Changed consumer behaviors and shopper trends in beverages basket

Joanna Kwiczor, Piotr Idzi

October 2023

Emerging global trends for focus

- The **inflation long haul**
- Growing **consumer resilience**
- The era of **calculated spending**
- **Private Label staying power**
- Growth **beyond price**

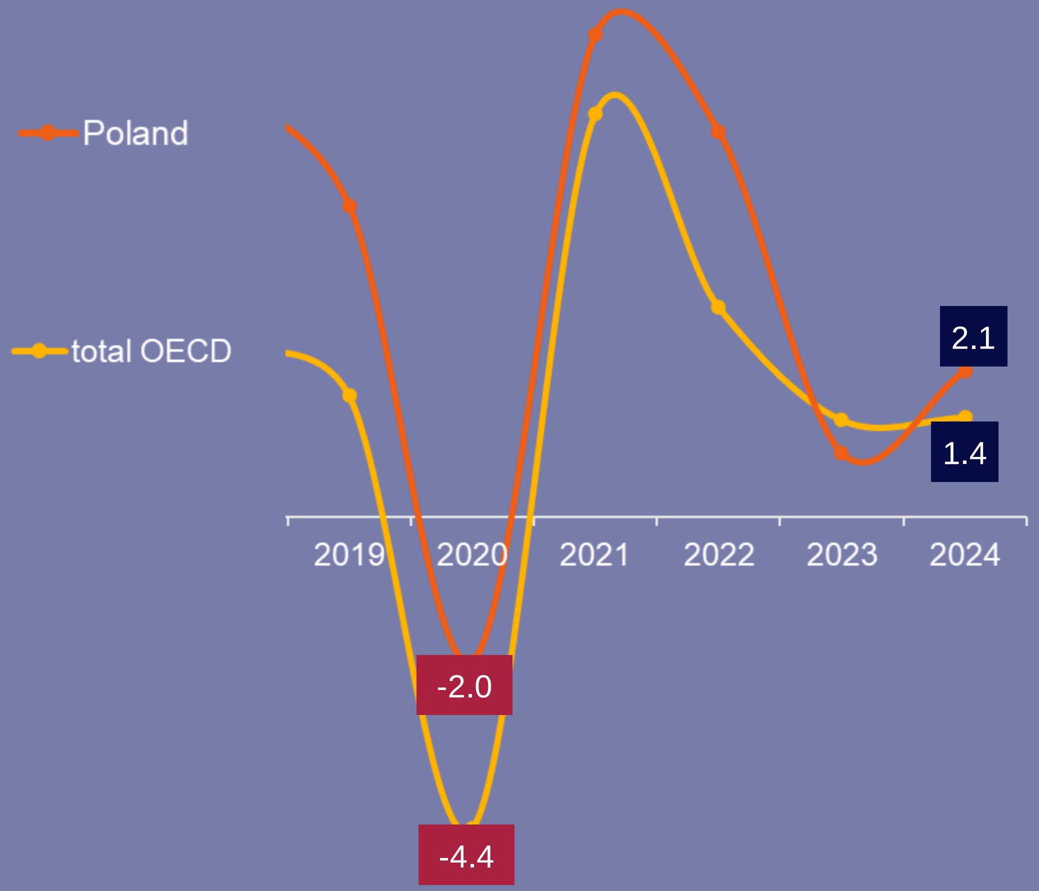
NIQ

Recognizing the Inflation Long Haul

Global economic conditions expected to stagnate for the rest of 2023 and 2024

Total economic growth forecast

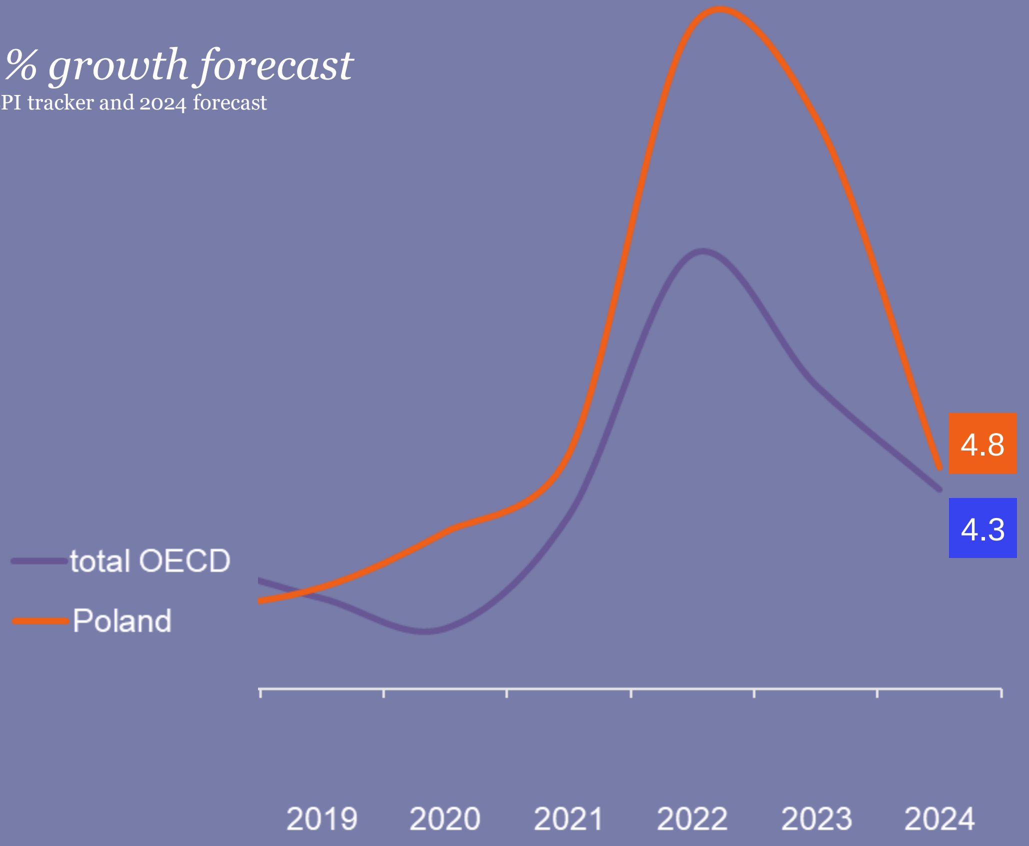
OECD GDP tracker and 2024 forecast



Inflation slowdown visible but in Poland pressure will persist

CPI % growth forecast

OECD CPI tracker and 2024 forecast



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Deceleration, not decline

The prevailing narrative seems to be that this decreasing inflation % growth is great news and cause for celebration, yet the reality is that prices are continuing to rise; just at a slower rate than the spikes we have experienced across the last 18 months.

Inflation Falls Below 5%, A Nearly Two-Year Low

By Wayne Duggan
Contributor

Reviewed By Benjamin Curry
Editor

Updated: May 10, 2023, 10:16am

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Some good news! Inflation cools down to 3% in reaching distance of Fed's 2% target - as prices for used cars and airline fares finally drop

- Annual pace of inflation eased last month to its lowest level since March 2021
- The price of used cars and airline tickets fell, while vehicle insurance rose in cost
- President Joe Biden hailed the data as 'Bidenomics in action' in a statement

MARKETS

Good News From the June CPI Report: Inflation Is Truly Declining

The market-friendly number is still above the Fed's target, and a July interest-rate hike looks likely.

Lauren Solberg • Jul 12, 2023

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ECONOMICS | 19 JUL, 2023

'Good news at last' as UK inflation slows more than expected

For the 12 months to June, the consumer prices index was at 7.9%, better than the expected figure of 8.2%.

BY JACK GILBERT

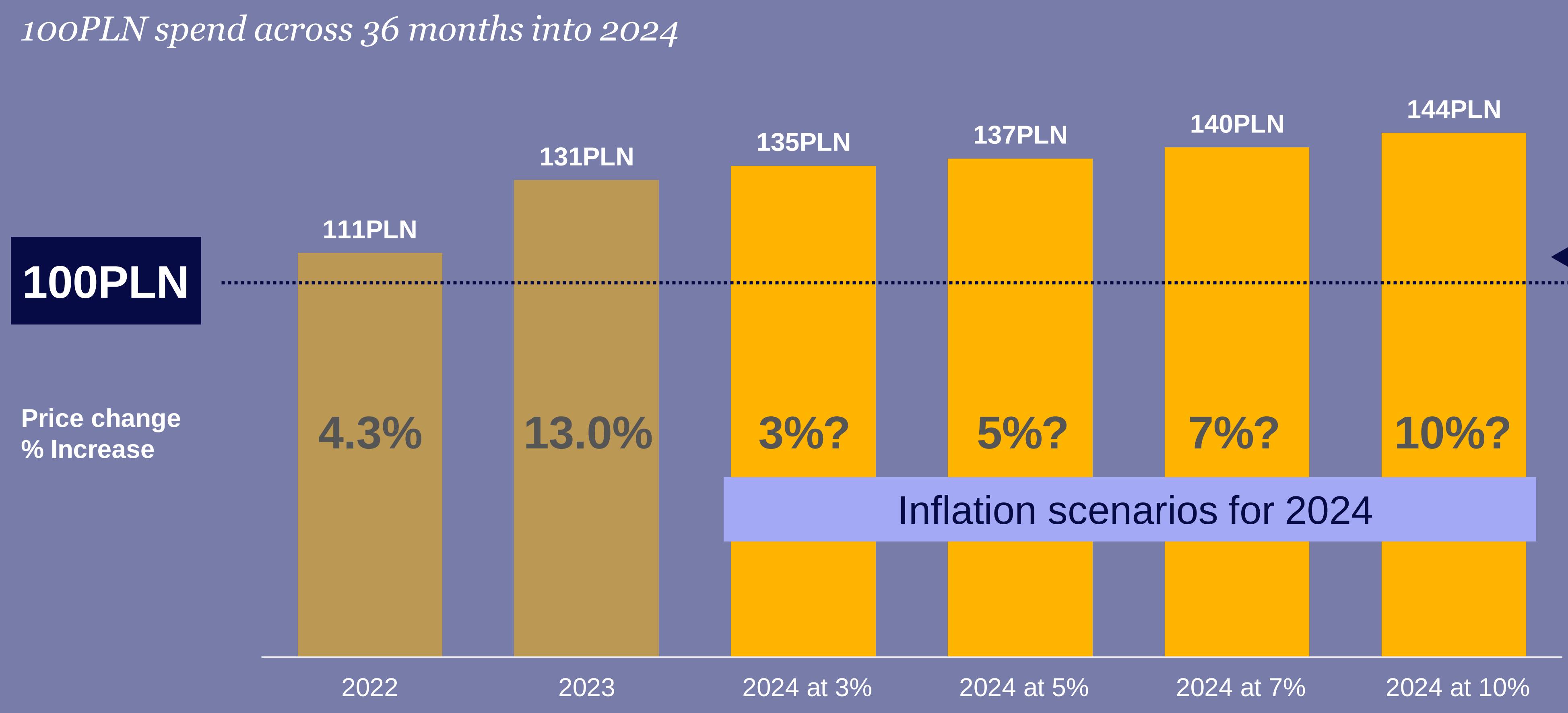
Consumer prices index (CPI) inflation slowed more than expected in June, providing relief to policymakers and the Bank of England.

