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UK Supermarket Chain Profiles 2014

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Report Highlights:

<p>This is a Market Brief providing information about the leading UK supermarket chains: Tesco, Asda/Wal-Mart, Sainsbury's, Morrisons, The Cooperative, Waitrose, Marks and Spencer's, Whole Foods Market, Aldi and Lidl. It gives an overview of the trading styles, and target customers of each retailer, as well as contact details for their head office.</p>
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General Information:

Foreword

This report is intended to supplement the report entitled “UK Retail Market Brief”. If you would like a copy of this report please email aglondon@fas.usda.gov

UK Supermarket Chain Profiles

Tesco

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Cheshunt, Hertfordshire EN8 9SL
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Consumer website: www.tesco.com
Corporate website: www.tescopl.com

Tesco is the number one supermarket in the UK and number three globally after WalMart and Carrefour with stores in other European countries, including the Czech and Slovak Republics, Hungary, Poland, and the Republic of Ireland. Tesco also trades in Turkey, Malaysia, South Korea, China, India and Thailand. In 2007, Tesco opened stores in the United States under the name Fresh & Easy, however having opened 182 stores across California, Arizona and Nevada the chain failed to make money and was sold in April 2013.

Tesco has been a market leader in the UK grocery sector for over 25 years. It introduced the first loyalty card in the UK, which has become a highly efficient and targeted marketing system and now has over 38 million active members. Tesco was also the first UK supermarket to develop an on-line shopping service and is at present the most successful.

Tesco’s progress in the UK in the last five years has been noteworthy. Tesco’s sales were £70.9 billion (\$116.2 billion) in 2014. They employ 310,000 people in the UK.

Tesco has seven different store formats, each tailored to the customer’s needs in a particular locality.

Type of Store	Number of Stores
Extra	247
Superstore	482
Metro	195
Express	1,672
Home Plus	12
One-Stop	722
Dobbies	34
Total Tesco Stores	3,378

As of April 2014

Express Stores are up to 3,000 square feet and offer customers great value, quality and fresh food close to where they live or work. The first express store was opened in 1994, and there are now 1,672 outlets selling a range of up to 7,000 lines, including fresh produce, wines and spirits, and in-store bakery items.

Metro Stores are between 7,000 and 15,000 square feet. The first Metro store was opened in 1992 bringing the convenience of Tesco to town and city center locations. Tesco Metros cater to busy customers, offering a tailored range of food lines, including ready-to-eat meals and sandwiches.

Superstores are between 20,000 and 50,000 square feet. Tesco began opening Superstores in the 1970's. During the 1980's and 1990's, Tesco built a national network to which it is adding more stores every year. These stores respond rapidly to changing consumer needs. In recent years, Tesco has introduced a number of non-food ranges, such as electronics and books, into Superstores.

Extra stores are usually above 60,000 square feet in size. Since the opening of the first Extra store in 1997, the "one stop" destination store format has proved extremely popular. Extra stores offer the widest range of food and non-food lines, from electrical items to homewares, clothing, health and beauty and seasonal items.

Following positive consumer response to non-food offerings, Tesco's newest type of store format is Home Plus, where stores are between 35,000 and 50,000 square feet and are dedicated to non food. Tesco has opened 12 of these stores on a trial basis. If these are successful, more non-food stores will open throughout the UK.

Tesco also owns 34 Dobbie's Garden Centers.

Tesco's main consumers are middle income. Tesco's range of food features a strong private label element. In addition to their general Tesco branded range, there are two other main ranges – Tesco Value that features basic goods at highly competitive prices and Tesco Finest, pitched at the quality end of the spectrum, with a strong emphasis on ingredients.

Tesco currently has 1,600 product lines across both the Tesco Value and Tesco Finest ranges. A typical Tesco Superstore will stock around 40,000 product lines, of which 25,000 are food and beverages.

Tesco has positioned itself to lower prices and a competitive agenda. Tesco, Asda, and more recently Sainsbury's are constantly competing on price. Tesco has received considerable criticism in the press for reportedly placing pressure on suppliers to achieve its price agenda.

Tesco's multi-format stores bolster success. They allow customers to access the Tesco 'brand' at many different levels.

Tesco's online grocery business is doing particularly well with sales of £2.5bn in the UK. One hour delivery slots are offered in 98% of the UK. Grocery Click and Collect is also available at 260

locations.

