

# Customer Loyalty and Discounting in Retailing - UK - August 2009

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## What is this report about?

The recession provides the ultimate test of customer loyalty to those stores where shoppers spend the bulk of their money. But are shoppers altering their spending behaviour in favour of cheaper goods and cheaper retailers, or are people simply saving money by buying differently from the retailers they always use?



## Key issues covered in the analysis

- In the recession there is heightened awareness of promotions when grocery shopping, with 54% buying more food on special offers and multi-buys. Grocery retailers need to ensure that price promotions are changed frequently to ensure the attention of shoppers is held.
- There is also evidence of down trading and cutting back, with more than a third buying more budget own brands and nearly three in ten spending less on treats and luxuries. There is scope to link spending on budget own brands with the bonus of a free treat to lighten the gloom.
- While 10.7 million adults are buying more from discount grocers, only 2 million have changed their main grocery store in the last year, suggesting that it is the pattern of spend between retailers, rather than outright brand switching, which is taking place.
- Around 37 million adults participate in at least one customer loyalty scheme, with Tesco Clubcard alone being used by over half the adult population (26.6 million), including those who do their main shopping at other stores.
- Participation in loyalty card schemes does not drive customer loyalty to a particular store, with only 2% saying they would stop shopping at a store they use regularly if it terminated its loyalty card scheme.
- One in three (16 million adults) take their loyalty card rewards as a cash discount off the bill each time they shop, and further analysis shows only 6.6 million adults could be described as 'Loyalty Card Enthusiasts'.

## Scope of the report

Coverage of loyalty schemes in the report excludes:

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