Lumina Intelligence

April 2024

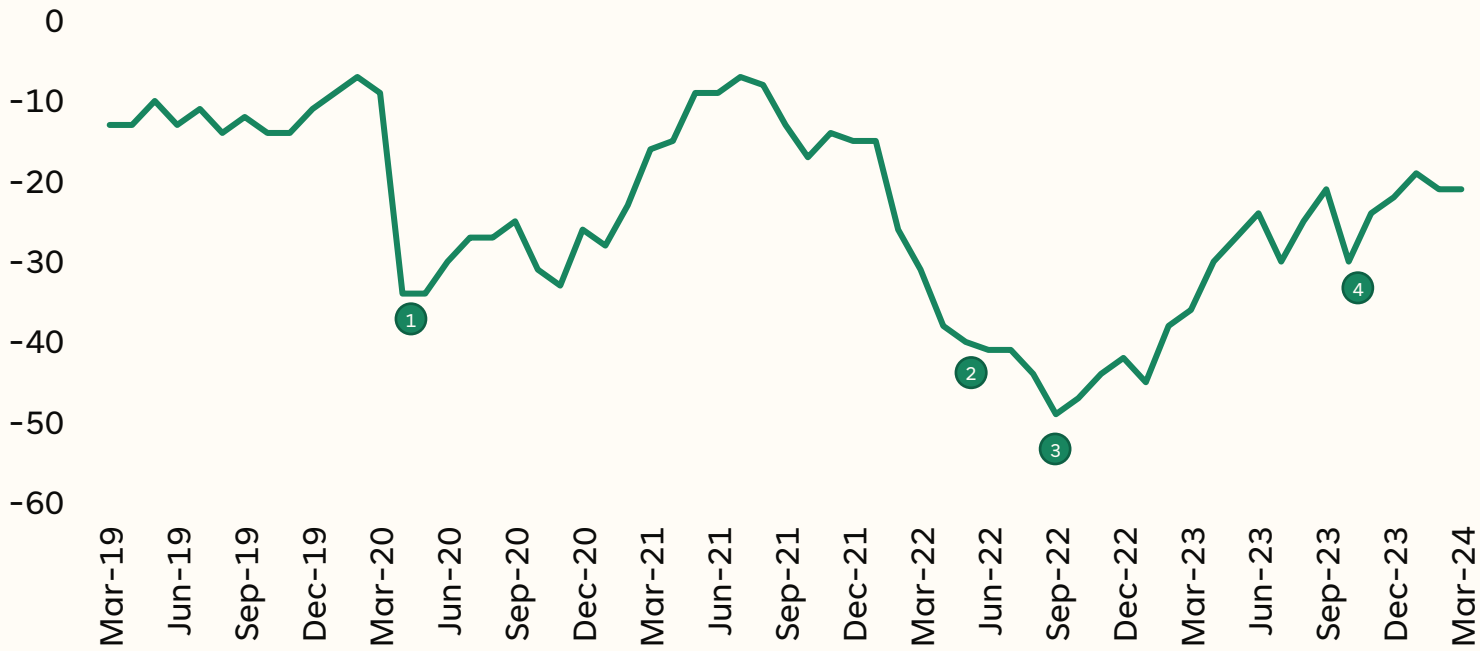
Lumina Intelligence Price, Promotions & NPD Report Sample Insights

Lumina Intelligence

Consumer confidence remains volatile amid concern over persistent inflation

Consumer confidence reached the highest level in two years in January 2024 at -19 before falling back to -21 in February and March. Fears over returning inflation, rising mortgage rates and evidence that the economy fell into a recession at the end of 2023 has left consumers wary. On a positive note, optimism in personal finances has remained stable, expecting to lead to more bullish consumer spending on non-essentials.

