



# The EDLP vs Loyalty Debate Is Dead

Here's Why Retailers Need Both

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# Introduction

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European grocers and supermarkets have long grappled with whether to adopt an Everyday Low Price (EDLP) strategy or invest in loyalty, but this choice, often portrayed as a binary one, no longer reflects the reality of how consumers shop.

Today's shoppers don't view these two entities as competing ideas; they look at price first, then decide if the loyalty offer adds extra value.

A recent ING survey found that 58% of Europeans expect grocery prices to rise more rapidly in 2026<sup>1</sup>. Price anxiety is growing across the continent, fuelling a shift in behaviour which prioritises value.

For retailers sitting between discounters and premium chains, the implications are stark. Competing on price alone is a downward spiral that can erode profit margins.

"Discount retailers need to find a way of differentiating themselves from other EDLP retailers, otherwise it's just a race to zero," says Dan Turner, Retail Development Director, Lobyco.

Yet competing on loyalty alone, without demonstrating price credibility, also carries risks, inviting churn and potentially jeopardising brand value and equity.

**The landscape has changed.** The opportunity lies in weaving the two strategies together, optimising the retailer's investment to create value on both sides of the checkout.

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ING survey

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## Why the clued-up consumer seeks value

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Consumers have a wealth of digital tools at their fingertips, enabling them to compare products and prices across a range of retailers at the touch of a button. It has encouraged them to be more analytical and exacting, particularly at a time when the cost of living is rising.

**NIQ data in the last four weeks ending 21st February, 2026 shows that 33% of shoppers are changing the way they shop to save money**, rising to 58% for those who feel severely impacted by the cost of living. Cost saving behaviour is further illustrated by the gap between own label unit growth (+1%) and branded unit growth (-2.2%), which continues to widen, with 15% of household shoppers saying they are saving by switching to own label products, 16% choosing cheaper brands and 18% shopping more at discounter stores<sup>2</sup>.

**Across EMEA, food price inflation remains higher than pre-pandemic levels.** As Turner says, "The consumer is way more price conscious than several years ago, as are retailers. Look at how many supermarkets run price-matching programmes – it is at the forefront of their minds."

For grocers, particularly those operating in convenience formats, this creates a challenge. They can no longer rely on shoppers to visit their stores due to habit or inertia. Shoppers want to justify every pound or euro spent.

**Data shows that hybrid working is also changing routines: 40% of UK supermarket shoppers now prefer multiple top-up shops**, and 25% regularly buy ingredients on the way home from work<sup>3</sup>. In addition, there is a shift from eating out to having a treat at home: in the four weeks leading up to 22nd February this year, NIQ figures show that shoppers spent £58.5m on own label fresh ready meals (+3.4%) of which 45% were premium own label<sup>4</sup>.

**Loyalty programme use has increased too, with 80% of UK consumers actively engaging in at least one scheme**, and nine out of ten believing it helps save money<sup>5</sup>. "Consumers have loads of loyalty apps, but they have the select few they actually use, so being price conscious and loyal are behaviours that are both happening – they're not incompatible," says Turner.

*As shopping habits change, retailers need to pivot too.*

## EDLP is essential – but defensive

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EDLP performs a critical function in grocery, setting consumers' price perception, reassuring shoppers, and helping to foster trust. With many households experiencing financial pressure, consistency becomes paramount.

According to Deloitte's 2024 Global State of the Consumer Tracker, around 70% of European consumers say they are actively trying to save money on groceries. This creates an opportunity for retailers, with clear, reliable pricing sending a message that really resonates.

Discounters such as Aldi and Lidl have built their propositions around this philosophy, while larger grocers have responded with price-matching and an increased array of lower priced options, such as Tesco's Everyday Value range and Sainsbury's Stamford Street Co. line.

But **while EDLP reassures shoppers, it doesn't increase visit frequency, identify high-value households or detect customers at risk of churning**, nor does it enable retailers to see which customers are drifting away or which ones are well disposed to spend more. In short, it protects share, but it rarely grows it.

Even leading EDLP supermarkets recognise this. Lidl's expansion of Lidl Plus shows how a loyalty layer can deepen engagement beyond base price. The logic is clear: price attracts customers while loyalty gives them a reason to keep returning.

As Turner says, "You've got the discounters where that's their philosophy and ethos. Then you've got other retailers who have everyday value ranges within their broader proposition. But you can layer loyalty on top, as Lidl have done, and that's a huge differentiator for them versus Aldi."

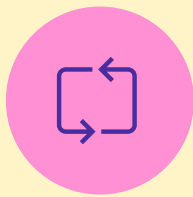
This layering is critical. Without it, retailers remain reactive, able to compete on price but lacking the levers to influence behaviour. This makes them vulnerable in such a competitive sector.

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## Loyalty is powerful – but only when built on price trust

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Loyalty has the potential to transform the economics of the grocery sector when it is built on credible pricing. It can drive the **frequency of visits** and **grow basket size** as well as shifting spend across categories, encouraging customers to buy higher margin products and commit a greater share of wallet, in turn encouraging loyalty.



