

Services Marketing in a Recession: The Tale of Five Supermarkets

An economic recession is associated with falling output, rising unemployment, lower incomes for many, a fall in consumer demand for products and lower inflation. Companies need to adjust their marketing strategies to take account of the changing marketing environment, most notably shifts in consumer behaviour. This case study identifies the key changes in marketing strategies used by five UK supermarkets as they battled to compete in the recent economic downturn. The five supermarkets are Tesco, the market leader, Sainsbury's and Asda, its main rivals, and Lidl and Aldi, two rising stars of the discount sector.

Tesco

A key move by Tesco was to launch 350 discount product lines under the Discount Brands at Tesco banner. The brands included Country barn cornflakes, Mermaid Buy fish fingers, Gold Sun vitamins, Packers Best tea bags, Daisy washing-up liquid and Shanghai garden sauces. They were price positioned below manufacturer brands and Tesco's premium own label brand Tesco Finest, but above its low price own label brand Tesco Value. The supermarket also expanded its Value offerings by, for example, launching a range of cut-price wines. These product line changes were supported with an advertising campaign announcing that Tesco was "Britain's biggest discounter".

This was followed by a £500m Big Price Drop campaign that saw prices drop on over 3000 products. Critics claimed that the cost was offset by a reduction in the number of promotions, and the axing of its double Clubcard points promotion.

Sainsbury's

During the recession, Sainsbury's ran a high profile "Switch and Save" campaign that encouraged consumers to buy their lower-priced own label brands. In line with this strategy, the supermarket moved its advertising away from the famous Jamie Oliver advertisements promoting its premium priced Taste the Difference own label brands towards "Feed Your Family for a Fiver" and "Love Your Leftovers" campaigns supporting its cut-price Basics range. Jamie Oliver was retained but employed to show how tasty, nutritional meals could be prepared to feed a family for less than £5. Expenditure on sales promotions was also increased. As the recession intensified Sainsbury's launched its Brand Match campaign. The cost of a shopper's basket of branded goods was calculated at the till compared with the cost of the same basket at Tesco and Asda. If the branded goods would have been cheaper at either store, the shopper would receive a coupon equal to the value of the difference. This could be redeemed next time they shop.

Asda

Well known for its "Asda Price" advertising campaigns, the supermarket met the recession with ever sharper prices and promotions. This strategy was founded on being assertive and aggressive with suppliers of global brands. It was supported by high profile TV advertising showing how Asda achieved lower prices than its arch-rival Tesco and full-page newspaper ads for 50p bargains – including 400g of mince, two pints of milk, a white loaf, six eggs and 2kg of carrots. Asda also led other supermarkets by cutting the cost of unleaded petrol and diesel to 99.9p a litre in July 2009 when its rivals were selling for over £1 per litre. For example, Sainsbury's price was £100.9p. Asda's commercial director, David Miles, claimed that there was no justification for any major retailer selling fuel for over £1 given the recent large fall in the price of oil.

In 2010 Asda moved into the discount sector of the grocery market with the acquisition of Netto stores in the UK.

It also reinforced its low cost credentials by launching the Asda price promise that stated that if it was not 10 per cent cheaper than its rivals Tesco, Sainsbury's Morrisons and Waitrose, it would refund the difference. In November 2011 it offered a £5 'thank you' voucher for every customer who spent £40 to redeem at their next big shop.

Aldi

Aldi might be considered a minnow in the UK with a grocery market share of around 3 per cent compared with Tesco's 30 per cent but, like other discounters, expanded the number of stores during the recession and increased sales and market share. Some of the new store openings were in more middle class locations than previously. Recognized as being cheaper but having a more limited product range than traditional supermarkets, Aldi placed more emphasis on fresh food and introduced a Specially Selected premium range including Italian pasta sauce, Columbian ground coffee and West Country cheddar cheese during the economic downturn.

Lidl

Like Aldi, Lidl mainly stocks own label products using a wide variety of exclusive names such as Manor House soup, J.D. Gross dark chocolate and Vitafit apple juice. However, during the recession it increased the number of manufacturer brands such as Anchor butter and Kingsmill bread in its stores. The discounter also introduced some organic, free-range and Fairtrade foods as well as more fresh produce. New stores were opened with a greater emphasis on middle class locations. Lidl also opened smaller stores ranging from 200 to 500 square metres (compared to the usual 1,000 square metres). Although holding a market share of only around 2.5 per

cent of the UK grocery market, Lidl increased sales and market share during the recession.

Questions

1. Consumers buy physical goods at supermarkets, yet they are regarded as part of the services sector. Explain why this is so.
2. Explain the marketing strategies employed by the five supermarkets.
3. What lessons are there to be learned about marketing services in a recession?

Based on: Finch, J. (2008) Mighty Tesco Feels Bite of the Hamster, Guardian, 3 December, 9; Finch, J. and Z. Wood (2009) Back to Basics Lifts Sainsbury's Profits 11 %, Guardian, 14 May, 24; Finch, J. and A. Clark (2008) 70,000 Extra Customers a Week Head for Asda, Guardian, 15 August, 29; Wearden, G, and T. Webb (2009) Asda Launches New Petrol Price War, Guardian, 10 July, 27; Hawkes, S. (2008) Where Jamie and Del Boy Lead, Aldi Follows, Times, 4 September, 21; Butler, S. (2008) Discount Chain Lidl Confident That Its Moment has Arrived, Times, 22 December, 24; Finch, J. and Z. Wood (2010) Asda Buys Netto, Guardian, 28 May, 33; Smithers, R. (2011) Do Price Promises Really Cut It?, Guardian, 29 October, 3; Wood, Z. (2012) Big Price Flop Claims Tesco's UK Boss, Guardian, 16 March, 3.