William Reed
INFORMING BUSINESS GROWTH

UK Convenience Market Report 2022

July 2022

Lumina Intelligence

KEY METRICS IMPACTING CONVENIENCE

Household spending power decrease year-on-year as petrol prices surge. UK shoppers will be feeling the impact of global supply issues and surges in food and energy costs. It is expected that shoppers will be price checking for the best value, loyalty schemes will be essential as shoppers become more promiscuous.

Labour Market Overview, Jan-Mar 22

Unemployment figures: 3.7%

-0.3ppts Quarter-on-quarter

The UK is seeing a shortage of workers, driving the unemployment rate down

Asda Income Tracker, March 2022

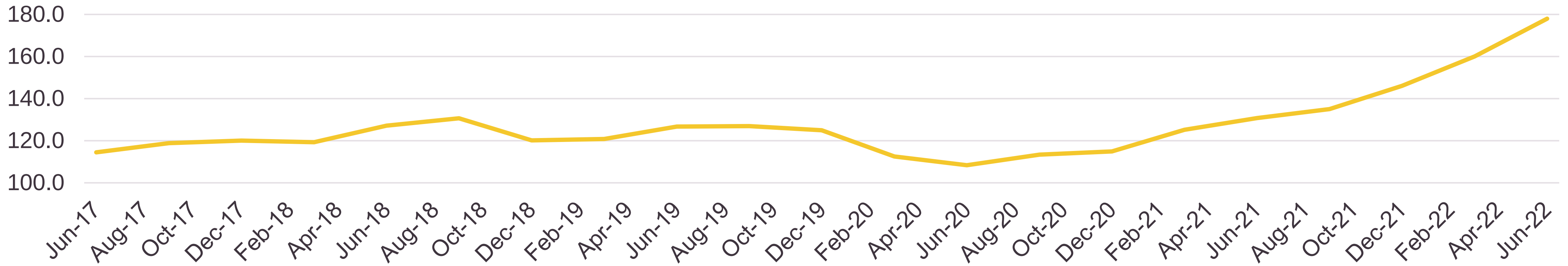
Household spending power

-6.5% Year-on-year

This marks the third largest percentage fall in the tracker's history

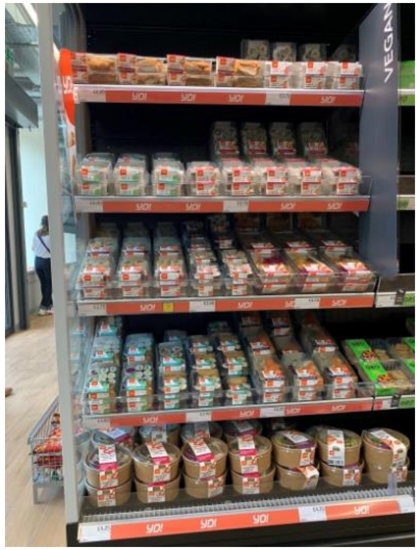
- UK household spending power has declined notably year-on-year, driven by real wage decline and increased taxes. When accounting for inflation, real wages have fallen for four consecutive months.

Pump Price In Pence/Litre, June 2022



LEADING RETAILERS DEVELOP FOOD TO GO OFFERINGS

Retailers including Co-op, Premier, SimplyFresh, and Spar have put a stronger focus on food to go propositions through the use of new formats, partnerships and products.



Co-op launched its 'On the Go' concept in October 2021 in Farringdon, London. The store is laid out with a focus on food to go, shopper ease, and convenience. It features Yo! Sushi products and F'real Shakes, providing a foodservice-quality offering.

