EXPLORING THE COST-OF-LIVING CRISIS: WHAT’S NEXT FOR UK RETAIL?

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A BIT ABOUT ME…

- Worked for SPAR UK for 6 years
- Lead category management function
- Develop customer centric category strategies
- Passionate about insight, data & weekend adventures!

“The only way to do great work is to love what you do.”

DISCUSSION POINTS…

- What have we learnt over the last few years?
- How are shoppers reacting & their habits evolving?
- What are potential winning strategies for the future?

Interest rate hits 'shock' 5% after 0.5 percentage point increase

The Bank of England's base interest rate is now its highest in 15 years at 5% but the bank signalled support for further rises.

Hopes for lower inflation add to signs of life for UK economy

Analysts say price growth will slow more quickly than Bank of England predicted if Middle East tensions do not escalate

'Debt timebomb' in 2024 for families, union group warns

Steak, coffee and cheese locked up as shoplifting rises

31 May

Cost of living: How can I save money on my food shop?

5 days ago

Inflation rate falls to 3.9% in November

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Consecutive years of retail disruption

2021

Pandemic disruption
- Availability challenges

2022

Inflationary Pressure
- Ukraine Invasion
- Mini Budget

2023

Cost of living crisis
- Global inflation
- Interest rates

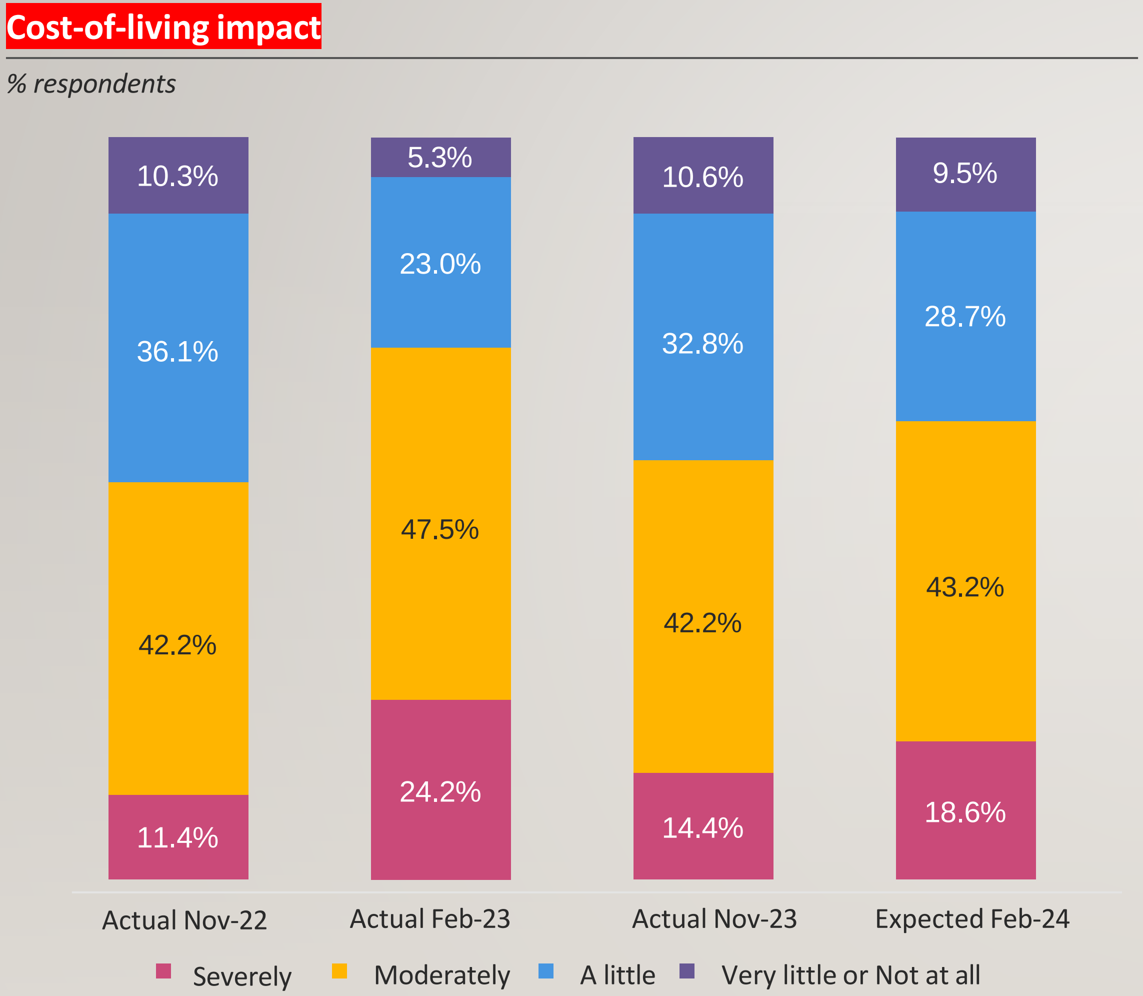
2024

Volume Recovery?
- Inflation easing
- General Election
- Middle east conflict

2025

The 'new new' normal?

Consumer confidence is still below -20*



57% of shoppers are moderately/severely affected currently

62% anticipate that in February 2024 they will be moderately/severely affected

Source: Nielsen SOTN, 2024

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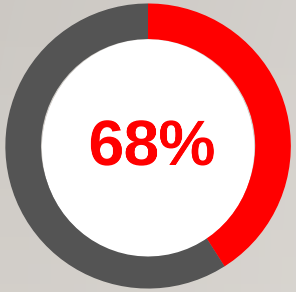
Value was the most prevalent shopper attitude in 2023

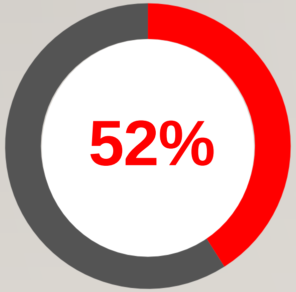
81% of shoppers aligned to a value led attitude in 2023, whilst **68%** of shoppers shopped with another retailer due to loyalty scheme promotions

93% of shoppers buy Own-Label products

Sources: Nielsen SOTN, 2024; Lumina Convenience Report, 2023; Mintel, UK Supermarkets 2023

