NielsenIQ | Shopper Behaviour Shift in the "Normalized" Stage

Speaker name

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Prepared by NielsenIQ team

2021, a year of recovery with challenges

In FY2020, packaged food, sanitary and household cleaning products were the main winners across FMCG

Rapid transformation on the retailers landscape means whilst some have retreated, but there is also **demand for new retailers experience**

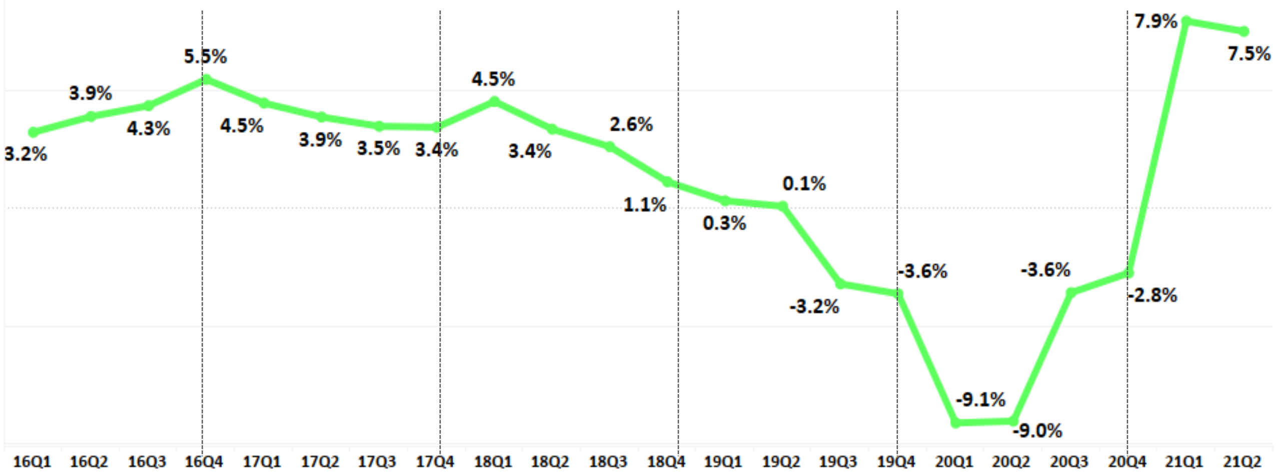
However, there are signs that the **'normalized' trends are returning locally, replacing the 'new normal' , however uncertainty remains when the border will re-open**

2021 remains to be a tough year as market adjusts to new normal under pandemic pressures.

