Overview of UK grocery retailers

1. This appendix reviews a number of grocery retailers in the UK. The following summaries provide some insight to business strategy and sales mix, store number and size distribution, sales share, turnover and profit.

2. The following data has been derived from publicly available information from Verdict and IGD Research and supplemented with responses to the main party questionnaire. Where we have been required to convert data from imperial to metric, to meet reporting standards, this has been noted. In some instances estimates have been reported and this is also noted where this has occurred (e). Finally, for some retailers we have reported on some criteria (eg turnover) with information sourced from different information providers. This has enabled a degree of comparability between retailers and has been noted where this has been done.

3. Generally we have chosen to use the information from a particular provider on the basis of the form of the information presented, and retailer share of grocery sales is an example of this. The measurement of grocery sales shares is generally a difficult undertaking due to the way that different retailers report data and varying definitions of retail sectors and product categories. We have selected the Verdict data series in this particular instance as it provides an indication of relative sales shares including all the retailers considered in the main report and that of smaller retailers represented as 'Others'. The Verdict data is based on government data and company accounts and differs from information published by IGD Research, which is based on TNS consumer survey information, although both data series are comparable when analysing trends over time.

TABLE 1 **Grocery sales share of UK grocery retailers**

per cent

	2002	*2003*	*2004*	*2005*	*2006*	*e2007*
Tesco	20.2	22.4	23.8	25.4	26.8	27.6
Asda	12.3	12.9	13.3	13.4	13.7	14.1
Sainsbury's	12.8	12.5	12.6	12.8	13.4	13.8
Morrisons	3.8	4.2	10.3	9.6	9.7	9.9
Safeway	8.2	7.8	2.4	0.0	0.0	0.0
Somerfield Chain	2.9	2.8	3.0	3.7	4.1	3.9
M&S	3.3	3.4	3.4	3.5	3.6	3.8
CGL	2.8	3.2	3.0	2.9	2.8	3.8
Waitrose	2.5	2.6	2.8	3.0	3.2	3.3
Iceland	1.7	1.6	1.5	1.4	1.4	1.5
Aldi	0.9	1.0	1.1	1.3	1.4	1.5
Lidl	1.1	1.1	1.0	1.1	1.2	1.3
Netto	0.5	0.6	0.6	0.6	0.6	0.6
Kwik Save	2.0	1.8	1.6	1.3	0.7	0.0
Others	24.9	22.1	19.6	20.0	17.4	14.9
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

Note: Department stores and M&S's sales share relate to food sales only.

TABLE 2 **UK grocery retailers, UK sales area, 2000 to 2007**

	UK sales area '000 sq m ('000 sq ft)								*Change over previous (%)*	
	2000	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*1 yr*	*5 yrs*
Tesco	1,515	1,632	1,734	2,025	2,155	2,287	2,408	2,581	7.2	48.8
	(16,313)	(17,564)	(18,667)	(21,800)	(23,200)	(24,615)	(25,919)	(27,785)		
Sainsbury's	1,085	1,246	1,307	1,412	1,465	1,521	1,575	1,613	2.4	23.4
	(11,675)	(13,413)	(14,067)	(15,199)	(15,770)	(16,370)	(16,957)	(17,364)		
Asda	901	943	983	1,050	1,133	1,179	1,396	1,431	2.6	45.6
	(9,699)	(10,153)	(10,584)	(11,300)	(12,200)	(12,688)	(15,024)	(15,408)		
Safeway	952	952	957	977	996	N/A	N/A	N/A	N/A	N/A
	(10,244)	(10,249)	(10,304)	(10,514)	(10,718)	N/A	N/A	N/A		
Somerfield	1,138	1,030	1,014	995	949	989	907	722	–20.4	–28.8
	(12,248)	(11,087)	(10,914)	(10,710)	(10,220)	(10,642)	(9,767)	(7,770)		
Morrisons	331	364	383	394	420	1,158	988	976	–1.2	155.0
	(3,568)	(3,917)	(4,120)	(4,241)	(4,526)	(12,468)	(10,633)	(10,505)		
M&S	1,139	1,156	1,136	1,147	1,187	1,198	1,216	1,226	0.8	7.9
	(12,265)	(12,440)	(12,229)	(12,349)	(12,782)	(12,896)	(13,093)	(13,200)		
Waitrose	181	220	222	246	251	294	329	360	9.3	62.2
	(1,947)	(2,364)	(2,386)	(2,650)	(2,707)	(3,166)	(3,543)	(3,871)		
Iceland	342	344	344	339	336	344	311	312	0.4	–9.3
	(3,678)	(3,700)	(3,700)	(3,645)	(3,613)	(3,701)	(3,343)	(3,355)		
Total	*7,584*	*7,883*	*8,096*	*8,585*	*8,894*	*8,969*	*9,130*	*9,221*	*1.0*	*13.9*
	(81,632)	*(84,847)*	*(87,142)*	*(92,408)*	*(95,736)*	*(96,546)*	*(98,279)*	*(99,258)*		
Morrisons +	1,283	1,316	1,340	1,371	1,416	1,158	988	976	–1.2	–27.2
Safeway	(13,812)	(14,166)	(14,424)	(14,755)	(15,244)	(12,468)	(10,633)	(10,505)		

Source: IGD, *UK Grocery Outlook,* September 2007.

Notes:
1. Excludes stores selling non-food only.
2. Conversion to sq metres from sq feet was undertaken by the CC.
3. N/A = not available.

TABLE 3 **Product range and volume throughput by company**

Company	*% of total throughput %*	*Annual case throughput*	*Total ware-house space sq m (sq ft)*	*% share of total %*	*Product range*	*FMG %*	*SMG %*	*Frozen %*	*Non-foods %*	*BWS %*	*Produce %*	*Chilled & fresh meat %*
Asda*	21.50	1,300,000,000	844,461 (9,090,000)	16.30	65,000	26.60	9.50	3.80	25.20	4.50	8.50	21.90
Budgens	0.70	32,900,000	27,591 (297,000)	0.60	6,600	42.00	7.00	3.00	-	6.00	9.00	33.00
CGL	6.00	287,966,380	260,586 (2,805,016)	12.50	15,201	26.43	16.38	6.24	0.44	7.16	11.73	31.62
Iceland	2.50	118,400,000	89,184 (960,000)	2.50	3,420	32.40	-	30.50	5.30	3.80	5.30	22.70
Londis†	0.70	33,454,262	36,417 (392,000)	1.90	6,300	69.80	-	-	-	16.40	-	13.80
M&S (Food) ‡	3.40	172,284,000	79,708 (858,000)	4.40	5,000	28.70	-	1.70	-	-	69.60	
Nisa-Today's	2.00	95,300,000	81,288 (875,000)	1.90	12,900	20.30	27.70	7.10	1.20	14.80	1.00	27.90
Palmer & Harvey McLane	3.80	185,013,000	103,769 (1,117,000)	9.40	12,000	82.53	3.05	4.93	1.78	3.61	0.05	4.05
Sainsbury's§	18.10	875,000,000	521,355 (5,612,000)	13.10	26,000	30.00	20.00	4.00	1.40	-	12.00	33.00
Tesco	37.10	1,785,532,000	833,033 (8,966,987)	17.50	44,000	30.70	9.40	4.70	11.20	5.50	13.30	25.10
Waitrose	4.20	202,000,000	154,121 (1,659,000)	5.00	24,500	31.50	3.50	2.30	9.70	5.30	19.40	28.30
Total	100.00	4,902,149,642	3,289,624 (35,410,375)	100.00	255,921	31.60	11.00	4.90	10.50	4.30	13.10	24.70

Source: IGD Research, *Retail Logistics 2007*, December 2006.

*Asda volumes include grocery and non-food, but exclude clothing units.
†Londis FMG includes SMG lines.
‡M&S FMG includes both SMG and BWS lines; product range is between 4,500 and 5,000 food lines.
§Sainsbury's BWS is included within FMG and SMG lines.
Notes:
1. FMG = fast-moving grocery lines; SMG = slower-moving grocery lines; BWS = beers, wines and spirits lines.
2. Product range includes general merchandise and non-food lines.

Summary profiles of UK grocery retailers

Asda

4. Asda categorizes itself as a one-stop supermarket operator. It offers the same groceries range as other large grocery retailers offer (see Table 4). In addition, it sells a wide range of non-grocery products. Sales space is allocated primarily to grocery products.

TABLE 4 **Asda estimated sales mix**

Product category	*%*
Ambient groceries	17
Grocery non-foods	4
Tobacco	4
Chilled	8
Frozen	6
Meat and fish	7
Produce	8
Bakery	3
Delicatessen	2
Beer, wines and spirits	8
Subtotal	67
Clothing	9
Health and beauty	7
Other non-food	8
Subtotal	24
Petrol	8
Cafe	1
Subtotal	9
Total	100

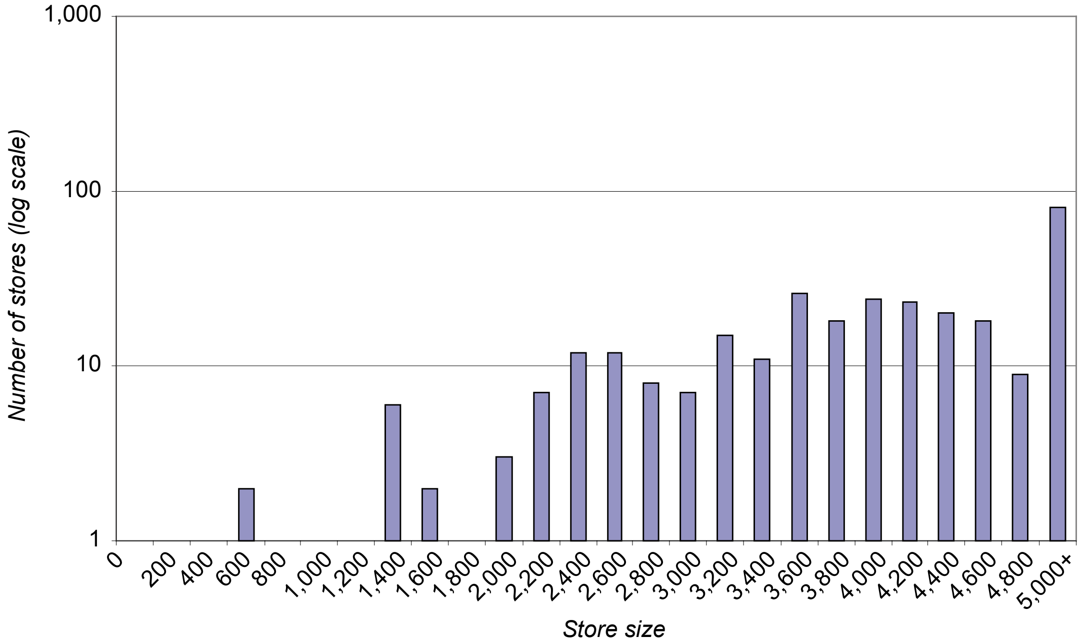
Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

5. Asda generally operates a larger store format (see Figure 1). Asda also operates a small Internet sales operation and a financial services business. Asda told us that it opened stores in town-centre locations although it could find this difficult for various reasons. Nearly [✂] per cent of its stores are located in town centres (and just over [✂] per cent are in district centres) and [✂] of the nine stores that opened in 2007 are in town centres. Fewer than [✂] per cent of Asda's stores are in edge-of-centre locations, [✂] per cent are out of centre, and less than [✂] per cent are out of town. Consistent with Asda stating that it found it difficult to obtain new sites with planning permission or reasonable prospects of securing it, there have been a relatively modest number of new Asda stores, although sales area has continued to grow over the period since 2000 (see Table 5). Asda has also announced that it intends to open 20 new stores and extend another 12 in 2008.[1]

[1]Mintel, *UK retail briefing,* 1 February 2008. Asda told us that of the 20 proposed new stores, [✂] are Asda Living stores (non-grocery) and [✂] are resites. Of the remaining [✂],[✂] are considered probable to proceed and [✂] as only possible to proceed. Of the 12 extensions, Asda classifies around [✂] as probable to proceed and [✂] as possible to proceed.

FIGURE 1

Asda store distribution



Source: CC analysis of main party questionnaire.

