Growth from Knowledge

#BehaviorChange

Shocks, shifts, what sticks....

GfK #BehaviorChange

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GrowthfromKnowledge

#BehaviorChange

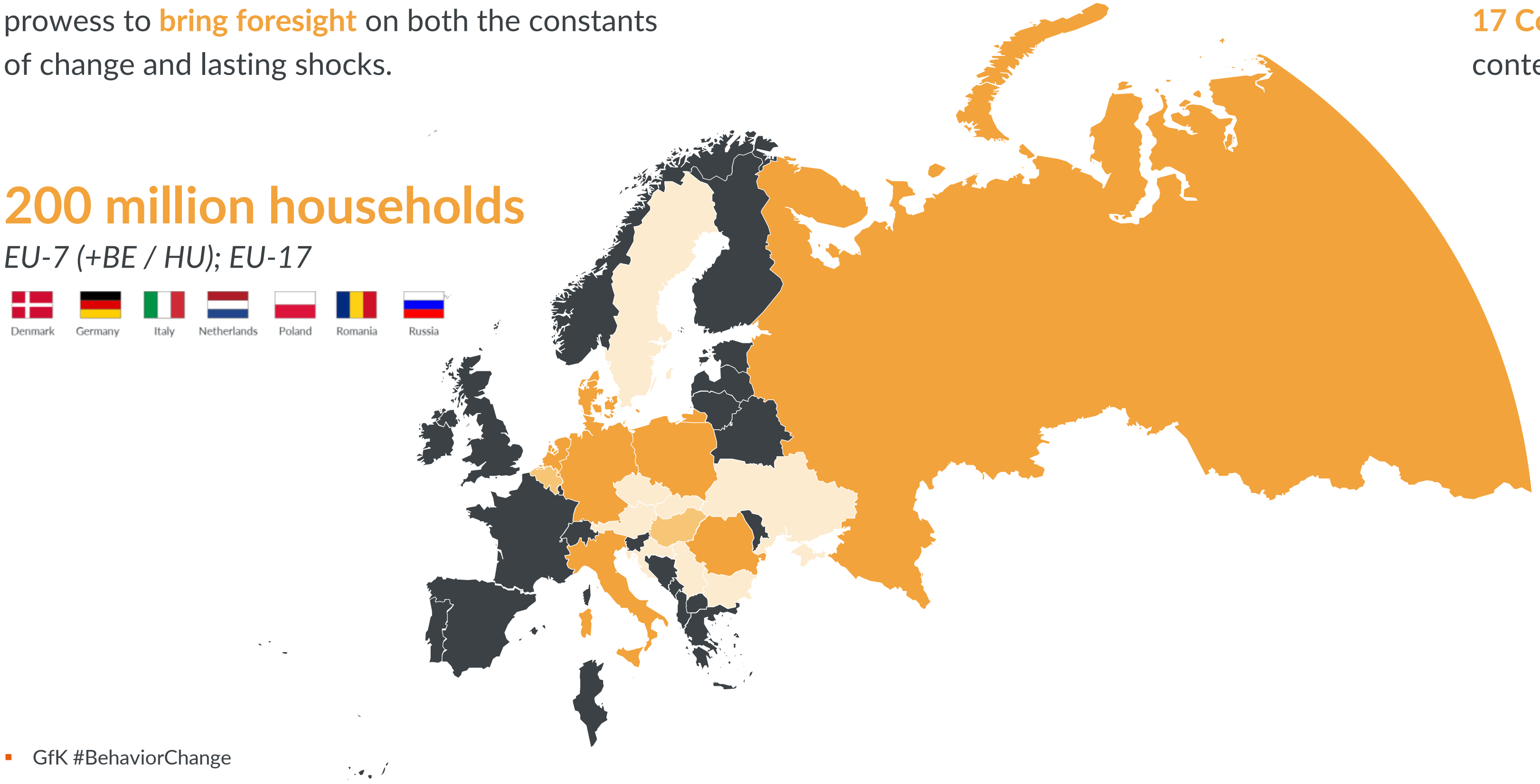
At GfK, we capture and assimilate **behavioral data** continuously. Be it the scanned FMCG household purchases via our Consumer Panel or the underlying motivations, needs and wants via our Why2Buy & ad hoc solutions. This gives us great prowess to **bring foresight** on both the constants of change and lasting shocks.

With our **#BehaviorChange insights**, we cater to the ever growing need to make sense of past year's impact and prepare our clients for the strategic business decisions that inevitably follow.

In **7 core countries**, we've interviewed main shoppers about their behavior in the past year (May 2021) and their expectations for the next year in order to predict **what will stick**. In addition, we look into **key purchasing KPIs** from across our **17 Consumer Panel markets**, to further contextualize our findings.

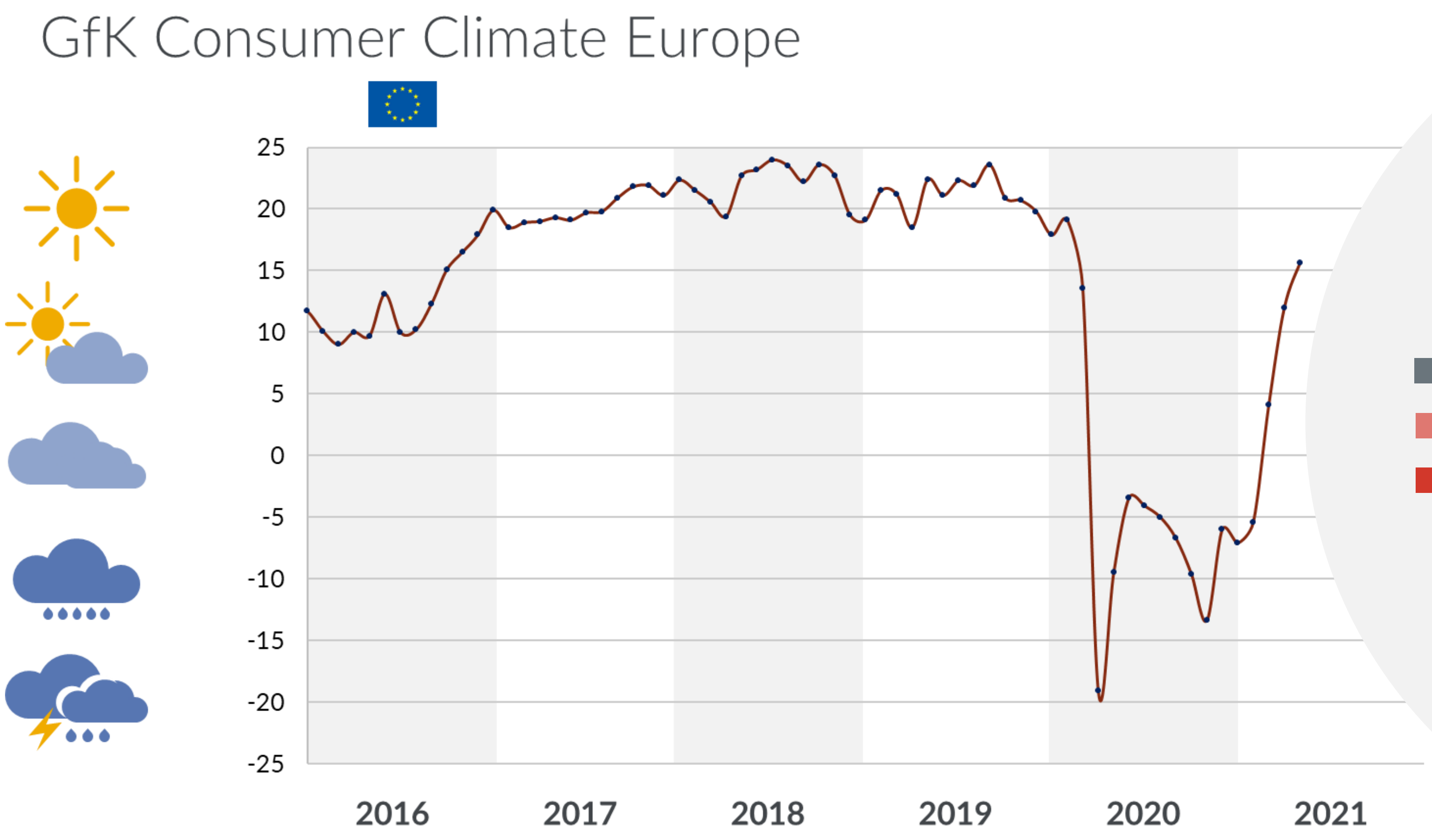
200 million households

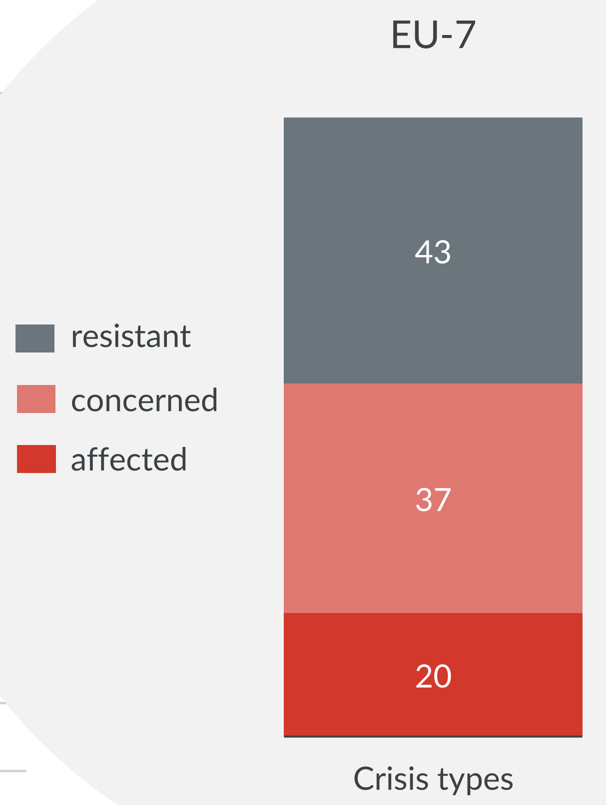
EU-7 (+BE / HU); EU-17



The consumer climate is looking up

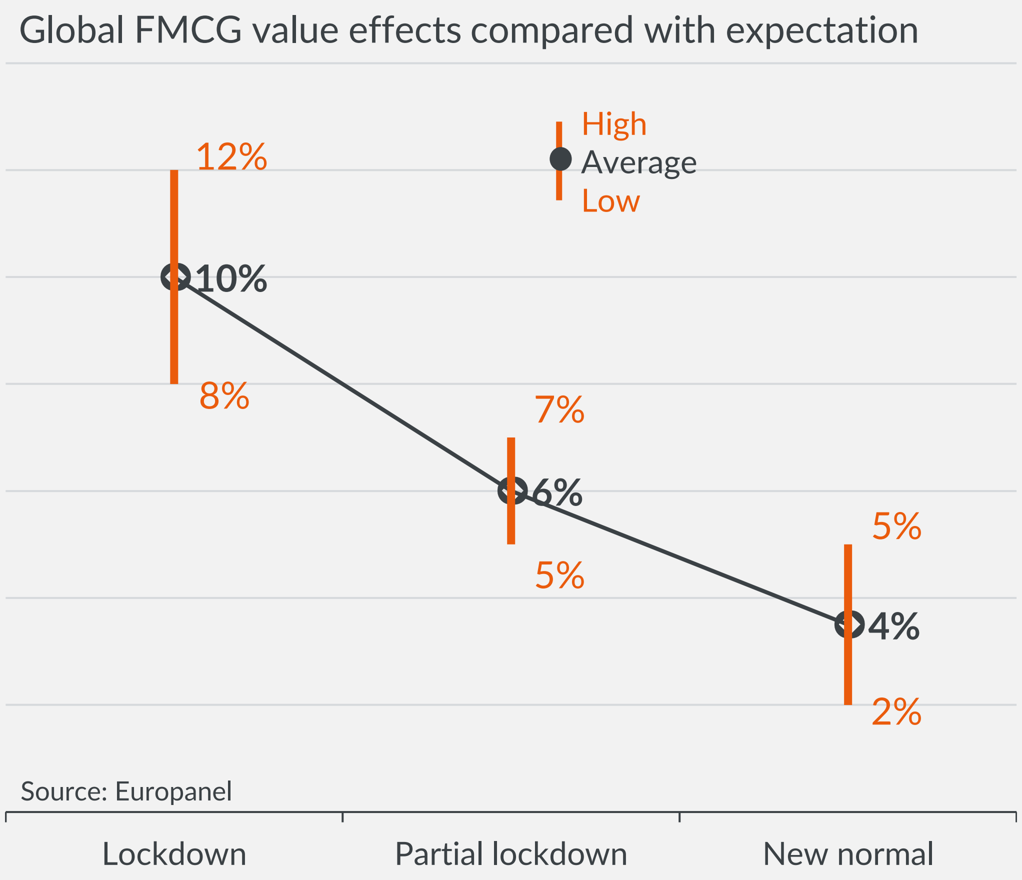
Over half of Europeans (possibly) financially affected by crisis

