

The Future of Retailing: Lessons from Tesco, Rise of Aldi, and Growth of Amazon Fresh

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FOODWORKS 2015 Conference

Hamilton Island

Tuesday, September 8th, 2015

Imperial College
London



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www.supermarketsinyourpocket.com

www.drfood.ca

FOODWORKS
Works for me!

FOODWORKS Supermarket

It's been a little uncomfortable for the UK
“Big Boys” and we're all very sorry for them!



Squeezed between hard discounters
and premium retail and cannibalizing
Their Own Flagship Big Sheds!

Market Turmoil :

TESCO

£6.38 bn loss

43 supermarket closures - 49 developments abandoned – 10,000 Redundancies

Head Office (Cheshunt) Closure

SFO & GSCOP Investigations

Up to 30% range reduction

ASDA

1,360 management redundancies

Restructuring of senior team with 5 VPs leaving

Cutting 'Round Pound' promotional strategy

Sainsbury's

500 Head Office redundancies – 800 store redundancies

Halving Nectar Card points



MORRISONS

CEO sacked

10 supermarket closures

720 Head Office redundancies

What Happened to All Conquering Tesco?!

- arrogance: stopped listening to customers/suppliers
- failure of most senior management to lead and react
- economic slowdown/recession in key markets
- “stuck in middle”: squeezed by discounters & premium
- shopping behaviour shift: to on-line and convenience
- over-expansion in overseas markets (“Fresh & Easy”)
- over-investment in high-priced store locations
- zero/minimal inflation in recent years incompatible with business model requiring strong sales growth for profit
- scramble for margin replaced pleasing customers
- desperation inducing financial malpractices

Why Hard Discounters Successful in the UK? For Same Reasons They Are in Australia!

- simple retail model: low prices; no hocus pocus promo
- excellent quality, award-winning private label
- full basket shop but not overwhelming choice
- conservative but relentless new store growth
- grown sales density per unit shelf space
- seemingly random but attractive “treasure trove” items
- adapted German model to meet UK requirements: expanded fresh offer; premium private label
- international buying strength
- rigorous but fair treatment of suppliers



Why Hard Discounters Successful in the UK? Same As in Australia!



- long-term supplier partnerships
- private ownership provides latitude to stick to long-term strategy
- clever PR to place themselves in grocery mainstream e.g. Aldi sponsoring UK Olympic team for Brazil
- shout loud and long about price/value attributes: spent A\$250m+ in 2014 on ATL advertising: 8% market share but 25% share of total grocery advertising spend
- humorous “knocking copy” adverts
- but NOT LEAST, significantly lower price than the lowest priced supermarket chain (Asda/Walmart)



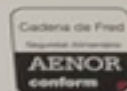
SPAIN



SPAIN



- ✓ Tot el nostre peix procedeix de proveïdors 100% nacionals.
- ✓ Controllem de manera exhaustiva la cadena de subministrament.
- ✓ El nostre peix està envasat per oferir-te la màxima qualitat i higiene.



Peix fresc de les nostres costes

<small>Des de</small> Boletes de lluç	<small>Des de</small> Filets de lluç ambossats	<small>Des de</small> Filets de lluç	<small>Des de</small> Bacallà amb all i julivert	<small>Des de</small> Lluç MSC	<small>Des de</small> Lluç MSC
2.79	3.49	<i>Veuu prova a l'envell</i>	2.99	2.79	NOU! Lluç MSC 2.79



Aldi in Australia (and UK) Rejiggs Stores and Offers to Emphasise Fresh Foods

Picture comparing a typical Aldi store entrance in Australia with its new look store in McGraths Hills in NSW



Aldi tightens British link as it unveils Team GB sponsorship campaign



OFFICIAL SUPERMARKET
PARTNER



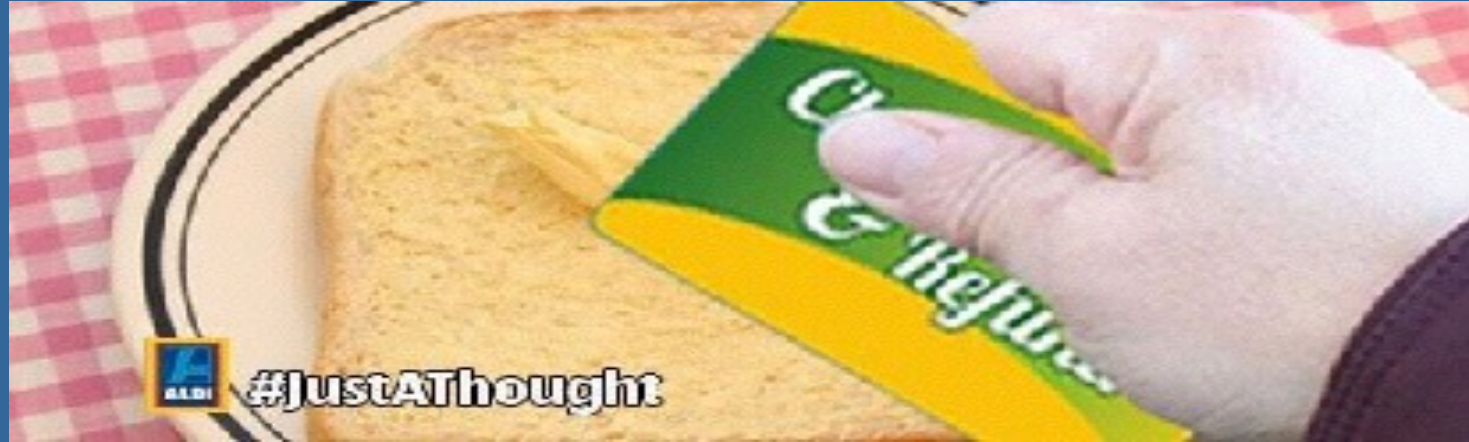


Morrisons pins hopes on loyalty card



Aldi's Advert
Response!

