Vlerick Leuven Gent Management School

7th Belgian Consumer Goods survey: results


Marketing & Sales


Supply Chain & Operations


HRM

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» The 7th Belgian Consumer Goods Conference of Vlerick Leuven Gent Management School took place on October 21st 2008 in the Montil in Affligem. This industry-wide conference has become *the* yearly gathering of the fast moving consumer goods industry (FMCG) in Belgium.

» During the conference we surveyed the opinion of the participants, all opinion leaders and decision makers of the FMCG industry.

» Via an electronic voting system over 110 managers expressed their opinion on some 20 propositions dealing with hot issues and trends in the industry. The participants were asked to indicate the degree to which they (dis)agree with these propositions. The aggregate results offer a representative view of the trends in the industry as a whole.

» Given the expert nature of the respondents, the aggregate results are representative for the industry as a whole. Previous surveys have indeed proven to offer an accurate assessment of key market trends.

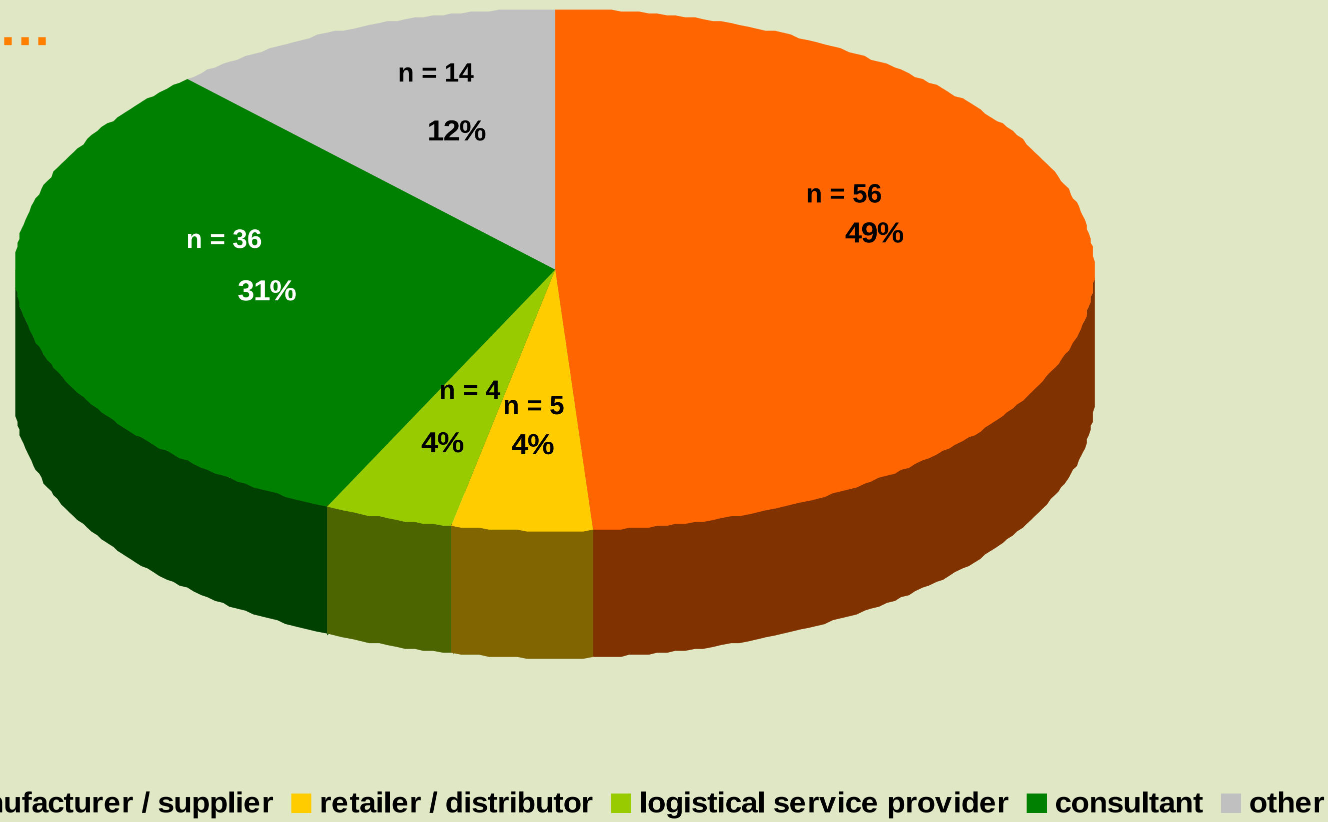
» The results were also analysed for specific subgroups. For (branded) goods manufacturers and marketing & sales managers we have obtained over 50 answers. But for other subgroups (n=15 or less), we have to be more cautious in generalising the results.

» In what follows, you will find the detailed results. For every question we indicated how many participants answered the specific question. The results for the subgroups are only included if they differ from the general average.

Sample description

Half of the respondents are working for (branded) goods manufacturers, supplying the retailers.

I am …

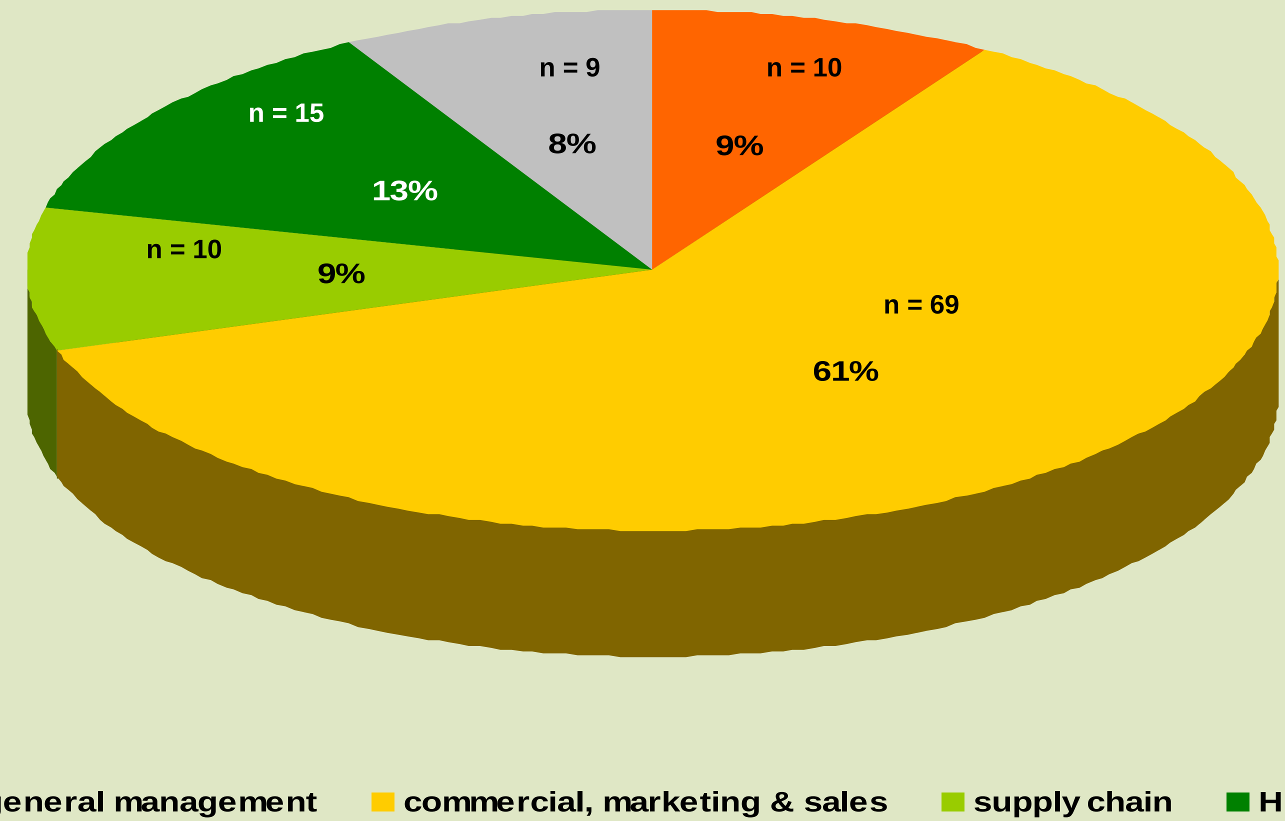


n = 115

Sample description

Over 60% of the respondents are working in marketing & sales.

My functional domain is …



n = 113

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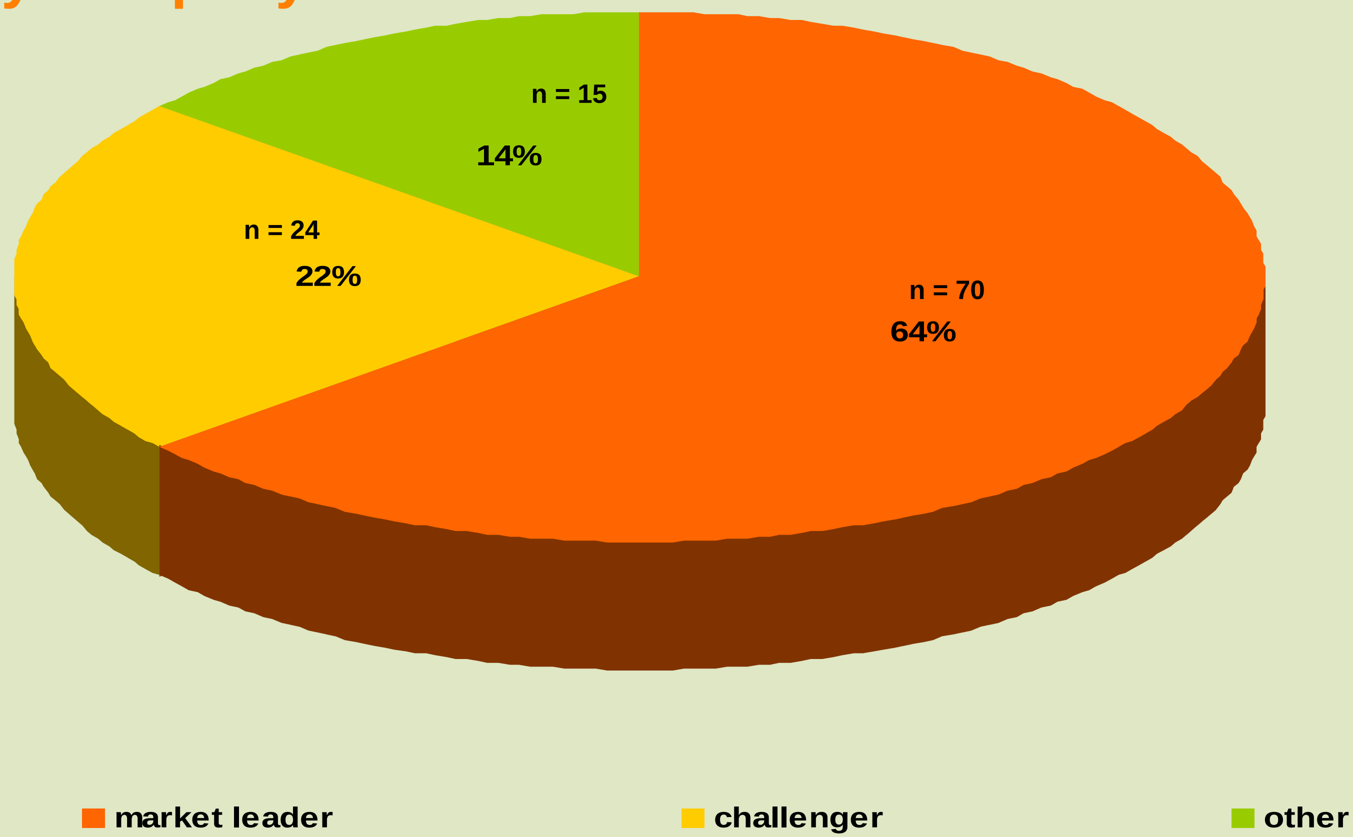
Sample description

Almost 2 out of 3 respondents are working for a market leader.

My company is …

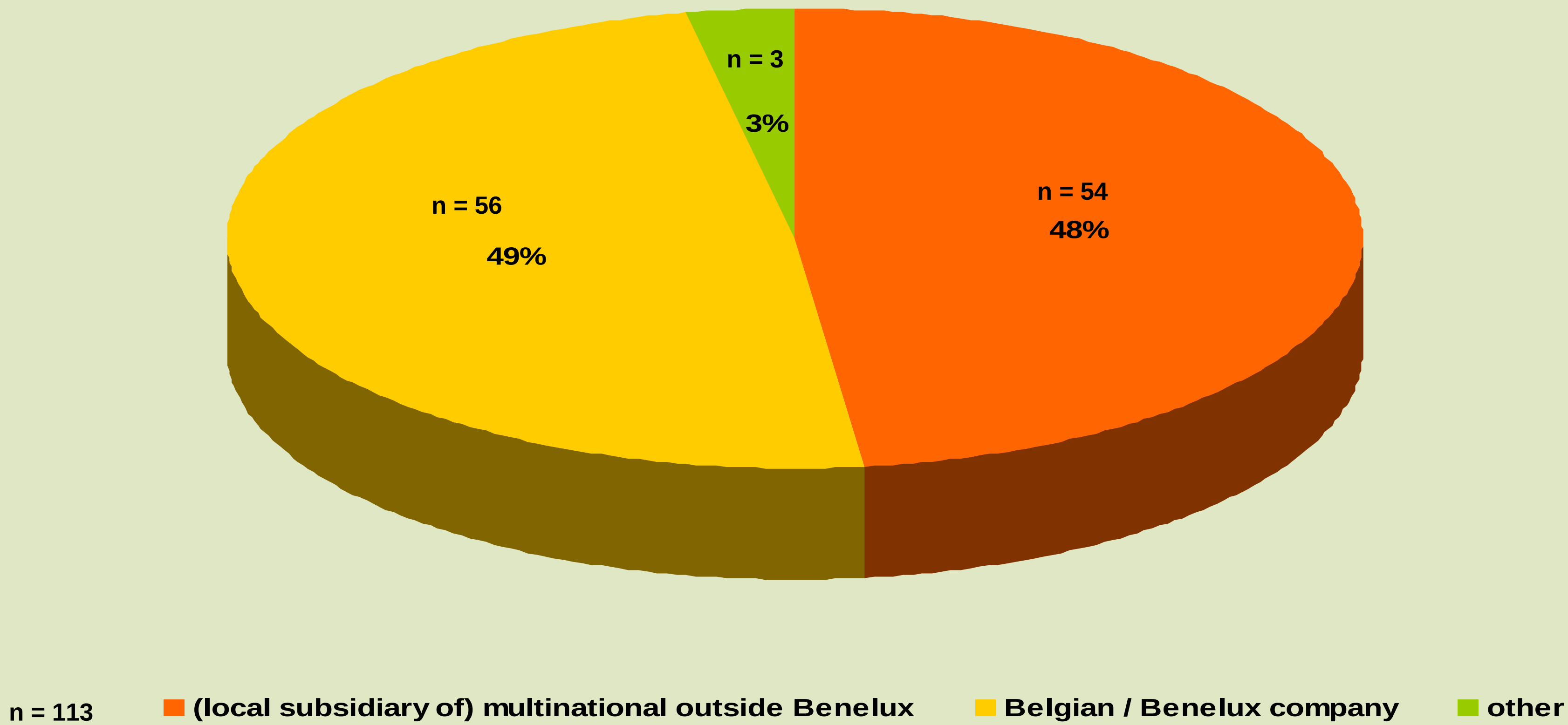


n = 109

Sample description

There is a 50/50 split between respondents from multinationals from outside the Benelux and from Benelux companies.