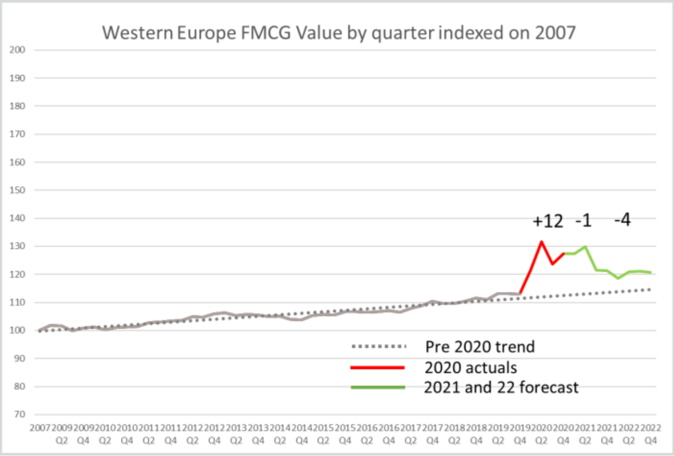


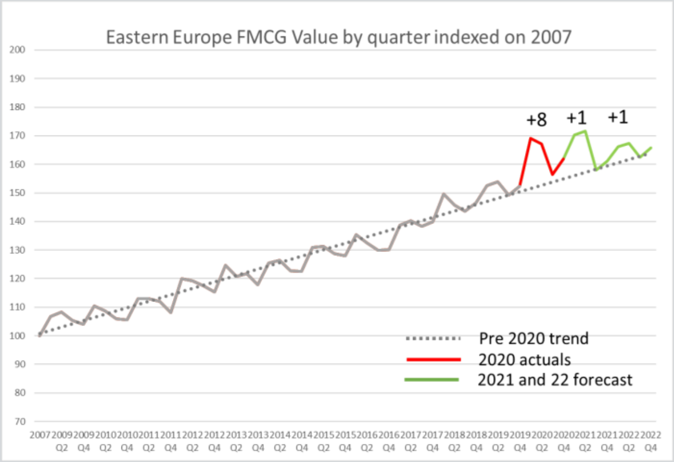


GfK & European Commission May 2021

A third of lockdown growth expected to stick

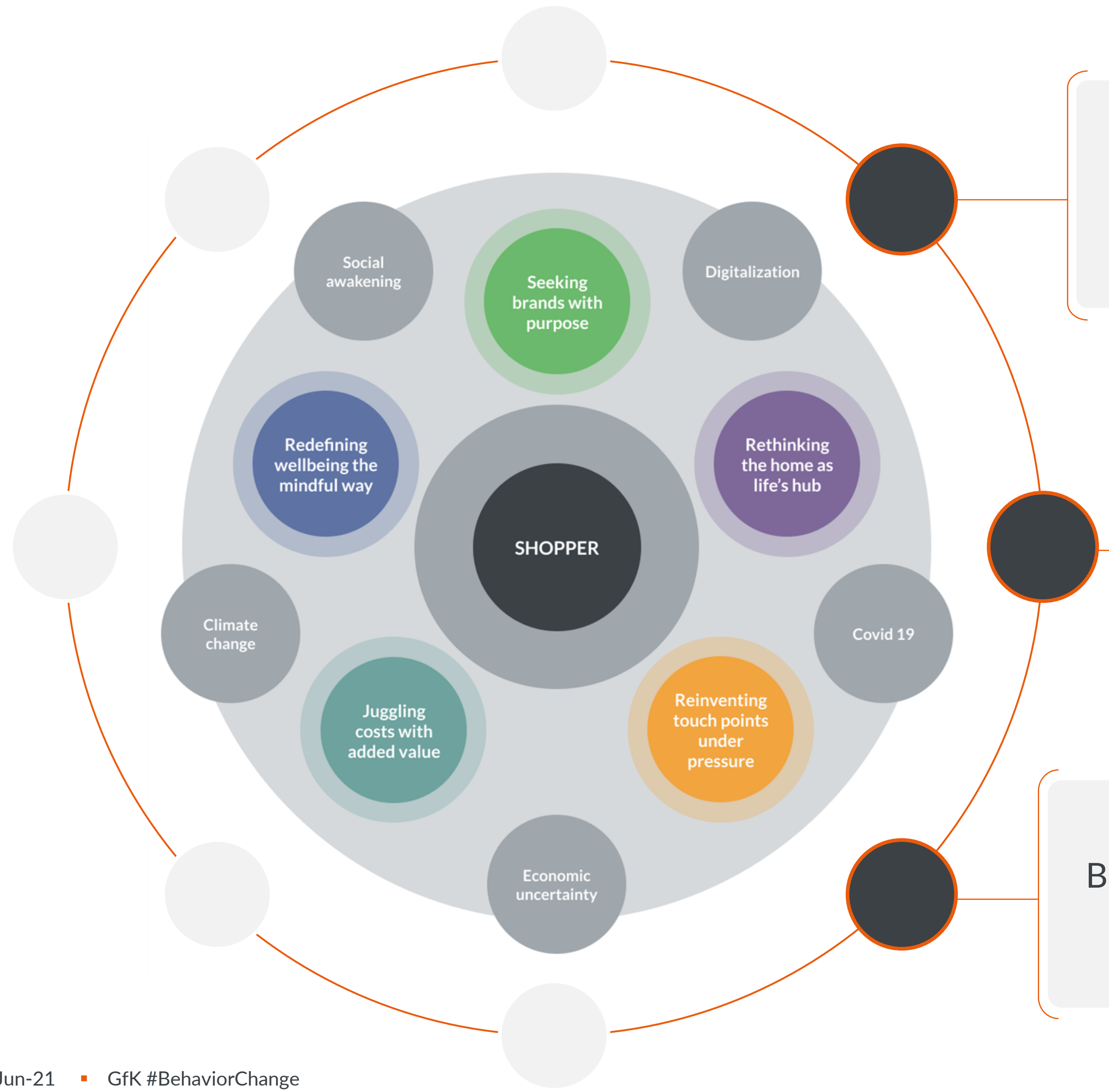






What behaviors will stick?

#BehaviorChange



Paraphrasing Heraclitus, change is constant. But the pandemic has had a true shock effect on consumer and shopper behavior.

Since the home has become the new hub, Europeans are increasingly looking for balance and practicality. Meanwhile, they are also heavily weighing in cost, value and (environmental) impact. In addition, the COVID crisis has led them to shop in other places and at a faster pace, changing trusted routines.

Behavior change comes in shocks and shifts, but what sticks? Looking ahead, we see five major forces defining the FMCG landscape

EU-7 How has last year changed behavior?

T2B in % - strong change

28%

General behavior change

Change in daily behavior in the last year with regard to grocery shopping, health & wellbeing, meal preparation, work situation etc.

Balance	**Health and wellbeing:** • Attention to mental / physical health / appearance • Healthy nutrition and information • Moderating 'bad' products	35%
Budgeteering	**Budget decisions:** • Attention to price, special offers, quality • Basket size • Added value, premium and special benefits	32%
Purpose	**Social responsibility:** • Buying eco / animal friendly • Local products / socially equitable brands • Looking for information / inspiration	30%
Findability	**How you shop:** • Use of a shopping list, buying different products • Shopping groceries / special products online • Shopping fast, use of technology	30%
Fluidity	**Occasions you shop:** • Getting food & drinks in different ways than before • New needs because of working from home • Shopping elsewhere or at different times	25%

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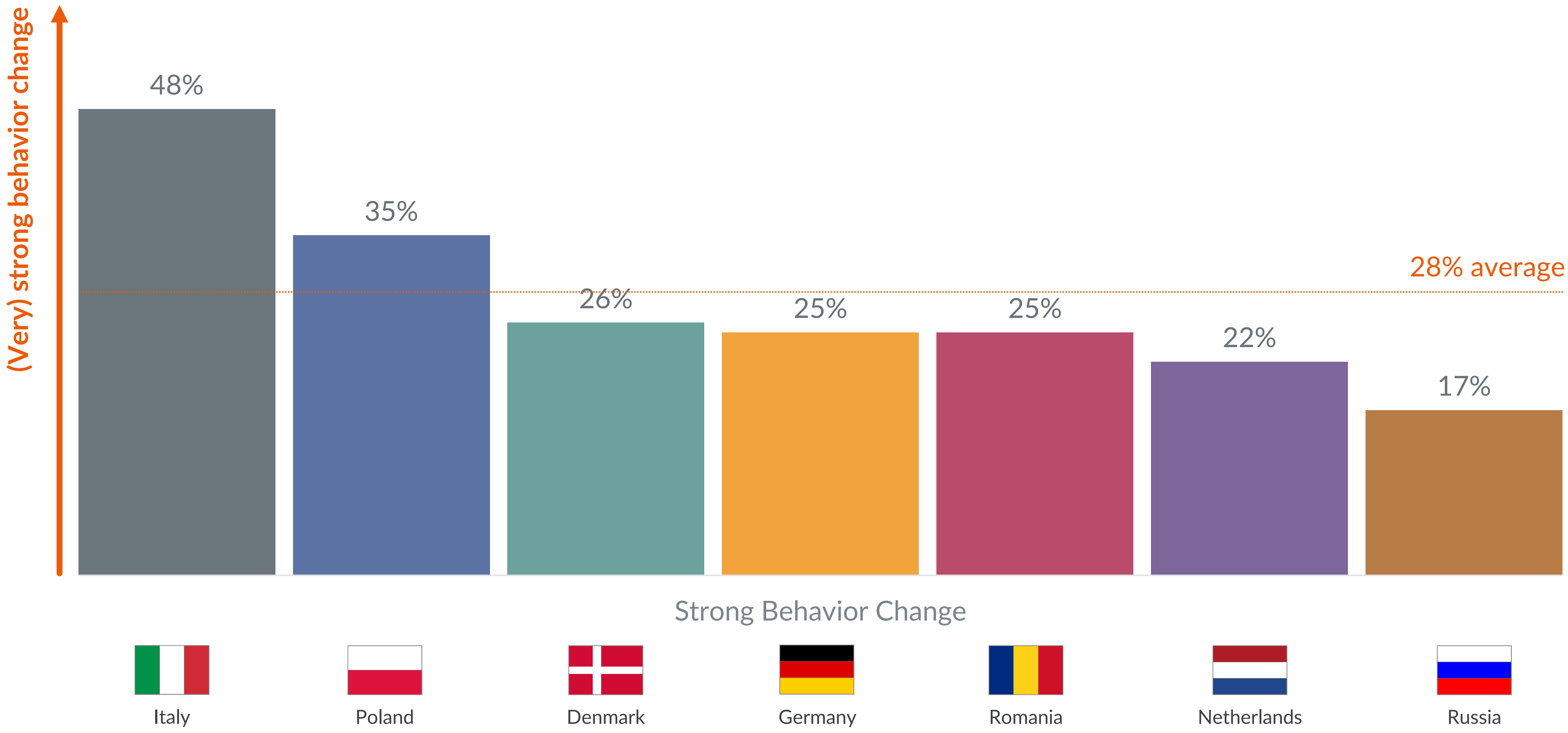
Strongest behavior change in Italy

Change in daily behavior…



Behavioral shocks & accelerations

New routines have been shaped, many will linger

Fluidity and Findability have had the most impact on last year's behavior change in FMCG. As these forces are heavily influenced by lockdown rules, they caused a true **shock.**

Purpose, Balance and Budgeteering are forces that are much more freedom-ridden. Although causing less shock effect, they invariably **accelerated** and reshaped throughout the crisis.