No Clean Knives
For Your Toast?



Frosty Morning.
Need a Scraper?

Every  helps

New store opening soon 

TESCO
Every little helps

JCDecaux

Imperial College
London

Aldi/Lidl 8% Grocery Market Share but 25% Grocery Retail Advertising Spend (2014)

Lidl trials its first loyalty scheme with Scottish customers



Retailer sends out 4m 'smarter shopping' cards to shoppers, signalling that discounters are feeling pressure from supermarkets' fightback



ALDI SHMALDI

WHO?



ALDI

£2.79

WOW!



BARGAIN
BOOZE

£2.79

Bargain Booze

FOR PEOPLE WHO LIKE BARGAINS AND BRANDS

ALDI SHMALDI

WHO?



ALDI

£10.39

WOW!



BARGAIN
BOOZE

£10.39

Bargain Booze

FOR PEOPLE WHO LIKE BARGAINS AND BRANDS



“Street-Fighter” Bargain Booze Chain Pokes Fun at Hard Discounter Aldi and Puts Big Boy Supermarkets in the Shade!

Tough Trucking to Continue in UK Retailing Sector

- Aldi/Lidl continue to increase grocery market share
- Pound stores nibbling away compounds problems
- Possible new entrants? (e.g. discount gourmet TJ)
- Non-grocery expands in grocery (e.g. BHS, Boots, Target)
- Big fmcg goes direct to consumers
- Artisans make direct food connections with consumers
- Food service strikes back with home delivery
- Big Box store volumes squeezed by strong growth in convenience stores and on-line grocery shopping
- Booker with Budgens/Londis compounds the above
- Slow economic growth and low inflation

September 2, 2015 1:55 pm

Supermarket warehouses worth more than stores

Andrew Bounds, North of England correspondent

Share



Author alerts



Print



Clip



Comments



Some supermarket warehouses are now worth more than their stores as customers switch from visiting shops to online deliveries.

Yields on so-called "big boxes" have dipped below those of the shops for the first time, according to Savills, the property agent.

**DOLLAR
GENERAL®**



Where's the Dollar Stores in Australia?
It's Not as If You Don't Like a Bargain!



Shopping Made
Easy

Food & Drink

Health & Beauty

Home & Pet

Leisure &
EntertainmentStationery &
CraftsParty &
Celebrations

Baby & Kids

Case Deals

NEW! Online Shopping Made Easy >

Save when you buy Bulk Case deals >

Buy Online! £4 Delivery & Easy Returns

Home > Case Deals > 7up Can 330ml



Product no. 40525 ★★★★★ (1 ratings)

7up Can 330ml

Lemon, lime and plenty of fizz - that's the original lemon and lime soft drink. Infused with zesty natural lemony-limey flavour and the sparkling invigoration of 380,000,000 tiny bubbles, 7UP Free contains no sugar and so is a simple tongue-spankingly refreshing option for the whole family.

CASE DEAL! Save £1 when you buy a Case.
The discount will be applied automatically in your basket.

Buy any
3 for £1

£1[Add to Basket](#)[Click to view products in offer](#)

Multibuy Any 3 for £1

Buy a
case of 24

£8 £7[Add case](#)[Twitter](#) [Pinterest](#) [Facebook Like](#) [Google +1](#) [Email & Print](#)

NOW YOU CAN SHOP ONLINE!



Everything's £1 each and delivered to your door. Only £4 delivery.
No minimum order. Easy returns to store. Amazingly simple, Amazing Value!

Tesco Copies Coles: Darkly Ironic!

coles



TESCO

Tesco.co.uk

Groceries

Favourites

Recipes

Special Offers

Drinks offers

Fresh Food | Bakery | Food Cupboard | Frozen Food | Drinks | Baby | Health & Beauty | Pets | Household | Home & Ents

Prices down and staying down

Iceberg lettuce each

Only
49p

Broccoli 335g

Only
49p

Whole cucumber each

Only
49p

All
Offers

Salad

Vegetables

Milk

Bread

Eggs

Butter

Meat &
poultry

Sugar

Baked beans

Get off at Knightsbridge,
visit the discerning
shopper's fave department
store, ascend the exotic
staircase and let Piers
in the pinstripe suit
demonstrate the magic of
the latest high-definition
flatscreen then go to [dixons.co.uk](https://www.dixons.co.uk)
and buy it.

