



Retail Measurement

A snapshot of the global FMCG retail landscape

The impact of COVID-19 on the buying and consumption habits of consumers directly influenced the rise, fall, and resurgence of retail channels across the world, majorly disrupting the FMCG industry.

Overview

Manufacturers and retailers need an accurate view of FMCG retail channel trends and performance to help them identify opportunities, make better strategic decisions, and drive growth.

This is uniquely critical as consumer behavior during the pandemic has transformed the retail landscape with new retail realities in play. As we are quickly learning now, it is not just COVID-19 that would affect consumer behavior and the FMCG retail landscape. Inflation and supply chain issues are starting to influence where consumers choose to shop.

Eastern European retail landscape calls for a reset

Growing urbanization and the consumer's quest for convenience have been driving the growth of modern trade in Eastern Europe. COVID-19 propelled the growth further as lockdowns urged consumers to shop in nearby small format stores such as convenience stores, groceries, and drug stores.

NielsenIQ's Q1 2022 retail data shows that convenience stores saw an 11.1% growth in FMCG sales and groceries by 9.9%. While small format and discounters in Eastern Europe are still developing to reach the maturation level of Western Europe, there is an enormous potential for growth.

Factors such as lower prices and affordable offerings, user experience, and wide assortment, which includes private labels and A-brands, will help discounters to flourish. The footprint expansion of small format stores reflects the growth of modern trade.

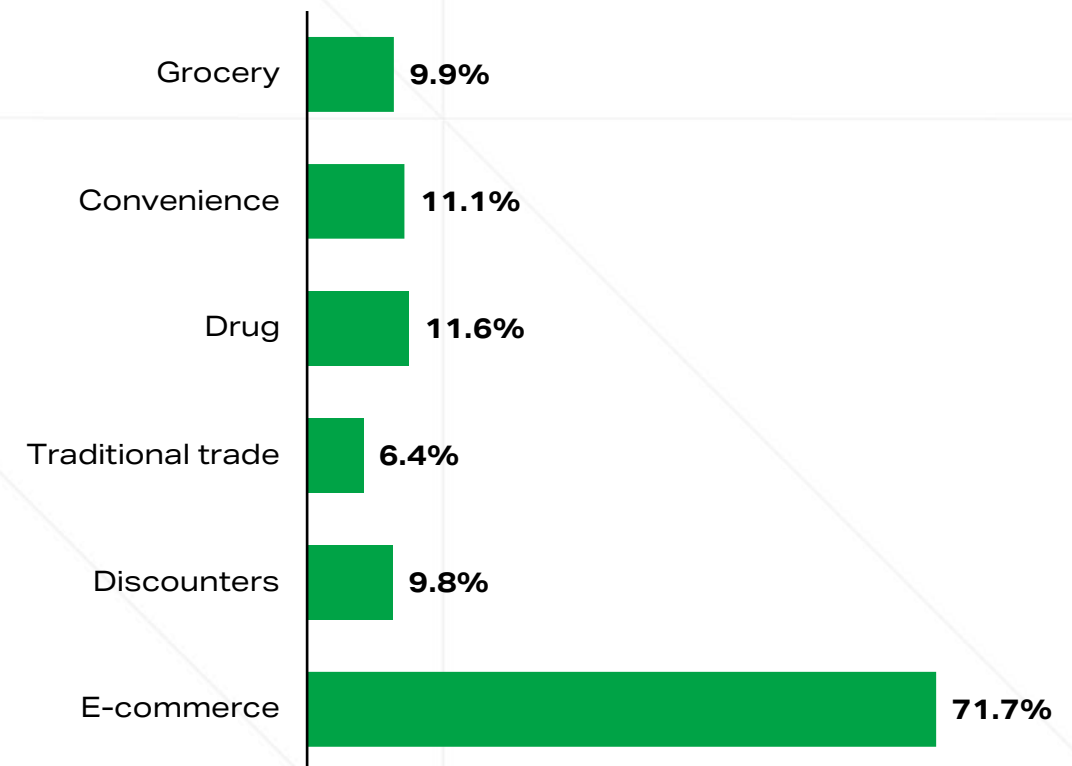
E-commerce, which was predicted to take decades to take off in the region, saw unprecedented traction with almost 72% value growth in Q1 2022.

This new retail reality in Eastern Europe challenges manufacturers and retailers to optimize product range and availability to successfully navigate the new retail landscape.