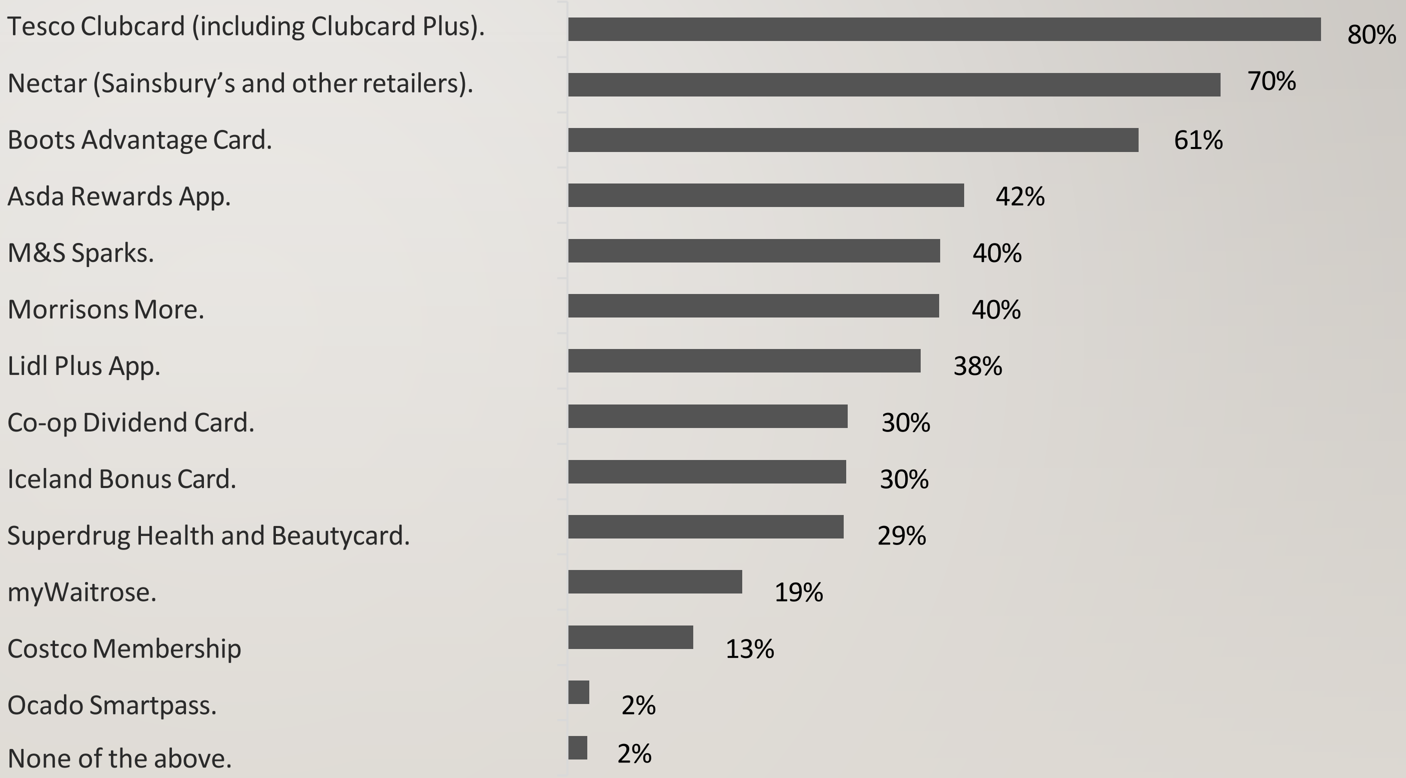
Loyalty schemes are driving footfall





Currently, which grocery retailer loyalty schemes do you actively take part in?

