

What is the cost of living and why is it a concern for you?

Petrol prices: Calls for more help as cost to fill a tank hits £100

Inflation is squeezing workers.

Retail sales slip again as cost of living crisis hits consumer spending

Family of four forced to shower once a week due to surging energy bills

Food prices are a big worry for three-quarters of Britons, survey finds

Over 2/3
of consumers have already started to change their behaviour in response to the Cost of Living crisis

CACI Innovation Labs have created a Cost of Living toolkit

Consumer insight
(what do people feel, how are they planning to change)

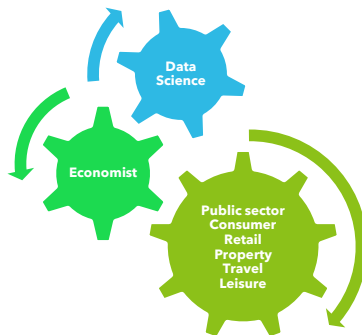
Transactional spend data
(how is actual spend changing in centres)

Disposable income
(how does consumer spend vary across the country)

Scenario Forecasts
(what happens next to consumer spend if inflation/fuel/costs rise)

CACI Innovation Labs

data scientists, economists, SME's



Thought Leadership

Data

Projects

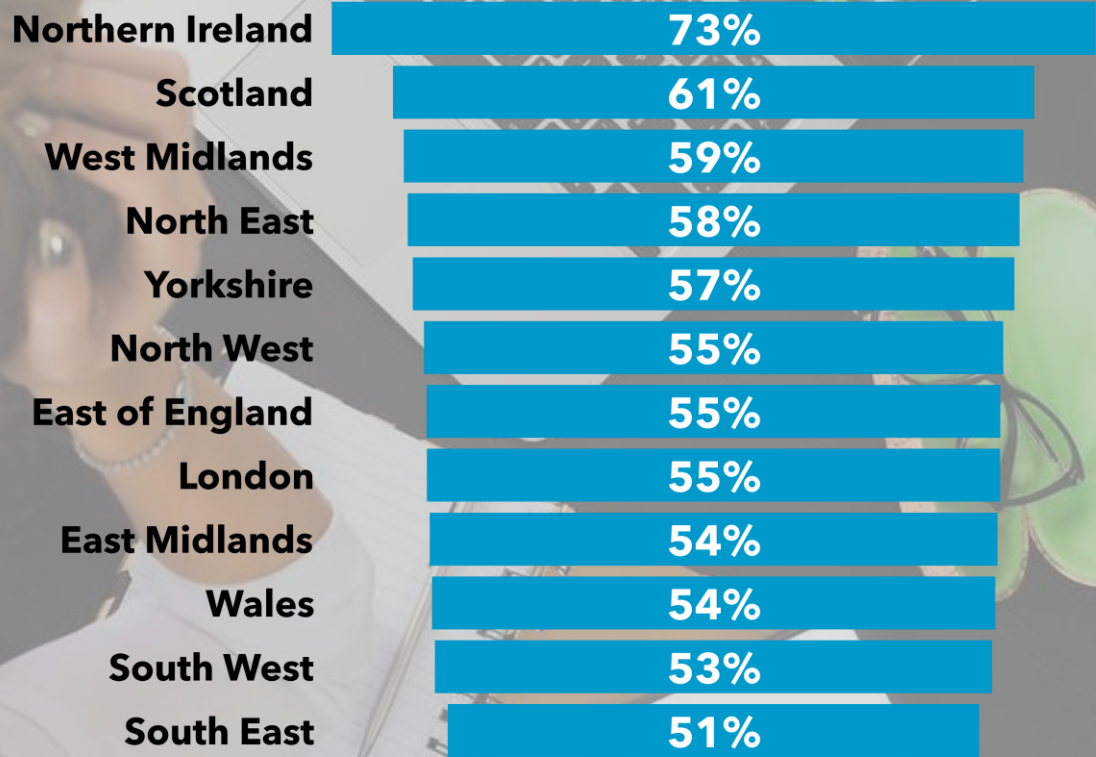
Navigating our clients through the Cost of Living Crisis

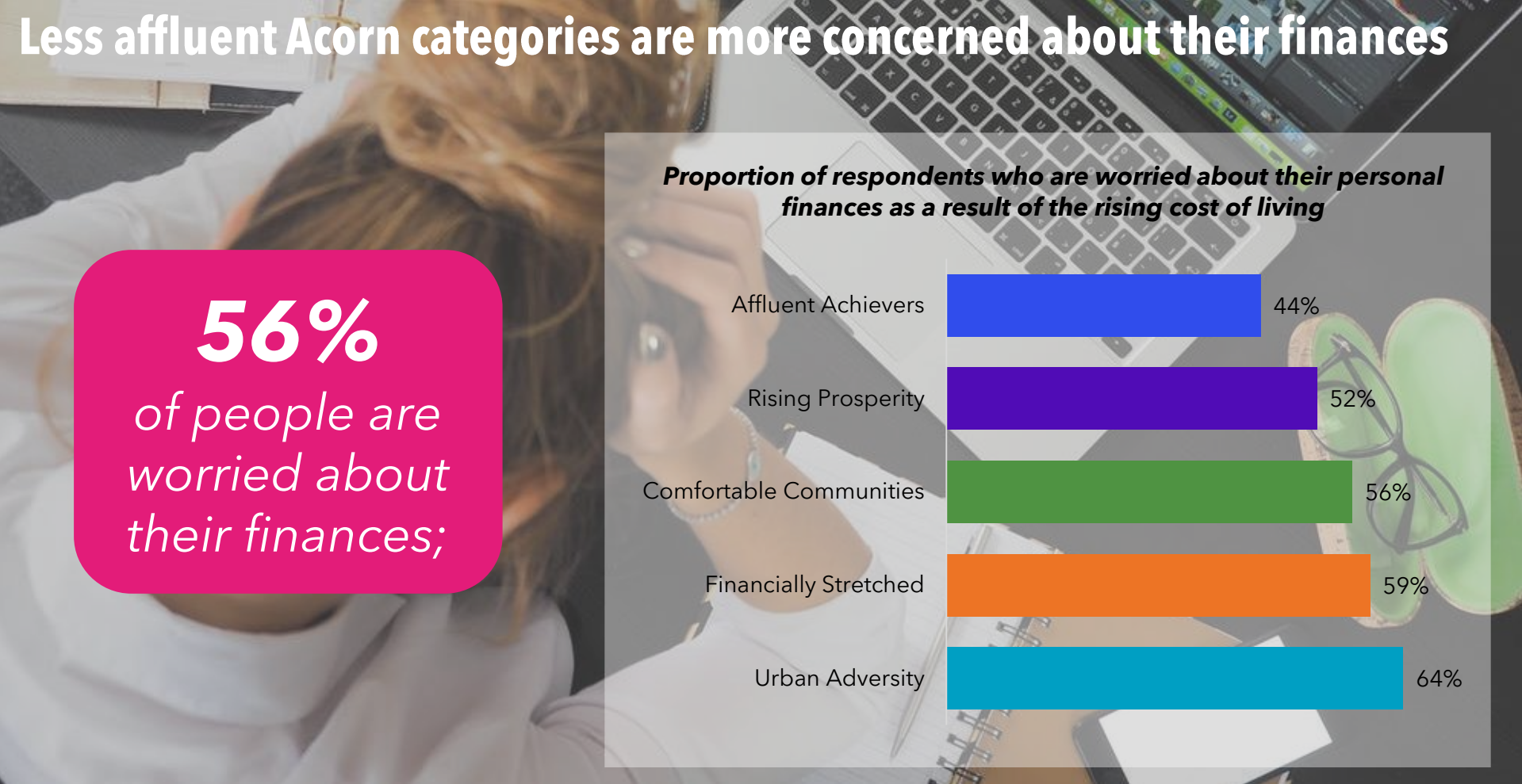


Concern around the rising cost of living is a national issue

56%

of people are worried about their finances;





