

FMCG overview

Post-inflational trends and expectations for 2024

Csilla Czikora

April 2024

NIQ





Macroeconomics trends



Consumer behaviors



FMCG trends



Channel trends



Private label trends



What is next?

In 2023, market trends revolved around

Price.

In the latest year, inflation was a game changer for consumers and retailers as well.

As we head into 2024, the state of consumers is

pressured

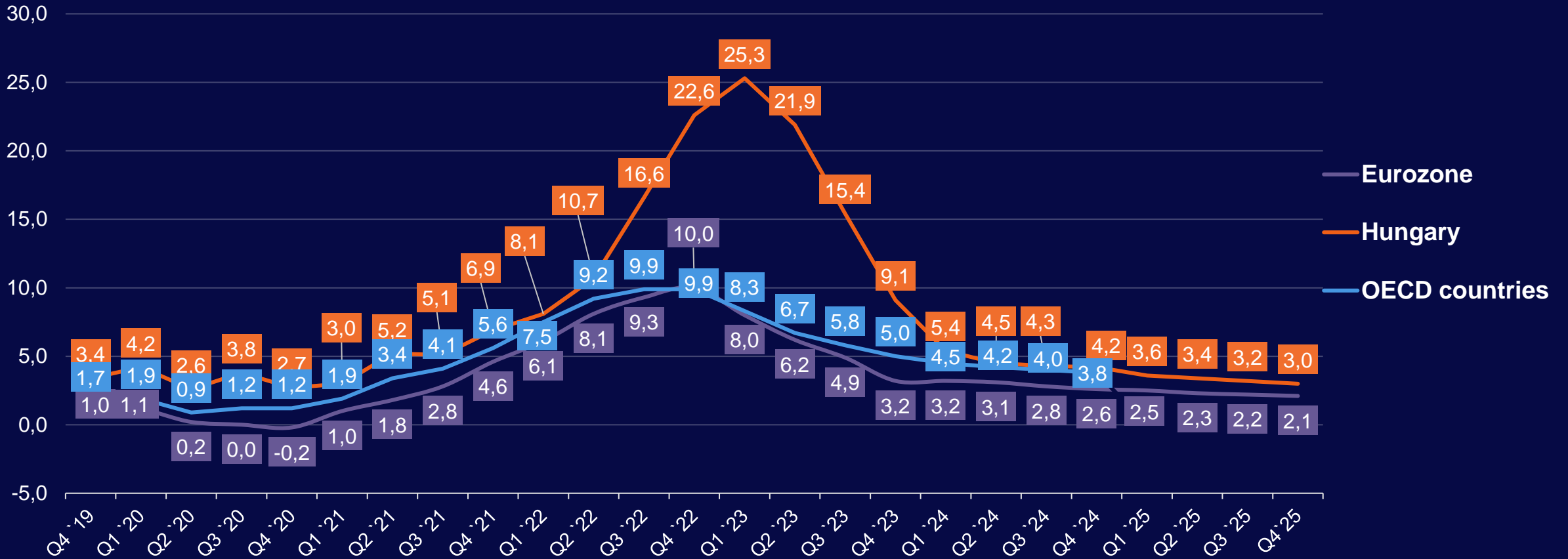
Resilience

is emerging through change as consumers shift survival tactics into long-term behavioral shifts

Gradual moderation after record inflation in Hungary

Based on the OECD forecast, the easing of record inflation seen in 2023, is expected to continue in 2024, keeping the inflation rate in Hungary in single digits.

% growth forecast for the Consumer Price Index (CPI) in OECD countries



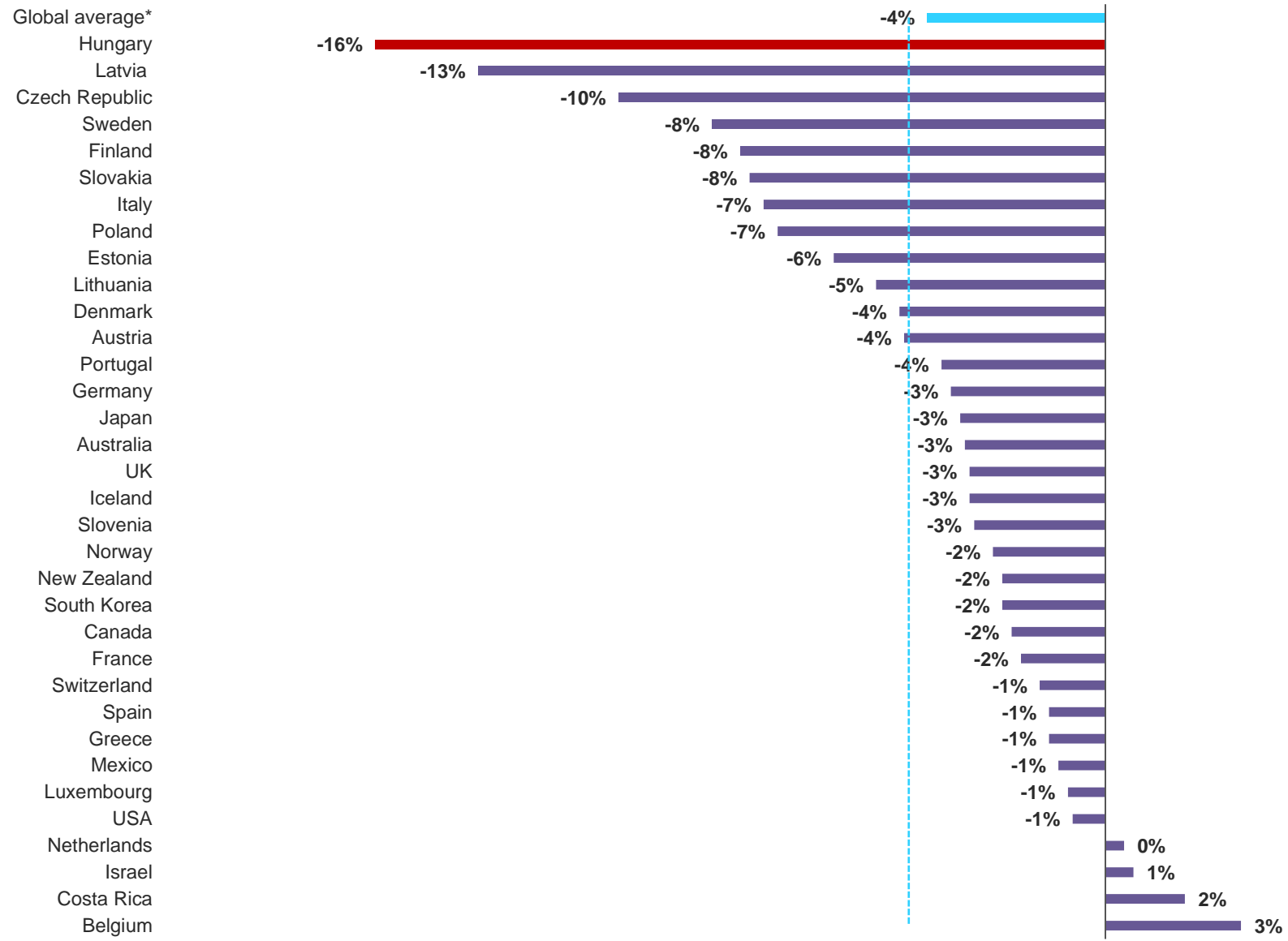
Data source of OECD countries: 2023 october

