

**KANTAR**

# How to grow your business amidst the cost of living crisis



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**KANTAR**



# Real behaviour to unpick how shoppers will respond



3.5 million purchase moments per annum

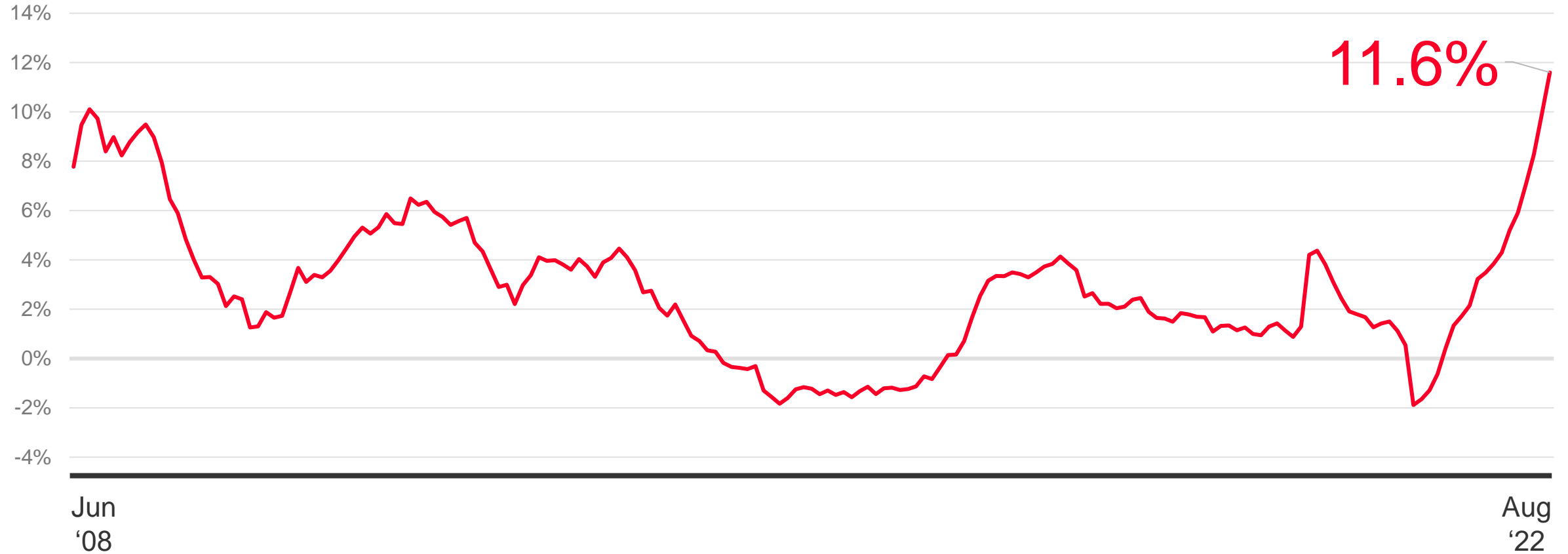


1.2 million consumption moments per annum

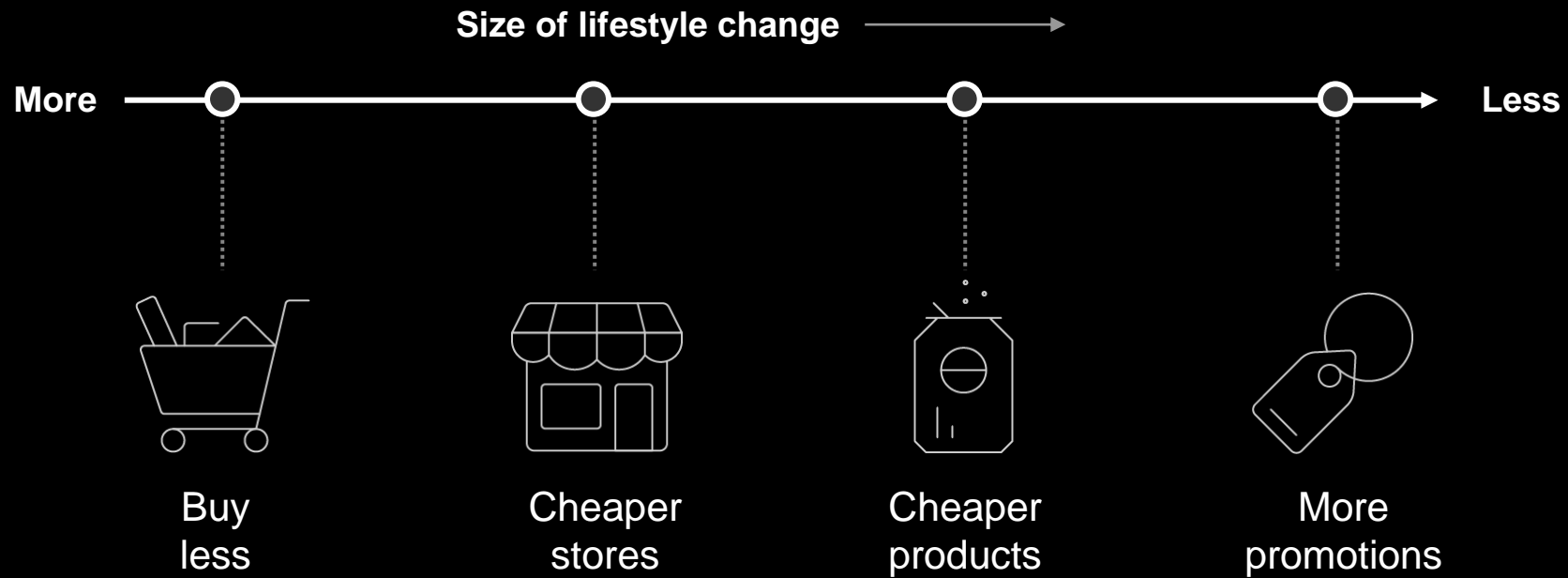
