Food Retailers

Nielsen: Grocery sales slow in 1H February, ticket growth still +LSD%

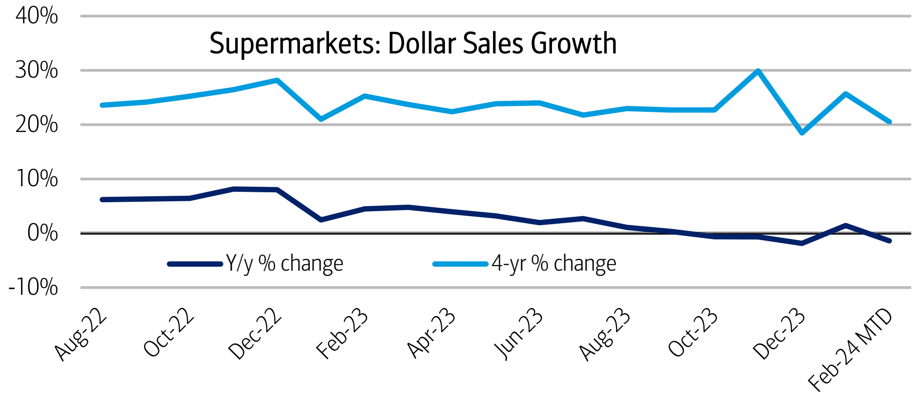
Industry Overview

21 February 2024

Equity
United States
Food Retailers

Supermarket sales -1.4% in the first 2 weeks of Feb.

Exhibit 1: Conventional Supermarkets monthly dollar sales growth (1 & 4-yr % change)
Supermarket sales were -1.4% y/y in 1H Feb., slowing -220bp largely on volume declines (after January's positive inflection, which may have benefitted from the timing of New Year's Eve)



Source: Nielsen, BofA Global Research

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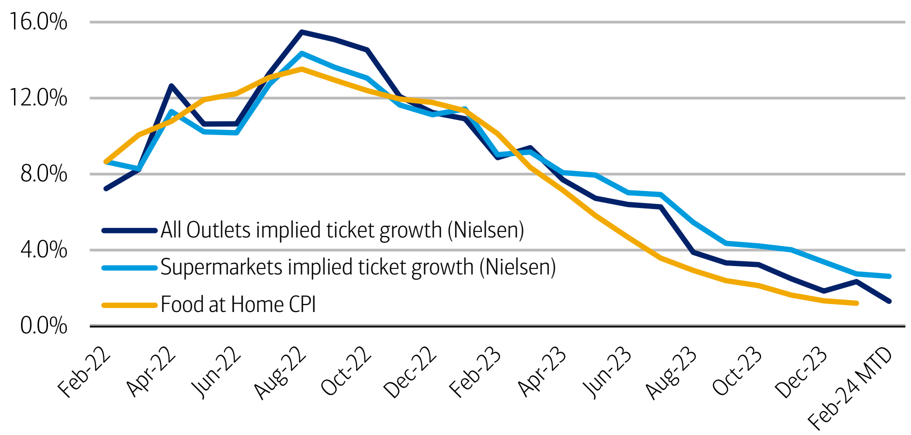
Implied ticket still inflationary; Supermarkets +2.6%

Exhibit 2: Nielsen implied ticket growth by channel vs. Food at Home CPI
Implied ticket growth (which has been trending above Food at Home CPI) still inflationary at +2.6% y/y for Supermarkets & +1.3% for AOC., with non-food & non-perishables higher vs. perishables



Source: Nielsen, Bureau of Labor Statistics, BofA Global Research

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See inside for more on our key highlights

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Key terms:

AOC = All Outlets combined (incl. supermarkets, drug, mass, club, dollar stores & military)

MTD = month-to-date

1H = first-half

LSD = low single digit

Timestamp: 21 February 2024 01:37PM EST

Key Highlights

- **Supermarket sales slow in 1H February:** Total store y/y sales growth in February was -1.4% y/y for Supermarkets & -0.3% y/y for the AOC channel, both slowing (-280bp & -220bp, respectively) following a positive inflection in January, which may have benefitted from the inclusion of New Year's Eve (which fell in the last week of Dec. last year). AOC outperformance (+110bp) continued to reflect more modest volume declines vs. Supermarkets, partially offset by lower ticket inflation. Volume continues to track negatively in both channels (but more so for Supermarkets) both y/y & on a 4-year basis.
- **Ticket inflation tracking +1-3%:** with Supermarkets +2.6% y/y & AOC +1.3% in 1H February (-10bp & -100bp vs. Jan., respectively) compared to highs of 14-15% in Aug. 2022. Inflation continues to track higher in non-perishables vs. perishables (Exhibit 14). We see slowing same-stores sales for grocers as food inflation continues to ease (see our latest report: CPI/PPI update). We think shoppers will continue to favor value & variety (incl. in price points & private label) as consumers are still adjusting to grocery prices that are up 25%+ vs. pre-pandemic.

Exhibit 3: Total Store Sales Trends by Channel – Y/y % Change
Y/y sales growth slowed & inflected negatively in both channels in the first 2 weeks of February (after January's positive inflection that may have benefitted from the timing of New Year's Eve)

All Outlets Combined	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-MTD
Dollar Sales	2.6%	1.5%	0.7%	0.6%	-0.3%	2.0%	-0.3%
Volume	-1.3%	-1.8%	-2.5%	-1.9%	-2.2%	-0.4%	-1.6%
Implied Ticket	3.9%	3.3%	3.2%	2.5%	1.8%	2.3%	1.3%
Conventional Supermarkets	**Aug-23**	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-MTD**
Dollar Sales	1.1%	0.3%	-0.6%	-0.7%	-1.9%	1.4%	-1.4%
Volume	-4.4%	-4.0%	-4.8%	-4.7%	-5.2%	-1.3%	-4.0%
Implied Ticket	5.5%	4.4%	4.2%	4.0%	3.4%	2.7%	2.6%

Source: Nielsen, BofA Global Research

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Exhibit 4: Total Store Sales Trends by Channel – 4-Year % Change
4-year sales growth slowed for both channels into the first 2 weeks of February (which could partially reflect tough comparisons vs. 2020, which included Valentines Day & the Superbowl)

All Outlets Combined	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-MTD
Dollar Sales	28.0%	27.8%	28.2%	32.5%	23.7%	29.5%	24.4%
Volume	-5.8%	-5.2%	-4.6%	-3.1%	-4.2%	-4.5%	-5.5%
Implied Ticket	33.8%	33.0%	32.8%	35.6%	27.9%	34.0%	29.9%
Conventional Supermarkets	**Aug-23**	**Sep-23**	**Oct-23**	**Nov-23**	**Dec-23**	**Jan-24**	**Feb-MTD**
Dollar Sales	23.0%	22.7%	22.7%	29.9%	18.5%	25.7%	20.5%
Volume	-11.8%	-11.1%	-11.4%	-7.4%	-12.2%	-9.2%	-11.8%
Implied Ticket	34.8%	33.8%	34.1%	37.3%	30.7%	34.9%	32.3%

Source: Nielsen, BofA Global Research

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- **Supermarket promos still below pre-COVID levels:** Promos in 1H February were +4.5% y/y for Supermarkets & +3.8% y/y for AOC. This marks the 18th straight month of higher y/y promos in contrast to negative trends we had seen in early 2022 likely reflecting cost pressure/availability challenges (after higher/normalizing y/y promos in 2021). While promos remain below pre-COVID levels (with 4-year promos tracking -3.3% for Supermarkets & -4.3% for AOC in 1H February), we see potential for promotional activity to increase further as food inflation continues to wane.

