

Pricing and Promotions in Food - UK - May 2011

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What is this report about?

The global credit crunch brought home to the UK consumer how exposed we are to worldwide economic trends. Fluctuating commodity prices, which usually take place under the consumer radar, have moved centre stage as a combination of supply and demand issues converge to make price increases unavoidable.

Despite a heavyweight promotional culture in the UK, three quarters of consumers are more concerned about rising food prices than they were a year ago, which suggests retailers haven't shielded them as much as they thought, and the situation is about to worsen as the major CPG companies warn of higher prices to come.

What have we found out?

- Personal price checkers and messages on till rolls could be used to help convince the 87% of shoppers that think that food prices have continued to rise in the last year, that instore prices have remained largely unchanged.
- Advertising communication should also focus on what brands and retailers are planning to do in the future to keep prices down as 78% of shoppers are more concerned about rising food prices today than they were a year ago.
- The outlook for branded food manufacturers remain tough with 54% of shoppers stating that a £10 rise in the cost of their weekly shop would be enough to make them switch brands.
- Own-label NPD that focuses on claims such as natural and functional will help increase penetration among the over 55s who are the least likely to have switched to own-label products to save money.
- Price-marked-packs provide an easy way for manufacturers to reassure consumers as they are transparent, and important factor, considering that 80% of consumers would be forced to take costs cutting measures if the price of their weekly shop went up by £10.
- Own-label manufacturers need to ensure that promotions include their premium ranges as one in four consumers admit that they have cut back on the amount of premium products they buy.

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