Behavior change in times of instability

Coping and cutting

GfK webinar 29/11/2022

GfK Growth from Knowledge

Agenda

1 Rational shopping intensifies

2 Critical category conversion

3 Being where the shopper is

4 Getting your message across

5 Lead from the heart

In depth

Nordics

Myriam Martensen

Sweden	Denmark
31% struggles financially	33% struggles financially
Hard Discount share 22%	Hard Discount share 46%

Romania

Diana Scaunasu

49% struggles financially

Hard Discount share 25%

Germany

Anna-Katherina Kraus

27% struggles financially

Hard Discount share 36%

Ukraine

Marina Zabarilo

45% struggles financially

Hard Discount share 10%

#BehaviorChange – sources used

Shopper perspective

Consumer Panel + Why2Buy

- Registered purchases
- Motivations and lifestyle needs
- 14 countries, 174 million households

AT, BE, CZ, DE, DK, HR, HU, IT, NL, PL, RS, RU, SE, SK

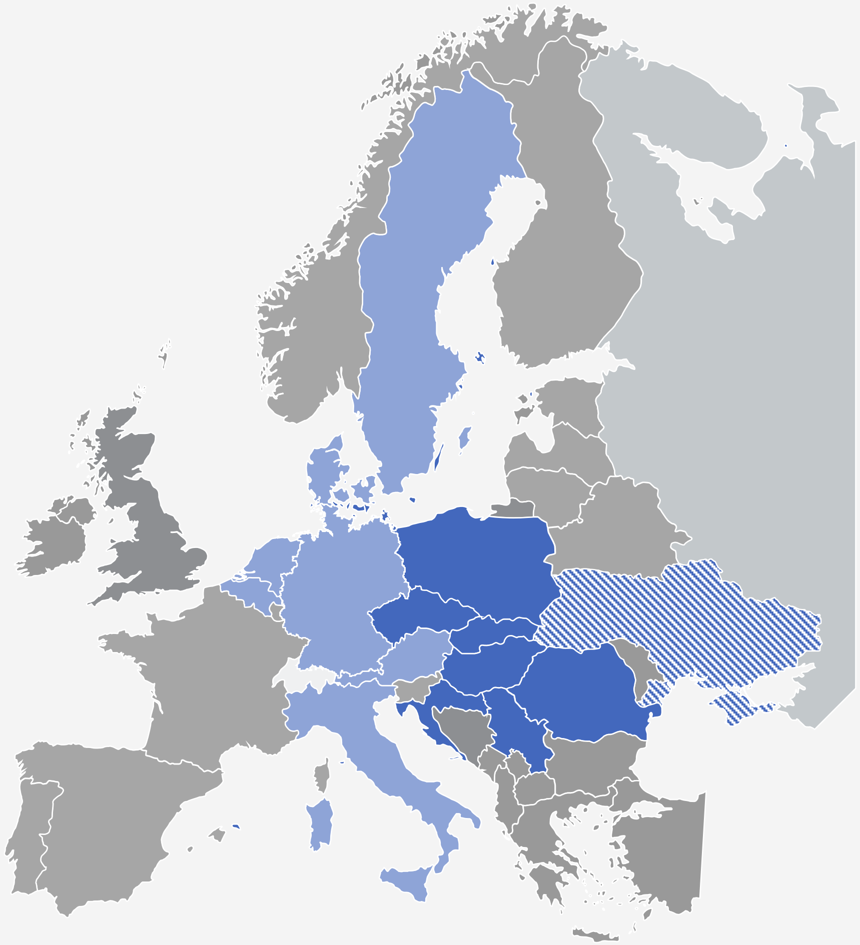
Behavior Change survey

- November ‘22 & April ‘22
- 15 countries, 9,634 + 7,855 main shoppers

AT, BE, BG, CZ, DE, DK, HR, HU, IT, NL, PL, RS, RO, SE, SK, *UA*, *RU*

WSE
Austria
Belgium
Denmark
Germany
Italy
Netherlands
Sweden

CEE
Bulgaria
Croatia
Czech Republic
Hungary
Poland
Romania
Serbia
Slovakia



Takeaway

Rational shopping intensifies further

Coping

- Saving energy has become a daily practice in my home

73%

- It's not a choice for me, I must save what I can, including daily needs

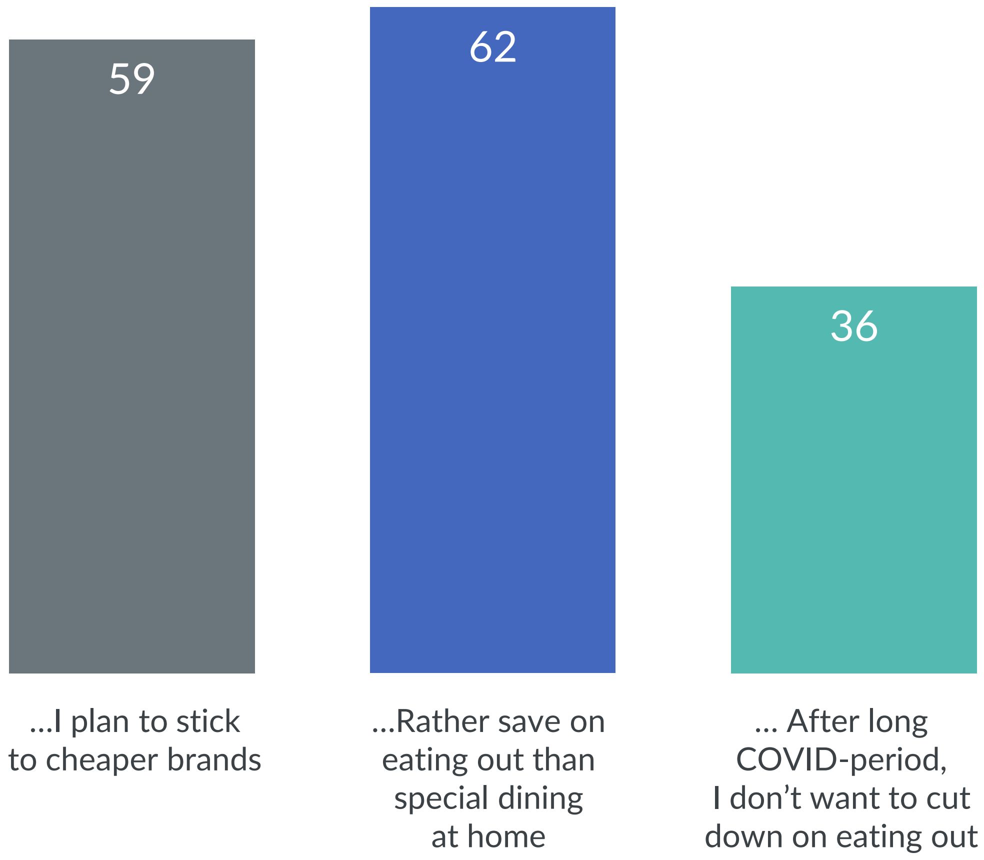
55%

- I have switched energy source to a (cheaper) alternative

30%

Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834

Balancing

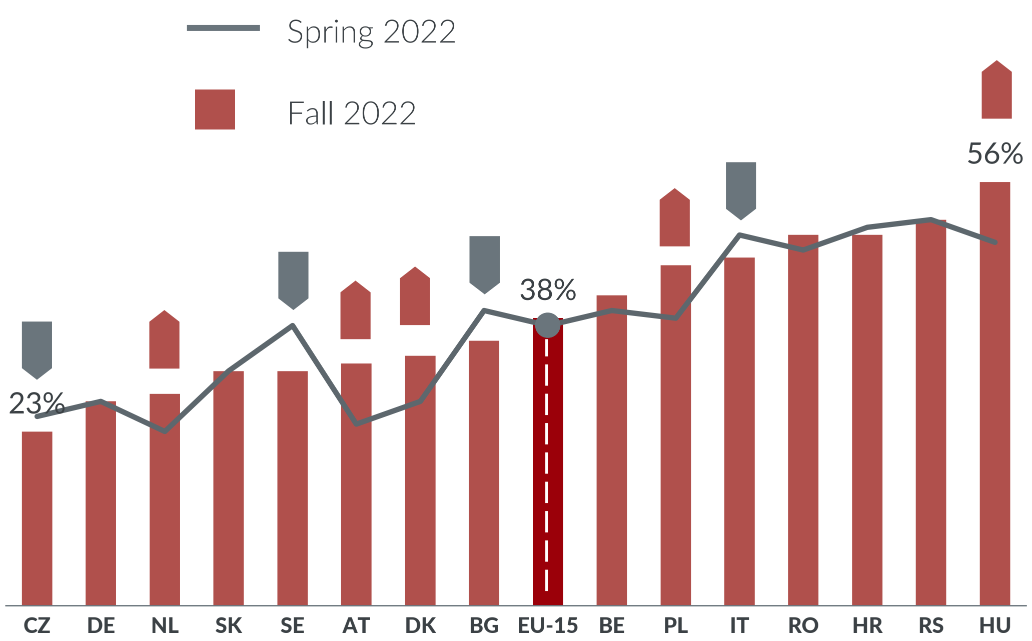


Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834

Slight increase in financial worries

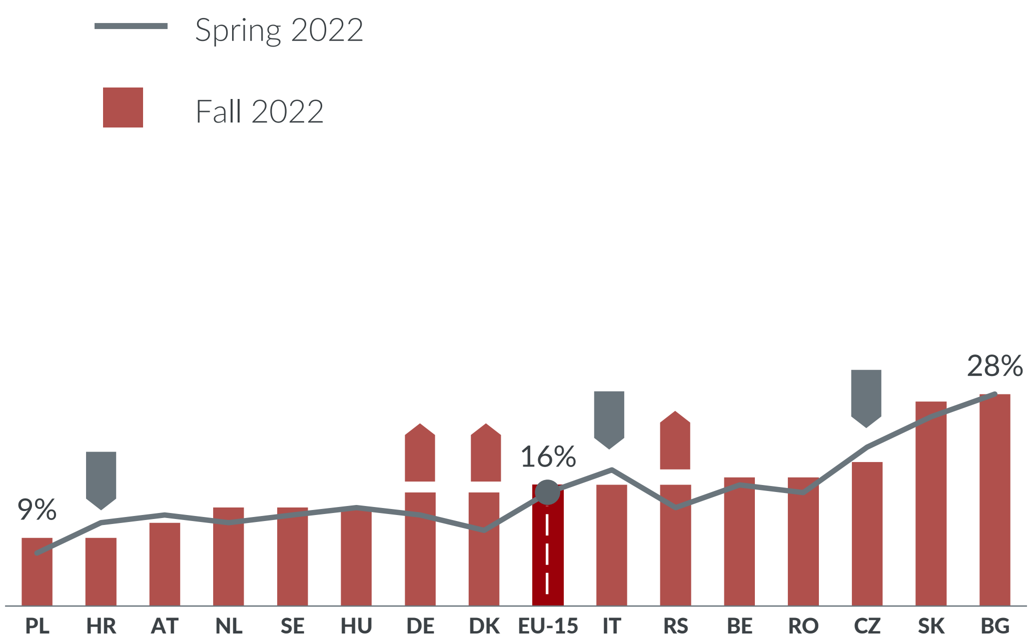
Country dynamics differ

% struggling



38% of Europeans are struggling financially (ix 104)

% employment at risk

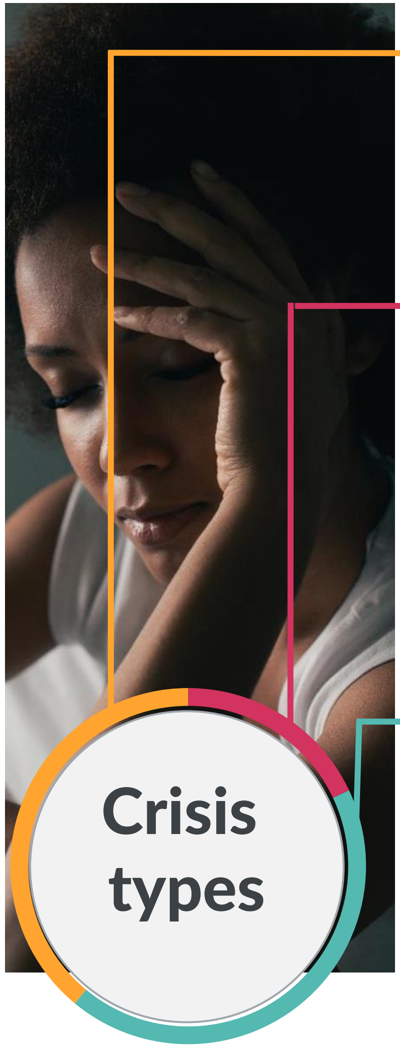


16% is currently worried their job is at risk (ix 106)

Source: GfK, Behavior Change Nov. ‘22 EU-15 n=9,834 & April ‘22 n=7,855

Over 60% are in – or closer to – serious budget squeeze

Especially in WSE now more households affected



	Total	CEE	WSE
Concerned	44%	49%	38%
Affected	18%	19%	18%
			Index 105
Resistant	38%	32%	44%
			Index 96

Struggling financially
Slight worry about job or not working

Highly afraid of losing job or currently unemployed

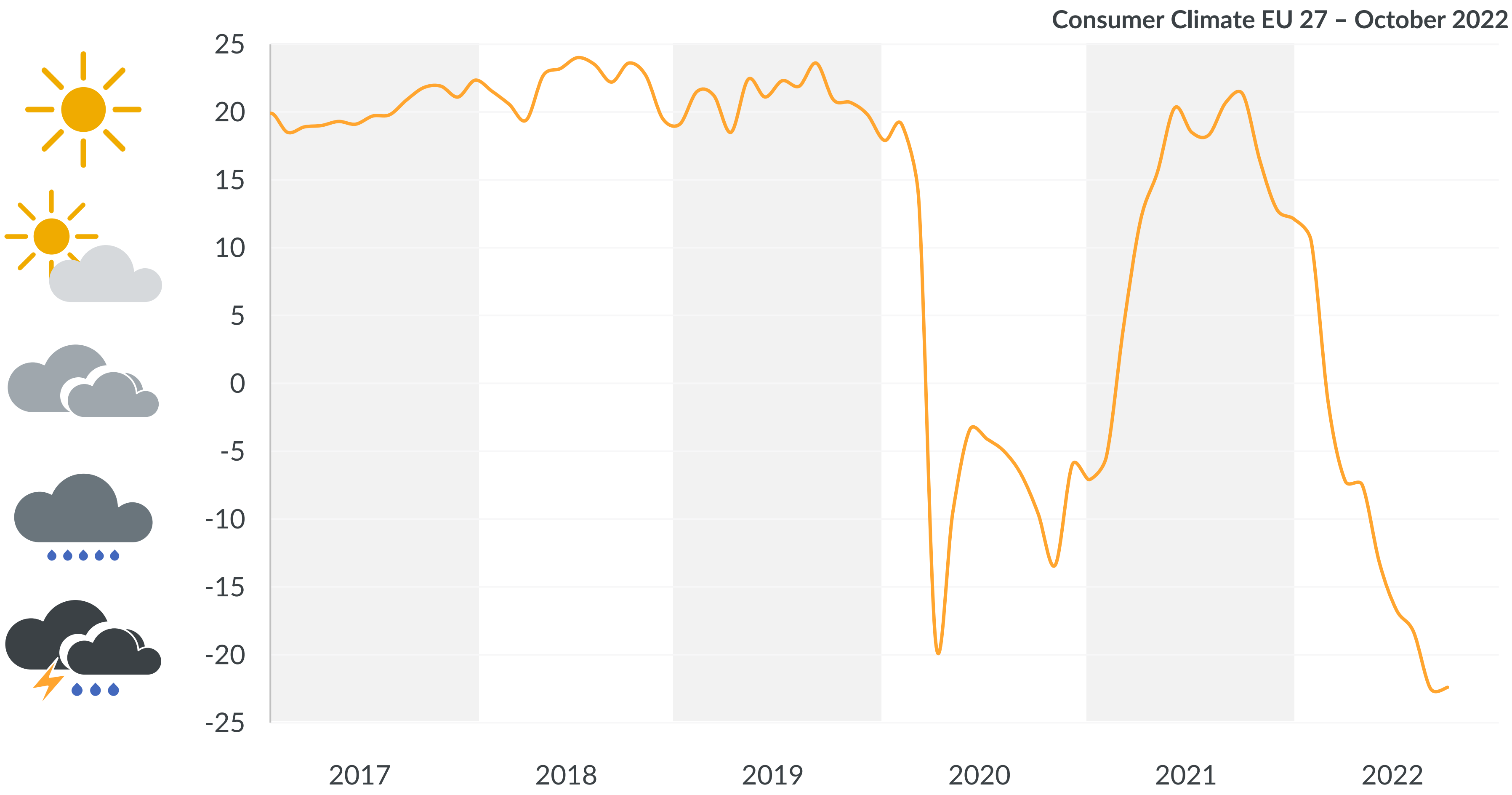
Financially comfortable
Not, only slightly worried about job or not working

Spend per buyer on FMCG up (on average +3%), except in SE, DK, BE. Affected keep flat budgets, but large country differences

Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

Consumer climate stabilized in October

At least for the time being



Source: GfK, EU Commission | October 2022

Out-of-home hit hardest by consumers cutting

Top 5 (out of 14)

Net intention next 6 months
% shoppers (much) more -/- (much) less

		Net intention
1	Restaurant / bar	-54%
2	Clothes	-48%
3	Gifts / decor	-46%
4	Takeaway / delivery	-46%
5	Amusement	-45%

