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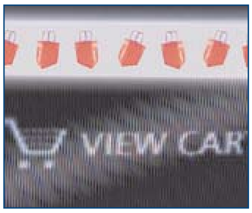
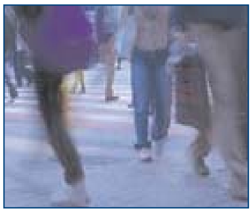
# UK Non-food in Grocers 2007

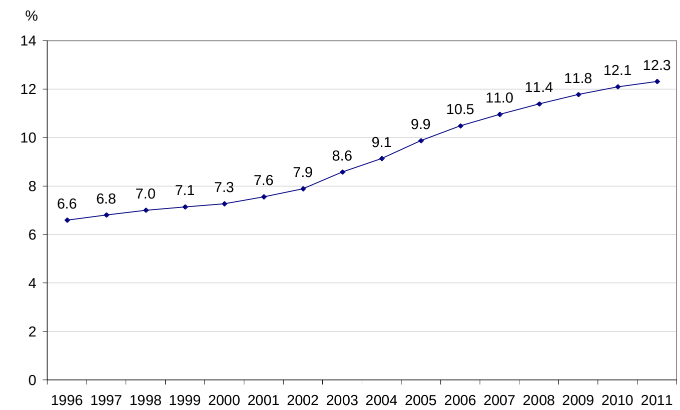
The multichannel era: opportunities and challenges

**Sector Report - Published July 2007**





## Grocers non-food sales as a percentage of total non-food expenditure 1996-2011




**Source: UK Non-food in Grocers 2007**

"Over the next five years we expect grocers will continue to outperform the market apace. Between 2006 and 2011 we forecast grocers' non-food sales will grow by 34.4%, taking their share of the market to 12.3% by the end of the period. By 2011 we expect grocers' non-food sales to have reached £23.6bn. Grocers' pace of sector share growth is likely to slow down from 2007 as opportunities to add new space diminish. However, multichannel development will help grocers continue their assault and we expect share growth to continue well into the next decade..."

## About Verdict Research...

Verdict Research has been producing independent retail analysis and comment on the UK retail marketplace for well over 20 years and is regarded as a key source by BBC, ITV and the leading broadsheets including, the FT, Times, Independent and Daily Telegraph. Many leading trade publications also frequently refer to Verdict's opinion and research including Retail Week, DIY Week, Cabinet Maker and The Grocer.

**Products and services include:**

- **Sector Reports**
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  - Childrenswear
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  - Department Stores
  - Electricals
  - Entertainment
  - Footwear
  - Furniture & Floorcoverings
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  - Health & Beauty
  - Homewares
  - Menswear
  - Pharmacy
  - Value Clothing
  - Womenswear
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  - European Electricals Retailing
  - European Furniture Retailing
  - European DIY Retailing
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  - Consumer Insights Profiles
- **Retail News and Comment**

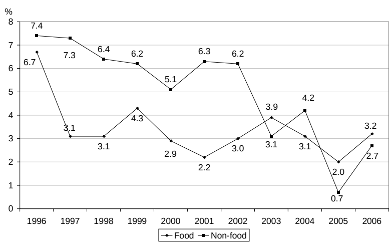
## Some key findings from this report...

- **In the immediate term, space will continue to underpin grocers' expansion in non-foods.** Following 2.2m sq ft of new space in 2006/07, Tesco is set to open a further 1.8m sq ft in 2007/08, a substantial proportion of which will be allocated to non-foods. Asda has at least 18 superstore openings slated for 2007, in addition to 15 extensions to existing stores.

- **But we believe multi-format and, especially, multi-channel will provide the vehicle for longer-term non-food development among the leading grocers.** In light of tough planning restrictions for superstore development, Asda and Tesco are already driving alternative channels for their non-food expansion and we see these as key.

- **Verdict expects a shift in grocers' non-food sales mix.** Grocers are set to divert their attention away from traditional areas of focus such as the struggling markets of music and video, books and news and magazines, to concentrate on faster growing sectors and new opportunities.

**Food and grocery and non-food growth rates of consumer expenditure at current prices 1996-2006**




**Source: UK Non-food in Grocers 2007**

"Non-food has typically outperformed the retail market over the longer term. However it has experienced turbulence in recent years. Steep deflation and weakness in home markets in particular have weighed on performance..."

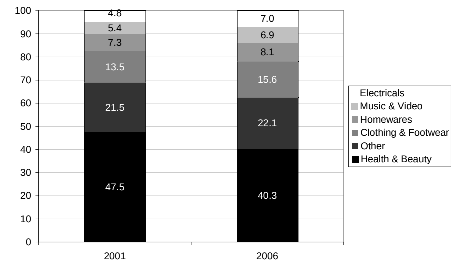
## UK Non-food in Grocers 2007

Following years of successful growth in areas like music & video, homewares and clothing, Tesco and Asda are leveraging their experience and demonstrating confidence. They are pushing boundaries in terms of range coverage and in-store execution, and, perhaps more importantly going forward, they are aggressively pursuing their multi-channel, multi-format strategies. Furthermore Sainsbury and even Morrison are set to ramp up their non-food space over the next five years.

**UK Non-food in Grocers 2007** is a new report published by Verdict that offers a unique insight into the non-food retail market paying particular attention to non-food sales made through the grocery channel. It looks at the major retail sectors that grocers participate in, as well as the major grocery non-food retailers.