Exhibit 5: All Outlets Combined Total Store Promo Trends
AOC promos up y/y for 18th straight month, but still below pre-COVID

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24 MTD
Promo % sales	28.1%	28.3%	27.7%	30.5%	29.4%	28.0%	28.3%
y/y % chg.	8.4%	5.3%	3.0%	3.5%	4.8%	5.3%	3.8%
4-yr % chg.	-6.4%	-6.6%	-3.4%	-0.4%	-6.8%	-6.4%	-4.3%

Source: Nielsen, BofA Global Research

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Exhibit 6: Conventional Supermarkets Total Store Promo Trends
Supermarket promos up y/y for 18th month, but still below pre-COVID

	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24	Feb-24 MTD
Promo % sales	32.9%	32.8%	32.9%	35.3%	34.3%	32.5%	33.9%
y/y % chg.	8.5%	6.2%	5.2%	4.7%	6.8%	5.2%	4.5%
4-yr % chg.	-5.9%	-6.2%	-5.4%	-1.4%	-5.9%	-7.0%	-3.3%

Source: Nielsen, BofA Global Research

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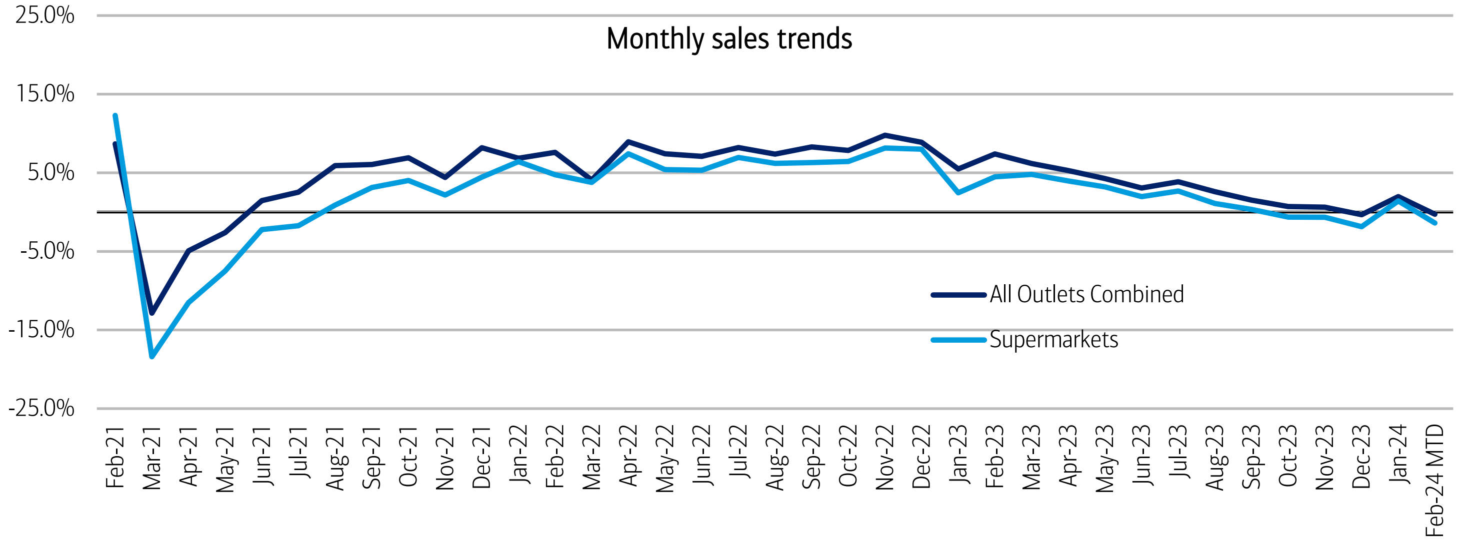
Nielsen: Conventional Supermarkets vs. All Outlets: Monthly Trends

Exhibit 7: Conventional Supermarkets vs. All Outlets Combined (incl. drug & mass) total store monthly $ sales y/y % change
Grocery sales in February slowed -280bp vs. January for Conventional Supermarkets (to -1.4% y/y) & -220bp for the AOC channel (to -0.3% y/y)



Source: Nielsen, BofA Global Research

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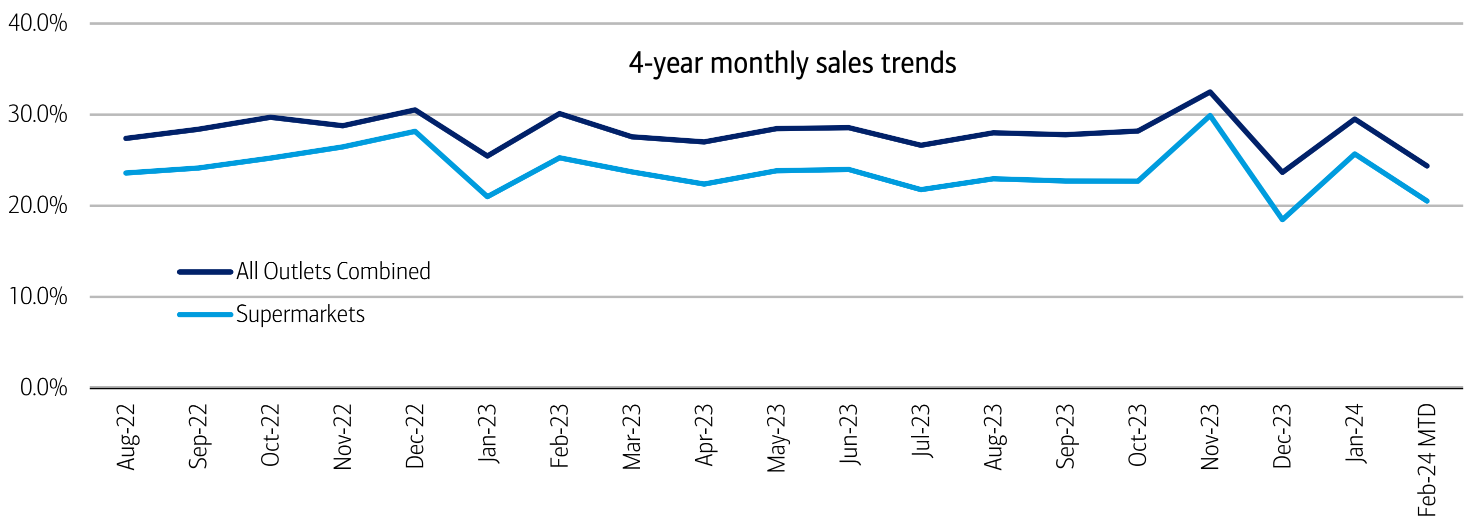
Exhibit 8: Conventional supermarket vs. All Outlets (incl. mass and drug) total store monthly 4-year % sales growth
Moving past volatility related to holiday timing in November & December, 4-year sales growth slowed for both channels in the first 2 weeks of February (ending 2/10). This may partially reflect tough comparisons vs. 2020 (where the first 2 weeks of February ending 2/15 incl. the Superbowl & Valentines Day)



