



MarketLine Industry Profile

Food & Grocery Retail in the United Kingdom

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1. Executive Summary

1.1. Market value

The United Kingdom food & grocery retail market grew by 9.4% in 2020 to reach a value of \$216.1 billion.

1.2. Market value forecast

In 2025, the United Kingdom food & grocery retail market is forecast to have a value of \$226 billion, an increase of 4.6% since 2020.

1.3. Category segmentation

Food is the largest segment of the food & grocery retail market in the United Kingdom, accounting for 64.1% of the market's total value.

1.4. Geography segmentation

The United Kingdom accounts for 10.2% of the European food & grocery retail market value.

1.5. Market rivalry

Competition in the food and grocery market is intrinsically strong, in spite of a typically high concentration to few large players that defines an oligopoly. The critical importance of economies of scale in order to achieve profitability within this market, which is inherently characterized by narrow profit margins, favors the existence of a few big players. However, with competition focused on price as players sell similar if not the same products, and price-sensitive consumers easily switching, rivalry remains strong.

1.6. Competitive Landscape

The UK market is generally consolidated, but still fragmented between its major leading players Tesco, Sainsbury's, Asda, Morrisons, Lidl, Aldi, and other smaller but significant players. The main driver of innovation and change in the market is Amazon, which is determined to stake a claim to the grocery market's e-commerce channel, despite a slow start.

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2. Market Overview

2.1. Market definition

The food & grocery retail market includes the retail sales of all food products, both packaged and unpackaged, as well as beverages (including retail sales of all alcoholic and non-alcoholic beverages), tobacco, and household products. All market data and forecasts are represented in nominal terms (i.e., without adjustment for inflation) and all currency conversions used in the creation of this report have been calculated using constant 2020 annual average exchange rates.

For the purposes of this report, the global market consists of North America, South America, Europe, Asia-Pacific, Middle East, South Africa and Nigeria.

North America consists of Canada, Mexico, and the United States.

South America comprises Argentina, Brazil, Chile, Colombia, and Peru.

Europe comprises Austria, Belgium, the Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Poland, Portugal, Russia, Spain, Sweden, Switzerland, Turkey, and the United Kingdom.

Scandinavia comprises Denmark, Finland, Norway, and Sweden.

Asia-Pacific comprises Australia, China, Hong Kong, India, Indonesia, Kazakhstan, Japan, Malaysia, New Zealand, Pakistan, Philippines, Singapore, South Korea, Taiwan, Thailand, and Vietnam.

Middle East comprises Egypt, Israel, Saudi Arabia, and United Arab Emirates.

2.2. Market analysis

The value of the UK food and groceries market grew by 9.4% in 2020, as a result of the COVID-19 pandemic, with increased demand driven by precautionary buying and a spending shift from foodservice channels. The market is expected to follow a decelerating growth trajectory during the rest of the forecast period as the growth of demand is set to decelerate in line with the receding of uncertainty and the shift of consumption gains back to on-trade channels.

The impact of COVID-19 on the food and grocery market during 2020 was evident through increased demand in supermarkets and other grocery retailers. In particular, the demand for food, as a basic necessity, was even stronger, with consumers' fear of food shortages due to supply chain disruptions driving panic-buying in the first few weeks of the pandemic. Even throughout the rest of the year, demand remained high compared to previous years, with consumers precautionary buying more than what they need, stockpiling long shelf-life food and household products amid uncertainty and limited trips to stores. Specifically, the value of food, drinks and household products sold in the UK market in 2020, was up by 11.2%, 12%, and 10.9%, respectively, as compared with 2019. Moreover, that growth in consumption is also attributable to a shift in consumers' spending as a result of lockdown measures, with food and grocery retailers benefitting from the collapse of demand in foodservice establishments, which remained closed for the longest part of the year. In detail, consumers substituted consumption in on-trade channels such as restaurants, cafés, and catering providers with consumption in off-trade channels, replacing eating-out with grocery consumption at home. Overall, the UK food and grocery retail market posted moderate growth in 2020 compared to other markets.

The UK food & grocery retail market had total revenues of \$216.1bn in 2020, representing a compound annual growth rate (CAGR) of 4.4% between 2016 and 2020. In comparison, the French and German markets grew with CAGRs of 2.4% and 4% respectively, over the same period, to reach respective values of \$321.3bn and \$303.8bn in 2020.

Food prices have also risen during the pandemic due to stronger demand, which was amplified by supply chain disruptions caused by labor shortages in farms and factories that reduced production capacity at times. Additionally, increased freight costs, as a result of the grounding of commercial passenger flights, along with disruptions and delays in the transboundary movement of goods due to containment measures, further inflated costs.

According to Food and Agricultural Organization (FAO), the price of basic food commodities (meat, dairy, cereals, vegetable oils and sugar) was 3.1% higher on aggregate in 2020 than in 2019, reaching a three-year high. The price of cereals and vegetable oils saw the biggest increases, as a result of global supply chain disruptions and stronger demand for long-life products. In the UK, the price of food and non-alcoholic beverages was increased by 0.7% in 2020 over 2019, according to the consumer price index (CPI) published by OECD. For alcoholic beverages and tobacco, prices were increased by 2.1% during the same period, as per the above source.

The growth of the UK food and grocery retail market has been moderate – only slightly above inflation - in recent years amid economic uncertainty and weak wage growth. In fact, households have suppressed their spending and have become price savvier, with supermarkets and discounters engaging in price wars to retain their customers.

Online specialists are the distribution channel that saw the strongest expansion in the UK in recent years, registering a CAGR of 29.1% during the 2016-2020 period, followed by the convenience stores segment which registered a CAGR of 7.4% in the same period. The food and drinks specialists and hypermarkets, supermarkets and discounters distribution channels also recorded growth, posting CAGRs of 3.5% and 1.9% during the 2016-2020 period. The online distribution channel recorded tremendous growth in 2020 through a spike in demand for online grocery shopping, a direct consequence of consumers avoiding trips at stores. The value of online food and grocery retail sales in the UK market grew by approximately 82% in 2020 from 2019, with the share of the online distribution channel increasing from 6% in 2016 to 12.9% in 2020.

The food segment was the market's most lucrative in 2020, with total revenues of \$138.6bn, equivalent to 64.1% of the market's overall value. The drinks segment contributed revenues of \$43.5bn in 2020, equating to 20.1% of the market's aggregate value.

The drinks segment of the UK market saw the strongest expansion in recent years, registering a CAGR of 5.3% during the 2016-2020 period, followed by the food segment which registered a CAGR of 5% in the same period. The household products and tobacco segments also recorded growth, posting CAGRs of 4.2% and 0.5% during the 2016-2020 period.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 0.9% for the five-year period 2020-2025, which is expected to drive the market to a value of \$226.0bn by the end of 2025. Comparatively, the French and German markets will grow with CAGRs of 0.8% and 1.6% respectively, over the same period, to reach respective values of \$334.6bn and \$328.2bn in 2025.

The growth of the food and grocery market is set to be slower during the forecast period, given the consumer uncertainty that fueled precautionary buying will be receding in line with the gradual containment of the pandemic. Most importantly, the gradual lift of containment measures through the immunization of the population will allow the opening of sectors of the economy such as foodservice, from which the food and grocery market saw gains.

According to the latest revised projections from OECD as of April 2021, the UK economy is expected to grow by 5.1% in 2021 and by 4.7% in 2022. However, in the mid-term, the macroeconomic shock to employment and disposable incomes is set to decelerate the growth of demand in the food and grocery market, particularly affecting demand for premium products. In fact, it is expected that consumers will become more price-sensitive, with the share of demand for mid-market and value for money products widening.

Finally, the impact of the pandemic is set to be long-lasting in terms of shaping habits in the long-term; the online distribution channel is projected to continue growing from its peak as consumers have become accustomed with it, while in physical stores, fewer trips with larger baskets are expected to become a norm.

3. Market Data

3.1. Market value

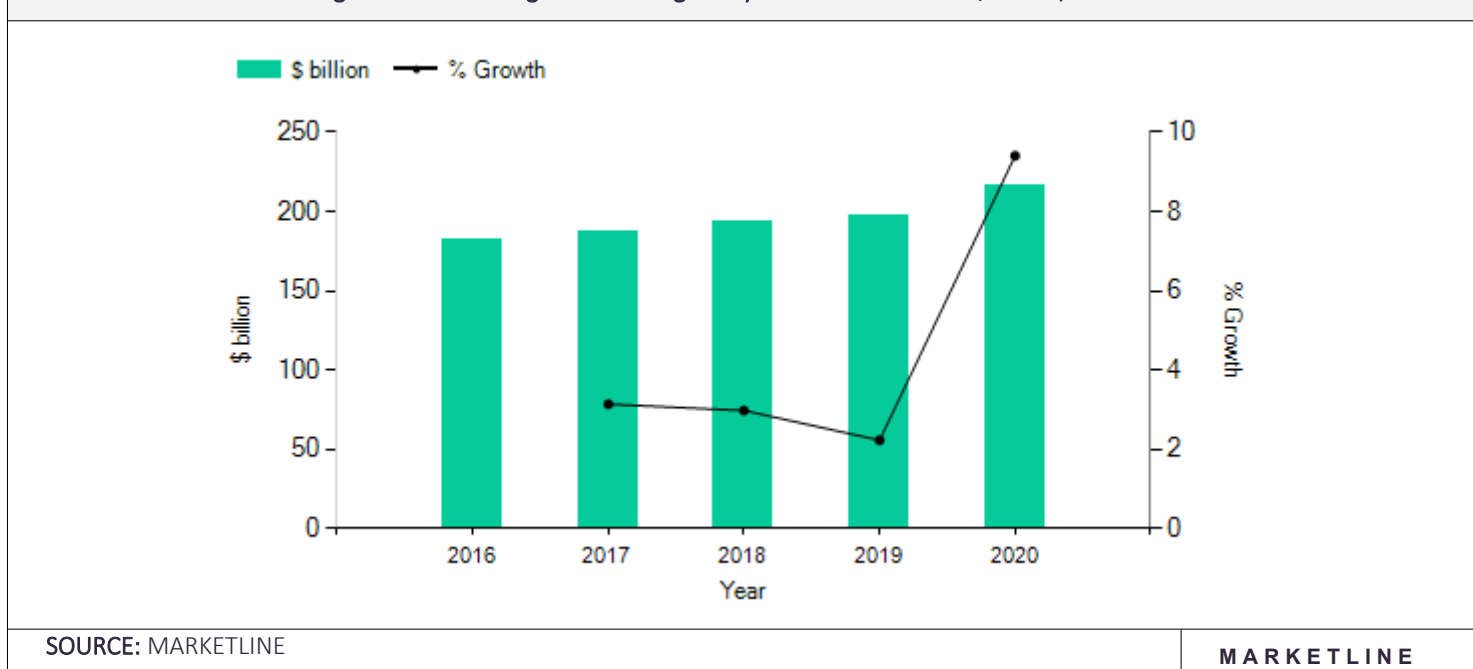
The United Kingdom food & grocery retail market grew by 9.4% in 2020 to reach a value of \$216.1 billion.

The compound annual growth rate of the market in the period 2016–20 was 4.4%.

