

UNLOCKING SHOPPER CONSUMPTION IN 2021

CRACK THE 2021 CONSUMPTION CODE TO LOCK IN GROWTH

NIELSEN BRANDBANK

UNLOCKING SHOPPER CONSUMPTION IN 2021

INTRODUCTION

It's no secret that ecommerce has thrived throughout the COVID-19 pandemic. With many countries experiencing widespread lockdowns throughout the past year, ecommerce quickly became a go to for shoppers across the globe. A year on, and that early reliance on ecommerce has expanded into a fundamental dependence for shoppers.

Whilst the omnichannel shopper was not initiated from the global pandemic, it certainly accelerated it, dramatically elevating shoppers' use of both online and offline channels, whether for click and collect, contactless delivery or an array of other fulfillment options. Across many shopper groups, online channels have become the most critical shopping resources with many maturing into online super users, even if they occasionally opt to buy in traditional brick and mortar stores.

Globally, 66% of shoppers say that they have changed how they buy categories and brands, which has major implications for manufacturers and retailers.

A large number of shoppers are finding new ways to manage their household budgets: 46% say they buy products based solely on promotions, irrespective of the brand, 42% say they're driven by the lowest price and 45% always seek private label/store brands to save money. However, 55% of shoppers say they are brand loyal and will only change brands if the regular price increases (53%).

Nevertheless this demonstrates that the majority of shoppers are scrutinising their purchases by weighing up what matters to them versus the cost. And with 81% of global shoppers saying that they will continue to restructure their spending in 2021, we can expect even more change this year.

For manufacturers and retailers the changing shopping behaviours is challenging to manage as there is not a one size fits all approach, however there are some common ground across the new shopper groups to look out for: 85% want a better variety of quality value offers; 80% are willing to buy direct from manufacturers and 71% are still willing to pay more for higher quality. The next step for brands and retailers is to identify who and where shoppers are now, pinpoint shoppers' consideration criteria and crack the 2021 consumption code to unlock growth.



66%

OF SHOPPERS SAY THAT THEY HAVE CHANGED HOW THEY BUY CATEGORIES AND BRANDS

81%

OF SHOPPERS SAY THAT THEY WILL CONTINUE TO RESTRUCTURE THEIR SPENDING IN 2021

UNLOCKING SHOPPER CONSUMPTION IN 2021

UNDERSTANDING THE SHOPPER GROUPS

In 2020, NielsenIQ identified the impact COVID-19 is having on shoppers and separated them into two distinct shopper groups, as unemployment numbers soared and the disease took hold worldwide. The two groups were defined as “constrained” - those who faced job losses - and “insulated” - those who held their jobs and felt generally secure. However a study conducted by NielsenIQ in December 2020 and released in March 2021 found that shopper circumstances and intentions relative to spending had changed significantly and required further segmentation. This built the four new cohorts and identified their new habits which are expected to be very different to what was experienced in 2020.

EXISTING CONSTRAINED

Were already watching what they spent prior to COVID-19 and this has not changed.

NEWLY CONSTRAINED

Experienced worsening household income/financial situations and are consciously watching what they now spend.

CAUTIOUS INSULATED

Limited impact to income/financial situation, but are watching what they spend a lot or much more than before.

UNRESTRICTED INSULATED

Similar or improved income/financial situation and do not feel the need to watch what they spend.

