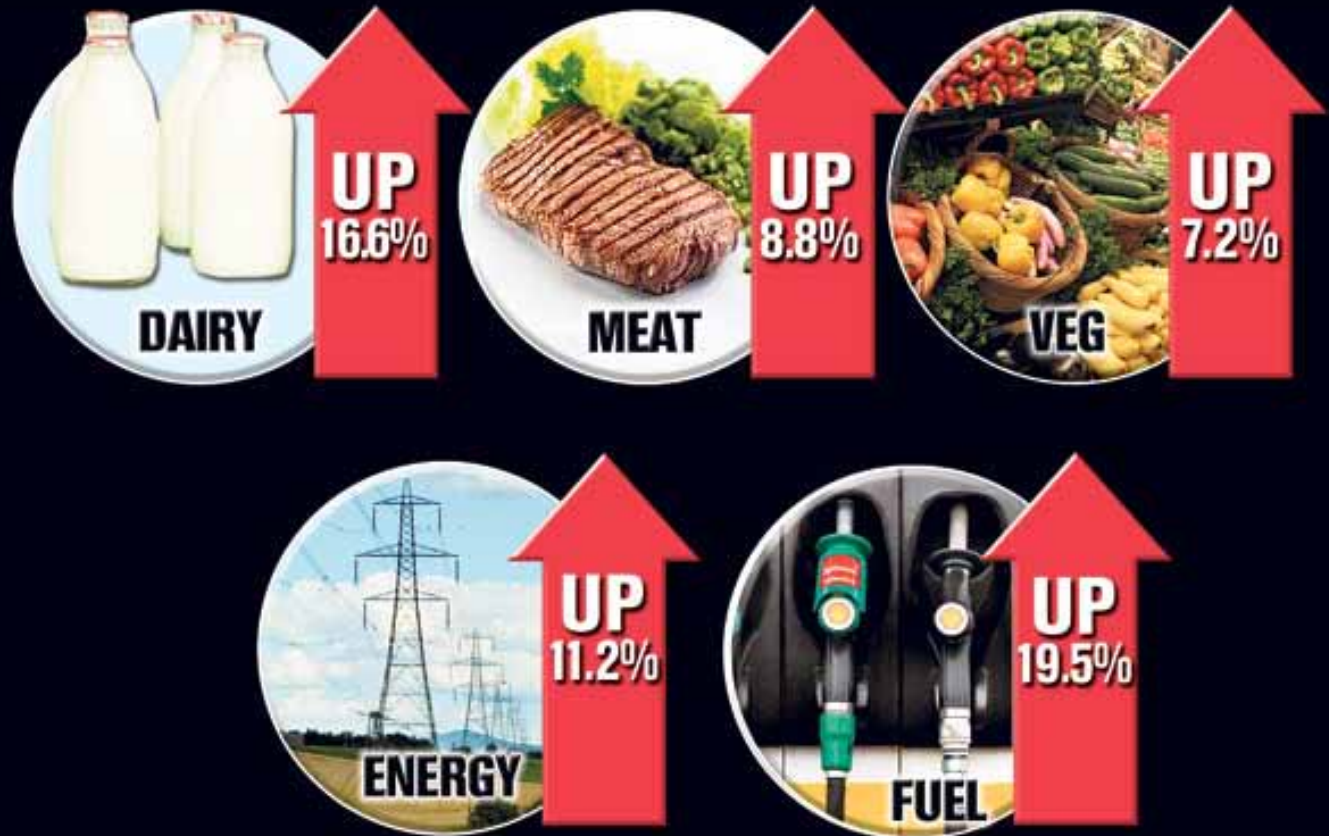


The impact of inflation on today's grocery shopper



Mark Thomson
TNS Worldpanel

Only a year ago...

Premium

Organic

Values

Eating out



And now...

