



Are **challenger brands winning** in the UK market?

We take a deep dive into the performance of UK challenger brands, assessing the impact that changing consumer demands and the economic climate are having on performance.



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Setting the Scene

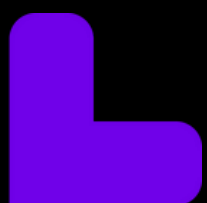
There's not a day that's gone by over the past year where we've not heard about the cost of living crisis, or the pressure it is placing on household budgets.



Prices within retailers are spiralling and challenger brands are under immense pressure to both launch and retain their space on the supermarket shelves. Coupled with this, technology is increasingly playing a more active role within the daily lives of consumers, with the likes of AI further accelerating this pace of change.

As a result, we are seeing shoppers continually re-evaluating the purchases they make on auto-pilot versus trialling new products, to either meet new needs or in the pursuit of greater value.

When you bring this scenario into the grocery retail arena, we are witnessing the same shopper behaviours play out. If we add in the retailer's pursuit of profit, which often results in reduced ranges to increase back-of-store efficiency, it's clear that life as a consumer goods brand owner is difficult right now.



*The question we wanted to know the answer to though was, **'Does this mean consumer goods challenger brands are winning or losing in the market vs the brand leaders'?***

CONTEXT

Within UK Grocery retail, there are around 10,000 branded suppliers operating across the 9 super categories of Impulse, BWS, Ambient Grocery, Frozen, Chilled, Household, Personal Care, Healthcare & Pet.

For the purpose of this report, we've set the line between challenger brand businesses and big brand businesses at the £30m/year retail sales mark and the data source is till roll data from every sku sold across 55k stores and circa 40 retailers*.

Today, **just 3% of the numeric branded CPG businesses represent 86% of all branded sales across grocery retail.**

The Pareto Principle famously established the 80/20 rule, but that doesn't come close when looking at the dominance that big brands have over what UK shoppers buy.

“Over 9,500 challenger brands represent 14% of branded product sales in UK grocery retail .”

Although consumer behaviours are changing significantly, there is a large number of fantastic challenger brands developing high-quality products to meet these needs. However, grocery retail shelves are still not reflecting this.

This is being driven, in part, by the pausing of range reviews whilst buyers are focusing on cost price increases and core availability. However, there is also some risk aversion at play, meaning that challenger brands are needing to demonstrate a more commercially-driven proposal when looking to pitch for new and/or increased listings.

The playing field is far from level, but **are challenger brands winning?**

To answer this question, let's first look at the brand leaders. They are collectively growing sales by 7%, driven predominantly by inflation.

When looking at challenger brands, we've broken down this group further, in order to better represent the different life stages of a brand, through start-up and scale-up.

We've then segmented challenger brands into 6 stages by turnover, and have detailed this within the pages that follow.

STAGE 1

Brands with annual grocery retail sales of sub £1m

Are sub £1m challenger brands winning?

It's fair to say that reaching the first £1m in annual retail sales is the hardest milestone for any consumer goods challenger brand.

Over 80% of challenger brands in the UK market fall within this group, accounting for 1.3% of the total market of branded value sales.

Collectively, brands within stage 1 aren't winning in the market, and sales growth remains behind that of all the other challenger brand stages. However, that's not to say there aren't brands that are succeeding within this growth stage.

As you can see from the chart below, this group of brands are performing significantly behind the market across all categories, with the exception of Household & Petcare.

Over 20% of small businesses fail in their first year, so the first hurdle as a challenger brand is navigating your way past the £1m mark.

