

Consumer Surplus Factor (CSF) study

KHC - UK : Brown Sauce

June 2025



Executive Summary

Overall

- Overall **CSFs are healthy in Supermarket, Tesco & Convenience** - implying satisfied consumers with low switching tendency
- **Iceland CSFs are relatively lower due to price sensitive consumers**, limiting consumer stickiness in that channel

HP Brown Sauce

- **HP Brown Sauce retains pricing power** across Supermarket, Tesco & Iceland
 - Consumers are **less likely to switch to other brands when HP increases price** – instead, they tend to exit the category or channel altogether. HP can consider strategic price increases to gain value share
- **HP is the only brand available in the Convenience channel**
 - With no branded competition and a **channel price elasticity of -0.82**, HP faces relatively **inelastic demand** — meaning volume is less sensitive to price changes. This provides room to modestly increase prices without significant volume loss, allowing HP to improve margins while still preserving channel volume

Competition

- **Private Label has the strongest CSF** in Supermarket and Tesco despite 7-10% price increases
 - However, PL has limited price interaction with HP, reducing immediate switching risk

PPG

- **Discontinuation of Large Variant** in Daddies and Private Label, only **HP retains the Large Variant**;

UK - Brown Sauce - Market Context - (Mar'23 - Feb'24 v/s Mar' 24 - Feb'25)

Supermarkets

Change in: Value = **-3.4%**; Volume = **-3.5%**; Price = **0.1%**

	MS%	% Change	Avg. Price	% Change
HP	77.0%	0.1%	6.02	-3.5%
Small	9.8%	-0.3%	7.02	-6.8%
Medium	45.2%	3.2%	5.97	-5.5%
Large	21.9%	-2.8%	5.73	0.7%
DADDIES	10.3%	-1.0%	4.23	11.4%
Medium	10.1%	2.2%	4.24	3.3%
Large**	0.2%	-3.2%	3.65	13.0%
BRANSTON	1.4%	-0.1%	4.49	5.9%
Small	1.4%	-0.1%	4.49	5.9%
PRIVATE LABEL	9.5%	0.9%	2.27	7.8%
Medium	9.5%	1.5%	2.27	6.8%
Large**	0.0%	-0.6%	2.08	10.6%
REST	1.8%	0.0%	2.62	3.8%

Iceland

Change in: Value = **-4.1%**; Volume = **-3.4%**; Price = **-0.7%**

	MS%	% Change	Avg. Price	% Change
HP	61.4%	-4.3%	5.71	-4.3%
Medium	18.5%	-21.2%	5.82	-2.7%
Large	43.0%	16.9%	5.66	-4.6%
DADDIES	28.5%	0.6%	3.75	17.1%
Medium	28.5%	5.9%	3.75	14.1%
Large**	0.0%	-5.3%	1.64	-43.0%
GOLD STAR	3.5%	-0.4%	1.85	6.4%
Large	3.5%	-0.4%	1.85	6.4%
REST	6.6%	4.2%	2.33	-13.8%

Tesco

Change in: Value = **-1.8%**; Volume = **3.7%**; Price = **-5.3%**

	MS%	% Change	Avg. Price	% Change
HP	79.9%	-2.1%	5.93	-4.5%
Small	8.4%	-0.6%	7.19	-3.9%
Medium	51.2%	5.0%	5.96	-8.7%
Large	20.3%	-6.5%	5.48	0.5%
DADDIES	12.0%	-0.6%	3.75	-1.7%
Medium	11.9%	-0.6%	3.76	-1.7%
Large**	0.0%	0.0%	2.50	-1.8%
PRIVATE LABEL	7.5%	2.7%	2.40	10.8%
Medium	7.5%	4.0%	2.40	3.4%
Large**	0.0%	-1.3%	1.96	7.2%
REST	0.7%	0.0%	1.50	-3.1%

Convenience

Change in: Value = **-5.6%**; Volume = **-6.8%**; Price = **-1.3%**

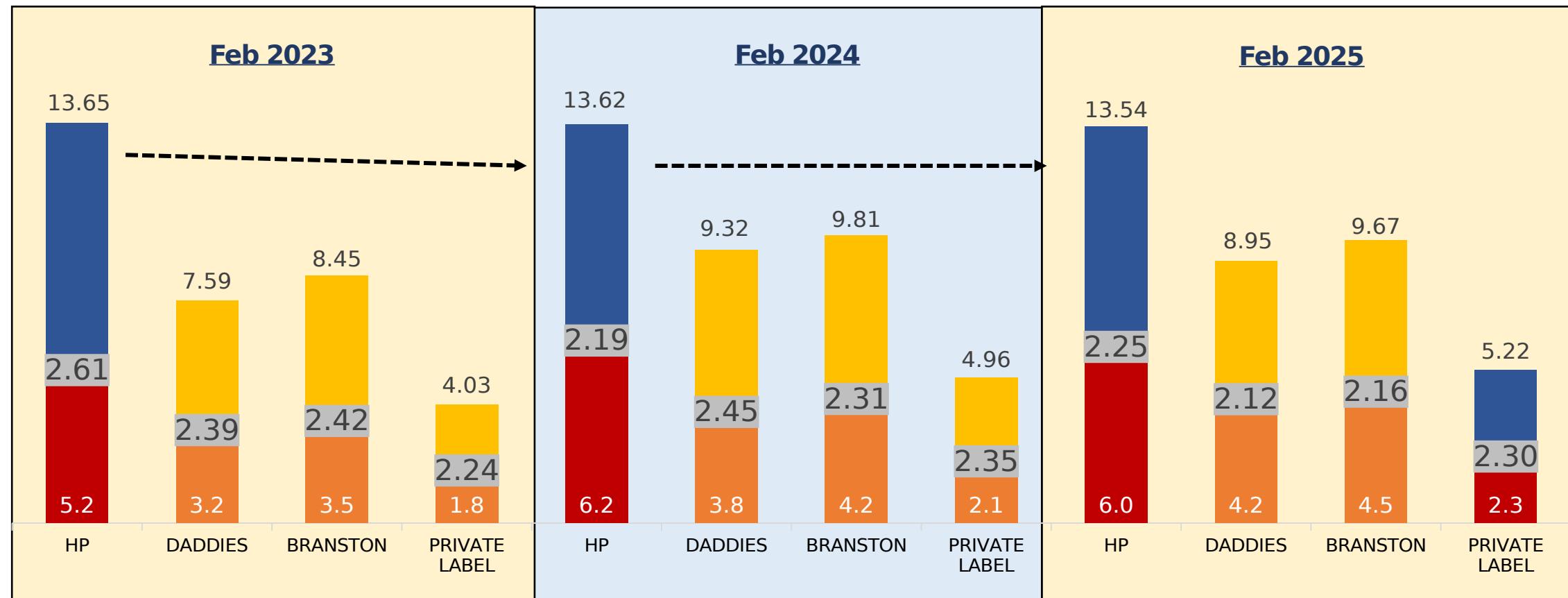
	MS%	% Change	Avg. Price	% Change
HP	98.7%	3.0%	6.28	-0.4%
Medium	71.9%	-1.7%	6.46	-0.4%
Large	26.8%	4.7%	5.84	1.1%
DADDIES**	1.2%	-0.7%	4.12	0.0%
Medium**	1.2%	-0.7%	4.12	0.0%

- Overall value of Brown Sauce category is declining across all Channels
- HP has maintained a relatively stable market share within Supermarkets and Tesco
 - However, HP has lost distribution in Medium Variant of Iceland Channel which seems to be the cause of losing share in that Channel
- Medium Variant increasing in Market Share across channels indicating increasing consumer preference towards that PPG
- Both, Daddies and Private Label, have discontinued Large Variant completely
- Private Label Medium variant is gaining market share in Supermarket and Tesco, despite recent price increases.

