

Non-food ranges drive the European food retailing market

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"Interestingly, the driver in the European food retailing market has generally been the development of non-foods. There has undoubtedly been an increase in the non-food ranges in the larger food retailers and so non-food products have become an increasingly important part of the overall food retailing scene. Leading the way is the UK, where Tesco and ASDA have developed strong, well-focused ranges which are attracting shoppers in their own right. The French hypermarkets have been destination stores for non-food products for many years, but they have still to develop truly strong non-food brands. Indeed, in the UK, spending on food grew by just over 3% in 2003, but grocers increased sales by over 4%. Although this may not sound much, it suggests that non-food sales at the market leaders grew by 10% or more during the year," comments Richard Perks, Director of Retail Research at MINTEL.

As food is a mature market, one might have expected food retailers to have been slowly losing share of all retail sales, but this has not been the case. What is more, MINTEL's research shows that in the last five years the sector has managed to increase its share of the wider retail market in all but four (France, Spain, Sweden and Denmark) of the 19 European countries covered in this report series. This is completely the reverse of the trend in the clothing sector, as the clothing sector had increased its share of all retail sales in just three countries.

France and Carrefour stay on top of their game

France has the largest food retail market in Europe, worth some 184 billion Euros in 2003, followed by the UK with 144 billion Euros. Next comes Germany (123 billion Euros), Italy (96 billion Euros) and Spain (72 billion Euros) and together these five countries account for over 70% of the European market.

Despite all the attention given to competition levels, food retailing at a European level is still very fragmented. Nonetheless, Carrefour continues to hold the top position, followed some way behind by Tesco. Not only has Carrefour retained its number one position, but its performance in recent years has been among the strongest. Tesco, Syst me U, Coop Italia, Waitrose and Casino also stand out for their above average growth rates. Tesco posted a 54% uplift in sales 1999 and 2003 on the back of a 65% increase in selling space. Meanwhile Wal-Mart Europe has turned in a 32% uplift in sales on a mere 10% increase in selling space, thanks entirely to its ASDA operation in the UK.

Interestingly Tesco is the only UK-owned food retailer in the top 10, with the rest (bar Wal-Mart, owners of ASDA at number 8) being either French - Intermarch  (3), Auchan (7), E Leclerc (10) - or German - Aldi (4), Edeka Group (5), Rewe (6), Schwarz group (9).***

The future is a mixed bag

In terms of nominal sales growth, MINTEL's forecasts suggest that the strongest performing sectors on a five year view are set to be Hungary, Poland, the Czech Republic, and Spain. For all of these countries we forecast sales growth of over 30% between 2003 and 2008. Two other Mediterranean markets, Portugal and Greece also have good prospects.

Over the next five years MINTEL forecasts that food retailers will increase their share of all retailing in eight countries - Belgium, Germany, Hungary, Italy, Netherlands, Poland, Portugal, and the UK.

"In the case of Hungary, Italy, Poland and Portugal the food retail sector is still fragmented and there is scope for the big multiples to continue growing, including their non-food sales. In Germany and the Netherlands the retail picture at large has been so poor in the last few years and consumer spending so depressed, that this has favoured the grocery sector. Given its largely non-discretionary nature we think this will continue to be the case in the short-term," comments Richard Perks.

"Meanwhile, two of the leading grocers in the UK, Tesco and ASDA, are among the country's most dynamic retailers. Although an economic slowdown is expected in the UK, in such circumstances, MINTEL believes that the food retailers should continue to prosper. Their good value for money and lower priced retail formats are ideal for a recession and we expect to see them continue to gain market share," adds Richard Perks.

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