TABLE 5 **Asda store profile, 2000 to 2007e**

Year to Dec	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size '000 sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2000	241	954 (10,267)	7.6	3.96 (42.60)	10,592 (984)
2001	250	1,010 (10,867)	5.8	4.04 (43.50)	10,936 (1,016)
2002	258	1,065 (11,462)	5.5	4.12 (44.40)	11,754 (1,092)
2003	265	1,112 (11,974)	4.5	4.20 (45.20)	12,239 (1,137)
2004	271	1,194 (12,850)	7.3	4.40 (47.40)	12,422 (1,154)
2005	296	1,298 (13,976)	8.8	4.39 (47.20)	11,926 (1,108)
2006	316	1,358 (14,615)	4.6	4.38 (46.30)	11,862 (1,102)
e2007	328	1,398 (15,045)	2.9	4.26 (45.90)	12,239 (1,137)

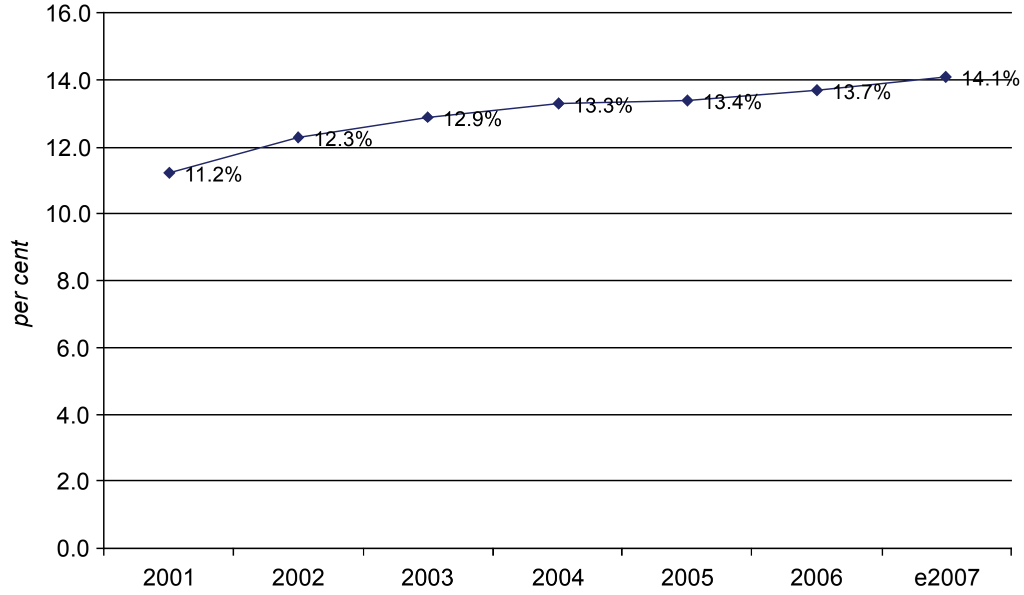
Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

Notes:
1. Excludes Asda Living and George stores that do not carry food lines.
2. Conversion to sq metres from sq feet was undertaken by the CC.

6. Asda told us that it aimed to be the market leader on price and value. The company operates an every-day-low-price/every-day-low-cost (EDLP/EDLC) strategy, which involves offering consistently low prices across the range of products. Asda's grocery sales share has grown over the period since 2000 (see Figure 2) and is also reflected in Asda's growth in turnover over the period (see Figure 3).

FIGURE 2

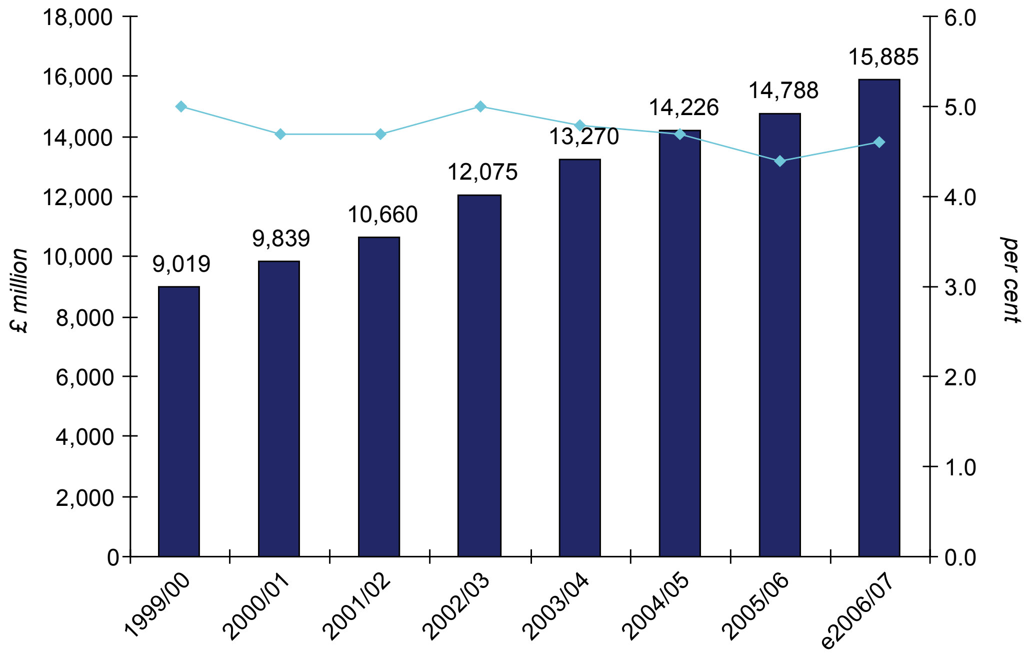
Asda grocery sales share



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 3

Asda UK turnover and operating profit



Source: UK Grocery Outlook 2007, September 2007.
Note: These figures include non-grocery and petrol sales and exclude VAT.

CGL

7. CGL is the largest co-operative food retailer in the UK. The majority of its outlets are convenience stores and this is reflected in its sales mix (see Table 6).

TABLE 6 **CGL food estimated division sales mix, 2007**

Product category	%
Chilled food	15
Impulse grocery	14
Beers, wines and spirits	11
Tobacco	13
Produce	8
Grocery non-food	5
Ambient edible grocery	7
Meat and poultry	5
Bakery	6
Frozen food	4
Newspapers and magazines	4
Delicatessen	2
Health and beauty	2
Other non-food	4
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

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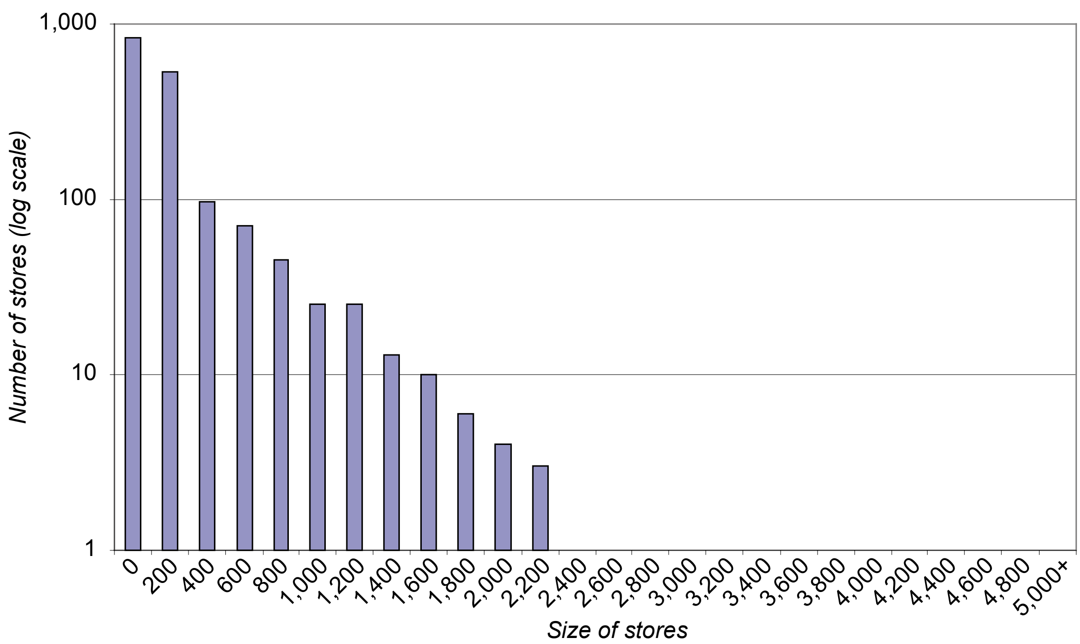
8. CGL told us that the Food Retail division of CGL intended to create a more robust and profitable food retail business, with a core chain of shops between [✂] and [✂] sq metres (see Figure 4). It told us that this reflected a long-held core strategic aim to be market leader in convenience and top-up shopping. The merger in 2000 between Co-operative Wholesale Society and Co-operative Retail Services resulted in a total of 1,100 food outlets. After further rounds of acquisitions, CGL now has around 1,650 outlets and merged on 29 July 2007 with United Co-operatives Limited to add approximately 600 food outlets to its portfolio, although average store size has diminished over the period (see Table 7).

FIGURE 4

CGL store distribution



Source: CC analysis of main party questionnaire.

TABLE 7 **CGL store profile, 2000 to e2008**

Year to Jan	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2000	640	294 (3,166)	–2.9	460 (4,947)	4,768 (443)
2001	1,084	509 (5,476)	73.0	469 (5,052)	N/A -
2002	1,071	481 (5,178)	–5.4	449 (4,835)	4,865 (452)
2003	1,720	558 (6,002)	15.9	324 (3,490)	5,048 (469)
2004	1,719	586 (6,311)	5.1	341 (3,671)	5,382 (500)
2005	1,764	590 (6,350)	0.6	334 (3,600)	5,177 (481)
2006	1,713	571 (6,146)	–3.2	333 (3,587)	5,134 (477)
2007	1,660	560 (6,033)	–1.8	338 (3,634)	5,371 (499)
e2008	2,223	703 (7,566)	25.4	316 (3,404)	6,006 (558)

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

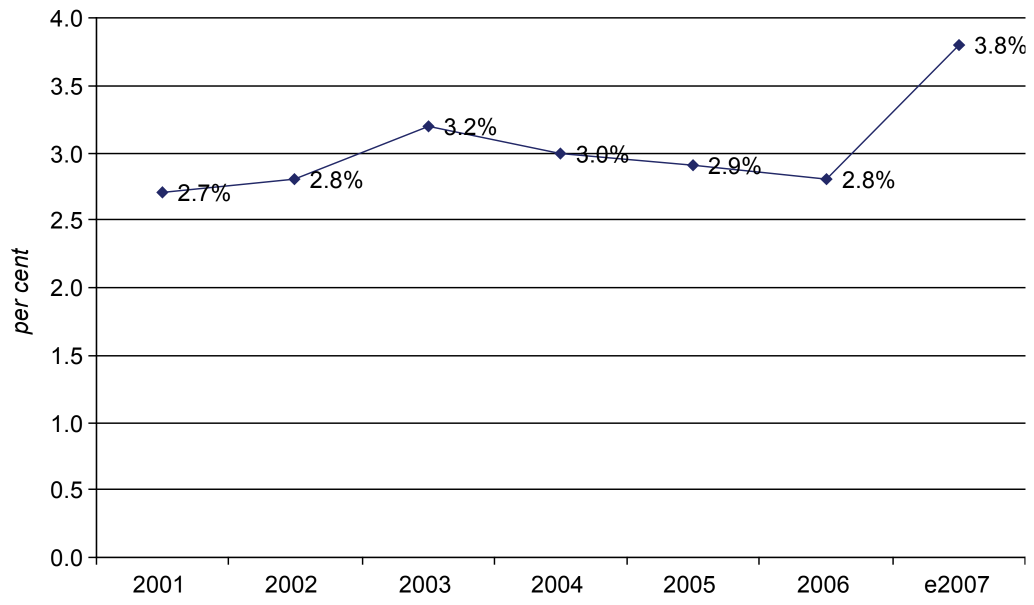
*Includes VAT.

Note: Conversion to sq metres from sq feet was undertaken by the CC.

9. The grocery sales share of CGL peaked in 2003 when a large number of stores were being acquired in the period 2002 to 2004 (see Figure 5). [✂] These same factors are reflected in the operating profit, on the back of relatively consistent turnover (see Figure 6). However, the merger with United Co-operatives Limited in mid-2007 is estimated to have significantly increased grocery sales share and grocery turnover to over £4 billion in the 2007 financial year.

FIGURE 5

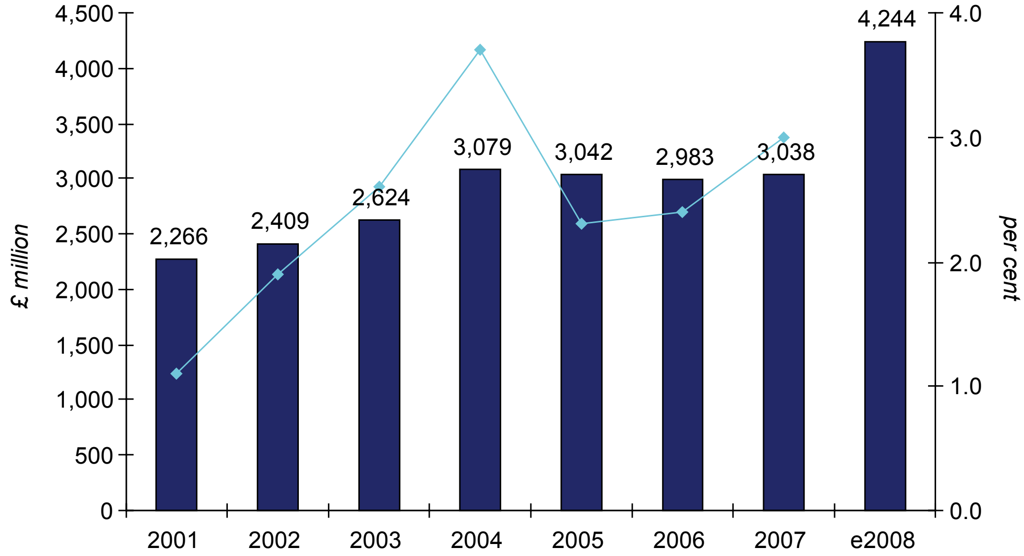
CGL grocery sales share, 2000 to e2007



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 6

CGL grocery turnover and operating profit, 2001 to 2008e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.
Notes:
1. This graph is not directly comparable to other similar graphs in this appendix because it has a different data source. However, it is expected that the trends are broadly comparable with the other graphs. Estimated figures for 2008 include stores from the merger with United Co-operative Limited.
2. Operating profit estimate not available for 2008.
3. These figures exclude VAT.

