

Doing the groceries: Exploratory research on the future of brands & price perception in a context of inflation

Experimental qualitative study in France and Germany  

Annual report 2023

**If you have only 5 minutes
(and work for a brand)**

What brands should do to retain their customers during inflation (1)

Inflation is a difficult time for consumers, and **shopping has become an emotional roller coaster.**

You arrive at the cash desk and suffer a **shock**. It is a time of **stress, fear and confusion**. And inflation, of course, is **dangerous for brands** – people consume less, are less willing to pay for a brand (especially premium brands) and switch to private labels.

- ▶ At the same time, cheap does not win over everything. **The role of brands is growing** during this turbulent phase, because a brand is a "loved one", something that helps people to **cope with stress and maintain a certain stability which makes them feel more relaxed** in this changing world. High brand loyalty makes consumers feel **more resilient** during the economic crisis by **creating emotional stability**.
- ▶ The main **psychological and emotional benefits that brands deliver** are their ability...
 - ▶ To create a **deep and lasting emotional connection** with consumers, especially to **build memories** by becoming a part of the consumer's biography
 - ▶ To **define the Self**: the brand is felt as a part of me (high brand-self-connection), so, it supports my values and shapes my identity
 - ▶ To build **trust** through high and consistent quality (however, this is a dimension where renown private labels compete more and more effectively)
 - ▶ To inspire me to **treat myself** by more choice, more color and being a specialist

But how to **use these strengths when...**
everything is in question, the economy is in recession, consumers are depressed, and private labels attack?

A few tips based on this research:

- 1 Keep it simple**, go back to your roots, and consumers will appreciate it. In recent years, brands have made it increasingly difficult for consumers to make a choice: they have been constantly changing everything (shape, packaging, taste etc.), expanding their portfolio, playing with prices. Thus, consumers get lost, disappointed, and stressed. **Make consumers' lives easier! Bring back memories of "good times"!**
- 2 Support consumers in this difficult time.** Provide them with **emotional support and reassurance**, a sense of **confidence and stability** while at the same time **manifesting new values and habits**:
 - ▶ Gaining greater awareness of prices and personal expenses
 - ▶ Avoiding unnecessary spending and buying or throwing away unnecessary things
 - ▶ Consuming less but better, which has a positive impact on sustainable development and the environment

What brands should do to retain their customers during inflation (3)

3

Establish a **closer connection** with consumers through brand communities and daily communication with them, asking for and giving advice

4

Assist consumers in **using new strategies to overcome shopping challenges**. For instance, apps that help consumers create shopping lists in a playful way, incentivizing them during the process while informing them about discounts and deals?

5

Become even **more special, unique, and memorable**:

- ▶ Something that can be used on special occasions that emphasizes the uniqueness and superiority of the products.
- ▶ Particularly satisfying when it's tied to a specific event, especially in times when you must keep an eye on the budget.

6

Differentiates itself from private labels at the point of sale, communicating **superiority, high quality, and a reliable (scandal-free) reputation**

What brands should do to retain their customers during inflation (4)



Make consumers feel that their lives will be safe and happy with you and give them hope for better times!

**If you have another minute
(especially if you work for a retailer brand)**

The purpose and future dilemma of private labels: Make people dream or give them peace of mind?

- ▶ Private Labels are (at least were) **simple**, sleek, without thrills, with few variation/ options
- ▶ This makes them easy to spot and recognize, without having to read the price carefully >> they **signal** affordability
- ▶ Therefore, they make people's lives easier, and **reduce the cognitive effort or mental burden around shopping**
- ▶ But it also makes them **less desirable**

Private labels have **earned respect** and received **consumers' trust** (more in Germany than in France, however). Often, they are perceived as **functionally equivalent**. Besides, they **enable 'smart shopping'** (pride through a good bargain). In some cases, the name has almost **full brand status** (cf. Rewe).

How come that some consumers still feel **forced to legitimize their purchase** and confess being occasionally **frustrated** about them (inferior taste experience, lack of story-telling and aspiration). Every PL product undergoes a **straining 'trial and error' process**.



