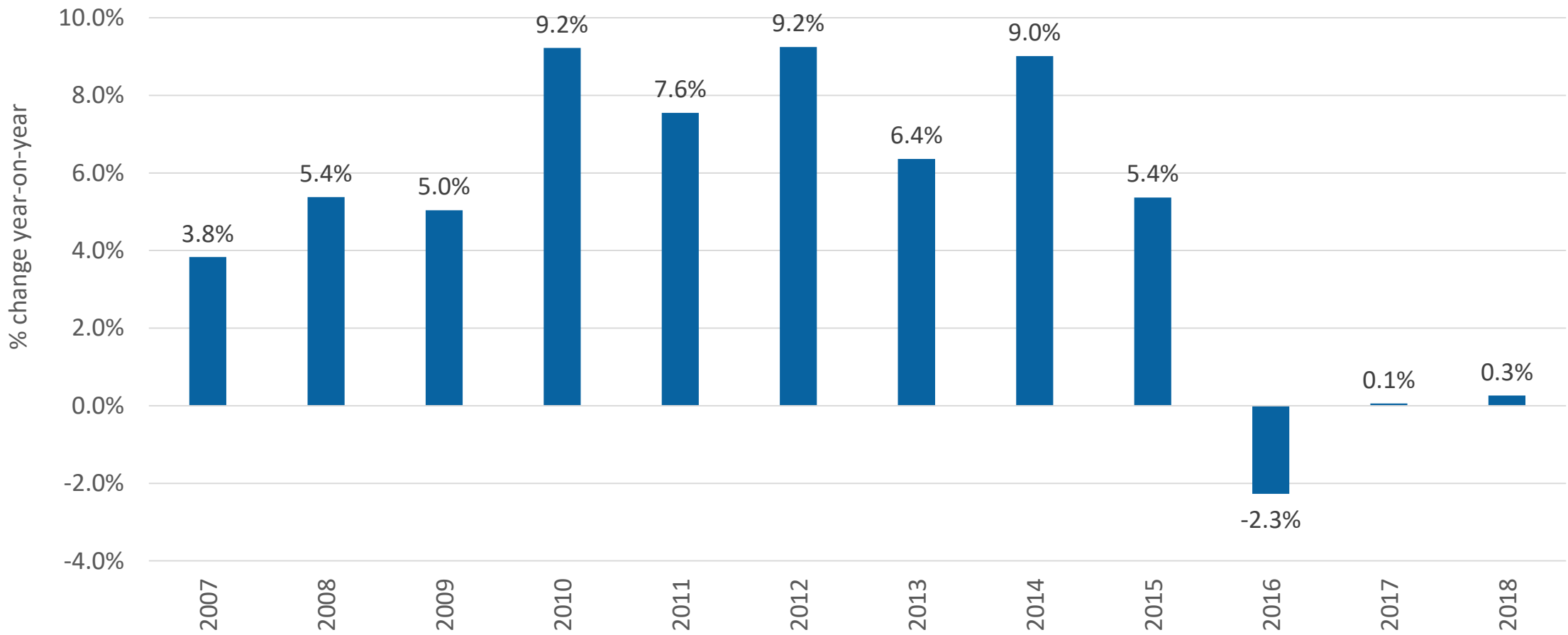


Structural changes in food and grocery market and the potential impact of Brexit

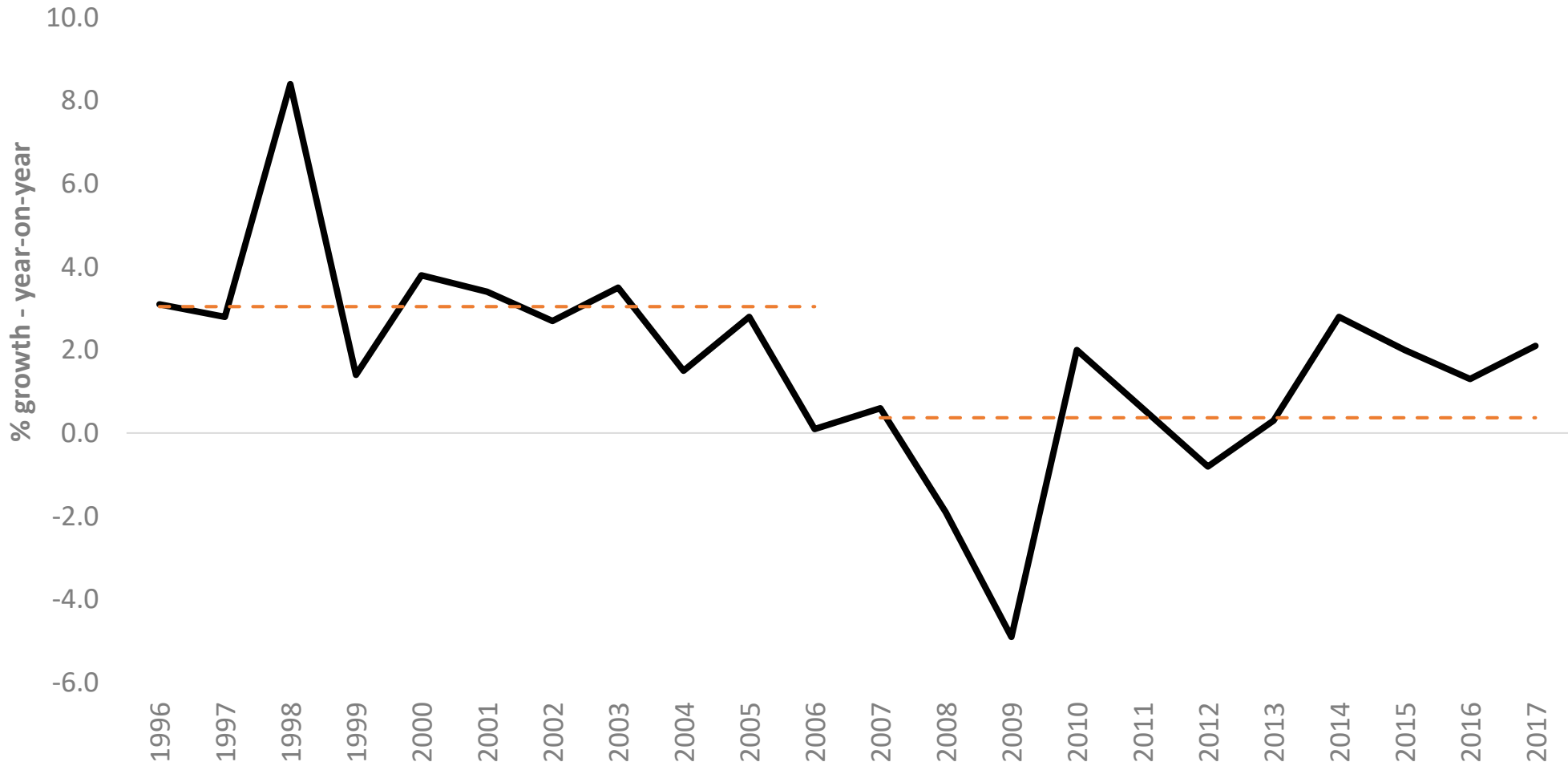
Richard Lim, CEO, Retail Economics

There was significant growth in the number of food stores throughout the UK…



Source: Retail Economics, Company reports

