



**Bank of Ireland Sectors Team  
Retail Convenience H1 2021  
Insights / Outlook H2 2021**

**July 2021**



**Bank of  
Ireland**

Classification: **Green**

## Retail Convenience: H1 2021 Review

### Summary

- **Robust performance:** Exceptional performance delivered by the sector linked to COVID-19 continued into H1 2021. Shopping behaviour and frequency patterns returning to more normalised trends linked to the vaccine roll-out.
- **Sustainable Future:** A commitment to reduce carbon footprint retains a strong focus from all leading brands in the Irish market. Store revamps, fleet management, use of alternative energy sources all being proactively utilised to improve the sectors environmental credentials.
- **Investment:** Store purchase activity has been particularly strong in H1 2021 and this trend along with increased store revamp activity is expected to continue in H2 2021. Bank of Ireland continues to actively engage and support grocery retailers with their investment plans.

### H1 2021 Key Trends


- Strong growth in take-home grocery sales linked to COVID-19 continued. Growth of 18% delivered in 2021 ytd v pre-pandemic performance in 2019 per Kantar Grocery market share.
- Supervalu and Dunnes continued to compete strongly for the no. 1 spot in grocery market share; Supervalu benefiting from its extensive community focused store network and online capability and Dunnes delivering a strong performance in the Dublin region. Aldi and Lidl continue to maintain a strong foothold in the Irish market.
- COVID-19 has driven a large divergence in performance amongst convenience focused operators. Neighbourhood stores (Centra & Eurospar) have reported a strong performance whereas many city-centre stores have seen a significant deterioration in footfall linked to increased working from home practices, reduction in tourism/sports events etc. Forecourt stores have delivered an improved performance with many acting as regional top-up stores.
- The Irish consumer now expects a frictionless/accessible shopping experience with strong investment in click & collect services being noteworthy across all leading brands. The provenance/origin of products continues to inform/guide shopping trends and behaviour.

### Sector Developments – H1 2021 Key Numbers

**€874m** 

BWG group sales in the 6 months to 31 March 2021.

**60%**

Increase in online capacity delivered by Tesco Ireland in 2020. 

**€2bn** 

Additional amount spent on take-home grocery in Ireland in the year end 31st March 2021 per Kantar.



**€170m**

Sales delivered by Supervalu Food academy producers between 2016 and 2020.



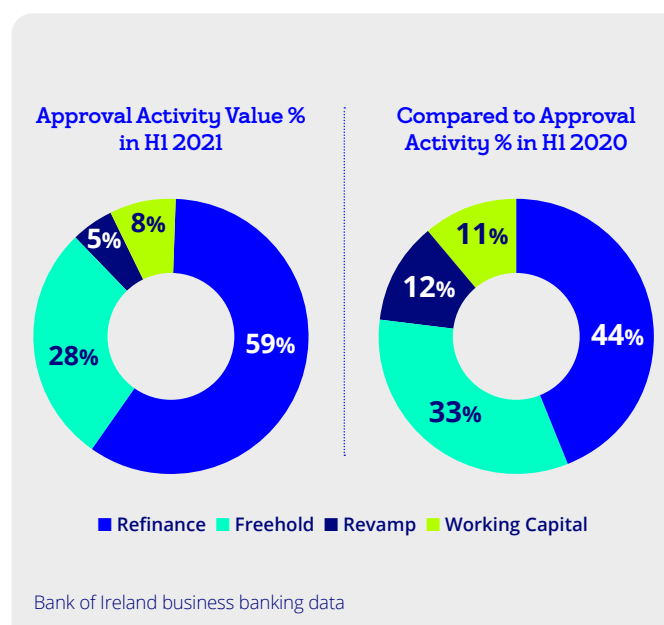
**€75m**

Investment from Lidl in its regional distribution centre in Co Westmeath.

### Key Activity in the Sector in H1 2021

- Shopping patterns have reverted to more normalised trends as vaccine rollout continues. The frequency of trips to convenience/grocery stores has increased with an additional 2m trips recorded in June 2021 compared to June 2020 (per Kantar – Irish grocery market share).
- Retailers are continuing to implement pragmatic succession planning structures to ensure that appropriate long-term value is delivered from their business. COVID-19 has been a catalyst for some retailers to investigate future options.
- A strong pipeline of store revamps and purchase activity has been generated in H1 2021. Progressive retailers continue to recognise that in-store investment is necessary to maintain customer engagement and loyalty.

### Approval Activity Value %



### Sector Developments: Investment and Consolidation

- Supervalu, Lidl, Aldi and Dunnes all outlined plans for new store openings in 2021 across all regions with a noteworthy focus on satellite towns of Dublin, Cork and Galway.
- Musgrave Retail Partners which own the Supervalu and Centra brands appointed Ian Allen as managing director.
- Buymie, led by Devan Hughes has partnered with selected Dunnes, Lidl and Tesco stores to provide same-day grocery deliveries to consumers in Dublin, Galway and Cork. The evolution of the grocery delivery sector and click and collect continues with the UK witnessing a range of new market entrants such as Weezy, Jiffy and Getir over the past twelve months.
- The UK competition authority has cleared the €6.8bn acquisition of Asda by the Issa brothers/TDR capital. The new owner's strategy for the Asda Northern Ireland business will be monitored closely.

