

Danish Consumer Sentiment Series 2023



Sentiment among Danish consumers is improving as consumers expect a slight increase in spending over the coming period

June 2023

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This edition of BCG's Danish Consumer Sentiment Series is based on a survey conducted between April 18 and 21, 2023, with a sample of 523 adult respondents in Denmark representative of the Danish population. In this publication, we will compare the current consumer mood and spending behaviors with our survey results from March 2021, April 2022, and October 2022, and provide an outlook for the next six months. We have identified ten trends that are currently shaping consumer behavior in Denmark.

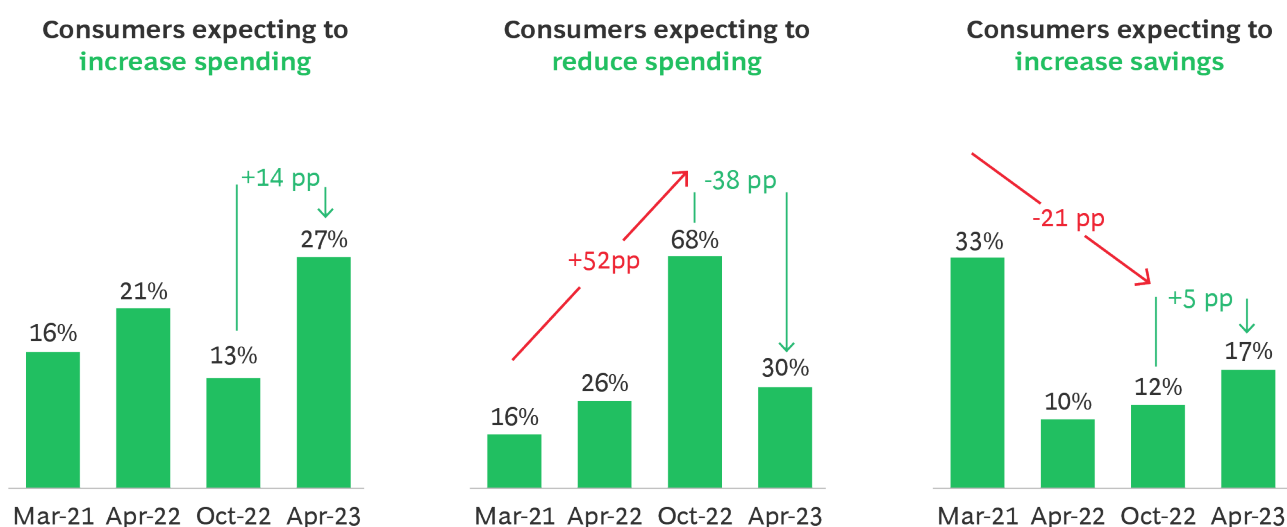
- 1 Consumer sentiment has improved since our last survey in October 2022, as 27% of consumers expect to increase spending in the coming six months compared with only 13% in October 2022. Additionally, only 30% expect to decrease spending in the coming period compared with 68% in October 2022.
- 2 Despite improved consumer sentiment, worries remain. Inflation is still the main concern for 70% of consumers, which is similar to the October 2022 results. While they worry less about energy prices and the need to draw on savings compared with October 2022, these are still significant concerns.
- 3 Overall consumer spending is expected to increase slightly (0% – 1%) over the next six months, breaking a previous negative trend. The categories expected to see the largest growth in the coming period are leisure travel, home furnishings and DIY, and live entertainment and cultural events, while alcohol, tobacco, and nicotine is predicted to see the largest decline.
- 4 The importance of health as a purchasing criterion continues to drop post COVID-19. Today, 26% of consumers find it important, ranking it as the third most significant factor, while it was the top criterion in April 2022 and October 2022. Value for money is important to 30%, making it the top purchasing criterion. Functionality ranks second in importance, as 28% find it important when shopping.
- 5 Social and environmental responsibility is an increasingly significant factor in purchase decisions today, as 21% consider it important compared with 4% in October 2022. Despite this growing emphasis on sustainability, price remains a key consideration for consumers engaging in sustainable shopping, with the majority (59%) prioritizing price over other criteria.
- 6 The brand attractiveness of Danish grocery stores is influenced notably by their perceived sustainability profile and value-for-money proposition. Discounters and supermarkets score high on these parameters, while convenience stores and minor supermarket chains lag behind, as they score low.
- 7 Value for money is the top purchasing criterion for consumers when they shop for groceries. Thus, it is expected that consumers will continue to gravitate towards discounters in the coming six months. Two out of three consumers expect value for money to increase in importance in the coming period.
- 8 The outlook for grocery spending is stable for the next six months, as 24% of consumers expect to decrease spending compared with 20% who anticipate increasing their spending. Of those planning to spend less, 45% intend to buy cheaper products and 32% intend to buy more discounted products. Of those expecting to spend more, 34% plan to buy products of the same quality as today but expect to buy larger quantities.
- 9 Online shopping activity is predicted to reach an all-time high and surpass the previous peak reached during COVID-19. The activity boost is driven by ease of finding products and inspiration online.
- 10 The share of purchases made online has increased 5 percentage points to 26% since our last survey in October 2022. The largest growth is observed within electronics and appliances (10 percentage points), restaurants and takeout (9 percentage points), and home furnishings and DIY (9 percentage points).

Consumer sentiment has improved in the last six months, indicating brighter days ahead for Danish retailers

Our findings indicate that the tide has turned for Danish retailers after a period of declining consumer spending. Cooling down of inflation and a subsiding energy crisis have led to an improved sentiment among Danish consumers. BCG's latest consumer sentiment survey from April 2023 found that 27% of consumers plan to increase spending in the next six months compared with 13% in our last study in October 2022. Only 30% plan to reduce spending in the coming six months, which is less than half of the share six months ago when 68% planned to decrease their spending. Moreover, 17% expect to be able to increase savings accompanied by a lower fear of having to draw on their savings. Additionally, 22% of respondents estimate that their household budget will increase in the next six months. This represents a significant increase since October, when only 3% of consumers believed this to be the case.