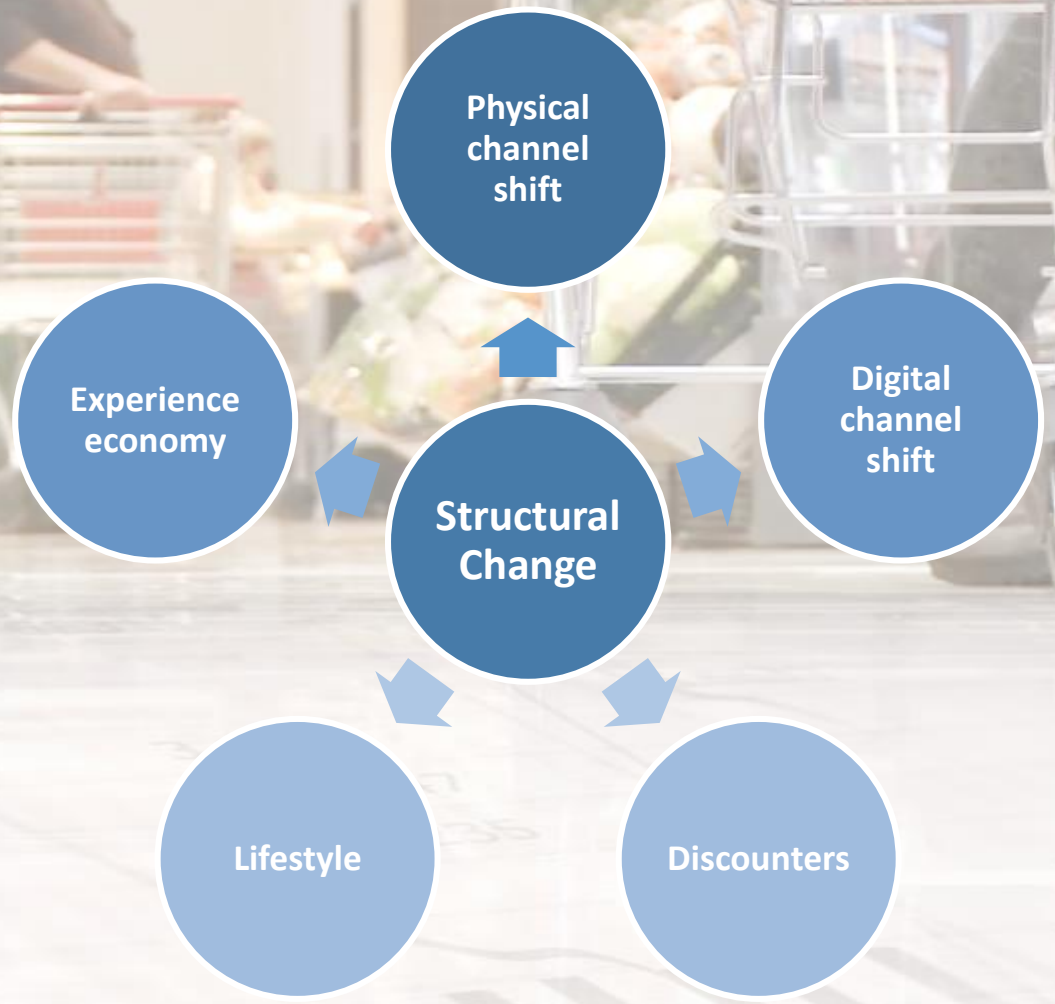
A reduction in household disposable income put a focus on value…



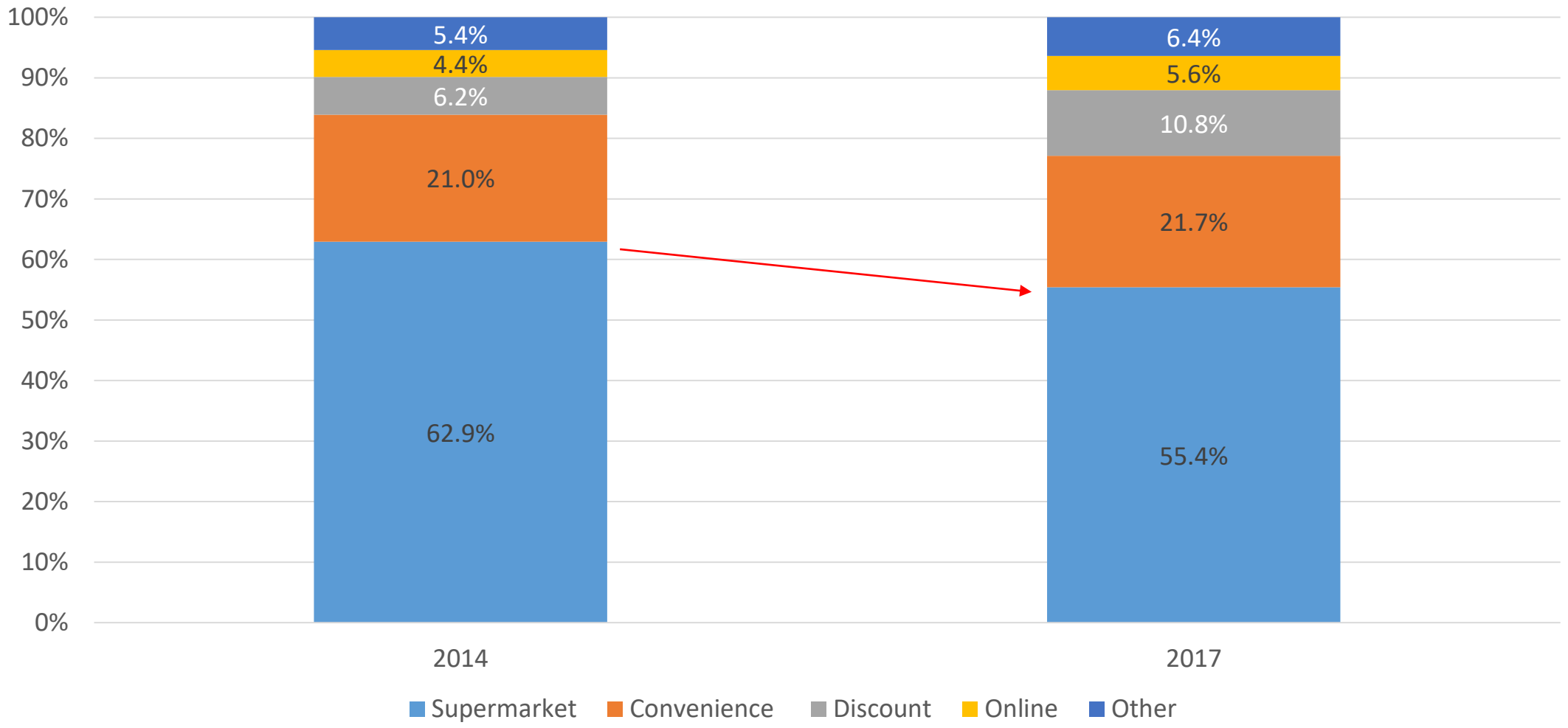
Source: Company reports

Consumer-driven structural changes

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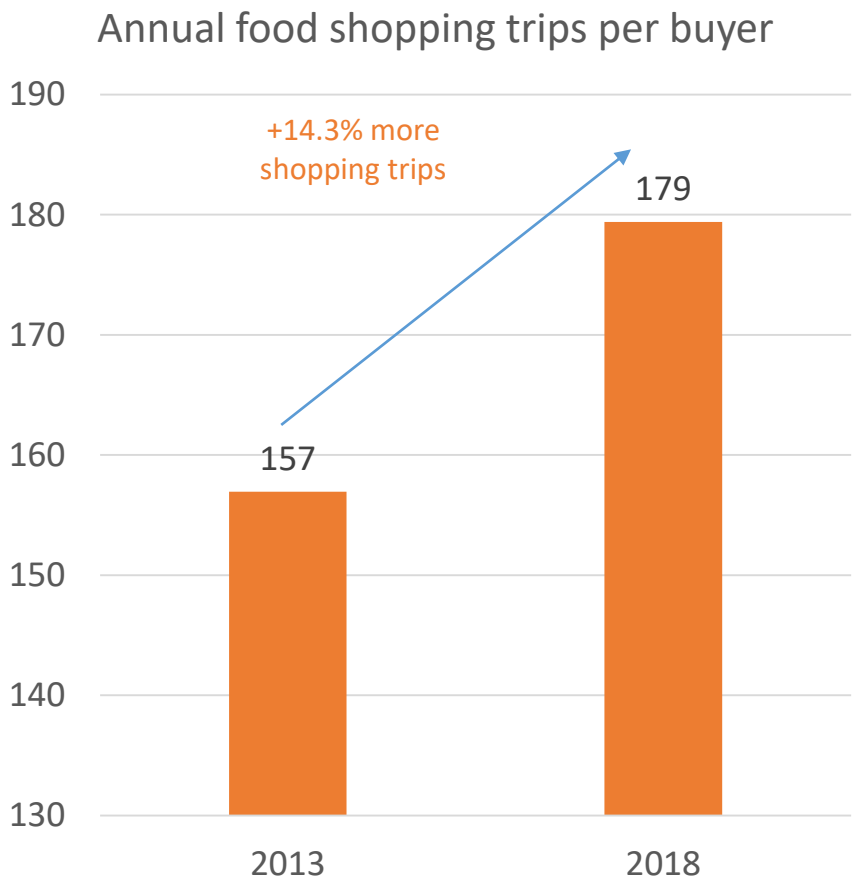