**PPGs that have been discontinued (as inferred via distribution numbers)

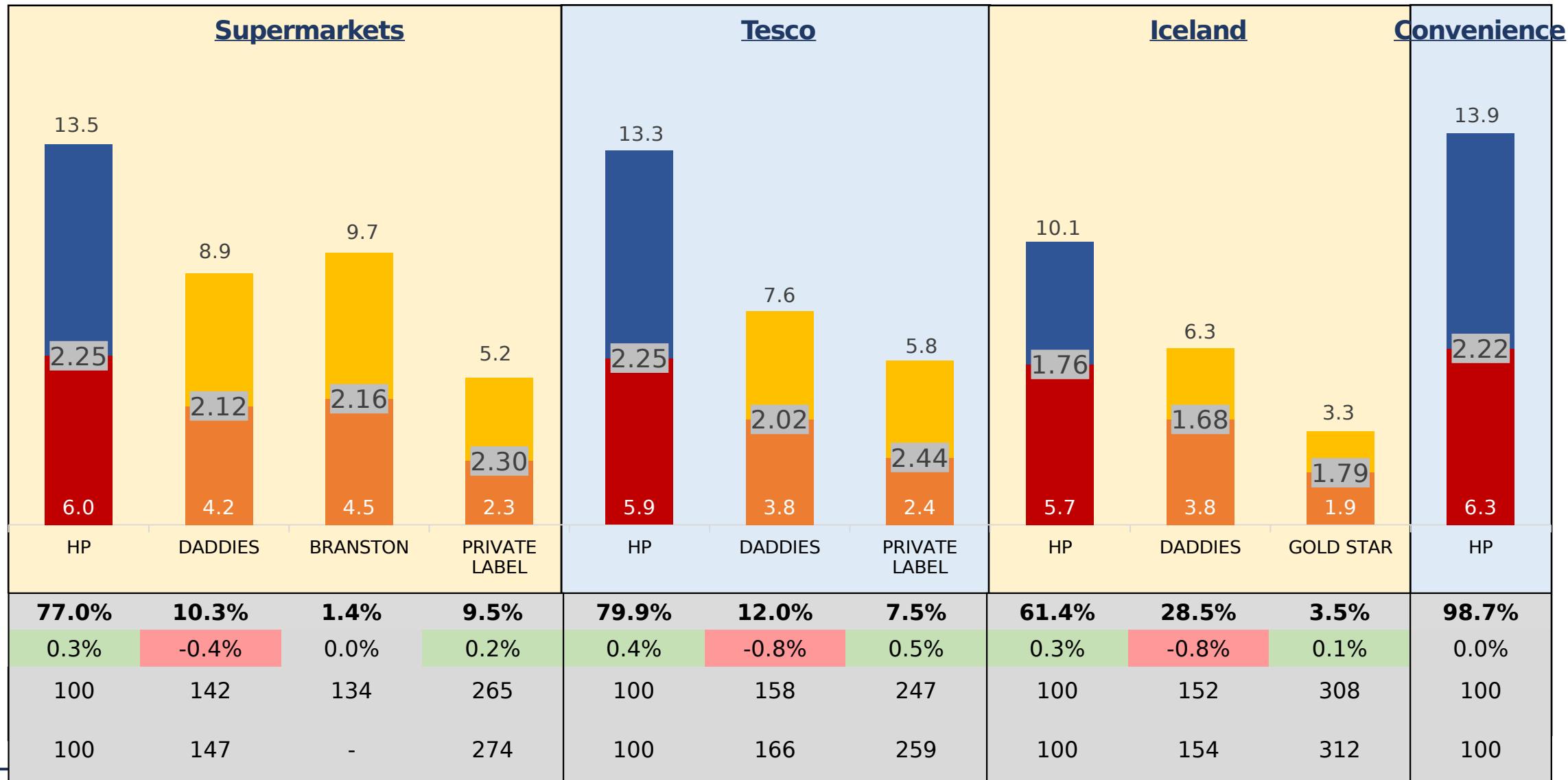
CSF & MCV Trend - Supermarket - HP hasn't been able to increase MCV in proportion to it's price

- HP's MCV Index to Private Label has decreased more than the Price Index over time



	MCV Index to PL	Price Index to PL
Feb-23	339	291
Feb-24	275	296
Feb-25	259	265

HP has healthy CSF across channels; Private Label emerging as a huge threat

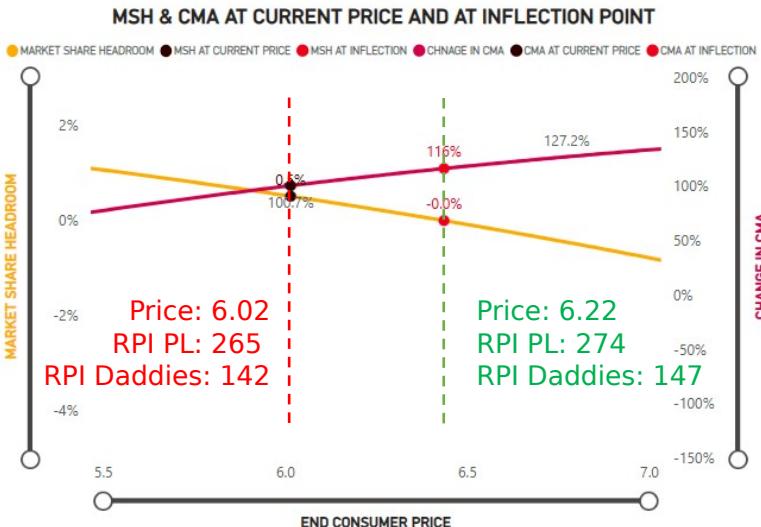


➤ HP has healthy CSF and will continue to grow in terms of Market Share

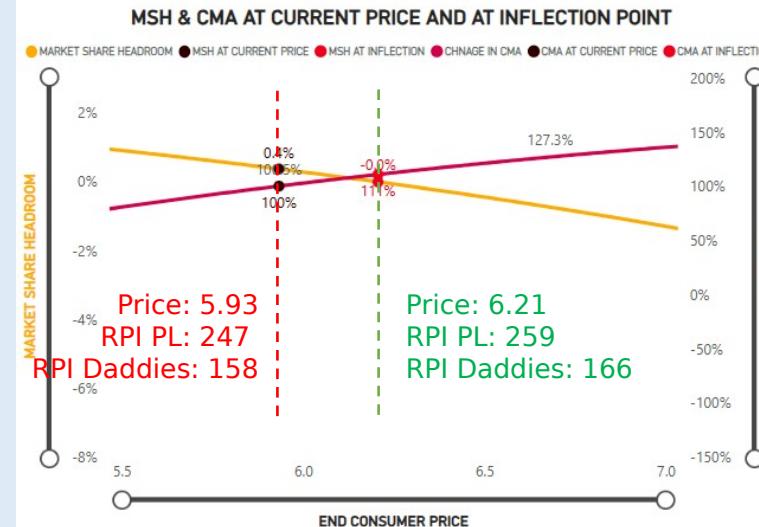
➤ Private Label has the highest CSF in Supermarket and Tesco and is in a strong competitive position