Source: OECD (2023): OECD Economic Outlook – Inflation forecast. URL: <https://data.oecd.org/price/inflation-forecast.htm>

The record fall in real wages at the beginning of 2023 determined the consumer price perception and decision-making

In Hungary real wage decline was -2.9% in 2023

% change in real wages 2023 Q1 vs. 2022 Q1



European Consumers have adopted a range of strategies to manage their FMCG spending

Top 10 consumer saving strategies for FMCG – Europe



93%
of European consumers
have changed how they
have shopped for FMCG
in order to manage
expenses

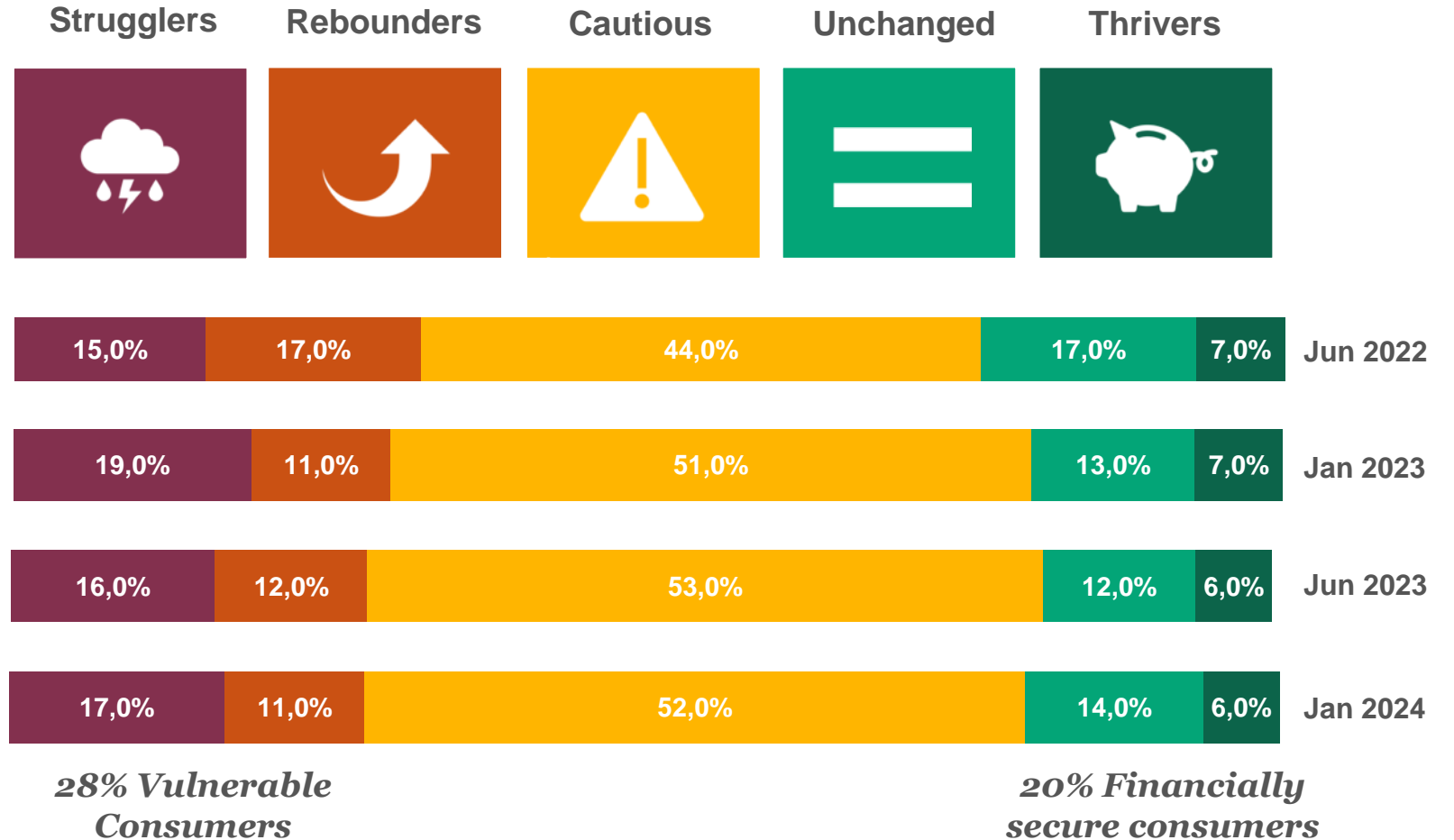
3.9
Average # of saving
strategies per
shopper

