

Cost of Living

How are consumers re-setting?

November 2022



A woman with long brown hair, wearing a grey textured sweater, is seen from the back and side, looking out a window. The window has orange patterned curtains. Outside the window, a red and white building with many windows is visible. The scene is lit with warm, golden light, suggesting late afternoon or early morning. A large black diagonal shape covers the left side of the image, containing the text.

What do we know?



10.1%

UK rate of inflation

-47

Current level of consumer confidence

76.8%

% of UK households who expect to be severely/moderately affected by COL this winter

*Source: ONS <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/september2022> *BBC <https://www.bbc.co.uk/news/business-62405037>

**Research carried out by GfK: GfK Consumer Confidence Barometer October interviews conducted between October 3rd and October 13th 2022

***Q: How much do you think the cost of living crisis will be impacting you in 3 months time?, How much is the cost of living crisis impacting you at the moment? Base: All household , n=8034

Source: Homescan August 2022 Survey

Decisions on where consumers will prioritise spend will be based on need vs choice.

Grocery may not be as hard hit as non-food items

Big ticket	Lifestyle necessities Mortgage/Rent Energy & water Work & School travel Council tax Car finance Weekly main shop	Lifestyle luxuries Holiday, travel and accommodation Main meals out Gym membership
	Staples Top up shop Credit card payments Clothing	Treats Impulse/on the go purchases Entertainment subscriptions Toys & games Garden
Not Discretionary		Discretionary

How will consumers react?





How are consumers reacting?