**2021Q2 is an Estimated GDP

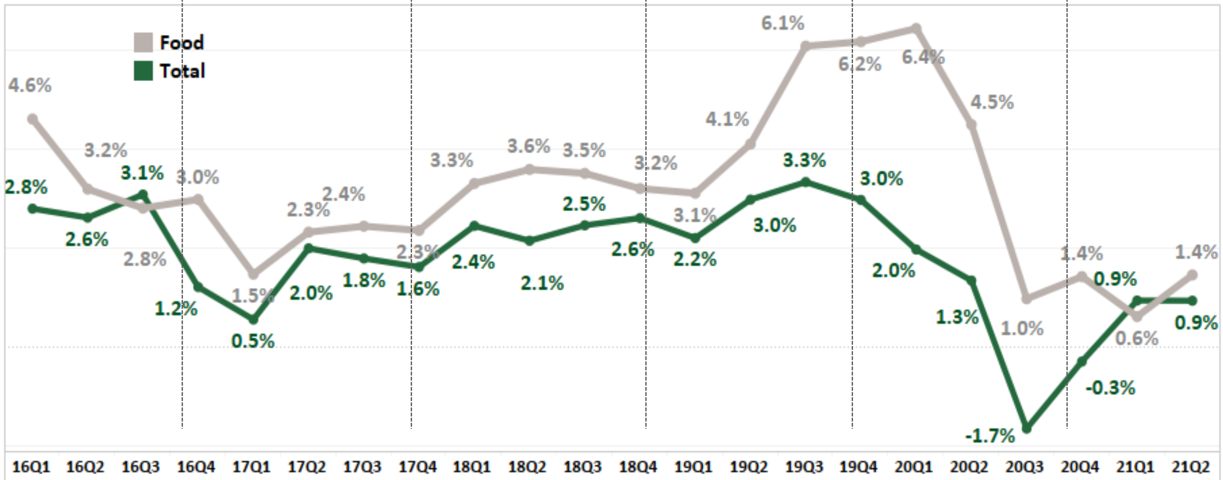
GDP GROWTH

	2016 FY	2017 FY	2018 FY	2019 FY	2020 FY
FY Chg % vs. YA	2.2%	3.8%	2.8%	-1.7%	-6.1%

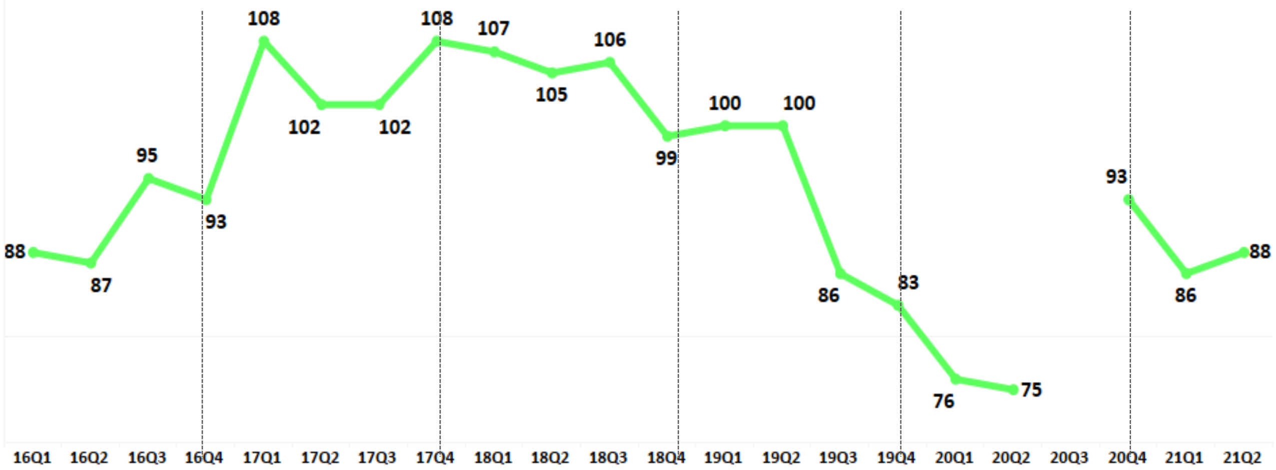


CONSUMER PRICE INDEX

	2016 FY	2017 FY	2018 FY	2019 FY	2020 FY
Total CPI	0%	4%	2%	3%	0%
Total Food	3%	2%	3%	5%	3%

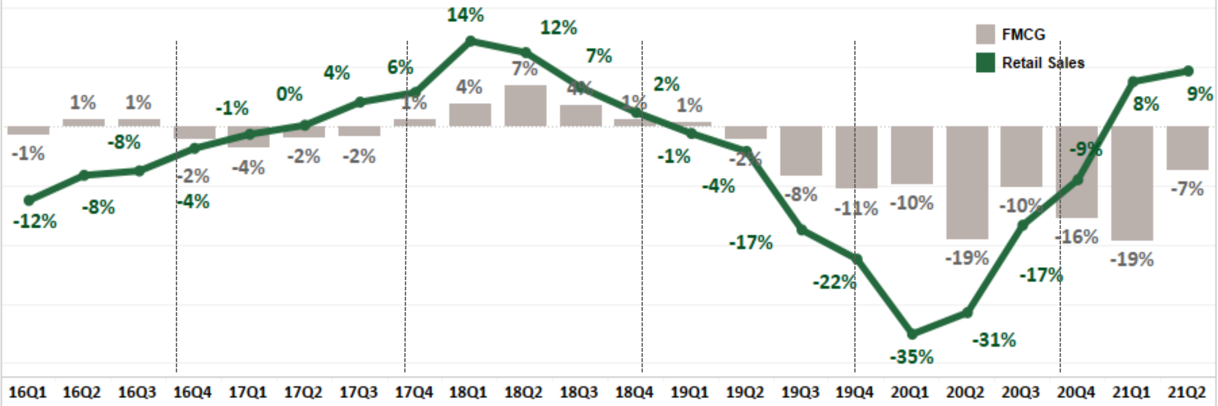


CONSUMER CONFIDENCE INDEX



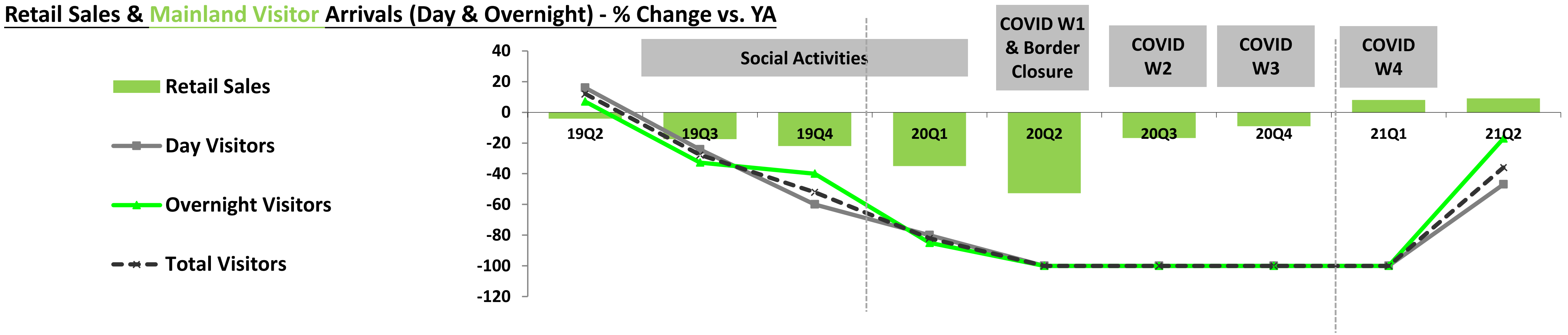
RETAIL SALES VS. FMCG SALES GROWTH (%)

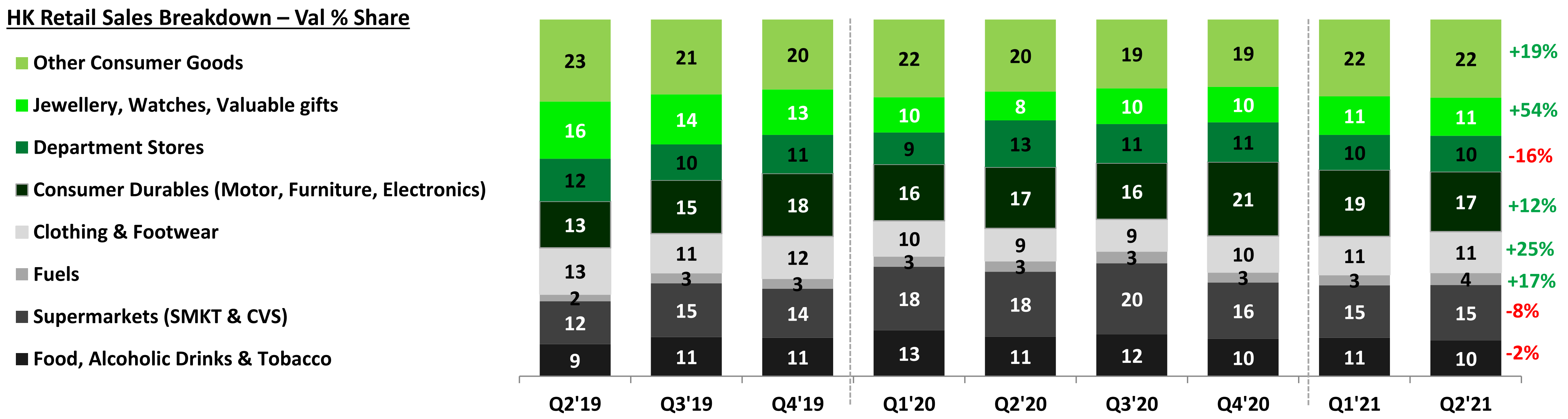
	2016 FY	2017 FY	2018 FY	2019 FY	2020 FY
FMCG	-0.4%	-1.5%	3.9%	-5.2%	-13.6%
Retail Sales	-8.1%	2.2%	8.8%	-11.1%	-24.3%



- Upon annual review, all figures have been updated to 2019 chained dollars.