Inflacja bazowa obniżyła się czwarty miesiąc z rzędu

MR
16 sierpnia 2023, 14:00. | 3 min czytania

- Inflacja bazowa obniżyła się czwarty miesiąc z rzędu, a do wartości jednocyfrowych może powrócić we wrześniu, gdy najmocniej oddziaływać będą efekty bazy statystycznej
- Widać, że wskaźnik wytracił swój impet. Jeszcze niedawno miesięcznie ceny bazowe rosły o ponad 1 proc., w lipcu zwiększyły się tylko o 0,2 proc. w porównaniu z czerwcem
- Sporo wskazuje na to, że napływające ostatnio dane z polskiej gospodarki będą argumentem dla Rady Polityki Pieniężnej za cięciem stóp procentowych już jesienią

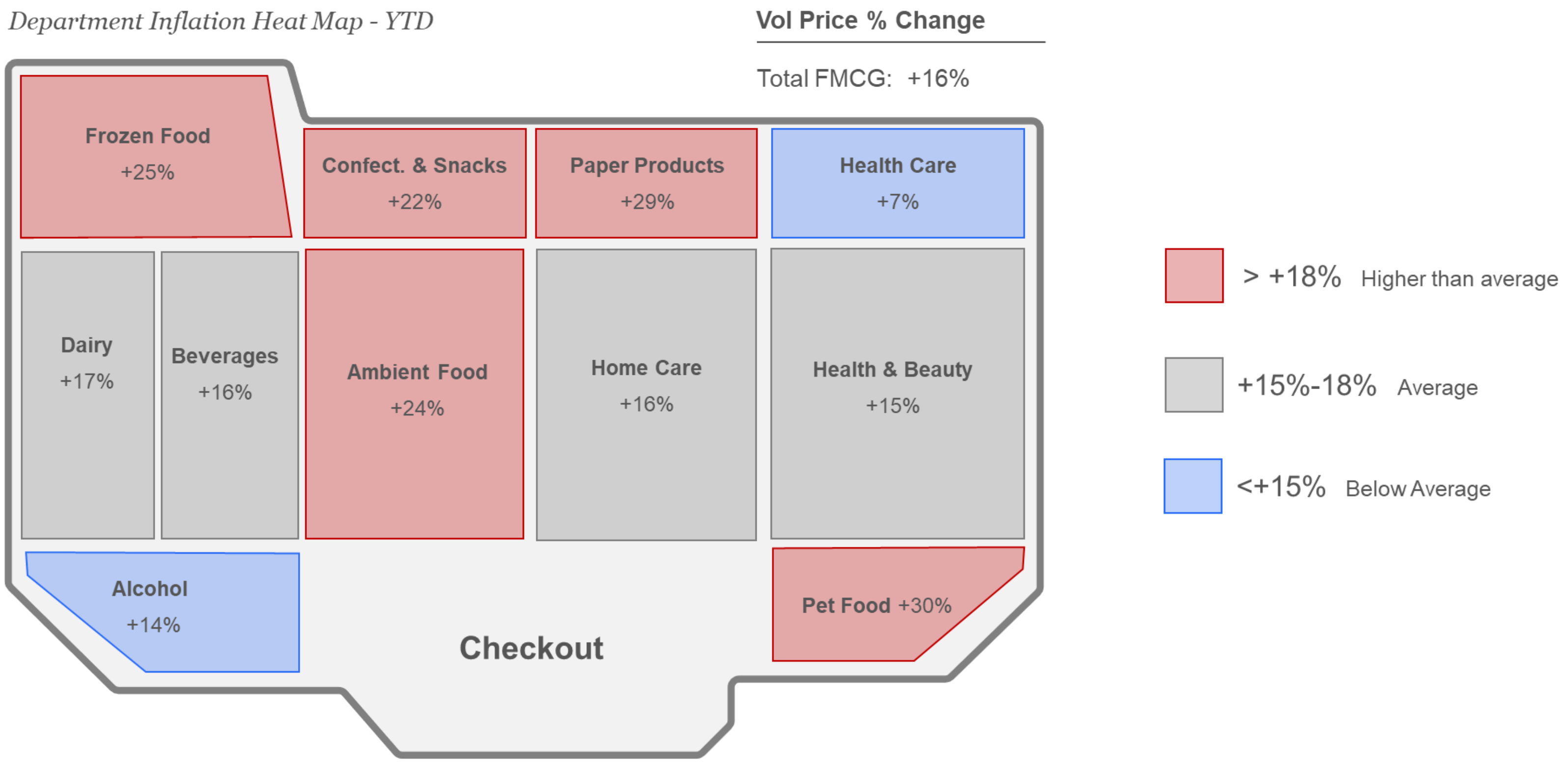
The compounding effects of FMCG inflation will be felt in 2024



Even at a low % price increase of 3% in the next 12 months to July 2024, consumers will be paying 35% more for FMCG across a 3-year period where many consumers have not received a rise in income

Source: NIQ Market Track, total Poland, Eq Vol Price % Change, Latest 52 weeks ended July 2023 vs previous periods

Rising prices are still plaguing several key departments



Top concerns among Polish consumers

1	Rising food prices	49%
2	Increasing utilities	29%
3	Increased housing costs	16%

source

NIQ

Consumers carrying on

Polish consumers under constant pressure from *pandemic* through *war round the corner* to *rising prices*

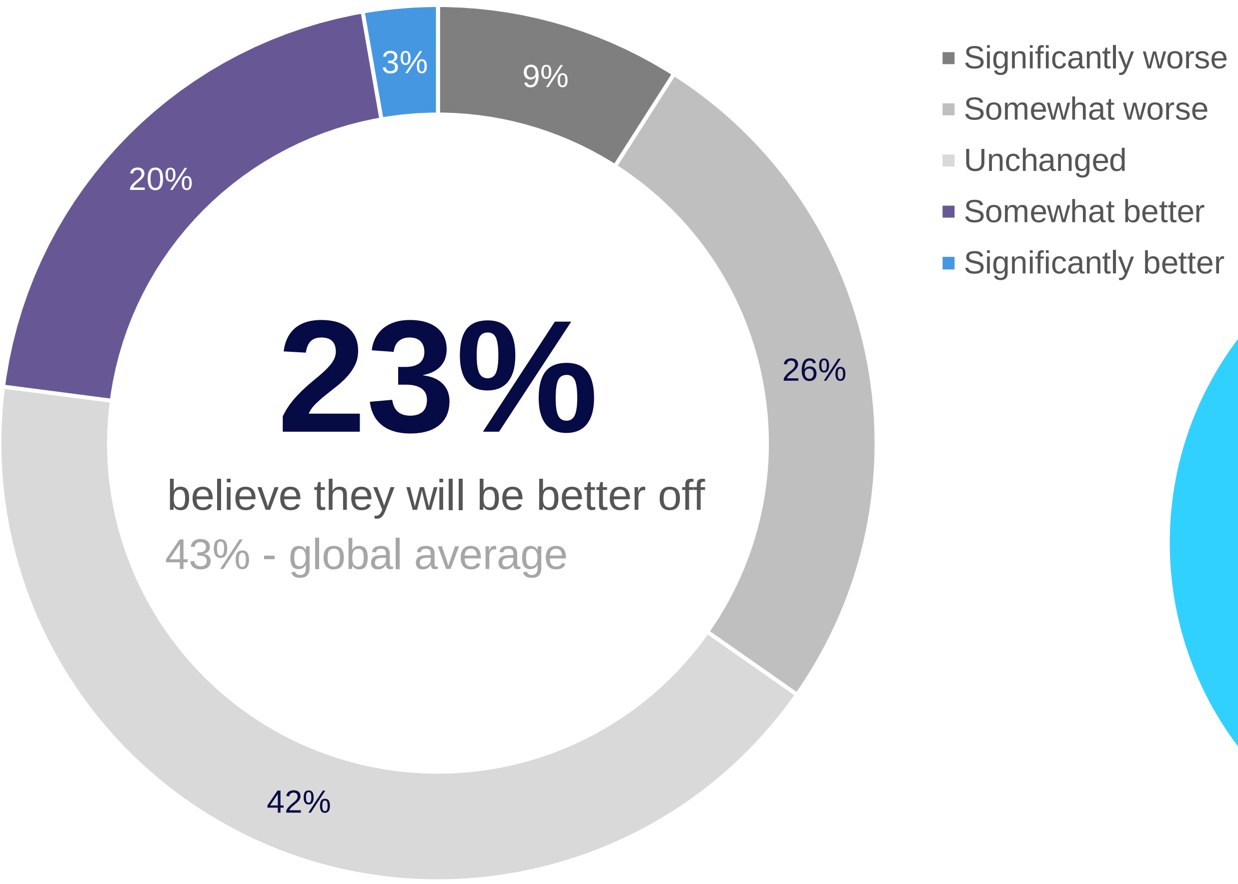
But as our society increased by many migrants from the Ukraine, it had a positive impact on volume sales throughout 2022

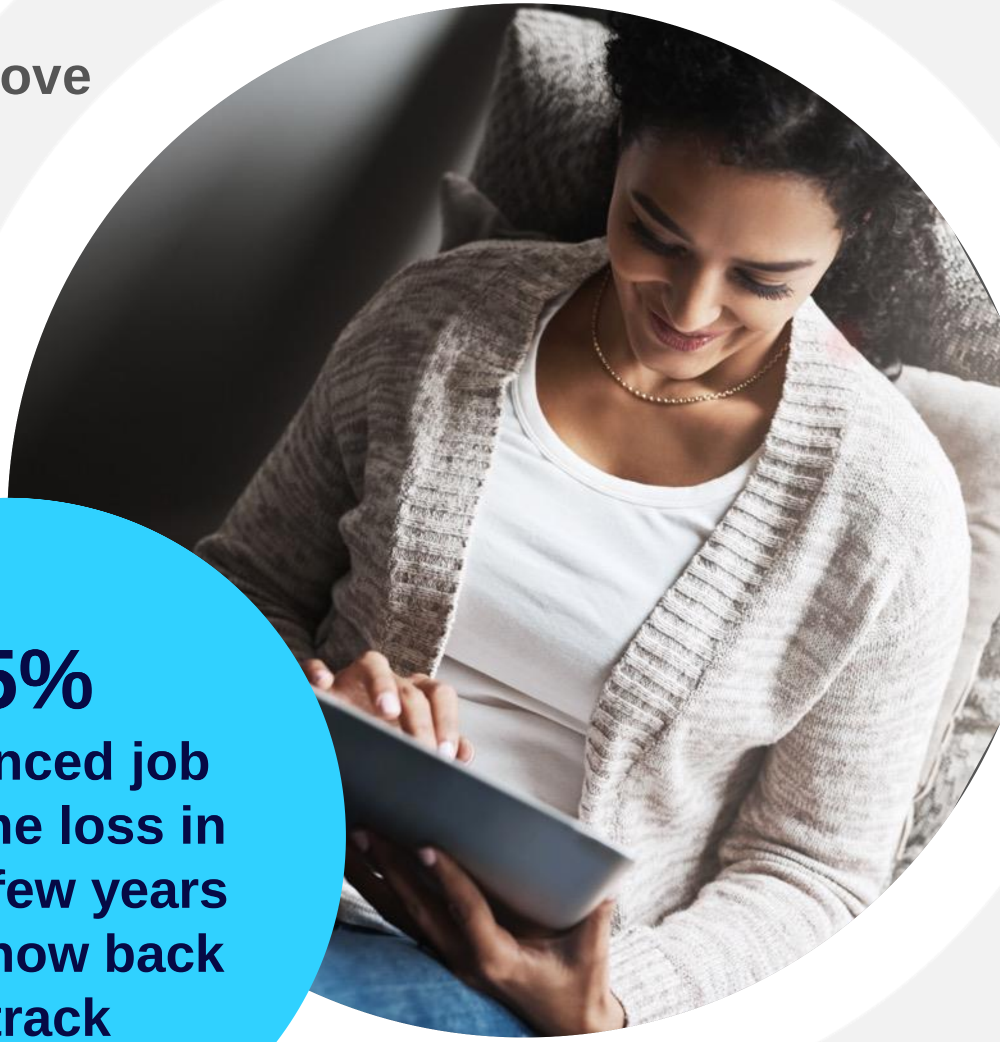
Poland FMCG % growth

Source: NIQ Quarter by Numbers (QBN) – Aggregated editions

Consumers are coping, but harsh realities still persist: some optimism that consumers financial situation will improve

Where do you believe your household finance situation will be by the end of 2023 compared to today?





