

Navigating the cost of living crisis:

Four eCommerce Solutions FMCG Brands
Must Implement to Win Shoppers



INTRODUCTION

This winter has undoubtedly been bleak for UK households & businesses. Soaring grocery price inflation is a primary concern for many UK citizens as inflation reaches a forty-year high of 14.7%. Kantar has forecasted that shoppers face a colossal jump of £682 in their annual grocery bill if they continue to purchase the same products [1].

This rapidly changing world has consequently put consumer goods suppliers & retailers under immense trading pressures. Brands are walking the challenging line of trying to absorb these additional costs to remain competitive whilst profitable.

That aside, consumers are already adapting their behaviour to reduce spending, with 64% of shoppers claiming they are switching to cheaper brands [2]. Brands will now need to take active steps to grow brand loyalty, particularly online, where digital shelf presence dominates purchase behaviours.

Yet, in periods of uncertainty such as the global pandemic, forward-thinking brands are pioneering new strategies having a lasting effect on the online grocery channel. Now is the time for brands to break new ground in connecting & understanding their shoppers.

Read on to discover how FMCG brands can win shoppers during the cost of living crisis.



THE PAIN IS REAL

UK households are again faced with significant headwinds, continuing to manoeuvre through periods of uncertainty. Consumers have only had temporary relief from the global pandemic and then replaced with a new reality, the cost of living crisis.

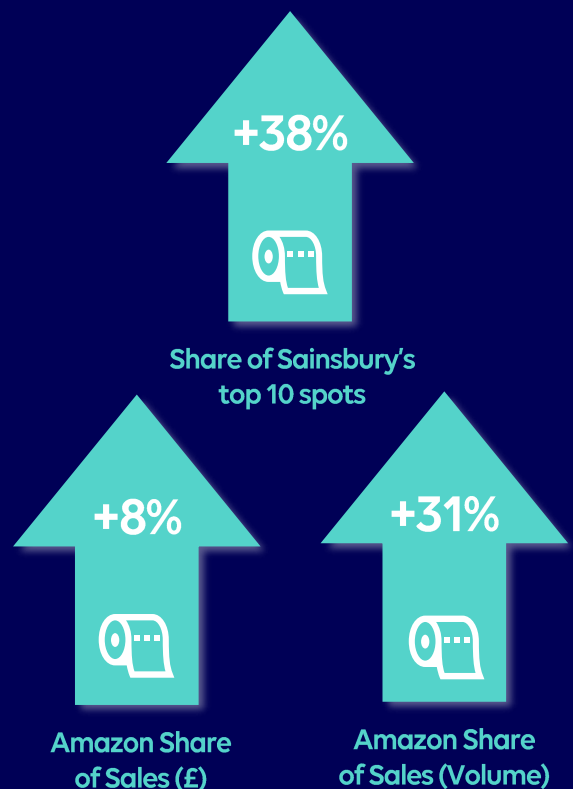
A recent Which? survey revealed that nine out of ten consumers are worried about food prices, a notable 30% increase compared to 2021 [3]. Consumers' perceptions around towering grocery price inflation are undeniable and a cause for concern, with this anticipated to reach heights of 17.9% this year [4].

Grocery is the sector that the cost-of-living crisis will most impact as it is a high-frequency purchase with a lot of competition and choice. Shoppers will therefore seek to economise their basket sizes & look to trade down to value alternatives like supermarket own-label, which has seen an increase of 13.3% [5].

Brands should consider the cost of living pressures within their marketing planning for this year. They need to understand their target audience, the dynamics within the category it operates in and how their competition is adapting. Leveraging data and insights to improve their media, communication & offering will enable brands to drive stronger performance post-recession and beyond. The following section illustrates a few significant changing habits shoppers display because of economic burdens.

Own-label is stealing share

YoY Increases



Categories with already high proportions of own-label, like toilet paper, are seeing a further reduction in branded goods purchased on retailers & marketplaces. [6]

THE CHANGING CONSUMER BEHAVIOURS

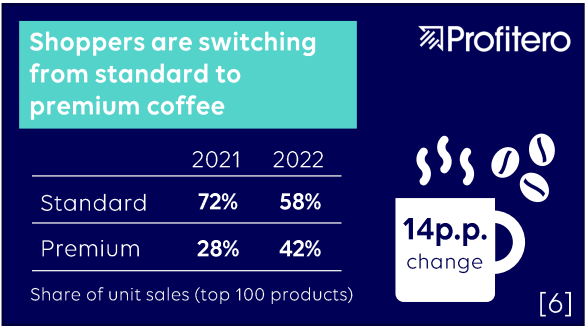
WHAT ARE SHOPPERS BUYING?

