

A cut-price culture: Discount codes and shopping behaviour

An analysis of consumer attitudes to codes, and how shopping will evolve in a post-pandemic world



Click to reveal **CODES**

Discount codes have come a long way since thrifty housewives began snipping coupons out of newspapers.

Consumer appetite for discount codes in the UK is now extremely high - new data from Finder shows that nearly three-quarters of Brits currently use them. And since lockdown, the closure of non-essential physical shops, and the national lurch towards online shopping, many more shoppers will be encountering the digital discount code.

The latest retail figures from the Office for National Statistics (ONS) show that April set a record for the proportion of shopping done online - 30.7% of total sales in Great Britain, compared to 19.1% in April 2019. For some, there will be no turning back.

The UK may also be heading towards peak discount. Retailers which have suffered from the loss of footfall, and the subsequent excess stock piling up, have taken to cutting prices. And as a downturn looms, promo codes and other ways for consumers to cut costs are only going to gain in popularity.

Our new research, carried out in May, confirms this: more than two in five Brits said they plan to use discount codes more in the next 12 months. One retail expert even told Finder that shoppers are “hooked on them”.

As with any digital industry, approaches are evolving and disruptors are challenging the model. But how successful are these innovations?

In this paper, we've published our new research, analysed how the pandemic has affected consumer demand for discounts and promotions across retail sectors, and gathered expert views on the future for codes and how we use them.

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About Finder

Codes are booming, and usage is only set to grow. Digital code redemptions nearly doubled worldwide from 16 billion in 2014 to 31 billion in 2019, according to analyst Juniper Research.

Price is typically the key driver in consumers' purchasing decisions - 68% of UK respondents cited it as their top factor for choosing a product or service in a 2018 poll by SaaS digital platform Eagle Eye. But are there different attitudes to discounts among generations, and between sectors?

Finder surveyed 2,000 Brits in May and found that 73% use codes, with millennials top of the pile (81%). Those least likely to search and redeem are the silent generation (51%), which is people born between 1928 and 1945.

Code use is set to grow in the downturn; 43% of Brits plan to use them more in the next 12 months, with generation Z most keen (44%). Our poll found 8% of Brits who'd never used codes before plan to start doing so, with proportion highest among the silent generation, at 16%.

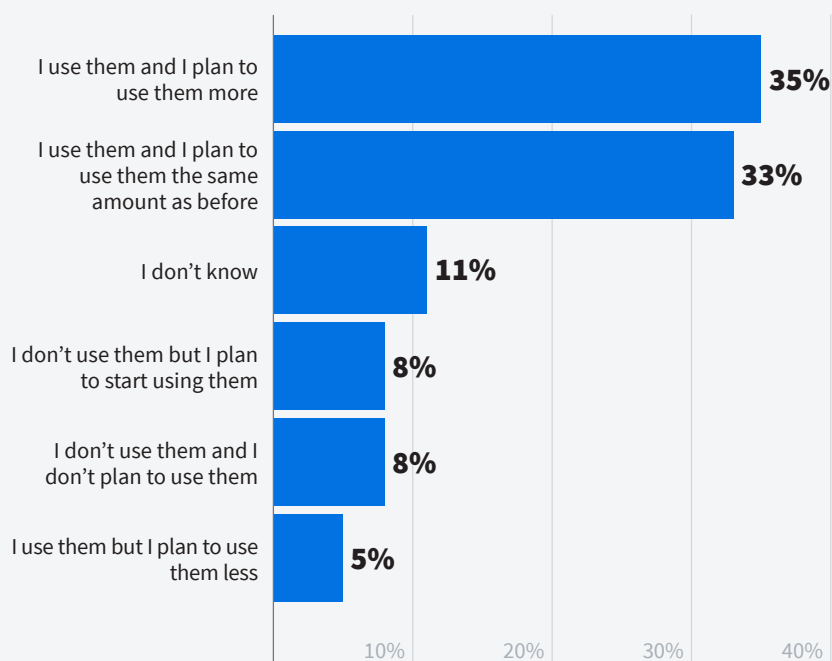
With nearly three quarters of UK shoppers using codes, retailers are increasingly under pressure to offer money-off incentives to get a sale. But codes are also a tool to attract new customers and to nudge up spend.