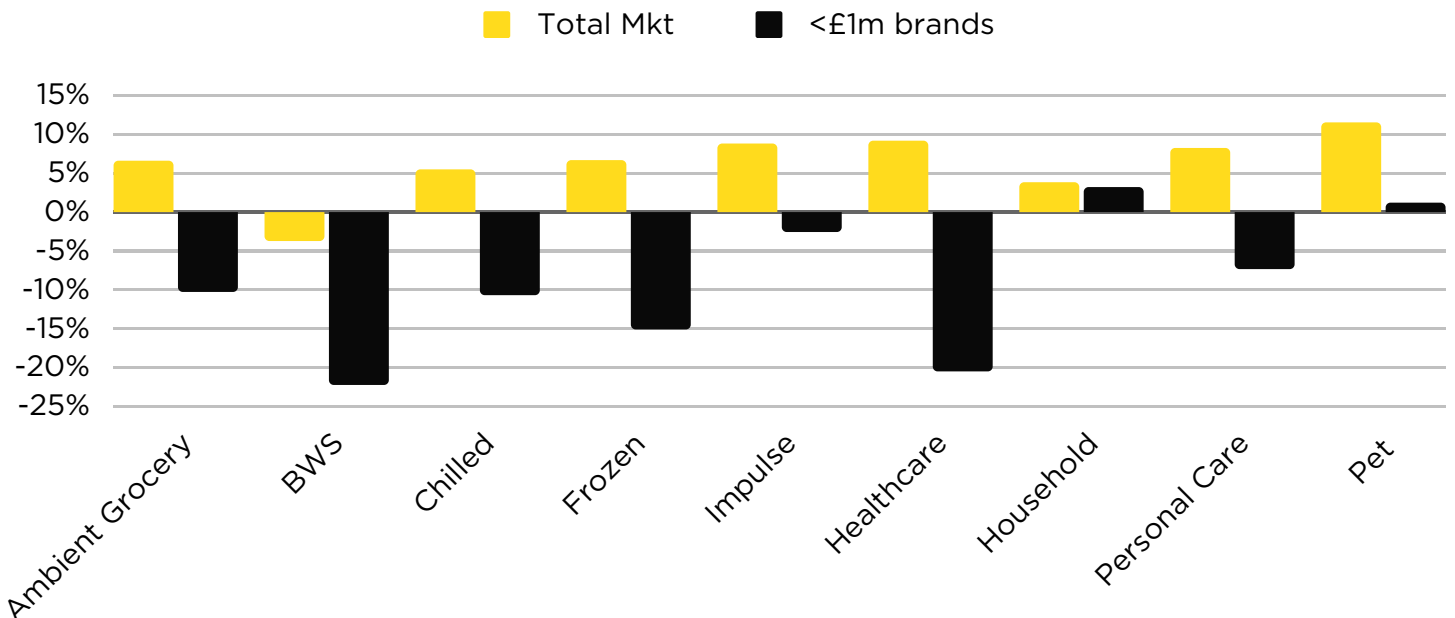
"This is where life as a founder is arguably at its hardest and you need to complement creativity and gut instinct with data driven decisions to counter your lack of time and cash flow challenge."

Kieran South

Co-Founder, North Star

DATA INSIGHT

Value % Change By Category - Total Market V Sub £1m Challenger Brands



Source: North Star...powered by Circana: 52wk ending August 2023 value sales vs year ago

STAGE 1

Brands with annual grocery retail sales of sub £1m *Continued...*

OUR RECOMMENDATIONS

The fight for survival is real and the primary focus for brands sub £1m/year is to build out distribution into stores, ensuring the brand is available to the right target shoppers, at the right time & in the right place.

As we recently heard from **Ed Whelpton, Co-Founder at Bold Bean Co,**

“We knew we had good sales data, but we didn’t know how we were performing versus other brands.”

In order to secure multi-site listings within grocery retailers, Bold Bean Co focused on giving buyers the actual numbers and the hard facts they needed to grow their category,

This was accompanied by their brand story and how they were performing against their competitors, to paint a rounded picture and illuminate what was happening in the market - ultimately helping buyers navigate the challenging economic climate and grow their category.

