



snoop

# Consumer Pulse

June 2023



FT FINANCIAL  
TIMES

statista

Ranked Gold for Consumer Goods and Retail

UK'S LEADING  
MANAGEMENT  
CONSULTANTS 2023



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Linda J Ellett  
Partner, UK Head of Consumer Markets, Leisure & Retail



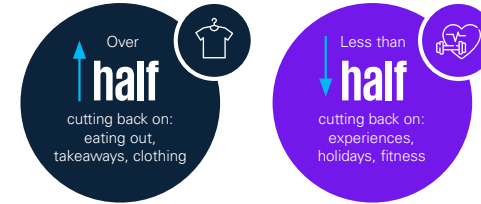
Though the cost-of-living crisis continues to bite, consumer-led businesses have reasons to be positive. Success hinges on your understanding of what good value looks like to your customers; finding the winning balance between affordability, quality, sustainability and delivering memorable experiences.

## How are consumers feeling?



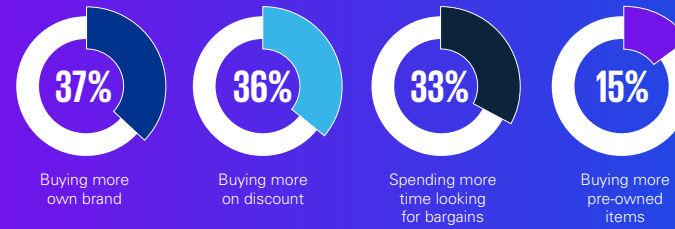
Source: KPMG survey of 3000 consumers in March 2023.

## What choices do they say they are making?



Source: KPMG survey of 3000 consumers in March 2023.

## How do they say they are managing their spend?



Source: KPMG survey of 3000 consumers in March 2023.

## What does it mean for consumer business leaders?

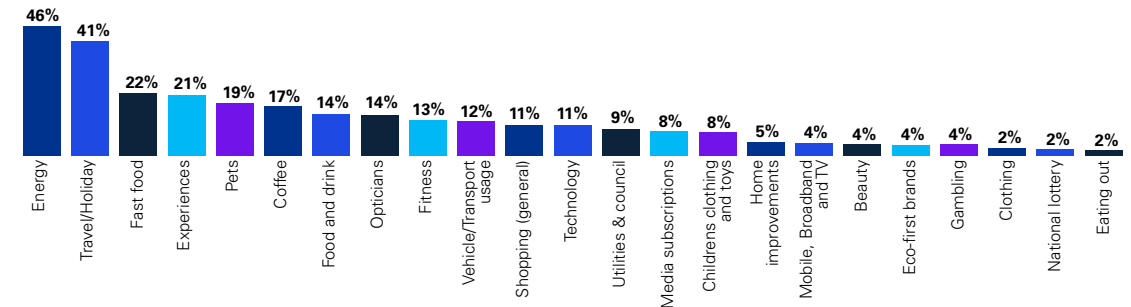
Understand what value looks like for your customers. Hypothesise, then use your data to qualify and track.

A strong sustainability agenda alone is not enough. It is most effective when it complements an already strong product or service.

Make the experience of spending money innovative, memorable and personal.

## What the spending data says

Subsector YoY Change in Total £ Spent (Qtr 1 2022 to Qtr 1 2023)



Source: Snoop, a financial management app, who anonymised and aggregated the Q1 2023 (Jan-Mar) transactions of approx. 100k users; a sample population generally aligned to the latest ONS national demographics.







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# Foreword

If consumers do what they say they are going to do with their money, targeted marketing would be a no-brainer for consumer-facing businesses.

But the reality, when it comes to spending, is that different priorities stand in the way of intent. Consumers just don't behave as you expect them to.

And that, perhaps, has never been truer. In the shadow of recovery from the pandemic, we face a cost-of-living crisis, rising inflationary pressures and interest rates hikes. Household bills continue to go up, reducing opportunity for discretionary spend. It's a challenging time for consumers. It's an equally tough environment for consumer and retail businesses, complicated by the need to interpret unpredictable customer behaviour and acquire insights that inform future business growth.