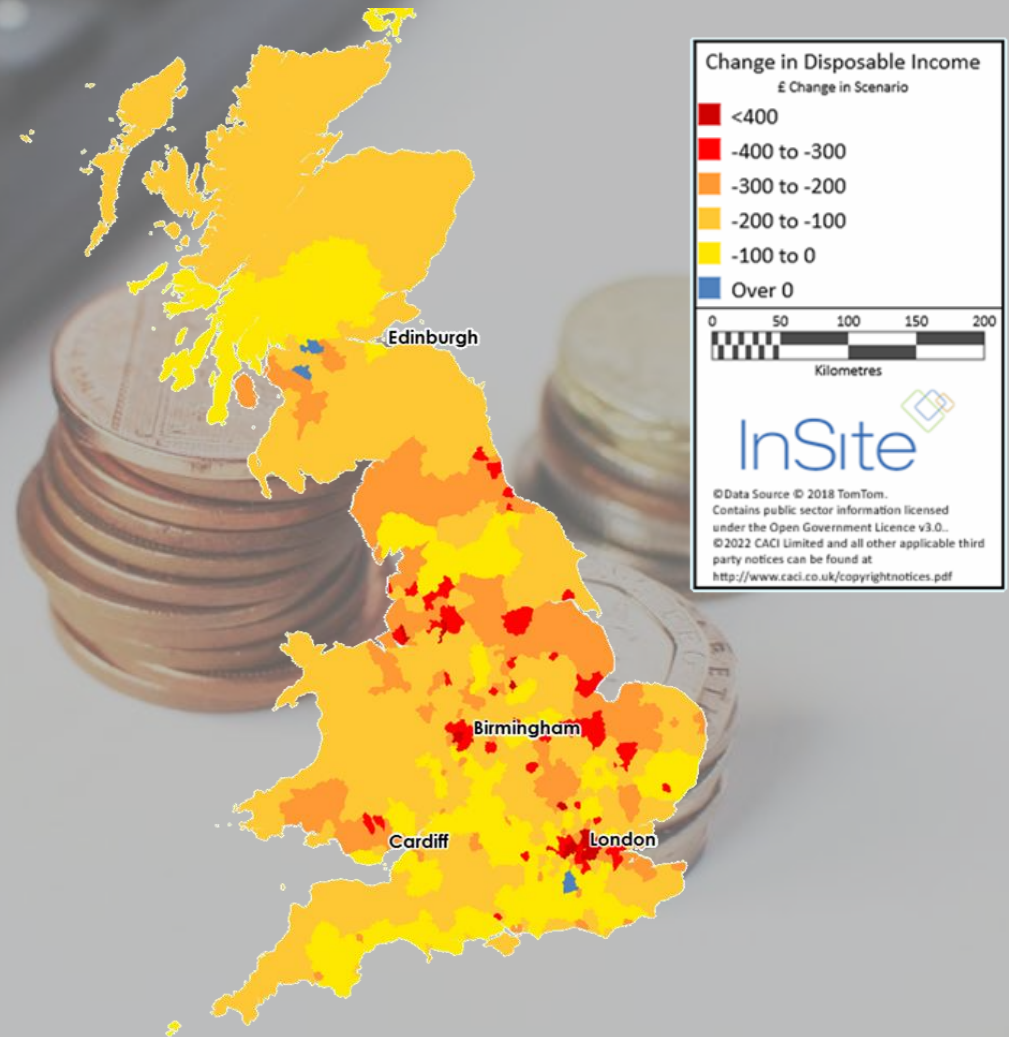
Less affluent Acorn categories are more concerned about their finances

56%
of people are worried about their finances;

Proportion of respondents who are worried about their personal finances as a result of the rising cost of living

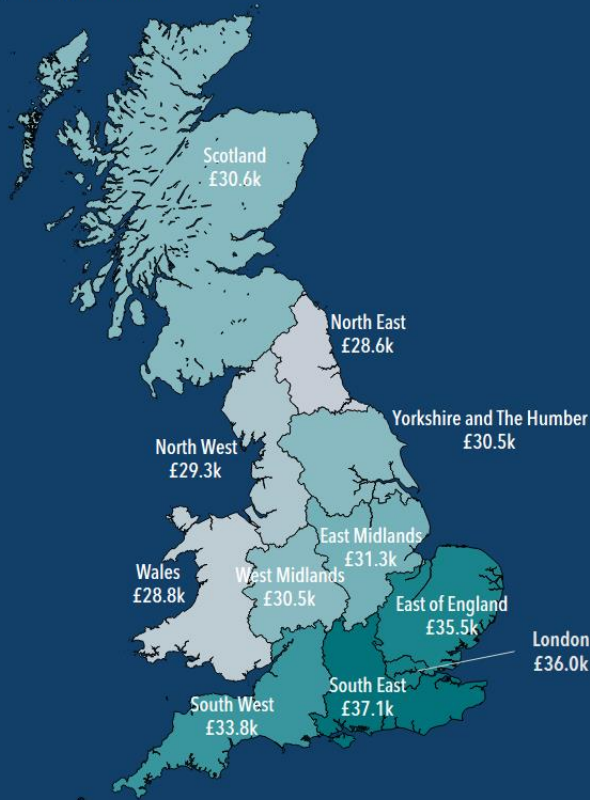


**Urban areas
will take the
biggest hit** in
terms of cost
increases, but
the impacts are
national

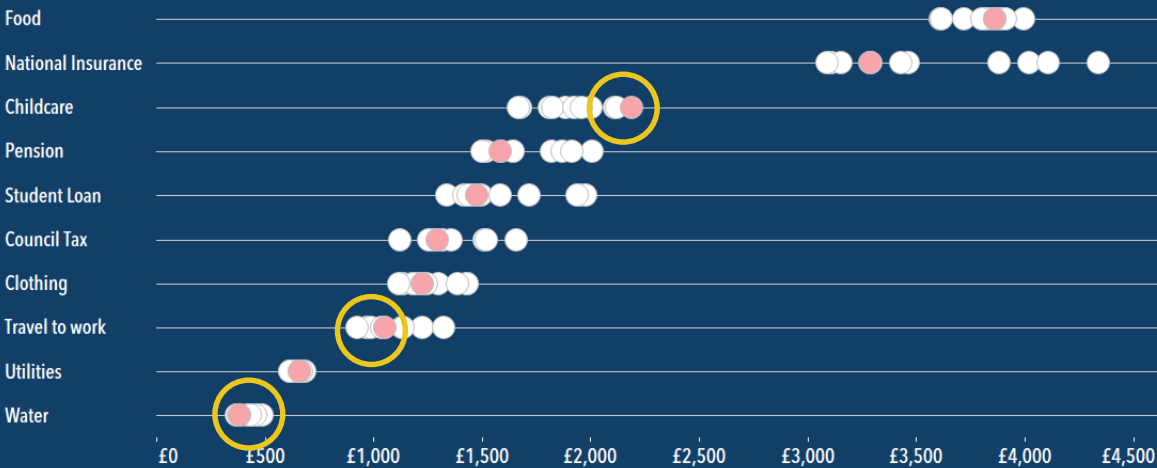


Affordability varies significantly by region

Disposable gross income



Household expenditure in West Midlands vs other UK regions



Unsurprisingly, it is **less affluent families** that will be the worst affected by the rising cost of living

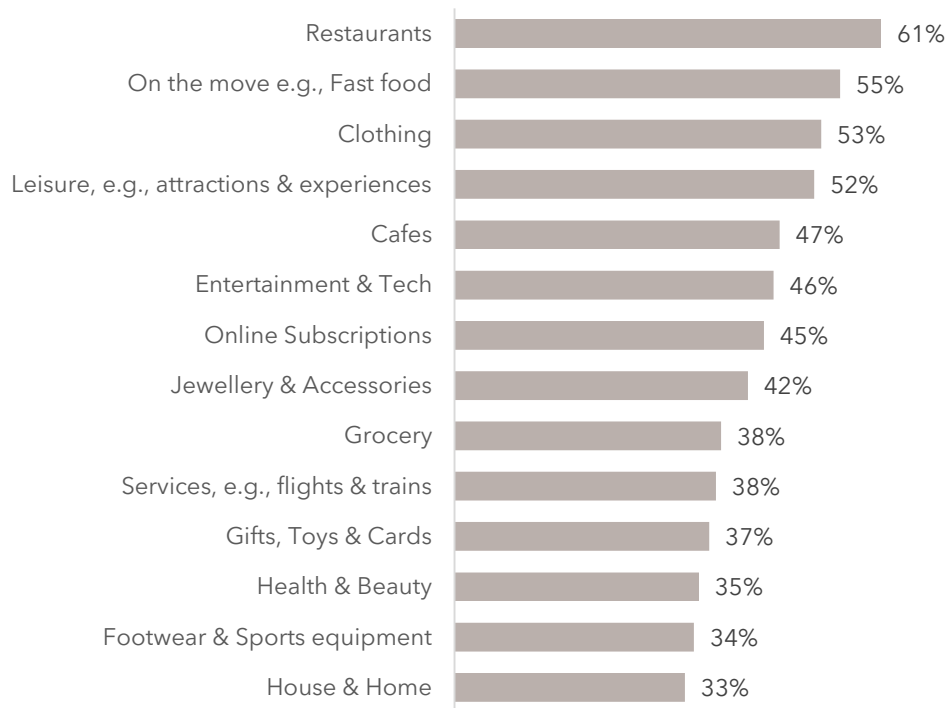
% of consumers that are worried about the cost of living