GFK consumer confidence, February 2019-2024



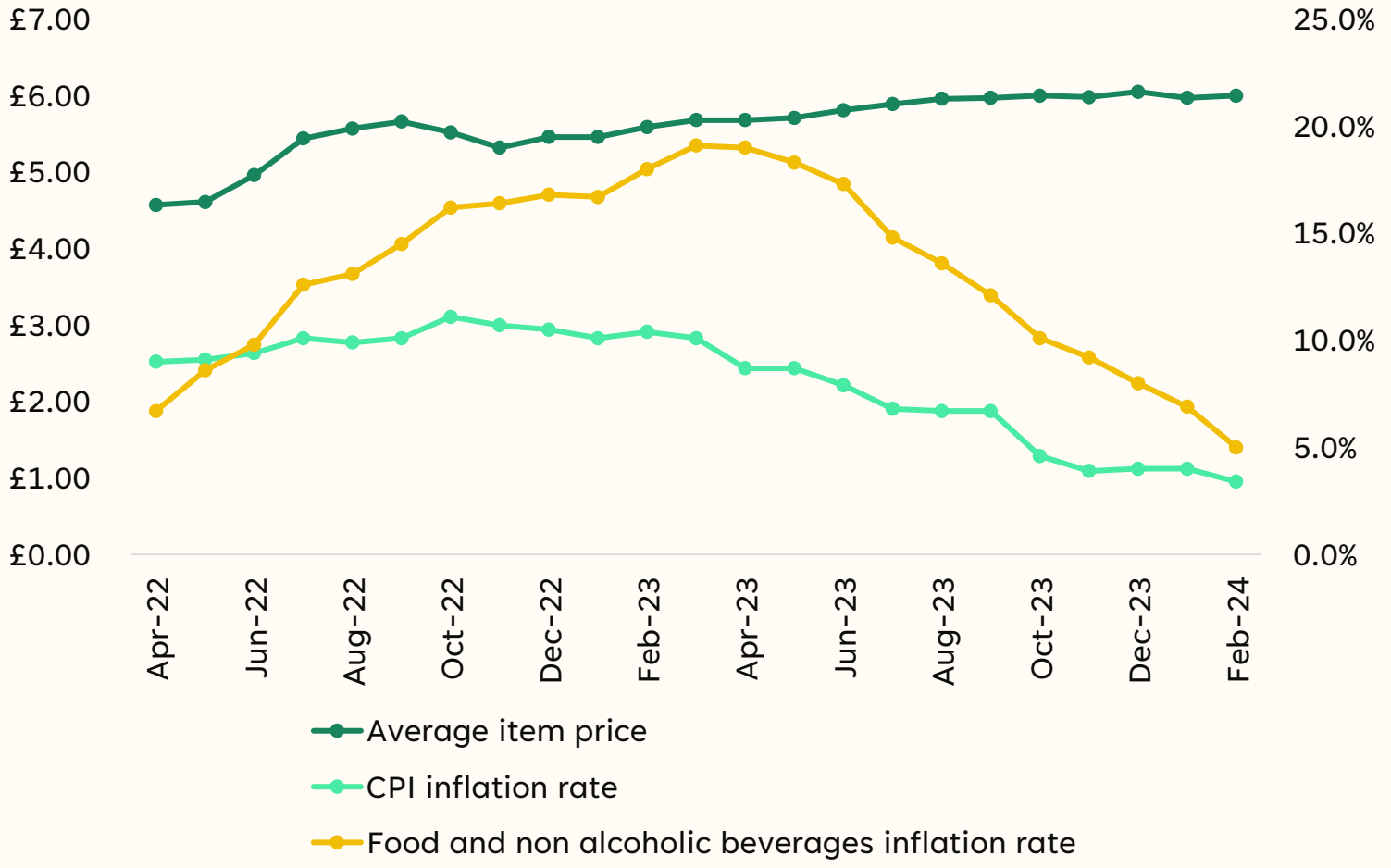
1. Coronavirus pandemic outbreak, lockdown
2. Russia invades Ukraine & energy price cap adjusted
3. Political turbulence, death of Queen Elizabeth II & double-digit inflation
4. Israel and Palestine conflict

Source: GFK Consumer Confidence, February 2024

Average item prices rise as inflation continues to steady

The average item price in the convenience channel has steadily risen from £4.57 to £6.00 over the past two years, despite inflation rates falling consistently over the last twelve months. Inflation rates are still positive, indicative of the continued squeeze felt by shoppers. Discretionary spend is expected to improve this year, with wage growth set to outpace inflation for the first time in two years. The return to offices is expected to drive up spend among convenience shoppers seeking meal occasions and food to go.

