

# **OMNICHANNEL REPORT**

## Latam 2023

The evolution of retail in a cost-of-living crisis

2023, 1st edition



# Welcome

How did shoppers change in 2022?

# Shoppers looking for value in 2023

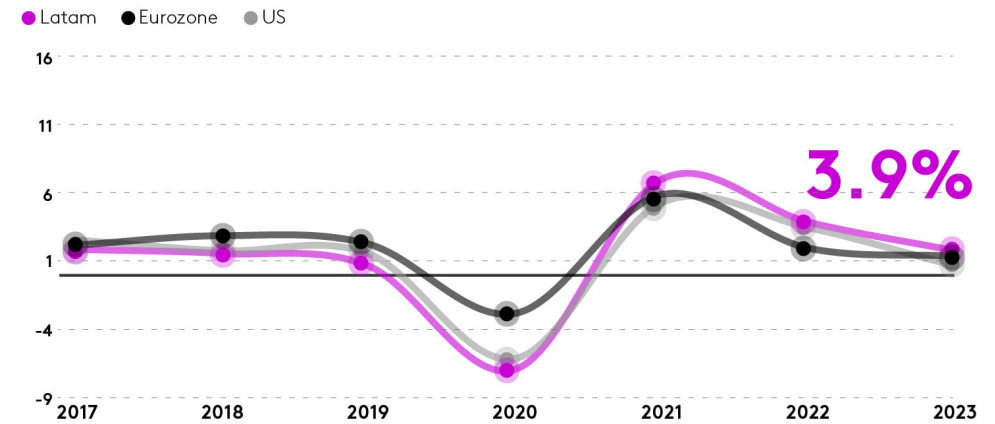
Slowing growth, high interest rates, and global uncertainty is affecting households in Latin American markets as the cost-of-living crisis intensifies. 2023 is already proving to be a challenging year for the region.

Although the global pandemic is behind us, it has fundamentally changed the way people live, work and shop in the region, accelerating the growth of FMCG retail and leading to a diversification in the retail channels used by Latam households.

But as one crisis fades, new economic and social challenges are accelerating changes in consumer behaviour.

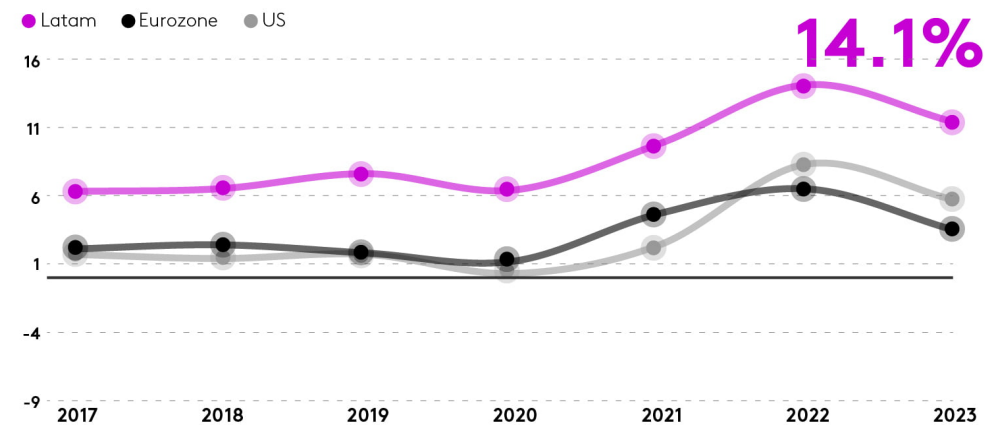
Faced with inflationary pressures, and annual price increases of 14.1% in 2022, Latam shoppers, especially those in low-income households, are having to manage their budgets more carefully. As they shop around to find value for money, more consumers are visiting more channels than ever before, with discount channels benefitting the most. Shopper missions are also changing as consumers purchase more frequently across a greater number of stores, both offline and online.