- ▶ To increase their margins and make people dream, some PL pursue the direction of **upgrading/** become more **premium**. They want to earn their "nobility".
- ▶ But while doing this, PL **contradict the basic contract of simplicity and affordability**. They blur the frontiers, increasing the grey zone that will cause "headache" to consumers.

Research design

A self-funded German-French Research Study as part of our yearly internal Research project, the Séissmograph



Over the **year 2023**, we interviewed **more than 130 consumers** on the topic of **price and brand perception**.

We are in troubled times where our clients struggle between **cost cutting** and **innovation urge**.

Brands are questioned about their **societal, economical, but also personal and emotional added value**.



This report investigates the emotions behind the trade-offs between brands and private labels – and tells how consumers feel to consume less/ differently.

130 In-Depth Interviews and 16 Deep Dives in an additional step



Compilation of 130 IDIs across categories and European countries
+ 16 online 1-to-1 interviews (8 per market, 60 min each)
Fieldwork took place at the end of the year 2023

Women, 25 to 39 years old, living alone
Purchasing a good mix of brands and private labels for food and home
detergents (and cosmetics – only in Germany) at the supermarket

Field partners:

France: **Marketing Espace**

Germany:



Prior to the interviews, all participants sent some receipts of their purchases of food and/or detergents in a supermarket + some pictures of their products at home (food, home detergents)



Different purchase situations: from weekly big groceries to quick purchases on the rush during lunchbreak



Visited supermarkets:

- ▶ Germany
 - Rewe
 - Tegut
 - Lidl
 - Netto
- ▶ France
 - Carrefour
 - Leclerc
 - Auchan
 - Super U

Different types of purchase situations:

- (Planned) weekly big groceries ↔ Unplanned, spontaneous small purchases just to get a few items
- Groceries for the daily food, filling up the fridge, buying usual products ↔ Groceries before a party with friends, buying more occasional products

- During the week: during lunchbreak, in the morning before work or in the evening after work ↔ On the weekend

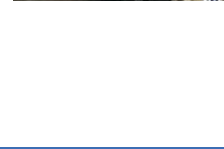
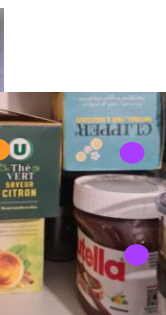
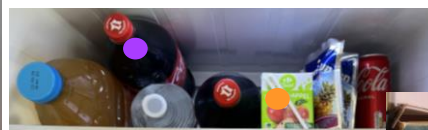
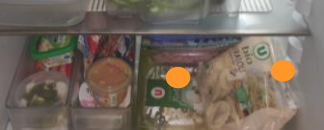


Receipts from participants

We made sure consumers use a mix of brands and private labels for food...

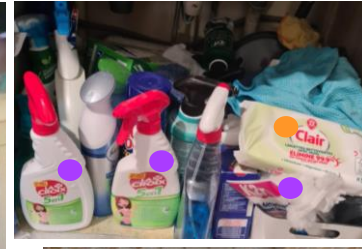
Brands

Private labels



... and for cleaning products

- Brands
- Private labels



The perception of price in times of inflation

What is a price: Consumers understand and assess prices in different ways

WHAT IS PRICE? Consumers compare ...



Absolute price

- ▶ ... the absolute price of similar products/ brands that is **written on the price tag**
- ▶ Consumers have a **psychological limit/ threshold for each product** to assess if a product has a good price or is too expensive

Relative price

- ▶ Comparing the price of a product/ brand with the price of similar products/ brands
- ▶ ... the **reasonable mean**: neither the cheapest (= inferior quality) nor the most expensive option (= unnecessary expense)

Price per quantity

- ▶ ... the **price per kilo/ per 100 grams** of similar products/ brands, less often price per portion
- ▶ Difficult to compare prices due to **different pack sizes/ units**, etc.
- ▶ Also taking into account the quantity needed

Special offers

- ▶ ... a **visually perceptible difference**, e.g. price tag has a different color when on offer
- ▶ Gives a feeling of **affordable** price, or that the product is **worth buying**

Price evolution over time

- ▶ ... current prices to **prices in the past** (but **without exact dating** or recalling specific prices)

Consumers have a **general feeling** that goods have become more expensive, without being able to break this down to specific products: the **total amount they have to pay** at the checkout is **higher than in the past**

Despite being so focused on price, consumers hardly remember them!

