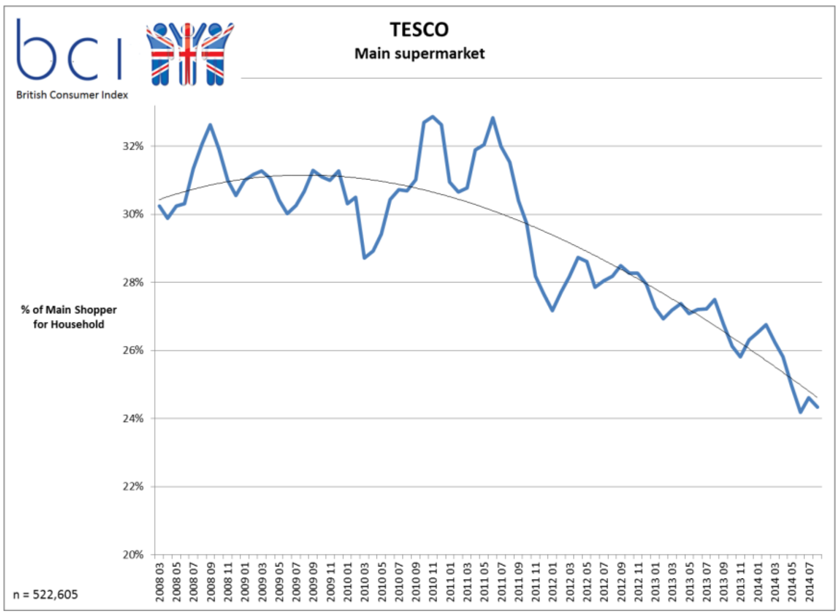
British Consumer Index

TESCO Stuck in the Middle?

Loyalty has played a big part in the Tesco success story. Clubcard was the example which other organisations sought to emulate, and rightly so. However, the latest figures from The British Consumer Index seem to show that the formula is no longer as powerful as it was.

The chart below shows the percentage of 'Main Shoppers for the household that regard Tesco as their main supermarket. As can be seen the trend is clear.



Up until late 2011 things were looking good, then in 2012, things turned a corner.

Whatever the reason, the trend shows that Tesco is losing ground as people's core supermarket. Loyalty seems to be declining despite Clubcard and efforts to aggressively compete on price.

In fact as can be seen from the changing customer profile (see below) the focus on price may have been a cause of the decline, attracting a more promiscuous consumer base. Worse than that, it may have put off their previously loyal customers.

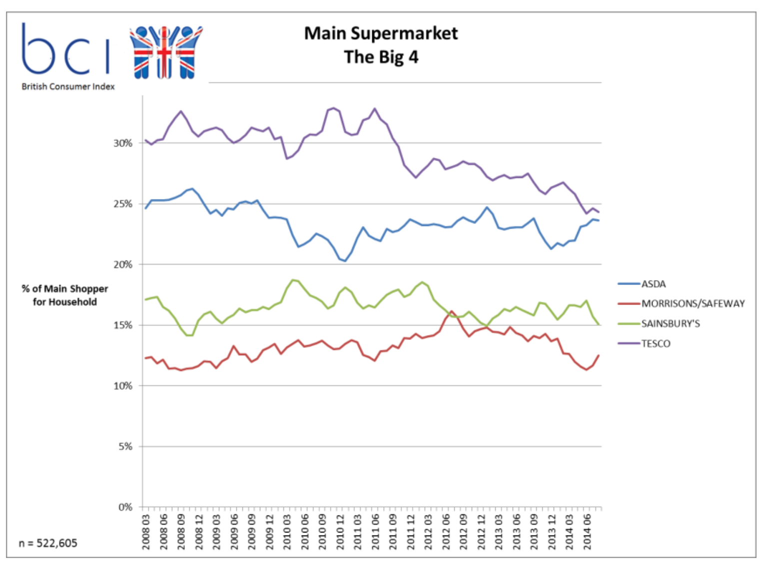
By comparison other supermarkets are doing considerably better.

