

Voluntary Report – Voluntary - Public Distribution

Date: June 29, 2022

Report Number: VE2022-0017

Report Name: A Changing Retail Environment - How Venezuela's Supermarkets are Adapting to Economic and Social Changes

Country: Venezuela

Post: Caracas

Report Category: Retail Foods

Prepared By: FAS Staff

Approved By: Abigail Mackey

Report Highlights:

On May 4 and 5, 2022, Venezuela's National Supermarkets Association held an event entitled "Radiography of the Retail Sector in Venezuela 2022." The goal of this event was to evaluate the Venezuelan retail sector situation including changes in retail and consumer trends, emerging threats, and new opportunities for growth. Despite economic challenges in Venezuela, the outlook for retail growth is strong. Household spending between February and March 2022 grew by 29 percent, with food purchases being a major driver of increases in spending. The growth of modern retailers is putting pressure on traditional retailers to compete in Venezuela. The modern channel grew 5 percent in spending above the traditional channel between February and March 2022. Service quality is emerging as a major differentiator for retail businesses, with consumers increasingly valuing delivery services, the ability to use different payment methods, and the integration of digital services.

Venezuela's National Supermarkets Association

Venezuela's National Supermarkets Association (ANSA) has 129 retail-affiliated companies and represents 85,673 points of sale in Venezuela. There are currently an estimated 66,000 inhabitants per supermarket in Venezuela and the retail sector contributes 2.8 percent to the Venezuelan GDP.

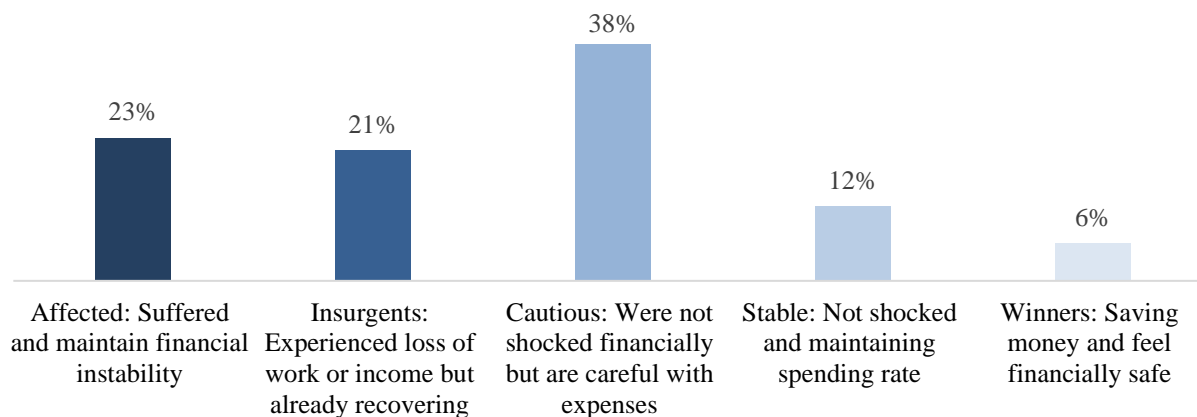
During May 4 and 5, 2022, ANSA held an event entitled, "Radiography of the Retail Sector in Venezuela 2022." The goal of this event was to evaluate the Venezuelan retail sector situation including changes in retail and consumer trends, emerging threats, and new opportunities for growth. Those attending included local supermarket chains, the local pharmacy retail sector that is also affiliated to ANSA, food brand representatives, and local consulting companies.

Below are highlights from the event.

The Venezuelan Market Continues to Face Major Economic Challenges

- High inflation continues to hinder growth in food retail. While the four-year period of hyperinflation has ended, annualized inflation in Venezuela persists and reached 251 percent in March 2022.
- The tax imposed on large foreign financial transactions, known in Venezuela as the IGTF, is likely to increase costs of goods to consumers. The 3 percent tax, introduced in March 2022, is applied to transactions done outside of the local banking system.
- The food retail sector expects the stagnation and decline in the exchange rate in Venezuela to hinder growth in consumption, especially in the second quarter of 2022.
- Many consumers have changed and were forced to change their spending habits because of the COVID-19 pandemic. See Figure 1 below.

Figure 1: 2021 Consumer Outlook Survey in Venezuela Responses to: Which of the following best describes how COVID-19 impacted your overall household financial situation over the last two years?



