# Welcome

# UK Convenience, Discount & Online seminar

# 25th June 2015

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

# Agenda

- 9.30am – **Welcome**
- 9.45am - **Introduction to UK Convenience, Discount & Online** - *Molly Wilmot, New Business Director, him!*
- 10.30am **Global Consumer Lifestyle Trends**, *Paula Donoghue, Insight & Brand Manager, Bord Bia.*
- 11.15am – **Refreshments.**
- 11.30am – Musgrave's GB overview & how to trade successfully, *Ciara McClafferty, Head of Buying, Musgrave's GB*
- 12.00pm – **UK Online retailing & how to supply Ocado successfully** – Kevin Hancock, Senior Buying Manager Dairy
- 12.30pm – **How to successfully supply the UK Convenience sector** – Adrian Lawlor & Angela Daulby – *Kepak.*
- 1.00pm - Questions & Close
- 1.15pm Light lunch & networking opportunity.

# The Digital Food Hub

Bord Bia Irish Food Board + Google

- A new and innovative programme
- First of its kind designed specifically for the food and drink industry
- Launched in April 2014
- Eight master classes
- Additional mentoring: online and face-to-face

# The Digital Food Hub
## Programme Participants 2014

# The Digital Food Hub 2

## Programme Participants 2015

Johnnie Cupcakes

GLENILEN FARM

CLONAKILTY BLACKPUDDING ORIGINAL Harrington's RECIPE

wyldsson ELITE NUTRITION

ERRIGAL BAY WILD ATLANTIC SEAFOOD

MANOR FARM www.chicken.ie

ROBERT ROBERTS IRISH SINCE 1905

Butlers PURVEYORS OF HAPPINESS

Aurivo Co-operative Society Ltd.

Connacht Gold

Keelings LOVE TO GROW

STRIPT SNACKS

GLENDALOUGH DISTILLERY

Green Farm FRESH FOODS

REFRESHINGLY REAL IRISH CIDER ORPENS MADE FROM FRESH PRESSED APPLES

Keogh's Grown with love in Ireland

KINETICA

# The Six Master classes

- i) Tracking & Measurement - Analytics, Insights & Consumer Intent
  March 5th (9am – 12 noon)
- ii) Search as a barometer - Using search to understand & reach your audience
  April 16th (2pm – 5pm)
- iii) Video - Building your food brand online
  May 14th (2pm – 5pm)
- iv) Social - Understanding the social ecosphere
  June 11th (2pm – 5pm)
- v) Exporting and ecommerce!
  Aug 20th (2pm – 5pm)
- vi) The Digital Food Wrap - Recap of the programme.
  Sept 24th (2pm – 5pm)

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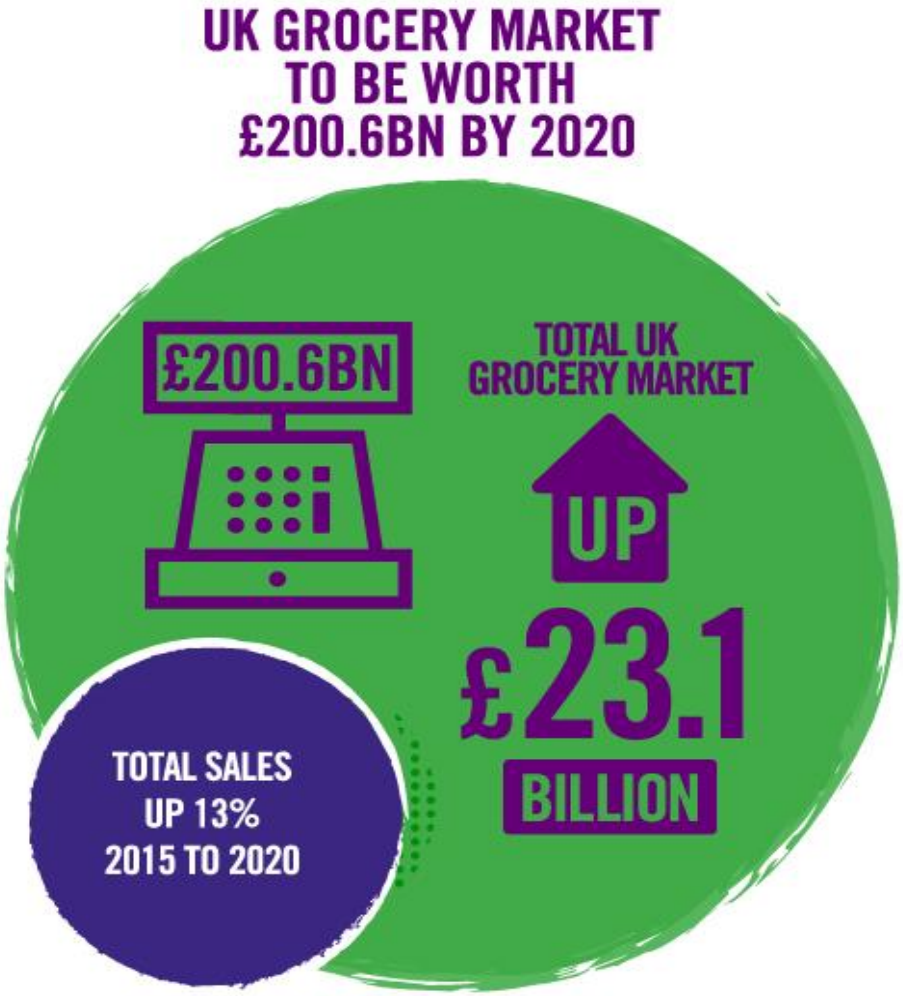
# The road to 2020




- Over the next five years, IGD expects the UK grocery market to increase in value by 13.0% to £200.6bn

# The road to 2020

- The strengthening growth trend will be driven largely by an unwinding of deflation the market has experienced over the last year.
- Expected interest rate rises will increase mortgage repayments
- Pressures on shoppers' budgets will mean that their expenditure continues to be tightly controlled
- Population growth means the market benefiting from an extra 2.2 million consumers by 2020

# Convenience, online and discount - fastest growing channels

## Online

- Online will continue to be the fastest growing channel over the next five years, with sales increasing by 92.9% to £17.2bn.
- IGD's ShopperVista research tells us that 28% of shoppers already claim to shop online for grocery each month and 47% would like to use it more over the next two to three years.

# Looking ahead online sales will be driven by three trends:

- Smart Shopping – Consumers become increasingly digitally confident and use more smart devices to manage buying their groceries. Online will be viewed by many as the main way to engage with retailers.
- Convenient collection – Experiments are already underway with remote collection lockers in a multitude of locations will make grocery click & collect convenient to many more shoppers.
- Competitive pricing – Low cost delivery subscription schemes will make it enticing for people to shop online and will encourage regular spend and increase shopper loyalty.

# Discount

Over the next five years, the discount channel will grow sales by £10.5bn – more than any other channel – driven by expansion and stronger performance at both the food and high street discounters.