Source: NIQ 2024 Consumer Outlook, Europe

Europe - Steady and polarized

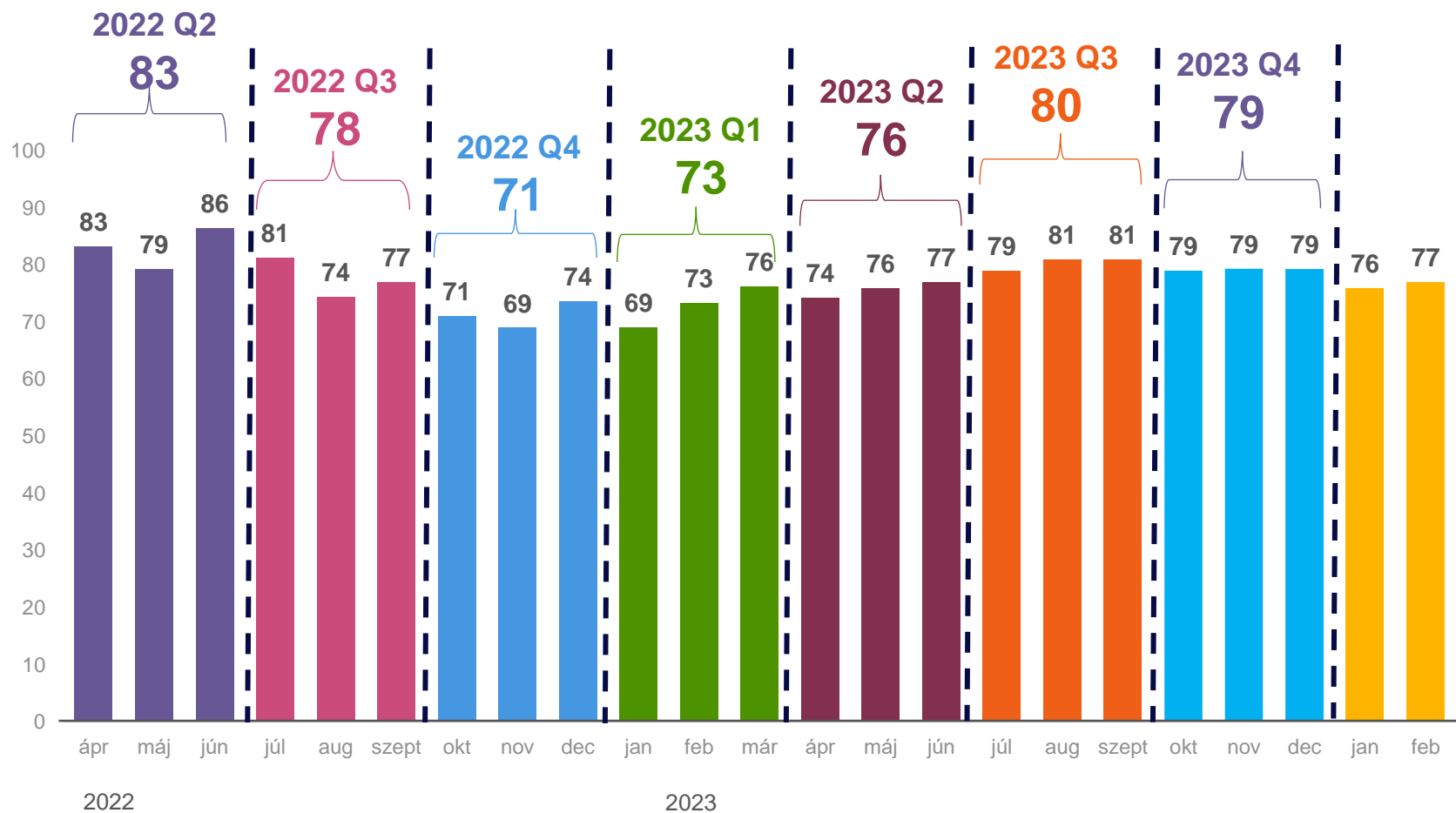
The majority is the cautious middle of consumers – the most vulnerable show signs of rebound

Playing the field of financially polarized consumer groups *The European Economic Divide - Tracking financial situations and responses*



Source: NIQ 2024 Consumer Outlook vs. 2023 Mid-Year Outlook vs. January 2023 Consumer Outlook vs. 2022 Mid-Year Outlook, Europe

Consumer Optimism Index: slow recovery, but not reaching the first half of 2022 yet.



Job prospects



Personal financial situation



Purchasing willingness

The Volume Decline explained by Price Level increase in Hungary is above regional average (Total FMCG)

Europe

8,4% ▲

Value Change

-0,9% ▲

Weighted Volume Change

9,3% ▲

Price Level Change

Eastern Europe

10,7% ▼

Value Change

-0,2% ▲

Weighted Volume Change

10,8% ▼

Price Level Change

Hungary

15,1% ▼

Value Change

-6,4% ▼

Weighted Volume Change

21,5% ▲

Price Level Change

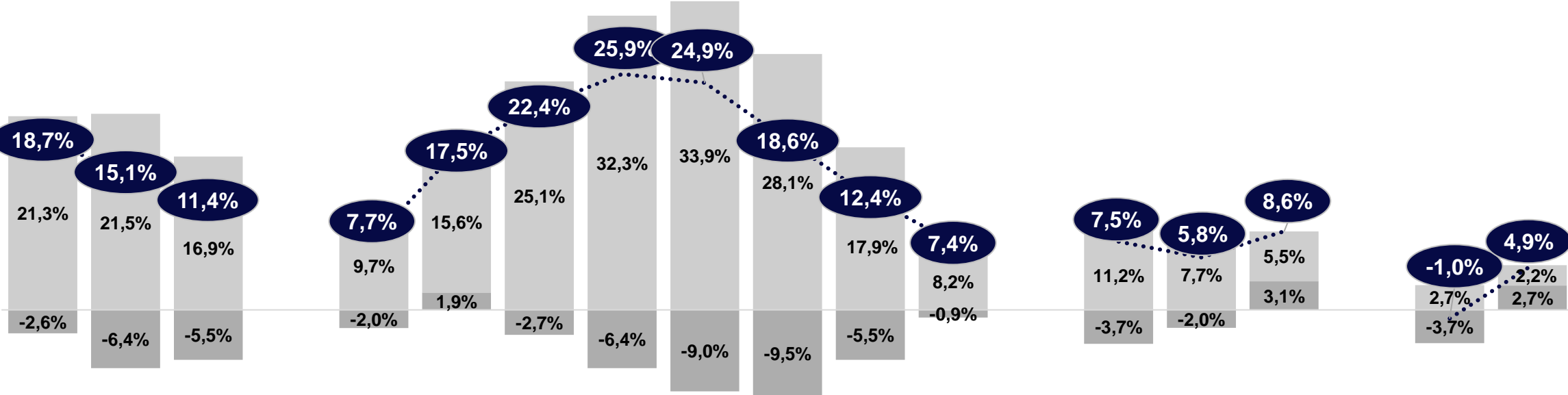
Period: MAT 2023 Q4

▲ ▼ Accelerating/ decelerating trend compared to same period last year

After 1,5 years of continuous decrease, volume growth was registered in December 2023 and February 2024

Changes in the total FMCG market, Hungary

Last Year-1 Last Year MAT TY 2022 Q1 2022 Q2 2022 Q3 2022 Q4 2023 Q1 2023 Q2 2023 Q3 2023 Q4 Oct 2023 Nov 2023 Dec 2023 Jan 2024 Feb 2024