77% of men feel financially secure today vs. 59% of women

Exhibit 1 - Consumers' Expectations over the Coming Six Months



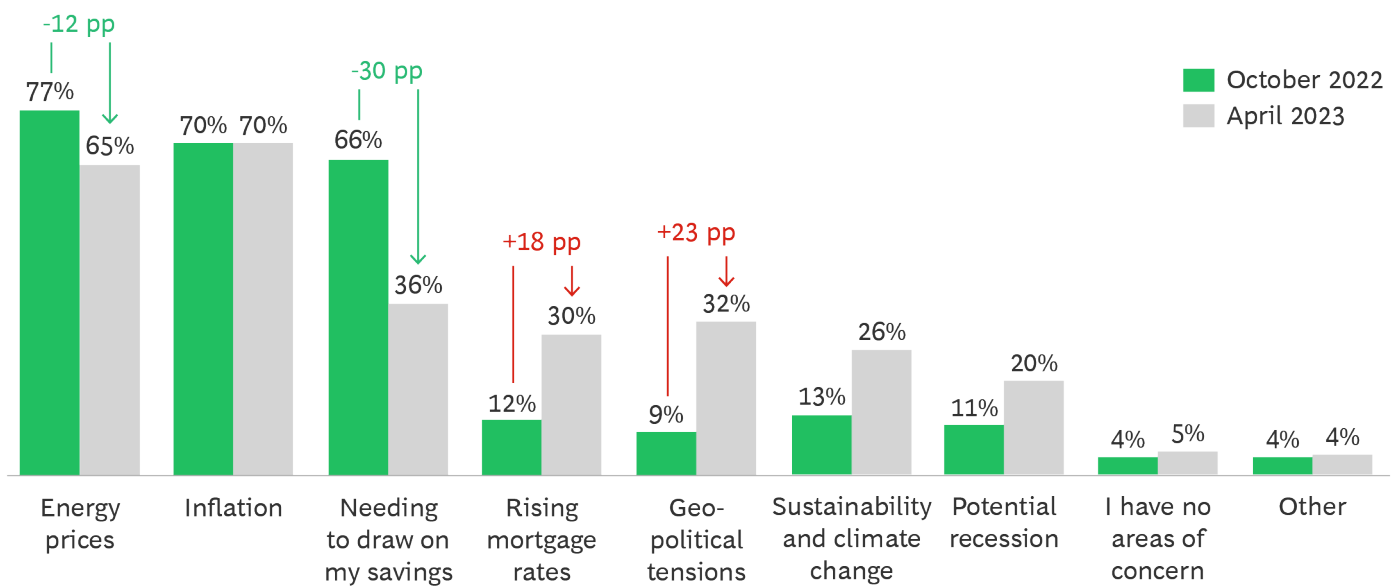
As Exhibit 1 shows, the outlook for the next six months is less bleak than it was six months ago.

Despite an improved consumer mood, worries about the economy still linger

We examined the development in areas of concern for Danish consumers. Even though Denmark's annual inflation rate has been steadily declining since October 2022 to a 12-month low of 5.3% in April 2023, inflation remains the primary concern for Danish households when it comes to their financial future. Women (75%) are more concerned about inflation than men (65%). Consumers are less worried about energy prices and the need to draw on their savings than six months ago, yet energy prices are still a large concern as 65% (77% in October 2022) currently consider it a top-three concern.

75% of women are concerned about inflation today vs. 65% of men

Exhibit 2 - Development of Key Areas of Concern in the Past Six Months



In contrast, as depicted in Exhibit 2, some previous minor concerns are becoming more significant among Danish consumers. As interest rates have been rising over the past six months, rising mortgage rates have seen a spike in

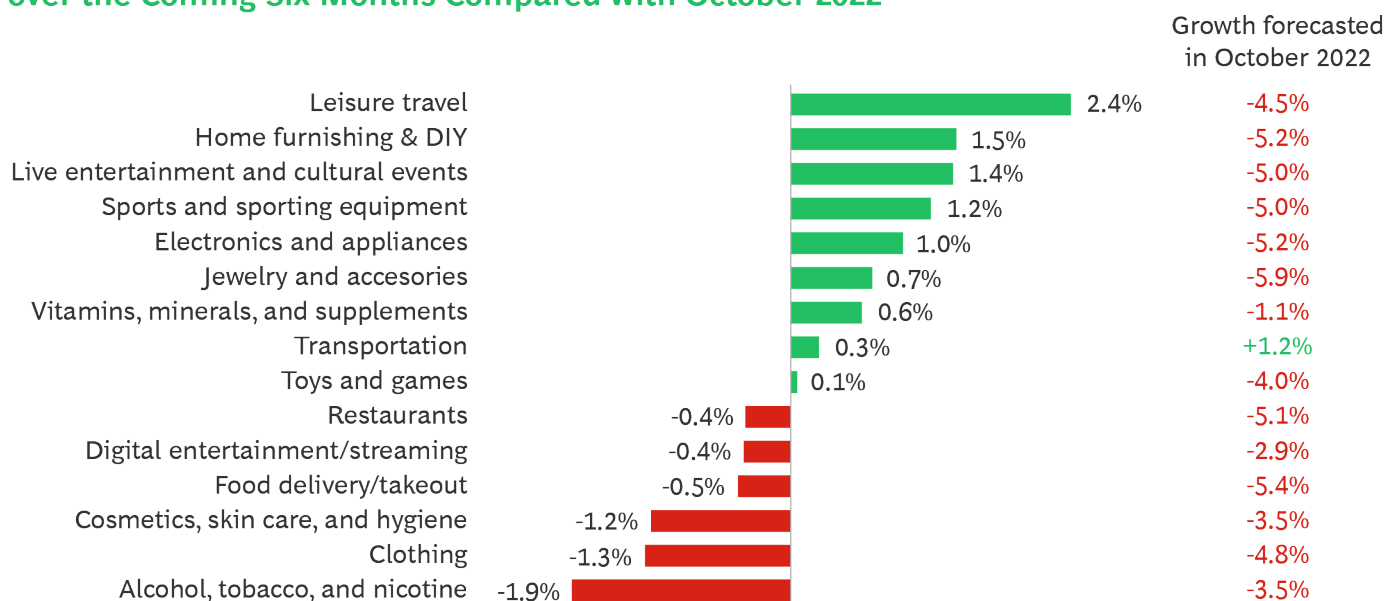
concern levels from 12% to 30%. Worries about geopolitical tensions have surged from 9% in October 2022 to 32% in April 2023.