Reasons for strong growth:

- New store openings
- Increasing format flexibility
- More impactful marketing & investment in product ranges
- High street discounters will also grow at pace as they expand to new locations (including retail parks) and explore online opportunities.

# Convenience

After years of rapid advances, sales growth in convenience will be more measured over the next five years IGD predicts sales growth of 17.0% between 2010 -2020.

More measured growth:

- Maturing of the sector makes it harder for new convenience stores to achieve the rapid like-for-like growth seen 2010-2015
- Convenience continues to be the most used type of grocery format, with people visiting on average 12 times per month
- Large networks have the benefit of being visible in many communities, which means most people have easy access to them.
- The challenge is in finding ideal new locations and rising competition from other formats, including the discounters, for top-up shopping.

# Large format stores

- Sales through hypermarkets and superstores will decline 2.9% to £69.6bn over the next five years.
- Retailers experiment with new formats to make large stores more convenient and relevant to shoppers.

# Large format stores

Key to moderating the decline will be initiatives to make big stores easier-to-shop.

Large store innovations:

- New formats are displaying more impactful produce & bakery offers
- Adapting store layouts and bringing in digital technologies are making large stores easier & faster to shop – meeting the needs of top-up shoppers and those in a hurry
- More foodservice concepts and external concessions are being introduced, but in both cases need to be carefully considered to ensure they are relevant to local shoppers and strengthen reasons to visit the store.

# Supplier Implications:

- Large format stores will lose market share by 2020, they will remain the most important channel in terms of sales, offering big opportunities for suppliers whose products help drive sales.
- In a maturing convenience market, ensuring your products, pack sizes and promotions are appropriate for small format stores will become key.
- Merchandising products in the best possible way for shoppers online and taking full advantage of digital interaction will maximise opportunities in this channel.
- Not underestimating the expansion of the discount channel is also important - you may not supply it, but more of your customers are likely to shop at discount stores in future.

# Booker Group Plc

# Booker Snapshot, June 2015

## Latest performance

| | 2014 | 2015e | % change |
|---|---|---|---|
| **Turnover (ex VAT)*** | £4,750m | £4,890m | +3.1% |
| **No. of depots**** | 210 | 213 | +1.4% |
| **Sales area (sq. m)**** | 857,799 | 868,300 | +1.2% |

* Includes sales from Makro as of July 2012
** Now includes 30 Makro depots plus all sites in India (six in FY 2013/14)

## Your checklist to trade with Booker

- ✓ Do you understand the Booker business and its role as a route to market in **both retailing and catering channels**?
- ✓ Can you support **pricing guarantees** to underpin Booker's price lock-down and roll-back strategies?
- ✓ Are you supporting Booker's **drive to build business solutions** and support for its business customers?
- ✓ Are you accessing **Salesout data to provide category insight** in the wholesale sector?
- ✓ Do you **offer unique products for the wholesale channel** enabling independent traders to offer clear points of differentiation in the market-place?
- ✓ Do you understand **Booker's role as a low cost route to market for innovation** and NPD?

## Trading priorities

| | |
|---|---|
| **1. Focus, Drive, Broaden** | • **Focus** by reducing costs to be the most efficient operator and simplifying the business: 'less is more'<br>• **Drive** by improving customer satisfaction with choice up, prices down and better service<br>• **Broaden** by offering new products and new services to win new customers |
| **2. Drive: Choice up** | • **Extending ranges**, especially in fresh to offer market leading proposition in cash & carry<br>• **Building private label** portfolio to provide unique products and differentiation |
| **3. Drive: Prices down** | • Focus on maintaining **price leadership** in cash & carry<br>• Extensive investment in **roll-backs** on 100s of products<br>• Stronger **promotional offers**<br>• Building **value ranges** across all key lines<br>• Long term **price lock-downs** providing stability to customers |
| **4. Drive: Better service** | • **Online ordering and delivery service** provide customer convenience<br>• Depot shop, online order and delivery now offers **flexible, multi-platform service proposition**<br>• Focus on **improving the whole customer experience** through 'PRIDE' initiative: Parking, Reception, Internal, Delivery, Exit |
| **5. Broaden** | • **Extending business capability:** building new areas of expertise to target new customer groups<br>• **Expansion in India**, adding own depots and by joint venture |

## Must see stores

| Where | Why |
|---|---|
| 1. **Family Shopper Wolverhampton,** Bushbury, Wolverhampton, UK. | • This is the first in Booker's discount focused symbol stores, showcasing the Booker fascia which blends elements of the convenience and discount channels. |
| 2. **Booker/Makro,** Parkway Avenue, Sheffield, South Yorkshire, S9 4WD | • The first depot to combine the Booker and Makro offers – creating a dual branded site with separate units bring focus to the needs of retailers (Booker) and caterers and small business (Makro). |

