Food Retailers

Nielsen: Grocery sales accelerate in January, NYE shift may have helped

Industry Overview

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Equity
United States
Food Retailers

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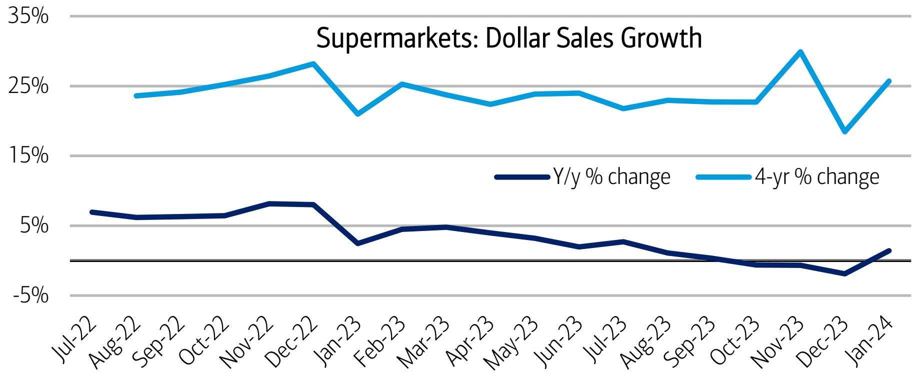
Supermarket sales inflect positively in January

Exhibit 1: Conventional Supermarkets monthly dollar sales growth (1 & 4-yr % change)
Supermarket sales were +1.4% y/y in Jan., up +330bp vs. Dec. on easing volume declines. This may partially reflect benefits from New Year's Eve falling in the first week of Jan. this year vs. last week of Dec. last year. 4-yr trends (moving past holiday timing-related volatility in Nov. & Dec.) were strong in Jan. at +25.7% (above the ~low-20s% range seen in prior months)



Source: Nielsen, BofA Global Research

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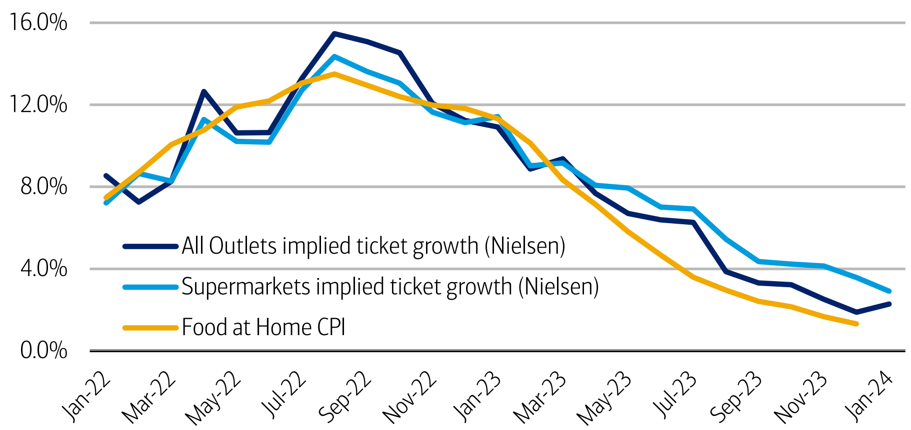
Implied ticket growth still inflationary; Supermarkets +3%

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 +2.9% y/y for Supermarkets & +2.3% 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

Key terms:

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

MTD = month-to-date

1H = first-half

NYE = New Years Eve

Stocks mentioned in this report

KR = Kroger

ACI = Albertsons

GO = Grocery Outlet

WMT = Walmart

COST = Costco

BJ = BJ's Wholesale

Key Highlights

- **Supermarket sales accelerate in January:** Total store y/y sales growth in January was +1.4% y/y for Supermarkets (positive y/y for the first time since Sep.) & +1.7% y/y for the AOC channel (positive for first time since Nov.). This was a +330bp acceleration vs. Dec. for Supermarkets & +210bp for the AOC channel. We note that y/y trends in the first week of January may have benefitted from the inclusion of New Year's Eve (which fell in the last week of Dec. last year) – though trends were still relatively strong in the second week of Jan. (as well as the third week for Supermarkets) – see Exhibit 18. AOC outperformance (+24bp) cont'd to reflect stronger volume trends 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 +2-3%:** with Supermarkets +2.9% y/y & AOC +2.3% in January. (-70bp & +40bp vs. Dec., 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 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 accelerated in January & inflected positively in both channels, largely driven by improving volume trends

