BOSTON CONSULTING GROUP

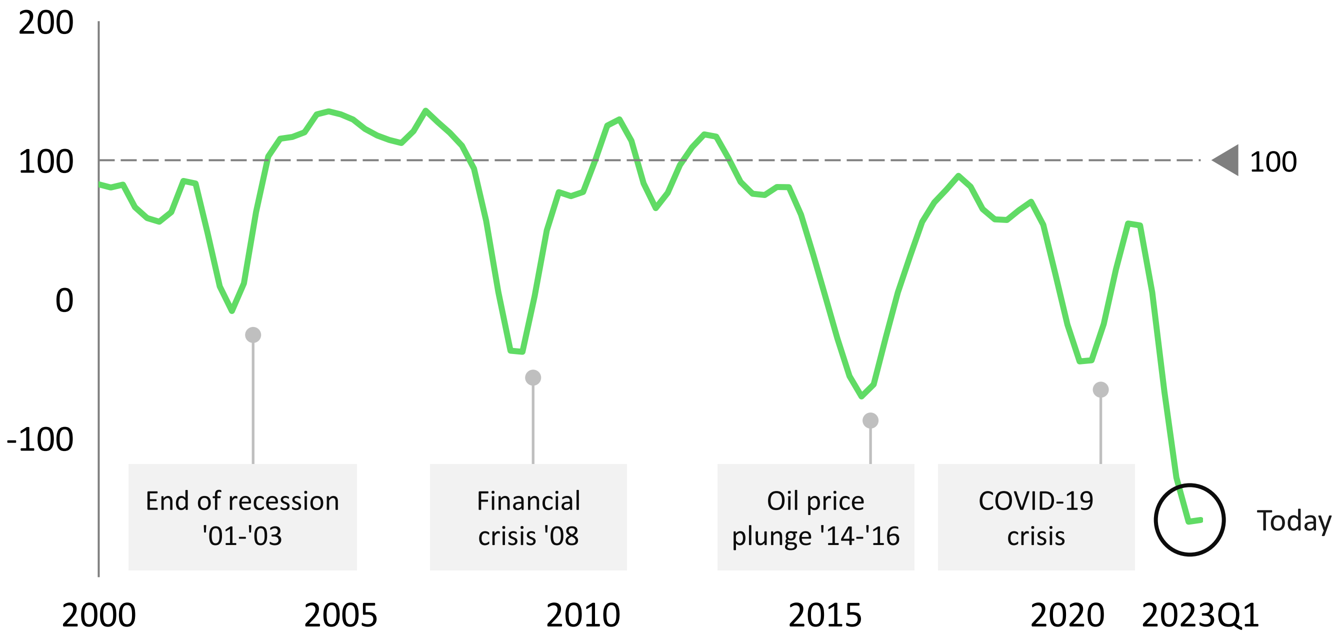
Norwegian consumer sentiment:

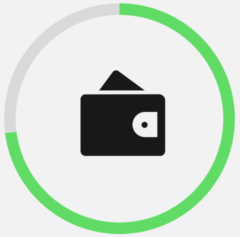
How do we behave in times of uncertainty?

March 2023

Consumer confidence at its lowest in 20+ years

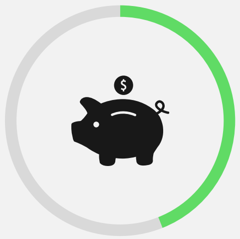
Indexed Norwegian consumer confidence[1] from 2000-2022





70%

Worried about personal finances



48%

Say their savings will decrease

1. Measured by the average difference between positive and negative responses to five questions on the following topics relating to consumer confidence: the state of respondents' private economy, expectation for the future state of the respondents' private economy in a year, state of the Norwegian economy, expectation for the future state of the Norwegian economy in a year, and whether this is a good time to purchase bigger household items or not.

