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App-Based Couponing as a Customer Retention Instrument in Discount Grocery Retail: A Comparative Case Study of Lidl Plus and the Penny App

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Abstract:

The German grocery retail sector is characterized by intense price competition and declining brand loyalty, prompting discounters to develop digital retention mechanisms beyond conventional promotions. This study investigates how app-based couponing supports customer retention in discount retail through a multiple case study design comparing the Lidl Plus and Penny apps. Drawing on couponing psychology, the Technology Acceptance Model, and gamification research, the two apps are evaluated across six criteria: couponing strategy, user-friendliness, perceived usefulness, pricing policy, gamification elements, and personalization. Data was gathered through a two-week active usage phase in January 2026. Findings indicate that both apps leverage coupons as psychological engagement tools, exploiting effects such as smart shopper feelings, fear of missing out, and the goal gradient effect. Key differences lie in timing and interaction design: Lidl Plus prioritizes immediate post-purchase rewards, while Penny emphasizes pre-visit planning. The study highlights that effective mobile retention in grocery retail requires a coherent combination of usability, personalization, and gamification.

Keywords:

Mobile Couponing, Customer Retention, Grocery Retail Apps, Gamification, Discount Retail.

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Introduction

The German food retail sector is considered one of the most competitive markets in Europe, characterized by aggressive price wars and low profit margins (Brissy, 2024). This tense market situation is further intensified by recent inflation rates: customers are price-sensitive, and traditional retailer loyalty is increasingly being neglected. In times of increasingly high prices, customers are less loyal to specific brands and instead act as “bargain hunters,” strategically choosing where to shop based on the offers available. Against this background, discounters face the challenge of finding and establishing new mechanisms for customer retention that go beyond pure price competition.

The aim of this thesis is to examine the mechanisms of customer loyalty through discount store apps. This study will focus on the psychological impact of coupons. Based on an in-depth analysis of the Penny and Lidl Plus apps, it will outline the methods used to acquire users and ensure long-term loyalty. In addition, it will examine the extent to which technical factors and psychological effects interact to ensure the active use of the apps in consumers' everyday lives.

Literature Review

To analyze which factors play a role in the context of mobile applications (apps) in the specific area of customer loyalty, a comprehensive literature review will be conducted in the further course of the case study. The thesis is structured as follows:

First, the psychological functioning of coupons is examined. The aim is to understand why coupons are generally effective. Next, we examine how customers are acquired to use the app. Once users have successfully overcome the initial barrier of installing the app, the question arises as to how continuous active use of the app can be ensured. These three aspects are addressed in the following chapters: “Couponing Psychology ‘Why coupons work’,” “User Acquisition,” and “User Retention and Loyalty through Gamification.”

Couponing psychology

First, it is important to examine why coupons are effective in the first place. There are several psychological factors involved. These include the successful redemption of a coupon, which triggers a feeling of personal control over one's budget and spending (Connor, 1997).

Furthermore, so-called smart shopper feelings are also triggered. These describe the hedonic benefit that a user experiences when they purchase a high-quality product at a low price. In contrast to the purely functional savings advantage, the hedonic benefit refers to the emotional aspects of consumption, such as the pleasure of the search process or the joy of success. It is not just about the monetary

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incentive of saving money and getting the best value for money, but also the feeling of having made a competent purchase. This feeling can be pride, power, or even joy (Bauer, 2005).

Another factor in coupon psychology is the feeling of an increase in “real income.” This is triggered as soon as a consumer redeems a coupon and, as a result, pays less than the regular price. This effect of being “richer,” also known as the income effect, causes the propensity to save to decrease and the propensity to consume to increase. The money saved is often spent immediately, either on more units of the advertised product or on other goods (Barat, 2007). Furthermore, studies show that this euphoria generated by coupons leads to consumers spending more time in the store and spending more money overall (Barat, 2007).

In addition, many consumers confirm the feeling of FOMO, short for “fear of missing out.” They therefore remain on email distribution lists for coupons, for example, even though they don’t use them. In this case, the concern about receiving an offer in the future that must not be missed prevails. This is further reinforced by the limited validity of coupons. It creates a sense of urgency and leaves consumers disappointed if they miss the deadline (Daskalova et al., 2017).

User acquisition

Now that the psychological impact of coupons and why they are such a strong incentive for consumers has been clarified, the question arises as to how retailers manage to get customers to use the app in the first place.

Fundamentally, the objective of user acquisition is to build the largest possible user base for using the app. To achieve this, all initial barriers to entry must first be removed. Pricing policy plays an important role in this regard. Apps are therefore usually offered free of charge, removing the price barrier to simplify the decision to download. Apps also attract users with financial incentives. They offer discount coupons that provide a monetary advantage immediately upon installation (Andersen, 2021).

