



# Shopping for customer loyalty.

A guide for retailers on keeping customers loyal.

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Key takeaways for retailers.

## A word from Michael Kalli.

Is customer loyalty in the retail sector diminishing? Can retaining customers long term help ensure business profitability?

With new retailers popping up daily, be that boutique fashion brands or recipe boxes, the retail landscape is continuously changing and becoming increasingly competitive. This leads to brands having to rethink their brand proposition to ensure they're still appealing to their customers, meeting their needs, and enhancing their lives in a meaningful way.

For many UK consumers, online shopping has become the norm, thanks to its ability to offer a great range of products and services at the click of a button – or the tap of a phone screen. The traditional high street is becoming a thing of the past, with online fashion retailers now able to offer instant customer service and a streamlined, stress-free shopping experience in the comfort of the customer's home.

We're also seeing an increase in online food delivery services and recipe boxes here in the UK. These services are an easy, quick, and convenient way to do the traditional food shop without the need to leave the sofa.

With this in mind, there has never been a more crucial time for retailers to take a close look at loyalty and explore what, if anything, they can do to ensure their customers keep coming back.

In this report, we will uncover the truth about loyalty in the retail sector; we'll assess whether consumers are more loyal to fashion retailers or supermarkets; and we'll explore what is important to different generations when spending their hard-earned money, honing in on the key factors that determine retention amongst Gen Z consumers right through to the Silent Generation.

To uncover how valuable a customer is to a brand throughout their lifetime, we looked at consumer perception of loyalty today, what sways their purchasing decisions, what they're looking for in a supermarket/fashion retailer and most importantly, what key factors will ensure they keep coming back.

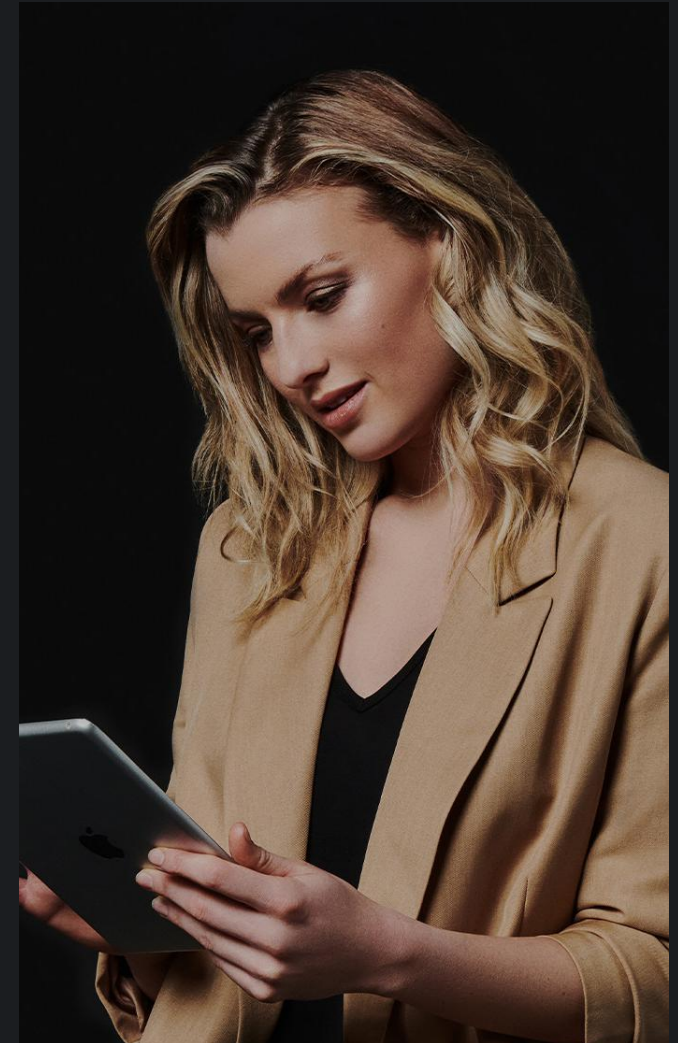
We hope you find this content useful.



Michael Kalli, Managing Director, Ello

### The research.

To form this report, we surveyed 2,016 consumers to uncover the key factors impacting their brand loyalty, what makes them stick with a retailer – both fashion and supermarket – for the long-term, and what could influence increased spending. We also looked at how valuable a customer is to a retailer over their lifetime by drilling down on exactly what they're spending currently on retail.



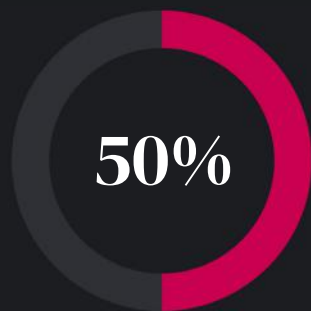
# Standout stats.



