

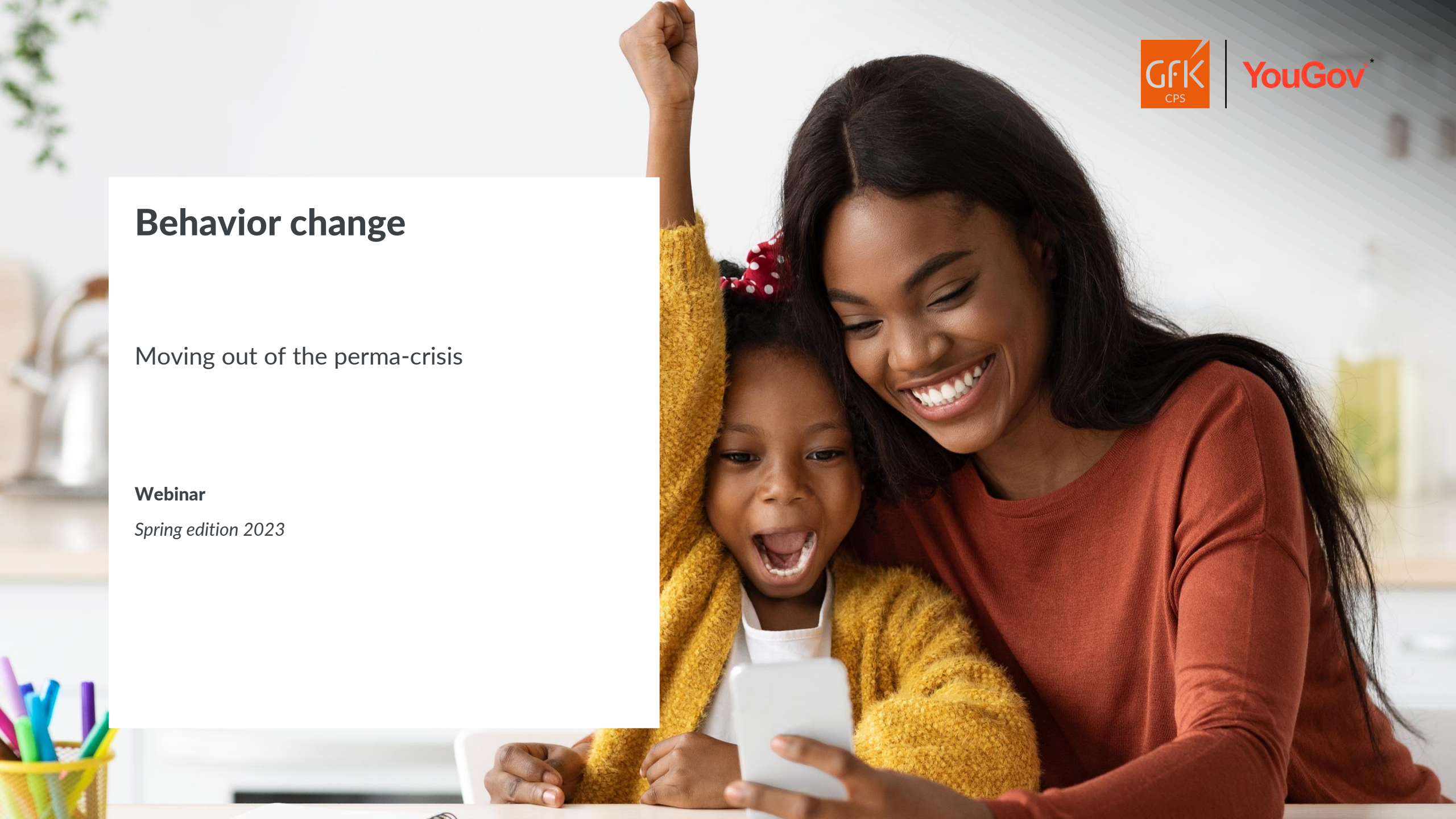


# Behavior change

Moving out of the perma-crisis

**Webinar**

*Spring edition 2023*



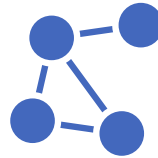
# Agenda

- 1 State of play
- 2 Cost-of-living
- 3 Brand value
- 4 Influencing behavior
- 5 Take-outs

# A day in the life...



■ Examples  
of coping  
strategies



■ Coffee



■ Organic /  
Local



■ Breakfast



■ Birthday  
party



■ Home care



# #BehaviorChange Shopper Survey Spring '23 Edition

Study overview








## Study details

### Online ad hoc study – March/April 2023

First wave: March/April 2022

Second wave: Oct/Nov 2022

 SCOPE (EU-18)	Main shoppers from 18 European countries N=13.450 (approx. N=750 per country)
 TARGET GROUP	Main shoppers: HH-members (partly) responsible for the purchase of everyday goods, representative for the population according to age (18+) and gender for the respective country
 METHOD	CAWI (Online Access Panel)
 SURVEY	LOI: 13 minutes Field: March/April 2023
 OUTPUT	Power Point Report ca. 50 slides + appendix

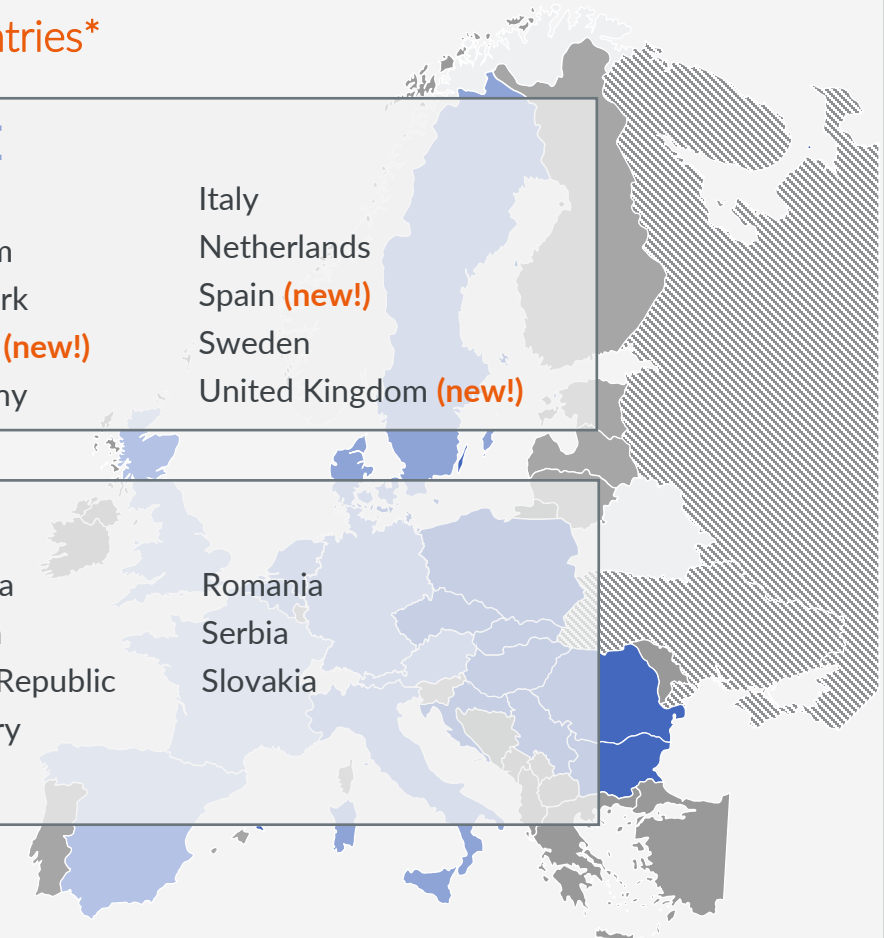
## Scope: 18 countries\*

### WSE

- Austria
- Belgium
- Denmark
- France (new!)
- Germany
- Italy
- Netherlands
- Spain (new!)
- Sweden
- United Kingdom (new!)

### CEE

- Bulgaria
- Croatia
- Czech Republic
- Hungary
- Poland
- Romania
- Serbia
- Slovakia





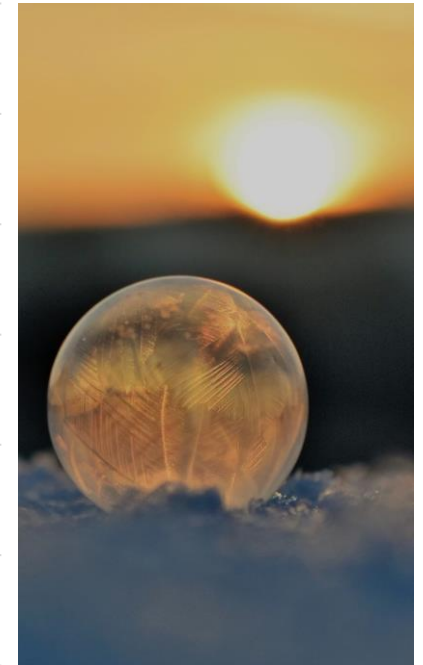
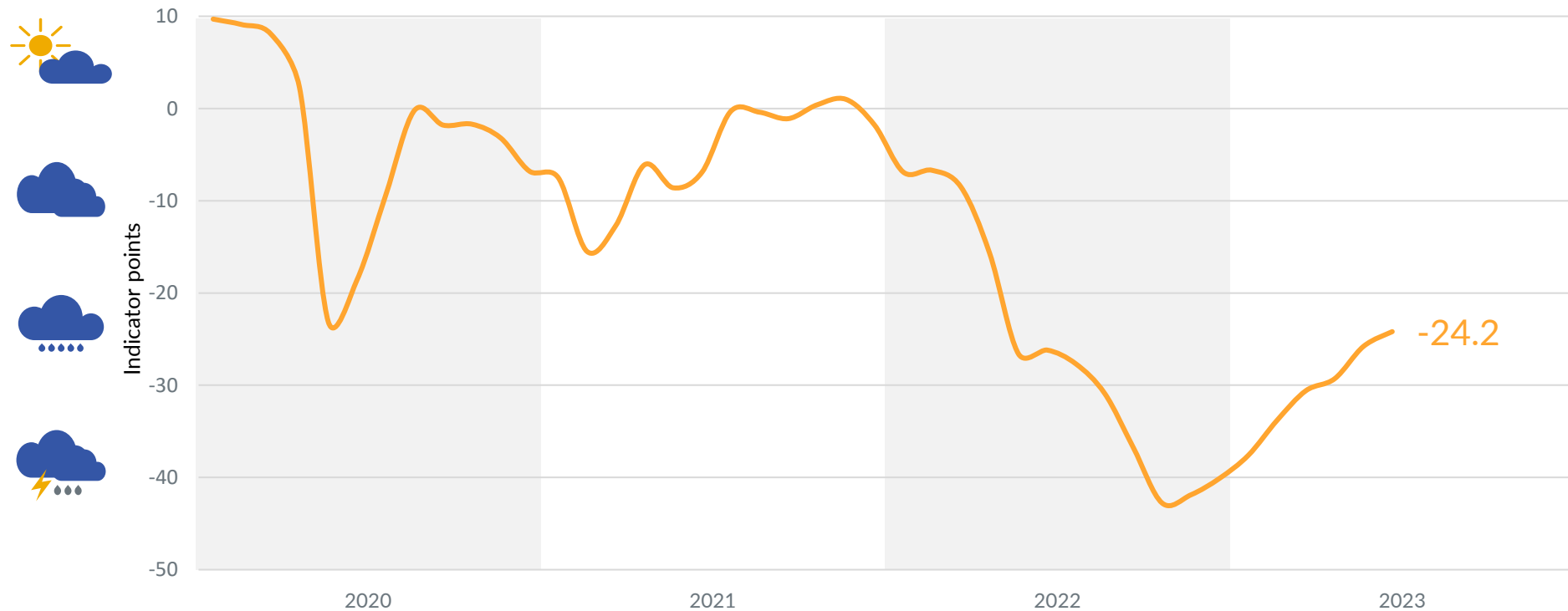
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## State of play

