

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

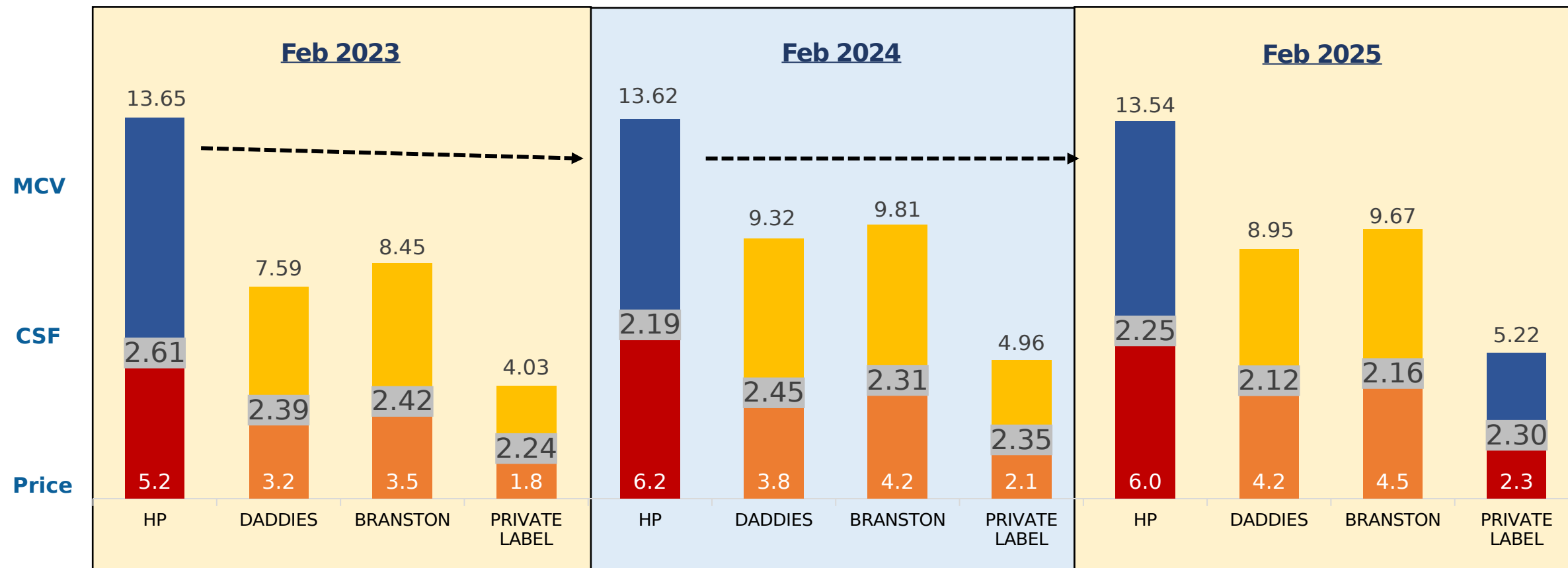
Change in: Value = **-5.6%**; Volume = **-6.8%**; Price = **1.3%**

| | 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.

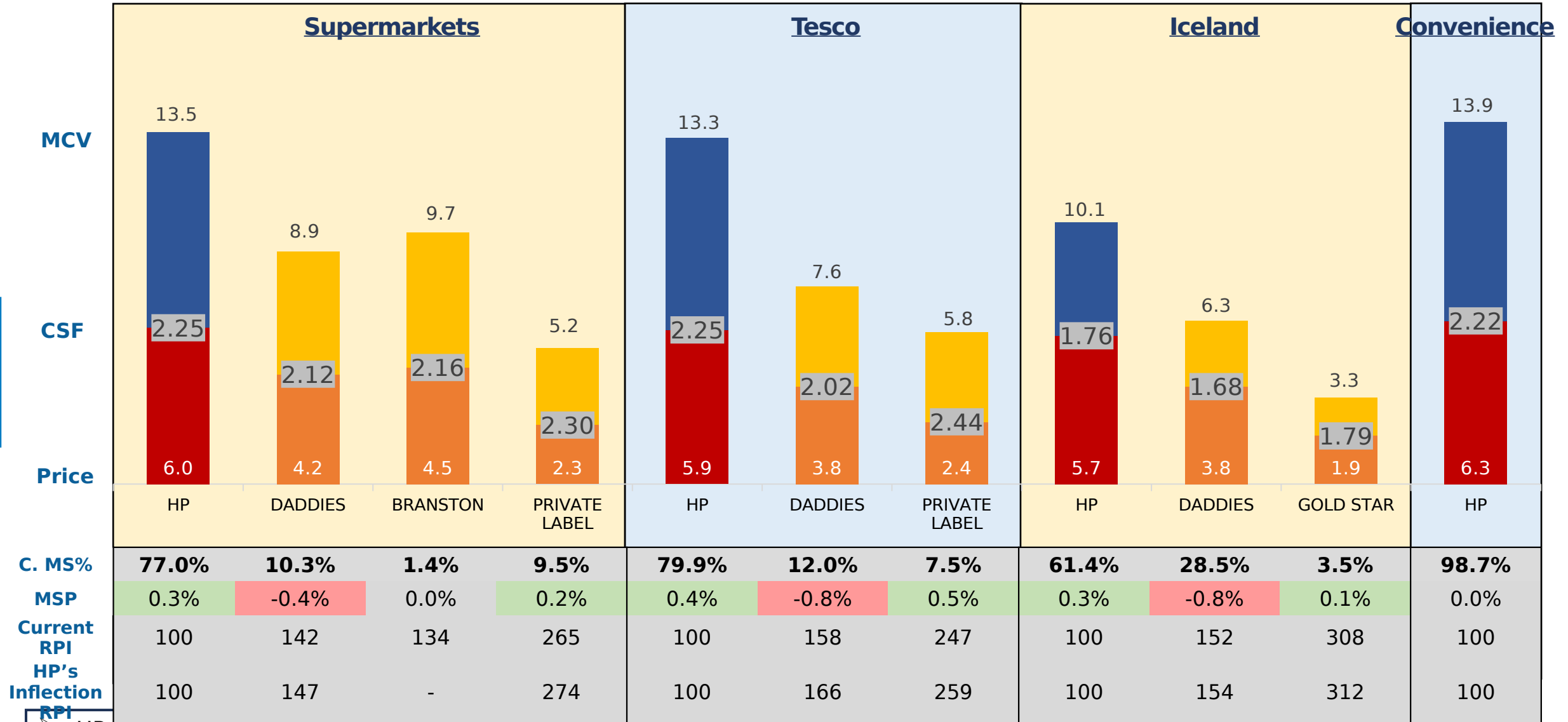
CSF & MCV Trend - Supermarket - HP hasn't been able to increase MCV in proportion to it's price