# Booker delivering consumer value

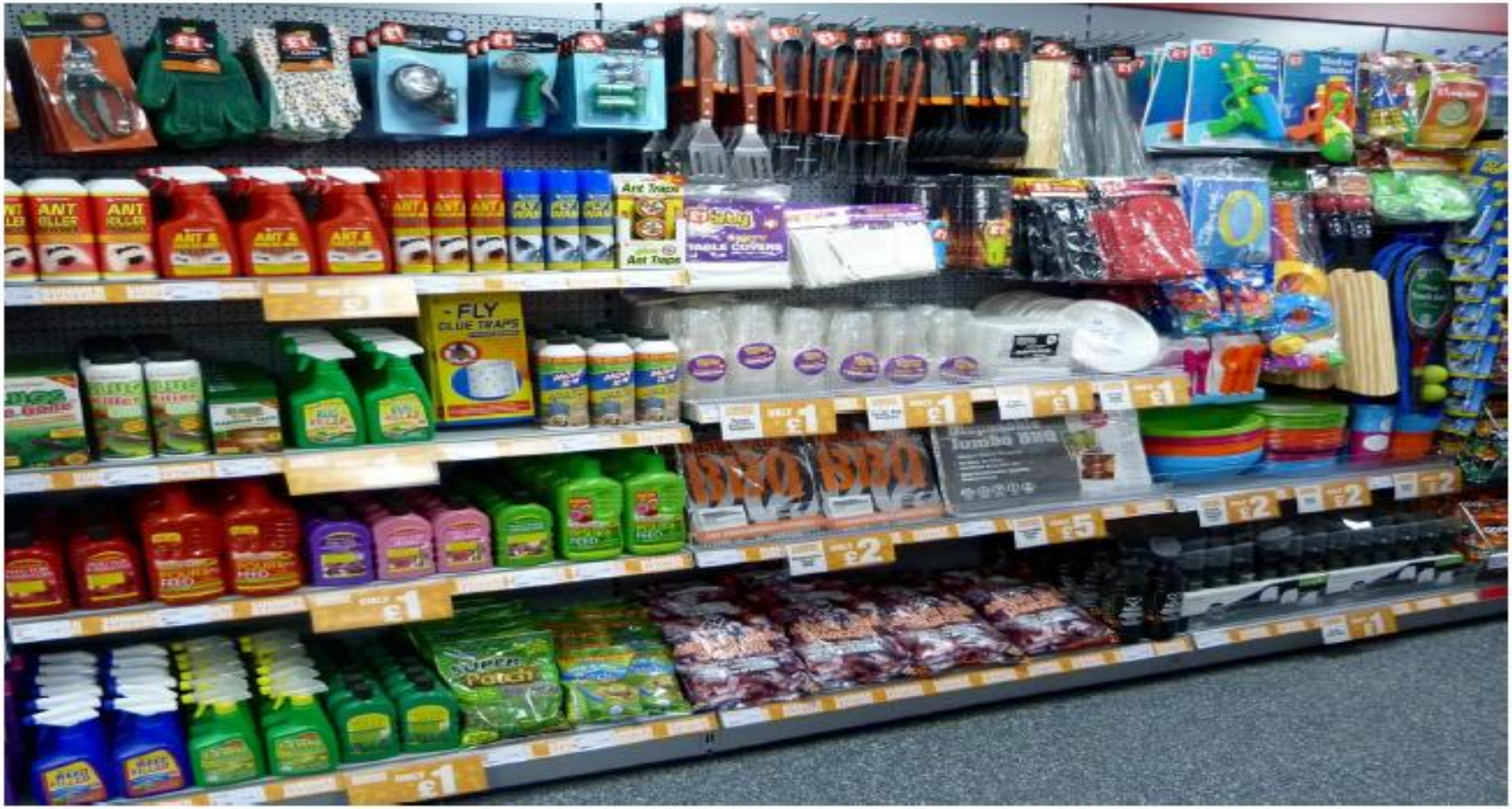
# Promotional Activity

- Fewer products
- Bigger sales
- Big Brands
- TV Advertised

# Make the offer standout

# Fuse Bookers strength in Retail & Foodservice

# Create new events



# Family Shopper

# Family Shopper

# Delivering the value message through Family Shopper

Great value deals, driving footfall to the store and underlining value

Mix of 40% private label and best selling brands

PMP and multi-buy deals across over 75% of products

Over 500 non food products priced at just £1

# M&S are a Convenience store

# M&S Snapshot, April 2015

IGD Retail Analysis

## Retailer performance

| | 2014 | 2015e | % Change |
|---|---|---|---|
| Group Sales (excl. sales tax) | £12,459.45m | 12,962.19m | +4.04% |
| Number of Stores | 1,438 | 1,548 | +7.65% |
| Sales area (sq.m) | 2,294,916 | 2,403,085 | +4.71% |

**Key dates / events:**

- Financial year runs 52 weeks to 28 March 2015 (2014)

Note: Includes retail sales through franchises

## ✓Your checklist to trade with M&S

- ✓ Can you assist M&S in its ambition to become more regarded as a **specialist food store**?
- ✓ Do your products demonstrate distinctive innovation and include the **highest quality** ingredients?
- ✓ Can your products help M&S to build its **basket size**?
- ✓ Can you demonstrate leading **ethical** and **sustainability** standards?
- ✓ Can you help further strengthen M&S's market leading position in **healthy meals**?
- ✓ Are you able to contribute to the success of M&S's popular '**Dine In**' meal promotions?

## Trading priorities

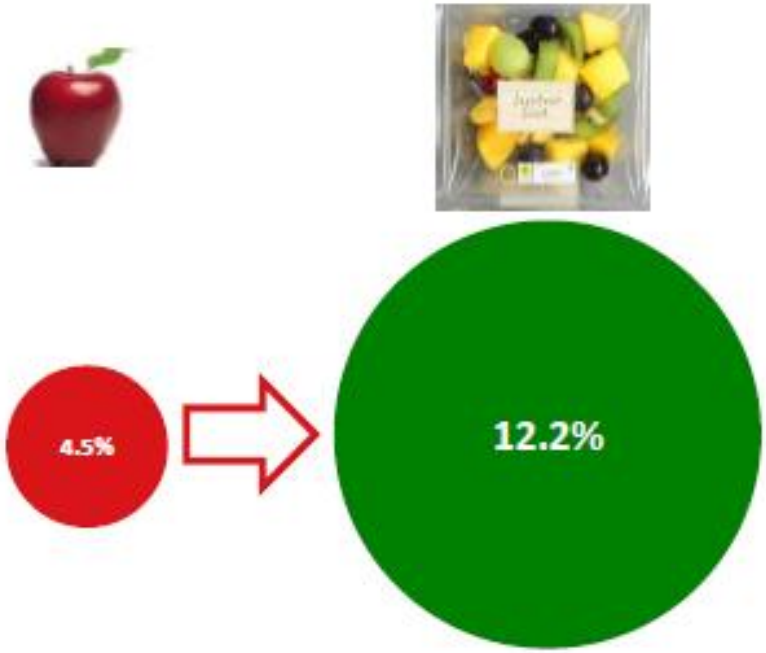
1. Values and Positioning
   - Three core values identified for food: **fresh**, **speciality** and **convenience**
   - **Positioning shift** towards a specialist food store and **destination for special occasions**
   - Focus on **value for money** through **sharper pricing** on basics and more **targeted promotions**
   - Strong ethical stance through **Plan A sustainability** targets and **sourcing** policy
2. Range development
   - Further focus on **innovation**; with 1,500 new lines introduced each year
   - Distinctive **international 'guest' brands** deliver extended choice
   - Focus on improving **availability** and **stocking the full range** in more stores
   - Aim to convert more **occasional to regular shoppers**
3. Stores
   - Focus on making stores **easier to shop** with better segmentation and in-store navigation.
   - Better segmentation of stores to fit **local demographics**
   - **Artisan bakeries** and **deli counters** in food halls improve space utilisation
   - New focus on **beauty**, footwear and home sections
   - Improved **events section** and trial of **tasting stations** in selected stores

## Must see stores

| Where | Why |
|---|---|
| 1. **M&S Marble Arch**, 458 Oxford Street, London WC1C 1AP | • M&S's newly remodelled flagship food hall. |
| 2. **M&S Kensington**, 113 Kensington High Street, London W8 5SQ | • The first M&S food hall to be upgraded to M&S's new format. |
| 3. **M&S in Western Europe -** Kalverstraat, Amsterdam and La Défense, Paris | • How Marks and Spencer is differentiating to win in Europe. |