My company is…



Consumer confidence

&

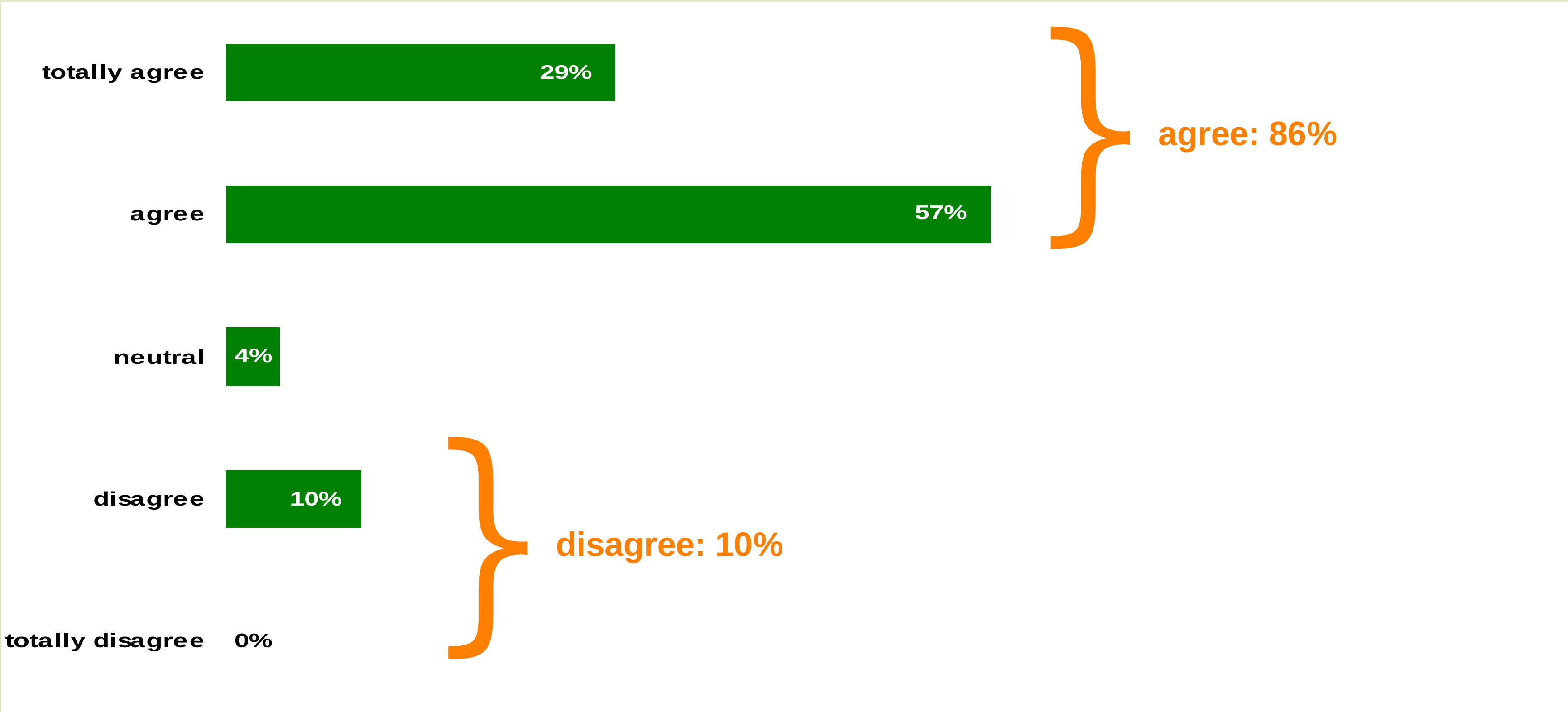
price sensitivity

- **86% expects the consumer to remain price sensitive in 2009. That's why 72% expects the consumer to continue his current buying behaviour for groceries*:**
  - » More but smaller shopping trips:
    - A decrease in bought volume (-1.1%), mainly because of smaller basket sizes…
      - 5.2% less items bought per shopping trip
      - 4.6% less different (unique) categories bought per shopping trip
    - … not compensated by the higher shopping frequency (4.1% more trips per year)
  - » More forward buying ("stock up")
    - Consumers respond to volume promotions and/or buy volume packs.
      - For 62% of the analysed product categories, the volume bought per buying occasion was higher than last year (based on n = 136 categories)
      - For fresh products, this was even true for 76% of the cases (n = 17 categories)
      - Not surprisingly, 64% of the respondents agrees that the consumers are open to volume promotions.
  - » A further growth of the market share of Colruyt and of the convenience stores. Saving time is seen as the most important driver of the growth of the convenience stores, as only 33% agrees that consumers are changing their shopping behaviour to reduce their mileage because of the high fuel prices.
  - » A less than expected increase in like-for-like market share for private label and hard discount. The key reason is the decreasing price gap between private label/hard discount and manufacturer brands/traditional retailers. Private label products and fancy brands have indeed increased their prices more than manufacturer brands.

* These trends were reported by GfK Consumer Panel Services during the conference (MAT June 2008)

86% expects the consumer confidence to remain low in 2009.

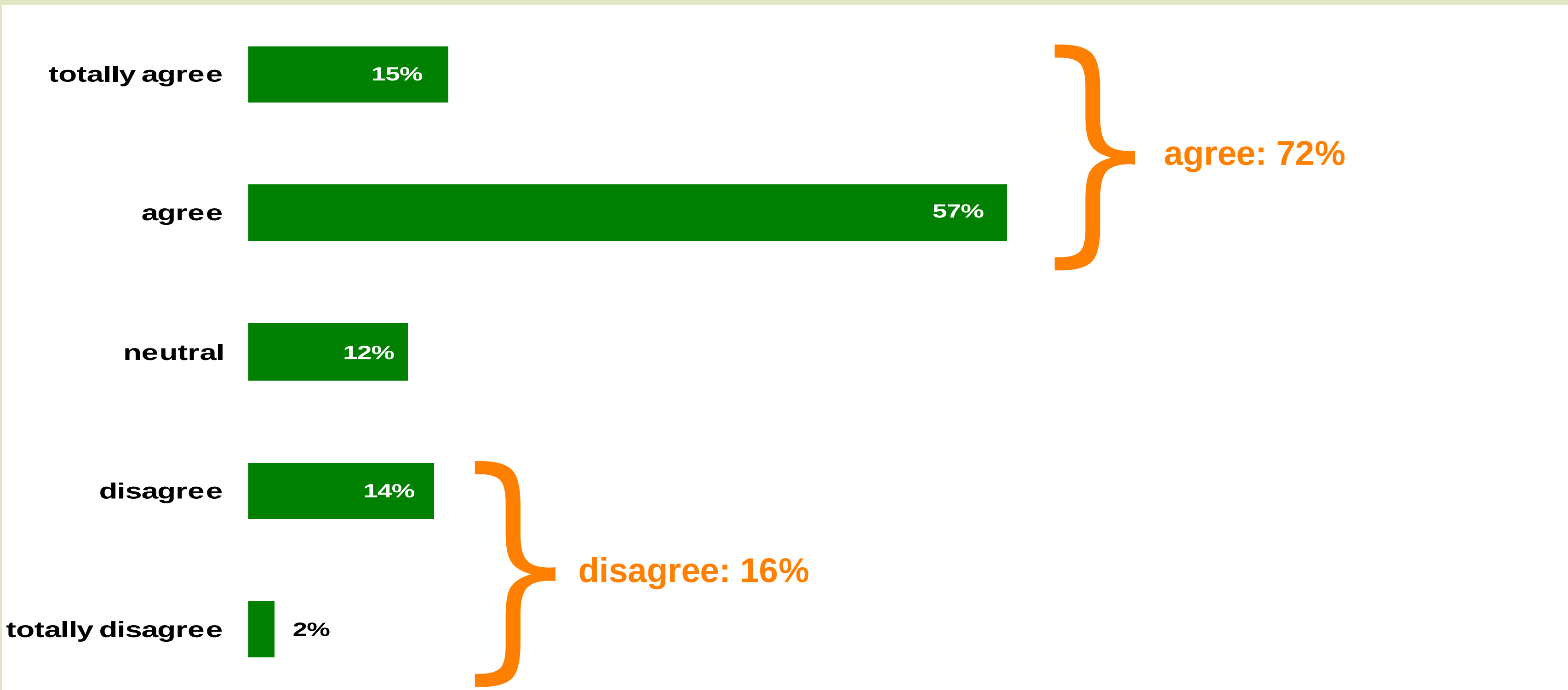
"Also in 2009, the consumer confidence will remain relatively low."



n = 114

As a result, 72% expects the consumer to shop for groceries in line with today's trends.

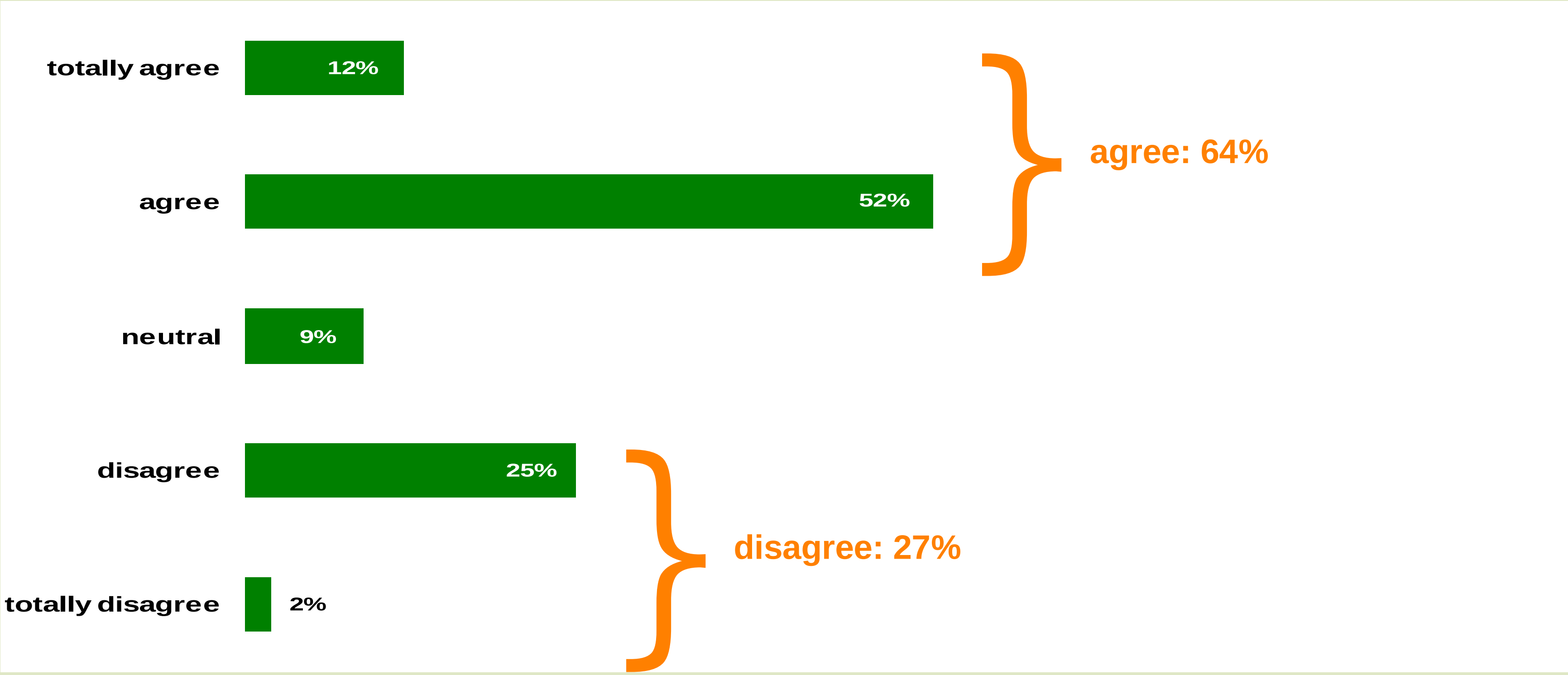
"Today's trends in shopping behaviour, will persist in 2009."



n = 113

64% agrees that consumers want volume promotions to economise on their groceries spent.

