Supermarkets: More Than Just Food Retailing - UK - November 2014

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"Aldi and Lidl have changed the "conversation" around grocery – in particular, they have pushed the price/quality balance to greater prominence. And, in a volume-sensitive business, they have put major pressure on some major grocers – most notably Morrisons and Tesco."
– John Mercer, European Retail Analyst

This report looks at the following areas:

- Our online section provides market sizes and market shares for the fast-growing online grocery segment;
- Our Sector Size and Forecast section provides three separate segment forecasts – for Supermarket formats, Convenience Stores and Online – as well as the total sector forecast.
- Our Market Shares section provides five years of historic market shares data and estimated 2014 market shares for the biggest retailers, including for Aldi and Lidl.

The UK grocery sector is changing fast, causing upheavals for several of the long-established market leaders. As online grocery sales grow and major grocers push into convenience formats, these channels cannibalise share from superstore and supermarket formats that generate the bulk of retailers' profits: retailers are investing simply to stand still. At the same time, the shift away from out-of-town stores should not be overstated: hypermarket-based Asda is outperforming rivals, Sainsbury's continues to open larger out-of-town stores and Tesco has said underperformance in hypermarkets is limited to around one-third of its largest stores.

Meanwhile, the discounters, Aldi and Lidl, are growing fast: Aldi overtook M&S Food by annual revenues in 2013 and is set to leapfrog Waitrose by this measure in 2014. Aldi and Lidl are chipping away at the market shares of (some) mid-market, full-range supermarkets – a problem which appears to be most severe for Morrisons and Tesco.

The midmarket grocers are under pressure to respond by competing more aggressively on pricing. Price competition has already pushed food and beverage prices into deflationary territory, and any major price offensive – for instance, by Tesco – will hit sector sales in 2015.

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market

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