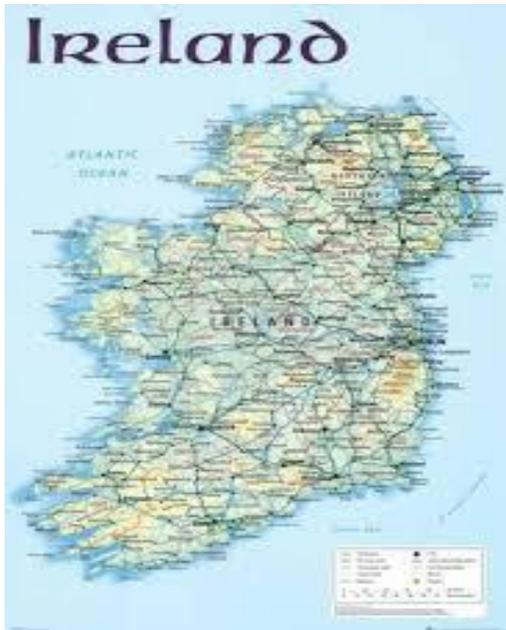


A perspective on the Irish grocery market from across the Irish sea



February 2018

What is on the agenda?



- Global forces and technological change causing seismic shifts in demand
- An overview of the Irish grocery market from across the Irish Sea
- What does the evolving structure of the market tell us about the dynamics of the Irish market
- What are the similarities and differences to the UK market?
- What are the key strategic developments that surround the future composition and structure of the Irish market?

The outsider's view - global versus local?



- Globalisation has hit local barriers, retrenchment replaced concentration & standardisation
- Wal-Mart, Carrefour & Tesco all dramatically scaled back..., Tesco remain in situ in Ireland
- Grocery markets have strong local credentials, strong players tended to resist standardisation:
 - E-Mart & Lotte in South Korea
 - Albert Heijn in The Netherlands
 - Mercadona in Spain
- Channel shift - as a strategic force for change replacing global ambitions



The one-stop shop hit bad rails & buffers



- Globalisation was often predicated on following the money from grocery in to non-food e.g. Ahold, Carrefour and Tesco, although Wal-Mart did it in reverse...
- Online brought the non-food party to an end, hypermarkets lost their mojo; the power of Amazon moving into adjacent categories
- Local domestic competitors also rose to the challenges of the international brand; E-Mart in Korea, Kroger in the USA and Sainsbury in the UK
- Financial necessity brought reappraisal, new management, simplification (fraud in Tesco's case) and focus; only last week we had the next iteration of Carrefour's recovery with another Transformation now forecast for 2022



The rise of the Limited Assorted Discounters (LADs)



- The LADs spread globally from their Germanic heartland
- Timing expansion opportunistically with economic distress they went through Central Europe & Ireland like a dose of salts
- More latterly through collective corporate somnolence by the supermarkets they struck gold in the UK - 6% to 13% share over the decade from 2007
- LADs to Value Based Stores(VBS)..., needing to move up the value chain, they are now more complex and mainstream



An external perspective on Ireland

- Modest sized market capable of only so much inward investment to be meaningful - Tesco & The Germans
- Irish retail structure has a strong heritage of convenience and supermarket store retailing and wholesaling
- Advanced CVS sector especially in forecourt; Applegreen, Topaz, Maxol...
- High level of local sourcing – Dunnes and SuperVal with modest welcome for British fascia's



DUNNES
STORES

SuperValu
Real Food, Real People



An external perspective on Ireland cont...../

- Few major conurbations (Dublin, Cork, Limerick and Galway amongst others)
- Strong local domestic players - Dunnes & Supervalu
- Low hypermarket penetration
- Limited online activity
- No problem with the German LADs



The economy stupid...

- The economy is a permanent conditioning factor influencing the retail market
- From the Euro-crisis, Ireland's tough medicine makes it well able to compete
- Recovery & growth in Irish GDP is reflected in the more prosperous grocery market
- UK-EU Brexit trade negotiations remains uncertain...., but posing opportunities as well as some constraints..., perhaps better for the City vs. Country?



...The economy stupid continued

- What is the relative pricing structures of the Irish grocery scene vs., their overall value quotient (**PQRS?**) - that is key to the future!
- In the long-run will Hi-Lo at Dunnes/SuperValu sustain a presence vs., LADs and a simplified & lower priced Tesco?
- Is vouchering a healthy and sustainable trading strategy?
- Is Dunnes able to become the Waitrose (Superquinn) of Ireland?



Where has the Irish market got to today?

- There is a four-way tie - maturity/tectonic?
- The LADs are normalising at a c25% share
- Dunnes fighting a distinctive food/non-food trail - who are its clothing customers; age, income band, location?
- SuperValu toughing it out in market towns rivalling the Irish loyalties with Dunnes
- Tesco returning to a stronger platform through its own simplification and focus but remaining functional
- Low online penetration - an opportunity, particularly in major conurbations



Where could things be headed?

- Plate tectonics are slow, but can be relative violent (see UK)
- Ireland would be a sensible place for Amazon to build out and rock the boat
- Will Tesco remain committed?
- Will Dunnes be acquired or joint venture with a partner?
- The Germans look well embedded
- Can Musgrave's sustain its capabilities?
- Could there be a major new entrant... Asda?
- What does the Irish competition regulator's views of potential consolidation?



New challenges & opportunities in grocery & F2G

- There appears to be an online opportunity in Ireland for a new entrant (see Picnic in The Netherlands)
- F2G and CVS is well advanced and there are further opportunities e.g. Applegreen in UK & US
- Discount appears mature, what of Value based retailers e.g. B&M European?
- Well-being is a structural growth trait in grocery from local provenance to healthy snacking, from low salt, saturated fat & sugar to happy pets...
- Competition between 'The Big Three' appears attritional..., will one capitulate?
- If so..., which one..., could Dunnes sell out, would SuperValu adapt its business model or could Tesco depart (who would buy it)?





**More questions than
answers..., that is always
the future...**



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