



# State of the Nation, 2022

Shopper spending intentions  
for the year ahead

13<sup>th</sup> April 2022



# Today's agenda



**Hannah Lyford**

*Customer Success Consultant, NIQ*

- 1. What's next for the retail landscape**
- 2. How consumer spend will be impacted in 2022**
- 3. A focus on price in an inflationary environment**



**Scott Rowley**

*Commercial Business Partner, NIQ*

## 2021 saw growth despite 2020 tough comparative



**£179.1b**



**+1.7%** vs 2020  
**+7.3%** vs 2019



More than **£2.5b**  
missed sales due to out of  
stocks\*



# What's next in the **retail** landscape?



# Volatility makes industry growth even more impressive but tougher to plan ahead

## Q1

- Lockdown

## Q2

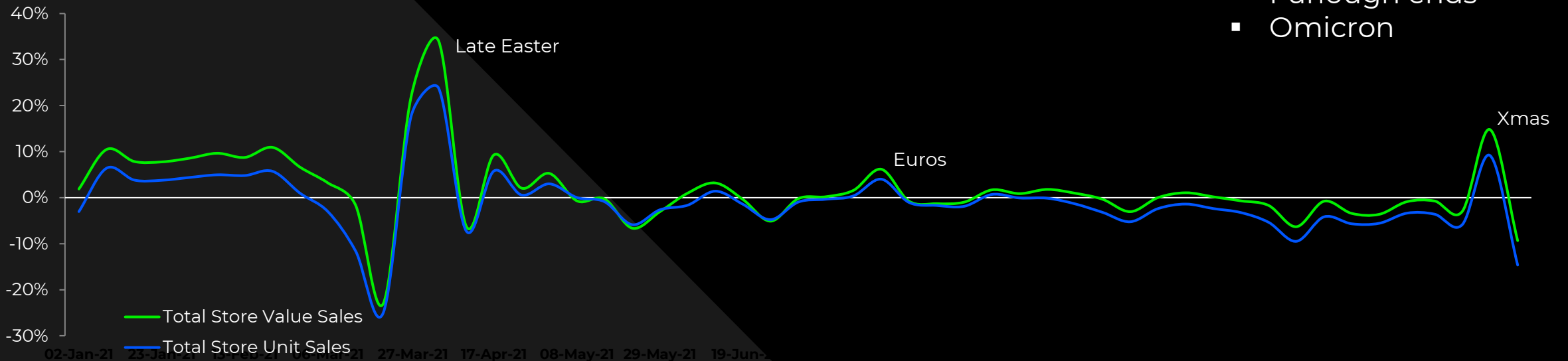
- Gradual re-opening of hospitality

## Q3

- Euros
- Freedom day

## Q4

- Labour shortages
- Fuel 'shortages'
- Shelf shortages
- Furlough ends
- Omicron



# FMCG kept the lockdown spend but shoppers habits are evolving to new normal

▶▶▶ **+0.8%** FY FMCG Spend



Supermarkets

**78.1% | +0.5pts**



Convenience

**21.9% | -0.5pts**



Online

**13.4% | +1.4pts**



Discounters

**18.1% | +1.4pts**

	Actual	% chg vs YA	% chg vs 2YA
Frequency:	<b>215x</b>	<b>+3.5%</b>	<b>-7.6%</b>
Spend per trip:	<b>£19.45</b>	<b>-3.8%</b>	<b>+16.9%</b>
Units per trip:	<b>12.1</b>	<b>-4.7%</b>	<b>+12.5%</b>

Source: NielsenIQ Homescan, FMCG, 52 w/e 01.01.22, value share of trade and %pts change vs YA. \*Convenience and total FMCG data from Scantrack  
 NB: Online and Convenience share are not mutually exclusive to Grocery Mult & Discounters

## +7.3% value growth vs 2019 but is Total Store growth sustainable?

Big retail trends may drive opportunities to gain share/ disrupt but few are unlocking new growth

### Incremental to retain

- + Lifestyle shift to home based
- + Retain share of household expenditure from OOH/ leisure
- + Premiumising Mix
- + LFL Inflationary prices

### Cannibalistic / neutral

- = Shift online
- = Rapid Delivery – Impulse shop
- = New Store openings
- = Discounter growth



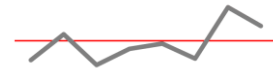
**+2-3%**

2022

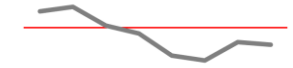
# Retailer shares - Riding the wave or plotting a new path?