# Cost of living pressure is heating up

## Grocery inflation at its highest point for at least 30 years

Take Home FMCG – 4 w/e inflation

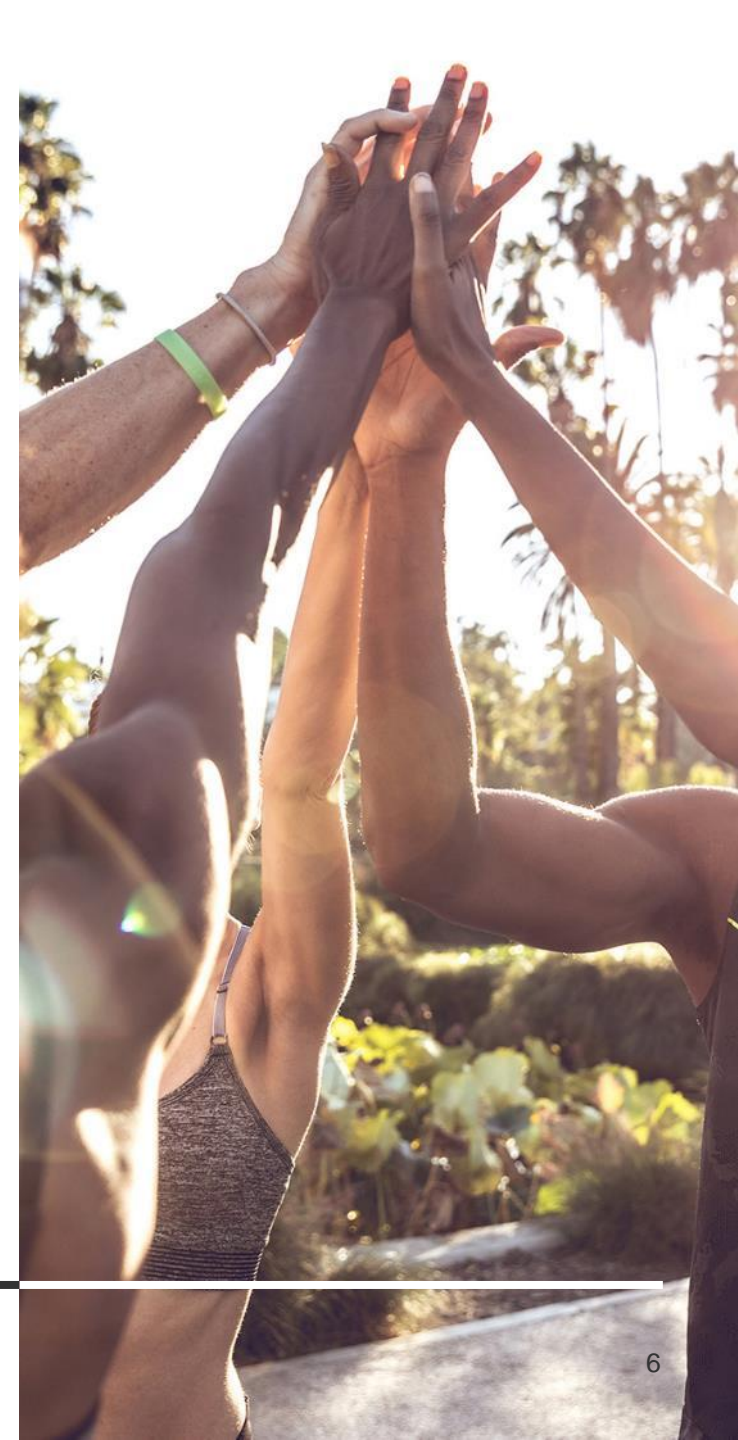
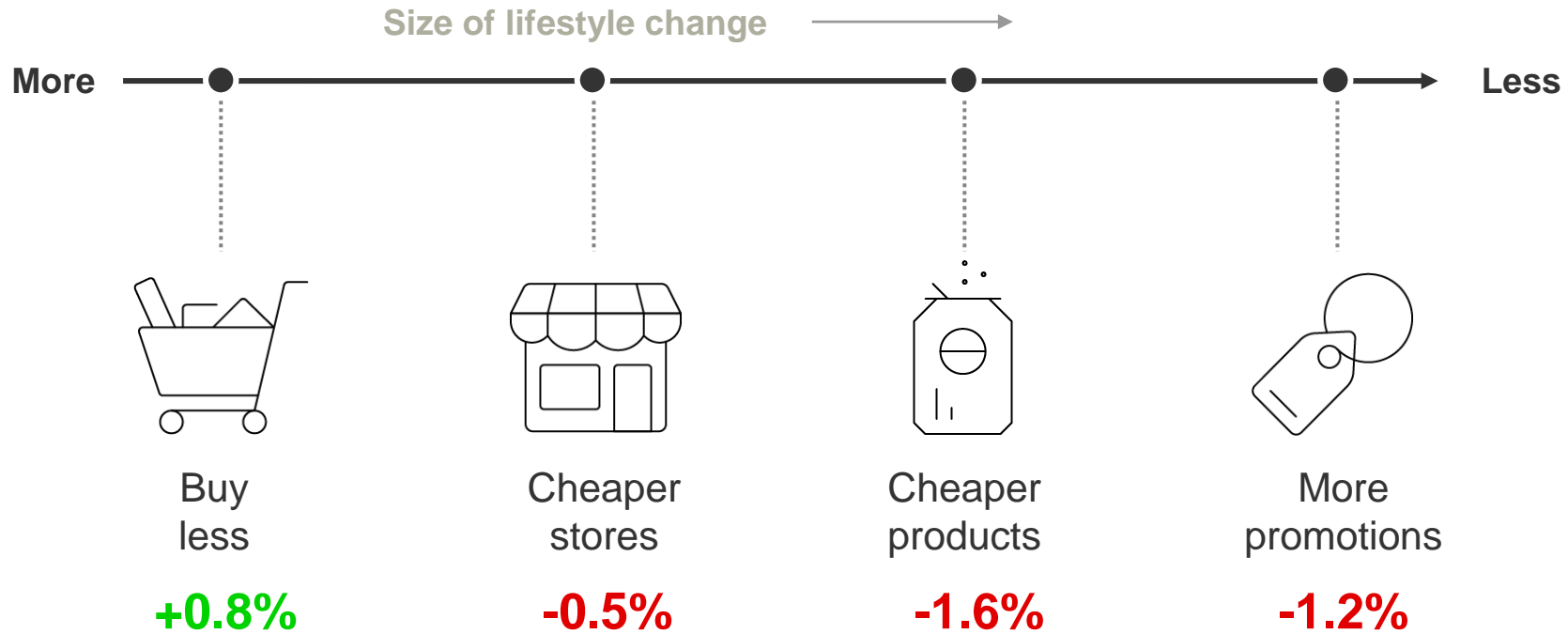