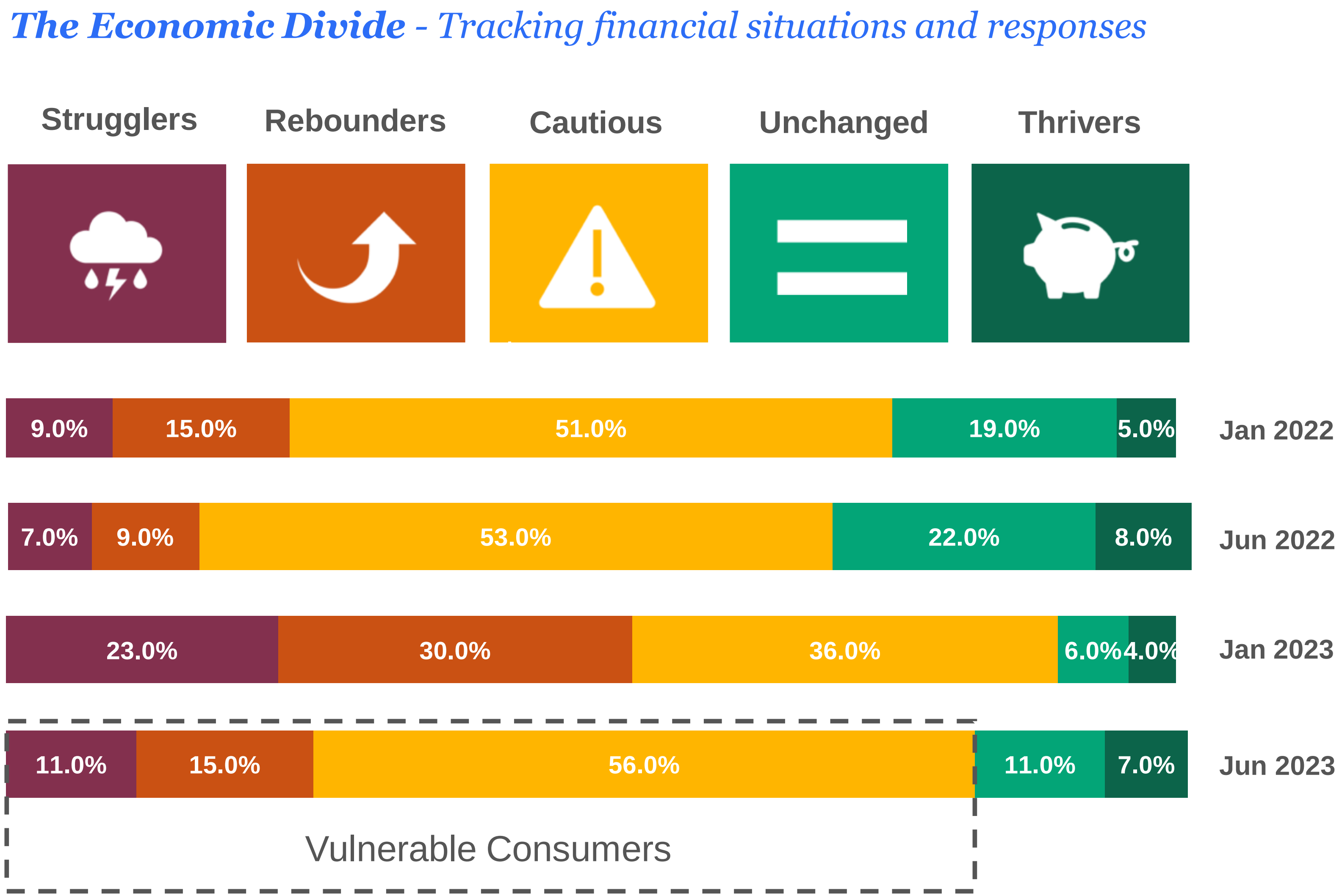
15%

experienced job or income loss in the last few years but are now back on track

Source: NIQ 2023 Mid-Year Consumer Outlook, Poland July 2023

Steady and rising

The cautious middle persists – greatest shifts seen in the ***most*** vulnerable beginning to rebound



Source: NIQ 2023 Mid-Year Consumer Outlook vs. January 2023 Consumer Outlook vs. 2022 Mid-Year Outlook vs. January 2022 Outlook

Meet the Food & Grocery Shopper Personas in Poland

	Brand loyal high spenders	Organized & eco	Spontaneous & disengaged	Emotional promo hunters	Frugal chore-performers
					
Spend on grocery	●●●●●	●●●●●	●●●○○	●●○○○	●○○○○
Shopping Preference	No need to save Don’t care about price or promo High brand loyalty	Financially impacted, still with high income Promotions impact store and brand choice Oriented on values: eco, health, quality	Financially stable Very promo sensitive Rather loyal to retailers Little pre-store preparation	Prepared for the shopping, know prices well Switching stores due to promotion Open to innovations and value-oriented	Financially impacted Influenced by promotion Rather loyal to retailers and products

More details in NIQ Shopper Trends Segmentation Science report from July 2023

The era of calculated spending

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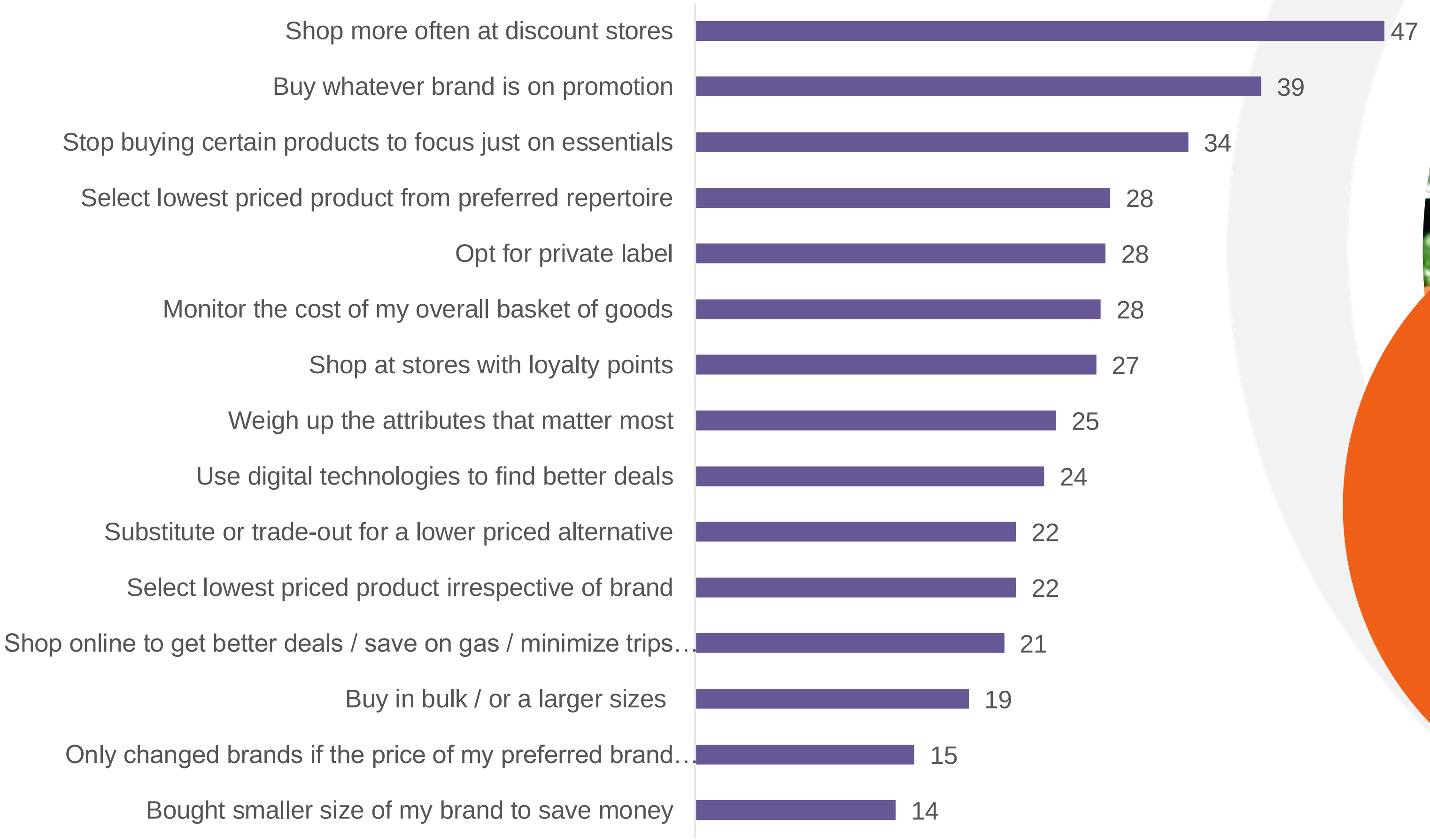
Poles have adopted a range of strategies to manage their FMCG spending

Top saving strategies for FMCG



95%
of consumers have changed how they have shopped for FMCG in order to manage expenses

4
Average # of saving strategies per shopper

Source: NIQ 2023 Mid-Year Consumer Outlook vs. January 2023 Consumer Outlook, Poland July 2023

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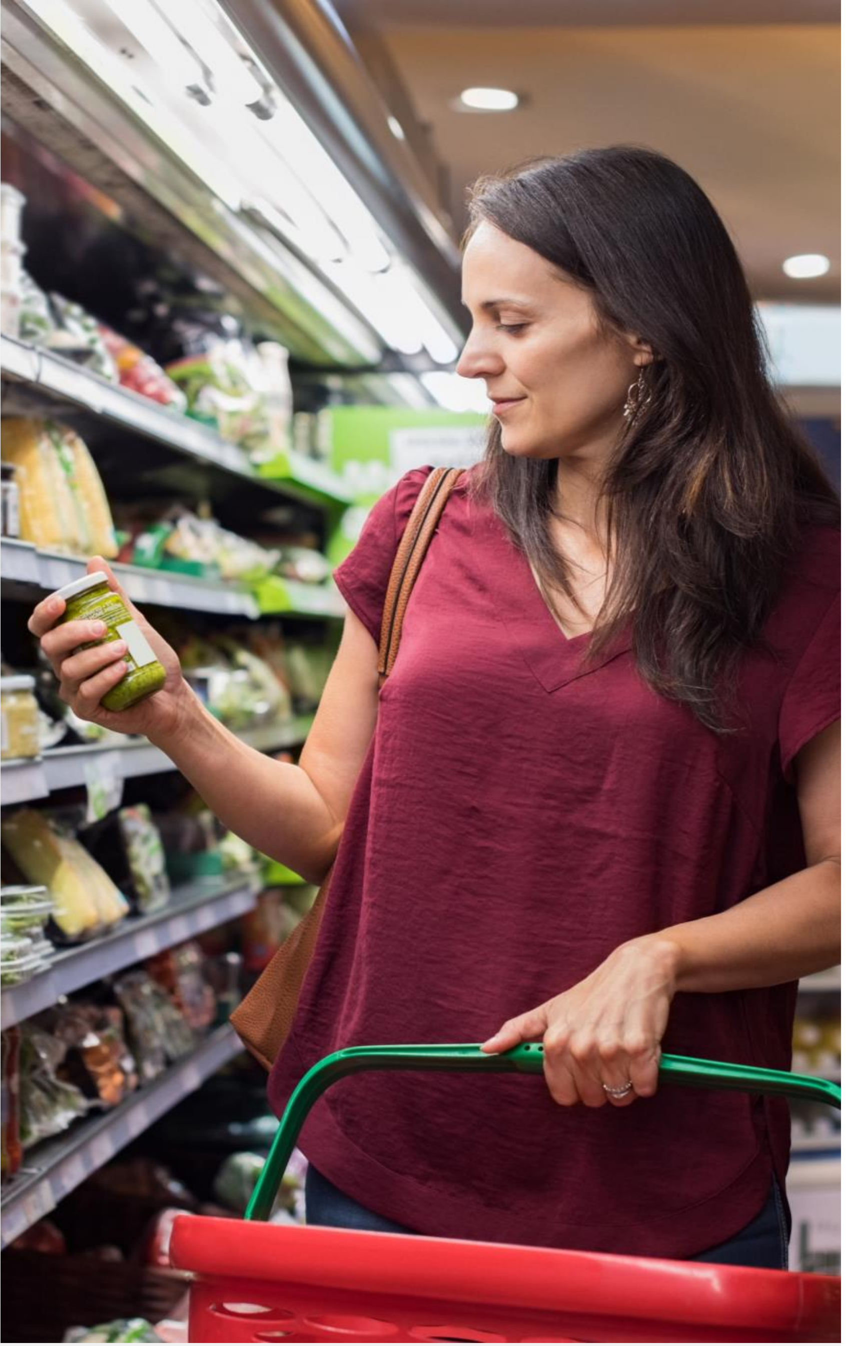

Less shopping *"out of habit"*

Average % of autopilot purchases

50%	40%
Food, 2020	Food, 2023
49%	37%
Drug, 2020	Drug 2023

LESS AUTOPILOT

Shopper re-analyze product features and purchasing decisions.