Proximity and convenience trigger acceleration of e-commerce and modern trade in Eastern Europe

9.3% FMCG growth

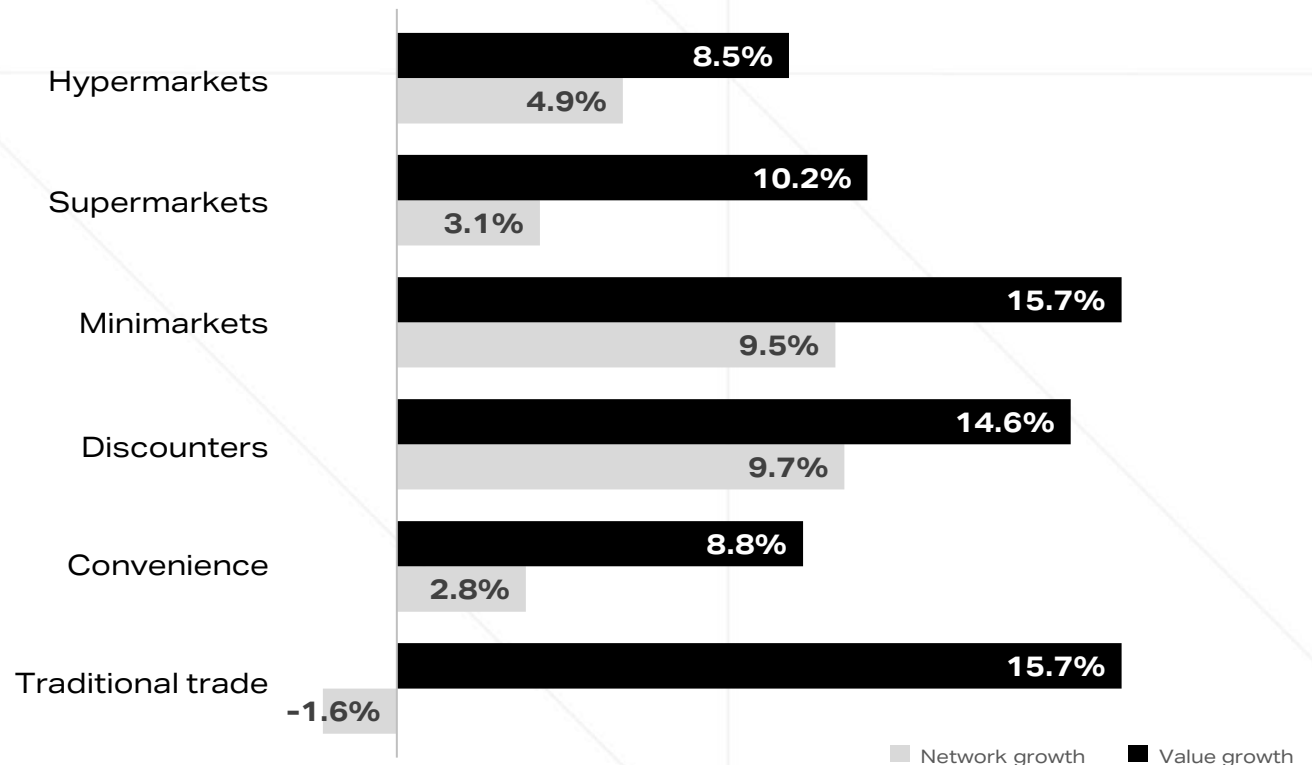




Spotlight: Romania

The aggressive expansion of modern trade stores is causing a slowdown in network growth of traditional trade stores.

To illustrate, discounters and minimarkets in Romania are leading in network growth and increasing in value growth. While traditional trade in Romania posted double digit value growth as minimarkets, its network growth declined to the tune of -1.6%. In contrast, the footprint of minimarkets expanded by 9.5%. The proliferation of modern trade stores can potentially impact and force traditional trade stores to level up and stay relevant to consumers as modern trade led by small formats get closer to consumers.



Normalization of consumer behaviors in Western Europe dictates channel performance

The relaxation of COVID-19 restrictions has caused shifts in Western Europe. As consumers returned to dining and entertaining outside of their homes, they reduced the amount of food and beverage that they were purchasing in stores. In effect, the total value of FMCG sales declined 2% in Q1 2022 compared to a growth of 0.4% in 2021. The biggest impact is being seen in supermarkets, where volume sales declined by 4.1% in Q1 2022¹.

