Consumers' shopping wants and UK grocery retailing

Are consumer needs being met?

A study undertaken for the British Brands Group

18 July, 2007

<u>Contents</u> Page

Introduction	2
Summary of all three research projects	4
Desk research (Don Edwards & Associates)	9
Qualitative research (Red Hot Group)	26
Quantitative research (IRI)	39

Introduction

1. The Competition Commission is currently investigating the UK grocery market, examining whether there is an adverse effect on competition and, if so, whether this has a detrimental effect on consumers. A detrimental effect on consumers is defined as taking the form of high prices, lower quality or less choice of goods or services in any market (whether or not the market to which the feature or features concerned relate).

2. Access to shops is important for consumer branded products that have a high frequency of consumption and hence purchase. Place is one of the four marketing 'P's[1]. In this context Place means ensuring a product is available when, where and how the consumer may wish to purchase. Proximity and ease of access to store are essential for products that have a high purchase frequency (i.e. grocery products). Place, or location, within store is also important.

3. The British Brands Group, which provides the voice for brand manufacturers in the UK, thus has a profound interest in the structure of retailing, including the extent to which consumers have access to the shops of their choice and whether the available choice of retail service meets their needs. Empirical evidence indicates that the range of available shops has diminished. At the same time the structure of consumer society is changing leading to an increased demand for a more varied retail structure.

4. The British Brands Group has therefore commissioned a research study to assess the nature of consumer shopping requirements and the extent to which the existing grocery retail structure meets consumer requirements.

5. Initial research indicated that there is a growing diversity of consumer groups whose retail requirements differ. Any analysis that examines the average, or overall, consumer need may result in conclusions that are sub optimal for some, or even all, consumer groups. Yet any assessment, such as that being undertaken by the Competition Commission, of the relevance of a country's retail structure to consumer requirements must be based on maximising consumer welfare for most individual groups.

6. An analysis of socio-economic and demographic trends indicates a fragmentation of consumer groups and increasing differences between each group. Census trends through to 2021 indicate that fragmentation and differentiation will continue. This breakdown in homogeneity of society is an important reason why an assessment of the average, as a proxy for the overall consumer need for retailing, is inappropriate.

7. The trends in grocery retail structure are moving in a direction that is the reverse to the increasing heterogeneity of society. While society is becoming less unified and homogeneous, grocery retailers are increasingly introducing a one-size-fits-all model on all consumers, and thus may not be catering for the full and varying needs of different social groups. There has been a marked decline in the number of specialist shops (butchers, green grocers, fishmongers, bakers, wine merchants, etc) and in the number of convenience stores. In the case of convenience stores, the proximity of shop is all important and proximity is a direct function of the number of convenience shops. Initial rationalisation of convenience retailing may eliminate duplication, but continued rationalisation ultimately diminishes store proximity thus eroding the benefit of convenience.

8. The trends in grocery retailing are towards larger stores selling a restricted assortment of an increasing range of categories under the ownership of a very few (and declining) number of companies. This trend is in stark contrast to the fragmentation of society.

[1] Product, Pricing, Promotion, Place – E Jerome McCarthy, Basic Marketing. David Ogilvy in 'Confessions of an Advertising Man' also referred to the components of the marketing mix as Product, Price, Promotion and Place.

9. Our research identified four distinct consumer groups that in aggregate account for 26.5% (32.8% of persons over 16 years of age) of the total population. For all these groups the supermarket is central to their shopping repertoire. Low price is important for all groups but alone is not sufficient. For some groups it is subordinate to other considerations. Equally for all these groups the supermarket does not meet all of their grocery shopping requirements; yet the spread of the grocery chains (both in supermarkets and in neighbourhood stores) is having the effect of diminishing consumer choice of retail outlets.

10. Key factors for all consumer groups are accessibility (car versus no-car); location (rural versus urban); time (working versus non-working); budget (price versus value). In the case of location many rural stores are dependant on the existence of a Post Office. The presence of the two is symbiotic and the collapse of one leads to the collapse of the other.

11. Of concern to the British Brands Group (and to consumers and potentially to the competition authorities) is that the increasingly diverse requirement of British shoppers is not being met by the emergence of a diverse retail structure. In practice the opposite is the case, raising the question of what is inhibiting the emergence of new, relevant and vibrant forms of grocery retailing.

Consumers' shopping wants and UK grocery retailing

Are consumer needs being met?

A summary of all three research projects

by
Don Edwards & Associates Ltd.

Don Edwards & Associates Limited
153 Burnham Lane, Burnham, Berks. SL1 6LA
Tel: 01628 669273 Mobile: 07802 622797 Email: don@donedwards.co.uk

Registered In England Number 5422010

Background

Research was undertaken on behalf of the British Brands Group to understand the relationship between consumers' shopping wants and UK grocery retailing, including the potential impact of the continued development of larger grocery stores (at the expense of smaller food-based stores) on consumer welfare. In particular, there was a requirement to consider the welfare, satisfaction levels and needs of minority groups e.g. low mobility (through age/health/car ownership), lower income, rural, higher income users of specialist stores.

The UK's four largest multiple retailers control 73.1% of the grocery market[2] and operate in a broadly similar manner. The overall total number of grocery outlets has declined and the number of stores in the ownership of the Big Four has more than doubled since 2000. The growth of these chains has been based on an adequate appeal across a wide product range to a broad customer base. The question remains whether the quality of retail product supplied by the big multiple grocers is comparable to other locations, or simply adequate enough, to deter customers from shopping in more than one location. The consequence of their growth has been a decline in independent retailers and in specialist stores, and this in turn has led to the decline of the specialist wholesale trade.

There is no single, homogeneous body of consumers. Amongst other things, consumers differ according to their location, store proximity, income/wealth, tastes/preferences, family size, age, accessibility, and time constraints. Less mobile consumers (e.g. the elderly, disabled, and non-car owning consumers) without easy access to large grocery stores may not only face less choice but they may not be able to access the lower prices, instead being obliged to rely on increasingly disadvantaged smaller retailers.

Research

Research was undertaken in three stages:

Desk research
Desk research was carried out to identify groups of consumers who were growing as a proportion of the population and to consider characteristics which would lead to lower satisfaction from a grocery shopping offer consisting of more large grocery stores, and fewer (local and/or specialist) small stores. This was carried out using government statistics, and other third party research.

Qualitative research
Having identified appropriate consumer groups, a series of qualitative group discussions were run to establish the grocery shopping needs, attitudes and preferences of these groups, and the language they use with respect to grocery shopping.

Quantitative research
The qualitative research identified issues and consumer language around which a research programme was set up with the same consumer groups to quantify the extent of their needs and attitudes.

Desk Research (carried out by Don Edwards & Associates)
The key points from the desk research revolved around the increasing heterogeneity and fragmentation of society. The diversity in household size and make-up is taking place at the same time as the number and type of food and drink outlets declines.

People are living longer, with 25% more people aged over 75 now versus twenty years ago. Household size is reducing, and the number of single person households has gone up by over a

[2] Competition Commission Emerging Thinking (2007), quoting IGD Grocery Retailing 2006, using TNS total till roll data, for 52 weeks ending February of the relevant year.

third in the last twenty five years. There is a bigger gap between the wealthiest and worst off in society. The rural population in England has grown at three times the growth rate of urban England in the last 20 years. Ethnic minority groups almost doubled in size over the twenty years to 2001, with very little growth in the white population over the same time period. There is nothing to suggest that these trends will not continue in the future.

One other key factor which affects grocery shopping is access. The majority of the population use cars to carry out their shopping, but there was still 27% of the population in households without the regular use of a car in 2001. There were no cars in almost half of lone parent households with dependent children, and in 69% of single person households where the householder is over the state pension age.

Four groups within society were identified, which are significant in size, have grown over the last twenty years, and may have been adversely affected by the growth of the "Big 4" grocery chains at the expense of independent retailers and specialist stores. These groups were:

- Older people, over the age of 70 (11.4% of the population), breaking out those in rural areas, and those without access to a car.

- Wealthier shoppers, who may want to access specialist stores such as delicatessens, fishmongers, butchers, etc. – the top earning 10% of the UK population

- People of ethnic (Indian, Pakistani, Bangladeshi, Black Caribbean, Black African, or Chinese) origin, looking for specialist products/ingredients, not always available from the homogenous product offering of the big grocery chains – 6.7% of the UK population.

- Single parents with dependent children (2.8% of the population), breaking out those without a car.

Qualitative Research (conducted by the Red Hot Group)

Ten qualitative group discussions were carried out amongst respondents in the above four consumer groups between 25th April and 1st May 2007.

The most important factors influencing behaviour, attitudes and choice were location (rural versus urban), access (car versus no car or lift dependent), time (working versus not working), and budget (price versus value).

Supermarkets and convenience stores form the normal shopping repertoire with "main" versus "emergency/top up" usage. Specialists were supported to varying degrees depending on the above factors. For example, the wealthy are able to support them because they have time, access and budget, whereas the older group might wish to support them, but would generally not have access or budget.

There was a widespread view that the growth of supermarkets leads to a reduction in the number of convenience and local stores, as well as specialist stores. The threat of, or actual closure of, Post Offices can result in rural communities being severely affected as the Post Office and local shop are often jointly operated.

Each group has a distinct set of needs which determine actual and preferred shopping repertoires. Not all shopper needs are being met by the current grocery shopping environment. Supermarkets are able to satisfy basic needs and are viewed as doing this well. However, for many, other factors have to be compromised in order to gain the convenience benefit of "all under one roof". Areas of compromise include the need for low purchase volumes for elderly, the culturally specific produce and cultural experience for ethnics, and product quality for the wealthy.

The degree of compromise depends on the breadth of the individual's need state set. Price is an important factor, but is not the primary driver for all groups; for some e.g. wealthy, the primary needs are quality and freshness, whilst for ethnics it is freshness, service and knowledge. So as different consumer groups have different needs which cannot all be satisfied by one outlet, consumers have to trade off needs based on where they shop.

For those with fewer, more basic and highly defined needs, the trade-off is less pronounced e.g. lone parents highly motivated by price are willing to trade-off other needs with little sense of loss, providing the supermarket is accessible. When access is a problem, there is a significant degree of frustration and most hope that the growth of supermarkets will result in more stores closer to home. However, for those with a more varied, less budget-driven suite of needs, the trade-off encountered when shopping at the supermarket is more complex and results in a stronger sense of dissatisfaction.

The wealthy for example, gain convenience and ease of shopping, but quality and service are compromised significantly. The continued growth of supermarkets is strongly resisted by this group who fear that the grocery retail footprint is already too supermarket biased.

Currently, the more emotional needs required by many are satisfied by local stores and specialists. For others, the limited accessibility to grocery stores per se causes real frustration and compromise in terms of when and how they are able to shop. It is clear therefore that given a hierarchy of needs, supermarkets will either have to start to satisfy higher needs or higher needs will no longer be met.