Lower affluence family groups are the most concerned demographic group

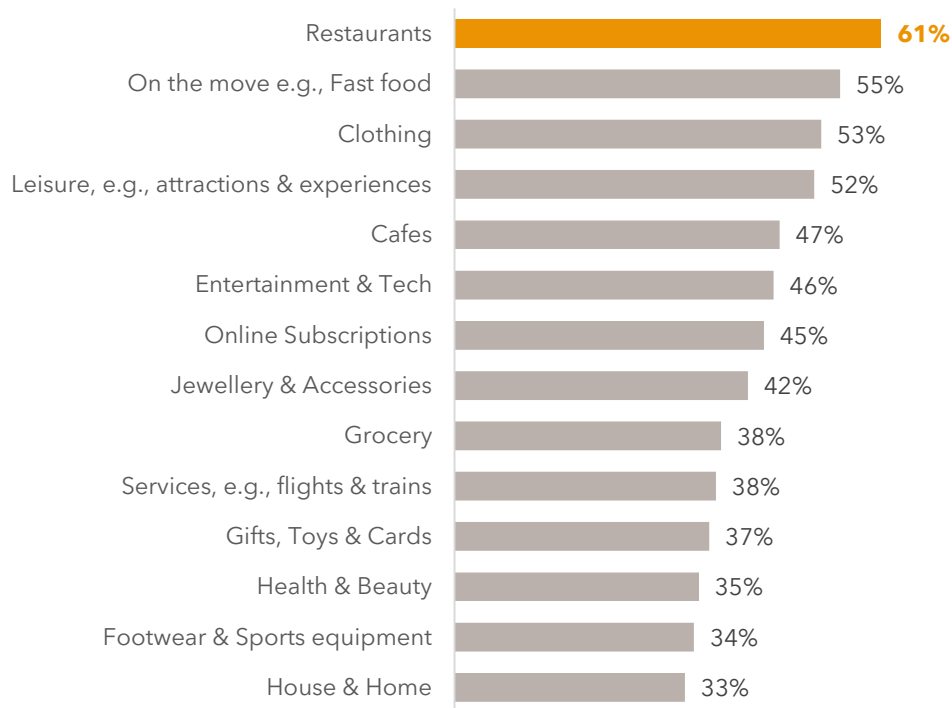
In what areas will people be cutting spend?

Which of the following are you most likely to cut your spending in to help mitigate the impact of the rising cost of living?



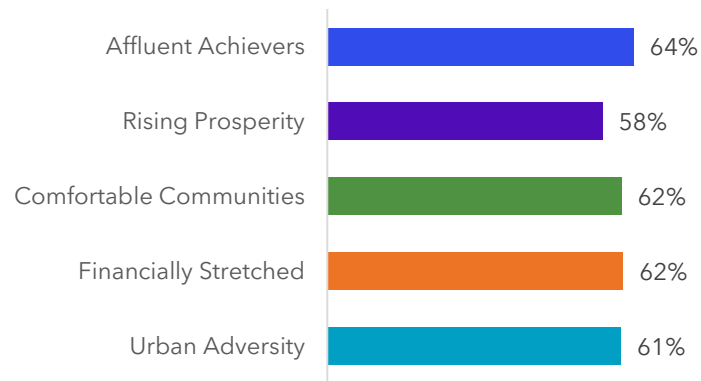
Who will be cutting their restaurant spend?

Which of the following are you most likely to cut your spending in to help mitigate the impact of the rising cost of living?



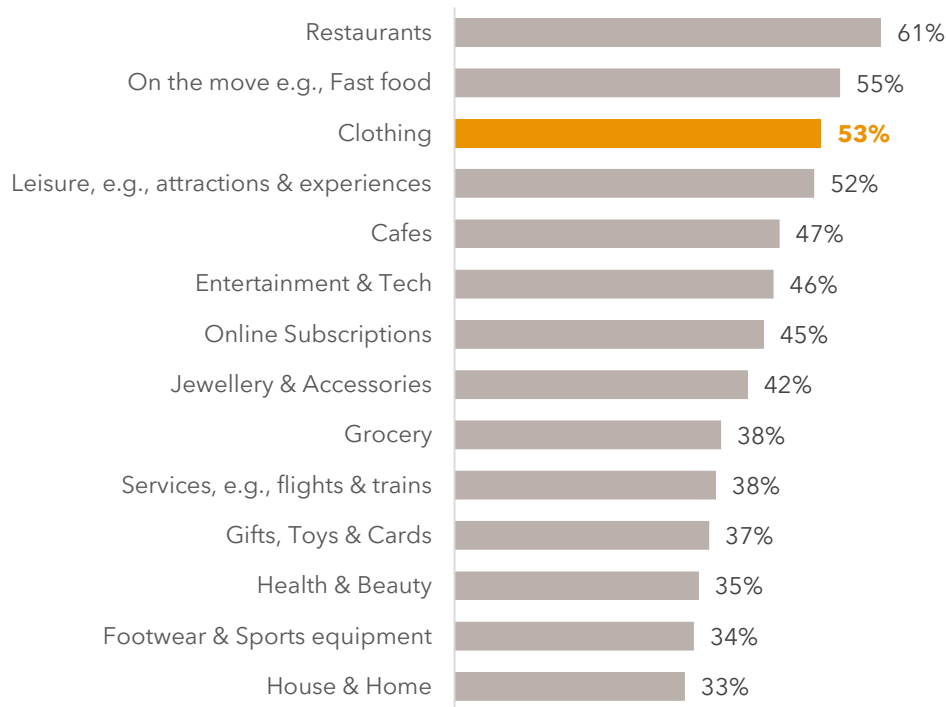
It is the most affluent Acorn category that are most likely to cut expenditure on restaurants. Overall, 41% of people say they will reduce their frequency of spend and 13% are looking to switch to cheaper brands. Under half will cut out spending completely.

*Breakdown of those likely to cut spend on **restaurants** by Acorn category*



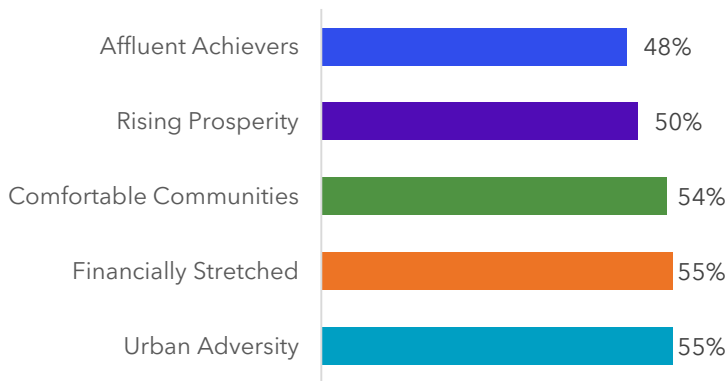
Who will be cutting their clothing spend?

Which of the following are you most likely to cut your spending in to help mitigate the impact of the rising cost of living?



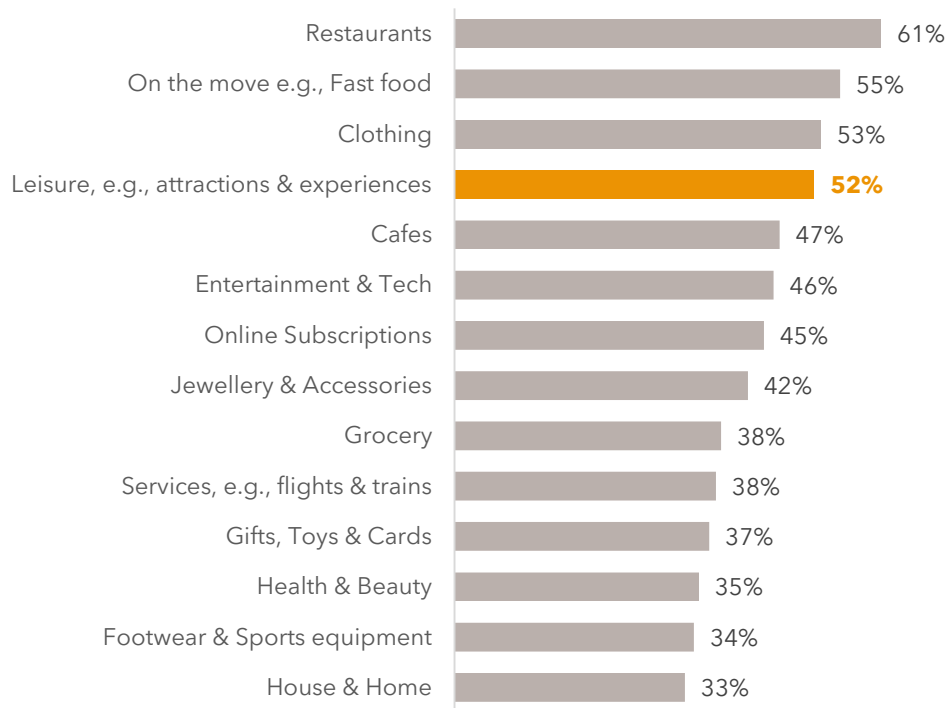
The less affluent Acorn categories are more likely to cut spend on clothing. With at least 48% of consumers across all categories cutting spend this could prompt a rise in popularity of the second hand market.

Breakdown of those likely to cut spend on clothing by Acorn category



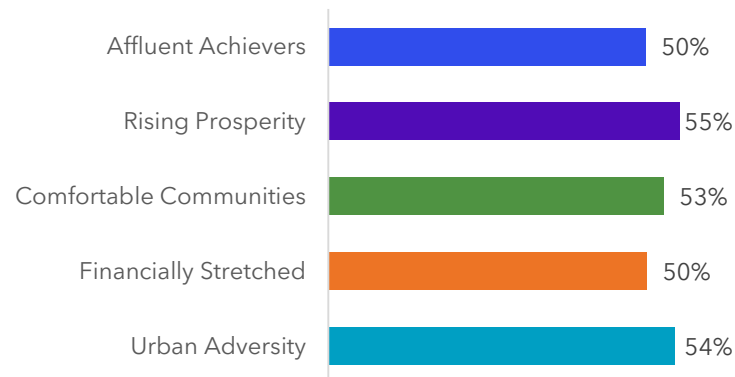
Who will be cutting their leisure spend?

