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FMCG Global  
Barometer  
Q3 2014

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# Introduction

This report looks at what is happening in the FMCG market globally and the consumer behaviour that is driving these trends.

Based on over 2000 FMCG categories in major ‘barometer’ countries, the report analyses:

- Value and volume trends since 2007
- The impact of price on consumer choice
- The effects of the number of buyers, shopping frequency and basket size

The ‘barometer’ countries are France, Germany, Italy, Netherlands, Spain, UK, Poland, Russia, USA, Brazil, Mexico, China, India and Japan.



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# Executive Summary

Based on our ‘barometer’ countries, FMCG globally has seen a considerable slowdown in 2014. Volumes in several countries remain low (Germany, NL, Spain) and these have been joined by much weakened trends in Russia, Japan, China and USA (after better patterns earlier in the year). Only Brazil, Mexico and India stand out as being in growth.

Key issues are lower inflation or even price deflation impacting value, political issues in Russia, taxation rises in Japan and lower volumes as shopping frequency falls and careful consumers drop unnecessary purchases. There are also signs that more ‘eating-out’ is a factor in some countries.

Down-trading to Private Label continues even on the high share levels in the UK as a result of discounter growth. Only France is holding back this tide with a greater emphasis by retailers on key brands. Discounters are also increasing share although this is more country-specific where additional stores are driving growth.

Whilst Food price inflation has turned to deflation in some cases, there are some countries where this is still a factor - especially more recently in the USA. On the other hand, compared over the long term, consumer confidence and employment remain more positive but this may be encouraging greater out-of-home consumption.



Richard Herbert  
Business Development Director  
Europanel



# Data & Sources

## Datasets

- ▶ Household panel data
- ▶ 4 weekly periods (months in Germany, Poland, Russia, Brazil, Mexico, India)
- ▶ Value and volume purchasing, shopping frequency, number of buyers (penetration)
- ▶ Total Market, Private Labels, and Discounters
- ▶ For a large number of grocery categories  
*(France: 337, Germany: 285, Italy 142 , NL: 133, Spain: 119 UK: 286, Poland: 289, Russia: 177, USA: 902, Brazil: 74, Mexico: 49, China: 106, India : 28)*
- ▶ Food price inflation, consumer confidence and unemployment data sourced from Eurostat and local statistical offices
- ▶ Global and regional totals are based on the ‘barometer’ countries in this report: France, Germany, Italy, NL, Spain, UK, Poland, Russia, USA, Brazil, Mexico, China, India and Japan
- ▶ Calculation of Global and regional ‘barometers’ is based on household population weights





FMCG Global Trends

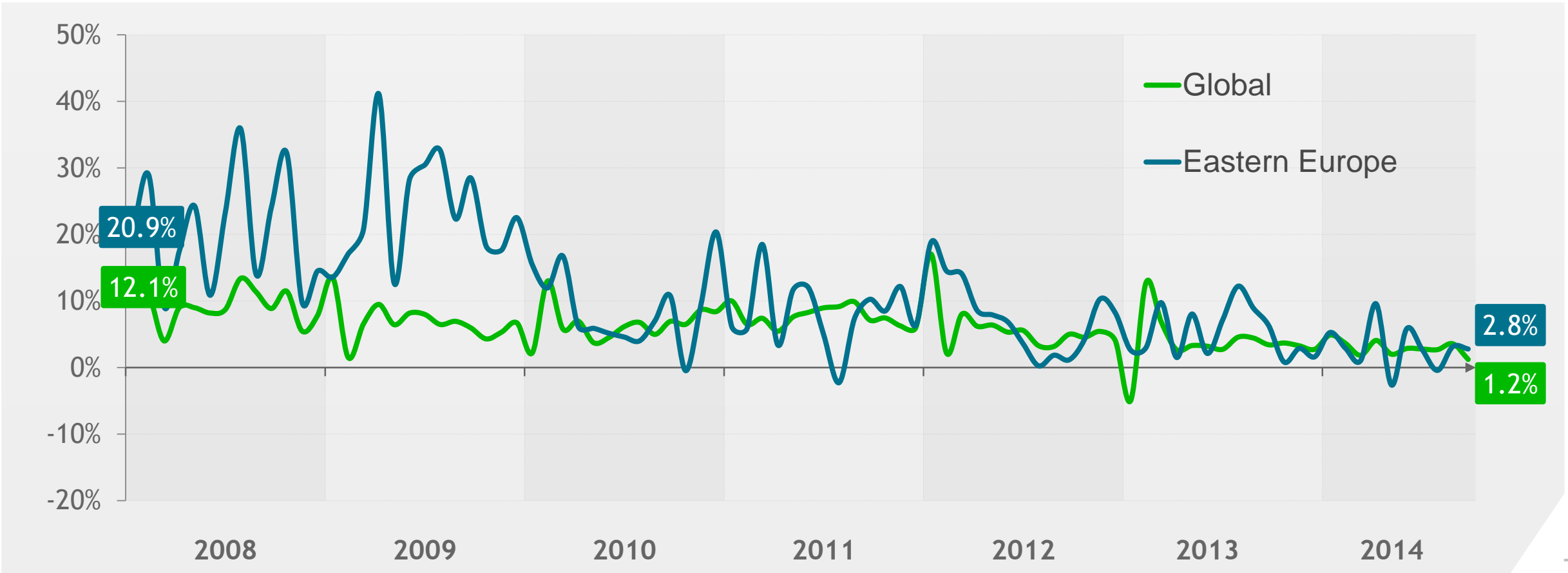
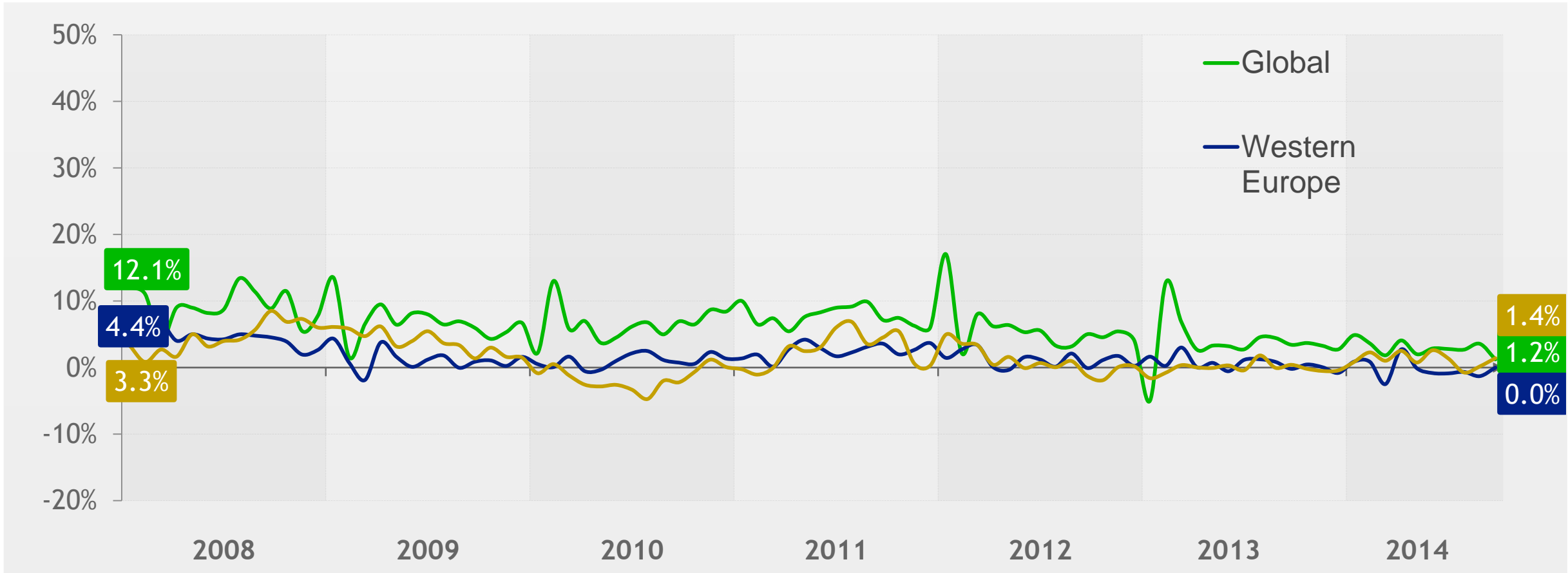
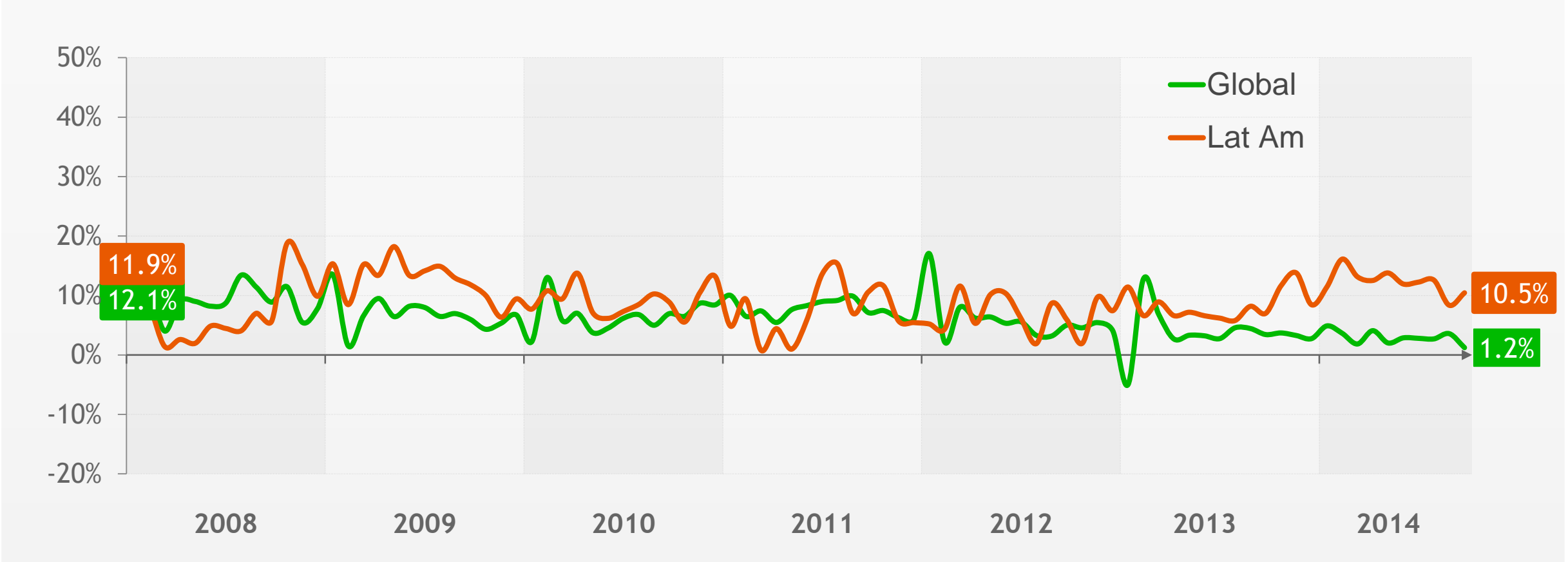
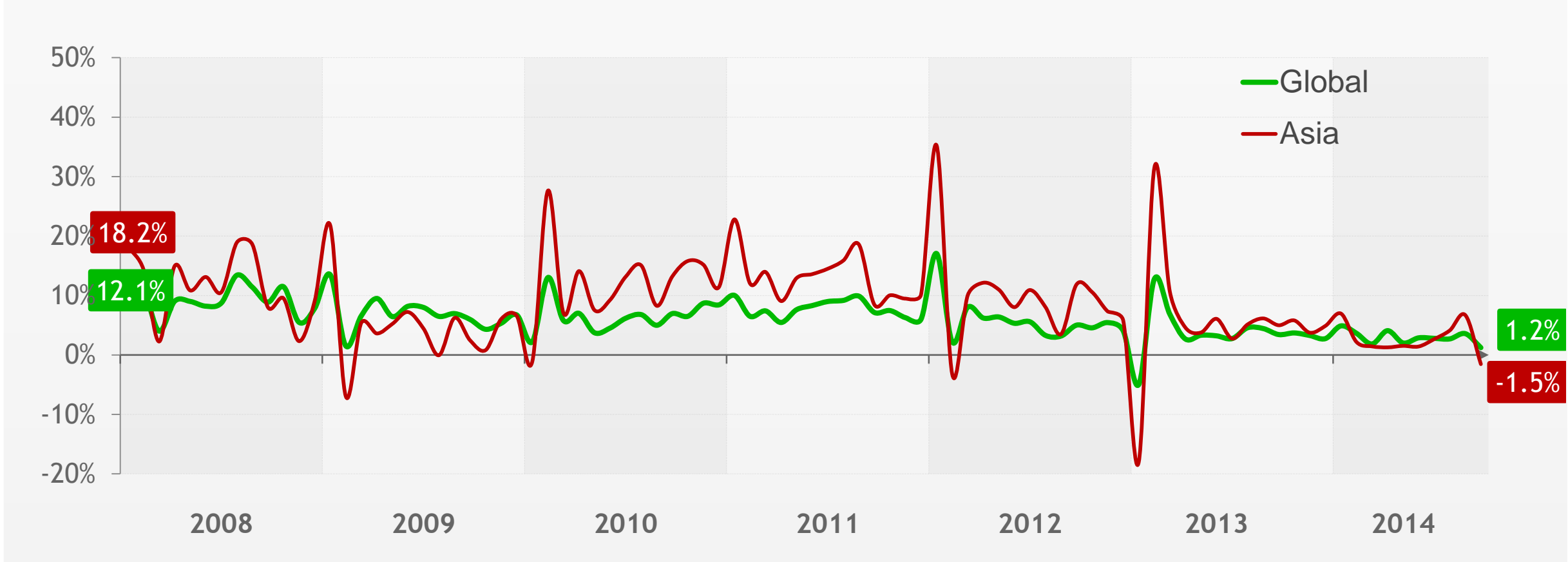
# FMCG, Inflation & the Economy

## *Global and Regional Barometer Trends*



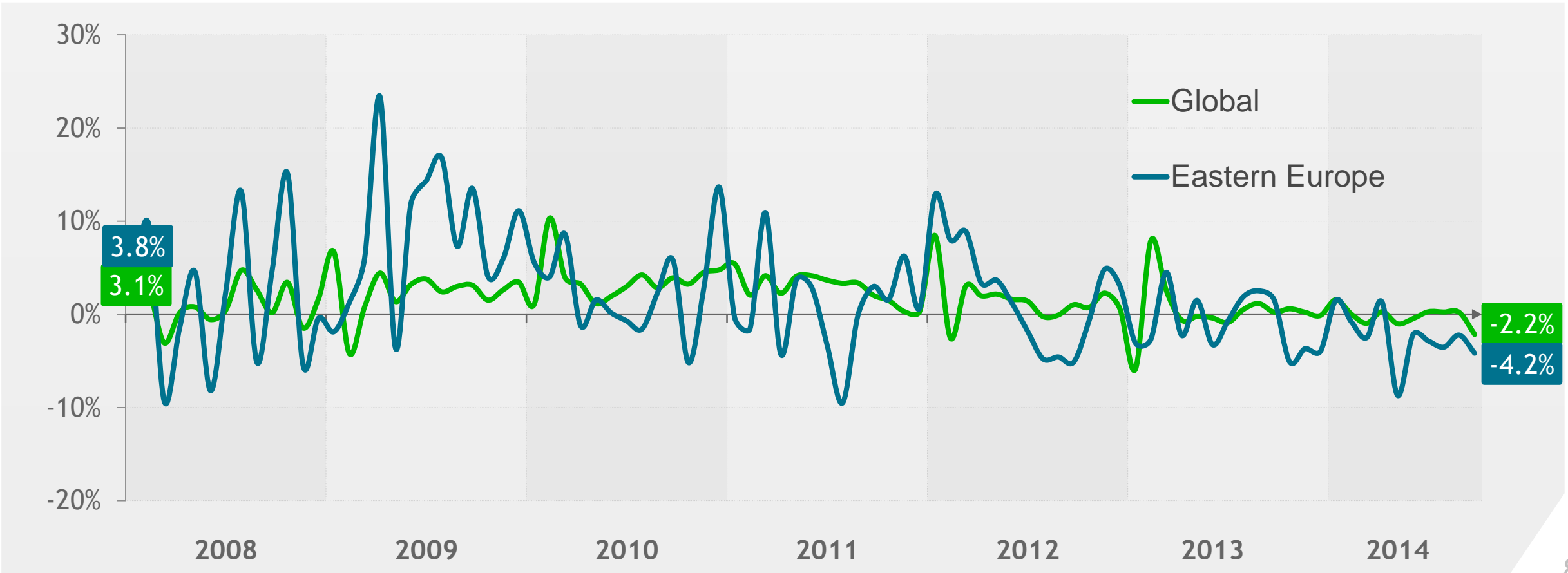
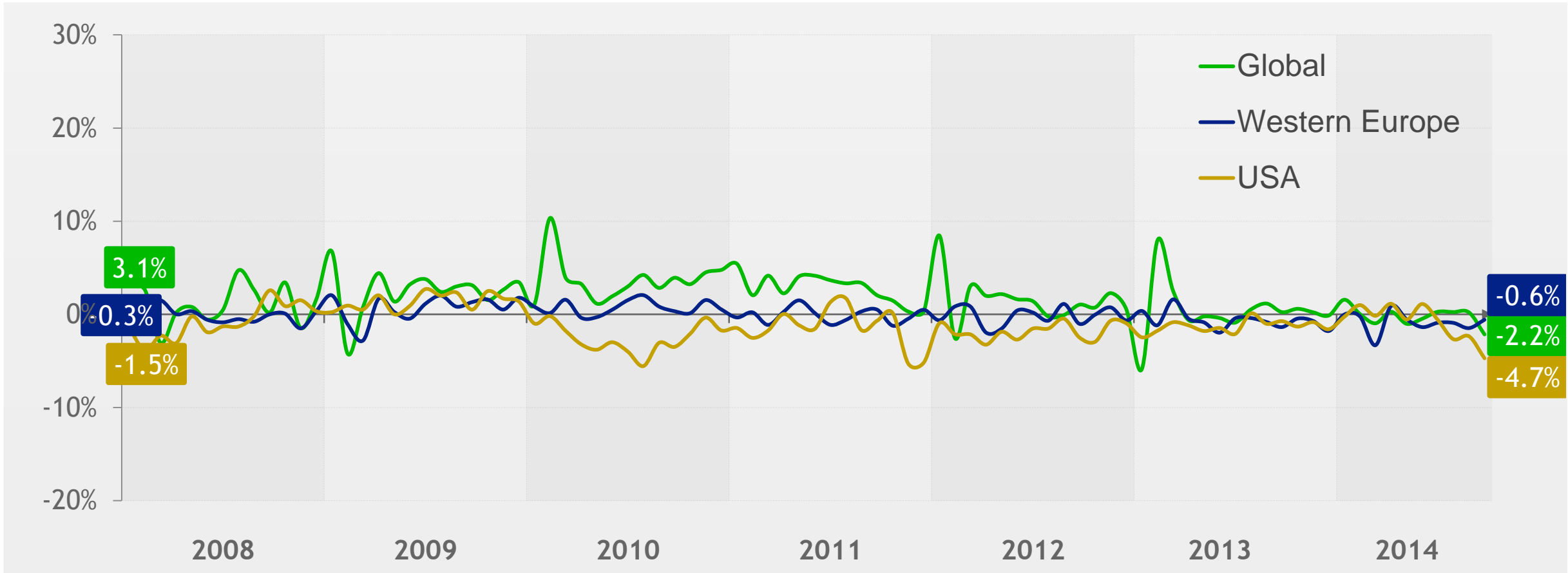
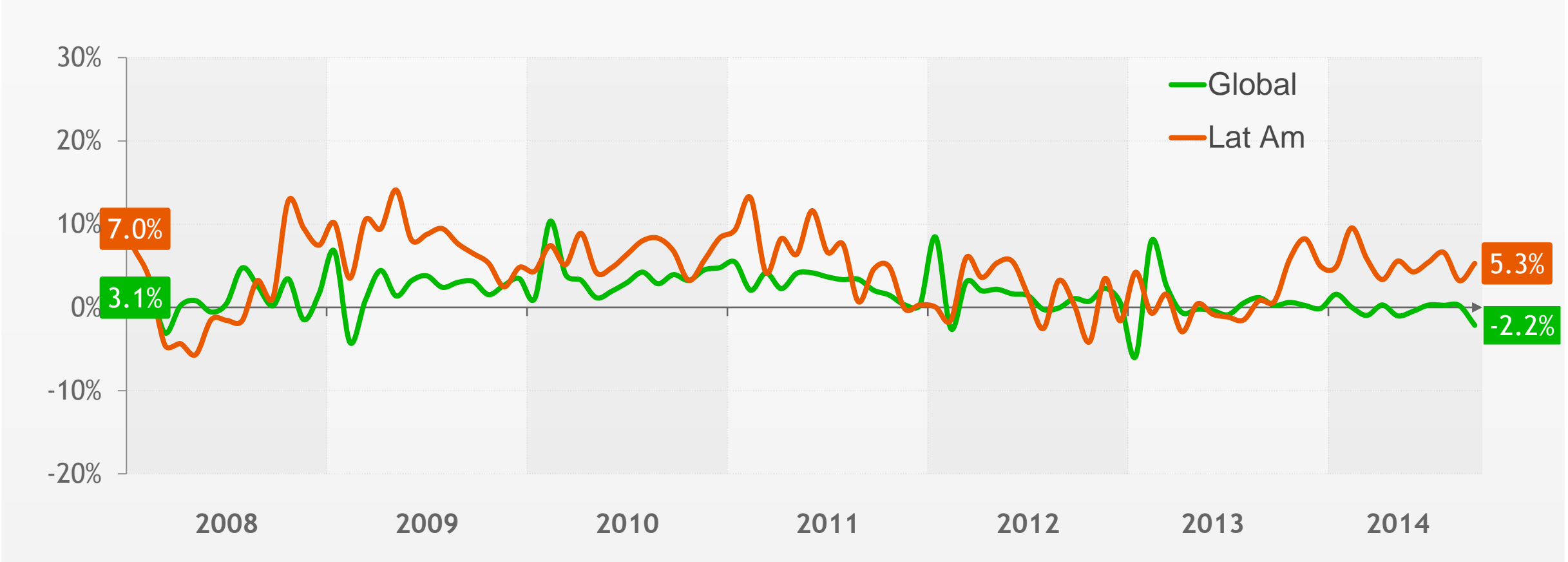
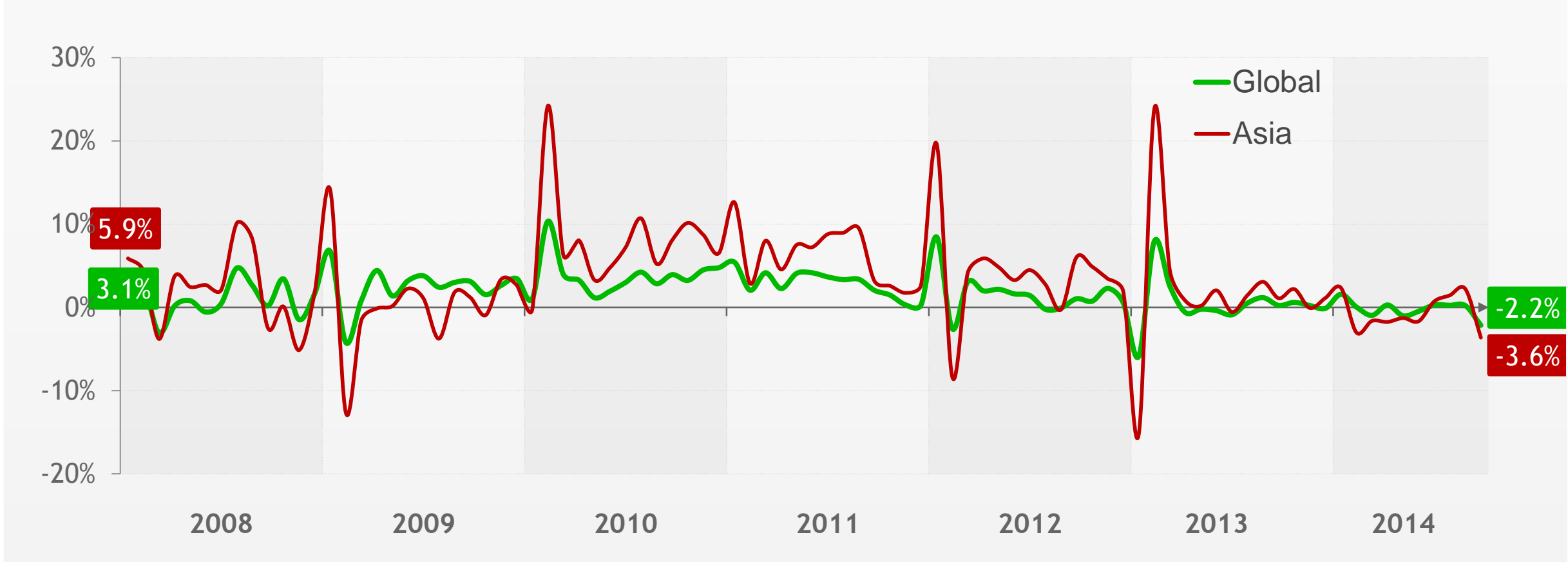
# Monthly/4-weekly FMCG Value Trend – Global & Regional barometers

A continuing slowdown in global FMCG value growth impacted in most countries by lower volumes and lower price inflation



# Monthly/4-weekly FMCG Volume Trend – Global & Regional barometers

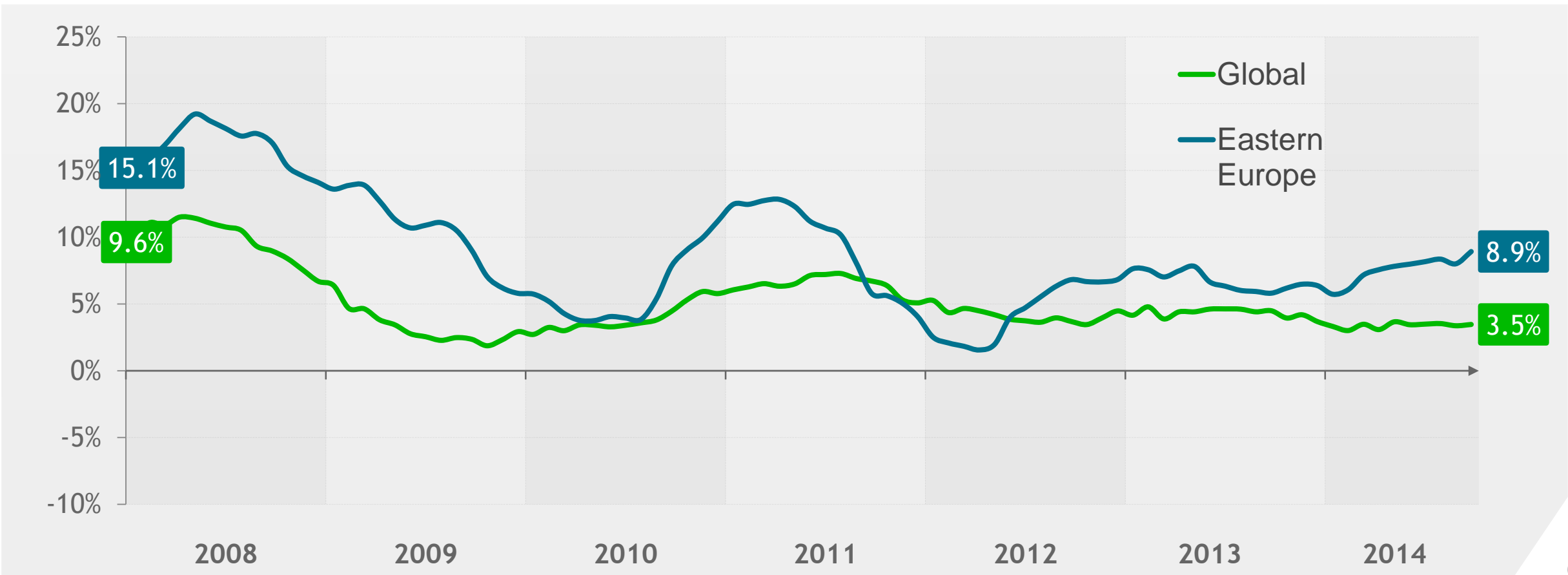
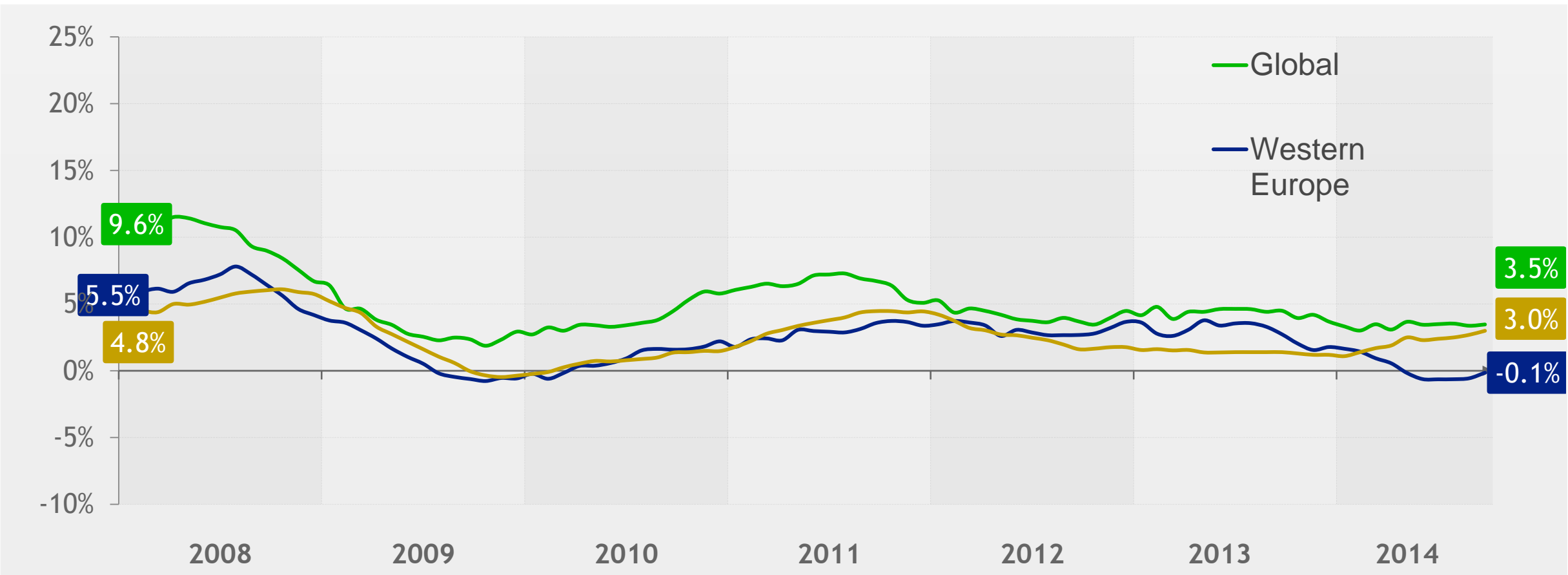
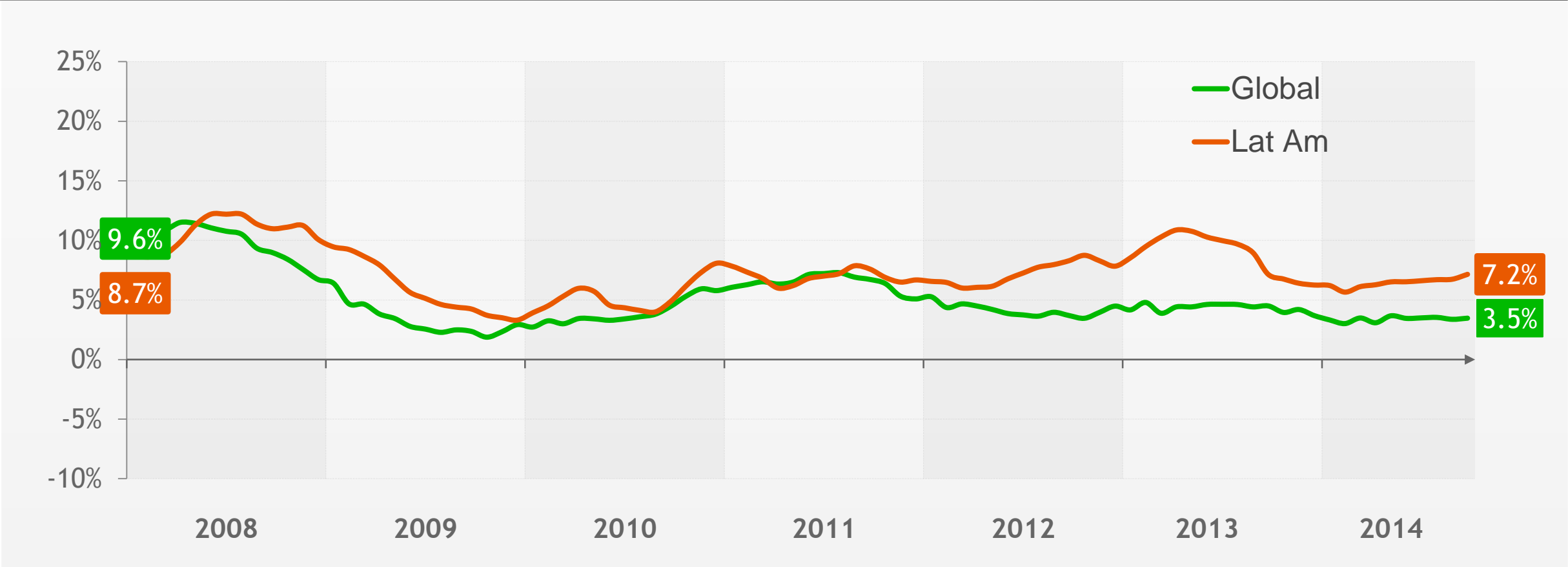
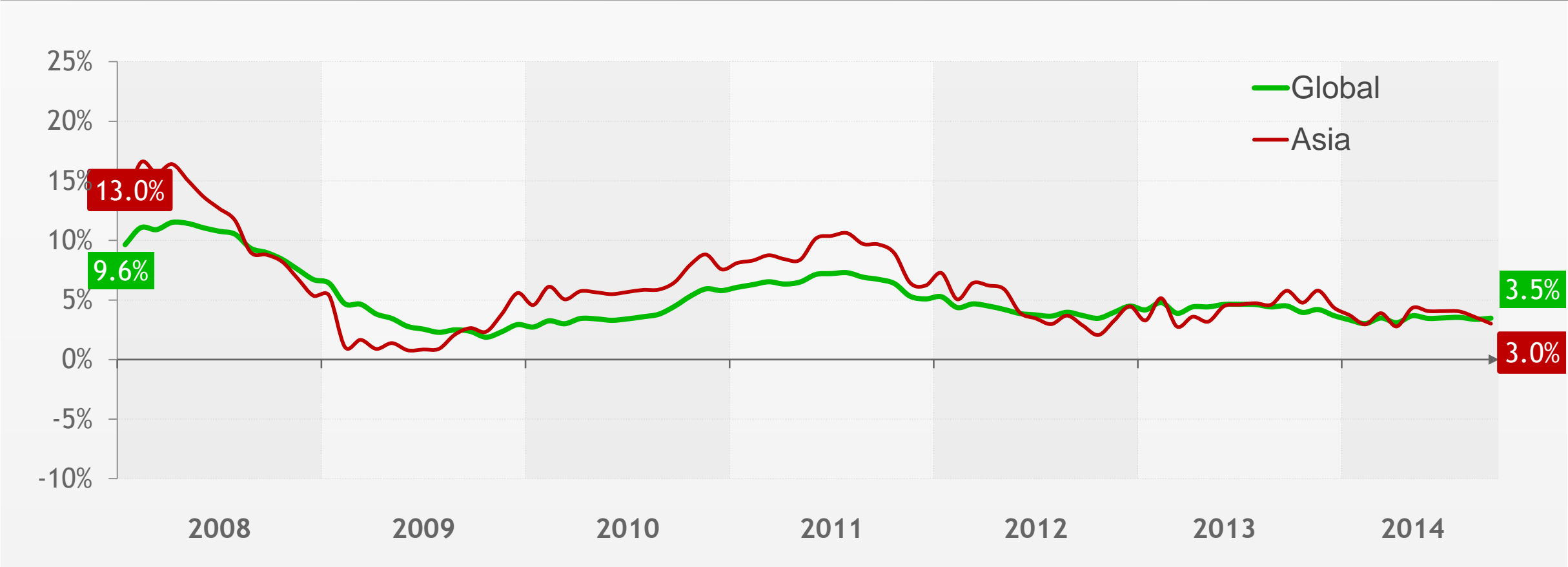
With the exception of Latin America, volume trends are poor with significant slowdowns in China, Japan, Russia and USA





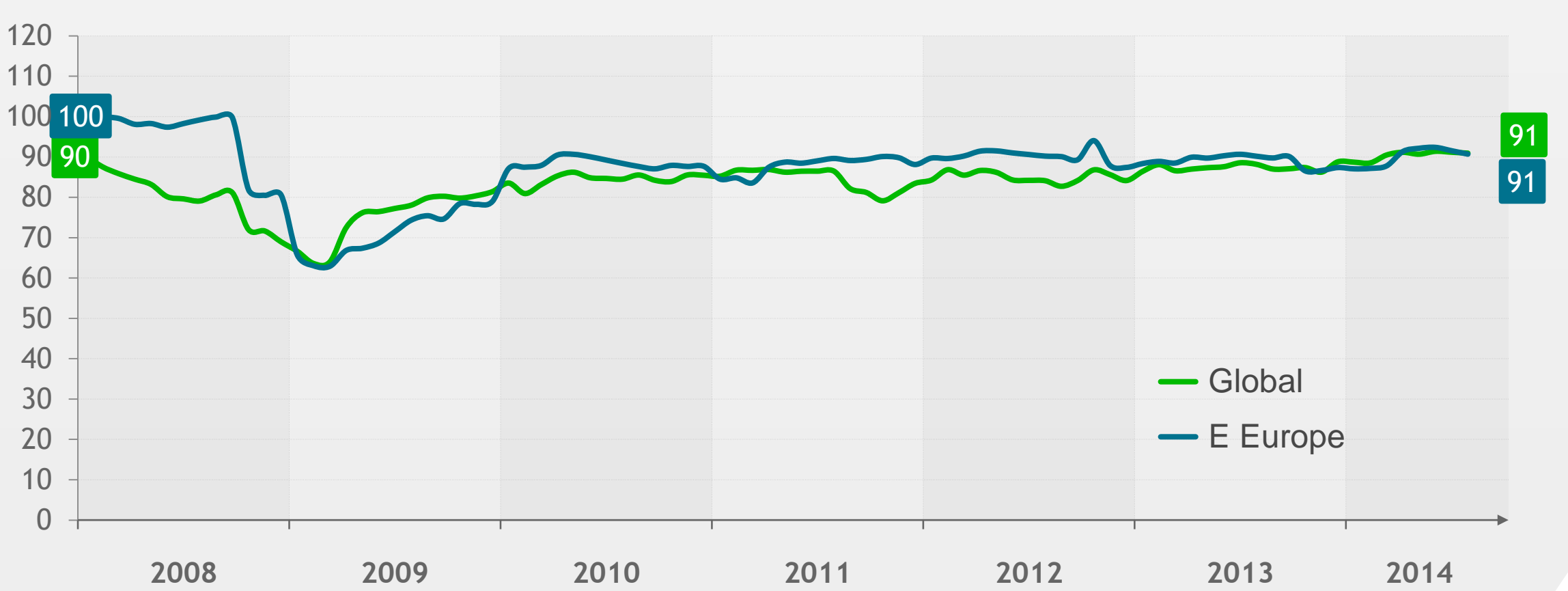
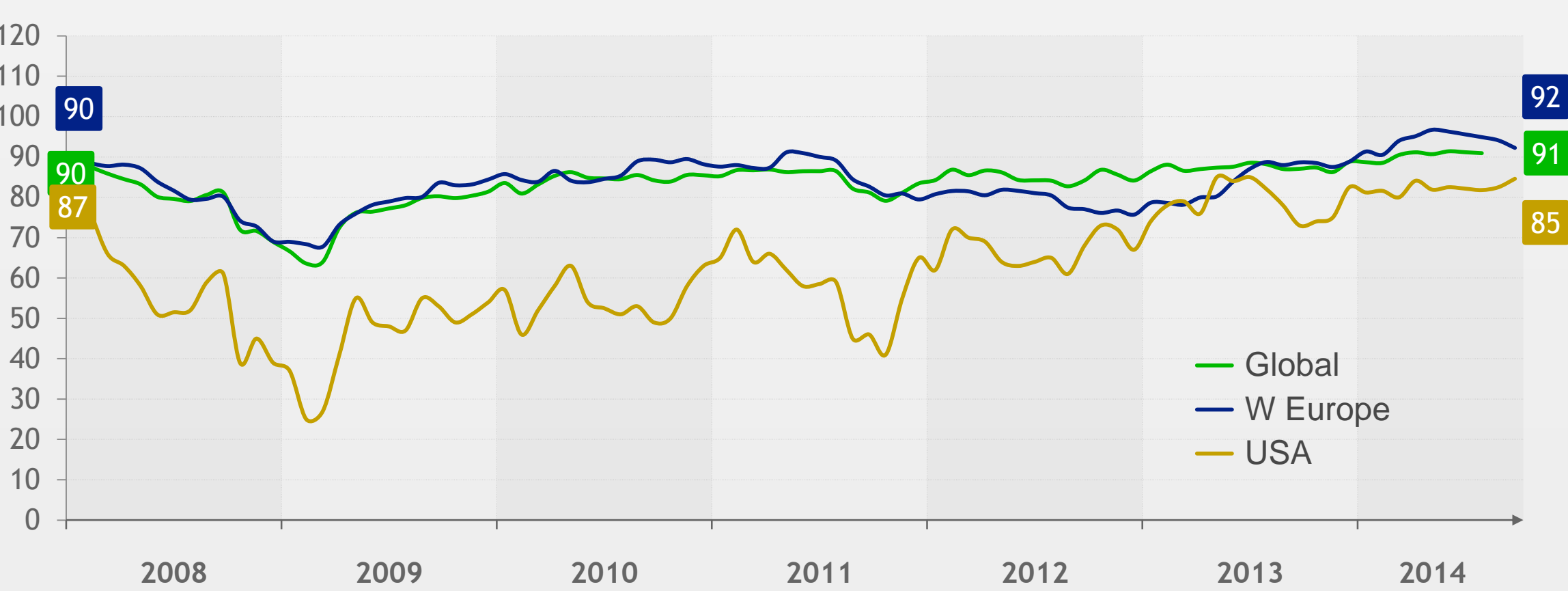
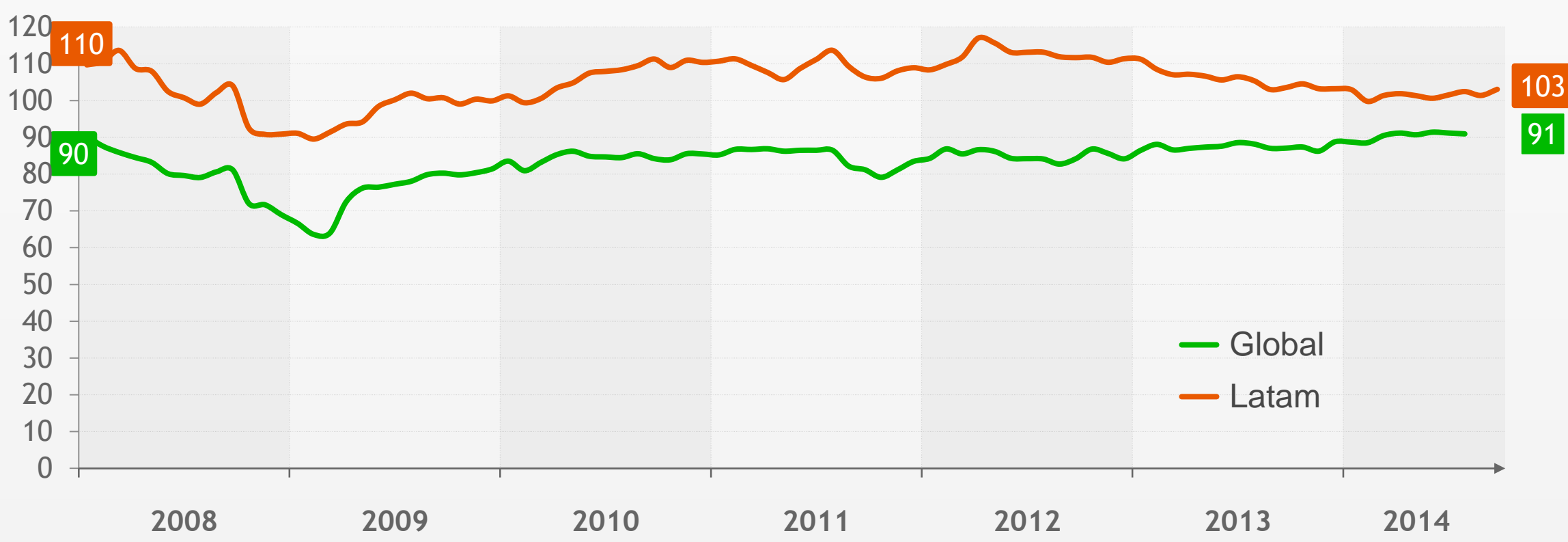
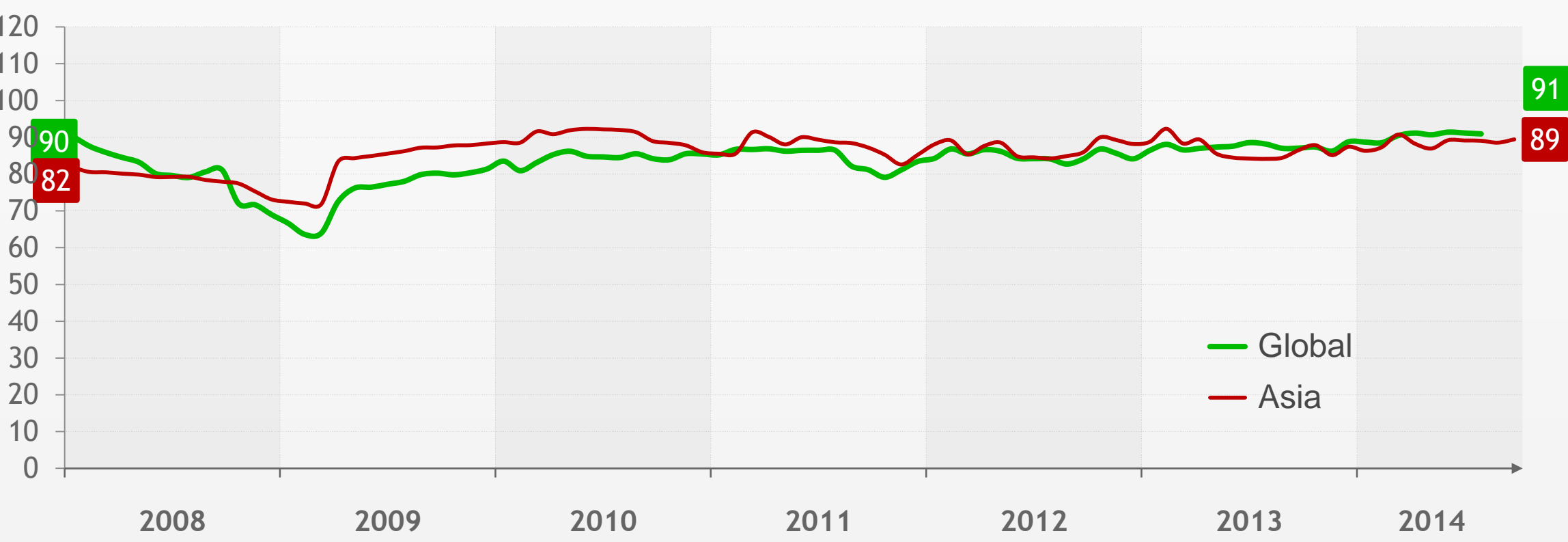
# Consumer Price Inflation Food – Global & Regional barometers

Apart from W.Europe some signs of higher food price inflation which is a factor undermining the market

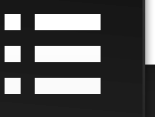


# Consumer Confidence – Global & Regional barometers

Current confidence levels remain relatively high in the long term but there are short term reductions in Europe

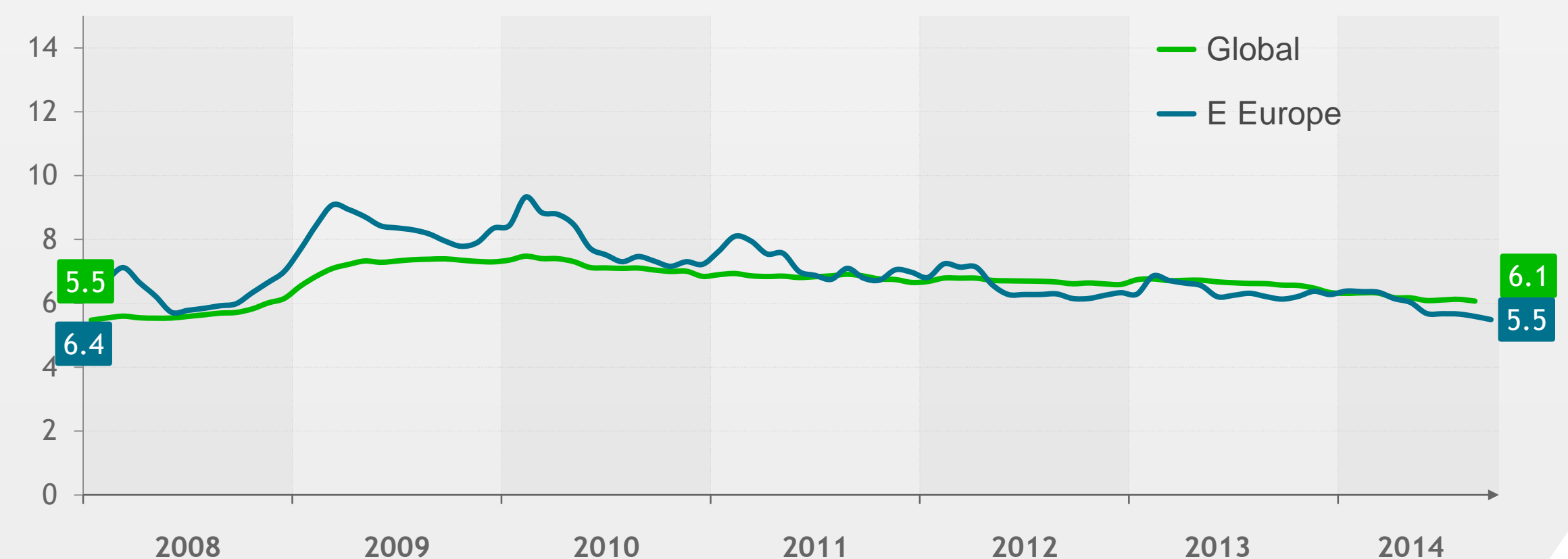
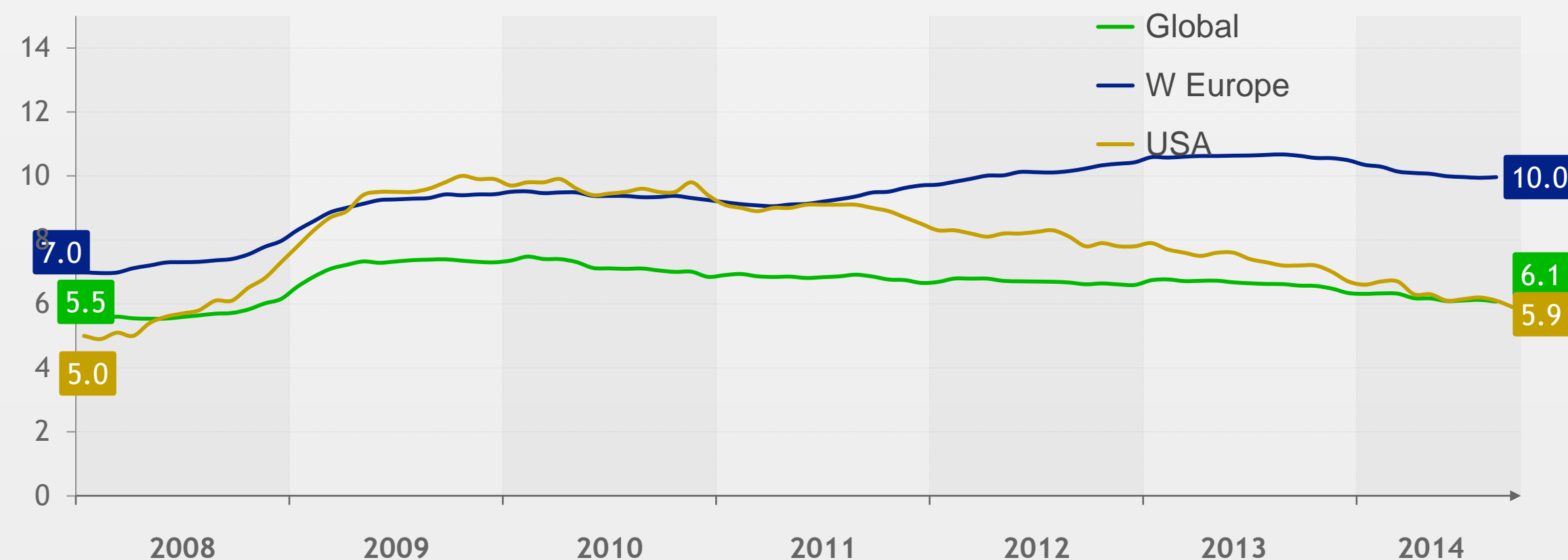
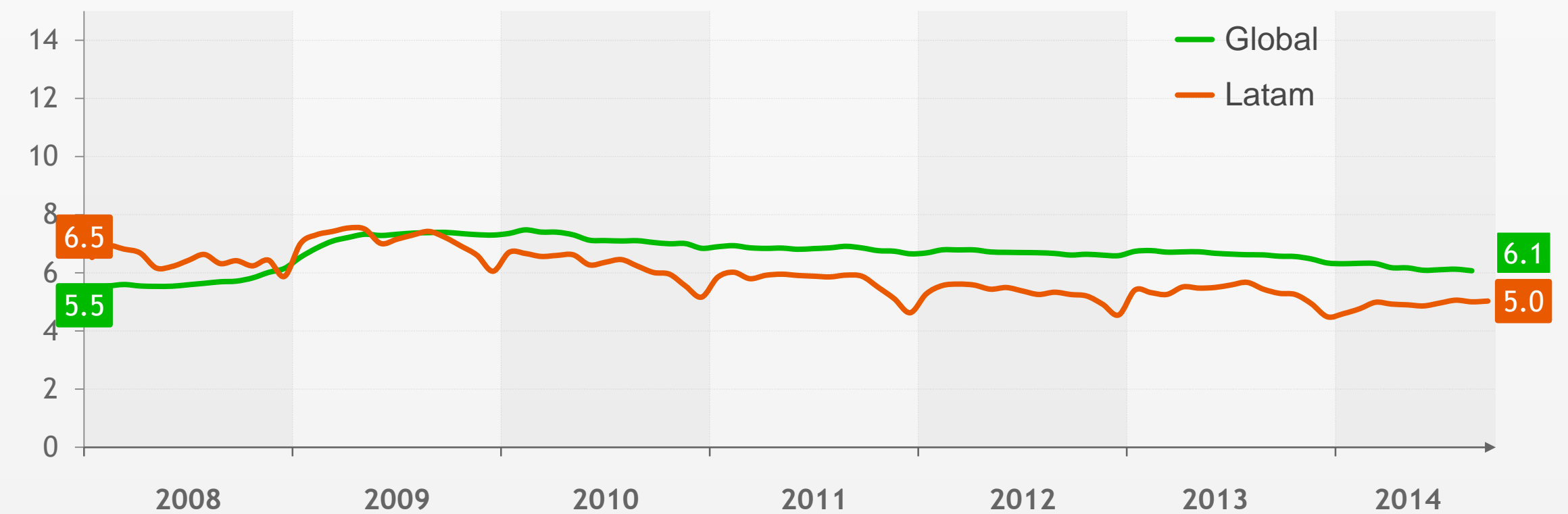
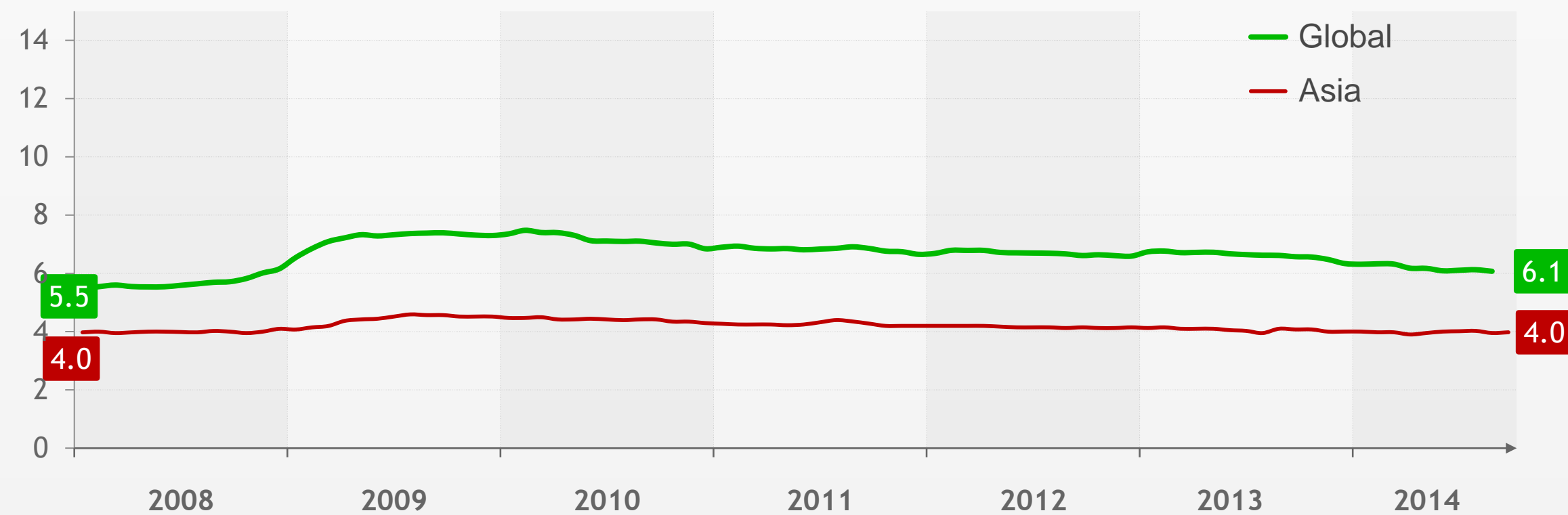