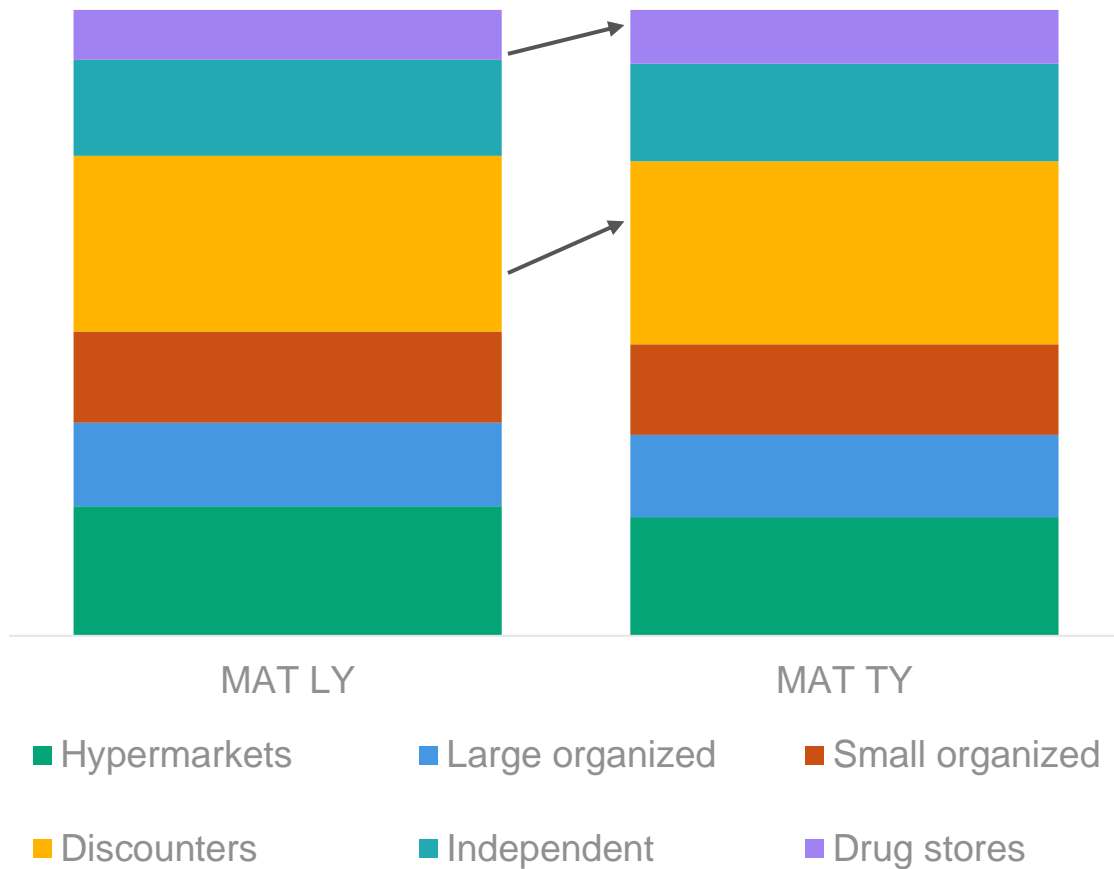


Volume Growth Unit Value Nominal Value Growth

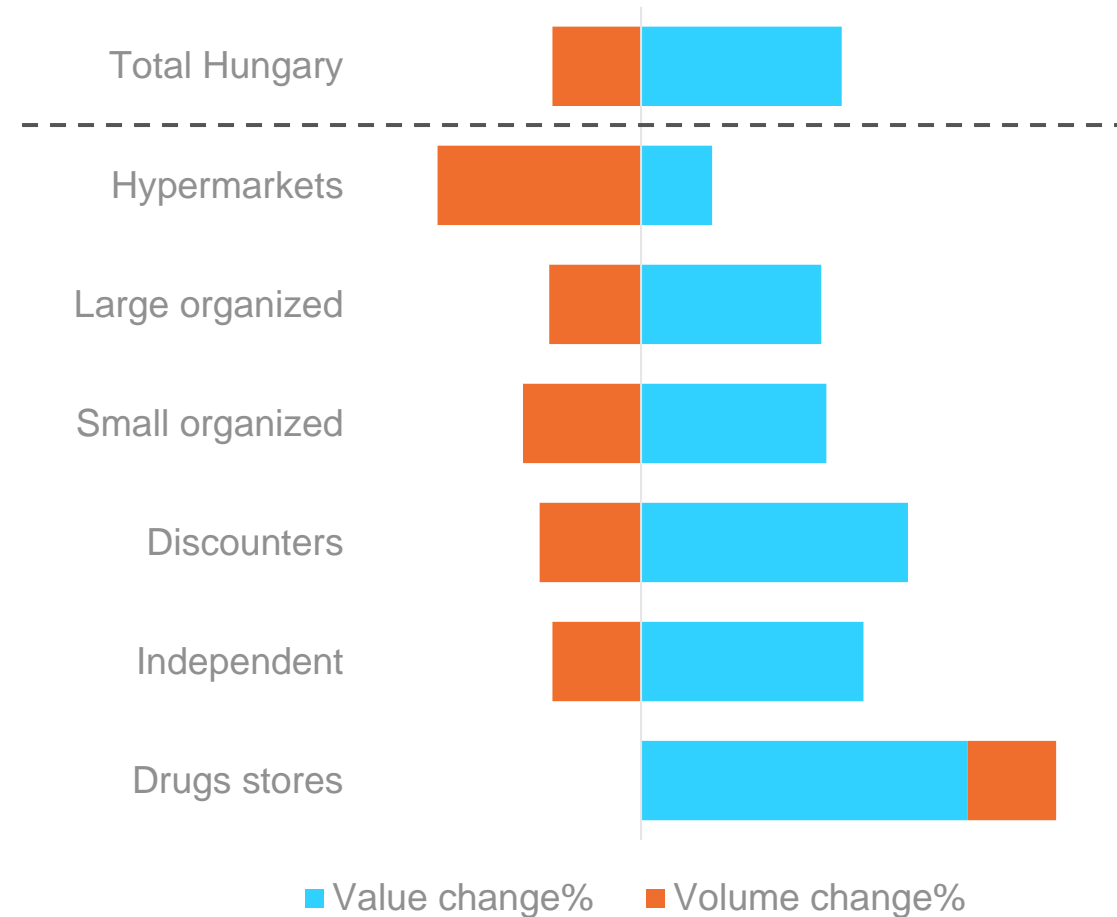
All channels are increasing in value in FMCG market, but only drug stores could increase in volume