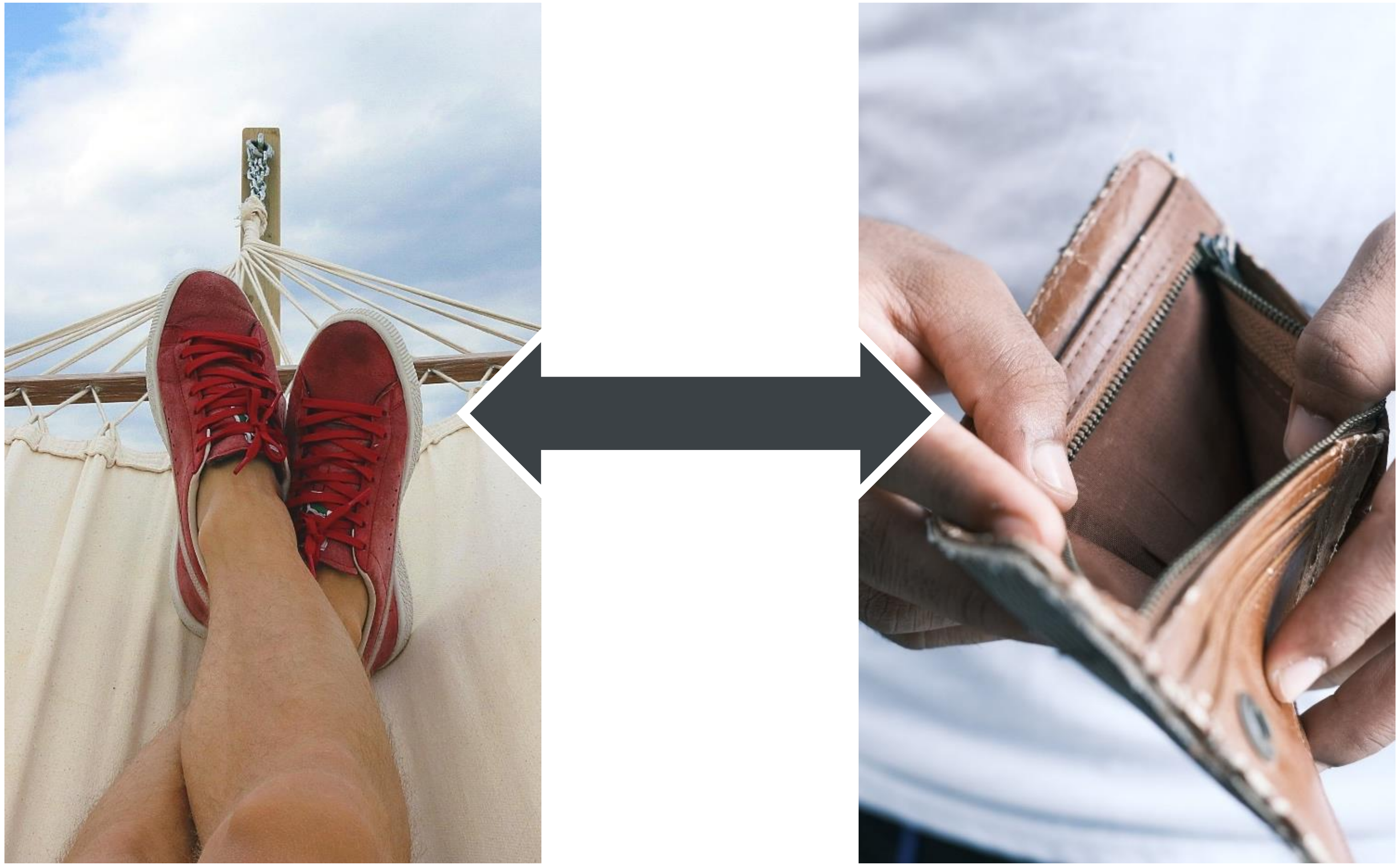
Source: GfK, Behavior Change Nov. ‘22 EU-15 n=9,834

Health and beauty forcefully take a back seat

Major differences between struggling and comfortable

Top 5 biggest gap

1
2
3
4
5



Holidays, Restaurants/ Bars, Entertainment, Sports / Gym, Beauty / Lifestyle

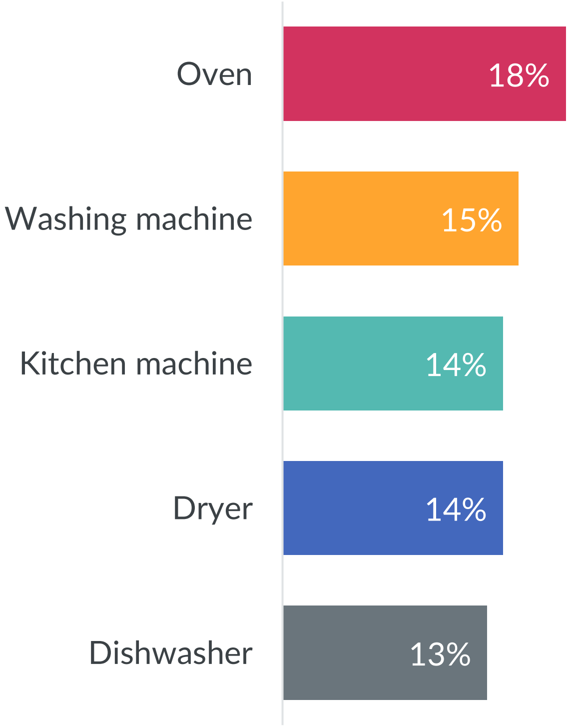
Homing in, shopping around, turning down

Most common changes:

Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834

Appliances

Top 5 appliances used less by % of households

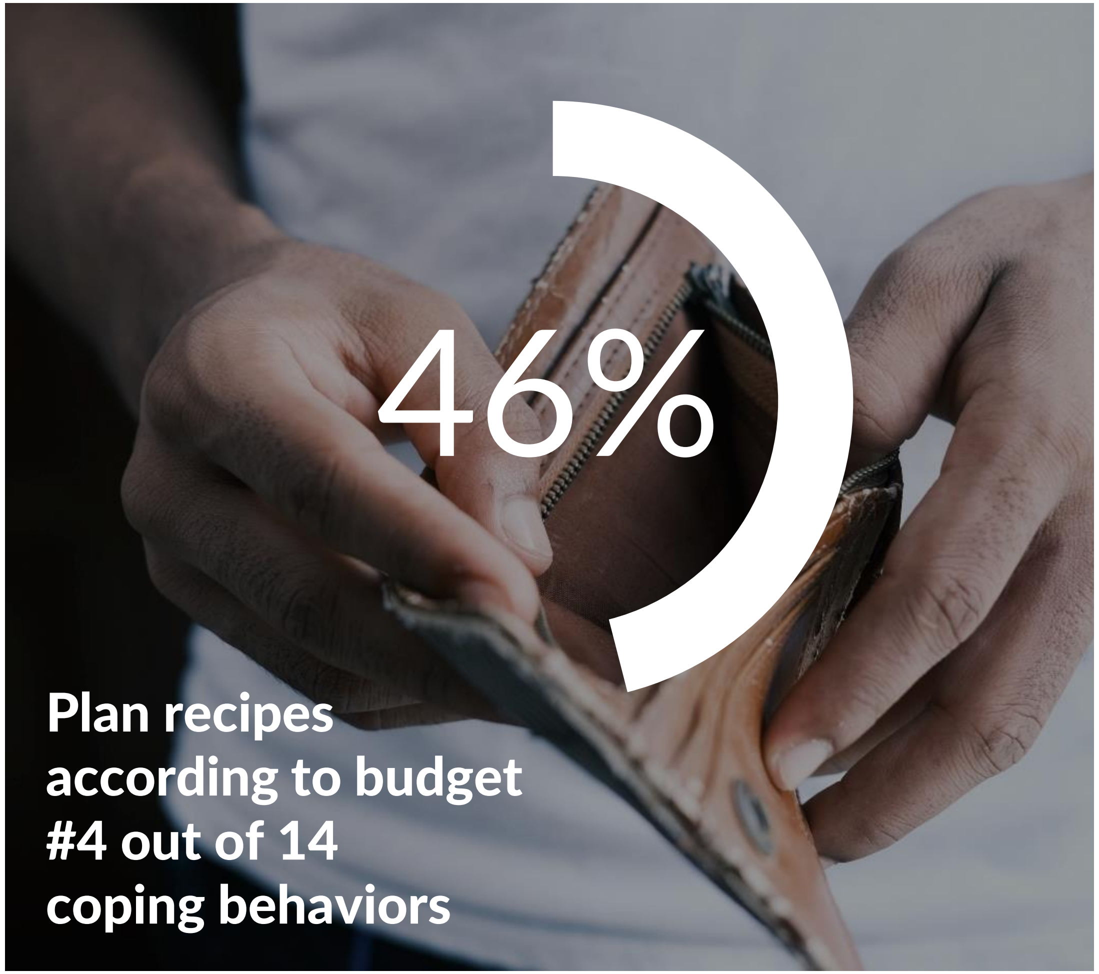


Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834

Rationalizing and planning ahead

The comfortable

The struggling

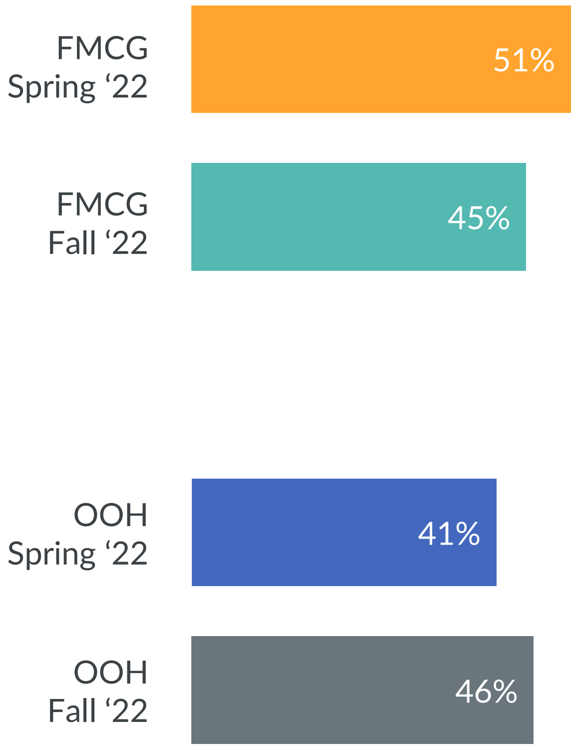


Source: GfK, Behavior Change Nov. ‘22 EU-15 n=9,834

Takeaway

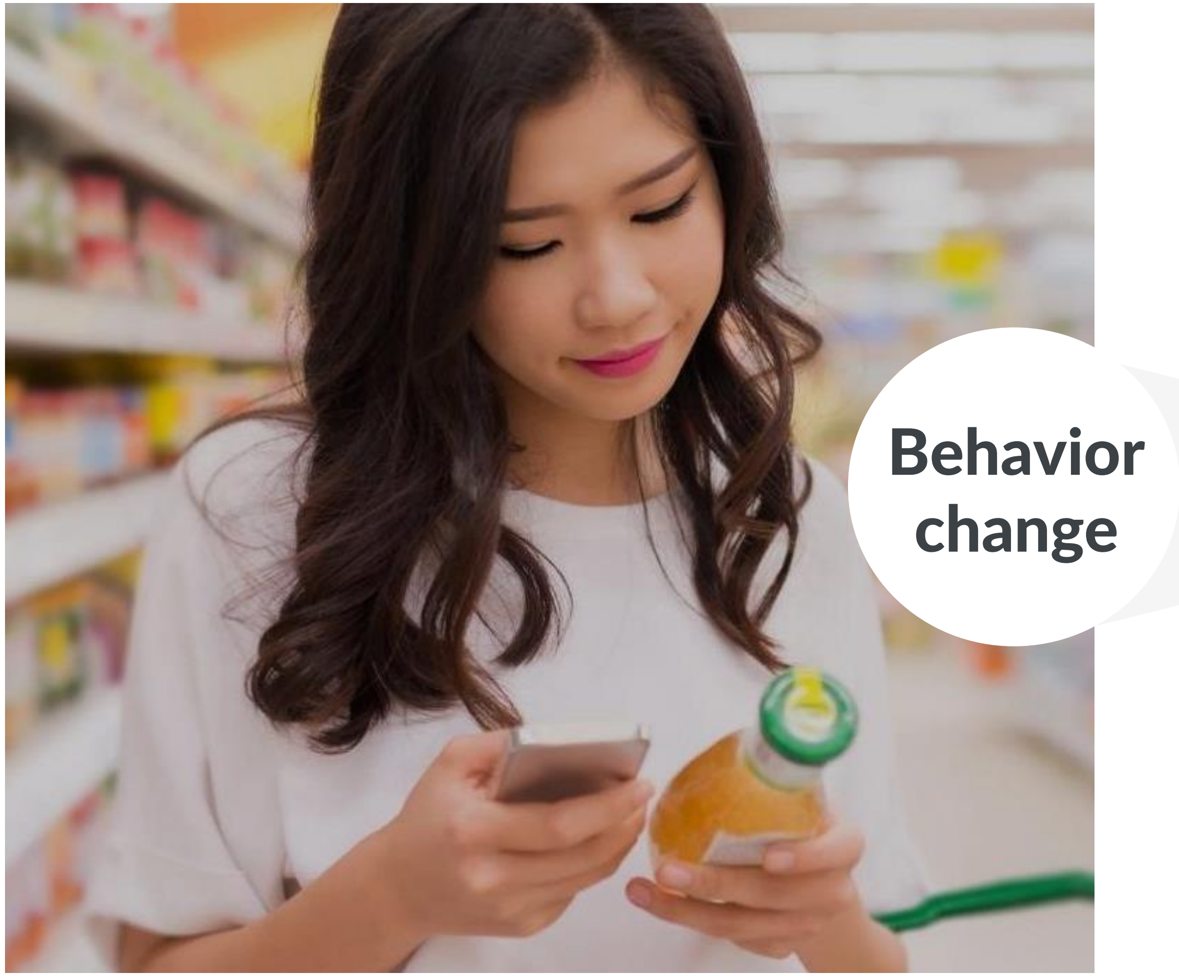
Nurture and grow category entry points

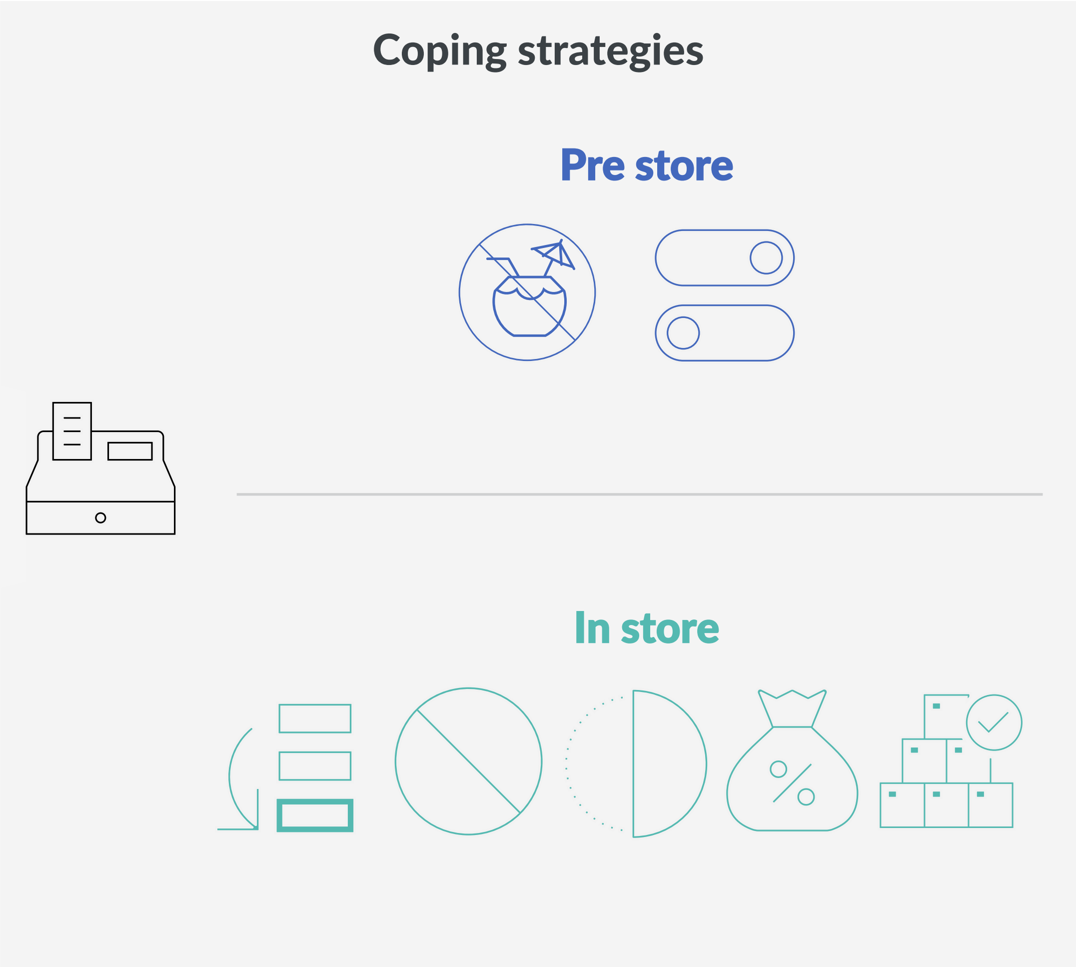
Yes, I worry and will change my behavior



Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

Different coping & cutting strategies



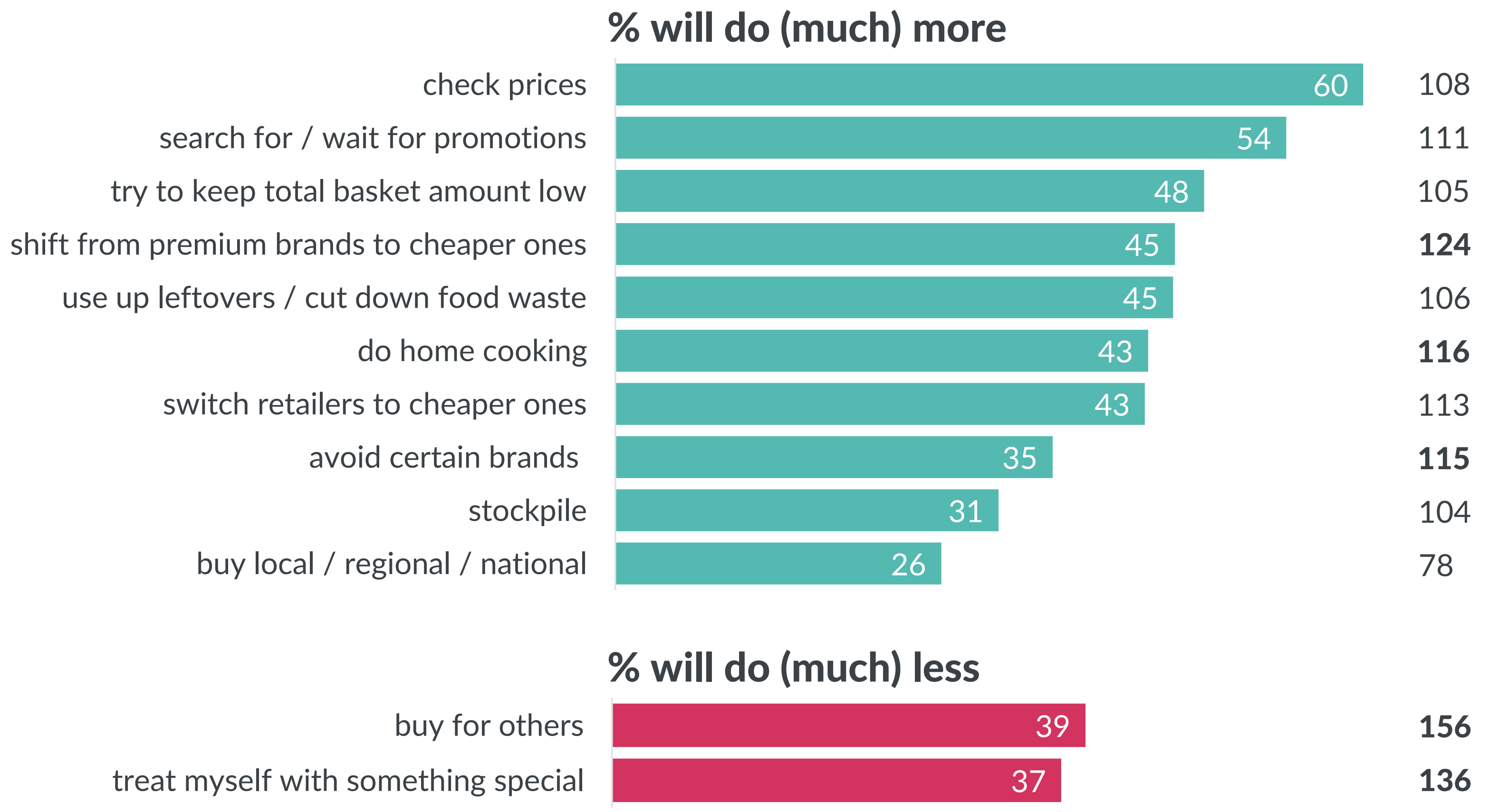


Coping behaviors further intensify

Growing austerity and switching behavior

Biggest gap between struggling and comfortable:

- Treating oneself
- Keeping basket low

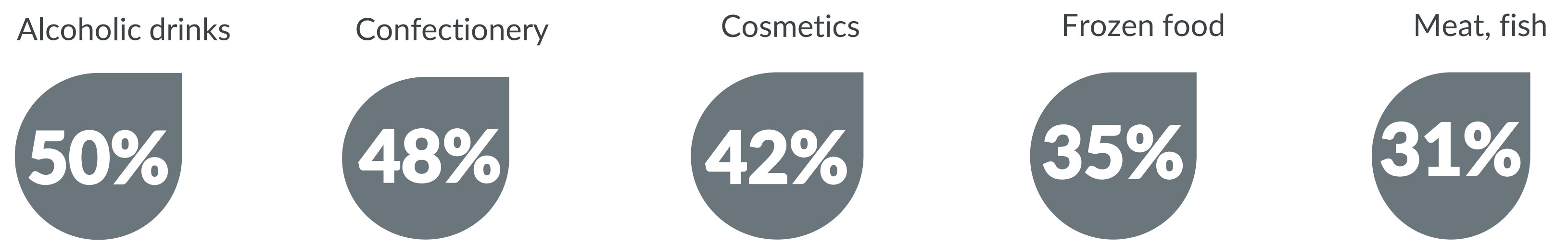


Source: GfK, Behavior Change Nov. ‘22 EU-15 n=9,834 & April ‘22 n=7,855

Coping strategies differ per category

Dairy, personal care and frozen categories highest increase

Top 5 categories: `I worry about rising prices and will change my behavior`



Coping behaviors:

Across categories, two coping strategies are growing:

Not buy any longer +26%
Buy cheaper products +8%

Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

FMCG market is growing due to inflation

Real consumption has significantly decreased by 9%

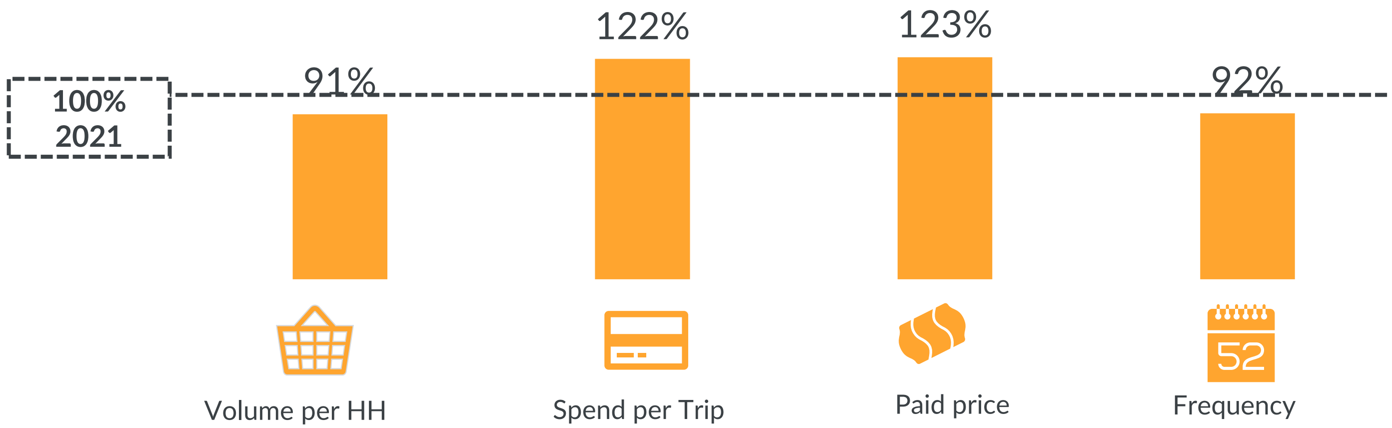
UA

+13%

Growth of FMCG sales
Jan-Sep 22 vs. 21

+24%

Inflation
Jan-Sep 22 vs. 21



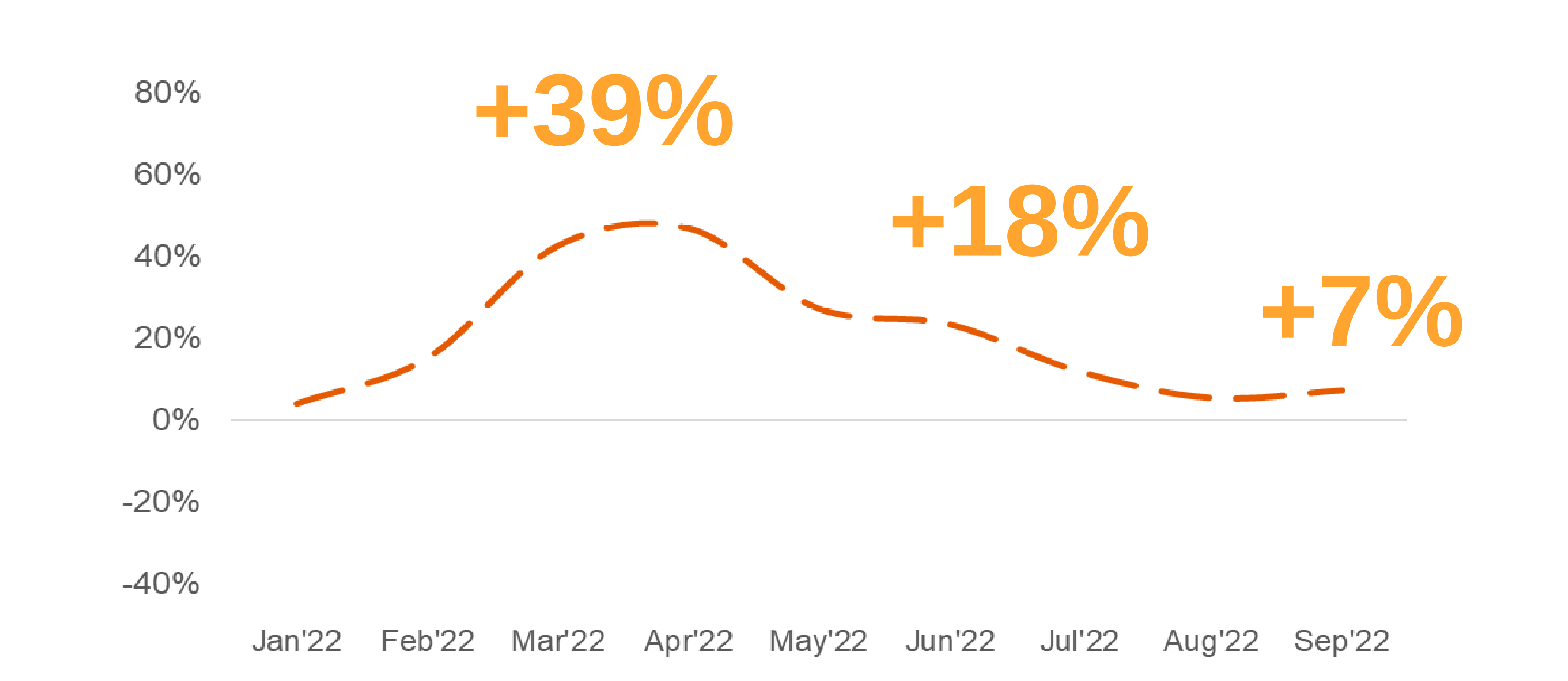
Source: GfK Consumer Panel Ukraine

Brand switching peaked after invasion, today still above 2021 levels

Change of brand leader in nearly half the categories!

UA

Volatility of shares of the top 50 brands in each category
(sum of absolute values of positive\negative changes in the share compared to 2021)



Source: GfK Consumer Panel Ukraine

2022: market polarization

Both private labels and premium benefit

UA

FMCG Market

Jan-Sep 2022 vs 2021

Economy segment	Brands with prices below 15% vs market leaders	-11%
Private Label		+14%
Middle segment	Brands with prices up to +15% vs market leaders	+5%
Market leaders	FMCG brands with the largest market share	-5%
Premium segment	Brands with prices above +15% vs market leaders	+8%

Source: GfK Consumer Panel Ukraine

UA

2022 vs 2021 YTD Sept

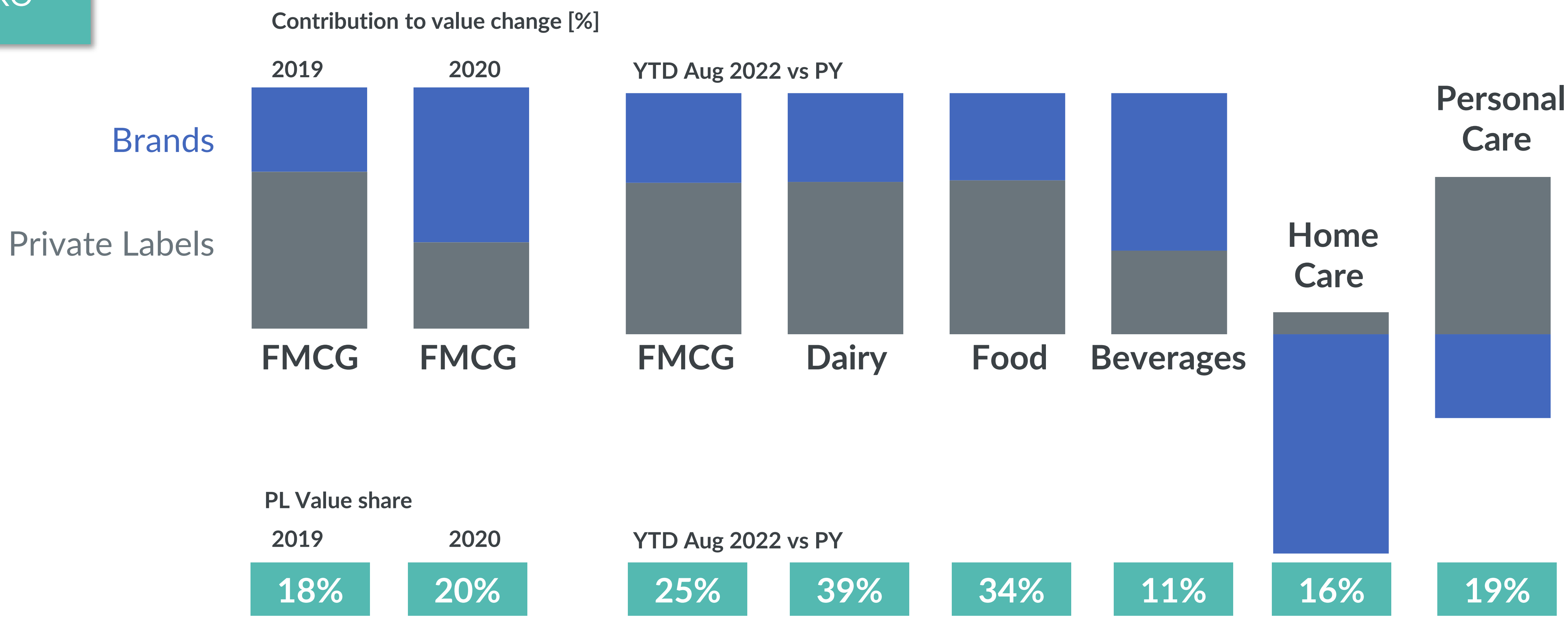
	Confectionery	Oils / fats	Beverages	Dairy
Premium	▲	▼	▲	▼
Leaders	▼	▼	▼	▼
Middle	▲	▼	▲	▲
Economy	▼	▲	▼	▲
PL	▲	▲	▼	▶

Different situation by category: where buyers see what they pay for, they are ready to pay for more quality, even premium products

Source: GfK Consumer Panel Ukraine

Private label wins recent game

RO

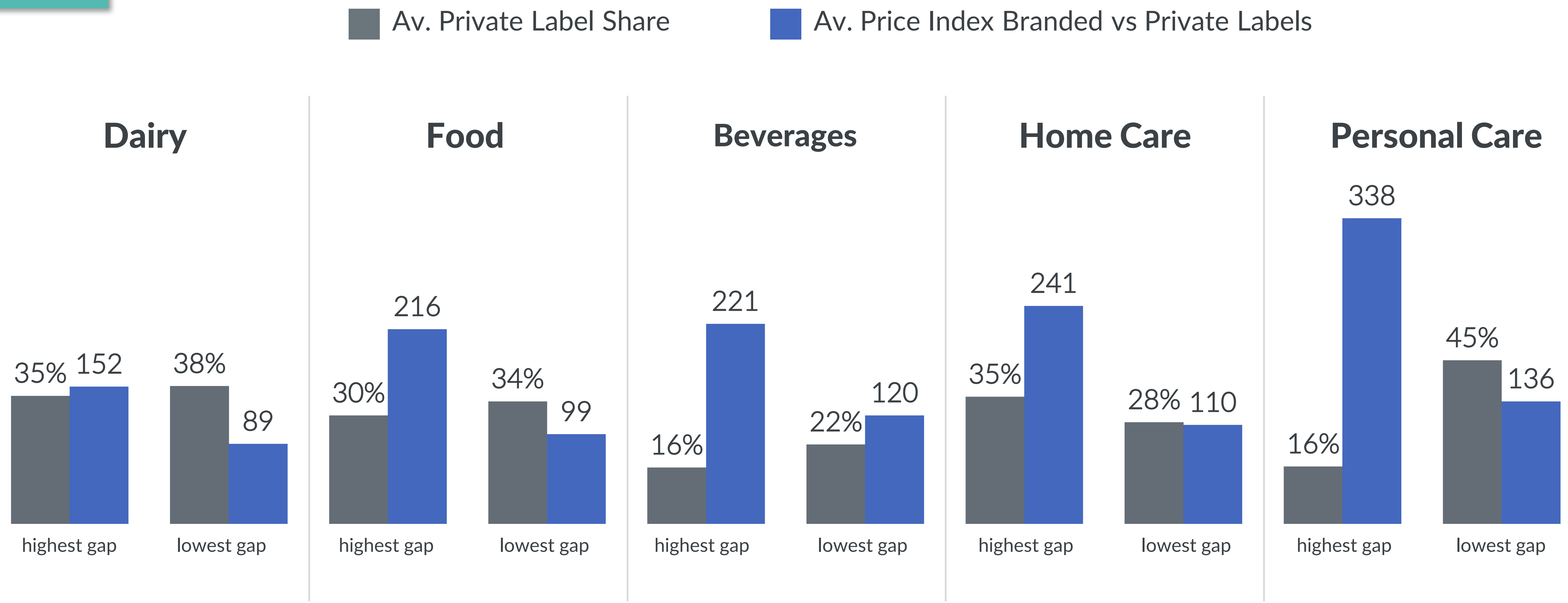


Source: GfK Consumer Panel Romania | FMCG excluding Fresh

It's all about price?