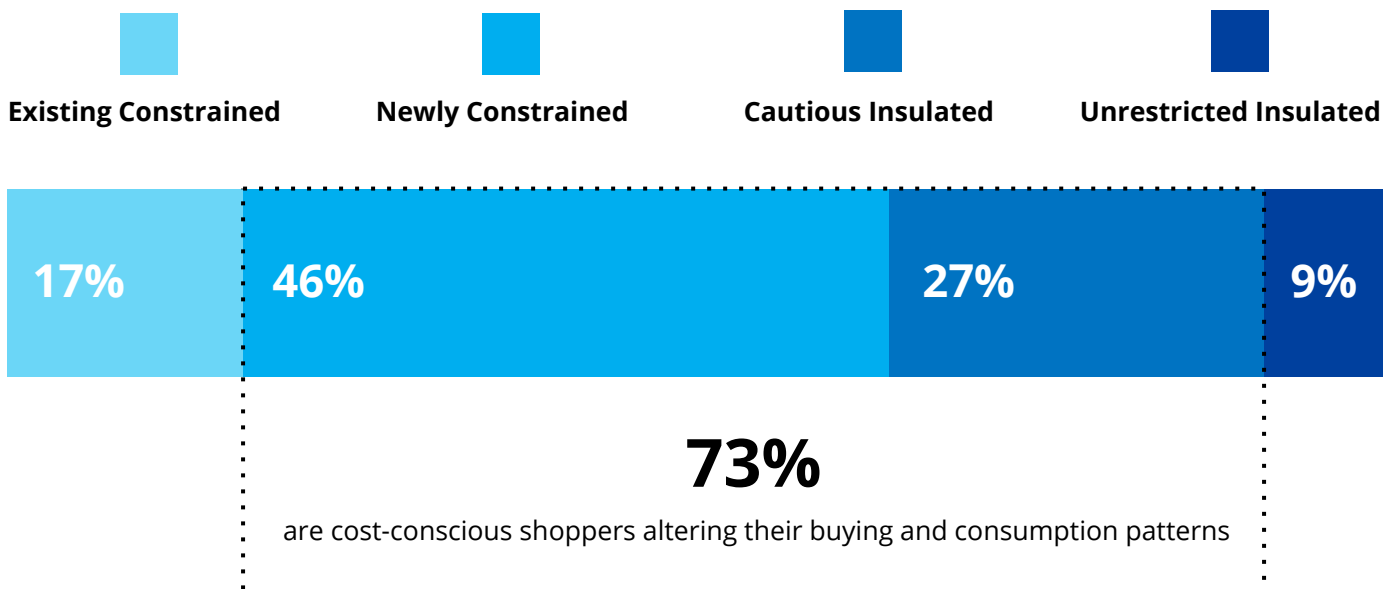
UNLOCKING SHOPPER CONSUMPTION IN 2021

IDENTIFYING WHO, AND WHERE YOUR SHOPPERS ARE NOW

Early into the global pandemic, already 23% of shoppers had experienced employment impacts placing them into that Constrained Shopper category, however since then this has doubled. Research shows that the impact on shopper circumstances has not only been restricted to employment, it has resulted in a knock on effect to income, financial situations and spending intentions, evolving the definition of Constrained Shoppers to Newly Constrained.

A massive 73% of consumers from the Newly Constrained and Cautious Insulated shopper groups are actively changing the way they shop, consume and spend. And whilst Existing Constrained and Unrestricted Insulated groups have continued to shop in similar ways to before, this has not been entirely possible due to lockdowns and restrictions.

Global Constrained and Insulated Shopper Groups



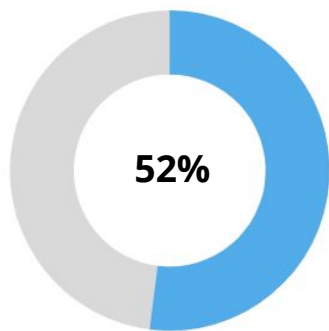
It is interesting to see how these groups vary significantly by country. How many of the Newly Constrained shoppers are found in emerging and developing markets where there are large sectors in informal employment and possibly with less extensive government income support programs. While many of the developed markets have a larger proportion of consumers with minimal impact to their income or finances.

Source: NielsenIQ Unlocking Consumption Global Survey

Copyright © 2021 The Nielsen Company (US), LLC. Confidential and proprietary. Do not distribute.