- 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

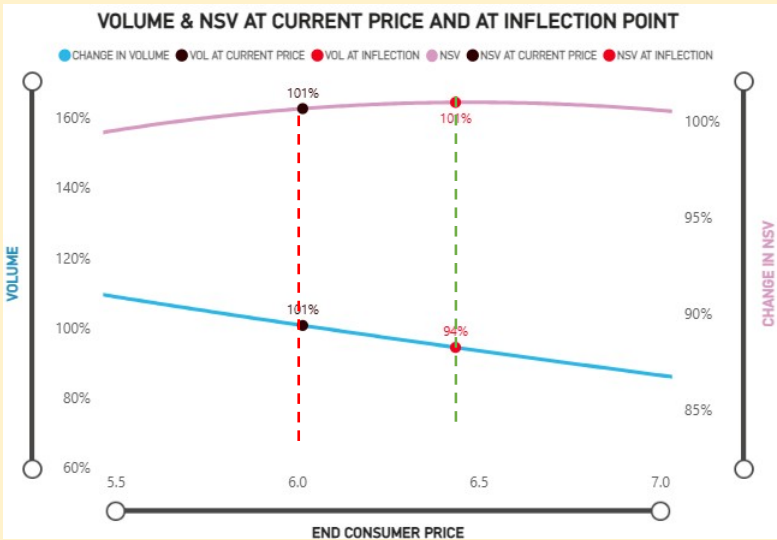
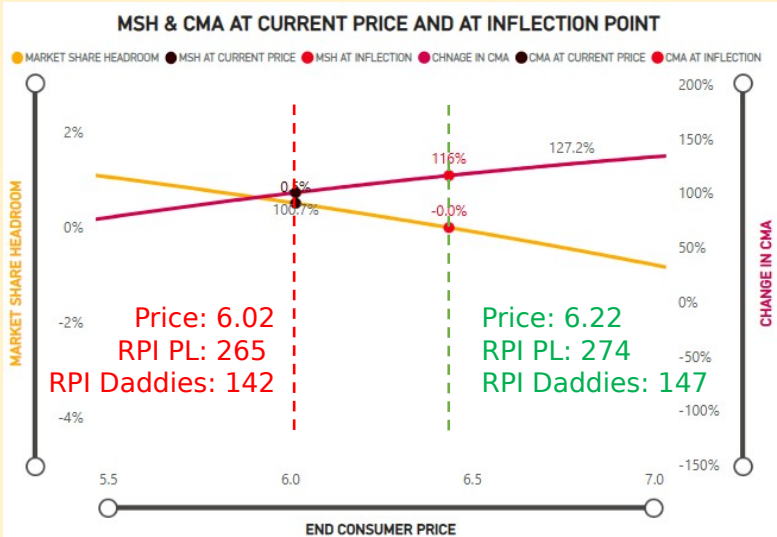


➤ HP has healthy CSF and will continue to grow in terms of Market Share

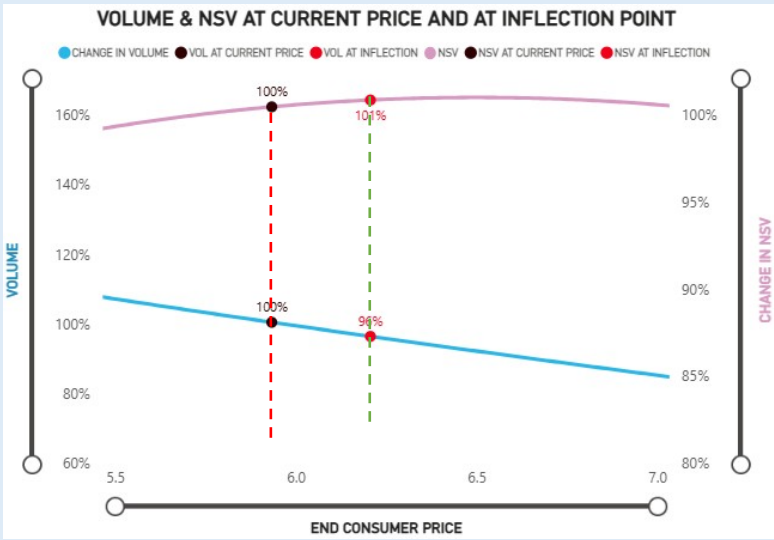
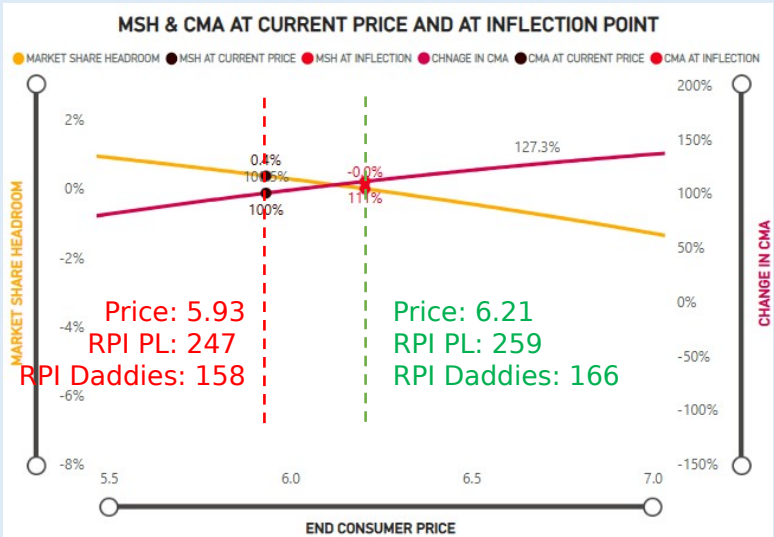
➤ Private Label has the highest CSF in Supermarket and Tesco and is in a strong competitive position