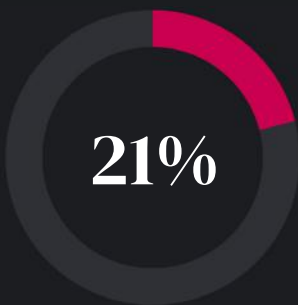
**What's impacting consumer loyalty across the UK's retail sector?**



60% admit bad interactions impact their loyalty to a brand and often result in them cutting ties.



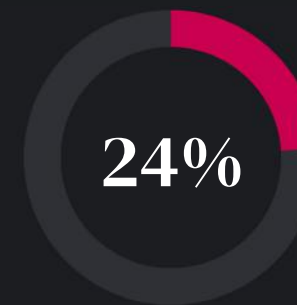
Half would pay a brand more for a product/service over their competitors if they trusted them/knew they were reliable.



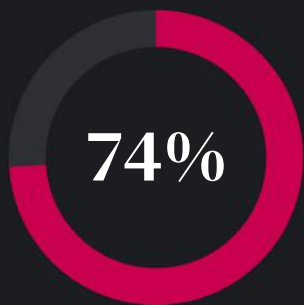
More than a fifth (21%) of consumers would leave a brand if they engaged in unethical practices.



One-fifth admit they want brands to take an active stance on environmental issues.



24% would leave a brand if they found out they mistreated employees.



Three in four (74%) consumers say they're loyal to their supermarket.

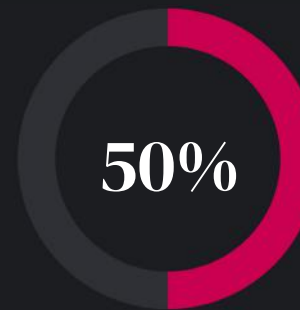


£517

Average consumer spend in supermarkets over 12 months is £517.



One in three (32%) consumers believe it pays to be loyal to supermarkets.



50% of consumers say they're loyal to fashion retailers, compared to 41% who say they're not.



One in 10 (11%) consumers believe it pays to be loyal to fashion retailers.

# Part one.



**Do consumers stick with what they know when it comes to retail?**

## What does loyalty mean?

Retailers in both the fashion and supermarket spectrums are trading in completely different landscapes to what they were two years ago, let alone five years ago – from the high street taking a hit during the Coronavirus pandemic to the rise of online shopping.

Retailers are having to continually diversify both their business model and product offering to try to win new customers while keeping their loyal customers happy.

But what does loyalty really mean in the current climate? The vast majority (65%) of consumers said it's continuing to purchase products from a brand for five or more years. While 58% base loyalty on length of membership/brand usage.

With new online boutiques and fast-fashion retailers popping up regularly, plus new ultra-fast food delivery services being just a click away, loyalty in the retail sector has never been more fragile. We know there are various factors influencing brand loyalty – from price, perks, and quality to trust, reliability, and sustainability. Getting the balance right is essential for retailers to ensure they retain valuable customers long-term.

On consumer loyalty in the retail sector, the research uncovered that:

74%

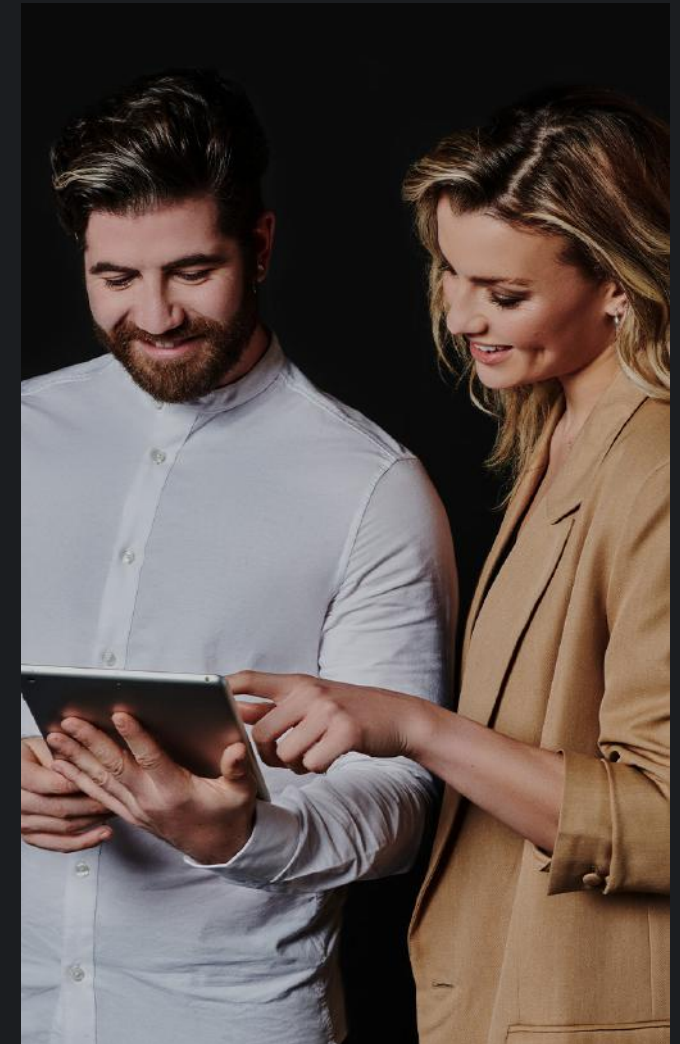
74% of consumers say they're loyal to their supermarket, compared to just 50% saying they're loyal to fashion retailers.