% respondents



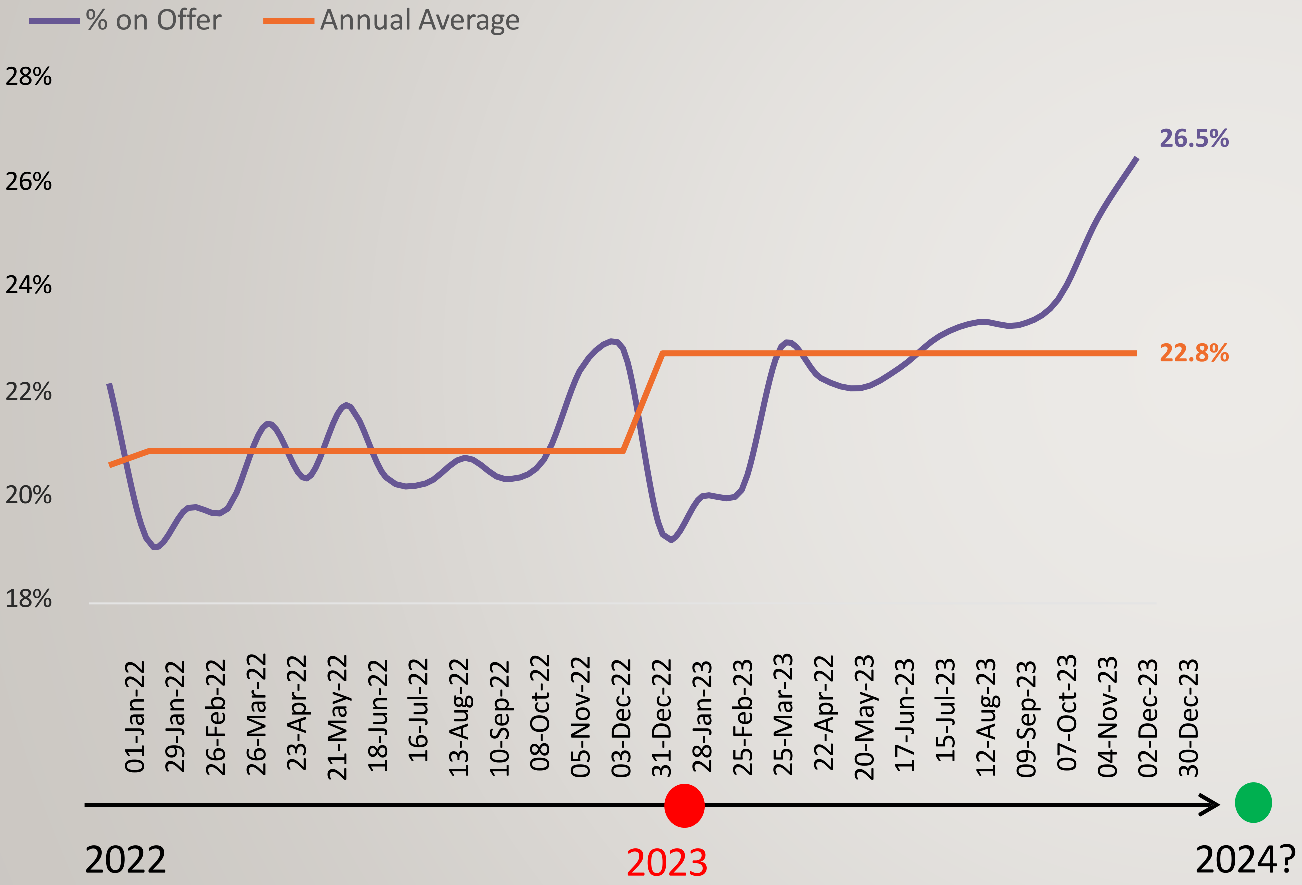
98% of UK shoppers take part in at least one retailer loyalty scheme.