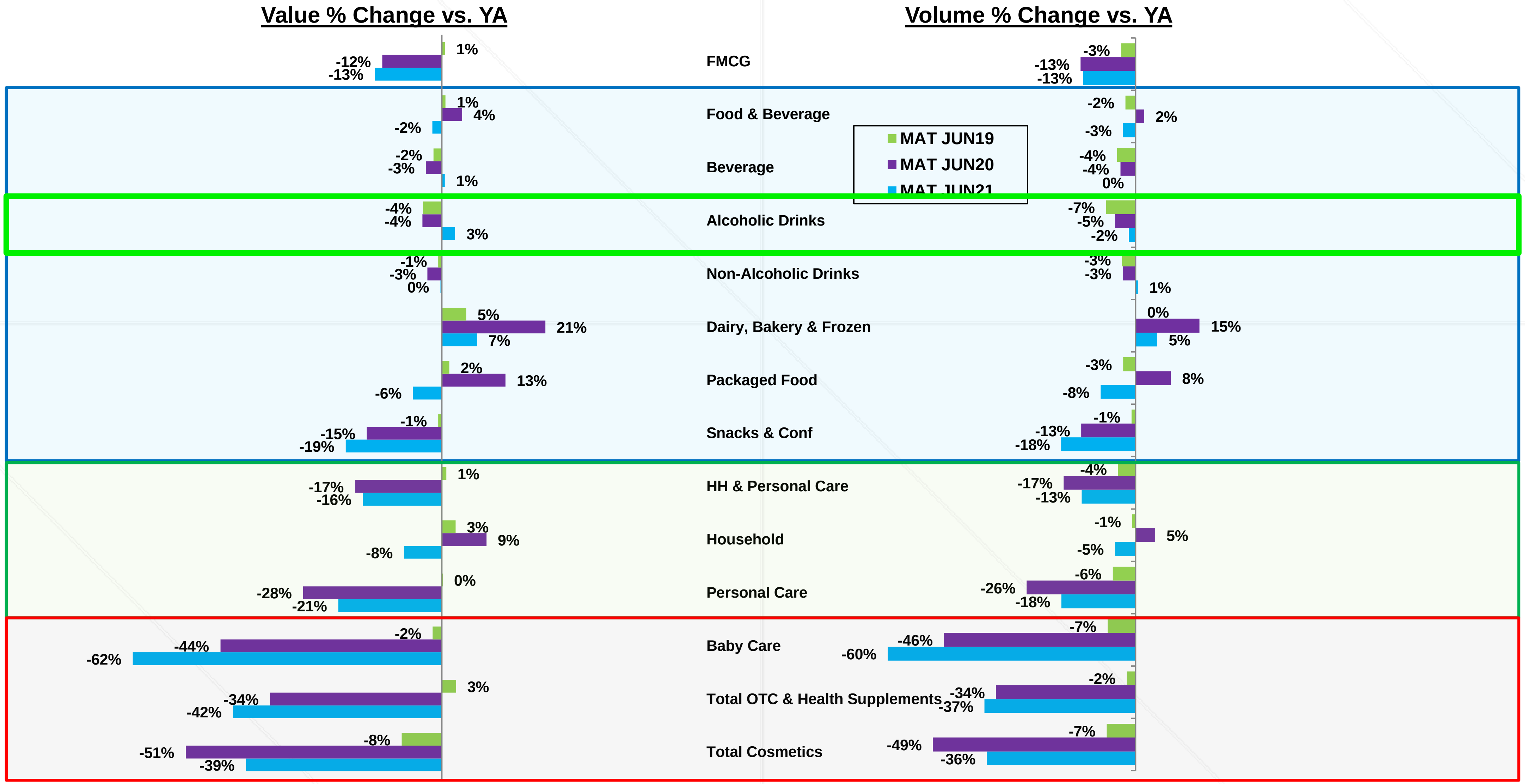
With local adapting to new normal amidst pandemic tourist lost. As social rules relaxed, consumption amongst locals expanded.





 Source: HKSAR C&SD, HKTB

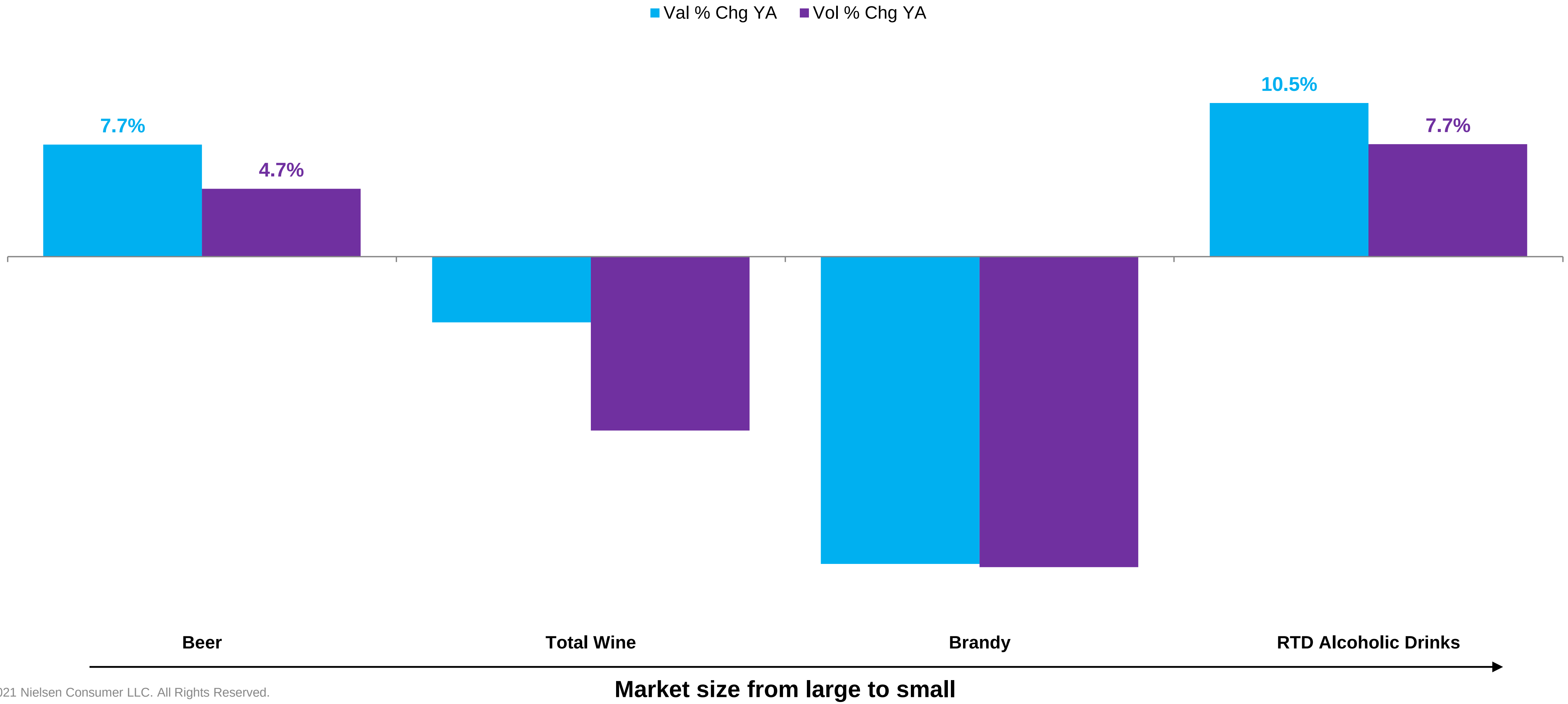
As the market returns to a 'normalized' behavior, dairy, bakery & frozen are the only categories maintaining a positive momentum as social restriction relaxes. Premiunization registered in alcoholic category as well.