Changing how they shop



Switching store



Buying different products



Cutting back on hospitality



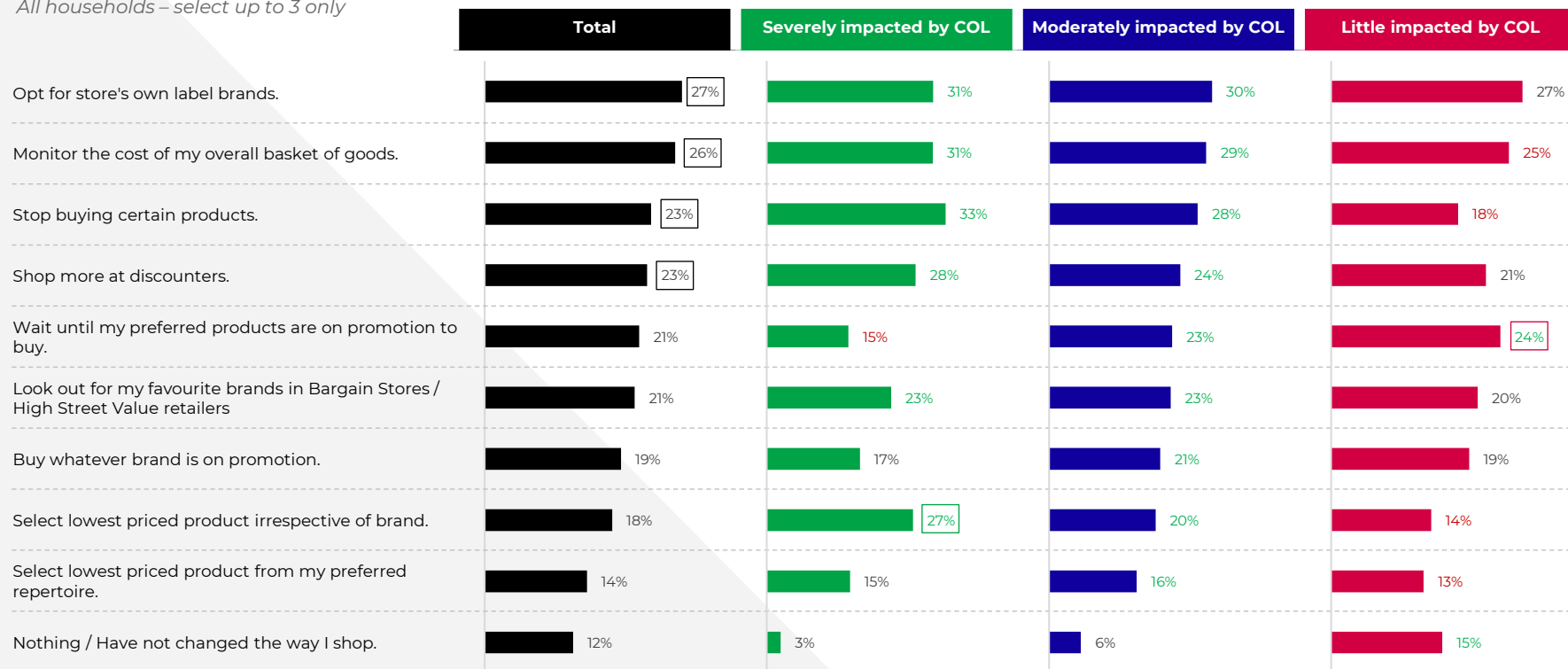


**Will they change
the way they
shop?**

Buying OL, monitoring basket spend, shopping at Discounters and even stopping purchasing certain products are the key ways consumers will cut back

Actions taken to manage household's grocery expenses

All households – select up to 3 only



Q: What are you doing, if anything to manage your household's grocery expenses? (Please select up to 3 things that best describe what you are doing.) Base: All household, n=8034/1207,3321,2628,666,212

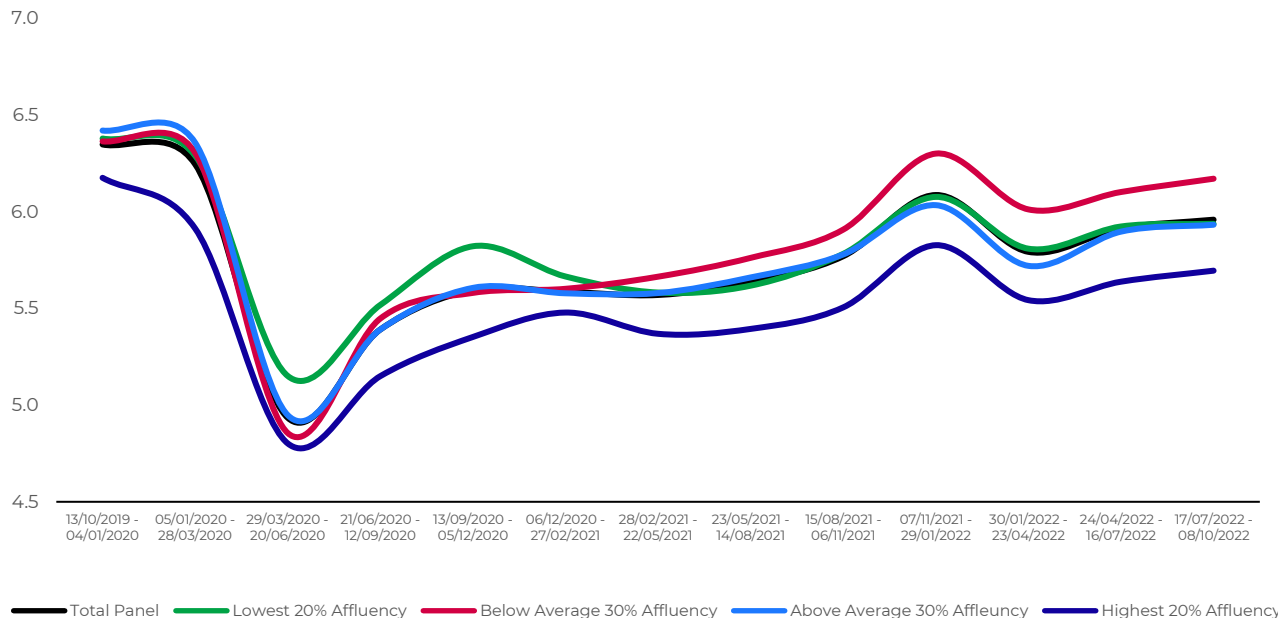
Source: Homescan August 2022 Survey | Significantly **higher/lower** vs Total UK at 95% confidence

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We are increasingly shopping around

However, the lowest affluency shoppers are somewhat restricted to the cheapest stores and most affluent shoppers stick with their favourite stores.

