



UK Consumer Spending

Analysis & Future Outlook

Q1 2025



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01

**The world
around us.**



The backdrop to Consumer & Retail is evolving rapidly



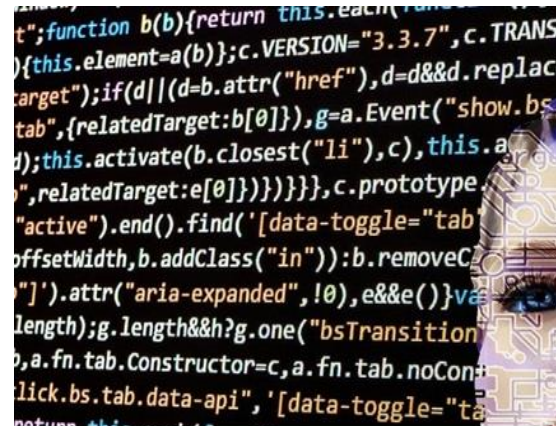
Macroeconomic and geopolitical environment

No consumer-led business is immune to economic and geopolitical turbulence. Global inflation drives input costs and interest rates affect investment. Tariffs are now adding to costs and uncertainty, whilst conflicts continue in the Middle East and Ukraine.



Consumer behaviour

Consumer behaviour continues to evolve, reflecting both longer term trends such as health and digital, and more medium-term variations on the interplay between price, quality and convenience. Social media, smart phones, wearable tech, are influencing consumer engagement and purchasing behaviour, as well as modern payment methods such as contactless and BNPL.



Disruptive technologies

Technology is transforming all businesses, from customer engagement to predictive supply chains through to reporting and back-office processes. Robust and reliable data can be a competitive advantage if it is leveraged to make better decisions and used to support the customer through personalisation and seamless experiences. But with technology comes new risks of cyber threats and outages.



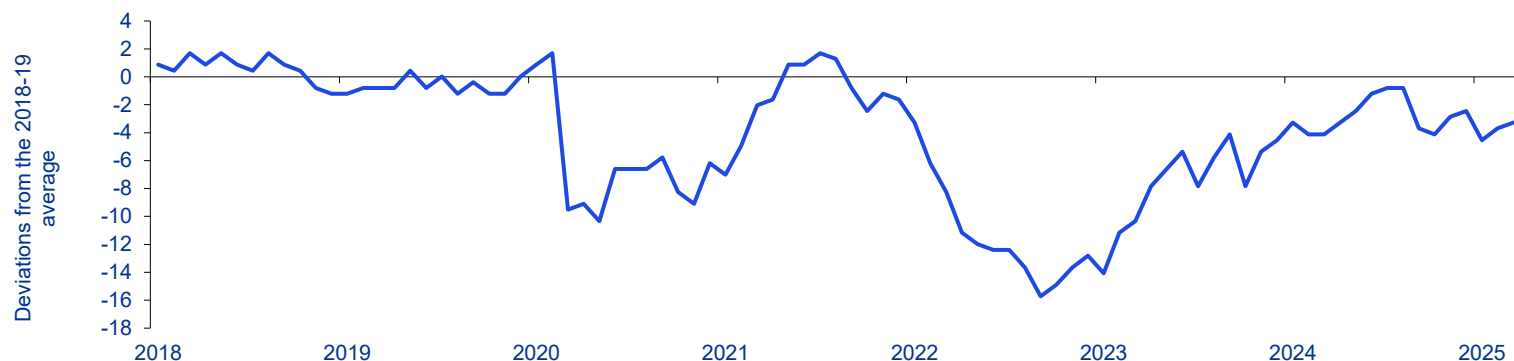
Do Good Be Good

Sustainability and broader ESG is a must do. Regulatory and reporting requirements have increased. Societal expectations mean getting it wrong can damage brand reputation. Some investors are focused, but not all; likewise consumers. But most critically, it is necessary to enable a resilient business model.

Consumer sentiment remains low overall, though people feel confident about their own personal finances

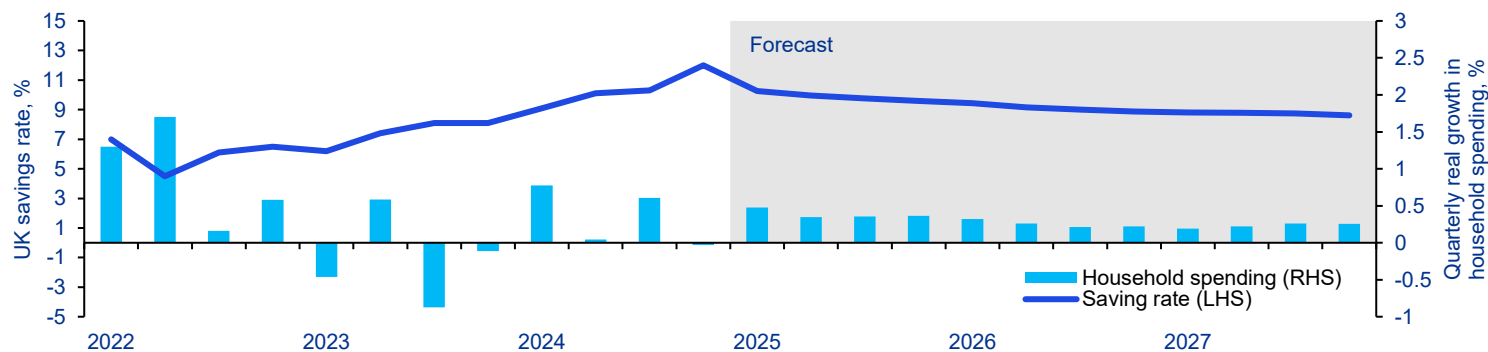
UK consumer sentiment has fallen in 2025 after a period of recovery⁽¹⁾

GfK consumer confidence index, 2018 - 2025



UK household savings rate has increased recently, with the savings rate now above 10%⁽²⁾

Quarterly growth in household spending and savings as a percentage of income



Source: (1) UK GfK Consumer Index, KPMG analysis ; (2) ONS, KPMG analysis and projections; (3) KPMG March Consumer Pulse Survey (n = 3000)

Consumer confidence remains volatile and below pre-pandemic levels, with the start of 2025 seeing further decline in confidence⁽¹⁾.

However, there is a separation between personal finances and the UK economy. Over half of consumers report that they feel 'confident' or 'comfortable' with their current financial situation - meaning they can spend freely day-to-day, and another third saying they can manage through budgeting⁽³⁾.

83% of consumers say they don't have to cut discretionary spending to cover essentials

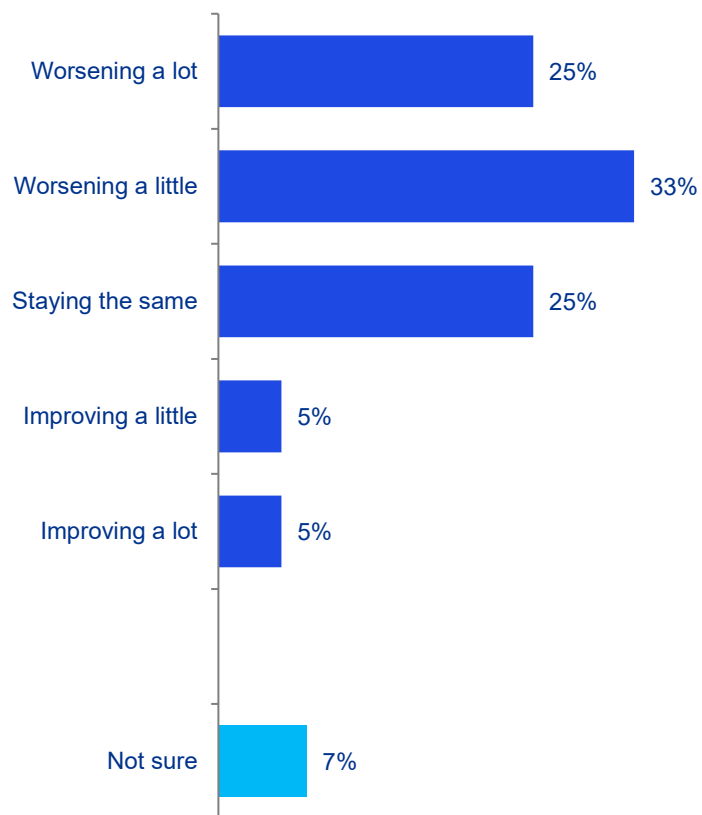
This reflects a continued trend of wage growth outpacing inflation (5.9% nominal and 2.2% real wage growth from Nov '24 – Jan '25)⁽²⁾ and suggests that consumers have adopted money-saving behaviours that will continue to serve them well. This could be further deployed if their personal circumstances become strained.

Consumers have also been directing extra income towards their savings. The savings rate, which remained steady at 5% pre-pandemic has now risen to over 10%⁽²⁾ including a rise from 7% at the start of 2024 to 11% at the start of 2025. These savings provide cushion for spending if needed.

