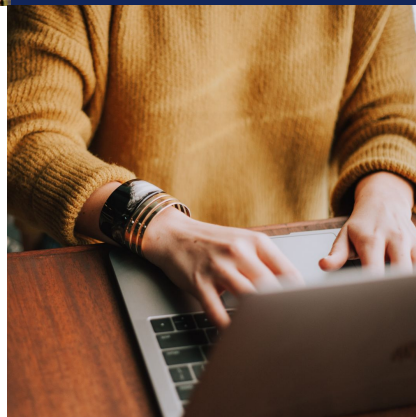


Supermarket Shoppers:

The Cost of Living Effect

Part of the Think
Tank Series

2022



Introduction

The cost of living crisis has impacted people across the country in a profound way. Price rises are seeping into many areas of life. There is the rising cost of fuel impacting consumers at petrol stations and adding chunks onto energy and electricity bills. Inflationary pressure on food is largely due to the difficulties of transporting food.



Over 9 in 10 adults reported an increase in their cost of living



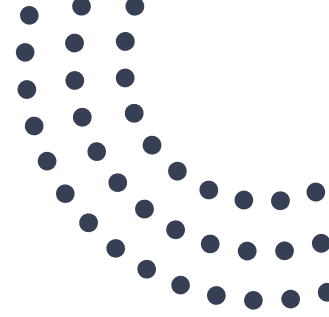
To rub salt in the wounds there is also the prospect of further increases in the bank of England base interest rate to try and curb inflation. This will have knock-on effects on the commercial rates charged by banks adding to repayments on mortgages and loans.

Statistics

- Around 4 in 10 (43%) reported that it was very or somewhat difficult to afford their energy bills
- Food inflation rose rapidly to 12.4%, with higher costs causing households to pay more for staple foods, such as eggs and milk
- 43% of adults reported that they would not be able to save money in the next 12 months



StrappedUK



Although prices are rising across the board for all of us, not all price rises are equal, not at least in terms of the impact on the individual. There is a wide spectrum of how price rises have affected people. To investigate the differing impact of inflation on the UK, Metrix Data Science (MDS) conducted extensive research investigating people's relationship with the cost of living. Combining a large survey with clustering algorithms MDS created StrappedUK – the UK's only cost of living segmentation



StrappedUK categorises UK postcodes as falling into one of the 14 strapped segments.



Each segment has unique characteristics with differing levels of stress brought about by the cost of living crisis and differing attitudes towards taking action to save money. Scores are used to describe the segments, for example each segment has an Increase Costs Score and Stress Score. The former is a metric illustrating the extent to which costs have increased for this segment and the latter is a measure of the ability of households to pay for everyday things. Therefore a household can have a high Increase Costs score while also having a low Stress Score since - due to their wealth and or money saving mentality – they are able to still pay the bills.

MDS have utilised StrappedUK to understand the profiles shoppers at the UK's biggest supermarkets. People living within a mile of each supermarket have been used as a proxy for individuals shopping at each supermarket. Therefore, there will be overlaps whereby one individual may well belong in the Sainsburys, Tesco's and Aldi group if they live within a mile of all of them. The proxy is a good one since people tend to shop at supermarkets that are close by.

Supermarket Profiles

This analytical exercise derived interesting insights from comparing and contrasting the profiles of different supermarket shoppers. Supermarkets tend to attract different customer profiles and this was reflected in the analysis. The strong correlation between levels of stress/ability to pay and wealth was a key feature of the analysis.



Asda and Iceland shoppers were found to be experiencing high levels of stress and negative impacts from the cost of living squeeze.



Asda and Iceland supermarkets were over-represented by StrappedUK segments that had the highest Stress Scores. For example, Asda shoppers had the highest penetration of the *Eat Now Pay Later* segment. This group are suffering the consequences of inflation eating into their household budgets. As their name suggests, they have a flawed approach towards taking action to mitigate the rising prices. Rather than save for a rainy day *Eat Now Pay Later* prefer the strategy of consuming today and thinking about the implications later down the line. There are high levels of deprivation in this segment with low levels of disposable income, high levels of universal credit and low credit scores.



Iceland shoppers are in the same boat as Asda customers in terms of their vulnerability to increasing costs. Iceland customers are over-represented by the segment **Feed or Fuel**. Among all the StrappedUK segments, **Feed or Fuel** are experiencing some of the worst effects of the cost of living crisis

“ **Feed or Fuel** are faced with a very high Increase Costs Score and Stress Score. ”



Households in **Feed or Fuel** segment are likely to be spending a disproportionate amount on fuel and groceries relative to their incomes. There is a high proportion of those who need to drive to get to work meaning that sky rocketing petrol prices have disproportionately impacted this group. The result of this being that tough decisions have to be made about whether to spend money on food or on petrol.



