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Report Name: How COVID-19 is Changing Consumer Behavior

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Report Highlights:

One year after the outbreak of the COVID-19 pandemic, Spanish consumers continue to adjust many aspects of their lives including the way they shop for food. The long-awaited rise of Ecommerce, more thoughtful spending, lower shopping frequency, and increased preference for nearby stores are some of the obvious and immediate effects. In addition, consumer demographics will continue to impact consumer behavior in the longer term. The food industry and retailers continue to adapt to meet consumer changing needs and preferences.

Consumer Profiles

March 15, 2021 marked the first anniversary since the promulgation of the first national state of alarm in response to the COVID-19 pandemic. During this time, consumer behavior has been impacted and modified by the ongoing sanitary and economic crisis, the changes and restrictions of movement, the closure of the Hotels, Restaurants and Institutions (HRI) channel and the anticipation of the vaccine.

In fact, a survey by NielsenIQ reveals that the circumstances of 76 percent of Spanish consumers immediately changed after the pandemic, causing an active change in their behavior, and purchasing patterns. In a year in which the Spanish GDP has dropped 11.6 percent, and the unemployment rate has reached 16.8 percent, 60 percent of consumers assume that they have financial limitations and restrictions on their purchasing power. While 15 percent of consumers already had these concerns before the pandemic started, 45 percent now report suffering the economic impact of COVID-19.

Spanish buyers will continue to adapt their spending to the new reality: they will spend less, they will choose cheaper products and private label, but they will still be willing to pay more for high quality products. The Spanish consumer in 2021 is not the same as that in 2020, and brands and retailers are once again in uncharted territory. The Nielsen IQ report categorizes four consumer groups based on their 2021 spending forecasts:

Previously Constrained (15 percent): consumers already watching expenditure prior to COVID-19 and whose situation remain unchanged.

Newly Constrained (45 percent): consumers whose economic situation has worsened with the COVID-19 crisis and consciously watch their expenditure.

Cautiously Insulated (31 percent): limited income and financial impact but keeping a more watchful eye on expenditures.

Unrestrictedly Insulated (9 percent): same /better income and financial situation, they do not have to watch expenditure.

Almost a third of Spanish consumers feel less confident about their income prospects in the next 3-6 months. This uncertainty has caused changes in consumption - more than half (54 percent) have changed their shopping habits since the onset of the COVID-19 pandemic and these changes translate especially in the search for lower prices and private label brands.

To improve their budget management, 58 percent of Spanish consumers choose private labels when possible and 55 percent buy any promotional product, regardless of the brand. That said, those with the least financial constraints are still brand-loyal consumers, who say they will stick with their preferred brand (47 percent) and choose the lowest-priced product of their preferred options (60 percent).

In this new reality, brands are under much greater scrutiny, and consumers are considering preferred brand characteristics to justify their choices. The market will have to work hard on expanding the range of products available to consumers to make sure they are meeting the new needs of consumers.

According to this NielsenIQ survey, 84 percent of Spanish consumers will continue to restructure their spending in 2021. Twenty-five percent assume that if the country's economic situation or financial situation worsens, they will spend less on food. However, the vast majority (67 percent) state they intend to maintain their expenditure level on food.

Thus, the pandemic has polarized consumers. Manufacturers and distributors must understand who their consumers are today and identify ways to meet their new needs to find growth in a difficult economic environment. There is no one-size-fits-all approach, but there is common ground among these polarized consumer groups: 70 percent are willing to pay more for higher quality, and 65 percent say they want a greater variety of quality products at a good price.

Consumption Trends

The recent report "The COVID-19 crisis in the food and beverage sector published by the Spanish Association of Manufacturers and Distributors (AECOC), surveys the opinion of the business leaders in 185 companies in the food and beverage industry. The survey inquired about the impact of the pandemic on the sector and its companies, as well as previous and new constraints brought on by the pandemic. From a company standpoint, in order of importance, consumers are increasingly interested in:

- 1. Food safety:** Consumer's sensitivity to food safety was not a significant and explicit priority prior to COVID. Now it has become fundamental.
- 2. Healthy products:** This was already an existing trend observed in recent years, currently reinforced by the interest in the diet as a mean to strengthening the immune system.
- 3. Online shopping:** The pandemic has also given a long-awaited push to Ecommerce and it is expected that the share of this channel will continue to grow. See more details in the eCommerce section of this report.
- 4. Price and cost reductions (Promotions):** Industry leaders surveyed are convinced that the effects of the economic contraction associated with COVID-19 will continue at least until 2023. This will influence consumers to seek lower prices and also the composition of their shopping baskets. It remains to be seen whether consumer trends such as searching for lower prices and seeking healthier and sustainable products can coexist over the next two years. Although certain niche markets related to health and sustainability are expected to grow, the ongoing economic conditions will prevent demand for these products to become widespread.
- 5. Proximity stores:** Consumer preference to purchase food in nearby stores is here to stay. The pandemic has brought a whole new meaning and value to proximity shopping for Spanish consumers. With the initial saturation of online channels and the government-mandated movement restrictions, proximity has become key for many consumers. Hence, all throughout 2020, regional supermarket chains have increased their market share and relevance. This rise in sales reinforced their market share in a sector typically dominated by large operators in the market. The fact that regional chains gained so much ground in Spain during the pandemic is a unique phenomenon in the European region.