# What should we expect from shoppers?



# Savings are made where they cause least disruption to our lives

Take Home FMCG – Impact of each ‘coping strategy’ on total market value

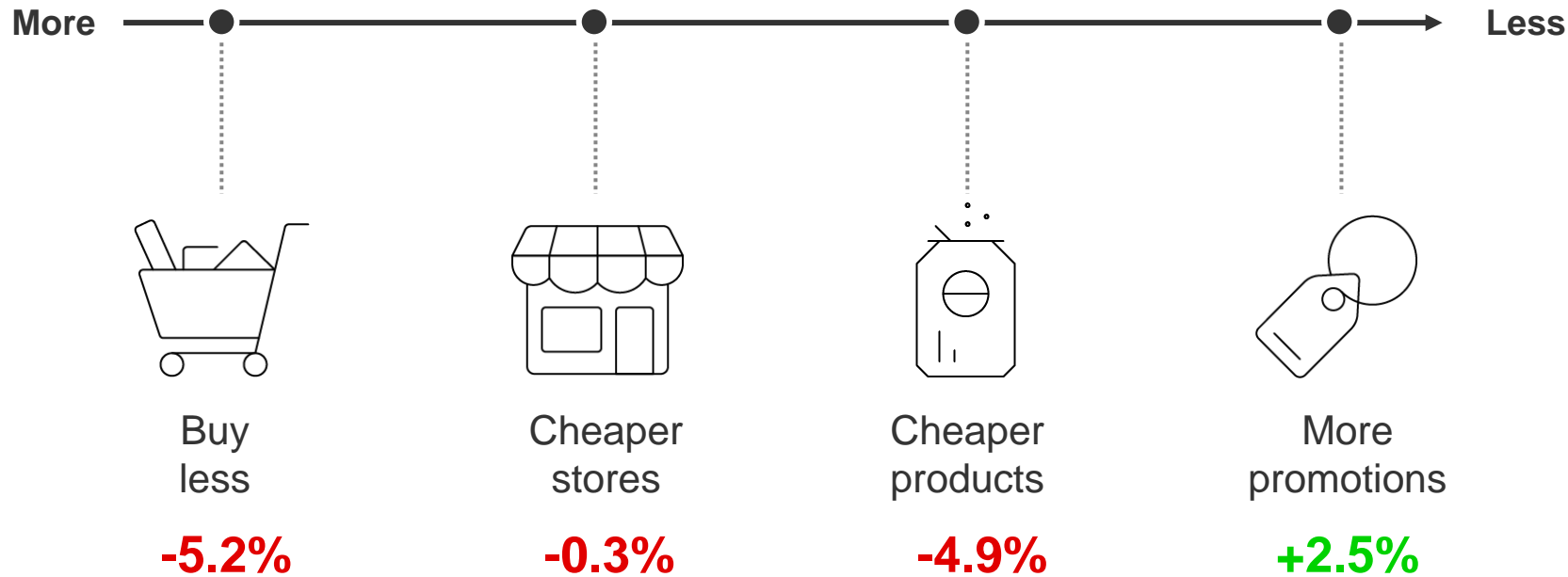


# We're already seeing the same pattern this time around

Volume reductions can be seen as release of lockdown restrictions not inflation response

Take Home FMCG – Impact of each 'coping strategy' on total market value

Size of lifestyle change



This doesn't mean that every price rise will be rejected by shoppers

Historically shoppers have absorbed  $\frac{3}{4}$  of grocery price increases





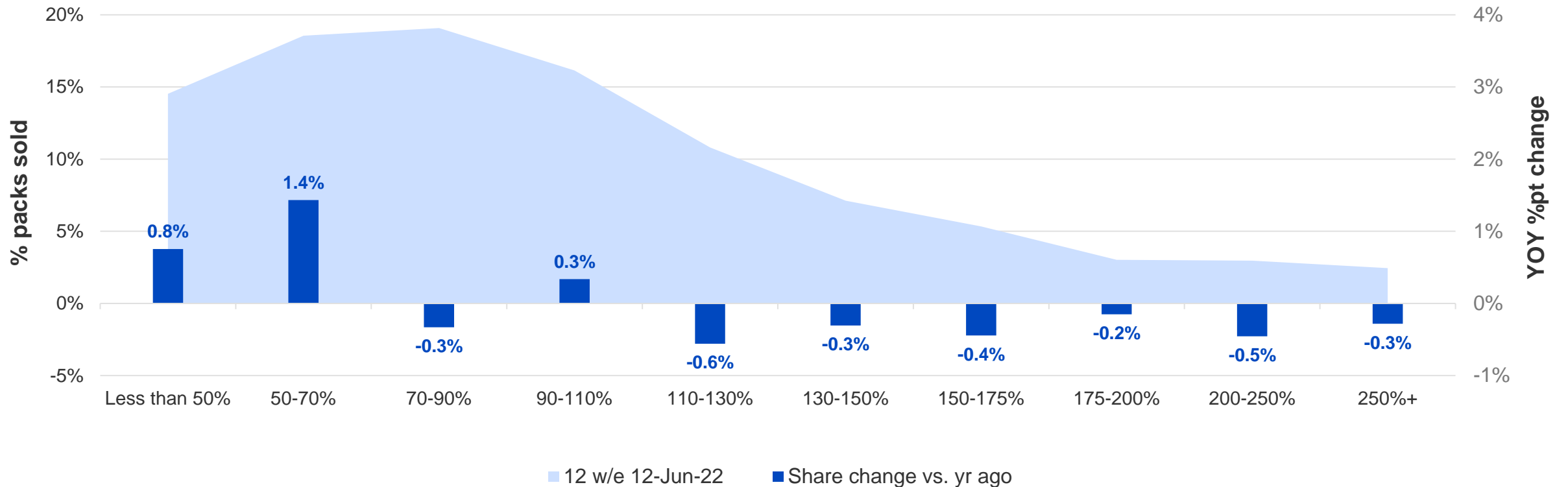
01

Be prepared to  
work harder to  
justify price  
premiums

# Selling at a premium just got tougher

Less than 15% packs (and falling) are sold at a 50% price premium

Take Home FMCG – % packs sold by price index vs. category average (price indices based on price per pack)