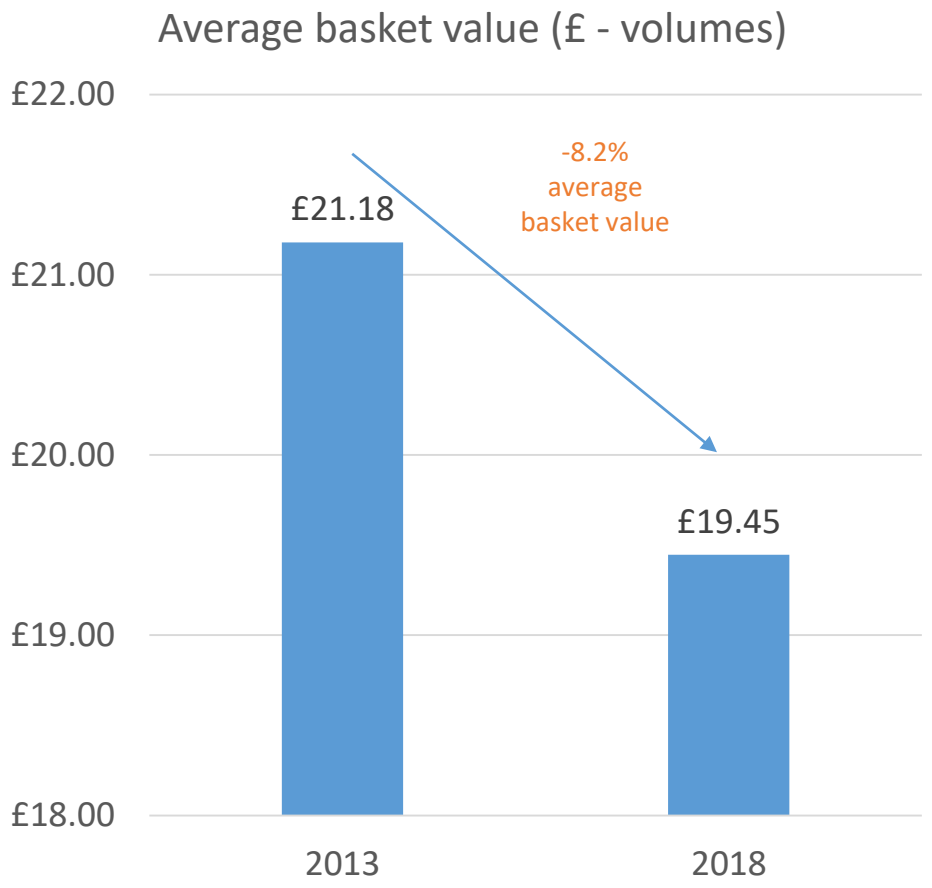
Physical channel shift



Source: IGD

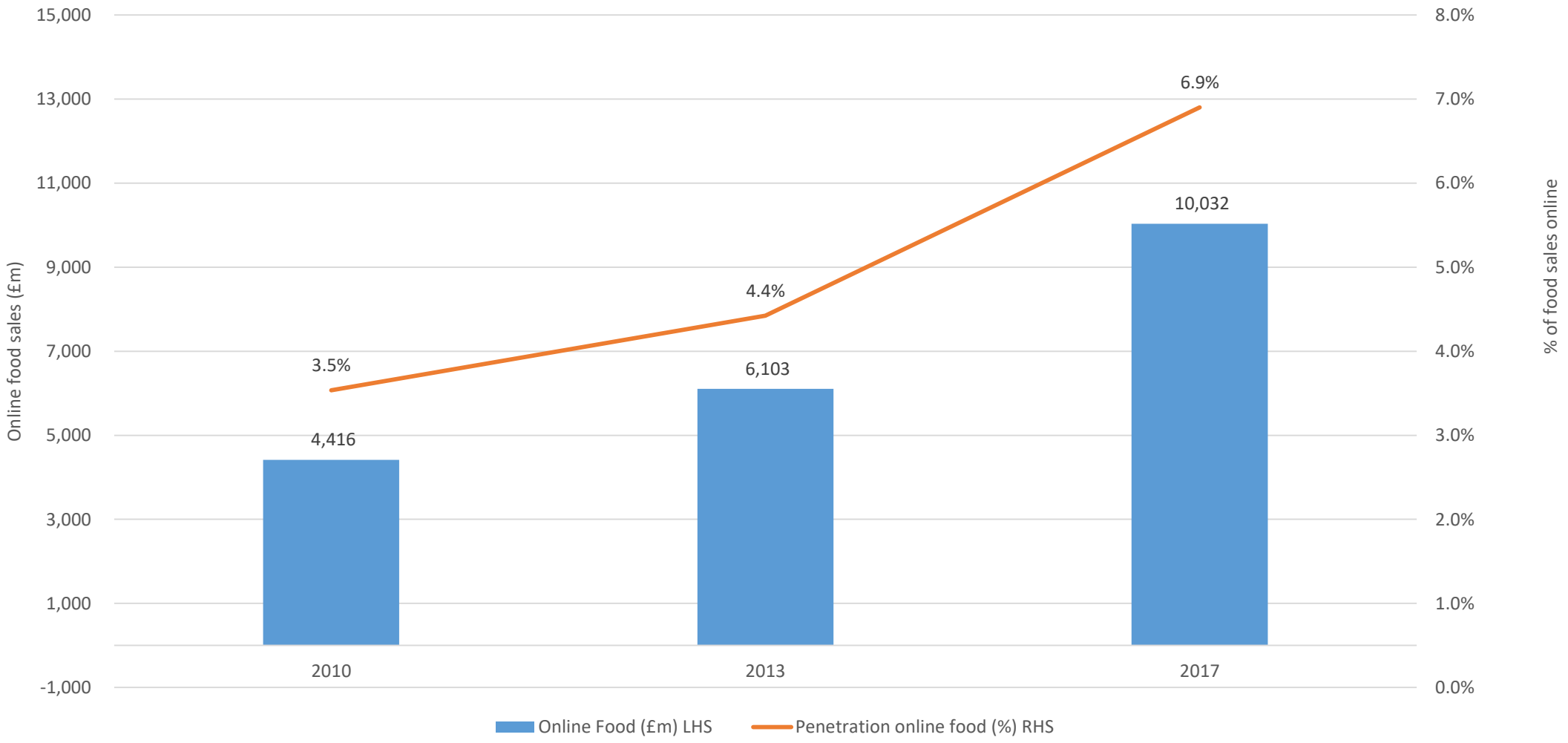
Higher frequency of shopping has reduced average basket values…