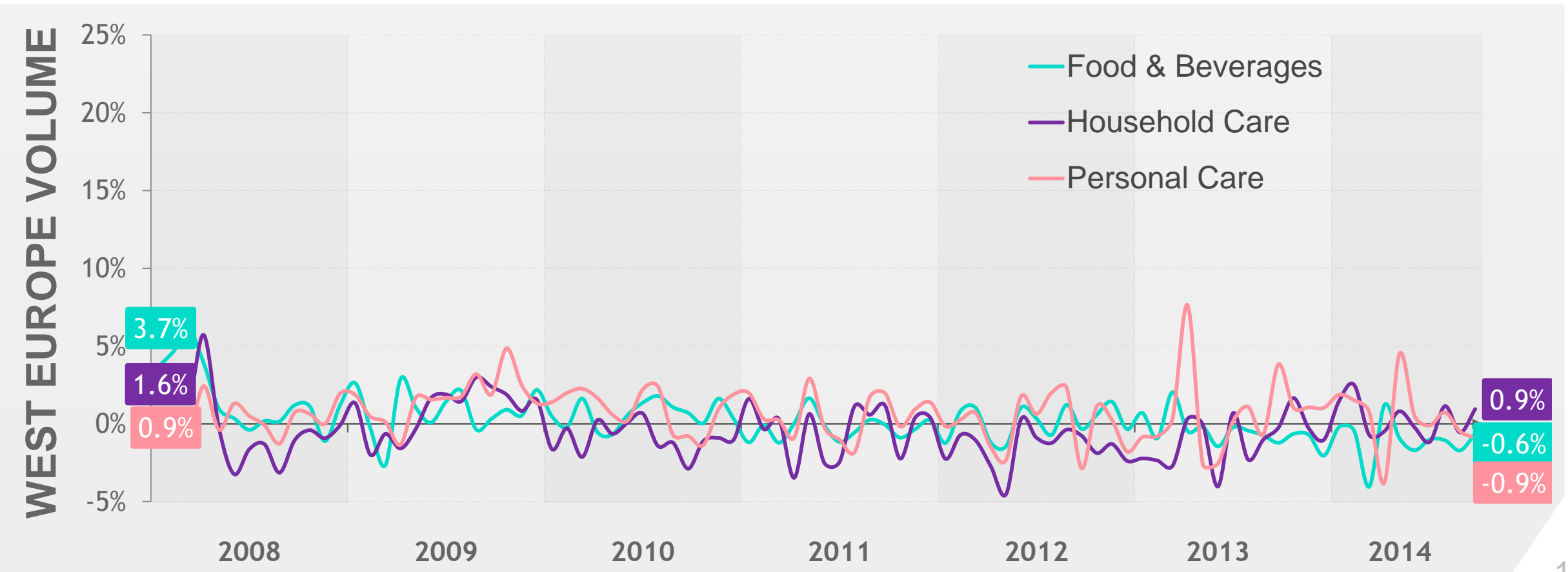
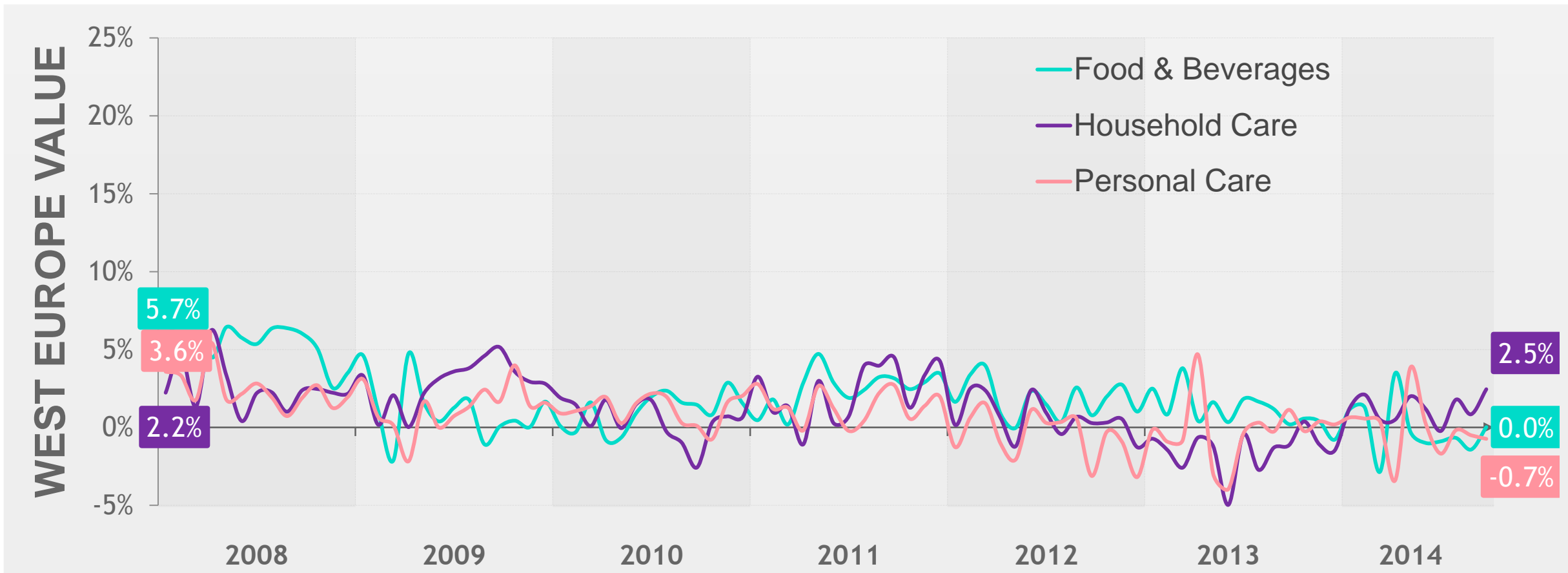
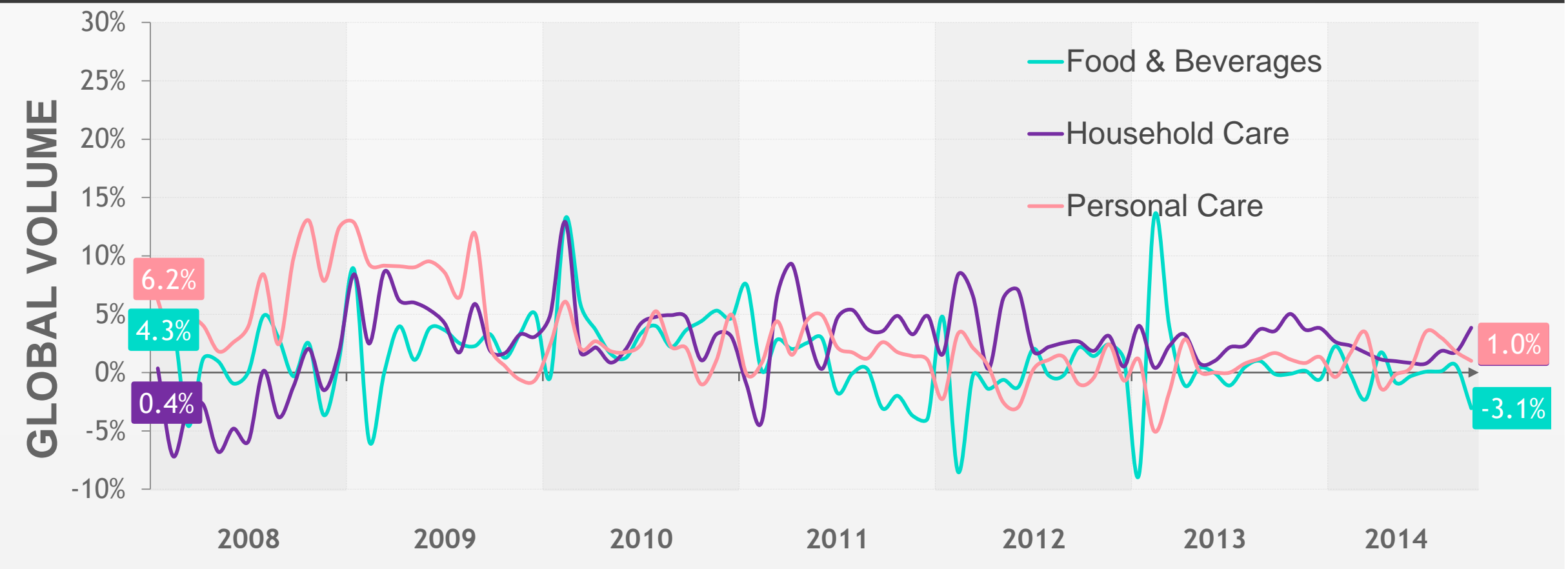
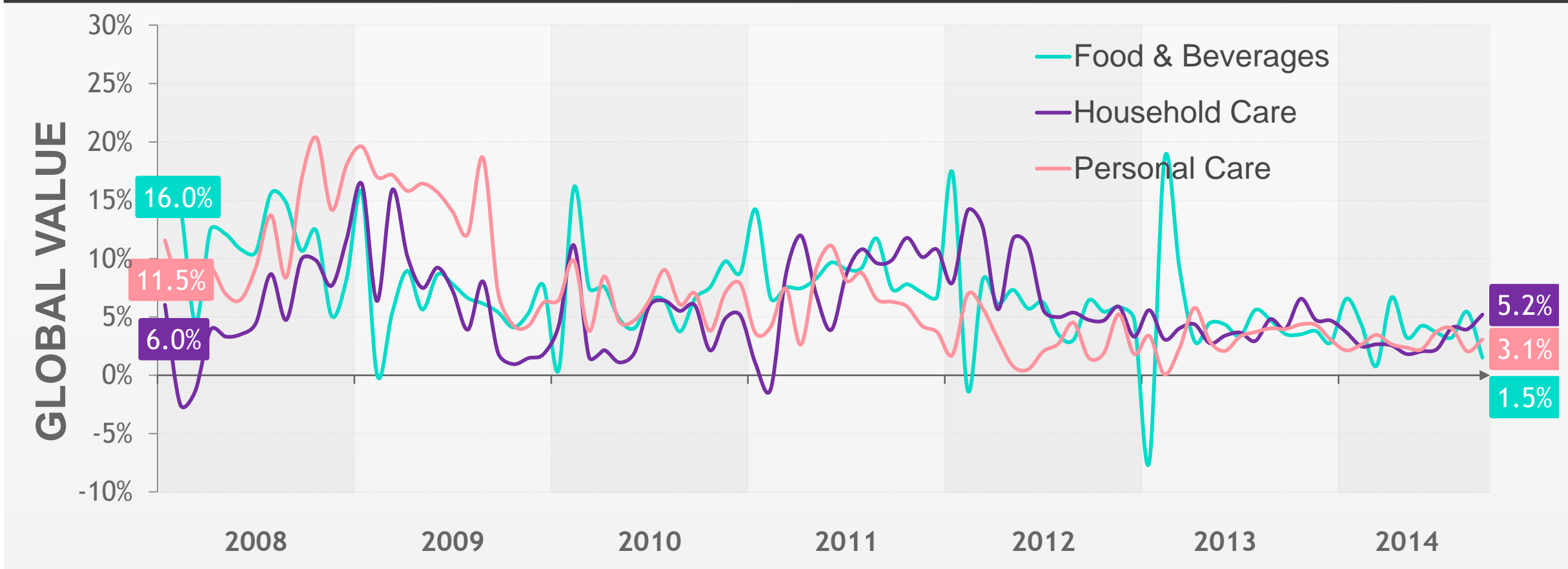
# Unemployment rates - Global & Regional barometers

Unemployment levels are generally continuing to drop



# Monthly/4-weekly FMCG by type Trend – Global & Regional barometers

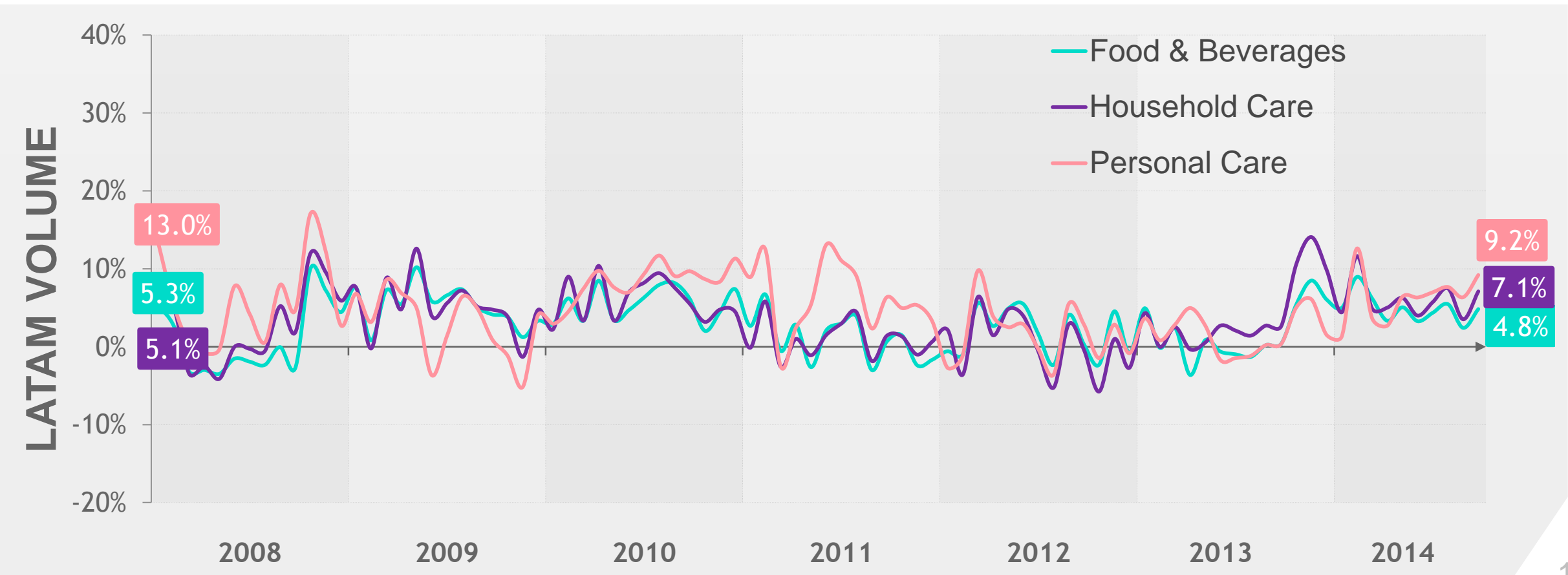
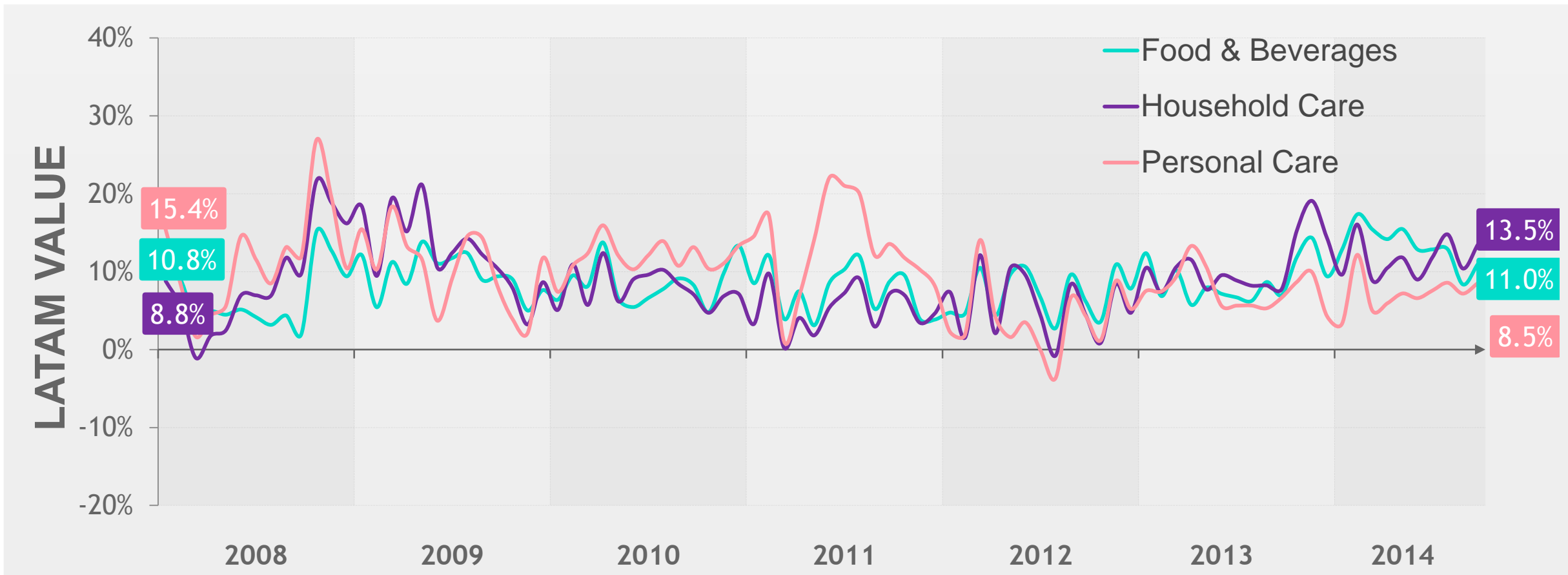
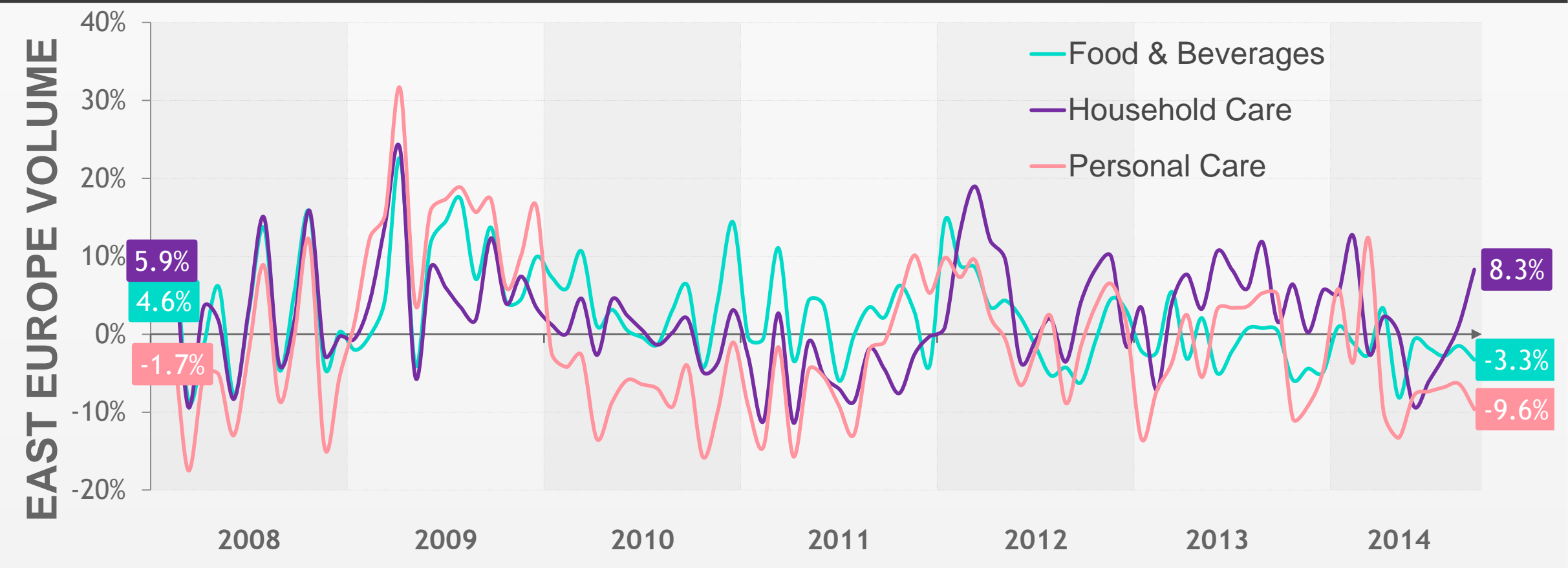
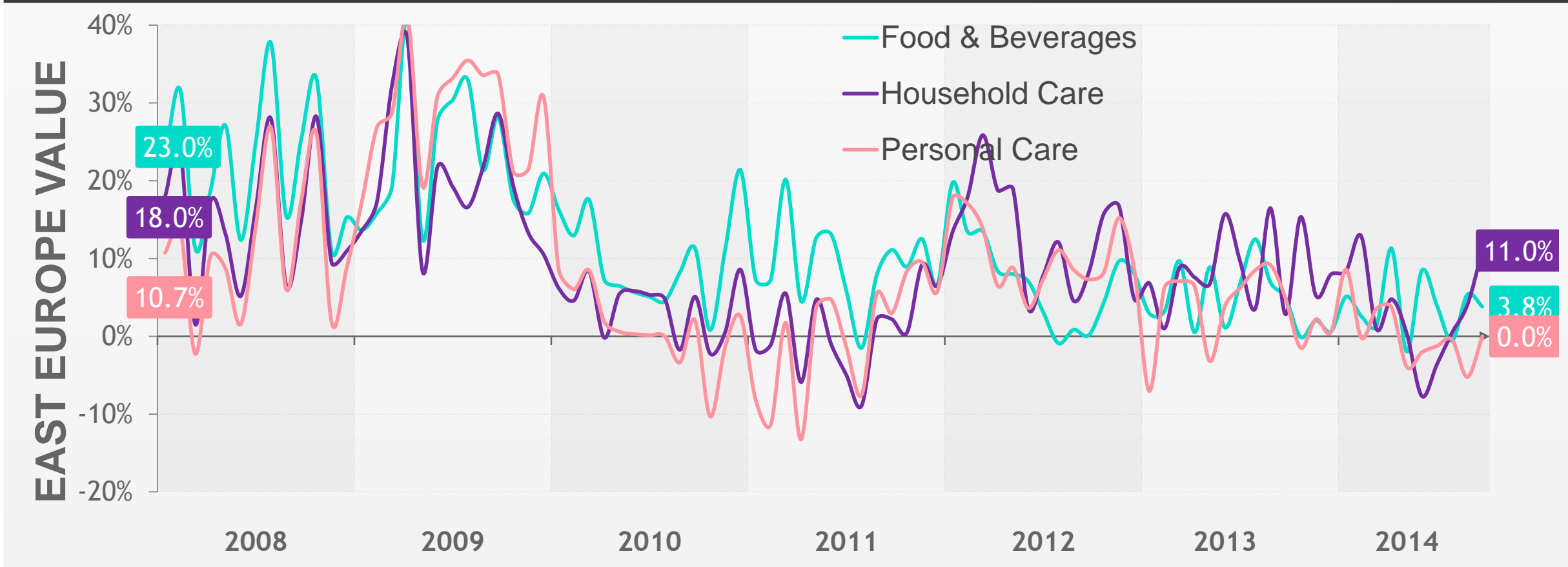
The main slowdown has been in Foods and also Personal Care, especially in volume terms





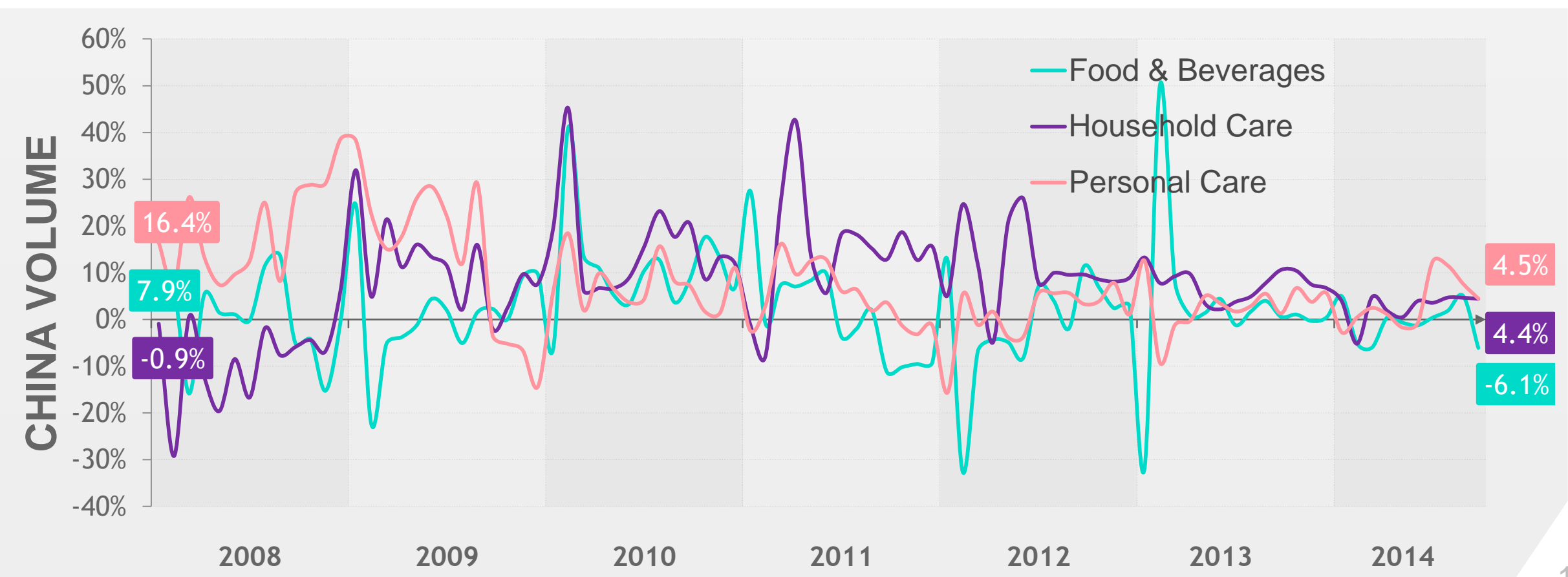
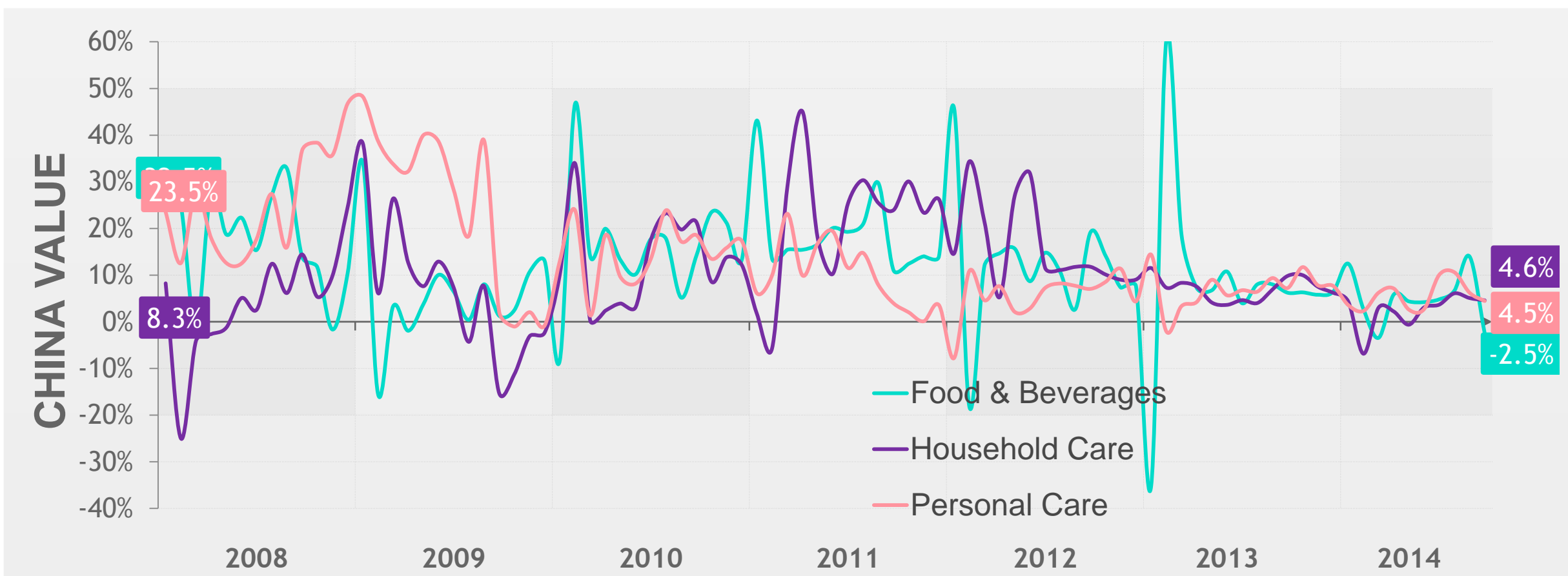
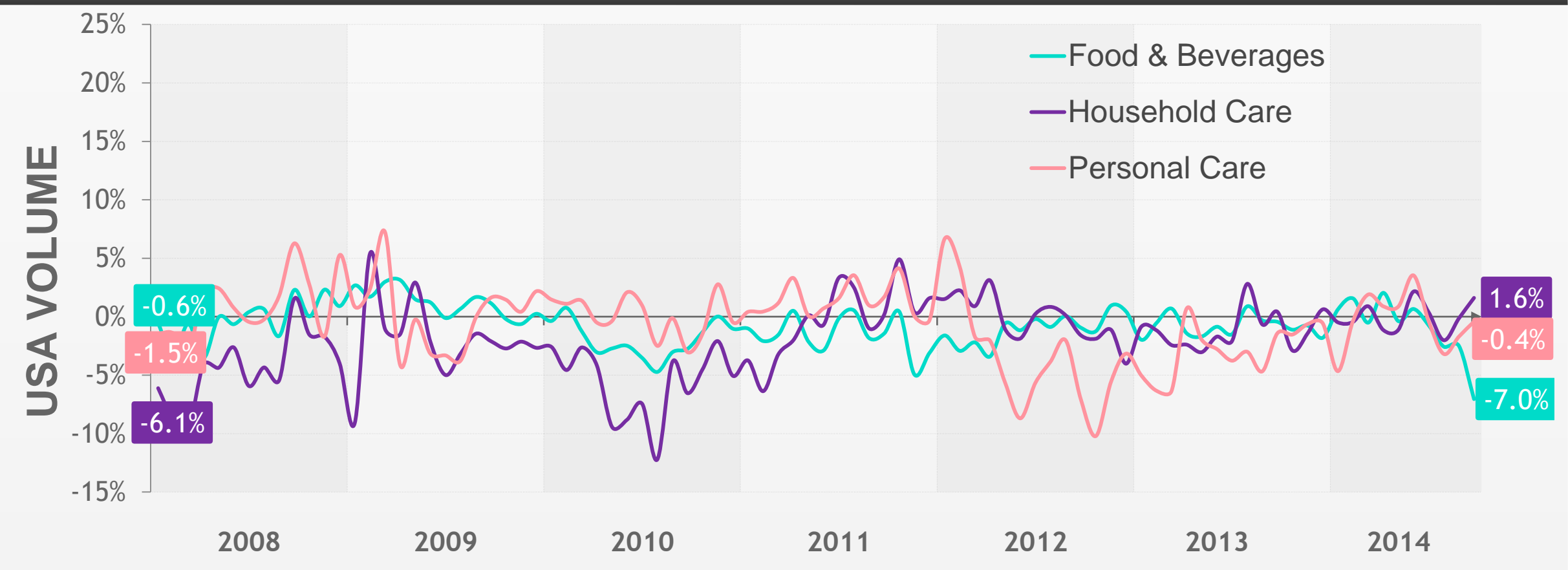
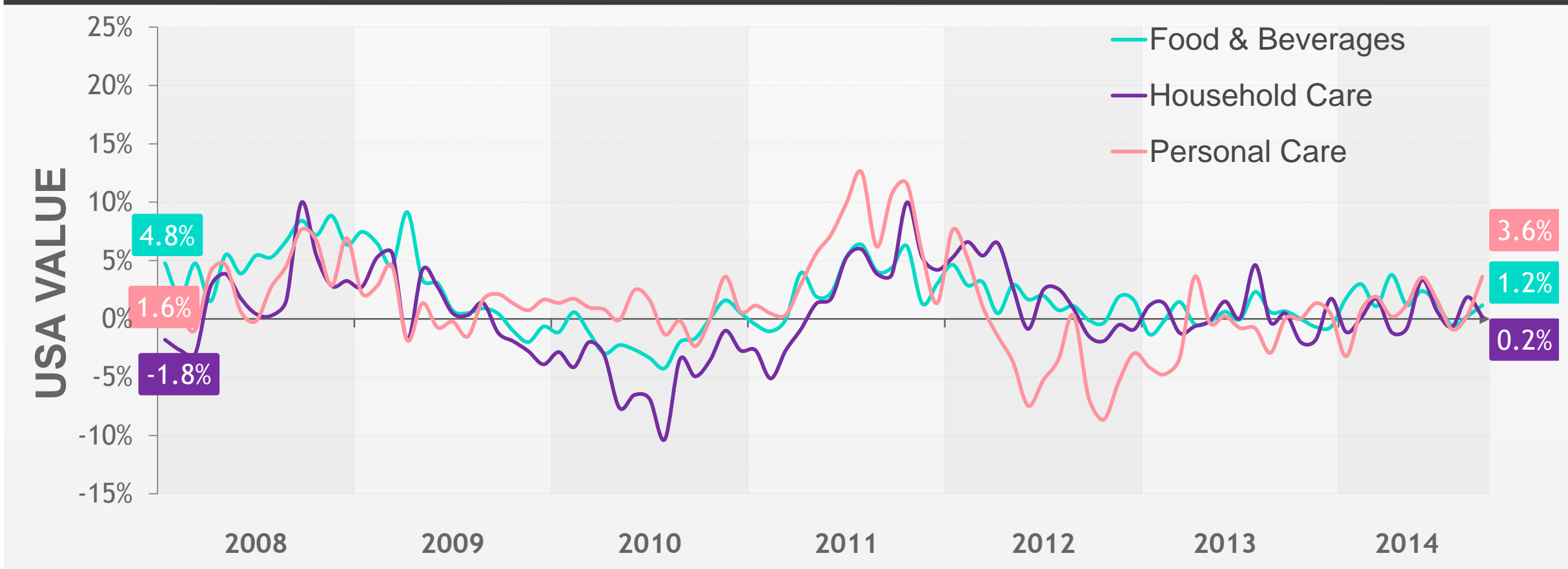
# Monthly/4-weekly FMCG by type Trend – Global & Regional barometers

Strength across the board in Latin America but Food is the driver of poor trends in Eastern Europe



# Monthly/4-weekly FMCG by type Trend – Global & Regional barometers

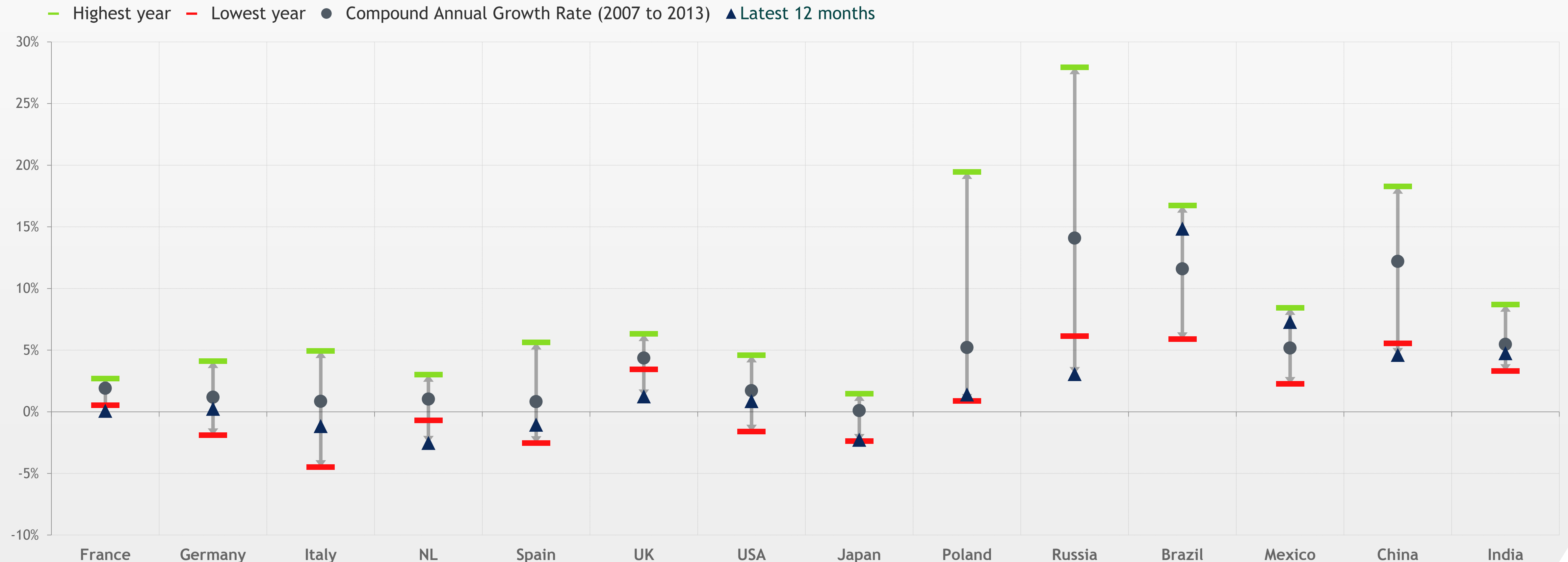
The weakness in the US FMCG market is shown in all 3 category areas but especially in Personal Care and this is similar in China





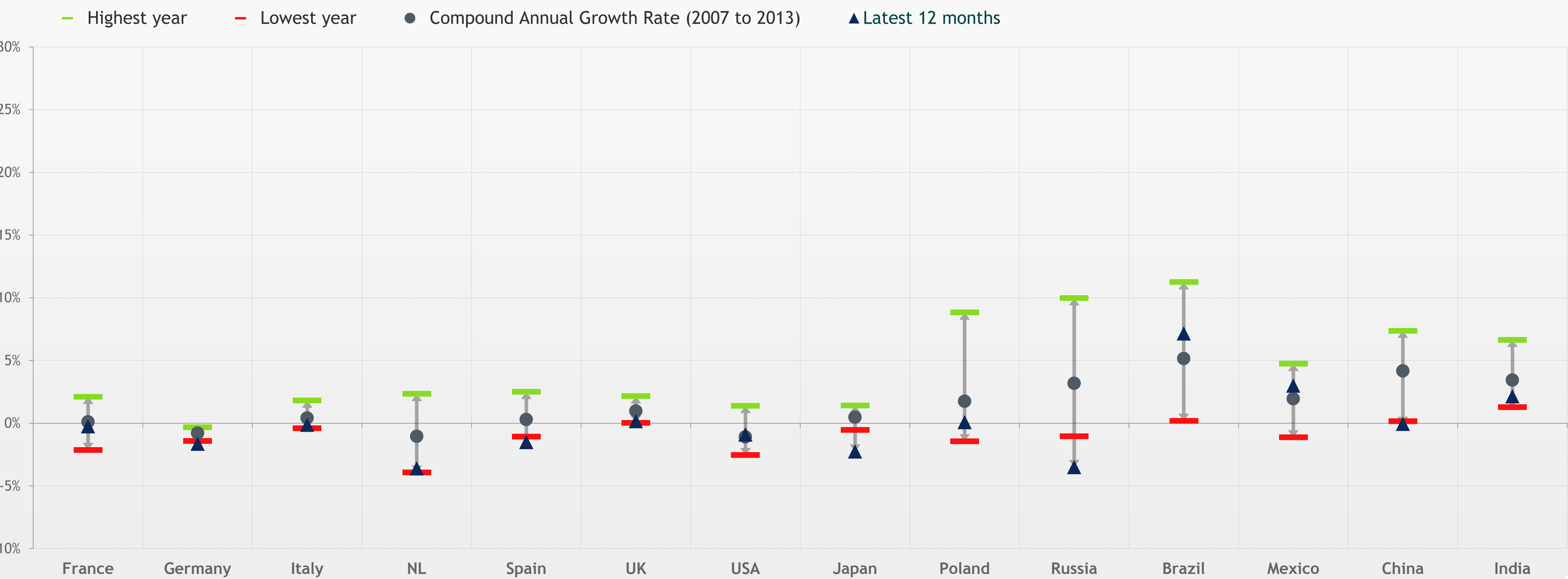
# Long Term Annual FMCG Value Trends

Lower inflation and volumes have led to value growth by country being lower than over the last 6 years in most countries



# Long Term Annual FMCG Volume Trends

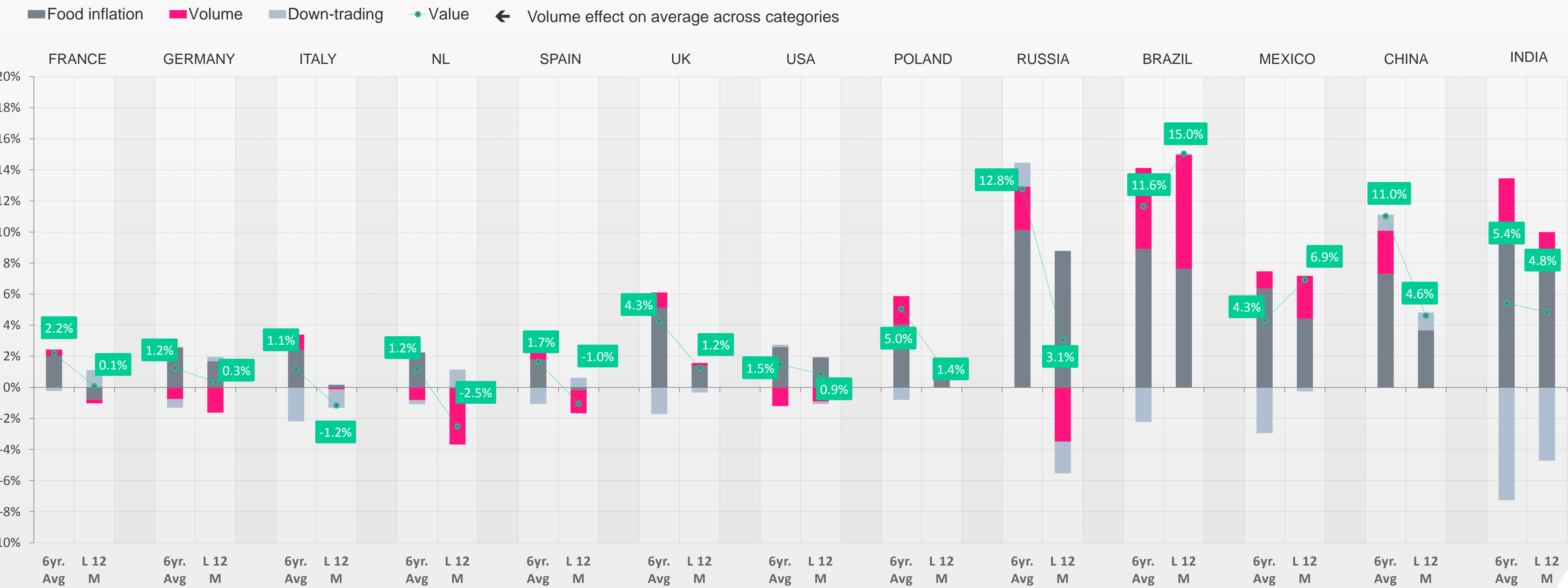
Volumes are weak almost everywhere with few exceptions and especially in NL, Japan and Russia





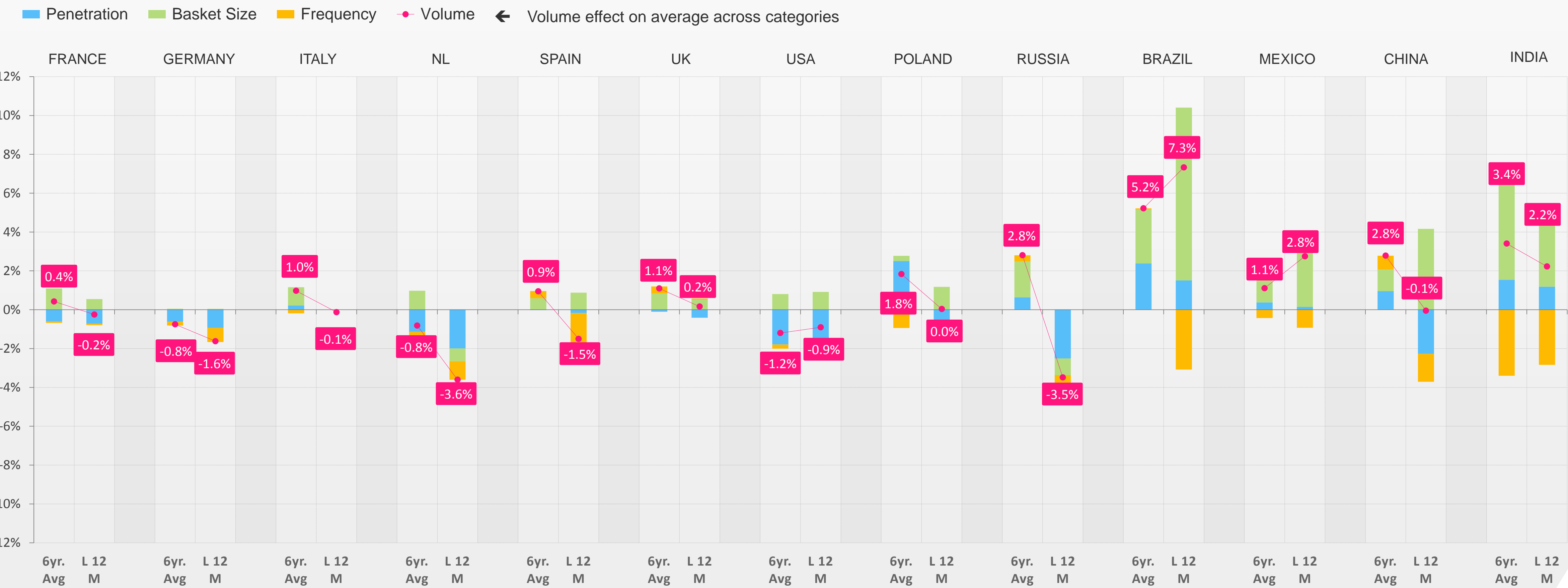
# Long Term & Latest Annual FMCG Consumer KPIs

Some signs that the level of down-trading has eased although the gradual move to Private Label continues



# Long Term & Latest Annual FMCG Consumer KPIs

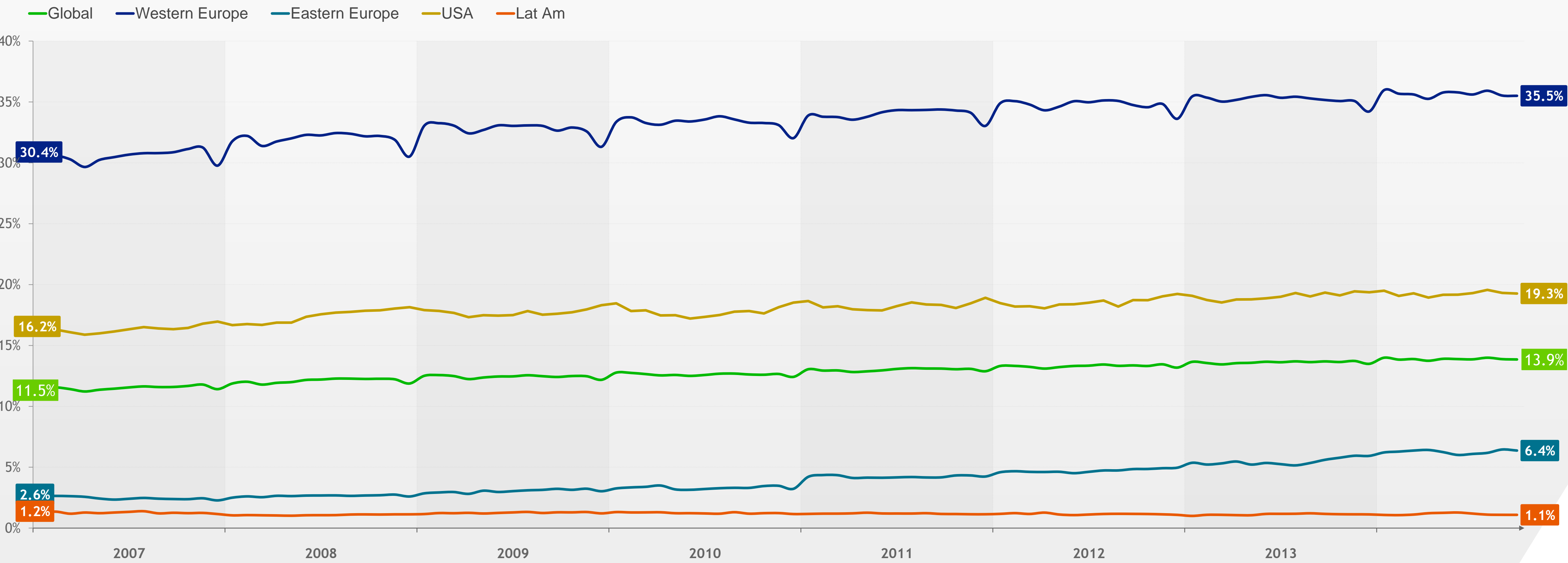
Consumers are generally saving by buying fewer less important categories as the average number of buyers per category is dropping





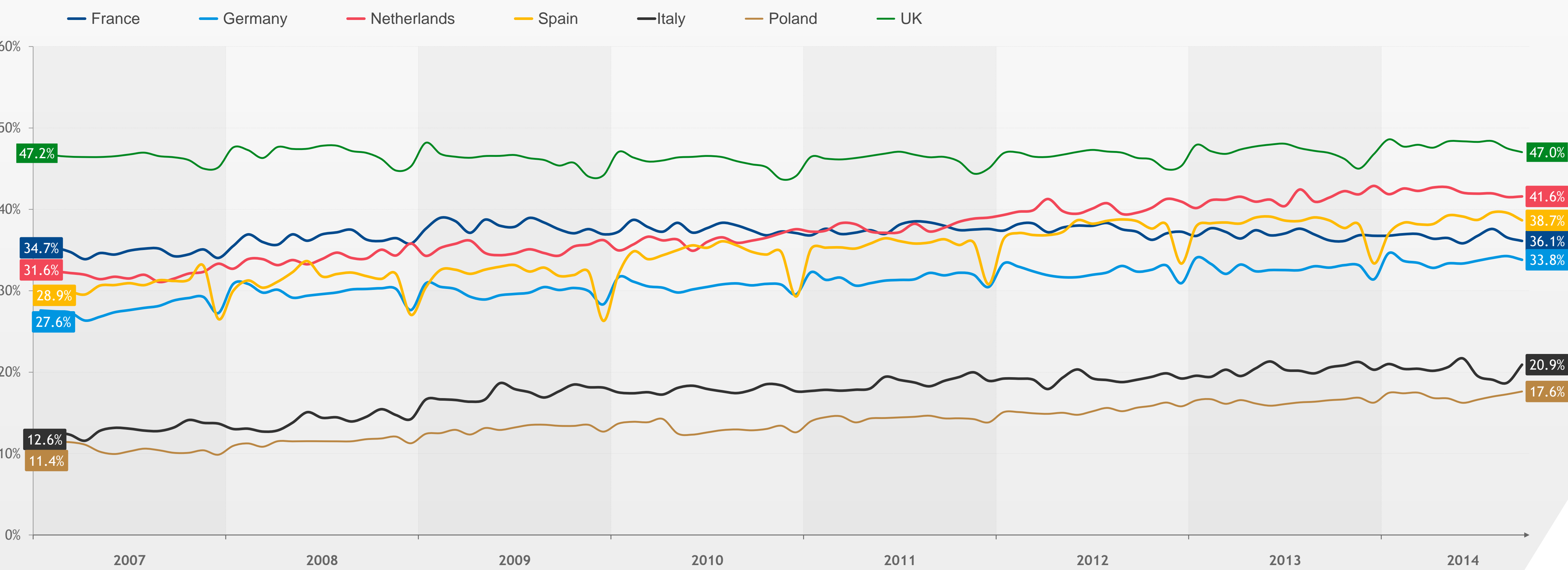
# Private Label FMCG Value Shares by Global & Regional barometers

The relentless march of Private Label continues in all relevant regions



# Private Label FMCG Value Shares by Country

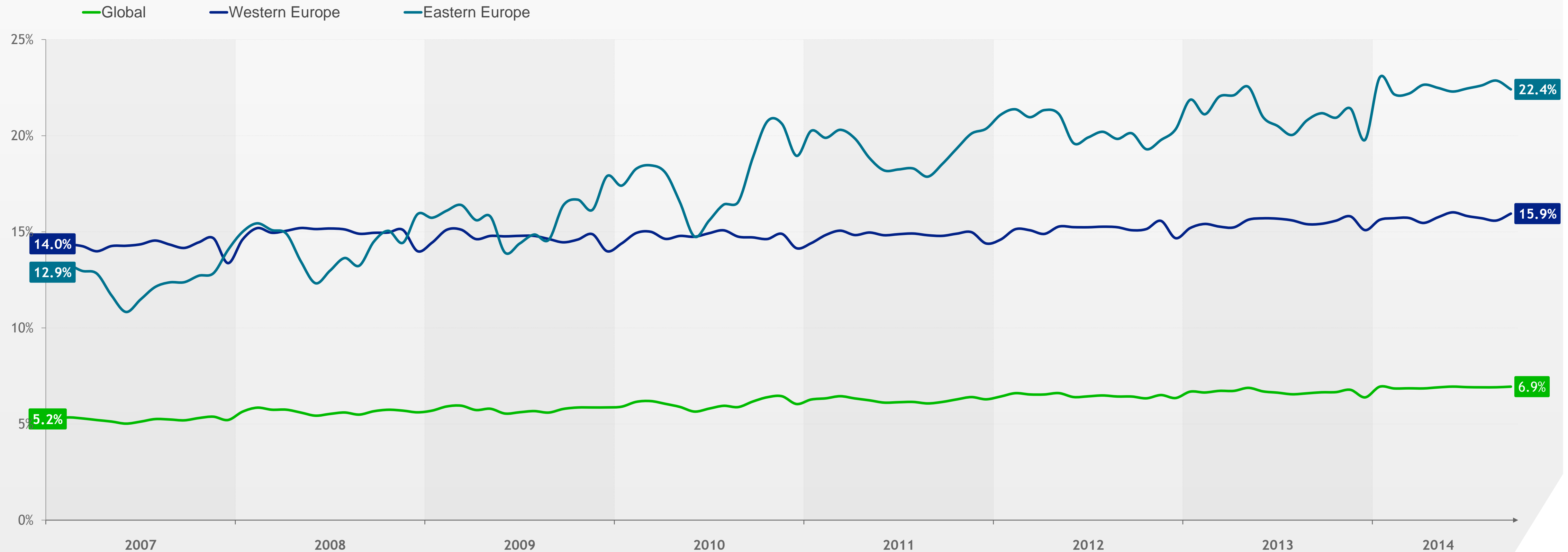
The only exception to PL growth is France where retailers have been more focused on top brands





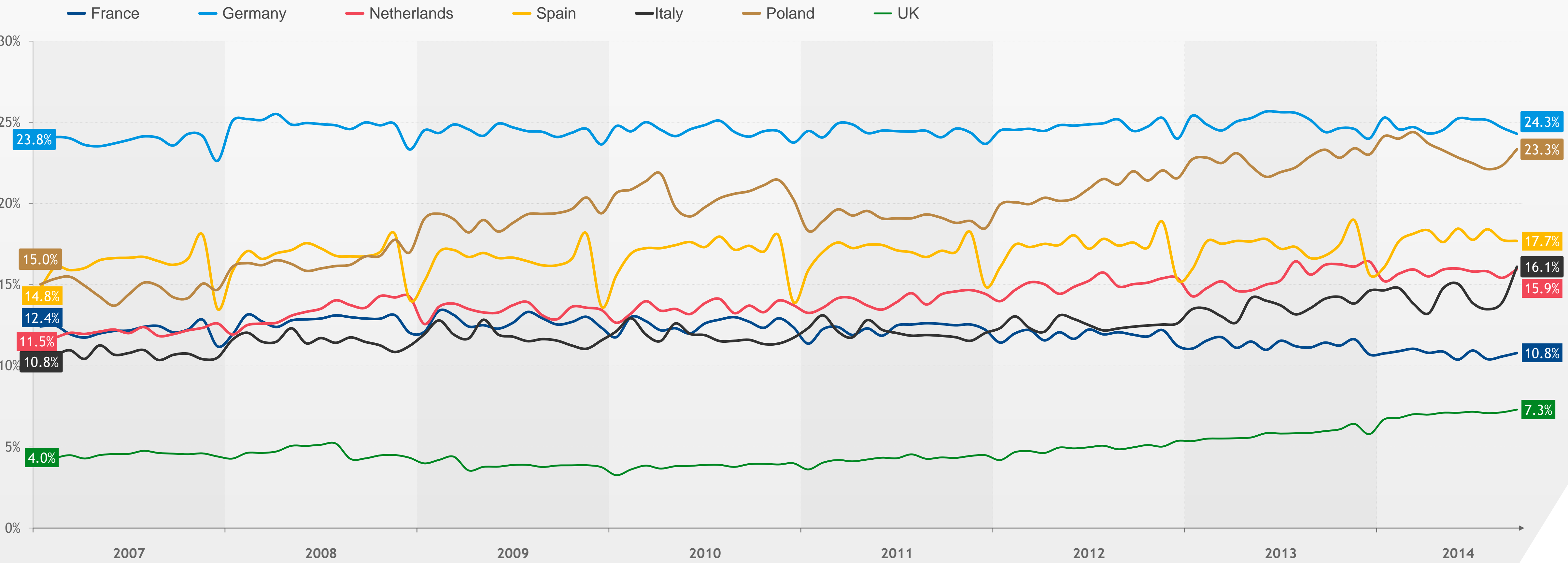
# Discounter FMCG Value Shares by Global & Regional barometers

Overall, Discounters continue to grow share although this is very country and store number dependent



# Discounter FMCG Value Shares by Country

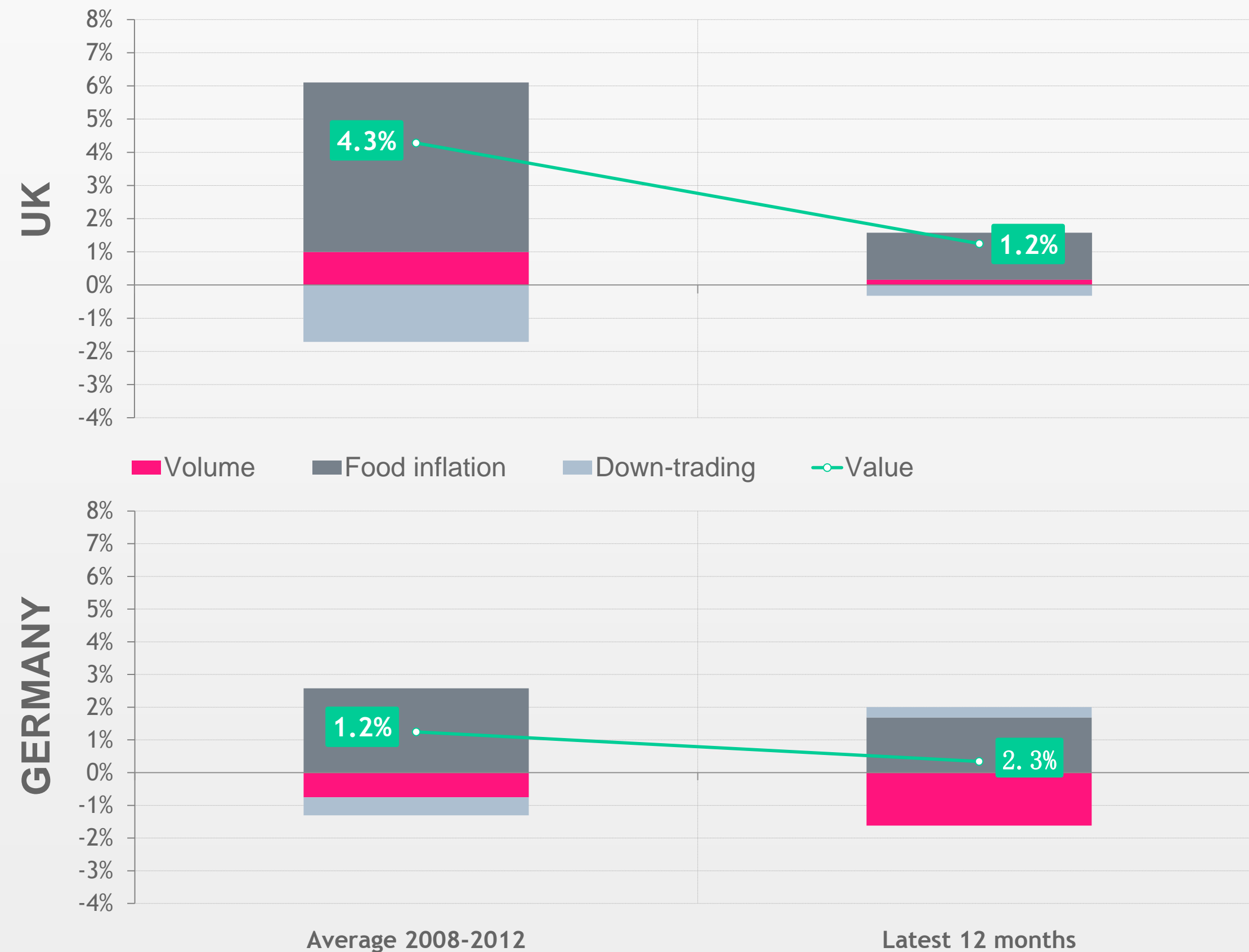
Share growth has come with increases in store numbers in Poland, NL, Italy and UK with more stable patterns in Germany and reductions in France