## GDP



Source: International Monetary Fund World Economic Outlook

## Inflation



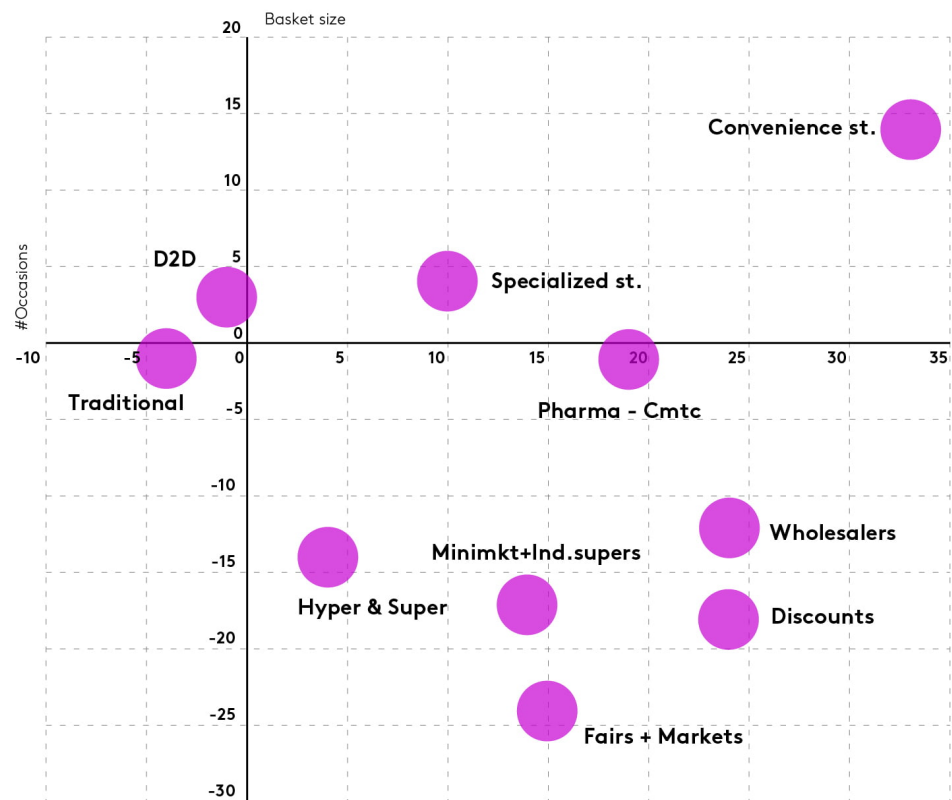
Source: International Monetary Fund World Economic Outlook

While the rapid growth of ecommerce in Latam seen during the pandemic is slowing, it is now an essential part of omnichannel retailing in the region and attracted three million new online shoppers in 2022. Pure and Non-pure\* retail platforms sustain growth in 2022, connecting more types of channels and reaching new user profiles. Meanwhile, WhatsApp, although it does not follow the same behavior, continues to be the one that reaches the largest number of online shoppers, 14.7 million in Latam.

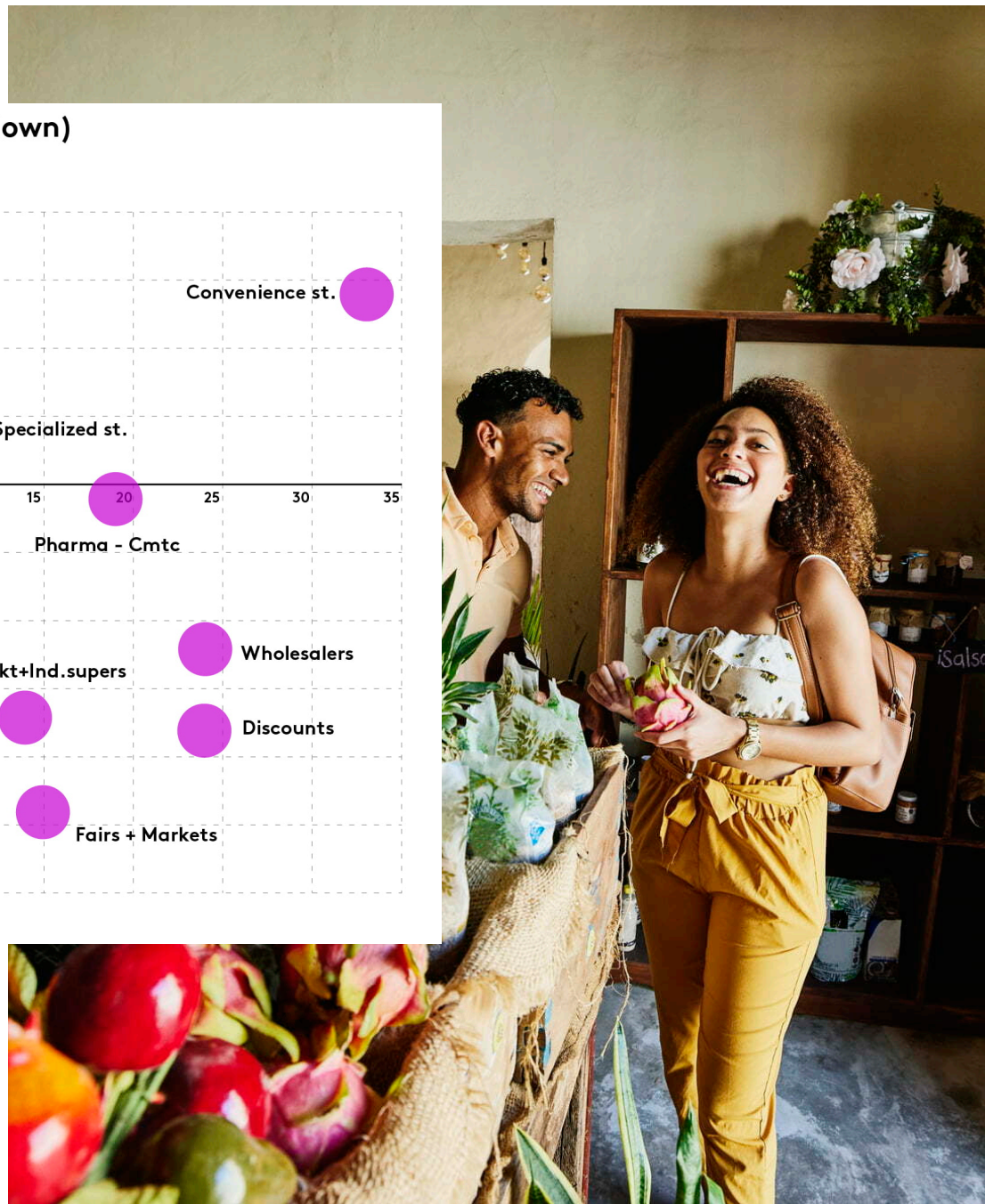
In the face of more fragmented spending and the decline in customer loyalty, the challenge for FMCG retailers and brands is how to attract and retain shoppers and ultimately, gain greater share of wallet.

