Consumer Trends 2024:

The Dutch Consumer Behaviour

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Capgemini RESEARCH INSTITUTE


Capgemini Research Institute 2024

Introduction

The consumer landscape continues to evolve around the world. The Dutch market is no exception to that. To stay alive and kicking, businesses must gain a deeper understanding of the factors influencing purchasing decisions. Capgemini's annual 'What Matters to Today's Dutch Consumers' report has been crafted to unravel the complexities of consumer behaviour. Of course, the age-old mantra 'Customer is King' still applies today and is at the core of consumer studies. Subsequently, the report identifies distinct groups of consumer behaviour for targeted marketing and strategic initiatives.

To unravel these intricacies, this year's report delves into several compelling themes that matter to today's consumers in the Netherlands. One of the most pressing themes is their growing concern regarding the cost of living. No surprises there. Other topics of great interest include the disruptive impact of generative AI, the growing influence of social commerce and influencers, and the evolving demands on fulfilment and in-store experiences. The report provides a truly

To fully comprehend all themes and segments, we have divided Dutch consumers into five clusters. Each cluster represents unique consumer behaviour and preferences. The clusters overlap and are therefore less black and white than traditional models:

• Green Veterans' embodies environmentally conscious consumers who prioritize sustainability in their purchasing decisions.

• Thrifty Youngsters', on the other hand, comprises budget-conscious individuals who seek value and affordability in their purchases.

• Next-gen Tech Savants' represent tech-savvy consumers who embrace innovation and digital solutions in their shopping experiences.

• Conservative Individualists', in contrast, reflects consumers who prefer tradition and heritage in their purchasing choices.

• Affluent Intellectuals' encompasses selective consumers with a preference for high-quality, intellectually stimulating products and experiences.

From the budget-conscious 'Thrifty Youngsters' to the eco-conscious 'Green Veterans', we're breaking down the specific characteristics and trends that make Dutch consumers tick.

01 DUTCH CONSUMERS HAVE EASED THEIR CONCERNS ABOUT THEIR FINANCIAL SITUATION

In the face of the cost-of-living crisis, Dutch consumers are wielding their purchasing power. While financial worries have eased slightly since last year, there still is financial anxiety. For instance, 51% of those surveyed indicated that they spend more time online looking for deals and discounts. It might come as no surprise that the buying behaviour that happens within the actual stores is adapting to the cost-of-living crisis.

When we look at the different clusters, ‘Thrifty Youngsters’ are the most concerned about their finances (65%). They are followed by the tech-savvy cluster of 'Next-gen Tech Savants' (54.3%), while ‘Green Veterans’ are the least concerned (44.6%). As a result of these concerns, compared to before the cost-of-living crisis, 64% of Dutch consumers surveyed make fewer impulse purchases, while 62% go to the shop and spend only what they were planning to.

Dutch consumers are also less prone to buy specific brands or products at higher costs. Almost three-quarters of them (69%) prefer cheaper private-label or low-cost brands over name brands. This is higher than the global average (63%), illustrating that Dutch consumers believe price to be the most important factor and modify their buying behaviour accordingly.

The masses returning to physical shopping prove that physical stores certainly have not reached the end of their lifetime. A significant proportion of Dutch consumers (57%) even prefer physical shopping. They like to take their time to go to different shops and find the best deals and discounts, illustrating how they place the biggest value on price over the time required to buy the product. One way to save some time is the upcoming generative AI in shopping and of course shopping via social media platforms.

