



The Outlook for 2023

| How the rising cost of living impacts consumer behaviour

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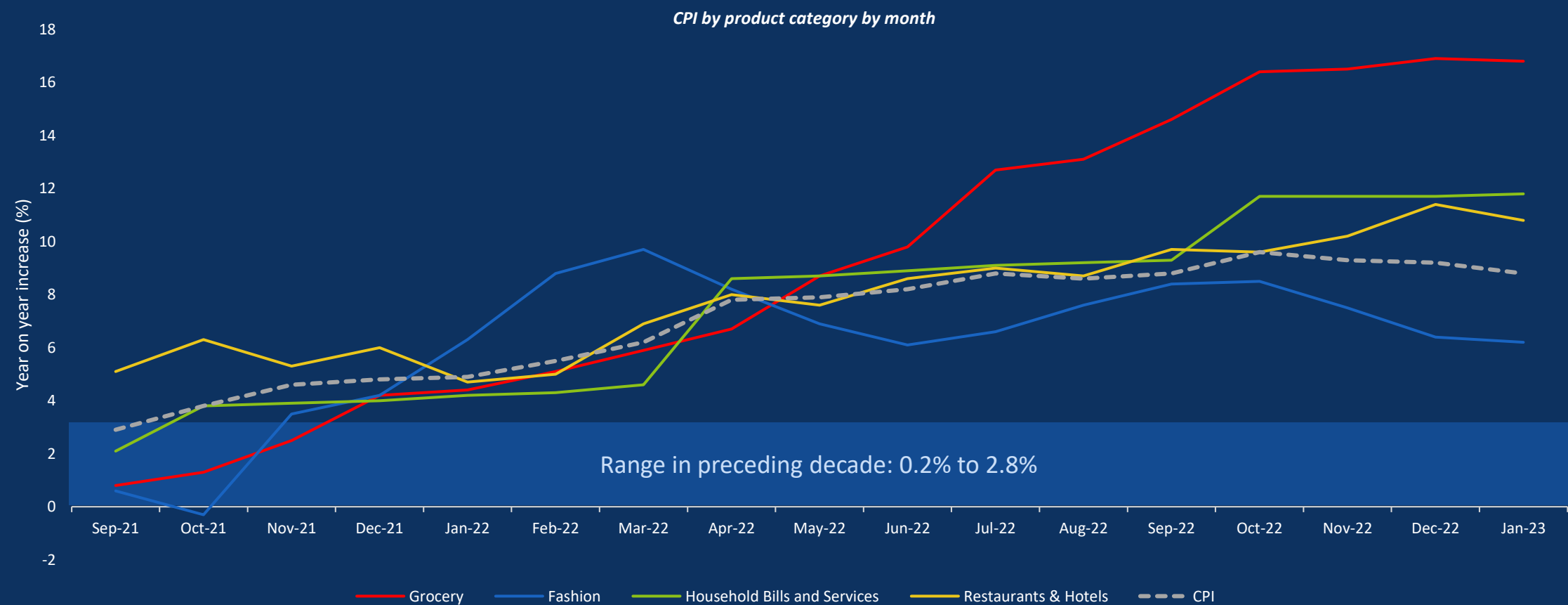
DO AMAZING
THINGS WITH DATA



A tale of two charts...

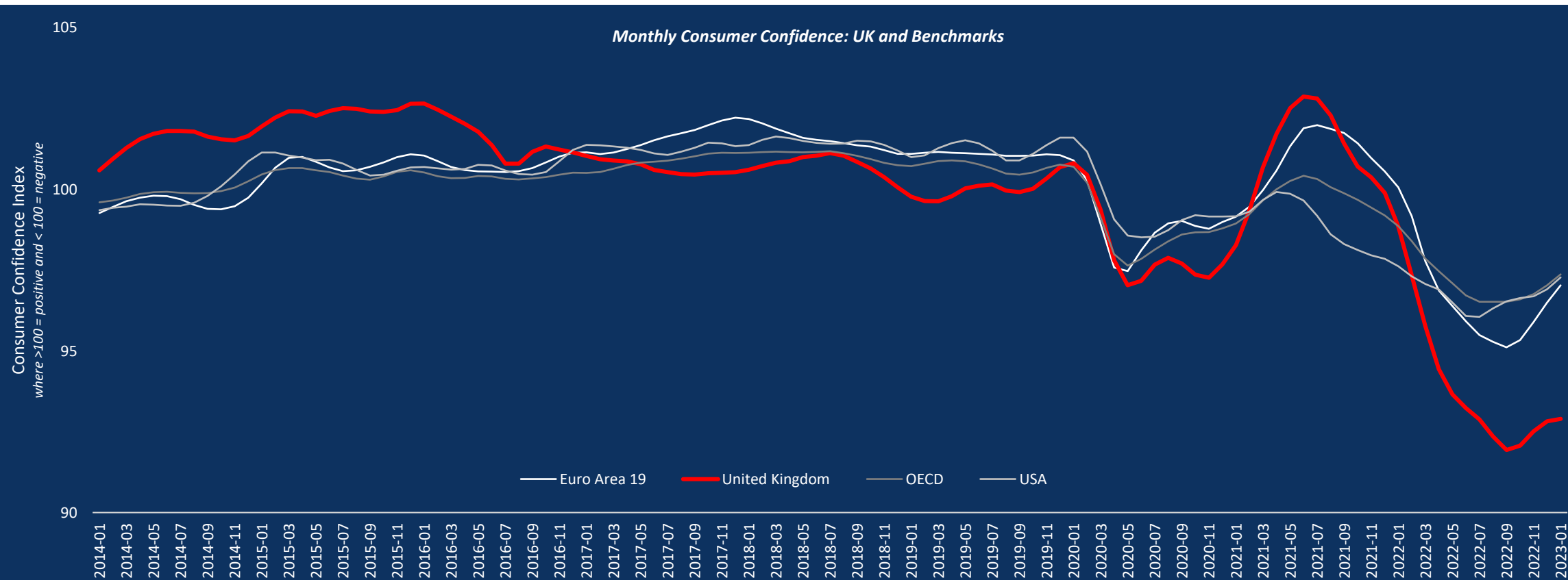
The accelerating impact of inflation

Cost of products has increased every month, outstripping over a decade of stable growth