Source: Forventningsbarometeret Finans Norge (Des-2022); BCG consumer sentiment survey 2023

Rising energy cost top concern among all income level groups

INCOME LEVEL

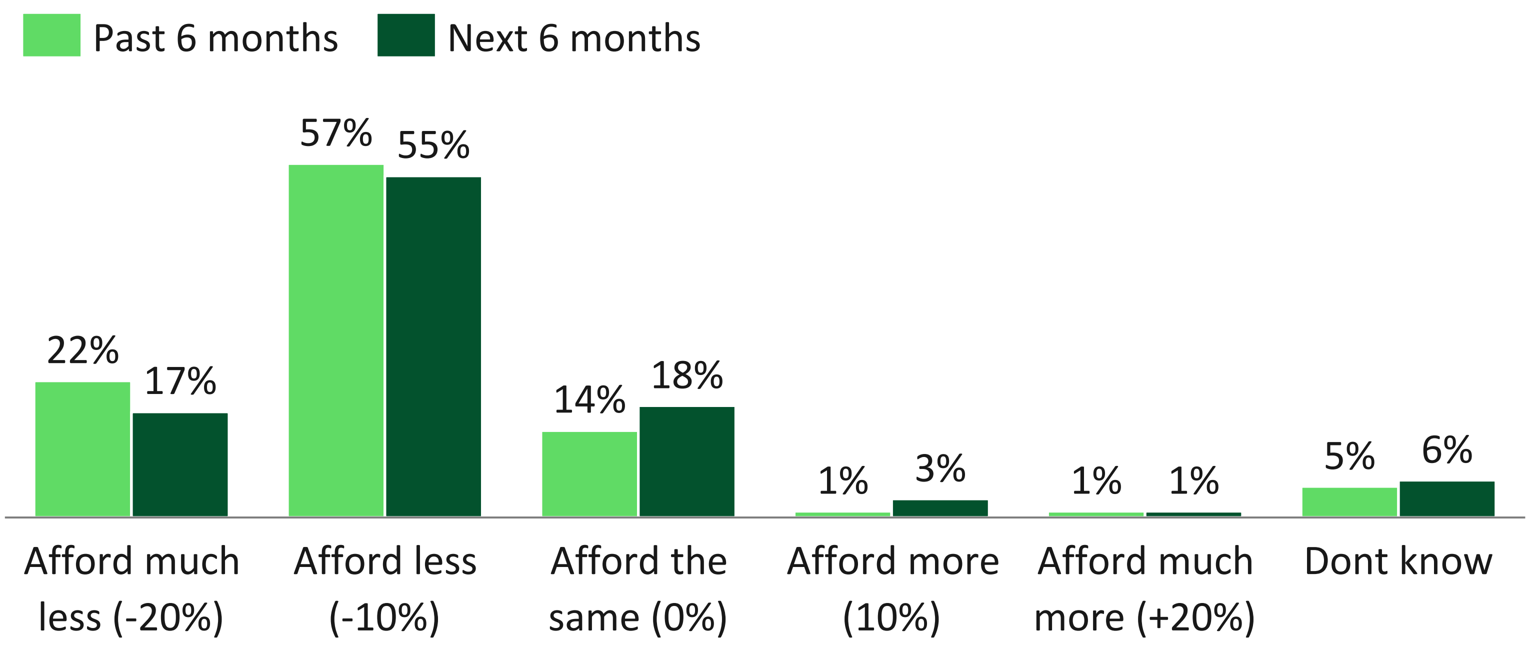
Most Important → Less Important	Low	Medium	High & Very high
1	64% Increasing food price	53% Increasing food price	58% Rising mortgage rates
2	59% Rising energy costs	53% Rising energy costs	48% Rising energy costs
3	47% Inflation	50% Rising mortgage rates	46% Inflation
4	33% Rising mortgage rates	46% Inflation	43% Increasing food price

X% Share of respondents who rank factor as top three concern

Q: What are the top three main areas of concern regarding the future viability of your household economy?
Note: Low: <500K NOK. Medium: 500K-1M NOK. High: 1M-1.5M NOK. Very high: 1.5M NOK+
Source: BCG Consumer Sentiment Survey 2023; BCG analysis