Source: Nielsen IQ 2022 Consumer Outlook Survey, Dec 2021

Despite Challenges, Venezuelan Food Retailers See Rebound in Sales

- Household spending during February and March 2022 grew by 29 percent, and in April reached 30 percent, with food purchases driving increases in spending. The debit card is the most common payment method used by Venezuelans for retail purchases.
- Retail consumption grew 25 percent in units and 32 percent in value between December 2021 and March 2022.
- Smaller-scale manufacturers of finished products are growing in Venezuela, especially in the categories of cookies, chocolates, ultra-high temperature (UHT) milk, yogurt, and sausages.

Modern Retailers are Growing in Popularity but Traditional Outlets Remain Dominant

- Retail competition is growing in Venezuela, and the growth of modern retailers is putting pressure on traditional retailers to compete. The modern channel grew 5 percent in spending above the traditional channel between February and March 2022.

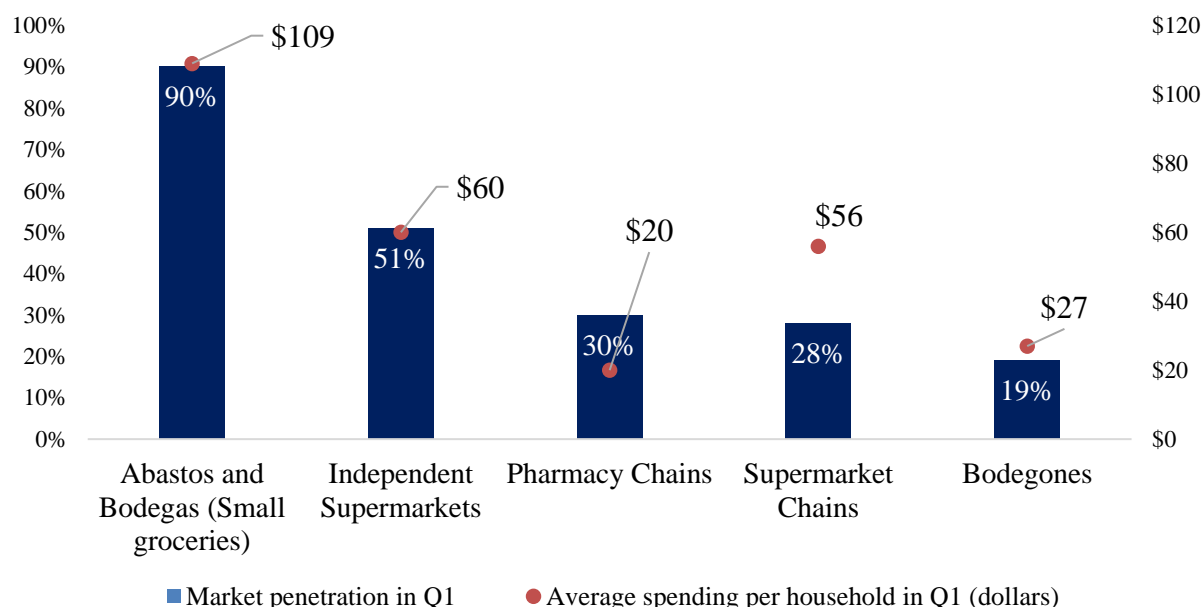
Table 1: Characteristics of “Modern” vs “Traditional” Retailers in Venezuela

Modern Retailers	Traditional Retailers
<ul style="list-style-type: none">• Include supermarkets, hypermarkets, bodegones,* wholesale distributors, and pharmacy chains• Rely on a self-service model, meaning shoppers have direct access to products displayed and can autonomously choose the product that best suits their needs• Accept diverse types of payments such as debit cards, credit cards, payment platforms (i.e., Zelle and Pípol Pay), food tickets, and cash	<ul style="list-style-type: none">• Represented exclusively by “abastos” (i.e., corner stores) and bakeries• The seller/intermediary delivers product• Located in adapted spaces or in a residential house• Occupy small spaces that limit diversity of products offered

*Bodegones are like a grocery store in terms of size and offer only items from abroad, especially U.S. and European consumer-oriented products. Bodegones cater to higher-income Venezuelans who can afford the more expensive products offered there.