Value

Planning ahead

Stability

Eating in



HOUSEHOLD BILLS

(monthly payments)

	Aug 2007	July 2008	Aug 2008	Annual % change
Mortgage*	£965	£1,025	£1,025	↑ 6.2%
Gas	£46	£54	£59	↑ 28.2%
Electricity	£30	£35	£36	↑ 20%
Water (UK average)	£27	£28	£28	↑ 3.7%
Broadband	£18	£12	£12	↓ -3.3%

WHERE THE PRICE RISES ARE BITING



UP 37.1%



UP 19.4%



UP 16.8%



DOWN 17.4%

Rising cost of food

Eggs	37.1%
Butter	31.5%
Fresh milk	19.4%
Cheese	18.7%
Beef	17.6%
Potatoes	16.9%
Bread	16.8%
Poultry	16.8%
Pork	13.6%
Cereals	12.7%
Biscuits and cakes	11%

Lamb Bacon

10.2%
10%

...but some goods are falling

Shoes	-1%
Toys and sports goods	-1.7%
Mens clothes	-3.1%
Electrical appliances	-5.4%
Women's clothes	-9.8%
CD and tapes	-17.4%

Latest figures up to 28th December 2008 show inflation back to +8.3%.

Food price inflation



*£150,000 2yr fixed rate repayment mortgage
- 75% LTV ** Average for Band D

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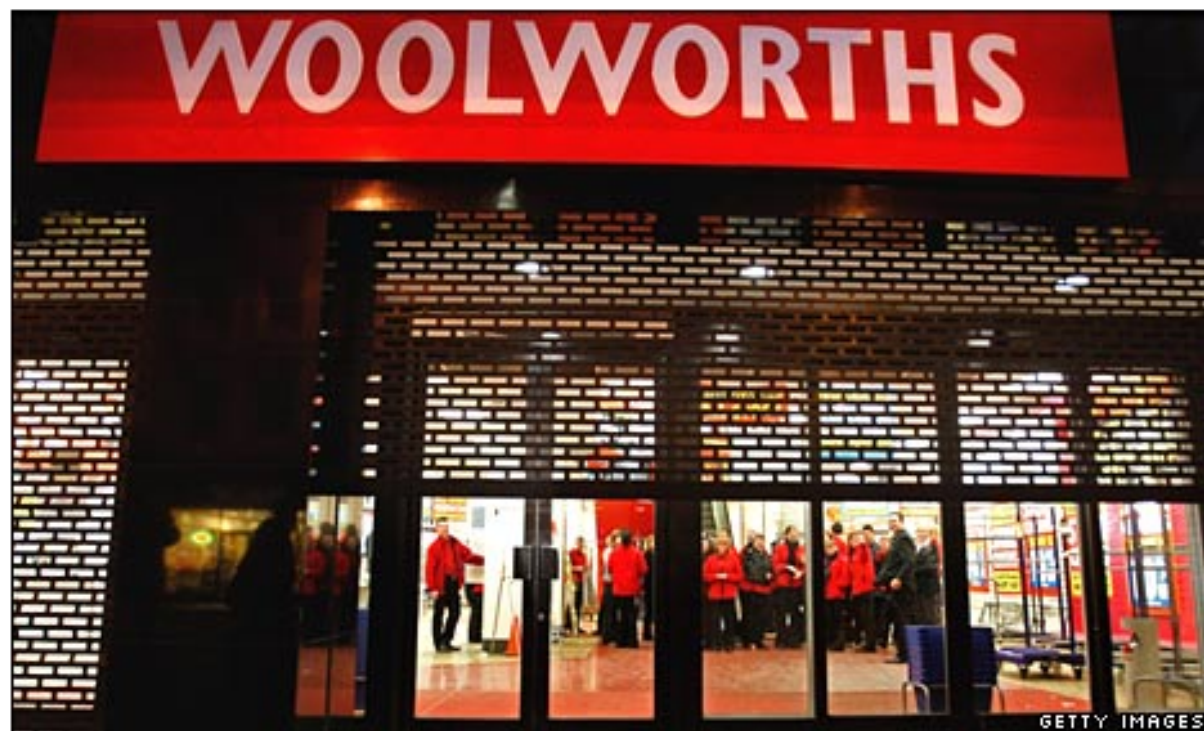
Marks and Spenc
close 25 of its
Food stores a
two of its reg

The closures w
loss of 780 job
is also plann
head office job

M&S also said
sales - which
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7.1% in the 1
December. To

The two regul
Park and in W

The firm also
as a result of



GETTY IMAGES

End of an era - the shutters came down in Glasgow's Argyle Street store for good

Woolworths' last 200 UK stores have closed their doors for good, leaving more than 27,000 people unemployed.

The firm's 807 British outlets have been closing in stages since the end of December following clearance sales.

