,936	5.90%

Total Retail Value (119 eur billion) including on top of Food&Bev (79 million eur), household and beauty and personal care products

Source: IGD Retail Analysis 2020



The Top 3 Retailers in Spain (Mercadona, Carrefour and Lidl) achieve a 42% of market share with a significant correlation of PL weight of 75%, 35% and 82% respectively

Source: Nielsen, 5dias, GS Elaboration

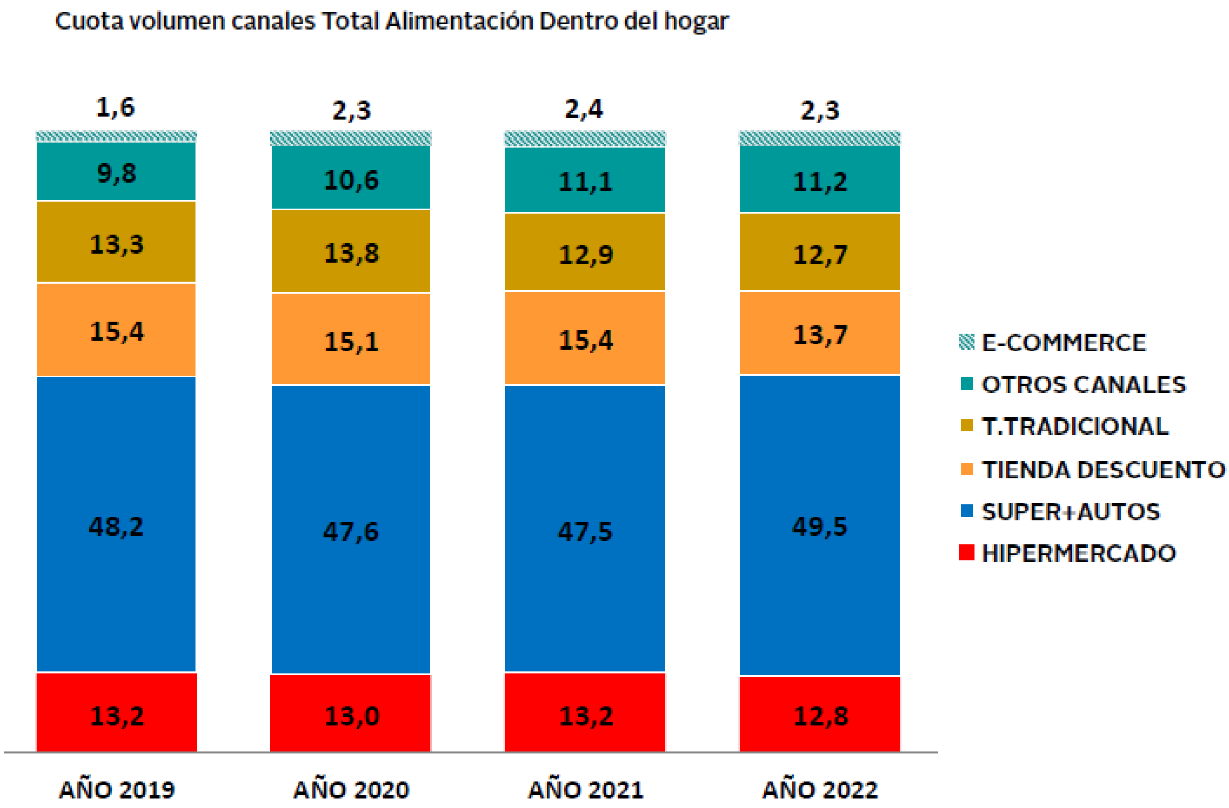
RETAIL Channel Highlights

- **Relative Low Concentration:**
  - Top 6 national chains account for over 53% (51% of sales surface) of total grocery Retail Market
  - Next 6 regional chains hold 30% of som. Competitively playing in local markets
- **Almost 50% of the sector is handled by foreign companies. French and German chains heavily present in Spain:**
  - ✓ **Hypermarkets / Supermarkets**: *Carrefour, Auchan*
  - ✓ **Discount Stores:** *Lidl, Dia**,** Aldi*
  - ✓ **Cash & Carry**: *Makro*
- **Retail format dominated by Small Supermarkets**
  - **Average turnover (+/-) 5,900 eur/m2**
  - **24,100+ outlets. Average space of 600 m2**
  - **Of which:**
    - 55 % Less than 400 m2 Supermarkets,
    - 24 % Supers with 400 to 1,000 m2
    - 18 % Supers > 1,000 m2< 2,500m2
    - 2.1 % Hypermarkets
- **Heavy increase of Private Label brands which account for 58% in value and 69% in volume of total food consumption during 2023.**
- **High cost of doing business for Retailers:**
  - ✓ Over the counter attention
  - ✓ Supply chain fragmentation
  - ✓ Broad ranges maintenace