UNLOCKING SHOPPER CONSUMPTION IN 2021

IDENTIFYING WHO, AND WHERE YOUR SHOPPERS ARE NOW



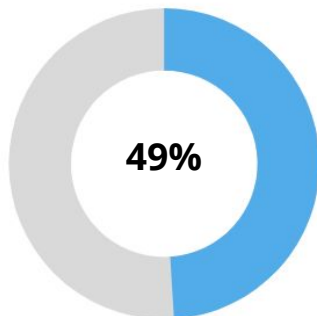
EMPLOYMENT IMPACT
Permanent / temporary job loss, salary cuts, unpaid leave

With a few early signs that there will be substantial improvement in confidence or spending due to the vaccine, the economic, employment, environmental and societal consequences of the pandemic will continue to be foremost in shaping mid to longer term behavioural resets and consumption patterns. More than half of shoppers (52%) around the world have experienced some level of employment impact through permanent/temporary job loss, reduced salaries or taking unpaid leave. And for many, financial support packages have come to an end despite the second wave, with only 13% of global shoppers still receiving support packages.

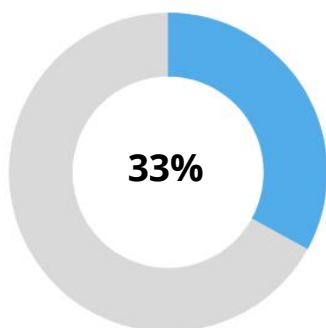
As a result this has meant that nearly half of global shoppers with household finances have deteriorated since the onset of COVID-19 and just 43% of shoppers are in the same financial situations before. Unfortunately this has meant that looking forward to the year ahead and beyond, one third of shoppers feel vulnerable about their future income prospects which will deter them from making spending adjustments.

The combination of these factors means that shoppers ability to spend is diverging and becoming increasingly polarised within markets. Correlating those markets with a higher proportion of Newly Constrained shoppers; Thailand, Turkey, South Africa and Mexico, there are now more than 50% of the population who can only afford the basics, which has increased substantially since before the pandemic. On the other hand, some markets have a larger proportion of shoppers who can spend freely. It is the rising split in the ability to spend that brands and retailers will need to carefully recalibrate the product and channels needs for the changing shopper base.

FINANCIAL SITUATION WORSENERD



LESS SECURE ABOUT FUTURE INCOME



UNLOCKING SHOPPER CONSUMPTION IN 2021

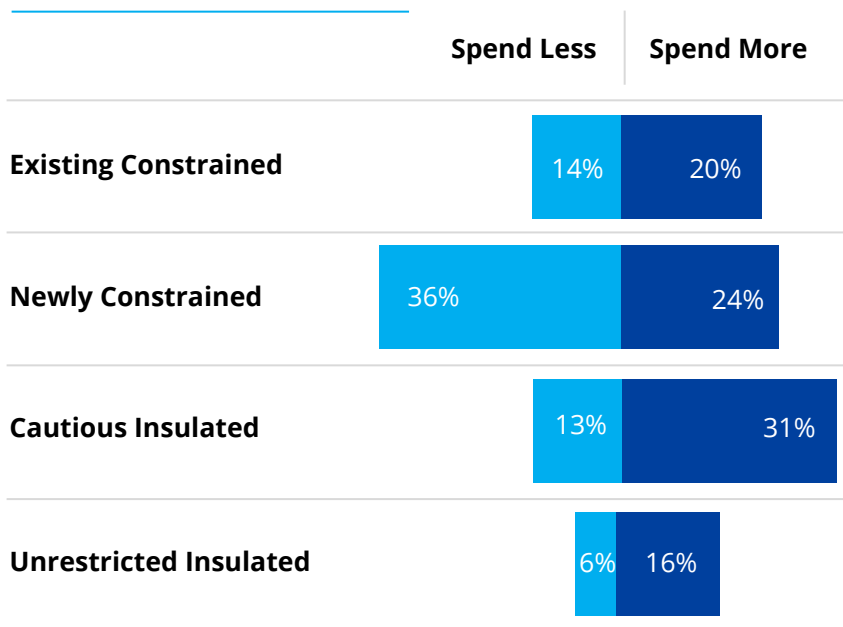
IDENTIFYING WHO, AND WHERE YOUR SHOPPERS ARE NOW

Insight into how shopper group impacts are specific

	Existing Constrained	Newly Constrained	Cautious Insulated	Unrestricted Insulated
Employment reduction	31%	79%	34%	11%
Worse financial situation	30%	90%	6%	No change
Received support but has ended	12%	21%	13%	7%
Ability to spend	41% basics	48% basics	53% comfortable	42% freely
Watch spend	100% continue	100%	93%	0%

Moving forwards, spending within households will be scrutinised and planning will be key as shoppers plan to rationalise spending, plan more and limit impulsivity. Looking back at 2020, the substantial changes in grocery spend across the four shopper groups are clear. As restrictions and safety precautions limited out of home dining, many redirected this spend into at home dining / groceries.