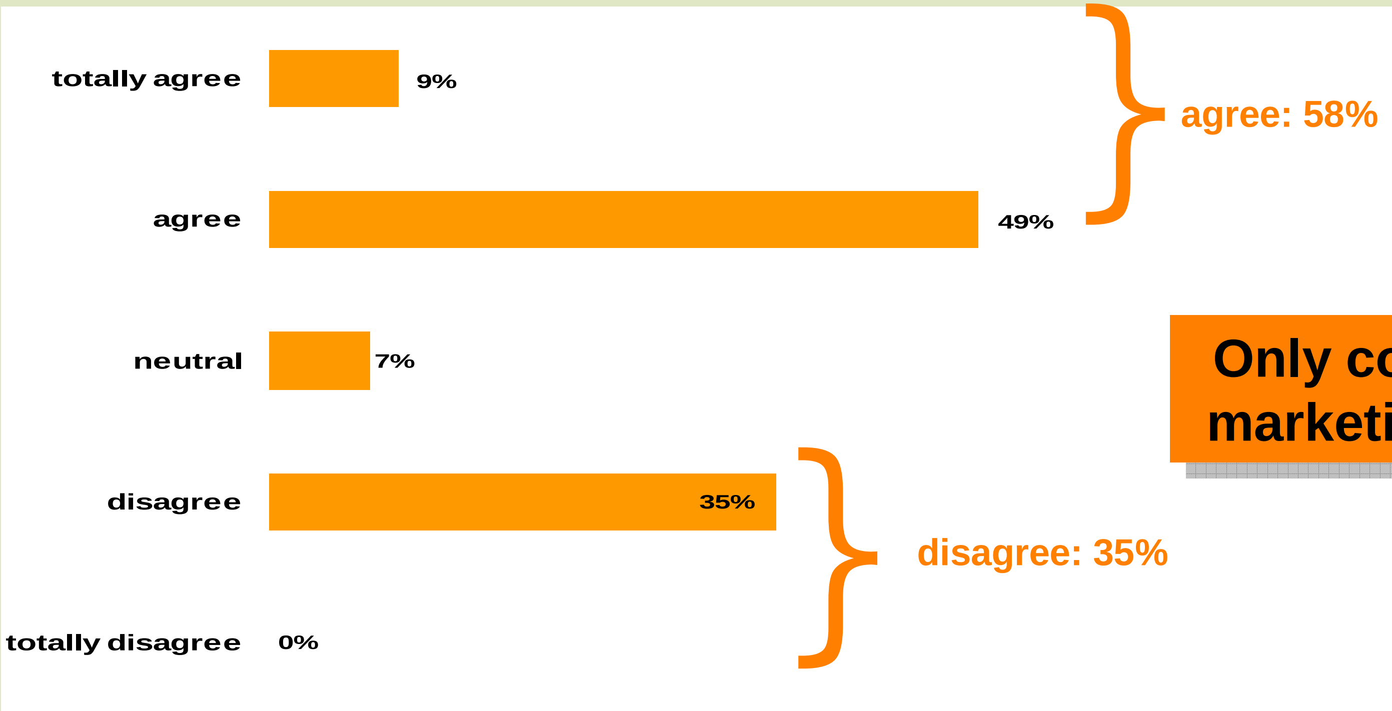
"Because of his price sensitivity, the consumer is more receptive to volume promotions."



n = 110

Strikingly, people in marketing & sales, who will eventually initiate the actual promotions, are less convinced !

"Because of his price sensitivity, the consumer is more receptive to volume promotions."

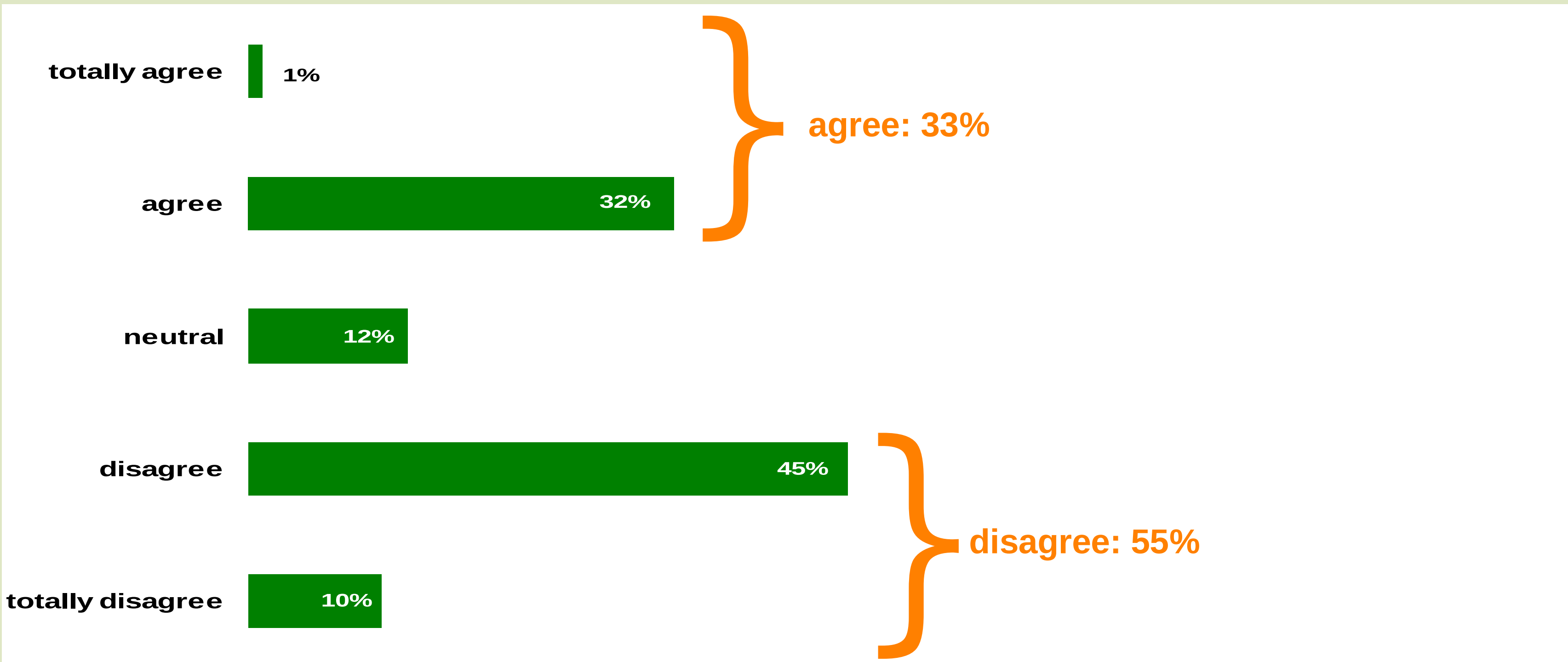


Only commercial, marketing & sales

n = 69

55% of the respondents doesn't believe that consumers are changing their shopping behaviour for groceries, because of the high fuel prices.

" The consumer is changing his shopping behaviour for groceries, because he wants to limit his mileage due to the rising fuel prices."



n = 101

Effects of the economic slowdown: (hard / soft) discount

• In 2009 the discounters will continue to grow. They may jointly achieve a 45% market share within 5 years.

» The past 12 months hard and soft discounters have gained market share. Colruyt in particular, achieved as a full range discounter an impressive same store growth. The growth of Lidl was mainly thanks to its new store openings. Aldi's market share remained fairly stable.

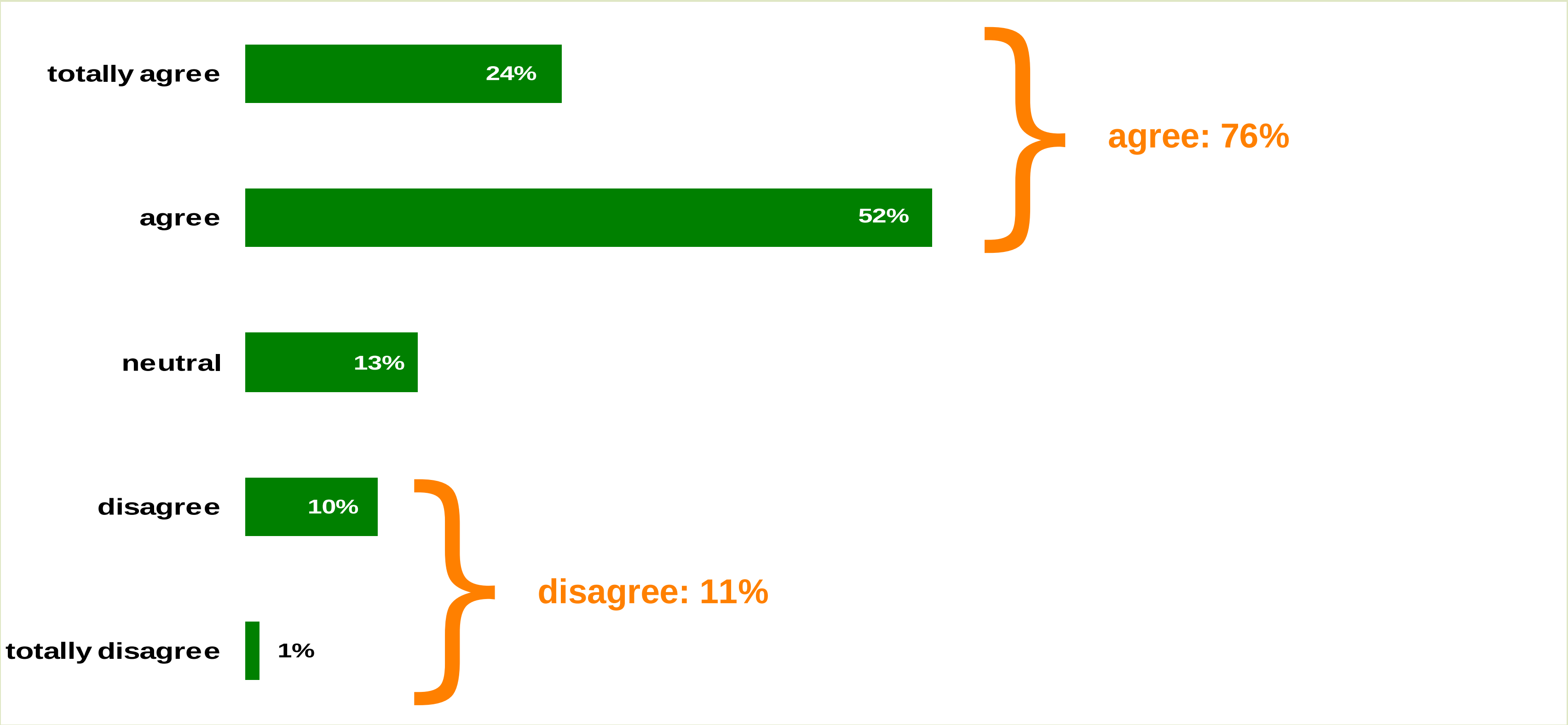
» 76% of the respondents expect in 2009 a further increase in market share for Colruyt, thanks to the consumer's continued price sensitivity.

» Moreover, 62% expects that the discounters will be able to defend their gain in market share, once the economy regains momentum. So any cyclical growth because of the economic slowdown will eventually translate into a structural gain.

» As result, not surprisingly 50% of the respondents believe that the discounters (Aldi, Lidl, Colruyt,…) will jointly reach 45% market share by 2013.

76% expects in 2009 a further increase in market share for Colruyt, thanks to the continued price sensitivity.

"Also in 2009 Colruyt will benefit from the continued price sensitivity. Their market share will continue to increase."



n = 111

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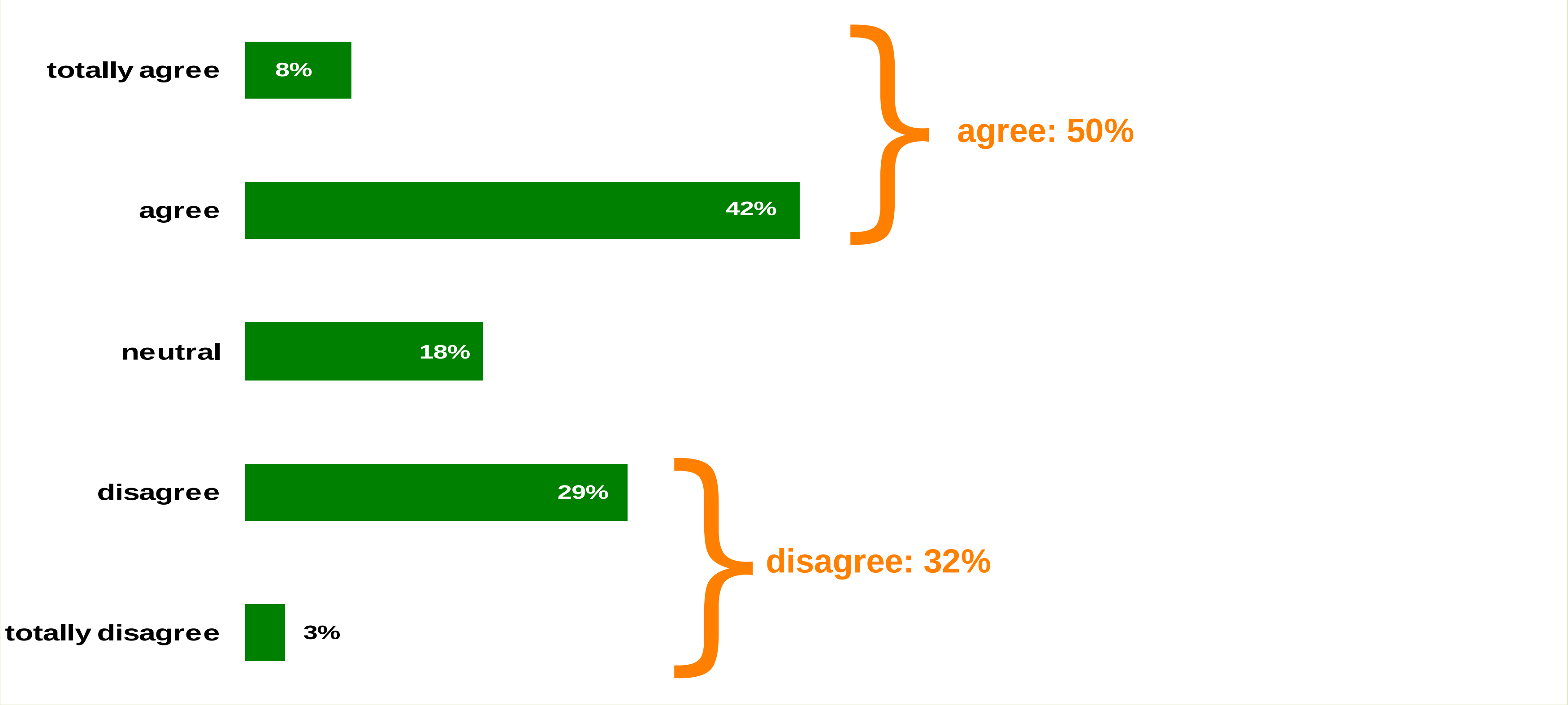
50% of the respondents believe that the discounters will reach 45% market share by 2013.