Big price gap does not necessarily drive shoppers to PL

RO



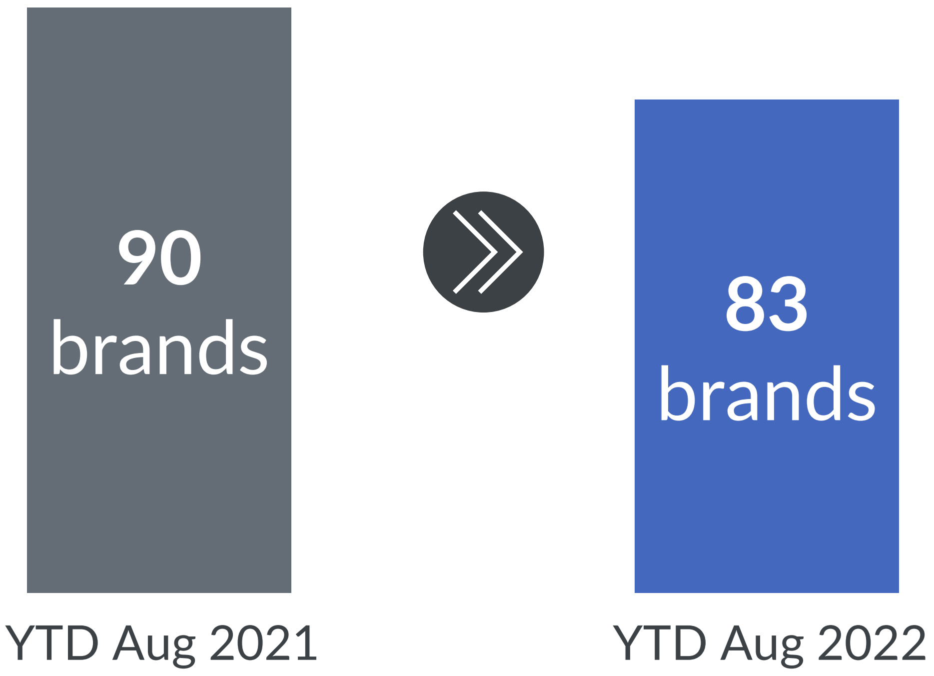
Source: GfK Consumer Panels Romania | Category price index gap branded vs private labels: ">" = Top 25% highest / "<" = Bottom 25% smallest

Where we stand

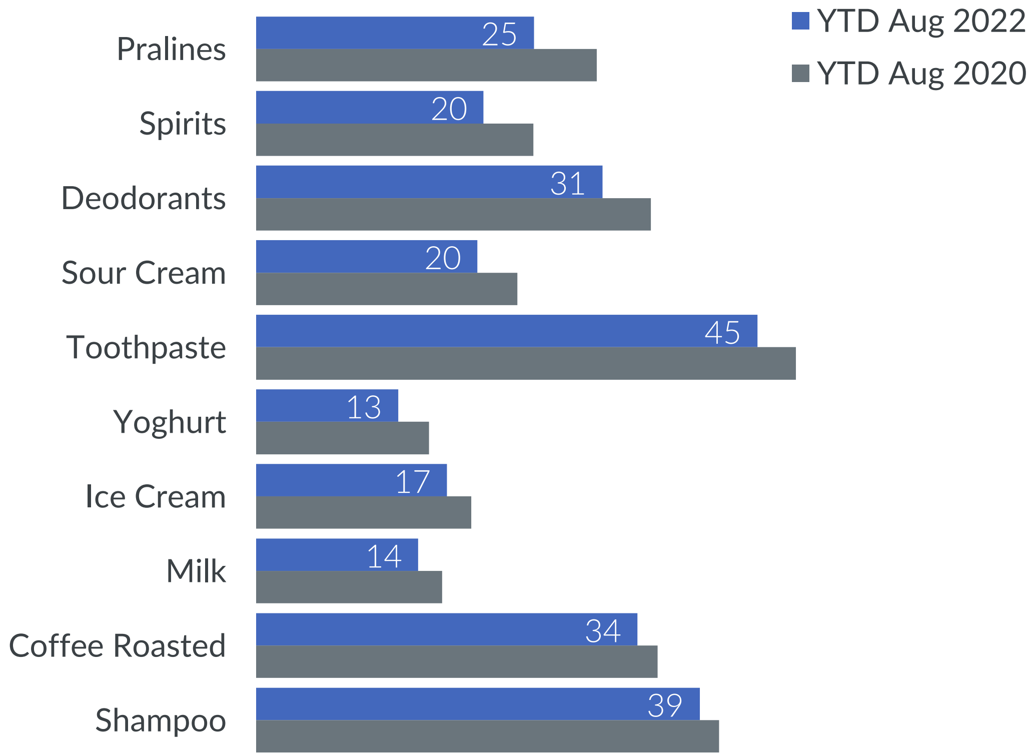
7 out of 10 brands have decreased loyalty

RO

Average number of brands purchased



Average Loyalty Value [%]



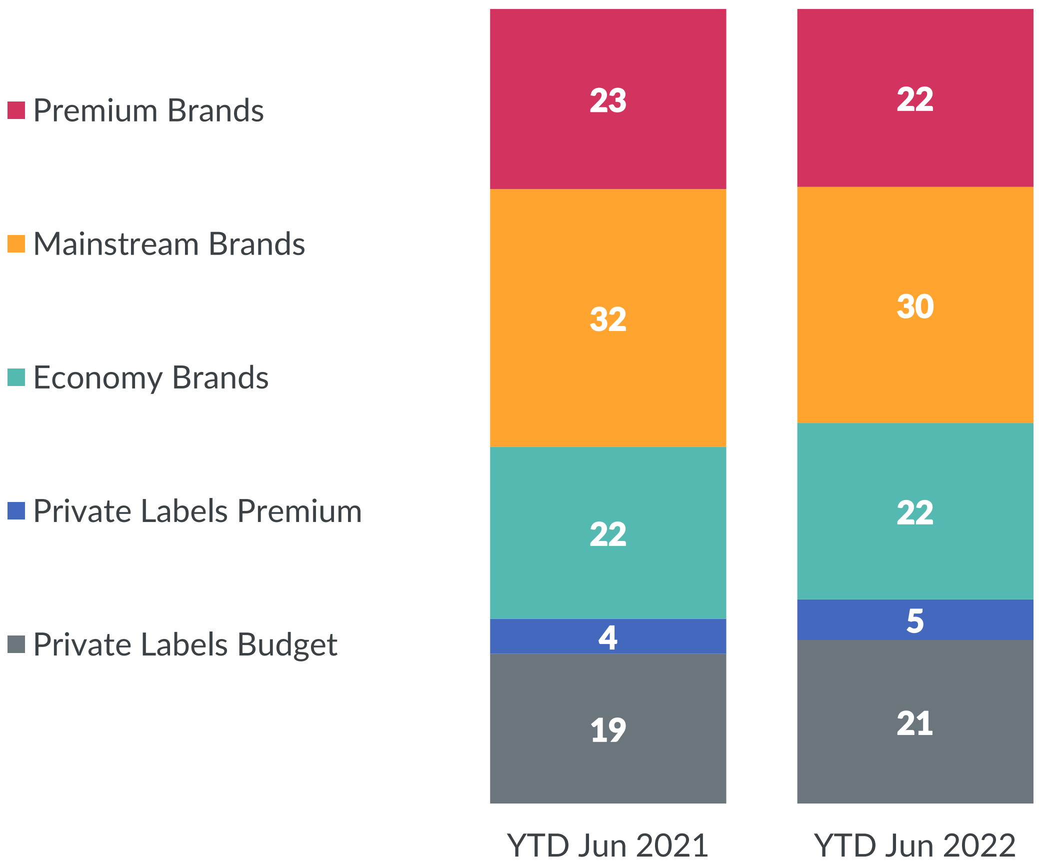
Source: GfK Consumer Panels Romania

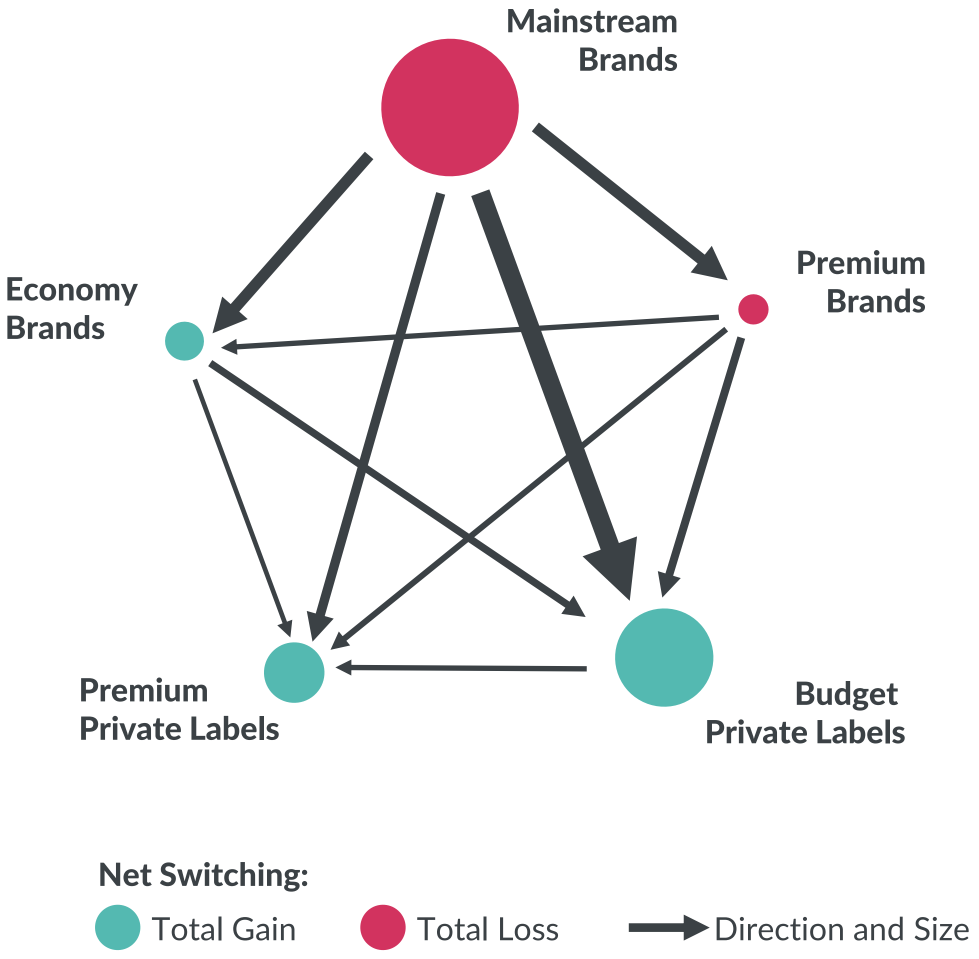
Downtrading with a twist

Room for premiumization in specific categories, eg. beverages

RO

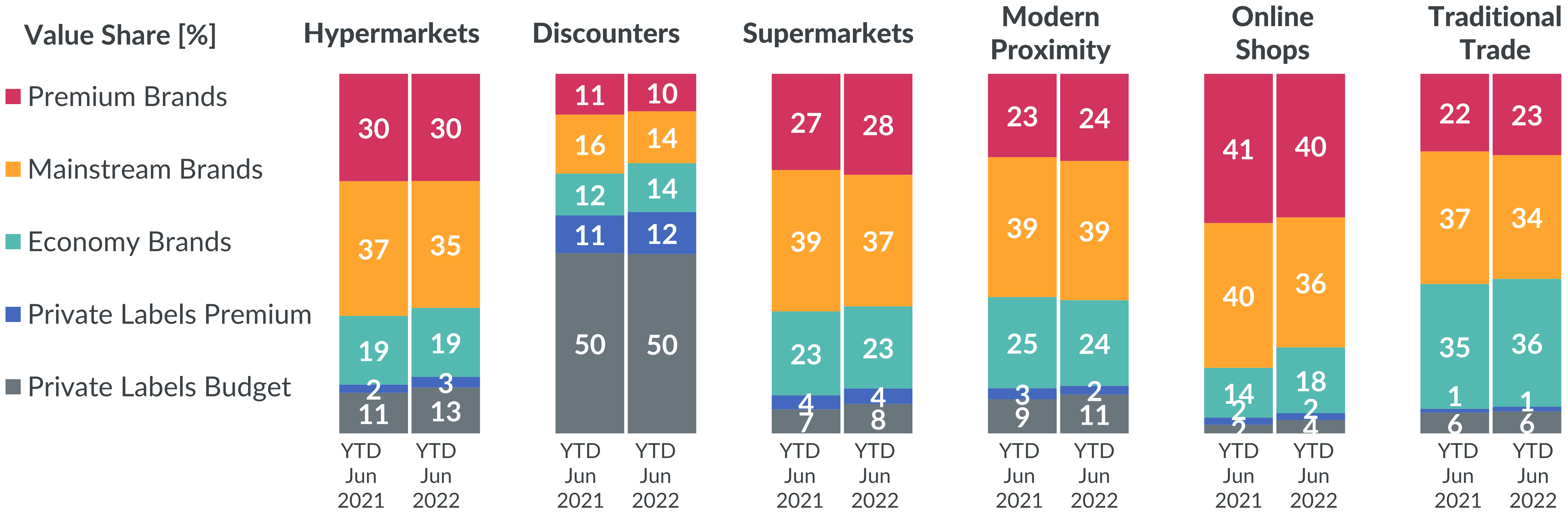
Value Share [%]





Price polarization by channels

RO

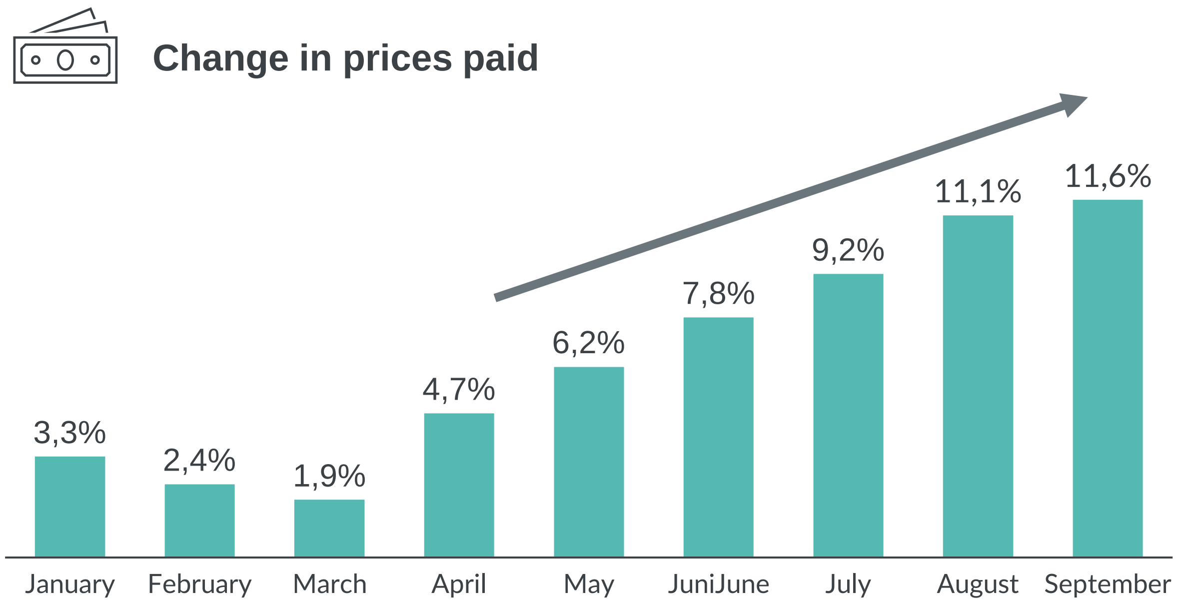


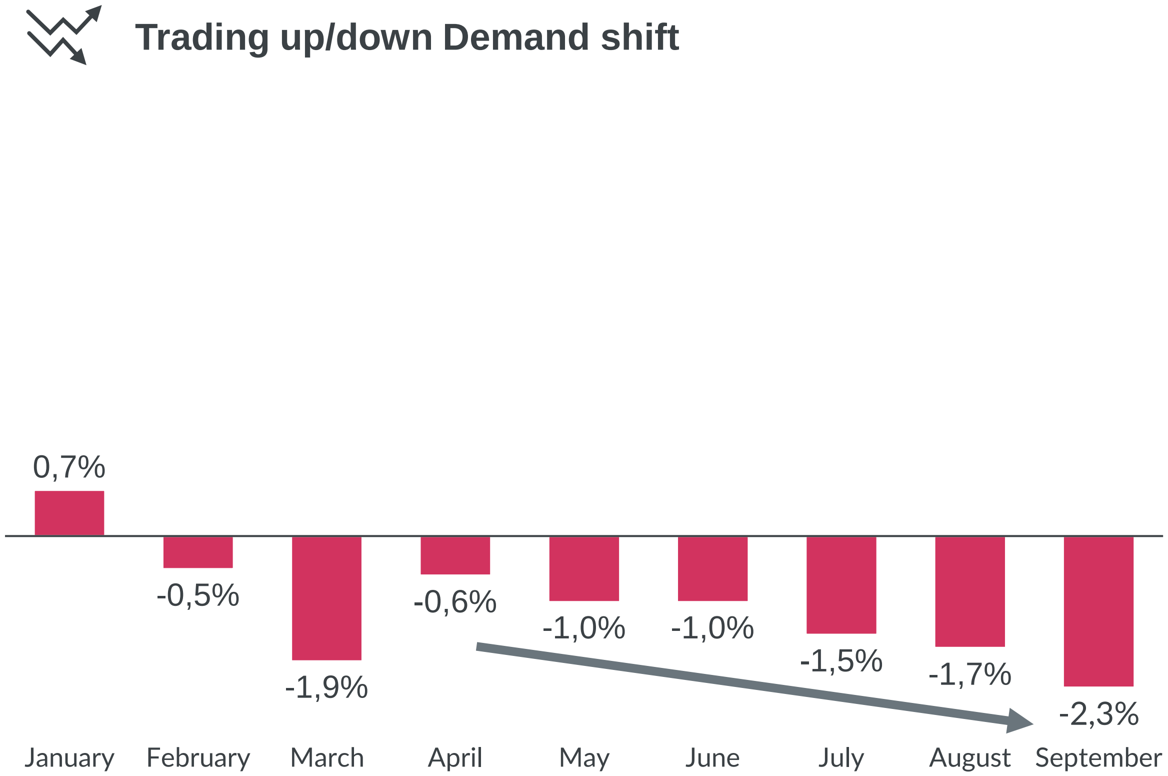
Source: GfK Consumer Panel Romania | FMCG excluding Fresh and Home Made

Strongly rising prices trump increased trading down

... does the shopper still have to accept (part of) the inflation?