In addition to the positive effects of coupons, there are other psychological factors that determine whether an app is used regularly. These can be illustrated, for example, by the Technology Acceptance Model (TAM) (Davis et al., 1989). It shows why users accept or reject technology. The core factors of the model are perceived usefulness and perceived ease of use. Perceived usefulness explains the user's expectation that using the app will offer them significant added value, such as increased efficiency. It is particularly important to highlight the most attractive advantages of the app in advance. One specific advantage would be “saving money with coupons.” Perceived ease of use, on the other hand, refers to how intuitive and user-friendly the app is perceived to be and whether the user assumes that they will be able to operate the system without significant mental or physical effort (Grandt, 2019). Both factors influence the intention to use, which ultimately leads to actual use (Malatji et al., 2020).

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User retention and loyalty through gamification

To actively maintain the user base, it is necessary to consider the factors that lead users to actively use the app. Two motives are often particularly decisive for user behavior: hedonism and utilitarianism.

Hedonism describes the pursuit of pleasure and fun, so it is an emotionally driven approach (Barat, 2007). To satisfy this pursuit of pleasure and fun, gamification can be used in apps, as they entertain and relax (Chandra Deri Andika et al., 2023). Elements such as wheels of fortune or entertaining challenges, such as mini games, create positive emotions and thus directly contribute to customer satisfaction (Punwatkar & Verghese, 2025).

Utilitarianism refers primarily to the usefulness, functionality, and efficiency of an action or object. In contrast to hedonism, it is a cognitively driven approach (Barat, 2007). When combining utilitarianism and hedonism, it is therefore important that gamification elements are not only fun but also offer real added value. For example, customers feel more loyal when gamification elements save them real costs or generally get them better prices (Punwatkar & Verghese, 2025).

Gamification in general increases the customer's active engagement with the brand, also known as user engagement. Studies show a strong positive correlation here. The higher the engagement through playful elements, the stronger the brand loyalty. But gamification not only increases loyalty, but it also directly and indirectly increases purchase intent (Punwatkar & Verghese, 2025). A specific mechanism for increasing user retention within such gamification structures is the so-called goal gradient effect. This states that an individual's motivation and effort increase the closer they get to a set goal (Nunes & Drèze, 2006). Apps implement this, for example, through progress bars or level systems.

Research Design and Methodology

To test the theoretical findings on user acquisition and couponing psychology in practice, a multiple case study design is used in this study. For this purpose, the two apps “Penny” and “Lidl Plus” are systematically examined based on the following factors: couponing strategy, user-friendliness, usefulness, pricing policy, gamification elements, and personalization. These are derived directly from the three main aspects (couponing psychology, user acquisition, and user retention) that were developed in the literature review. User-friendliness, usefulness, and pricing-policy as evaluation criteria are based on user acquisition points. Gamification elements and personalization are derived from aspects of user retention. These criteria serve as the basis for the analysis carried out in Chapter 5.

The data collection is primarily based on an intensive usage phase lasting two weeks in January 2026. During this time, both apps were installed, the registration process was completed, and the central functions were subsequently tested live.

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Case Description

Discount retailer Lidl is part of the Schwarz Group. Lidl Stiftung & Co. KG, which operates all Lidl stores, released its “Lidl Plus” app on September 14, 2020, making it available to all Lidl customers (Pressestelle Lidl Deutschland, 2020). To date, Lidl Plus has recorded well over 100 million app downloads, making it by far one of the most downloaded apps in the German food retail sector (Google Ireland Limited, 2026a). The app of the discount retailer Kaufland, also part of the Schwarz Group, has only recorded around 30 million app downloads (Google Ireland Limited, 2026). The Lidl Plus app offers exclusive price advantages, digital receipts, brochures, and scratch cards, as well as benefits from attractive partner companies. It is available in both the Google Play Store and the Apple App Store and can be downloaded free of charge in both cases. While there were not enough reviews for the current version available in the Apple App Store at the time of the study, extensive data is available for the Google Play version. There, the app has a rating of 3.8 out of 5 stars with a total of approximately 1.76 million reviews (Google Ireland Limited, 2026).

Unlike Lidl, Penny belongs to the Rewe Group. The Group launched the Penny app back in 2010 but revised it to include mobile couponing in 2016 (Schulze-Geißler, 2016). Since then, the app has been downloaded over 5 million times (Google Ireland Limited, 2026). Penny also ended its cooperation with the “Payback” partner program at the end of 2024 to enable more direct customer loyalty with its own loyalty program. Like Lidl, the Penny app advertises “extra-low app prices” as well as “coupons, savings promotions, offers, and competitions.” Compared to Lidl Plus, it has proportionally more reviews. With just under 72,000 reviews in the Google Play Store, it has a rating of 4.3 out of 5 stars (Google Ireland Limited, 2026). It can also be installed free of charge on both Android and iOS.