Table 1: United Kingdom food & grocery retail market value: \$ billion, 2016–20

Year	\$ billion	£ billion	€ billion	% Growth
2016	182.0	141.8	159.4	
2017	187.7	146.3	164.4	3.1%
2018	193.3	150.6	169.3	3.0%
2019	197.6	154.0	173.1	2.2%
2020	216.1	168.5	189.3	9.4%
CAGR: 2016–20				4.4%
SOURCE: MARKETLINE				MARKETLINE

Figure 1: United Kingdom food & grocery retail market value: \$ billion, 2016–20



4. Market Segmentation

4.1. Category segmentation

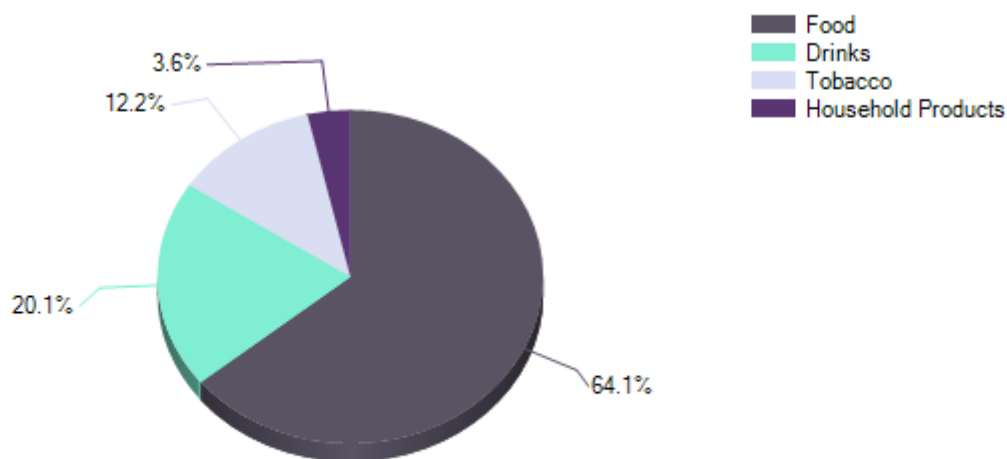
Food is the largest segment of the food & grocery retail market in the United Kingdom, accounting for 64.1% of the market's total value.

The Drinks segment accounts for a further 20.1% of the market.

Table 2: United Kingdom food & grocery retail market category segmentation: \$ billion, 2020

Category	2020	%
Food	138.6	64.1%
Drinks	43.5	20.1%
Tobacco	26.3	12.2%
Household Products	7.8	3.6%
Total	216.2	100%
SOURCE: MARKETLINE		MARKETLINE

Figure 2: United Kingdom food & grocery retail market category segmentation: % share, by value, 2020



SOURCE: MARKETLINE

MARKETLINE

4.2. Geography segmentation

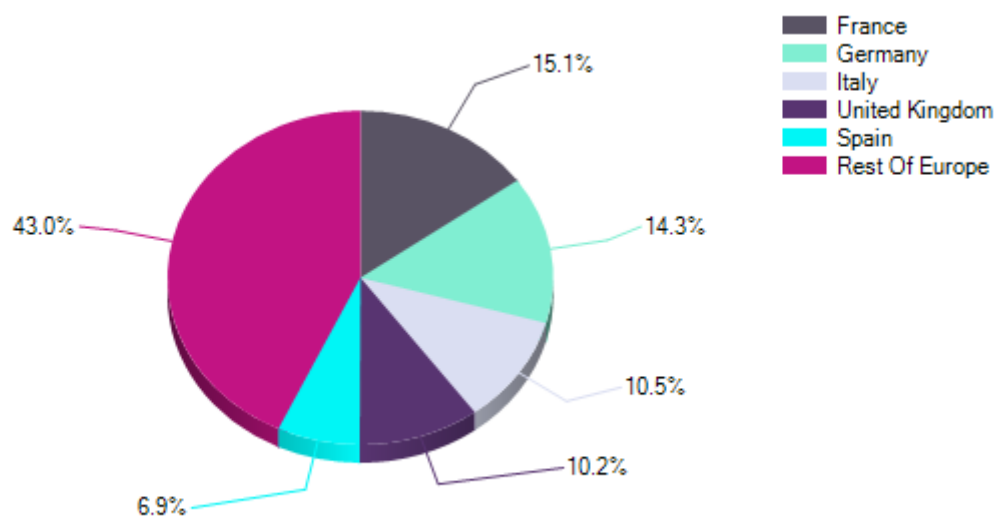
The United Kingdom accounts for 10.2% of the European food & grocery retail market value.

France accounts for a further 15.1% of the European market.

Table 3: United Kingdom food & grocery retail market geography segmentation: \$ billion, 2020

Geography	2020	%
France	321.3	15.1
Germany	303.8	14.3
Italy	223.8	10.5
United Kingdom	216.1	10.2
Spain	147.4	6.9
Rest Of Europe	915.1	43.0
Total	2,127.5	100%
SOURCE: MARKETLINE		MARKETLINE

Figure 3: United Kingdom food & grocery retail market geography segmentation: % share, by value, 2020



SOURCE: MARKETLINE

MARKETLINE

4.3. Market distribution

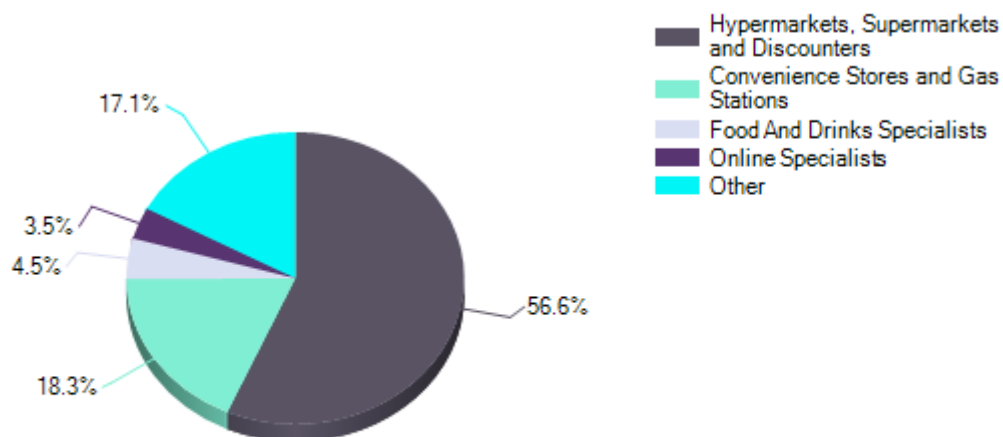
Hypermarkets, Supermarkets and Discounters form the leading distribution channel in the United Kingdom food & grocery retail market, accounting for a 56.6% share of the total market's value.

Convenience Stores and Gas Stations accounts for a further 18.3% of the market.

Table 4: United Kingdom food & grocery retail market distribution: % share, by value, 2020

Channel	% Share
Hypermarkets, Supermarkets and Discounters	56.6%
Convenience Stores and Gas Stations	18.3%
Food And Drinks Specialists	4.5%
Online Specialists	3.5%
Other	17.1%
Total	100%
SOURCE: MARKETLINE	
MARKETLINE	

Figure 4: United Kingdom food & grocery retail market distribution: % share, by value, 2020



SOURCE: MARKETLINE

MARKETLINE

5. Market Outlook

5.1. Market value forecast

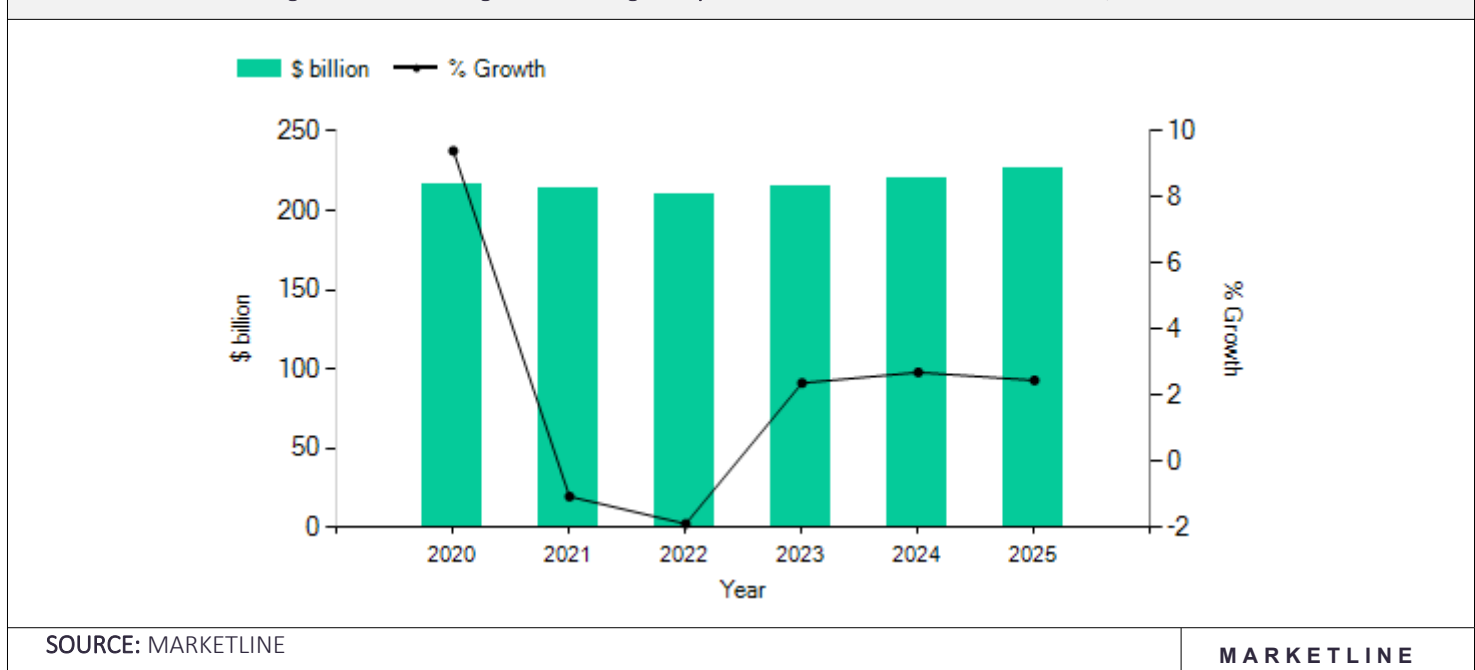
In 2025, the United Kingdom food & grocery retail market is forecast to have a value of \$226 billion, an increase of 4.6% since 2020.

The compound annual growth rate of the market in the period 2020–25 is predicted to be 0.9%.

Table 5: United Kingdom food & grocery retail market value forecast: \$ billion, 2020–25

Year	\$ billion	£ billion	€ billion	% Growth
2020	216.1	168.5	189.3	9.4%
2021	213.8	166.7	187.3	(1.1%)
2022	209.8	163.5	183.8	(1.9%)
2023	214.8	167.4	188.1	2.4%
2024	220.6	171.9	193.2	2.7%
2025	226.0	176.1	197.9	2.5%
CAGR: 2020–25				0.9%
SOURCE: MARKETLINE			MARKETLINE	