HP has pricing power across Supermarket, Tesco and Iceland

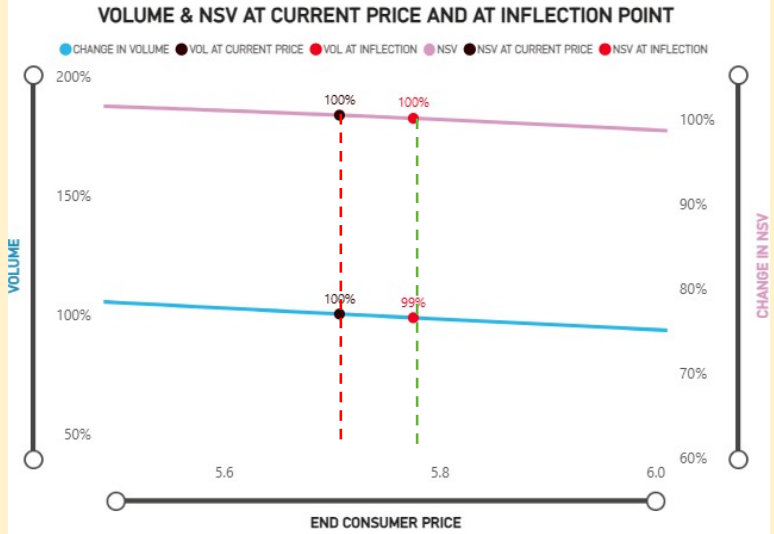
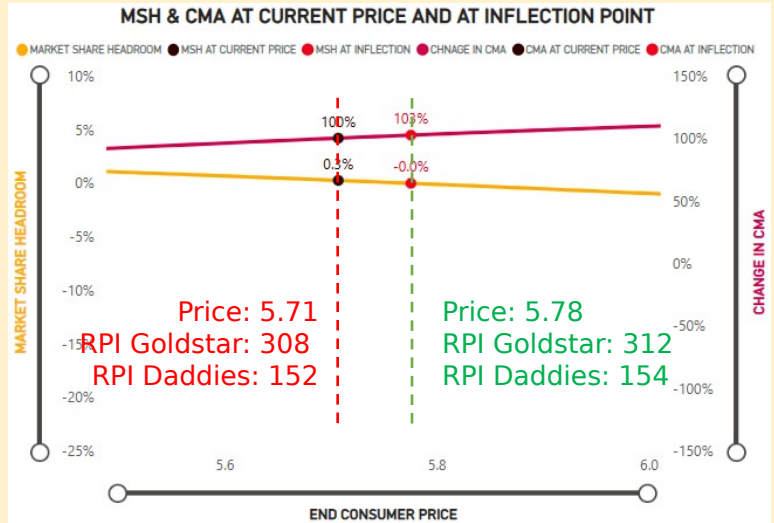
Supermarket