Concern about the UK economy is leading to consumers being cautious about their spending decisions

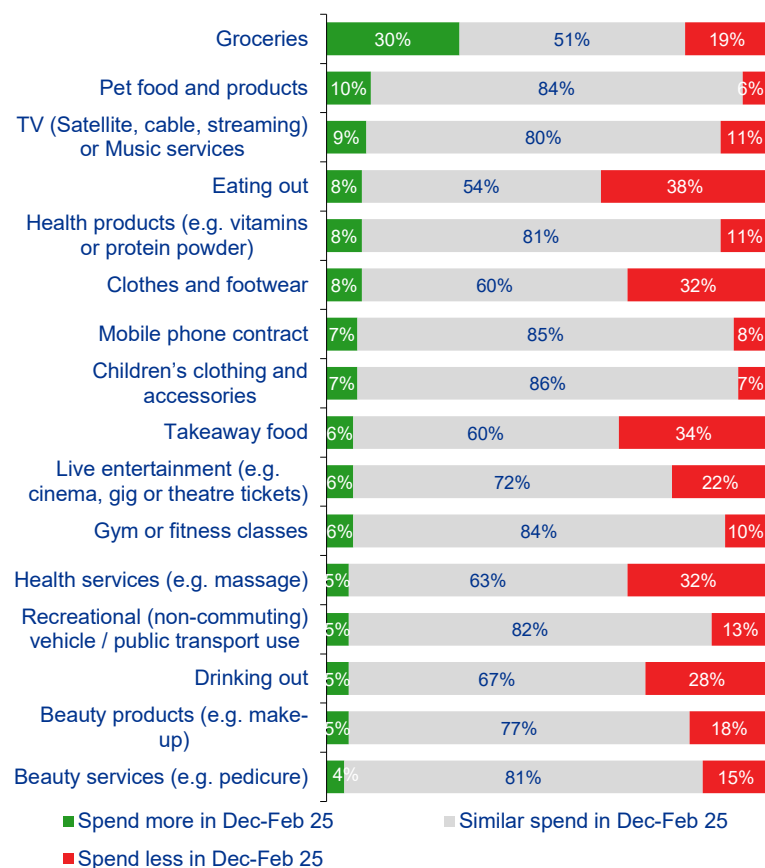
Consumers are cautious on the UK economy⁽¹⁾

“Is the health of the UK economy improving or worsening?”



UK household spending was mixed⁽¹⁾

What did you spend more/less on in Dec '24 - Feb '25 compared to Sept '24 - Nov 24?"



Consumers are noticing the increasing bills in groceries, particularly over the holiday period, though 1-in-5 actively spent less.

Categories such as eating and drinking out, take-aways and clothes are the areas where consumers are most consciously seeking to reduce their spending. One third of consumers believe that they have cut back in these areas, even during the typically high-spending holiday period.

Only **10%** of consumers expect the UK economy to improve, with over half thinking that it will get worse

Across most categories there are some consumers who are cutting back, whilst others are loosening their wallets a little more.

However, a key concern for both consumers and retailers is growing anxiety about the UK economy. As a result, more than 4 in 10 people are reassessing their monthly spending, and 3 in 10 are putting off major purchases.

Source: (1) KPMG March Consumer Pulse Survey (n = 3,000); KPMG analysis

02

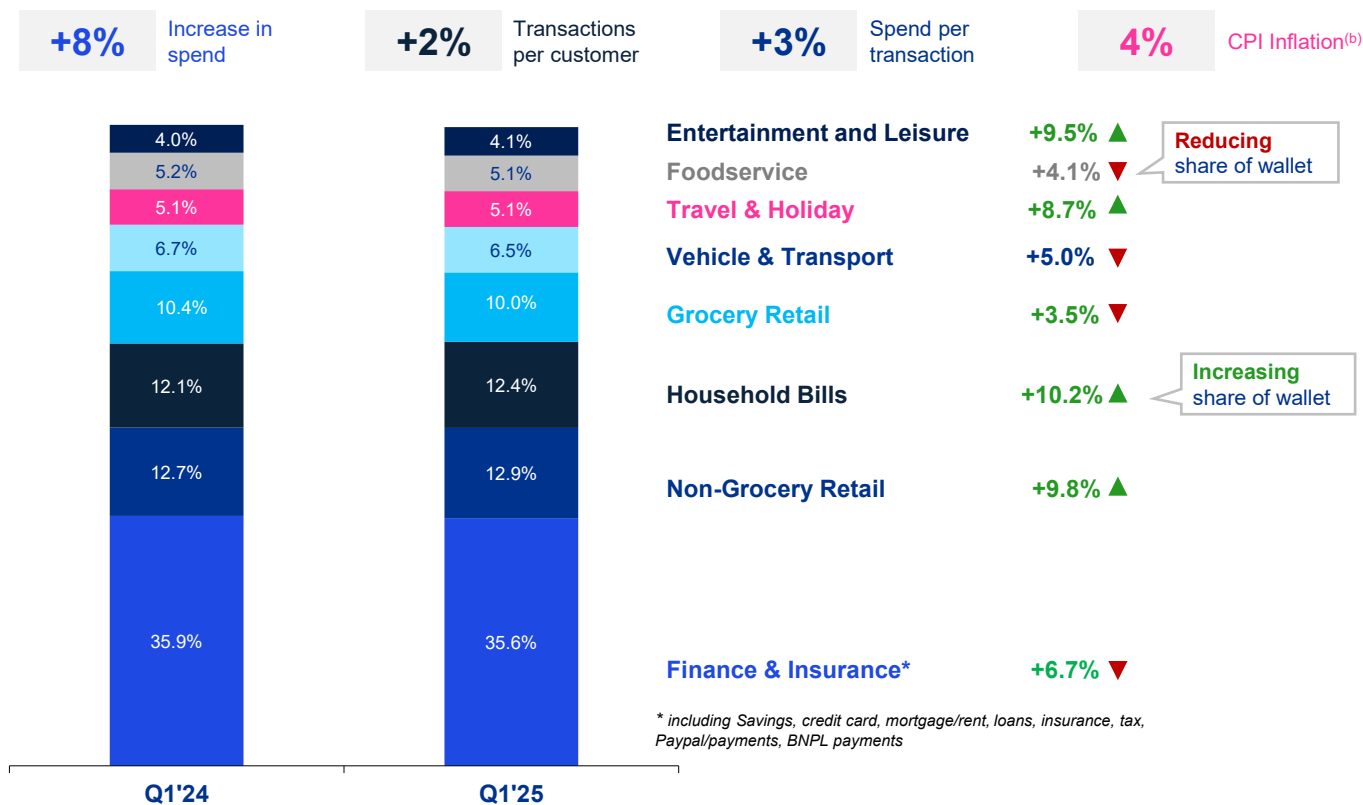
**Q1'25 trading
overview.**



Q1 performance: Moderate growth overall with strong performance for many discretionary categories

Change in consumer spend across primary categories

Proportion of spend on Primary Categories, Q1'25 vs Q1'24 and breakdown of growth drivers Q1'25 vs Q1'24^{(1)(a)}



In Q1'25, consumer spending demonstrated moderate growth overall, outpacing inflation, as wages continue to rise.

This growth was driven by both more transactions per customer (2%) and increased spend per transaction (3%, slightly below CPI inflation).

Essentials of Finance & Insurance and Grocery Retail both reduced their share of the consumer wallet, offset by an increase in Household Bills as a share of wallet.

8% in Q1'25 versus Q1'24 as consumer spending activity increased

Year-on-year growth

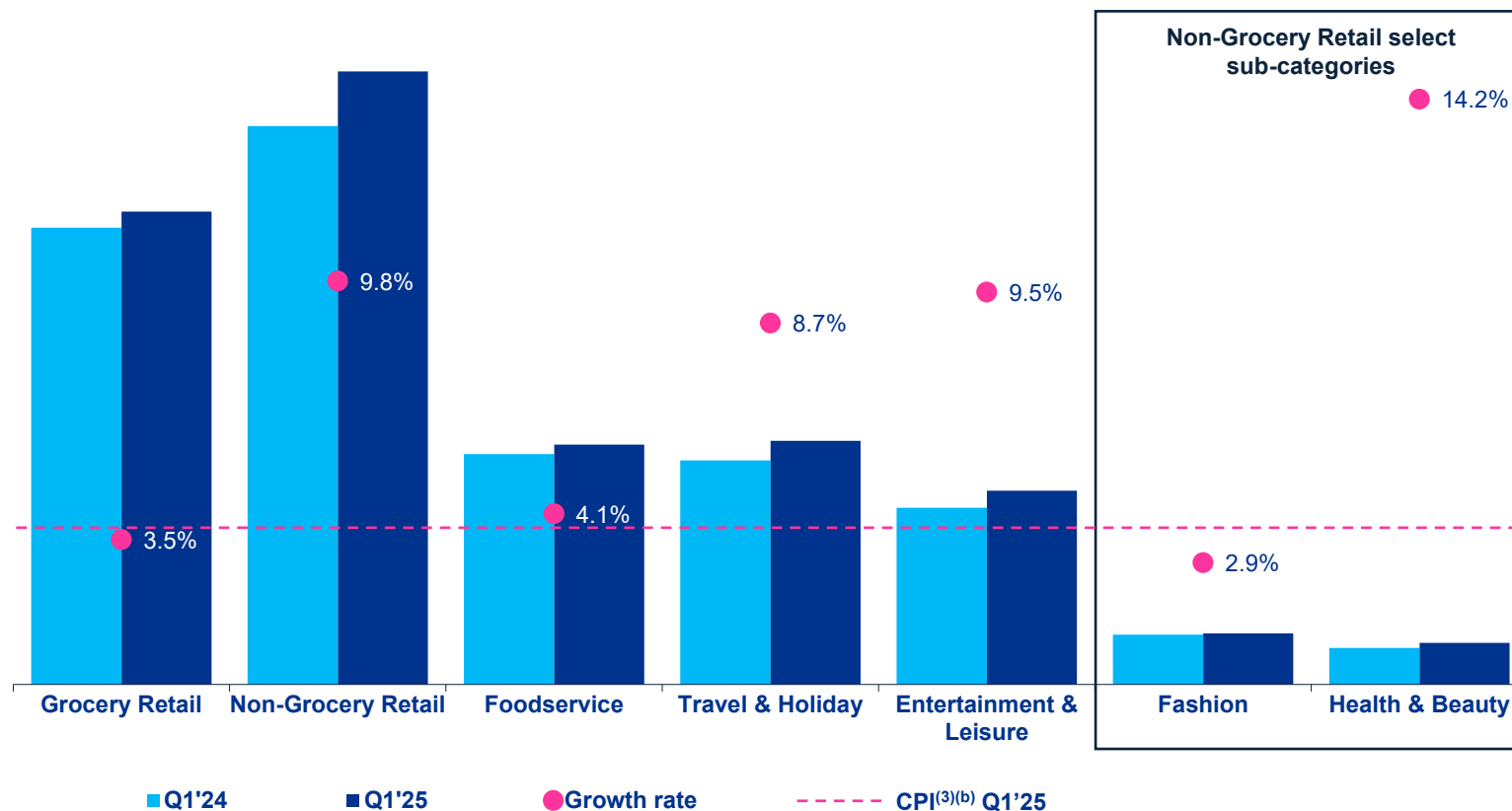
In aggregate though this allowed many discretionary categories to perform strongly, with consumers continuing to prioritise spend on experiences and treats.

