



LATEST IN CONSUMER 2020



2020 TRENDS

1. Footfall or fail
2. Curated variety wins
3. Leisure spend on top of the table
4. Ingredients under scrutiny
5. Last-minute holidays

Over the past year, CIL surveyed 52,000 consumers across a range of sectors. While focused on specific topics at a time, the findings are evidence of the overarching trends affecting the consumer market.

CIL's Latest in Consumer began in 2017 and has shown a clear direction of travel for the sector. As consumers become more aware of the sector's environmental impact, they are seeking brands which reflect their core values and offer sustainable, ethical products. This currently serves as a differentiator for those ahead of the curve, but will soon become a qualifier.

Our findings show that convenience remains king, as consumers enjoy hyper-localised experiences and expect curated, personalised brand offerings.

Experiential leisure continues to drive value with some private equity investment in competitive socialising at the back end of 2019. This will likely continue into 2020 due to strong demand for this type of experience, several high-quality UK operators with headroom for growth and underpenetrated European and

US markets providing platforms for expansion or bolt-ons. We expect to see this trend grow outwards, with an increase in demand for guided and escorted tours, as well as more experiential holiday packages.

Against a difficult backdrop, the casual dining sector remains popular, but the most successful businesses will be those that have several brands and occasions under the same umbrella. For example, this could include a cocktail bar, casual dining and an upmarket restaurant, where customers can visit the same group multiple times per month.

FOOTFALL OR FAIL

Convenience remains king for the consumer. To succeed, businesses must understand the catchment in which they operate.

The retail, leisure and hospitality markets have become hyper-localised. For example, CIL's research found that 56% of competitive socialising customers travelled less than 15 minutes to a venue. Brands must understand their catchment and what demographic conditions the business needs to thrive. A gym brand, for instance, might require a different catchment to a restaurant.

Sheer quantity of footfall is no longer enough, it must also be relevant. In order to succeed, a brand must understand its customers, their behaviour, the pedestrian flow and the micro-economies of its catchment area.

Businesses should also consider the wider commercial ecosystem of an area. If a retailer plans to open a venue, it must consider what businesses are nearby and if they are complementary to its offering. Do they help to make an area a destination, or do they just dilute consumer spend?

KNOW YOUR AREA

- Do other operators in the area act as **competition** or drive **higher footfall**?
- Who is your **target** customer?
- Is this the same across **all** your locations?
- What is your **catchment** area?
- How **far** do your customers travel?



of competitive socialising
customers travel less than 15
minutes to the venue

85%

of consumers in
London travel less
than 30 minutes to a
food hall



CURATED VARIETY WINS

Consumers are presented with overwhelming choice across most categories. Retailers can improve conversion through curated personal offerings tailored for their customers. Less truly is more.

When it comes to buying decisions, online retail has paralysed consumer choice. Consumers are unlikely to convert by browsing through pages of unfiltered products. In this environment, a new breed of curators has emerged.

One category of curator allows consumers to trial a limited range of products on a subscription basis. For example, our research found that 44% of consumers trial meal kits as a source of curated inspiration. The second category creates a limited product range or inventory modelled closely on its target audience.

Simplicity stands out and having a personalised brand experience reduces consumer decision time. A brand that is unable to offer a curated experience must zero in on its customers, providing a truly audience-led approach to leisure and retail.

Advancements in technology mean brand curation will only get smarter. Nevertheless, humans are individuals. They are varied and eclectic. Over-curation can be an issue, with consumers being shown the same thing again and again. Machine-learning and AI algorithms will find it difficult to account for human idiosyncrasies.

LEISURE SPEND ON TOP OF THE TABLE

Spend on leisure and experiences is somewhat protected against economic downturns as consumers prioritise cutbacks on other elements of discretionary spend.

CIL's research found that experiences are increasingly protected. For example, nearly 70% of gym goers say that they would not consider cancelling their membership even if times got hard. Additionally, two-thirds of recent competitive socialising customers confirm that their leisure spend is protected and they would be unlikely to reduce it.