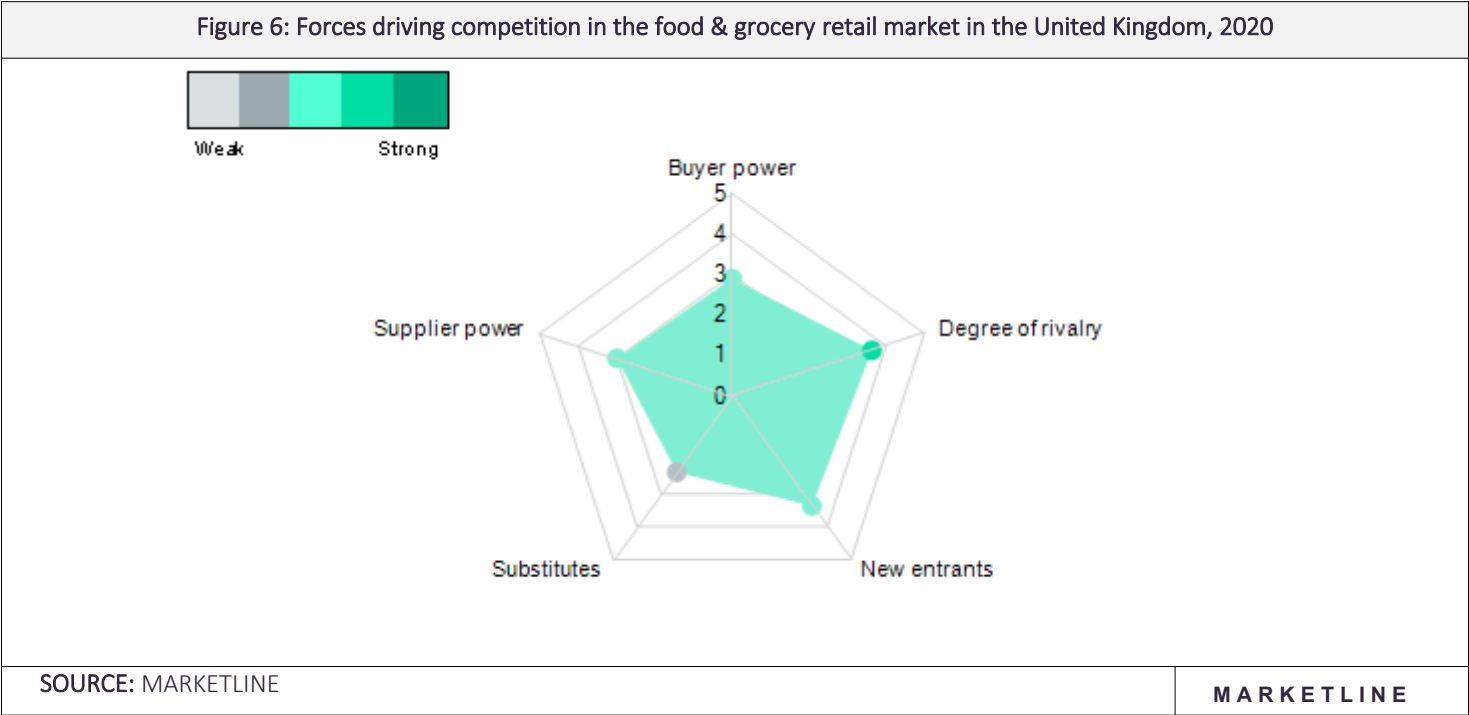
Figure 5: United Kingdom food & grocery retail market value forecast: \$ billion, 2020–25



6. Five Forces Analysis

The food & grocery retail market will be analyzed taking supermarkets, hypermarkets and specialist retailers as players. The key buyers will be taken as end-consumers, and food and grocery product manufacturers, farmers, agricultural co-operatives as the key suppliers.

6.1. Summary



Competition in the food and grocery market is intrinsically strong, in spite of a typically high concentration to few large players that defines an oligopoly. The critical importance of economies of scale in order to achieve profitability within this market, which is inherently characterized by narrow profit margins, favors the existence of a few big players. However, with competition focused on price as players sell similar if not the same products, and price-sensitive consumers easily switching, rivalry remains strong.

Consumers’ price-sensitivity, a lack of switching costs and the limitations in product differentiation lead to buyer mobility, which forces larger retailers to maintain attractive pricing schemes. There is a rising pressure for players to adapt to fast changing consumer preferences and the market leaders should be able to position the desirable product at a price suitable for customers and manufacturers.

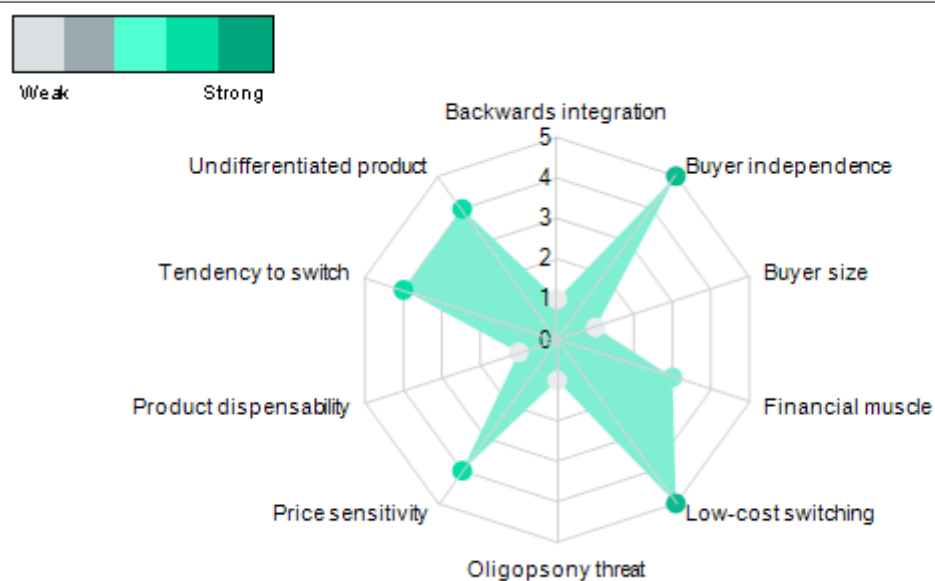
The main suppliers to this market are producers of base ingredients/materials, manufacturers of food and grocery products, as well as distributors/wholesalers of food and grocery products. Suppliers vary considerably due to the wide variety of products available in the market. Different factors that come into play with regards to products’ value chains and the size of the retailer have a crucial impact on supplier power. The bargaining power of suppliers is crucially impacted by the size of the retailer they are dealing with. With a firm hold on key distribution channels, the leading retailers can dominate negotiations with certain suppliers. In contrast, suppliers who are able to differentiate their product can wield some power over retailers, should their product be popular with the end consumer.

Potential new entrants may struggle to compete with the aggressive marketing and pricing policies of the existing players. Nonetheless, relatively low entry and exit costs, the emergence of thriving health and ethical niches which are sheltered from direct competition from current players, and strong historical growth offer attractive prospects.

There are few direct substitutes that threaten the food and grocery retail market with regards to consumers' substitution of some products available in that market, such as food service and subsistence farming. However, the benefits and the costs of such alternatives are non-competitive in most cases.

6.2. Buyer power

Figure 7: Drivers of buyer power in the food & grocery retail market in the United Kingdom, 2020



SOURCE: MARKETLINE

MARKETLINE

Individual end users make up the bulk of spending in the food and grocery market. This significantly weakens buyer power, as the loss of any one buyer's custom is unlikely to have a significant effect on a player's revenues because of the sheer volume of potential customers. Moreover, the concentration of the market amongst a small handful of market players lessens buyer power considerably. Although the revenue generated by any particular consumer is minimal, collectively they represent wider consumer interests, and retailers cannot afford to disregard the sensitivities of buyers. There are a number of factors that affect a consumer's choice.

Price is the most crucial parameter for consumers' choice, with most consumers characterized by high price-sensitivity, given their high volume of spending in the food and grocery market. Price sensitivity varies across products, depending on their dispensability. In theory, consumers tend to be less price-sensitive towards essential goods, and more price-sensitive towards non-essential goods.

Consumer preferences is another factor that affects demand and buyer power in the food and grocery market. Buyer power is increased to the extent that consumers can somewhat dictate which products a retailer will have in its stocklist. Indeed, that power is seen by the fact that suppliers' product line-up and retailers' stocklists have aligned with the rising health consciousness and variety-seeking consumer trends, accommodating the growing demand for nutritional quality and variety in food products. Similarly, retailers and their suppliers have come under a great deal of pressure in recent years to conform to standards around issues like fair trade and environmental responsibility. Particularly, in end products like packaged coffee, fruits, or ingredients like cocoa and palm oil where there can be a lack of transparency in the production and sourcing of those goods, several movements and certification standards have been implemented, such as Fairtrade and UTZ Certified. Accordingly, some retailers and suppliers will only buy from traders who can prove that their inputs come from compliant sources that receive such certifications.

A number of retailers operate incentive schemes for frequent shoppers, which can help secure customer retention. For example, Tesco offers a Clubcard program where shoppers gain points with each shop, which are then converted into coupons that can be spent in store. Discouraging movement across retail outlets can reduce consumer mobility which, in the long-term, can weaken buyer power.

Although high brand recognition does not automatically translate into consumer loyalty, if it is supported by a product range in which popular food products are central, the retailer can often draw indirectly on the loyalty base that manufacturers have established. Specialty, luxury or organic retailers can, due to the high level of product

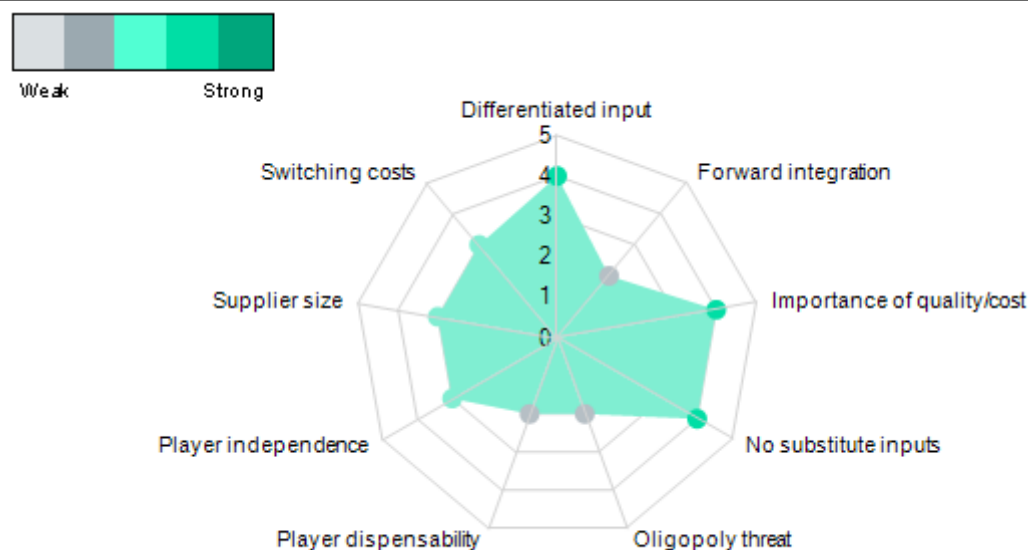
differentiation, justify price levels that would otherwise be unsustainable, yet the limited volume of consumers restrains the power of such players.

The growth of multi-channel shopping is increasing the power of buyers. There are increasing alternatives available to consumers aside from the typical grocery stores. For example, there has been a growth in farm shops and direct marketing, while the launch of Amazon Fresh has intensified the competitiveness of the market and given consumers a new way to shop. Meanwhile, the growth of social media is putting more power in the hands of consumers in terms of their ability to highlight poor service/products/experience with a retailer. Social media also allows consumers to become a collective voice as opposed to a single buyer.

Overall, buyer power is assessed as moderate.

6.3. Supplier power

Figure 8: Drivers of supplier power in the food & grocery retail market in the United Kingdom, 2020



SOURCE: MARKETLINE

MARKETLINE

The market's principal suppliers are base material producers, manufacturers of food and grocery products, and food and grocery wholesalers. Suppliers vary considerably due to the wide variety of products available in the market.

Base food ingredients are produced as finished goods or as key raw materials for other food and drinks products, and they are broadly categorized in crops, fresh produce, meat and fish. Base input materials for suppliers in this market also include tobacco for tobacco manufacturers, chemicals for household products manufacturers, and packaging materials such as cardboard, and plastic. These base food ingredients and materials tend to be commoditized, only in some cases having notable differences in quality and price, thus they are perceived as homogenous. This diminishes the power of suppliers of those products considerably, as retailers and other suppliers using them as inputs can easily substitute them by switching supplier. In the case of base food ingredients, the high fragmentation of the supply chain absorbs power from the companies involved in their production stage. As the production of these goods is fragmented worldwide, while they also have long and complex production cycles but short shelf-life, there can be multiple entities involved in the different stages of the production cycle (processing, packaging and distribution), and that creates a fragmented supplier landscape.