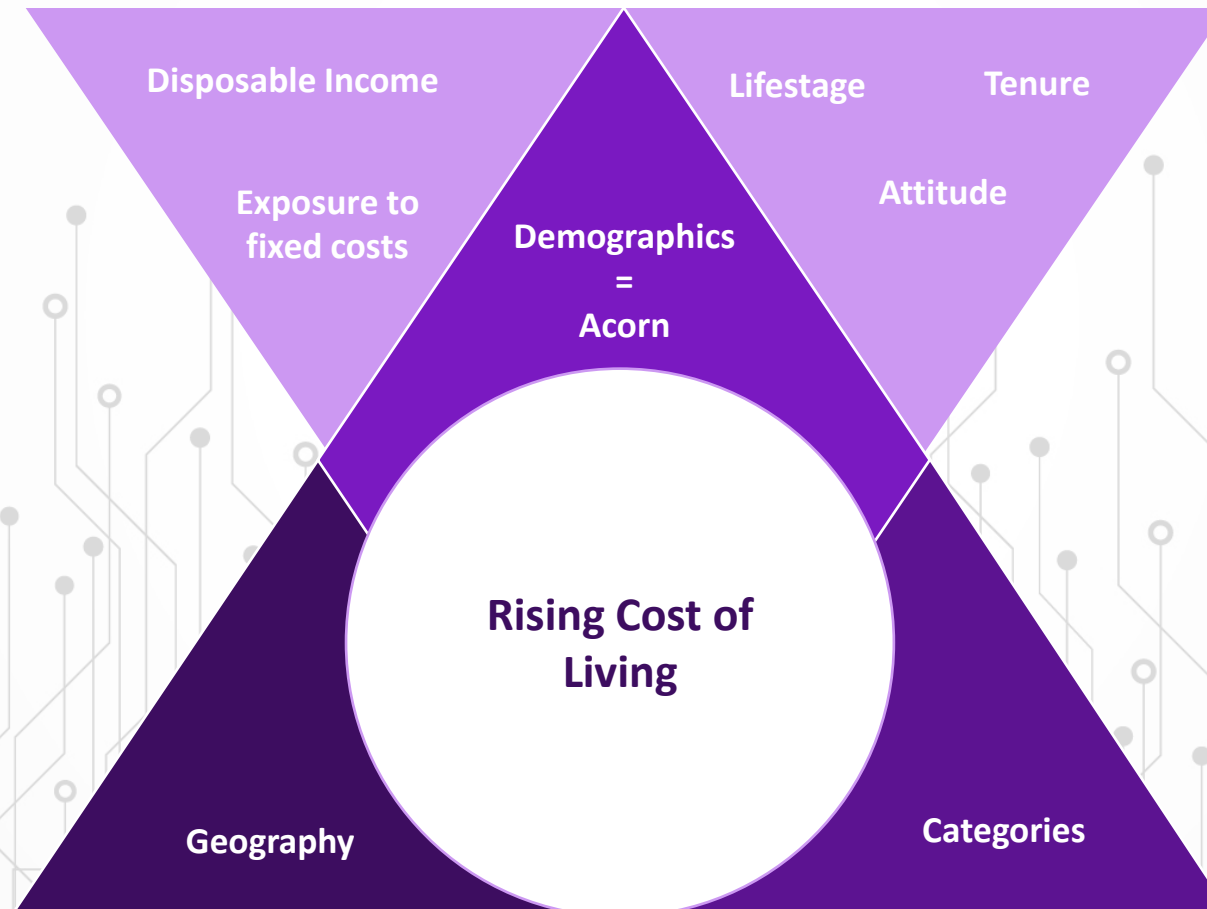
A crisis of confidence

The impact of Brexit, Covid and political uncertainty have pushed UK consumer confidence below all benchmarks



There is a human impact to the macro economic headlines

| Driving the narrative of economics there are millions of personal stories



The CACI Cost of Living Toolkit

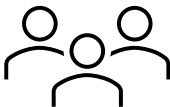
50 years of using data to understand people and place



CACI Datasets



Debit Card Spend



Customer Insight

Demand

Acorn
Paycheck DI
Spend Forecasts

Supply

Retail Footprint
Local Footprint
Retail Markets Intl

Behaviour

Scenario testing
Ocean
AI Forecasting

BrandDimensions

Tracking £4bn of spend
monthly in 300 brands
by channel

SpendDimensions

Measuring spend by asset class
across the UK to track shifting
patterns of behaviour

ShopperDimensions

1 million+ exit surveys collected in
250+ shopping centres across the
UK

Consumer Tracker

Quarterly survey of the UK
consumer to understand outlook
and sentiment

We understand people, what they do, and how they do it

Why?

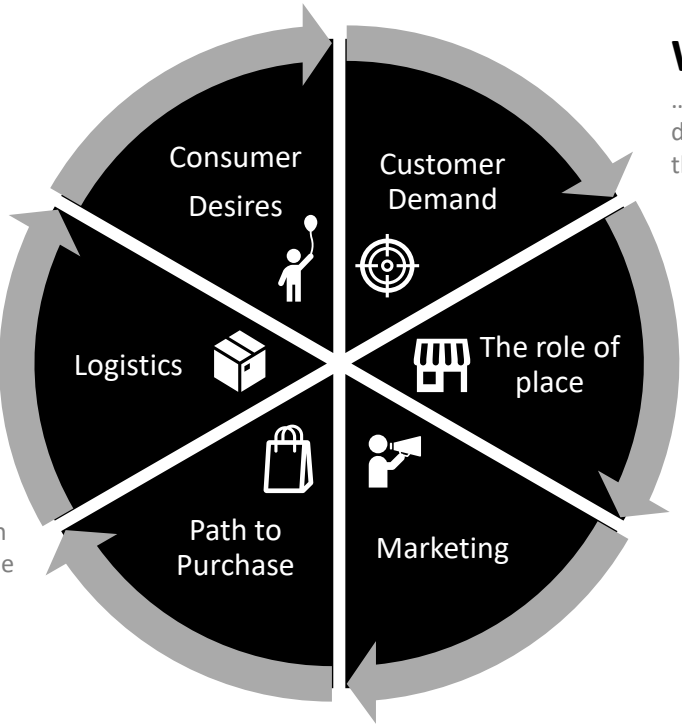
... do they engage with your brand? Why are they here today?

