N360 Consumer Insight Review

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Combining our rich shopper data and bespoke market research, this deck explores the latest trends and events impacting shopper behaviour and what this means for the coming year…

Deck Guide:

1.

Top Stories

We explore the latest trends and events impacting shopper behaviour, including Christmas, New Year, the ongoing pandemic and rising inflation.

Consumer behaviour is less affected by COVID-19 now but inflation is starting to have an impact

Christmas buying patterns in 2021 resembled pre-pandemic behaviour, with Sparkling Wine and Meat Alternatives showing particular growth.

Consuming responsibly featured strongly in people's 2022 New Year's resolutions, especially Dry January, but inflation is reducing willingness to purchase more expensive sustainable goods.

Inflation is overtaking the pandemic as the latest macro factor impacting shoppers. While buying patterns bounced back from initial concerns over Omicron, inflation is reducing economic confidence.

2.

Christmas

This Christmas period (2021) performed well, with shoppers continuing to go into store despite the rise of Omicron. Sales were up compared to pre-pandemic, likely due to more celebrating at home, though not quite as high as Christmas 2020.

A ‘Normal’ Christmas?

Store visits

- **23rd** December was the busiest trading day, suggesting a greater level of comfort shopping at busy times
- More shopping was conducted **in person** rather than online compared to Christmas 2020

Sales

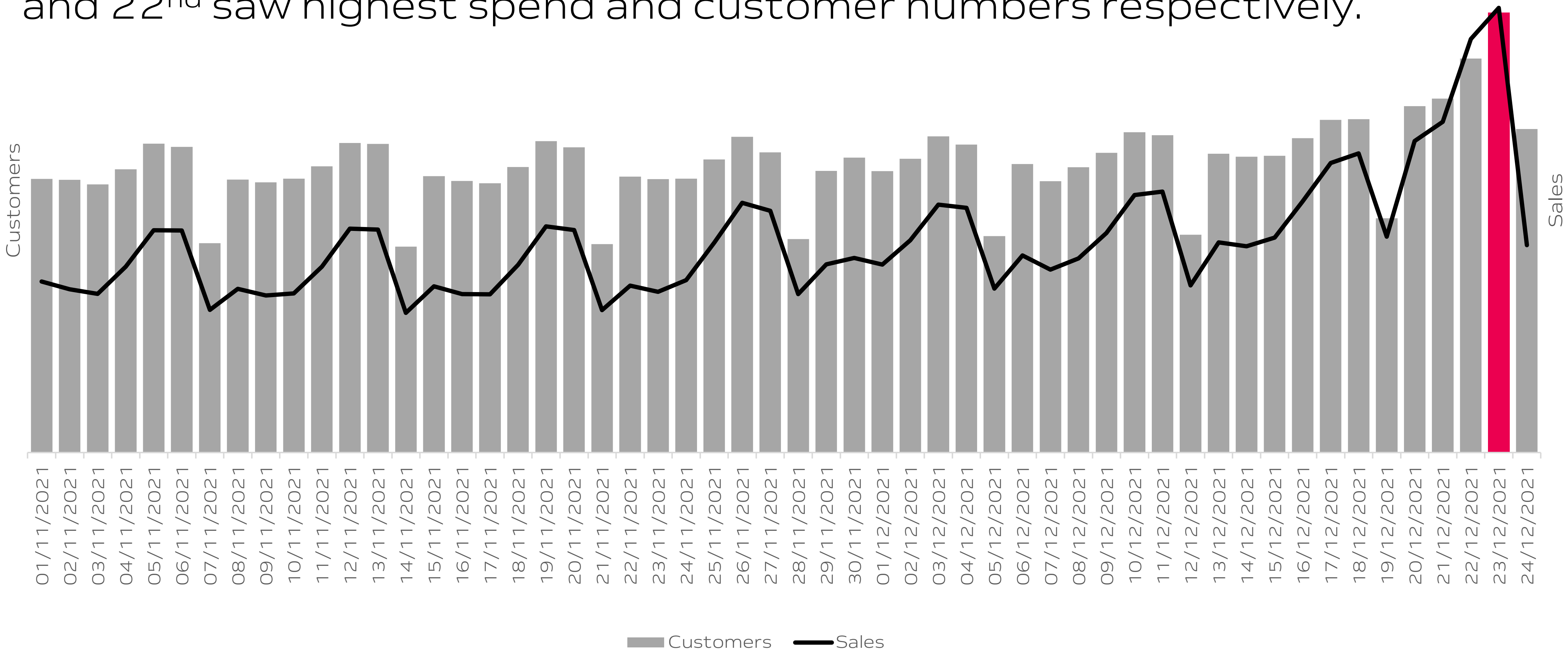
- YOY **customer numbers were up but sales were down**, likely because shoppers spread their spend across a wider array of venues and shops due to fewer COVID restrictions
- Christmas period sales were still **higher than pre pandemic**

Products

- **Turkey** continued to decrease in popularity this Christmas
- **Sparking Wine** saw particular growth YOY, especially Cava and Prosecco

23rd December was the busiest trading day over Christmas, highlighting a return to normality

Despite Omicron, shoppers did not avoid busy stores in the run up to Christmas Day 2021 in the way they did the previous year, when the 21st and 22nd saw highest spend and customer numbers respectively.



  Total Fresh, and Grocery 7 weeks 24 /12/2021; Nectar Data Only

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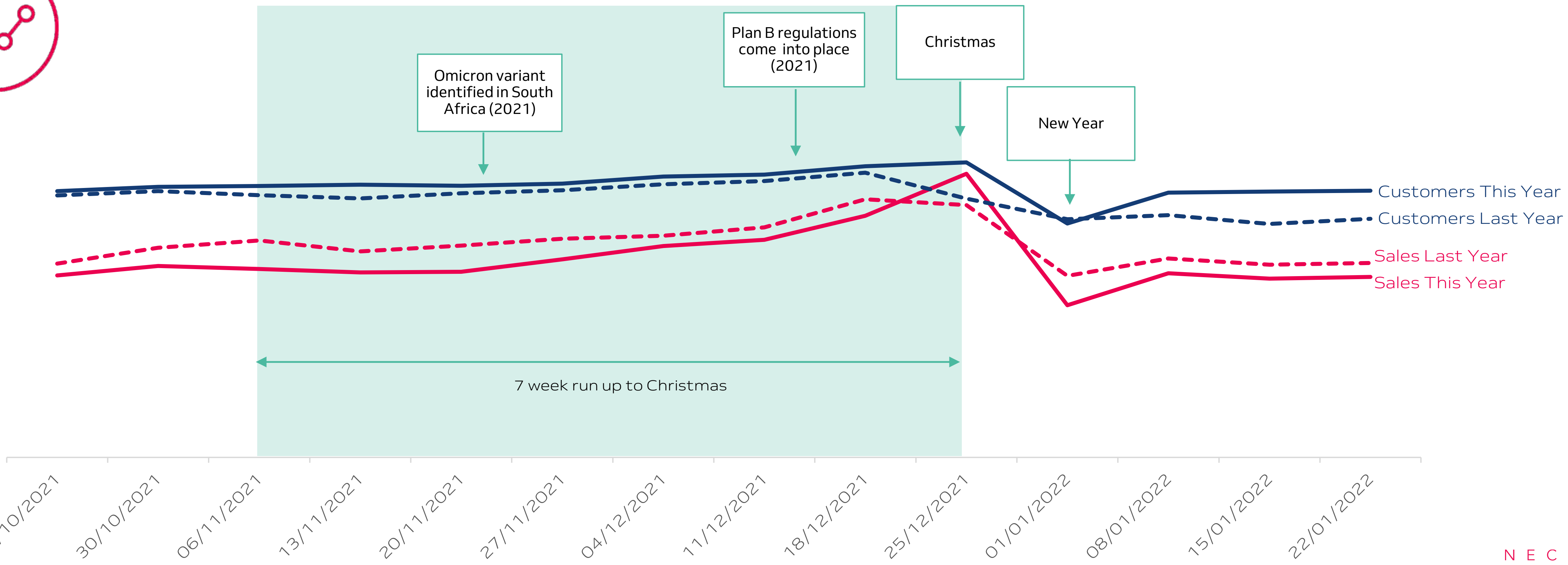
More customers returned to Superstores & Convenience this Christmas period vs. previous year