A study by analytics firm Inmar in 2018 found that 39% of code users are happy to switch brands if it means saving money. The presence of a code can increase basket size, too, with 39% of respondents admitting to spending more than they would have done without a code.

Some digital brands targeting the youngest and most price-conscious shoppers are synonymous with codes. This includes fast-fashion retailer PrettyLittleThing (PLT), known for affordable, trendy clothing, inspired by celebrity culture. PLT's marketing acquisition manager, Lee Carter, says: "Discount codes and promotions are pretty central to what we do here. Our customer base is very price-sensitive.

"Roughly 50% of all PLT's sales will have some kind of discount code attached to them, whether that's for free delivery, a student discount or something else."

Shoppers planning to use codes: next 12 months



Source: Finder research, May 2020



After the UK's lockdown stopped all but essential shopping in-store on March 23, overall sales slumped to some of the lowest figures on record. April 2020's total was 19.1% down year-on-year, according to the British Retail Consortium (BRC).

Online-only brands have generally weathered the storm, however, with Office for National Statistics figures showing an 18% rise in volume of sales in April for non-store retailers. In fact, April set a record for the proportion spent online, at 30.7% of total sales in Great Britain, compared to 19.1% reported in April 2019.

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Amid financial uncertainty, price-conscious consumers are also seeking out the best possible deal. Google Trends data reveals an uptick in search for the term “discount code”, with a 145% increase in interest from lockdown day, 23 March, to 23 May.

Special codes for key workers

The coronavirus pandemic has seen codes used as an innovative way for brands to show support for key workers, as part of corporate social responsibility.

During the lockdown period of March, April and May, the most notable uptick in demand for codes came in the form of NHS and key worker discounts. Google Trends data reveals searches for “NHS discount” rose by 1820% from 17 March to 1 May.

Google Trends UK search interest for the term “discount code” 23 March - 23 May 2020



Top-related queries for this search term include Just Eat, Domino's and Argos, suggesting that many of our frontline heroes were looking to redeem discounts on takeaway food and home goods most of all.

Brands offered generous discounts; Nando's, Leon, boohoo, PLT, Hotel Chocolat and many more gave as much as 50% off.

In a bid to boost morale further, some brands went the extra mile. Pret gave NHS staff free teas and coffees, alongside 50% off all items, and Nando's delivered free food to hospital staff to eat on shift, as well as half-price meals throughout the lockdown period.

Emergency discount service

Blue Light Card, the UK's largest emergency discount service, launched its own "Say thank you" campaign during lockdown, reaching out to its 14,000 retail partners for support, with a staggering response.

"We've been inundated with offers of increased discounts, new partnership launches, as well as hundreds of generous giveaways ranging from chocolate hampers, to commuter bicycles and hot tubs," says Rachel Ramsey, head of marketing.

"We've seen unprecedented numbers of new member sign-ups from NHS staff, too," she adds.

The card is available to people who work in a wide range of front-line roles. In addition to staff in the emergency services, those working in social care, the armed forces, and the search-and-rescue sector as well as the Highways Agency are also eligible, including, in many cases, volunteers.

Google Trends UK search interest for the term "NHS discount" 17 March - 1 May 2020



The pandemic has shifted many shoppers online, and some stores have sadly shut their doors for good. Many people will return to the high street, but for a few, there will be no going back.

Finder surveyed 2,000 Brits in May and found that over three quarters (76%) plan to visit the shops again once it's safe to do so. However, 1 in 10 (11%) say they will continue to do most of their shopping online in the future. That's 6 million Brits set to largely ditch the high street.