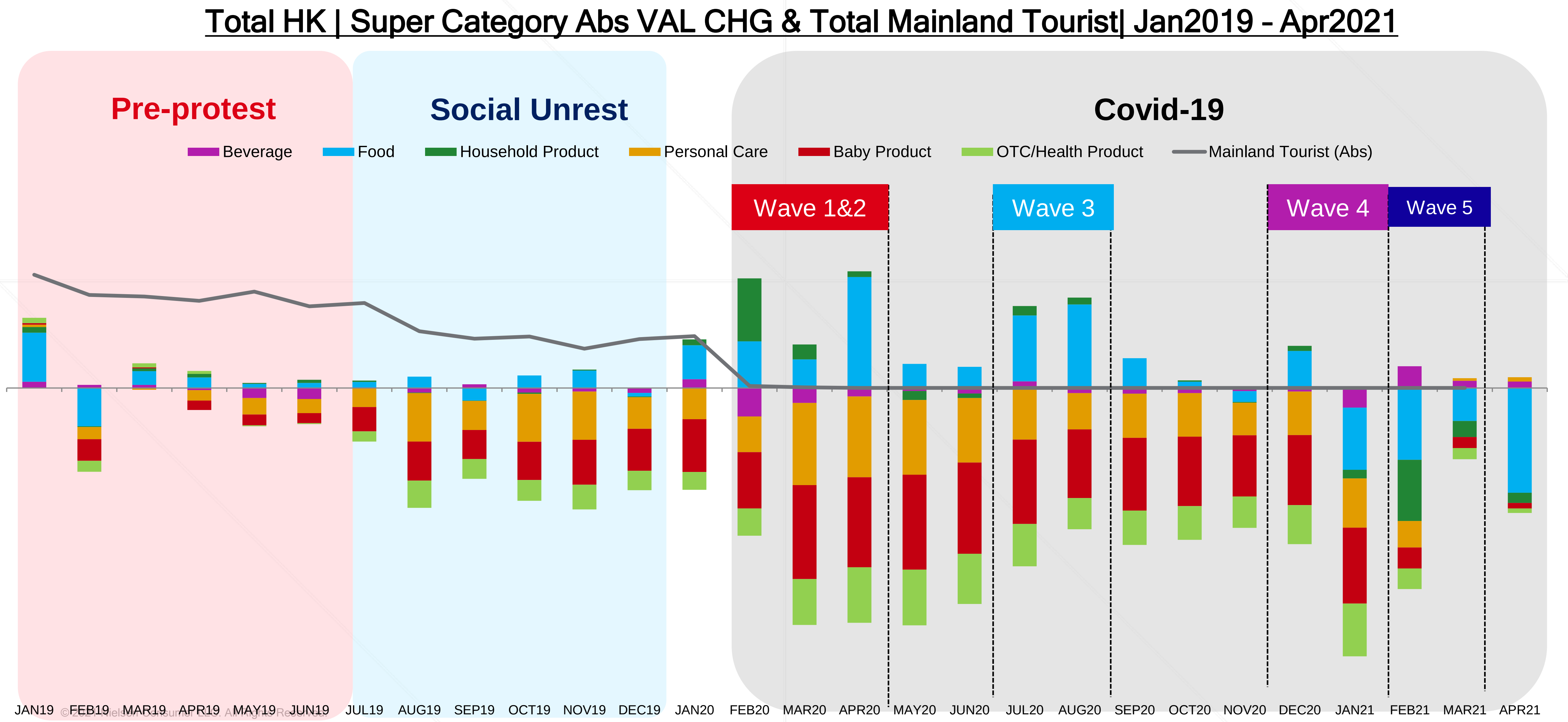
*Total Cosmetics is not included in FMCG

WITHIN ALCOHOLIC BEVERAGE, RTD ALCOHOLIC DRINKS AND BEER DRIVE GROWTH, AS PRICES SEEN TO DROP IN LATEST MAT WITH SIGNIFICANT VALUE GROWTH.

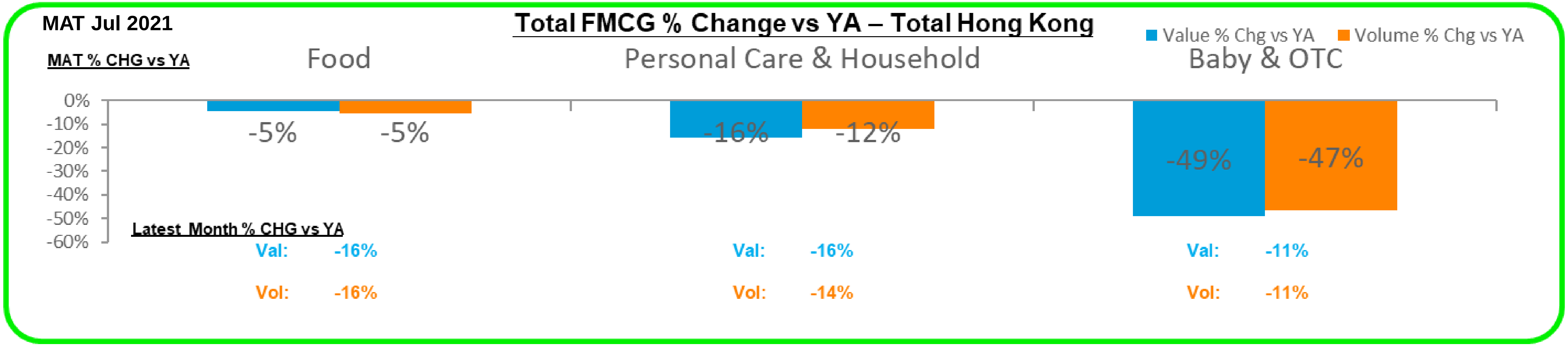
Total Hong Kong
Top Alcoholic categories (MAT Jun 21 % Chg)

