

J Sainsbury PLC

11:57 31 Mar 2020

Sainsbury's and Tesco lead the way as coronavirus drives record month for supermarkets

Supermarkets experienced the biggest ever period of growth over the past four weeks as coronavirus worries drove demand from households, according to industry data released on Tuesday.

March was the biggest month on record for grocery sales ever recorded, Kantar said, with 20.6% growth in the past four weeks and 7.6% over a 12-week period.

Alternative data was also published by Nielsen on Tuesday, showing four-week sales growth of 20.5% as 79m additional supermarket visits were made.

This added an aggregate £1.9bn of expenditure onto what would have been expected in the period, Nielsen said.

READ: Ex-Sainsbury's CEO Justin King says "coronavirus driving structural shift for grocery sector"

Rather than widespread panic buying, growth has been mostly driven by people shopping more frequently and "buying slightly more, Kantar's research showed, with the average household spending an extra £62.92 over the past four weeks.

This has partly been driven by pubs and restaurants being ordered to shut by the government as part of its coronavirus lockdown, leading to supermarket alcohol sales jumping 22% year on year.

The peak of coronavirus shopping was between Monday 16 and Thursday 19 March when 88% of British households visited a supermarket, with Kantar calculating 42m extra food shopping trips were made during those four days.

Big supermarket groups Tesco PLC (LON:TSCO), J Sainsbury PLC (LON:SBRY), Asda, Wm Morrison Supermarkets (LON:MRW), Waitrose, Aldi and Lidl operating bricks-and-mortar stores took 76% of spending through their tills in the past four weeks, with sales 19% higher than March last year.

The £10.8bn sales in the past four weeks were "even higher than levels seen at Christmas," McKevitt said.

Sainsbury's growth of 7.4% was the fastest growing of the Big Four grocers during the past 12 weeks, followed by Tesco at 5.5%, Asda at 4.9% and Morrisons at 4.6%.

Marks & Spencer Group PLC's (LON:MKS) food business saw a 23% spike on a four-week basis, outperforming all but Sainsbury's of the big four grocers.

While online capacity was supposedly constrained and Ocado Group PLC (LON:OCDO) temporarily halted deliveries to new customers for a few days in March, the Ocado Retail joint venture with M&S still acquired 133,000 new shoppers over the 12 weeks, helping it boost sales over the same period by 12.5%.

Price: 195.3

Market Cap: £4.34 billion

1 Year Share Price Graph



Share Information

Code: SBRY

Listing: LSE

52 week High Low
236.7 171.189

Sector: Retail

Website: www.sainsburys.co.uk

Company Synopsis:

J Sainsbury PLC is a United Kingdom-based company principally engaged in grocery and related retailing, and financial services.

action@proactiveinvestors.com

Shares in Sainsbury's were up almost 3% to 215.8p by late morning on Tuesday, while Tesco's were down 3% to 225.9p, Morrisons' just below flat at 181.65p.

Ocado's shares were just above flat at 1,239.87p and Marks & Spender up close to 2% at 100.55p.

Online capacity constrained

Online grocery spend has spiked 13% compared to this time last year, with the average online basket size increasing to £81.88 in March, over £6 more than a year ago.

"Government advice may have been to get groceries delivered if possible, but limited delivery slots meant that only 14.6% of households received an online delivery in the past four weeks, up from 13.8% in March 2019 but probably well below actual demand," said Fraser McKevitt, head of retail and consumer insight at Kantar.

"With the greater volume capacity, the superstores have, in the main, narrowed the sales growth differential with the German discounters throughout this period, noting the latter have the oxygen of new space, whilst capacity constrained online has predictably lagged," said analyst Clive Black at Shore Capital.

The level of hoarding by supermarket customers seems to have tailed off in the last couple of week, according to figures from Starling Bank, which has close to 1.3mln customers.

Accelerated levels of spending at supermarkets peaked two weekends ago and has dropped off since, the digital-focused challenger bank said at the start of the week.

Black predicted the next four weeks "will be positive but slower in overall extent with stocking up undertaken and behavioural change at a population level", while retail cash flow from operations "should be benefiting overall".

Tax break or fair play?

The surging sales are coming at the same time suggested food retailers were in line for a business rates holiday that could total £2.7bn across the industry, according to figures from the Grocer magazine, with Tesco claiming to pay £700mln and Sainsbury's around £500mln.

This tax break should be review for the food retailers, suggests campaigning group Tax Watch UK, or at least the government might ask for more in return for businesses that receive support, with supermarkets perhaps obliged to use at least some of the support they receive to help stock foodbanks, or maybe reward all their staff, who have been reappraised as key workers amid the crisis.

In other supermarket news at the start of the week:

- WH Smith (LON:SMWH) said on Tuesday its hospital stores across the UK had increased their grocery range in collaboration with Sainsburys "to further support our amazing NHS staff on the frontline".

Aldi eased the temporary restrictions put in place to limit the number of items shoppers can purchase, saying "product availability in store is good".

They were also joined by Asda, Morrisons, Waitrose, which removed some limits and changed others. Co-op, Sainsbury's and Tesco are not changing their policies on product restrictions for the time being.

John Lewis and M&S insisted that their warehouse operations are safe and that their online operations provide vital products.

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