27.2% | +0.8%



4.5% | -6.1%



13.8% | -0.5%



4.3% | +1.2%



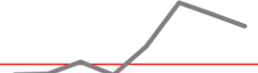
12.2% | -1.5%



3.4% | +6.0%



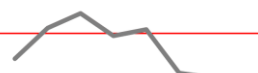
10.7% | +6.4%



2.6% | -1.8%



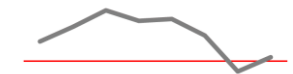
9.5% | -2.5%



7.5% | +11.9%



1.7% | +3.1%

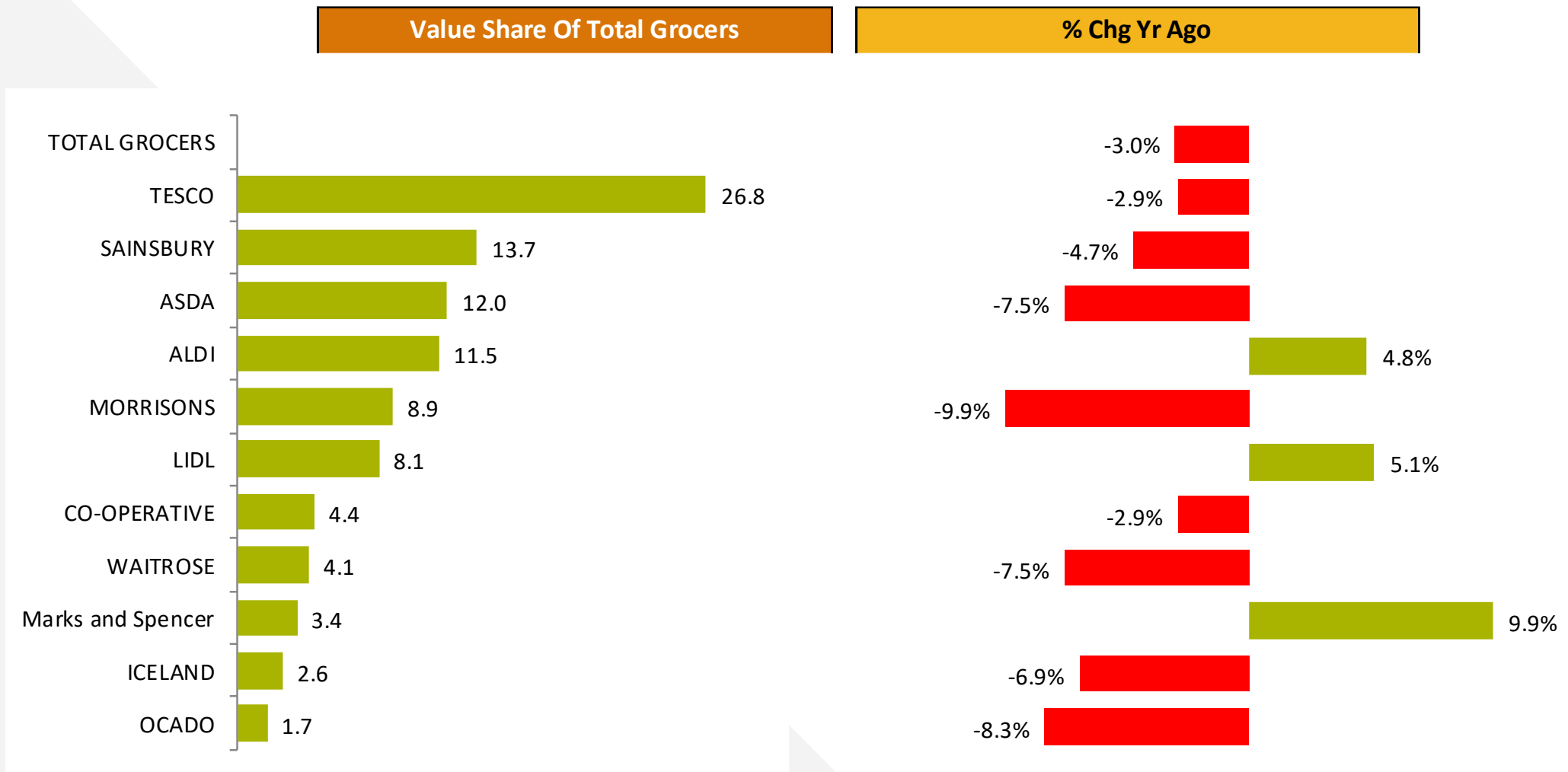


Source: NielsenIQ Homescan, FMCG, 52 w/e 01.01.22, value share of trade & value % change vs YA Quarterly FMCG Value Share % vs YA Qtr 1 2020 – Qtr 4 2021

© 2022 Nielsen Consumer LLC. All Rights Reserved.



# Discounters and M&S are the winners so far in 2022



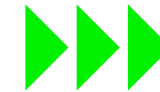
Source: NielsenIQ Total Till and Homescan FMCG 12 weeks ending 26th Mar 2022

# And as price inflation builds, the discounters are poised to continue share gains

Discounters' share gain momentum has returned and is fuelled by new store openings

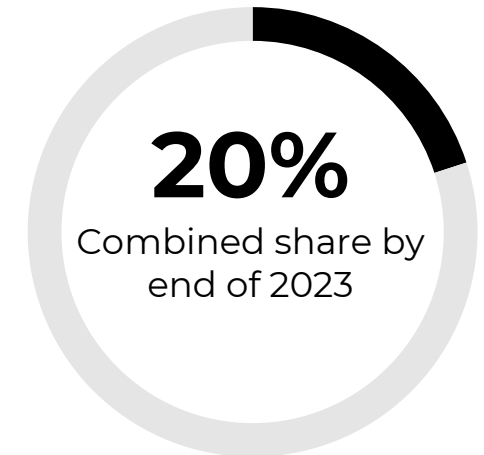


Value Share	Penetration	Frequency	Spend per trip	Loyalty (£)
<b>18.1%</b> +1.4pts	<b>79.8%</b> -1.3pts	<b>37x</b> +14.5%	<b>£23.38</b> -4.4%	<b>24.1%</b> +2.4pts
<b>10.7%</b> +0.6pts	<b>65.5%</b> -0.5pt	<b>25x</b> +13.6%	<b>£24.70</b> -6.5%	<b>17.5%</b> +1.3pts
<b>7.5%</b> +0.8pts	<b>58.2%</b> -0.8pts	<b>22x</b> +13.8%	<b>£21.71</b> -1.2%	<b>13.9%</b> +1.8pts



**240**

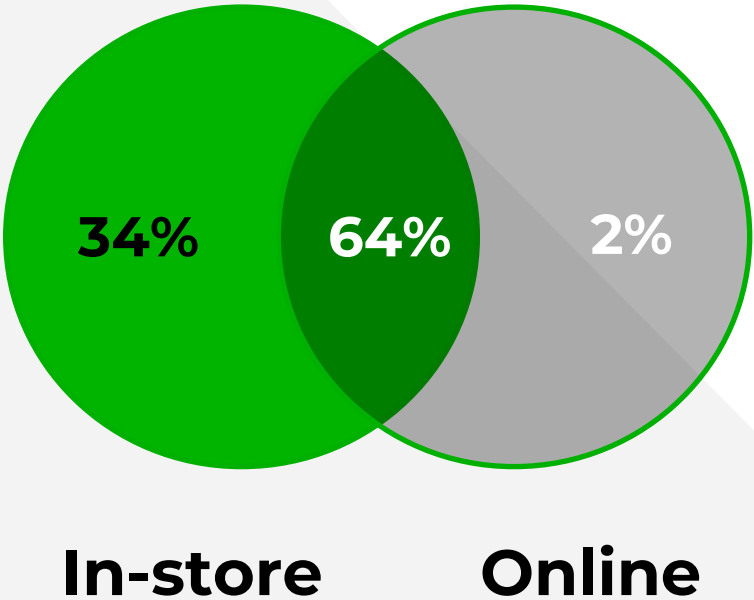
New stores planned in next 2 years



# Online: revolution to evolution. Traditional Online now part of more households routine, Rapid Delivery likely to drive further growth through capturing impulse missions