HP has pricing power across Supermarket, Tesco and Iceland

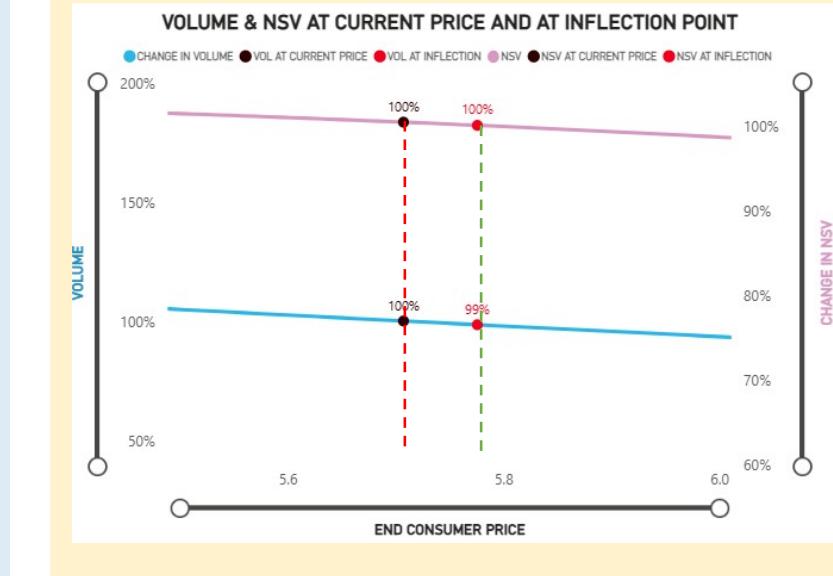
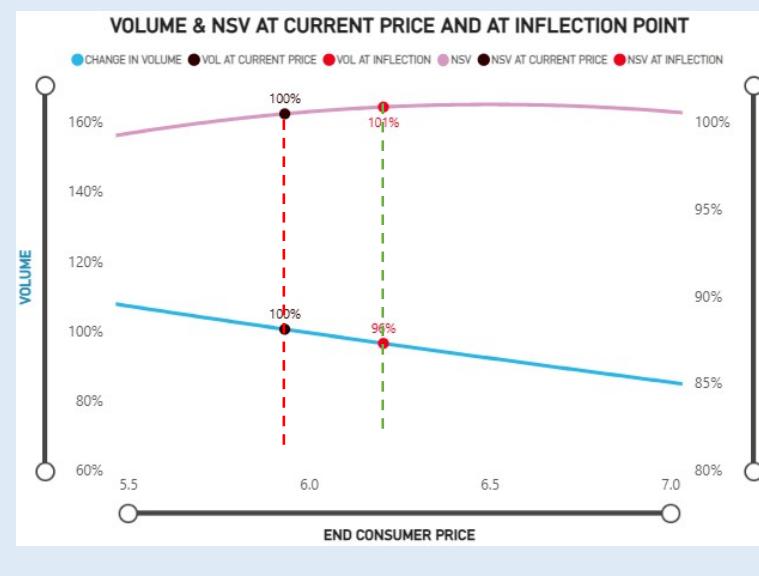
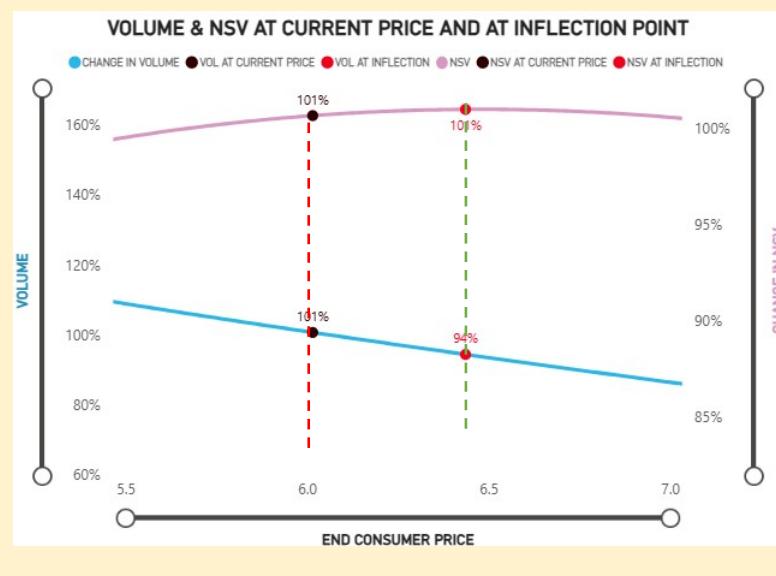
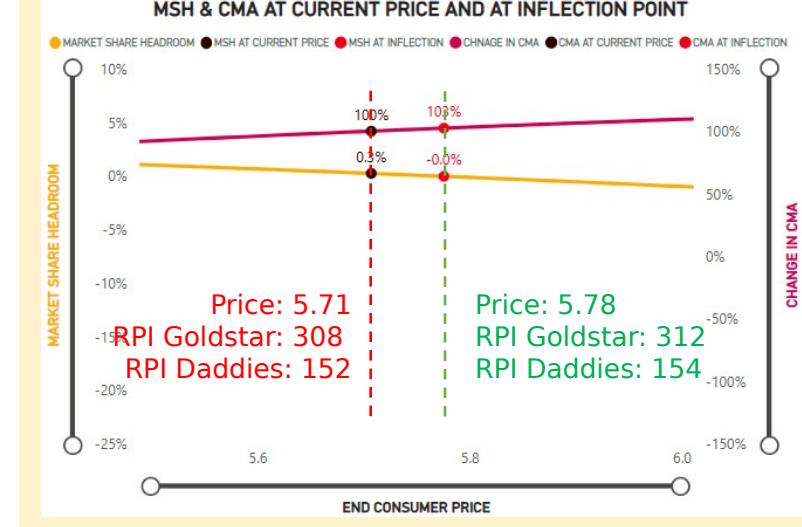
Supermarket