40%

40% of consumers have been a customer of their supermarket for more than five years.

£517

Average consumer spending in fashion is lower than that in supermarkets. Over 12 months, consumers spend £321 on fashion, compared to £517 in supermarkets.





## What's impacting customer retention?

There are multiple reasons why a consumer may decide to take their custom elsewhere. In fact, of those surveyed, 60% admit bad interactions impact their loyalty to a brand and often result in them cutting ties. Further to this, more than one-fifth (21%) say they would leave a brand if they engaged in unethical practices. While 24% would leave if they found out they mistreated employees (such as not paying them fairly or forcing them to work long hours).

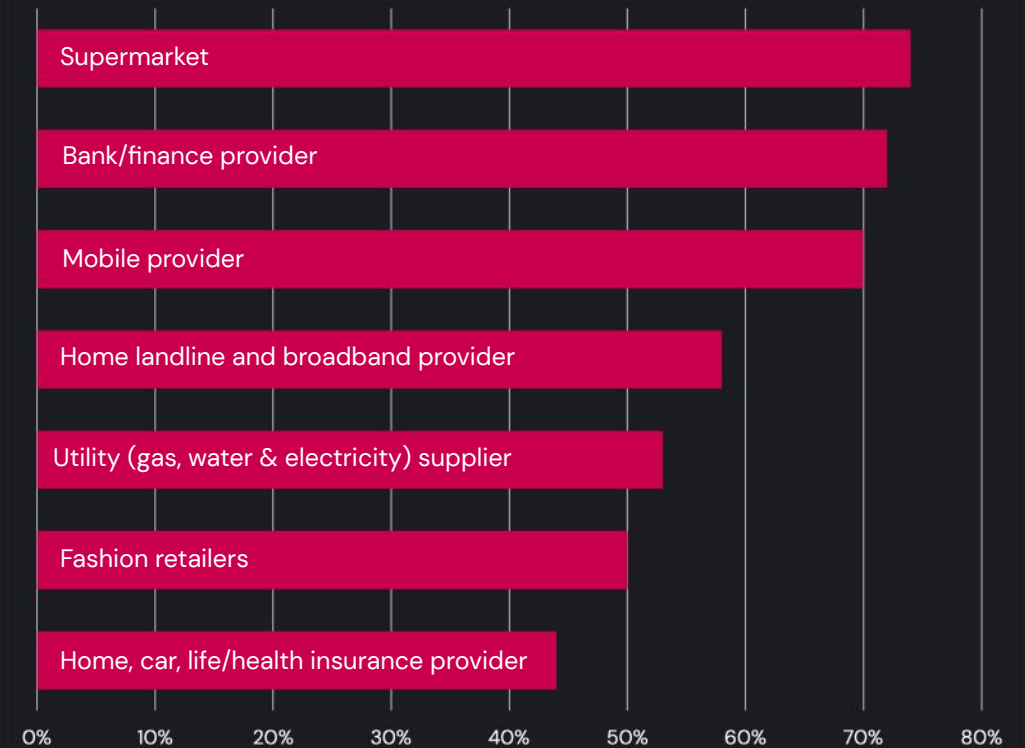
On the contrary, 50% admit they would pay a brand more for a product/service over their competitors if they trusted them and knew they were reliable, while 35% would put up with a period of poor customer service if the product was good quality. However, 27% wouldn't. What's more, almost one-fifth (19%) admit they want the brands they choose to take an active stance on environmental issues.

Sustainability is clearly on the mind of the everyday consumer more than ever before due to media shining a light on the negative impacts of fast fashion, single-use plastic, and product waste. Research from Deloitte supports this, revealing that 32% of consumers are highly engaged with adopting a more sustainable lifestyle, while 28% have stopped buying certain products due to ethical or environmental concerns.<sup>1</sup>

When it comes to ranking customer loyalty across various sectors, supermarkets come out on top, with 74% of consumers admitting that they're loyal to their supermarket. However, it's not quite the same picture for fashion retailers as only half of the customers are loyal to fashion brands, leaving fashion retailers as one of the worst industries for loyalty.

