

Food Retailing - UK - November 2010

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What is this report about?

2009 was a relatively quiet year for the major food retailers, insofar as any year could be said to be so for companies that are so large and so dominant not just in their own sector, but in UK retailing as a whole. After the campaign of vilification in the media in 2007 and the Competition Commission report that, on the whole, gave the market leaders a clean bill of health, the media has moved on to other topics. Consumers had to cope with the financial crisis and recession of 2008/09 and the food retailers were faced with a radical change to the trading environment that they had become used to. And they responded well, shifting the emphasis of their offer to lower priced and entry level goods, only to find that by the end of 2009 they had to shift back again.

What have we found out?

- Online shopping is growing fast, but it still only accounts for 3.7% of all food retailers sales and 85% of sales go through the sites of the market leaders. But 8.5 million people (17%) say they buy online at least occasionally, far too large a number for any food retailers to ignore, so all of the majors must stay in the market if only to protect their market share.
- It is easy to say that convenience or low prices are the most important factors for consumers in choosing a store, but using a more sophisticated approach it becomes clear that consumers look for value for money, which is a combination of quality, price, depth of range and several smaller, though significant factors.
- Nearly 40% of UK consumers (20 million) use Tesco for their main weekly shop. Tesco dominates the middle mass market, leaving the others to fight around the periphery. The challenge for all the other players is to establish a point of difference in the market without closing off large parts of the mass market.
- Self scanning is proving a highly popular innovation, with 40% (20 million) of consumers using it regularly, although 56% (28 million) of people say they would prefer more staffed checkouts and 46% (23 million) say they prefer someone else to scan their goods. The clear implication is that for all the advantages of self scanning, supermarkets cannot afford to ignore the need for human interaction.
- Buy-One-Get-One-Free is by far the most popular sort of supermarket promotion, though extra product and money off are also popular. BOGOFs are twice as popular with consumers as EDLP, the preferred marketing strategy of Wal-Mart and Asda.
- Consumers have little enthusiasm for loyalty cards. BOGOFs are five times more popular with consumers than loyalty cards. This presents a major problem for retailers who value the information gathered with a loyalty card and partly explains why Tesco has decided it has to offer double points.

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