ASDA challenges Tesco and Sainsbury's Steadies the Ship

Of the 'Big 4' supermarket chains Sainsbury's appears to be showing some signs of stability but it is ASDA that seems to be improving most.

The number of main shoppers for the household who regard ASDA as their 'Main' supermarket is now almost on par with Tesco. A position that seemed unthinkable back in 2010!

Morrisons decline in market share is really about the last 12 months accelerating over the period from November 2013. The last couple of months, however, have shown an improvement.



Of the 'Big 4' it is Tesco that seems to be showing the most sustained long terms downward trend. Perhaps squeezed by ASDA and Aldi on price and Sainsbury's on perceived quality. An uncomfortable middle ground.

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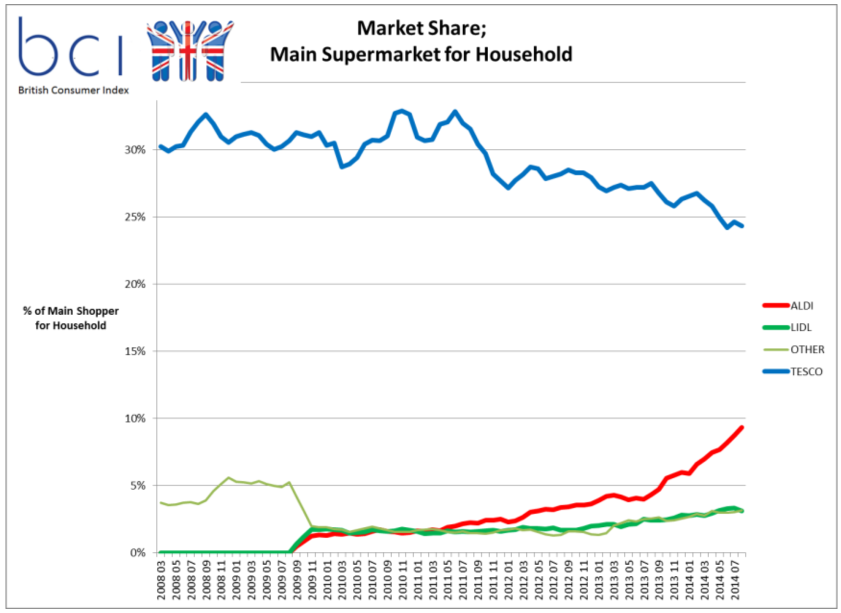
What about ALDI and LIDL?



Probably no surprise to see that both Aldi and Lidl, particularly Aldi have grown their share considerably.

Their combined total has grown to 12% of main shoppers considering one of them their main supermarket. That's half of the Tesco total.

Prior to Q4 2009 both of these supermarkets were included in 'Other' in our data collection. From then we removed them from the 'Other' category and analysed them separately. As can be seen from the chart (left) nothing much happened in terms of market share until 2011, the same time as Tesco started to lose share.

It is also apparent that the 'Other' category (without Aldi and Lidl) has continued to grow possible reflecting the growth in the 'Convenience Store' sector.

Who Shops Where?

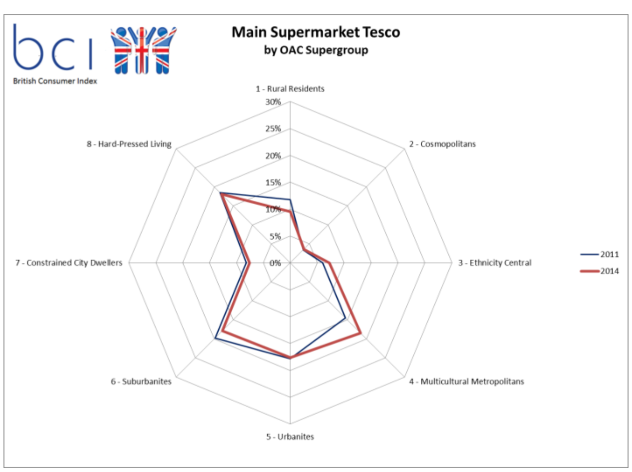
There are many ways to look at the profile of a group of individuals, for the purposes of this exercise we have selected the Output Area Classification based on the 2011 Census data. This is a classification produced by the Office for National Statistics in conjunction with University College London. (see; http://www.ons.gov.uk/ons/guide-method/geography/products/area-classifications/ns-area-classifications/ns-2011-area-classifications/index.html for full details)