Source: Alimarket, Aral, MAPA

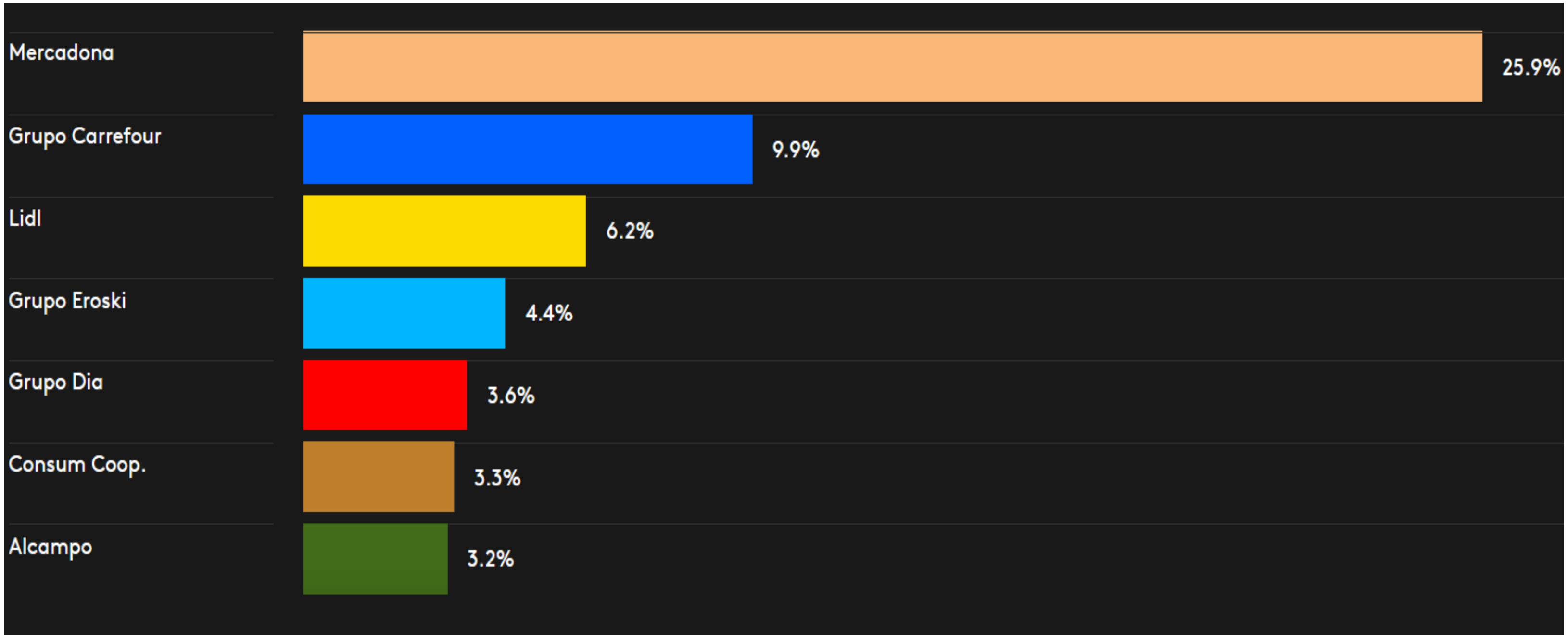
RETAIL Channel Highlights

- **Home consumption buying in retail channels has had the following evolution by subchannel (share of volume):**



Source: MAPA-july 2023

TOP NATIONAL RETAILERS 2023



Source: Kantar Worldpanel-Value Share at 31.12.23

MODERN RETAIL Channel Landscape

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HIPERMARKETS

NATIONAL		REGIONAL	
Carrefour Hypermarkt	204	Bonpreu	43
Auchan	77	DinoSol supermercados	26
Grupo Eroski	35	Gadisa	11
Hipercor	35		
E.Leclerc	13		

SUPERMARKETS

NATIONAL		REGIONAL
Carrefour market	293	Alimerka, BM, Gadisa, Condis
El Corte Inglés	240	Consum Cooperativa, AhorraMas
Grupo Eroski	714	Supermercados Covirán, Bonpreu
Auchan	78	DinoSol supermercados

PROXIMITY

NATIONAL		REGIONAL
Carrefour express	965	Alimerka, Condis, Spar
Grupo Eroski	631	Consum Cooperativa, DinoSol supermercados
SuperCor	623	Gadisa
Auchan	374	Supermercados Covirán

DISCOUNTERS

Mercadona	Dia
1632	2308

HARD DISCOUNTERS

Aldi	Lidl
435	675

# indicates nr. of stores at 31.12.23

Hipermarkets > 2500 m2
Supermarkets <2,500 >400 m2
Proximity < 400 m2

Source: Alimarket and GS Spain elaboration

TOP NATIONAL RETAILERS 2023

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RETAILERS BUSINESS MODEL

	MARKET SHARE -%-	% OF PRIVATE LABEL(*)	BREADTH OF RANGE (**)
MERCADONA	26	>70%	NARROW
CARREFOUR	10	<35%	BROAD
LIDL	6	>80%	NARROW
EROSKI	5	<30%	BROAD
DIA	4	>60%	NARROW
AUCHAN	3	<35%	BROAD
CORTE INGLES	2	<25%	BROAD

(*) Kantar WP 25-01-24 and GS elaboration (**) Narrow Range= <8,000 sku's Broad Range= >25,000 sku's

Clearly there are 2 types of Retailer Strategy: Narrow range, no hypermarket format and high PL penetration (Discounters – Mercadona, Lidl, Dia-) vs Broad Range, diverse store formats and less tan 35% PL penetration (Carrefour, Eroski, Auchan and Corte Ingles)

RETAILERS TURN OVER & STORE EFFICIENCY

Leading retailers

IGD

Leading grocery retailers

Note: sales are based on grocery sales only, excluding fuel and general merchandise banners. Excludes sales through channels wholesale, cash & carry and Members Club.