Discount stores and convenience stores benefited most from the normalization as consumers went back to shopping more often. Proximity is one of the top factors impacting the choice of the retail brand.

Convenience channel is responsible for almost 11% of all sales in FMCG² and is set to grow as retailers develop new stores and adapt formats to meet changing shopper lifestyles. Discounters, which now account for over a quarter of FMCG sales in Western Europe, are seeing the fastest growth in Great Britain with sales up almost 7% in Q1 2022³.

¹Source: NielsenIQ Retail Measurement Services (RMS), Q1 2022

²Source: NielsenIQ European Strategic Planner, Q1 2021

³Source: NielsenIQ European Discounter Year-Book, 2021

As out-of-home consumption increased in Q1 2022

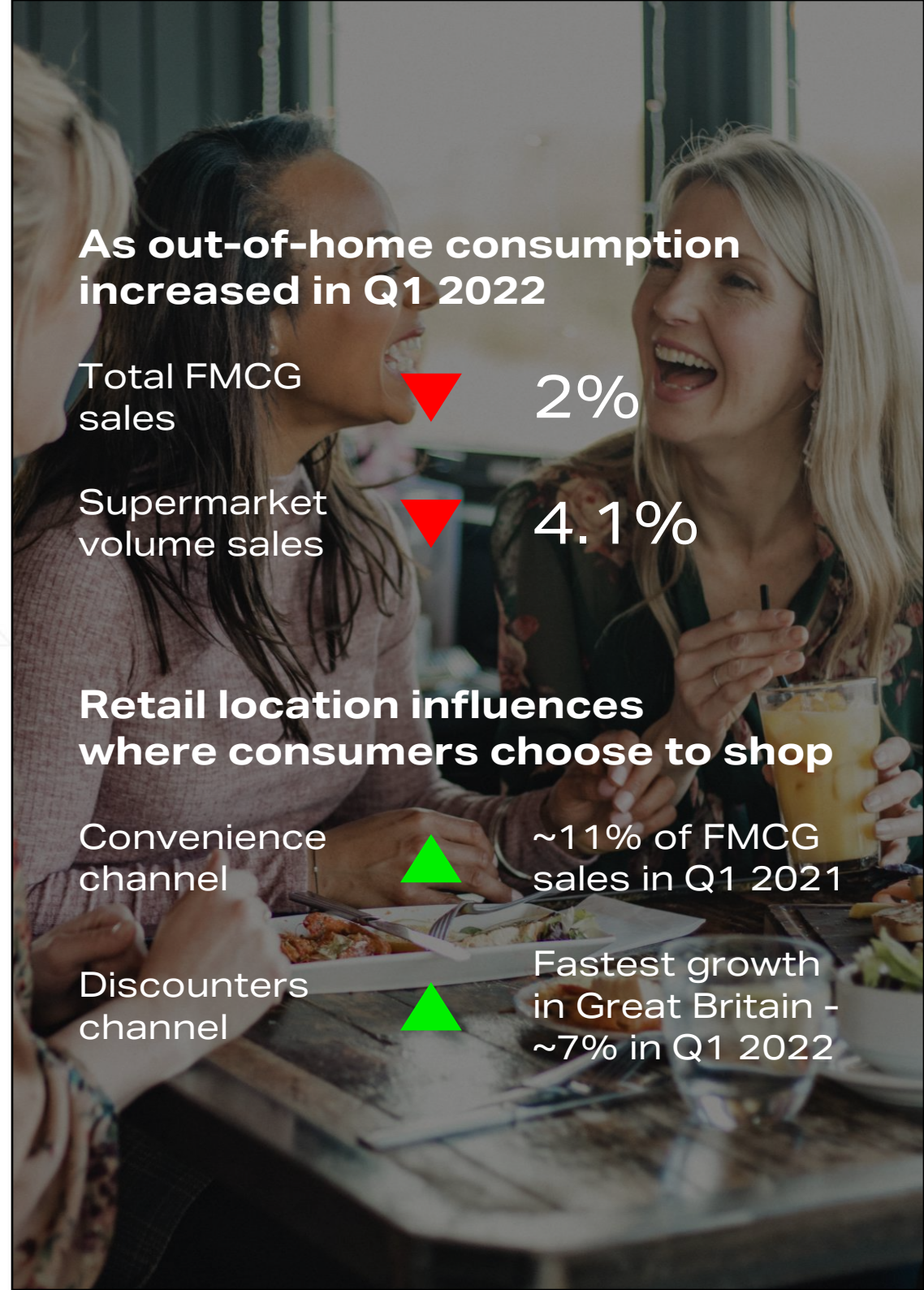
Total FMCG sales ▼ 2%

Supermarket volume sales ▼ 4.1%

Retail location influences where consumers choose to shop

Convenience channel ▲ ~11% of FMCG sales in Q1 2021

Discounters channel ▲ Fastest growth in Great Britain - ~7% in Q1 2022



Top e-commerce markets in Western Europe

Great Britain

12.7% total FMCG sales

France

11.4% total FMCG sales

Upcoming markets with potential e-commerce growth



Portugal



Spain



Germany

The top e-commerce markets in Western Europe are Great Britain with 12.7% of total FMCG sales in online channels and France with 11.4%. However, the rapid development of e-commerce has slowed down compared to the hyper acceleration seen during the height of the pandemic, with sales falling as shoppers now display an omnishopping behaviour.