All Outlets Combined

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Dollar Sales	3.9%	2.6%	1.5%	0.7%	0.6%	-0.4%	1.7%
Volume	-2.4%	-1.3%	-1.8%	-2.5%	-1.9%	-2.3%	-0.6%
Implied Ticket	6.3%	3.9%	3.3%	3.2%	2.5%	1.9%	2.3%

Conventional Supermarkets

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Dollar Sales	2.7%	1.1%	0.3%	-0.6%	-0.7%	-1.9%	1.4%
Volume	-4.2%	-4.4%	-4.0%	-4.9%	-4.8%	-5.5%	-1.5%
Implied Ticket	6.9%	5.4%	4.4%	4.2%	4.1%	3.6%	2.9%

Source: Nielsen, BofA Global Research

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Exhibit 4: Total Store Sales Trends by Channel – 4-Year % Change
4-year sales growth for AOC continues outperforming Supermarkets helped by less negative volume trends. Note: Dec. 4-year trends reflect Thanksgiving on 11/23 in 2023 vs. 11/28 (in first week of Dec.) in 2019

All Outlets Combined

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Dollar Sales	26.6%	28.0%	27.7%	28.2%	32.4%	23.6%	29.1%
Volume	-5.0%	-5.8%	-5.2%	-4.6%	-3.1%	-4.3%	-4.7%
Implied Ticket	31.6%	33.7%	33.0%	32.8%	35.6%	27.9%	33.9%

Conventional Supermarkets

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Dollar Sales	21.8%	23.0%	22.7%	22.7%	29.9%	18.5%	25.7%
Volume	-11.5%	-11.8%	-11.1%	-11.4%	-7.5%	-12.4%	-9.4%
Implied Ticket	33.3%	34.8%	33.8%	34.1%	37.4%	30.8%	35.1%

Source: Nielsen, BofA Global Research

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- **Supermarket promos still below pre-COVID levels:** Promos in January were +5.2% y/y for Supermarkets & +5.3% y/y for AOC. This marks the 17th 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 -7.0% for Supermarkets & -6.2% for AOC in January), 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 17th straight month, but still below pre-COVID

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Promo % sales	27.9%	28.1%	28.3%	27.8%	30.5%	29.4%	28.0%
y/y % chg.	4.5%	8.3%	5.2%	3.0%	3.5%	4.8%	5.3%
4-yr % chg.	-6.5%	-6.2%	-6.5%	-3.2%	-0.2%	-6.7%	-6.2%

Source: Nielsen, BofA Global Research

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Exhibit 6: Conventional Supermarkets Total Store Promo Trends
Supermarket promos up y/y for 17th month, but still below pre-COVID

	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	Jan-24
Promo % sales	33.8%	32.9%	32.8%	32.9%	35.3%	34.3%	32.5%
y/y % chg.	9.3%	8.5%	6.2%	5.2%	4.7%	6.8%	5.2%
4-yr % chg.	-4.6%	-5.9%	-6.2%	-5.4%	-1.4%	-5.9%	-7.0%