DATA INSIGHT

Distribution Change by Category YOY £1k-£250k V £250k-£1m

Distribution % Change	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEHOLD	PERSONAL CARE	PET
£1k-£250k	-11.8%	2.4%	-16.6%	-10.5%	-10.1%	3.5%	-6.0%	4.1%	-1.5%
£250k-£1m	-3.7%	5.8%	7.7%	34.9%	3.7%	-16.4%	-6.9%	-4.7%	15.2%

Source: North Star...powered by Circana: 52wk ending August 2023 vs year ago

STAGE 2

Brands with annual grocery retail sales of £1-2m

Are £1-2m challenger brands winning?

Brands that have tipped into the £1m+ tier are having a slightly easier time than they've had up until this stage.

As you can see from the table below, most categories within this stage are seeing strong value growth, especially Ambient Grocery, Household, Personal Care and Pet, which are all in double-digit value % growth.

When we delve deeper into a category level, we can see that Healthcare and BWS have seen strong distribution gains, however this hasn't transferred into value sales.

Brands performing best in this stage are those offering a unique, differentiated experience for shoppers, delivering incremental category sales. The key has been brands getting retailer buy-in to this and backing them with distribution.

OUR RECOMMENDATIONS

Within this stage of growth, the focus should be on maintaining the existing listings you have already secured, whilst looking ahead to establish how you're going to grow your distribution within larger, multi-site retailers in the next 12 months by creating clear insight-led proposals that make clear the role your brands is playing within the category.

It's really important during this phase of brand growth to identify and map out a scalable plan for growth going forward – which should include plans for resource to support you as a founder.

Founders within this stage often find themselves hit with unexpected costs and supply chain challenges, so it's good to be prepared for these bumps in the road!

Get in touch if you'd like to delve deeper in to a specific category or categories.

DATA INSIGHT

Value, Price And Distribution Change by Category YOY

£1m-£2m Challenger Brands	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEHOLD	PERSONAL CARE	PET
Distribution Change	-2.4%	16.5%	-5.8%	5.9%	-4.2%	33.4%	-9.3%	14.6%	41.6%
Value % Change	14.5%	-10.5%	0.3%	5.1%	7.4%	-19.3%	17.9%	18.0%	20.5%
Price % Change	5.9%	4.6%	7.8%	11.6%	9.9%	19.0%	9.4%	14.8%	5.0%

Source: North Star...powered by Circana: 52 week ending August 2023 vs year ago

STAGE 3

Brands with annual grocery retail sales of £2-5m

Are £2-5m challenger brands winning?

It's clear from the table below that challenger brands sitting within this category are winning in the UK market, however distribution is one of the key challenges brands of this size are facing at the current time.

At this stage we are seeing retailers rationalise challenger brands ranges down to focus on their best sellers. Whilst at face value this could be a challenge, the net result is stronger sales for the core SKUs which could work on both the sales & profit front.

Whilst price increases have driven some of the growth within this tier, there are also some really strong underlying brand performers driving strong growth in all bar two categories (Healthcare and BWS).

OUR RECOMMENDATIONS

Having reached this growth stage, you have already secured listings within some larger accounts. However, you now have a new challenge (or opportunity!) on your hands. You'll need to split your current time into a) optimising, growing and managing your existing accounts and b) identifying and winning new accounts.

If you haven't yet got your support team in place, now's the time to start looking for the right people to take your business to the next level.

New channels, products and markets all become the focus, including international opportunities. In addition, NPD should become a priority, helping to strengthen your core ranges.

Get in touch if you'd like to delve deeper in to a specific category or categories.

DATA INSIGHT

Value, Price And Distribution Change by Category YOY

£2m-£5m Challenger Brands	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEHOLD	PERSONAL CARE	PET
Distribution Change	-5.3%	-8.5%	-5.8%	-16.3%	-15.2%	-11.3%	20.3%	18.3%	-0.6%
Value % Change	12.5%	-23.6%	5.5%	15.3%	15.6%	10.5%	11.9%	4.5%	32.3%
Price % Change	12.7%	4.9%	9.9%	5.0%	4.2%	-7.6%	7.5%	0.4%	15.9%

Source: North Star...powered by Circana: 52 week ending August 2023 vs year ago

STAGE 4

Brands with annual grocery retail sales of £5-12m

Are £5-12m challenger brands winning?