The current trend in grocery retailing composition is threatening to compromise needs and real choice further.

Quantitative Research (conducted by I.R.I.)

633 interviews were conducted amongst the four identified groups in May, 2007. Almost all of these interviews were either face to face or over the telephone, but there were also a small number of internet interviews amongst the wealthy sub-group. The 20 minute interviews were designed to understand and numerically quantify the needs and attitudes of the groups towards grocery shopping.

Supermarkets play a very important role in grocery shopping, with almost all shoppers having used a supermarket in the last month. Value for money, range and low prices are the key reasons for using supermarkets.

However, convenience stores and specialist stores also play important roles. The vast majority in all groups use c-stores and specialists in addition to supermarkets. C-stores are particularly important to lone parents with 77% of them using a c-store in the last month versus only 40% for the wealthy group.

The key reasons to use c-stores are their proximity to home and the ability to walk to the store. The vast majority of all groups except for the wealthy group walk to their convenience store. A clear majority in each consumer group think it's good to have a local c-store nearby – 94% in the ethnic group, 92% in the lone parents, 88% in the wealthy group, and 78% in the older group. Of those who expressed a view, the majority in each group would visit their local community store more often if it sold a better range of fresh produce.

Specialist stores have been used by over 60% of respondents in all groups over the last year. The wealthy are significantly more likely than other groups to have used delicatessens, farmers' markets, farm shops, fishmongers, markets and wine merchants. The ethnic group is significantly more likely than the other groups to have used a specialist shop in the last four weeks, with particularly high usage of ethnic food supermarkets. Quality and range are the key drivers for the use of specialist stores.

The majority of those who expressed a view in each group wish that there were more specialist food or drink shops nearby. And the majority in each group also believe that a local butcher or baker would stock better quality products than their supermarket's meat or bread counters.

Only about one in six respondents in each group get all of their grocery shopping in one regular large trip.

The majority of shoppers accept the store choice currently available, but a substantial minority are unhappy with the choice of stores for grocery shopping. 30% of Elderly, 26% of Wealthy, 18% of Ethnic, 20% of Lone Parents state that they do not feel that they have a good choice of different types of shops in their area. This increases more when considering the choice of specialist stores - 45% of Elderly, 40% of Wealthy, 27% of Ethnic, 38% of Lone Parents do not feel that they have a good choice of specialist stores in their area.

"Freshness of products" gets the highest score amongst all groups on reasons for choosing where to shop. Price is an important driver of store choice, but is a secondary reason for many shoppers. Quality, range and access are other key factors.

The majority in all consumer groups agree that continued supermarket growth would lead to the closure of local independent stores. More agree than disagree that this would have a negative impact on friendly / personal service and would damage the local community.

Trade off analyses showed that across all groups, supermarkets as an outlet type generally only need to offer a medium level of quality, choice and price to be the preferred outlet over convenience and specialist stores, even when competing with specialist stores offering higher levels of performance on these attributes. The benefit of "all under one roof" over-rules other factors, unless there is a significant difference in performance on these factors. Where there are significant differences, quality is the key trade-off attribute for the wealthy, whilst access is the key discriminator for the other three groups.

Conclusions

- It is clear that supermarkets alone cannot meet all grocery shopping needs, and that it is in the interests of shoppers to have a thriving local convenience and specialist retail sector.

- As numbers of c-stores continue to reduce, store proximity will reduce further, thus diminishing the main reason for using c-stores.

- Supermarkets satisfy needs such as quality, freshness, access, range and price to an adequate level. However, these needs are not being fully met for some significant and growing groups of the population. The benefit of "all under one roof" is driving the growth of supermarkets at the expense of other stores.

- Shoppers are not homogeneous, with very different attitudes/needs across different consumer groups. Price is important to all consumers to a greater or lesser extent. However, as local convenience and specialist stores continue to decline in numbers, consumers are being adversely affected now with respect to quality, range and access – three of the key grocery shopping requirements. Even if the majority benefit from lower prices, substantial minorities are negatively impacted in other ways. As society becomes more heterogeneous and shopper needs follow the same track, it is now vitally important to protect the local convenience and specialist retail sectors.

Consumers' shopping wants and UK grocery retailing

Are consumer needs being met?

Desk Research

by
Don Edwards & Associates Ltd.

29 March, 2007

Contents Page

1.0 Executive Summary 10

2.0 Background 11

3.0 Objectives & Methodology 12

4.0 Research Findings 13
 4.1 Age
 4.2 Rural / urban
 4.3 Ethnic origin
 4.4 Health
 4.5 Car ownership
 4.6 Income / wealth distribution
 4.7 Households
 4.8 Full-time, part-time work

5.0 Conclusions & Recommendations 23

Don Edwards & Associates Limited
153 Burnham Lane, Burnham, Berks. SL1 6LA
Tel: 01628 669273 Mobile: 07802 622797 Email: don@donedwards.co.uk

1.0 Executive Summary

Over the last 20 years, society has become more heterogeneous and more fragmented. For example:

- People are living longer. There were 4.6 million people over the age of 75 in the UK in 2005 versus 3.7 million in 1986.

- Household size is reducing, and the number of single person households is up from 22% in 1981 to 29% in 2005.

- The % of households with the "traditional" family unit of two parents and dependent children reduced from 31% in 1981 to 22% in 2005

- There is a bigger gap between the wealthiest and worst off in society. For example, those in the 90th percentile of disposable income in 1981 had 3.13 times the disposable income of those in the 10th percentile. This gap had grown to a factor of 3.99 by 2002.

- The rural population in England has grown at three times the growth rate of urban England in the last 20 years.

- Ethnic minority groups grew at 41% between 1981 and 1991, and 39% between 1991 and 2001, with very little growth in the white population over the same time periods.

- Car ownership has increased over the last 20 years, but there were still 27% of the population in households without the regular use of a car in 2001. There were no cars in 48% of lone parent households with dependent children, and in 69% of single person households where the householder is over the state pension age.

All of these factors impact on the needs of the UK population towards grocery shopping. Four groups within society have been identified, which are significant in size, have grown over the last twenty years, and may have been adversely affected by the growth of the "Big 4" Grocery chains at the expense of independent retailers and specialist stores. These groups are:

- Older people, over the age of 70, particularly those in rural areas, and particularly those without access to a car.

- Wealthier shoppers, who may want to access specialist stores such as delicatessens, fishmongers, butchers, etc.

- People of ethnic origin, looking for specialist products and ingredients, not always available from the homogenous product offering of the big Grocery chains.

- Single parents with dependent children, particularly those without a car in the household.

It is recommended that indicative primary research is carried out into the grocery shopping needs, attitudes and preferences of these groups of people. This will include a trade-off analysis between price and other factors influencing store choice, as detailed in the primary research brief at the back of this report.

2.0 Background

The British Brands Group is interested in the impact of the continued development of larger grocery stores (at the expense of smaller food-based stores) on consumer welfare, and particularly the welfare of some vulnerable minority groups e.g. low mobility (through age/health/car ownership), lower income, rural, higher income users of specialist stores. They wish to carry out some stimulus research for input into the current Competition Commission inquiry into the grocery market.

At issue is the element of consumer choice provided by four multiple retailers who control about 60% of the grocery market and operate in a broadly similar manner. This is characterised by out-of-town centre large surface retail outlets, each supplying a similar product mix, at remarkably similar prices (at least for KVIs) and a similar level of private label products. Expansion into convenience stores by two of the big four has seen the introduction of a reduced range of products that are sold in their supermarkets and at higher prices.

The growth of these chains has been based on an adequate appeal across a wide product range to a broad customer base. The consequence of their growth has been a decline in independent retailers and in specialist stores who have lost volume sales, and this in turn has led to the decline of the specialist wholesale trade. The IGD Convenience Retailing study in 2005 revealed that 2,157 independent shops went out of business or became part of a larger company in 2004, compared with a previous annual average of around 300 a year.

The question remains whether the quality of product supplied by the big multiple grocers is comparable, or simply adequate enough, to deter customers from shopping in more than one location. It is possible that at higher income levels, there may be a latent demand for high quality specialist food stores. Those customers that would have opted to continue shopping in the specialist stores were denied the opportunity. Thus the preferences of the majority have removed choice of outlet and product quality for the minority. In attempting to measure the size of this minority, it is important to distinguish between needs and behaviour. Behaviour is constrained by existing structures.

While there may be benefits from lower prices offered by the scale advantages of large supermarket chains (ONS statistics reveal that real food prices declined 7.3% between January 2000 and December 2005), there may be disadvantages for consumers in respect of reduced choice, variety and accessibility, when the growth of the big 4 multiples results in a disproportionate loss of smaller retailers. This presents a trade-off for consumers. Many consumers might be happy to accept lower prices in exchange for more restricted choice. However, for some consumers, this may not be an acceptable exchange – notably when they cannot readily access these lower prices (e.g. because they are restricted in their mobility and/or they are not located near to such supermarkets) or when they have a strong preference for particular types of vulnerable small retailers (e.g. specialist outlets like butchers, bakers, fish mongers and green grocers). Much may depend on the weights attached to variety, choice, quality, accessibility, amenity and other non-price factors, relative to the prices that consumers may face. It is necessary to determine preferences, attitudes towards potential trade-offs, and perceived costs and benefits of changes in the market.

In practice, there is no single, homogeneous body of consumers. Amongst other things, consumers differ according to their location, store proximity, income/wealth, tastes/preferences, family size, travel ability, and time constraints. It is quite conceivable for a majority of consumers to gain from a market development (e.g. a slightly lower price), but that the level of this gain is outweighed by the loss suffered by a minority of consumers (e.g. a major loss of choice, convenience, and/or accessibility, resulting in significantly raised shopping costs and reduced welfare).

For less mobile consumers (e.g. the elderly, disabled, and non-car owning consumers) without easy access to large Grocery stores, they may not only face less choice but they may not be able to access the lower prices, instead being obliged to rely on increasingly disadvantaged smaller retailers. Accordingly, they could potentially face the double blow of reduced choice <u>and</u> higher prices.

3.0 Objectives & Methodology

Objective:

To test the hypothesis that the continued development of larger grocery stores, and decline of smaller stores, will result in lower consumer satisfaction with the available grocery shopping options, for a significant proportion of the population in particular minority groups and geographical areas.

Methodology:

Stage 1

1. Define and agree particular consumer characteristics which might lead to lower satisfaction from a grocery shopping offer consisting of more large grocery stores, and fewer (local and/or specialist) small stores e.g. low mobility (through age/health/car ownership/disability), lower income, high income (for specialist shops), rural, single person households.

2. Carry out desk research to determine the approximate proportion of the population with these particular characteristics, and the regions with higher proportions of these people. This will be carried out using government statistics (e.g. National Statistics Online: 2001 Census data, National Statistics Omnibus Data: Internet Access) and other third party research as required. Identify how these proportions have changed over the last 20 years.