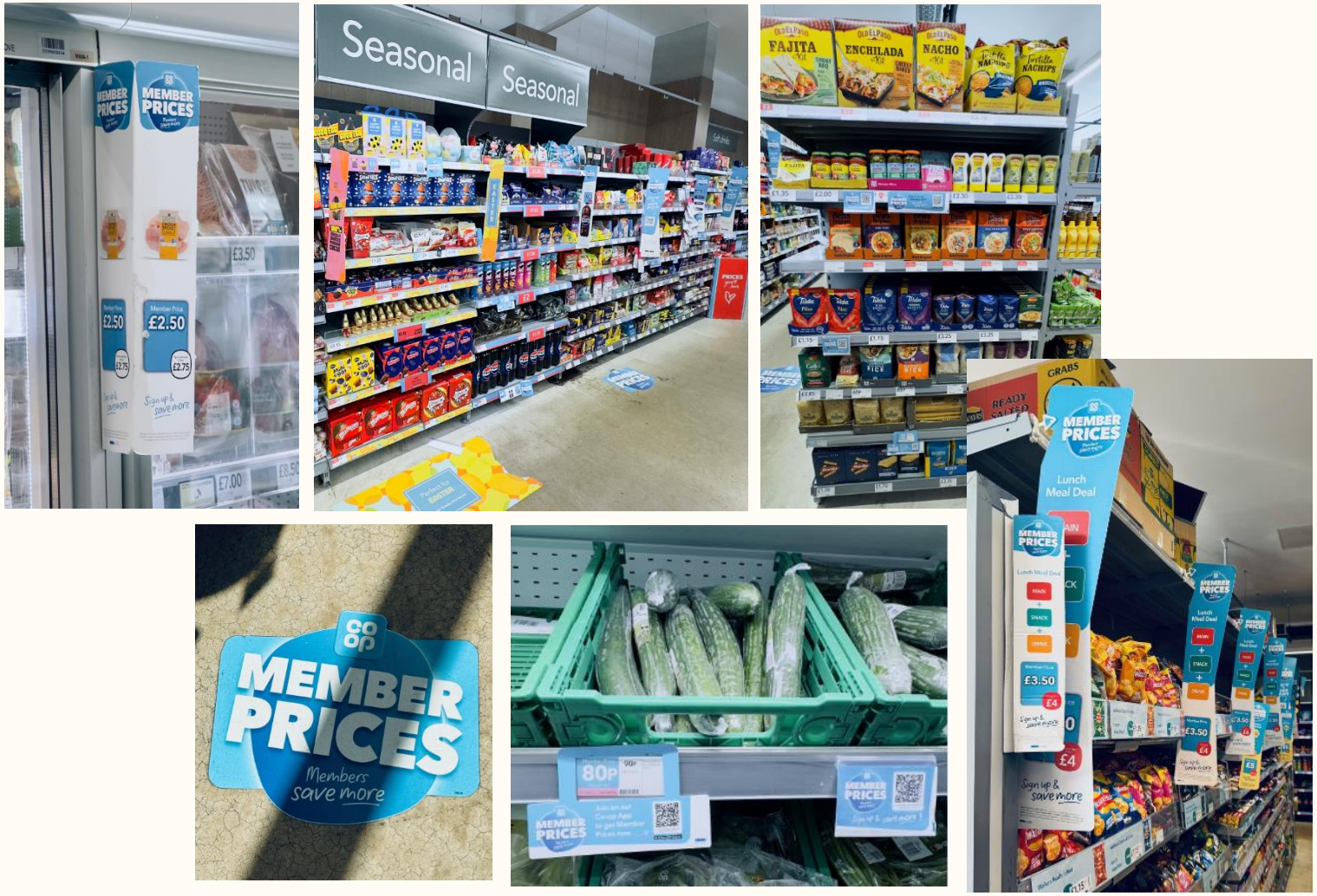
Average item price vs CPI & food inflation rates, 2022-2024



Source: Assosia Price & Promotions Platform, 2022-2024 | ONS, 2024

Member Prices signposting in-store across multiple missions in Co-op

Co-op's Member Prices features multiple call outs engaging shoppers throughout their in-store journey, including shelf edge labels with QR codes to encourage app/loyalty programme sign up in the produce aisle, seasonal shelf barkers for Easter, floor stickers, and call outs across key occasions including food-to-go (lunch meal deal, on-shelf) and Meal Occasions (gondola end). This clear messaging is the future of loyalty initiatives in convenience, and essential to appeal to value-led shoppers.



