



Growth
from
Knowledge

Behavior change

Moving out of the perma-crisis

Webinar
Spring edition 2023



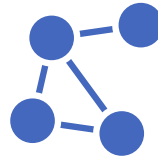
Agenda

-  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

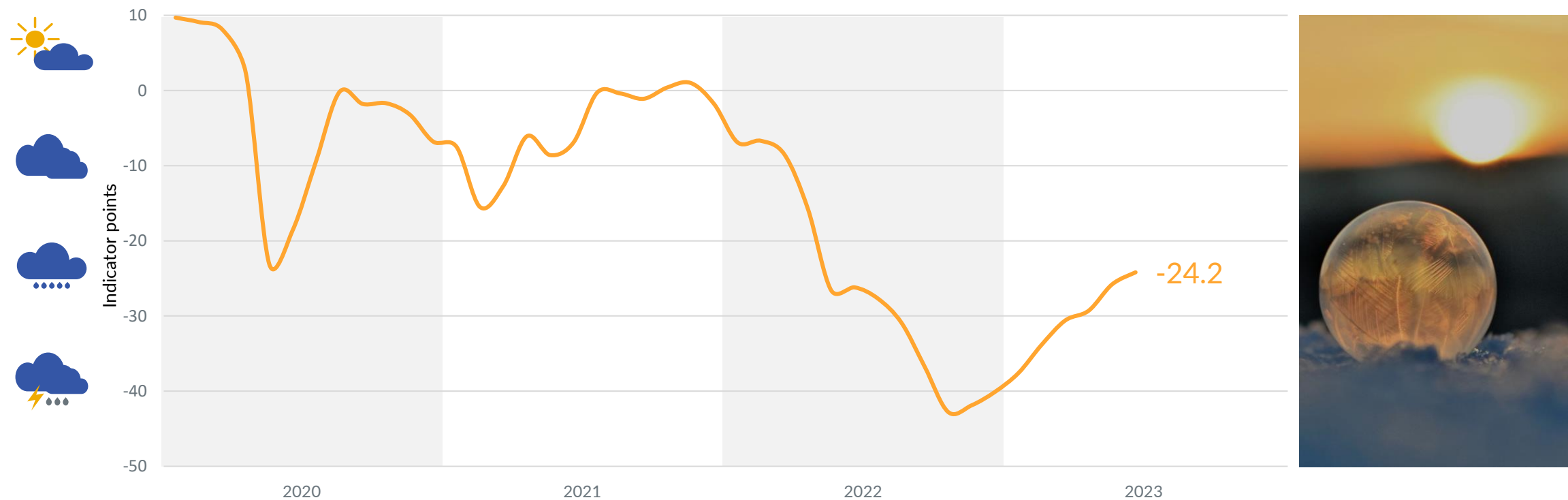


State of play

Permacrisis stretches out

Consumer climate continues to recover

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

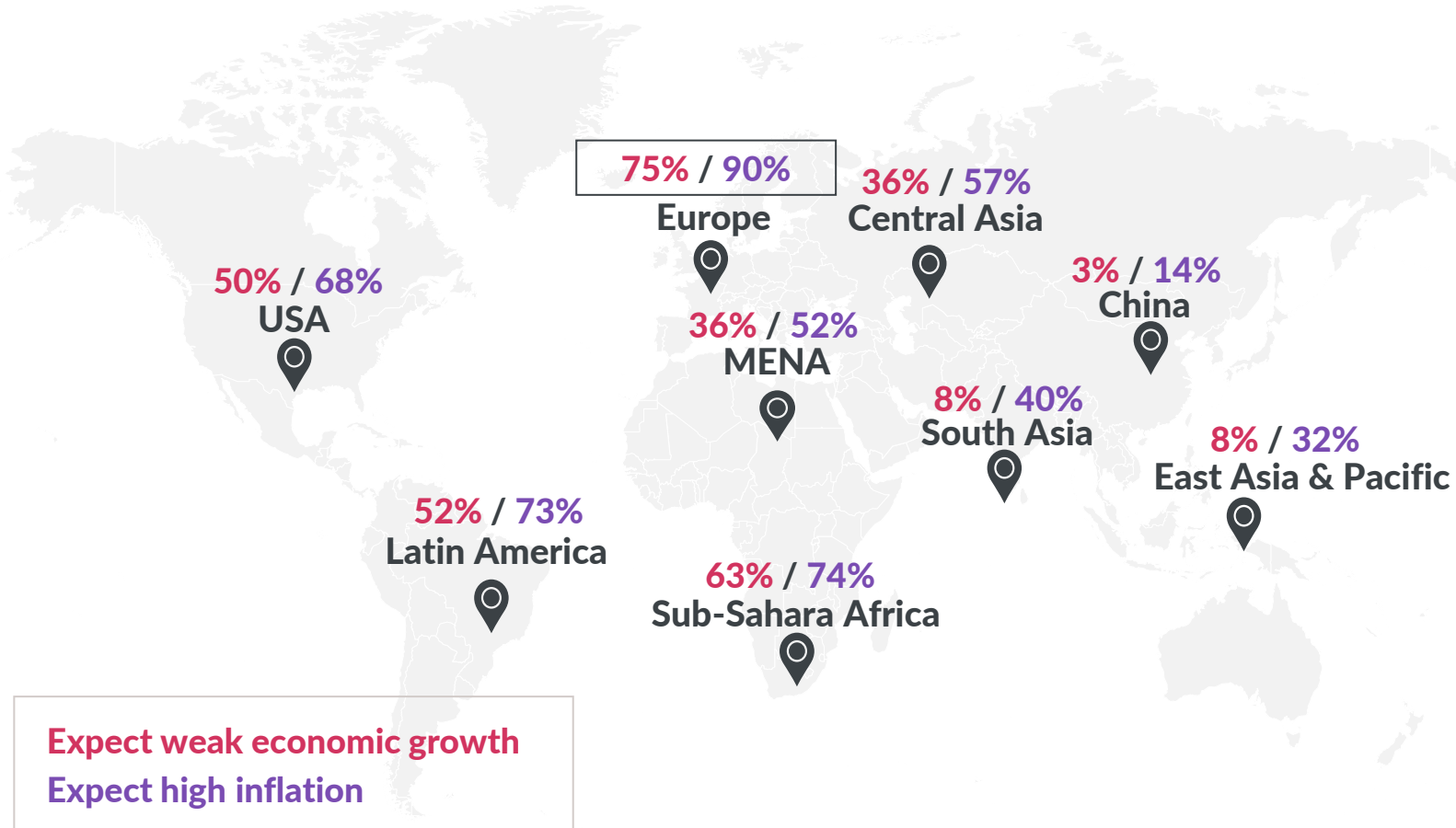


Cost of living bites: expectations for stag-flation

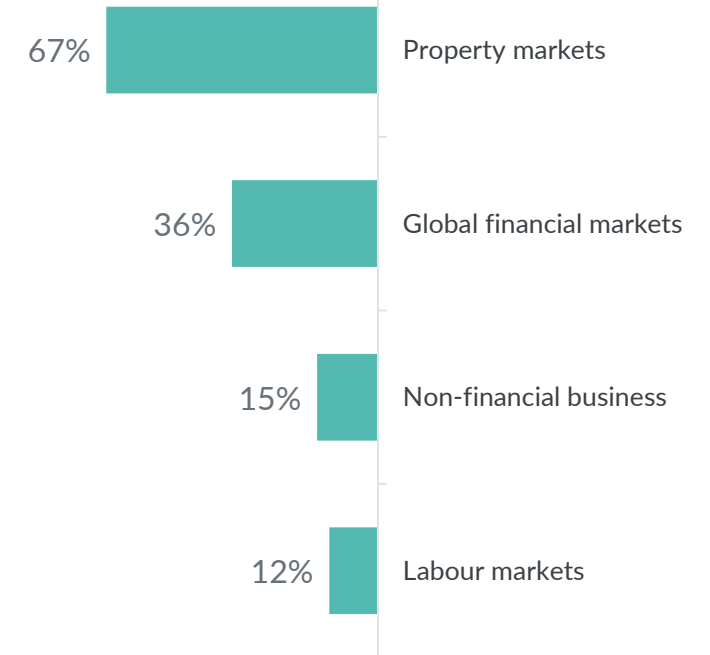
Europe center stage



Chief Economist Survey | World Economic Forum | May 2023



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



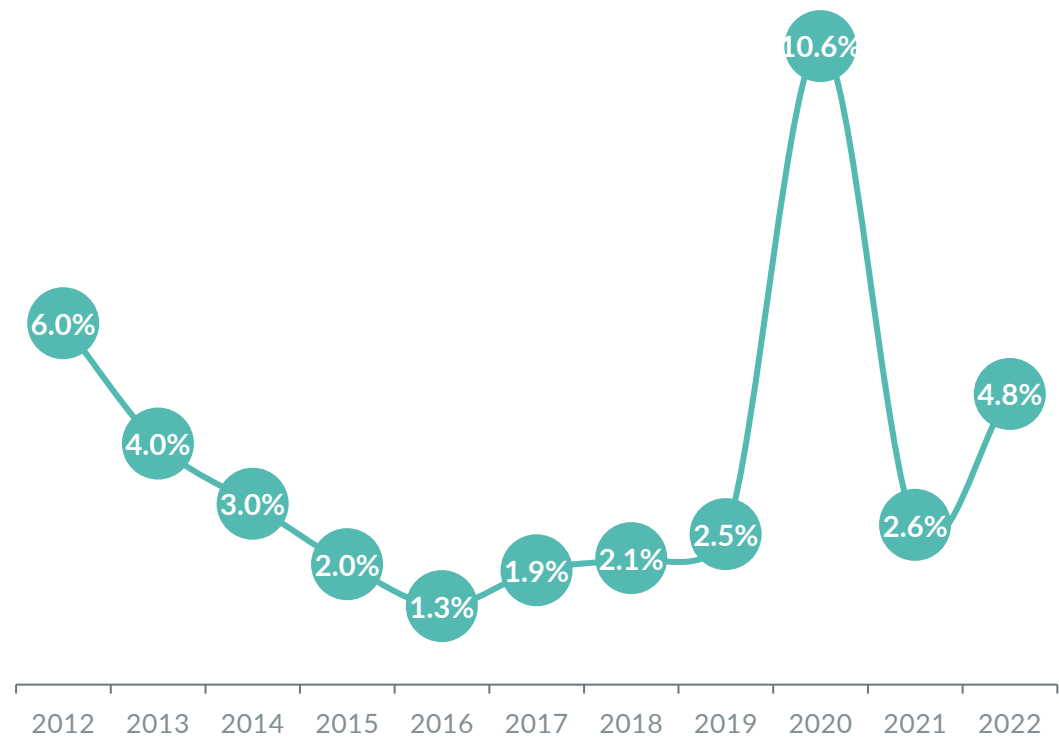
■ Expectation for Significant disruption

Permaccrisis propels global FMCG industry growth

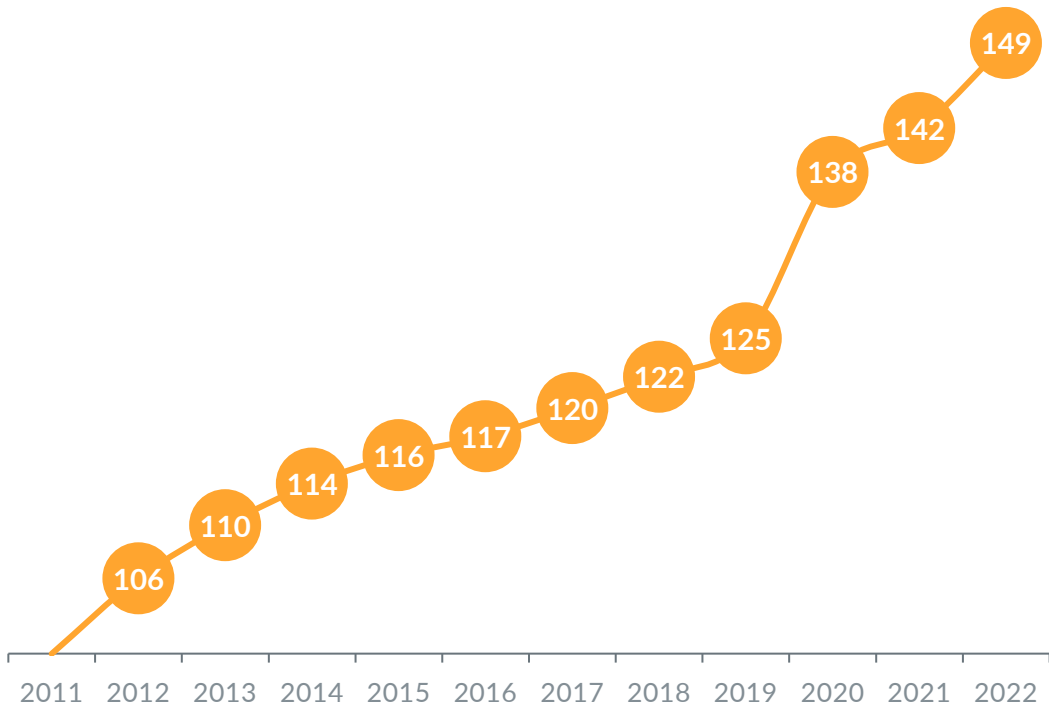
Past three years as much as the previous eight years



Global FMCG annual value growth (%chg)



Global FMCG cumulative annual value growth (Idx v 2011)