Permacrisis stretches out

# Consumer climate continues to recover

Eighth increase in a row, level still not above COVID-19 low point

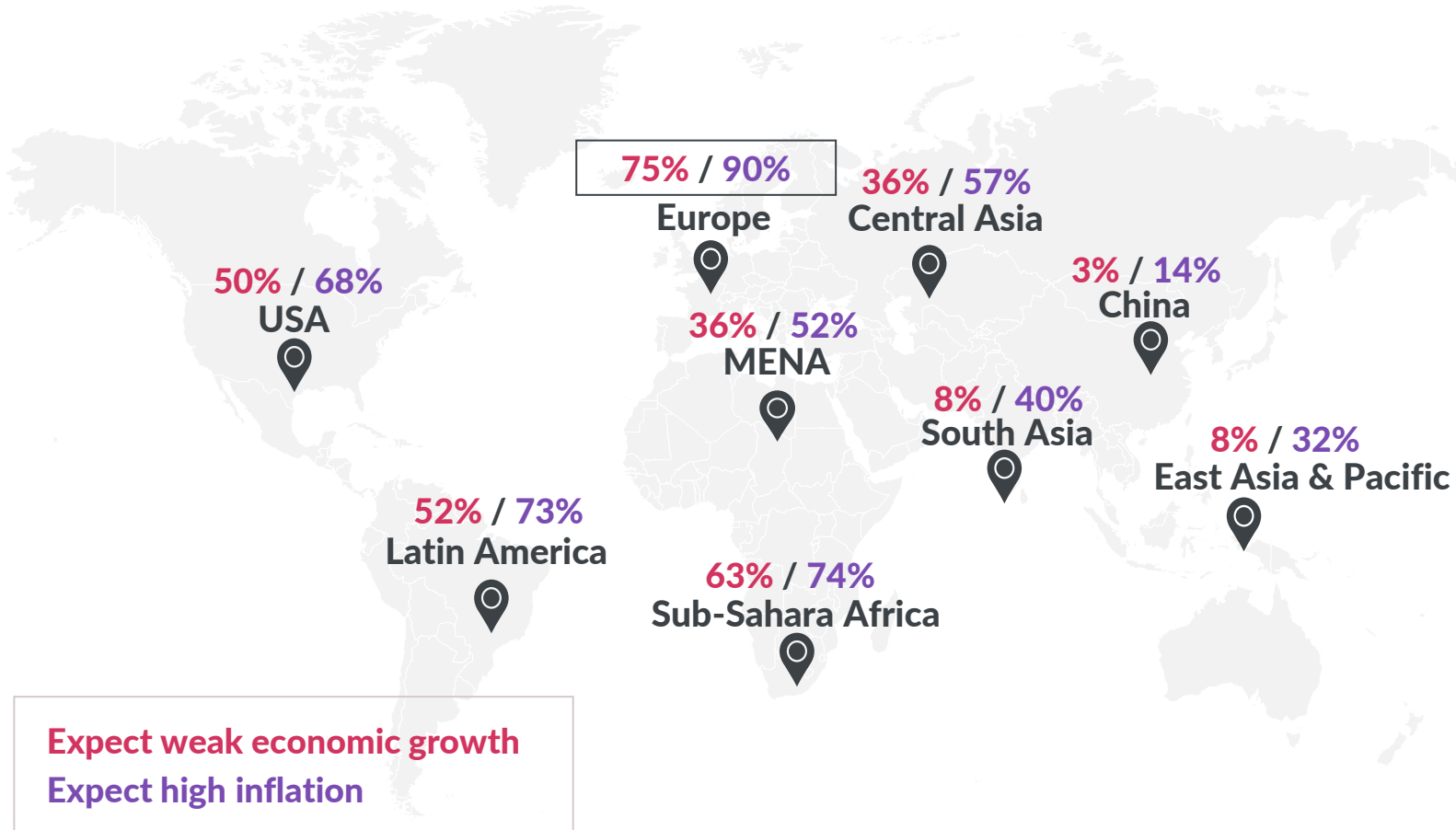


# Cost of living bites: expectations for stag-flation

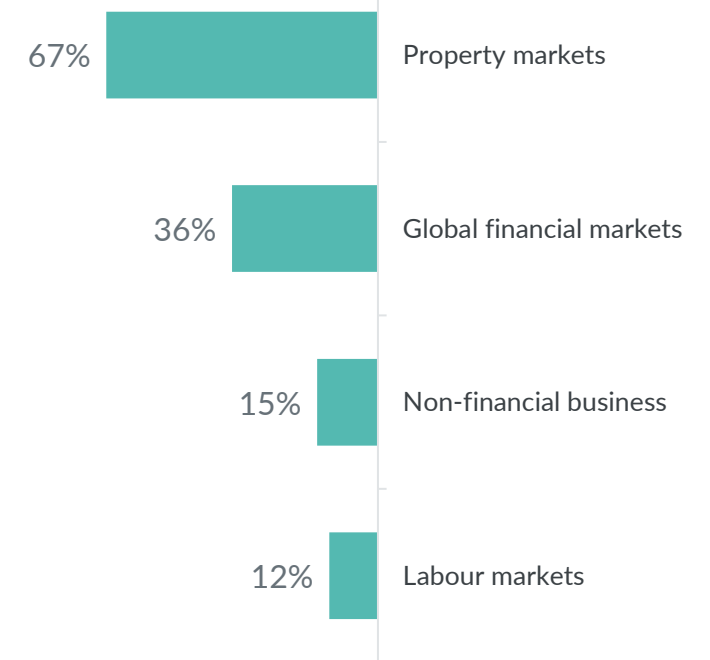
Europe center stage



## Chief Economist Survey | World Economic Forum | May 2023



## Areas expected to have significant disruptions amid high interest rates in 2023-24



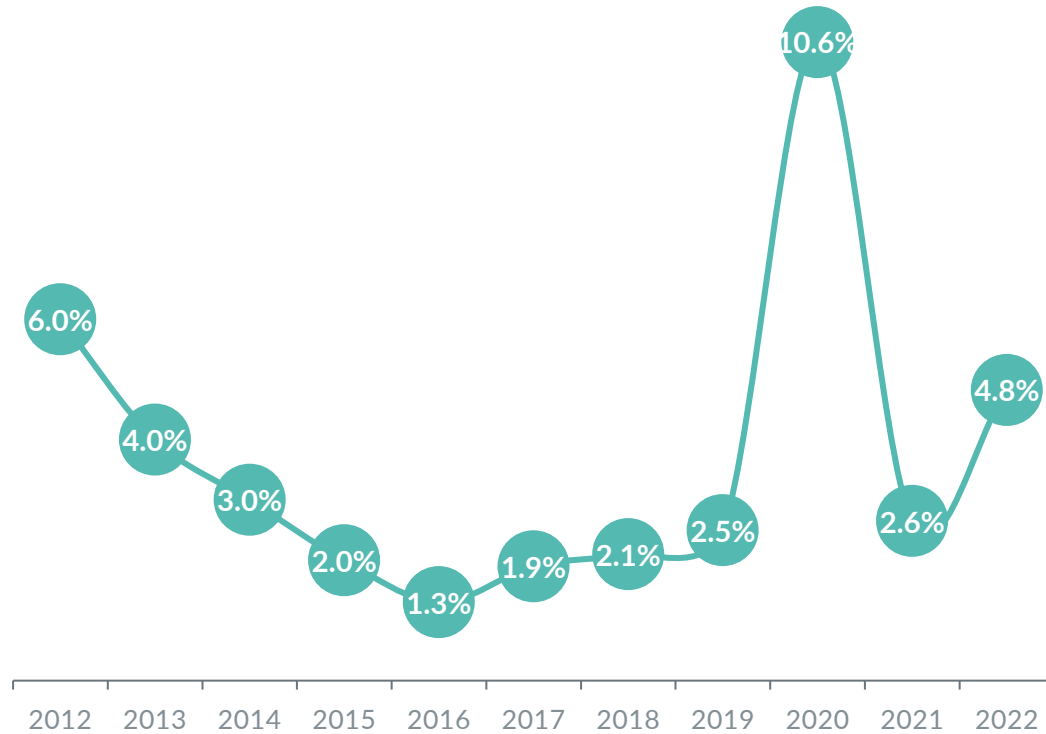
■ Expectation for Significant disruption

# Permacrisis propels global FMCG industry growth

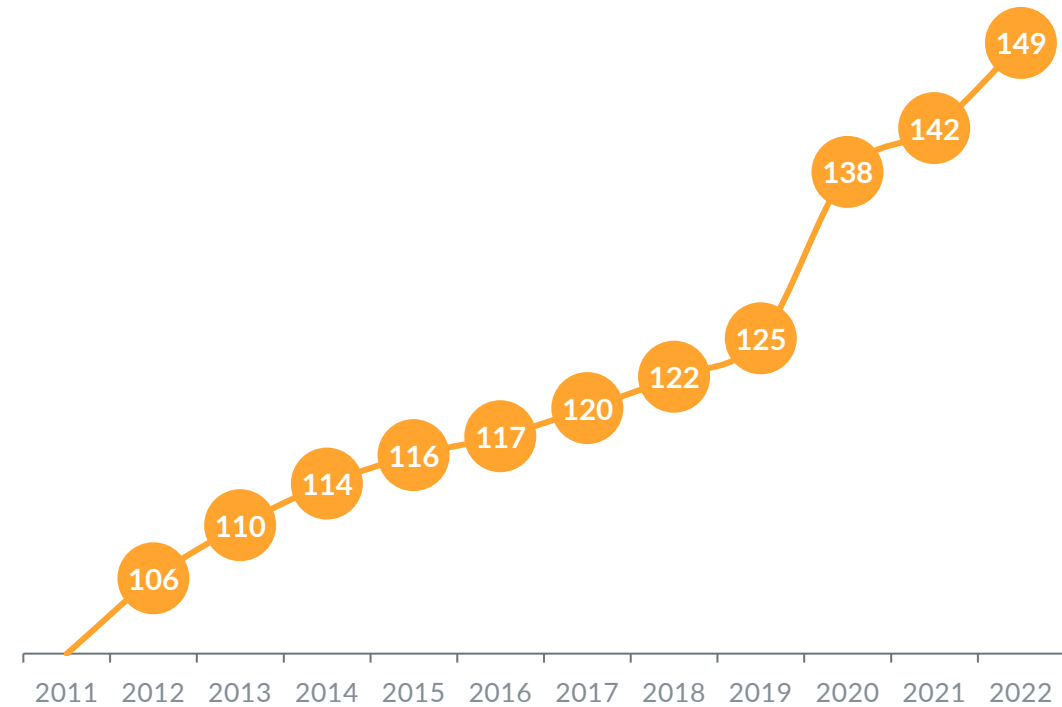
Past three years as much as the previous eight years



### Global FMCG annual value growth (%chg)



### Global FMCG cumulative annual value growth (Idx v 2011)



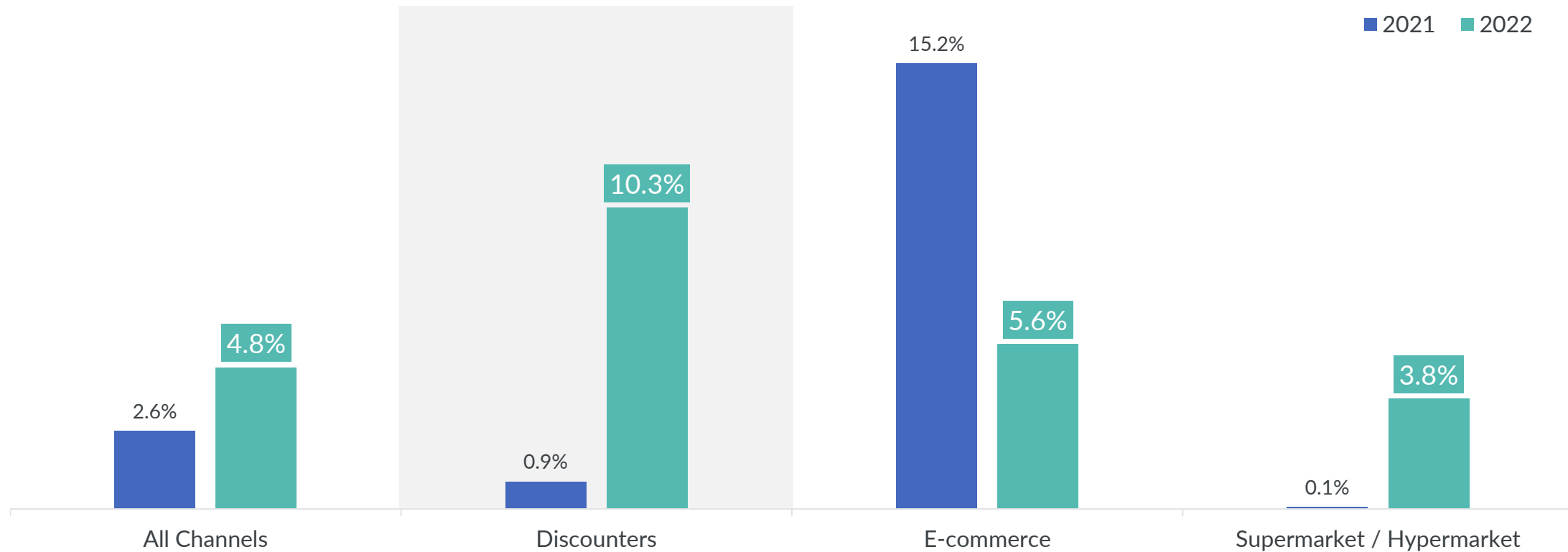


# Discount is the fastest growing channel

Unprecedented in the past decade



FMCG annual value growth (% chg)



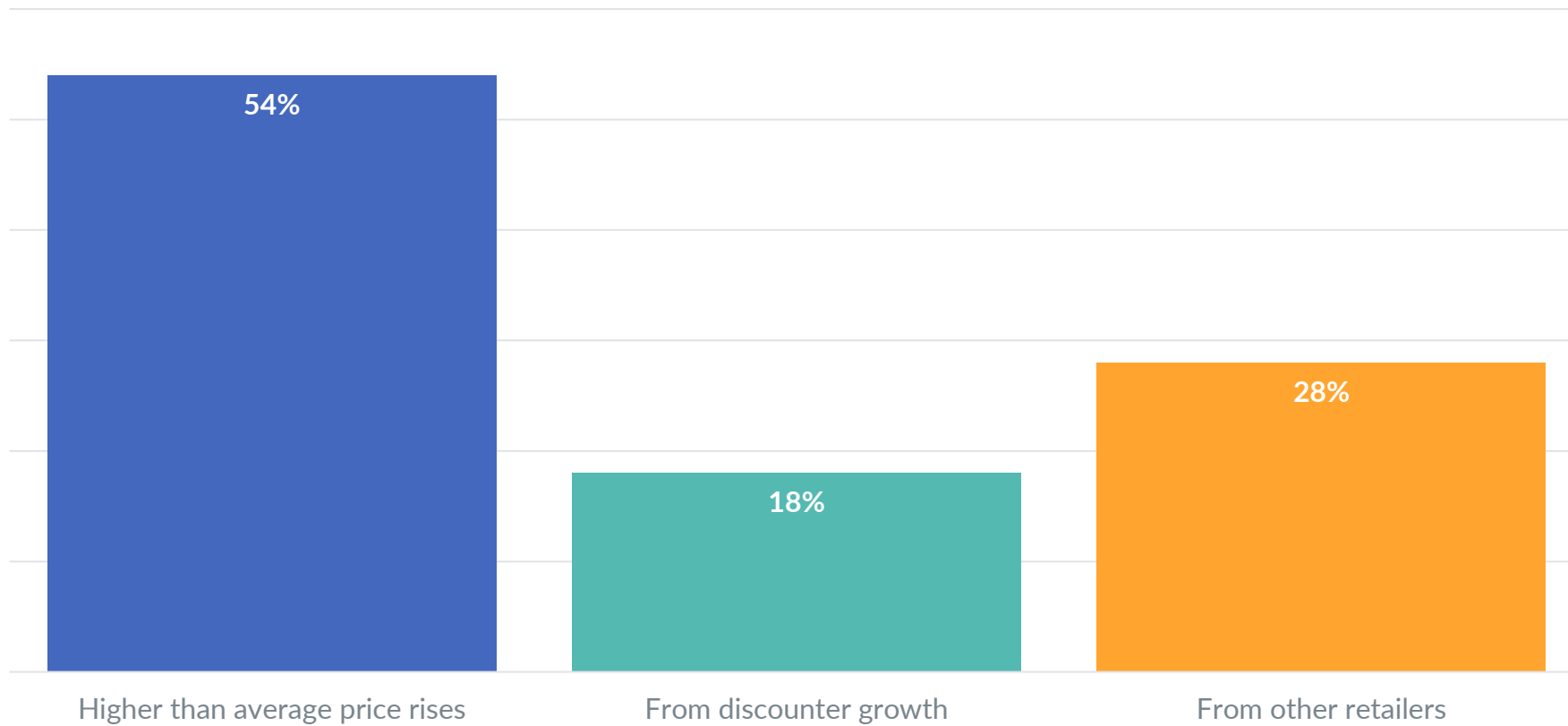
# Private label shares are rising due to three factors