Source: Co-op Food, Ancoats Blossom Street, Manchester, March 2024

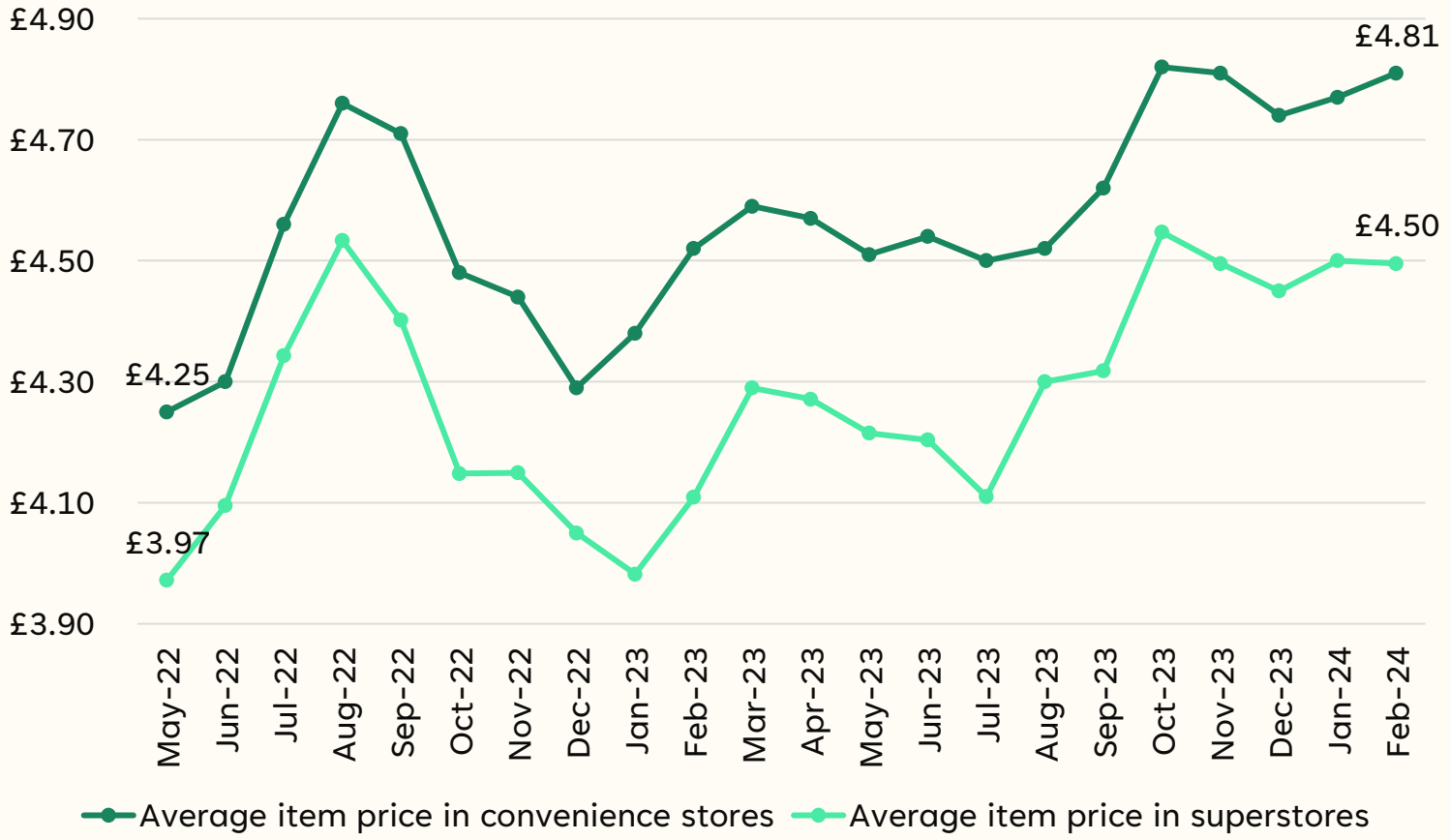
Convenience prices are 6-7% higher than superstores

The average display item price in convenience was volatile during the post-Covid period of 2022. The war in Ukraine broke out resulting in product shortages driving inflation throughout much of 2022.

Prices have steadily increased by a total of +13% since December 2022, following a more erratic period of fluctuations.

Prices are on average around 6-7% greater in convenience compared to superstores, with the gap closing during peak seasonal periods Christmas, Easter and Summer.