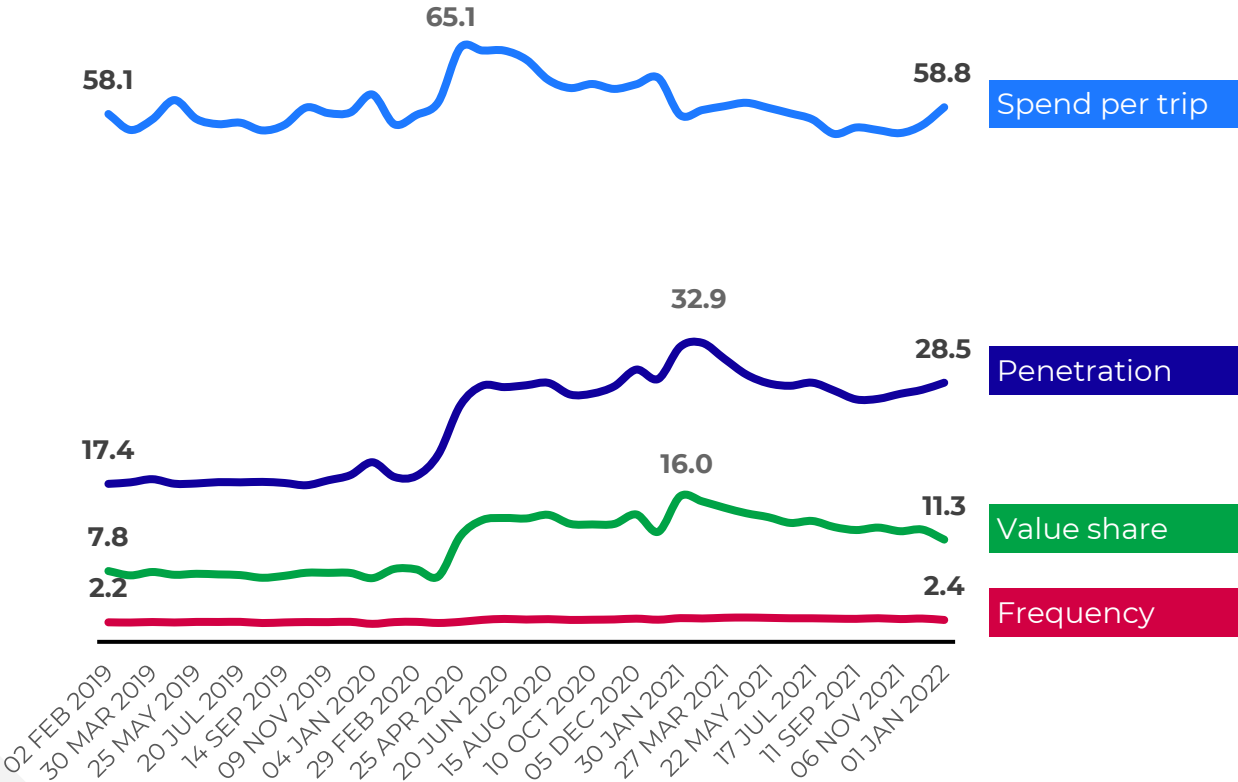
## Omnishopper

FMCG – % households – 52 weeks



## Online

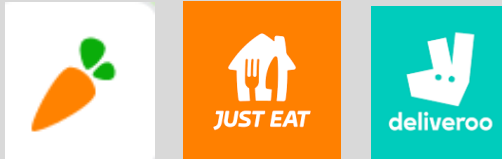
FMCG – KPIs – 4 weekly



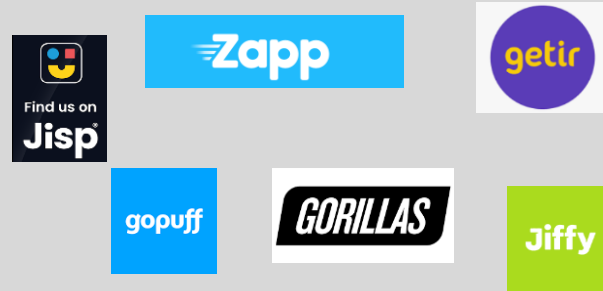


# Rapid Delivery – can it deliver the impulse shop – at scale?

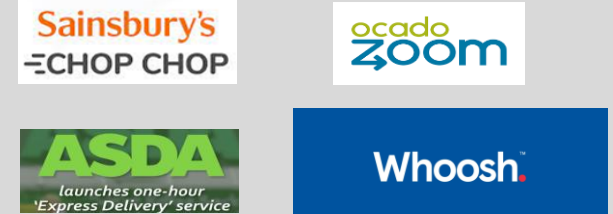
## Aggregators



## Pure Plays



## Retailers

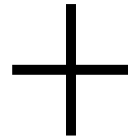


The new, fragmented sub channel estimated as <5% of the c. £27b per annum Online FMCG market

# How will online maintain/grow share?

## Challenges

- Consumers less reliant on online, return to less planned in store trips
- Old barriers remain: wanting to choose own products, substitutions, flexibility and delivery charges



## Growth drivers

- 42% HHs will continue to shop online
- Over 65s account for an average of 28.2% spend online in 2021
- Infrastructure/ investment improvements
- Rapid Delivery unlocks convenience



**15%**

By 2023

# Instore: The reinvention of the store continues but shopper expectations stable

▶▶▶ **98%**  
HHs shop instore

Attribute	Weighted Ranking
A Good Overall Shopping Experience	1st (1)
Price	2nd (2)
Promotions and Offers	3rd (3)
Providing Convenient Ways to Shop	4th (4)
Good Use of Technology	5th (5)
Good Product Availability	6th (6)
Wide Choice of Products	7th (7)
Good Quality Food and Drink	8th (8)
Good environmental practices <b>NEW</b>	9th (na)
Good ethics and social responsibility <b>NEW</b>	10th (na)

**66%**

HHs say they are shopping at same or more stores compared to last year.

**59%**

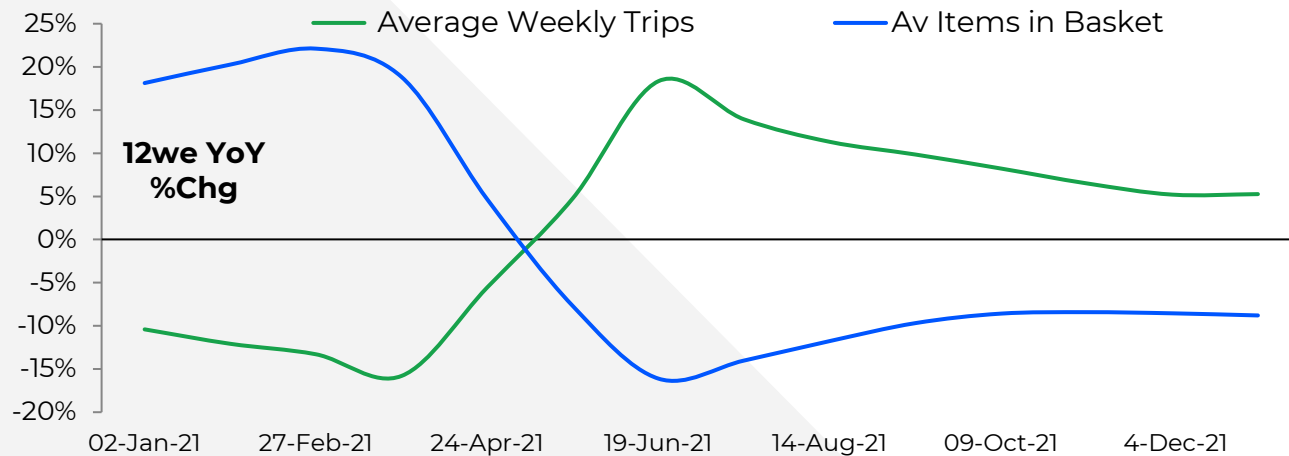
Shopping at more stores for better prices

**63%**

Shoppers have used other services within a supermarket in last 3 months.



# As shoppers returned to 'little and more often' purchasing as restrictions ease the battle for convenience will return – but be different



**43%** work from home at least 2 days each week



**55%** HHs shop in Convenience stores each month

Source: NielsenIQ Homescan GB FMCG, based on rolling 12w/e to 1<sup>st</sup> Jan 2022

Source: NielsenIQ SOTN Survey: 11. Thinking of those in your household who are currently in paid employment and working from home, overall how many days a week on average are being worked from home?

Source: NielsenIQ Homescan, based on 4 weekly average for 2021

© 2022 Nielsen Consumer LLC. All Rights Reserved.

# Convenience channel must innovate for the new look convenience trends

## Original trends interrupted

- + OTG ranging
- + Increase services in store inc foodservice
- + Private label range expansion

## Accelerated trends

- + Hybrid working
- + Shift to 'local' shopping
- + Ability to offer same-day delivery
- + Redefine store range to meet local mission

## Disrupting trends

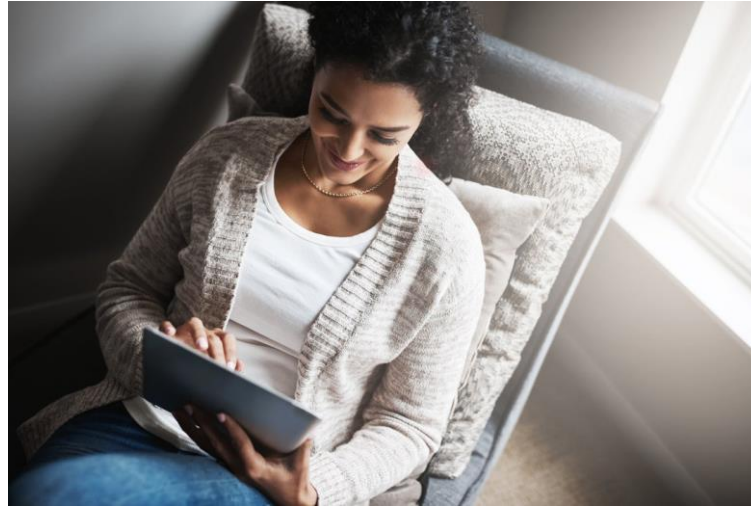
- The rise of larger neighbourhood stores
- Rapid Delivery pure players
- HFSS (>2,000ft or >50 employees)
- Managing price inflation

# Key implications – we are going Back to the Future



## Ongoing agility required

- Today's basics distract from tomorrow's bigger trends
- Balancing staffing, pricing, supply with planning for HFSS/DRS, store transformation, mission shift and new competitors



## New habits still forming

- A battle for new loyalty now on
- Promiscuous shopper returns
- Price perception key to avoid switching
- Hybrid working evolution - shop local
- New Socialising – on a budget?