The production of base food ingredients, particularly of crops and fresh produce, is dominated by large companies, such as Adecoagro and CHS. The volume of agricultural products is dependent on the land's size, which increases the need for financial muscle and economies of scale. Although their small size limits their bargaining power, their differentiated input mitigates that to some extent. The fragmentation of agricultural production to numerous producers worldwide leads to the existence of global powerhouses such as Cargill, Louis Dreyfus Company and Archer-Daniels-Midland dominating trade and distribution. The existence of a few giant companies in this field increases their bargaining power against retailers. Production scale in terms of the size of the livestock and aquaculture is also important, favoring concentration to large companies, such as JBS, Tyson Foods and Mowi. The fragmentation of the production stage of the supply chain enhances the bargaining power of those companies engaged in trading, processing, packaging and distribution. Notably, the largest suppliers of meat and fish products tend to be vertically-integrated from production to distribution, and that augments their power against retailers.

Consumer packaged goods manufacturers and tobacco products range from relatively small family-owned businesses to giant conglomerates. These manufacturers tend to be reduced in number but increased in size due to the large financial muscle required to invest in manufacturing facilities and the importance of economies of scale.

Consumer packaged goods (CPG) and tobacco products are characterized by a high degree of product differentiation. For example, in food and drinks products, the flavors, textures, and marketing claims vary widely according to the recipes of manufacturers, with no perfect substitutes. Large CPG manufacturers, such as Unilever and Procter & Gamble in household products; Coca Cola, PepsiCo and ABInBev in drinks; Mondelez, Nestle, General Mills and Kellogg's in food products; or Philip Morris International, Altria, British American Tobacco, and JTI in tobacco products, see their supplier power increased in the form of oligopoly based on the popularity of their strong brands.

Distributors/wholesalers are forms of suppliers in the food market. Retailers buy products to stock in their shelves either directly from producers/manufacturers or via distributors, which act as intermediary suppliers. Large suppliers, and especially large manufacturers of consumer-packaged goods, tend to supply large retailers directly. Distributors act as suppliers when producers/manufacturers who are located abroad or are too small to deal directly with large retailers, while wholesalers supply retailers who are too small to place orders directly with producers and manufacturers. Wholesalers are important in this market, offering bulk quantities for a range of items at wholesale cost, as they source, aggregate, store, and transport products on behalf of suppliers and retailers, improving the timing and cost efficiency of transactions through economies of scale.

Large retail chains may backward integrate, having their own distributorships that source products from producers and manufacturers. This, apart from cost savings, can further boost the bargaining power of retailers against suppliers, enabling them to exercise greater control across the supply chain and negotiate price cuts. Small, independent retailers can also backward integrate to some extent, forming purchasing groups with other players of similar size in order to benefit from higher bargaining power and savings stemming from combined financial muscle.

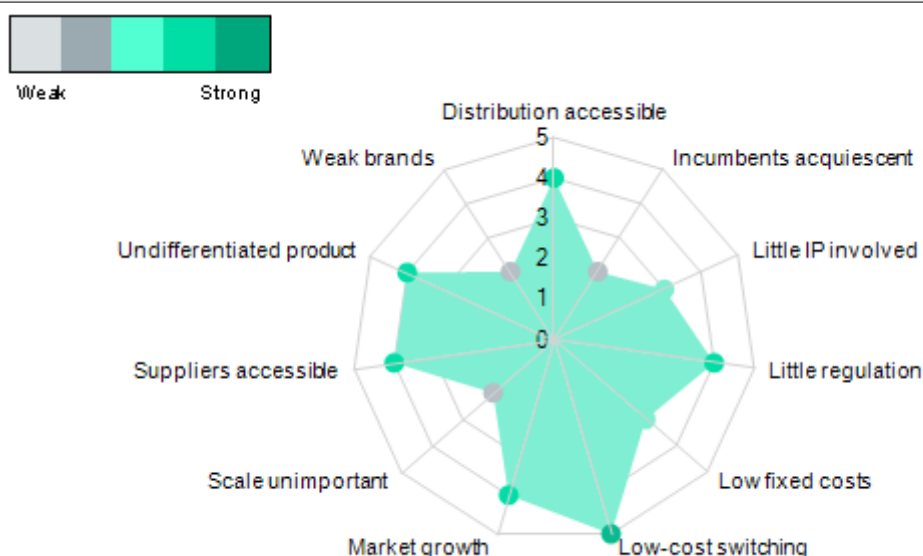
The common characteristic of all types of suppliers is that their bargaining power is crucially impacted by the size of the retailer they are dealing with. Large retailers often maintain relationships with a wide range of suppliers, which ensures stability against supply chain disruptions or price fluctuations. This strengthens retailers' standing in relation to their suppliers as their dependency is reduced. On the other hand, long-term contractual obligations can be avoided and switching costs are kept minimum. With a firm hold on key distribution channels, the leading retailers dominate negotiations with some suppliers; the leading players in this market often make up a larger proportion of a supplier's revenues and as such can negotiate lower prices with suppliers. Retailers exercise their power through controversial practices such as charging suppliers fees to have their products added in stock lists and "prominent" shelf slots or extending payment periods. Suppliers who are able to differentiate their product can wield some power over retailers, should their product be popular with the end consumer. However, many other suppliers of homogenous products, such as agricultural product producers, face the problem of a high degree of retailer mobility as retailers switch suppliers in accordance with pricing pressures. Exceptions to this are fresh produce, meat and fish products, which have shorter life-cycles than all other products. Retailers tend to forge longer standing relationships in advance with distributors and local producers to better manage their inventory. For food and drink products, there is high pressure for retailers to choose suppliers of quality products. In the case of smaller retailers, such as specialists or luxury outlets, suppliers hold a better position. The low volume of demand, the limited number of suppliers in niche areas and the centrality of product quality restrict the available range of sourcing options. With switching costs subsequently higher, the balance of power shifts somewhat from smaller retailers to specialist manufacturers/distributors.

Backwards integration of retailers into the activities of producers and manufacturers is also possible, with some retailers producing their own products under their private label. This dilutes the power of suppliers in some product categories with high private label penetration, where lower prices may sideline branded products. Forward integration by suppliers to retailer operations is fairly limited, especially in the case of large suppliers, as it falls out of their operation scope. Some small consumer goods manufacturers are increasingly taking advantage of the online distribution channel, selling their products directly to consumers through their websites. Forward integration may apply for small agricultural product producers, who can sell their own fresh produce like open-air market retailers.

Overall, supplier power is assessed as moderate.

6.4. New entrants

Figure 9: Factors influencing the likelihood of new entrants in the food & grocery retail market in the United Kingdom, 2020



SOURCE: MARKETLINE

MARKETLINE

The food and grocery retail market in the UK is dominated by large multinational companies. The four largest retailers in this market, namely Tesco, Sainsbury's, Asda, and Morrisons, account for over half of the market. These companies are large-scale, established retailers, with operating businesses that benefit significantly from economies of scale and the ability to employ aggressive pricing schemes that cannot be matched by smaller retailers, thus enjoying a significant advantage. Strong branding exercises and fast paced expansion deepen this market control. These companies make incredibly formidable incumbents and may dissuade potential new entrants.

Nevertheless, large retailers are not invulnerable to the threat of new entrants. Potential entrants may be encouraged by the relatively low entry and exit costs. There has been a rapid growth of health consciousness, plus an increasing number of consumers opting for a more ethical or organic range of goods. As such, while the food and grocery retail market as a whole is growing at an unexciting rate, it is apparent that certain segments of the market are offering better growth potential. This offers attractive avenues for new entrants seeking to move into a niche area that offers inbuilt protection from pricing pressures and mainstream marketing.

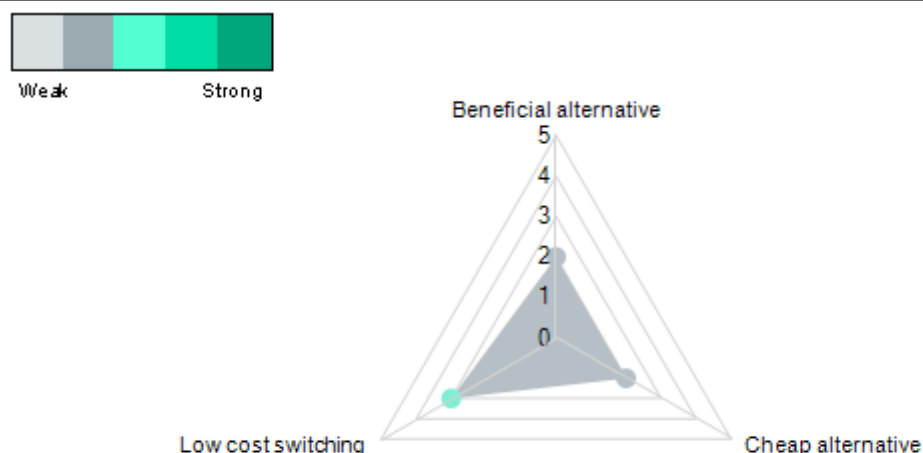
The UK market has seen a change in consumer buying habits following the recession of 2008/2009. Many consumers have become increasingly shrewd in their purchases and are looking to find the cheapest option. This has led to a climate in which discounters, namely Aldi and Lidl, have been able to thrive. Such price sensitivity has helped to erode loyalty to retailers in the UK, a situation that is encouraging for potential new entrants.

The convenience store sector is growing quickly in the UK, in response to the growth of the workforce and increasingly busy lives. This distribution channel has grown with a CAGR of 3.6% over the last five years and now accounts for almost a fifth of the market value. As such, entry through this sector of the market could prove successful. What's more, entry as a purely online retailer requires less overhead, reducing barriers to entry significantly. However, the entry of Amazon Fresh to this segment of the market may prove off-putting.

Overall, the threat of new entrants is assessed as moderate.

6.5. Threat of substitutes

Figure 10: Factors influencing the threat of substitutes in the food & grocery retail market in the United Kingdom, 2020



SOURCE: MARKETLINE

MARKETLINE

There are few direct substitutes to food and grocery retail. The dominant alternative to food retail is food service. Strong marketing campaigns in the case of fast food companies, and cultural traditions with respect to sit-down restaurants, mean both types may represent a relative alternative for many consumers. However, for the vast majority of people, foodservice complements food retail rather than replaces it.

A more direct substitute to food retail is found in subsistence agriculture, in which individuals or families farm food to provide for their own personal needs. However, the emergence of market capitalism, machinery that enables growing on a large scale, and increased population density mean subsistence agriculture is no longer common. The impact of this substitute is minimal. Environmental concerns, increasing health consciousness, and fears over political or economic instability may, in the long-term, give this substitute a more significant role. However, it is unlikely to threaten food retailers in the foreseeable future as it is labor intensive and often involves considerable start-up capital.

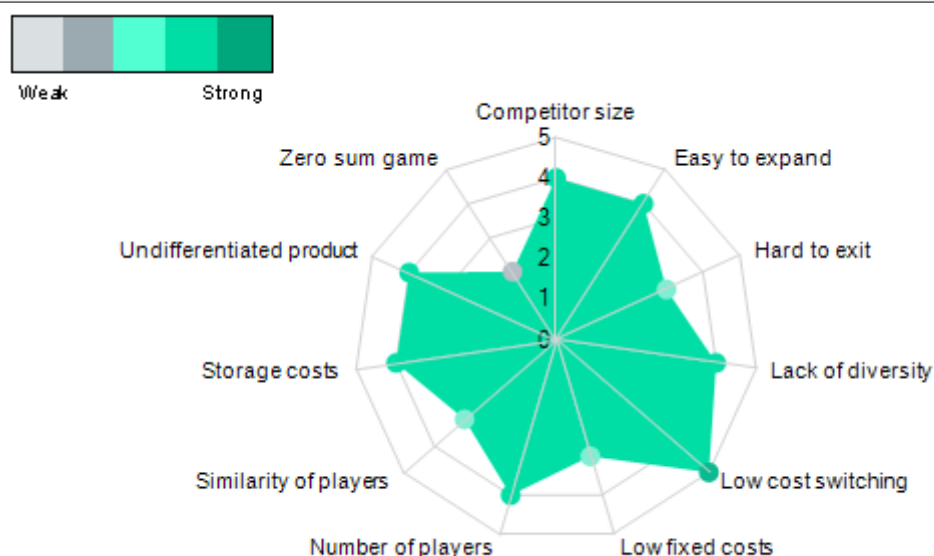
With regards to tobacco, traditional nicotine replacement therapies such as gum, patches and lozenges are substitutes, providing nicotine to alleviate cravings. Electronic cigarettes (e-cigarettes) are also becoming a threat on a global scale and although they are not approved and are even prohibited in some countries, such products are widely sold and are seeing success. The UK has been estimated as the largest e-cigarette market in Europe, making this substitution threat particularly relevant.