Note: (1) Quarterly basis: refers to values from the months of January; February, March
 Source: (a) KPMG analysis, Customer card transaction data (n = 138,916); (b) Office for National Statistics; (c) KPMG December Consumer Pulse Survey (n = 3000)

Q1 performance: Consumers continued to treat themselves on Travel and Entertainment

Growth in consumer spending varied significantly by category⁽¹⁾

Absolute value and growth rate of Q1'24 vs Q1'25^{(2)(a)}, selected categories and sub-categories shown



Note: (1) The spend values for "Health & Beauty" and "Fashion" sub sectors form part of the overall Non-Grocery Retail number; (2) Quarterly basis: refers to values from the months of October, November, December; (3) Consumer Price Inflation
Source: (a) KPMG analysis, Customer card transaction data (n = 138,916); (b) Office for National Statistics;

UK Consumers continued to show the importance of holidays with Travel & Holiday having another strong quarter of growth. The rate of growth slowed slightly so businesses will be watching with caution to see if this is a timing point for 2025 or whether the category's growth may start to moderate.

Adjacent categories, such as fashion and sports equipment, will be hoping that this year they may benefit from these holiday spends, as consumers have re-worn or re-used for two years now.

Health & Beauty continued its strong growth, with the long-term trend meeting the impulse or occasion purchase

Health & Beauty was the standout category this quarter with double digit growth. Caution about the future is holding back purchase of bigger ticket items, but with money in their pocket consumers continue to treat themselves with lower value discretionary items.

Grocery Retail and Foodservice kept pace broadly with inflation, but consumers feeling more financially comfortable shifted spend towards Entertainment & Leisure.

Four winning themes continue to stand out across categories: Scale, Clear Value Propositions, Online Platforms and Industry Disruptors



Scaled players

- Scaled players continued to capture growth in categories such as Travel & Holiday, Grocery and Foodservice.
- A common theme amongst the successful scaled players was the deployment of loyalty schemes, promotions and discounts to help attract price conscious consumers.
- This strategy works for scaled players as they are well positioned to utilise data gained from loyalty schemes and invest in effective promotions. Smaller retailers, or those with less frequent purchasing, found this harder as friction of sign-up discourages consumers.

Example winners:

Tesco	Boots
Amazon	Apple



Clear value proposition

- Value is always important. For some categories, and some consumers across categories, that means price as the key purchase consideration.
- Consumers are however able and willing to pay for other definitions of Value, provided it is clear. Consumers will also pay for Quality and Convenience, provided these promises are delivered on.
- All this played into the hands of those players with a clear value proposition. Companies with a business model and operating model aligned to their customer proposition on Value, Quality and Convenience were well positioned to take advantage of increasing consumer wallets.

Example winners:

Greggs	Shein
TUI	Aldi



Online platforms

- Online penetration continues to grow across retail and has held up growth through much of 2024 and early 2025 as some in-store purchasing declines.
- This is seen across multiple categories, whether Food Retail partnering with delivery providers, Travel & Holiday platforms, or in Entertainment & Leisure.
- Marketplaces are proving successful business models for some, with traditional retailers launching their own platforms to both leverage and capture broader customer data.
- Key to platform success is the supply chain and the delivery of the promise to the customer, in line with the brand.

Example winners:

Booking.com	Airbnb
Food Hub	Uber Eats



Industry disruptors

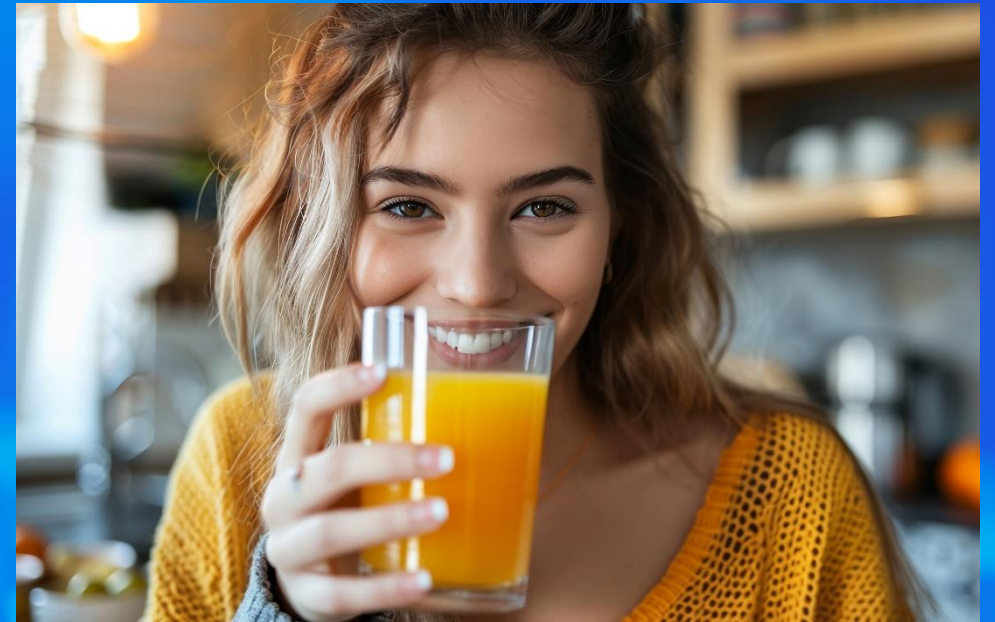
- Disruptors often show rapid growth. Some of these have found new business models that capture the consumer, such as social commerce leveraging consumer data to personalize ads and then offer a seamless shopping experience.
- Others are capturing smaller markets of consumers, with greater spending power, looking for brands that resonate with their personal values – whether that is ethical beauty products or pre-owned items.
- But with the rise and fall of some disruptors, such as meal kits who had a challenging 2024 but have rebounded in 2025, the question for these fast-growth players is whether the novelty will wear off for the consumers or not.

Example winners:

Numan	TikTok
Space NK	Juniper

03

**Category deep
dives for Q1'25
spending.**

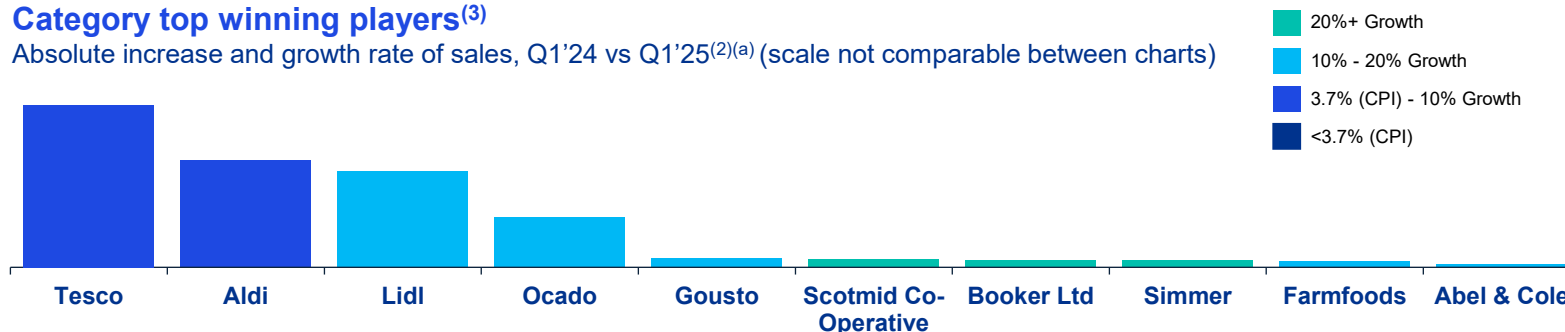


Grocery Retail: The limited growth was captured by scaled players and discounters

Total spend	=	Number of customers	X	Ave. transactions per customer	X	Ave. transaction value
Q1'25 Vs Q1'24						
+4%		+1%		+1%		+1%

