NEW REPORT

EUROPE GROCERY REPORT 2018

Grocers caught between Discounters, Digitalisation, Fresh, Convenience, Foodservice and the ever changing millennial shopper – state of play 2018

ResearchFARM

INSIDE:
Key questions answered + table of contents

SEPTEMBER 2018

Introduction

The EU 28's grocery markets are a €1.0trillion sector, a barrier that was broken for the first time in 2015.

Despite decades of EU integration, national grocery markets remain quite different from each other. But there are strong commonalities too – one is the rise of German hard discount.

The discounters will become the biggest retailers by sales in the EU. Schwarz Gruppe, Lidl's parent, is already the number 1 in the EU. Total turnover including Kaufland reached €96.9bn (+7.4%) in 2017 (YE Feb 2018). For comparison, Carrefour 2017 sales stood at €88.2bn (EU and ROW), with the retailer struggling for growth. Aldi sales were not far behind.

To understand what's in store in other markets one should look to their domestic market. And currently there is nothing short of a revolution going on at Aldi in **Germany**…

After years of Lidl's growth outperforming the sector, the discounter has run out of steam and radical change is afoot. Once again Lidl acts as a trailblazer innovating in the supply chain, logistics and store design, but now against a backdrop of Aldi flying high.

As all major players have pledged record investment levels into their store estate and digital transformation, German grocery looks likely to become a beacon for store design and in store as well as store format innovation for years to come.

With €186bn in sales **France** has become the biggest grocery market in the EU. 2017 saw significant changes in the sector with E.Leclerc becoming the biggest grocer and toppling Carrefour of its perch.

Regarding online, the drive boom is now over, due to legislation and saturation, so that the rate of openings has significantly slowed. Moreover there is a shopper behaviour shift towards ultra fast deliveries (hence the Ocado/Monoprix or Amazon/Casino deal) and most of the big players are pushing innovative partnerships with logistics start ups to speed up same day deliveries.

In the **UK** 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.

The structure of the market is changing, with both Tesco buying into wholesale (Booker) and Sainsbury's into non food (Argos) and … the competition (Asda).

Looking ahead, Aldi and Lidl could more than double their market share 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.

In a clear sign that the crisis in **Spain** is now well and truly over, Mercadona is ramping up the SKU counts in stores again (easily done as it controls its inter providores suppliers) and investing heavily in brighter new store outlets (as well as online) – as Spanish shoppers have finally more disposable income to spend again. The move to downscale in 2007/8 and speedy reaction to changed realities on the ground is credited with the retailer gaining market leadership in the country.

While negotiating its transition after the death of its founder, **Italy**'s Esselunga remained the most efficient grocer in all of the EU in 2016 with over €16,000 of sales per square meter. To put this figure in context, market leader Coop reported sales of €6,700 per square meter – or almost €10k less. Looking ahead, the market will be shaken up by the entry of Aldi and the investment pledged by Lidl.

Key questions answered

- How near are Aldi Sued and Nord to a merger that would change everything?

- How has the listing of FMCG A brands at Aldi acted as a catalyst for radical change? Is Aldi still a EDLP operator? What is going on in Aldi's logistics? With big data at Aldi? With national advertising and Pan EU buying of brands? When will the discounter become the EU's second biggest retailer ranking behind Schwarz, but ahead of Tesco and Carrefour?

- Why has Lidl stopped most online activities? How groundbreaking are the new robot warehouses Lidl is building? What is radical about the new store prototypes? How will Lidl react to Aldi reaching its SKU count and brand levels?

- What will happen to Germany's convenience market? What about foodservice/retail hybrids? What about new store design and new formats? How big will organics become?

- What has happened to the buying alliances? How much further is there to go to raise further synergies? Especially as the FMCG/centre store ranges are coming under pressure? When will the competition authorities get involved?

- How good is the Casino Cdiscount integration in physical stores? Why was the Cdiscount acquisition a master stroke?

- How much sales do the best performing hypers from Auchan generate, still the sales density champion despite all the trouble the business is in?

- Why are the drives almost exclusively a French success story that hasn't been replicated elsewhere?

- 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?)

- What about the Asda Sainsbury merger? How many more job cuts are there on the agenda for Britain's grocers?

- 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?

- What will the Brexit impact be on the UK's food and grocery sector? What will happen to inflation and availability?