Average item price, convenience vs superstores, May-22 to Feb-24



Source: Assosia Price & Promotions Platform, 2022-2024

Total promotions down -36% year-on-year

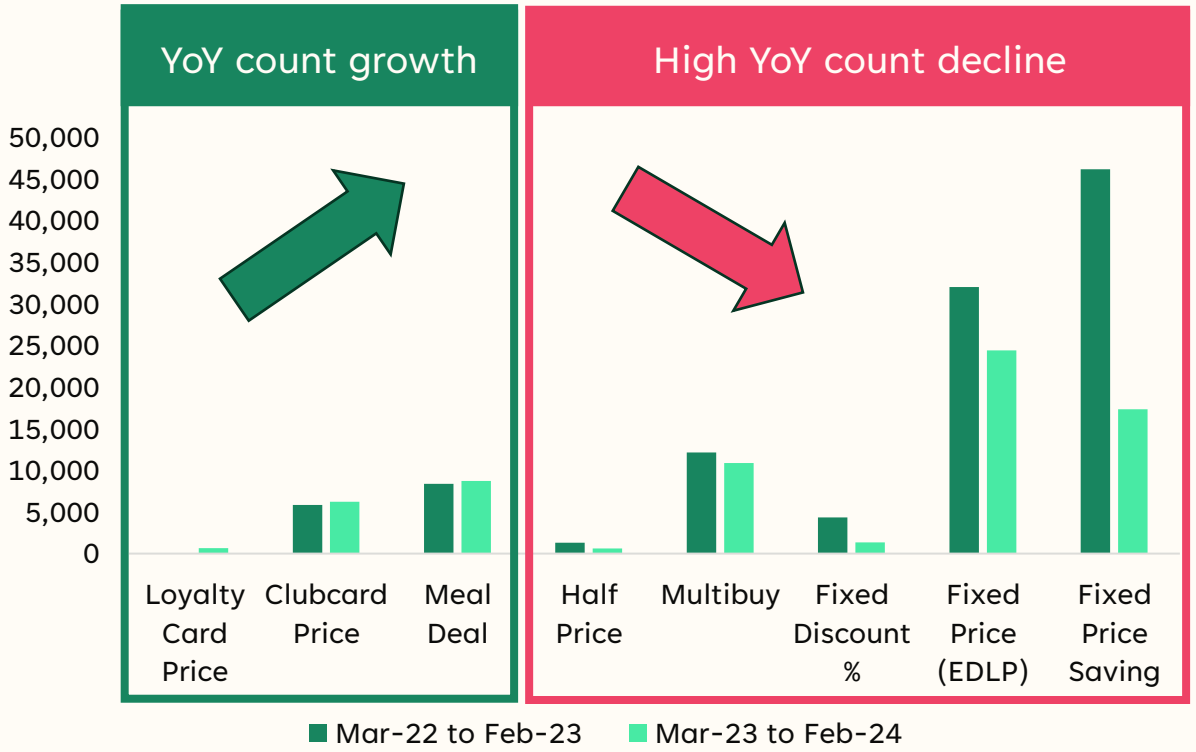
Loyalty card and meal deal offers amongst the fastest growing

More traditional promotional mechanics, such as fixed prices and multibuys, have contributed towards this overall decline in activity, however they remain key promotional tactics in the sector.

This was partly driven by economic factors such as falling inflation and improved personal finances, reducing the need for as much activity.

The market has seen an increase in loyalty card and meal deal offers in response to rising planned top ups, food to go, and meal occasions, resulting from loyalty programme investments driven by Co-op and Tesco.