Tesco

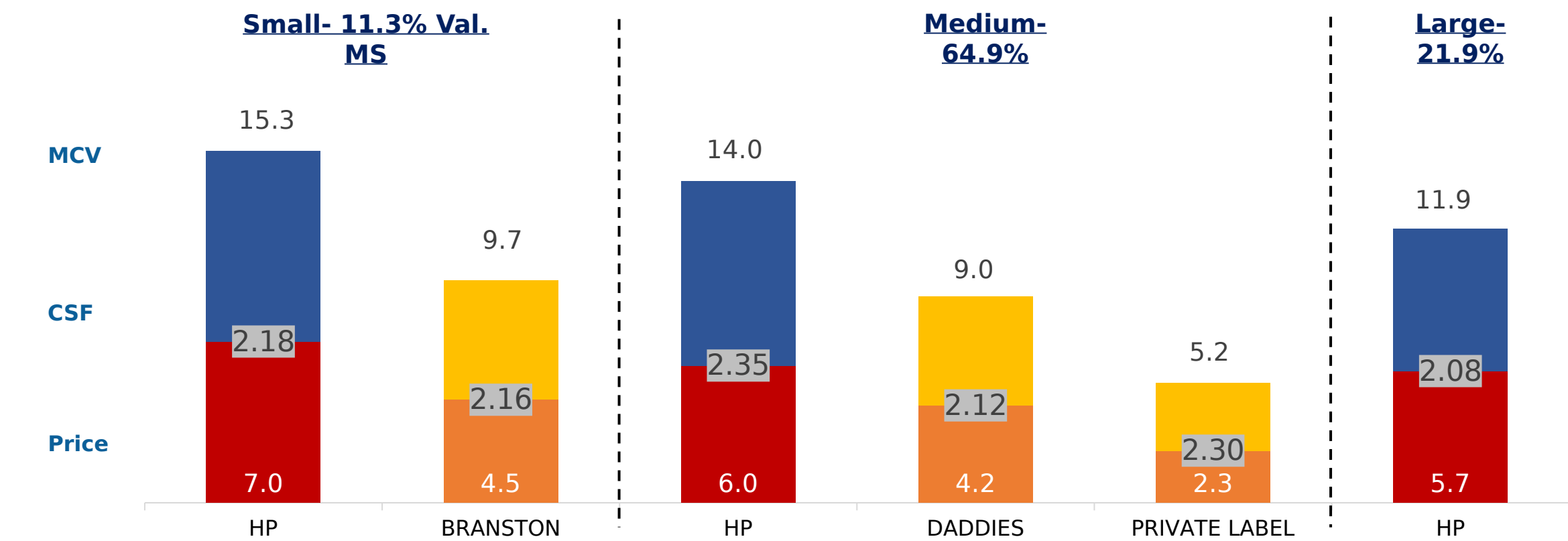


Iceland



--- L12M --- Inflection

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



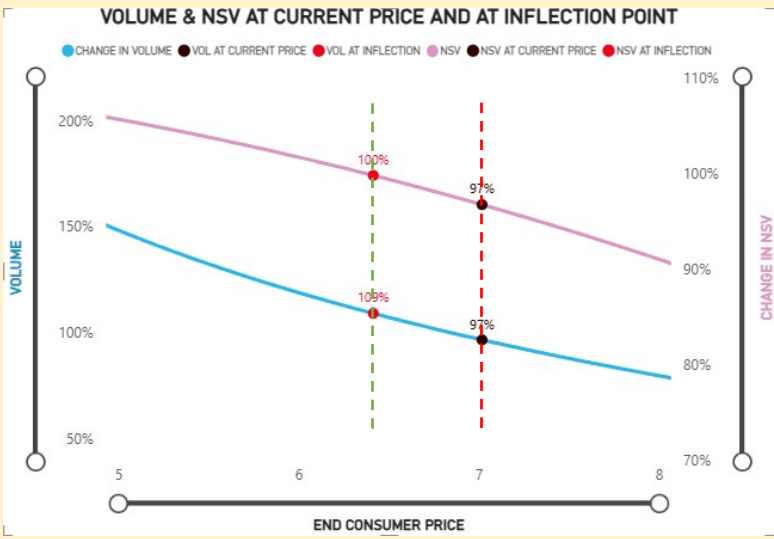
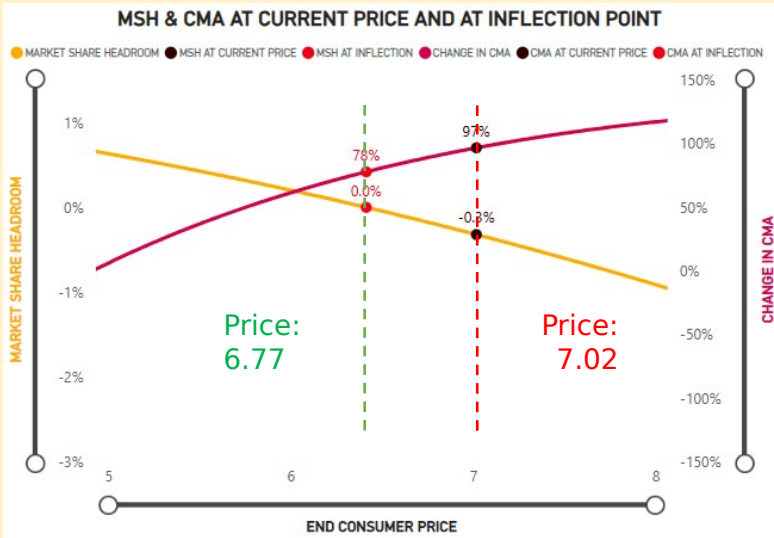
| | | | | | | |
|-----------------|-------|------|-------|-------|------|-------|
| C.MS% | 9.8% | 1.4% | 45.2% | 10.1% | 9.5% | 21.9% |
| MSP | -0.2% | 0.0% | 1.5% | -0.4% | 0.2% | -1.0% |
| RPI* | 143 | 92 | 122 | 87 | 46 | 117 |
| Inflection RPI* | | - | | - | - | |

