

2014 proved to be a challenging year for the British grocery industry. The changes in consumer behaviour meant discounters Aldi and Lidl had a striking impact on the market, whilst the 'big four' supermarkets engaged in a fierce 'price war'. Judging by the latest market share figures, Tesco (29.1%), Asda (16.7%), Sainsbury's (16.5%), Morrisons (12.0%), Aldi and Lidl (8.6% combined) the competition is not going to let up in 2015 (Source: Kantar WorldPanel).

## The 'Big Four'

Accompanying Tesco's trading update this month which stated a (0.3%) drop in like-for-like sales in the six weeks to 3 January, was the announcement that 43 of its UK stores, including Tesco's head office in Cheshunt, are planned to be closed as part of a cost cutting drive. Just 23 developments are due to take place in the next 3 years and it is likely that many will house Tesco's "Food-to-Go" scheme, which operates from units of circa 3,000 sq ft and aims to compete with retailers such as Pret A Manger, EAT and Greggs.

Reporting a (1.6%) fall in like-for-like sales for the last quarter, Asda has triggered the price war for 2015 proving themselves to be cheaper amongst its rivals in January. Having launched the first ever 'Click and Collect' trial with TfL at six London Underground station car parks, the Walmart owned retailer is working to try and retain its customer base by proving to be the most convenient of the big supermarkets.

Having added 13 new supermarkets, 91 convenience stores and 6 extensions in 2014, Sainsbury's has now overtaken Asda as the second largest supermarket in Britain. The retailer announced that like-for-like sales fell (1.7%) over this year's Christmas trading period; however it did perform better than other supermarkets, reporting the smallest year-on-year decline. Despite this Sainsbury's has not proven immune to the loss of sales and having reported a £278m hit to its profits last year due to abandoned site plans, it continues to review its large store developments and has placed focus on its convenience store expansion.

Morrisons reported a fall in like-for-like sales (3.1%) in the six weeks to 4 January, placing the supermarket as the worst performing amongst its rivals. The news was followed by the dismissal of the supermarket's Chief Executive, Dalton Phillips. The chain also recently announced the closure of 10 of its loss making stores in 2015. They are also looking to rationalise their property portfolio by disposing of some non-core assets and are reported to be considering selling some of their freehold estate by way of sale and leaseback.

Waitrose reported a (2.8%) increase in sales over the Christmas trading period. In addition to the 900,000 sq ft distribution warehouse they have signed up for at Magna Park, Milton Keynes, they are looking to open 14 new stores in 2015 outside of London, comprising seven convenience stores and seven supermarkets. It has also announced that further openings are due to take place in 2016 in Scotland, Cornwall, Nottinghamshire, Shrewsbury and Worcester. In addition Waitrose recently announced its plans to open a new 80,000 sq ft dot.com fulfilment centre in Coulsden, Surrey to accommodate additional capacity for its online grocery business.



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**Marks & Spencer** saw their food like-for-like sales rise (0.1%) over Q3, outperforming its general merchandise sales which dropped (5.8%). The retailer remains committed to its plans of opening 150 new UK M&S Simply Food stores over the next 3 years. Having opened a store in Hong Kong, it is understood to be potentially investing in 250 stores overseas, particularly in Western Europe.

By contrast to the 'big four', both discount retailers **Aldi** and **Lidl** have thrived thanks to the 'price war'. Instigated by the change in consumer shopping behaviour this has enabled gradual growth throughout the past twelve months. **Kantar Worldpanel** has announced that more than half of British households visited one of the German discount retailers over the Christmas trading period. **Aldi** has announced that it is on an expansion drive, with plans to almost double its total number of stores to 1,000 by 2022, specifically inside the M25 where it has limited representation. Amongst these new stores is the (19,000 sq ft) Louth development in Lincolnshire, making it the largest UK store to date.

**The Co-operative Group** which saw a (3.2%) increase in like-for-like convenience sales in 2014, opened over 80 stores last year and the group is continuing to invest by acquiring sites across the UK, increasing its 2,800 property portfolio by opening 120 stores in 2015. Product placement will be the focus in current stores to encourage shoppers to create meals more easily, including **The Co-operative's** own brand products (over 3,800 products were launched in 2014 as part of a strategic growth area for the retailer).

#### 'Land Bank'

Supermarkets are reported to be retaining more than 1,000 acres of development sites due to the aggressive acquisition of land during the 'space race'. Only 6% of this land is intended to be utilised, despite it being either subject to a proposal of a new store or planning permission already being granted.

#### Consumer Buying Behaviour

The changing habits of food shopping has brought about not only a major price cutting war but also a reduction of large new store openings, motivating the 'big four' to radically rethink their new stores policy. Consumers are no longer adopting the 'weekly shop' but now opting for 'top-up' shopping, as shown by the reported 6 million customer transactions that **Sainsbury's Local** took during the week before Christmas, resulting in a sales increase of (16%).

This change in consumer behaviour has resulted in the convenience store remaining the prime expansion area for not only the 'big four' but also **Waitrose**, **M&S**, **The Co-operative**, **SPAR** and the **independents**. The search for new space for convenience opportunities will continue unabated and will be competitive as retailers adopt more compromised formats to trade from optimum sites in city locations.

**If you would like any further information or have a property related requirement within the food retail sector, please get in touch with one of our representatives or visit [www.rapleys.co.uk](http://www.rapleys.co.uk)**

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