## %Variation 2022 vs 2020 (Lockdown)

Latam



\*Pure: Companies with online commerce platforms and without brick-and-mortar stores  
 Non-pure: Supermarket and hypermarket chains' websites or applications



# Fragmented retail channels

Shoppers have more choice than ever

# A post-pandemic world

Driven by economic challenges and rising prices, rather than the health challenges of recent years, Latam consumers are continuing to change the way they shop in a post-pandemic world. With no restrictions on where and when they can shop, omnichannel shoppers are the driving force behind FMCG growth in the region, which saw value sales grow 16% in 2022.

More retail channels are attracting more shoppers than ever before, leading to fragmented spending

and a decline in customer loyalty. For Latam shoppers today, the choice is endless, with 18 different types of retail channels available. Consumers visited 8.3 channels on average last year, an increase of 7% on 2022.

Although shoppers are adding new channels to their portfolio – at the rate of one or two per year – basket size is decreasing, with less being spent across more channels.

In the last two years, consumers in Latam have lost 25% of their purchasing power.

## Value for money

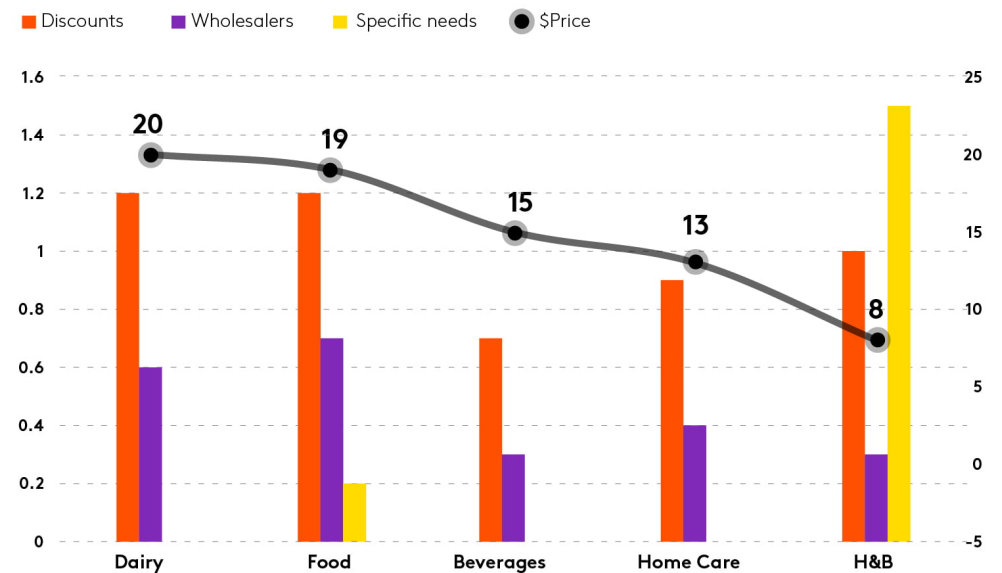
Value for money channels, such as discounters and wholesalers, benefitted more than others in 2022.

Down the trade, however, which includes independent and local stores, was most negatively impacted as shoppers looked for lower prices. Baskets where price increases were highest, such as dairy, were more affected. At the same time, specialist channels, like pharmacies and health and beauty

stores, benefitted by offering a range of specialised and premium products with a focus on price and promotions.

