

Battle of the Supermarkets

The Queen's grocer, Fortnum and Mason, may well have seen increased profits this year, but for the United Kingdom's major supermarkets, this is a challenging time.

Tesco, once the darling of the City, is seeing the largest correction, both to its profitability and its market share. During the final week of February, its senior management teams have begun the process of rationalising its workforce by 10,000. Reducing the workforce by such an amount is a challenging task; it is expected that whole layers of management will be removed from its larger stores and its head office facility in Cheshunt, Hertfordshire, will close down. As previously reported, Tesco will also close 43 of its least profitable stores and its plans for a further 49 stores have been mothballed. One example of this is a new 47,000 sq ft store in Chatteris, Cambridgeshire, which was due to open in November, but now remains empty with no indication of whether it will open or not.

The Chatteris store was expected to have generated up to 250 jobs within the local community and the council have been in negotiations with the company to ensure that the site is at least kept tidy and clear of litter. Recently, Tesco have responded to some of the local criticism

by donating £20,000 to a community fund, which will help to support local groups and charities.

Tesco have introduced some aggressive pricing policies in the last few weeks in order to try and regain some of the market share that they have lost to the discount retailers, such as Lidl. The company has issued vouchers offering a £10 discount for every £40 that a customer spends in store. This has had a detrimental impact upon the sales of its competitors, such as Asda. Asda's Chief Executive, Andy Clarke, has commented that its profits have fallen due to the "unprofitable promotions" offered by its rivals.

Research has shown that the model adopted by the large supermarkets, of having large-scale out of town sites, is flawed. Today's modern shopper tends to shop more locally and splits their shopping into several smaller shops – perhaps buying different items from different shops. In recent years, there has been an explosion in the numbers of smaller convenience stores. Indeed, the four largest supermarkets operate 3500 of them, compared to 2500 of their larger traditional supermarkets.

It is this growth in convenience shopping, with the shopper becoming savvier and shopping around for deals, which has led to the demise of the traditional out of town shopping experience. By operating their own convenience stores, such as Tesco Express, Sainsbury's Local, Morrisons M Local and Little Waitrose, the supermarkets have cannibalised their own sales in their more traditional stores.

After careful consideration, we have decided to delay the opening of our new store in Chatteris.

We recognise that some people will be disappointed with this decision and we are very grateful for the support we have received in the past for our plans.

We will make sure the site remains secure and tidy whilst we review timelines for the scheme and will be sure to keep the council and local community informed as our plans progress."

Tesco Spokesman