Source: Nielsen, BofA Global Research

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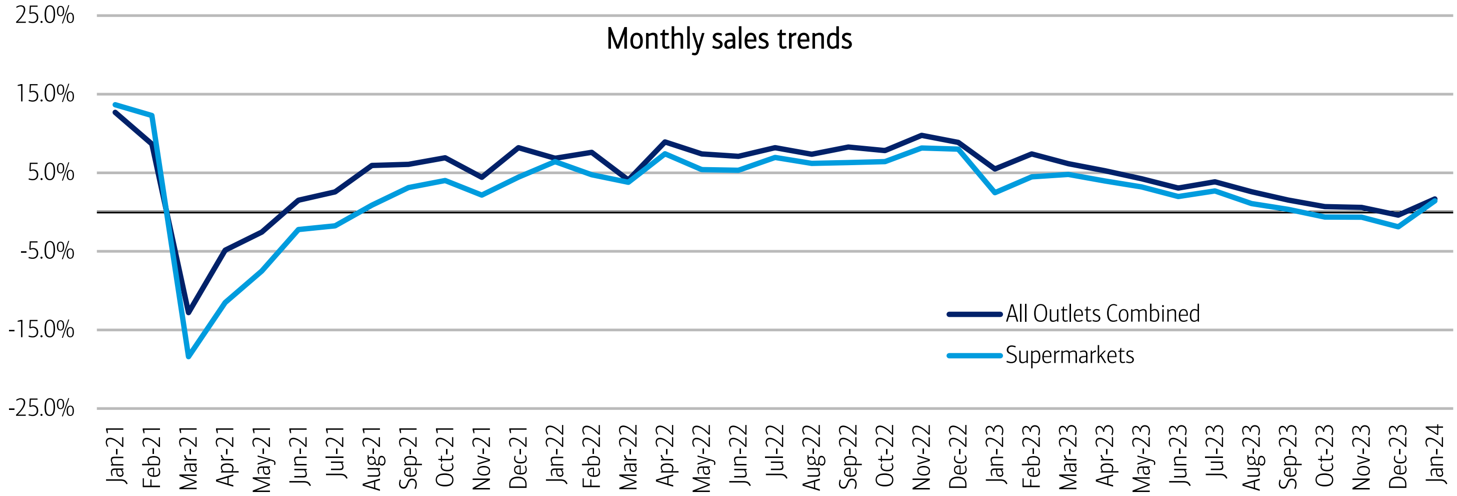
Nielsen: Conventional Supermarkets vs. All Outlets: Monthly Trends

Exhibit 7: Conventional Supermarkets vs. All Outlets Combined (incl. drug & mass) total store monthly $ sales y/y % change
Grocery sales in January accelerated +470bp vs. December for Conventional Supermarkets (to +2.8% y/y) & +370bp for the AOC channel (to +3.2% y/y)



Source: Nielsen, BofA Global Research

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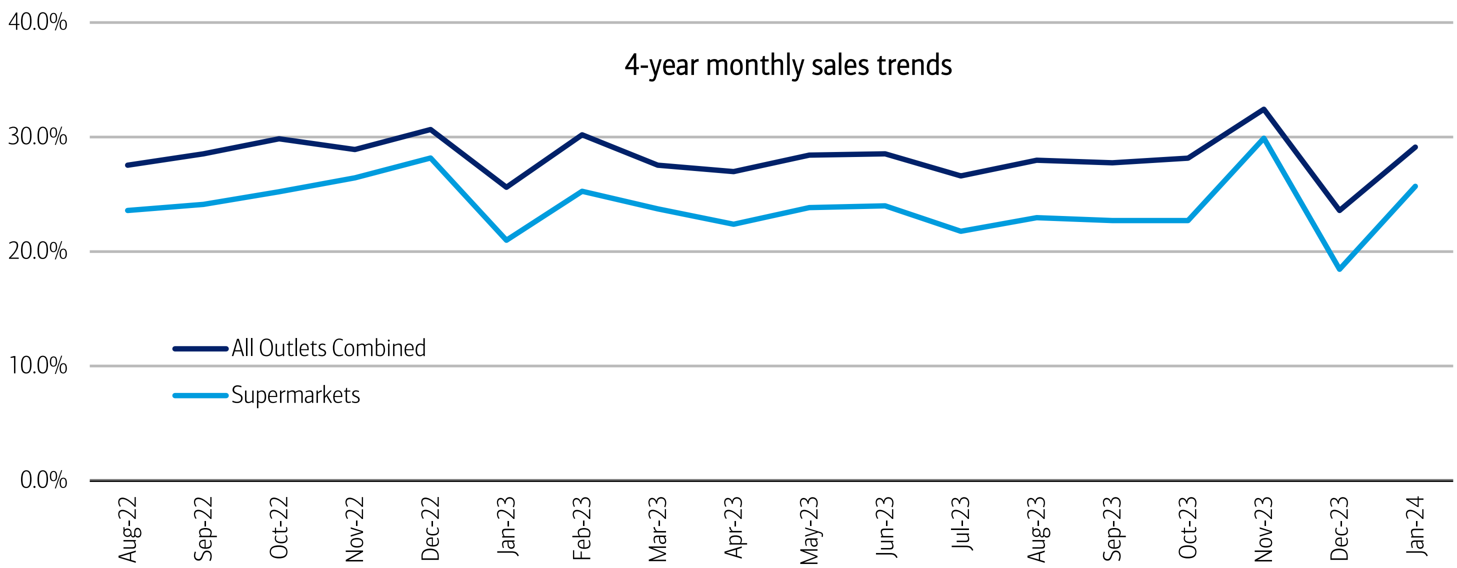
Exhibit 8: Conventional supermarket vs. All Outlets (incl. mass and drug) total store monthly 4-year % sales growth
Moving past volatility related to holiday timing in November & December, 4-year sales growth was strong at +26.1% for Conventional Supermarkets & +29.3% for All Outlets Combined