In short... Yes!

The brands within this stage have been hugely successful in achieving national distribution across multiple retailers and channels. Their brands have brought innovation & excitement, enabling them to disrupt traditional categories.

They have successfully driven appeal to a broad shopper group, ensuring that when they grew distribution the rate of sale continued to stack up. This has enabled them to maintain distribution gains longer term and extend into sub-brands and adjacent categories.

OUR RECOMMENDATIONS

Within this growth stage, it feels like you do nothing but hire new team members (which is a great 'problem' to have)! Generally speaking, the business is stable and you've secured listings within most of your target customers.

Your focus now should turn to optimising your existing strategies, including range and distribution growth, alongside a review of your promotional and pricing strategy.

In terms of NPD, you're more likely to be concentrating on entering new categories, to reach new audiences or shopper occasions, so ensure this has adequate time and space within your strategy planning.

Get in touch if you'd like to delve deeper in to a specific category or categories.

DATA INSIGHT

Value, Price And Distribution Change by Category YOY

£5m-£12m Challenger Brands	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEH OLD	PERSONAL CARE	PET
Distribution Change	9.1%	-7.5%	25.6%	49.2%	13.4%	25.5%	9.0%	14.8%	41.6%
Value % Change	9.9%	0.5%	11.4%	19.6%	19.1%	26.1%	15.0%	6.0%	18.7%
Price % Change	6.9%	4.2%	11.4%	20.9%	10.9%	9.4%	12.9%	13.9%	13.0%

Source: North Star...powered by Circana: 52 week ending August 2023 vs year ago

STAGE 5

Brands with annual grocery retail sales of £12-20m

Are £12-20m challenger brands winning?

It's been a mixed year for challenger brands within this stage of growth. Non food brands are seeing significant distribution losses, whilst food distribution changes are relatively stable and are driving value growth. Chilled and Ambient Grocery are the only categories winning share.

When focusing specifically on challenger brands within non-food categories, we're seeing a trend whereby £12-20m challengers are losing share to the smaller (£2-12m) challengers. The only exception to this is the personal care category, where market share is being lost to the larger £20-30m brands.

OUR RECOMMENDATIONS

Within this stage, you're likely to be focused on growing your omni-channel strategic approach, looking for new routes-to-market, including (if you don't already) selling more online.

This could be a good opportunity to review your promotional strategies to ensure they're hitting core objectives i.e. driving trial and repeat purchases, winning share and holding distribution.

Ensure you take time to plan your range reviews & extensions and keep focusing on growing internationally (if this is a strategic growth area for you).

Get in touch if you'd like to delve deeper in to a specific category or categories.

DATA INSIGHT

Value, Price And Distribution Change by Category YOY

£12m-£20m Challenger Brands	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEH OLD	PERSONAL CARE	PET
Distribution Change	1.4%	2.5%	1.9%	-5.4%	50.3%	-64.4%	-31.9%	-40.6%	N/A
Value % Change	11.1%	-7.8%	11.1%	4.0%	6.3%	5.1%	-4.8%	8.0%	N/A
Price % Change	8.2%	-7.2%	15.4%	14.5%	7.7%	93.1%	-6.6%	-5.9%	N/A

Source: North Star...powered by Circana: 52 week ending August 2023 vs year ago

STAGE 6

Brands with annual grocery retail sales of £20-30m

Are £20-30m challenger brands winning?

The £20-£30m brands are consistently winning share in all categories, except the Ambient Grocery super-category.

With a consistently stronger rate of sale, this is driven primarily by larger media budgets within these brands.

We're also seeing that the percentage of products sold on promotion is often lower than the £12-£20m brands.

