Question: How were 2021 and the COVID-19 pandemic for Migros?

Matthias Wunderlin: As with all supermarkets in Europe, our turnover grew substantially. The uptick in Switzerland was probably even a bit larger than in most other countries. Normally, Swiss consumers do a lot of shopping abroad, especially in Germany, France, Austria, and Italy, because of the higher prices in Switzerland. But during the pandemic, the borders with our neighbors were closed for long periods of time, so people did more of their shopping with us. We also saw an increased shift from bigger stores outside the cities to small and medium-size stores in residential areas. Also, many customers intensified their cooking, so we sold a lot of ingredients for making bread or baking cakes.

In January, we saw this COVID-19 effect start to disappear, even before the government lifted all COVID-related restrictions. In-store food sales are back down close to prepandemic levels. We observe the same in our nonfood formats, which are now roughly back to 2019 levels.
**Question:** Have you also observed a shift to online, and is it lasting?

**Matthias Wunderlin:** Yes. We had already started to accelerate our investment into e-grocery before the pandemic, but the pandemic helped us to align everybody in the company behind that strategy. Our online sales increased in 2021 by another 25 percent on top of an already strong 2020. We could have grown even more if we’d had the capacity. Every square meter of warehouse space that we added turned into revenue, but regulations in Switzerland make it difficult to build new warehouses. For the time being, we bridge part of the gap with store picking, but that’s expensive. Online is a priority for us, and we will keep investing in it after COVID-19. We have clear evidence that e-grocery is here to stay. Unlike in-store sales, online revenue didn’t decrease after the restrictions were lifted.

**Question:** What is your perspective on instant delivery?

**Matthias Wunderlin:** I don’t think it’s viable in Switzerland because of the low population density and the high labor cost. It might work in big, densely populated urban areas—in Berlin or New York—but even Zurich is probably not big enough to sustain it. If you charge people what you need to cover the cost, we find that the demand isn’t that high. Currently, we are offering free same-day delivery and delivery within 30 minutes for a fee of 5 Swiss francs. We are aware, of course, that a lot of start-ups have much more aggressive propositions, but we don’t think their models are economically viable in the long run in Switzerland.

In our experience, what consumers really care about is knowing when their delivery will arrive so they can make plans to be at home. A two-hour window is too long. That’s the problem we have to solve for our customers right now. That said, we are monitoring the evolving delivery landscape very closely. Migros is present throughout Switzerland, and if we see that instant delivery is becoming relevant in Switzerland, we will be able to act quickly.

**Question:** Sustainability is another major global trend. What is your take on it?

**Matthias Wunderlin:** Sustainability is growing in importance, but we don’t just jump on a trend; sustainability is in our DNA, and we have always been very proactive about it. Not only are we reducing our carbon footprint, but we are also empowering buyers and producers to reduce their own. We see it as our job to change consumption habits. One of several important elements in the long term is decreasing the amount of animal products. The challenge is to give consumers attractive alternatives. We focus on two areas: milk alternatives and meat alternatives.

Milk alternatives are already well established. Oat milk, rice milk, almond milk, soy-based yogurt—you name it, we stock it. This isn’t a hipster phenomenon anymore. Plant-based milk alternatives have arrived in the mainstream, even in rural areas. Switzerland isn’t as advanced as, say, Sweden, where half the dairy section of many supermarkets is already stocked with milk alternatives, but we are getting there. In many stores, we are adding or reallocating alternatives to cooler spaces to satisfy the growing demand. Milk-free cheese isn’t as popular as plant-
based milk and yogurt, but it's also growing. And recently, we brought the first vegan boiled egg into the market.

We are also investing significantly in meat alternatives. Meat alternatives are more challenging, but we have to find them because meat, especially beef, is such a big driver of CO₂ emissions. However, despite growing carbon consciousness, consumers like meat, and they won’t stop buying it unless we give them good alternatives. You have to get the flavor and sensory qualities right, and you have to keep additives in check.

Question: You say you see it as your job to change consumption habits. That’s very strong wording.

Matthias Wunderlin: As I mentioned, sustainability is in our DNA. We have an obligation to society to curb climate change and get to net-zero emissions in the next 30 years, and we find that shoppers share our mission. They are already bringing their own bags for fresh produce, but they realize that’s not enough, and they want to do more. Our job is to give them sustainable options. The great thing is that we are in a better position to drive change than many of our competitors because we have such a high share of private labels in our assortment. We also produce a large share of our private labels in our own manufacturing unit. This gives us much greater control over farming and processing than most regular retailers. We work closely with our suppliers to promote sustainable practices all along the value chain, and we are also looking at new players for innovations, especially regarding plant-based substitutes for cheese, meat, and fish.

In our stores, we keep increasing shelf space for plant-based products across categories, and we were one of the first grocers worldwide to introduce comprehensive CO₂ labeling. Online, every product is already labeled with a CO₂ rating, and we’re in the process of putting these labels on packages as well. By the end of 2023, all products will have CO₂, animal welfare, and Nutri-Score ratings on the package. We want to make it easy for shoppers to do the right thing. If we don’t do it as a retailer, who should do it?

Question: Don’t you get pushback from farmers and producers?

Matthias Wunderlin: Not as much as you would think. They’re in the same boat as everybody else. Meat consumption has been declining in Switzerland for many years. This isn’t something that Migros has invented, and it isn’t triggered by the coronavirus, although the pandemic may have accelerated it. It’s a long-term trend; farmers understand that they have to adapt to prosper. If we design the transition responsibly, with a clear vision, and give it time, everybody wins. Again, as an integrated player, we work closely with our farmers. For example, we support them in their efforts to shift their focus from producing meat and milk to growing ingredients for milk and meat alternatives, such as oats and peas.
Question: We talked about e-grocery and sustainability. What are some of the other shopping trends that you observe in Switzerland?

Matthias Wunderlin: The assortment in the middle-price range is shrinking, and we are reducing our range in that area. Instead, we work more on developing the upper and the lower end. Price sensitivity remains high, and it now cuts across the entire assortment, partly driven by the fact that discounters have extended their offerings beyond the entry level. They might not be strong in plant-based alternatives yet, but they have quite a big organic offering now, and it's competitively priced.

As another trend, we observe that people want to shop closer to their homes, so we are adding smaller and medium-size stores with smaller assortments in or near residential areas. More broadly, we have a vision of getting people out of our stores as quickly as possible. I know it sounds counterintuitive. Everybody is talking about the in-store experience, and nonfood players will probably roll their eyes when they read this, but we believe that people have better things to do than shopping for groceries. We want to make it as convenient and as quick as possible for them to get the groceries they need. If the layout is good and the assortment is structured well, shoppers will keep coming back. Right now, we are working on a new store concept to further improve on this.

Question: How is inflation as a trend affecting you?

Matthias Wunderlin: Luckily, as of today, inflation isn’t as high in Switzerland as it is in other European countries. We also get requests from producers for higher prices. But prices in Switzerland are already high compared to other markets, and we just recently joined a buying alliance. This allows us to keep price inflation lower than the rest of Europe. Still, we are also affected by higher purchase prices and have to adjust consumer prices selectively.