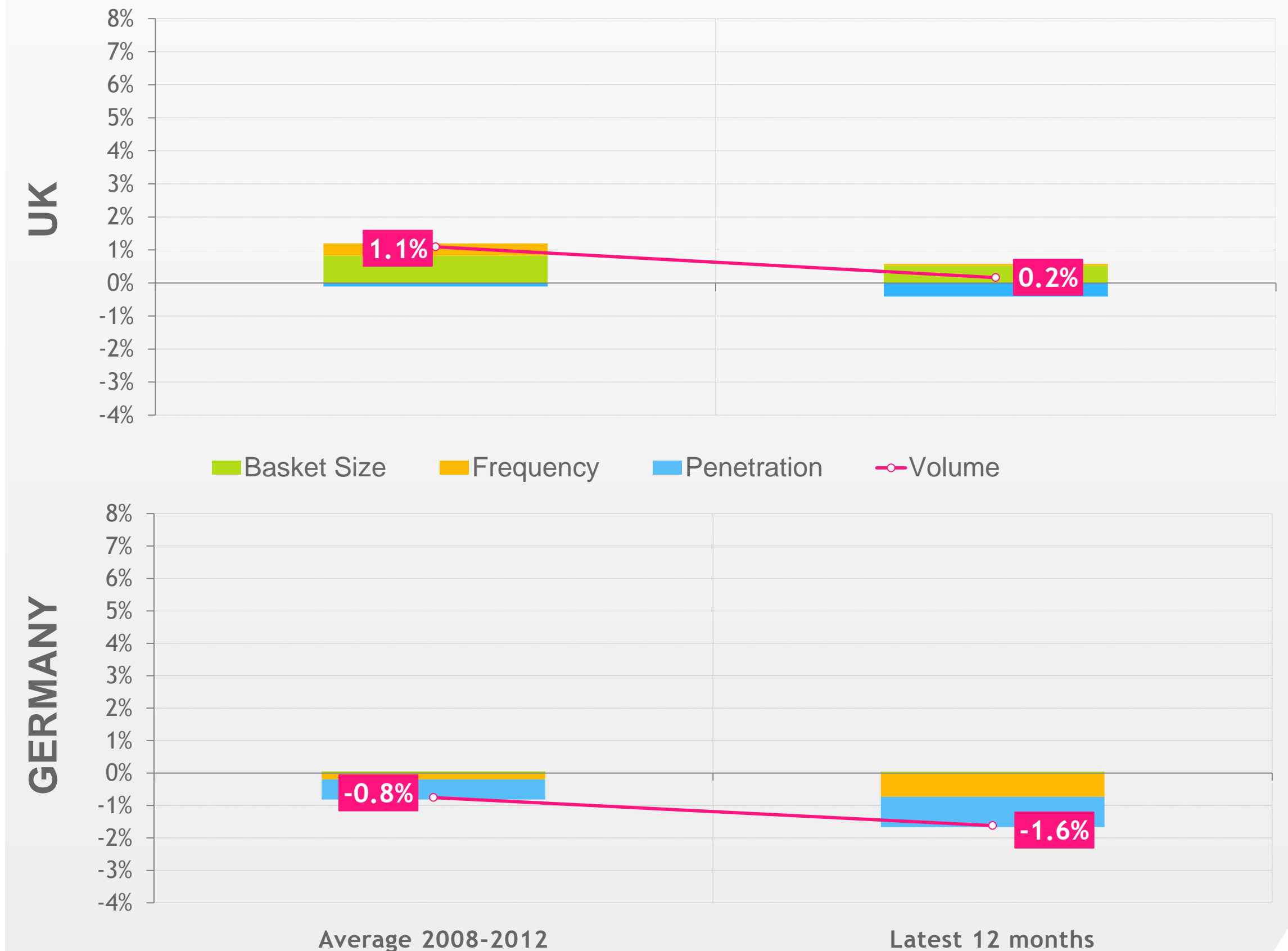


# Key Country Comparisons – Western Europe I

## How price increases were absorbed



## What is contributing to Volume Change?

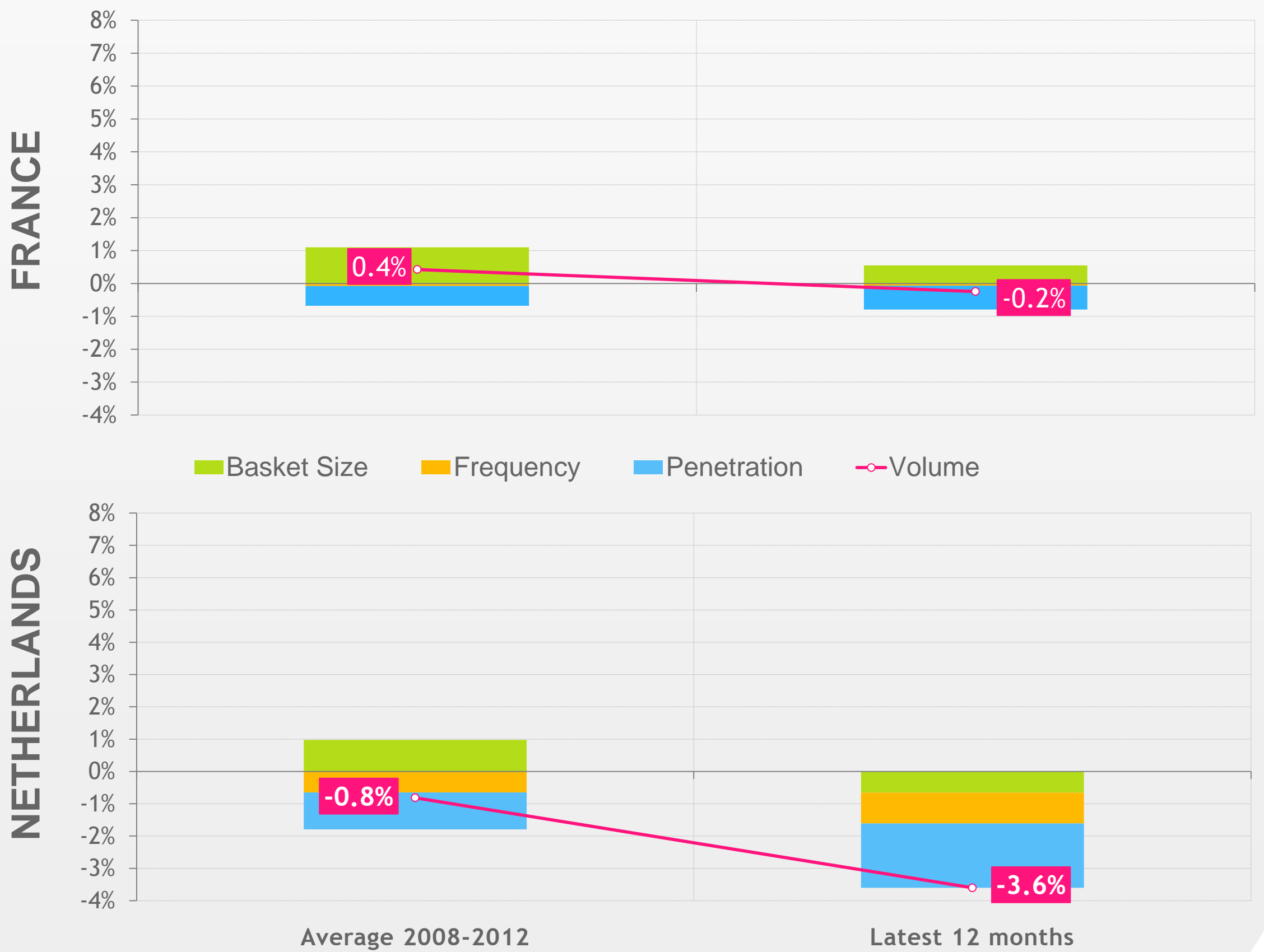


# Key Country Comparisons – Western Europe II

How price increases were absorbed



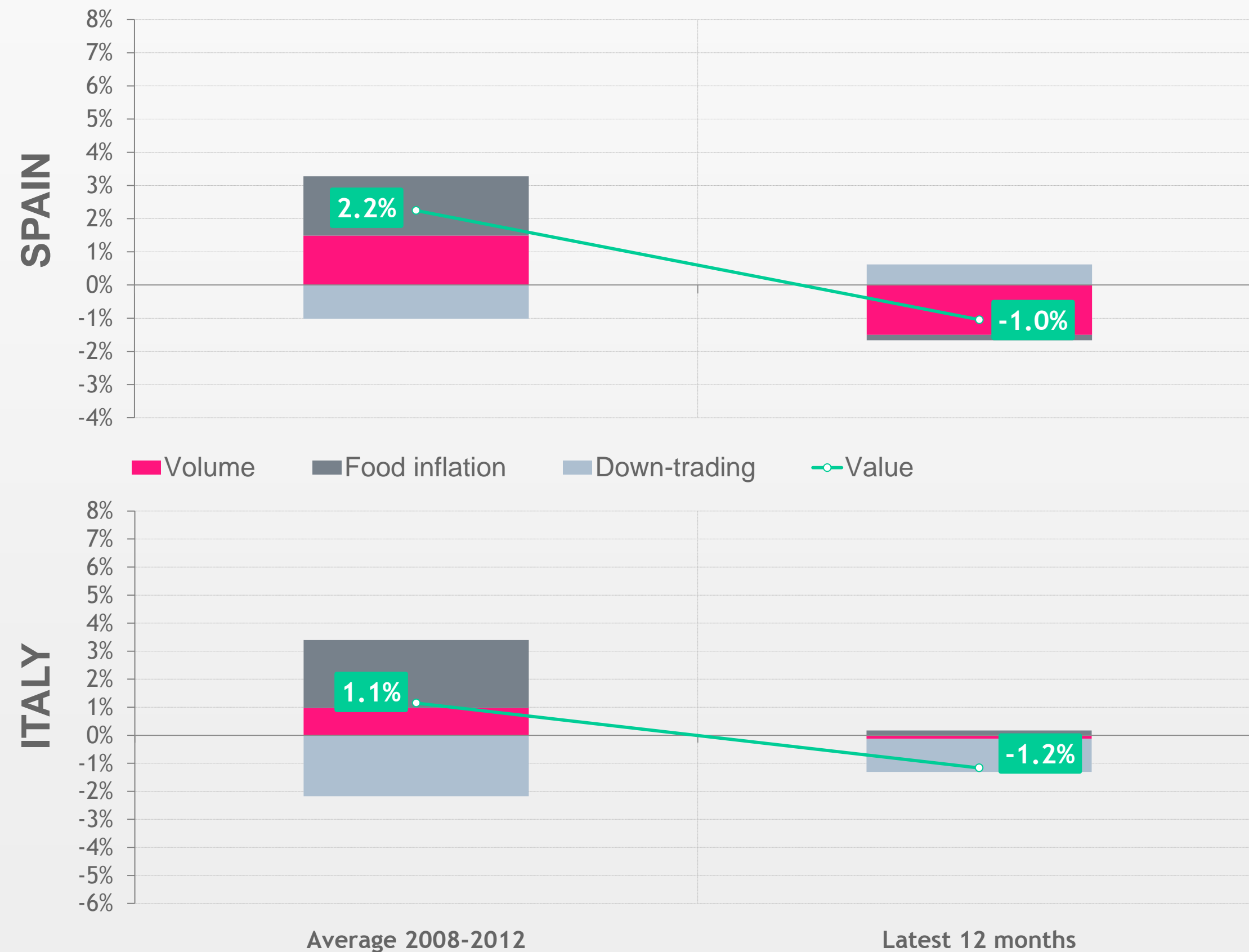
What is contributing to Volume Change?



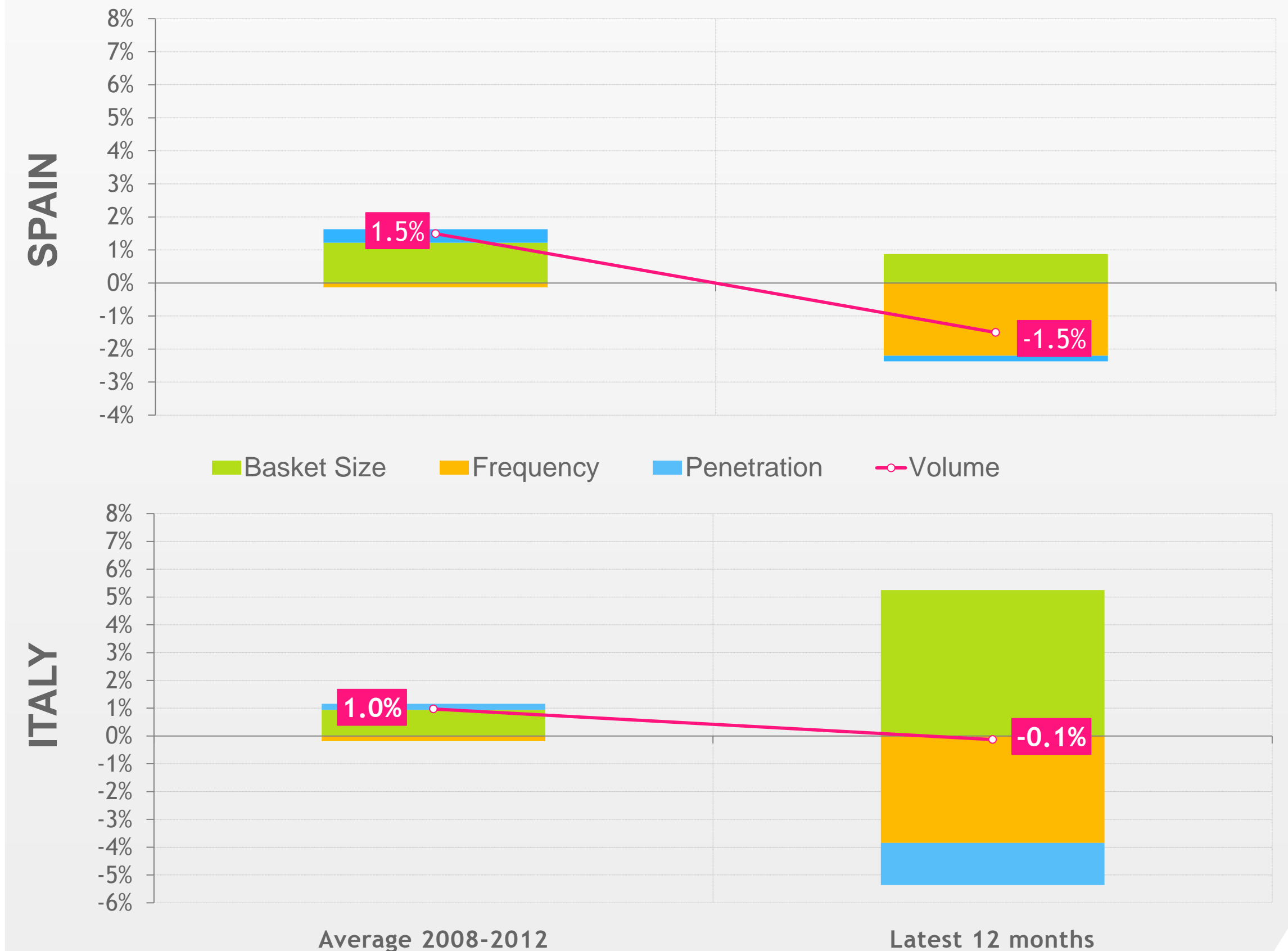


## Key Country Comparisons – Western Europe III

### How price increases were absorbed

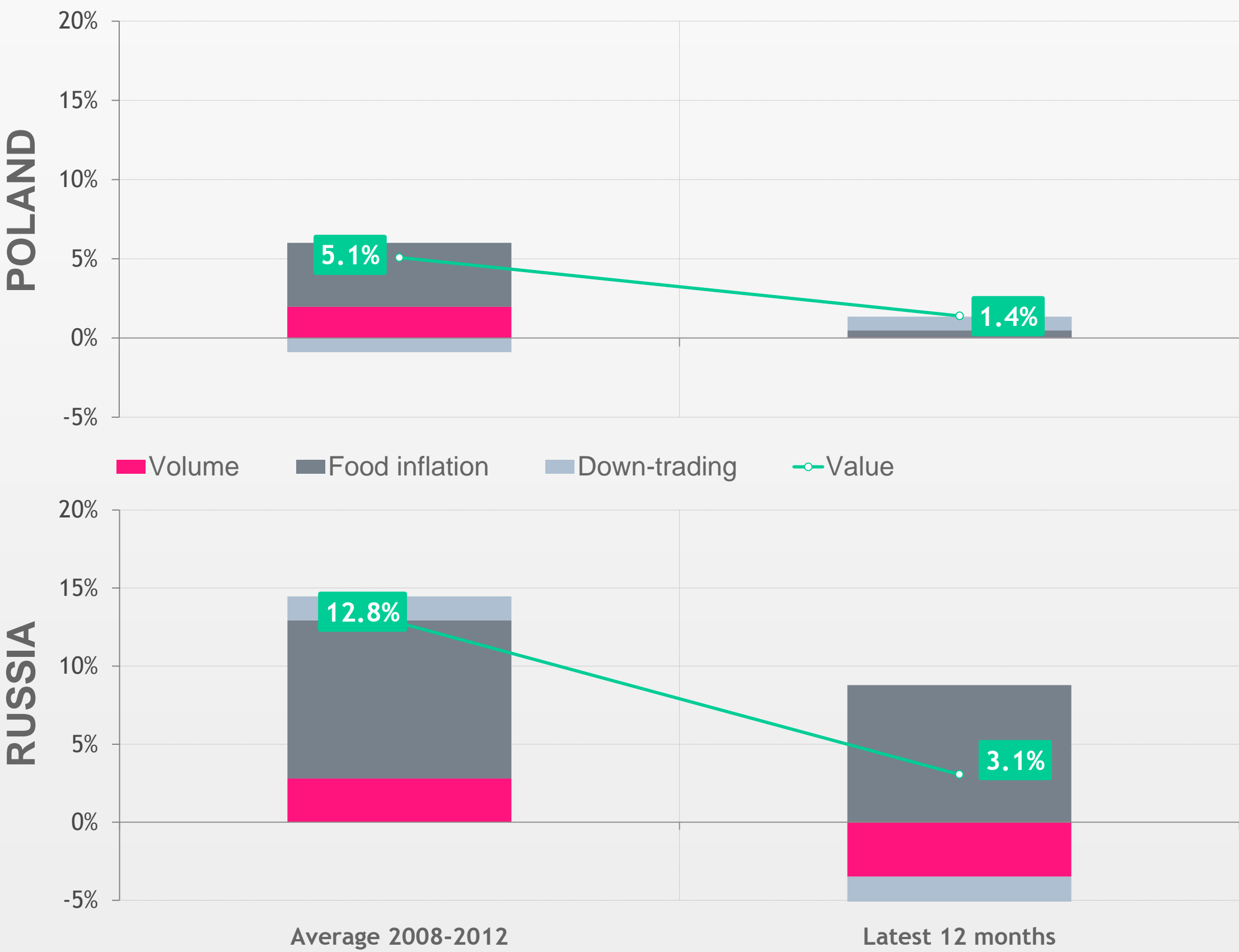


### What is contributing to Volume Change?

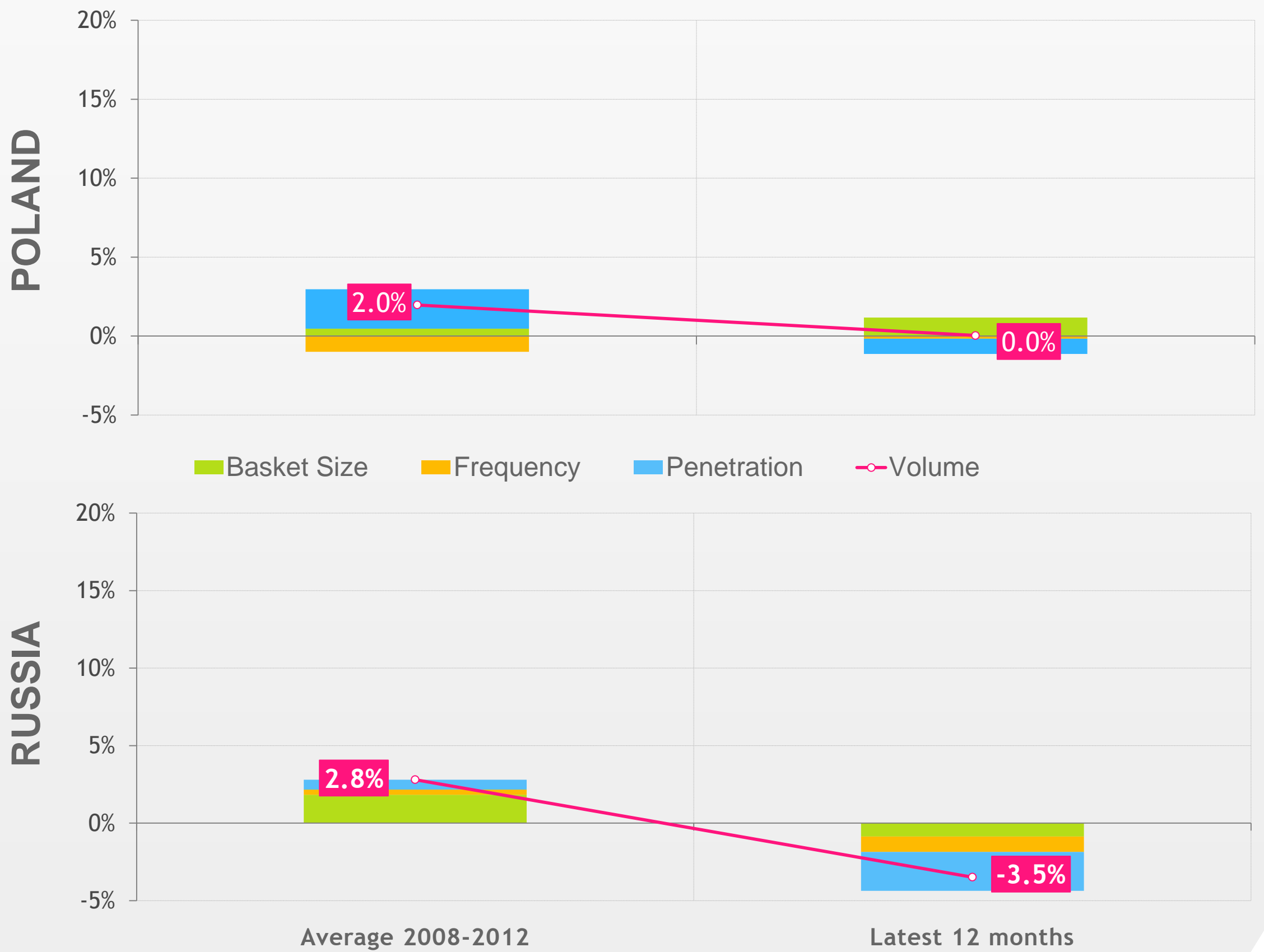


# Key Country Comparisons – Eastern Europe

How price increases were absorbed

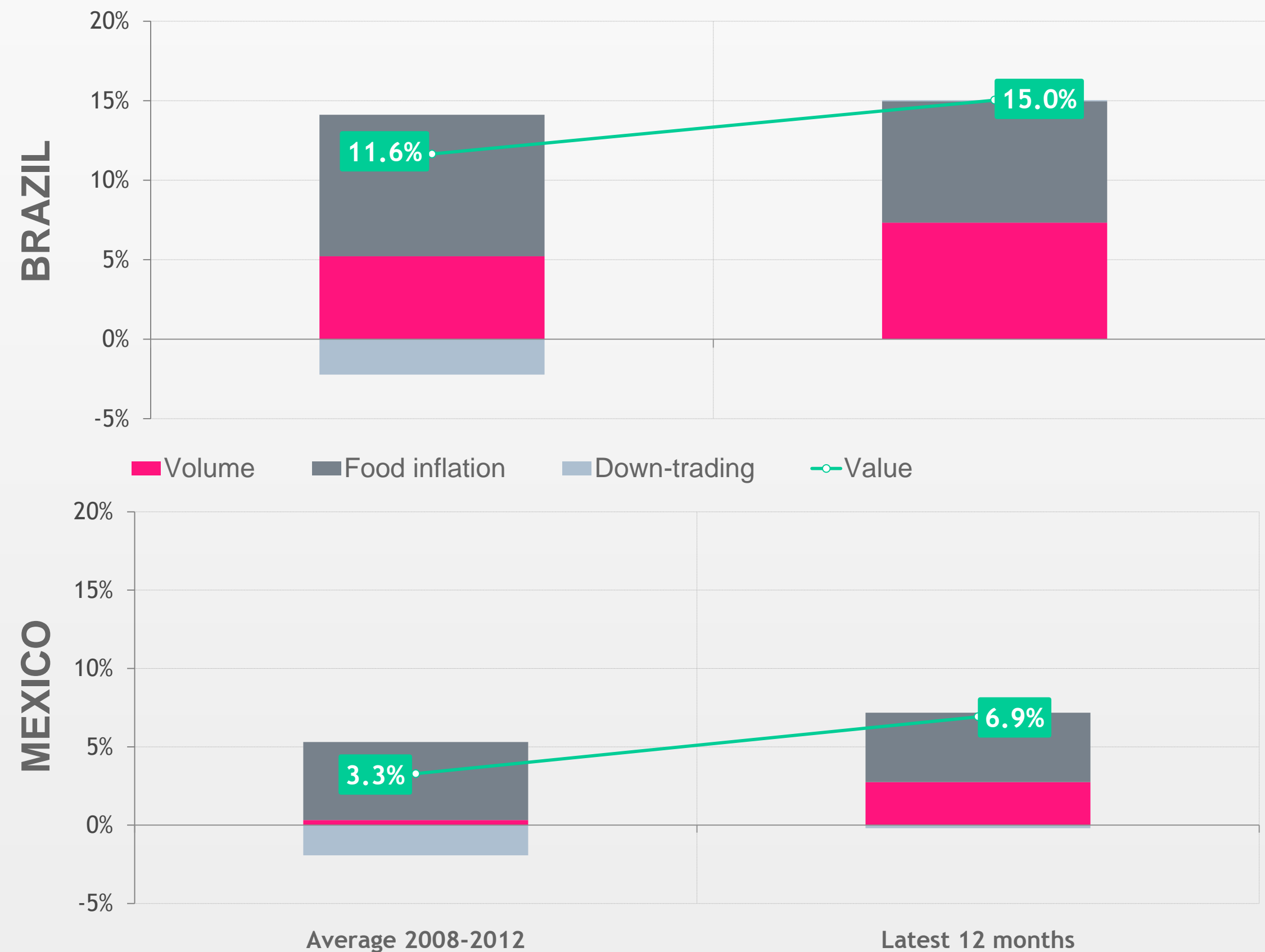


What is contributing to Volume Change?

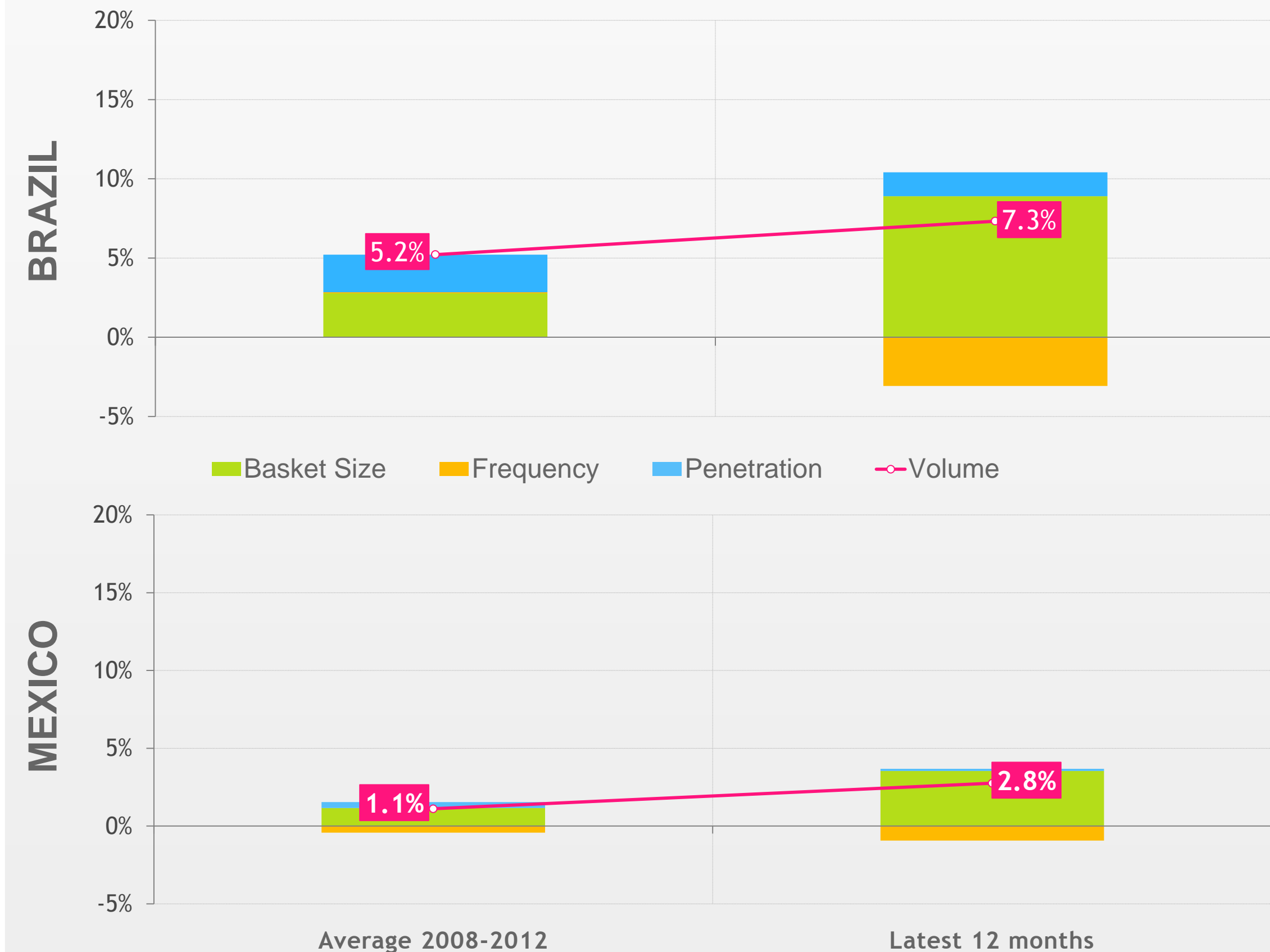


# Key Country Comparisons - Latin America

## How price increases were absorbed



## What is contributing to Volume Change?



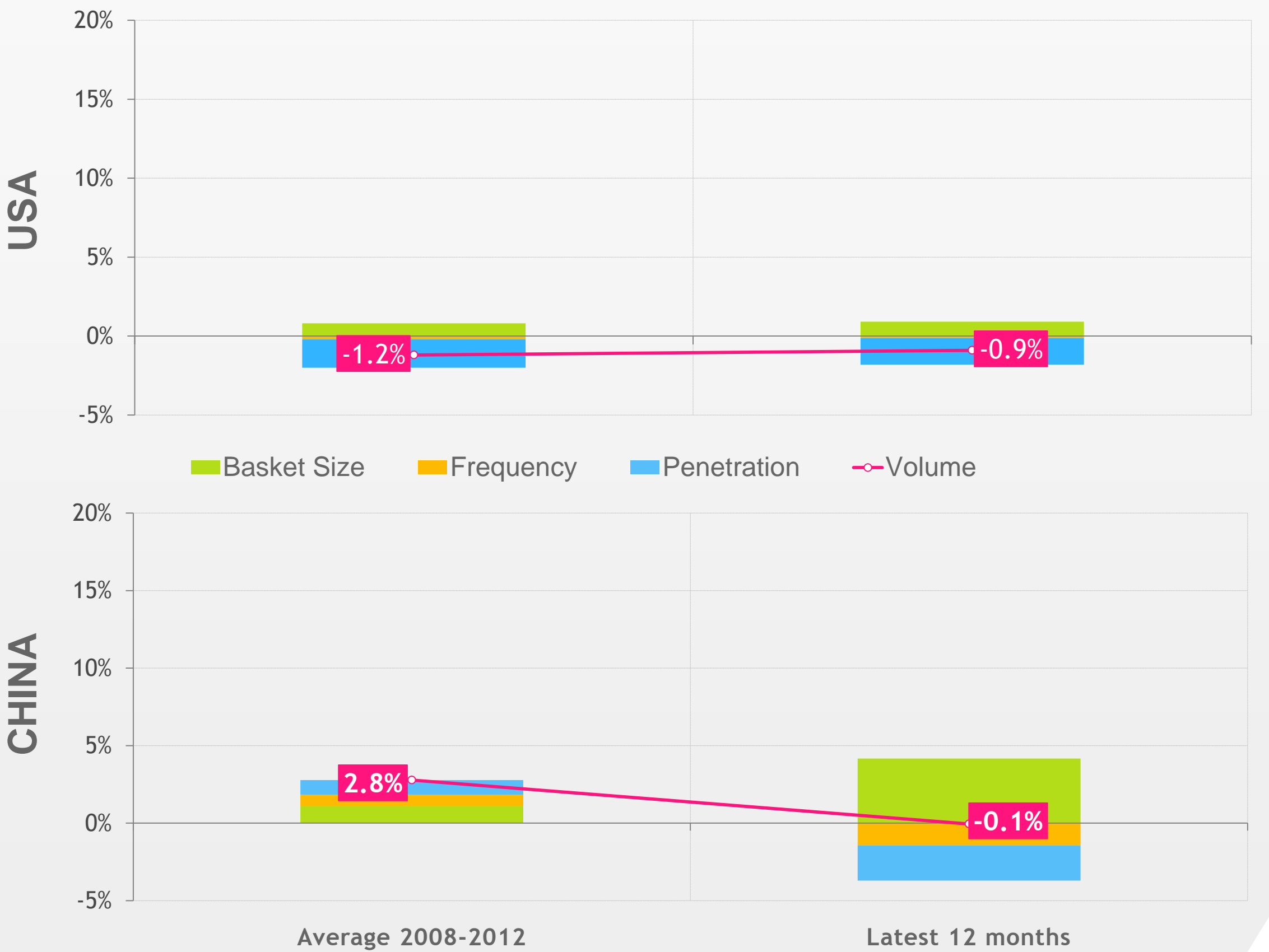


# Key Country Comparisons – Other

How price increases were absorbed



What is contributing to Volume Change?





FMCG Global Trends

# FMCG, Inflation & the Economy

## *Country Detail*



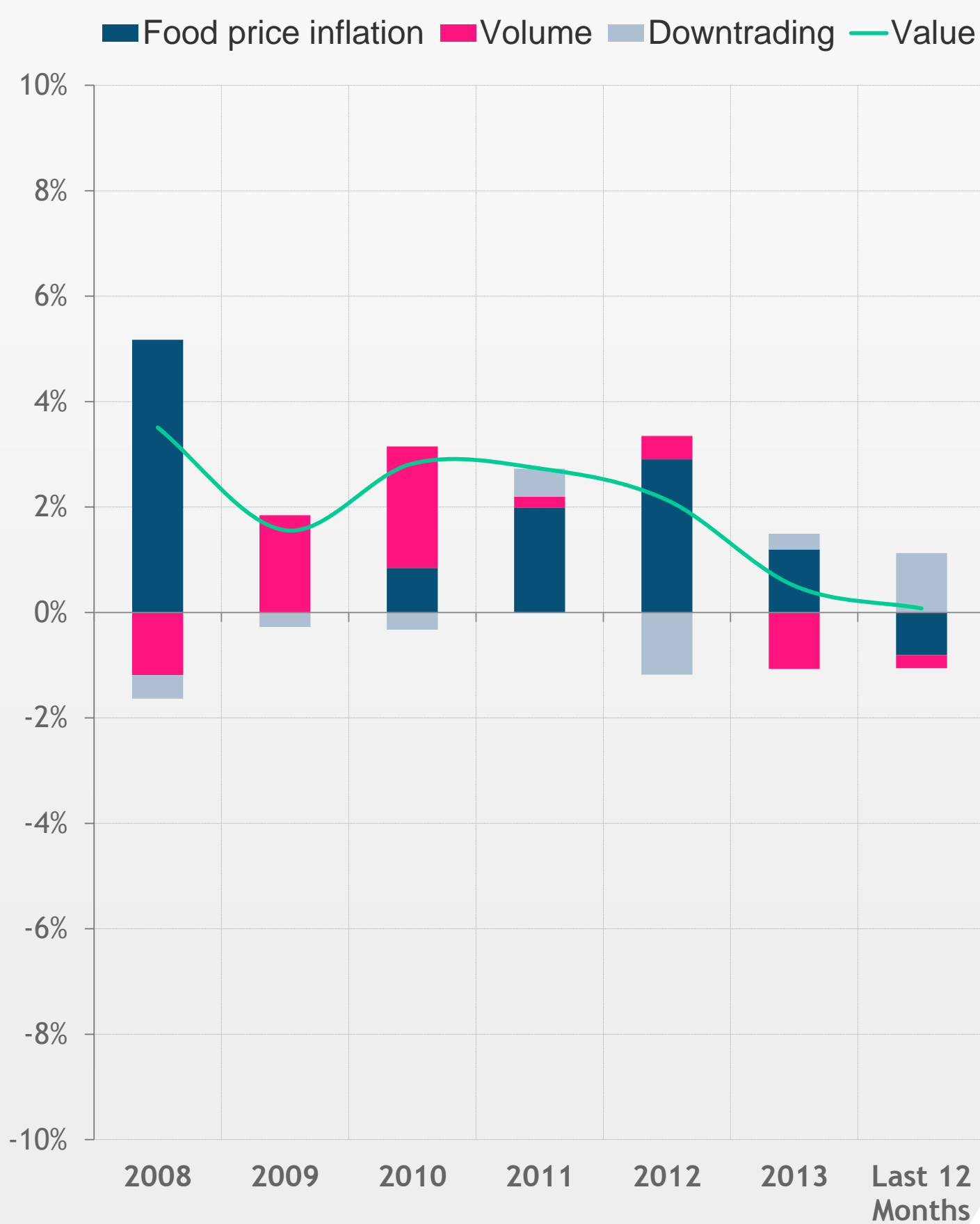
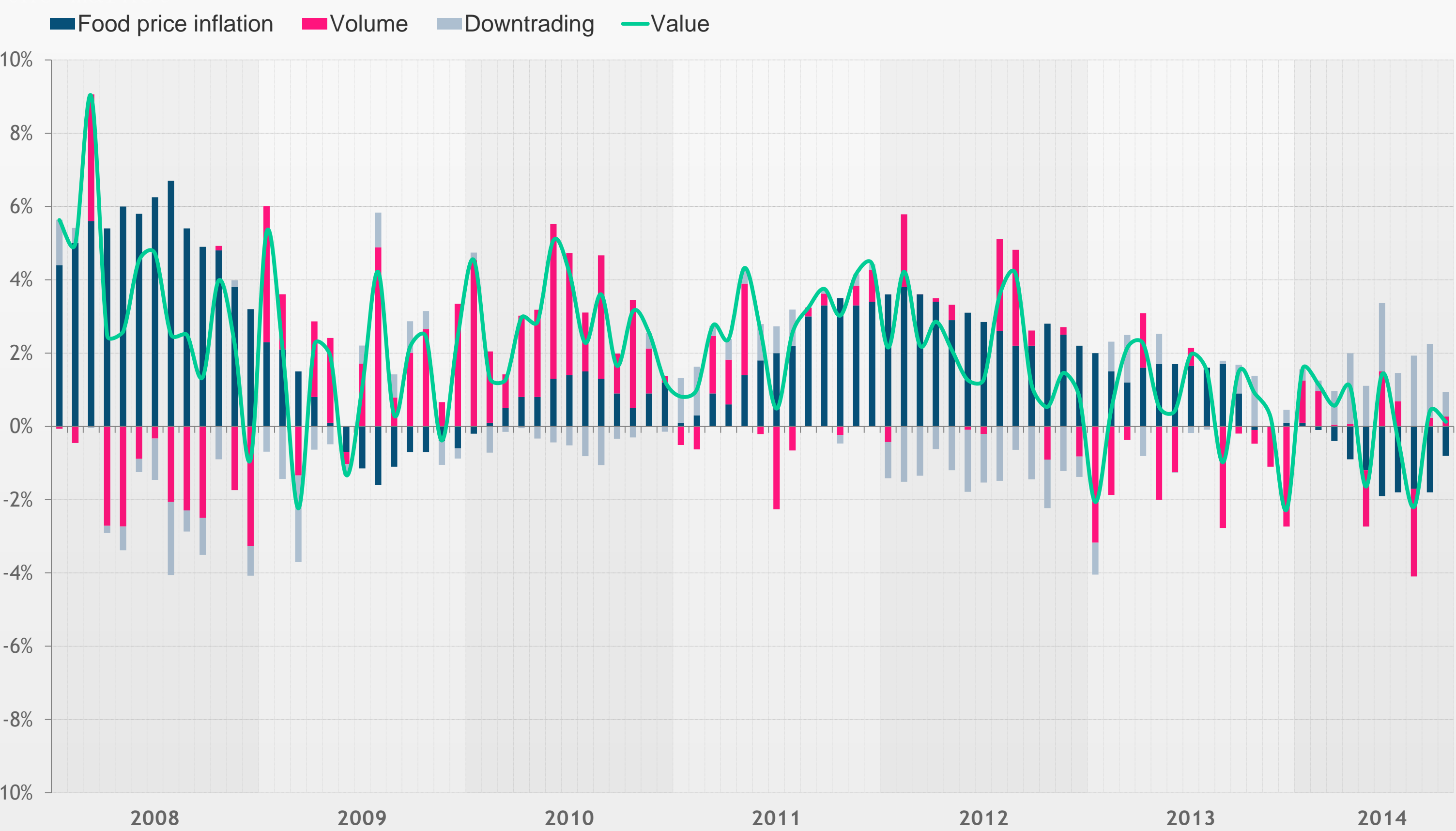
FMCG Global Trends | Country Detail

France



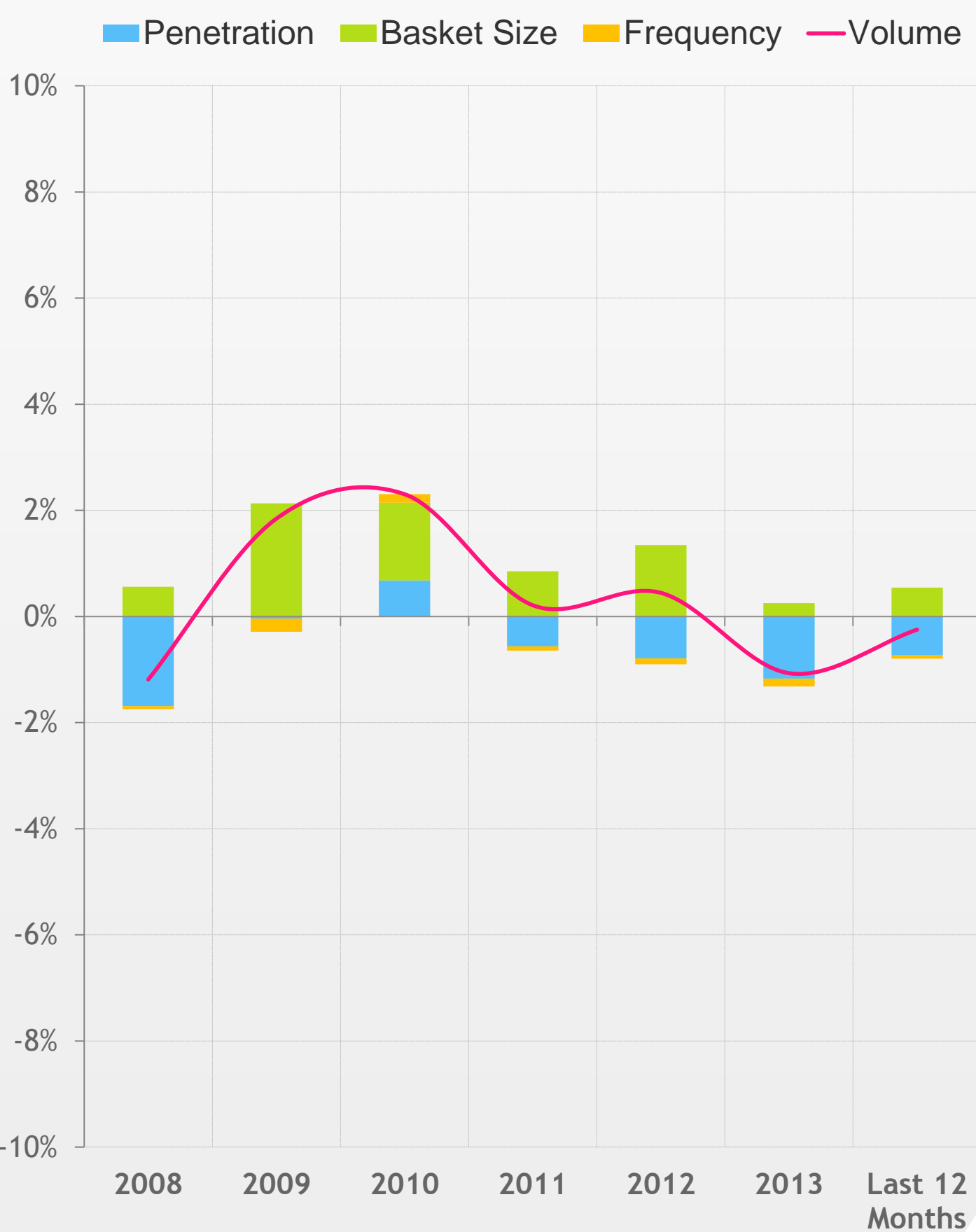
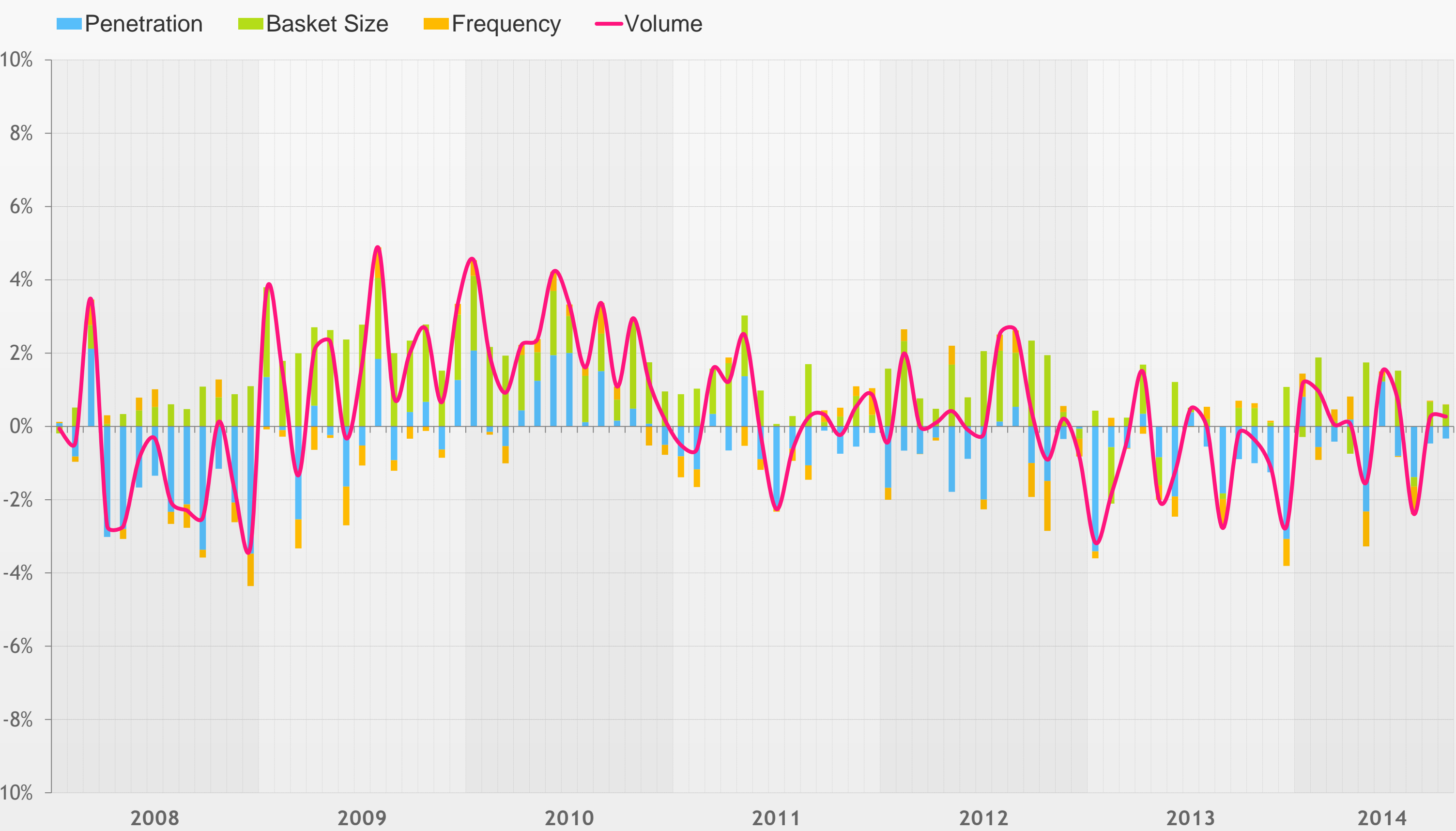
# France – FMCG Value Trend Components

Deflation in food prices currently but fairly steady volumes and up-trading boosting



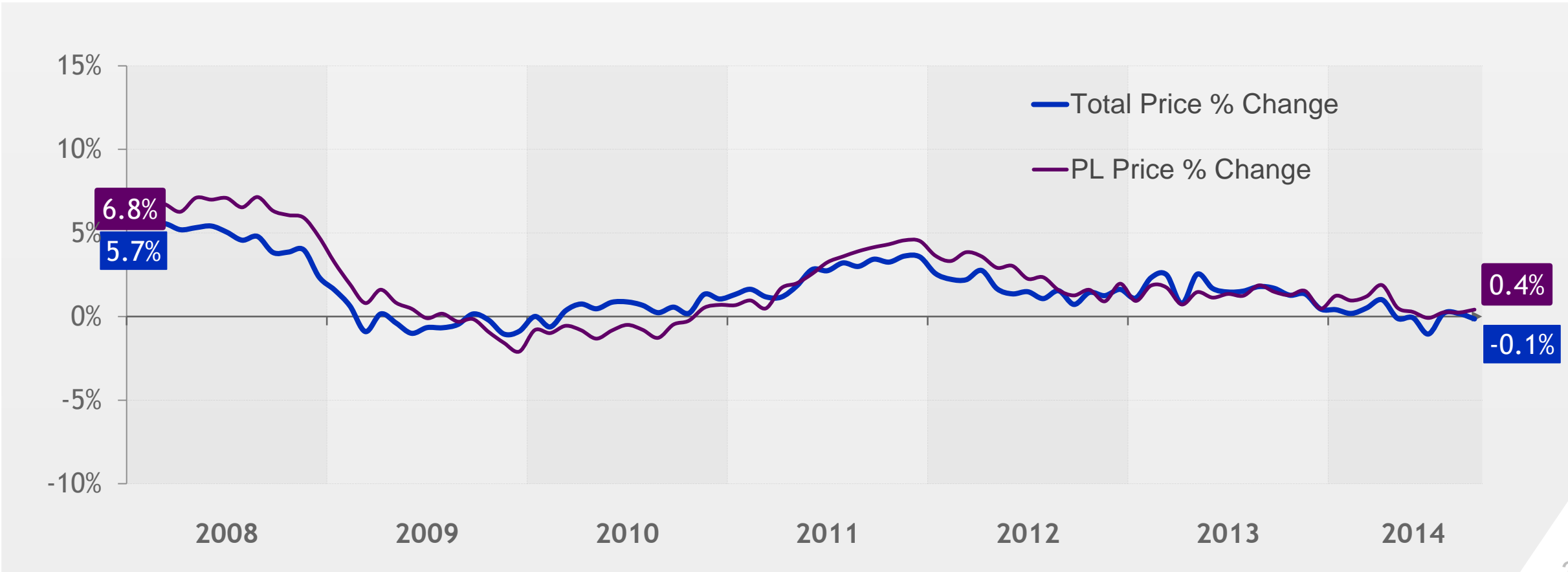
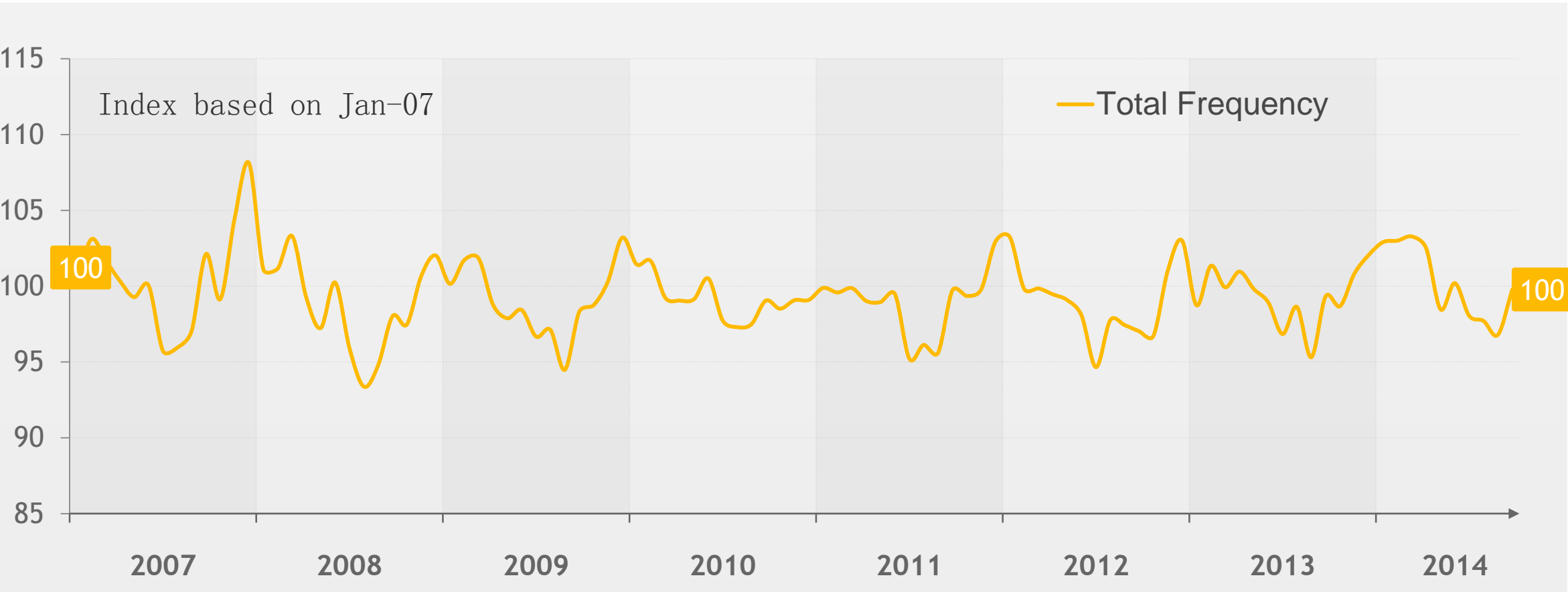
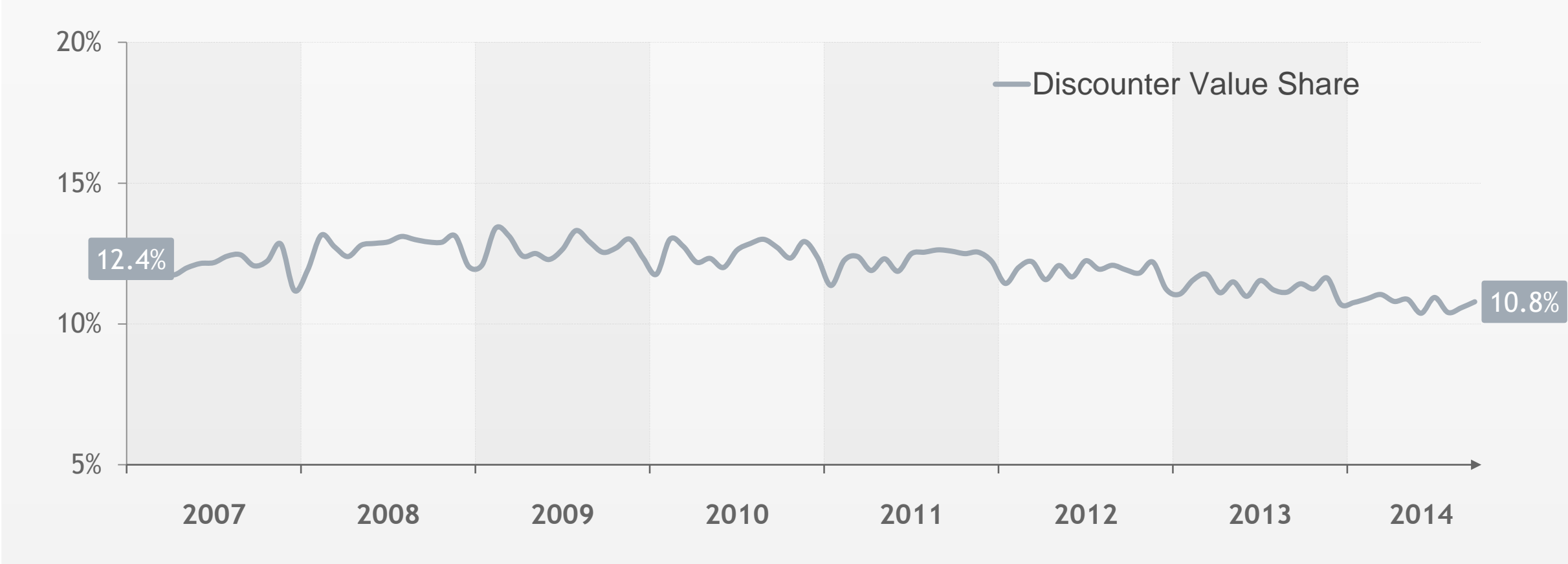
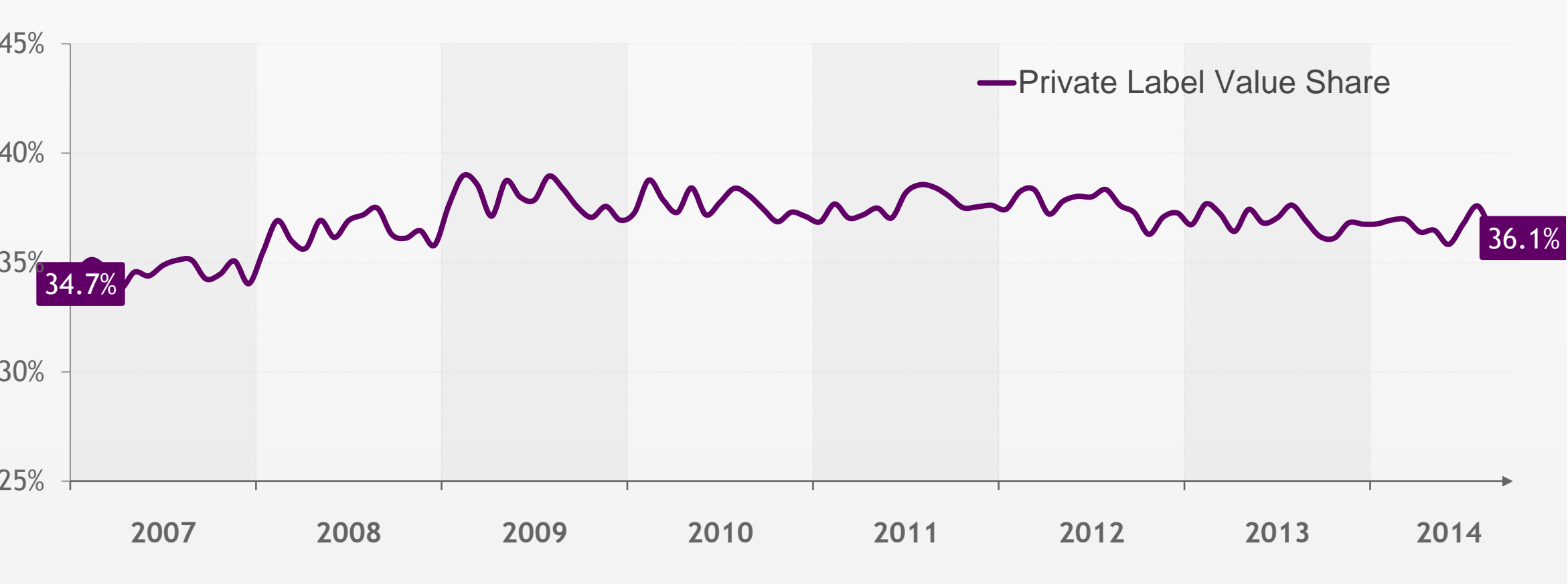
# France – FMCG Volume Trend Drivers

Volume stability driven by the average amount bought per category per shopping trip



# France – Frequency, Private Label, Discounter and Price Paid Trends

There is up-trading in the market and both Private Label and Discounters are suffering