Overall spending is expected to increase slightly in the next six months, breaking the trend of negative spending outlook

According to our consumer survey from April 2023, overall consumer spending is expected to increase slightly by

0%–1% over the next six months, which is a notable improvement compared with the previous survey conducted in October 2022. At that time, consumers anticipated a 3%–5% decrease in spending over the coming six months across all categories due to negative sentiment towards the future state of the economy.

Exhibit 3 - Expected Growth of Discretionary Categories over the Coming Six Months Compared with October 2022



However, current data suggests a shift in perception as consumers now anticipate a slight increase in spending in various discretionary categories, as reflected in Exhibit 3. Specifically, spending in the leisure travel category is projected to have the highest growth of 2.5%, followed by home furnishings and DIY with forecasted growth of 1.5%. The third largest growth is anticipated in the live entertainment and cultural events category. This category has a projected growth of 1.4%. This positive trend stands in contrast to the outlook six months ago, when consumers expected a decline in spending across most discretionary categories. On the contrary, spending on alcohol, tobacco, and nicotine is expected to suffer the largest decrease (-1.90%) over the next six months, as indicated in Exhibit 3.

Leisure travel is expected to experience the largest spending increase over the next six months

Categories that experienced a surge during and after the COVID-19 pandemic are expected to rebound after a decline from March 2021 to October 2022

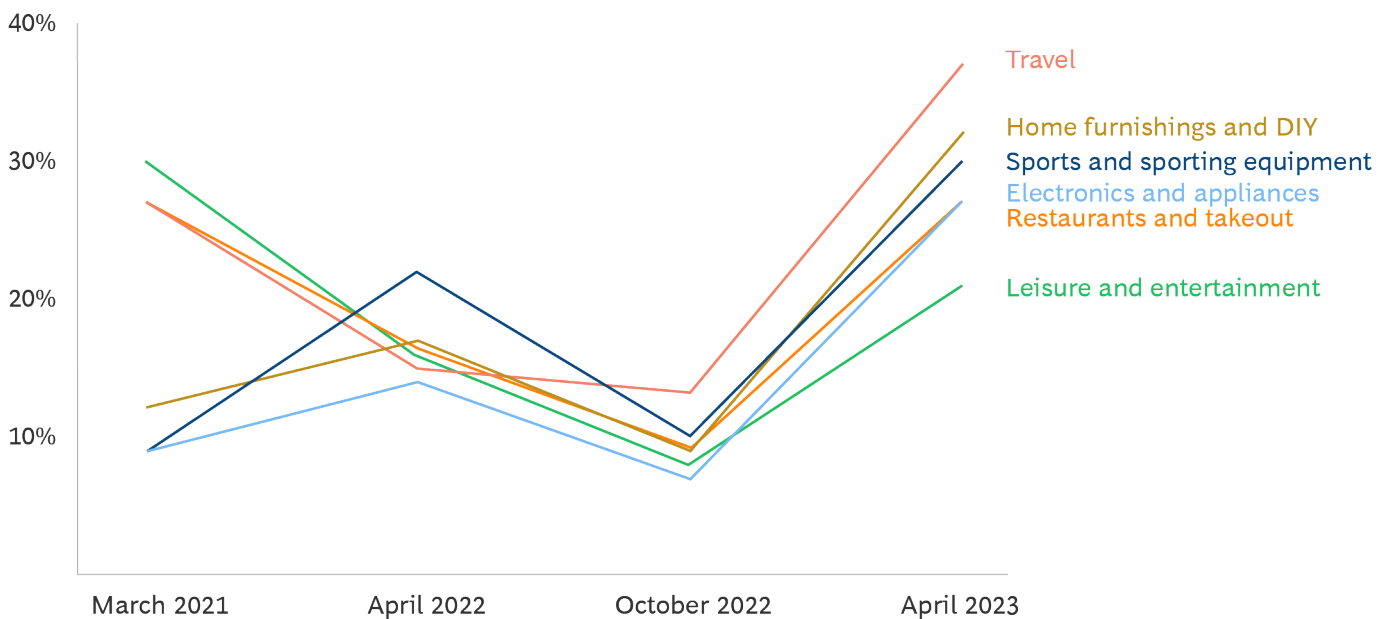
The share of respondents expecting to increase spending in selected discretionary categories has surged across categories since our last survey in October 2022.