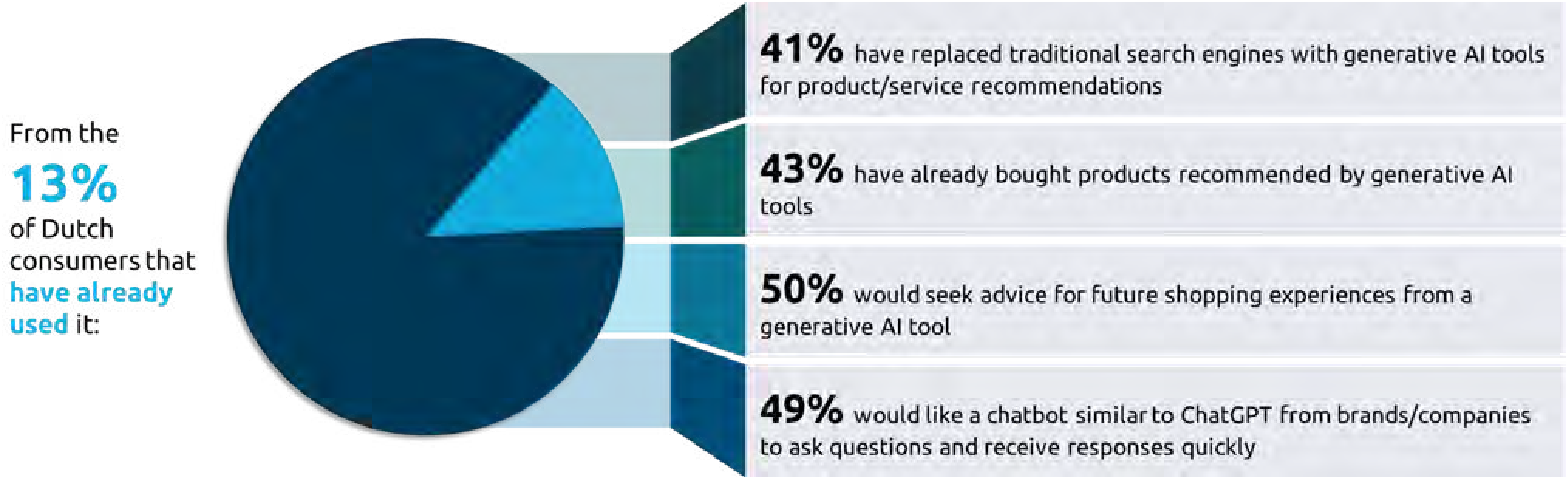
02 ONLY 1/3 OF DUTCH CONSUMERS ARE USING OR ARE AWARE OF GENERATIVE AI IN SHOPPING

The integration of artificial intelligence (AI) technologies into various facets of daily life in recent years has sparked widespread interest and debate. One of these technologies is generative AI, a particularly innovative tool with transformative potential, especially in the area of shopping and commerce. Generative AI refers to systems capable of creating new content, such as images, text, or even entire products, based on patterns and data input.

When we look at shopping, generative AI has the potential to revolutionize how consumers discover, evaluate, and ultimately purchase products. However, consumer awareness of generative AI is still fairly low in The Netherlands: only 37% of Dutch consumers are aware of, using or planning to explore generative AI tools for shopping. A bigger amount of Dutch consumers, constituting 48%, are not aware and/or not open to exploring generative AI shopping tools.

The use and impact of generative AI are manifested across the consumer journey. Once consumers use search engines for AI-powered product recommendations, they are hooked. Almost half of consumers trust generative AI once they are aware of this technology and have used it in shopping. When we look at the 13% of Dutch consumers that have already used generative AI:

- 41% have replaced traditional search engines with generative AI tools for product/service recommendations.
- 43% have already bought products recommended by generative AI tools.
- 50% would seek advice for future shopping experiences from a generative AI tool.
- 49% would like a chatbot similar to ChatGPT from brands/companies to ask questions and receive responses quickly.



Nevertheless, generative AI is getting traction in the retail sector, especially for tech-savvy youngsters with 71%% of them using and trusting generative AI. While this trend is moving fast, worries about generative AI among consumers have increased significantly in the last year. The concerns are related to:

- Copying/cloning of a competitor's product design/formula (increased from 29% to 59% over 2023).

