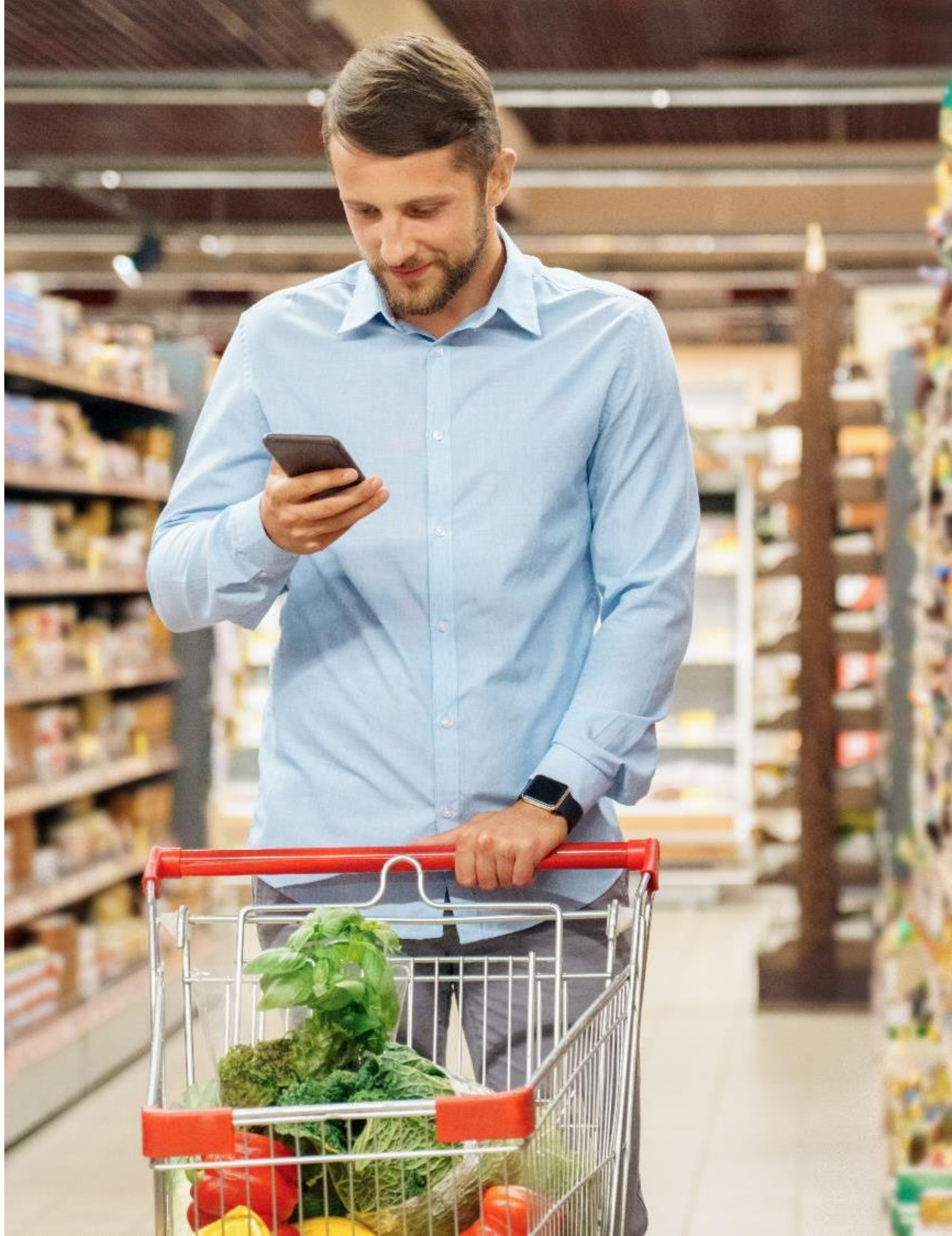
Disruption & Uncertainty

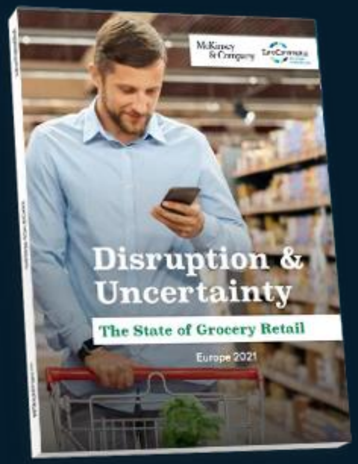
The State of Grocery Retail 2021

Webinar with the DG for Agriculture and Rural Development

«CDG ANIMAL PRODUCTS – BEEF & VEAL SECTORS»