Source: Nielsen, BofA Global Research

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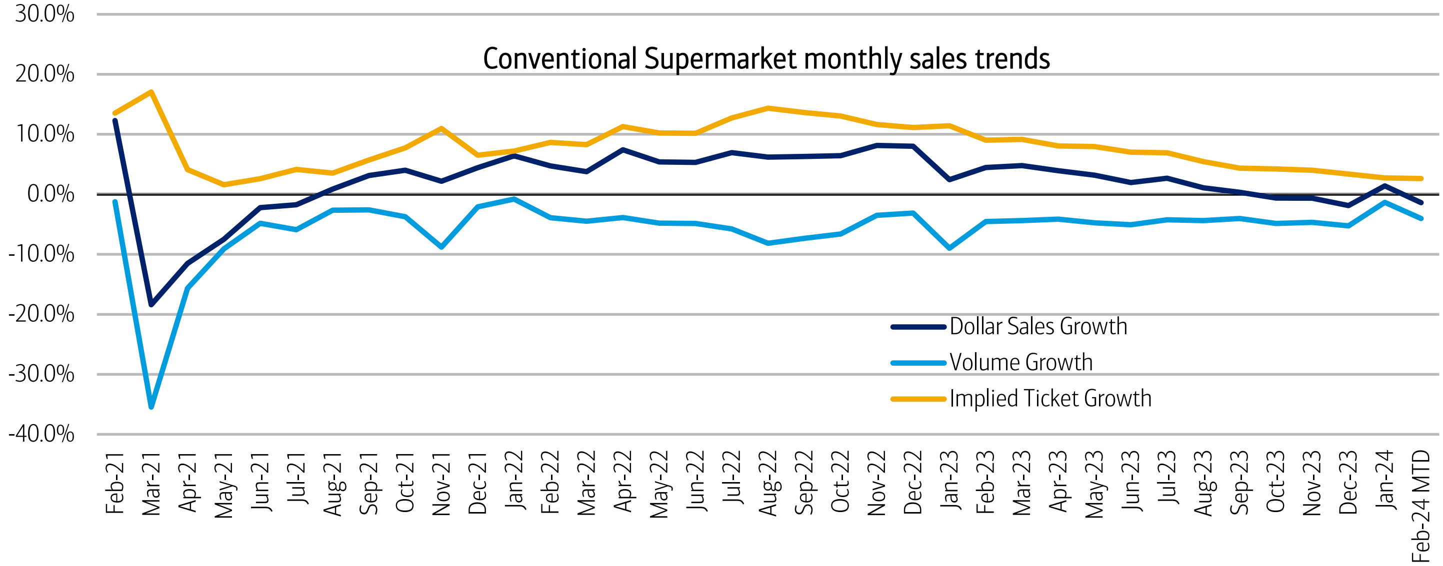
Exhibit 9: Conventional supermarkets total store sales monthly y/y % change

Supermarket sales were -1.4% y/y in February-MTD, down -280bp vs. January largely on volume declines, while ticket growth slowed -10bp



Source: Nielsen, BofA Global Research

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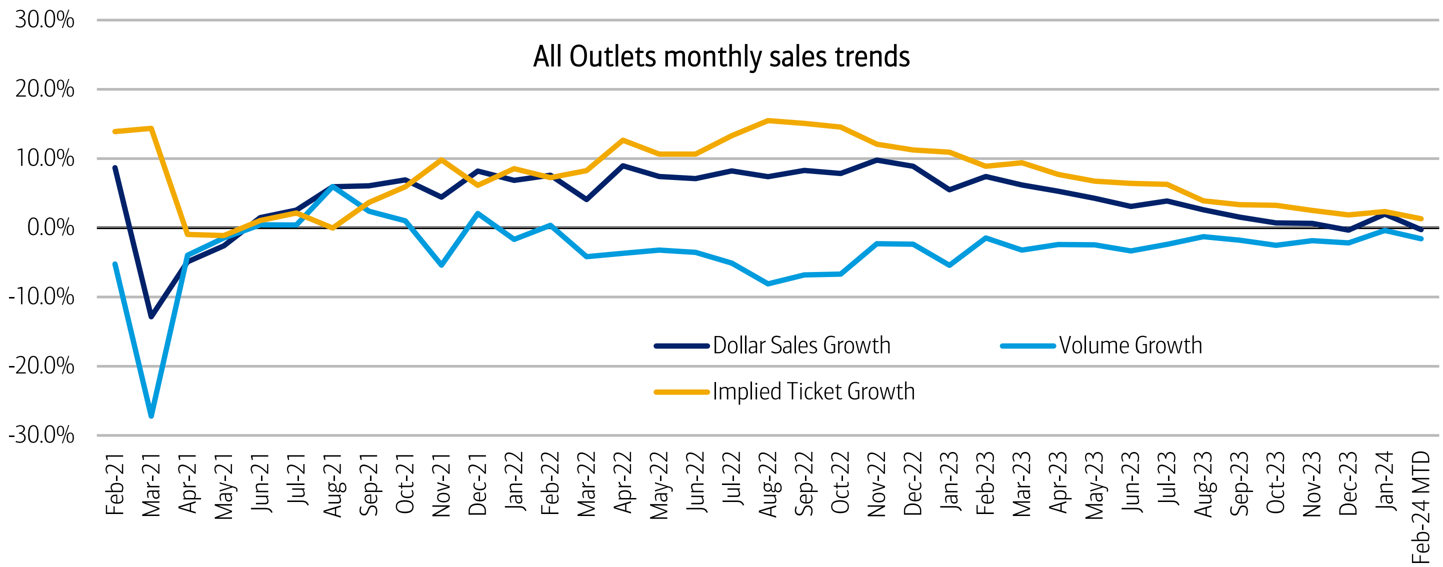
Exhibit 10: All Outlets Combined (incl. drug & mass) total store sales monthly y/y % change

