

Retail Practice

How European shoppers will buy groceries in the next normal

As the COVID-19 pandemic continues, early evidence shows that some—but not all—of Europeans' new grocery-shopping habits will stick.

This article is a collaborative effort by Gizem Günday, Marek Karabon, Stijn Kooij, Jessica Moulton, and Jorge Omeñaca.



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Consumers changed the way they shopped for groceries during the lockdowns related to the COVID-19 pandemic in the first half of 2020, and their shopping behaviors have continued to evolve during the crisis. Once the crisis abates, to what extent will consumers revert to their prepandemic grocery-shopping behaviors? Will some of the new behaviors stick and become more pervasive? If so, which ones?

Behavioral science tells us that it takes an average of two months to form a new habit, which will stick only if reinforced through routines and rewards. In this article, we examine the grocery-shopping behaviors of consumers in the EU-5 (France, Germany, Italy, Spain, and the United Kingdom). And we identify five themes that have become increasingly evident among these consumers that could outlast the pandemic, based on early evidence from the consumer-sentiment surveys we have conducted across the globe from March 2020 through September 2020.¹ The five themes are a steady (but slower) migration to online shopping, a focus on healthy eating, a shift to value, gains for big brands (although perhaps temporary in some categories), and an increased importance of purpose. We also offer our initial thoughts on the implications for grocery retailers and consumer-packaged-goods (CPG) manufacturers in the next normal.

After a surge in online buying, a muted return to stores

As lockdowns went into effect across markets in the spring of 2020 because of the COVID-19 pandemic, EU-5 consumers shifted to online grocery shopping because of restrictions on movement and concerns about exposure to other people in indoor public spaces. Online sales of groceries surged.

In April, the demand for online groceries more than doubled in Italy.² In the United Kingdom, Tesco's online-grocery business went up to 16 percent of total country sales in the first quarter of 2020, from about 9 percent.³ Online supermarket Ocado Retail reported in April a tenfold increase in demand and web traffic up to 100 times higher than prepandemic levels.⁴ And online growth could have been much higher, since consumer demand for online ordering has exceeded available supply throughout the crisis—and continues today in most markets.

Throughout the pandemic, about 15 percent of surveyed EU-5 consumers have shopped for groceries on a website that they had never used before. Among those consumers, more than 50 percent say they intend to continue shopping at their newfound site for at least some part of their grocery needs. Additionally, 12 percent of them have also switched to different grocery stores to take

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¹ McKinsey is fielding consumer surveys to understand the impact of the COVID-19 crisis on consumer sentiment and stated behavior. The surveys, now fielded in 35 countries, are conducted online in local languages on a weekly, biweekly, or monthly basis, depending on the region. For the latest survey results, see "Global surveys of consumer sentiment during the coronavirus crisis," updated regularly on McKinsey.com.

² "Coronavirus: Si 'normalizza' la crescita della GDO," Nielsen, April 3, 2020, nielsen.com.

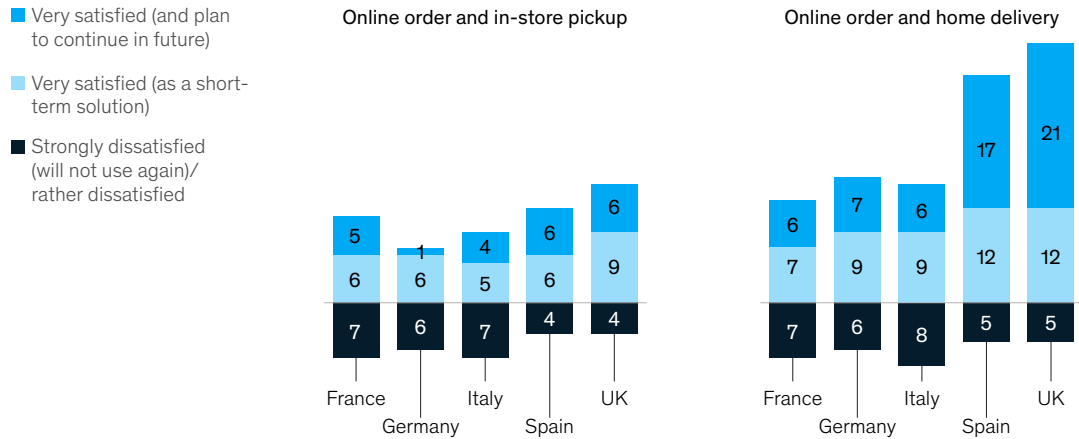
³ "First quarter trading statement 2020/21, Tesco, June 26, 2020, tesco plc.com.