# Continue to invest where you can

Winning vs Losing Brands 2008 to 2011

**60%**

**more innovations**

**60%**

**more renovations**

Innovations = new brands/sub-brands

Renovations = new size, flavour, type

# The best performing brands continue to be those seeking new shoppers

(not those simply looking to hold what they have)

Top 5 best performing brands (value sales % growth) – 12 w/e 12-Jun-22

01



+42%

02



+35%

03



+31%

04



+30%

05



+27%

# Each by pulling one of our established brand growth levers

Top 5 best performing brands (value sales % growth) – 12 w/e 12-Jun-22

01

ASDA

+42%

More presence



02



+35%

More moments



03



+31%

More moments



04



+30%

New needs



05



+27%

More categories



02

Communicate  
value not price

# We've been far quicker to return to valued, social occasions post covid

It has been the incidental and functional that we've dropped

59%

of 2019



£10+ occasions



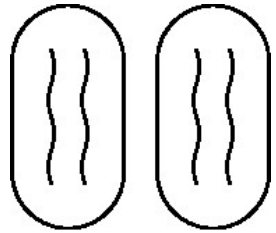
101%

of 2019

# Winning categories in the last recession were certainly not basic essentials

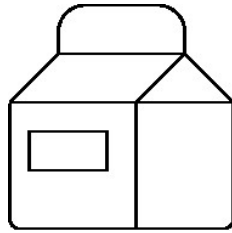
Total FMCG – Top 10 Growing Categories – Value Sales CAGR - 2007 to 2014 (filtered to categories worth more than £100m annually)

#1



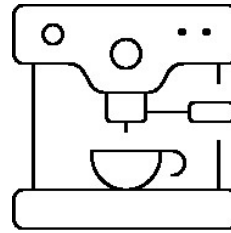
Healthier Biscuits  
+13%

#2



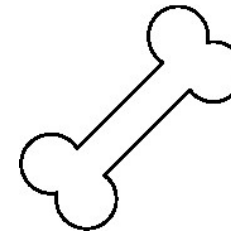
Chilled Flavoured Milk  
+11%

#3



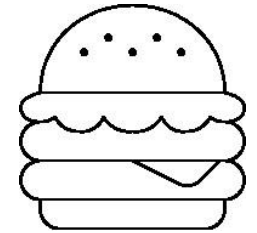
Ground Coffee/Beans  
+11%

#4



Cat & Dog Treats  
+10%

#5



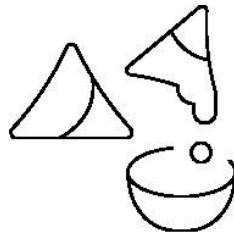
Chilled Burgers/Grills  
+9%

#6



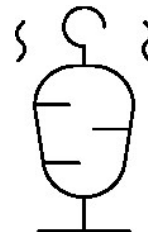
Savoury Biscuits  
+9%

#7



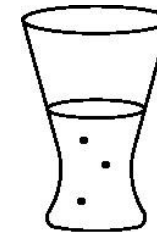
Ethnic Ingredients  
+9%

#8



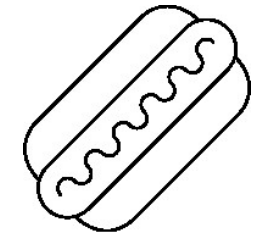
Flavoured Meats  
+9%

#9



Cider  
+9%

#10



Chilled Frkfrtr/Cont. Sausage  
+8%



# Prices viewed objectively can create problems for premium brands

NEWS

## Shoppers outraged as tub of Lurpak butter goes for £9

Lurpak security tagged in supermarket as prices rise to an astonishing £9.35



Hoy  
@mr\_hoy94



lurpak are now accepting 3-month plans on klarna, making the payments spreadable

# You have the power to change the frame of reference



## DOES YOUR KID HAVE HUNDRED DOLLAR FEET AND A TEN DOLLAR HEAD?

**A** kid today, always going around with expensive sneakers and cheap bike helmets like they do. Hey, wait a second. That's your fault. Or is it?

