



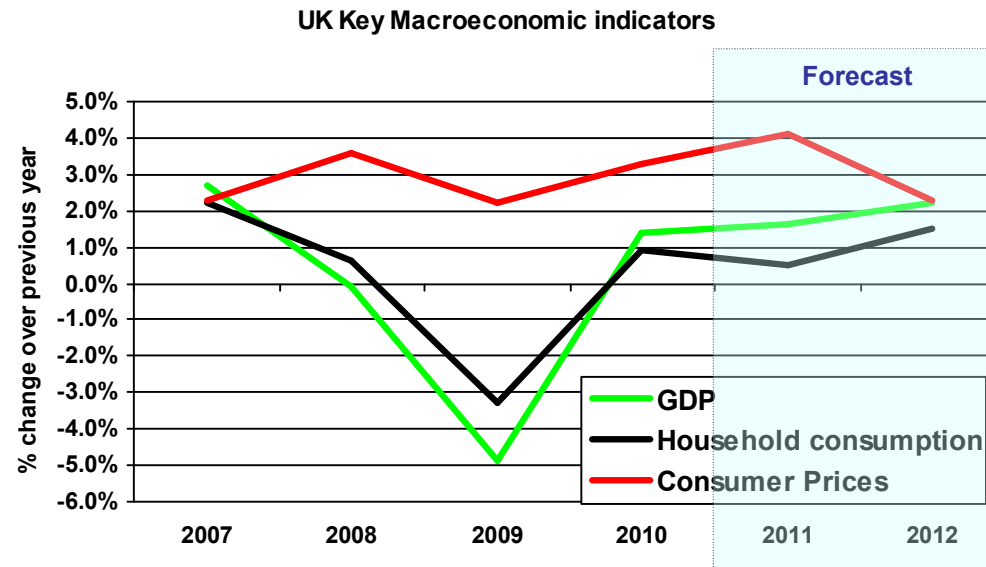
The best deals in Food: In-store or Online?

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Growth but not as we know it

- GDP growth forecast in 2011 of +1.6%
- Household consumption growth lower at +0.5%, held back by:
 - ✓ Consumer prices (forecast to grow by +4.1% in 2011)
 - ✓ Impacts on disposable income of fiscal austerity measures (direct via taxes and indirect via increased savings ratio)
 - ✓ Wage restraints