Retailer	Sales 2020 (€m)	Sales 2022 (€m)	Sales CAGR 2020-2022
Mercadona	26,627	27,527	1.7%
Carrefour	8,847	9,060	1.2%
Lidl	4,985	5,878	8.6%
DIA	4,940	5,292	3.5%
Alcampo	4,856	5,041	1.9%
Eroski	4,585	4,675	1.0%
Consum	3,190	3,276	1.3%
El Corte Inglés	2,571	2,591	0.4%

IGD 2021 Source: IGD Research

Mercadona also leads in terms of sales per square meter (store surface) at 10,900 eur/sq.meter while Carrefour trades 7,800 eur/sq.meter and Lidl at 7,700 eur/sq.meter

TOP NATIONAL RETAILERS 2023
REGIONAL WEIGHT

	MERCADONA	Carrefour	Dia	GRUPO EROSKI	LIDL	El Corte Inglés
North	↓	↓		↑	↓	↓
South	↑			↓	↑	↑
Center		↑	↑		↑	↑
East	↑		↓			↓

Note: → Over represented ↑ Under ↓

TOP REGIONAL RETAILERS 2023

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NAME OF

RETAILER

Nr. Of outlets

Source: Alimarket, Nielsen

REGIONAL RETAILERS -Highlights

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- **Competitive Factors:**
  - Grown on the back of the Neighbourhood Markets speciality shops
  - Fresh Products as main attraction in assortment taking share from Speciality shops
  - Blending traditional with new shopping experience
  - Assisted shopping as a must (over the counter)

- **Intelligent use of Purchasing Alliances (IFA & Euromadi) and Private Label brands positionings**

- **Family owned or Cooperatives**

- **Proximity but with car parking spaces**

- **Stores format dominated by medium size supermarkets**

Source: Alimarket, Aral, MAPA

TOP PREMIUM RETAILERS 2023

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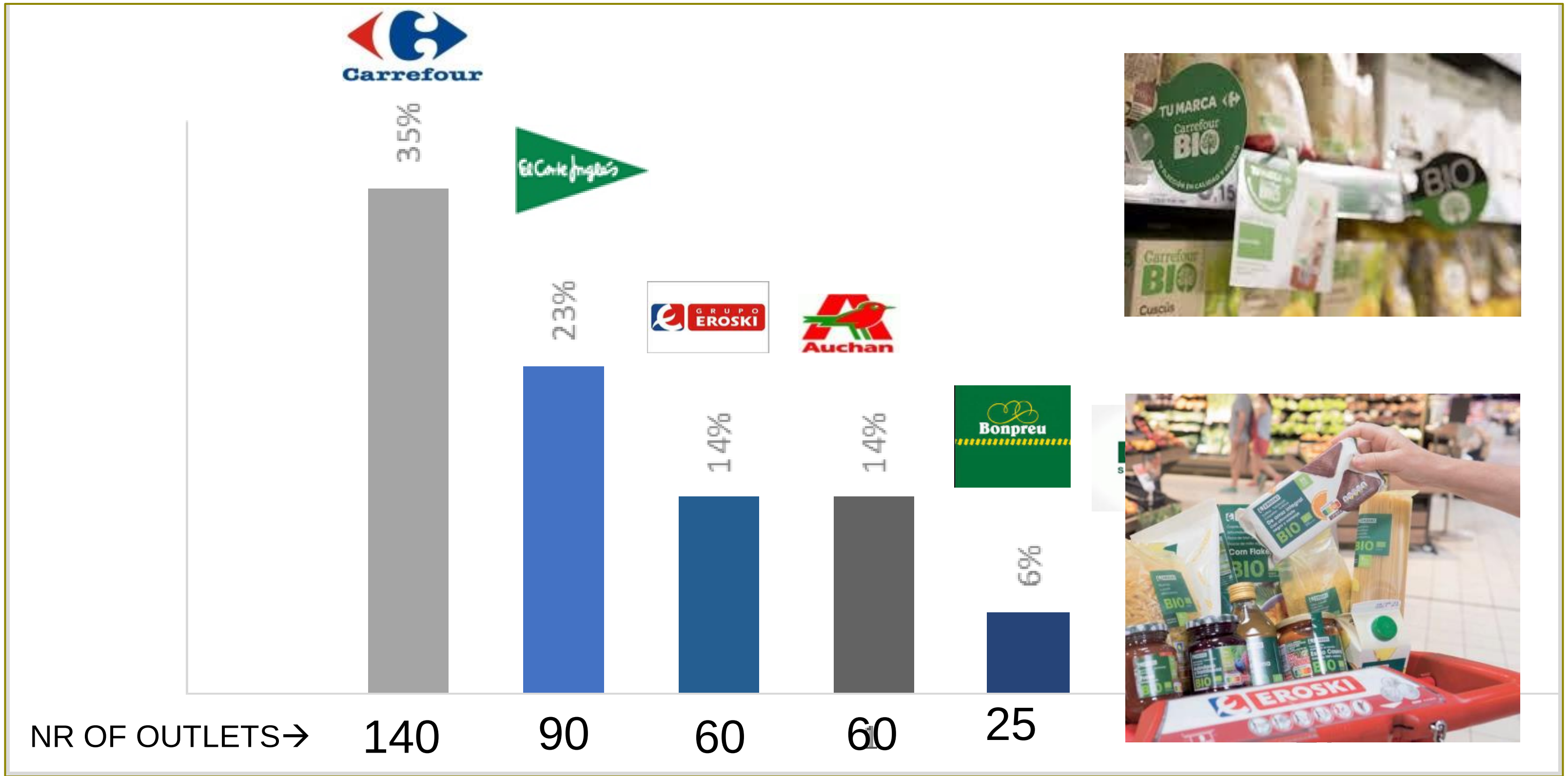
Stores and Hypers with Premium-Gourmet and Organic/Bio offerings in **Private Label mainly**