Value is the key to success.

Consistently in the last quarter, frozen food has been one of the categories seeing the largest surge in demand, with shoppers considering 'frozen foods are as good for you as fresh foods' up 10% compared to a year ago, demonstrating how households are trading out of specific categories and switching to lower-priced alternatives [7][8]. For value-led brands, it is imperative to communicate the value of goods and to be valuable to their consumers to defend against cheaper substitutes.

Value keyword searches are rising, with 'cheap', 'offer' and 'budget' mobile searches within grocery up 46% compared to last year [9]. This uplift is visible across multiple categories and retailers, with Amazon's 'deal of the day' seeing significant growth. Autocompletes shed light on the popularity of keywords, revealing that offers are highly important for shoppers. An example of this is Amazon's top autocomplete suggestion for alcoholic beverages, 'alcohol' + 'deals of the day' [6].

Despite households reducing discretionary expenditure, some shoppers splurge on little luxuries, known as the lipstick effect. This is typically seen in products like desserts, confectionery & coffee to bring levity and joy. Therefore, there is an opportunity for premium brands to appeal to shoppers' indulgent impulses, as seen in Amazon, with an increase in sales share from 28% to 42%, year on year, in the top 100 coffee capsules [6].



WHERE ARE SHOPPERS GOING?

The discounters are moving in – and it looks like they are here to stay.

Supermarkets perceived as low-cost alternatives have seen significant growth as price becomes increasingly important in their value equation. Aldi's consumer consideration metrics rose 14%, and Lidl's up 16% over the same period, whereas the top four supermarkets saw little growth in the same metrics [10]. There has also been a shake-up in the 'top four' with Aldi overtaking Morrisons as the fourth largest supermarket brand in the UK as of November 2022 [11].

Another way shoppers are searching for value is by browsing more websites. This is seen by the number of shared unique online visitors between Sainsbury's, Tesco, Asda, Waitrose & Aldi increasing by 36% compared to last year [9]. This varies by category, particularly in Key Value Categories (KVCs) such as alcohol which is a more considered purchase.

For example, beer, wine & spirits shoppers previously viewed three sites on average while browsing to compare prices; now visiting four sites on average to find the best deal [9]. Retailers are aware of how KVCs play an essential determining factor in where shoppers choose to shop, and therefore retailers' own label ranges are expanding in these categories. It's even more critical for brands to demonstrate value to shoppers to defend their market position.

CHANGES ALONG THE DIGITAL PATH TO PURCHASE



START

Shoppers at Sainsbury's, Tesco, Asda, Waitrose & Aldi have searched for 'cheap meals' **2.4X** more compared to a year ago [9]

The number of shared unique online visitors between Sainsbury's, Tesco, Asda, Waitrose & Aldi has increased by **36%** compared to a year ago as shoppers search all sources for the lowest prices [9]

Shoppers are forecasted to see a **£682** jump in their annual grocery bill if they continue to purchase the same items in 2023 [1]

Coined Edible Escapism by Waitrose, **30%** of survey respondents confessed to buying more treats even while budgeting [12]



The frequency of 'top up shops' has increased on average by **21%** [8]. 4.4x a week for struggling households. 3.5x a week for comfortable households [13]

'Own-Label' product purchasing is up **13.3%** year on year, with the cheapest value own-label lines ahead of the curve. Premium own-label sales are up by **10.2%** [5]

42% of shoppers use loyalty schemes to combat the cost of living [14]

Shoppers are switching cheaper alternatives with '**frozen chicken**' searches increasing by 81% compared to the previous year, and 'frozen fish' growing by 72% [9]

END



HOW ARE RETAILERS RESPONDING?

RETAILERS LOOK TO NEW REVENUE STREAMS

This undoubtedly has been changing and testing times for retailers. Having recently benefited from strong performance due to COVID restrictions, retailers feel the big squeeze as they face cost increases and volume decline.