What?

... motivates them, what do they value, what do they spend?

When?

... do they spend? When do they visit, when is the best time to talk to them?



Where?

... do they spend? Where else do they go? Where do they engage online?

How?

... can you get more of them? How much can they spend? How do they behave? How do they shop? How much could they be worth?

What that means for real estate

Property is a platform

If you can deliver people to the space there is value in crowds

Homes need residents, offices need workers, shops need shoppers, leisure needs guests

More of the right people >> more spend >> more rent >> more value >> investment growth

We tell you what that crowd is, and how to get more



So what was the personal impact?

How we changed our behaviours
in 2022

When your world changes, so does your behaviour

| In 2022 consumers shifted their behaviours to hold on to what they love, sacrificing volume and quality

1. We don't spend more, we change how we spend

2. We all traded down in Grocery

3. Is this the death of the round?

4. We all love a Prix Fixe

5. The resilience of bricks & mortar

1. Goods cost more, but we are (trying) not to spend more

Non-discretionary goods are also increasing in cost, as energy, rent, transport grow we try and save money in retail

The cost of goods is rising rapidly, but we are not spending any more, which means that when we go shopping we get less

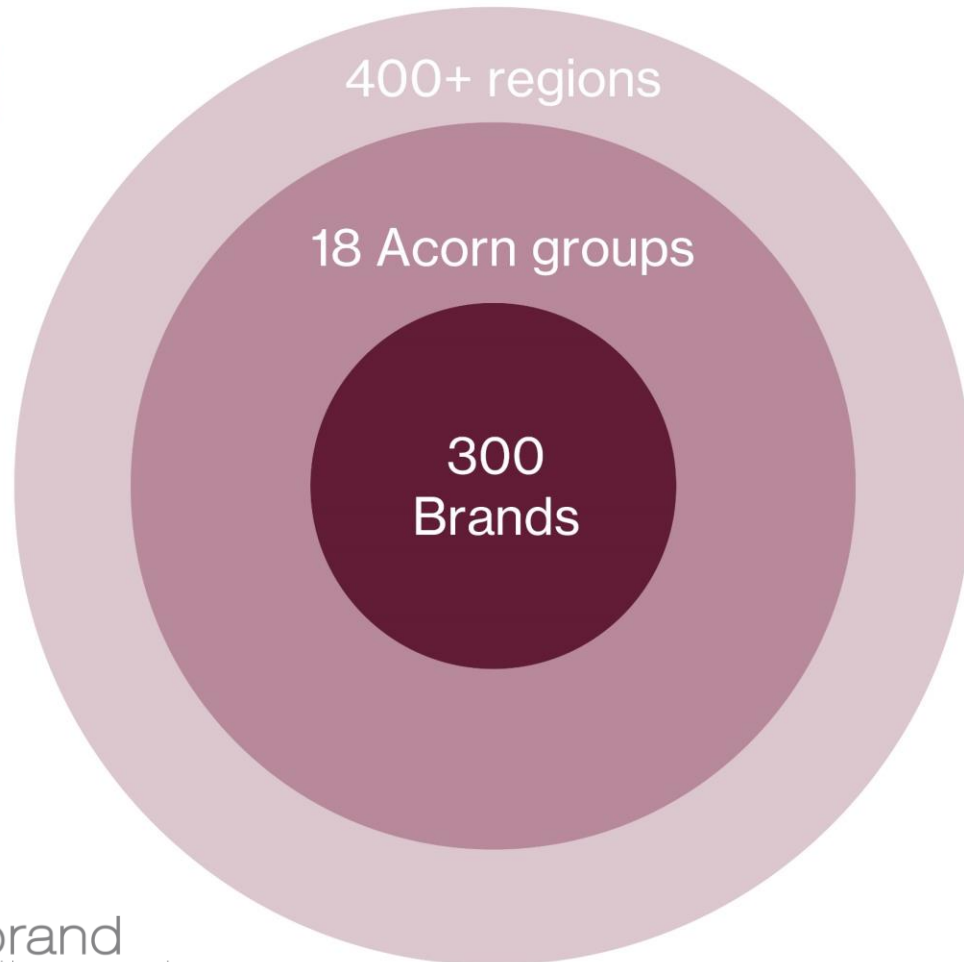


Source: ONS Retail Spend Index

Brand Dimensions is the pulse of the UK consumer

£4bn
every month

Sourced direct from consumer debit cards



Market Share



Average Transaction Values



Spend and Transactions over time



Online / Offline share



Regional Performance



Acorn Profiling

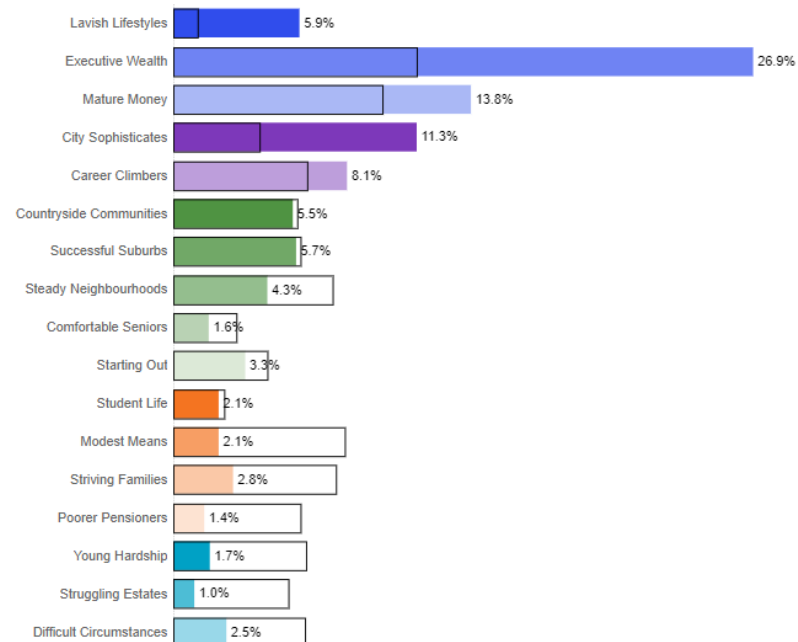


Acorn Comparisons and shifts

2. Trading into value brands for Grocery

Even the most affluent are trading into more value-focussed brands, shifting their behaviour to save money