Source: Alimarket, Aral

ROUTE-TO-MARKET STRUCTURE-1
--Direct to Retail--

Principales empresas de logística para la distribución (M€)

Empresa	Localidad	Ventas Total'17	Ventas Distr.'17	Ventas Total'18	Ventas Distr.'18	Previsión Total'19	Previsión Distr.'19	Clientes -Nº plataformas-
DHL SUPPLY CHAIN SPAIN (1)	Coslada (M)	405,0	150,0	410,0	152,0	425,0 (*)	160,0 (*)	CARREFOUR -4-, EROSKI -1-, MAKRO -1-, DEALZ -1-, SIMPLY -4-, ECI -1-
STEF IBERIA (2)	Torrejón de Ardoz (M)	245,7	59,0	269,1	51,1	--	--	EROSKI -2-, CARREFOUR -1-, DIA -2-, CONDIS -1-, COVIRÁN -1-, AHORRAMÁS -1-, CAPRABO -1-, EUROMADI -1-, PRIMAPRIX -1-
SALVESEN LOGÍSTICA (3)	Alcobendas (M)	156,0	45,2	159,8	51,1	--	--	CARREFOUR -1-, ALCAMPO -1-, GM FOOD -1-, UVESCO -1-
GRUPO ID LOGISTICS	Madrid	267,0	43,0	280,0	45,0	305,0	49,0	ALCAMPO -3-, MAKRO -2-, EROSKI -1-
XPO SUPPLY CHAIN SPAIN (4)	Madrid	120,6	27,0	157,0	38,0 (*)	--	--	CARREFOUR -3-
FACTOR CINCO SOLUCIÓN (5)	Alovera (GU)	35,5	15,0	39,4	21,7	45,0	29,2	ALCAMPO -1-, IFA -1-, CARREFOUR -1-
GRUPO GARVASA	Penagos (CAN)	29,5	15,0 (*)	32,0	15,0 (*)	--	--	CARREFOUR -1-
OLANO SEAFOOD IBÉRICA (6)	Irún (GUI)	78,0	12,0 (*)	95,0	15,0 (*)	--	--	SIMPLY -1-, DIA -1-
HERMES LOGÍSTICA-TRASMEDITERRÁNEA (7)	Barcelona	55,1	13.5	54,0	14,6	55,0	14,3	COVALCO -1-
ARM LOGÍSTICA (Grupo) (8)	Linares (Jaén)	22,9	12,6	25,7	14,5 (*)	--	--	--

- **Logistics concentrated in 10 companies covering 80 % of market**
- **Infrastructures prepared to deliver to 20.000+ outlets**
- **All Logistic Operators service different retailers depending on processes, regions and categories**
- **All major retailers except Mercadona and C. Ingles use a diversified third party network of operators due to specialised processes depending on categories**
- **All retailers (except C. Ingles) are diversifying their platforms by speciality**

Source: Nielsen,Alimarket, Aral, MAPA

ROUTE-TO-MARKET STRUCTURE-2
--Through Distributors/Wholesalers--

THE PREMISE: THERE IS NOT SUCH A THING AS A SINGLE NATIONAL DISTRIBUTOR

Because the Regional diversity in Spain has ended in:

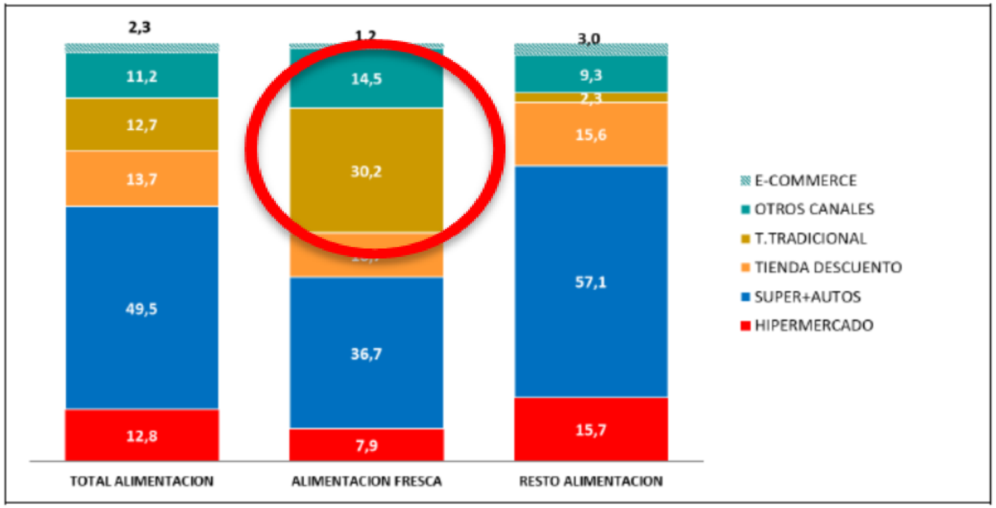
- ✓ Different consumption habits
- ✓ Diverse preferences of brands/ products per occasion or moment of consumption
- ✓ Highly differentiated trade structure and trade characteristics which impose the need to have a differentiated RTM
- ✓ Different relative importance of tourism penetration and expats (+/- 1 million) impact
- ✓ Different languages, social behaviours and percap. disposable income of 1 to 2, make the approach to be ad-hoc