Poll

Findability

COVID-19 has led shoppers onto a slippery path of **touch point reduction.** In the past year, we spend as little time in store as possible, preferably at as little places as possible. Many shoppers have stopped going to the store altogether, and moved their purchasing online. **The depression of in-store face time means findability is key to success.**

Findability: established behaviors 2021

Key behaviors
often/always

I made a shopping list	61%
I shopped as fast as possible	50%
I made use of new in-store technology	27%
I bought in specialized online shops	17%
I bought different products than usual	17%
I did my main groceries online	14%

28%

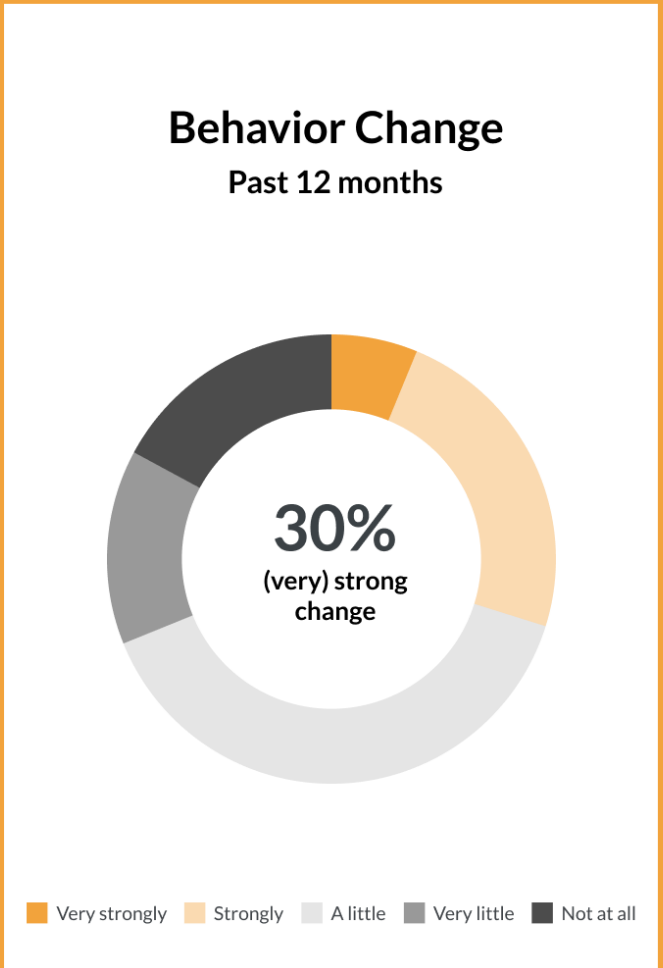
GfK ad hoc study Behavior Change EU-7 n=4615 May 2021

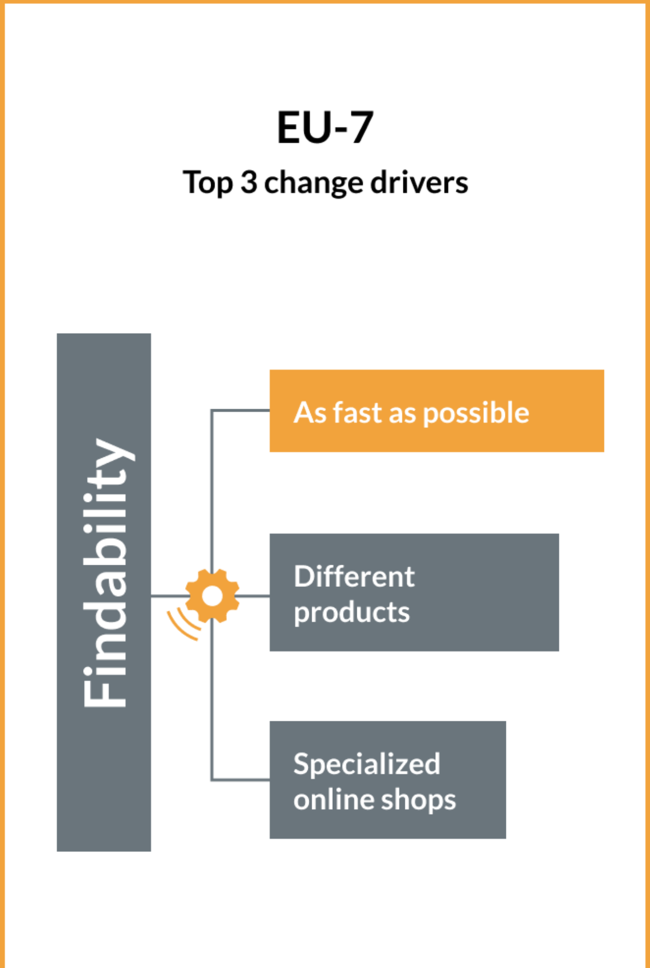
Findability: behavioral shocks

Drivers of behavior change

Findability
Touch points are under pressure.

How we shop has strongly changed in the past year: Speeding, changing the repertoire, and specialized online shopping have been the main shock behaviors.





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Findability: what sticks in 2022

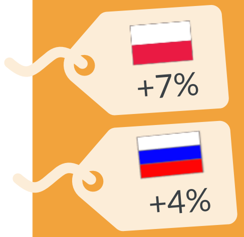
Expected behavior change

Findability
New routines, new routings

The main upcoming behavior is using technology in store, such as self-scanning. Making a shopping list is an established behavior that will continue to grow further. The shock shift to online will cease to grow further, as many new entrants will return to the physical store. Shopping at speed will persist.

In the next 12 months, I expect to…

	EU-7 Net expectations*
Make use of new technology	+17%
Make a shopping list	+15%
Buy different products than usual	+11%
Shop as fast as possible	+1%
Shop in specialized online stores, like wine, petfood, beauty	-1%
Shop the main weekly groceries online	-5%



*expect to do (a lot) more – expect to do (a lot) less

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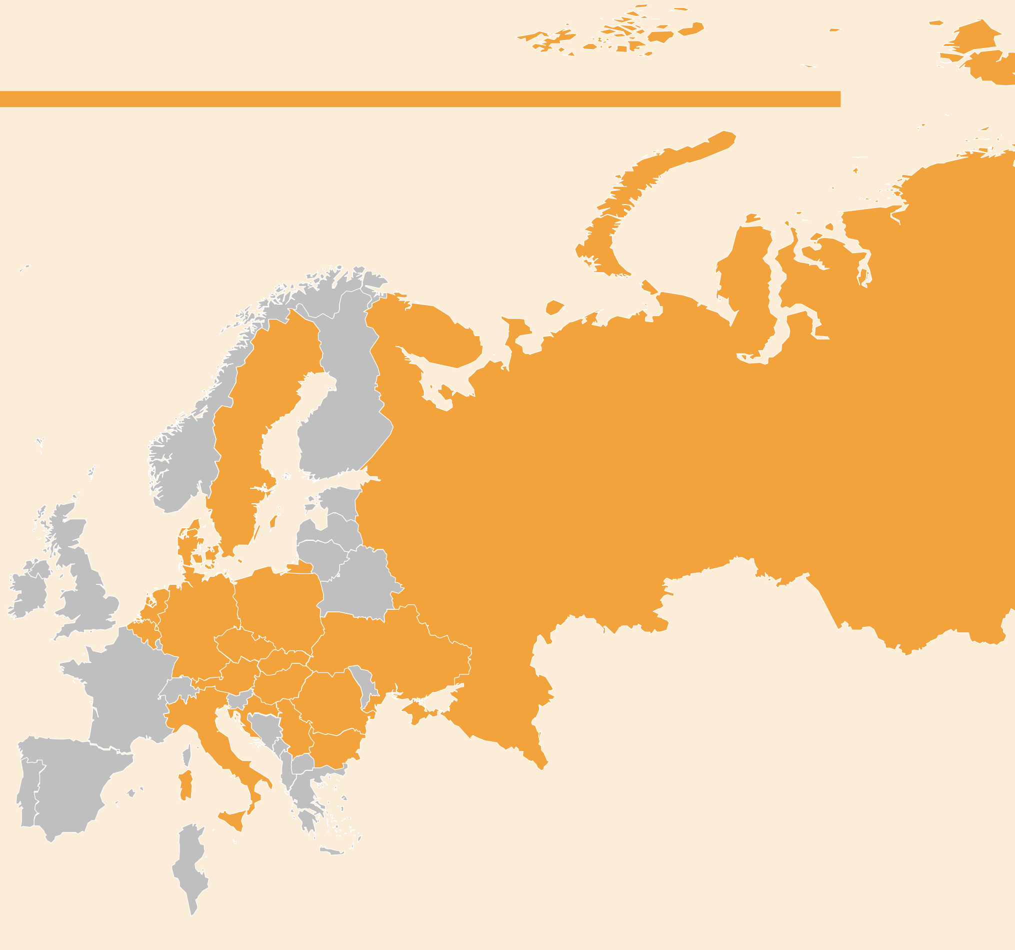
Touch points under major pressure

Across Europe, over 3 billion trips less than usual

Total number of trips MAT Q1 2021 vs MAT Q1 2020 EU-17

Households
200 million

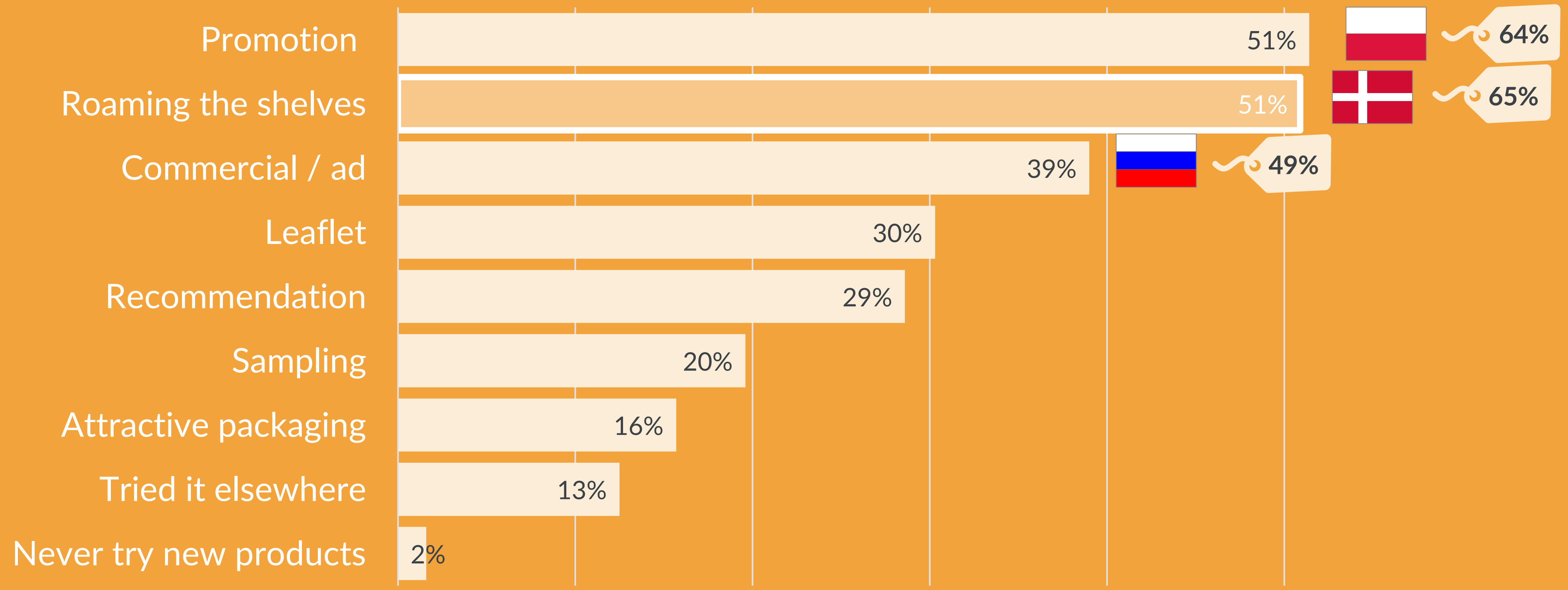
Ocassions lost
-3,4 billion



Roaming the shelves is key for discovery

Hasty and planned shopping threatens product adoption

How do you come across new products? (max. 3)