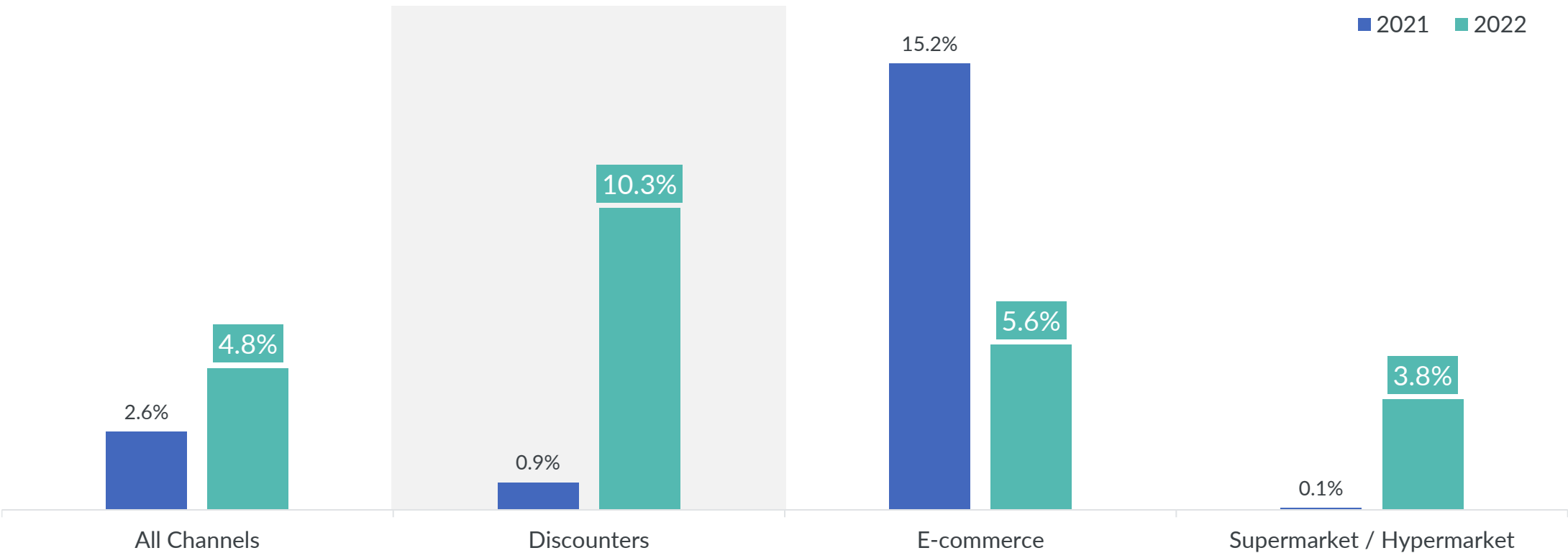


Discount is the fastest growing channel

Unprecedented in the past decade



FMCG annual value growth (% chg)



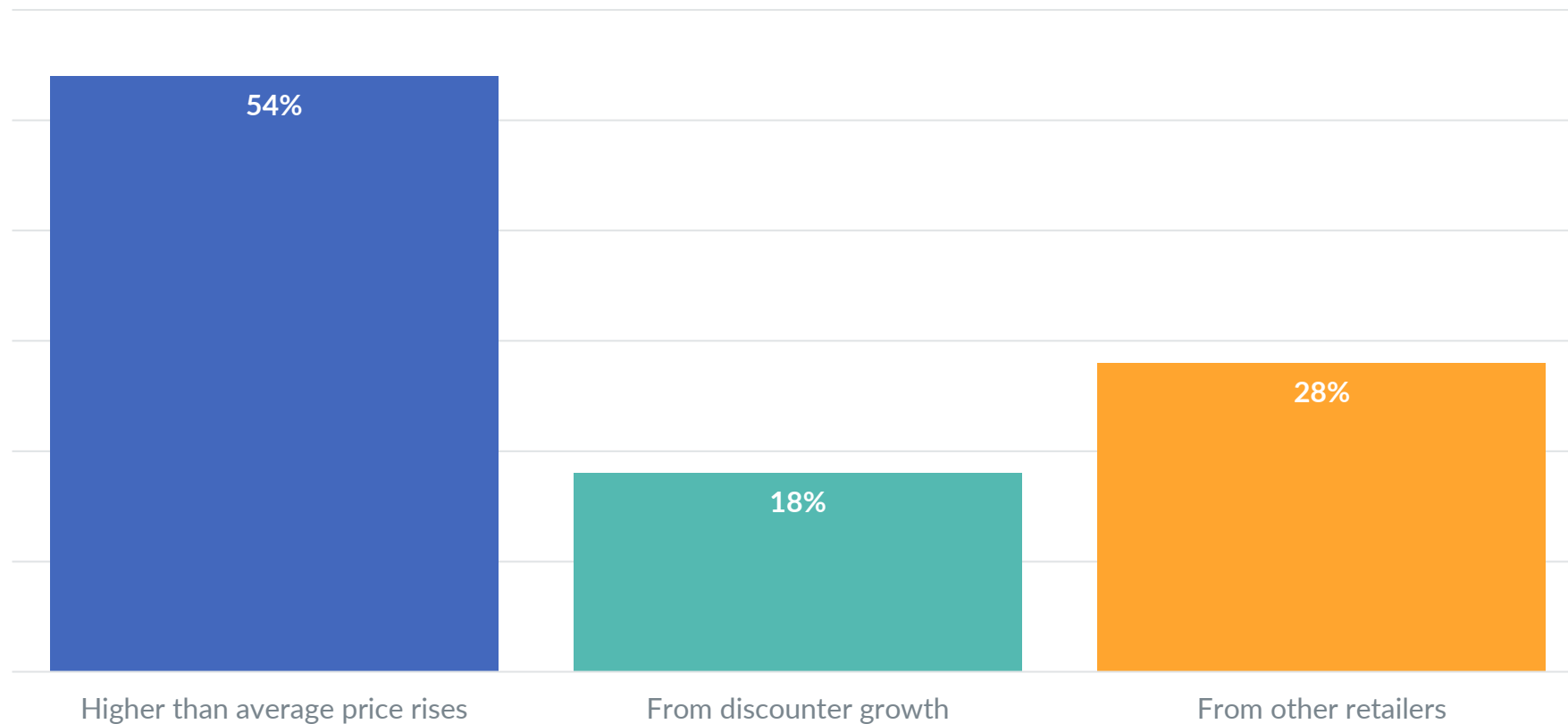
Private label shares are rising due to three factors

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

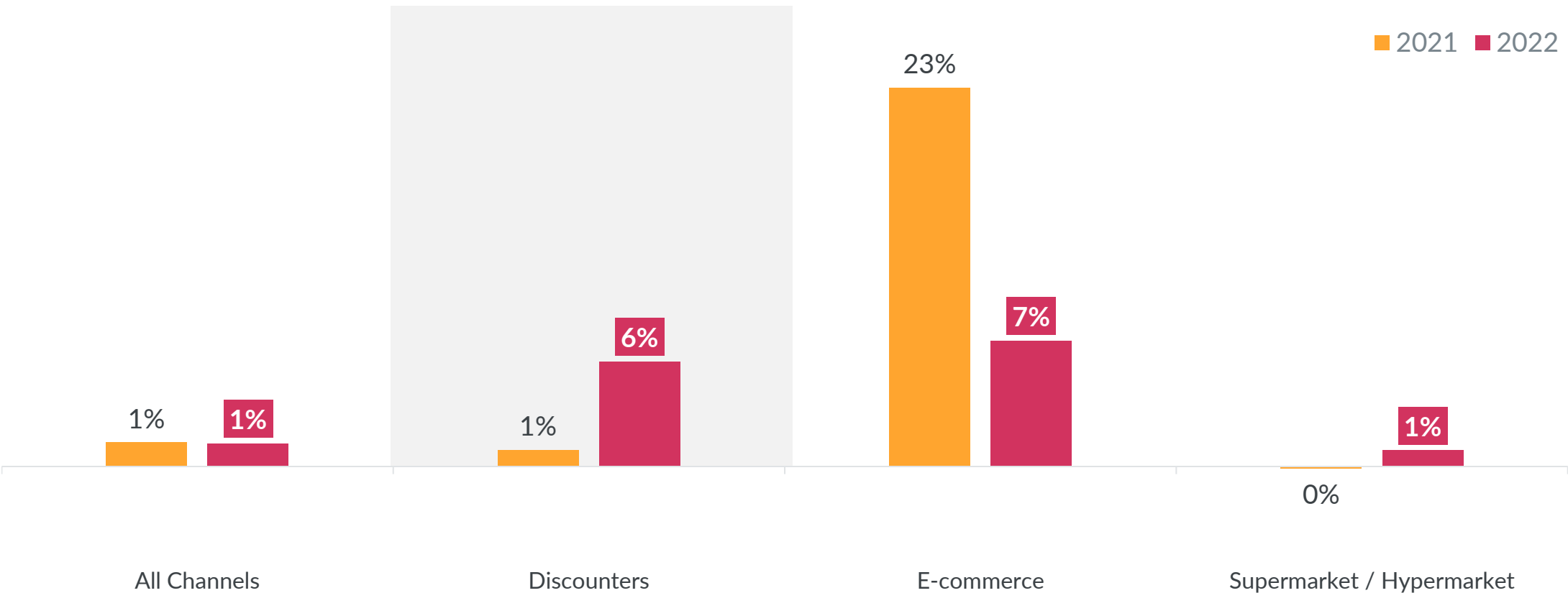


Correcting for impact of spend, trips are a proxy for relevance

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

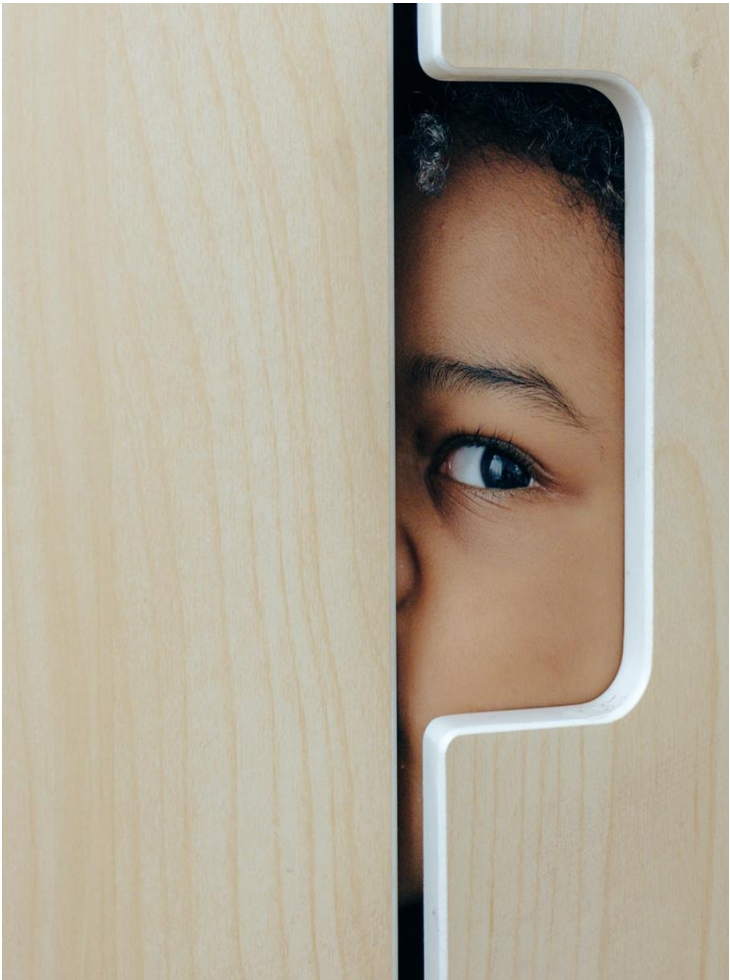


FMCG annual trip growth (% chg)

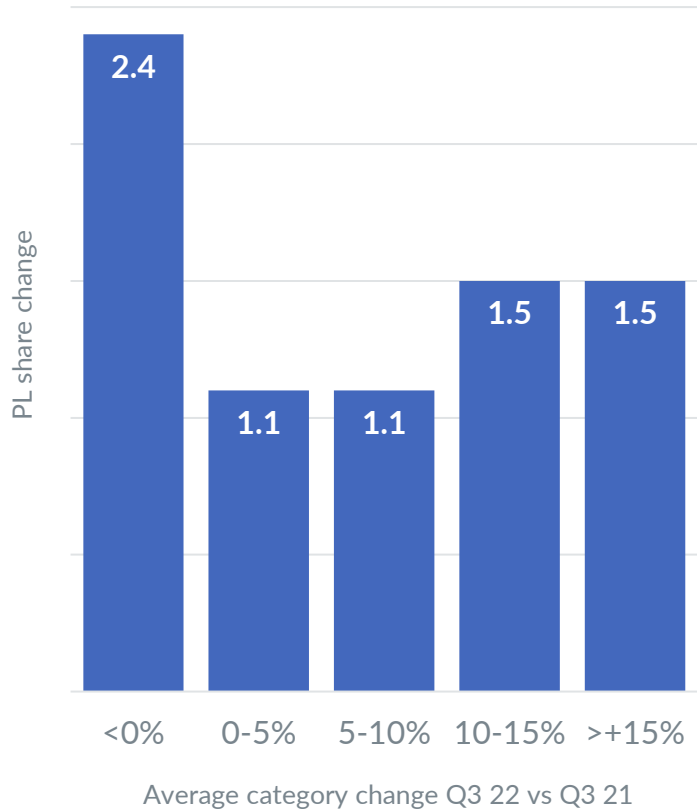


Inflation and private label growth not ‘rationally’ related

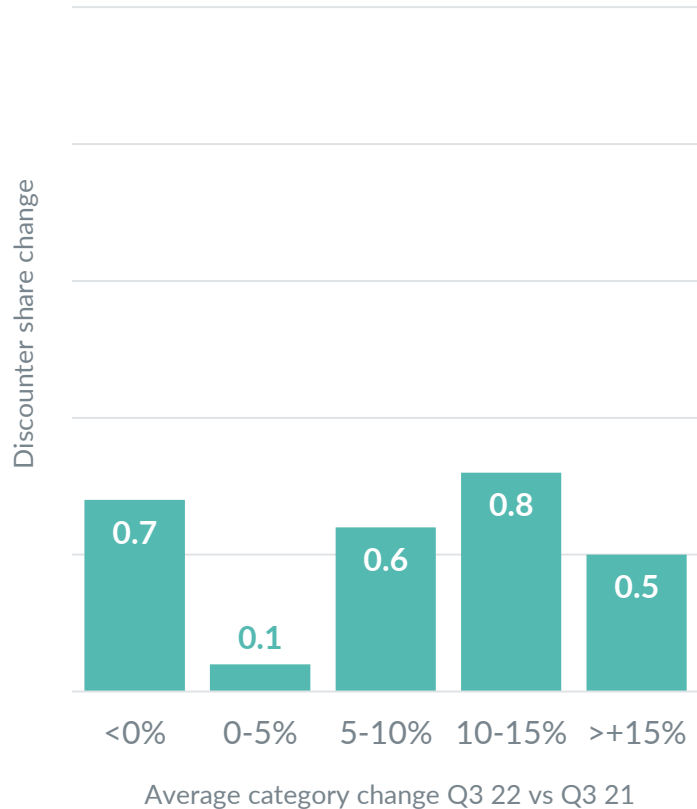
Trading down not necessarily a calculated choice