A note to make for 2014 is that Tesco is currently going through somewhat of an economic crisis. In the past 12 months Tesco's market share has dropped 3.6 percent, the fastest rate of any major supermarket in Britain, this is mostly due to customers being lured away by Aldi and Lidl. Also accounting errors worth \$421 million were found in Tesco's books, caused by incorrectly booking revenue paid by suppliers.

They will undoubtedly sort themselves out, but this has caused some waves and will damage their profit margins for the next 12 months.

Asda/Wal-Mart

Asda Stores Ltd.
Asda House, Southbank
Great Wilson Street
Leeds, West Yorkshire LS11 5AD
Tel: +44 113 243 5435
Website: www.asda.co.uk

Asda is the UK's number two supermarket chain with 17.2 percent market share. Wal-Mart bought Asda in July 1999. However, Asda has retained a very British feel in-store and a distinct identity separate from its parent company.

Asda's strap-line is 'Every day low price'. This motto, together with Wal-Mart's global buying power, has contributed to the success of the UK business. Asda is driven by store expansion, non-food growth and price competitiveness. Asda has focused on large stores. However, suitable space for larger stores is hard to find in the UK and this is hampering its expansion possibilities.

Asda currently owns 523 stores, predominately based in the North and South-East of England. The majority of Asda stores are in town centers or in suburban areas. Food is displayed in separate areas from clothing and non-food ranges. Asda employ 180,000 staff in the UK.

Asda has five store formats.

Supermarkets (up to 22,000 square feet) are found in small town and suburban areas. This format has proven successful in recent years bringing Asda to locations that were once inaccessible to them. There are 180 stores each stocking around 24,000 products.

Superstores (up to 60,000 square feet) is the typical Asda format, representing ninety percent of its UK stores. These offer a wide range of food and non-food products. There are 296 stores stocking on average 35,000 products.

Supercentres are over 100,000 square feet in size. At present, there are 29 stores in the UK and they bring together the best of Wal-Mart and full food ranges. Around half of the space is dedicated to non-

food. They stock on average 40,000 products.

Asda Living – 24 stores dedicated to clothing and general merchandise products. They are 28,000 square feet in size and stock on average 23,000 products.

Asda Local Stores – local convenience type stores. 10,000 products stocked in each store. Asda currently have 180 of these stores.

Asda is pitched at the lower end of the mass market. It competes largely on price. Asda and Tesco are continually head-to-head in a price war, both hoping to be crowned the lowest-priced supermarket. They generally price match very effectively.

A typical Asda supermarket carries about 35,000 product lines, 60 percent of which are food and beverage items.

As well as branded products, Asda has a strong in-store label portfolio, with sub-brands such as: Smartprice (price led products); Asda (everyday food and non-food items); Good For You (fat, salt, sugar and calorie controlled products); Extra Special (premium food) and Great Stuff (healthy food for children).

Unlike Tesco and Sainsbury's, Asda does not have a loyalty card system. This may affect its ability to market to customers in the future. However, it reportedly prefers to invest the money that would be required to set up the scheme into driving prices down for customers.

Despite slower growth in the last year, Asda is a strong business and a powerful player in the food and beverage market.

Sainsbury's

Sainsbury Plc.

33 Holborn

London, EC1N 2HT

Tel: +44 207 695 6000

Consumer website: www.sainsburys.co.uk

Corporate website: www.j-sainsbury.co.uk

Sainsbury's is currently the number three supermarket chain in the UK with 16.1 percent market share behind Tesco and Asda.

Sainsbury's operates by five main values which are: Best for food and health, Sourcing with integrity, Respect for the environment, Making a positive difference to the community, and A great place to work.

In April 2014, Sainsbury's had 1,200 stores including 600 supermarkets and 600 convenience stores. Sainsbury's has annual sales of £25,632 million (\$41,011 million).

Sainsbury's has two types of stores: traditional supermarkets and convenience stores.

Sainsbury's 600 convenience stores are on average 4,000 square feet in size. They have limited product ranges focusing on convenience products such as sandwiches and ready meals. The stores aim for high sales turnover of a limited range of products.

As well as branded products, Sainsbury's has private label ranges: Taste the difference (premium foods); Blue Parrot Café (children's healthy food); Be Good to Yourself (low fat foods); Organics (organic lines) and Basics (price led food).