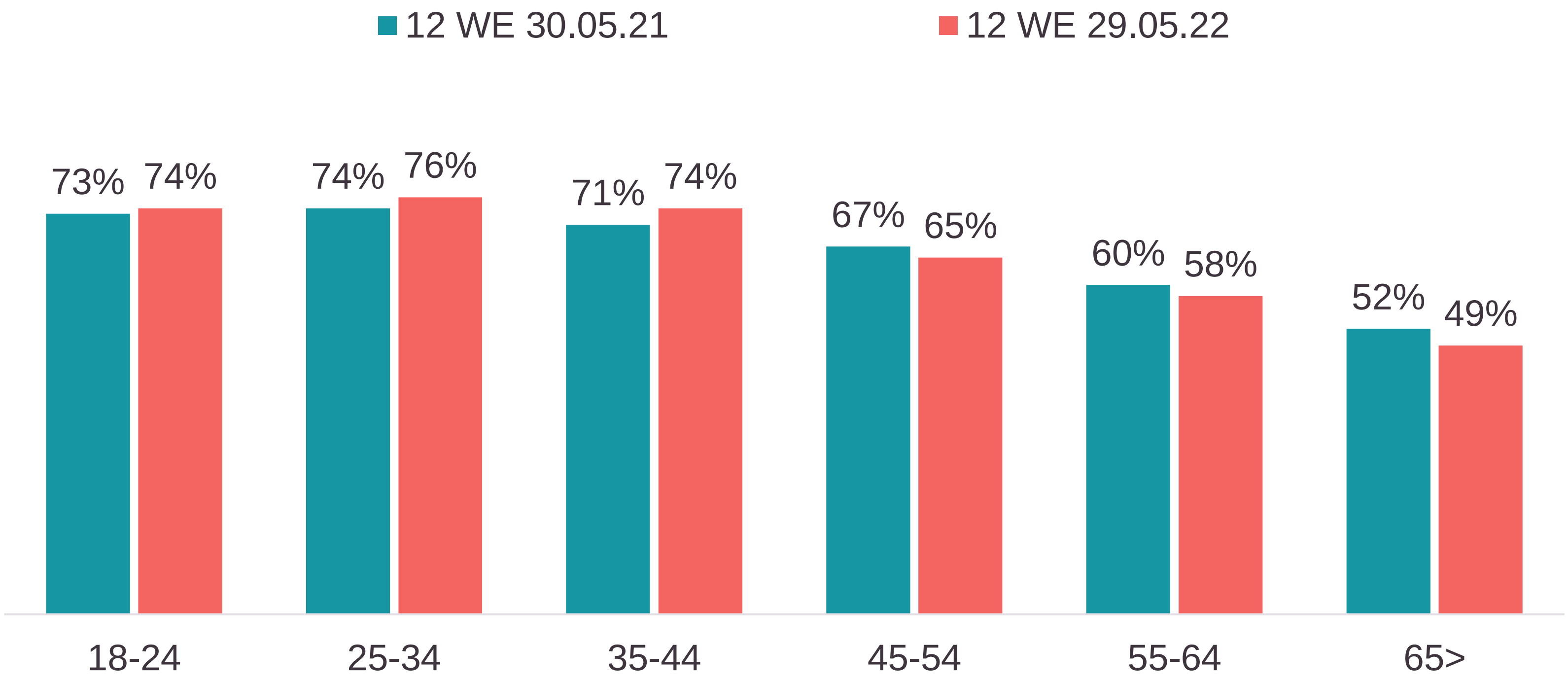
SimplyFresh has strengthened its food to go focus with a new partnership with Lavazza Coffee To Go and a relaunch of its LittleFresh format. The London-focused format serves sandwiches, salads, pastas and chilled drinks alongside tobacco, beers, wines and spirits, with an aim to target time-poor consumers.

Source: Convenience Store, Lumina Intelligence, The Grocer, July 2022

PENETRATION INCREASING AMONG YOUNGER SHOPPERS

Convenience has retained younger shoppers post pandemic, with penetration up year-on-year for 18-24s and 25-34s. The two age groups over index on average basket spend and size, at +14.7% and +10.6% compared with the market average the total market figures, respectively; retailers should focus on targeting this demographic by adding key ranges and shopping experiences.