Shopper Store Repertoire



-2%

Spend per visit fell to **£18.18** from £18.50

-10%

Items in basket held at **10.5** (same as September) from 11.6

+6%

Frequency of visit increased to **17.8** trips from 16.8



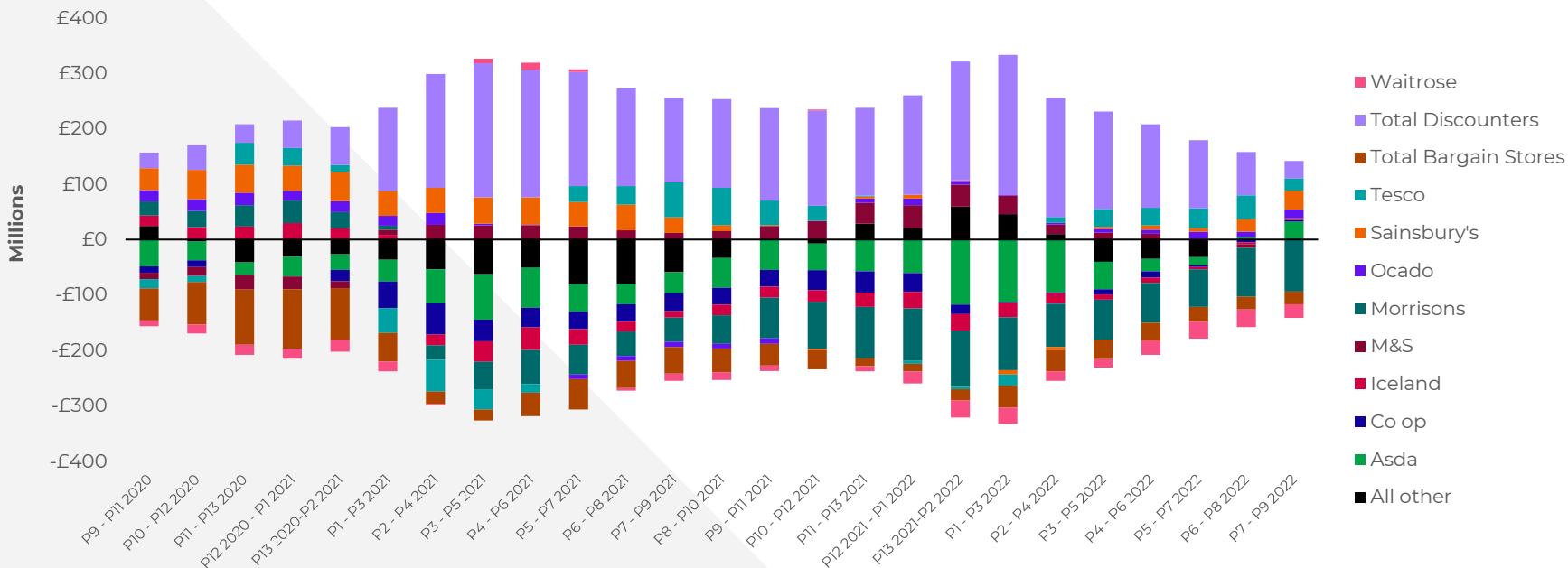
Will they switch store?



Discounters are seeing the most shifting gains of the retailer portfolio albeit slowing in the summer months

Heatwaves, impulse purchasing and competitive pricing strategies from the others retailers will have contributed to this slow down

Retailer units net shifting



Discounters are seeing consistent shifting gains across all groups, especially from the above/below average affluency shoppers

Discounters continue to grow market share in 2022 and are on track to accelerate into 2023