Each quarter, KPMG polls 3,000 UK consumers to gauge confidence and propensity to spend. Now, to augment our qualitative analysis, we are partnering with Snoop, a free money-management and budgeting app.

This partnership allows us to combine our insights on purchasing intent, with real-life spending data from more than 100,000 Snoop customers in the UK.

In our Consumer Pulse report, we bring to life the realities behind the data. We join the dots between what consumers say and what they actually do. We hope it will help you to delve a little deeper into your own customers' spending behaviour, work out what it means for your business and, in turn, inspire new ideas to turn that understanding into growth opportunities.

Welcome to our first issue. We'd love to know what you think and hear what you'd like us to explore in future issues. You can get in touch with us at [consumer.marketing@kpmg.co.uk](mailto:consumer.marketing@kpmg.co.uk).



**Linda J Ellett**  
Partner, UK Head of Consumer Markets, Leisure & Retail



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## Economic outlook: Cloudy with sunny intervals

Though the likelihood of a recession has fallen in the UK, gross domestic product growth has slowed on the back of a squeeze on household real incomes and the impact of interest rate increases.<sup>1</sup>

Retail sales growth held steady month on month in April 2023, up 5% growth on last year. Paul Martin, UK Head of Retail at KPMG says: "It comes against a background of higher inflation year on year, masking how much is actually healthy growth for the sector." Consumer demand, though fairly resilient to the twin drags of high inflation and high interest rates, will be challenged as government support for energy bills comes to an end, and as savings dwindle and household bills rise. Much hinges on whether soaring food inflation can be brought sufficiently under control to make consumers feel comfortable enough to start spending again on non-essential items.<sup>2</sup>

Even so, consumer confidence is up one point in April 2023 compared with March 2023, according to the GfK Consumer Confidence Barometer.<sup>3</sup> It reflects optimism for a rebound in the UK economy during the second half of the year.

However, an uphill path to recovery lies ahead. KPMG's Consumer Pulse survey<sup>4</sup> finds that 55% of 3,000 UK consumers have reduced non-essential spend so far in 2023.

More positively, the numbers using their savings to meet essential costs, fell from 43% in December 2022 to 34% in March 2023. Levels of financial security have not worsened, with 70% feeling either the same or more financially secure at the end of the first quarter of 2023 as they did in the previous period.

Inevitably, many consumer and retail businesses will focus exclusively on reducing costs. However, a more holistic approach, which both tackles the immediate storm and plots the route to long-term growth, might include a focus on:



**Product assortment:** ensure the product mix is right for consumers and drives margins, while swapping out less productive stock-keeping units



**Pricing/promotions:** conduct an end-to-end review to ensure that pricing and markdowns keep you competitive, deliver on their objectives but don't give away value



**Consumer comms:** keep to simple, "value focused" marketing. Remind consumers what your proposition is, and why it offers better value than competitors, to earn trust during a period of uncertainty.





# 01

# It's not just about the price

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The cost-of-living crisis continues to bite. Price governs purchase decisions. Consumers now spend more time scrutinising what, how and where they spend.

Our polling data, to end March 2023, reveals that 79% of 3,000 UK consumers rank price as their top consideration, up 13% on the quarter ending December 2022. More than one third say that they offset price increases by buying products that are on promotion, discounted or own-label brands.

But purchase decisions are not governed by cheap prices alone. Despite a focus on affordability, 69% of consumers are unwilling to compromise on quality. Across multiple categories, we see consumers seek a balance between price and quality.

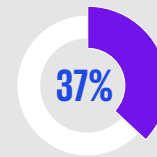
Price and quality considerations are also borne out in the spending data compiled by Snoop.

It finds that the brands that experience most growth are those that give consumers best value for money.

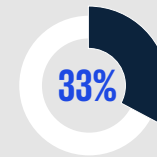
They understand and deliver on the winning combination of price and quality.

Snoop data points to supermarket brands Aldi and Lidl, which have made it both cool and savvy to shop at discount stores. These trailblazers have disrupted shopper behaviour and proven that there doesn't have to be a choice between price and quality. You can have both. And without compromise.