Understand PATH TO PURCHASE, touchpoints, selection factors

Source: NielsenIQ Category Shopping Fundamentals, 2023

‚Less is more’ embedding in Poles’ mindset

Lifestyle changes

47%

I only buy what I know I'll use to avoid waste

43%

I am spending more time at home and going out less often

28%

Recent events (COVID, war in Ukraine) have made me realize that **less is more** and I don't need as much as I thought to be happy

39%

I eat leftovers more often

Source: NielsenIQ Consumer Outlook Survey & Sustainability Report, Poland December 2022

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Private label staying power

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Many consumers are managing costs by turning to Private label

47%
Think store brands usually *are good value for the money*

42%
Think store brand products *are a good alternative to name brands*

39%
Think some store brand products *are higher or equal quality than name brands*

Private label has become an increasingly viable option for many consumers across the last 3 years as value became the key priority for more people.

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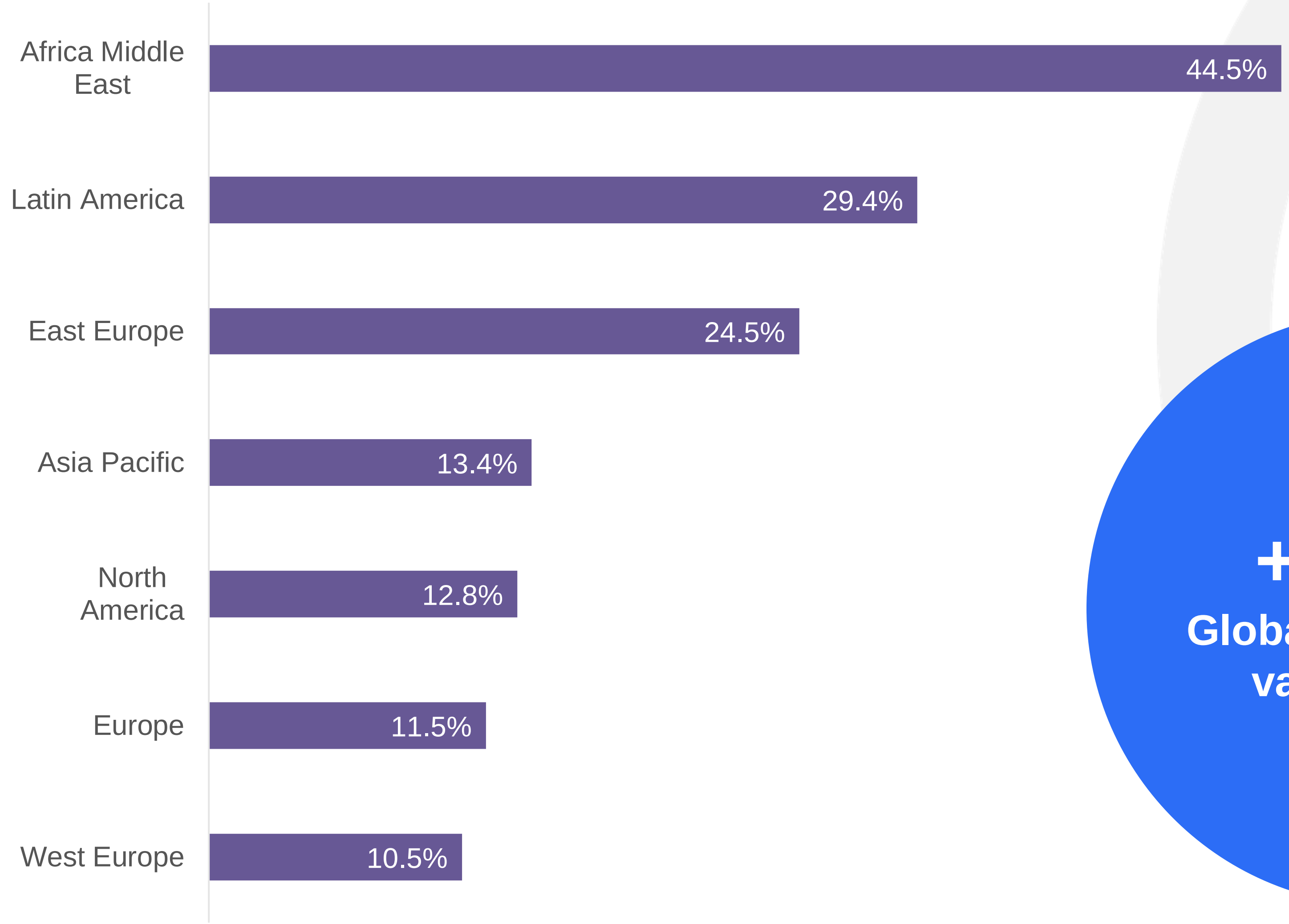
Private label sales has reflected the consumer sentiment



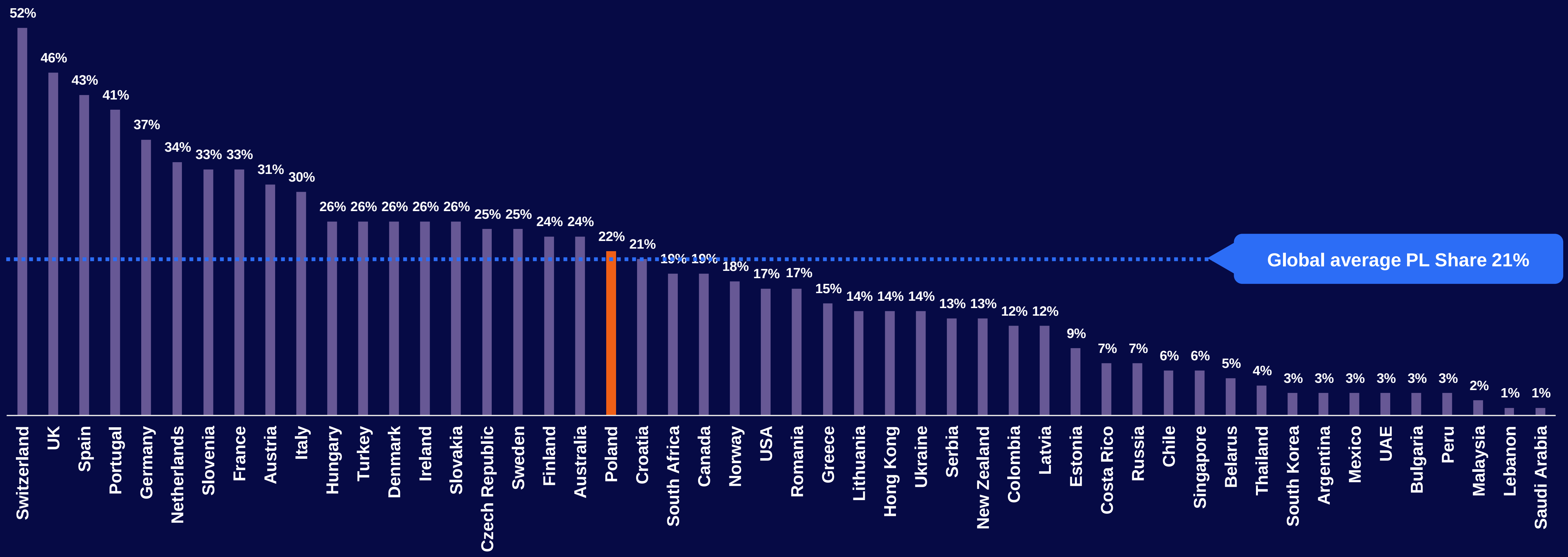
+12.2%
Global private label value growth

+24.9%
private label value growth in Poland

Source: NIQ Retail measurement services, Latest year ended Q1 2023, via Quarter By Numbers, Private label report, NIQ Market Track, total Poland, MAT July 2023 vs YA

Across markets, share has remained strong

Private label share – Q1 2023



Source: NIQ Global strategic planner, Latest year ended Q1 2023

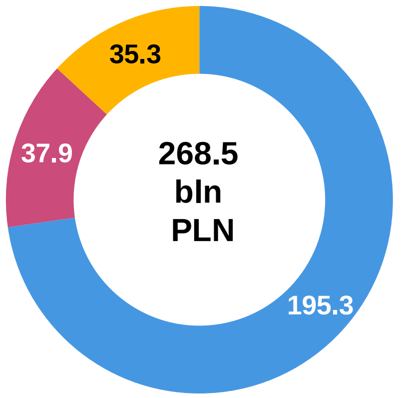
Zoom on beverages in Poland

Non-Alcoholic Beverages

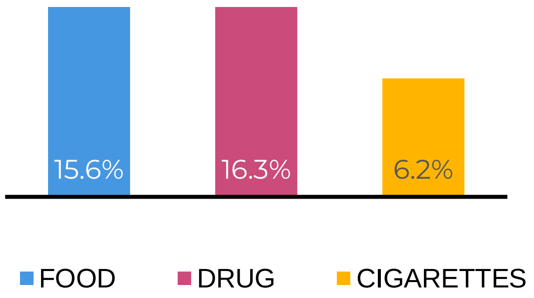
FMCG Basket

MAT Aug 2023, Total Poland

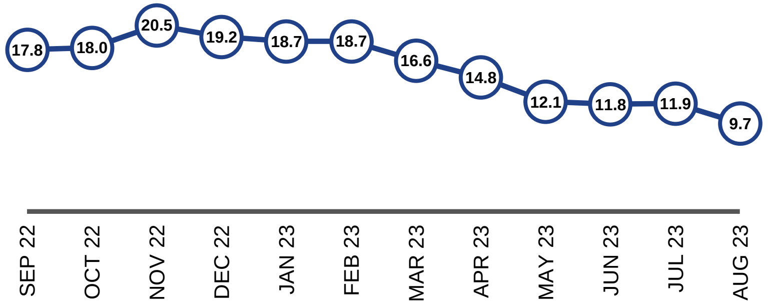
FMCG
Sales Value in bln PLN



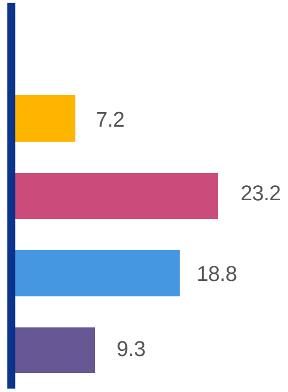
FMCG
Sales Value % change vs YA



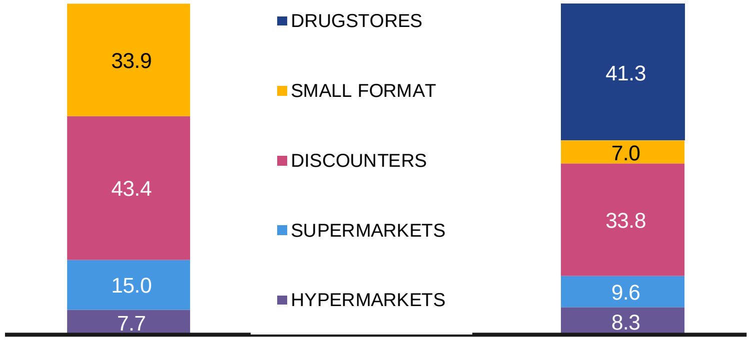
Food
Monthly Sales Value % Change vs YA



Food
Value % Change vs YA



Channels Value Importance (%)



