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Report Name: The Portuguese Food Retail Sector

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Report Highlights:

In 2019, the number of large-sized commercial establishments selling food amounted to 1,747 units, with a turnover of $16,1 billion and 83,228 employees. The groups Sonae and Jerónimo Martins are the leaders of the national retail sector. Many Portuguese consumers have limited their food expenditures in response to COVID-19, increasingly seeking for promotions and discounts, while continuing to value quality and convenience. As of yet, the economic consequences of the pandemic have not severely affected consumers' purchasing power, although this is likely to happen in the first half of 2021 when government support for businesses should come to an end and unemployment rises as a consequence. The pandemic boosted e-commerce of food products, alongside with consumer's preference for convenience and proximity stores. Increased demand for national and local products as well as for healthy foods was reported. The following is a commissioned report prepared in collaboration with Arcadia International.

Section I. Introduction

Before the COVID-19 pandemic, Portugal was enjoying an overall positive economic climate, having recovered well from the financial crisis that hit the country between 2010-2014. According to Pordata, in 2018, Portuguese households had spent, on an average, $8,045 in food, beverages and tobacco, an amount, which has been increasing significantly over the last few years.[1]

On March 18, 2020, the country declared a state of emergency, which resulted in the closure of most shops and businesses involving close personal contact, with the exception of those providing essential services. In this context, since the beginning of the pandemic the retail food sector has been considered an essential activity and, for this reason, has been allowed to operate albeit subject to some restrictions and limitations.

As in other countries, at the onset of the pandemic Portuguese consumers reacted by stockpiling large stocks of staple foods with long shelf-life, such as rice, pasta, canned food etc., in spite of the repeated reassurances provided by the Portuguese government and professional organizations alike that the continuity of food supplies in the country was not at risk. Apart from some difficulties experienced during the first month of the pandemic, mainly owing to logistical problems and consumers' panic buying, no major disruptions of the supply chain or food shortages have been reported throughout 2020.

In any event, COVID-19 has had a tremendous impact on the day-to-day operation of the Portuguese retail sector. As in many other countries, retailers have been required to comply with a wide range of safety and hygiene requirements to avoid the spreading of the virus. Compliance with these requirements has resulted in considerable additional costs for retail companies. Most of these measures have been in place throughout the pandemic and some of them have been strongly contested by the retail sector. This is case of the maximum number of customers allowed at once in retail stores as the ratio imposed by the Portuguese authorities is lower than that applied by other European countries (that is, 5 people/m^2 against, for instance, 10 people/m^2 in Spain).[2] [3]

Section II. Characterization of the Food Retail Sector

The Portuguese retail market is highly diversified and operates through different retail formats, such as hypermarkets, supermarkets, convenience/proximity stores, discounts, traditional stores and specialized stores. However, the national retail market is clearly dominated by hypermarkets and supermarkets, which account for approximately 70 percent of the total food sales.[4]

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[1] Source: https://www.pordata.pt/Portugal/Despesas+m%c3%a9dias+de+consumo+final+das+fam%c3%adlias+total+e+por+tipo+de+bens+e+servi%c3%a7os-768-247964

[2] Source: http://aped.pt/2020/11/02/limitacao-de-horarios-deveria-ser-acompanhada-por-aumento-do-racio-de-pessoas-nas-lojas/

[3] Source: https://sol.sapo.pt/artigo/715802/cip-aped-e-apcc-chamam-a-atencao-do-governo-para-seguranca-de-lojas-e-espacos-comerciais

[4] Source: GAIN Report, Export Guide Annual Portugal

According to the National Statistical Institute (INE), in 2019 large-sized commercial establishments (excluding small stores such as proximity stores) selling food amounted to 1,747 units, while total food sales in these establishments reached $19,5 billion (+3.4 percent compared to 2018).[5] In terms of staff, in the same year those establishments employed 83,228 staff of which the majority were women (approximately 69 percent). The main food products sold by large-sized retail establishments fall under the category ‘other food product’, which includes, among others, rice, pasta and cereals, followed by ‘meat and meat products’ and ‘fruits and vegetables’.[6]

The Portuguese retail market is mostly dominated by domestic players. As shown in Table 1, two Portuguese groups (Sonae and Jerónimo Martins) accounts approximately for 50 percent of the retail market. In 2020, during the pandemic, Lidl (+ 0.6 percent) and Intermarché (+1 percent) were the only retailers that gained additional market share.[7] Even so, Sonae and Jerónimo Martins secured their positions at the top of the national retail ranking.