Discounters by numbers

5.8%

Value growth vs YA

Value Share

Buyers

Frequency

Spend/Trip

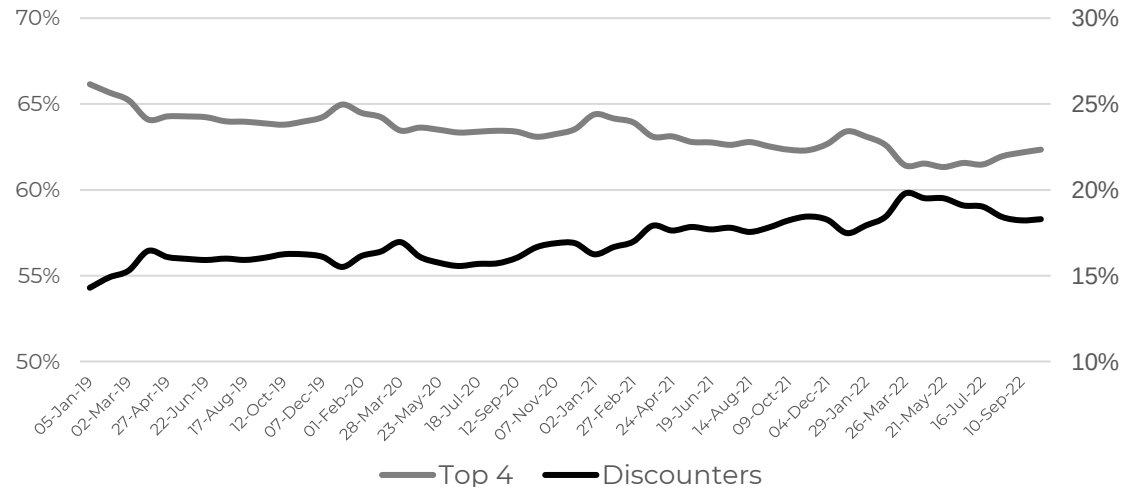
L12W	18.3%	+1.3m	10.2	£22.70
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L12 vs YA*	+0.1%pts	+6.8%	+0.1%	-1.1%
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Top 4

12w/e share of Total Till

Discounters



Discounters built strong momentum post pandemic but lost some momentum over the summer. This was helped by increased shopping at **convenience** stores during the hot weather, but also through the pricing and loyalty measures taken by traditional retailers.

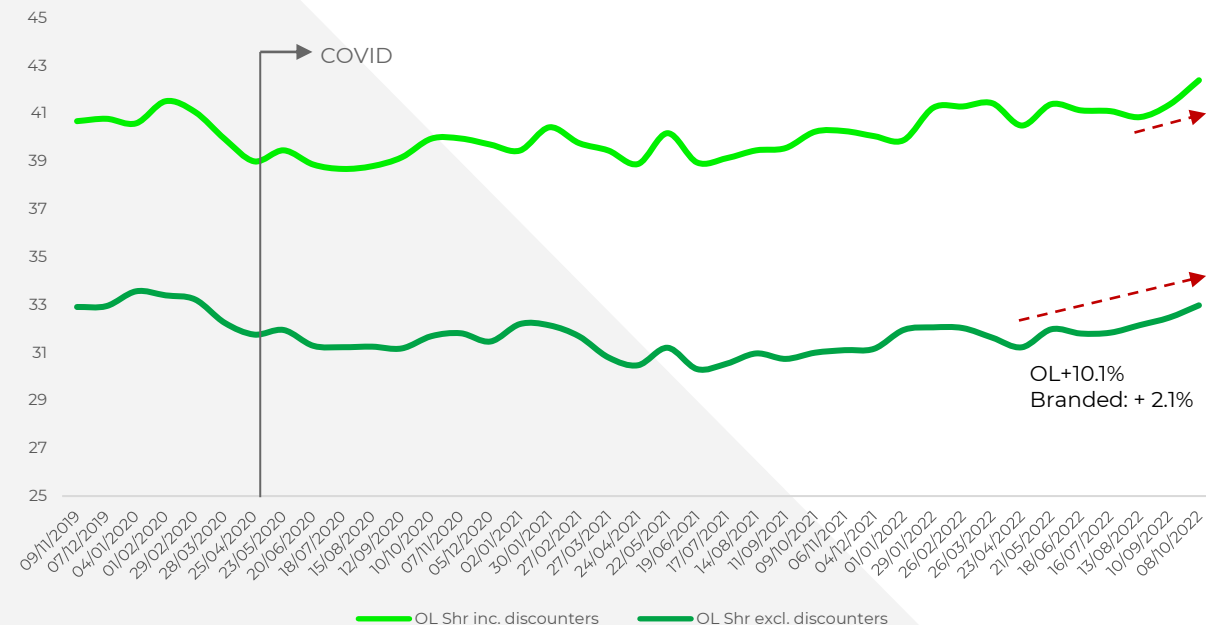
With **autumn** being historically a strong time for discounters coinciding with shoppers **resetting**, we would expect them to grow share at a faster pace through to Christmas this year.