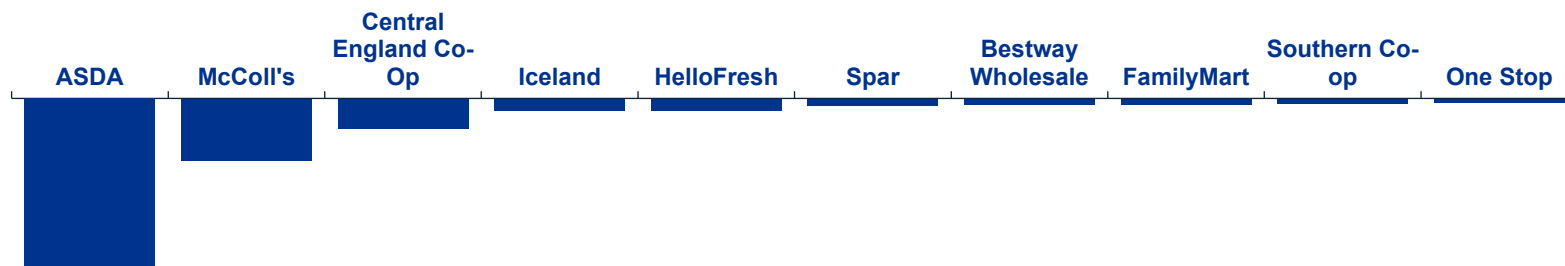
Category top winning players⁽³⁾

Absolute increase and growth rate of sales, Q1'24 vs Q1'25^{(2)(a)} (scale not comparable between charts)



Category top lagging players⁽³⁾

Absolute decrease of sales, Q1'24 vs Q1'25^{(2)(a)} (scale not comparable between charts)



Note: (1) Total spend = Customer Participation x Average transactions per customer x Average transaction value; (2) Quarterly basis: refers to values from the months of January, February, and March; (3) Top winning and lagging players defined by highest increase/decrease in absolute spend in the category/channel
Source: (a) KPMG analysis, Customer card transaction data (n = 138,916)

Grocery Retail experienced below inflation growth in Q1'25 compared to Q1'24. This growth is driven equally by customer participation, transaction value and frequency each growing by 1%. Whilst growth was positive, it continued to remain modest compared to other categories.

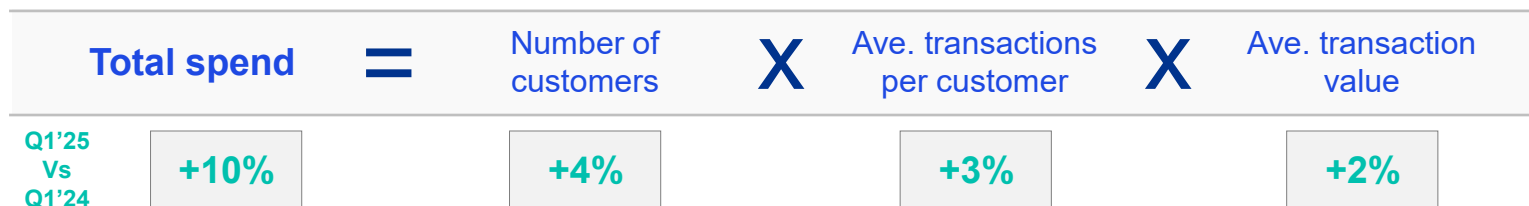
Tesco continues to lead the category as a top-performing retailer, whilst the discounters, Aldi and Lidl, maintain strong momentum with their value-conscious propositions. Sainsbury's, Morrisons, Waitrose and Co-op all grew revenues, however this was at a rate below inflation.

The discounters, Aldi & Lidl, had a strong quarter, whilst supermarkets showed a modest growth of just 3.5%.

Simmer Eats appeared as a top winning player amongst Snoop users for the first time on the back of an aggressive online marketing campaign.

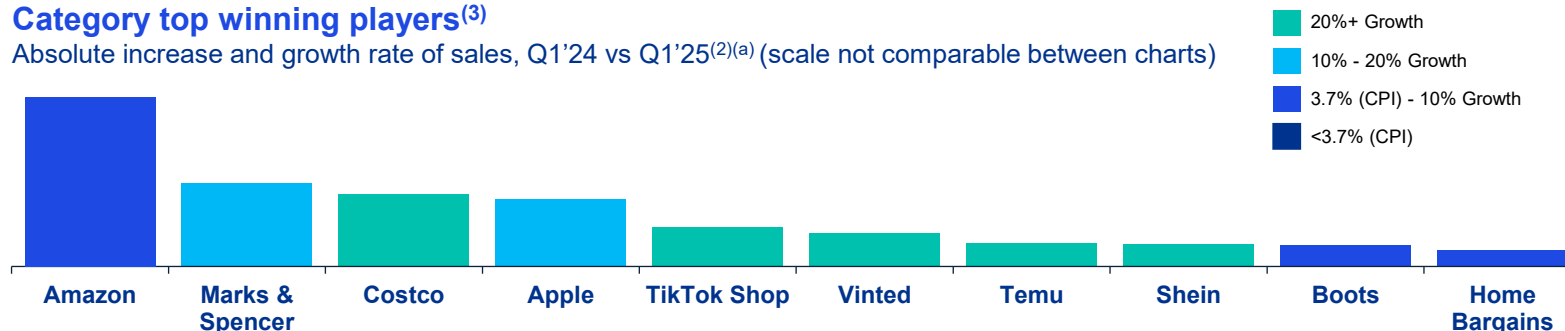
However, the convenience symbol store channel continued to struggle with a year-on-year decline in sales. Brands such as McColl's, Spar and One Stop saw a decline in spend, as the channel continues to face headwinds such as declining tobacco volumes and increasingly price sensitive consumers.

Non-Grocery Retail: Scaled players and digitally-focused players had a strong quarter



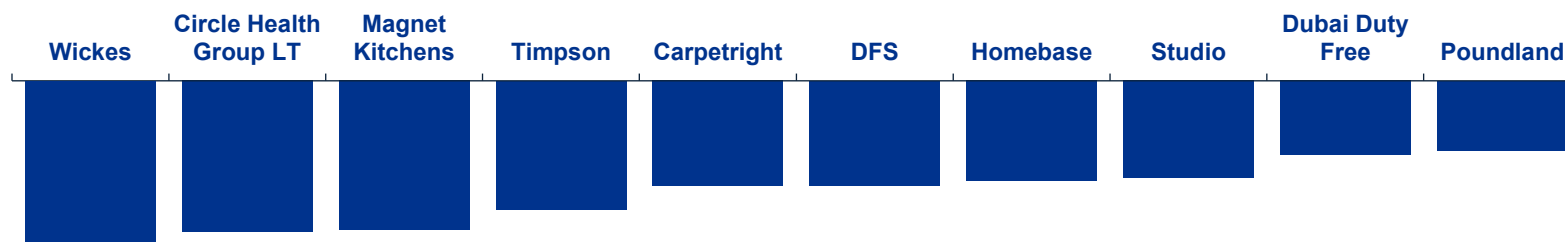
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Overall, Q1'25 for Non-Grocery Retail proved to be a positive quarter for growth. Total spend rose by 10%, underpinned by growth of customer participation and transaction frequency, indicating increased shopper activity. However, average transaction value grew modestly in comparison.

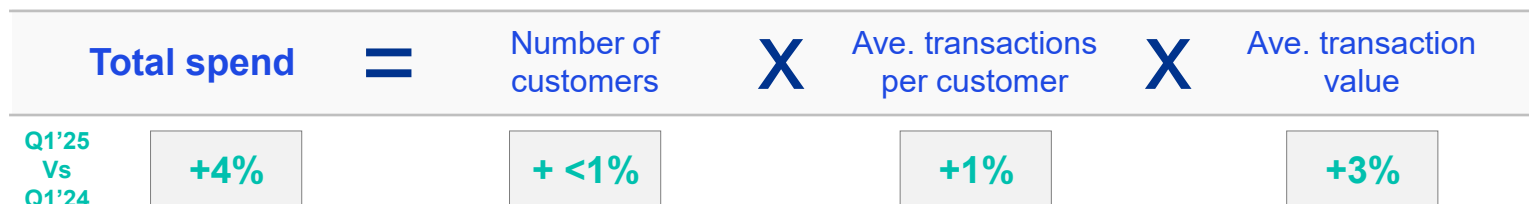
Digital disruptors continue to succeed in the market, with TikTok, Vinted, Temu and Shein all experiencing growth of beyond 20%.

Universal retailers and Marketplaces had a strong quarter, with growth of 10% and 17% respectively.

Some well established players also had a successful quarter, with M&S, Apple, and Costco all experiencing double digit growth.

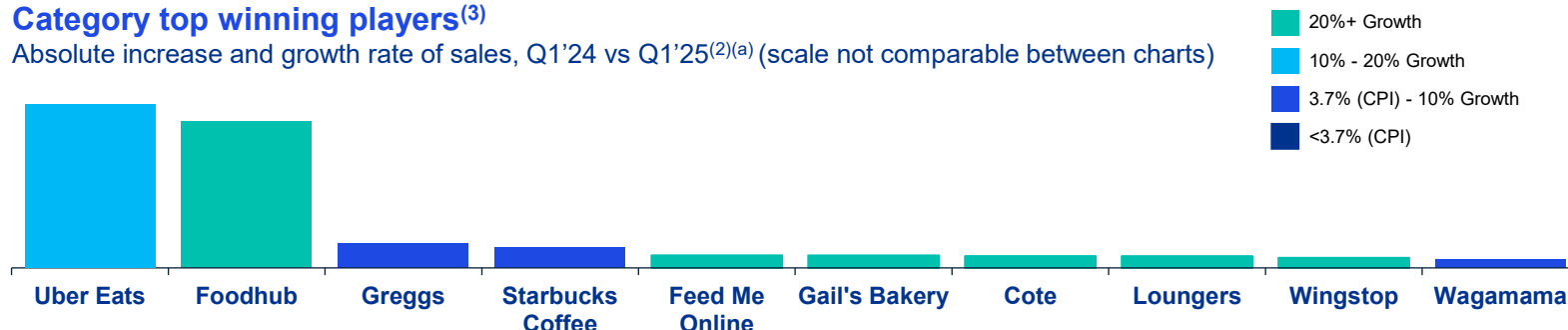
Home Improvement players continue to face challenging times, with many experiencing absolute decreases of sales, impacting big name players such as Wickes.