   Analyse the results to decide whether the number of people in these potentially disadvantaged groups, and the change in the size of these groups, is sufficient to warrant further research. If so, then go to step 3.

3. Develop brief for indicative primary research into the grocery shopping needs, attitudes and preferences of a defined sample of people with the agreed characteristics. This will include a trade-off analysis between price and other factors influencing store choice.

Stage 2

4. Identify and manage research agency to conduct primary research and produce results.

5. Analyse results and write summary report of findings, in discussion with BBG.

4.0 Research Findings

4.1 Age

The UK population is ageing. In 1986, only 6.5% of the population were 75 years of age or older, whereas by 2005, this had become 7.6%, and is projected to rise to 9.5% by 2021. The age profile in 2006 is particularly skewed to older people in Wales (8.4% are 75 or over) and the South West of England (9.4%).

Table 4.1.1

POPULATION TREND FIGURES

Constituent countries of the United Kingdom

Numbers (thousands)

Mid yr	United Kingdom	Great Britain	England	Wales	Scotland	Northern Ireland
1986	56684	55110	47188	2811	5112	1574
1996	58801	57138	49089	2921	5128	1663
2005	60209	58485	50432	2959	5095	1724
Percentage age distribution						
1986*						
0-4 yrs	6.4		6.4	6.4	6.3	8.5
5-15 yrs	12.6		12.4	12.7	12.8	16.6
16-44 yrs	44.0		44.6	42.2	44.3	43.5
45-64m/59f yrs	18.8		18.9	19.3	19.1	16.6
65m/60f -74yrs	11.7		11.7	12.7	11.3	9.7
75 yrs and over	6.5		6.6	6.8	6.0	5.1
1996						
0-4 yrs	6.4	6.4	6.4	6.1	6.1	7.5
5-15 yrs	14.2	14.1	14.1	14.5	13.9	17.5
16-44 yrs	41.0	41.0	41.0	38.5	41.8	42.1
45-64m/59f yrs	20.3	20.4	20.3	21.0	20.3	18.0
65m/60f -74yrs	11.0	11.1	11.0	12.2	11.3	9.6
75 yrs and over	7.1	7.1	7.2	7.8	6.5	5.4
2005						
0-4 yrs	5.7	5.7	5.7	5.4	5.2	6.4
5-15 yrs	13.6	13.5	13.5	13.8	13.0	15.7
16-44 yrs	40.2	40.2	40.4	37.5	39.6	41.3
45-64m/59f yrs	21.8	21.9	21.7	22.8	23.0	20.4
65m/60f -74yrs	11.0	11.1	10.9	12.1	11.7	10.0
75 yrs and over	7.6	7.7	7.7	8.4	7.4	6.3
2021 (projection)						
0-4 yrs	5.6	5.6	5.6	5.3	5.0	5.9
5-15 yrs	12.0	12.0	12.1	11.8	11.2	13.0
16-44 yrs	36.8	36.8	37.1	34.7	35.0	37.2
45-64m/59f yrs	25.9	25.9	25.8	25.9	27.6	25.6
65m/60f -74yrs	10.2	10.2	10.0	11.6	11.3	9.5
75 yrs and over	9.5	9.5	9.4	10.6	10.0	8.6

**age split for 1986 is slightly different 5-14yrs &15-44yrs*

Source : Population trends Winter 2006 (ONS) & 1996

Table 4.1.2

England (sub-national)

Population ('000) and % split by age	North East	North West	Yorks & Humber	East Mids	West Mids	East	London	South East	South West
2005	2558	6846	5064	4306	5365	5542	7518	8164	5068
0-4 yrs	5.3	5.6	5.7	5.5	5.9	5.7	6.6	5.6	5.1
5-15 yrs	13.3	13.9	13.8	13.6	14.0	13.7	12.7	13.7	13.2
16-44 yrs	39.2	39.5	39.7	39.2	39.3	38.5	48.9	39.0	36.9
45-64m/59f yrs	22.8	22.1	22.0	22.6	21.8	22.4	18.1	22.4	23.0
65m/60f -74yrs	11.8	11.3	11.2	11.3	11.3	11.4	8.1	11.1	12.4
75 yrs and over	7.7	7.5	7.7	7.8	7.7	8.1	5.7	8.2	9.4

Source: Office for National Statistics (ONS)

Note: The regional split used by ONS was different prior to 2005, making trended comparisons difficult by region.

The % of both men and women in the UK population over the age of 85 more than doubled between 1971 and 2001, with high growth rates for the 75 – 84 age group too. Women aged 75 or over made up 9.3% of the female population in 2001, with men aged 75 or over contributing 5.7% of the male population.

Table 4.1.3

Proportions of older people: by sex and age, 1971 to 2001
United Kingdom — Percentages

	1971	1981	1991	2001	% change 1971 to 2001
Males					
65-74	7.4	8.3	8.1	8.1	9
75-84	2.6	3.4	4.1	4.6	77
85 and over	0.5	0.5	0.8	1.1	120
All aged 65 and over	10.5	12.1	13.5	13.7	30
Females					
65-74	9.6	10.1	9.5	8.7	-9
75-84	5.0	6.1	6.7	6.6	32
85 and over	1.2	1.6	2.2	2.7	125
All aged 65 and over	15.9	17.8	18.4	18.0	13

Source: Office for National Statistics (ONS)

Life expectancy

Life expectancy has increased significantly over the last 30 years for both men and women.

Life expectancy at birth

	Male	Female
1976	69.52	75.65
2005	76.89	81.14

Source: Social Trends, 2006 (ONS)

4.2 Rural/urban split

The proportion of older people in rural areas is significantly higher than in urban areas, and the rural population is ageing more rapidly. The 65+ age group is particularly high in rural areas, making up 18.3% of the rural population, versus only 15.9% of the population for England as a whole (source: www.helptheaged.org.uk).

The number of people in the 60-74 age group in rural districts is forecast to rise by 40% over the next 20 years, and those over 75 by 60%. Migration is driven not by people retiring to the countryside (these people account for only 10% of rural migration), but by middle-aged people moving to the countryside and staying there until retirement. At the same time, young people in the 15-24 age group are leaving rural areas for further education or to find jobs (source: www.ageconcern.org.uk).

The overall population of rural England has been growing since the 1960s, in contrast to virtually all other industrialised western nations. It has grown at more than three times the rate of growth of urban England. In the last 20 years the rate of growth has varied dramatically across regions in England, from +18.0% in South West England to only +1.4% in the North East.

Table 4.2.1

Location	1981-91 %change	1991-2002 %change	1981-2002 %change	Pop'n in 1981 Millions	Pop'n in 2002 millions
All England	2.3	3.5	5.8	46.8	49.5
All Urban areas	0.7	2.2	3.0	34.4	35.4
All Rural areas	6.6	6.7	13.7	12.4	14.1

Source: H. Carter "The State of the Countryside 2004"

The higher growth trend in rural versus urban areas is consistent in the rest of Great Britain, with rural population growth in Wales and Scotland dramatically outstripping growth (or declines) in urban areas.

4.3 Ethnic Origin

Ethnic minority groups grew rapidly at 41% between 1981 and 1991, and at 39% between 1991 and 2001. Some groups have grown even more swiftly (e.g. Black Africans, Bangladeshis), while others have seen more moderate expansion (e.g. Indians, other Asians). The White population has hardly grown at all, and the White British population has probably declined. Black and Ethnic Minorities (BEM) remained concentrated in metropolitan areas in 2001, as in 1991 and 1981, but by 2001, de-concentration had begun for most groups. The consequence of BEM population growth and spread has been a dramatic increase in ethnic diversity in all regions.

Table 4.3.1

Growth of the main ethnic minority groups, 1991 and 2001

Great Britain	Thousands		% change
	1991	2001	1991 - 2001
Indian	865.5	1051.8	+21.5%
Pakistani	491.0	746.6	+52.1%
Bangladeshi	167.8	282.8	+68.5%
Black Caribbean	517.1	565.6	+9.4%
Black African	221.9	484.8	+118.5%
Chinese	162.4	243.3	+49.8%

Source: Census 2001, Office for National Statistics; Census 2001, General Register Office for Scotland; Ethnicity in the 1991 Census: Volume One, Office for National Statistics

The highest % growth rate in the non-white population between 1991 and 2001 came in small towns and rural areas, at over 70% (source: Migration and Social change in Rural England), albeit from a much smaller base than urban areas.

The mix of minority ethnic groups is younger than for the population as a whole. For example, only 2% of Black African people in the UK were over 65 in 2001, 3% of Bangladeshi people, 4% of Pakistani people, 5% of Chinese people, 7% of Indian people and 11% of Black Caribbean people. This compares with 15.8% of the population as a whole being over 65 in 2001.

The expansion of the EU to include countries in Central and Eastern Europe over the last few years has further increased the diversity in the UK population.

4.4 Health

As with many government statistics, there is a wealth of information available on the health of the UK population, but it is frequently too detailed, down to named disease, or definitions have changed over time, making trend analysis difficult.

However, not surprisingly there is a strong link between declining health and increasing age.

Table 4.4.1

Percentages of people with longstanding illness and limiting longstanding illness, England 2004

	Age 16-49	50 +	50-64	65-79	80+
Men					
Longstanding illness	29	65	59	72	79
Limiting longstanding illness	13	38	32	43	55
Women					
Longstanding illness	34	65	59	70	74
Limiting longstanding illness	17	41	35	44	57

Source : A social portrait of ageing in the UK 2006 – HM Govt. (Health survey for England, Department of health)

The increased prevalence of disability in old age potentially has significant implications for older people's quality of life.

Table 4.4.2
Percentage of all people with mobility difficulties by age and sex

Age/Sex	1985-1986	1992-1998
Male		
25-49	3	4
50-54	6	9
55-59	11	18
60-64	20	23
65-69	20	24
70-74	29	29
75-79	32	40
80+	53	49
Female		
25-49	3	5
50-54	12	12
55-59	14	18
60-64	20	21
65-69	26	28
70-74	35	34
75-79	47	47
80+	67	68

Source: Travel characteristics of older people –transport trends 2000

The above table does not show that there is an increasing problem of mobility in society, but confirms that there are increased issues with mobility in older age groups. However, combined with the ageing population, this suggests that mobility is a growing issue for society.

The table below demonstrates a small increase in the percentage of self-reported illness or disability, again, almost certainly linked to the ageing population.

Table 4.4.3
Self- reported limiting longstanding illness by gender 1981 -1999
Percentages of people 16 and over reporting a longstanding illness or disability that limited their activities

	Males	Females
1981-82	16	19
1985-86	16	18
1989-90	17	19
1993-94	19	22
1998-99	19	21

Source : General Household Survey, Office for National Statistics (ONS)

4.5 Car ownership

Car ownership has increased in the UK over the last 20 years, but there were still 27% of households in 2001 without regular use of a car.