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

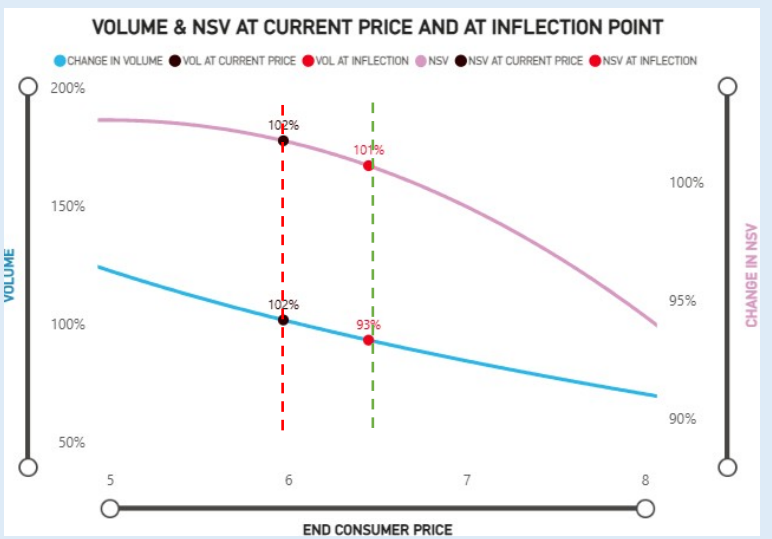
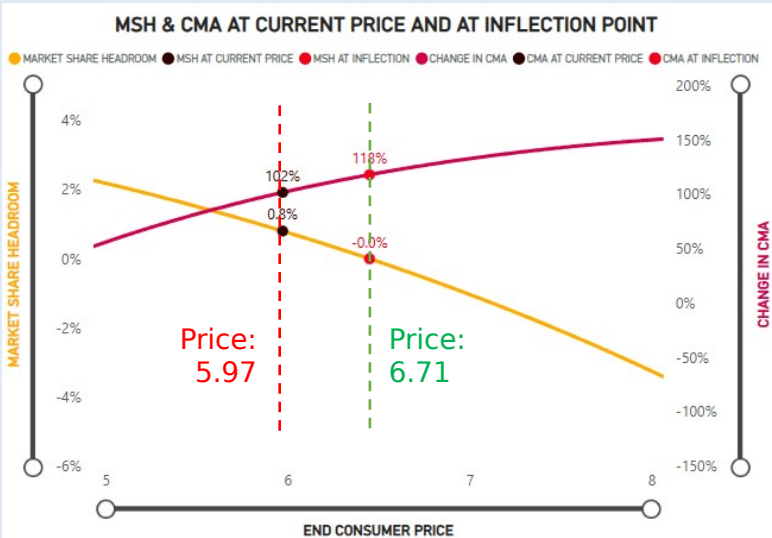
*RPI metric is calculated keeping Entire Channel as reference

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

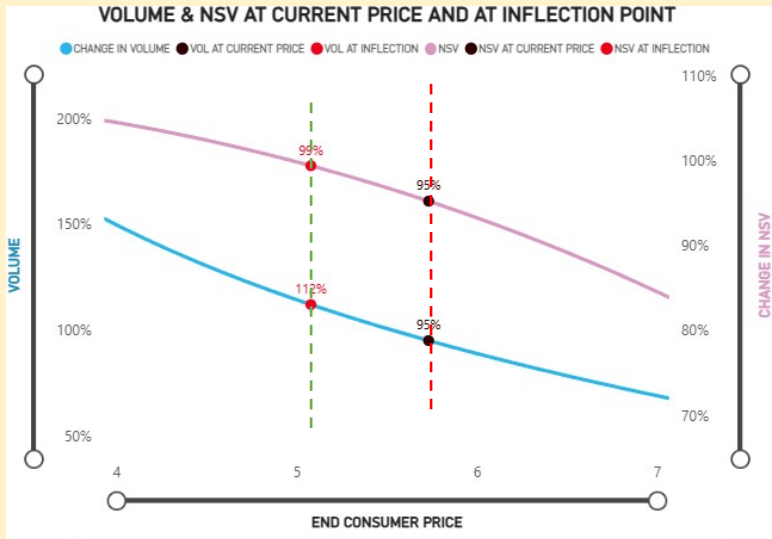
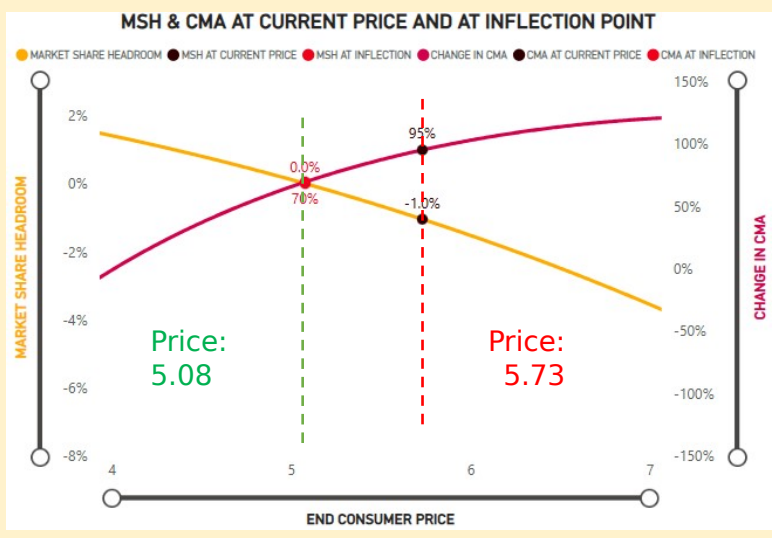
Small



