

Answer on Question #43956 – Management – Other

Please explain and analyse tesco's financial status to morrison's in terms of market share

Solution

The UK's biggest four supermarket chains continue to struggle to keep hold of their market share and sales, as the pressure from German discounters Aldi and Lidl mounts, according to the latest grocery share figures from Kantar Worldpanel. Among the UK's four biggest supermarket chains, Tesco PLC and Wm Morrison Supermarkets PLC saw drops in both market share and sales in the 12 weeks ended June 22, Kantar said, while US Walmart-owned Asda and J Sainsbury PLC increased both market share and sales. Upmarket supermarket chain Waitrose, part of the John Lewis Partnership, continues to see growth in sales and market share.

"There are mixed fortunes for the big four," said Fraser McKevitt, consumer insight consultant at Kantar Worldpanel, "Looking outside the big four, Waitrose and Farmfoods are both continuing to perform strongly with the latter growing ahead of the market at 23.3%. Iceland held its 2.0% market share in line with last year. Morrisons and Tesco recorded sales drops of 3.8% and 1.9%, respectively, in the period from a year earlier, and also saw a dip in their market share. Morrisons' market share fell from 11.7% to 10.9% last year, while Tesco's market share declined from 30.3% to 28.9%. In contrast, both Sainsbury's and Asda posted growth in share and sales in the 12 week period. Sainsbury's sales rose 3.0% year-on-year, while its market share edged up to 16.7% from 16.6%. Meanwhile, Walmart-owned Asda surpassed its rivals with a market-beating growth of 3.6%, lifting its market share to 17.1% compared with 16.9% a year ago.

The UK grocery sector has been dominated by four big players in recent decades. However, since the financial crisis, shopper habits have been changing and those players - Tesco, Sainsbury's, Asda and Morrisons - have been losing market share to the likes of Aldi and Lidl at the bottom end of the market, and Waitrose and Marks & Spencer Group PLC at the premium end. Aldi and Lidl continue their stellar growth streaks, holding onto their all-time record market shares reached in the immediately prior period of 4.7% and 3.6%, respectively. A year earlier, Aldi had a 3.6% share, while Lidl had a 3.1% share. Aldi sales rose by 35% in the recent period from the same period a year before, while Lidl sales increased by 22%. "Both retailers have recently announced impressive expansion plans. Aldi will aim to double its store numbers to 1,000 by 2021, while Lidl is seeking to boost its presence with an eventual total of 1,500 outlets," said McKevitt.

The supermarket price competition in the UK grocery sector prompted another drop in the level of grocery price inflation to 0.8% for the 12 week period, according to Kantar, the lowest level in eight years, reflecting the impact of Aldi and Lidl and the markets' competitive response. "The low grocery price inflation during this period will be welcome news for household budgets. The outlook is positive as we predict continuing sub 1% levels into the near future, providing

some relief for cash-strapped consumers," said McKevitt. Tesco shares were down 1.0% at 281.25 pence Tuesday morning, with Morrisons down 1.4% at 180.93 pence. Sainsbury's shares down 0.9% at 312.60 pence.