Count of promotional mechanics by type

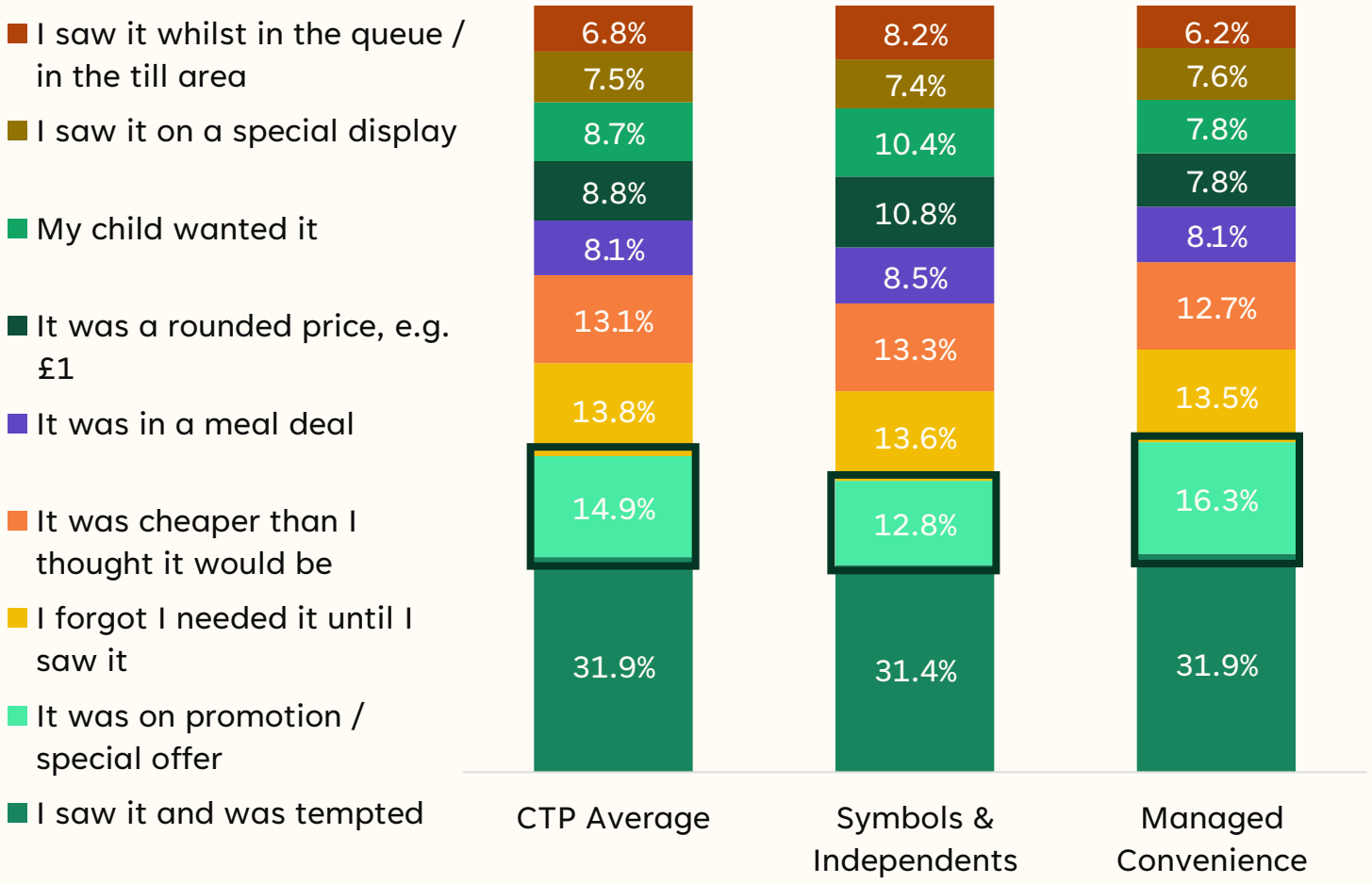


Source: Assosia Price & Promotions Platform, 2022-2024

Promotions drive impulse purchasing across all channels

Impulse purchasing - when a shopper buys an item that they had not originally planned to - is largely driven by promotional effectiveness. Promotions are key for driving impulse purchases in convenience, ranked as the second most popular reason for consumers' impulse purchasing. In the managed convenience channel promotions drive a notably higher proportion of impulse purchases, as by nature the channel has a larger offering of promotional products.