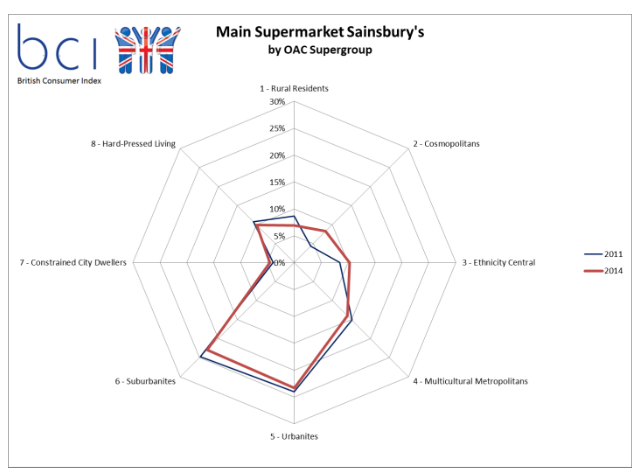
The classification was released in July 2014 and is one of 11 different classifications (from; Acorn, Cameo, Censation, Mosaic, Personicx and P^2 People and Places) used by The British Consumer Index.

The Charts below show the OAC Supergroup profiles of the households who regard each of the 'Big 4' supermarkets plus Aldi and compare the profile from 2011 with the current profile.

In the main the profiles have not changed significantly although Tesco seems to have had the most significant shift.

In 2011 the largest group of Tesco shoppers was 'Suburbanites' this has now been replaced by 'Multicultural Metropolitans'. In the main, however, it can be seen from the comparisons with the other supermarkets that Tesco has the most even distribution of customers. A reflection of store location, size, or lack of direction?