The Food & Bevs RTM in Spain is mainly dominated by local Distributors and wholesalers servicing each province. There are more than 3000 regional and a very small number with inefficient National span.

TRADITIONAL AND OTHER RETAIL CHANNELS

TRADITIONAL RETAIL CHANNELS
--Neighborhood Markets and Specialists--

Relative weight of channels (per volumen) by type of product (Fresh vs. Rest of Food&Bev) 2022-MAPA july '23



TRADITIONAL CHANNEL

- **Still very important for fresh products purchases and the "shopping-of-the-day"**
- **Though declining (12 %points in 10 years), at mat dec '22 represents 44% of total volumen bought of fresh (55% of fruit&veg and 25% of meat and fish)**
- **Open everyday from 75 to 250 stores (per market) with over the counter service**
- **Mainly Food but also Gourmet and On-premise consumption starting to be a fashion**
- **Prices normally very competitive. Some products direct from producers (no intermediaries)**
- **Complemented by Open space markets outlets a-day-a-week**

SPECIALIST RETAILERS
--Organic/Bio--

ORGANIC/BIO

- **Still limited presence and penetration**
- **Big competition from Carrefour and Lidl**
- **Range up to 5,000 sku,s**
- **Food but also health and beauty care**
- **Prices normally 15 to 25% up**

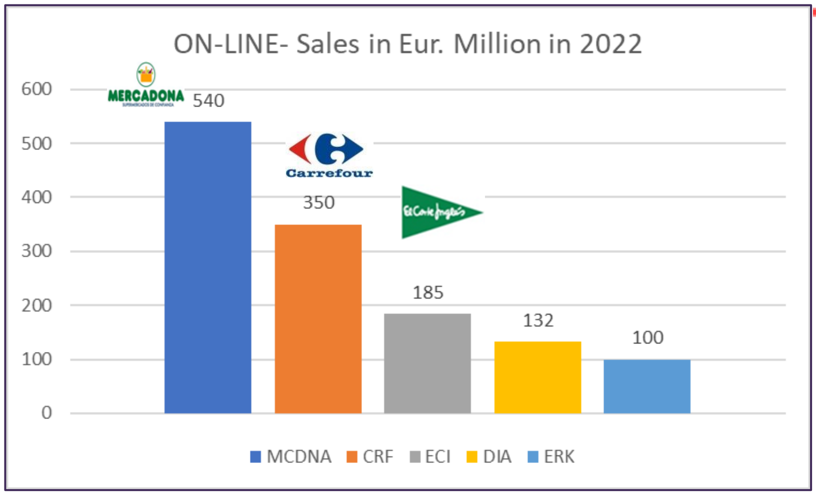
RETAILER	# STORES	PRESENCE
VERITAS	78	Barcelona, Madrid, Basque and Balearics
BIOCONSUM	58	Barcelona, Valencia, Madrid and Murcia
HERB NAVARRO	50	Valencia, Madrid, Bilbao and Valladolid

According to MAPA data base reporting (covering home consumption) Bio products represent a 3.4% (Eur Million 2,500) of total household purchases in 2022 mainly in fresh produce and preserved categories

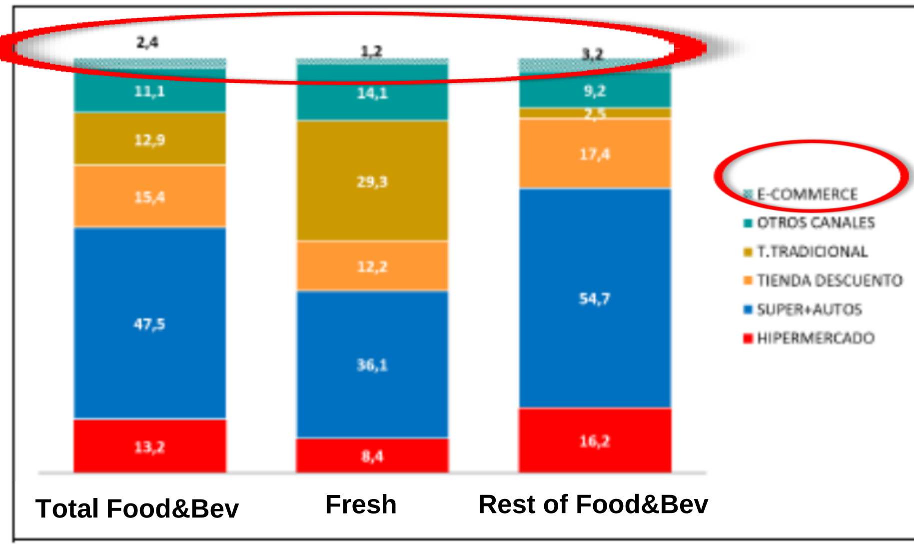
Source: Alimarket, MAPA,IRI and GS elaboration