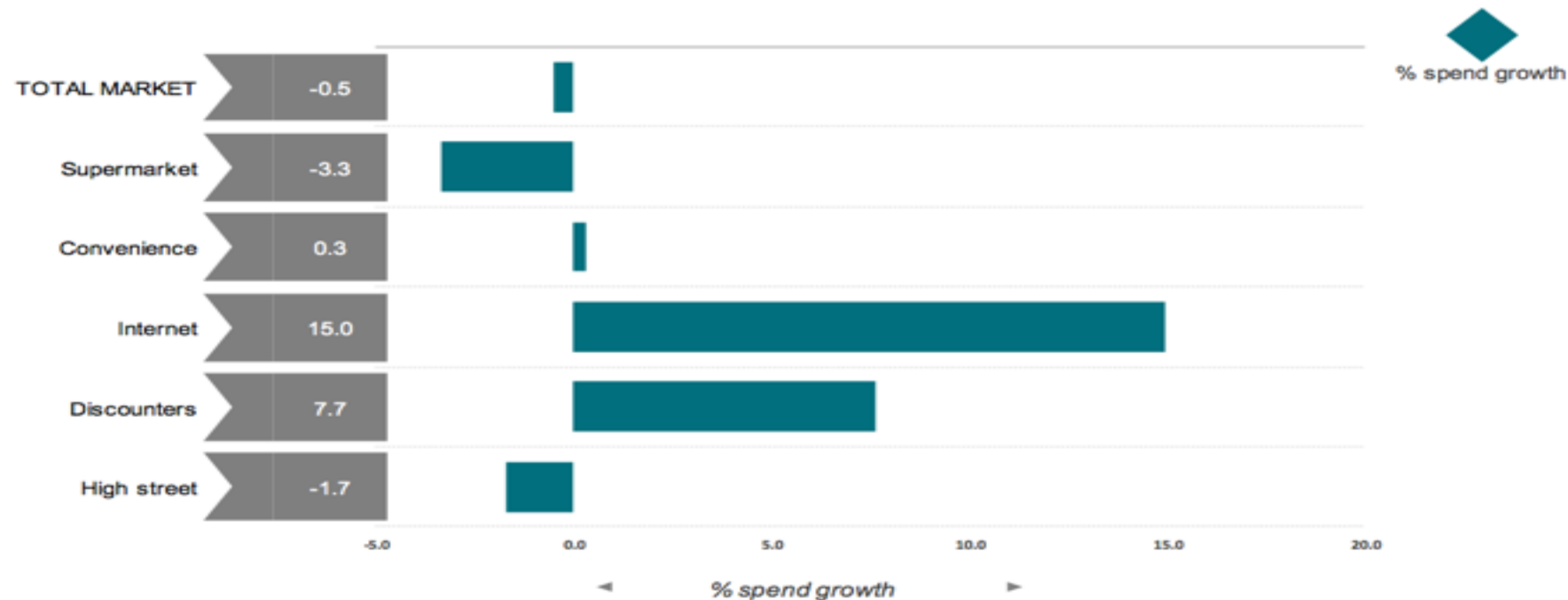
Cheeky (taking the mickey
out of Harrods/Debenhams, etc.)
but reflects shopper researching
and buying behaviour!

“Big Box” Responses to Grocery Retail Crisis

- focus of retail investment on price matching and on EDVLP for KVI's (e.g. bananas, milk)
- fewer, bigger, better, simpler promotions
- longer-term price promises to reassure shoppers
- special super promotions over holiday periods, e.g. Tesco ***Easter Five*** (looks like Aldi's regular Super Six)
- go after cinemas and food service for sales growth
- more in-store theatre, product expertise, better category management (range, availability, etc.)
- close stores/rent space/bring-in concessions
- improve multi-channel retail management
- change top senior management (Tesco, Morrisons)!

CHANNEL GROWTH REFLECTS THE CHANGE IN SHOPPER HABITS

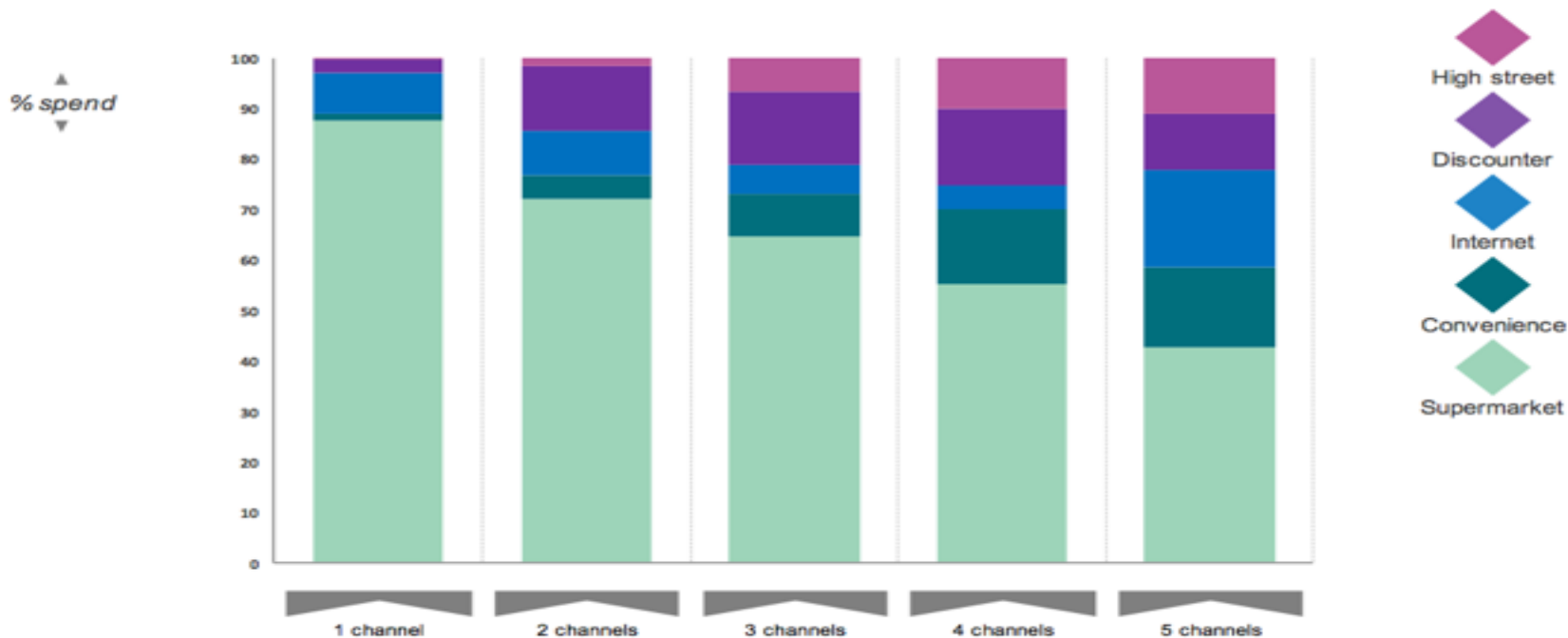
Internet and discount offer the truly growing channels



