

NielsenIQ

The Year of Price and Inflation:

A Risk and Opportunity



A man and a woman are standing in a meeting room, looking at a large wall display of data charts. The woman is on the left, wearing a white shirt and glasses, and the man is on the right, wearing a dark suit. They are both looking at the charts with interest. The charts include a scatter plot, a line graph with a legend, and a line graph with multiple data series. The text "The complete view from NielsenIQ" is overlaid on the right side of the image.

The complete view from NielsenIQ

Inflation drivers are always complex and map to longer-term shifts

Market pressures



Rising costs of shipping



Rising costs of raw ingredients



Rising costs of labor



Rising delivery volumes

Underlying factors



Shipping & port bottlenecks



Extreme weather events



Reverse migration



Added cross border complexities



More labor intensive operating models



Increased demand of online & delivery



Labor gaps in low wage employment

Key macro economic drivers (with expected length of impact)

Supply chain shocks

Short-term

Rising inflation

Mid-term

Decreased disposable incomes

Mid-term

Shifting purchase patterns - consumption

Long-term

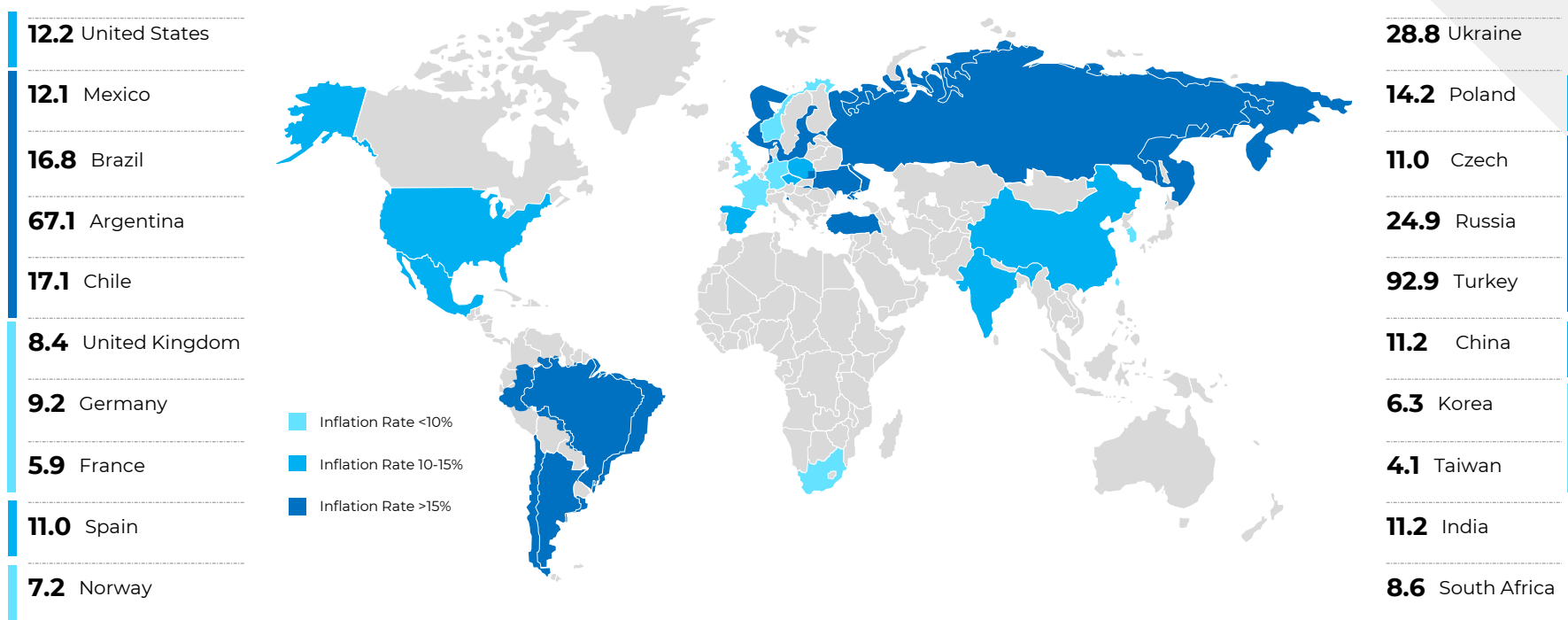
Disruptive socio-political conflicts

Long-term

But inflation is affecting each market differently

Global FMCG inflation reaching a double-digit increase in the latest quarter at +11.2% vs. Year Ago