	Nectar Customers	£ Per Visit	Frequency of Purchase	Units per Visit	£ Per Customer
Online	↓	↓	↓	↓	↓
Convenience	↑↑	↓	↓	↓	↑
Supers	↑	↓	↓	↓	↓

Total Fresh and Grocery 7 weeks YoY to 24/12/2021; Nectar Data Only

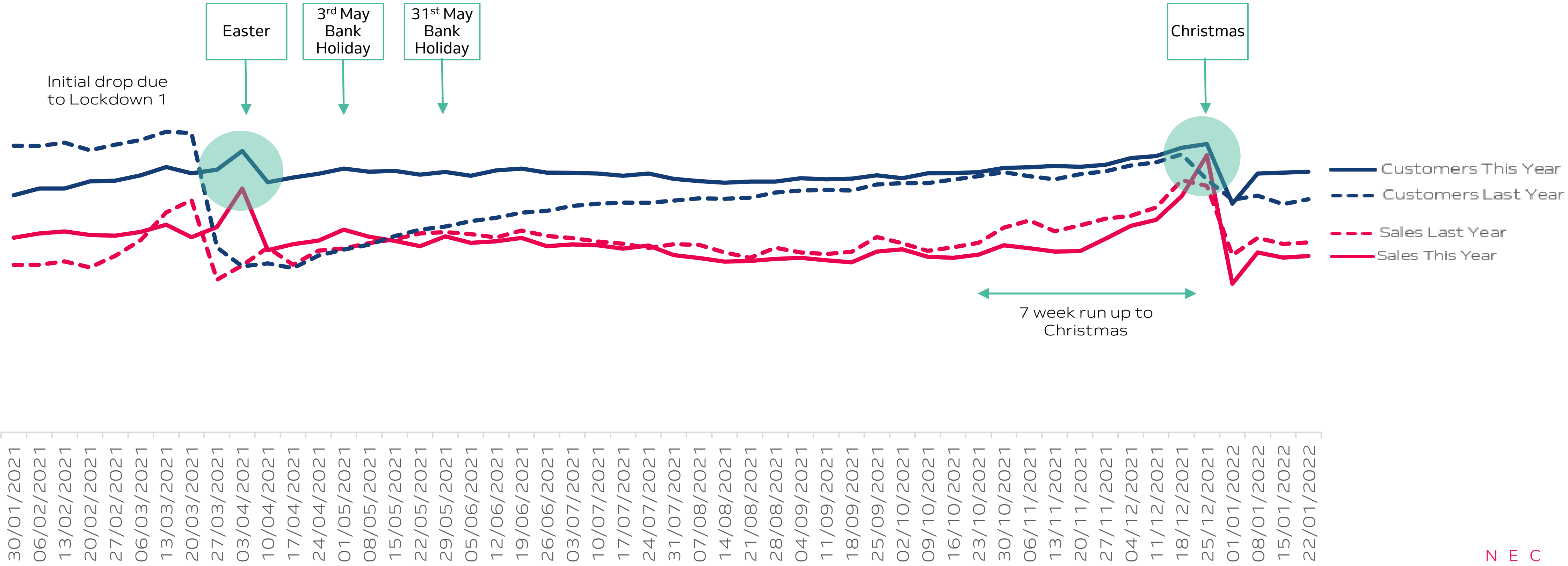
Over Christmas 2021, sales were lower than the previous year but still significantly higher than 2019

The rise of COVID-19 during Christmas 2020 meant socialising was more confined to the home and shoppers tried not to go to too many stores, which benefited Fresh & Grocery categories. Despite Omicron, government rules and public attitudes were more relaxed this year (2021), and as such supermarkets competed more with restaurants, bars and other shops for customers' festive spend. Inflation may also have had an impact.



Throughout 2021 sales and customer numbers rose around public holidays, reflecting pre-pandemic behaviour

Easter 2021 performed especially well compared to Easter 2020, which took place at the very start of the pandemic.



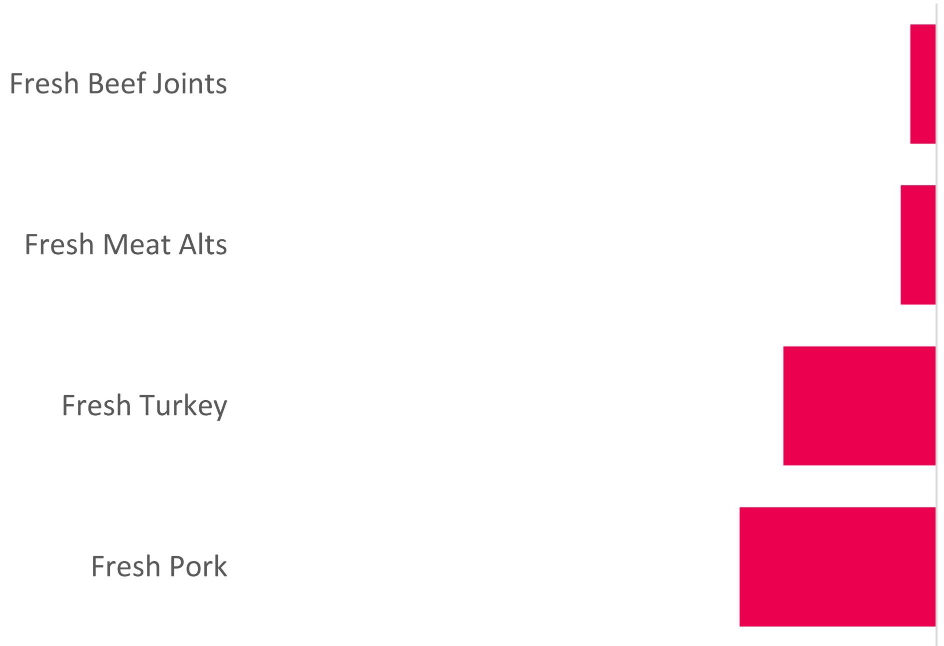
  Total Fresh and Grocery 52 weeks to 22/01/2022; Nectar Data Only

NECTAR 360

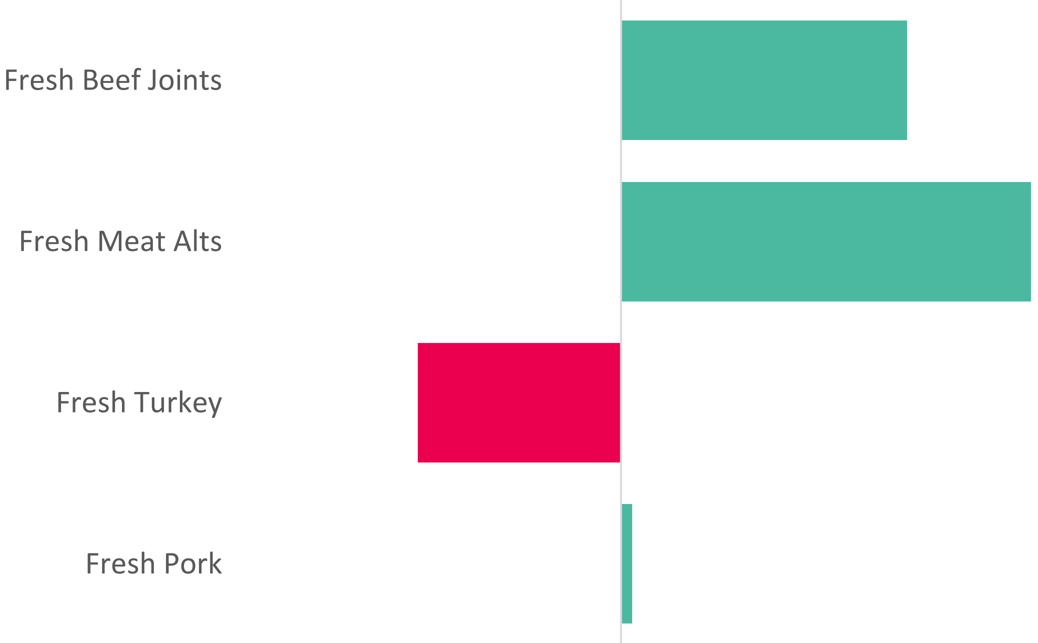
Shoppers moved further away from traditional turkey dinners for Christmas 2021

Dinner meats were less popular this festive season when compared to 2020, likely due to greater freedom to eat out. However, Turkey sales also declined vs. 2019. It seems people are increasingly opting for less traditional meals on Christmas Day, with many enjoying beef joints and meat alternatives instead.