⁴ "How Ocado works," "Service changes: How you're affected," blog entry, April 3, 2020, blog.ocado.com.

Exhibit 1

EU-5 consumers had mixed results with online grocery shopping.

Satisfaction with shopping channel, % of respondents



Source: McKinsey & Company COVID-19 EU-5 Consumer Pulse Surveys across France, Germany, Italy, Spain, and United Kingdom, sampled and weighted to match Europe's general population: 18+ years. Survey dates: 6/18–6/21/2020; n = 1,000 per country, 5,000 total. Note that the 1,000 respondents did not always answer all questions

advantage of home delivery or click-and-collect services, both accessible via online ordering.

But not everyone has liked their online grocery-shopping experience. UK respondents have had the most positive experiences with online grocery ordering and delivery, with 33 percent of home-delivery users saying they are “very satisfied” and just 5 percent saying they are “strongly dissatisfied” (Exhibit 1). The United Kingdom has the most developed online-grocery market in Europe, with 6.5 to 6.9 percent overall penetration in 2020 (compared with 5.0 percent in France, 1.7 percent in Spain, 1.5 percent in Germany, and 0.7 percent in Italy),⁵ so it isn't surprising that UK grocers were better placed to respond to surges in online demand. Other grocers simply didn't have the infrastructure to serve the surge of online consumers, and our research reflects the correlation between customer satisfaction and the ability to keep up with demand. In Italy, France, and Germany, only

13 to 16 percent of respondents feel very satisfied with their online grocery.

Furthermore, even some customers who are very satisfied with their online-shopping experiences say they view online grocery shopping as a temporary measure and plan to return to physical stores. Indeed, according to our September survey across EU-5 consumers, the only country where consumers expect to increase their online grocery shopping is the United Kingdom, with a net intent⁶ of +5 percent. Other consumers expect to reduce their online grocery shopping, with net intent of –1 percent reported in France, –10 percent in Germany, –12 percent in Spain, and –14 percent in Italy. That said, online sales are still higher than they were before the pandemic. A new subset of people who tried online grocery shopping during the pandemic have found that they enjoy it and will continue to use it. We thus expect the share of online sales to continue growing at a faster rate than it did prior to the COVID-19 crisis.

⁵ Lii Bernovski-Smith, “Interim grocery channels forecasts: US, China, UK 2020,” IGD Retail Analysis, May 2020, retailanalysis.igd.com; Jon Wright, “2020 grocery channel forecasts: France, Germany, Italy and Spain,” IGD Retail Analysis, June 2020, retailanalysis.igd.com.

⁶ Net intent was calculated by subtracting the percentage of respondents saying they expect to buy less from the percentage of respondents saying they will buy more for each category and type of channel.

From a consumer-behavior perspective, we are very much still in the heart of the crisis. According to our September survey, 63 percent of EU-5 consumers say they aren't resuming "normal" (prepandemic) out-of-home activities while they wait for their governments to lift restrictions, for a vaccine to become available, or for medical authorities to deem activities safe. In the United Kingdom and Spain, 73 percent and 72 percent of the population, respectively, still isn't back to normal out-of-home activities, while in Germany, Italy, and France, the shares are 62 percent, 58 percent, and 51 percent, respectively.