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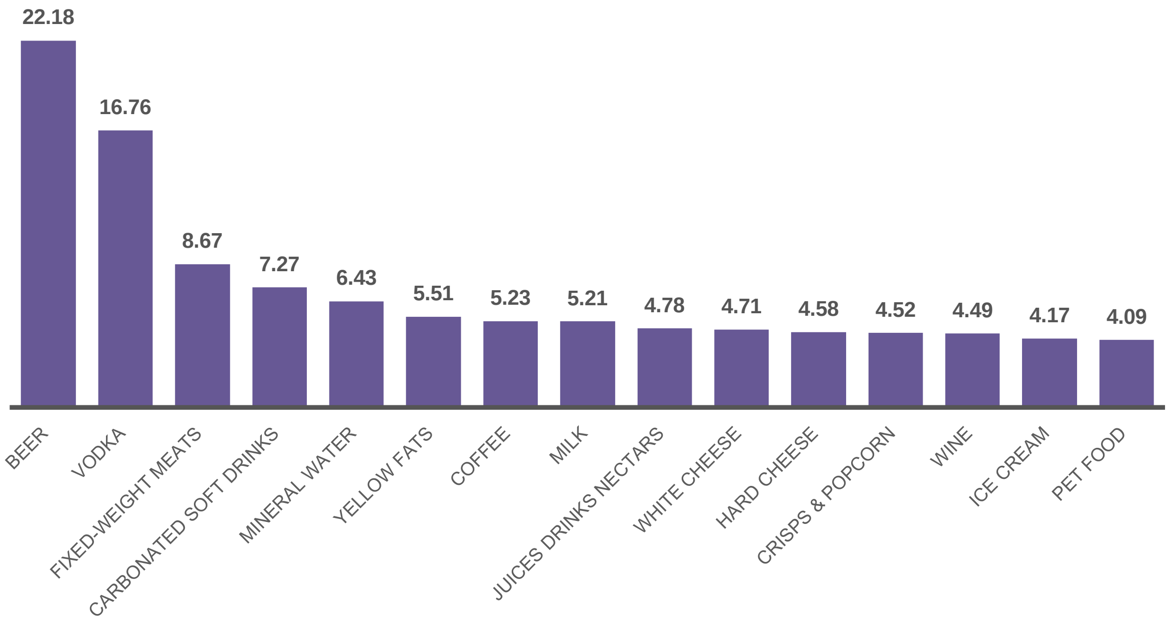
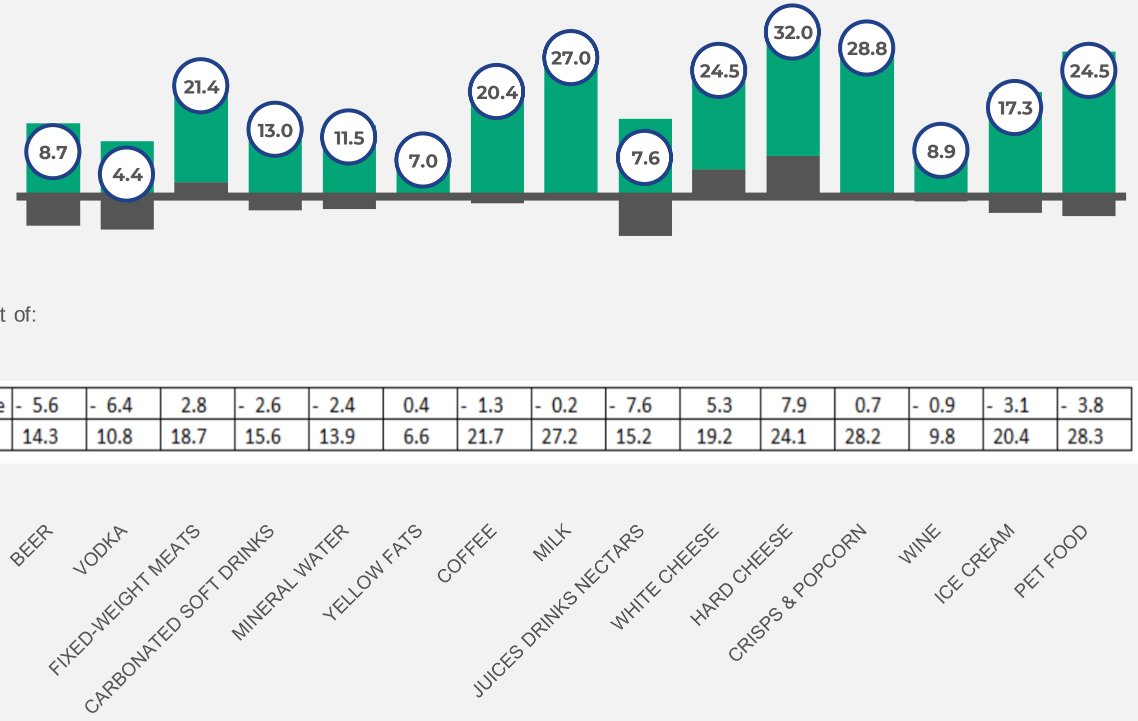
Top 15 categories – Food basket

MAT Aug 2023, Total Poland

- Sales Value in bln PLN



- Sales Value % change vs YA



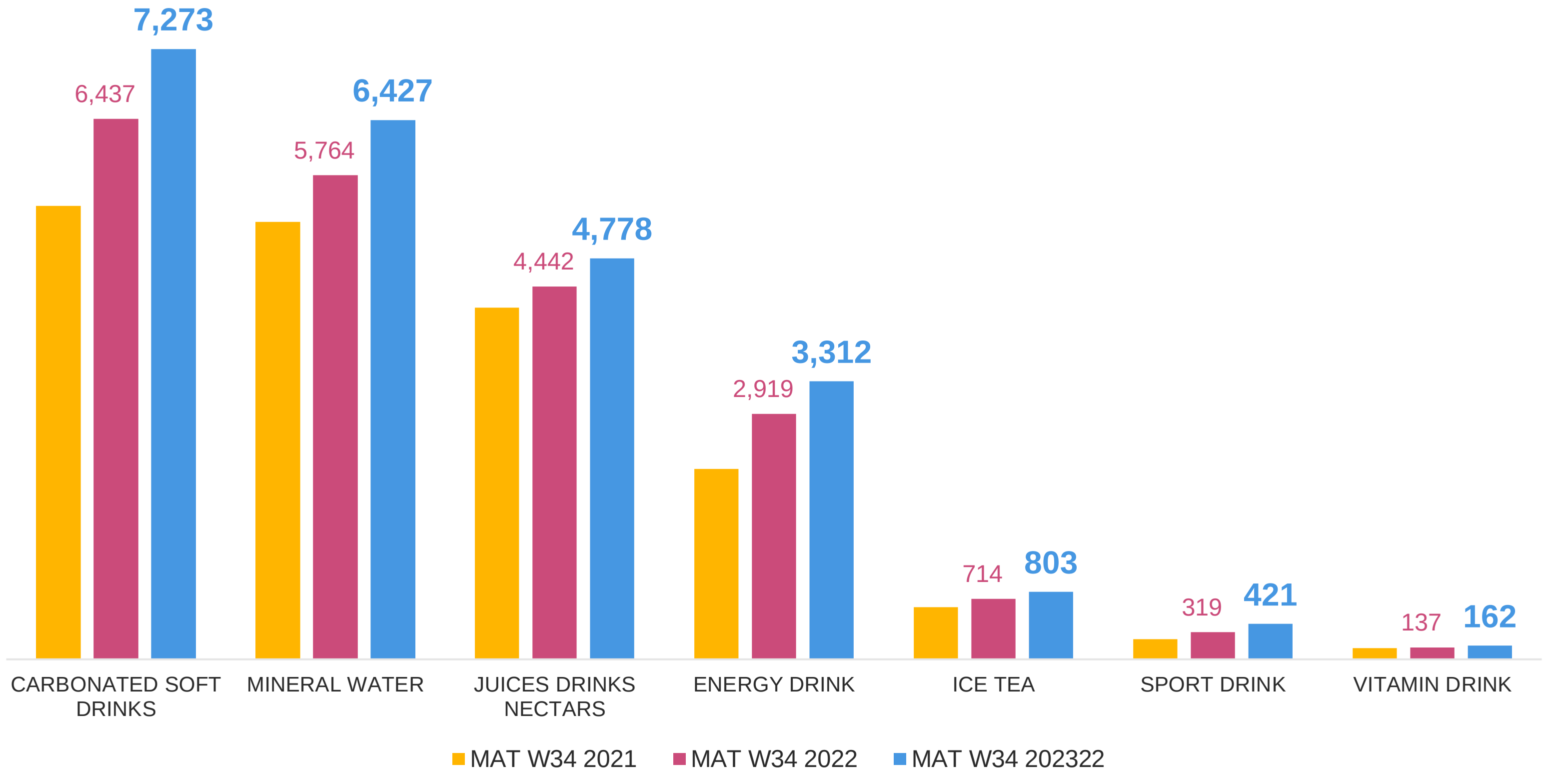
Impact of:

Volume	- 5.6	- 6.4	2.8	- 2.6	- 2.4	0.4	- 1.3	- 0.2	- 7.6	5.3	7.9	0.7	- 0.9	- 3.1	- 3.8
Price	14.3	10.8	18.7	15.6	13.9	6.6	21.7	27.2	15.2	19.2	24.1	28.2	9.8	20.4	28.3

Non-Alcoholic Beverages with over 23 billion PLN

NAB basket grows by 11.8% over the last 12 months & adds over 2 billion PLN mainly due to increasing prices.

Except Juices, Drinks, Nectars (7.6%) all categories with double-digit growth.