Table 4.5.1

Households with regular use of a car

Great Britain Percentages

	No car	One car	Two or more cars
1981	40	45	15
1991	32	45	23
2001	27	44	29

Source: Department of the Environment, Transport and the Regions

Although car ownership has increased over the last 20 years, there are still high numbers of households without a car, particularly amongst some groups of society. Whilst 27% of households in 2001 had no car, this figure was 53% for one person households, and 69% for one person households where that person was over the state pension age. 48% of households with a lone parent and dependent children have no car. (Source: Census 2001)

Table 4.5.2

Great Britain Percentages

	No car	One car	Two or more cars
One person household	53	43	3
Under state pension age	39	55	5
Over state pension age	69	30	1
One family and no others			
All pensioner	22	63	15
Couple family households	8	41	51
Lone parent households	43	46	12
With dependent child(ren)	48	47	5
Non-dependent child(ren) only	33	43	24
All	15	45	40
Other households	26	37	37
All households	27	44	29

Source: Census 2001, Office for National Statistics; Census 2001, General Register Office for Scotland

The highest regional percentages for households without a car are in London, the North East of England, and Scotland (all 35%), with the lowest percentage in the South East of England (17%) (Source Office for National Statistics).

Car usage declines by age and varies by sex. Fewer women over the age of 75 are in a household with a car than men over the age of 75. Only 25% of women over the age of 85 are in a household with a car. So although car ownership in total is increasing, there are sizeable parts of the population without regular use of a car.

Table 4.5.3

Percentage of people aged 50 and over with a car in the household, 2001	England & Wales	
	Male	Female
50-54 years	89	87
55-59 years	88	85
60-64 years	86	79
65-74 years	80	65
75-84 years	66	42
85 + years	45	25

Source: 2001 census

Cost can be a major barrier to car ownership for those on low incomes. Public transport costs are among the highest in the EU, and the ONS/DfT highlight that whilst the cost of motoring has remained relatively stable over the last 15-20 years when adjusted for inflation, the cost of bus and rail fares has risen by over 30% since 1980.

Those shoppers without cars have to be able to carry what they have bought, and so often shop more often than they would ideally want. Some shoppers view taxis as a necessary expense, particularly first generation Bangladeshi women bulk-buying raw ingredients, and families with young children who found buses inaccessible to buggies (Source: National Consumer Council, Research into accessing essential goods & services – January, 2003).

According to an Omnibus survey for the Office for National Statistics in 2000, 77% of journeys for main food shopping are made by car, 13% by foot, 8% by public transport and 2% by other.

Older people shop more often than younger people generally (all types of shopping) with women from 16-25 years of age averaging 20 trips per year, compared with 23 trips for 26-59 year olds and 37 trips for 60 year olds and over. The corresponding figures for men of the same ages were 12, 17 and 33. (Source National Travel Survey, Department of the Environment, Transport and the Regions, 1997-99)

4.6 Distribution of income/wealth

The extent of inequality in income distribution has changed considerably over the last 20 years. For example, between 1981 and 1989, disposable income grew in real terms by 38% for those at the 90th percentile, more than five times the rate of growth of 7% for those in the 10th percentile.

The difference between the household disposable income of those in the 90th percentile and those in the 10th percentile in 1981 was a factor of 3.13 in 1981 (£365.93 / £117.00). This factor grew to 4.37 by 1991, and had reduced slightly to 3.99 by 2001-02.

Table 4.6.1

Distribution of real* household disposable income
United Kingdom — £ per week

	10th percentile	25th percentile	Median	75th percentile	90th percentile
1981	£117.00	£148.73	£202.79	£277.40	£365.93
1986	£125.57	£161.46	£227.45	£315.35	£419.25
1991	£124.51	£171.35	£261.31	£387.09	£543.85
1995-96**	£135.67	£179.76	£261.10	£380.83	£533.55
2001-02	£159.18	£214.76	£311.08	£448.23	£635.90

* Data adjusted to 2001/02 prices using retail prices index less local taxes
** Data for 1995 onwards are for financial years and exclude Northern Ireland
Source: Institute for Fiscal Studies

Table 4.6.2

This growth in income distribution has occurred despite the fact that unemployment has decreased significantly since the highs of the mid-1980s:

United Kingdom	Millions unemployed
1981	2.544
1986	3.154
1991	2.442
1996	2.344
2001	1.431
2005	1.424

Source: Labour Force Survey, Office for National Statistics

The distribution of wealth is even more skewed than that of income. Half the population of the UK owned just 5% of the wealth in 2001, compared with 10% in 1986.

Table 4.6.3

United Kingdom				Percentages
Percentage of wealth owned by	1986	1991	1996	2001
Most wealthy 1%	18	17	20	23
Most wealthy 25%	73	71	74	75
Most wealthy 50%	90	92	93	95

Source: Inland Revenue

If the value of housing is omitted from the wealth estimates, the resulting distribution is even more concentrated at the top of the distribution (e.g. 33% of wealth owned by the most wealthy 1% and 97% owned by the most wealthy 50% in 2001), indicating that this form of wealth is more evenly distributed than the remainder.

4.7 Households

There were 24.2 million households in Great Britain in spring, 2005. Although the population has been increasing, the number of households has increased faster (by 4 million households since 1981) due to the trend towards smaller households. The average household size has fallen from 2.7 in 1981 to 2.4 in 2005.

Table 4.7.1

Households by size Great Britain				Percentages
	1981	1991	2001	2005
One person	22	27	29	29
Two people	32	34	35	35
Three people	17	16	16	16
Four people	18	16	14	13
Five people	7	5	5	5
Six or more people	4	2	2	2
All households (mio)	20.2	22.4	23.8	24.2
Ave household size	2.7	2.5	2.4	2.4

Source: Census, Labour Force Survey, Office for National Statistics

There has been a decrease in the proportion of households with the "traditional" family unit of two parents and dependent children, from 31% of households in 1981 to 22% in 2005. Single person households have also increased over the same time period, particularly where the householder is under state pension age. In 2005, there were 7 million people living alone in Great Britain.

Older women are more likely than older men to live alone, and the proportion increases with advancing age. Among women aged 75 and over who live in private households in Great Britain, 60% lived alone in 2002, compared with 29% of men of the same age (source General Household Survey, ONS).

Table 4.7.2

Households by type
Great Britain — Percentages

	1981	1991	2001	2005
One person				
Under state pension age	8	11	14	15
Over state pension age	14	16	15	14
One family households				
Couple				
No children	26	28	29	29
1 or more dependent children	31	25	23	22
Non-dependent children	8	8	6	6
Lone parent				
Dependent children	5	6	7	7
Non dependent children only	4	4	3	3
Two or more unrelated adults	5	3	3	3
Multi-family households	1	1	1	1
All households (mio)	20.2	22.4	23.8	24.2

Source: Census, Labour Force Survey, Office for National Statistics

4.8 Full and part-time work

The full-time workforce has increased by 11.5% from 19.3 million in 1992 to 21.5 million in 2006, whilst the part-time workforce has increased by over double that rate, 24.7% over the same time period. Although part-time female workers have increased by 14.7%, the big percentage increase has been driven more by part-time male workers increasing in numbers by 76.5%.

Table 4.8.1

Full and part-time work
Great Britain — Thousands

	Full-time Total	Full-time Male	Full-time Female	Part-time Total	Part-time Male	Part-time Female
1992	19329	12903	6426	6006	976	5030
1996	19591	12990	6601	6606	1278	5328
2001	20753	13612	7141	7021	1433	5588
2006	21544	13938	7605	7492	1723	5770

Source ONS Labour Force Survey

Flexible working has increased dramatically over the last decade, with over a fifth of full-time employees and a quarter of part-time employees having some form of flexible working arrangement in spring 2005.

5.0 Conclusions and Recommendations

It is clear that the population of the UK is becoming more diverse, fragmented and heterogeneous.

The population is ageing, with 4.6 million people in the UK over the age of 75 in 2005, versus 3.7 million in 1986, and this in turn has had a knock-on effect on the health of the nation. There are more single person households than ever before, with 7 million living alone in Great Britain in 2005, and almost half of these householders being over the pension age. There has been a decrease in the proportion of households with the "traditional" family unit of 2 parents and dependent children, from 31% of households in 1981 to 22% in 2005.

The rural population in England has grown at three times the growth rate of urban England in the last 20 years. This is consistent with the rest of Great Britain. CACI research in January, 2007, for the current Competition Commission Enquiry showed that only 24% of the rural population have 3 grocery outlets over 1,400 square metres within 15 minutes drive of their home (only 5% within 10 minutes), versus 80% of urban residents with 3 grocery outlets within a 15 minutes drive. This indicates that the growing rural population is likely to be more adversely affected by the retail trade concentration than the urban population.

Ethnic minority groups grew at 41% between 1981 and 1991, and 39% between 1991 and 2001, with very little growth in the white population over the same time periods.

Car ownership has increased over the last 20 years, but there were still 27% of the population in households without the regular use of a car in 2001. This % rises further to 69% in single person households where the householder is over the state pension age. And 48% of lone parent households with dependent children had no car in 2001.

The gap between those with most and least disposable income has grown over the last 20 years. Those in the 90th percentile in 1981 had 3.13 times the disposable income of those in the 10th percentile. This gap had grown to a factor of 3.99 by 2002.

Unemployment has reduced from 3.2 million in 1986 to 1.4 million in 2005. Full-time, and particularly part-time working has increased over the last 15 years, as has flexible working.

Needs and values have also changed dramatically over the last 20 years. For example, society is becoming more interested in the environment and in "green values". "Food miles" are being quoted to demonstrate the freshness and localisation of food. Farmers' markets started in the UK in Bath in 1997, and in early 2007, there are now 550 farmers' markets across the UK (Source: telecon with The National Farmers' Retail and Markets Association – FARMA). However, with the big supermarkets "green-washing" themselves over the last 12 – 18 months, and pouring resource into sourcing product locally, farmers' markets are losing some important producers and are coming under growing pressure.

So, how do these changes in society impact on shopping needs?

ACS (Association of Convenience Stores) used Populus to interview a random sample of 1,009 adults by telephone in July, 2005, and asked about perceptions due to the expected reduction in independent local shops. The top-line results, as reported on the web-site www.thelocalshop.com were:

> *A leading research body has said that over the next 10 yrs more independent shops are likely to close down as a result of the growth of supermarket chains. Thinking about the future, if the spread of supermarkets in your area were to lead to the closure of independent local shops do you think this would?*
>
> *a) **Bring less choice 62%;** bring more choice 34%; D/K 4%*
> *b) Mean higher prices 42%; **mean lower prices 53%;** D/K 5%*
> *c) **Lead to less friendly and personal service 68%;** lead to more friendly and personal service 27%; D/K 5%*
> *d) **Cause damage to the local community 64%;** benefit the local community 30% ; D/K 7%*

Which groups are most likely to be adversely affected by the perception of less choice, less personal service and damage to the local community?

The hypothesis is that the following 4 groups have all been adversely affected by the growth in power of the "Big 4" supermarket chains. All 4 groups have grown in size over the last twenty years or so, and are a significant percentage of the UK population.