Sceptics may believe that this doesn't correlate with market dynamics, pointing to the recent decline in the casual dining sector. But this cannot be attributed to a lack of demand, an over-abundance of supply is, and remains, the key factor.



2/3

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INVESTMENT IN LEISURE CONTINUED THROUGH 2019

- Bridgepoint invests £20m in food court provider Market Halls
- PureGym acquires Fitness World
- Triton Pacific acquires 117 Pizza Hut restaurants for \$80M

INGREDIENTS UNDER SCRUTINY

Consumer brands are undergoing major change. Provenance is associated with quality, sustainable sourcing is sought and minimal packaging is desired.

CIL's research found that over the last three years 22% of consumers have switched one or more of their general toiletries to products with ethical or environmentally friendly ingredients. For consumers aged 16-24, this rises to 42%.

The reason behind the shift is twofold. Firstly, consumers are becoming increasingly environmentally conscious. They are paying more attention to the waste produced by the products they buy and its effect on the environment.

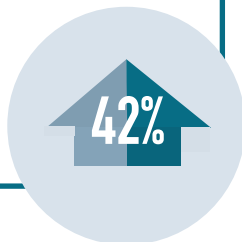
Secondly, there is increasing awareness about ethical consumerism regarding animal welfare, human rights and political movements. Vegan and cruelty-free brands are on the rise, driven by this dynamic.

Yet, while newer brands are using ethical sourcing and sustainability as a differentiator, the market is shifting quickly. Soon, sustainability will become a brand qualifier. Larger brands are already pivoting, with fashion giants like H&M and ASOS introducing ethically conscious ranges this year.



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AN ETHICAL SEAL OF APPROVAL

Ecolabels signify a product's ethical credentials. However, with 463 different ecolabels listed in the independent Ecolabel Index, it's clear there will need to be some consolidation to ensure credibility.

Examples of ecolabels include:

Fairtrade

When a product carries the Fair Trade Certification Mark, it means the producers have met Fairtrade Standards which include social, environmental and economic criteria.

B Certified

Businesses with a B Corporation Certification have demonstrated that they meet a long list of social and environmental performance standards and have a legal structure focused on corporate accountability.

Global Organic Textiles Standards (GOTS)

GOTS aim is to unify the various existing textile standards. It traces certified organic fibres (mainly cotton, but also certified wool and silk) through the supply chain from the farm gate to the final supplier.

LAST-MINUTE HOLIDAYS

Gone are the days of Saturday-to-Saturday holiday bookings. Consumers are looking for shorter, more flexible trip lengths and are increasingly delaying booking until the last minute.

The traditional one- to two-week British holiday has taken a back seat in favour of more frequent and flexible mini-breaks. This last minute approach can be more logistically challenging for operators, but often commands a per night premium.

Half of consumers now book their holiday less than three months before the departure date, with 20% of 18-24-year olds booking just one month in advance. This has trended upwards for a number of years.

Additionally, the rise of experiential holiday options, such as being able to stay in unique locations like eco-pods and treehouses, has also affected the decision-making process of travellers. For leading traditional holiday operators, helping to curate experiences beyond just accommodation can attract holidaymakers that are increasingly seeking more.



While implementing this en masse is no easy task, successful operators see this as an opportunity to truly differentiate in a crowded market and to improve customer repurchase.

Adapting to technological change remains critical. With ABTA reporting that 81% of travellers booked their holiday online in 2018, the need for a clear digital strategy is key for domestic travel operators. This trend is increasingly cross-generational – our own research shows that more than 60% of over 65s now book online. Successful travel businesses have an engaged cross-platform presence and are investing money in marketing spend specific to their target customer.

GET IN TOUCH

CIL provides strategy consulting and due diligence support to management teams and investors. We are rigorous in our approach, confident in our conclusions and expert at what we do.

Our consumer team goes beyond market data, leveraging real sector knowledge to help investors and businesses understand and navigate the highly dynamic consumer and retail landscape.



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