## What UK consumers tell us



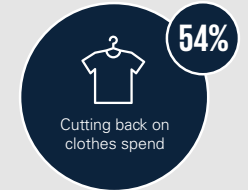
Buying more own brand



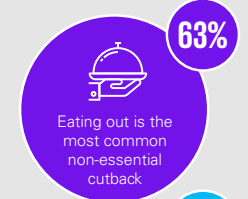
Buying fewer items



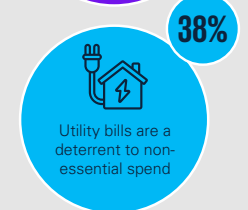
Reduced non-essential spending



Cutting back on clothes spend



Eating out is the most common non-essential cutback

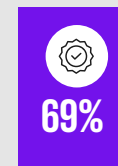


Utility bills are a deterrent to non-essential spend

## The biggest considerations governing purchase decisions



Price



Quality



Sustainability



Convenience

Based on a KPMG poll of 3,000 UK consumers in March 2023







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When economic times are tough, brands that provide certainty and consistency of experience to consumers will fare well. Among them is bakery chain Greggs, which prides itself on affordable quality. It defines its purpose as making “great tasting freshly prepared food available to everyone”.

Similarly, Premier Inn’s Rest Easy campaign speaks to customers’ needs for reliability, dependability and affordability whenever and wherever they visit. Both brands have seen growth despite the prevailing economic conditions.

Even within the challenged world of fashion, brands that embrace customer-centricity and demand for quality at an affordable price are rewarded with sales. Take Uniqlo, with its “made for all”, low-cost, high-fashion, universal garments for wearers to integrate into their individual styles. The retailer jumped 103 places in KPMG’s recent Customer Experience Excellence report,<sup>5</sup> and has seen its strategy deliver tangible customer growth, as reflected in Snoop’s spending data.

## How to navigate consumer demands for affordable quality

At any time, but especially during a downturn, consumer loyalty can be won or lost. For leaders in consumer businesses, the resounding message that comes out of both our qualitative data and Snoop’s spending data is that lower prices cannot come at the expense of quality.

Some companies do it well. Other companies flounder.

Getting it right starts with **understanding what value looks like to your customers**; what they are prepared to pay and how your brand can accommodate it. Value will vary by company, sector and customer type. But, as our Customer Experience Excellence report finds, value is mostly a balance of cost, the quality of the overall experience and the brand’s commitment to environmental and social improvements.<sup>6</sup>

Companies can start by hypothesising about what drives value — perhaps it’s a product and/or an experience — in their target market. Then, by linking actual customer behaviour with past survey data, they can determine which behaviours have previously resulted in customer retention, referrals, attrition, etc. This helps to narrow down activity and allows the company to focus on proven means to create value, which they can replicate, measure, track and enhance as consumer appetites evolve over time.



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Meanwhile, measures like pricing and promotions should be used judiciously. Though it is tempting to offer deals and discounts when there's a squeeze on spending and high input inflation, only 30-40% of promotional activity is effective.<sup>7</sup> In the bid to increase sales, **don't be tempted to undersell your offering. Understand what is cheap enough.** Undertake an end-to-end review to make sure that your pricing and markdowns remain competitive and don't give away value. Ultimately, minor price differentials are unlikely to sway purchase decisions, but quality — and therefore the consumer's perception of value — might.

And read your customer. Literally. **Embrace the opportunities provided by data democratisation and the persuasive mechanisms of customer reviews** to better understand what drives and disrupts buying behaviours.

On their smart phones, with access to high-speed internet, customers make fast judgements informed by what other people think about the features, functionality and value of a product or service.

If Mr B in Scunthorpe says it's worth the money, then it's good enough for a swathe of other shoppers too. Reviews, and the ability to compare like-for-like products and services online, removes the guesswork from customers' purchase decisions. Likewise, companies can take advantage of these tried and tested, praised and censured opinions to do things a little differently.



On their smart phones, with access to high-speed internet, customers make fast judgements informed by what other people think about the features, functionality and value of a product or service.





## 02

# Sustainability: Does it matter less than consumers say it does?

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Ask consumers how much weight they give to sustainability in their spending decisions. Invariably, they'll say a lot.



However, KPMG polling reveals that sustainability results in a gap between consumers' purchasing intent and their actual behaviour. There is a tendency to talk green but buy brown.