Above average price increase is the main reason



## Private label value share growth components Q1 23 vs Q1 22 = Average for 6 countries

Arithmetic average for France, Germany, Italy, NL, Spain, UK



# Correcting for impact of spend, trips are a proxy for relevance

Discounters at second place with 6% growth in number of trips

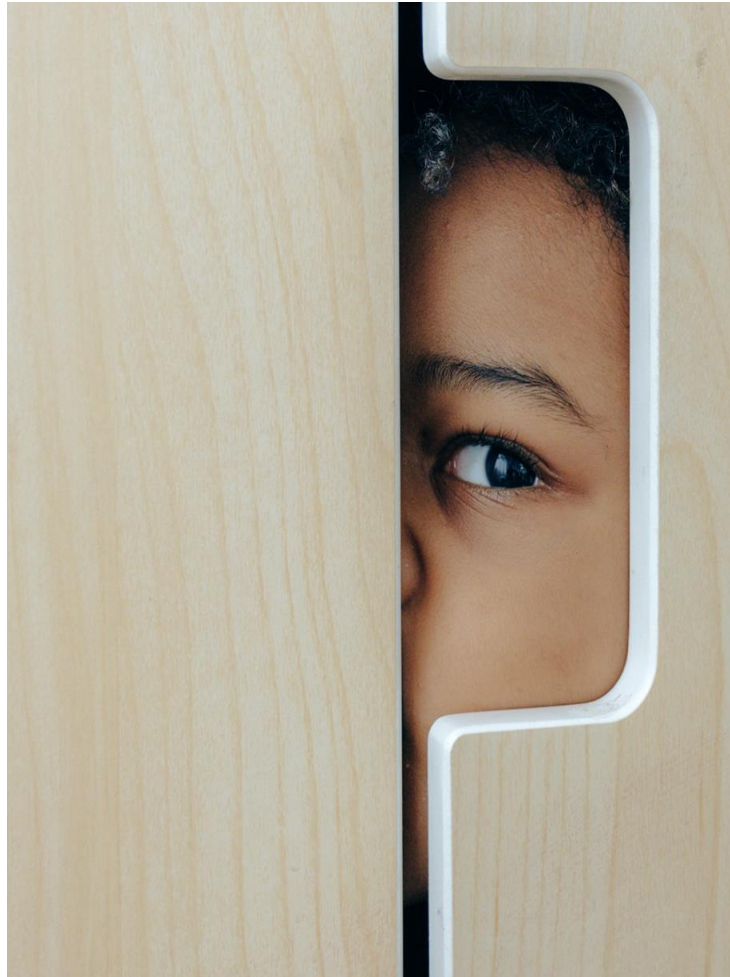


FMCG annual trip growth (% chg)

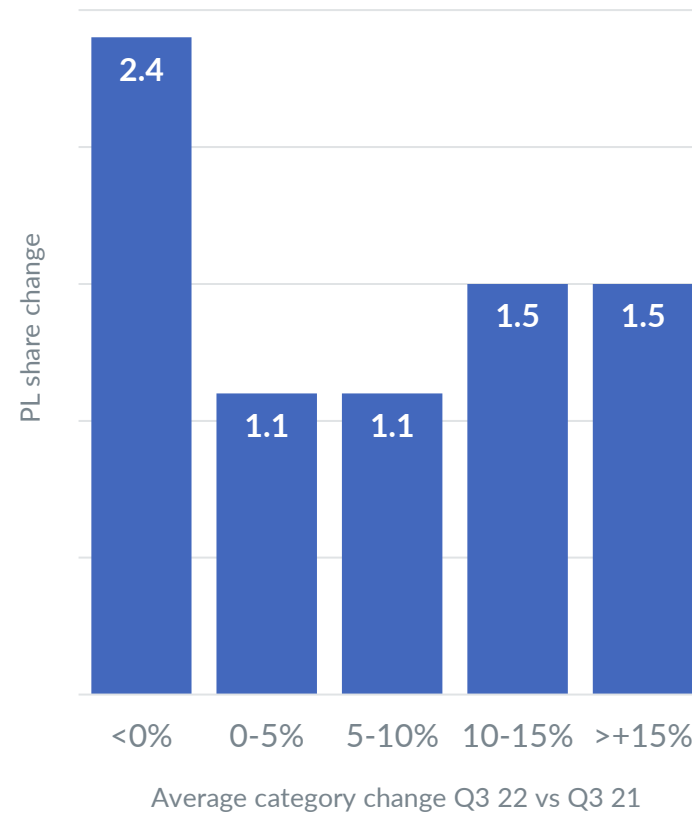


# Inflation and private label growth not 'rationally' related

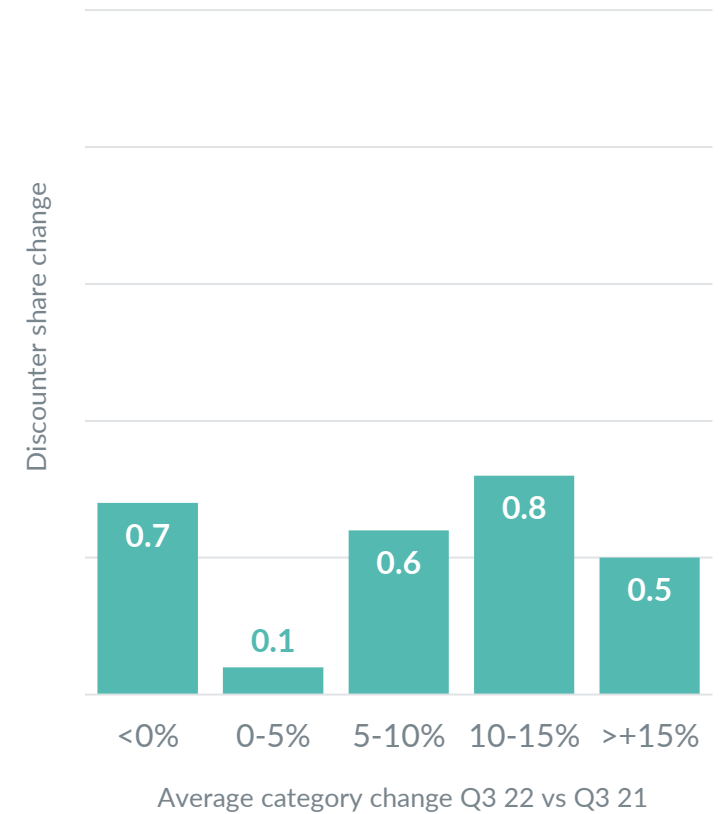
Trading down not necessarily a calculated choice



### Category Price Inflation vs Change in Private Label Volume Q3 22 vs Q3 21



### Category Price Inflation vs Change in Discounter Volume Q3 22 vs Q3 21



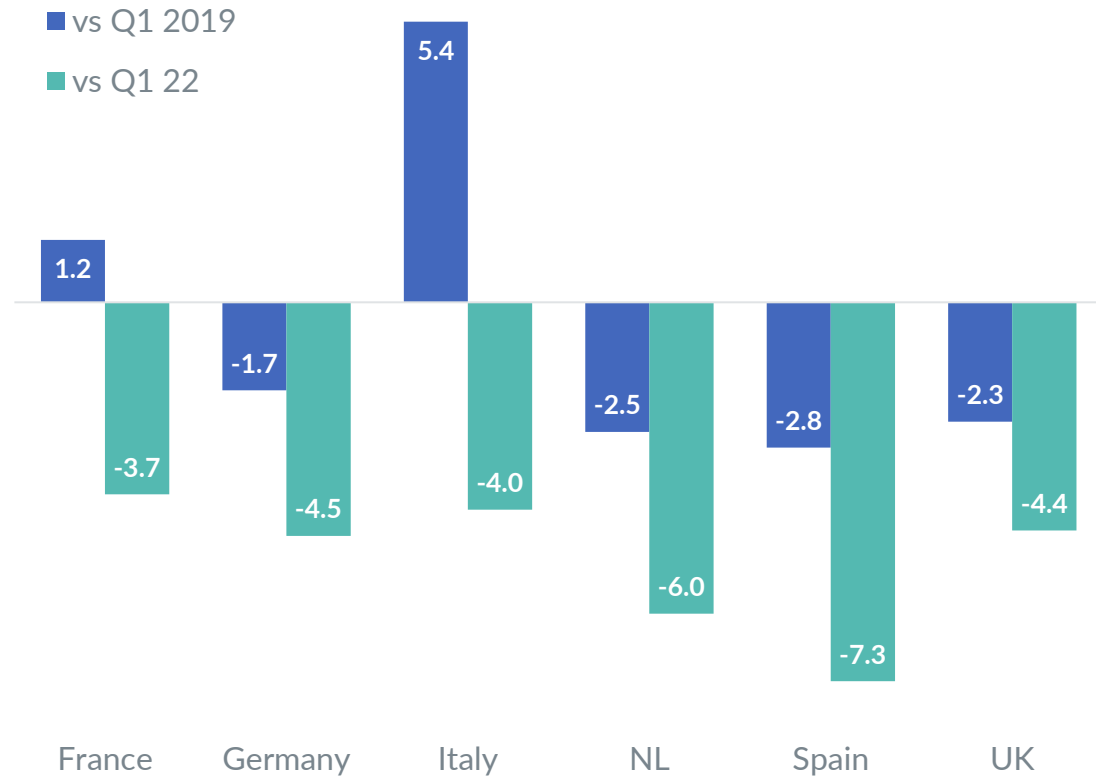
# Volumes have now dropped below 'normal' levels

COVID-increase reverted



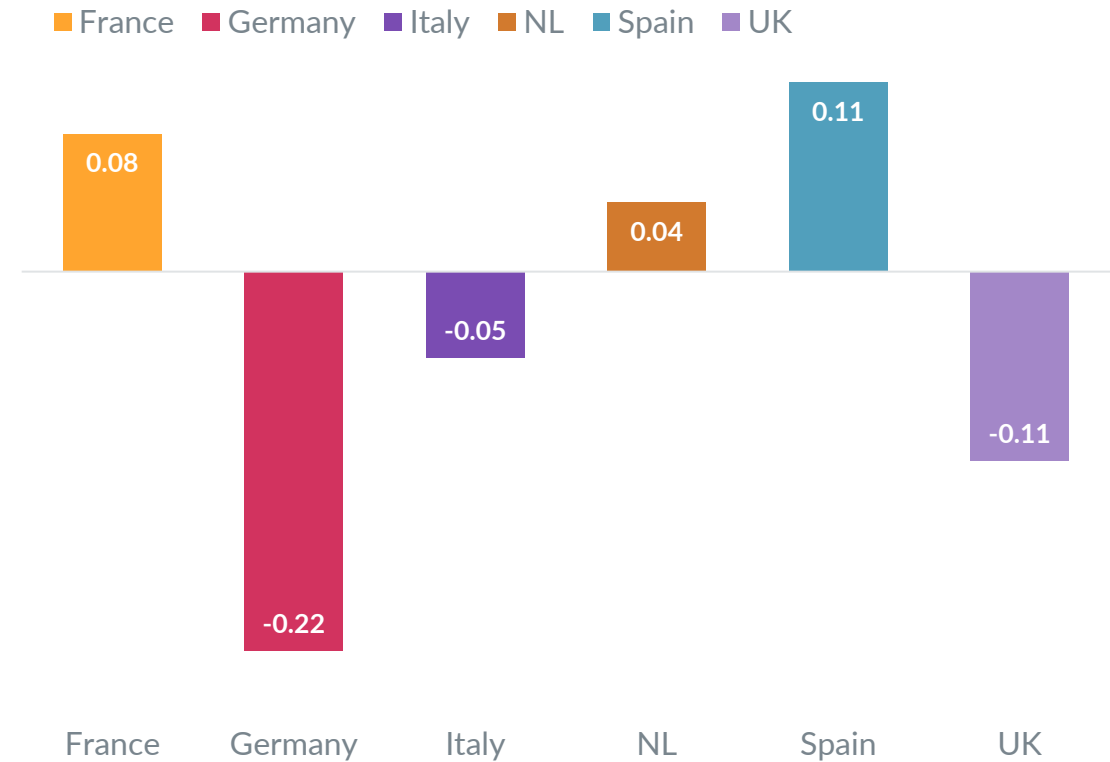
## Volume decline in most countries

FMCG Q1 2023 Volume % Change



## Cutting down not driven by category

FMCG Q1 23 vs Q1 22 - correlation between % Volume Change vs % Price Change across all categories





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## Cost of living

Rational shopping, emotional response

# Pragmatism will stick

Shoppers take and learn something from every crisis



2018/2019

2020/ 2021

2022

2023

Quality and Sustainability

Sustainability and Premium

Price and Pragmatism

Pragmatism and ...

