

# Winners and Losers: Crisis Effects and Success Factors in the FMCG Industry

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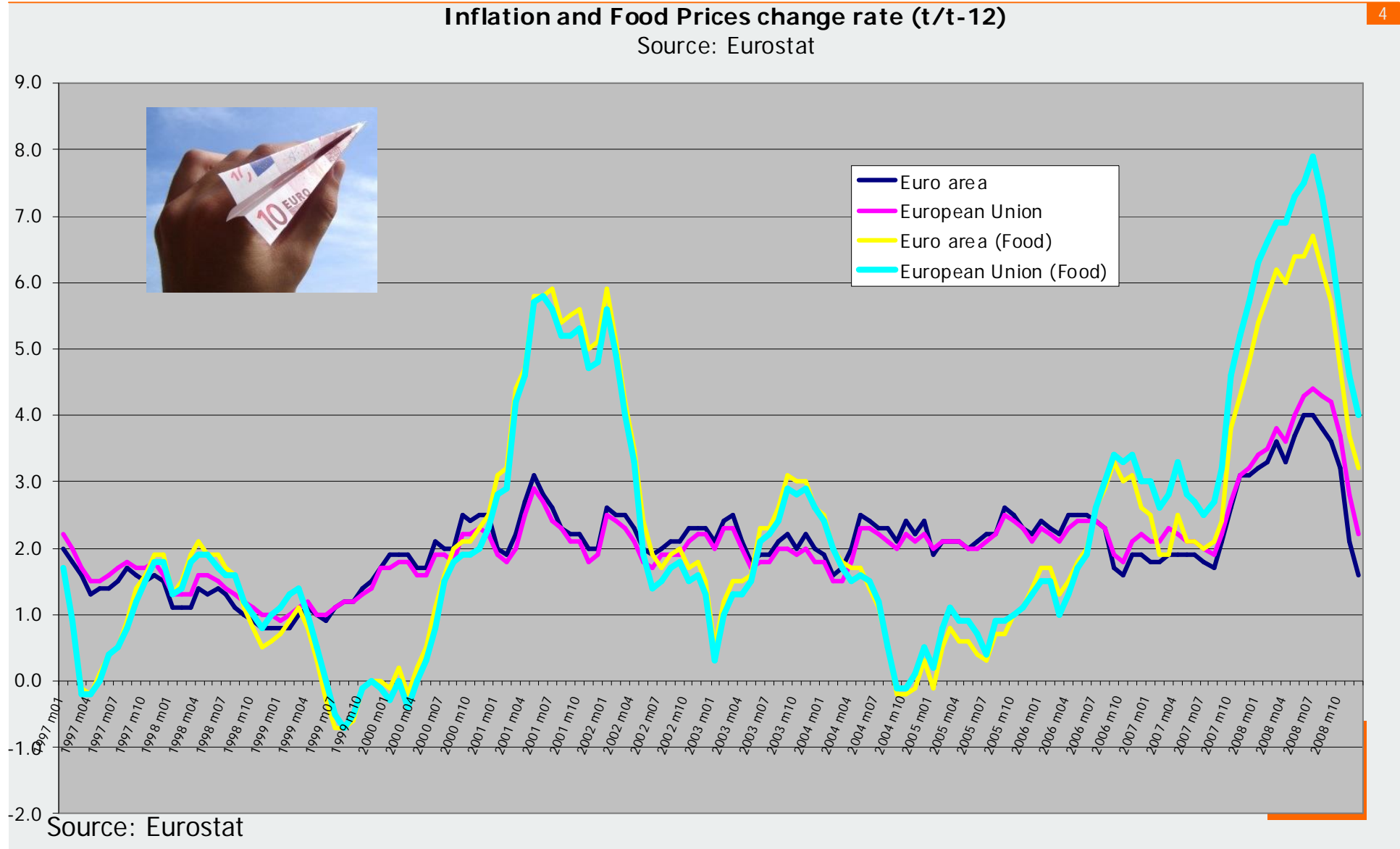
# Agenda

- 1 International crisis effects
- 2 Changes in shopping & consumption Behavior
- 3 How crisis-prone is your category/brand?
- 4 Factors of success during recession
- 5 Summary and outlook

# Inflation



# Inflation



# ...The Recession...

## Real Estate Crisis

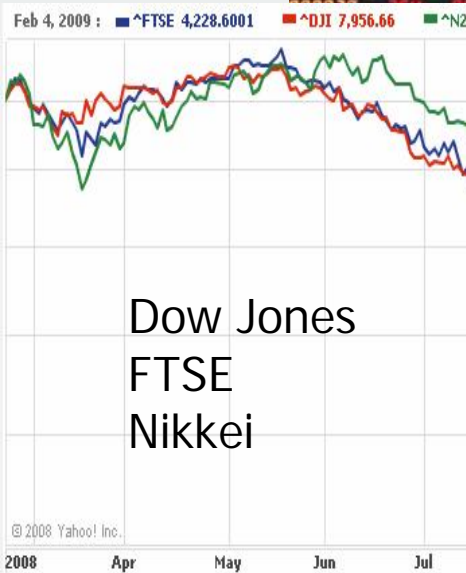


Banks in Administration, nationalized banks, "bailouts"

## Stock Market Crash

## Rescue Plan

More rescue plans, protectionism debate



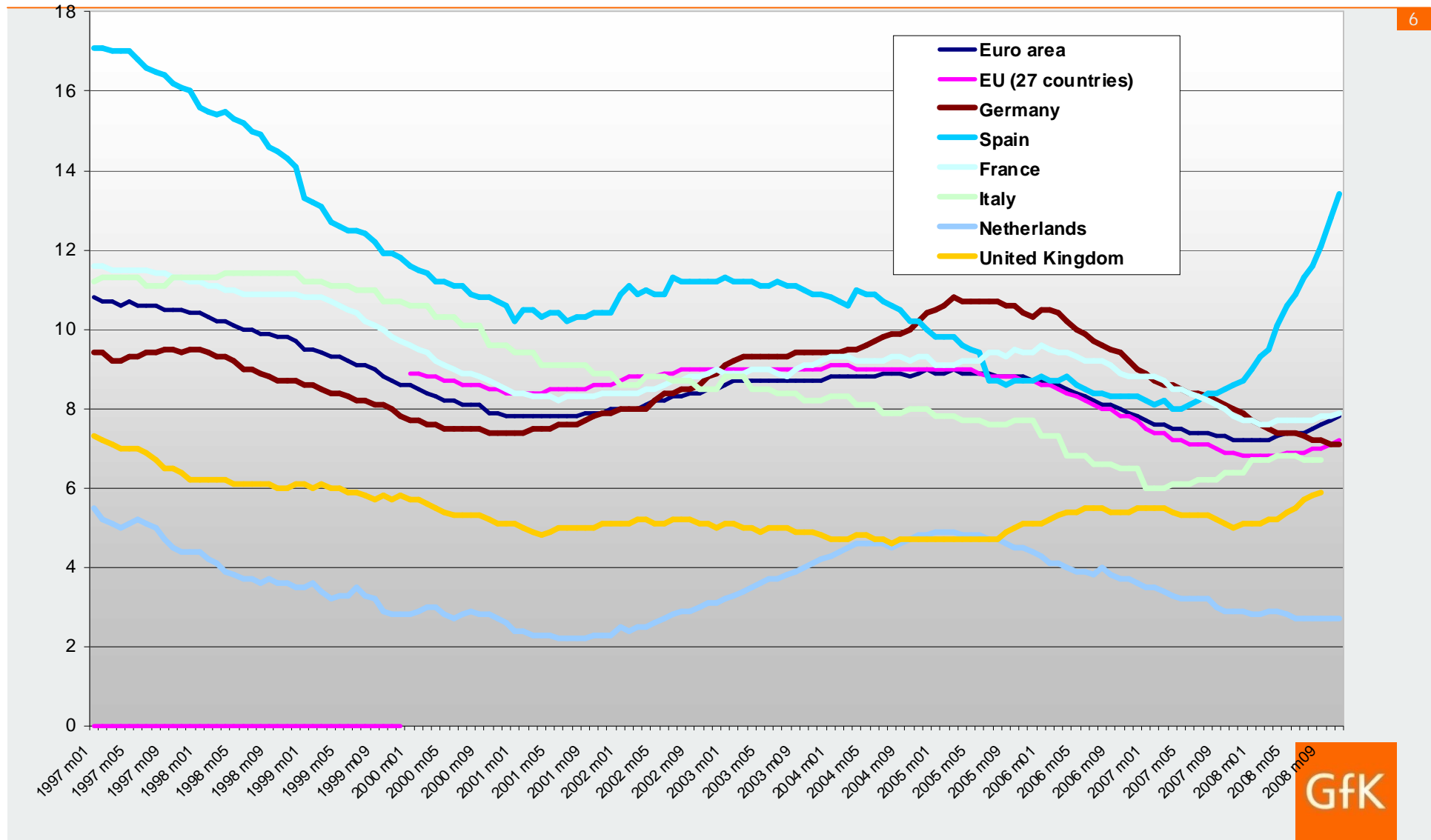
Dow Jones  
FTSE  
Nikkei



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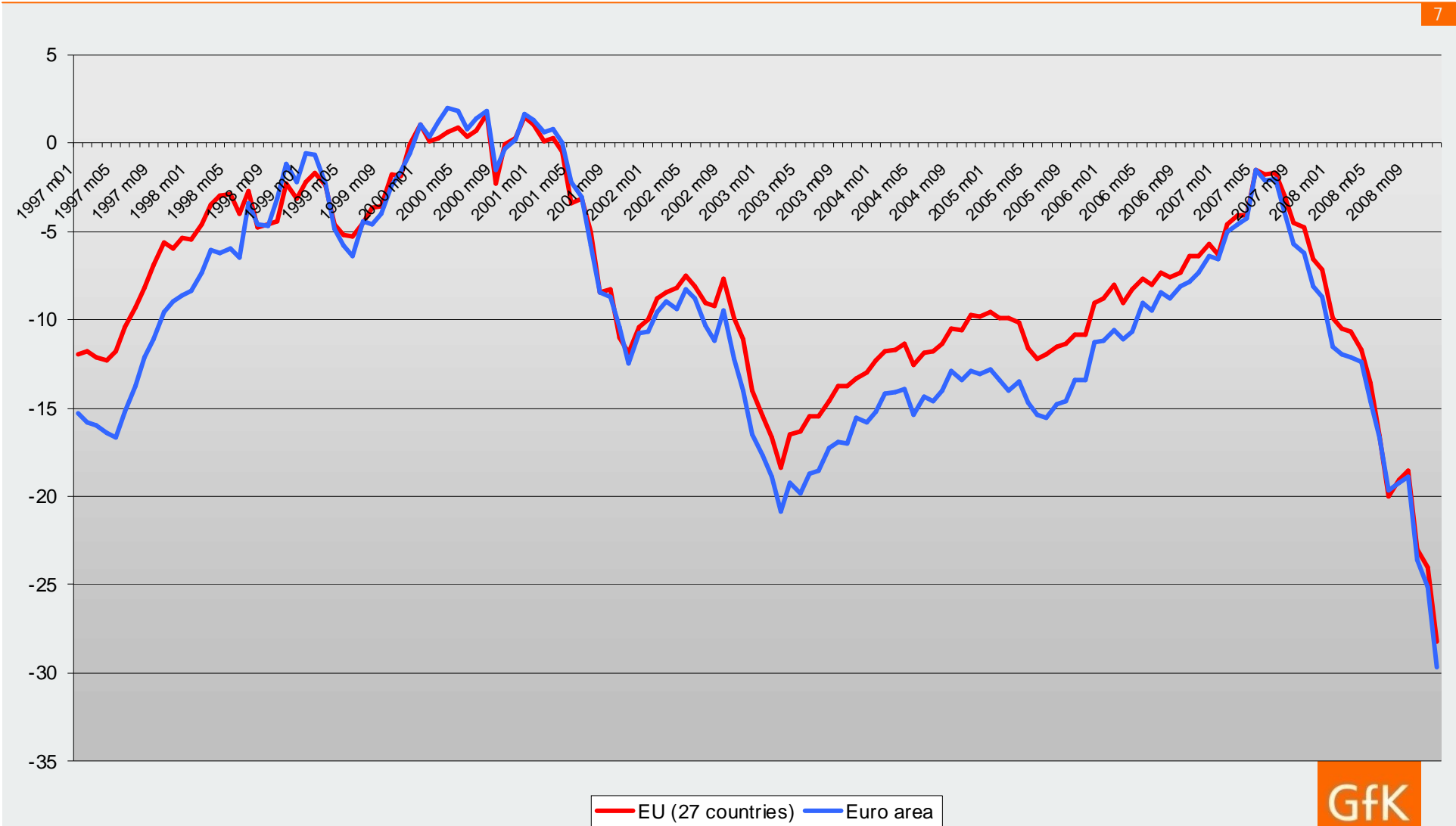
Source: yahoo finance, www.rts.ru

# Unemployment



# Consumer Confidence

## EU Consumer Confidence Indicator

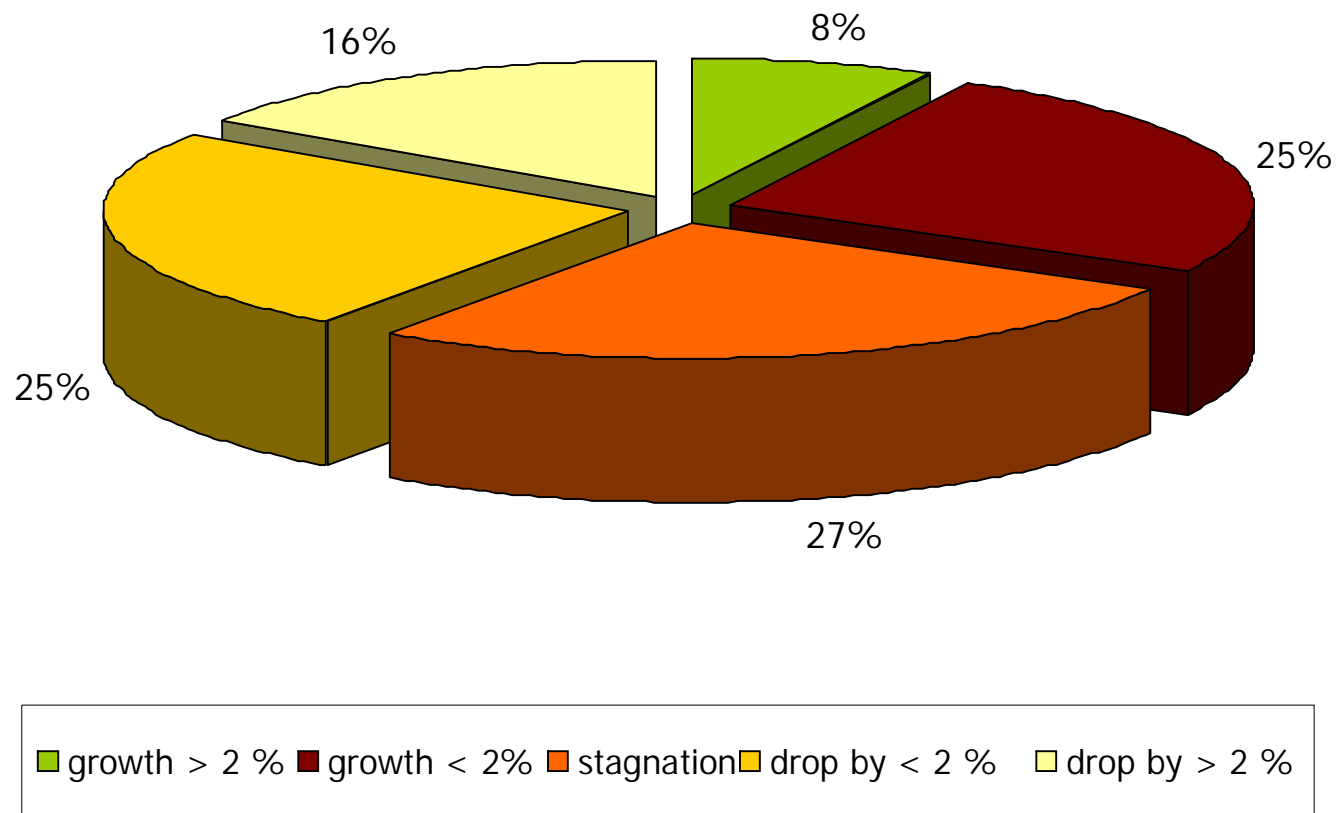


Source: Eurostat

## 300 Top Managers from the CEE Retail & Consumer Market on 2009

8

What in your opinion will be the total retail sales development in 2009?



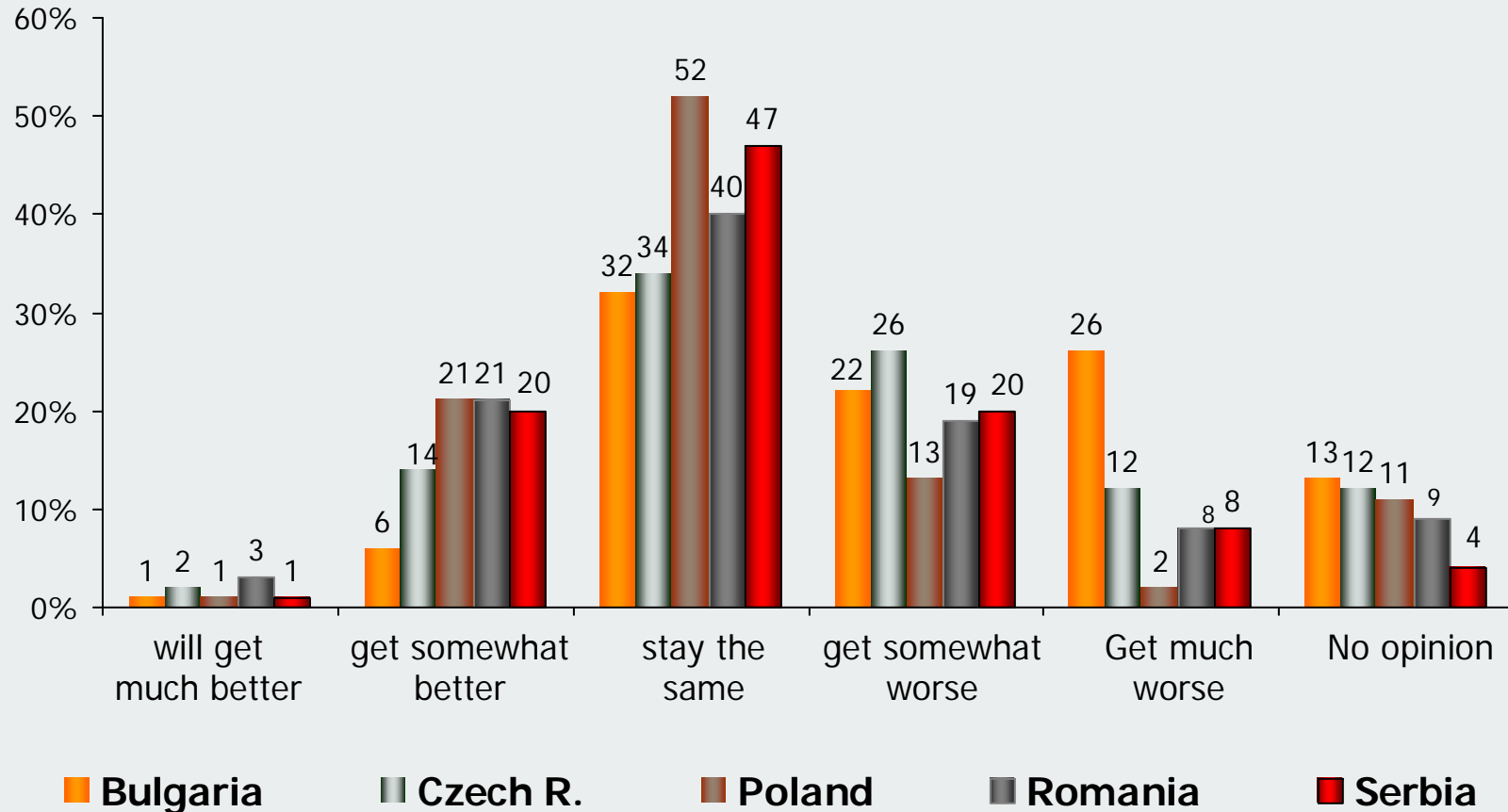
**Source:** Research of GfK Praha among participants of Retail Summit 2009 (2/2009)

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# The End-Consumers Stay Rather Optimistic As Well

What are your household's financial expectations for the upcoming 12 months?

9

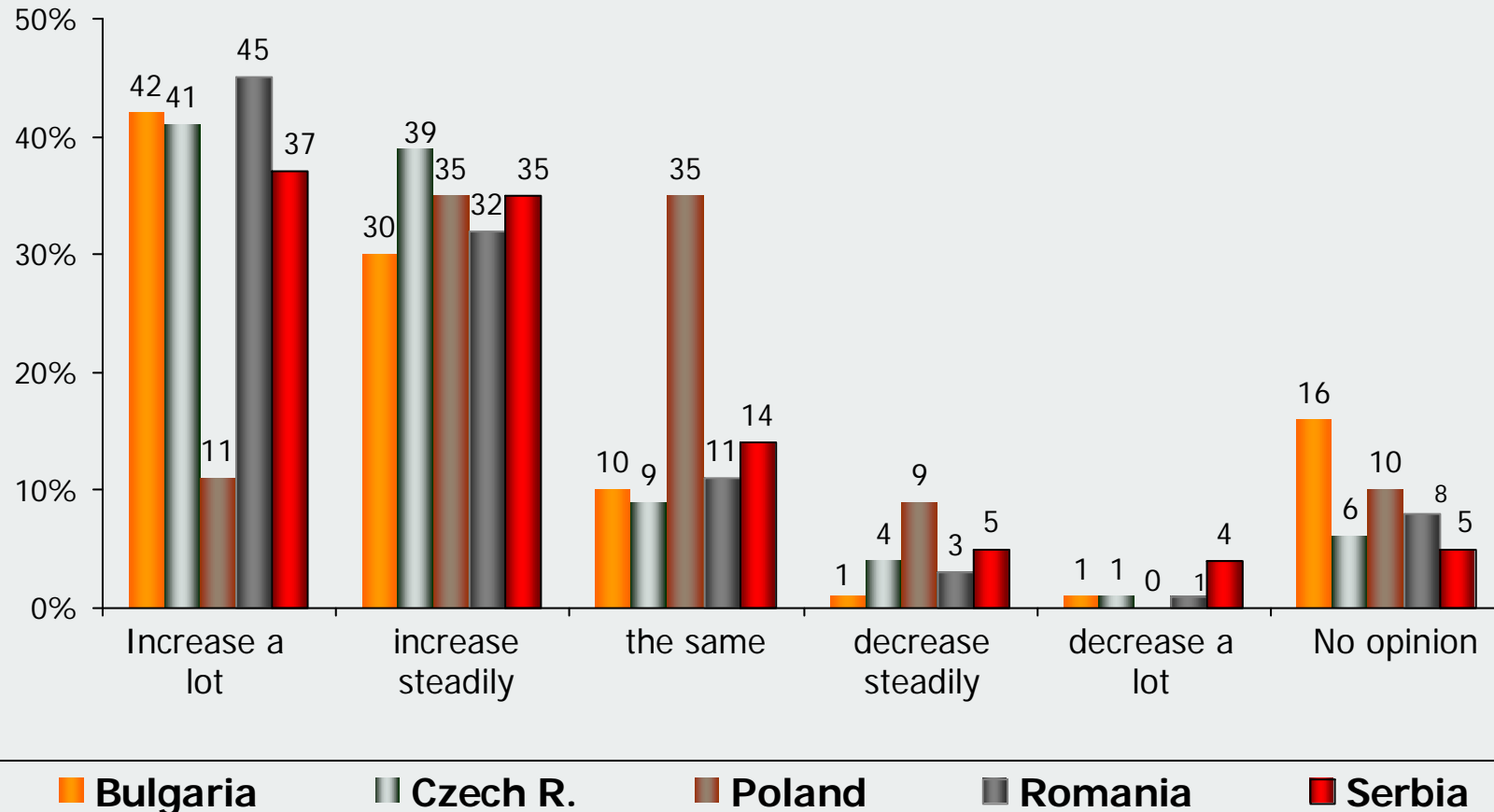


Source: GfK Consumer Confidence Barometer 1/2009

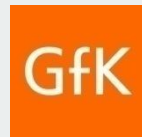
## Fear of Un-Employment is Already Clearly Seen Across CEE

How do you expect unemployment rate will change in your country over the next 12 months?

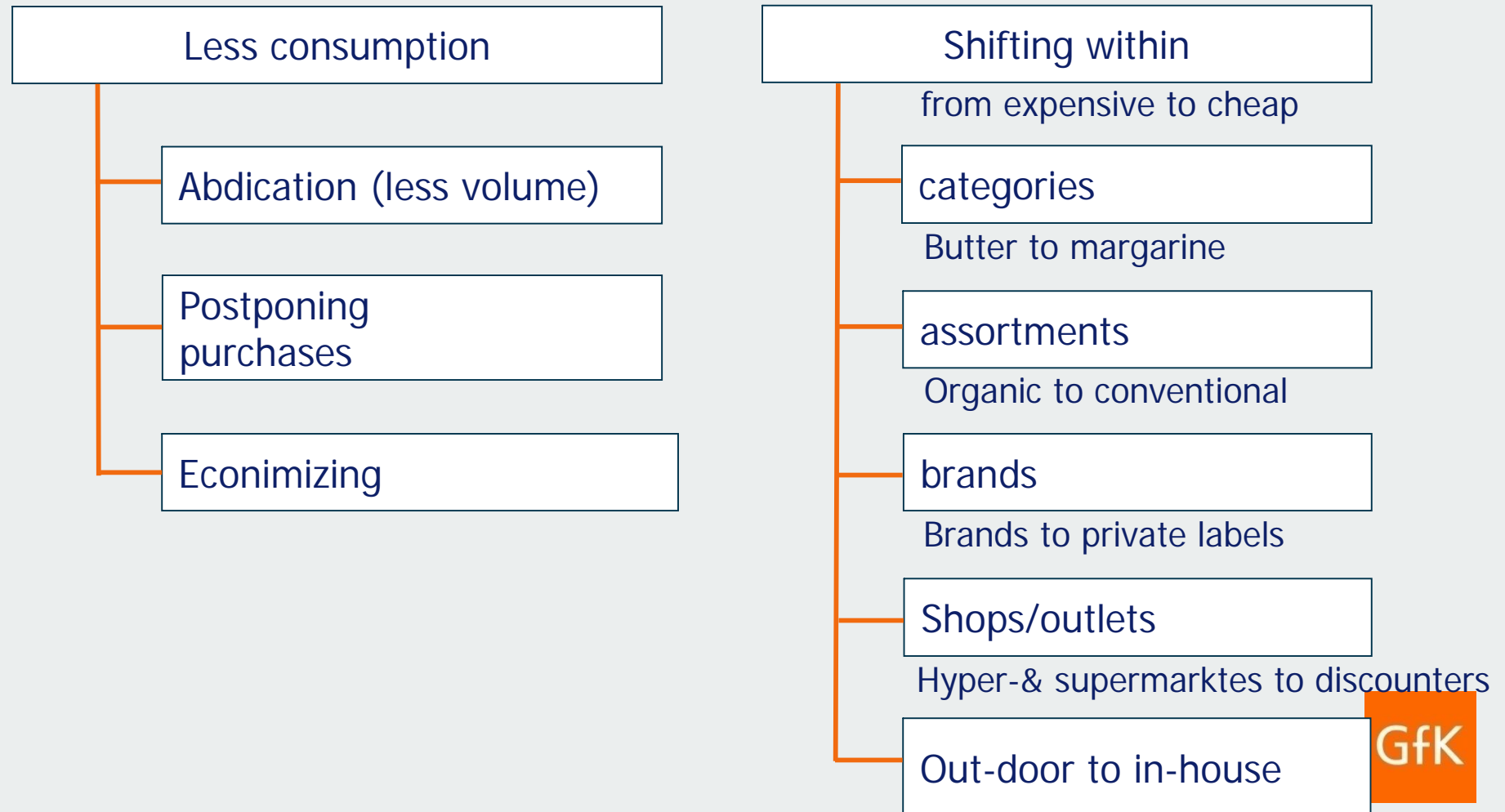
10



Source: GfK Consumer Confidence Barometer 1/2009



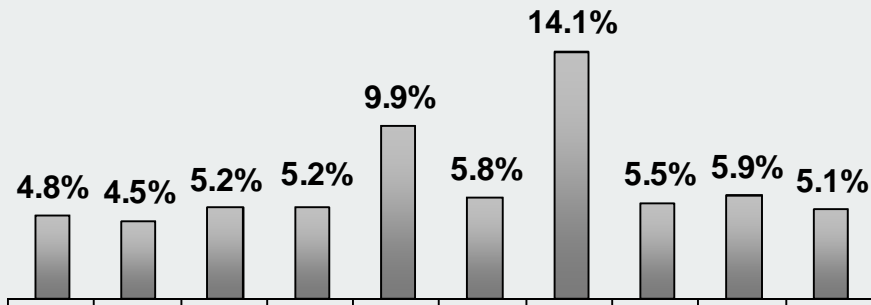
## Consumer's strategies to compensate price increases



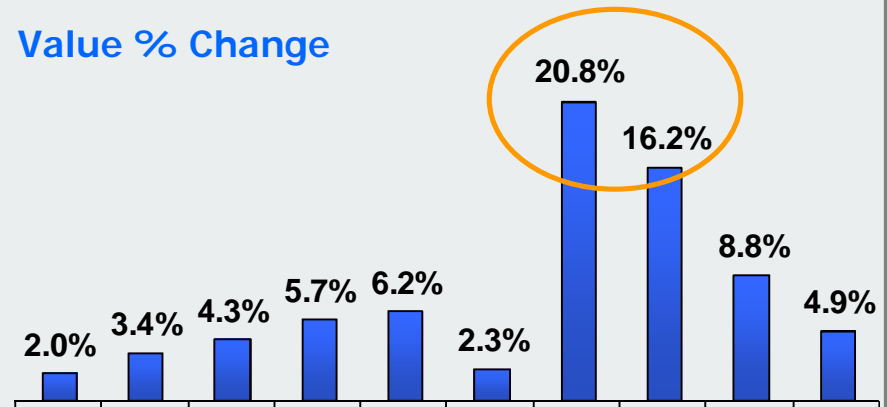
# FMCG – Changes in overall behaviour

Averages for latest 12 months

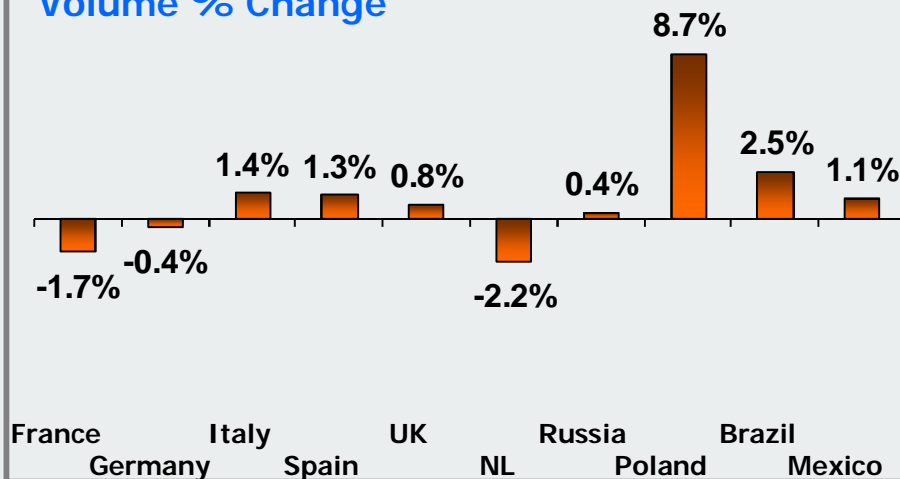
Food Inflation (Eurostat)



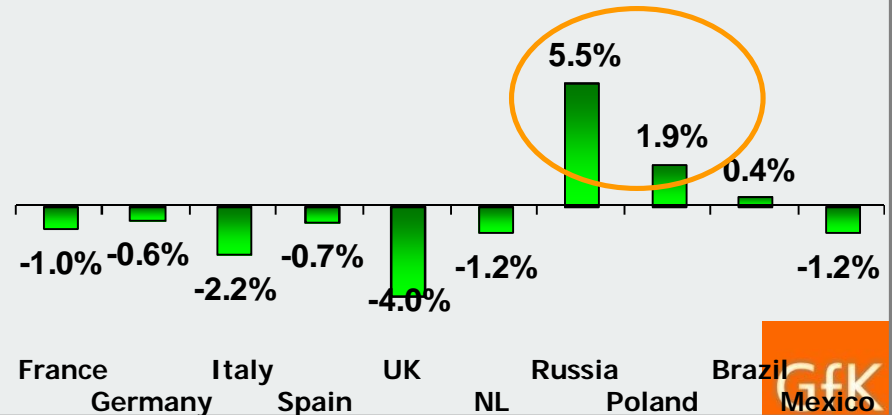
Value % Change



Volume % Change



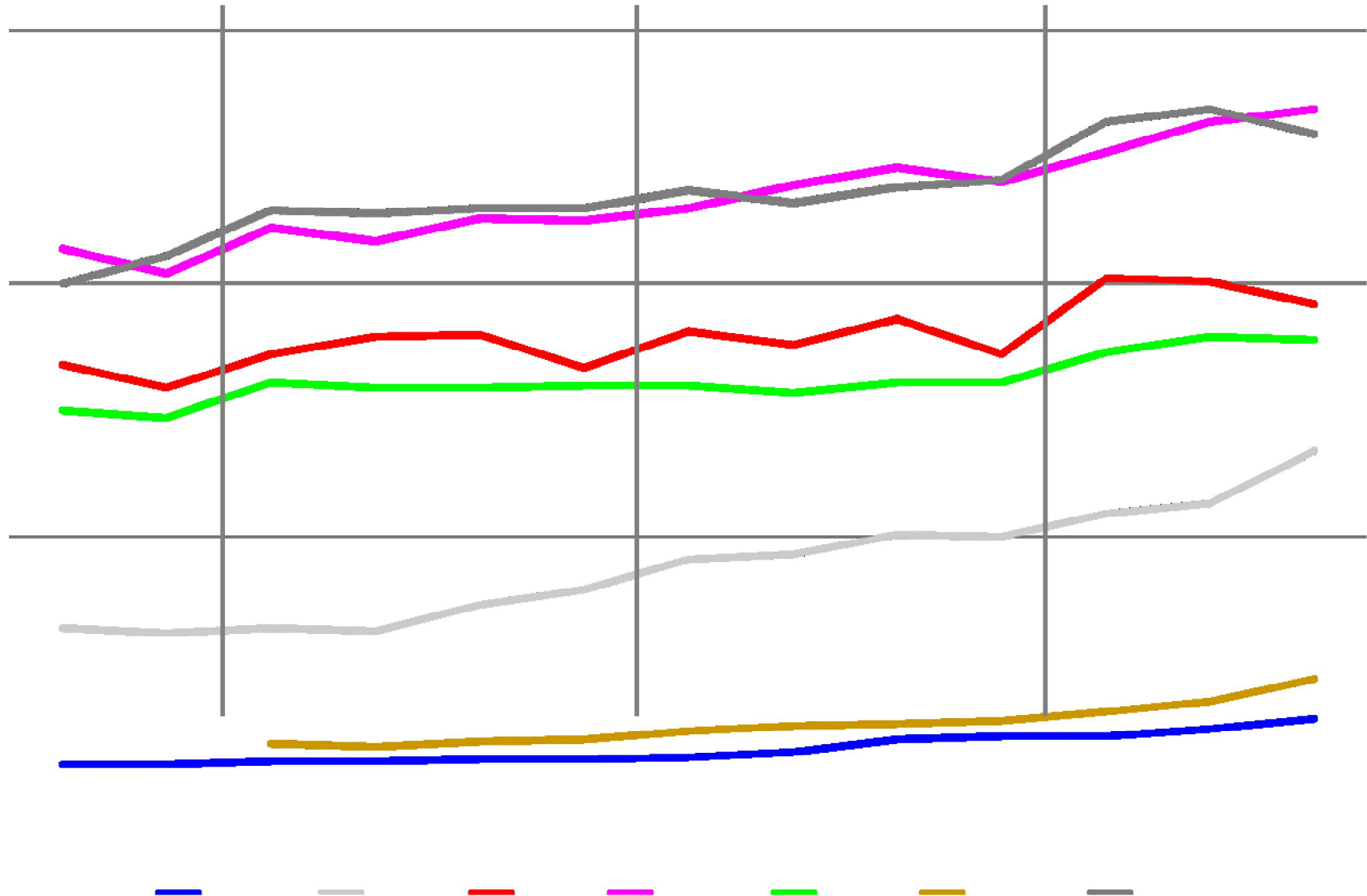
% Downtrading



Source Europanel and Eurostat for inflation

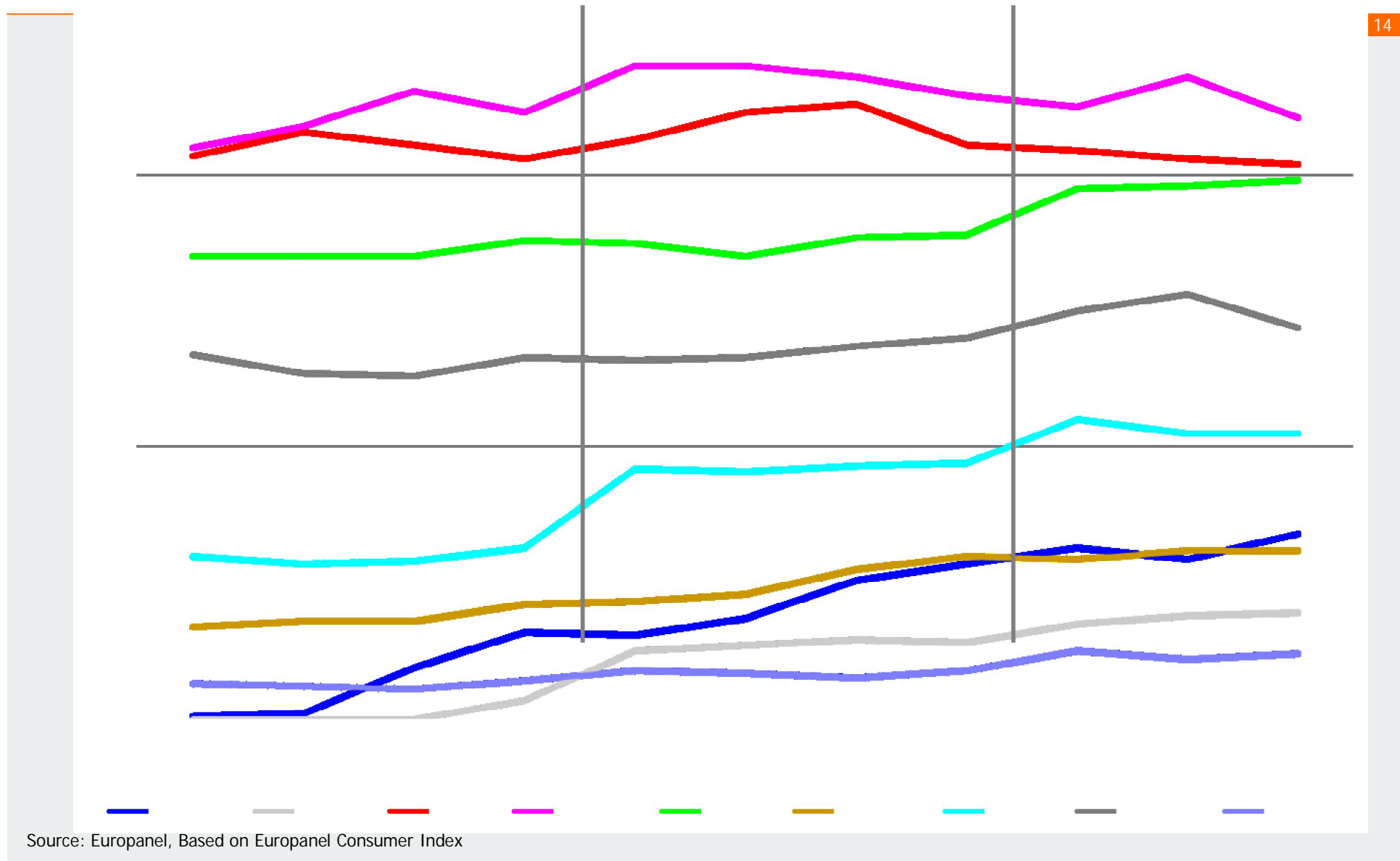
## Private Label Value Shares CEE

*General increases everywhere especially this year*



## Discounter Value Shares, CEE

*General increases in most cases*



# Consumers are hit in different ways by the crisis (example: Austria)



15



crisis prone  
households

14%

households with tense  
financial situation

33%

households  
resistant to crisis

53%

unemployed people  
and  
employees  
with fear of  
job loss

494 Ths households

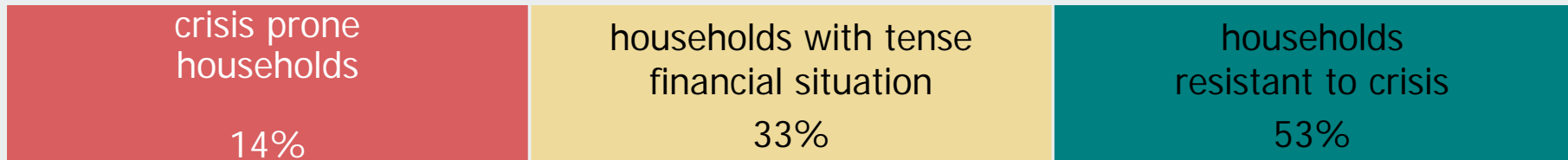
employees  
with relatively  
secure job  
resp.  
pensioners  
in tense  
financial situation

1131 Ths households

well off  
employees  
with secure job  
resp.  
well off  
pensioners

1820 Ths households

# Different approach of target groups in the crisis– Farewell from „average consumer“



- worries, feeling of helplessness
- here the purse rules (,cheap' matters)



focus: price  
(private label)

- need for security and honesty
- maintain status quo, but in a smart way



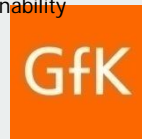
focus:  
price/performance

- responsibility for the future
- support 'good values'



focus: quality, brand (premium), health, organic, fair trade, sustainability  
LOHAS\*

\*LOHAS= Lifestyle Of Health And Sustainability

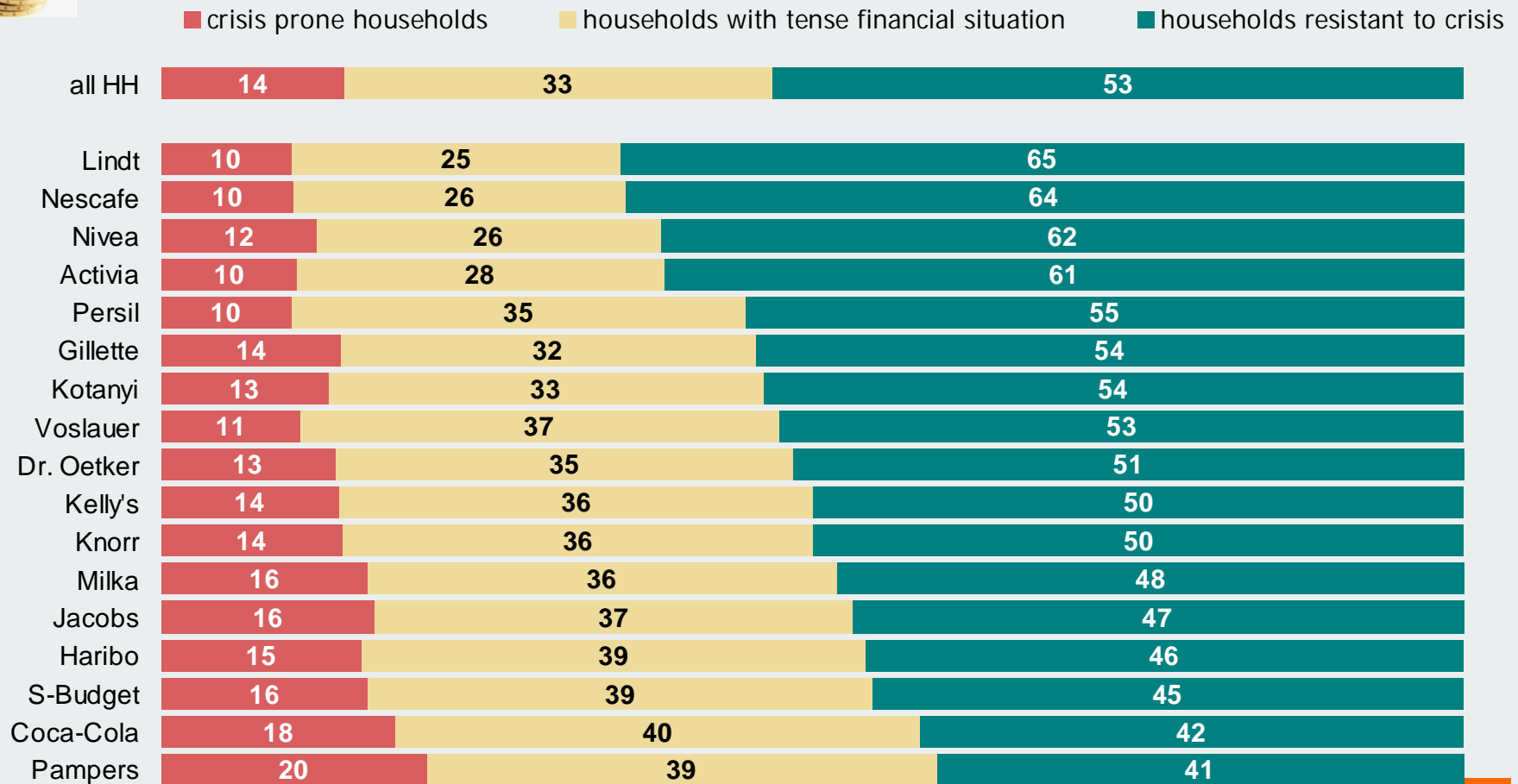


# Brand position determines risk potential

Proportion of the brand market share (value in %) by



17



## Grocery retailers: The winners in the crisis (Germany)

18

**„If I can't afford a new fridge,  
then the old one should at least be well stocked"**



## The cocooning-effect

19

Markets – displacement of the out-of-home-activities to in-home-activities

### positive

- food trade
- furniture/accessoires
- toys
- e-Commerce
- consumer electronics

### negative

- gastronomy
- events  
(cinema, concerts, leisure parks ...)

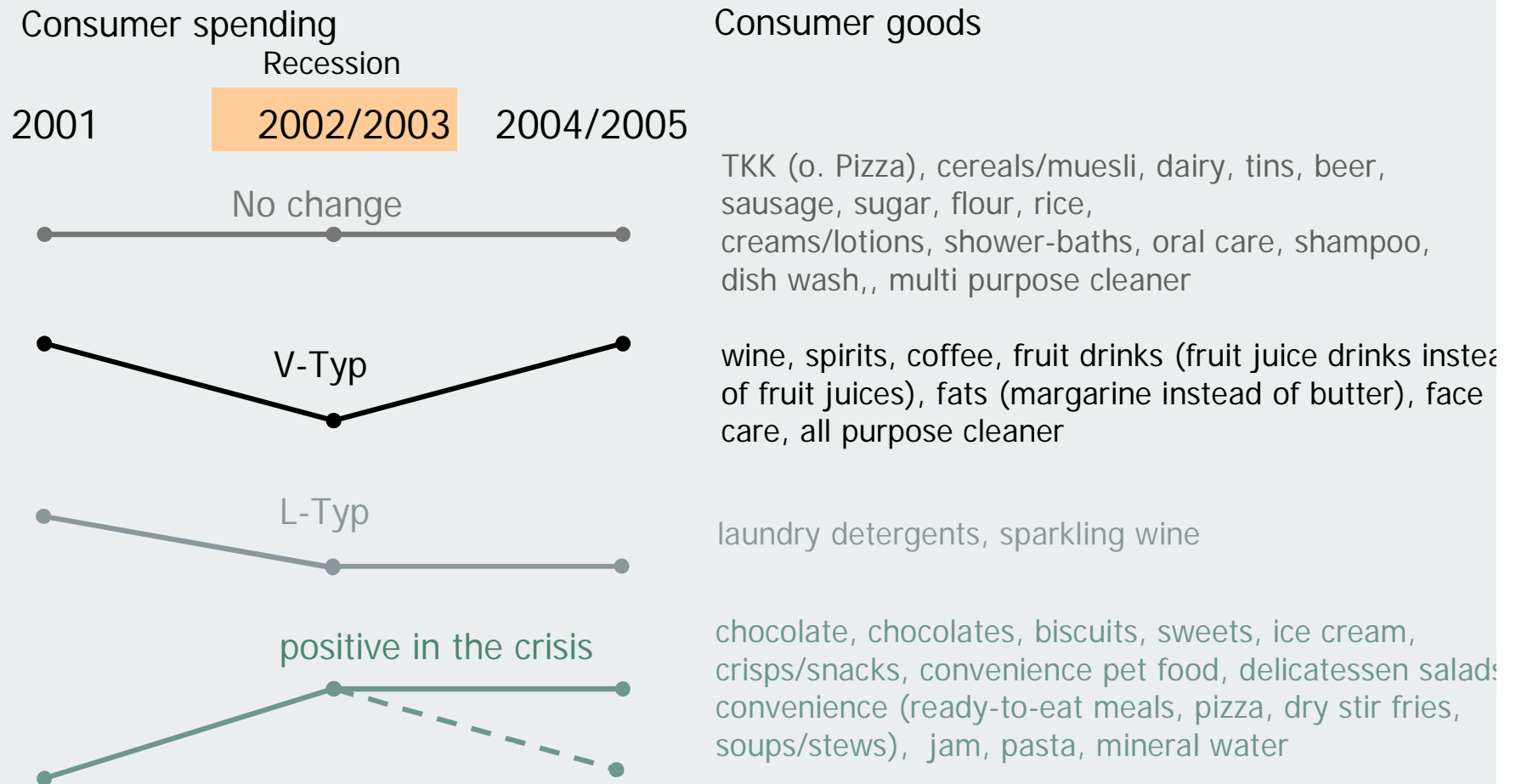
...but Fast Food restaurants are on the winner's side!



Source: Metro (Associated Newspapers Limited)

# Influence of the recession in 2002/2003 on spending by different FMCG segments – four behavioural patterns

21

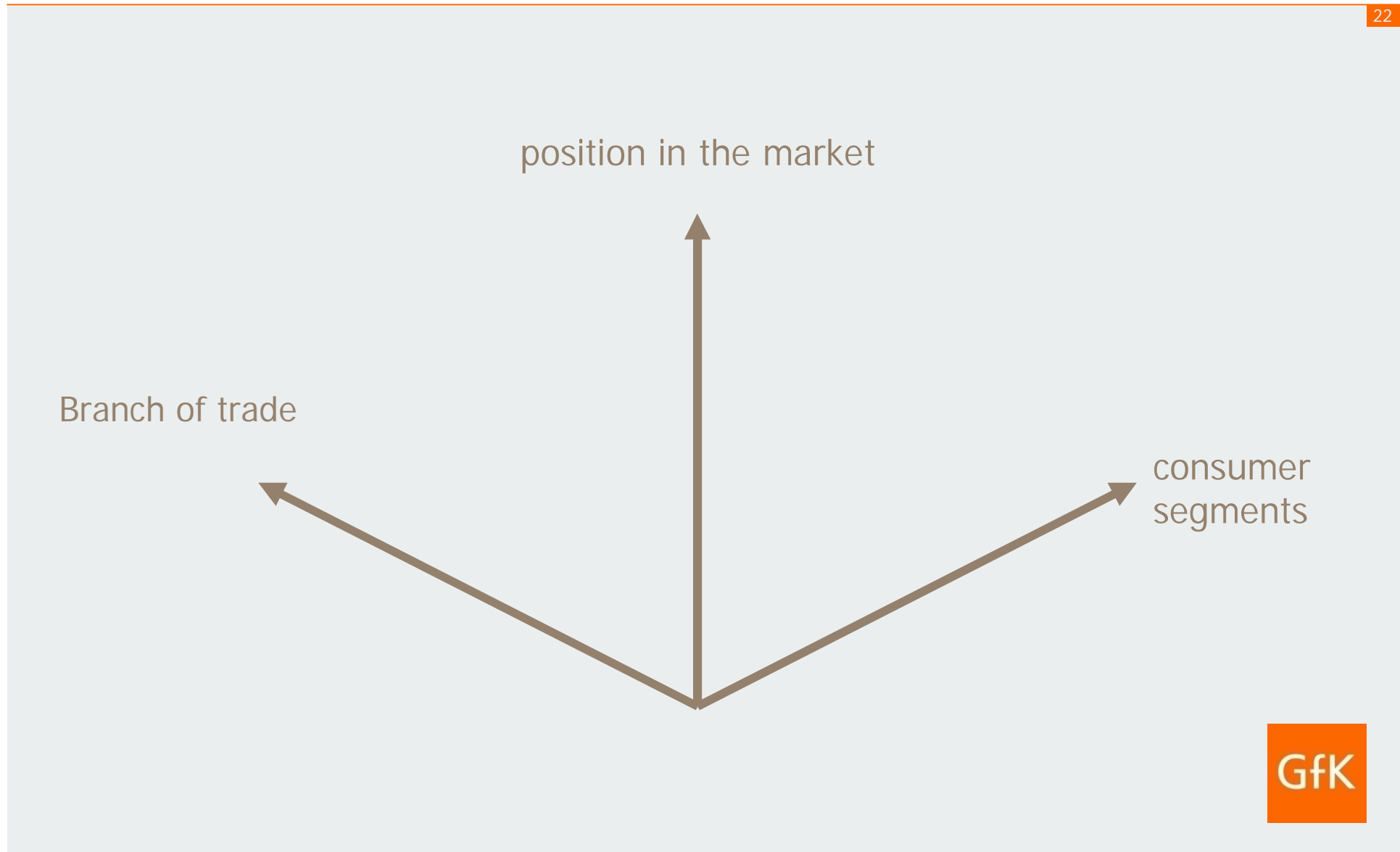


Source: GfK 20.000 Household Panel ConsumerScan

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# The position of the brand determines the marketing strategy

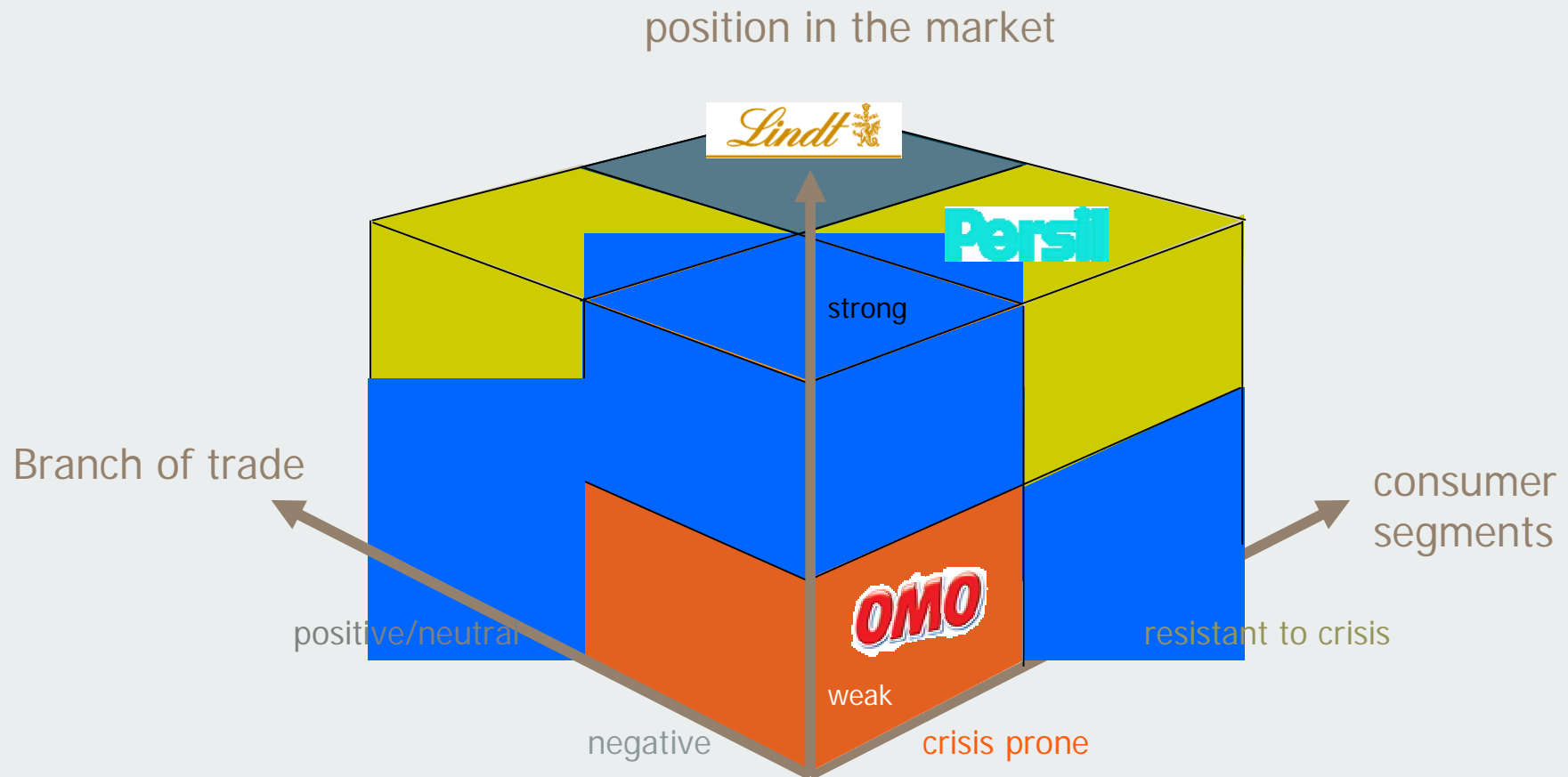
22



# Different brand positions require different marketing strategies

## The GfK Crisis Cube

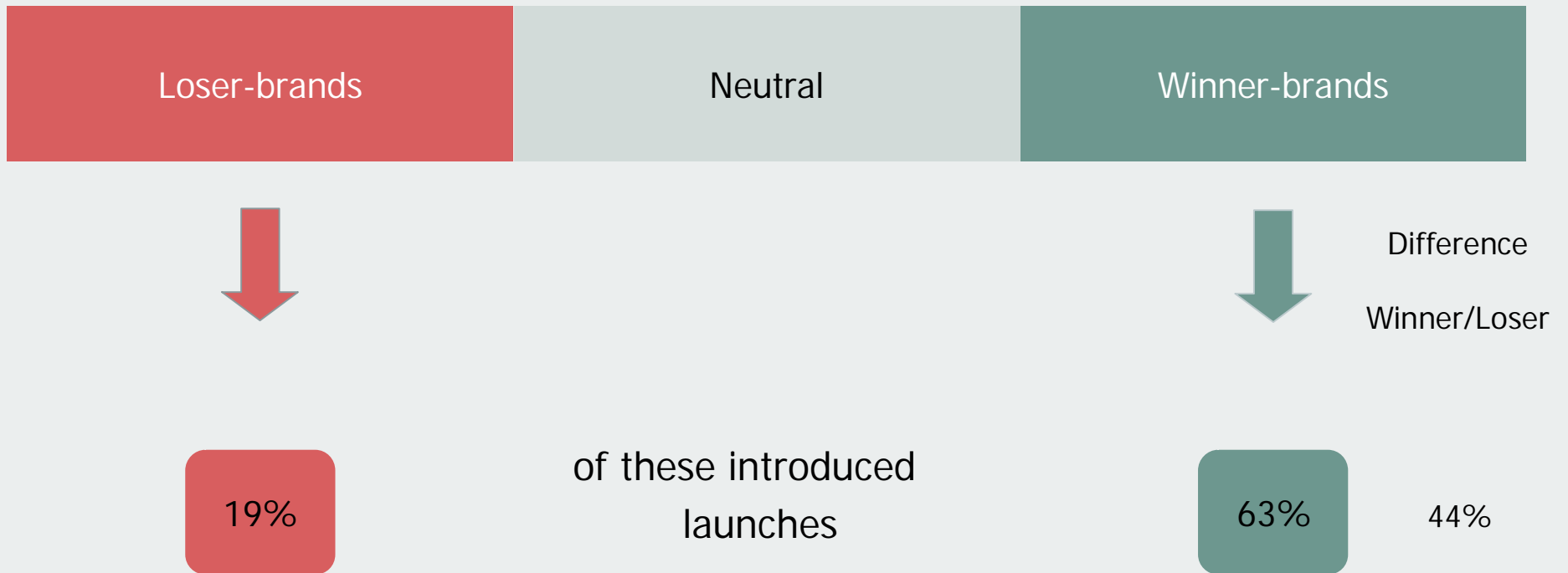
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# What to do in regression?

Winners rely on differentiation by innovation

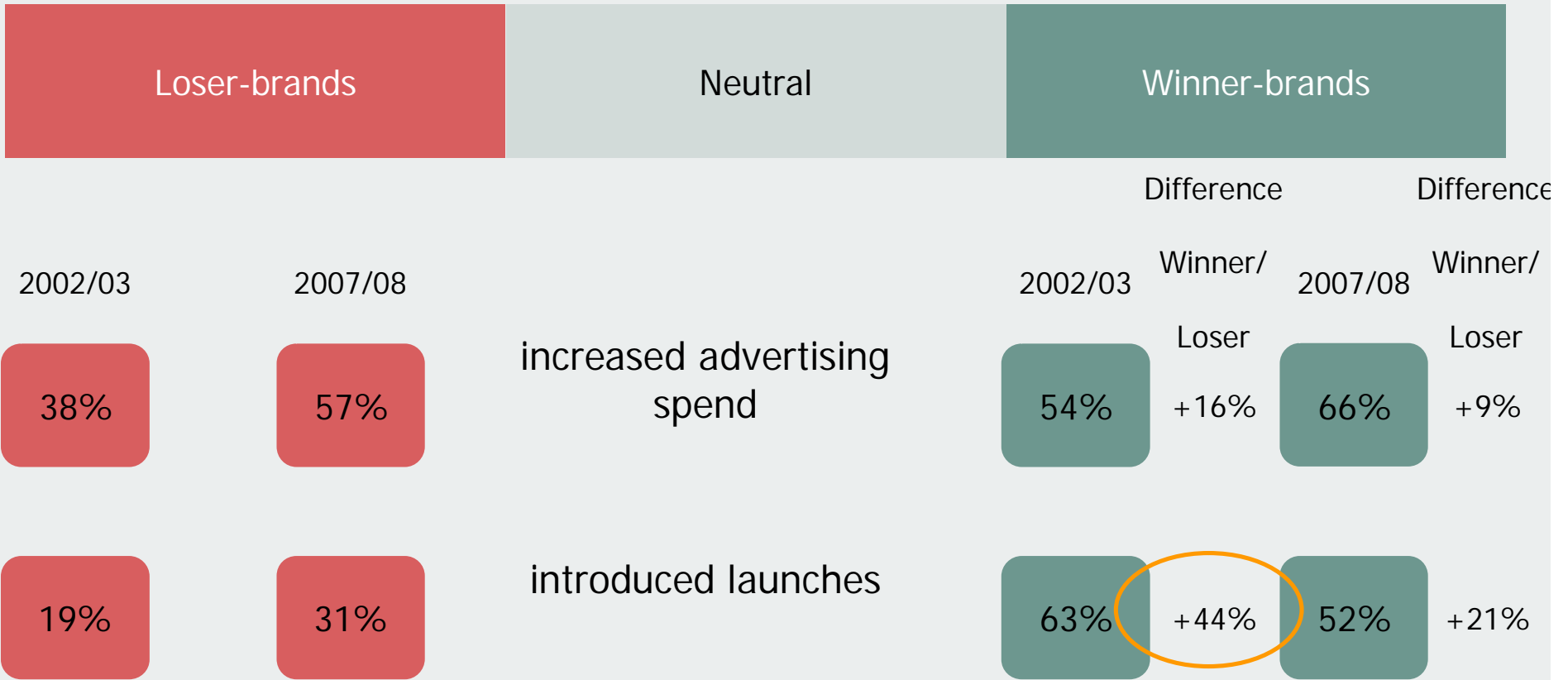


Bad times are good times for innovations



Source: GfK 20.000er Household Panel ConsumerScan 2001,2002,2003

# ... but innovations and advertising have more impact in a crisis



Source : GfK 20.000er Household Panel ConsumerScan

## What can we expect in Europe 2009?

26

- **Inflation** will further decrease (esp. food prices)
- **Unemployment** will rise sharply
- **Consumer Confidence** will remain low
- Further **down trading** trends possible, DOB and Discounters will benefit
- Cheaper retailers will use **price** as marketing measure
- Increased **advertisement of (cheap) retailers**
- **Out-of-home** consumption will go down
- A recession has winner and loser **categories** as well as **brands**
- **Communication** and **innovation** remain key for brand manufactures

## Potential Crisis Development in CEE

27

- ⇒ **Back to Basics** is the main crisis phenomenon. First of all this means “back home”, more focus on family and its fire place. Bad news for out-of-home facilities but rather good news for retail (at-home-channel)
- ⇒ **Higher probability of some growth than in Western markets** just because of low saturation levels and higher motivation of consumers to “live better” (parallel with Western Europe in fifties)
- ⇒ **Indulgence not only savings** should be one of the market drivers in tough times
- ⇒ **Rather stable sectors** should be Consumer, Telecommunication and hopefully also Entertainment
- ⇒ **Risk factors**: less governmental guarantees (retail banking...), strong effect of speculative actions (currency exchange rates...), drop in foreign investment and much less exports (= **more unemployment**)



„When written in Chinese the word crisis is composed of two characters - one represents **danger**, and the other represents **opportunity** “



John F. Kennedy, 35<sup>th</sup> president of the USA

29.05.1917 - 22.11.1963



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