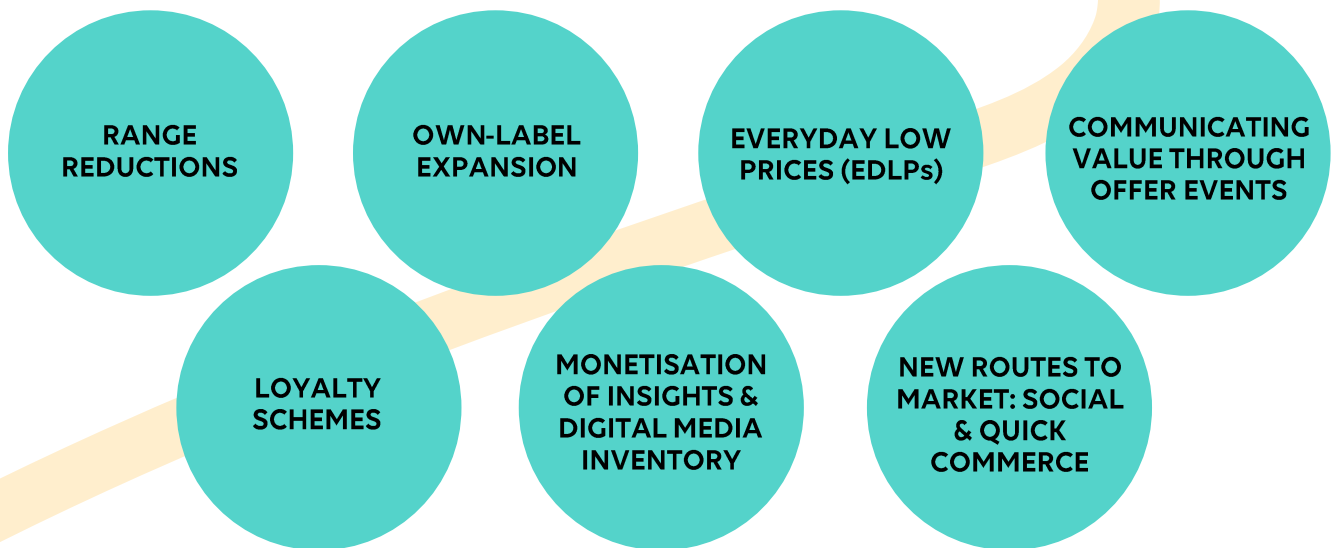
Increased costs have been a heavy burden for retailers as brands & manufacturers raise prices. Research has unveiled that 80% of suppliers have asked for at least one cost price increase (CPI) over twelve months [12].

Pricing discussions are a hot topic between brands & retailers. A highly publicised price dispute between Heinz and Tesco resulted in Heinz products disappearing from Tesco's shelves last summer. As continuing inflation unfolds, this is far from the last tense moments between brands and retailers in the coming months.



RETAILER ACTIONS

Retailers are experiencing increasing operational costs, such as fuel and energy prices. There are several actions that retailers have taken to offset these pressures by focusing on driving efficiencies whilst still delivering value. These include:



Trading online has been particularly challenging for retailers. Margins are razor-thin, which has resulted in retailers creating new revenue streams, such as monetising their site inventory, known as retail media. With the rising threat of own-label, retailers are releasing inventory that offers immediate revenue, such as sponsored search, which enables brands to have top-of-page visibility. This inventory is expected to grow, with sponsored spots increasing across confectionery from 2.5% to 4% year on year [6]. Despite the fierce digital shelf competition, retailers have paid levers that can deliver the cut-through that brands desire.

DIGITAL THOUGHT STARTERS FOR BRANDS

The cutback in consumer spending poses a big threat to brands. And much like retailers, brands need to step up and adapt to maintain their relationship with their shoppers. Navigating the cost-of-living crisis takes work and presents multiple marketing challenges. Many brands will be deliberating what the right product range is. What is the right way to communicate with shoppers? Where should brands be investing in terms of media? There is no one size fits all approach. However, brands must understand their shoppers and the category they operate in. This section will explore some initial thought starters for brands regarding range, content & media to come up on top in brand consideration.