Foodservice: Digital natives continue to succeed in a somewhat challenging market



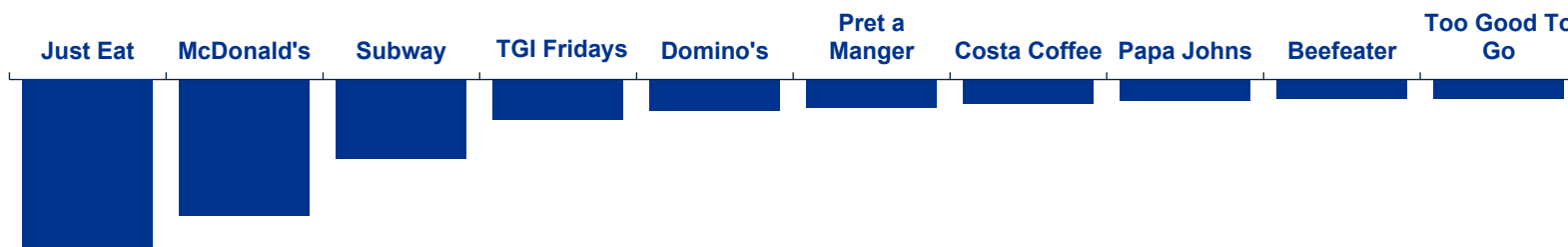
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Q1'25 was another period of moderate growth for Foodservice, with small but positive increases across customer participation and transaction frequency. Transaction value grew by 3%, contributing heavily to the quarter's 4% growth in total spend.

However, growth continued to fall behind other experience-led categories such as Travel & Holiday and Entertainment & Leisure.

Coffee & Bakery players showed moderate growth averaging 4% whilst Fast Food and Full Service Restaurant players experienced negative growth this quarter

Food Delivery platforms proved to be a mixed bag of results; Uber Eats continues to lead the category with a strong double-digit growth, whilst players such as Just Eat underperformed.

Well-established players such as Greggs, Starbucks and Wagamama continued to perform well, whilst some of the key winning players were those who have grown through store expansion such as Gail's and Wingstop.

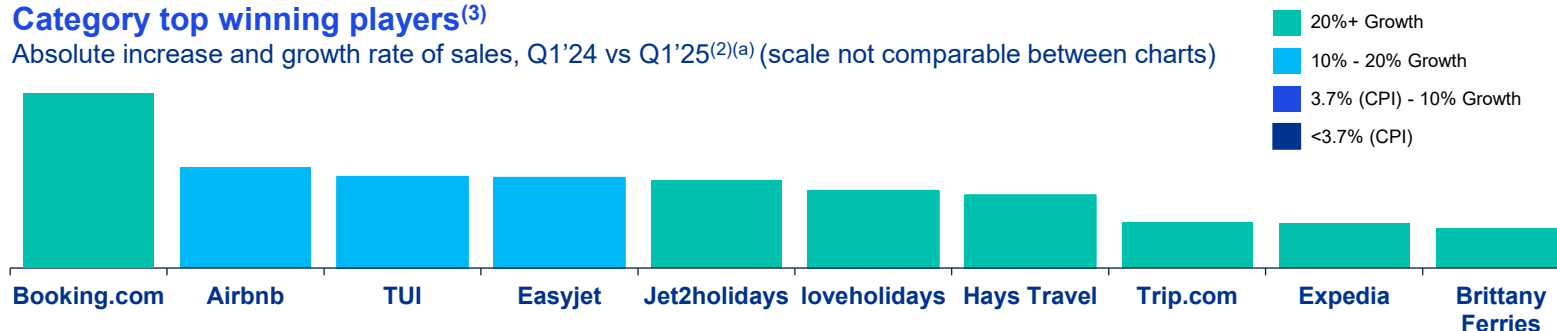
Some casual dining chains such as McDonald's and Subway underperformed in comparison in this quarter.

Travel & Holiday: Digital natives and scaled players fuel another strong quarter



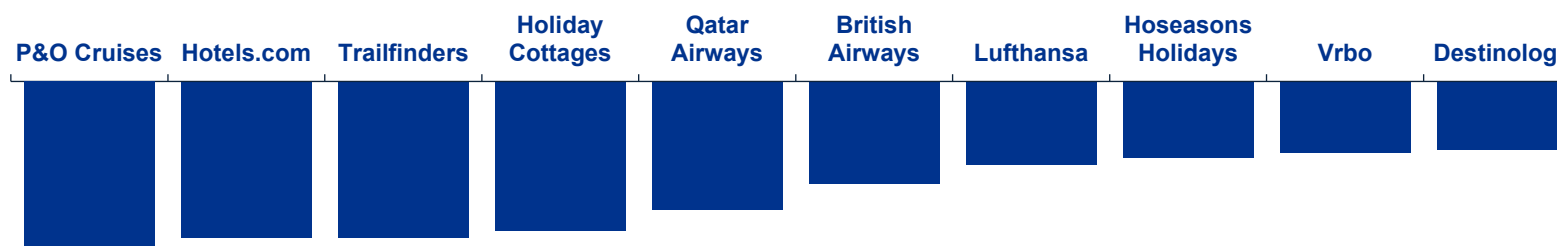
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Q1'25 marked another strong quarter for Travel & Holiday, with total spend up 9% year-on-year. Showing that consumers are continuing to prioritise experience spending.

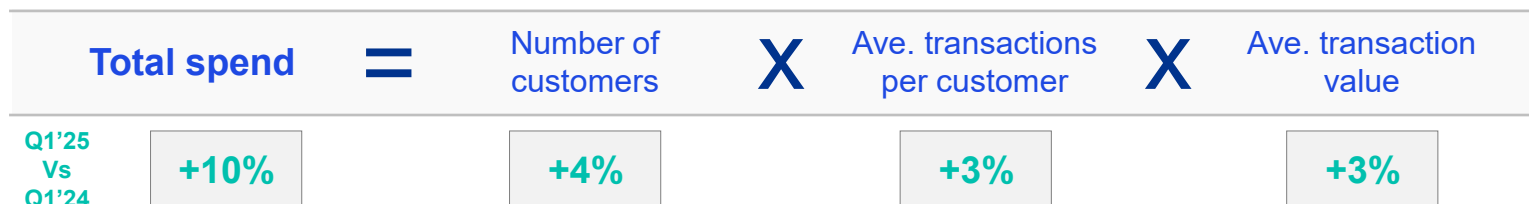
Growth was fueled through a 6% increase in customer participation and a moderate growth in transaction values, whilst transaction frequency fell slightly. The data still suggests that consumers are continuing to prioritise travel, though growth in this quarter has been slower than what we have seen over the last year.

Travel agents experienced a successful quarter, with a **16% growth**, whilst **Airlines and Hotels** experienced a moderate growth of **1-2%**.

Booking.com continues to lead ahead, followed by budget airlines demonstrating high growth over the last quarter.

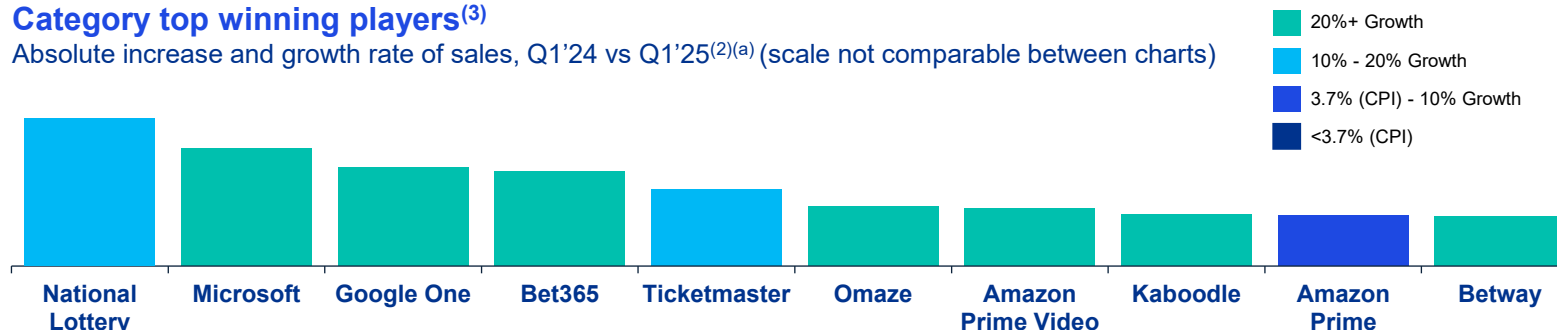
Growth was concentrated in the Travel Agents and Aggregators, with direct sales from Airlines and Hotels experiencing more moderate growth, as evidenced by some key players struggling this quarter, such as Hotels.com, British Airways and Qatar Airways.

Entertainment & Leisure: Experiences and digital services continue to fuel growth



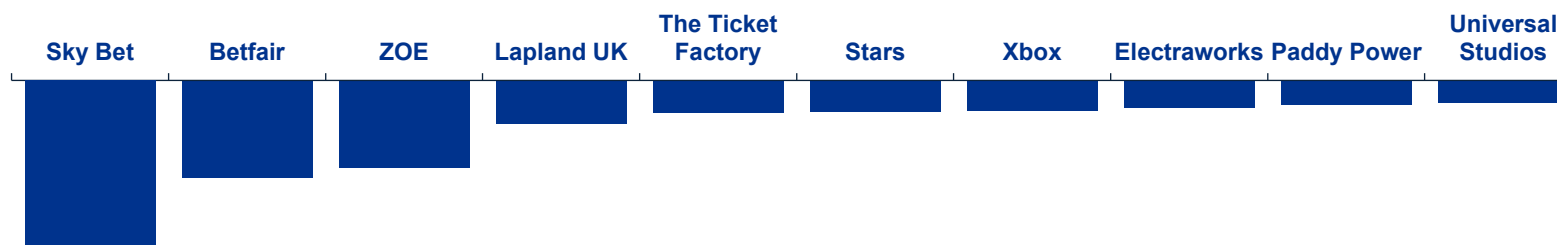
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Source: (a) KPMG analysis, Customer card transaction data (n = 138,916)

Entertainment & Leisure experienced solid growth in Q1'25. With balanced growth across consumer participation, transaction frequency and average transaction value, all increasing between 3-4%.