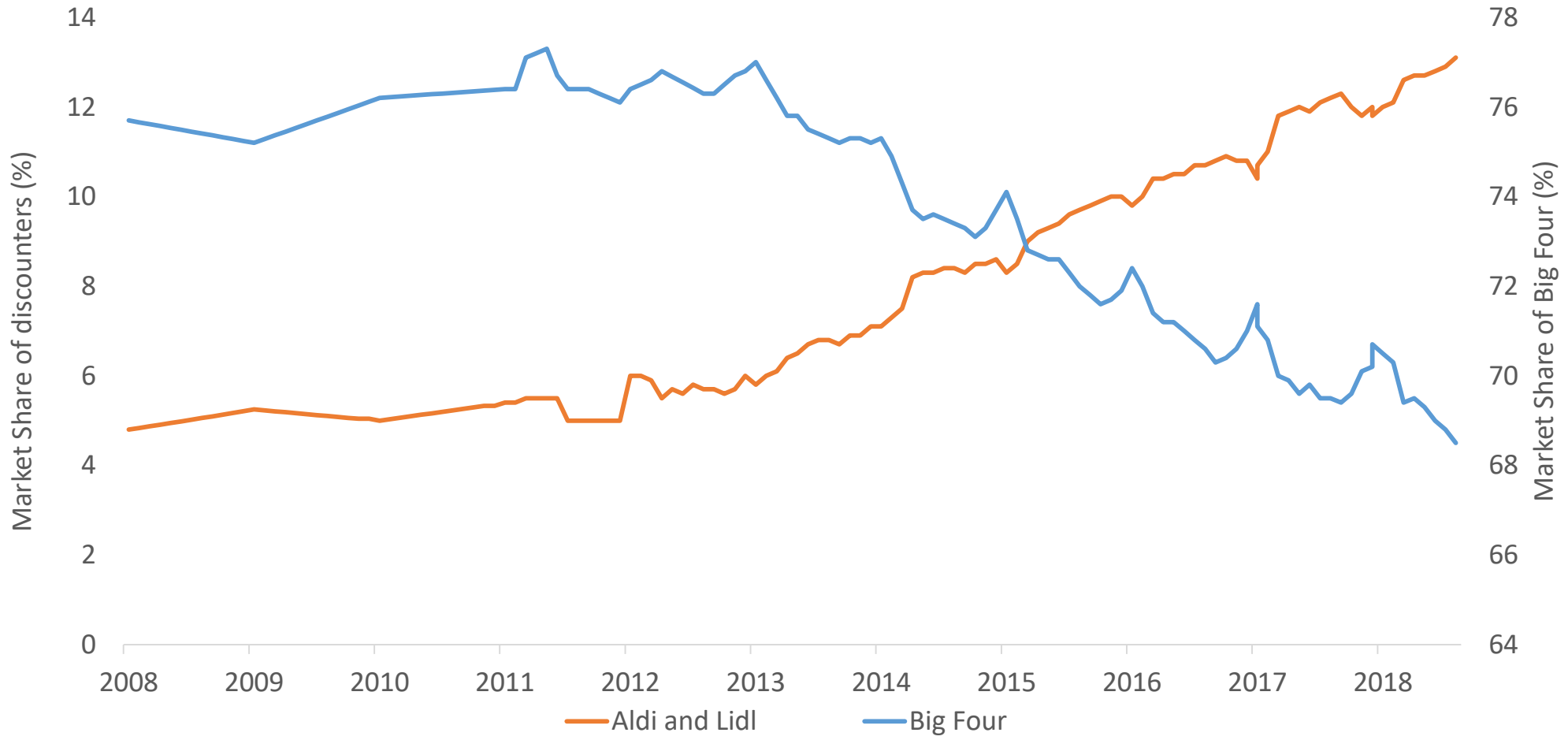
Source: Nielsen Homescan

Online food sales have more than doubled from 2010 to 2017…



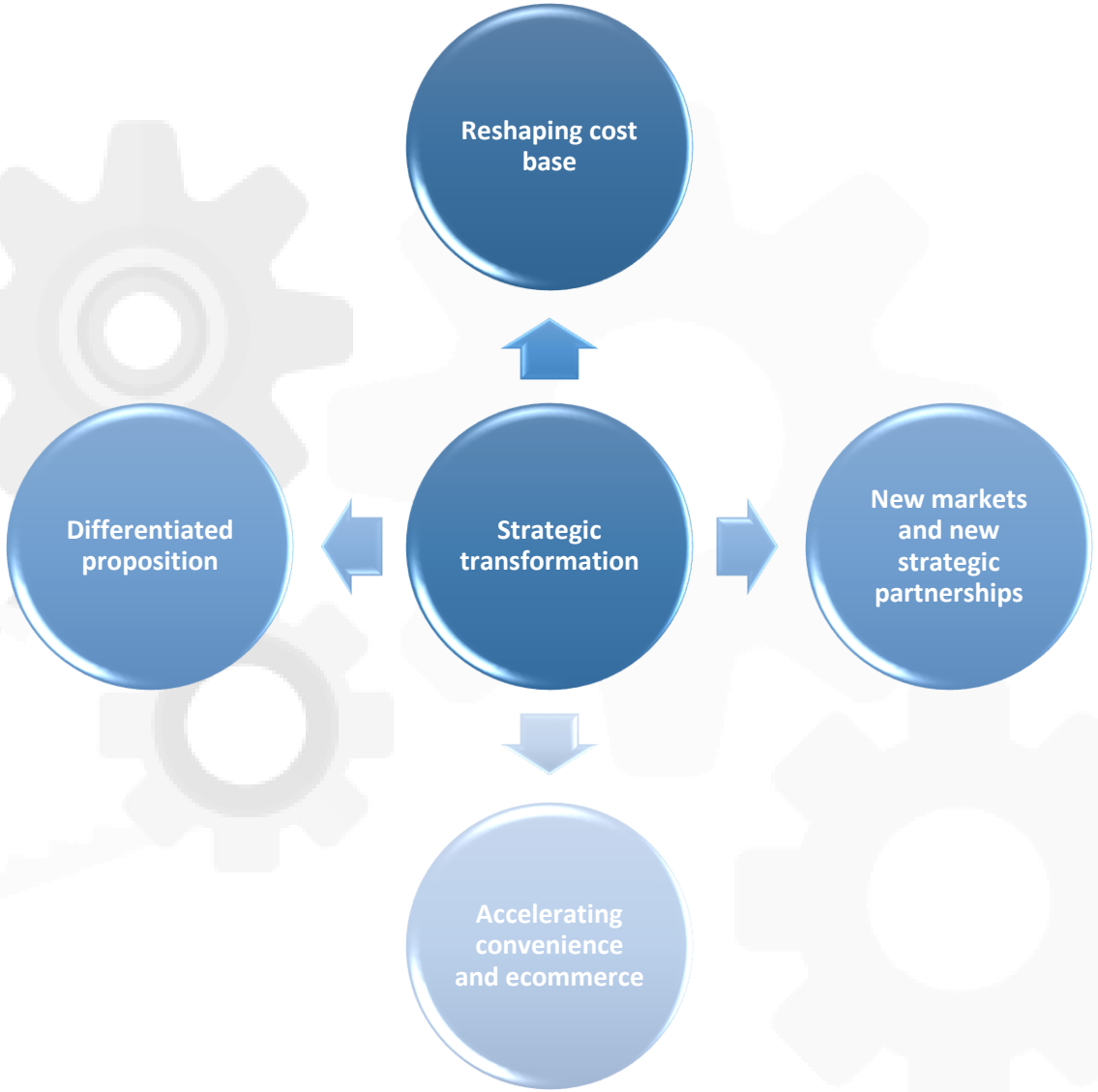
Source: Retail Economics

Comparisons of market share shift – Big Four versus Discounters

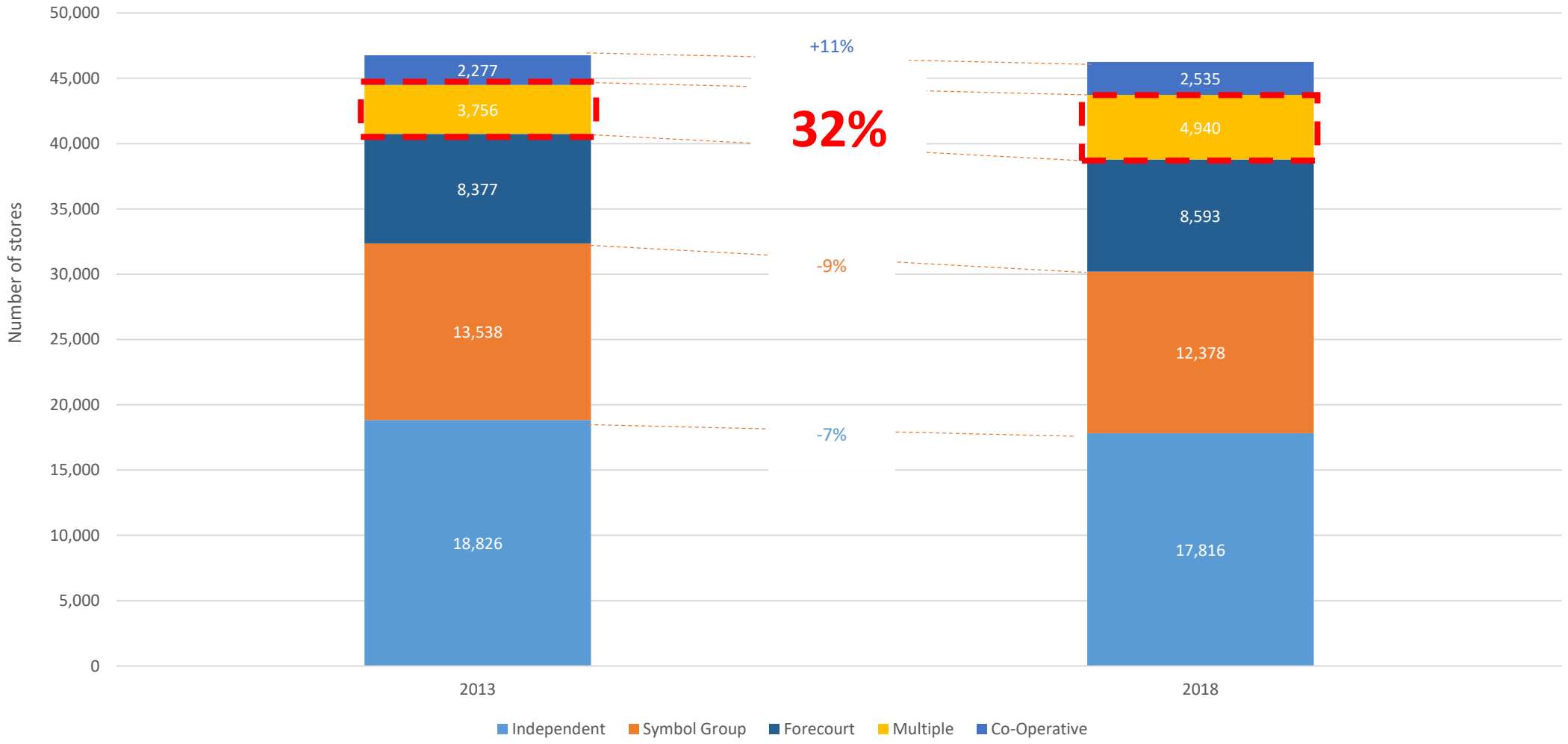


Source: Kantar Worldpanel

A period of strategic transformation..