Waitrose Sales by Acorn in BrandDimensions

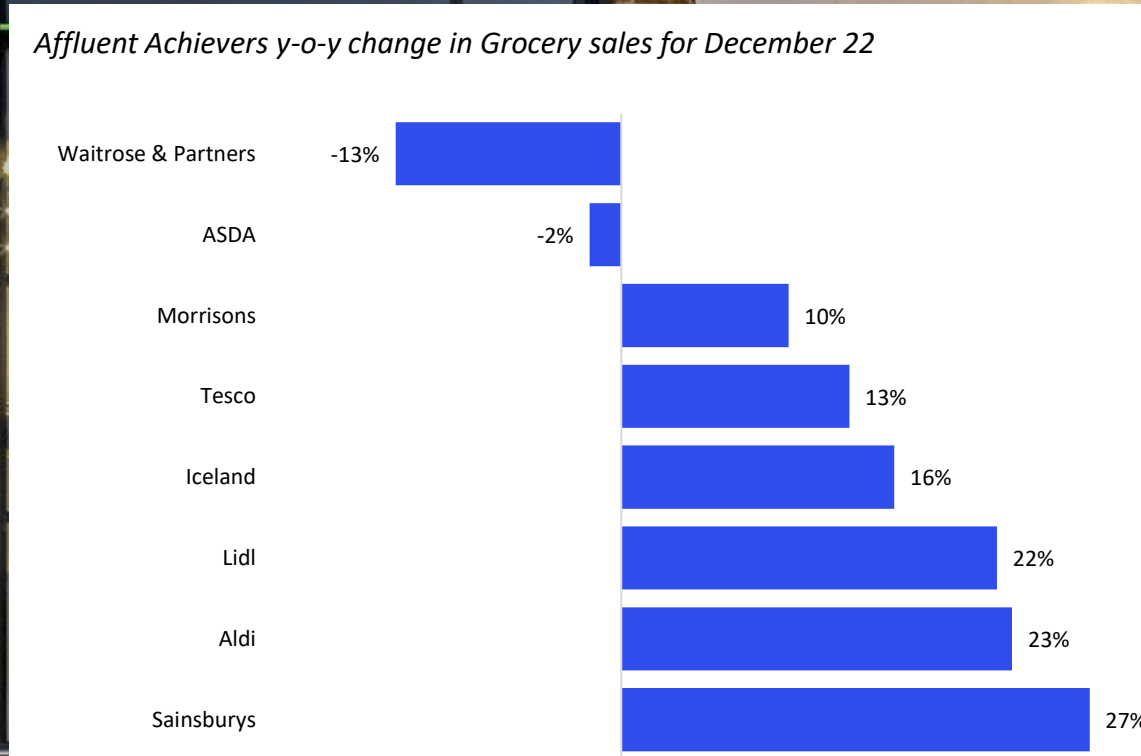
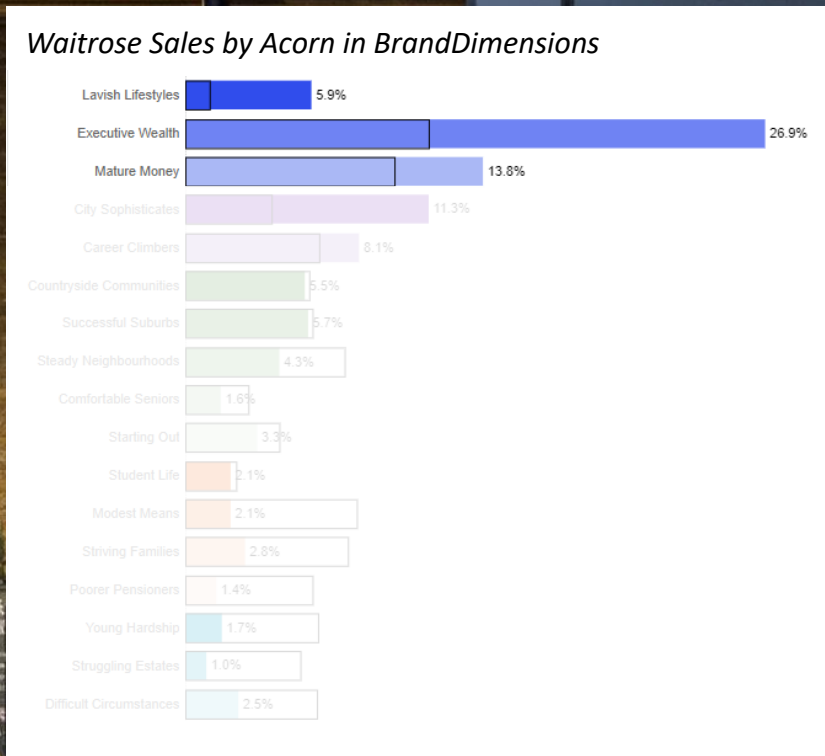


We use BrandDimensions to look at the Acorn profile of Waitrose shoppers, based on their sales.

We can then isolate the most affluent shoppers and see how their spend has changed year on year – how have we changed our behaviours?