QUALITY

SUSTAINABILITY

PLASTIC REDUCTION

INNOVATION

TREATS

HOMELINESS

STOCKING UP

FRUGALITY

FOCUS

PLANNING

# Budget still the primary concern

Green bounces back as the permacrisis 'normalizes'






## Top concerns Europe

- 1. Economic concerns 51%
- 2. Physical health 37%
- 3. Own/family safety concerns 36%

## Top growing concerns

- 4. Climate change 130
- 5. Waste and pollution 153
- 9. Mental health 128

## Countries with highest share - spring 2023

- Czech, Serbia, Croatia 
- Romania, Croatia, Bulgaria 
- Italy, France, Denmark 

Climate change #1 and outranks budget concerns in Austria, Germany and Italy



# Slightly less households feel budgetary restraints

Yet the struggling still outweigh the comfortable



EU



Struggling  
37%



**Struggling financially to make ends meet or it's not enough front and back**

Country high

**WSE**  
ES, IT, FR  
**CEE**  
HU, RS, HR



Neutral  
39%



**No financial worries overall, they get along**



Comfortable  
25%

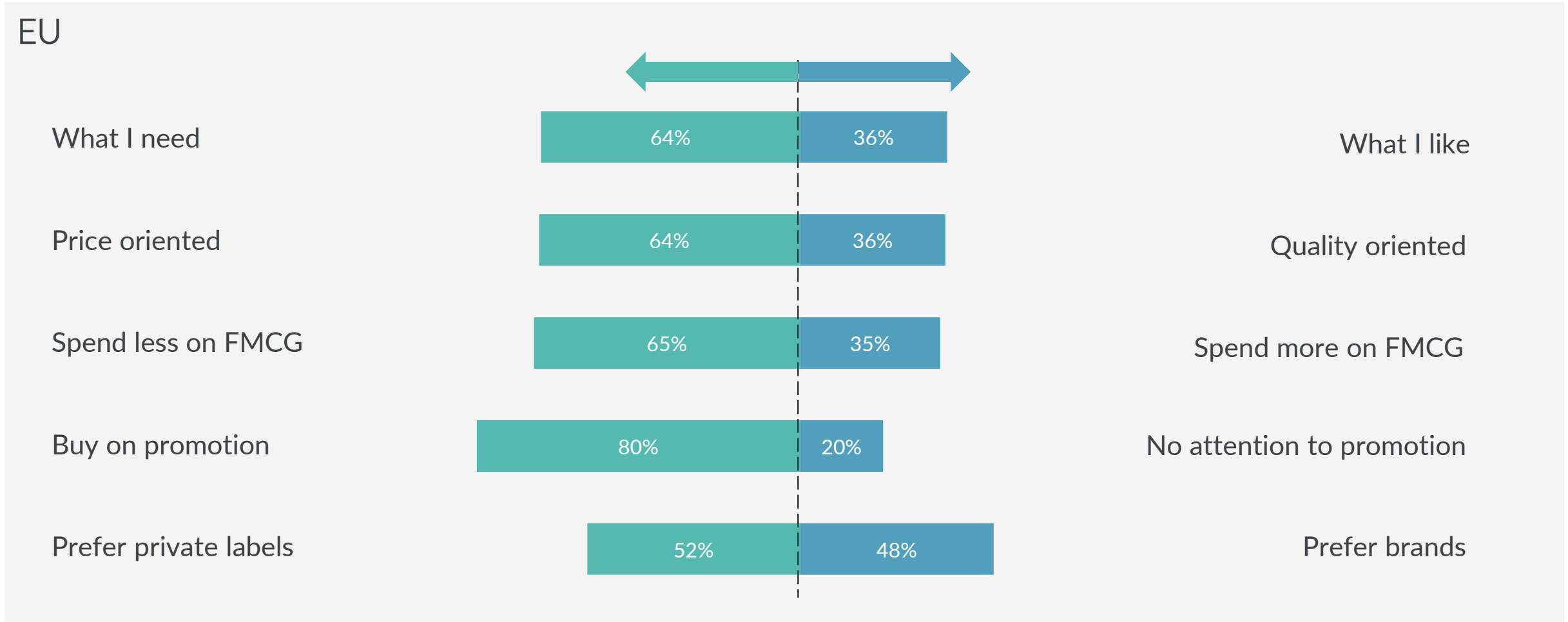


**Financially comfortable – don't have to limit themselves or can afford a lot**

**WSE**  
DE, NL, DK  
**CEE**  
CZ, SK, HR

# Majority of shoppers have a “less for less” mindset

Two-thirds rather plan to spend less on FMCG



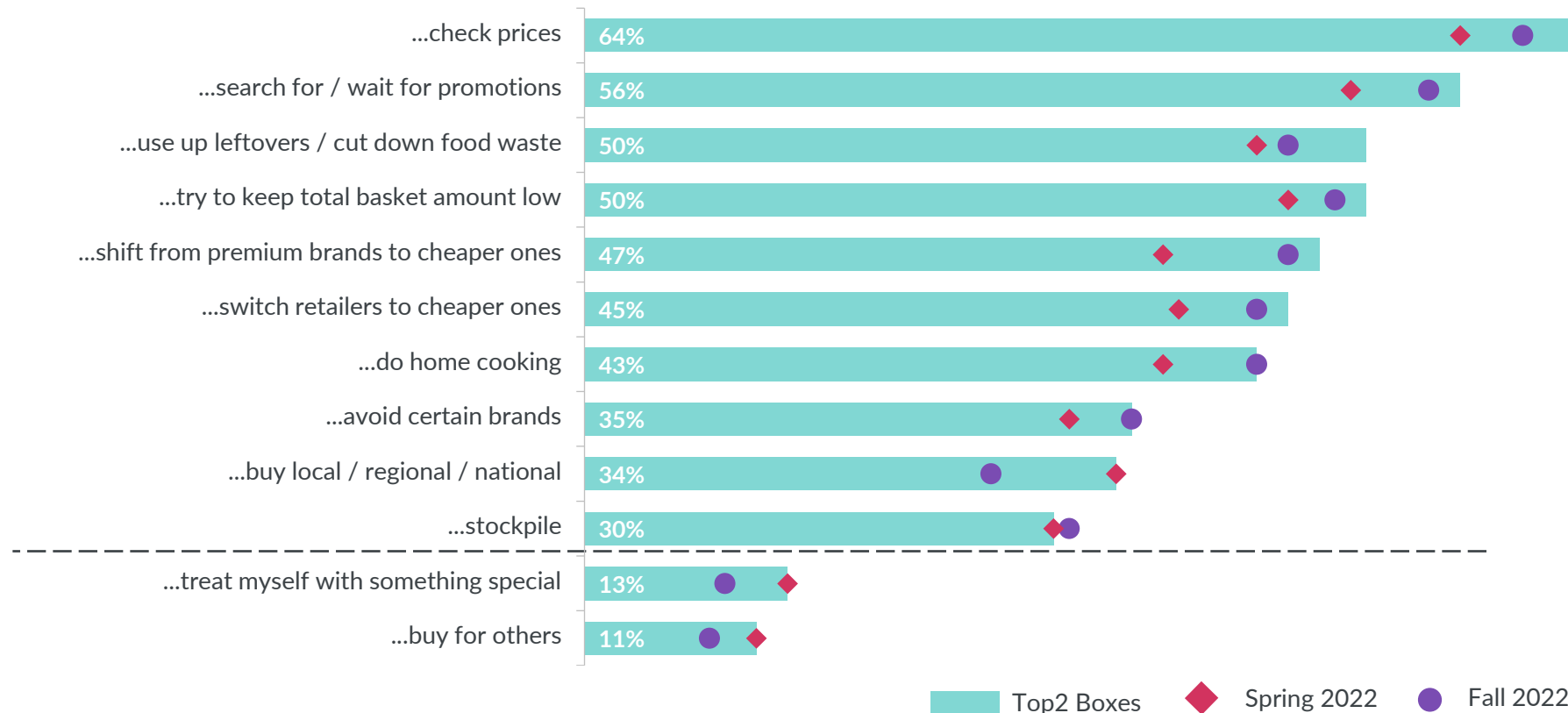
# Further intensification of rational shopping

Price checking, promotions, cutting food waste and basket reduction



In the next 6 months I will...

Behavior change: everyday goods





## Yes, I worry about further price increase and will change my behavior

Europe

### Today

FMCG

42%

OOH

49%

### Half year ago

FMCG

45%

OOH

46%

### Year ago

FMCG

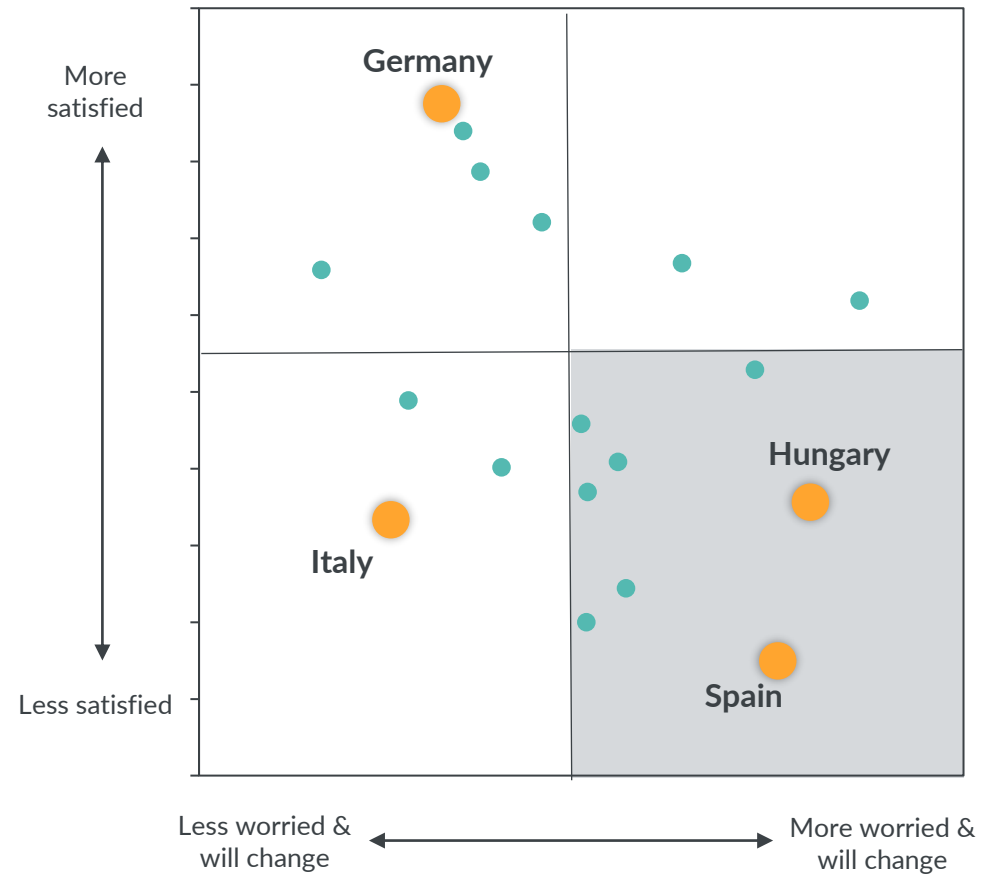
51%

OOH

41%

# Countries will move at different speeds

Impacting depth and direction of change



# Categories most at risk not related to (dis)satisfaction

Both high satisfaction (eg. alcohol) and low (eg. meat, frozen) at risk



How would you react if the presented products show sustained high prices or even further price increase?

EU

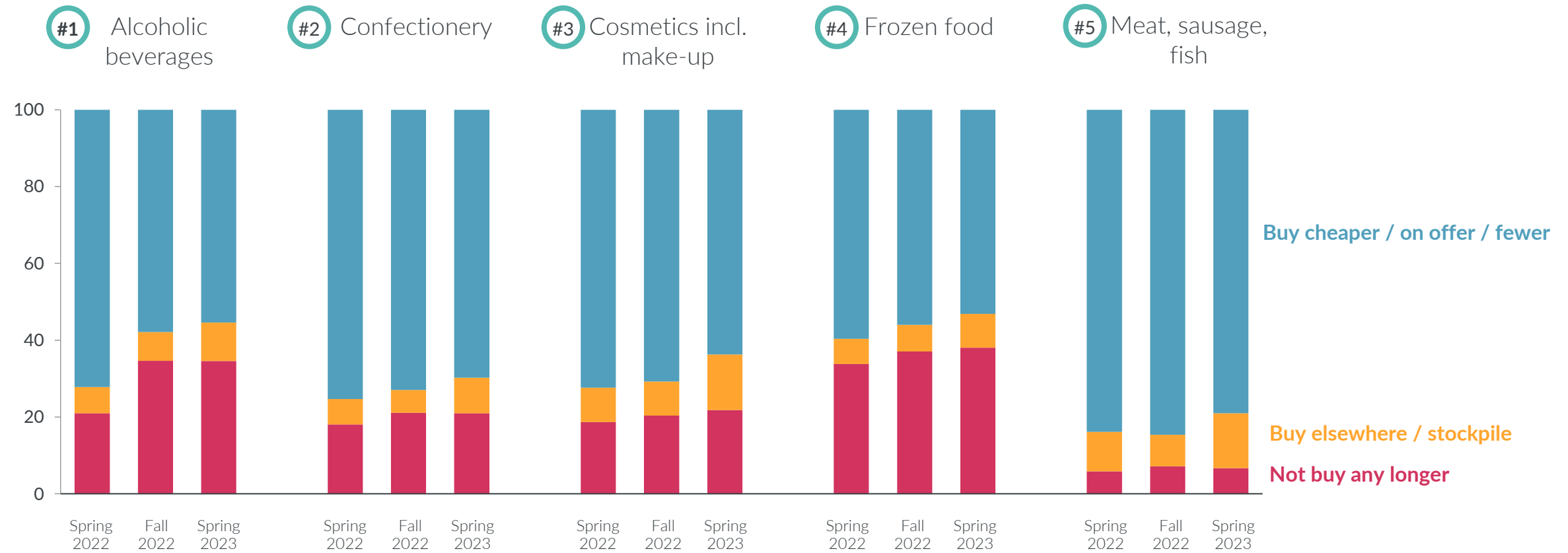


# As crisis unfolds, coping turns from '(for) less' to 'not at all'

Increased risk of being left out of the basket



How would you react if the presented products show sustained high prices or even further price increase?