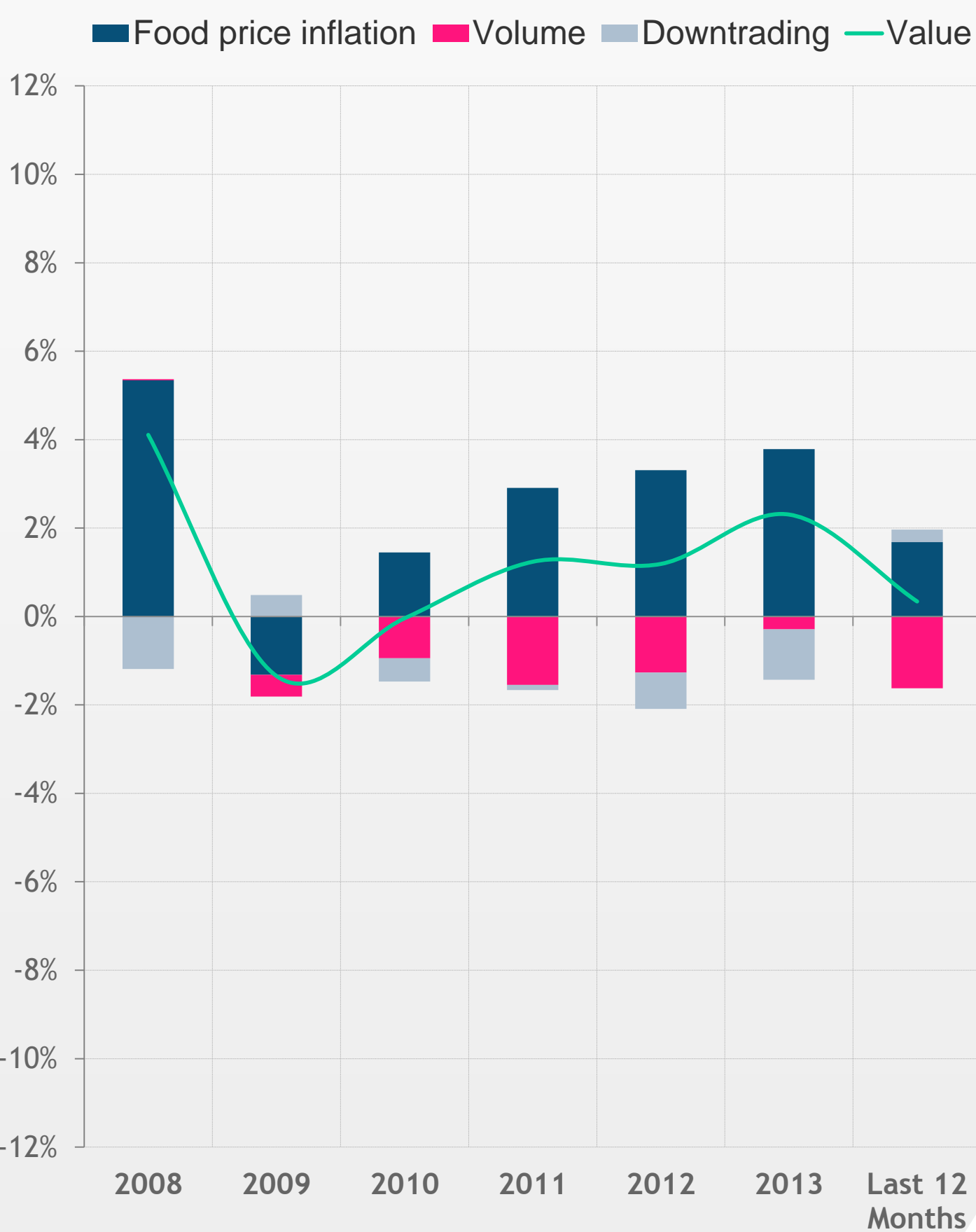
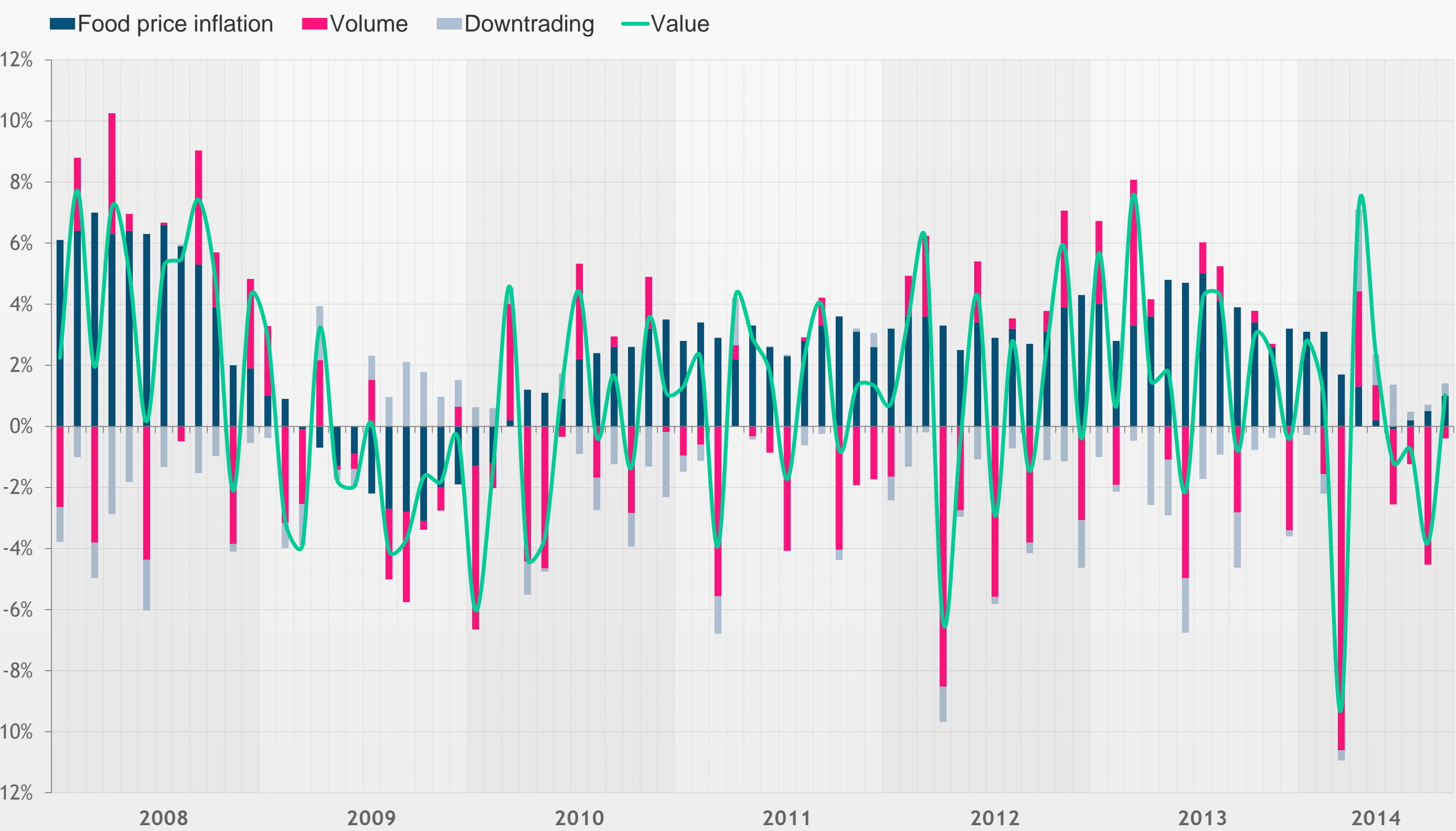


FMCG Global Trends | Country Detail

Germany

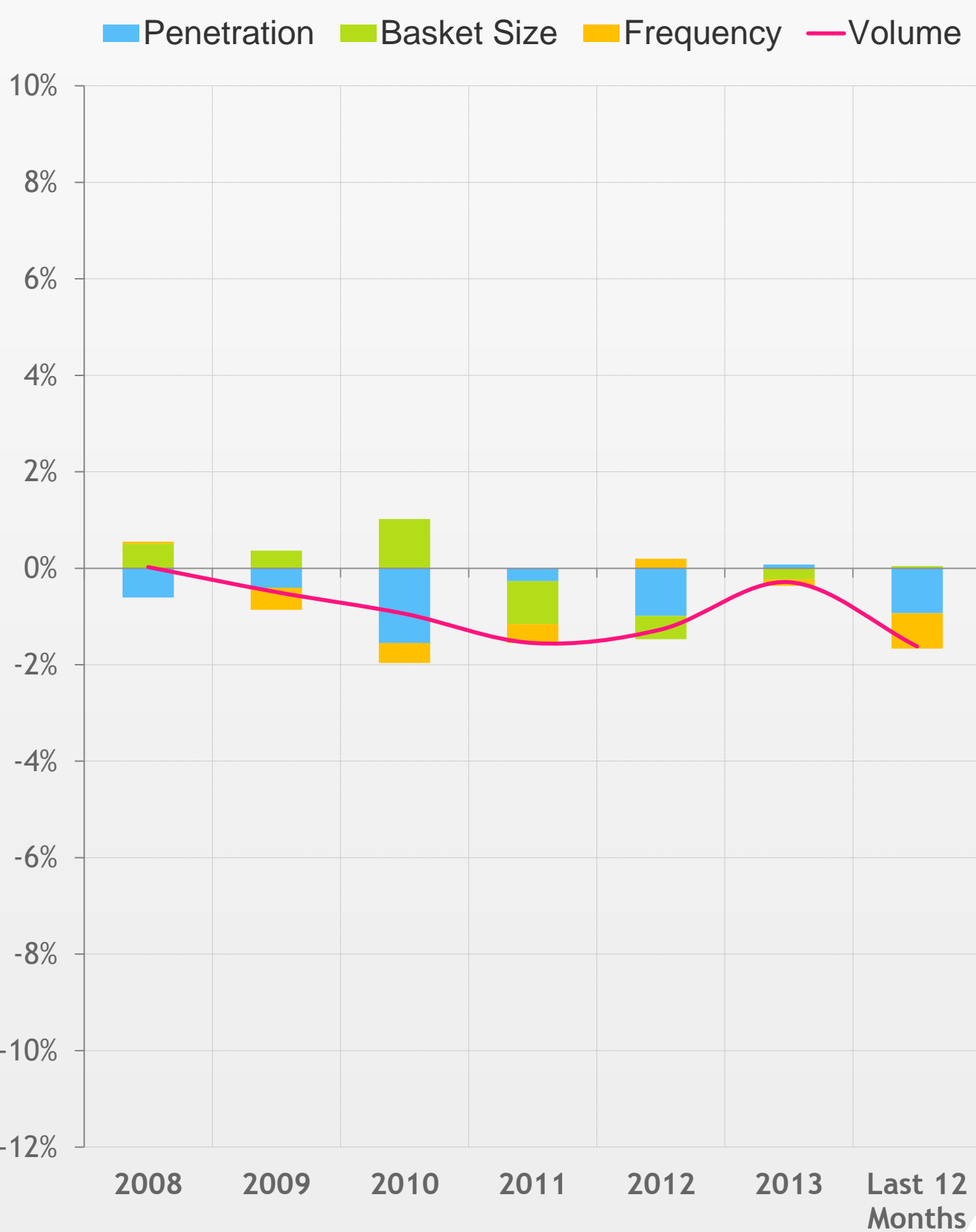
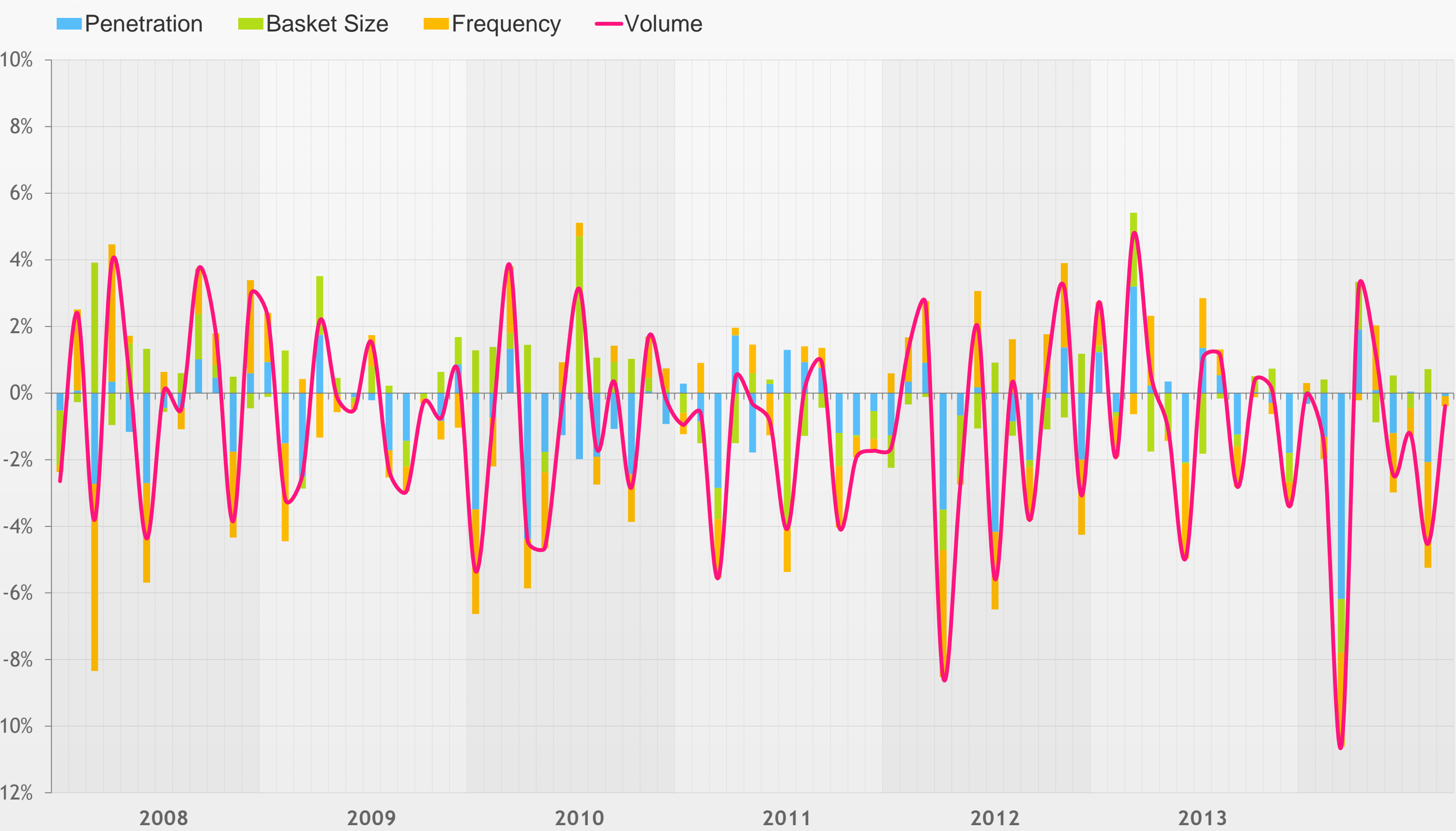
# Germany – FMCG Value Trend Components

No inflation and poor volumes continue to undermine the market



# Germany – FMCG Volume Trend Drivers

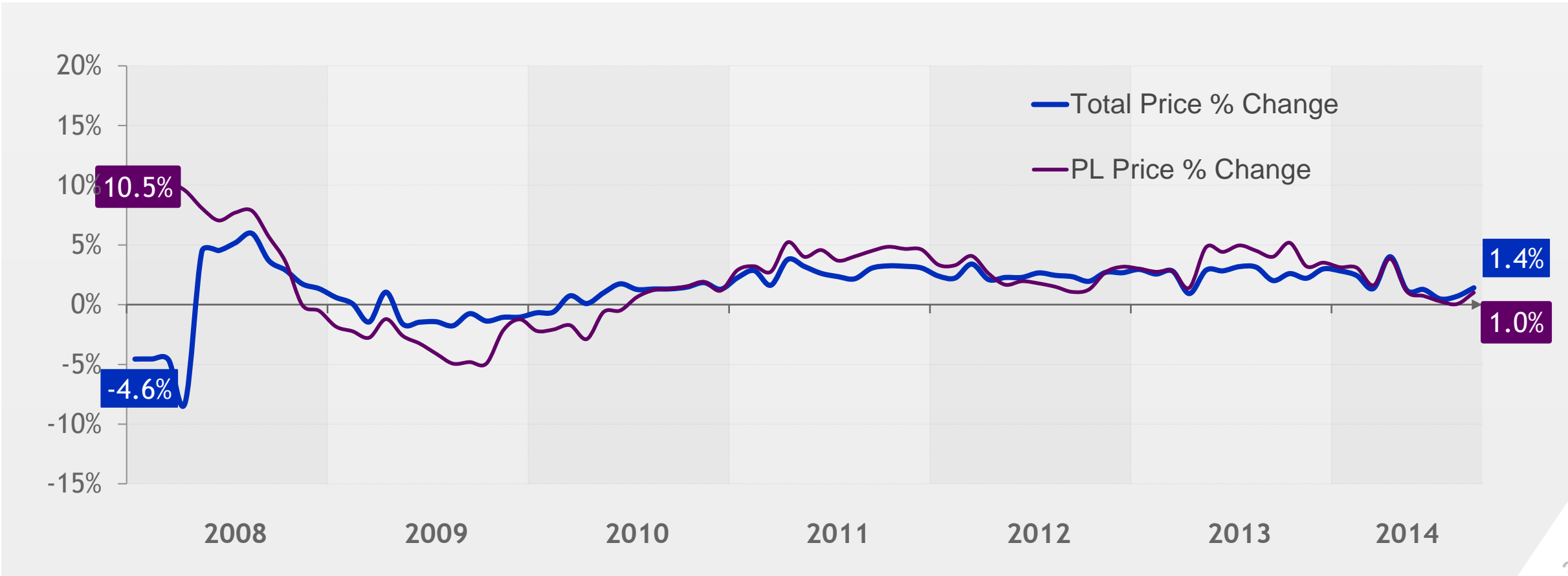
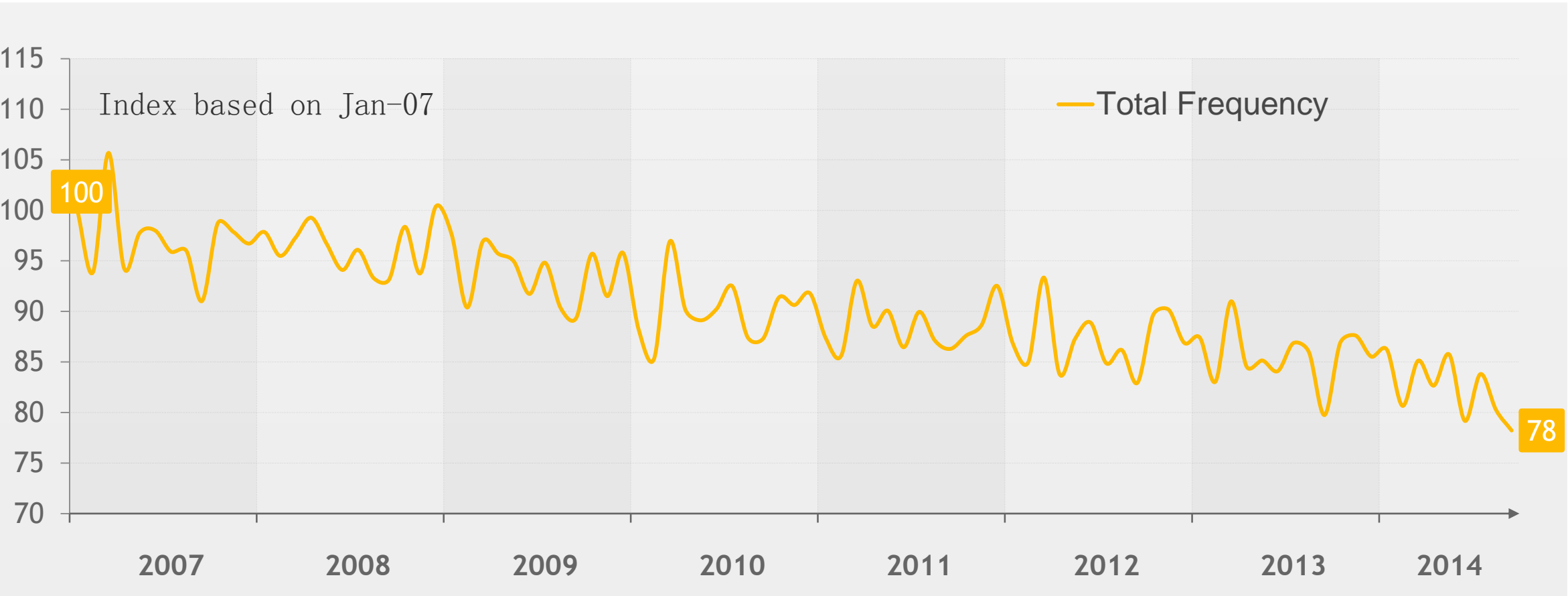
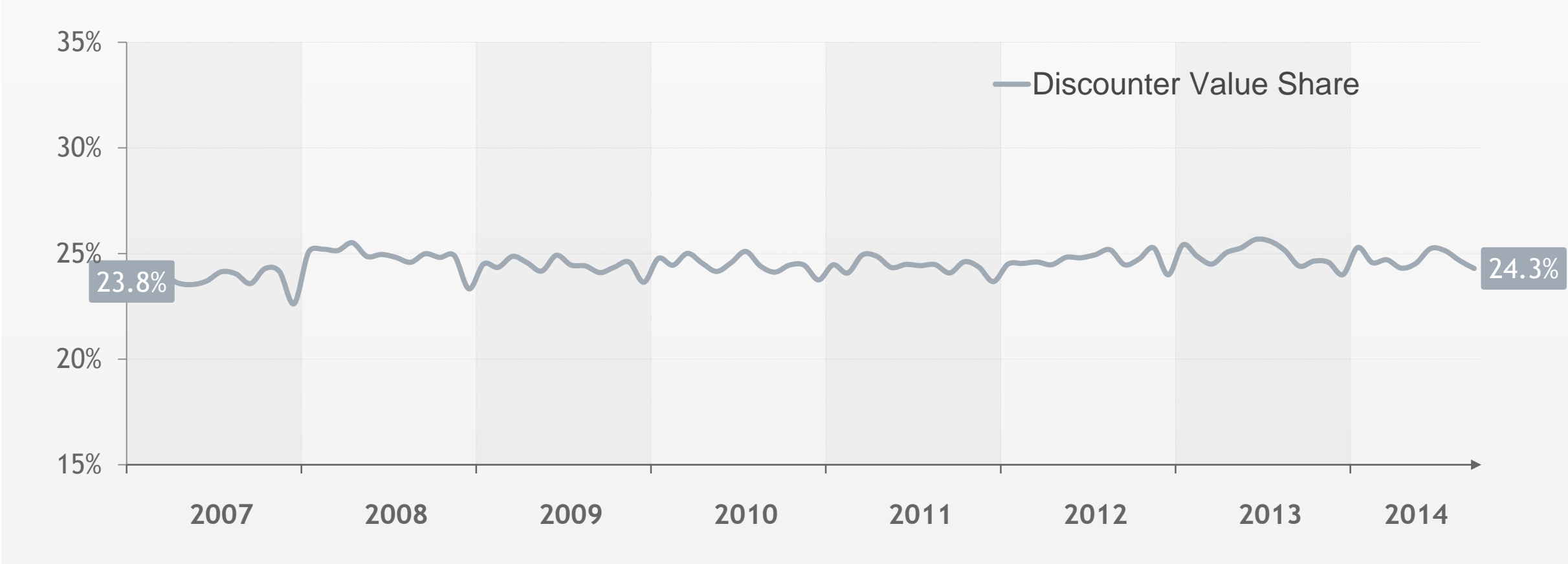
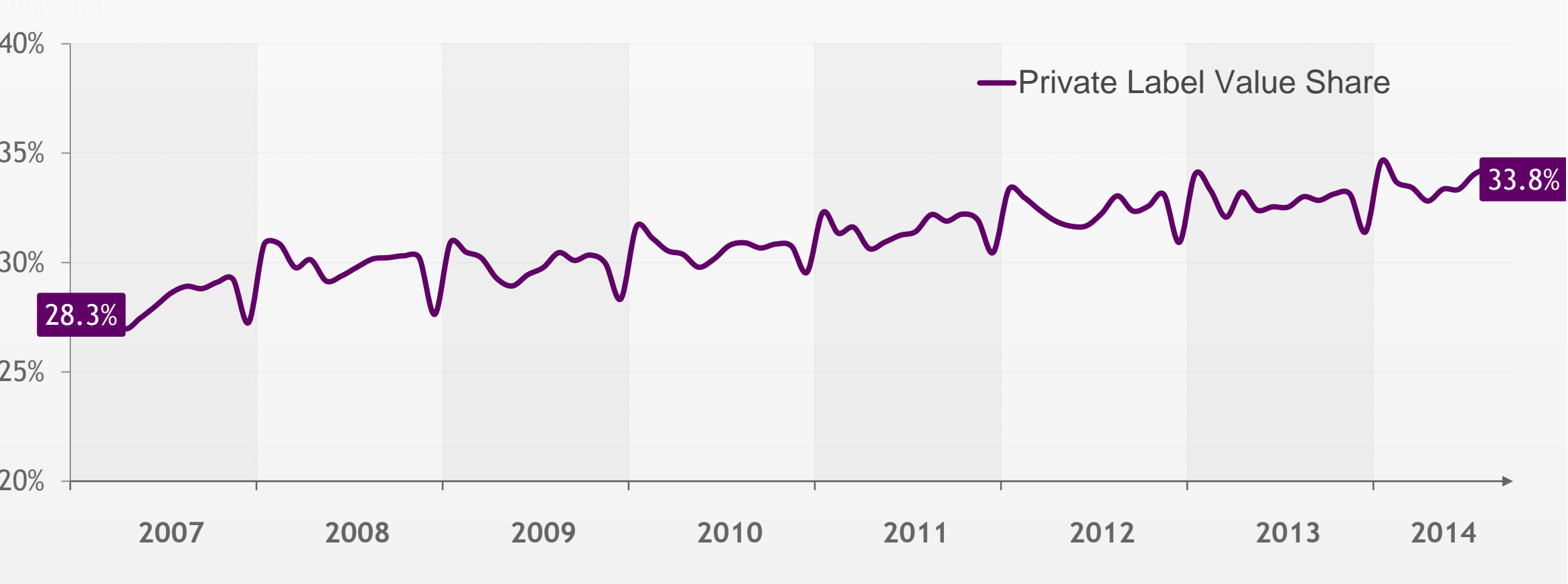
Long term drop in shopping frequency and less buyers per category continuing to impact





# Germany – Frequency, Private Label, Discounter and Price Paid Trends

Continued down-trading to Private Label but not Discounters which remain very stable. Shopping frequency reductions not helping the



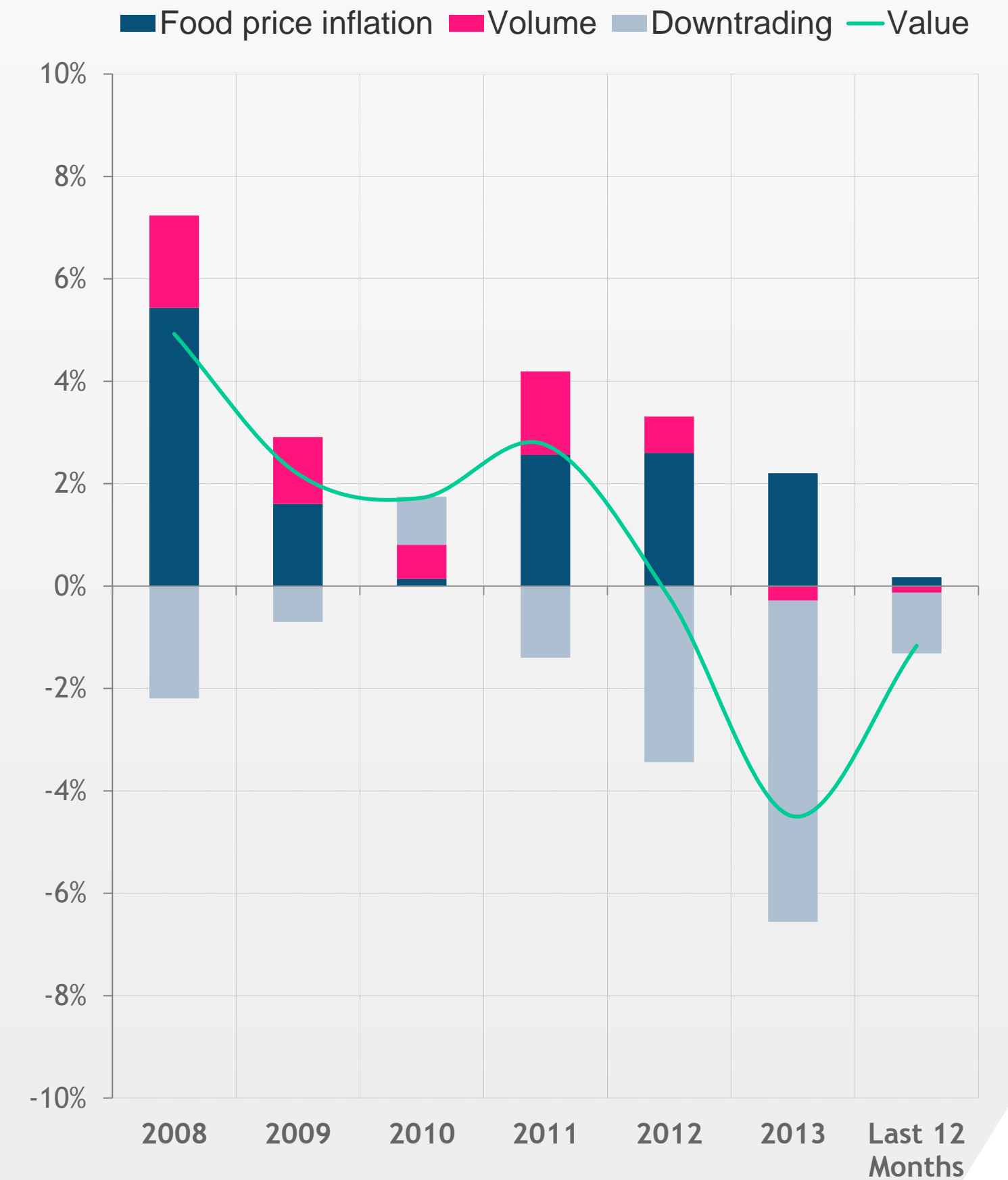
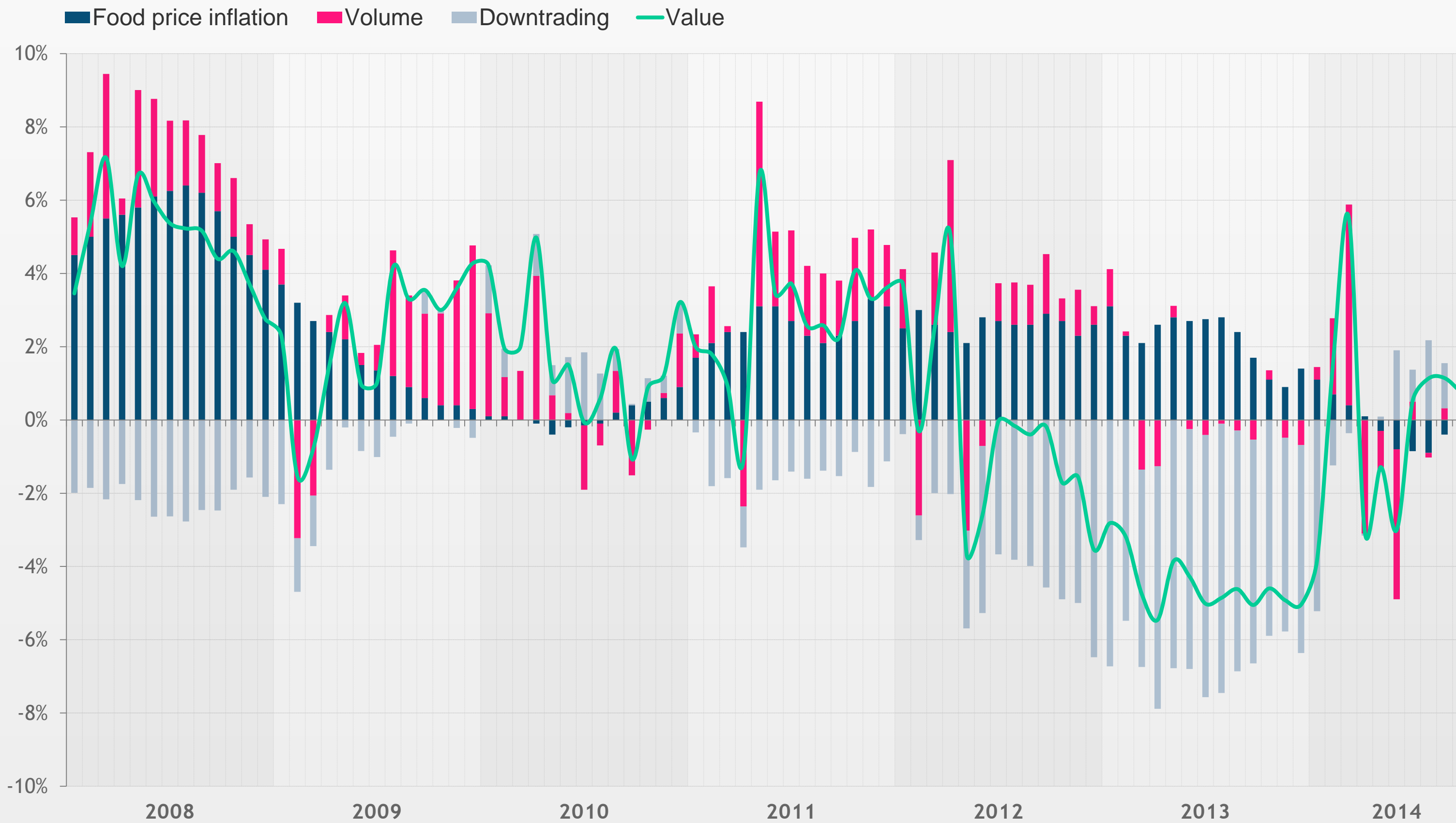


FMCG Global Trends | Country Detail

Italy

# Italy - FMCG Value Trend Components

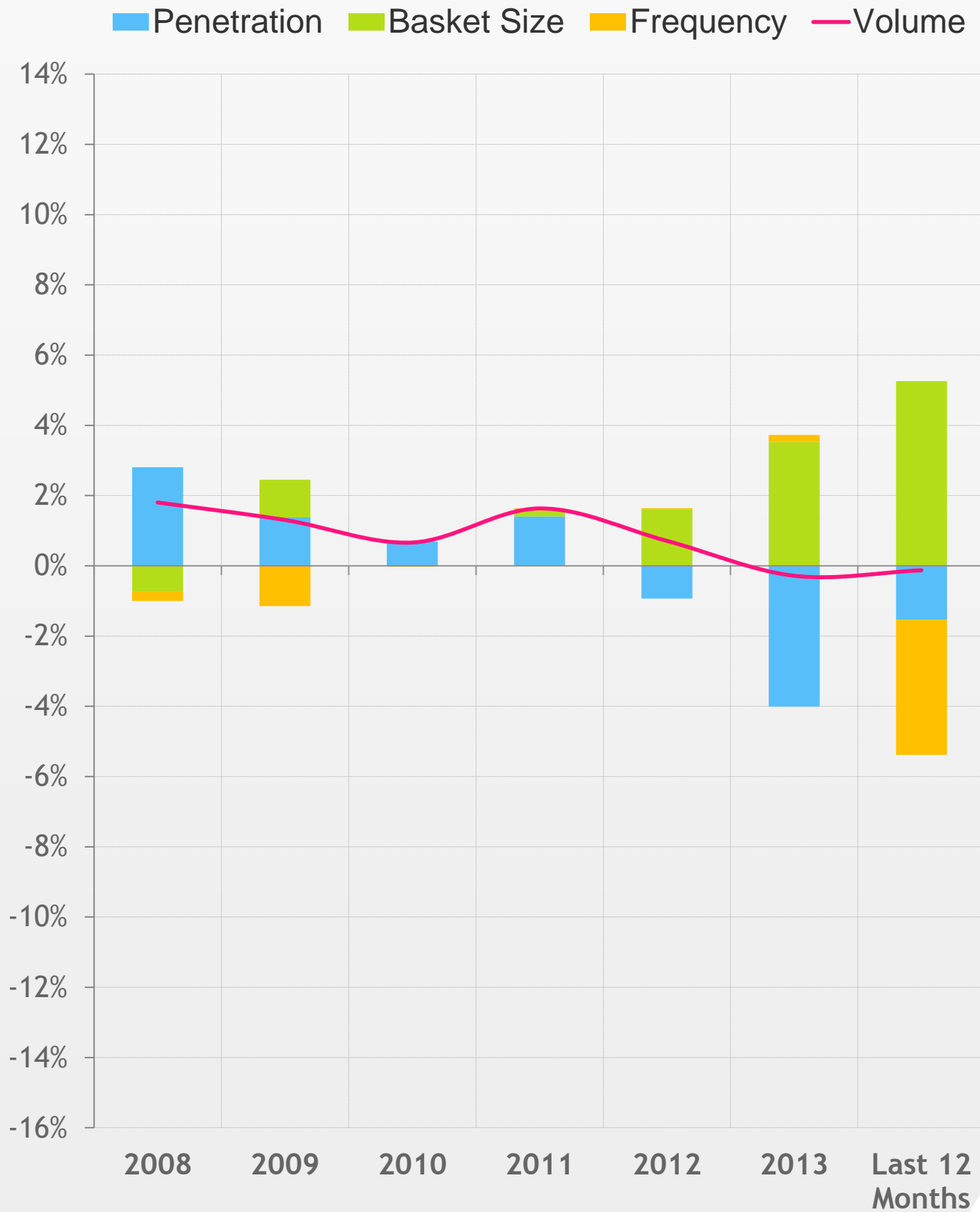
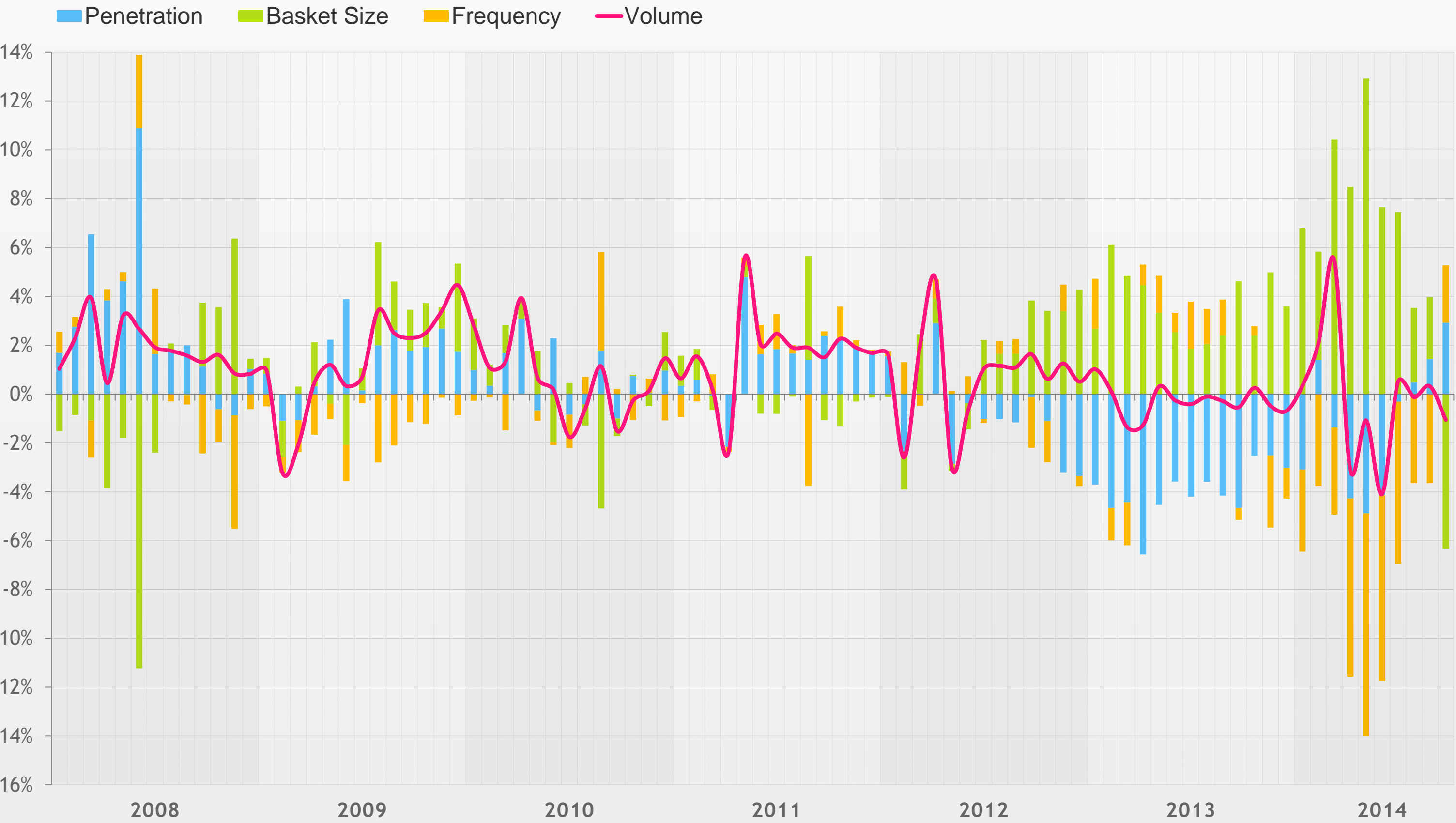
A rise in prices paid rather than inflation is helping current values but vs a weak 2013





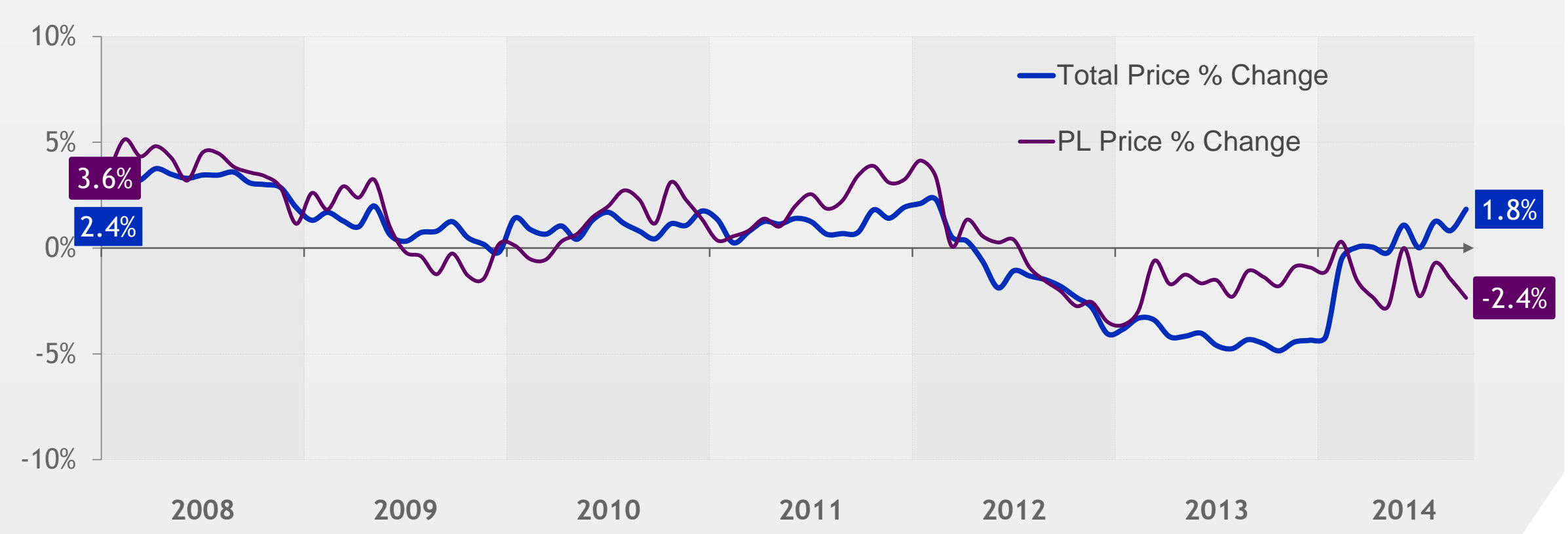
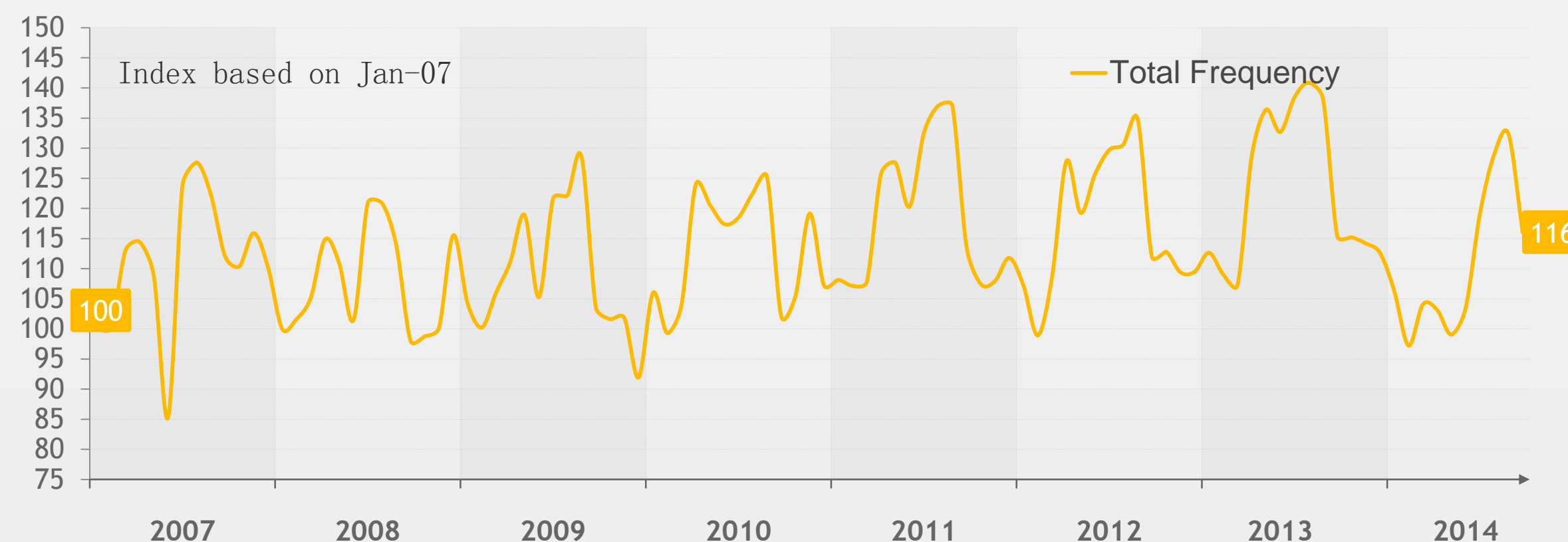
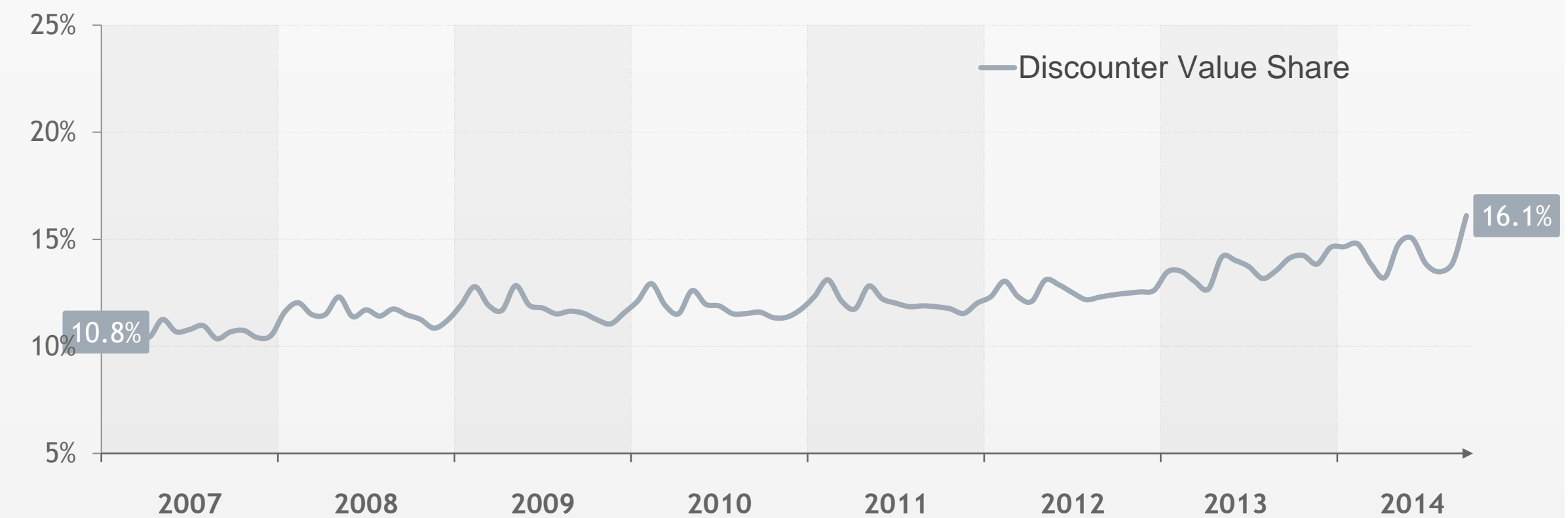
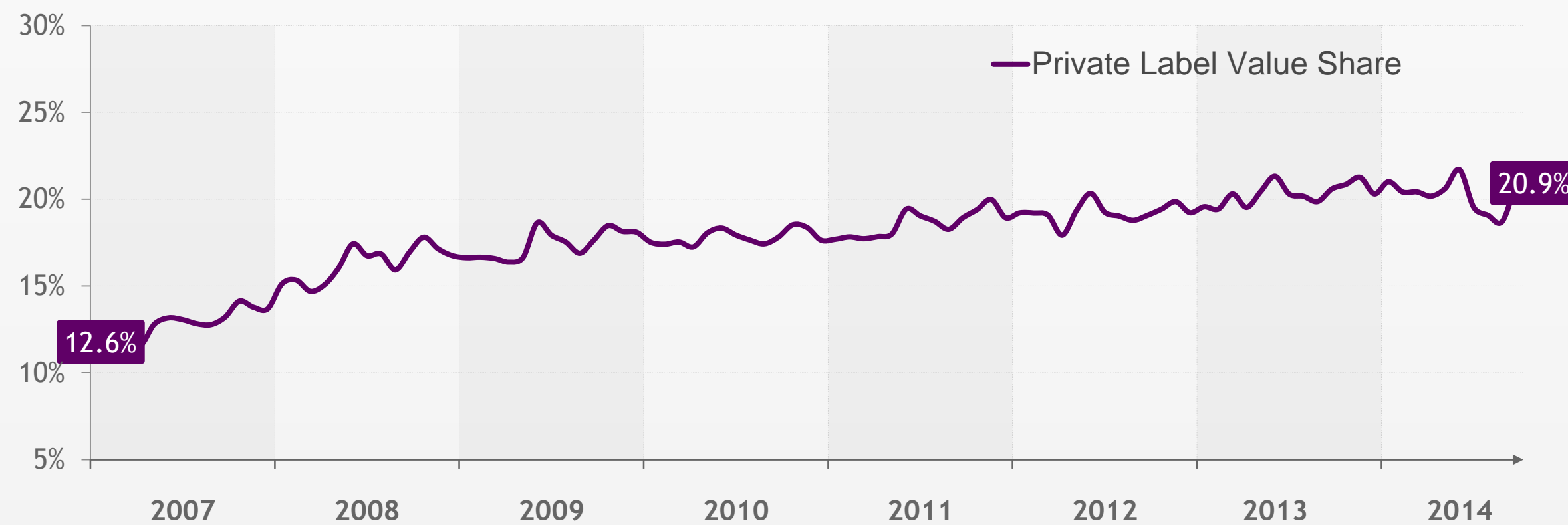
# Italy - FMCG Volume Trend Drivers

Despite the low shopping frequency, volumes are now holding up better



# Italy - Frequency, Private Label, Discounter and Price Paid Trends

Private Label now more stable although Discounters still developing. Poor summer weather impacting lower shopping frequency





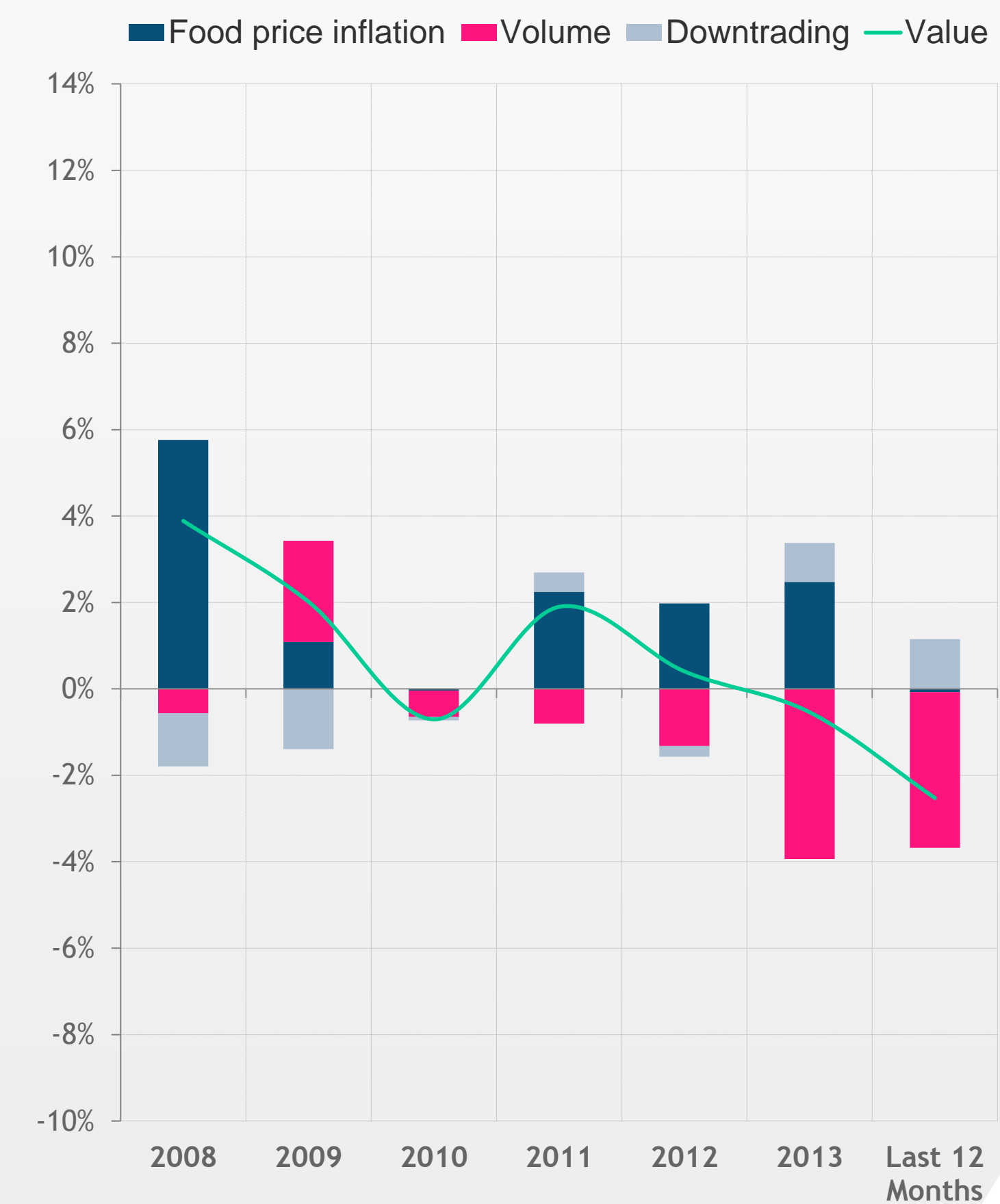
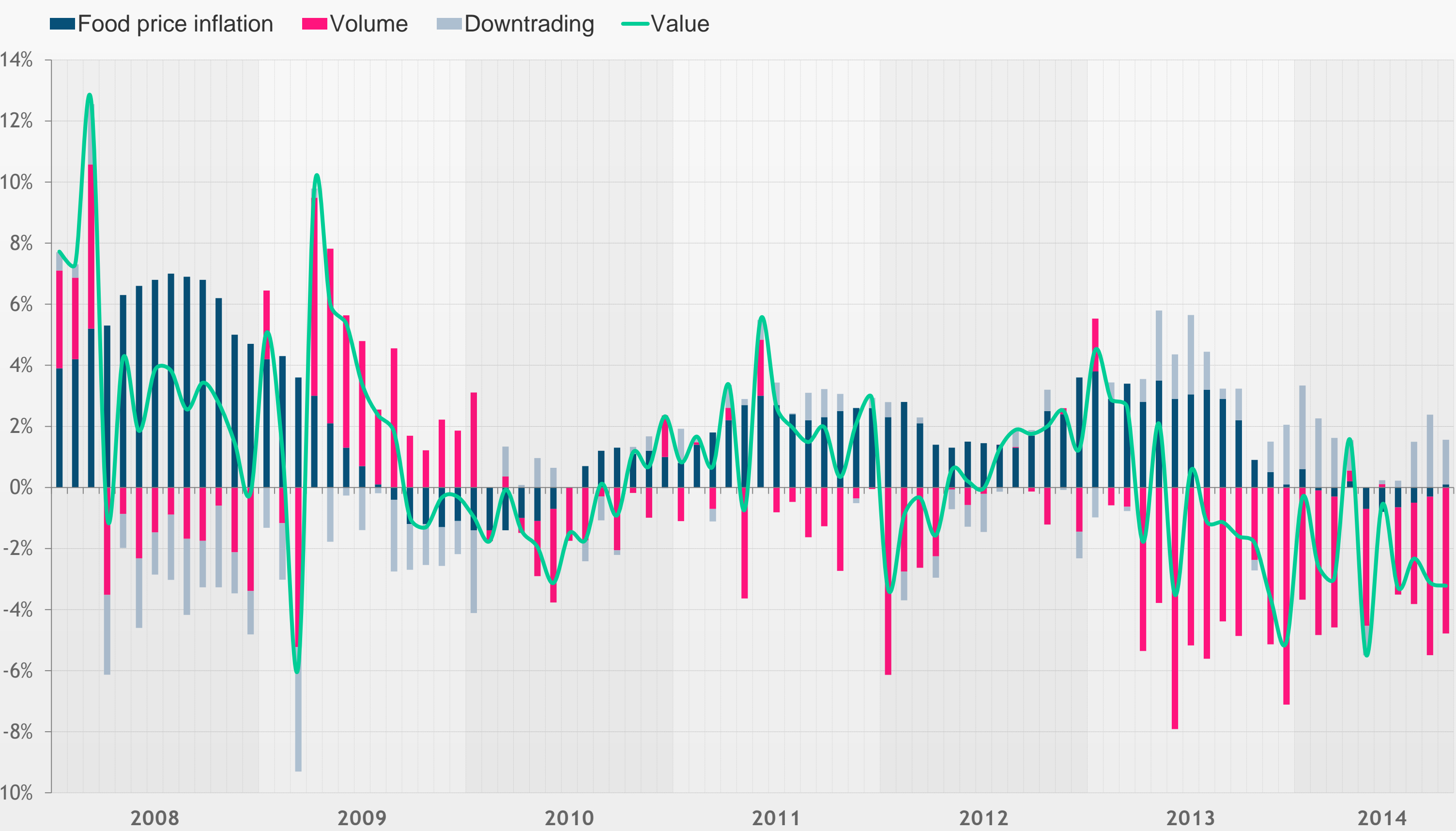
FMCG Global Trends | Country Detail

# The Netherlands



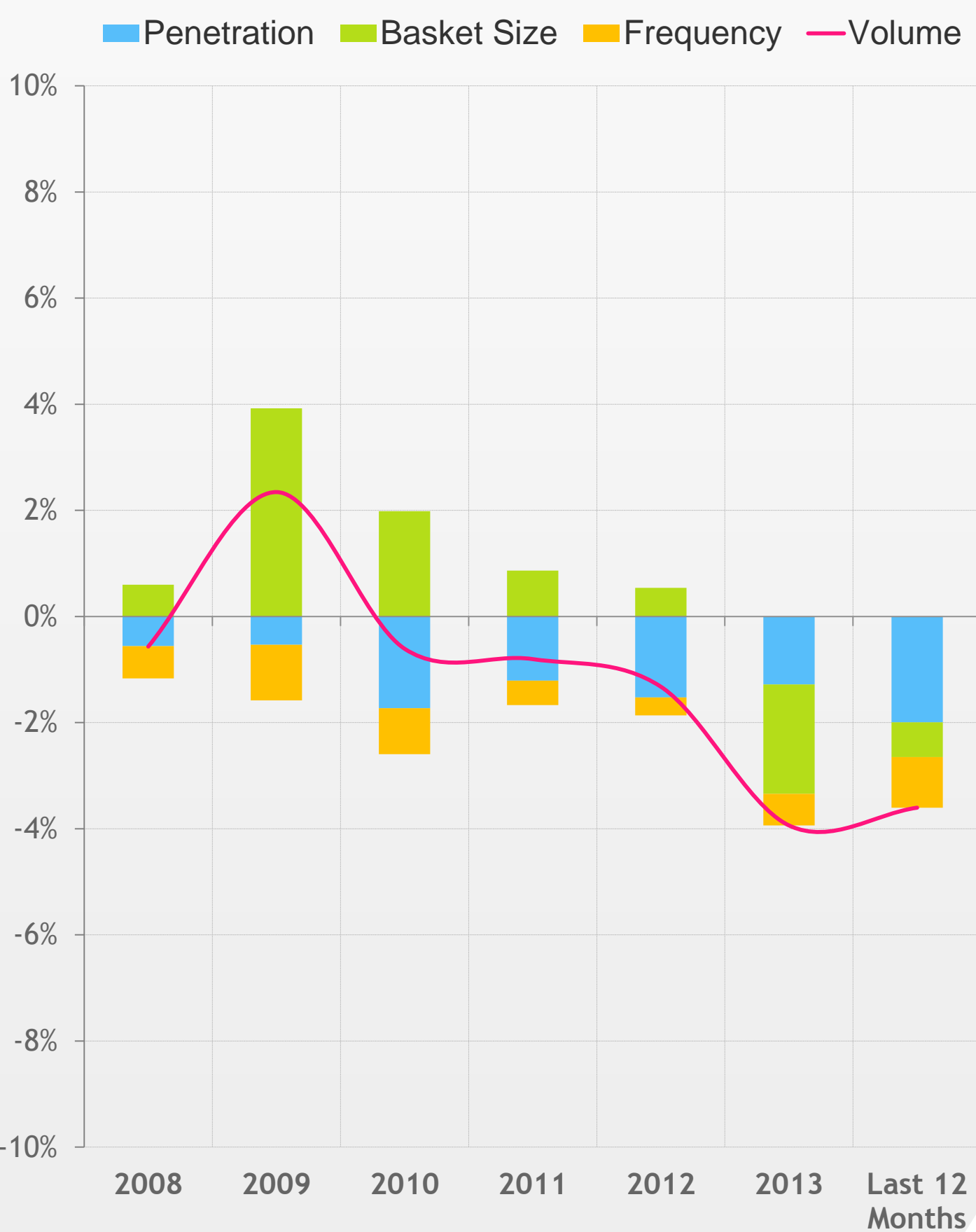
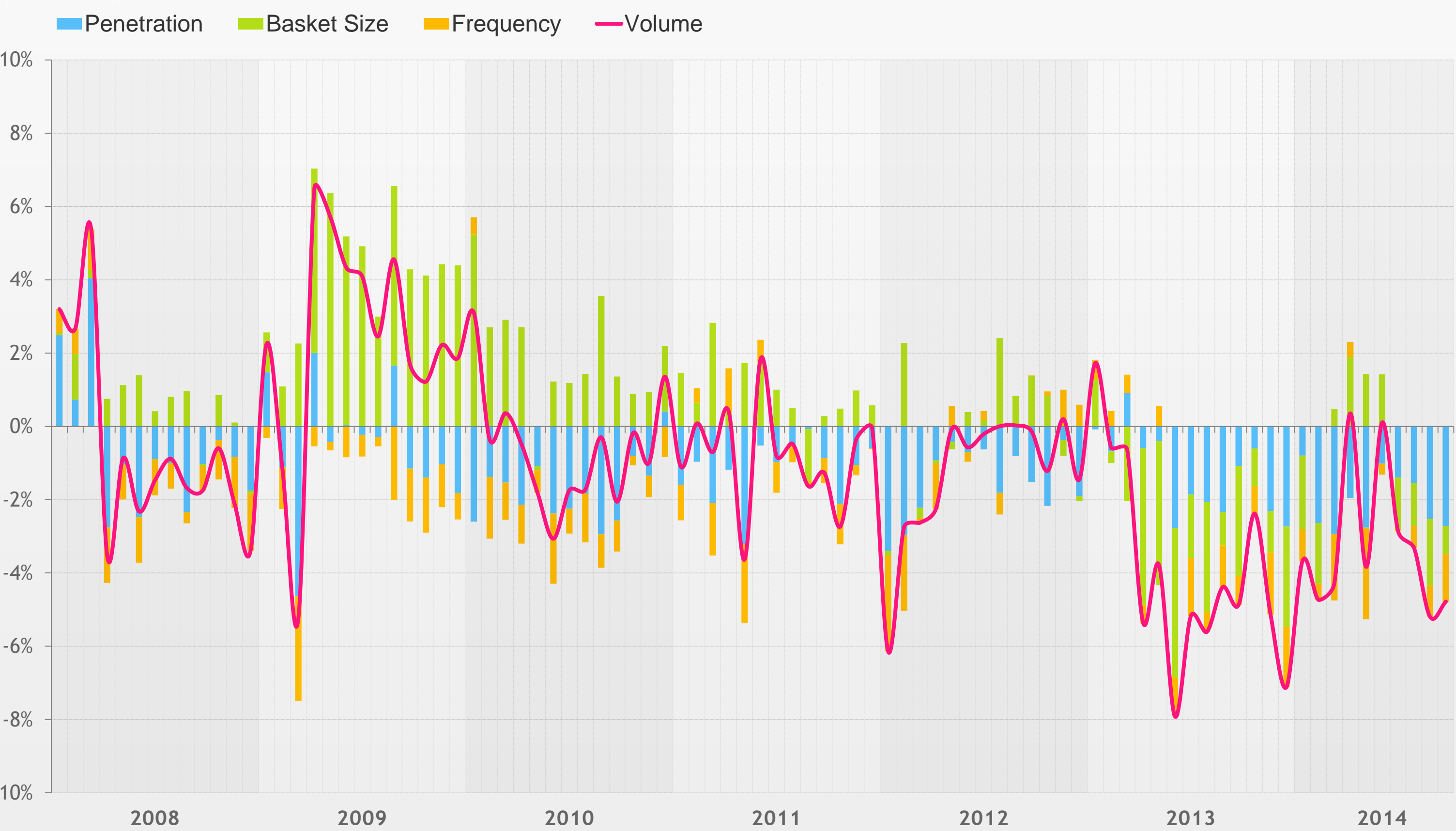
# Netherlands – FMCG Value Trend Components

