

Discounters - UK - August 2010

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What is this report about?

This report focuses on the hard discounters (see below). They are a distinct group of retailers with a unique style of retailing. They have been hugely successful in Germany, where they originated and where they now have 40% of all food retailers' sales. But they have not had the same degree of success anywhere else and in most European countries their share of food retailers' sales is under 5%.

What have we found out?

- The two most important factors in choosing a supermarket are convenience and price. Hard discounters can lead on the latter, but have to persuade consumers that they should be prepared to make a second trip to do their weekly shopping trip.
- Hard discounters do not appeal just to the poorest members of society, they also attract savvy affluent consumers who know that some products are exceptional value for money.
- Two thirds of all consumers use hard discounters at least occasionally. But there is a lack of enthusiasm for them. While two thirds of people shop there occasionally, only 41% think they offer good value for money.
- Only 11% of consumers say they enjoy shopping at a hard discounter. Hard discounting is a compromise between low prices and low operating costs on the one hand and a pleasant shopping experience on the other. The hard discounters need to make more of the opportunistic non-food purchases to add excitement to their retail proposition.
- 19% of consumers have not shopped or would never shop again at a hard discounter. They don't like the downmarket feel of the stores or the lack of range and brands.
- Nearly half of all consumers occasionally shop at the hard discounters. These shoppers split into two groups. Some use them simply because they are there and are convenient to use for top-up purchases. The rest come to cherry pick the offer for items that are exceptional value. The challenge for the hard discounter is to encourage these shoppers to spend more. But for both groups that would mean compromising the format – either adding more lines or seeking to improve the quality of products across the range.

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