Tuesday was the final day for the remaining 200 stores, following a one-day reprieve by the High Street chain's administrator, Deloitte.

Woolworths went into administration in November with debts of £385m and Deloitte was unable to find a buyer.

How are people shopping in the current climate?

So what has been the overall impact?



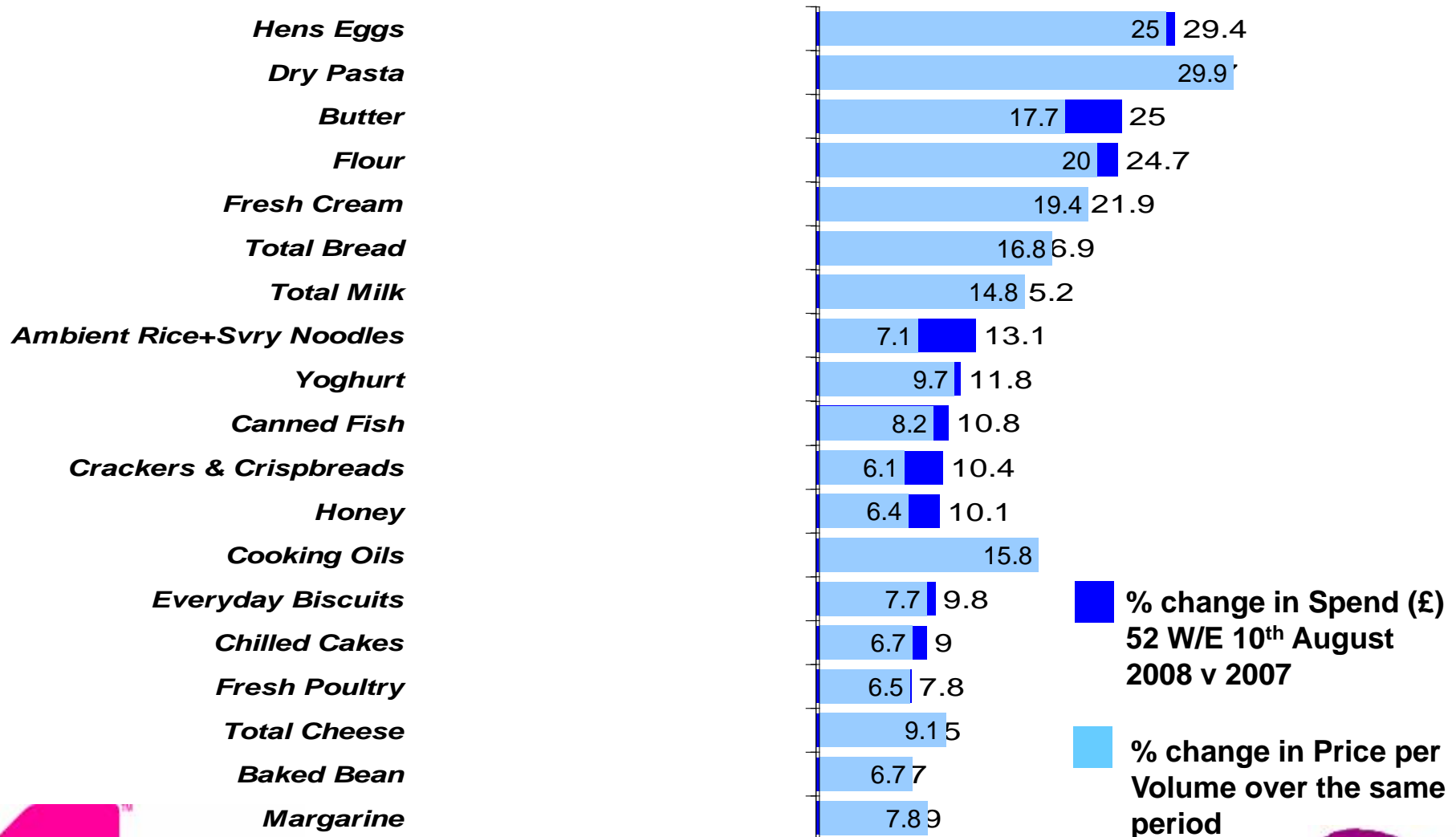
**Price
inflation**



**The
fixture**

**The
consumer**

Some of the biggest value growers ARE price driven in Scotland.



