

THINK RETAIL THINK VERDICT



How Britain Shops 2008

Published: June 2008

Individual Sector Report Price: £2,495/€3,610/\$4,795

About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



“Verdict are the company of choice for any research analysis and insight into retailing”

Sir Stuart Rose
Chief Executive of Marks & Spencer

How Britain Shops 2008

What is Verdict's Consumer Dynamics Programme?

Verdict's consumer dynamics programme (cDNA) provides a series of analytical products and services based around retail consumer research including How Britain Shops, Where Britain Shops and the Consumer Satisfaction Index.

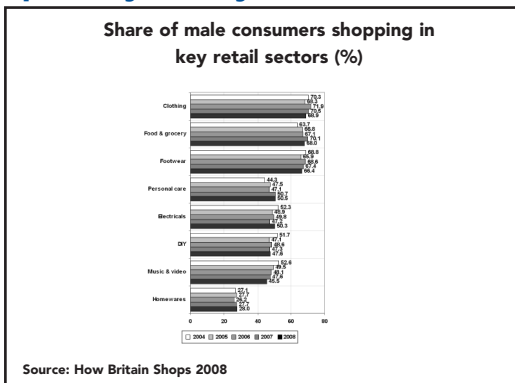
Over the past nine years Verdict has conducted over 54,000 interviews with UK consumers about their shopping habits amongst other things asking them what they shop for, where they shop for it and what factors they look for when selecting a store. The result of this intensive and ongoing study is a wealth of data that tracks market trends, company performance and consumer behaviour. This, together with Verdict's analytical insight, makes the cDNA programme one of the most pre-eminent consumer research tools available for UK retailing.

Research Methodology

Verdict conducted a representative survey of over 6,000 adults across the UK during November of 2007. Interviews were face-to-face and quotas were set in terms of age, sex and working status and were conducted by GfK NOP Consumer. The sample was then weighted to bring it into line with national population profiles, and throughout the reports weighted samples data are used. Individuals were asked in which sectors they personally shop and then answer a series of questions about their shopping habits in that particular sector.

How Britain Shops 2008 reports contain easily navigated data and insightful analysis enabling you to understand what drives customers to use each of the leading UK retailers. In addition our proprietary survey results will help you to identify the effects of initiatives taken by retailers and key marketplace events on consumer behaviour...

The UK Consumer Satisfaction series of reports details the results of our proprietary survey...



"...a survey of 6000 consumers to enable you to benchmark 69 UK retailers across eight key retail sectors in terms of keeping their customers satisfied..."

How Britain Shops is a series of 9 new reports published by Verdict Research providing a detailed examination of the shopping habits of UK Shoppers. At sector level each report analyses customer loyalty, conversion rates, shopping around, loyalty drivers, customer profiles, demographics and socio-economic trends.

The series includes individual reports detailing:

- Clothing
- DIY
- Electricals
- Food & grocery
- Footwear
- Homewares
- Music & video
- Personal care

In addition our summary report details the key data and findings across all 8 sectors.

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How Britain Shops 2008

How Britain Shops: Clothing

The market leader M&S has attracted a significantly increased number of clothing shoppers this year to lengthen its lead over Next in second place to 5.7 percentage points. Its gain of 2.6 percentage points will have been aided by the addition of Northern Ireland to our research. Still, with 12.8m clothing shoppers it has 2.2m more than Next and Next has a higher share of shoppers in Ulster. Marks & Spencer has increased its main user share more than any other clothing retailer, by 2.4 percentage points, and its 17.3% share is not far off the next three retailers' shares combined.

Some key questions answered by this report:

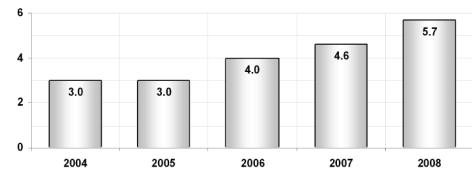
- What do clothing shoppers expect of the retailers they use?
- Which retailers are most successful at attracting shoppers in different age groups?
- Why have Bhs, and Matalan lost visitor share?

Companies profiles in this report:

- Asda (George)
- Bhs
- Debenhams
- Marks & Spencer
- Matalan
- New Look
- Next
- Primark
- River Island
- Tesco
- TK Maxx

Key Finding

Primark – Main User Share % 2004-08



Source: How Britain Shops 2008: Clothing

“Main users are individuals who identify Primark as their main store for clothing – in other words, they spend more on clothing at Primark than at any other retailer...”

How Britain Shops: DIY

B&Q's main user share is also slightly down on 2007 though with 52.5% of DIY shoppers saying they spend more of their money at B&Q than any other retailers in the sector, B&Q has a dominance of its sector far in excess of any other retailer in any other sector. Main user penetration is highest for 35-44 age group, the parental age group that is most likely to be upgrading their home to cope with demands of school age children. Significantly there is now no meaningful difference between B&Q's share of male and female DIY shoppers suggesting that the retailer's initiatives to be more female friendly, such as improvements to service, store environments and a greater home focus in advertising are making the retailer more appealing to women.

