Global Consumer Insight Survey FY22

Cut France

Agenda

1. Executive Summary
2. Key Consumer Outlook Insights (2020-2021)
   - **2.1.** New channel shopping patterns
   - **2.2.** Sustainable Consumptions
   - **2.3.** Data & Trust
3. Key takeaways for Brands & Retailers
   - **3.1.** Accelerate shift towards New Retail
   - **3.1.** Develop sustainable business model in a more proactive way

1. Executive Summary

Agenda

Global Consumer Insight Survey FY22

A **streamlined questionnaire** offering flexibility of a static and topical question set

Bi-annual study to enable closer connection to changing consumer trends

Digestible reporting of results with product category insights and tableau available for deep-dive

Keeping in mind **PwC's Global platforms** via topics and content for use

Methodology

- Assessing global consumers via an online panel
- Responses collected from c. 10 000 people in 26 territories
- More than 500 French consumers participated
- Fieldwork completed end of 2021

GCIS 2022 Pulse 3 – France Executive Summary

Social Commerce & Store Reinvention

Omnichannel keeps rising on **all categories** (+4~8pp. vs. 2020)

E-Commerce penetration keeps growing for all categories except Grocery, Health and Beauty

50% of French consumers shop occasionally on **social media** (excl. Baby Boomers)

Young consumers expectations from store are evolving: **40% of Generation Z are wiling to increase store visit** frequency if Brands offer more **sustainable** products (vs. 23% for baby boomers)

Untapped potential for Sustainability

Up to **30% additional consumers** would be willing to buy French products if provided with **wider** product range

55% of consumers consider **high price as the first barrier** to wider adoption of sustainable products

For **Grocery** or **Health** products, 30% to 50% of consumers are willing to pay a **premium** for more sustainable options

Second hand and upcycling products turning mainstream: **consumers have bought such 50% of products over the past 6 months** (up by +12pp vs 2020)

Data protection to build Trust

80% of consumers consider **data protection** as the critical factor to build trust

Polarization of consumer **behaviors** regarding data issues:

- 40% of **Generation Z** are willing to share data in exchange for **personalized** experience or financial **reward**
- 40% of **Baby Boomers** are willing to share data in exchange for clear data **security** policy

2

Consumer Outlook

2.1
New channel shopping patterns

2.1 New retail – Key takeaways

Consumers are **fully embracing omnichannel habits**, with higher penetration rate **for all distribution channels,** up by +4~8pp. vs. 2020.

Online channel keeps growing especially in **Fashion and Consumer electronics,** with 21% of consumers intending to buy more online for fashion goods over the last 6 months.

Physical channel remains dominant **for Grocery and Health & Beauty** with resp. 30% and 19% of consumers shopping exclusively in physical stores.

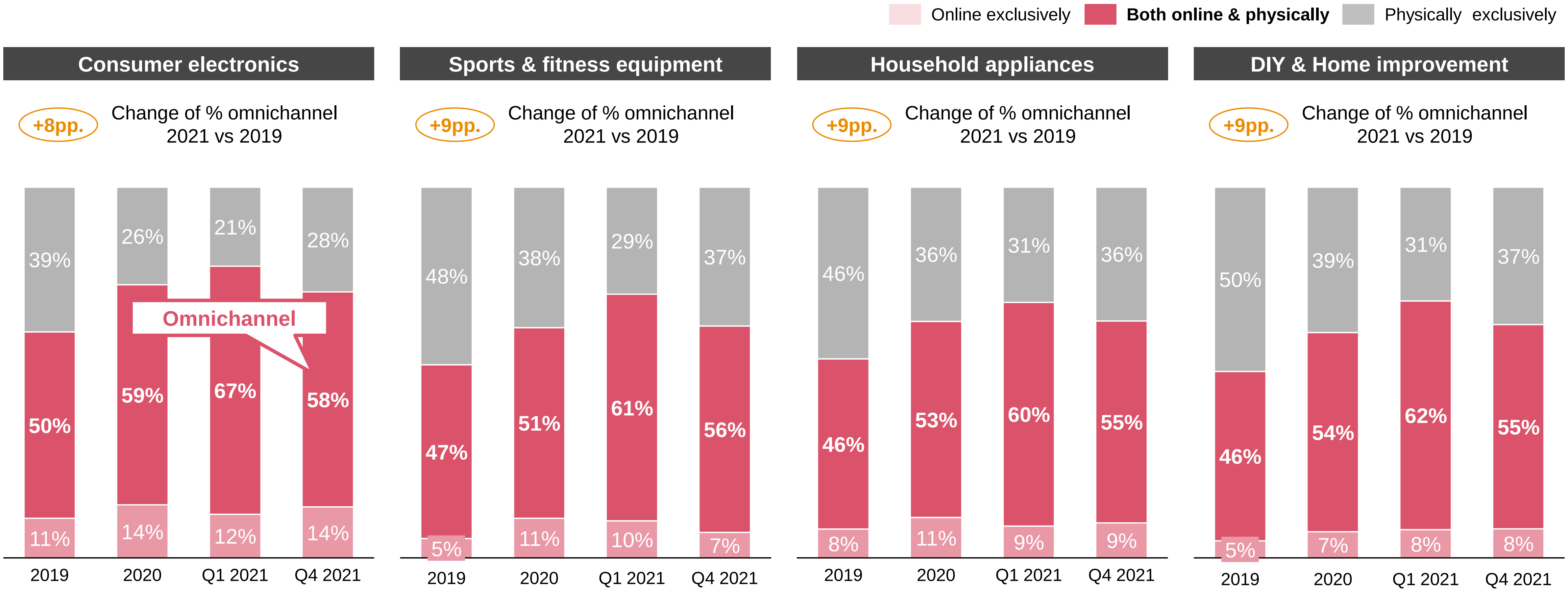
Notable factor that differentiates physical channel from e-commerce is the **customer service.**

Overall, **discounts, product variety and loyalty program** are the key factors to allure French customers to physical stores.

More than half of **Generation Z, millennials, and Generation X** (i.e. demographics born after 1965) have tried social media shopping channel.

Omnichannel is stronger for consumer electronics, sports, household appliances and home, despite slight correction in Q4 2021

Q. Considering the different product categories, how has the way you shop online changed, if at all, in the last 6 months?

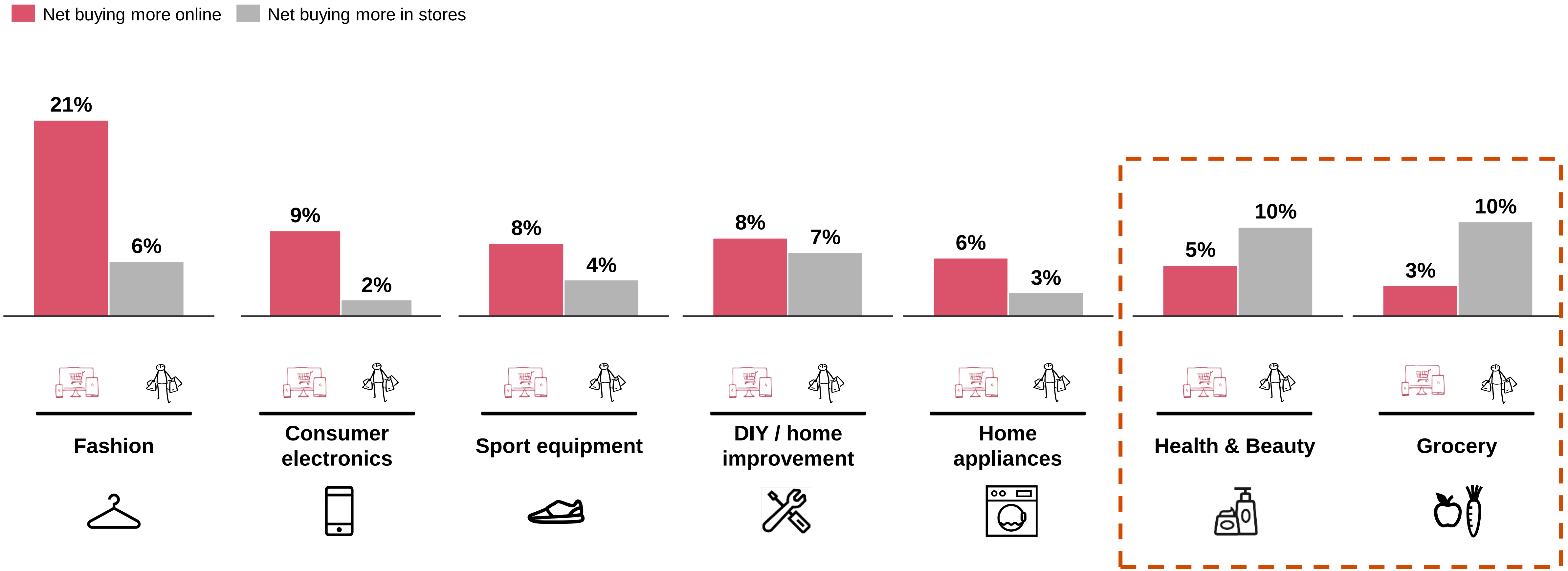


Sources : GCIS 2021 (Pulse 2 and 3), GCIS 2020 (Pulse 1), GCIS 2019, GCIS 2018, PwC analysis

Online channel penetration keeps increasing in most categories, except for Groceries and Health & Beauty

Q. Considering the following product categories, how has the way you shop online (resp. in stores) changed, if at all, in the last 6 months?