Fresh Milk volumes flat in Scotland however....

18.4 million Litres of Filtered Milk sold in Scotland over the last year (+18.1%)



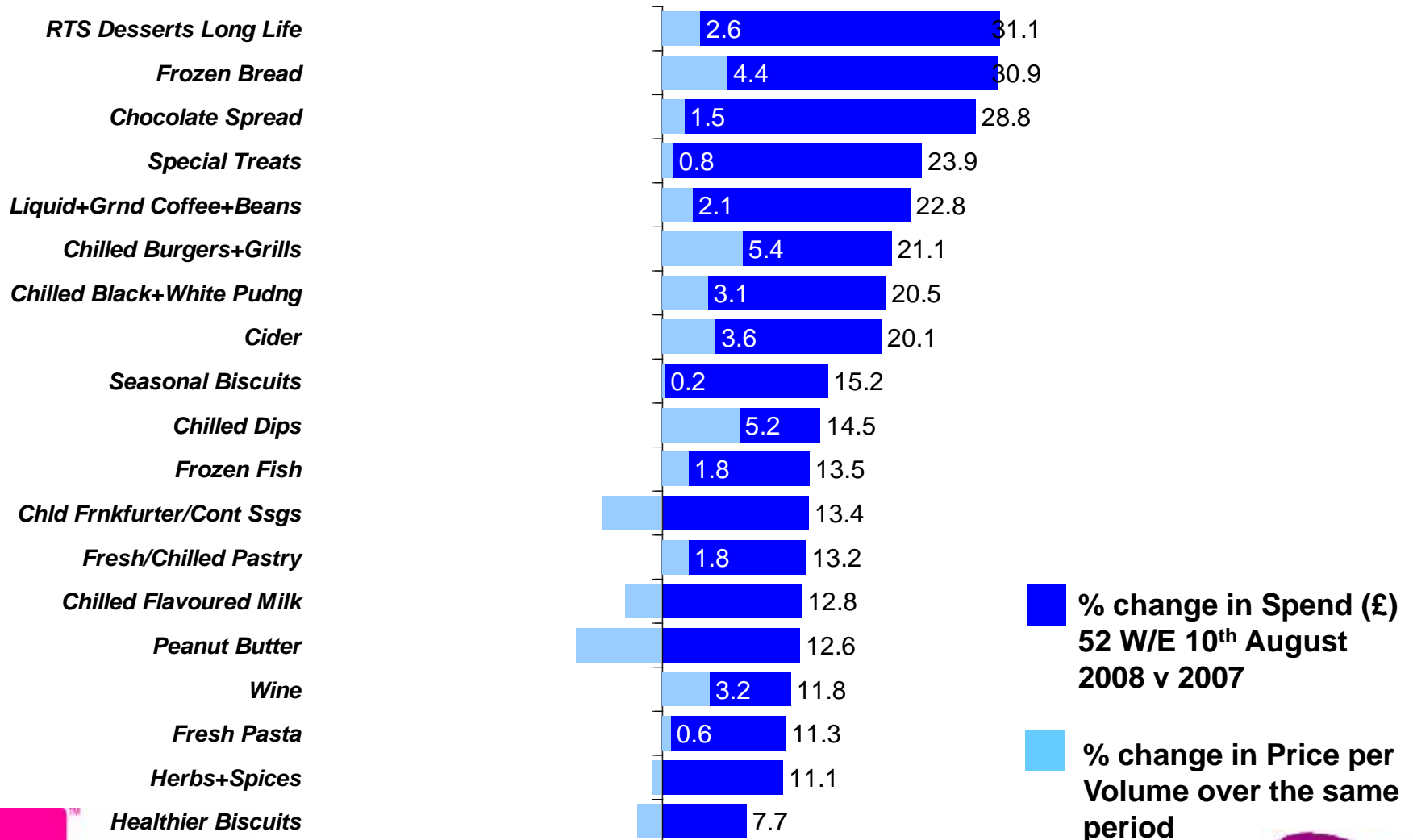
tns worldpanel

TNS Worldpanel – 52 W/E 13th July 2008

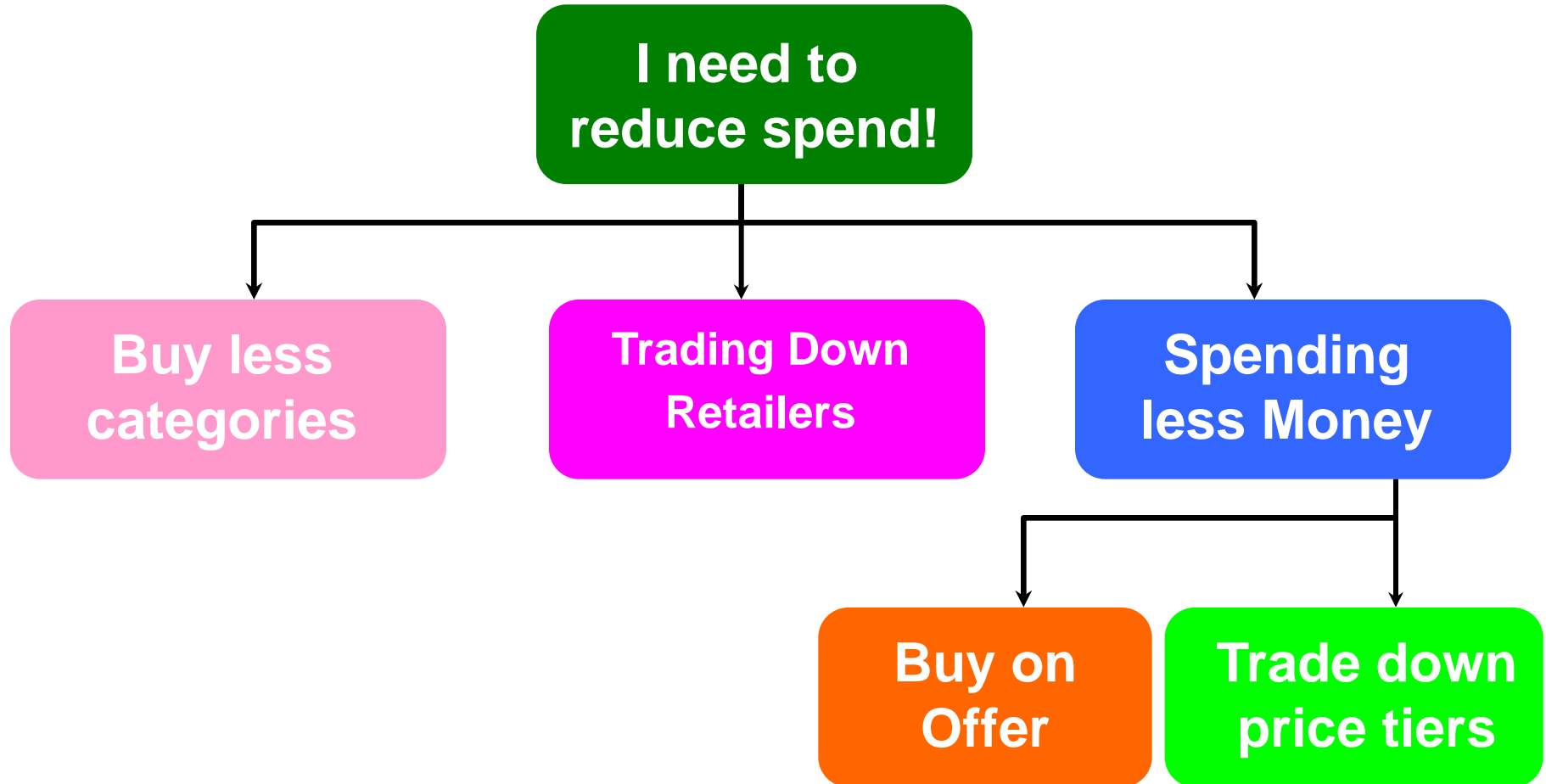
() - % change v 2007

Real Growth

Value growth NOT driven by price in Scotland.



So how has the fixture been impacted?



So what is the impact of food inflation on the grocery shopper?

Buy less categories

No

Trading Down Retailers

Yes

Spending less Money

Buy on Offer

Yes

Trade down price tiers

Yes

**What else will become more relevant in
2009?**

With the pressure on our wallets increasing, so too is the pressure on our waistlines.

change 4 life

Eat well Move more Live longer

sugar swaps

Simple ways to help kids eat less sugar.