Which of the following are you most likely to cut your spending in to help mitigate the impact of the rising cost of living?



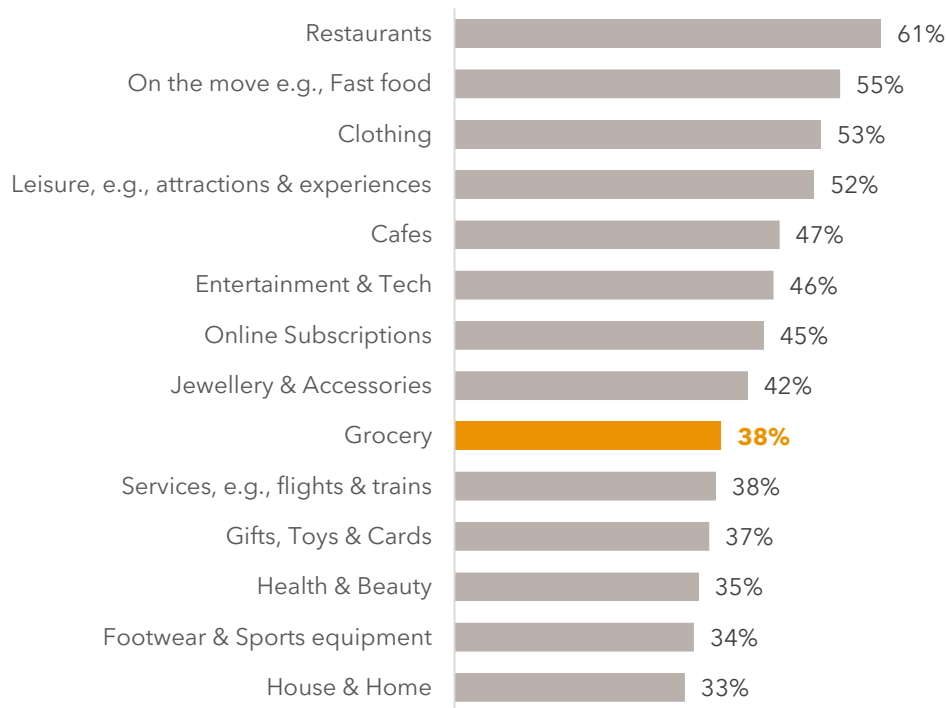
There is less of a demographic pattern to cutting leisure spend with it being more about lifestyle. Family categories are less likely to cut leisure spend, valuing the importance of family days out.

*Breakdown of those likely to cut spend on **leisure** by Acorn category*



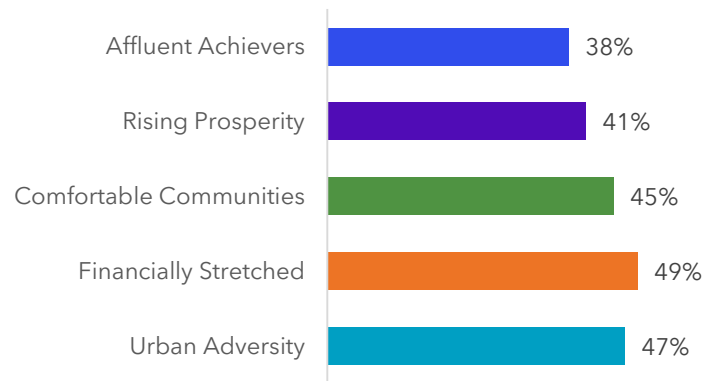
Who will be cutting their grocery spend?

Which of the following are you most likely to cut your spending in to help mitigate the impact of the rising cost of living?



Less affluent categories are more likely to cut spend on groceries. This could lead to a rise in market share for the discounters and may well lead to the very worst off turning to food banks and other charities.

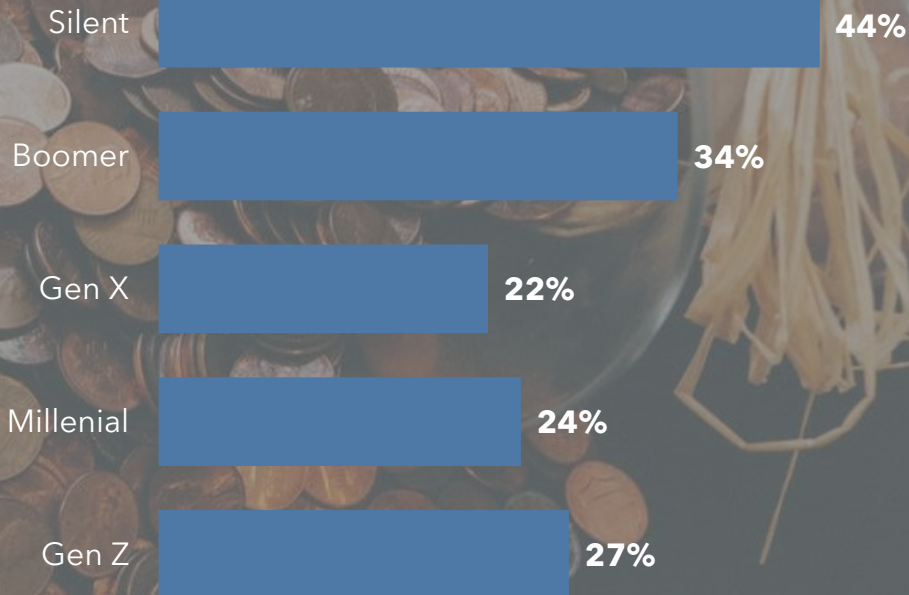
*Breakdown of those likely to cut spend on **grocery** by Acorn category*



Savings made during covid will not last very long for many

I increased my savings & now have more to spend than before the pandemic

72%
**of the UK
population do not
have any savings
made during the
pandemic**



How we spend our money is going to change

Energy bill rises

96% aware;
March: 56% to cut
spending

National Insurance rises

85% aware;
12% to cut spending

Inflation

70% aware;
52% to cut spending

***May: 69% intend to
cut spending***

How we spend our money is going to change

The last six months

Current

What next?

Fuel and energy

We have already observed notable behavioural shifts, with many trying to **save money on household energy, and on car fuel**; this began at the end of 2021

Subscriptions

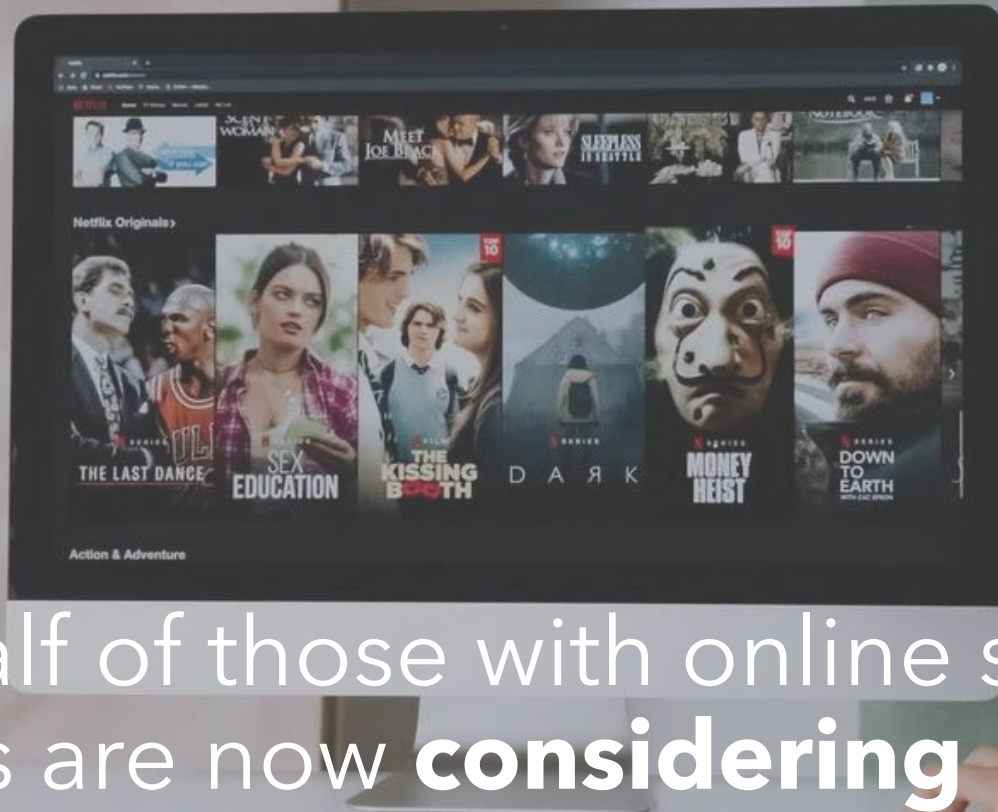
Currently underway are cuts to subscription services; many of these were obtained during the pandemic – **one in ten have already cancelled at least one online streaming service**