Most consumers do **not remember** the prices of the items they bought **at all!**

Some just have a vague idea and recall a **price range** or a **rough estimate**

Only very **few** have **good price knowledge** and memorize the **exact price**

Price is **remembered** mainly for **specific products**, e.g. that consumers **particularly like** or feel attached to



3,29 €

« Off the top of my head, I don't know the price. I just know that everything is a bit more expensive in the Asia store, I did not know exactly what the price would be there. I just had this feeling, okay, it'll be more expensive there.



4,29 €

« Nutella is expensive enough, but Bionella, I think ... it costs 4€ something. For the jar and the quantity ... is that 500g? Well, I don't know exactly.



1,99 €

« I think the offer price (of Rügenwalder vegane Teewurst) was 1,49€ and I think (the regular price is) 1,99€. That's not much. I think it's quite expensive for the fact that it's a small amount of product.

In the context of inflation, consumers are strongly focused on price, which makes the shopping experience even more stressful.

Coping strategies to spend less money

Pay more attention to price

- ▶ Compare **prices of similar products** from different brands on the shelf
- ▶ Stock up staple foods & products that are needed often: buy **bigger quantities on promotion**
- ▶ Buy food **products near the expiration date** when the price is reduced

Buy private labels instead of brands

- ▶ **Balance total expenses** by saving money on one product to be able to afford a more expensive other one
- ▶ Automatic **guarantee of a cheaper price**: provides peace of mind, less need to check & compare prices

Buy at discounters more often

- ▶ **Lower general price level**, but **less enjoyable shopping experience**

Buy less quantity/ less often/ or stop buying at all

- ▶ If the perceived price increase **exceeds the personal threshold** (e.g. organic products, ham, fish, etc.)

Associated emotions

Stress, less peace of mind, frustration

Satisfaction of paying less, but less pleasure, frustration

Satisfaction of paying less, but lack of pleasure while shopping & with the products

Mourning feeling
Annoyed, sad, frustrated

In both countries, several consumer profiles occur with different sensitivity towards price.

Price has more
impact on purchase

Price has less
impact on purchase

The special-offer obsessive

Obsessional about prices & special offers:

- ▶ Mostly buy on special offers
- ▶ Prepare their shopping list & shopping plan according to special offers (where to buy what & when on promotion)
- ▶ Buy items on promotion even if they are actually not needed
- ▶ Different motivations:
 - ▶ Bargain hunter: not paying the full price is clever
 - ▶ Forced to resort to special offers due to financial pressure

The restrictive budget*

- ▶ Have/ want to limit their expenses due to financial pressure
- ▶ Pay close attention to prices: check, compare & remember
- ▶ Do not buy if they consider that they cannot afford the product
- ▶ Occasionally allow themselves to spend more money for some products that they particularly like

* No participant of this profile in German sample

The price-conscious hedonist

- ▶ Pay the price for products that they want/ like/ that suit them or for more ethical consumption
- ▶ But price-conscious & compare prices
 - ▶ May choose an alternative product with comparable quality because of a cheaper price/ special offer to save money & make a bargain

The mental burden avoidant

- ▶ Little interest in prices, do not want the mental burden of checking/ comparing prices
- ▶ Priority: buy the products that they want/ like/suit them
- ▶ Strong ethical motivation
- ▶ 2 different tendencies:
 - ▶ Did not change their habits with inflation
 - ▶ Would like not to change their habits but had to start paying a bit attention because of significant price increase

The special-offer obsessive

« That's simply because **I have this "kaufDA" app** and in theory you can receive all the brochures you want. I've just **set my favorites**, so I **get push notifications** when there's a new one. Sometimes I've **tagged products that I know I want or need**. ... And then I list them, and you **automatically get a notification when they are on offer**. ... For example, if I see that in a supermarket there are 2 of the things on offer that I eat regularly or that I need anyway, then I just go there.

