GfK Consumer Reporter

Issue 01/2019

GfK Consumer Panels & Services Czech & Slovak Republic

GfK would like to bring you insights into current consumer behavior in our markets regularly through unique key facts of GfK Consumer Panel. Consumer Reporter has 5 sections:

GfK Dashboard | Current Topic | Beyond Borders | Did you know…? | GfK Menu

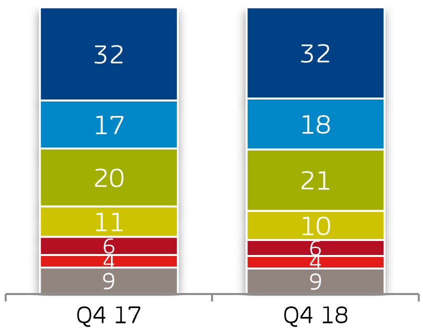
GfK Dashboard »

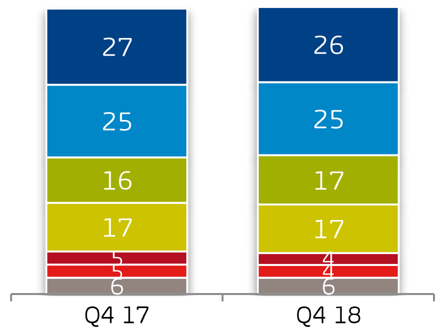
Czech Republic | Slovakia

WHERE

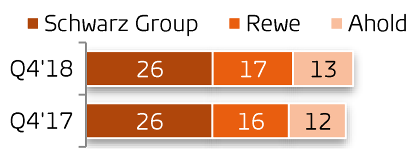
Position of Channel Types
(FMCG Value %)

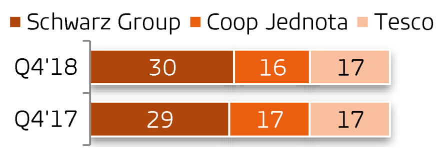
- Hypermarkets
- Supermarkets
- Discounters
- Small shops
- Specialists
- Drugstores
- Other





Top 3 Retailer Groups
(FMCG Value %)





HOW

Structure of Shopping Behavior
(Q4'18 vs Q4'17, FMCG)

Czech Republic	Slovakia
265 CZK / trip +7,8 CZK	11,26 € / trip +37 cents
87x / shopper -1,82 trip per buyer	89x / shopper -1,98 trips per buyer

Trading Up/Down
(Q4'18 vs Q4'17,
Food & Beverages)

Czech Republic:
Av. Paid Price Change %
+2,5%
- Inflation Food & NA Drinks +5,4%
- Trading down -2,8%

Slovakia:
Av. Paid Price Change %
+3,4%
- Inflation Food & NA Drinks +1,4%
- Trading up +2,0%

WHAT

Shopping Basket
(Q4'18, FMCG Value %)

- Fresh & Ambient
- Beverages
- Confectionery
- Convenient
- Staple Food
- Home & Personal Care
- Others

Promotions
% of FMCG value spent
in promotion
of total FMCG incl. fresh

Czech Republic	Slovakia
Q4'17 » Q4'18 47% » 49%	Q4'17 » Q4'18 36% » 37%

Private Labels
% of FMCG value spent
on private labels
in packed grocery excl. fresh

Czech Republic	Slovakia
Q4'17 » Q4'18 21% » 22%	Q4'17 » Q4'18 26% » 25%

Impact of Prices on Households' Shopping

Price is one of the key factors that influences us when selecting goods of daily consumption. Approximately 60% of shoppers in the Czech Republic and Slovakia consider primarily price when doing their shopping. Slovak households tend to adhere to their budget more strictly than their Czech counterparts.

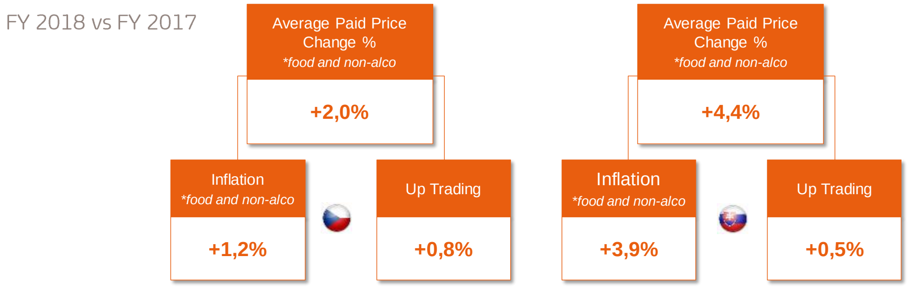
The way how we deal with the value-for-money ratio to a great degree depends on how we are doing financially. During times of favorable economic development and in times of optimistic sentiment, we are willing to treat ourselves more generously. This may have various effects on FMCG shopping: shopping for larger volumes, more exclusive products, but conversely also a reduction in overall household consumption as one part of the spending is shifted outside of the home, to restaurants for example.

