

Food Retailing - UK - November 2011

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"These are tough times for the food retailers. For the first time trading down is becoming a big issue, thanks to their own success in building premium ranges in the good times.

There's a real scrap developing at the lower end of the market, but Sainsbury's seems relatively immune, though it is doing the right things as well.

And there's little prospect of any improvement. The food retailers are going to be squeezed by high levels of inflation and falling disposable incomes.

There's no point in ignoring the fact – the next couple of years are going to be very tough"

– Richard Perks, Director of Retail Research

In this report we answer the key questions:

- What size store are consumers more likely to shop in?
- Is appearance or reality more important for consumers?
- Is it the end of the line for loyalty cards?
- What are consumers doing to ease financial pressures and what effect is this having on food retail?
- How can retailers build trust with consumers?

Inflation has been rising and consumers have not wanted to cut back too much on what they eat. So they have been willing to spend a little more on food (while actually buying less) and cutting back much more elsewhere, especially on leisure pursuits.

With some sales growth and cost pressures under control, the retailers have not suffered much pressure on margins. However, the squeeze on spending power continues and is unlikely to abate over the next couple of years. The food retailers still face very challenging trading conditions.

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