It's no secret that many stores were struggling before the pandemic, but coronavirus may well be the "last nail in the coffin for the high street," says Sofie Willmott, lead data analyst at analytics agency GlobalData.

"We've seen retailers like Laura Ashley and Cath Kidston go into administration already, and we're expecting more in the next few months. It's likely this would have happened eventually anyway, but the pandemic has brought it all about much sooner," she adds.

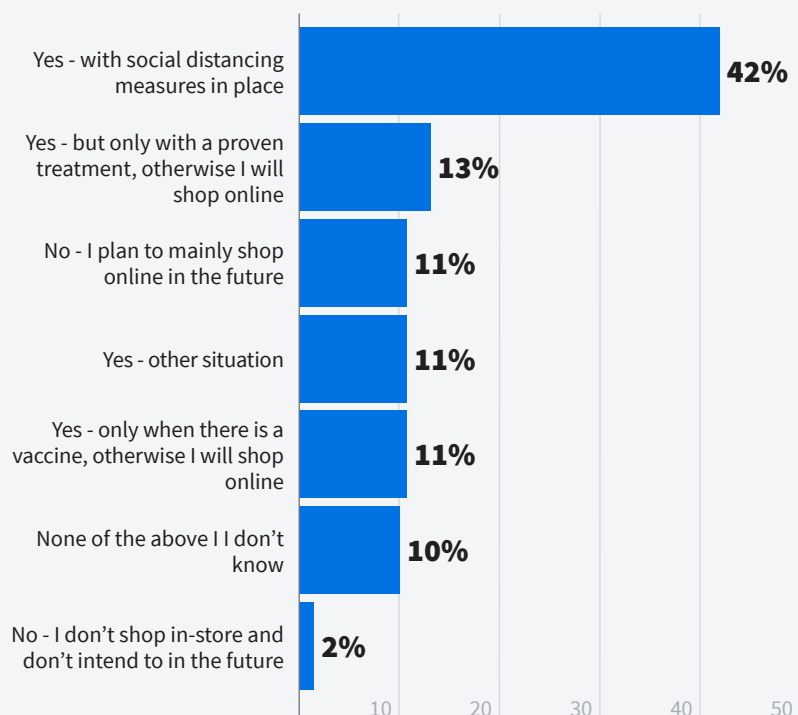
The shift to digital

As brands struggle to navigate these choppy waters, the focus will be on e-commerce and digital strategies to entice consumers.

H&M's new CEO, Helena Helmersson, acknowledged as much when she told the Financial Times: "We do think that the crisis in general will lead to a fast shift towards digital. We need to be ready for that and accelerate some parts of our work."

In some cases, this may mean closing stores permanently and focusing on a digital offering. John Lewis & Partners, which saw website traffic increase by 97.99% in April according to data from analytics firm SEMrush, is "highly unlikely" to reopen all of its 50 department stores when lockdown is lifted, according to its chair, Sharon White.

Do consumers plan to return to shopping in-store?



Source: Finder research, May 2020



Influencer marketing on social media, especially Instagram, has grown as a way to reach new audiences. Some fast fashion sites use it to raise their profile, particularly when launching in new countries.

In the sports and fitness sectors, brands such as Gymshark, Myprotein and MuscleFood use influencers - who share discount codes in their posts - to reach and retain new customers.

During lockdown, many companies have focused their social marketing on empathy, community and mental health.

Louise Barton, digital marketing manager at agency Manifesto, says: "The successful brands have acknowledged and empathised with the current situation, without appearing to be insensitive and opportunistic."

PLT and multi-purpose retailer Argos appear to have struck the right balance.

Skincare tutorials, workout videos and yoga practice have entertained PLT's 12.4 million followers during lockdown. While #stayhomewithplt encouraged users to tag their "stay home" looks online. Nearly 10,000 posts appeared with the tag in response. Argos meanwhile launched the #greatbritishdenbuild challenge, prompting followers to build a den from household items and share an image of it. Hundreds answered the call.