Some key questions answered by this report:

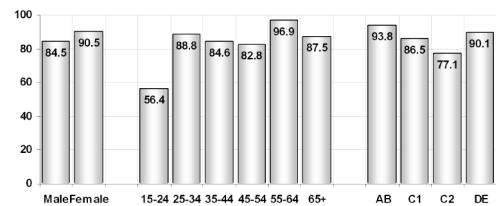
- What effect have store refurbishments and customer service initiatives had on B&Q's customer loyalty?
- What is the main driver of loyalty among Homebase's main users?
- Which DIY retailer's customer base shops around most?

Companies profiles in this report:

- B&Q
- Focus
- Homebase
- Wickes
- Wilkinson

Key Finding

Wickes – Main user loyalty rates by demographic group 2008



Source: How Britain Shops 2008: DIY

“This chart shows the percentage of main users who are loyal to Wickes in DIY. Loyal customers say there is nowhere else they would prefer to do most of their shopping for DIY...”

How Britain Shops 2008

How Britain Shops: Electricals

The number of shoppers who regularly shop for electricals has remained relatively consistent over the last 5 years. The difference between the highest and lowest visitor share over the last 5 years is 2.9 percentage points, which is driven by price deflation making electricals more appealing to the mass market and a steady stream of modifications entering the market for products such as mobile phones and MP3 players, which help stimulate demand. In 2008, visitor share grew to 47.1%, an increase of 2.3 percentage points, mainly due to the launch of new technologies such as the PlayStation 3, Nintendo Wii and HD-TVs.

Some key questions answered by this report:

- Will non-specialist electricals retailers, such as John Lewis and Tesco, continue their recent momentum and how will this influence how specialist electricals retailers operate?
- How have Comet's attempts to improve customer service levels affected its performance in the survey?
- What impact has price deflation had on the sector?

Companies profiles in this report:

- Argos
- Asda
- Comet
- Currys
- John Lewis
- Tesco

How Britain Shops: Food & Grocery

Average loyalty has fallen by 2.3 percentage points to 67.6%. Again, increased competition has made more customers feel that another retailer in the market has a superior proposition. There is significant variation between retailers, but those with more of a specialist, differentiated offer tend to engender more loyalty from their shoppers. Despite a large drop this year Waitrose remains the leader in the loyalty ratings as it offers a product quality and premium service the likes of which, arguably, none of the other major retailers can hope to match.

Some key questions answered by this report:

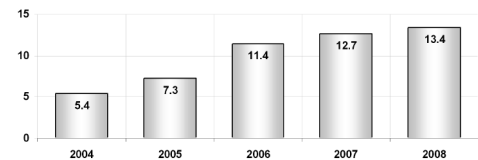
- To what extent have improving customer perceptions been responsible for driving recovery at Morrison and Sainsbury?
- Is price still the most important driver of loyalty in food & grocery retailing?
- Are discounters being successful in their goal to change consumers' perceptions of them?

Companies profiles in this report:

- Aldi
- Asda
- Co-op
- Iceland
- Morrison
- Sainsbury
- Somerfield
- Tesco
- Lidl
- Marks & Spencer
- Waitrose

Key Finding

Tesco – Visitor share % 2004-08

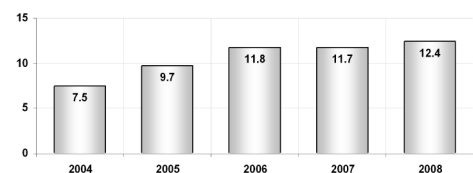


Source: How Britain Shops 2008: Electricals

"Visitors are individuals who shop at Tesco for electricals but don't necessarily do the bulk of their electricals shopping there..."

Key Finding

Morrison – Main User Share 2004-2008



Source: How Britain Shops 2008: Food & Grocery

"Main users are individuals who identify Morrison as their main store for food & grocery – in other words, they spend more on food & grocery at Morrison than they do at any other retailer..."

How Britain Shops 2008

How Britain Shops: Footwear

Consumers are becoming accustomed to a broader choice of low price footwear options and less likely to be loyal to a retailer because of them. Quality and service were mentioned more often than previously as key reasons why shoppers frequent a particular store. However, range and price remain the two most important loyalty drivers.

Some key questions answered by this report:

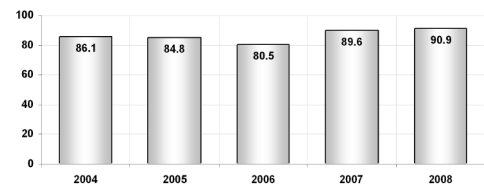
- Which footwear specialists are gaining customer share?
- How have footwear, clothing and sportswear specialists performed this year?
- Is price the main driver of loyalty in this sector?