Consumer purchasing power expected to further decline

Development of household's total disposable income



~8%

Drop in household's total disposable income from today's levels the next 6 months

Note: Q1:How would you describe the evolution of your household's total disposable income available after essential costs (e.g., rent, Essential expenses incl. rent, electricity, heating, food) during the last 6 months? Q2: How do you think your household's total disposable income available after essential costs (e.g., rent, electricity, heating, food) will develop in the next 6 months?
Essential expenses incl. rent, electricity, heating, food etc.
Source: BCG consumer sentiment survey 2023

Changes to consumer purchasing power will accelerate fundamental changes in behavior

Projected shift in consumer behavior[1]:

~6%

Expected drop in spending on non-essentials

~64%

Of consumers look-out for discounts and cheaper brands or likely to do so

~50%

Of consumers likely to purchase second-hand products as disposable income decrease

~73%

Of consumers likely to buy non-sustainable products if disposable income declines

1. In addition to buying less

Source: Drop in spending expected for non-essentials: BCG Consumer Sentiment Survey 2023; Rest of data: BCG Consumer Sentiment Survey 2022; BCG analysis

Consumers expected to protect their spend on groceries at the expense of other categories

Expected change in spending next 6 months

FLAT CATEGORIES

Fresh fruits & vegetables

0%

Packaged, frozen or canned food & beverages

-0.2%

Dairy products

-1.1%

SLIGHT DECLINE

Vitamins, minerals & supplements

-2.1%

Fresh meat products

-3.3%

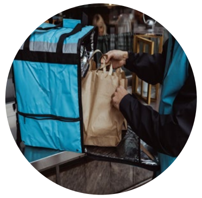
Alcohol, tobacco & nicotine

-3.6%

STRONG DECLINE

Cosmetics, skin care & hygiene

-4.1%



Food delivery / take-out

-5.4%

Restaurants

-6.5%

Source: BCG Consumer Sentiment Survey 2023; BCG analysis

Groceries | Value for money is most influential decision-factor for grocery customers

Share of consumers highlighting factor among top three most influential factors in your product selection

Source: BCG consumer sentiment survey 2023

Groceries | ~18% of consumers to decrease purchase and switch to cheaper brands to reduce grocery spend

Projected shift in consumer behavior (share of consumers) the next 6 months:

15%

Buy fewer groceries than before, but from the same brand

24%

Look-out for discounts and cheaper brands, but purchase the same amount

18%

Both decrease purchasing and switch to cheaper brands

Note: The rest of the respondent expected to trade up purchasing behavior or don't know
Source: BCG Consumer Sentiment Survey 2023; BCG analysis

Groceries | Changes in consumer behaviors vary significantly between fresh meat products and other grocery categories