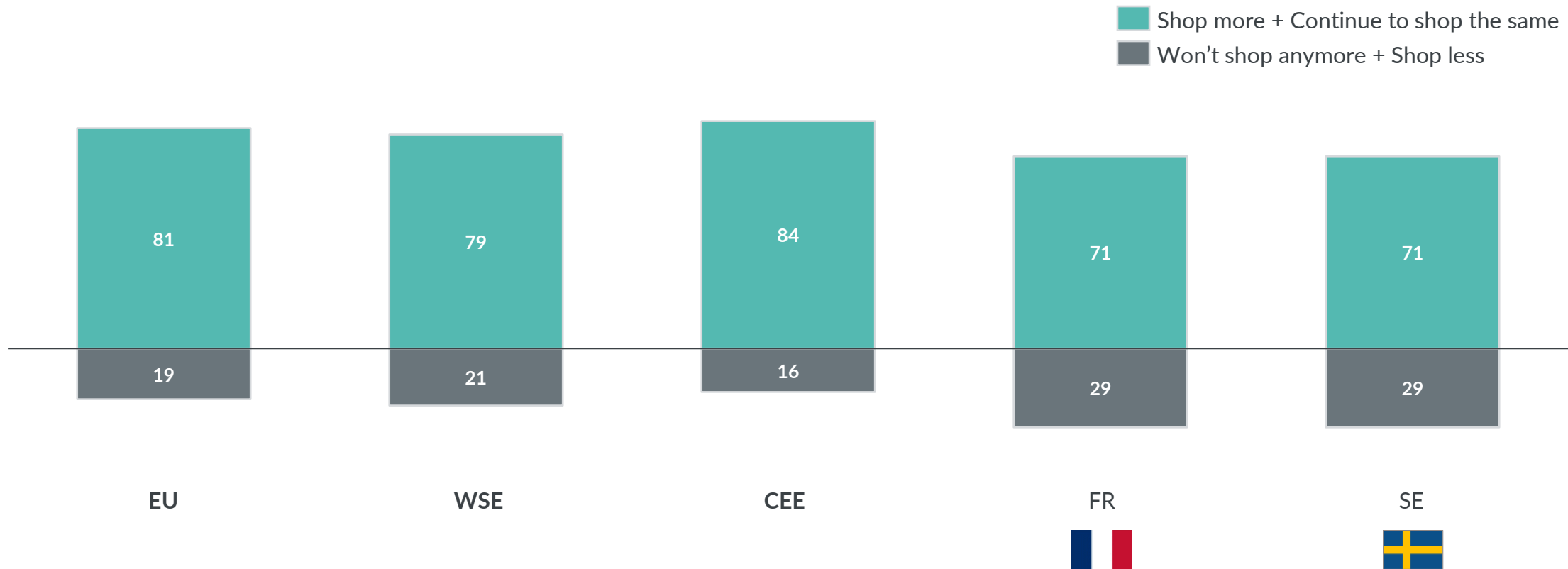


# Risk profile for retailer loyalty: on average 19% plans to stop / decrease

Shoppers in France and Sweden are planning to change more heavily



To what extent do you plan to change to shop at your main grocery retailer in the next 6 months?





# Risk profiles for ten most preferred retailers in Europe

Mercadona has highest risk; Lidl more favorable



Which of the listed retailers is your main retailer for everyday goods?

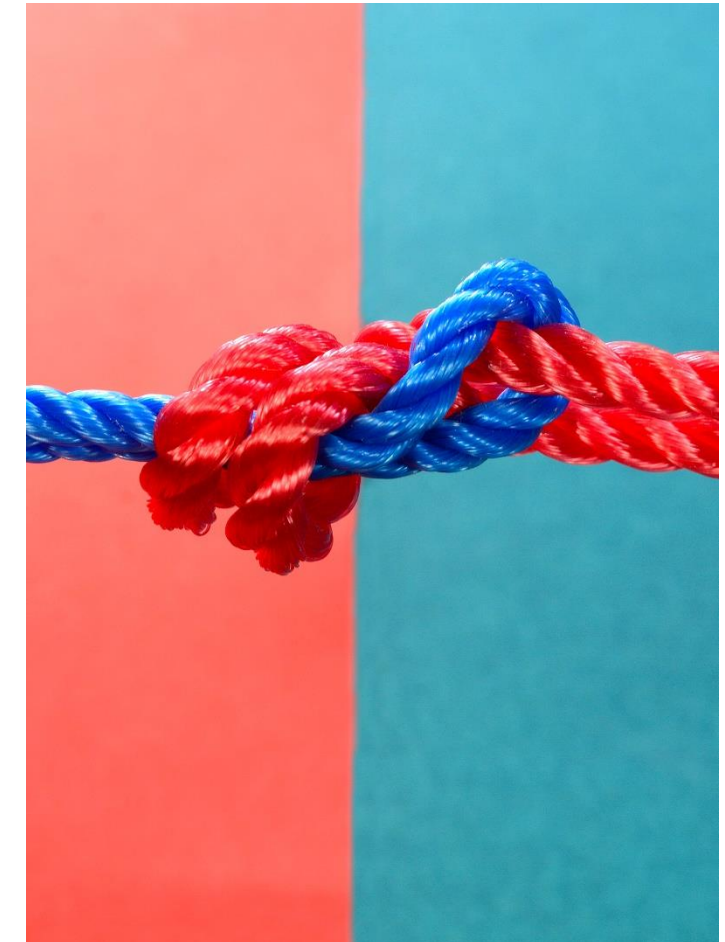
To what extent do you plan to change to shop at your main grocery retailer in the next 6 months?



**Main retailer by countries**  
Main retailer, where I shop most often, in %

**Loyalty risk**

"Shop more" minus "Shop less", in %



# First order of business: make it easy to be bought

Familiarize the category – be where the shopper is – stand out on shelf



## Consumers form habits

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Likelihood that your next purchase is the same brand as your last purchase...

40%

Likelihood that you buy the same brand after buying it on two subsequent occasions...

60%

For large brands

## Habits easily disrupted

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Likelihood of rebuying a brand drops by **50%** if you switch retailer

For large brands



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## Brand value

Shoppers are making whole basket decisions

# Shopper engineering: focus on total amount

The basket is a mixed sum of functional and emotional factors



The shopper **MUST** make changes



The shopper does not **WANT** to compromise

Downtrading



Brand Promotions



Total reduction



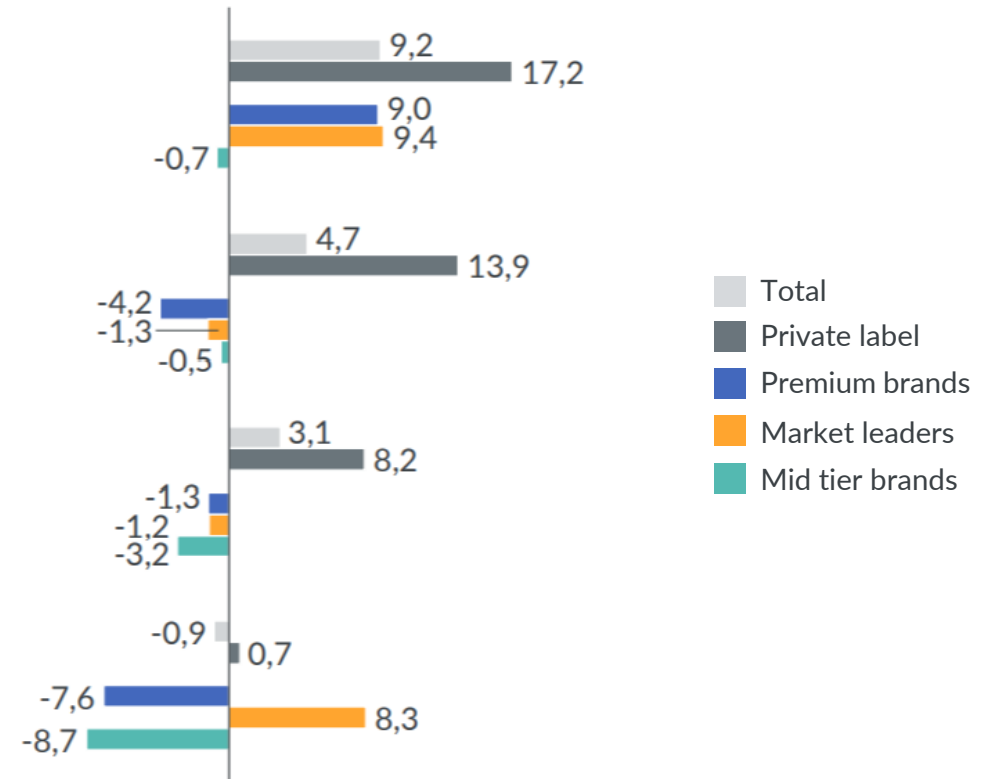
No matter whether at normal or promotion price: **no compromises** in the choice of brands

# German market showcases this shift

Weakened position for mid tier brands



Value growth | Trend dimensions  
MAT March '23 vs. YA



# Conditions for a strong private label presence

Many present in today's market



**01** Low advertising intensity by brand manufacturers

**02** Low innovation activity by brand manufacturers

**03** Low promotional intensity by manufacturer brands

**04** High similarity in packaging

**05** Small difference in perceived value & quality

PL share **~30% higher**  
in categories  
with low  
brand activity

PL **10% more likely**  
to keep won share  
after 5 and 10 years

# Private Label: level up

Fading distinction in positioning

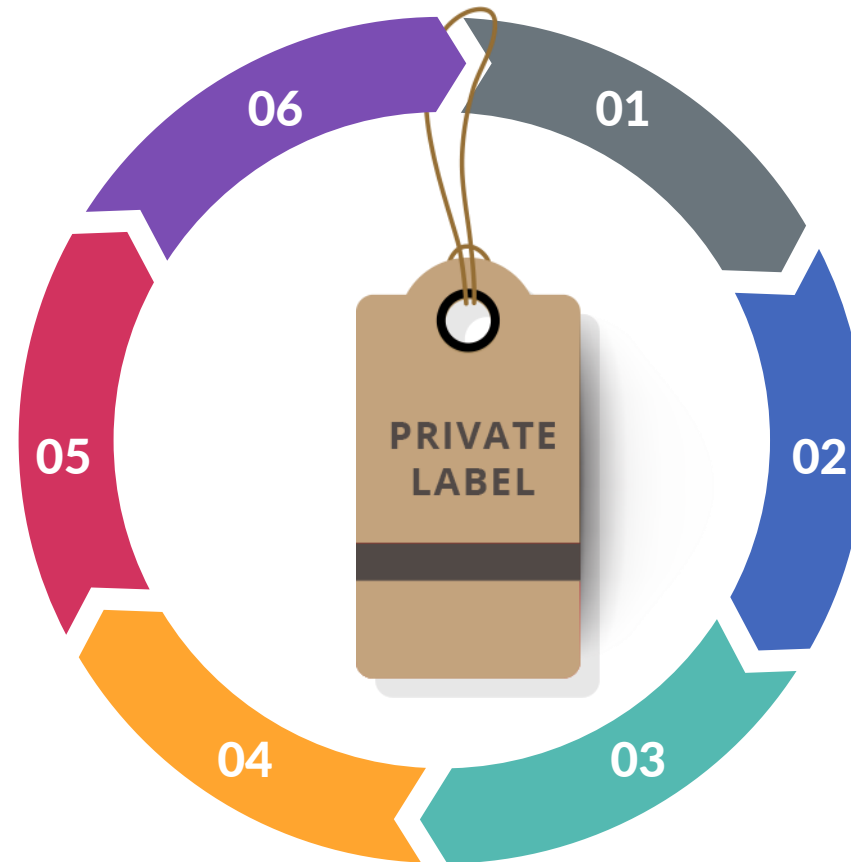
~~High margin~~

~~Low advertising expense~~

**High advertising expense**

~~Generic packaging~~

**High similarity packaging**



~~Cheap~~

~~Low quality products~~

**High quality products**

~~Commodity categories~~

**All categories**

# Complication: shoppers hold brands and retailers responsible

Struggling marked by a stronger sense of helplessness



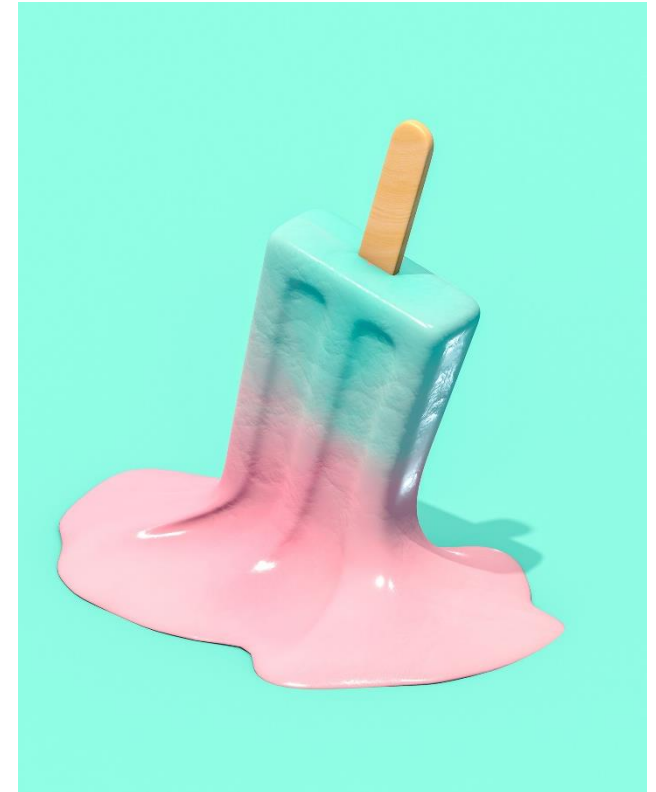
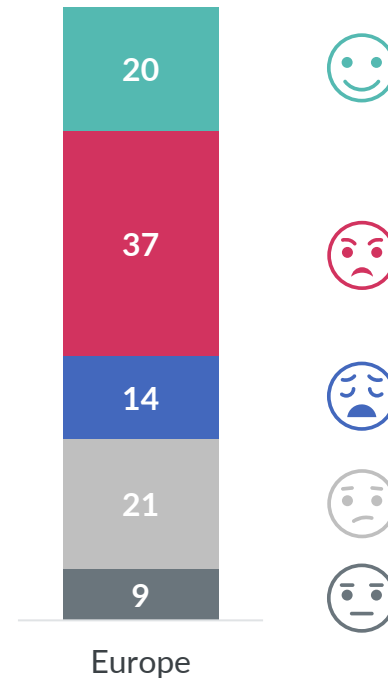
I am **HAPPY** I found new ways to save

I am **ANGRY** at brands/retailers, price unfairly

I feel **HELPLESS** I can't live the lifestyle I want

I **UNDERSTAND** brands need to pass on rising costs

I am **INDIFFERENT**, it is just part of life





# Greedflation / shrinkflation!

**Tweet:** Lisa @lisagravesart #Toblerone in another 3 years:

**Hand holding:** PEANUT m Just One! (Individual Pack)

**Price Increase Callouts:**

- JAFFA CAKES 6 X SNACK PACK: PACK PRICE Up 99% (£1.01 to £2)
- CHOCOLATE PRICE Up 14%
- KEY INGREDIENT CHOCOLATE (19%)
- SNACK A JACK JUMBO SALT AND VINEGAR RICE CAKES 126G: PACK PRICE Up 27% (£1.77 to £2.25)
- KEY INGREDIENT RICE (48%)
- RICE PRICE Up 13%