Interest in both brands - and their discount codes - has flourished during lockdown.

In April, PLT saw website traffic increase by 30% year-on-year, and Argos saw a surge of 87%, according to SEMrush. And Google Trends data reveals that the same month saw search interest in "Argos discount code" hit levels not seen since Black Friday; interest in "PLT discount code" hit the highest level for the previous 12 months.

Increase in website traffic for PLT and Argos - April 2019 to April 2020



As with all digital industries, the online voucher code sector has a range of challengers offering an alternative model.

With traditional affiliate marketing, where brands attract and retain customers with discount codes, control of these promotions can be lost if the code goes viral.

Promotions engine Uniqodo, which works with over 100 sites worldwide including Moonpig and EE, seeks to resolve this by offering single-use codes. Consumers use these codes at the checkout in the same way as other codes, but then they expire.



Uniqodo's CEO and founder, Chris Giddins, says "Every customer has their own combination to use, and once the code has been redeemed, it can't be used again."

The company also provides brands with the tech to customise promotions. During lockdown, Uniqodo worked with closed businesses such as bars and coffee shops to offer consumers vouchers for future use via community support platform forlocal.uk, to kick-start custom once restrictions are lifted.

Recent years have seen growth in another alternative model, the browser extension. One example of this is Pouch, which got a warm reception on the TV show Dragons' Den in 2018. Pouch trawls for codes on the shopper's behalf from among its partners - nearly 3,500 of them. The company says it's seen more activity than ever before during lockdown. Reviews are generally positive, though about 1 in 10 on Trustpilot aren't, with users citing a lack of relevant discounts.

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Once the code is redeemed, it can't be used again.

Chris Giddins, CEO, Uniqodo

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With increasing consumer appetite for discounts during lockdown and beyond, the challenge for retail brands has been how they can stand out in a competitive market and retain custom, as well as satisfy consumer demand for price-cuts.

Brand loyalty

Retailers who are still operational have found competition for customer loyalty has never been fiercer, and with heavy discounting across numerous retail sectors already, further innovation is needed to entice these consumers.

“As promotional activity continues to increase and consumer demand for that activity rises, retailers and publishers will be forced to become more creative about the level and type of incentive they are offering,” says Miya Knights of Eagle Eye.

“Brands must drive more value from their promotions. Discounting is not just about the immediate sales uplift, but looking at a customer’s lifetime value. This will inevitably lead to the innovation of more loyalty and rewards schemes,” she adds.

One brand offering clear incentives in exchange for loyalty is online grocer Ocado with its Star Reviewer programme.

Under this scheme, existing customers get an email around once a month with a list of products they can add to their shopping order for free by redeeming a series of discount codes.

The customer must then post a product review of these items on [ocado.com](https://www.ocado.com) for the cycle to begin again. By giving away products for free every month, Ocado is increasing the likelihood of future custom, as well as creating a healthy boost in site reviews.

Ocado’s low price promise works alongside this scheme, by checking a shopper’s cart and comparing it with the listed prices online at [tesco.com](https://www.tesco.com). If Tesco was found to be cheaper that week, Ocado sends the customer a money-off code for the remaining balance, which can be redeemed online during the next shop.

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Miya Knights, head of industry insight at Eagle Eye

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The downturn

The financial impact of the pandemic and lockdown has led most consumers to cut back on spending across all categories, other than groceries and in-home entertainment.

A McKinsey & Company survey of British shoppers carried out between 30 April and 3 May showed 40% were spending less during lockdown, while another 47% claimed to be cost-cutting occasionally.

As physical stores work towards reopening, the most pressing issues will be encouraging shoppers to part with their hard-earned cash, and shifting excess stock.

A number of high street stores are expected to discount heavily in order to clear surplus inventory, with Primark reportedly planning a “bumper sale” when lockdown is lifted.

