

THINK RETAIL THINK VERDICT



European Grocery Retailing 2009

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About Verdict Research

Authorative analysis...

Verdict's analysts and consultants work closely with retailers, suppliers, consultancies, investment banks and property companies to identify the key issues, sector and company data and strategies driving the changing retail market.

Our research identifies how retailers can enhance product, store and brand performance as well as the factors that determine future retail success. Our specialist in-store auditing team continuously collects price and product data across locations, brands, fascias, ranges and retail sectors.

Rigorous research methodology...

Our in-house retail expertise and rigorous research methodology ensure our reports provide complete and accurate analysis of the major players, issues and trends together with a detailed examination of the strategic implications for the retail market.

For key players in the retail industry, our reports are the first source of information on sector forecasts, retailer performance, store and product portfolio developments and trading strategy.

Global, European and UK analysis across nine core sectors...

Verdict Research reports covers nine core sectors, five year forecasts, strategic issues, key locations, How Britain Shops consumer surveys and the main European retail markets. Also available are a daily news service, weekly newsletter and tailored consultancy portfolios to suit individual business information needs.

Over 20 years of experience...

Verdict Research is the UK's leading authority on retailing and publishes unrivalled independent analysis of the retail industry. With over 20 years' experience, Verdict has close relationships with major UK retailers and access, at the highest level, to key executives working in the top 300 retailers to hear their first hand views. Verdict reports provide clients with a complete picture of the retail sector and unique forecasts to help UK retailers, manufacturers, service suppliers, city analysts, consultants and the media with strategic planning.

A key source for independent analysis and comment...

Verdict Research is regarded as a key source by the BBC, ITV, Sky News and the UK's leading broadsheets including the FT, Times, The Independent and Daily Telegraph. Leading trade publications often refer to Verdict's opinion and research including Retail Week, Drapers, DIY Week, Cabinet Maker and The Grocer.

In addition Verdict regularly appears in the international media. News sources quoting Verdict analysts and data include CNN, the International Herald Tribune, The Australian, Los Angeles Times, and New York Times.



"Verdict are the company of choice for any research analysis and insight into retailing"

Sir Stuart Rose
Executive Chairman
Marks & Spencer

European Grocery Retailing 2009

2008 was a very good year for the grocery sector. As prices rose, grocers reported healthy top and bottom line figures. Food inflation ran at unprecedented levels, and enabled retailers to prop up their cash profits. The situation has now reversed. Verdict believe that going forward we are going to see falling prices in EU grocery retailing and 2009 will be a tough year for the sector

European Grocery Retailing 2009 is a new report published by Verdict Research that provides a detailed and extensive examination of the EU grocery market with data on all 27 countries. It includes comprehensive analysis of the five largest markets and strategic insight into the ten largest EU grocery retailers by market share.

Detailed market analysis on

- France
- Germany
- Italy
- Spain
- UK

Identify the fastest growing markets and understand the strategic issues faced by European Grocery retailers with this new report...

Country	Sales Density (€ per sq m)
UK	12,133
Luxembourg	7,446
France	7,297
Netherlands	6,971
Denmark	6,940
Belgium	6,824
Sweden	6,668
Ireland	6,341
EU average	5,867
Italy	5,805
Spain	5,608
Poland	5,214
Austria	4,738
Germany	4,730
Slovenia	4,672
Greece	4,622
Portugal	4,286
Latvia	3,812
Lithuania	3,232
Estonia	3,191
Slovakia	3,110
Hungary	3,108
Poland	2,932
Czech Republic	2,937
Malta	2,776
Cyprus	2,773
Romania	1,957
Bulgaria	1,289

Source: European Grocery Retailing 2009

“With a sales density of €12,133 per sq m UK grocers achieved a ratio approaching double France’s €7,446 per sq m and three times higher than Germany’s at €4,730 per sq m. Also, among the elite of European grocery retailing, Tesco emerged as the European champion measured on this benchmark...”

- **Identify the fastest growing European grocery markets** with 5 year historical data including market shares, sales, profits, sales densities, space allocations, space growth and store portfolios for 2003-08.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including Ahold, Aldi, Carrefour, E.Leclerc, Edeka, Auchan, ITM, Rewe, Schwarz and Tesco.
- **Assess the growth potential and the challenges facing the key European grocery retailers** with this report’s in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report’s actionable recommendations on how retailers must cope with the changing European grocery market.

European Grocery Retailing 2009

This report answers key questions including...

- Who are the leading EU 27 grocery retailers and what makes them successful?
- What EU markets offer the most potential for growth and why?
- Which EU countries have the highest grocery sales densities?
- How are the largest EU grocery markets changing and what are the key issues affecting EU grocery retailers in these markets?
- What is the impact of growth in value retailers on the EU grocery market?