**Will they buy
different
products?**

Own Label share returned back to pre-COVID levels and is accelerating

Own Label % Share of Spend



+48%

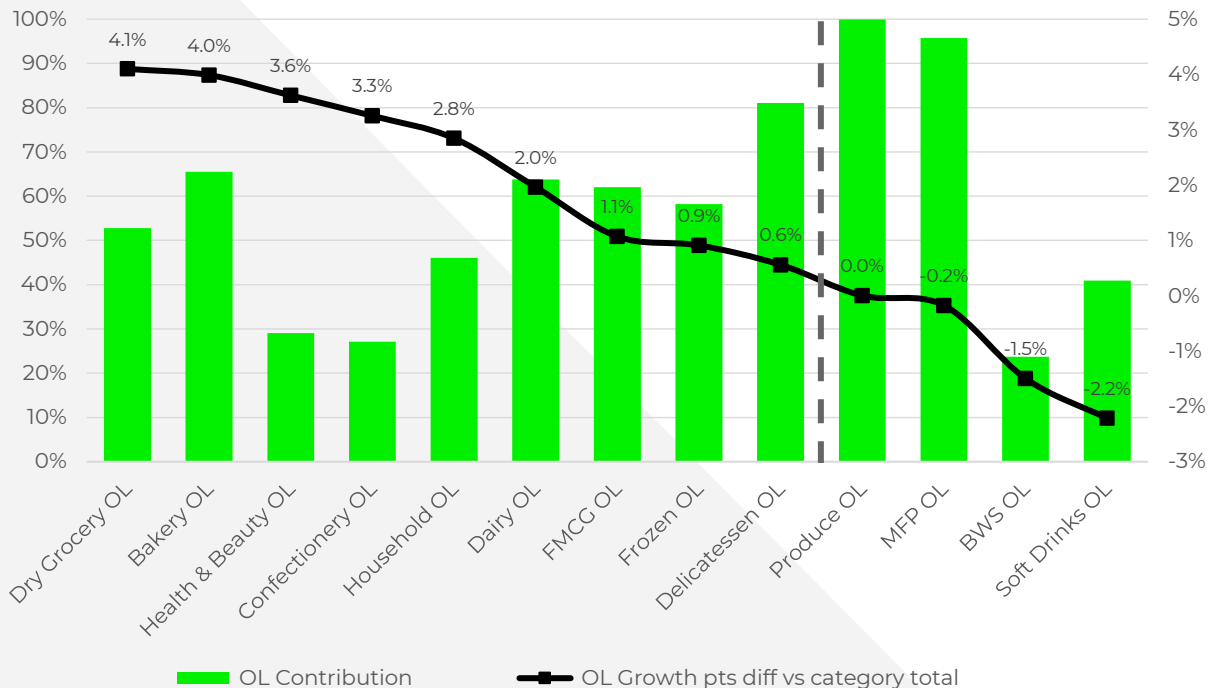
Economy is fastest growing
Own Label tier but only
represents 13% of value growth

77%

of Own Label £ value growth
driven by Standard tier

OL outperformed across most categories, Ambient and Bakery have the highest growth difference

OL YTD Contribution
Volume Sales



Shoppers have started to make **difficult choices**, they know what they **want** and are willing to **make compromises** to stay **within budget**.

For some this will mean **more OL**. The growth differential is highest in **Dry Grocery** and **Bakery**.