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



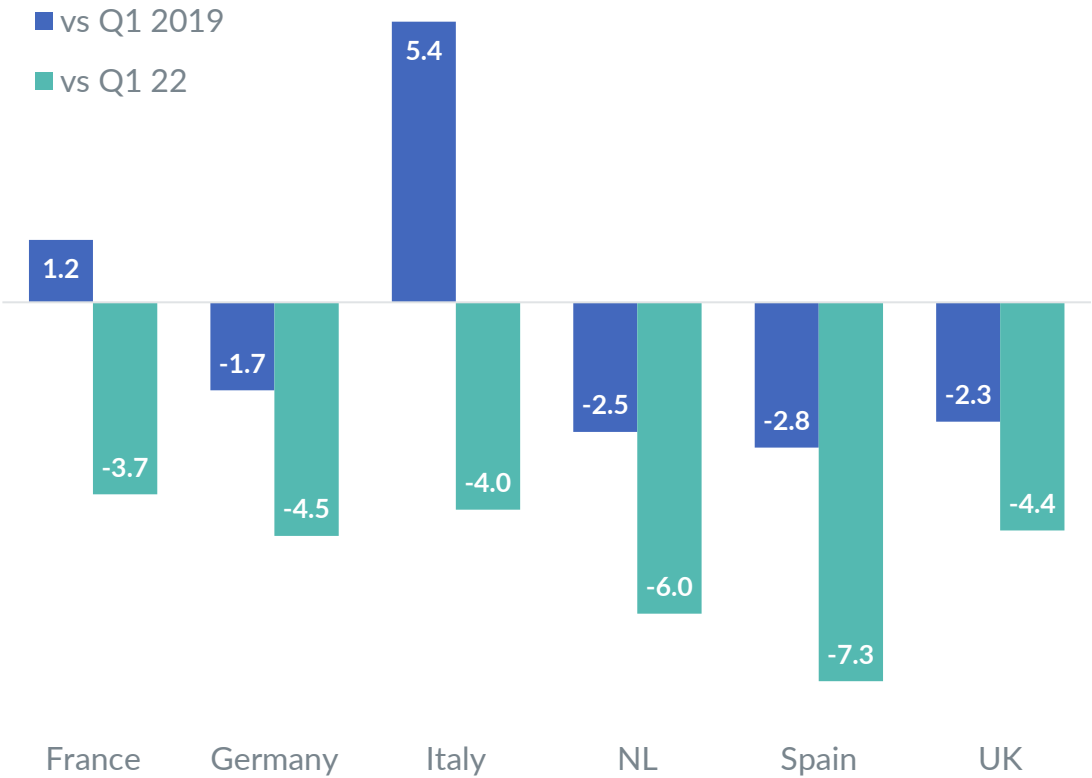
Volumes have now dropped below 'normal' levels

COVID-increase reverted



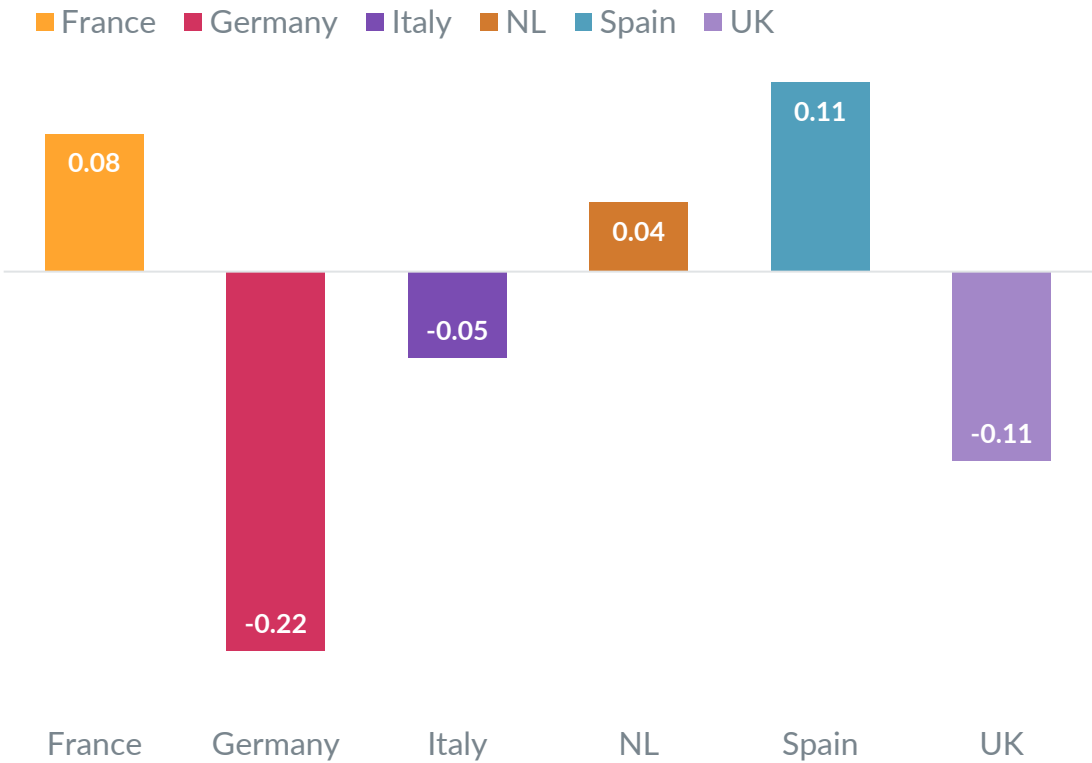
Volume decline in most countries

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





Cost of living

Rational shopping, emotional response

Pragmatism will stick

Shoppers take and learn something from every crisis



2018/2019

Quality and Sustainability

2020/ 2021

Sustainability and Premium

2022

Price and Pragmatism

2023

Pragmatism and ...

SUSTAINABILITY

QUALITY

PLASTIC REDUCTION

INNOVATION

TREATS

HOMELINESS

STOCKING UP

PLANNING

FRUGALITY

FOCUS

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 |

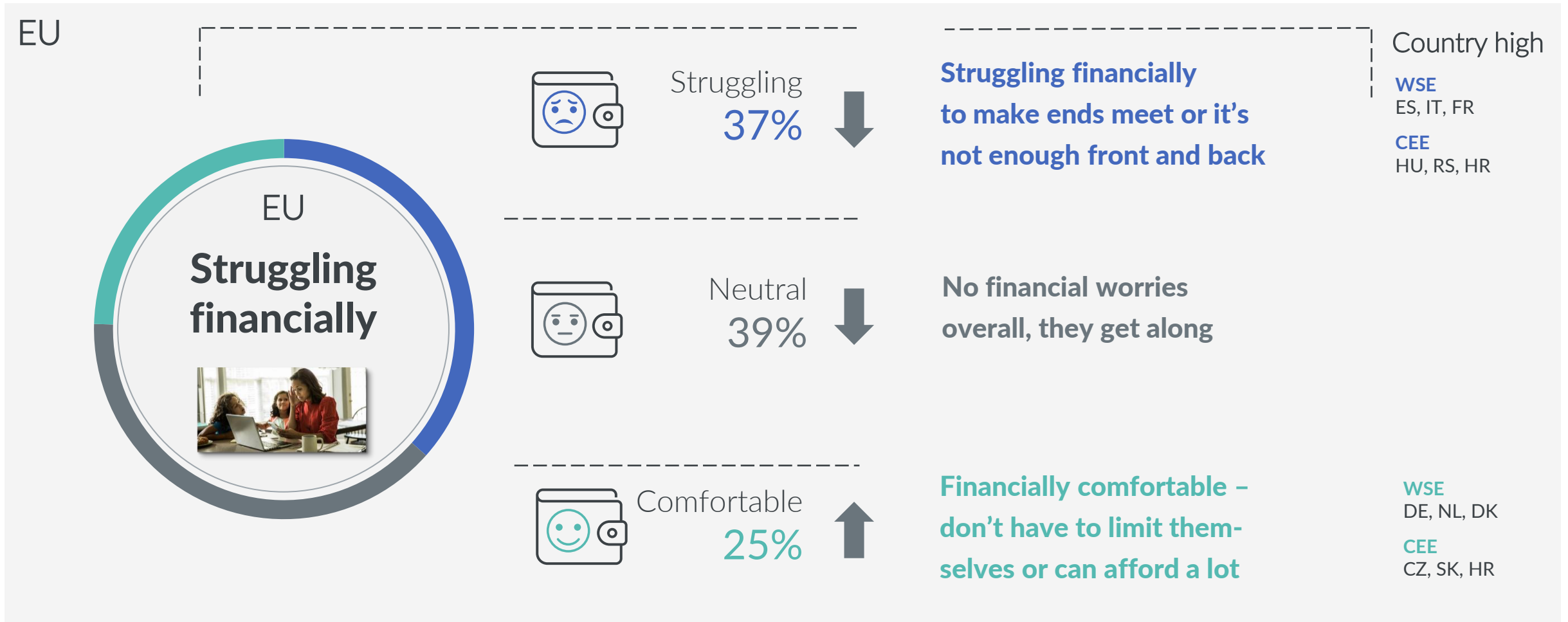
Countries with highest share - spring 2023

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

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

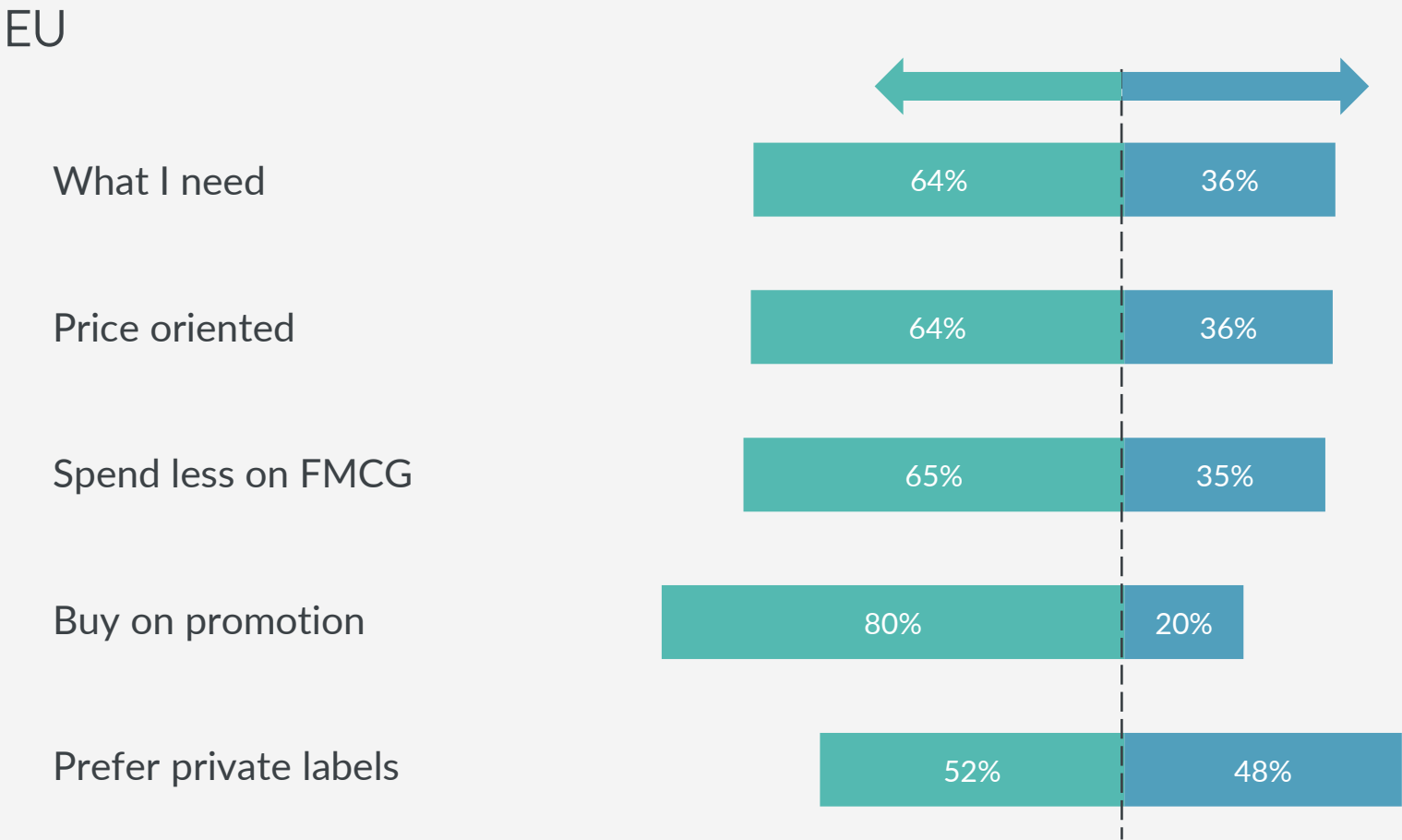
Slightly less households feel budgetary restraints