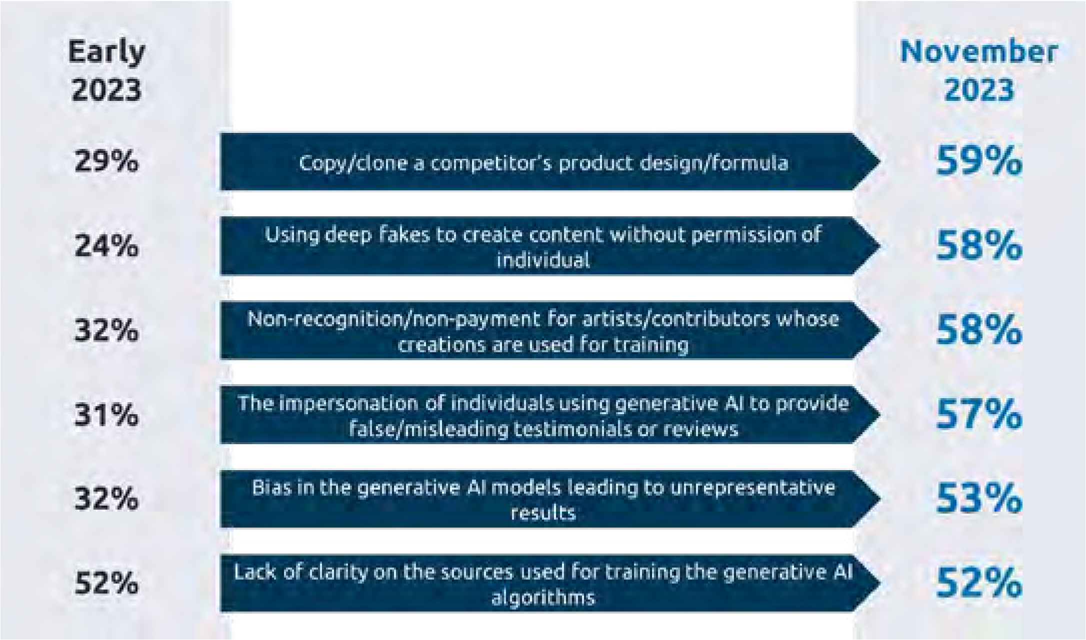
- Using deep fakes to create content without permission of individuals (increased from 24% to 58% over 2023).

- Non-recognition/non-payment for artists/contributors whose creations are used for training (increased from 32% to 58% over 2023).

- The impersonation of individuals using generative AI to provide false/misleading testimonials or reviews (increased from 31% to 57% over 2023).

- Bias in the generative AI models leading to unrepresentative results (increased from 32% to 53% over 2023).

- Lack of clarity on the sources used for training the generative AI algorithms (remained the same at 52% over 2023).



The growing pains of generative AI need to be addressed for more consumers to trust, and use it, along with their favourite social media platform.

03 CONSUMERS ARE USING SOCIAL MEDIA PLATFORMS TO SHOP

In an era where social media reigns supreme, its transformation into a dynamic marketplace has shaken the very foundations of consumer behaviour. Social media platforms have emerged as multilayered spaces where consumers not only connect with friends and family but also actively engage in shopping-related activities. This varies from seeking product recommendations to sharing purchase experiences. As a result, these platforms have become integral to the consumer journey, exerting significant influence on purchase decisions and brand perceptions.

The numbers speak volumes. In 2021, the global social commerce market was valued at $561 billion and is projected to rise to a staggering $6,341 billion by 2030. This constitutes a compound annual growth rate (CAGR) of 31.1% over the period 2022–30.[1] The Netherlands is no exception where consumers are using social media platforms to shop. In 2023, 21% of Dutch consumers discovered a new product/brand on social media platforms in the past six months, and 8% purchased this product/brand.

Influencers have the strongest impact on the search and purchasing decisions of the younger age groups. Overall, 12% of Dutch consumers learned of a new product/brand from an influencer over the last six months, resulting in 7% purchasing it. When we zoom in closer on Gen-Z (18-24 years of age) we see that 49% learned of a new product/brand from an influencer over the last six months, resulting in 30% purchasing it. Gen Z seeks not just products, but guidance. They generally turn to influencers for a clear breakdown of factors to consider before making a purchase, and information regarding discounts and offers.

