

Date: 18.01.17

Record Christmas sales bring back growth of the big four

Over the duration of 2016 the UK retail grocery market has been the most unpredictable it has been for years, with discounters Aldi and Lidl biting at the heels of the big four and winning over the public in the battle for UK consumers. Despite this volatility we have seen little overall change in the market share of the UK's top ten retailers compared to December 2015. After a turbulent year for Britain, shoppers felt the need for extra festive celebration and welcoming of the New Year ahead. In December 2016, shoppers spent £480 million more at the tills than in 2015, leading to record sales over the festive season.

UK Supermarkets fight back against discount rivals

Latest market share figures show that that German discounters Aldi and Lidl are slowing down in their climb to the top, with Tesco, Sainsburys, Asda and Morrisons holding on tight to their rein as the UK's 'big four' retailers. After evaluating the reasons behind the 'rise of the discounters' alongside consumer trends, the rest of the market sharply turned around a new strategy to reduce the amount of short term offers, in favour of the more long term EDLP (everyday low price). This move has already shown favourable as market leader Tesco grew in market share for the first time since 2011. However, as the future of the UK market is so unsure, it is likely the market will not be calming for some time.

Food Savvy Britain

Food is now the new fashion and retailers are no longer setting trends but have to ensure that they can keep up with them. The awareness for price, quality and food origin is greater than ever increasing pressure on retailers to increase the clarity on country of origin of their products. The demand for quality has been shown with Morrisons 'Best' range increasing in popularity with over half of their customers having at least one 'Best' item in their basket, we have also seen Sainsburys 'Taste the difference' party food range increase by 50% year-on-year sales. Sainsburys also claim best value turkeys on the market at 39 pence per kilo, with their volumes up 30% year-on-year.

As many lifestyles are becoming much more fast pace and on the go, many people have less time for a big shop; this has been shown by an increase in online sales, with Sainsburys achieving over a 9% increase, delivering over 300,000 online orders over the festive period. Convenience also seems to be the way forward for many retail and food service businesses, M&S Simply Food stores continued to show growth with many of these stores on petrol station forecourts. Sainsburys convenience business grew 6% and saw 15 new store openings; this included a trial of six stores in Euro Garages' forecourts.

20p Veg drives Christmas sales throughout the market

Christmas 2016 saw extraordinary deals for customers on particular vegetables, initially driven by discounters Aldi and Lidl. Aldi's 'Super 6' became extremely popular in its release. This comprised of broccoli, Maris Piper potatoes, little gem lettuce, parsnips, carrots and sprouts, all 19p each/per pack. Lidl had a very similar offer of 19p for sprouts, parsnips, carrots, shallots and mini roast potatoes. Tesco, Asda and Morrisons joined the German discounters by pushing big slashes on the price of Christmas veg. Tesco's pricing at 39p each/per pack, Asda at 20p per pack, and Morrisons at 50p each/per pack or 3 for £1.

There are a number of concerns on how long running deep cut promotions such as these, can impact the dynamics of a sector. There is the potential for shopper perception of the value of fruit and vegetables to decline due to the low purchase price and for the eating habits of shoppers to change, due to making changes on what they purchase due to promotions e.g. buying green beans rather than broccoli. The NFU will investigate the impact of these promotions on UK producers.

2016: Who ended on top?

Big Four

Tesco had the best Christmas of the big 4 with food sales up 1.3%, transactions up 2.1% and items per trip were up 1%. Tesco's price of a typical shopping basket remains nearly 7% cheaper than in 2014, and year-on-year price per item is down -0.4%.

Morrison's had its strongest performance in seven years with like-for-like sales excl. fuel up 2.9%, transactions grew 5.2%, however, items per basket, excluding online, were down -5.3% over the Christmas period, which contributed to a 0.7% increase on the average price per item.

Asda and Co-op both saw shopper numbers grow, however both had a decline in items purchased per trip with an increase on price per item.

Sainsburys has not shown as successful Christmas trading results as seen by its competitors, with items per trip down -4.1%, market penetration down -0.9%. However a typical Christmas basket at Sainsburys was 14% cheaper than two years ago. Overall Sainsburys like-for-like retail sales were up 0.1% excl. fuel.

High End Supermarkets

High end retailers Waitrose and M&S both had a very different Christmas, with Waitrose increasing its number of shoppers in store, whilst M&S saw a decline. Shoppers in M&S increased their items per trip by 2.2%, with Waitrose shoppers decreasing their number of items per trip by -2.7%. Both had an increase of price per item, M&S with a 2.7% increase, and Waitrose with a 1% increase.

Discounters

Aldi continues to lead the market with market penetration at 7.7% and price per item still continuing to decrease, currently at -0.6%. The best Christmas sales so far for Aldi has increased sales by 11.8% and items purchased per trip by customers has increased 1.4%. Aldi premium own label sales have seen the fastest growth of 2016.

Lidl is showing acceleration in growth, with a 7.5% sales growth over the festive season, a market penetration increase of 5.7%, items per trip are up 1% and price per item down -2.3%. Lidl was the market leader in sales of fresh produce, contributed to by their 'Four Fresh' 19p veg offer.

Overall, market share of these discounters have shown slowing in growth, however, popularity and sales are not appearing to follow the same track.

In 2016, the NFU had over 100 meetings with retailers. Over the coming 12 months the NFU will continue to meet with retailers to represent member views.