The indispensable inflation

When talking about prices, we must not leave out inflation, which has had a profoundly dynamic influence on the spending trends of households in the past 2 years. Following a period of deflation, or possibly, a very limited level of price growth in the segment of foods and alcohol-free beverages in 2014-2016, we registered a change in 2017. Prices of foods and non-alcoholic beverages grew at a dynamic pace of 5.2% in the Czech Republic and 4% in Slovakia. 2018 was also typical for price growth in these segments, but in the second half of the year we observed slowing down of the pace. How did it impact the shopping patterns of the Czech and Slovak households?

Faster growth in spending compared to volume

Household spending for purchases of foods and non-alcoholic beverages was growing in 2018 across the Czech Republic as well as Slovakia. The pace of growth was somewhat higher in Slovakia (3.7%) compared to its Czech neighbor (2.7%), but the actual dynamics fell short of 2017. Still, very different tendencies have been posted in both countries. While in the Czech Republic, the increase in spending was also followed by the growth in the purchased volume across most of the product baskets, in Slovakia, the only volume increase was registered in the beverage segment. The influence of the rising prices was visible in both countries. Even though inflation represented the main driver of the growth in prices, it was not the only source.



If we compare the change in real prices paid for food and alcohol-free beverages on one hand and the inflation on the other, we get the positive difference, the so-called "trading up" effect. This means that households were willing to pay more in prices, actually more than was the particular level of inflation. Trading up effect is a result of changes in the purchasing behavior of households. This may be a combination of multiple factors, e.g. change in the structure of the basket and a stronger representation of more expensive categories, restricted tendency to take advantage of promotions, or possibly lower discounts, the propensity to replace private labels with more expensive branded products, higher ratio of premium products etc.

If you want to find out more about the underlying reasons as well as development trends of purchasing behavior, don't hesitate and get in touch with us.

GfK
Kavčí Hory Office Park
Na Hřebenech II 1718/10
140 00 Praha
T: +420 296 555 111
www.gfk.com/cz

GfK
Karadžičova 16
821 08 Bratislava
T: +421 2 57 371 101
www.gfk.com/sk

Anna Kissová
Client Service Team Leader
GfK Consumer Panel
anna.kissova@gfk.com

Frozen Fruit and Vegetables

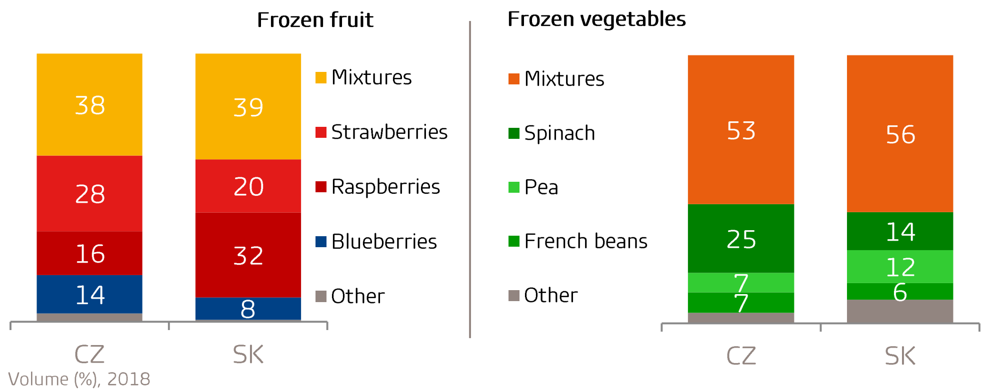
Never mind the possibility to get fresh fruit and veggies that we can pick in our garden or at the popular farmers' market: retailers offer most types of greens the whole year round. Frozen products are very popular too, always ready to be used by the housewife, they don't get rotten, do not require demanding picking-up, nor do they need to be peeled and chopped.

How do we shop in the Czech Republic and how in Slovakia?

9 out of 10 Czech households have purchased frozen vegetables in the past year, on average 10 times in the past 12 months and the total volume in their basket represents 6.2 kg. Slovak households, on the other hand, were buying frozen veggies equally often and in similar volume as their Czech counterparts, but the actual number of households was slightly lower: 8 our of every 10 households.