## Critical trends still relevant

- Customer experience is key
- Convenience is relative
- Loyalty is fragile
- Technology is enabler of agility





**What will impact  
consumer spend?**

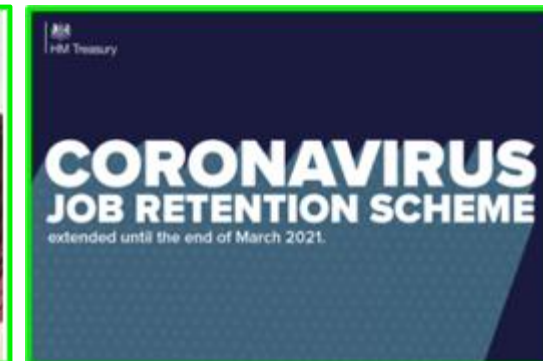
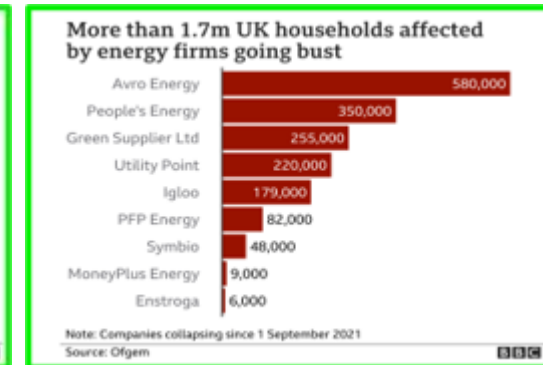
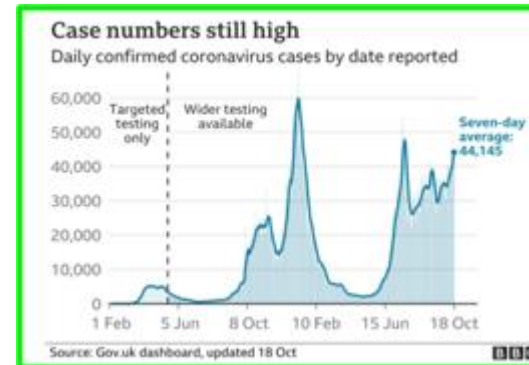
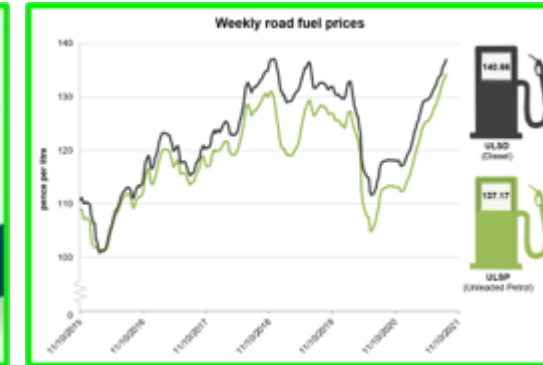


# In Q4 of 2021, consumers were hit with financial pressures from across the board

## Rising cost of living currently taking precedence over health

Which of the following if any is the most important concern to you at the moment?

	Nov 21	Feb 22
<b>Inflation / Rising cost of living.</b>	<b>33%</b>	<b>41%</b>
My household's health.	26%	19%
The outbreak of conflict/war in Europe.		14%
Global warming / The environment.	15%	7%
The UK economy.	9%	9%
Terrorism / Crime.	6%	2%
Job security.	6%	3%
Not concerned about any of these.	5%	5%



# Health and Sustainability are still important and will be the long term trends to inspire consumer purchasing



**93%**

Say it's important to look after their household's health



**71%**

Say the topic of food and nutrition is important to them



**42%**

Say it's important to buy sustainably produced grocery products

**+8%** vs LY

# Healthy eating concerns remain similar to previous years

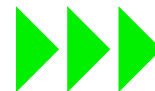
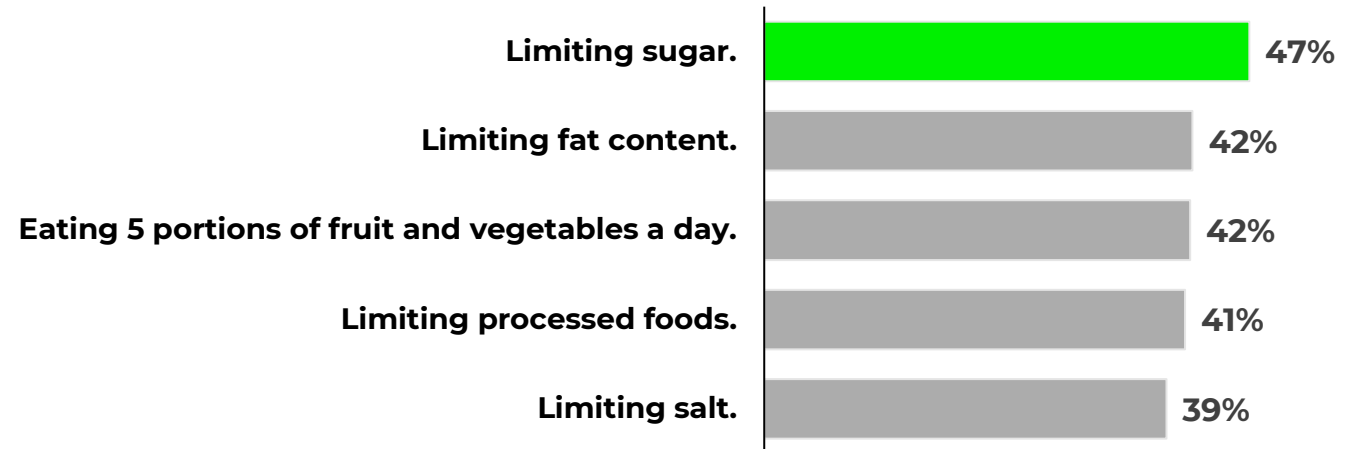
## Top healthy eating concerns

**26%**

HHs say that **importance of health** in influencing the grocery products they buy has **become more important**

**48%**

HHs say **health properties/health enhancing benefits** are **important** when buying food and drink