Non-Alcoholic Categories, Total Poland, MAT W34 2023 vs MAT W34 2022 vs MAT W34 2021, sales value

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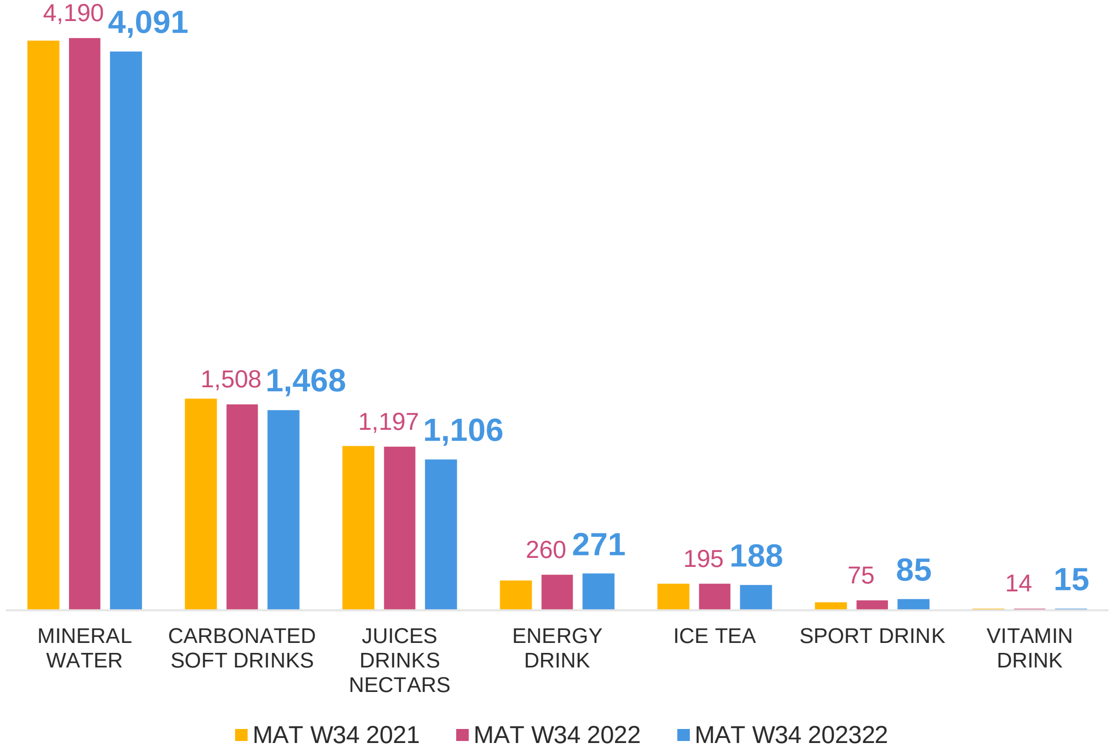
Non-Alcoholic Beverages decline 2.9% in sales volume.

Energy/Sport Drinks are the only growing category in terms of volume (6.4%).
Juices, Drinks, Nectars with the biggest volume drop (-7.6%).



214

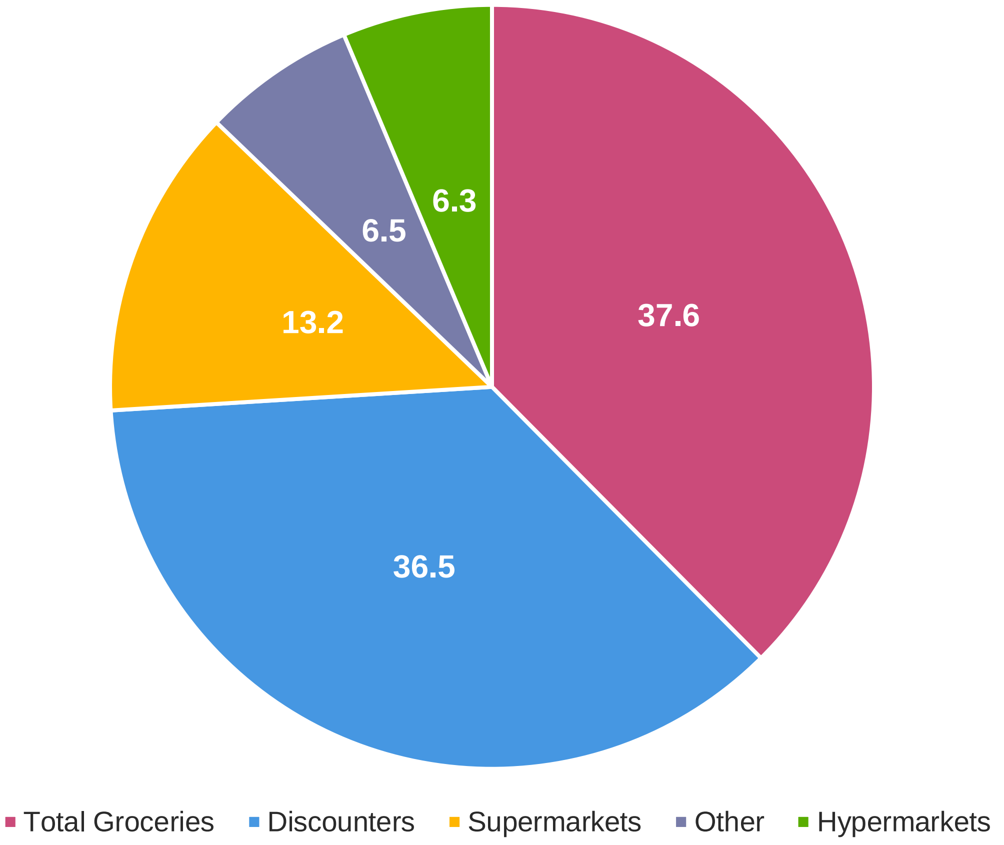
million liters less vs year ago

Non-Alcoholic Categories, Total Poland, MAT W34 2023 vs MAT W34 2022 vs MAT W34 2021, sales volume

Total Groceries lead in value. Discounters control majority of volume.

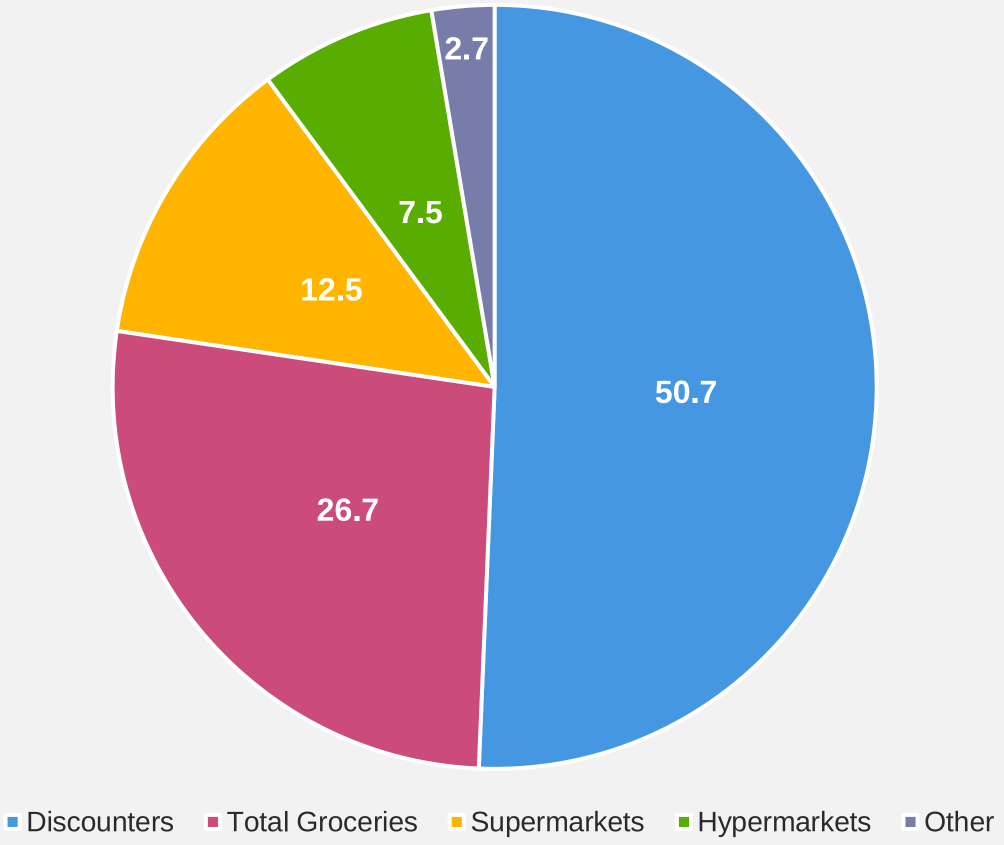
Discounters (+17%) & Supermarkets (+16%) with double-digit growths.

Total Groceries as key channel with over 8.7 billion PLN sales value.



Discounters as the only channel with positive volume trend (+2%).

Hypermarkets (-10%) & Total Groceries (-8%) with biggest volume drop over last year.



Non-Alcoholic Categories, Total Poland & Channels split, MAT W34 2023 vs MAT W34 2022, sales value & volume

Nearly 20% of NAB sales value comes from light or no-sugar product

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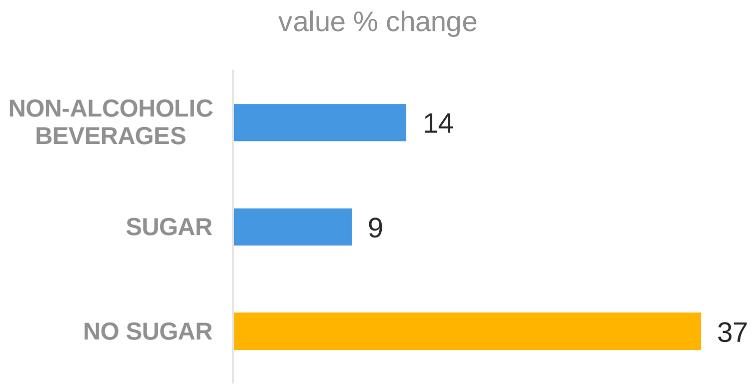
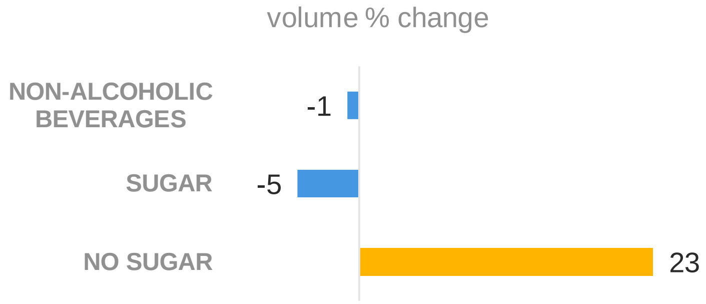
No-Sugar Non-Alcoholic Beverages reach 2 billion PLN mark.

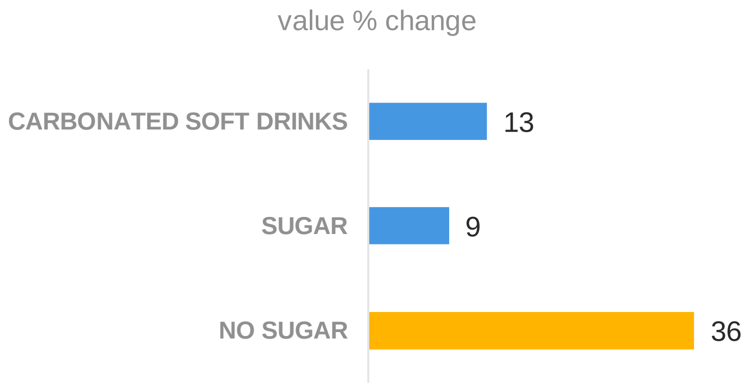
Diet segment as a key driver for CSD & Energy/Sport Dinks development.