Key Market Data 2003-08

EU 27 Grocery sector by country

Sales, space, store numbers

Top 3 shares of France, Germany, Italy, Spain and the UK

Sales densities

Extensive profiles of Europe's Top 10

Key issues examined in this report...

Opportunities for grocery retailers 2009



Source: European Grocery Retailing 2009

“Despite all the doom and gloom there are still opportunities in the market. Significant chances lie in ramping up private label development, gaining more efficiencies in buying and supply chains, cutting unnecessary costs, lateral diversification and in green retailing. Retailers with the necessary financial muscle should not let this crisis go to waste without emerging far stronger from it. In this sense further internationalisation could also offer significant opportunities...”

- **M&A activity has come to a virtual standstill due to the effects of the credit crunch.** As credit has been tightened, the financing for any major deal is simply unavailable. There are clear opportunities out there at the moment, but there is little appetite for risk on the parts of the financial community or the retailers.
- **The other major influence on the downward spiral of prices will be discounters and the influence they exert on price.** Hard discounters depress sales and margins for their competitors, wherever they compete. As the discounters’ business model is built on high quality food at low price, incumbent players have to react – usually they do so by lowering prices, opening up a downward spiral.
- **One obvious reaction to the downturn is the impulse to cut costs in anticipation of further tough times ahead,** retailers should be extremely careful not to endanger the service provision by blanket staff cuts. Cost-cutting should be targeted with pin point accuracy.

European Grocery Retailing 2009

Pages 291

Figures 53

Tables 78

Chapter 6: Strategic Issues

Six Victims of Circumstance

- Real estate bubbles have burst, credit availability is curbed and unemployment is rising again. As a result customers have become cautious. In grocery we believe there are six main victims of circumstance. The credit crunch and the ensuing onset of the global recession have claimed the scalps of organics, non-food in grocers, M&A activity, format diversification, further internationalisation and sale & leaseback deals.

Decline in Organics

- Many – though not all – retailers across the EU have reported that sales growth figures of organics and health & wellness products have fallen back, simply due to the fact that consumers cannot afford them any longer. If these products were offered at lower price points the problem would not be as acute. While sales of organics are still growing in most markets, the sales growth figures have fallen back from the recent high double digits to low single digits. Some countries such as the Netherlands and Germany are holding up better than others (UK).
- Organics is one of the first areas we expect to recover in the post credit crunch era, once the general economic outlook improves. This will be partly driven by big multiple chains and their marketing campaigns but more fundamentally by the long term underlying drivers, as customers perceive health benefits and the environmentally friendly aspects of organic food and rate these higher than conventional food stuffs.

Non-food

- Secondly non-food, seen as a major panacea in recent years – as a footfall driver and a high margin product – has turned into a curse. As wage inflation has crept into China (as every economic model has predicted with international trade raising living standards), goods have become much dearer. The other issue concerns exchange rates with the US\$. This is especially relevant for retailers based in countries that have stayed out of the euro.
- With the decline of sterling, sourcing goods from abroad has become much more expensive for UK players virtually overnight. As consumers feel the pinch, retailers in these non-food sectors are squeezed to the hilt. That said, the euro offers some respite but as the dollar remains the lead currency for non-food items everyone in the EU feels the chill to varying degrees.

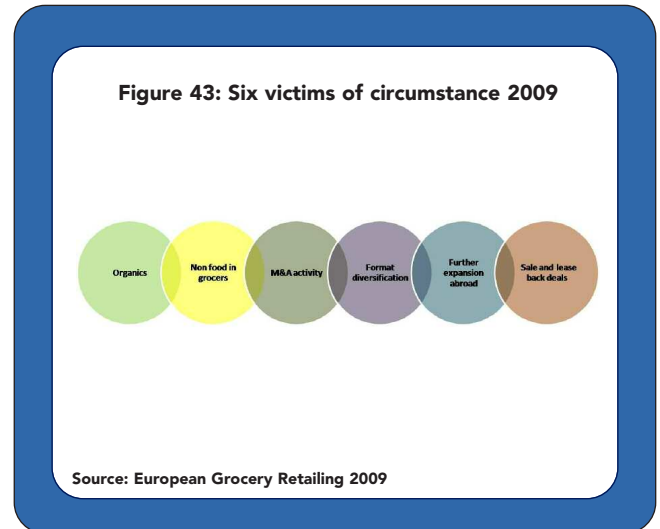


Table of contents

European Grocery Retailing 2009

CHAPTER 1: EXECUTIVE SUMMARY

CHAPTER 2: EUROPEAN MARKET – ECONOMIC OVERVIEW

- Key Findings
- Main Messages
- GDP
- Consumer Expenditure
- Inflation
- Interest Rates
- Employment

CHAPTER 3: EUROPEAN MARKET – DEMOGRAPHIC OVERVIEW

- Key Findings
- Main Messages
- Trends
- Growth by Country
- Age Breakdown
- Consequences for Retailers
- Households
- Urban Population