Despite no inflation, poor volumes continue with careful shopping and low frequency



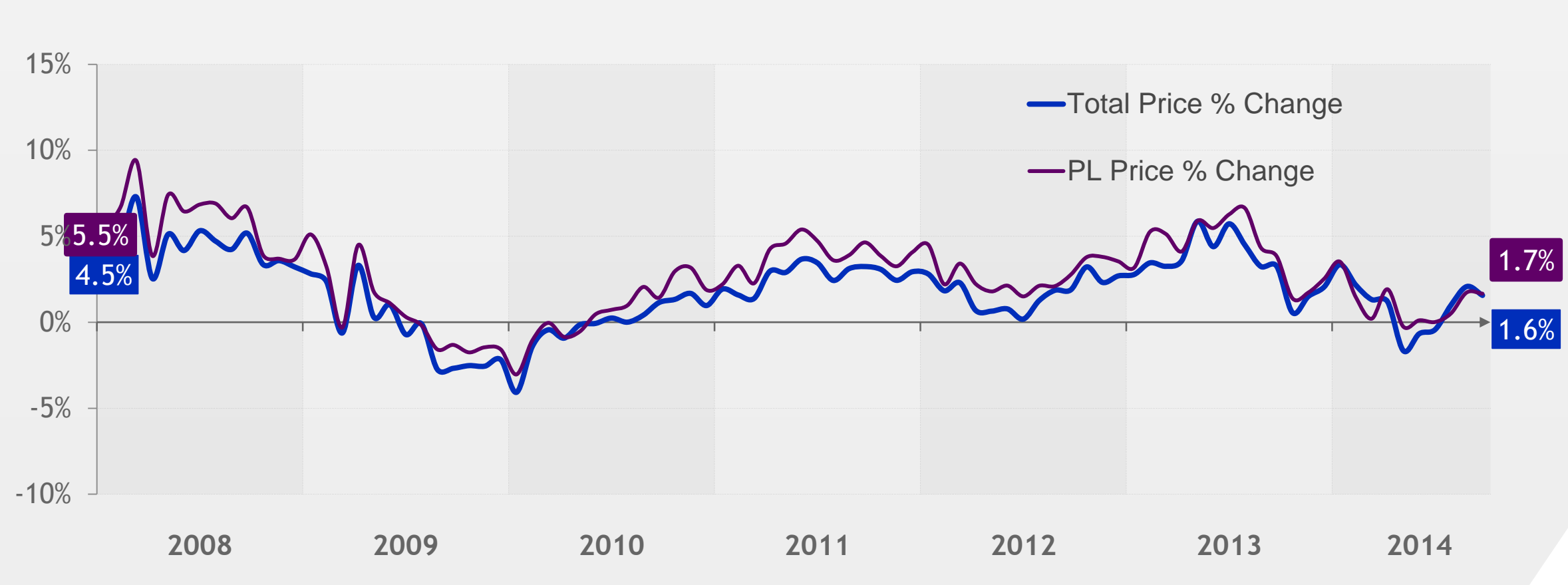
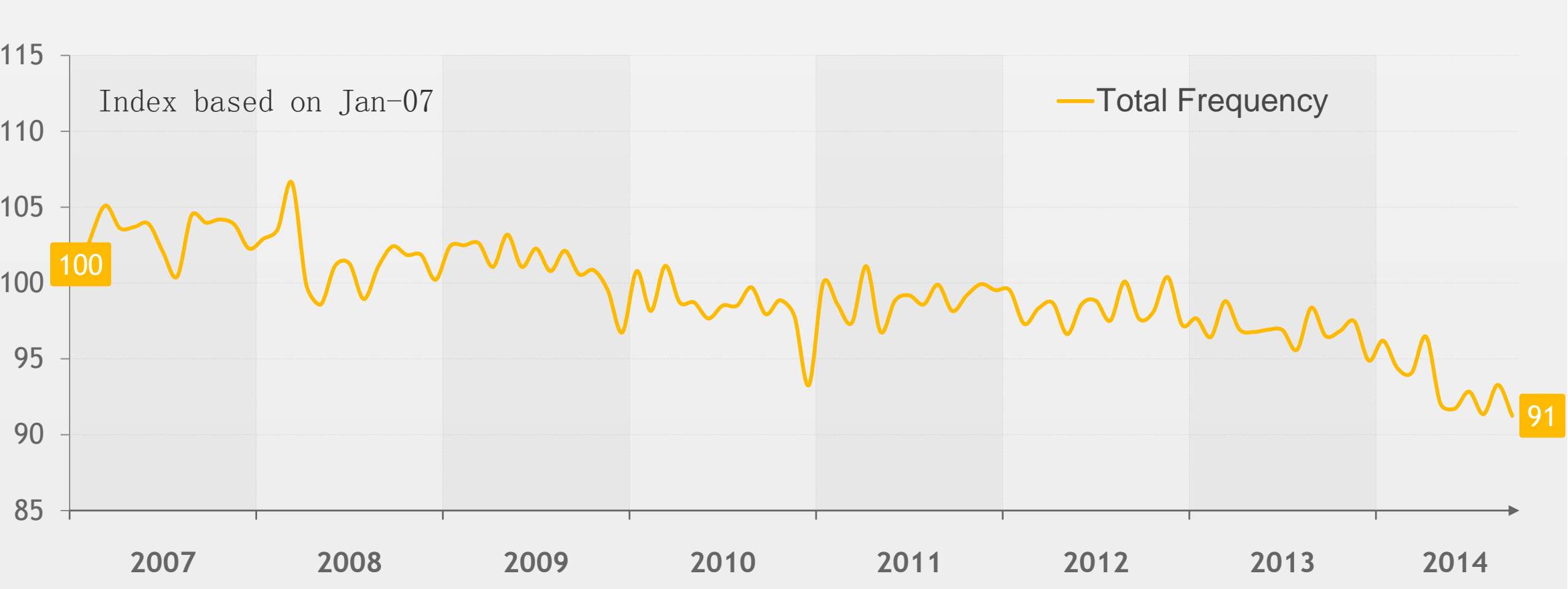
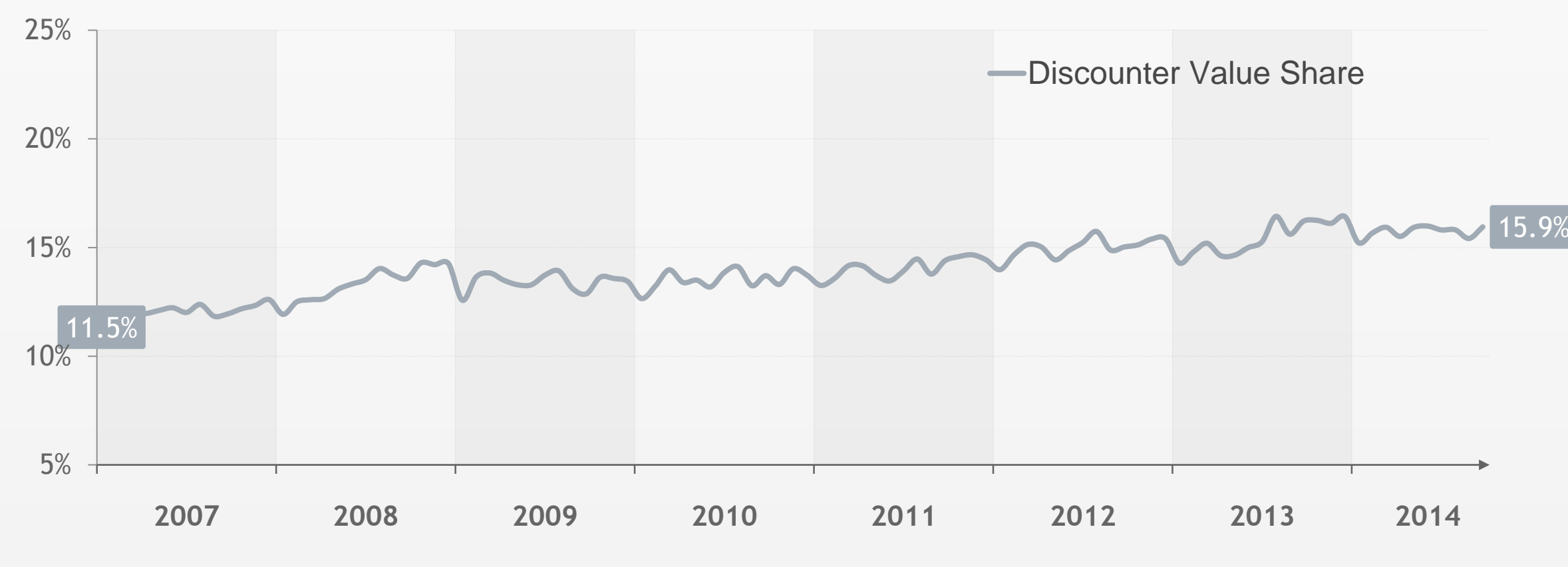
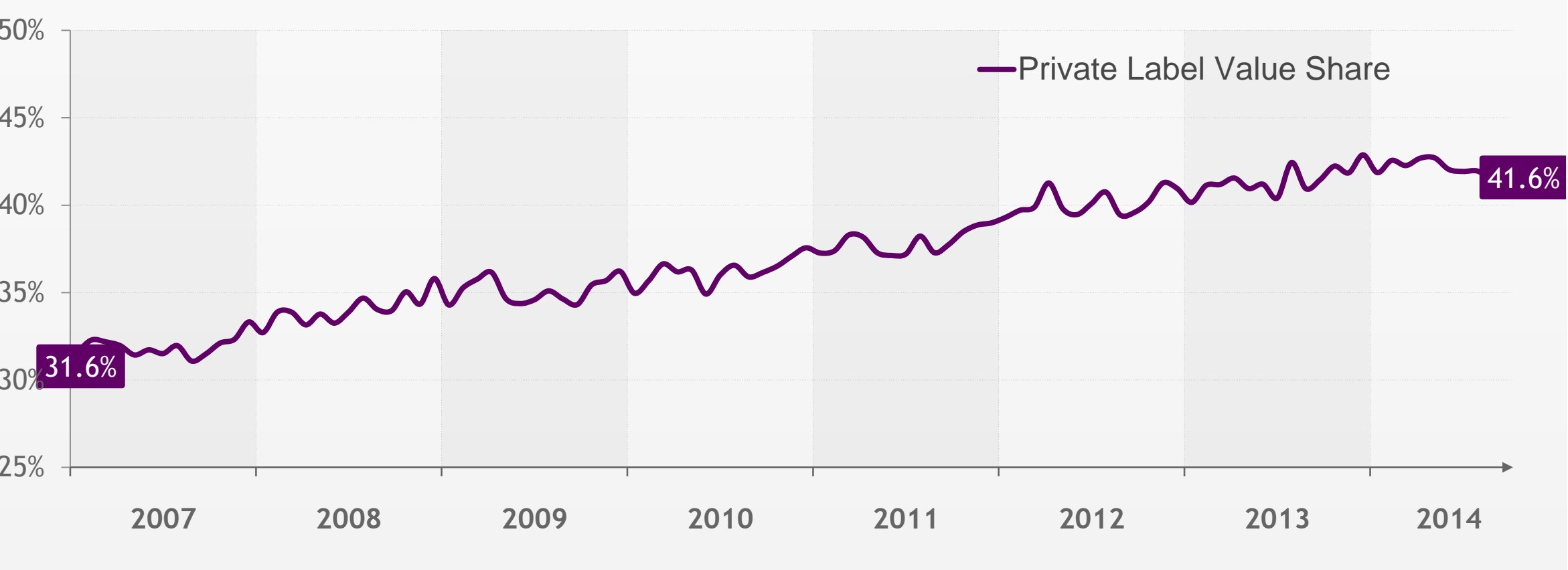
# Netherlands – FMCG Volume Trend Drivers

Fewer more careful shoppers per category, buying less often underlie a poor volume



# Netherlands - Frequency, Private Label, Discounter and Price Paid Trends

Value products and retailers continue to develop in a poor market not helped by continued reductions in shopping frequency





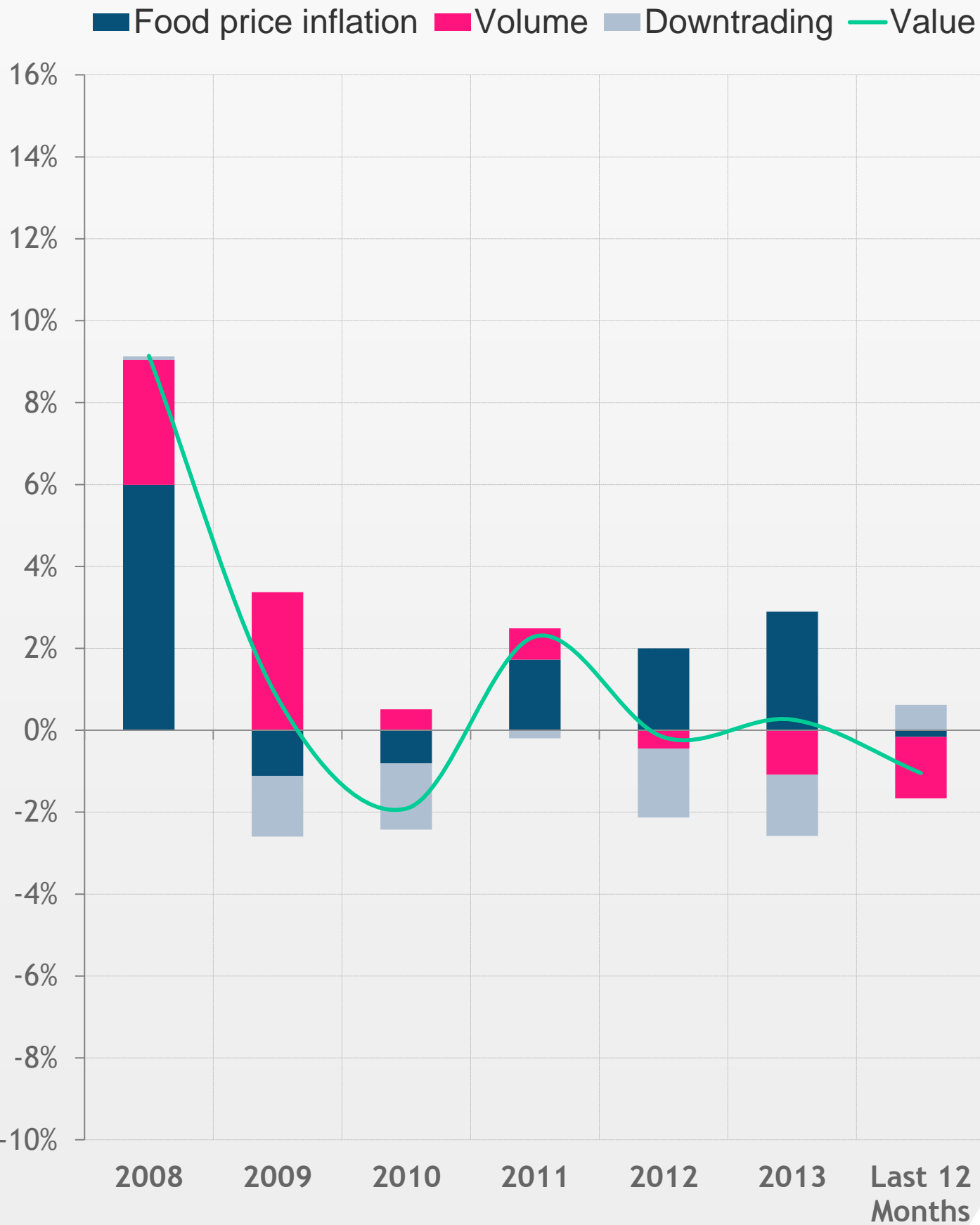
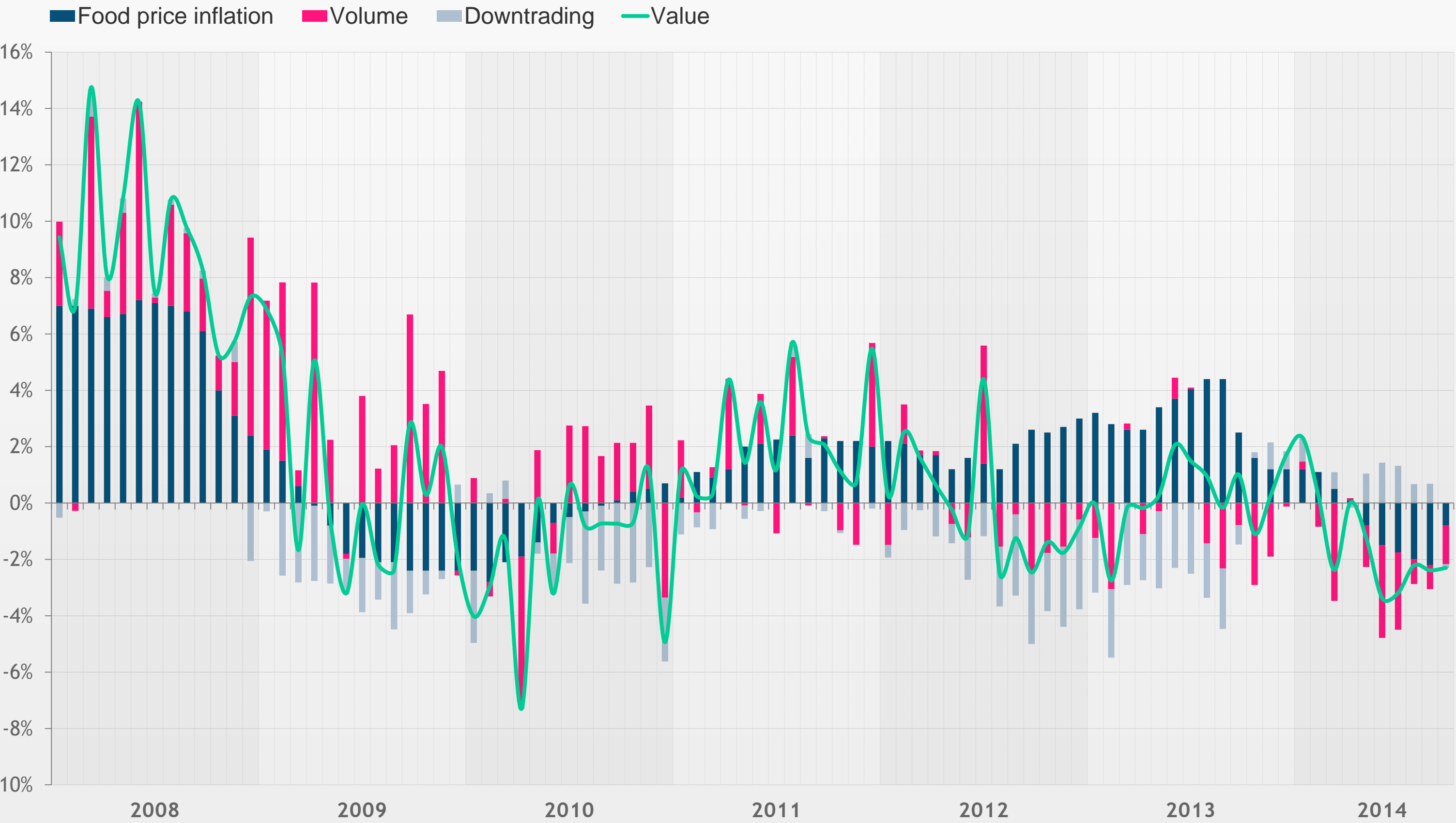


FMCG Global Trends | Country Detail

Spain

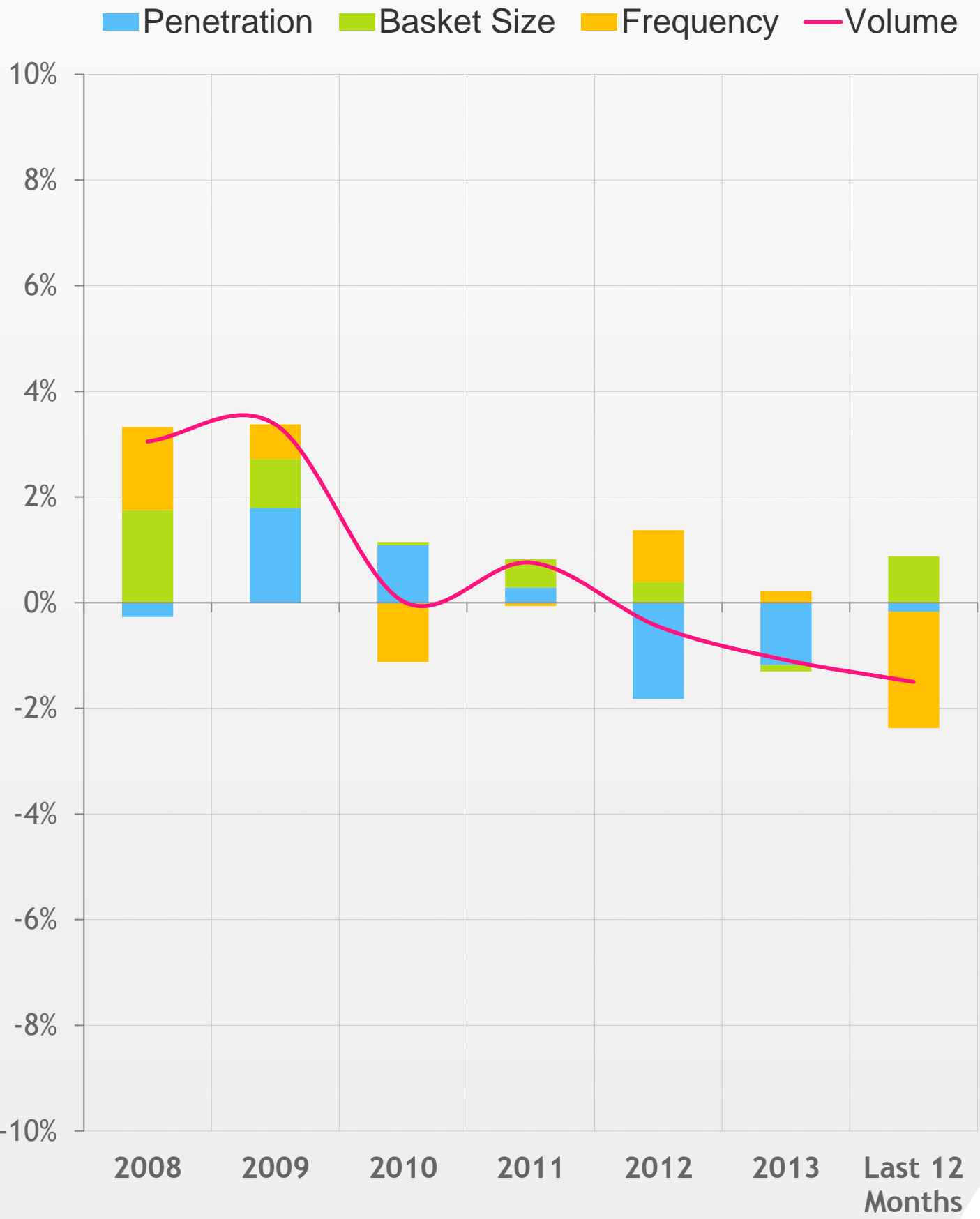
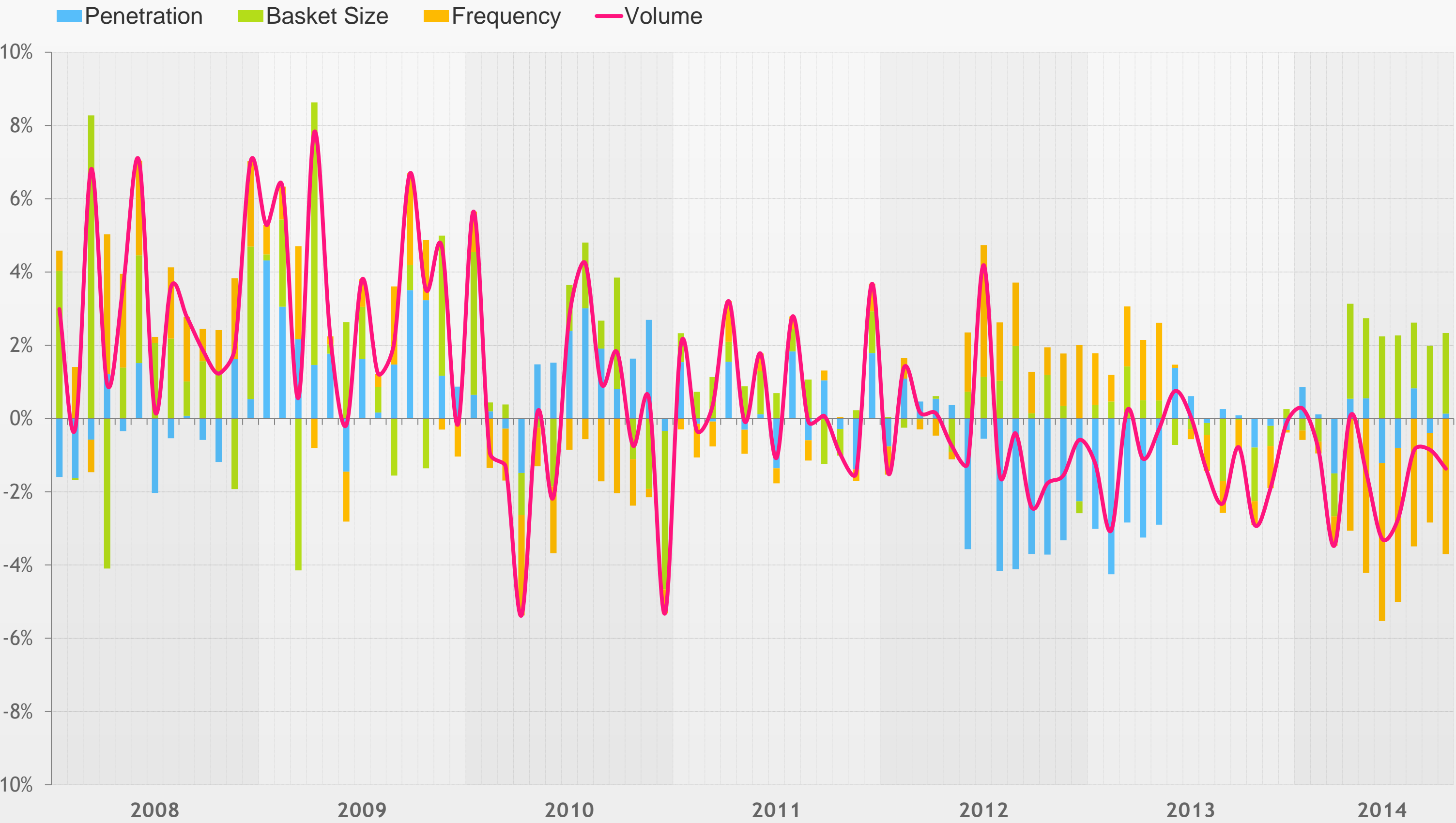
# Spain – FMCG Value Trend Components

Deflation and lower volumes driving lower FMCG value



# Spain – FMCG Volume Trend Drivers

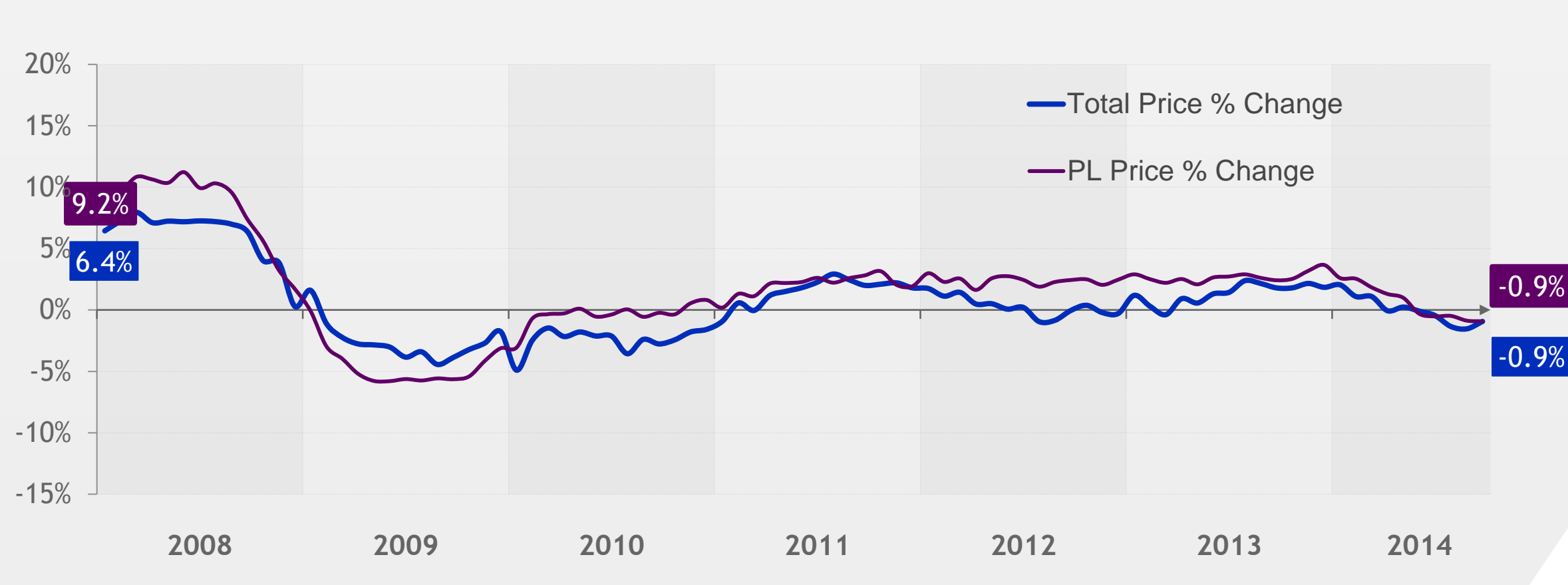
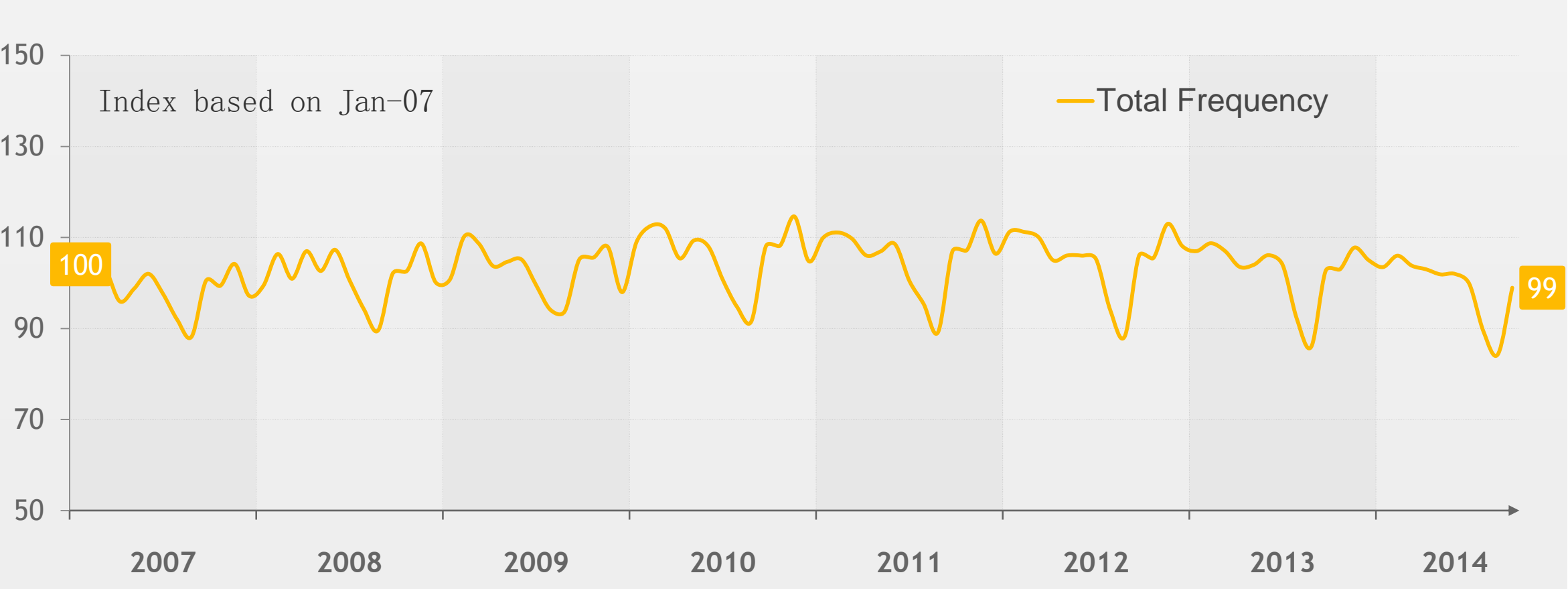
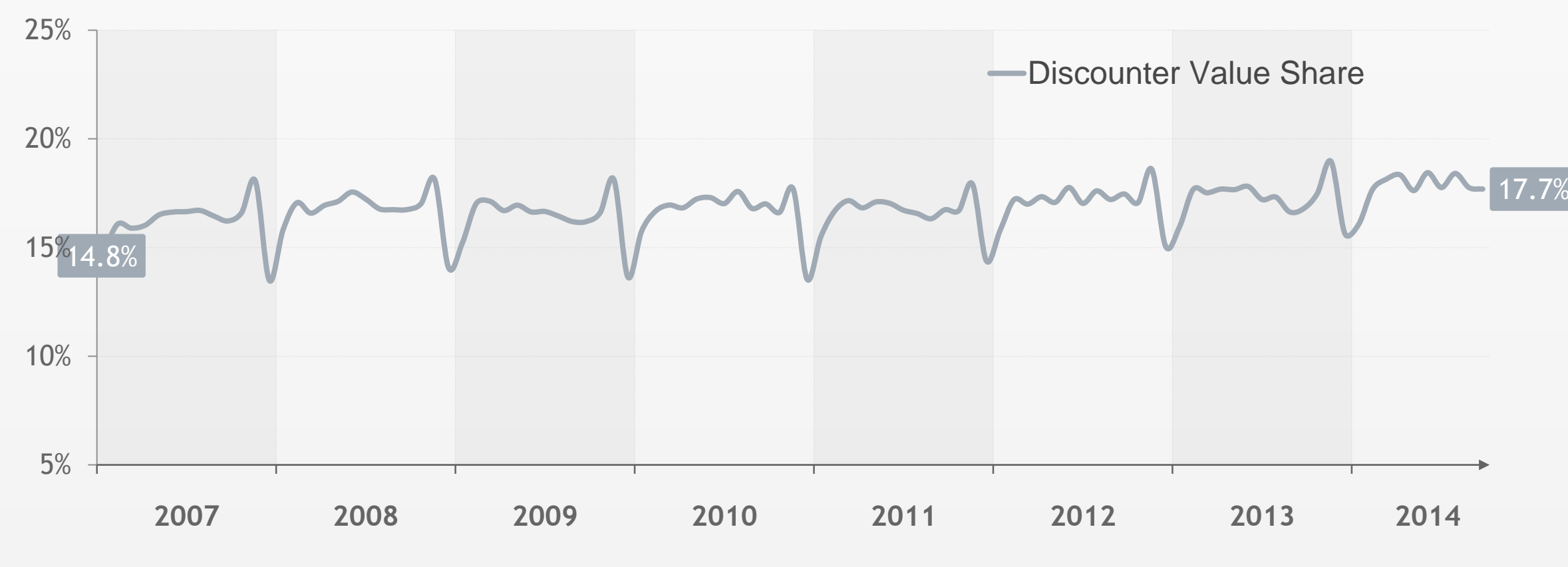
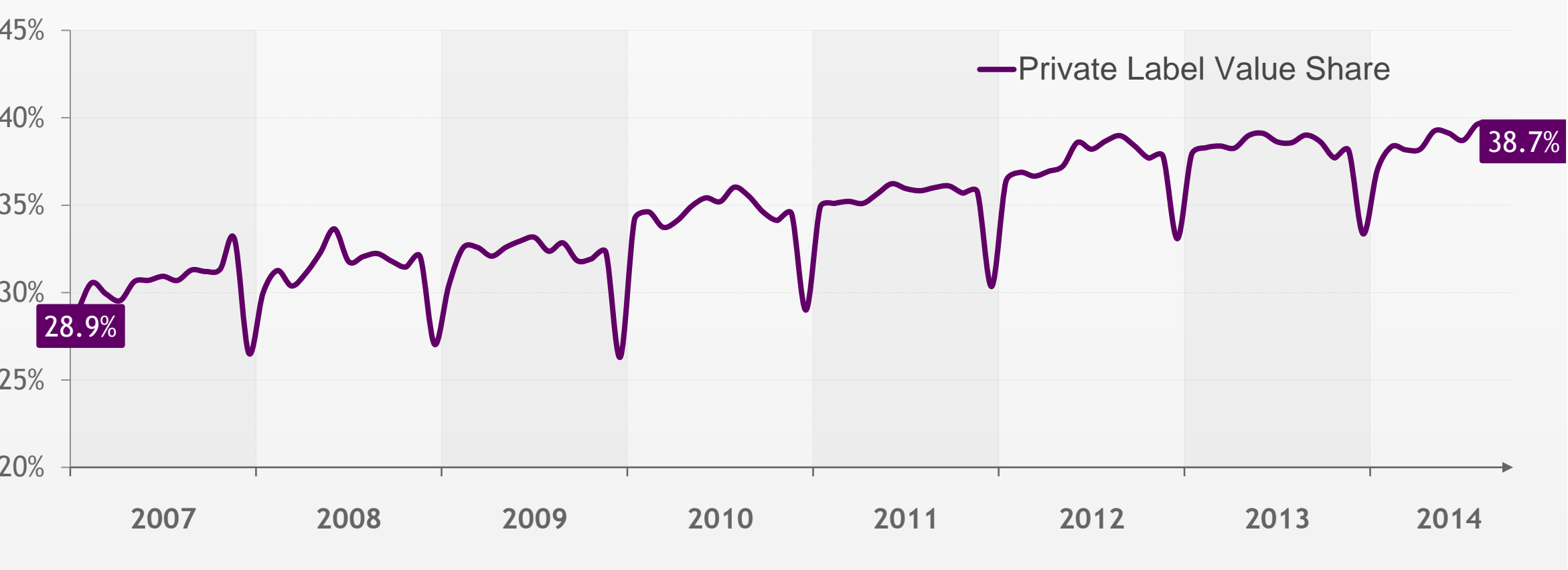
Volumes undermined by lower overall shopping frequency – larger basket size not





# Spain - Frequency, Private Label, Discounter and Price Paid Trends

Lower frequency than last year impacting volumes but PL growth has currently stalled albeit at nearly 40% share



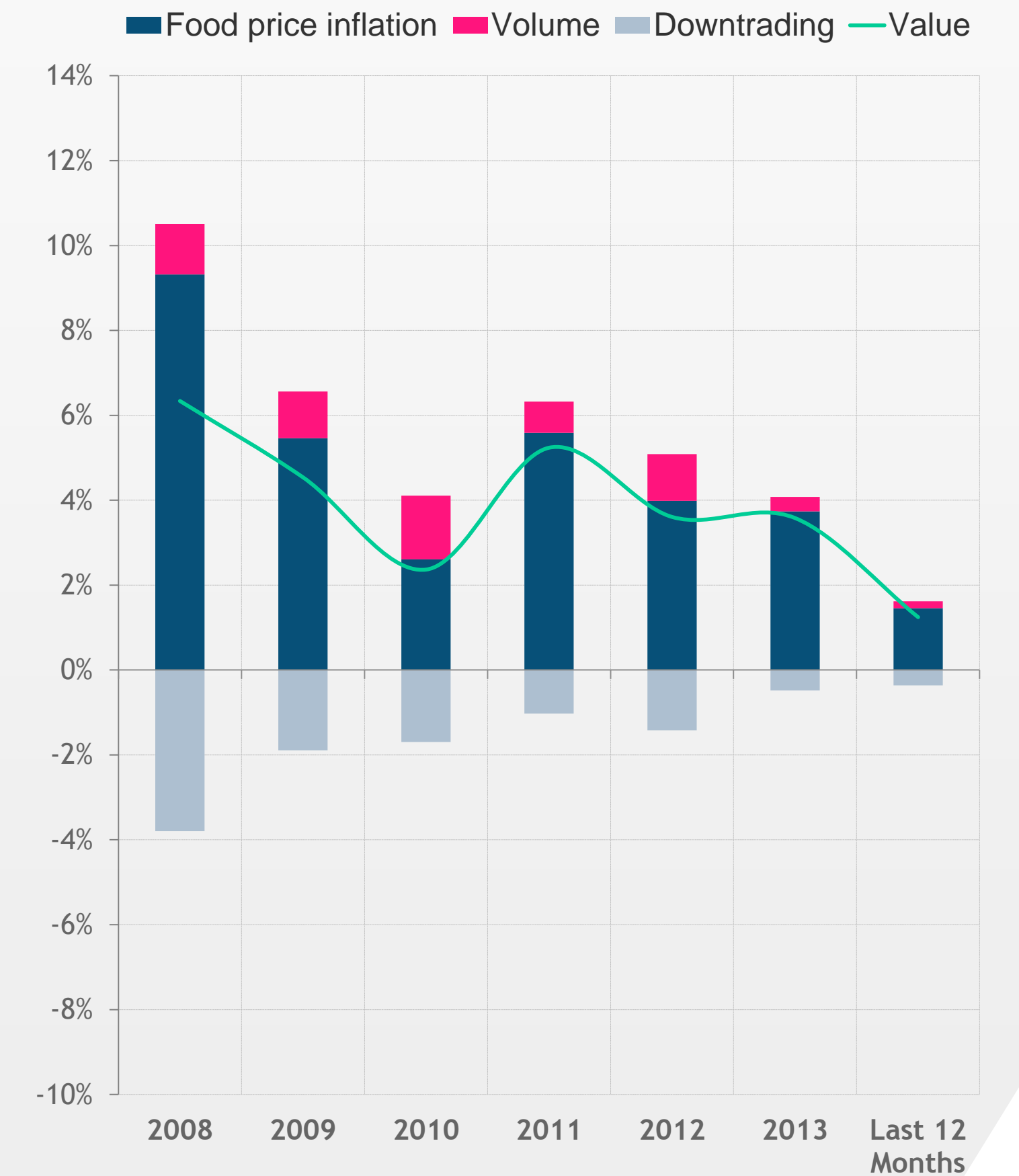
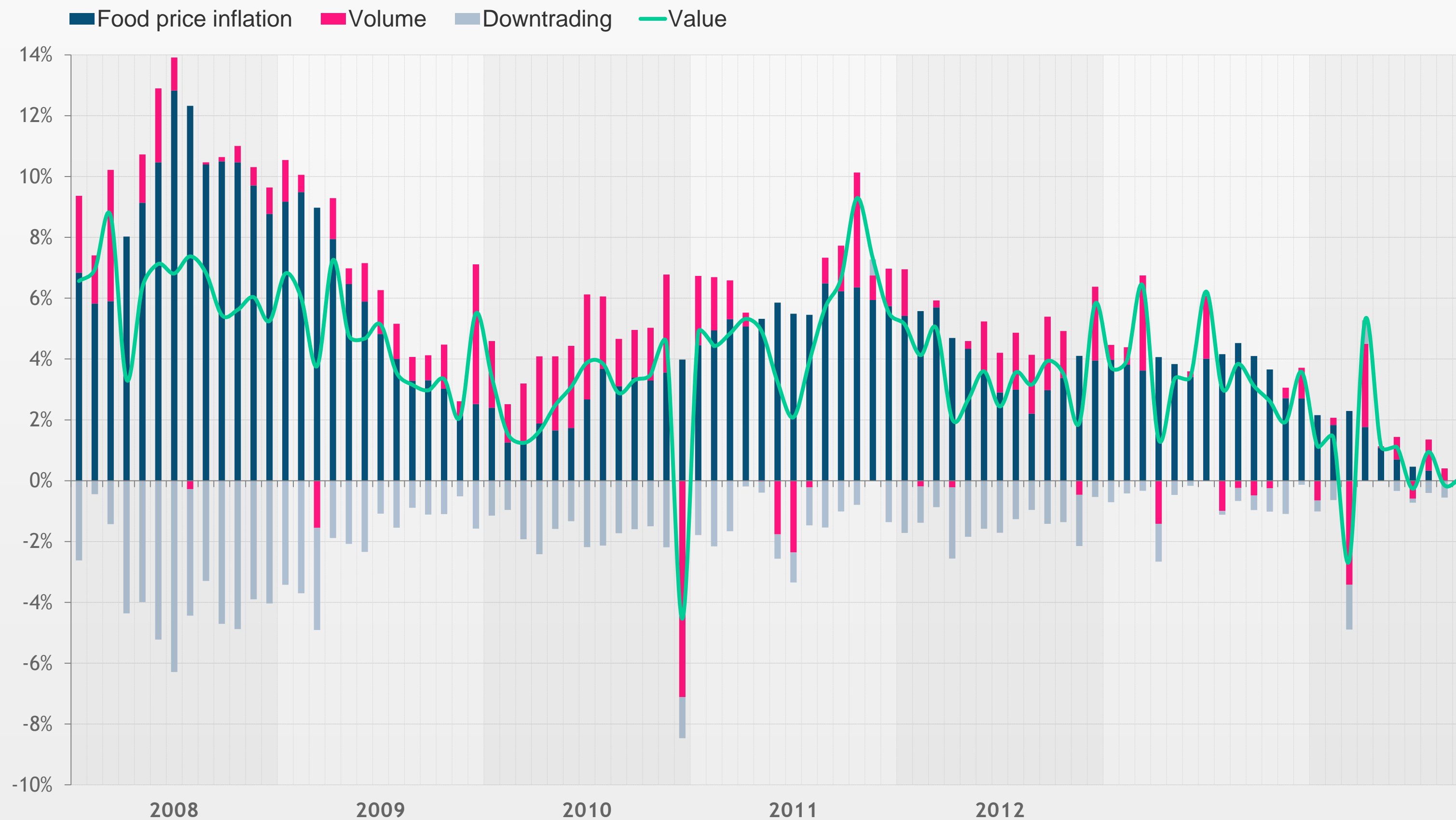


FMCG Global Trends | Country Detail

United Kingdom

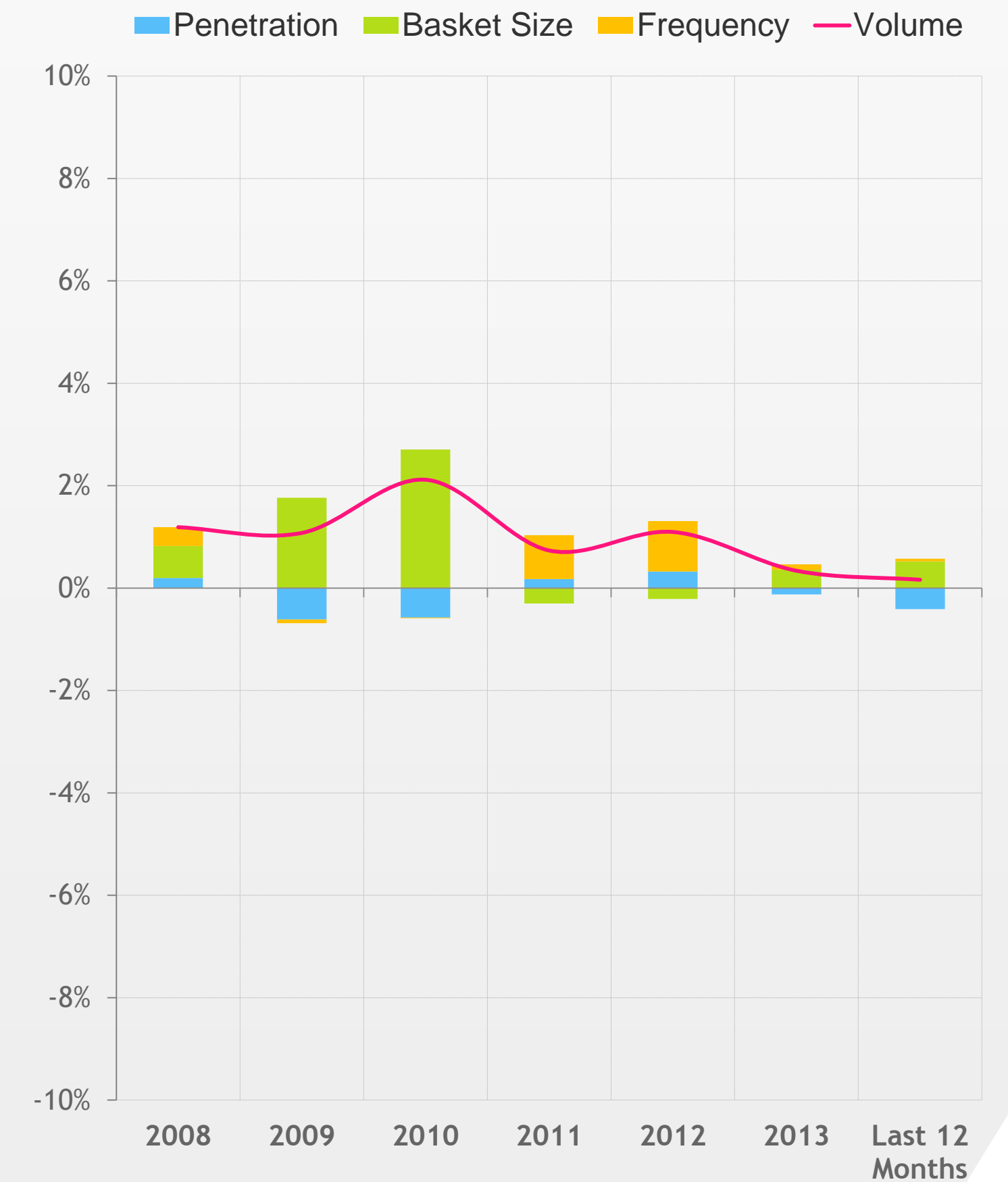
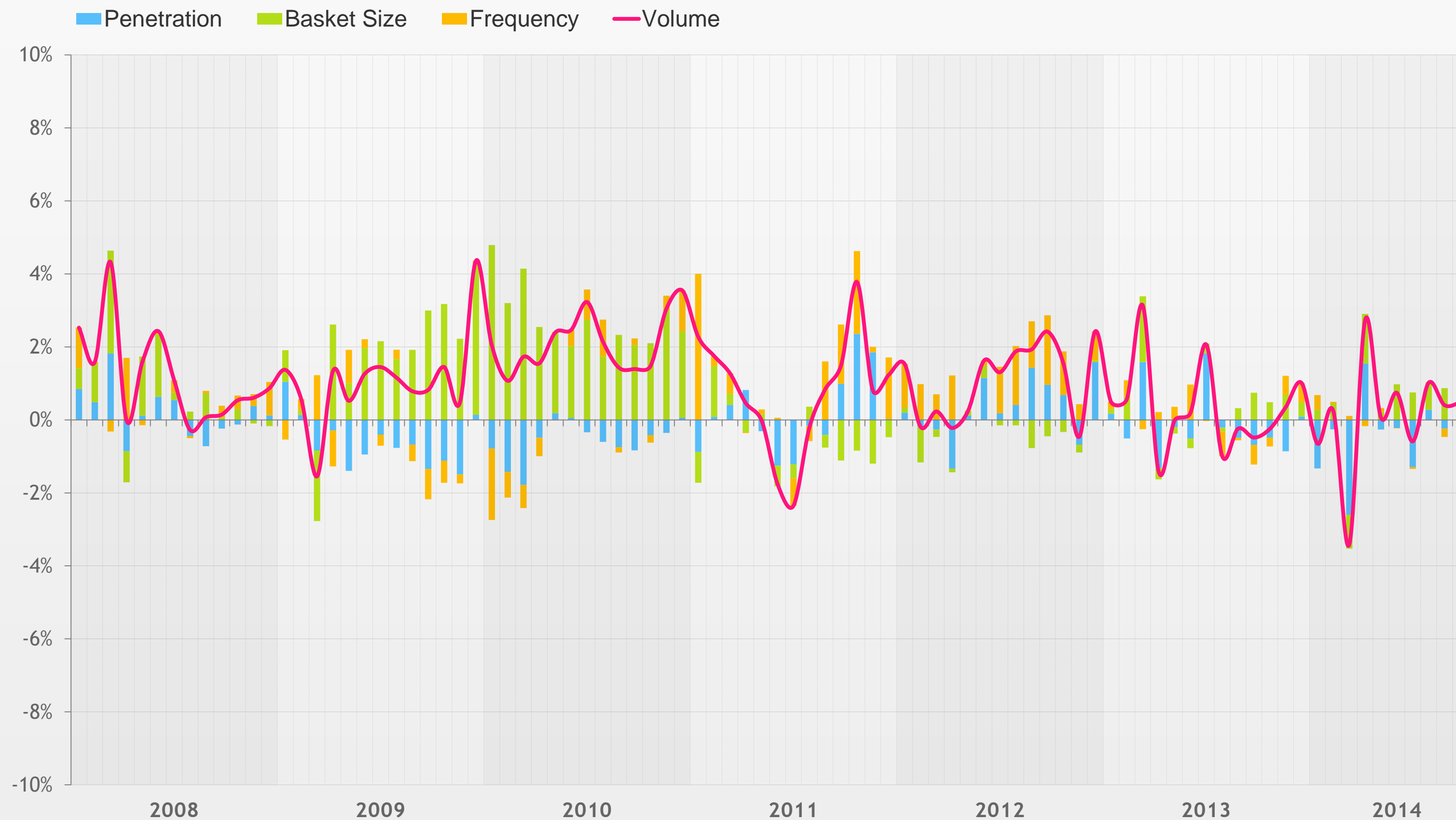
# United Kingdom – FMCG Value Trend Components