<sup>1</sup> <https://www2.deloitte.com/uk/en/pages/consumer-business/articles/sustainable-consumer.html>

## How does the retail industry fair when it comes to loyalty?



## On the market for better customer retention?

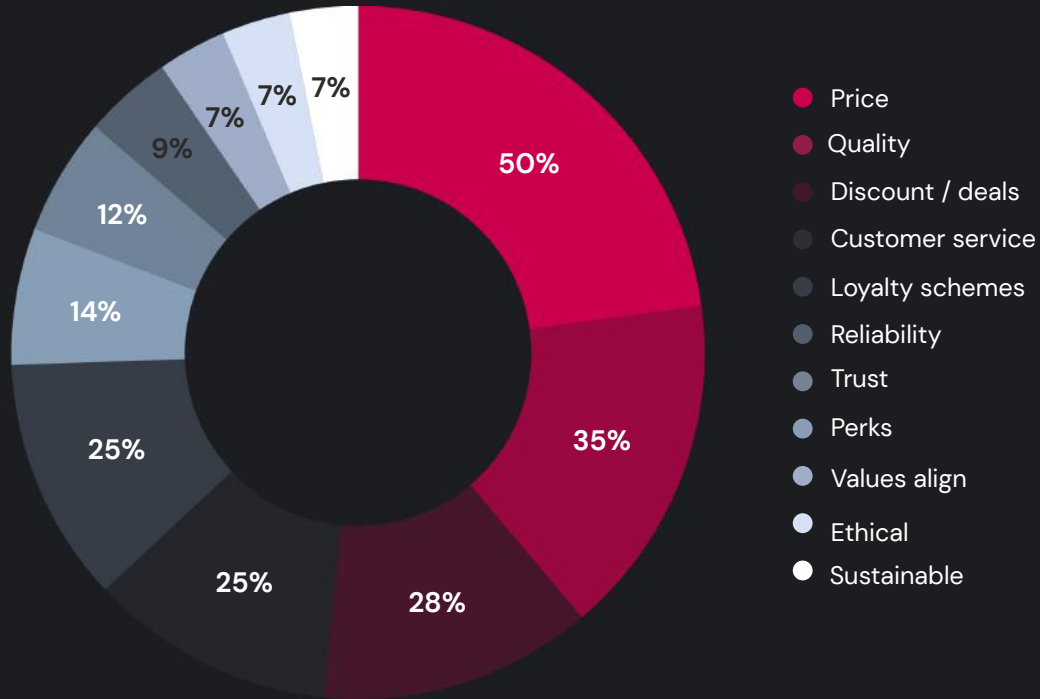
One in three (32%) consumers believes it pays to be loyal to a supermarket, which explains why supermarkets perform well when it comes to customer retention. Loyalty schemes are popping up across UK supermarkets– from receiving money back or discounted prices to collecting points which can be spent on holidays and meals out with loved ones – being loyal to a supermarket really benefits the most important person in the transaction – the consumer.

In contrast, only one in 10 (11%) consumers think it pays to be loyal to a fashion retailer, which explains why there is a lack of loyalty across the sector.

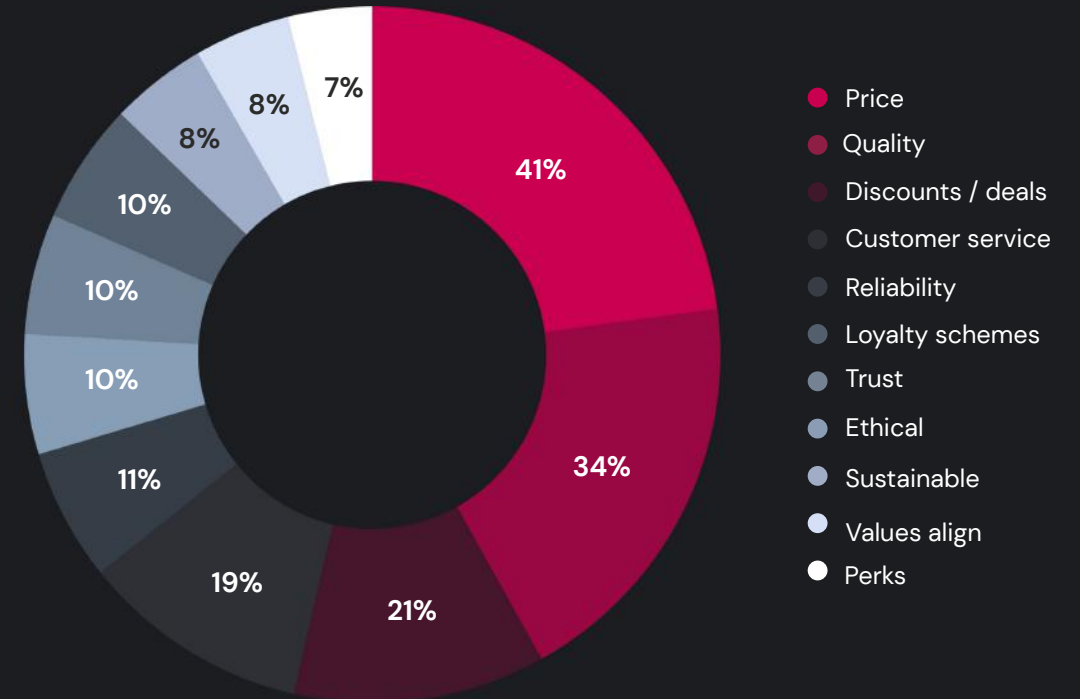
As the industry continues to overcome new challenges, retailers across the board need to consider what is important to their customers to help increase brand loyalty.