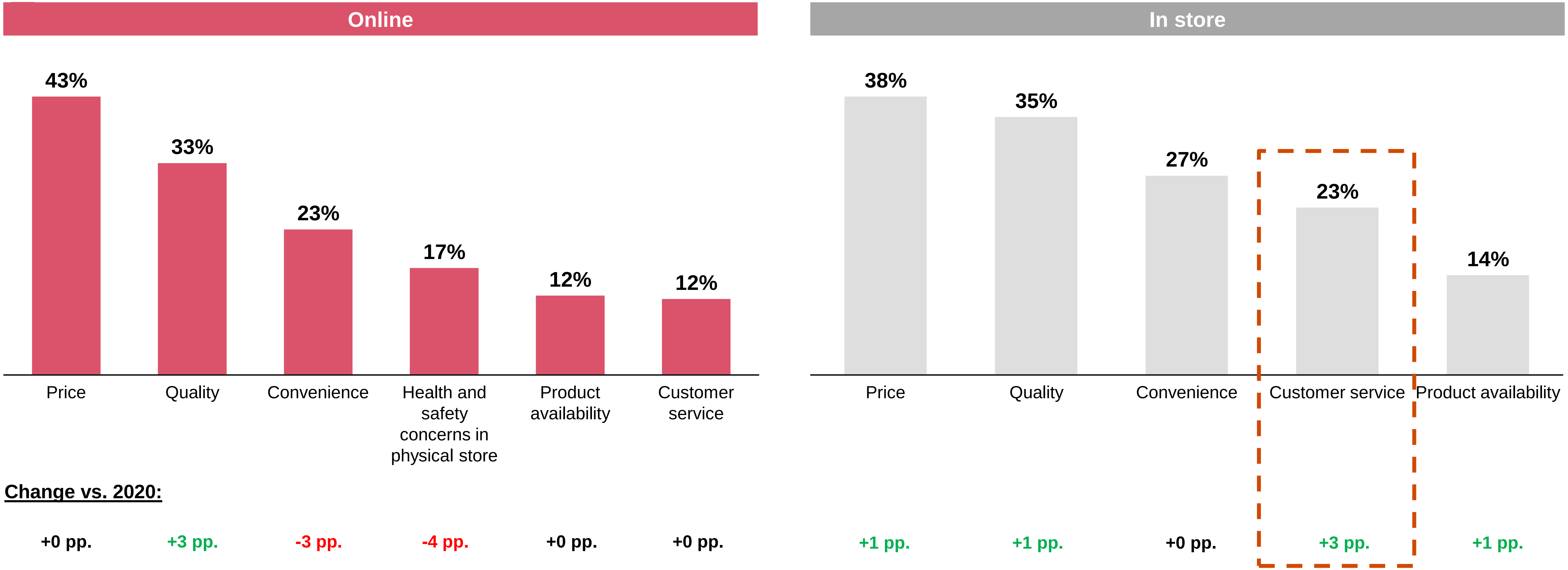
Percentage of French consumers buying more, net of consumers buying less, through online channels and in stores



Sources : GCIS 2021 (Pulse 3 and 2), PwC analysis

Notable factor that differentiates physical channel from e-commerce is the customer service (in-store service, maintenance, reparation)

Q. What are the main reasons why your online shopping (resp. in store) has increased or stayed the same in the last 6 months? (March 2021)

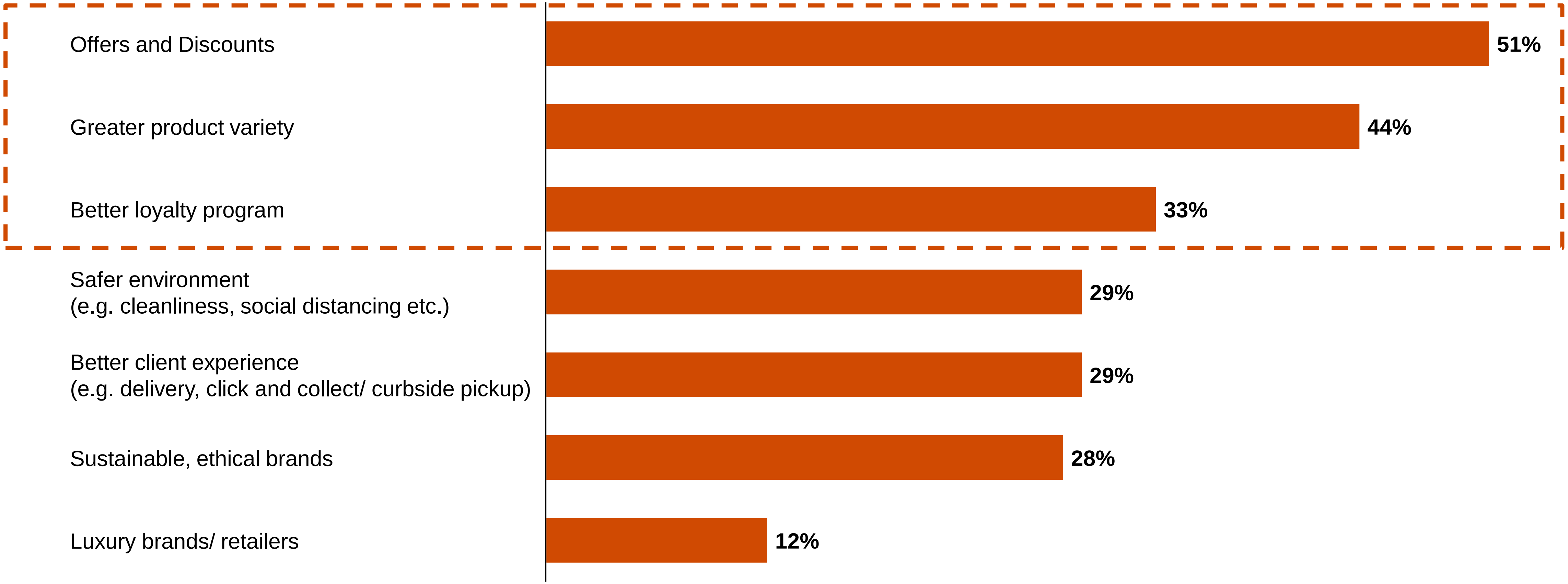


Sources : GCIS 2021 (Pulse 3), PwC analysis

Overall, discounts, product variety and loyalty program are the key factors to allure French customers to physical stores even far away

Q. Thinking about what convenience means to you, please consider the following statements: 'I would be willing to travel significantly further to a shopping destination where...' (Rank top three criteria)

Physical store attraction points for French consumers (Oct. 2021)

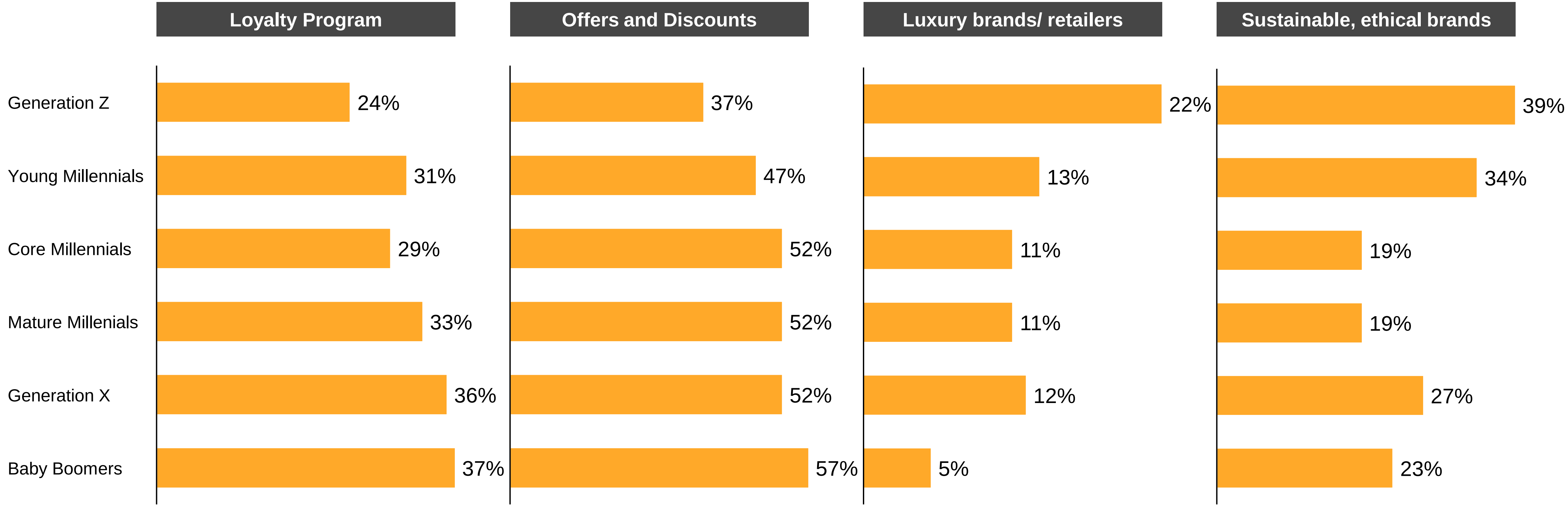


Sources : GCIS 2021 (Pulse 3), PwC analysis

While discounts & loyalty programs are critical to attract elder consumers, younger ones look for luxury or sustainable products