In fact, sustainability ranks behind price (79%) and quality (69%), as one of consumers' top purchasing considerations. At 30%, sustainability seems to be a secondary driver; a welcome added bonus.

Spending data from Snoop paints a mixed picture on sustainability. Overall, eco-first brands are experiencing growth in customer numbers.

But a decline in transaction frequency and spend means they are not keeping pace with inflation. Growth is at +4%, behind inflation at +10%.

This trend is notable in green subscription-based businesses: organic veg from field to door; sustainable coffee; plastic-free beauty products; healthy meals, etc. They have soared in popularity in recent years, offering convenience and savings in terms of time and effort. Though they see growth in customer numbers, perhaps enticed by an opening offer, a reduction in transaction volumes indicate that customer loyalty is not especially durable.





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Brands and retailers which find growth in this market understand that their sustainability ethos, however admirable, is just one element in their offering. Take household cleaning brand Smol for which the spending data showed growth in both average basket size and unique customers. It offers dishwasher tablets and laundry capsules free of plastic packaging. Even though Smol puts sustainability at the core of its brand DNA, customers mostly give the company five-star reviews for its service and the effectiveness of its products. Sustainability, therefore, complements an already strong brand.

Also experiencing growth are pre-owned and anti-waste brands. They lean into consumer demand for sustainability while delivering on affordability and value too. Among them are pre-owned clothing retailer Vinted and anti-food waste app Too Good to Go. Both have seen a significant increase in customer numbers — enticed by cheaper prices and the “feel good factor” of making a positive impact on the planet — which has fuelled business growth.



### How to build sustainability into your overall brand proposition

We've learned that consumers don't necessarily choose to make a purchase because of a brand's strong sustainability agenda. But **having no sustainability agenda could prove a barrier to sales**. To bolster long-term growth, business leaders must figure out how to leverage sustainability within their overall proposition — create the welcome added bonus — while leading on the top customer priorities of price and quality.

We find that companies that **embed sustainability into the corporate DNA, rather than as an add-on to an existing strategy**, can experience very positive outcomes.

Toms Shoes, for instance, was conceived with the intention to improve lives. Its one-for-one ethos, built into the fabric of the business, saw the founder match every purchase with a new pair of shoes for a child in need. Today, the business funds access to mental health resources by giving away one third of its profits. Toms has earned a trusted reputation with customers and created a brand that stands out for delivering sustainable outcomes.

Similarly, toilet paper brand Who Gives a Crap UK, launched out of a successful crowdfunding campaign to support 40% of the global population without access to a toilet. It underpins its desire to make a positive social impact with a 100% recycled quality product and a loudly proclaimed money-back guarantee.

It also focuses on value, making a big deal out of its double-length rolls and price per sheet compared with supermarket equivalents. It hits the customer bases of affordable quality, value and sustainability with one product.

Conversely, brands that tag their sustainability credentials onto products or services, like a Fairtrade or Rainforest Alliance logo on coffee cups and packaging, do not necessarily see a corresponding growth in sales. Though the brands earn their certification, consumers do not necessarily perceive sustainability as integral to the ethos of the business. Other motivations, like taste and convenience, are likely to prompt the purchase decision instead.

Brands that want to do more than just tick the sustainability box must do their research. They can **start by finding out what matters most to consumers when it comes to sustainability**.

They must act credibly and steer clear of greenwashing or marketing spin that incorrectly labels products as environmentally friendly. And, in doing so, use their sustainable positioning to differentiate themselves from their peers and help consumers to make choices that align with their personal values.



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# Growth potential in “meaningful” experiences

Though consumers are under significant pressure to balance household bills — 63% says they will cut back on eating out and 54% on clothing — less than half will cut back on experiences (45%) or travel (37%). On the contrary, more than one quarter plan to use their savings to fund a holiday this year.

Since COVID-19, it is well evidenced that people want to get out and about and do the things they couldn't do when stay-at-home restrictions were in place. They want the time that they spend with family and friends to be quality time. And though, for many, the cost-of-living crisis hasn't helped with the availability of cash, it is not standing in the way either.








The upshot of the choices made by consumers is that some categories, like entertainment, travel, days out and tickets to events, are doing well, while other categories are losing out.

