2 A focus on cheaper food through private labels and discounters

Saving money on food remains a top priority for both high- and low-income consumers in 2023.

All income groups were trading down in 2022, and the difference between income groups diminished. At the beginning of 2022, respondents to our consumer survey who said they wanted to save money on food represented predominantly low-income households. Now, this intent can be observed across income brackets (Exhibit 7). The share of private labels increased across Europe by 1.9 percentage points on average, and the market share of discounters increased by 1.4 percentage points (see “Food and grocery market KPIs,” pp. 36–7).

In 2023, consumers plan to trade down further. According to our survey, 53 percent of consumers say they want to save more money on food, and 36 percent want to buy more private labels than they did in 2022. Consumers also plan to spend less on premium, healthy, and sustainable products to make ends meet. That said, healthy eating remains a key concern for consumers. Depending on the income group, 24 to 37 percent of consumers intend to focus on healthy eating in 2023.

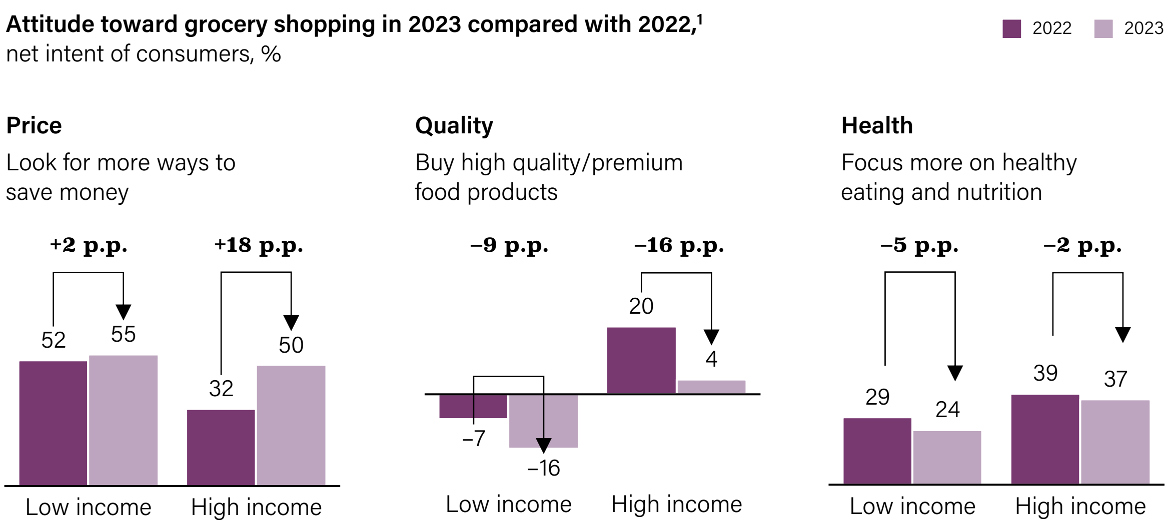
Even if market conditions improve, consumers might continue buying private labels and shopping with discounters. Consumers are highly satisfied with private-label products, with 84 percent of respondents saying the quality of private labels is similar to or better than the quality of branded products. The average consumer is also quite satisfied with discounters. Our survey shows that the weighted average customer satisfaction score in Europe was 14 points higher for discounters than for other formats in early 2023. As a result, we expect that some consumers will not switch back from discounters to supermarkets. As the pressure on household budgets eases, supermarket operators may want to sharpen or upgrade their value propositions to lure target customers back into their stores. In 2022, we saw a strong correlation between market share development and the attractiveness of a grocery retailer’s private labels as perceived by consumers. We expect this to stay true in 2023.

> *“Once consumers try a private label product, they are often pleasantly surprised by the product quality, and some of them stick with them.”*
>
> – Nina Jönsson, ICA Gruppen

Exhibit 7

Low- and high-income groups experience similar trends, but at different rates.

Attitude toward grocery shopping in 2023 compared with 2022,[1] net intent of consumers, %



[1] Question: “Think about 2023. Are you planning to do more, less, or about the same of the following?” Percentage is calculated as net intent (% of people intending to do activity more minus % of people intending to do activity less). Sample sizes for low- and high-income consumers in total are 2,600 and 5,500 respondents, respectively.

Source: McKinsey Consumer Survey 2023, n = 12,777, Belgium, Denmark, France, Germany, Italy, Netherlands, Poland, Spain, Sweden, Switzerland, and United Kingdom sample to match general population of 18+ years of age