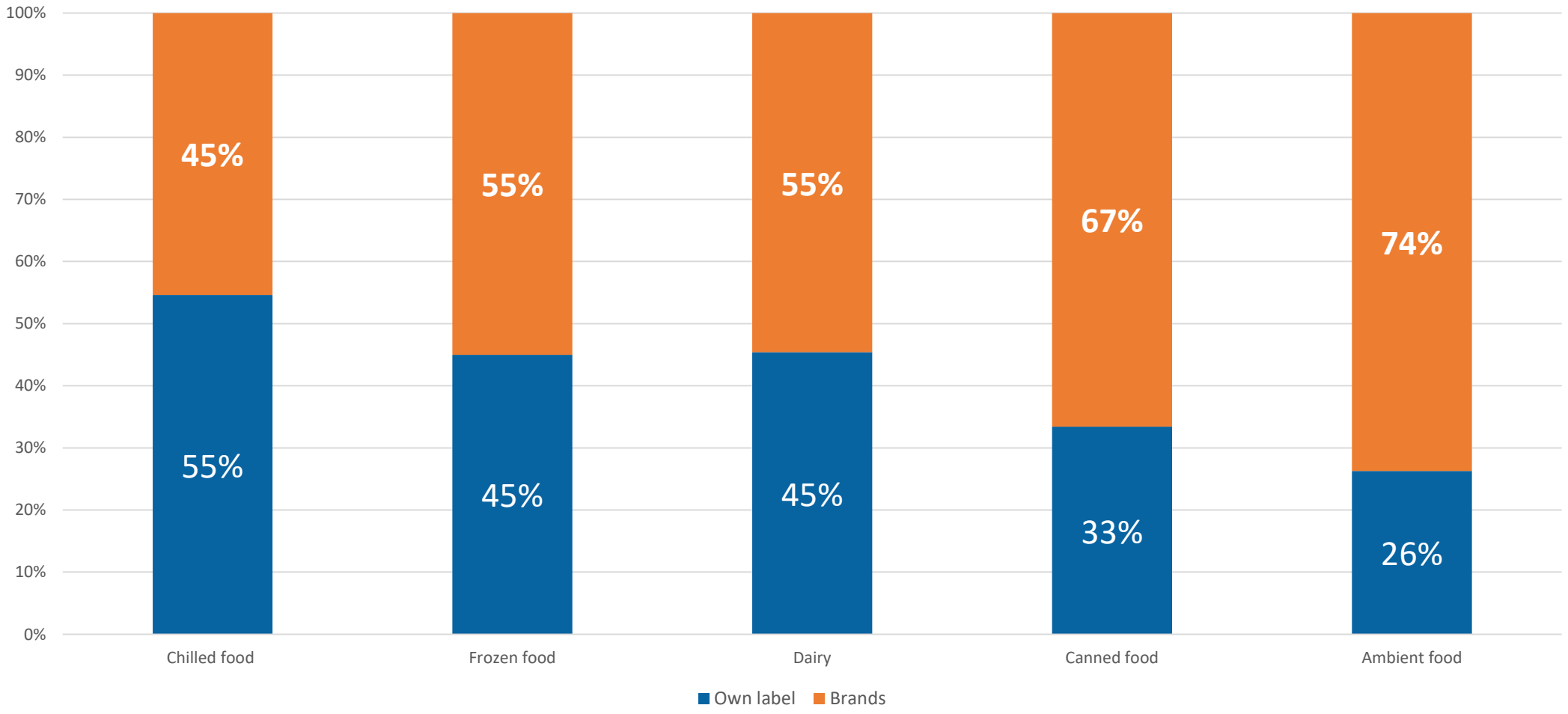


The convenience market has become much more competitive as multiples grow market share...