OTHER RETAIL CHANNELS EMERGING
--On line Shops --

Ranking of ON-LINE sales by Retailer



Relative weight of channels by type of product (Fresh vs. Rest of Food&Bev)



Other E-Commerce places

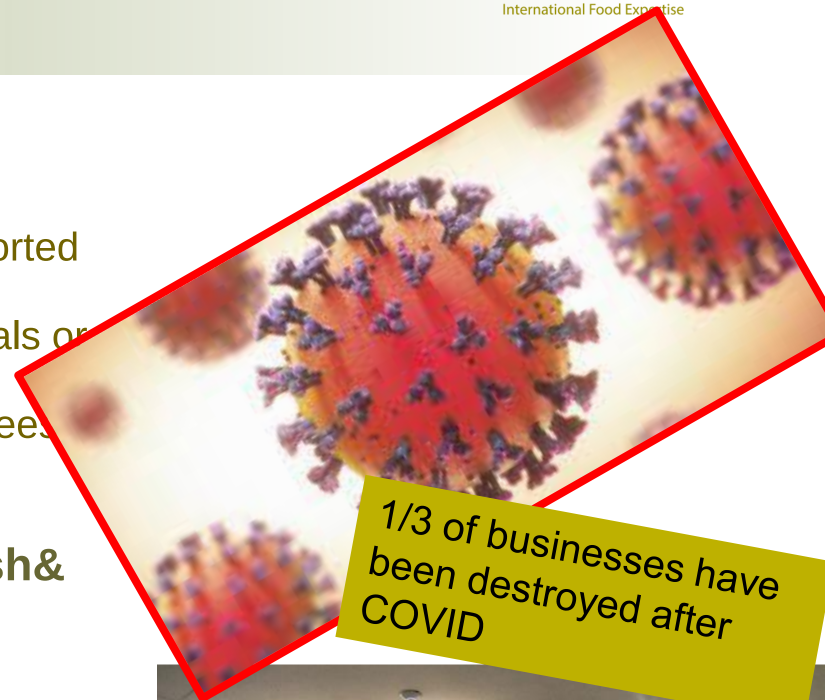
- Amazon
- Glovo
- Just Eat
- Uber Eats & Bolt Food

Source: Alimarket, MAPA Inf Aliment. 2023, Statista and GS elaboration

•The Food Service Channel

FOOD SERVICE Channel-Highlights

- **This channel covers restaurants, bars, cafeterias, hotels and catering with a highly fragmented structure:**
  - 250,000 outlets recognised by Nielsen to 350,000 reported by The Spanish Food Service Federation (CEHE)
  - Almost 95 percent of the sector is handled by individuals or family-owned businesses
  - 60 percent of businesses employ less than 10 employees
- **Route-To-Market-Distribution environment dominated by local/regional players and Cash& Carries**
  - Food wholesalers
  - Specialised distributors
  - Agents, intermediates, brokers, etc.
- **Pressure on margins is compensated by increase of Private Label brands, cooking solutions, ready to serve products and flexible working patterns**



1/3 of businesses have been destroyed after COVID

Source: Nielsen,Alimarket, Aral, MAPA, INE

FOOD SERVICE EXPECTATIONS & CHALLENGES

--2023 & 2024--

EXPECTATIONS

New Growth areas
- Delivery
- Take away
- Healthy offers

Business Evolution
- International expansion
- Premium subsegments

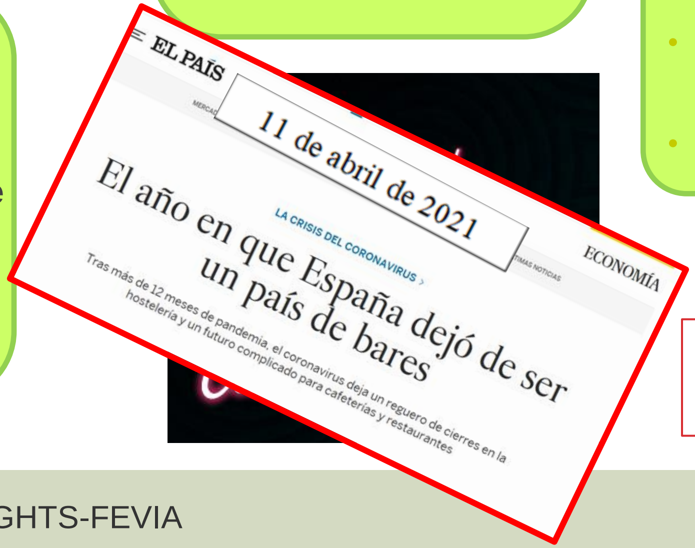
Doing business
- Social media
- In store experience
- Operational efficiency

CHALLENGES

Demand side
- Tourism evolution
- Grocery retail food-to-go
- Relevant digitalisation