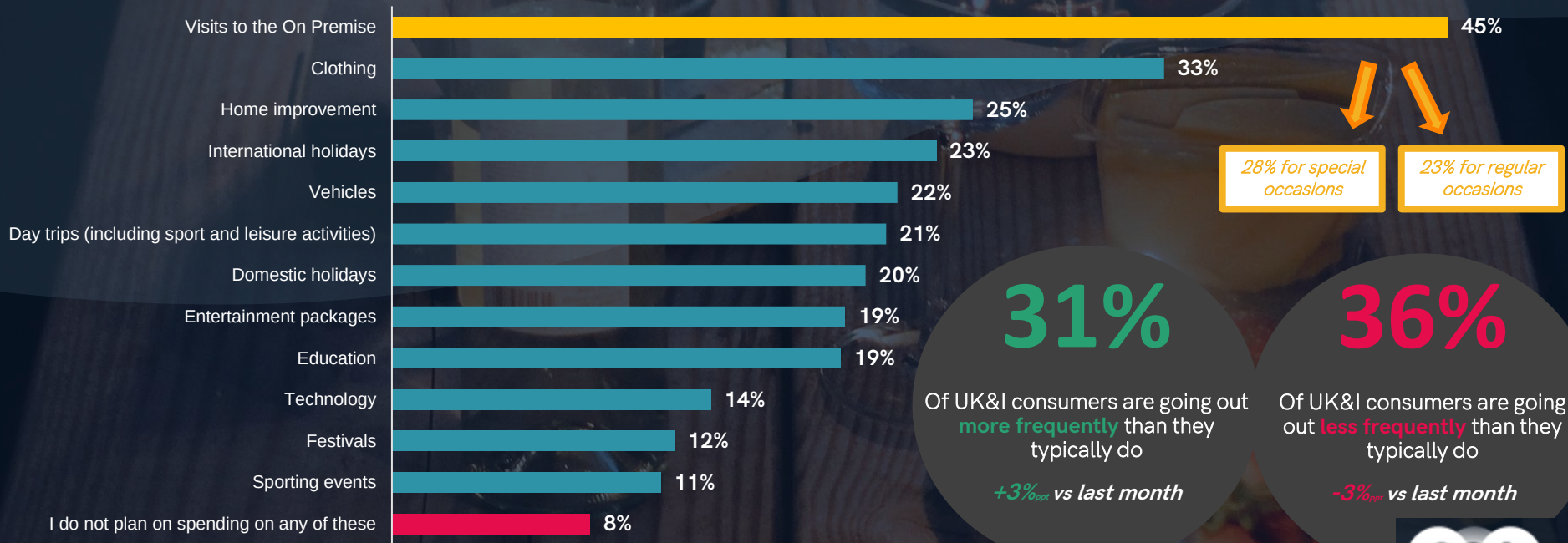
Brand dominant categories are **not immune**, OL has also been growth faster than brands in **Health & Beauty** and **Confectionery**.