**Shelf Signs:** Discontinued Item (White Supply Last), New ITEM

Notebook

# Driving Private Label can erode loyalty

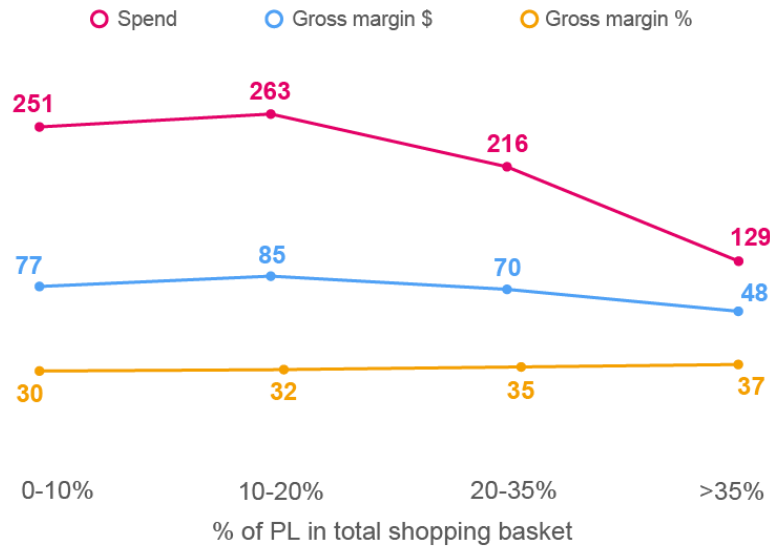
Setting off a race to the bottom



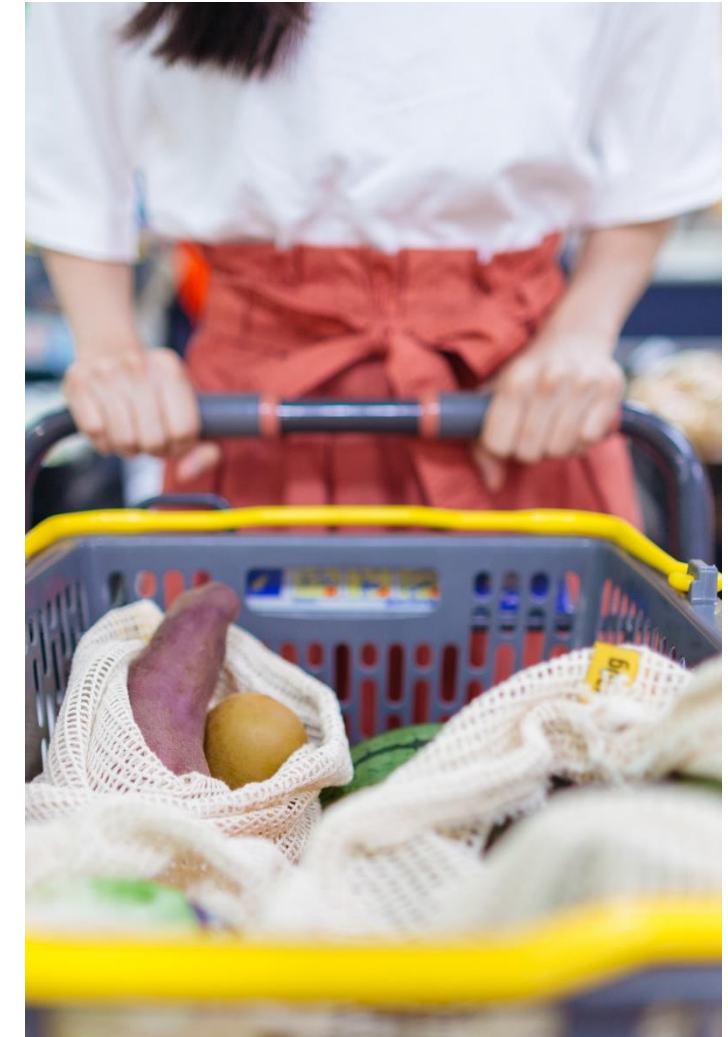
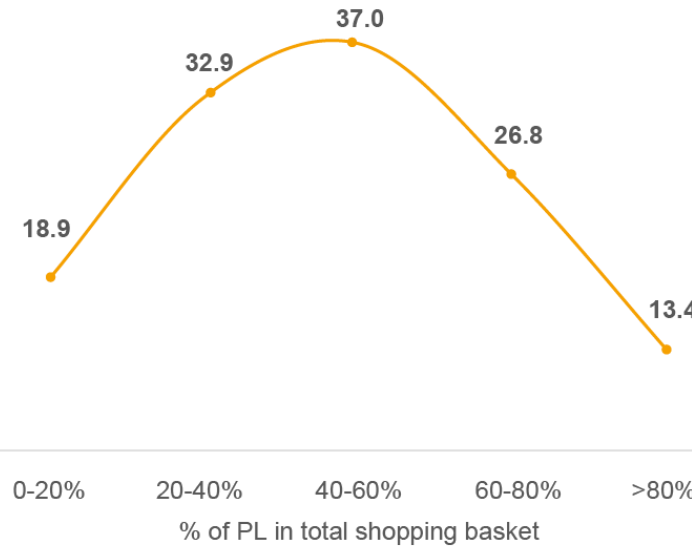
Driving Private Label does not always lead to improved retailer outcomes

Driving Private Label can lead to reduced retailer loyalty

CVS USA shopper details



Retailer Loyalty



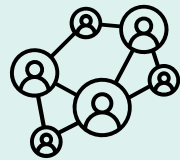
# Distribution & market leadership safe bets

Advertisement over extension and premiumization in tough times

## Strategic brand factors – winning brands

always

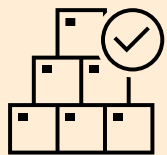
Extensive distribution



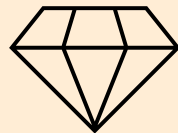
Market leader



expansion



Long line length

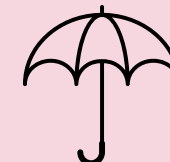


Premium price

contraction



High advertising



Umbrella brand

Money well spent

Multichannel experiences

Escapism

Empowerment



Conscious beyond price

Best buy

For me & environment



---

## Influencing behavior

“If you're getting chased by a lion, you don't need to outrun the lion, only the people running with you”

# Pragmatism will stick, shoppers engineer according to needs

Downsize where you must, defend where you can



2018/2019

2020/ 2021

2022

2023

Quality and Sustainability

Sustainability and Premium

Price and Pragmatism

Pragmatism and ...

QUALITY

SUSTAINABILITY

PLASTIC REDUCTION

INNOVATION

TREATS

HOMELINESS

STOCKING UP

FRUGALITY

FOCUS

PLANNING

ENGINEERING

# Second order of business: in the basket without compromise

Brands must demonstrate functional AND emotional advantage



YouGov\*

## “Money well spent”

- ✘ Superior performance
- ✘ Larger assortment
- ✘ Sensible price thresholds
- ✘ Additional benefit



A large orange rectangular box containing the word 'Promotions' in white, sans-serif font.

Promotions

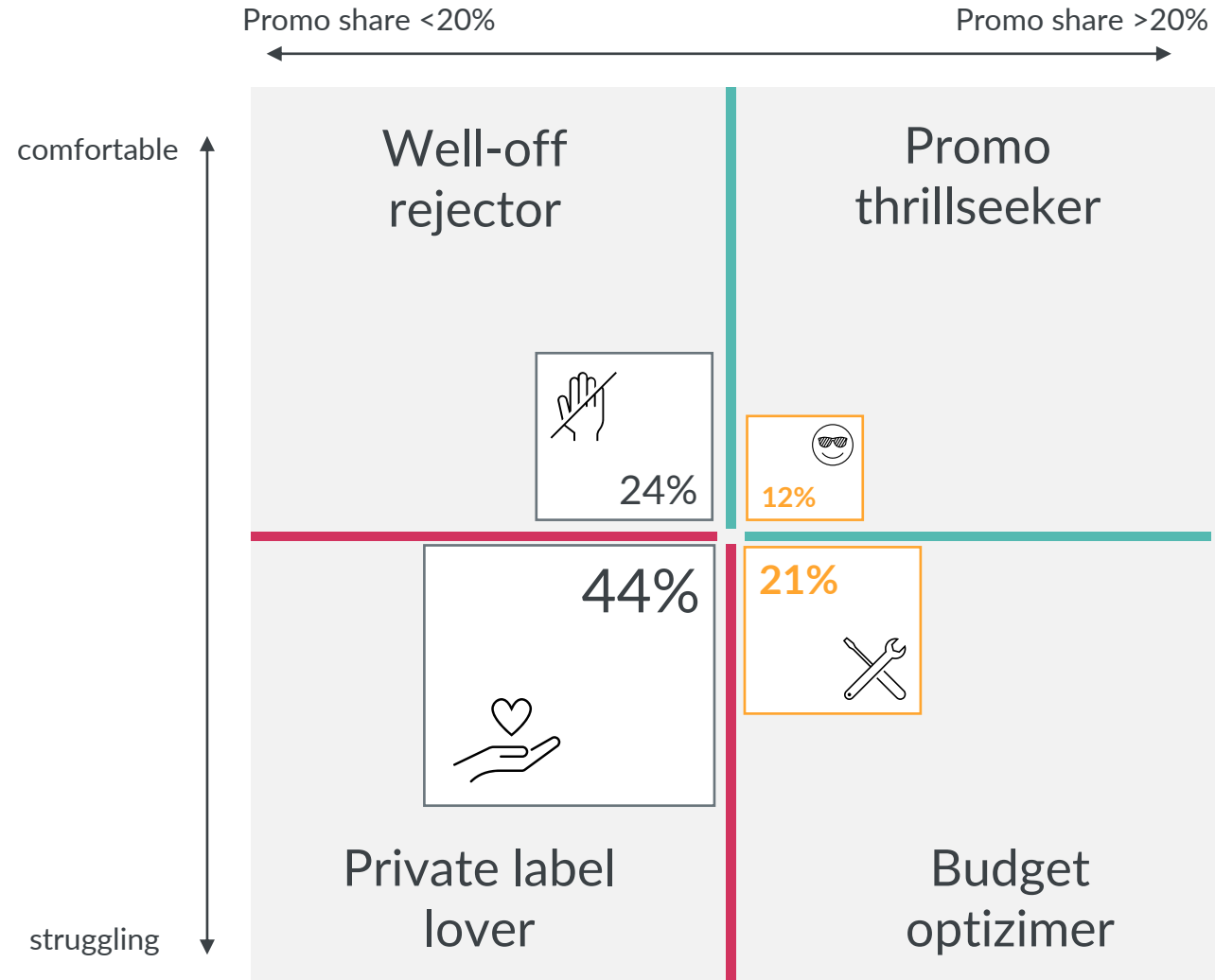
A large orange rectangular box containing the word 'Introductions' in white, sans-serif font.

Introductions



# Promotions serve various purposes

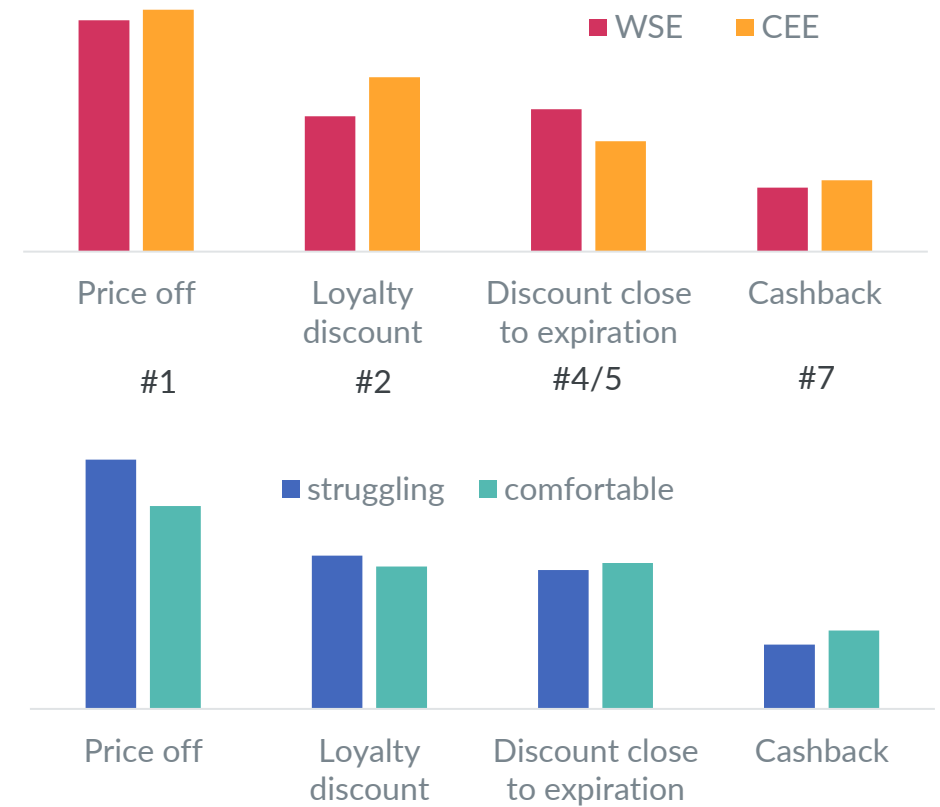
Different emotional pay-off





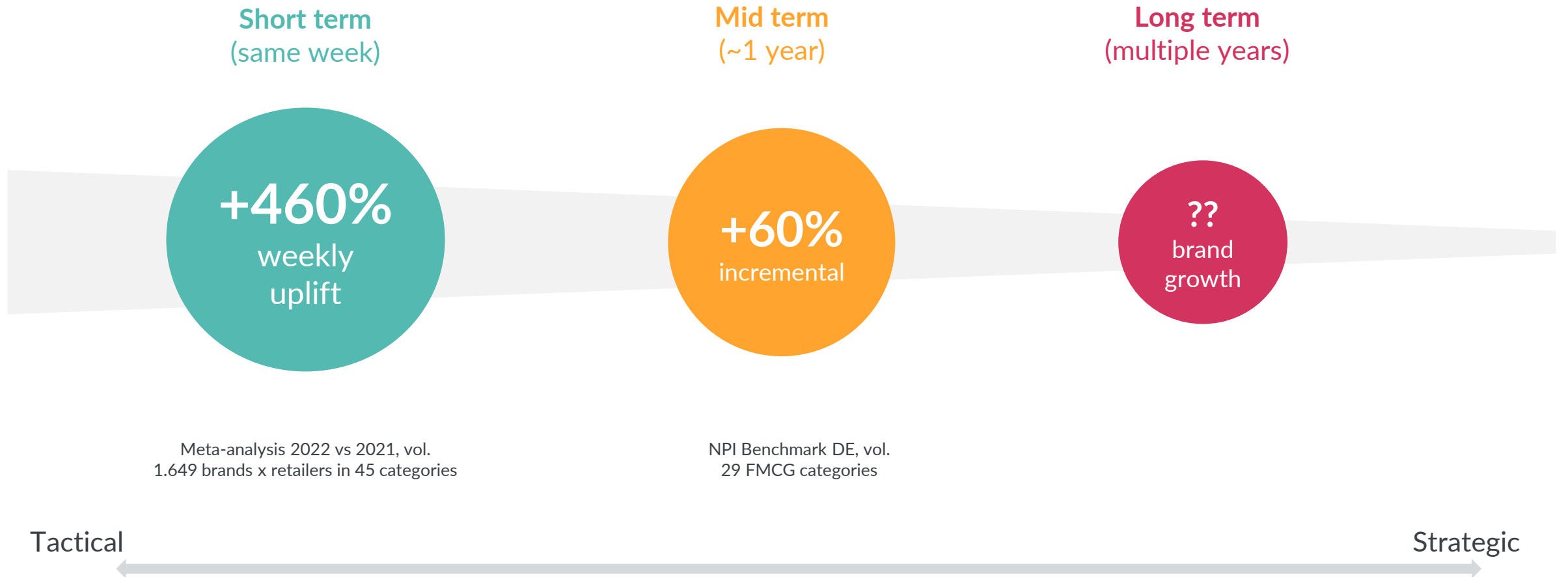
# Sweet deals?