Growth was largely supported by continued strong performance from Fitness, Media and Gambling services. The National Lottery led the category, while Bet365 and Betway also posted significant gains.

Fitness had a successful quarter, growing by 12%, with Media Subscriptions behind at 9%. Whilst Experiences lagged with just 4% growth.

However, the Gambling sector saw mixed results overall, as Sky Bet and Betfair both lagged, highlighting polarised performance within the betting sub-category.

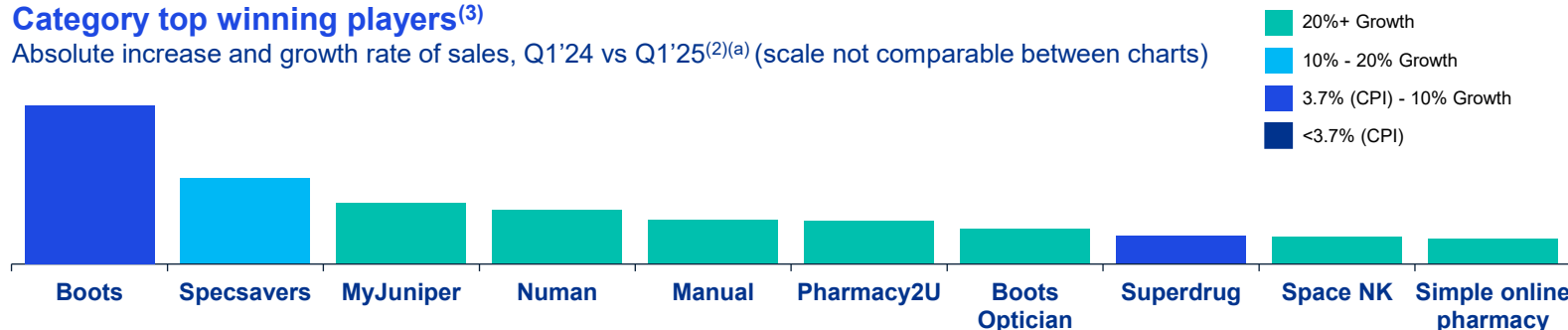
Some tech-led experience platforms such as Microsoft and Google One delivered double-digit growth. Ticketmaster also had a successful quarter following on from a strong 2024.

Health & Beauty: Growth shared between category leaders and innovative newcomers



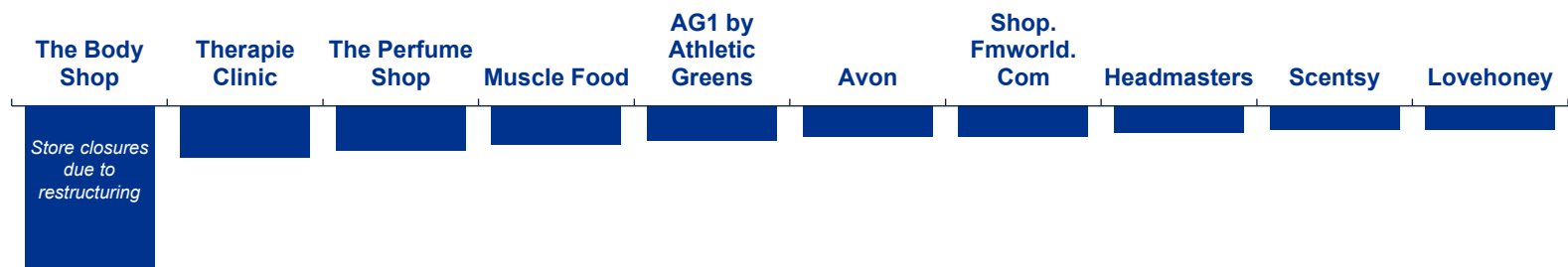
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Source: (a) KPMG analysis, Customer card transaction data (n = 138,916)

Continuing from a strong Q4'24, Health & Beauty experienced another strong period in Q1'25 as consumers increased their spend by 14%.

This was due to increases in customer participation and average transaction value, but transaction frequency was relatively static, experiencing a slight drop.

Boots led the category once again, reflecting the continued strength of scaled players.

Mid-tier H&B retailers grew the fastest at 18%, whilst high-end retailers struggled as their revenues declined

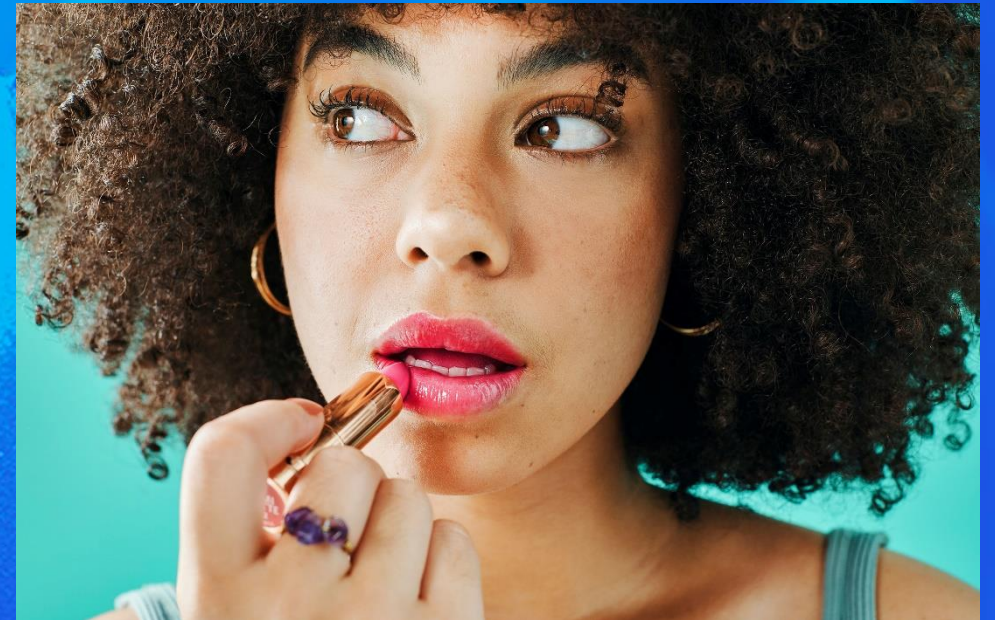
However, innovative digital health platform players like Numan, Juniper and Manual also showed significant growth. This signals a shift towards direct-to-consumer healthcare solutions.

Specialist Beauty Retailers with a strong e-commerce presence, such as Space NK also grew significantly – as e-commerce continues to thrive in this category.

On the other hand, a number of traditional beauty and retail brands experienced declines, including The Body Shop which has gone through a restructuring process recently.

04

**Outlook for
remainder of
2025.**



We have identified ten prevailing themes in consumer behaviour we expect to continue through the rest of 2025

Choice drivers

Consumers are faced with a trade-off between Value, Quality, Convenience



Multi channel => Seamless Commerce

Physical retail experience is still important but digital is key through presence online, and through apps/ social media; needs to be seamless



Time expectations

Increasing demand for things to be quicker and an impatience with online experience or customer services



Personal data vs. personalisation

Consumers will give away personal data freely for offers/deals/Wi-Fi, but at other times they suddenly dislike it such as with loyalty schemes



Always on digital

Always checking our phones; Millennials spend an average of ~7 hours on screens per day; wearable tech, use search for queries (now on TikTok!)



Payment method

Cash => credit card => debit card => contactless => digital wallets => BNPL



Engaging with brands

Brand and product engagement across old channels such as TV, online, and now streaming/social media; rise of retail media



Interest in environment

Most consumers recycle when it's easy and think about CO2, greenwashing
But it's not a purchasing driver for most, or willing to pay a premium



Focus on personal health

Consumers are increasingly health conscious and are actively managing their health, engaging with new D2C and health platforms offering holistic solutions