Grocery Spending Changes



With specific impacts emerging across the shopper groups within each market, both brands and retailers need to reassess who and where their shoppers are now.

Key questions to answer:

- What is the profile of your shoppers today? To what extent are they constrained or insulated?
- How are they planning their spend today and how might it change in 2021?
- Is your brand still relevant to their changing needs?
- Do you have the portfolio to play based on who they are and how they are spending?

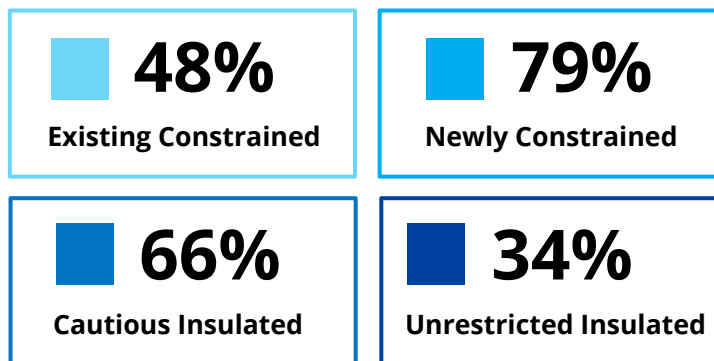
Source: NielsenIQ Unlocking Consumption Global Survey

UNLOCKING SHOPPER CONSUMPTION IN 2021

PINPOINT SHOPPERS CURRENT CONSIDERATION CRITERIA

A massive 66% of shoppers globally have changed the way they shop and for brands and retailers it is critical to understand what changes each shopper group is making to manage the impact of brand and categories strategies. There are two distinct shopper coping mechanisms emerging. Shoppers are looking to obtain more value than ever before due to their compressed budgets and precautionary mindset. But also shoppers are making these decisions in the context of the brands that they know and trust.

How purchasing has changed across shopper groups since the onset of COVID-19



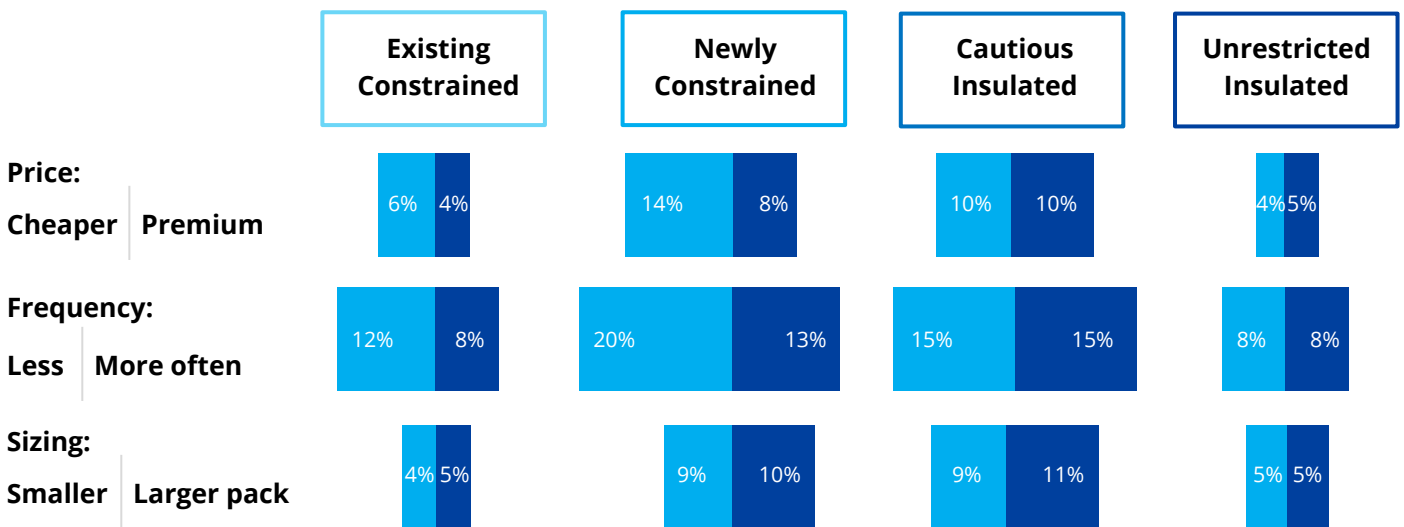
Many of the shoppers that are managing their household grocery budgets by making value trade offs fit into the Newly Constrained and Cautious Insulated groups that are experimenting with low price products, considering private label products and loosen brand loyalty ties to balance their budgets. Whereas those shoppers who are managing their household grocery expenses by weighing up their brand choices together with pricing decisions, are making more conscious decision making, interrogating the benefits/claims and expanding their repertoire of preferred products. Across the range of FMCG categories these considerations are playing out in different ways for different consumers.