Factors influencing brand loyalty with supermarkets, in order of importance, are:



Factors influencing brand loyalty with fashion retailers, in order of importance, are:

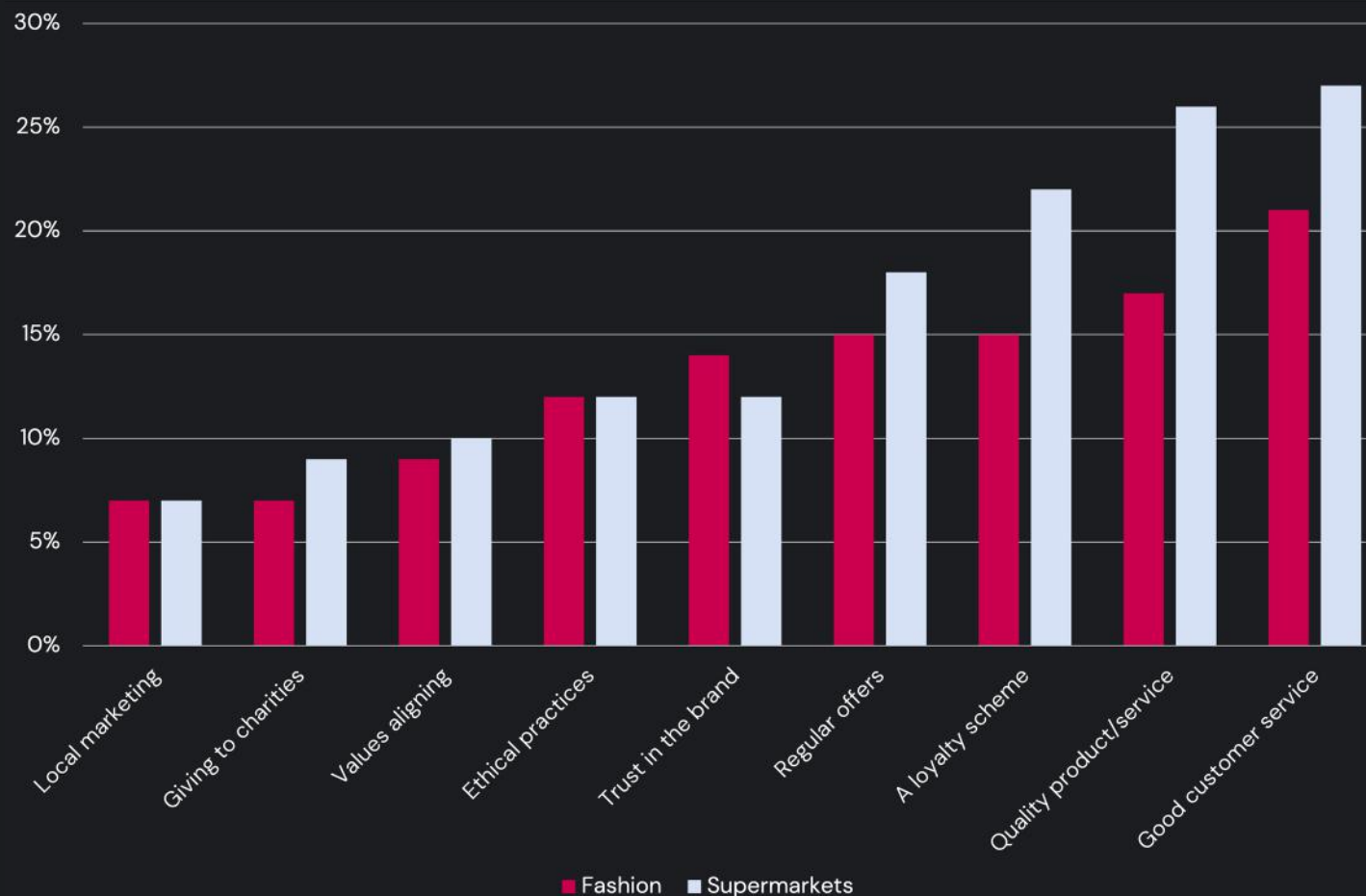


As retailers continue to see spending increase following the pandemic, businesses need to consider the financial strain consumers are facing. Now, more than ever before, shoppers are savvier about where they spend and what they spend on.