Channel importance value sales %



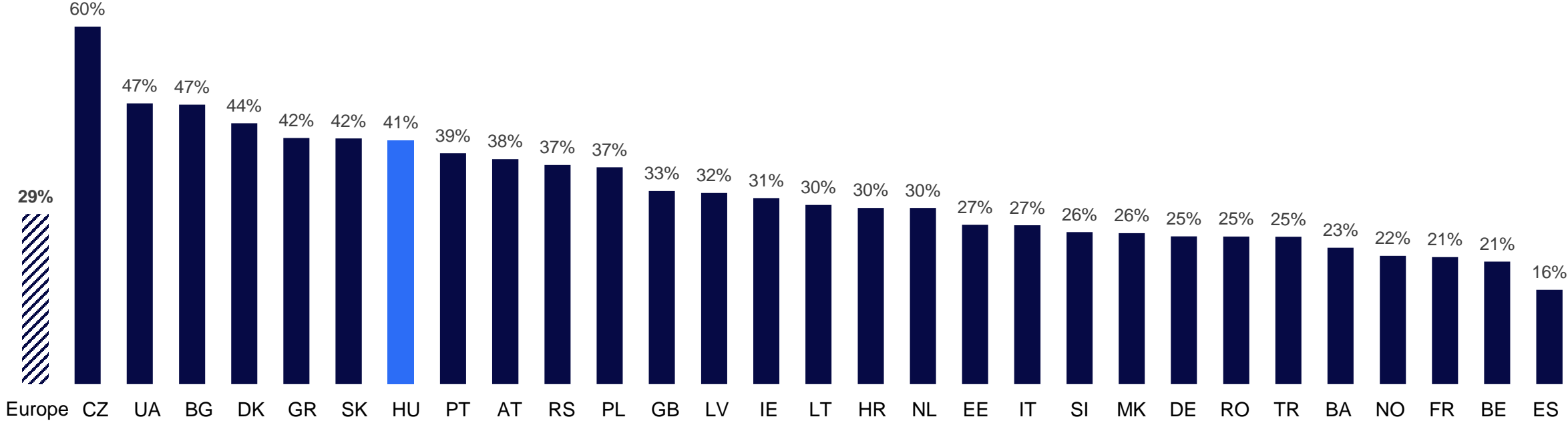
Total FMCG changes %



HUNGARY, Periods: MAT LY: Jan 2022– Dec 2022 vs. MAT TY: Jan 2023 – Dec 2023

The inflationary environment has led to strong promotional relevance, contributing to a consistent uptrend in most markets

FMCG Value sales on promotion
FY 2023



PP Chg vs YA

+0.8 +2.2 +15.9 +0.3 +1.6 +2.2 +3.6 +4.0 -3.6 +0.5 +5.0 +0.8 +3.1 +0.4 -0.3 +2.7 -1.2 +0.9 -0.4 +0.3 +2.8 +1.6 +1.4 +3.6 +0.4 +2.2 +1.2 -0.2 +0.9 +0.0

PP Chg vs 2YA

+0.5 +3.1 +0.6 -0.7 +3.8 +0.8 +4.2 -0.7 -6.5 +0.2 +1.6 -1.6 +3.4 -16.7 -3.4 -12.2 -1.5 +0.3 -6.8 -2.1 +3.3 +3.6 +2.5 +2.2 +1.7 +3.3 +0.3 +0.1 +0.9 -0.3

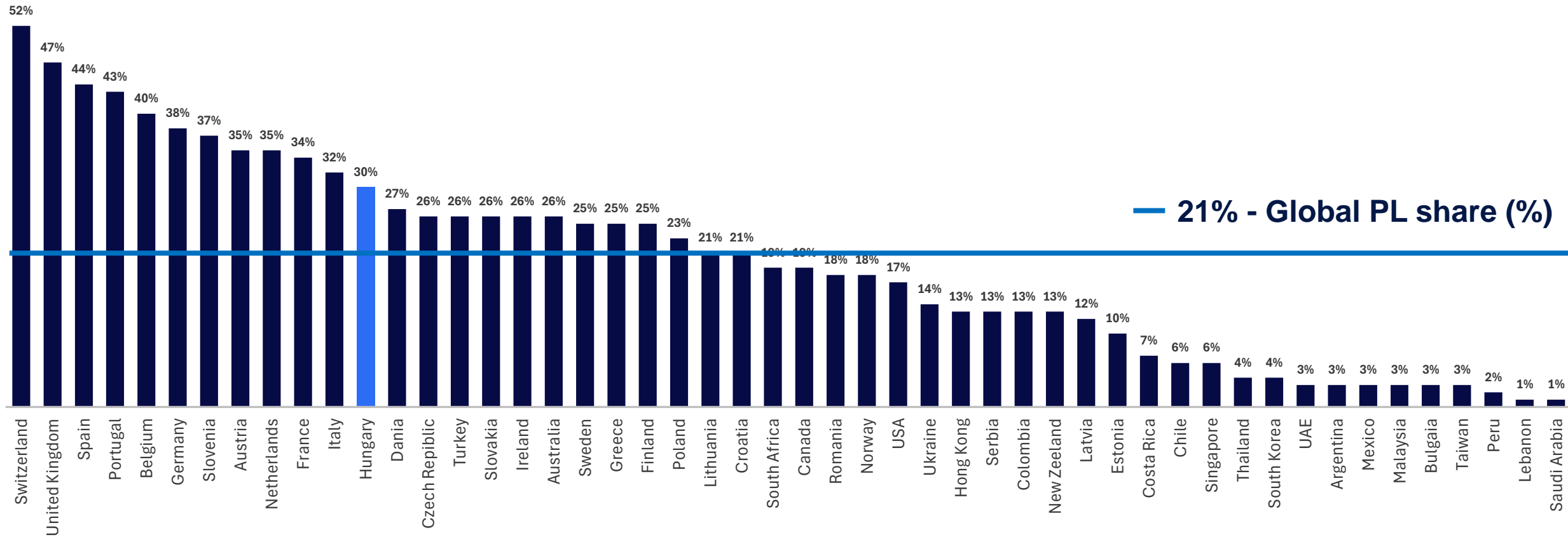
Source: NIQ Global Strategic Planner. Data ending Dec 2023. Markets as per Global Strategic Planner Promo breakdown



HU private label share is above the global average

Switzerland, UK and Spain remain the top 3 most developed markets for Private Labels

Global private label Value % share (top markets ranked on share >1%)