The restrictive budget

« My shopping habits have changed... because, honestly, before I was not paying attention, and now I am struggling, so I have this system of divided budgets. I know I earn that much, I know I put that much into it. One day, when I reviewed my budget situation, I told myself, I spend that much on food, restaurants, going out, lunch, shopping for the house. And I told myself, no, I've got to be careful. **Before, I would buy anything and everything without looking at it, but now I'm not.**

The price-conscious hedonist

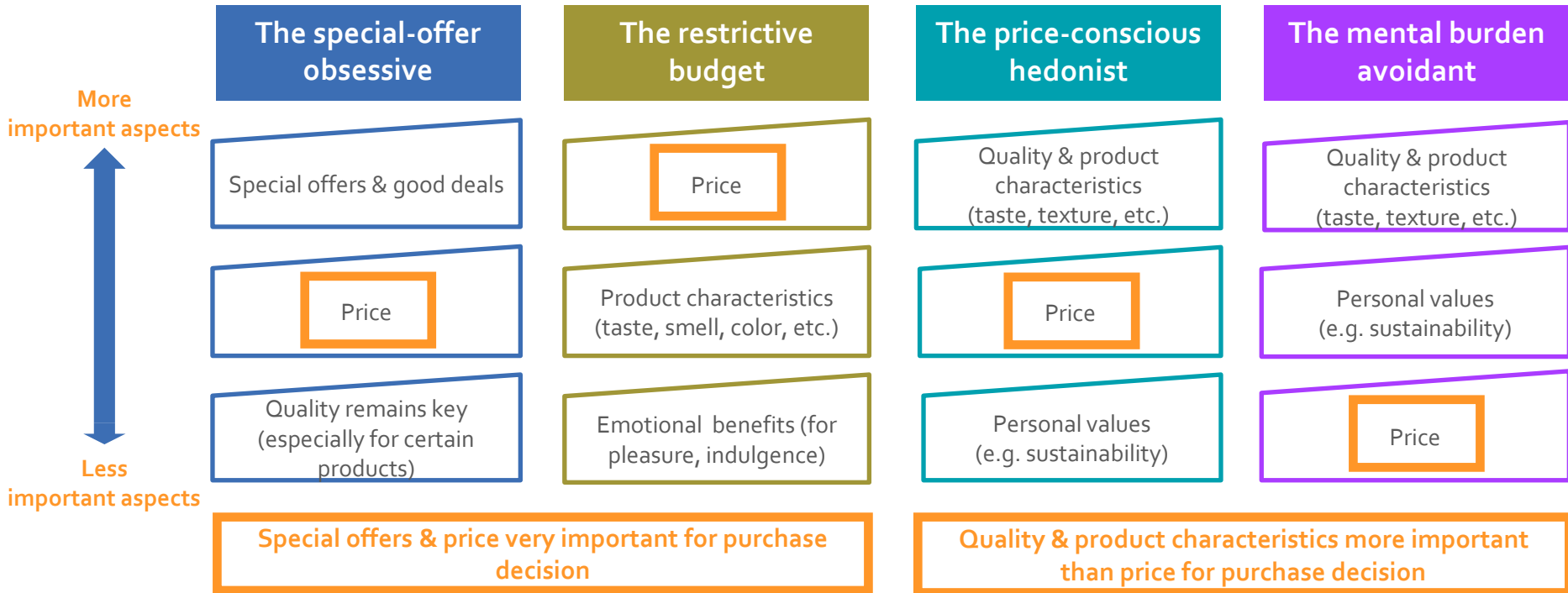
« I really like this brand; it is made in France. What I like most about these products is that they are fruit puree, so there is no added sugar, it is fruit... It is more expensive but better. Psychologically, I would not put more than €4 on a jar of jam... but for this type of product, **I am attached to this brand, even if it is more expensive than the others.**

The mental burden avoidant

« I don't pay attention to prices, it is not my priority. I look at the prices a little, without it being an obsession. I don't have much time. When I go shopping, I want to have a product that I love so even if it is a little more expensive, if I know I want that product, I will still get it.