- Group A - Older people, over the age of 70, particularly those in rural areas, and particularly those without access to a car.
- Group B - Wealthier shoppers, who may want to access specialist stores such as delicatessens, fishmongers, butchers, wine merchants, etc.
- Group C - People of ethnic origin, looking for specialist products and ingredients, not always available from the homogeneous product offering of the big Grocery chains.
- Group D - Single parents with dependent children, particularly those without a car in the household

Group A
This group consists of all people over the age of 70. 7.6% of the population were aged over 75 in 2005, approximately 4.6 million people. It is estimated that at least 1.5 million of these people live in rural areas, and about 54% of those aged over 75 do not have a car in their household. The % of over 75s in a communal establishment is relatively low at approximately 8.4%, and should be omitted from the primary research.

The scope in this group has been expanded to include the 70-74 age group in addition to the over 75s. This adds an additional 2.3 million people, expanding the size of this group to c. 11.4% of the UK population.

Results of quantitative research should break out the male/female split, the urban/rural split, the split by household access to car, and the single person households. This will have an effect on the number of respondents required for this group.

Group B
It would be easy to research users of specialist stores. However, it is difficult to quantify the number and % of these shoppers in the population as a whole. It is recommended to use an appropriate geo-demographic measure (e.g. ACORN) to identify the wealthiest 10% of households in the UK population. The agency should recommend the best process / methodology to target these people.

Group C
There were 3.4 million people in the UK in 2001 of Indian, Pakistani, Bangladeshi, Black Caribbean, Black African, or Chinese origin. Extrapolating the rate of growth from 1981 to 2001, this will almost certainly result in above 4 million people in 2007. Research should break out those of Asian origin versus others, and those born in the UK with those born outside the UK.

Group D
7% of households in 2005 consisted of a lone parent with dependent children. This equates to 1.7 million lone parents, 48% of whom do not have access to a car in the household. The results should be split by access to a car.

It is recommended that primary research is carried out into the grocery shopping needs, attitudes and preferences of the above groups of people. This will include qualitative research into the perceived issues with the strength of the multiple grocers, which in turn will help to frame the structure for further quantitative research. However, it is possible that after the qualitative research, the number of groups may be reduced if there is insufficient strength of feeling in one or more groups against the growth of the "Big 4" chains. For those groups remaining, there will then be a trade-off analysis between price and other factors influencing store choice, such as the variety of range/assortment, the service levels, accessibility, the effect on the local community, etc.

Accordingly, 3 agencies will be briefed to produce a recommendation on how best to carry out this research with results required by the end of May.

Consumers' shopping wants and UK grocery retailing

Are consumer needs being met?

Qualitative Research

by

The Red Hot Group

25th May 2007

Contents Page

Management summary	27
Objectives	29
Methodology and sample	30
Understanding shopper needs	32
Conclusions	37

THE RED HOT GROUP

45 WYCOMBE END BEACONSFIELD BUCKINGHAMSHIRE HP9 1LZ
TEL: 01494 730900 FAX: 01494 730048 E-MAIL: INFO@REDHOTGROUP.CO.UK
WEBSITE: REDHOTGROUP.CO.UK

MANAGEMENT SUMMARY

A Qualitative research study was undertaken to determine shopper needs and level of satisfaction and consumer choice in relation to grocery shopping in the UK. Research was conducted amongst four identified minority groups: older, wealthy, lone parents, ethnic, and was conducted between 25th April and 1st May 2007.

Despite having distinct characteristics and needs, for all, the most important factors influencing behaviour, attitudes and choice were location (rural versus urban), access (car versus no car or lift dependent), time (working versus not working), and budget (price versus value).

Supermarkets and convenience stores form the normal shopping repertoire with "main" versus "emergency/top up" usage. Specialists were supported in varying degrees depending on the previously mentioned factors. For example, the wealthy are able to support them because they have time, access and budget, whereas the older might wish to support them, but might not have access or budget.

Therefore, these factors directly affect the degree of choice available. They are relevant also to the convenience sector as there was a widespread view that the growth of supermarkets leads to a reduction in the number of convenience and local stores, as well as the number of specialist stores. The threat of, or actual closure of, Post Offices can result in rural communities being severely affected as the Post Office and local shop are often jointly operated and symbiotic.

Each minority has a distinct set of needs which determine actual and preferred shopping repertoires. It is clear that at present, not all shopper needs are being met by the current grocery shopping environment. Supermarkets are able to satisfy a number of basic needs and are largely viewed as doing so well, though for many, other factors have to be compromised in order to gain the convenience benefit of "all under one roof". Examples of overt areas of compromise are the need for low purchase

volumes for elderly, the culturally specific produce and cultural experience for ethnics, and product quality for the wealthy.
The degree of compromise depends on the breadth of the individual's need state set. Price, although an important factor, is not the primary driver for all groups; for some e.g. wealthy, the primary needs are quality and freshness, whilst for ethnics it is freshness, service and knowledge. So as different consumer groups have different needs which cannot all be satisfied by one outlet, consumers have to trade off needs based on where they shop.

For those with fewer, more basic and highly defined needs, the trade-off is less pronounced e.g. lone parents highly motivated by price are willing to trade-off other needs with little sense of loss, providing the supermarket is accessible. When access is a problem, there is a significant degree of frustration and most hope that the growth of supermarkets will result in more stores closer to home. However, for those with a more varied, less budget-oriented suite of needs, the trade-off encountered when shopping at the supermarket is more complex and results in a stronger sense of dissatisfaction.

The wealthy for example, gain convenience and ease of shopping, but quality and service are compromised significantly. The continued growth of supermarkets is strongly resisted by this group who fear that the grocery retail footprint is already too supermarket biased.

Currently, the more emotional needs required by many are satisfied by local stores and specialists. For others, the limited accessibility to grocery stores per se causes real frustration and compromise in terms of when and how they are able to shop. It is clear therefore that given a repertoire of needs, supermarkets will either have to start to satisfy higher needs or higher needs will no longer be met.

The current trend in grocery retailing composition threatens to compromise needs and consequently real choice, further.

OBJECTIVES

- To explore and understand the impact of change, particularly in the area of consumer choice, in the UK grocery market amongst key consumer groups

- To identify consumer needs and requirements in relation to grocery shopping in the UK

- To understand and highlight specific areas where needs are not being met (by shopping scenario) and the nature of any consumer dissatisfaction, compromise and choice limitation

- Conversely, to elicit areas of satisfaction in relation to need by grocery shopping scenario

- To examine potential quality/price/choice etc. trade offs amongst consumers and the level of "need compromise" encountered under different grocery shopping scenarios (i.e. the trade-off framework for supermarket, convenience, specialist store by consumer group)

- To provide a comprehensive battery of needs, areas of satisfaction and dissatisfaction and issues affecting consumer choice for each of the four consumer groups as input to the quantitative research

METHODOLOGY AND SAMPLE

Owing to the exploratory nature of the objectives, a qualitative approach was adopted and ten, extended (two hour) group discussions consisting of c8 respondents per group were carried out.

The moderators for this project were Sacha Cooper and Sarah Buckle of The Red Hot Group.

Being qualitative in nature, the findings presented in this report are a combination of reportage and interpretation by The Red Hot Group. The results are not statistically significant and the information is based on the responses of the people interviewed.
Quotes in the report have the following annotation; O (older), L (lone parents), W (wealthy), E (ethnic), R (rural), U (urban), C (car), NC (no car).

Sample

The sample was designed to take into account the key factors arising from the desk research in relation to each consumer.

Group A Older – 4 groups
1 x Midlands, rural, aged 75+, non car owner
1 x Midlands, urban, aged 70-74, car owner
1 x South, rural, aged 70-74, car owner
1 x South, urban, aged 75+, non car owner

Minimum of 2 males per group

For the non-car owner groups, a minimum of three respondents to have access to shopping by friend/family member car

Group B Wealthy – 2 groups
1 x Midlands, Earlswood, semi rural
1 x South, Newbury, semi rural

Minimum of two males per group

50% single/couples, 50% family per group
All AB social grade, all 25-50 years old

All respondents had to agree to at least two attitude/shopping behaviour statements to ensure that they were users of specialist outlets and/or quality conscious.

Group C – Ethnic – 2 groups
1 x Asian – South – Slough
1 x Black African/Caribbean – Midlands – Birmingham

All female, aged 25-50, all C1C2 social grade, all English speaking

Group D – Lone Parents – 2 groups
All female, all to be living with dependent children and not co-habiting with a partner

Half of each group to not have a car/have no access to a car for shopping, half to have a car or access to a car for shopping.

Minimum of 2 per group to have children aged under 3
All to be social grade C2DE, a spread of working and non-working lone parents will be recruited in each group

1 x age 18- 25, South, Croydon
1 x age 25-40, Midlands, Birmingham

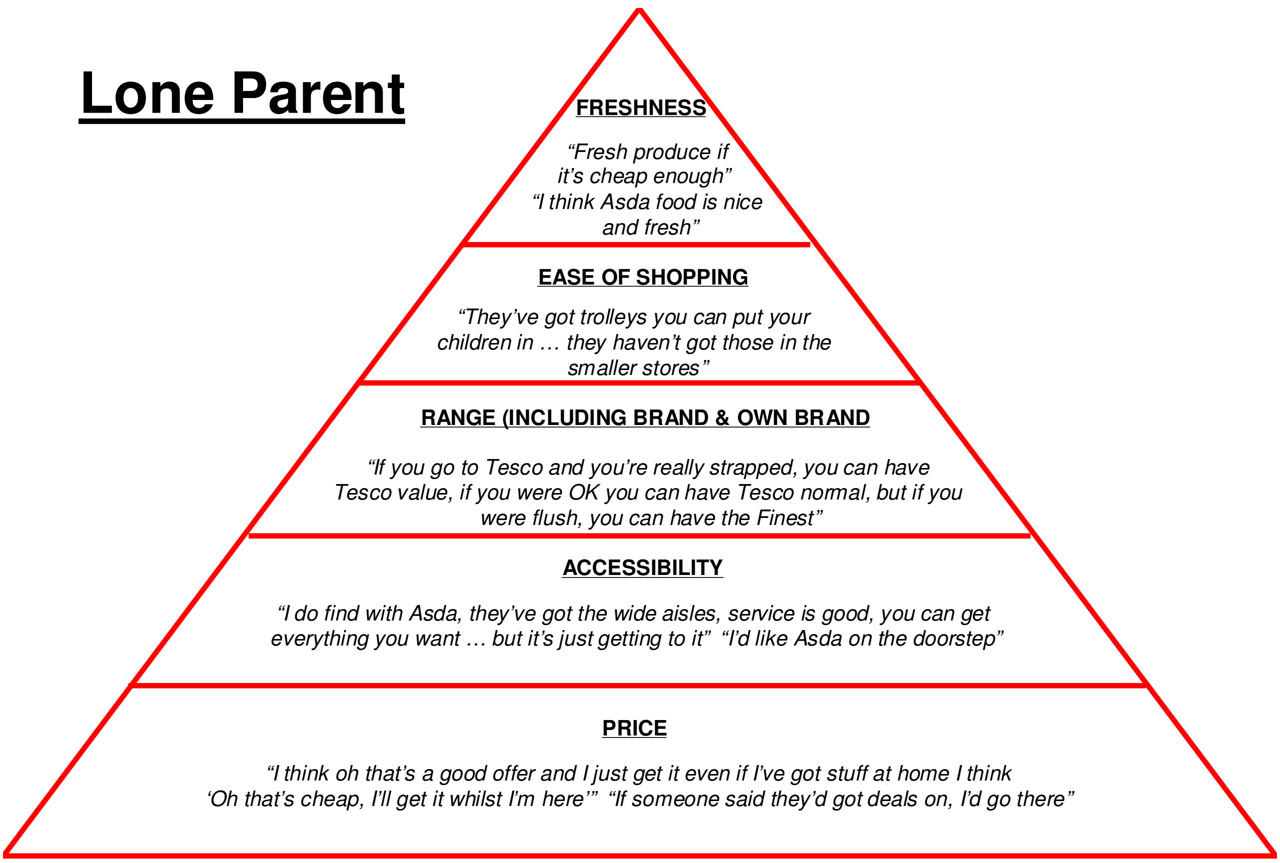
UNDERSTANDING SHOPPER NEEDS

Needs in respect of grocery shopping and outlet choice are directly impacted by the market dynamics referred to at the beginning of this report, namely:

- Location - urban versus rural
- Access - car versus no car
- Time - working versus no working
- Budget - price versus value

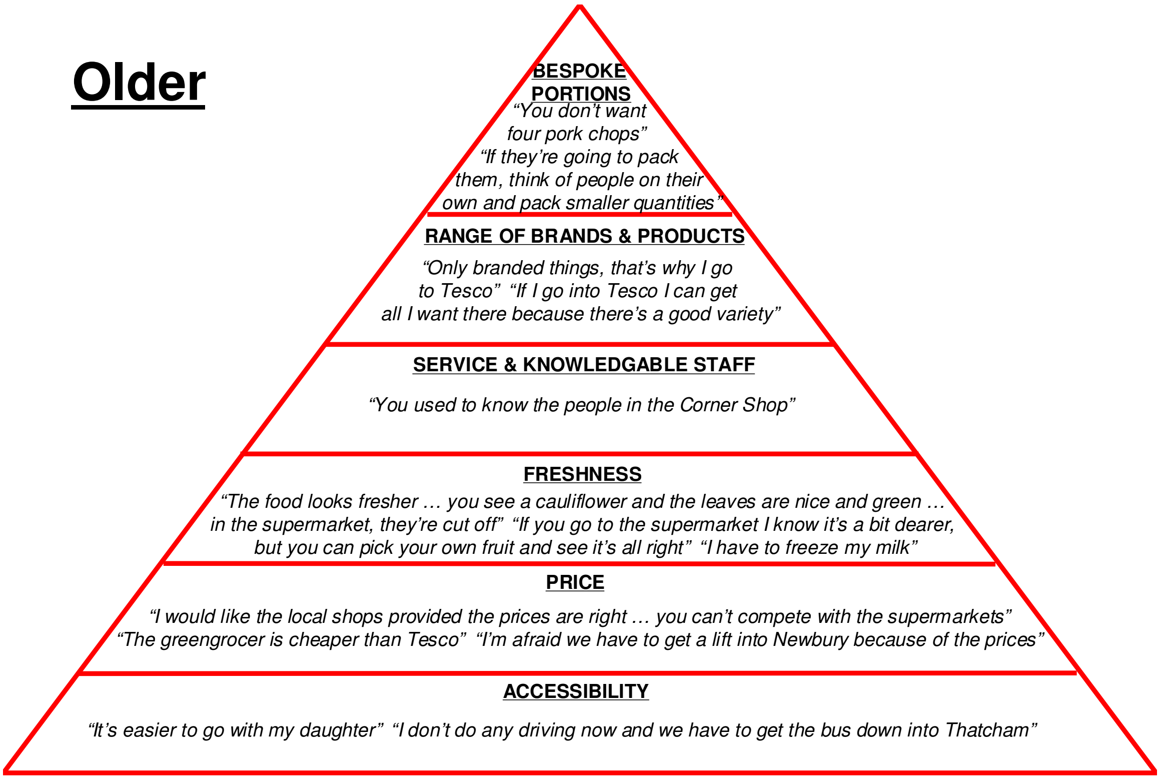
However, each group did exhibit other needs and a qualitative assessment of their relative order follows. The needs at the bottom of the triangles were the most salient for most people.

Lone Parent



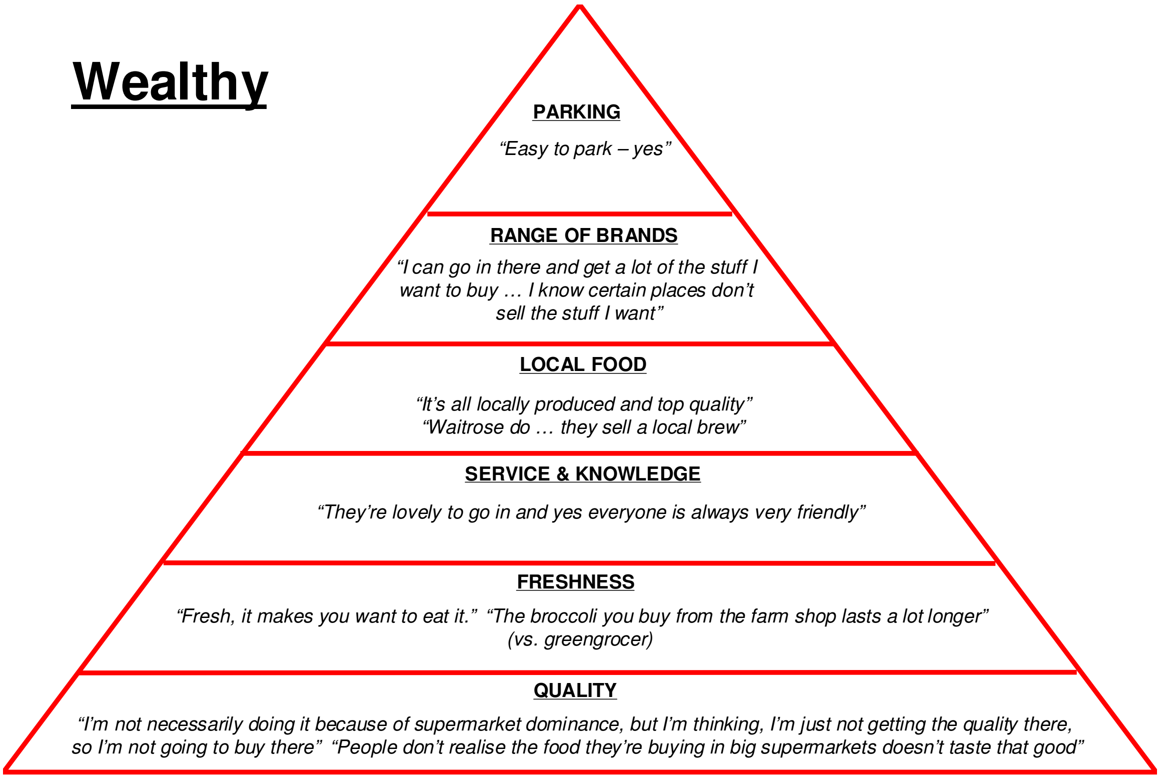
"A little Co-op is nearest, but things can be a bit pricey, so I will get on the bus and make the extra journey down to the supermarket"

Older



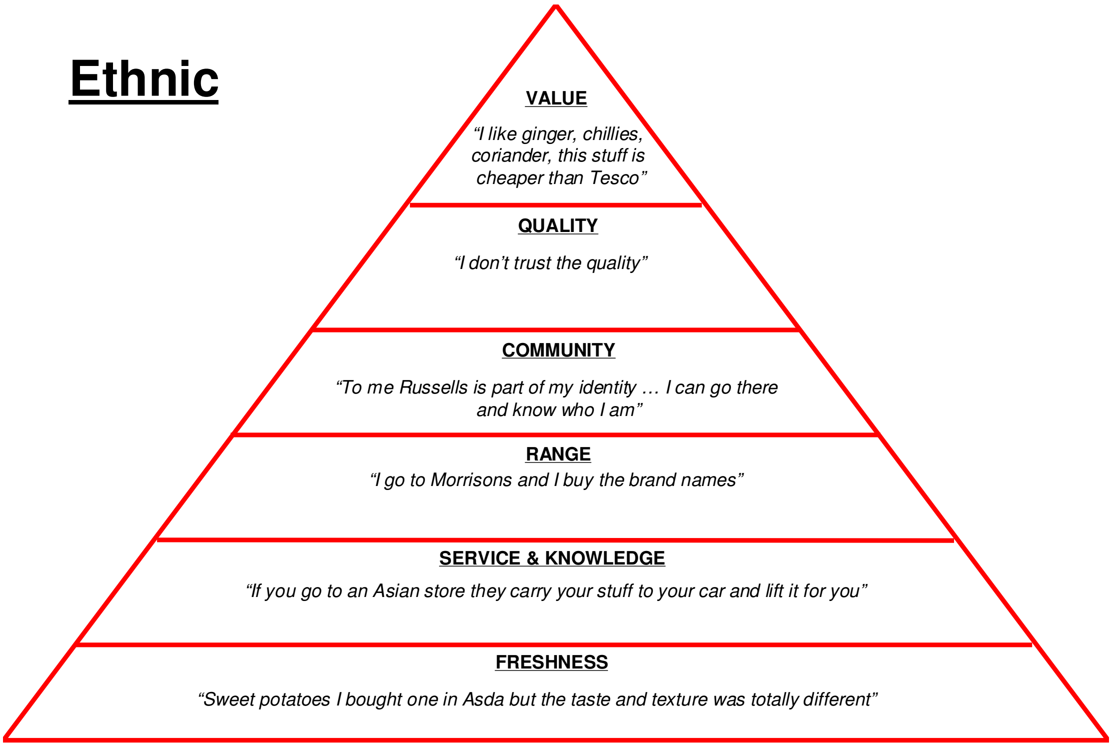
"Being easily accessible (that's the most important thing)"

Wealthy



"The weighing up – do you pay a bit more for a product or do you want the convenience of going to the supermarket … job done if you're happy paying a bit more then you will go for your quality product in your specialist"

Ethnic



"Local shops or supermarkets, you've got to have both as far as I am concerned"

Needs in Relation to Shopping Repertoire

It is important to note that whilst everyone wants good prices, price as a need has different priority in different groups. This, and how needs affect shopping repertoires are discussed below.