Source: NielsenIQ RMS MAT Q4 2023



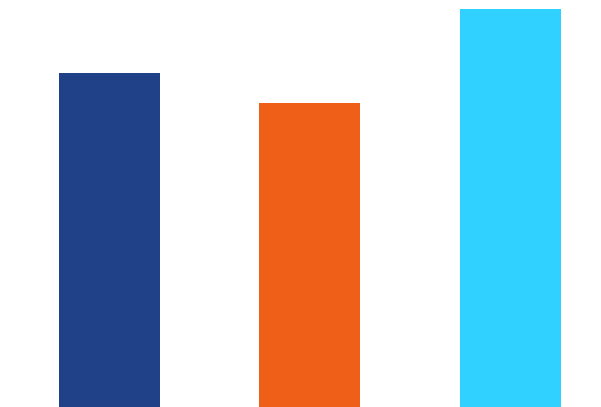
In case of FOOD products, Private Labels were growing at a faster rate than branded products

Value share of PL in Food category 2023



■ PL ■ Branded

Value growth of Food category 2023

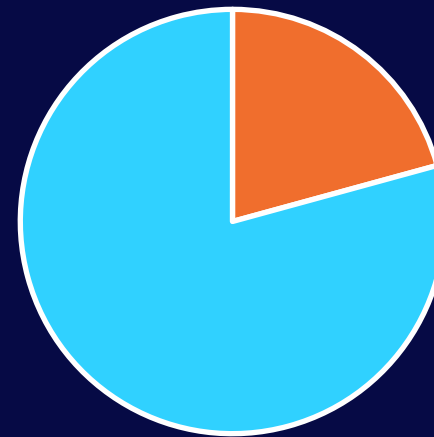


Food growth Branded PL



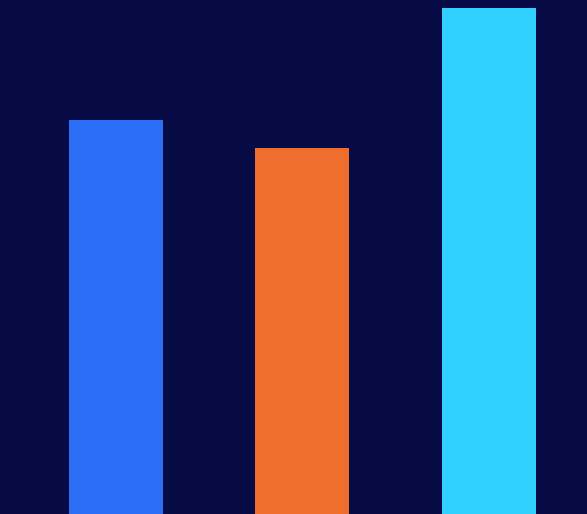
This trend can be observed in case of DRUG categories as well

Value share of PL in Drug category 2023



■ PL ■ Branded

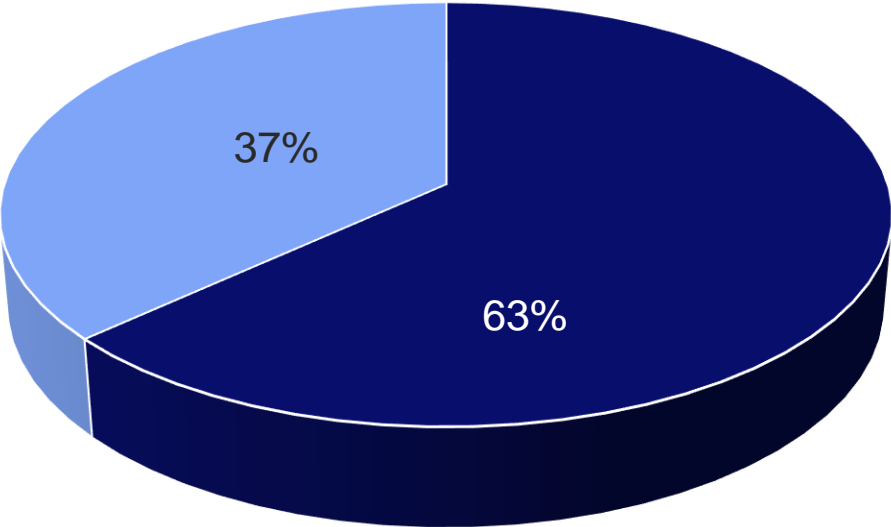
Value growth of Drug category 2023



Drug growth Branded PL

Purchasing private labels,

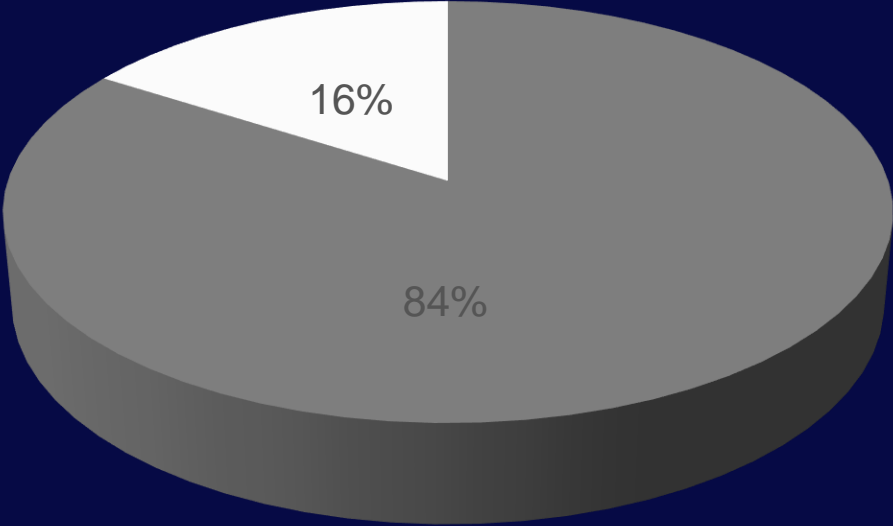
*Do you buy private label products?
(% answers based on own perception)*



■ Yes, I buy ■ No, I don't

even without being aware

*Do you buy private label products?
(Aggregate responses based on actual brand purchase %)*