%Weighted price growth vs. Year Ago

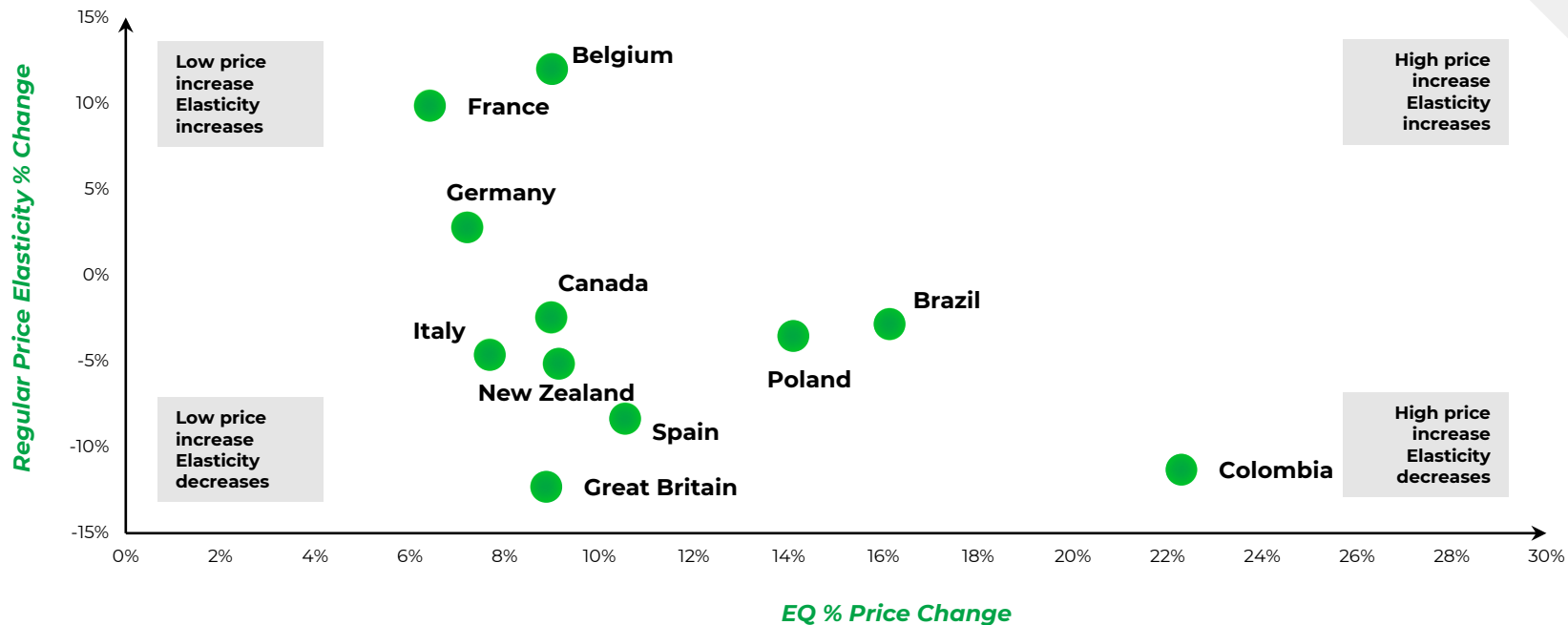


Source: NielsenIQ Price tracker, Spotlight markets, FMCG, Latest 12 weeks, Period Ending: Week Ending 14/08/22