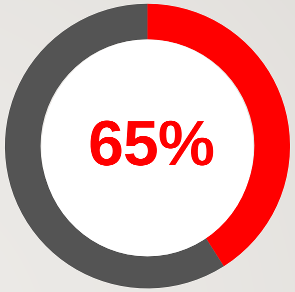
SOURCES: Kantar Profiles / Mintel, September 2023; NIQ Homescan Survey Nov 2023

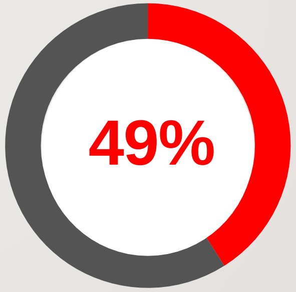
Promotional spend is at its highest level for several years

% of FMCG value sales bought on offer

Four weekly trend



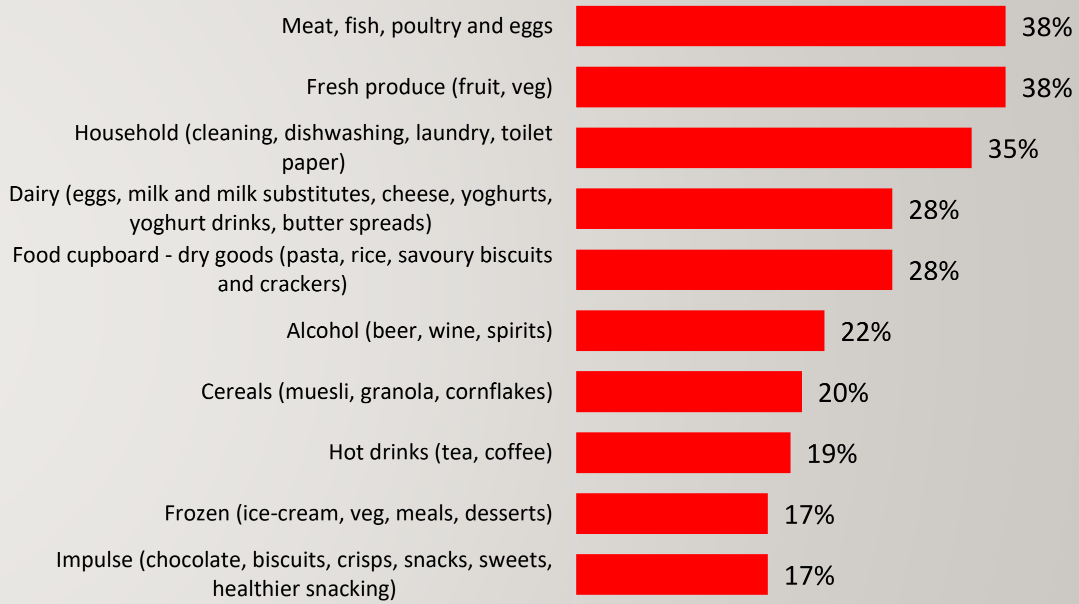




Sources: NIQ Homescan FMCG Multiples (including Discounters); IGD, Price & Promotions: what matters to shoppers? September 2023