For instance, 54% of consumers are cutting back on clothing and 63% have had to rein in their spend on eating out.

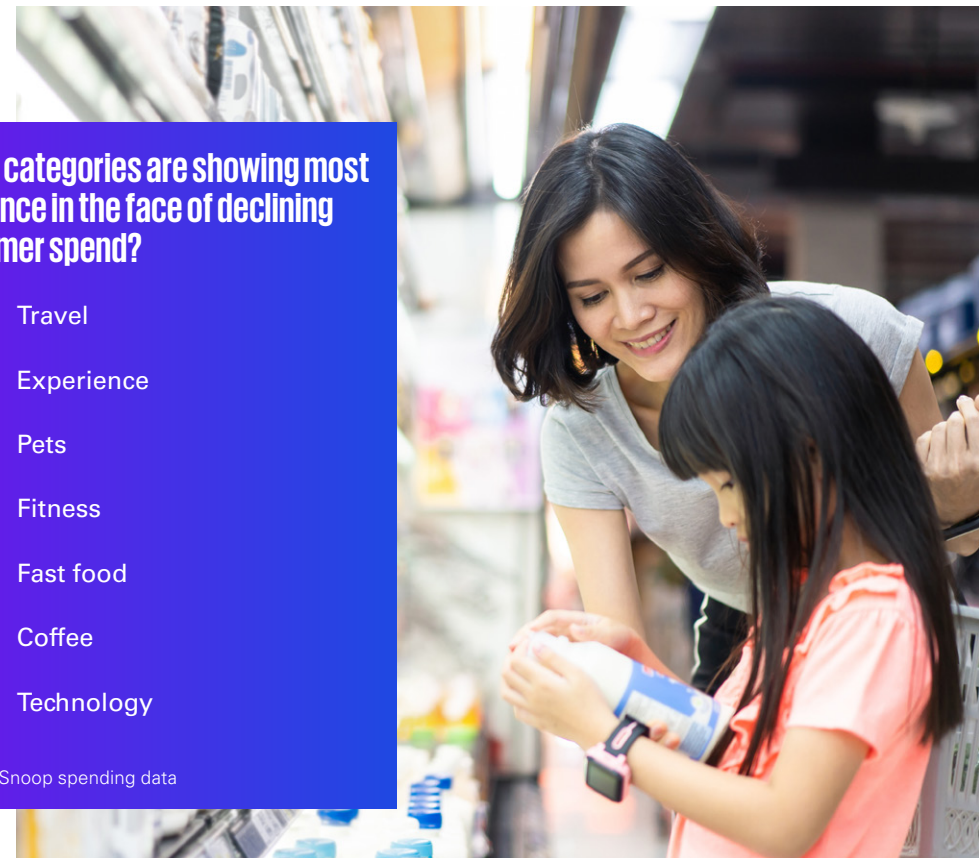
So, footfall is down, and shops are closing in cities and towns across the UK. The Centre for Retail Research found that 17,145 shops closed in 2022, up from 11,459 in 2021.<sup>8</sup> Survival of the high street may hinge on meaningful experiences that deliver the value and uniqueness that customers cannot get online.

<sup>8</sup> <https://www.retailresearch.org/retail-crisis.html>

## Which categories are showing most resilience in the face of declining customer spend?

-  Travel
-  Experience
-  Pets
-  Fitness
-  Fast food
-  Coffee
-  Technology

Source: Snoop spending data







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These brands have recognised and seized the opportunity to evolve into “experience providers”. They use their square footage to offer customers more than physical products or a transactional service.



Indeed, there are some notable examples of retailers that refuse to toe-the-line in an otherwise embattled sector. Despite compromised economic conditions, they deliver experience-led business growth.

Lego, for instance, offers customers a unique and personalised in-store experience at its Leicester Square store in London. Enter the Lego Mosaic Maker photo booth to have your image turned into a bespoke Lego mosaic.

Or visit the Minifigure Factory and use touch screens to create your custom design for the front and back, and choose hair, hats and accessories to match.

In the dining-in sector, which is especially challenged by diminishing customer spend, Dishoom stands out for combining the welcome of an Irani café with food straight out of Bombay. Queues that snake around the streets only fuel demand to be part of the experience.