Yet the struggling still outweigh the comfortable



Majority of shoppers have a “less for less” mindset

Two-thirds rather plan to spend less on FMCG



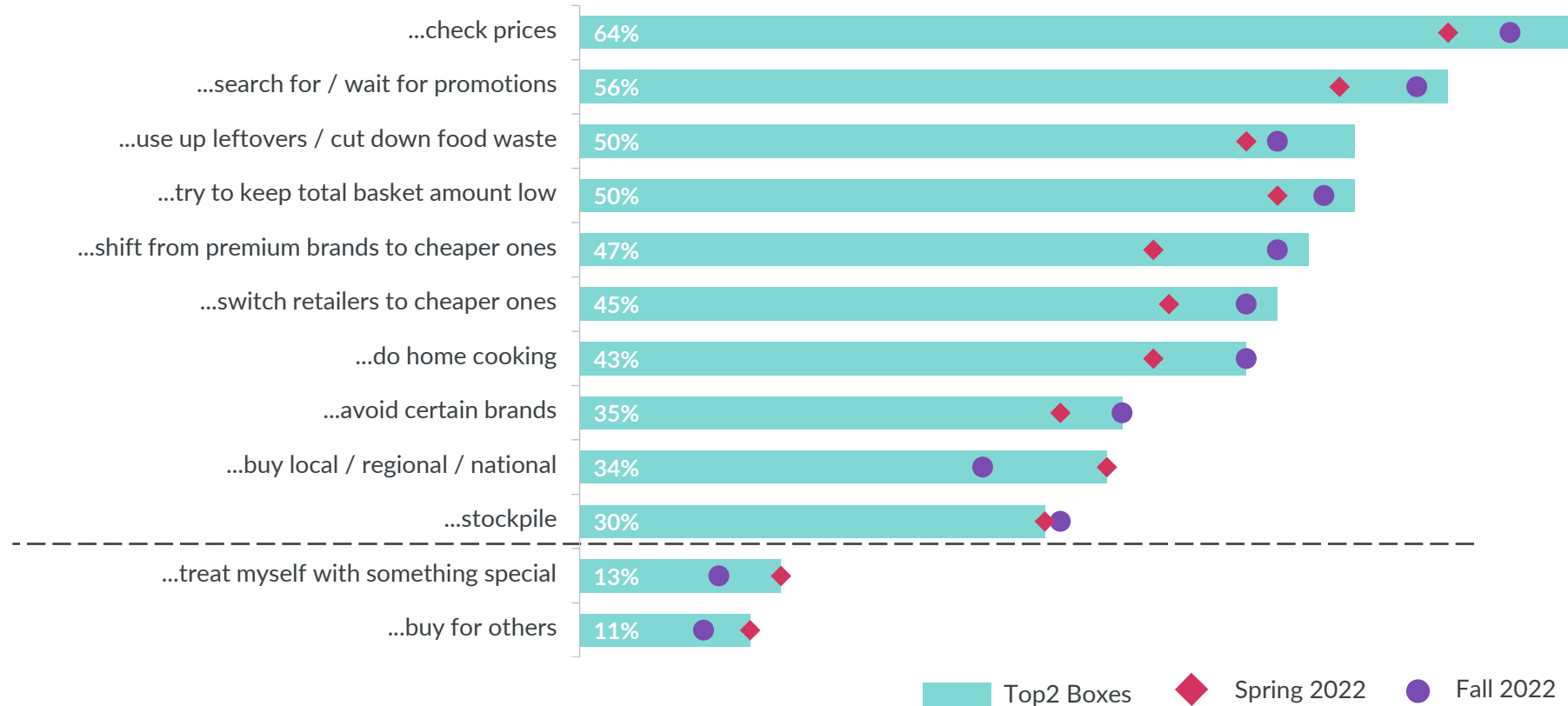
Further intensification of rational shopping

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

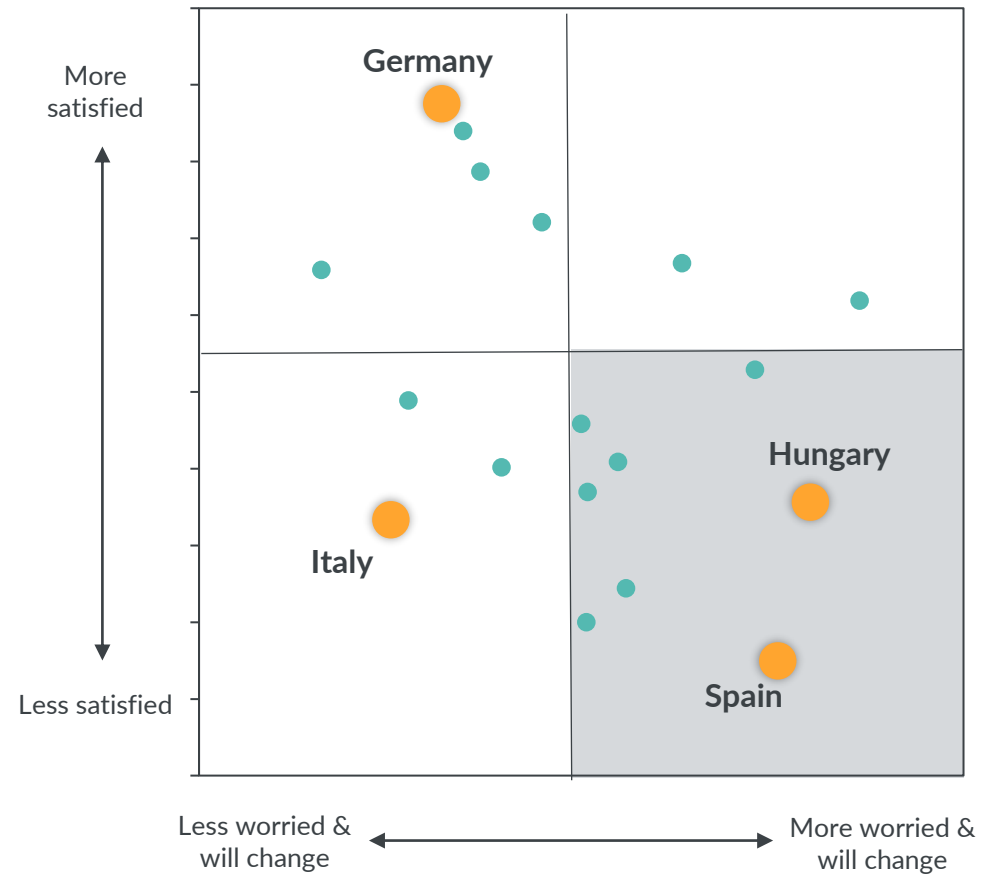
51%

OOH

41%

Countries will move at different speeds

Impacting depth and direction of change

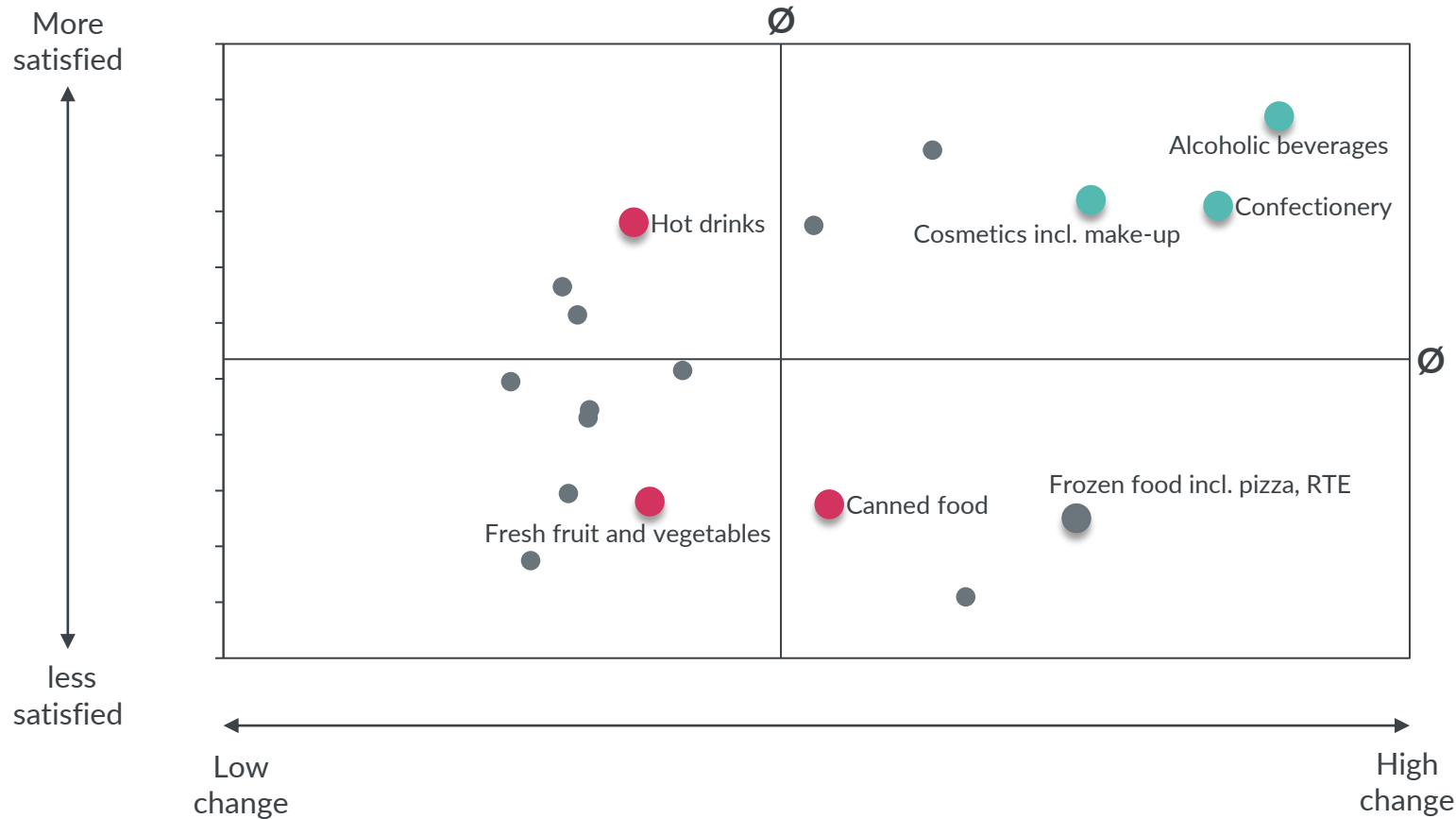


Categories most at risk not related to (dis)satisfaction

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

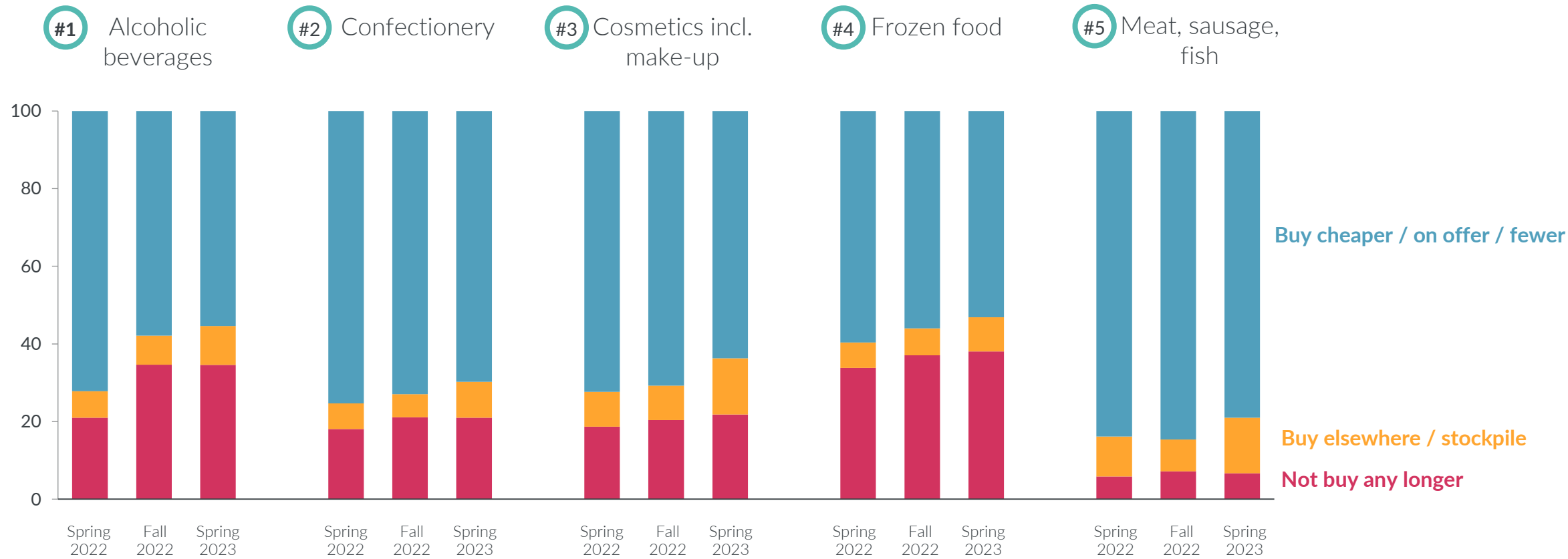


As crisis unfolds, coping turns from ‘(for) less’ to ‘not at all’

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?