Growth vs Previous Year



Growth vs 2 Years Ago



  Total Fresh and Grocery, 7 weeks YoY and vs 2YA to 24/12/2021; Nectar Data Only

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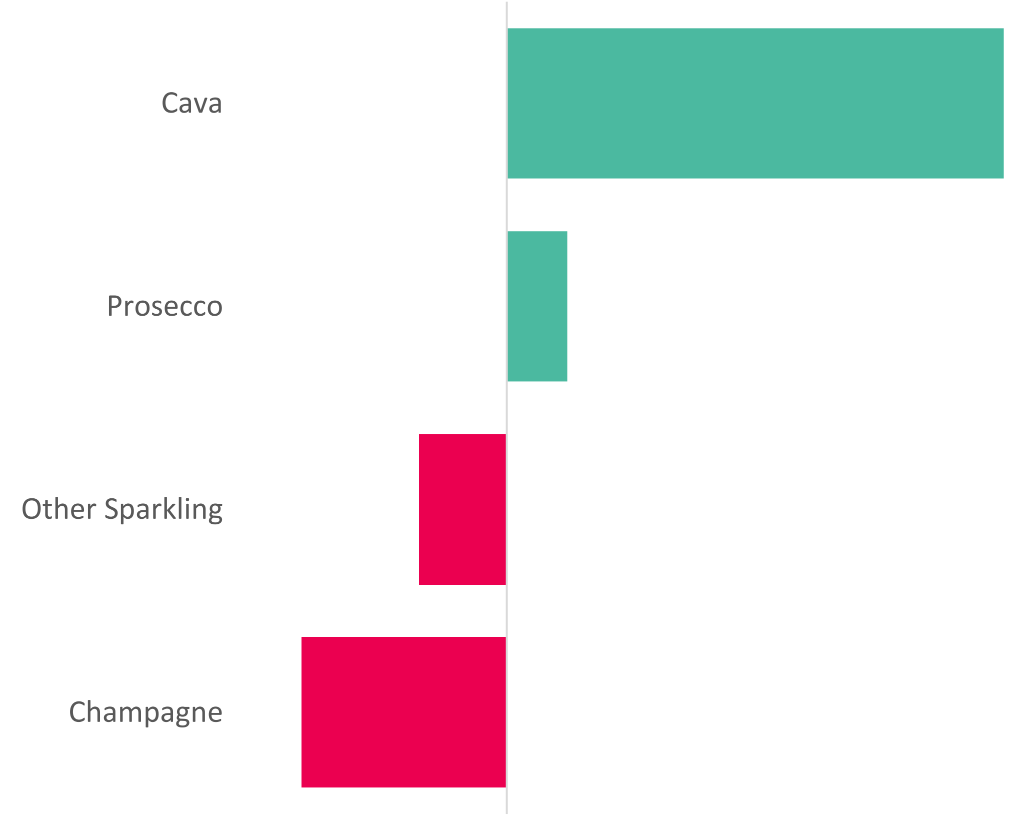
Shoppers showed increased interest in Sparkling Wine at Christmas

Cava and Prosecco were especially popular this year (2021), suggesting customers sought a little extra 'luxury' without breaking the bank.

Growth vs Previous Year



Growth vs 2 Years Ago

 Total Fresh and Grocery, 7 weeks YoY and vs 2YA to 24/12/2021; Nectar Data Only

3.

Consuming Responsibly

New Year 2022 saw enthusiasm for Dry January and Veganuary, resulting in growth for Low / No Alcohol and Vegan products, but economic fears hold consumers back from committing fully to sustainable shopping.

New Year, New Behaviour?

Dry January

- **10%** of people tried Dry January and over half completed the challenge
- **Health and weight loss** were most common reasons
- **Low and No Alcohol** product sales rose, especially Wine and Spirits

Veganuary

- Increasing numbers claim to be cutting down on Meat consumption, reaching **38%** in Jan 2022
- Growth in **Vegan Alternatives** did not reach last year's rise, but was still higher than 2 years ago

Sustainability

- People willing to pay more for sustainable products dropped to **30%** this January

1 in 10 tried 'Dry January' and more than half of them stuck to it throughout the whole month

Q17. Have you done any of the following this January?
Q21. And did you keep this up throughout January?

Source: Omnibus, ~2000 interviews per month

A healthy start to the year and losing weight were the most common motivations

Motivations for Dry January

Q17. What was your motivation for doing Dry January?

Source: Omnibus, ~2000 interviews per month

Interest in Low & No Alcohol offerings increased again this year, with Low & No Wine and Spirits driving growth

Growth vs Previous Year

Growth vs 2 Years Ago

 Total Fresh and Grocery, , 01/01/2022-22/01/2022 vs LY vs 2YA; Nectar Data Only

NECTAR360

Veganuary featured in 4% of people's resolutions but only 1 in 5 completed the month

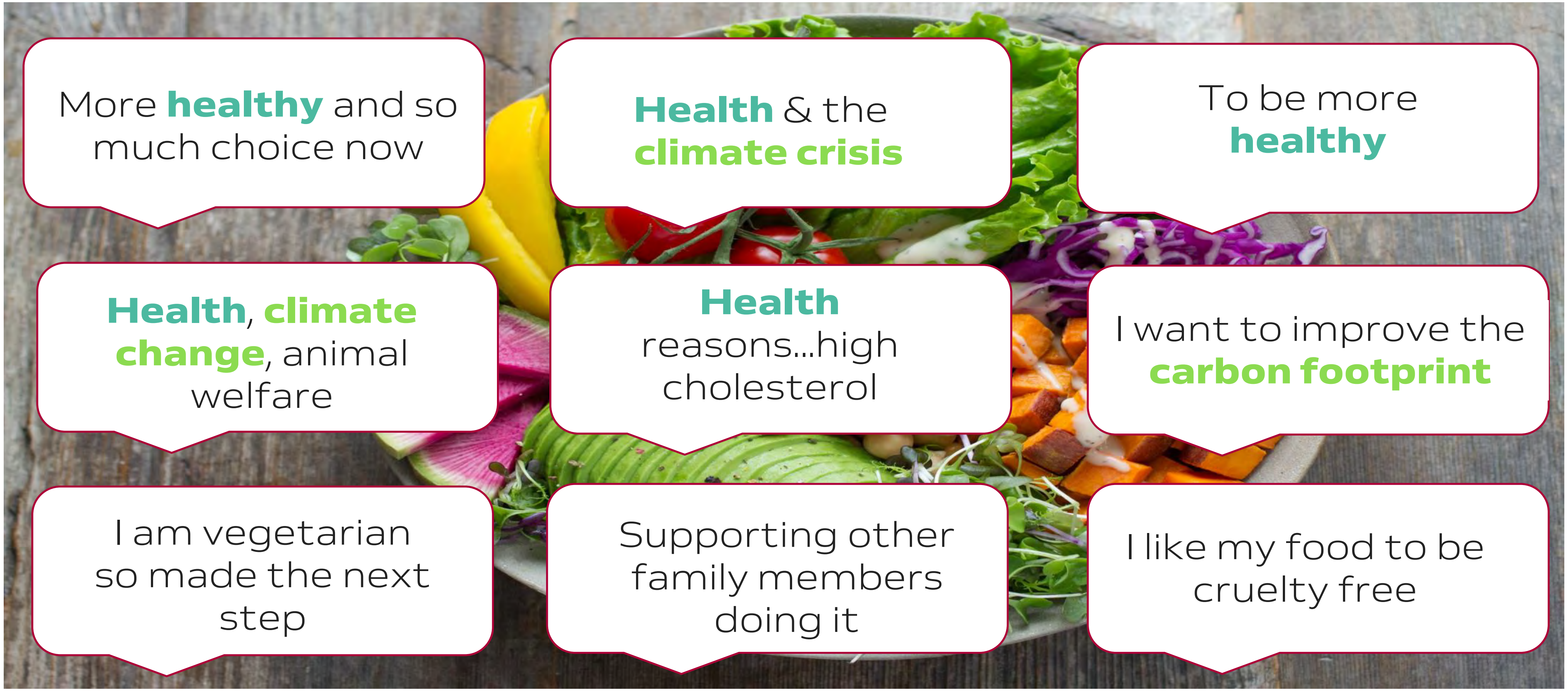
Switching to a fully plant-based diet proved more of a challenge for people than omitting alcohol from their diets, suggesting this represented a more drastic change in behaviour and meat/dairy items were harder to resist.