Iceland (frozen food retailer)

10. Iceland is a food retailer specializing in frozen food. Iceland's strategy is to be known as a good-value frozen food specialist with only a limited range of non-frozen products (see Table 8).

TABLE 8 **Iceland estimated sales mix, 2006**

Product category	*%*
Frozen	37
Chilled/fresh	29
Ambient grocery	28
Beer, wines and spirits	3
Appliances	3
Total	100

Source: Verdict, *UK Grocery Retailers 2007*, December 2006.

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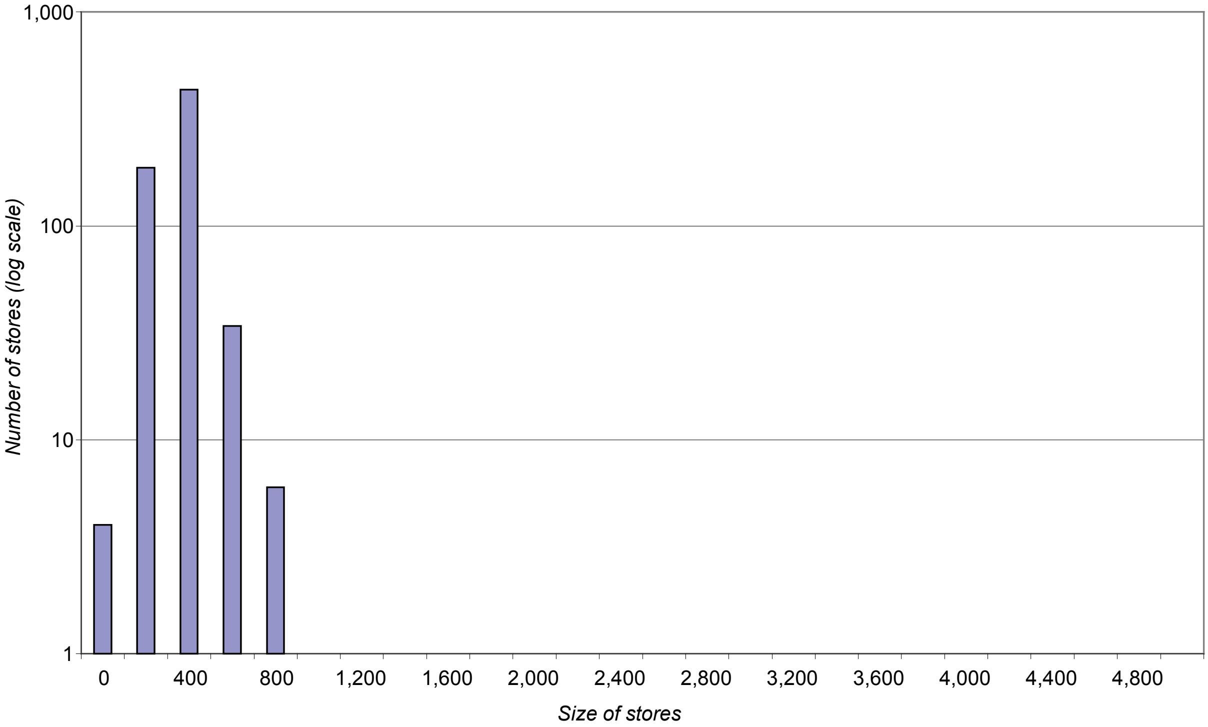
11. Iceland does not operate internationally and its policy is to operate nationally through one facia and one store format. It has around 685 stores that average 465 sq metres of sales space and has increased its sales per sq metre since 2000 (see Figure 7 and Table 9).

FIGURE 7

Iceland store distribution



Source: CC analysis of main party questionnaire.

TABLE 9 **Iceland store profile, 2001 to 2008e**

Year to Dec	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2001	766	341 (3,669)	0.9	445 (4,790)	4,844 (450)
2002	759	338 (3,639)	–0.8	445 (4,795)	4,682 (435)
2003	754	336 (3,615)	–0.7	445 (4,794)	4,478 (416)
2004	748	333 (3,583)	–0.9	445 (4,790)	4,618 (429)
2005	752	335 (3,610)	0.8	446 (4,801)	4,306 (400)
2006	667	300 (3,192)	–11.6	445 (4,785)	4,693 (436)
2007	670	309 (3,206)	0.4	445 (4,785)	5,123 (489)
e2008	685	304 (3,278)	2.2	445 (4,785)	5,694 (529)

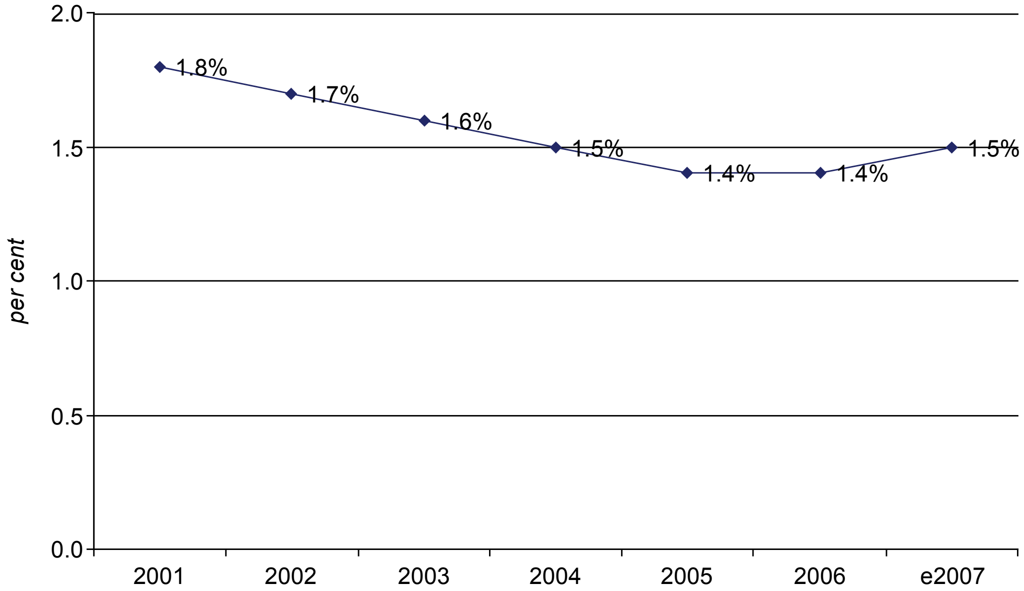
Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

Note: Conversion to sq metres from sq feet was undertaken by the CC.

12. Iceland has been experiencing falling grocery sales share since 2000 as it has fewer stores and has had to compete for grocery sales share with strengthening offers from convenience stores. This can be seen in Figure 8. Falling operating margin and to a lesser extent turnover reflect the same trend seen in its grocery sales share (see Figure 11). These trends have been somewhat reversed in the last two years with growth in both sales share and turnover.

FIGURE 8

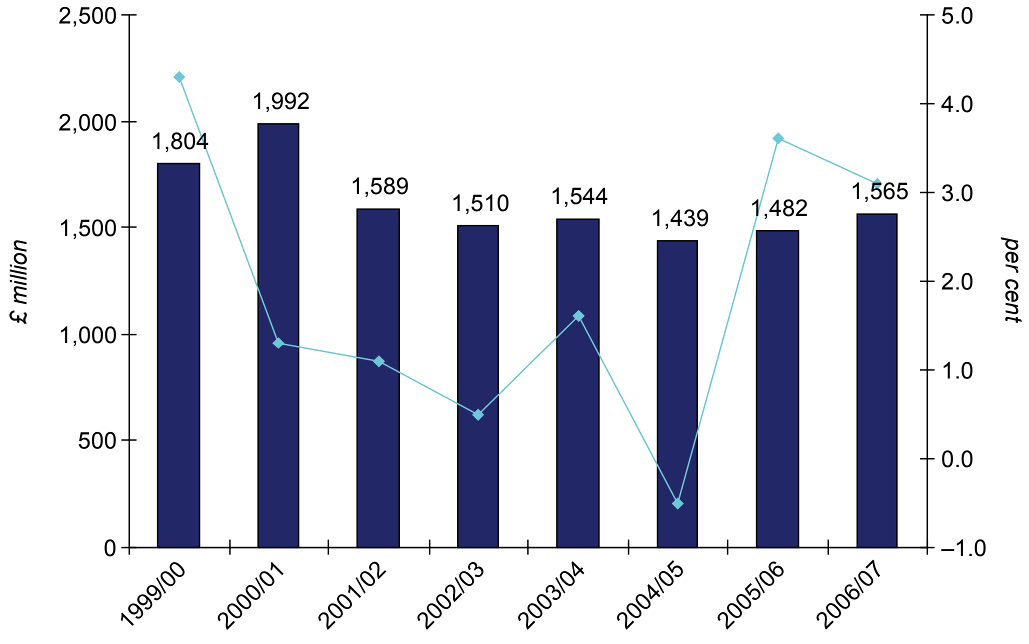
Iceland grocery sales share, 2000 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 9

Iceland turnover and operating profit, 2000 to 2007e



Source: IGD Research, *UK Grocery Outlook*, September 2007 and UK Grocery Retailing, September 2006.
Note: These figures exclude VAT. Turnover data also excludes Booker and Woodward for the life of the Big Food Group and is an estimated figure for 2006/07.

M&S

13. The food division of M&S sells food, wines and non-food essentials. It told us that it aimed to provide innovative products of the highest quality and freshness that were ethically sourced and represented value to the customer, where 'value' denoted both quality and price. M&S considered that it now offered a similar range of the core grocery products to the main supermarkets (see Table 10). However, it does not offer the same variety within those product lines, as its products are exclusively own-label and not marketed with other brands.[2] M&S has approximately 7,000 product lines which provide a range across the key product segments. The strategy for the product range offered by M&S is to stock a single M&S brand for a product segment. This strategy can be contrasted with the strategies of other retailers which often offer up to six different versions of a product (and cite a much larger product range).

TABLE 10 **M&S estimated grocery sales mix, 2006/07**

Categories	*%*
Ready meals	22
Other chilled	20
Produce	16
Ambient groceries	15
Meat/fish	14
Beer/wines/spirits	8
Frozen	2
Subtotal	97
Grocery non-food	3
Total	100

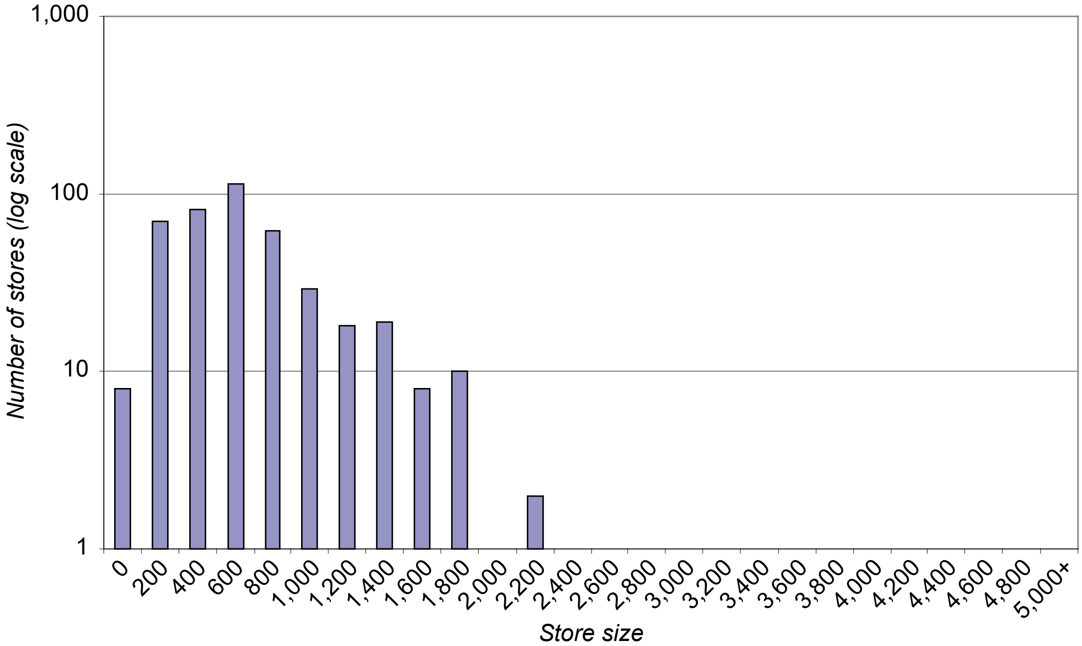
Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

14. M&S operates 303 stand-alone Simply Food stores (including 132 franchised units), compared with 23 in 2000. The majority of its Simply Food stores are 280 to 1,000 sq metres and all are less than 2,000 sq metres in size and sales per sq metre have increased since 2000 (see Figure 10 and Table 12). M&S told us that it intended to develop [✂] sites of [✂] sq metres in contrast to its earlier strategy of [✂] sq metre sites.