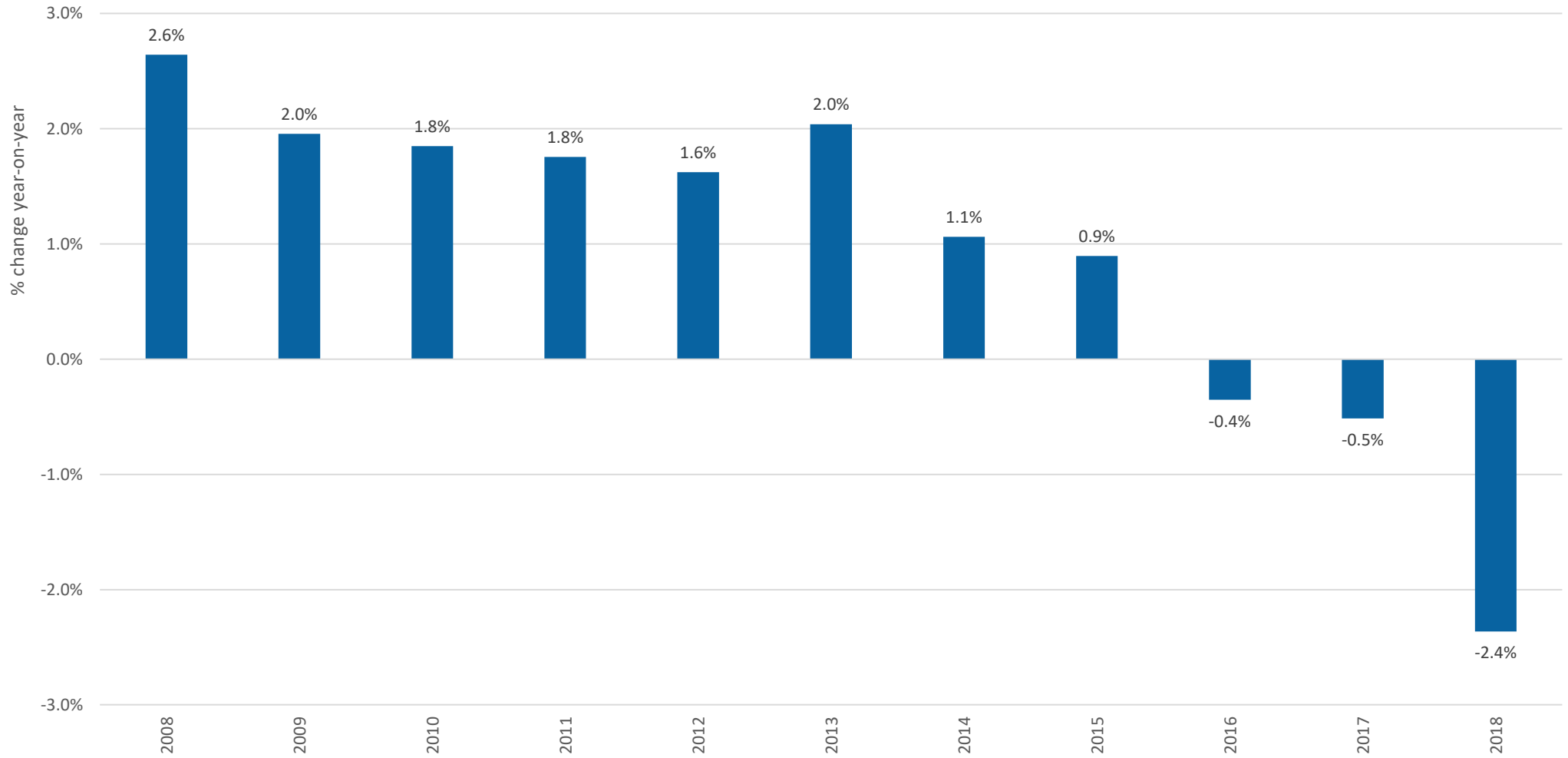
Source: Retail Economics, ACS

Own-label versus brands…



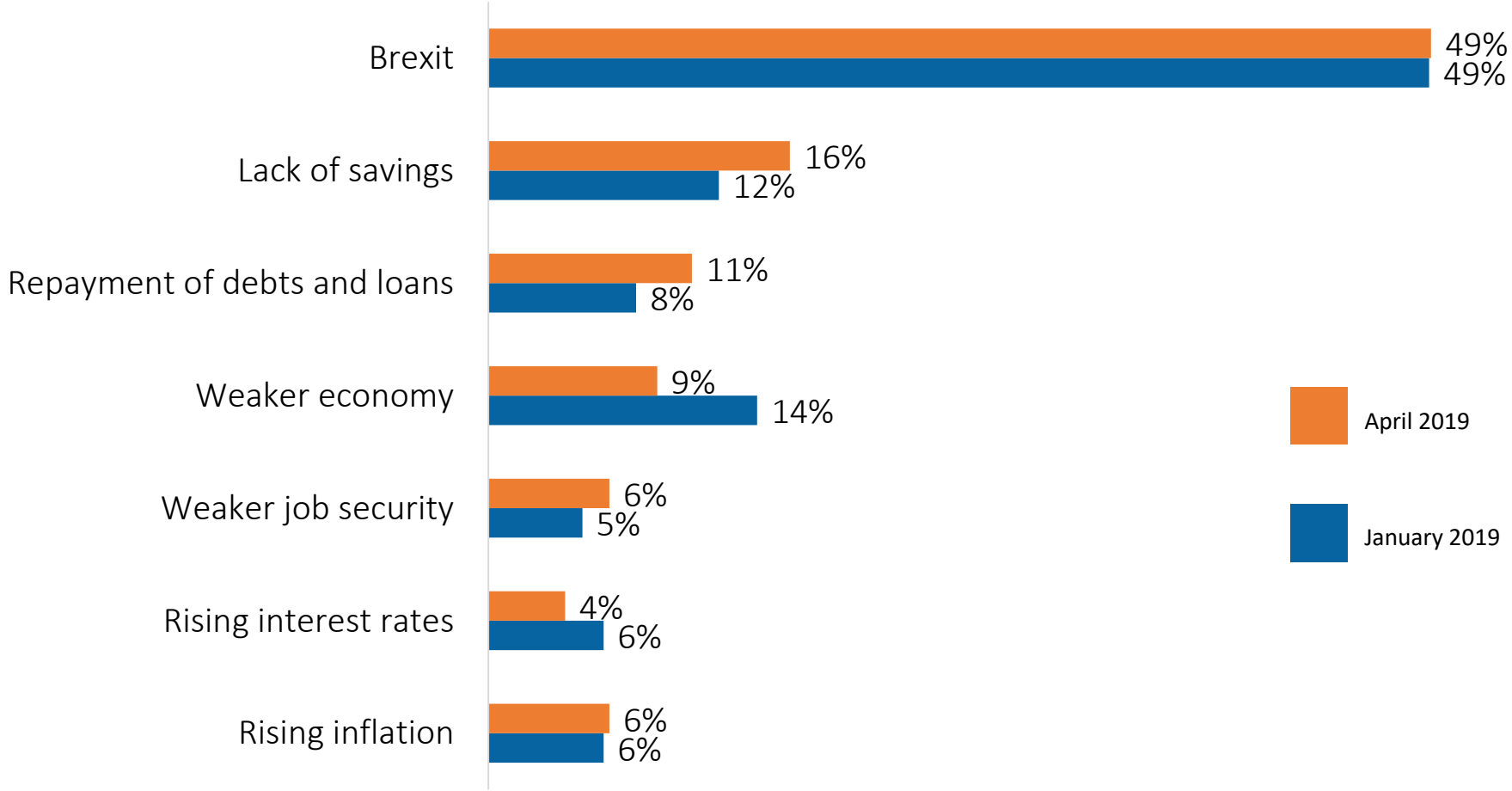
Source: The Grocer

Tesco, Sainsbury's and Morrisons have reduced their workforce for the last three years…



Source: Company reports, Retail Economics analysis

Driven by concerns over Brexit…



Source: Retail Economics

Food and drink imports into the UK...

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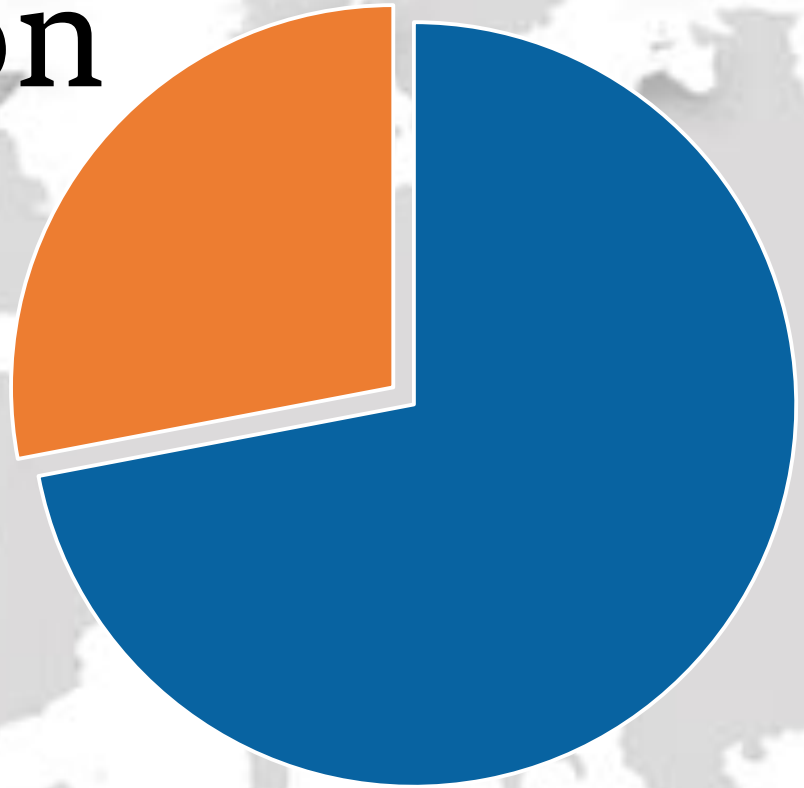
£48 billion