2. Trading into value brands for Grocery

Even the most affluent are trading into more value-focussed brands, shifting their behaviour to save money

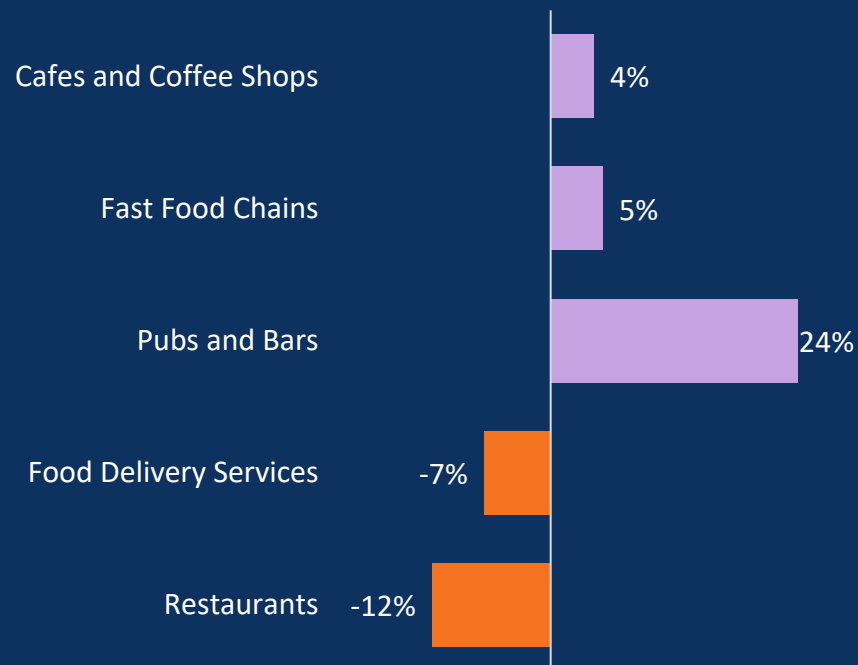


Source: CACI BrandDimensions

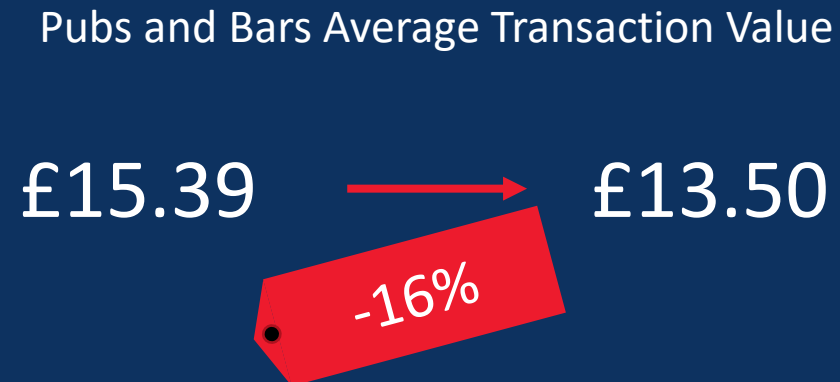
3. Death of the round?

| We are looking to control our spending - shifting from restaurants into pubs, and reducing the cost of each round

Moving to cheaper venues...

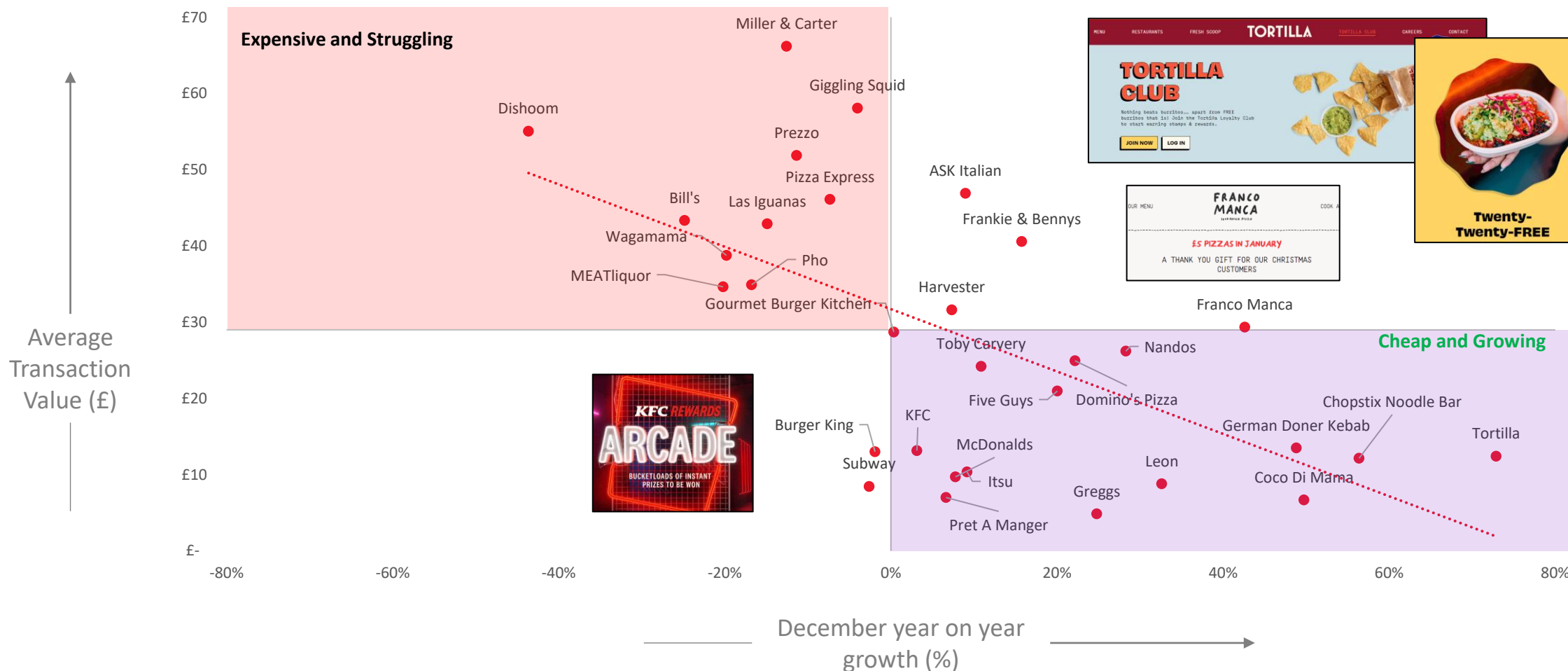


... and spending less on each transaction



4. Shift to cheaper eats

We are moving out of more premium restaurants into more value focused, deal driven, fixed-price menus



5. This was the year our towns and cities bounced back

In 2022 we returned to the high street, for work, for shopping and for leisure. Out of town held its own from a high base

Physical Retail sales rose by 4.1% in 2022



City Centres

+6.7%



Town Centres

+7.0%



Regional Malls

+2.2%



Retail Parks

+0.3%

What next for 2023?