Exploring deeper into how shoppers shop, NielsenIQ research shows that global shoppers across 30 different categories are changing their products based on price and promotion related decisions, whilst also making changes to their shopping frequency and pack size to manage their spend. 79% of shoppers have made changes that impact their loyalty and furthermore over a quarter have made brand or store switching changes. The implications of changing shopping habits will have consequences for brands and retailers when it comes to planning optimal promotional calendars and offering the right pack size to fit the needs of the shopper.

UNLOCKING SHOPPER CONSUMPTION IN 2021

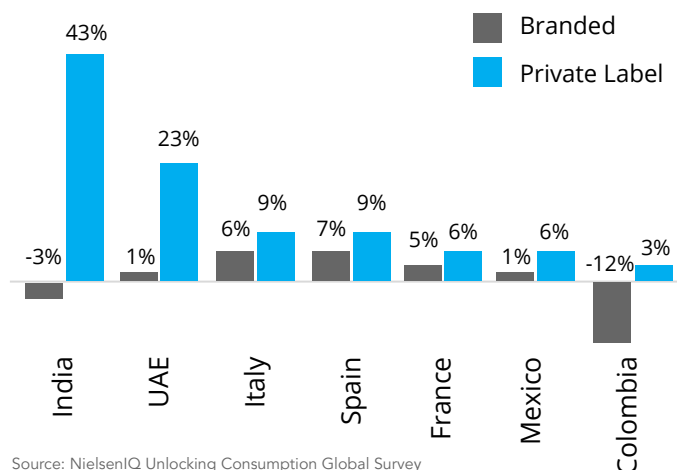
PINPOINT SHOPPERS CURRENT CONSIDERATION CRITERIA

How purchasing has changed

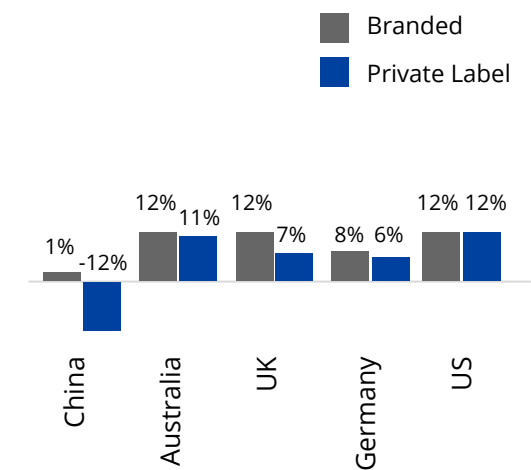


With a spotlight on pricing and promotion as a key tactic to manage spending, the industry has seen average grocery prices rise due to less promotions available. By increasing the prices and offering less promotions, this will push shoppers to justify the increased price based on the attributes or evaluation against competitor products. Interestingly this has enabled private label to become more attractive as branded prices rise. While those markets with a strong private label presence have not seen the category grow ahead of branded, the markets with a smaller private label presence have seen private label growing ahead of branded in many cases.