Zero inflation and steady volumes have led to stability rather than growth



# United Kingdom – FMCG Volume Trend Drivers

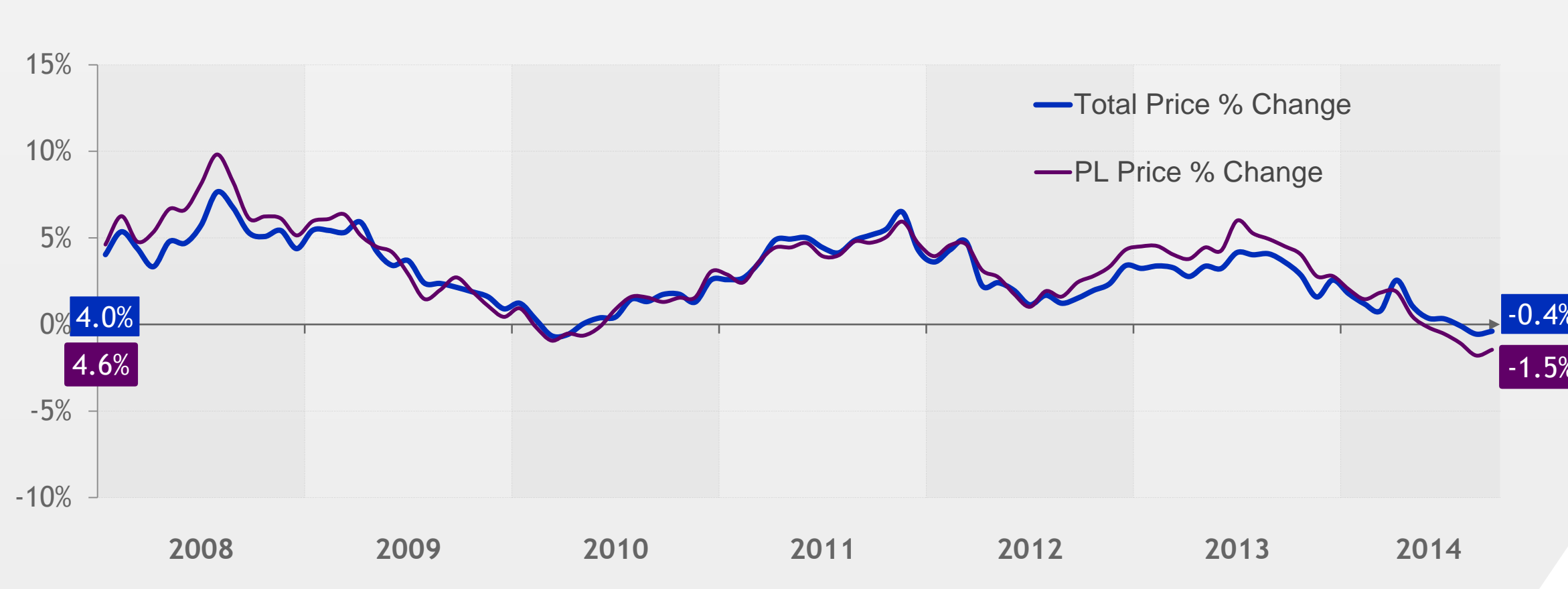
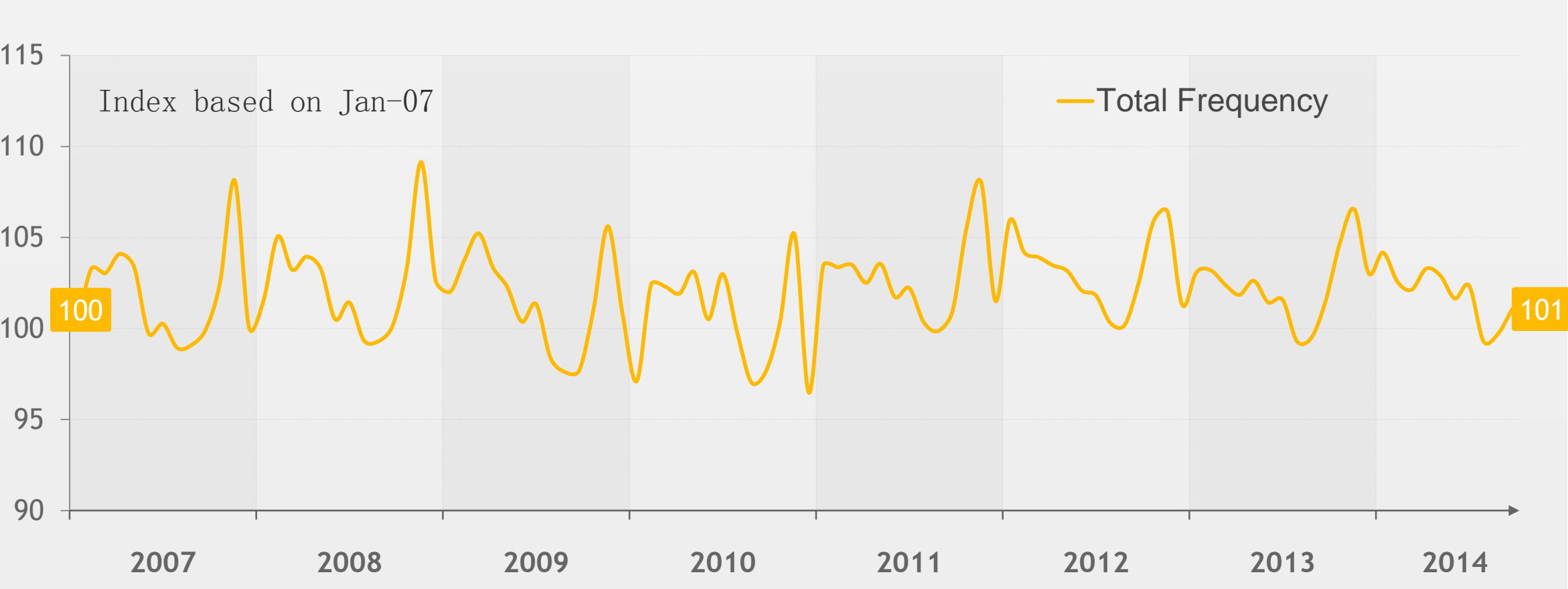
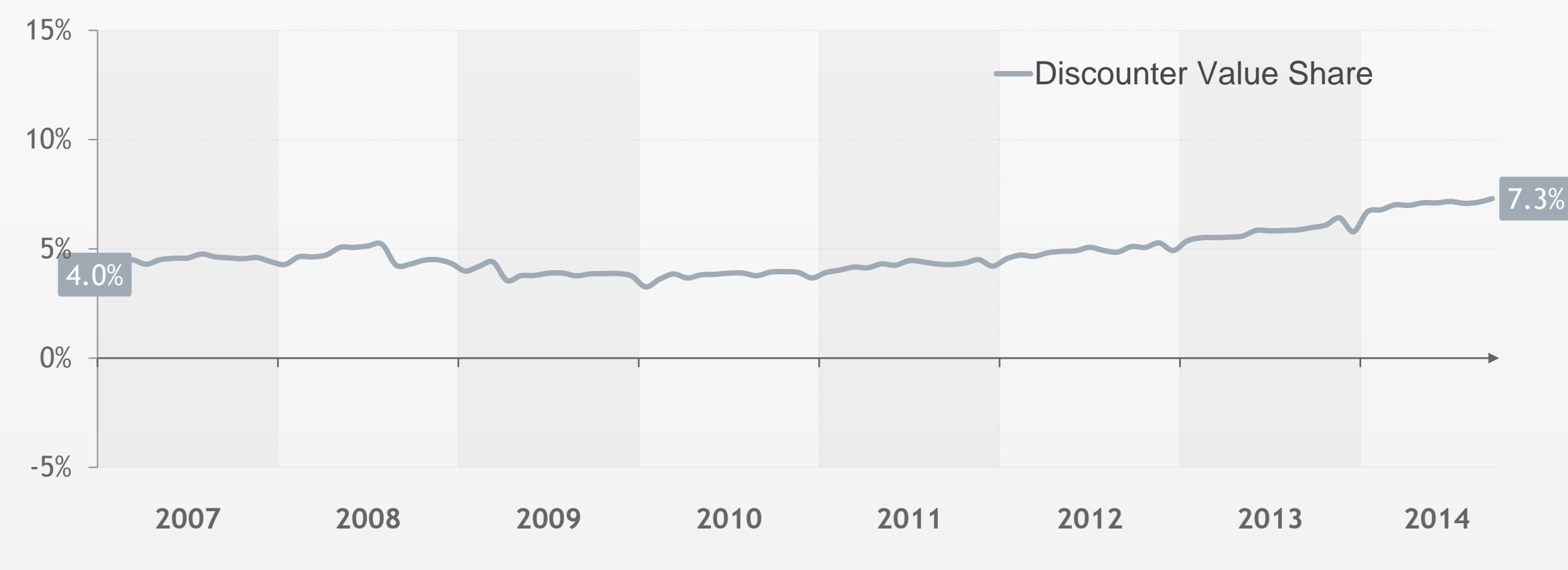
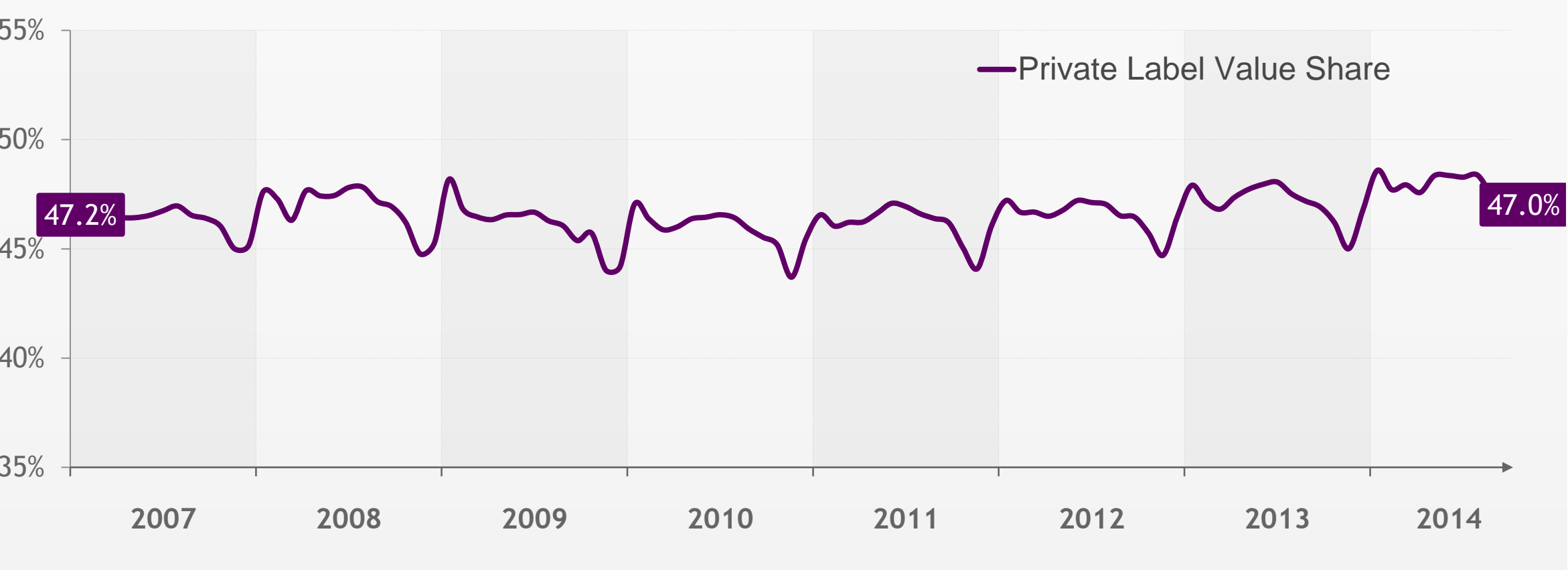
Overall volumes very stable now due to larger basket sizes





# United Kingdom – Frequency, Private Label, Discounter and Price Paid Trends

Down-trading to Discounters leading to Private Label growth. Shopping frequency now much more stable



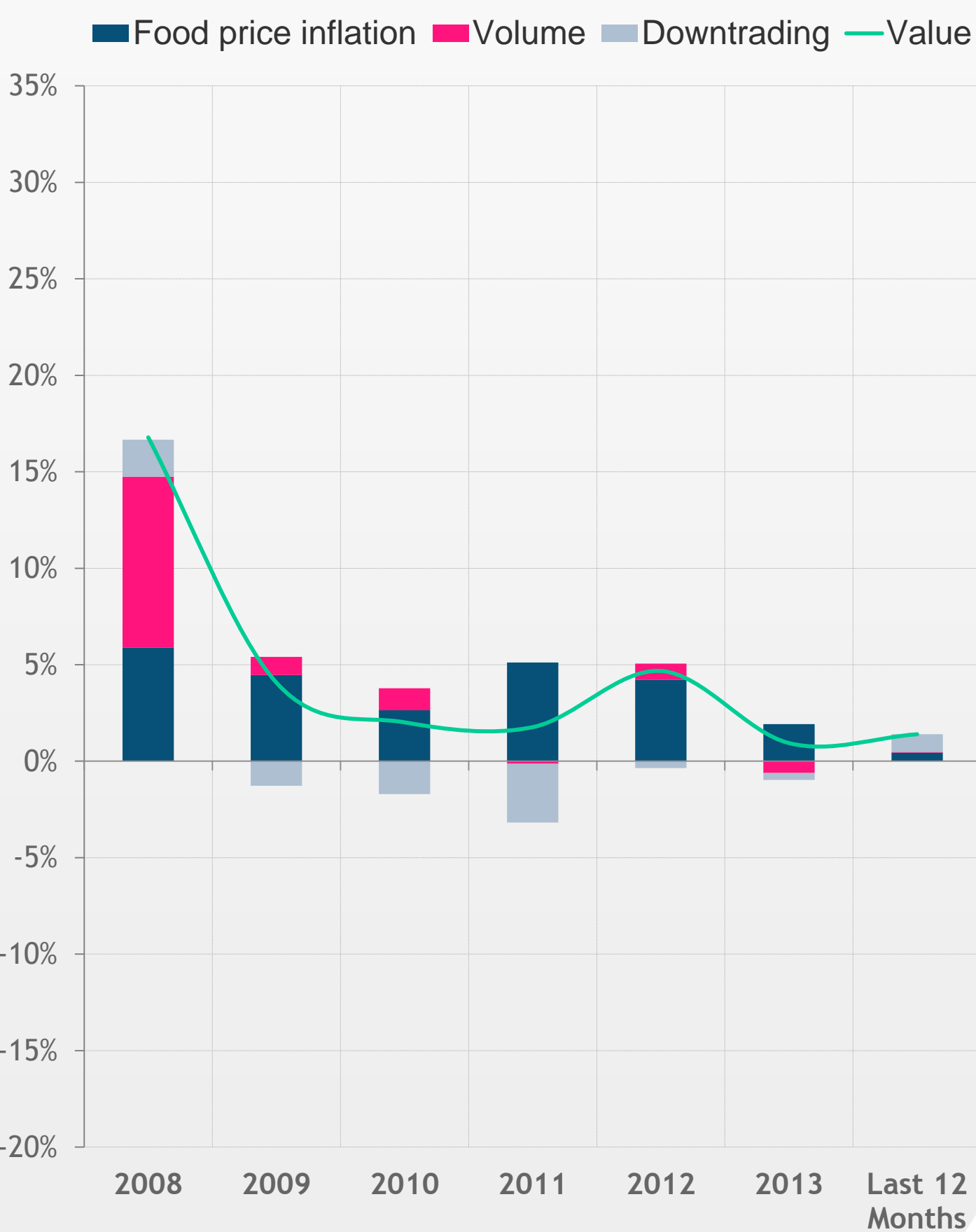
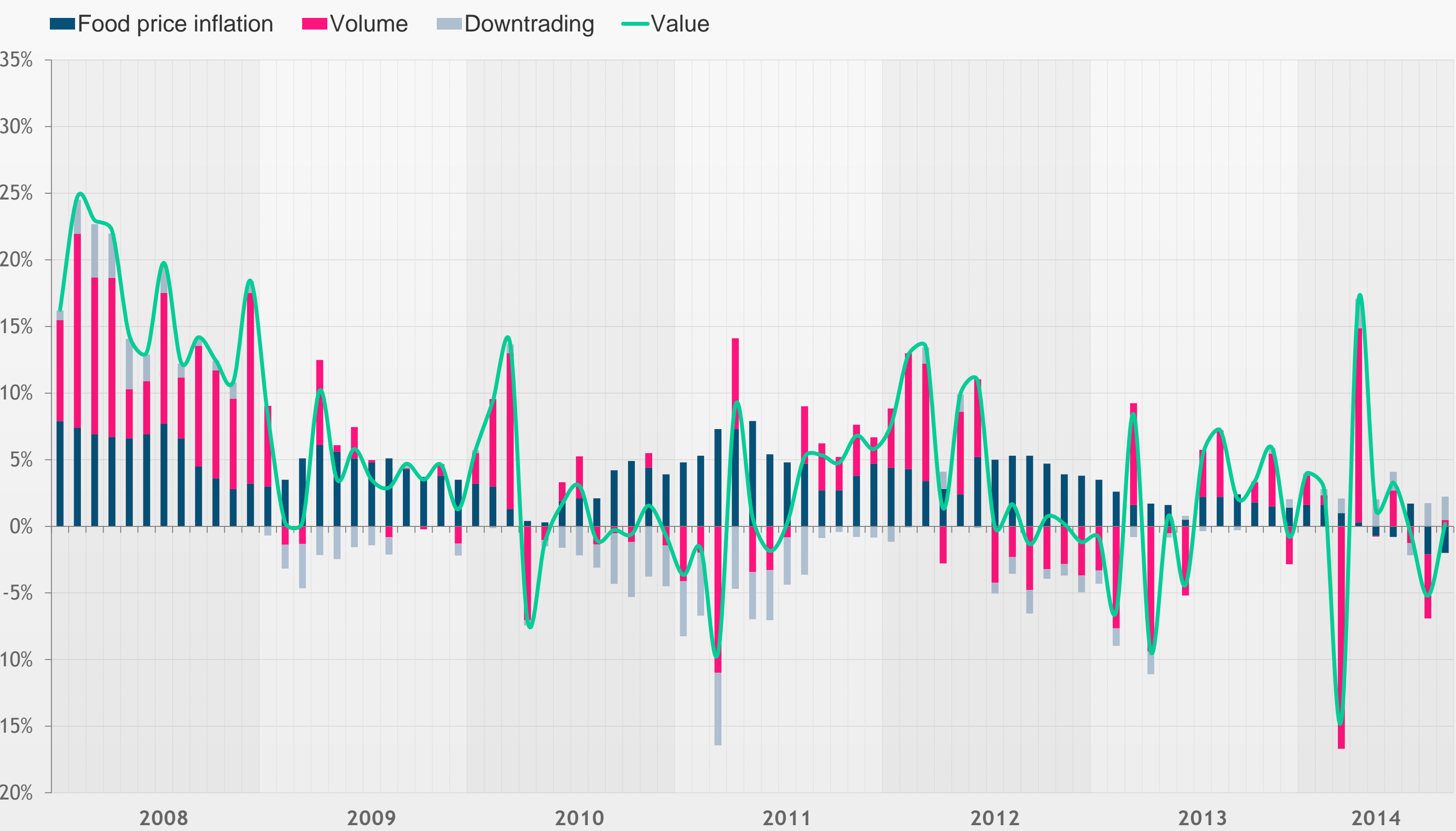


FMCG Global Trends | Country Detail

Poland

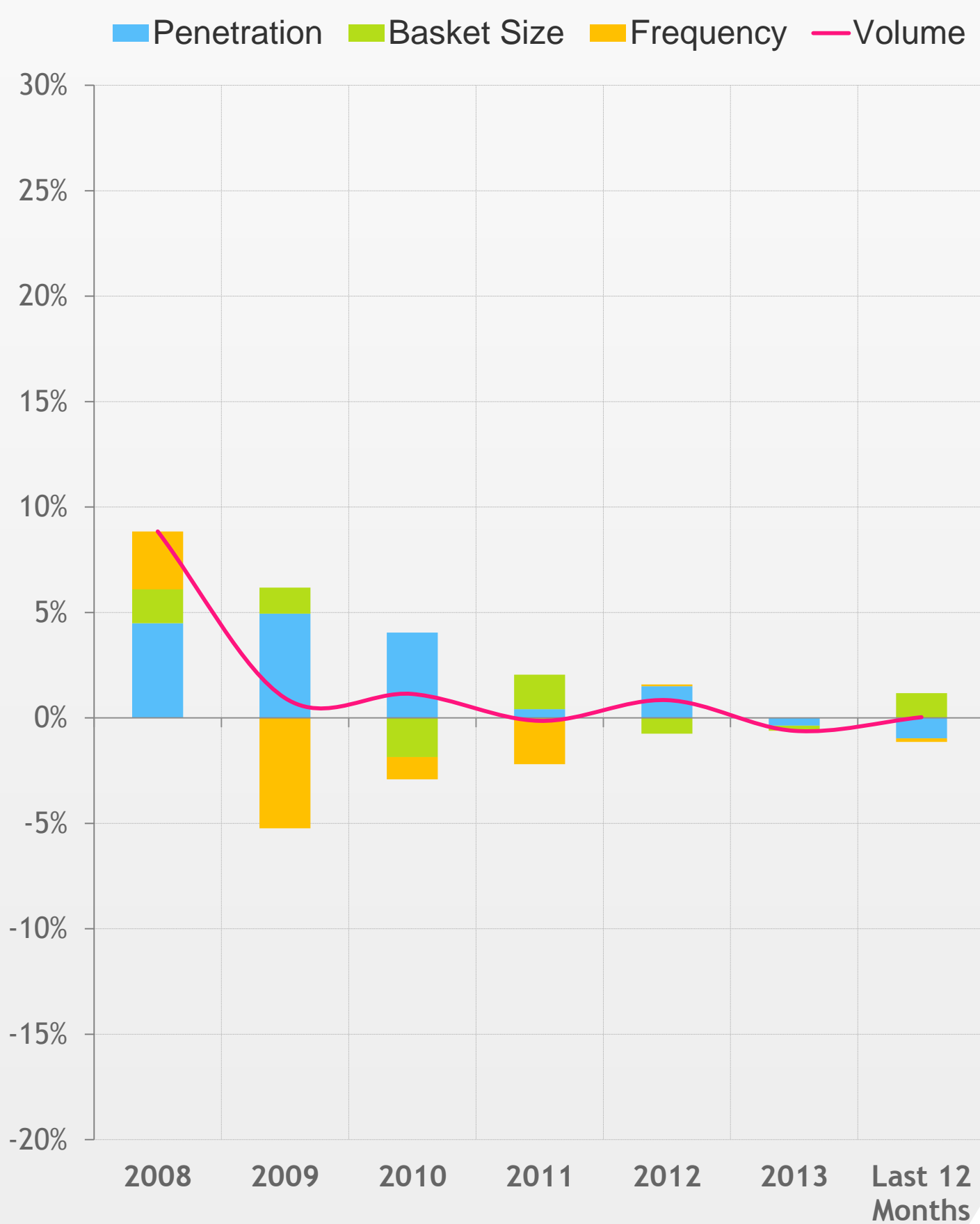
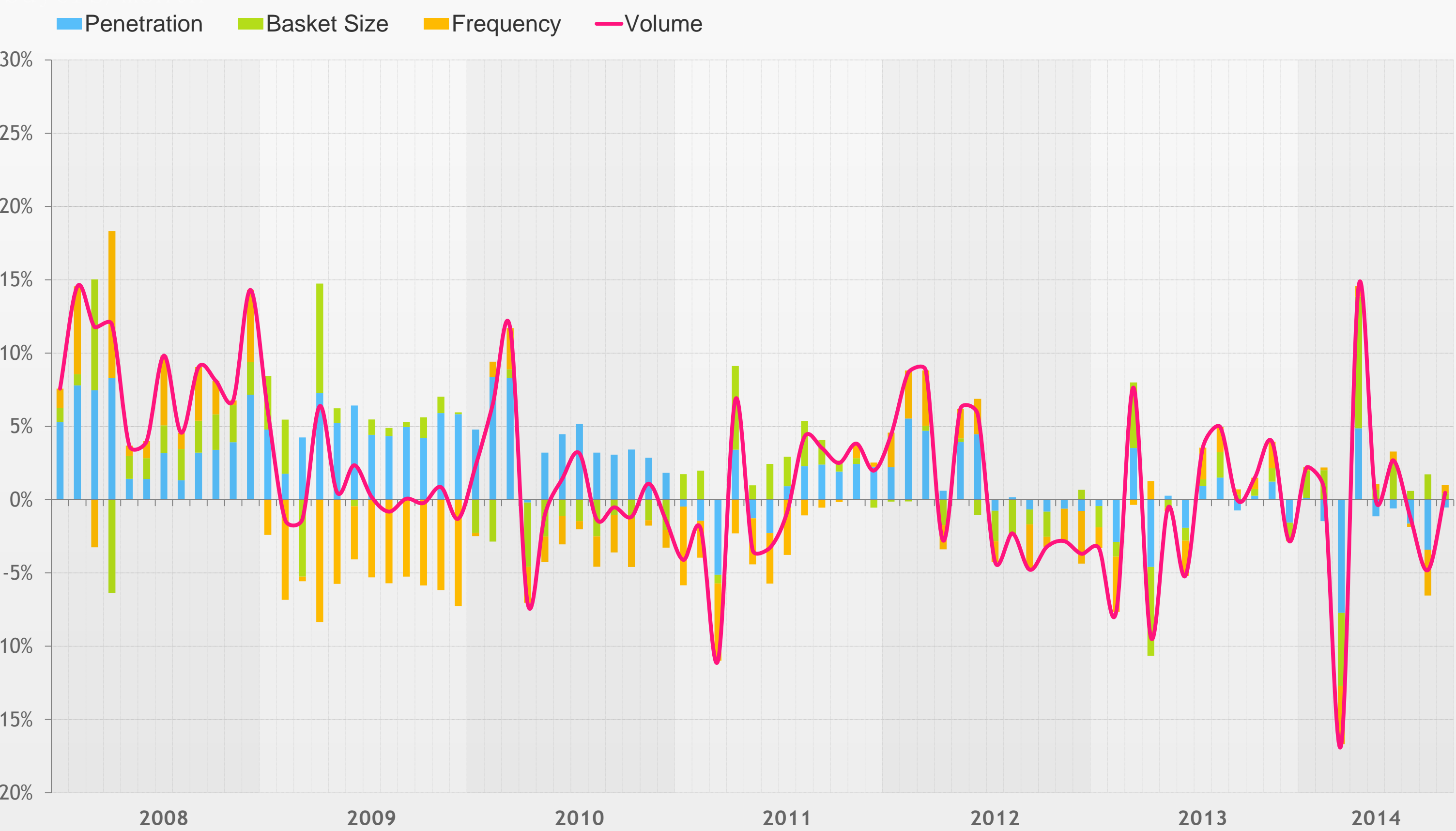
# Poland – FMCG Value Trend Components

Deflation and largely stable volume mean a lack of value growth



# Poland – FMCG Volume Trend Drivers

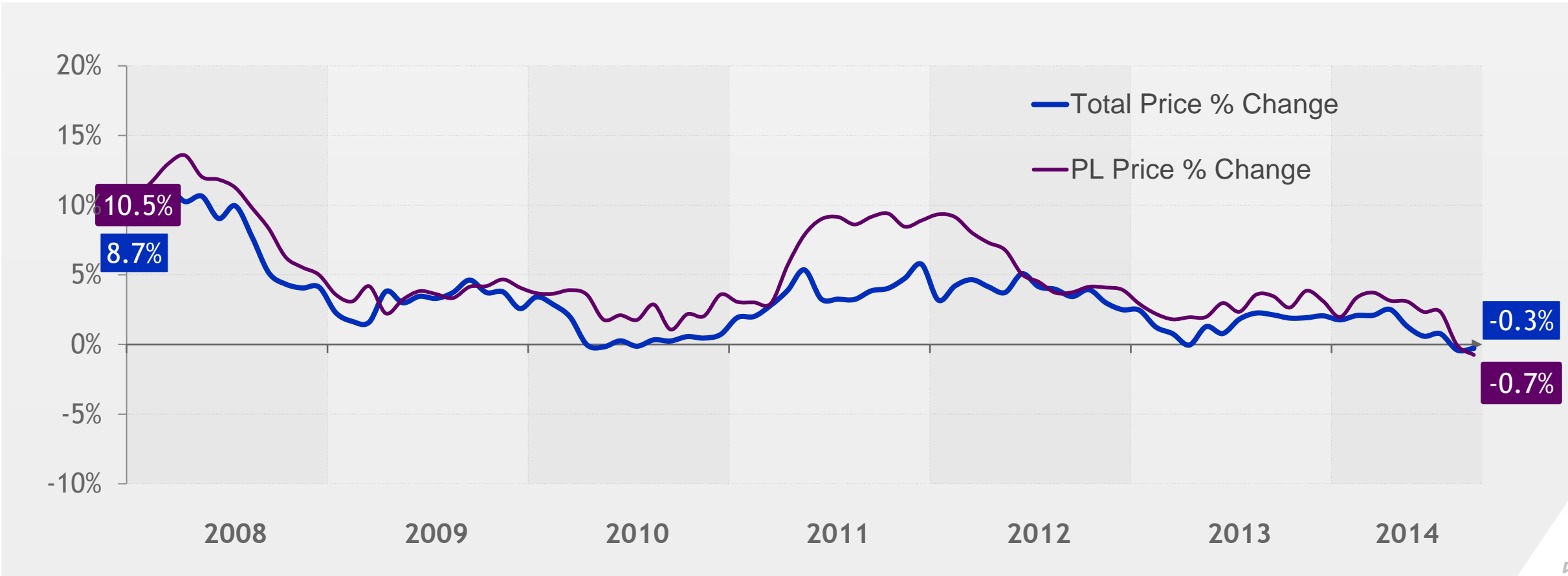
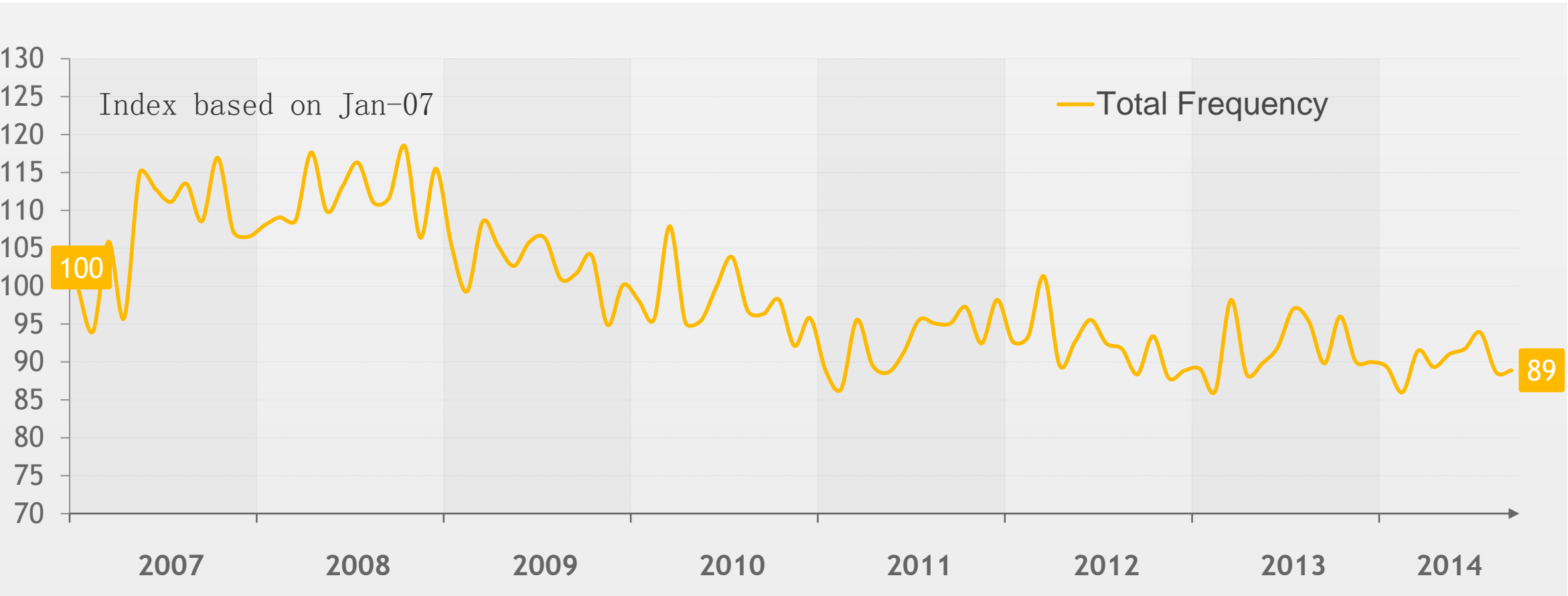
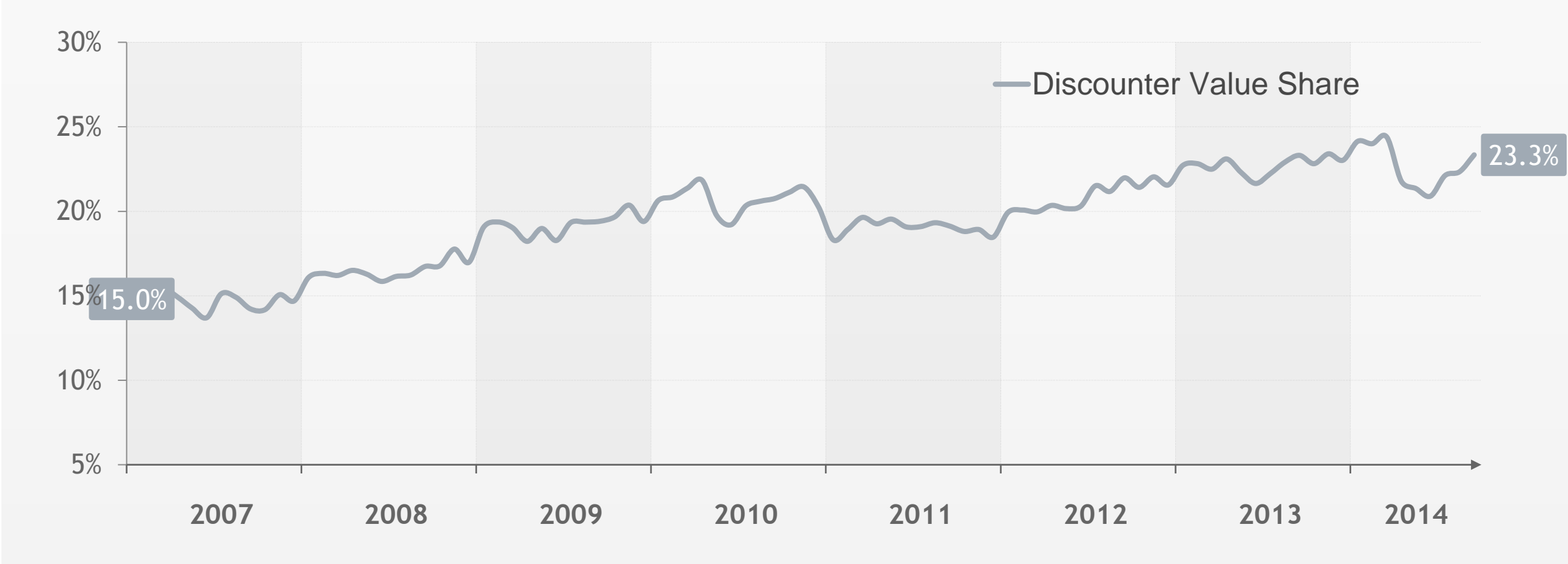
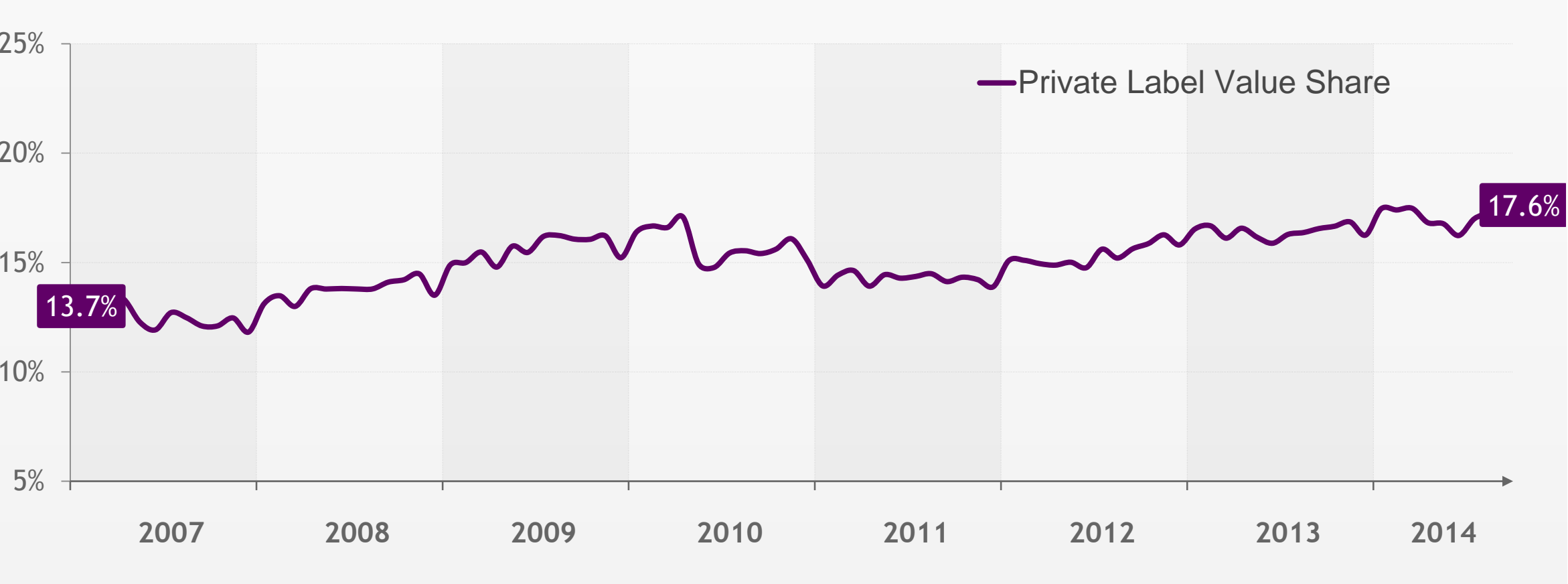
Larger basket sizes compensating for lower shopping frequency and fewer category





# Poland – Frequency, Private Label, Discounter and Price Paid Trends

Continued and linked growth for Private Label and Discounters. Shopping frequency dropping again, not helping the market



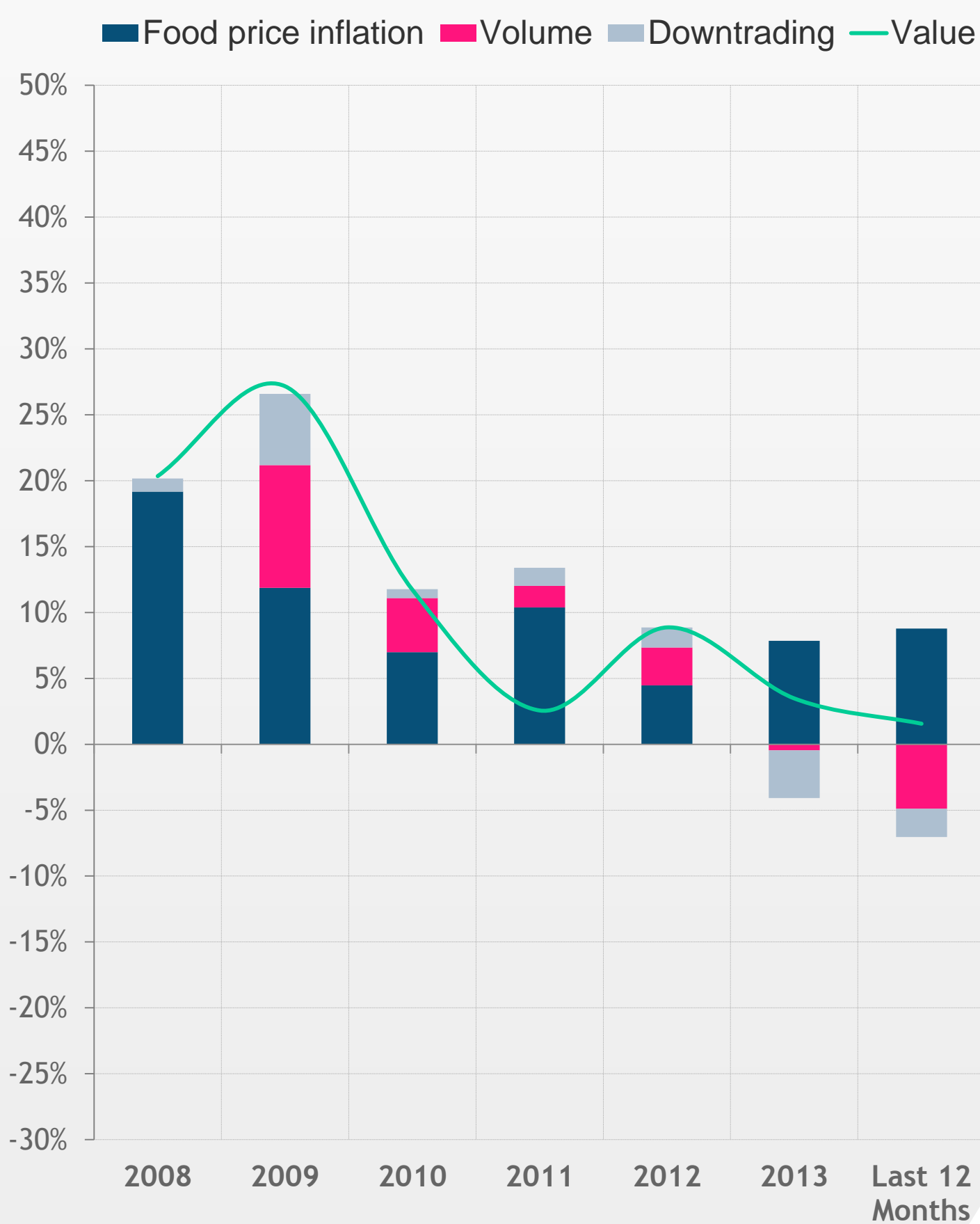
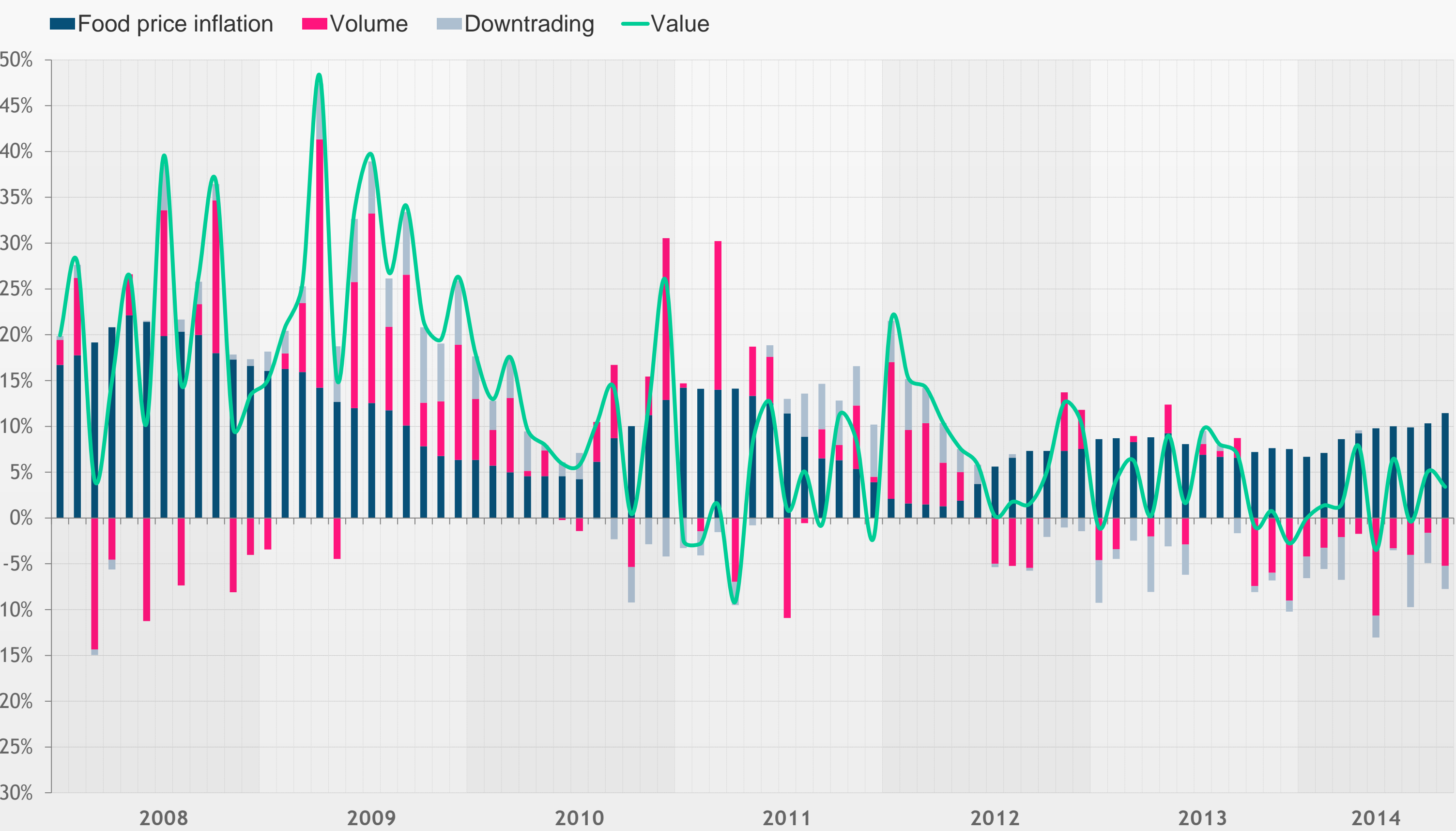


FMCG Global Trends | Country Detail

Russia

# Russia – FMCG Value Trend Components

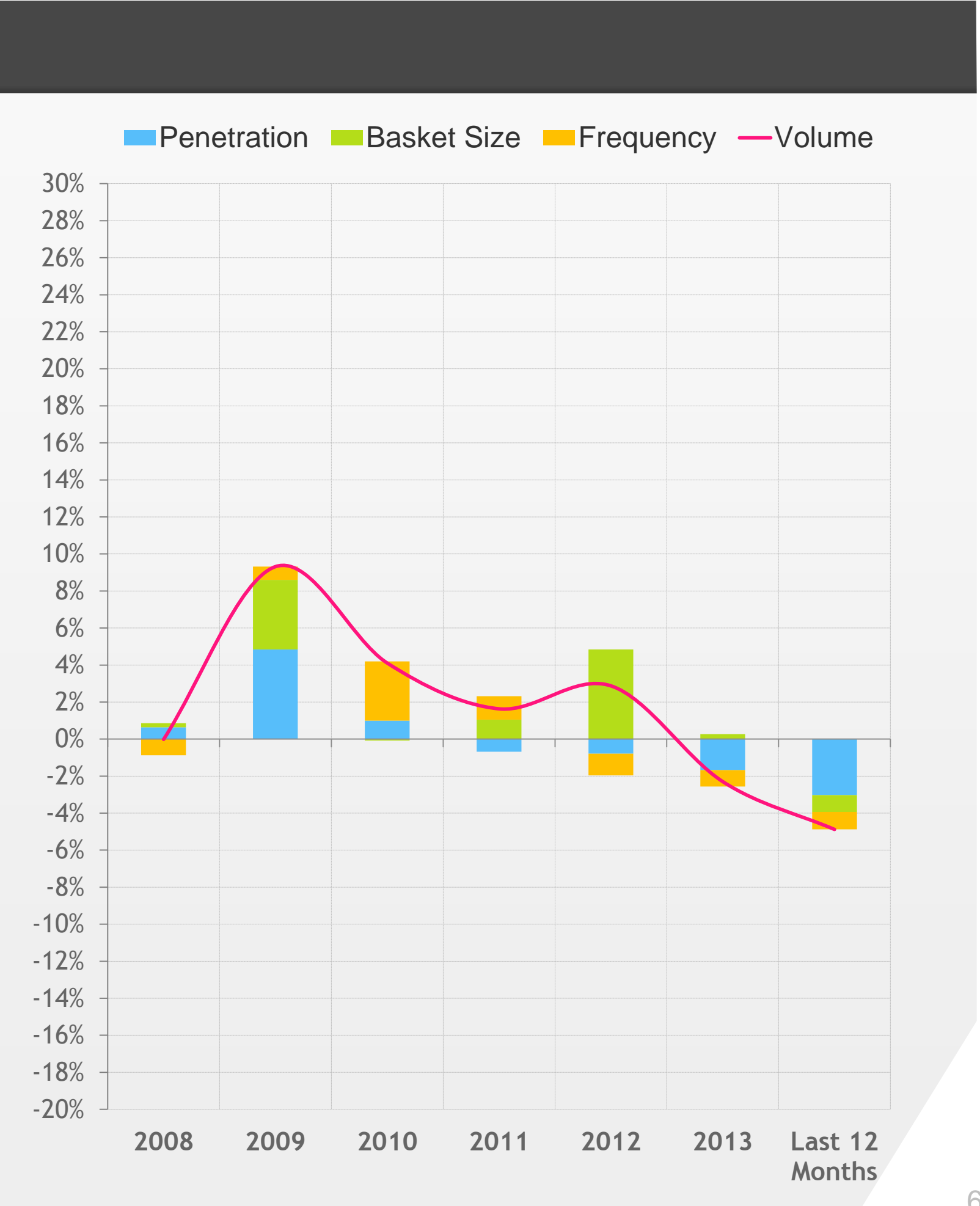
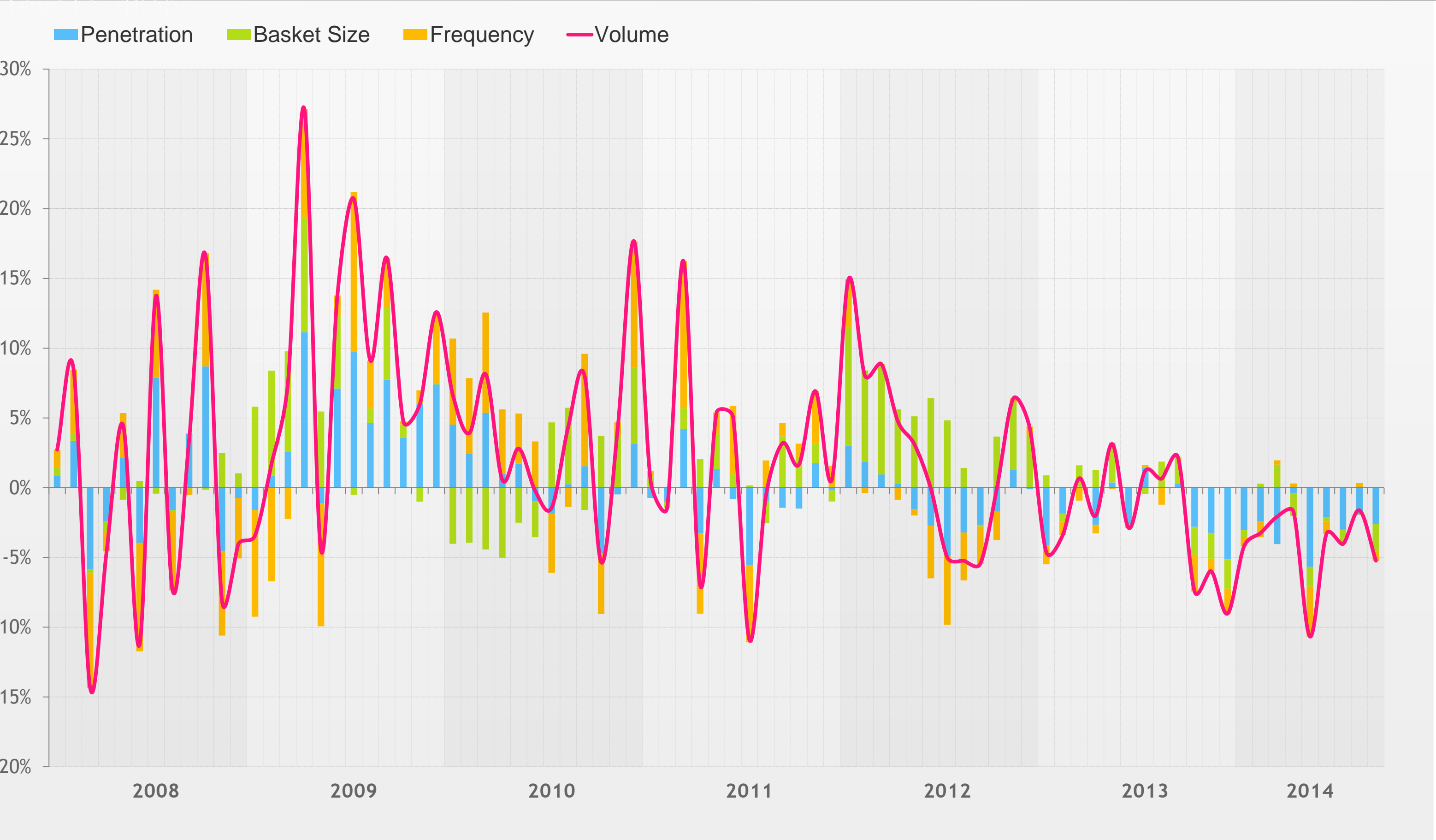
Continued inflation supporting value but undermined by lower volumes and down-trading





# Russia – FMCG Volume Trend Drivers

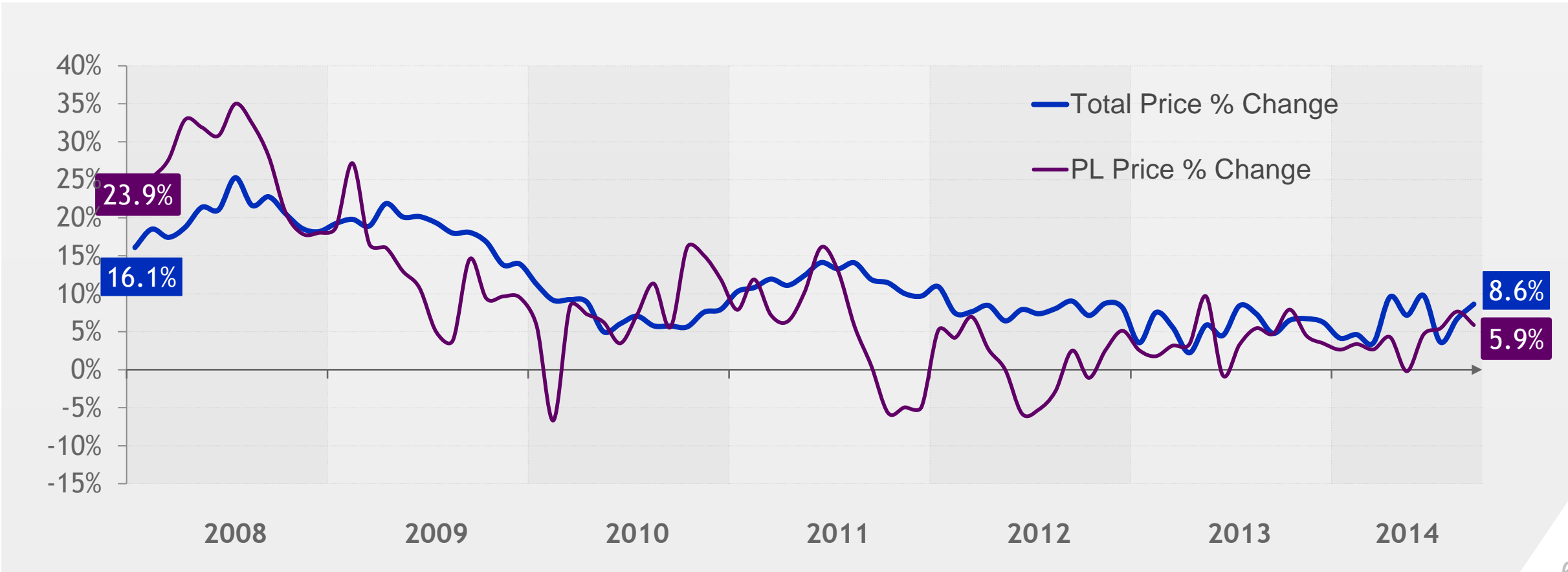
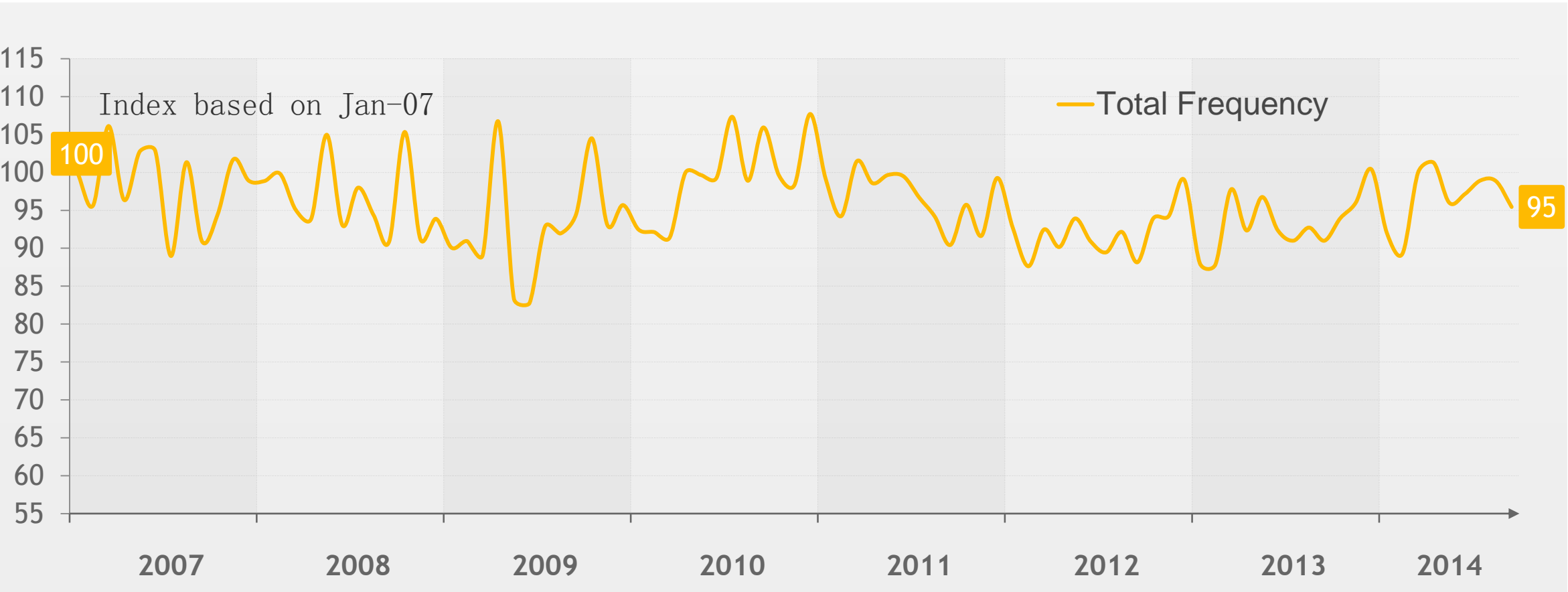
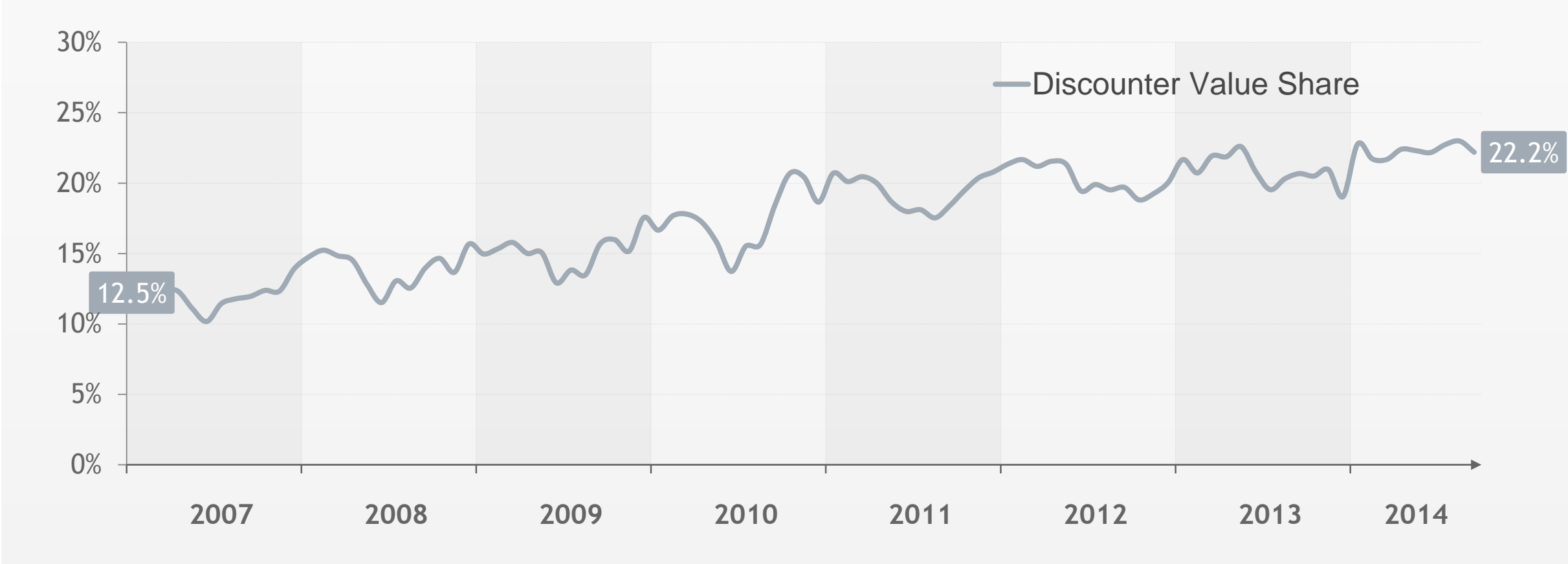
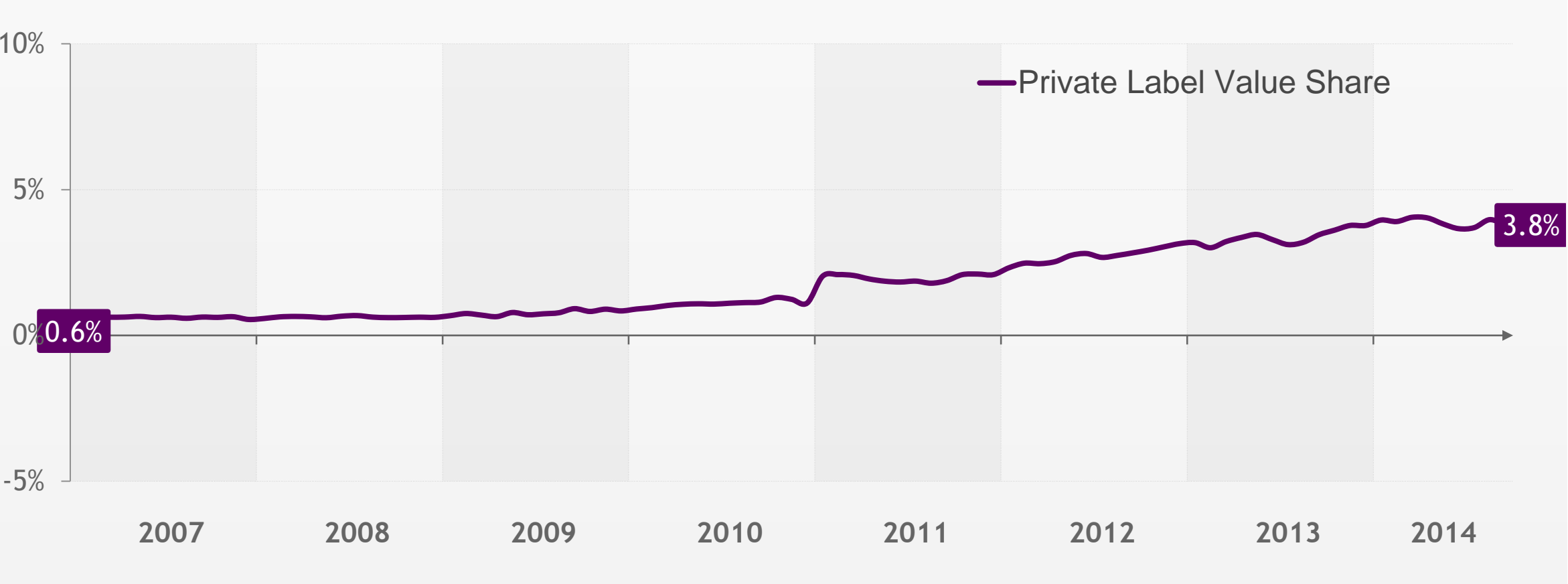
Significant drop in volume now driven by less discretionary buying as general buying





# Russia – Frequency, Private Label, Discounter and Price Paid Trends

At a relatively low level but Private Label continues to grow. Discounter shares now much more stable as is shopping frequency