Medium

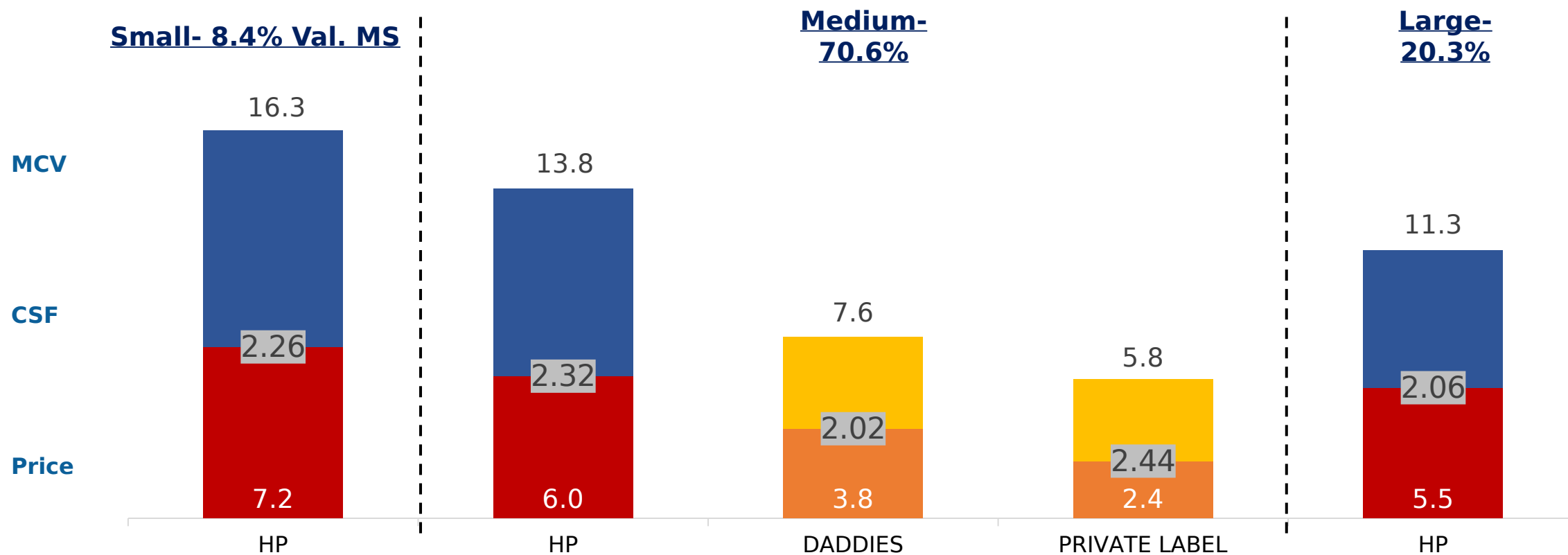


Large



--- L12M --- Inflection

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



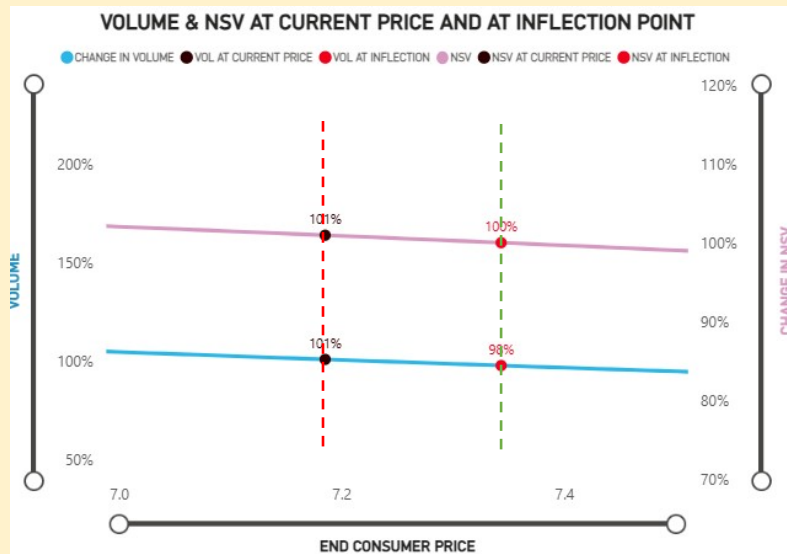
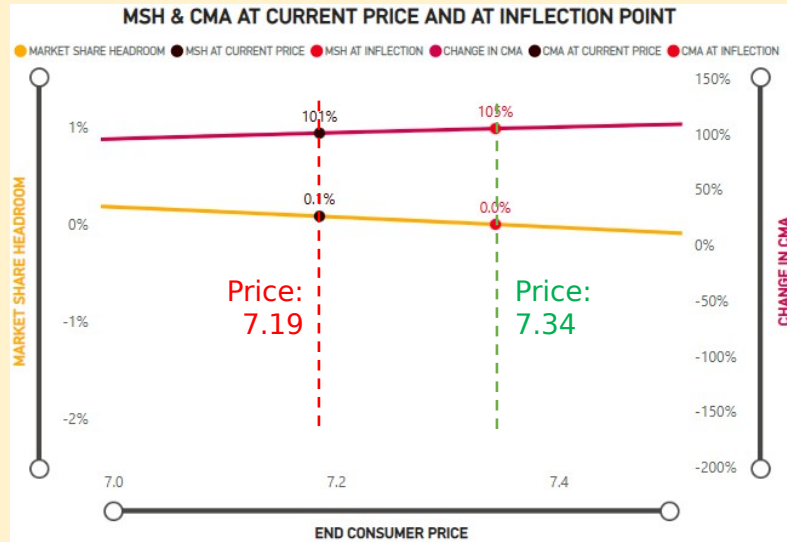
| | | | | | |
|-----------------|------|-------|-------|------|-------|
| C.MS% | 8.4% | 51.2% | 11.9% | 7.5% | 20.3% |
| MSP | 0.1% | 1.4% | -0.8% | 0.5% | -1.1% |
| RPI* | 145 | 121 | 76 | 48 | 111 |
| Inflection RPI* | | | - | - | |