The main substitutes to household products are homemade alternatives. End-users may prefer these on grounds of price, or because they can control what ingredients are used in their preparation. However, any substitutes for household products need to be prepared, which can be a time-consuming process requiring specific knowledge, and may not provide the desired results, thus reducing the threat of substitutes. Furthermore, as the manufacturers are now aware of the increasing demand for environmentally friendly and allergy-free alternatives, they are incorporating these qualities into their products, which, combined with their greater convenience, reduces the threat of substitutes.

Overall, the threat from substitutes is assessed as weak.

6.6. Degree of rivalry

Figure 11: Drivers of degree of rivalry in the food & grocery retail market in the United Kingdom, 2020



SOURCE: MARKETLINE

MARKETLINE

The UK food and grocery retail market is dominated by the supermarket/hypermarket/hard discounter channel. Within this channel there are a number of large retailers operating. In addition, there exists a large number of independent or specialty retailers operating alongside these large incumbents.

In the UK, the market is fairly consolidated. The four leading players in this market, namely Tesco, Sainsbury's, Asda, and Morrisons, account for over half of total food and grocery retail sales in the country.

The leading players in this market are extremely well-entrenched and enjoy a high level of brand recognition that helps engender a sense of customer loyalty. However, the real key to their success is their ability to exploit scale economies. Large-scale, established retailers benefit significantly from economies of scale and the ability to employ aggressive pricing schemes that smaller retailers struggle to match. In Europe, the existence of international supermarket buying groups further gives the leading players a significant competitive advantage. For example, in 2018, Tesco and Carrefour, Europe's two largest supermarket groups, joined forces to put the squeeze on suppliers in an effort to cut costs. It has been estimated that such buying groups can negotiate discounts as high as 10%, compared to the price an individual retailer would have to pay. As food and grocery retail is a market in which price is very often the deciding factor in consumer choice, these large players enjoy a significant advantage.

Competition in the food and grocery market takes two forms; price competition and non-price competition. Price is essentially the only fundamental through which players can affect supply (and demand) as there is lack of product differentiation, especially among large retailers. Exploiting economies of scale and reducing overheads through the efficient management of inventory, logistics and labor productivity, is the key for achieving a competitive advantage in this market; players' primary aim is to reduce their bottom-line so they can increase their profit margin and their flexibility to compete on price. Price competition strategies, though, are not only focused on undercutting rivals by achieving higher cost efficiency and exploiting scale economies, but they are also focused on absorbing consumers' surplus, which is the maximum that consumers are willing to pay for their chosen products in a given time and space setting. Retailers adopt different pricing strategies to serve this purpose – the most common are the offering of consistently low prices (Everyday Low Price – EDLP) and the periodic offering of temporary price promotions (High-Low Pricing – Hi-Lo) – which provide some level of differentiation and ease competition.

The pricing strategy of a player is also impacted by the pricing strategies of its rivals. Especially, players with a dominant position in the market are able to influence market prices, as when they set (undercut) a certain price for a product to increase their market share, others are likely to follow suit. This conduct is indicative of the zero-sum game in this

market, which maintains price competition, and thereby strong rivalry; a player, in most cases, has the incentive to match others players' price-cutting, otherwise it risks losing customers. Players cannot escape from this condition, but only if one player has a monopolistic control in the market or players cooperate in price-setting, forming against the law, a cartel. Moreover, players – even monopolies – cannot afford to withhold supply to manipulate price in this market; apart from that being socially unacceptable, this tactic would undermine economies of scale, while storage costs are high, with some products also having a short-shelf life.

Non-price competition in this market includes competition fields other than price, such as advertising, loyalty schemes, product assortments, and customer service. In detail, players compete on marketing expenditure in order to build consumer loyalty and inform consumers about promotions. Moreover, most large retailers also leverage loyalty card schemes in order to improve customer retention. Product assortment, which can offer some level of differentiation, is another field of competition with growing importance as consumers become savvier and variety-seeking. The positive relationship between the length of product assortment and inventory costs is challenging for retailers as they need to find the right mix.

Competition may also vary by store location. The dimension of space on forecasting demand has become more evident in recent years through the development of geospatial analytics. Large players are able to tailor and optimize prices and product affinities across their stores according to local consumer preferences and price sensitivities, also taking into account consumers' alternatives regarding the proximity of rival stores.

Diversification to other markets serves to alleviate rivalry to some extent. Leading players in the market tend to diversify their offerings in response to multiple threats, offering products with higher profit margins such as apparel, electronics, home improvement products in hypermarkets/big-box stores, or even products out of the retail concept such as financial services. This can help to absorb the temporary impact of declining sales or fierce price competition in core product categories. Leading players in the market are having to diversify their offerings in response to multiple threats that are intensifying the competition level. Such threats include purely online retailers, budget stores and developing consumer trends, which place much greater emphasis upon having access to small, convenience stores in the center of towns and cities than used to be the case. The increasing price sensitivity of consumers has led to a growth in market share of discounters, in particular Aldi and Lidl. These two discounters together now account for almost 10% of this market. The top four retailers have responded to this threat with price wars, which have become increasingly aggressive. Tesco in particular has taken steps to reduce cost of sales in a bid to best its rivals when it comes to price as it looks to win customers. In March 2018, its £3.7bn (\$4.8bn) takeover of wholesaler Booker was completed. Tesco believes the deal will help it save £200m (\$257.7m) a year and boost annual profits by £25m (\$32.2m) after three years. Such is the threat from Aldi and Lidl that Tesco has in fact launched its own discount chain, Jack's, while Sainsbury's benefits from the acquisition of electronics and home products retailer, Argos.

Finally, the degree of rivalry is strongly linked to the level of demand, which is in turn impacted by the level of disposable income and consumer confidence. Although, since the beginning of 2020, the ongoing economic recession provoked by the COVID-19 pandemic has dampened consumer confidence and suppressed incomes, consumption in the food and grocery retail market increased, driven by precautionary buying and a shift of spending from foodservice channels. This has eased rivalry, especially for large multichannel retailers and pure online retailers, which benefited from strong demand in online distribution channels amid lockdown measures. However, rivalry is set to increase in the mid-term, as consumption is set to slow consequent to the receding of uncertainty and the shift of consumption back to foodservice channels. Under these circumstances, rivalry could be exhausted through mergers and acquisitions of smaller players.

Rivalry is assessed as strong overall.

7. Competitive Landscape

The UK market is generally consolidated, but still fragmented between its major leading players Tesco, Sainsbury's, Asda, Morrisons, Lidl, Aldi, and other smaller but significant players. The main driver of innovation and change in the market is Amazon, which is determined to stake a claim to the grocery market's e-commerce channel, despite a slow start.

7.1. Who are the leading players in the market?

Tesco PLC (Tesco) is a food and grocery retailer that operates a network of hypermarkets, supermarkets and convenience stores. The company offers beverages, fresh food, bakery, frozen food, clothing, grocery, garden and baby products. It also offers flowers and plants, toys, wine, home furnishings, technology and gaming, household appliances, health and beauty products, sports and leisure, consumer electronics and electrical goods. Tesco markets its products under the brand names of Tesco, Free From, Finest, Jack's, Tesco Lotus, Tesco kipa, Tesco Bank and F&F Clothing. It has a presence across Europe and Asia.

J Sainsbury Plc (Sainsbury's) is a retail company that offers general merchandise, clothing and groceries, products. It offers meat and fish, dairy, fruits and vegetables, eggs and juice, pet food, beer, spirits and wine, baby and toddler products, and chilled and frozen food through the company's stores. Sainsbury's operates in various formats such as convenience stores and supermarkets under the brands of Habitat, Sainsbury's, and Argos. The company also offers its products through online channel. It offers financial services such as insurance, travel money, credit cards, and loans and operates the property development business.

Asda Stores Ltd (Asda), a subsidiary of ASDA Group Ltd, is a grocery and general merchandise retailer. The company offers a wide range of fresh food, beverages, grocery, bakery products, health and beauty items, clothing, home, leisure and entertainment goods. The company conducts business through a variety of retail channels such as supercenters, superstores, supermarkets, living stores, petrol filling stations and depots across the UK. It offers several financial services such as credit cards, gift cards, car insurance, home insurance and pet insurance to its customers. It also offers various services online and through mobile apps.

Wm Morrison Supermarkets PLC (Morrison or 'the company') is a food retailer company. Morrison is involved in in-store and online grocery retailing activities. It also manufactures and distributes fresh food, and morning goods and bread; prepares and supplies seafood; processes fresh meat; invests in, develops, and maintains properties; and offers insurance and leasing services, and holds a pharmaceutical license. Morrison offers its products and services under Free From, Food to Go, Best, Nutmeg, Morrisons, Price Crunch, V Taste, market Street and Morrisons Makes It brand names. Through subsidiaries, the company operates in the UK.

7.2. What are the strategies and strengths of leading players?

Tesco retails its products through a combination of in-store and online business formats. The company operates 7,005 stores with total areas of 91.3 million sq. ft. in Europe and Asia. As of February 2020, the company operated

150 stores in Republic of Ireland and 3,627 stores in the UK, including 1,920 small stores, 796 large stores, 697 one stop outlets, six dotcom-only outlets, eight Jack's stores, 196 booker stores and 191 one stop franchise stores. The sale of merchandise through multiple channels increases the company's direct-to-consumer business and enables the company to serve a large customer base, which in turn increases sales. Most importantly, the company benefits from its high economies of scale, that lead to a cost advantage.

Tesco has increasingly focused on competing with discounters, Aldi and Lidl, strengthening its everyday low price strategy by cutting prices in a range of essential food items. Moreover, in mid-2020, the company adopted a bold strategy of offering discounts based on its everyday low pricing only to its Tesco Clubcard members.

Sainsbury's is one of the leading retail chains in the UK. The company offers a wide range of food and non-food offerings through multi-format retail stores. Through a network of 1,428 stores including 820 convenience stores and 608 supermarkets. Through Sainsbury's online, the company also operates an online grocery and general merchandise business. Sainsbury's also assures click and collect services for the order placed on this website. Various recognition gained by the company over time also reflect its strong presence in the UK retailing market. The company was awarded with the Grocer Gold awards for both customer service and availability for the past five years. Such strong presence in the UK retailing market provides a distinct competitive advantage for Sainsbury's over its peers.

Asda provides various private label products at its stores and also online. The company works in close association with various private label suppliers to form strategic relationships to deliver own label products with high quality. Asda's private labels cover a range of product categories including food, grocery, home and leisure. For instance, George, Asda's flagship private label brand was launched in 1989. Currently, George is sold in over 560 stores and through George.com, which is one of the fastest growing online fashion businesses serving over 800,000 customers a week. Over the years, the company expanded the range of offerings under this brand and now includes an extensive selection of products across different categories including, home and garden products; clothing, footwear and accessories for men and women; kids and baby products; and furniture. Asda operates retail stores in the UK under multiple banners, including Supercenters, Superstores, Supermarkets, Living stores and Petrol stations and websites. Multiple retail formats enable the company to cater to a wide customer base besides diversifying its revenue sources. The Supercenters offer a full range of food and George and non-food products. The Superstores offer an extensive choice of foods and operate other divisions including cafe, pharmacy, optician, larger George and non-food. The company's Supermarkets provides food and convenience and offer essential non-food items. Asda's Living stores offer merchandise ranging from George home, fashion and general merchandise. The company's Petrol Filling Stations offers both pay-at-pump and pay-at-kiosk services. It also includes convenience store that provides a variety of food to go, and travel friendly products. The company through its website offers a wide range of products which include home and garden products; clothing, footwear, and collection for men and women; kids and baby products; electrical; entertainment products; travel and leisure products; and gifts. The products ordered online through this channel will be delivered either directly to the customer's place or to the local store for collection.