Q17. Have you done any of the following this January?
Q21. And did you keep this up throughout January?.

Source: Omnibus, ~2000 interviews per month

Health reasons and environmental impact were the main motivations for Veganuary

Motivations for Veganuary

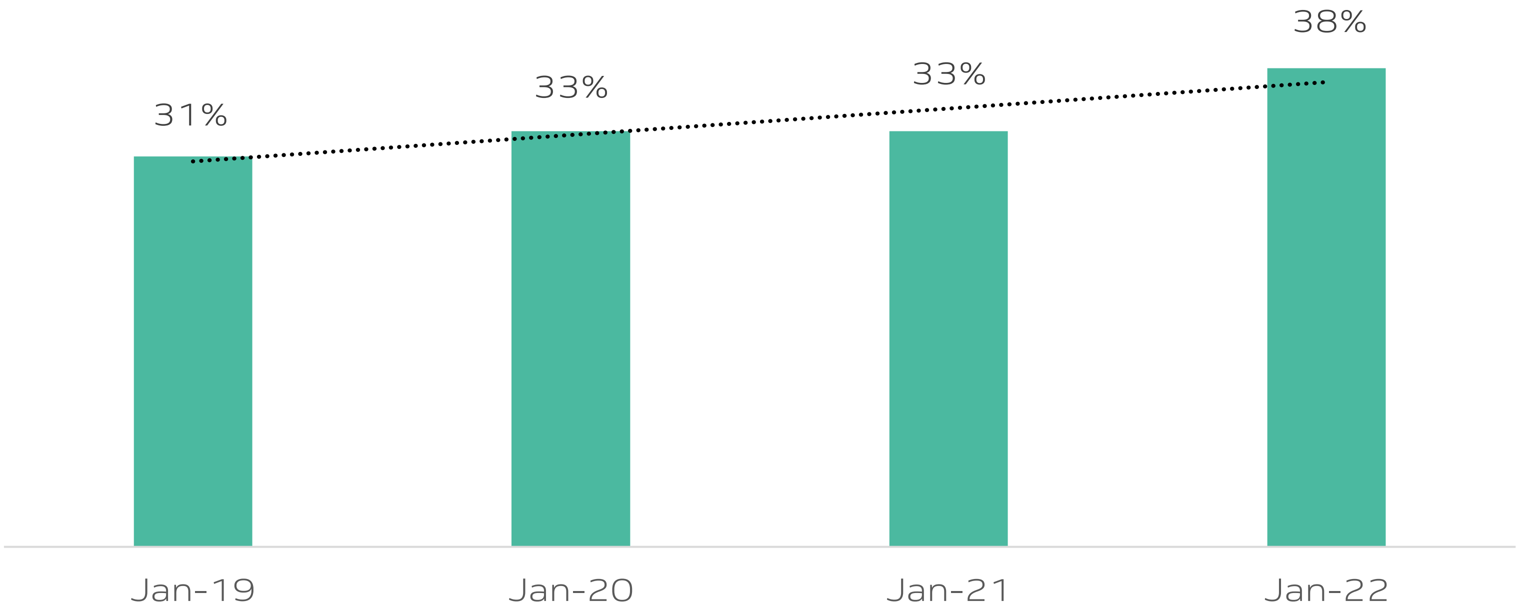


Q17. What was your motivation for doing Veganuary?

Source: Omnibus, ~2000 interviews per month

Whilst not everyone went all-in for Veganuary, ever increasing numbers claimed to be cutting down their meat consumption this January

"I'm trying to cut down my meat consumption"



Across the whole of the latest year-to-date, an average of **33%** said they were trying to cut down on meat.

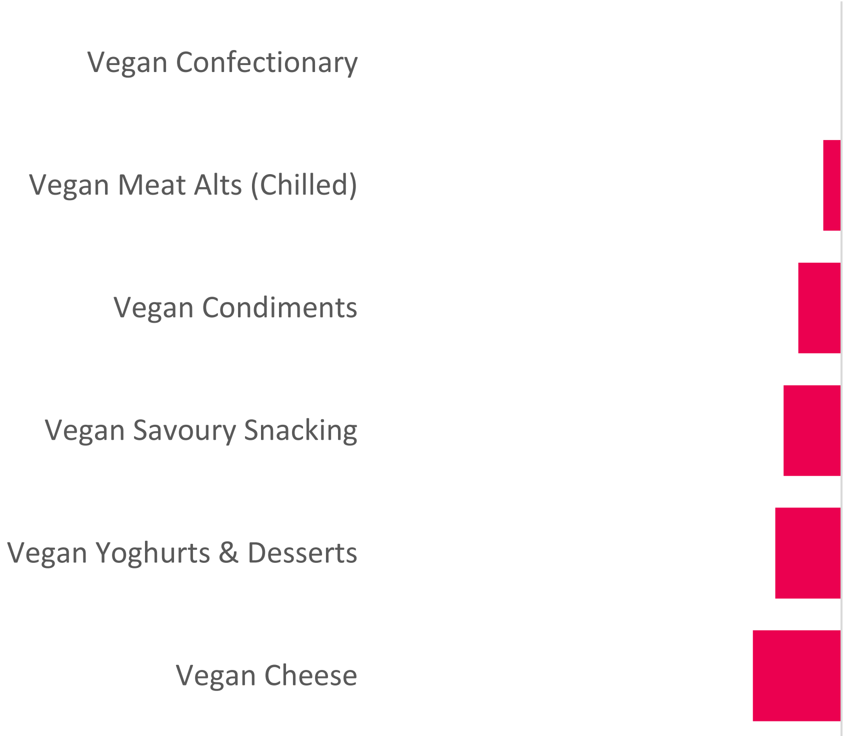
% People who agreed or strongly agreed with the statement "I'm trying to cut down my meat consumption" Q7.9.