Private Label growth ahead of branded



Private Label growth behind branded

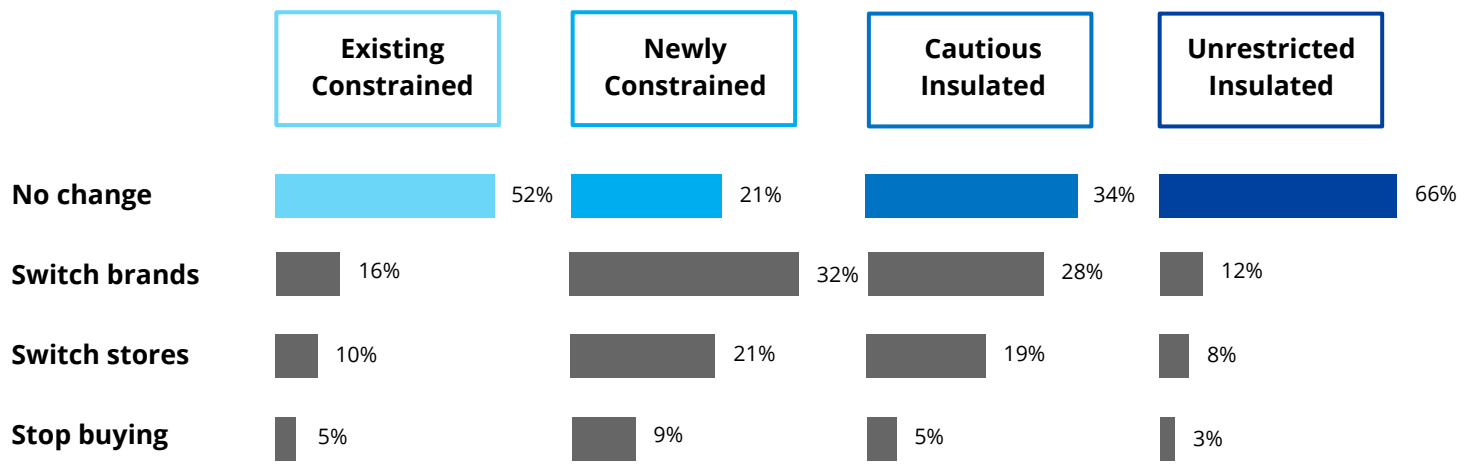


Source: NielsenIQ Unlocking Consumption Global Survey

UNLOCKING SHOPPER CONSUMPTION IN 2021

PINPOINT SHOPPERS CURRENT CONSIDERATION CRITERIA

How purchasing has changed



With specific consideration criteria emerging across the shopper groups within each market, companies need to pinpoint the coping mechanisms and tactics specific to their consumers and categories.

Key questions to answer:

- Do we have the right assortment and sizes based on the category and shopper trading up/down routes?
- What has happened to average and relative prices in my category? What are the logical price tiers in the category? Where does my brand sit? Where are the gaps to capture where shoppers have moved?
- What is the optimal depth and frequency of promotion? What are the optimal stores to promote based on shoppers propensity to travel for promotion?
- What attributes carry more weight based on what is now important to my shoppers, where are the innovation gaps for my brand? How do we communicate and convince our shoppers of our brands' benefits and worth?