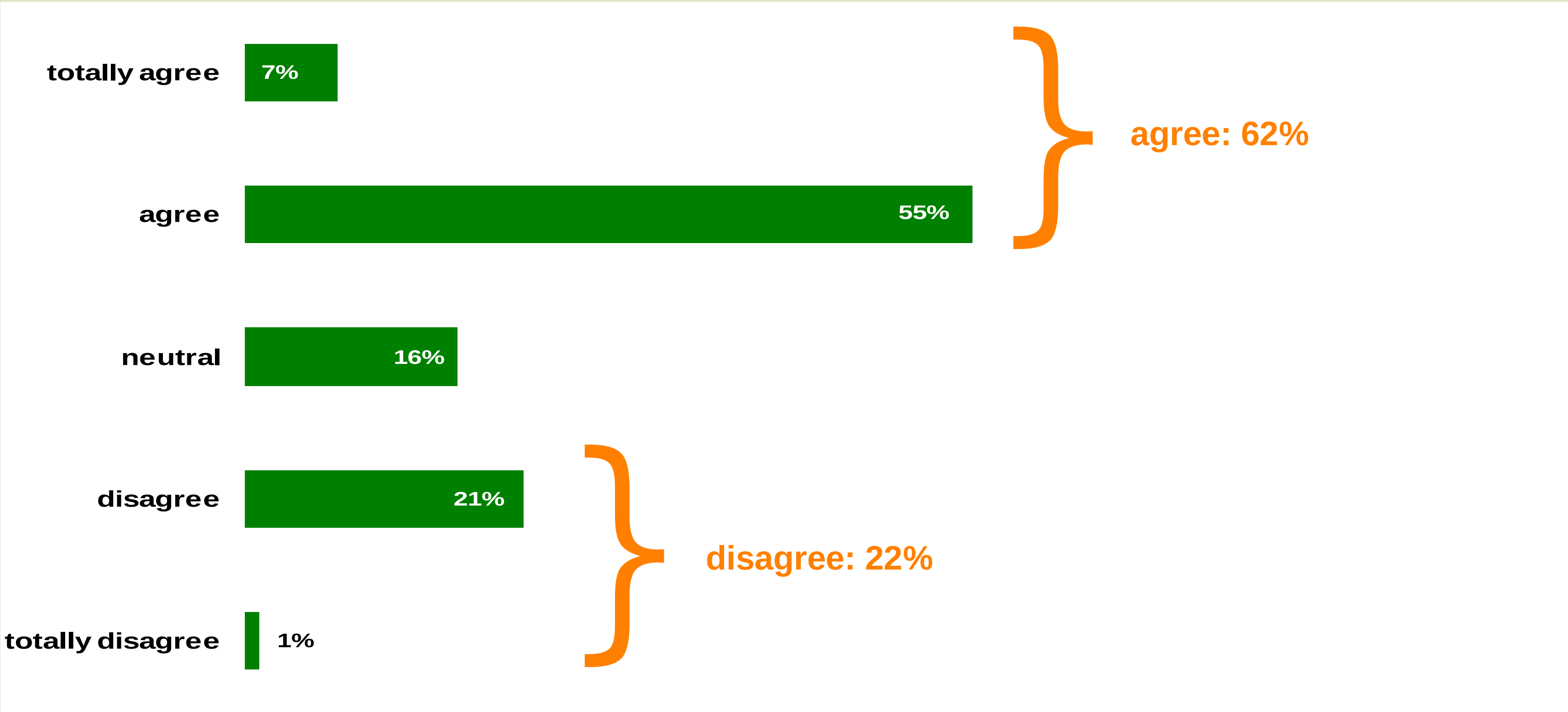
"As a result of the continued growth of Colruyt and of the hard discounters, their joint market share will rise to 45% within 5 years.



n = 110

62% expects that the discounters will be able to defend their gain in market share, once the economy regains momentum.

"The cyclical growth of the discounters, will not be lost significantly once the economy regains momentum."



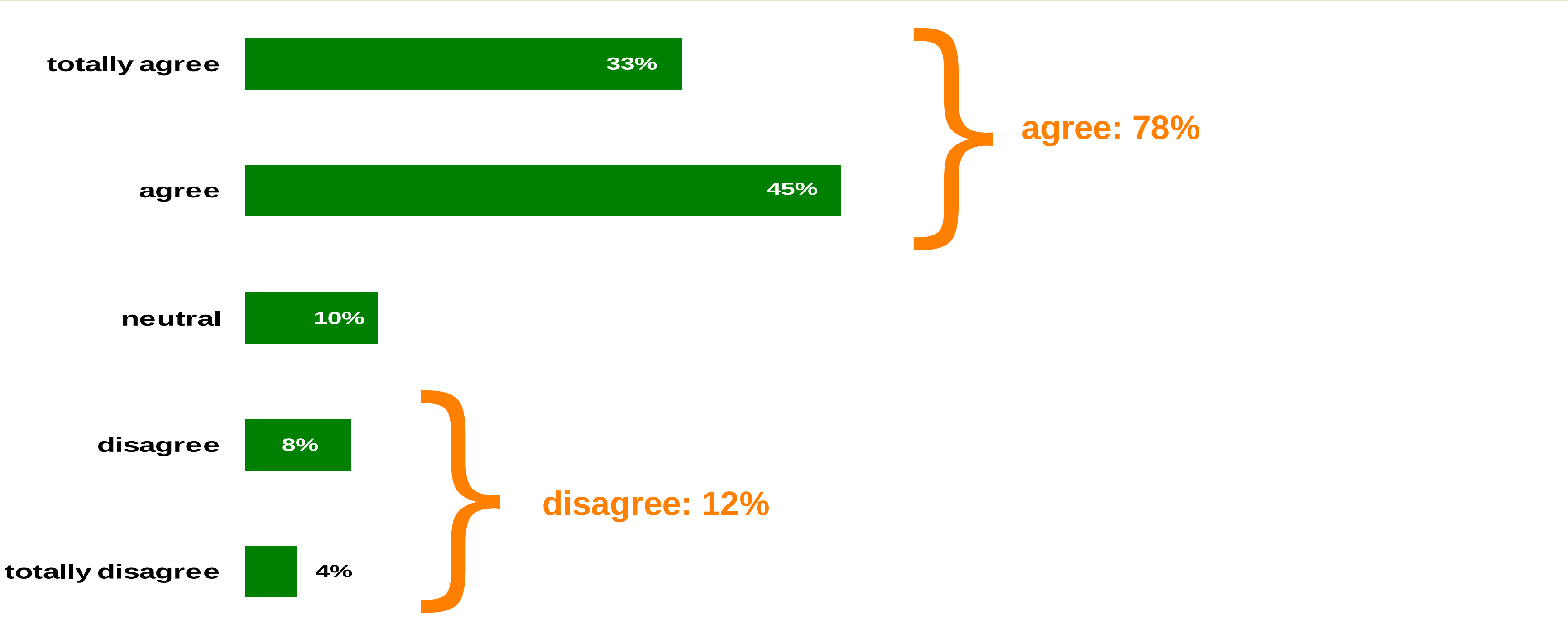
n = 107

Effects of the economic slowdown: the other food retailers (non-discount)

- **Few believe that the non-discounters have to limit themselves to damage control, as long as the economic slowdown continues.**
  - Only 28% believes that the current economic climate is so disadvantageous to the non-discounters (such as Delhaize Group and Carrefour Belgium), that they are forced to concentrate on limiting the damage.
  - That explains why only a small minority of respondents (34%) believes that in 2009 Delhaize will loose market share because of the continued price sensitivity. The suppliers of the retailers are even more optimistic about next year's business outlook for Delhaize than the other respondents.
  - This also implies that the non-discounters should be very cautious when communicating about price and discounts. 78% agrees that otherwise they may put 'price' even higher on the consumer's agenda, what is of course in the interest of the discounters.
- **Unlike financial analysts, managers from within the industry are far less convinced that Carrefour is likely to exit Belgium.**
  - Overall, Carrefour Belgium is performing excellently with its Express convenience banner. Also the GB supermarkets are perceived to be competitive. The key challenge remains the Carrefour hypermarkets, which are under pressure. But this is more a format problem, as the Cora hypermarkets are also struggling to regain momentum.
  - Given that challenge, it is remarkable that about half of the respondents believes that an extreme make-over can make the hypermarket concept structurally successful in Belgium.
  - And even if Carrefour wouldn't succeed in working out a structural solution for the hypermarkets, about half of the respondents does not believe that Carrefour will exit Belgium.

78% agree that non-discounters should be careful when communicating about prices & discounts.

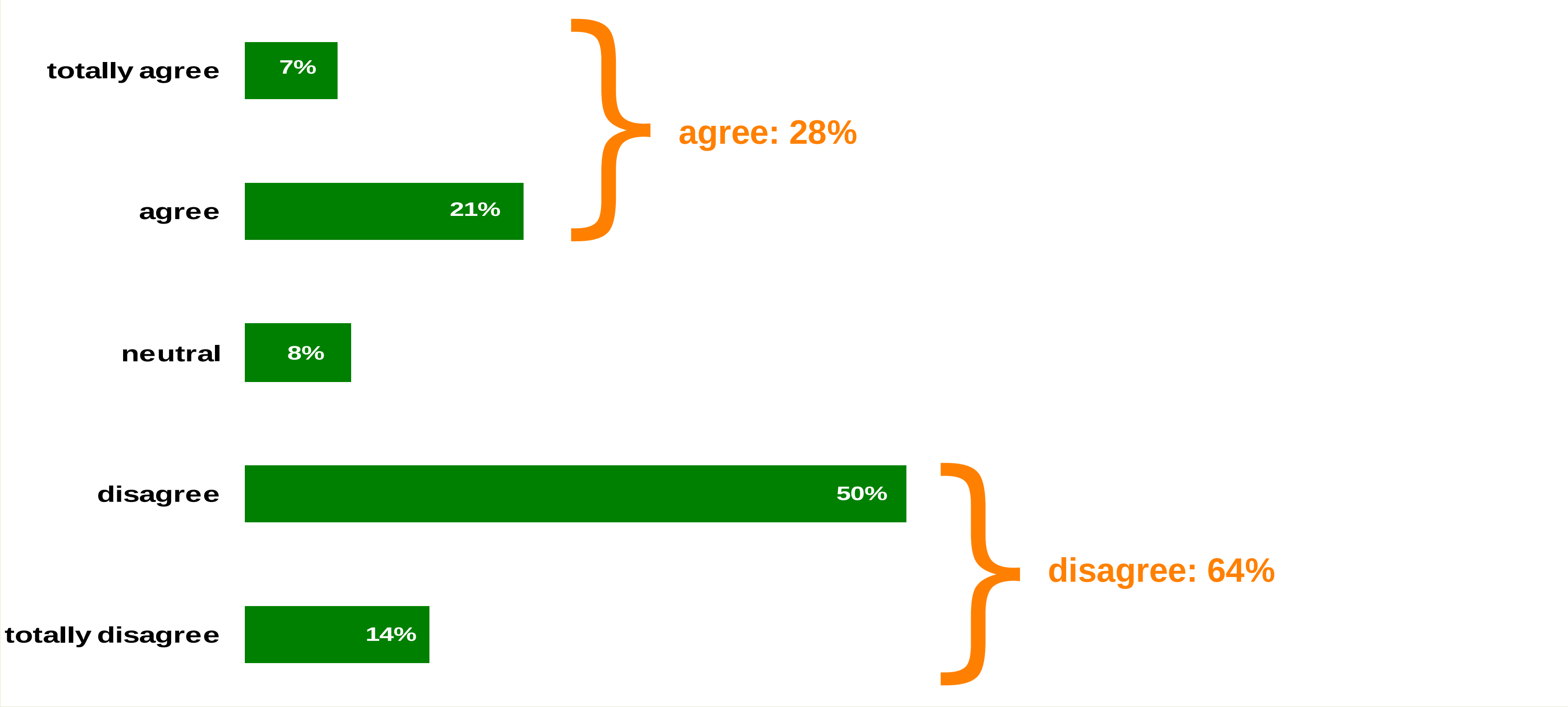
Also in these economic hard times non-discounters have to be very careful when communicating about prices and discounts. Otherwise they will put "price" even higher on the consumer's agenda, which, in turn, is to the advantage of the discounters.



n = 99

64% disagrees that the price sensitivity of the consumer condemns the non-discounters to "damage control".

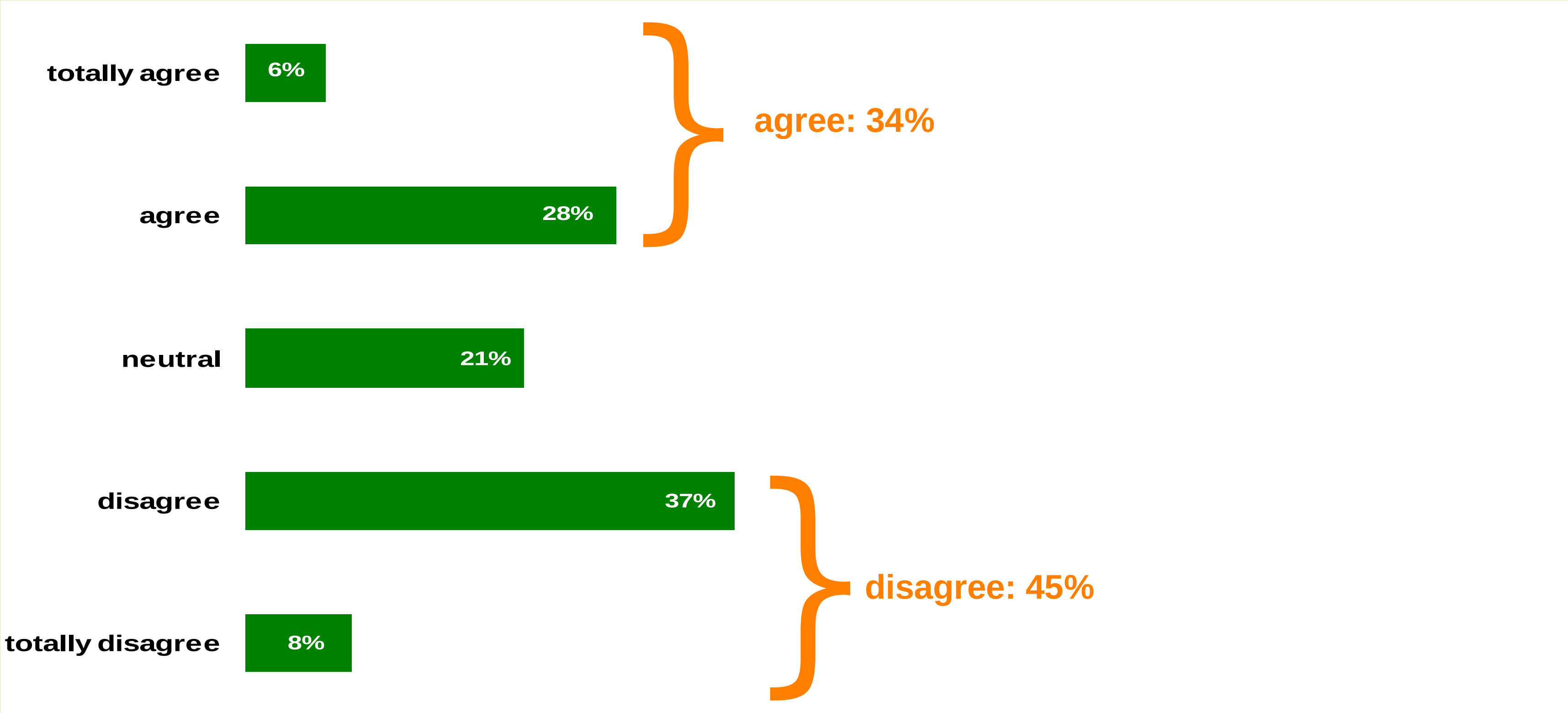
"As long as the economic slowdown lasts, non-discounters can only try to control the damage."



n = 102

Less people agree (34%) than disagree (45%) that in 2009 Delhaize will loose market share because of the continued price sensitivity.