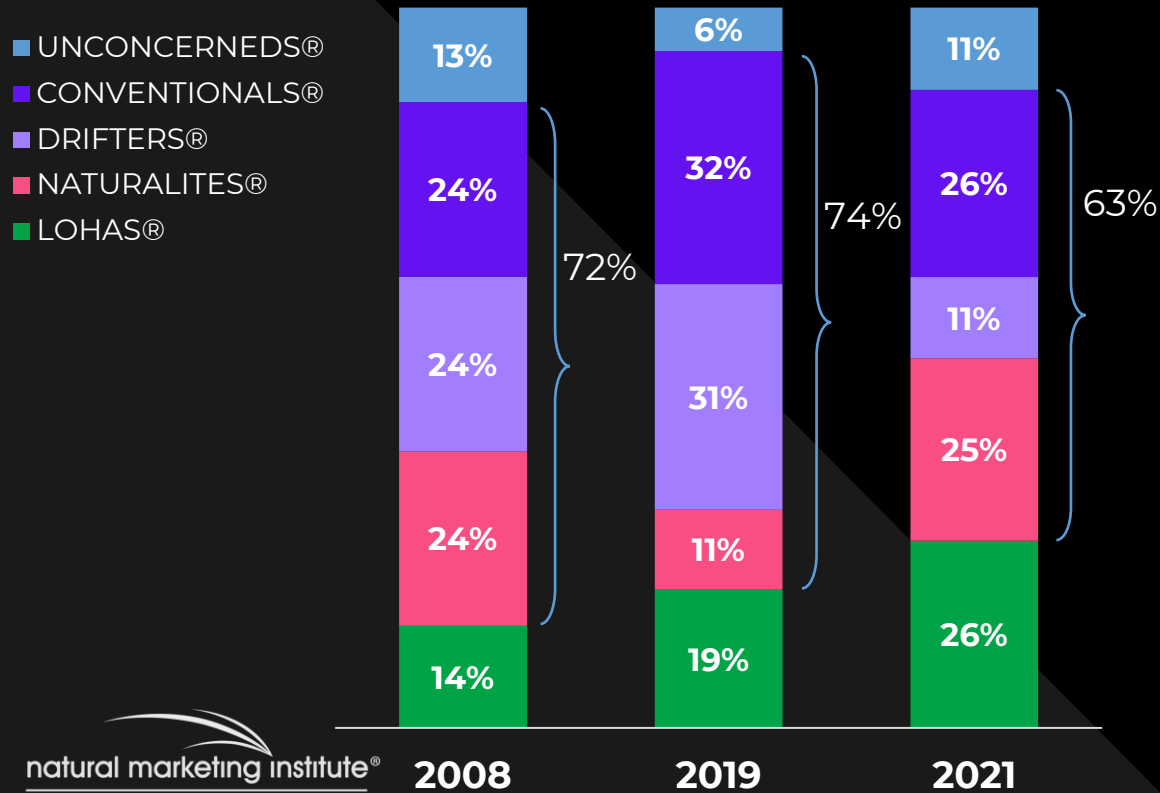
### Top categories shoppers are looking to cut down on sugar:

1. Soft drinks
2. Desserts, cakes and pastries
3. Biscuits
4. Cereals
5. Yogurt/yogurt drinks

# Increase in polarisation of shoppers, with groups who care more and less about sustainability in growth vs 2019

## Sustainability profiles

% GB households



natural marketing institute®  
Research America Inc.®



**48%** Reducing food wastage



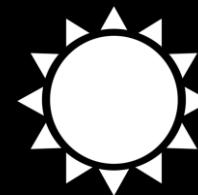
**39%** Reducing plastic consumption



**36%** Buying local / Buying British



**26%** Buying products with minimal or no packaging

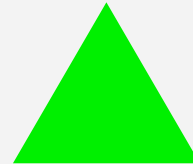


**24%** Climate change



# Ensure you have the right products on shelf to win

**-0.7%** wtd distribution points\*



**78%** HHs look for new food & drink products to buy

trusted brand  
different flavours  
sustainable  
on the go  
less processed  
easier to cook  
smaller serve diet



**Underpinned by value for money**

# What has 2022 in store for consumers? ...A real challenge

▶▶▶ **£1,200**

Worse off this year vs last\*

**7%**

Bank of England inflation March 22

**15%**

Estimated Food inflation

**Energy price cap increase,  
National Insurance tax increase,  
Ukraine crisis...**

# Nearly two thirds of shoppers are actively watching household spending – Grocery the most important part of this

**51%**

Say their household overall expenditure is higher or much higher than pre-Covid

**63%**

Say they are actively watching their household spend

**94%**

Say it is important to make savings on their grocery bills

**44%**  
Groceries

**42%**  
Utilities

**28%**  
Takeaways

**27%**  
Clothing

**26%**  
OOH dining

# Promotions are most important to consumers trying to save on grocery bills

## Top 5 ways to save on grocery bills

% Households stating it's important to make savings on Groceries

<b>...looking out more for price promotions.</b>	<b>34%</b>
...trying to buy more products when they are on promotion.	31%
...being more careful when I shop so that I waste less food.	29%
...using a shopping list when grocery shopping.	25%
...comparing prices more carefully.	23%