Maybe it's more a statement of safety. Sneakers are cheap. Helmets, well they're just some dumb safety thingy—some— and in some cases, lawmakers make kids wear 'em. Or maybe it's simply a result of the little buggers wearing you down for the long haul. Either way, let's get this straight. You don't want your kid wearing a cheap helmet. You want your kid wearing a Bell helmet.

Because nobody makes a better helmet than us. It's been that way for 40 years or so. We pioneered the field of helmet safety—first with our car helmets, now with bike helmets, too. We developed our own safety tests, which we conducted in our own lab. And still do. Understandably, no other company has sold nearly as many helmets. And no other company is chosen by more race car drivers and pro cyclists. Many of whom have had the misfortune of proving firsthand how good our helmets are. With any test, something your kid will never do.

**COURAGE FOR YOUR HEAD.**



03

Don't overlook the  
older shopper

# Older shoppers are starting from a more comfortable position

The Daily Telegraph

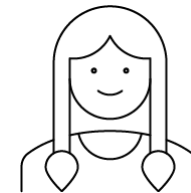
**How workers are being left behind as pensioners' disposable income soars**  
Retirees' income that used to lag behind working households has seen a spike driven by the Government's commitment to the triple lock

By Ben Butcher  
22 June 2022 • 8:04pm

Financially comfortable?\*

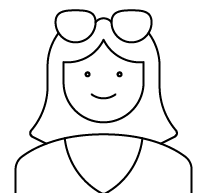
28%

Under 35s



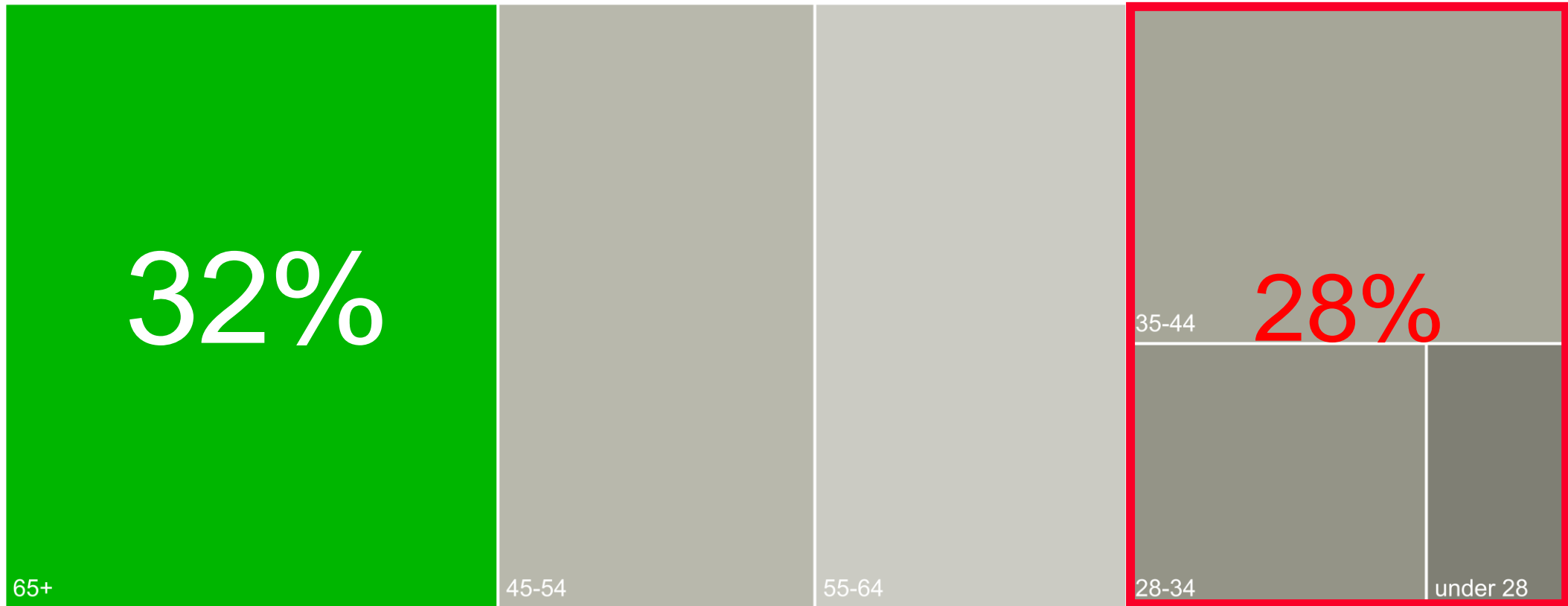
38%

Over 65s



# And we typically under-estimate their importance to the industry

Take Home Groceries - % sales by age of main shopper in the household



# There is a traditional slant to many of their choices

Categories with >40% sales from over 65s

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Chilled Cakes



Fresh Lamb

Brands with >50% sales from over 65s

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Werther's Original



# Less traditional lines also play a key role if they connect to a relevant need

Categories with >40% sales from over 65s

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Brands with >50% sales from over 65s