In March 2021, respondents predicted that they would increase spending in categories influenced by COVID-19 restrictions such as leisure and entertainment, restaurants, and travel once restrictions were lifted. Instead, the outlook worsened in April 2022 and October 2022, as all

categories hit a two-year low with fewer than 15% of consumers expected to increase spending across the discretionary categories—likely due to inflation and geopolitical tensions. The outlook across these categories is notably more positive now, likely due to a more stable economic environment.

Travel remains the category with the highest share of respondents intending to increase spending in the coming six months at 37%, as shown in Exhibit 4. This indicates that consumers continue to prioritize holidays over other discretionary spending.

Exhibit 4 - Share of Consumers Expecting to Increase Spending in the Next Six Months

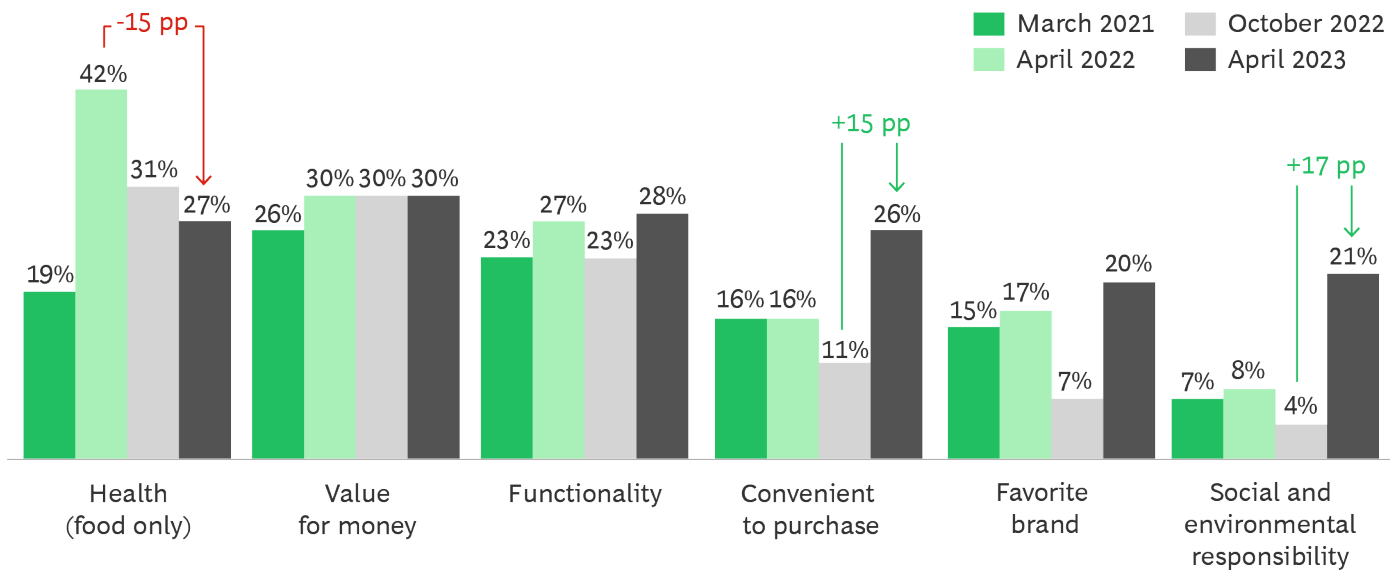


The significance of health as a primary purchasing criterion, which had increased during COVID-19, continues to decline

When we conducted the survey in April 2022, health was the most important purchasing criterion, with 42% of respondents considering health as an important purchasing criterion when buying food. However, this figure has since declined to 26%. Notably, Danish consumers are increasingly prioritizing value for money and convenience in their purchasing decisions. As Exhibit 5 highlights, value for money is presently the most significant purchasing factor, as 30% of respondents consider it a crucial criterion. It has remained at a steady level of importance to consumers since April 2022. The importance of functionality has increased 5 percentage points since October 2022, as 28% of consumers currently evaluate it as an important purchasing criterion. It has remained relatively stable in the past two years since BCG began conducting our consumer sentiment survey.

15 pp fewer prioritize health in purchasing in April 2023 compared with April 2022

Exhibit 5 - Consumer Preferences in April 2023 and Their Development Compared with October 2022, March 2022, and March 2021



Additionally, convenience and brand association have spiked in the past six months. Convenience has increased from 11% to 26% of consumers finding it a critical purchasing criterion, making it the third most important purchasing criterion together with health. The share of consumers finding it important to purchase products from their favor-

ite brand has increased 13 percentage points to 20% of consumers finding it an important purchasing criterion. This observation suggests that consumers now demonstrate a heightened level of brand association, surpassing that observed in previous surveys.

Consumers find social and environmental responsibility increasingly important in purchase decisions

Price continues to be the most critical criterion when consumers buy sustainable products

Social and environmental responsibility has become an increasingly important factor in purchase decisions, indicating an increased demand for sustainable products. Currently, 21% of respondents consider social and environmental responsibility to be a highly significant purchasing criterion, as illustrated in Exhibit 5. This figure marks a fivefold increase from 4% in October 2022, and today is at a significantly higher level than in our previous surveys in March 2021, April 2022, and October 2022. In October 2022, our survey reported a high awareness of sustainability, yet few consumers were willing to pay a premium for sustainable options.

Additionally, they ranked higher prices as a main deterrent from purchasing more sustainable products. Despite the growing preference for discounts and value for money, the shopping behavior of Danish consumers reflects an increasing focus on sustainability, even though these products often are more costly. However, price continues to be the most critical purchasing criterion, with 59% of consum-

ers ranking price as a top-three criterion when purchasing sustainable products, underscoring consumers' continuous sensitivity to price when seeking sustainable alternatives. Besides price, consumers find quality (48%), animal welfare (37%), and ecology (30%) among their top factors considered when selecting sustainable products.