- **Lone Parents**

For most lone parents, price, as previously stated, was a fundamental requirement and was very much discussed in terms of actual price not value. Restricted budget, the demands upon it and the individual responsibility bestowed on lone parents ensured that achievement of low unit prices was the most motivating factor in relation to grocery shopping. Accessibility was also important and for those reliant on public transport, this was a major frustration owing to the lack of help with young children, the difficulty in carrying large quantities and the stress of keeping children occupied both during the shopping and on the journey to and from the store.

The supermarket of choice for this group was usually Asda or Tesco. Asda in particular satisfied the need for low unit prices and ease of getting around the store and if accessibility could be improved this group would be satisfied with the current shopping landscape. In urban environments, Farm Foods also offer price through value packs and Iceland help to satisfy the accessibility need with its home delivery service. Specialists, where used, tend to be the urban butcher or greengrocer where quality is less of a differentiator and value packs and low prices are means of competing with the supermarkets. Markets also feature amongst this group, again as a way of achieving low prices though for some the variable quality was a turn-off.

- **Older**

For older people, price is still a key need particularly if they are living alone on a small pension but a much greater requirement is accessibility. For some the accessibility need is more easily satisfied (those in urban environments and those with a car) but for others, limited transport and reliance on other people causes a real problem and cause of dissatisfaction.

For this group, particularly in rural locations, the convenience sector, the local (village) store and, to some extent specialists become increasingly important in the shopper's repertoire.

- **Wealthy**

For the wealthy, price per se was rarely discussed. The need for quality, freshness and service were overriding factors and these result in Sainsburys and Waitrose in particular being the supermarkets of choice supplemented by regular visits to specialists. The latter were actively supported by this group, almost with a campaigning zeal.

- **Ethnic**

For ethnic respondents, price was usually discussed in terms of value, with freshness, range and other needs being weighed up against the actual price of groceries. Whilst the need for culture was particularly strong in this group, for some it was a need that only needed to be satisfied on particular occasions whereas for others it was a need that required weekly or monthly endorsing and contributed to a real sense of identity.

Currently, this group is reasonably well catered for in terms of ethnic specialist offerings owing to population concentration and limited supermarket involvement with very specific ethnic products (especially for the Afro Caribbean interviewees). For some in the Asian community though, there was a strong sense of realisation that the number of local stores in their community was under threat from the growth of the Big Four overall and from their penetration into the convenience sector.

CONCLUSIONS

For all groups, supermarkets are central to the shopping repertoire as are convenience stores. These two store types fall into the categories of main shop and emergency shop. Specialist usage is largely dependent upon access, budget and desire for quality and service.

There is a real and clear perception that the growth of supermarkets is directly linked to the decline of specialists in particular and, convenience stores.

The growth of Big Four convenience is a new and widespread trend which provokes different reactions depending on the quality of the current convenience offering. For some, poor service and poor outlet presentation of the independent sector means that a more standardised offering is welcomed. For others, the loss of individual personal service, the loss of local produce offerings and limited community involvement of such stores are factors causing real concern. In the most extreme cases, where convenience stores are no longer present at all, the impact is severe especially for older consumers with no car and limited public transport.

There is a recognition that the specialist sector has had to adapt and become more upscale in its range and quality in order to differentiate and survive. This has direct impact on who can afford to support specialists or who has access to specialists (they are increasingly seen as an out of town offering). Not surprisingly, the wealthy are the most active users of such stores and the older, where budget permits, also want to buy from them if they can gain access. The ethnic groups are reasonably well catered for in this respect and demand remains high owing to the limited ethnic offerings of supermarkets. Ethnic specialists also offer extremely strong cultural factors directly relevant to this group.

Each group has a defined and distinct set of needs which directly affects both the existing and desired shopping repertoire. Key factors for all groups however are, accessibility (car versus no car), location (rural versus urban), time (working versus not working) and budget (price versus value) and, the degree of real choice available is totally dependent on them.

The current trend in retail composition will have a significant impact on everyone but with less effect on lone parents than others. That is to say, the desire for low unit price is so overwhelming amongst this group that more supermarkets represent a positive shift with the proviso that they are easily accessible.

The trend is regarded as a "fait accompli" and is met with a large degree of resignation. Most feel unable to make a change and the benefit of "getting everything under one roof" at the supermarket can out outweigh the benefit of using a specialist or local store. For some the result is a sense of guilt which is alleviated through making specific supermarket choices (Waitrose being the most notable).

The wealthy are actively championing the specialist cause and they are able to do so because they have access, time and money.

Choice is important to all but the degree of choice is significantly determined by access and budget. These factors in turn, directly correlate with the extent of needs satisfaction for each group. The current trend in grocery retailing composition threatens to compromise needs and, consequently real choice, further.

Consumers' shopping wants and UK grocery retailing

Are consumer needs being met?

Quantitative Research

by IRI

13th July 2007

Contents Page

Background & Objectives	41
Methodology and Quotas	42
Conclusions	43
Summary of Findings	44
Lifestyle statements	
Shopping behaviour	
Attitude to grocery shopping	
Overall store ratings by store type	
Importance of attributes in store choice	
Levels of satisfaction with store choice	
Perceptions of supermarket expansion	
Store trade offs	

IRI
EAGLE HOUSE, THE RING
BRACKNELL, RG12 1HS
UNITED KINGDOM

TEL +44 (0)1344 746000
FAX +44 (0)1344 746001

WWW.INFORES.COM

The British Brands Group

Understanding the needs and behaviour of key shopper groups.

Grow your business profitably in a complex marketplace.

Contents

- **Background**
- **Objectives**
- **Methodology & Quotas**
- **Conclusions**
- **Summary of Findings**

Background

- It has been hypothesised that growth of supermarket chains has been based on adequate appeal across a wide product range to a broad customer base.
- The consequence of their growth has been a decline in specialist and independent stores who have lost volume throughput and this in turn has lead to the withering of specialist wholesale trade.
- The question remains whether the quality of the product supplied by the big multiple grocers is comparable, or simply adequate enough, to deter customers from shopping in more than one location. And whether those customers that would have opted to continue shopping in the specialist stores were denied the opportunity
- It is possible that for higher income levels or shoppers with ethnic backgrounds there may be a latent demand for high quality specialist food stores and there may be increasingly large groups of consumers who lack access to large supermarkets due to infirmity, lower income levels, or deteriorating public transport (or some combination of the three).

Objectives

- **Understand and quantify the needs and attitudes of the following groups:**
  - Those who are **OLDER** (70+ and not living in communal establishments)
  - Those who are **WEALTHIER** (Socio Economic group AB, HH income above £75k)
  - Those of non white **ETHNIC ORIGIN**
  - Those who are **SINGLE PARENTS**

Methodology & Quotas

- Circa 20 minute questionnaire conducted within key groups covering grocery shopping behaviour and attitudes:

Group	Quota Set	Interview Type	Total Achieved
Older	**240 respondents** Sub quotas set for: Rural/urban Car access/no car access split Male/Female Live alone/ live with someone	Pre recruited on street. Follow up telephone main interview.	247 respondents
Wealthy	**80 respondents** No additional Sub quotas set	21 face to face and remainder Internet based questionnaire	94 respondents
Ethnic	**150 respondents** Sub quotas set for: Asian/Other	Face to face interviews.	157 respondents
Lone Parents	**150 respondents** Sub quotas set for: Car/no car	Pre recruited on street. 20 minute follow up telephone main interview.	135 respondents

Methodology & Regional Area

- **Research was conducted in Great Britain covering the following standard office Government regions:**
  - Scotland
  - North East
  - North West
  - Yorkshire/Humberside
  - East Midlands
  - West Midlands
  - Wales
  - East / Anglia
  - South
  - London
  - South East
  - South West

Methodology & Definitions

- **The following stores have been used to create the definitions**
  - **Supermarket:**
  Asda; Iceland; Marks & Spencer; Morrison's; Sainsbury's; Sainsbury's Savacentre; Somerfield; Tesco; Tesco Extra; Waitrose; Supermarket (unspecified)
  - **Convenience not Supermarket:**
  Alldays; Costcutter; Local convenience store; Local shop; Local Post Office/ convenience store; Petrol Station; Spar
  - **Specialist Store:**
  Bakers; Butchers; Delicatessen; Ethnic foods supermarket; Farmers market; Farm shops; Fishmongers; Greengrocers/ grocers; Markets; Off Licence; Wine Merchants; Specialist (unspecified)

Conclusions (1)

- **Supermarkets play a very important role in grocery shopping, with almost all shoppers having used a supermarket in the last month.**
- **However, convenience stores and specialist stores also play important roles. The vast majority in all groups use c-stores and specialists in addition to supermarkets. For example, over three quarters of lone parents have used c-stores in the last month.**
- **Being close to home and ability to walk to the store are key reasons to use c-stores. The majority in each consumer group think it's good to have a local c-store nearby.**
- **Quality and range are key drivers for use of specialist stores.**
- **Shoppers are not homogeneous, with different attitudes/needs across different consumer groups.**

Conclusions (2)

- The majority of shoppers accept the store choice available, but a substantial minority are unhappy with the choice of stores for grocery shopping. In particular, 45% of the elderly, 40% of the wealthy, 27% of the ethnic and 38% of the lone parents groups feel they do not have a good choice of specialist stores.
- Price is an important driver of store choice, but is not the only reason for any group of consumers, and is a secondary reason for many shoppers. Quality, range and access are other key factors.
- The majority of respondents in all groups agree that continued supermarket growth would lead to the closure of local independent stores. Across all groups, more respondents felt that this would have a negative (rather than positive) impact on the friendliness & levels of personal service they receive and also a negative effect on the local community.
- The majority of those with a view in each group wish that there were more specialist food or drink shops nearby.
- It is clear that whilst usage of and satisfaction with supermarkets is high, they alone, do not currently meet all of the grocery shopping needs of the groups involved in this survey and that it is in the interests of these shoppers to have a thriving local convenience and specialist retail sector.

Summary of Findings Lifestyle Statements (1)

- **Wealthy tend to have the strongest views of the groups across a range of issues.**
  - They rate 8 of the statements significantly differently to the other 3 groups.
  - Strong ratings of statements suggests a relatively rich life in more than just the financial sense.
    - Agree more strongly to 'I go on more than one holiday a year' and 'I have a wide range of hobbies and interests'
    - Agrees less strongly to 'I hardly ever eat out' and 'I don't often try new things'.
  - Response to the lifestyle statements suggests that they would be placed at the higher end of the shopping hierarchy of needs, concerned more with 'higher order', less immediate issues such as 'impact on the environment' rather than with 'lower' order issues such as 'spending to a strict budget'.
- **Lone Parents response to lifestyle statements suggest that they are likely to be at a lower level in a shopping needs hierarchy, with behaviour being focused toward meeting more immediate than higher level needs.**
  - I spend to a strict budget is endorsed highly.