Source: Nielsen, BofA Global Research

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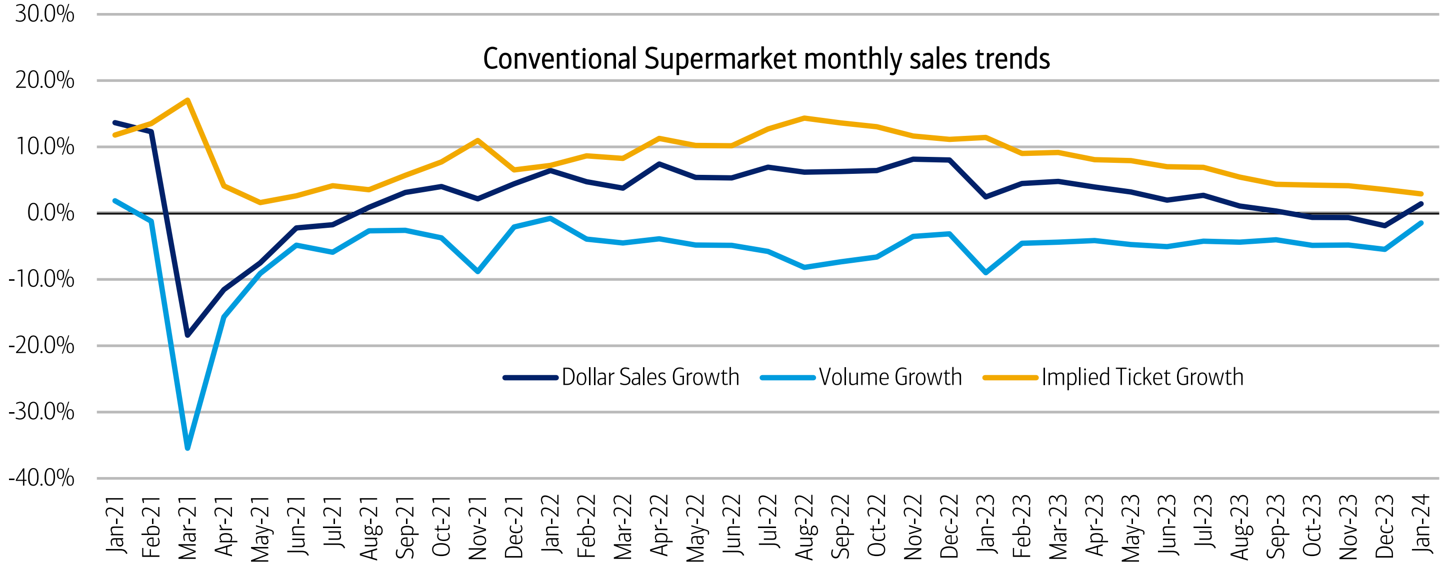
Exhibit 9: Conventional supermarkets total store sales monthly y/y % change

Supermarket sales were +1.4% y/y in January, up +330bp vs. December on easing volume declines that were partially offset by lower ticket growth