**Will they cut
back on
hospitality?**

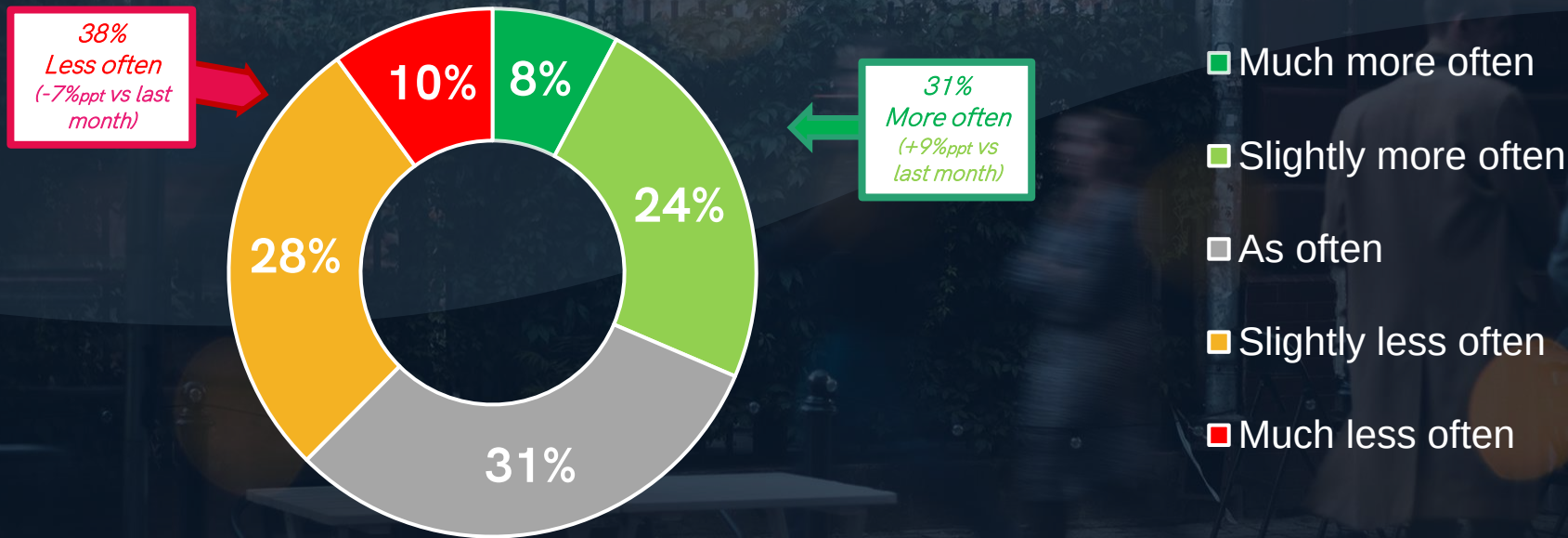
Despite inflationary pressures on disposable income, visits to the On Premise are consumers' top priority for their discretionary spend

If your disposable income is reduced as a result of rising costs, which of the following do you plan to prioritise for spending over the next 12 months? (Select 5 only)



When asked to predict future visitation rates, there remains a narrow gap between the number of consumers predicting

How frequently do you predict that you will visit hospitality venues in the rest of 2022, compared to how frequently you have visited so far this year?





How are consumers reacting?



Changing how they shop

Shoppers are trying to manage inflation by sticking to a budget for their weekly shop and hence buying less. Increasing frequency, especially for less affluent households shows they are shopping around more for the best deals but also supplementing with local top up shops as they run out / try to reduce wastage.



Switching store

Share and switching gains for Discounters slowed over summer as hot weather enticed us in to convenience stores and traditional retailers battled hard on price messaging. However, discounters picked up 1.3m new households across all affluency groups over the period and we expect them to accelerate again to hit 20% in 2023.



Buying different products

Own Label clearly growing ahead of branded, particularly in Dry Grocery and Bakery as shoppers seek to make their money go further.



Cutting back on hospitality

Eating out is the most important spending priority for consumers, above holidays, clothing and home improvement. Whilst 36% of consumers are going out less than usual and 38% are planning to do so for the remainder of the year, 31% are going out more with the same number planning to do so until year end. Encouragingly, those increasing frequency are a significantly more valuable consumer group, visiting the sector more frequently and spending more on eating and drinking out.



Whilst FMCG spend remains **uncertain**, sales momentum is expected later in November

1

Low consumer confidence and year ago comparatives will become **more challenging** at the start of November, **growth** in shopper spend is expected to remain **low single digit**.

2

Some households may wish **to bring forward** some **seasonal spend** to help budgeting. For example, buying a **few items extra** such as Seasonal biscuits and chocolates and affordable gifts e.g personal care and toys to help spread the cost of Christmas.

The start of the 2022 FIFA Football World Cup should boost some **“feel good”** categories helped by retailers **promoting higher ticket price** and **discretionary categories** for example in BWS and general merchandise.

3

As we edge closer to December the **challenging external economic** factors that impact household budgets (e.g concerns on mortgages, energy costs) become **greater** and shoppers are expected to **monitor** their **weekly grocery spend** even more **closely**.

The outlook of **higher** food prices and further increases to household bills in Q4, means it is still **uncertain** how **“big”** the all important Christmas weeks will be, based on current trends.



Thank you.

**For more information contact
your NielsenIQ account team**