Supermarkets and fashion retailers need to step into their customers' shoes to help increase spending and improve retention. Factors such as price and good customer service will always be top of the priority list, but we're seeing a growing number of consumers choosing to shop with brands that reflect their values and ethics.

Offering customers rewards through loyalty schemes and offers shouldn't be underestimated, as 26% of customers said they are likely to increase their spending in a supermarket if there is a loyalty scheme that rewards them.

### The factors likely to result in increased spend in are:



# Part two.



**A lifetime of loyalty - what's it worth?**

While almost three quarters (74%) of consumers say they're loyal to their supermarket, just 50% say they're loyal to fashion retailers. This shows there is a big difference in loyalty across the retail sector, signalling there is still more to do to increase long term customer retention.

As well as being more loyal to supermarkets than fashion retailers, our research found that over 12 months, consumers spend 61% more in supermarkets than they do with fashion retailers.

Over 12 months, the average consumer spends £517 in supermarkets, compared to just £321 over the same period with fashion retailers.

With the average cost to acquire a new customer in the retail sector estimated to be approximately £64<sup>2</sup>, the return on investment (ROI) of focusing more on retention for the long-term vs acquisition of new customers could be substantial – especially for fashion retailers.

5.6

On average, consumers are typically loyal to their supermarket for 5.6 years.

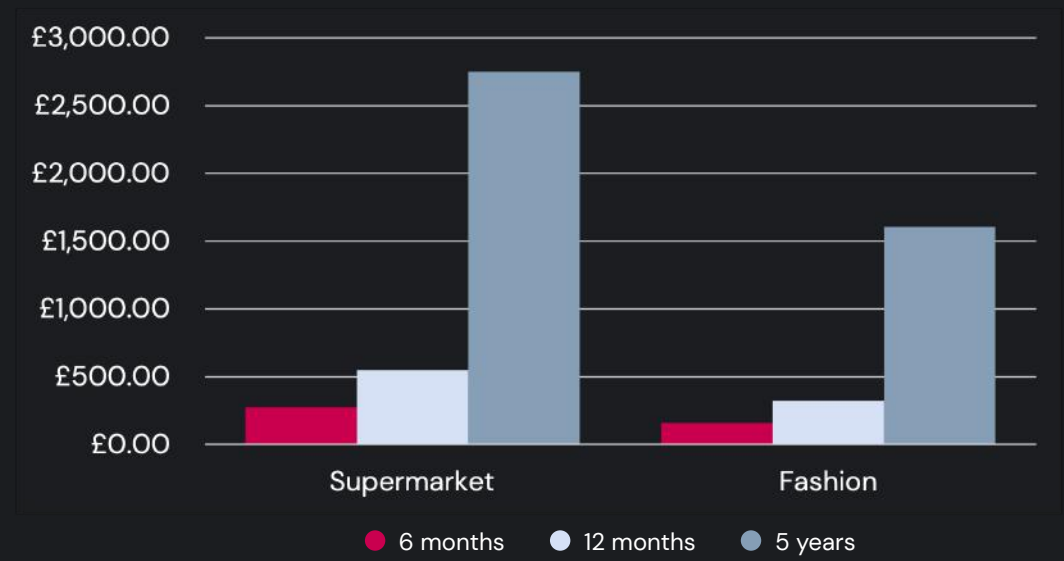
3.6

On average, consumers typically stay loyal to fashion retailers for 3.6 years.

£64

The average customer acquisition cost is approximately £64.

### The lifetime value of a retail customer.



The fashion retail industry isn't currently faring well when it comes to long term customer retention, as the research reveals that a quarter (26%) of consumers wouldn't stay loyal to a fashion retailer. In contrast, loyalty is rife across supermarkets, with more than a third (38%) of consumers saying they remain loyal to a supermarket for more than five years.

With this in mind, it is clear there is room for improvement across the sector. Could fashion retailers learn from supermarkets about how to keep customers loyal? What do customers genuinely want from retailers, and does this vary across the different generations?