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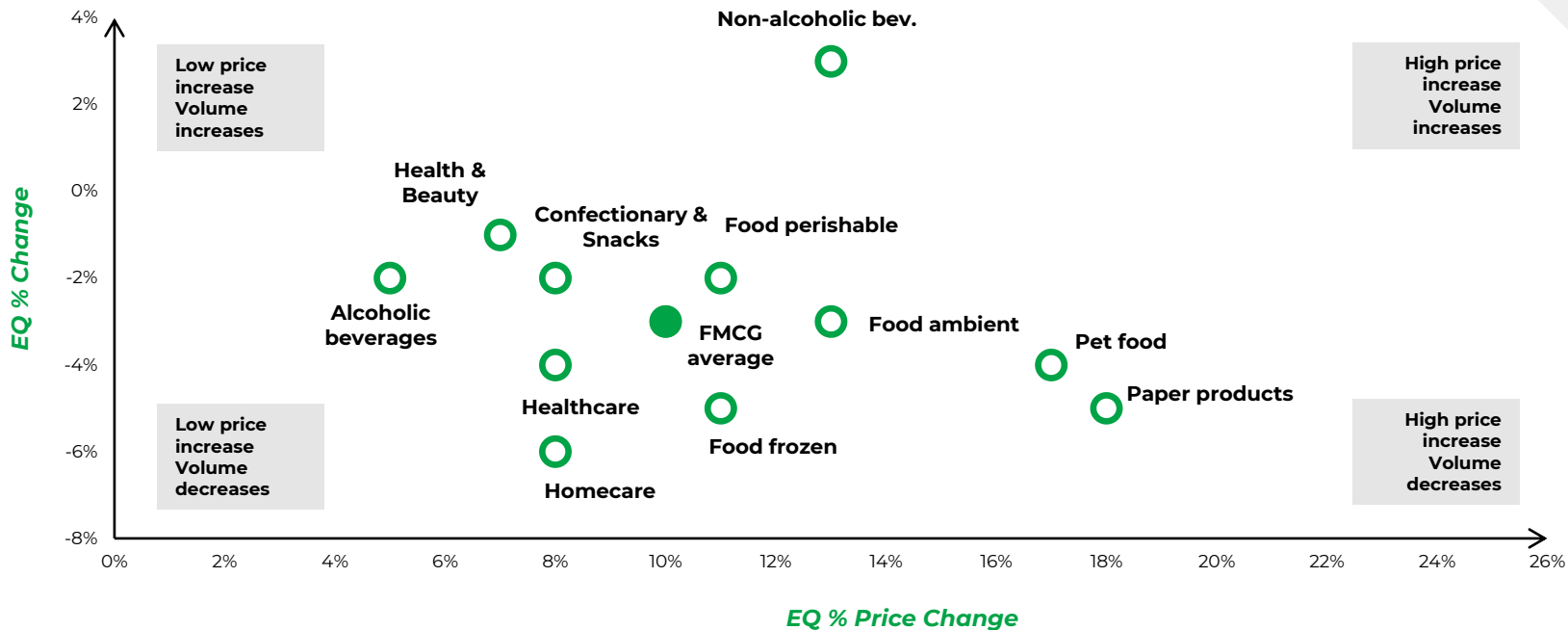
Price elasticity evolution varies by country

World | Regular Price Elasticity % Change vs EQ % price change YA by country | Aug 2022