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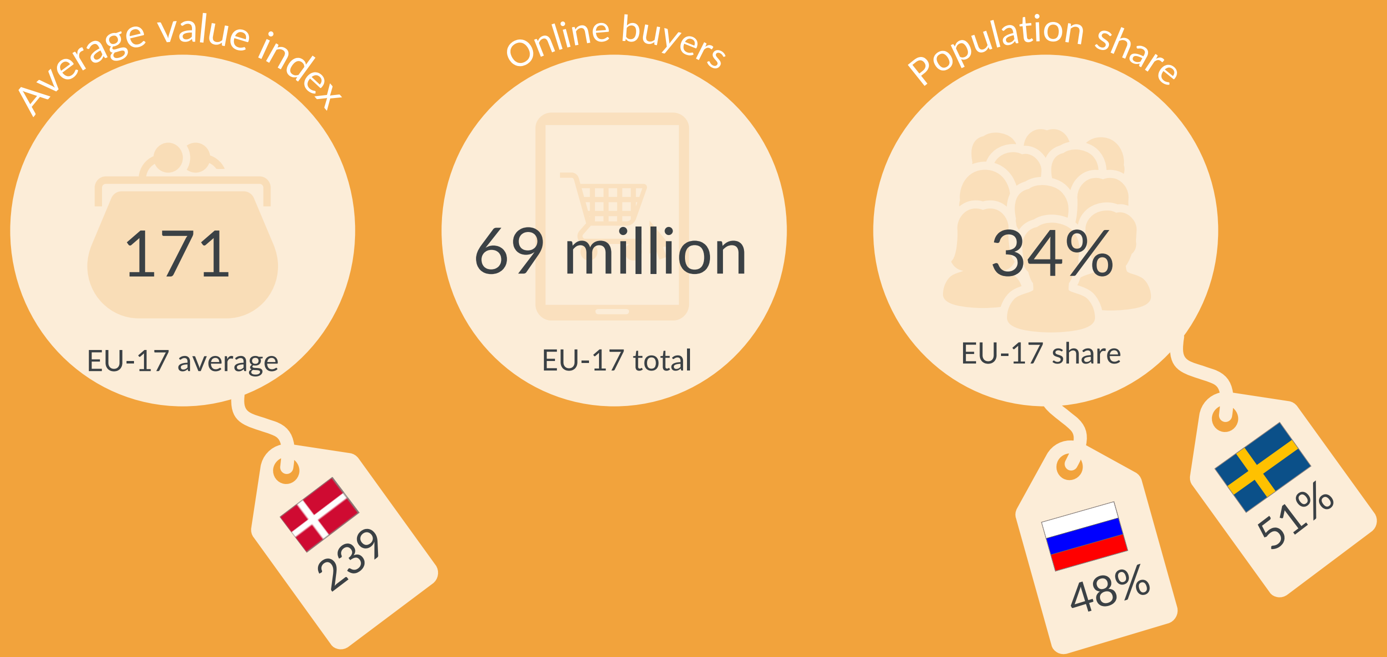
E-commerce growth accelerated

Easing lockdown regimes will stall growth at a new plateau

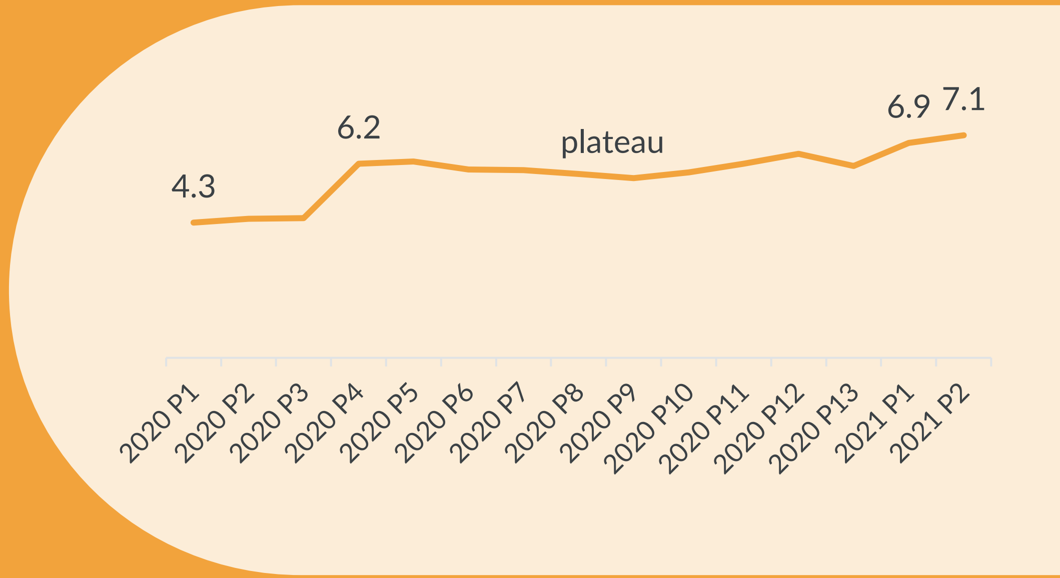
Lockdowns accelerated growth, but stabilization expected

E-com MAT Q1 2021 vs MAT Q1 2020 – EU-17



Lockdowns accelerated growth, but stabilization expected

E-com value share by period 2020 – EU-6 Western Europe



Source: GfK Consumer Panels EU-17 | Europanel EU-6 (UK, FR, DE, ES, NL, IT)

E-Commerce Growth has allured Venture Capital

Source: * Lebensmittelzeitung Online 27.05.2021, ** Lebensmittelzeitung Online 21.05.2021, *** Lebensmittelzeitung Online 09.06.2021

Support omnichannel retail to stand out

Stand out

In-store touch points are under great stress. There is no time to waste. Make sure your **assortment heroes** are easy to spot and maximize their shelf space. Invest in **second placements** and activation for new products.

Prime pre-store

Up your game in **prestore marketing**. **Priming** your brand in shoppers' minds is ever more relevant in times of touch point depression. Focus on your strongest brand assets, with context-sensitive creativity.

Surprise

Online, shoppers hardly look beyond the first few results. **Occasion-based** secondary placement is vital for increased findability and discovery. Rethink the **sensorial wow-effect** in virtual buying: e.g. shared shopping, unboxing experiences.

Fluidity

Space and time have become more fluid. Home has become an office, school, store, restaurant and holiday destination at the same time. Working in the evenings, shopping during daytime or really late at night. An implosion of 9 to 5. **Fluid living** created new occasions and demands flexible solutions.

Fluidity: established behaviors 2021

Key behaviors
often/always

I had more meals at home	60%
At least one person worked from home more than before	38%
I snacked more than before	25%
I ordered more delivery / takeway meals than before	24%
I shopped at different time than before	29%
I shopped at different stores than before	16%
Different person(s) did the groceries	9%

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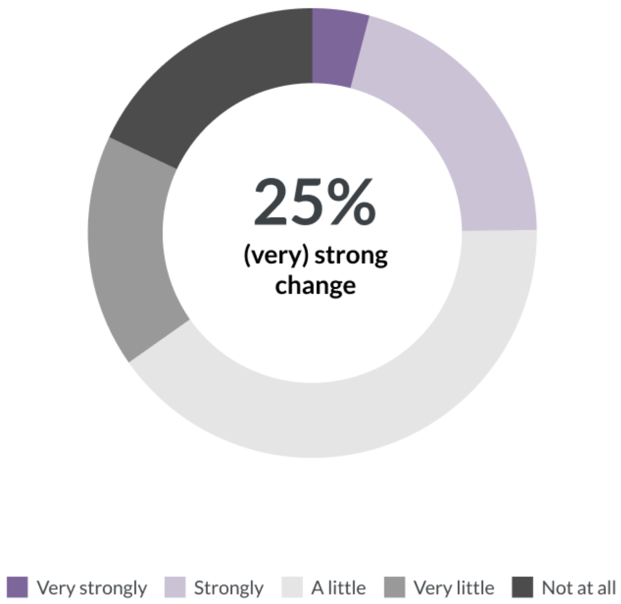
Fluidity: behavioral shocks

Drivers of behavior change

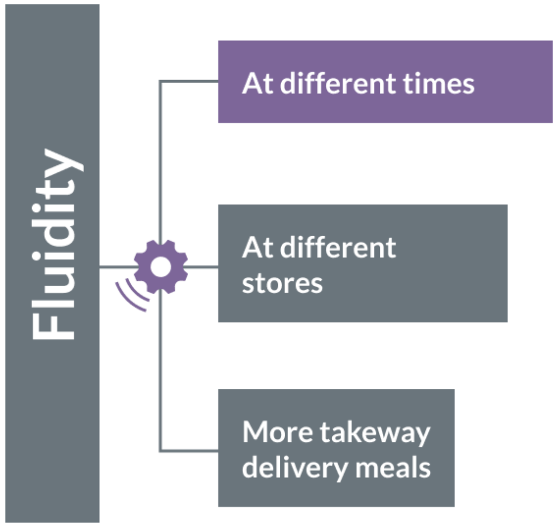
Fluidity
The home as the hub.

The stretch of our homes as schools, offices, restaurants and the consequent implosion of 9 to 5 living has been the most radical of all forces of change. Key shocks have especially been where and at what time we shop.