RT43 (Grocery). KWP 2015 06. 12 w/e 21 Jun 15

SPEND ALLOCATION AS SHOPPERS BECOME MORE MULTI-CHANNEL

Supermarket allocation shrinks at channel repertoire expands



RT43 (Grocery). KWP 2015 06. 4w/e 21 Jun 15

You're invited to...

Pick Your Own OFFERS



Imagine being able to choose which groceries you save money on every time you shop. Well now you can. As a loyal myWaitrose member, we'd like to invite you to choose your own offers.

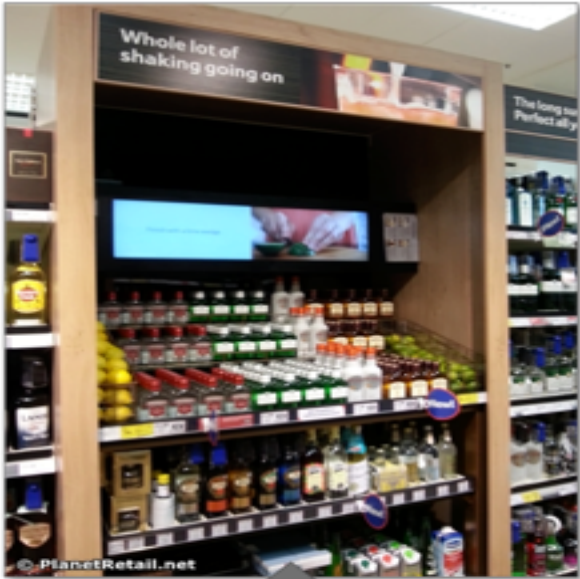
Pick Your Own Offers is very easy **and** you'll immediately benefit by saving 20% on 10 products of your choice – week after week.

Simply go online **and** select your favourite 10 from hundreds of products to save 20%





But, it's still an afternoon spent in a big shed on the outskirts of town!



Digital displays give customers access to detailed product information.



Tesco is strengthening the association between Tesco and blinkbox by launching joint promotions.

Tesco is rapidly rolling out grocery click & collect services.



Queens Road, Wimbledon: front door of Blake Hughes & Family: "This house doesn't work without Mr. Sainsbury (well, Kevin) dropping the shopping off on a Sunday night!"



The Online Shopper Profile

Individuals



2.6x more likely
to be a new
family



Most likely 25-44 years old



More likely to be
premium than
budget shoppers



Businesses

Top business customers



Offices



Schools



Child Care



Online
Shopping
Customers



93.6%

6.4%

Source: McCrindle Research Survey, July 2014; Market Blueprint (electronic spend) data with 34% cash adjustment for offline spend provided by Quantum; Woolworths Online Shopper Profile & Database; and future projections from Professor Jan Recker, QUT.



UP TO
25% OFF
your first Ocado shop
+ **FREE** midweek deliveries for 1 year

 World's Best Online Retailer 2014 – Gold
Loved By Parents Awards

ocado.com 
The online supermarket

“Touch & Go” Shopping in the Virtual Shopping Centre in Korea: Pick Up Goods as You Exit or Simply Have Them Delivered





Try it yourself



1 Download Tesco Discover
Exclusively for iOS & Android



2 Select Big Night In



3 Scan... the Big Night In logo



4 Enjoy!

Top Offers



Crisps, snack & nuts



Confectionery



Soft drinks & juices



Quick easy meals



Beer, Wine & Spirits



Pampering

Food Retailers Target
Friday Night and Weekend
Food Service and
Entertainment Markets