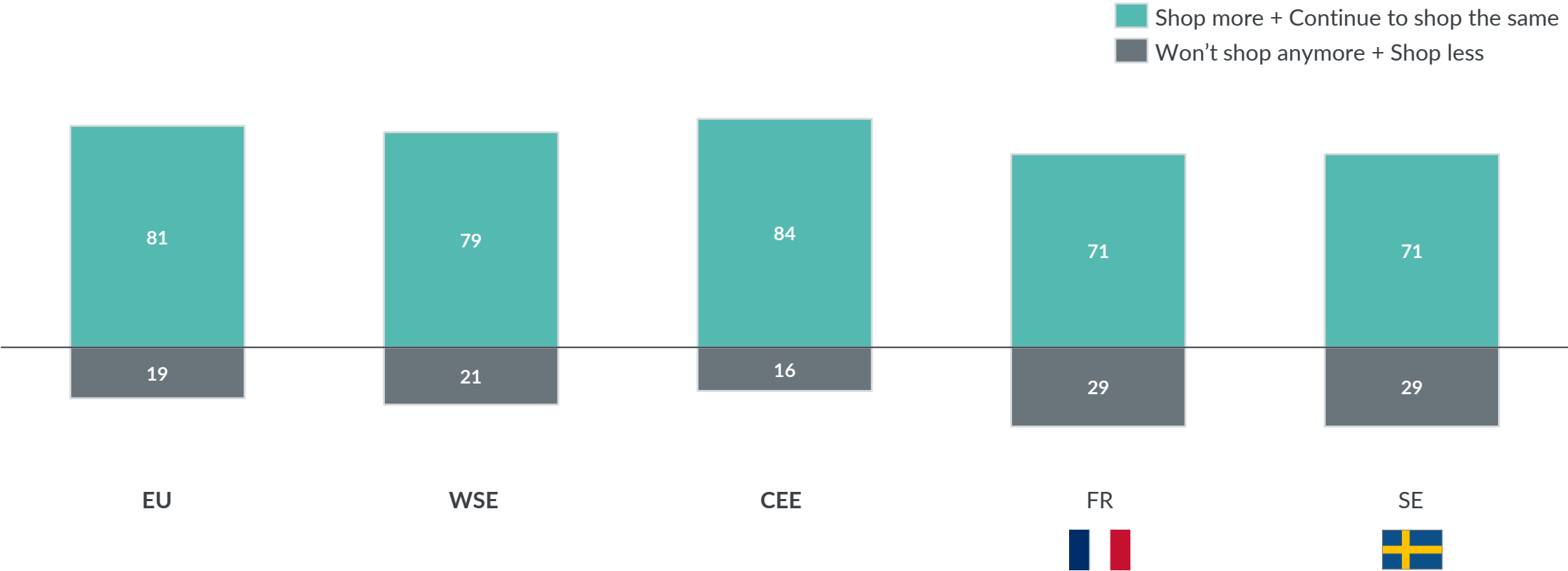


Risk profile for retailer loyalty: on average 19% plans to stop / decrease

Shoppers in France and Sweden are planning to change more heavily



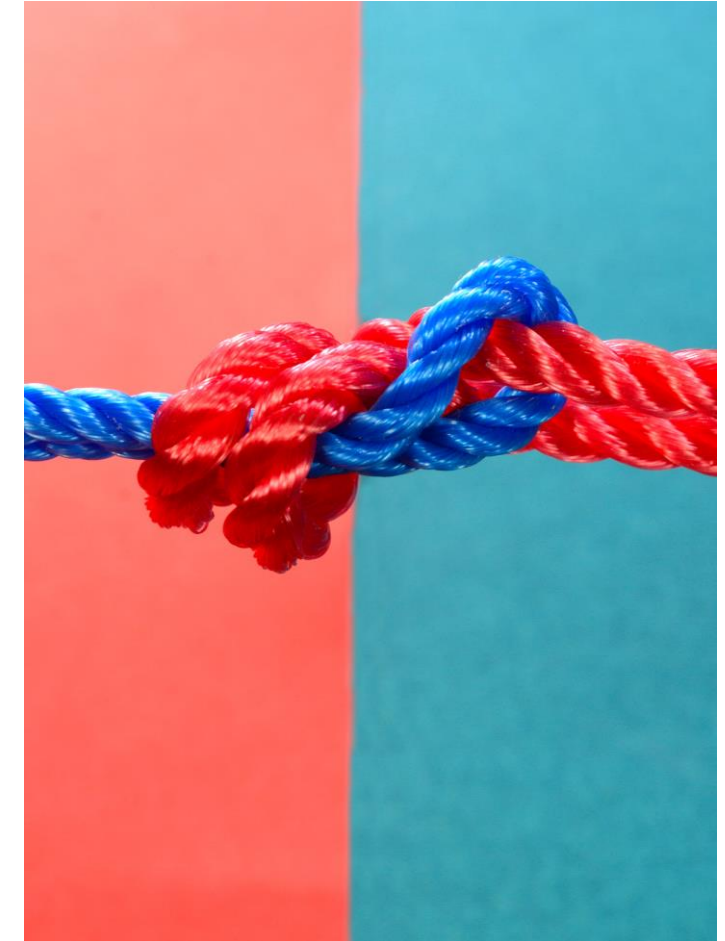
To what extent do you plan to change to shop at your main grocery retailer in the next 6 months?



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?



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

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

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

For large brands



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

Downtrading



Brand Promotions



Total reduction



The shopper doesn't **WANT**
to compromise



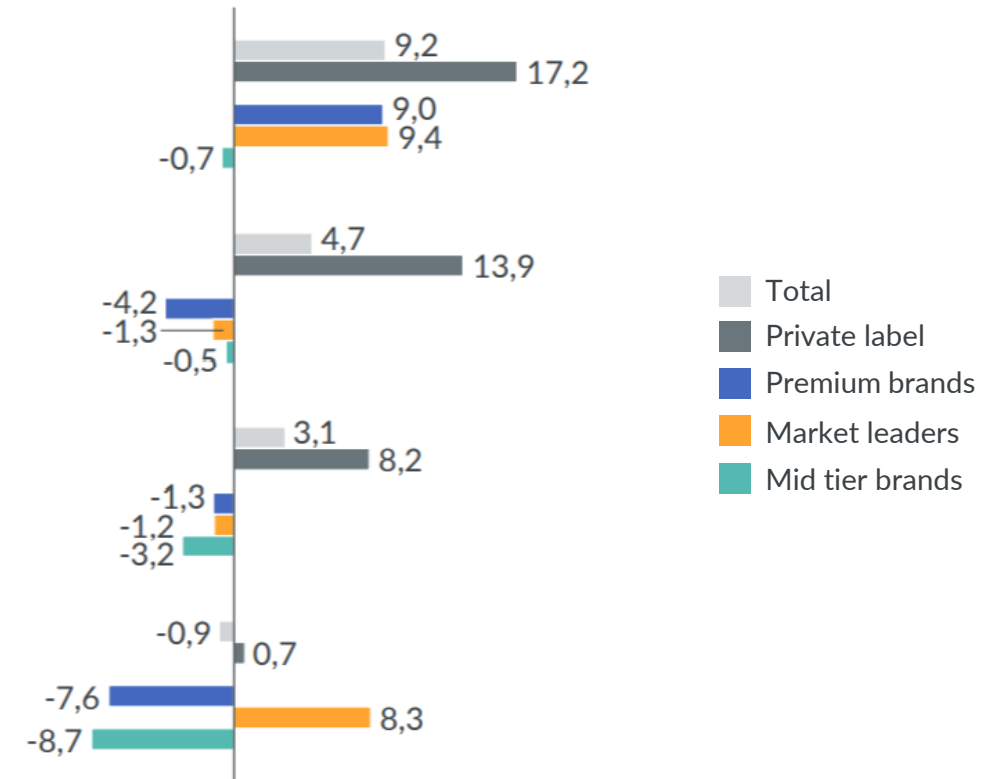
No matter whether at normal
or promotion price: **no**
compromises in the choice of
brands

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



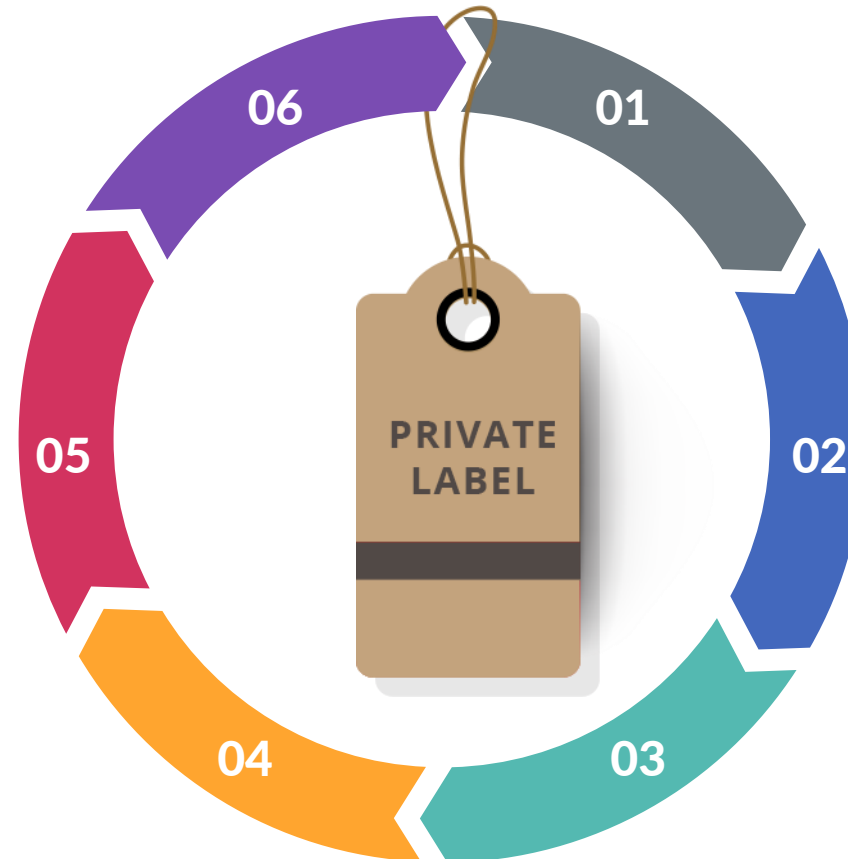
High margin

~~Low advertising expense~~

High advertising expense

~~Generic packaging~~

High similarity packaging



Cheap

~~Low quality products~~

High quality products

~~Commodity categories~~

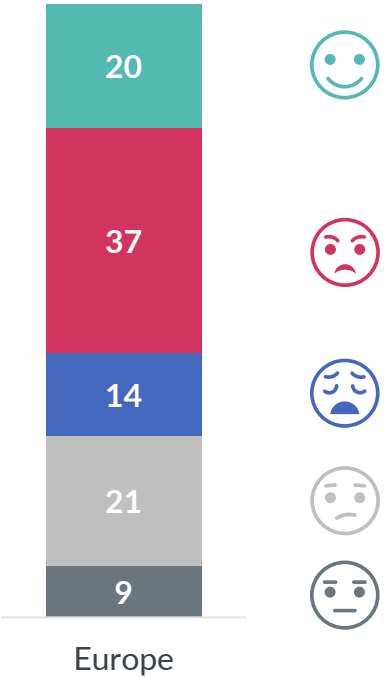
All categories

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!