For grocers, this can be a potent tool when competing with discounters. While they may not have the scale to win a price war, they can foster deeper customer relationships, whereby increasing lifetime value without simply discounting.



Increased loyalty allows retailers to fund targeted incentives rather than running blanket discounts, which can result in waste. It also builds first-party behavioural data that smaller grocers increasingly need to compete.

Loyalty programme data can enable a strong competitive advantage, with first-party purchase data revealing who buys what, when and how often. Analysing this information empowers retailers to create tailored discounts on products that individual shoppers already value, increasing relevance and redemption rates.

In the UK, programmes such as Tesco's Clubcard and Sainsbury's Nectar use data-driven personalised pricing to offer bespoke deals on popular items, helping members to save significantly on their shopping bills, while simultaneously boosting loyalty.

Beyond simple discounts, segmentation and predictive analytics can also help to anticipate shoppers' needs. For example, Carrefour uses AI-powered algorithms to better segment customers and target specific online shoppers with tailored deals.

Personalisation delivers value to both customer and retailer, improving marketing efficiency by focusing spend on the customers most likely to respond. In July 2025, Lidl announced that monthly active users of its LidlPlus programme had grown by 34.9% YOY, after it introduced features including personalised offers<sup>8</sup>.

Data derived from loyalty programmes can be advantageous across the wider business. “Retailers can start to build a better understanding of who their customers are so that they’ll inform not just the loyalty programmes and promotions, but what kind of range they should have in the store,” says Turner. “This can have a huge impact on their margins and their waste.”

For mid-scale European grocers, this is where competitive advantage lies, with targeted incentives reducing promotional overspend, and behavioural insights identifying churn risk early.

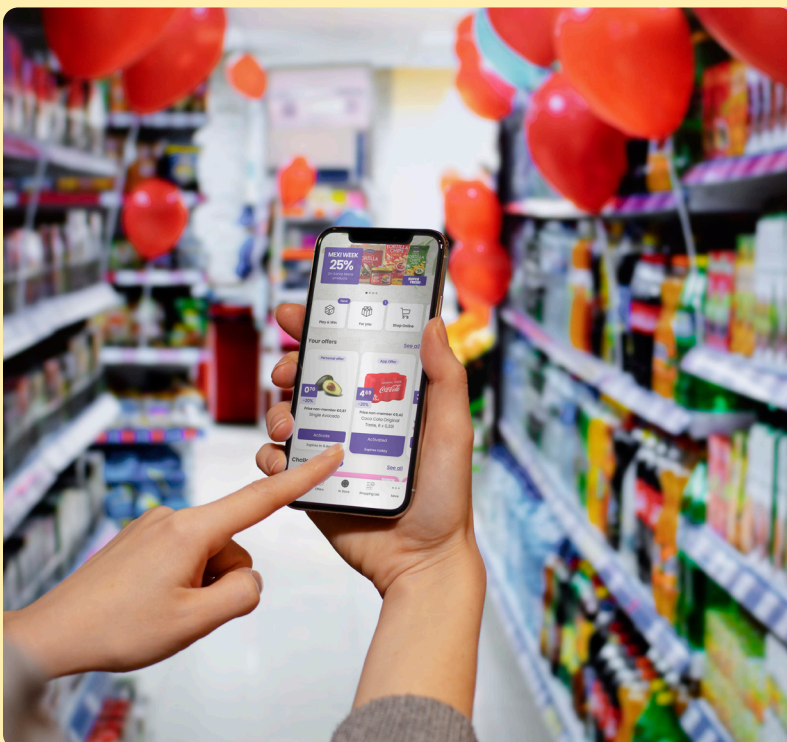
The commercial upside of a loyalty programme is measurable. “We’re seeing increases in footfall, return visits, and basket sizes,” says Turner. Across Lobyco’s European partners, loyalty members typically spend between 14% and 18% more than non-members. “And it’s not just discounted products – they’re spending more in general.”

Profi is one example. One of Europe’s fastest growing grocery retailers, it worked with Lobyco to develop a digital loyalty platform, aimed at boosting customer engagement and increasing share of wallet. It now has 1.1m monthly active users and data shows that customers spend 11% more after adopting the app.

Retailers must first invest in building trust, then reward that trust. Loyalty is a growth engine, but only when customers already have confidence that prices are fair.

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## Designing the modern two-pronged model

EDLP establishes transparency, loyalty rewards high-value behaviour, and data enables retailers to continually refine this investment. Integrating these elements is critical, ensuring that price and rewards feel connected.

If a retailer promotes everyday fairness but relies on large discounts to drive traffic, the proposition becomes incoherent, and with Europeans expecting grocery prices to continue rising, consistency matters more than ever.