DE





Source: GfK Consumer Panel Germany | FMCG incl. fresh produce (EAN goods only) | Price development | In each case versus previous year's month

60% of categories drive trading down (with varying strength)

DE

FMCG Q3 2022
Trading up/down demand shifts (inventory) in the categories

Both trading up and trading down takes place

Number of trading down categories is significantly higher

Source: GfK Consumer Panel Germany CP+ 2.0 FMCG, Inflationtracker, 309 categories in 18 product groups

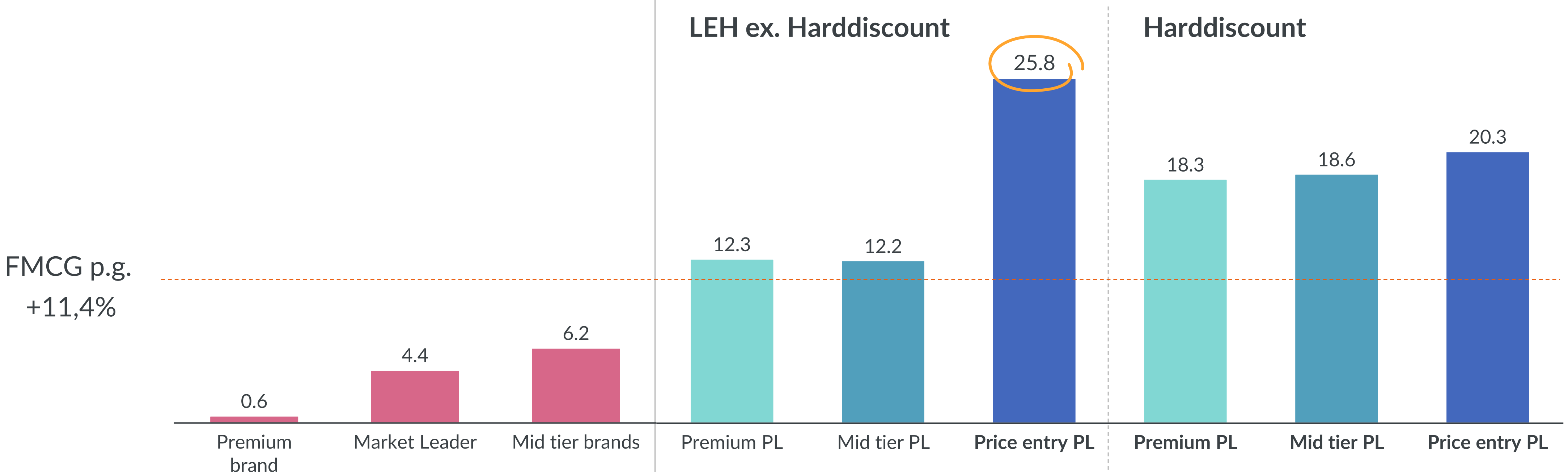
Significant trading down towards private lable, mainly price entry

DE

Change in sales in % I FMCG packed goods, Q3 2022 vs. PY

Significant under-proportional growth on the brand side...

The step towards a private label is made outside of hard discount strongly via the price entry, within HD via all tiers



Promo	+16,1	+15,6	+18,7	**+43,5**	**+47,1**	**+40,3**	**+32,4**	+13,6	+11,1

Source: GfK Consumer Panel Germany CP+ 2.0 FMCG

DE

Example for product group with "acceptance“ of inflation

Butter / butter preparation

Inflation
+51,5%

Total trading up/down
-1,6%

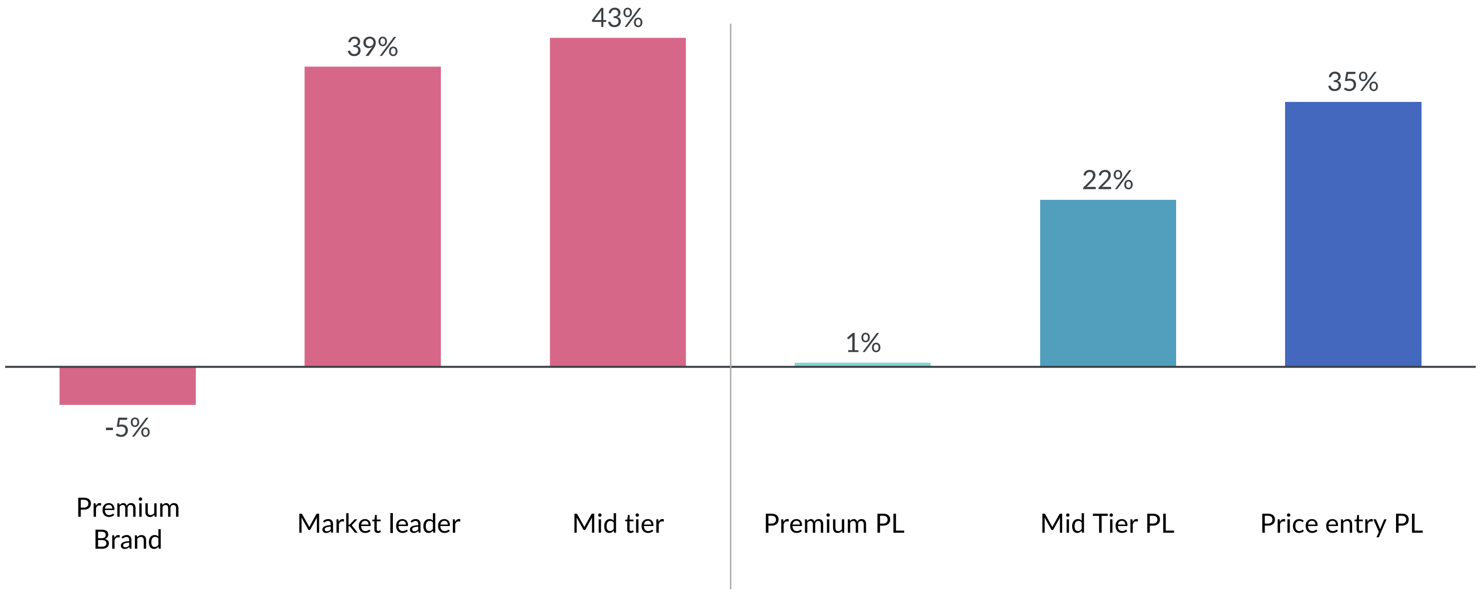
Source: GfK Consumer Panel CP+ 2.0 FMCG, Inflationtracker

Mid tier brands and market leaders significantly gain value

Premium brands as well as PL are less in demand

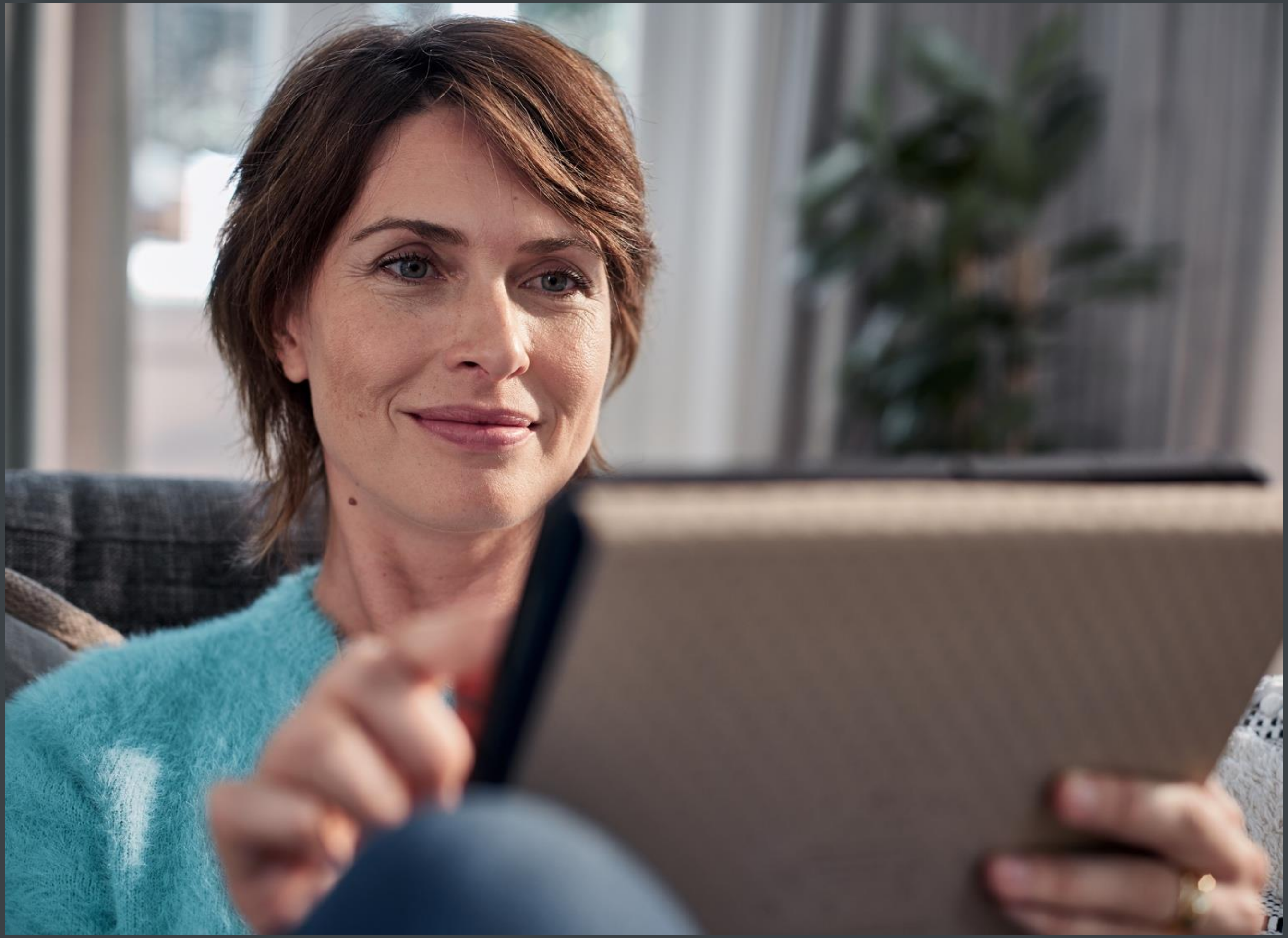
DE

Change in sales I Q3/22 vs. PY in %



Brands Promo +50% Value change

Source: GfK Consumer Panel CP+ 2.0 FMCG, Inflationtracker



Takeaway

Be where the shopper is

Store choice factors

Rational factors triumph

Rising top 5

1. Self –check out
2. Loyalty card
3. Private labels
4. Attractive promotions
5. Proximity

Declining top 5

1. Well-known brands
2. Quick service
3. Healthy choices
4. Friendly staff
5. High quality products

Source: Harmonized Statement EU-average 2022 vs. 2021

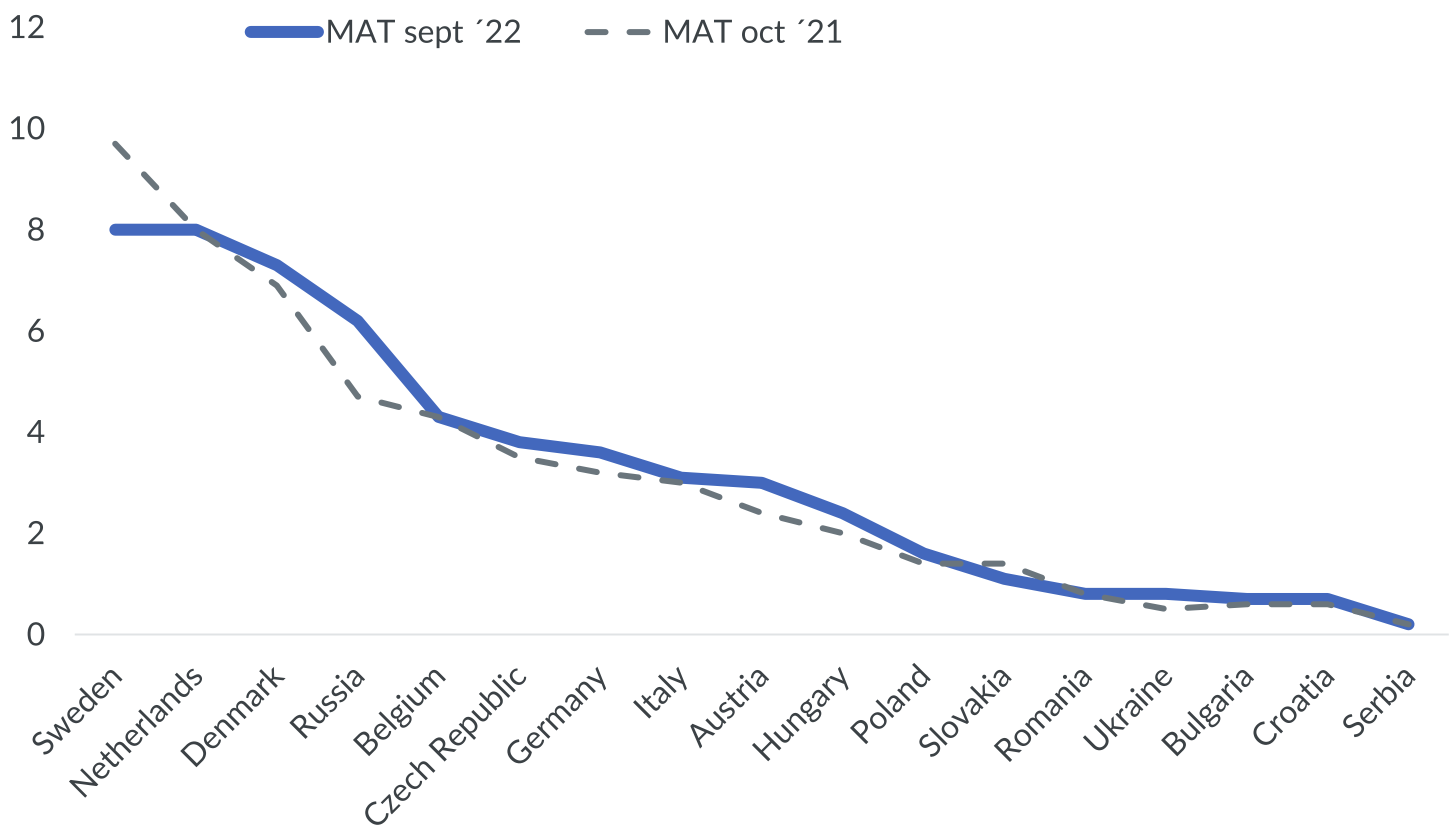
Net intention next 6 months | % shoppers (much) more -/- (much) less

Hard Discount	Super market	Hyper market	Weekly market	Online	Drug stores	Con-venience	Deli / specialty
+15	-2	-3	-4	-8	-16	-18	-18

Online growth has decelerated

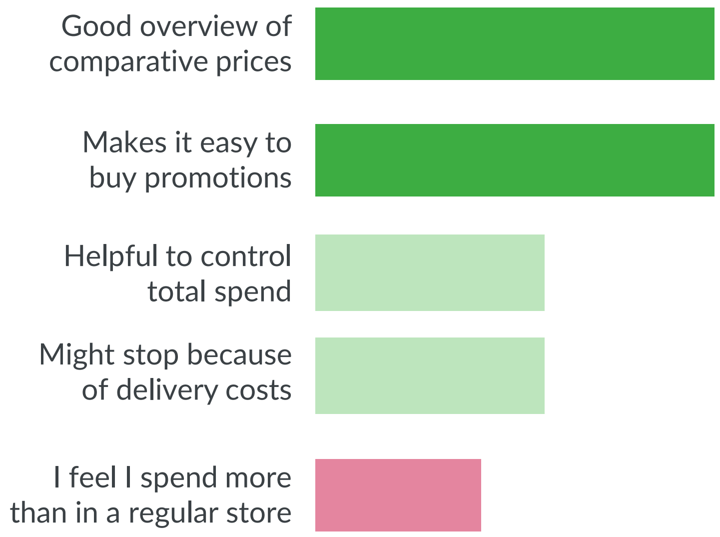
Online shoppers positive about savings aspects, but delivery costs are a bottle neck