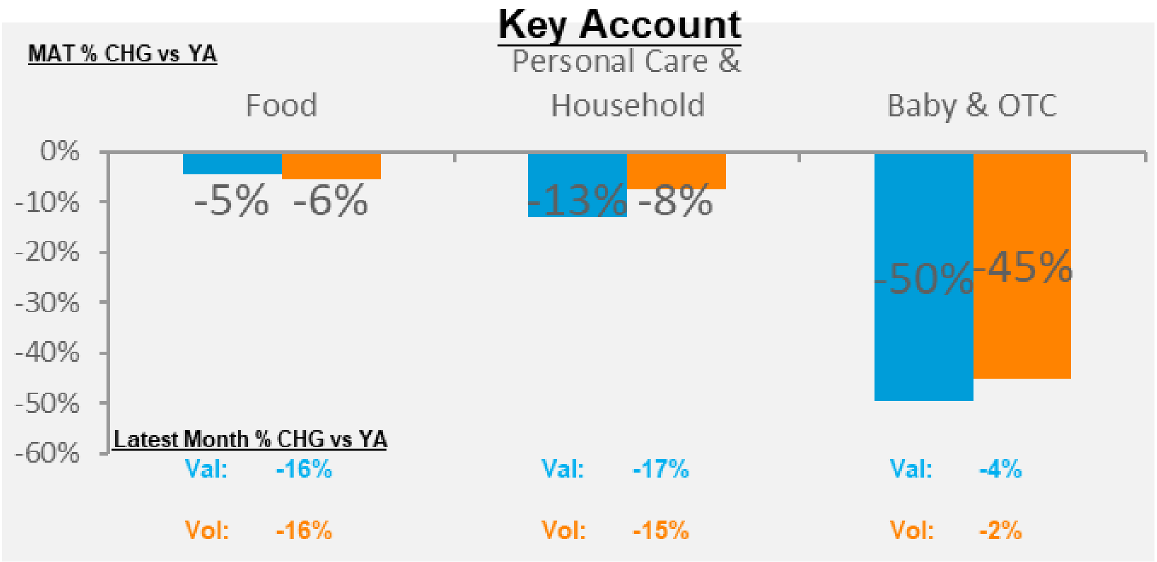


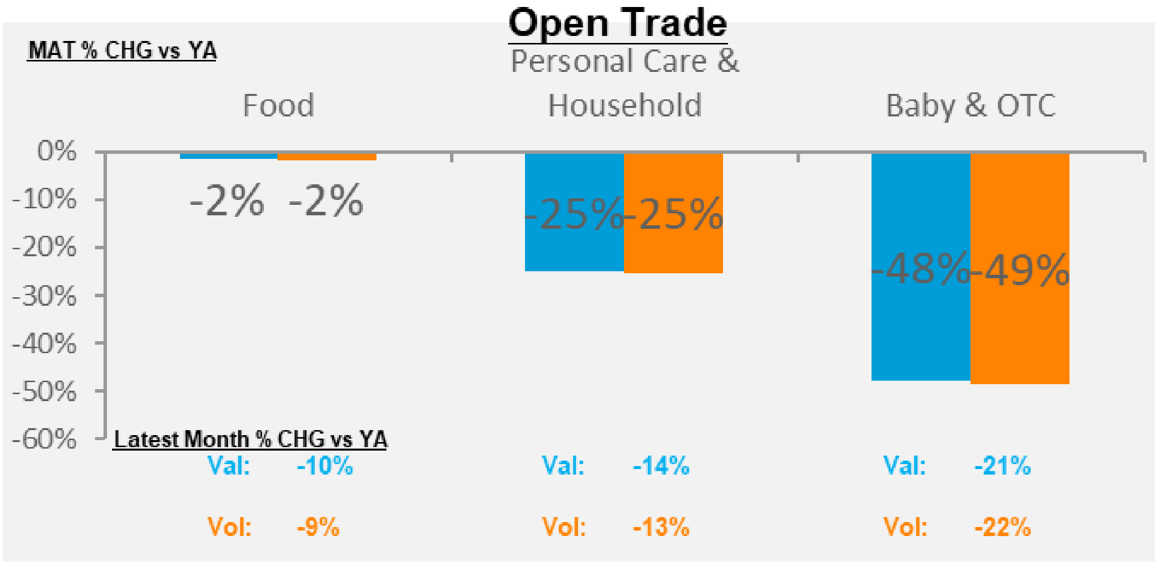
The decline in the non-local categories including Baby Product, OTC and PC are beginning to stabilize since Mar21, whilst categories such as food & household which benefitted from COVID initially are suffering as consumer behaviours are 'normalising'



Open trade suffered with the absence of tourist and aggressive promotion launched by KA.