## %Variation 2022 vs 2021

%Occasions share in relation to price increase per basket



But in a region where half of all consumers are categorised as low-income, households most impacted by rising prices are looking beyond the discounters to meet their needs. As one of the most important channels in the region, modern trade is increasingly attracting low-

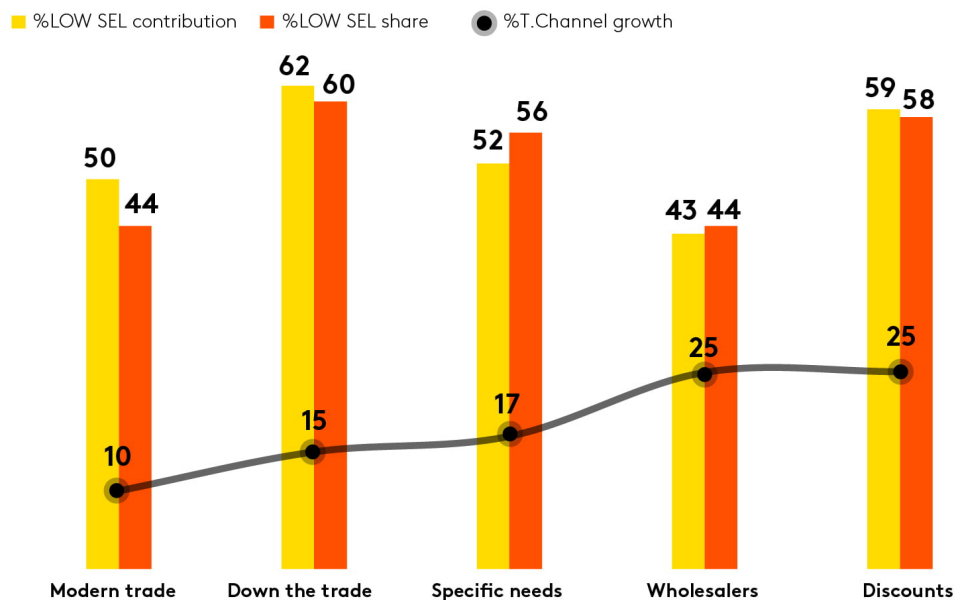
income shoppers, who contributed to 50% of the growth in 2022 compared to the previous year.

Discount channels have continued to invest in the region through product diversification, points of sale and new technology. In

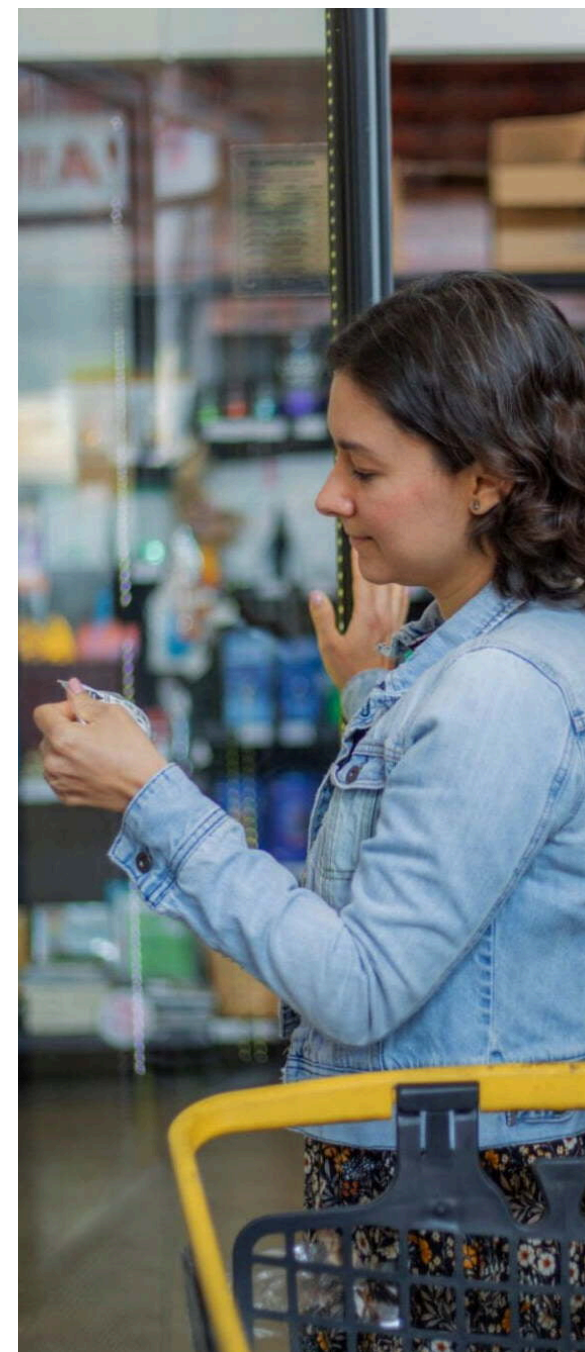
Colombia, for example, incumbent, Jerónimo Martins, opened its 1000<sup>th</sup> Ara store in 2022, while Ísimo entered the market for the first time, opening stores offering both private label products and brands.

The modern gains relevance for this type of social level.

### Low-income shoppers (Low SEL) growth contribution by channels 2022 vs 2021



**The challenge:**  
How to correctly meet the needs of new shoppers



# Changing shopper journey

How shopper missions are impacting retail



# Shopping habits evolve

Shopping habits in Latam markets have continued to evolve since the end of the pandemic and life returns to a different kind of normal.

With a wider choice of retail channels accessible to consumers, shopper missions are changing as they look for value for money across different channels. **In the last two years, the number of channels visited by Latam shoppers has increased by 17%, together with a 2% improvement in purchase frequency.** This correlation is stronger in some Latam markets than others.