[2]Other than in BP stores where they are sold alongside some branded products.

FIGURE 10

M&S store distribution



Source: CC analysis of main party questionnaire.

TABLE 11 **M&S store profile, 2000 to 2008e**

Year to Mar	*Store numbers (all stores)*	*Sales area '000 sq m (sq ft) (food stores)*	*Year-on-year change % (food stores)*	*Average size '000 sq m (sq ft) (all stores)*	*Food stores share of space %*	*Sales/sq m £ pa (sq ft) (food stores)*
2002	312	309 (3,330)	1.8	3.6 (39.1)	27.3	10,086 (937)
2003	323	323 (3,480)	4.5	3.5 (37.9)	28.4	10,248 (952)
2004	367	342 (3,685)	5.9	3.2 (34.8)	28.8	10,484 (974)
2005	422	354 (3,815)	3.5	2.8 (30.6)	29.6	10,388 (965)
2006	451	366 (3,941)	3.3	2.7 (29.0)	30.1	10,754 (999)
2007	520	383 (4,118)	4.5	2.4 (26.2)	30.2	11,346 (1,054)
e2008	598	402 (4,332)	5.2	2.2 (23.8)	30.4	11,464 (1,065)

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

Notes:
1. Store numbers are all UK M&S outlets including M&S Simply Food. Given that most of the space that has been added to the M&S store portfolio is grocery space, since 2000, the data on store numbers and average size of stores will reflect this.
2. Space allocated to food is estimated by Verdict.
3. Sales/sq m (sq ft) includes VAT.
4. Conversion to sq metres from sq feet was undertaken by the CC.

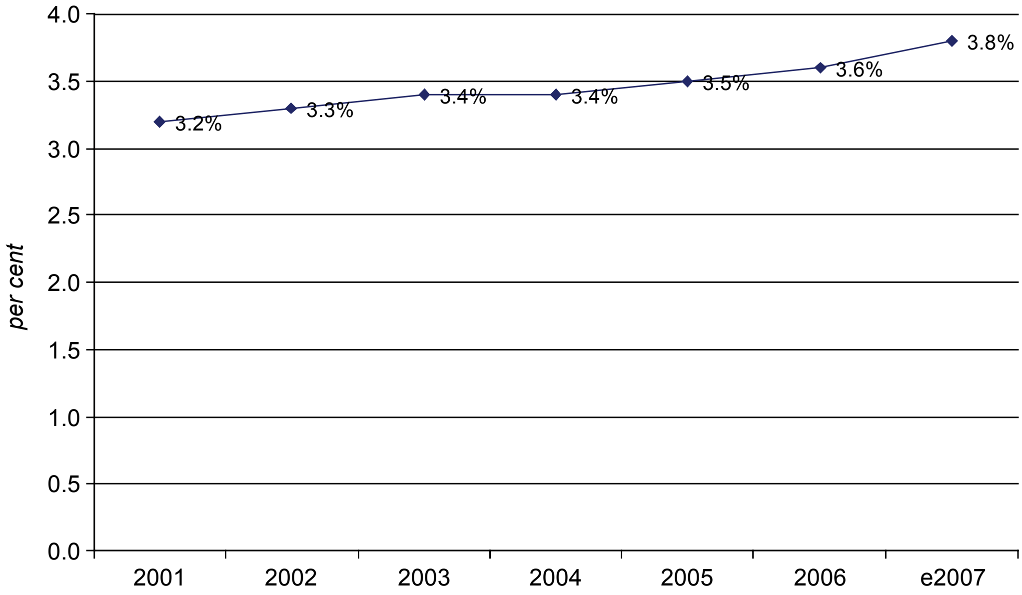
15. M&S's grocery sales share has been steadily increasing over the period which is consistent with its high number of new store openings (see Figure 11). M&S has stated that local market shares now vary from less than 1 per cent to as high as 15 per cent. UK grocery retail turnover and operating profit is shown in Figure 12. M&S has a limited grocery range available to at-home shoppers online. Over the next five years M&S intends to double the number of Simply Food stores to more than

400, including franchise stores at stations, airports and motorway services. In addition, it will extend its partnership with BP by adding Simply Food stores to reach a total of up to 200 BP Connect sites.

16. Internationally, product is sold from 219 franchise stores, in 34 territories around the world, predominantly in Europe, central Asia, Asia Pacific and the Middle East. In 2006/07, these stores, along with eight wholly-owned stores in Hong Kong, generated a turnover of £610 million and had an operating profit of £87.5 million.

FIGURE 11

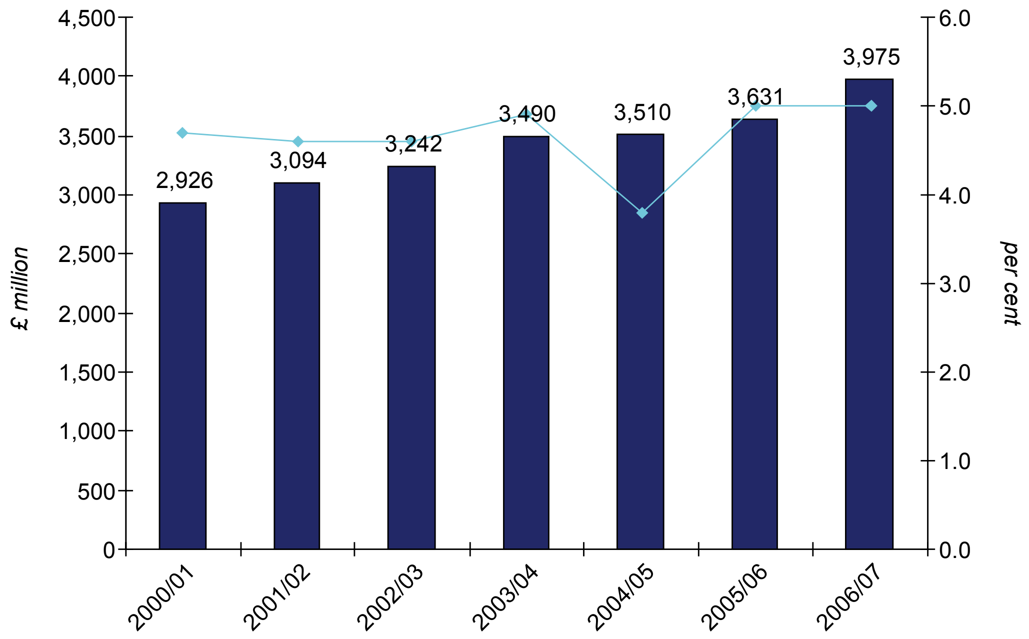
M&S UK grocery sales share, 2001 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 12

M&S turnover and operating profit, 2001 to 2007



Source: IGD Research, *UK Grocery Outlook*, September 2007.
Note: M&S food division data presented in this figure is an IGD estimate. This data excludes clothes and household and includes VAT.

Morrisons

17. Morrisons is a grocery retailer that also processes and packs various fresh food products for its own stores. Morrisons told us that it operated one-stop shops and, where possible, had a petrol filling station alongside the supermarket. The product range is tailored to individual store sizes (see Table 12 and Figure 13).

TABLE 12 **Morrisons estimated grocery sales mix, 2007/08**

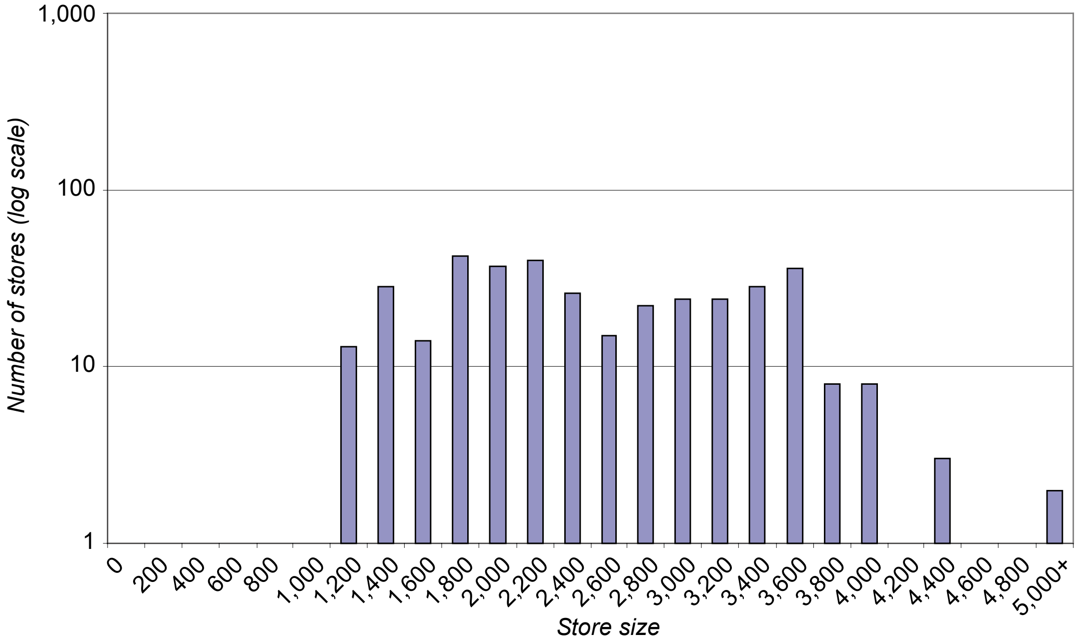
Categories	*%*
Ambient groceries	18
Grocery non-food	4
Tobacco	4
Chilled	7
Frozen	5
Meat and fish	9
Produce	7
Bakery	3
Delicatessen	2
Beers, wines and spirits	9
Subtotal	68
Clothing	0
Health and beauty	7
Other non-food	5
Subtotal	12
Petrol	18
Cafe	2
Subtotal	20
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

18. In 2004 Morrisons acquired the grocery retailer Safeway and quadrupled its store numbers with the acquisition. Morrisons told us that its strategy was to offer a full food proposition, at consistent value, throughout its 360 stores in the UK (see Table 13). Morrisons also told us that its ideal store size was a sales area of 3,250 to 3,700 sq metres, although a substantial number of its stores were smaller than this (see Figure 13). Having adequate parking facilities and choice of goods was considered by Morrisons to be important to its overall offer. The extent of the Morrisons non-food offer is scaled to be relative to individual store sizes.

FIGURE 13

Morrisons' store distribution



Source: CC analysis of main party questionnaire.

TABLE 13 **Morrisons store profile, 2002 to 2008e**

Year to Jan	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2002	113	375 (4,039)	3.4	3,321 (35,743)	10,613 (986)
2003	119	394 (4,241)	5.0	3,311 (35,639)	11,141 (1,035)
2004	125	420 (4,526)	6.7	3,364 (36,208)	12,142 (1,128)
2005*	498	1158 (12,468)	175.5	2,326 (25,036)	12,788 (1,188)
2006	378	987 (10,623)	–14.7	2,613 (28,130)	11,291 (1,049)
2007	368	976 (10,505)	–1.2	2,652 (28,546)	12,691 (1,179)
e2008	376	1,005 (10,820)	3.0	2,673 (28,777)	13,229 (1,229)

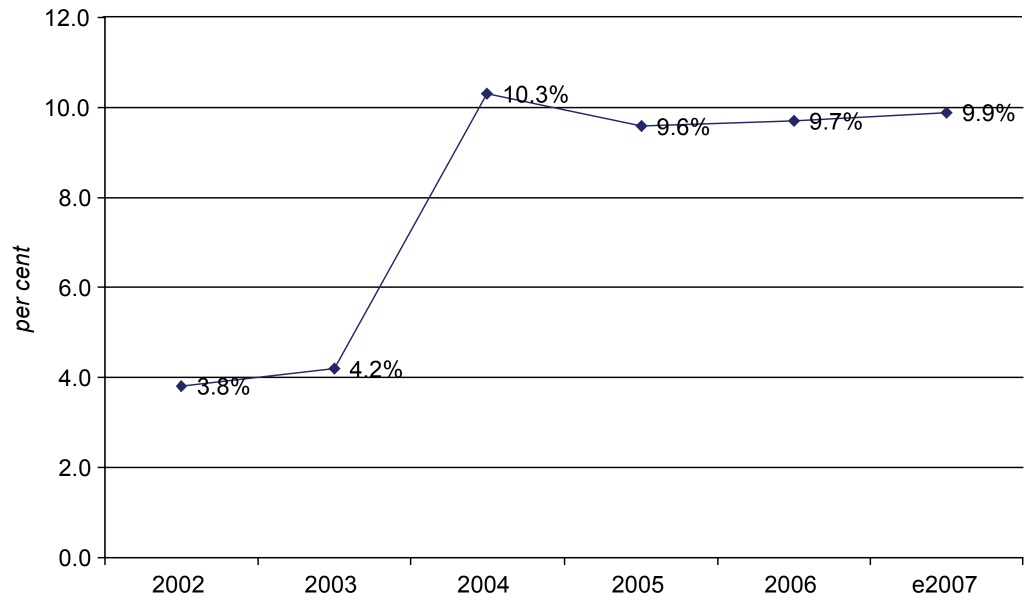
Sources: Verdict, *UK Grocery Retailers 2008*, February 2008.