Shoppers are on the lookout for offers in staple categories

Top 10 macro-categories where shoppers claim to look out for special offers

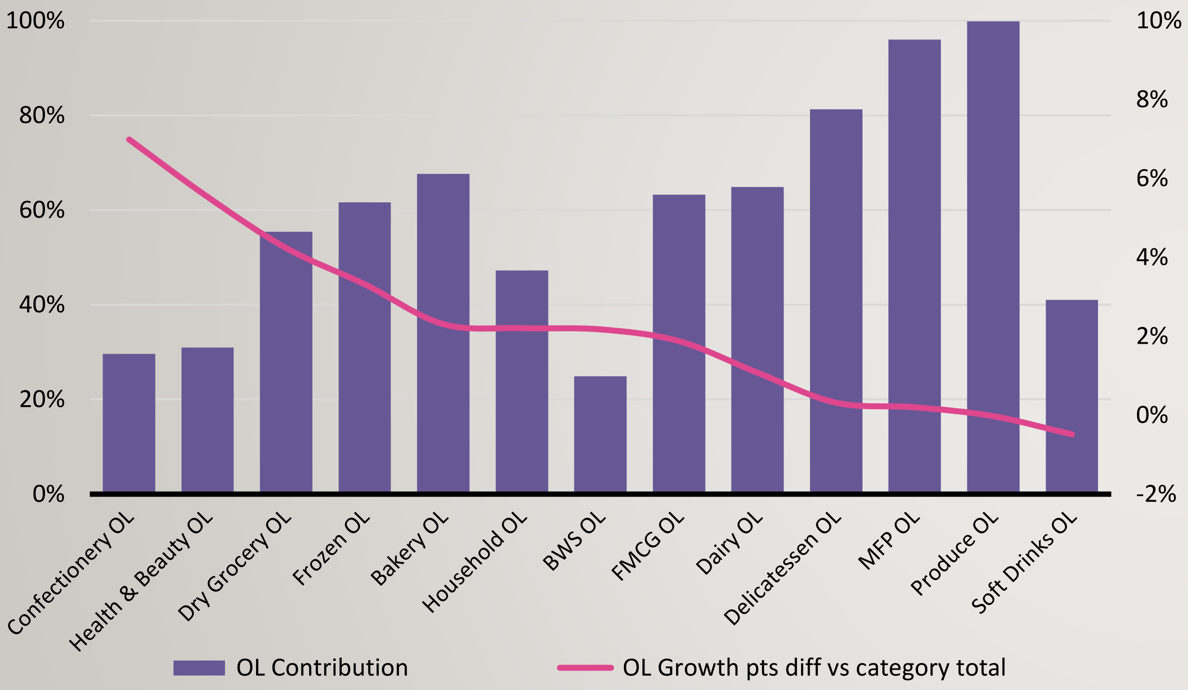


Source: IGD, Price & Promotions: what matters to shoppers? September 2023

More shoppers are switching to Own Label

Own Label contribution to volume sales and incremental growth vs category performance

y/e 30th December 2023



63% Own Label Share of Unit Sales.

Own Label Growth +1.0%

Branded Growth -4.0%

55% Own Label Share of Value Sales.