F&B / leisure

In the immediate term this will be through **choosing value brands, or making compromises** whilst socialising; younger people are keen to retain their post covid social lives, but may seek value offers

Fashion

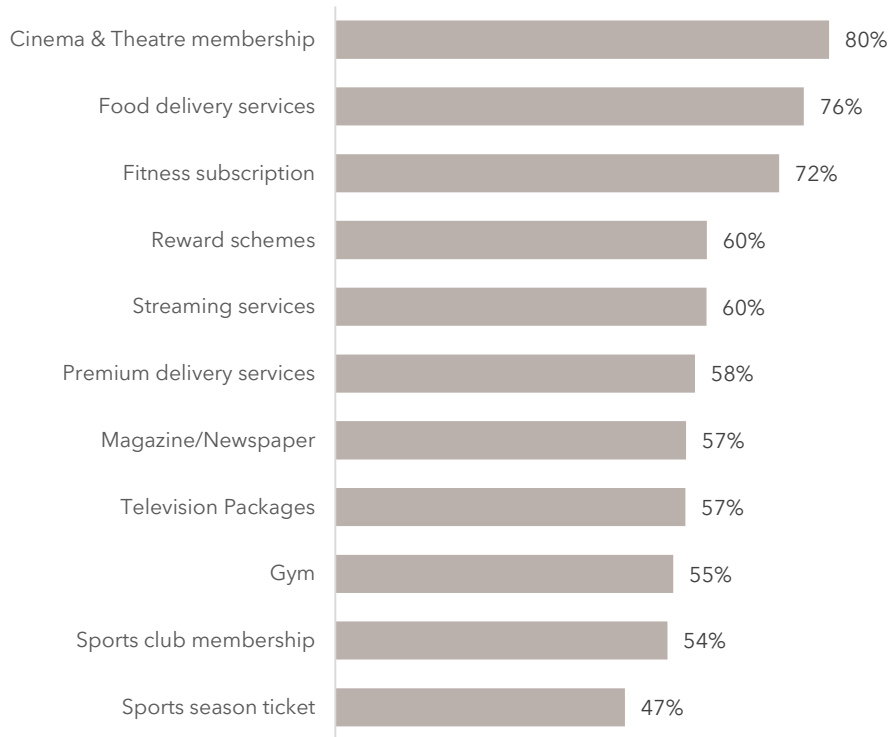
People will not stop buying clothes, but spend on clothes will become more **polarised between premium and value** – also expect the **growth of the circle economy** as ESG remains important



Over half of those with online streaming services are now **considering cancelling at least one to save money**

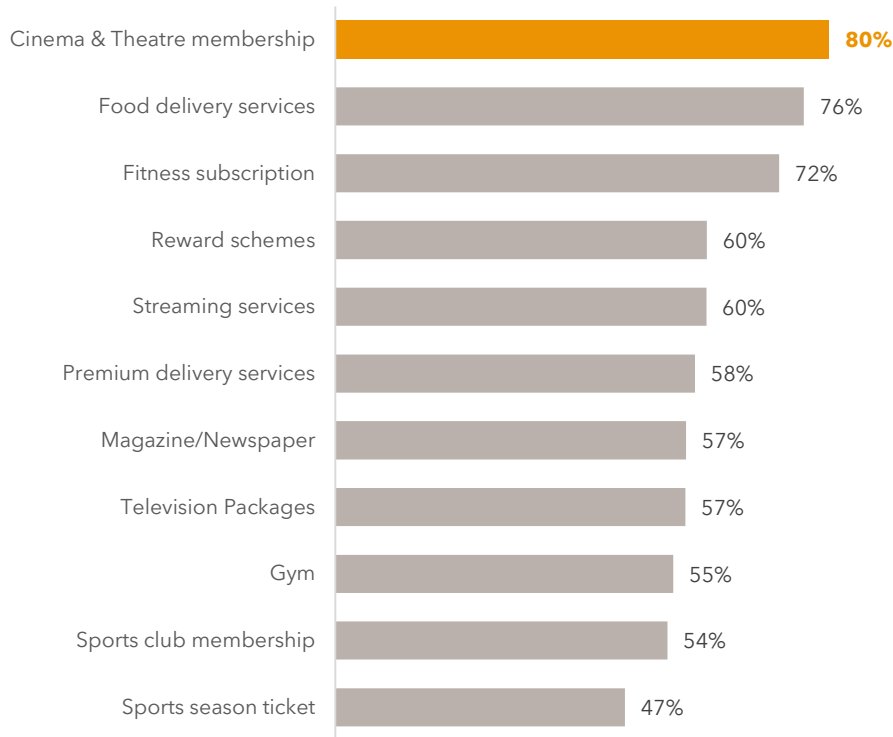
Which services could people cut?

Which of the following would you consider cancelling/have cancelled in light of the rising cost of living? (Proportion of respondents with an initial subscription)



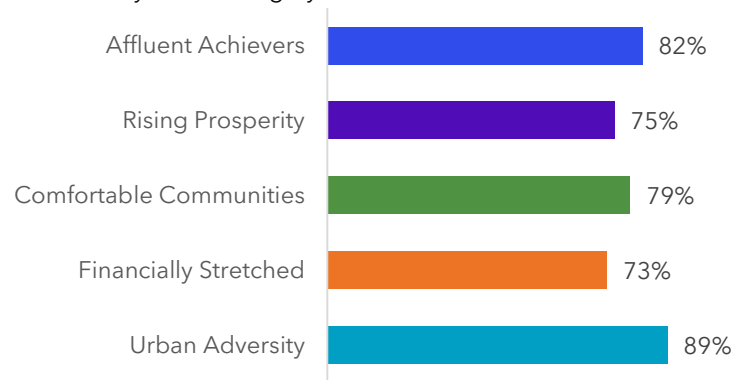
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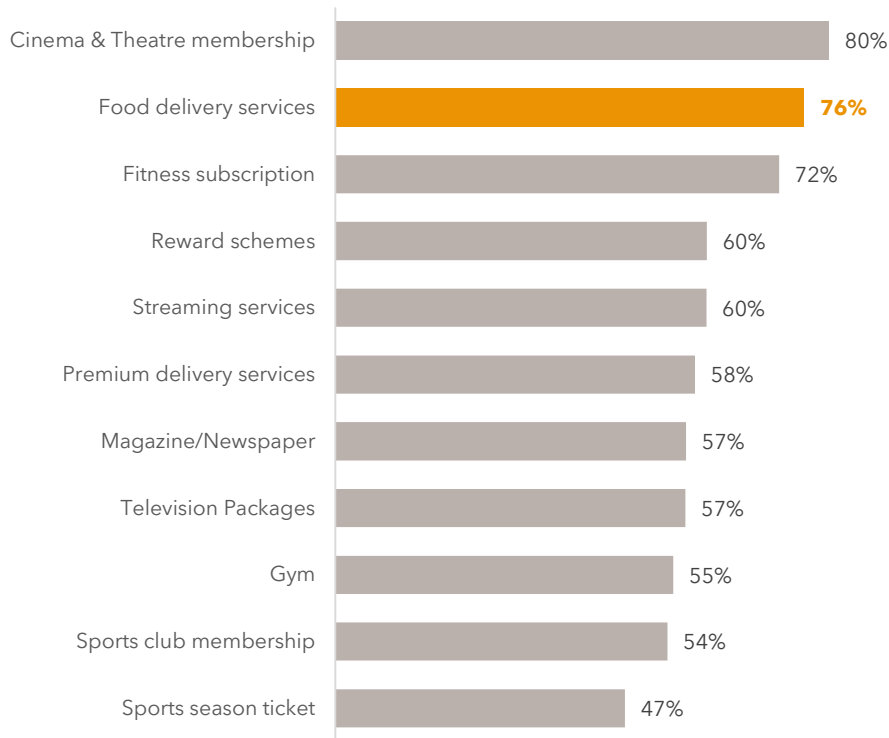
Cutting cinema or theatre subscriptions is less about affluence and more about lifestyle, with the younger Acorn categories (Rising Prosperity and Financially Stretched) least likely to cancel.