Price-wise, I am not the one to compare which product is the cheapest, I either look for "organic" or "sustainable" products or that it has the least plastic wrapping.

Some consumer profiles prioritize price and special offers to take their purchase decision, others attach more importance to other aspects.



Grocery shopping should be as fast and efficient as possible. But for French consumers, it seems to be less tedious than for German consumers.

Need for guidance & reassurance from retailers & manufacturers in order to ...

Avoid stress

- ▶ **Time pressure:** has to be integrated into everyday (working) life
- ▶ Annoyed by other shoppers: make shops **noisy & crowded**
- ▶ Shopping trip is planned: shop at **times when it is less busy** & in stores that are **on the way to work** or **close to home**

Prevent overstraining (and temptation)

- ▶ **Large choice** makes purchase decisions difficult & risky
- ▶ Consumers (especially Germans) systematically use a list to **avoid being seduced**

Increase efficiency

- ▶ Know the layout of the store by heart and ideally want to be able to **head for specific shelves & products** in store

Lower level of stress from French consumers

- ▶ French consumers seem to express a **lower level of stress** than German consumers regarding groceries
- ▶ Probably because **food generally means more pleasure** for them (preparing and eating)
- ▶ Therefore, they seem to be **more open to leave the path and do a detour**

German consumers use a shopping list more systematically to avoid seduction. The list exists in France as well but to a lesser extent.



Coping mechanism: having a list = wearing blinders!

How?

- ▶ Mostly **digitally**: on **mobile phone**, often using special **app** (Kaufda, Rewe, etc.)
- ▶ Less often physical list (pen-and-paper)

When?

- ▶ Preparation starts **at least one week before**, sometimes even longer in advance: whenever a missing product comes to mind, it is added

What?

- ▶ All items that are **missing/ running low** are listed (shoes, gloves, food, hygiene, etc.)
- ▶ Some consumers **check their cupboards**, fridge, etc. to complete the list
- ▶ Some make a **weekly plan of the dishes** they are going to cook and write down the ingredients needed

Why?

- ▶ **Reminder**: make sure **not to forget** to buy **important** items you urgently need
- ▶ **Self-restriction**: minimize the **risk** of buying **unnecessary** items
- ▶ **Stress-reduction**: enable a **quick purchase**, go directly to the relevant shelves in store

Crucial for retailers:

- Easily accessible information about special offers
- App available with which consumers can manage personal shopping lists
- App should be linked to online shop/ physical product offer: possibility to select/ tag products directly

The role of brands vs. private labels

On brand level: Brand perception: Brands are renowned innovation leaders & specialists, they represent the “original”, while private labels are all-rounders and copycats.

Brands



On the market for a long time, trustworthy, commonly known & well-established in the market & consumers' minds



Always present in consumers' lives through intensive marketing communication & advertisement



Available everywhere: can be found in many different supermarkets



Specialists in a specific product category



Specific know-how, innovative: do research to develop innovative & better products

Private labels

Less well-known/ less famous, have to earn trust through convincing product performance

Little to no communication/ advertisement/ marketing activity

Exclusively available in one supermarket chain: each supermarket has its own private labels

Not specialized in a product category: generalists, produce different product categories

Less know-how than brands, less innovative, replicate products that already exist (copy the original)

On product level: Brands are encoded with better quality & refinement and, thus, offer added value. Private labels are the rational choice, offering a more basic product version for a cheaper price.

Brands



Reputation of superior quality: high-quality ingredients, less artificial/ chemical, better for your health, less harmful for the environment, etc.



Some iconic brands are perceived superior & inimitable (unique taste, texture, scent, like Coca Cola or Nutella)



Products are more sophisticated & more appealing (sensory properties as well as packaging)



More elaborated offer: larger choice of varieties in terms of flavor, smell, shape, packaging, etc.