Most food imports are from the EU…

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£14 billion
Non-EU

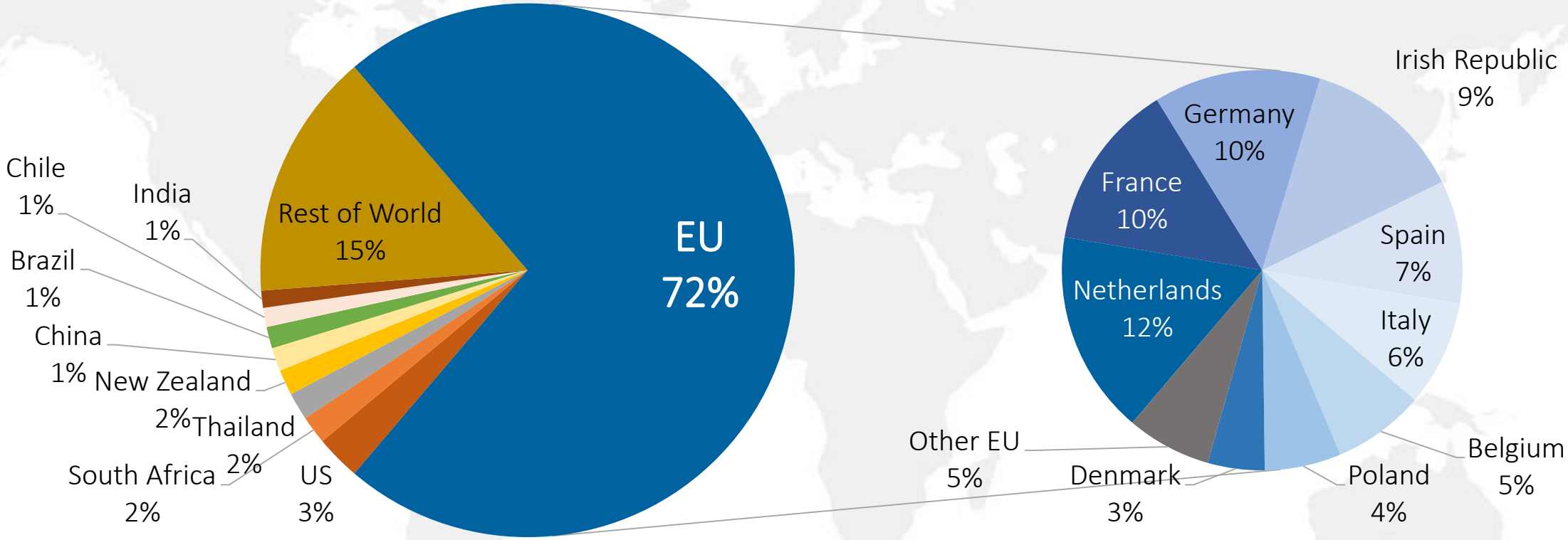


£34 billion
EU

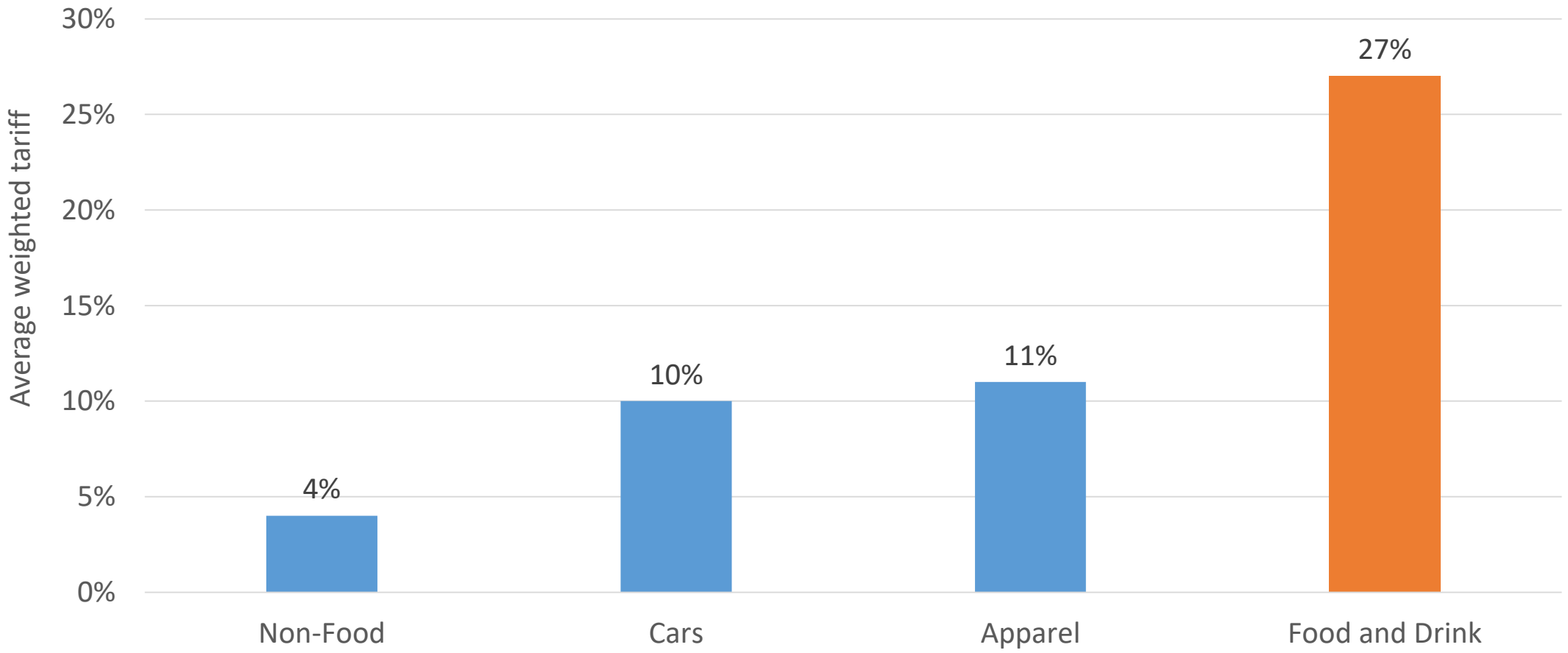
EU is by far the largest import market for the UK...

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Top 10 Worldwide Markets



UK food retailers will face the highest new tariffs from the EU…



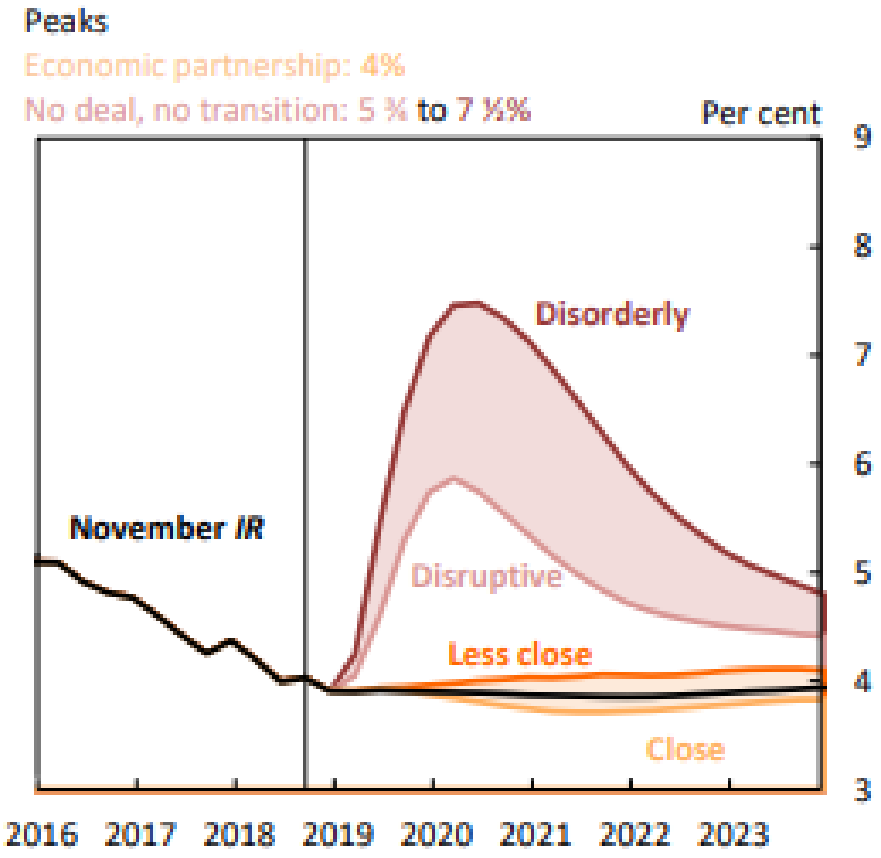
Cost of sourcing food from EU in event of no-deal rises by:

£9.3 billion

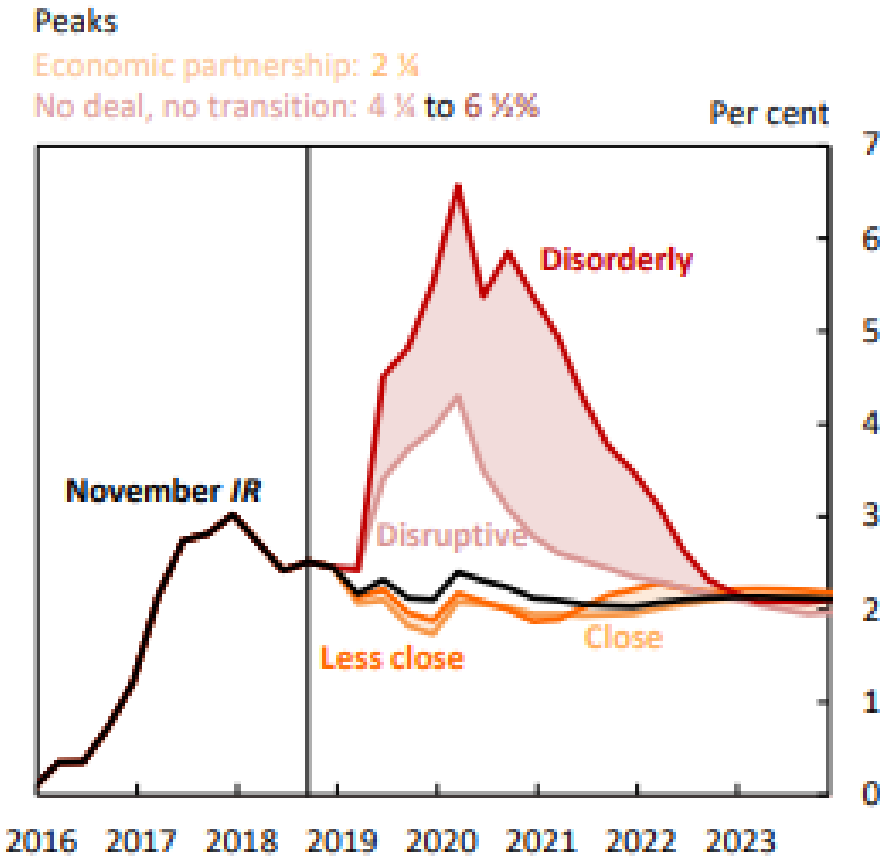


Hard Brexit would have a significant impact on the UK economy…

Unemployment forecast



Inflation forecast



Source: Bank of England

Cost of sourcing food from EU in event of no-deal rises by…

£1 billion

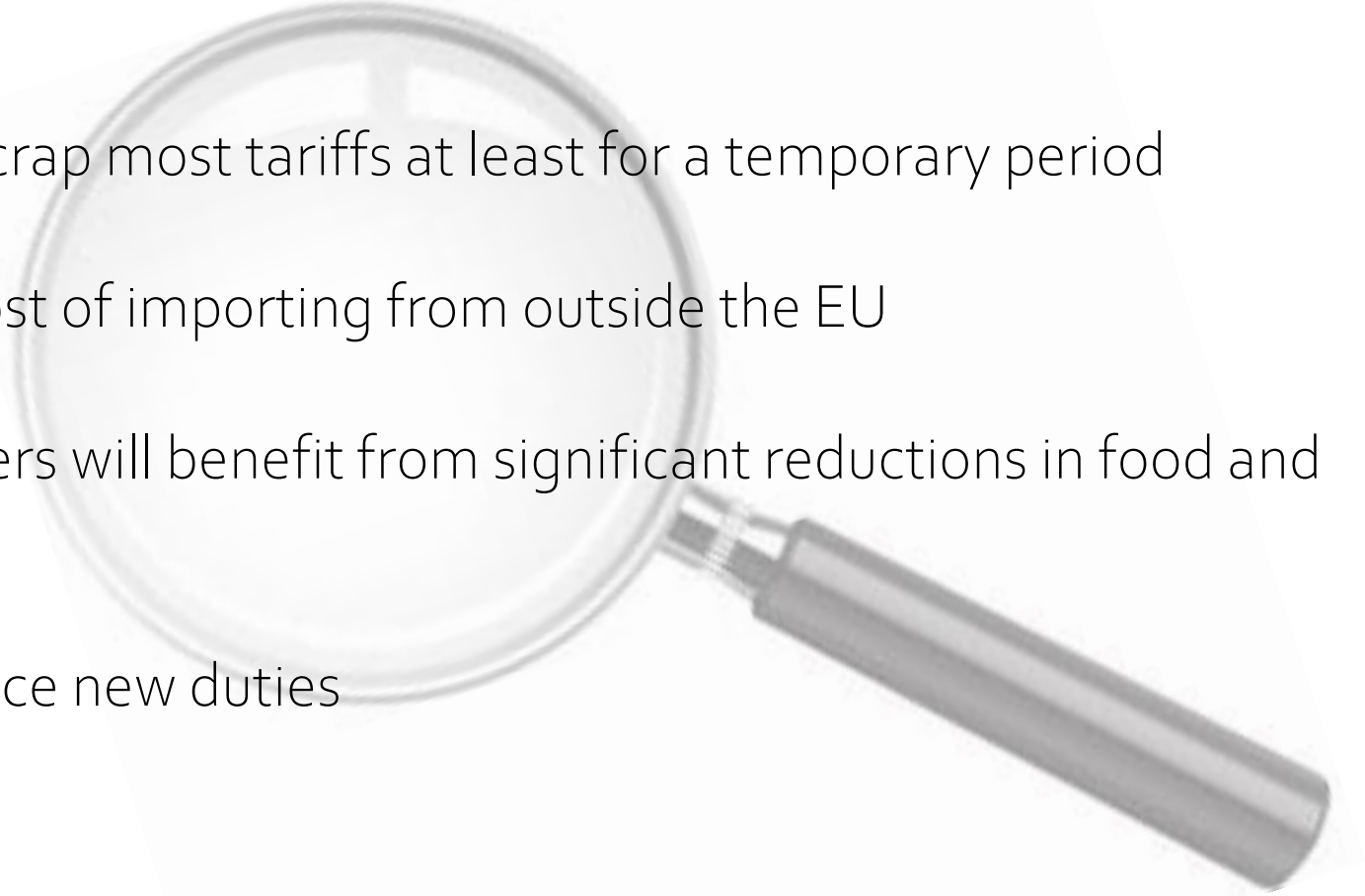


UK no-deal tariff rates and TRQs

UK no-deal tariff rates and TRQs for selected items				
Tariff code	Product	EU MFN rate	UK MFN rate	UK TRQ
02012020	Fresh beef quarters	12.8% + 176euro/tonne	6.8% + 93 euro/tonne	125,000 tonnes (for all fresh/ chilled beef products
04051011	Naturel butter in packs	189.6 euro/100kg	60.5 euro/100kg	N/A
04069021	Cheddar cheese	167.1 euro/100kg	22.1 euro/100kg	N/A

What should we focus on…

1. Tariffs rates need to change following a 'no-deal' Brexit to combat price rises [Bank of England projections]
2. The government is proposing to scrap most tariffs at least for a temporary period
3. Tariff reductions will reduce the cost of importing from outside the EU
4. Large non-EU agricultural producers will benefit from significant reductions in food and drink tariffs
5. EU meat and dairy suppliers will face new duties



Are retailers prepared for a no-deal scenario?

Are retailers prepared?...

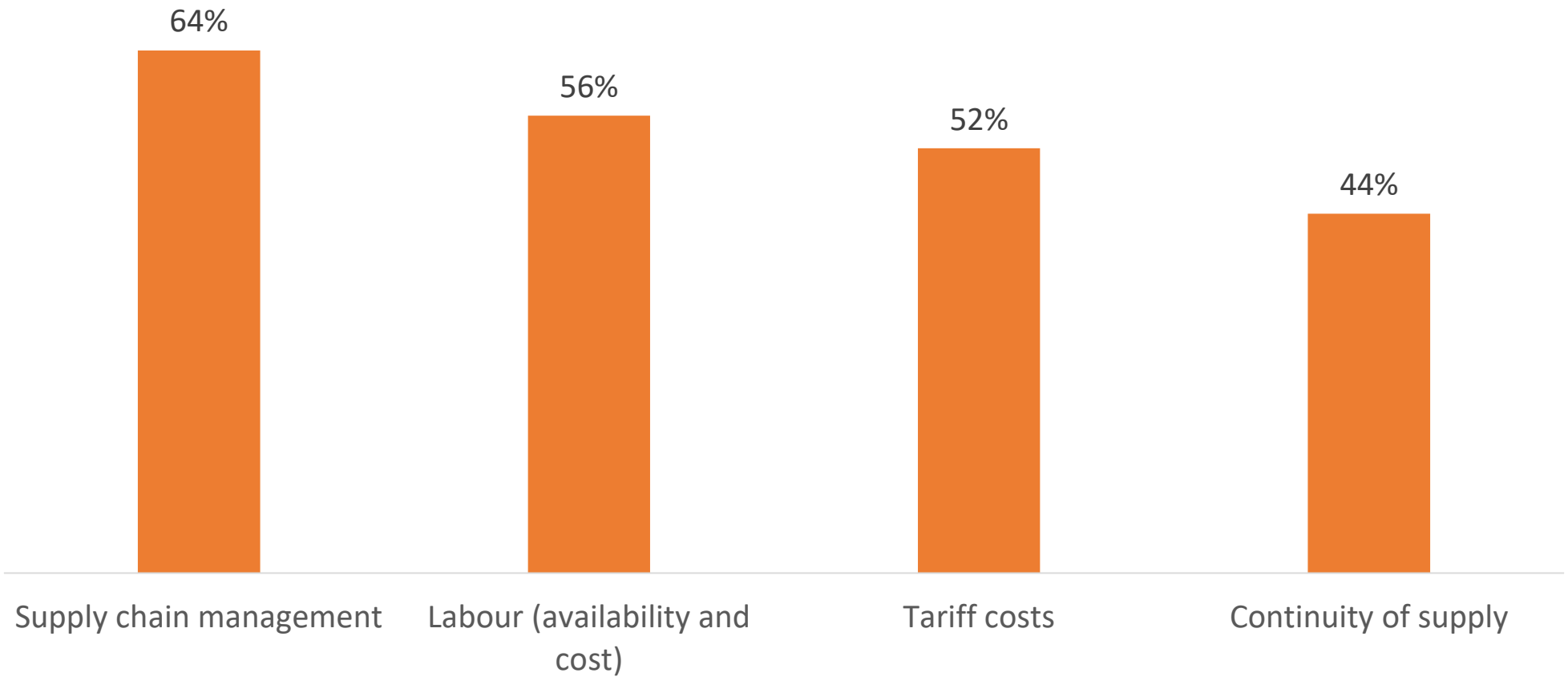
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36%

Little to no preparation

Very under prepared

Retailers' biggest concerns are...



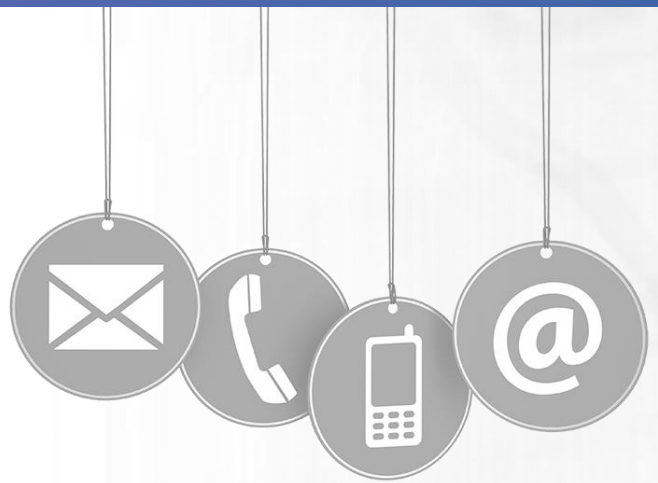
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Final thoughts…

- Outcome of Brexit remains uncertain but retailers' attentions focused on their core business
- Priorities are on:
  - Fewer stores and repurposing space
  - Driving efficiency through simpler business models
  - Scale though partnerships and acquisition (maybe?)
  - Store-in-store concept to drive footfall
  - Fewer workers and utilising technology
  - Driving online convenience – Uber Eats, Deliveroo, Just Eat
- Pivoting business models to more sustainable footing

Get in touch



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