Online value share FMCG



Online shoppers' net sentiment

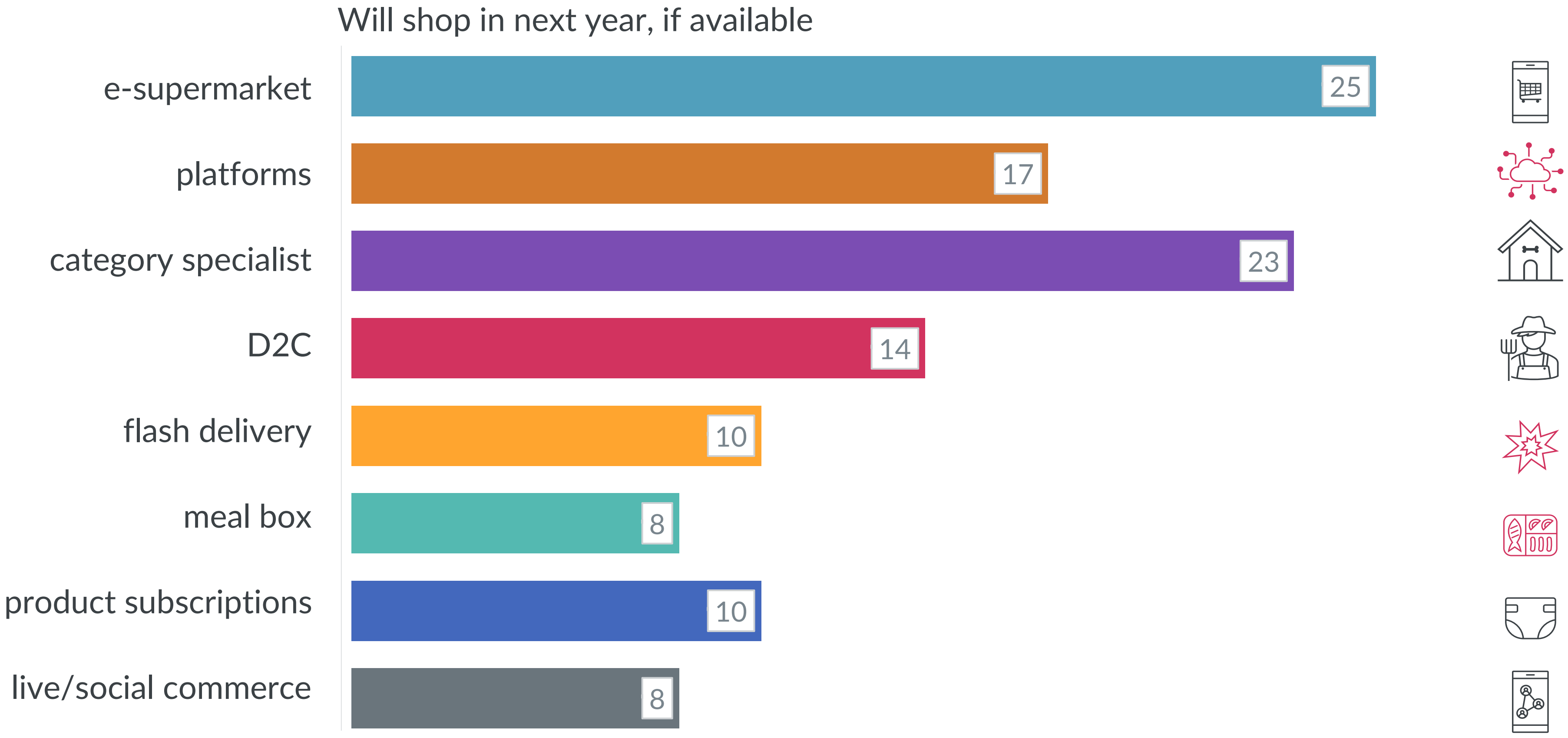
When shopping online.... (top2 -/- bottom2)



E-grocery and e-specialists most popular

Willingness decreased all-round. Flash delivery, platforms and meal boxes the most

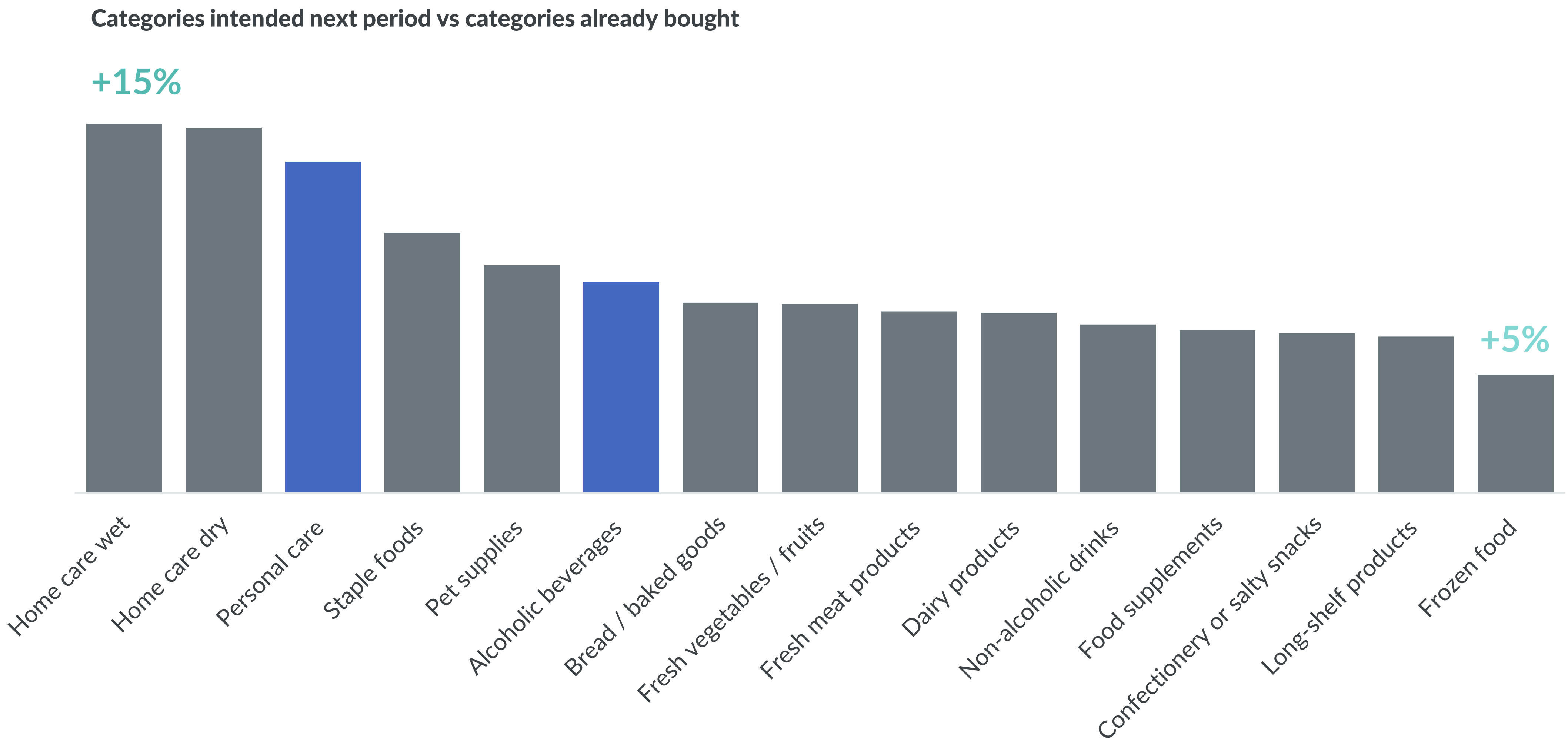
E-grocery EU-8. Fall ‘22 vs. fall ‘21



GfK E-grocery Nov. ‘21 / Behavior Change Nov. ‘22 n=6586 AT, BE, CZ, DE, IT, NL, PL, RU

Online important for a few key coping / cutting categories

Especially personal care and alcoholic beverages



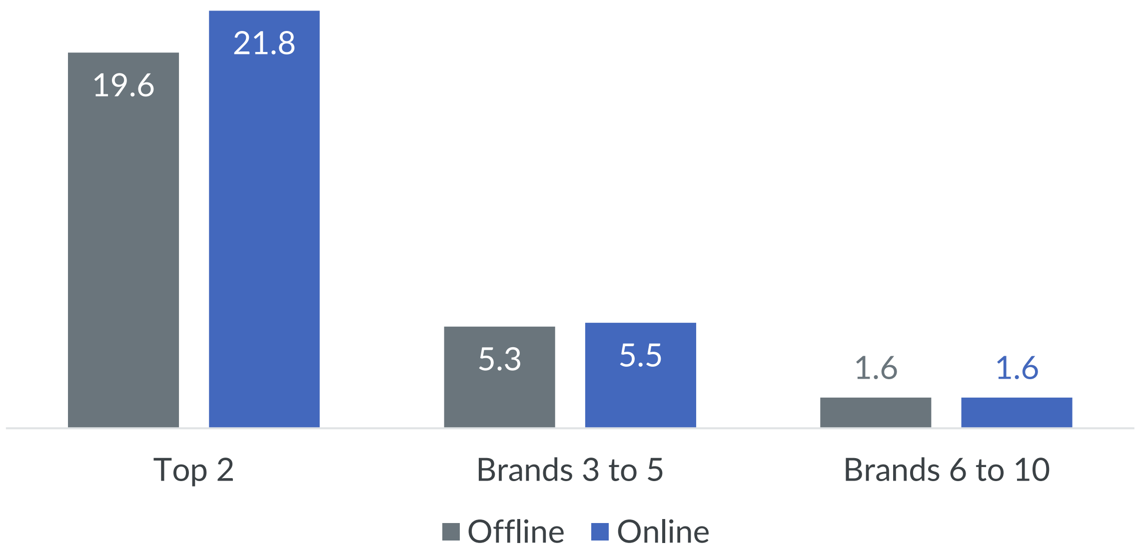
GfK E-grocery Nov. '21 / Behavior Change Nov. '22 n=6586 AT, BE, CZ, DE, IT, NL, PL, RU

E-grocery important to build brand preference

Even when growth is plateauing

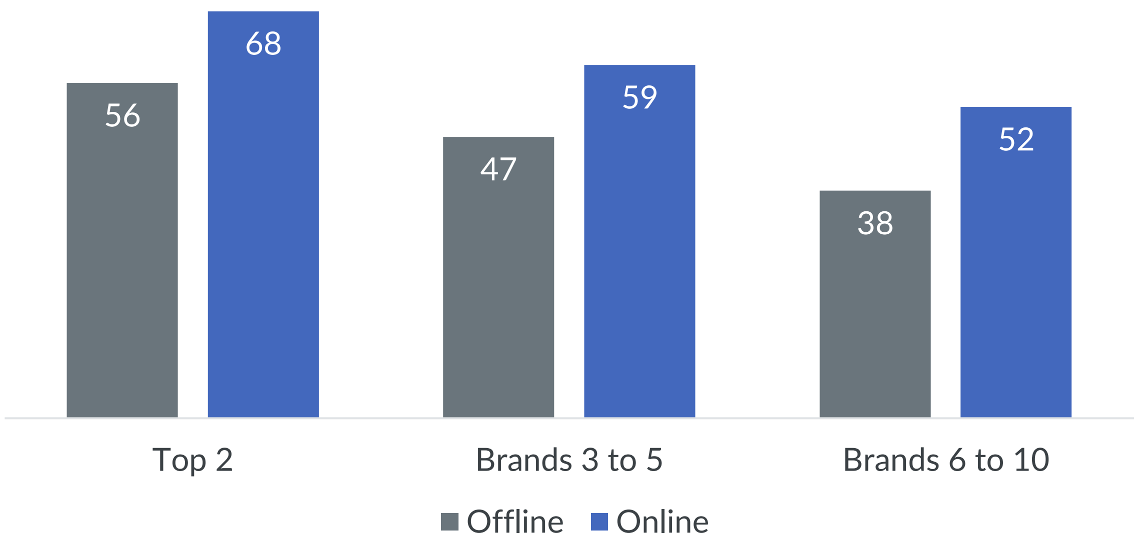
Big brands do especially well online

Value shares by brand ranking
Averages for 85 categories



Shoppers are much more loyal online, especially for smaller brands

% Loyalty by brand ranking
Averages for 85 categories



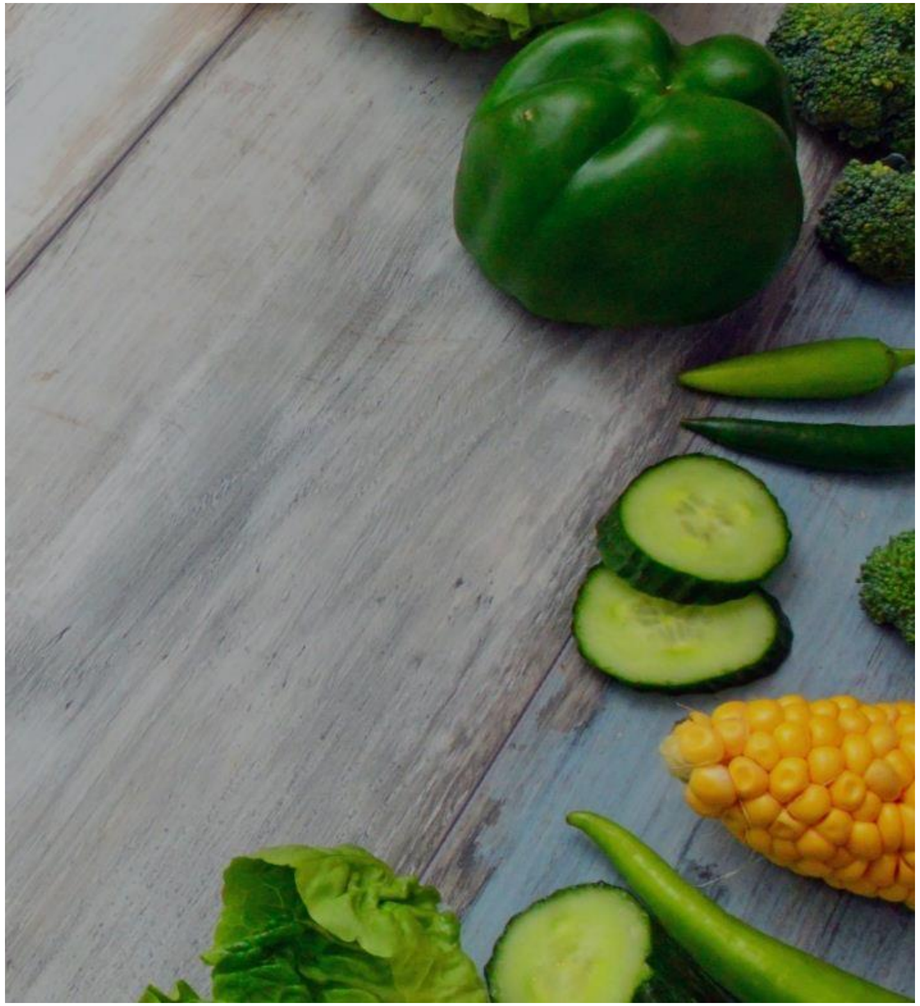
Source: Europanel BG20 2017, France and Great Britain

Takeaway

Getting you message across is not a given

Naturally healthy still important influencer

More room for personalization, premium and convenience



Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

Healthy living becomes more particular

Micro-level nutrients and "free from" lifestyles

Top 3 ingredients
% of shoppers paying attention to

37% No artificial ingredients

34% Low sugar

32% No GMOs

Growing

Protein Lactose free Gluten free

Lifestyle / diet

11% ▲ Diabetes

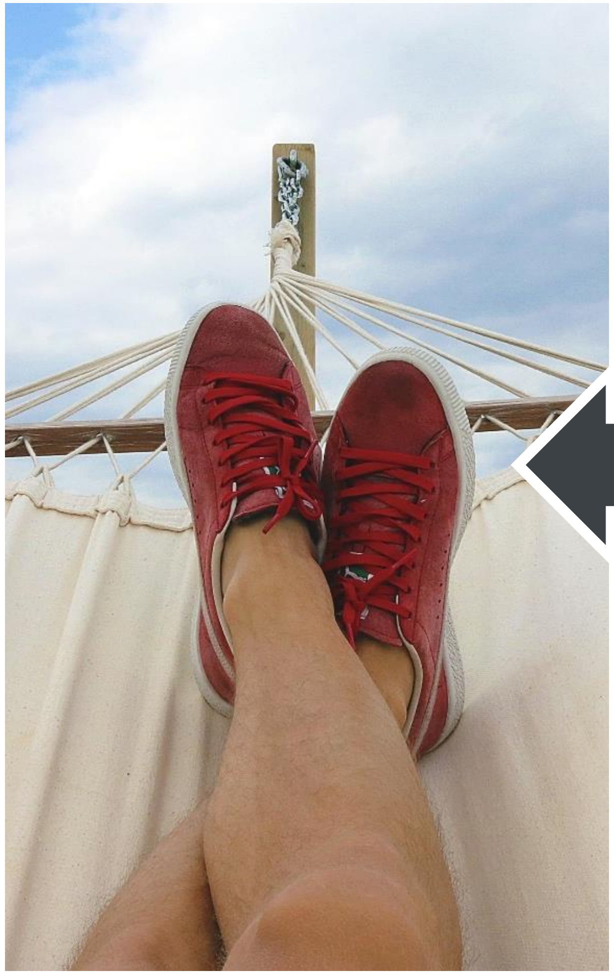
9% ▲ Lactose intolerant

4% ▲ Vegan

Source: GfK harmonized statements 2021 & 2022 EU-average

Healthy convenience resonates with struggling

Green premium privilege of the financially comfortable

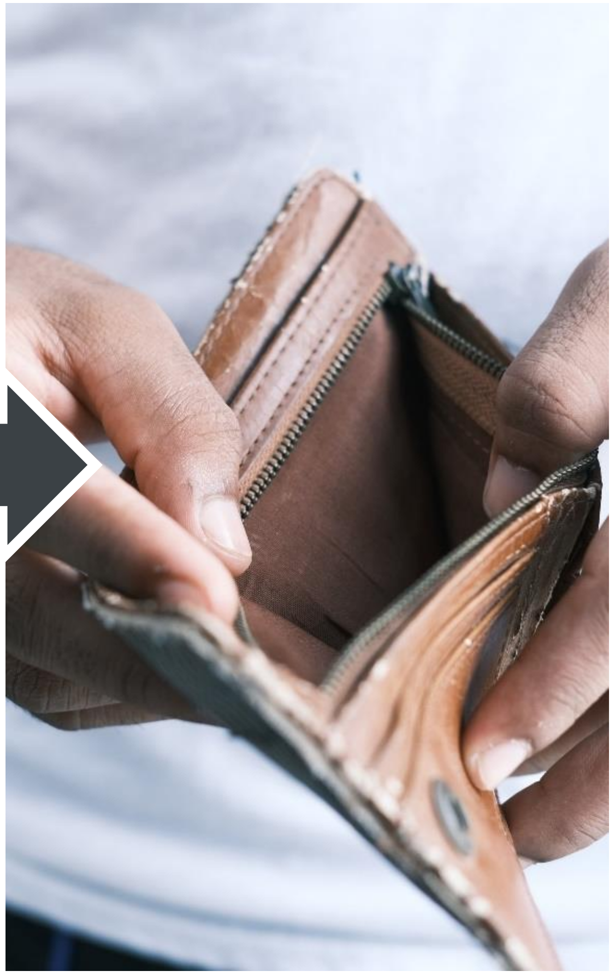


Comfortable

- Premium products
- Corporate responsibility
- Carbon neutral products
- Personalized products
- Organic product