Behavior Change
Past 12 months



EU-7
Top 3 change drivers



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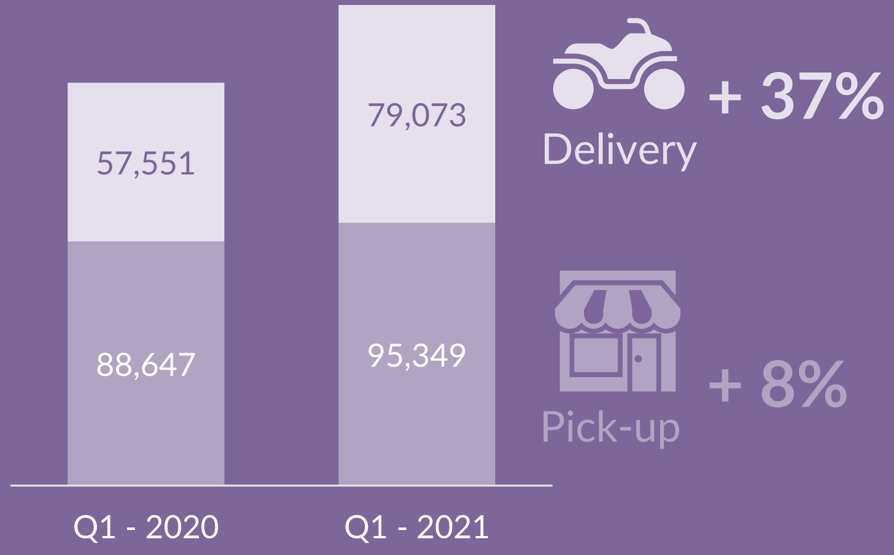
New habits create new opportunities

But back to ‘normal’ will mitigate the growth

Delivery occasions skyrocket

Major snacking categories salty snacks and chocolate have both gained share in total household spend on FMCG

Occasions (x 1000 orders) NL



Source: GfK Pick-up & Delivery monitor NL 2021.vs. 2020

Snacking EU-17

Salty snacks

+6% Share of wallet

Chocolate

+4% Share of wallet

Source: GfK Consumer Panels EU-17 average MATQ1 21 vs MATQ1 20

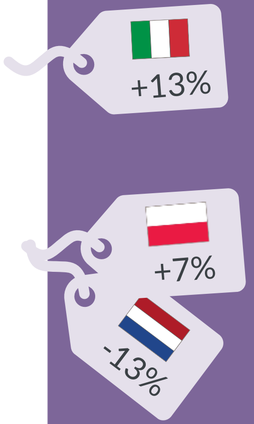
Fluidity: what sticks in 2022

Expected behavior change

Fluidity
The home as the hub.

In spite of the highly disruptive behaviors in the past year, fluid living and the shift in occasions will tone down. However, shopping at different stores, at different times will stick indeed!

In the next 12 months, I expect to…	EU-7 Net expectations*
Shop at different times than used to	+4%
Shop at different stores than used to	+3%
Eat more meals at home	-6%
Order more takeaway / delivery meals	-10%
Different persons shop for groceries	-11%
Work in the home office more than before	-11%
Snack more than before	-21%



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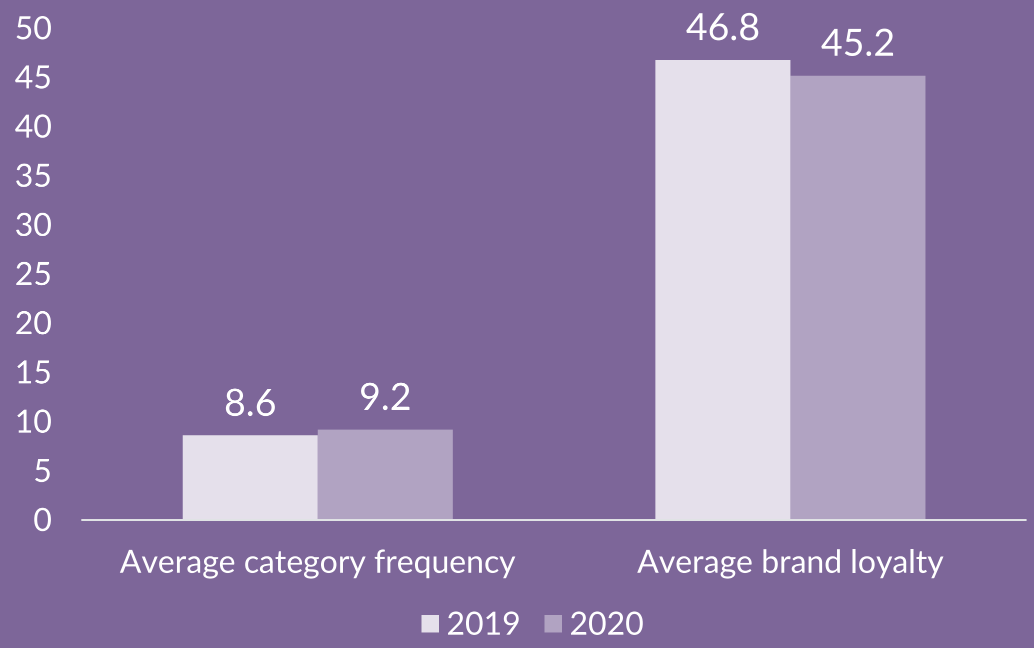
Category incidence up, retailer choice down

Newcomer effect impacts brand loyalty

Category shopping frequency up, brand loyalty down

2020 vs 2019– Europanel BG20 3587 TOP 10 category brands DE, ES, IE, UK



More diverse shopping, concentrated at less retail banners

EU-17 FMCG data MATQ1 21 vs MATQ1 20

Source: Europanel BG20 data | GfK Consumer Panels EU-17 average MATQ1 21 vs MATQ1 20

Be 'fluid' in your market approach

Adapt

Shopping routines permanently changed due to increased fluidity. We see big baskets on weekdays, delivery and more (walking) occasions to convenience and specialty stores. Be sure your shopper **activation plans** evolve accordingly.

Portfolio Stretch

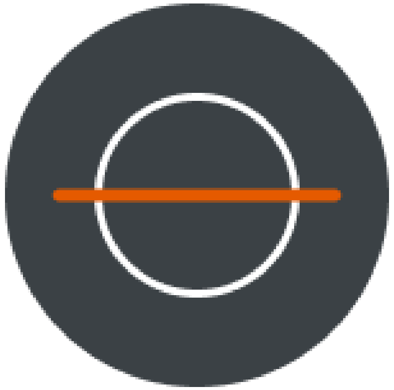
New occasions will partially stay. Whether it's @home or stretch-you-legs lunch, coffee breaks, staycation essentials, or DIY beauty treatments, categories will be **stretched** beyond their traditional use.

Grab & Embrace

Newby shoppers have entered your competitive space. New, light category buyers are readily tempted to go for the brand leader. **Continuously recruiting** buyers should be your number one priority. Loyalty will follow.

Balance

The increasing **need to slow down** and take control has propelled new product categories and a restrenghtened focus on holistic health: both in body and mind. It’s about **moderation and selfcare.** The trend towards a greater focus on natural, healthy beauty is coupled with a sense of post-pandemic, energetic, fresh **renovation of self.**



Balance: established behaviors 2021

Key behaviors
often/always

I paid special attention to my physical health	50%
I paid special attention to my mental wellbeing	49%
I moderated 'bad' food / drinks	43%
I paid special attention to labels / ingredients	41%
I took vitamins / supplements to improve my health	38%
I paid special attention to my look / appearance	35%
I used foods / drinks to improve my mood	29%
I searched for tips on healthy living and wellbeing	24%

51%

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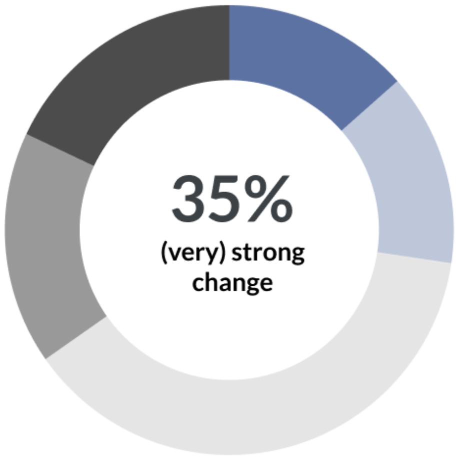
Balance: behavioral shocks

Drivers of behavior change

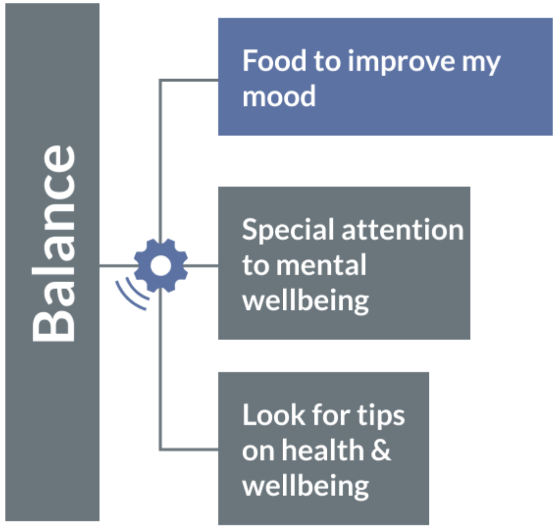
Balance
Wellbeing the mindful way

The area where the strongest behavior change is felt.This is especially driven by a renewed appreciation of food as an emotional stimulus, Secondly, mental aspects of wellbeing have come to the fore in these stressful times.

Behavior Change
Past 12 months



EU-7
Top 3 change drivers



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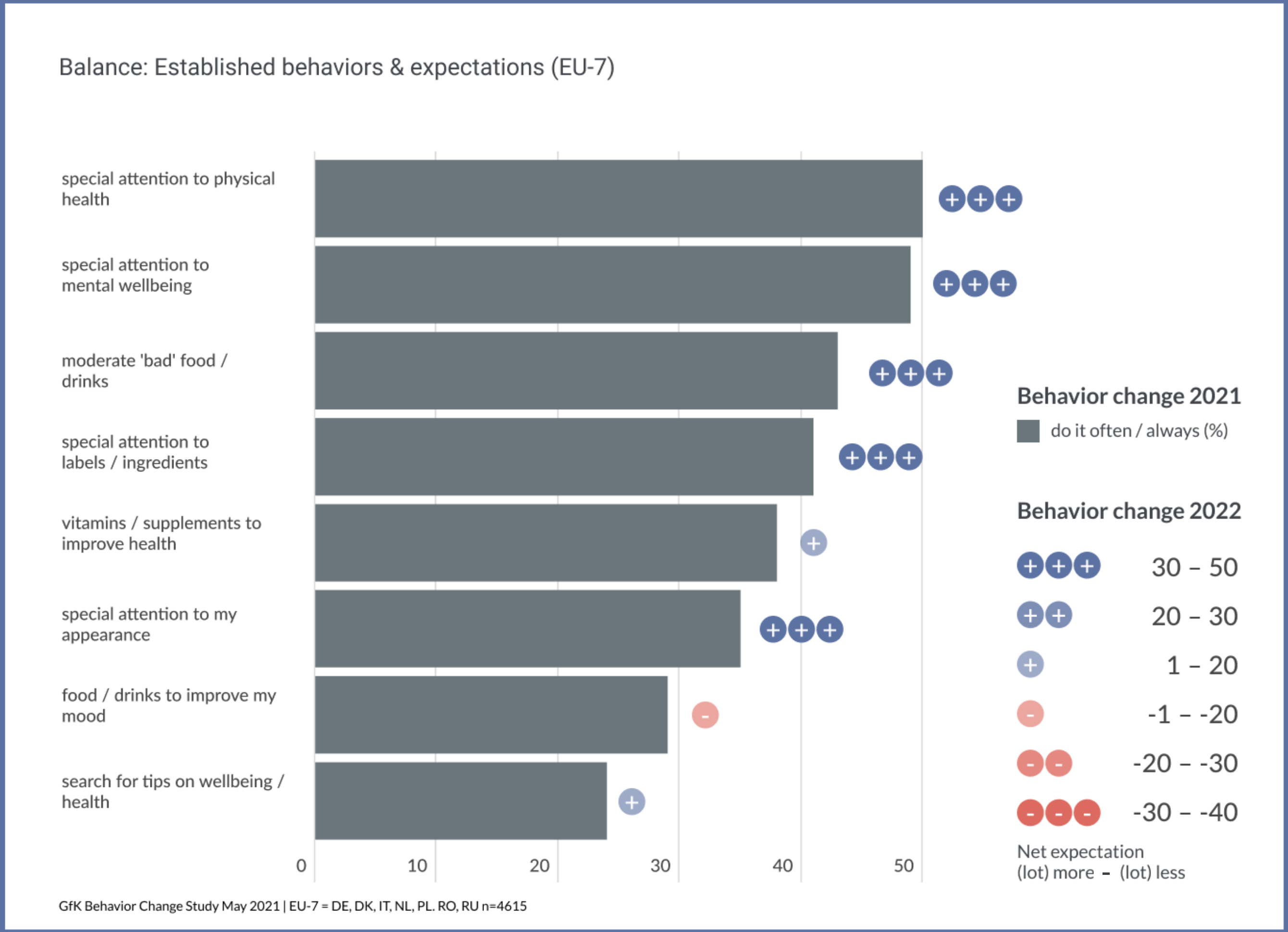
Balance: behaviors x stickiness

Key behaviors
Expected change



Strong need to take care of health in a holistic sense. The pandemic spiked “food as a drug” will return to **moderation**, information and label checking. Focus on mental balance persists.