Q. Thinking about what convenience means to you, please consider the following statements: 'I would be willing to travel significantly further to a shopping destination where...' (Rank top three criteria)

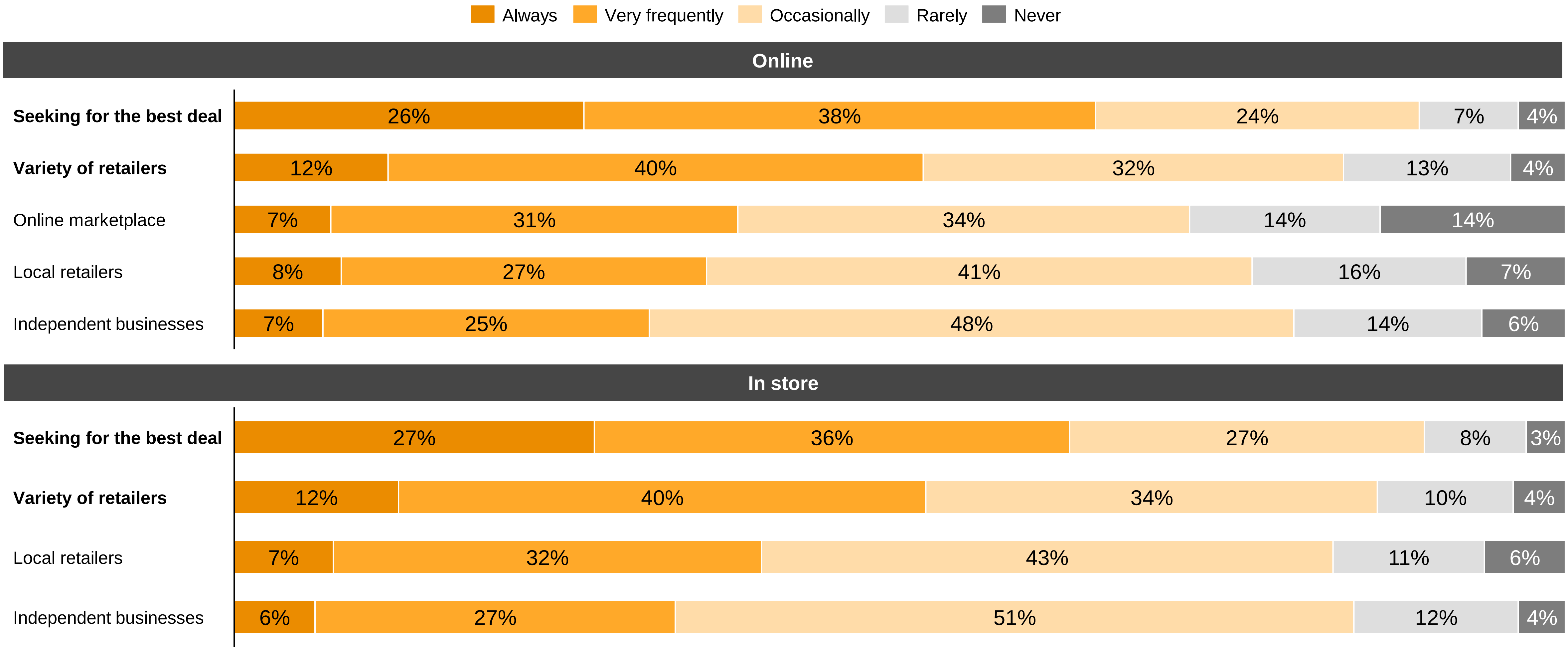
Physical store attraction points for French consumers (Oct. 2021)



Sources : GCIS 2021 (Pulse 3), PwC analysis
* Young Millennials (23-26), Core Millennials (27-31), Mature Millennials (32-36)

French consumers care more about finding the best deal via a variety of retailers rather than supporting local & independent businesses

Q. Considering your general shopping behavior, please indicate how often you are shopping in the following ways (Oct 2021)

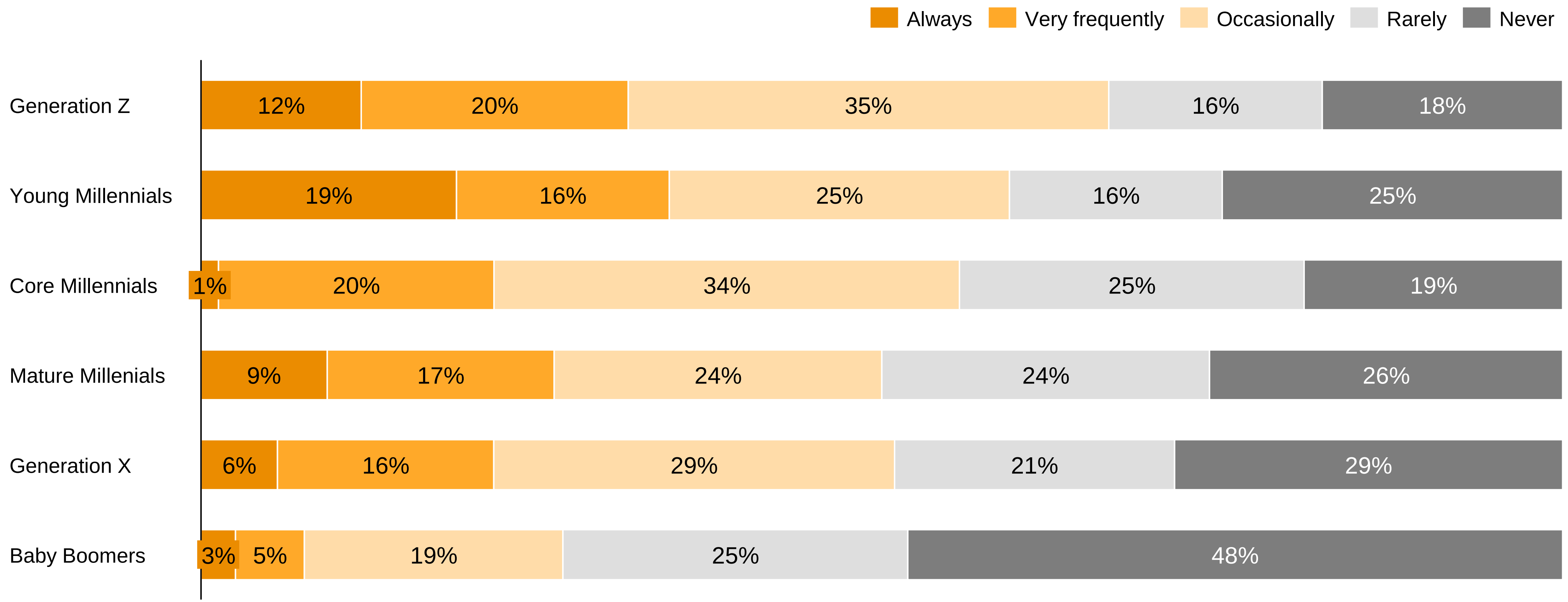


Sources : GCIS 2021 (Pulse 3), PwC analysis

Younger generations have higher adoption rate of social media shopping : more than half of Gen Z & millennials have tried this channel

Q. Considering your general shopping behavior online, please indicate how often you are shopping in the following ways : ‘I am buying products directly via a social media channel’

Frequency of shopping via a social media channel by generation (Oct. 2021)



Sources : GCIS 2021 (Pulse 3), PwC analysis
* Young Millennials (23-26), Core Millennials (27-31), Mature Millennials (32-36)

2.2 Sustainable Consumptions

2.2 Sustainability

30% to 50% of French consumers (depending on product category) prefer **'Made in France' products**, with potential **30%** willing to buy French products if provided **a wider range of products**.