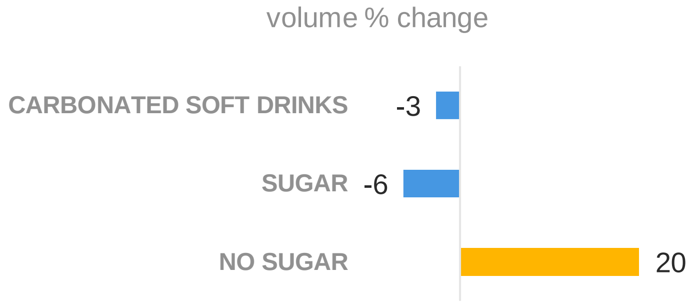
Non-Alcoholic Beverages



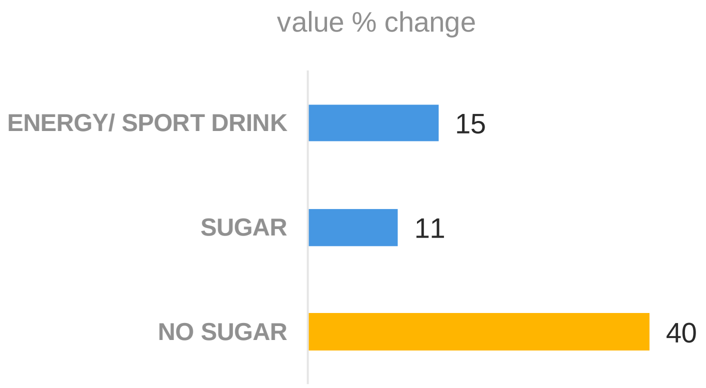


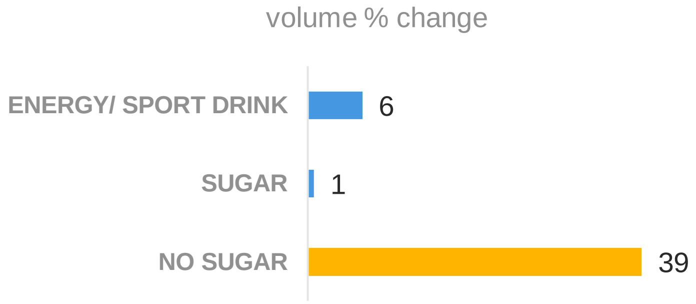
Carbonated Soft Drinks





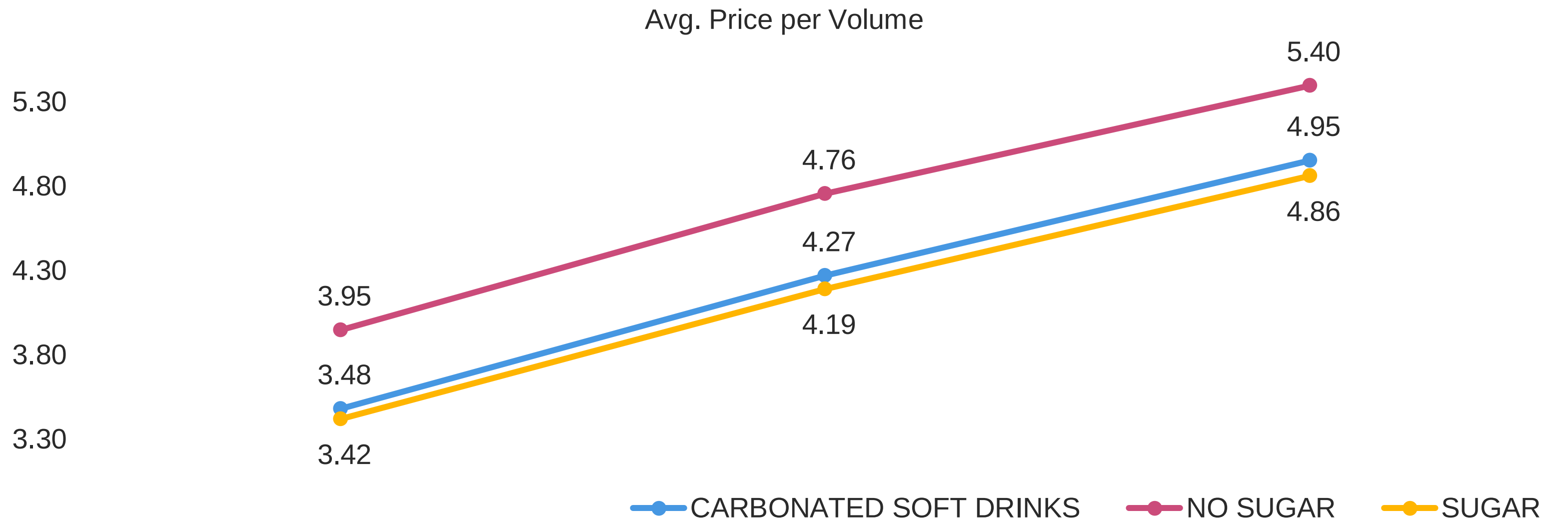
Energy/Sport Drinks

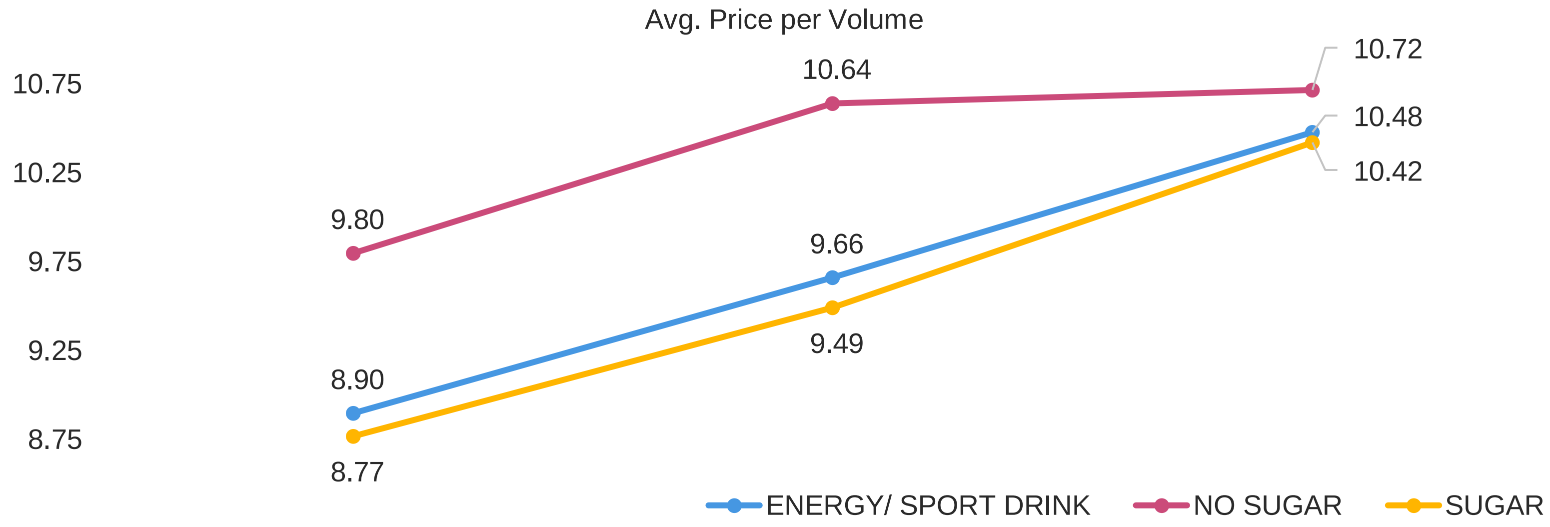




Non-Alcoholic Beverages, Carbonated Soft Drinks & Energy/Sport Drinks (sugar/no sugar), Total Poland, MAT W34 2023 vs MAT W34 2022, sales value & volume

“No-Sugar” beverages drive volume sales despite being more expensive.





Non-Alcoholic Beverages, Carbonated Soft Drinks & Energy/Sport Drinks (sugar/no sugar), Total Poland, MAT W34 2023 vs MAT W34 2022, Avg. Price per Volume

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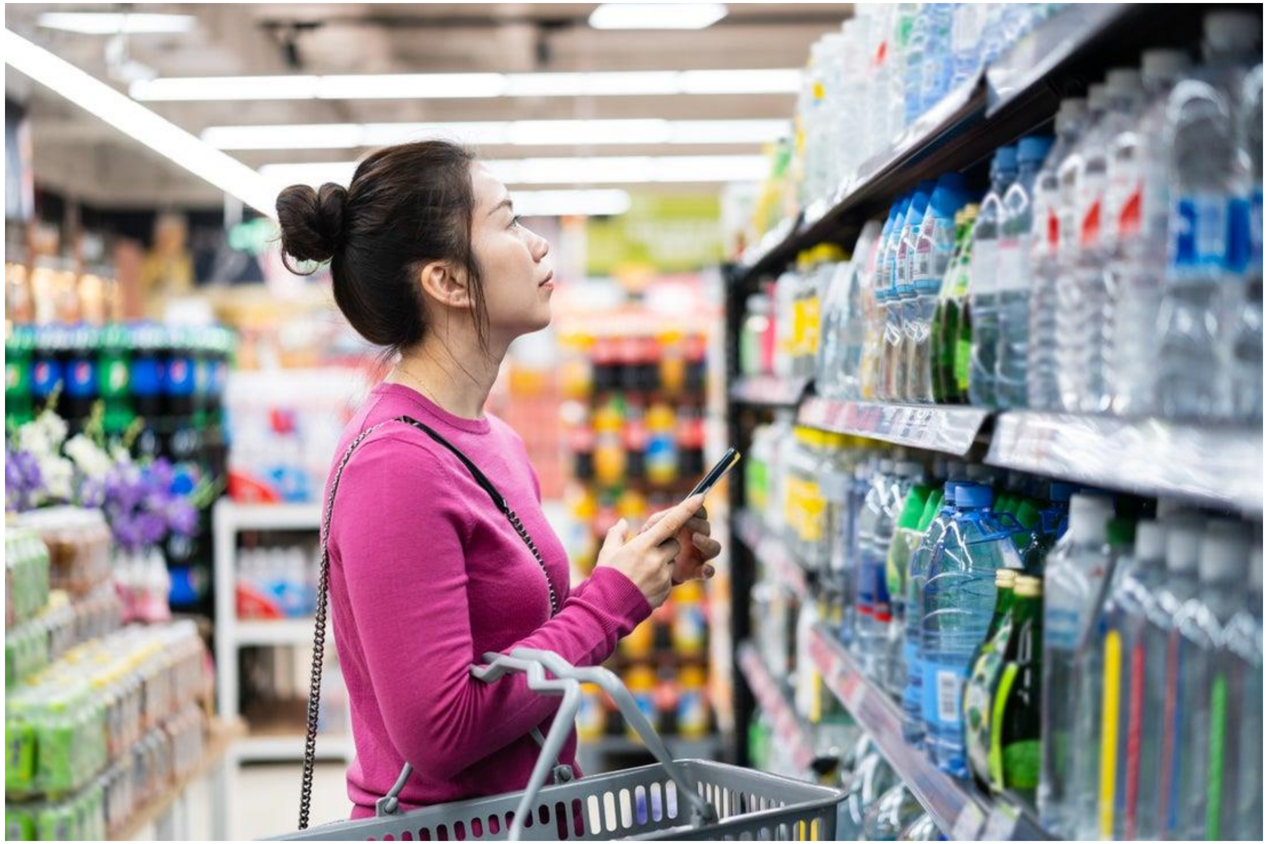
Last 12 months resulted in 4.1 billion plastic bottles bought.

Can is the second most popular pack type with 1.2 billion pieces.