October 18, 2021





The State of Grocery Europe 2021

Collaboration between

McKinsey & Company
EuroCommerce for retail & wholesale
europanel Powered by GfK and Kantar

3 sources of insight

CEO's Voice	**~50 European grocery CEOs** surveyed and 6 CEOs interviewed
The Customer's View	**10k consumers** surveyed across 10 key European countries
Market Data	**Industry market data** on biggest grocery retail trends – partnering with EuroPanel

Looking back:
Grocery retail growth at an all time high

Modern retail market growth,
% YoY growth 2019-20

	Total[1]	Germany	United Kingdom	Nether-lands	France	Spain	Italy	Portugal	Sweden	Czech Republic	Poland	Russia
Revenue[2] YoY growth	11.6	12.6	13.6	9.5	8.4	13.6	12.9	13.4	15.4	10.1	10.5	8.3
Hypermarket[3] YoY growth	3.3	9.9	4.4	N/A	3.4	7.9	-2.7	N/A[6]	7.6	8.0	-6.7	-5.6
Supermarket[4] YoY growth	10.6	16.7	9.6	7.0	9.8	13.6	12.2	11.1	12.3	7.8	16.5	-0.4
Online YoY growth	53.9	39.9	66.7	55.9	41.9	63.2	62.4	58.6	101.1	17.7	55.2	50.9
Discounter[5] YoY growth	11.9	8.9	12.2	6.5	7.5	12.9	19.5	16.1	16.3	13.3	13.6	14.4

1. Weighted average across 11 markets according to 2020 total grocery revenues for each country
2. Revenue data only measures value of purchases that are taken home (i.e. excludes value of purchases that are consumed on-the-go, at work, etc.).
3. Large retail outlets under common ownership with sales area > 2,500m².
4. Smaller retail outlets under common ownership, excluding Discounters. Sales area between 450m² to 2,500m².
5. Limited range Discount retailers such as Aldi, Lidl, Biedronka, Norma, Netto, Eurospin, Penny, Dia, Leader Price.
6. Sales area between 3,000 to 6,000m², substantial non-grocery store offering.

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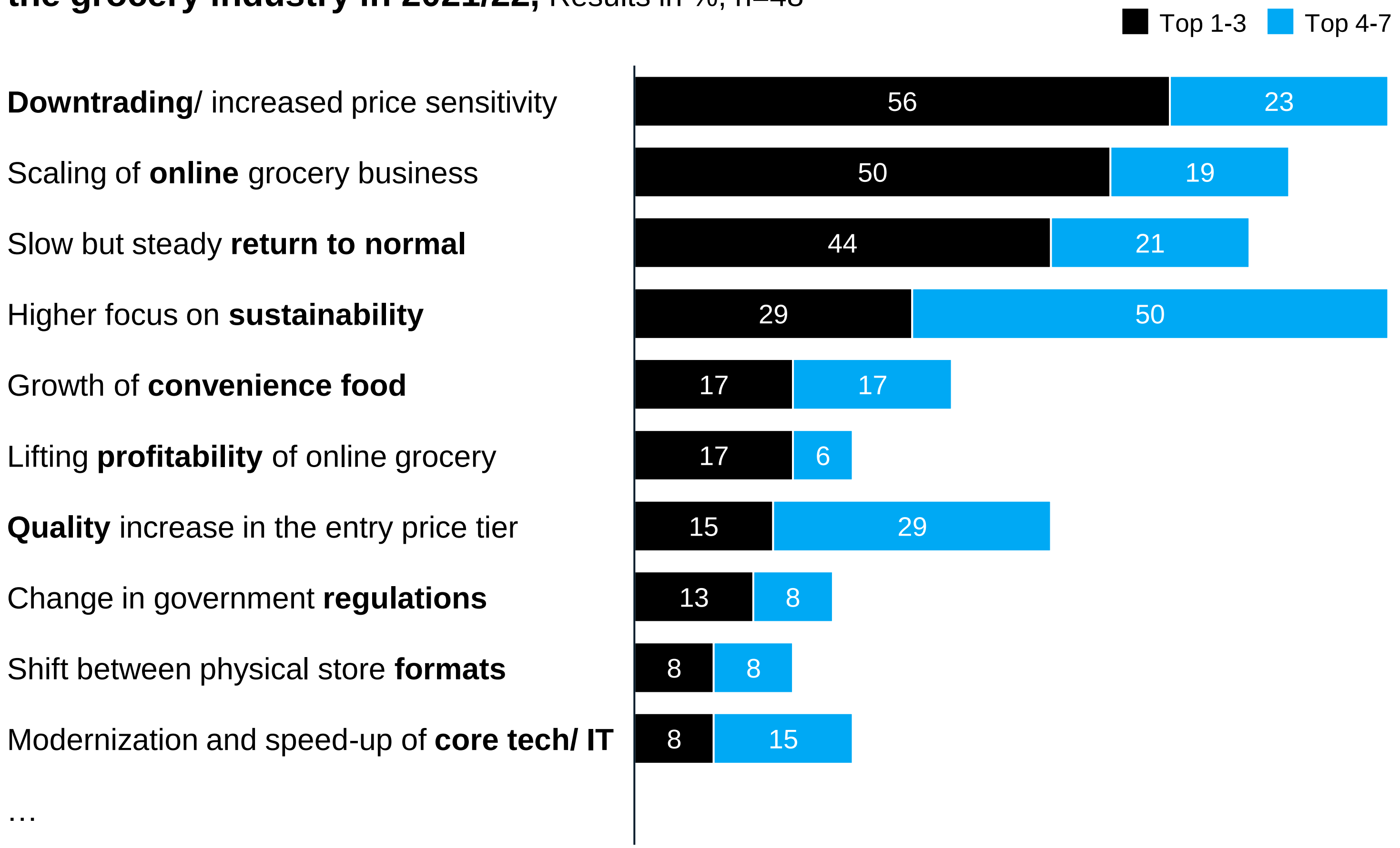
Highest revenue increase:

Sweden **+15.4%**
Spain **+13.6%**
United Kingdom **+13.6%**

Looking forward: Grocery retail CEO's view

We asked CEOs to rank the top 7 trends they think will shape the grocery industry in 2021/22, Results in %, n=48



56%

of CEOs ranked **downtrading and an increase in price sensitivity** as most influential trend in 2021

Source: The State of Grocery CEO survey, Jan 2021, total n = 48

We identified 10 trends in the report, but 5 key shifts stand out and will shape the grocery industry in the coming years

A

Online becomes core

39% of market growth went to online in the UK in 2020 (18% average in Europe)

B

Value is king (again)

37% of consumer plan to save more money while grocery shopping in 2021 than in 2020

C

Lifestyle agendas drive food demand (health, sustainability & convenience food)

50% of consumers plan to buy more healthy, local or environmentally friendly products in 2021

D

Restaurants return

49% of CEOs think that the market situation will worsen in 2021 compared to 2020

E

Profitability pressure for grocers driven by growth of online, downtrading and stagnating/declining sales

Looking forward - 10 trends will drive grocery retail

Channel shifts

1
Online becomes core

47% growth contribution of online in the UK in 2020 (18% average in Europe)

2
Restaurants return

49% of CEOs think that the market situation will worsen in 2021 compared to 2020

3
Brick-and-mortar super-markets losing share

5.9% annual growth 2015-19 of discount, online, minimarkets and specialty stores, while supermarkets only grew by 1.6% per year

Changes in price and value

4
Value is king (again)

37% of consumers plan to look for ways to save money while shopping grocery

5
Higher quality expectations in entry-level price tiers

26% of consumers want to save more money on food in 2021 and ask for more sustainable and healthy products at the same time

Lifestyle agendas drive food demand

6
Health and organic

30% of consumers intend to spend more on healthy eating in 2021

7
Sustainability

19% of consumers intend to spend more on environmentally friendly products in 2021

8
Convenience food

34% of CEOs name convenience food as a top priority

Efficiency and new value pools

9
Technology as a differentiator

13% annual growth of investments in warehouse automation; speed in IT becomes a differentiator

10
Advanced analytics & the path toward personalization

3-6% additional sales potential through advanced analytics

Source: State of Grocery consumer survey, State of Grocery CEO survey, Europanel, LZ Retailytics, McKinsey CPA

Looking forward: Consumer's view

- 39 to -30 · - 29 to -20 · -19 to -10 · -9 to 0 · 1 to 10 · 11 to 20 · 21 to 30 · 31 to 40 · 41 to 50