*Sales/sq m (sq ft) figure estimated for core estate.
Note: Conversion to sq metres from sq feet was undertaken by the CC.

19. Morrisons significantly increased its grocery sales share with the acquisition of Safeway (see Figure 14). It told us that since the acquisition it had been focused on integrating 'back-office' functions, converting 220 stores to the Morrisons format and fascia, and divesting those stores which it was required to divest as part of the transaction, or which did not meet size or location requirements. It is working on increasing profitability which shows recovery in 2006/07 (see Figure 15), through volume of sales and business efficiency.

FIGURE 14

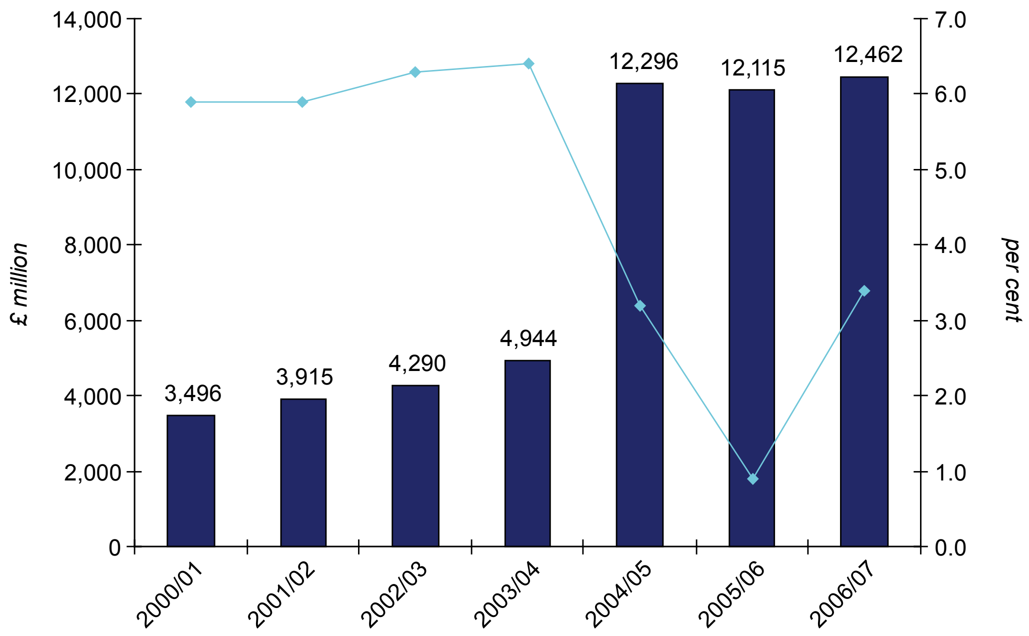
Morrisons UK grocery sales share, 2000 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 15

Morrisons turnover and operating profit, 2000 to 2007



Source: IGD Research, *UK Grocery Outlook*, September 2007.
Notes:
1. Safeway was acquired by Morrisons in March 2004.
2. Turnover for 2003/04 is an IGD estimate.
3. This data excludes VAT.

Sainsbury's

20. Sainsbury's is a UK grocery retailer (which includes the provision of general merchandise, clothing and fuel—see Table 14). As at the end of 2006/07, it operated through 490 supermarkets and 298 convenience stores (see Figure 16 and Table 15). Additionally, it operates a joint venture in retail banking (Sainsbury's Bank), with HBOS.

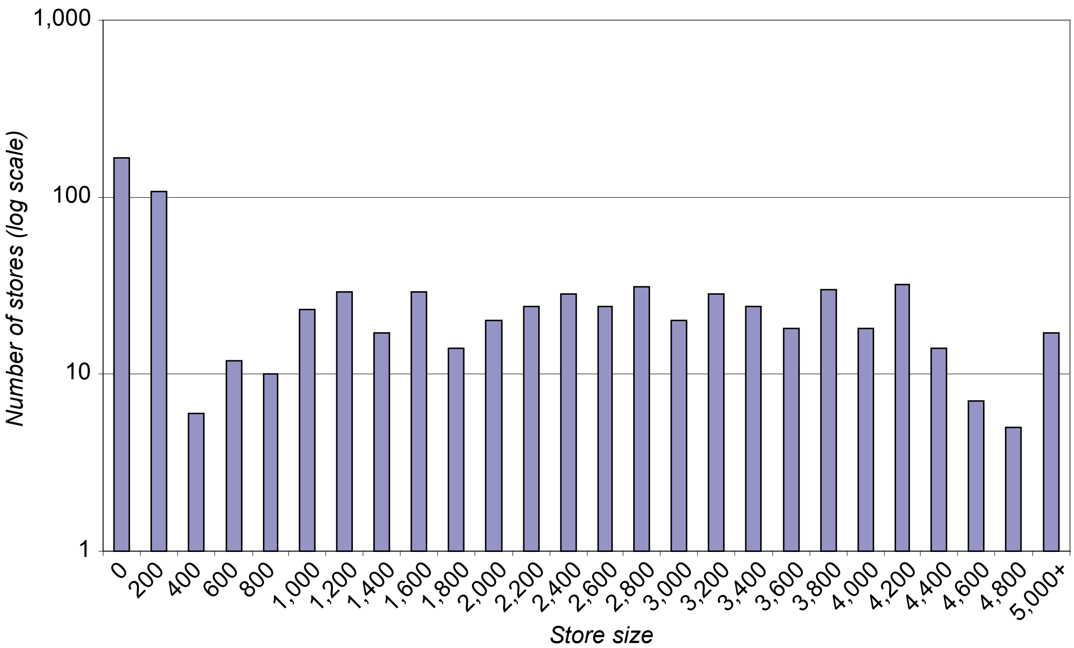
TABLE 14 **Sainsbury's estimated grocery sales mix, 2006/07**

Categories	%
Ambient groceries	18
Grocery non-food	6
Chilled	9
Frozen	2
Meat/fish	8
Produce	8
Bakery	5
Delicatessen	3
Beer/wines/spirits	6
Tobacco	2
Subtotal	67
Clothing and footwear	3
Health and beauty	8
Other non-food	4
Subtotal	15
Petrol	17
Cafe	1
Subtotal	18
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 16

Sainsbury's store distribution



Source: CC analysis of main party questionnaire.

TABLE 15 **Sainsbury's store profile, 2000 to 2008e**

Year to Mar	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2000	432	1,213 (13,055)	3.9	2,808 (30,220)	10,376 (964)
2001	453	1,277 (13,746)	5.3	2,819 (30,344)	10,387 (965)
2002	463	1,333 (14,349)	4.4	2,879 (30,991)	10,602 (985)
2003	498	1,412 (15,199)	5.9	2,835 (30,520)	10,140 (942)
2004	583	1,447 (15,570)	2.4	2,481 (26,707)	9,946 (924)
2005	727	1,521 (16,370)	5.1	2,092 (22,517)	10,053 (934)
2006	752	1,555 (16,737)	2.2	2,068 (22,257)	10,226 (950)
2007	788	1,613 (17,364)	3.7	2,032 (21,869)	10,646 (989)
e2008	815	1,676 (18,058)	4.0	2,058 (22,157)	10,904 (1,013)

Source: Verdict, *UK Grocery Retailers 2008*, February 2008 and updated by Sainsbury's where relevant.

Note: Conversion to sq metres from sq feet was undertaken by the CC.

21. Sainsbury's told us that it developed a convenience 'Local' format in recognition of the change in consumer trends and the growing market for convenience retailing. This was added to in 2000 with the trial of 'Local' sites on Shell forecourts and was significantly expanded later in 2004 through its acquisition of Jacksons, Beaumonts and Bells stores, and by the acquisition of Shaws stores in 2005. A store breakdown is provided in Table 16.

22. Since 2004, Sainsbury's has turned around falling grocery sales share and has increased turnover (see Figures 17 and 18). Earlier overseas expansion was divested in 2004 (Shaw's in the USA) in order to return value to shareholders and re-invest in growing the UK supermarket business.

TABLE 16 **Sainsbury's store breakdown**

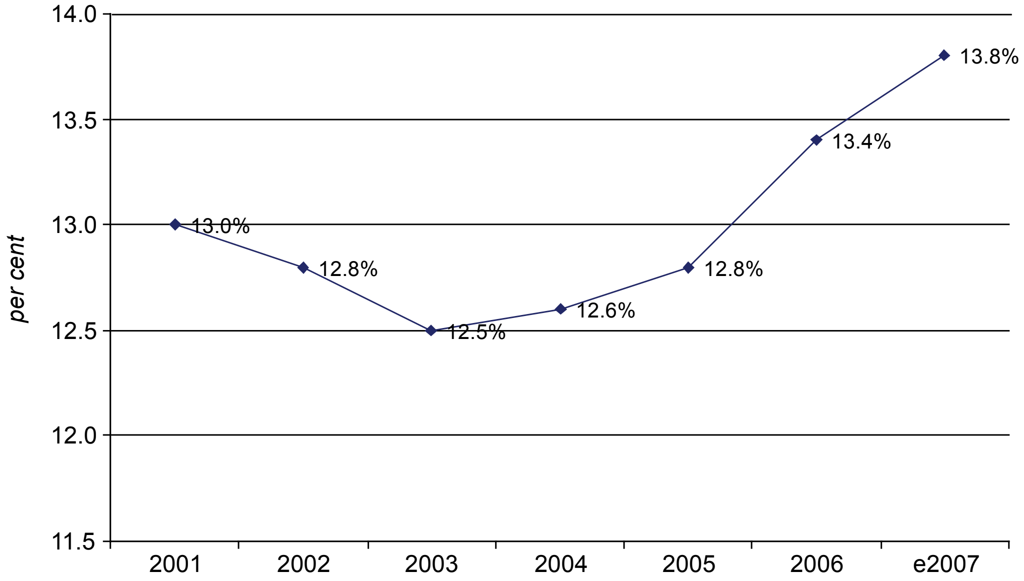
	Over 3,700 sq m	*2,300–3,700 sq m*	*1,400–3,700 sq m*	*<1,400 sq m*	*Total*
Convenience*	-	-	-	298	298
Supermarket	178†	163	91	58	490
Total stores	178	163	91	356	788

Source: J Sainsbury Annual Report 2007.

*These stores defined as 'convenience' are not necessarily less than 280 sq metres in net sales area, as this term is used elsewhere in the main report.
†This includes two superstores greater than 5,100 sq metres.

FIGURE 17

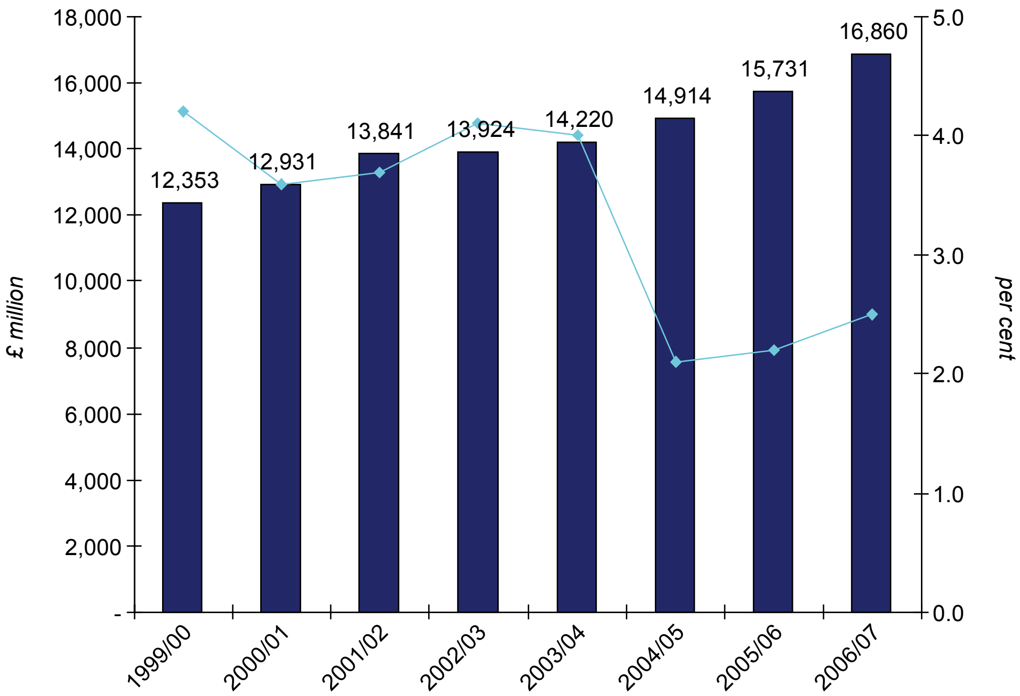
Sainsbury's grocery sales share, 2000 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 18

Sainsbury's turnover and operating profit, 1999 to 2007



Source: IGD Research, *UK Grocery Outlook*, September 2007.
Note: This data excludes VAT.