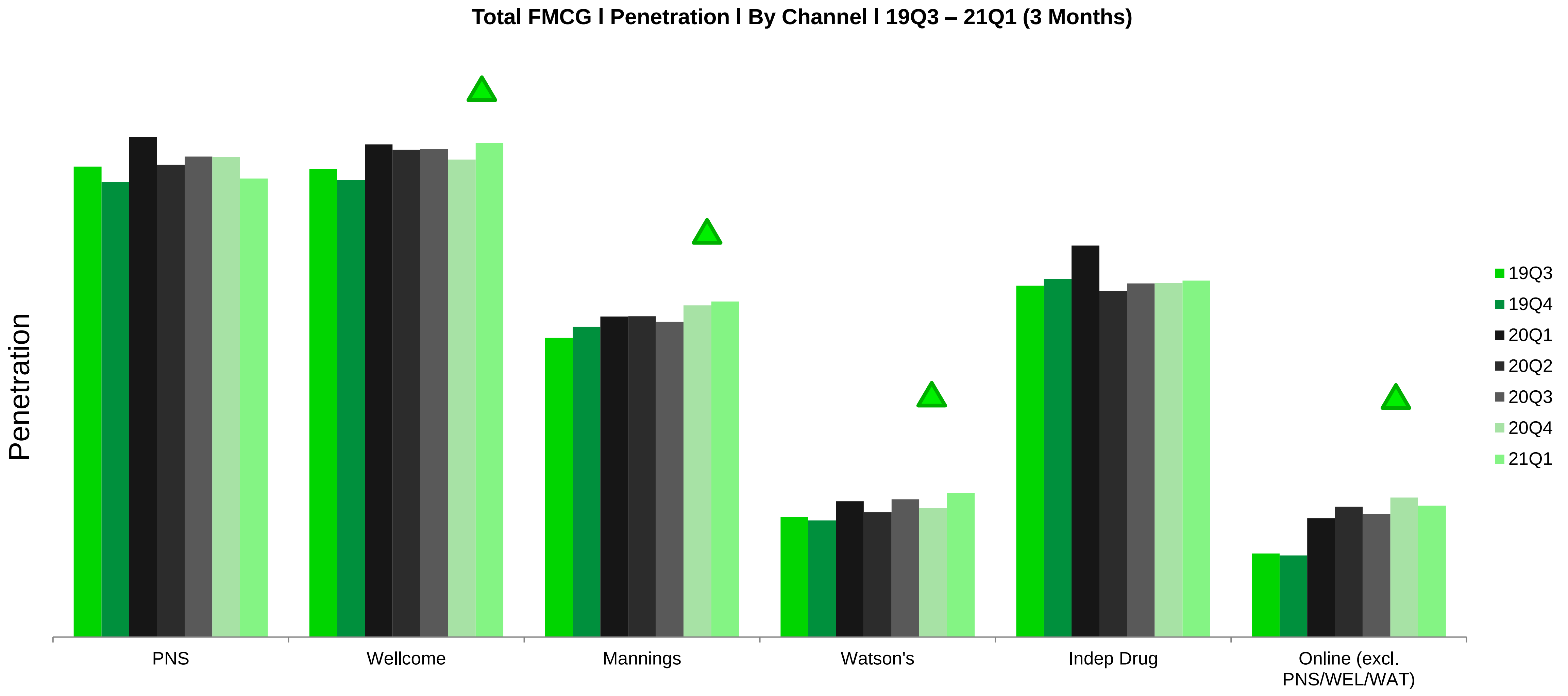




*Value and Volume % CHG figures are shown in latest month

Open trade drug stores increases their assortment in food and beverages offerings. Worth to explore the white space to expand the category handling in arrays of new channels.

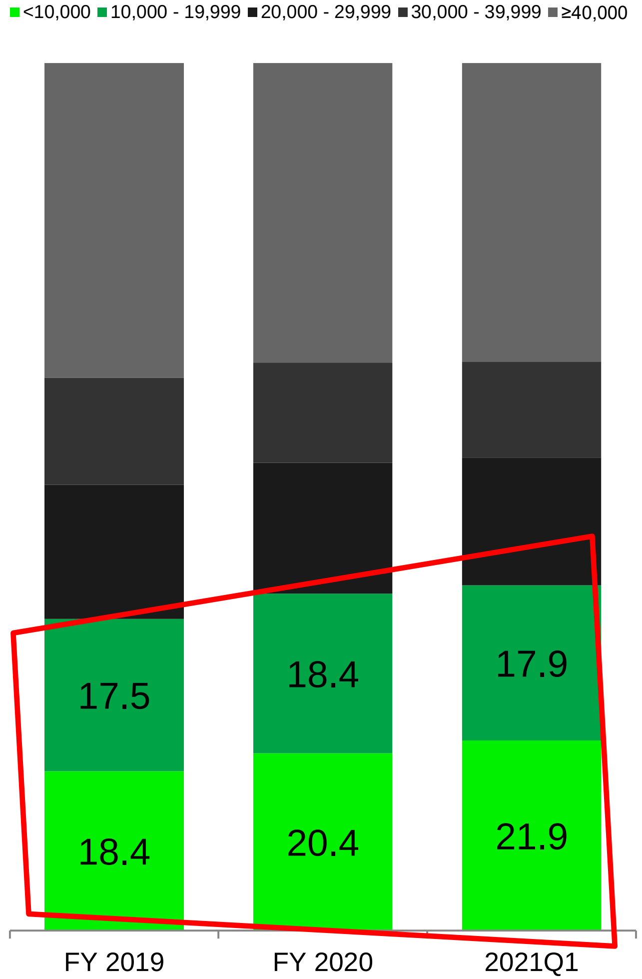
Chain Drug and Wellcome increased in penetration as a value saver option; Online was welcomed by consumers since COVID-19.