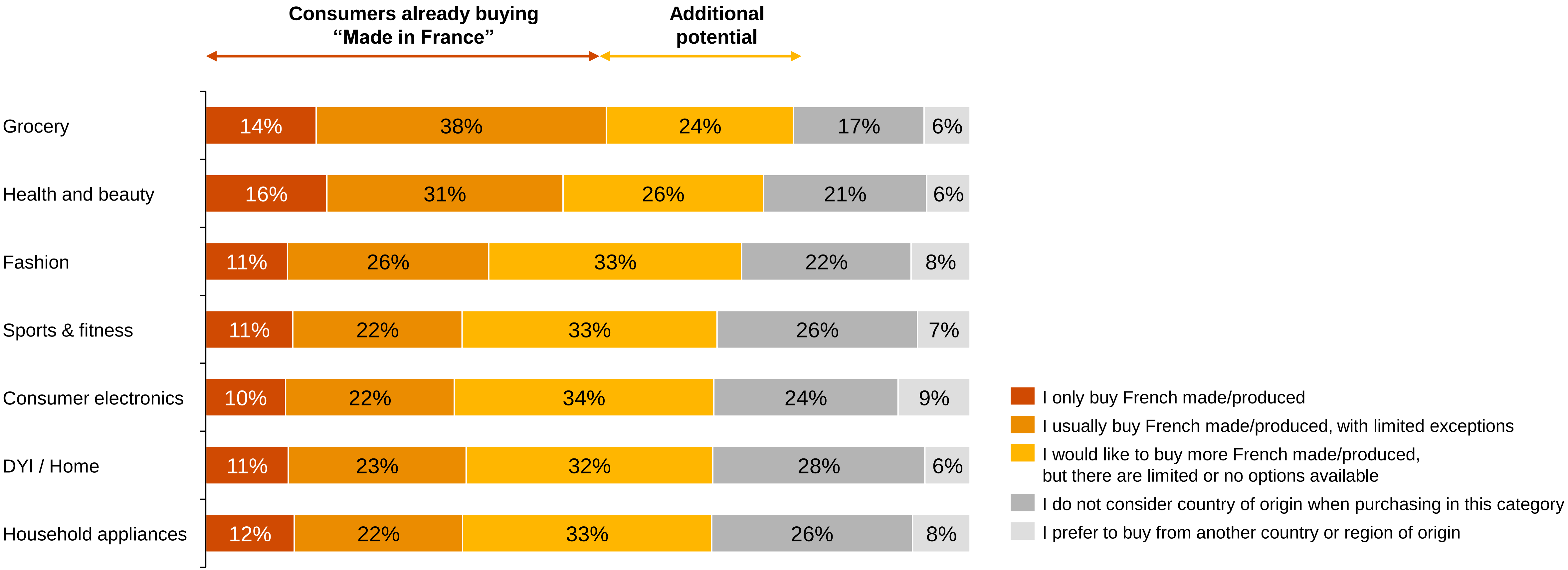
When it comes to sustainable products, consumers are concerned by **traceability** (54%), **packaging** (52%) and more and more consumers care about **plant-based food** (41%).

Up to 50% of consumers are willing to **pay a premium** for more **sustainable grocery** or **health & beauty** products. However, **high price points remain the first barrier** to wider adoption of sustainable products.

Sustainable habits seem to take root, with **more than half** of the customers have bought **second hand, upcycled products** items over the past 6 months, up by +12 pp. since 2020.

Up to 30% additional consumers would be willing to buy French products if provided with wider product range

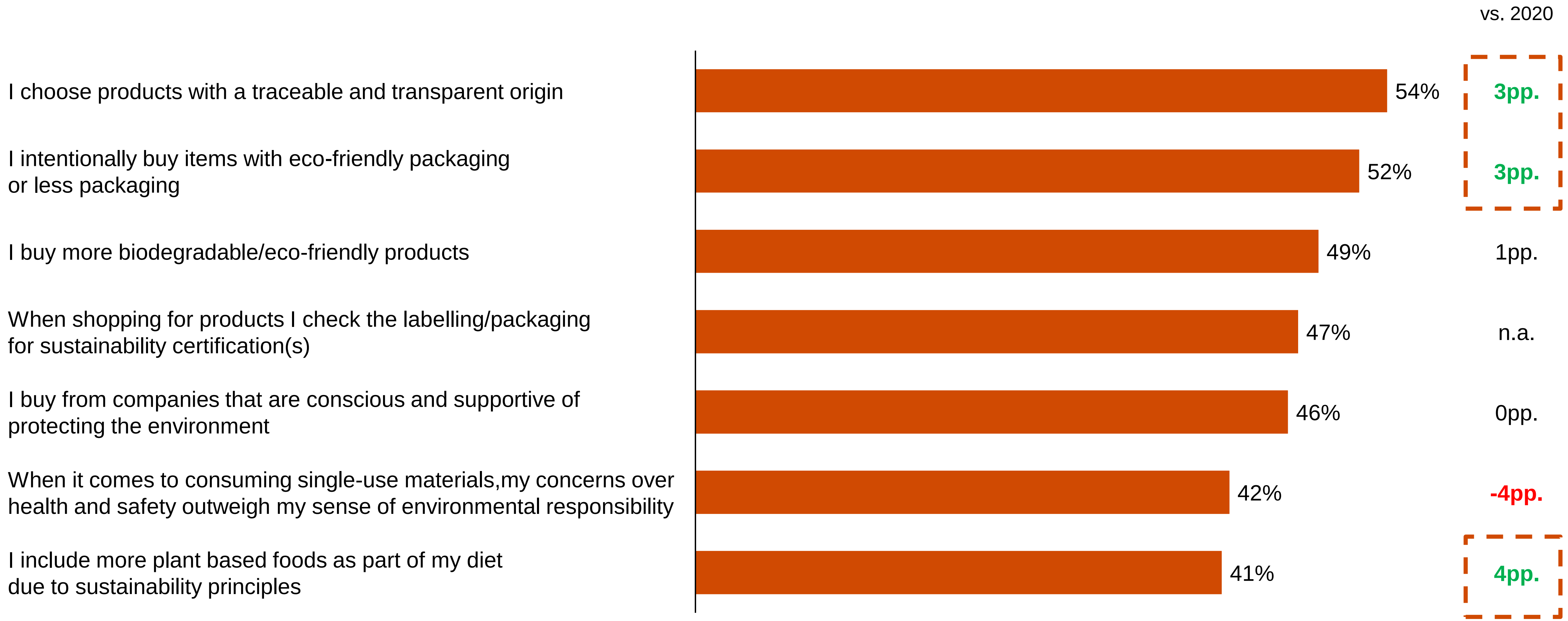
Q. Considering each product categories, how important is it to you that products are made or produced in France when considering your decision to purchase?



Note: 6 to 9% of respondents prefer to buy from another country or region of origin depending on categories
Sources : GCIS 2021 (Pulse 3),GCIS 2020 PwC analysis

Consumers are increasingly concerned about products traceability, packaging & plant-based food

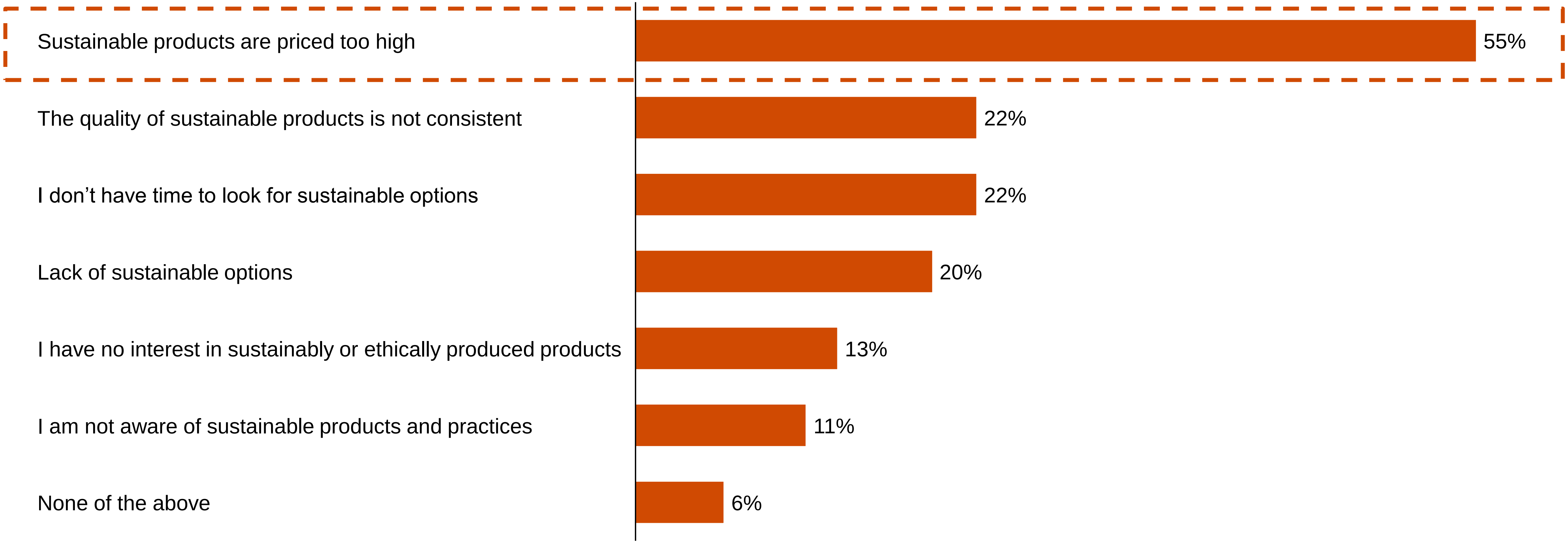
Q. Please indicate to what extent you agree or disagree with the following statements around shopping sustainability



Sources : GCIS 2021 (Pulse 2),GCIS 2020 PwC analysis

High price point is one of the main factors that make consumers turn away from shopping more sustainable