Somerfield

23. Somerfield sells a range of food, drink and household products (see Table 17). Somerfield told us that it aimed to provide products at reasonable prices while

ensuring market-leading freshness and a high level of service. Somerfield sells only a limited range of non-grocery products and told us that it was reducing the size of this segment in future as management focused on becoming a local grocery shopping chain.

TABLE 17 **Somerfield estimated grocery sales mix, 2007**

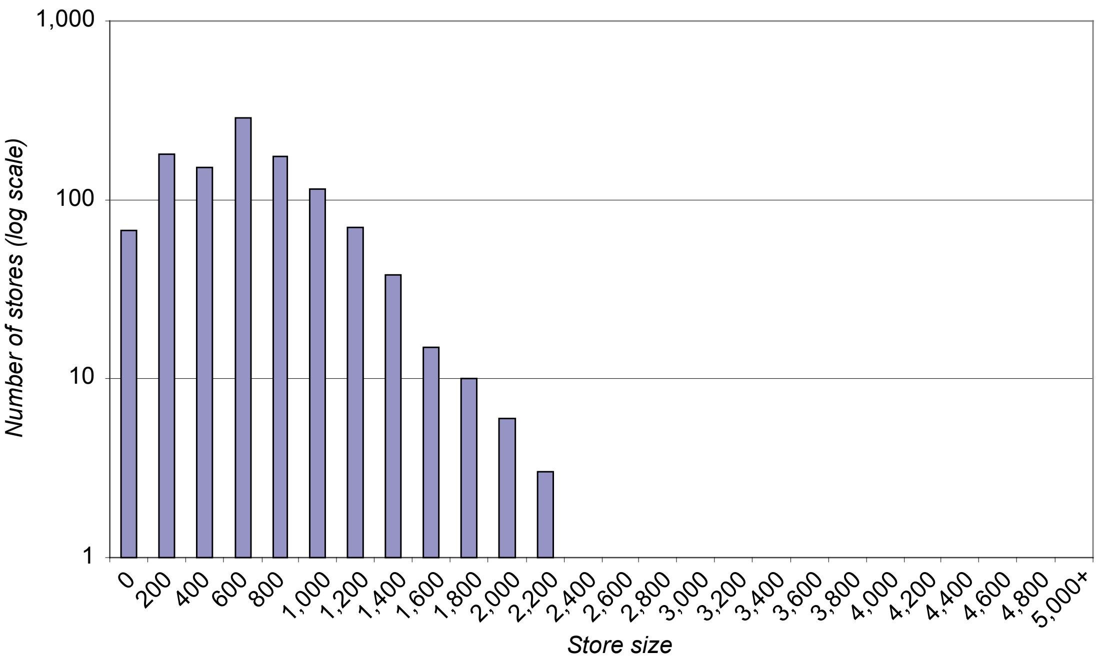
Categories	%
Ambient groceries	24
Chilled	18
Produce	10
Beer/wines/spirits	8
Tobacco	8
Meat/fish	7
Frozen	4
Grocery non-food	5
Bakery	4
Delicatessen	4
Subtotal	92
Health and beauty	5
Non-food	2
Subtotal	7
Petrol	1
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

24. Somerfield purchased 115 stores from Morrisons (ex-Safeway), rebranded 102 and sold 248 Kwik Save stores since 2000. Most Somerfield stores are less than 1,900 sq metres (only 2 per cent being larger) and store numbers have decreased in the period since 2000, although sales per sq metre have increased (see Figure 19 and Table 18).

FIGURE 19

Somerfield store distribution



Source: CC analysis of main party questionnaire.

TABLE 18 **Somerfield store profile, 2000 to 2008e**

Year to Apr	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2000	1,371	1,073 (11,550)	–7.5	783 (8,425)	4,898 (455)
2001	1,319	1,030 (11,087)	–4.0	781 (8,406)	4,306 (400)
2002	1,306	1,018 (10,963)	–1.1	780 (8,394)	4,532 (421)
2003	1,269	980 (10,549)	–3.8	772 (8,313)	4,489 (417)
2004	1,268	949 (10,220)	–3.1	749 (8,060)	4,682 (435)
2005	1,308	988 (10,640)	4.1	756 (8,135)	4,822 (448)
2006	1,048	732 (7,874)	–26.0	698 (7,513)	6,103 (567)
e2007	1,003	698 (7,509)	–4.6	696 (7,487)	6,157 (572)
e2008	955	630 (6,780)	–9.7	659 (7,099)	6,405 (595)

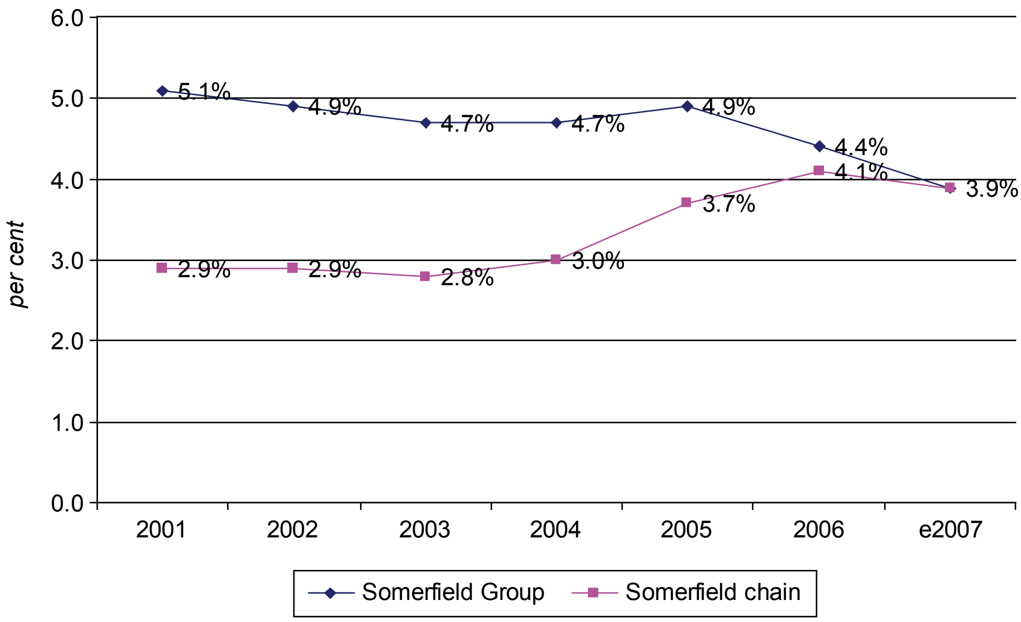
Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

*Prior to 2007 these figures include the Safeway, Texaco and Kwik Save fascias (since 2007 the Somerfield Group has traded as a one-fascia company).
Note: Conversion to sq metres from sq feet was undertaken by the CC.

25. Somerfield has experienced a period of rationalization that has reduced its share of the grocery market (see Figure 20). Turnover has fluctuated and profit margin has suffered, which has been publicly reported as largely due to the effect of difficulties with the Kwik Save fascia (see Figure 21).

FIGURE 20

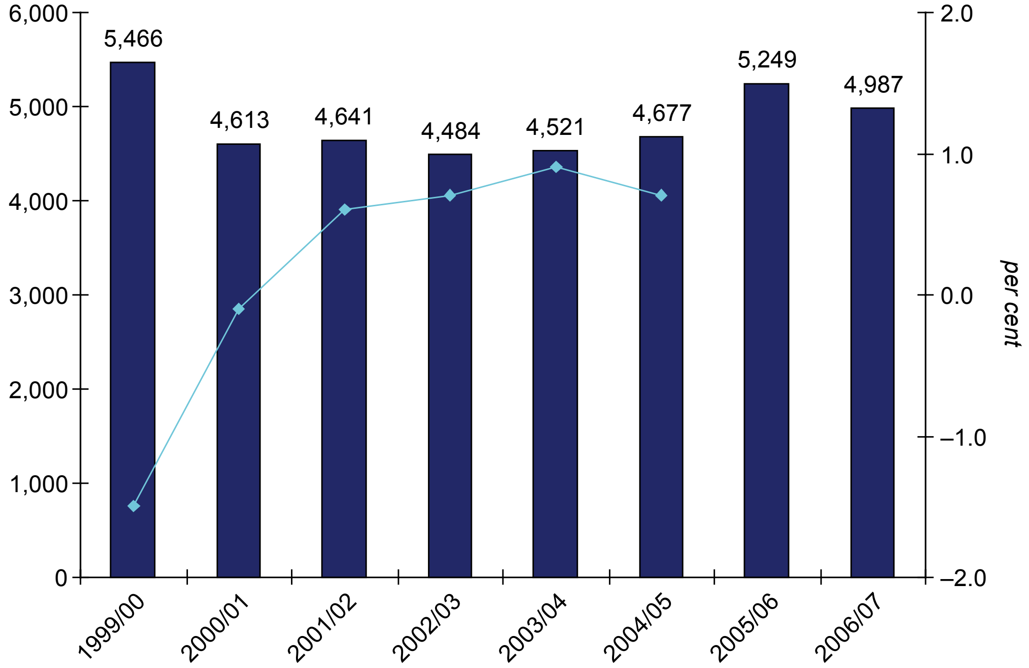
Somerfield grocery sales share, 2001 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.
Note: Somerfield chain includes forecourt stores purchased in 2005 still trading as Texaco.

FIGURE 21

Somerfield turnover and operating profit, 1999 to 2007



Source: IGD Research, *UK Grocery Outlook*, September 2007.
Notes:
1. 2006/07 turnover is an estimate and turnover data includes Kwik Save until it was disposed in December 2005.
2. This data excludes VAT.
3. Operating profit data is unavailable for 2005/06 and 2006/07.

Tesco

26. Tesco is the biggest UK grocery retailer based on reported turnover. In the year ended February 2007, it reported worldwide turnover of £46.6 billion (including VAT) and employed over 400,000 full- and part-time staff. Tesco operates a wide portfolio of stores and has a broad mix of store sizes (see Figure 22 and Table 20). Tesco has developed a business model which encompasses a range of store formats and every category of the grocery market and told us that its sales of non-food were growing faster than sales of food (see Table 19). Since 2000, Tesco has undergone significant expansion into the convenience store segment. It purchased 870 T&S stores in 2003 and 45 Adminstore outlets in 2004.[3] It opened 30 new Extra stores in 2006/07 (generally by extending its existing Superstore format stores) (see Table 21 for the growth in the number of stores) and told us that it planned to open another 28 in 2007/08.

[3]These stores defined as 'convenience' are not necessarily less than 280 sq metres in net sales area, as this term is used elsewhere in the main report.

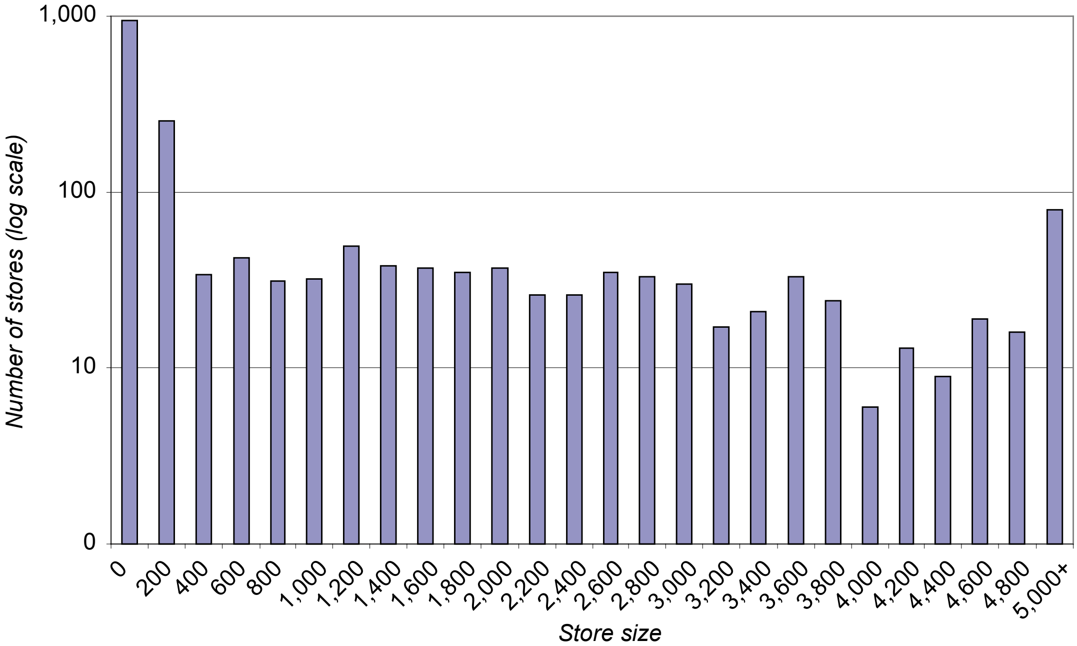
TABLE 19 **Tesco estimated grocery sales mix, 2007**

Category	*%*
Ambient groceries	16
Grocery non-food	4
Chilled	8
Frozen	3
Meat/fish	8
Produce	9
Bakery	4
Delicatessen	2
Beer/wines/spirits	8
Tobacco	3
Subtotal	65
Clothing	4
Health and beauty	9
Other non-food	8
Subtotal	21
Petrol	13
Cafe	1
Subtotal	14
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 22

Tesco store distribution



Source: CC analysis of main party questionnaire.
Note: The size distribution includes One Stop stores.