6. **Environmental measures:** Customers seem to prioritize proposals related to care of the planet and the environment, including packaging of food products. The question remains whether all consumers will be willing to pay a higher price.
7. **Commitment with the community:** Consumers prefer manufacturer and distribution brands, in which they recognize a clear commitment to their community.
8. **National brands:** Consumers prefer national origin products to imported ones. The COVID-19 crisis revitalized consumer preferences for domestic foods (or food patriotism) around the world. In Spain, this trend is expected to continue beyond the pandemic. Spanish consumers indicate that they are now paying more attention to the origin of the food products they purchase.

Undoubtedly, a great source of concern for the food and beverage industry is the status of the HRI sector, severely impacted by the pandemic. Beverage and food manufacturers selling through this channel have been strongly affected. The survey reveals that the industry is not yet clear whether consumers will actively return to their former habits in the short term. This indicates a greater probability of an increase in meetings at home, due to increased safety and financial concerns.

Nevertheless, the industry is confident that the new preference for home gatherings will not be a long-term trend. Confinement fatigue and the desire to return to the new normal, even with the restrictive measures that will exist in the short-to-medium term may override health security concerns for some segments of the population. This trend was clear during the Christmas and New Year festivities.

Promotion vs. Private Label

Private label has solidified its market share across Europe as supermarket brands surged during the COVID-19 crisis. Spain remains a very strong market for private label. With some consumers already facing economic difficulties, greater control of spending is expected in the coming months. This reopens the possibility for private label to grow in Spain after years of stagnation. This situation will force supermarket chains to adapt their strategies. That said, the margin for private label sales to grow is significantly more limited today than during last Spanish economic crisis (2008-2013). At that time, there was room for private label to significantly expand its share of the shopping basket.

Compared to the previous economic crisis, the current private label share is already between 35 and 40 percent. The trend to buy more private label products was already prevalent since the state of alarm began in mid-March 2020. A study recently released by AECOC points out that the percentage of Spanish consumers buying more private label products has risen from 23 to 33 percent. It is important to note that the success of the private label differs among product categories and distribution. For instance, retailers like Mercadona, DIA, Lidl, and Aldi have given more shelf space to private label products during this period. Conversely, Carrefour, Alcampo, and El Corte Inglés tend to favor manufacturer brands. Category-wise, private label is less prominent in the beverage category, where it only takes 29 percent of the market.

Another difference worth noting is the evolution of consumer perception towards private label. Compared to the previous economic crisis, the image of private label products has improved from being

associated with low-cost products to good value for the money, with offerings in even more “gourmet” segments at a higher price.

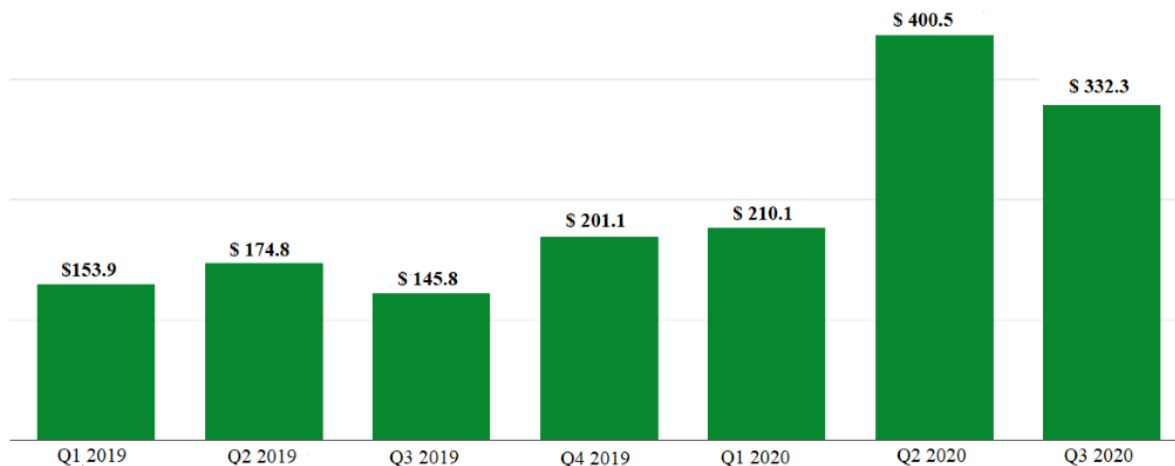
As previously mentioned, Spanish consumers are likely to become polarized in their food shopping, looking for private label and cheaper options for basic products (legumes, rice, etc.) but also looking for some indulgence and premium varieties on specialty products. Furthermore, with restrictions to visit restaurants and bars, those high-end products formerly consumed through the hospitality channels are making their inroads at home. In general, the increase in retail sales do not compensate for the loss in sales through HRI, but it opens new opportunities to sell products through Ecommerce and specialized traditional stores.