This follows a trend taken by most online retailers already offering sales to incentivise shoppers. French Connection, boohoo, Fat Face, Next, Gap, JD Sports, Superdry and Topshop have all offered deals of 50% off in this period.

These brands offered 50% off in lockdown

FRENCH CONNECTION

next

TOPSHOP

boohoo

Superdry.

GAP

FATFACE

JD

Shopping Cart 3 items

product name	quantity	price	total
[Image]	- +	[Image]	[Image]
[Image]	- +	[Image]	[Image]
[Image]	- +	[Image]	[Image]

Order Summary

discount code

Check Out

50% off

DISCOUNTCODE

finder.com



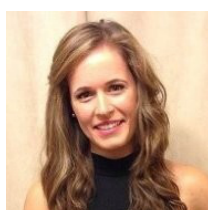
Miya Knights, Eagle Eye

“The next few months will be a bit of a wait-and-see process for many retailers. Those with the luxury of having made money during this period will observe, while those that haven’t will default to slashing margins and offering discounts. It’s already a very competitive market and it will become increasingly more so. The key takeaway for brands is that discounts should not be looked at merely in terms of immediate sales uplift, but as a means for strengthening loyalty and a customer’s lifetime value.”



Sofie Willmott, GlobalData

“Discount codes and promotions are here to stay, especially in light of a recession. Shoppers are hooked on them and will continue to expect competitive discounts when they shop online. Even premium brands may have to succumb to promotional activity in order to shift excess stock and attract new customers. I also think the brands that have given something back to the community during this period will be rewarded with customer loyalty, such as grocers paying suppliers earlier than before, and brands who have offered discounts for NHS staff and key workers.”



Hannah Elderfield, trends agency Canvas8

“The effects of coronavirus have proven to consumers that time and money are increasingly precious commodities, especially during times of financial hardship. As many more have shopped online and made use of voucher code browser extensions, consumers have realised there need not be a trade-off between the two [time and money]. A period of heavy discounting is likely to follow lockdown, which will be a challenge for brands who will need to ensure consumers understand the value of products, while continuing to offer incentives. Having said that, the pandemic may have strengthened a sense of community in the retail space, which may result in more shoppers staying loyal to the brands they love, irrespective of price.”



Chris Giddins, Uniqodo

“Internet shopping and e-commerce is going to thrive in the upcoming recession, based on learnings from the 2008 financial crash. The space really grew in that period because shoppers became more price-savvy - I think the same is going to happen in the next 12 months. With this comes a challenge in itself, as more brands will compete to offer the best deal, which means marketing messages will need to stand out and resonate with consumers like never before. At Uniqodo, we will have our own challenges. Advertisers and brands may be hesitant to spend on new tools and tech. This means we will have to fight for our piece of the marketing budget more so than normal.”

Conclusion

The pandemic has shaken the retail world to its core, with numerous shops closing temporarily or, sadly, forever. Digital shopping has claimed a bigger audience and many of these shoppers will stay online. Alongside this, we’re likely to see an appetite for discount codes and promotions like never before. With a recession looming, retailers should continue to innovate if they are to stand out in an incredibly saturated market and emerge unscathed.

About Finder

Finder is a personal finance website which helps consumers compare products online so they can make better-informed decisions. Consumers can visit the website to compare utilities, mortgages, credit cards, insurance products, shopping voucher codes, and so much more before choosing the option that best suits their needs.

finder.com/uk launched in the UK in February 2017 and is privately owned and self-funded by two Australian entrepreneurs – Fred Schebesta and Frank Restuccia – who successfully grew finder.com.au to be Australia's most visited personal finance website (Source: Experian Hitwise).

For all media enquiries, or for additional comment, contact matt.mckenna@finder.com.

About the author

Amelia Glean is a writer at Finder specialising in shopping and travel. She has an MA in Newspaper Journalism and a BA in History and Politics from the University of East Anglia.