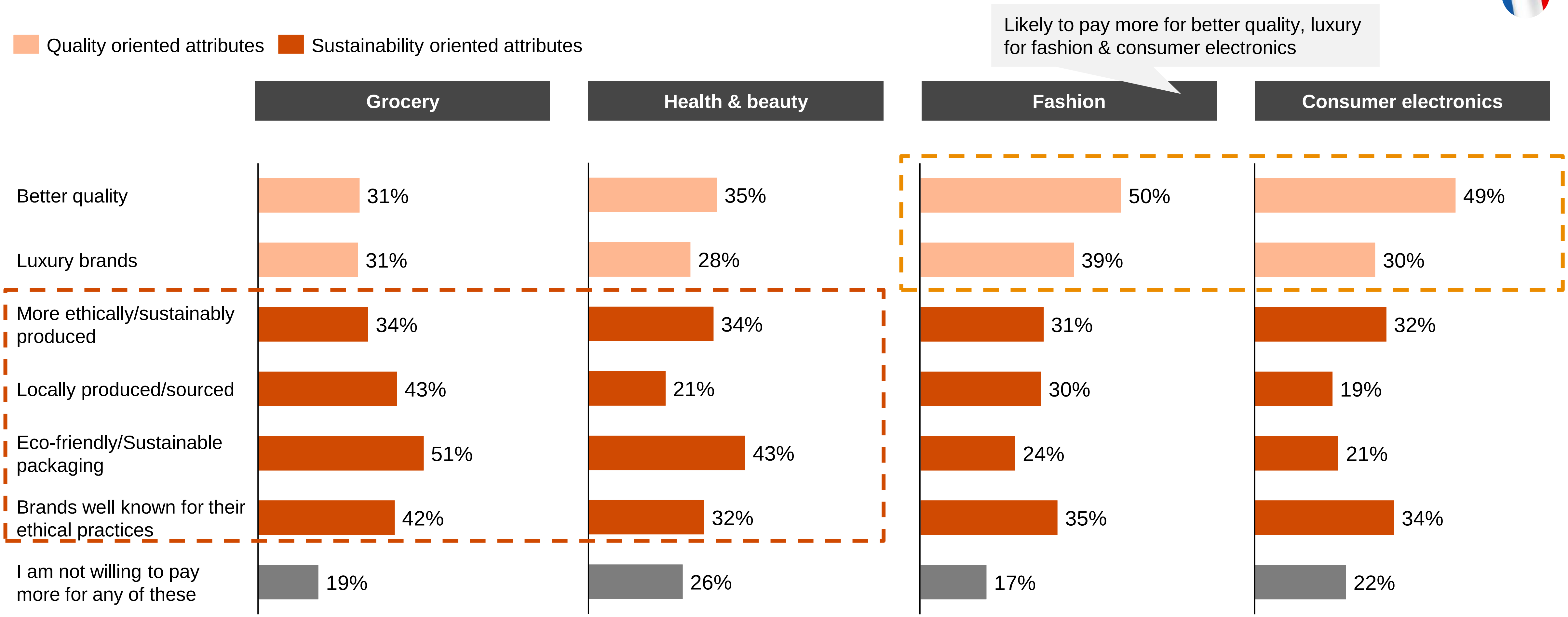
Q. Which of the following, if any, affect your ability to shop more sustainably?



Sources : GCIS 2021 (Pulse 2),GCIS 2020 PwC analysis

However, from 30% to 50% of consumers are willing to pay a premium for sustainable Grocery or Health & Beauty products

Q. For each product categories, which attributes would you be willing to pay more for?

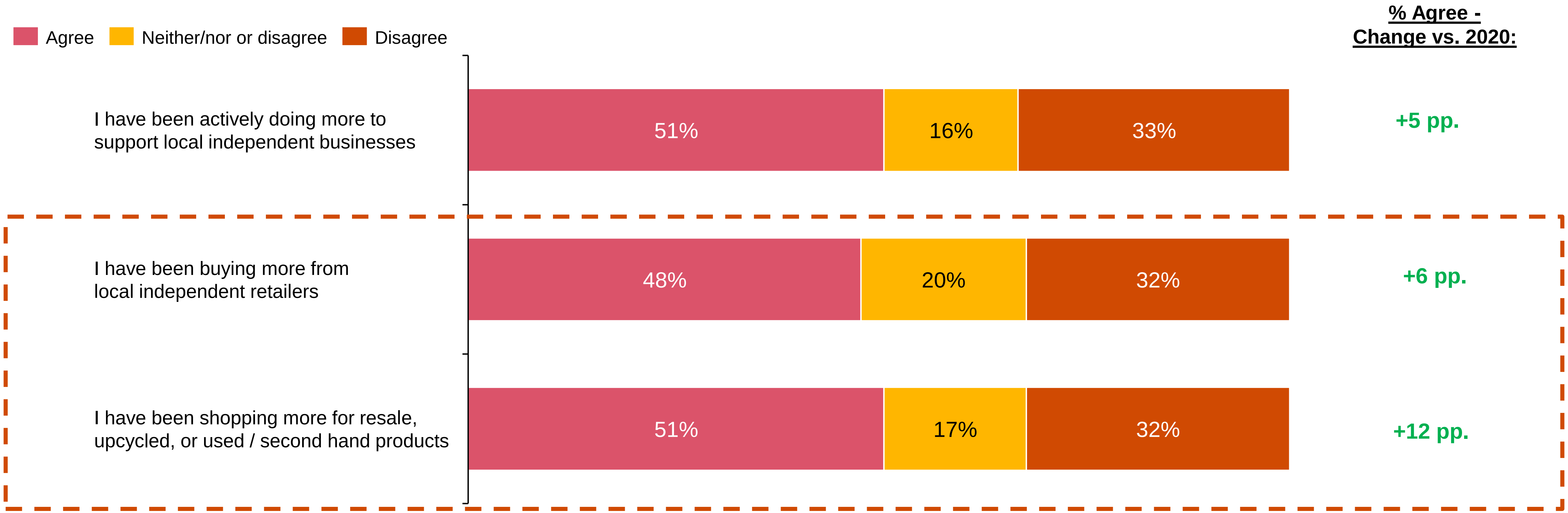


Sources : GCIS 2021 (Pulse 2),GCIS 2020 PwC analysis

50% of French consumers have shopped second hand or upcycled products, up by respectively +12 pp and +6pp since 2020

Q. Thinking about the last 6 months, considering your general shopping behavior both online and in physical stores, please indicate to what extent you agree or disagree (Agree, disagree, neither nor)

Percentage of French consumers agreeing with the following behaviors (Q4 2021)

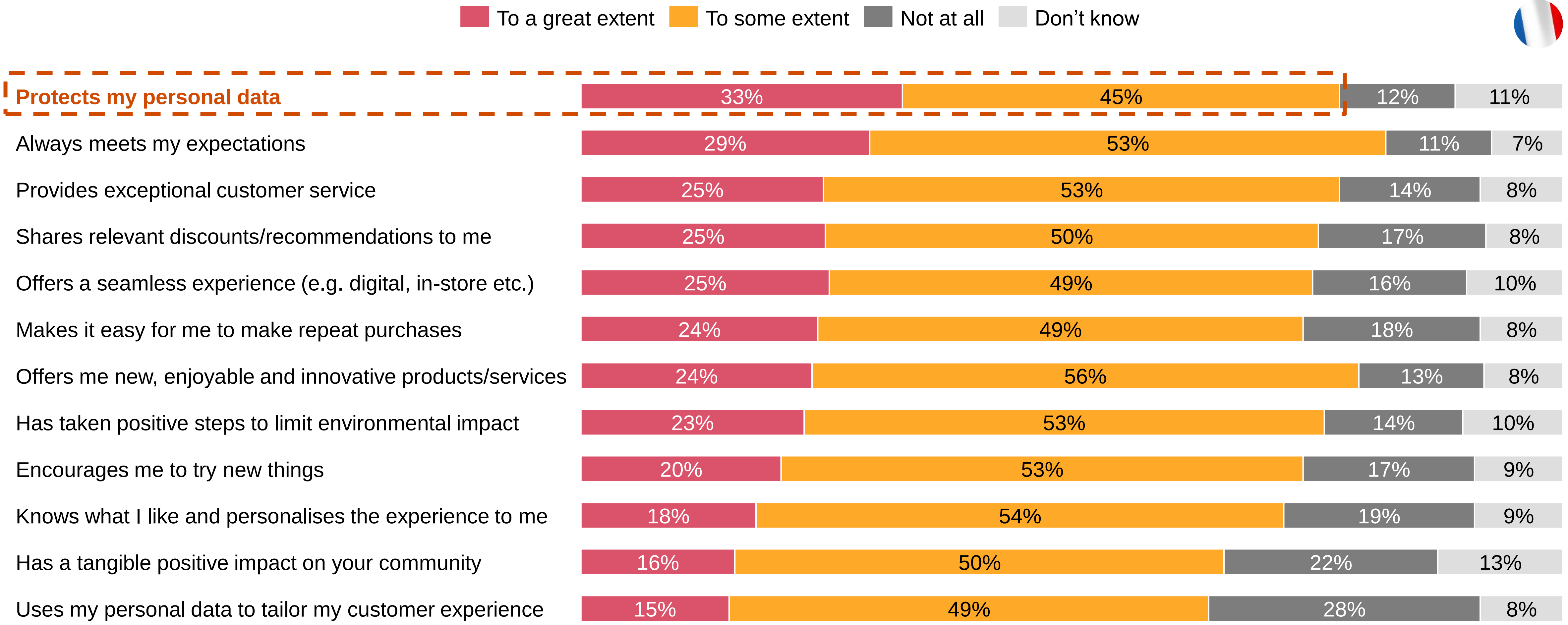


Sources : GCIS 2021 (Pulse 2), GCIS 2020 (Pulse 1), PwC analysis

2.3
Data & Trust

How a brand demonstrates it is protecting personal data appears to have the most impact on consumer trust in France

Q. Thinking about a brand that you regularly buy products/services from, to what extent do the following impact how much you trust the brand?