E-commerce continues to grow, albeit from a lower base, in Spain, Portugal and Germany⁴.

The current geopolitical problems will change the trajectory of consumer spend in Western Europe with upward pressures on commodity prices from continued supply chain disruptions.

While the FMCG industry is more insulated from any downturn in consumer expenditure, no retail format is immune. With accelerating inflation on energy, travel, and food costs, shoppers are likely to cut down on out-of-home consumption, shop less often, switch to cheaper private label, seek out lower priced retailers, and possibly, spend less overall on food and beverage.



E-commerce is on a hyperdrive while traditional trade stays strong as the primary retail channel in Asia Pacific

FMCG sales coming from e-commerce consistently grew since 2019 to record 19.5% share of sales in Asia in 2021.

The importance of e-commerce as a retail channel has rapidly increased over the past two years or during the COVID pandemic, with nearly 50% rise in value growth in 2021 compared to 2019.

This makes e-commerce the second largest retail channel in the region. While South Korea and China have more than 30% of FMCG sales coming from online sales, Singapore, Australia, and Taiwan are also seeing relentless growth in e-commerce.

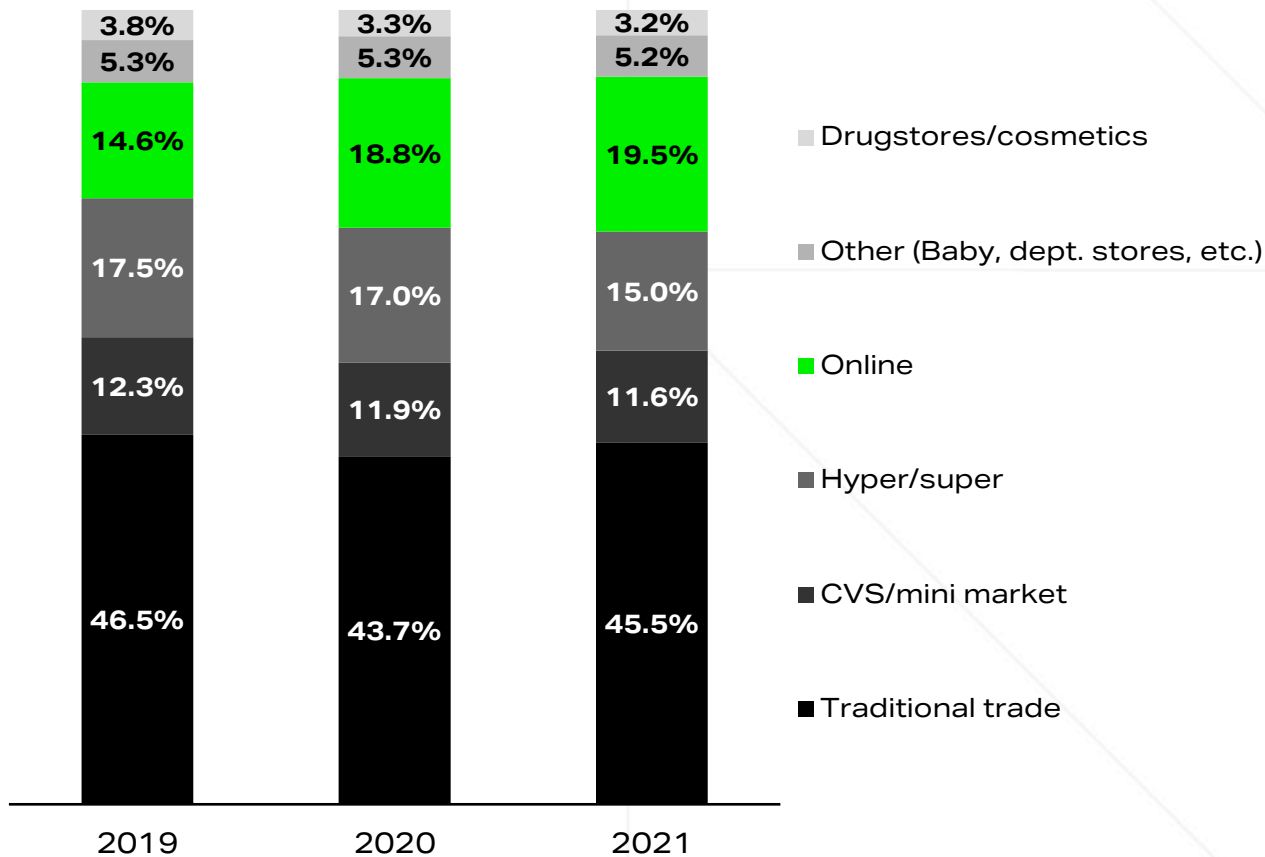
NielsenIQ forecasts that in the next few years, these countries will get 20% of FMCG sales from e-commerce.

