



5 ways cost of living impacts convenience shoppers



54%

of surveyed grocery retail professionals are anticipating current trading conditions to deteriorate over the next 12 months

Rising cost of living

The cost of living crisis is at the forefront of everyone's mind and it is no secret that there is a growing divergence between inflation and wage growth.

This leads to an expectation that consumers will start, and in fact already are, tightening their purse strings and being more selective over when and where they spend.

With consumers being very aware of the risk of their finance, it has led to consumer confidence in June 2022 falling to -41 which is the lowest point since records began in 1974.

What effect has this led to in the convenience channel? In this whitepaper, Lumina Intelligence will explore what the 5 key take-outs for the convenience channel.



A notable uplift in convenience store shoppers also visiting discounters

In the most recent quarter nearly 34% of c-store shoppers also visited a discounter which is up 2.2ppts vs. the previous quarter, demonstrating a shift in channel repertoire as consumers look to manage their spending.

For convenience, it is important to look at how you can add value through other services such as Post Office, cash machines, delivery collection and return services which drive footfall but also help shoppers save on high fuel costs.

50%

of surveyed business leaders consider a 'squeeze on household budgets' as the most important long-term consumer trends affecting the eating out/grocery retail market



58%

of eating out professionals are anticipating current trading conditions to deteriorate in the next 12 months

51%

of hospitality professionals noted that the impact of the cost of living crisis on consumer spend was a concern

1.2

The base interest rate has been increased to 1.2 in June 2022 by the Bank of England.



Convenience stores are winning because of their location

As seen in the 2008 recession, the convenience market is continuing to hold up well from a topline perspective. When we look at the recent quarter, we see that penetration into the channel has increased 4.8%, visit frequency has also increased (up 3.8%) and trip spend is also in line with this increase. Whilst inflation is arguably starting to impact trip spend, it is clear to see the impact of the warmer weather driving shoppers into their local stores as well as the impact of high fuel costs.

However, delivery has started to show signs, that as a method of purchasing, it is beginning to struggle. In store purchasing has increased which again will link to an increase of food to go missions. There has been reports of sales losses and sales cuts across Getir, GoPuff and Gorillas as well, which our data correlates with. We have seen a decline of 0.6ppts in the last quarter however spend per item remains double of spend per item in store. This will be linked to the product purchased in delivery as well, however there is a perception (and sometimes a reality) that prices are hiked online. Combined with the delivery costs shoppers are starting to re-consider the value of this.

When we look at the shopper driving this change, it is younger consumers who are most likely to be falling out of the market especially those who are living in shared housing. Seasonality will be playing a role in this with university students in exam season or away from university for the summer. However, this is also a segment of the market with less discretionary income.

The top up shop is under threat

More convenience shoppers have turned to own label purchasing this year with household staples at the forefront of categories with the highest share of own label purchases. Categories such as milk, pasta, rice and cheese are seeing notable growth year on year and quarter on quarter as shoppers look to save on everyday essentials. These categories also tend to feature highly on valuable top up missions.

↓ **0.8ppts**

The planned top up mission last quarter has declined 0.8ppts.



Value at the heart of the shopper

When we look at the most important factor when choosing a product, price is king. Categories such as pasta, rice, cheese and household items rank highly for price. This is unsurprising when we look at our consumer psychographics which show a 3ppts increase for value led shoppers with over 4 in 5 shoppers considering themselves very value led. This rise in value led has been at the detriment to other psychographics, for example, quality has declined 5ppts.

Of course, there are differences between age groups, with 35-54s over-indexing on being very value led, linking to how this age group often have young families to provide for and therefore engage well with value for money messaging. Promotional purchasing is also indicative of consumer sentiment with an increase from last quarter being the percentage of shoppers purchasing on promotion, now at 43%. Key categories such as chilled foods, soft drinks and bakery command the highest proportion of shoppers buying on promotion.



2 in 3

businesses are experiencing staff challenges

85%

reported that the current trading environment as 'challenging' or 'extremely challenging'

Convenience Tracking Programme

Comprehensive data, detailed market structure, market performance trends & forecast, shopper segmentation, demographics, purchase decision hierarchies, detailed by category and retailer.

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