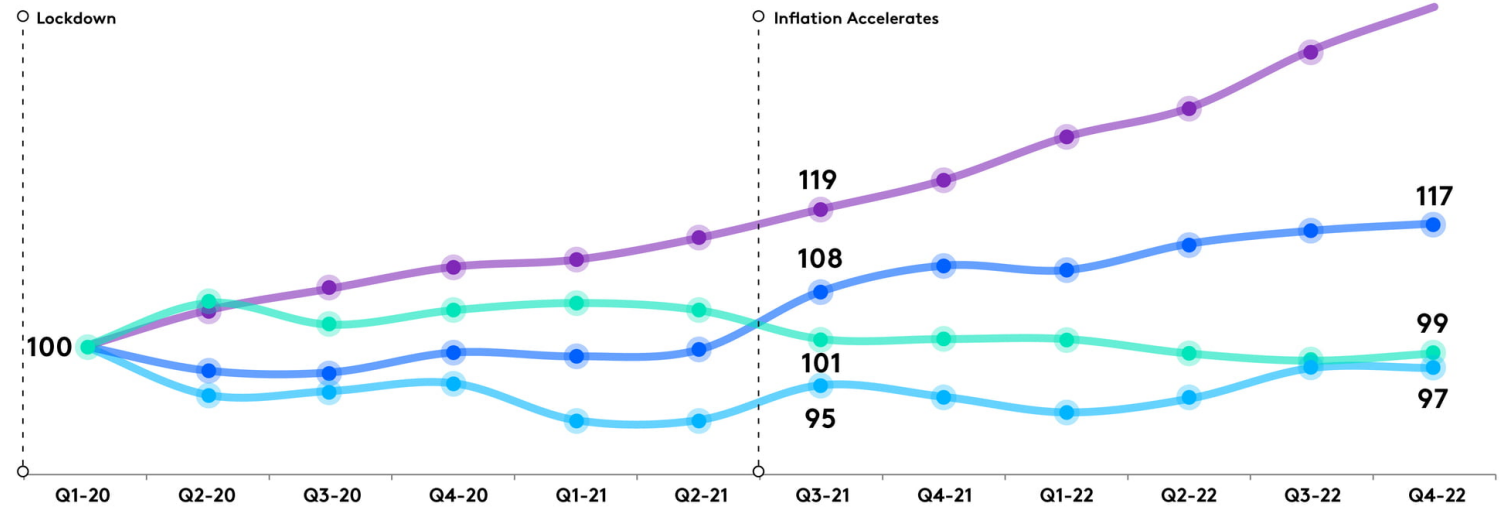
These include Brazil, Mexico and Peru, due to greater mobility in each country and the number of channels available for different budgets. At the end of the day, the fact that more money is circulating through retail channels is positive news for the region's economy and for FMCG retailers overall.

But in this increasingly fragmented shopping environment, retailers will need to understand how people are using different retail formats for different missions in order to capture a bigger share of this diversified spending.



## Latam FMCG KPI's (Index Q1.20 = 100)

● Frequency ● # of Channels Visited ● Price per Unit ● Basket size



Source: Kantar Worldpanel Division 2022 | FMCG | Latam (Argentina ex- Patagonia, Bolivia, Brazil, CAM, Chile, Colombia, Ecuador, Mexico and Peru) | World Bank for GDP. Report created by Kantar. Do not distribute without Kantar's express consent.

## Smaller shopping missions grow

The adage of 'little and often' is becoming more popular in the region with consumers prioritising smaller shopping missions over bigger trips. They may be visiting more channels more frequently, but basket sizes in Latam are falling for the first time.