Lisa
@lisagravesart

#Toblerone in another 3 years:









JAFFA CAKES
6 X SNACK PACK

SNACK A JACK JUMBO SALT AND VINEGAR RICE CAKES 126G

Jaffa Cakes
The Original
6x

Snack A Jack
JUMBO SALT & VINEGAR

PACK PRICE Up 99%
(\$1.01 to \$2)

CHOCOLATE PRICE Up 14%

KEY INGREDIENT CHOCOLATE Up 19%

PACK PRICE Up 27%
 (£1.77 to £2.25)

KEY INGREDIENT RICE Up 46%

RICE PRICE Up 13%

Discontinued Item
While Supplies Last

New ITEM

Notebook

Driving Private Label can erode loyalty

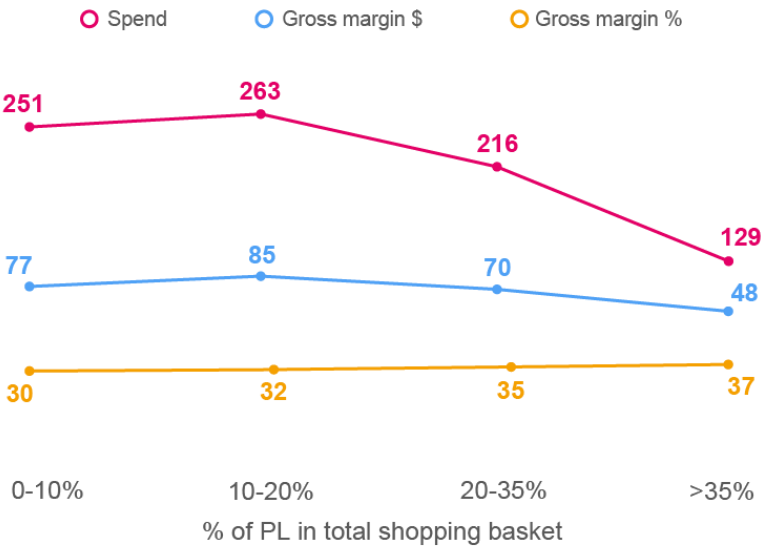
Setting off a race to the bottom



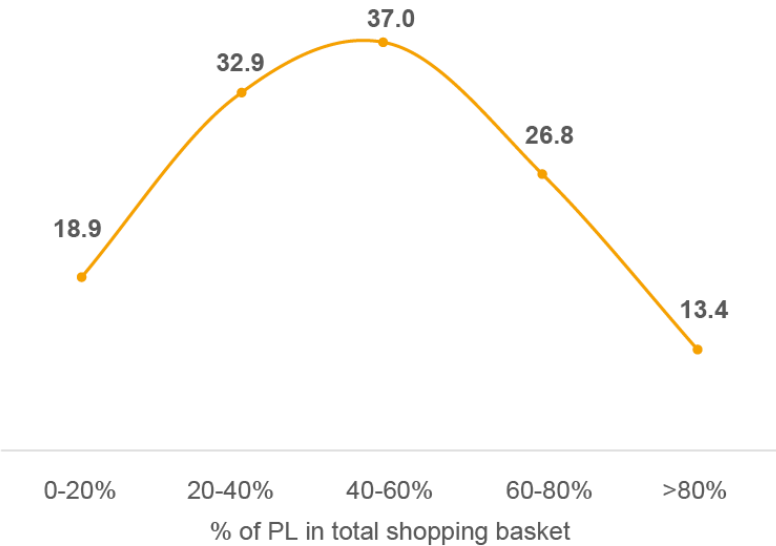
Driving Private Label does not always lead to improved retailer outcomes

Driving Private Label can lead to reduced retailer loyalty

CVS USA shopper details



Retailer Loyalty



Distribution & market leadership safe bets

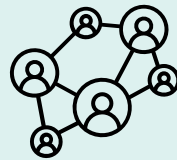
Advertisement over extension and premiumization in tough times



Strategic brand factors – winning brands

always

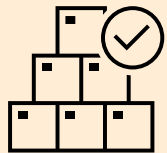
Extensive distribution



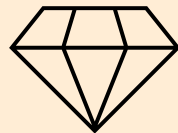
Market leader



expansion



Long line length

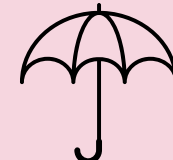


Premium price

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

SUSTAINABILITY

QUALITY

PLASTIC REDUCTION

INNOVATION

TREATS

HOMELINESS

STOCKING UP

PLANNING

FRUGALITY

FOCUS

ENGINEERING

Second order of business: in the basket without compromise

Brands must demonstrate functional AND emotional advantage



“Money well spent”

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



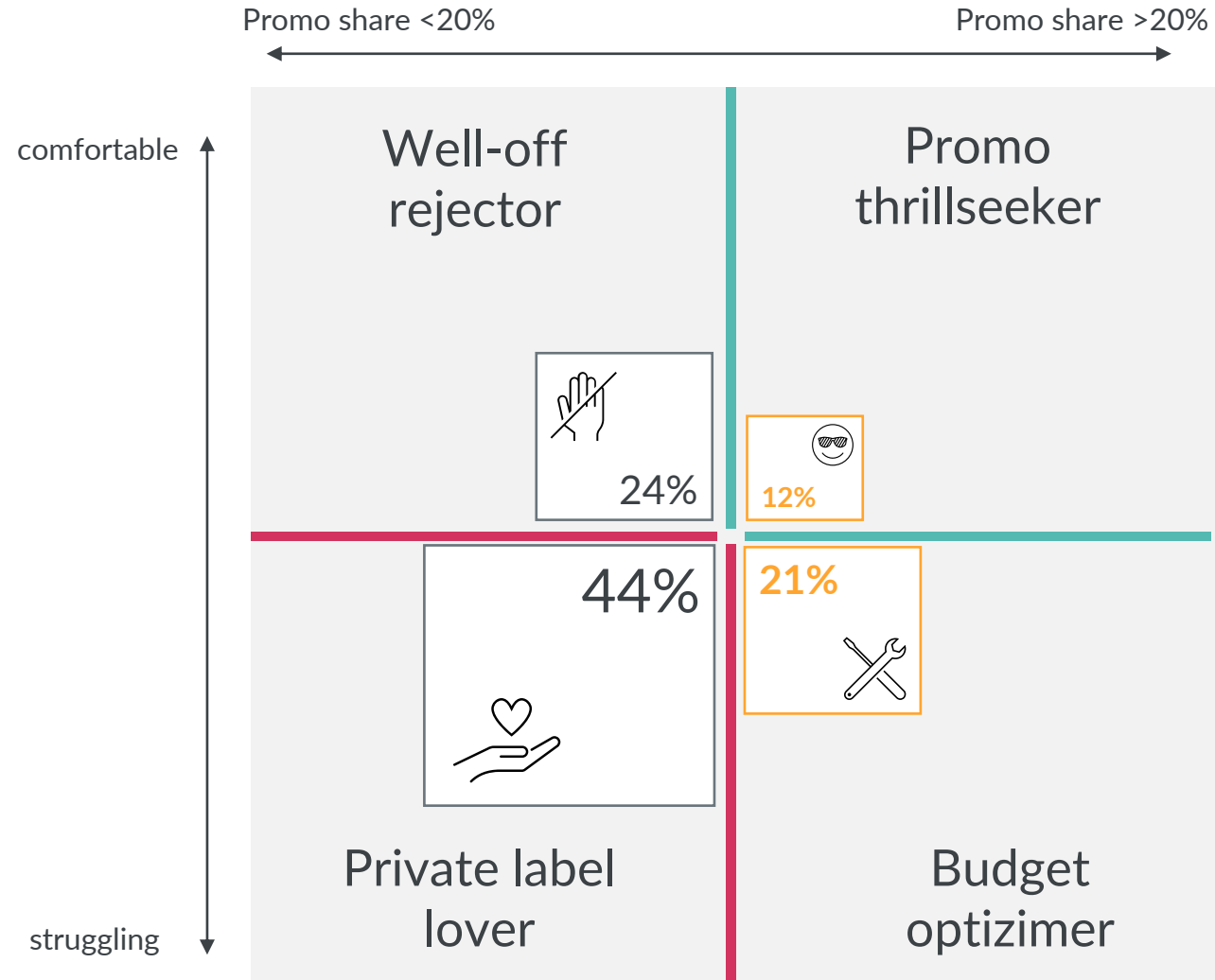
A woman with curly hair and glasses is smiling and looking up, surrounded by falling confetti. She is wearing a blue and white striped shirt. Two orange callout boxes are overlaid on the image, one on the left and one on the right.

Promotions

Introductions

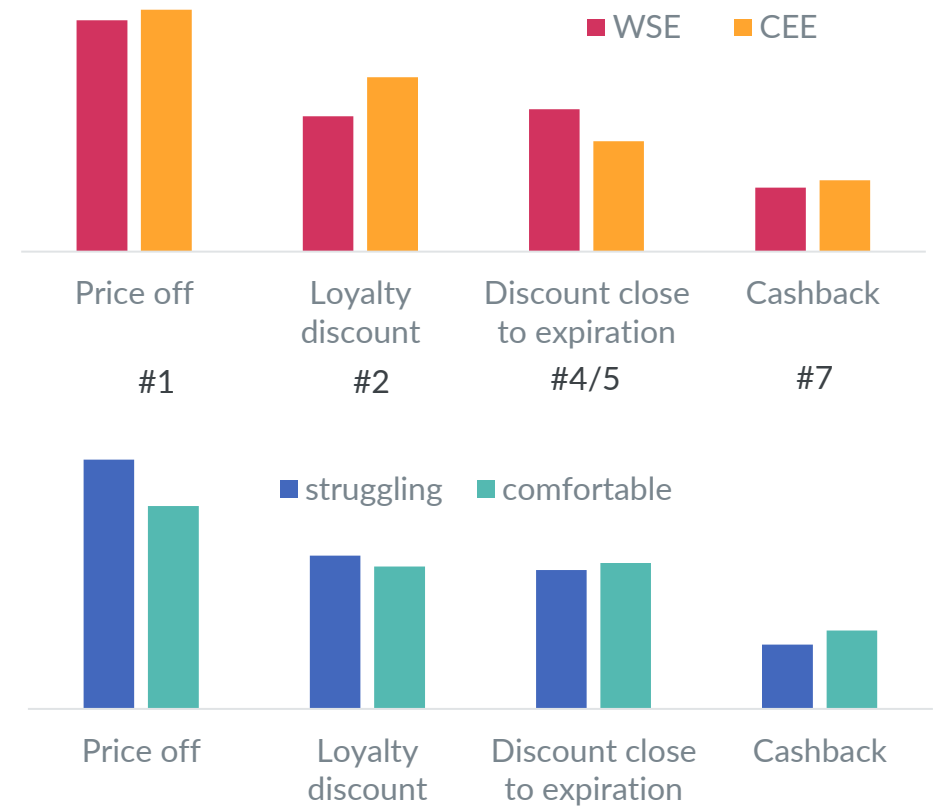
Promotions serve various purposes

Different emotional pay-off



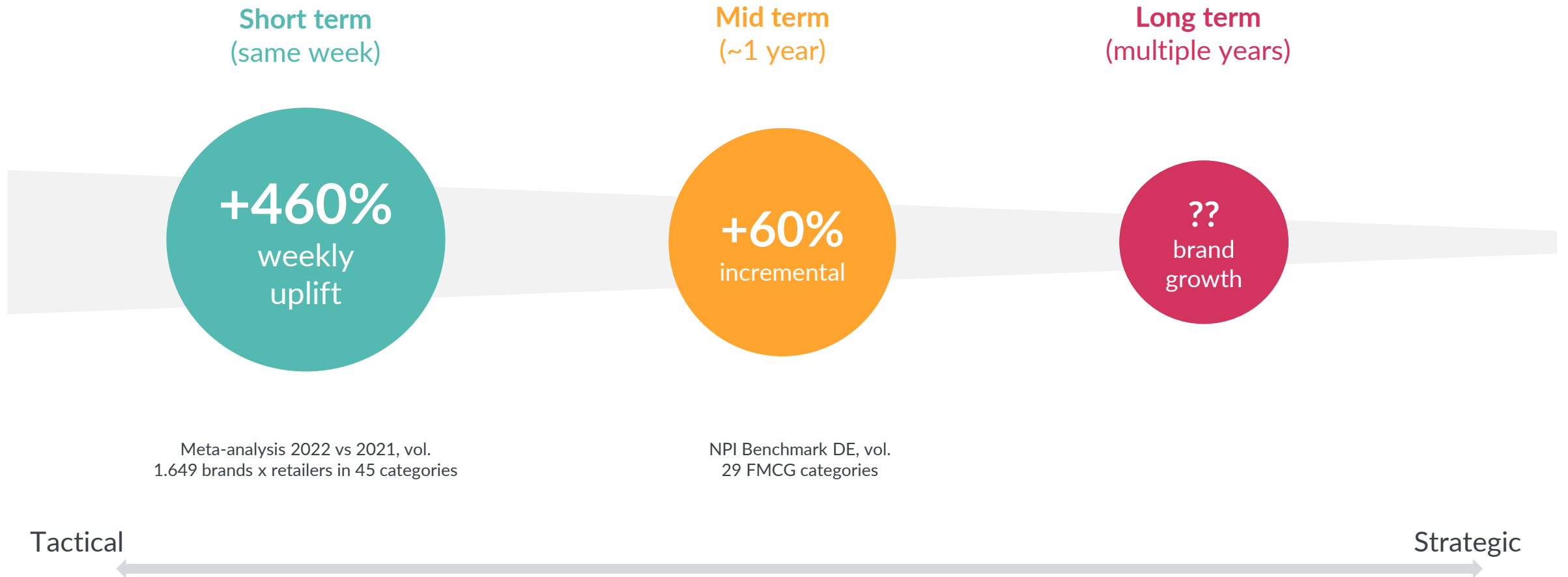
Sweet deals?