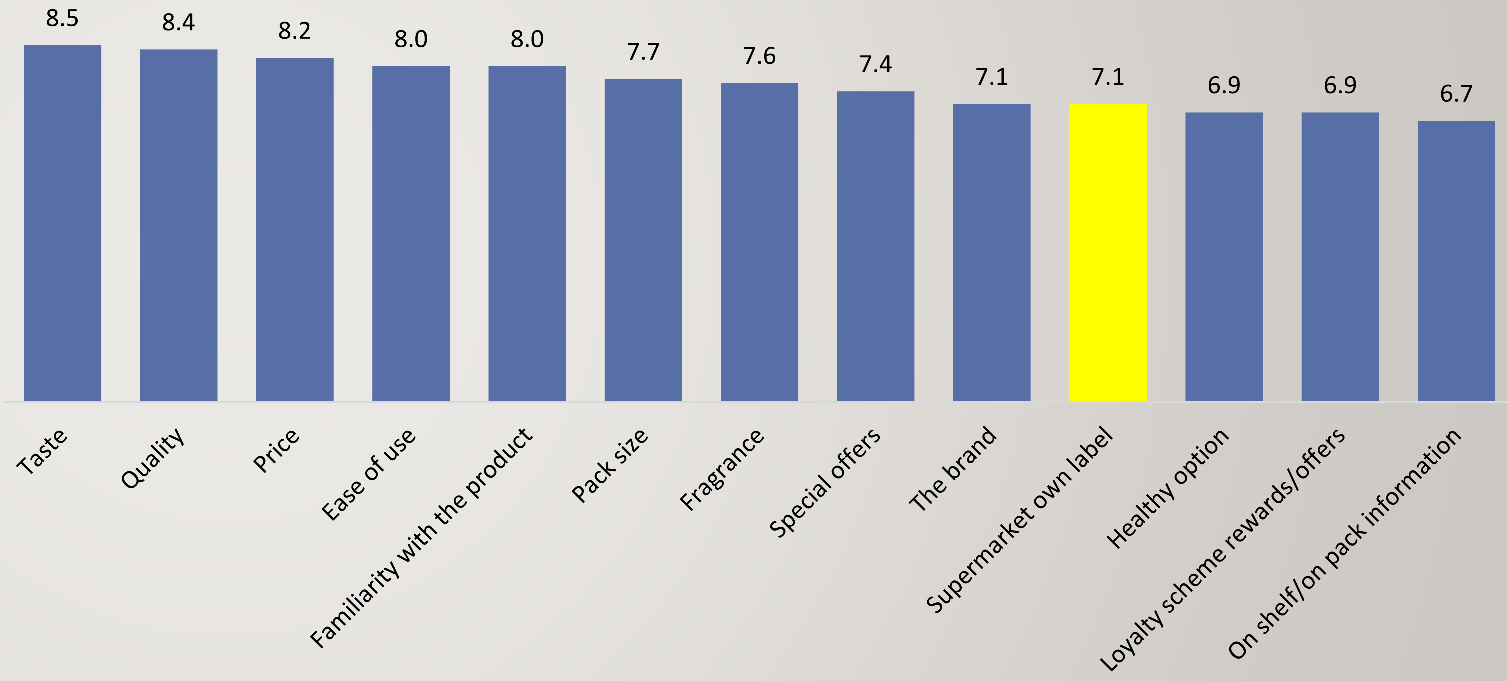
Own Label Growth +12%

Branded Growth +6.5%

Source: NIQ Homescan FMCG Units YTD vs year ago

Own Label must compete on price first

Strength of each factor as a driver of product choice overall

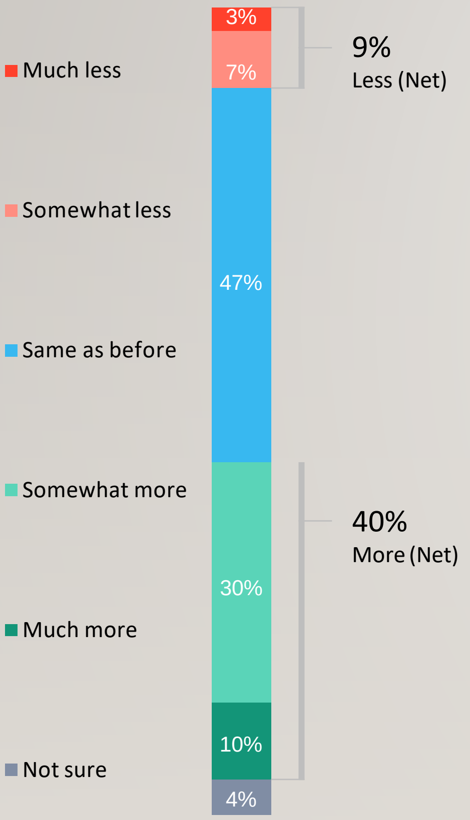


Source: IGD Category Benchmark research May -June 2023. Base: 5,284 British shopping trips to Tesco, Sainsbury's, Morrisons, Asda, Aldi, Lidl, Marks & Spencer & Waitrose.