Complexity also through various category trends

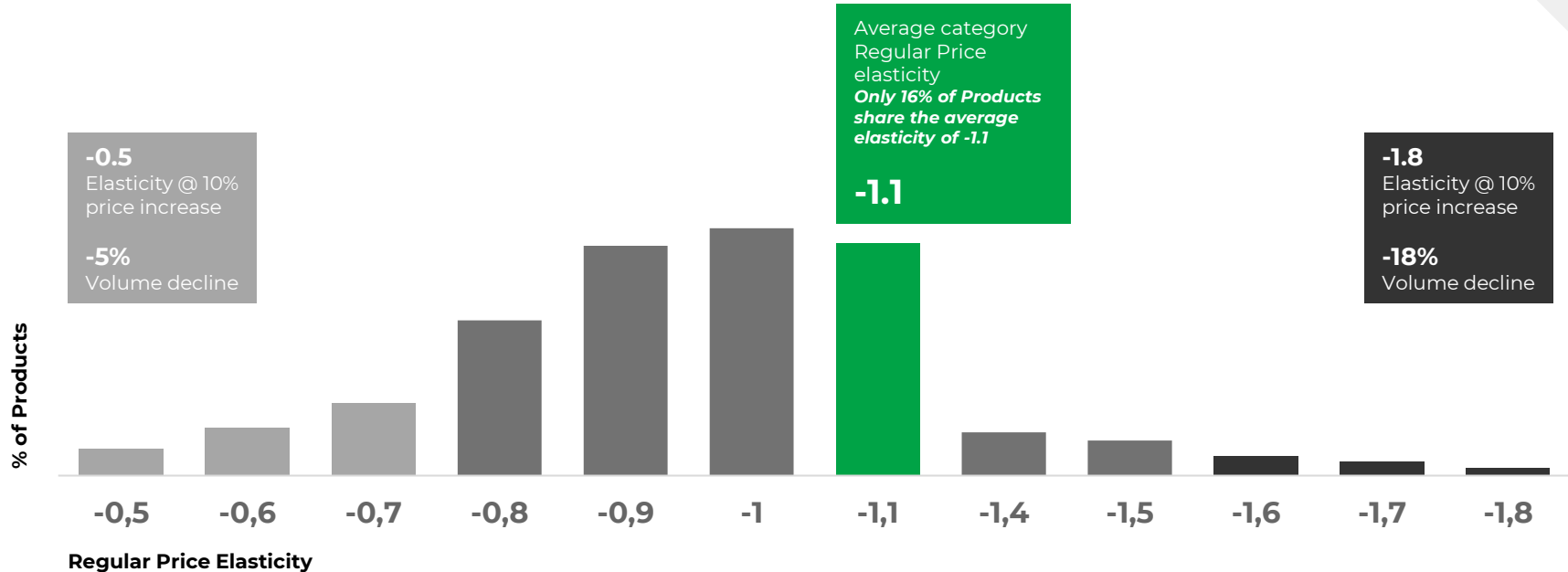
Europe | EQ Change % vs EQ % price change YA | Aug 2022



Every item in the category has a different elasticity

Specific pricing strategies, especially on key anchor items, are critical to mitigate volume risk

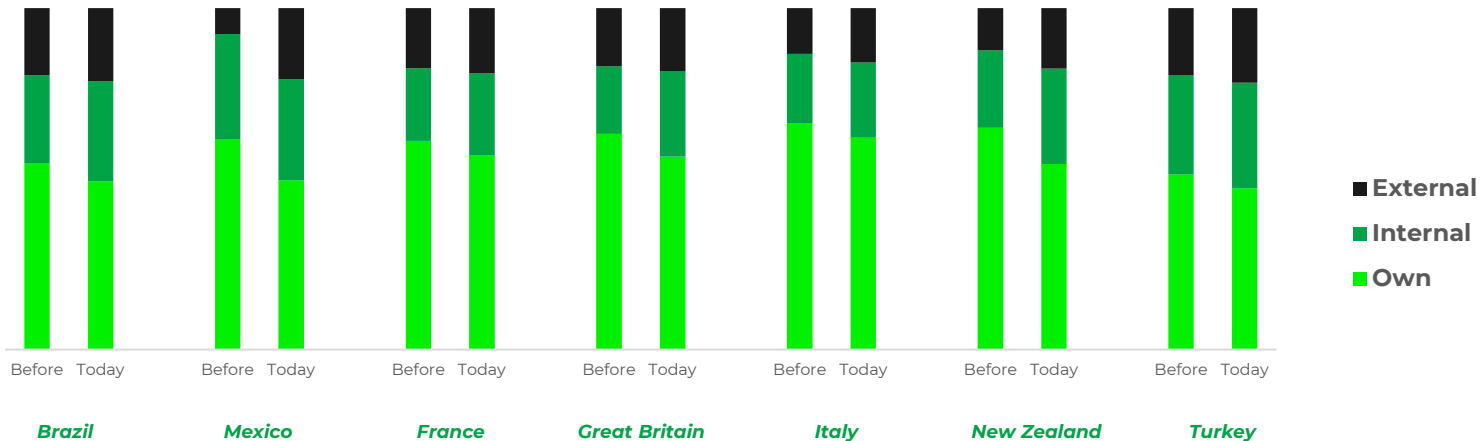
BE Beer | Range of regular price elasticity per items



