

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY

Voluntary - Public

Date: 11/13/2009

GAIN Report Number:

United Kingdom

Post: London

UK Supermarket Chain Profiles

Report Categories:

Retail Food Sector

Approved By:

Bobby Richey

Prepared By:

Julie Vasquez-Nicholson

Report Highlights:

This is a Market Brief providing information about the leading UK supermarket chains: Tesco, Asda/Wal-Mart, Sainsbury's, Morrison's, 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.

General Information:

Author Defined:

Foreword

This report is intended to supplement the report entitled “UK Retail Market Brief”, which can be found by searching under the subject heading at: <http://gain.fas.usda.gov/Pages/Default.aspx>.

UK Supermarket Chain Profiles

Tesco

Tesco Stores Ltd
Tesco House, Delamere Road
Cheshunt, Hertfordshire EN8 9SL
Tel: +44 1992 632 222
Consumer website: www.tesco.com
Corporate website: www.tescopl.com

Tesco is the number one supermarket in the UK and number three globally with stores in other European countries such as: the Czech and Slovak Republics, Hungary, Poland, and the Republic of Ireland. Tesco also trades in Turkey, Malaysia, Taiwan, Japan, South Korea, China, and Thailand. In 2007, Tesco opened stores in the United States under the name Fresh & Easy.

Tesco has been a market leader in the UK grocery sector for the last 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 14 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 group sales were £59.4 billion (\$95.1 billion) in 2008 which was an 11.1% increase on the previous year. They employ 287,000 people in the UK.

Tesco has five different store formats, each tailored to the customers needs in a particular locality.

Type of Store	Number of Stores
Extra	177
Superstore	448
Metro	174
Express	961
Home Plus	10
One-Stop	512
Total Tesco Stores	2,282

Express Stores are up to 3,000 sq ft 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 over 900, 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 sq ft. 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 meals and sandwiches.

Superstores are between 20,000 and 50,000 sq ft. 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, books etc. into Superstores.

Extra stores are usually above 60,000 sq ft 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. The 100th Extra store was opened in 2004 and around twenty new Extra's open each year. Many were previously Superstores.

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 sq ft and are dedicated to non food. Tesco has opened 10 of these stores on a trial basis. If these are successful, more non-food stores will open throughout the UK.

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. In 2008, Tesco launched a new product range under the name of "Discounter". Seven hundred discounter-style branded goods are now on the shelves providing better quality than its value basic range at prices cheaper than the best known brands.

Tesco currently has 1,600 product lines across both the Tesco Value and Tesco Finest ranges with an additional 700 lines in its new Discounter range. A typical Tesco Superstore will stock around 40,000 product lines, of which 25,000 are food and beverage.

Tesco has positioned itself to lower prices and to keep 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.

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.

Unlike Tesco & Sainsbury's, Asda does not have a convenience store format. Instead it focuses on stand-alone, non-food formats. George Clothing stores and Asda Living Homestores were launched in 2003 and 2004 respectively.

Asda currently owns 343 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 160,000 staff in the UK.

Asda generally has three store formats.

Smaller stores (up to 22,000 sq ft) 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.

Superstores (up to 60,000 sq ft) is the typical Asda format, representing ninety percent of its UK stores. These offer a wide range of food and non-food products.

Supercentres are over 100,000 sq ft in size. At present, there are 24 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.

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 30,000 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); and Extra Special (premium food).

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

Until the mid 1990's, Sainsbury's was the number one supermarket chain in the UK, but it has gradually lost ground to its main competitors - Tesco and Asda/Wal-Mart. Sainsbury's is currently number 3 with 15.7 percent market share.

In 2007, Sainsbury's identified five main areas for growth. These were: "great food at great prices", increasing number of complimentary food ranges, reaching more customers through additional channels, eg. home delivery, growing supermarket space and active property management. These initiatives have helped Sainsbury's keep its number three position.

In 2009, Sainsbury's had 792 stores including 502 supermarkets and 290 convenience stores. Sainsbury's has annual sales of £20,383 million (\$32,613 million) and an operating profit of £616 million (\$986 million).

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

Sainsbury's 290 convenience stores are on average 4,000 sq ft 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.

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 403 stores. Every week, 9 million customers shop in the stores. Morrison's employs 124,000 staff.

With stores located throughout the UK, a typical Morrison's store is aimed at the mid-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); The Best (premium foods); Eat Smart (healthy foods); and Betterbuy (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.

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 a larger store format called Waitrose Food & Home, e.g. their 5000m² 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 185 stores that are predominately based in the south of the UK. In November 2008, Waitrose opened its first store outside of the UK. It now has two stores in Dubai.

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 over 600 stores located throughout the UK, ranging from large out-of-town stores of over 100,000 sq ft to Simply Food Stores of around 700 sq ft. 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 sq ft, featuring both food and clothing ranges. As well as the UK, Marks and Spencer also has 285 stores in 40 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 opened 205 stand alone Simply Food Stores that are convenience format stores of around 700sq ft in size. They are based in town centers, train stations and motorway service stations.

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.

Apart from a few exceptions, Marks and Spencer sell products under only its own label.

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 four Fresh & Wild stores, which were acquired in 2004 and are based in central London. Fresh & Wild was a natural fit with the Whole Foods Market ethos and today they continue to showcase organic, natural, wholesome, and ethically-sourced products. Fresh & Wild's marketing platform is to stock food without artificial colorings, hydrogenated fat, flavorings, sweeteners or preservatives.

In its first couple of years of trading in London, Whole Foods reported significant losses. This is likely due to a number of factors including the location and size of the store, the slowdown in organic food sales, the highly publicized rise in food prices and the trend of shoppers moving towards discount food shopping.

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 who opened its first UK store in 1990. Aldi, along with Lidl are the biggest "discounter" supermarket chains in the UK. Aldi currently has 328 stores in the UK and three percent market share.

Thanks to the UK credit crunch, Aldi has seen sales increase by 40 percent in the last 18 months and are 25 percent up year-on-year. 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.

With a 45-percent pre-tax increase in profit in the past year, it is well known that the discounters are doing well. It is definitely a case of right retailer, right place at the right time. With consumer spending likely to fall even further in the next year, both Aldi and Lidl should expect continued increases in market share. This is just the boost that the discounters needed to increase customer acceptance. Tesco has certainly felt pressure from these stores and has developed their own "discounter" range. Aldi opens an average of one new store each week in the UK.

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.

Lidl

Lidl UK GmbH
19 Worple Road
Wimbledon
SW19 4JS
Tel: +44 870 444 1234
Website: www.lidl.co.uk

Lidl, like Aldi, is German owned. It opened its first UK store in 1994. Lidl operates 430 stores throughout the UK and currently has a 2.4-percent market share.

Unlike Aldi, Lidl has introduced well known brands into 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.

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.

United States Department of Agriculture

Embassy of the United States of America
24 Grosvenor Square
London, W1A 1AE
Tel: +44 20 7894 0040
Fax: +44 20 7894 0031
E-Mail: aglondon@fas.usda.gov
Website: www.fas.usda.gov or www.usembassy.org.uk/fas/index.html

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

British Retail Consortium (BRC)

21 Dartmouth Street

London, SW1H 9BP

Tel: +44 20 7854 8900

Website: www.brc.org.uk

Institute of Grocery Distribution (IGD)

Grange Lane, Letchmore Heath

Watford, Hertfordshire WD2 8DQ

Tel: +44 1923 857141

Website: www.igd.com