Struggling

- Inflation
- Personalized promotions
- Natural ingredients
- Healthy ingredients
- Time-saving solutions



Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

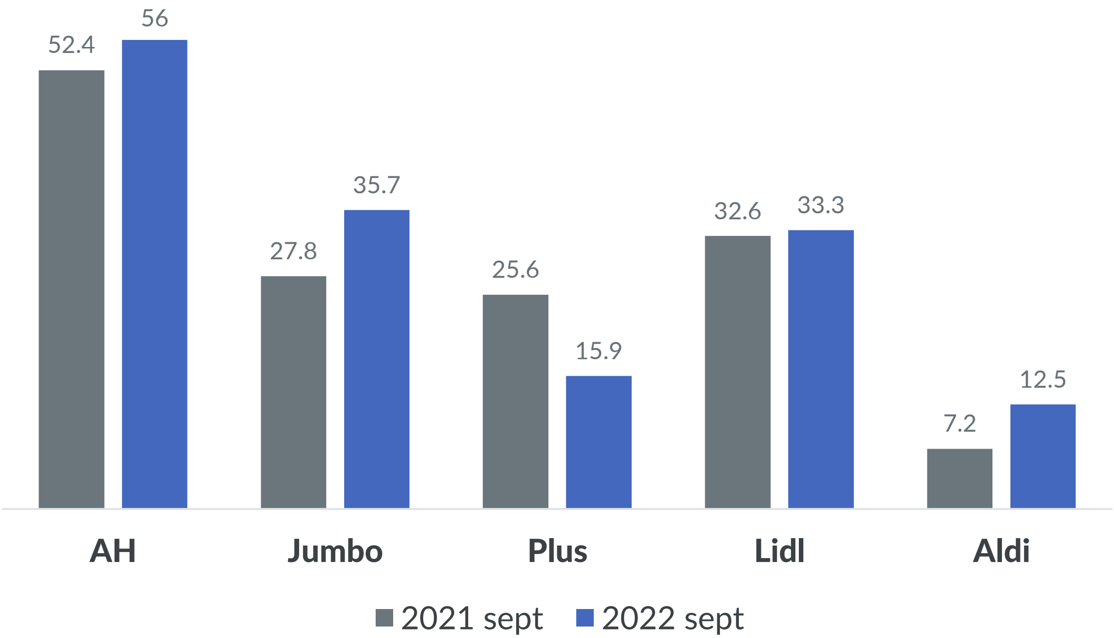
Online as a starting point for promo hunters

Reach of online leaflets is growing

NL

Online leaflets thrive

Reach online leaflets NL
Major retailers



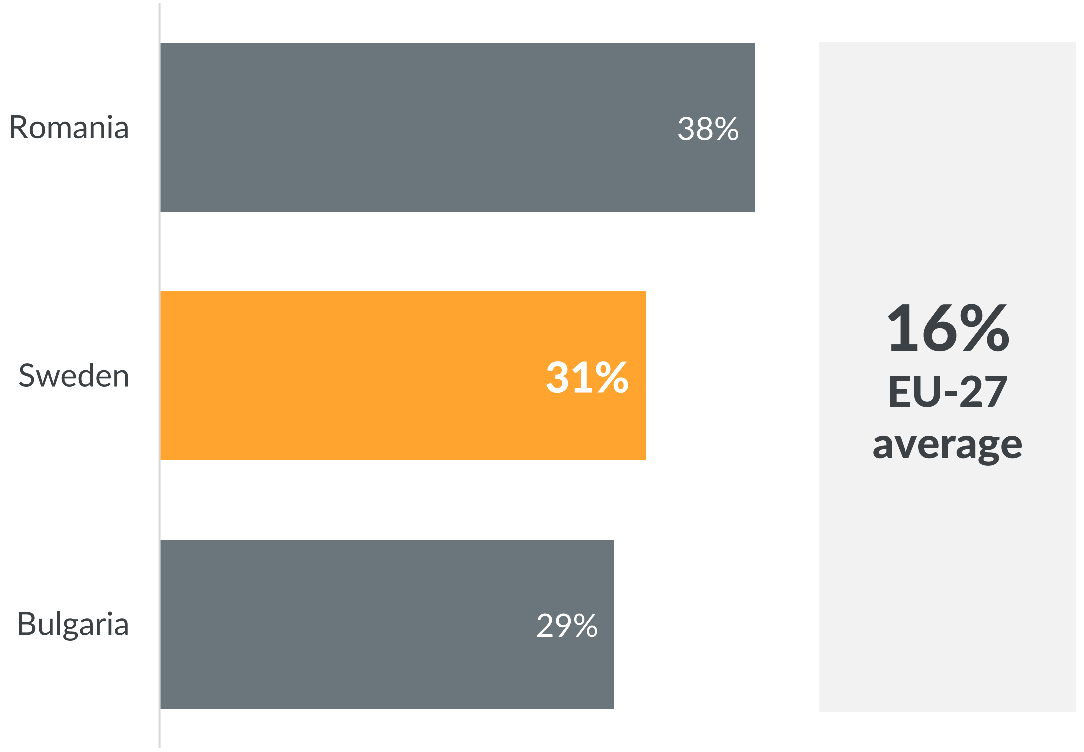
Source: GfK harmonized statements EU-15 | GfK NL GXL / DAM media

Swedes among the top to be influenced by personalized promotions

Digitalization enabling retailers to better target their shoppers

SE

Personalized promotions increasingly influencing purchase decision



Digitalization enabling personalized promotions

Shift from print to online leaflet

Shift from print to digital price sign

Often integrated in retailer app

Location based services

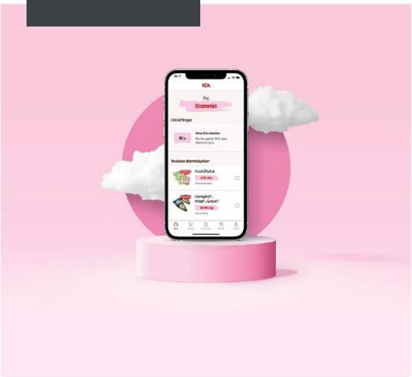
Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

Personalized promotions are a standard in the Swedish grocery

Special promo prices on items often shopped or personalized product suggestions

SE

90% ICA



Poängen med livet

Stammis

Som stammis får du möjlighet till bonus, personligt anpassade erbjudanden och massor av annat härligt. Det här alternativet passar dig som vill fortsätta betala med ditt vanliga kort.

77% coop

Som medlem får du:

- Poäng på allt du handlar. Du byter poängen mot värde-checkar, resor, nöjen och rabatter. Poängen kan du spara i tre år.
- Personliga erbjudanden och medlemspriser i din butik.
- Medlemserbjudanden från våra partner.
- Tidningen Mer Smak*.

Personliga erbjudanden och medl...

Som medlem får du personliga erbjudanden på sådant du handlar ofta eller mycket av och varor som vi vill tipsa dig om. Dessutom finns alltid bra medlemspriser i din Coopbutik och här på coop.se varje vecka.

37% Hemköp

Det här får du som medlem i Klubb Hemköp:

- ✓ Samla poäng och få bonuscheckar
- ✓ 2500 välkomstpoäng = 1 bonuscheck
- ✓ Extrapoäng på Goda handlingar
- ✓ Personliga erbjudanden
- ✓ Inbjudan till Klubbdagar
- ✓ Klubbpriser varje vecka
- ✓ Digitala kvitton
- ✓ Recept & inspiration

% *= % of Swedish Households with banner loyalty card*

Source: retailer websites

Promotion shares increasing as consumers go bargain-hunting across banners

Danes shopping around most in Western Europe

SE/DK

Denmark

48%
shop around more in different stores to find the best prices

50%+
singles, couples, large families

65%
those struggling financially

Sweden

37%
shop around more in different stores to find the best prices

50%+
families with 3+ children

44%
those struggling financially

Promotion share
Sept 2022

Denmark: **40%**
+ 5%pts vs YA

Sweden: **38%**
+ 2%pts vs YA

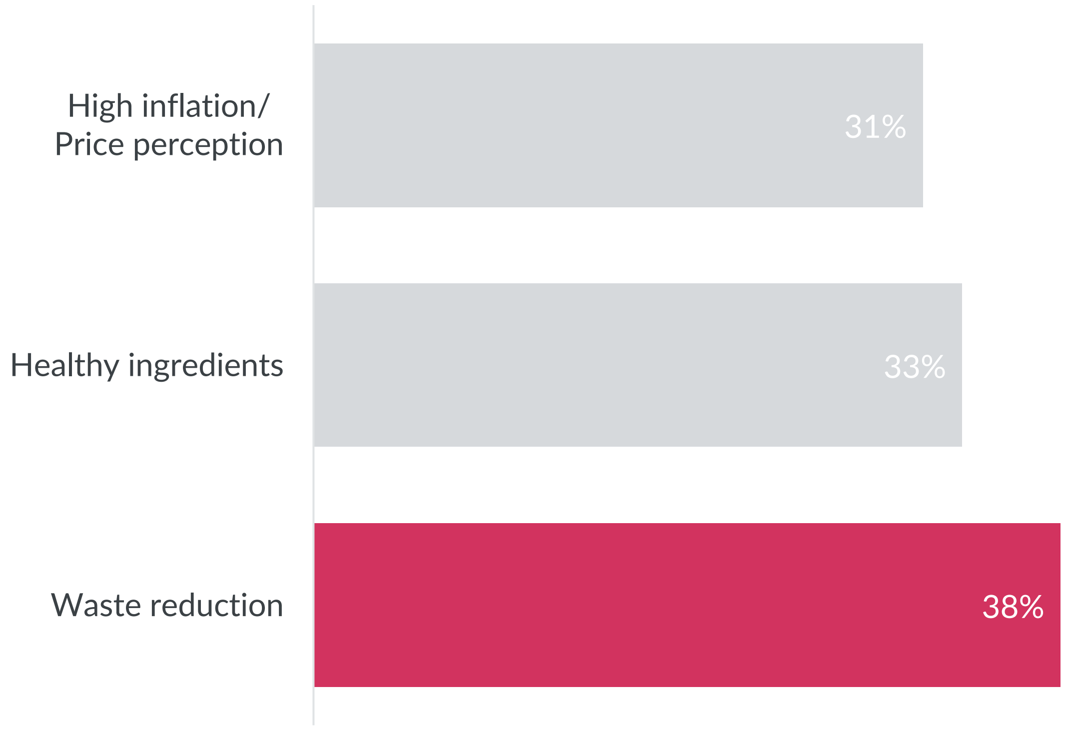
Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 | GfK Consumer Panel Denmark & Sweden

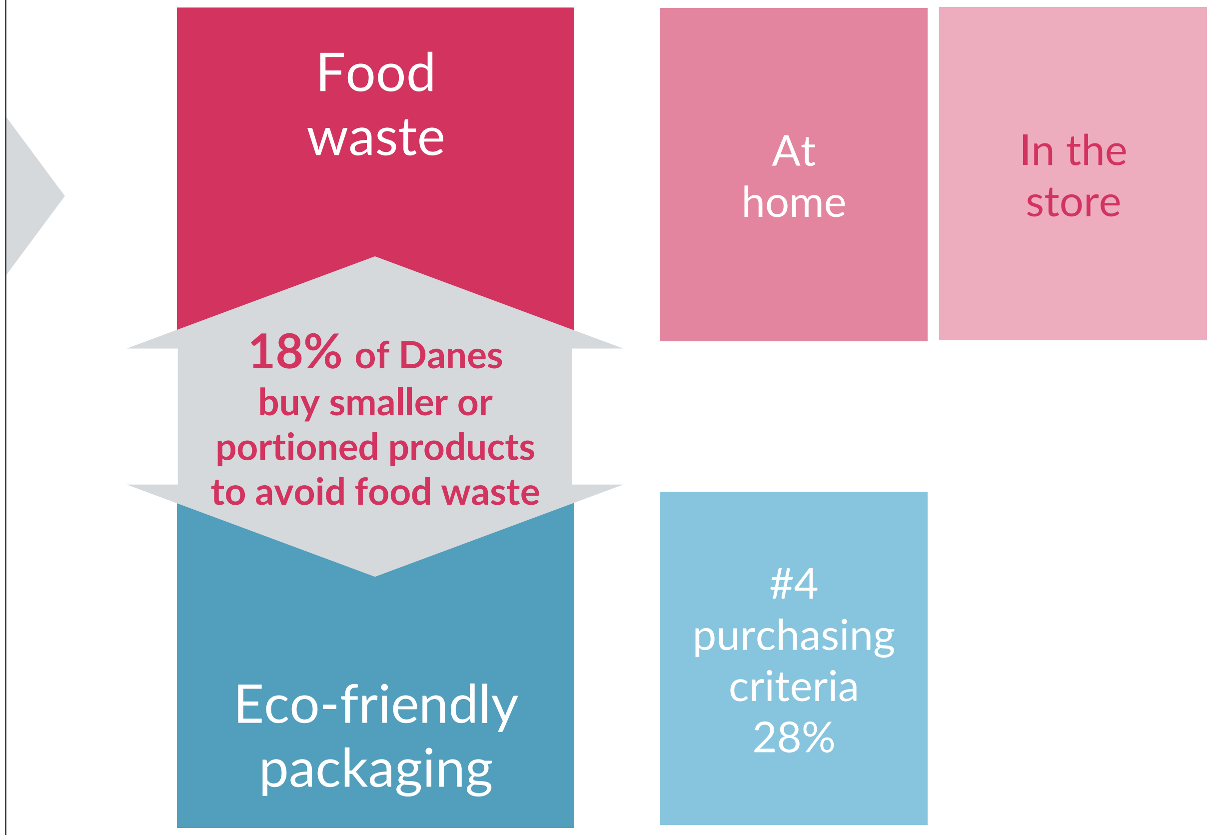
Waste reduction is another way of economizing

Both in terms of food waste and packaging

DK

Top 3 criteria increasingly influencing purchase decision





Source: GfK, Behavior Change Nov. '22 EU-15 n=9,834 & April '22 n=7,855

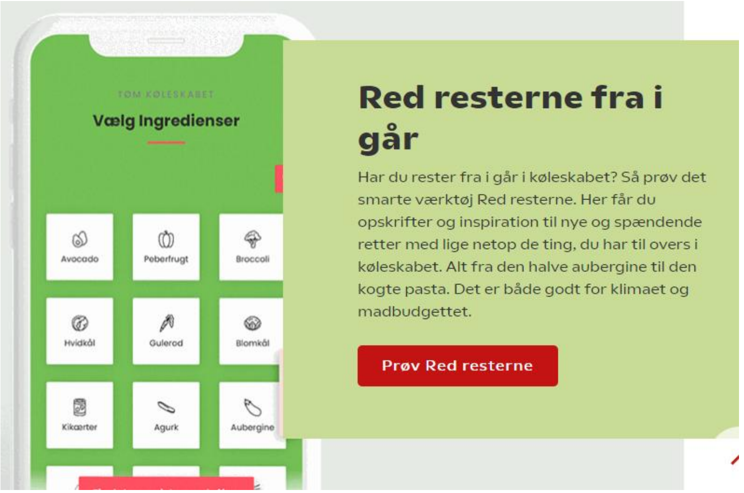
Danish retailers are jumping on this trend

“Eco-economizing” used as an additional promo mechanism

DK

“Save the Leftovers”

coop

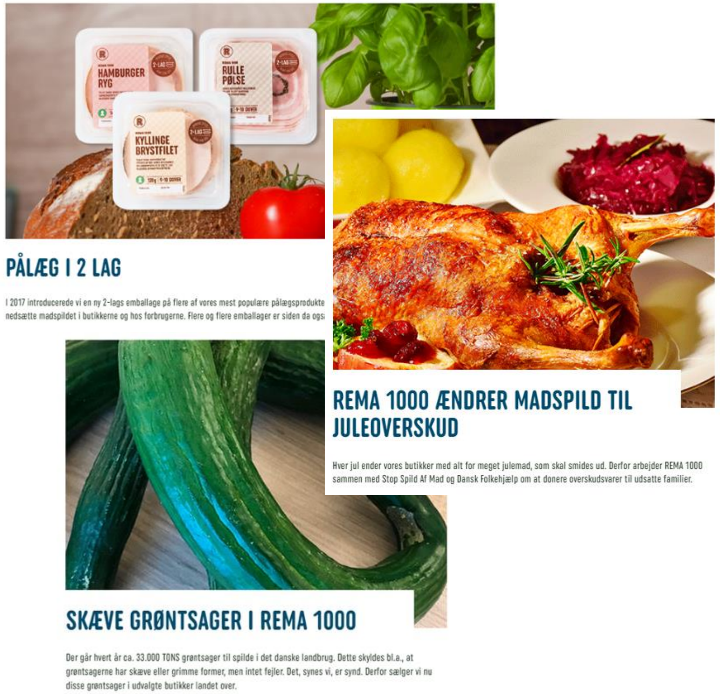


“Stop Food waste”

føtex

“Fight Food waste”