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

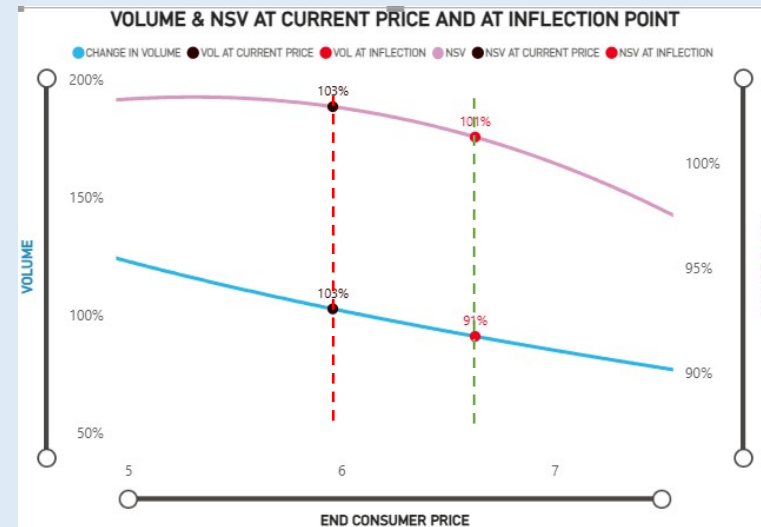
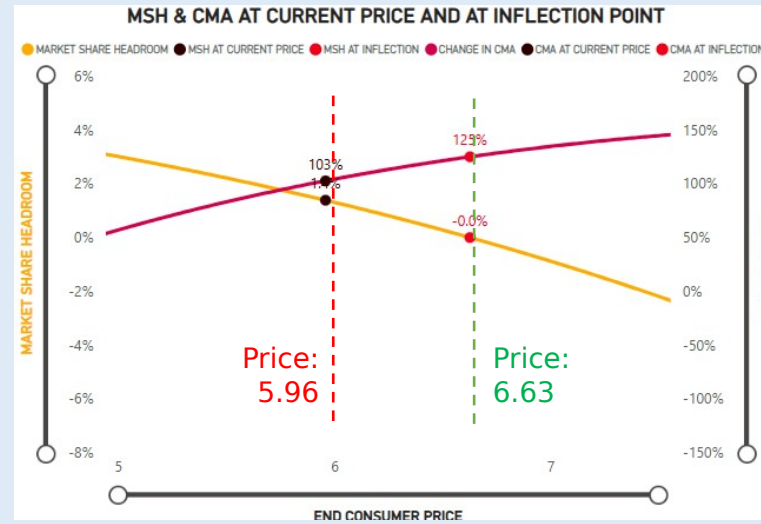
*RPI metric is calculated keeping Entire Channel as reference

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

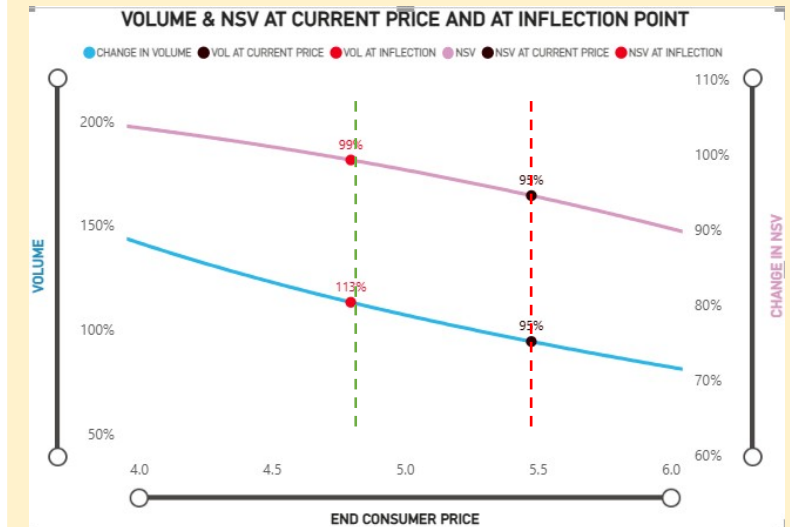
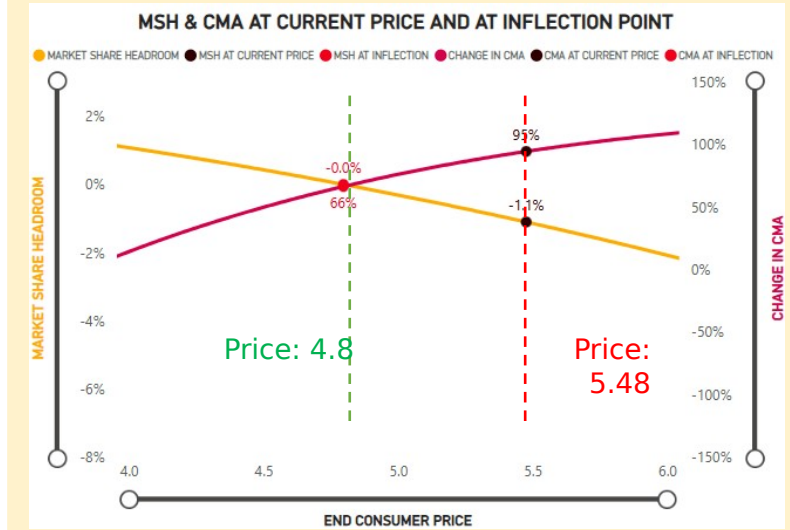
Small