■ Buys ■ Doesn't buy

Source: NIQ Private label study, 2023

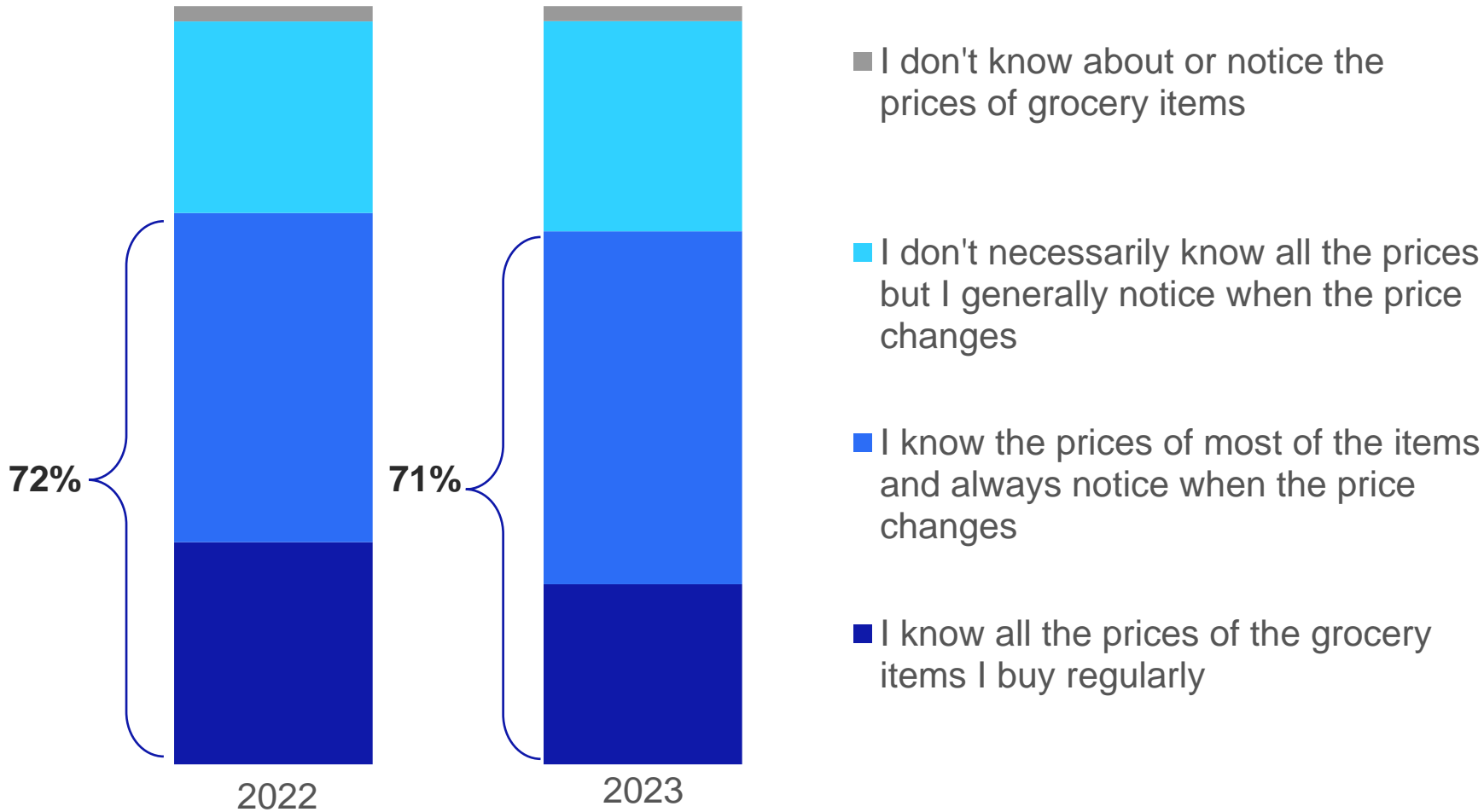
10 years is not much, or is it?

Comparison to a previous GS1
conference material

Price awareness

The vast majority of shoppers still feel they are aware of prices

Price awareness of regularly bought grocery categories



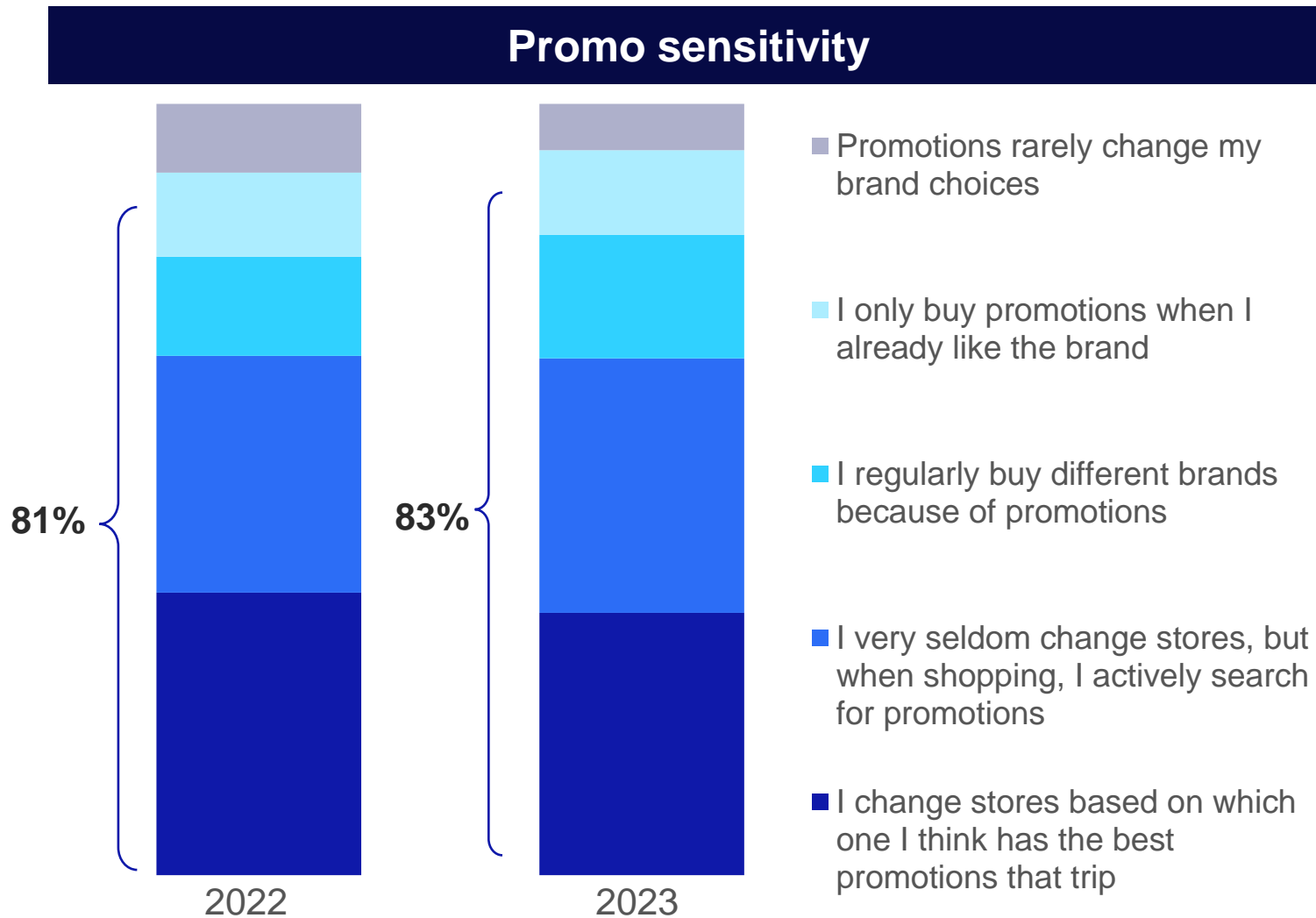
While in 2015: 6 in 10 knew prices and noticed price changes