Shopper Behaviour During COVID-19

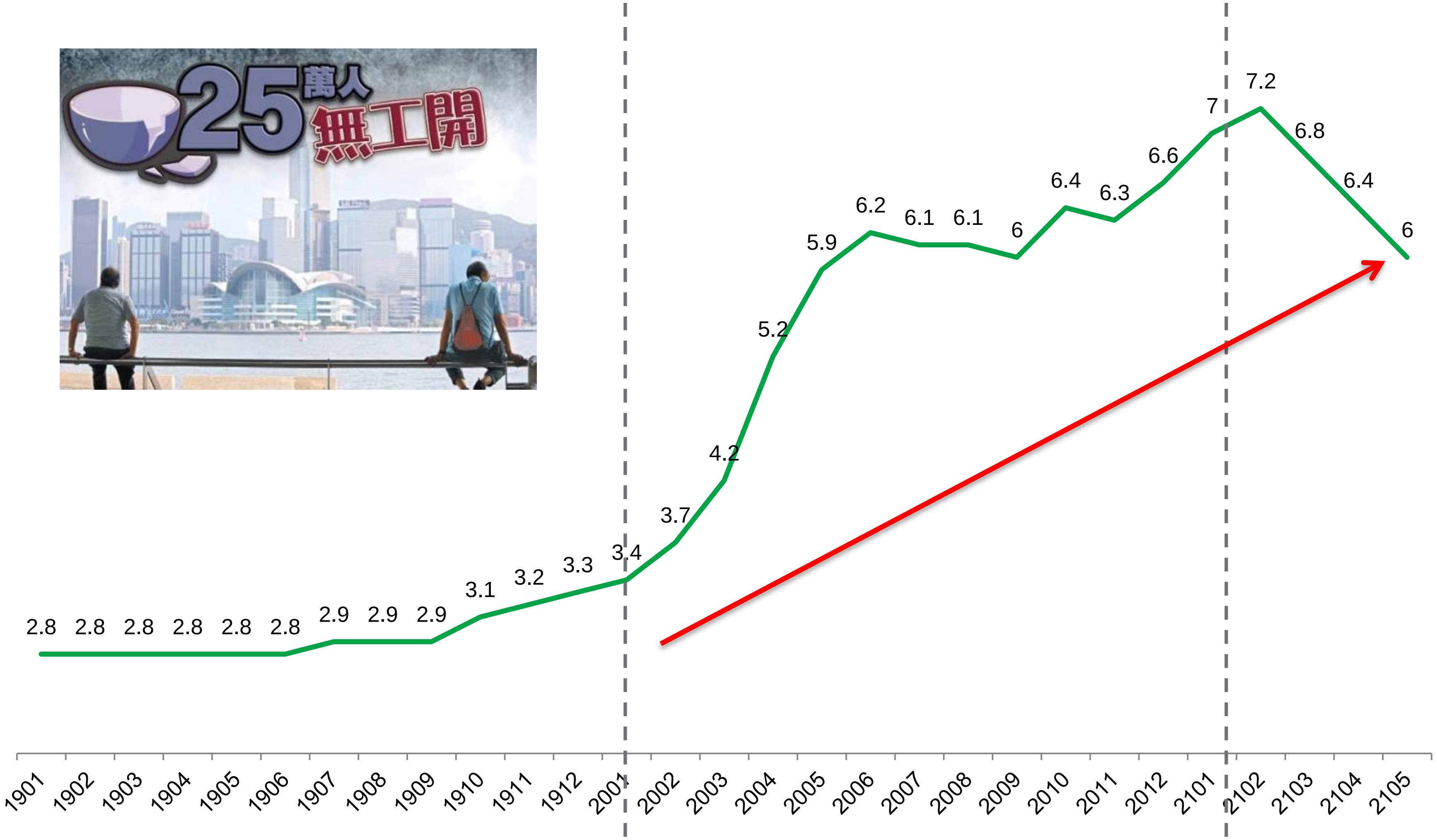
Hong Kong unemployment rises to highest level since 2003 with more household fall to lower income group.

Household Income



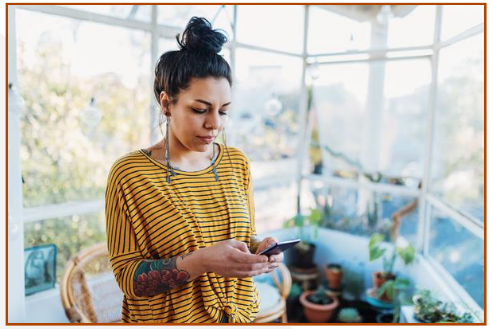
Sources : HK Census & Statistics Dept

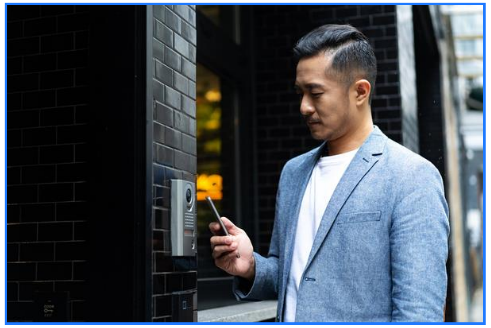
Unemployment Rate (Roll 3 Months)



Spending will be scrutinised, planning will be key

Cost-conscious core rationalise spend, plan more, limit impulsivity



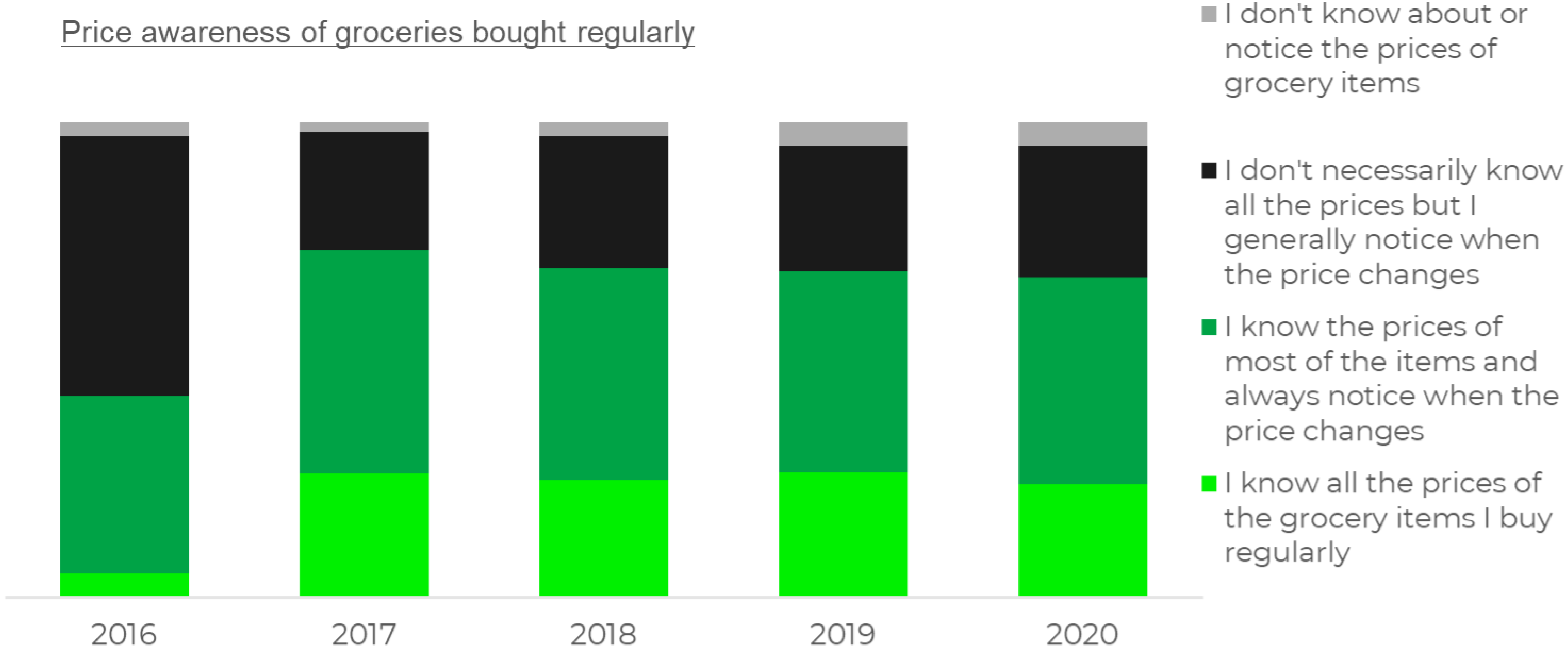


	Existing Constrained	Newly Constrained	Cautious Insulated	Unrestricted Insulated
Constantly reassess all areas of HH spend	17%	30%	23%	3%
+				
Stick to a fixed weekly/monthly budget	32%	40%	36%	16%

Source: NielsenIQ Unlocking Consumption global survey. Q What are you currently doing to manage your household expenses....