**Benchmark the performance of the UK Non-food in Grocers Retailers market and its key players and understand the key issues and drivers of the market and the strategies needed to succeed with this new report.**

**Percentage share of grocers non-food sales by sector 2001 and 2006**



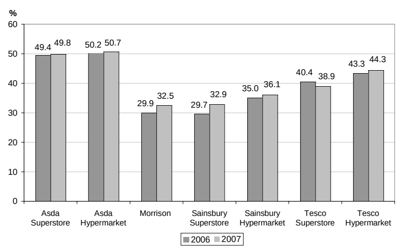

Source: UK Non-food in Grocers 2007

"Health and beauty remains the dominant non-food category for grocers, despite its steady decline in share over the past decade. Grocers have improved their health and beauty coverage through range expansion - particularly into the premium end of the market - and by introducing pharmacies to stores..."

## This new report will enable you to...

- **Assess the UK non-food competitive landscape across key categories** including clothing and footwear, electricals, homewares and health and beauty with this report's comprehensive analysis of market shares, pricing, ranges, distribution channels and product offerings.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including Asda, Morrison, Tesco, Sainsbury, Somerfield, The Cooperative and Waitrose.
- **Assess the growth potential and the challenges facing the key non-food in grocers retailers** with this reports in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report's actionable recommendations for how retailers must cope with the changing non-food in grocers retail market.

**Grocers non-food space allocation (%) 2006 and 2007**




Source: UK Non-food in Grocers 2007

"The chart above helps illustrate the importance Asda places on non-food, allocating around 50.0% of shopfloor space across both its superstore and hypermarket (Asda Wal-Mart Supercentre) estate. This figure is substantially higher than other leading grocers in part due to the George clothing label, which offers a considerably larger range than its rivals, and partly to Asda's extensive coverage of other non-food categories..."

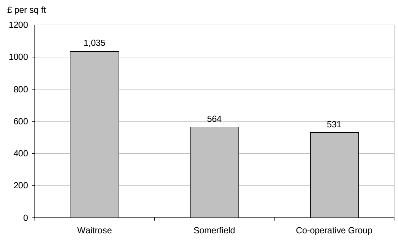
## Key issues examined in this report...

- **Continued growth of non-food sales space.** A key driver of the grocers' rapid non-food sales growth in recent years has been the expansion of sales space. However rapid space growth over the last ten years has led to an inevitable slowdown in new store openings.

- **New channel development.** With the current levels of space growth unlikely to be matched in the coming years grocers are looking at more innovative ways in which to grow both their food and non-food sales. While grocers originally focused the online channel for the sale of food products, they soon began to offer expanded non-food ranges to customers online.

- **Clothing offers are a key battleground.** The development of grocery retailers' clothing offers has been a core feature of non-food development in recent years. Grocers are keen to get a foothold in this competitive market for a number of reasons. The key factor is that it is the second largest market by value in the UK valued at over £37bn in 2005.

**Smaller leading grocers sales density comparison 2006/07e**




**Source: UK Non-food in Grocers 2007**

"Waitrose significantly outperforms its rivals, the Co-operative Group and Somerfield with a sales density of £1,035. This marks a solid improvement on the previous year's £935 per sq ft and falls just shy of Tesco, Asda and Morrison, but is higher than the £989 achieved by Sainsbury in 2006/07..."

## Your questions answered...

- What are the key issues affecting UK non-food retailing through the grocery channel?

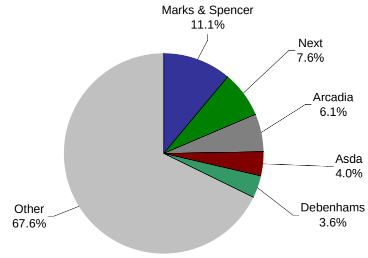
- Which UK grocery retailers will be driving non-food growth over the next five years?

- What are the key drivers of growth in UK grocery non-food retailing?

- Which non-food sectors will be outperforming the UK non-food market through the grocery channel over the next five years?

- What developments are likely to happen in UK grocery non-food retailing market?

**Leading clothing retailers by market share 2006**



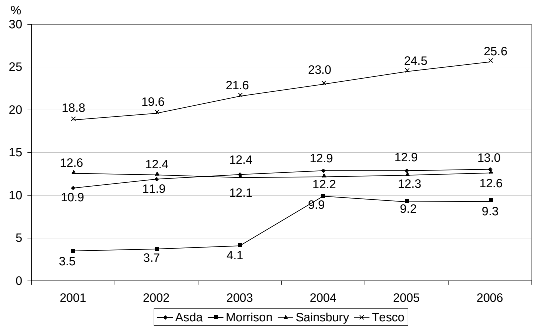

**Source: UK Non-food in Grocers 2007**

"Marks & Spencer is the UK's largest clothing retailer. In 2006, its market share stood at 11.1%, an improvement of 0.4 percentage points on the previous year. The retailer's turnaround continues apace and, despite tough comparatives from 2005/06, the financial results for 2006/07 make for encouraging reading..."

## Sample information from 'UK Non-food in Grocers 2007'

## Chapter 2: Leading Company Comparisons

**Figure 6: Leading grocers share of UK grocery market 2001-2006**




Source: UK Non-food in Grocers 2007

### Market Shares

- The leading grocers' market share chart depicts the unassailable lead Tesco has built in the UK grocery market. Standing at 25.6% in 2006, the retailer's market share is equal to Asda and Sainsbury combined. Tesco added 1.1% share over the year, significantly outpacing its closest rivals as it delivered strong like-for-likes and increased its space ahead of the competition.

- Sainsbury delivered a 0.3 percentage point improvement in market share during 2006 to 12.6%, due to strong sales momentum throughout the year.

- Asda and Morrison failed to make an impact on the market during 2006, each edging forward a marginal 0.1 percentage points to 13.0% and 9.3% respectively. Despite delivering robust like-for-like growth in 2006, neither Asda nor Morrison increased their floorspace by a significant margin and subsequently failed to make considerable gains in market share.

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**Order this report today to find out more...**

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