Forecasting what consumers do next

There is a path to growth through 2023, but watch out for trip hazards

| Falling interest rates will slow price growth, but there are new threats to releasing more disposable income

1. What's that coming over the hill? Is it a mortgage?

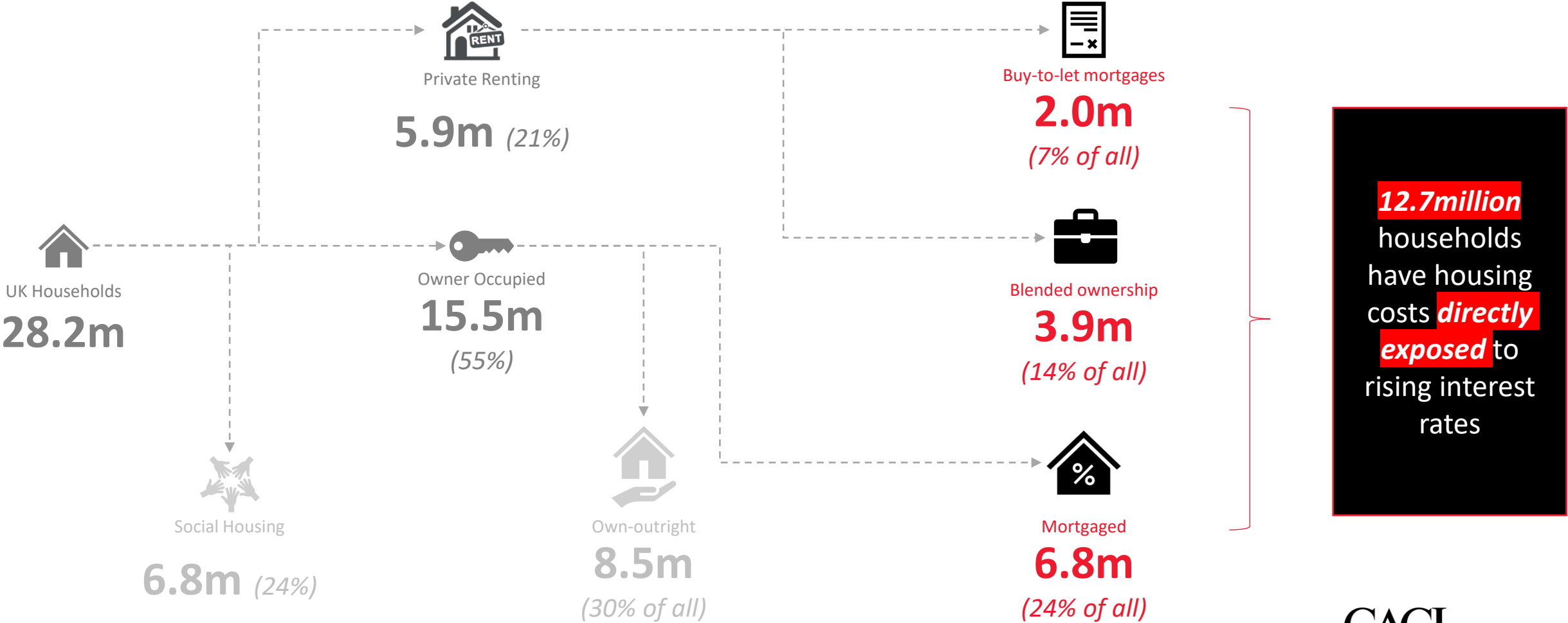
2. We are not all in this together

3. Reasons to be cheerful

4. Prediction not Description for the future

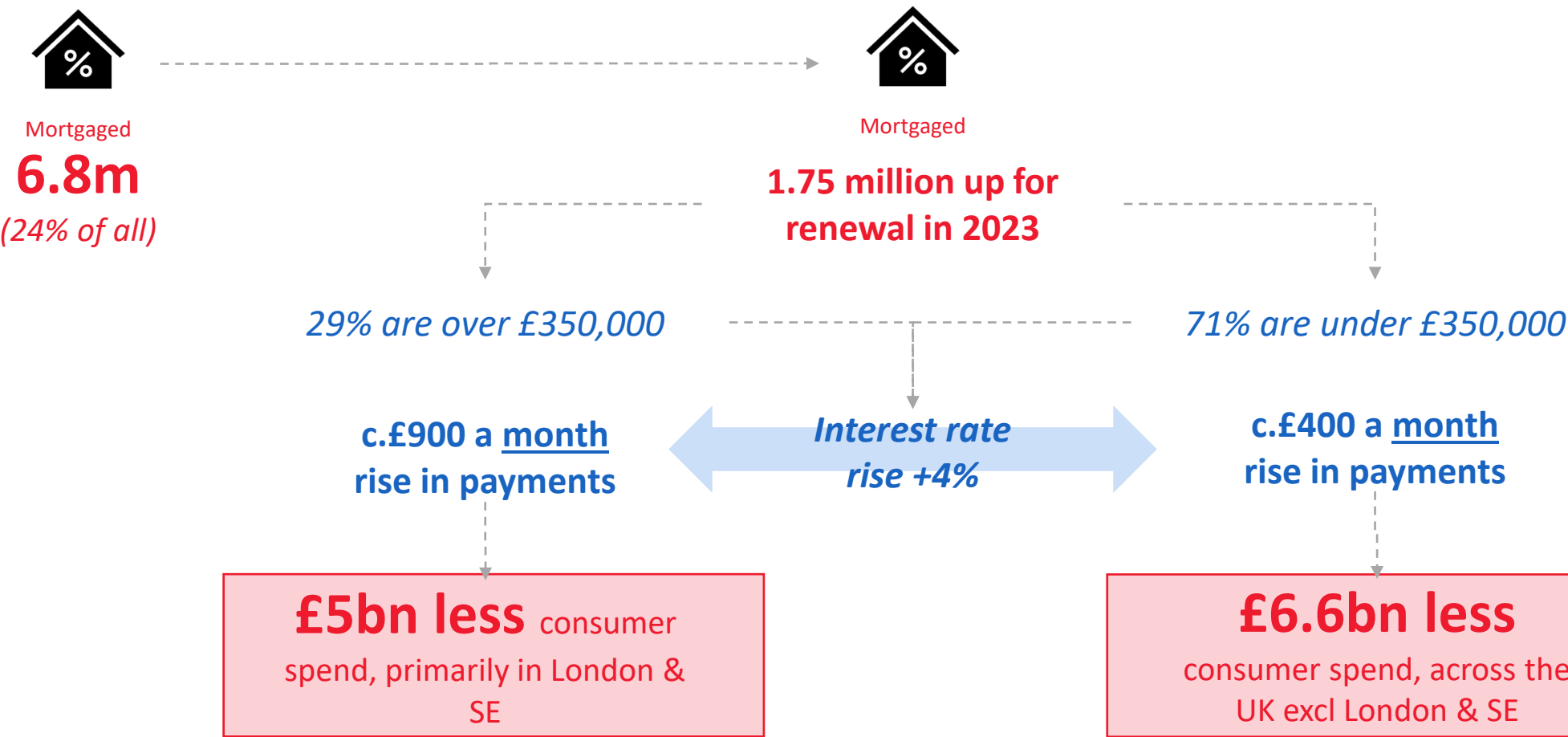
1. Close to half the UK's housing costs are exposed to rate changes