<sup>2</sup> <https://firstpagesage.com/seo-blog/seo-roi/average-customer-acquisition-cost-cac-by-industry-b2b-edition-fc/>

\*based on the USD to GBP exchange rate in October 2021

# Part three.

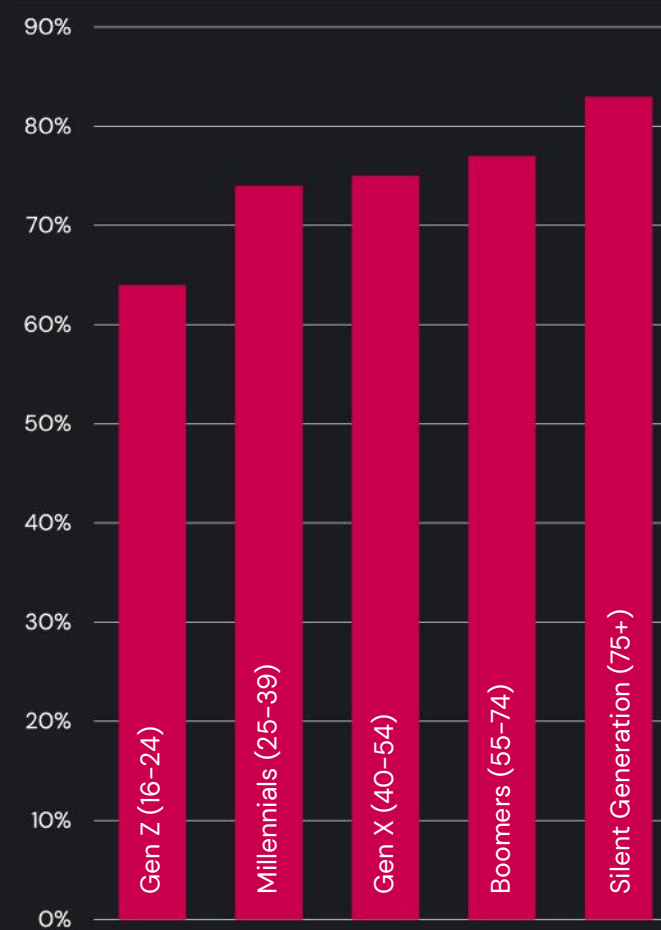


**'Generation loyal' – who are they and what drives their decision making?**

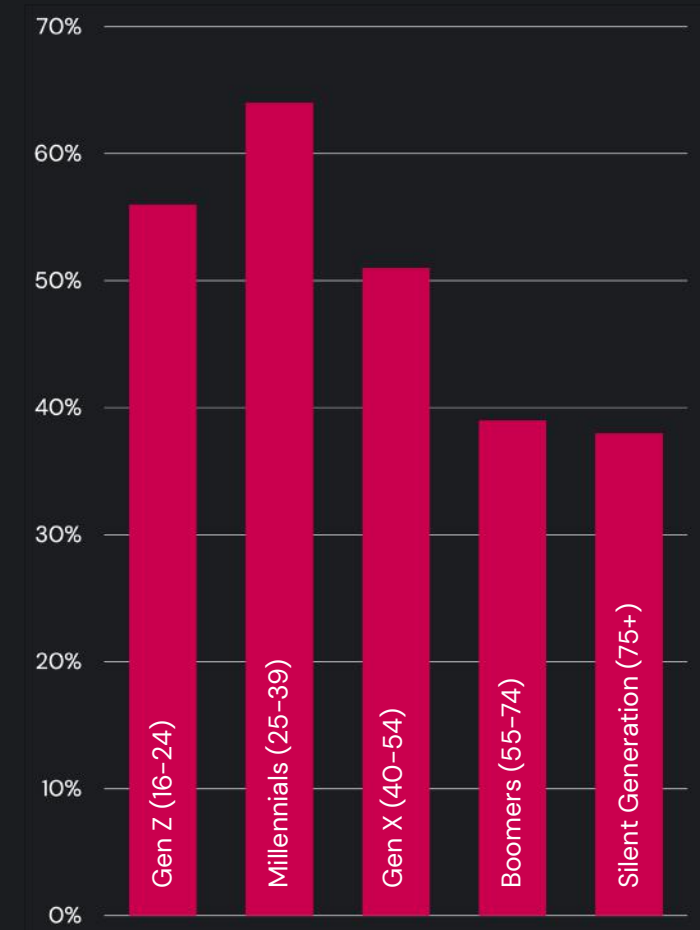
Over the last few years, we've seen consumer buying habits change substantially in the retail sector. With everything from technological advances to cultural changes impacting how we interact with retailers, there has never been a better time to delve into the generational differences of shopping.

Habits also differ across various generations. Millennial behaviours are considerably different to their Boomer parents, for instance. However, all are incredibly valuable to retailers and have the potential to spend a substantial amount of income in the retail sector.

Loyalty to supermarkets by generation:



Loyalty to fashion retailers by generation:





## On the biggest factors influencing why they stick with a supermarket, this is what various generations said:

Above all, price is the biggest factor swaying a consumer's decision to purchase from a supermarket. This – along with other factors such as quality of products, discounts, deals, and customer service – all impact a customer's decision on where to shop, which directly links to customer loyalty.