Source: Grocery Tracker 1, ~800 interviews per month

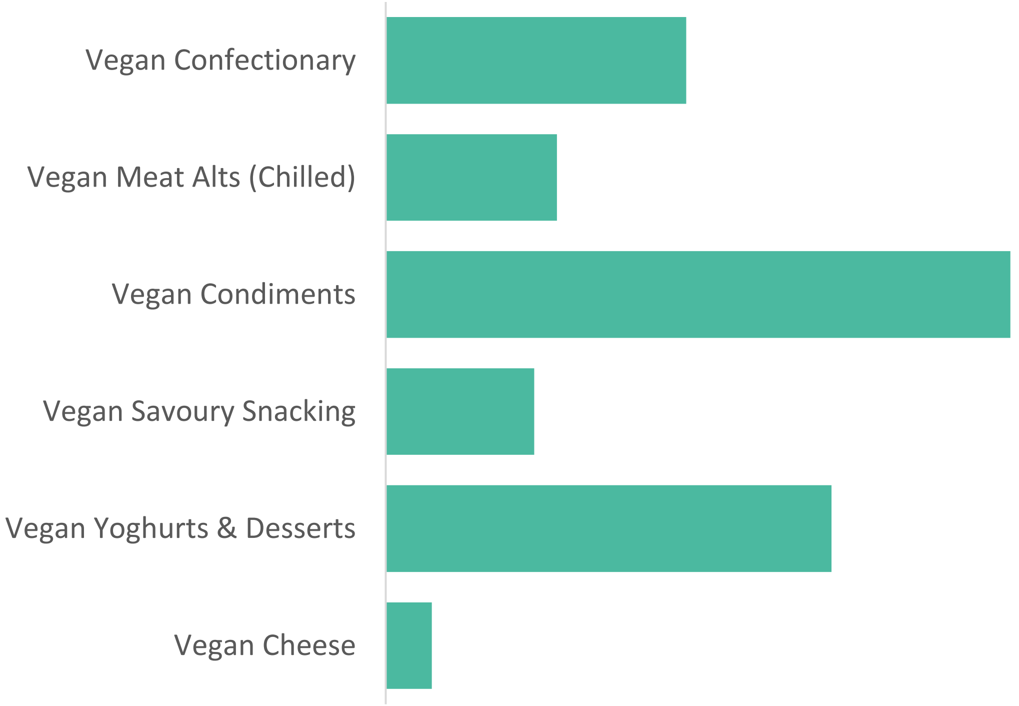
Vegan categories saw strong growth in Jan vs 2YA

Vegan categories boomed in lockdown last year (Jan 2021), but only Confectionary saw further growth in Jan 2022. This suggests customers cutting down on meat opted for more naturally meat-free meals. Rising food costs may have contributed to this, as vegan alternatives can be perceived as expensive.

Growth vs Previous Year



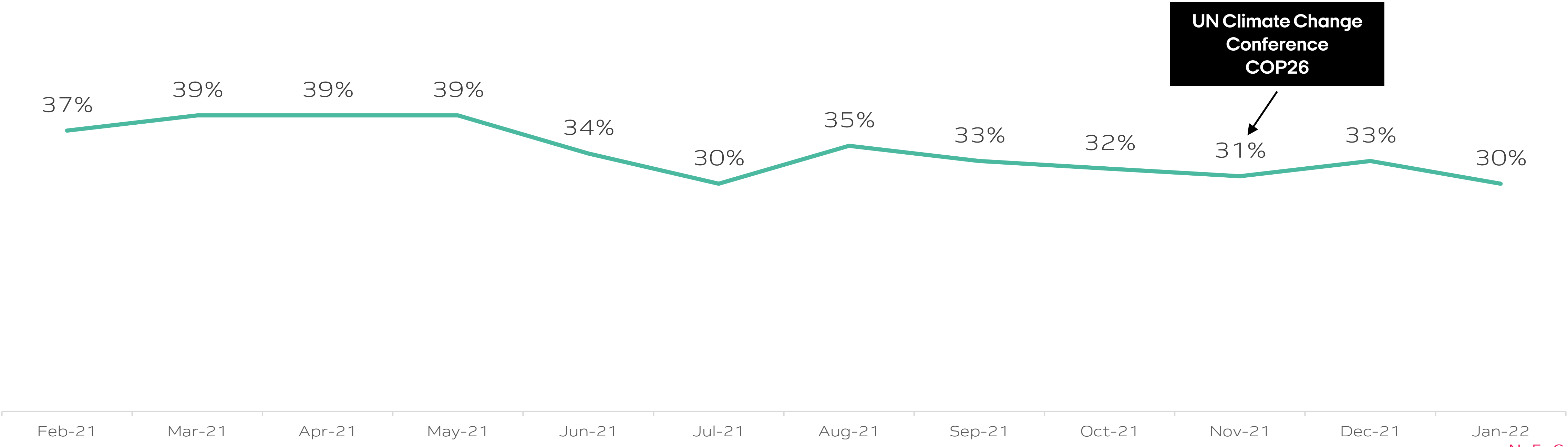
Growth vs 2 Years Ago



Total Fresh and Grocery, 01/01/2022-22/01/2022 vs LY vs 2YA; Nectar Data Only

Despite media coverage of COP26, consumers are becoming less likely to pay extra for sustainable brands, possibly due to price rises

"I would pay more for a brand that is sustainable" (% agree)



Q12.6. I would pay more for a brand that is sustainable

Source: Grocery Tracker 2, ~800 interviews per month

4.

Pandemic & Inflation

Despite the rise of Omicron, shopping patterns quickly returned to the ongoing trend towards pre-pandemic behaviour, as did comfort to travel. However, inflation and price rises are now driving economic concern.

Will inflation hold back our return to 'normal' behaviour?

Shopping

- Omicron caused only a small interruption in the overall trend towards **smaller basket sizes**
- Average frequency of purchase rose YOY
- **Convenience** category sales were higher this winter

Travel

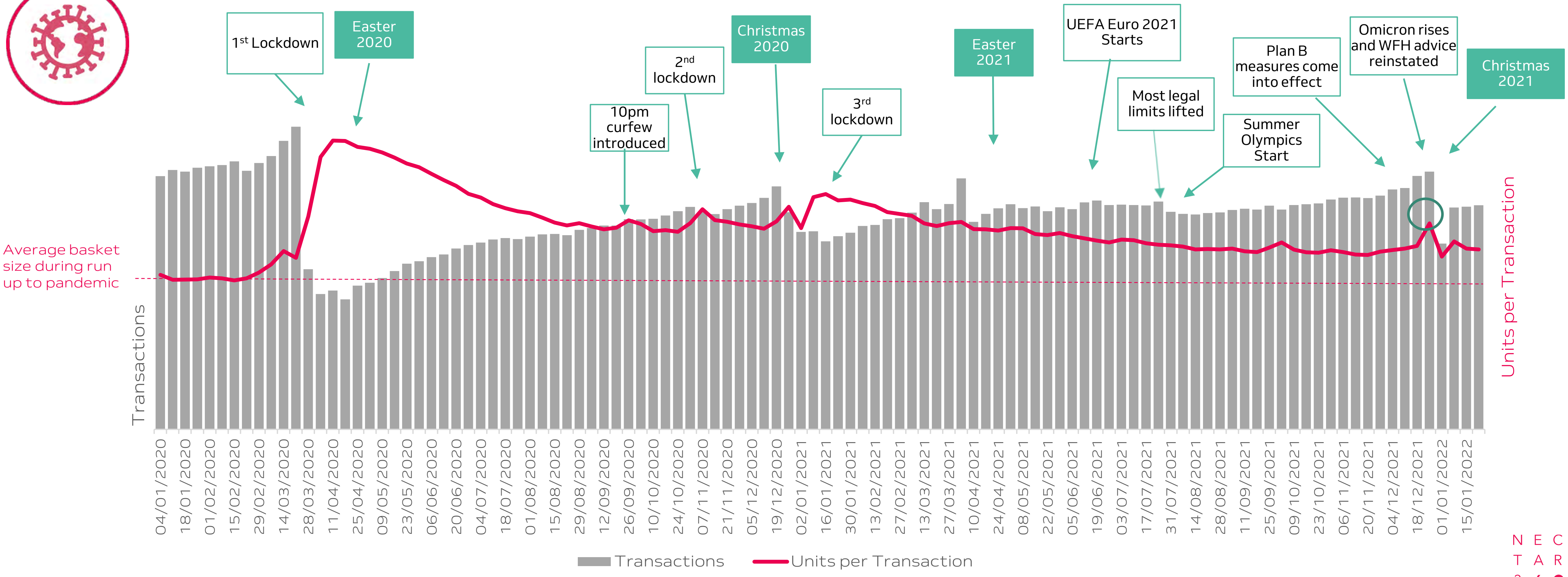
- **Omicron** initially reduced confidence to travel and book holidays in December 2021, but confidence quickly started to **bounce back** in January

Economy

- **45% of** consumers expect the economy to get worse in the next 6 months
- Concern over **inflation and price rises** is reducing consumers' confidence in their household finances

Basket size continues to fall as shoppers continue moving towards pre-pandemic behaviour, with only a small interruption due to Omicron

However it is settling at a higher rate than pre-pandemic, suggesting a way to go before shoppers truly return to 'normality' and some changes may be permanent.