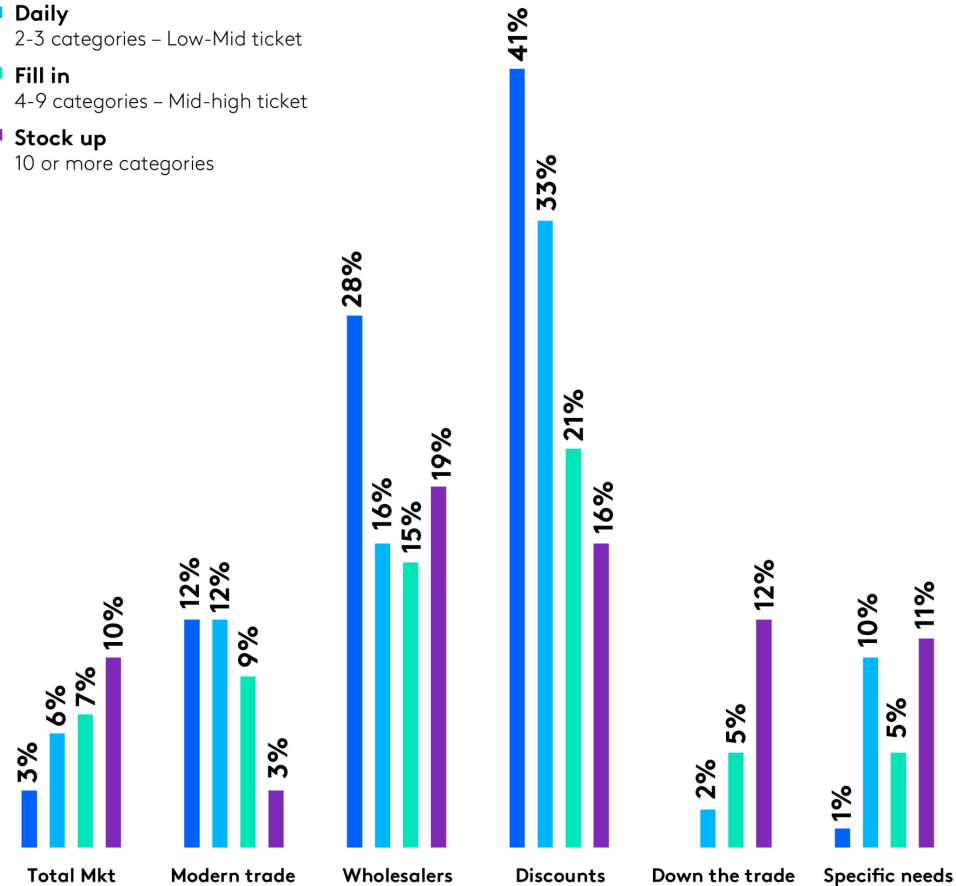
### Stock-up missions are most impacted by this, losing shopper participation.

This is still the most important mission for the total Latam market, however, and even more so for supermarkets and hypermarkets. Shoppers are rejecting the idea of the 'big weekly shop' in favour of smaller, but more frequent shopping missions. Now that they are smaller, the size of basket for this type of mission is down 14%, while total missions have also decreased, but only by 4%.

## Missions - Occasions variation by channel

2022 vs 2021

- **Urgent item**  
1 category - Low ticket
- **Daily**  
2-3 categories - Low-Mid ticket
- **Fill in**  
4-9 categories - Mid-high ticket
- **Stock up**  
10 or more categories



Down the trade retail, which offers the benefits of proximity and value for money, has benefitted most from this fragmentation, becoming one of the most visited channels for stock-up, up 12% compared to 2021. For retailers, the important question is how to take advantage of these new shopper missions.

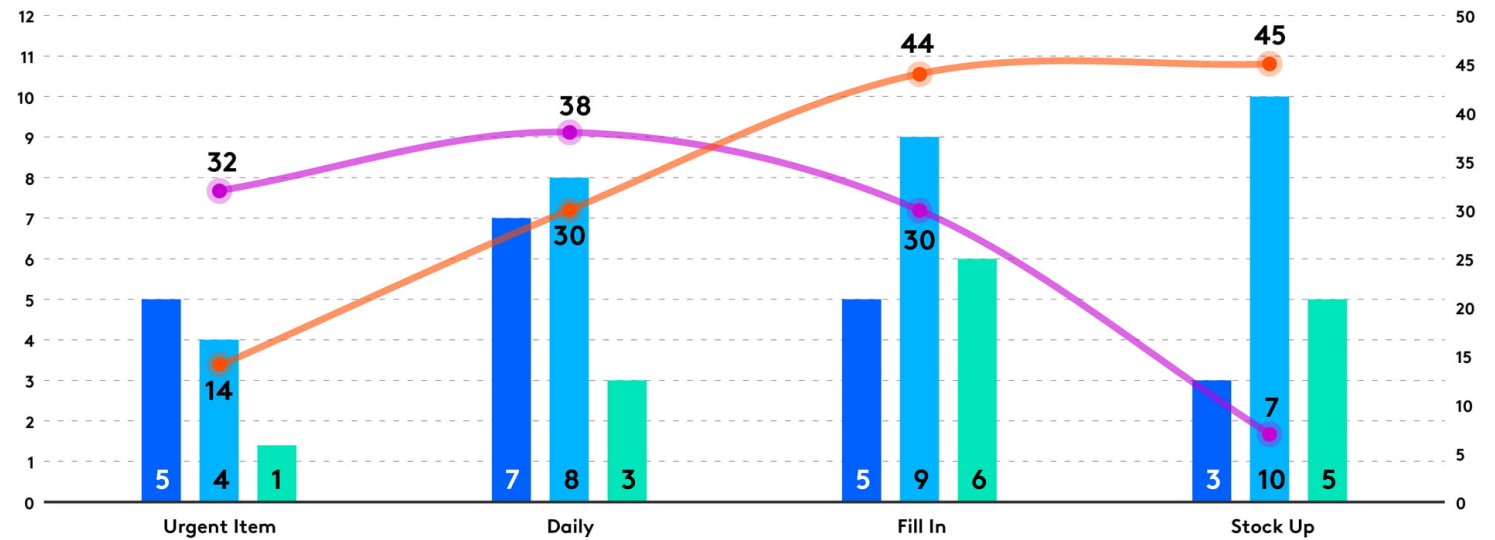
In what seems to be a reversal of fortune, modern trade, discounters and wholesalers saw strong growth last year in the number of smaller shopper missions. More shoppers, from different profiles, are now visiting these channels, which are still dealing with the loss of purchasing power.