Penetration by Age Group, 12 WE 30.05.21 vs 12 WE 29.05.22



Average Basket Spend for Age Groups 18-24 and 25-34, 12 WE 29.05.22

£10.52

+14.7% vs total market

Average Basket Size for Age Groups 18-24 and 25-34, 12 WE 29.05.22

3.1

+10.6% vs total market

Source: Lumina Intelligence, Convenience Tracking Programme, 12 WE 30.05.21 and 12 WE 29.05.22

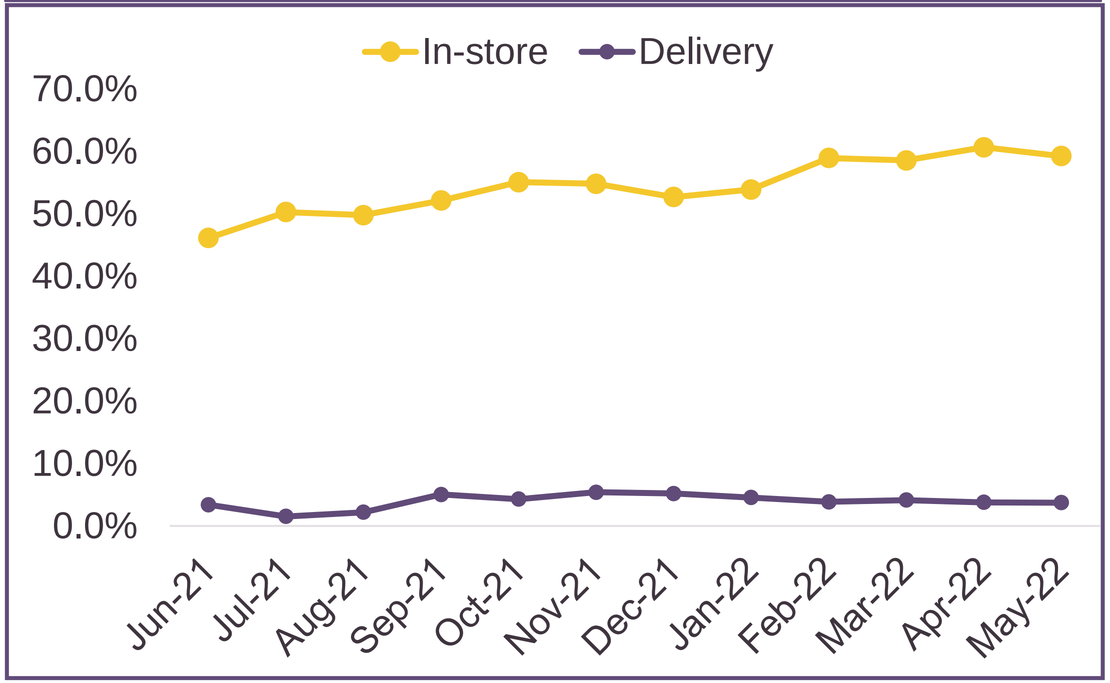
DELIVERY ACCOUNTS FOR 7% OF ALL C-STORE OCCASIONS

The pandemic has accelerated the growth of on demand convenience (ODC) as retailers maximised new routes to market. Delivery occasions have declined in the latest 12WE 29/05/22, following a peak over the Winter and festive season, as consumers were relying more on delivery for party top-ups and celebrations. Retailers can capitalise on events including the Women's Euros and the FIFA World Cup through encouraging shoppers to use delivery for entertaining and nights in.

Convenience Channel by purchasing method – 52WE 29/05/2022

At the shop	Delivered through a website/app/store	Click & collect
91.6%	**6.8%**	**1.5%**
+1.8ppts compared to 12WE 06/03/22	**-1.6ppts compared to 12WE 06/03/22**	**-0.3ppts compared to 12WE 06/03/22**