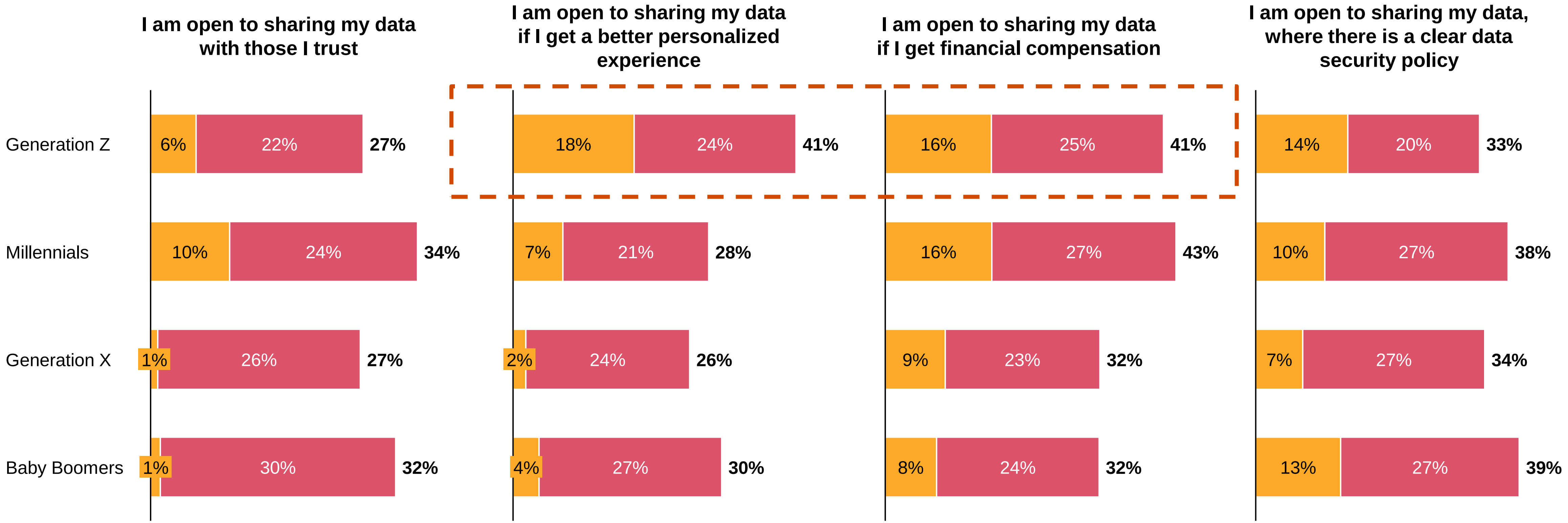


Sources : GCIS 2021 (Pulse 3)

Younger generations are more willing to share their data against financial compensation or to get a better personalised experience

Q. Thinking about your consumer data, to what extent do you disagree or agree with the following statements in relation to sharing it with organizations?

Percentage of French consumers agree with… (Oct. 2021) Strongly agree Agree



Sources : GCIS 2021 (Pulse 3), GCIS 2019

3

Key takeaways for Brands & Retailers

3.1
Accelerate shift towards New Retail

Brands and retailers should rethink the store role and catch-up with immersive commerce to re-connect with customers

Key Insights from Consumer Outlook

Rise of Omnichannel & Social Commerce

- Fully embracing **omnichannel** (+4~8pp. Growth vs. 2020)
- Notable growth of **online** channel for Fashion
- Physical channel remains as important for Grocery and Health & Beauty
- >50% of Gen Z, Millennials have at least tried **social media shopping**

Customer experience and engagement

- Exceptional customer experience boosted by **digital tools**
- **Personalization**, exceptional customer service, discounts, loyalty programs,..
- **Trust and loyalty**: Data protection

Key stakes for Brands & Retailers

1 Rethink the store of the future

- Going through a **turning point,** retailers need to **reinvent store models:**
  - Phygital
  - Showroom
  - Community hub
  - Service centers...

2 Reconnect with customers

- Traditional and new actors are adopting "**Direct to Consumer**' model with different objectives (disintermediation, control over distribution, data collection)
- Brands can boost consumer engagement through **personalized products** and **services:** loyalty program, targeted marketing, personalized virtual shopping

3 Accelerate e-commerce and strengthen omnichannel

- **E-commerce** brings in various types of **providers** (marketplaces) and wider product & service (drop shipping, buy now pay later,…)
- Emergence of **DNVB / ONVB models:** Traditional actors and digital native brands across digital & physical channels

4 Catch-up with Immersive commerce

- Emergence of immersive non-traditional **digital channels** such as **social media** or **live shopping** can boost customer experience
- **Metaverse**, the logical evolution of immersive commerce**,** could bring retailers revamp and rethink the current business model

Store reinvention needs to meet two key expectations: improved customer experience and digitalization

4 models for the stores of tomorrow

Store of tomorrow is **hybrid**, encompassing different models

Experience

Human Enabled ↔ *Tech Enabled*

Transactional

COMMUNITY HUBS

Community Hubs aim at creating an **emotional bond** between the consumer and the store by **mixing commerce & experience**.

Grocerants blur the lines between **dinning and shopping** while **corners and workshops** give the customers a chance to **discover products** in a different way.

Customers are encouraged to come to the store for **events** such as **product launches**, **master classes** or simply to get some **advice** on their recent purchases.

SHOWROOM

Showrooms provide consumers with **immersive store experience** with selected items and complements e-commerce with digital tools

Customers can **browse assortment** and **select products** to be **ordered and shipped to their place** (delivery in15 minutes for items such as **groceries**; longer lead time for made-to-order categories such as **furniture**).

Short delivery times can be enabled by **micro-fulfillment centers** (or “dark stores”) to prepare and ship orders via showroom.

SERVICE CENTER

Service center concepts flourish in many forms, such as **a dedicated space for customer service.**

Service center at the core of the store activity: In-store **return**, **repair** services, **secondhand** collection points or **personalization** services

Service centers can be located **within the store** or at a **neighboring area** in order to **drive more traffic** and improve cross-selling.

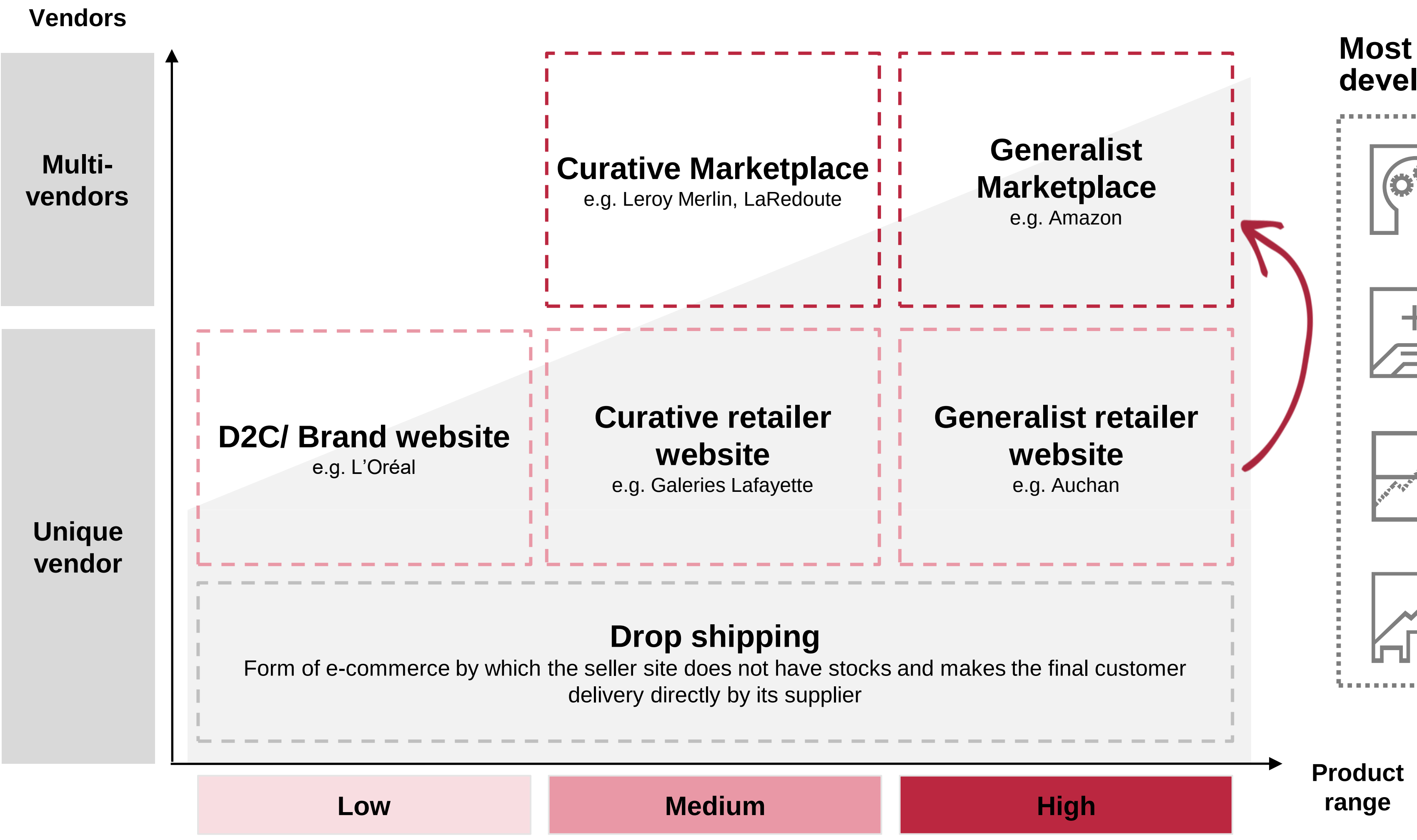
PHYGITAL STORE

Boosted by the innovative technologies, the phygital stores bring together the **best of the digital & physical** shopping to deliver a **superior customer experience**.

Apps & RFID technologies help remove some of the pain points of physical shopping, giving customers an opportunity such as “self-checkout walkaways”.

Alluring digital savvy customers by in-store digital features such as the ability to summon items from their online wish list.

Retailers are increasingly shifting toward marketplaces to reach-out to larger consumer base and increase revenues



Most of the traditional retailer business develop marketplaces to …

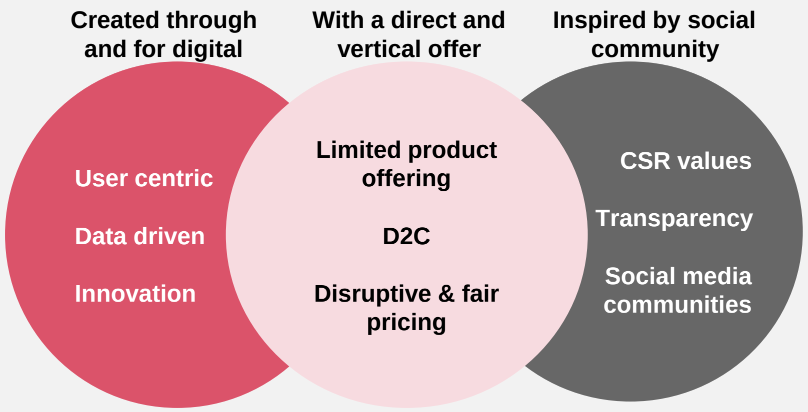
- **Learn more**
  Discover what else customers want (e.g. tests of new categories)
- **Offer more**
  Selectively increase assortment (e.g. special buy products)
- **Sell more**
  Enhance relevance/ traffic and also boost retail sales
- **More financial flexibility**
  Improve working capital due to decreased risk through stocks

Direct-to-Consumer model booms and is being adopted by traditional and new actors

Target channels

	Physical	Digital	Omnichannel
Traditional actors (ex: Consumer Goods)	**#1. Launch its own store** ex : L'Oréal launched its first own store in 2015	**#2. Launch its e-shop** ex : Michel & Augustin launched their own website in 2019	**#3. Launch social selling or live shopping** ex : Samsung used Smartzer's interactive video platform to deliver a highly successful live shopping experience
New actors		**#4. DNVB model** *DNVB (Digital Native Vertical Brand) are vertical brands and pure players at the same time* ex : Tediber & Le Slip Français with a mono-product approach and a transparent & disruptive price	**#5. ONVB model** *ONVB (Omnichannel Native Vertical Brands) are like DNVB with an integrated omnichannel approach at the beginning* ex : Merci Handy has its own e-commerce website and digital strategy but sell also with 3 000 distributors

What characterized a DNVB ?



Examples of DNVB : AdoreMe, Bonobos, Casper, Glossier, Sole Bicycles, …

ONVB, the new DNVB ?

Adding on to the DNVB characteristics, DNVBs:

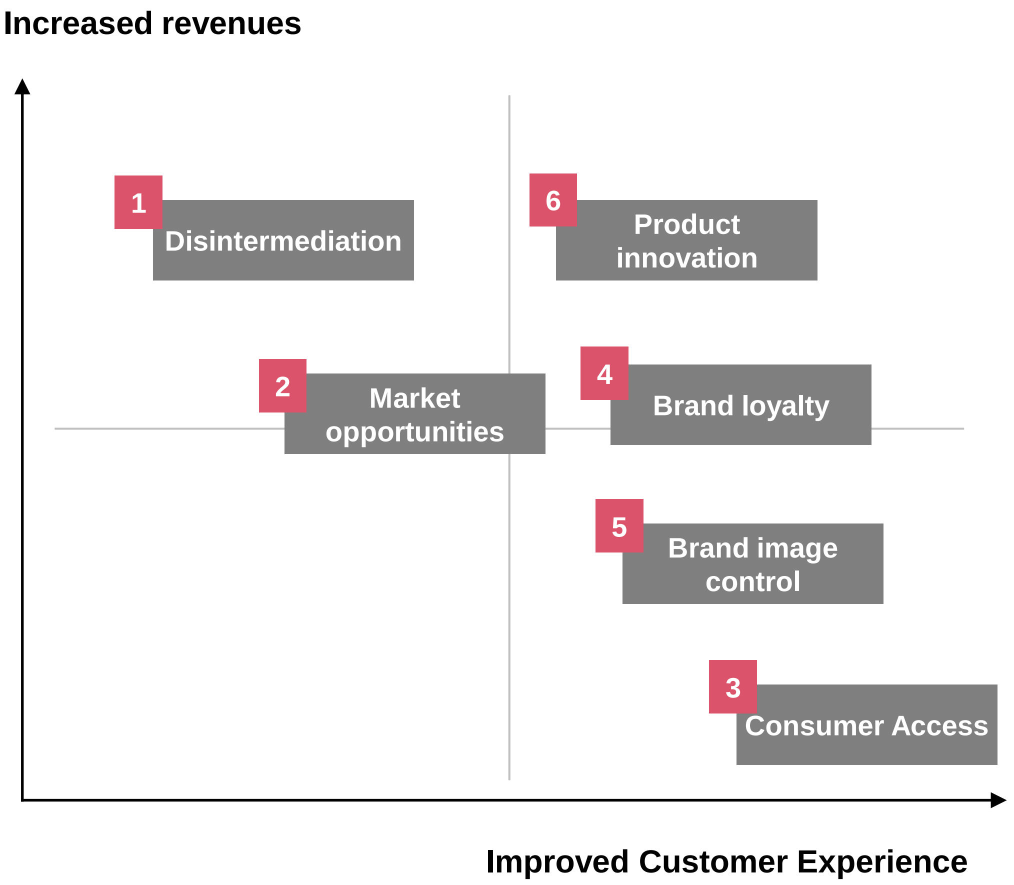
- Adjust their distribution and customer acquisition models to the market conditions
- Multiply their touchpoints to be present locally (e.g. pop-up stores, wholesales)
- Develop their brand internationally through e-commerce and distribution partners (e.g. concept stores, local retailers etc …)

=> Better conversion rate and repurchasing rate

Examples of ONVB : Cabaïa, Balibaris, Merci Handy, …

Brands can benefit from higher revenues and increased customer experience from D2C models

Why do brands go for a D2C model?



1. **Disintermediation**: Allow manufacturers to set better pricing thus higher margin by selling products directly to the customers
2. **Expanded market opportunities:** Less limitations in terms of market locations
3. **Direct access to customers and their data:** Allow the collection of post sales data to use it for potential future products and service
4. **Stronger brand loyalty:** Higher flexibility to manage the post sales service and support
5. **Increased control over brand messaging and consumer engagement:** Brands can have full control of the packaging and the marketing
6. **Higher opportunities of innovation:** Manufacturers can launch new products at a smaller scale or propose new the product to the market

The emergence of immersive digital channels is bringing more and more experience into E-commerce

Social commerce

Widely adopted by Generation Z and young millennials, social commerce is an opportunity for brands to reach customers through **the channel on which they spend most of their time**, by making e-commerce a **fun and engaging experience.**

Brands will also be able to meet **customer expectation** in terms of **convenience.**

Virtual assistants

Virtual assistants and Chatbots can boost **personalized shopping** experience, by serving as virtual sales agent to **replicate the in-store experience** online, available at the customer's finger tips or even with home **devices** such as Amazon's Alexa.

These technologies are also **drivers to decrease cost**: chatbots are expected to save billions in expense in 2022.