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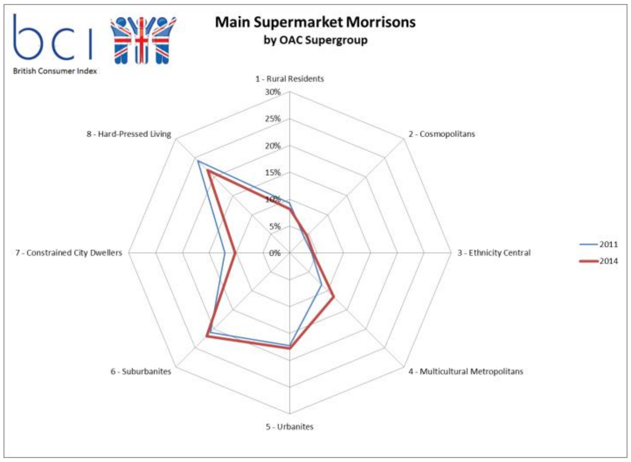
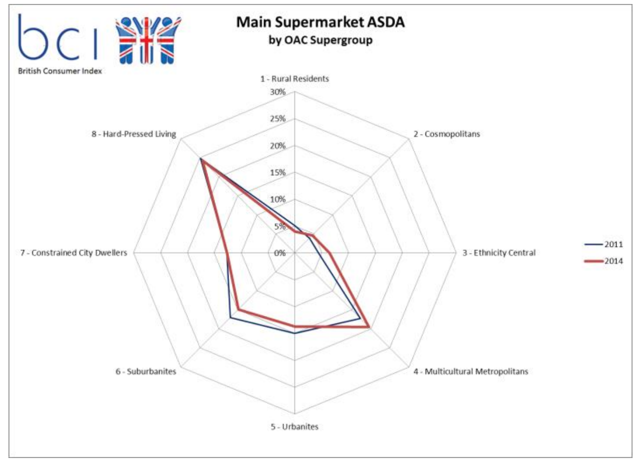
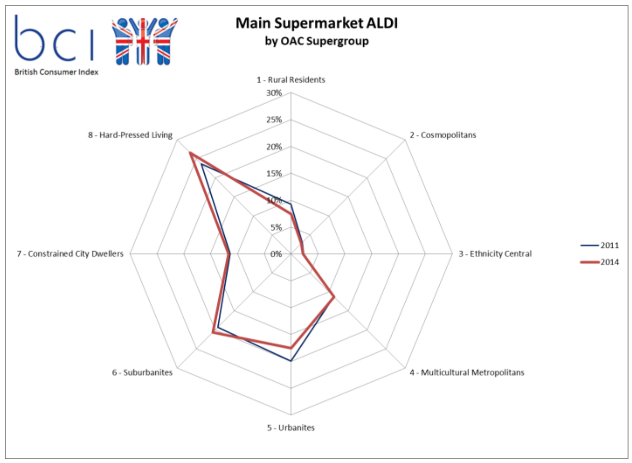
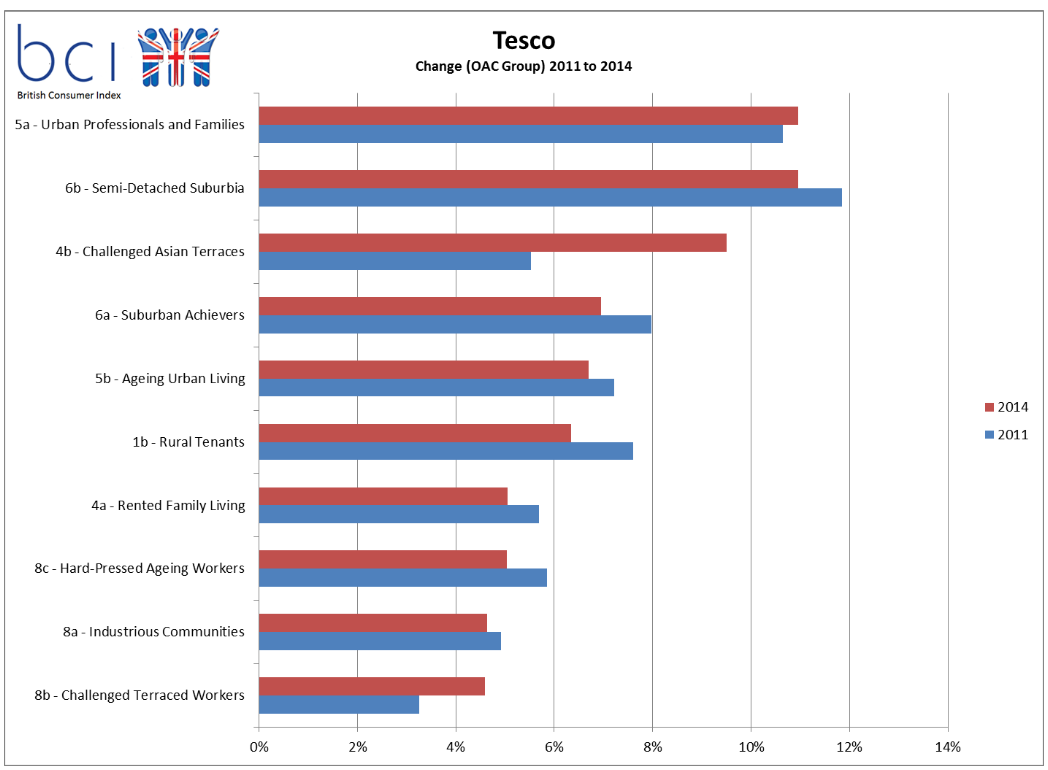






Has Price Focus Changed Tescos' Customer Base from Semi Detached to Terrace?

Looking at the customer base at the next level of detail the chart below contrasts the OAC Groups which have grown or reduced as a percentage of the Tesco customer base.