Exhibit 6 - Consumer's Evaluation of Sustainability as Purchasing Criterion When Grocery Shopping



21% of respondents evaluate sustainability as an important purchasing criterion when shopping for groceries

The sustainability trend is also prevalent in the groceries category, where 21% of consumers find sustainability important when shopping for groceries, as highlighted in Exhibit 6. Despite price being an important consideration

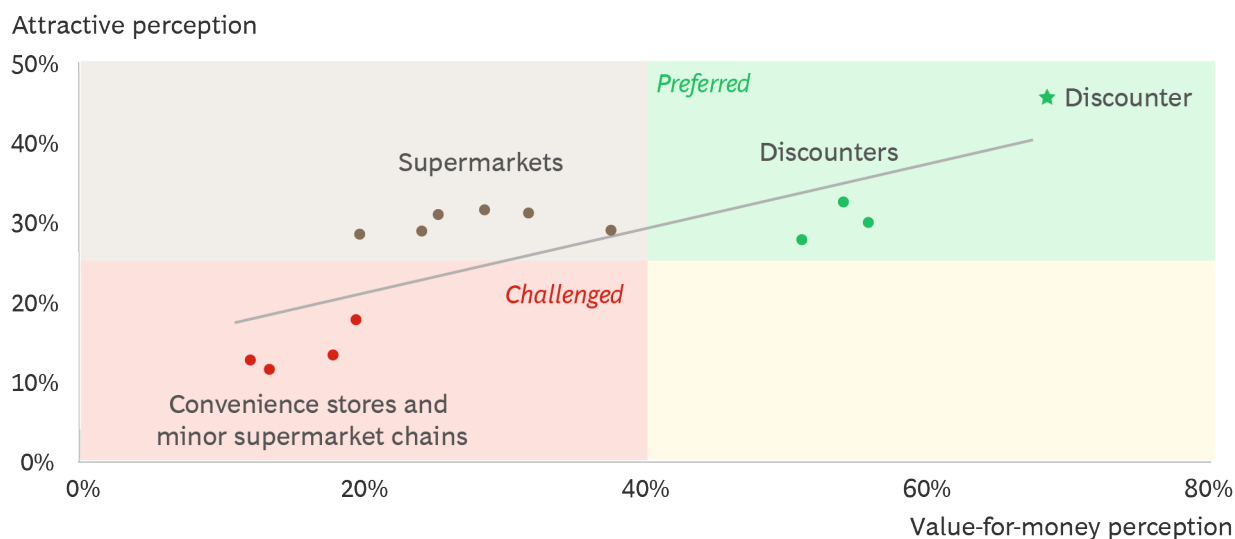
when consumers shop for sustainable products, they are willing, on average, to pay a premium of 19% for sustainable alternatives when shopping for groceries.

The brand attractiveness of Danish grocery retailers is influenced significantly by perceived sustainability and value for money

We have investigated what factors influence how attractive

consumers perceive the brands of Danish grocery retailers to be. The research revealed a significant positive correlation between the perceived attractiveness of a brand and the perceived sustainability profile of the retailers and the perceived value-for-money proposition.

Exhibit 7 - Perceived Value-for-Money Proposition and Level of Attractiveness of Danish Grocery Retailers



Note: Y-value is defined as %-share of respondents that find the brand "very attractive" or "extremely attractive". X-value is defined as %-share of respondents that rank the value-for-money proposition as either 4 or 5 out of 5 (5 is considered most positive ranking).

76% find value for money very important or extremely important when buying groceries

Notably, both supermarkets and discounters were perceived as highly sustainable and attractive, with the latter also offering an excellent value-for-money proposition according to consumers, as indicated in Exhibit 7.

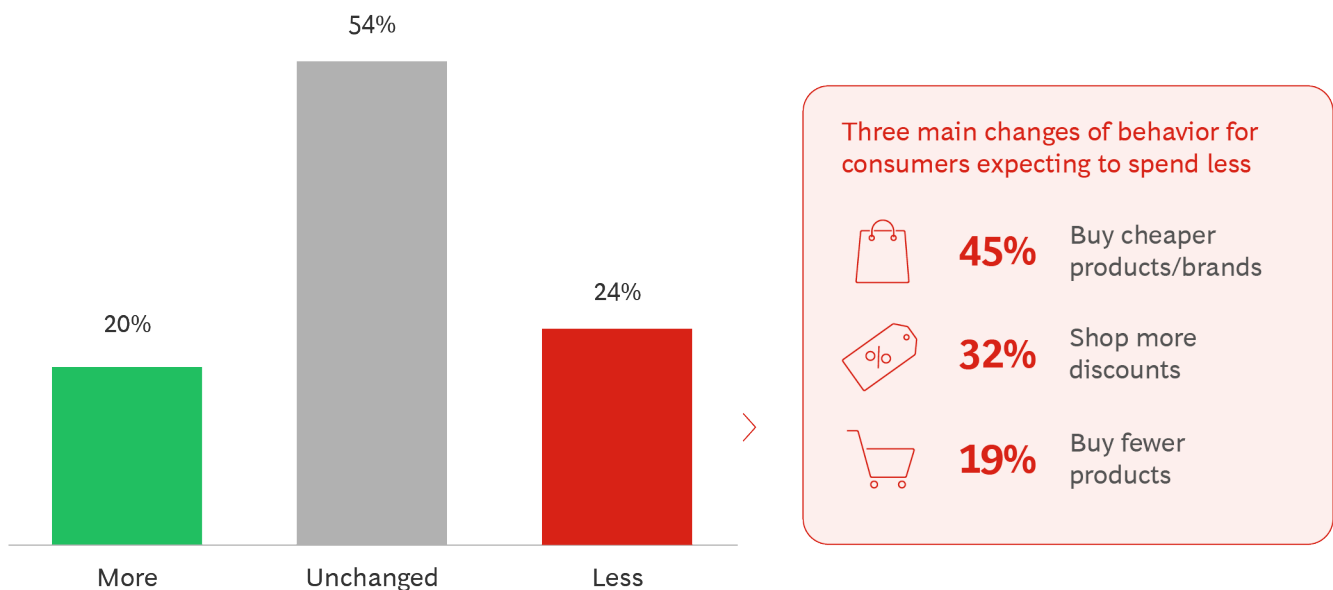
In contrast, convenience stores and smaller supermarket chains scored poorly in both sustainability and value-for-money propositions, resulting in low perceived attractiveness among Danish consumers.