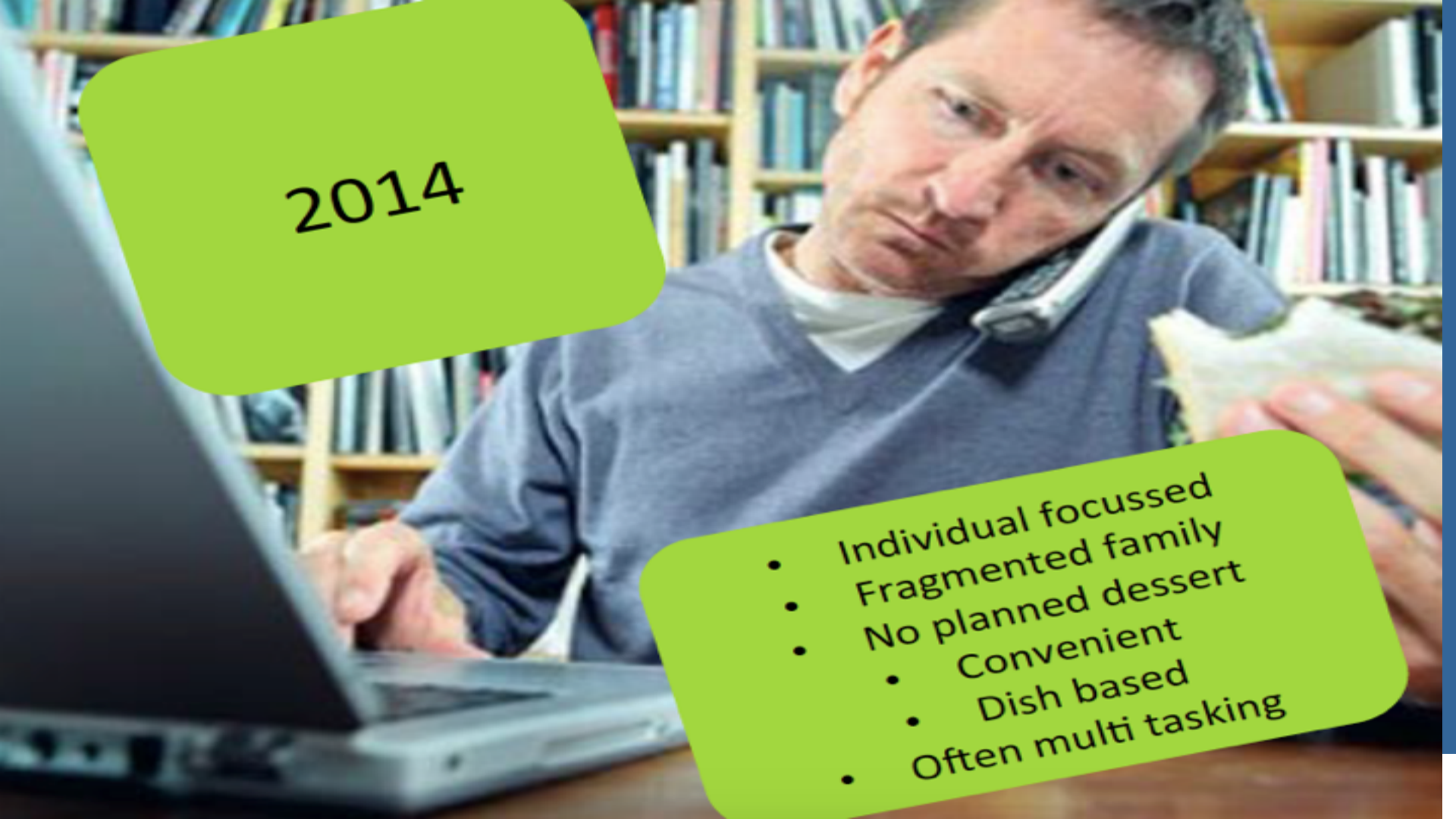
Steaming Along Amongst Chaos!

- Membership well off, loyal but ageing
- very loyal employees (\$21/hr + health versus WM \$13)
- <4,000 skus (toilet paper no. 1)
- Kirkland signature PL A Brand quality or better
- gas priced to break even but build loyalty
- mark up never more than 15%
- treasure trove items drives footfall
- USA's largest retailer of wine
- iconic rotisserie chicken (\$4.99) & hot dog/soda (\$1.5)
- but stock price flat in 2015 (growth well below S&P)



1964

- All eat the same thing
 - Formal
 - Home cooked
- 2 course structure
 - Sitting down
- Predictable plate structure

A man in a grey sweater is sitting at a desk in a library, surrounded by bookshelves. He is multitasking: talking on a mobile phone held to his ear, holding a piece of paper in his left hand, and typing on a laptop with his right hand. A green rounded rectangle with the year '2014' is overlaid on the top left. Another green rounded rectangle with a bulleted list is overlaid on the bottom right.

2014

- Individual focussed
- Fragmented family
- No planned dessert
 - Convenient
 - Dish based
- Often multi tasking

Shopping little & often is becoming the way of life for today's busy consumer



85% do a top up every week (+5% v 2014)