However, even though the price is a priority for consumers, supermarkets should remember that every customer is different, and priorities differ across generations. Among the younger generations – Gen Z, Millennials, and Gen X – discounts and deals are a great way to instil loyalty, while customers that fall into the Boomers or Silent Generation demographic look for good customer service.

The data solidified that loyalty schemes and perks can also determine whether or not a customer sticks around. One example is Tesco. It credits its Clubcard loyalty scheme with lifting company sales and driving revenue during turbulent times, attracting more than two million new users last year alone.<sup>3</sup>



### Gen Z

- Price (25%)
- Quality (20%)
- Discounts (18%)
- Good customer service (16%)
- Perks, trust and reliability (16%)



### Millenials

- Price (42%)
- Discounts (30%)
- Quality (27%)
- Loyalty schemes (24%)
- Good customer service (20%)



### Gen X

- Price (54%)
- Discounts (34%)
- Quality (33%)
- Loyalty schemes (27%)
- Good customer service (25%)



### Boomers

- Price (63%)
- Quality (47%)
- Good customer service (30%)
- Loyalty schemes (29%)
- Discounts (28%)



### Silent Generation

- Price (54%)
- Quality (52%)
- Good customer service (49%)
- Loyalty schemes (32%)
- Reliability (28%)

<sup>3</sup> <https://www.cityam.com/tesco-profits-tumble-despite-surge-in-pandemic-sales/>

**On the biggest factors influencing why they stick with a fashion retailer, this is what various generations said:**

It's not quite as straightforward for fashion retailers. The different generations have different priorities, but the price is still a dominating factor when it comes to staying loyal to a retailer. The quality of a product also proves to be an important factor when it comes to customer retention, especially consumers in the Silent Generation who say the quality of a product is more important than price.

While these generational trends are a great base, fashion retailers need to remember that they have a wealth of data at their fingertips, which can help them to understand their customers more. They have the opportunity to create bespoke personalised offers to showcase that they really know what their customer wants, which could in turn help to instil long term loyalty.



## Gen Z

- Price (26%)
- Quality (21%)
- Discounts (20%)
- Good customer service (14%)
- Perks, trust and reliability (14%)



## Millennials

- Price (40%)
- Discounts (28%)
- Quality (26%)
- Loyalty schemes (15%)
- Good customer service (14%)



## Gen X

- Price (48%)
- Discounts (34%)
- Quality (24%)
- Loyalty schemes (19%)
- Good customer service (10%)



## Boomers

- Price (43%)
- Quality (42%)
- Good customer service (23%)
- Loyalty schemes (17%)
- Discounts (10%)



## Silent Generation

- Price (43%)
- Quality (35%)
- Good customer service (33%)
- Loyalty schemes (16%)
- Reliability (10%)

# Key takeaways for retailers.



We've summarised the key takeaways from the report to consider in order to help improve your retention rates.

### 3 recommendations to instil customer loyalty across the retail sector as a whole:

1

Price is king in the world of retail! By offering competitive pricing and loyalty schemes, retailers across the industry are more likely to have a loyal customer base.

2

To increase your customer's average spend, make sure your products are of high quality. More and more consumers are willing to shop around for a product that is not only the right price but the right quality.

3

Make sure you know your customer and their values. Tailoring your strategy and offering your customers something meaningful will ensure you're appealing to your target demographic.

### In conclusion...

There are some big differences when it comes to customer loyalty in the retail sector. When it comes to retaining valuable customers, there's a real opportunity for fashion retailers to learn from supermarkets.

From offering quality products and loyalty schemes to aligning with the customer values, there are a lot of factors that play a pivotal role in swaying a customer's decision on where to shop and whether to stay loyal. The perfect retention strategy will cover all bases and ensure the balance of price, perks, quality, and customer service.

Our research shows that supermarkets tend to be able to retain their customers for much longer than fashion retailers. However, with the number of online delivery services and recipe boxes increasing, exploring new ways to keep customers loyal should remain a priority.

## About Ello.

Ello creates everlasting connections between brands and consumers by providing brands with the tools to give consumers genuinely rewarding acquisition, engagement, and loyalty schemes. And in return, brands watch those consumers stick around.

It believes the most impactful programmes are the ones that feel like an extension of a brand, not a partner offer. With its home-grown products, expert services, nimble tech, and experienced people, it does just that to achieve real commercial results, increasing acquisition and engagement for brands.

Already providing some of the UK's most recognisable brands with sophisticated propositions, Ello's capabilities are ever-growing to help more brands deliver incremental commercial revenue and delight consumers.



# We'd love to hear your thoughts.



To discuss the information contained within this report further or to comment on the findings, please reach out to [info@ellomedia.com](mailto:info@ellomedia.com)

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