*Breakdown of those considering cancelling or have already cancelled **cinema and theatre membership** by Acorn category*



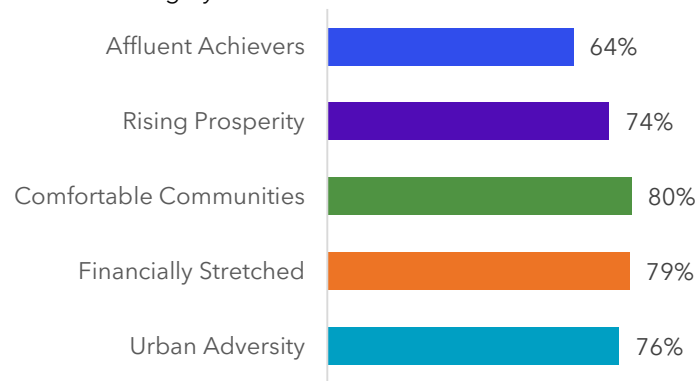
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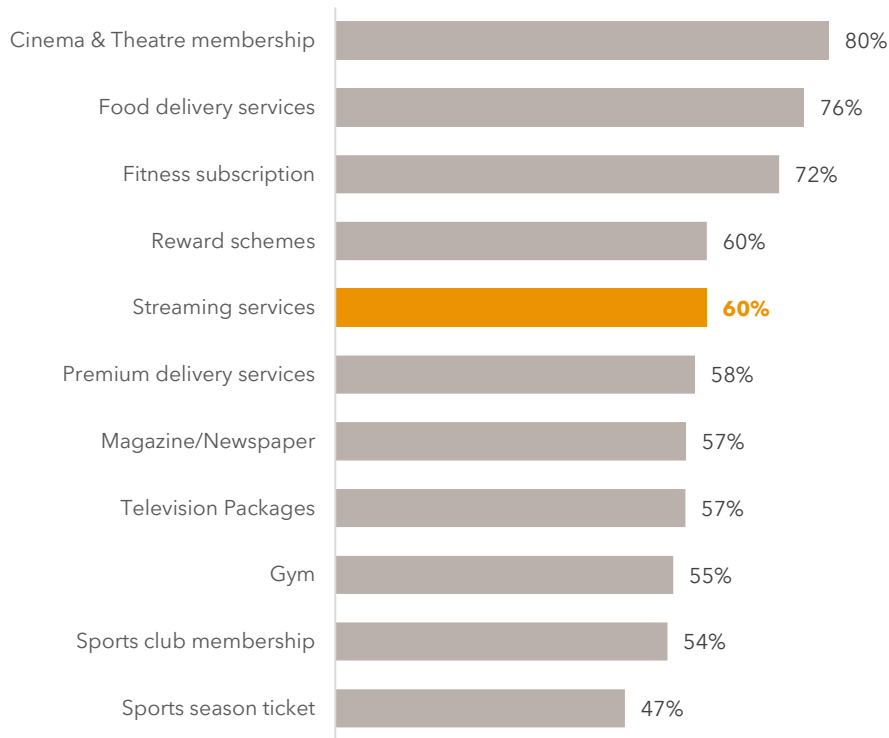
The more affluent consumer groups are most likely to keep using food delivery services. It is this same category that are most likely to cut spend on eating out in restaurants, suggesting they are prioritising eating at home over eating out.

*Breakdown of those considering cancelling or have already cancelled **food delivery services** by Acorn category*



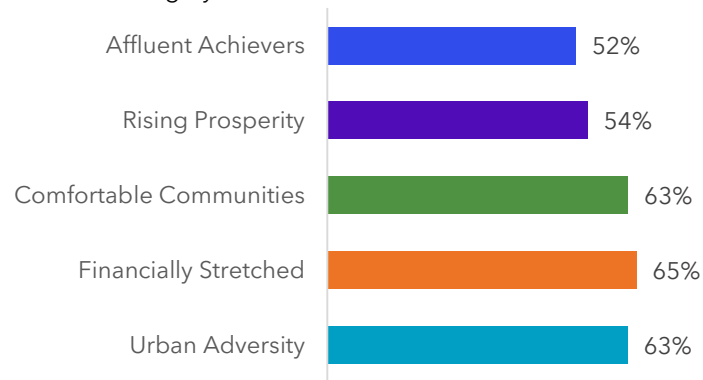
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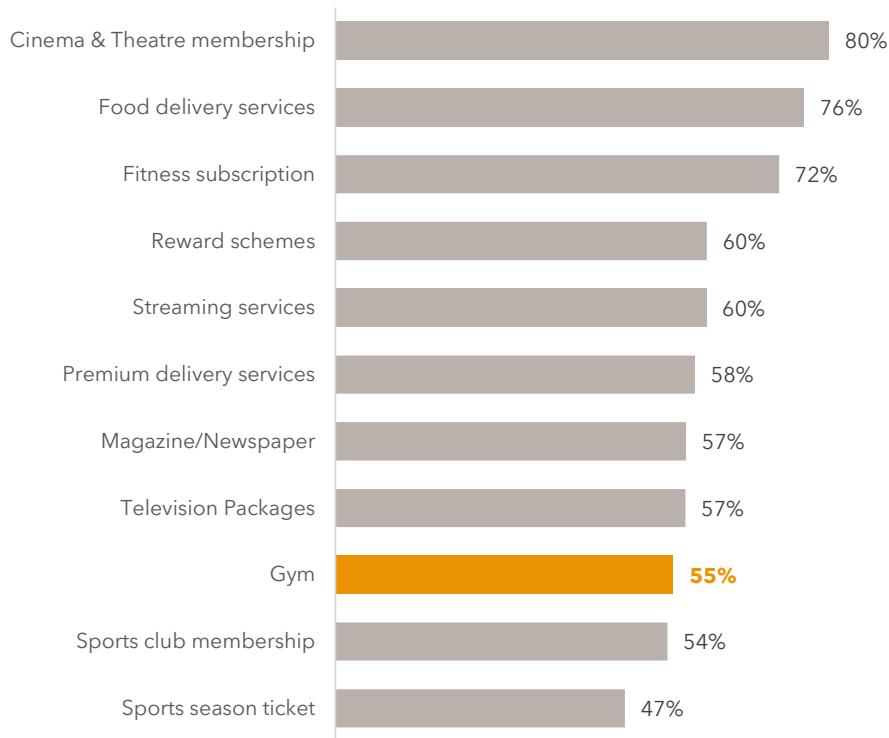
Less affluent Acorn categories are more likely to cancel streaming services. Many households, particularly since lockdown, have more than one subscription so consumers will be prioritising and cancelling the ones they use least often.

*Breakdown of those considering cancelling or have already cancelled **streaming services** by Acorn category*



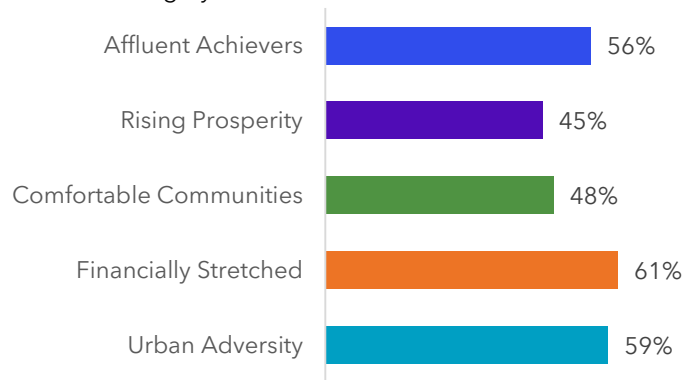
Which services could people cut?

Which of the following would you consider cancelling/have cancelled in light of the rising cost of living? (Proportion of respondents with an initial subscription)



The younger, urban dwelling Rising Prosperity are far less likely to cancel their gym membership, showing the importance they place on keeping fit. For the most and least affluent in society the chances of cancelling membership is much higher.

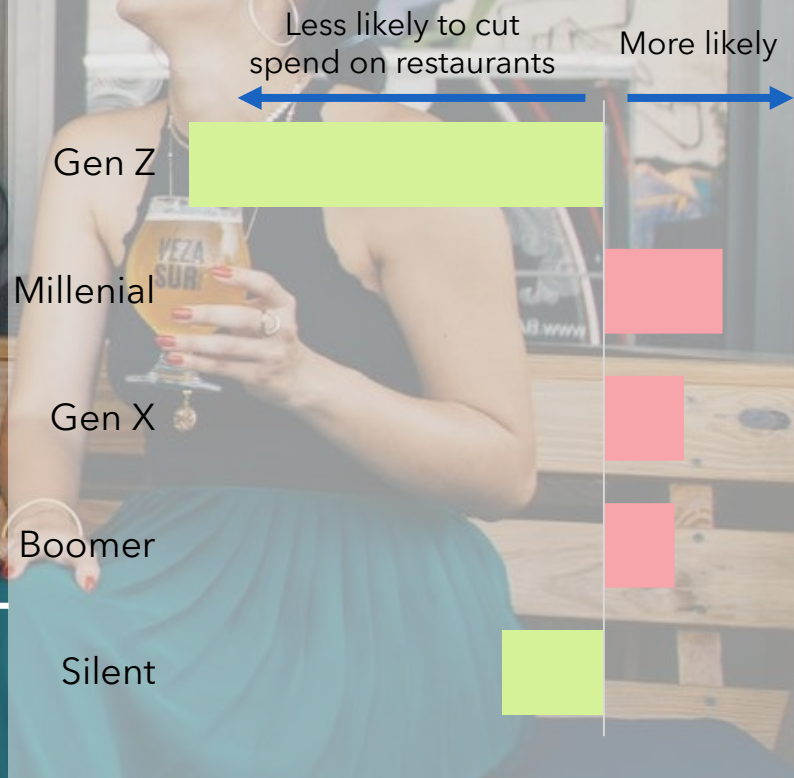
*Breakdown of those considering cancelling or have already cancelled **gym membership** by Acorn category*



