

£7.1bn Of Grocery Spend Up For Grabs If Waitrose Can Convert 'Shallow Shoppers'

Contributed by Kantar Worldpanel

Untapped Waitrose fanbase could offer up to five percent growth

Waitrose could gain as much as £7.1bn of new business by courting consumers trapped in unfulfilling relationships with their current food retailer, new research from global consultancy TNS has found.

The findings of The Commitment Economy, a global survey of over 39,000 people in 17 markets released today, show that Waitrose could increase its share of UK shopping visits by as much as 4.9 percent (equivalent to £7.1bn) by addressing the needs of 'Shallow Shoppers' - consumers which would love to shop at a better quality retailer, but who are unable to because alternatives are too far away or too expensive.

The unique modelling exercise, utilising the study's UK data, found that Waitrose and Marks & Spencer are in the strongest position to convert this type of shoppers, most of whom currently shop at the Big Four - Tesco, Sainsbury's, Asda and Morrisons. The premium retailers emerged as the most desirable grocers among the consumers surveyed, regardless of where they shop themselves.

Together, Waitrose and Marks & Spencer stand to gain over £14bn of new business from customers who would switch retailers if they could.

Judith Passingham, CEO, TNS Northern & Eastern Europe, said, 'Waitrose and M&S are in the enviable position of being desired by millions of 'Shallow Shoppers' who would switch retailer if they could: the opportunity can be realised by making their products accessible to those people. And this doesn't necessarily mean diluting the brand. Many people thought Waitrose's innovative Essentials range would devalue the experience of shopping there, but it has resulted in a significant increase in market share.'

Waitrose has employed a range of strategies in recent years to expand its UK presence, such as its 'Price-Match' campaign where point of sale is placed on hundreds of product lines to announce that they are the same price as Tesco or Sainsbury's. This has helped the grocer continue to grow ahead of the market.

The findings prove that even in tough economic times, quality and a fulfilling consumer experience are still a high priority for the UK's shoppers. Speciality retailers such as bakers, butchers and fishmongers emerged as having the third biggest growth opportunity behind Waitrose and Marks & Spencer. These smaller players could gain up to £5.4bn collectively by offering fresh, local produce and a more intimate shopping experience.

Jan Hofmeyr, Chief Researcher, Behaviour Change, at TNS said, 'Many of the biggest names in the retail sector enjoy unrivalled market share, but this does not secure their long-term growth if consumers have little or no commitment to the brand. They may continue to part with their money for reasons beyond their control, but the minute more attractive options are available they are likely to switch. This makes them an easy target for competitors looking to steal a march.'

'Ambivalence in the minds of consumers represents a significant risk to the market leaders in retail - so in the case of Tesco, a dual focus on hearts and minds will help it retain its dominant market share,' he continued.

The research reveals that Tesco's key strengths of convenience and affordability have helped it to retain its leadership position - but that a need to connect with customers through a good experience is also key. This focus on winning hearts as well as minds can be seen in Tesco's recent deployment of 20,000 new staff to ensure every shopper receives excellent customer service and fresh, quality produce.

TNS estimates that up to 9 percent of each of the Big Four retailers' current share of UK shopping visits comes from people who would spend a significant portion of their grocery budget elsewhere if they had the option to do so. These share figures are worth as much as £13.1bn to Tesco, £5.5bn to Asda, £1.8bn to Sainsbury's and £1.4bn to Morrisons.

Judith Passingham continued, 'The great news for the Big Four grocers is that the 'Shallow Shoppers' they need to reconnect with are still right within their aisles, so providing they listen to what people really want, there is an opportunity to change perceptions and win back hearts and minds. Tesco's recent endeavours are a great example of a retailer realising it must act on feedback from customers to ensure it stays number one.'

TABLE: Who has most to gain?

TNS has calculated which retailers have most to gain by courting 'Shallow Shoppers'. Stores are ranked in

terms of which have the greatest market share growth opportunity based on number of shopping visits (see further details of methodology below).

The Commitment Economy is a global study conducted by TNS using the ConversionModel tool (see details below) to explore brand and category dynamics in different categories across 17 markets, based on conversations with over 39,000 people.

It provides deep insights into emotional engagement, brand commitment and the real drivers of brand choice, identifying where the biggest growth opportunities lie for brands and how to exploit them.

The Commitment Economy covers the following categories: Automotive, Alcoholic Beverages, Coffee, Haircare, Headache Remedies, Laundry Detergents, Payment Methods and Retail. The following markets were included in the study: USA, UK, Germany, France, Spain, Netherlands, Sweden, Brazil, Russia, India, China, Australia, South Africa, Nigeria, Indonesia, Turkey, Poland.

The research was conducted using TNS's ConversionModel™. ConversionModel evaluates the two critical factors affecting brand choice; 'power in the mind' (how people feel about a brand) and 'power in the market' (factors like price and availability). It assesses the extent to which people are emotionally connected to brands as well as diagnosing the barriers which may prevent them from using the brands they want to use.

Methodology

TNS questioned over 39,000 people in 17 countries. The UK study was conducted between 1 March 2012 and 15 March 2012, covering 2,522 adults over the age of 18. A total of 585 people in the UK were interviewed about grocery stores.

The 'potential growth value' figure is calculated by establishing the equity gap between the share of shopping visits that each person gives to a particular retailer currently and the share which we believe they should give to them based on the level of commitment they have for that retailer.

Current share is calculated by asking a question that establishes where each individual shopped on the last ten purchase occasions. Commitment is measured through a series of questions which measure levels of satisfaction, brand engagement and competitor appeal.

People are considered potential opportunities if their 'power in the mind' for a brand exceeds their current share; they are considered at risk if their current share exceeds their 'power in the mind'. They are considered steady if their two values are roughly equivalent.

About TNS

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