Through a combination of re-mortgages and private rent 45% of UK households will likely see increases in 2023



1. There will be at least £11.5bn less discretionary spend in 2023

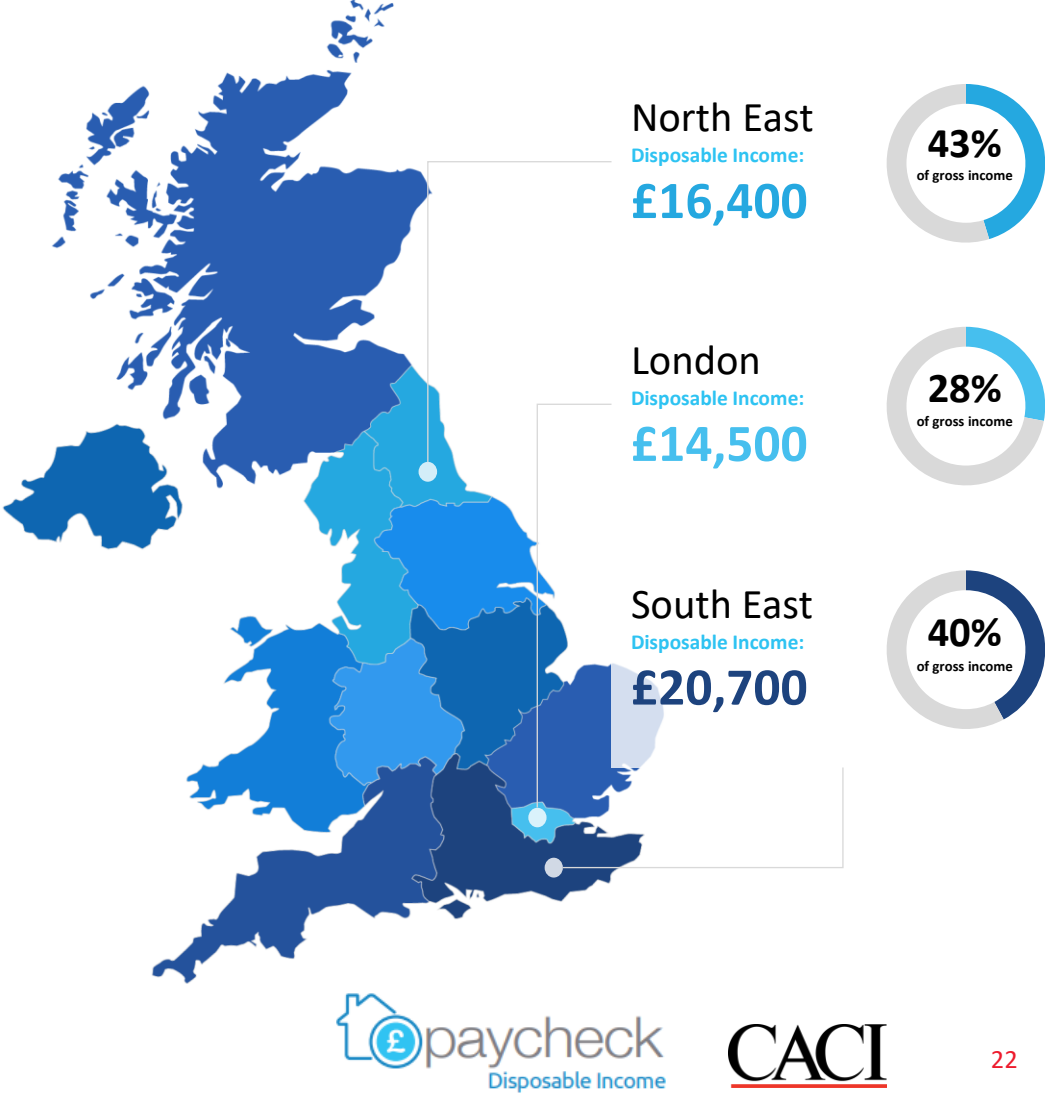
London and the South East will see a far bigger impact, particularly among the more affluent younger shoppers



2. Disposable income is not evenly distributed

Total income is not an adequate measure of spend power, fixed outgoings, especially housing, dictate what's left