AOC sales were -0.3% y/y in February-MTD, down -220bp vs. January on volume declines as well as lower ticket growth



Source: Nielsen, BofA Global Research

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Conventional Supermarkets vs. All Outlets: Category momentum

Exhibit 11: All Outlets Combined Y/y Sales Trends by Category
AOC sales growth slowed across categories in February-MTD, especially in non-perishables

	Nov-23	Dec-23	Jan-24	Feb-24 MTD
Perishables				
Dollar Sales Growth	-0.5%	-1.7%	0.9%	-0.8%
Volume Growth	-0.3%	-1.3%	2.1%	-0.2%
Implied Ticket Growth	-0.2%	-0.4%	-1.2%	-0.6%
Non-Perishables				
Dollar Sales Growth	1.5%	0.1%	2.8%	-0.2%
Volume Growth	-1.9%	-3.0%	-0.9%	-2.5%
Implied Ticket Growth	3.4%	3.1%	3.7%	2.3%
Non-Food				
Dollar Sales Growth	0.4%	0.3%	1.8%	0.2%
Volume Growth	-2.0%	-2.1%	-0.5%	-1.5%
Implied Ticket Growth	2.4%	2.4%	2.3%	1.7%

Source: Nielsen, BofA Global Research

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Exhibit 12: Supermarkets Y/y Sales Trends by Category
Supermarket sales growth slowed across categories in February-MTD, especially in non-perishables

	Nov-23	Dec-23	Jan-24	Feb-24 MTD
Perishables				
Dollar Sales Growth	-1.8%	-2.8%	0.1%	-1.8%
Volume Growth	-2.9%	-3.8%	0.0%	-2.4%
Implied Ticket Growth	1.1%	1.0%	0.1%	0.6%
Non-Perishables				
Dollar Sales Growth	0.1%	-1.3%	2.2%	-1.3%
Volume Growth	-3.2%	-4.1%	-0.8%	-3.9%
Implied Ticket Growth	3.3%	2.8%	3.0%	2.5%
Non-Food				
Dollar Sales Growth	0.3%	-1.0%	2.9%	-0.1%
Volume Growth	-5.7%	-6.0%	-1.9%	-4.5%
Implied Ticket Growth	5.9%	5.1%	4.7%	4.3%

Source: Nielsen, BofA Global Research

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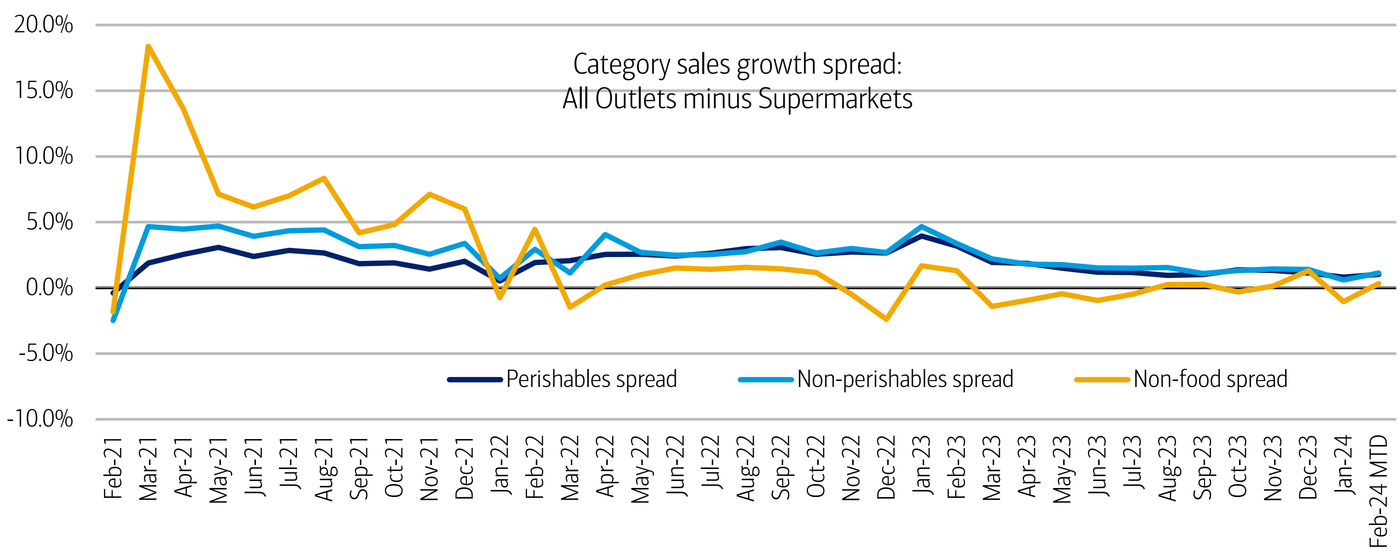
Exhibit 13: All Outlets Combined minus Conventional Supermarkets dollar sales monthly y/y % change by category
AOC sales continued outperforming Supermarkets in perishables & non-perishables in February, & also outperformed in non-food (which had been stronger for Supermarkets)



Source: Nielsen, BofA Global Research

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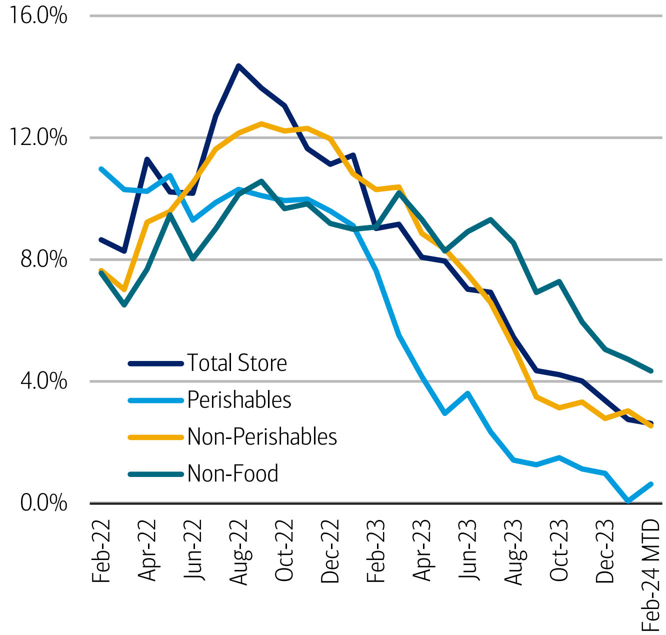
Exhibit 14: Conventional Supermarkets Implied Ticket Growth by Category