Tesco

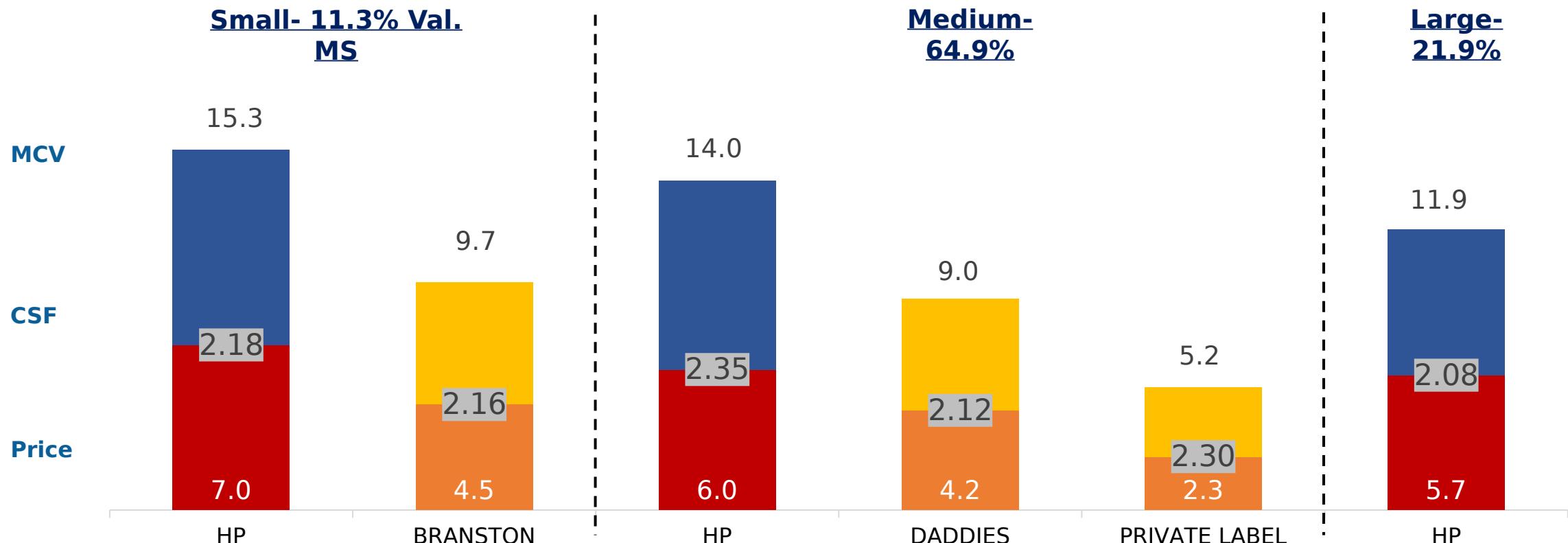


Iceland



— L12M - Inflection

Supermarket- HP Medium has healthy CSF; HP Small PPG can reduce prices



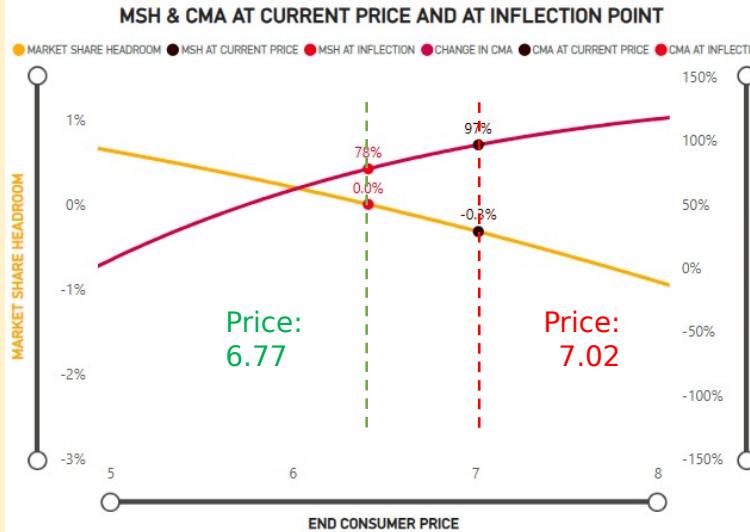
C.MS%	9.8%	1.4%	45.2%	10.1%	9.5%	21.9%
MSP	-0.2%	0.0%	1.5%	-0.4%	0.2%	-1.0%
RPI* Inflection RPI*	143	92	122	87	46	117

- HP's growth will come from its Medium Variant; HP Small can cut prices slightly to prevent loss of MS%
- Private Label and Daddies have discontinued their Large PPGs

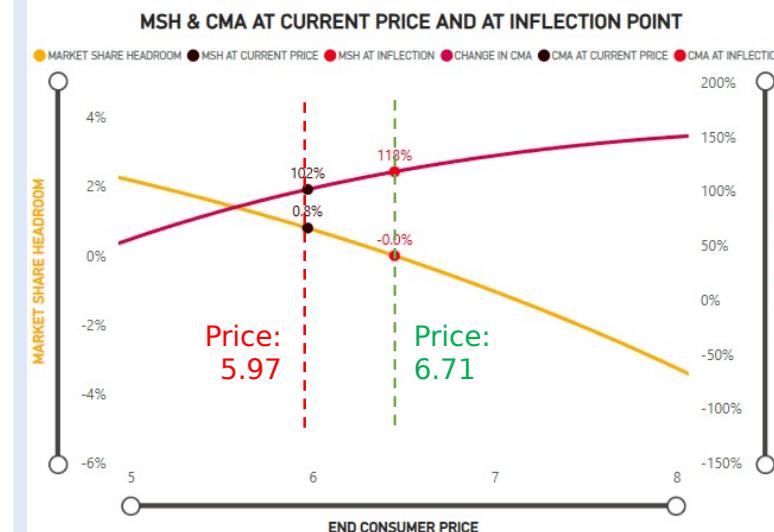
*RPI metric is calculated keeping Entire Channel as reference

Supermarket- Medium PPG should be the major driver in increasing overall brand prices

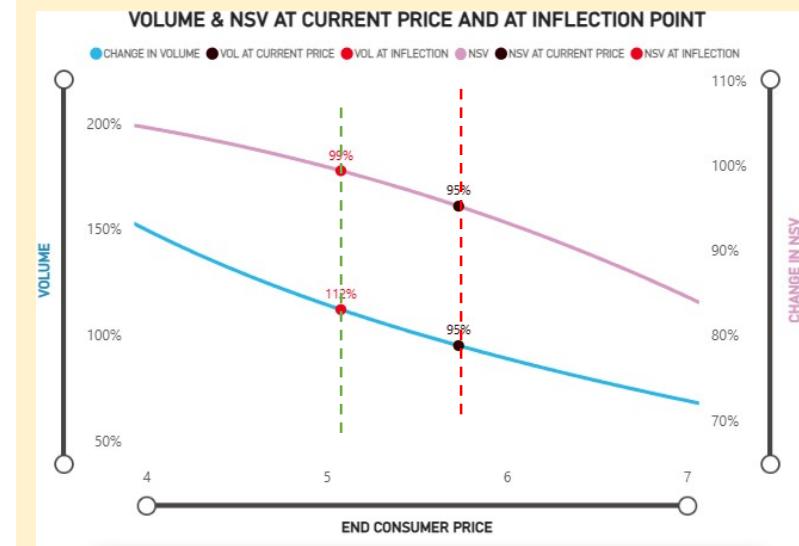
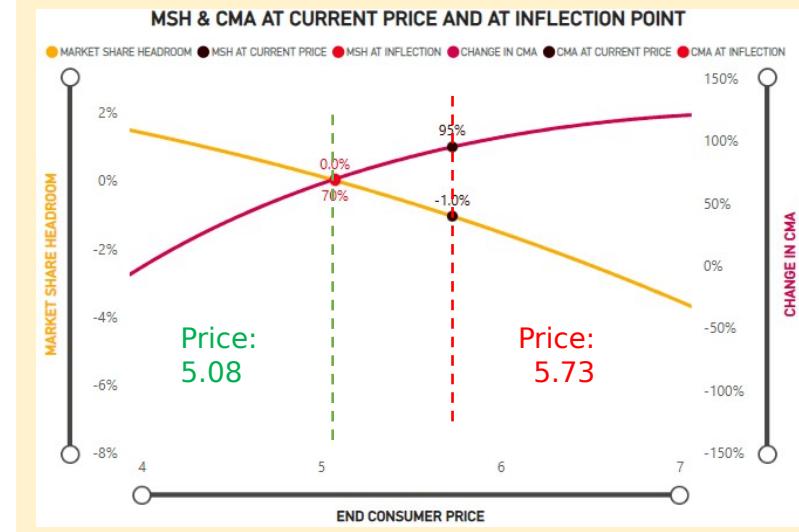
Small