The StrappedUK segment that is most impacted by the cost of living crisis is *Fuel Fatalism*



> Lidl shoppers have the highest index for *Fuel Fatalism*

> Individuals in *Fuel Fatalism* segment live in some of the most deprived areas of the UK

> The majority do not own their homes

Levels of food bank usage are very high among this segment especially since food inflation is an issue due to the already high prices at local convenience stores. What makes *Fuel Fatalism's* situation especially precarious is their fatalistic acquiescence to their financial predicament. Despite the massive increase in costs they face they are not engaging in careful financial management.



Waitrose shoppers are in the fortunate position of being insulated from the cost of living crisis.



Waitrose shoppers are more than 3 times likely than other shoppers to belong to the **Can Pay Won't Pay** segment. Representing just above 2% of UK this is the smallest of all Strapped segments. They have the financial security to afford the increase in prices and consequently have a very low stress level. Make no mistake, this segment are facing high costs. They are likely to live in expensive city flats and have expensive habits around having the highest Increase Costs Score, their low Stress Score is indicative of their financial standing and adaptability to engage in money saving habits.

“

Sainsbury's shoppers are over indexed for *Can Pay Won't Pay*

”

An interesting feature of the profile of Sainsbury's customers is their proactive stance regarding the cost of living. Sainsbury's shoppers have a large amount of *Batch Cookers*. *Can Pay Won't Pay* and *Batch Cookers* are both segments making significant changes to their spending habits to save money.

Batch Cookers enjoy a very low stress level and a large part of this is their unwillingness to be taken for a ride. People in this segment are constantly on the lookout for lifestyle changes that will save pennies. As a group they are keen on cooking and have turned to batch cooking meals making their food habits cost efficient and price efficient



“

Tesco shoppers are a good reflection of the average stress level, they are neither breezing the changes nor struggling with crippling stress.

”

Tesco shoppers are over-represented by *Learning to Lidl*. This group is a small segment that is skewed towards a slightly younger demographic. They are experiencing moderate stress levels. Their younger profile means a lot have recently purchased properties with large mortgages meaning that interest rate hikes are going hurt them. Consequently many in this group have to turn to discount retailers like Lidl and Aldi for the first time in their lives. However, this group benefits from occupying well paid professional positions and often having the bank of mum and dad to fall back on.



Visit our site -
[Home \(strappeduk.com\)](http://strappeduk.com)

Summary

MDS's investigation of supermarket profiles using our bespoke cost of living segmentation Strapped demonstrates the differing ways different groups have been affected by the increases in the prices of everyday items. With little sign on the horizon of inflation abating, these trends are likely to have a profound influence on how people shop and engage with businesses. Understanding the current state of play is crucial in staying on top of an ever-changing marketing landscape.

This analysis was carried out on people living on the catchment areas of the above mentioned supermarkets and not actual customers.

Supermarket Profiles

The following two customer profiles are people living in the catchment areas of Waitrose and Asda.

Waitrose

Number	Segment Name	Waitrose Sample %	StrappedUK Base %	Index	0	100	200
1	Blessed Not stressed	5.79%	4.99%	116			
2	Batch Cookers	11.95%	7.55%	158			
3	Can Pay Won't Pay	7.45%	2.23%	334			200+
4	Every Little Helps	15.67%	14.36%	109			
5	Coupon Cutters	12.62%	11.45%	110			
6	Switch off the Light	3.98%	4.40%	90			
7	Food Bank Explorers	8.35%	7.79%	107			
8	Learning to Lidl	5.70%	2.89%	197			
9	Gas Guzzlers	9.12%	12.19%	75			
10	Eat Now Pay Later	3.98%	6.92%	57			
11	Netflix and Leave	4.10%	7.47%	55			
12	Feed or Fuel	1.84%	8.17%	23			
13	Fuel Fatalism	0.76%	4.27%	18			
14	Scrimp and Save	0.31%	3.54%	9			



Number	Segment Name	Asda Sample %	StrappedUK Base %	Index	0	100	200
1	Blessed Not stressed	2.13%	4.99%	43			
2	Batch Cookers	5.68%	7.55%	75			
3	Can Pay Won't Pay	1.68%	2.23%	75			
4	Every Little Helps	8.82%	14.36%	61			
5	Coupon Cutters	7.43%	11.45%	65			
6	Switch off the Light	3.98%	4.40%	90			
7	Food Bank Explorers	6.84%	7.79%	88			
8	Learning to Lidl	2.60%	2.89%	90			
9	Gas Guzzlers	13.75%	12.19%	113			
10	Eat Now Pay Later	10.07%	6.92%	145			
11	Netflix and Leave	11.63%	7.47%	156			
12	Feed or Fuel	12.23%	8.17%	150			
13	Fuel Fatalism	7.05%	4.27%	165			
14	Scrimp and Save	4.70%	3.54%	133			
15	Unclassified	1.41%	1.78%	79			