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Retail Christmas trading performance review

Overview
Performance amongst the top four UK retailers has been a mixed affair over the Christmas period. Whilst Tesco have posted the largest increase in like for like sales, at 1.8% (ex fuel) for the six weeks leading up to 5th January 2013.

Analysts have claimed that Sainsbury's are the more worthy winners. Sainsbury's have posted a 0.9% (ex fuel) increase in like for like sales for the 14 weeks to the 5th January 2013.

Kantar have reported that both retailers have performed well across the period and have 'posted identical growth rates of 3.9% and market shares for both remained unchanged from a year ago.'

Online purchases have been a frequent option for consumers during Christmas. All of retailers who have an online presence have seen significant growth rates within this area. Analysts have reported that online trading grew by more than 15% in the 14 weeks to January 5th 2013.

This increased need for convenience from consumers can also been seen in the popularity of 'click and collect' services. This service allows consumers to order products online but collect them in store at their convenience. Tesco have stated that they saw 5% of the more than half a million orders placed in the week before Christmas, collected through its 'Click & Collect' service

The trading environment within the retail sector continues to be a tough and much of the brunt of this has been born by Morrison's over the festive period. As the only retailer, to see a decline in like for like sales (2.5%) over the festive period, the business is looking to re-align itself to consumer needs. The sector continues to see a demand for convenience and online retailing, area's the Morrisons business has not yet ventured into.

Throughout the festive period the retail market continued to see strong performances of both the premium and discount ends of the market. Waitrose, Aldi, Lidl and Iceland have all posted strong performances in sales. Analyses have put this polarisation in the market place, down shoppers seeking 'value for money'. To achieve this consumers are shopping little and often at a range of different retailers.

Kantar explain that 'consumer spend levels were widely anticipated to drop this year. While 47% of shoppers did reduce their spend in the lead up to Christmas, 48% of shoppers increased their spend by 4.5% (the rate of inflation) showing that 'two nations'' effect continuing.' This has become a key feature of the UK grocery sector.

All of the UK's top retailers have stated that they expect the trading environment within 2013 to continue to be a challenge. This is likely to lead to aggressive promotional activity from the retailers in a bid to buy the attention of consumers, who continue to be price sensitive and thrifty in their purchases.

Tesco

Tesco have seen a turn in fortunes, over the Christmas period they have reported an increase in sales of 1.8% (excluding fuel) for the six weeks leading up to 5th January 2013. This has helped the business see a 4.3% (excluding petrol) growth in overall sales. This is a stark comparison to the profit warning they issues in January 2012.

Philip Clarke, Chief Executive has stated ‘further improvements in our food business in-store and a strong contribution from online’ has helped the business to see an improvement in sales at the tills. The online market continues to be a strong area for Tesco who have seen an 18% growth in online sales across the period.

The trend of a market of ‘two halves’ has been echoed in Tesco own brand products. It is reported that both Finest and Everyday Value lines, outperformed the business as a whole.

Clarke has stated that Tesco are ‘just nine months into the implementation of the Tesco six-part plan, which is about Building a Better Tesco in the UK for the long-term.’ This means we are likely to continue to see changes from the retailer over the next 12 months. The Food Chain Unit are already aware that Tesco plan to recruit a new agricultural team and hope to meet with them in the near future.

Clarke’s outlook for the future remains cautious but he has stated, there will be ‘further improvements for customers in 2013.’

Asda

Owing to its structure (Walmart-owned and not listed on the London stock exchange), Asda has not published a formal Christmas trading statement, however Kantar World panel has reported that Asda’s market share has fallen by 0.2% to account for 17.7% of the grocery market.

Analysts have stated that the retailer is likely to have had an average Christmas and have added that Asda need to broaden its appeal and build its ecommerce proposition.

Sainsbury’s

Sainsbury’s total sales for third quarter are up 3.3% (excluding fuel), this has been aided by an increase of 0.9% in like for like sales (excluding fuel) for third quarter.

This growth has come off the back of the back of a successful 2012 for Sainsbury’s, who have seen 32 consecutive quarters of growth and now account for 17.1% across the period.

Analysts have commented that Sainsbury’s have been able to buck the trend of its competitors by developing clear messaging and an established strategy. The retailer has been able to successfully steer between delivering good quality food and promoting compelling value for money messages to consumers.

Sainsbury’s have stated that they have seen an increase in ‘budgeting’ from consumers. The retailer’s figures show that cheaper own-brand products have grown in popularity and that consumers have been cashing in on their Netar point’s, during the Christmas period.

The Sainsbury’s business continues to grow and the retailer has added 496,000 square feet of new space, which has been made up of 6 new supermarkets and 5 store extensions within their third quarter.