Medium

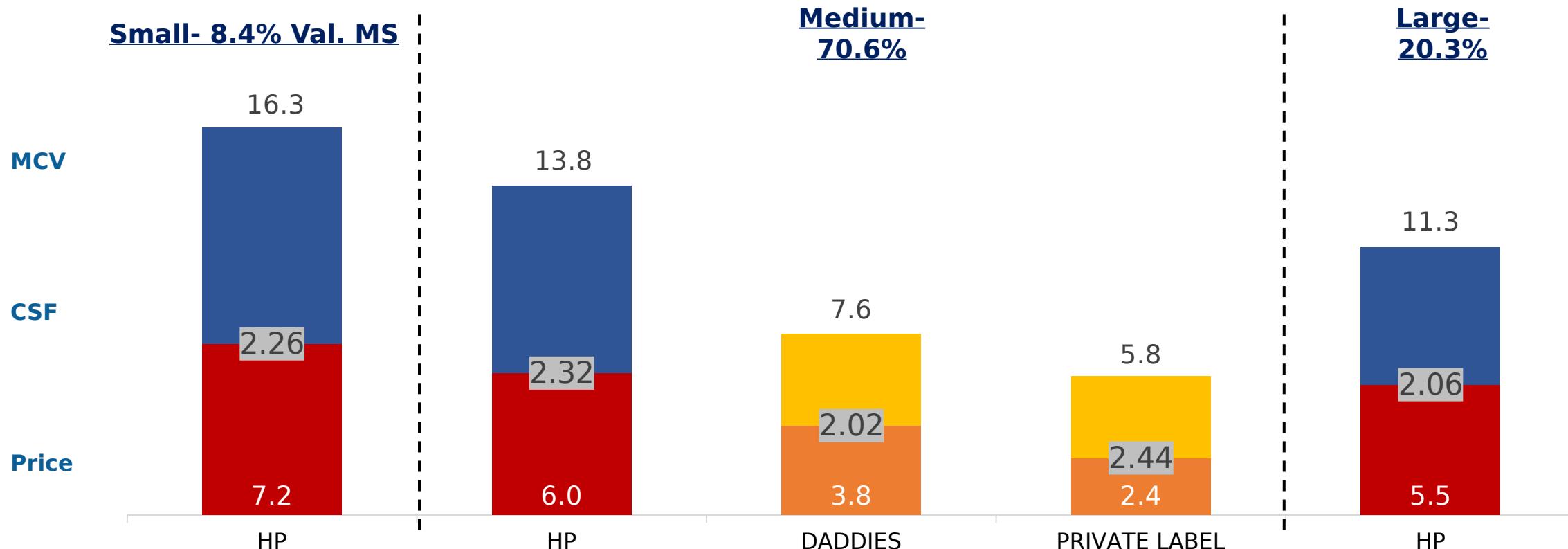


Large



— L12M - Inflection

Tesco - HP Medium has healthy CSF; HP Large PPG can reduce prices



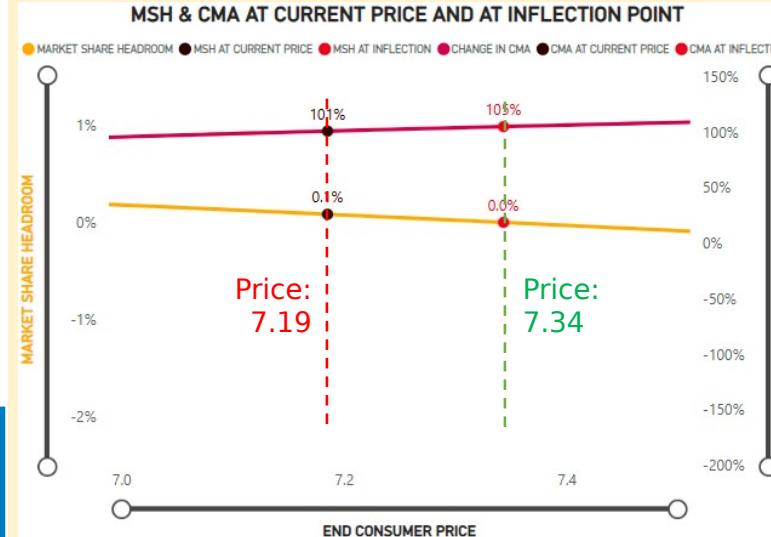
C.MS%	8.4%	51.2%	11.9%	7.5%	20.3%
MSP	0.1%	1.4%	-0.8%	0.5%	-1.1%
RPI*	145	121	76	48	111
Inflection RPI*			-	-	

- HP's growth will come from its Medium Variant; HP Large can cut prices slightly to prevent loss of MS% since its RPI to Category has gone up from 104 to 111
- Private Label and Daddies have discontinued their Large PPGs

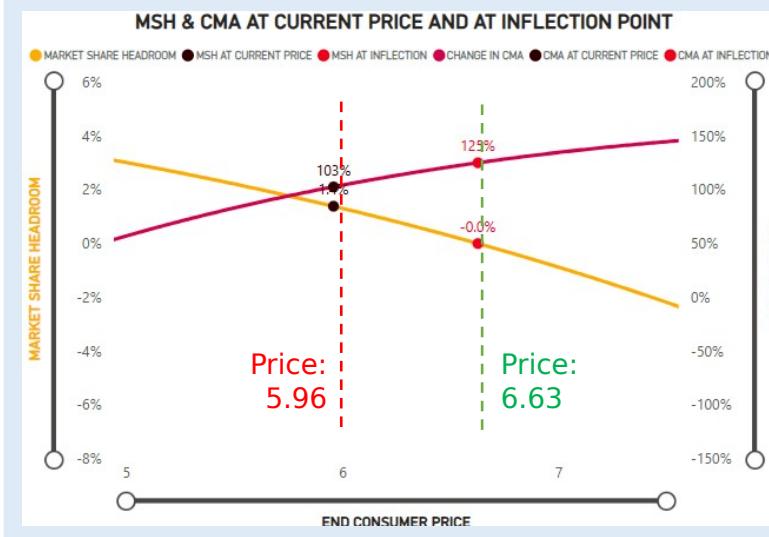
*RPI metric is calculated keeping Entire Channel as reference