Table 1. Major retailers in Portugal

Groups	Market share (value)[8]	Number of outlets	Retail format*	Main brands
SONAE	26.8 %	± 567 [9]	Hypermarkets Supermarkets Proximity stores E-commerce	Continente Meu super
Jerónimo Martins	22.9 %	± 528[10]	Hypermarkets (not representative) Supermarkets Proximity stores E-commerce (partnership with Mercadão)	Pingo doce Recheio Amanhecer
LIDL	11.3 %	± 245 [11]	Supermarkets Proximity stores	Lidl
Intermarché	8.8 %	± 250 [12]	Supermarkets Proximity stores E-commerce	Intermarché

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[5] Source: Estatísticas do Comércio 2019, Edition 2020, available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESTipo=ea&PUBLICACOEScoleccao=107737&selTab=tab0&xlang=pt

[6] Source: Estatísticas do Comércio 2019, Edition 2020, available at https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_publicacoes&PUBLICACOESTipo=ea&PUBLICACOEScoleccao=107737&selTab=tab0&xlang=pt

[7] Source: Kantar Worldpanel (2020) available at https://www.hipersuper.pt/2020/09/24/lidl-intermarche-as-unicas-insignias-retalho-alimentar-ganhar-quota-2020/

[8] Source: Kantar Worldpanel (2020) available at https://www.hipersuper.pt/2020/09/24/lidl-intermarche-as-unicas-insignias-retalho-alimentar-ganhar-quota-2020/

[9] Source: Number of outlets in 2018, available at https://www.sonae.pt/fotos/comunicados/050618sonaemcpt_10904106825b163a38dceb2.pdf

[10] Source: Number of outlets in 2019, available at https://www.jeronimomartins.com/pt/sobre-nos/onde-estamos/jm-em-portugal/

[11] Number of outlets in 2020, available at https://institucional.lidl.pt/sobre-nos/historia-lidl

[12] Number of outlets in 2020, available at https://www.intermarche.pt/lojas/

Auchan	5.6 %	± 64 [13]	Hypermarkets Supermarkets Proximity stores E-commerce	Auchan
Dia %	3.9 %	± 600 [14]	Proximity stores E-commerce (only in Lisbon and Porto)	Minipreço

* Modalities according to PlanetRetailRGD 2017. Hypermarkets >2.500 m^2; Supermarkets 400–2.500 m^2; Proximity <400 m^2.

In July 2019, Mercadona, a major Spanish food retail group, entered into the national market. The retailer's expansion plan for Portugal has not changed in spite of the pandemic: the company ended the year 2020 with 20 stores in the country.[15] In the next seven to eight years, Mercadona plans to have between 150 and 200 stores scattered across the country.[16] Also, at the end of 2020, Monoprix, a major French retail group, publicly announced its intention to enter the retail market in Portugal. With the arrival of these foreign retail companies, it is expectable that the current market dynamics will change in the medium/long term.[17]

In general, in Portugal retailers' own-brand products have a strong presence in the market. According to the most recent data of the International Private Label Yearbook, at country level the market share of retailers' own-brand lines is 43 percent, a value that is relatively higher than the European average.[18] In addition, sales of retailers' own-brand food products have been on the rise since a few years now and are reported to have further increased during the pandemic, most likely for being more affordable than the corresponding manufacturers' brands.

Lastly, over the last few years the reduction of the environmental impact and, in general, sustainability have become more and more prominent in the agenda of the largest retailers operating in the country. Measures implemented by retailers range from reducing or replacing the use of plastic to improving energy efficiency and limiting food losses and waste. During the pandemic, the retail sector has given particular additional emphasis to its commitment to sustainability as a way to pass some positive messages to the general public during such challenging times.