[Find out more](#)



5 A DAY

Giving them their 5 portions of fruit or veg a day is easier than you think.

[Find out more](#)



meal time

Why it's important to make room for 3 regular meals.

[Find out more](#)



60 active minutes

Do your kids get theirs everyday?

[Find out more](#)



snack check

How to reduce unhealthy snacking.

[Find out more](#)



me size meals

How to make sure kids eat the right sized portions for their age.

[Find out more](#)



cut back fat

Easy ways to lower the fat in your family's diet.



up & about

Why kids shouldn't veg out and how to get them out



What do Scottish households spend more money on?

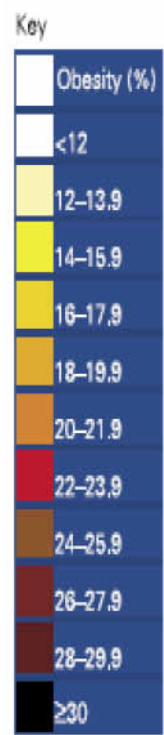


1. Fresh Vegetables
2. Fresh Fruit
3. Wine
4. Fresh Milk
5. Spirits
6. Cheese
7. Beer & Lager
8. Chilled Ready Meals
9. Chocolate Confectionery
10. Cooked Meats
11. Bread
12. Fresh Poultry
13. Fresh Beef
14. Breakfast Cereal
15. Morning Goods

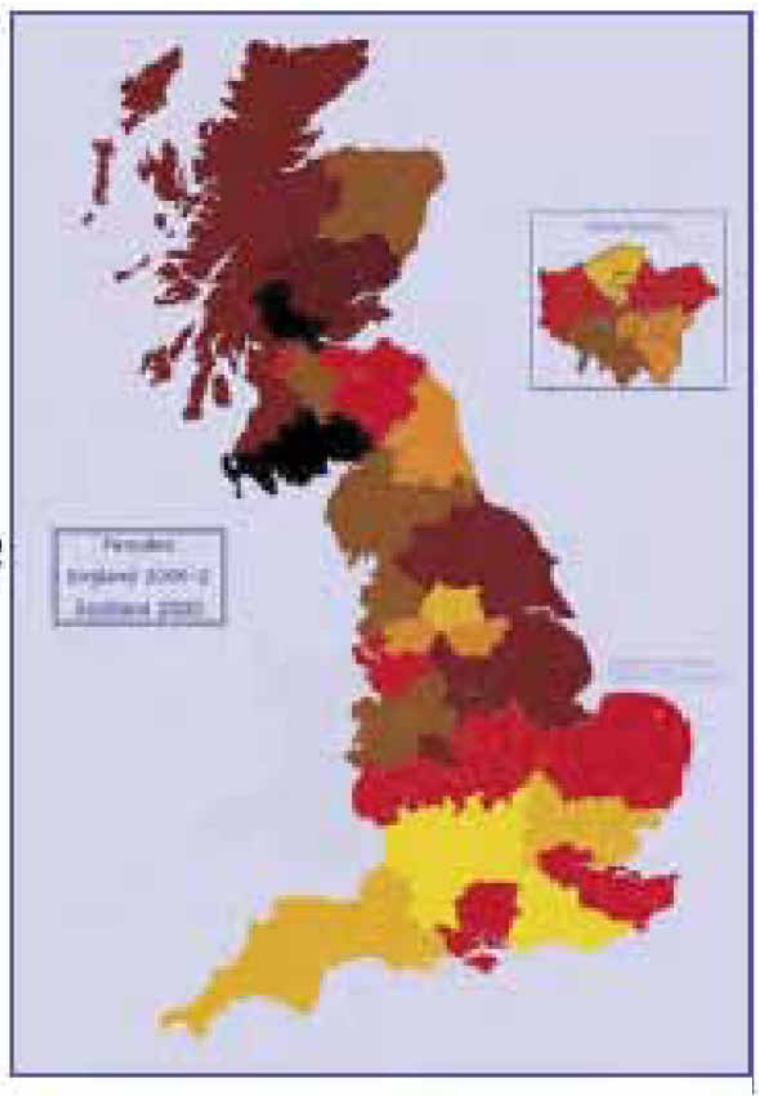


1. Wine ●
2. Spirits ●
3. Fresh Vegetables
4. Fresh Fruit
5. Fresh Milk
6. Chilled Ready Meals ●
7. Chocolate Confectionery ●
8. Beer & Lager
9. Cooked Meats ●
10. Cheese
11. Bread
12. Fresh Beef ●
13. Fresh Poultry
14. Morning Goods ●
15. Breakfast Cereal

So what is the main difference to the last recession in the early 1990's?