Features & Benefits

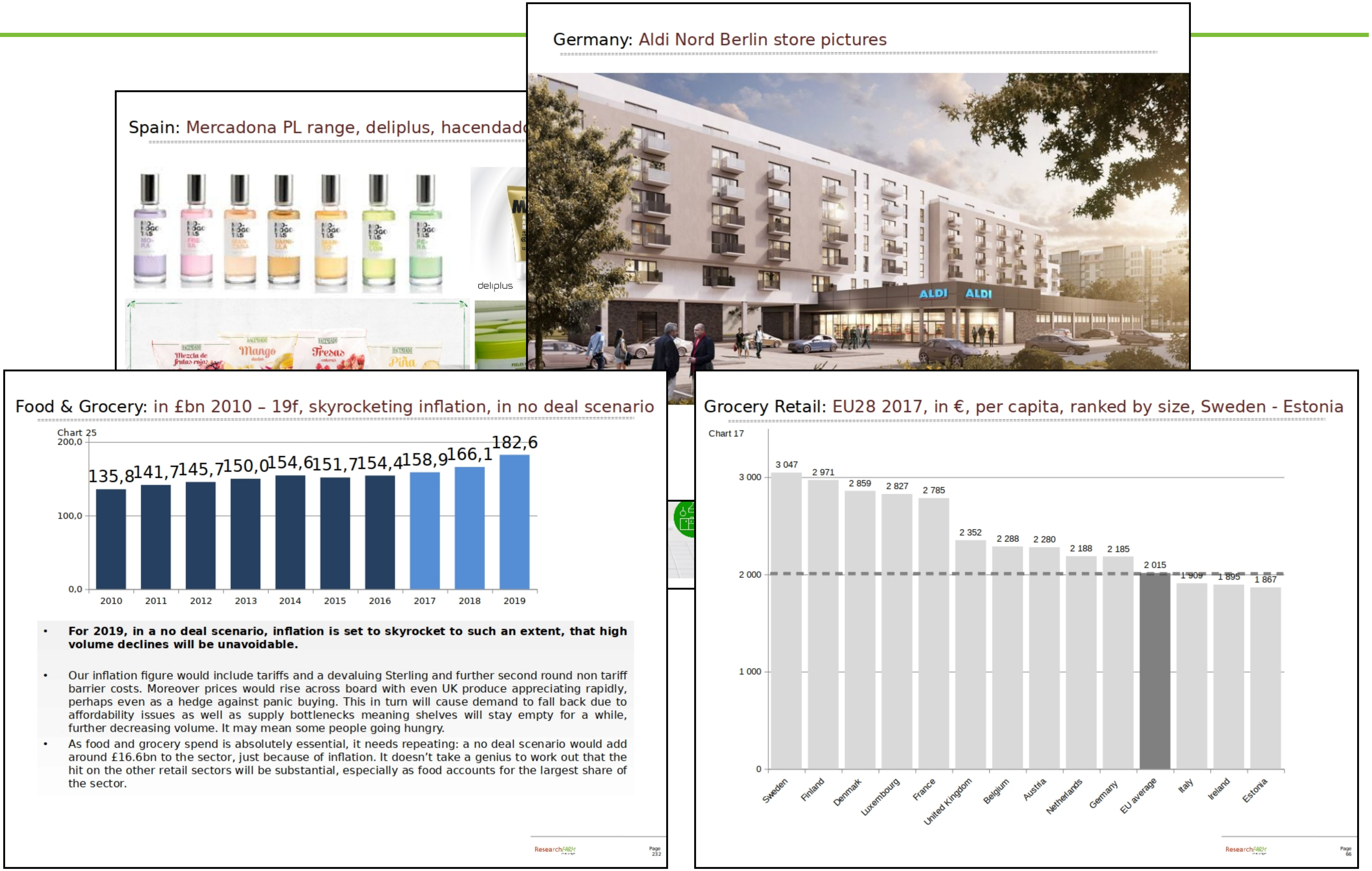
Features

- Works out the considerable regional and national differences and highlights the common trends, looking at shopper, retailer and FMCG dynamics
- A detailed map of the sector, grocery market sizes, shares, data, consumer spend data
- Leading retailers profiles, strategic developments, directions and innovations
- Deep dive into the hot issues: Discounters, Convenience, Foodservice, Online transformation & drives and the shift to home delivery, Non food marketplaces integration into grocers, Digital in store transformation, Vertical integration, Focus on back end logistics and GNFR, buying alliances, move to wholesale and to automation, the threat from Amazon
- Detailed Brexit forecast and strategic recommendations

Benefits

- Tired of UK centric reporting of the big 5 markets? Tired of superficial recommendations and analysis?
- Understand the EU markets, opportunities, threats, strengths, 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

Sample pages



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