Inflation reshuffles price elasticity decomposition, generally reinforcing the weight of price comparisons

When everyone is taking price, own price elasticity is primarily used to estimate the impact of price increases

Regular Price Elasticity Decomposition by country – Total FMCG

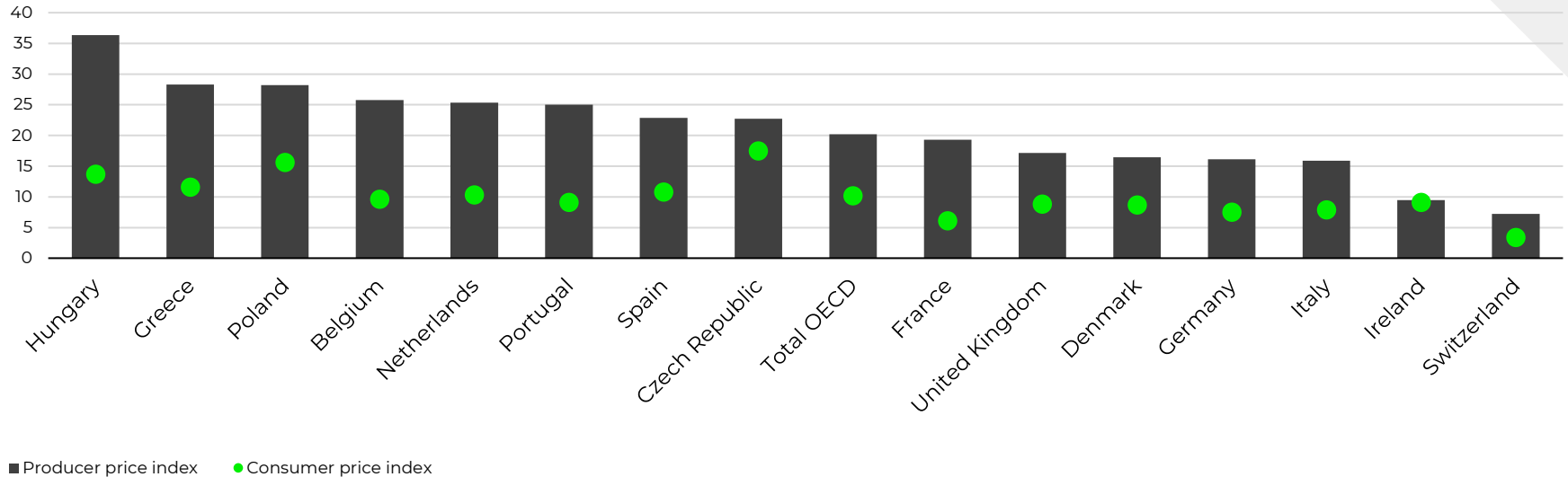


Consumers could feel a higher impact of inflation in the next months

As producers are yet to pass on the full impact of price increases