"Also in 2009 the continued price sensitivity is disadvantageous for Delhaize. Their market share will decrease.



n = 104

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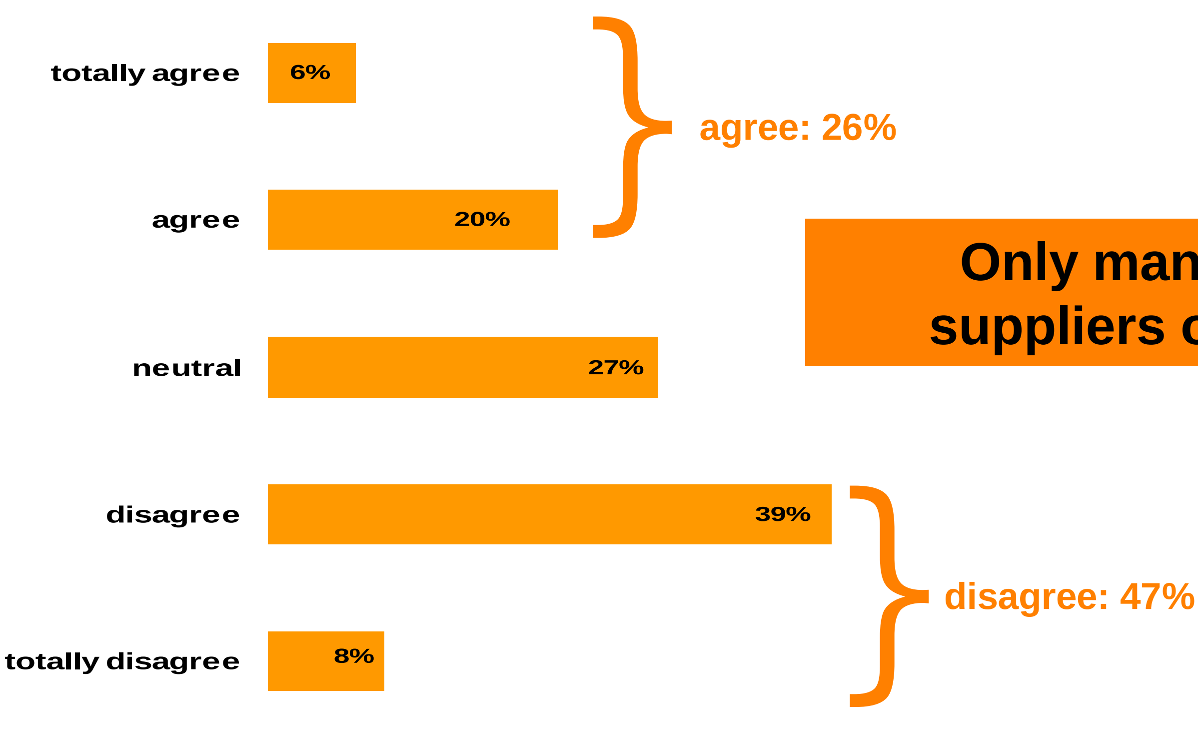
Manufacturers/suppliers are even more optimistic about Delhaize's outlook for 2009 than the average respondent.

"Also in 2009 the continued price sensitivity is disadvantageous for Delhaize. Their market share will decrease.



Only manufacturers & suppliers of the retailers

n = 56

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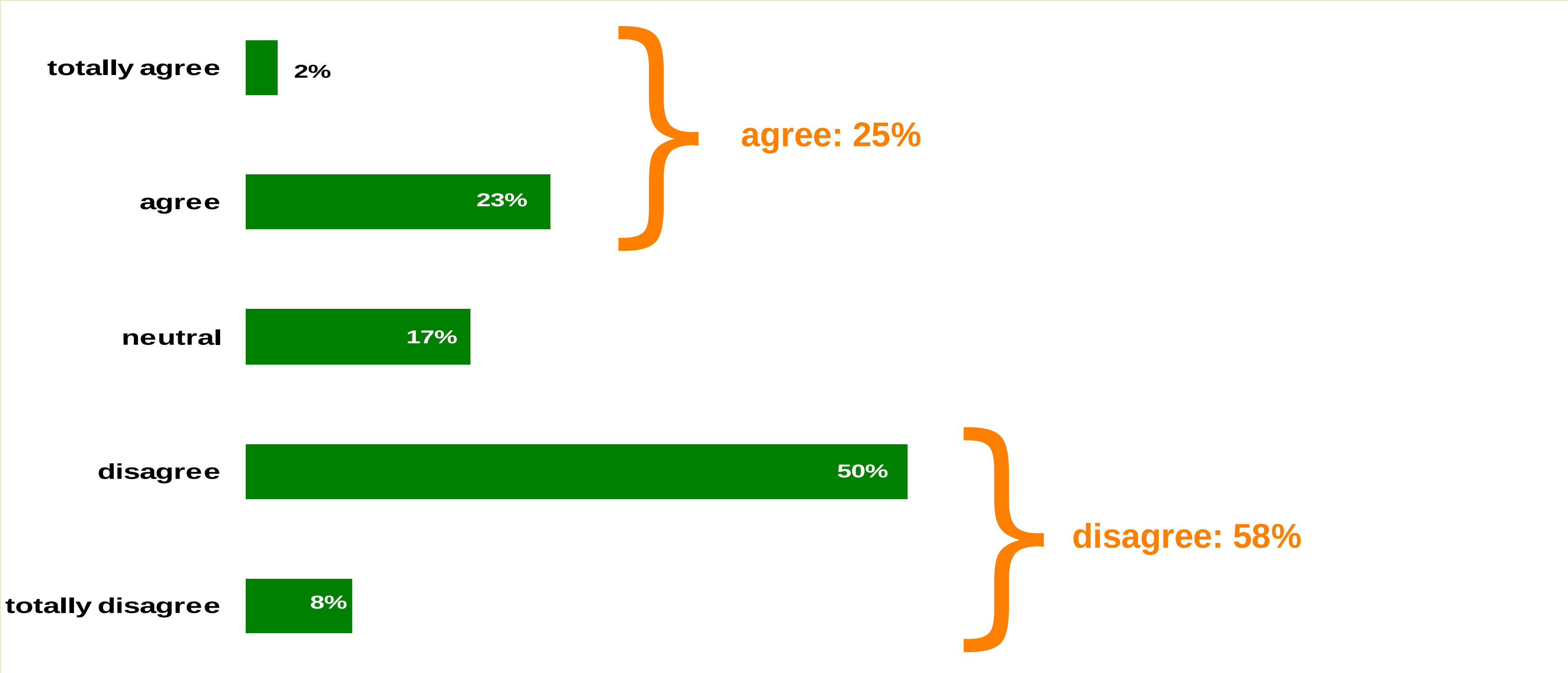
58% disagrees that Delhaize has a structural problem with its (larger) supermarkets.

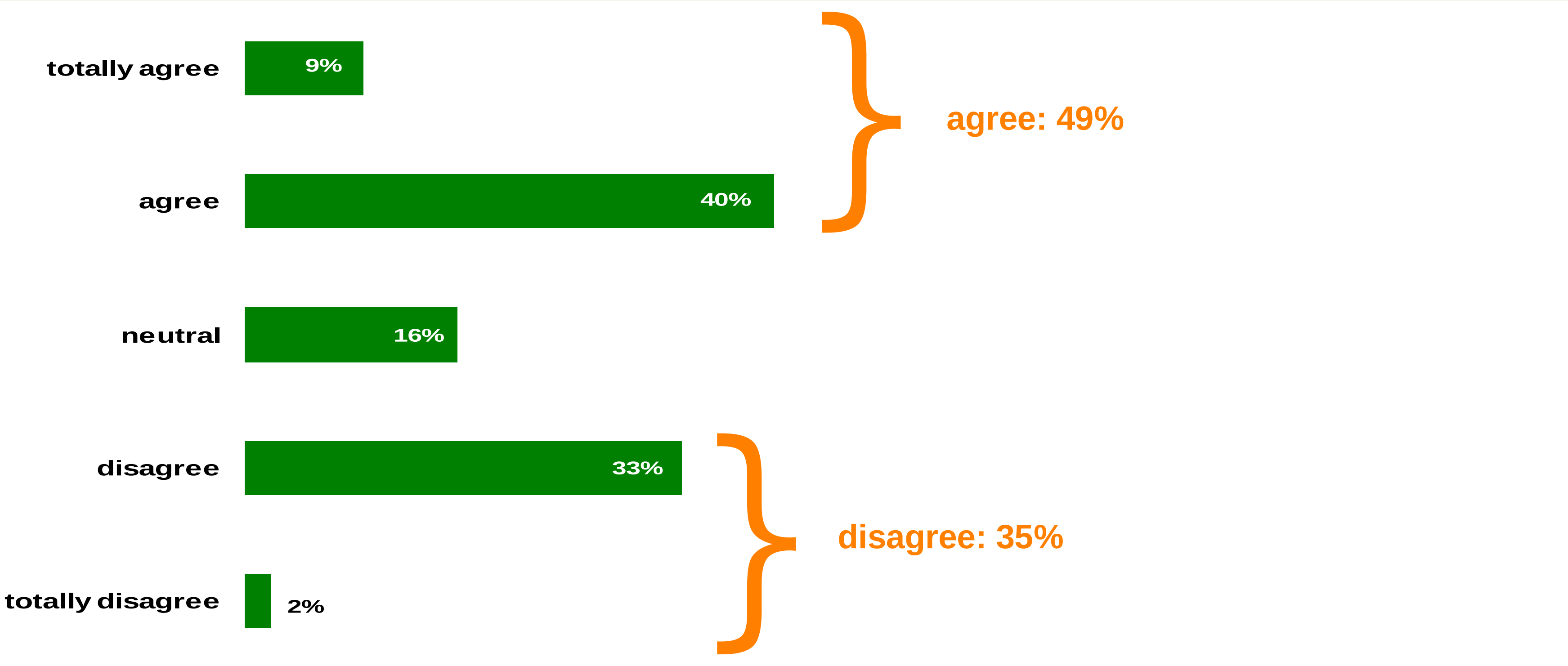
"Delhaize is facing a structural problem with its (larger) supermarkets. Therefore, the loss of market share is structural and not merely cyclical.



n = 111

Almost 50% believes that an extreme make-over can make the hypermarket concept structurally successful.

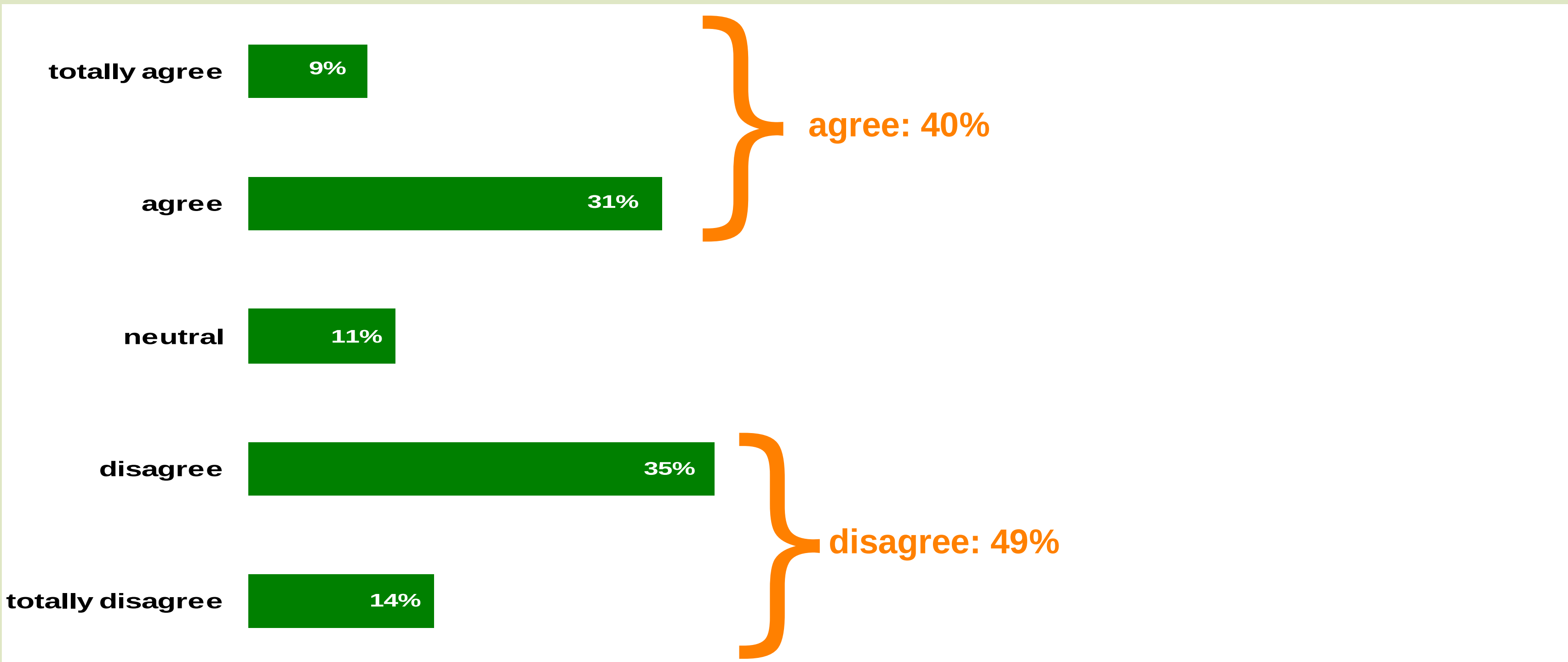
“ By fundamentally rethinking the hypermarket concept in Belgium (different positioning and concept of the non-food and/or the food department), hypermarkets can become structurally succesful.



n = 108

There is absolutely no consensus as to whether Carrefour will exit the Belgian market if it doesn't succeed in turning around the hypermarkets. More people consider an exit unlikely.