Private labels

Quality is perceived as less good than brands in general & varies between different private labels

Private labels do not manage to reach the quality level of brands: perceivable difference in taste, texture, etc.

Products are more basic & less appealing (sensory properties as well as packaging)

Less elaborated, more simple, basic products; offer less choice/ diversity than brands + less elaborated packaging

Private labels have become increasingly similar to brands and, thus, some managed to acquire an equivalent status – however this is contradicting their basic principle: be basic & cheap.

The general quality of private labels has increased

- ▶ **The general quality** of private labels has **increased** & is considered as **comparable to brands** for a large number of products
 - Some private labels **mimic “real” brands** & can easily be mistaken: e.g. visually appealing packaging design, lofty names (but unclear origin)
 - Buying a PL is **socially accepted**, particularly in the context of **inflation & increasing prices**: not a sign of being poor but being clever
- ▶ **In Germany, the status of PL can be perceived in the denomination**
 - PL are called “Eigenmarke”, “Hausmarke” = **own brand of the respective supermarket**, or “no-name”
 - Brands referred to as “Fremdmarke”: foreign brand, **not originating from the store** or “Handelsmarke” = brand sold in retail

Wide variety of PL with different levels of quality & price

- ▶ PL from supermarkets such as Rewe are **more valuable** compared to discounter store brands
- ▶ Several levels of private labels quality for a single supermarket chain:
 - ▶ In Rewe : Ja! is entry-level, Rewe Feine Welt & Rewe Beste Wahl are almost perceived as brands

Seduction during the shopping trip: battle between brands and private labels

Sweets section

1. Alexandra picks cookies. Chooses the **private label** because they are significantly **cheaper** than cookies from brands

2. Sees a **special offer for cookies from a famous brand** in an aisle further away on the way to the escalator

3. Decides to **buy the cookies from the brand on special offer** and **puts the PL ones back** in the shelf



Disruption



Dairy section

4. Decides to **buy cottage cheese from a brand**

Disruption



5. Sees a cottage cheese from **another brand on the front display** → **feels attracted to the brand** → decides to pick this one instead and put the **first one back**

Brand preferred is actually a **private label: Reflets de France**, by Carrefour → **attractive name + packaging** creating a **brand universe**, was misinterpreted as a brand



Besides price, brands are often the preferred choice. However, private labels can manage to emerge with a nice & strategic presentation.

For the retailer: create a surprise & bypass the shopping way with a noticeable special offer.

The trade-off between expensive brands vs. cheaper private labels in the purchase decision depends on several factors

What makes consumers willing to spend more for branded products?

Depending on product/category

Some products are **more important** to consumers than others:

- ▶ **Perceivable difference** in product (sensorial) qualities: distinct taste, smell, texture, etc.
- ▶ **A certain level of result/ efficiency** is expected, e.g. cleaning products must kill germs reliably
- ▶ **Emotional connection** to the brand, e.g. related to childhood

Depending on personal values

- ▶ Respect **animal welfare**, e.g. eggs without chick culling
- ▶ **Protection of the environment**, not harmful in general
- ▶ Support small local producers/ companies vs big companies

Depending on consumption/ usage situation

- ▶ **Indulging products**, offering a special moment, consumed/ used to treat yourself vs. everyday product
- ▶ Consumed/ used only **occasionally**, for special occasions vs. very **frequently** or in **big amounts**
- ▶ Consumption **purely** vs. diluted, as a seasoning, as an **ingredient among others**

Depending on personal financial situation

- ▶ Available **budget differs**, depending on other expenses in that month
- ▶ In **France** in particular, consumers set themselves a **fixed budget** for their purchases

For some products or categories, national brands will be mandatory
For some others, private labels are acceptable

National brands are mandatory, Private labels are not accepted

Guarantee of quality required for health reasons: impact on health if product is of poor quality