# Retail Convenience H2 2021 Outlook

## H2 2021 Key Numbers

€4m



Investment by the Pettit Group in their new flagship Supervalu store in Southern Cross, Bray, Co Wicklow.

1million

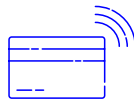


Number of indigenous woodland trees that Aldi has committed to plant pre 2025 in Ireland to support its reduction in carbon emissions target.



22,000sq/m

The scale of Plexiglass utilized by Tesco Ireland across its store network to deliver a safe environment for customers and staff during COVID-19.



149million

The volume of in-store contactless payments in Q1 2021 per Banking & Payments Federation of Ireland as consumers move away from cash based transactions.

## H2 2021 Retail Convenience Sector Outlook

- **Robust Outlook:** Overall a resilient sector to economic shocks; Sales performance during COVID-19 has bolstered cash reserves.
- **Funding Activity:** Strong active pipeline of store purchase and revamp proposals- retailers recognise that customer experience/excellent standards will be key to attract and retain market share.
- **Investment/Consolidation:** Increased investment in partnership agreements and further consolidation of the market (especially forecourt sub-sector) expected in H2 2021.

## Market

- Significant revamp programme will be rolled out in H2 2021 nationwide by leading grocery operators as the ever more discerning consumer seeks excellence in store standards.
- Detailed analysis pre and post revamp will be an imperative to ensure that a maximum return on investment is delivered via sales mix improvement, margin growth and cost saving. The “localisation” trend will continue with store revamps taking a more bespoke, community focused approach.
- Increased consolidation expected in the market with larger independent grocery/convenience operators expanding their store network thus creating multi-store groups operating under the Supervalu, Centra and Eurospar/Spar banners in particular.
- The long-term model adopted by city-centre and high convenience Forecourt retailers will be examined – can they effectively pivot towards grocery top-up and/or a hub for people working from home through increased delivery capability and/or partnerships with local restaurants/bakeries/café’s etc.
- Corporate social responsibility linked to sustainable and environmentally friendly in-store activities will be a key area of focus for all retailers – energy efficient equipment, elimination of single-use plastic, improved recycling facilities and reduction of food waste. This will enable an improved cost base whilst meeting consumer expectations in respect of ethical trading.
- Development of a frictionless, reliable and efficient online service to meet increased demand for a digital offering will rank high on investment priorities for the sector. Retailers will examine the benefits of 3rd party partnerships, “dark-stores” and improved click and collect offerings to meet the nascent growth in this channel.



## Funding Activity

- Revamp activity to continue linked to a proactive revamp strategy from progressive retailers nationwide.
- Store sale activity primarily linked to succession planning will continue to develop in H2 2021. Leasehold retailers will continue to see opportunities to purchase the freehold interest of their stores.
- Refinance activity projected in the sector in H2 2021 linked to exiting banks and loan book purchasers seeking to deleverage.

## Bank of Ireland

- In Bank of Ireland we recognise that we have a unique opportunity to support our customers and to enable Irish businesses and the communities we jointly serve to thrive.
- Our proven financial capabilities and appetite, combined with comprehensive sector expertise, provide us with a strong platform to meet the funding requirements of Irish retailers.
- We understand the investment cycle, including the need for regular expenditure to maintain growth and profitability in this dynamic sector, and we have a strong appetite to support progressive, innovative retailers in the further development of their businesses in 2021.



### Owen Clifford

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Owen Clifford is Head of Retail Convenience within Bank of Ireland since 2015. Owen is responsible for the continuing development of the Bank's growth strategy in this key area and has actively supported leading retailers and stakeholders in the sector to grow and develop their business in a sustainable manner.

Owen has brought extensive industry knowledge and experience to this role, having worked in the retail sector with Musgrave Retail Partners Ireland where his role involved supporting independent retailers to maximise their profitability and to develop long-term, sustainable business models. During this time Owen built up a significant knowledge base, and a network of connections with expertise, in the areas of Finance, Operations and Legal/Regulatory requirements specific to the Retail Convenience sector.

Owen holds a first class honours degree in Law and Accounting from the University of Limerick and is a Fellow of the Institute of Chartered Accountants Ireland and an Associate of the Irish Taxation Institute.

**Sources:** [www.checkout.ie](http://www.checkout.ie), [www.shelflife.ie](http://www.shelflife.ie), Bank of Ireland business banking data – June 2021, Irish Times, Irish Independent, Kantar Grocery market share – January: June 2021. Banking & Payments Federation of Ireland, Supervalu Food academy press release, Tesco Ireland press release.

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