Each of the Morrison's stores features a Market Street, something similar to a traditional family food shop or a market stall. These Market Streets are staffed with skilled butchers, bakers, and fishmongers. Morrison employs more butchers, bakers, and fishmongers than any of its competitors. These skilled staff members prepare food according to customer requirements, and also offer customers knowledgeable advice adding to their shopping experience and attracting them to shop more often at Morrison's stores. Since these staff members can respond quickly to changes in market demand, the company is able to cut down on unnecessary waste and give customers what they want. The company's skilled food makers make fresh food daily in stores on Market Street for customers, also its 4,500 colleagues have completed additional customer service training. Specialty services such as these combine the convenience of supermarket shopping with the local market shopping experience and, in turn, act as a compelling proposition in attracting customers. The company's operations are vertically integrated, which allows it to manufacture, distribute and retail a majority of its fresh meat and dairy requirements, and to process/package its fresh fruit and vegetables in-house. Morrison is one of the fresh food manufacturers in the UK. The company owns and operates a fleet of 492 conveniently located supermarkets, 18 manufacturing sites, and eight distribution centers. Morrison's vertically integrated operations allow it to source and process fresh food in

its own facilities, which is a major differentiating factor offering a significant competitive advantage. Half of the fresh products the company sells in-store are processed through its own factories.

7.3. What are the pricing strategies in the market?

There are two main pricing strategies in the market: “Everyday Low Price (EDLP)”, the “High-Low Pricing (Hi-Lo)”, or a combination of the two. Through the EDLP strategy, retailers seek to attract and build a customer base through consistently low prices rather than temporary price cuts, which results in lower but fixed rates of profit. This strategy is operationally simple and cost-effective, with retailers having lower overheads in inventory management as demand is more predictable, while they do not have to change prices and advertise promotions frequently, which results in lower costs. This strategy is mostly associated with discounters, as well as with dominant players who tend to be price-leaders. The Hi-Lo strategy, on the other hand, relies on frequent promotions to attract and incentivize shoppers to spend. Through Hi-Lo, retailers generally offer products at higher prices than a discounter but they periodically offer temporary price promotions. Promotions can vary in frequency, depth and duration, and they can take the form of simple price cuts, quantity discounts, or special deals, and may range higher or lower than the prices set by an EDLP retailer. This concept of frequent promotions is mainly based on price discrimination and loss-leadership practices. Price discrimination in this market is practiced by selling a product at different prices (or different quantities) to the same or different consumers in order to maximize the volume and value of sales. This practice is more evident in popular and premium brands, where by charging full prices, a retailer can maximize its income from those consumers who are brand-loyal and willing to pay full-price for a product, while it also gains income from those price-sensitive consumers who are willing to trade up when offered a promotion and would not buy at full price. Moreover, promotions that include price cuts below cost for some products, also known as loss-leadership, aim to increase sales by stimulating consumer traffic, with consumers potentially buying discount items along with items at full-price, the price margins of which compensate for loss-making sales. The Hi-Lo strategy can potentially lead to higher value of sales and lower variable costs as retailers can benefit from the higher volume of products sold at discount and the higher average value of those sold at full price. Moreover, through this strategy, they are able to take advantage of surpluses at supplier level and better manage excess inventory, especially for perishable goods. However, the disadvantages of the Hi-Lo strategy are the increased marketing costs to communicate promotions, while there can be consumer discontent when prices change back to normal. Lastly, a combination of the two pricing strategies entails the adoption of EDLP in certain product categories - typically essential goods - and the occasional adoption of Hi-Lo in others. However, with such hybrid strategy a retailer runs the risk of having an unclear positioning in the market, with fewer cheap items than EDLP retailers and fewer promotions than Hi-Lo retailers.

7.4. Are any disruptors posing a threat to the incumbents?

Amazon.com, the world’s biggest e-commerce company, has made entries into the grocery market in several countries recently, including the UK. Its Amazon Fresh food delivery service launched in the US in 2007 and significantly expanded with the company’s acquisition of Whole Foods in 2017; a handful of brick-and-mortar Amazon Go stores have also opened recently in the US. Having launched Amazon Fresh in the UK in 2016, the company now has two options for proceeding.

On the one hand, there is considerable room for Amazon Fresh’s UK operations to expand. Currently focused in London, the uptake of the service among eligible Amazon Prime subscribers is reportedly quite low, especially outside of this area. The online grocery market in the UK is quite small, but Amazon expressed serious ambitions with its investment in the Deliveroo on-demand food service in May 2019, taking a 16% stake.

On the other hand, a growing share of the small online grocery market would be less disruptive to incumbents than the introduction of Amazon Go stores in the UK. This would require an acquisition similar to that of Whole Foods in the US, with one of the struggling UK incumbents as its target. If Amazon were to establish brick-and-mortar stores in the UK, it would become a highly disruptive player in this market.

7.5. What are the most notable recent developments for leading players?

In October 2020, US retail giant Walmart sold its UK supermarket chain Asda to the Issa brothers, founders and co-CEOs of EG Group, a global convenience and forecourts retailer, and private-equity firm TDR Capital for GBP6.8bn (US\$8.8bn).

8. Company Profiles

8.1. Tesco PLC

8.1.1. Company Overview

Tesco PLC (Tesco or 'the company') is a food and grocery retailer that operates a network of hypermarkets, supermarkets and convenience stores. The company offers beverages, fresh food, bakery, frozen food, clothing, grocery, garden and baby products. It also offers flowers and plants, toys, wine, home furnishings, technology and gaming, household appliances, health and beauty products, sports and leisure, consumer electronics and electrical goods. Tesco markets its products under the brand names of Tesco, Free From, Finest, Jack's, Tesco Lotus, Tesco kipa, Tesco Bank and F&F Clothing. It has business presence across Europe and Asia. The company is headquartered in Welwyn Garden City, Hertfordshire, the UK.

The company reported revenues of (British Pounds) GBP57,887 million for the fiscal year ended February 2021 (FY2021), a decrease of 0.4% over FY2020. In FY2021, the company's operating margin was 3%, compared to an operating margin of 3.8% in FY2020. In FY2021, the company recorded a net margin of 10.6%, compared to a net margin of 1.7% in FY2020.

8.1.2. Key Facts

Table 6: Tesco PLC: key facts		
Head office:	Cirrus a Shire Park, Kestrel Way, , WELWYN GARDEN CITY, United Kingdom	
Telephone:	441992632222	
Number of Employees:	367321	
Website:	www.tescopl.com	
Financial year-end:	February	
Ticker:	TSCO	
Stock exchange:	London Stock Exchange (LON)	
SOURCE: COMPANY WEBSITE		MARKETLINE

8.1.3. Business Description

Tesco PLC (Tesco or 'the company') is a retailing company that offers grocery items, general merchandise and other non-food items. It also offers banking products and services. The company operates 7,005 stores in Europe and Asia.

The company operates through four reportable segments: The UK and Republic of Ireland (UK and ROI); Central Europe; Asia; and Tesco Bank.

The company's UK and ROI segment offers a range of products through a network of stores and online platform. It also offers a wide array of financial services under the brand, Tesco Personal Finance. As of February 2020, the segment operated 150 stores in Republic of Ireland with a retail space of 3.3 million sq. ft. It operated 3,627 stores in the UK with a retail space of 46.9 million sq. ft., including 1,920 small stores, 796 large stores, 697 one stop outlets, six dotcom-only outlets, eight Jack's stores, 196 booker stores and 191 one stop franchise stores. In FY2020, the UK and ROI segment reported revenue of GBP52,898 million, which accounted for 81.7% of the company's revenue.

The Central Europe segment of Tesco operates stores with an area of 19.1 million sq. ft. across Hungary, Poland, the Czech Republic and Slovakia. As of February 2020, the segment operated 867 stores, including 202 stores in

Hungary, 329 stores in Poland, 150 stores in Slovakia, 107 stores in the Czech Republic and 107 franchise stores in Czech Republic. In FY2020, the Central Europe segment reported revenue of GBP5,576 million, which accounted for 8.6% of the company's revenue.

The company's Asia segment operates stores across Thailand and Malaysia with a retail space of 18.6 million sq. ft. As of February 2020, the segment operated 2,063 stores, including 1,988 stores in Thailand and 75 stores in Malaysia. In FY2020, the Asia segment reported revenue of GBP5,218 million, which accounted for 8.1% of the company's revenue.

The Tesco Bank segment provides insurance and banking services in the UK. It offers a range of personal banking products that include personal loans, credit cards, mortgages and savings account. In FY2020, the Tesco Bank segment reported revenue of GBP1,068 million, which accounted for 1.6% of the company's revenue.

Table 7: Tesco PLC: Annual Financial Ratios

Key Ratios	2015	2016	2017	2018	2019
Growth Ratios					
Sales Growth %			3.68	2.82	11.16
Operating Income Growth %			-5.13	80.83	44.64
EBITDA Growth %			-3.53	35.03	50.26
Net Income Growth %			-128.99		5.13
EPS Growth %			30.34	86.79	-10.37
Working Capital Growth %			25.33	52.28	39.85
Equity Ratios					
EPS (Earnings per Share) GBP		0.04	0.01	0.15	0.16
Dividend per Share GBP				0.04	0.07
Dividend Cover Absolute				4.04	2.26
Book Value per Share GBP		1.34	1.00	1.42	1.76
Profitability Ratios					
Gross Margin %		5.21	5.40	5.92	7.18
Operating Margin %		1.99	1.82	3.20	4.16
Net Profit Margin %		0.26	-0.07	2.10	1.99
Profit Markup %		5.49	5.71	6.29	7.73
PBT Margin (Profit Before Tax) %		0.37	0.26	2.26	2.53
Return on Equity %		1.60	-0.62	13.19	9.36
Return on Capital Employed %		4.12	3.85	5.55	7.38
Return on Assets %		0.63	-0.09	2.45	2.29
Return on Working Capital %	-45.15	73.23	-33.69	-25.50	-32.61
Operating Costs (% of Sales) %		98.01	98.18	96.80	95.84
Administration Costs (% of Sales) %		3.40	3.10	3.11	3.10
Liquidity Ratios					
Current Ratio Absolute		0.82	0.79	0.69	0.62
Quick Ratio Absolute		0.69	0.68	0.57	0.50
Cash Ratio Absolute		0.37	0.35	0.26	0.21
Leverage Ratios					
Debt to Equity Ratio Absolute		1.57	1.86	2.05	1.40
Net Debt to Equity Absolute		0.80	0.80	1.49	1.05
Debt to Capital Ratio Absolute		0.60	0.63	0.67	0.58
Efficiency Ratios					
Asset Turnover Absolute		2.46	1.25	1.17	1.15
Fixed Asset Turnover Absolute		6.03	3.11	2.59	2.41
Inventory Turnover Absolute		42.08	22.36	23.70	24.31
Current Asset Turnover Absolute		7.35	3.72	3.97	4.68
Capital Employed Turnover Absolute		2.07	2.11	1.73	1.77
SOURCE: COMPANY FILINGS				MARKETLINE	

Table 8: Tesco PLC: Key Employees

Name	Job Title	Board
Adrian Morris	Group General Counsel	Senior Management
Alessandra Bellini	Chief Customer Officer	Senior Management
Alison Platt	Director	Non Executive Board
Ashwin Prasad	Chief Product Officer	Senior Management
Byron Grote	Director	Non Executive Board
Christine Heffernan	Director Communications	Senior Management
Deanna Oppenheimer	Director	Non Executive Board
Gerry Mallon	Chief Executive Officer Tesco Bank	Senior Management
Imran Nawaz	Chief Financial Officer	Senior Management
Jan Marchant	Chief Executive Officer FandF clothing	Senior Management
Jason Tarry	Chief Executive Officer UK and ROI Business	Senior Management
John Allan	Chairman	Non Executive Board
Ken Murphy	Chief Executive Officer	Executive Board
Ken Murphy	Director	Executive Board
Lindsey Pownall	Director	Non Executive Board
Mark Armour	Director	Non Executive Board
Matt Simister	Chief Executive Officer Central Europe	Senior Management
Melissa Bethell	Director	Non Executive Board
Mikael Olsson	Director	Non Executive Board
Natasha Adams	Chief People Officer	Senior Management
Robert Welch	Secretary	Senior Management
Simon Patterson	Director	Non Executive Board
Steve Golsby	Director	Non Executive Board
Stewart Gilliland	Director	Non Executive Board
Thierry Garnier	Director	Non Executive Board
Tony Hoggett	Chief Operating Officer	Senior Management
SOURCE: COMPANY FILINGS		MARKETLINE

8.2. Asda Stores Ltd

8.2.1. Company Overview

Asda Stores Ltd (Asda), a subsidiary of ASDA Group Ltd, is a grocery and general merchandise retailer. The company offers a wide range of fresh food, beverages, grocery, bakery products, health and beauty items, clothing, home, leisure and entertainment goods. The company conducts business through a variety of retail channels such as supercentres, superstores, supermarkets, living stores, petrol filling stations and depots across the UK. It offers several financial services such as credit cards, gift cards, car insurance, home insurance and pet insurance to its customers. The company also offers various services online and through mobile apps. Asda is headquartered in Leeds, Yorkshire, the UK.