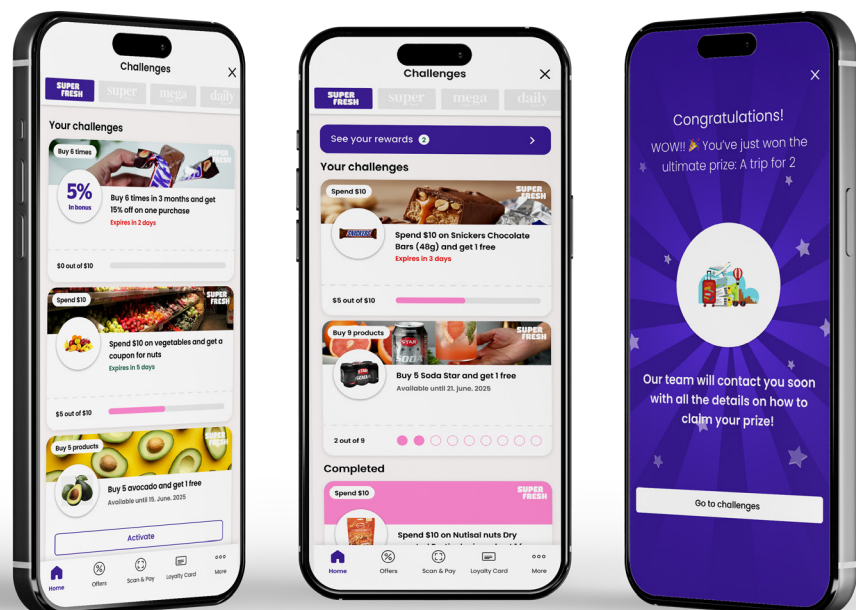
Successful execution of this two-pronged model relies on leveraging real-time shopper data and AI, but digital transformation is a journey. Retailers should avoid rushing in.

**“If you typically spend £40–50 on your basket, the retailer could say ‘spend £60 next time and you get another 5% off’. This gives value to the retailer through regularity, and the customer gets something back too.”**

**“Walk, jog, run,” says Turner. “Start with segmentation. Understand how customers respond, then gradually become more sophisticated, such as data-driven RFM models, then one-to-one AI-based offers.”**

Early segmentation might focus on high-frequency shoppers, at-risk customers or high-value households. Engaging these groups does not have to rely on discounting.

Turner cites stretch-spend initiatives as driving incremental value. “If you typically spend £40–50 on your basket, the retailer could say ‘spend £60 next time and you get another 5% off’. This gives value to the retailer through regularity, and the customer gets something back too.”



Morrisons is one retailer who has adopted this approach. In October 2025, it introduced a stretch-spend promotion exclusively for its More Card customers shopping in its franchise stores. Shoppers who spent £15 or more received an extra 1,500 More Card Points. Once customers collected 5,000 Points, they earned a Morrisons Fiver to redeem on a future shop<sup>7</sup>.

“There are many mechanisms that allow retailers to drive the right kind of behaviour without simply giving money away,” says Turner.

Grocers must also ensure the model is scalable across store formats, channels and touch-points. This relies on data integration, with in-store, web and app activity feeding into a single customer profile. Point of sale, ecommerce and loyalty systems need to work together so offers reflect real behaviour, avoiding alienating customers with inconsistent pricing or irrelevant rewards.

**Turner cites three KPIs for success: loyalty penetration, visit frequency and basket size.**

“All the data shows that loyal customers spend more, so it is paramount that grocers drive more customers to join their loyalty programmes.” He adds that 70–75% membership is the optimum level, with returns diminishing beyond this point.

Done well, loyalty and EDLP reinforce each other, working together to positively impact the bottom line.

## *KPIs for success*

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1

**Loyalty penetration**

2

**Visit frequency**

3

**Basket size**

## Conclusion

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In a sector characterised by ongoing price sensitivity, rising costs and intense competition, the leaders in the grocery space will be retailers who combine disciplined pricing with purposeful loyalty strategies – reaffirming price perception while using customer data to drive better decision making. As Turner says,

“I see this conflict of lower prices versus loyalty across many European countries. The retailers who decide they are simply going to be ‘cheap’ are missing a trick.”



## References

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*Lobyco builds engaging loyalty and promotion propositions for retailers around the world. With clients in North America, EMEA and APAC, Lobyco is precisely tailored to work with retailers, grow their share of wallet and unlock new revenue streams. Born from retail, with the DNA of the shopfloor, we exist to bring retailers and customers closer together by making loyalty easy, personal, and impactful.*

*We've lived the journey, and we bring the insights and experience to help you succeed. Our platform – built with retailers, for retailers – empowers you to engage customers wherever they are, in-store or at home. It's flexible, scalable, and designed to adapt as consumer behaviours evolve.*

*With Lobyco, you can unlock new revenue streams, commercialise media channels, and create more value for shoppers through stronger partnerships and smarter engagement. We imagine what's next and build what should be, not just what's expected. We help retailers become brands people love, not just visit. We turn every campaign into insight, every tap into loyalty, and every moment into measurable impact.*

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