Sainsbury's has tended to focus on food and beverages with a smaller store footprint than Tesco and Asda.

Sainsbury's is very welfare focused with them taking 30 percent market share of Fair Trade products, Tesco in comparison has 18 percent market share. They were also the first supermarket to sell only non-caged eggs and also sell a lot of organic and environmentally friendly foods.

Morrison's

Morrison's Supermarkets
Hilmore House, Thornton Road
Bradford, West Yorkshire BD8 9AX
Tel: +44 1274 494 166
Website: www.morrisons.co.uk

Morrison's is the 4th largest UK supermarket with 504 stores. Every week, 9 million customers shop in the stores. Morrison's employs 132,000 staff.

Morrison's convenience stores are called Morrison's M Local with two new stores opening every week. There are currently 100 of these stores.

With stores located throughout the UK, a typical Morrison's store is aimed at the mid- to lower-end consumer and stocks about 24,000 product lines. The company's strategy focuses on offering unbeatable customer service and a pleasant shopping environment; however, it competes primarily on price, special offers and multi-save promotions. Morrison's tries to stock local fresh products where possible.

Approximately 55 percent of sales come from private label ranges. Morrison's private label portfolio consists of: Morrison's (quality and value); Signature (premium foods); Eat Smart (healthy foods); and Savers (price led products).

Morrison's stands out from other grocery stores due to its "Market Street" feature. This is where a collection of fresh food counter stalls are designed to look like a market including butchers, bakers, fishmongers, delicatessens and salads. The majority of products sold in the Market Street are private

label.

Morrison's has small non-food sections within its stores focusing on music and video, health and beauty products.

Morrison's Match and More Card was introduced in the summer of 2014 and is the first program of its kind to price match against Aldi and Lidl as well as Tesco, Asda and Sainsbury's. If a comparable grocery shop is cheaper at any of the stores, customers get the difference back in points on their card. They also receive additional points for selected items in store. When you reach 5,000 points you are given a £5.00 voucher at the till.

Morrison's also launched their online delivery service in January 2014, working with Ocado on their delivery operation. It is currently available in the Midlands, Yorkshire and North and Northwest London.

The Co-operative

The Co-operative Group
New Century House
PO Box 53
Manchester, M60 4ES
Website: www.co-operative.coop/food

The Co-operative is the UK's fifth largest food retailer with a 6.4 percent market share. They have over 2,800 stores in the UK, one in every UK postal area.

The Co-operative group is a unique family of businesses run by over 5.5 million members, and together they have a say in how the businesses are run.

The Co-operative own brand food range comprises of great quality ethically sourced products. They were the first supermarket to support Fairtrade products with over 200 lines and sell food grown on their own farms.

Waitrose

Waitrose
Doncastle Road
Bracknell, Berkshire,
Tel: +44 1344 424 680
Website: www.waitrose.co.uk

Waitrose is the supermarket business of the John Lewis Partnership, a leading department store chain. It offers a broad range of products and high quality ingredients to an upper-middle class customer base. Waitrose stores are located in areas where consumers with a higher-than-average disposable income

live.

Waitrose stores are usually medium-sized compared to their UK supermarket rivals. However, Waitrose has introduced six larger store format called Waitrose Food & Home, an example of which is their 5,000 square meter store in Canary Wharf, London, and a new up-market food hall in the John Lewis department store in the well known shopping area of Oxford Street, London.

Waitrose, like the major supermarket chains, has an internet shopping service. However, it has chosen to use a key associate company, Ocado, rather than perform their own deliveries.

Waitrose has 280 stores that are predominately based in the south of the UK. These include 30 Waitrose convenience stores. In November 2008, Waitrose opened its first store outside of the UK. It now has two stores in Dubai. It also runs 26 John Lewis Department Stores.

Since Waitrose customers are less price-sensitive, it may present opportunities for American products that are of superior quality but not always the lowest priced.

Marks and Spencer

Marks & Spencer
Waterside House
35 North Wharf Road
London, W2 1NW
Tel: +44 20 7935 4422
Website: www.marksandspencer.com

Marks and Spencer is one of the UK's leading consumer retailers with over 21 million people visiting its stores each week. Marks and Spencer has 798 stores located throughout the UK, ranging from large out-of-town stores of over 100,000 square feet to Simply Food Stores of around 700 square feet. The largest store in the UK is located on London's Oxford Street in the center of London and has trading space of over 170,000 square feet, featuring both food and clothing ranges. As well as the UK, Marks and Spencer also has over 455 stores in 54 countries.