Shoppers are making more ‘conscious’ decisions

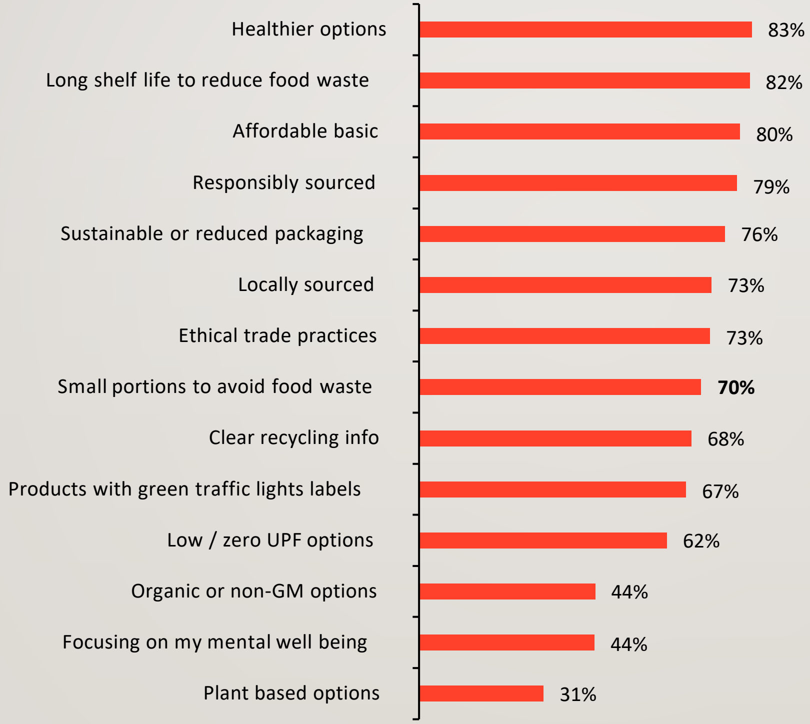
Evolution of conscious grocery shopping choices

compared to last 12 months



Importance of conscious factors when buying grocery

NET: Importance (Very/Somewhat)



38% Bought less food to save money.

25% Bought less food to save on waste.

THE NEW NORMAL

THE CONSCIOUS CONSUMER

?

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Clarity, consistency and clear communication are key

- Household disposable income could rise over the next couple of years
- Shoppers want clarity & transparency
- Consider customer journey
- Consistent activation across touch points

✓ Strong fixture navigation

✓ Clear promotional message

✓ Highlights products clearly

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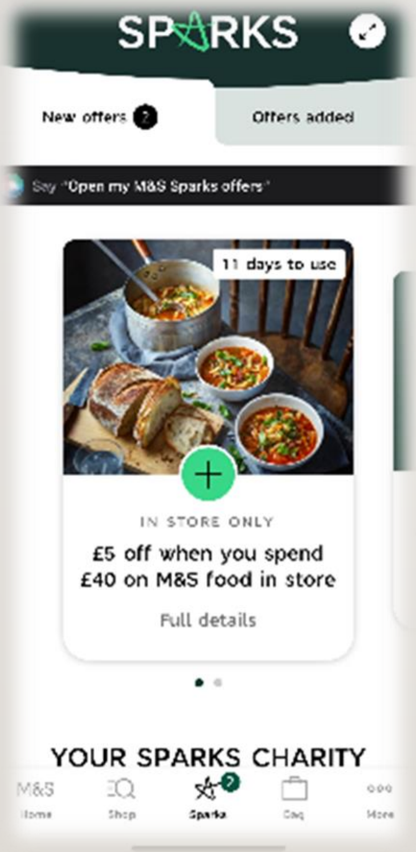
Pricing strategies are important as well as understanding shopper missions & needs

- Value will remain top of mind for consumers
- Shoppers buying on promotion is at its highest for several years
- Drive sales with further offers on core categories
- Reduction in meals / nights out give opportunity for meals in-home

Utilise loyalty to deliver personalised deals and launch NPD

- Shoppers are persuaded through loyalty schemes
- Promotional spend is expected to remain high
- Utilise data to personalise offers for shoppers & reward
- Loyalty pricing is a great way to launch NPD



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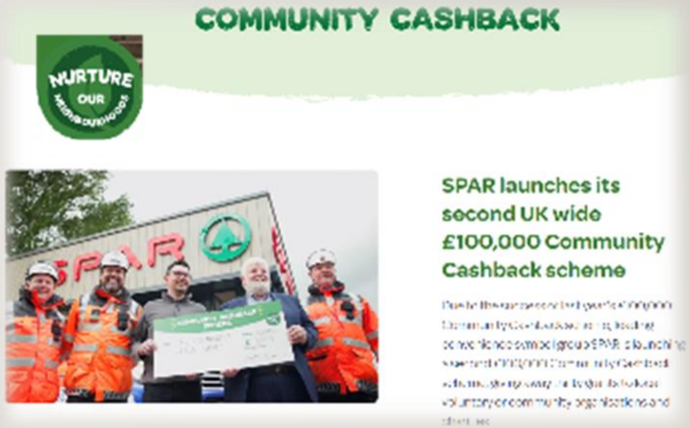
Own-label will continue to grow but there is still opportunity for brands

- Own-label sales will remain strong in 2024
- Shoppers are value driven but trust the quality of Own-Label
- Trading down doesn't necessarily mean lost cash
- Low ticket treat categories also present further opportunity for growth in 2024