What will this mean for the postpandemic grocery landscape? One implication is that the availability of delivery slots—so that consumers can order and receive groceries when they need them—will be critical to staying competitive. Grocers with an

in-store picking model—in which online orders are fulfilled in the store for delivery or pickup—have found it easier than those without one to meet online demand and ramp up deliveries because the model's limited capital expenditures and shorter drive times allow for more flexibility. Online-only retailers, with no stores to deliver from, found it more difficult to meet the demand surge, although there are some exceptions (such as Italy's Cortilia, a food retailer that has continued to grow its fresh-food-delivery service).

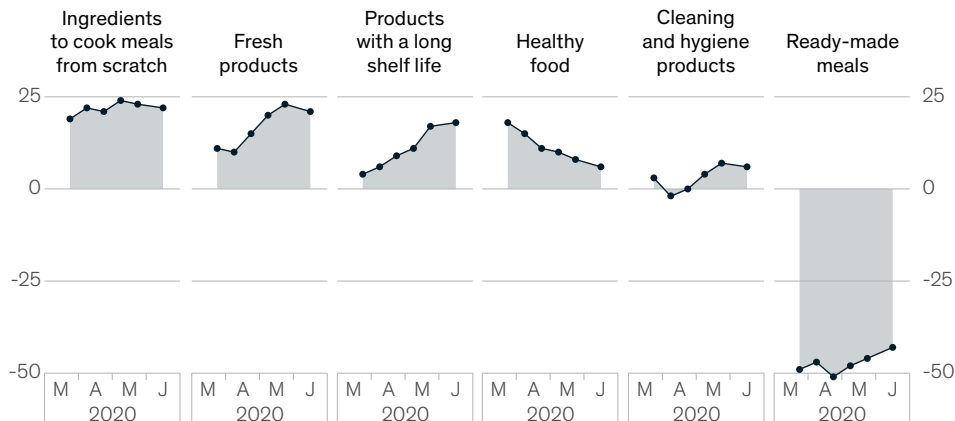
With so much time at home, a focus on health—but also fun

Cooking from scratch and buying fresh products have been prevalent behaviors during the COVID-19 pandemic (Exhibit 2). More than half of EU-5 survey respondents—and up to 85 percent in some

Exhibit 2

Consumers continue to cook from scratch and are also stocking up on products with a long shelf life.

Increase in grocery purchases compared with prior to the COVID-19 crisis,¹
average EU-5 net sentiment²



¹Question: Thinking about your grocery purchases last week compared with prior to the COVID-19 crisis, to what extent do you agree with the following statements?

²Net sentiment is the % of respondents who answered "strongly agree" or "agree" minus the % of respondents who answered "strongly disagree" or "disagree." Source: McKinsey & Company COVID-19 EU-5 Consumer Pulse Surveys across France, Germany, Italy, Spain, and United Kingdom, sampled and weighted to match Europe's general population: 18+ years. Survey dates: 6/18–6/21/2020, 5/21–5/24/2020, 4/30–5/03/2020, 4/16–4/19/2020, 4/2–4/5/2020, 3/27–3/29/2020; n = 1,000 per country, 5,000 total. Note that the 1,000 respondents did not always answer all questions

As consumer needs and preferences continue to change, the offerings from retailers and CPG companies will need to evolve as well.

countries—report that a focus on healthy foods is a “very important” consideration in their weekly grocery shopping. The behavioral shift is particularly pronounced among (but not limited to) younger consumers. Among both Generation Z and millennial consumers, approximately 35 percent cook meals from scratch more often than they did prior to the COVID-19 crisis, as do 23 percent of Gen Xers and 17 percent of baby boomers.

EU-5 consumers were already conscious of their food choices before the pandemic, with 25 to 30 percent of UK consumers reporting in January 2020 that they had “very active” food goals or followed specific diets.⁷ During the pandemic, food has become even more central to consumers’ lives. Home has been recast as the new restaurant, with heightened health consciousness (though with some allowances, since home is also the new pub and new center of entertainment, reflected in skyrocketing sales of baking products, alcohol, and snacks).