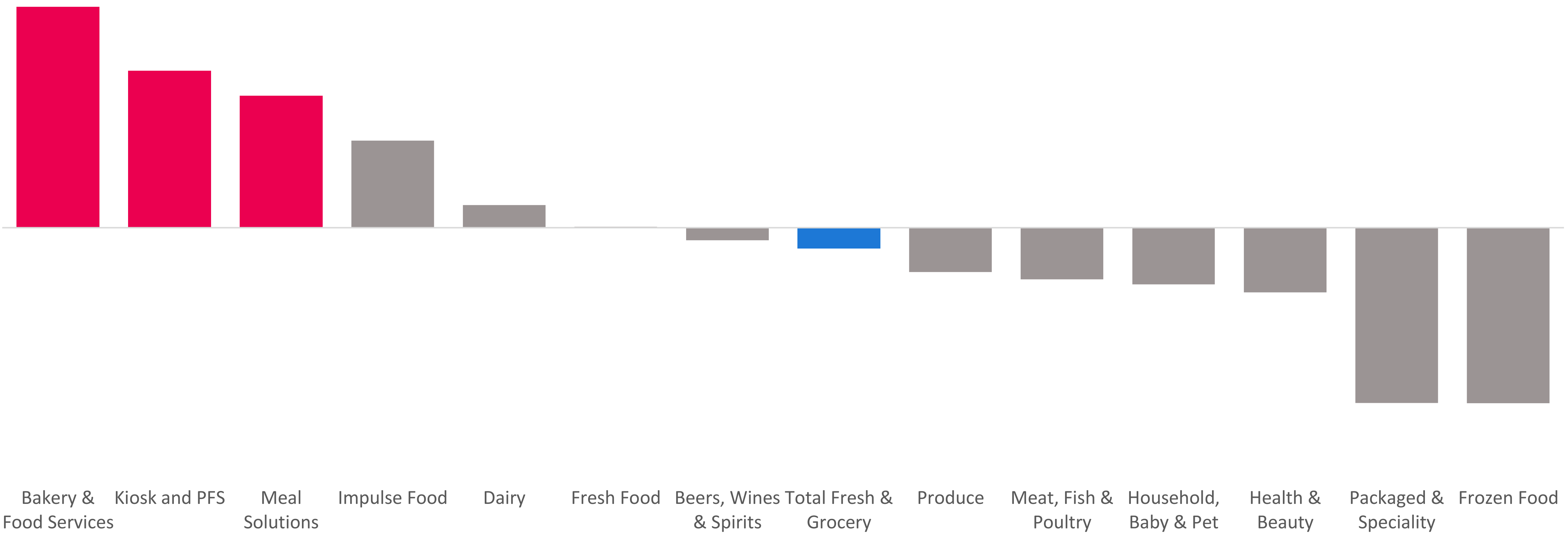
 Total Fresh, and Grocery 108 weeks 22 /01/2022; Nectar Data Only

Customers returned to more frequent shops with smaller baskets compared to last year

  Total Fresh and Grocery 52 weeks YoY to 22/01/2022; Nectar Data Only

Categories previously hard-hit by the pandemic continue to demonstrate growth

Bakery & Food Services, Kiosk & PFS and Meal Solutions achieved the highest year-on-year sales increases



Total Fresh and Grocery 52 weeks to 22/01/2022; Nectar Data Only

On-the-go missions drove growth, especially in the Bakery category, which saw spend increases in Sandwiches, Cakes and Hot Food Takeaway items

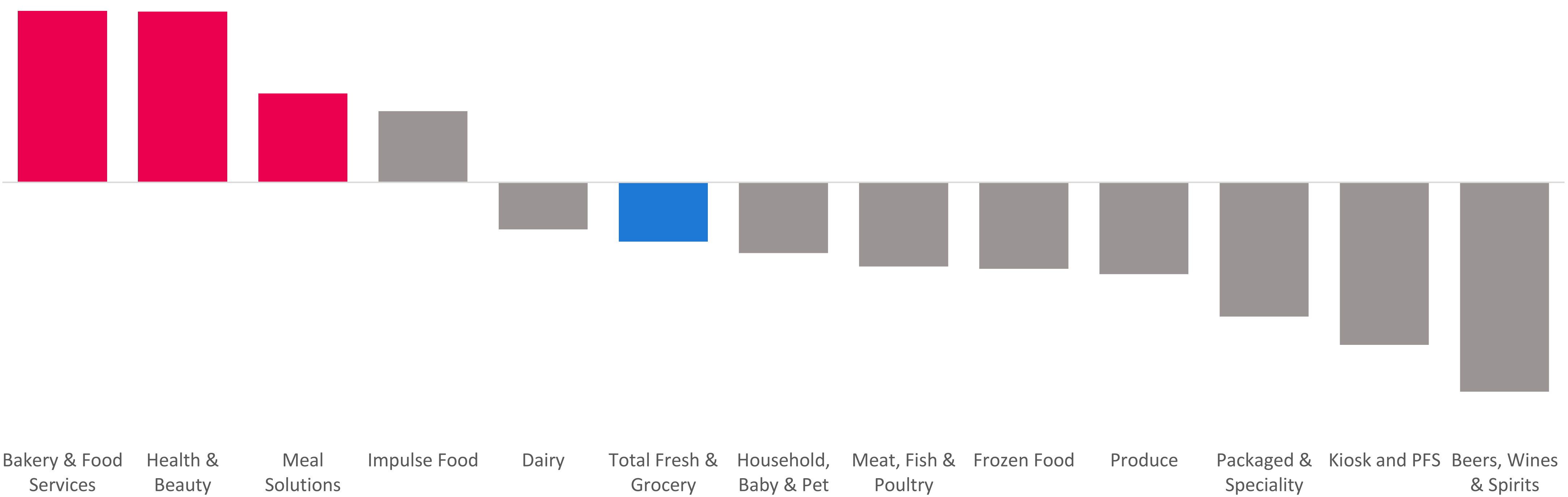
Most impacted categories, 52 Weeks YoY:

Bakery and Food Services	Spending in Bakery and Food services particularly increased YoY. Sandwiches saw especially strong growth in both sales and customer numbers.	Cake Patisserie was a key driver of growth.	Hot Food Takeaway attracted many more customers.
Kiosk & PFS	Spend in Kiosk & PFS rose in 2021 vs 2020. Tobacco was a key sales driver.	Smoking Alternatives grew.	Car wash saw an impressive increase in customers.
Meal Solutions	Spend rose for Meal Solutions over the last 52 weeks, with International and Health Prepared Meals delivering a significant proportion of this growth.	Meat Alternatives sales rose.	Oriental Meals in particular grew YoY.

Total Fresh and Grocery 52 weeks YoY to 22/01/2022; Nectar Data Only

In Convenience, Bakery, Health and Meal Solutions showed strong YOY growth

Despite the government introducing Plan B, shoppers continued to return to 'normal' life, making on-the-go purchases.



 Total Fresh and Grocery, Convenience, 12 weeks YoY to 22/01/2022; Nectar Data Only

Within Convenience, lunch items and Cold & Flu Medicine saw growth YOY as people spent more time out of the house over winter 2021

High rates of Omicron also likely contributed to sales of Cold & Flu Medicine.