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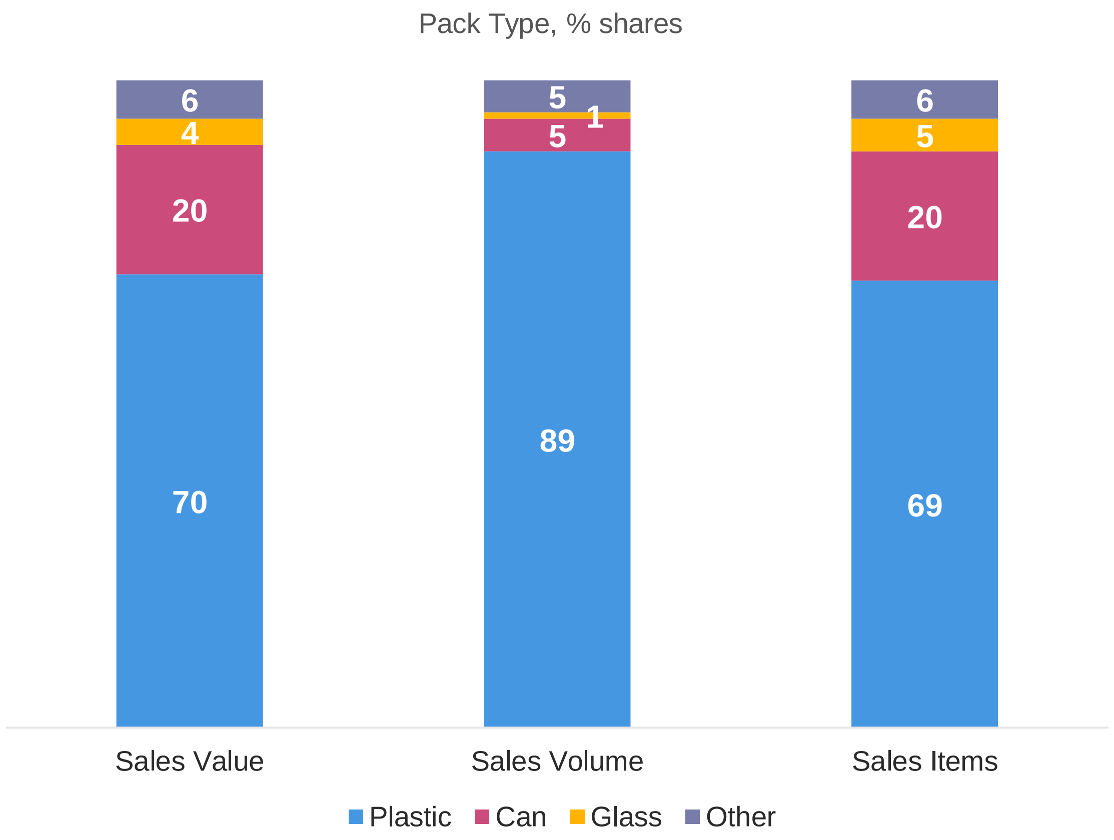
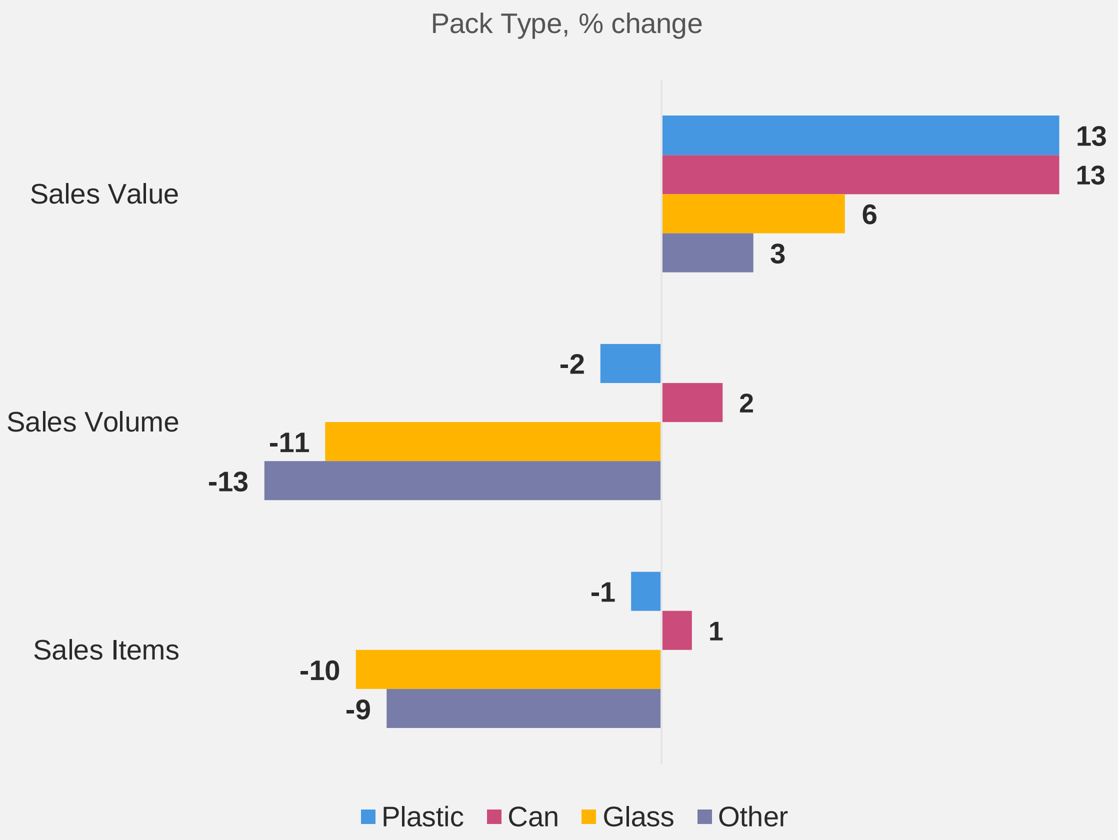
Plastic bottles stand for 70% of all non-alcoholic beverages sold in latest year.

Nearly 90% of all volume comes in plastic.



Can as the only non-declining pack type, mainly due to Energy/Sport Drinks performance.



Non-Alcoholic Beverages (Pack Type), Total Poland, MAT W34 2023 vs MAT W34 2022, sales value & volume

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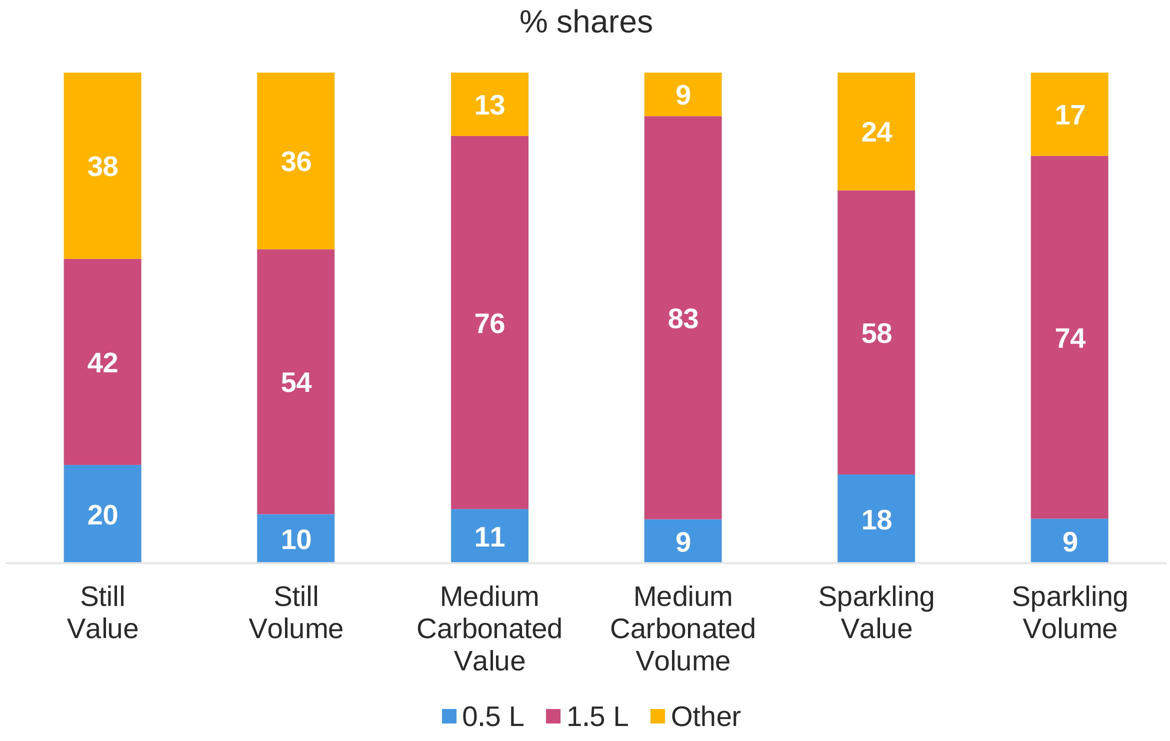
1.5L bottles drop in sales volume by 4.4%

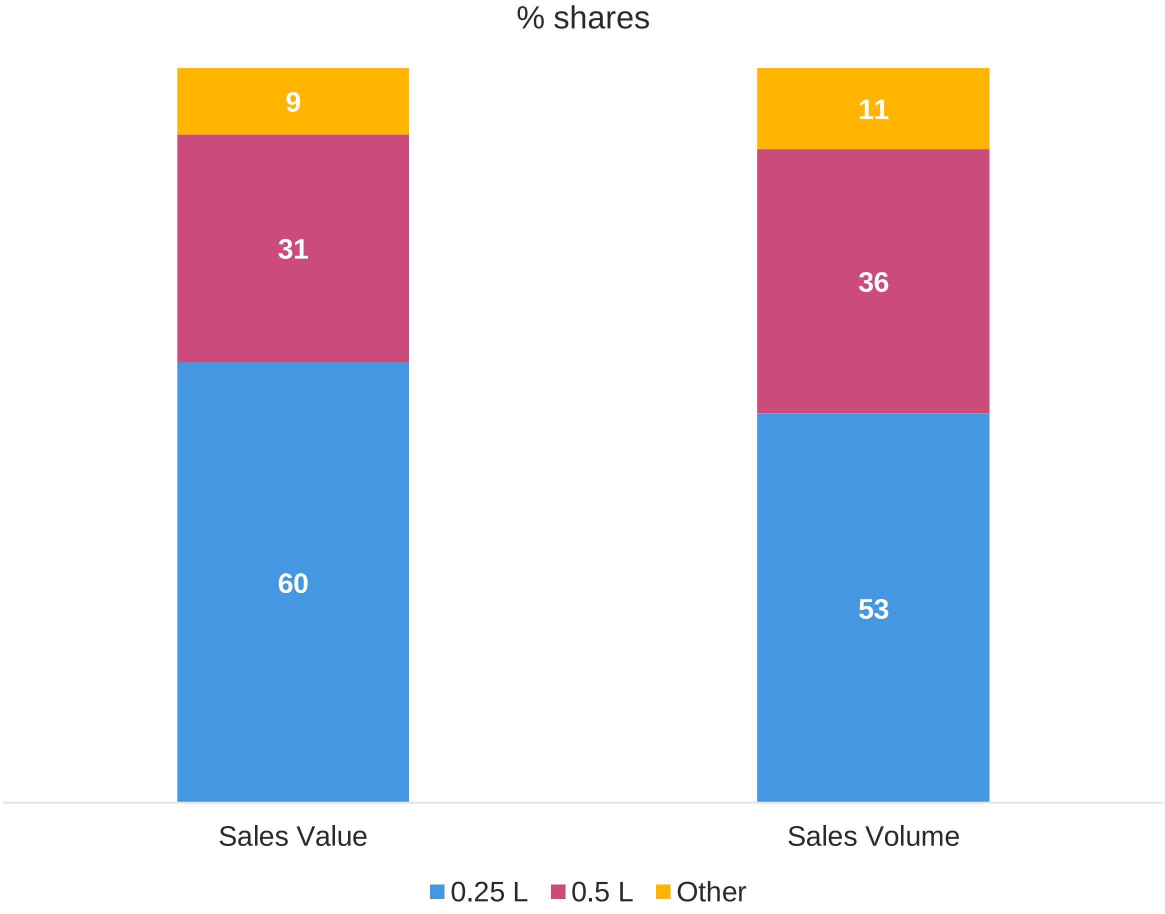
They control 53% of value % 65% of volume but decreased their importance in the category over the last 3 years



Mineral Water, Total Poland, MAT W34 2023 vs MAT W34 2022, sales value & volume

Energy Drinks grow due to stability of core pack size & development of 0.5 L segment

While big 1 L pack is declining, smaller packages are gaining interest and market shares (0.33 L & 0.33-0.5 L with double digit growth)



Energy Drinks, Total Poland, MAT W34 2023 vs MAT W34 2022, sales value & volume

QUESTIONS?

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MORE INFO ON GROWTH BEYOND PRICE

More info on paths to growth at our webinar on 12.10. at 11.00
registration link

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