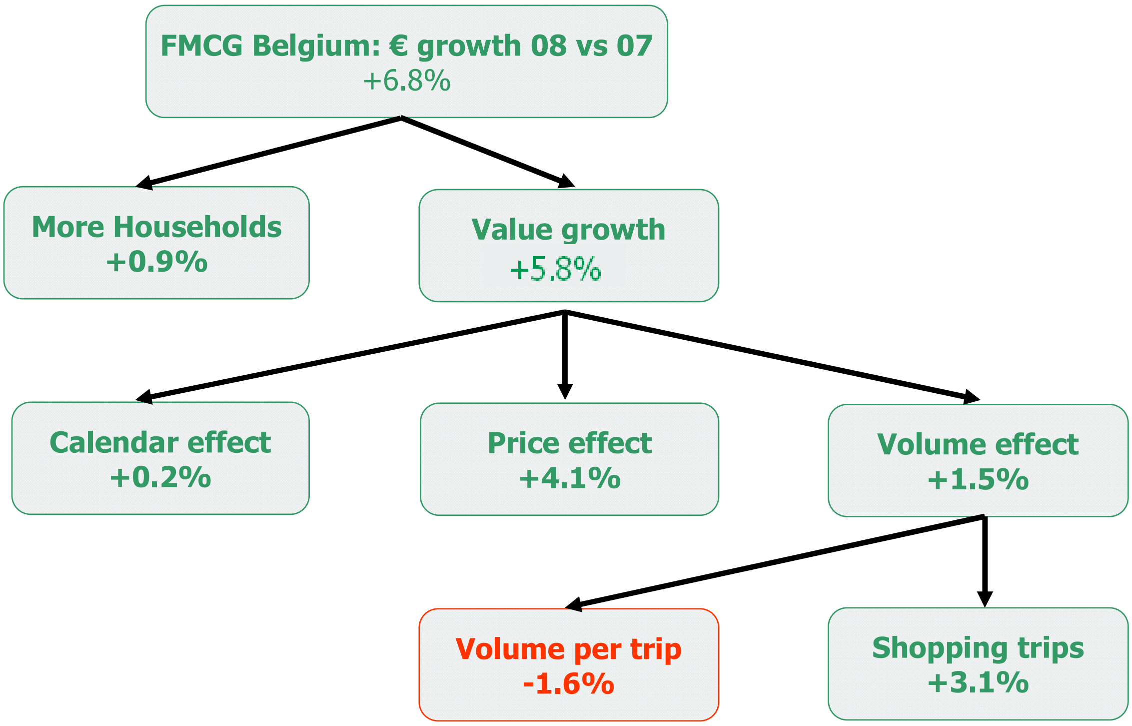
The impact of the economic situation on the purchase and consumption behavior of the Belgian Households in 2008.

When looking back to 2008 we should make a clear distinction between the first and the second half of the year. In the first half of 2008 the talk of the town was not the economic crises, although it was clearly present. The issue was the increasing food and energy prices that reached a height in July 2008 with an overall consumption index of more than 6%. Purchase power was the issue, meaning that some more vulnerable groups in society suffered especially under rising food and energy prices. If we analyze the distribution of income in Belgium over the last years it is clear that also in Belgium there is a widening gap between the 'have's' and the 'have less'. If we look at consumers we always should bare in mind that "THE CONSUMER" does not exist. People react differently based on indeed affluence, life style, values and possible age.
In the second half of 2008 the financial crises came, which had, and is still having, a strong impact on the global economy and consumer demand for durables. In the hypothesis that there are no massive lay offs in Belgium, GfK expects that fast moving markets will not be hit in the same by the economic recession as for durables.

Some facts and observations about 2008 in fast moving

The FMCG market grew with 6,8% and of course this was mainly driven by price increases (+5,8%) and the immigration of households (+0,9%). Because of a very strong fourth quarter 2008 the FMCG market even grew with 1,5% in volume (until the third quarter volumes were still negative).

If we look at underlying purchase behavior, GfK notices that there are clear changes in the purchase pattern of households. They shop more frequently and spend less per shopping trip. The shopping frequency in 2008 is 192. The basket sizes become smaller and the share of promotional driven purchases becomes higher. More households postpone purchases until the right promotion occurs. The smaller basket does not mean that less units of a specific category are being bought (multipacks).



For manufacturers and retailers it is important to make a clear segmentation with their target groups in order to optimize pricing and promotional pressure. It is obvious that households with many mouths to feed and limited income react much stronger on the current situation and switch more to premier prix and hard discount. For households with children and higher income the reaction on brand choice or retailer choice is very small and is just a continuation of evolution over the last 5 years.

For both manufacturers and retailers it is absolutely necessary to know how much of their sales comes from households with real purchase power issues or not in order to fine tune communication and promotional strategy.

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