The rise of e-commerce as a significant retail channel in Asia Pacific is no mystery. In a 2022 NielsenIQ BASES survey, consumers identified value for money, low prices, wide range, and convenience as considerations in choosing where to buy - these are factors synonymous with e-commerce.

While online is on the rise, traditional trade is still the primary retail channel in the region with over 45% of sales in Asia coming from more than 18 million stores across the region.

Traditional trade strongly rebounded in 2021 with 12.3% growth versus 2020, and 7.6% against 2019. Across Asia, offline hyper/supermarkets are on the downtrend as shoppers move to online versions of these retailers.

Asia Pacific value share of trade



Value growth

	2021 vs 2020	2021 vs 2019
Drugstores/cosmetics	3.8%	-7.4%
Other (Baby, dept. stores, etc.)	6.1%	8.4%
Online	12.2%	47.4%
Hyper/super	-4.5%	-5.3%
CVS/mini market	4.5%	3.9%
Traditional trade	12.3%	7.6%



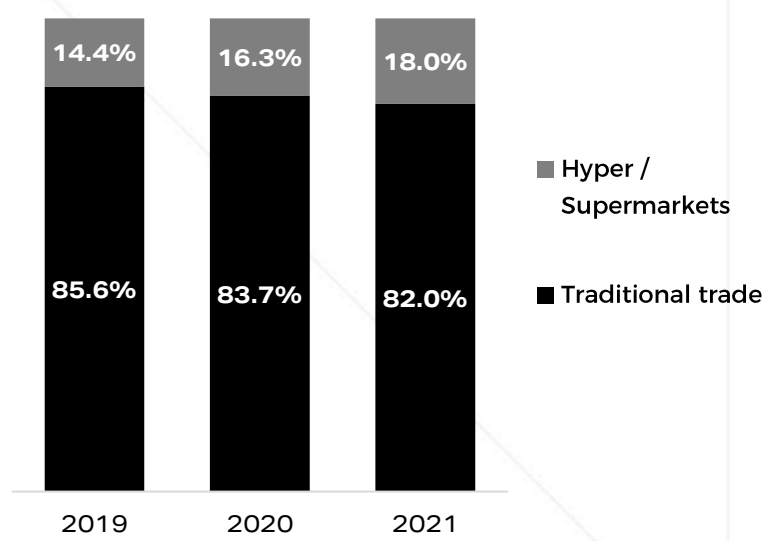
Spotlight: Vietnam

Owing to footprint expansion of hypermarkets and supermarkets to reach more consumers, Vietnam bucks the downtrend.

Hypermarkets and supermarkets grew 13.5% in 2021 versus 2019. The rapid proliferation of hypermarkets and supermarkets from 5,514 in 2019 to 9,676 stores in 2021 are taking share away from traditional trade which is showing a decline of -13.3% in 2021 against 2019.