Tesco- Large PPG needs price reduction; Small and Medium can increase prices

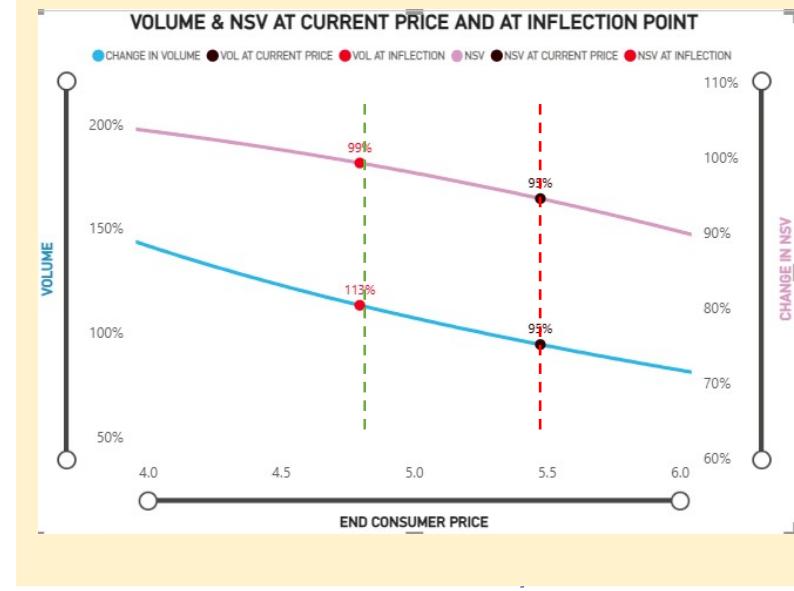
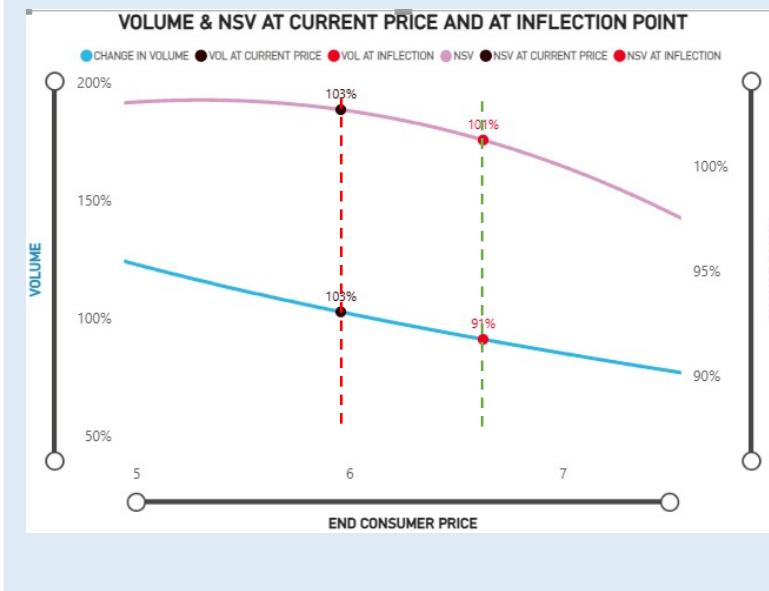
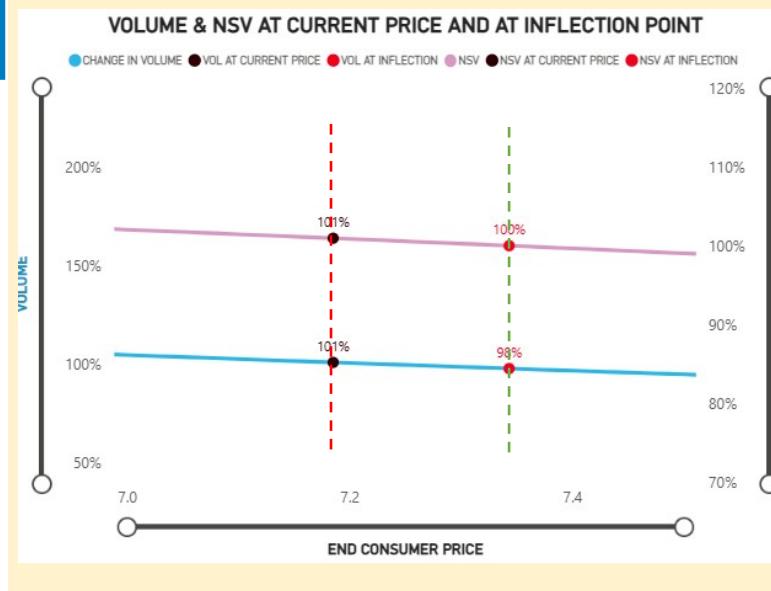
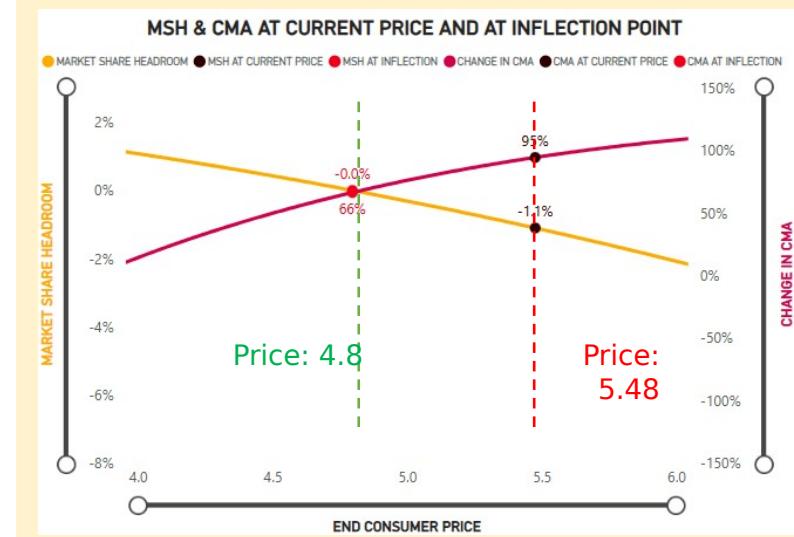
Small