[13] Number of outlets in 2019, available at https://www.auchan-retail.pt/quem-somos/
[14] Number of outlets in 2019, available at https://www.minipreco.pt/quem-somos/
[15] Source: https://www.mercadona.pt/pt/supermercados-portugal
[16] Source: https://www.dn.pt/dinheiro/mercadona-vai-ter-70-supermercados-a-norte-prepara-entrada-a-sul-10673607.html
[17] Source: https://grandeconsumo.com/portugal-nos-planos-de-expansao-da-monoprix/
[18] Source: https://www.distribuicaohoje.com/destaques/quota-de-mdd-em-portugal-acima-da-media-europeia/

Section III. Impact of COVID-19 on National Consumers

Portuguese consumers are deeply concerned about the impact of COVID-19, both from a health and an economic perspective. During the pandemic, the retail sector reported a rise in the demand for cheaper food products. Many consumers have tried to limit their spending in response to the uncertainty posed by the pandemic and looked for ways to save up when shopping, for instance, by taking advantage of price promotions. This purchasing behavior is not new to Portuguese consumers: especially during the previous economic crisis, most shoppers have taken up the habit to look for discounts. For instance, in 2019 it was estimated that, for each $121 spent at retail level, $58 accounted for products sold under price promotions.

In more general economic terms, during 2020 the majority of Portuguese consumers seem not to have been heavily affected by the pandemic as most households have managed to put away some savings. However, market experts consider that the economic consequences of the pandemic will be aggravated during 2021 as government support for businesses ends and unemployment increases significantly. This scenario may negatively impact on the average purchasing power of national consumers in the medium term.

In addition to basing their purchasing decisions on prices and promotions, Portuguese consumers enjoy and tend to look for high-quality products especially in terms of taste and appearance. Convenience is also a current driver influencing consumer's behavior and which is expected to have greater importance in the post-pandemic era.

Section IV. Trends in Retail Channels

E-commerce

COVID-19 has contributed to strengthening consumers' confidence in online sales of food products. Overall, online food sales rose by 44 percent compared to the pre-pandemic period.[19] Prior to the pandemic, e-commerce was mainly explored by younger generations living in urban areas and with greater economic power. Besides that, not all retailers operated through the online channel. Now in Portugal e-commerce has become somehow transversal to all age groups, geographical areas and educational backgrounds.

Sonae is leader in e-commerce for food retail. During the first months of the pandemic, the demand for its services multiplied 6 times compared to the same period in 2019 and required considerable investments to improve the relevant technology and logistics behind it.[20]

[19] Source: "O impacto do Coronavírus nos hábitos de consumo dos portugueses" SIBS Analytics 2020.
[20] Source: https://www.distribuicaohoje.com/destaques/sonae-abrira-mais-de-200-lojas-entre-2019-e-2021/

Besides retailers, many other food business operators have resorted to the online channel to reach out to consumers across the country during the pandemic. In the medium term, the level of professionalization of the service offered (efficiency in logistics, customer care, costs associated with delivery, etc.) will determine those initiatives which are truly successful and thus likely to be long-lasting.

Against this background, market experts consider that e-commerce of food products is a sales format that is destined to consolidate in future in the retail sector.

Convenience and Proximity Stores

The demand for convenience and proximity stores has grown significantly during the pandemic. Convenience and shorter queues – both factors associated with confinement and social distancing – were seen as key benefits offered by this type of stores. For this reason, proximity stores, such as Amanhecer (Jerónimo Martins), Meu Super (Sonae), Pingo Doce & Go (Jerónimo Martins), My Auchan (Auchan), were preferred by Portuguese shoppers more than usual during 2020. In 2021 Sonae plans to open 50 to 60 stores in urban and residential areas in order to meet consumers' needs for greater proximity and convenience of consumers.[21]

Section V. Trends in Retail Foods

The closure of the food service channel stimulated consumption at home and, in turn, boosted retail sales. At retail level, two main trends emerged during the pandemic, notably:

a) Demand for domestic and local products - Because of the difficulties faced by farmers and other manufacturers in flowing off their food stocks during the first months of the pandemic, several campaigns sponsored by the government and private actors were run to encourage Portuguese consumers to buy national and local products. Some of these campaigns emphasized the environmental benefits associated with shorter supply chains, including direct sales by farmers to consumers. However, even before the pandemic, national retailers had already developed sourcing policies very much oriented towards national products. As an example, 80 percent of the purchases made by the retail brand Pingo Doce are from domestic suppliers.[22] Against this background, market experts consider that demand for domestic foods at retail level will continue and further consolidate in future, even if Portugal will remain highly dependent on imports for certain product categories (fish, meat).

b) Demand for healthy foods - With some delay compared to other European countries, demand for healthy food has been on the rise on the Portuguese market since a few years now. As a result, retailers have been innovating their product range and are now offering more and more options reflecting consumers' dietary needs and concerns. Several retailers' own-brand lines include now 'free-from' products (such as gluten-free, lactose-free, sugar-free etc.) and meat substitutes,