# M&S is synonymous with convenience – Prepared meals in particular.

# Doing the hard work to make Customers' lives easier

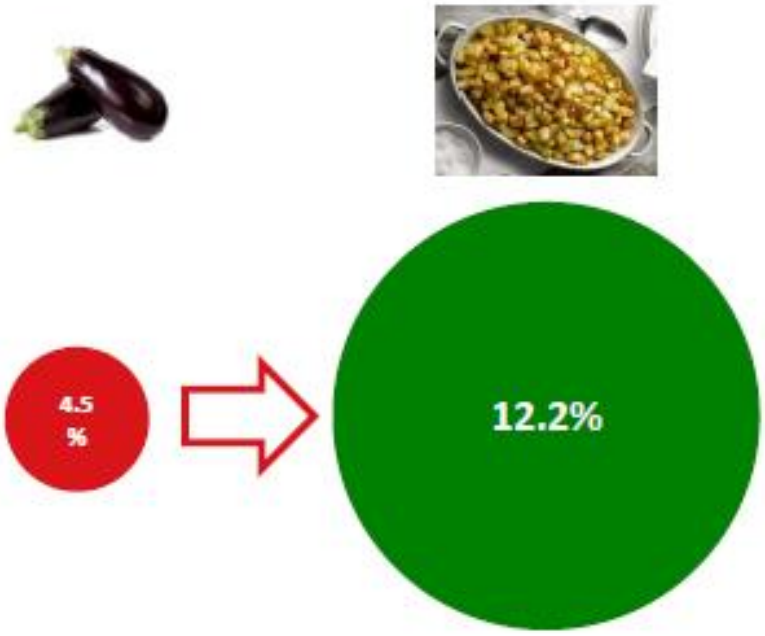



M&S

Fruit share

M&S

Prepared fruit share




M&S

Veg share

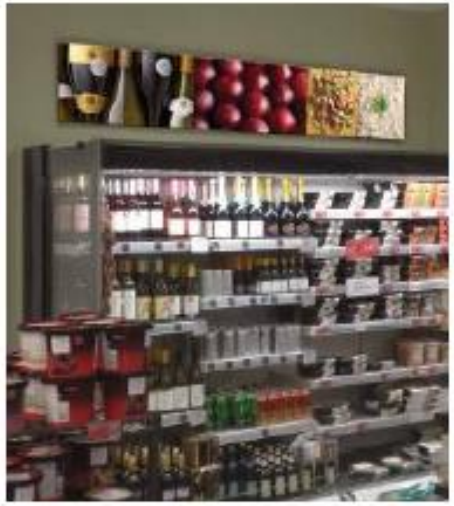
M&S

Prepared veg share

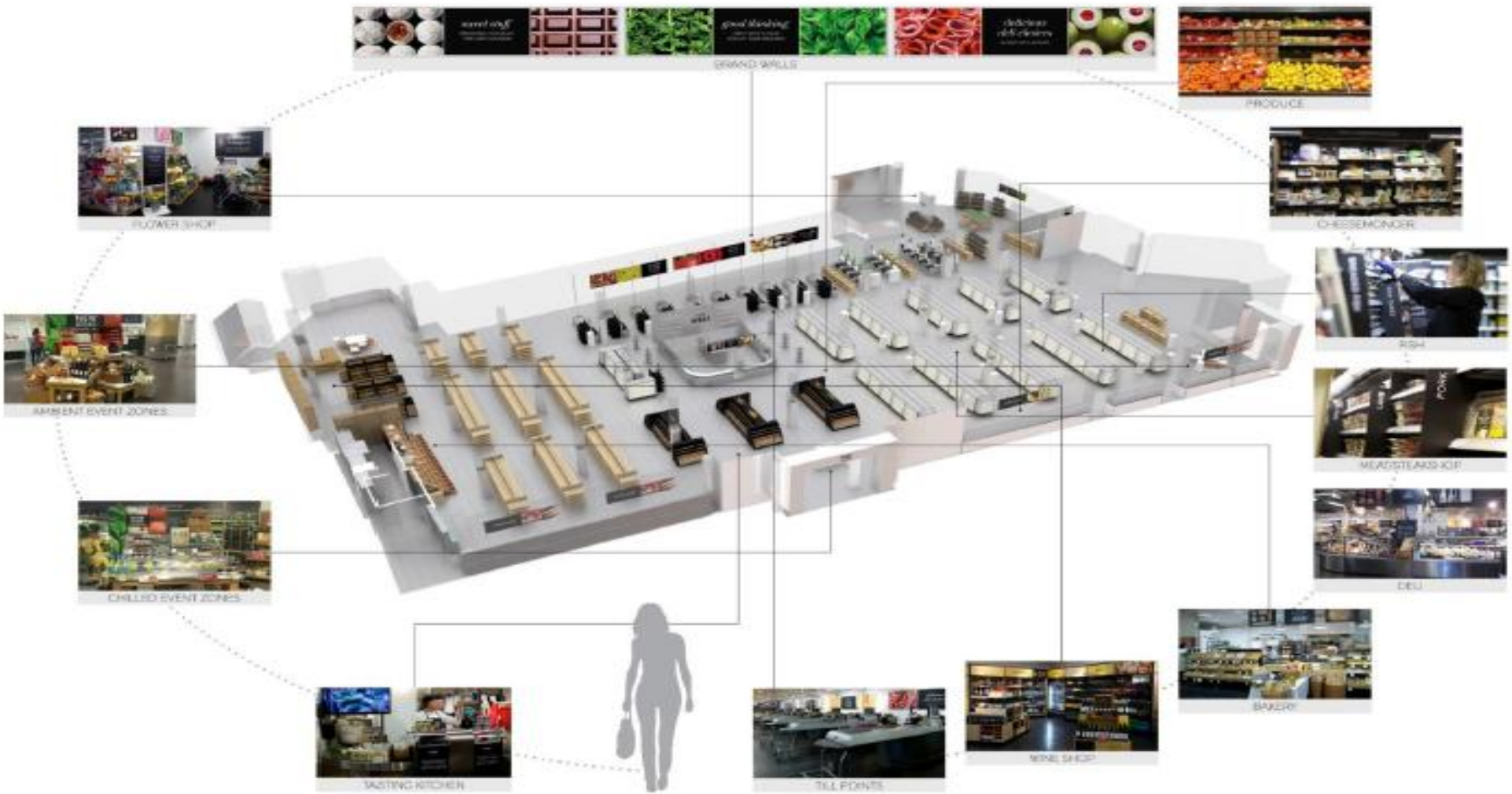
# What customers expect

| | | |
|---|---|---|
| Regional Foodhalls | 72 | M&S HANISH, THE FLOWER SHOP, THE BAKERY, Roquefort Revelation, THE DELI, M&S TASTING KITCHEN, THE WINE SHOP |
| Foodhalls | 247 | M&S HANISH, THE FLOWER SHOP, THE BAKERY, Roquefort Revelation |
| Simply Food | 504 | M&S HANISH, THE FLOWER SHOP |
| Food To Go | 8 | M&S HANISH |

# M&S Convenience



# The Convenient Food Hall / Food Specialist



# And now they're on the road...

# A Convenient Truth

- 12% market share on Convenience Foods
- 70% of our stores are small Convenience formats
- 60% of our stores sit in the high frequency South
- 250 new Convenience stores opening
- The sector, frequency and 'for tonight' on the up

# And for our suppliers...

- Increased demand for special & different product
- New product solutions for evolving missions & formats
- More volume growth and fuller factories

# SPAR UK Snapshot, February 2015

## Retailer performance

| | 2014 | 2015e | % change |
|---|---|---|---|
| Turnover (£m) | 2,780.82 | 2,845.90 | 2.34% |
| No. of stores | 3,355 | 2,365 | 0.42% |
| Sales area (sq. m) | 365,025 | 366,575 | -0.8% |