The spending data reflects this; Dishoom has seen growth driven by both customer increase and average bill value.

These brands have recognised and seized the opportunity to evolve into “experience providers”.

They use their square footage to offer customers more than physical products or a transactional service. They make customer visits memorable by delivering something different, something good or something unexpected.



## How to enhance your store experience

If businesses are to deliver greater value to their customers and encourage repeat visits, they must **make the experience count**.



### 1. Get the basics right

Help your customers to locate products effortlessly; streamline checkout processes and make sure staff are knowledgeable, friendly and available. Focus on:

- **Product organisation:** Implement effective inventory management systems to ensure products are properly organised and easy to locate. Use clear labelling, logical categorisation and accurate stock tracking.
- **Seamless checkout process:** Streamline the checkout process with user-friendly point-of-sale systems. Minimise unnecessary steps and offer multiple payment options. Ensure that the process is efficient and free from technical glitches.
- **Staff availability and training:** Maintain adequate staffing levels to help customers instore. Make sure staff are trained and have in-depth product knowledge, relevant skills and demonstrate a customer-centric approach.
- **Continuous improvement:** Collect feedback about customers' in-store experiences to identify key areas for improvement. Implement changes.



### 2. Digital focus

Leverage digital technologies to both offset reduced footfall by appealing to customers who prefer to shop online, while enhancing the physical in-store experience. Focus on:

- **Online presence and customer insights:** Brands can establish a strong online presence and implement e-commerce capabilities to reach a broader customer base. Use digital platforms to collect customer data and gain valuable insights into their preferences, purchase history and behaviour. Retailers, by analysing this data, can create personalised offers, recommendations and targeted marketing campaigns, for use both online and in-store.
- **Mobile apps:** Develop mobile applications that offer personalised experiences, like tailored product recommendations, exclusive offers and loyalty rewards. Bridge the gap between digital and physical shopping experiences with features like store locators, in-app purchasing and digital coupons.
- **In-store and online digital enhancements:** Overcome barriers to the physical experience by leveraging new technologies. Use AR and VR to help shoppers get a sense of clothing style and fit without needing to use a changing room. Let them discover how items may be styled using digital mirrors. Or, as one luxury glasses brand has done, use technologies such as facial scanning to interpret individual characteristics and help customers to discover the perfect pair of sunglasses for them.



### 3. Rethink the physical environment

Create unique experiences by repurposing the physical store layout. Focus on:

- **Experiential zones and installations:** Create dedicated spaces for immersive and experiential opportunities. Photo booths, as used at Lego, for product personalisation; virtual reality experiences or themed areas aligned to the brand image can encourage customers to spend more time in the store and take away memorable experiences.
- **Welcoming store environment:** Enhance the store experience by offering comfortable seating and rest areas, with ambient lighting, to take the stress and exhaustion out of shopping and deliver a relaxing experience.
- **Community engagement:** Engage with local communities, offer up space for them to host events and create joint initiatives. Build a connection between the store and the people who work, shop and live in the area, like Nike, with its local running clubs and meet-ups for workouts.
- **Personalisation services:** Provide extra services that are not yet available online, such as live customisation, product demonstrations and sampling.

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# Methodology

This report combines data from two primary sources, outlined below.

## KPMG Consumer polling

KPMG surveyed a representative sample of 3000 consumers from across the UK in March 2023 about their spending habits.

## Snoop customer spending data

Snoop, a financial management app, anonymised and aggregated the Q1 2023 (Jan-Mar) transactions of approx. 100k users; a sample population generally aligned to the latest ONS national demographics.

From this aggregated data, Snoop was able to calculate KPIs of gross revenue, transactions, and unique customers across the top 1,000 retailers/merchants (by spend) in the UK. To observe the industry trends, these merchants were then mapped to distinct categories and sub-categories of spending.



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We hope you've enjoyed reading and found learnings you can take into your own plans!  
We'd love to hear your feedback and what you'd like to see in our future reports.

You can email us at [consumer.marketing@kpmg.co.uk](mailto:consumer.marketing@kpmg.co.uk)

## Want to hear more? Get in touch with our team



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