As consumer needs and preferences continue to change, the offerings from retailers and CPG companies will need to evolve as well. In times of economic and public-health distress, that might mean helping customers find inspiration for healthy, fun, and affordable meals that they can make from scratch.

Value critical for price-sensitive consumers

About 25 percent of survey respondents report that their personal finances have been negatively affected by the COVID-19 crisis. And short-term forecasts indicate a recessionary environment, even as the overall macroeconomic forecasts show a vaguely U-shape recovery. Based on previous recessions, we expect price sensitivity to continue to affect retail. The current recession, however, has the added element of an increased amount of time spent at home, which has led to higher grocery sales. How extreme will the rise in price sensitivity prove to be?

⁷ McKinsey consumer research, January 2020.

Our research shows that at the end of June 2020, consumers expected to further reduce their spending on all categories except groceries—where they expected to spend more, with a net intent of +4 percent. We are seeing that intention reflected in behavior that is more cautious, such as the increased use of shopping lists to reduce impulse buying. In June, 29 percent of UK respondents were shopping based on a list versus 21 percent in April; in Germany, the shares were 16 percent in June versus 6 percent in April.

When surveyed during lockdown, most consumers who had switched to cheaper versions of the

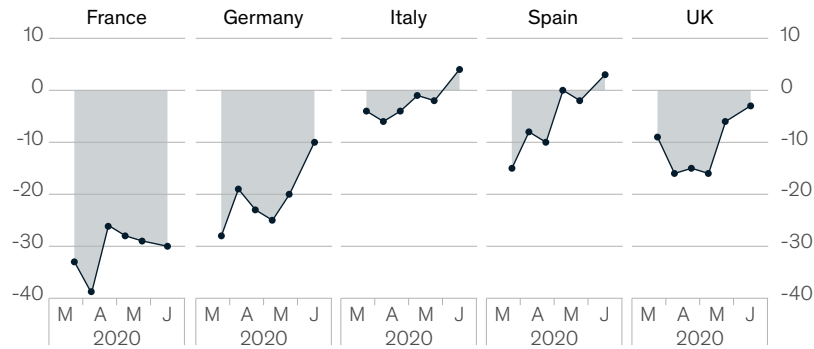
products they usually buy said they were less likely to continue buying the cheaper versions after the lockdowns had lifted. But in our June survey, more consumers had traded down than hadn't in Italy and Spain. And we see a similar trend of trading down happening in Germany and the United Kingdom (Exhibit 3). It's likely that price pressure will intensify further, particularly on discretionary products (such as alcohol and premium fresh produce).

According to our September 2020 survey, UK consumers have traded down the most, with 33 percent of those who have changed their shopping behaviors reporting that they have switched to less

Exhibit 3

More consumers in Italy and Spain bought cheaper versions of products than didn't.

Shift toward cheaper versions of products compared with prior to the COVID-19 crisis,¹ net sentiment²



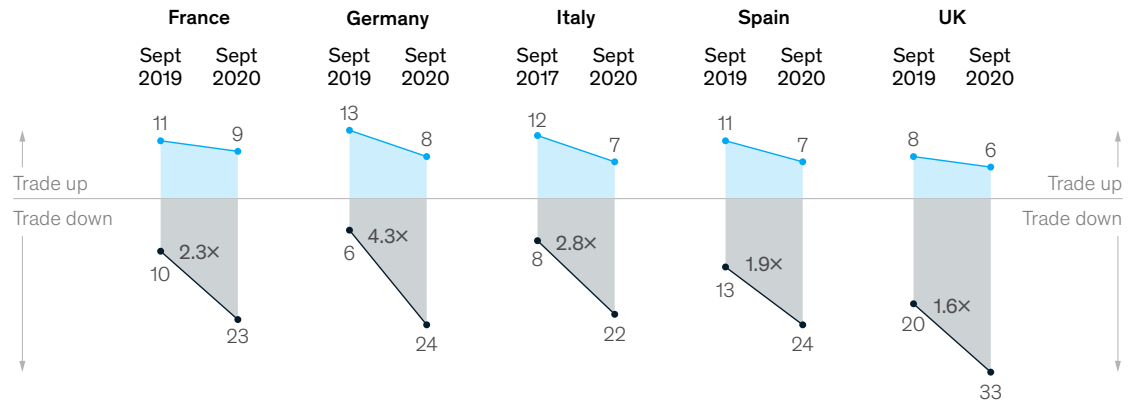
¹Question: Thinking about your grocery purchases last week compared with prior to the COVID-19 crisis, to what extent do you agree with the statement "I have bought cheaper versions of the products I normally buy"?