Most rewarding promotions



Promotions have a strong short-term effect

Long-term effect should not be lost out of sight



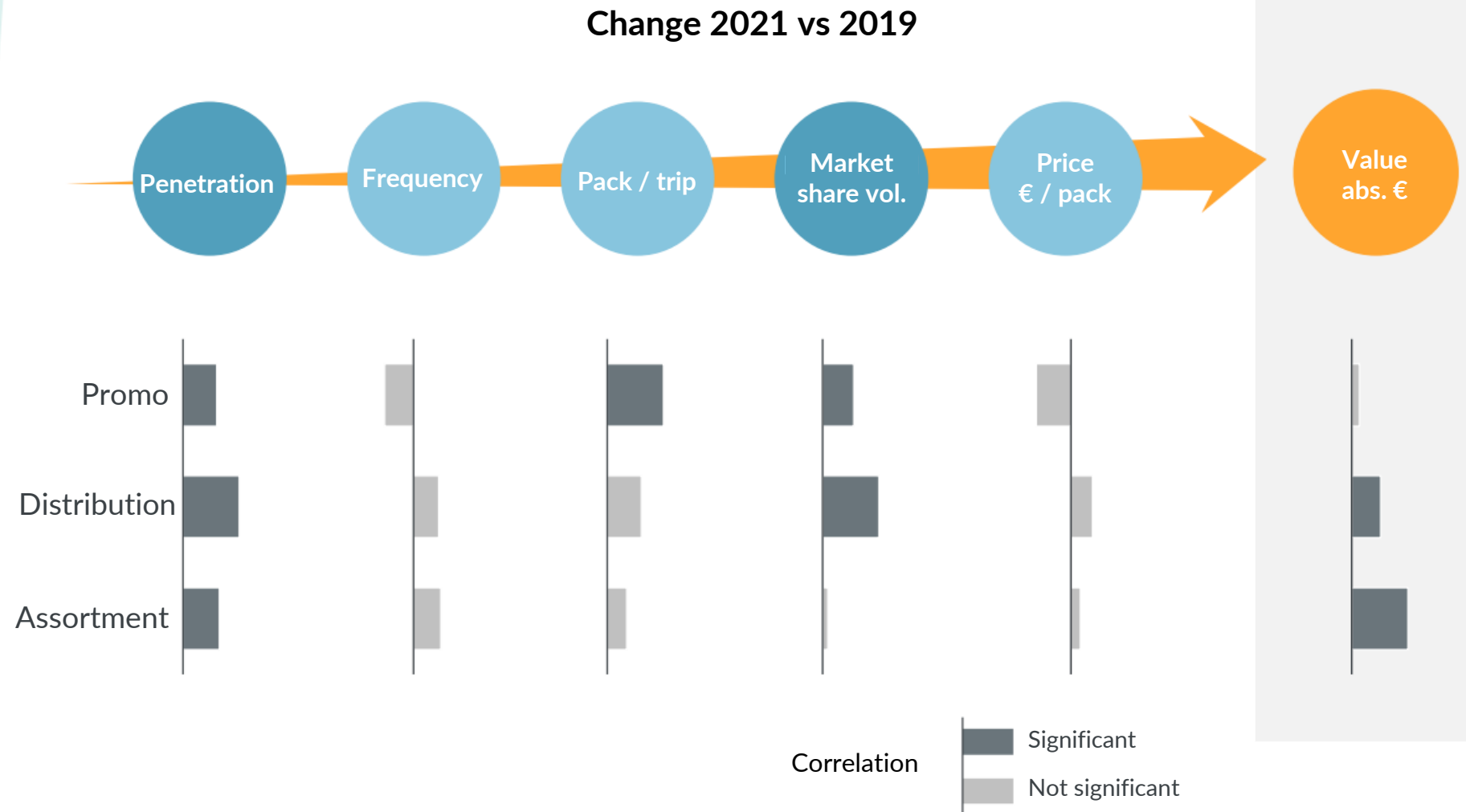
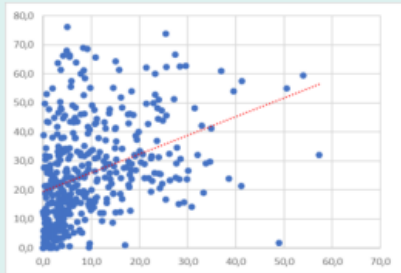
Promotions (help) grow penetration and intensity

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

Meta-analysis FMCG



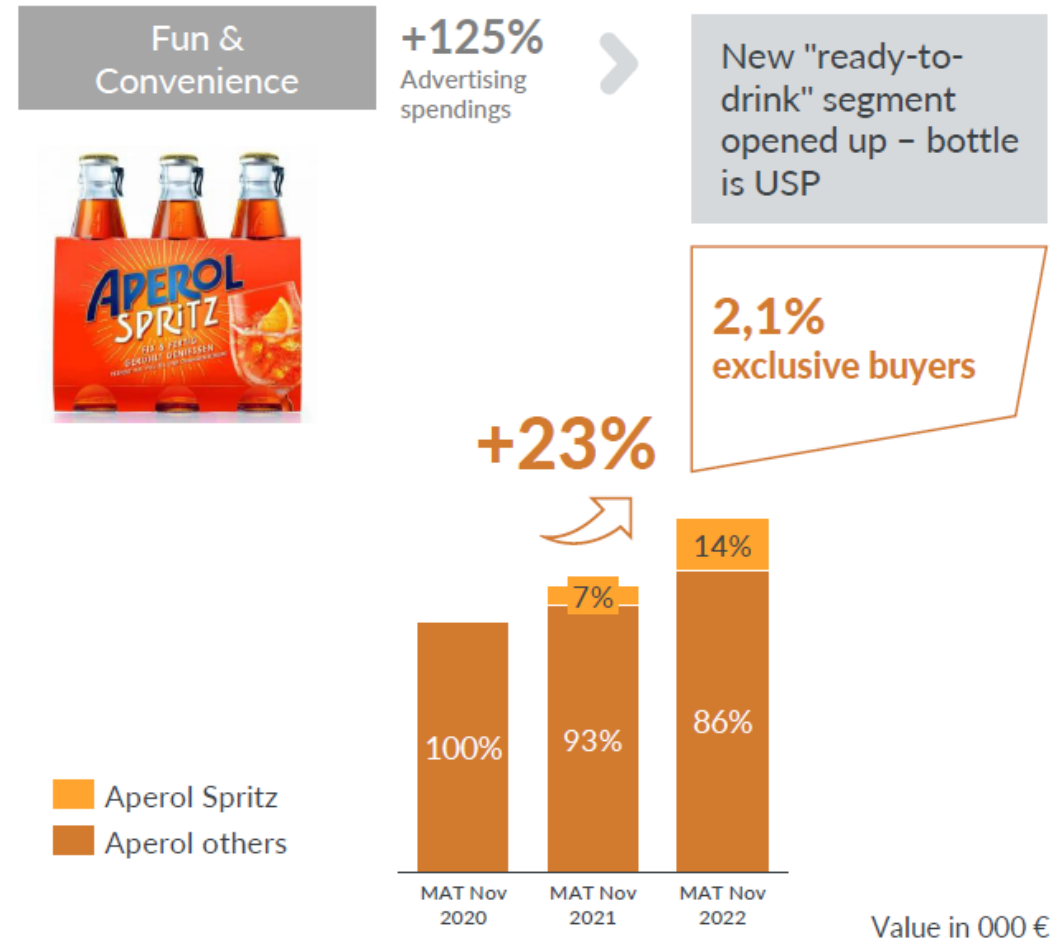
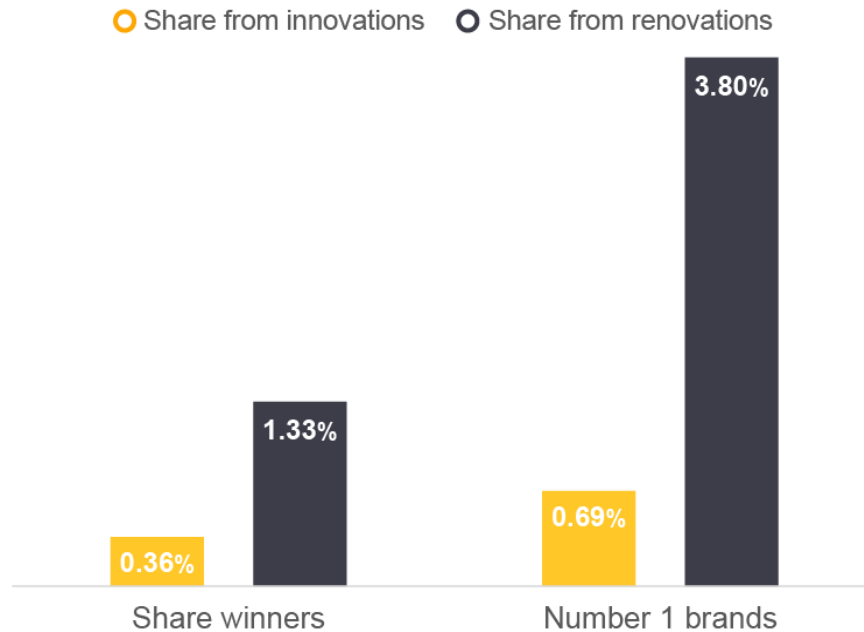
- 432 brands in 45 categories
- Purchasing data 2019 - 2021



New products, especially by big brands, are critical

Introductions have an emotional appeal and incremental potential

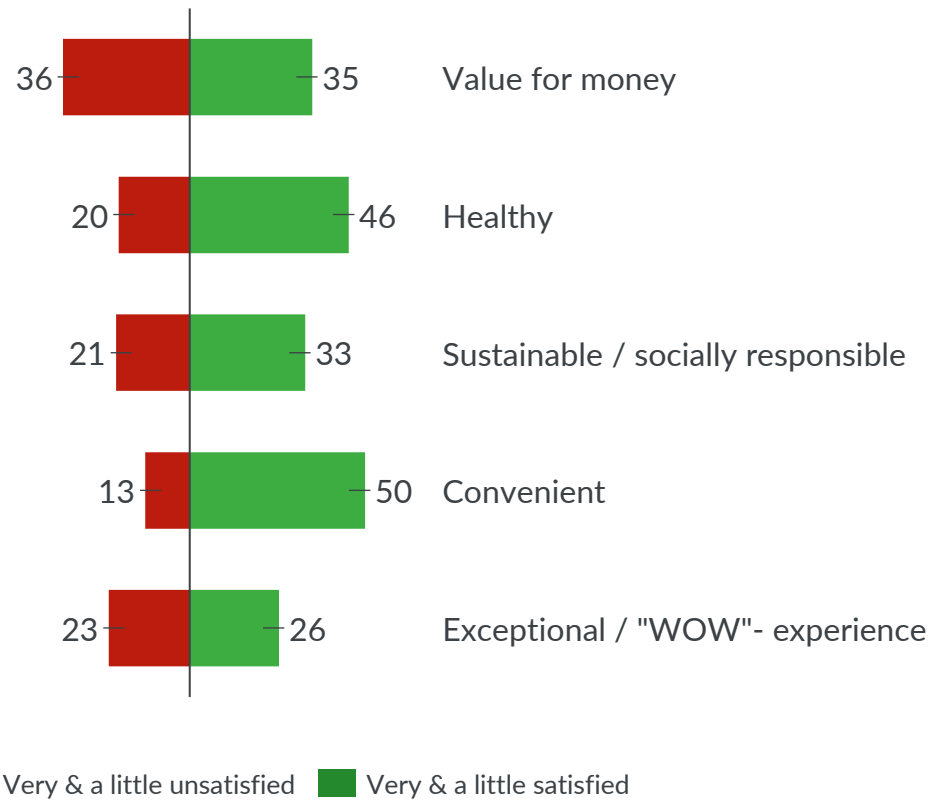
Value market share for new products
Winning vs Number 1 brands



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



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)

1. Lowest price guarantee
67%



WSE 66%

CEE 68%

2. Stays fresh for longer
66%



WSE 65%

CEE 67%

3. 100% natural
65%



WSE 62%

CEE 69%

4. Supports the immune system
63%



WSE 59%

CEE 69%

5. Prevents heart / vascular disease
62%



WSE 58%

CEE 66%

Top 5 benefits that command a premium price

(Natural) freshness is deemed most premium-worthy



Top 5 influencers (premium)

1. Ultra-fresh
23%



WSE 19%

CEE 26%

2. 100% natural
21%



WSE 20%

CEE 23%

3. Professional quality
13%



WSE 13%

CEE 14%

4. Multi-use / versatile
13%



WSE 12%

CEE 15%

5. Time saving
12%

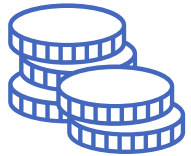


WSE 11%

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 #Reverse.



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



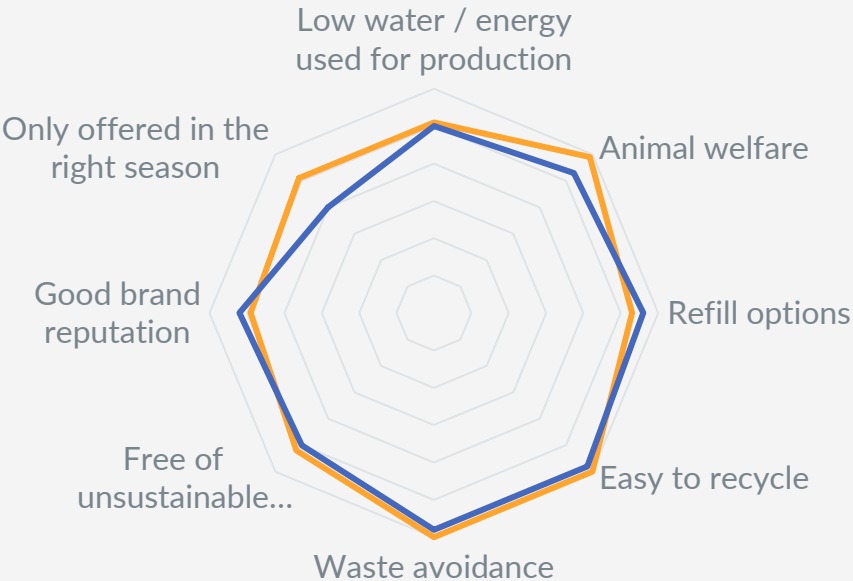
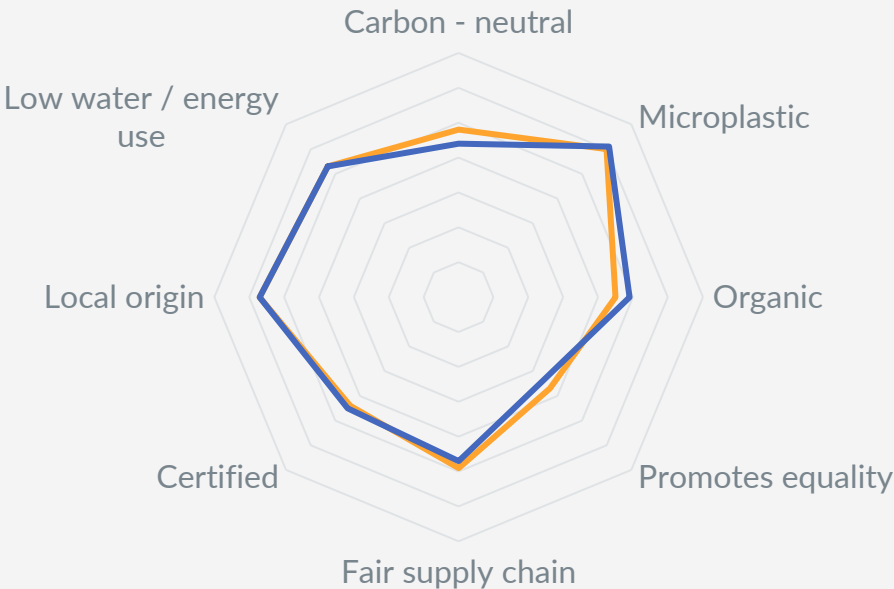
CEE catches up on WSE regarding sustainability