Budget

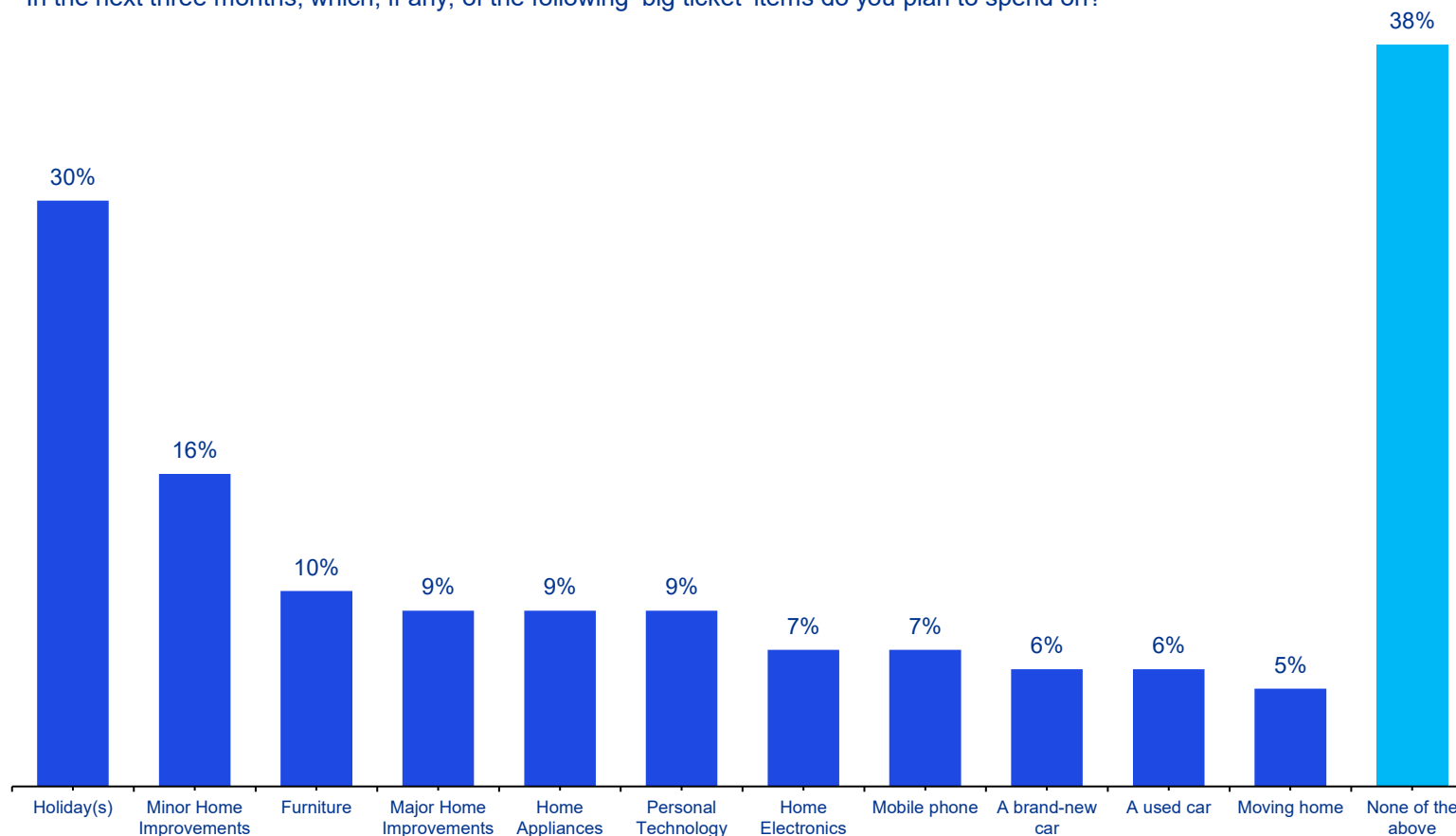
Feeling squeezed financially, worried about future shocks to personal finances, careful spending but happy to splash out on treats



Holidays look set to remain the big ticket item of choice for consumers in the rest of 2025

Holidays and home improvements remain the top planned big ticket purchases for 2025⁽¹⁾

"In the next three months, which, if any, of the following 'big ticket' items do you plan to spend on?"



Source: (1) KPMG March Consumer Pulse Survey (n = 3000)

A significant portion of consumers indicate that they will continue spending money on holidays, making it the most popular category. This suggests that despite economic uncertainties, people are still willing to invest in experiences and leisure activities.

Consumers also indicate an intent to spend on home improvements, both across minor (16%) and major (9%) improvements. However, there is often a disconnect between what consumers say they will do and what they actually do, particularly for home improvements which has seen strong consumer intention but limited consumer action over the past year.

30% of consumers indicate that they will spend on holidays, whilst some consumers are feeling the pinch.

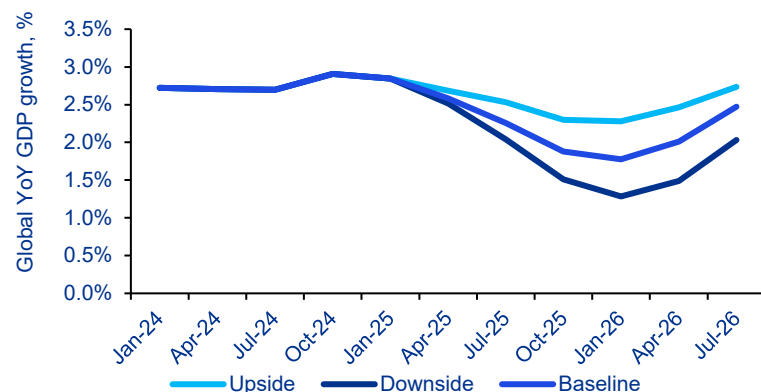
Over a third of consumers reported that they do not plan to spend on any of these big ticket purchases within the next three months, which has increased significantly since our last consumer survey (up from 27%), suggesting the economic uncertainty is affecting purchasing intentions.

Big ticket items can also influence secondary purchases (e.g. holidays driving the purchase of skincare products). Retailers will be hoping this knock-on effect will be prominent in 2025.

Economic uncertainty could impact consumer spending over the next year

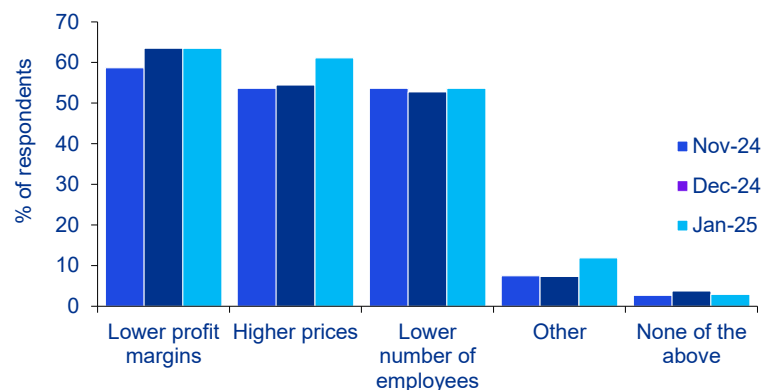
Economic impact of escalating trade frictions⁽¹⁾

Global YoY GDP growth % scenarios based on trade frictions



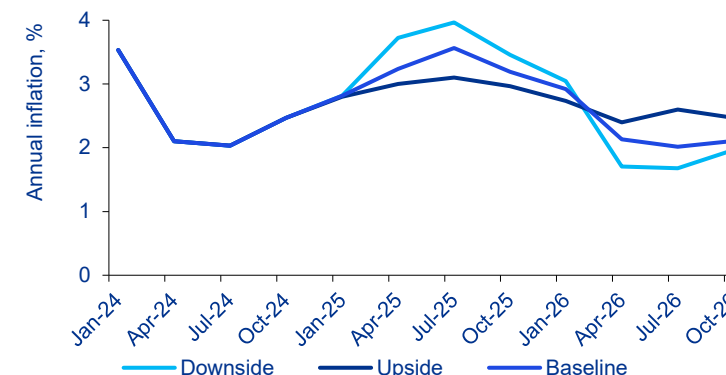
Business behaviour in response to NIC hike⁽²⁾

% of business behaviour in response to increases in NICs



Outlook for inflation⁽³⁾

Annual inflation % scenarios based on trade frictions



The impact of higher tariffs pose a downside risk to the global economy and will directly affect consumers. These tariffs would likely increase the cost of consumer goods and imported products, leading to higher prices.

As a result, consumers could see more of their income going towards essential goods, leaving less for their discretionary spending.

Our latest forecasts predict UK consumer spending to rebound from 0.6% growth in 2024 to 1.3% in 2025, before slightly easing to 1.1% in 2026, indicating a gradual recovery in consumer expenditure.⁽⁴⁾

With labour costs rising substantially, 61% of firms plan to raise prices, which will directly affect the cost of goods and services. This could reduce consumers' purchasing power, making everyday items more expensive and leaving less disposable income for other expenditures.

Sectors like retail and hospitality, which employ a higher proportion of low-wage workers, will face the most acute cost pressures.

As a result, food prices are expected to rise, with food price inflation potentially peaking at 4.5% by summer.⁽⁴⁾

In the baseline scenario, inflation is expected to rise gradually from 2.8% in Q1 '25 to a peak of 3.6% in the autumn.

However, the overall outlook is clouded by uncertainty, and inflation could fluctuate significantly depending on changes in trade policy.

Downside risks include potential trade diversion, for consumers, this means that the cost of living could fluctuate significantly, with periods of higher prices for goods and services reducing their purchasing power.