²Net sentiment is the % of respondents who answered "strongly agree" or "agree" minus the % of respondents who answered "strongly disagree" or "disagree." Source: McKinsey & Company COVID-19 EU-5 Consumer Pulse Surveys across France, Germany, Italy, Spain, and United Kingdom, sampled and weighted to match Europe's general population: 18+ years. Survey dates: 6/18–6/21/2020, 5/21–5/24/2020, 4/30–5/03/2020, 4/16–4/19/2020, 4/2–4/5/2020, 3/27–3/29/2020; n = 1,000 per country, 5,000 total. Note that the 1,000 respondents did not always answer all questions

Exhibit 4

Consumers who changed brands were more likely to trade down, compared to last year.

Trade-off behavior,¹ % of purchases



¹Question: Please indicate how your buying behavior has changed in a standard shopping basket for the items shown in the past 12 months. Possible mutually exclusive answers: "Switching to less expensive brands"; "Buying the same brand as I bought 12 months ago, but at stores with lower prices"; "Buying only when on sale or with coupon"; "Buying less frequently of lower quantity of the same brand"; "Switching to more expensive/premium brands"; "Have made some other change in how I buy these products"; "Have not made changes in how I buy these products"; Base for trade-off behavior is consumers who have changed behavior.

Source: McKinsey 2018, 2020, and 2021 Global Sentiment Survey

expensive brands or stores or started buying items on sale. And 20 percent of UK respondents were already doing so before the pandemic. We see the most profound behavior changes in Germany, where just 6 percent of consumers were trading down in 2019 but 24 percent have done so in 2020 (Exhibit 4).

In June, a number of the surveyed EU-5 consumers (22 percent in Italy, 19 percent in the United Kingdom, 13 percent in France, 13 percent in Spain, and 7 percent in Germany) who had shopped at brick-and-mortar stores during the crisis had switched to a different primary grocer. And they did so mainly based on convenience, with 33 percent of consumers who had changed stores citing proximity as the main reason for doing so. The survey results also suggest that consumers may stay with their new stores if the price is right: 25 percent of those who had switched stores say they did so because of lower prices.

In September, the surveyed consumers were continuing to try out new retailers, with similar shares (19 percent in Italy, 17 percent in the United Kingdom, 13 percent in France, 11 percent in Spain, and 5 percent in Germany) reporting a primary-grocer switch. Consumers' motivations, however, had changed, with price as the primary driver: 28 percent of respondents who had changed stores cite better value as the reason, and 27 percent cite better prices and promotions. But location remains important, with 26 percent of respondents who had switched moving to a store closer to their homes. And the shares of respondents who are looking for more ways to save money when shopping than they did before the crisis are approximately 44 percent in Spain, 36 percent in both Italy and the United Kingdom, 27 percent in France, and 23 percent in Germany.

We expect that price will continue to take priority over proximity when choosing a store, especially in

households facing economic pressure. We may thus see a shake-up among grocery players as they battle for consumer loyalty. For retailers, that means that now is a critical time to invest in retaining their newly gained customers.