While traditional trade is still the most significant channel in Vietnam, hyper/supermarkets are consistently increasing in importance, which by the end of 2021 had a trade contribution of 18%, up from 14.4% in 2019. On the other hand, traditional trade's importance slipped from 85.6% in 2019 to 82% in 2021.

Value share trade



Value growth

	2021 vs 2020	2020 vs 2019	2021 vs 2019
Hyper / Supermarkets	5.3%	7.8%	13.5%
Traditional trade	-6.9%	-6.8%	-13.3%

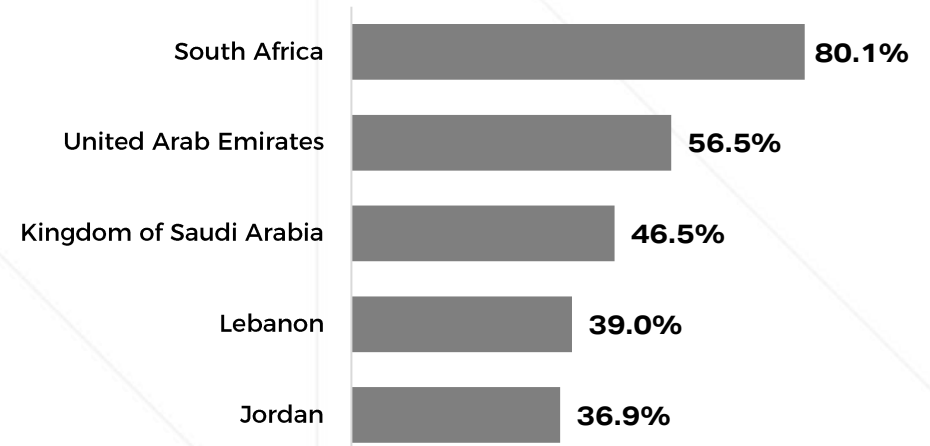


Hyper and supermarkets are the most important channels for Africa and the Middle East (AME)

After a challenging 2021, AME economies are set for recovery with World Bank estimating the region to grow by 5.2% in 2022 - the fastest economic growth rate since 2016.

On the retail front, hypermarkets and supermarkets are the most important channels in AME. In the top three markets within the region (South Africa, United Arab Emirates, and the Kingdom of Saudi Arabia), this channel contributes to nearly half or more than 50% of FMCG value sales.

Top 5 hyper and supermarket value contribution



AME hypermarkets and supermarkets record consistent growth from Q2 2021 onwards

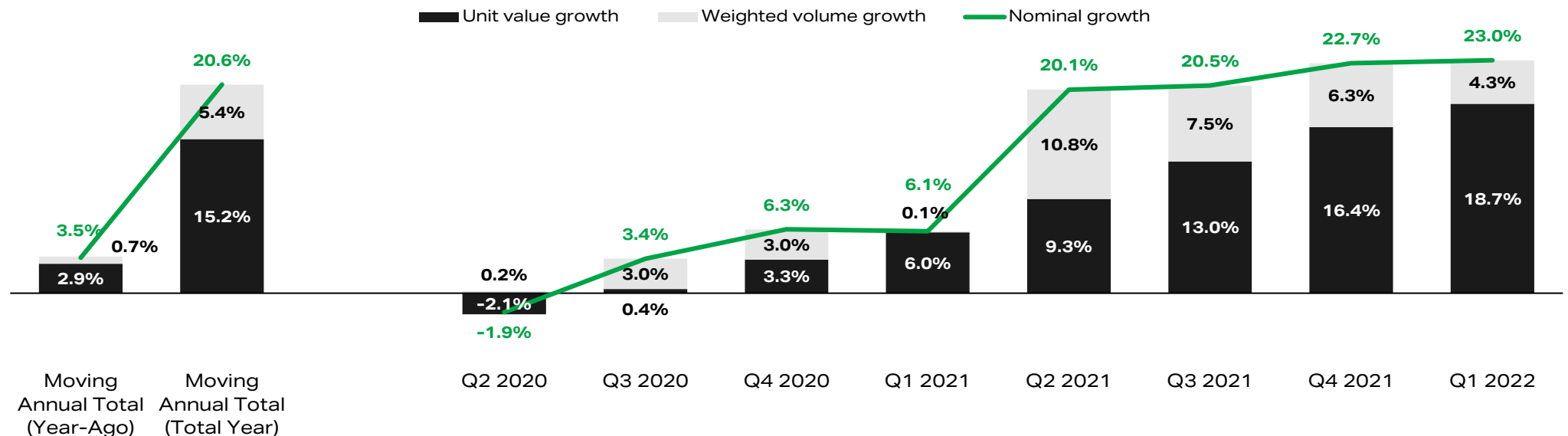
After a volume growth of 7.6% in Q1 2020 in hypermarkets and supermarkets due to stockpiling and panic buying, declines followed in the next few quarters until recovery started in Q2 2021.