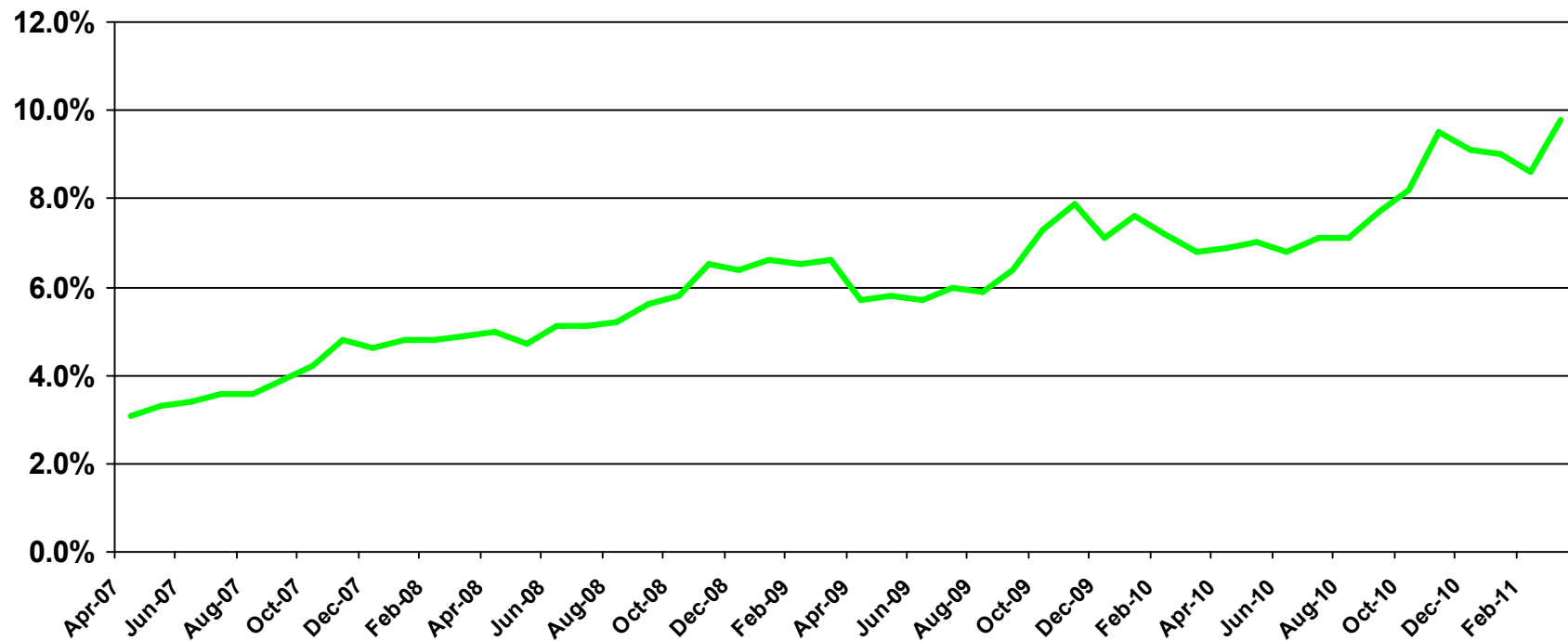


- No demand side reason why promotions within food retail should diminish in the short term

Relentless growth of online shopping

- Well documented price competition between major multiples
- Consistent long term growth in Online sales, now accounting for 9.8% of total retail sales in UK

Internet sales as a percentage of total retail sales in UK

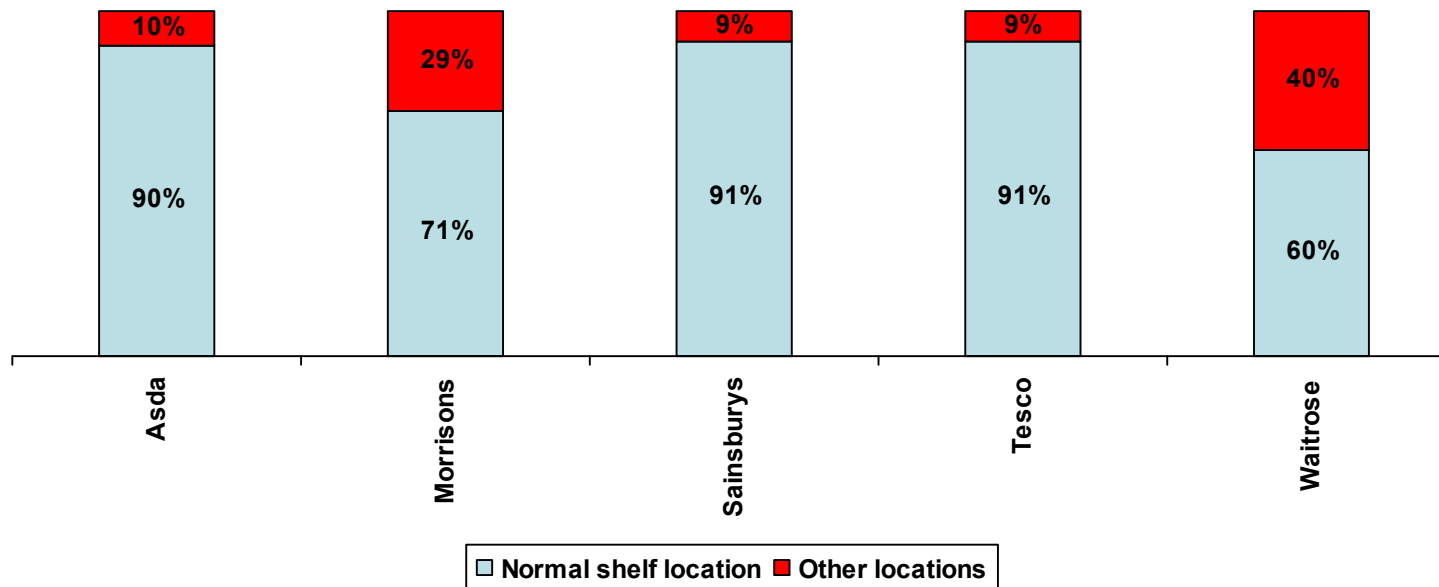


Where are the most deals for food, online or in-store?



