

Food and Non-food Discounters: Incl Impact of COVID-19 - UK - October 2020

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This report looks at the following areas:

- The impact of COVID-19 and resulting economic uncertainty on the discounter market
- A forecast for the sector including the expected impact of the second COVID-19 national lockdown
- The rise of online retail and how it affects the discount retailers
- Who shops at the discounters and what they buy
- The increasing innovation and diversification seen across the discount sector

Shopping at the discounters is ubiquitous with 96% of UK consumers typically shopping at one. Although most demographics are shopping at the stores, younger shoppers were particularly prevalent, with 98% of 16–24 year olds shopping at discounters. Despite this, online shopping was under-used, just 6% of discounter shoppers shopped online at a discounter.

The COVID-19 pandemic presents an unprecedented challenge to the UK retail sector. The discounter market, however, looks set to benefit from the economic uncertainty and low consumer confidence. Although the conditions are not identical we can look back to the recession of 2008 to understand how the discounters can benefit from these conditions.

The discounters' simple, low-cost model led to strong performances against the traditional retailers and an increasing share of the grocery market. Over the last couple of years however, the discounter market has matured and that growth is beginning to slow. The discounters will find themselves competing with each other more than ever. With online retail changing the way we shop the discounters may find themselves at a disadvantage versus the traditional retailers which have well developed and funded ecommerce operations.

Although the discounters' low engagement with online retail is a serious risk, it also represents a real opportunity. Our research has shown that the key



“The discount sector is well positioned to benefit from the economic uncertainty in the UK caused by the COVID-19 pandemic. With a more mature market, competition will be fierce and retailers will have to work hard to differentiate themselves.”

- Piers Butel, Research Analyst

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demographic for the discounters is the same as that for online retail. If the discounters are able to find ways to combine their low-cost models with ecommerce operations it could provide them with a new source of growth.

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