Cost management
- Rentals
- Staff costs
- Waste mgmt

New Competition
- European operators
- Snacking offers


EL PAÍS

11 de abril de 2021

ECONOMÍA

LA CRISIS DEL CORONAVIRUS

El año en que España dejó de ser un país de bares

Tras más de 12 meses de pandemia, el coronavirus deja un reguero de cierres en la hostelería y un futuro complicado para cafeterías y restaurantes

* "The year in which Spain was not longer a country of bars"

FOOD SERVICE Channel segmentation

The Universe of the Fragmentation

FOOD SERVICE LANDSCAPE BY SEGMENT					
		# OF OUTLETS	Of which Organised (1)	% nr. versus Total	% vs purchases
BARS		175,000	8,000	58%	44%
RESTAURANTS		70,000	5,000	23%	33%
NIGHT CLUBS &PUBS		25,000	1,000	8%	5%
HOTELS		17,000	7,000	6%	11%
COLLECTIVITIES(2)		13,000	3,000	4%	7%
	TOTAL	300,000	24,000	100%	100%

Number of outlets very stable in last three years but number of visits declining from 7.5 k million to less than 6.5 k million

Source: Nielsen,Hostamarket, MAPA, INE, Hosteleria de España

(1) Organised outlets belong to structured Companies (increasing presence of private equity funds) with heavy marketing budgets, professional organisations and efficient business processes

(2) Collectivities refer to outlets of hospitals, schools and other organisations serviced by catering Companies

FOOD SERVICE Channel- Organised-1

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Mixed- Bar/Restaurants
-The Big Four-

Alsea

140
119
106
39
13
2

1,800 outlets

RESTALIA
Why not?

BEER & FOOD
JUNTOS ES MEJOR

ibersol grupo

Fast Food

2,100 Outlets

Convenience-On-the-go

650 outlets

areas

ibersol grupo

AmRest

blue frog

-Others Organised

Food box
food in company

-Others Organised

-Others Organised

DEHESA SANTAMARÍA
SABER IBÉRICO

FOOD SERVICE Channel- Organised-2

Premium Restaurants

11 ***
31 **
182 *

Bib Gourmand
La guía MICHELIN
ESPAÑA | PORTUGAL

300 outlets

Catering-Collectivities

serunion
sodexo
aramark
Eurest

2,500 outlets

-Others Organised

- ✓ Ausolan
- ✓ Mallorca
- ✓ La Maquina

Hotels-The Big Four

Sol Meliá HOTELS & RESORTS
NH HOTELES
RIU Hotels & Resorts
Barceló Hotels & Resorts

950 outlets

Hotels-Others Organised

- ✓ AC Hotels
- ✓ IBEROSTAR
- ✓ HOTUSA

Source: Nielsen,Hostelmarket, Michelin Guide 2021

FOOD SERVICE ROUTE-TO-MARKET STRUCTURE

--Through Distributors/Wholesalers--

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THE PREMISE: THERE IS NOT SUCH A THING AS A SINGLE NATIONAL DISTRIBUTOR

Because the Regional diversity in Spain has ended in:

- ✓ Different consumption habits
- ✓ Diverse preferences of brands/ products per occasion or moment of consumption
- ✓ Highly differentiated trade structure and trade characteristics which impose the need to have a differentiated RTM
- ✓ Different relative importance of tourism penetration and expats (+/- 1 million) impact
- ✓ Different languages, social behaviours and percap. disposable income of 1 to 2, make the approach to be ad-hoc

The Food & Bevs RTM in Spain is mainly dominated by local Distributors and wholesalers servicing each province. There are more than 3000 regional and a very small number with inefficient National span.

FOOD SERVICE Channel- RTM Profiles

	Bares/Cafeterías	Restaurantes	Restauración moderna	Hoteles	Pubs / discotecas
Direct Suppliers	26%	23%	78%	26%	30%
Distributors	57%	60%	22%	64%	60%
Cash&Carries	8%	8%	0%	3%	6%
Retailers	10%	10%	1%	7%	4%

Fuente: Panel extradoméstico MARM. Cuota de mercado en volumen según el tipo de establecimiento.

- The Food Service RTM in Spain is mainly dominated by local Distributors and wholesalers servicing each province. There are more than 3,000 regional and a very small number with inefficient National span. Cash&Carry (Makro (37 outlets) and 9 others (250 outlets) concentrate 70% of som) and Retail play a minor role
- Organised HORECA preference is to get direct services from suppliers

ROUTE-TO-MARKET STRUCTURE FOR FOOD SERVICE

--Distributors, Wholesalers and Importers-

- Most professional ones ventured with Beer Companies (Heineken, Damm, etc) as buying groups
- Difficult for them to embrace all Spain
- Some challenges to manage large portfolios and keep the right focus
- Normally need Brand support to enhance sales
- Listing fees on top of entry costs in retailers and a margin of 25/35% plus logistic costs contribution
- May have hidden costs of key account management
- Challenges to achieve the right financial balance and exclusivity

- **Key Takeaways**

MARKET ASSESSMENT CONCLUSION
--SWOT--

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STRENGTHS

- Highly curious mind of Consumers ready to experience new food-concepts
- Relatively low cost of developing awareness of Brands/Products/Concepts with Social Media
- Relative concentration of retailers
- Innovative Retailers developing at full speed the assortment mainly in Hypermarkets and niche Premium stores