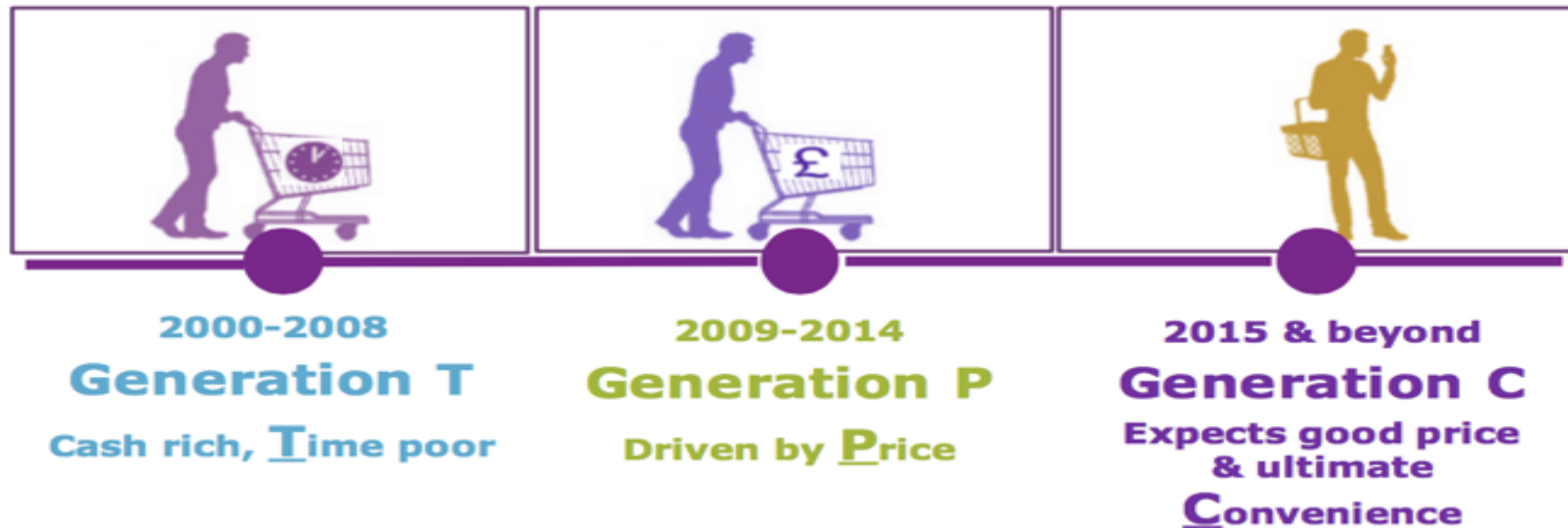
30% DON'T do a 'main weekly or monthly shop'



19% using a HIGHER no. of grocery retailers compared to 2014



The evolution of the UK shopper:



PREPARED FOR YOU

MEALS TO GO





Three Meal Solutions
For 2 People for £10.
That's Tues-Thursday
sorted for A\$3.60/person
per meal – VERY good
value in the UK





VALENTINE'S DAY
DINE IN FOR TWO

— £20 —

(NZ\$48)



M&S sold 830,00 Meal Deals
Over the 5 day period!

Valentine's Gourmet Menu

**CHOOSE FROM A SELECTION OF A STARTER, MAIN MEAL, SIDE DISH, DESSERT,
BOTTLE OF WINE, AND A BOX OF CHOCOLATES, ALL FOR £20**

10 - 14 February

Only at
M&S
MARKS & SPENCER



Gearing Up for
A Big Push!



Imperial College
London



**Ready Meals Taking Off:
Claremont, Perth, WA**



A More Contemporary Way of Consuming Fruit & Veg





New entrants with Meals
offers

Growing at 30%+ pa



= new sweet spot



FRESH INGREDIENTS AND DELICIOUS RECIPES DELIVERED TO YOUR DOOR. SIMPLE. HEALTHY. DELICIOUS.

MY FAMILY FOODBAG

Family favourites that'll please the fussiest eaters. Quick, healthy and yummy recipes for you and your little ones.

5 recipes every week
5 meals for 2 adults and 2 to 3 children
Auckland, Hamilton & Wellington

\$159 .00
Per week
Free Delivery

MY CLASSIC FOODBAG

Classic recipes with a twist. Ideal for busy families with older kids who want healthy food and delicious recipes.

5 recipes every week
5 meals for 4 adults or a family of 5
Auckland, Hamilton & Wellington

\$189 .00
Per week
Free Delivery

MY GOURMET FOODBAG

Premium produce and inspiring recipes. Ideal for couples who love fresh food and enjoy exotic flavours.

4 recipes every week
4 meals for 2 adults
Auckland, Hamilton & Wellington

\$139 .00
Per week
Free Delivery



New! Takeout and delivery. Pay with your Amazon Account.

Hello, Ingrid
[Your Account](#)

[Your Orders](#)



Takeout & Delivery

What are you looking for?

[Both Takeout & Delivery](#)

Enter your full address for best results

san francisco

[Go](#)

Browse restaurants

From Pizza to Sushi, find a variety of your favorite neighborhood restaurants.



Place an order

Get your food delivered or order takeout by paying with your secure Amazon account.



Enjoy your food

Enjoy the food and our service. If you ever need us, we're available 24/7.





The background features a large, appetizing burger with a golden-brown bun and a pot of beans topped with meat. In front of the pot are sliced cucumbers and red peppers. In the foreground, a white smartphone displays the Uber Eats app interface. The app screen shows a 'CONFIRMATION' screen with a map, a list of items (Ahi Tuna Salad x1 for \$12.00), delivery fee (\$3.00), and total (\$15.00). At the bottom of the app screen is a 'REQUEST EATS' button.



From tap to table in minutes

UberEATS delivers the best of your city right when you want it. Our curated menus feature dishes from the local spots you love. And the ones you've always wanted to try. It's same cashless payment as an Uber ride. So just tap the app, meet your driver outside, and enjoy.

[SIGN UP FOR MENU UPDATES](#)

Today, Jun 16

LUNCH



TRES CARNES

Signature Brisket Burrito

Burrito filled with 55+ flour smoked brisket, green goddess rice, black-eyed chick beans, pico, cotija cheese. Served with crema and tomatillo salsa on the side.