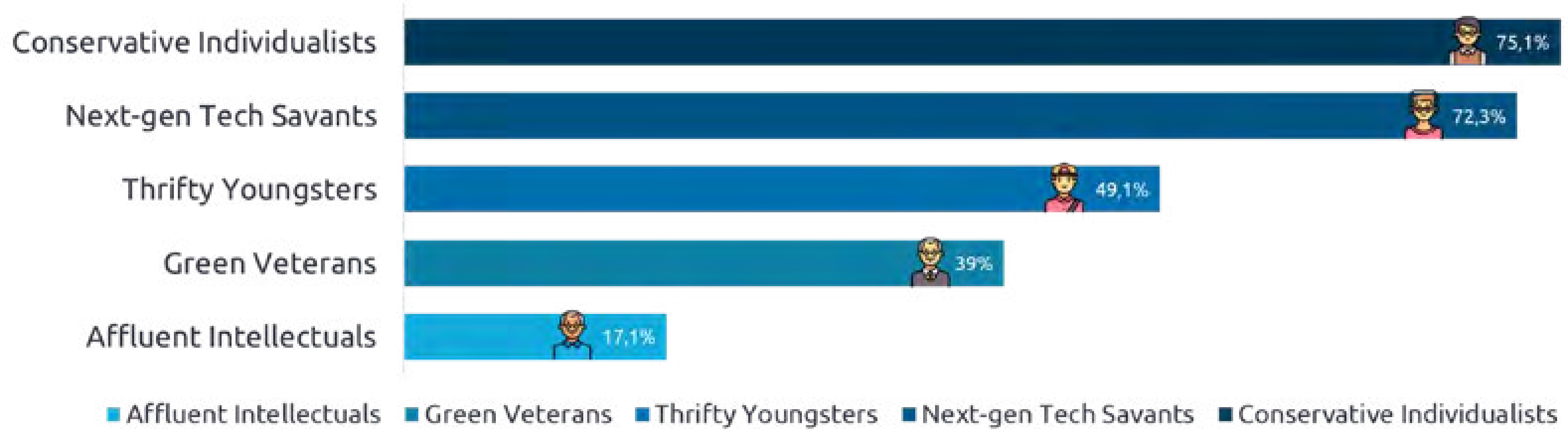
04 BRAND PURPOSE INFLUENCES CONSUMER BEHAVIOUR

Consumers across the world are becoming more aware of the effects and consequences of their purchasing and consumption decisions. 63% of consumers, for example, feel that brands, stores, and supermarkets should do more to reduce waste. A new class of conscious consumers has emerged that wants to see change at a global level and change through public and private actions.

This new group of passionate, spirited and fierce-conscious consumers is prepared to raise their concerns on sustainability, prices, food, waste, and social justice. Likewise, they are willing to pay more for a product, as long as it is sustainable and/or produced by a sustainable company. This illustrates that the brand purpose does not only influence consumer behaviour but even stimulates it.

In 2023, almost half of the Dutch consumers across all age groups bought products from sustainable organizations. Since their products are often much pricier than their non-sustainably-labelled counterparts, customers generally expect more from the company behind the brand. Yet there are big differences between different clusters. These figures show the disinterest across the clusters in environmental products:

- Conservative Individualists: 75.1%
- Next-gen Tech Savants: 72.3%
- Thrifty Youngsters: 49.1%
- Green Veterans: 39%
- Affluent Intellectuals: 17.1%



Reflecting on these figures, there is still a large group of Dutch consumers (41%) willing to pay 10% or more extra for a sustainable product. This represents a real opportunity for companies to make more environmentally friendly products, get consumers excited about them and make more profit. At the same time, this growing trend gives companies a chance to contribute to a more sustainable future.

Overall, 66% of Dutch consumers consider price most important when choosing a product. Yet other aspects of importance to consumers are locally produced products (47%), sustainable packaging (47%), and organic sourcing (44%). The use of a QR code on products can play an important role here. When Dutch consumers were asked which information they would want to see via a QR code on their product purchases, the top 4 were:

- The impact on biodiversity (44%)

- The impact of water resources (38%)

- The environmental impact of the packaging (37%)

- The impact on air quality (37%)

What is important to Dutch consumer when choosing a product?