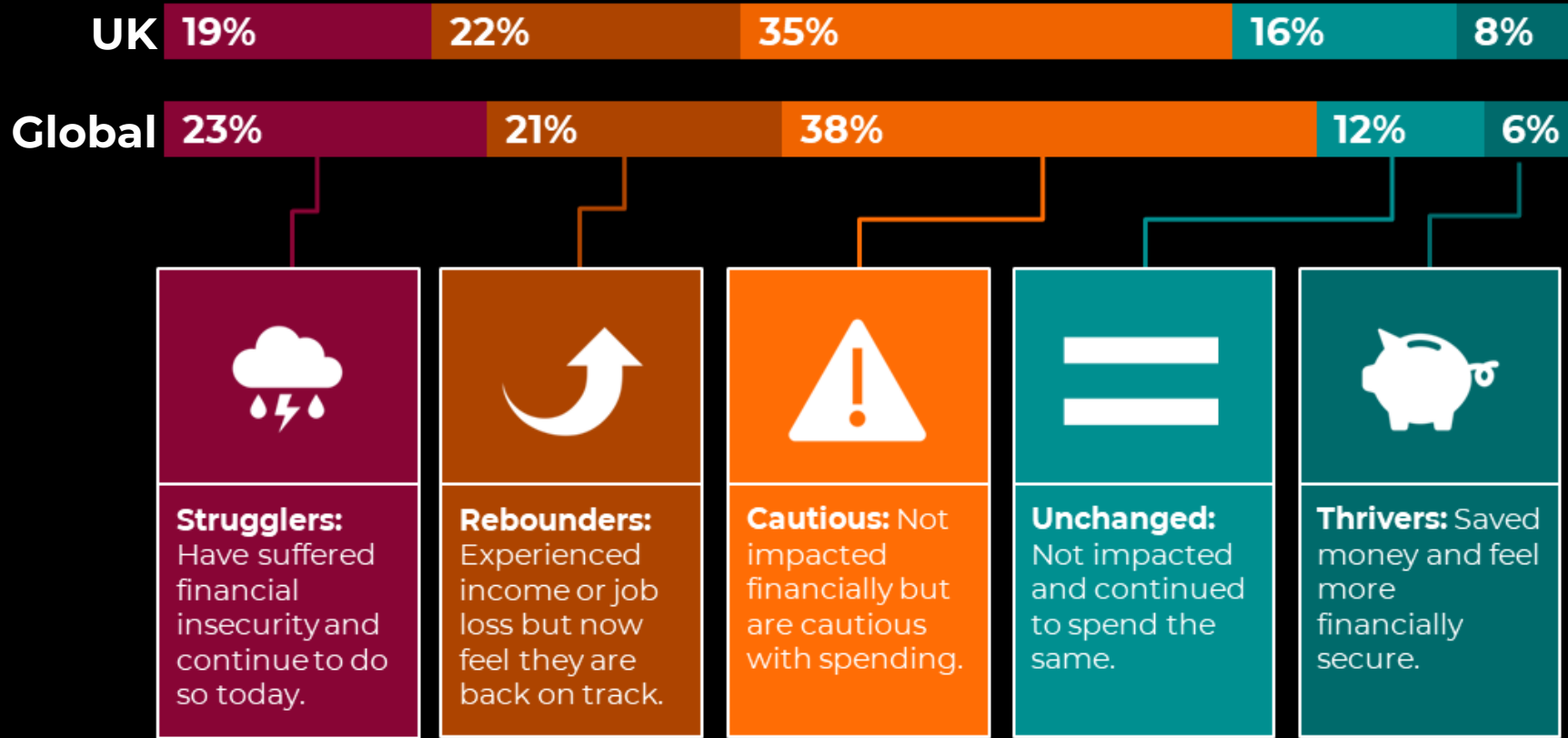
## Top 5 categories to make savings on

% Households stating it's important to make savings on Groceries

<b>1</b>	Meat, Fish & Poultry	<b>28%</b> ▲ 3pts
<b>2</b>	Crisps & Snacks	<b>25%</b> ► 0pts
<b>3</b>	Toiletries	<b>22%</b> ▲ 2pts
<b>4</b>	Confectionery	<b>19%</b> ▲ 0.5pts
<b>5</b>	Beers, Wines & Spirits	<b>19%</b> ▼ 1pt

# How consumers are evolving

2022

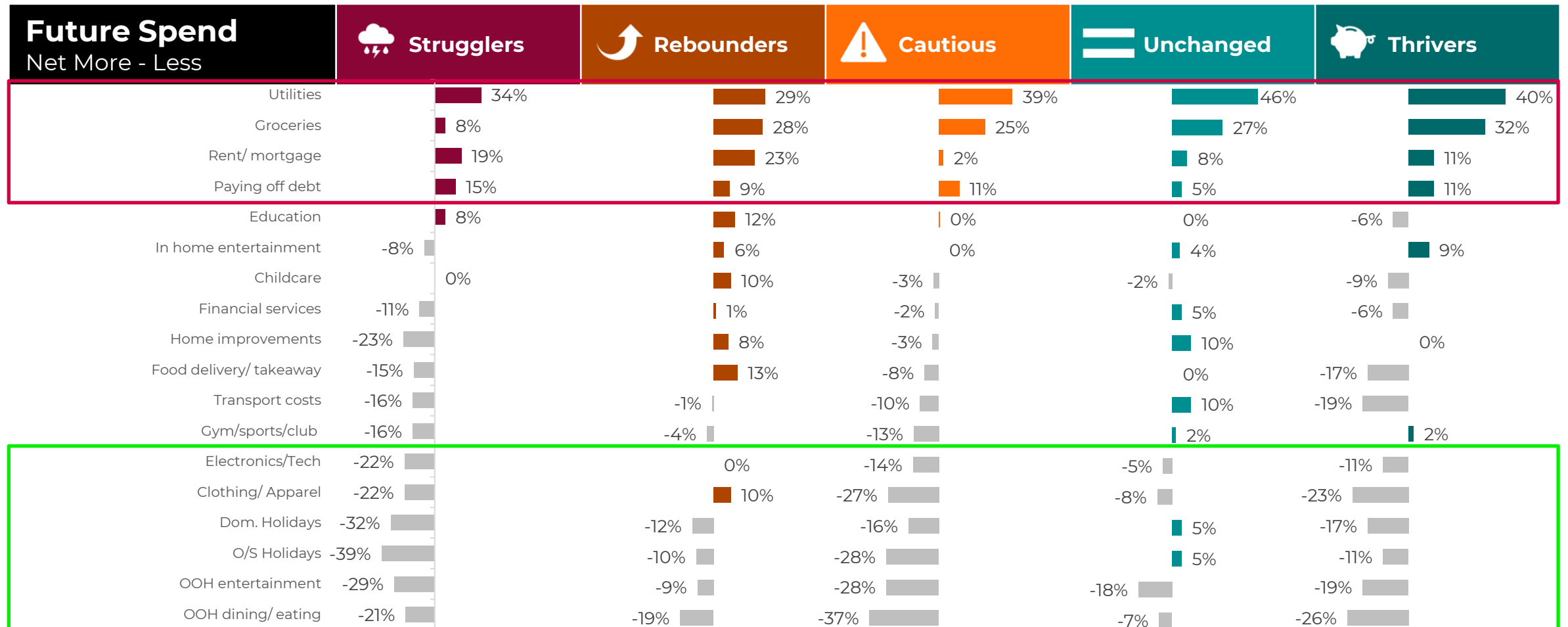


Source: NielsenIQ 2022 Consumer Outlook Survey, Dec 2021  
Q. Which of the following best describes how COVID-19 impacted your overall household financial situation over the last 2 years?



# @home spend is the winner for ongoing “endemic” lifestyles in 2022

Those most impacted will continue to rationalize while less impacted free up purse strings



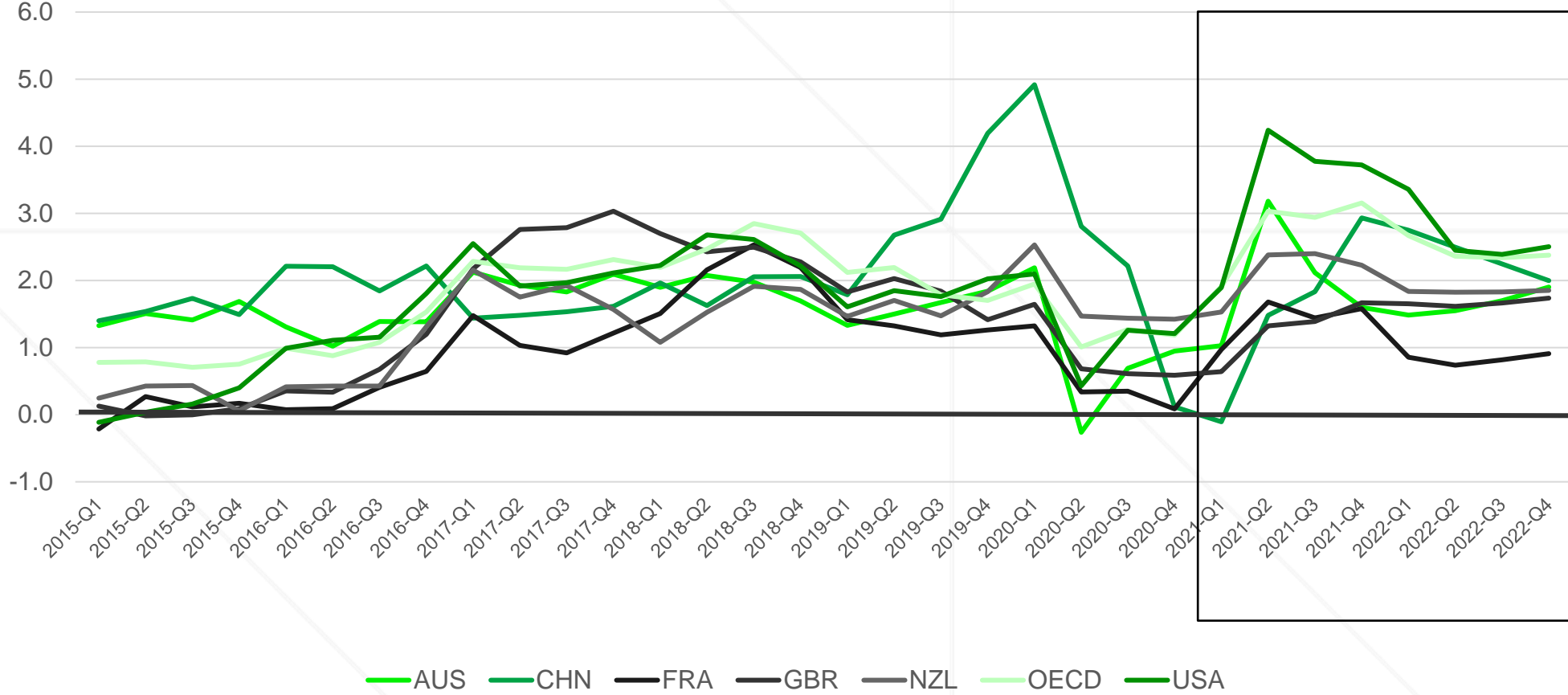
Source: NielsenIQ 2022 Consumer Outlook Survey, Dec 2021, UK  
 Change in spending calculated by subtracting % of respondents who are spending less from % of respondents who are spending more  
 © 2022 Nielsen Consumer LLC. All Rights Reserved.