## Most rewarding promotions



# Promotions have a strong short-term effect

Long-term effect should not be lost out of sight



# Promotions (help) grow penetration and intensity

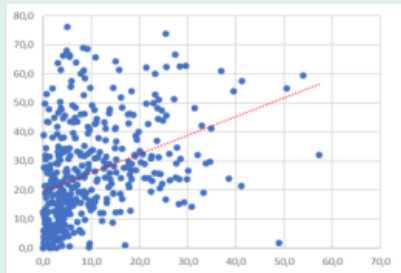
Negative tendency related to price and frequency. Total revenue flat.



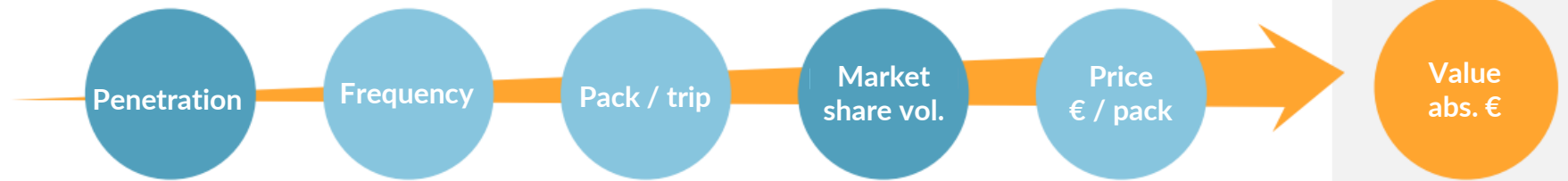
## Meta-analysis FMCG



- 432 brands in 45 categories
- Purchasing data 2019 - 2021



### Change 2021 vs 2019



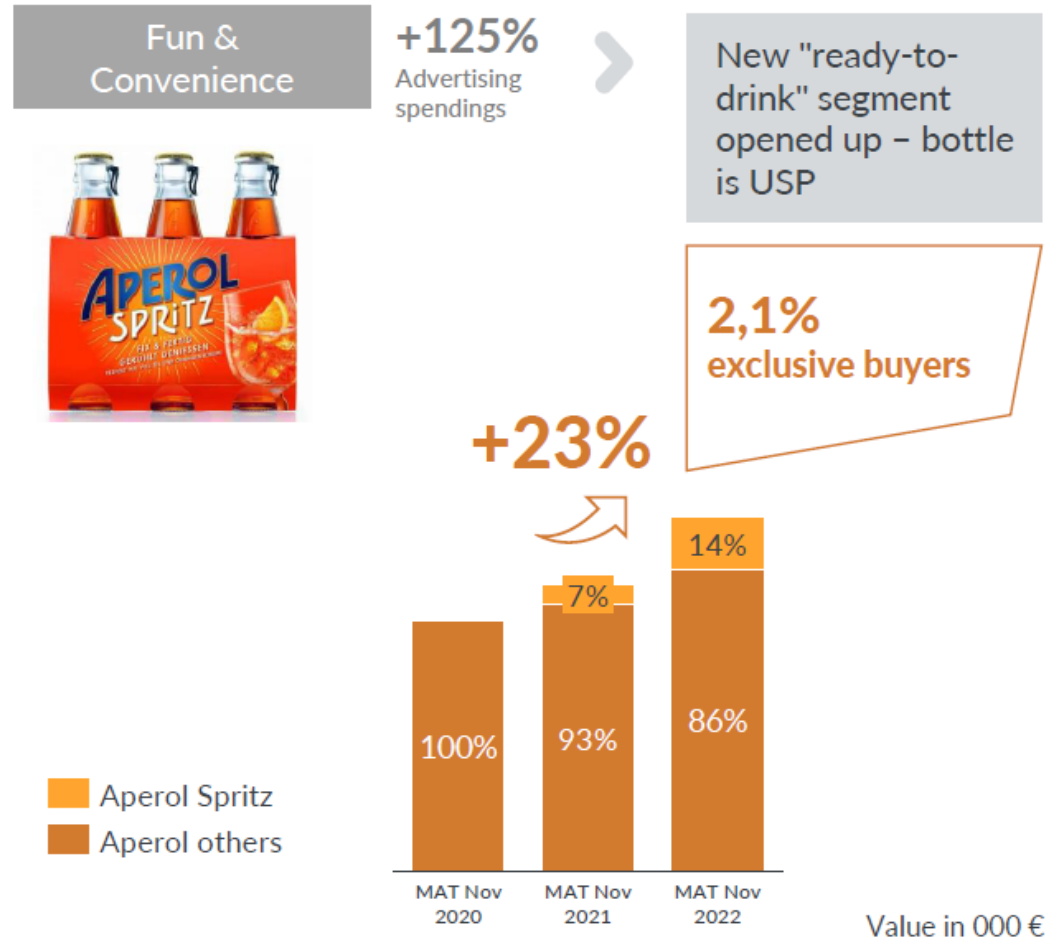
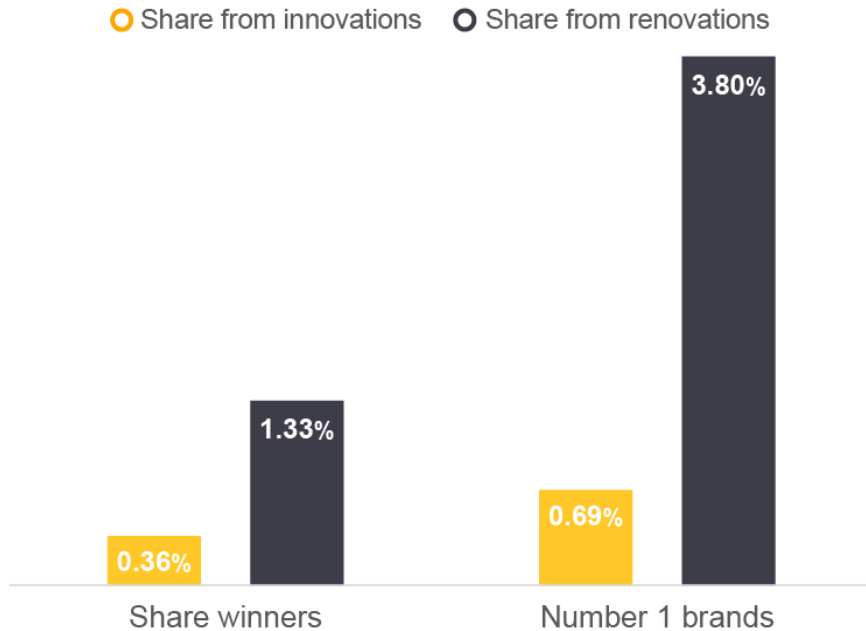
Correlation  
 Significant  
 Not significant

# New products, especially by big brands, are critical

Introductions have an emotional appeal and incremental potential



Value market share for new products  
Winning vs Number 1 brands



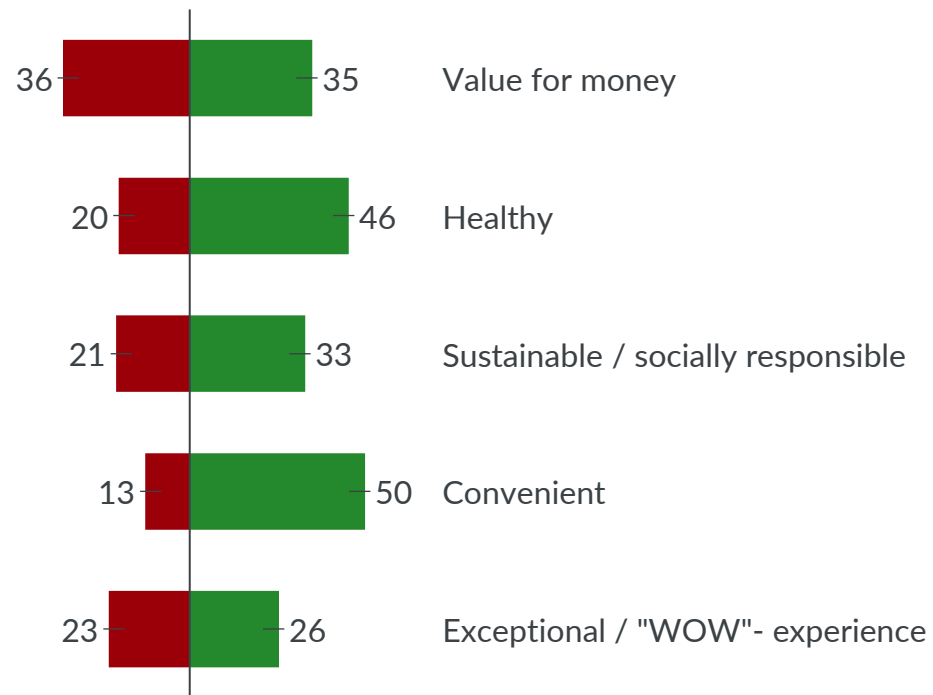
Source: Europanel BG20, 17 countries, 8900 brands 5 years to 2021. Innovations are new brand/sub-brand, renovations are new size, type, flavor  
DE GfK Consumer Panel CP+2.0 FMCG | MAT Nov. 20,21, 22

# Five dimensions: health and convenience most fulfilled

Shoppers dissatisfied with value for money; also "WOW" experience is lacking



How satisfied are you with the overall offer of everyday goods when it comes to these features



■ Very & a little unsatisfied ■ Very & a little satisfied



# Winning benefits

Ability to command a response

- High reach & influence



- Worth a premium



- Improve satisfaction

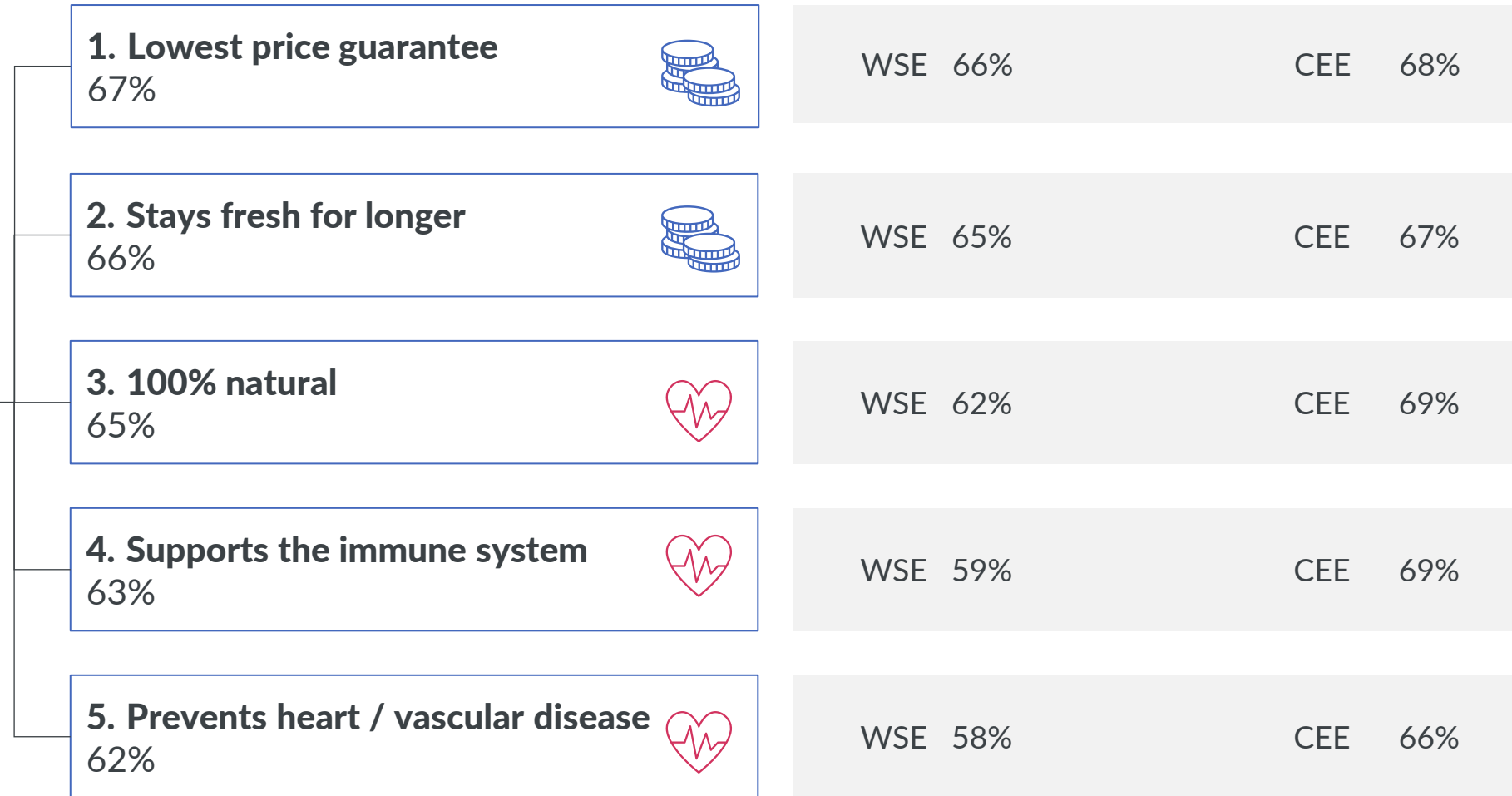


# Top 5 benefits that influence buying behavior

Value for money and health aspects are key influencers



## Top 5 influencers (reach)










# Top 5 benefits that command a premium price

(Natural) freshness is deemed most premium-worthy

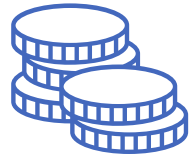


## Top 5 influencers (premium)

<b>1. Ultra-fresh</b> 23%		WSE 19%	CEE 26%
<b>2. 100% natural</b> 21%		WSE 20%	CEE 23%
<b>3. Professional quality</b> 13%		WSE 13%	CEE 14%
<b>4. Multi-use / versatile</b> 13%		WSE 12%	CEE 15%
<b>5. Time saving</b> 12%		WSE 11%	CEE 13%

# Top 5 influencers “money well spent”

Guarantees have a high pay-off – price in WSE, quality in CEE



## Top 5 influencers “money well spent”

**1. Lowest price guarantee**  
20%

WSE 21%

CEE 19%

**2. Stays fresh longer**  
13%

WSE 13%

CEE 12%

**3. Basic quality guarantee**  
12%

WSE 10%

CEE 14%

**4. Special price loyalty program**  
11%

WSE 9%

CEE 13%

**5. Dynamic pricing**  
9%

WSE 10%

CEE 7%

# More worth(y)

Alternate means to “saving”

## Creative packaging to improve ease of use



Procter & Gamble introduced Dawn EZ-Squeeze in early 2022, a new inverted bottle with patented no-flip cap technology, enabling it to stand on its cap and dispense from the bottom with a self-sealing valve that protects against leaks. The valve design not only delivers a mess-free experience, but the lack of a cap improves ease of use.

