

**NEW  
REPORT**

# UK GROCERY REPORT 2018

## ResearchFARM

Contains extra chapter on  
the Asda/Sainsbury merger  
and its implication

**Focus on UK: The sector in thrall  
to Brexit uncertainty, the dis-  
counters and Amazon**

### **INSIDE:**

Key questions  
answered +  
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JULY 2018

# INTRODUCTION

In a nutshell: consumer spending is under enormous pressure. Prices are rising, wage growth is flat and interest rates are on the up. At the same time, retailers face increasing cost pressures from online, rate rises, minimum wage rises and input cost inflation.

**Aldi and Lidl's successful run in the UK is continuing unabated.** Together they now account for around 12% of the market according to Kantar. While the big four are losing share with Tesco, Sainsbury's, Asda and Morrisons only growing in a lacklustre fashion or with declining Ifls, Aldi UK broke through the £10bn barrier in sales for the first time in 2017. And a stop to this growth is not in sight.

**The structure of the market is changing,** with both Tesco and Sainsbury's buying into wholesale (Booker) and non food (Argos) respectively. (To us it looks like there is a distinct Brexit shadow hanging over this, a Tesco retreat from overseas to concentrate on the UK and gain better access to

the supply chain as well as tapping a new domestic market) Morrisons is the only vertically integrated grocer among the big four and further pushing its agricultural business. The only one of the big four not reacting is Asda.

Looking ahead, the two discounters could more than double their market share from a combined figure of 12% to as much as a quarter of the market over the next 3-5 years.

If it comes to a no deal Brexit then the damage to the sector would be immense. The big 4, Tesco, Sainsbury, Asda and Morrisons would suffer for years to come. And we are saying this without even taking into account their respective challenges and opportunities, by just pointing to the considerable darkening of their horizons in the domestic market.

## KEY QUESTIONS ANSWERED

- Why will Tesco fail miserably if it launches a hard discounter in the UK?
- What is the rationale behind the Booker acquisition? Is it all about Brexit and batting down the hatchets? Or is it copying the platform approach offering core capabilities to 3P traders (affiliated to Bookers?)
- Is the Sainsbury acquisition of Argos turning sour already?
- How many more job cuts are there on the agenda for Britain's grocers?
- Why is Asda still underperforming in its small stores?
- How is Morrisons different from its Big 4 peers? Will vertical integration save the grocer in the UK, especially from Brexit?
- Why is supplying both Ocado and Amazon such a masterstroke?
- How big will Aldi's and Lidl's markets share become in the UK? And what can the other grocers do about it?
- Why is the UK so innovative in online grocery? How big will Ocado become?
- What will the Brexit impact be on the UK's food and grocery sector?
- What will happen to inflation and availability?



## FEATURES

- A detailed map of the sector, UK grocery market sizes, shares, data, consumer spend data
- Leading retailers profiles, strategic developments, directions and innovations
- Deep dive into the hot issues: Brexit, discounters, online transformations, vertical integration, move to wholesale
- the threat from Amazon
- Detailed Brexit forecast

## BENEFITS

- Understand the UK market, opportunity, threats, strength, weaknesses,
- Spot the potential for gaps, growth dynamics, which niches are outperforming
- Understand what innovations could be transferred and work in another market
- Learn where the UK is similar to other grocery markets and where it differs and negotiate the pitfalls

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