Net intention of customers 2021 vs 2020, in %

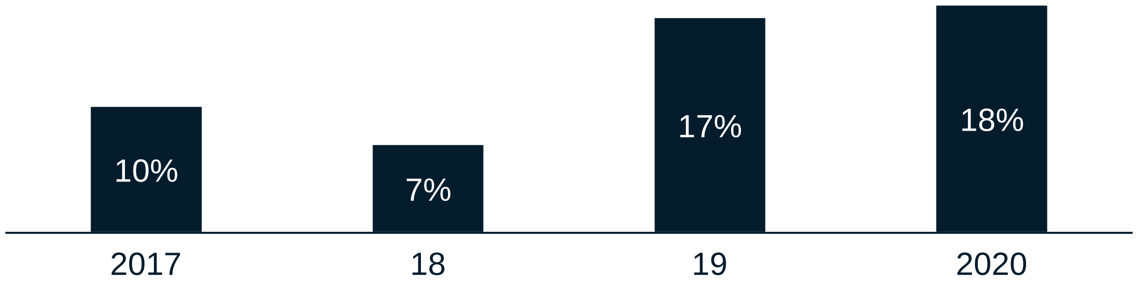
	I plan to …	Average	CH	DE	ES	FR	IT	NL	PL	RU	SE	UK
Value is king again	... look for ways to **save money** when shopping	34%	35%	27%	44%	33%	39%	27%	35%	36%	26%	38%
	... actively research for **best promotions**	27%	24%	23%	34%	27%	40%	20%	32%	34%	19%	22%
	... switch to less **expensive** products	17%	20%	11%	30%	11%	18%	15%	15%	17%	9%	24%
Lifestyle driven growth in food demand	... focus on **healthy** eating and nutrition	30%	29%	37%	36%	31%	32%	30%	34%	16%	27%	29%
	... spend more on **regional/local** products	24%	29%	31%	30%	34%	31%	20%	22%	6%	20%	21%
	... spend more on **environmentally** friendly products	19%	21%	24%	26%	24%	20%	16%	22%	2%	15%	17%
	... buy **imported** products	-25%	-31%	-34%	-23%	-37%	-20%	-19%	-18%	-22%	-25%	-25%
Online becomes core	... buy groceries **online**	10%	9%	5%	13%	12%	7%	9%	11%	11%	11%	16%

Question: Which of the following statements best describes your attitudes towards grocery shopping in 2021 as compared to 2020? Answers: More, about the same, less. Calculation: The percentage is calculated as net sentiment (deducting % of people intending to do activity less in 2021 vs. 2020 from % of people intending to do activity more)

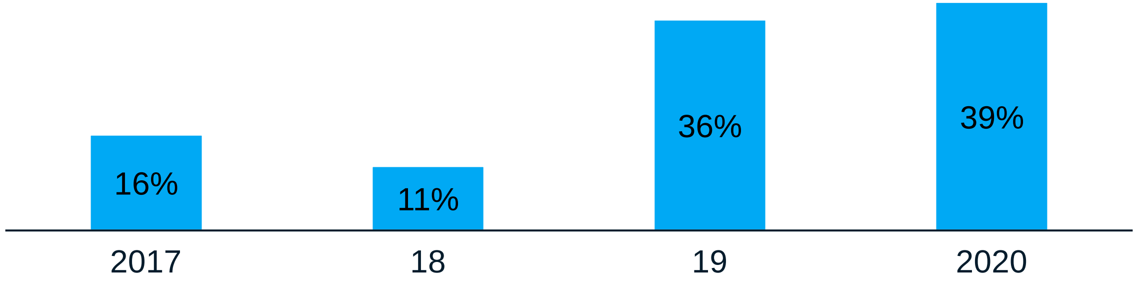
A: Online as key driver of growth – accelerated in 2020

Online growth contribution in % of overall growth, YoY 2017 – 2020

Average Europe[1]