- ▶ **Meat, fish, ham (e.g. Herta, Fleury Michon, etc.):** possibility of poisoning if product is of poor quality
- ▶ **Cat/ dog food (e.g. Perfect Fit):** possibility of health issues if poor quality
- ▶ **Cleaning products (e.g. Frosh, Dr Beckmann, St Marc, Cilit Bang, etc.):** products can be inhaled, cause allergies, possibility of health issues
- ▶ **Hygiene, cosmetic products (e.g L'Oréal Paris)**

Inimitable & irreplaceable characteristics

- ▶ **Iconic brands (e.g. Nutella, Coca-Cola, Häagen-Dazs, etc.):** inimitable taste
- ▶ **Cereals, cookies (e.g. Kellogg's, Granola, etc.):** better taste + texture
- ▶ **Pasta, rice (e.g. Barilla):** better taste and texture
- ▶ **Some cheeses (e.g. St Morêt, Caprice des Dieux):** better taste
- ▶ **Detergents + cleaning products (Ariel, Lenor, etc.):** inimitable scent + better efficacy

Private labels are acceptable

Quality is equivalent or satisfying enough (depending on the private label)

- ▶ **Yoghurts (major):** satisfying taste and texture for a cheaper price
- ▶ **Milk, eggs, sugar, butter:** no difference in the taste compared to brands
- ▶ **Cheese, pasta, biscuits, fruit juice, ham:** satisfying taste, texture
- ▶ **Dishwashing liquid, cleaning products like Javel, baking soda :** equivalent efficacy

A world without brands would be a poor world



As part of the in-depth interviews, we asked consumers to **imagine** a world in which **all branded products have disappeared**.

Their reactions ranged from **pretended indifference** (some consumers act as if they not care) to **denial** (some refused to imagine this).

A world without brands is not desirable and would cause:

- **Sadness**, annoyance, dissatisfaction, disappointment: less choice, having to do without something you have grown fond of
- **Disorientation**: Loss of references, **equalizing**: no differences anymore, nothing stands out: makes it hard to understand differences between products, difficult to make choices
- **Loss of safety & reassurance**: no guarantee of quality

« I think I could live with that. I've often had to replace some products that were simply no longer produced, i.e. taken out of the offer, with other products. That's okay. Although, sometimes my heart is set on products because I like them.

« [If the brand St Môret would disappear] it would be a bit weird. I'll be sure to notice. [...] [I would lose] a habit, a specific flavor, and a routine, a habit. [...] And if I do not find in other products, I will be a little sad.

« That would be my biggest fear, that the taste I got used to from the brands would also be the same with the private labels, that there would be no difference, that I wouldn't have to do without what I've grown to love, but that there would be a good substitute.

« But they won't disappear because the demand for branded products is high and there are still people who only buy branded cream yogurt, or who only buy Landliebe, and who are always willing to spend more money and they will not disappear.

Brands still provide emotions to consumers

Becoming less important: How brands let you appear to others

Social status

- ▶ Be able to afford more expensive & well-known products



« For me it would be very devaluing. [It could give the impression I'm] a bit neglected, don't take care of myself, that I can look poor too and can't afford to buy branded products.

Gaining in importance: How brands make you feel

Reassurance

- ▶ About **quality & efficiency** (e.g. good for health): renowned brands with **good reputation** are a **reference** on the market
- ▶ Provide a sense of **orientation**, are a landmark, a reference: help to **understand & classify** products
- ▶ Save from **disappointment & bad experiences**: always the same **expectable characteristics** (brands guarantee always the same taste, smell, texture, etc.)

« It's a loss of reference points, and we'll find it hard to classify products according to which is more upmarket than the other. We'll buy by trial and error.

Love, indulgence, regression

- ▶ Provide **indulgence, pleasure & happiness**, are more appealing (taste, packaging)
- ▶ Take you back to your **childhood**, pleasant memories, people you love and who love you (mother, etc.)



« Since I am kind of responsible for myself, I've been buying Nutella on my own. My dad sometimes spoons it up as a sweet - I got that from him and I mean, you like what you know.

Thank you for your attention