Implied ticket growth for Supermarkets (+2.6% in February-MTD) tracking highest in non-food, lowest in perishables



Source: Nielsen, BofA Global Research

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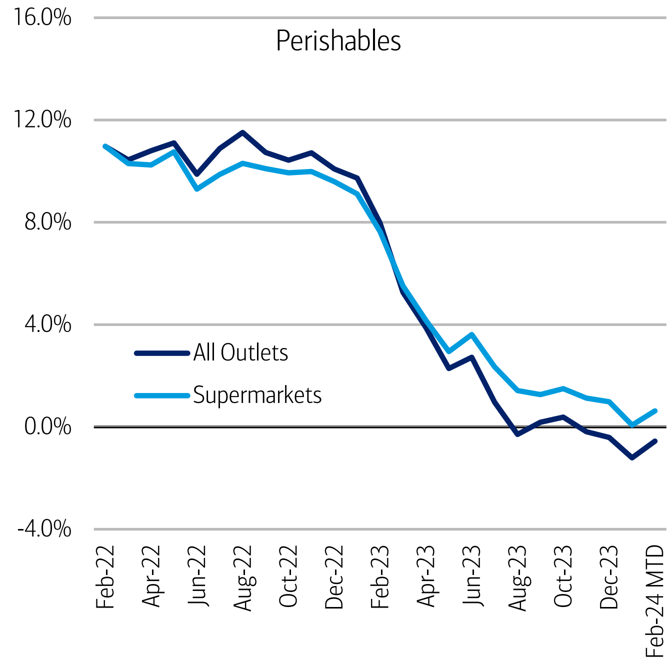
Exhibit 15: Perishables Implied Ticket Growth by Channel

Perishables implied ticket growth tracking higher for Supermarkets vs. All Outlets



Source: Nielsen, BofA Global Research

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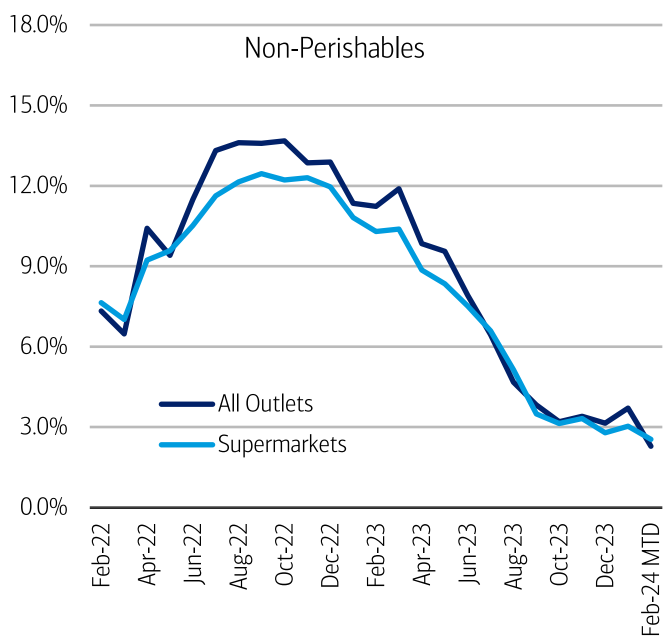
Exhibit 16: Non-Perishables Implied Ticket Growth by Channel

Non-perishables implied ticket growth slightly higher for Supermarkets vs. All Outlets in February-MTD



Source: Nielsen, BofA Global Research

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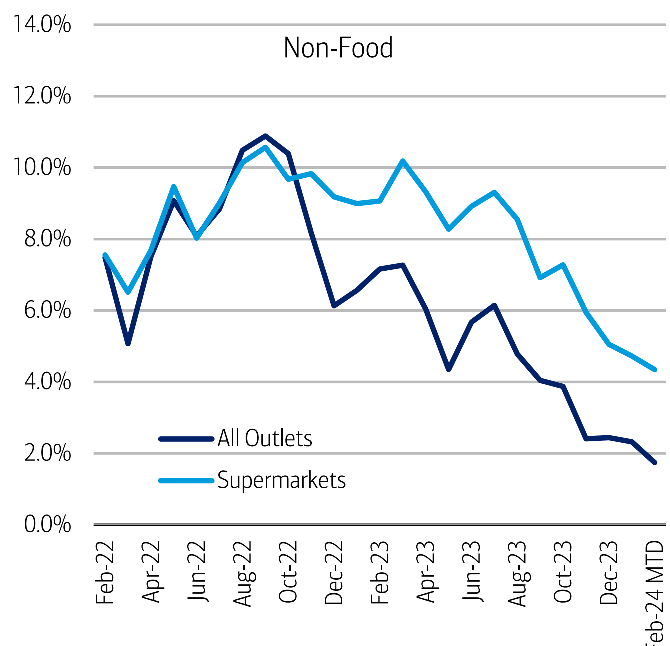
Exhibit 17: Non-Food Implied Ticket Growth by Channel

Non-food implied ticket growth tracking significantly higher for Supermarkets vs. All Outlets



Source: Nielsen, BofA Global Research

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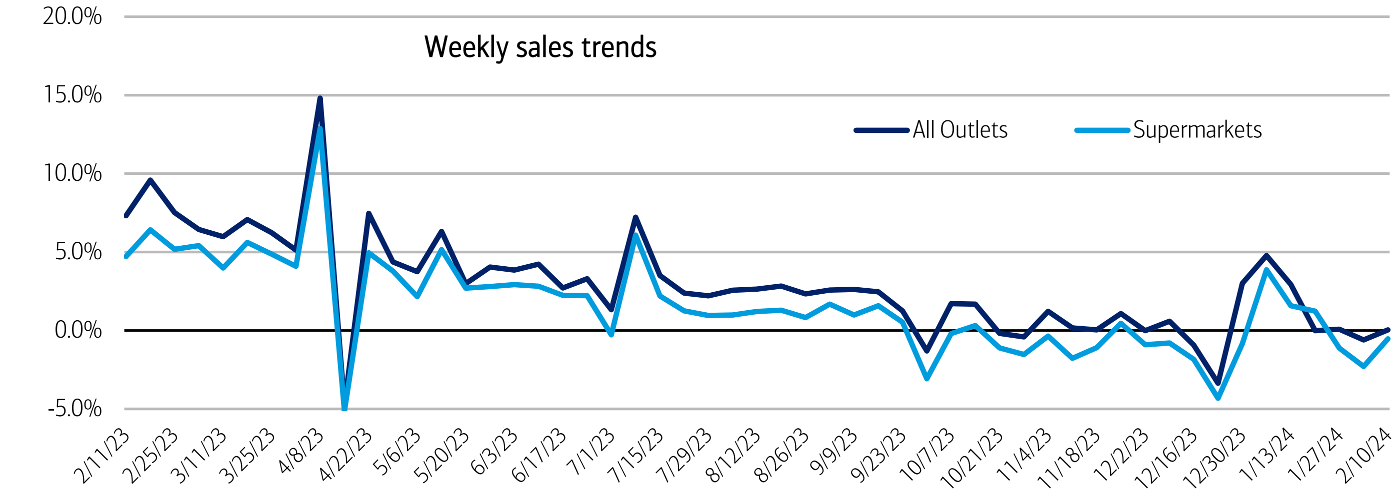
Conventional Supermarkets vs. All Outlets: Weekly Trends