United Kingdom



1. Growth calculated as simple average across European countries

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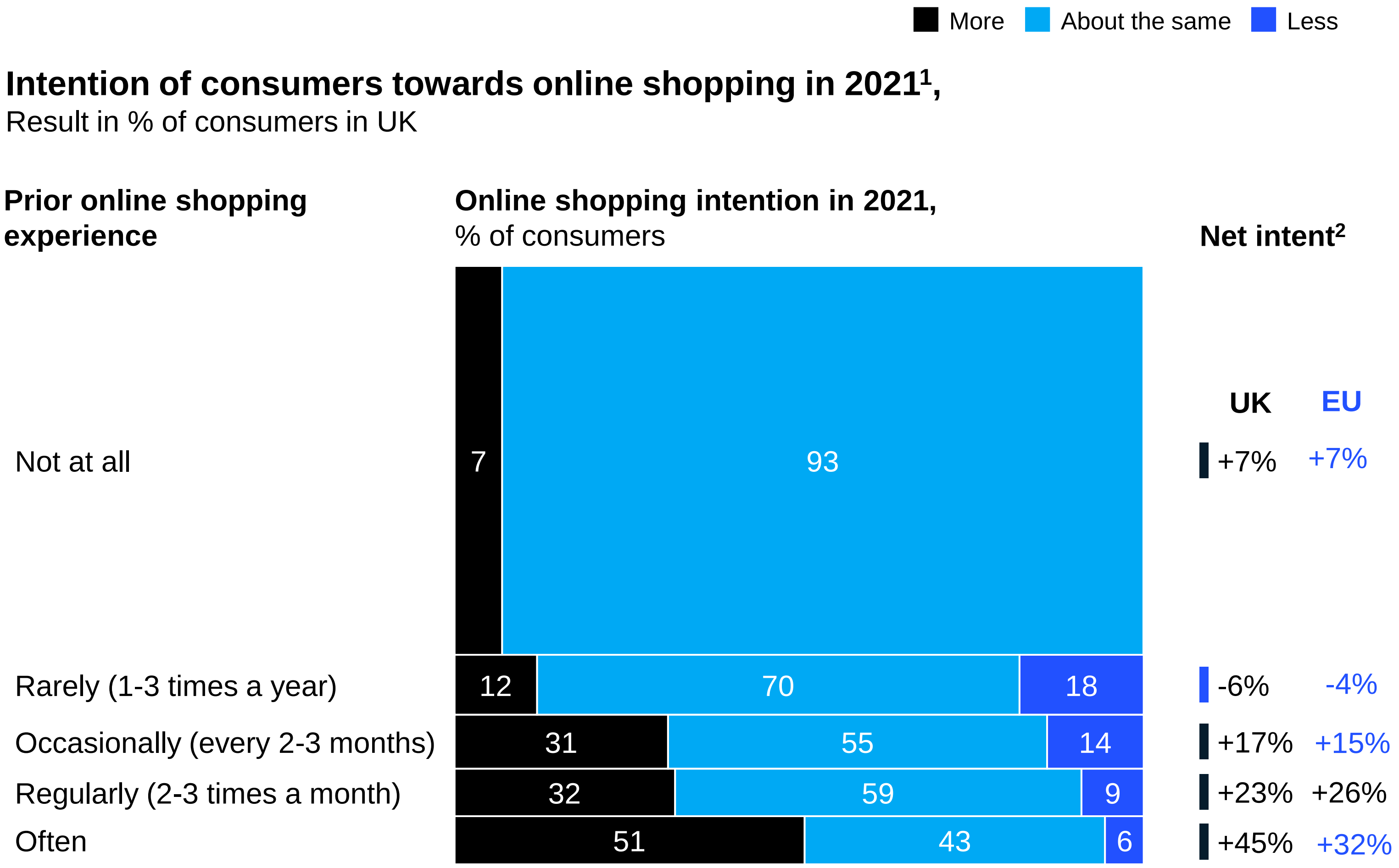
Online growth contribution is growing across Europe and contributing to 18% of overall grocery growth in 2020

A: Regular and occasional online shoppers plan to boost their online spending in 2021

Intention of consumers towards online shopping in 2021[1],
Result in % of consumers in UK



1. Question: Which of the following statements best describes your attitudes towards grocery shopping in 2021 as compared to 2020. Result for "I plan to buy groceries online"; 2. Net intent is calculated by subtracting the % of respondents stating they expect to decrease from the % of respondents stating they expect to increase.