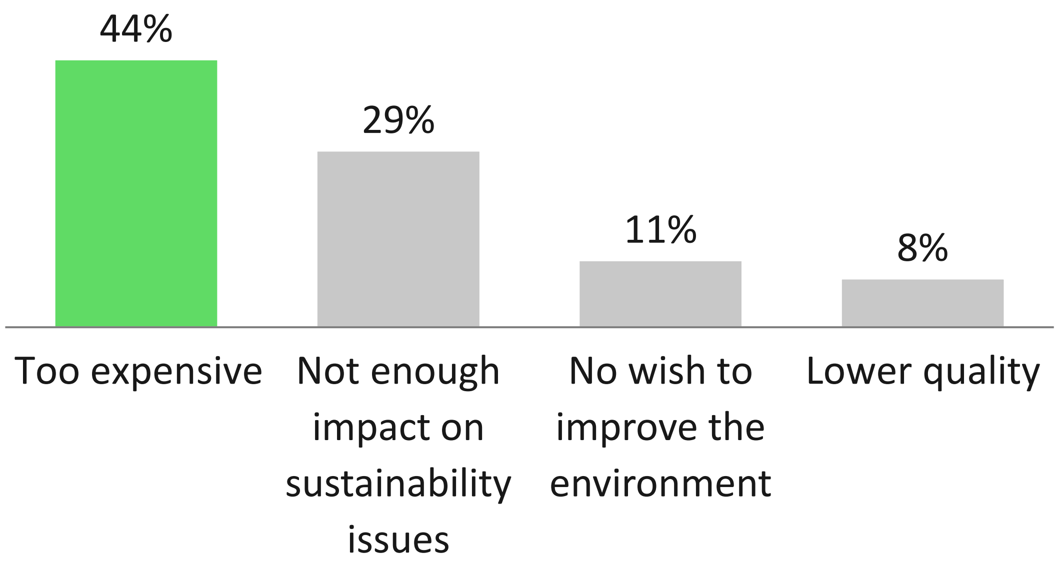
		% OF CONSUMERS[1]			
		Purchasing less of product	Purchase more of product	Purchased less, switched to cheaper brand	Unchanged purchasing behavior
	Fresh meat products	28%	2%	19%	46%
	Fresh fruits & vegetable	15%	10%	10%	61%
	Packed, frozen or canned food & beverages	14%	8%	11%	60%
	Dairy products	12%	3%	7%	73%

1. Not exhaustive list of alternatives
Source: BCG Consumer Sentiment Survey 2023; BCG analysis

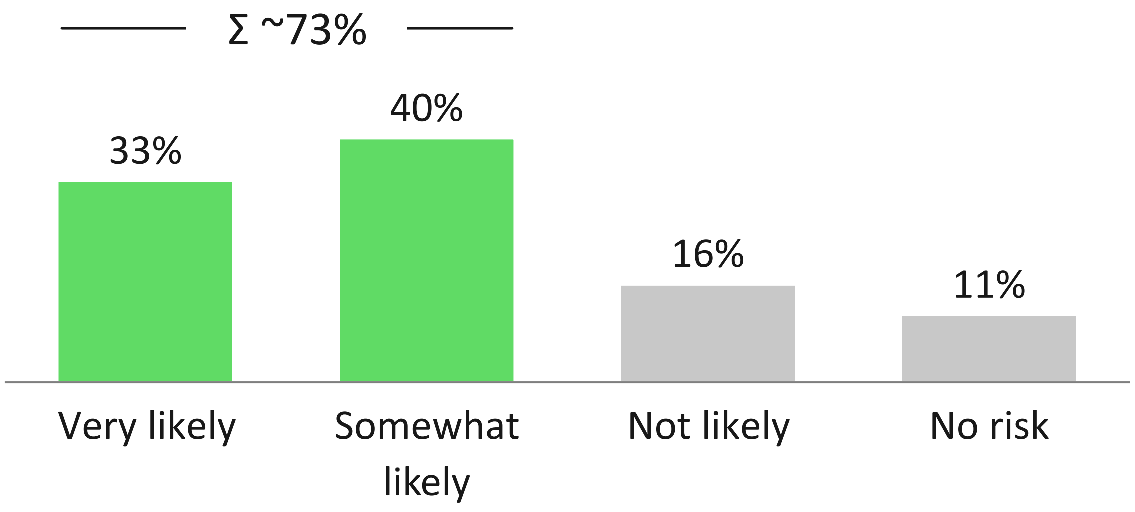
Relative impact on category: Negative Neutral Positive

Consumers report that reduced purchasing power will likely drive switch to non-sustainable products