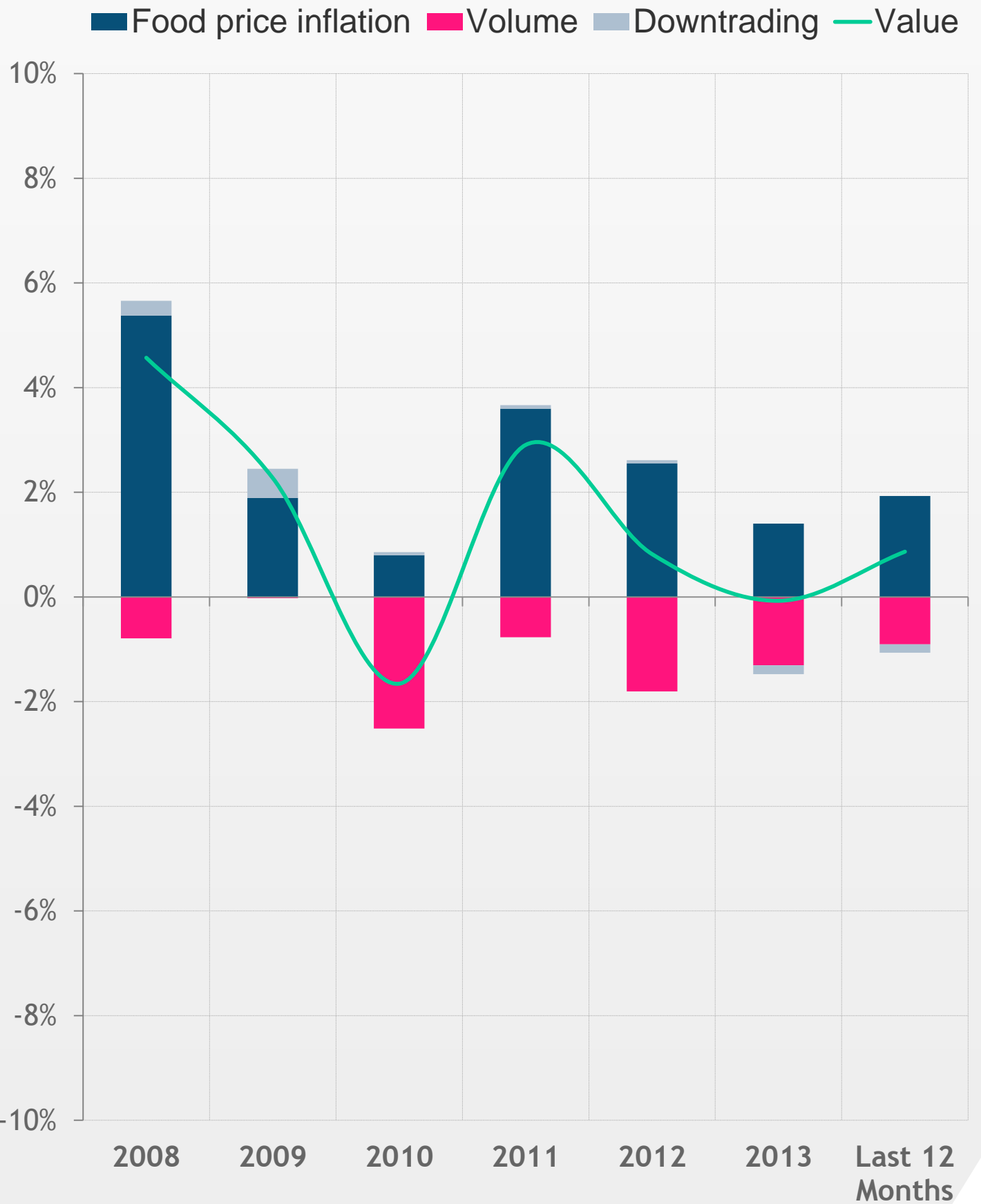
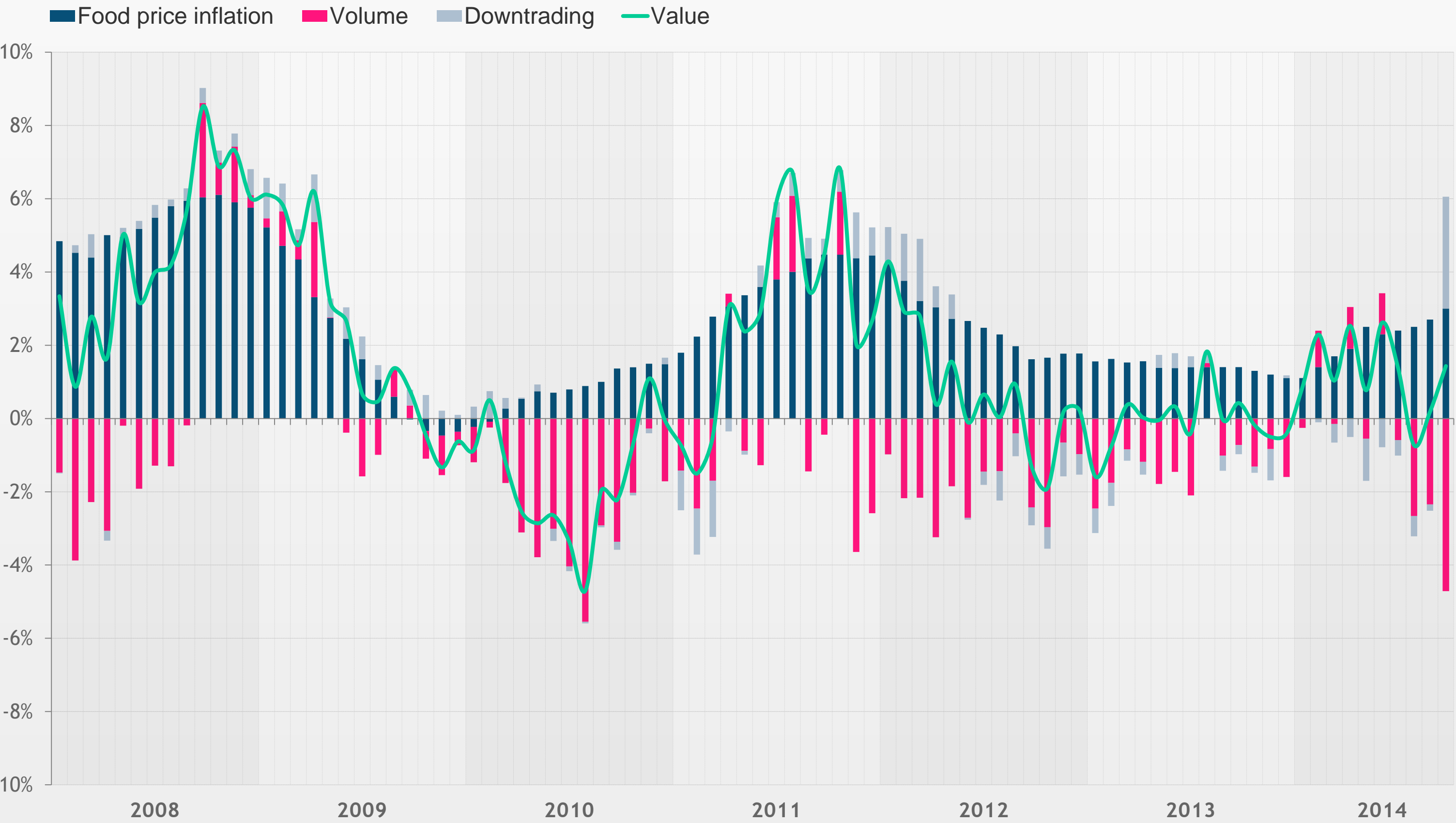


FMCG Global Trends | Country Detail

United States of America

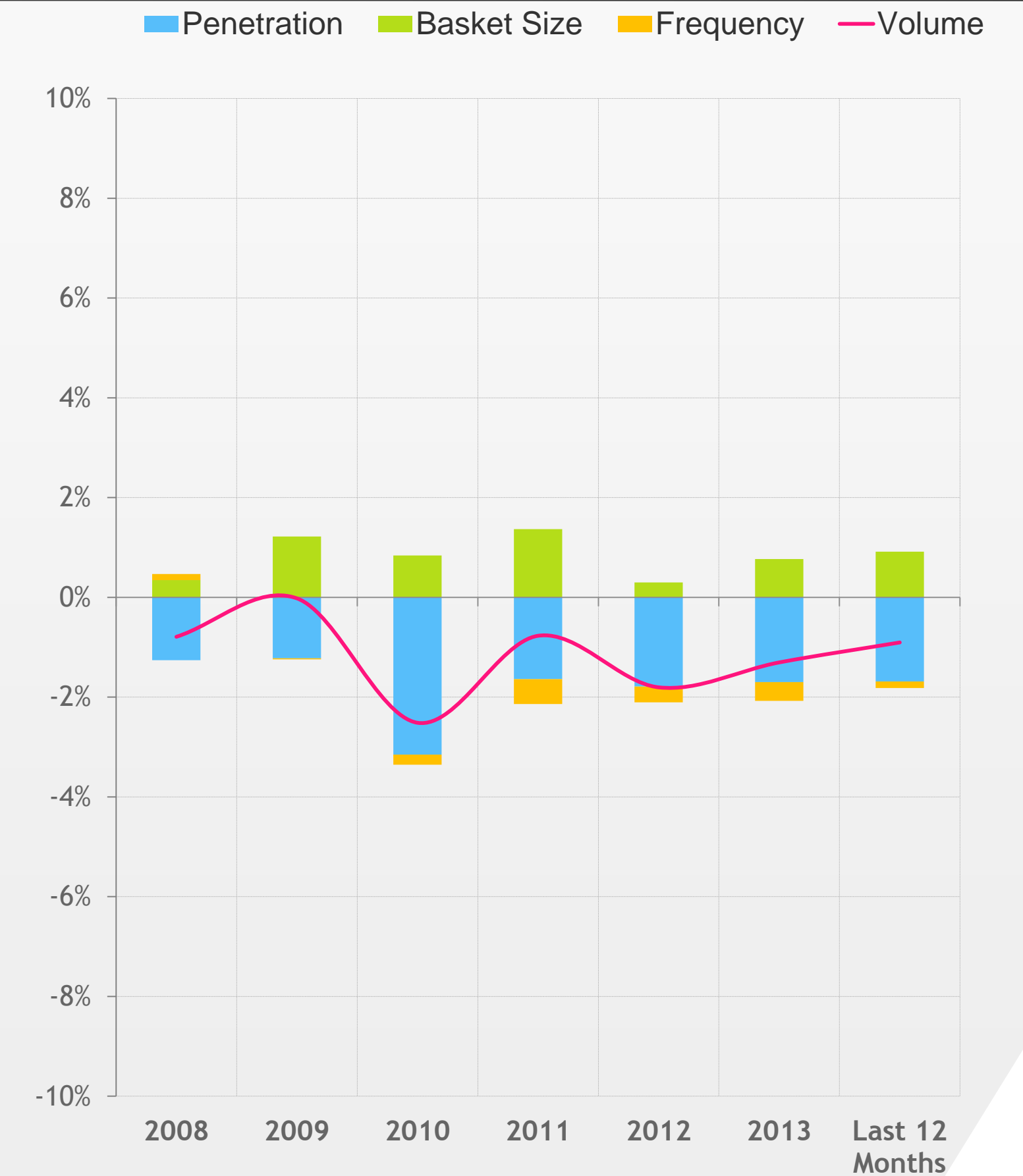
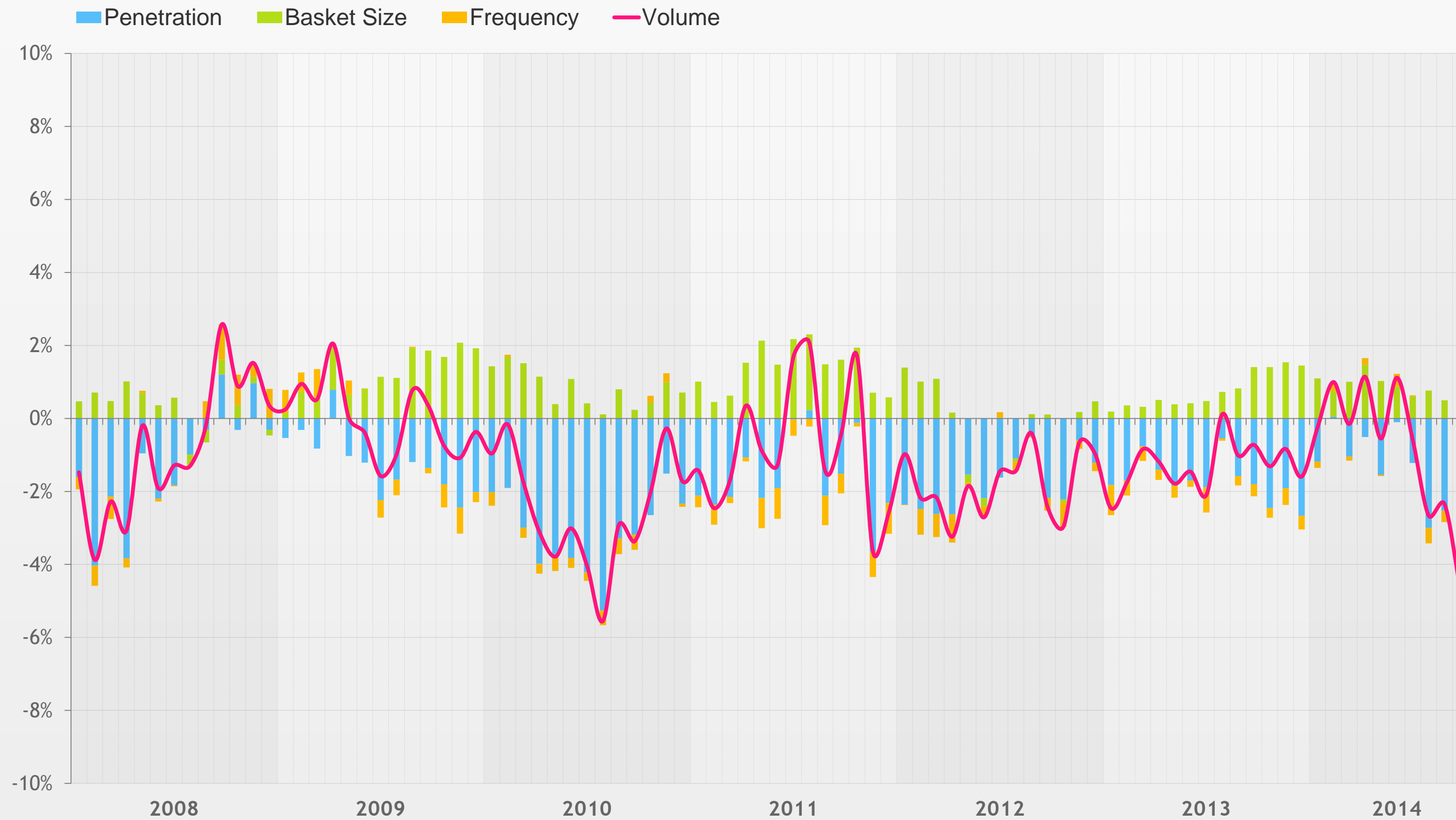
# USA - FMCG Value Trend Components

After a better early 2014, higher Food prices have impacted volumes again



# USA – FMCG Volume Trend Drivers

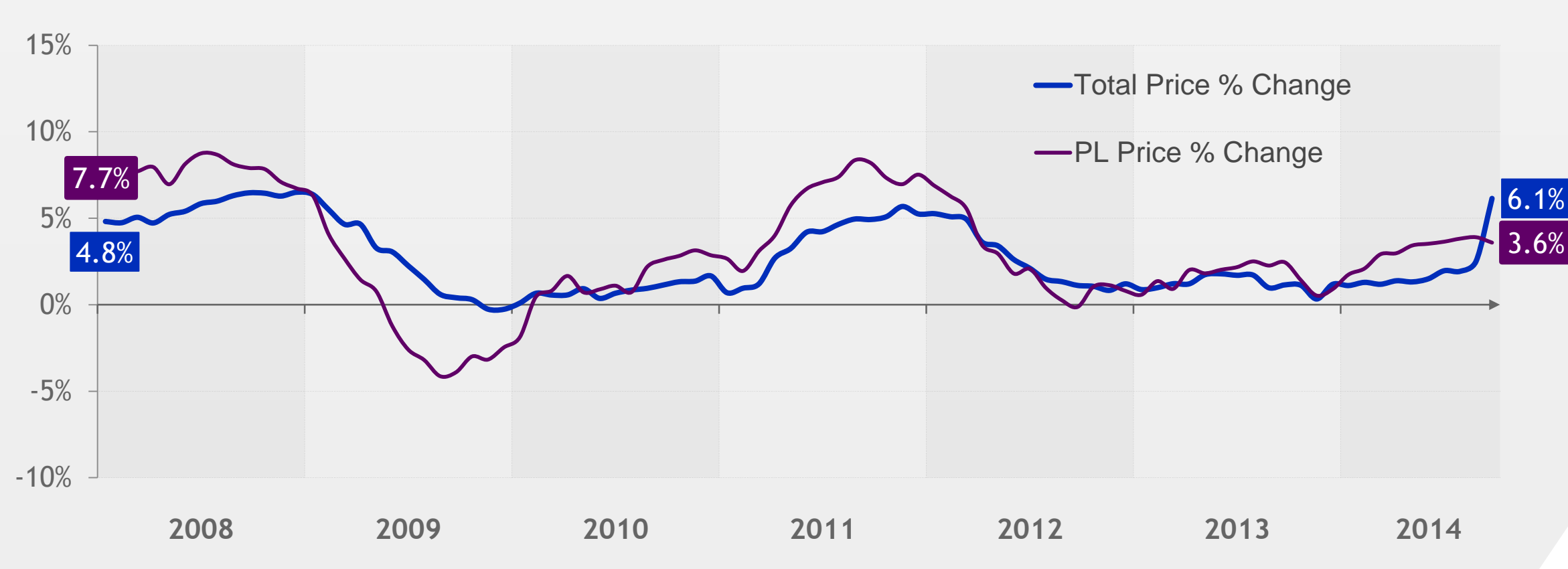
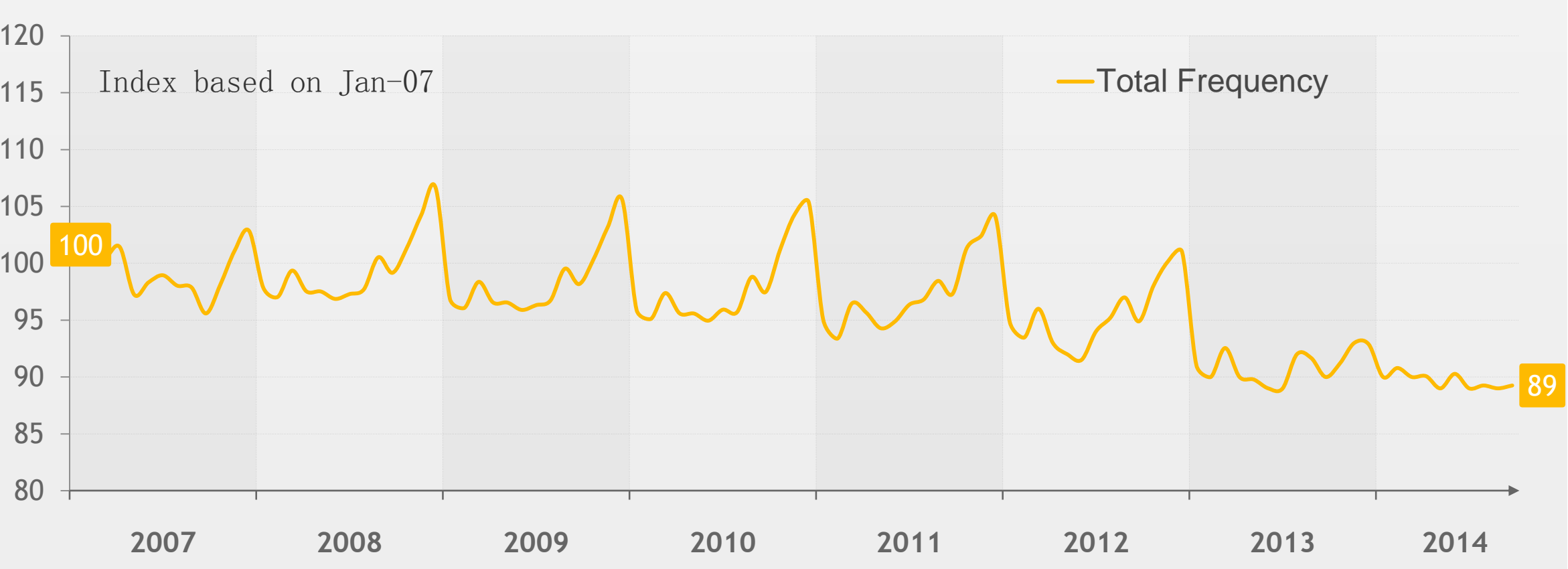
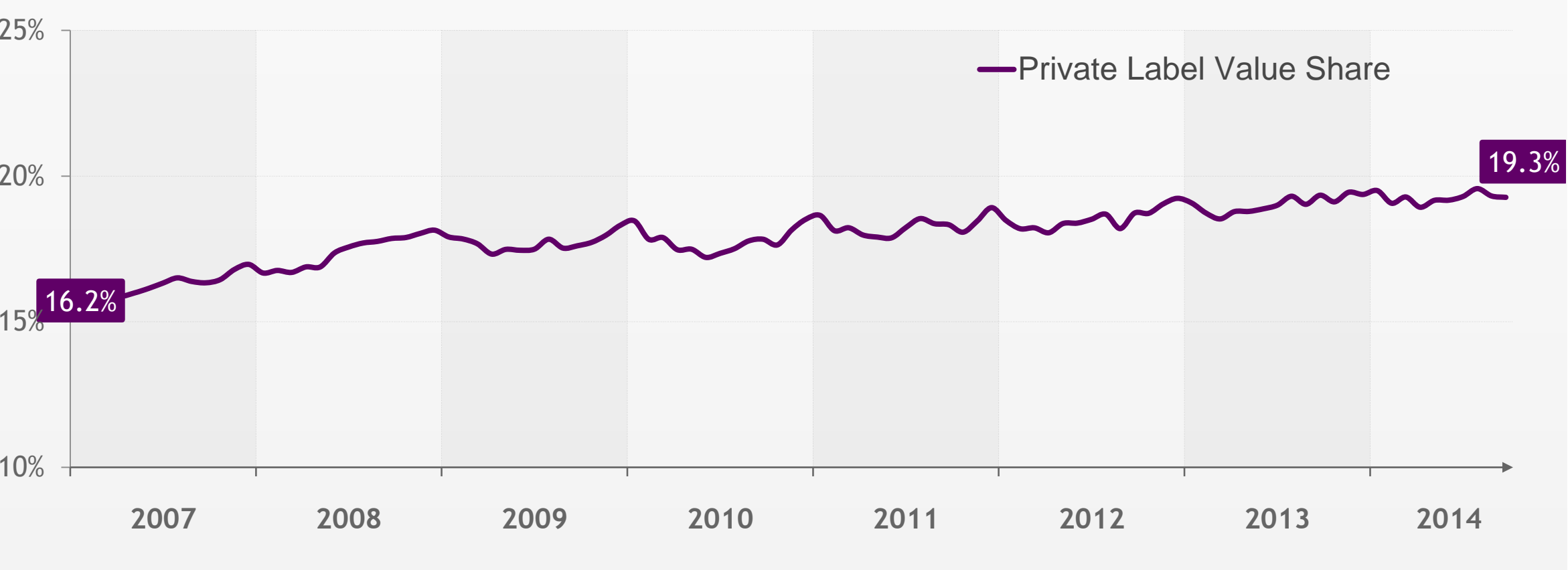
Continued shopping frequency reductions and higher prices impacting volumes again





# USA - Frequency, Private Label, Discounter and Price Paid Trends

More down-trading to Private Label, lower shopping frequency and higher prices all impacting a fragile market



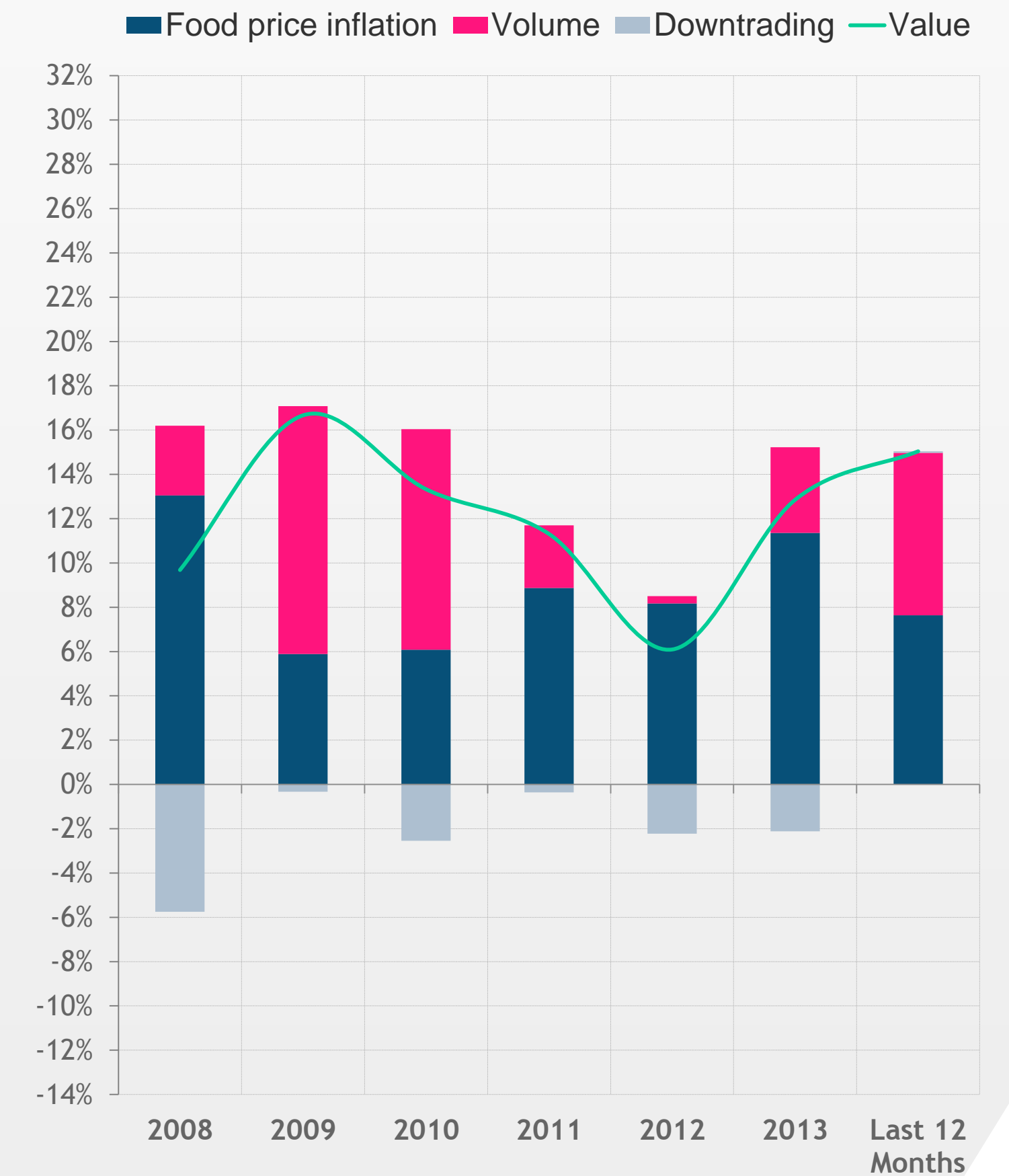
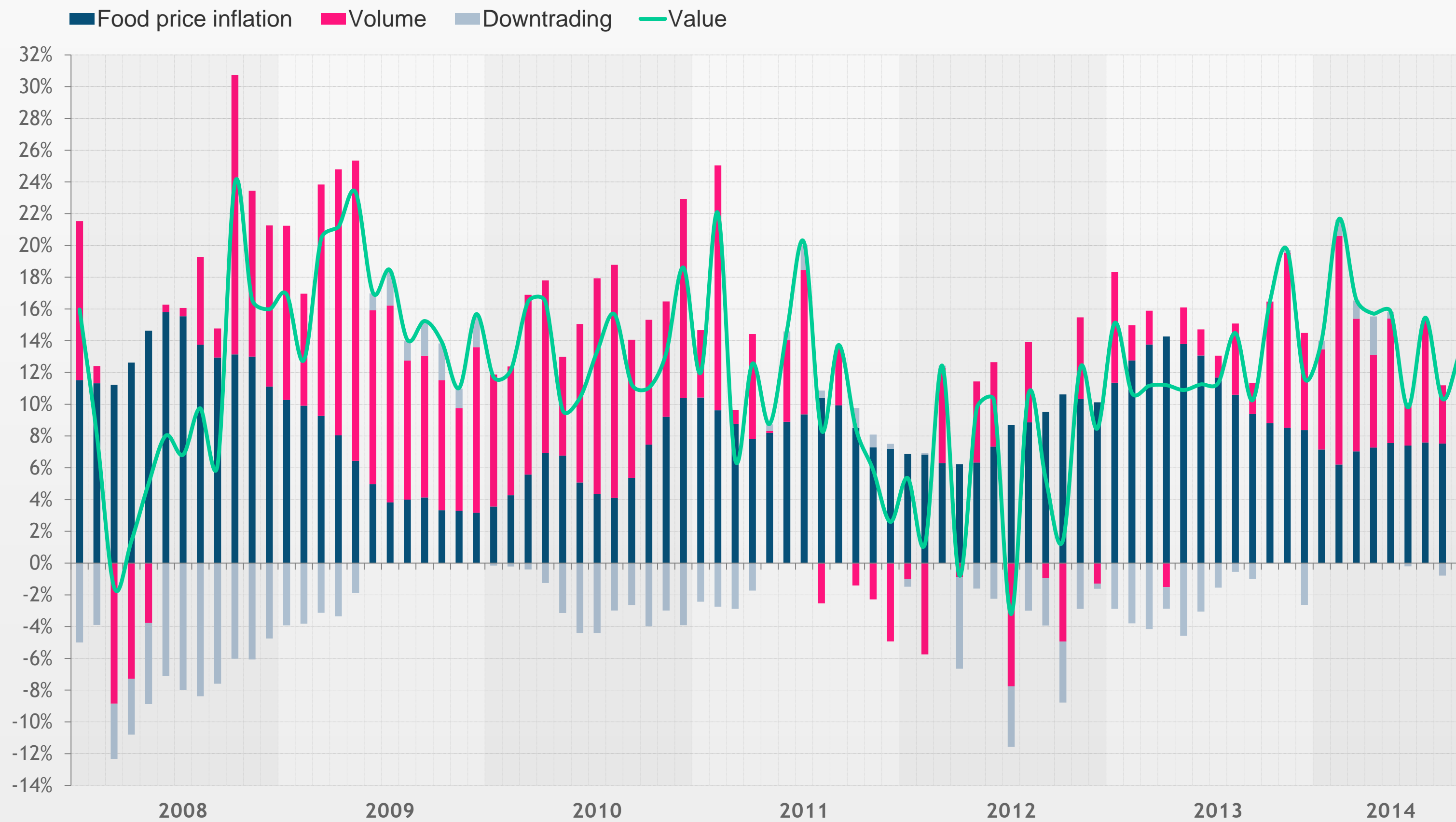


FMCG Global Trends | Country Detail

Brazil

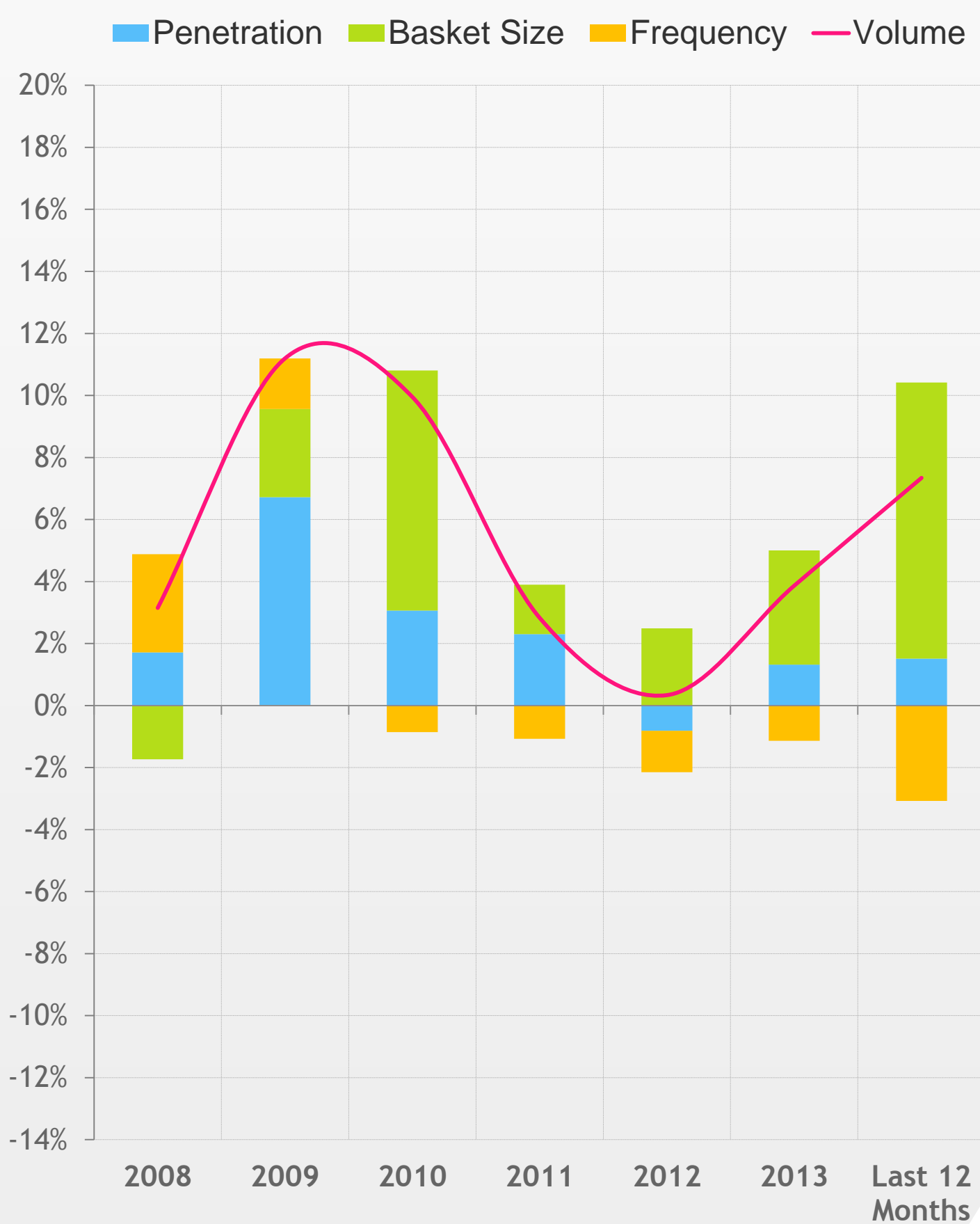
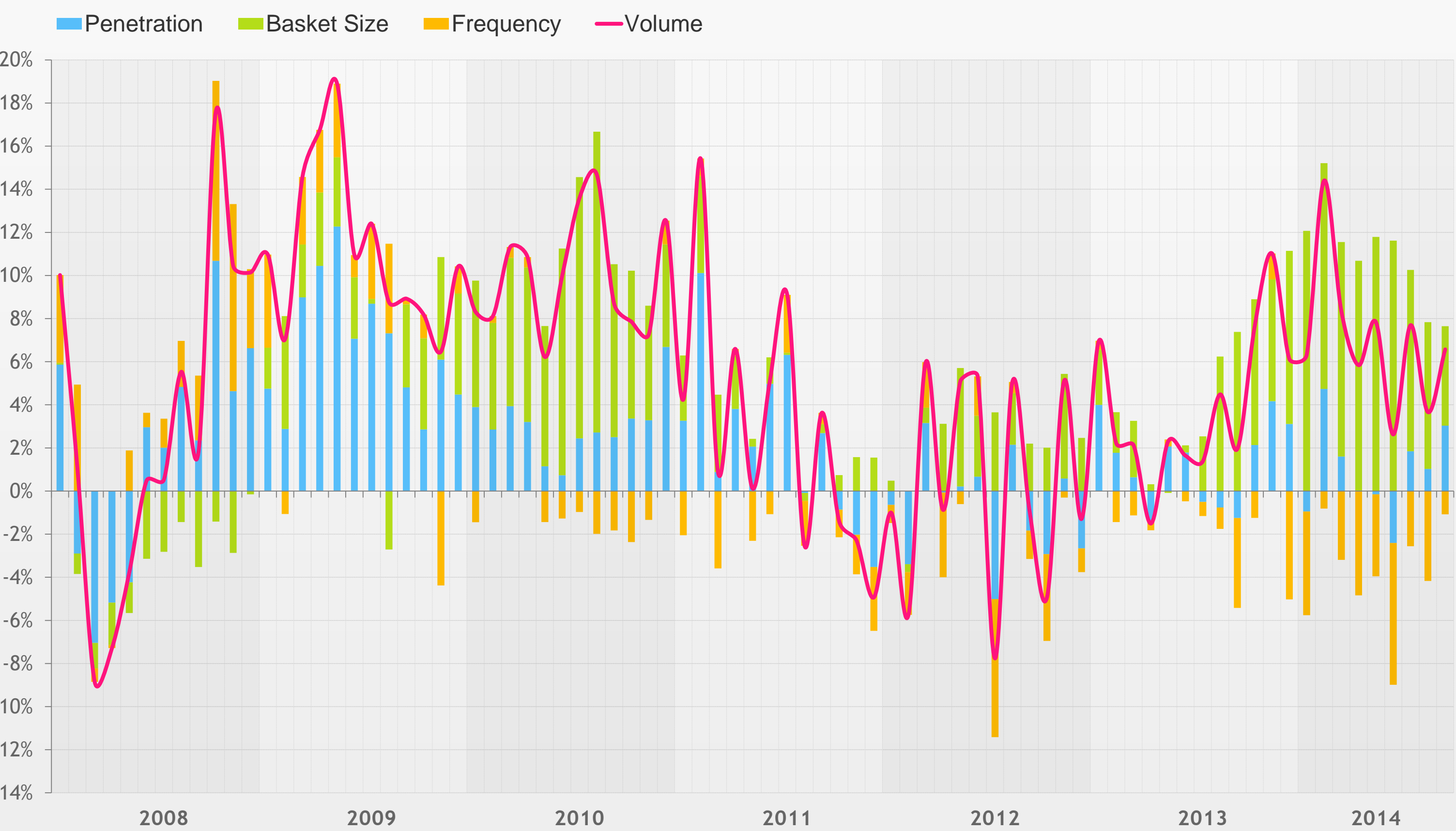
# Brazil - FMCG Value Trend Components

Continued strong growth supported by both price inflation and volume increases



# Brazil – FMCG Volume Trend Drivers

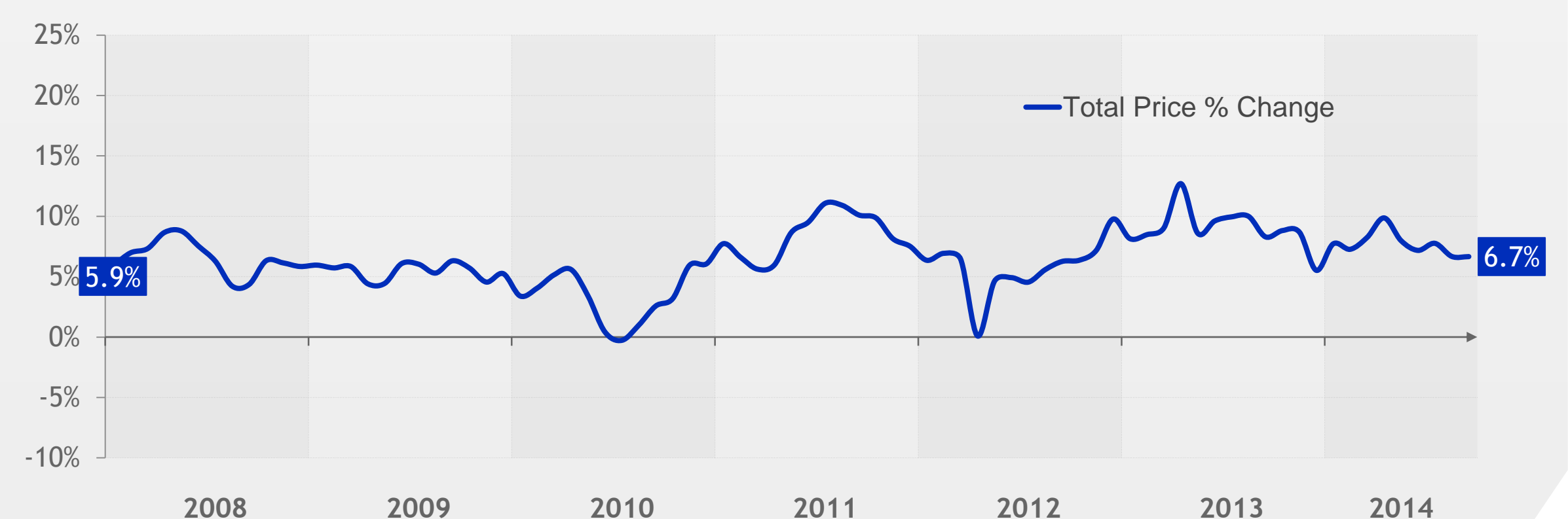
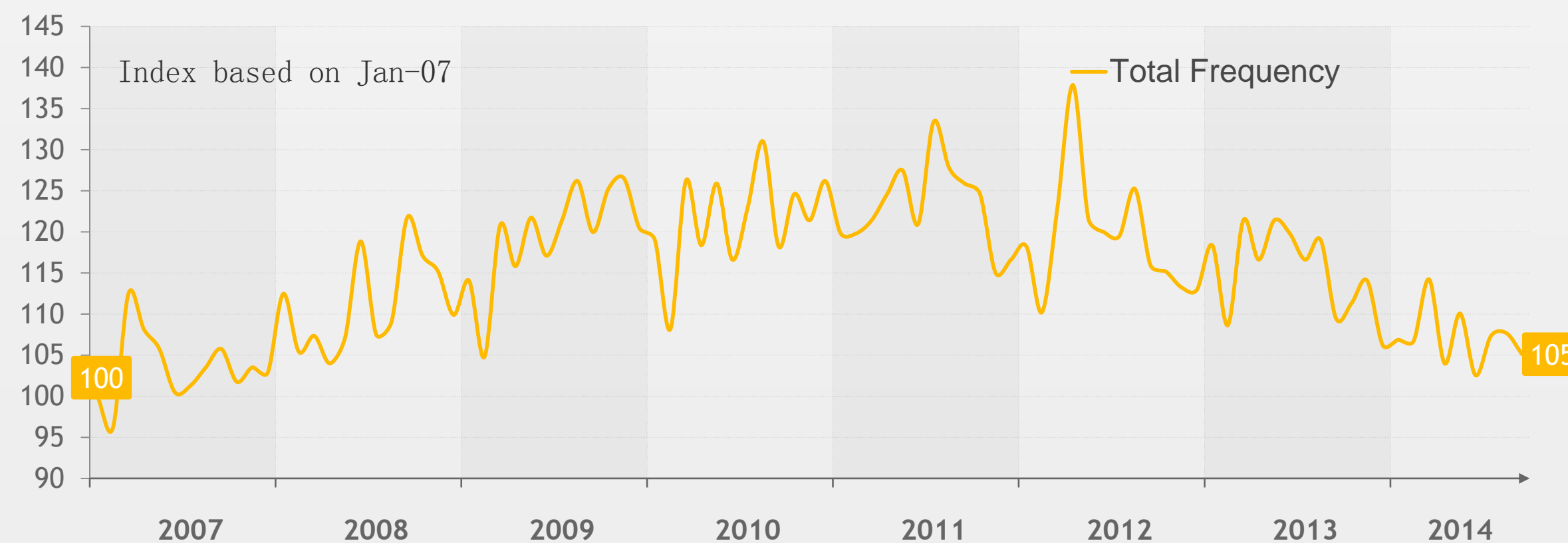
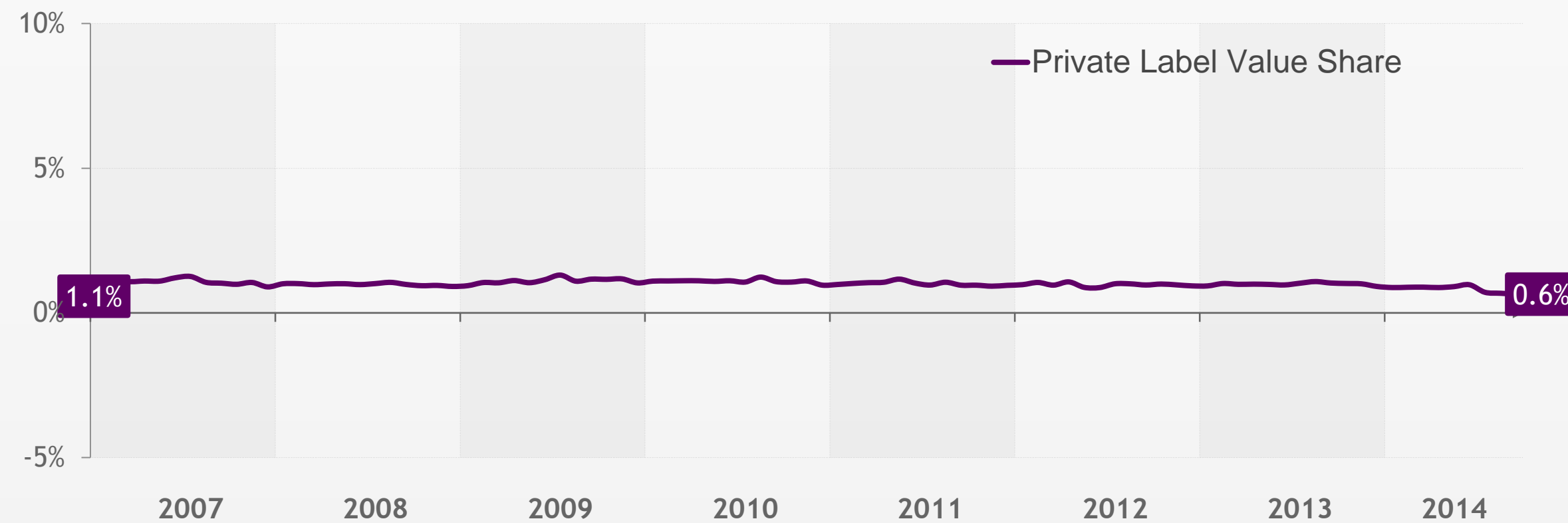
Strong growth driven by more buyers and higher basket size per category





# Brazil - Frequency, Private Label, Discounter and Price Paid Trends

Shopping frequency is dropping overall and leading to the increases in basket size



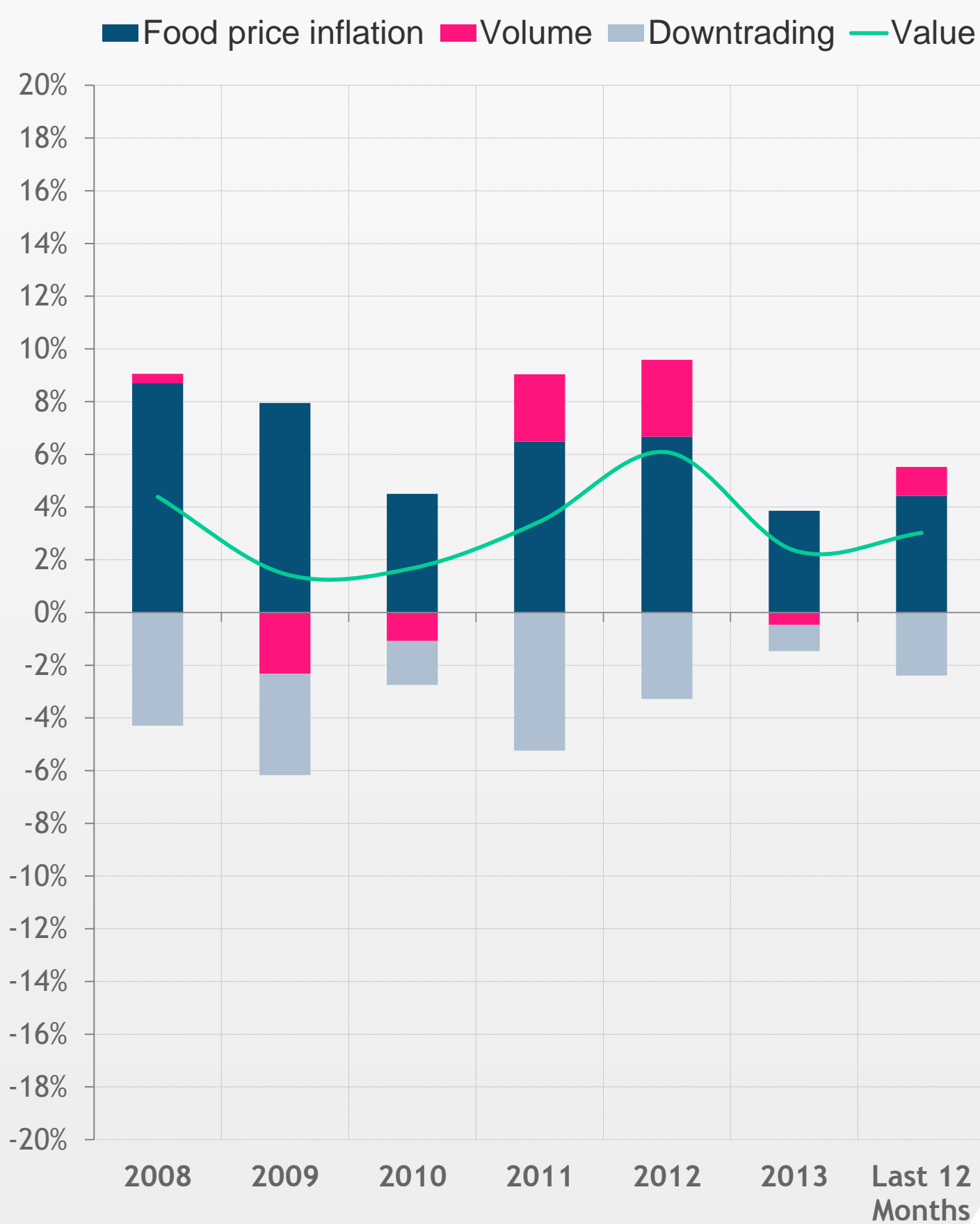
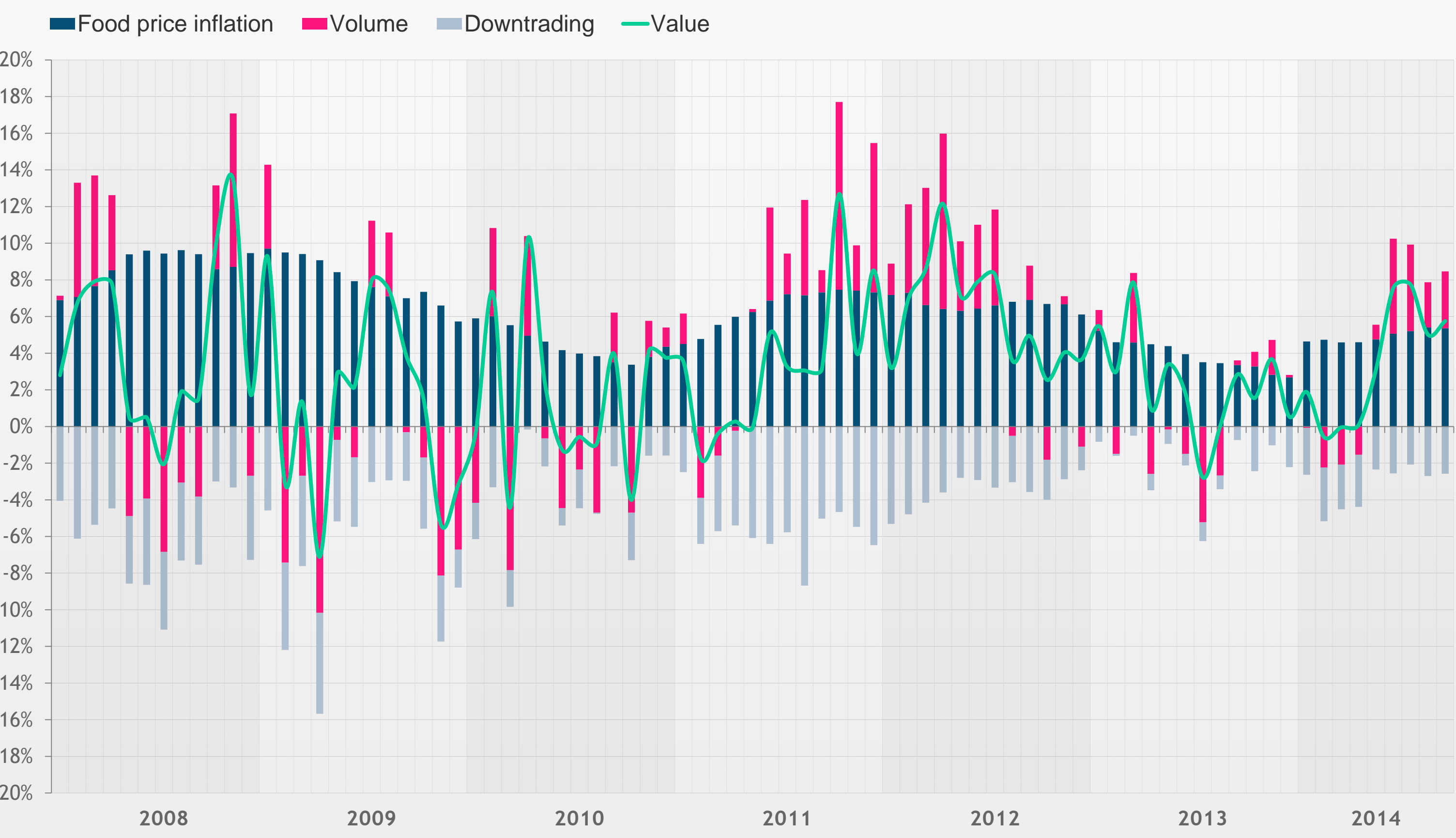


FMCG Global Trends | Country Detail

Mexico

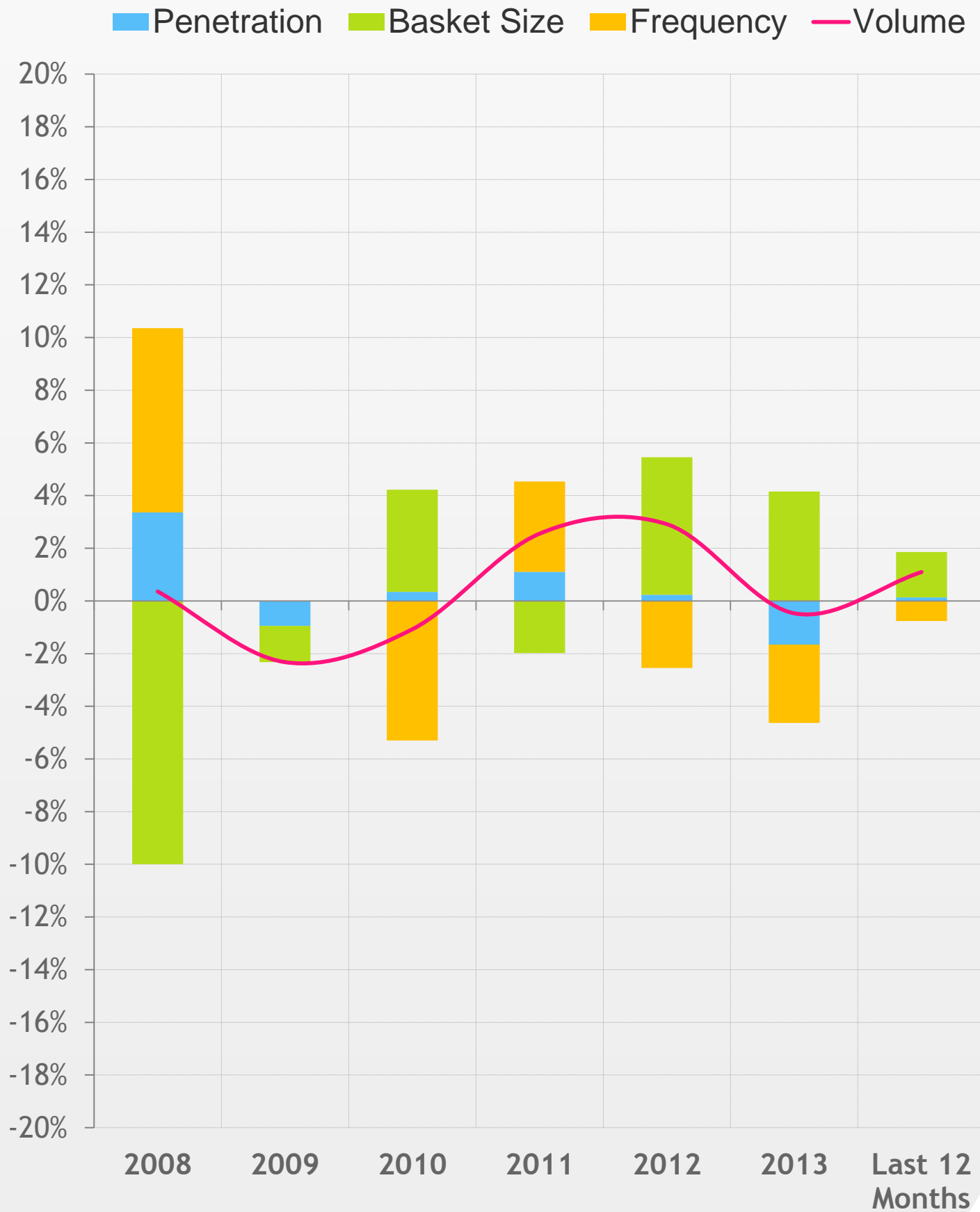
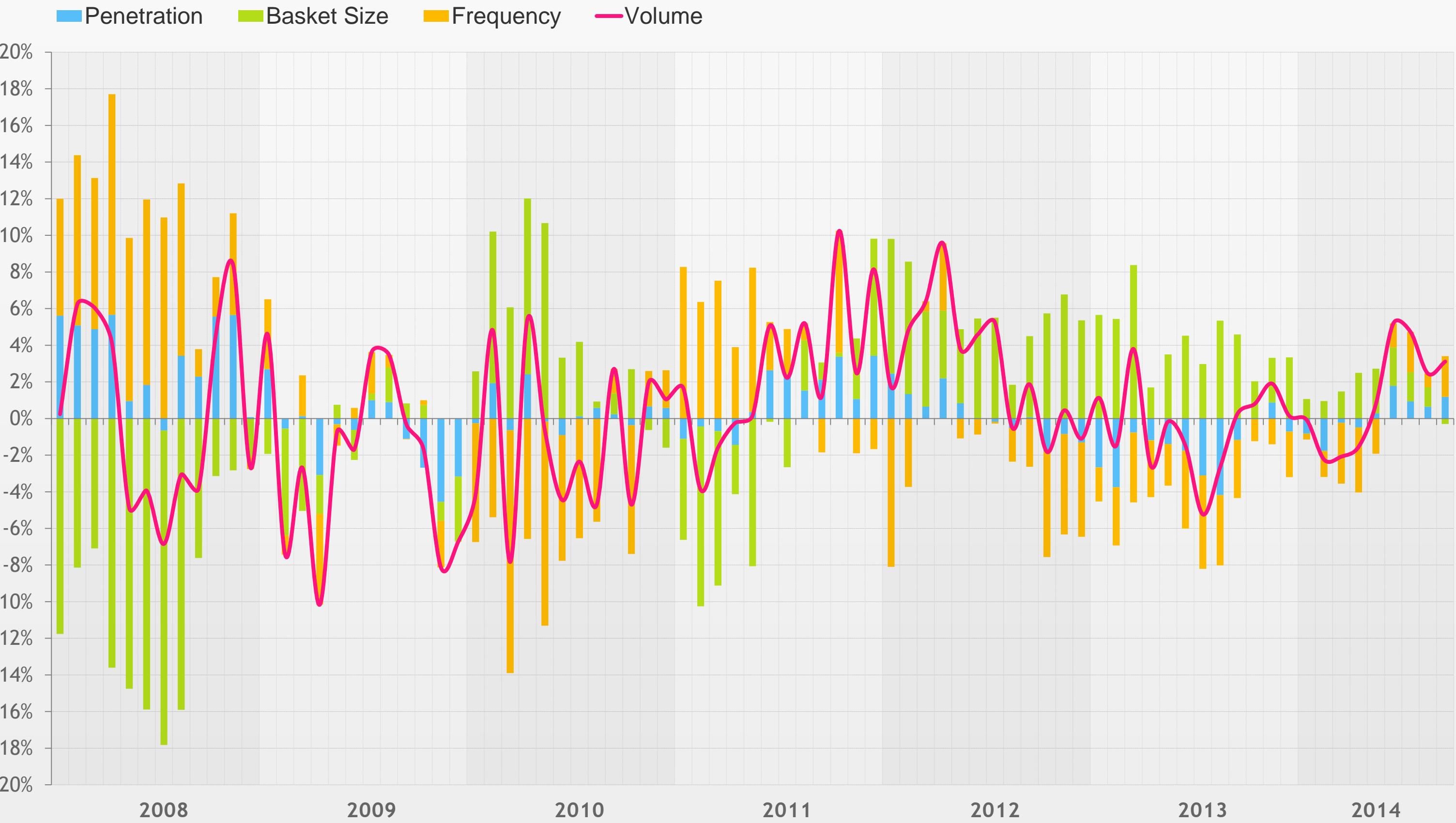
# Mexico – FMCG Value Trend Components