8.2.2. Key Facts

Table 9: Asda Stores Ltd: key facts		
Head office:	Asda House Great Wilson Street, South Bank, Leeds, Yorkshire, United Kingdom	
Number of Employees:	145000	
Website:	www.asda.com	
Financial year-end:	April	
SOURCE: COMPANY WEBSITE		MARKETLINE

8.2.3. Business Description

Asda Stores Ltd (Asda), a subsidiary of ASDA Group Ltd, is a retailer that offers a wide variety of fresh food, grocery, clothing, home, leisure and entertainment goods.

The company operates retail stores in the UK under multiple banners including Supercenters, Superstores, Supermarkets, Living stores and Petrol stations. It also offers services online and through mobile apps.

Asda's Supercenters are the largest stores that offer a full range of food, George and non-food products. It also provides various concessions including such as food service offers, banks, hairdressers and dry cleaners. Its largest store Milton Keynes covers more than 100,000 sq. ft. space.

The Company's Superstores are the most common store format which forms a large majority of stores. It offers an extensive choice of foods and operates other divisions including cafe, pharmacy, optician, larger George and non-food.

Asda's Supermarkets are the smallest stores that are spread across the UK, from Newquay to our most northerly store in Tain, Scotland covers 3,000 sq. ft. space. The Supermarket format focuses on food and convenience and offer essential non-food items.

Asda Living stores are the non-food stores that offer a huge selection of merchandise ranging from George home, fashion and general merchandise.

The company's Petrol Filling Stations offers both pay-at-pump and pay-at-kiosk services through its. It also includes convenience store that provides a variety of food to go and travel friendly products.

The company operates through George, a system of the company that serves 800,000 customers in a week and sold in 560 stores and through its online fashion businesses George.com. Asda also operates International Procurement Limited (IPL), a system that manages the whole produce retail business for ASDA.

The company's distribution services include 39 operations nationwide including 21 food depots, three clothing centres, two import centres, two dot.com fulfilment centres, two ambient GM hubs, and nine ASCs. It operates over 4,000 heavy good vehicles and 2,000 home delivery vehicles that make 800,000 deliveries to store and 20,000,000 deliveries to customers.

Asda also offers a comprehensive range of financial services such as credit cards, gift cards, home insurance, car insurance and pet insurance to its customers.

The company through its website offers a range of products, including home and garden products; clothing, footwear, and collection for men and women; kids and baby products; electrical; entertainment products; travel and leisure products; and gifts.

Table 10: Asda Stores Ltd: Key Employees

Name	Job Title	Board
Anna Barsby	Interim Chief Digital and Technology Officer	Senior Management
Anthony Hemmerdinger	Chief People Officer	Senior Management
Carl Dawson	Chief Information Officer	Senior Management
Derek Lawlor	Chief Merchandising Officer	Senior Management
Hayley Tatum	Chief People Officer	Senior Management
Helen Selby	General Counsel	Senior Management
Helen Selby	Secretary	Senior Management
John Fallon	Chief Financial Officer	Senior Management
Mark Simpson	Chief Supply Chain Officer	Senior Management
Nick Jones	Senior Vice President Commercial	Senior Management
Robert Gerard McWilliam	Director	Non Executive Board
Roger Burnley	Chief Executive Officer	Senior Management
Roger Burnley	President	Senior Management
Roger Michael Burnley	Director	Non Executive Board
SOURCE: COMPANY FILINGS		MARKETLINE

8.3. J Sainsbury plc

8.3.1. Company Overview

J Sainsbury plc (Sainsbury's or 'the company') is a retail company that offers general merchandise, clothing and groceries, products. It offers meat and fish, dairy, fruits and vegetables, eggs and juice, pet food, beer, spirits and wine, baby and toddler products, and chilled and frozen food through the company's stores. Sainsbury's operates in various formats such as convenience stores and supermarket operated under the names of Habitat, Sainsbury's, and Argos. The company also offers its products through online channel. It offers financial services such as insurance, travel money, credit cards, and loans and operates the property development business. Sainsbury's has operations in the UK and Ireland. The company is headquartered in London, the UK.

The company reported revenues of (British Pounds) GBP29,048 million for the fiscal year ended March 2021 (FY2021), an increase of 0.2% over FY2020. In FY2021, the company's operating margin was 0.3%, compared to an operating margin of 2.3% in FY2020. The net loss of the company was GBP280 million in FY2021, compared to a net profit of GBP152 million in FY2020.

8.3.2. Key Facts

Table 11: J Sainsbury plc: key facts

Head office:	33 Holborn , LONDON, United Kingdom
Telephone:	442076956000
Fax:	442076957610
Number of Employees:	65000
Website:	www.about.sainsburys.co.uk
Financial year-end:	March
Ticker:	SBRY
Stock exchange:	London Stock Exchange (LON)
SOURCE: COMPANY WEBSITE	
MARKETLINE	

8.3.3. Business Description

J Sainsbury plc (Sainsbury's or 'the company') is a UK-based company that operates supermarkets and convenience stores. The company also operates an online grocery and general merchandise business.

Sainsbury's bases products from 87 countries and deliver products via distribution centers to the company's stores and online customers. It has 2,400 supermarkets under Sainsbury's, Argos stores and convenience stores in the UK and Ireland. Through subsidiaries and joint ventures, it maintains business interests in financial services, property management, and energy sectors.

The company operates through two reportable business segments: Retail and Financial Services.

The Retail segment offers food and non-food products through convenience and supermarkets stores. As of March 2020, the segment operated 820 convenience stores and 608 supermarkets. It also offers ready-to-wear men's, children's and women's wear clothing under Tu brand, groceries through Sainsbury's brand and general merchandise under Argos brand. The company also provides homeware products including sturdy plates, bathroom bits, and wine glasses and soft bedding throws via Sainsbury's Home brand and provides home improvement products via Habitat brand. It provides sustainable energy solutions to many homes in the UK. In FY2020, the Retailing segment reported revenue of GBP28,424 million, which accounted for 98% of the company's revenue.

The Financial Services segment includes the operations of Sainsbury's Bank. Sainsbury's Bank offers a range of financial products such as savings, loans, credit cards, travel money and insurance. In FY2020, the Financial Services segment reported revenue of GBP569 million, which accounted for 2% of the company's revenue.

Table 12: J Sainsbury plc: Annual Financial Ratios

Key Ratios	2015	2016	2017	2018	2019
Growth Ratios					
Sales Growth %			11.56	8.51	1.94
Operating Income Growth %			-9.19	-19.31	14.29
EBITDA Growth %			-1.63	-1.65	48.44
Net Income Growth %			-19.96	-18.04	-39.81
EPS Growth %			-26.34	14.81	55.85
Working Capital Growth %			-1.43	7.52	75.83
Equity Ratios					
EPS (Earnings per Share) GBP		0.22	0.17	0.13	0.08
Dividend per Share GBP		0.12	0.10	0.10	0.11
Dividend Cover Absolute		1.86	1.62	1.25	0.69
Book Value per Share GBP		3.31	3.14	3.38	3.53
Profitability Ratios					
Gross Margin %		6.19	6.23	6.61	7.89
Operating Margin %		3.01	2.45	1.82	2.04
Net Profit Margin %		2.00	1.44	1.09	0.64
Profit Markup %		6.60	6.64	7.08	8.56
PBT Margin (Profit Before Tax) %		2.33	1.92	1.44	0.70
Return on Equity %		7.40	5.49	4.17	2.39
Return on Capital Employed %		6.90	5.73	4.43	3.66
Return on Assets %		5.55	2.05	1.48	0.74
Return on Working Capital %	-41.99	-3.24	-30.65	-28.23	-21.19
Operating Costs (% of Sales) %		96.99	97.55	98.18	97.96
Administration Costs (% of Sales) %		3.62	4.60	4.97	5.95
Liquidity Ratios					
Current Ratio Absolute		0.66	0.74	0.76	0.64
Quick Ratio Absolute		0.51	0.53	0.59	0.47
Cash Ratio Absolute		0.18	0.14	0.19	0.11
Leverage Ratios					
Debt to Equity Ratio Absolute		0.43	0.32	0.34	1.00
Net Debt to Equity Absolute		0.24	0.15	0.08	0.83
Debt to Capital Ratio Absolute		0.29	0.24	0.25	0.49
Efficiency Ratios					
Asset Turnover Absolute		2.77	1.43	1.36	1.16
Fixed Asset Turnover Absolute		4.81	2.65	2.86	2.41
Inventory Turnover Absolute		45.56	17.93	14.83	14.29
Current Asset Turnover Absolute		10.65	4.89	4.02	3.77
Capital Employed Turnover Absolute		2.29	2.34	2.43	1.79
SOURCE: COMPANY FILINGS				MARKETLINE	

Table 13: J Sainsbury plc: Key Employees

Name	Job Title	Board
Adrian Hennah	Director	Non Executive Board
Angie Risley	Director Group Human Resources	Senior Management
Brian Cassin	Director	Non Executive Board
Carole Butler	Director Sainsbury's Bank	Senior Management
Clodagh Moriarty	Director Retail and Digital	Senior Management
Dame Susan Rice	Director	Non Executive Board
David Keens	Director	Non Executive Board
Guy Thomas	Director Sainsbury's Bank	Senior Management
James Brown	Director Non Food Commercial	Senior Management
Jean Tomlin	Director	Non Executive Board
Jim Brown	Chief Executive Officer Sainsbury's Bank	Senior Management
Jo Harlow	Director	Non Executive Board
Keith Weed	Director	Non Executive Board
Kevin O'Byrne	Chief Financial Officer	Executive Board
Kevin O'Byrne	Director	Executive Board
Lesley Jones	Chairman Sainsbury's Bank	Executive Board
Mark Given	Chief Marketing Officer	Senior Management
Martin Scicluna	Chairman	Non Executive Board
Matt Brittin	Director	Non Executive Board
Michael Larkin	Chief Financial Officer Sainsbury's Bank	Senior Management
Michael Ross	Director Sainsbury's Bank	Senior Management
Patrick Dunne	Director Group Property, Procurement and Cost base Transformation	Executive Board
Paul Mills-Hicks	Director Food Commercial	Senior Management
Paula Nickolds	Director Clothing Commercial	Senior Management
Peter Clarke	Director Sainsbury's Bank	Senior Management
Phil Jordan	Chief Information Officer	Senior Management
Simon Roberts	Chief Executive Officer	Executive Board
Simon Roberts	Director	Executive Board
Simon Roberts	Director Retail and Operations	Senior Management
Tanuj Kapilashrami	Director	Non Executive Board
SOURCE: COMPANY FILINGS		MARKETLINE

Table 14: J Sainsbury plc: Key Employees Continued

Name	Job Title	Board
Tim Fallowfield	Director Corporate Services	Senior Management
Tim Fallowfield	Secretary	Senior Management
SOURCE: COMPANY FILINGS		MARKETLINE

8.4. Wm Morrison Supermarkets PLC

8.4.1. Company Overview

Wm Morrison Supermarkets PLC (Morrison or 'the company') is a food retailer company. Morrison is involved in in-store and online grocery retailing activities. It also manufactures and distributes fresh food, and morning goods and bread; prepares and supplies seafood; processes fresh meat; invests in, develops, and maintains properties; and offers insurance and leasing services, and holds a pharmaceutical license. Morrison offers its products and services under Free From, Food to Go, Best, Nutmeg, Morrisons, Price Crunch, V Taste, market Street and Morrisons Makes It brand names. Through subsidiaries, the company operates in the UK. The company is headquartered in Bradford, England, the UK.