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Desire to renovate the self

Post-cocooning, physical appearance prioritized

“(Up to 3) things you would like to do most”

Take up a sport

55%

46%

Lose weight

Eat less meat

36%

Drink less alcohol

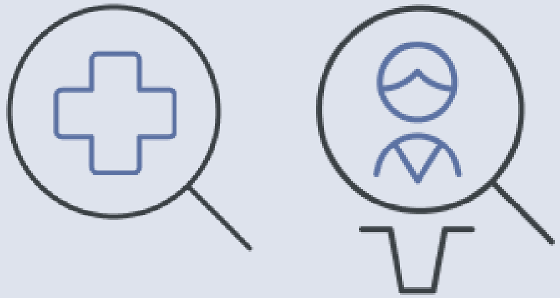
29%

Invest in a ‘fresh’ new look

22%

23%

Practice mindfulness / yoga



Working on appearance is regaining grounds. 1 in 2 Europeans is looking to lose weight.

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Organic & “alternative” categories thrive

Europeans spend more of their FMCG budget on organic

Index MAT Q1 2021 vs MAT Q1 2020 – EU-17/EU-14

Penetration index
Non alcoholic beer
EU average
107

Share of wallet index
Organic FMCG
EU average
108

Absolute share of wallet
9,2%

Source: GfK Consumer Panels EU-17

Anticipate on shoppers' desire to get fit

Portfolio reach

The traditional classification of "good for you" and "bad for you" is a thing of the past. It is **all about alternatives:** the healthier choice, the conscious "I'm in the mood to cheat" choice, the "I deserve a treat' option, the veggie option...

Inform & facilitate

Consumers take more responsibility for their own wellbeing. Brands and retailers find new roles as facilitators. Cater to the expanding needs for on-pack information, natural, intuitive moderation and **preventative self-care.**

Think holistic

Explore how your products and service can help to **increase systemic health**. No longer just a 'thing' of an ageing population - the societal effects of the crisis have turned holistic health into an ageless pursuit. Fresh & bright post-crisis **renovation of self.**

Poll

Budgeteering

The years ahead will be marked by a need for **budget engineering** understood as **balancing budget, lifestyle demands and perceived quality**.
A large number of Europeans expect economic hardship while we are at the onset of serious price inflation. This will surely influence price sensitivity. Shoppers will choose to trade down on purely functional items, but will pay a premium when their lifestyle needs and values are reflected.

Budgeteering: established behaviors 2021

GfK

Key behaviors
often/always

Checked the prices of the grocery products I intended to buy
66%

Paid special attention to the quality of the products
63%

Tried to shop in stores with the best promotions
52%

Actively tried to keep the total amount of my shopping basket low
43%

Looked for products that have a special benefit for me: i.e. natural, with protein, limited edition, …
32%

49%

Looked for private label / store brand alternatives
29%

Splurged on premium food, beverages and/or beauty products
28%

39%

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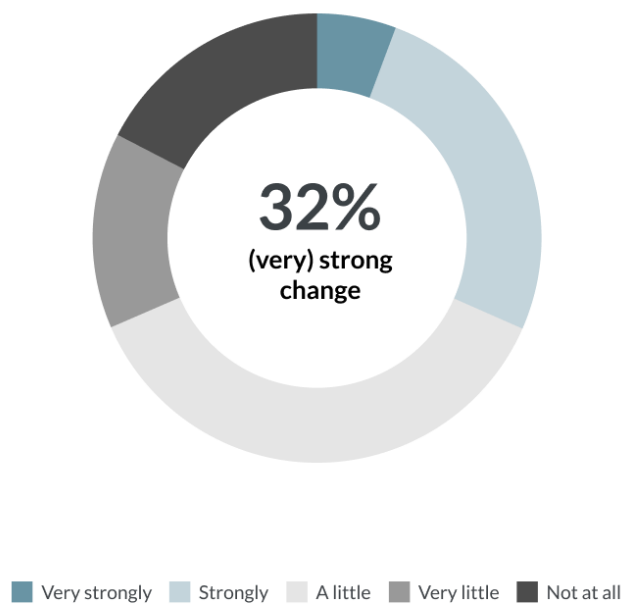
Budgeteering: behavioral shocks

Drivers of behavior change

Budgeteering
Juggling cost and value.

1 in 3 Europeans have experienced a siginificant change in their budget-engineering behaviors. The rise in share of wallet of FMCG is reflected. Shoppers increasingly shifted to products with added lifestyle benefits, and willing to splurge.

Behavior Change
Past 12 months



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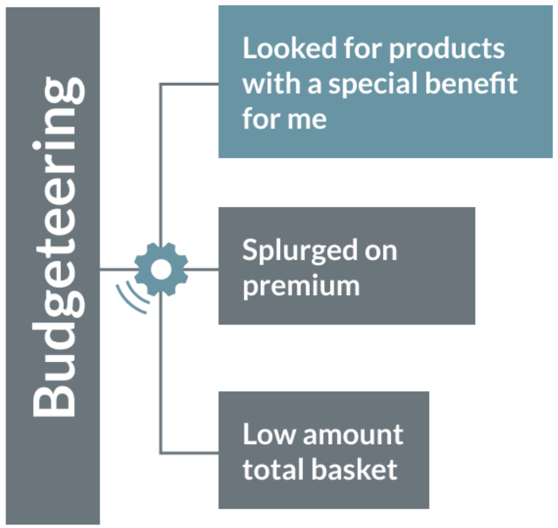

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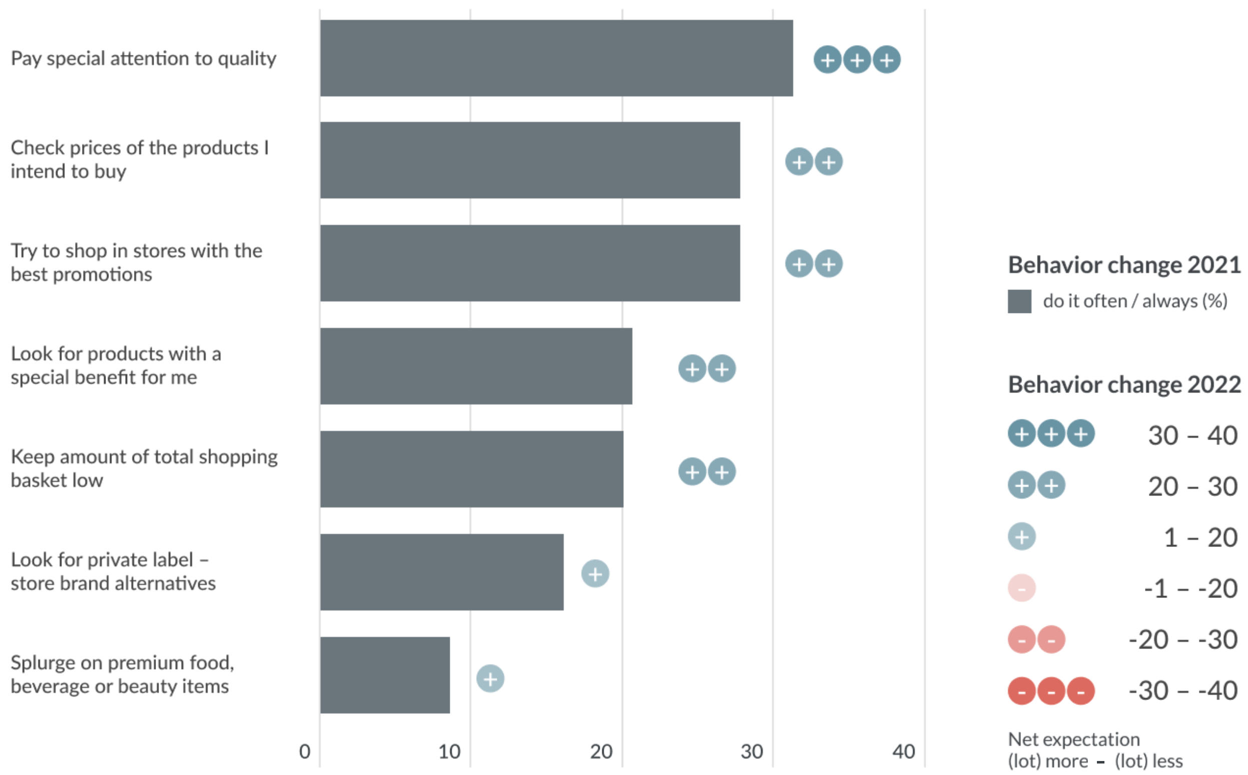
Budgeteering: behaviors x stickiness

Key behaviors
Expected change



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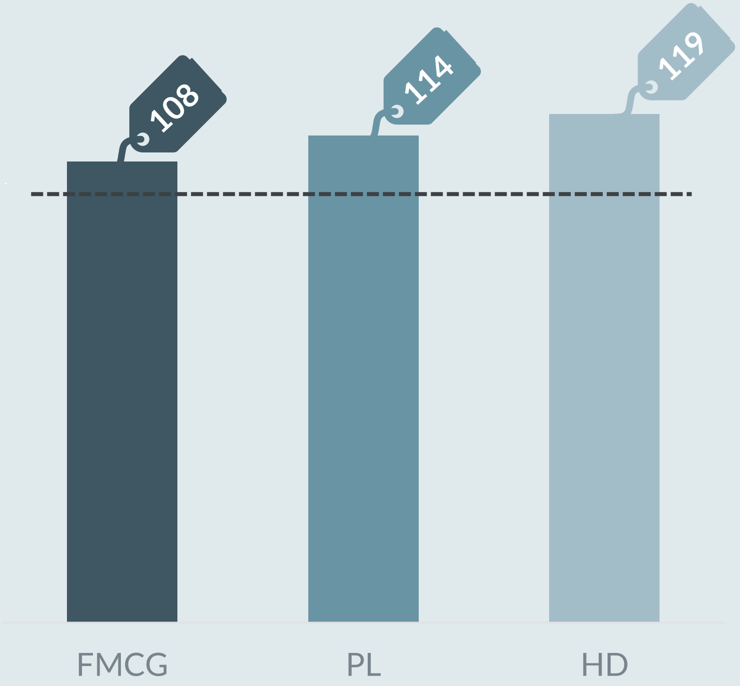
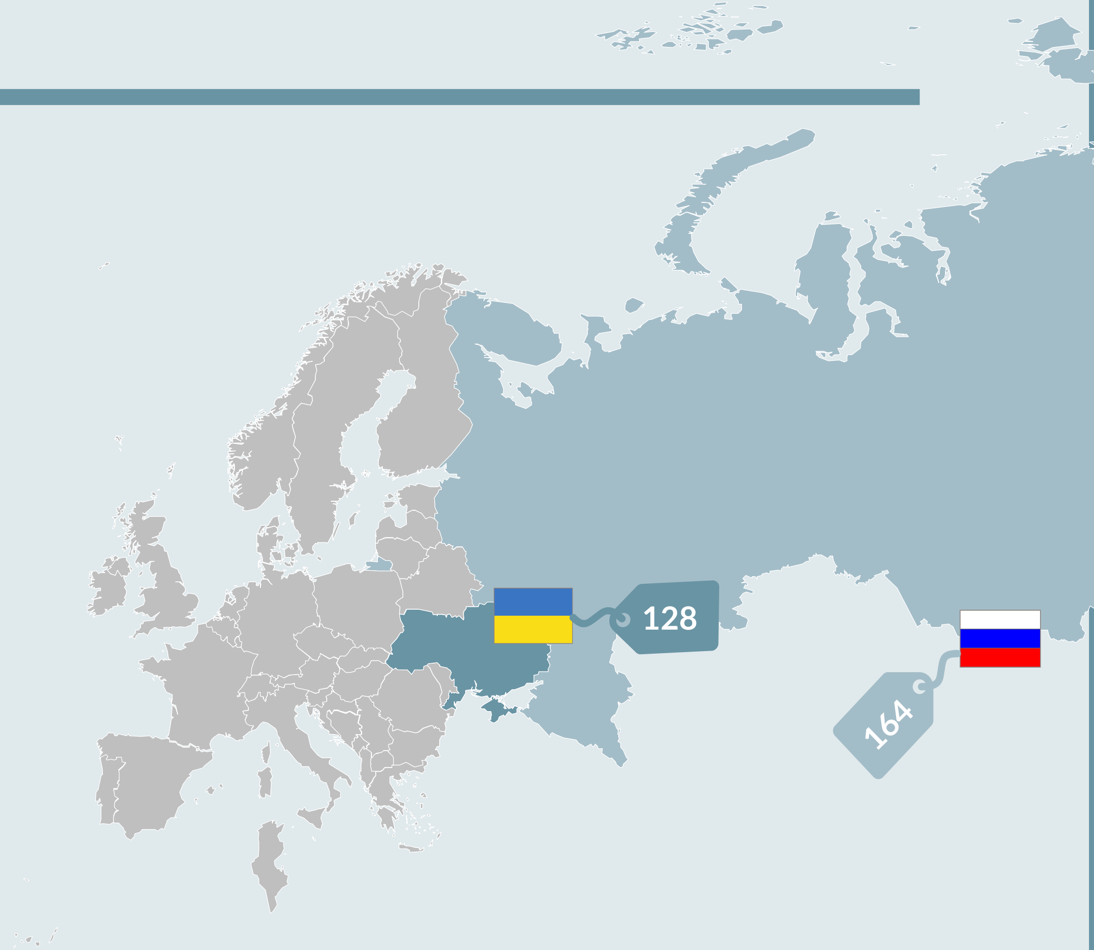
Growth paths differ in CEE and W-Europe