Consumption of fresh meat products is expected to decline 1.9% over the next six months

Flat growth is anticipated for consumption of groceries for the next six months, as fewer consumers expect to decrease spending relative to October 2022

In our April 2023 survey, we asked consumers how their spending on groceries had changed over the past six months, and how they would expect it to change over the coming six months. According to consumers, their total consumption of groceries declined 1.4% over the past six months; 31% responded that they had decreased their spending, of which 42% reported that price increases had been the main reason.

Exhibit 8 - Consumers' Expectations for grocery shopping in the Next Six Months



When asked about the coming six months, consumers had a slightly more positive view than they did six months ago. Overall, consumers expect their spending on groceries to remain stable with a change of between -0.5% and 0.5%. 54% of respondents expect their spending to remain unchanged compared to 44% in October 2022. Despite this stabilization, there are still more consumers expecting to

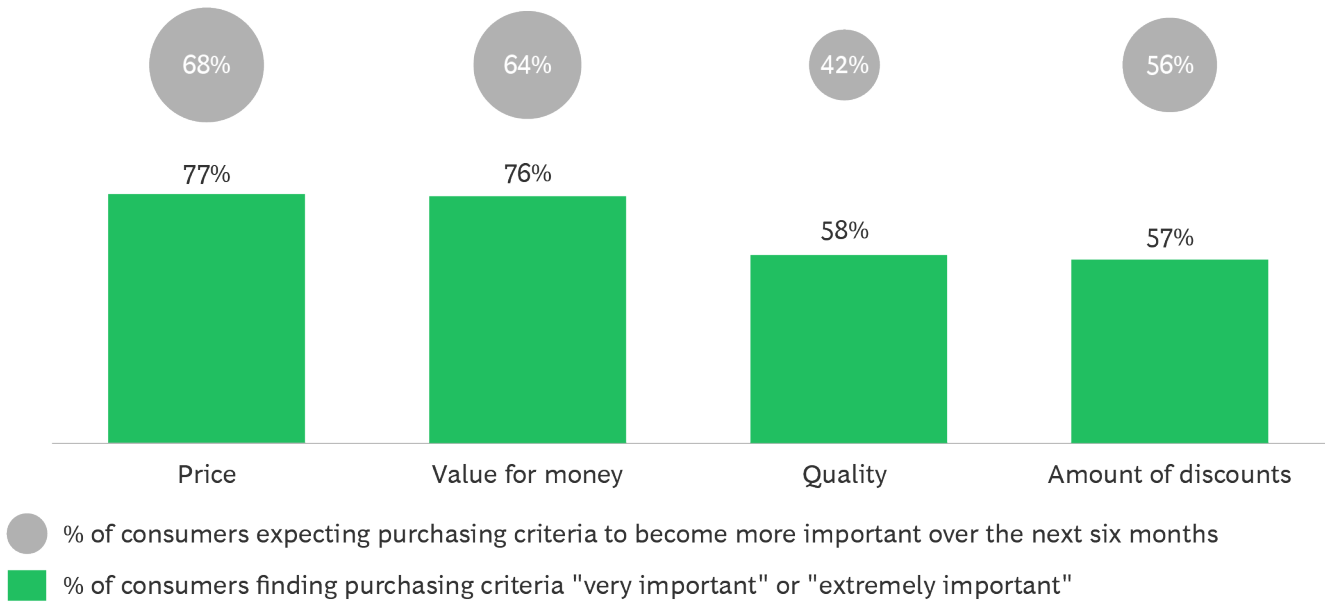
spend less (24%) than there are expecting to spend more (20%) in the coming six months. Of those planning to spend less, 45% intend to buy cheaper products and 32% intend to shop more for discounted products as shown in Exhibit 8. Of those expecting to decrease their spending, 34% plan to buy products of the same quality as today but expect to buy larger quantities.

Price and value for money are considered top purchasing criteria when consumers shop for groceries, with both expected to become more important

As indicated in Exhibit 7 and Exhibit 8, consumers currently have a high preference for grocery stores that offer high value for money, and they are expecting to trade down (45%) and look for discounts (32%) over the coming six months. In accordance with those findings, we found in our

survey that price and value for money are the top-two purchasing criteria for consumers when they shop for groceries. As shown in Exhibit 9, price is the most important criterion, as 77% of consumers find price very important or extremely important when shopping for groceries; 76% of consumers hold that opinion regarding value for money.

