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UK Non-Food in Grocers 2009

Evolving the offer to outperform the non-food market

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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.

> **"Verdict are the company of choice for any research analysis and insight into retailing"**
>
> **Sir Stuart Rose**
> Executive Chairman
> Marks & Spencer

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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.

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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.

UK Non-Food in Grocers 2009

Evolving the offer to outperform the non-food market...

Although achieving non-food growth is becoming much tougher and maturity is on the horizon, at present non-food development remains very much a core focus of grocers' strategies. In order to maintain non-food growth, as many sectors suffer dismal performance as a result of the deteriorating macro-economic conditions, the grocers are adapting their strategies. They are re-balancing their priorities in non-food, looking at new ways of growing space and, most importantly, developing their multichannel credentials.

UK Non-Food in Grocers 2008 is a new report published by Verdict that offers a unique insight into the UK non-food retail market paying particular attention to non-food sales made through the grocery channel. It looks at the major retail sectors that UK grocers participate in, as well as the major UK grocery non-food retailers.

Key Product Markets

Clothing & footwear

Electricals

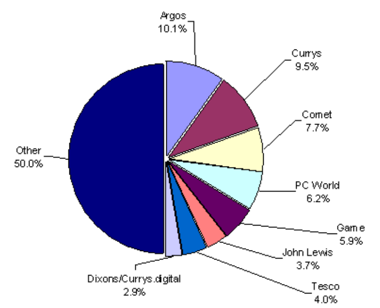
Health & beauty

Homewares

Music & video

Benchmark the performance of the UK Non-food market and understand the key issues and drivers of the market with this new report...

Leading electricals retailers by market share 2008e



Source: UK Non-Food in Grocers 2009

"2008 saw the grocers continuing to make electricals a priority within their non-food offers, driving increasing space allocation and range expansion to propel their market shares, and become evermore important players in the electricals market. Tesco and Asda have been the driving force behind this improvement, as they have improved the depth of their ranges – especially at in the better and best sections of the market..."

- **Benchmark your performance against major UK players across key categories** including clothing & footwear, electricals, homewares and health & 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 UK retailers including Asda, Co-operative Group, Morrison, Sainsbury, Somerfield, Tesco and Waitrose.
- **Assess the growth potential and the challenges facing the key UK 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 UK non-food in grocers retail market.

UK Non-Food in Grocers 2008

This report answers key questions including...

- Which UK grocery non-food retailers will be driving non-food growth over the next five years?
- What are the key issues affecting UK non-food retailing through the grocery channel?
- Which non-food sectors will be outperforming the UK non-food market through the grocery channel over the next five years?
- What are the key drivers of growth in UK grocery non-food retailing?
- What developments are likely to happen in the UK grocery non-food retailing market?

Key Market Data

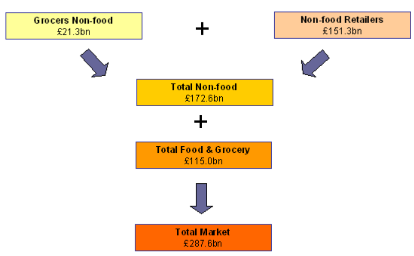
Non-food space allocation of the Big Four Grocers

Leading grocers' market shares of major non-food markets & retailer comparisons

Grocers sales in each major non-food market vs total expenditure in each major non-food market

Key issues examined in this report...

Summary of the UK retail market 2008e



Source: UK Non-Food in Grocers 2009

"In 2008, Verdict estimate the total non-food market in the UK at £172.6bn, up from £172.2bn in the year before. Non-food retailers – such as specialists, department stores and general merchandisers, make up the majority of this spend at £151.3bn, down from £151.9bn in 2007. Grocers' share of the total non-food market amounts to £21.3bn, up from £20.3bn in 2007..."

- **Pressure on the high street specialists.** With growth in most non-food markets set to slow over the next few years and with grocers set to outperform in a number of areas, high street players and other specialists will be subjected to intense competition.
- **Harder to achieve growth in UK non-food market.** Having seen share of the non-food market growing massively over the past ten years, from 6.7% in 1998 to 12.3% in 2008, the grocers are beginning to find growth more challenging. In 2008, growth slowed significantly from 8.4% in 2007 to just 5.8%. Despite this decline, the grocers still have 0.5 percentage points of non-food share in 2008.
- **Dedicated non-food stores.** Rollout of both 'Asda Living' and 'Tesco Homeplus' stores has continued in 2008 with plans to increase numbers going forward.
- **Ranges and pricing strategies.** Grocers and specialists have grown or edited ranges and altered price points in each of the major sectors over the past year.

Chapter 2: Clothing & Footwear - Pricing architecture

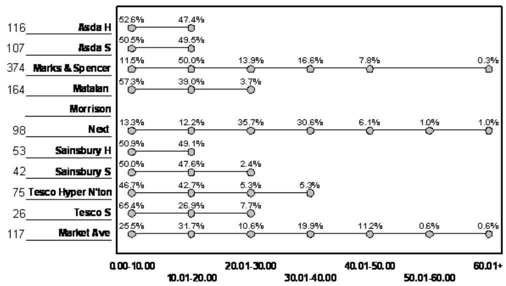
Price points of key products

- Despite advances among grocers in stretching their price architectures, price remains central to their propositions. As such, maintaining low entry price points is essential to communicate a strong price message.

Womenswear

- Over the last year, grocers have done much to enhance and expand their womenswear range – exploiting the continuing trend of high demand for value fashion. In addition there has been much range simplification, with Asda dropping 'must have' and 'fast fashion' sub branded lines as it targets young families. Sainsbury has introduced petite and plus-size sub brands, while enhancing its lingerie range. Tesco has continued to add to its range, and its once clear architecture is becoming muddled and confusing with too many brands and sub brands.

Figure 10: Womenswear price architecture and choice 2008



Source: UK Non-Food in Grocers 2009

Menswear

- Though the focus for the majority of grocers has been on enhancing their womenswear ranges, menswear has not been neglected. Asda for example has introduced a new brand Boston Crew – targeted at middle aged men. Moreover, all the grocers have focused their attention on formal and smart fashion in menswear, enhancing suits and formal shirts. With men placing more emphasis on premium, high quality fashion, gaining a share of menswear sales is becoming increasingly challenging for grocers and is the reason for a greater focus on quality in menswear.

Leading Companies Clothing & Footwear Product Offers

Asda

- George at Asda is the leading supermarket fashion brand, with 4.0% of the clothing market and 3.7% of the clothing & footwear market in 2008. As at September 2008 George clothing was sold in 347 UK stores, including 16 Asda Living branches. Despite its success, in the last few years Asda has seen its lead challenged by the rise of Tesco and the increasing involvement of Sainsbury in non-food, and by budget clothing retailers like Primark. In response to this increased level of competition, managing director Anthony Thompson has set George the target of reaching £2.5bn in global sales by 2011, a 25.0% increase.

- As part of the strategy implemented by Anthony Thompson, more focus is being given to broadening the appeal of the George range and converting more Asda shoppers to the brand. The reliance on promotions is being reduced, while the entire range is being put online as part of Asda Direct – launched in October 2008. In addition, the decision was taken in March 2008 to close the standalone George stores and grow the brand through the core Asda store network, including Asda Living and Asda Direct.

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