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) - %

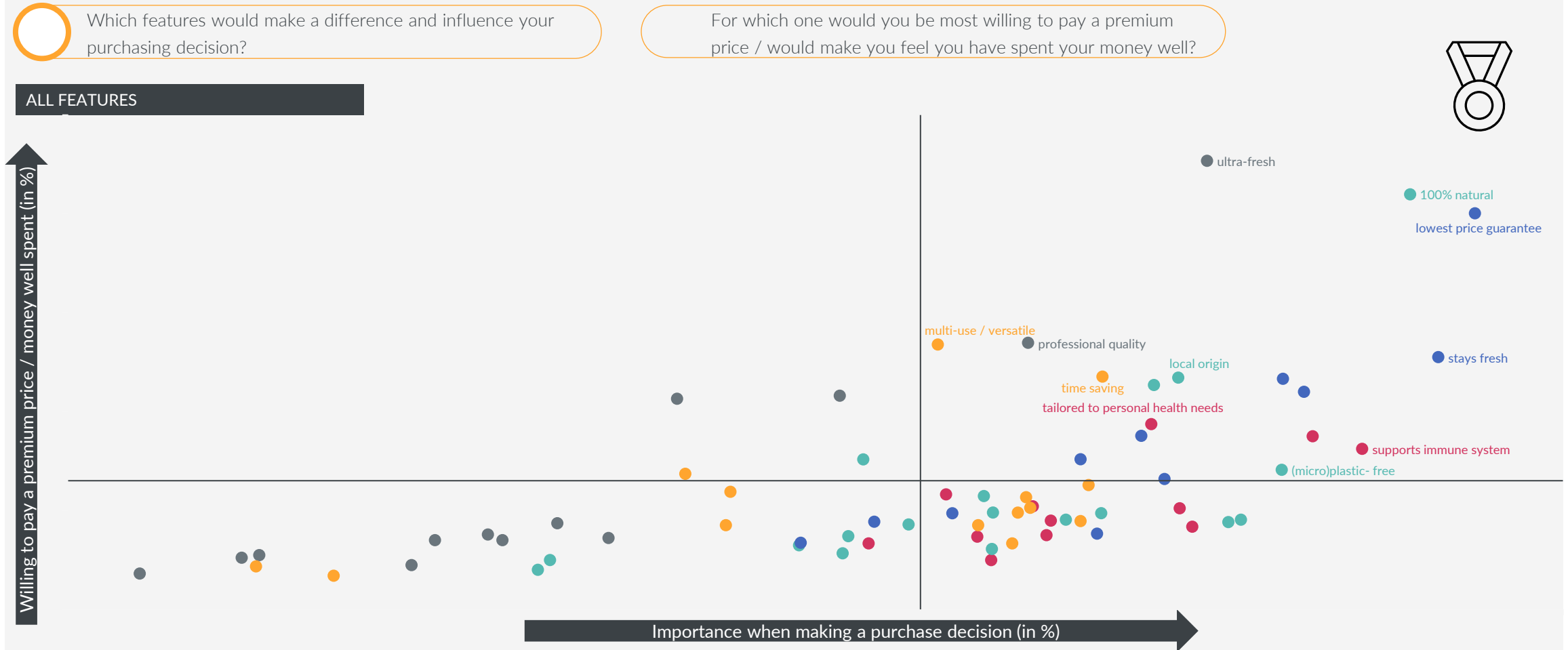
‘NONE’

WSE
16%

CEE
12%

Key influential aspects

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

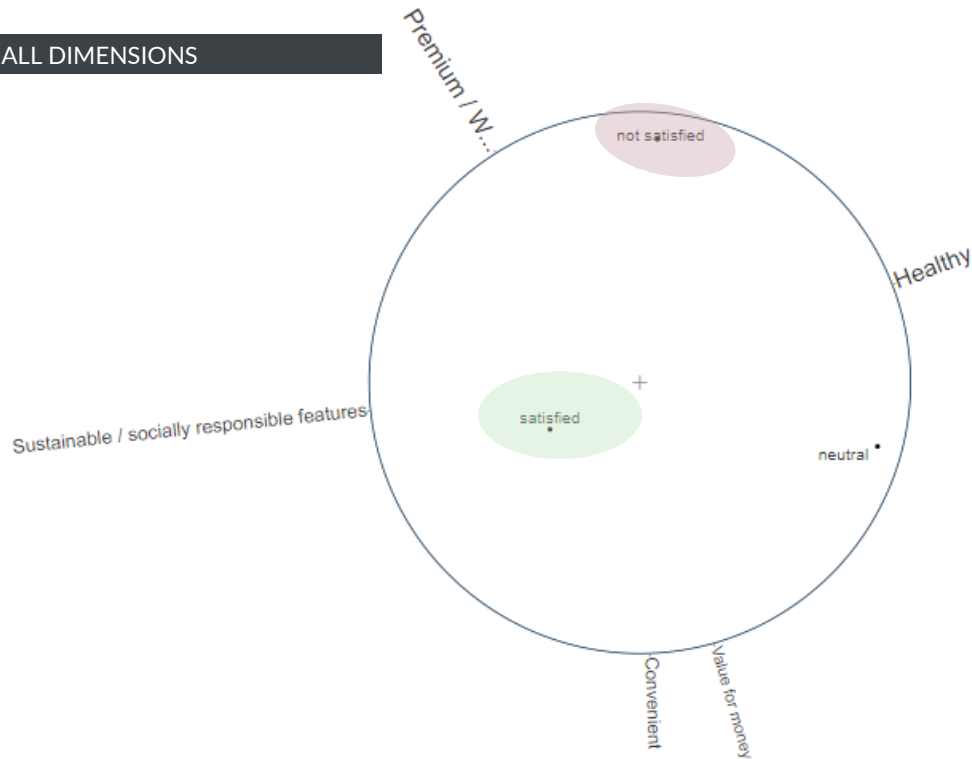


Wow-experience a big differentiator for (dis)satisfaction

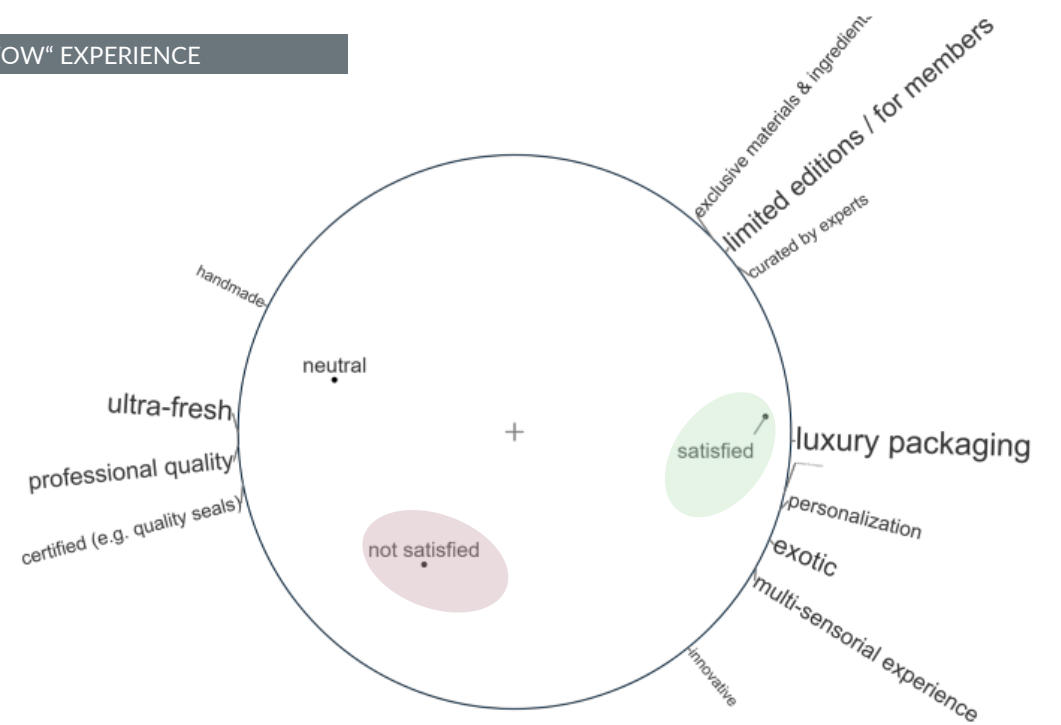
Satisfied shoppers associated with luxury / exotic / personalization / sensorial



ALL DIMENSIONS



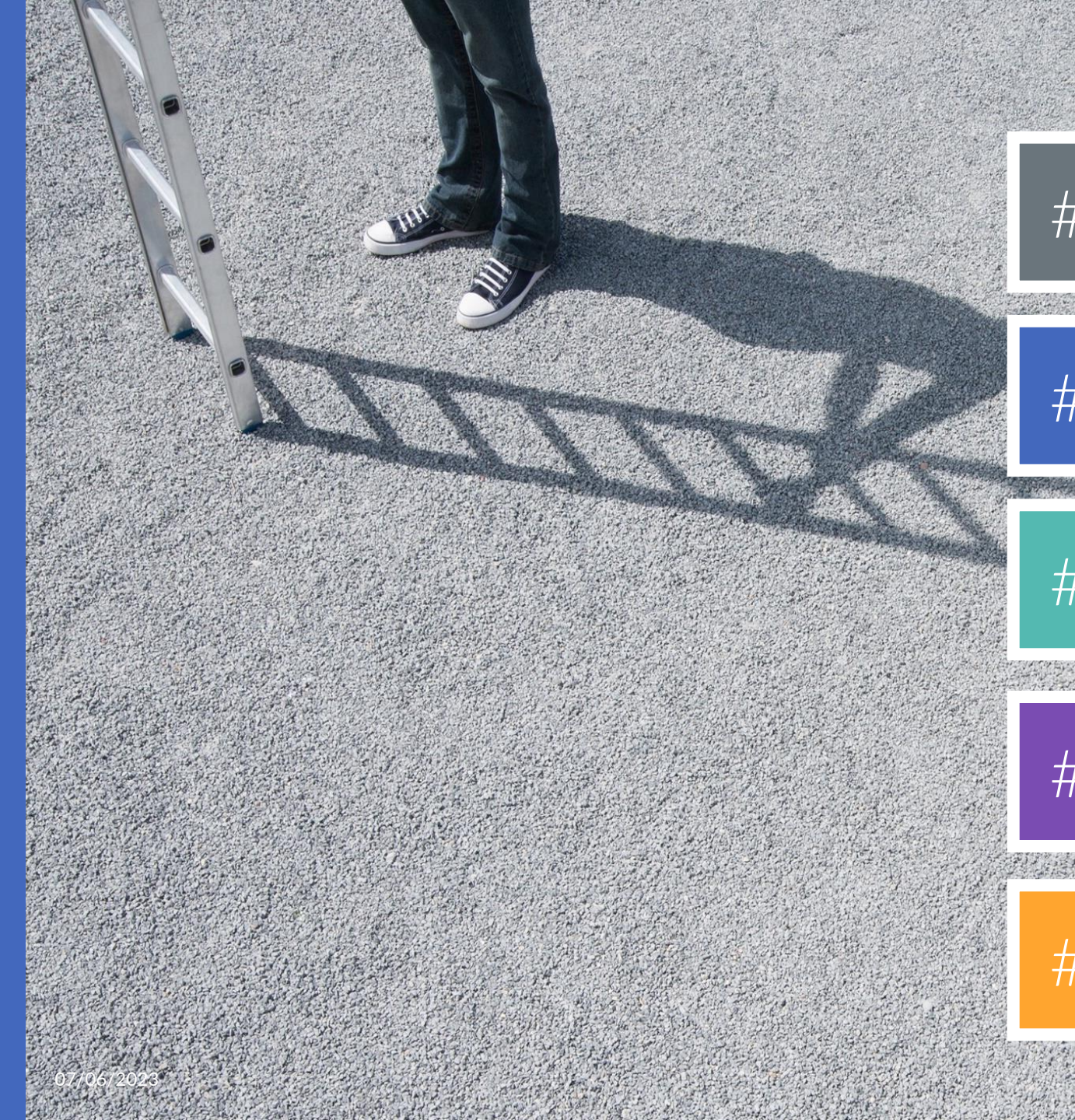
„WOW“ EXPERIENCE





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 and 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

Lenneke Schils
GfK | Spring 2023





Growth
from
Knowledge

Thank you

**Reports available
now!**

gfk.com/behavior-change