Exhibit 18: Conventional supermarket vs. All Outlets (incl. mass and drug) total store weekly y/y % sales growth
Sales growth for both Supermarkets and the AOC channel was stronger in the second week vs. the first week of February



Source: Nielsen, BofA Global Research

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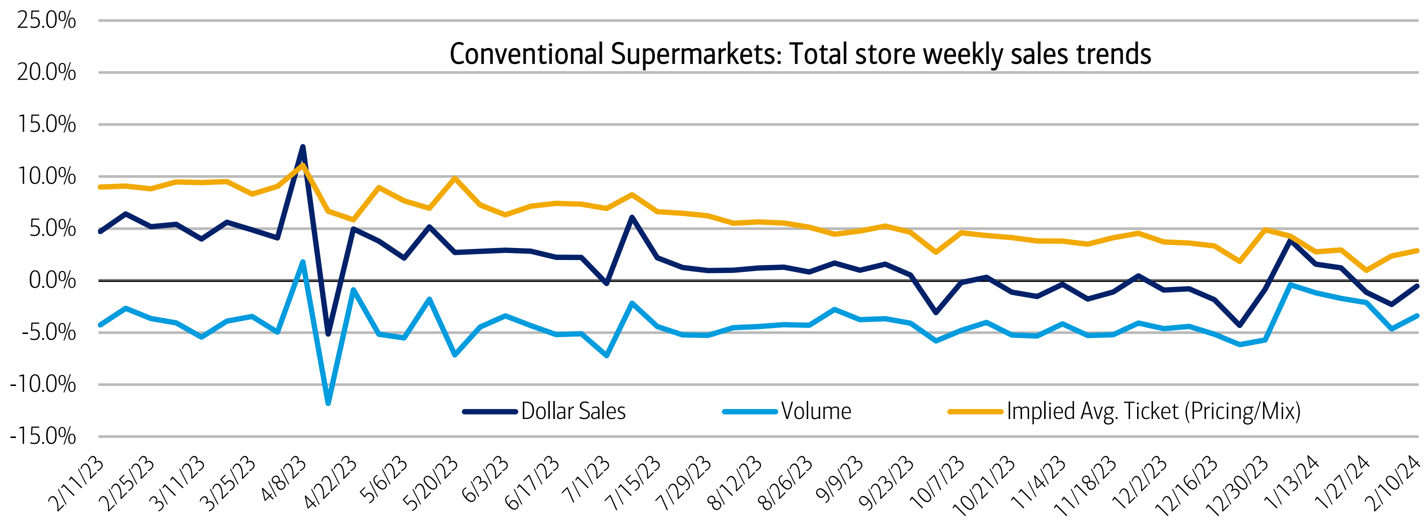
Exhibit 19: Conventional Supermarket total store sales weekly y/y % change
Supermarket sales trends continue to reflect higher y/y ticket growth while volume remains negative



Source: Nielsen, BofA Global Research

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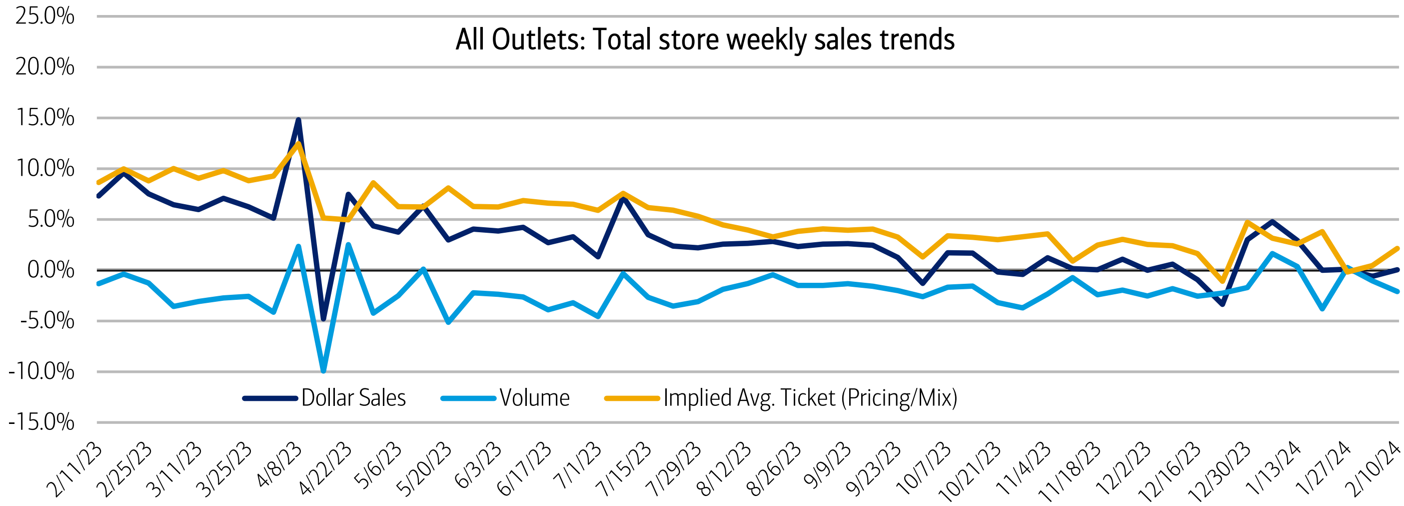
Exhibit 20: All Outlets Combined (incl. drug & mass) total store sales weekly y/y % change

AOC sales trends have largely reflected higher y/y ticket growth offset by volume declines (excl. a positive inflection in volume in January)