• Source: IGD Datacentre estimates

## Your checklist to trade with SPAR UK

- ✓ Understand the unique way in which SPAR operates and works with both its wholesalers and retailers
- ✓ Familiarize your business with the 10-point 'Inspiring Growth' plan
- ✓ Be aware that SPAR's compact buying team relies on suppliers to help keep up to date on developments in the market
- ✓ Support the business in its goals to offer value, innovation and service nationally in the convenience channel
- ✓ With an increased focus on private label sub-brands, have you considered whether this brings an opportunity to your business?
- ✓ Recognise the significant national and international scope that SPAR provides as a platform for supplier activity

## Commercial priorities

1. Driving value perceptions
   - The S Budget range has been introduced and all other private label ranges have undergone extensive review, in order to help build key value messages
   - Focus on delivering EDLP and changing shoppers' price perceptions
2. Retailer recruitment
   - Mark Steven recruited to the newly created role of Business Development Controller to put greater emphasis on retailer recruitment
   - Increasing format flexibility aimed at enhancing retailer appeal
3. Build sales growth in key categories
   - SPAR has used engaged and consulted with customers to identify shoppers' priorities and help develop the offer in fresh produce
   - The research has also reinforced the importance of addressing customer missions, particularly based around meal occasions for breakfast, lunch and dinner
4. Improving communication between SPAR wholesalers
   - By drawing together initiatives from across the five regional operations, SPAR is aiming to provide a uniform platform for best practice across the entire organisation

## Must see stores

| Where | Why |
|---|---|
| 1. **SPAR, Pickering, North Yorkshire** Malton Road, YO18 7JL | • SPAR's first forecourt concept store which features SPAR branding on the canopy, pumps, pole sign and fascia. |
| 2. **SPAR, Hackney,** 64-66 Brooksbys Walk London, E9 6DA | • SPAR Hackney is a second store for James Brundle and partners offering a convenienceoffer with two restaurants. |

# Spar UK

Traditional Convenience
New Convenience
Licensed & Food Service
Costcutter
Londis
McColl's
Nisa
Martin's
Mace
Premier
FAMILY SHOPPER
Sainsbury's Local
The co-operative good with food
quality save
Waitrose
Poundland
TESCO
ALDI
SPAR
M Local
M&S SIMPLY FOOD
99p stores
COSTA COFFEE
GREGGS
Nando's
PIZZA EXPRESS
STARBUCKS COFFEE
SUBWAY eat fresh.
Merging

# Channel blurring - Pret A Boozer

Pret a Manger on The Strand has started selling wine, beer and evening meals to try and lure the evening crowds in London

With 300 branches currently selling breakfast, lunch and snacks. If the move to Booze is successful more branches will follow suit.

Revenue is listed at £510m, selling alcohol could increase this considerably.

# Channel blurring – Superdrug Breakfast meal deal

# Channel blurring - NISA new concept store Cardiff

# WH Smith Travel – Meal Deal Execution

# McColl's – Snack Zone

# Spar UK

**2,500** stores

**1,000** retail partners

**5** regional RDCs

**1** Central Office

**Increasing Sales**

**Average store size 170m²**

**Growing Profit**

# Format

FORMATS
Refit / refresh all stores by 2019
Increase sales per sq. ft. by £5 in 5 years
SPAR
Deals
89p 89p

# Spar formats – An Overview

| Format | Approx size | Most likely location | Store type | % of fresh* | Fascia | % |
|---|---|---|---|---|---|---|
| SUPERMARKET | Over 3,500sq ft | Residential<br>Residential,forecourt N.I | Full trolley shop, large fresh content | Ideal min 40% | SPAR market<br>EUROSPAR | 5% |
| NEIGHBOURHOOD 'Fresh food store' | 2,000 - 3,500sq ft | Residential / town / village | The convenience 'fresh food' store | Ideal min 30% | SPAR | 15% |
| NEIGHBOURHOOD 'Convenience' | 1,000 - 2,000sq ft | Residential / town / village | The local convenience store | Average 20% | SPAR | 60% |
| URBAN/CITY CENTRE | 1,000 - 1,500sq ft | City Centre | The place for takeaway lunch, smart contemporary | Average 35% | SPAR | 5% |
| TRANSIENT | 800 - 1500sq ft | Forecourt / transport hub | On the road, ready to travel, coming home. Food for now, distress for home | Average 25% | SPAR express | 10% |
| CTN | Under 1,000sq ft | Residential / village | The 'corner' shop, news & tobacco plus | Average 15% | SPAR express | 5% |

**'Fresh includes** - Fruit & veg (ambient /chilled), bread &cakes, all dairy, meat (packed& butchers counter), FTG (sandwiches/chilled snacking etc).This will also include fresh food franchises such as Subway or Greggs if applicable. Non 'fresh' products should not include tobacco or services in the calculations.

# Spar Forecourt – 11% Market Share

# Store Regeneration

# Store Regeneration

# Spar – the Future

**Enhanced food service**

**Licenced for on trade alcohol**

**Kiddies area**

**Pop-up shops**

# Nisa Snapshot, April 2015

## Latest performance

| | 2012/13 | 2013/14 | % change |
|---|---|---|---|
| Central Distribution sales * | £1,458m | £1,611m | 10.5% |
| Est. symbol store sales (all stores inc VAT)** | £838m | £918m | 9.5% |
| No. of symbol stores | 863 | 1,002 | 16.1% |

**Notes:**
*Value of goods supplied to Nisa retailers through the CDS
**Estimated value of all sales at retail by Nisa fascia retailers

## Your checklist to trade with Nisa

- ✓ Understand how the central distribution service sets Nisa apart from other Symbol groups
- ✓ Engage with Nisa to build value perceptions through tailored promotions
- ✓ Be aware that Nisa supplies retailers outside the Nisa banner and optimizing penetration requires addressing these wider requirements too
- ✓ With multiple private label sub-brands, have you considered whether this brings an opportunity to your business?
- ✓ Understand the positioning of the distinct Nisa fascias so that you can flex your offer to meet these different needs

## Commercial priorities

1. **Driving retailer recruitment**
   - Continue **strong recruitment strategy** that encourages retailers to invest in the long term development of their stores
   - Introduction of new **Loco fascia** allows smaller stores to become symbol members and acts as a proximity fascia in locations close to existing Nisa stores
2. **Improve benefits for members**
   - Involving more members in 'New Era Gold' will enable Nisa to **build a platform from which to negotiate better buying terms**
   - **£10m has been invested** in price cuts and promotions in the next year in order to improve retailer profitability and drive value perception
3. **Build brand awareness**
   - Nisa is investing in **consumer advertising, including TV campaigns** and the development of its consumer leaflets.
   - Nisa's latest generation **'store of the future'** format launched in 2008 and there are now over 700 of these stores
4. **Improve the equity of Nisa**
   - **Making a Difference Locally (MADL)** is the charity set up by Nisa , to enable retailers to donate to their local communities
   - A series of CSR programmes have been introduced and are being rolled out across the Nisa estate
5. **Grow share of spend across Nisa membership**
   - Nisa continues to invest in its **ranging and distribution capability**, especially in chilled and short-life products to ensure members purchase an **increasing proportion of their requirements** from Central Distribution