Ecommerce

During the COVID-19 crisis, many shoppers used online supermarkets for the first time to fill their pantries. The outbreak of COVID-19 had a significant impact on Ecommerce, with the lockdown and subsequent measures taken to control the virus forcing more consumers online. During the third quarter of 2020, according to data from the National Markets and Competition Commission (CNMC), electronic food commerce in Spain doubled its turnover compared to the same period in 2019. In total, the turnover of the 3.1 million online transactions carried out in the hypermarkets, supermarkets and food stores sector amounted to \$332.3 million, a 116 percent growth compared to the third quarter of 2019.

In the first three quarters of 2020, accumulated revenue reached \$942.9 million, a 98.7 increase compared to the \$474.5 million during the first three quarters of 2019. However, the evolution in 2020 shows that online transactions increased 67.1 percent, the greatest increase in online food trade took place in the second quarter of the year, to reach \$400.5 million. Nevertheless, April to June were the strictest months of confinement measures. In the third quarter, coinciding with the summer period, transactions fell 17.6 percent and revenue by 17 percent. However, the average transaction expenditure in this last quarter was higher than the previous ones, standing at \$107.3, compared to the \$106.5 average expense in the second quarter.

**Evolution of Food Ecommerce Revenue in Spain
(Million \$)**



Source: [Alimarket](#)

With these results, the hypermarkets, supermarkets, and food stores sector became the second largest earner of domestic purchases made on Spanish websites. Overall, Ecommerce revenue within Spain increased 12.2 percent year-on-year to \$5 billion.

Kantar estimates that currently one million households use the online channel to purchase food. The growth in the number of online orders is positive in terms of volume, as well as market and customer share. Supermarket online sales are expected to continue increasing in the medium term, calling for retailers to expand and improve their online channel services and profitability. In addition to regional and domestic retailers expanding their online offerings, new players have entered the online food sales market, including Russia's Mere and U.S.'s Amazon Fresh.

Population Trends

According to Euromonitor, like other European countries, ageing continues to be a key demographic trend, as life expectancy rises, and fertility rates remain low. Spain's population in 2020 was 47.3 million and is projected to decline to 45.6 million by 2030. This represents a 1.8 percent decrease from 2015. The foreseen 5.5 percent population expansion expected during the 2020-2040 period will be driven solely by positive net immigration, as natural change remains negative.

Spain's life expectancy is set to remain above the regional average, influenced by healthcare advances. By 2030, Spain will be the fourth oldest country in the world by median age. Furthermore, seniors are expected to enjoy the most stable income growth during in the long term. Groups of older consumers will surge, and younger groups will shrink, transforming the consumer landscape. This segment of the population is increasingly searching for premium and differentiated functional products that contain natural ingredients, low cholesterol foods, fat-free foods, low salt/sodium food products, and low/no sugar products.

Despite the overall decrease in population, the urban population will continue to grow, as many will leave rural areas to seek opportunities in towns and cities. In the long term, the urban population will continue to be above the regional average. These younger urban consumers are well traveled and more sophisticated in their tastes. Used to travel outside Spain, they are more open to trying new products and different flavors. This segment of the population is generally willing to pay for food perceived as healthy in their pursuit for healthy lifestyles and wellness. In addition, the lack of time and busier lifestyles increase the demand for ready-to-eat products, that need to be both convenient and healthy (natural ingredients, no artificial ingredients – clean label). These consumers are strongly committed to healthy eating and are increasingly looking for sustainably produced food products.⁴

Additional Information

For more information on exporting U.S. agricultural products to Spain, please consult our recently published reports:

Report Number	Title
SP2021-0013	Food Processing Ingredients
SP2021-0010	COVID-19 Dethrones Third Largest Food Retailer and Ignites a Price War
SP2020-0046	Exporter Guide
SP2020-0030	Food Service – Hotel, Restaurants, Institutional
SP2020-0025	Spanish Wine Sector Update
SP2020-0024	Retail Foods
SP2020-0020	Spanish Retail and Distribution Sector Update

If you have any questions or comments regarding this report or need assistance exporting to Spain, please contact the [Office of Agricultural Affairs](#) at AgMadrid@fas.usda.gov

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Attachments:

No Attachments.