\$10.56

LUNCH



BAZ BAGEL

The Baz

Hand-sliced Eastern Nova salmon, scallion cream cheese, tomato, red onion, served on a pumpkinseed everything bagel with a tuff sour kosher pickle.

\$12

Tomorrow, Jun 17

LUNCH



MISS LILY'S

Miss Lily's Famous Jerk Chicken

Half chicken slow cooked on the grill and marinated in jerk spices. Served with rice and peas.

\$12

LUNCH



LITTLE MUENSTER

Virginia Ham and Cheese with Chips

Virginia ham, brie, crisp apple, and spinach sandwich with a coffee dijon mustard on a local bratche bun. Served with Deep River original salted chips on the side.

\$12

Thursday, Jun 18

LUNCH



MIGHTY QUINN'S BBQ

Brisket Sandwich with Burnt End Baked Beans

Slow smoked beef brisket, sliced on a brioche roll with Mighty Quinn's housemade BBQ sauce, and a side of burnt end baked beans. Served with slow pickled cucumbers, and chiles.

\$12.75

LUNCH



UMA TEMAKERIA

Chirashi Rice Bowl

Rice bowl with Atlantic salmon and Yellowfin tuna, vegetables and Uma Temakeria's signature sauce. Served with a side of spicy cucumbers.

\$13

Friday, Jun 19

LUNCH



RAMEN BURGER

Original Ramen Burger

The Infatuation [RamenEATS Pick!](#)

UMMA prime ground beef chuck patty sandwiched between two buns made from freshly cut ramen noodles. Served with a special shoyu glaze.

\$5

LUNCH



BONMI

Chilled Chicken Noodle Bowl

Rice noodles topped with scallions, pulled chicken, pickled carrots, and cilantro. Served with housemade Nami Cham and BonMi hot sauce (on the side. \$10)

\$9

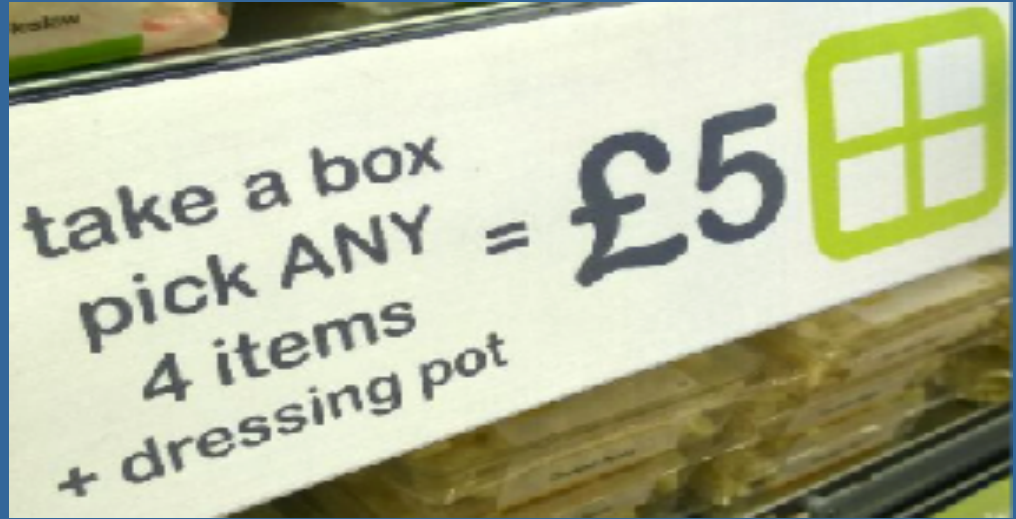
UberEATS

Imperial College
London



Food Retail or
Food Service?
Same Thing!

Tesco Metro
Central London
Lunchtime Rush
80+ customers in
queue and 3 minute
waiting time (largely
self-checkout)



Items include: cooked pasta, rice, salads, fajitas, sauces and desserts – plus a dressing pot – in a “Bento-type” box. It’s lunch made easy for a fiver! Scanned at automatic tills in seconds.



Villiers Street
Charing Cross
London

BURRITO KITCHEN

STEP 1 - MEALS

BURRITO	5.35	5.95
NAKED BURRITO	5.35	5.95
TACOS	4.95	5.95

STEP 2 - FILLINGS

CHICKEN	PULLED PORK
SIRLOIN STEAK	ROASTED VEG
SHREDDED BEEF	

STEP 3 - EXTRA TOPPINGS

GUACAMOLE	FREE
ROASTED VEG	0.75
SOURCE MEAT	1.50
DOUBLE STEAK	2.00

MEXICAN BITES

NACHOS	3.95
MEXY SOUP	2.25
BITE SIZE BURRITO	2.50

ORDER HERE



Customer Insights

Which of the following areas do you think should be a priority for any large retailer?