Medium



Large



--- L12M --- Inflection

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

**Medium-
47.0%**

**Large-
46.5%**

MCV

CSF

Price

10.2

1.75

5.8

HP

6.3

1.68

3.8

DADDIES

10.0

1.77

5.7

HP

3.3

1.79

1.9

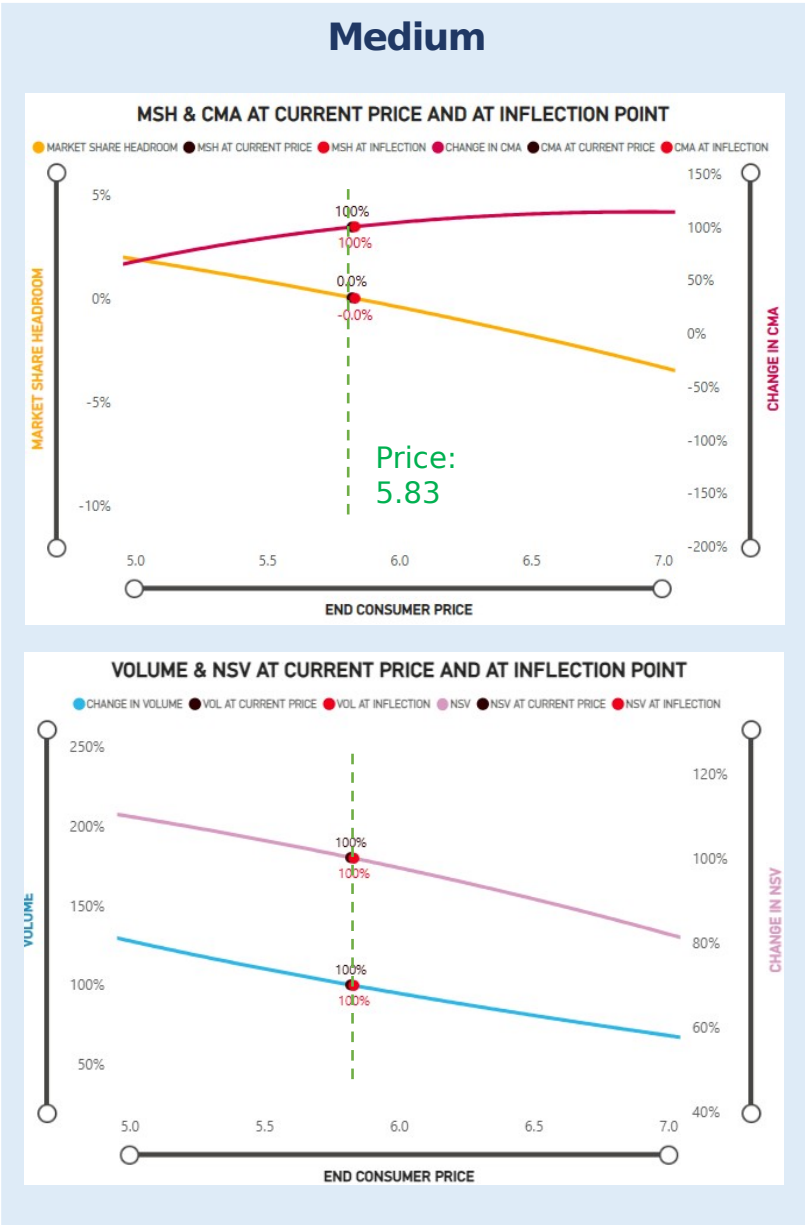
GOLD STAR

| | | | | |
|-----------------|-------|-------|-------|------|
| 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

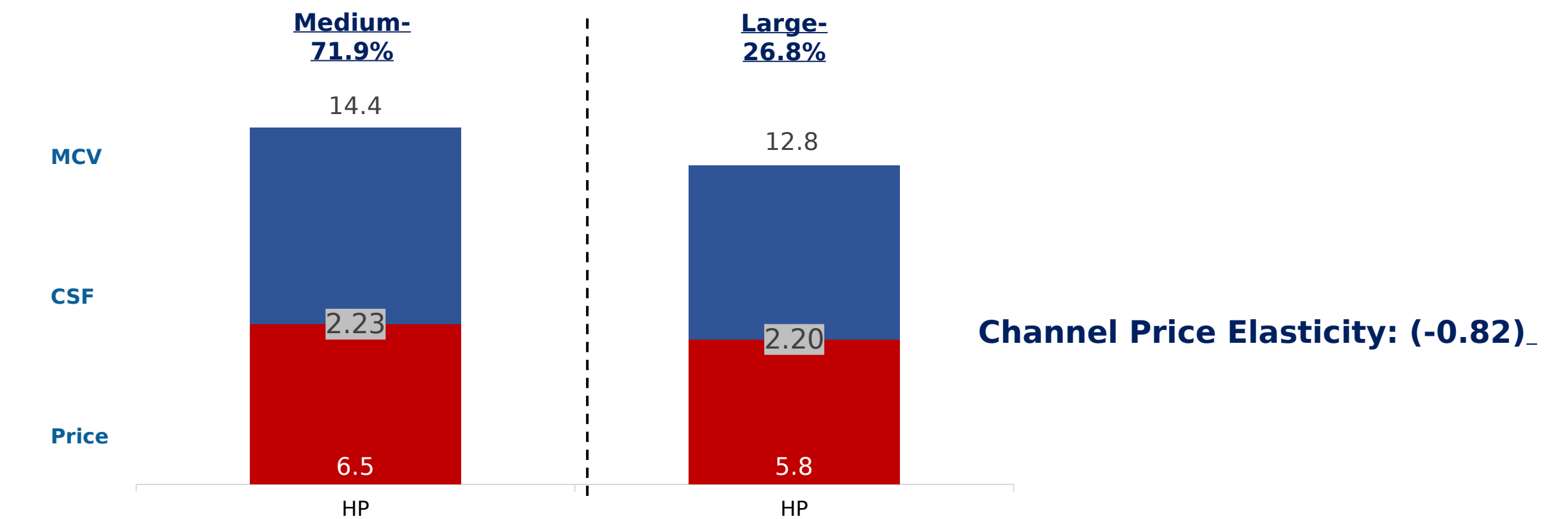
*RPI metric is calculated keeping Entire Channel as reference

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



--- L12M --- Inflection

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



| | | |
|-----------------|------|-------|
| 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