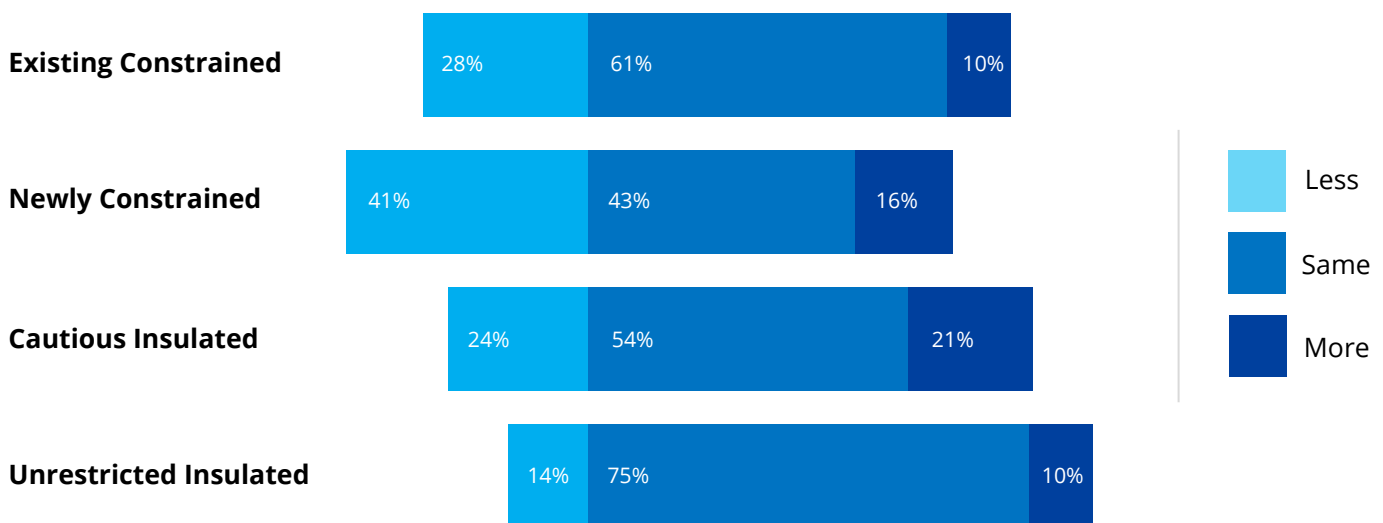
UNLOCKING SHOPPER CONSUMPTION IN 2021

CRACK THE 2021 CONSUMPTION CODE TO LOCK IN GROWTH

With an understanding of who your shoppers are and their consideration criteria, success in 2021 will be about how to unlock the code and serve your consumers altered needs by adapting strategies to protect share and achieve growth.

With many shoppers insecure about their future financial situations, the grocery spending predictions will look different across each consumer group, with many of the previous consideration criteria likely to intensify.

Grocery spend change if conditions deteriorate



While there are clear considerations on how shoppers spend, there are still some gaps in what consumers need and when compared by shopper groups the gaps become even clearer.

By being equipped with the consumption code for shoppers, categories and markets, brands and retailers can determine strategies to remain relevant in consumer baskets and inform loss or growth in category/brand spend and performance.

Shopper spend characteristics will intensify

Existing Constrained



STREAMLINE - focus on grocery essentials, minimise in-home discretionary spend.

Newly Constrained



SHRINK - rationalise spend in all wallet areas, including home consumption.

Cautious Insulated



SAVVY - replace out of home with in-home options, but more cost-conscious choices.

Unrestricted Insulated



(UP)SWITCH - divert out of home dining, leisure, travel spend to in-home indulgence, luxury and services.

Source: NielsenIQ Unlocking Consumption Global Survey

NIELSEN BRANDBANK

ABOUT NIELSEN BRANDBANK

Nielsen Brandbank is the leading provider of digital product content solutions powering omnichannel shopping experiences.

We enable brands and retailers to deliver the best shopping experience by giving them the ability to capture and share rich digital product content on all channels seamlessly. Nielsen Brandbank's end-to-end solutions connect shoppers to the most up to date and relevant digital product content making consumer goods more discoverable and engaging.

The world's biggest brands including P&G, Unilever, Walmart, Tesco and Jumbo use Nielsen Brandbank every day to digitalise the shopper experience

With over 20 years of experience and operating in 39 countries, Nielsen Brandbank is the content partner to over 52,000+ brands, 700+ retailers, and wholesalers across the globe, creating a rich online shopping experience, while minimising the cost and complexity for the industry.

For more information please visit <https://www.brandbank.com>