## Different channels offer different drivers for growth

Each mission plays an important role and provides retailers with opportunities for growth depending on how and where shoppers make buying decisions. **Private labels and promotions are becoming more important for bigger missions, for example, because consumers can save money and it makes the trip worthwhile.** Last year, shoppers were also more likely to buy new categories in smaller shopping missions than in bigger

## Shopping missions evolution 2022 vs 2021

■ # Channels visited   ■ %Promo   ■ %P Label   ● % Categories gaining penetration (=>1)   ● # Purchased categories

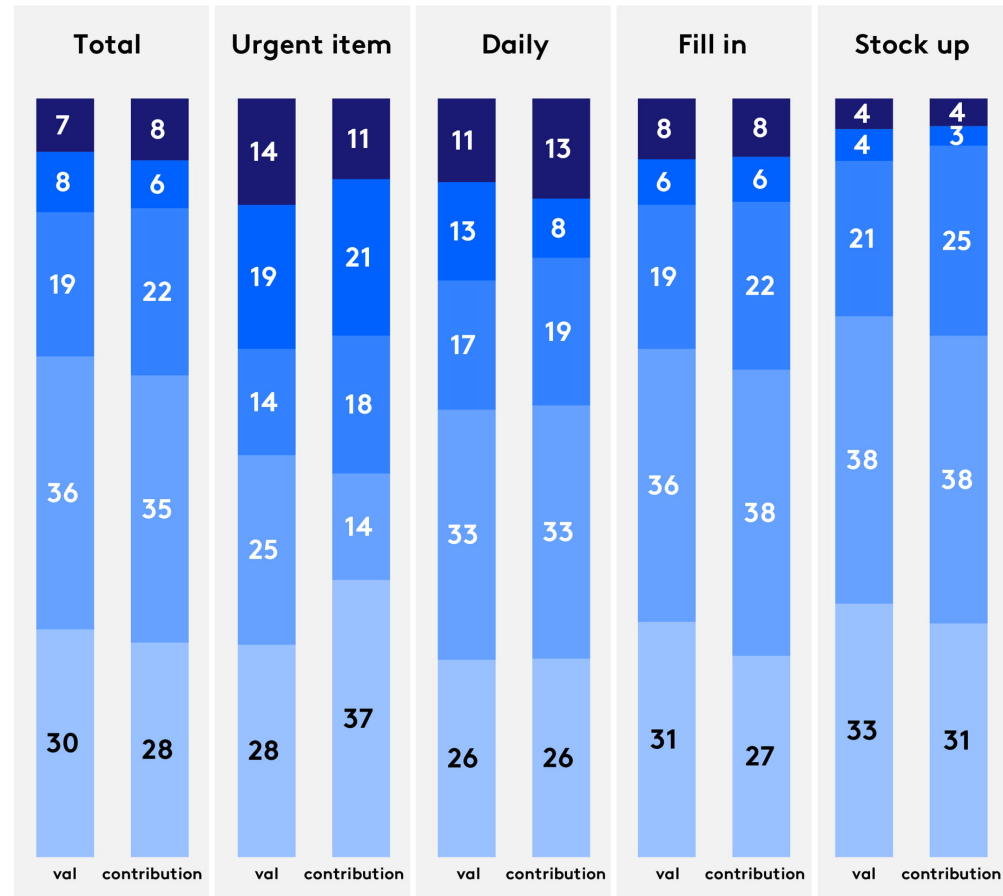


Size, it seems, is also important to savvy Latam consumers, with shoppers increasingly using smaller shopping missions to buy bigger sizes, and bigger missions to stock-up on smaller size items. **What is important here is that shoppers prefer to use trips to discounters, wholesalers, and supermarkets to fill their baskets with smaller items across more categories.**

While larger stores offer choice and a wider range of categories, volume is not the most important consideration. Shoppers will take the opportunity to try out new products.

### Sizes total FMCG Latam Performance 2022 vs 2021 (%)

■ Bulk Products ■ XL (Extra Large) ■ L (large) ■ M (Medium) ■ S (Small)



# Ecommerce

The changing role of online shopping

# Ecommerce slows

Ecommerce enjoyed a boom period during the pandemic, as retailers – both pure players and non-pure players (bricks and mortar) – launched new platforms and apps and consumers embraced online as an easily accessible channel in the absence of physical stores.

**In 2022, however, ecommerce slowed for the first time since the pandemic, with online spending falling by -0.4%, driven in part by delivery taxes from apps.** But it remains an important part of omnichannel retailing in the Latam region, attracting an additional three million new shoppers in 2022, mainly from low-income households.