How we spend our money is going to change

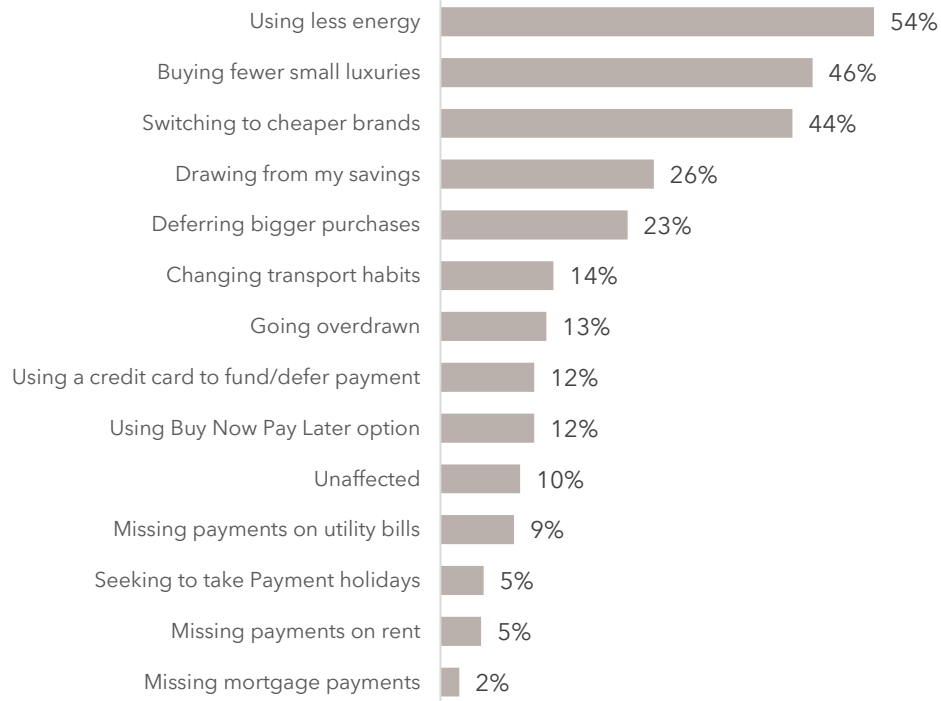
69% intend to cut spending

- Coming next
1. Fuel and energy
 2. Cancel subscriptions
 3. **Restaurants**
 4. Fast food
 5. Clothing
 6. Leisure



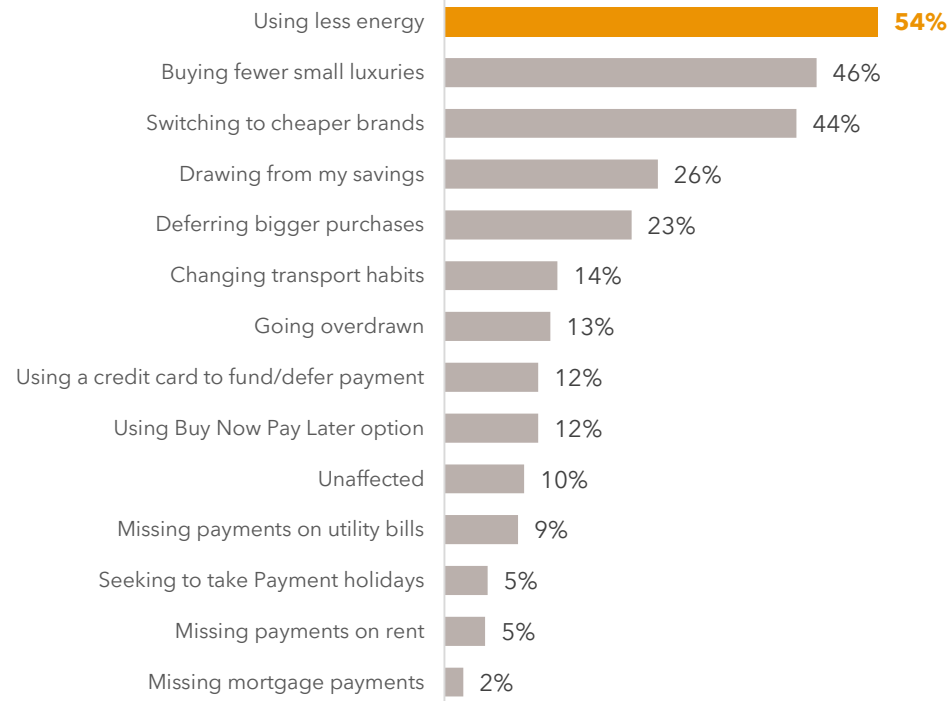
How are households planning to change behaviour?

What do you think the impact of the rising cost of living will be on you or your household in the coming months?



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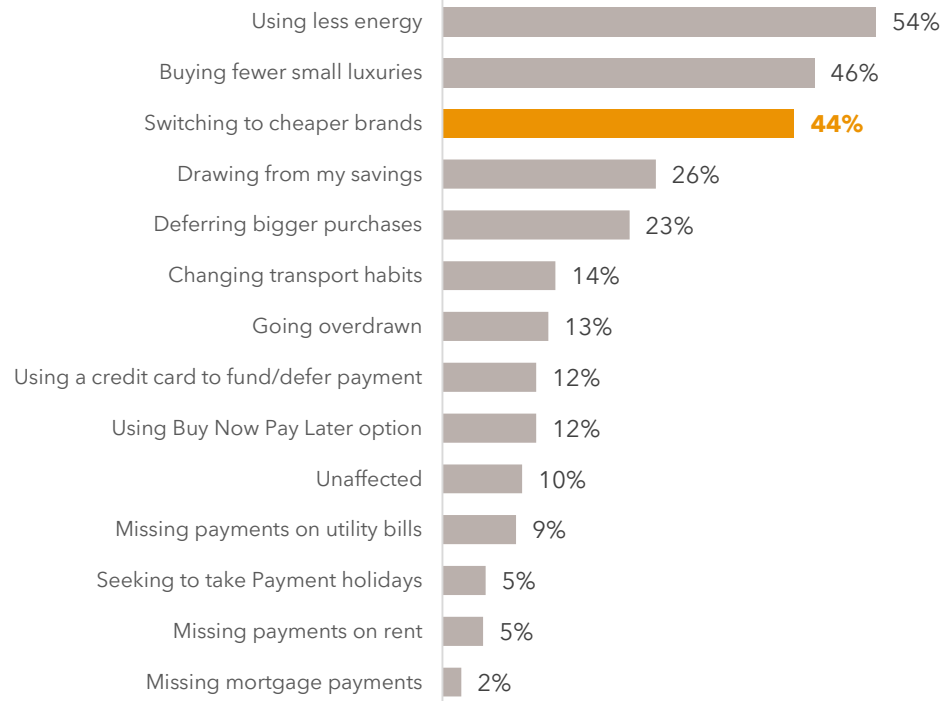
Across the demographic spectrum households are planning to use less energy, but it is the most affluent consumers that are most likely to cut spend. Perhaps linked to the fact they have larger houses and therefore bigger bills in the first place.

*Breakdown of those likely to **use less energy** by Acorn category*



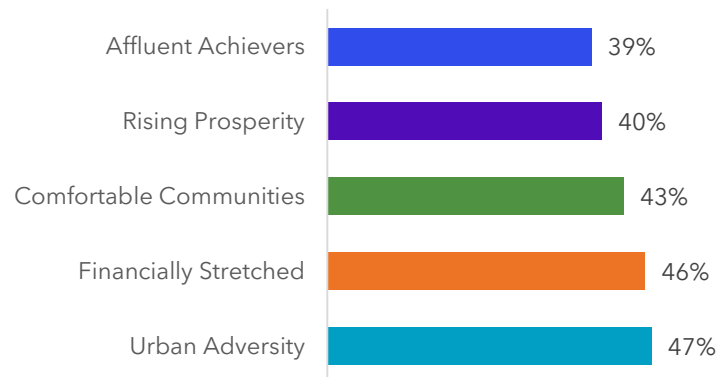
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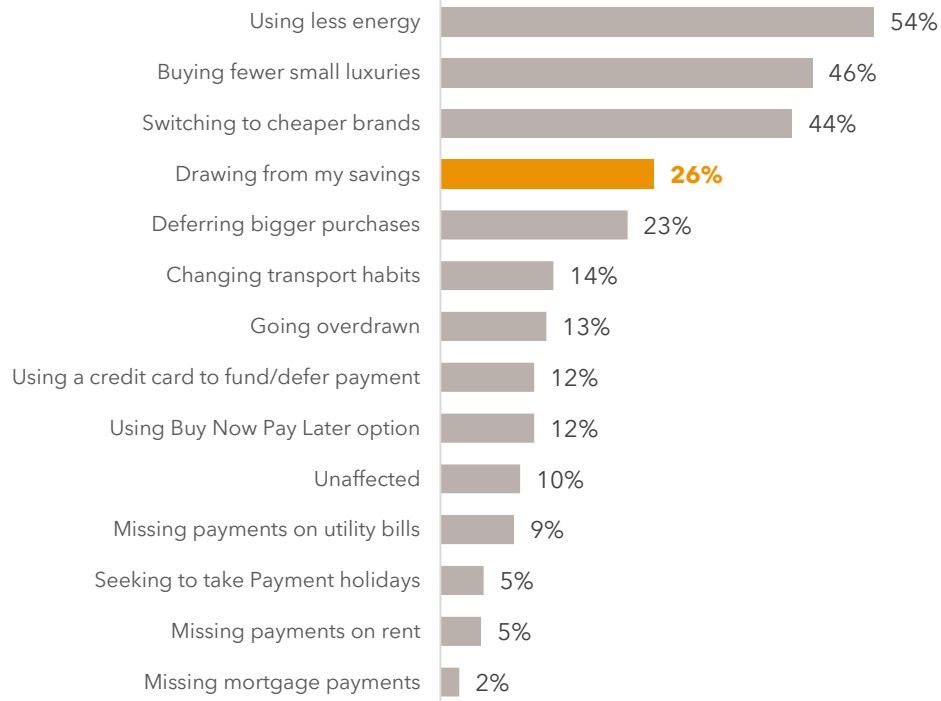
Switching to cheaper brands is most popular amongst less affluent consumers. This will inevitably lead to a rise in popularity amongst value brands or budget ranges within more expensive brands.