Source: Nielsen, BofA Global Research

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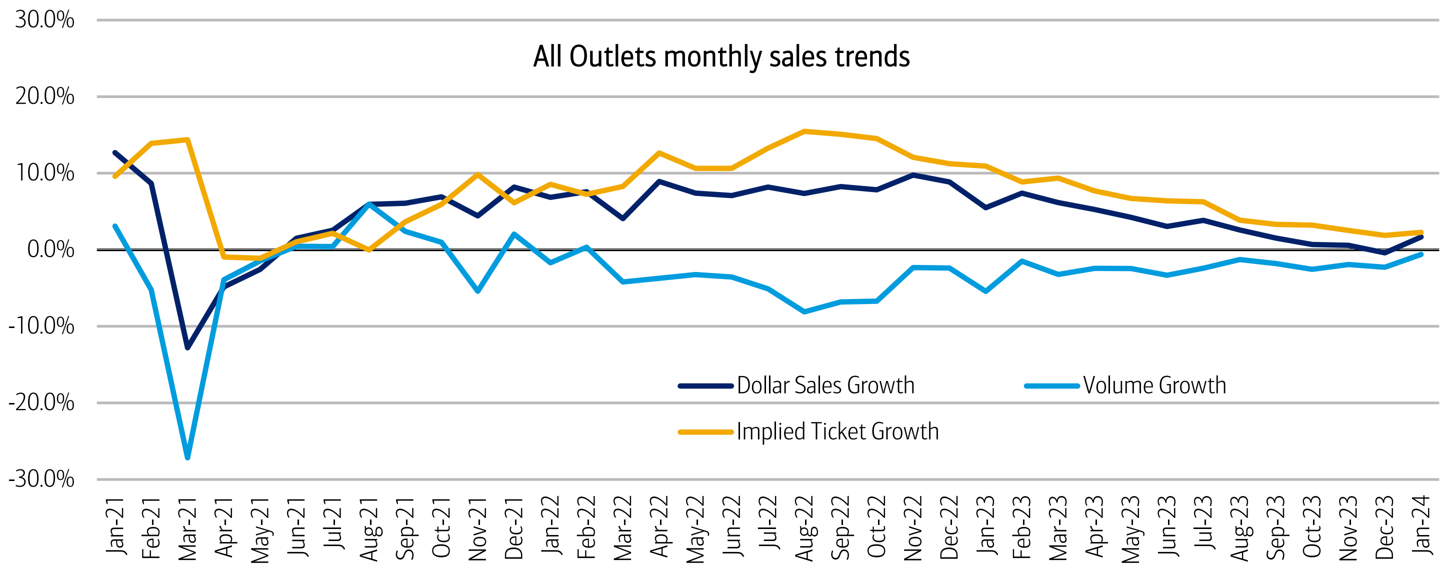
Exhibit 10: All Outlets Combined (incl. drug & mass) total store sales monthly y/y % change

AOC sales were +1.7% y/y in January, up +210bp vs. December largely on improving volume trends while ticket growth also accelerated (+40bp)



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 accelerated across categories in January. Sales growth remains strongest for non-perishables helped by higher ticket growth

	Oct-23	Nov-23	Dec-23	Jan-24
Perishables				
Dollar Sales Growth	-0.6%	-0.5%	-1.7%	0.5%
Volume Growth	-0.9%	-0.2%	-1.2%	1.8%
Implied Ticket Growth	0.3%	-0.3%	-0.5%	-1.3%
Non-Perishables				
Dollar Sales Growth	1.3%	1.5%	0.1%	2.6%
Volume Growth	-1.9%	-1.9%	-3.1%	-1.1%
Implied Ticket Growth	3.2%	3.4%	3.1%	3.7%
Non-Food				
Dollar Sales Growth	1.0%	0.3%	0.2%	1.5%
Volume Growth	-2.8%	-2.1%	-2.2%	-0.7%
Implied Ticket Growth	3.8%	2.4%	2.4%	2.2%

Source: Nielsen, BofA Global Research

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Exhibit 12: Supermarkets Y/y Sales Trends by Category
Supermarket sales growth accelerated across categories in January. Sales growth was stronger for non-perishables & non-food vs. perishables

	Oct-23	Nov-23	Dec-23	Jan-24
Perishables				
Dollar Sales Growth	-2.0%	-1.8%	-2.8%	0.1%
Volume Growth	-3.4%	-2.9%	-3.8%	0.0%
Implied Ticket Growth	1.5%	1.1%	1.0%	0.1%
Non-Perishables				
Dollar Sales Growth	0.0%	0.1%	-1.3%	2.2%
Volume Growth	-3.1%	-3.2%	-4.1%	-0.8%
Implied Ticket Growth	3.1%	3.3%	2.8%	3.0%
Non-Food				
Dollar Sales Growth	1.4%	0.2%	-1.0%	2.8%
Volume Growth	-5.9%	-5.9%	-6.4%	-2.1%
Implied Ticket Growth	7.3%	6.1%	5.4%	5.0%