- Major multiples in-store pricing is largely consistent with online prices
 - ✓ Example on Biscuits category matched 93% of prices online and instore on a specific day in March across Asda, Tesco, Sainsbury, Waitrose
- Promotions online will however differ from in-store:
 - ✓ Promotions at permanent fixtures (normal shelf position)
 - ✓ Additional location in-store

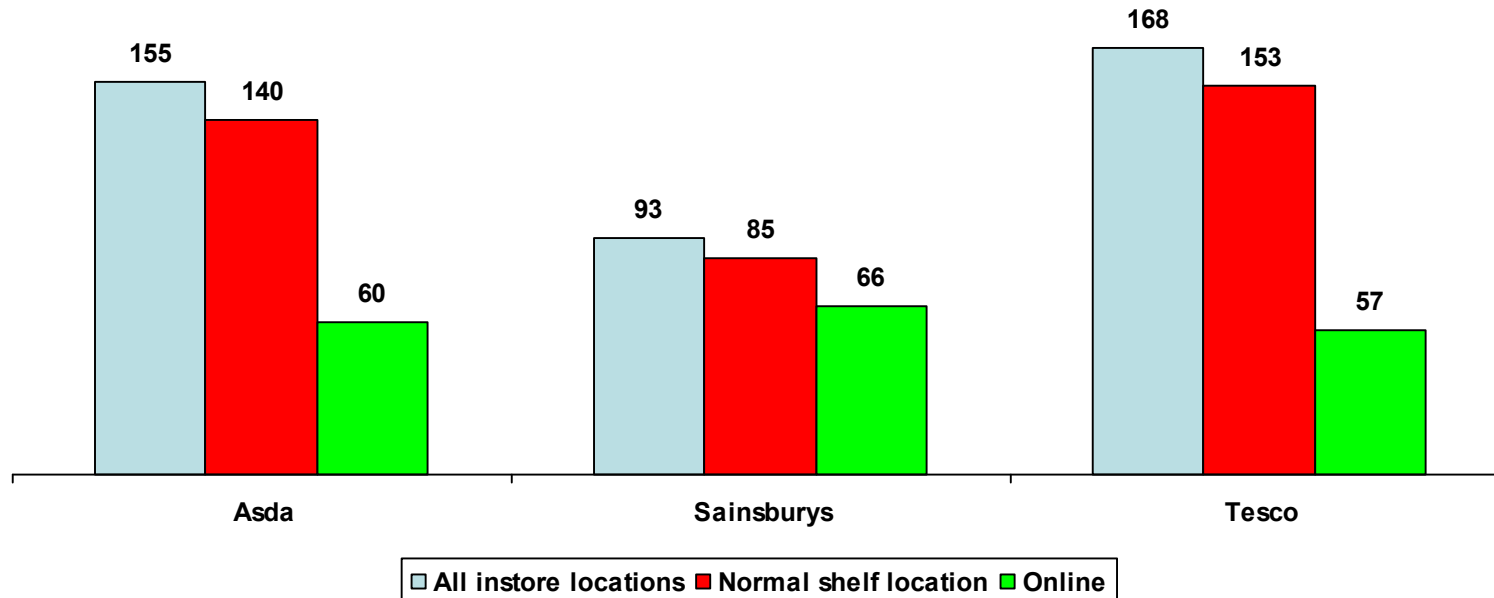
Proportion of in-store promotions at normal locations versus temporary location, Biscuits category, 5th May 2011



Far fewer promotions online versus in-store

- Biscuit category has more promotions in-store compared to online in Asda (160% more promos instore than online), Sainsbury (40% more) and Tesco (195% more) on a single given day (5th May 2011)
- Even taking out the effect of secondary locations (which obviously don't exist online), there are still more skus on advertised promotion in-store versus online
- Anecdotal evidence that many advertised price promotions in-store are not advertised online (although the prices are at the promoted levels)