[21] Source: https://www.distribuicaohoje.com/destaques/sonae-abrira-mais-de-200-lojas-entre-2019-e-2021/
[22] Source: https://www.pingodoce.pt/sobre-nos/os-nossos-produtores/

besides organic products and food suitable for specific religious communities (kosher), while some stores have dedicated sections or departments for such products. Over the last few years these products have become widely available throughout modern retail outlets in the largest cities. Market experts consider that after the sanitary crisis the larger urban areas (notably, Lisbon and Porto) will continue to be the key marketplaces for such products as opposed to the country's rural areas.

Table 2 provides an overview of the food categories sold at retail level which were most impacted COVID-19.

Table 2. Food categories most impacted by COVID-19 at retail level

Food category	Main impacts
Tree nuts	• Tree nuts were one of the food categories that grew more during the pandemic. With the increase in consumption of snacks at home and for their convenience and long shelf-life they were widely purchased by Portuguese consumers. The number of dedicated sections in the retail stores has also increased together with fancy and innovative packaging solutions. • Market experts consider that if consumption of tree nuts remains stable at the level observed during the pandemic, there will be business opportunities for exporters of these products in the medium and long term. • At retail level, LIDL and ALDI currently dominate this market segment.
Alcoholic beverages	• Alcoholic beverages were one of the product categories most hit during the pandemic mainly because of the closure of the food service channel, which, under normal circumstances, absorbs the largest portion of those beverages. • However, at retail level, this product category registered a positive increase in consumer sales during the first months of the pandemic. In September 2020, in an attempt at reducing population's alcohol consumption, the Portuguese government introduced ad hoc restrictions to the purchase of alcoholic beverages at retail level. In particular, after 8 pm, it is now no longer allowed to sell alcoholic beverages in retail establishments. This measure was highly contested by the national retail sector.
Fruits and vegetables	• At the beginning of the pandemic, because of the uncertainty surrounding the modalities of the transmission of the virus, a certain consumer distrust towards fresh produce was reported, with shoppers preferring to buy packaged products. • This category remains a staple food in the diet of the Portuguese population. According to a survey carried out by the DGS (Directorate-General of Health) on food consumption during in the confinement context, there was a sharp increase in consumption of fruits and vegetables (+29.7 percent and +21 percent, respectively).[23]

[23] Source: Directorate- General of Health – React-COVID SURVEY ON DIETARY AND PHYSICAL BEHAVIOURS in the context of confinement, available at: https://www.dgs.pt/programa-nacional-para-a-promocao-da-atvidade-fisica/ficheiros-externos-pnpaf/rel_resultados-survey-COVID-19-pdf.aspx

Ready-to-eat products	• Before COVID-19, ready-to-eat and/or ready-to-cook foods were among the product categories favored by national consumers for their convenience. • With the pandemic and, in particular during the confinement, this product categories suffered a drop in retail sales, which can be explained by the fact that people had more time to cook at home. According to a survey carried out by the DGS[24], there was a reduction in the consumption of these products by 40.7 percent. • Market experts consider that, as soon as the restrictions imposed by the pandemic will be lifted, consumer demand for these products will go back to the levels registered before the pandemic.

Section VI. Additional Information

For more information on exporting U.S. agricultural products to Portugal, please check the recently published reports below:

Report Number	Title	Date Released
PO2021-0005	Exporter Guide 2021	February 25, 2021
PO2021-0002	Portuguese Wine Exports Rise in 2020 Despite COVID-19 Challenges	January 29, 2021
PO2020-0006	Exports Continue to Fuel Expansion of the Portuguese Meat Sector	October 30, 2020
PO2019-0013	Retail Foods 2019	January 17, 2020

If you have any questions or comments regarding this report or need assistance exporting to Portugal, please contact the Office of Agricultural Affairs at AgLisbon@fas.usda.gov.

Attachments:

No Attachments.

[24] Source: Directorate- General of Health – React-COVID SURVEY ON DIETARY AND PHYSICAL BEHAVIOURS in the context of confinement, available at: https://www.dgs.pt/programa-nacional-para-a-promocao-da-atvidade-fisica/ficheiros-externos-pnpaf/rel_resultados-survey-COVID-19-pdf.aspx