In-store vs Delivery penetration, June 2021 – May 2022

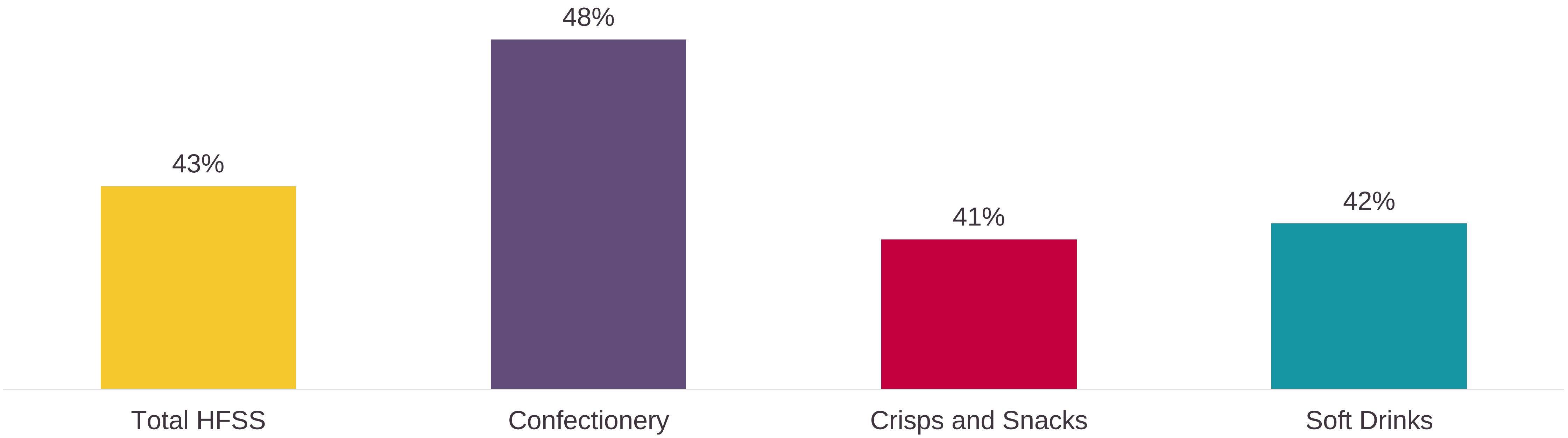


Source: Lumina Intelligence Convenience Tracking Programme, data collected 52 WE 29/05/22

IMPULSE PURCHASING IS HIGH IN HFSS CATEGORIES

43% of HFSS categories are purchased on impulse, meaning consumers did not necessarily plan to make these purchases. This poses a threat since impulse purchasing heavily relies on consumers seeing and being tempted to buy or through products being on promotion. The location restrictions reduces the chances of consumers seeing these products, confectionery is at particular risk, over-indexing in impulse purchasing by +5ppts over the HFSS average. Re-designed store layouts to encourage consumers to see HFSS categories in unrestricted locations will be important to maintain sales.

% Bought on Impulse – All Missions



Source: Lumina Intelligence Convenience Tracking Programme 12 WE 03.04.2022 – 26.06.2022; Total HFSS = Soft Drinks + Confec + Crisps & Snacks

CONVENIENCE MARKET DRIVERS, 2022F – 2025F

Greater knowledge and understanding of driving delivery occasions as well as innovative store models and services will be key drivers.

Higher importance

Internal

- ⬆ Greater availability and greater ability to drive **delivery engagement,** boosting spends and expanding the reach of the channel
- ⬇ **Adaptation** to get creative with sourcing and cost control to ensure stock availability and manage rising prices including assessing fridge temperatures
- ⬆ **Innovative store models** including hot food and desserts, drinks & pharmacy driving engagement
- ⬌ Continued shift to **more premium ranges and offerings** boosting spend, particularly in BWS
- ⬆ Developments in partnerships with foodservice and other operators to expand services within convenience
- ⬌ **Increased professionalism** in the market delivering better offerings, store ranges and layouts

External

- ⬌ Convenience has largely retained **new shoppers to the channel** during the pandemic and can capitalise on shoppers looking to support local businesses
- ⬌ Food to go and commuter focused convenience will benefit from offering consumers are more **value-led proposition** compared to foodservice operators, as financial pressures see shoppers seeking out value
- ⬆ HFSS legislation will benefit **smaller format stores** with these exempt from the legislation
- ⬇ More **home working** benefitting stores located in suburban areas
- ⬌ **Time poor convenience revolution** with busier lifestyles resulting in a greater shopper demand for meal for tonight and food to go solutions

Increase, decrease or retain the same importance from 2022-2025 ⬆ ⬇ ⬌

Source: Lumina Intelligence, July 2022

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