Looking at fruit, the situation is turned upside-down as 17% of Czech households purchased frozen fruit in 2018, on average they went to do this type of shopping 2.5 times and brought home 1.6 kg of fruit for the whole year 2018. Frozen fruit is slightly more popular in Slovakia. One in five Slovak households purchased this category, on average they were doing it a little more often than their Czech counterparts and consumption per household was higher by 0.2 kg.

Structure of household purchases, volume (%)



Volume (%), 2018

Mixtures are the winners followed by strawberries, raspberries and spinach!

As anticipated, mixtures containing various kinds of fruit and vegetables are product leaders in both markets. When it comes to single-type fruit, in the Czech Republic, strawberries lead the chart, while in Slovakia it is raspberries. Looking at the frozen vegetables segment, spinach is the top contender in both countries, followed by peas and French beans.

Where to go shopping?

Frozen fruits enjoyed the greatest success in discount stores, accounting for almost 60% of the total category spending in the Czech Republic and even a little more than 60% in Slovakia. Other key points of purchase included hypermarkets and supermarkets: the latter play a little more dominant role in Slovakia whereas the former enjoy substantially more relevance in the Czech market.

In the Czech market, the largest portion of consumer spending on frozen vegetables ends up in discounters and hypermarkets, while in Slovakia supermarkets enjoy the dominant position in this respect.

GfK
Kavčí Hory Office Park
Na Hřebenech II 1718/10
140 00 Praha
T: +420 296 555 111
www.gfk.com/cz

GfK
Karadžičova 16
821 08 Bratislava
T: +421 2 57 371 101
www.gfk.com/sk

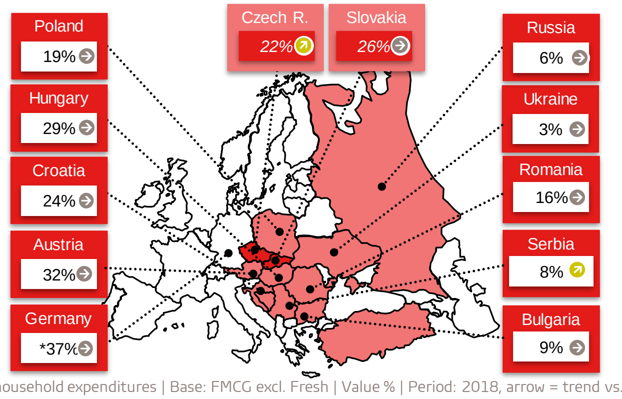
Hana Paděrová
Consultant
GfK Consumer Panel
hana.paderova@gfk.com

How Popular Are Private Labels?

Private labels currently represent an important element of retail chains' strategy. They are instrumental in ensuring distinction from other retailing rivals, but how are private labels actually faring in our FMCG market compared to the neighboring countries?

Are private labels doing fine abroad?

In Germany, private labels enjoy the highest share in the market with pre-packed foods, beverages and home and personal care when compared to all the countries included in the survey. Austria follows as private labels account for almost one third of all household expenditures. Poland is a country where private labels are not doing so well and therefore have smaller share of the market, which is related to the specific structure of the Polish retail market. In the year-on-year comparison, the share of private labels is mostly stagnating, with Serbia and Czech Republic as the only exceptions.



Private Labels share of total household expenditures | Base: FMCG excl. Fresh | Value % | Period: 2018, arrow = trend vs. YA | *H1 2018

Czech Republic lags behind Slovakia in terms of private label spending

The share of private labels in the Czech market in terms of household expenditures on pre-packed foods, beverages and home and personal care accounted for more than one fifth of the total, whereas in the Slovak market this was even more – over one quarter. The Czech market has seen continual increase in the share of private labels in the past 5 years. Slovakia, on the other hand, had witnessed similar increase until the early 2018, after which a slight decline was registered and the figures returned to the level from 2016. The underlying factor behind this development is mainly the decline in the share of private labels in discounters, which nevertheless still contribute most strongly to the overall share of private labels in the total market.

One of the key roles of private labels is to build loyalty to the particular place of purchase as the given products are available in the given retail network only. However, it is important to note that the loyalty towards the respective retailers with respect to the volume of the purchased private labels does have its limits. We could perhaps expect that a rising share of private labels in the shopping baskets would mean a directly proportionate increase in the loyalty to the given retail chain. Nevertheless, after reaching a certain point of saturation, loyalty starts to fall because the buyer cannot satisfy all of his or her needs buying only private labels of any given retail chain. This is why it is important for every retailer to know the purchasing behavior of their buyers in the respective categories, select the right mix of brands as well as its own private labels.