By far the most significant shift is in 'Challenged Asian Terraces' which now makes up 10% of the customers who regard Tesco as their main supermarket (up from 6% in 2011) followed by the rise from 3% to 5% in 'Challenged Terraced Workers'.

By contrast the two significant 'Suburban' groups (Semi-Detached Suburbia and Suburban Achievers) have declined from 20% to 18%, only 3% bigger than the two 'Terraced' groups.

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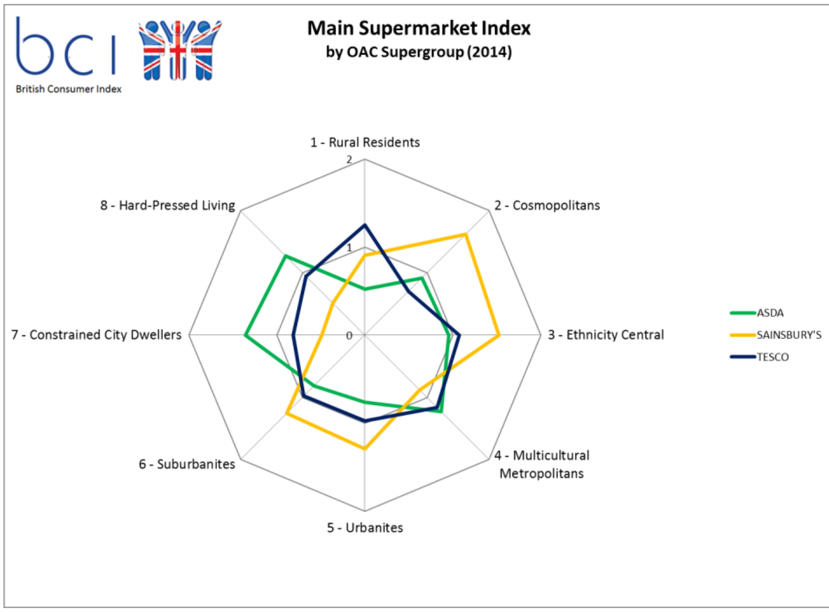
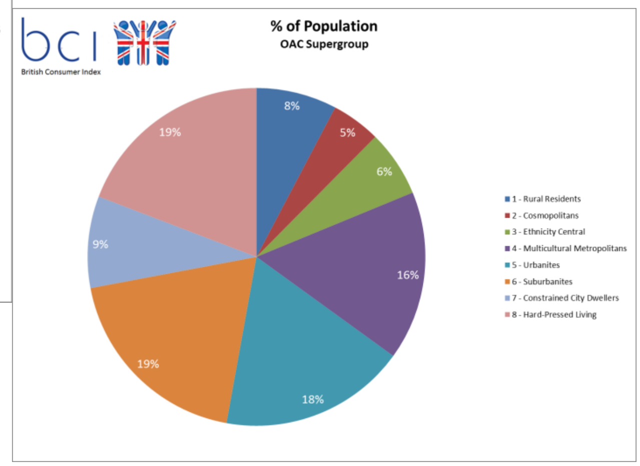


Looking at the index of the customer base of Tesco compared with ASDA and Sainsbury's it can be seen that Tesco seems to be caught in the middle with ASDA overindexing in the big less affluent groups and Sainsbury's in the key Urban and Suburban areas.



Perhaps the focus on price had had the effect of changing the customer mix rather than increasing, or even defending, the share of more affluent consumers. While a brand that has always positioned itself as 'cheap and cheerful' can become acceptable to all, getting a 'bargain' is now something to be proud of, even 'Trendy' it is far more difficult for an essentially middle class brand to position itself as 'the cheapest' without turning off its' traditional loyal customers.

All data is sourced from The British Population Survey. Data is collected by between 6,000 and 8,000 individual face to face interviews from a population representative sample of people aged 15+ each month. The total sample size used in the above figures is 522,605.

The data is available by annual subscription or as individual data sets for further analysis and modeling

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