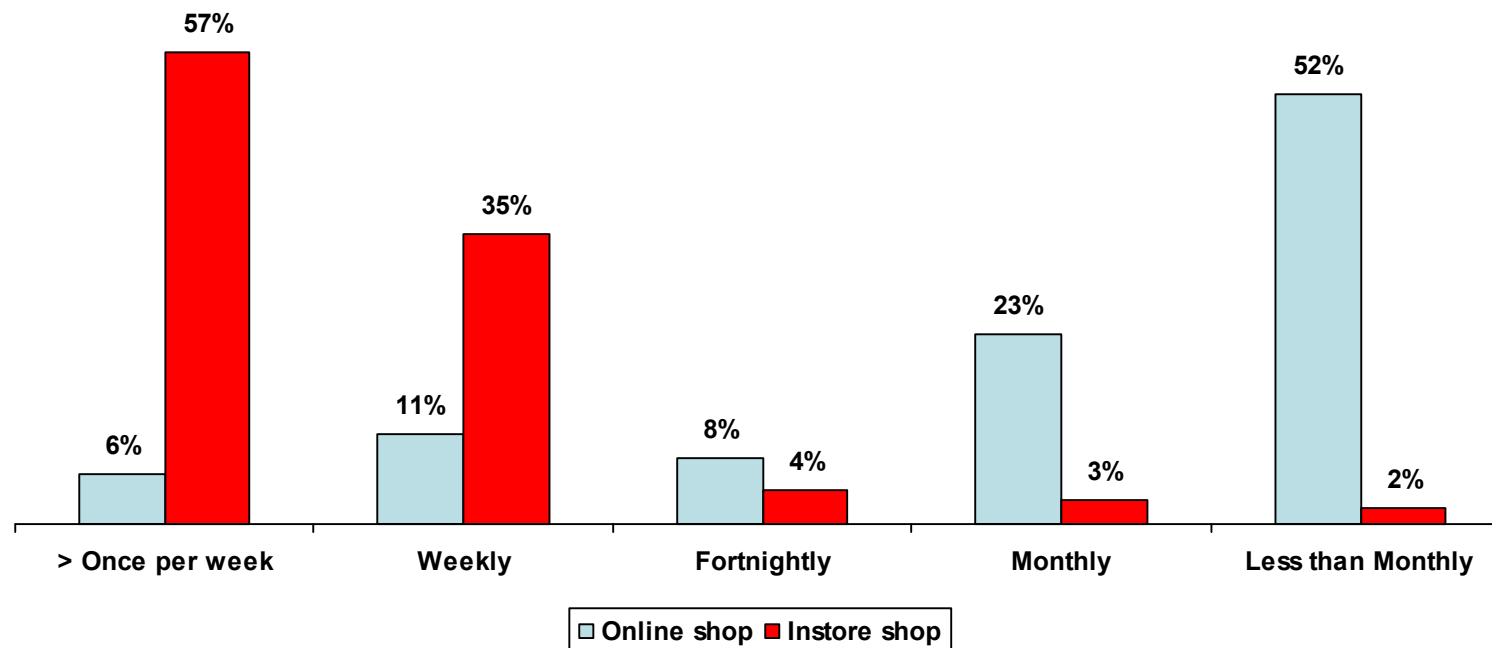
Number of sku level promotions instore (both at normal shelf location and at other locations) versus online, Biscuits category, 5th May 2011



Consumers shop instore for food more often

- Survey of 430 consumers who shop for food both instore and online
 - ✓ Average age = 42
 - ✓ 72% Female, 28% Male
 - ✓ Online survey conducted on 5th to 13th May 2011
- On average, consumers shop for food online less than once a month and instore more than once a week:

For consumers who shop for food both instore and online, frequency of shop

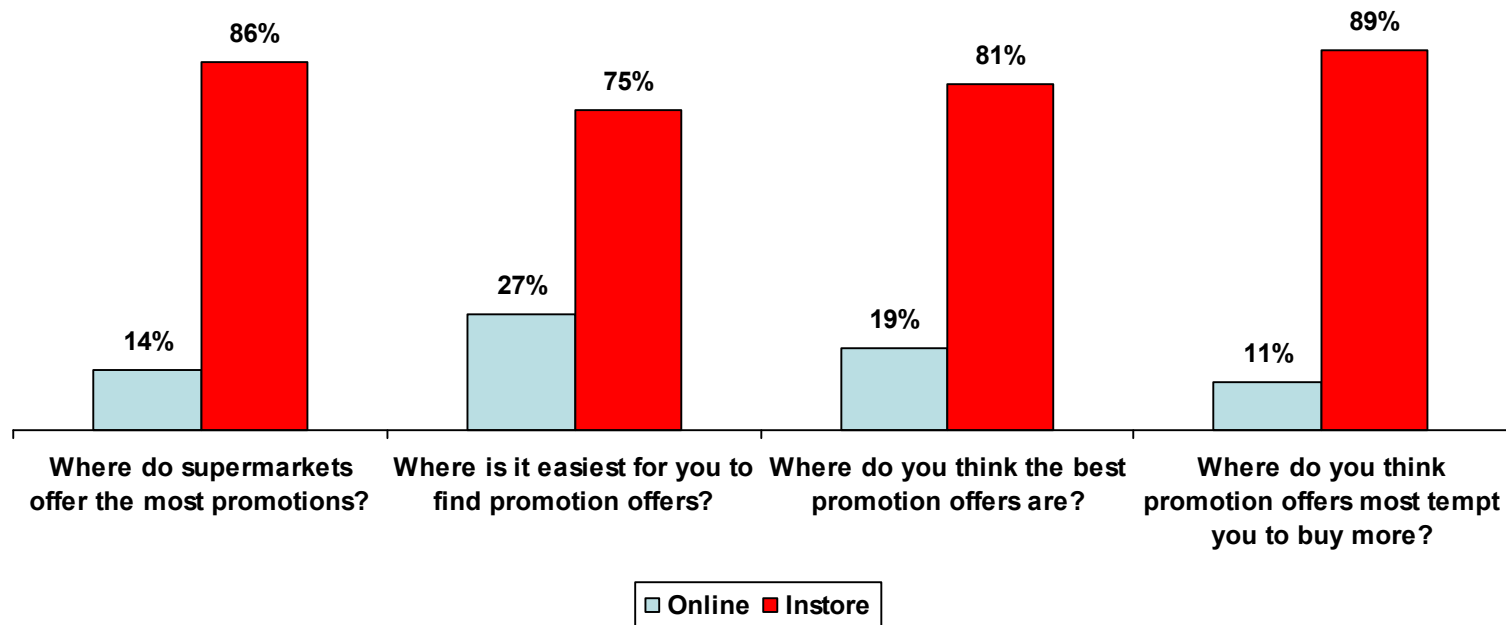


Consumers believe instore has more/better offers



- Vast majority of respondents believe there are more offers and better offers that are easier to find instore than online
- Respondents also believe that the instore promotions will tempt them to spend more than if they had shopped online

For consumers who shop for food both instore and online, views on promotions



Reasons for shopping differ instore vs. online

- Top 3 word counts for reasons why shopping:
 - ✓ Online:
 - **Convenience**, mentioned 118 times
 - **Easy**, 40
 - **Time saving**, 25
 - ✓ Instore:
 - **Like to see the food**, mentioned 162 times
 - **Purchase fresh food**, 68
 - **Like to browse**, 36
- Type of food purchased online most frequently mentioned were the basic heavy, bulky items (mentioned 90 times)
- Type of food purchased instore most frequently mentioned was fresh food (mentioned 310 times)

Observations / Opinion



- Significant growth in online shopping
- Many more promotions instore compared to online
- Consumers recognise many more promotions instore compared to online
- Preference of shoppers is to buy bulky items online. Shoppers buy perishables instore and also like the 'theatre' of instore
- Whilst online has less promotions, a number of people purposely shop online to avoid unanticipated spend instore – thus although there are less deals the total spend for a shop is lower
- Perversely, online shopping food shopping growth could grow during this period of continued household budget pressure, despite less offers online