Producer price index vs consumer price index

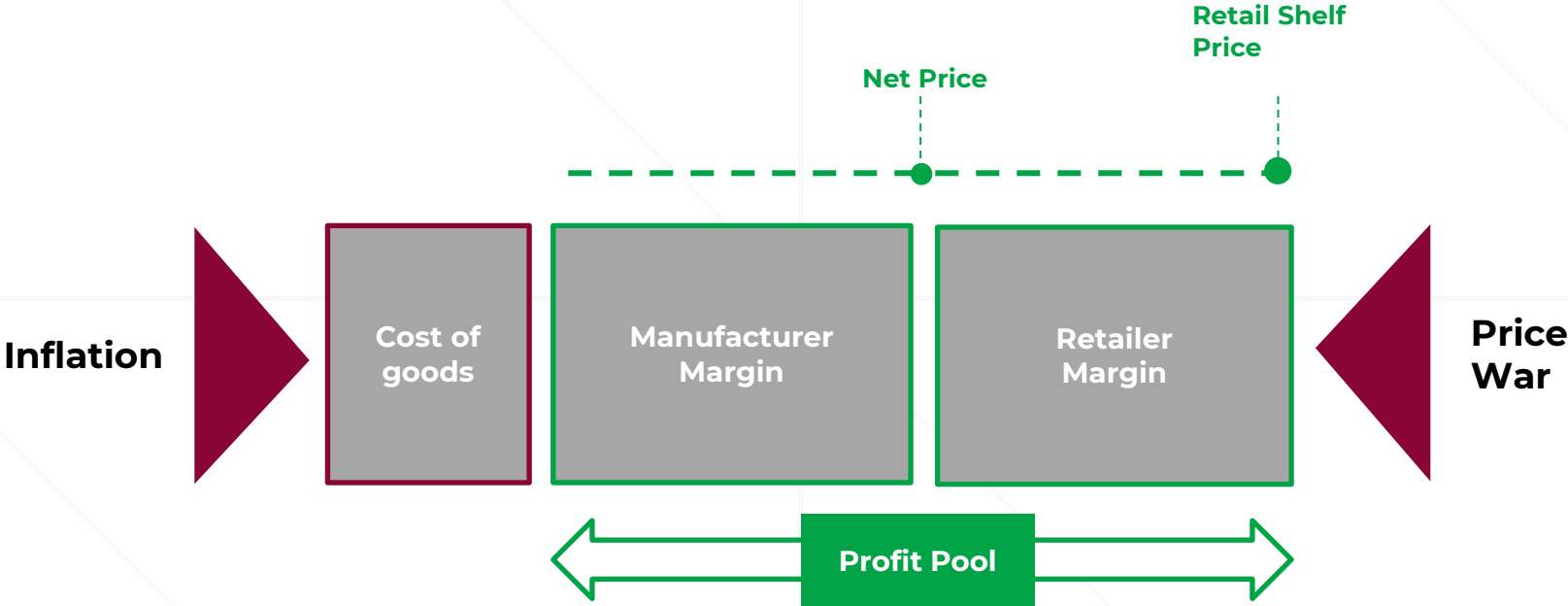
Change from July'21 to July'22



Source: NielsenIQ Global Price Tracker - Source: OECD

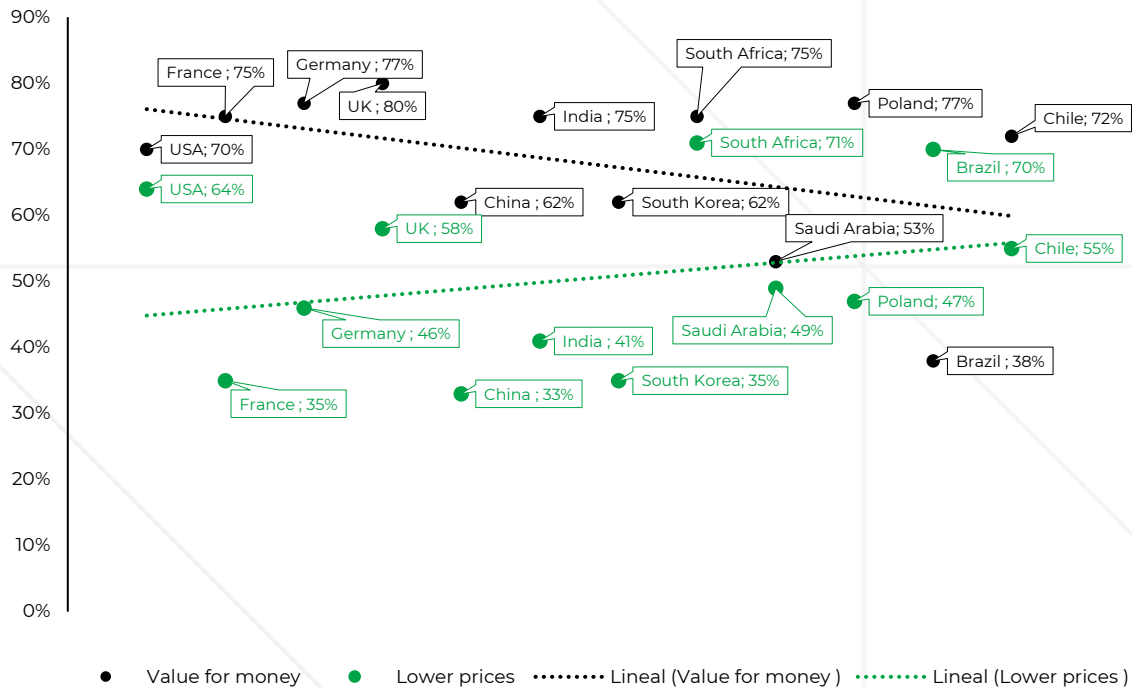
Countries: Hungary, Greece, Poland, Belgium, The Netherlands, Portugal, Spain, Czech Republic, France United Kingdom, Denmark, Germany, Italy, Ireland and Switzerland
Change from July 2021 to July 2022