- Despite growth in the modern retail sector, traditional retailers (i.e., corner stores) still have the highest market penetration and largest average spending per household in Venezuela.
- Seventy-six percent of households like the idea of going to a supermarket and finding stores or services of other items within it, such as bakery, personal care, clothing and accessories, pharmacy, dining area, and electronics or technology area. This favors modern retailers.
- In modern retail outlets, according to the Atenas Consulting Group, the categories that generate the most values per square meter in order of sales profitability in food categories include staple foods, dairy products, non-alcoholic beverages, and liquors.

Figure 2: Market Penetration and Average Household Expenditures for January – March 2022 in Venezuela by Retail Outlet Type



Date Source: Atenas Consulting Group, “Retail Scanner”

Table 2: Popular Retailers in Venezuela

Top Retailers	
Central Madeirense	Luxor and Garzon Supermarket in the Andean region of Venezuela
Unicasa	Forum Supermarket
Excelsior Gamma	Rio Supermarket
Plazas Supermarket	Biomercado
Lider Hypermarket	Que Papaya Hypermarket
Makro	

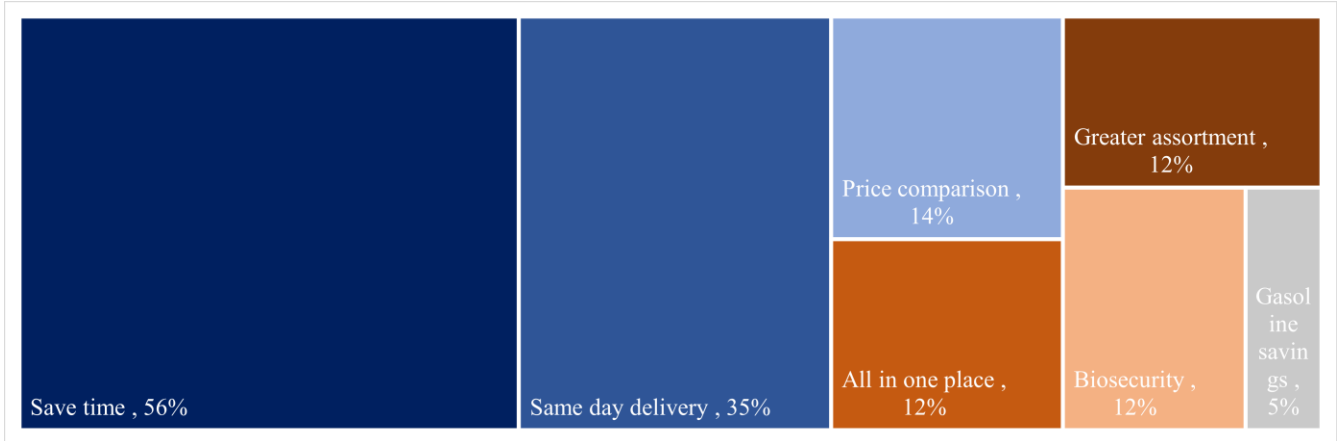
Source: ANSA

Venezuelan Consumers Increasingly Value Service Quality and Options

- Service quality is emerging as a differentiator for retail businesses. The general perception in Venezuela about service is poor, with 85 percent of consumers surveyed by ANSA saying that the quality of service in Venezuela is worse than abroad. However, when it comes to modern supermarket chains, the perception is the opposite. According to data collected by the pollster Atenas Consulting Group, 64 percent of respondents are satisfied with the customer service they receive from modern supermarkets, while 32 percent claim to have a neutral position, and only 4 percent show dissatisfaction.
- Delivery services, the ability to use different payment methods, and the integration of digital services and e-commerce options are attracting consumers to modern retail outlets. For example, many supermarkets in Venezuela are adopting digital tickets with QR codes that allow shoppers to stand virtually in line while continuing to browse the shelves.

- However, price and distance from their home are still the primary drivers of consumer decisions. DATOS Group and ANSA conducted a study in April 2022 in the eight main cities of Venezuela, entitled “The Voice of the Customer.” This study evaluated what was generating preference or loyalty among Venezuelan retail consumers. They found that for both modern and traditional retailers, low prices and distance to the consumer’s home ranked highest among the categories.

Figure 3: Reasons Venezuelan Consumers Report Using Ecommerce for Retail Purchases



Data Source: © 2021 Nielsen Consumer LLC. Q: For what reasons do you choose the Ecommerce channel to perform your purchases?

Attachments:

No Attachments.