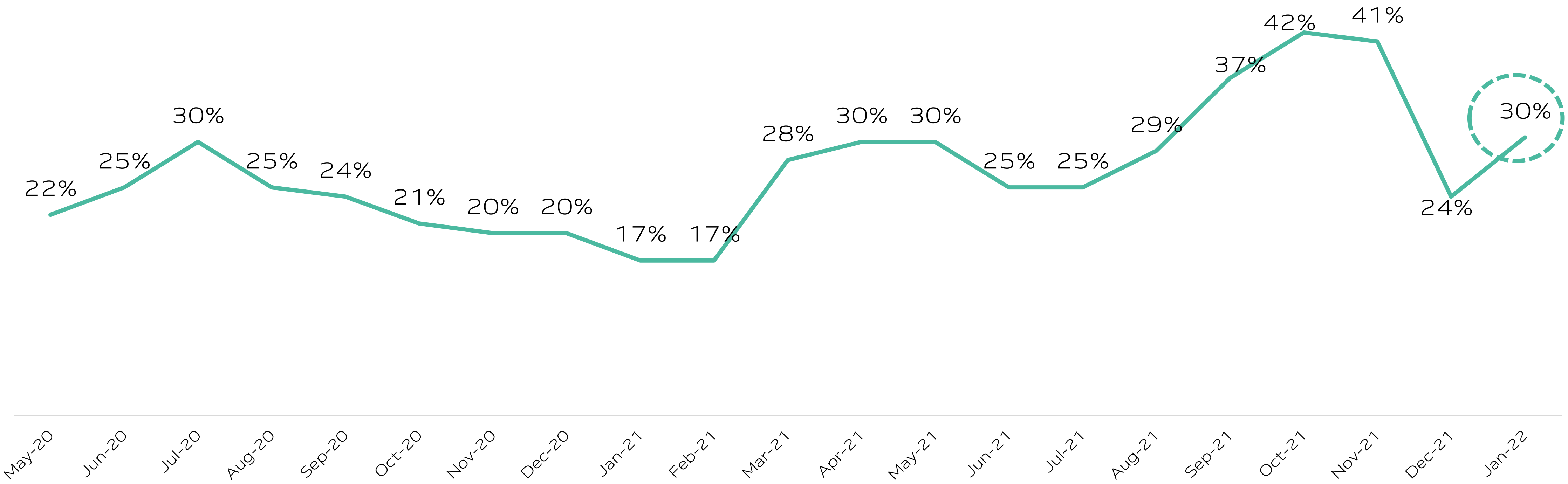
Most impacted Convenience categories, 12 Weeks YOY:

Bakery and Food Services	Within Convenience, Bakery and Food Service saw strong growth, again driven by Sandwiches.	Salads, Sushi and Snacking saw particular growth.	Coffee and Juices attracted a higher number of shoppers YOY.
Healthy & Beauty	Health & Beauty saw sales increases, with the fastest growth coming from Medicines.	Growth was driven by Cold & Flu Medicine.	Shoppers in the Cold & Flu category more than doubled.
Meal Solutions	Meal Solutions saw high sales increases, especially Meat Alternatives.	International and Health Prepared Meals drove the largest actual sales growth.	Plant Based Burgers drove sales growth for Meat Alternatives.

Total Fresh and Grocery, Convenience, 12 weeks YoY to 22/01/2022; Nectar Data Only

News about Omicron initially made people feel much less comfortable about travelling but this started recovering quickly in Jan 22

% people who feel comfortable to travel

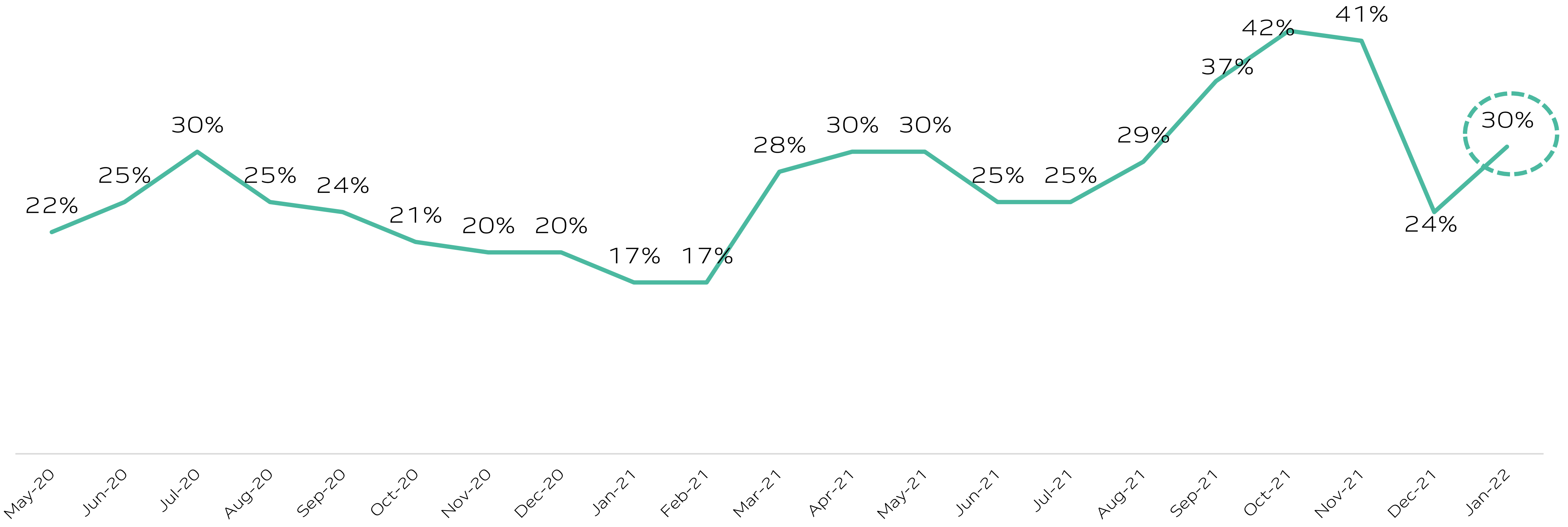


Q8: Now thinking about your future holiday plans, how comfortable do you feel to travel?

Source: Omnibus, ~2000 interviews per month

Confidence to book holidays also dropped in December but started recovering in January