RANGE

Developing the right product range is a top priority for brands. And with volatile market conditions and changing consumer habits, it is important to review the below three aspects.

1. Streamline, rationalise & innovate ranges

Retailers have reduced ranges and branded SKUs to make room for own-label products. Brands should focus on three areas:

1. Maintaining availability on revenue-generating products to drive efficiencies
2. Appealing to shoppers little luxuries with at-home indulgent products
3. Strategically innovating to cater for changing needs

Rating and review analysis provided by digital shelf platforms provide insights into key range gaps and product improvements.

2. Pack sizes should be under review

One of the cost-cutting tactics brands often turn to is reducing the size of their products. Shrinkflation is not a new tactic, but given the economic pressures, it is being employed. However, shoppers are not always looking for the lowest-priced option; they also seek value from larger pack formats.

Larger packs of wet cat food have seen a 9p.p increase in the share of unit sales as consumers search for value, with mega packs being preferred over the largest options [6]. With digital shelf analytics, brands can identify relevant pack sizes that drive volume.

3. Analyse pricing & promotions to remain competitive

Pricing and promotional strategies are worthwhile for brands to be monitoring alongside stock when these go live. Own-label pricing is making the largest price jumps, and such insights are invaluable in pricing conversations with retailers. It's also important for brands to track competitors' promotional activity while analysing their activity's efficiency and effectiveness.

Armed with digital shelf data, brands can understand what's happening in their category and range to have a significant competitive advantage.

Brands will need to adapt their range & pricing strategies. Using digital shelf analytic tools will enable brands to understand their market and assist them in developing a winning proposition.

DIGITAL THOUGHT STARTERS FOR BRANDS

CONTENT

Increase visibility on the digital shelf

During the cost of living crisis, it's imperative to communicate the value proposition of a brand, irrespective of a product's price point. Key to this is understanding the shoppers' behaviours and allowing brands to adapt content to match their shoppers' consumption moments. This enables brands to connect better through effective content & communication, which is the link between discovery and purchase.

One way to do this in digital environments is by ensuring that digital shelf content is optimised across all shopper touchpoints.

1. Increase Visibility

Strong brand awareness isn't always enough to convert shoppers in online environments. Ensuring visibility in search with keywords, specifically low frequency relevant keywords, can improve sales uplift by 34%. [6]

The digital shelf appears endless to shoppers, with most products buried on pages 2, 3 or beyond.

Moving to Page 1 by improving content can increase sales by 70% [6]. Strong visibility on the digital shelf is key to brand success

2. Educate & Influence

Without shoppers being able to hold products, they need to feel confident in their choices. Detailed product pages that include accurate product titles, sizes, quantities, colours and other factors are all important to shoppers. Adding videos to product content pages is the most impactful, increasing sales uplift by 36% [6].

Testimonials in the form of product reviews, user-generated content and professional accreditations and awards are other effective forms of content brands should leverage, which will instil trust in shoppers.

3. Convert the Sale

If a product is out of stock, shoppers will pick an alternative. Brands need to mitigate shoppers switching to competitors by:

1. Outlining in retailer agreements the substitute branded products that should appear when OOS.
2. Automatically pausing media to avoid wastage or switching creatives to highlight similar products.
3. For products in stock, including action and offered-based communication to push shoppers to purchase.

Providing clear, consistent, and optimised digital shelf content for shoppers builds trust, improves conversion, and reduces return rates since shoppers know what they will receive.

DIGITAL THOUGHT STARTERS FOR BRANDS

MEDIA

Utilise Retailer Media solutions to drive outcomes

Retailers are rapidly diversifying and scaling their media offerings through tech integrations, and is growing year on year, with the IAB predicting that the Retail Media market will account for over 25% of total digital media spending by 2026 and worth €24.8bn across Europe by 2026 [13].

Retail Media offers significant opportunity throughout the cost of living crisis for brands to use budget efficiently to grow market share in a rapidly evolving space.

1. Formats

Retail Media offers a range of formats designed to drive different outcomes and keep a brand visible on the retailer's site. On-site display drives consideration via engaging display formats that capture attention. When activated alongside Sponsored Search formats, brands can remain in first position on Search Results Pages, often for a lower cost with an immediate Return on Investment.