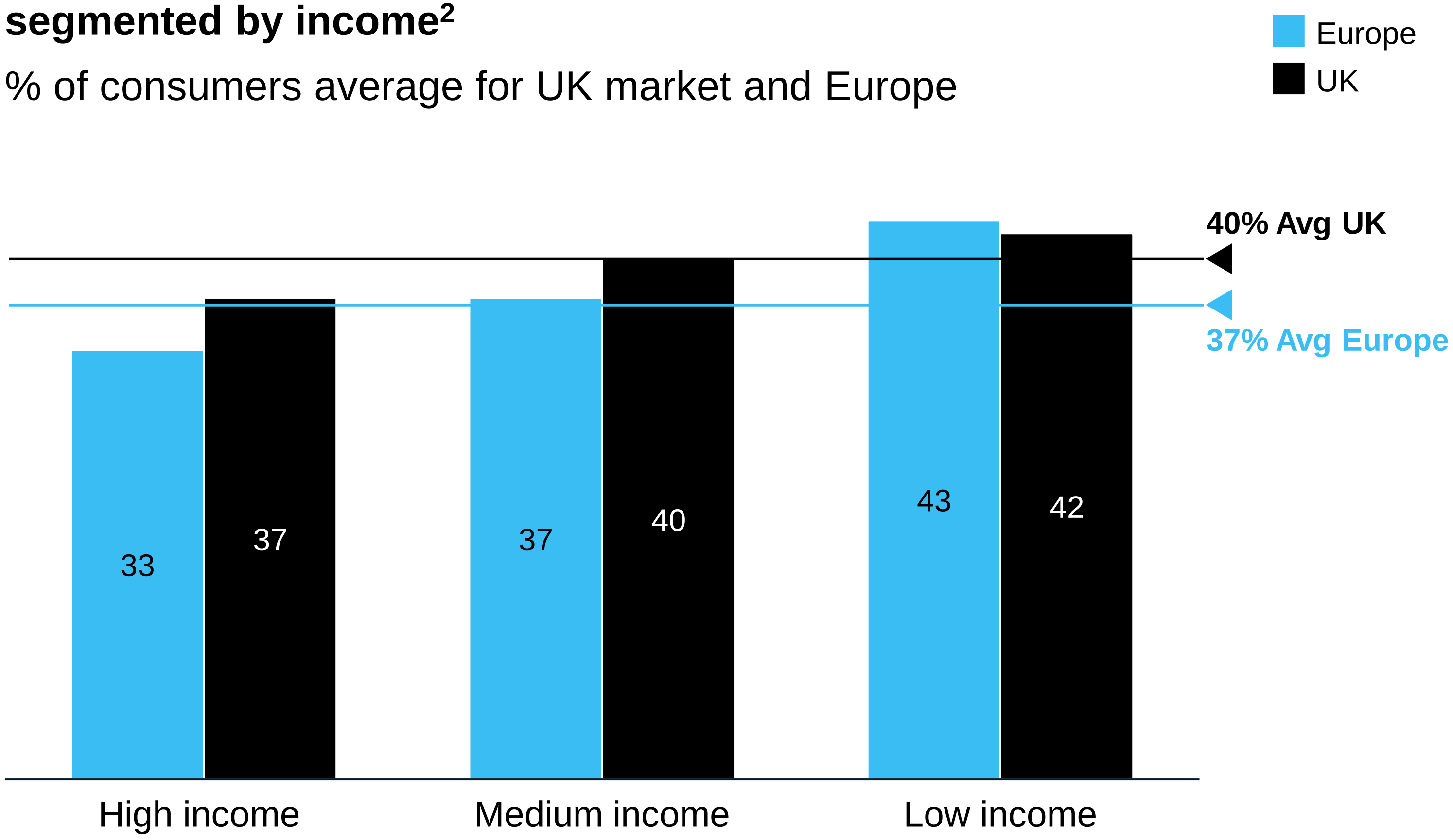
Source: The State of Grocery customer survey, Jan 2021, total n = 1000

Consumers who shop online at least occasionally, intend to boost their online shopping even more in 2021

B. Consumers across all income segments are looking for ways to save money in 2021

Intent of consumers who plan to look for ways to save money[1], segmented by income[2]

% of consumers average for UK market and Europe



1. Question: Which of the following statements best describes your attitudes towards grocery shopping in 2021 as compared to 2020. Result for “I plan look for ways to save money”
2. Income groups defined per country depending on regional factors and average wages

Source: The State of Grocery customer survey, Jan 2021, total n = 1000 (UK)

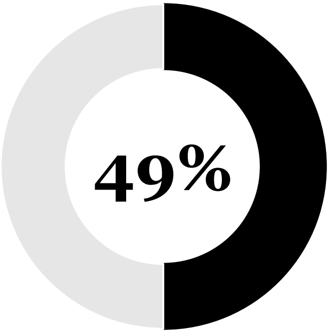
40%

across all consumer segments in UK plan to look for ways to save money while grocery shopping

C: Lifestyle agendas drive food demand in Europe

less
more

I[1] plan to…

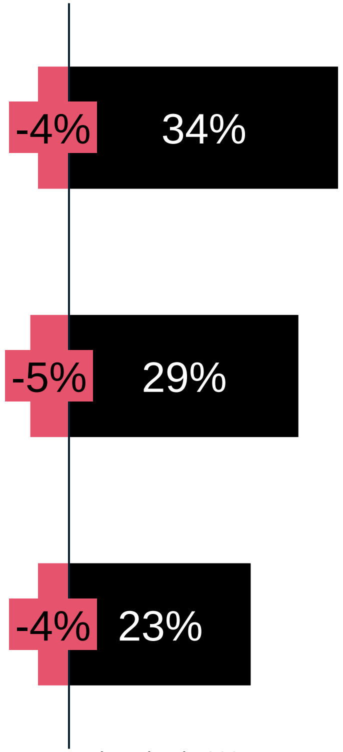


of consumers plan to shift their spend towards lifestyle agendas[4]