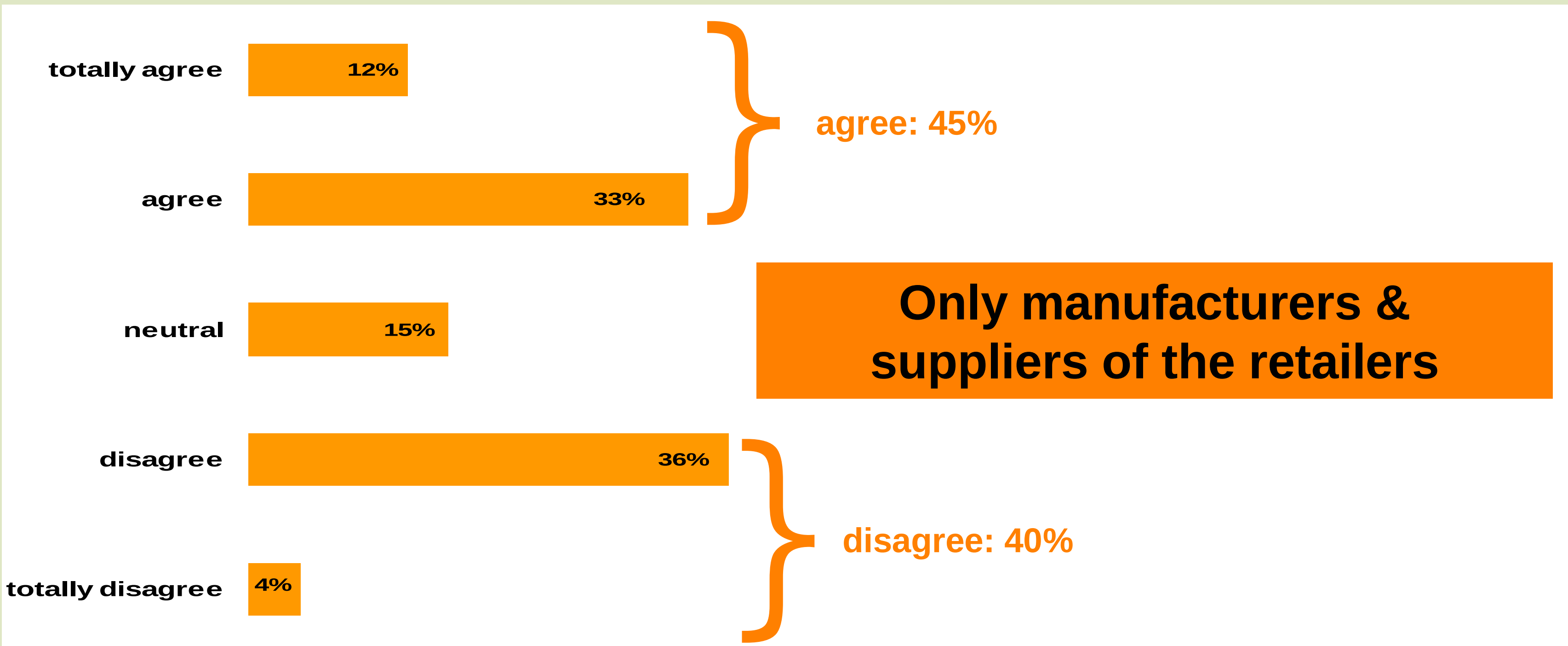
"If Carrefour does not succeed in making its hypermarkets structurally succesful, an exit from Belgium becomes inevitable."



n = 109

The opinions of the manufacturers are also divided, but more expect an exit of Carrefour in case of a failed turnaround of the hypermarkets.

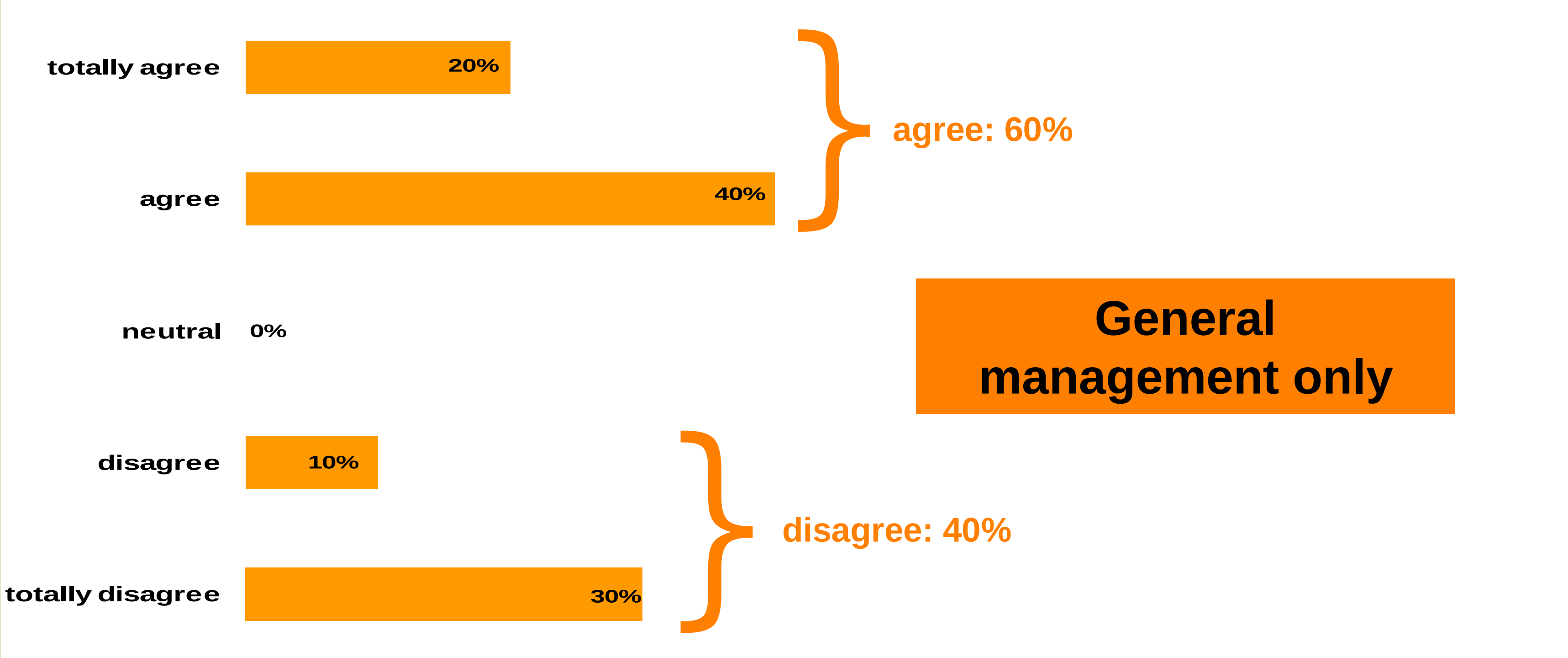
"If Carrefour does not succeed in making its hypermarkets structurally succesful, an exit from Belgium becomes inevitable."



n = 56

The opinions of general manager are also divided, but a majority expects an exit of Carrefour in case of a failed turnaround of the hypermarkets. (Please note that this refers to only 10 respondents !)

"If Carrefour does not succeed in making its hypermarkets structurally succesful, an exit from Belgium becomes inevitable."



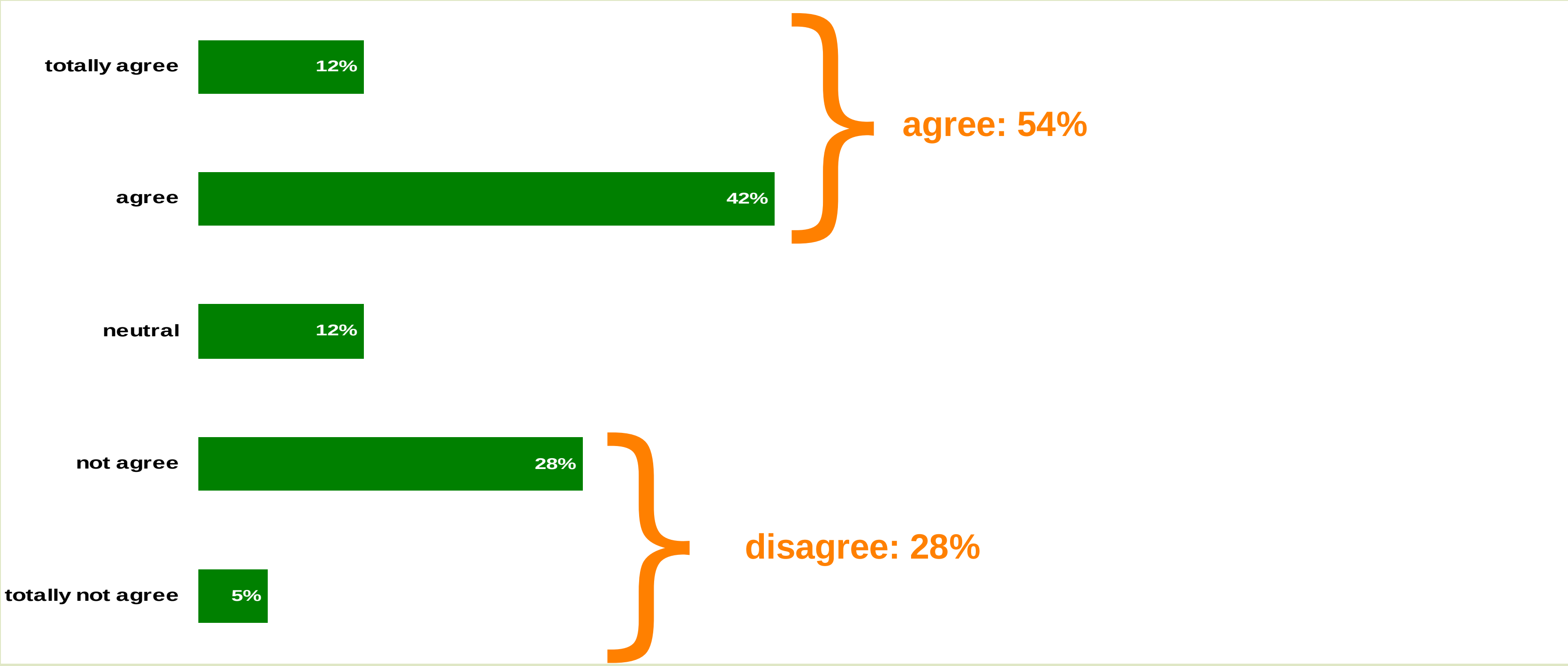
n = 10

Supply chain, employment & talent management

- **Supply chain management is going through many changes**
  - 54% agrees that high fuel costs and global warming will result in more local manufacturing & sourcing to reduce transportation. During the closing CEO-panel it was stressed that this trend is already materialising for quite some time.
  - 57% agrees that nowadays supply chain managers need more soft skills. Although the hard skills (knowledge of logistical concepts & techniques) remain paramount, further integration of the supply chain between manufacturers and retailers does require more soft skills (leadership, collaboration, communication,…)
  - 74% agrees that a lean supply chain is a vulnerable one. Problems such as strikers, transportation delay's or quality issues, tend to have a direct impact on the performance of the supply chain.
- **The war for talent continues, in spite of the economic slowdown and the financial crisis.**
  - Only 7% agrees that the pressure on the labour market is decreasing. Apparently, it has NOT become easier to find 'good candidates' again.
  - Only one third agrees that the financial crisis is rendering the FMCG industry more attractive as an employer.
- **The majority (54%) disagrees that the economic slowdown is hampering the trust of employees in their employers.**
  - HR Managers are even less convinced that the trust is under pressure.

54% agrees that high fuel costs and global warming will result in more local manufacturing & sourcing to reduce transportation

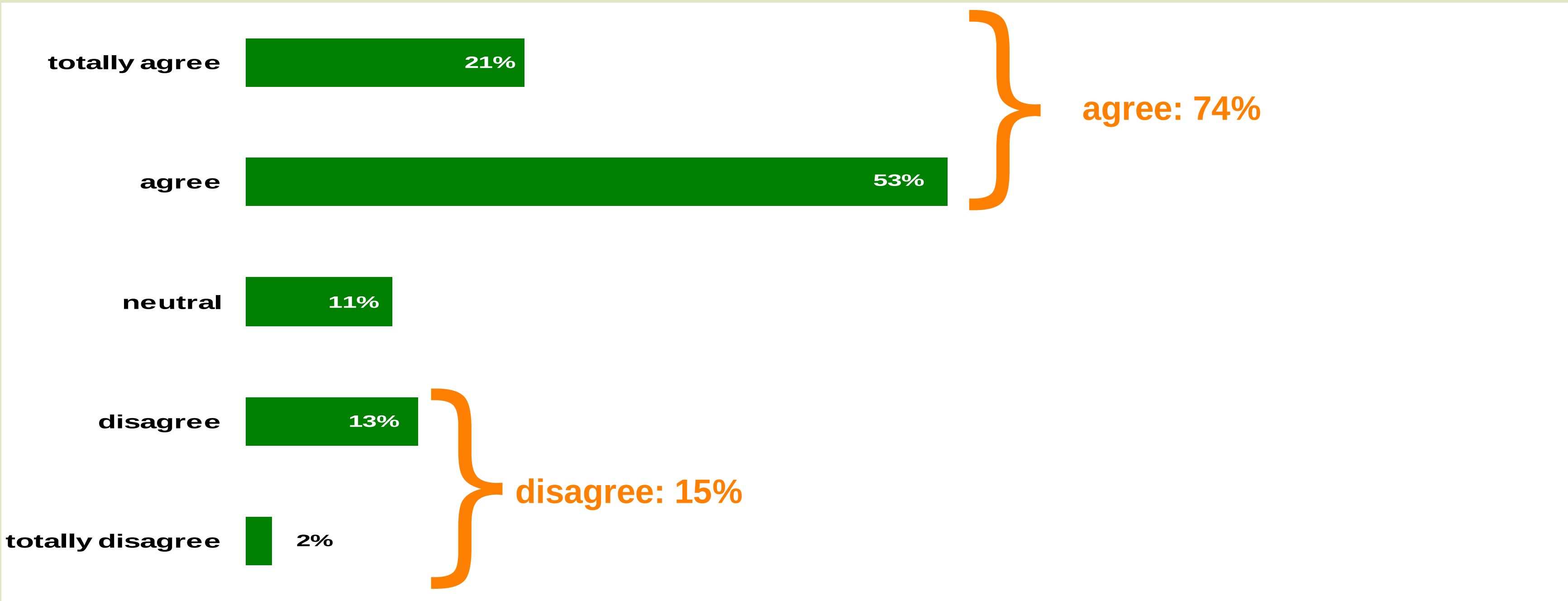
“ The high fuel prices and the increasing pressure to reduce CO2 emissions are forcing us to rethink our logistics strategy: we will revert to local manufacturing, purchasing, etc. in order to reduce transportation.”



n = 105

74% agrees that a lean supply chain is a vulnerable.

“ Companies have made considerable investments to reduce stocks and to implement a lean supply chain. As a consequence, the supply chain is vulnerable, as all kinds of problems such as strikes, transport issues, quality issues,… have a direct impact on its performance.

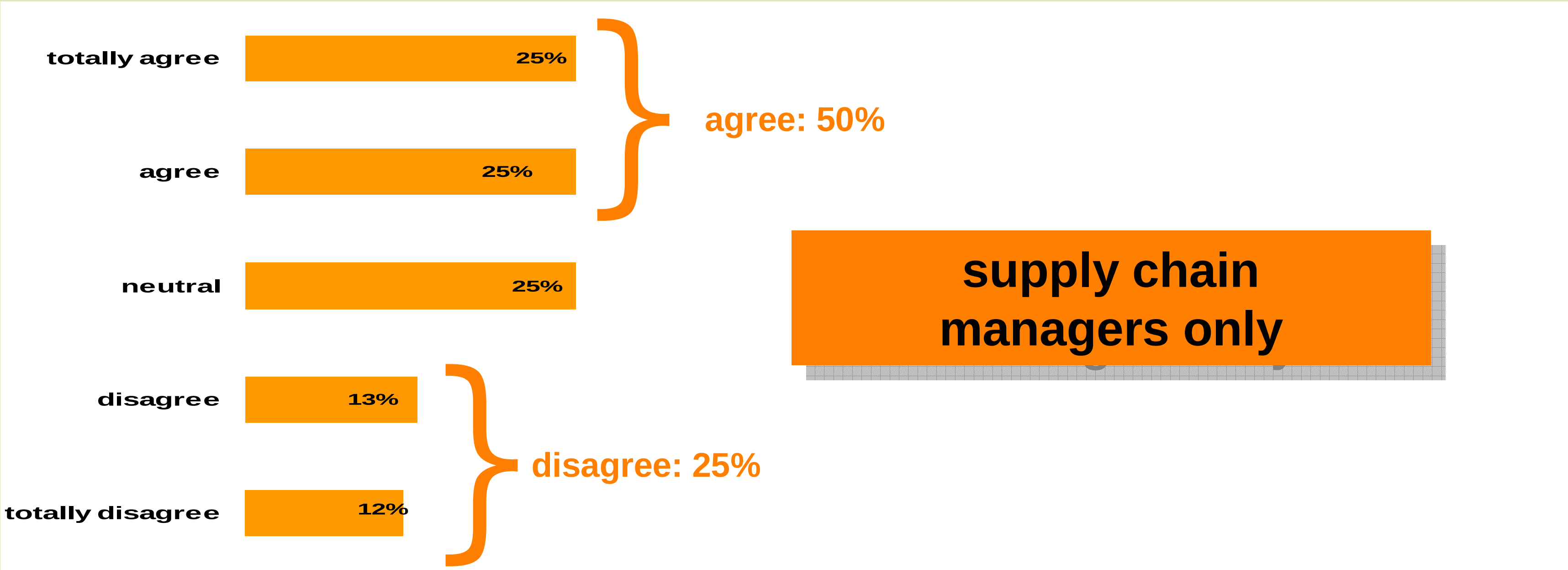


n = 98

Strikingly, far less supply chain managers (only 50%) agree with the vulnerability of the lean supply chain.

(Please note that this refers to just 10 respondents).

" Companies have made considerable investments to reduce stocks and to implement a lean supply chain. As a consequence, the supply chain is vulnerable, as all kinds of problems such as strikes, transport issues, quality issues,… have a direct impact on its performance.



n = 10

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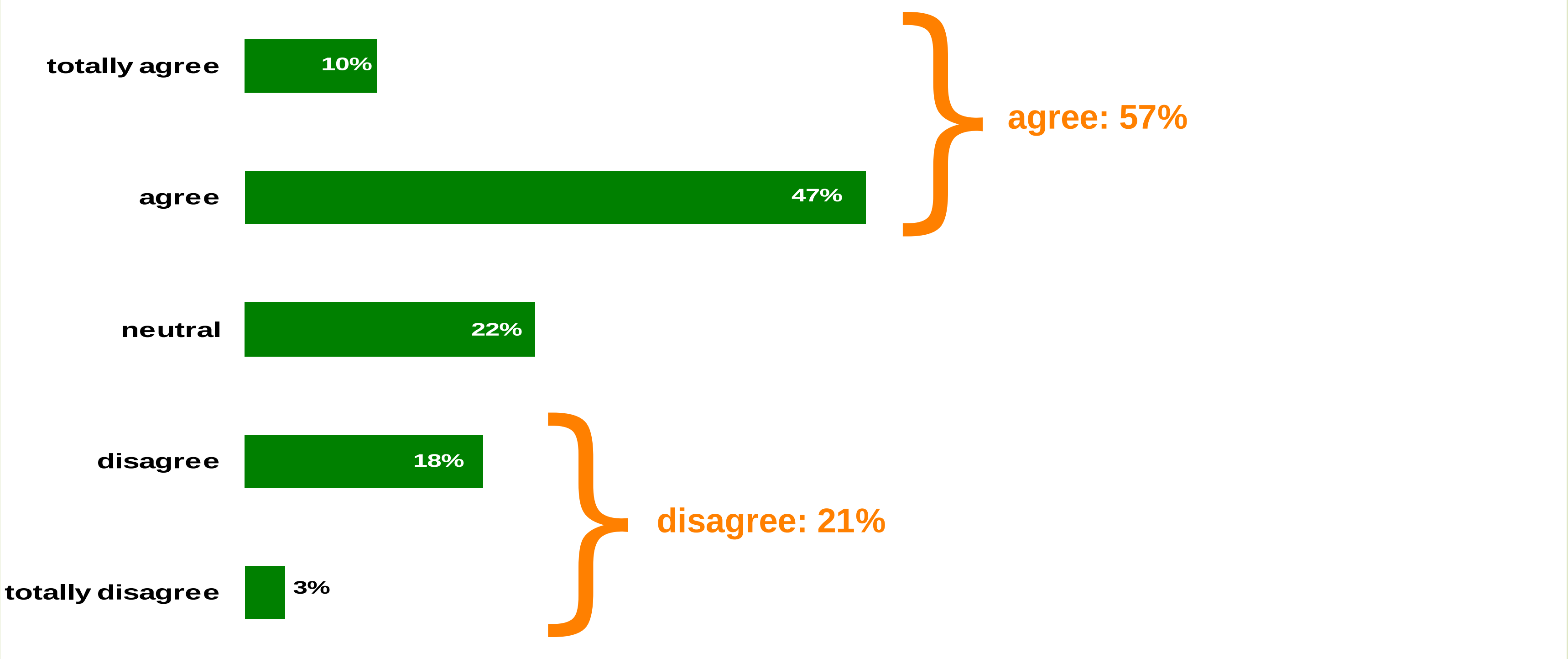
57% agrees that nowadays supply chain managers need more soft skills

"Nowadays supply chain managers require more soft skills (communication, leadership, collaboration), rather than know-how of logistical concepts and technical skills (the so-called hard skills).

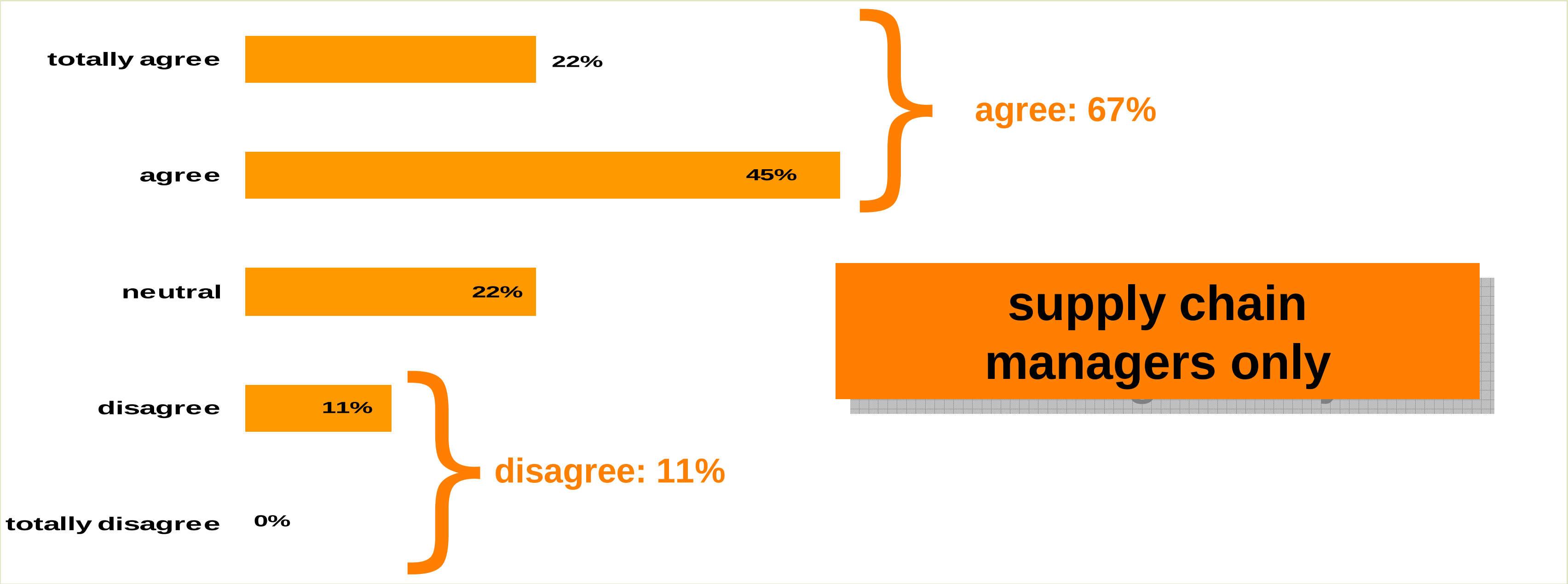


n = 100

Supply chain managers agree even more with the need for soft skills (67%)

(Please note that this refers to just 10 respondents).

"Nowadays supply chain managers require more soft skills (communication, leadership, collaboration), rather than know-how of logistical concepts and technical skills (the so-called hard skills).



n = 10

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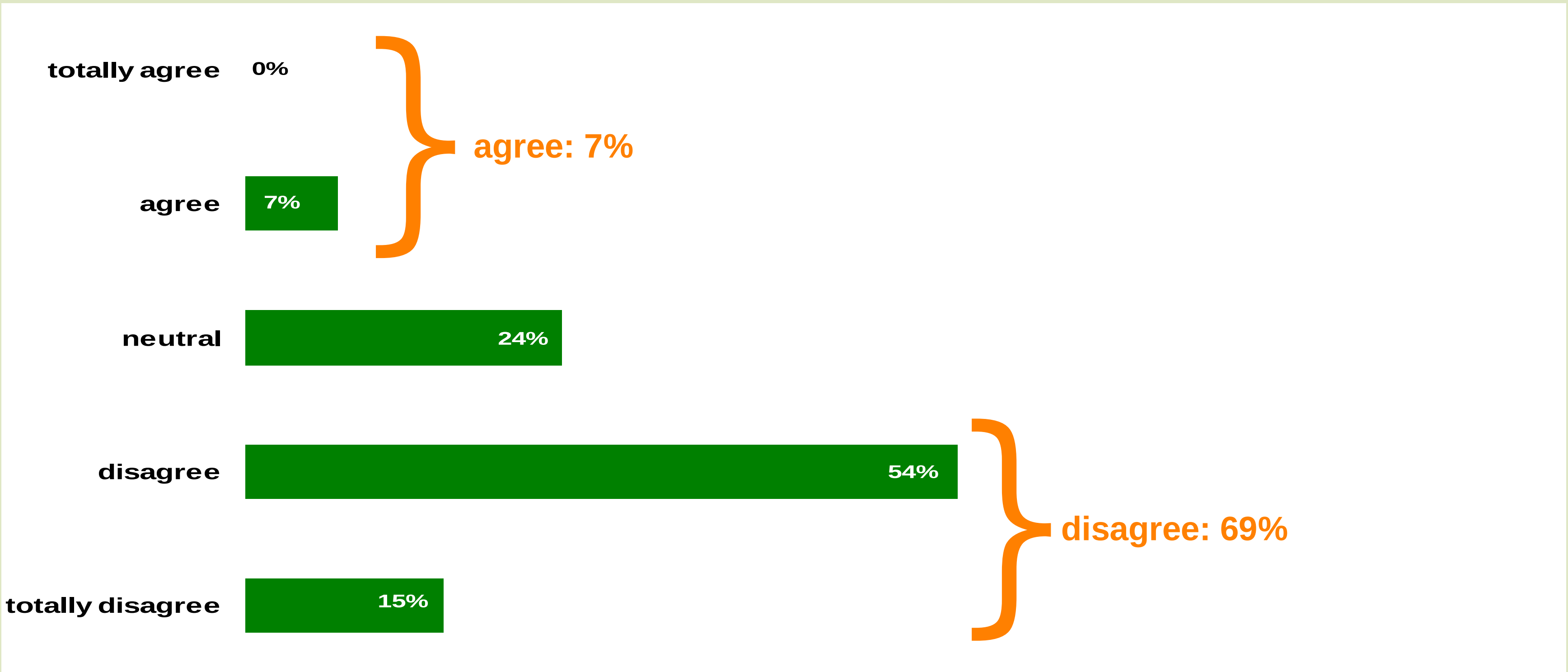
The war for talent doesn't become easier: only 7% agrees !

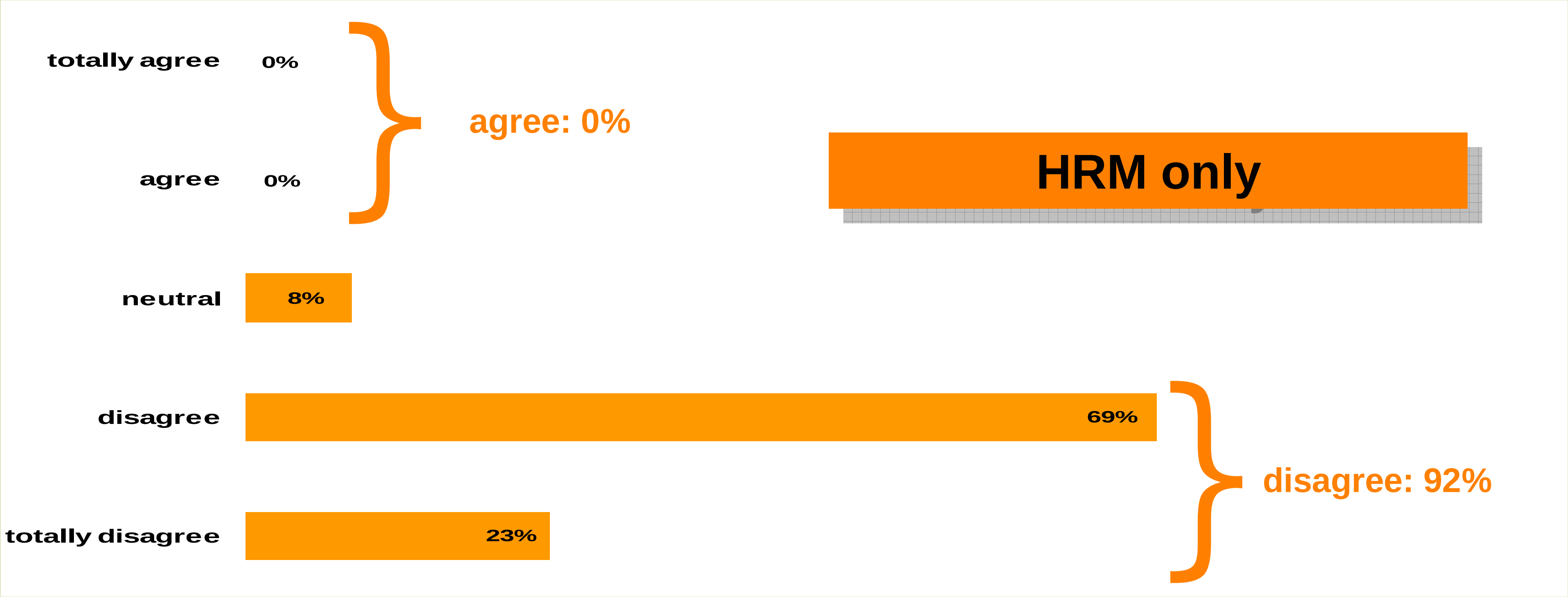
**" The pressure on the labour market is decreasing.
It has become easier to find 'good candidates' again."**



n = 101

Not a single HR manager agrees that it has become easier to find good candidates (n=15 !)

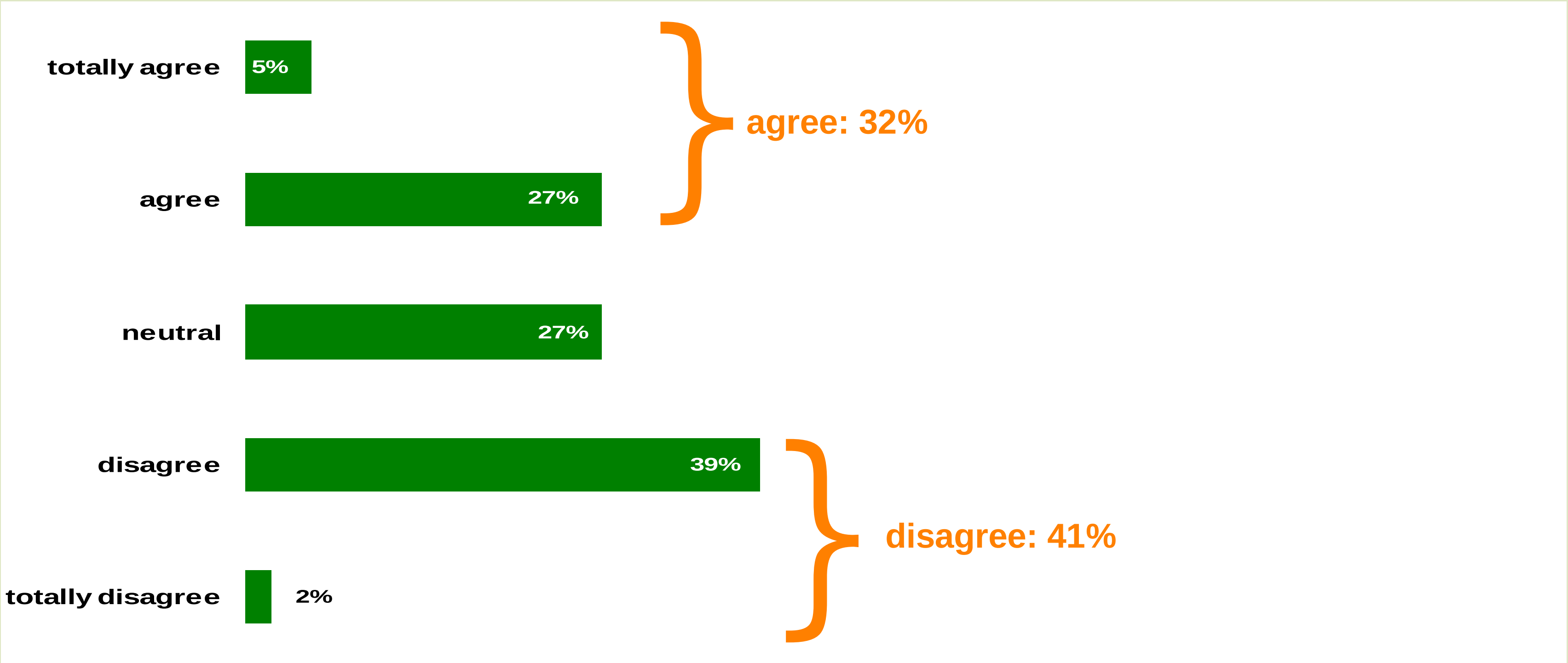
“ The pressure on the labour market is decreasing. It has become easier to find ‘good candidates’ again.”



n = 15

Only one third agrees that the financial crisis is rendering the FMCG industry more attractive as an employer

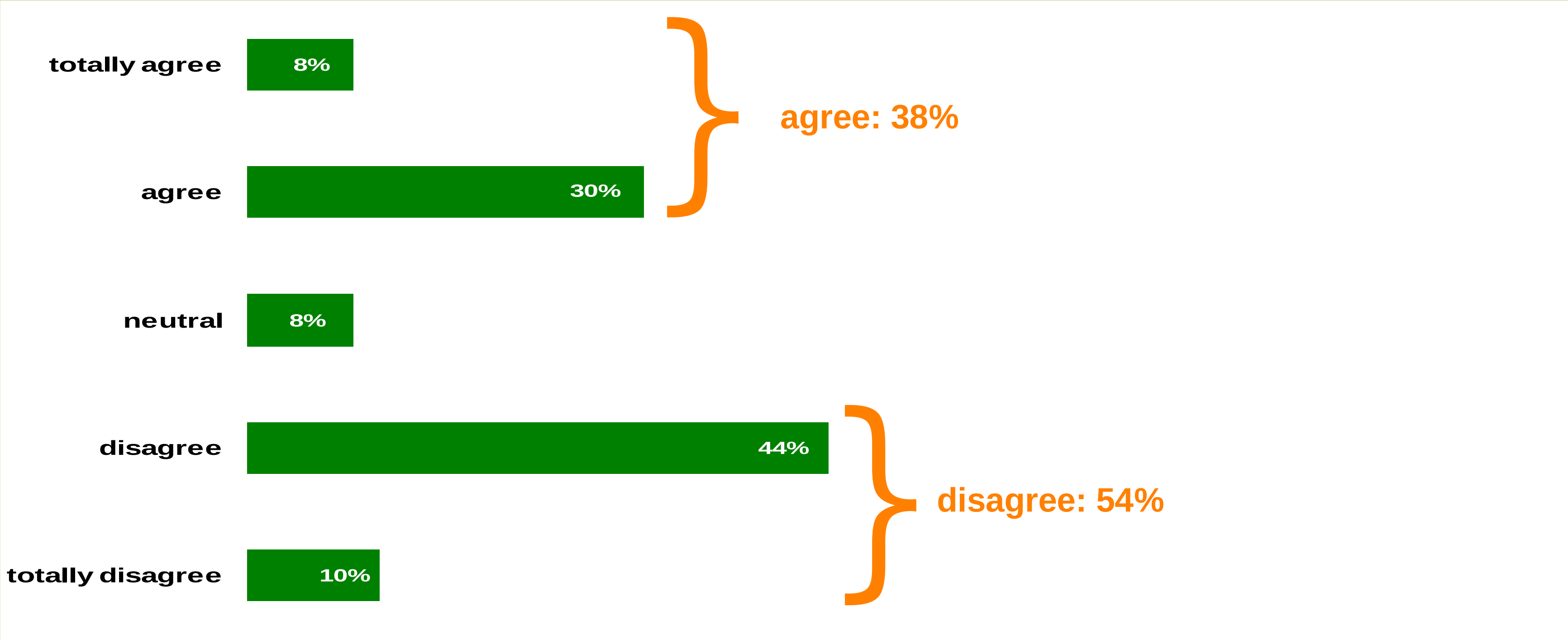
“The ‘hard times’, for instance in the financial industry, is increasing the attractiveness of the FMCG industry as an employer.



n = 96

The majority (54%) disagrees that the economic slowdown is hampering the trust of employees in their employers.

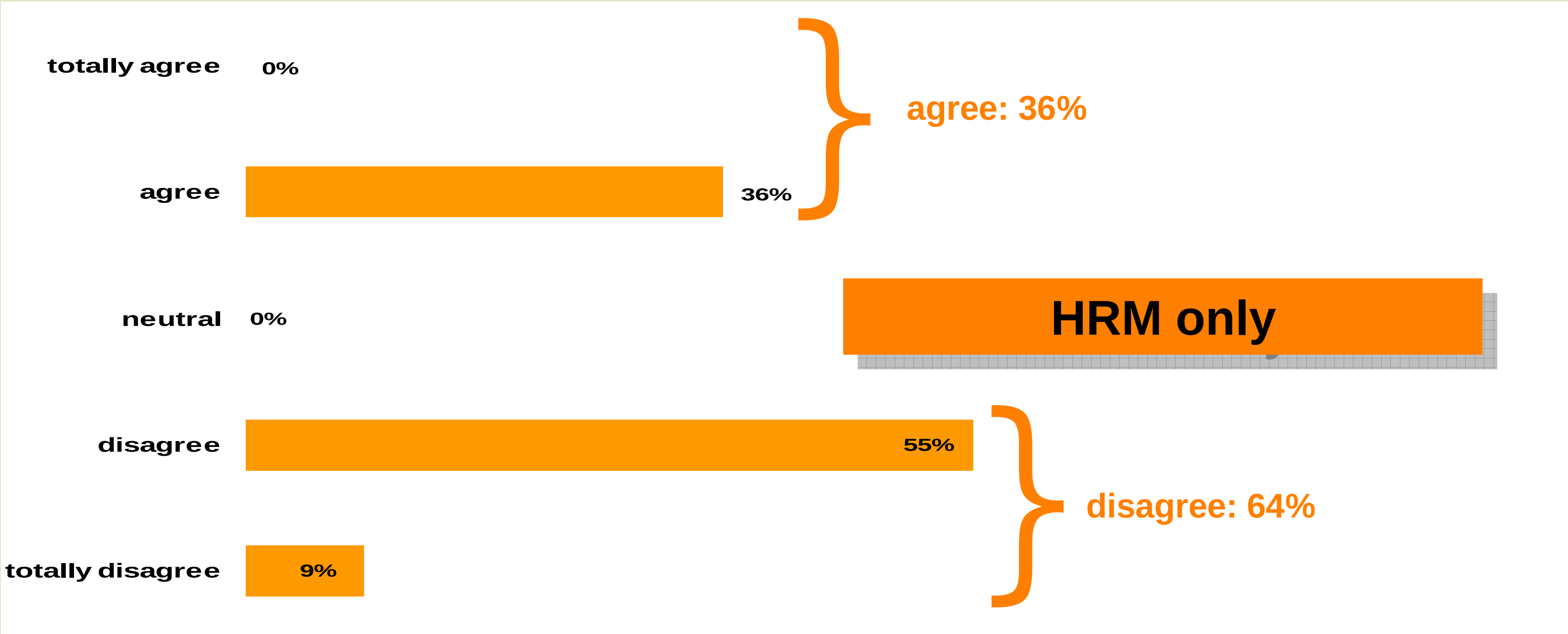
" As a result of the current economic slowdown, employees' trust in their employers is at a historic low, and this across all industries.



n = 98

Even more HR managers (64%) disagree with the decline in trust because of the economic climate (n=15 !).

“ As a result of the current economic slowdown, employees’ trust in their employers is at a historic low, and this across all industries.



n = 15

Contact

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