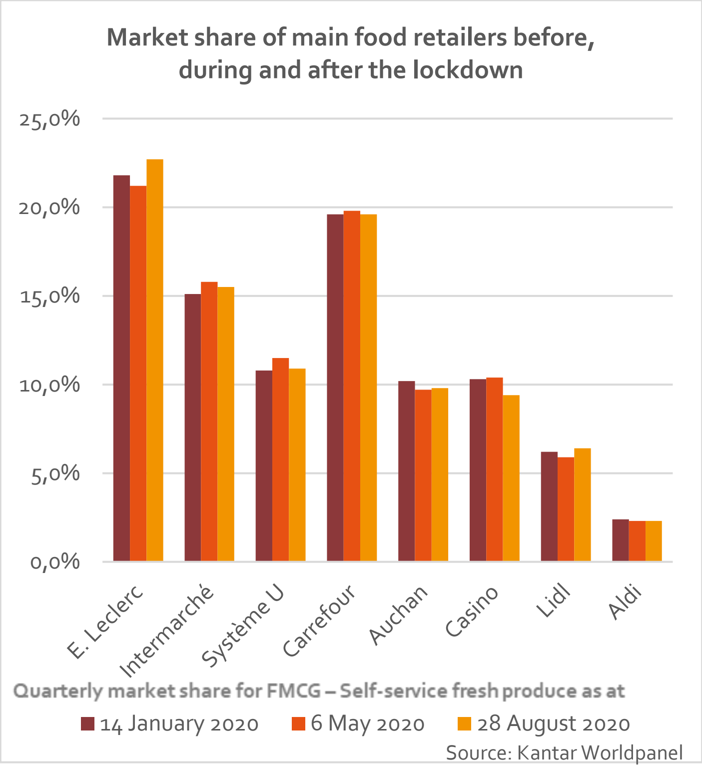
Unigrains – In Brief

Large Food Retailers and Covid-19: underlying trends are gaining momentum



*FMCG: Fast Moving Consumer Goods

<u>Retailers and the lockdown</u>:

- **Leclerc**: its hypermarket-oriented format cost it market share due to mobility restrictions. The chain regained the lost ground as soon as June thanks to its low price positioning.
- **Intermarché**: was the big winner of the lockdown. The chain benefited fully from the unrivalled store and "drive" network density. The recent modernisation of its logistics and online shopping site also helped.
- **Système U**: like Intermarché, the retailer was advantaged by its network of proximity supermarkets.
- **Carrefour and Casino:** maintained their market shares during the lockdown. The fall in hypermarket sales was offset by increases in their convenience stores. Carrefour also benefited from a dense click-and-collect network.
- **Auchan:** was the hardest hit retailer by the mobility restrictions, as hypermarkets still account for 75% of its sales.
- **Lidl and Aldi:** were hurt by their lack of investment in e-commerce.

The lockdown amplified the underlying trends observed before the crisis: consumers want a multi-channel, more local, more responsible (locally-sourced, organic, ethical, etc.) and personalised offering. The market share variations observed during the lockdown reveal the strengths and weaknesses of each retailer on these issues and show that **online offering, prices and private label products will be three essential growth drivers in the months or even years to come.**

Food e-commerce is growing faster than expected

The lockdown period gave a boost to food e-commerce, a preferred solution for consumers given the social distancing recommendations. This trend continues today. Système U, for example, reports that e-commerce currently accounts for 5% of its sales, less than during the lockdown (7%) but more than before the crisis (3%).

The sharp increase in online demand has prompted retailers to quickly look for solutions to retain their new customers. **Several retailers have therefore announced a shift in their e-commerce strategy**. As home delivery remains challenging in terms of profitability, the most likely change will be an acceleration in the development of pick-up points, in-store or through a "drive". For example, Auchan is dropping the expansion of its network of convenience stores and instead rapidly rolling out its "pedestrian drive" network, which should meet customers' demand for proximity, low prices and digital solutions. The chain also wants to extend the click-and-collect system to all its stores by next November. Intermarché wants to speed up the development of its "drive" network. Système U CEO Dominique Schelcher has announced several new features on the company's e-commerce site this autumn, notably the possibility for stores to further personalise the site and add local product sections. As a sign of the

Author: Anne Couderc – Tel.: +33 1 44 31 16 27 – acouderc@unigrains.fr – **Date of Publication**: September 2020

times, Aldi, which has long been reluctant to develop the concept, is testing online sales via click-and-collect in the UK.

Price competitiveness is back in the spotlight

While consumers' concern for the quality and local origin of products grew with the pandemic, **part of the population is set to lose purchasing power due to rising unemployment. This leads to a renewed interest in value for money.** For example, Leclerc announced it was relaunching its Eco+ budget brand. The hard-discount format could also find a new lease of life. Aldi's acquisition of Leader Price was announced before the crisis, but the recent haste of the CEO of "Les Mousquetaires" to convert the Netto hard discount brand to the new "Pop" concept shows that this format could strongly regain relevance for consumers with weakened finances.

Distributor brands have a bright future ahead of them

2019 saw a renewed popularity for private labels as a lever of differentiation in a highly competitive environment. **Their sales strongly grew during the lockdown, up 13.2% in value terms** compared with +7.9% for the entire non-wine consumer product market (Nielsen data). They were notably supported by their strong presence in convenience stores and in the click-and-collect segment, two formats that are strongly advantaged by mobility restrictions. Even though sales growth has since slowed down, **distributor brands are likely to remain popular in the coming years, if only because of their price attractiveness in a context of economic crisis**.