Region	Disposable Income	% of Gross Income
Northern Ireland	£18,000	51%
Wales	£17,900	46%
Scotland	£19,300	46%
South West	£20,600	44%
Yorkshire and The Humber	£17,500	43%
North East	£16,400	43%
East Midlands	£18,200	43%
West Midlands	£17,200	42%
North West	£16,400	42%
South East	£20,700	40%
East of England	£19,300	39%
London	£14,500	28%



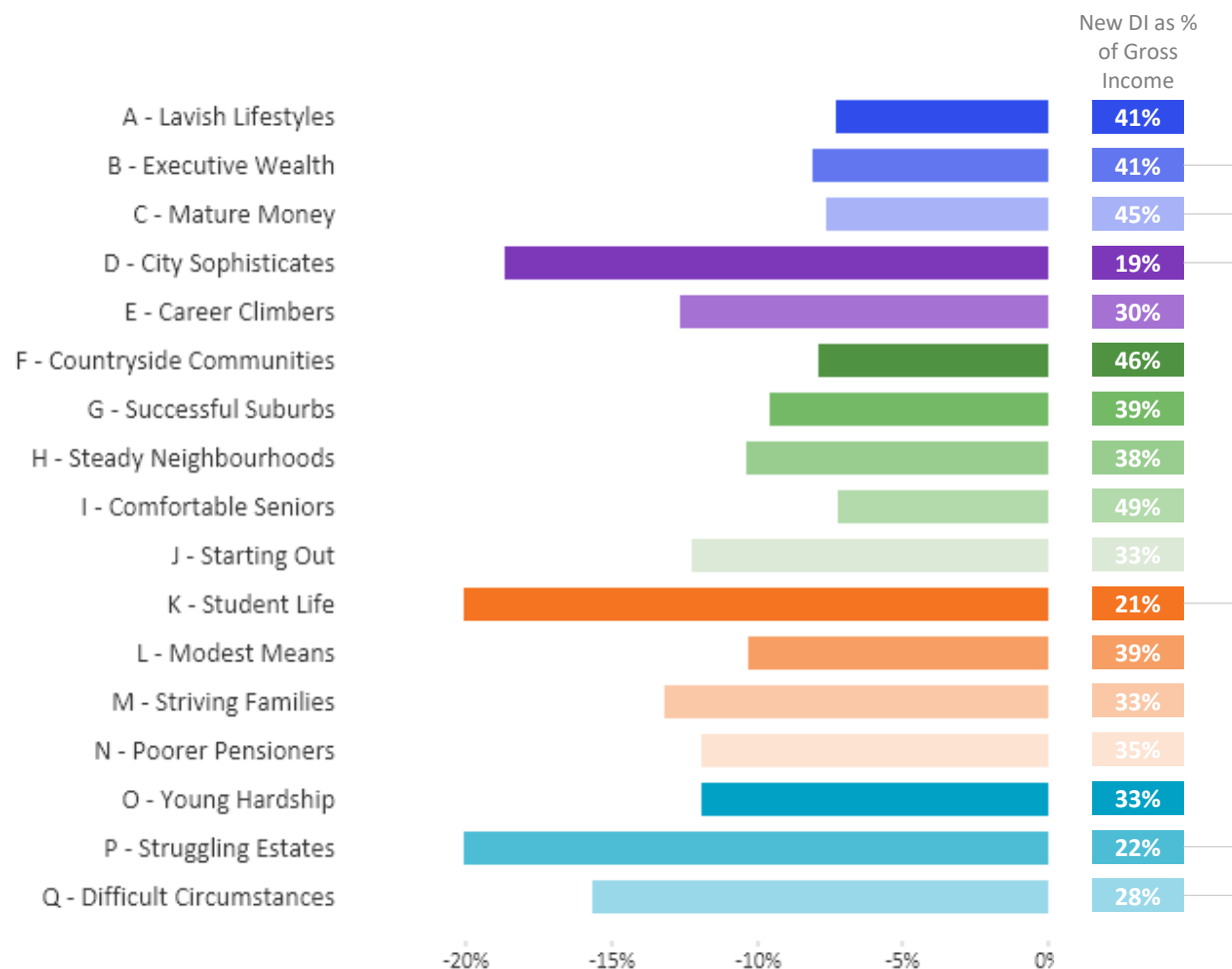
2. Through 2023 the UK disposable income will fall by 10%

The impact will not be evenly spread with renters, the young, and newer home owners most exposed

Large urban areas will see the biggest impacts.

More mature, affluent and middle class areas are more resilient

Accounting for forecast inflation, rising housing costs, energy cap and assumed tax proposals



Affluent home-owners are more insulated but will still notice increased outgoings

Significant increases to housing costs will bite the younger age groups

Less affluent consumers and more vulnerable sections of society impacted hardest

3. Reasons to be cheerful

| The economic outlook has stabilised, inflation is falling and consumers are proving to be resilient

The **older, more affluent** groups are relatively **secure in their economic** position.

The **young and less affluent** are more **positive** in their hopes future **outlook**

- ① **40% left with money** to spend at the end of each month
- ② 49% will be investing in their **personal wellbeing** this year
- ③ 33% are willing to **pay more for a product** if they align with your personal views on sustainability and governance
- ④ Of those 83% are willing to pay more for brand that **aligns to your views**, despite the rising cost of living
- ⑤ 2/3 of Brands with more than 60% of their **sales in store grew**, whilst 4/5 of **online dominant brands shrank**

4. Untangle your data to focus on 'so what, what next'

| The data world today is unprecedented in its depth, but you need clarity of action – predictive, not descriptive



What does this mean for you?

2023 will see consumers re-align to another 'new normal', focus on connecting to them, being part of the community, being relevant and delivering value for money

1

**Its not the size of the
footfall, its what you do
with it**

Your customers are shifting their
behaviours everyday, you need to

**maintain share of wallet and
engagement**

2

Context is everything

It will likely be a flat to variable
outlook for most, in this context
what good looks like changes
constantly – you need to know

**where you sit relative to your
peers**

3

**You are unique, and so are
your customers**

Understand who they are, what you
mean to them and embed yourself
in their lives –

be relevant, mean something

Thank you & Questions



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