Medium

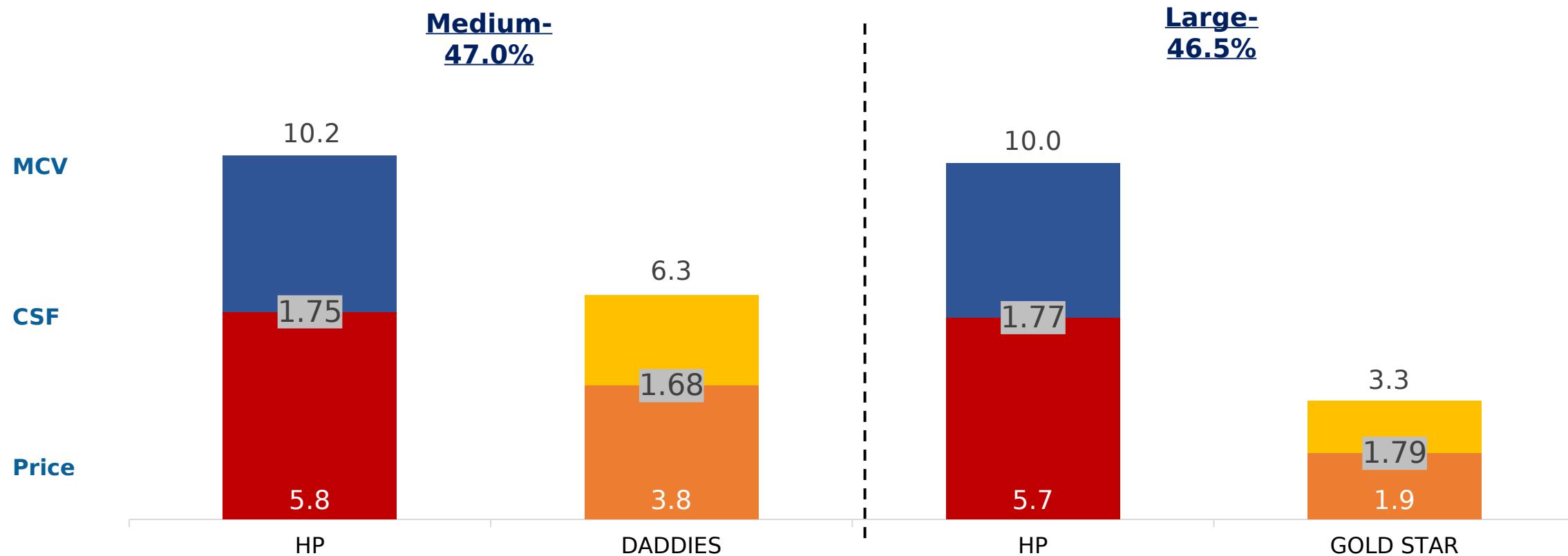


Large



— L12M - - - Inflection

Iceland - Gold Star has the highest CSF in Iceland and is in a strong competitive position

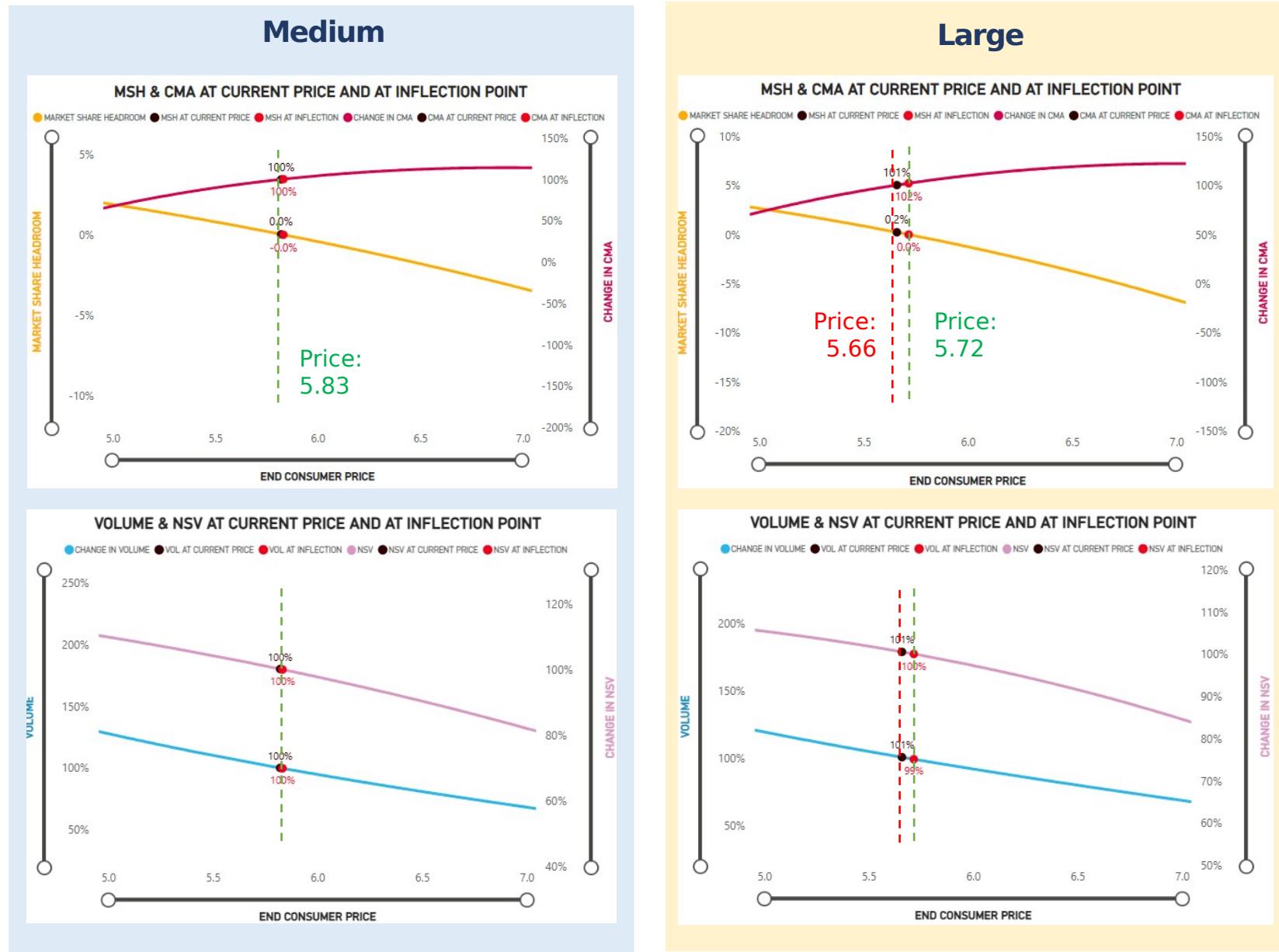


C.MS%	18.5%	28.5%	43.0%	3.5%
MSP	0.0%	-0.8%	0.2%	0.1%
RPI*	134	86	130	43
Inflection RPI*		-		-