How will **inflation**  
affect brand  
strategies?



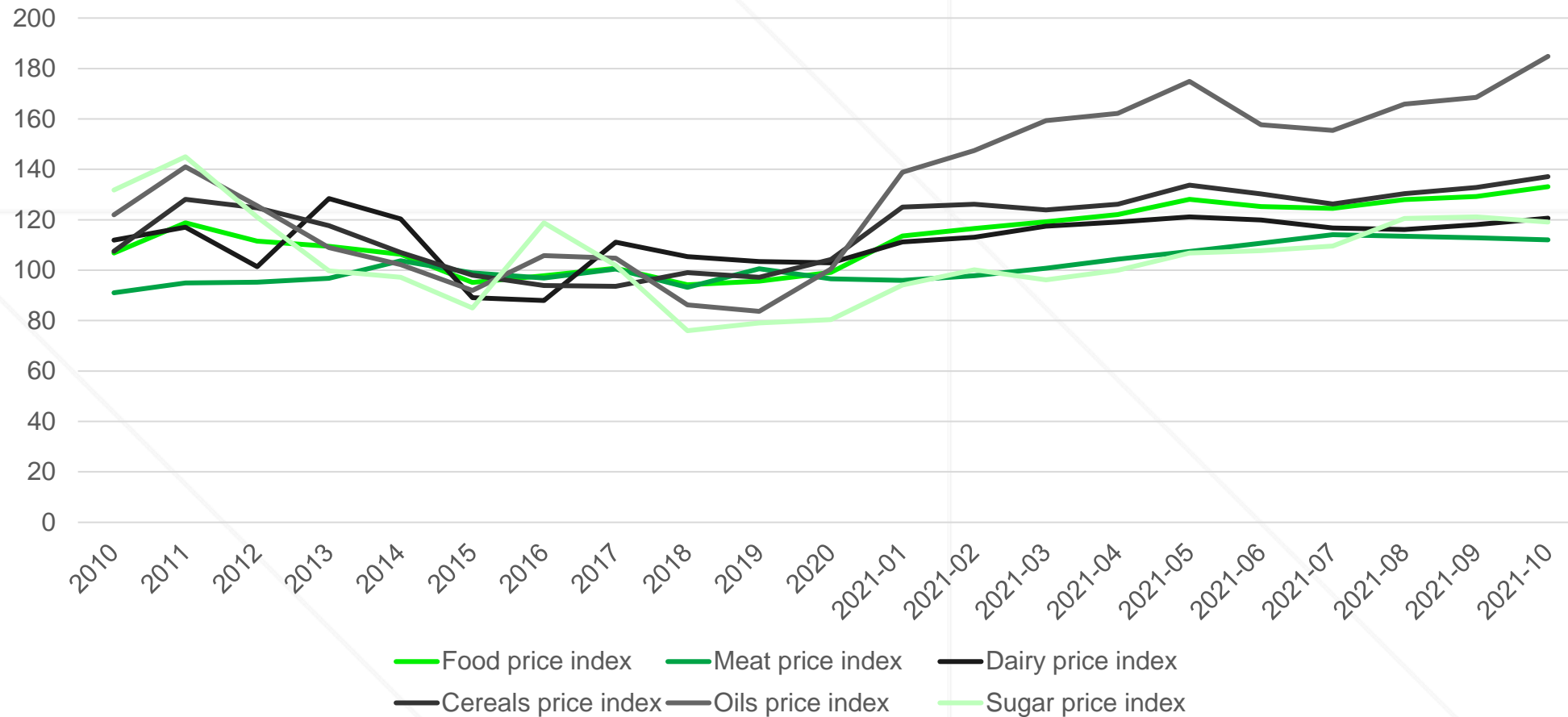
# Forecasts are mixed but inflationary pressures will stick around for some time