Private labels in the premium segment

Recently, we have witnessed a greater deal of stratification and diversity of the retailers' private labels. The so-called premium private labels are gaining ground to the detriment of the so-called economy category. Premium private labels compete with conventional branded goods not only through a more attractive visual aspect but are also closer to the branded product when it comes to pricing; they do not really represent a cheaper alternative since in terms of price they are highly above the market average as well as the average per brand. The customer therefore does not have to perceive them only as a "replacement" but as a fully-fledged competitors to established brands.

Which are the private label categories with the largest household spending?

Private labels account for more than 50% in sanitary products such as paper handkerchiefs or cotton-wool products. Also, they are strongly represented also in the category of frozen products, pet care as well as sweet and salty snacks. These are the categories where private labels account for roughly two fifths of household expenditures per category.

Are you interested in learning more about private labels? Get in touch with us.

GfK
Kavčí Hory Office Park
Na Hřebenech II 1718/10
140 00 Praha
T: +420 296 555 111
www.gfk.com/cz

GfK
Karadžičova 16
821 08 Bratislava
T: +421 2 57 371 101
www.gfk.com/sk

Tomáš Zíka
Consultant
GfK Consumer Panel
tomas.zika@gfk.com

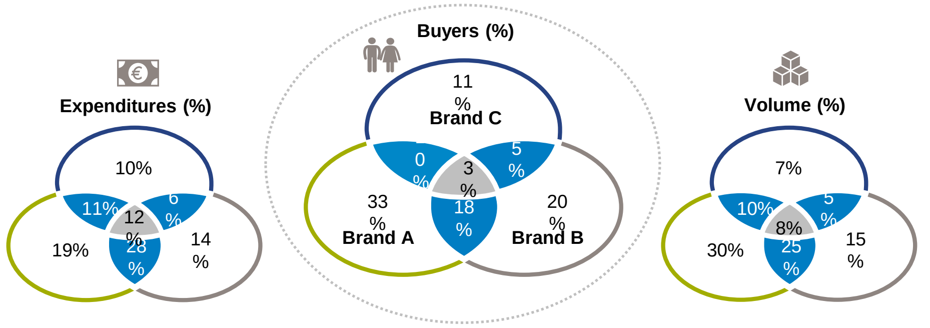
What Is the Ideal Combination?

Even though one part of shoppers attempts to adhere to a strict budget, ultimately almost as much as 60% of Czech and 55% of Slovak shoppers make quick and spontaneous decisions in the place of purchase. When we know what products our shoppers buy, we can facilitate these decisions and support their shopping action using a sophisticated product mix. Do you actually know how your shoppers combine the products they buy?

What combination of products delivers the largest volume?

By monitoring of purchases, we can find out what items from your brand's product portfolio the consumer actually bought. This enables elaborating of the **structure of brand buyers** depending on the actual **product mix they purchased** in a defined period of time.

The analysis sets out to define the relationship between products in the brand's portfolio. Are the consumers actually **unique buyers** of the product or they rather seek for a **combination** of products? How many brand buyers only purchase a single variant of the brand? How many buyers purchase a combination of two or more products?



In this particular case 33% of brand portfolio buyers only buy the A variant and never bought any other alternatives. These buyers account for 30% of the total brand volume. AB is the most popular combination accounting for the full quarter of the portfolio volume. Only 3% of shoppers buy all three products.

Combination analysis thus provides us with information on the number of buyers shopping for particular products in a particular combination. We find out how many shoppers are **exclusive buyers** of a single product variant and how many actually buy a **combination** of products. Moreover, the analysis proceeds to deliver figures on which group of buyers **generates the largest volume.**

Besides getting a focused view of the brand's product portfolio, application of the combination analysis can help us take a closer look at the combinations of buying particular categories or using specific place of purchase.

Another benefit is the possibility to further characterize the respective groups of buyers. **What are the differences** between those who only buy product A and those who prefer the AB or BC combinations? What is their demographic profile? Where do they go shopping? What about their promotional preferences?

Want to find out more? Get in touch.

GfK
Kavčí Hory Office Park
Na Hřebenech II 1718/10
140 00 Praha
T: +420 296 555 111
www.gfk.com/cz

GfK
Karadžičova 16
821 08 Bratislava
T: +421 2 57 371 101
www.gfk.com/sk

Veronika Némethová
Senior Consultant
GfK Consumer Panel
veronika.nemethova@gfk.com