Exhibit 9 - Top Purchasing Criteria for Grocery Shopping and Expected Changes



When asked about their expectations for the coming six months, 68% of respondents expect price to become more important, as indicated in Exhibit 9. Additionally, 64% deemed value for money to become even more important

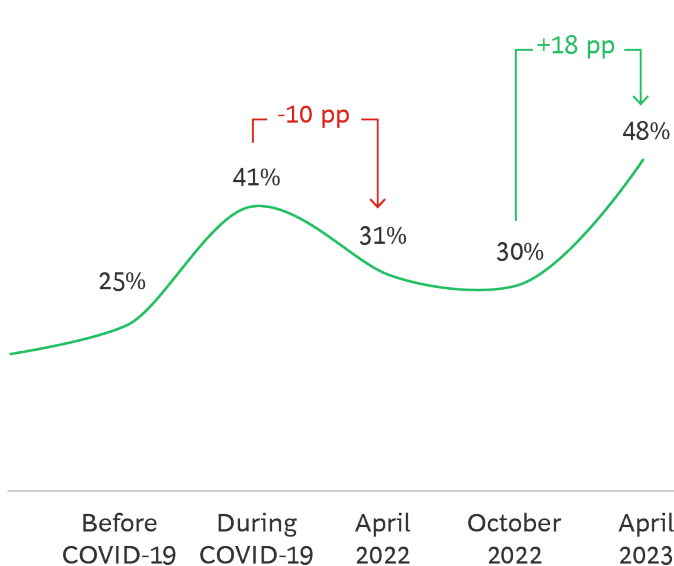
over the coming six months, while almost half expects quality to become more important. Additionally, over half responded that the number of discounts that grocery stores offer will become a more critical purchasing criterion.

Online shopping activity regains momentum and surpasses COVID-19 levels




Our previous consumer sentiment surveys revealed that the share of frequent online shoppers peaked during the pandemic and stabilized thereafter to 31% in April 2022 and 30% in October 2022. However, the findings from our most recent survey from April 2023 reveal that the share of

frequent online shoppers has increased to 48%, surpassing COVID-19 levels which was at 41%. According to consumers, this growth in online shopping frequency in the past six months is driven by the ease of product discovery and inspiration (25%), as well as the timesaving aspect of shopping online (13%), as shown in Exhibit 10.

Exhibit 10 - Development of Share of Frequent Online Shoppers Before, During, and After COVID-19



Increase in online shopping frequency driven by three factors

-  **15%** Easier to find products online
-  **13%** Timesaving
-  **10%** Easier to find inspiration online

— % of respondents shopping online several times a month or at least once a week

Consumption of fresh meat products is expected to decline 1.9% over the next six months

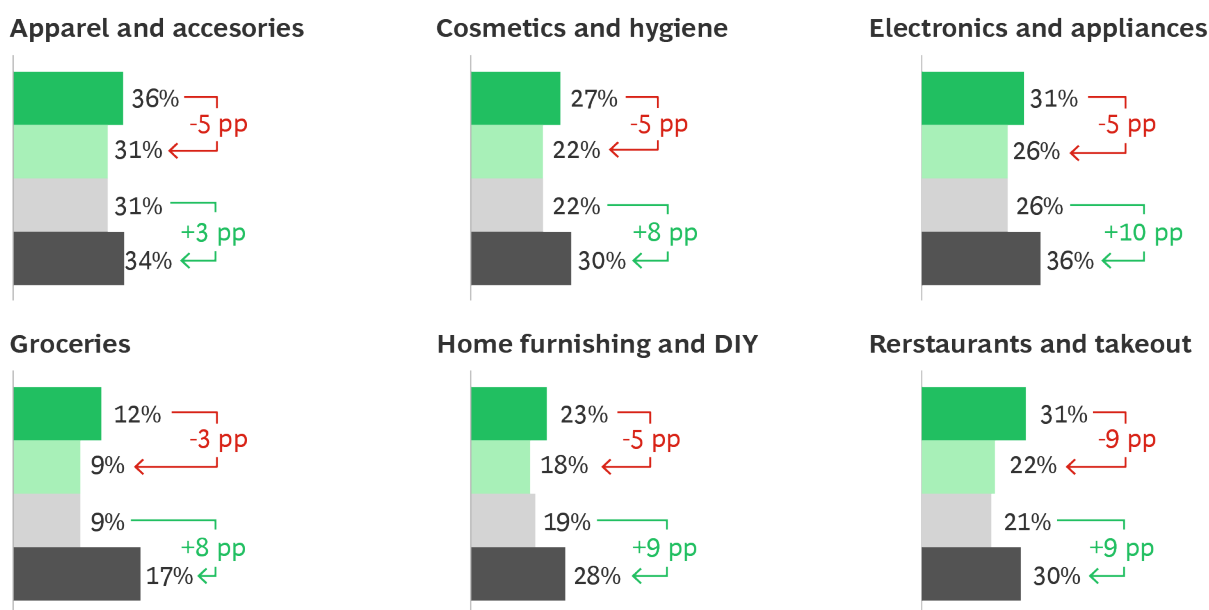
The results from our recent survey from April 2023 indicate that there is no clear relationship between age and frequency of online shopping; 46% of respondents aged 60–69 shop online several times per month, while this holds true for 47% of respondents aged 30–39. However, consumers aged 70 and over shop less online. In this age group, only 32% shop online more than once a month.

Share of product purchases made online increases across product categories in general, and price perception is lower for online retailers

Our survey from April 2023 reveals that the share of purchases being made online is increasing across product

categories, supporting the evidence of an online shopping comeback as seen in Exhibit 10. The data shows that in April 2023, 26% of purchases were on average made online, up from 21% in October 2022. This brings the share of purchases being made online back to the COVID-19 level at 27% measured in our survey from March 2021.

Exhibit 11-Evolution of Share of Online Purchases Since March 2021 in Selected Categories



The outlook for online shopping is stable for the coming six months

As shown in Exhibit 11, the most popular categories for online shopping are electronics and appliances, and apparel and accessories, with 36% and 34%, respectively, of purchases being made online. Groceries is the category with the lowest online shopping activity, as just 17% of groceries are purchased online. Despite this, the share of groceries being purchased online has increased 8 percentage points in the past six months.