Although Food price inflation continues, volumes have recovered and so also value



# Mexico – FMCG Volume Trend Drivers

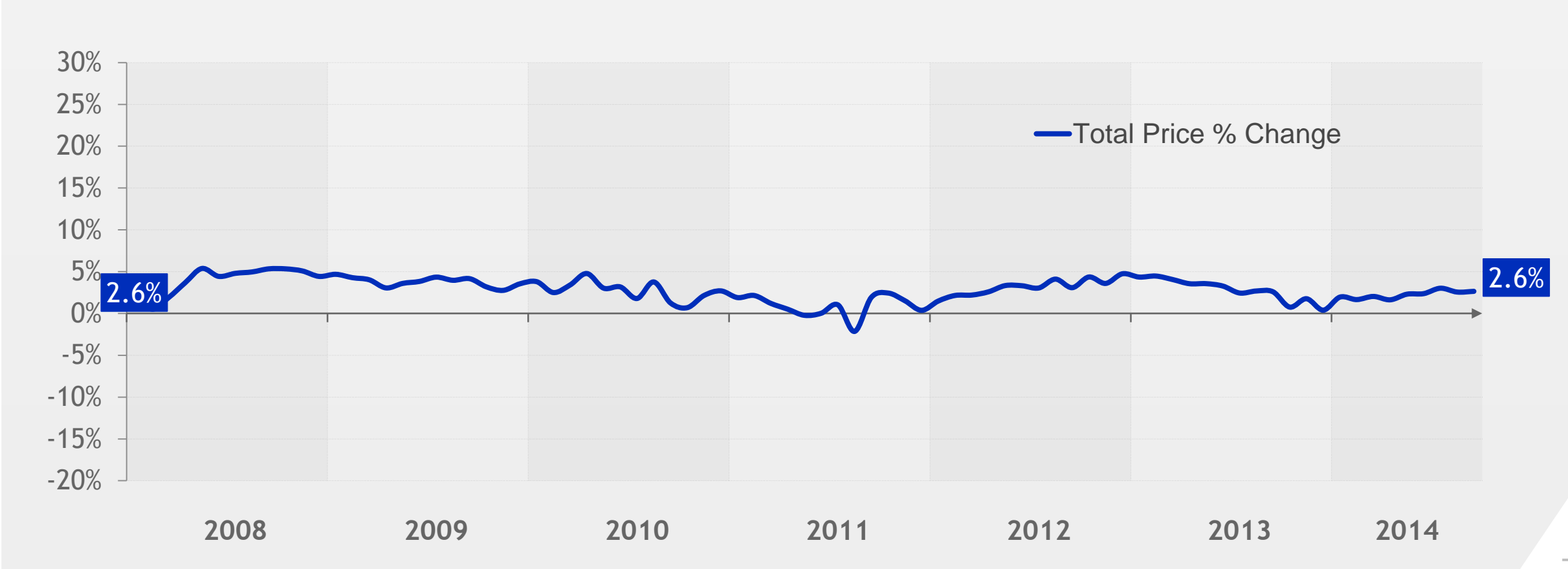
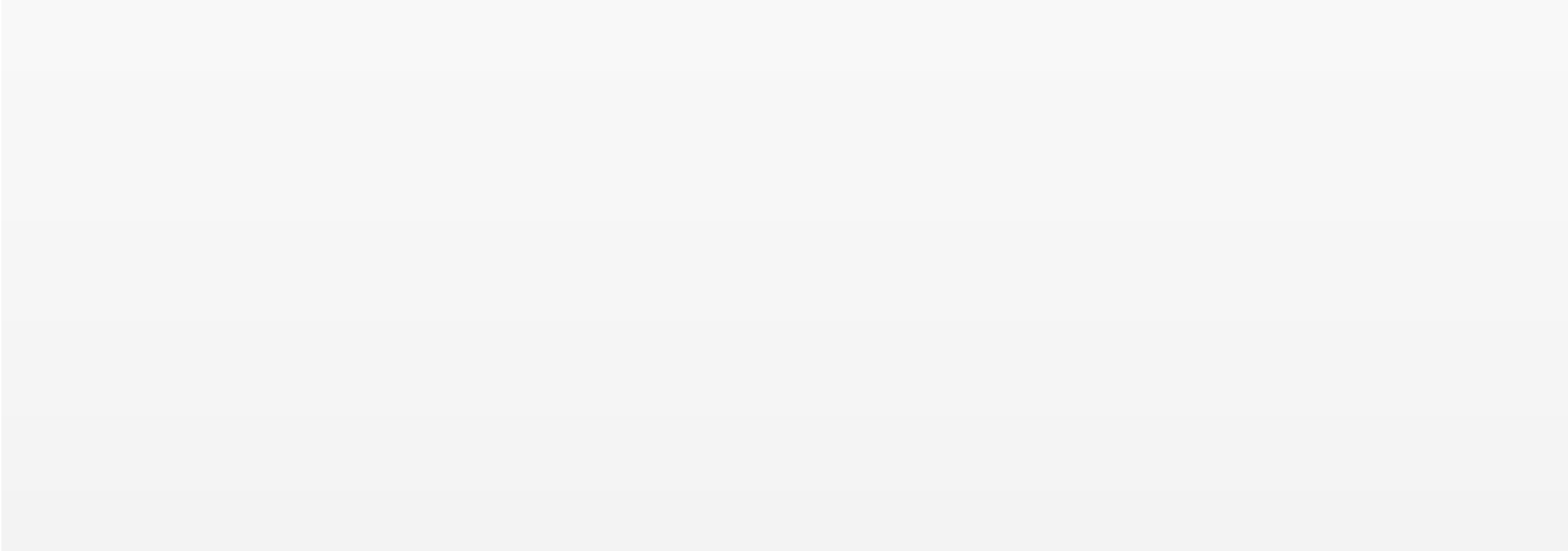
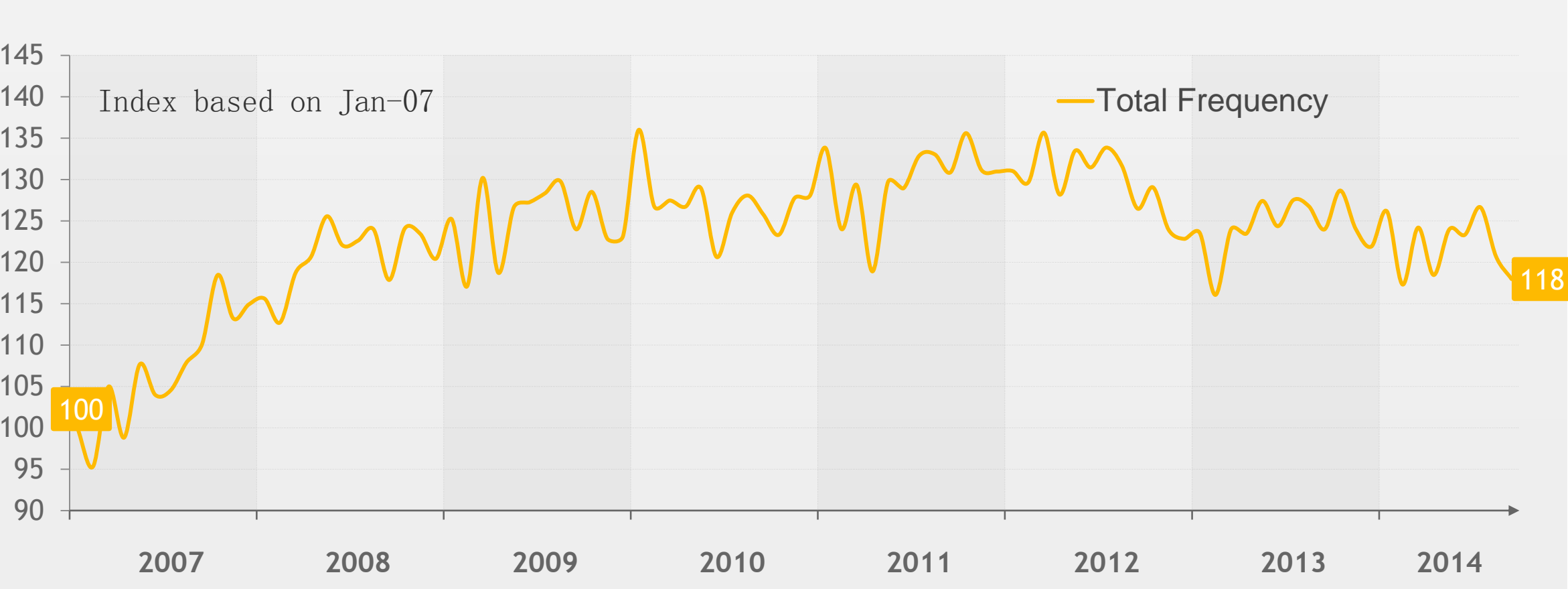
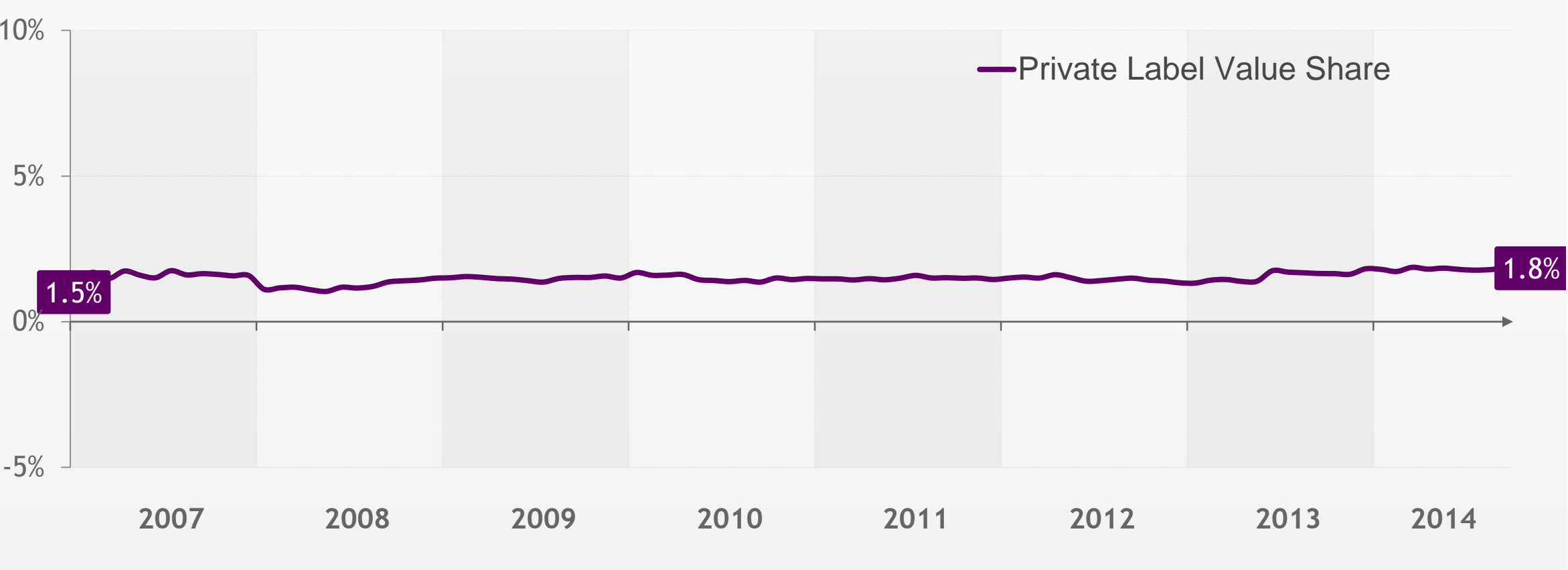
Bounce-back in volume continues due to larger basket size although against a weaker 2013





# Mexico - Frequency, Private Label, Discounter and Price Paid Trends

Shopping frequency reducing again but volume bounce back continues



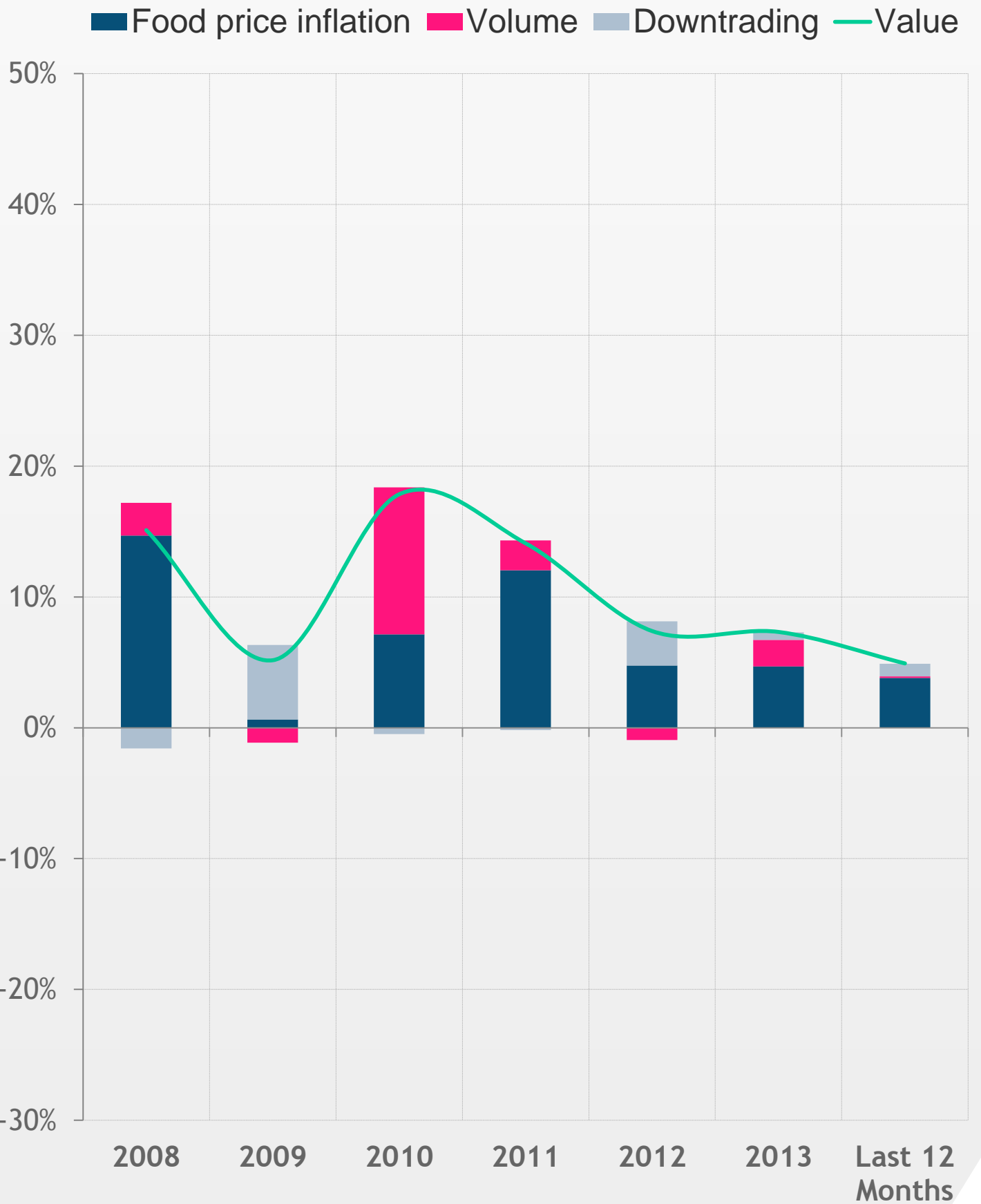
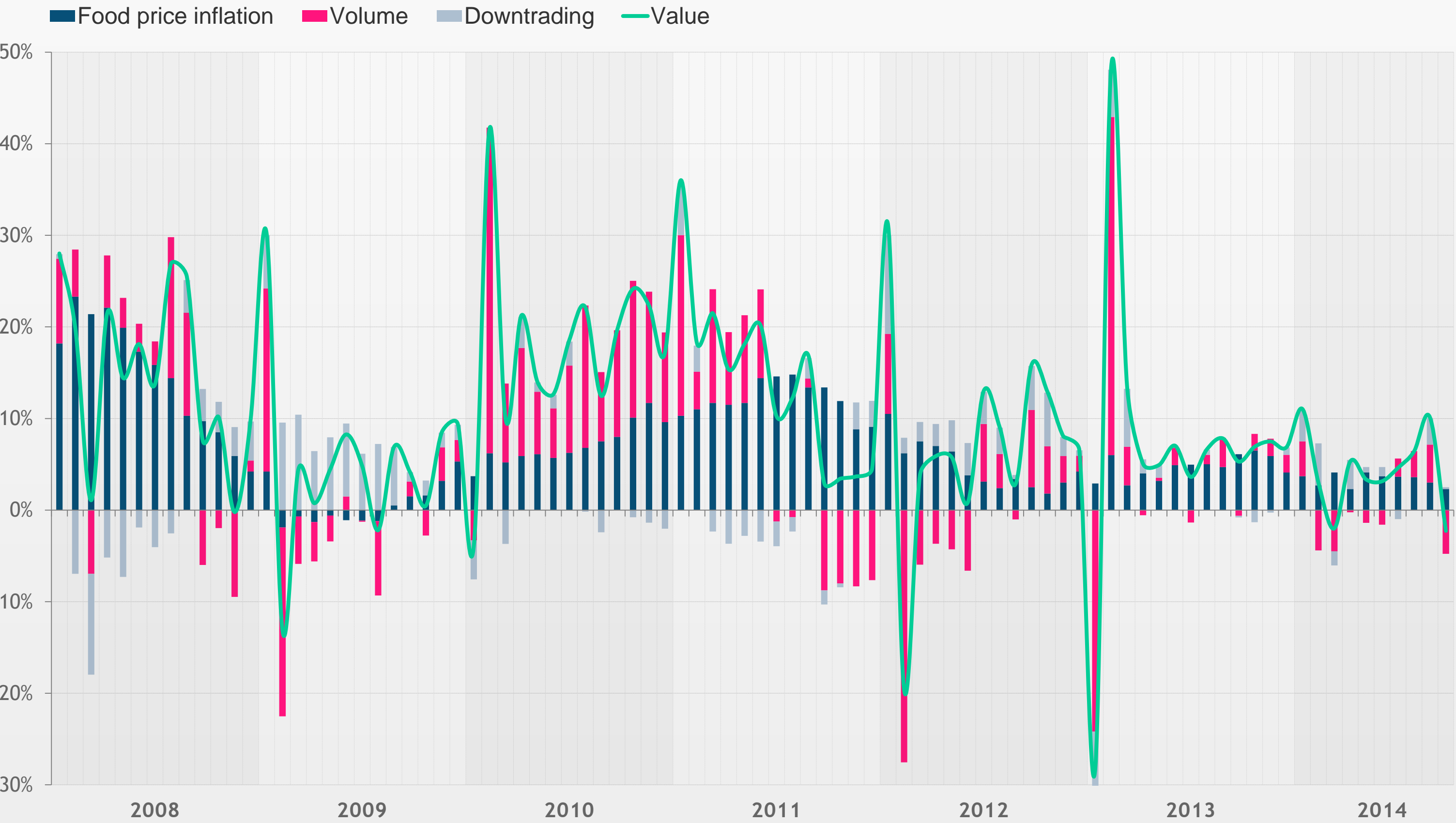


FMCG Global Trends | Country Detail

China

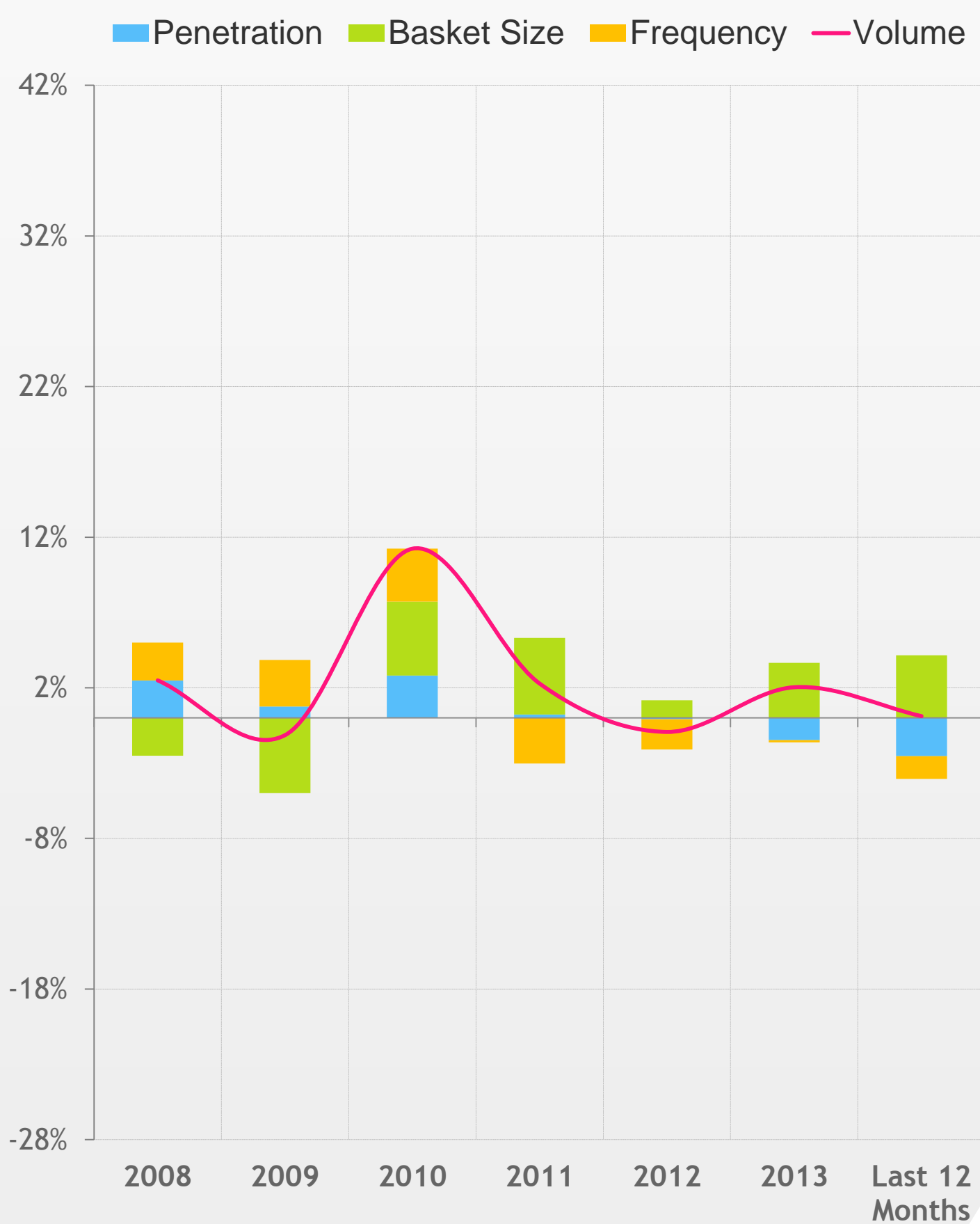
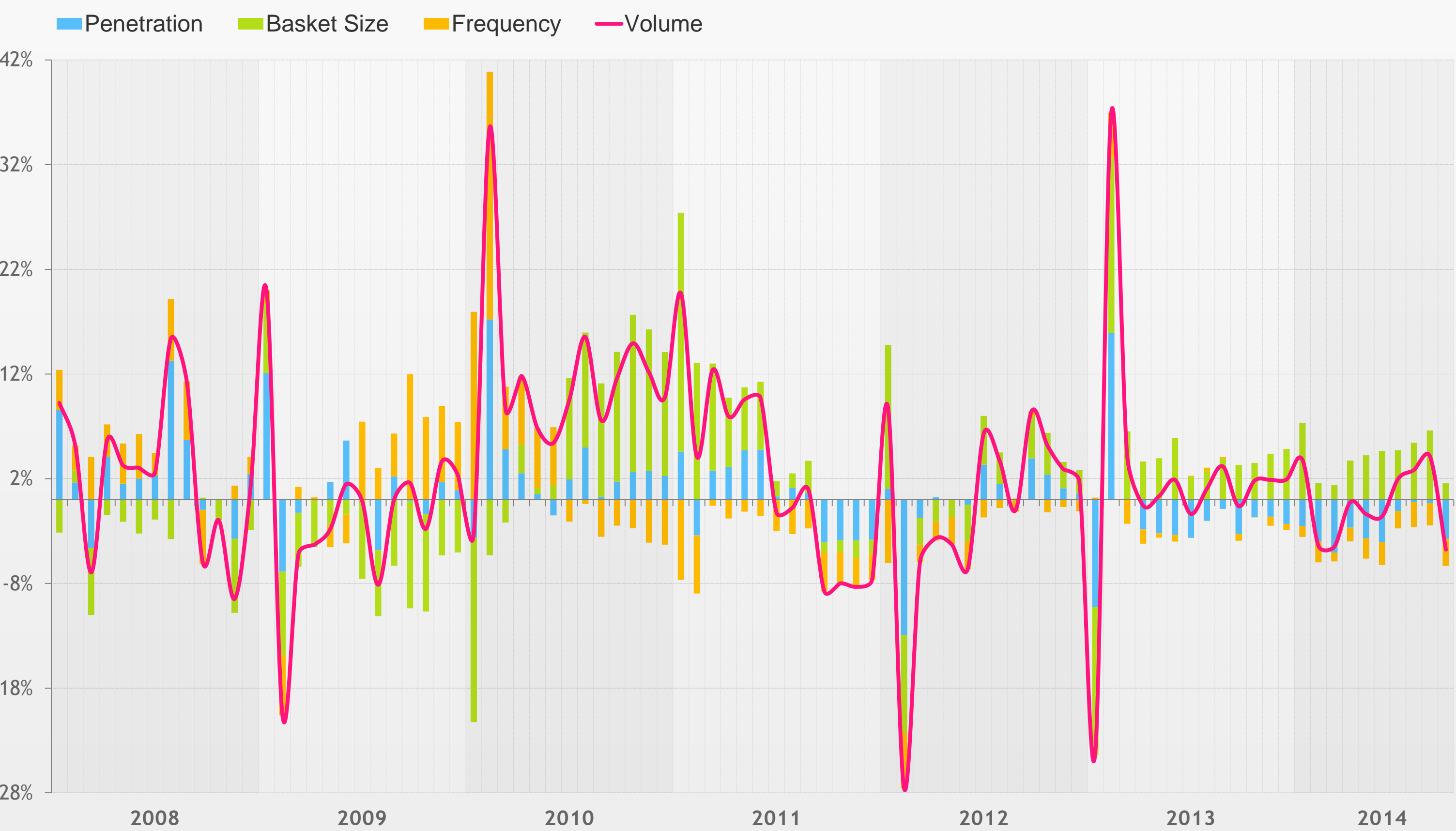
# China – FMCG Value Trend Components

Some price inflation leading to value growth but volumes now only stable



# China - FMCG Volume Trend Drivers

Volumes now barely stable and just held up by increased basket size

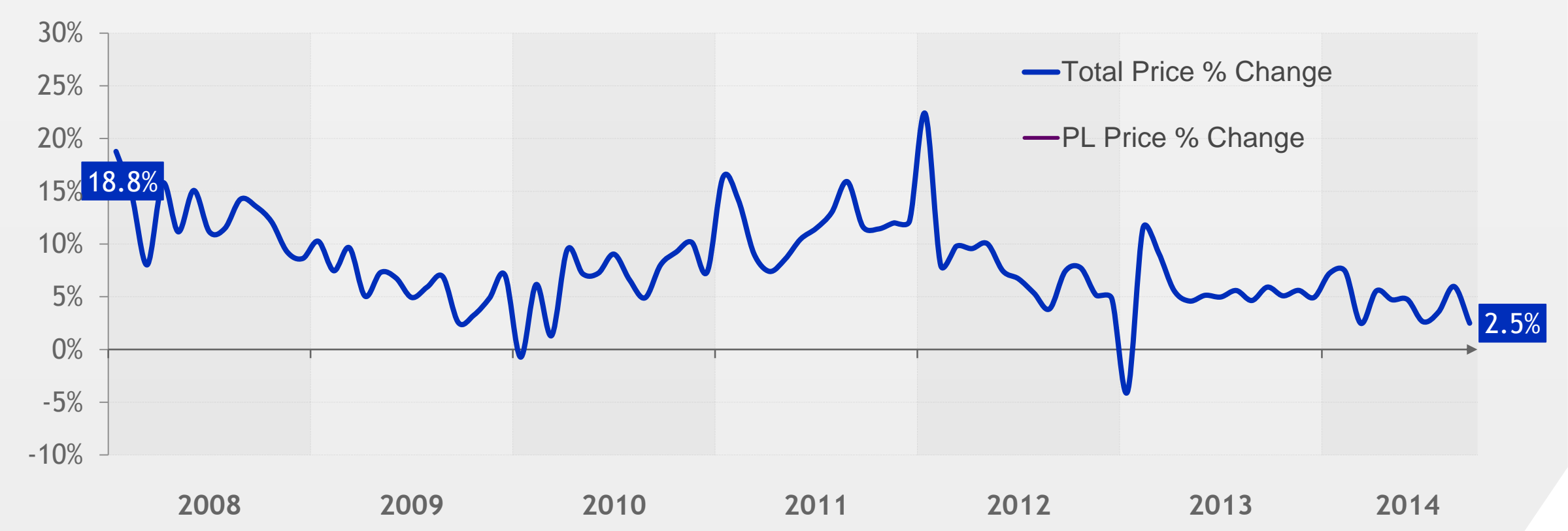
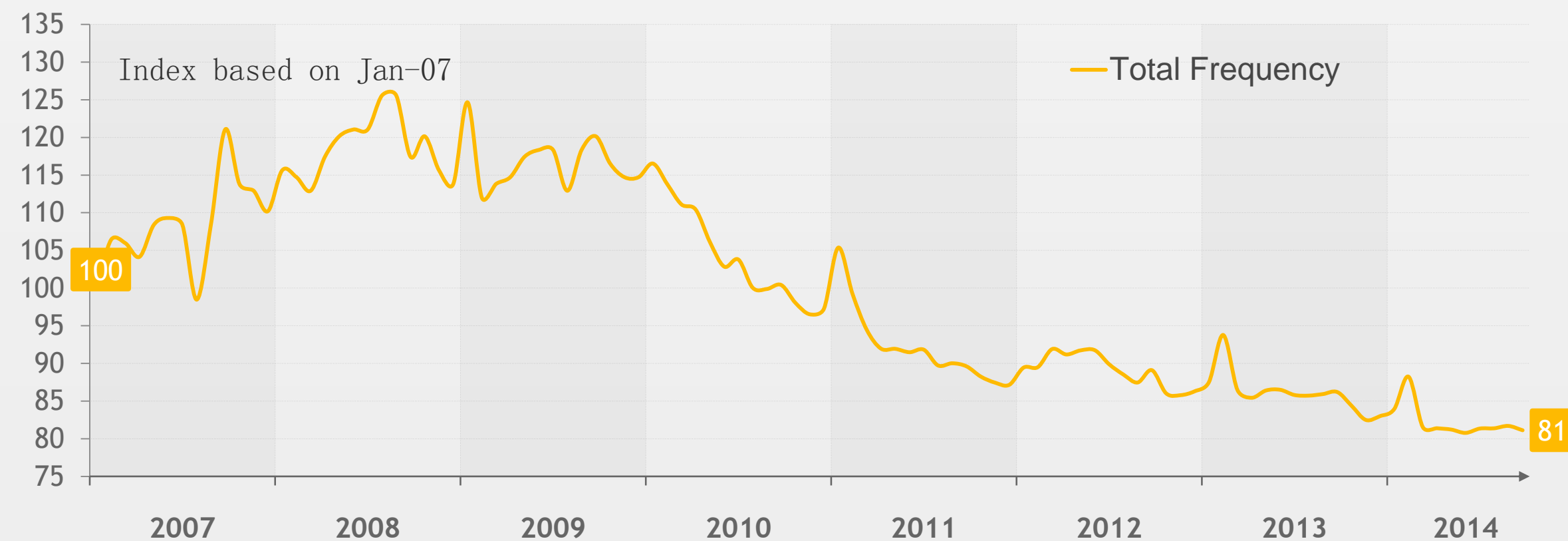






# China - Frequency, Private Label, Discounter and Price Paid Trends

As the trade develops, shopping frequency continues to drop but now with some impact on volumes



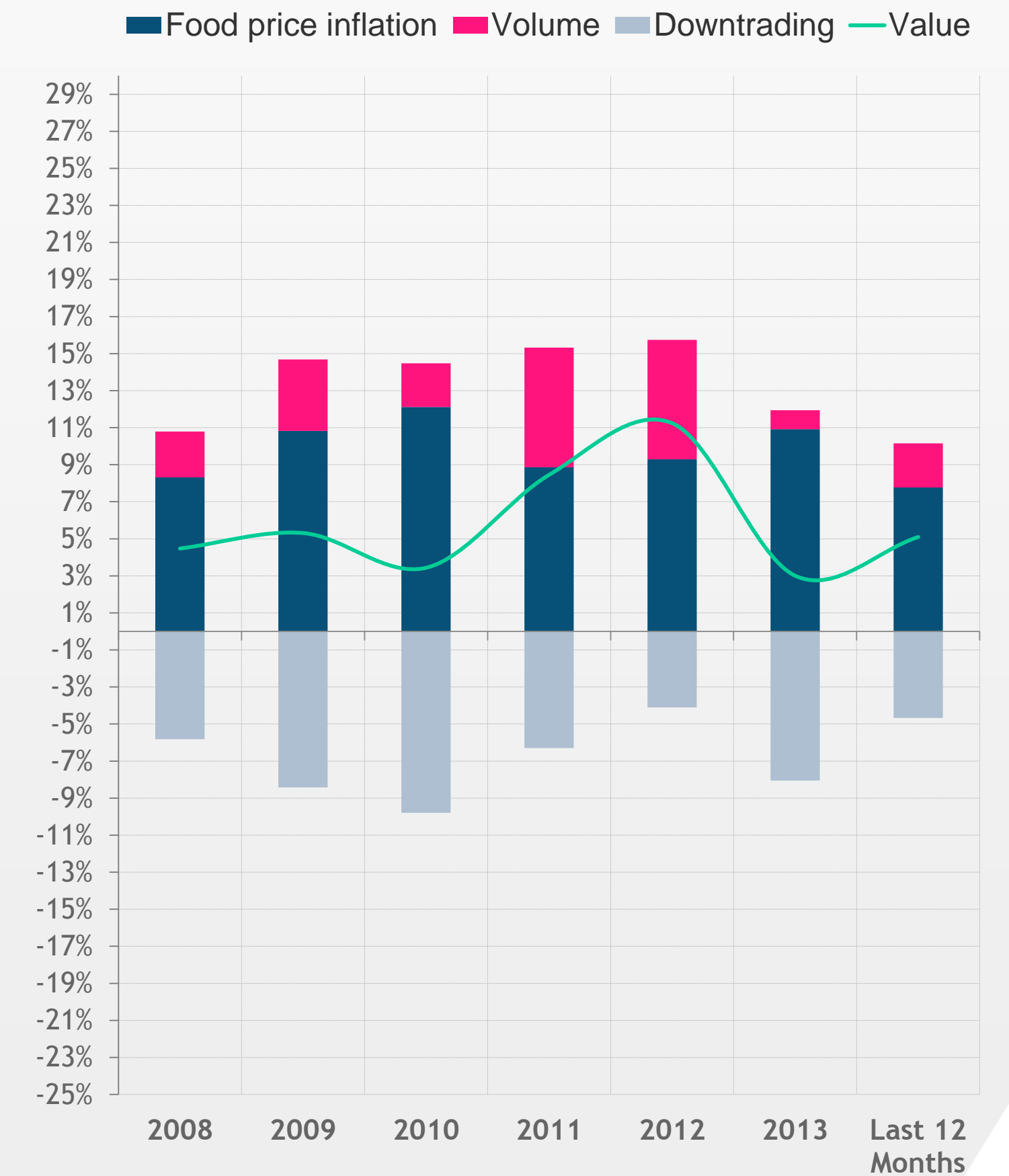
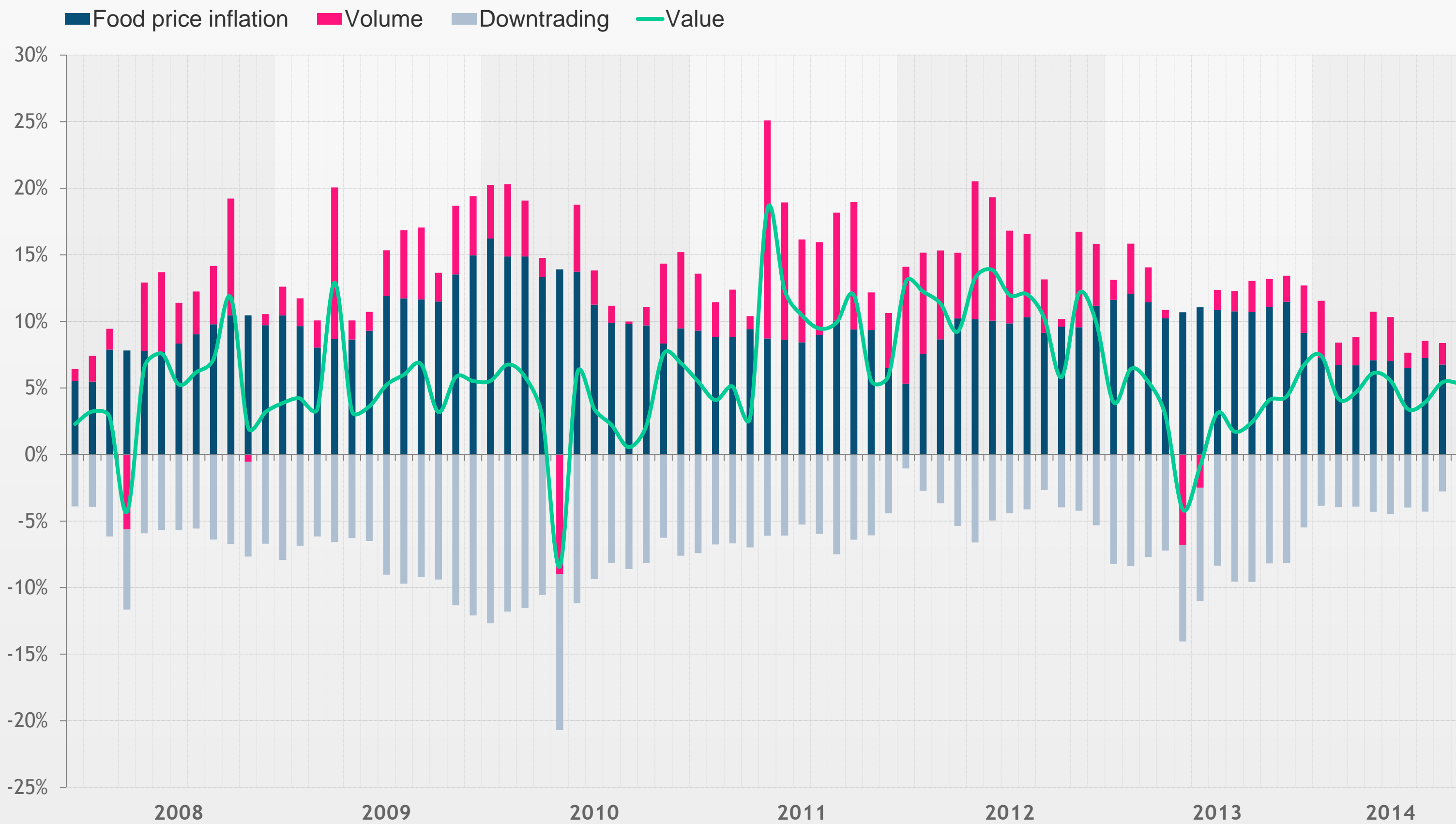


FMCG Global Trends | Country Detail

India

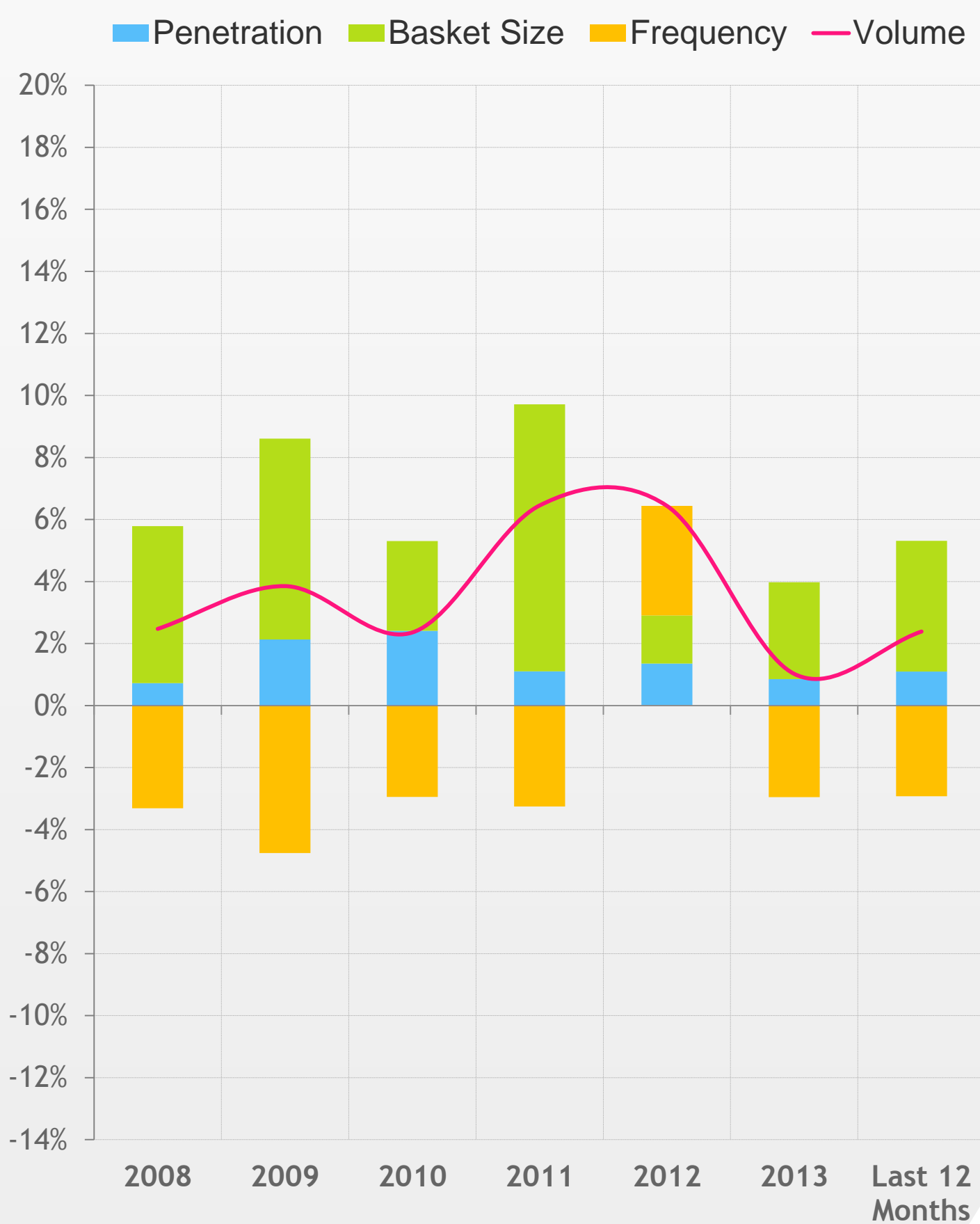
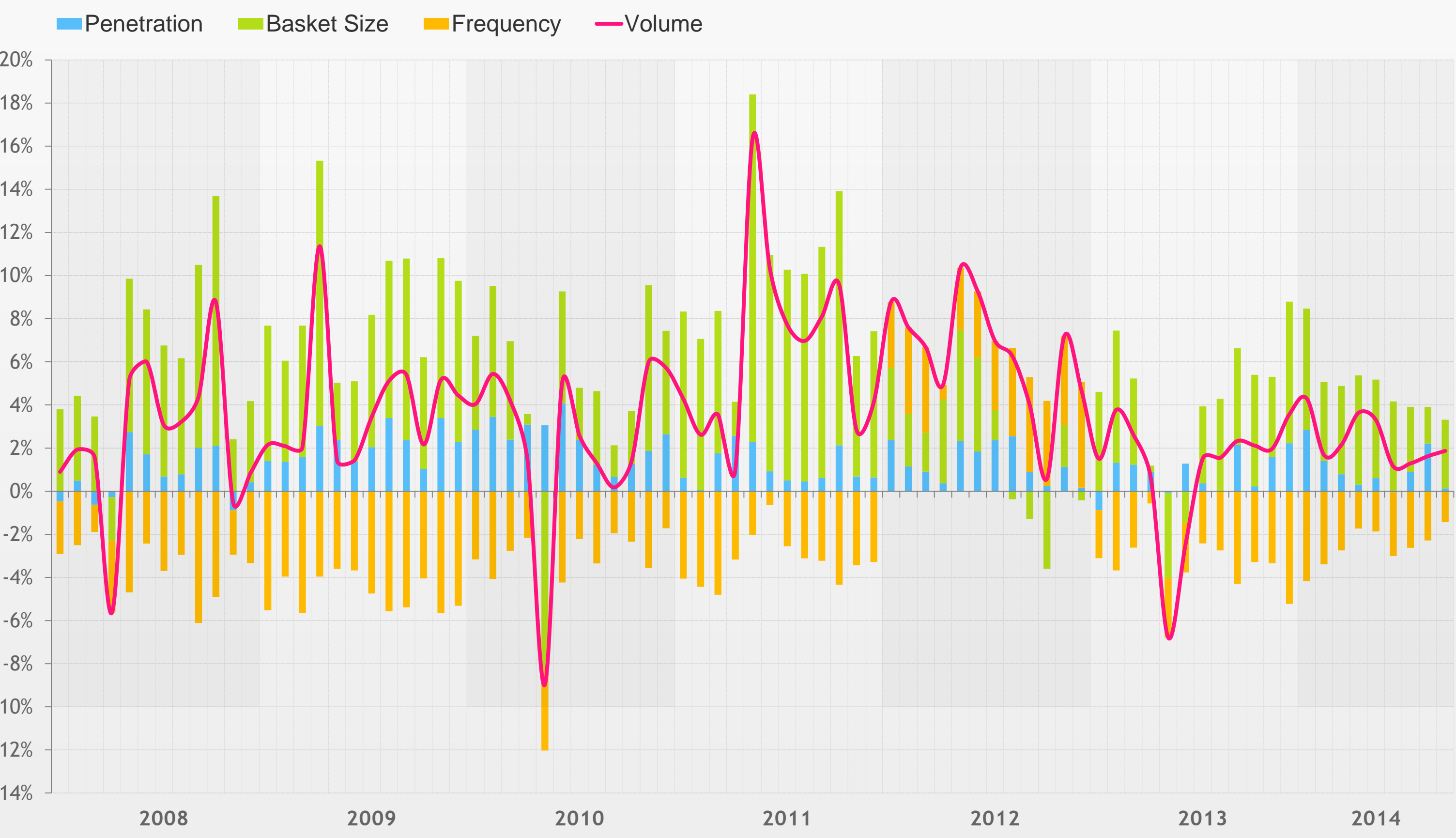
# India - FMCG Value Trend Components

Continued value and volume growth but also down-trading to cheaper items as trade



# India - FMCG Volume Trend Drivers

More buyers and larger basket size per category more than offsetting fewer shopping

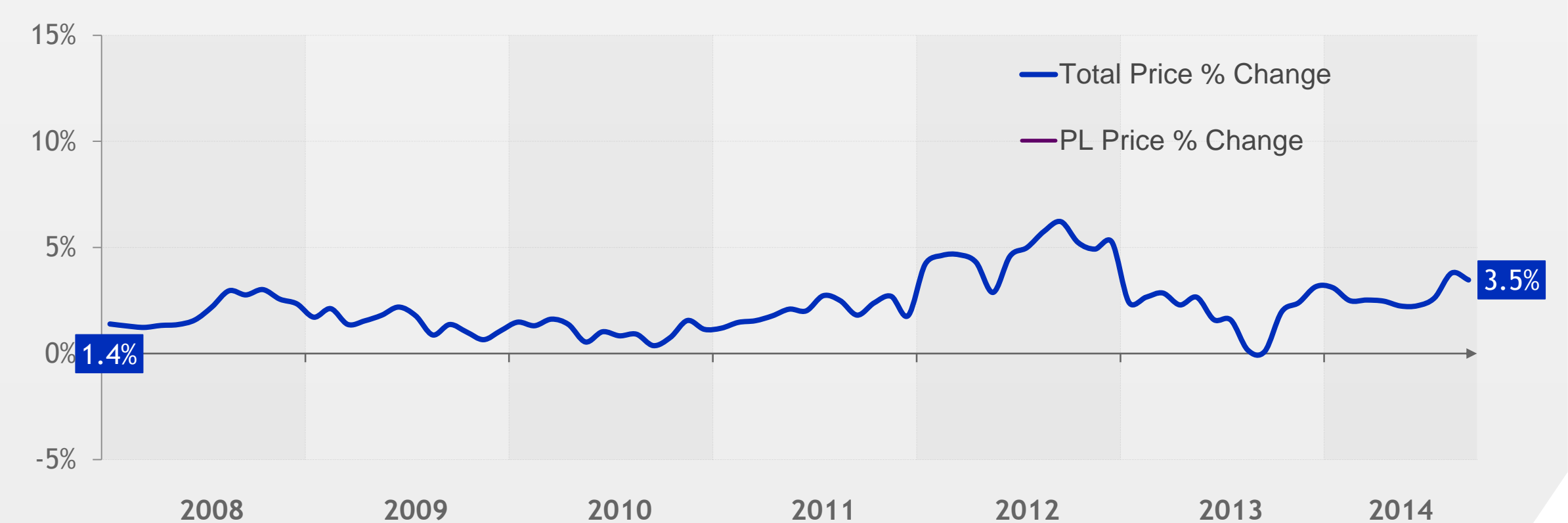
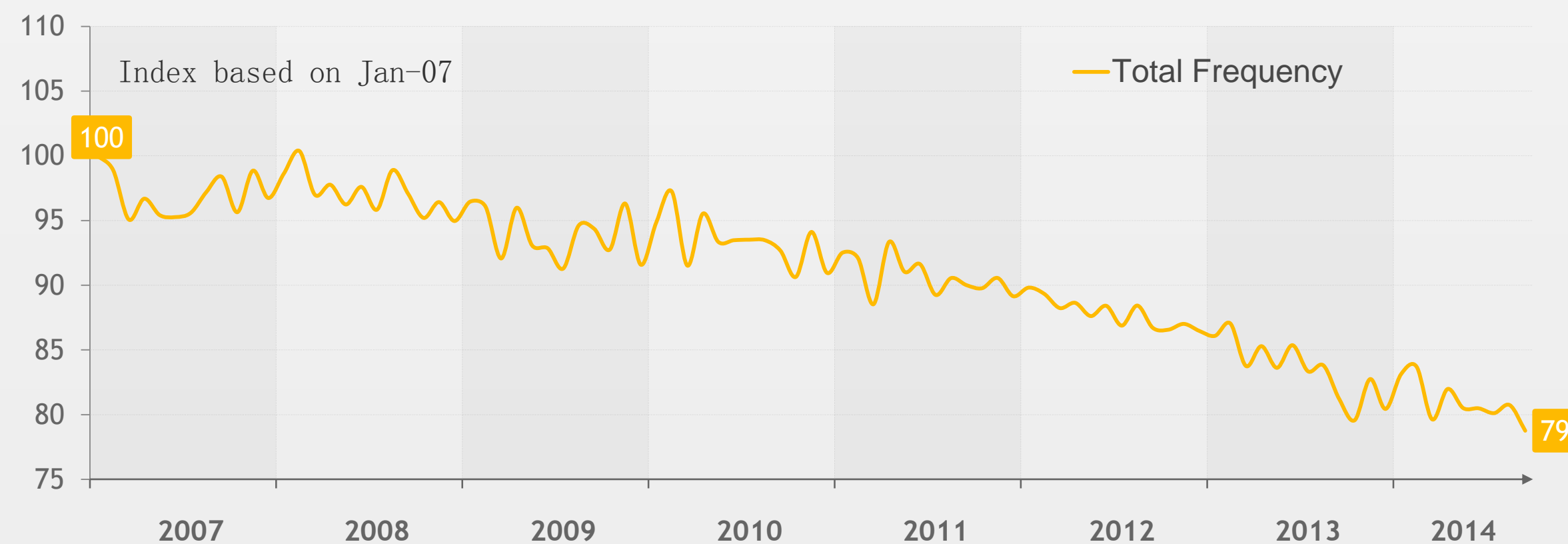






# India - Frequency, Private Label, Discounter and Price Paid Trends

Overall shopping frequency reducing as trade develops



## Appendix – Analysing Consumer Reactions

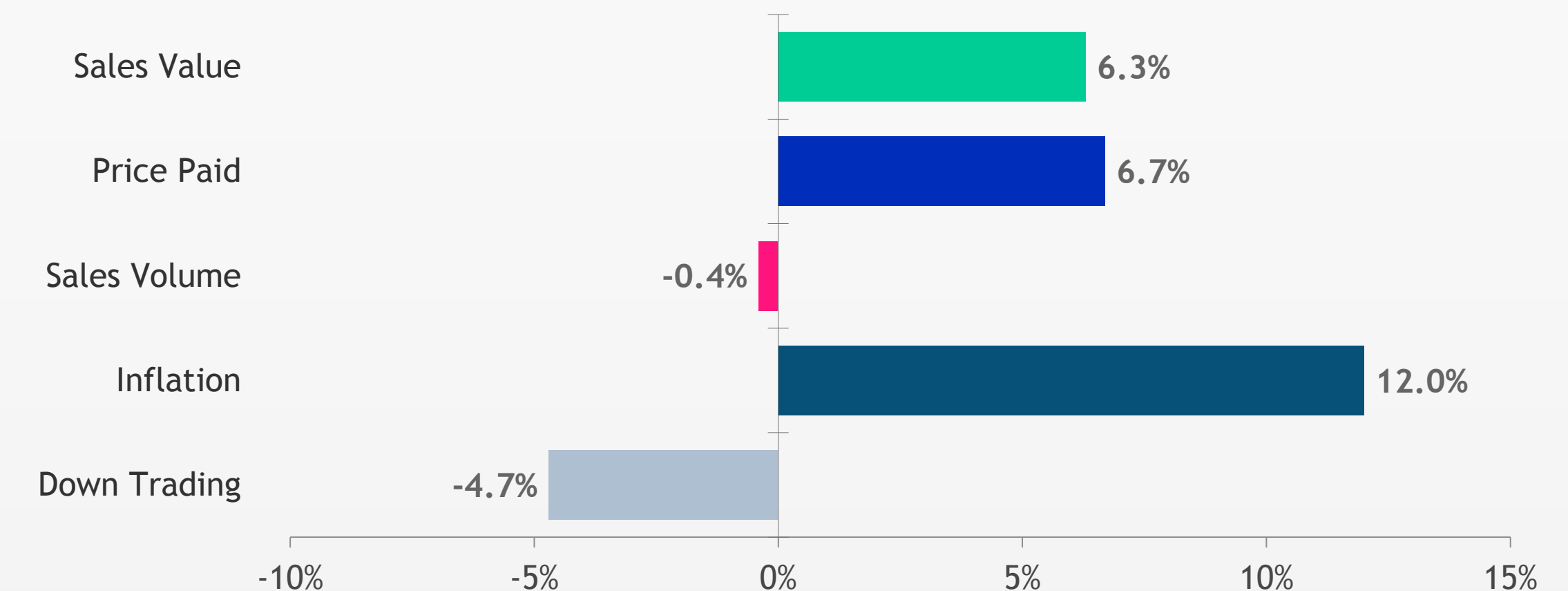


Buy same – Buy less – Buy cheaper  
More or less buyers – More or less often  
–  
Larger or smaller basket size



# Explanation of Terms & Methodology

- ▶ FMCG value change is the sum of value sales for all categories compared with YA.
- ▶ To calculate FMCG volume change, we calculate how much volume contributes to the value change for each category, sum up these contributions and relate to value YA (this results in an average category change in volume)
- ▶ To calculate FMCG price paid change, we calculate how much price contributes to the value change for each category, sum up these contributions and relate to value YA.
- ▶ The difference between the FMCG Price Paid Change and Consumer Price Inflation for food products are then a result of up-trading (buying higher priced products) or down-trading (buying lower priced products).
- ▶ Note that the changes are multiplicative and don't add back exactly.



## HOW TO READ THIS CHART

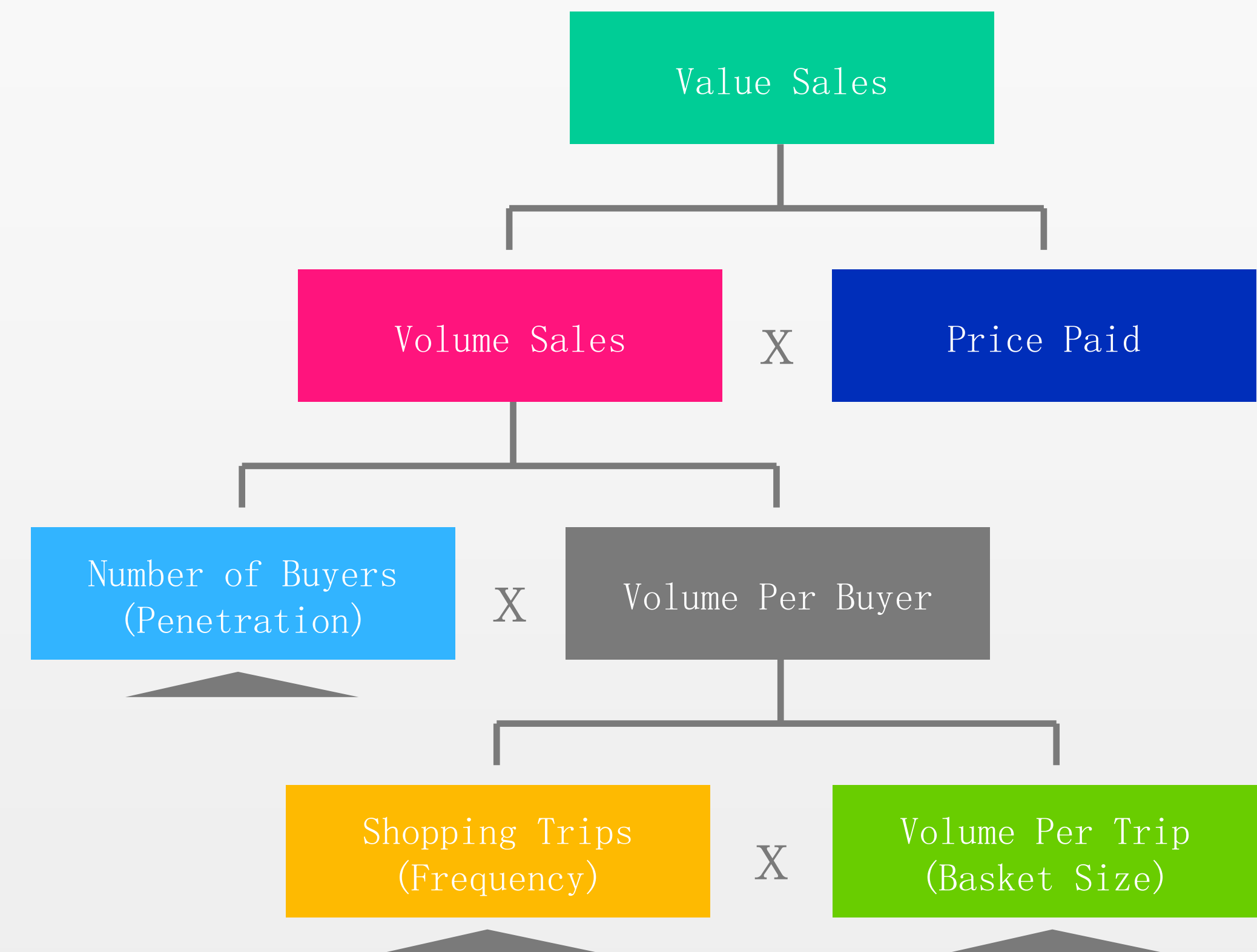
Sales value went up (6.3%), driven by changes in category price paid, (6.7%) whilst volume was down (0.4%).

We assume that Food inflation is a good proxy for actual price increases in FMCG.

The increase in prices paid (6.7%) is less than inflation (12%). This means that buyers choice has moved towards lower priced products by (-4.7%).

# Explanation of Terms & Methodology

- ▶ The ‘measure tree’ shows how value sales are a function of **volume sales** and **price paid**.
- ▶ Volume sales are dependent on three variables - the **number of buyers**, **how often they buy** and how much they buy on each occasion.
- ▶ For each category, we calculate the contribution made to volume changes by changes in the three other variables.
- ▶ Summing these category-specific contributions for all categories, we arrive at the ‘average category’ view (hence penetration can decrease as we are not looking at total FMCG, but at the average of all categories in the panel).





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