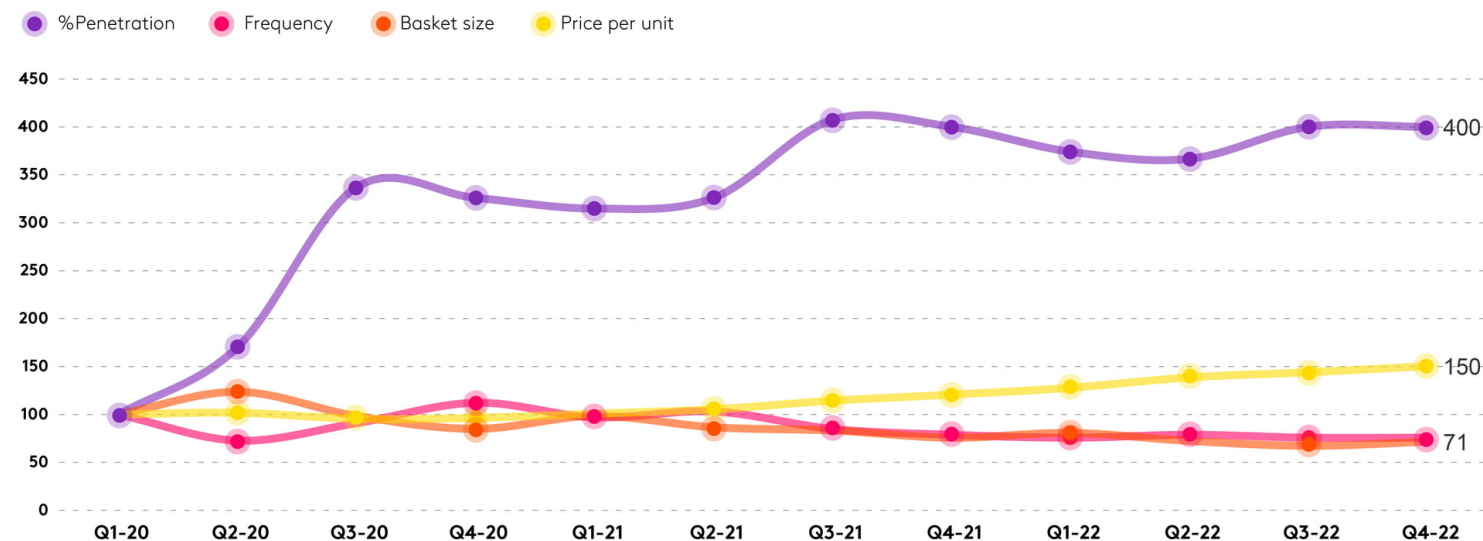


Phygital (physical + digital) shoppers are using both online and offline channels but being more selective in how and when they use them. Shoppers are migrating back to physical stores in a time of economic crisis. This gives them opportunity to compare prices, sizes, private labels vs. brands and to take advantage of promotions and deals in-store as they look for value for money. As a result, discounter and wholesale channels are benefitting the most.

As the market slows and shoppers fragment their spend across channels, the challenge now for ecommerce retailers is how they engage and retain shoppers.

### Ecommerce evolution

Index from Q1-20



2022 vs 2021



**Three key takeaways**



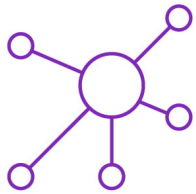


## New challenges ahead

2022 was a year of recovery post-pandemic, but also one where retailers and shoppers faced new challenges in a cost of living crisis.

**For Latam consumers there has never been more choice of retail channels, but value for money is critical in the current challenging economic climate.**

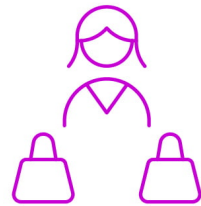
As omnichannel shoppers continue to drive growth in the Latam region, there are three key takeaways.



## Omnichannel grows stronger

Omnichannel retailing continues to grow in the face of greater economic pressures and the cost of living crisis. For retailers, it is not just about more shoppers visiting more channels, but also about tapping into different shopping routines to attract more visits. One way of winning consumers' hearts and minds as shopping routines change is for retailers to diversify formats, as some of the big chains in Brazil have already done. This also presents a challenge – and an opportunity – to brand manufacturers. First, to understand the role of shopper missions, and

second, how they can position and market themselves differently in each format according to how important it is to the consumer.



## Shopper missions are changing

Stock-up missions are now the most fragmented, with down the trade now a strong contributor. Proximity is driving the conversion of more categories and is important in purchasing of bigger sizes with consumers using urgent and daily shopping missions to buy bulk and large items. Private labels have become more important in basic categories where there are bigger price increases.



## Ecommerce slows for the first time

Ecommerce slowed for the first time since the pandemic. However, it remains an important channel for retailers and brands to attract and retain customers during fill in missions and as they search for better value for money through large sizes, promotions, and alternative payment methods. It has great potential, especially for retailers targeting low-income shoppers. But given that only a quarter of the Latam population currently shops online, the challenge now is to democratise it to reach across all socio-economic groups and markets. The evolution

of the phygital shopper continues with many opting to shop in-store to find lower prices, get a better experience, and find value for money.