TABLE 20 **Tesco store breakdown**

Store type	*Number*	*Description*
Extra	120	(Approximately 5,575 sq metres and above) The first Extra was opened in 1997. The one-stop destination store offers the widest range of food and non-food lines, ranging from electrical equipment to homewares, clothing, health and beauty and seasonal items such as garden furniture.
Superstore	444	(Approximately 1,860–4,645 sq metres) Tesco began to open superstores in the 1970s. In recent years, a number of new non-food ranges such as DVDs and books have been introduced into superstores.
Metro	163	(Approximately 650–1,400 sq metres) The first Metro was opened in 1992 to enter town and city centre locations. Metros offer a tailored range of food lines, including ready meals and sandwiches.
Express	671	(Up to 280 sq metres) The first Express store was opened in 1994. These stores sell a range of up to 7,000 lines including fresh produce, wines and spirits and in-store bakery.
Total	1,398	

Source: Tesco main party questionnaire response.

Notes:
1. As at 1 June 2006.
2. The group also has 508 stores under the One Stop fascia.
3. Homeplus is a new store format (3,250 to 4,645 sq metres), and there are currently seven stores trading. These stores offer the widest range of non-food, including clothing. Stores are stand-alone or on retail parks.

TABLE 21 **Tesco UK store profile, 2000 to 2008e**

Year to Feb	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)*
2000	659	1,570 (16,895)	5.8	2,382 (25,637)	11,011 (1,023)
2001	691	1,668 (17,949)	6.2	2,413 (25,975)	11,248 (1,045)
2002	728	1,749 (18,822)	4.9	2,402 (25,854)	11,603 (1,078)
2003*	1,981	2,028 (21,829)	16.0	1,024 (11,019)	11,894 (1,105)
2004†	1,877	2,155 (23,200)	6.3	1,148 (12,360)	11,840 (1,100)
2005	1,779	2,248 (24,200)	4.3	1,264 (13,603)	12,325 (1,145)
2006	1,897	2,406 (25,903)	7.0	1,269 (13,655)	12,884 (1,197)
2007	1,988	2,581 (27,785)	7.3	1,298 (13,976)	13,100 (1,217)
e2008	2,104	2,750 (29,604)	6.5	1,307 (14,070)	13,003 (1,208)

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

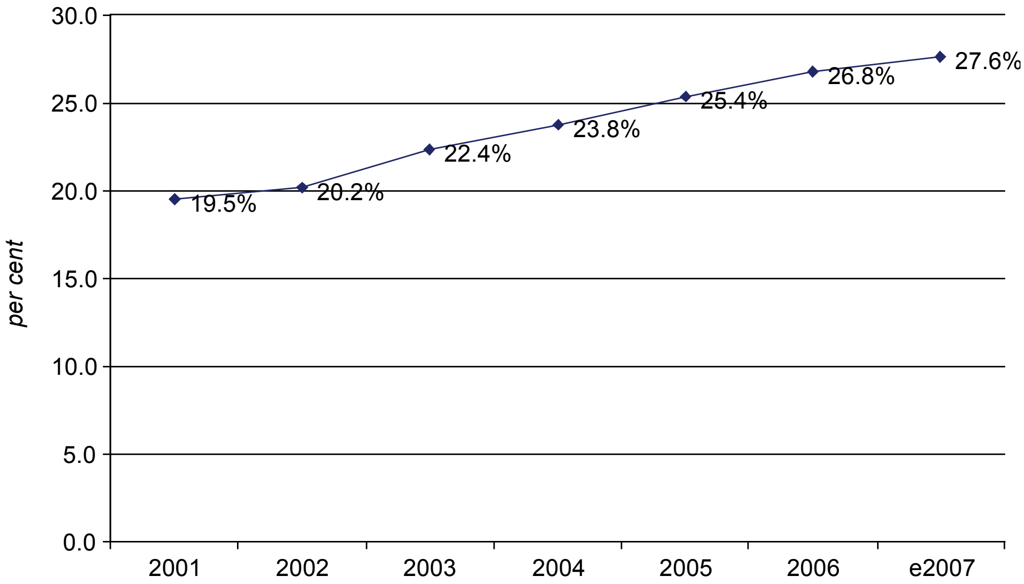
*Excludes T&S Stores in the calculation of sales/sq metres for this year.
†Adjusted to 52 weeks.
Note: Conversion to sq metres from sq feet was undertaken by the CC.

27. Tesco has been investing in new markets overseas since the mid-1990s and now operates in 13 countries outside the UK. Its international operations generate £11 billion sales (including VAT), £564 million profit, and accounts for over half of the

group's total floor space.[4] Over the period since 2000 Tesco has significantly expanded its grocery sales share (see Figure 23). In the UK, Tesco has experienced strong growth in turnover since 2000, and maintained its margin through the period (see Figure 24). Tesco also operates an online platform via tesco.com and Tesco Direct which year-on-year grew 29 per cent to sales of £1.2 billion (including VAT) in the financial year 2006/07.[5]

FIGURE 23

Tesco grocery sales share, 2001 to 2007e

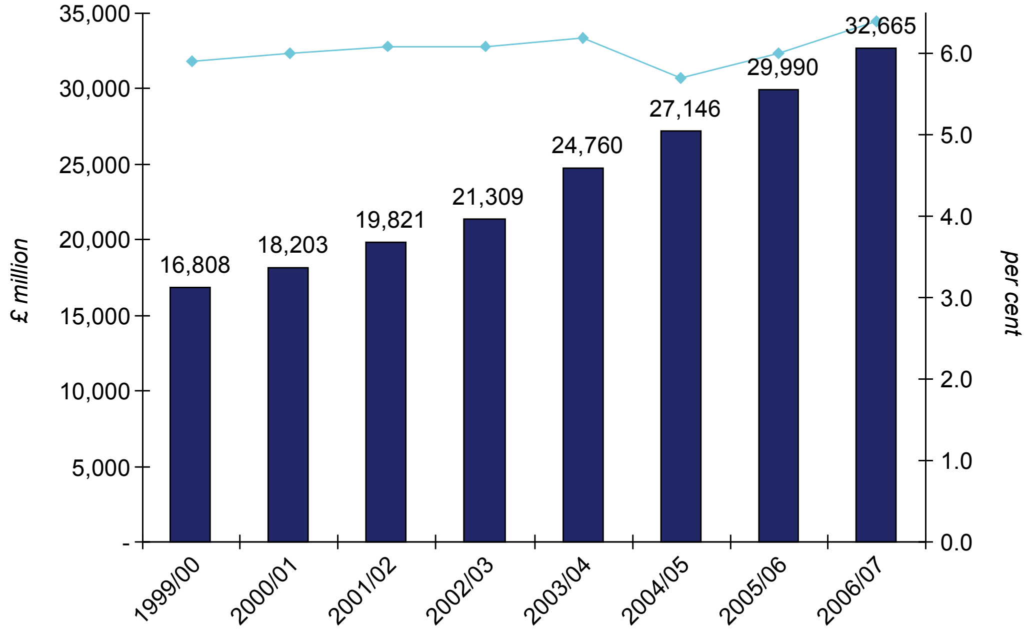


Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

[4]Tesco website 'International Factsheet' www.tescocorporate.com/international.htm.
[5]Tesco annual report and financial statement 2007.

FIGURE 24

Tesco turnover and operating profit, 1999 to 2007



Source: IDG Research, *UK Grocery Outloo*k, September 2007.
Note: This data excludes VAT.

Waitrose

28. Waitrose is a national one-stop-shop supermarket operator, operating stores exclusively in the UK grocery market. Waitrose also has e-commerce grocery businesses (WaitroseDeliver and a partnership with Ocado) and an export business. Waitrose exports its products to 28 territories, including Hong Kong, the Caribbean and India. It sells its products overseas through local supermarket chains, and there is an intention to expand this aspect of the business substantially. [✄]

29. Waitrose told us that its strategy was to give customers the choice of a genuinely differentiated offer in terms of a high-quality product whilst remaining price competitive. Waitrose is a food specialist and has not introduced non-grocery sales to any significant extent in the vast majority of its stores and told us that it did not have any plans to do so (see Table 22).

TABLE 22 **Waitrose estimated grocery sales mix, 2007**

Categories	*%*
Ambient groceries	17
Grocery non-food	4
Chilled	12
Frozen	7
Meat/fish	13
Produce	14
Bakery	5
Delicatessen	5
Beer/wines/spirits	12
Tobacco	2
Subtotal	91
Health and beauty	5
Other non-food	3
Subtotal	8
Petrol	1
Total	100

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

30. Waitrose has purchased only a limited number of stores since 2000 (see Table 23), although it has publicly announced that it intends to invest £800 million into 50 new stores over the next five years and double its network to around 400 stores within ten years. Waitrose generally has a larger store format, which it told us had previously made it difficult to identify suitable building sites (see Figure 25). Waitrose also told us that it was evaluating alternative growth channels such as: [✂].

TABLE 23 **Waitrose store profile, 2000 to 2008e**

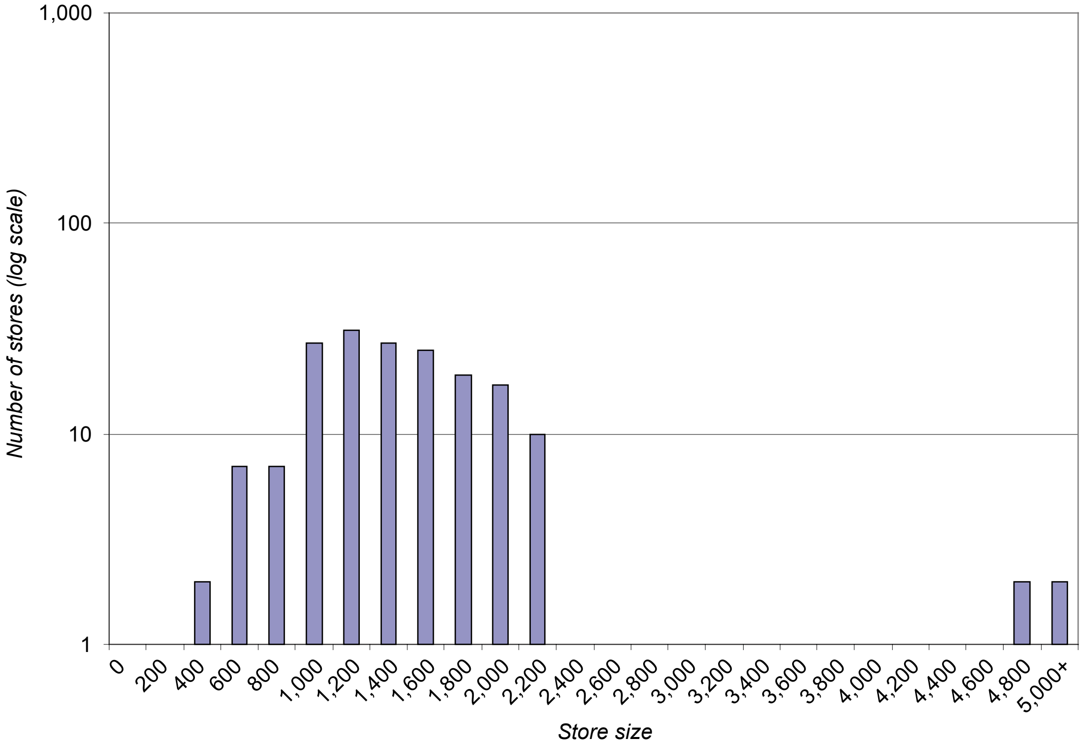
Year to Feb	*Store numbers*	*Sales area '000 sq m (sq ft)*	*Year-on-year change %*	*Average size sq m (sq ft)*	*Sales/sq m £ pa (sq ft)**
2000	123	184 (1,980)	3.8	1,495 (16,098)	e10,280 (e955)
2001	136	212 (2,280)	15.2	1,558 (16,765)	e10,592 (e984)
2002	136	212 (2,280)	0.0	1,558 (16,765)	10,839 (1,007)
2003	140	229 (2,460)	7.9	1,632 (17,571)	10,990 (1,021)
2004	143	234 (2,516)	2.3	1,635 (17,594)	11,647 (1,082)
2005	166	288 (3,101)	23.3	1,736 (18,681)	11,324 (1,052)
e2006	173	311 (3,346)	7.9	1,797 (19,341)	11,162 (1,037)
2007	183	334 (3,600)	7.6	1,828 (19,672)	11,464 (1,065)
e2008	188	344 (3,700)	2.8	1,828 (19,681)	11,593 (1,077)

Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

*Includes VAT.
Note: Conversion to sq metres from sq feet was undertaken by the CC.