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Chilled Prepared Fish



Yoghurt Drinks & Juices

Charlie Bigham's

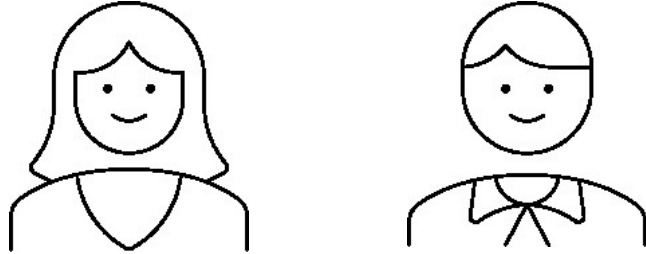


04

Think small value  
as well as big



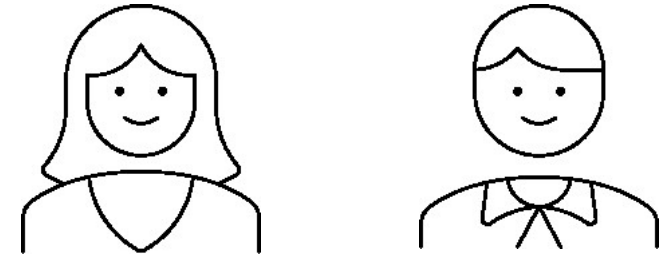
# Those under greater financial strain are forced to focus on immediate needs



**Struggling households**

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**230** x **£14.58**  
trips spend per trip

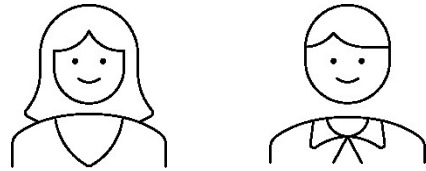


**Comfortable households**

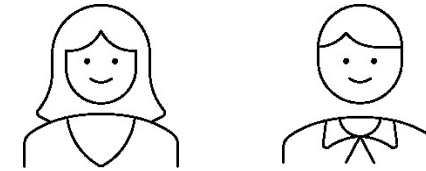
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**183** x **£19.38**  
trips spend per trip

# Does this also influence their decisions when standing at shelf?



**Comfortable**



**Struggling**



**£1.62**

(13.5p per biscuit)



**£2.59**

(10.8p per biscuit)



**£3.33**

(9.3p per biscuit)



**£4.61**

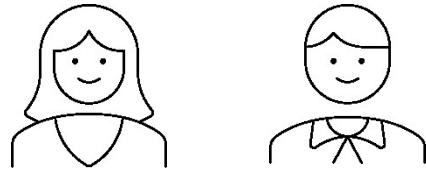
(9.6p per biscuit)



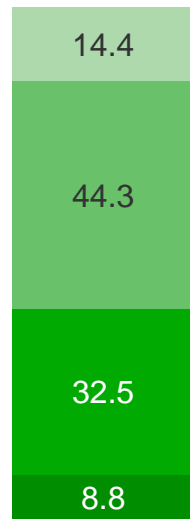
**£5.76**

(8.0p per biscuit)

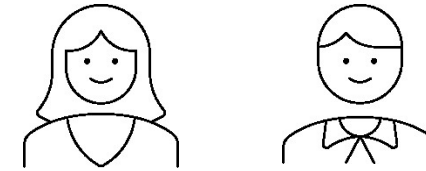
# Struggling shoppers led by immediate need to manage budgets