2000-2002

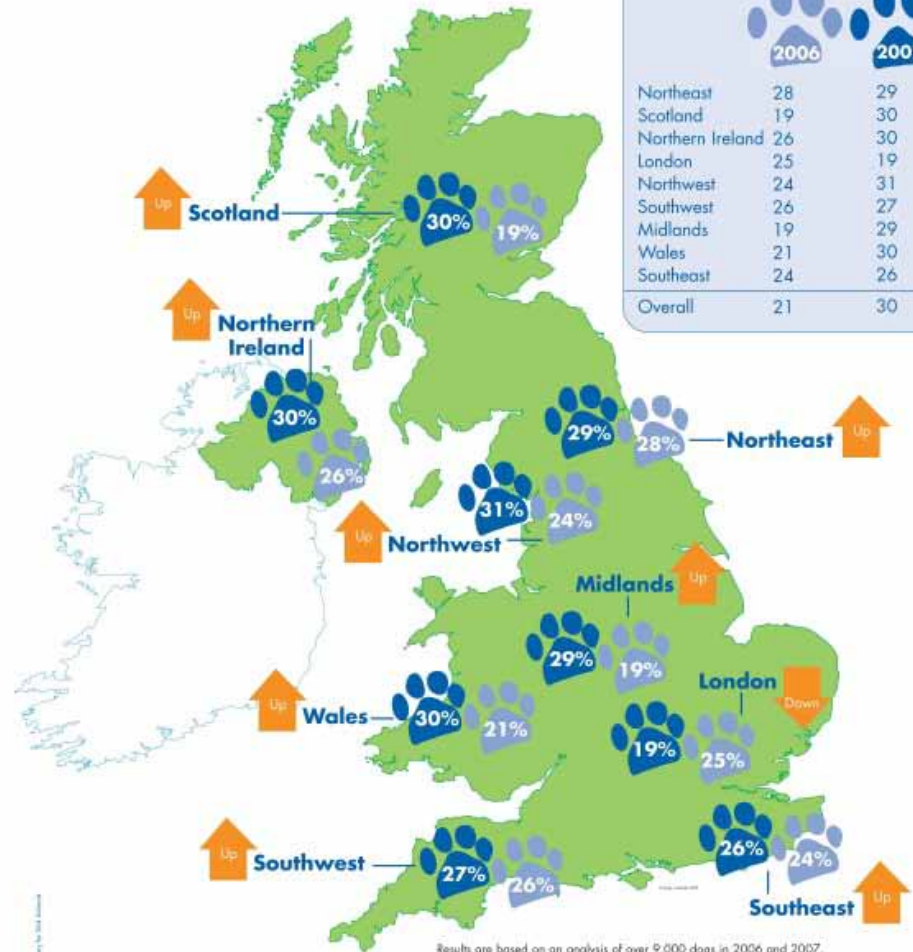


Prevalence of obesity (BMI \geq 30) in UK women 1994 - 2002

They say dog's often mirror their owners!

PDSA's UK dog obesity map 2007

Dog obesity chart		
Area	% overweight	
	2006	2007
Northeast	28	29
Scotland	19	30
Northern Ireland	26	30
London	25	19
Northwest	24	31
Southwest	26	27
Midlands	19	29
Wales	21	30
Southeast	24	26
Overall	21	30



How can marketers manage price inflation in 2009?

1. Understand your customers (Shoppers & consumers)
2. Redefine value (reverse engineer products to hit key price points)
3. Use promotions selectively
4. Segment your offering (customers increasingly looking to cherry pick the service/product features they really need)
5. Increase relevance (you need to persuade customers to cut back on other products, but not on yours)

1/3 of Scottish households will purchase Haggis in a typical year.

Domestic households in Scotland account for over 1,000 tonnes of Haggis and up 12% in Scotland year on year.

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the sixth sense of business