Companies profiles in this report:

- Asda (George)
- Brantano
- Clarks
- JJB
- JD Sport
- Marks & Spencer
- New Look
- Next
- Sportsworld
- Shoe Zone
- TK Maxx

Key Finding

Marks & Spencer – Loyalty rating 2004-2008



Source: How Britain Shops 2008: Footwear

“This chart shows the percentage of main users who are loyal to Marks & Spencer in footwear. Loyal customers say there is nowhere else they would prefer to do most of their shopping for footwear...”

How Britain Shops: Homewares

Only 4 out of 5 shoppers is loyal to the homewares retailer they use most, the lowest level of satisfaction in the nine years since How Britain Shops began. Shoppers have become more discerning about the purchases they make quality and range have both become more important drivers of loyalty while price has risen up consumers’ agenda. Meeting consumer expectations has become increasingly challenging for homewares retailers and is no doubt a factor why conversion rates have slipped.

Some key questions answered by this report:

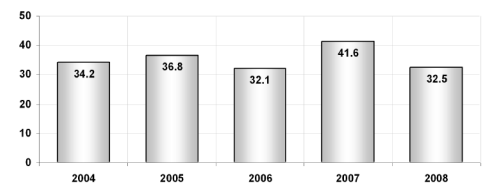
- Why have Argos, John Lewis and Asda lost main user share on last year?
- How have Dunelm and Sainsbury been able to achieve double digit growth for its loyalty score?
- Which retailers are struggling to retain their customer base in a crowded homewares market?

Companies profiles in this report:

- Argos
- Asda
- Debenhams
- Dunelm
- IKEA
- John Lewis
- Marks & Spencer
- Matalan
- Sainsbury
- Tesco
- Wilkinson
- Woolworths

Key Finding

Matalan – Conversion Rate 2008



Source: How Britain Shops 2008: Homewares

“This chart shows the percentage of Matalan’s visitors that identify it as their main store for homewares products. The conversion rate indicates how successful a retailer is in translating its footfall into high spending customers...”

How Britain Shops 2008

How Britain Shops: Personal Care

With price becoming a less frequently mentioned driver of loyalty, retailers need to turn their attention to range, which continues to exert itself as the primary driver of loyalty mentioned by 52.6% of main users. Retailers that have scored above average on this metric are Alliance Boots, Avon and Asda. Morrison, with the lowest score at 35.2% needs to focus its energies on developing its range architecture, both branded and own branded and introducing more unique product in line with current trends towards healthy, fair trade and organic.

Some key questions answered by this report:

- What percent of personal shoppers are male and how might this figure change going forward?
- How are specialists performing compared to the non-specialists?
- What are main users looking for from their preferred retailers in the future?

Companies profiles in this report:

- Asda (George)
- Avon
- Boots
- Morrison
- Sainsbury
- Savers
- Superdrug
- Tesco
- Wilkinson

How Britain Shops: Music & Video

36.2% of Music and Video shoppers mentioned that range was their biggest driver of disloyalty in their main stores. It was the most significant driver of disloyalty for both Tesco and Woolworths, as they often do not have the space available in store to offer a wide range of products. Price was the second biggest driver of disloyalty mentioning it. With retailers charging less for albums in stores, to drive sales, and lower prices available online for albums and digital downloads, consumers now expect to pay less for music and video.

Some key questions answered by this report:

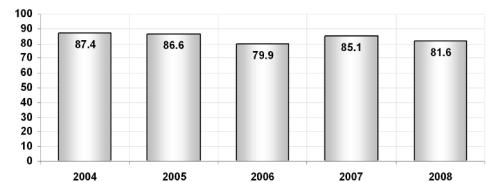
- What are the most important drivers of loyalty among music & video shoppers?
- Which non-specialists are building their share of shoppers at the expense of specialists?
- What impact is the growth of online players having on established high street players such as HMV and Zavvi?

Companies profiles in this report:

- Amazon
- Asda
- HMV
- Play.com
- Tesco
- Woolworths
- Zavvi

Key Finding

Superdrug – Loyalty 2004-2008

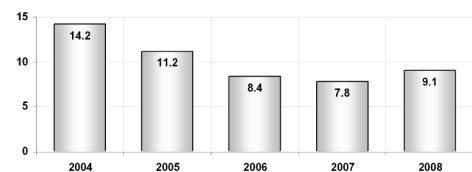


Source: How Britain Shops 2008: Personal Care

“This chart shows the percentage of main users who are loyal to Superdrug in personal care. Loyal customers say there is nowhere else they would prefer to do most of their shopping for personal care...”

Key Finding

Woolworths – Main User Share 2004-2008



Source: How Britain Shops 2008: Music & Video

“Main users are individuals who identify Woolworths as their main store for music & video. In other words, they spend more on music & video at Woolworths than they do at any other retailer...”