## Achieve value by extending the lifespan of your valued belongings

**CLOTHES LIVE LONGER WITH VANISH**

At Vanish we believe that every garment you own should bring you joy again and again. Join our fight and get ready to #Rewear.



Value can be achieved by extending the lifespan of your valued belongings. Vanish promotes its laundry products as making your clothes live longer.



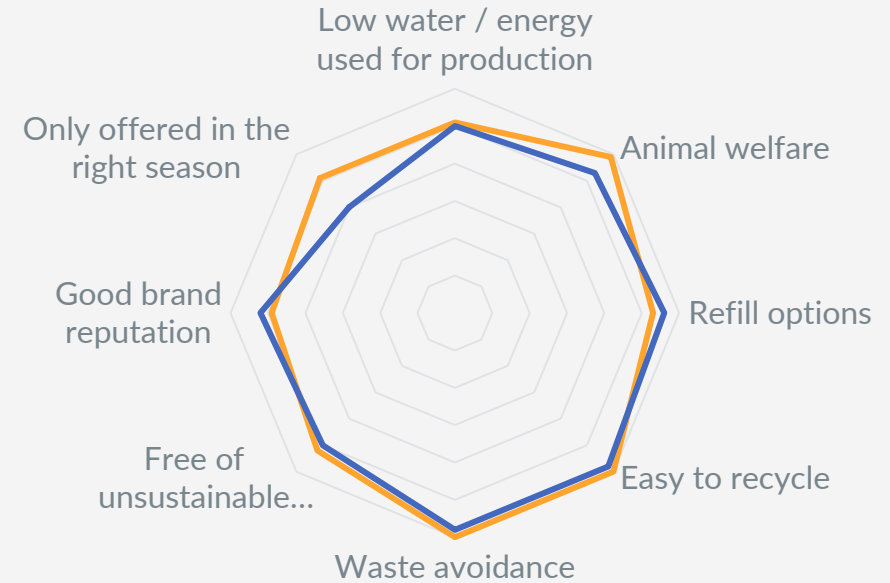
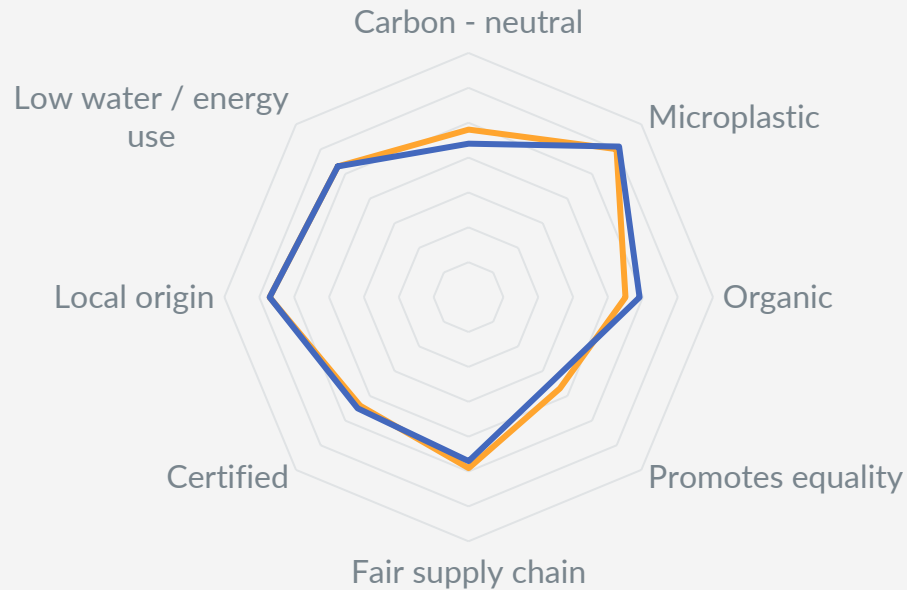
# CEE catches up on WSE regarding sustainability

Slightly less about climate change, seasonality and animal welfare



Would influence my buying behavior (EU, HU) - %

— WSE — CEE



Yes it influences my behavior  
Willing to pay a premium (EU) - %

**'NONE'**

WSE  
16%

CEE  
12%

# Key influential aspects

'Winner's corner': wide reach & premium-worthy / money well spent

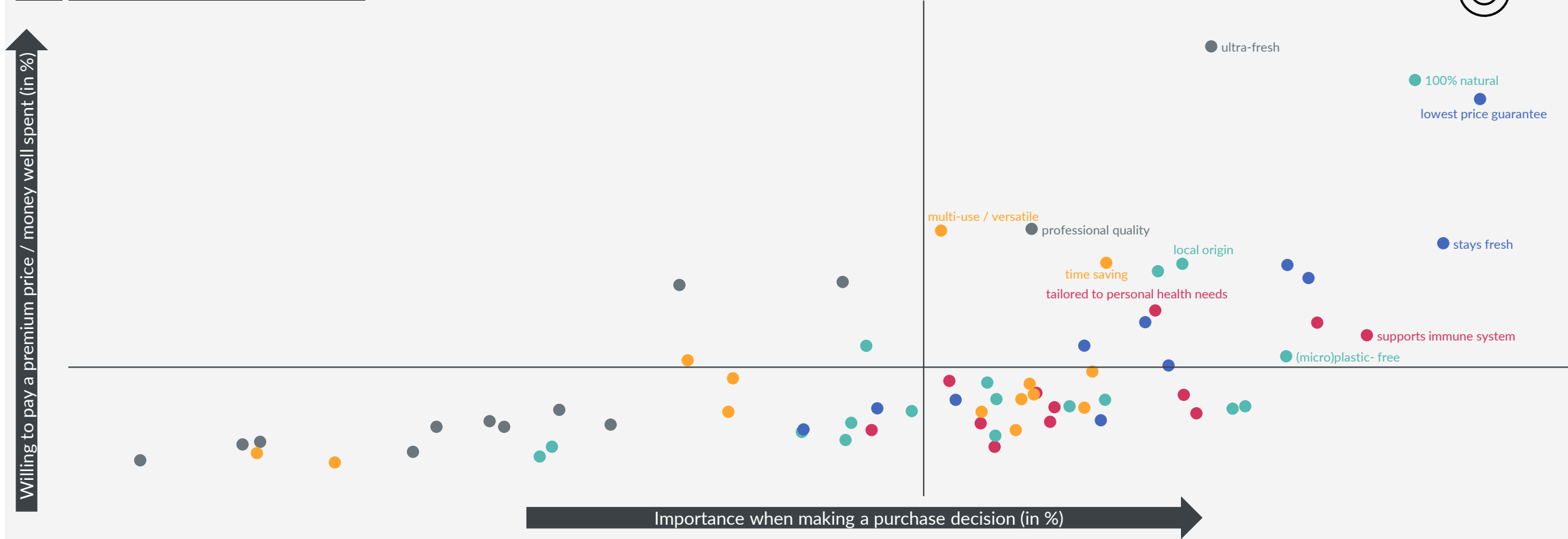


Which features would make a difference and influence your purchasing decision?

For which one would you be most willing to pay a premium price / would make you feel you have spent your money well?



ALL FEATURES

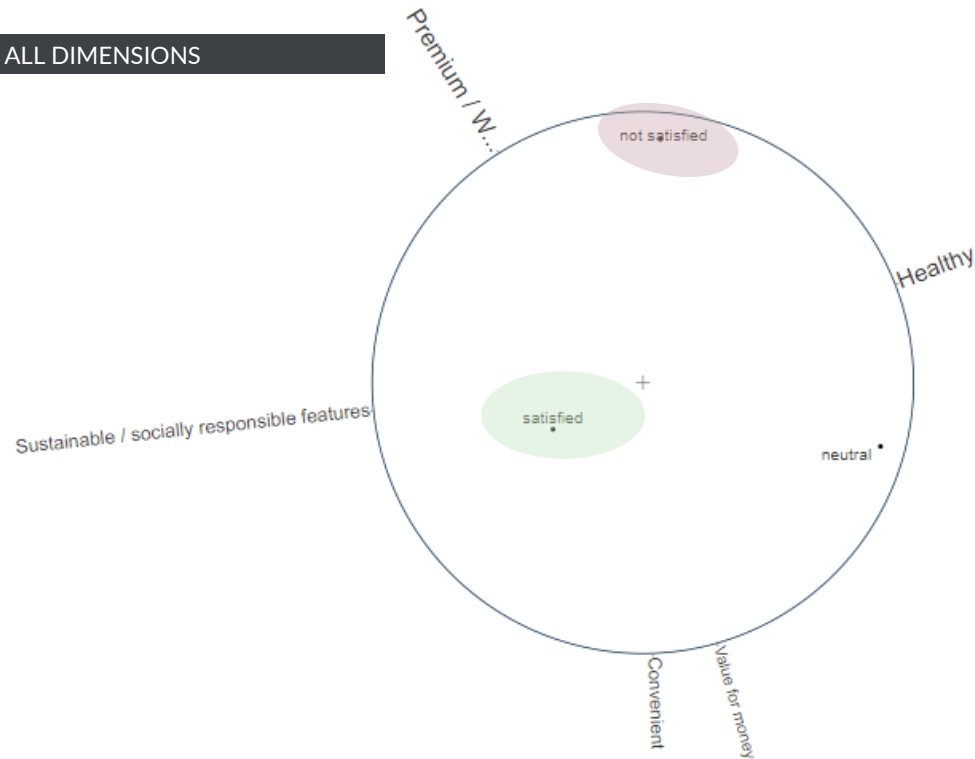


# Wow-experience a big differentiator for (dis)satisfaction

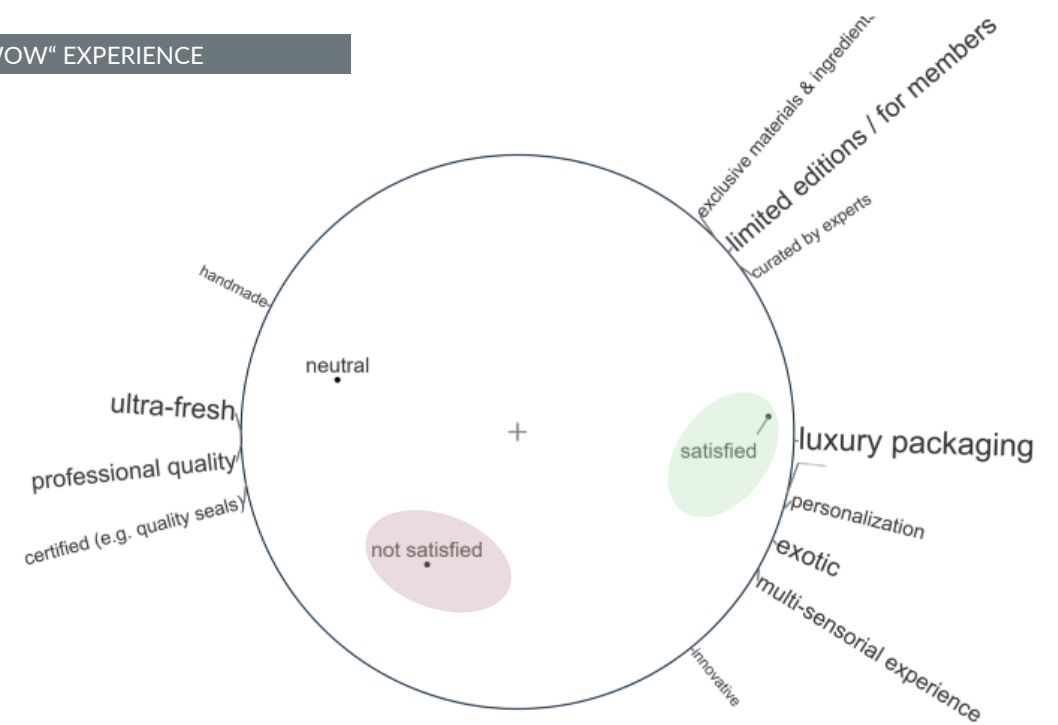
Satisfied shoppers associated with luxury / exotic / personalization / sensorial



ALL DIMENSIONS



„WOW“ EXPERIENCE





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## Take-outs

Money well spent

#1

Restate the category in shoppers' relevant set and advertise occasions

#2

Redefine what **you bring to the category** with functional, emotional, responsible value: money well spent

#3

**Be where the shopper** is and easy to be bought. Ensure conspicuity and consistency at the PoS.

#4

**Encourage trial** with an effective promotion strategy and focus on incremental innovation

#5

**Don't go silent** and explore the dual need for security and dopamine – “empowerment”



# Master behavior change

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**Thank you**

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now!**

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