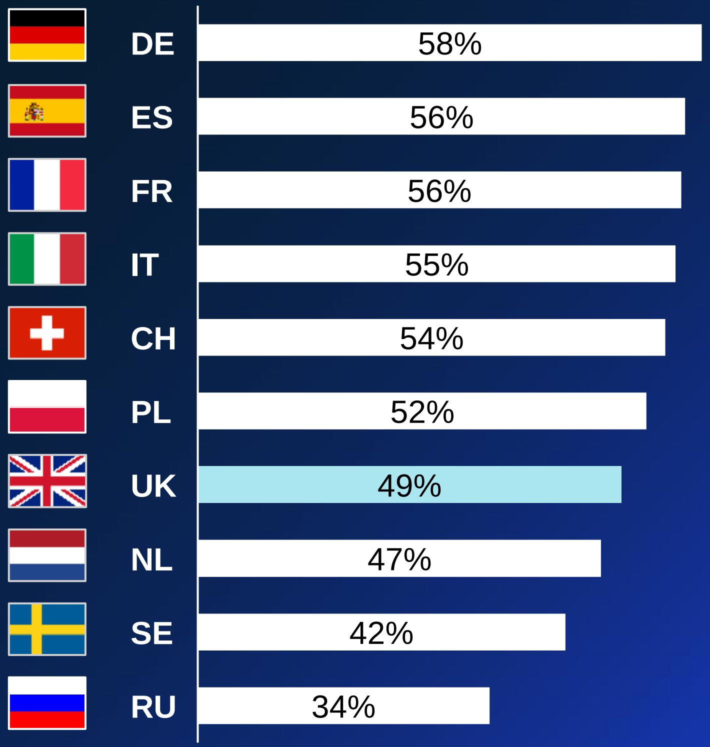
... focus on healthy eating and nutrition[2]

... spend more on regional/ local products[3]

... spend more on environmentally friendly products[3]



% of consumer with changing lifestyle agendas, intent in % of consumers per country[4]



1. I refers to European Consumers; 2 Question: Which of the following statements best describes your attitudes towards grocery shopping in 2021 as compared to 2020? Answers: More, about the same, less 3. Question: Thinking about 2021, do you expect that you will spend more, about the same, or less money on following types of food products as compared to 2020? 4. Share of consumers stating to plan at least 1 of the 3 changes in shopping behavior

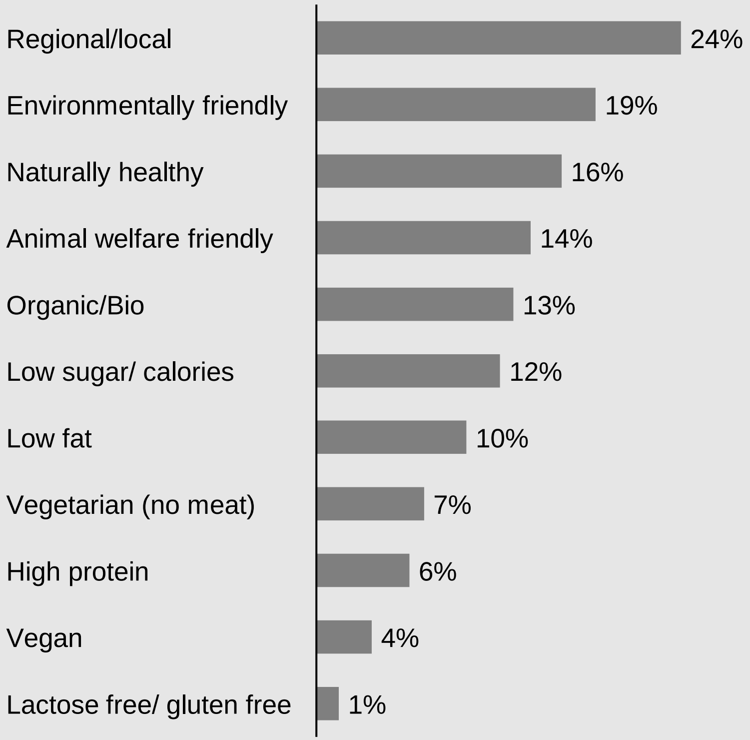
Source: The State of Grocery customer survey, Jan 2021, total n = 10,000

C. Consumers plan to spend more on sustainable and healthy foods in 2021, especially in locally sourced products

Question A4: Thinking about 2021, do you expect that you will spend more, about the same, or less money on following types of food products as compared to 2020?

