

Christmas Trading Results 2017/18

Discounters Continue to Dominate as Consumer Spend over £1bn on Christmas Groceries

Christmas is the most important time for UK food retailers; it can determine the performance of their whole year. This year if you were selling food, you did well, but if you were selling anything else, it was much tougher.

To understand what is happening in the UK food retail market we have looked at each of the retailers' performance.

Despite rising food prices and increasingly price savvy shoppers, overall the Christmas trading period was a success for UK retailers with customers spending £1bn more on food this Christmas than they did in 2016.. Key trends that we saw were:

- **Shoppers continue to look for the lowest prices** for both everyday items and festive treats meaning Aldi and Lidl saw over a million new shoppers. .
- **Customers are still looking to treat themselves** and subsequently, Sainsbury's, The Co-Operative and Waitrose all performed well at the higher end of the market, Aldi also was a 30% in demand for its 'specially selected' range. Households put aside economic worries to spend an average £1,054 over the period
- Despite the above **Inflation remains a concerns to retailers.** Tesco, Sainsbury's, Asda and [Morrison's](#) all lost market share, but increased sales, in the 12 weeks to 31st December. This is partially due to food price inflation being 3.7% in the 12 weeks leading up to 31st December.
- **Online is here to stay** – shoppers increased the amount they are purchasing online and use click and collect services

Tesco also performed well, although fell short of City predictions. Morrison's managed to maintain the price of a Christmas basket from last year. Marks and Spencer's suffered, however, in part due to falling clothing sales, but also in its food halls, which traditionally have supported the clothing side of the business.

The winners are Aldi and Lidl, but Tesco has maintained strong growth from the big 4 retailers.

Read our breakdown for each retailer below.

Tesco - 28% of UK Market Share (Kantar)

Tesco stands out as one of the winners from the Christmas trading period, reporting like for like sales growth of 1.9%. Although this falls short of some City expectations, this performance was due to the strength of the food business which saw an underlying growth of 3.4%, and 3.7% in fresh food sales, particularly for fish, meat and poultry. In particular, food sales grew by 2.3% in the Express convenience stores and there was a 5% growth in online grocery sales. Tesco worked with their supplier partners to mitigate the cost of inflation for its consumers, and seasonal deals, such as the 'Festive 5' veg deal, proved popular. Tesco own brand ranges also performed strongly, with sales in exclusive fresh food brands, core Tesco range and Tesco finest* all growing by more than 4% in the period. Tesco's chief executive, Dave Lewis, said that "We have continued to outperform the market throughout this period, particularly in fresh food, thanks to our most competitive offer for many years" and that Tesco is "firmly on track to deliver our medium-term ambitions." Despite all of this positivity Tesco's share prices fell sharply, as the City over estimated their performance.



Sainsbury's - 16.4% of UK Market Share (Kantar)

Sainsbury's also performed well over Christmas, a 1.1% growth in like-for-like sales, and a 2.3% growth in grocery sales. There was significant growth through their online grocery sales, up 8.2% with a delivery taking place every second on Friday the 22nd of December, and convenience store grocery sales, up 7.3%. Their 'Taste the Difference' range saw an increase in sales from last year, and the 25p vegetable range also proved popular, as part of their 'Live Well for Less' campaign. The recent merger with Argos also helped to bolster sales. Mike Coup, Chief Executive Office, reported that Sainsbury's had the lowest levels of waste ever over Christmas.

Asda – 15.3% of UK Market Share (Kantar)

Due to Asda being owned by Walmart, there is little information on the business' Christmas performance. What we do know is that Asda grew sales by 2.2 percent in the period to Dec 31.

Morrison's – 10.7% of UK Market Share (Kantar)

Morrison's saw like-for-like sales grow by 2.8%, and total sales increased by 2.6%. Morrison's accredit this to a concerted effort to improve the customer experience, and the use of automated ordering to maintain stock levels and improve availability. Morrison's worked to keep costs low, despite input cost pressures, and kept the price of a basket of key Christmas items the same as last year. Morrison's 'Best' premium range saw a dramatic 25% increase of sales thanks to a broader range. The 'Food to Order' range expanded to include 'Free From' and 'Morrison's Makes It', and was available in-store and online, which fuelled a 50% increase in sales. David Potts, Chief Executive, accredited the range of products at competitive prices and customer service as being "key in delivering our strengthening performance".

Aldi – 6.8% of UK Market Share (Kantar)

Aldi continued to build on its successful discounter model, posting an increase in sales of 16.8%. The German discounter saw a 30% increase in demand for its 'Specially Selected' premium range, particularly among special festive items. 10% of this overall growth came from new stores opened in 2017. Aldi not only benefitted from their lower prices, but also their extended hours, particularly on Sundays, including Christmas Eve.

Co-op – 5.8% of UK Market Share (Kantar)

Due to the collapse of wholesaler Palmer & Harvey, which impacted the supply chains of many of its rivals, The Co-operative doubled its sales growth over the festive period. They posted a 6.2% growth in like-for-like sales in the final two weeks of 2017, and the seasonal range of food grew by 9% from last year, selling over £61m. The Co-op plans to grow the wholesaler element of its business, as well as open 100 new food stores this year.

Waitrose - 5.2% of UK Market Share (Kantar)

Waitrose's overall sales grew by 1.4%, with like-for-like sales increasing by 1.5%, giving them a successful Christmas trading period. Despite this, profits will be hit by increasing costs and the chain's pledge to being 'never knowingly undersold', forcing them to match lower prices.

Lidl - 5% of UK Market Share (Kantar)

Likewise, Lidl had a successful Christmas, and also saw an increase in sales of 16.8%. Claiming to be the 'fastest growing supermarket' over Christmas, Lidl opened 9 new stores in December. Sales of its 'Birchwood' turkey grew by 10%, with fresh meat and poultry sales growing by 17% overall over the period. Sales of other Christmas favourites, such as mince pies and prosecco, were also particularly high.

Marks and Spencer's – less than 1% UK Market Share (Kantar)

After a drop in sales in October, M&S continued to struggle over Christmas, with a drop of 0.4% in like-for-like food sales, despite inflation of 3.6%. Chief Executive Steve Rowe blamed tightening consumer budgets and the retailer not being 'sharp on pricing' for Christmas staples such as Brussel sprouts. Again it appears that the discounter supermarkets managed to undercut the premium products M&S offers, offering quality and convenience at a lower price.