In Q1 2022, value growth peaked at 18.7% mainly due to price increases and inflation, while volume growth slowed to 4.3% at the end of 2021 indicating cautious consumer spending. Almost all consumers are looking at various strategies to manage expenses in some way.

On average, consumers are using between two to three strategies to manage grocery expenses by selecting lower priced products from preferred repertoire, monitoring cost of overall basket, and shopping online.

FMCG market dynamics

Weighted average



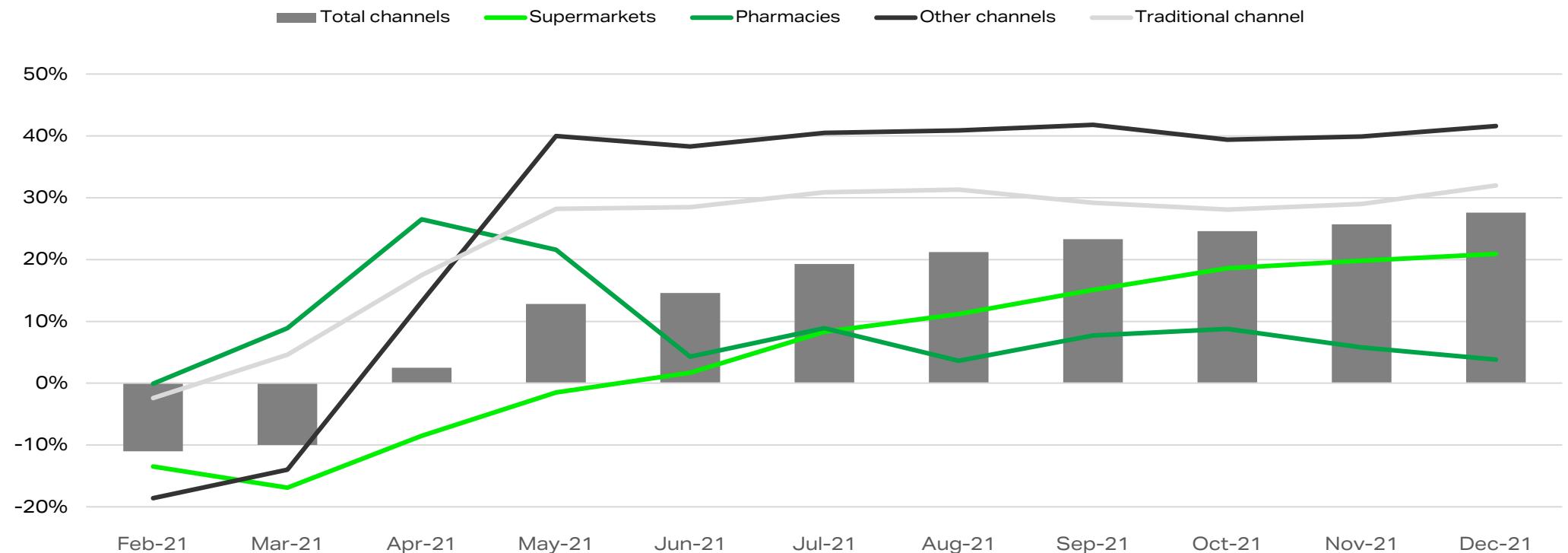
Source: NielsenIQ Retail Measurement Services (RMS) Moving Annual Total (MAT), Q1 2022

Traditional channel and on-premise make a big comeback in Latin America (LATAM)

After experiencing a decline during the pandemic, on-premise (and other channels i.e., perfumeries, small convenience stores) and traditional retail channels are seeing a recovery. The lifting of COVID-19 restrictions paved the way for the resumption of work on-site and the reopening of traditional trade and on-premise.