Summary of Findings
Lifestyle Statements (2)

- **Elderly appear to be more set in their ways than other groups.**
  - Endorse 'I don't often try new things' more strongly than other groups.
  - Endorse 'I enjoy preparing meals for special occasions less strongly than other groups.
    - The latter attitude may mean they may have less need for highest levels of choice and quality when it comes to food?

- **Ethnic groups responses suggest that they are at a position below the Wealthy group in a hierarchy of needs but above the Elderly and Lone Parents.**
  - Whilst not uniquely different on any attribute they rate more highly than the Elderly and Lone Parents on:
    - Concern for the environment, wide range of hobbies & interests, thinking about where food has come from, putting money away and preparing meals for special occasions.

- **All groups tend to recognise and rate relatively highly the notion that quality is a key element of the value for money equation.**

Summary of Findings
Shopping Behaviour (1)

- **The majority of shoppers use supermarkets mainly although other store types are used frequently and by a substantial number of respondents within each group.**
  - Convenience stores more likely to have been used recently by Ethnic and Lone parent groups.
    - A higher proportion of these groups claim to have used these stores in the last month (69% Ethnic and 77% of Lone Parents) .
    - And the majority of these respondents claim to use them twice a week or more (65% Lone Parents and 62% Ethnic).
  - The majority of Elderly, Ethnic and Lone Parents claim to use specialist stores at least weekly (65% Elderly, 69% Ethnic and 66% Lone Parents)

- **Being close to home and ability to walk to the store are key reasons for using convenience stores.**
  - (Elderly: 64% close to home, 46% can walk there), (Wealthy: 54% close to home, 42% can walk there), (Ethnic: 68% close to home, 60% can walk there), (Lone Parents:63% close to home, 60% can walk there).

Summary of Findings
Shopping Behaviour (2)

- **Whilst these factors are also mentioned frequently for Specialists, quality and range are also mentioned by a higher proportion of shoppers as reasons for visiting these stores.**
  - (Elderly: 49% Good quality, 45% Good range of fresh products), (Wealthy: 55% Good quality, 34% Good range of fresh products), (Ethnic: Good range of specialist products 52%), (Lone Parents: 40% Good quality, 33% Good range of fresh products).

- **Respondents give a broad range of reasons for using Supermarkets and these are endorsed at relatively high levels which suggests that Supermarkets meet a broad range of needs for a wide range of shoppers.**
  - Value for money comes through relatively strongly (50% Elderly, 54% Wealthy, 68% Ethnic, 69% Lone Parents).
  - Range and quality tend to be mentioned by a higher proportion of Wealthy group as reasons for visiting their supermarket (Range at 61% and quality at 57%).

Summary of Findings
Shopping Behaviour (3)

- **Convenience and Specialists are more likely to be closer to shoppers in terms of journey time and this appears to be a key reason for using these stores.**
  - They also attract the highest proportions of walkers (59% Elderly, 44% Wealthy, 71% Ethnic, 78% Lone Parents).
  - Trips to a Supermarket are more likely to be made by 'own car' versus car trips to other store types but this is also given as an area of dissatisfaction for 19% of Wealthy shoppers.
  - No differences on average in terms of amount of time prepared to travel to store but the range of 6-20 minutes is endorsed by the majority of respondents across all groups.

- **Not all shoppers are completely satisfied with their main store but specific issues are mentioned at low levels generally across most groups of shoppers.**
  - 48% of Elderly, 79% of Wealthy, 56% of Ethnic and 52% of Lone Parents mention any dislike about their main store.

- **The vast majority of shoppers make more than just a single trip for their groceries.**
  - Elderly 17%, Wealthy 14% , Ethnic 15%, Lone Parent 14% claim to get their grocery shopping all in 1 regular trip.

Summary of Findings
Attitude to Grocery Shopping (1)

- **The majority of respondents across all groups agree that 'It's good to have a local convenience store nearby' but Ethnic and Lone Parent groups in particular agree more strongly versus the other 2 groups with this statement.**
  - Elderly 78%, wealthy 87%, 94% Ethnic, 92% Lone Parents agree it's good to have a local convenience store nearby.
- **However, Lone Parent and Ethnic groups are also more likely to strongly agree with the statement that the increase in the number of supermarkets has been a good thing versus the other groups.**
  - 46% Elderly, 53% Wealthy, 72% Ethnic, 65% Lone Parents agree that the increase in the number of supermarkets has been a good thing.
  - Suggests that these groups don't necessarily link the growth of Supermarkets with the demise of Convenience?

Summary of Findings
Attitude to Grocery Shopping (2)

- **The Wealthy group again stand out as having the most distinct opinions of the groups.**
  - They rate more (4) of the statements significantly differently to the other groups.
  - Distinct focus is on
    - Quality (71% agree "A local butcher or baker would stock better quality products than my Supermarket's meat or bread counter")
      - But appear to have an issue with the quality currently available in local stores (65% agree "I would visit my local community store more often if it sold a better range of fresh produce").
    - Local sourcing (67% agree "I prefer to buy local produce").
    - Concern over the dominance of Supermarkets (59% agree "I'm concerned about the dominance of major supermarkets").
- **The majority in all groups agree that a local butcher or baker would stock better quality products than their supermarket.**

Summary of Findings
Overall Store Ratings by Type

- **Supermarkets are rated highly overall by all groups.**
  - Average rating: Elderly 4.14, Wealthy 4.09, Ethnic 4.26, Lone Parents 4.19 on average (where 1 is very poor, 3 is average and 5 is excellent)

- **However, Specialist stores were also rated relatively highly overall by all groups and as highly by the Elderly group.**
  - Average rating: Elderly 4.14, Wealthy 4.03, Ethnic 4.03, Lone Parents 3.88 on average (where 1 is very poor, 3 is average and 5 is excellent)

- **Convenience stores were rated the least highly overall by all groups.**
  - Average rating: Elderly 3.52, Wealthy 3.42, Ethnic 3.51, Lone Parents 3.50 on average (where 1 is very poor,3 is average and 5 is excellent)

Summary of Findings
Importance of Attributes in Store Choice (Top 3)

- **Price is considered to be an important factor across all 4 groups.**
  - Although Price is mentioned more frequently for Ethic and Lone Parent groups.
    - Price/special offers accounting for 20% Elderly, 11% Wealthy, 26% Ethnic, 34% Lone Parents top 3 most important attributes.
  - Amongst the more price sensitive Ethnic and Lone Parent groups, other factors such as quality, range and accessibility are also mentioned frequently.

- **The Wealthy and Elderly groups consider price to be less important than all other groups.**
  - High quality/freshness are mentioned more frequently than price as being important amongst these groups.
    - Elderly (30% quality/freshness), Wealthy (36% quality/freshness)

Summary of Findings
Levels of Satisfaction with Store Choice

- **A substantial number in each group are not satisfied with store choice.**
  - 30% of Elderly, 26% of Wealthy, 18% of Ethnic, 20% of Lone Parents state that they do not feel that they have a good choice of different types of shops in their area.
- **The level of dissatisfaction is most pronounced for Specialist stores across all groups**
  - 45% of Elderly, 40% of Wealthy, 27% of Ethnic, 38% of Lone Parents state that they do not feel that they have a good choice of Specialist stores in their area.
- **Wealthy and 70+ groups tend to be less satisfied with Convenience store choice than Ethnic and Lone Parent groups.**
  - 34% of Elderly, 34% of Wealthy, 11% of Ethnic, 17% of Lone Parents state that they do not feel that they have a good choice of Convenience stores in their area.
- **Whilst, most respondents agree that all of their grocery shopping needs are being met, fewer <u>strongly agree</u> with this statement.**
  - 49% of Elderly, 38% of Wealthy, 55% of Ethnic, 49% of Lone Parents strongly agree that all of their grocery shopping needs are being met.
- **'Qualitatively' respondents quote lack of individual specialist stores most commonly as a reason for their dissatisfaction.**

Summary of Findings
Perceptions of Supermarket Expansion (1)

- **Only a minority within each group had experienced Supermarket openings in their area recently.**
  - 18% of Elderly, 18% of Wealthy, 17% of Ethnic and 19% of Lone Parents said that a large supermarket had opened in the area recently.
  - And 'qualitatively' most thought it had been a good thing for reasons of choice, reduced price, increased supermarket competition.
- **The majority within each group, but particularly the 70+ and Wealthy groups were more likely to express that if Supermarket growth continued it would lead to closure of local independent stores.**
  - 74% Elderly, 73% Wealthy, 54% Ethnic, 57% Lone Parents agreed that the spread of supermarkets in their area would lead to the closure of local independent stores.

Summary of Findings
Perceptions of Supermarket Expansion (2)

- **The Wealthy and Elderly who felt that it would lead to closure of local stores, were most likely to believe that it would have a negative effect on friendliness of service.**
  - 70% Elderly, 72% Wealthy, 49% Ethnic, 64% Lone Parents who agreed that spread of supermarkets would lead to closure of local independent stores also agreed that it would lead to less friendly/personal service.
- **The majority of Wealthy, Elderly and Lone Parents who felt that supermarket expansion would would lead to closure of local stores also felt it would damage the local community.**
  - 55% Elderly, 77% Wealthy, 48% Ethnic, 55% Lone Parents who agreed that spread of supermarkets would lead to closure of local independent stores also agreed that it would damage the local community.
- **The Wealthy were most likely to express the strongest concern of any of the groups in terms of the impact on choice, freshness, quality and the negative impact on the local community.**
  - 58% of Wealthy felt it would bring less choice, 45% felt it would lead to less fresh products, 35% to poorer quality products, 77% felt that it would damage the community.

Summary of Findings
Store Trade Offs Summary (1)

Methodology overview*

- **IRI presented respondents with 9 choices covering a range of store type scenarios.**
- **Within these 9 choices trade-offs between store type; price; quality; choice & accessibility are created**
- **Shoppers were asked to rate which store type they would most like to do their food and drink shopping in**

Findings

- **Only when faced with more extreme trade offs (high versus low levels of quality, choice, price etc) do shoppers place priority on these attributes.**
  - When this happens, ease of access becomes most important for many in driving choice. The wealthy are most likely to consider quality in their choice.
  - And in this case, store type offers the least utility versus other choices.

Findings (continued)

- **However, when faced with medium versus high levels of trade off shoppers are happier to let store type drive their decision.**
  - Wide versus average range becomes the least important in driving choice.

- **Ultimately this means that even for these relatively different groups the supermarkets generally only need to offer a medium level of quality, choice, price for them to be the preferred outlet even if faced with competing specialist store offering higher levels of service on these attributes.**

- **Only when the shopper feels that the levels of quality, price, choice, access are being compromised to low levels when they have a choice of other stores with high levels will they begin to look to stores which are not supermarkets.**
  - For supermarkets, this means being perceived to offer reasonable to high levels of 'service' on most fronts is enough to satisfy even the quite distinct groups of shoppers surveyed in this research.