CHAPTER 4: EUROPEAN MARKET – RETAIL SPENDING

- Expenditure
- Growth
- Per Capita
- Retail Share

CHAPTER 5: GROCERY RETAILING IN THE EU

- Grocers Sales
- Grocers Space
- Sales Densities
- Grocers Stores Numbers
- Average Stores Sizes

CHAPTER 6: STRATEGIC ISSUES

- Deflation the Major Threat
- Discounters and the Reaction Depress Prices Further
- Threat of Deflation in Wider Economy
- Six Victims of Circumstance
- Decline in Organics
- Non-food
- M&A Activity Virtually Stops
- Expansion Abroad Cut Off
- Format Diversification on Back Burner
- Sale and Leaseback Deals Dry Up
- Opportunities
- Private Label Response
- Buying Groups
- Target Cost Cutting
- Diversify Laterally
- Stay Green
- Be International – in a considerate and careful manner

CHAPTER 7: GROCERY MARKET IN FRANCE

- Recent Developments & Trends
- Shares of Grocery Retailers in France
- Outlook for Grocery Retailing in France

CHAPTER 8: GROCERY MARKET IN GERMANY

- Recent Developments & Trends
- Shares of Grocery Retailers in Germany
- Outlook for Grocery Retailing in Germany

CHAPTER 9: GROCERY MARKET IN ITALY

- Recent Developments & Trends
- Shares of Grocery Retailers in Italy
- Outlook for Grocery Retailing in Italy

CHAPTER 10: CLOTHING MARKET IN SPAIN

- Recent Developments & Trends
- Shares of Grocery Retailers in Spain
- Outlook for Grocery Retailing in Spain

CHAPTER 11: CLOTHING MARKET IN THE UK

- Recent Developments & Trends
- Shares of Grocery Retailers in the UK
- Outlook for Grocery Retailing in th UK

CHAPTER 12: COMPANY COMPARISONS

- Overview

CHAPTER 13: AHOLD

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 14: ALDI

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 15: CARREFOUR

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

Table of contents

European Grocery Retailing 2009

CHAPTER 16: E LECLERC

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 17: EDEKA

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 18: GROUPE AUCHAN

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 19: ITM ENTREPRISES

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 20: REWE

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 21: SCHWARZ GRUPPE

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 22: TESCO

- Company Overview
- Recent Key Developments
- Sales Performance
- Store Portfolio
- Benchmarks
- Outlook

CHAPTER 23: GLOSSARY

TABLES & FIGURES (ABRIDGED)

- Consequences of population change for retailers 2008-18
- EU Top 6 retail expenditure & growth 2002-07e
- EU retail expenditure (€30.0bn+/-) & growth 2002-07e
- EU grocers sales & sales growth by country 2003-08
- EU grocers selling space & space growth by country 2003-08
- EU grocers store numbers & growth by country 2003-08
- Retail Snapshot, sales breakdown, change % sales by format & market share 2002-07e for: France, Germany, Italy, Spain & the UK
- Leading European grocers sales, market shares & sales densities 2007
- GDP Top 10 countries in EU & other EU17 countries (€100bn+/-) 2007
- GDP growth forecast of Top 10 EU countries & growth forecast of other 17 EU countries (€100bn+/-) 2008/09
- Consumer expenditure of Top 10 EU countries & of other 17 countries in EU (€50bn+/-) 2007
- Harmonised Index of Consumer Prices growth of Top 10 EU countries & of other 17 EU countries (3.0%+/-) 2006/07
- Central bank interest rates, official average lending rates 2007
- ECB interest rates 2002-08
- Total unemployment rates of Top 10 EU countries & of other 17 EU countries (6.0%+/-) 2002/07
- 10-year trends in total EU population growth 2008-48e
- EU population totals (000) by country 2008
- Forecast population growth (%) for the Top 10 countries in EU by GDP & for other EU countries 2018 vs 2008
- Comparison of EU age groups 2008/18
- Top 10 EU by GDP & household numbers & other EU countries household numbers & average household size (2005)
- Comparison of EU countries by urban population % Top 10 EU by GDP & other EU countries 2007
- EU27 & 10 CEE new member states retail spend & change % 2002-07
- Growth in EU27 retail spend by country 2007 vs 2002
- EU per capita retail spend 2002-07
- EU27 per capita retail spend by country 2007
- EU retail spend as % of total consumer expenditure 2002/07
- EU27 spend via grocers per capita by country 2008
- EU grocers sales 5-year growth rates by country 2003-08
- EU27 grocers sales densities 2008
- Change % in grocers sales densities EU 2008 vs 2003
- EU27 grocers average store size 2008
- EU HICP – monthly food price change Jan 2007-Oct 2008 (y-o-y)
- Oil spot price FOB weighted by est. export vol (\$/ barrel) – monthly Jan-Nov 2008
- Opportunities for grocery retailers 2009