66% Price

47% Locally produced products

47% Sustainable packaging

44% Organic sourcing

05 INCREASING DEMANDS ON BOTH FULFILMENT/DELIVERY AND IN-STORE EXPERIENCES

Another interesting feature over the last year was the shopping activity of the Dutchmen. The shopping activities of Dutch consumers are gradually increasing. The biggest increase can be seen in physical stores. Of the consumers surveyed in 2023, 66% said they had very high interaction with physical stores, compared to 55% for 2022. For online shopping, there is an increase from 30% in 2022 to 33% in 2023.

When we zoom into the different consumer groups, we do see generational shifts. Maybe not surprisingly, compared to boomers or Gen X, Gen Z and millennials have a bigger preference for online shopping. Also, they seem to have more focus on delivery and fulfilment aspects. Overall, we see that the availability of products in stores or for home delivery is more important to consumers than additional services or the experience in physical stores, although demand is increasing.

As younger generations are driven more by convenience, they are also more willing to pay more for quality and service. Netflix, lease bikes, and services such as two-hour home delivery are certainly not the most. Overall demand for this service is increasing. 5% of Dutch consumers are willing to pay for two-hour delivery, compared to 3% last year. The numbers are highest for Gen Z (8%) and millennials (7%), however, only 3% of boomers are prepared to pay for this service. In general, boomers use technology more pragmatically and often have a bigger interest in sustainability concerns over quick delivery and fulfilment.

The figures for 2023 show that grocery shoppers place the most importance on delivery and fulfilment, the same as last year. 34% of consumers are concerned about the unavailability of essential products in grocery, compared to 27% for household supplies, 24% for personal care products and 21% for apparel and accessories. Grocery shoppers are also most interested in in-store services and experiences compared to other areas of retail: 30% are interested in in-store curated recipes and other content, 22% in in-store culinary lessons, and another 22% in the ability to dine in at the grocery store.

06 CONCLUSION

In this report, we have concluded that Dutch consumers have eased their concerns about their financial situation in 2023. Although the price is the most important factor in the shopping behaviour. They are willing to modify their buying behaviour accordingly, both online and in physical stores, with 57% preferring physical over online shopping to find the best deals and discounts.

Generative AI has the potential to revolutionize how consumers discover, evaluate, and ultimately purchase products. Yet only 37% of Dutch consumers are aware of, using or planning to explore generative AI tools for shopping. While generative AI is getting traction in the retail sector, especially for tech-savvy youngsters, worries about this technology are growing among consumers.

The role of social media platforms is also growing. In 2023, 21% of Dutch consumers discovered a new product/brand on social media platforms in the past six months, and 8% purchased this product/brand. Influencers have the strongest impact on the search and purchasing decisions of the younger age groups.

Although the younger age groups are less interested in sustainability, in 2023, almost half of Dutch consumers bought products from sustainable organizations. 41% of them are willing to pay 10% or more extra for a sustainable product. The biggest interest can be found among ‘Affluent Intellectuals’ and ‘Green Veterans’. This represents a real opportunity for companies, whereby consumers are interested in QR codes to provide sustainability information.

Dutch retailers face a rapidly evolving consumer landscape, characterized by shifting preferences and emerging trends. The insights gathered from our analysis offer valuable guidance for navigating these changes and staying ahead of the curve.

As retailers strive to remain agile and customer-centric, embracing sustainability, innovation, and omnichannel strategies will be key to success in this competitive market. By prioritizing initiatives that align with consumer values and preferences, retailers can strengthen their position and drive sustainable growth.

By staying attuned to the identified consumer trends and segments, retailers can position themselves as leaders in the Dutch retail landscape. Through continuous adaptation and a commitment to meeting consumer needs, retailers can build lasting relationships and thrive in an ever-changing market.

While overall Dutch consumers are turning more to physical stores, Gen Z and millennials have a bigger preference for online shopping and have more focus on delivery and fulfilment aspects. They are also more willing to pay for services such as two-hour home delivery. Overall, we see that the availability of products in stores or for home delivery is more important to consumers than additional services or the in-store experience, although demand is increasing. Most opportunities can be found amongst grocery shoppers – opening up exciting opportunities for such services as in-store curated recipes, culinary lessons or dining in at the grocery store.

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