Source: Nielsen, BofA Global Research

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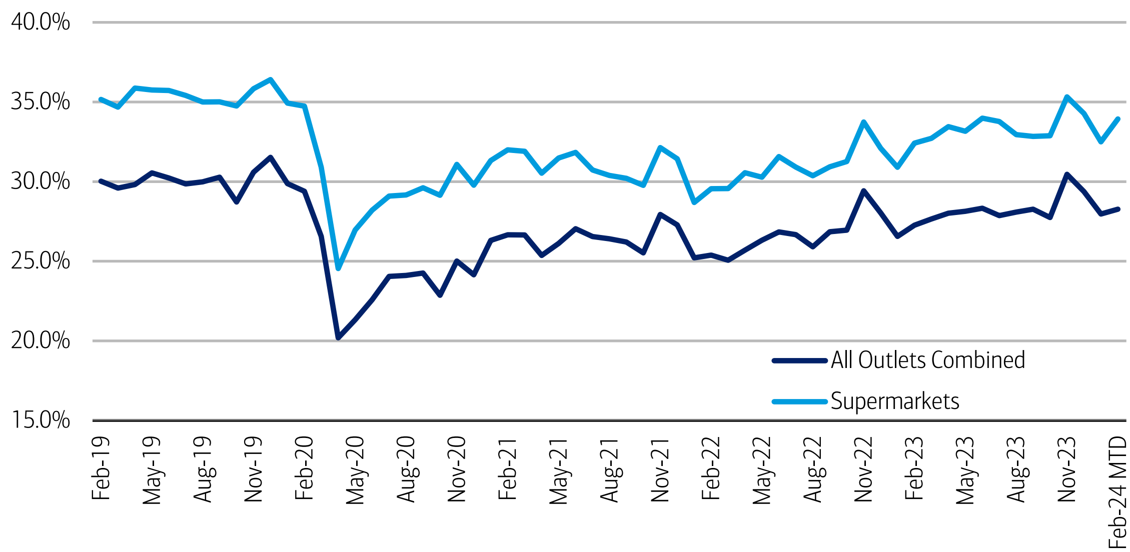
Promotional Trends

Promotions were +4.5% y/y for Supermarkets & +3.8% y/y for AOC in the first 2 weeks of February. For both channels, this marks the 18th straight month of higher y/y promos in contrast to negative trends we observed in the first ~half of 2022 likely reflecting cost pressure/availability challenges (after higher/normalizing y/y promos in 2021). However, promotions remain below pre-COVID levels in both channels (with promos on a 4-year basis tracking -3.3% for Supermarkets & -4.3% for AOC in 1H February).

Exhibit 21: Supermarkets vs. All Outlets (incl. drug & mass) total store monthly % of sales on promotion

Excluding volatility related to holiday timing in November & December, promotions still tracking below avg. levels of ~35% for supermarkets & ~30% for AOC in a normalized (pre-pandemic) environment



Source: Nielsen, BofA Global Research

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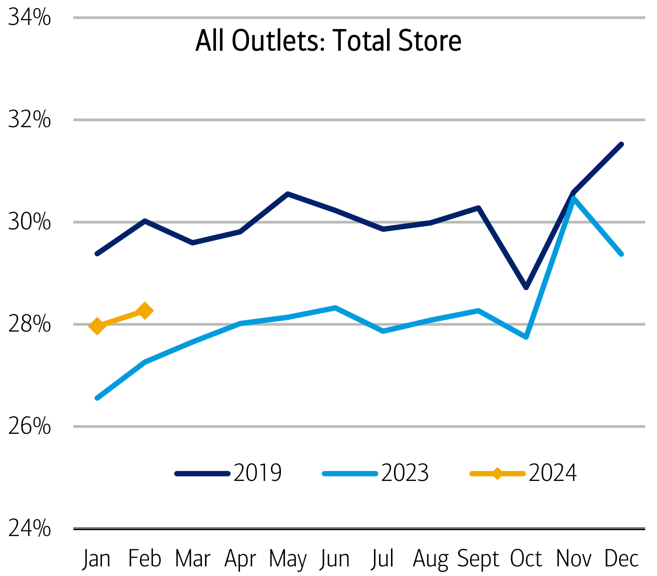
Exhibit 22: AOC total store monthly % of sales on promotion
AOC promos up vs. last year, but down vs. 2019



Source: Nielsen, BofA Global Research

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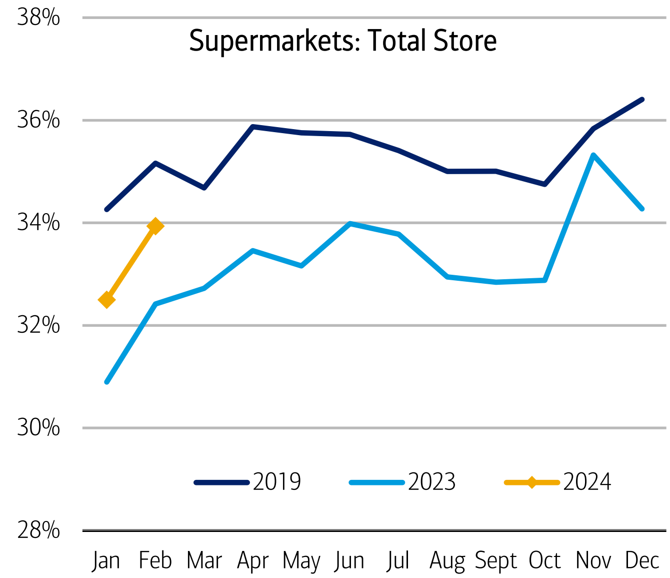
Exhibit 23: Supermarkets total store monthly % of sales on promo
Supermarket promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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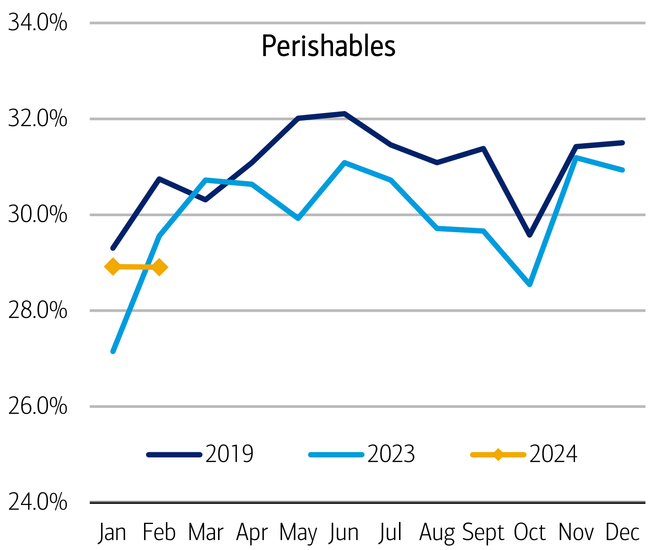
Exhibit 24: AOC perishables monthly % of sales on promotion
Perishable promos down vs. last year & 2019