Results and Discussion

This section systematically analyzes the factors identified in Chapter 3 and relates them to the theories described in the literature review.

Analysis of Lidl Plus

User-Friendliness

Lidl Plus is consistently optimized for use at the point of sale (POS). A prominently displayed button for the customer card speeds up the payment process and thus increases the perceived ease of use. However, navigation is critical: while the home page only shows partial excerpts, all coupons can only be found in the “Lidl Plus” tab. This unintuitive naming presents a user experience barrier. Since coupons also have to be activated, the app forces users to consciously engage with the discounts. Although this increases the effort required, it reinforces the “smart shopper feeling” and the associated psychological attachment to Lidl's price advantages.

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Pricing-Policy

Lidl Plus can be downloaded free of charge for Android and iOS. This removes the price barrier and makes it easier for consumers to decide to download the app. In addition, both digital and stationary marketing convey a price advantage through the app.

Gamification-Elements

Lidl-Plus relies on a quick reward system to emotionally engage customers immediately after their purchase. After making a purchase, customers receive a digital scratch card, which they must actively interact with to receive the coupon. This increases the likelihood that those customers will use the app again in the future and thus make their next purchase at Lidl. In addition, customers are shown a so-called discount collector, a progress bar that fills up after each purchase and unlocks more benefits. This is where the goal gradient effect comes into play, giving customers a goal to continue using the app.

Usefulness

In addition to monetary benefits, the Lidl Plus app also offers several additional features. Elements such as digital brochures, recipes, the store locator, and even connections to charging stations for electric cars offer customers greater benefits when using the app. This increases perceived usefulness and reduces potential download barriers for users.

Personalization

To build individual user loyalty, the app focuses on continuous personal communication. Starting with the headline, which includes the user's first name, and continues with phrases such as “Your coupons” and offers tailored to the user's purchasing behavior. This strategy sets Lidl Plus apart from a simple app and strengthens its role as a personal shopping companion.

Analysis of Penny

User-Friendliness

Penny focuses on semantically clear navigation. The “Advantages” tab marked with a gift box icon is intuitive to find and thus contributes positively to the perceived ease of use. Penny focuses more on the phase before the store visits, as customers can select the best offers in advance. This contributes greatly to the “smart shopper feeling.”

Pricing-Policy

The Penny app is also available free of charge for Android and iOS, which eliminates the financial barrier to entry. The app places a strong focus on exclusive app prices to specifically address customers' price awareness. The app thus acts as an essential tool for achieving maximum savings.

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Gamification-Elements

The discount collector, which is also available in the Penny app, serves as a level system. The goal gradient effect motivates customers to make progress in the discount collector to earn higher discount coupons. This helps to keep customers in the Penny app and encourages them to use it continuously.

Usefulness

In addition to monetary benefits, the Penny app offers several additional services like Lidl Plus. The integrated shopping list plays a major role in customer loyalty, as it only displays Penny's product range. It therefore only contains items that can be purchased at Penny, which helps customers plan their shopping more effectively in advance. The app also offers a store locator, which helps customers view only the offers available at their selected store location. The app also communicates very transparently about any product recalls, which strengthens trust in the Penny brand.

Personalization

Similar to Lidl Plus, Penny's personalization strategy focuses on a personal approach. However, the tone chosen here is different. Penny uses possessive phrases such as “My offer brochure” or “My offers” instead of directly addressing the customer with “Your.” This tone creates a feeling of exclusivity and ownership over the coupons provided. As a result, the benefits are perceived more strongly as personal possessions, which lowers the psychological barrier to redemption and thus promotes long-term customer loyalty via the app.

Conclusion

This study examined the ways in which discount retailer apps retain customers using coupons. Analysis of Lidl Plus and the Penny app shows that both companies take different approaches to achieving this goal. Lidl Plus focuses heavily on efficient use directly at the checkout and rewards customers immediately after their purchase with playful elements such as digital scratch cards. In contrast, the Penny app supports customers even before they visit the store with planning tools such as shopping lists and digital brochures.

Both apps use coupons not only for discounts, but also to build psychological loyalty. Whereas Lidl focuses on quick rewards, Penny uses language that indicates ownership to create a sense of belonging to the offers. The study shows that coupons are most effective when combined with high user-friendliness and a personal approach.

Future research could investigate whether the motivational effect of progress bars and scratch cards diminishes with prolonged use. Finally, it would also be necessary to clarify whether app usage leads to long-term brand loyalty or is merely a short-term search for the lowest price.

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