63% were price-conscious shoppers



Promotion sensitivity

Promo sensitivity has not changed significantly in overall, however the importance of promotions in brand decision is slightly higher than before. The most preferred promo type is still the price off, all other alternatives seem marginal.



While in 2015:

72% were actively looking for promotions



HUNGARY, Ref Q23 Which of the following best describes how promotions affect your supermarket/hypermarket shopping?
Ref Q133 Of the following promotion types, which one that you prefer the most?
Base: All HM/SM shoppers, 2022 (n=779), 2023 (n=782)

Level of planning

Almost half of the shoppers have still a strict budget for groceries, and this share is a bit lower than in 2022 but at the same time the importance of the shopping list increased. Most shoppers have a plan before visiting a store, but there is a similar chance to stick to it or deflect from (probably based on on-site promotions).



2023:
47%
„I have a strict budget for household groceries”

2022 Dec:
50%

While in 2015:
53%
of respondents stated that they have a strict budget for groceries

A blue circular icon containing a shopping cart with a star on it, surrounded by four arrows pointing outwards, all within a larger blue circle.

Top store choice drivers list 2023

Price and value for money drivers are highly represented among the top 5

1. A place where its easy to quickly find what I need

2. Low prices for most items

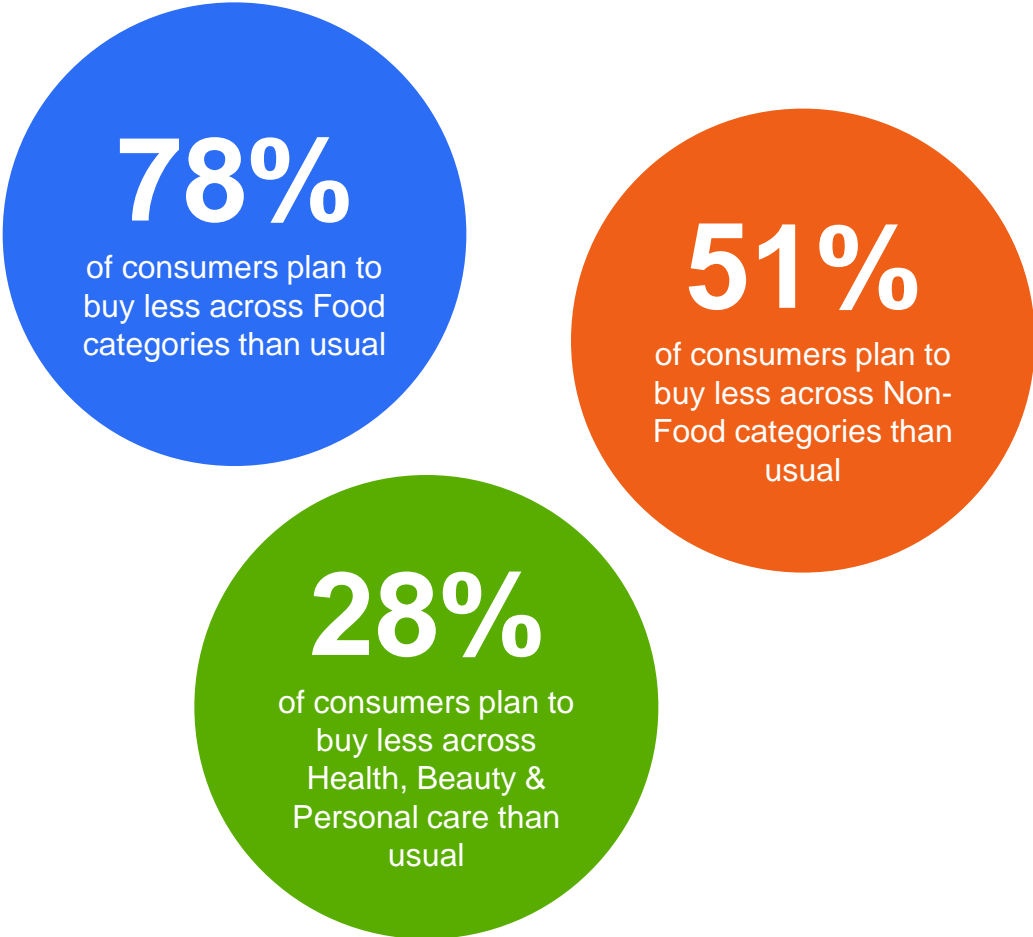
3. Provide enjoyable shopper experience

While 10 years ago,
*enjoyable shopper
experience*
stood on the
1st
place

What is next?

“Less is more” – Prevalent European consumer behaviours and attitudes impacting global volume growth

If prices continue to rise / remain high...



Source: NIQ 2024 Consumer Outlook, Europe

Finding pockets of growth amidst consumer scrutiny



How do you find pockets of growth?

Deceleration IS NOT deflation

Although average price increase decelerated, it doesn't mean prices are declining. Consumers still spend with caution across markets

Promote with purpose

Promotion intensity in the region rising to 35% of FMCG sales. Take the right decision on your promo mix to support low volume categories

Innovate to stay relevant

Brands must reevaluate their positioning, and innovate how they appeal to consumers against Private Label growth potential

Reach consumers where they are

Consumers move fluidly across channels. Discounter strategy is key in EE region.

Make consumer-centric decisions

Consumers are looking for various saving strategies. Watch out Private Label while use E-com as an opportunity.

Be proactive in innovation

Identifying innovations with value. Health and wellness is one aspect that consumers plan to spend more. Leverage that space for your brand!