Source: Nielsen, BofA Global Research

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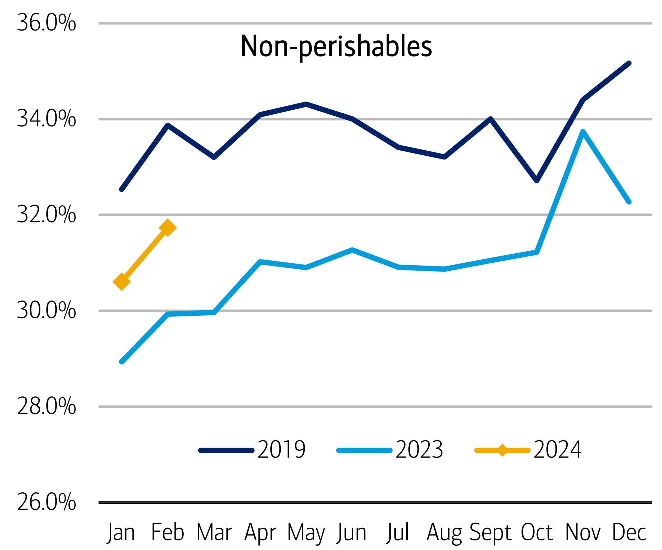
Exhibit 25: AOC non-perishables monthly % of sales on promotion
Non-perishable promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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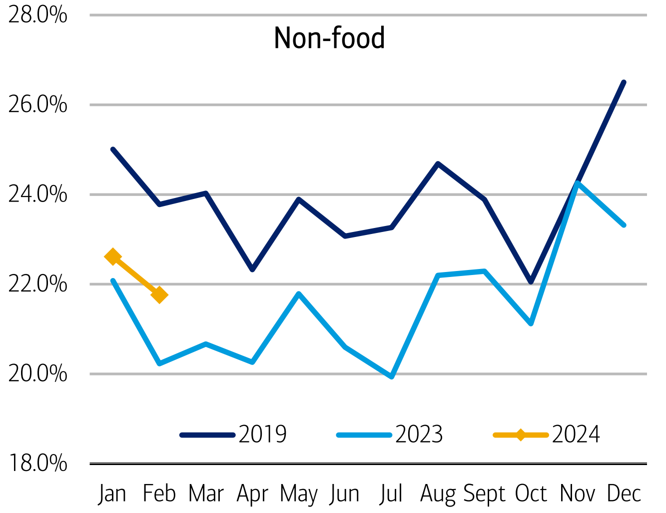
Exhibit 26: AOC non-food monthly % of sales on promotion
Non-food promos up vs. last year, down vs. 2019



Source: Nielsen, BofA Global Research

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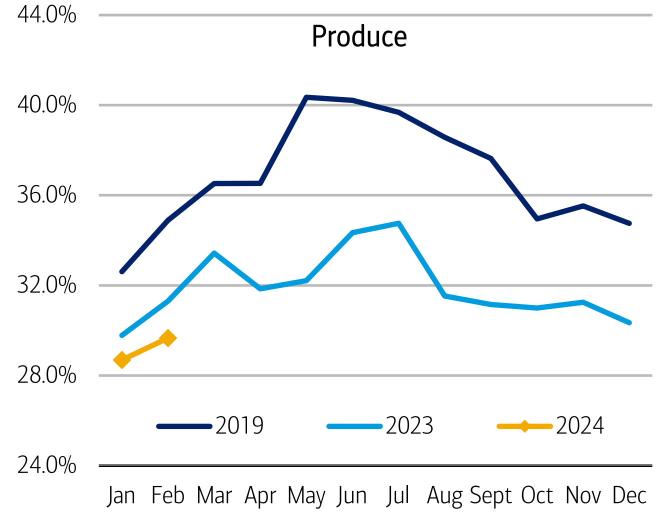
Exhibit 27: AOC produce monthly % of sales on promotion
Produce promos down vs. levels last year & in 2019



Source: Nielsen, BofA Global Research

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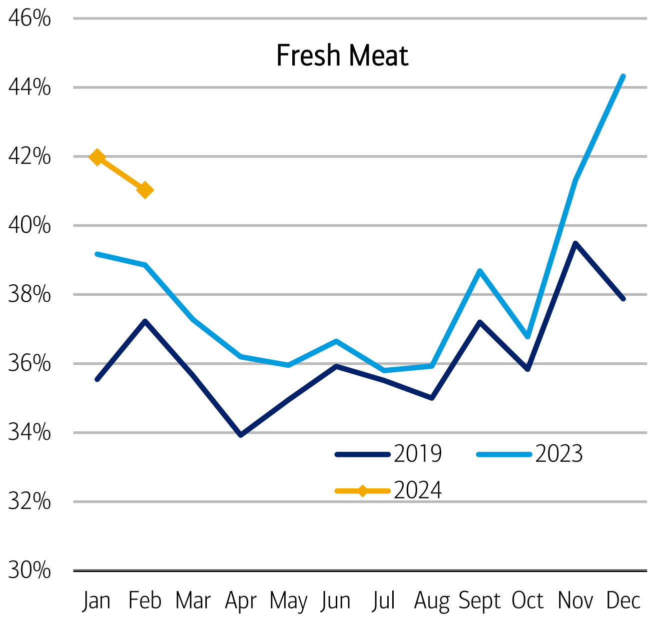
Exhibit 28: AOC fresh meat monthly % of sales on promotion
Meat promos well above levels last year & in 2019



Source: Nielsen, BofA Global Research

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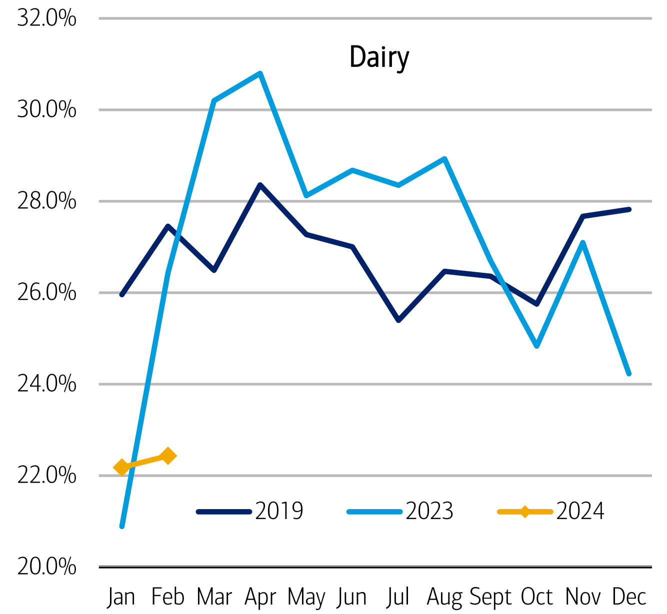
Exhibit 29: AOC dairy monthly % of sales on promotion
Dairy well below levels last year & in 2019



Source: Nielsen, BofA Global Research

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