## Must see stores

| Where | Why |
|---|---|
| 1. **Loco** , 83 Salters Road, Gosforth, Newcastle, NE3 1DU | • One of the first stores operating under this fascia, showcasing Nisa's latest symbol offering. |
| 2. **Nisa Local**, 17 Castle Street, Cardiff, Wales, CF10 1BS | • This is new customer focused format from Nisa incorporating a strong foo-to-go offer, seating area, parcel collection and digital screens. |

# Costcutter Supermarkets Group Snapshot 2015

## Latest performance

| | 2014 | 2015e | % change |
|---|---|---|---|
| Turnover (ex VAT)* | £1,803m | £1,831m | +1.6% |
| No. of stores** | 2,562 | 2,602 | +1.6% |
| Sales area (sq.m) | 353,556 | 359,076 | +1.6% |

**Notes:**
* Value of goods and services supplied to Costcutter

## Your checklist to trade with Costcutter Supermarkets Group

- ✓ **Support Costcutter Supermarkets Group with a tailored programme** to drive sales of your brands
- ✓ Ensure you **engage with Costcutter Supermarkets Group** to benefit from its **comprehensive consumer and retailer marketing** packages
- ✓ **Drive** loyalty, discipline and retailer support using Costcutter Supermarkets Group's **telesales and direct marketing** initiatives
- ✓ Support **Costcutter Supermarkets Group's consumer leaflet** initiatives to drive additional sales, utilising **vouchers** and **regional leaflet** opportunities
- ✓ Are you seeking to **flex your offer to meet the different needs** of Costcutter Supermarket Group's fascias: Costcutter, Mace, Supershop and kwiksave?

## Commercial priorities

| | | |
|---|---|---|
| 1. | **Retailer recruitment** | • Investing in further **resource to drive recruitment** with field personnel and enhancing the **value of the packages for retailers**<br>• Developing **a wider portfolio of retail solutions** through its different fascias to **target a wider range of catchments** |
| 2. | **Enhance retailer support** | • Extending the suite of business services to **build the role of Costcutter Supermarkets Group as the back office function for its retailers** and improve their business efficiency<br>• Ensuring retailers have access to **class-leading product ranges and retailing expertise as well as marketing** |
| 3. | **Drive discipline across Costcutter and Mace stores** | • Investing in on-going **field support to sustain operational standards** and implementation of category management and promotions<br>• Extending the **roll out and integration of EPoS** within the group to provide visibility of sales data |
| 4. | **Build equity of Costcutter Supermarkets Group's retail brands** | • Targeting above the line advertising, **sponsorship, press and TV** to boost consumer awareness and communicate key brand messages<br>• Focusing on initiatives **to foster links of retailers with their local communities**<br>• Deliver retail brands and marketing activity that **meets consumers' daily needs and drives footfall and sales**. |
| 5. | **Drive the benefits of Buyco scale** | • Creating a new **best-in-class offer** for independent convenience<br>• Developing a dedicated **multi-tier private label range** to meet the needs of all members under the Independent brand |

## Must see stores

| | Where | Why |
|---|---|---|
| 1. | **Costcutter**, 137a-138a Otley Road, Guiseley, West Yorkshire, LS20 8LY 9EU | • Company-owned and run store showvasing best in class group execution. |
| 2. | **kwiksave,** 8 Market Street, Little Lever, Bolton, BL3 1HH | • The first 'new generation' kwiksave store, bringing stronger value focus to convenience, targeting less affluent catchments |

TESCO

IGD Retail Analysis

## Online facts

**UK's largest online grocery retailer,** with annual sales from Tesco.com and Tesco Direct of **£3.8bn in 2014***

**Online sales:**
+11.5% grocery
+14.5% GM
+ 28.5% clothing

Orders up almost **20%** year-on-year

Extended click & collect to **260** grocery locations

Offers **1hr delivery slots** in over **98%** of the UK

**Six 'dark store' facilities opened in and around London in the past 7 years**

## Focus areas

- Value continues to be a priority for Tesco customers across its markets
- **Online operations will become much more important to Tesco over the next five years** as it broadens its product and service offer, invests in new capacity, expands online internationally and makes its services more convenient to shoppers and customers
- It is constantly evolving its fulfilment centres to **increase automation** and **new processes to drive efficiency**

## Future considerations

- Tesco will need to **ensure the right internal** structures are in place, with the right skills, knowledge and experience, to process the increasing proportion of business with Tesco.com
- As more orders are fulfilled through dotcom only stores, **Tesco will be able to offer a broader product offer, customised around the preferences of online shoppers**. This shift could present opportunities for suppliers to sell a more extensive range of products



Source: IGD Research, IGD Retail Analysis Datacentre*, Tesco

Sainsbury's

IGD Retail Analysis

## Online facts

**>£1bn** online sales in 2014, representing growth of **7%** and **4.5% of retail sales**

Aiming for **100** food and grocery click & collect locations at stores by end of 2015

Regularly delivering over **190,000 online orders each week**, covering **98% of UK postcodes**

First dotcom facility to open in Bromley-by-Bow in 2016

## Focus areas

- Maintaining the growth in the business by **encouraging more regular online shopping**, and broadening the shopper base further
- Sainsbury's views online development as central to its objective of reaching more customers through additional channels
- **Mobile is a key** platform for driving online sales. Sainsbury's is trialling its new 'Mobile scan & go' technology at selected stores

## Future considerations

- Nectar data gives Sainsbury's a great understanding of its customers' shopping behaviour, allowing it to target them with offers that are relevant & reward their loyalty
- **Sainsbury's is investing in 'digital experts'** to develop new customer facing technologies and enhance existing platforms
- Sainsbury's remains committed to the store pick model as the mainstay of its online fulfilment operations



Source: IGD Research, Sainsbury's

ASDA

IGD Retail Analysis

## Online facts

**>£1bn** online sales in 2014

**3** fulfilment centres and 3 more planned

**265** in-store pick operations

**607** click & collect locations including stores, tube stations and lockers. **150 additional locations to be added in 2015**

## Focus areas

- Asda aims to become a world class dotcom business
- **Click & collect expansion aims to help drive growth**
- The retailer now offers nationwide coverage for both food and non-food online
- Leveraging its collaboration with the wider Walmart business
- **New technologies, such as free WiFi in all stores, will help drive innovation and customer engagement** and create a more seamless online experience
- **Digital will be a key growth channel in all categories** going forward with mobile access increasingly key to driving online sales

## Future considerations

- **Asda is asking suppliers to deliver into its DC network earlier** with the aim of reducing the impact of picking online orders in-store during core trading hours
- Asda is **constantly trialling new technologies** and services to improve its online offer, such as its 24x7 click and collect pods in St Helens, UK
- Suppliers will need to stay abreast of these to ensure they can deliver to Asda's needs



Source: IGD Research, Asda

# MORRISONS

IGD Retail Analysis

## Online facts

Began online food deliveries in January 2014, using technology developed by Ocado

Currently available in the Midlands, the North West, Yorkshire, North London and Bristol.