Winning the hearts & minds of the consumer will drive footfall & sales

- Unit sales are expected to return to growth in 2024
- Opportunities to drive footfall through growing brand equity
- Health & Sustainability remain top of consumers' minds
- Compelling story-telling is still a sales driver



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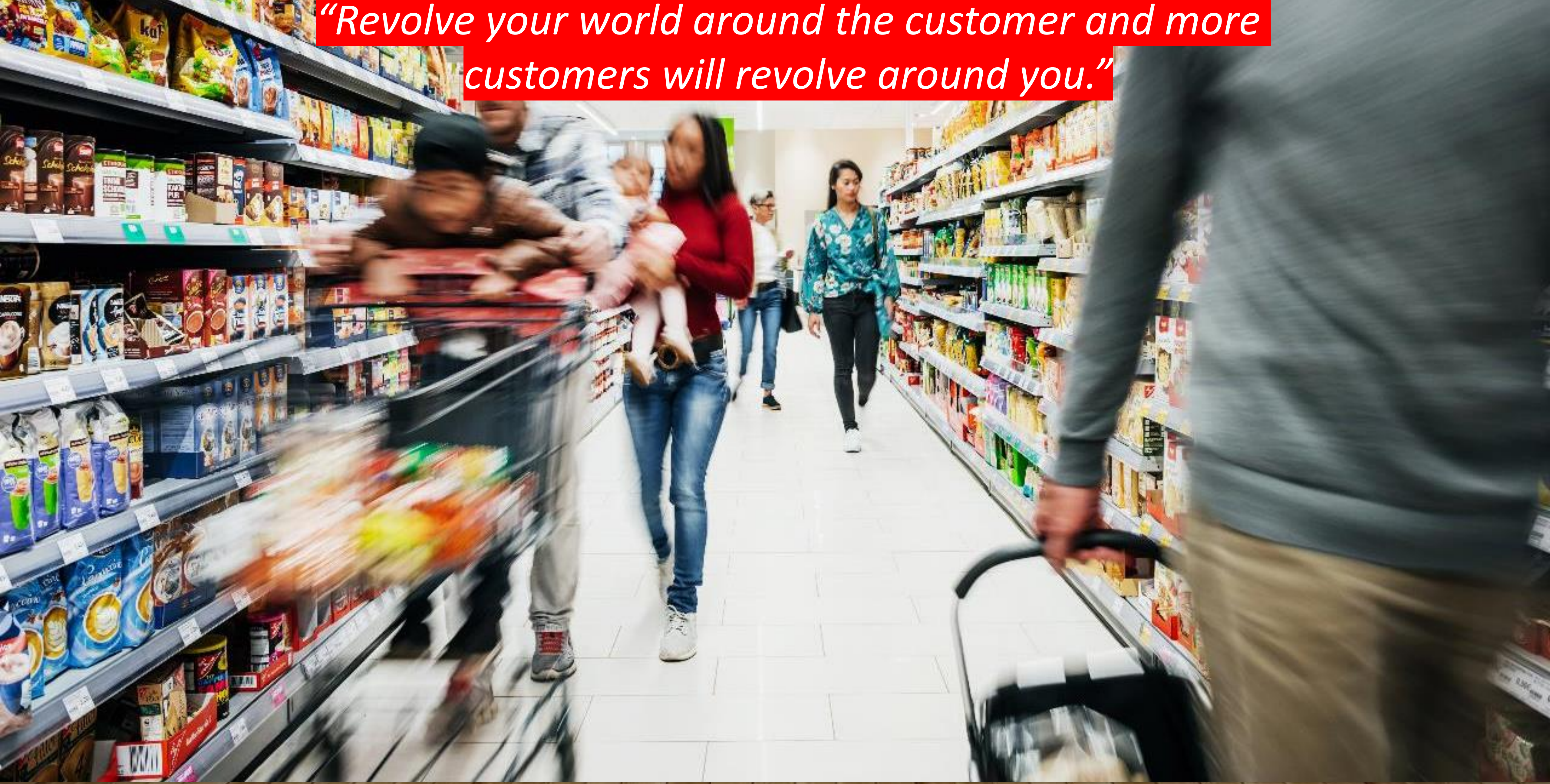
“Revolve your world around the customer and more customers will revolve around you.”



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