2 Audience

Retailers have access to in-depth audiences on what consumers are browsing & purchasing through loyalty cards. Brands can utilise this when activating retail media to target a highly engaged, cost-efficient audience with the right message (e.g. offers) at the right time, reducing media wastage and allowing media budget to stretch further.

3. KPIs

Retail Media operates with its own measurement KPIs, such as Sales & Return On Ad Spend. Brands are now more than ever revisiting business objectives based on challenges, often shifting to driving sales or maintaining market share. Brands need to ensure that business objectives are shared with retail media teams to ensure alignment.

4. Think Omni-Channel

Retail Media is no longer a digital only channel, however with the current cost of living crisis 1.5M UK households currently do not have access to the internet [14]. Brands need to work smarter to reach these shoppers by communicating promotions in-store on digital screens, to help differentiate them from own-brand.

Activating a retail media approach that incorporates a range of formats, with clear KPIs will enable brands to remain front of mind regardless of where a shopper is in their path to purchase.

EVERYONE PLAYS A PART IN DRIVING SUCCESS

BRANDS NEED TO ENSURE PRODUCTS ARE:

Relevant

Answering the consumer need and want, aligning to cost cutting behaviours. Right time, right product, right message.

Available

Ensuring adequate stock of priority products to maintain efficiencies during peak promotional periods and media activations, to ensure shoppers don't switch to competitor brands.

Visible

Implement strategies to be front of mind in the ever changing path to purchase, combating the threat of cost effective owned-label.

BRANDS SHOULD PRIORITISE:

Range

Brands will need to adapt their range & pricing strategies. Using digital shelf analytic tools will enable brands to understand market share and inform the development of a winning proposition.

Content

Providing clear, consistent, and optimised digital shelf content for shoppers builds trust, improves conversion, and reduces return rates since shoppers know what they will receive.

Media



Activating a retail media approach that incorporates a range of formats, with clear KPIs will enable brands to remain front of mind regardless of where a shopper is in their path to purchase.

FOUR WINNING SOLUTIONS FOR FMCG BRANDS

About Publicis Commerce

Publicis Commerce is a global practice bringing clients the strongest commerce assets to deliver against specific challenges – we navigate the complexity of commerce, ensuring that investments drive sales wherever consumers transact.

Why Publicis Commerce

- 10,000+ total commerce experts globally in over 50 markets
- Talent from key marketplaces, brands & retailers
- 700+ retailer partnerships
- Provide global strategic media alliances with top marketplaces
- Strong commerce proprietary technology  **Profitero**  **CitrusAd**

EPSILON™

How Publicis Commerce helps FMCG brands

Retail Media Assessment

- **What it is:** An outcomes led consultancy programme combining quantitative and qualitative market insights to deliver a snapshot of a brand's retail media maturity & capability at a market level, including a prioritised roadmap of recommended actions.
- **Why do it:** Gaining visibility on maturity & capability relative to the market and understanding practically how to improve it will unlock growth, improve competitive share and ultimately drive incremental sales through retail media across markets

eRetail Visibility Programme

- **What it is:** A structured approach to drive visibility and increase category share across eRetail sites. This involves aligning previously siloed capabilities, including digital shelf analytics, SEO, eMerchandising and retail media activation, into one process to standardise process & focus on priorities.
- **Why do it:** Brands waste large sums of money driving media to products in retail environments that aren't visible, optimised or even available. eRetail Visibility optimises content to deliver stronger organic demand for products, then activates media spend to maximise conversion.

Profitero eRetail Analytics

- **What it is:** A digital shelf insights tool that gives brands visibility on their share of voice and share of the market relative to the competition to objectively understand which levers to pull to increase growth.
- **Why do it:** Validate eRetail strategies, build a category specific benchmark and gain insights to improve profitability, margin and overall brand performance across eRetail environments. [Case study here.](#)

Commerce Content

- **What it is:** An end-to-end process that manages strategy, production, optimisation and deployment/ syndication of any Commerce content across multiple retailers and markets.
- **Why do it:** Focusing on the right content priorities based on maximising return will improve product visibility & sales and deliver cost efficiencies in time and resources spent on content creation and syndication. [Case study here.](#)

Reach out to Publicis Commerce for help with your brands eCommerce strategies



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[Click here to enquire about Publicis Commerce solutions](#)

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