Current crisis thus putting profit pool under a strong pressure



It's a game of price and value for brands...

Latest data from NielsenIQ Barometer shows the merging relationship between Price and Value



68%

of consumers across all 12 markets from the NielsenIQ Barometer list “value for money” as their top reason to purchase in store

Yet, only

50%

of consumers across all 12 markets from the NielsenIQ Barometer list “lower prices” as their top reason to purchase in store



**Companies that invest during
tough economic times are the
ones that grow their market share**



Building for the future

Coping strategies – shopper perspective

analytics that will reflect recent shifting purchase patterns

Premium Seeking



Shoppers Double-Down on Same Purchase Patterns

Expect shoppers to stubbornly refuse to give up their favorite brands and routines, even if it costs them a little more

Shoppers Trade Up

Expect insulated shoppers to enhance an affordable, luxury in-home/self-care experience by trading up to premium brands and adjacent categories which will enjoy headroom for price appreciation

Economy Seeking



Shoppers Limit Frequency of Purchases

Expect shoppers to stick with their preferred brands, but perhaps buy and consume just a little bit less

Shoppers Trade Down

Expect constrained shoppers to trade down to lower-priced brands. Manufacturers should take advantage of this time when consumers are happy to find alternatives that cost less with no quality trade-offs by positioning value items and heavily promoting trial

Shoppers Switch Stores

Expect shoppers to switch to new channels/stores to seek value (hard discounters) and time convenience (e-commerce, close to home local stores)

Shoppers Stop Buying

Expect shoppers focus on essentials to stop buying non-essential products

Coping strategies – retailer perspective

Side with shoppers



Absorbing price increases includes accepting lower margins in the short term

Compete in price battle



Shifting to EDLP price matching strategy on key items

Reset vendor partnerships



Actively delisting products 'where price increases are not justified'

Coping strategies – manufacturer perspective

Foundational



- **Cost Plus / Margin**

Set price based on profit margin targets above increases in input costs



- **Competition**

Set price based on price index to competition within category price tiers, brand price, and pack-size price

Strategic



- **Customer**

Set price based on retailer margins and profit pool contributions with retailer partners



- **Consumer Value**

Set price based on consumer value perceptions relative to alternative products

Coping strategies – manufacturer perspective

Pricing Team



Set the Price & Get the Price

Set optimal price targets and 'war-game' price up execution strategy

Negotiation Team



Negotiate and defend

Sell-in price increases, innovation plan, and supporting marketing campaigns while proving your products require shelf presence to grow incremental category sales, foot traffic, and trips

Sustain Team



Scale out RGM analytics

Deploy data and analytic solutions with local market commercial teams supporting a continuous RGM planning cadence

Beam **SUNTORY**

Abraham focuses on Insights, Market Analytics, AI implementations. Prior to BSI, Abraham worked at Coty, RB and Colgate-Palmolive in various insight and data analytics roles. He has over 20 years of experience in the AlBev, beauty, and fast-moving consumer goods industries.



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About NielsenIQ

Arthur C. Nielsen, who founded Nielsen in 1923, is the original name in consumer intelligence. After decades of helping companies look to the future, we are setting the foundation for our future by becoming NielsenIQ. We continue to be the undisputed industry leaders as evidenced by our experience and unmatched integrity. As we move forward, we are focused on providing the best retail and consumer data platform, enabling better innovation, faster delivery, and bolder decision-making. We are unwavering in our commitment to these ideals and passionate about helping clients achieve success. For more information, visit: