European Grocery Shoppers

Insights from 6,750 consumers on the factors driving channel shift and loyalty
What you’ll find in this report

For the ‘European Grocery Shoppers: Insights from consumers on the factors driving channel shift and loyalty’ report, InternetRetailing’s research division, RetailX, surveyed consumers across Europe to fully understand their feelings and behaviour towards grocery shopping and the industry.

The responses from consumers were analysed alongside the earlier grocery-industry led ‘European Grocery: How the coronavirus pandemic reshaped an industry’ report, written by InternetRetailing in partnership with Salesforce. This prior report contains in-depth interviews and quantitative data outlining how leading grocery retailers, FMCG brands and CP brands across Europe, along with smaller challengers, were planning for growth in 2021.

Along with analysis of actual moves by retailers and brands throughout 2021, these two authoritative sets of research are brought together in this report to uncover:

- The depth of loyalty that shoppers have for their current grocery store
- Why customers do or don’t share personal information and join loyalty schemes
- How factors beyond price increase loyalty and drive retention
- Whether consumers have recently returned to pre-pandemic behaviour
- Why internet users do or don’t shop online for groceries
- What would make consumers switch retailer or brand for either some or all of their grocery shopping
- The implications for retailers and brands, plus the trends, behaviours, challenges and opportunities, for 2022

METHODOLOGY

In mid-November 2021, RetailX surveyed a total of 6,750 consumers in 12 European countries and in 14 languages and dialects on behalf of InternetRetailing and Salesforce. The subsequent data from each country was stratified by population to enable accurate comparisons to be made between different countries and to give overall percentages for Europe (the surveyed area) as a whole.

The countries from which respondents were questioned are: Belgium, Denmark, Finland, France, Germany, Italy, Netherlands, Norway, Spain, Sweden, Switzerland and the UK.

Questions specific to online grocery shopping were only asked of shoppers who already shop this category online. Some of the questions involve multiple responses, so not all percentage totals in this report equal 100%.

More information on country-specific responses is available from Salesforce. See the final page for details.

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Consumers accept a certain amount of friction when they shop online or in a bricks-and-mortar store. However, there’s only a certain amount of ‘stretch’ before their emotional attachment to a store turns to annoyance and they make the wholesale switch to a different one.

For all that customers say that price is important – and they do notice price changes – it is other factors, such as sustainability, convenience, location, range, availability and promotions, that help retain them. Retailers are very good at managing these levers, not just through data insight and loyalty schemes, from which customers feel they are benefiting, but also in managing the engagement between brands and shoppers.

However, the online shift could give brands an edge.

Retailers and brands prioritised data insight and customer experience in 2021. Our survey shows how their retention-building actions have built foundations for further growth – both online and in bricks-and-mortar stores.

Customers are demanding, but willing to share data for benefits
Customers are price sensitive, but temporary promotions are not enough for most to switch to another grocer permanently. Most grocery shoppers are members of a loyalty scheme and are willing to share information about themselves and their behaviours as long as they can see benefits – discounts, for example – from doing so.

84% of consumers see benefit from being a member of a grocer’s loyalty scheme

Shoppers will switch over sustainability issues, but won’t pay a premium
Sustainability drives loyalty, but the majority of grocery shoppers are unwilling to pay extra, or would only pay a small supplement, for environmentally friendly versions of their usual purchases. Just under 40% are willing to pay up to 10% more.

78% of shoppers would boycott a brand or switch retailer over sustainability issues

Retailers still control the relationship levers, but the shift to online could give brands advantage
In recent years, brands have increasingly launched their own online offerings and gone direct to the end customer. For brands, data insight has been a key focus, especially online, which remains important for future growth. With the right strategy, online gives them the opportunity to capture market share.

24% of shoppers prefer to buy branded grocery products direct from brands

Physical experience and habit currently keep customers tied to stores
The majority of grocery purchases still take place in bricks-and-mortar stores, where factors beyond price, including practical opening times, convenience, product availability and range, are all appreciated by shoppers.

48% of consumers who never shop online say they prefer bricks-and-mortar stores. 34% says it’s habit
Customers are demanding, but willing to share data for benefits

It takes more than promotions to sway consumers into switching supermarkets, yet discounts are enough of an incentive for customers to share their personal data.

Price will always be a factor for some consumers when deciding where to shop and most are sensitive to price, almost to the degree that their usual grocer is permanently on probation. Yet it’s possible to overstate the importance of price when looking at why the majority of consumers continue to shop with a certain grocer or bricks-and-mortar store, especially since other factors such as location, range and service availability all play a part. Habit does too.

Changing to another grocer requires a change of habit and a certain level of hassle, so while customers notice occasional promotions, they won’t make a permanent switch just for a
temporary offer. They will only change allegiance for range and repeated, consistent or always lower prices.

This explains why 69% of shoppers say they are loyal to a particular grocery retailer, so much so that they remain even if prices are slightly lower elsewhere.

Many grocers entered 2021 with optimism anticipating further growth. 77% expected their business to outperform the sector as they built on services introduced or scaled quickly while benefiting from consumer switching during the previous year. Necessity around location change or availability of delivery service, rather than choice, will have been the motivation for some, with only 26% of shoppers who swapped doing so for pricing reasons.

Such retail optimism was not misjudged. Our survey responses prove that success lies in understanding how far the relationship and reliance on customer habit can be stretched.

Customers are happy to share information about themselves and their shopping behaviour with grocers as long as they can see a benefit from doing so. Just 8% of grocery shoppers see no benefit from being a member of a loyalty scheme and only 9% are not members of one. This highlights how grocers are using promotions and personalisation to good effect.

How do you feel about your supermarket/grocer knowing and using your personal information?

| Source: RetailX |
| Sending you personalised discounts or offers | 39% I don't mind at all | 18% I don't mind if it's clearly advertised and I see that it benefits me | 7% I mind a little bit even if it's clearly advertised and I can see that it benefits me | 21% I wouldn't allow it under any circumstances |
| Making personalised product recommendations | 31% I don't mind at all | 24% I don't mind if it's clearly advertised and I see that it benefits me | 21% I mind a little bit even if it's clearly advertised and I can see that it benefits me | 11% I wouldn't allow it under any circumstances |
| Knowing what you shop for and how often | 27% I don't mind at all | 24% I don't mind if it's clearly advertised and I see that it benefits me | 24% I mind a little bit even if it's clearly advertised and I can see that it benefits me | 9% I wouldn't allow it under any circumstances |
| Knowing your email address or phone number | 26% I don't mind at all | 25% I don't mind if it's clearly advertised and I see that it benefits me | 24% I mind a little bit even if it's clearly advertised and I can see that it benefits me | 14% I wouldn't allow it under any circumstances |

What consumers want in return for joining a grocery loyalty scheme or sharing information

| Source: RetailX |
| To get lower prices | 21% |
| To receive personalised discounts/specials | 18% |
| To receive offers from linked partners | 10% |
| To be the first to know about new products | 9% |
| To receive rewards that I can spend/use with the grocer | 8% |
| To receive personalised product recommendations | 8% |
| To gain access to content and information about the supermarket/grocer | 8% |
| Not applicable: I never signed up or I signed up but no longer use it | 7% |

As far as you can tell, does your supermarket/grocer use personal information in a way that benefits you?

| Source: RetailX |
| I don't share any data | 9% |
| It never benefits me | 8% |
| It occasionally benefits me | 8% |
| It regularly benefits me | 18% |
| It always benefits me | 35% |

SHAPING THE GROCERY SECTOR | CONSUMER LOYALTY

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Shoppers will switch over sustainability issues

While sustainability drives loyalty, customers are unwilling to pay significantly more for their ethics.

Sustainability is an important enough issue that 78% of consumers would change their allegiance to a product, brand or retailer if they didn’t match their own ideals.

However, the majority of grocery shoppers are unwilling to pay extra, or would only pay a small supplement, for environmentally friendly versions of their usual purchases.

The pandemic has made wellness and sustainability high priorities for consumers and retailers alike, so this is an area identified in our 2021 survey as being important for growth. Most grocers have announced plans to reduce their impact on the environment, while Unilever, which is fast becoming a sustainability pioneer, says its brands are, “committed to making sustainable living commonplace”.

EU legislation puts pressure on all retailers to act.
Retailers still control the relationship levers

Shoppers prefer to buy branded products from retailers, but a shift to online could give brands advantage as they gain insight and move closer to customers.

The majority of consumers (60%) prefer to buy branded grocery products from retailers, but 24% prefer to make such purchases direct from brands. Both retailers and brands are keen to capitalise on their relationship with customers, especially given the added opportunity offered through data insight and growing online channels.

The pandemic has seen brands and grocers forging closer ties. Recognising the insight available from its operations and gathered via its Clubcard loyalty scheme, Tesco recently launched a platform to help brands better understand and engage customers. As its chief customer officer, Alessandra Bellini, explains, “Tesco Media and Insight will help our brands to be more efficient and targeted and, ultimately, serve our customers better.”

How important are the following when choosing food and other products to buy from supermarkets and grocers?

<table>
<thead>
<tr>
<th>How important</th>
<th>Very important</th>
<th>Somewhat important</th>
<th>Somewhat unimportant</th>
<th>Entirely unimportant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price</td>
<td>59%</td>
<td>32%</td>
<td>6%</td>
<td>2%</td>
</tr>
<tr>
<td>Availability</td>
<td>51%</td>
<td>39%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>Health</td>
<td>50%</td>
<td>38%</td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td>Product assortment</td>
<td>42%</td>
<td>44%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>Wellness</td>
<td>42%</td>
<td>45%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td>Environmental sustainability</td>
<td>36%</td>
<td>44%</td>
<td>15%</td>
<td>5%</td>
</tr>
<tr>
<td>Brand (e.g. store brand, third-party brand)</td>
<td>29%</td>
<td>46%</td>
<td>21%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: RetailX

How would you prefer to buy branded grocery products?

- Direct from the brand itself: 16%
- From my grocer/supermarket: 60%
- No preference: 24%

Source: RetailX
Along with grocery retailers, brands are also keen to gather first party data and, in recent years, have been launching their own online stores selling direct to the end customer. This enables them to test products and build stronger relationships. Bulky items such as toilet rolls, or products with frequent repeat purchases such as coffee capsules, lend themselves to this model. The right marketing and digital strategies also give brands the opportunity to capture share from each other, as well as from retailers.

Overall, digital channels continue to grow. While 27% of European consumers have stopped or reduced the amount they shop for groceries online, 29% have started or increased their online grocery shopping due to the ongoing pandemic.

Simon Roberts, CEO, J Sainsbury plc, commented at the retailer’s H1 2021 results announcement: “Whilst customers are returning to many pre-pandemic shopping habits, online sales have remained very strong and we continue to grow market share.” Online accounts for 17% of Sainsbury’s grocery sales, an increase from 15% a year ago and 8% up on 2019.

It’s hardly surprising that digital experience was a bigger priority for 47% of the industry looking for growth in 2021. It will continue to grow in importance as consumers turn increasingly to online, resulting in growth outstripping discounting as the fastest growing area of grocery retailing.
45% of online grocery shoppers visit a grocery site more than once a month, compared to 38% of all internet users shopping online for any category.

Work on proposition, pricing, promotions and engagement are worthless if service doesn’t match customer expectations. Consumers expect good service each and every time they shop and retailers want to offer them a friction-free shopping experience.

On the whole, consumers across Europe are happy with the delivery and collection services offered by grocery retailers, but say that cost can be an issue. Delivery time slots are a problem for more than a quarter of online grocery shoppers in Denmark and Switzerland.

Retailers understand there is still work to do on finessing fulfilment services following rapid scaling in 2020. In 2021, 36% of the industry stated that the delivery experience was a bigger priority than the previous year.

Getting the experience right, repeatedly, at scale, every time and profitably is an imperative for grocers and brands. Customer satisfaction will only stretch so far before annoyance motivates a switch.

31% of the consumers across the surveyed countries have shopped for groceries online
There are plenty of competitors, not least the app-based challengers such as Gorillas, Glovo and Deliveroo, which operate their own dark stores and deliver in ten minutes. Such challengers have already attracted a quarter of European grocery shoppers and the bulk of online grocery shoppers are keen to try their services.

How grocers react to this offers a hint to future expansion. Morrisons supplies Deliveroo wholesale, Gorillas is co-located with microfulfilment in Tesco stores and partners with Casino Group in France, which has a stake in the German parent. Co-op continues to expand its robot-powered local delivery solution.

Our survey shows the stake is more than emergency essentials and fast-access convenience. It’s the full shop. 77% of online grocery shoppers have or would use a fast delivery service for groceries.

If you knew of a company offering an ultrafast grocery delivery service near you (i.e. 10 minutes from order to delivery), do you or would you use it for the following?

A missing ingredient: 25% I do use it, 50% I would use it if I found such a company, 25% I would not use it even if available

Occasional full grocery shop: 24% I do use it, 53% I would use it if I found such a company, 23% I would not use it even if available

Regular full grocery shop: 24% I do use it, 51% I would use it if I found such a company, 25% I would not use it even if available

Shopping after hours when stores are closed: 23% I do use it, 53% I would use it if I found such a company, 24% I would not use it even if available

Treats/snacks: 23% I do use it, 46% I would use it if I found such a company, 30% I would not use it even if available

Online grocery shoppers who use an ultrafast grocery delivery service for a regular full grocery shop

Online grocery shoppers who use an ultrafast grocery delivery service to buy missing ingredients
Physical experience and habit currently keep customers tied to stores

Many customers prefer the bricks-and-mortar experience over online, saying that convenience retains them to a particular chain or store.

The majority of grocery shopping still takes place in bricks-and-mortar stores. Practical opening times, convenience, product availability and range are all appreciated by these shoppers. For some, such factors are worth more than the cost of products.

Spanish and Italian shoppers in particular appreciate locally sourced products, so grocers there have been quick to give them more shelf space. Spanish grocer Eroski saw sales of local produce – predominantly fruit and vegetables – increase by a third during the first half of 2021.

Source: RetailX
Some consumers have tried shopping online for groceries, but have not enjoyed the experience and turned back to bricks-and-mortar stores. 14% of surveyed internet shoppers who don’t yet shop online for groceries say that deliveries take too long to arrive, while 15% believe it takes longer to buy food and drink online than shopping in person.

Optimisation will overcome digital issues and some consumers can be enticed back to buying groceries online, yet half of European consumers who never shop online still say they prefer the experience of bricks-and-mortar stores.

The same is true of a quarter of e-shoppers who are yet to buy their groceries online. A further 20% say that habit is stopping them from switching away from physical stores.

The rise of digital in store, mobile scan & go and contactless Amazon Go-type stores will persuade some consumers to switch for either some or all of their groceries. More importantly, they give grocers – including Rewe, Carrefour and Aldi, who are testing future stores solutions – a route to understanding customer behaviour and new ways to engage shoppers, as well as test technologies.

48% of consumers who never shop online say they prefer the experience of bricks-and-mortar stores
To download, the ‘European Grocery: How the coronavirus pandemic reshaped an industry’ report, visit https://www.salesforce.com/uk/blog/2021/02/the-changing-landscape-of-the-grocery-industry.html

For further country-specific information, contact Salesforce via www.salesforce.com