Local Sourcing

47%



Healthier Choices

44%



Pack. Reduction

35%



Waste Reduction

34%

20%-29%

- Sustainable Seafood
- Animal Welfare
- Environmentally-friendly Consumer Products
- Organically Grown Foods
- Food Waste
- Fair Trade Products

10%-19%

- Energy Efficiency and Renewable Energy
- Water Conservation
- Climate Change
- Donations
- Healthy Living Programs

coles

The Responsible Sourcing Journey So Far



24,000
sows freed from stalls



70 million bottles no longer made of PET

375,000

chickens freed from cages



78 million

chickens grown to RSPCA standards



1/2 million

cattle produced without HGP's

Artificial colours removed from over

2000

Coles brands



27,000

tonnes of sustainable seafood



280 tonnes

of Fairtrade coffee and tea



265,000

meals provided to Cambodian workers



800,000

tonnes of environmentally accredited bananas



15 tonnes

of salt removed



7000 tonnes

palm oil now sustainably sourced



There's more to come

Healthy for You

Simply Healthy Living



Fresh and Natural



1. Clean ingredients
2. Health Star Rating targets
3. Health Star Rating on shelf edge

4. Substances of concern – food and non-food (hormones, pesticide residues, azo dyes, parabens, etc.)

Responsible Sourcing

Environmental Stewardship



5. Only sell responsibly sourced seafood
6. Deliver environmental certification in key raw material commodities:
 - Palm oil (non-food)
 - Paper & timber
 - Sugar
 - Soy
 - Cotton
7. Implement a packaging strategy based on sustainable packaging guidelines from the

Caring for Animals



8. Only source livestock and fish which is fully traceable
9. All livestock and fish to be sourced from farms that are assessed to the Five Freedoms
10. Against animal testing' in place (cosmetics & toiletries)

Fairly Traded



11. Always look to source from Australian growers, farmers and manufacturers first
12. Extend our ethical sourcing program to move down the supply chain in key high risk areas
 - Australian labour hire
 - Cambodia
 - Thailand, Malaysia & Singapore
13. Ethically certified cocoa, tea and coffee

coles
A little better every day

Private Label Trends Around the Globe, 2015

- responding to smaller, more frequent shopping: strong convenience offer – mini-meals, snacks, on-the-go
- using private label to showcase the health & wellness credentials of the retailer
- co-branding with manufacturers – e.g. PepsiCo and Tesco Poland (Lay's chips), Danone & Costco Canada
- expansion of premium PL, including hard discounters across the world
- repositioning of value (“Good”) ranges in response to hard discounter pressure
- more focus on local/regional/seasonal PL ranges



SIMPLE TRUTH HAS BEEN OUR MOST SUCCESSFUL BRAND LAUNCH EVER

Simple Truth generated sales of \$1.2bn in 2014, says Kroger: 'Natural foods are becoming more and more mainstream for many people'



By Elaine Watson+

10-Mar-2015

Last updated on 10-Mar-2015 at 02:45 GMT

1 comment



Simple Truth has been a runaway success story for Kroger, generating revenues of \$1.2bn in 2014

Narrowing the Distance Between Kroger and Whole Foods Market







Sainsbury's
live well for less



SimplyNature

Products made with honest ingredients that
you can feel good giving to your family.




Imperial College
London



Waitrose LOVE life private label crosses food and non-food categories



Produse marca Gusturi Românești, în trei magazine ale grupului Delhaize din Belgia

Autor: StiriAgricole.ro 



DISCOVER ALSO
ROMANIAN
PRODUCTS
AT DELHAIZE





Walmart's Price Fighter Private Label



The advertisement features the Walmart logo at the top left with the tagline "Save money. Live better." Below it, the event dates are listed: "Event Dates: Sunday, October 27 - Saturday, November 2, 2013". A large yellow arrow points downwards, containing the text "Introducing PRICE FIRST™". The products shown include:

- Yellow Mustard (16 oz.) for 78¢
- Tomato Ketchup (16 oz.) for 78¢
- Real Mayonnaise (16 oz.)
- Original Macaroni & Cheese Dinner (16 oz.)
- Pure Strawberry Preserves (16 oz.)
- Crunchy Peanut Butter (16 oz.)
- Creamy Peanut Butter (16 oz.) for 168¢ each

Each product has a "PRICE FIRST" label on its packaging.



Carrefour Petit Prix without the Carrefour logo and priced to match or beat the hard discounters. Carrefour Discount removed as “too successful”!





Celebrating Scotland
but In Scotland!



www.lidl.co.uk

Renovate Your House

From Monday,
17th January



Creature Comforts

From Thursday,
23rd January



Ladies' Fashion

From Thursday,
23rd January



Celebrating Scotland



From Saturday 17th January





Tesco offers 'try before you buy' to promote own brand food





Hard Discounters Around The World Launch Premium Private Label Products





In 2015 in The Grocer Food & Drink Own Label Gold Awards, Aldi Wins 13 of the 70 Categories





In 2015 in The Grocer Food & Drink Own Label Gold Awards, Lidl Wins 14 of the 70 Categories



Outlook & FOODWORKS Points to Consider

- hugely tough retail market environment – shopper confidence low, Aldi pressure, Woolworths backlash
- multi-channel grocery environment advances and shoppers less loyal to 1 grocery outlet
- you can't “out cheap” the 3 majors but show shoppers you're in touch with KVLs & great on weekend fresh
- but you can “out local” them – with links with local food producers and local community engagement
- be a leader in convenience & small basket shopping
- focus on food-to-go, meals-for-tonight, mini-meals
- “Big Food” is under the gun! You're the family's and the foodies' friend!
- Aussies love the underdog and “Big Food” is deeply unfashionable!

•



Woolworths
the fresh food people

The cheap food people!

Imperial College
London

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@ProfDavidHughes



sumer Blog: www.drfood.ca

Retail Blog: www.supermarketsinyourpoc