Top reasons for purchasing on impulse

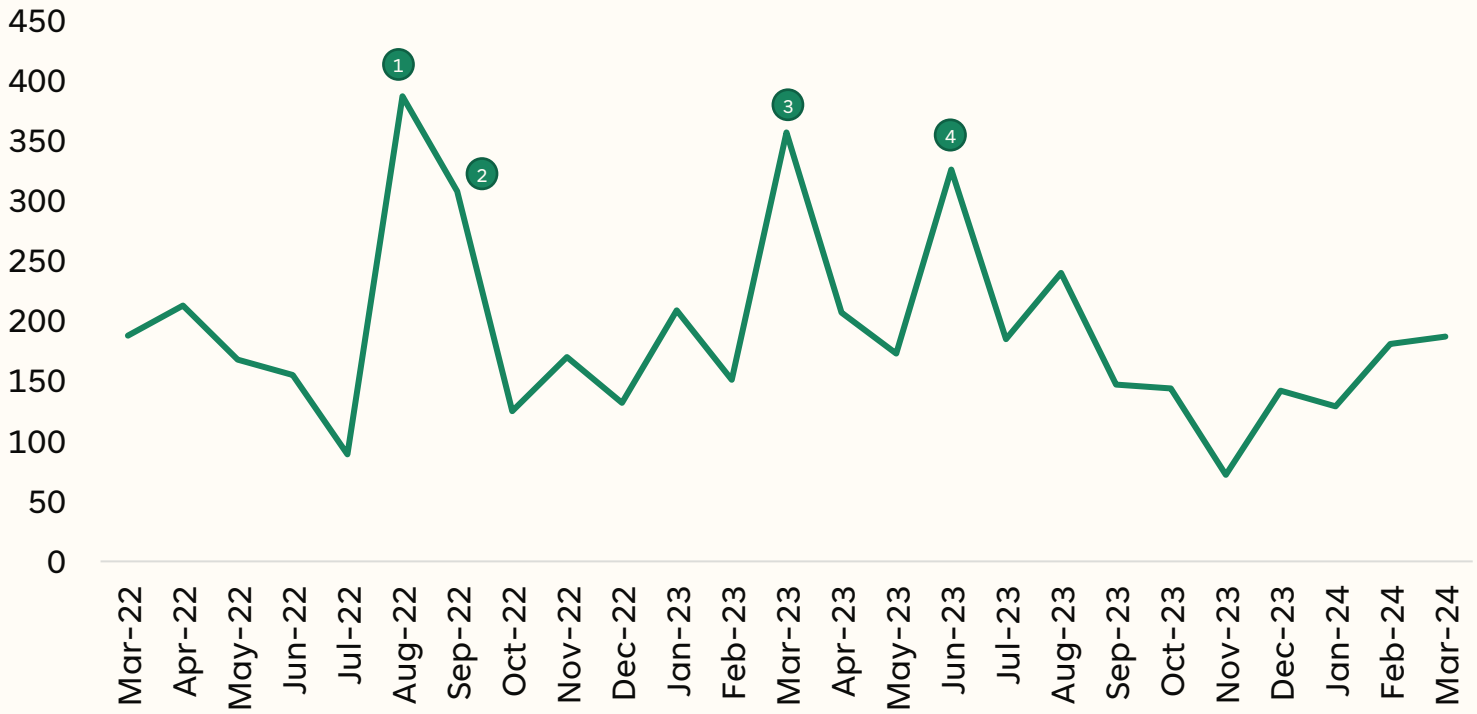


Source: Lumina Intelligence Convenience Tracking Panel, data collected 52WE 03/03/2024

Seasonal periods see peaks in NPD

New product listings fluctuate throughout the year with noticeable peaks seen over Easter, summer and the lead up to Christmas. The post-summer 2022 downturn likely reflects a cautious approach amidst economic challenges and low consumer confidence. The subsequent resurgence in NPD activity at the start of 2023 can be attributed to spring category refreshes for Easter and a push on FTG for summer. Similar cyclical trends can be expected with strategic launches around seasonal periods.

Total number of new listings March 2022-2024



1. First year back to school without restrictions
2. Run up to the World Cup and early stocking of Christmas NPD
3. Easter 2023 & Kings coronations
4. UK food price inflation dropped to lowest level since 2022

Source: Assosia Price & Promotions Platform, March 2022-2024, Lumina Intelligence, April 2024

Limited edition NPD provides flexibility for retailers

Limited Edition NPD offers brands and retailers the opportunity to gauge consumer appetite for new trends, generate buzz through strategic partnerships, and draw attention with innovative flavour combinations.

- **Heinz** exemplified this approach with its **collaboration** with **Absolut** to introduce a limited-edition tomato vodka pasta sauce last year. Capitalising on the viral 'penne alla vodka' trend sparked by Gigi Hadid, this product quickly became Heinz's bestseller, surpassing the iconic Heinz ketchup.
- By leveraging **limited edition novelty** and partnering with the established and iconic brand Absolut, Heinz successfully accelerated brand and category growth with the tie-up **delivering a 50% sales uplift** in its pasta sauces.
- Stocking limited edition NPD provides retailers with the opportunity to drive footfall by tapping into current **experiential trends**, boosting consumer engagement and sales.

Source: The Grocer, Marketing Week, Heinz, Absolut, Lumina Intelligence, April 2024

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To learn more about how Lumina Intelligence can support you, please get in touch using the contact details provided below.

Get in touch

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