*Breakdown of those likely to **switch to cheaper brands** by Acorn category*



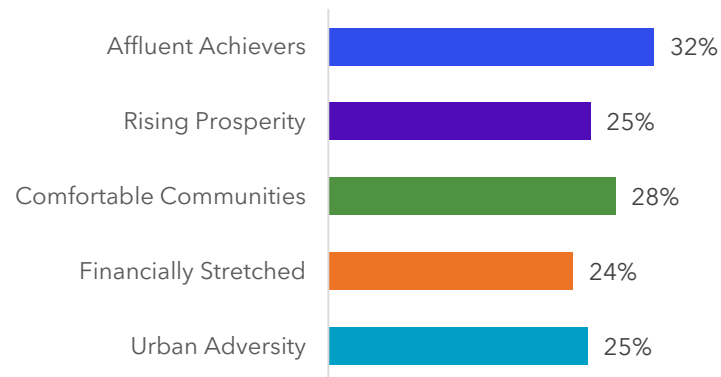
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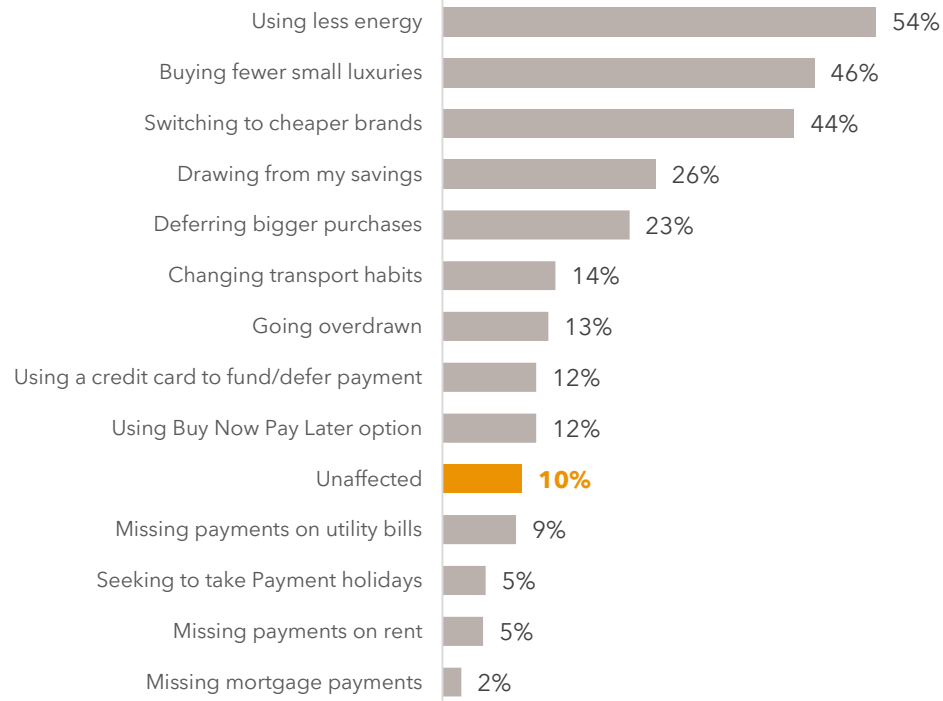
The most affluent consumers (Affluent Achievers) and the established Comfortable Communities are most likely to draw from their savings. These are the consumers most likely to have savings in the first place.

*Breakdown of those likely to **draw from their savings** by Acorn category*



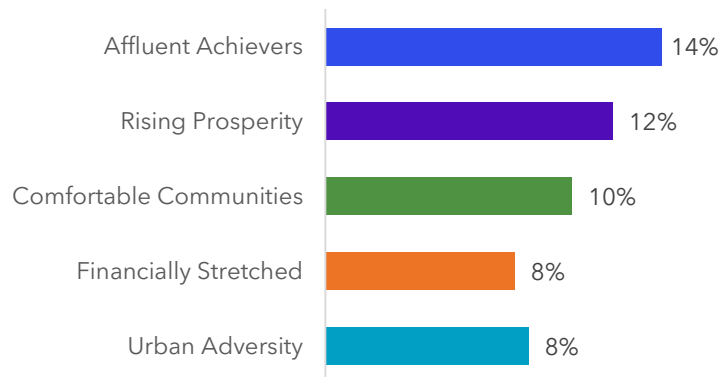
How are households planning to change behaviour?


What do you think the impact of the rising cost of living will be on you or your household in the coming months?



The effects of this crisis are going to be seen across the demographic spectrum with all Acorn categories expecting to be impacted. Overall just 10% of consumers expect to remain unaffected, rising to 14% for the most affluent consumers and falling to 8% for the least affluent.

*Breakdown of those expecting to be **unaffected** by Acorn category*



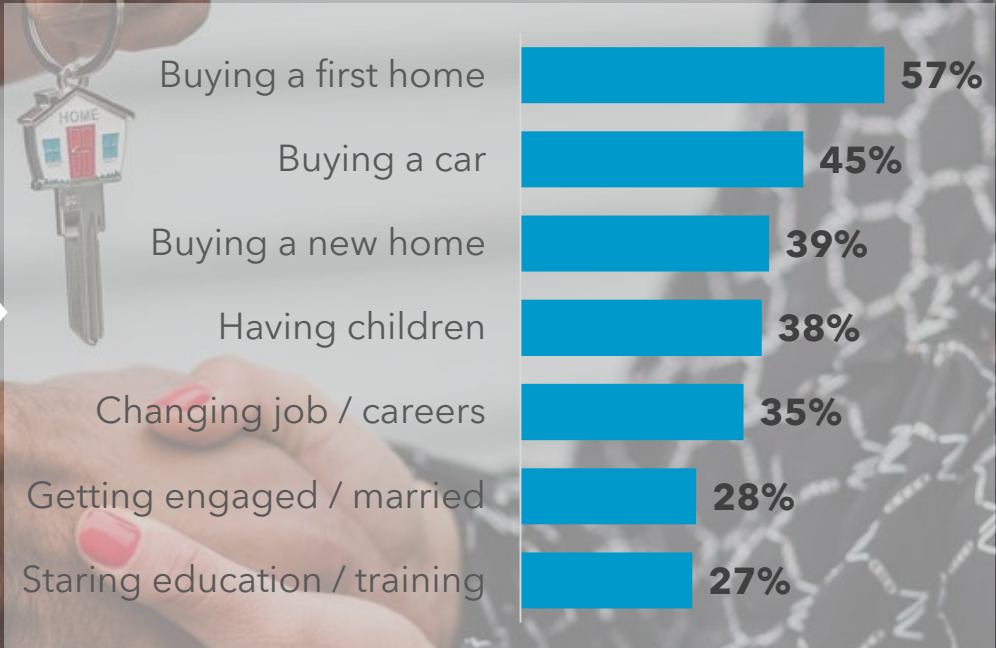
A close-up photograph of a hand with a finger pressing a button on a black scientific calculator. The calculator has various buttons including numbers, mathematical symbols, and function keys like 'DEL', 'AC', and 'REPLAY'. The background is a soft, out-of-focus grey.

*44% of consumers
are going to switch
to cheaper brands*

1 in 5 Millennials and Gen Zs expect to go into their **overdraft** and the least affluent are going to increase their use of **Buy Now Pay Later**

For many, significant purchases and life changes will be put on hold

57% of those considering buying their first home in the next year are now reconsidering this



Would you be willing to pay more for a product if you knew the brand aligned with your personal views?



Younger people are significantly more likely to remain conscious consumers, despite being one of the hardest hit by the crisis



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