Online ordering estimated to be achieving **£200m of annualised sales**

Now **fulfilled over one million orders**

Online delivery service now covers **nearly 50% of UK households**

## Focus areas

- Focus will be on service improvements, customer acquisition and optimising its range, in addition to continued roll-out of the service
- In 2015/16, it will **extend to further delivery spokes**, adding more coverage and increasing the number of spokes nationally to seven
- **Trialling alternative methods of online customer delivery**. It is aiming to differentiate on fresh via Market Street and quality with doorstep checks for customers
- Main focus will be on improving core business

## Future considerations

- With moves into smaller formats and online, **suppliers should aim to help Morrisons meet a wider range of shopper missions**
- **Morrisons partnership with Ocado gives it access to a strong IT and mobile platform** and new initiatives such as Ocado's Apple Watch app, an advantage for leveraging growth via mobile



Source: IGD Research, Morrisons

ocado

IGD Retail Analysis

## Online facts

Only **dedicated online supermarket** in the UK, with annual sales of **£949m** in **2014**

Delivers an average of **over 18,000 orders per day** and reaches **70% of British households**

**95.3% deliveries on time** and **99.3% order accuracy**

**Recorded £7.2million pre-tax profit for its financial year**

**Over 43,000 SKUs,** and **>550 Ocado own label** products

**14 distribution spokes**

## Focus areas

- Growing operational capacity, enabling it to service orders beyond the South East more cost effectively
- **Embed greater loyalty** and **achieve higher spend per customer** through mechanics such as the Ocado Delivery Pass scheme
- Recruiting new customers through an increased focus on value, and communication and maintenance of its high levels of customer service
- **Ocado has a very strong focus on mobile**, which is appreciated by its regular shoppers - 48% of checkouts are via a mobile device

## Future considerations

- Ocado's dark store model gives it the option to offer a very broad SKU range. It is **currently increasing specialist sub-sites** such as Fetch (pet food), Sizzle (kitchen) and Casa (home)
- Ocado is likely to expand its ranges to broaden its offer and customer base
- Ocado's ambition is to develop new and innovative private label products



Source: IGD Research, Ocado

# Waitrose

IGD Retail Analysis

## Online facts

**Click & collect lockers in 6 places – including London Underground**

**Online sales grew ahead of the market by 31% in the year with a 5% increase in average basket size**

**First retailer to have temperature controlled lockers**

**Most online orders are dispatched from stores. However, it has 2 dotcom fulfilment centres helping increasing capacity in London**

## Focus areas

- Online is a key priority for its multichannel proposition to make it more convenient and accessible to shoppers. **Waitrose's has a growing portfolio of specialist website**, such as Waitrose Cellar and Waitrosepet.com
- **Drive-through and non-store collection pods now form a key part of the retailer's multi-million pound investment plan**
- Waitrose is keen to differentiate from other online grocers with a more personal service that can accommodate customer requests

## Future considerations

- **Waitrose.com has much potential for growth in the London area**. The launch of marketing campaigns and new capacity will enable Waitrose and suppliers to gain scale in this crucial territory
- The **shift to online** and the need to increase investment in supply chain and IT has **put a strain on its operating model** and threaten its ability to meet customer needs and grow profitably



Source: IGD Research, Waitrose

amazon

IGD Retail Analysis

## Online facts

| | |
|---|---|
| Amazon aims to offer 'Earth's Biggest Selection' online | In 2014 increased sales by 14.4% to £5.53bn ($8,341m ) In the UK |
| Amazon Marketplace accounts for ~40% of products sold on Amazon | Amazon generates ~60% of revenue in North America |
| | UK is Amazons 2nd largest international market |
| Over 16,000 Pickup locations in UK | Amazon has been present in the UK since October 1998 |

## Focus areas

- **Convenience is a key growth driver for Amazon**. Same-day, next day and Sunday delivery choices increase its appeal to shoppers
- Customer **loyalty is key to Amazon's success** and its tens of millions of Amazon Prime members are driving growth. Fast, convenient delivery is part of the appeal of the loyalty scheme
- Sells direct to customers and also operates a third party B2C business via Amazon Marketplace

## Future considerations

- Amazon **typically adds 1-2 new categories annually** in established markets
- Service and logistics innovation is important to Amazon, with faster delivery and prioritisation of Prime members to drive loyalty. e.g. Amazon Prime Now, Dash and Amazon Elements
- **Amazon is a disruptor**. Its newer US services such as Amazon Pantry, Prime Now and AmazonFresh all focus on FMCG and could have significant impact on the UK market if rolled out internationally.



Source: IGD Research, Amazon

# Aldi: growing format plans

Aldi aims to open 70 new stores in the UK in 2015, including a new larger size store. This is the latest development in Aldi's format strategy that demonstrates an improved shoppers experience.

| IGD DATACENTRE – ALDI UK | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Sales (£m) | 5,300 | 6,480 | 7,452 | 8,200 |
| Store numbers | 561 | 631 | 696 | 761 |
| Sales space (sq. ft.) | 4,992,900 | 5,655,211 | 6,300,138 | 6,957,399 |

We forecast average annual sales growth of **14%** between 2014-2017.

Aldi's new larger 19,000 sq. ft. store opens in October in Lincolnshire, 2,500 sq. ft. bigger than the average UK store size. More city stores are expected to open also, mostly in the south east.

Sales space of fresh categories such as meat and produce is expected to expand while new organic lines such as potatoes and cauliflower will be stocked along with more exotic lines.



Source: IGD Research, IGD Datacentre estimates, Aldi

# Lidl: expanding across the UK

Lidl plans to open c.35 stores in 2015, taking its store count to over 700. The recent store opening of a larger size store in France shows how Lidl is experimenting with new formats, and it has been revealed that Lidl will be opening a new larger format store in the UK this year in Cumbria at 15,295 sq. ft..

| IGD DATACENTRE – LIDL UK | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Sales (£m) | 3,513 | 3,997 | 4,517 | 5,059 |
| Store numbers | 672 | 707 | 742 | 772 |
| Sales space (sq. ft.) | 6,437,680 | 6,772,975 | 7,108,271 | 7,395,668 |

Relocation of a regional distribution centre to a larger site in Livingstone, due to open in 2016, demonstrate Lidl's growth ambitions in Scotland.

Lidl currently has c.90 stores in Scotland, adding three more this year.

**The new larger Lidl store in Rousset, France, at 17,000 sq. ft..**

A forecast of average annual sales growth of **13%** between 2014-2017

Lidl opened its first new modern-design city centre store in Belfast last November.