**Inflation % change vs YA**

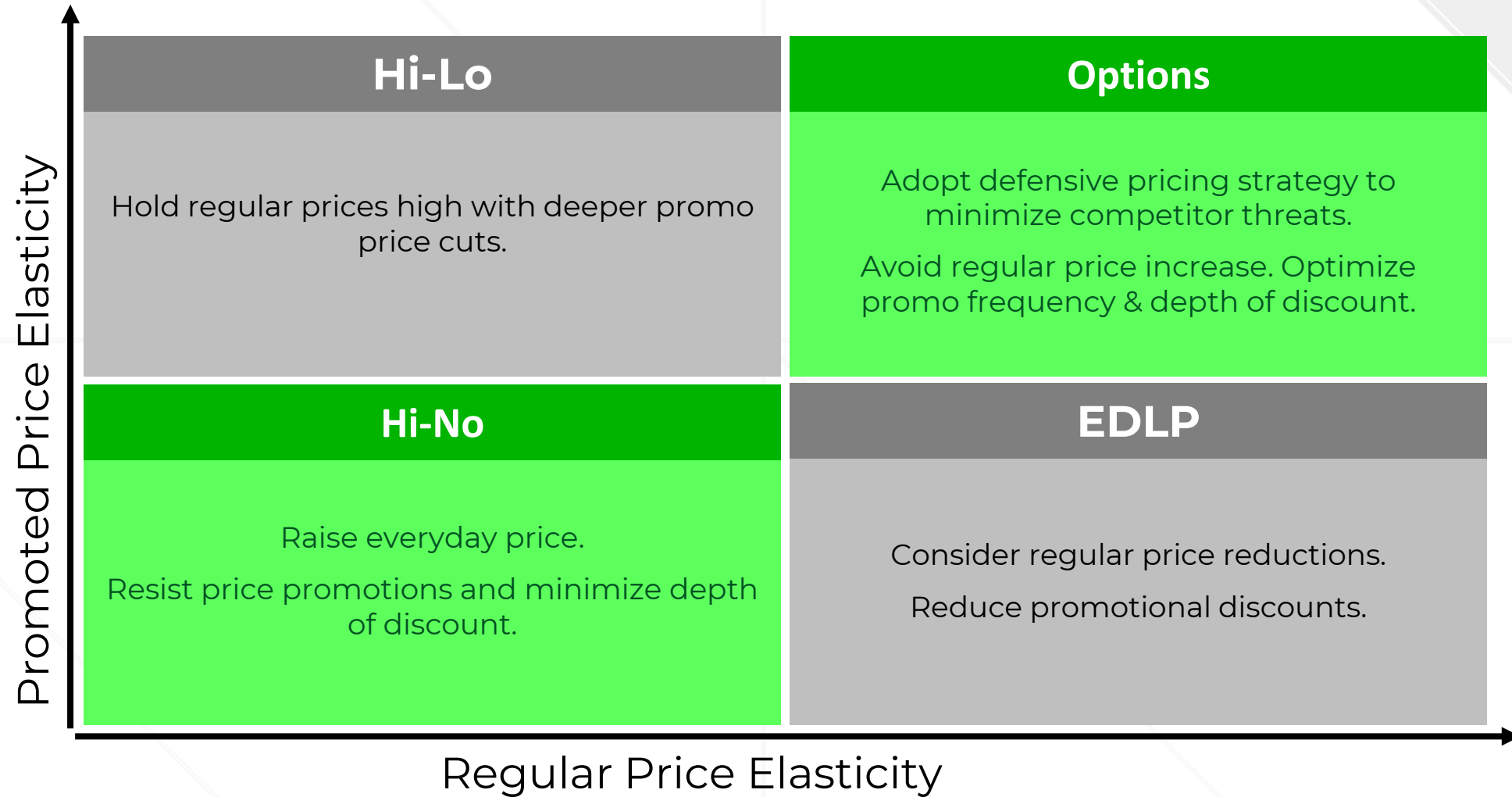


# Price pressure is clear across raw ingredients

## Food Agricultural Organisation (FAO) food price index

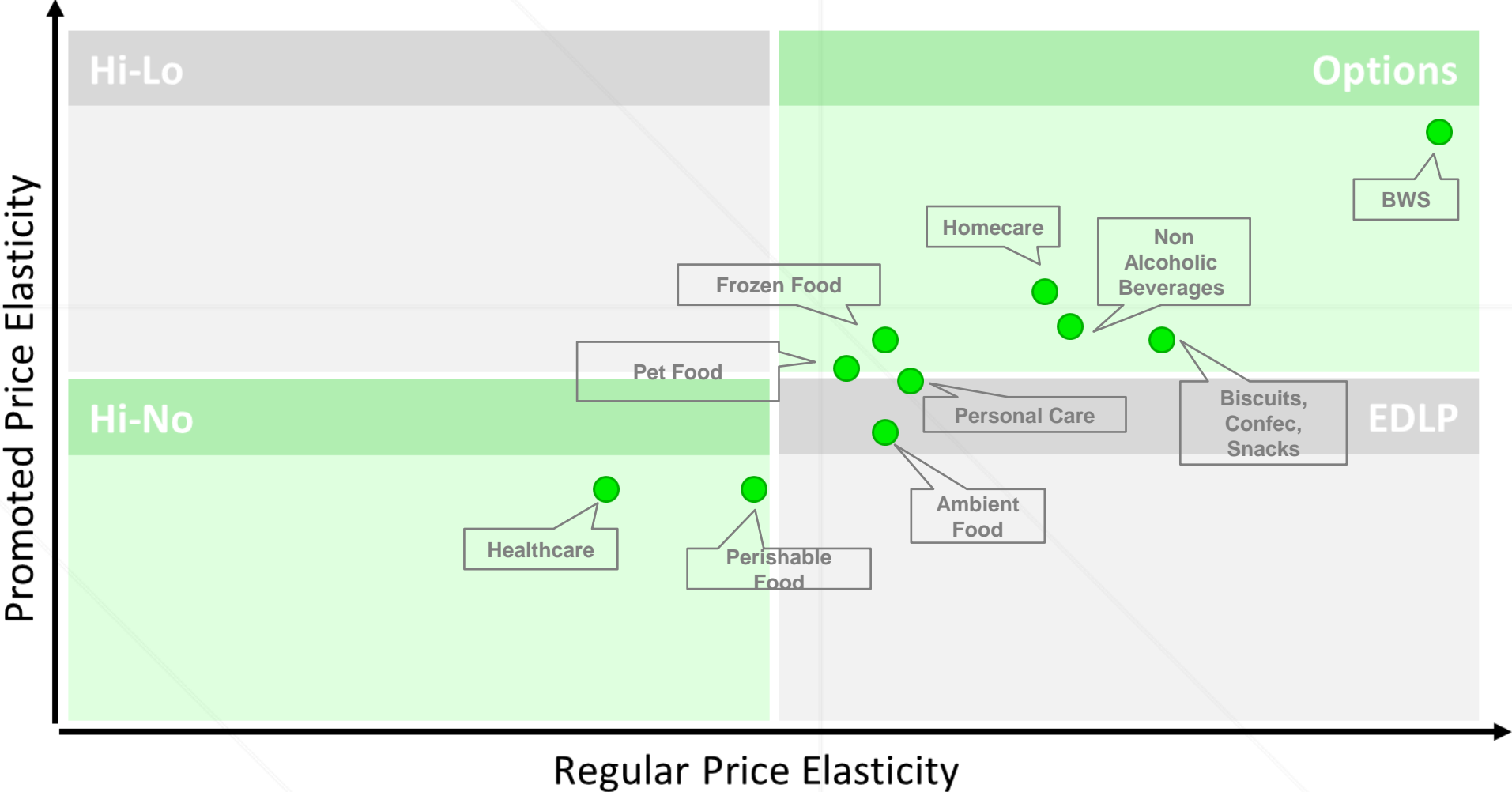


# Your strategy is going to be challenged, ensure you're ready to pivot





Not all categories or brands are equal however, discretionary categories will be hit hardest & brands competing on an over saturated shelf



# Brands who develop a strategy that lets them react will be the winners

**Everyday  
price**

**Promotion  
intensity**



## **Price structure**

- Cost of goods
- List price
- Net price
- Shelf price

## **Promotion levers**

- Mechanics
- Price
- Frequency
- Timing
- Funding

# Price increases will not automatically lead to £ growth. We should expect losses to be seen

Average impact of a +1% increase in price on volume in GB

**-1.71%**



**What will happen?**

With a inflation at +6%\* as predicted by the Bank of England, an average product could lead to:

**-9.5%** loss in volume

\* - [Bank of England Monetary Policy – December 2021](#)



## 5 key strategies for those who will win

**1**

---

**Identify pricing opportunities**

**2**

---

**Develop an item level pricing strategy**

**3**

---

**War game competitive pricing actions**

**4**

---

**Activate a near term price appreciation plan**

**5**

---

**Use innovation for long term price premiumisation**

# 2022 Key challenges

## 1

---

We going to **Back to the Future**

Ongoing **agility** required to balance immediate operational focus with planning for big changes ahead

New habits still forming - battle for **loyalty/share of wallet** has begun

Critical trends still relevant - **customer experience** is key

## 2

---

The **cost of living** will put pressures on consumer spend on grocery

**Health and sustainability** continue to be important and will drive long term growth

Polarised shoppers means it's more important than ever to **understand your consumer**

## 3

---

Face into the price pressures with the right strategy. Balance your:

**value** proposition (price, quality convenience)

vs

**values** proposition (Health transparency, sustainability, ethics)

\* Resolution Foundation – Guardian 29 Dec 21





**Thank you.**