OUR RECOMMENDATIONS

Cross-category development is a key driver to move these brands above the £30m threshold. They are established in their core categories, so retailer discussion should focus around exciting and innovative NPD.

Your brand is so close to becoming a household name in the UK, so the main focus areas now should be concentrated on growing revenue and scale.

Get in touch if you'd like to delve deeper in to a specific category or categories.

DATA INSIGHT

Value, Price And Distribution Change by Category YOY

£20-30m Challenger Brands	AMBIENT GROCERY	BWS	CHILLED	FROZEN	IMPULSE	HEALTH CARE	HOUSEH OLD	PERSONAL CARE	PET
Distribution Change	-17.0%	14.3%	-2.2%	-73.5%	19.1%	30.5%	77.7%	93.4%	-72.7%
Value % Change	4.7%	-1.6%	7.3%	10.2%	8.9%	19.5%	26.9%	19.9%	14.1%
Price % Change	22.1%	17.8%	9.4%	7.0%	11.3%	81.9%	48.6%	18.1%	25.2%

OUR CONCLUSIONS

This really is a story of two halves.

It's fair to say that challenger brands in the sub £1m per year category are having a difficult time, which is being driven by big reductions in distribution across nearly all categories. However, although it's a tough market, there are real challenger brands making waves in this space, so we'd encourage you to look to these brands, connect and take their learnings to drive your brand forwards.

However, for challenger brands that have moved beyond this milestone, there are clear signs that the landscape is starting to change.

Challenger brands in the £1m-£30m range are collectively growing faster than the brand leaders – this is incredible and is testament to the quality of these brands, alongside changing shopper demands.

A key trait we're seeing in common amongst winning challenger brands is the way in which they're **complementing their brand story with data and insights**. They're able to talk confidently about their category, the wider market and the role in which their brand plays within it. As a result, they're able to make effective decisions, win over retailers and dazzle investors.

TOP TIPS

Being a brand leader doesn't make you the bad guys – far from it. These brands play a huge role in the lives of millions each day.

Being a challenger brand doesn't give you a god-given right to large scale distribution either. If there are brands in front of you, fulfilling a similar need in a way that shoppers prefer, then life will be difficult.

But is the balance right? Do we really need all these flavour extensions from the same brands? Do we really need 6 different pack sizes of the same branded ketchup, toothpaste, soft drink or cereal?

Consumer behaviours are changing faster than at any time in the last generation, the country is facing a health crisis, and the planet needs us to find more sustainable ways of living.

Yes, big brands are playing a role in meeting this change, but not at the speed required. When you look at the quality of products being created by challenger brands, **it's clear we need to find a way to support them better**, and give shoppers the opportunity to buy the best of them in more stores, across more parts of the country, much sooner.

This isn't to say every challenger brand of this size has huge growth potential, but **there are some incredible businesses doing incredible things**.

Get listed. **Stay Listed.**

Shine a light on how your competition is performing, so you can see how to grow.

ABOUT US



As friends and colleagues for more than twenty years, Kieran & Huw have an exceptional understanding of the FMCG industry, and **what it takes for brands to win**. This experience comes from having worked with brand leaders, challenger brands and start-ups, and has created a unique perspective & knowledge that there isn't any one size fits all approach for brands to be successful.

Whilst there may not be a single way for FMCG companies to guarantee success today, North Star was founded on the belief that **winning brands follow a series of winning moves**.

By recreating mission critical elements of these winning moves, brands can significantly **increase their ability to accelerate growth**.

By leveraging technology and data analytics, forming unique partnerships with some of the best data providers in the FMCG industry, as well having a team of leading experts in their fields, North Star will become the **'challengers champion' by illuminating the way to win over retailers, make effective decisions, and dazzle investors**.

“We know what a winning move looks like because we've been making them for decades.”

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**to 10x your chances
of getting listed and
staying listed.**

**And keep an eye on our LinkedIn for
early access to future reports.**



hello@northstarbc.co.uk



**LinkedIn: Kieran South /
Huw Davies**