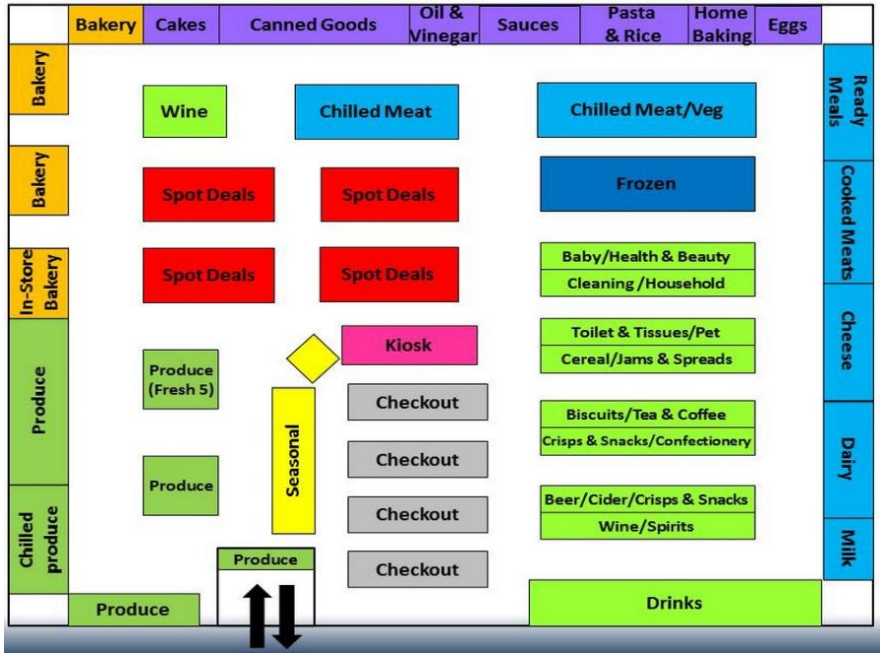
Source: IGD Research, IGD Datacentre estimates, Lidl

# Netto: 10 more trial stores in 2015

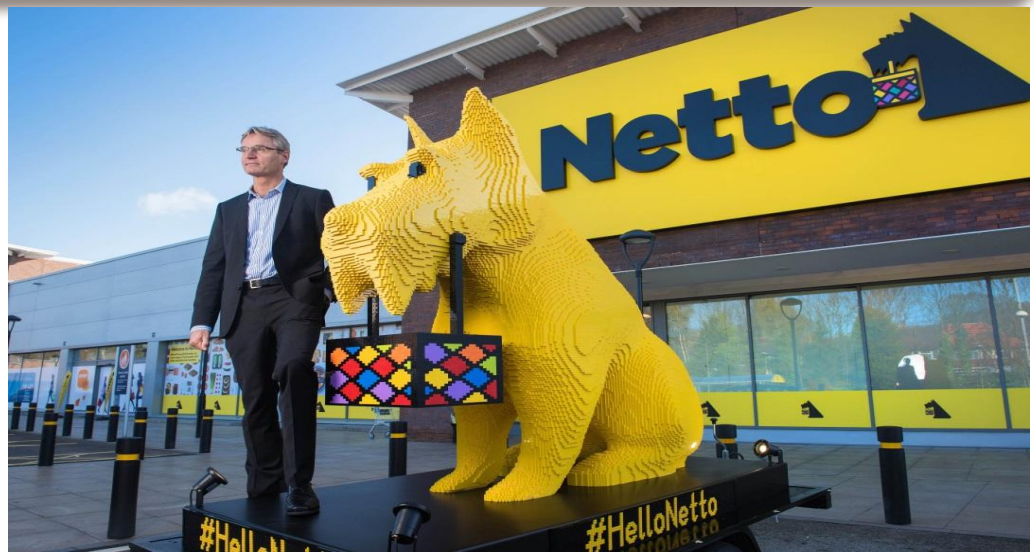
Following the announcement of the joint venture between Sainsbury's and Dansk Supermarked in June 2014, five Netto stores have opened in the north of England with 10 more to follow in 2015.

**Stores opened in 2014:**

- **Leeds** – Moor Allerton
- **Manchester** – Heaton Park
- **Ormskirk** – The Hattersley Centre
- **Doncaster** – Thorne Road Retail Park
- **Sheffield** – Kilner Way Retail Park




Netto, Leeds, store layout




During the trail, Netto is exploring different site options including co-location with Sainsbury's.

In-store, the discounter stocks c.2,200 fixed SKUs and introduces weekly 'Spot Deals'. These are predominately branded food lines and Scandinavian-influenced homeware products.



Source: IGD Research, IGD Datacentre estimates, Netto

# Variety discount players in 2015

These retailer players have experienced strong growth in 2014 as shoppers continue to seek value, particularly on brands. The top-up trend in these stores within grocery is set to continue in 2015.

| IGD DATACENTRE – VARIETY DISCOUNT | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|
| Sales (£m) | 5,367 | 6,088 | 6,800 | 7,543 |
| Store numbers | 1,863 | 2,063 | 2,253 | 2,443 |
| Sales space (sq. ft.) | 1,606,630 | 1,780,370 | 1,947,825 | 2,115,580 |

IGD forecast average annual growth of **12%** over 2014-2017

In 2015 we are likely to see UK variety discount players open up more space in retail parks, consumer data shows that 63% of high street discount shoppers say a bigger range would encourage them to shop more.

Source: IGD Datacentre estimates, IGD ShopperVista

# Poundland acquires 99p Stores

The single-price retailer has announced its intent to take over rival value discounter, 99p Stores, with plans to rebrand the estate with the more widely recognised Poundland fascia.

Poundland's store estate would have over 800 stores, double that of its main competitors, with estimated turnover of £2,110m.

Downsides include consolidating ranges which can affect suppliers and integrating complex business systems.

Poundland has strong brand recognition with 95% of the population familiar with the discounter.

The acquisition will increase presence in the south of England where 99p Stores has 123 stores, more than Poundland's current 60.

99p Stores complements Poundland's property strategy, but we expect some disposals where stores are co-located.

Poundland will benefit from 99p Stores' strengths, in particular its credible ethnic offer and talent within its management team.

| In numbers | 99p Stores | Poundland |
|---|---|---|
| No. of stores | 251 | 573 |
| Av. store size | 6,500 sq. ft. | 5,233 sq. ft. |
| Stores overseas | 2 - Ireland | 39 – Ireland<br>5 - Spain |
| Warehouses | 3 | 3 |
| Est. turnover | £473m (2014) | £1,054m (2014) |

Source: IGD Research, IGD Datacentre estimates, 99p Stores, Poundland

# Implications for 2015

## FOOD

- The introduction of larger stores and bigger ranges will mean stronger competition with the multiples for the main shop mission
- More shoppers will be attracted to the discounters as they increasingly cater their ranges to a wide spectrum of UK demographics at value prices
- Adding products to cater for the main mission shop creates opportunities for new and existing food suppliers
- More initiatives beyond the store, including social media, will build the brand further
- Expect to see the discounters increase their online presence with more ways to inspire shoppers and consumers

## VARIETY

- Should Poundland acquire 99p Stores, it will become the biggest variety discounter in the UK but also impacting localised competitive dynamics on many high streets across the country
- Growth figures show that variety discounters will grow at a similar rate to food discounters, however their trading strategies will differ by continuing to focus on brands at value prices and differentiating through non-food
- As operations improve, particularly with more distribution centres around the UK, this year could see more activities online in the channel, including offering extended ranges and new delivery options such as click and collect at non-store locations