OPPORTUNITIES

- Shoppers clearly demanding new offers of Good 4 you-Good for the Planet
- Possible extensión by retailers of more diverse ranges to offer in smaller size premium supermarkets and New Natural channels
- Alternative Distribution networks and Regional entry points for a controlled entry Plan
- Openess from retailers for PL propositions with added value

WEAKNESSES

- Shoppers less interested in “normal” food category offers (would need special positions, promo activity, tastings..) driving to a high cost for acceptance of new propositions
- A complex regional and trade infrastructure needing sales force presence at store level
- Too many skus in a difficult/uncertain economic environment
- Foreign/Etnic offers need to demonstrate a real USP and benefits both emotional and functional
- Quality standards and Certifications together with language barrier and strict regulations to be considered

THREATS

- Me-too strategies from main Retailers in PL (Mercadona effect) are able to quickly dump an innovative proposition
- The household structure getting rapidly older
- Post Covid and 22&23 inflation have produced behaviours hindering the growth of the categories and stopping new initiatives of retailers
- Current Buying Process highly complex in all organizations: Need to allow for long roll-out plans.

KEY TAKEAWAYS
--How to tackle a Roll-Out Plan --

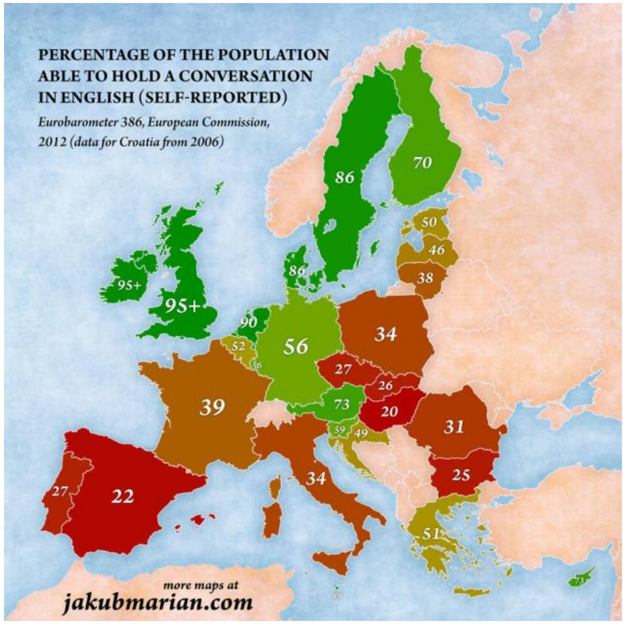
RETAILER/FOOD SERV. ORGANIZATION SELECTION

In front of Fragmentation prioritize with strategic criteria:

1. **Brand Image fit**
2. **Price respect**
3. **Store reach/target fit**
4. **Volume impact**
5. **Time frame of partnership…**
6. **Route-to-Market constraints**

- Demonstrate your product is **BEST** with a unique difference+ selling proposition
- Create awareness and recognition with Brand Marketing and Digital Social Media
- Invest in Trade marketing initiatives
- Sales force/Ambassador for branded products
- Be prepared with certifications
- Assess level of packaging adaptation to be legally compliant
- Leverage and showcase your crossed presence in Retail and Top Coffee Chains/Food Service Organizations

Level of English proficiency



DO YOUR HOMEWORK, BE READY TO INVEST AND BE PATIENT…
(and execute it all in Spanish!!)

KEY TAKEAWAYS

--Buying process (non PL) and Expectations--

PRODUCT OFFERING

- **A large enough Range is needed for Brand Foot-print and "stain"**
- **A "Seal" of USP or ECO/BIO required and with back-up**
- **Customize to spanish**
- **Packaging presentation**
- **Prices to contain 35% to 50% margin plus 10% VAT**
- **Budget available for trade spend**

PROMOTION

- **In store 2nd placements**
- **4x per year at 50% 2nd unit or similar**
- **On-line promos**
- **Retailer e-commerce activation**

BUYERS EXPECTATIONS

- Show you know your category: market data and insights are a must
- Involve category manager before the buyer
- Expect RSP challenges and entry costs (free samples, listing fees, tastings..)
- Trade Marketing investment will be expected on top of regular margin (35%-50%)
- Analise upfront product adaptation requirements
- Difficulties to get attention from buyers (sneaky in safeguard of time versus personal contact)
- Long process from 6 to 12 months

FINAL RECOMMENDATIONS

1. **Do your research.** A good understanding of the Market is required for successful market entry. You need to analyse from Competitors to Retailers profile and Buying processes to legal and packaging requirements, not forgetting Regionalisation of the market

2. **Be clear about what your Brand offers to the Retailer.** Show what contribution you bring to the buyer and how you will be investing to make that value generation last in the medium-longer term

3. **Make sure you can back-up your Point-of-Difference and your claims.**You should be ready to proof you are better than competition and why. Be ready to demonstrate your benefits and promises, and do it investing behind them

4. **Focus on things you can control.** Plan your approach in an strategic way, define in advance which retailers you want to target and why, how many sku's will be offered, which Route-to-Market you will use and what prices and promotional schemes you will be considering

5. **Work locally with a partner and have people on the ground.** You need to overcome the language barrier and cultural sensitivities with experts who will help you with the local tricky things (labelling, warehousing and distribution) and in store execution of your commercial programs

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THANK YOU !!