	CH	DE	ES	FR	IT	NL	PL	RU	SE	UK	EU*
Regional/local	29%	31%	30%	34%	31%	20%	22%	6%	20%	21%	24%
Environmentally friendly	21%	24%	26%	24%	20%	16%	22%	2%	15%	17%	19%
Naturally healthy	14%	17%	24%	17%	16%	14%	22%	14%	11%	16%	16%
Animal welfare friendly	17%	20%	22%	18%	15%	14%	15%	-1%	10%	13%	14%
Organic/Bio	17%	19%	16%	19%	13%	12%	12%	7%	10%	7%	13%
Low sugar/ calories	9%	15%	25%	11%	11%	9%	16%	5%	11%	12%	12%
Low fat	7%	11%	23%	9%	10%	8%	16%	2%	4%	11%	10%
Vegetarian (no meat)	7%	11%	5%	6%	2%	14%	6%	-2%	12%	11%	7%
High protein	7%	6%	11%	4%	0%	6%	11%	3%	6%	8%	6%
Vegan	7%	5%	5%	1%	-1%	6%	4%	-2%	5%	6%	4%
Lactose free/ gluten free	3%	-1%	5%	1%	0%	2%	3%	-3%	2%	3%	1%

European average, in % not weighted



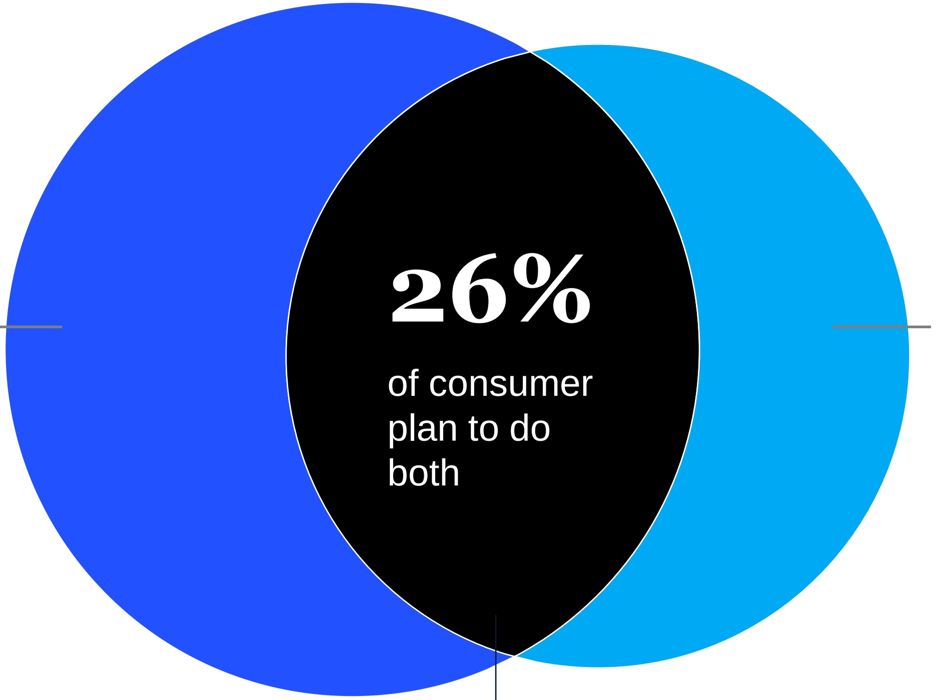
Note: The percentage is calculated as the net sentiment (% of people spending more deducting % of people spending less in these channels)

* Not weighted European average

C: 26% of consumers want both, lower prices and changing their lifestyle agendas

50%

of consumers plan to shift their spend towards lifestyle agendas[1]



37%

of consumers plan to look for ways to save money[2]

35% for the age group under 36 years

26%

of consumers want both, save money on groceries while shifting their spend towards lifestyle agendas

1. % of consumers who plan to focus on healthy eating and nutrition, spend more on regional/local products or spend more on environmentally friendly products (Average across European countries: CH, DE, ES, FR, IT, NL, PL, RU, SE, UK) 2. Question: Which of the following statements best describes your attitudes towards grocery shopping in 2021 as compared to 2020. Result for “I plan look for ways to save money”

C. Inspiration on how to address the health and sustainability need

Health

Healthy private brands

Tesco “Free from”

Gluten, wheat or milk-free products for people with special dietary requirements

Migros “You”

Combines “Low of”, “High of” and “superfood-rich” products under appealing self-care branding

Scoring system

Delhaize Nutri-Score and loyalty system

Product scoring based on nutritional value, with special discounts, for loyalty card members, on highly scoring products

Aldi Healthy Picks app

Mobile app that categorises products by a health rating and suggests healthier alternatives

Sustainability

CO2 emission score

Migros M-Check

Sustainability product scoring based on the impact level on climate change and animal welfare

K Group Carbon Footprint Calculator

Mobile app that caters to lifestyle choices by presenting the CO2 footprint and origin for major products

Meatless brands

E.Leclerc “NAT & Vie”

Vegetarian product range with limited use of artificial additives