% People who feel comfortable to make a future holiday booking

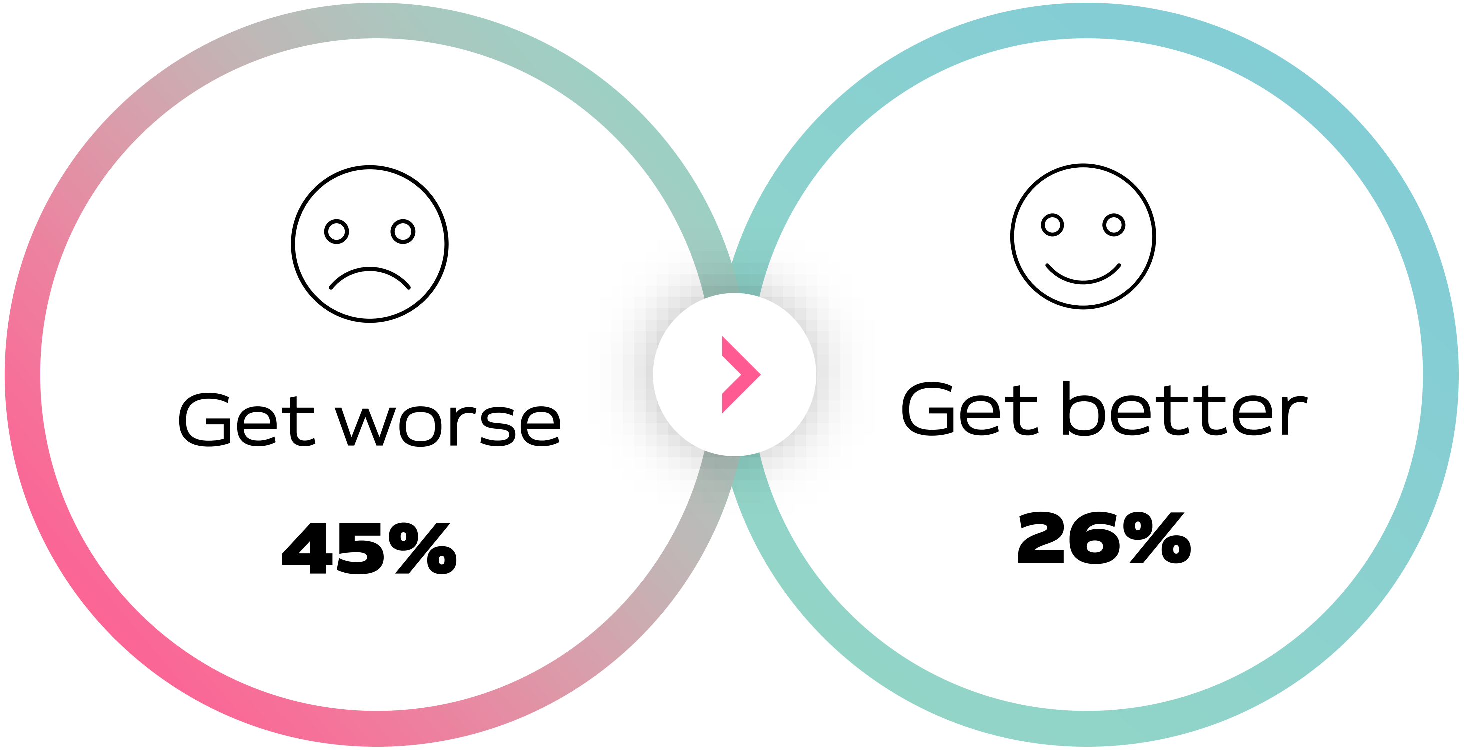


Q9: Now thinking about your future holiday plans, how comfortable do you feel as of now to make your future holiday bookings?

Source: Omnibus, ~2000 interviews per month

Despite the lessening impact of the pandemic, almost half of consumers expect the UK's economy to get worse in the next 6 months

Expected economic situation in the next 6 months

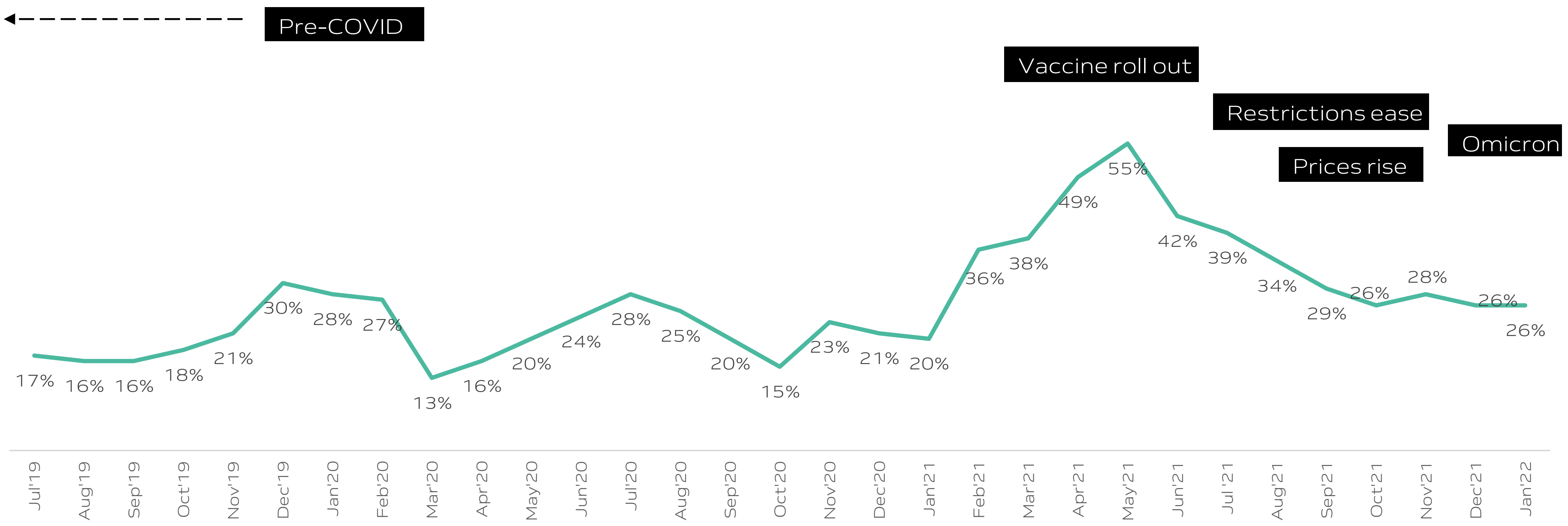


Q1 - How do you expect the general economic situation in the UK to develop over the next 6 months?

Source: Grocery Tracker, ~800 interviews per month

Economic confidence grew over the summer, but dropped off as price increases set in, with the ongoing pandemic another potential factor

% People who believe the UK's economic situation will get better in the next 6 months



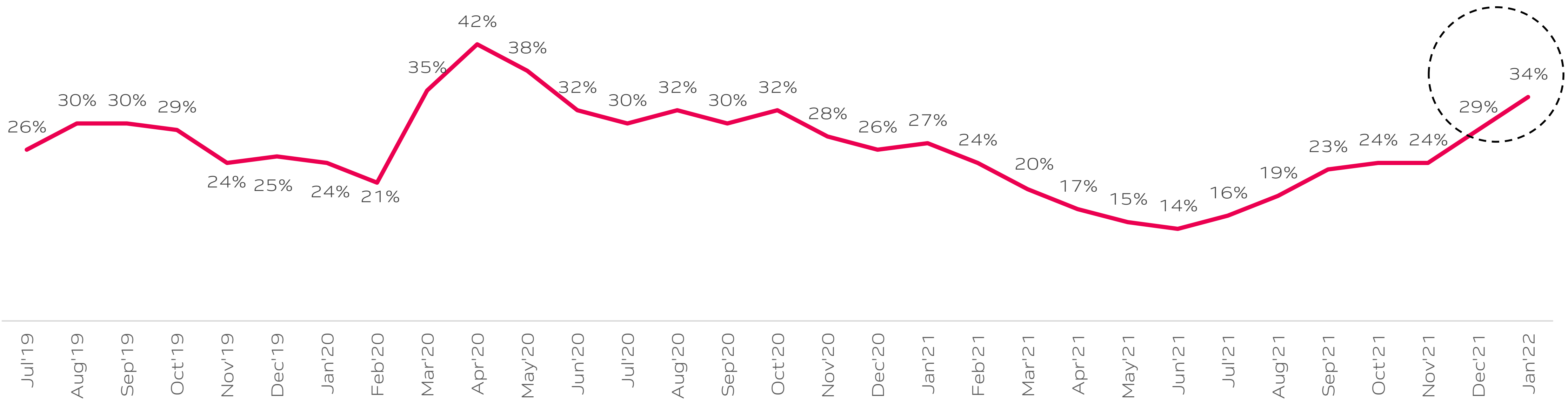
Q1 - How do you expect the general economic situation in the UK to develop over the next 6 months?

Source: Grocery Tracker, ~800 interviews per month

Concern over inflation and price rises is feeding into feelings about personal financial wellbeing

In Jan 22, 34% expected their finances to worsen - the highest rate since the first lockdown in 2020.

% People who expect the financial position of their households to get worse in the next 6 months



Q2 -How do you expect the financial position of your household to change over the next 6 months?

Source: Grocery Tracker, ~800 interviews per month

5.

Looking Forward

Pandemic impact is expected to reduce but price rises will have a key impact in the coming months.

Pandemic impact is expected to reduce but price rises will have a key impact in the coming months

Impact of the pandemic is lessening on shopper behaviour, with consumers continuing to make smaller, more frequent visits and categories initially hard hit by the pandemic continuing to grow. This looks set to continue with COVID-19 rates currently decreasing and no further government restrictions planned.

Concern over **inflation and price rises** is now setting in and reducing economic confidence. This is likely to cause customers to re-evaluate their spending.

Events buying is back on track, with consumers more comfortable to shop closer to holidays despite the ongoing pandemic.

This trend is likely to continue for upcoming events, including Easter 2022.

Inflation and price rises may dampen good intentions regarding **sustainable shopping** and steer consumers towards cheaper products.

Cutting back on meat continues as a trend but going fully vegan represents a significant challenge.

Thank you

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