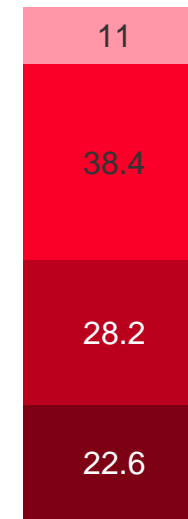
**Comfortable**



Comfortable



**Struggling**



Struggling

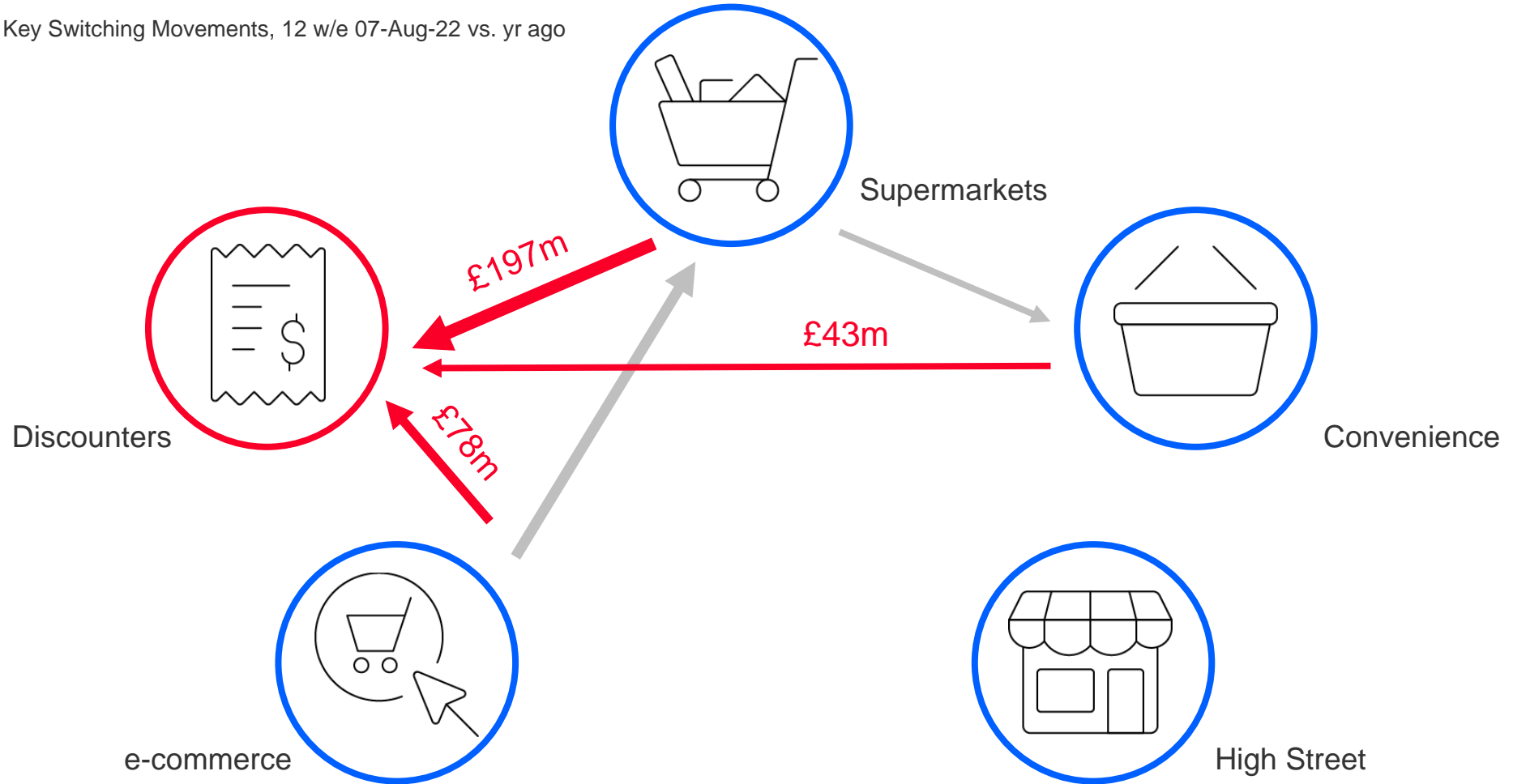
■ 12 pack ■ 24 pack ■ 36/48 pack ■ 72 pack

05

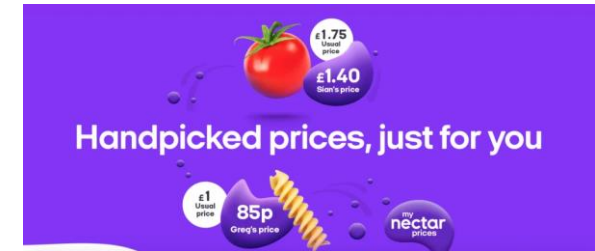
Take an active role  
in the loyalty battle

# Discounters are picking up share from every other channel

Take Home Groceries – Key Switching Movements, 12 w/e 07-Aug-22 vs. yr ago



# Creating even more focus on how retailers can keep their shoppers in store



# Suppliers need to demonstrate that they can contribute to that goal

Total FMCG: Spend by loyal shoppers in other stores



# How to grow your business amidst the cost of living crisis?



- 01 Work harder to justify price premiums
- 02 Communicate value not price
- 03 Don't overlook the older shopper
- 04 Think small value as well as big
- 05 Take an active role in the loyalty battle



**KANTAR**

Thank You

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