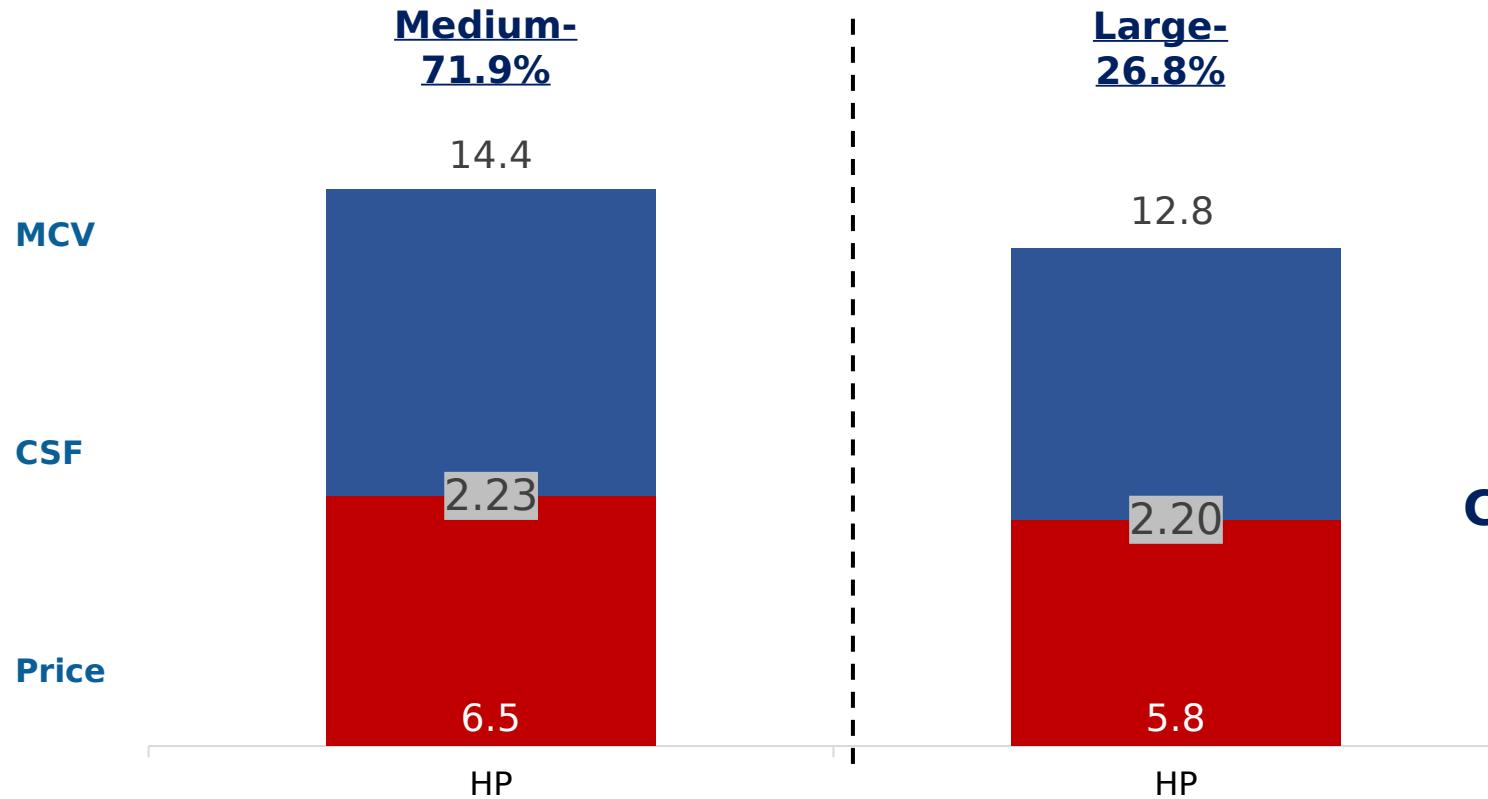
- HP Medium PPG is facing distribution loss which likely has caused it's M.S. to decrease; On the contrary, it's Large PPG has increased it's distribution
- Both, Daddies and Gold Star's RPI to Category has increased; Gold Star, despite being very small in M.S., has a healthy CSF

*RPI metric is calculated keeping Entire Channel as reference

Iceland- Both PPGs can choose to retain current prices to not lose Volumes



Convenience - HP can increase overall prices via Medium PPG due to inelastic demand



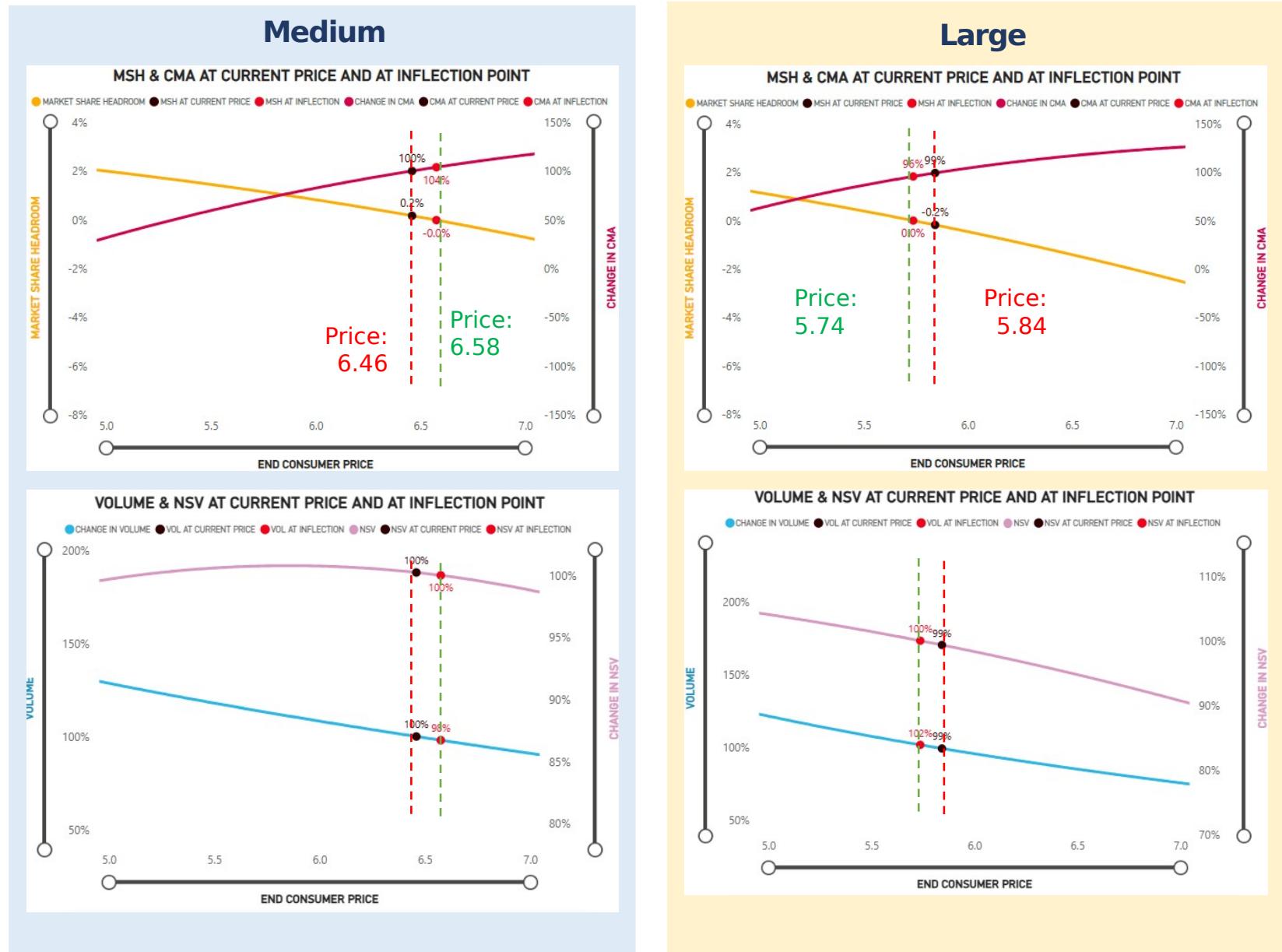
Channel Price Elasticity: (-0.82)

C.MS%	71.9	26.8
MSP	0.2%	-0.2%
RPI*	104	94
Inflection RPI*		

- HP is the only current brand available in Convenience Channel
- At current prices, channel price elasticity is < than 1, implying that demand is inelastic; Brand can increase prices through Medium PPG

*RPI metric is calculated keeping Entire Channel as reference

Convenience- Both PPGs can choose to retain current prices to not lose Volumes



----- L12M ----- Inflection

Thank You