Source: (1) KPMG analysing using Oxford Economics Macroeconomic Model. (2) Decision Maker Panel. (3) KPMG modelling based on Global Economic model. (4) KPMG UK Economic Outlook Report April 2025

05

**Looking for
further
insights?
We can help.**



We have used this data set on a number of projects recently to help our clients answer key strategic questions that their business is facing

Customer segmentation



Example: identifying different purchasing preferences and behaviours across different consumer demographic dimensions to create distinct consumer segments

Category strategy



Example: highlighting categories your consumer base has an affinity to and strategising how to leverage this (e.g. Marketplace and Retail Media)

Channel strategy

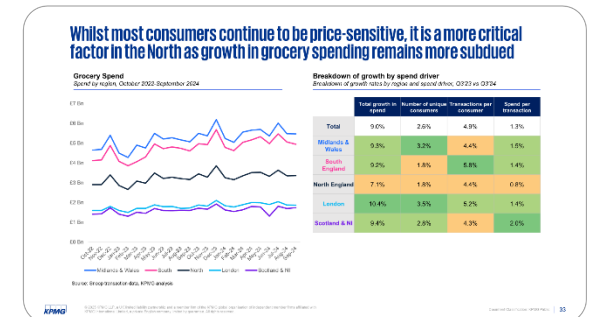
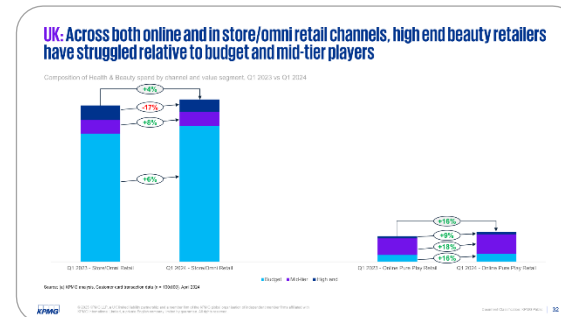
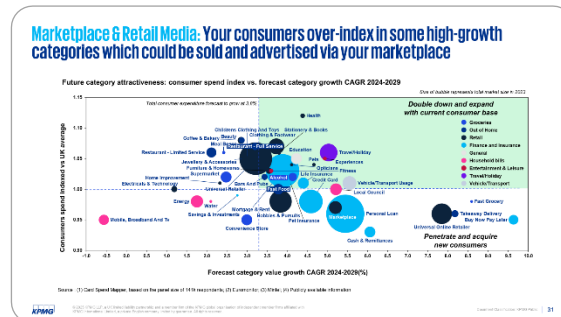
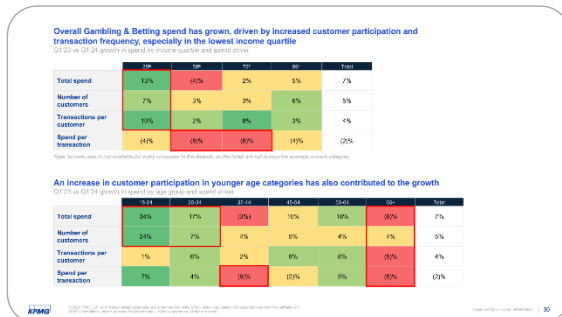


Example: assessing different channel dynamics and consumer behaviour across omni-channel players, digital natives and D2C players

Location strategy



Example: exploring how regional purchasing behaviours vary within and across categories, and translating this into business / operating model implications



Our analysts can use our detailed data sets to help answer your key strategic questions

Insights on the consumer and your customer base

We can use our extensive data set to help you break down your customers into demographic dynamics by sub-sector, including by age, income, and regions.

This level of detail allows you to understand the unique characteristics and preferences of different customer groups.

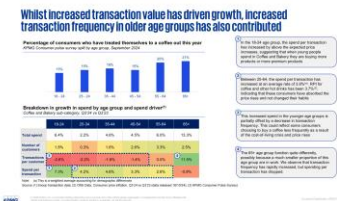
Our data-driven insights can help you gain a deeper understanding of consumer behaviour, identify emerging trends, and anticipate changes in the market.

Insights on you and your competitors

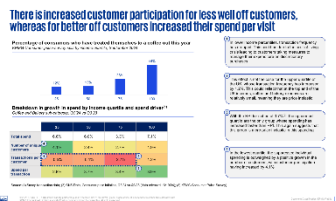
Staying ahead of the competition requires a thorough understanding of the competitive landscape. Our analysts can offer insights into your competitors' performance, strengths, and weaknesses.

This information can help you identify opportunities for differentiation and areas where you can improve your own offerings.

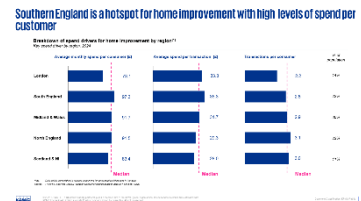
By analysing market trends and competitor performance, you can make strategic decisions that enhance your competitive advantage and drive business growth.



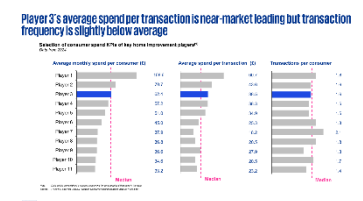
Age



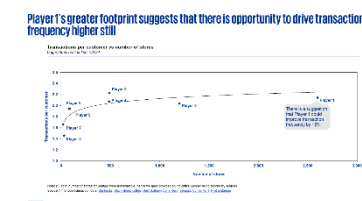
Income



Region



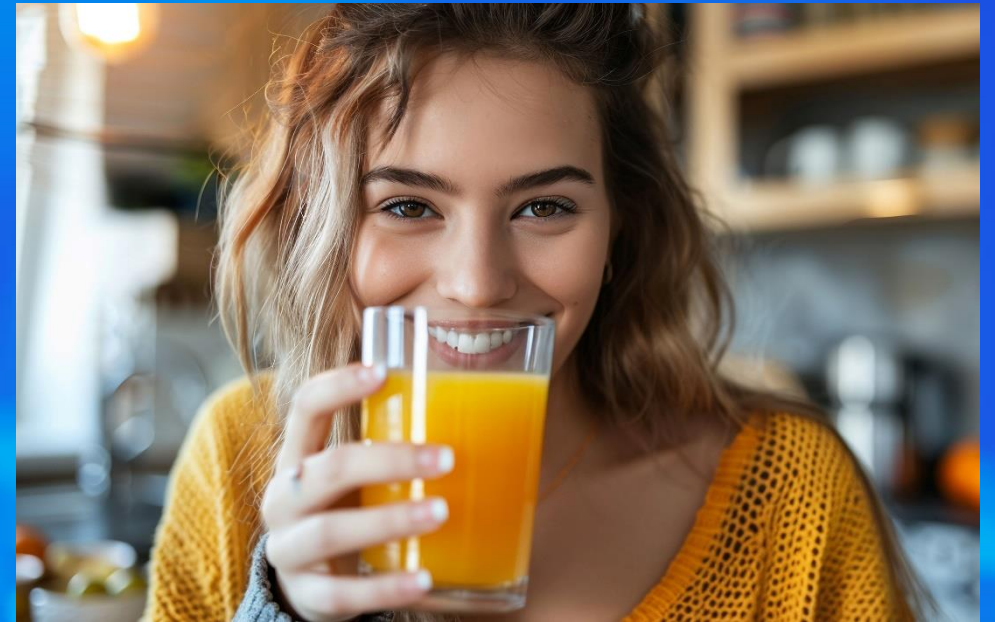
Opportunities vs your competitors



Spend drivers

06

**Methodology
and further
reference
materials.**

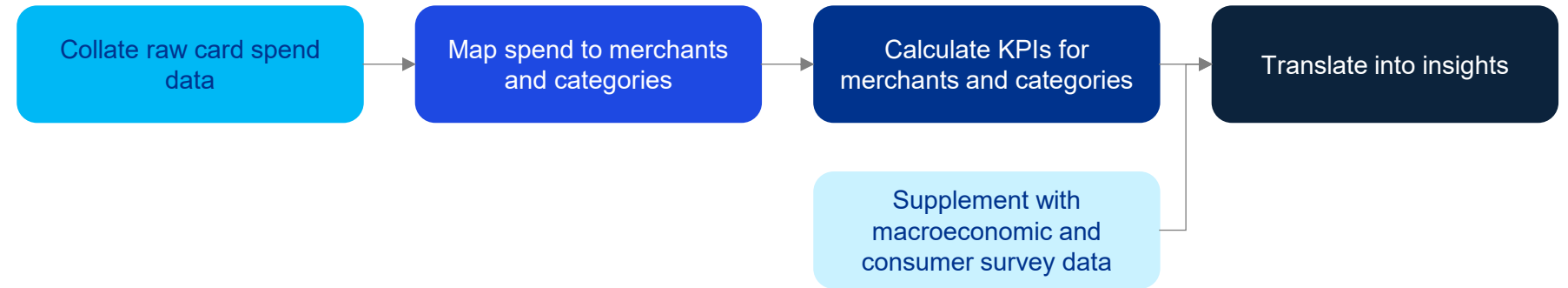


UK consumer spending insights

snoop

- Sample of 140k UK consumer transactions from Q2'23 to Q1'25, scaled to be representative across age, income and region
- Consumer spending, number of transactions and unique consumers for top 1,000 retailers/merchants (by spend)
- Categorized, tracked and evaluated
- Supplemented by KPMG Consumer Polling data: quarterly survey of representative sample of 3k UK consumers
- Consumer spending habits and sentiment in various categories
- Data Version: April 2025

Methodology: Our approach to understanding consumer behaviour



140,000 UK users to create a **nationally representative⁽¹⁾** data set, tracking spend across all their credit / debit cards



Data can be analysed by **region, age and income quartile**



Tracking of top 1,000 merchants who can be analysed individually



Trading **results focus on sales and not margins**, given the nature of the data set



Category mapping is **inferred by type of merchant**, and isn't as effective for merchants selling a wide variety of categories (e.g. marketplaces)



Smaller and more premium merchants, and some demographics sometimes have **small sample sizes**

Note: (1) Base data is scaled up from the sample to be nationally representative. This is done across age, income and regional demographics.

Further reference materials

01

[UK Customer Experience Excellence Report 2024](#)

Date released: November 2024

02

[From data overload to data-driven decisions in Retail](#)

Date released: January 2025

03

[Retail Sales Monitor with the BRC](#)

Monthly update

04

[Retail Think Tank – 2025 outlook](#)

Date released: February 2025

05

[UK Economic Outlook – April 2025](#)

Date released: April 2025



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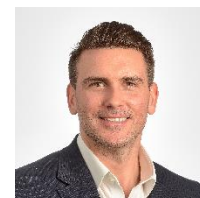
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