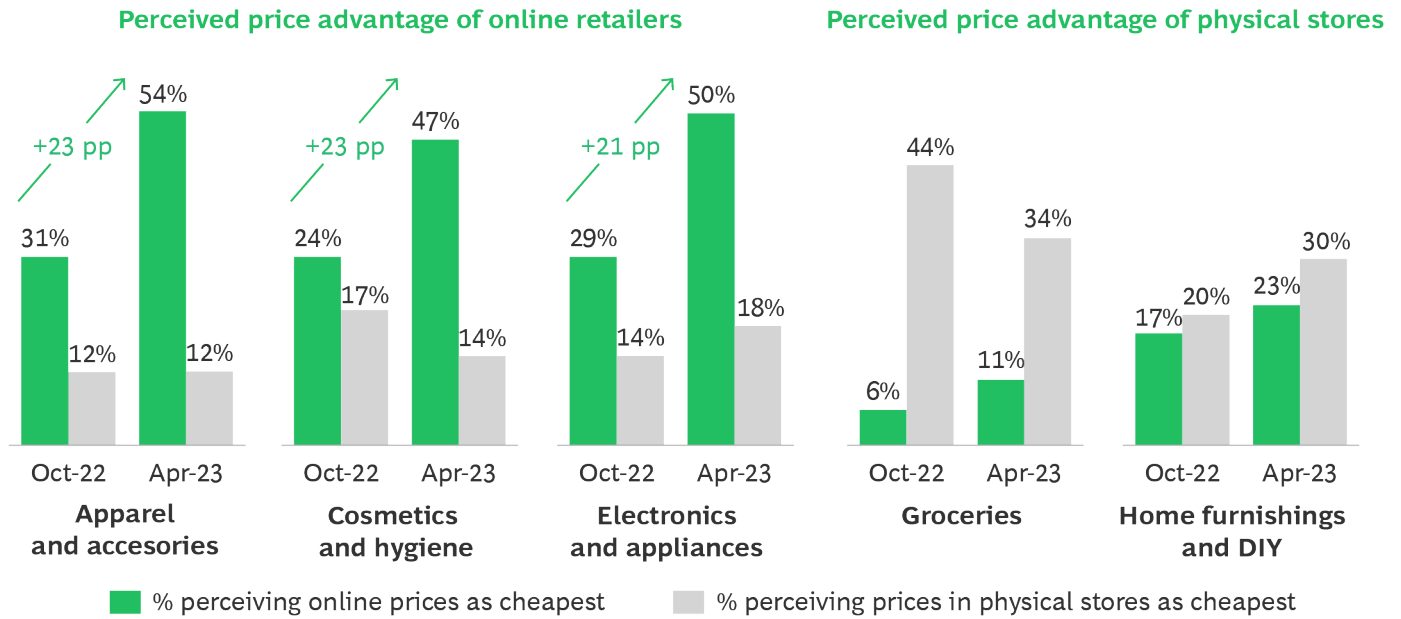
As price continues to stand out as a notably important

Average across categories

March 2021	27%
April 2022	21%
October 2022	21%
April 2023	26%
In 6 months	26%

purchasing criterion for consumers, it is imperative that online retailers compete on price to further advance online penetration. Apparel and accessories followed by electronics and appliances are the two categories with the highest number of consumers (54% and 50%, respectively) believing that shopping online is less costly than shopping in physical stores. These categories, along with cosmetics and hygiene, have all seen a +20 percentage point increase from October 2022 to April 2023 in the share of consumers believing that online retailers have a price advantage.

Exhibit 12 - Price Perception Across Online Shops and Physical Stores



As seen in Exhibit 12, groceries and home furnishings and DIY stand out as the categories where consumers mostly believe that physical stores offer better prices than online retailers. This highlights that consumers have not fully adopted online shopping behavior when shopping in particular for groceries, but also for home furnishings and DIY products to a lesser extent. Despite this perception, 10 percentage points fewer consumers believe that physical grocery retailers offer more advantageous prices today measured at 34% compared with 44% in October 2022. The opposite trend is observed in the home furnishings and DIY category, which has seen a growing share of consumers with the perception that physical stores are less expensive increasing from 20% in October 2022 to 30% in April 2023.

21% believe physical stores have lower price points in general

Opportunities for companies to address the shift in consumer preferences

As consumer sentiment improves, retailers can expect a period of stability going forward. However, there are still certain challenges that retailers must navigate. Despite reduced energy prices, for many consumers disposable income is affected by rising interest rates.

Additionally, prices and labor costs are still elevated above historical levels due to many months of high inflation.

To navigate the times ahead, companies should monitor consumer behavior trends carefully and execute on strategic priorities accordingly. It is apparent that several opportunities identified in our last survey in October 2022 are still relevant for Danish retailers.

Building on this, we specifically suggest implementing three key initiatives.

Reduce prices and lower costs

Due to inflation, consumers are increasingly looking for low prices, discounts, and value for money when making purchases. As consumers are expected to gravitate towards discounters in the next six months, there is an opportunity for traditional retailers to reduce prices and offer discounts to remain competitive; to do so profitably, it is advisable to identify actions to lower costs.

Provide affordable sustainable options

While consumers still value sustainability of products, they are only willing to pay a premium of 19% and still do not evaluate sustainability as a key purchase criterion. To foster continued adoption of more socially and environmentally friendly products, consumer companies should aim to achieve price parity with non-sustainable product options.

Improve online transition

Online shopping has regained momentum following a steady period since the COVID-19 pandemic. To embrace this renewed growing trend of online shopping, it is imperative that companies build digital capabilities and increase their online presence to tap into the growing market for online consumers.

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