



# FOOD FOR THOUGHT – DELIVERING THROUGH DISRUPTION

Why European food and beverage retailers and manufacturers must think differently and act fast to respond to trends accelerated by COVID-19



The Food & Beverage industry has been battling to keep pace with dramatic shifts in consumer behaviour over the past decade. For example, we have witnessed the rise of the self-centric consumer and seen an increasing focus on “eating well”, as consumer interest rises in the healthiness of foods, the sustainability of supply chains and whether or not ingredients are locally sourced.

COVID-19 has caused further significant disruption to every part of the industry. Across the world, consumer habits changed almost overnight, as stay-at-home orders and other social distancing measures were enforced.

But how do the trends, threats and opportunities differ across European countries? Is e-commerce enhancement the most pressing issue across those territories? Or will more traditional markets prioritise improvements to the in-store experience to build market share, over and above the levels of digital investment that other regions are racing to implement?

In this report, AlixPartners presents a series of regional perspectives from our team of in-market Food & Beverage experts, including the UK, France, Germany and Italy.

# THE VIEW FROM GERMANY: DISCOUNTERS CONTINUE THEIR ASCENT, BUT WILL COVID FORCE AN E-COMMERCE EVOLUTION?

## REINVENTION OF THE DISCOUNTERS

Food retailers across the board are looking to enhance the store experience for German consumers, experimenting with everything from store formats to the amount of fresh food on the shelves. The winners so far have been the discounters, many of whom have improved their store and product offerings to such a degree that they can no longer be considered purely as discounters. Where these brands previously specialised in pre-packaged food, the last few years have seen them respond to customer demand with the introduction of features such as fresh bakery counters.

The fact that discounters have done so while still offering discounter prices is particularly worrying for traditional supermarkets and is contributing to the pressure on big box stores in Germany. They must think very carefully about how to respond to a trend that shows no sign of slowing post-COVID.

## WILL COVID PROVIDE A BREAKTHROUGH FOR ONLINE GROCERY RETAIL?

While much of Europe has witnessed a boom in online grocery retail over the last decade, German consumers have been much more resistant to the allure of online food shopping and delivery, with less than 1% of all food sales taking place online. Because of this, an efficient last-mile delivery system for groceries has still not been established, with just a couple of established supermarkets offering online services pre-COVID.

However, the pandemic has stimulated a change in behavior across the country as many consumers have had no option but to order online. This has seen the established supermarkets race to take advantage of the uptick, as new players have also entered the picture. Some from other European markets are now making small deliveries over the border in Germany, while established online food delivery brands have stepped up their efforts since the start of the pandemic.

COVID has proven that online grocery shopping can work. However, the question now is whether consumers will abandon their devices and head back to the stores when the pandemic ends. Regardless of eventual adoption rates, online grocery shopping presents a major threat to the established supermarket brands. Margins are so tight that the current 1% of food sales taking place online has only to rise a few percentage points before serious damage is done to the stores that fail to adapt.

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## A FRESH FOCUS ON FOOD QUALITY AND SAFETY

While the typical German consumer has long placed price before all else when it comes to food and beverage purchasing decisions, this is changing. Due in part to COVID and supported by recent health and safety breaches in certain meat production facilities, there is much greater emphasis placed upon food quality and safety. The German consumer is increasingly willing to pay a premium for transparency, and players throughout the supply chain need to respond.

This trend is also influencing vertical integration efforts across the F&B sector in Germany, as brands look to better control their supply chains to ensure food safety and quality. As these efforts progress to positively influence balance sheets, verticalisation efforts will continue post-COVID.



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## ABOUT US

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