REMA 1000



Source: retailer websites

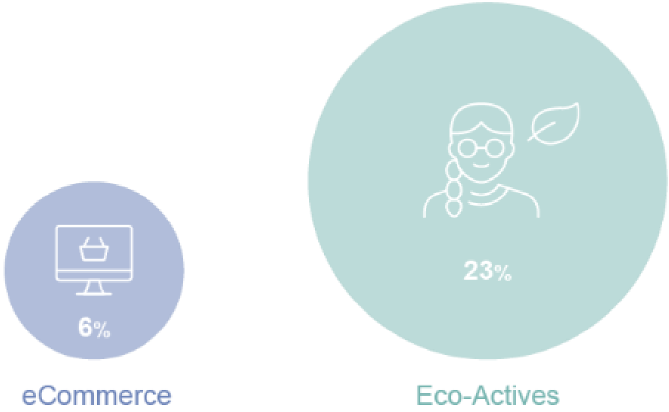
General trends put in perspective

Big bets and small nuances

E-grocery & Eco-actives

Value shares in perspective

Big 6 countries in Western Europe shares of FMCG



Selected trends

Population shares in perspective

Waste reduction	26% SE	35% DK
Carbon neutral	10% PL	21% DE
Organic	12% BG	21% RO

Source: WCWD 2022 Europanel. GfK, Kantar | Behavior Change Nov. ‘22 EU-15 n=9,834

Despite declining consumer climate, consumers in Germany are still buying sustainably

GfK sustainability index Germany 2022

February	April	July	October
38,9	39,7	39,2	**39,7**

FMCG is the ´hot spot` for turning concern into action

Proportion of consumers who plan to buy sustainably in the future

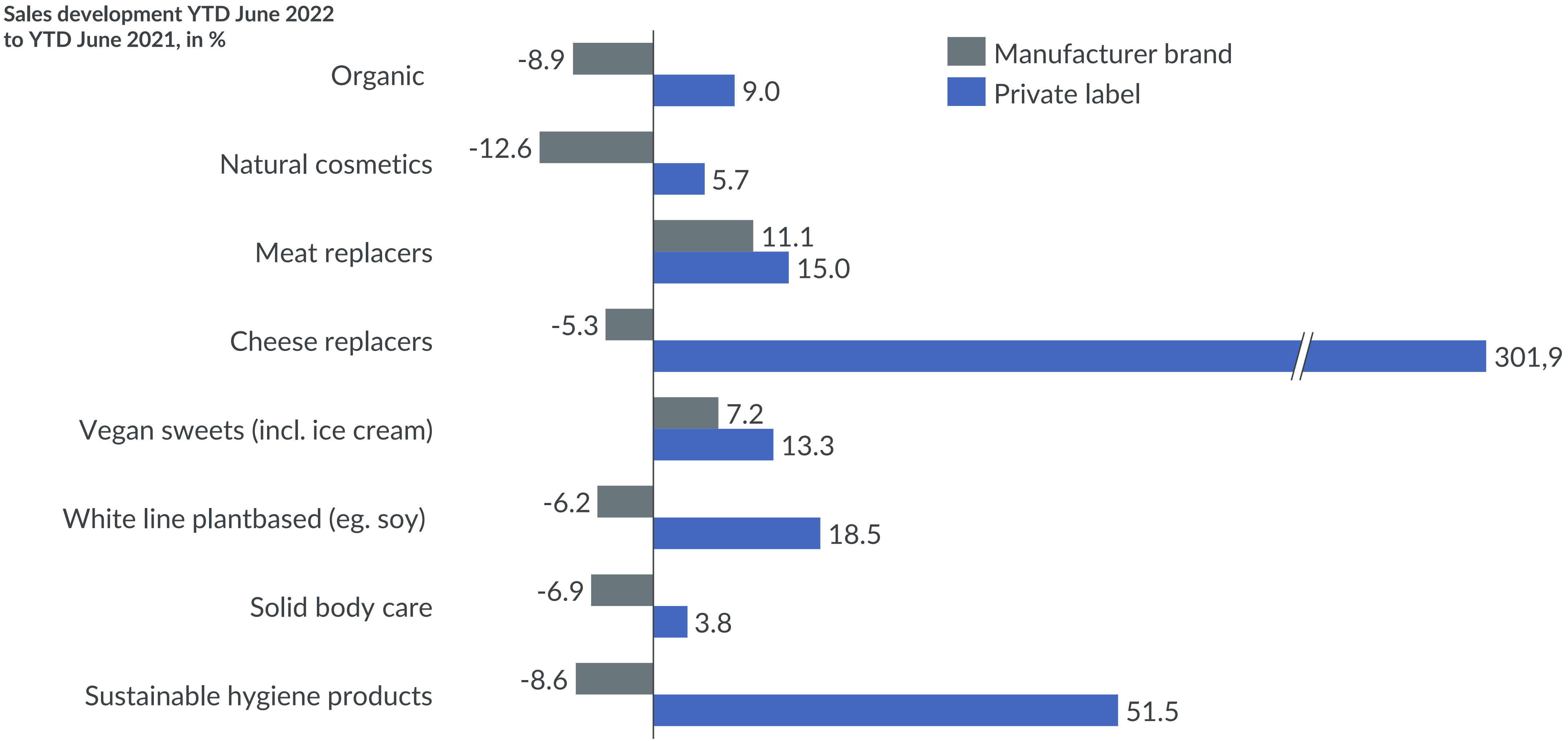
66%

for products of daily use

27%

for major purchases

Eco-trends driven by private labels. In six out of eight sustainability trends, manufacturer brands develop negatively



Takeaway

Lead with the heart

Cutting through

- I´m suspicious of ads (totally) agree

ix 103

- Likelihood of brands keeping won share after 5 years

62%

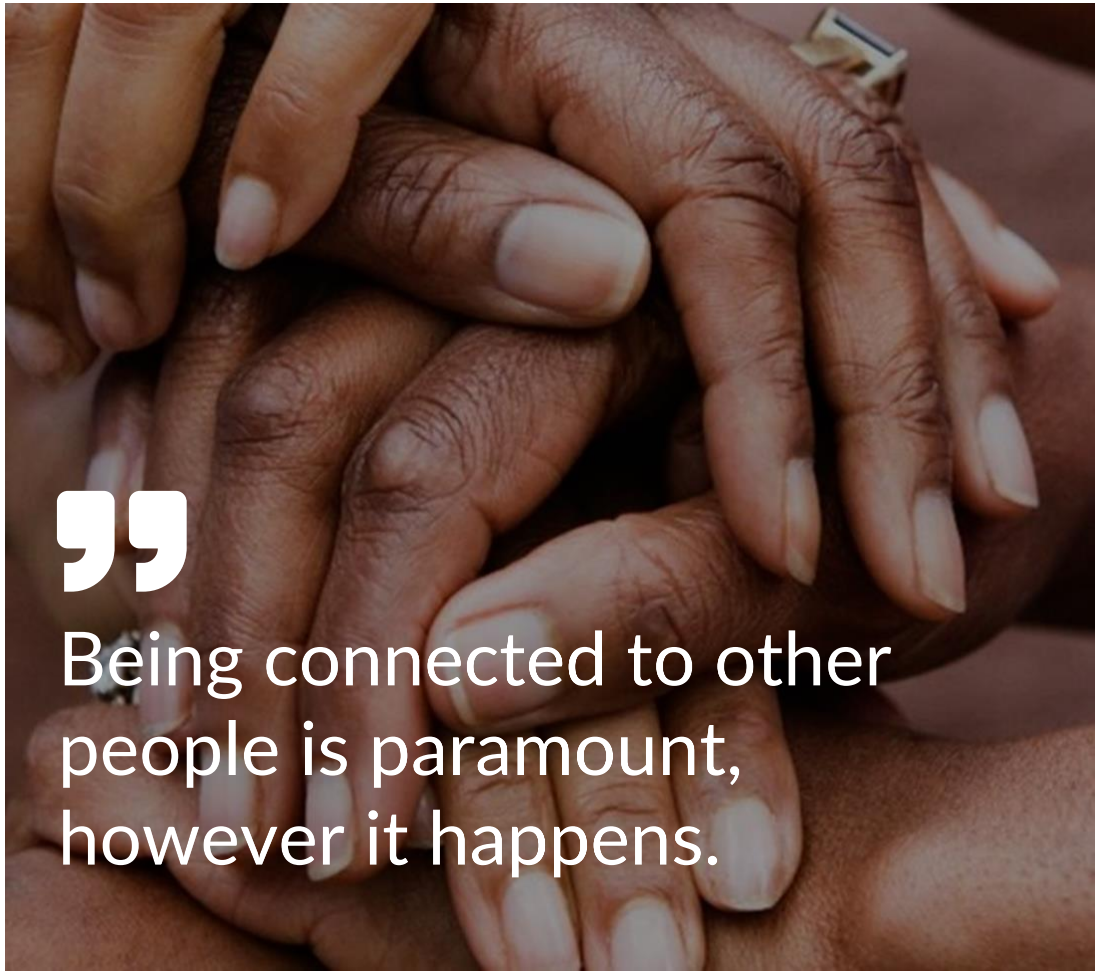
- Likelihood of PL keeping won share after 5 years

73%

Source: GfK, Harmonized Statements | Europanel

Belonging

The fastest growing trend in Western Europe in 2022



Source: GfK Consumer Life 2022

Real me

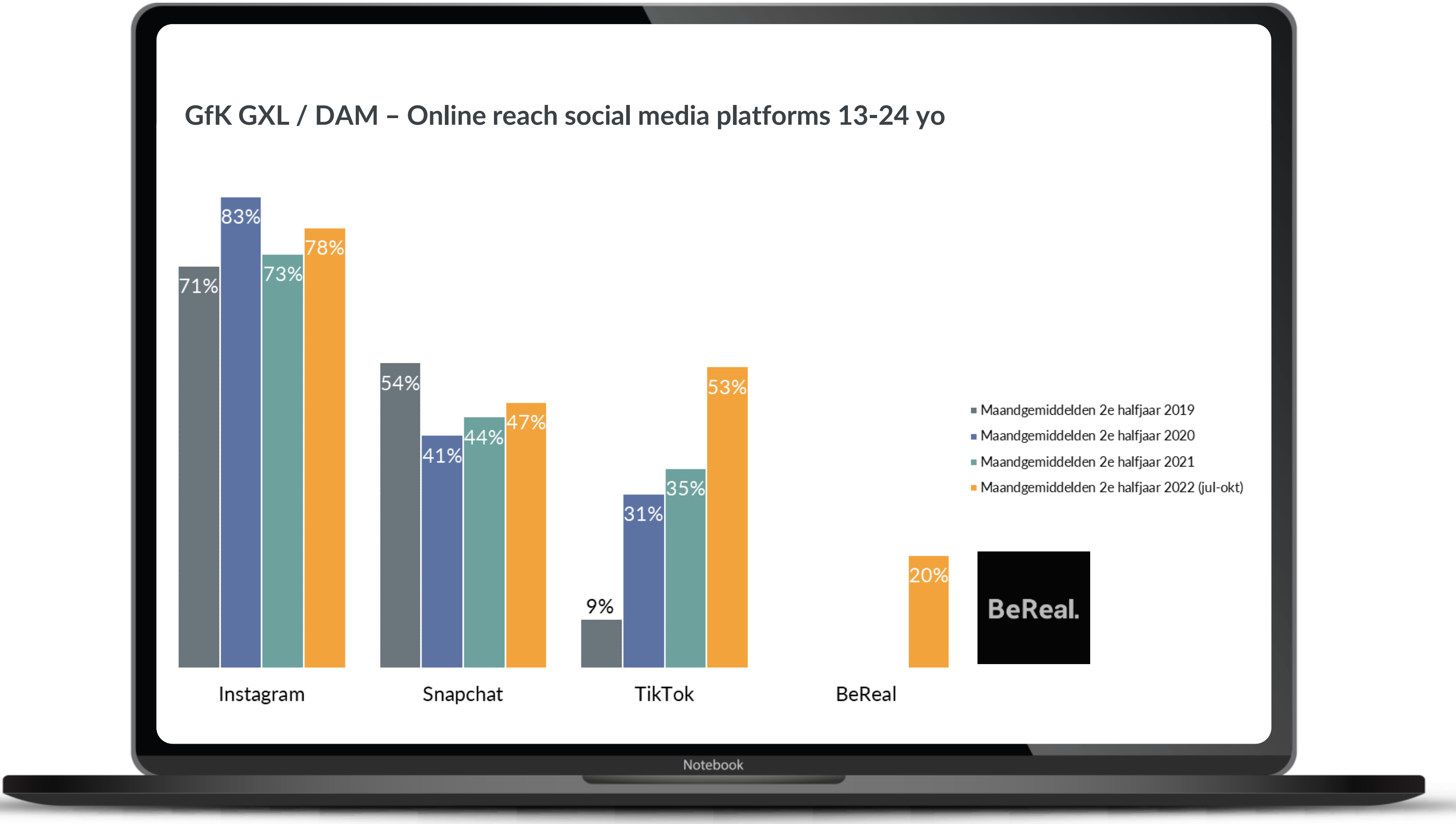
Filtered flawlessness thing of the past

NL

BeReal used by 1 in 5 teens / young adults

The platform has a narrow target group with 90% being younger than 35 (eg. TikTok 44%).

User intensity is relatively high, comparable to Snapchat



Source: GfK NL GXL / DAM

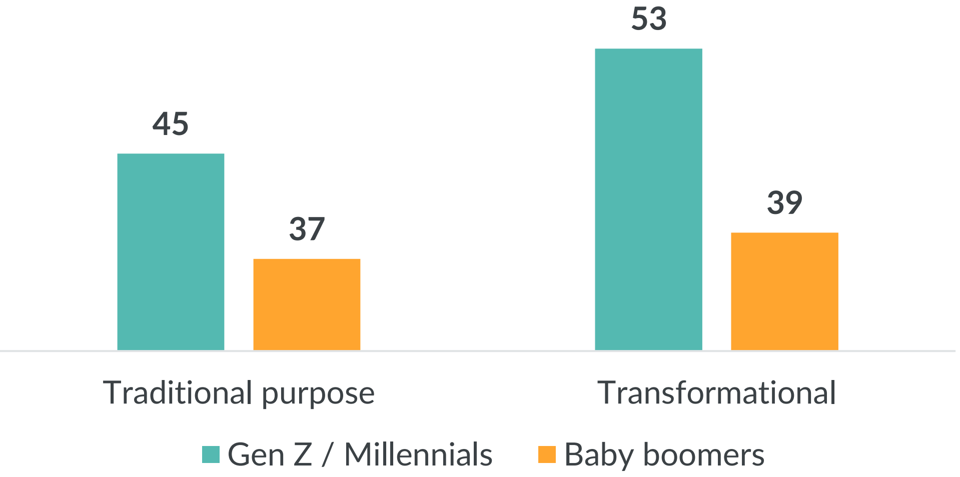
Not all just transactions, transformation stands firm

Despite risk of wear-out, transformational creatives differentiate

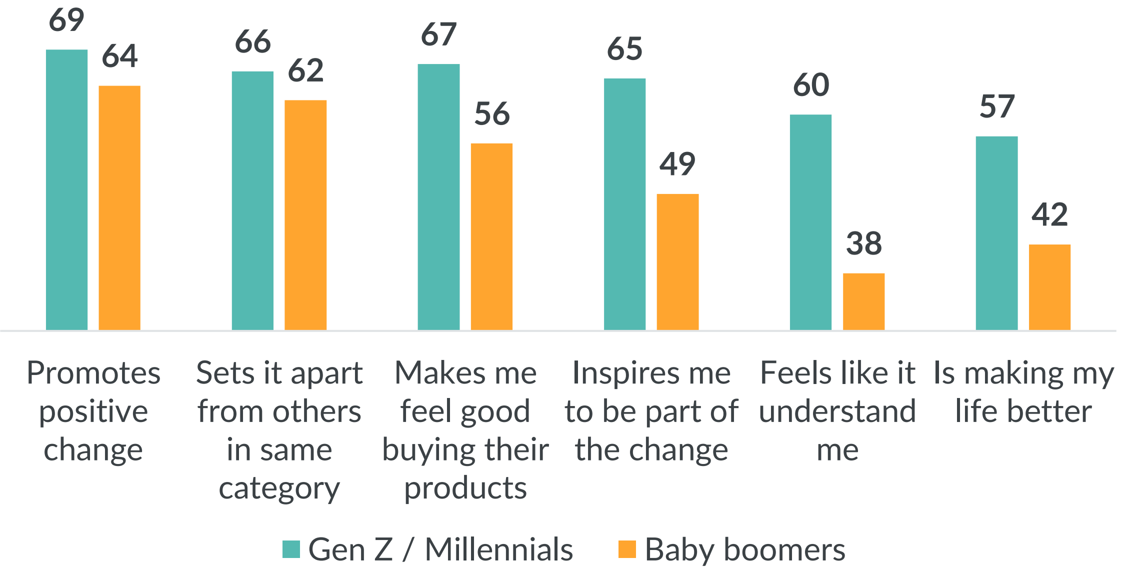
Although younger viewer attention is lower, they find the (transformational) message much clearer

Purpose ads inspire and have an emotional impact on younger audiences

Purpose message clarity, by generation



Emotional reactions to purpose ads, by generation



GfK Purpose impact monitor, w/Thomas Kolster, author of the Hero Trap and Goodvertising Agency; 20 traditional and transformational purpose ads studied using Ad Fit Optimizer

Master Behavior Change

Growth from Knowledge

#1 Strategize for the struggling

#2 Be incremental to your category

#3 Saving gets personal(ized)

#4 Be where your shopper is

#5 Lead with the heart

GfK Growth from Knowledge

Purchase your report today!

gfk.com/consumer-panel