Marks and Spencer has premium quality food departments that are aimed at middle-upper class customers who are less price-conscious. They also attract customers shopping for special occasions, such as dinner parties, birthdays, office celebrations, and holidays.

Marks and Spencer is also a lunchtime destination for office workers picking up sandwiches and other snack items. In order to make the most of this market, Marks and Spencer has over 250 stand alone Simply Food Stores that are convenience format stores of around 700 square feet in size. They are based in town centers, train stations and motorway service stations. Their food revenue is £5.1bn per year whereas general revenue from clothes etc. is £4.1bn.

Marks and Spencer pioneered the concept of chilled ready prepared food and has led the way in its

development. Their food technical specifications are strict, particularly with regard to the traceability of ingredients.

Although Marks and Spencer sell predominately own label products, in the last couple of years they have introduced some branded products.

Whole Foods Market

Whole Foods Market
63-97 Kensington High Street
London W8 5JE
Tel: +44 20 7368 6100
Website: www.wholefoodsmarket.com/uk/index.html

Whole Foods Market opened its flagship store on London's High Street Kensington in June 2007. The 80,000 square foot store is not only the largest food retail space in central London, but is also the first Whole Foods Market in Europe and marks a major step in expanding the company's brand beyond North America.

It also owns six smaller stores, four of which are based in London with the other two in Cheltenham and Glasgow.

Because of the US home office, Whole Foods stock a wide selection of U.S. food products and is therefore a good first step for US companies entering the UK market.

Aldi

Aldi Stores Ltd
Holly Lane
Atherstone
Warwickshire, CV9 2SQ
Tel: +44 1827 711800
Website: www.aldi.co.uk

Aldi is a German owned company that opened its first UK store in 1990. Aldi, along with Lidl are the biggest "discounter" supermarket chains in the UK. Aldi currently has 500 stores in the UK and 4.8 percent market share. Aldi opens on average one new store each week in the UK. Aldi enjoyed UK sales of £5.3 bn in 2013, a rise of 36 percent on 2012. Aldi also hope to double the number of stores it has to 1,000 by 2022, in a £600 million UK expansion plan.

The discounters remain popular with shoppers from all social backgrounds. Their market share is going from strength to strength and it currently at its highest percentage ever.

A few years ago, discounter stores were seen as stores for working class families on low incomes. However, the high quality of the products, low prices and numerous awards received by the discounters have seen all this change. Now, half of the customers through the door are those from upper and middle class families. People who in the past would have shopped at Sainsbury's or Waitrose.

The majority of Aldi's products are private label. As well as its everyday range, it has an up-market range called Specially Selected. The average size of Aldi stores is 1,000 sq meters. Due to limited stock, consumers buy staple food and drink items from the Discounter, and "top off" with specialty purchases from other retailers.

Aldi opened one store as a convenience store in Kilburn as a trial. However, the store has proved so popular that deals for four more sites will be signed in the next few weeks and a further ten planned for next year.

Lidl

Lidl UK GmbH
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Wimbledon
SW19 4JS
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Website: www.lidl.co.uk

Lidl, like Aldi, is German owned. It opened its first UK store in 1994. Lidl operates more than 600 stores throughout the UK and currently has a 3.5 percent market share.

Lidl sells well known brands in its stores as well as private label.

Since 2005, both Lidl and Aldi have been going "up market" making their stores more attractive to meet the expectations of Middle Britain. The big difference between the discounters and the big four retailers is the number of lines they stock. A mainstream supermarket chain can stock 32,000 product lines compared to 1,600 in Lidl and 900 lines in Aldi. Instead of having 20 different lines of mustard, they stock one exceptionally good value product that they sell in high volume.

With the growing popularity of convenience stores, Lidl plans to open its first convenience store in Kentish Town in the next couple of months.

Post Contact and Further Information

If you have any questions or comments regarding this report, require a listing of UK importers, or need any other assistance exporting to the United Kingdom, please contact the USDA office in London.

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Further information on the UK retail grocery sector is available from the British Retail Consortium and the Institute of Grocery Distribution.

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