High price awareness amongst local shoppers.

Majority of HK consumers are very price conscious to the items they buy and can notice any changes in price.

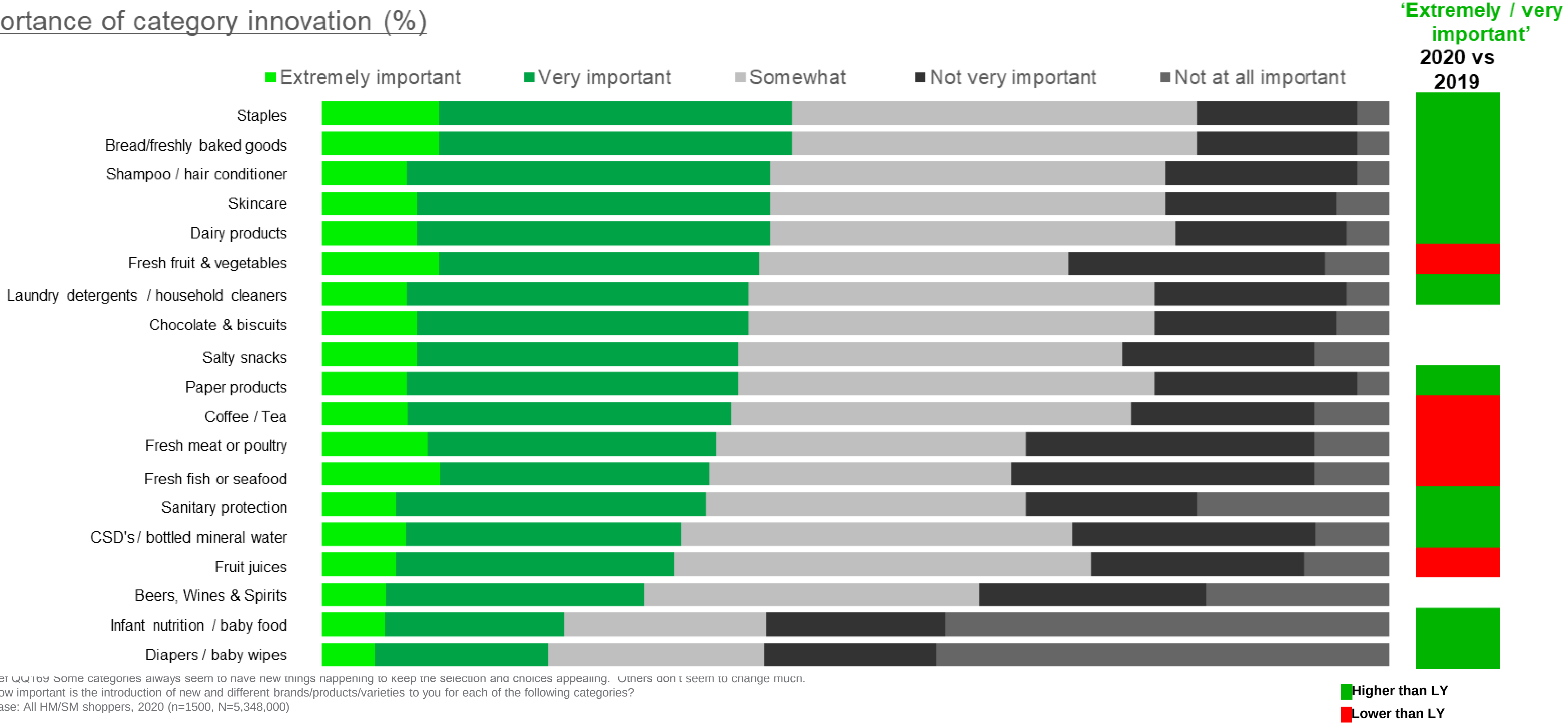


Ref: Q24 Which of the following best describes how well you know the prices of the grocery items you buy regularly?
Base: All HM/SM shoppers, 2016 (n=609, N=5,427,000), 2017 (n=1020, N=5,412,000), 2018 (n=1512, N=5,406,000), 2019 (n=1492, N=5,407,000), 2020 (n=1500, N=5,348,000)

Importance Of Category Innovation

Innovation like new varieties, brands or products is important for categories like staples, baked goods, personal care products, dairy products and fresh fruit & vegetables and the importance is higher than last year on most categories.

Importance of category innovation (%)



Ref QQ169 Some categories always seem to have new things happening to keep the selection and choices appealing. Others don't seem to change much.
How important is the introduction of new and different brands/products/varieties to you for each of the following categories?
Base: All HM/SM shoppers, 2020 (n=1500, N=5,348,000)

Indications for COVID 2021

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Defensive Premiumization

- Consistent price off promotion does not drive additional sales volume to compensate for the loss of tourist volume as it is evident across the non-local demand categories.
- More focus and target opportunities on those new segments that can drive category value than trading down.
- **Promotion mechanics and effectiveness has to be evaluated to sustain the long time growth.**

New Retail Landscape

- Open trade drug stores have aggressively expanded their assortment mix to defend aggressive promotion campaigns by K.A.
- More emerging chained outlets has entered local market to provide new shopping experience to local consumers.
- **Worthwhile to explore the white space for manufacturers to optimise the number of handlers, not confined to local retailing giants.**

Shopper Behavior Change with widen wealth inequality

- The polarising economic and unemployment effects will widen the inequality wedge in HK. Consumer decisions, priorities, actions and strategies around spending will continue to change in 2021 and beyond.
- Constrained shoppers are more cautious in planning while spending will be scrutinised, planning will be key.
- **To understand the shopper basket, and channel switching to unleash the potential to win.**

Thank you