Gains by big brands—may not stick

Within the CPG industry, small brands have had the lion's share of growth in recent years. In the United States, small brands accounted for 50 percent of value growth between 2017 and 2019, although they contributed just 11 percent of revenues in 2016.⁸ That growth was fueled largely by consumer preference for small brands' authenticity and uniqueness, with the help of investments from the venture-capital industry. In efforts to capitalize on the trend, large CPG companies have devoted

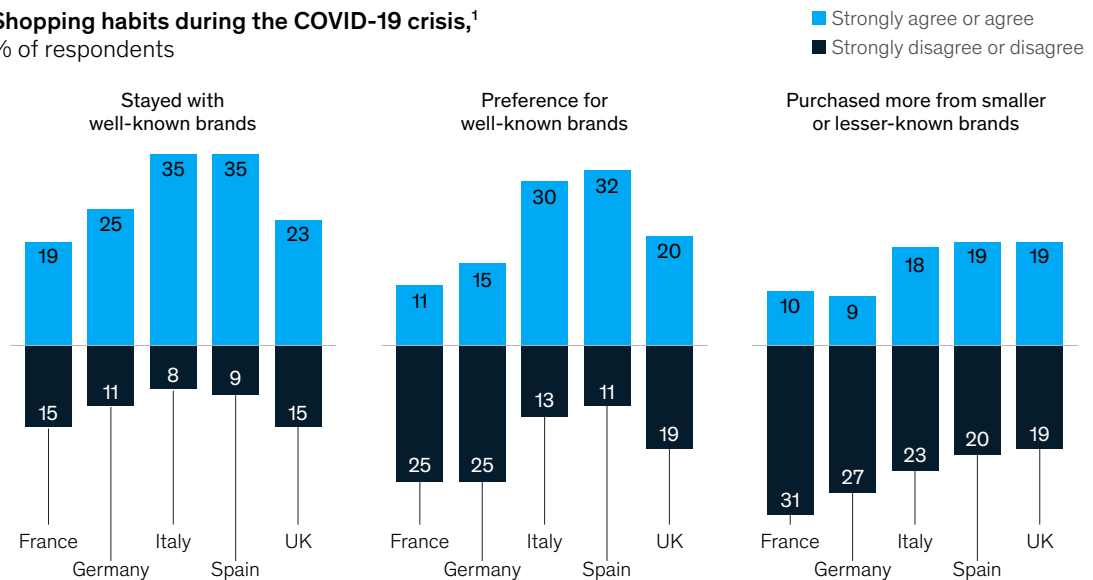
significant attention and effort into building, acquiring, and incubating small brands—and have been increasingly successful in doing so.

But the COVID-19 pandemic has revived some large brands. In the first months of lockdowns, surveyed consumers in most EU-5 countries said they preferred well-known brands versus trying new, smaller brands (Exhibit 5). Availability was clearly a major reason: during full lockdowns in March and April 2020, large CPG companies were able to keep up with demand, while smaller players struggled to make products available because of supply-chain challenges and retailers cutting down SKUs. The big-brand revival, however, might be short lived. Early signs suggest that consumers' interest in small brands is returning. Across EU-5 markets, the net purchase intent

Exhibit 5

During lockdowns, consumers stuck with big brands.

Shopping habits during the COVID-19 crisis,¹
% of respondents



¹Question: Please indicate how strongly you agree or disagree with each of the following statements.
Source: McKinsey & Company COVID-19 EU-5 Consumer Pulse Surveys across France, Germany, Italy, Spain, and United Kingdom, sampled and weighted to match Europe's general population: 18+ years. 6/18–6/21/2020; n = 1,000 per country, 5,000 total. Note that the 1,000 respondents did not always answer all questions

⁸ Udo Kopka, Eldon Little, Jessica Moulton, René Schmutzler, and Patrick Simon, "What got us here won't get us there: A new model for the consumer goods industry," July 30, 2020, McKinsey.com.

of smaller or lesser-known brands was –9 percent in June, compared with –15 percent in March.

Over time, we expect small brands to return to their previous growth trajectory. Our survey results show that brand authenticity and provenance are increasingly important to consumers, and that will likely benefit the small brands that are resilient enough to weather the crisis. Some small brands won't recover, but others will continue to grow, and new ones will enter the market. Some large brands will also improve their growth profiles for the long term, in part by acquiring small brands.