FIGURE 25

Waitrose store distribution

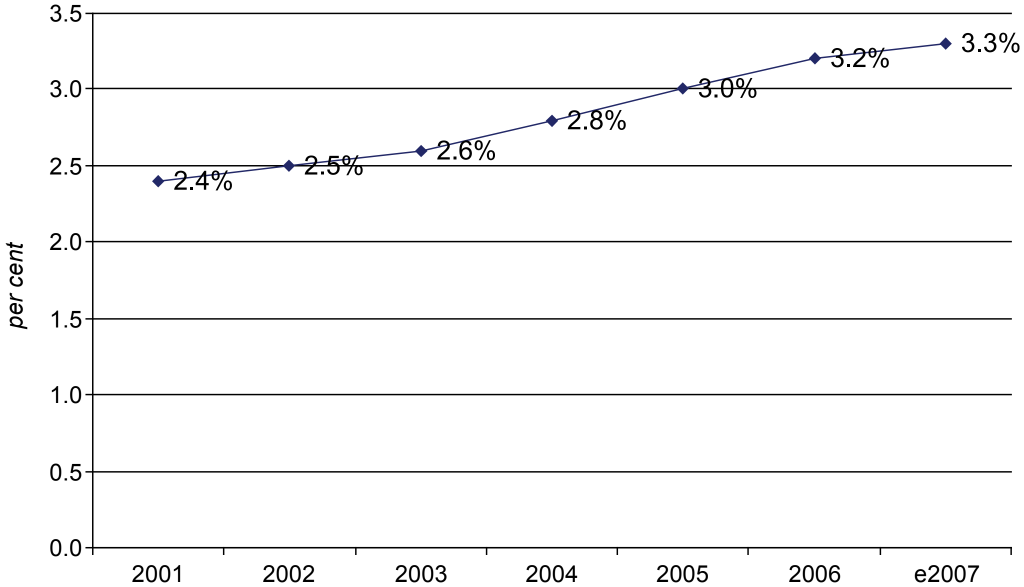


Source: CC analysis of main party questionnaire.

31. Waitrose's grocery sales share has steadily grown over the period (see Figure 26). In addition, turnover and operating margin have also steadily increased over the period (see Figure 27).

FIGURE 26

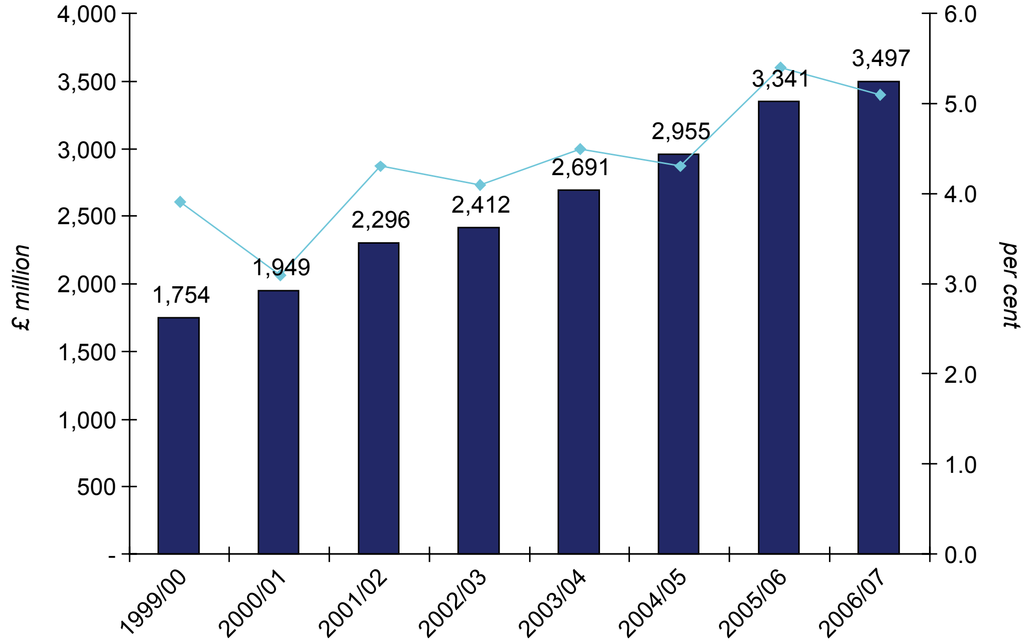
Waitrose grocery sales share, 2001 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.

FIGURE 27

Waitrose turnover and operating profit, 1999 to 2007



Source: IGD Research, *UK Grocery Outlook*, September 2007.
Note: This data excludes John Lewis department stores and includes VAT.

Aldi, Lidl and Netto (LADs)

32. The LADs (Aldi, Lidl and Netto) form a small but growing part of the UK grocery retail sector. In 2007, the LADs achieved a national grocery sales share of over 3 per cent. The LADs are characterized by a 'no-frills' approach, a strong focus on prices, and a limited range of products compared with the large grocery retailers. Each of the LADs carries in the region of 1,000 product lines in stores ranging from 500 to 1,400 sq metres. Aldi, in large part, carries only own-label goods, while Lidl and Netto both carry larger volumes of branded products.

33. Aldi told us that its strategy was to operate a business model that was simple, efficient and effective, to meet the needs of customers by giving them the best-quality grocery products at the lowest possible prices in clean and well-presented stores. This strategy is implemented consistently at all levels in the UK. It has one fascia, one format and the same products (around 850 core SKUs) in every store nation-wide. The majority of its products are own-label, although it does sell a small number of 'iconic' branded products. Since 2000 it has operated a revised strategy to offer a greater selection of premium products and target a wider range of shoppers. It has approximately 370 stores that are typically between 800 and 1,100 sq metres in size, and a programme of store extensions is under way to increase the size of the majority of its estate to 1,000 sq metres. In addition, Aldi has publicly stated that it intends to open 250 new stores in the UK and the Republic of Ireland over the next four to five years, which indicates a significant period of upcoming growth when compared with its expansion since 2000 (see Table 24).[6] Internationally Aldi has more than 7,500 stores with an estimated £31 billion turnover; UK turnover is presented in

[6]Statement by Aldi UK and Ireland Group Managing Director Paul Foley 'ALDI on expansion offensive in UK', *Planet Retail*, 6 July 2007.

Figure 29. In its domestic market of Germany, Aldi commands a market sales share of around 20 per cent. Aldi does not consider that it is a direct competitor to the large grocery retailers.

34. Lidl told us that its retail mission was to sell quality products at the best possible price. It has approximately 400 stores across the UK and has experienced steady turnover growth over the period (see Table 24 and Figures 28 and 29). It has a very similar strategy to Aldi, although its range is more diverse with around 1,000 different products including a number of well-known brands and a selection of dairy products, frozen foods, sausages, fresh meat and poultry, fruit, vegetables and bread. Lidl has almost doubled the number of stores in its network since 2000. Lidl considers that it competes directly with the large grocery retailers.

35. Netto has around 180 stores across the UK and all its stores generally have 800 to 1,000 sq metres of sales area (see Table 24). Netto told us that it intended to expand its network by 20 or 25 new stores each year for the next five years. It told us that it differentiated its offer from the other LADs by selling a greater proportion of UK brands (around 300 and obtained through employing UK-based buyers). In addition, Netto recently announced that it intended to reorientate its strategy to expand its product range from 1,100 to 1,400 product lines including up to 40 per cent fresh food, an extension of chilled food, ready meals and possibly tobacco, newspapers and magazines. Additional services such as ATMs and e-topup facilities are also proposed within a bigger average store size up to a maximum of 1,200 sq metres. Netto told us that it obtained increased sales when situated close to a store fascia with a premium pricing strategy and considered itself direct competition for the large grocery retailers. Figures 28 and 29 show Netto's sales share and turnover for the period since 2000.

36. Aldi and Lidl have slightly grown their grocery sales share over the period, while Netto has maintained its share (see Figure 28). Although margin data is not disclosed by these companies, Verdict states that these retailers are expected to operate a very low-margin business model of around 1 to 2 per cent.

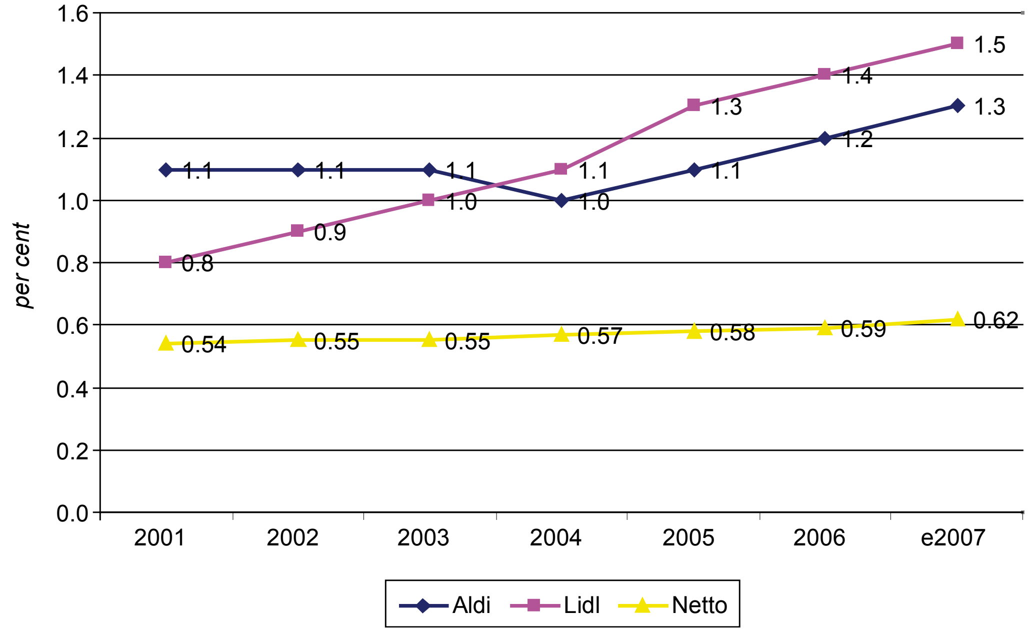
TABLE 24 **LADs estimated store numbers, 2000 to 2007**

Year to	*Aldi Dec*	*Lidl Jan*	*Netto Aug*
2000	240	230	123
2001	250	250	123
2002	267	290	125
2003	270	315	125
2004	279	334	155
2005	299	395	155
2006	320	430	175
2007e	360	465	195

Source: Verdict, *UK Grocery Retailers 2008*, February 2008, and updated with information from Aldi where relevant.

FIGURE 28

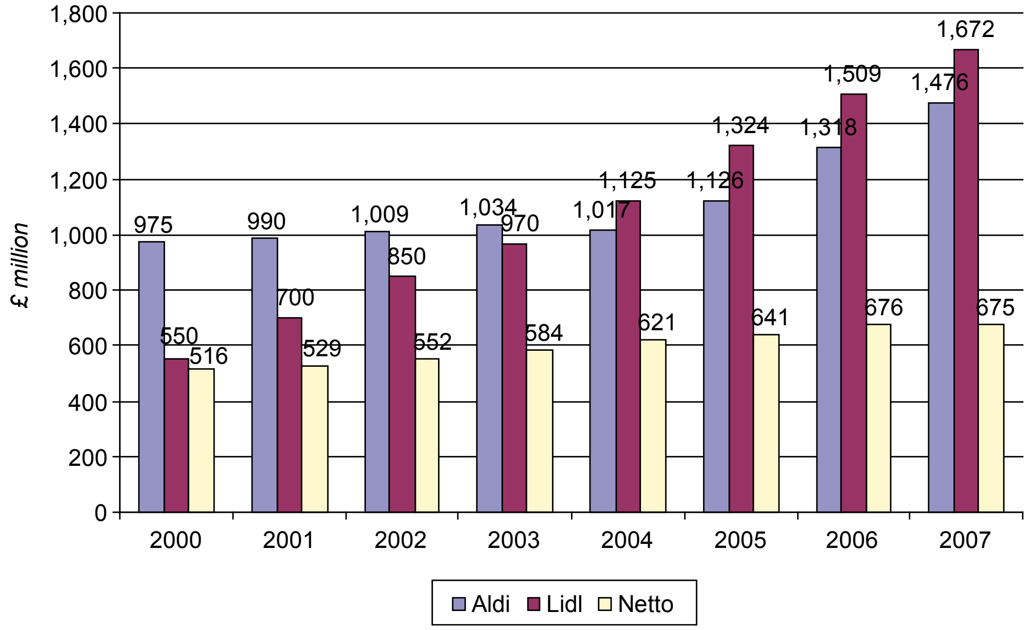
Aldi, Lidl and Netto grocery sales share, 2001 to 2007e



Source: Verdict, *UK Grocery Retailers 2008*, February 2008.
Note: Netto also cites ACNielsen data that indicates a grocery sales share of 0.8 to 0.9 per cent over the period.

FIGURE 29

Aldi, Lidl and Netto estimated turnover, 2000 to 2007



Source: Verdict, UK Grocery Retailers 2008, February 2008 and Netto where relevant (Netto 2007 is a Verdict estimate).
Notes:
1. This graph is not directly comparable with other similar graphs in this appendix because it has a different data source. However, it is expected that the trends are broadly comparable with the other graphs.
2. This data excludes VAT.