The company reported revenues of (British Pounds) GBP17,598 million for the fiscal year ended January 2021 (FY2021), an increase of 0.4% over FY2020. In FY2021, the company's operating margin was 1.5%, compared to an operating margin of 3.1% in FY2020. In FY2021, the company recorded a net margin of 0.5%, compared to a net margin of 2% in FY2020.

8.4.2. Key Facts

Table 15: Wm Morrison Supermarkets PLC: key facts

Head office:	Hilmore House Gain Lane, , BRADFORD, United Kingdom
Telephone:	4408456115000
Fax:	441274487269
Number of Employees:	35291
Website:	www.morrisons.com
Financial year-end:	January
Ticker:	MRW
Stock exchange:	London Stock Exchange (LON)
SOURCE: COMPANY WEBSITE	
MARKETLINE	

8.4.3. Business Description

Wm Morrison Supermarkets PLC (Morrison or 'the company') is a food retail company. At the end of February 2020, the company operated 492 stores located in supermarkets and 50 Morrisons Daily convenience stores with a total sales area of 14.8 million square feet, and 335 petrol filling stations in the UK. Every week, around 12 million customers visit Morrison's stores, and weekly around 23,673 customers visit each store of the company.

Morrison primarily operates in the UK. The company's retail stores primarily focus on offering food and grocery to its customers.

Morrison's fresh food counters offer a selection of fish and seafood, fruits, salads and herbs, milk, eggs, butter, cooked meats, soups, and sauces, among others. The company also offers beer, wine, spirits, frozen food, health and beauty products, and baby items like wipes and baby food, flowers, and home and entertainment products at its stores. It also offers a wide range of own-brand goods. Morrison operates petrol filling stations, cafes and pharmacies, and offers dry cleaning services, car parking, recycling, and photo printing services at its stores.

The company modernized around 80 barista bars. Moreover, the company's 'Nutmeg' Women wear range is available in 293 stores and more than 250 garden centers. The company also has facilities like wheelchairs, staff assistance, seating, and induction loops for shoppers with disabilities. Morrison owns and operates 18 production facilities and buys fresh food directly from the farmers. This allows the company to have direct control over the production and supply of food to its supermarkets. It operates eight regional distribution centers and one national center for the servicing of supermarkets. Besides physical stores, the company markets its products online through its own e-commerce website and reached around 90% of the UK population.

In FY2020, Morrison classifies its operation into two categories: Total sales excluding fuel and Fuel. In FY2020, its Total sales excluding fuel reported revenue of GBP13,865 million, which accounted for 79.1% of the company's revenue followed by Fuel with GBP3,671 million (20.9%).

Table 16: Wm Morrison Supermarkets PLC: Annual Financial Ratios

Key Ratios	2015	2016	2017	2018	2019
Growth Ratios					
Sales Growth %			1.21	5.79	2.74
Operating Income Growth %			33.76	7.38	-7.54
EBITDA Growth %			17.34	6.11	5.64
Net Income Growth %			37.39	1.97	-25.08
EPS Growth %			26.11	11.13	12.37
Working Capital Growth %			17.30	6.93	11.30
Equity Ratios					
EPS (Earnings per Share) GBP		0.09	0.13	0.13	0.10
Dividend per Share GBP		0.05	0.05	0.06	0.07
Dividend Cover Absolute		1.89	2.39	2.14	1.46
Book Value per Share GBP		1.61	1.74	1.80	1.83
Profitability Ratios					
Gross Margin %		3.83	3.70	3.67	3.92
Operating Margin %		1.95	2.57	2.61	2.35
Net Profit Margin %		1.38	1.87	1.80	1.31
Profit Markup %		3.98	3.84	3.81	4.08
PBT Margin (Profit Before Tax) %		1.35	1.99	2.20	1.71
Return on Equity %		5.91	7.51	7.32	5.39
Return on Capital Employed %		4.79	6.58	6.11	5.70
Return on Assets %		4.77	3.29	3.16	2.21
Return on Working Capital %	6.58	61.65	-21.82	-24.41	-24.51
Operating Costs (% of Sales) %		98.05	97.43	97.39	97.65
Administration Costs (% of Sales) %		2.39	1.53	1.49	1.54
Liquidity Ratios					
Current Ratio Absolute		0.48	0.41	0.41	0.40
Quick Ratio Absolute		0.25	0.20	0.19	0.19
Cash Ratio Absolute		0.18	0.11	0.11	0.08
Leverage Ratios					
Debt to Equity Ratio Absolute		0.59	0.38	0.64	0.62
Net Debt to Equity Absolute		0.46	0.30	0.57	0.56
Debt to Capital Ratio Absolute		0.37	0.28	0.39	0.37
Efficiency Ratios					
Asset Turnover Absolute		3.46	1.76	1.75	1.68
Fixed Asset Turnover Absolute		4.50	2.27	2.27	2.21
Inventory Turnover Absolute		50.34	25.55	25.58	24.36
Current Asset Turnover Absolute		24.50	13.10	14.09	13.56
Capital Employed Turnover Absolute		2.46	2.56	2.34	2.42
SOURCE: COMPANY FILINGS				MARKETLINE	

Table 17: Wm Morrison Supermarkets PLC: Key Employees

Name	Job Title	Board
Andrew Higginson	Chairman	Executive Board
Andy Atkinson	Group Commercial Director	Senior Management
Clare Grainger	Group People Director	Senior Management
David Lepley	Retail Director	Senior Management
David Potts	Chief Executive Officer	Executive Board
David Potts	Director	Executive Board
Jeremy Townsend	Director	Non Executive Board
Jonathan Burke	Secretary	Senior Management
Kevin Havelock	Director	Non Executive Board
Lyssa McGowan	Director	Non Executive Board
Michael Gleeson	Chief Financial Officer	Executive Board
Michael Gleeson	Director	Executive Board
Rooney Anand	Director	Non Executive Board
Susanne Given	Director	Non Executive Board
Trevor Strain	Chief Operating Officer	Executive Board
Trevor Strain	Director	Executive Board
SOURCE: COMPANY FILINGS		MARKETLINE

9. Macroeconomic Indicators

9.1. Country data

Table 18: United Kingdom size of population (million), 2016–20

Year	Population (million)	% Growth
2016	65.2	0.6%
2017	65.5	0.5%
2018	65.9	0.5%
2019	66.2	0.5%
2020	66.5	0.4%
SOURCE: MARKETLINE		MARKETLINE

Table 19: United Kingdom gdp (constant 2005 prices, \$ billion), 2016–20

Year	Constant 2005 Prices, \$ billion	% Growth
2016	2,641.3	2.5%
2017	2,705.7	2.4%
2018	2,772.3	2.5%
2019	2,841.2	2.5%
2020	2,912.3	2.5%
SOURCE: MARKETLINE		MARKETLINE

Table 20: United Kingdom gdp (current prices, \$ billion), 2016–20

Year	Current Prices, \$ billion	% Growth
2016	3,107.0	4.3%
2017	3,243.4	4.4%
2018	3,389.9	4.5%
2019	3,544.9	4.6%
2020	3,714.3	4.8%
SOURCE: MARKETLINE		MARKETLINE

Table 21: United Kingdom inflation, 2016–20

Year	Inflation Rate (%)
2016	2.1%
2017	2.0%
2018	2.0%
2019	2.1%
2020	2.1%
SOURCE: MARKETLINE	
MARKETLINE	

Table 22: United Kingdom consumer price index (absolute), 2016–20

Year	Consumer Price Index (2005 = 100)
2016	133.2
2017	135.8
2018	138.6
2019	141.5
2020	144.4
SOURCE: MARKETLINE	
MARKETLINE	

Table 23: United Kingdom exchange rate, 2016–20

Year	Exchange rate (\$/£)	Exchange rate (€/£)
2016	0.7407	0.8192
2017	0.7760	0.8770
2018	0.7502	0.8850
2019	0.7837	0.8779
2020	0.7795	0.8899
SOURCE: MARKETLINE		
MARKETLINE		

Appendix

Methodology

MarketLine Industry Profiles draw on extensive primary and secondary research, all aggregated, analyzed, cross-checked and presented in a consistent and accessible style.

Review of in-house databases – Created using 250,000+ industry interviews and consumer surveys and supported by analysis from industry experts using highly complex modeling & forecasting tools, MarketLine's in-house databases provide the foundation for all related industry profiles

Preparatory research – We also maintain extensive in-house databases of news, analyst commentary, company profiles and macroeconomic & demographic information, which enable our researchers to build an accurate market overview

Definitions – Market definitions are standardized to allow comparison from country to country. The parameters of each definition are carefully reviewed at the start of the research process to ensure they match the requirements of both the market and our clients

Extensive secondary research activities ensure we are always fully up-to-date with the latest industry events and trends

MarketLine aggregates and analyzes a number of secondary information sources, including:

- National/Governmental statistics
- International data (official international sources)
- National and International trade associations
- Broker and analyst reports
- Company Annual Reports
- Business information libraries and databases

Modeling & forecasting tools – MarketLine has developed powerful tools that allow quantitative and qualitative data to be combined with related macroeconomic and demographic drivers to create market models and forecasts, which can then be refined according to specific competitive, regulatory and demand-related factors

Continuous quality control ensures that our processes and profiles remain focused, accurate and up-to-date

9.2. Industry associations

9.2.1. Global Food Marketing Institute

655 15th Street, NW, Washington DC, 20005, USA

Tel.: 1 202 452 8444

Fax: 1202 429 4519

www.fmi.org

9.2.2. CIES — The Food Business Forum

7, rue de Madrid 75008 Paris, FRA

Tel.: 33 1 4469 8484

Fax: 33 1 4469 9939

www.ciesnet.com

9.2.3. EuroCommerce

Avenue des Nerviens 9-31, B-1040 Brussels, BEL

Tel.: 32 2 737 0598

Fax: 32 2 230 0078

www.eurocommerce.be

9.3. Related MarketLine research

9.3.1. Industry Profile

Global Food Retail

Food Retail in Europe

Food Retail in Asia-Pacific

Food Retail in France

Food Retail in China

About MarketLine

In an information-rich world, finding facts you can rely upon isn't always easy. MarketLine is the solution.

We make it our job to sort through the data and deliver accurate, up-to-date information on companies, industries and countries across the world. No other business information company comes close to matching our sheer breadth of coverage.

And unlike many of our competitors, we cut the 'data padding' and present information in easy-to-digest formats, so you can absorb key facts in minutes, not hours.

What we do

Profiling all major companies, industries and geographies, MarketLine is one of the most prolific publishers of business information today.

Our dedicated research professionals aggregate, analyze, and cross-check facts in line with our strict research methodology, ensuring a constant stream of new and accurate information is added to MarketLine every day.

With stringent checks and controls to capture and validate the accuracy of our data, you can be confident in MarketLine to deliver quality data in an instant.

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