A stronger sense of purpose

Consumers increasingly value retailers and brands with a purpose. While healthy food is still the main priority for surveyed consumers' weekly grocery shopping, consumers are also conscious of the

values and purpose of the brands they are buying (Exhibit 6).

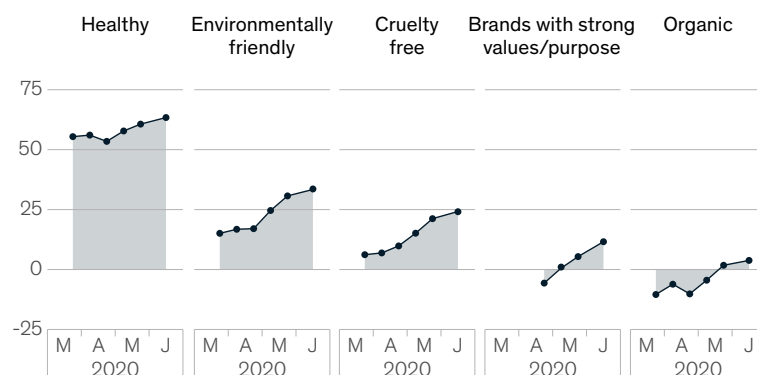
We have seen an increase in overall net sentiment across environmental and ethical product attributes as consumers have more choices about where to shop and what to buy. In Italy, net sentiment toward brands with strong values and purpose reached 49 percent in June 2020. And across France, Germany, Spain, and the United Kingdom, about one-fourth of respondents see brands' values as important. That sentiment has remained true through September, with 18 percent of respondents buying more sustainable and eco-friendly products, and 12 percent report buying more from brands based on their purpose than they did at the beginning of the COVID-19 pandemic.

During and after the 2008–09 recession, it was important for consumers that large companies

Exhibit 6

In food shopping, health remains a priority for consumers, but increasingly, brands' values also matter.

Importance of food type in shopping,¹ average EU-5 net sentiment²



¹Question: How important were each of these food types in your last week of shopping?

²Net sentiment is the % of respondents who answered "very important" or "extremely important" minus the % of respondents who answered "not important."
Source: McKinsey & Company COVID-19 EU-5 Consumer Pulse Surveys across France, Germany, Italy, Spain, and United Kingdom, sampled and weighted to match Europe's general population: 18+ years. Survey dates: 6/18–6/21/2020, 5/21–5/24/2020, 4/30–5/03/2020, 4/16–4/19/2020, 4/2–4/5/2020, 3/27–3/29/2020; n = 1,000 per country, 5,000 total. Note that the 1,000 respondents did not always answer all questions

prioritize social responsibility. A few years later, 70 to 90 percent of consumers in various countries said they expected corporations to operate in ways that align with society's interests, even if it meant sacrificing shareholder value.⁹ In the current crisis, early evidence suggests that the importance of social responsibility has accelerated for consumers. EU-5 survey respondents report strong intent to support local stores and brands that demonstrate care and concern for their staff and that use and promote sustainable solutions. Against this backdrop, retailers and CPG manufacturers should be ever-more mindful of their roles in society as responsible and purpose-led employers, providers of essential goods and services, and pillars of their communities.

In the current extraordinary times, consumer behaviors continue to change, and the themes we have discussed in this article will likely evolve in nuanced ways. CPG companies and retailers must closely monitor such changes. Their strategy, category-management, innovation, and consumer-insights teams should closely collaborate to develop price-point, brand, and category offers that address consumer needs in both online and offline channels. And finally, as the world works through the unprecedented humanitarian and economic crisis related to the COVID-19 pandemic, companies should reassess and strengthen their corporate purposes—and bring them to the forefront. The positive impact of purpose-led actions could last long after the pandemic ends.

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⁹ Edelman Trust Barometer 2011, edelman.com.