Justin King, Chief Executive, has stated that ‘he expects the challenging economic backdrop to persist’ and expects consumers to continue ‘to re-balance their household budget.’ Sainsbury’s plan to help customers with these challenges through their ‘on-going commitment to great food, Brand Match, competitive pricing and targeted promotions via Nectar and coupon-at-till.’ Overall this is likely to mean an increase in promotional activity from the retailer in 2013.

Morrisons

Morriosons have suffered the most out of the UK's 'big four' over the Christmas period. The retailer has described the trading environment as 'challenging'. As a result the retailer has seen like for like sales decline by 2.5% (excluding fuel) for the 6 weeks to the end of December. Whilst this performance was not as poor as some analysts had predicted, it falls below the expectations of the business.

The decline in like for like sales for Morrisons was worse than the 2.1% reported in the previous quarter, despite the six week period containing an extra day compared to 2011 pre-Christmas trading.

Analysts have stated the Morrisons has suffered due to a number of reasons these include, a small convenience sector, not having a prominent voucher deal, many of which including Sainsbury's Brand Match and Tesco Price Drop have been successful with its competitors. In addition Morrisons has not developed an online grocery offering, an area which has seen substantial growth for its competitors.

Dalton Philips, Chief Executive, has stated that the business must improve their 'promotional innovation and the communication of their points of difference' in addition he has highlighted the pressing need to accelerate the development of 'other channels, such as online and convenience.'

Morrison's announced that they are signing dueo Ant and Dec, to front its new advertising campaign in a bid to lift sales. It is likely that we are going to see a shift in Morrison's in the next 12 months; the business is going to have to become more aggressive with promotions and extend its offerings to the online market.

Looking ahead, Finance Director, Richard Pennycook said 2013 would again be 'very tough' for consumers and therefore trading would remain difficult for the retailer. Despite this the Morrison's Board believes that the full year performance will be broadly in line with its expectations.

The Co-operative

The Co-operative Group has reported 'good' trading results for the three weeks ending 5th January. Across this period the retailer has seen a 2.2% increase in like for like sales (inc. VAT, exc fuel) within their food stores. These results come off the back of a strong performance for the retailer in 2011, showing the retailers increased prominence within the market place.

This growth has been predominantly driven by the retailer's large presence within the convenience sector. The Co-operate saw like for like sales in this area grow by 5.5% over the three week festive period which its results cover.

The Co-op has sighted that seasonal fresh produce, sales increased across the period. The retailer saw a 17% increase in sales for fruit, prepared vegetables and vegetable medleys.

The Co-operative Group, Chief Executive, Peter Marks said: 'These results represent a really encouraging and resilient performance in some of the most testing trading conditions for 40 years'

Despite this positive performance it has been announced this week that The Co-op will be launching a 5 year 'future food' strategy to focus on getting the retailers food offerings 'back to basics.' This is likely to include new format stores and new ranges. This may bring the opportunity to increase the prominence of British branding and products within stores.

Looking at the outlook for the future, Marks views that the year ahead will be 'very challenging' but he expects the business to 'continue making progress.'

Waitrose

Waitrose has claimed that it has had the 'busiest new year trading period in its history.' The retailer has seen like for like sales from the 4th November to 24th December rise by 4.3%. In the 12 days leading up to the 31st December totally sales surged, to reach a record £300m.

Waitrose Managing Director, Mark Price, put the retailers strong performance down to 'the combination of inspiring celebratory food and drink together with great value and offers.'

Analysts have stated that Waitrose have benefited from exclusive ranges such as Dutchy Originals and celebrity endorsed products, such as the Heston Blumenthal's figgy pudding.

Waitrose have been able to position themselves to compete against the UK's largest retailers, through more promotions, Brand Price Match (which promises to match Tesco's prices on grocery brands) and their essential Waitrose range mean that shopper have been able to afford to do a greater percentage of their weekly shop with the chain.

Analysts have suggested that Waitrose has benefited from consumers looking for 'good value', which was not the same as items being cheaper. It is thought Waitrose customers are using food as a way of being indulgent.

As long as the 'two nations' effect continues it is likely that Waitrose will continue to see an improved performance.

M&S

M&S have reported a mixed report for the Christmas trading season, like for like sales across the business are down 1.8%. However food sales within M&S have bucked this trend, and seen a 0.3% increase in like for like sales for the 13 weeks to the 29th December.

M&S have stated that the food business continues to perform strongly. M&S hope that this trend will continue as they focus their strategy on innovation within the food sector.

M&S continue to reposition themselves as a multi-channel international retailer and have now opened stores in India and China. Going forward this may provide UK producers with opportunities.

Looking ahead Mark Bolland, Chief Executive, has stated that M&S expects 'pressures on consumers to continue in 2013' and will 'remain cautious about the outlook. '

Despite this M&S remain committed to developing an international business and plan to increase stores oversees.