Private labels and Hard Discount gain grounds in CEE

Average value Index (MAT Q1 2021 vs MAT Q1 2020) – EU-17

EU-17

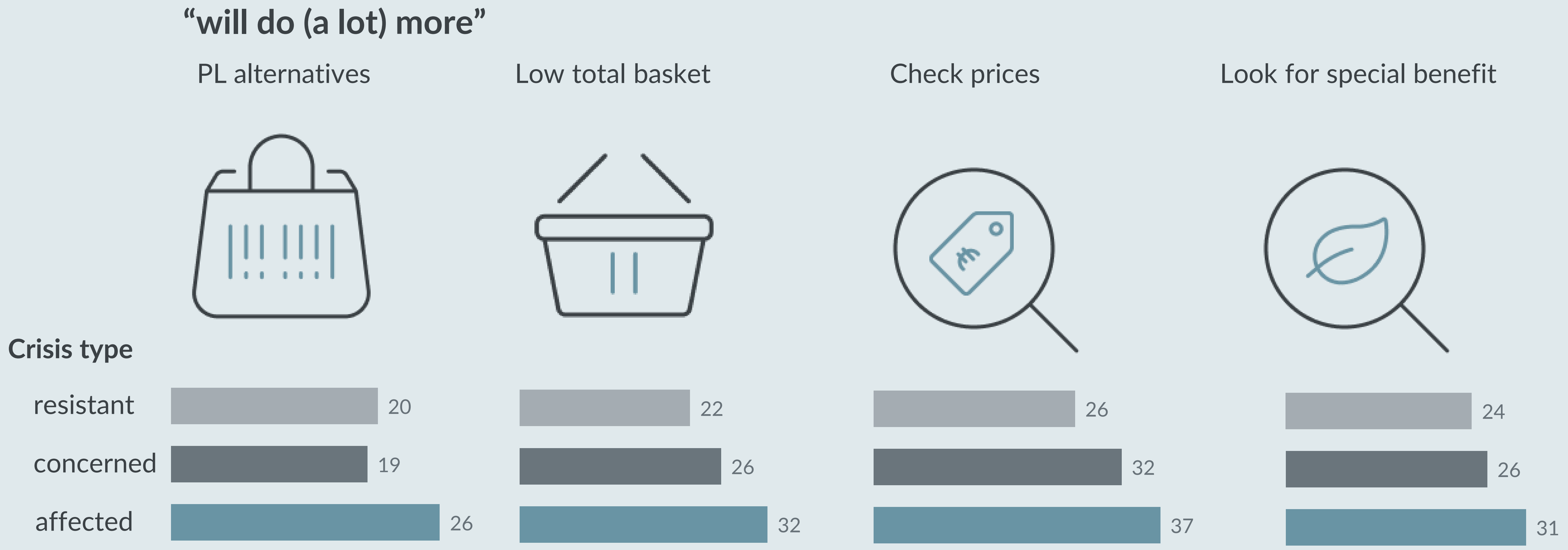




Source: GfK Consumer Panels EU-17

Economic concerns push budget sensitivity

But not at the expense of expectations on added value



Polarization of needs

Communicate Benefits

Despite budget pressure, shoppers are willing to pay a premium for products that reflect their needs. Be sure to communicate **benefits** rather than solely functional aspects. Store brands are geared up to fill the **added- value-for-money** gap.

Facilitate budget engineered shopping

Re-assess category management to reflect the need for budget-engineered shopping. Functional brands and added value brands need to be balanced. Total basket size will be under scrutiny, be sure to stimulate big trips while maintaining basket profitability

Added value Private Label and Hard Discount offering

Hard Discounters face a challenge here, as added value is not a strong association. Increasing the availability of added-value propositions is a must to attract shoppers in times of one-stop (creative) shopping.

Purpose

Choice hierarchy is proving to be less defined by price, but all the more by the **reflection of values**. Shoppers increasingly look for brands and products that smoothly combine lifestyle demands with business for good. **Purposeful purchasing - at the expense of functional purchasing - is here to stay.**

Purpose: established behaviors 2021

Key behaviors
often/always

Switched to locally produced products
37%

Bought brands that care about animal welfare
37%

Bought brands that care about the environment
30%

42%

Bought brands that promote social equality
23%

Look to others for inspiration how to make a difference
23%

Looked for information about the impact of brands I buy
22%

Stopped buying products because of the amount of packaging
20%

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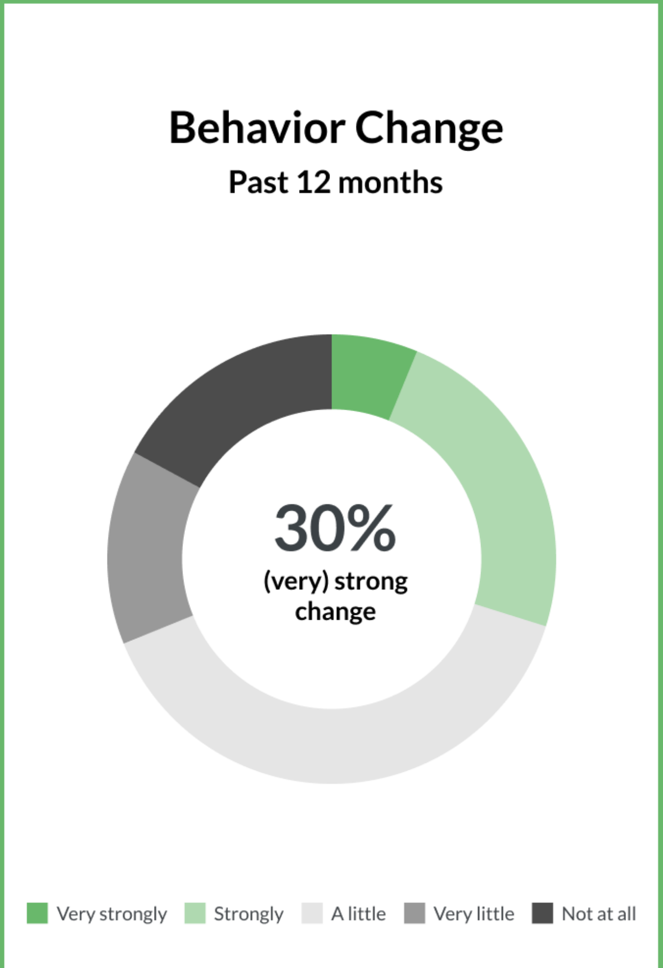
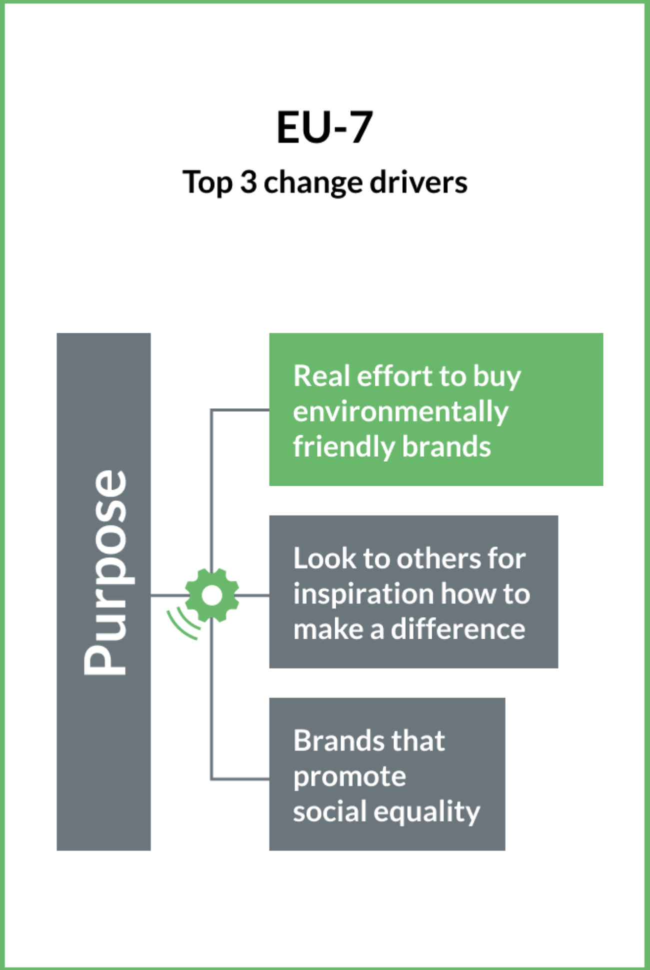
Purpose: behavioral shocks

Drivers of behavior change

Purpose
Seeking brands with purpose

Nearly 1 in 3 Europeans have further altered their behavior towards more sustainable and equitable purchasing last year, representing a progressive shift, Both environmental and social purposes are key change drivers. Interestingly, so is the search for inspiration.