Live shopping

Live streaming has been proved to be a tremendous **conversion engine** with events such as Singles Day extravaganza lead by the Chinese e-commerce Alibaba.

Video itself is part of the sales process: Celebrities, industry professionals and opinion leaders presenting products and hosting real-time Q&A sessions give customers a great **sense of confidence in the products**

Augmented shopping

Augmented shopping can contribute to higher **customer satisfaction** while **reducing the unnecessary process of manufacturing and shipping**.

Customer will be able to virtually try on the items, mix and match upon ones' preferences. This potential of AR is already proven in different industries such as **fashion**, **furniture and automotive industry**

Metaverse

The ambition of the Metaverse is to be an **enhanced and expanded version of the real world**, as a **logical evolution of immersive commerce.**

This implies a **revamping** and **rethinking** of the current retail **business models** in the near future.

(see detailed analysis on the next page)

Metaverse will radically change retail by bringing the best digital shopping experience

Next level of immersive retail experiences

Replicating the physical store in the Metaverse could be a primary step but Metaverse potential does not stop there

Metaverse creates new opportunities to **rethink the ways of selling products**

There is **no limit to what we can** do in the Metaverse: customer will be able talk to a salesperson virtually while trying out the product in augmented conditions (e.g. Climbing the Mount Everest with the chosen equipment)

Consumer expectations and desires transposed

If time spent in the Metaverse becomes larger, **virtual clothes, make-up, accessories** will be as important as the items we own in the real world? - especially if we spend most of time in the Metaverse

Fashion and lifestyle brands are thus repositioning as **digital and virtual brands** and provide **digital offerings** in parallel to their real-world offerings

Enablers for virtual goods and underlying economics

The value of the goods depend on few elements such as authenticity, scarcity and ownability.

Non-Fungible Token (NFT) enables digital content to be authenticated on blockchains, and brings scarcity and ownability to the table

NFT is already becoming a trend in the art world and becoming more and more predominant in the retail world, with fashion brands selling sneakers both through NFT and physical goods

3.2 Develop sustainable business model in a more proactive way

Brands should proactively develop sustainable business models to answer customer expectations while creating positive value

Key Insights from Consumer Outlook

Made-in-France and local products

- c. 30~50% of French customers prefer made in France products
- Up **to 30% potential** customers if provided with wider product range

Consumers are going green

- **Traceability** (54%), **packaging** (52%), **diet** (41%) are key CSR purchasing drivers
- **High price** remains the biggest first barrier for sustainable products
- ~ 50% consumers are willing to **pay a premium** for **sustainable Grocery and Health & Beauty** products

Customer experience and engagement

- Exceptional **customer experience** boosted by **digital tools**
- **Personalization**, exceptional customer service, discounts, loyalty programs,..
- **Trust and loyalty**: Data protection

Key stakes for Brands & Retailers

1 Lean towards a fully sustainable business model	• Today, most brands are rather reactive to sustainable trends. More **proactive** actions are required to respond to higher expectations • Going sustainable can truly serve as a value creation lever **to nurture corporate image**, **drive revenue growth and retain talents**
2 Take a holistic approach	• Shifting toward more **sustainable business model** requires **end-to-to end** transformation from **Strategy to Operations**
3 Investigate new business models	• Three potential growth models are identified in line with customer expectations: **repair**, **second-hand** and **rental** model • The growth models could help companies reinforce **brand image**, recruit **clients**, increase **brand loyalty** and **revenues**, and generate **more traffic** in-store and online
4 Prepare for potential trade-offs	• Going sustainable does not go without acknowledging and embracing **potential trade-offs.** • Brands should get rid of less sustainable habits and provide **consistency** to the value propositions in terms of offer, pricing, activation and manufacturing

Brands should lean towards a fully sustainable business model in a more proactive way, to keep-up with consumer expectations

Coverage of strategic stakes and maturity levels on sustainability issues

Levers	Compliance driven	Reactive to sustainability stakes	Proactive Sustainable business model
Brand / Corporate image	Corporate communication on sustainable compliance	Business lines communication on CSR stakes and achievements	Sustainability embedded in all communications *(Products, Transparent Pricing, Operations…)*
Revenue growth	Marginal contribution of sustainable products / services to sales	CSR dedicated business line : Products, Categories or even Brands	Development of circular economy *(2nd hand, repair, rental, etc)*
Supply chain	Targeted efforts on one supply chain activity	CSR targets cascaded to all Supply & Operations activities	Partial relocation / Nearshoring of Operations
Talent attraction & retention	Monitoring of standard HR KPIs	CSR value proposition factored in HR recruitment and retention processes	CSR incentives for employees and stakeholders
Governance & reporting	Meet CSR minimum targets avoiding any wrong doing	Merged CSR and Financial governance / reporting	CSR performance as a key companies business *(e.g. Bcorp)*

− ***Maturity level*** +

Beyond regulatory compliance, "Sustainability" is a key lever to create additional value

Sustainable business benefits

Boost Brand / Corporate image

- Increase **customer loyalty** by promoting trust and transparency in terms of sustainability
- Boost brand image and avoid **reputational risks** by ensuring the values are pursued and enforced throughout the ecosystem (suppliers,..)

Revenue growth

- **Diversify business models** by offering sustainable options to capture additional **market share**
- Maximize **business value** with a premium priced offer

Optimize operating costs

- Reduce **operating costs** by optimizing resources consumption (water, waste, energy, carbon)
- Reduce **supply chain waste** (raw materials recycling, lines optimization,…)

Attract & Retain people

- **Attract new talents** by putting ethical values at the core
- **Reduce employee turnover** by understanding and responding to people's pain points
- Boost **employee motivation** and **productivity** by offering a **healthy working environment**

Increase return on capital / asset

- Take into consideration **sustainable criteria** for potential investment plans and M&A
- Put **quality over price** competitiveness to ensure long-lasting investment decisions

Actionable commercial & operational levers and enablers will give shape to a sustainable value proposition

Vision & Strategic Positioning

Commercial strategy

Product Offerings

- **Assortment** rationalization
- Increase share of sustainable products
- Innovative **Design & Packaging**

Pricing & Promotion

- Fair and transparent **pricing**
- Selective **promotions** for sustainable purposes

New selling channels / New services

- **Second-hand**
- **Rental**
- **Repair**

Operational strategy

Procurement / sourcing

- **Sourcing**: suppliers relocations, substitute materials, biodegradable ingredients,...
- Engage suppliers in CSR effort and assist them in managing CSR impacts

Manufacturing

- **Packaging**: recyclable packaging, reusing, plastic-free options...
- De-carbonization, green sources/ energy performance, recycling/ re-using of water…

Supply Chain

- Optimization of **productivity** (digitization, machine learning, robust scheduling)
- **Traceability** (RFID, Blockchain…)
- **Circular economy**: turning waste to value

Enablers

Governance

- CSR included at **all company decisions level** (CSR board advisor)
- Implement **employee incentives** on sustainable results

Capabilities

- Create **awareness** on sustainable trends and ways of working amongst all employees
- Offer **trainings** and **certifications** (CSR Academy)

Collaboration

- Improve **cross-functional collaboration**
- Develop **partnerships** with **tech providers** to improve CSR performance (blockchain for traceability)

KPI & Data

- **Holistic performance monitoring** : Financial and CSR
- Consider CSR performance as a primary metric to evaluate ROI

Companies have recently investigated three revenue growth models to lean towards more sustainable business models

3 revenue growth models

REPAIR

Offer a **repair service** and provide **upcycling opportunity** to increase product lifespan

- **Free repair service** for loyal customers, repair at low price service
- **Upcycling**: improve product reuse and give customers chance to contribute to product design process

SECOND-HAND

Develop a **second-hand business model** of own products to reduce waste from production

- **Second-hand** collection, **upcycled products** from previous seasons
- Online/ offline **marketplace**: Digital second-hand marketplace…
- **Collection booth** for recycling items

RENTAL

Offer a **rental service for premium products** for customer experience and to promote loyalty

- **Subscription-based** business model

A consistent shift towards a more sustainable business model requires making choices and embracing the potential trade-offs

Choices underlying the shift to a sustainable business model

	Sustainable principles	Potential Trade-offs		
Product Offerings	• **Rationalize assortment and focus on sustainable SKUs** • Consider **CSR requirements** for all new product launches • Develop products **in line with sustainable standards** (raw materials, supply chain,..) • Increase **product lifecycles** to limit assortment renewal (recycling, focus on simple long lasting formulas…)	Sustainable product development	↯	Wider product assortment
Price & promotions	• Develop **stable pricing** for all product and propose a fair deal • Share **transparency** on price setting to increase trust and loyalty • Put in place **promotions** solely on targeted products with sustainable purposes (e.g. avoid waste of products) • Rethink **promotional calendar** to limit unnecessary promotional events that could jeopardize consumer's confidence on pricing	Fair and stable prices	↯	Aggressive promotion calendar & tactics
Manufacturing /supply chain	• Encourage **order consolidation** • Favour **sustainable shipments modes** even with longer delivery time • Limit environmental effects from shipping (Relocating manufacturing factories to limit plane transportation)	Sustainable delivery	↯	Order immediacy

Thank you

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