Channel evolution in Latin America

Variation (%) month vs. month – year ago

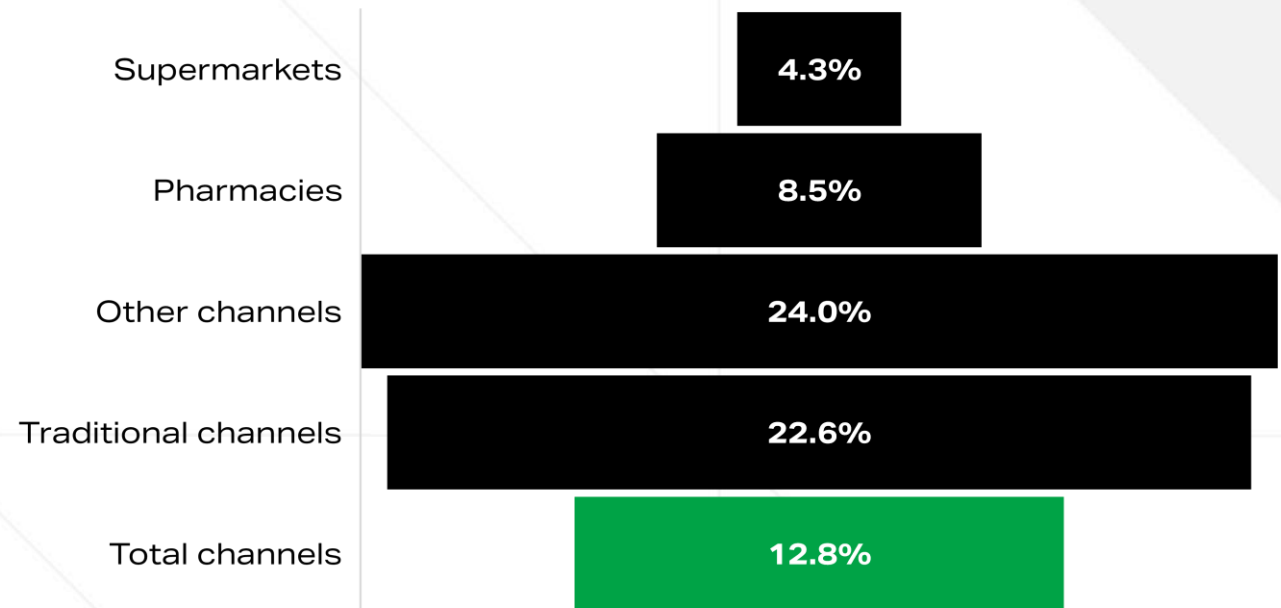


Source: NielsenIQ Retail Measurement Services (RMS), 2021

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By the end of 2021, retail data covering the LATAM region reveals that on-premise (and other channels) recorded a value growth of 24% while traditional trade follows closely with 22.6% value growth in 2021 versus 2020.



In Q1 2022, however, inflation spiked with added pressures on supply chains and gas prices. This is not only reverting the growth for traditional and on-premise but is driving more consumers to rationalize purchases and prioritize lower prices.

Against high inflation, the low prices that cash and carry or wholesale formats offer consumers is a primary reason this retail channel is growing in Brazil.

Spot the shifts in retail to quickly cater to consumers' needs

Now that aside from COVID, inflation and supply chain pressures are at play, we can expect further evolution in FMCG retail channels in the coming months.

How brands stay relevant in this ever-changing environment will depend on how fast they are able to spot the shifts in the retail landscape and adjust their distribution strategy to reach the retail channels which can cater to the current needs of customers, with the right product offers.

To uncover growth and drive positive outcomes for their business, manufacturers and retailers need precise visibility of their performance and the markets they operate in. They need to make data backed decisions to power their growth strategy.



Book a meeting or contact us to get market share data, today!





About NielsenIQ

NielsenIQ is the leader in providing the most complete, unbiased view of consumer behavior, globally. Powered by a groundbreaking consumer data platform and fueled by rich analytic capabilities, NielsenIQ enables bold, confident decision-making for the world's leading consumer goods companies and retailers.

Using comprehensive data sets and measuring all transactions equally, NielsenIQ gives clients a forward-looking view into consumer behavior in order to optimize performance across all retail platforms. Our open philosophy on data integration enables the most influential consumer data sets on the planet. NielsenIQ delivers the complete truth.

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