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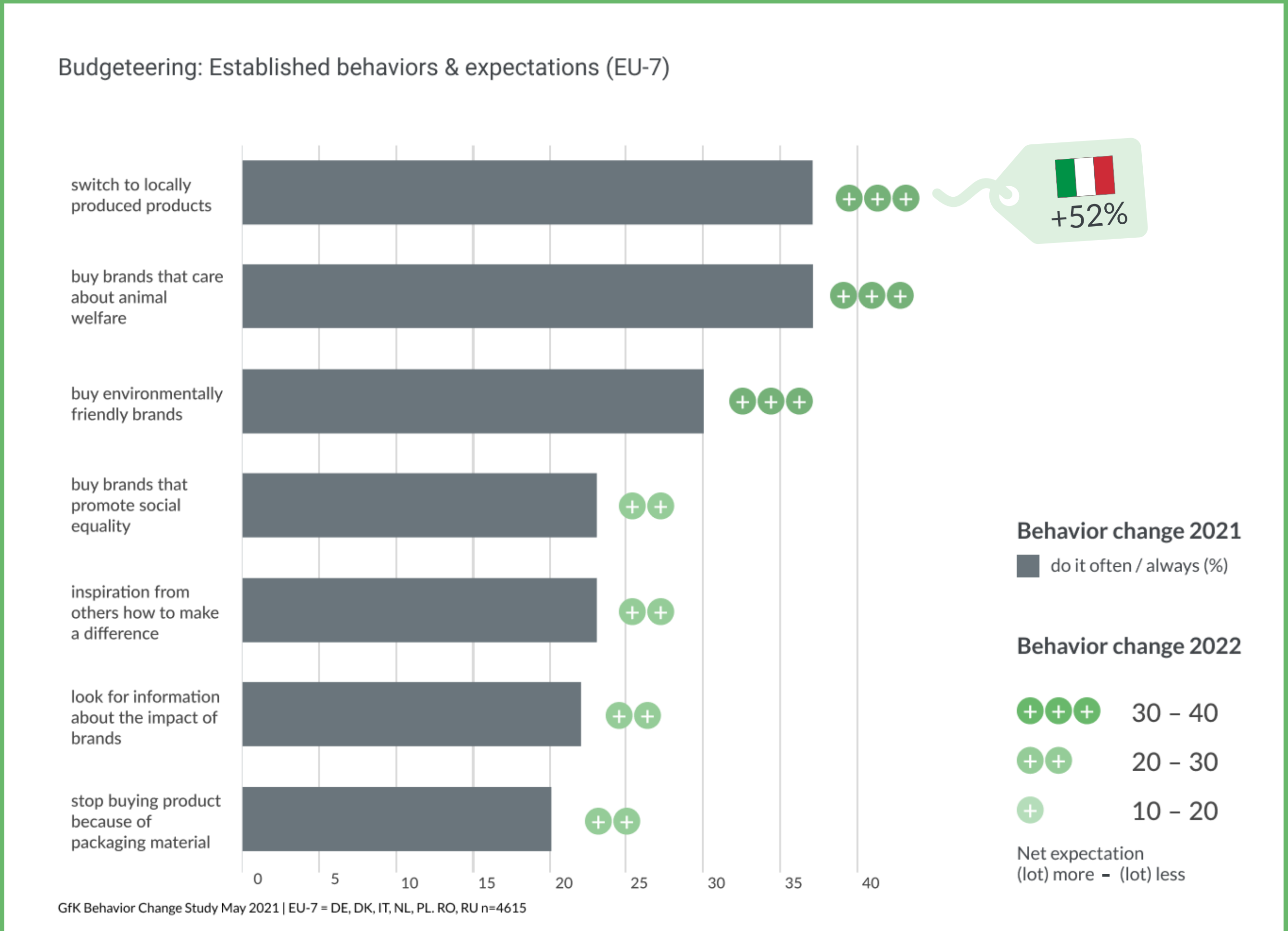
Purpose: behaviors x stickiness

Key behaviors
Expected change



The willingness to use buying decisions in an activist way is very high. The pandemic has stressed "go local", and it is here to stay. Animal-friendly and eco-friendly follow.

GfK ad hoc study Behavior Change EU-7 n=4615 May 2021

Eco-activism keeps rising

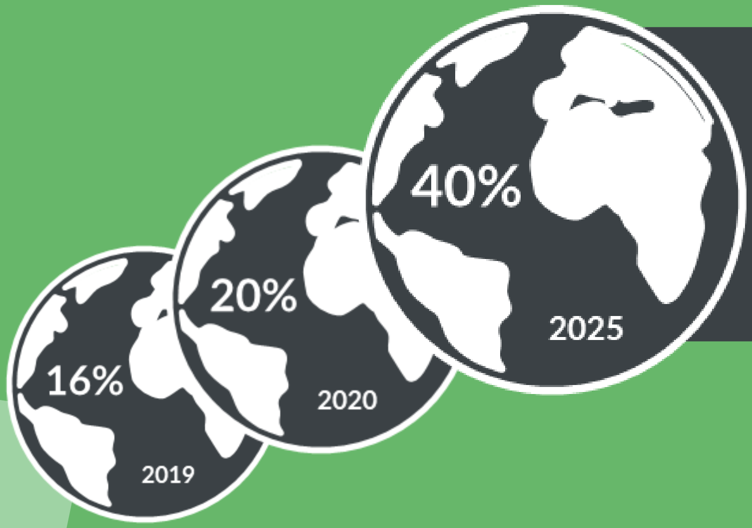
Delicate balance between caring & doing: trust remains an issue

19% Knows — Can name a brand that is eco-friendly

25% Trusts — Trusts company claims about their environmental practices

24% Does — 1 in 4 Europeans is an eco-active in FMCG

38%



At this rate, eco-actives will have doubled by 2025!

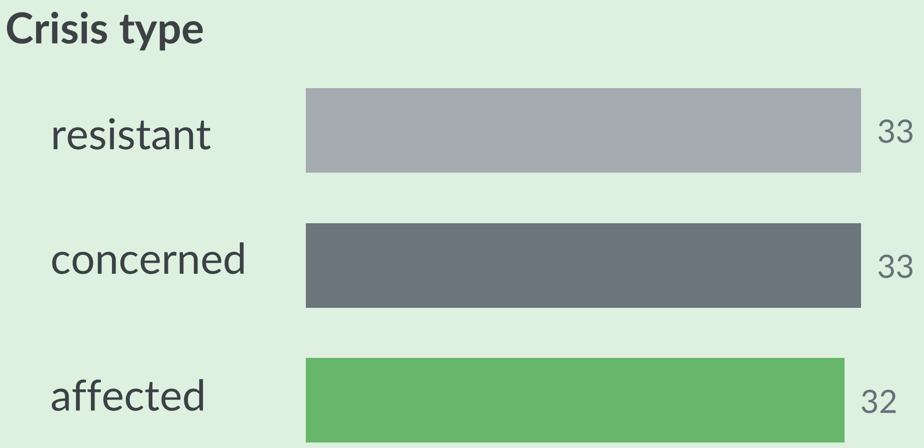
WCWD 2020 EU-10 / Conaumer Life 2020

Acting green resistant to economic uncertainty

1 in 3 intends to “green up”

“Net intention”

Buy eco-friendly brands



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Evidence: purpose brands drive growth

And do so with much less promotion pressure

Brand type	Revenues rate of change	Promo share revenues rate of change	
Sustainable Brands	+19%	-11% (Promo share rev.: 10%)	Brands with a commitment to sustainability that goes beyond the actual product e.g. own initiatives
Purpose Brands	+23%	-11%	Brands with a sustainable focus combined with shoppers' lifestyle demands
Hybrid Brands	+12%	-4%	Product Brands that have an additional benefit for the shopper and/or an initial focus on sustainability
Product brands	+9%	-3% (Promo share rev.: 26%)	Mainly major traditional brands with traditional strengths such as quality and shopper trust
Private Labels	+9%	+/-0%	
Total FMCG*	+ 10%	-3%	

Source: GfK Consumer Panel Germany | Brand types - hierarchy of needs | YTD November 2020, * excluding shares of fresh goods, generic brands

Purpose is a sociocultural value

Glamourous green

In the past, acting eco-friendly often implied trade-offs. Nowadays, it is considered as a freedom of (lifestyle) choice. **Enrichment** rather than restraint. Purpose brands tap into this positive sentiment: "my favorite drink and it is even carbon- neutral!"

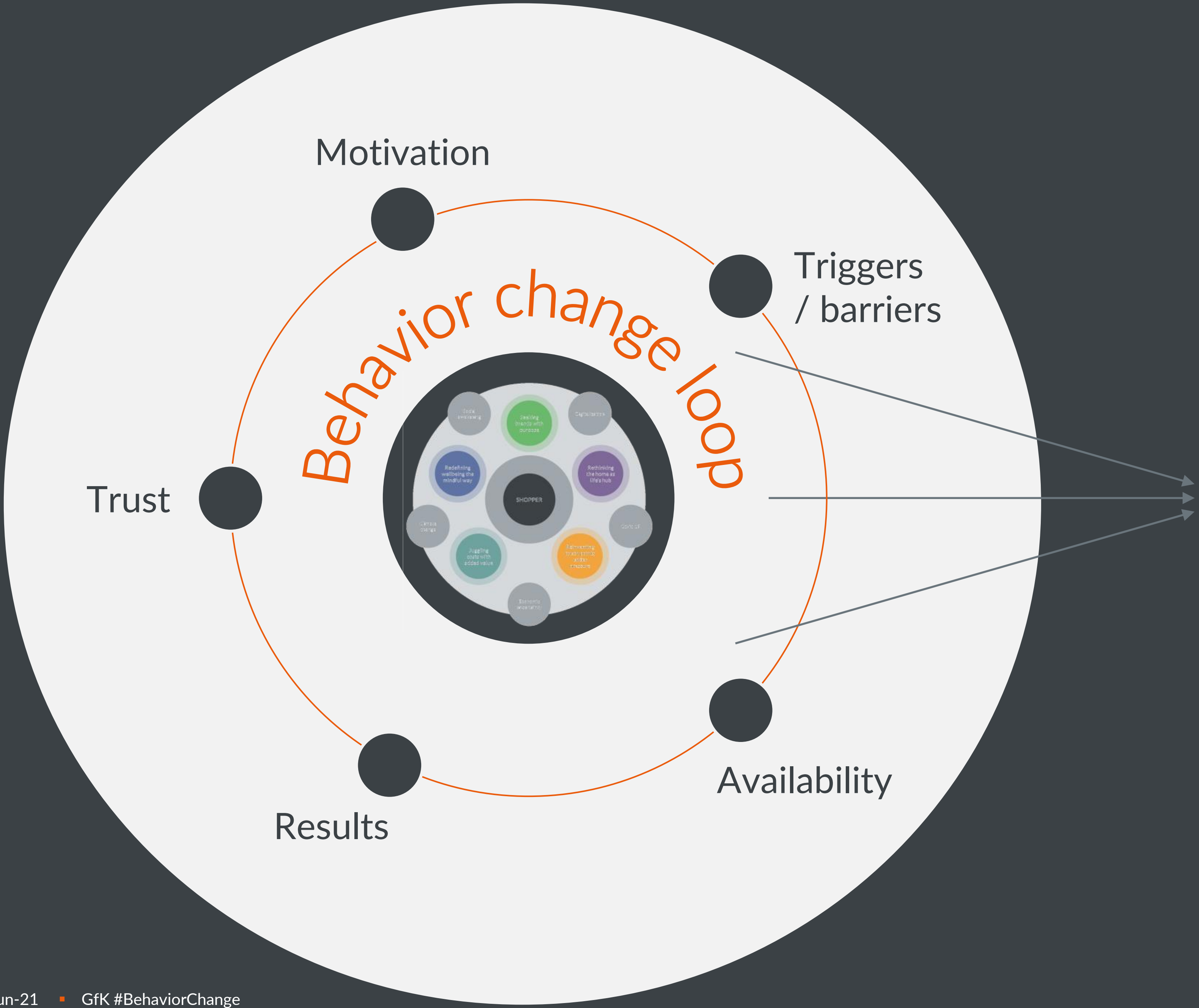
Unite to build scale

As eco-social consciousness becomes more mainstream, so is the offer of sustainable brands. The demand for transparency and accountability will increase the need for **trusted benchmarking**.

Make it visible

Be sure to differentiate your strategy per category. **Plastic-reduction** remains the top topic, but focused solutions are needed. Recognition, information and convenience are key in mainstreaming eco-active behaviors. So is uniting in the results.

#BehaviorChange



#BehaviorChange

We are here to help you seize the change with our insights along the behavior change loop

#GrowthfromKnowledge

Poll

Q&A

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