Price is a key reason to not buy sustainable products



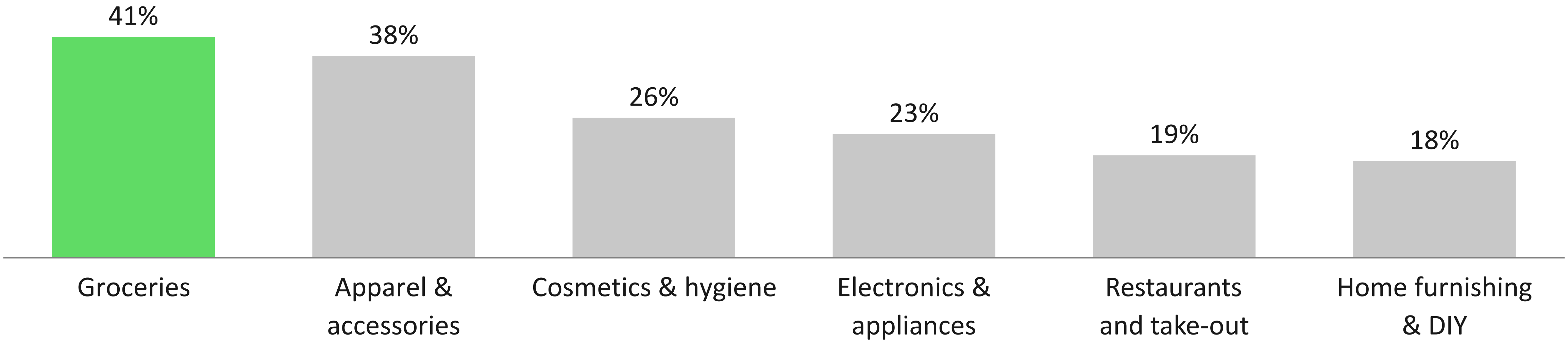
Consumers likely to switch to non-sustainable products



Q1: What are the main reasons to not purchase sustainable products?
Q2: Likelihood of switching to non-sustainable products if disposable income decreases
Source: BCG Consumer Sentiment Survey 2022; BCG analysis

Consumers are more willing to pay a "sustainability premium" for groceries than in other categories

Share of consumers willing to pay a sustainability premium








Source: BCG Consumer Sentiment Survey 2022; BCG analysis

FMCG players and retailers should prepare by taking **five actions**

01 Gear assortment towards lower purchasing power

02 Cut cost to increase resilience for what's to come – yet consider where to strategically invest

03 Implement data-driven markdowns to reduce losses from bad inventory

04 Use dynamic pricing and frequent price changes to maximize profits

05 Ensure holistic view on purchasing

BOSTON CONSULTING GROUP

Disclaimer

The services and materials provided by Boston Consulting Group (BCG) are subject to BCG's Standard Terms (a copy of which is available upon request) or such other agreement as may have been previously executed by BCG. BCG does not provide legal, accounting, or tax advice. The Client is responsible for obtaining independent advice concerning these matters. This advice may affect the guidance given by BCG. Further, BCG has made no undertaking to update these materials after the date hereof, notwithstanding that such information may become outdated or inaccurate.

The materials contained in this presentation are designed for the sole use by the board of directors or senior management of the Client and solely for the limited purposes described in the presentation. The materials shall not be copied or given to any person or entity other than the Client (“Third Party”) without the prior written consent of BCG. These materials serve only as the focus for discussion; they are incomplete without the accompanying oral commentary and may not be relied on as a stand-alone document. Further, Third Parties may not, and it is unreasonable for any Third Party to, rely on these materials for any purpose whatsoever. To the fullest extent permitted by law (and except to the extent otherwise agreed in a signed writing by BCG), BCG shall have no liability whatsoever to any Third Party, and any Third Party hereby waives any rights and claims it may have at any time against BCG with regard to the services, this presentation, or other materials, including the accuracy or completeness thereof. Receipt and review of this document shall be deemed agreement with and consideration for the foregoing.

BCG does not provide fairness opinions or valuations of market transactions, and these materials should not be relied on or construed as such. Further, the financial evaluations, projected market and financial information, and conclusions contained in these materials are based upon standard valuation methodologies, are not definitive forecasts, and are not guaranteed by BCG. BCG has used public and/or confidential data and assumptions provided to BCG by the Client. BCG has not independently verified the data and assumptions used in these analyses. Changes in the underlying data or operating assumptions will clearly impact the analyses and conclusions.

BOSTON
CONSULTING
GROUP