Source: Nielsen, BofA Global Research

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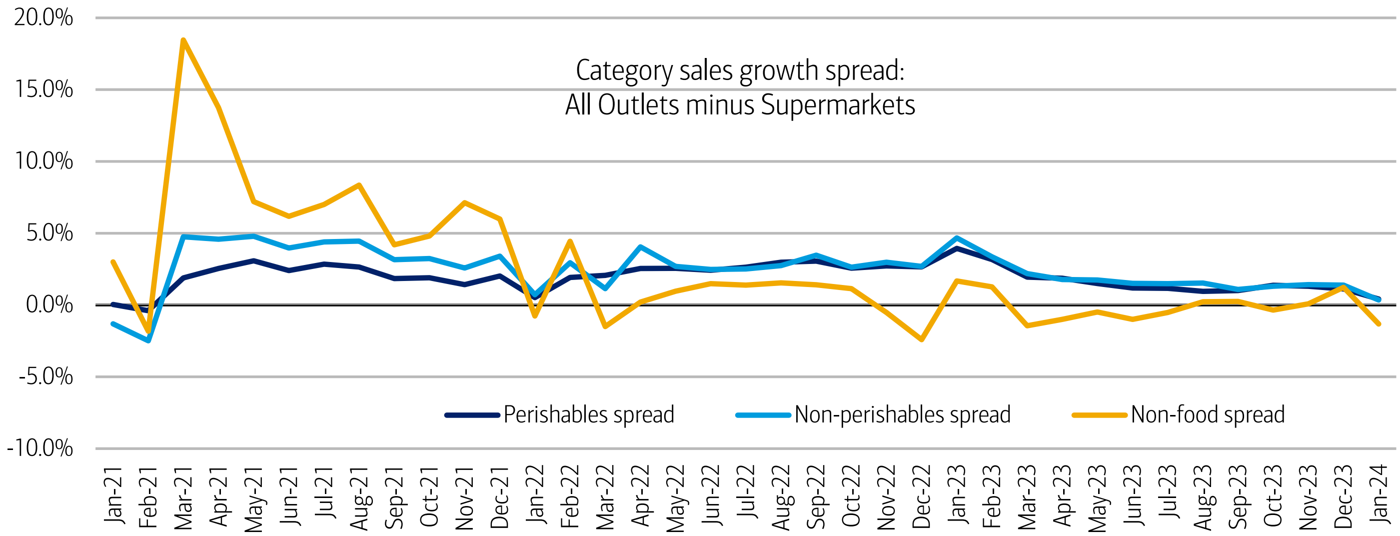
Exhibit 13: All Outlets Combined minus Conventional Supermarkets dollar sales monthly y/y % change by category
AOC sales continued outperforming Supermarkets in perishables & non-perishables in January, while Supermarkets outperformed in non-food



Source: Nielsen, BofA Global Research

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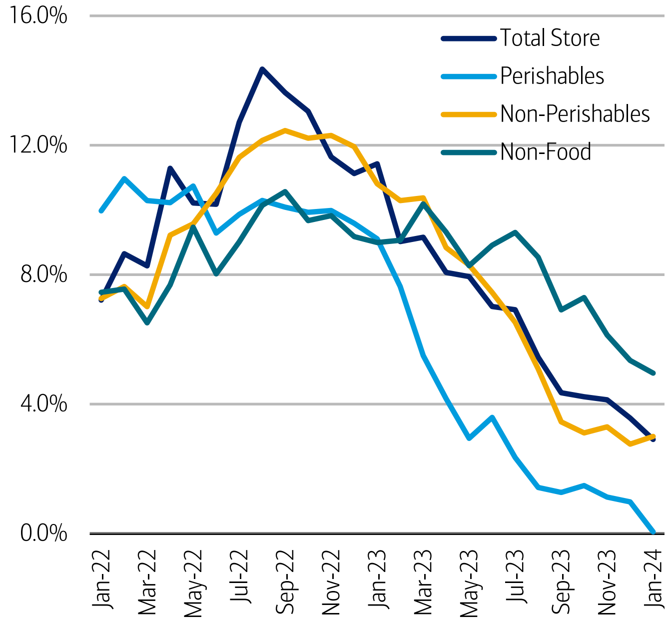
Exhibit 14: Conventional Supermarkets Implied Ticket Growth by Category
Implied ticket growth for Supermarkets (+2.9% in January) tracking highest in non-food, lowest in perishables



Source: Nielsen, BofA Global Research

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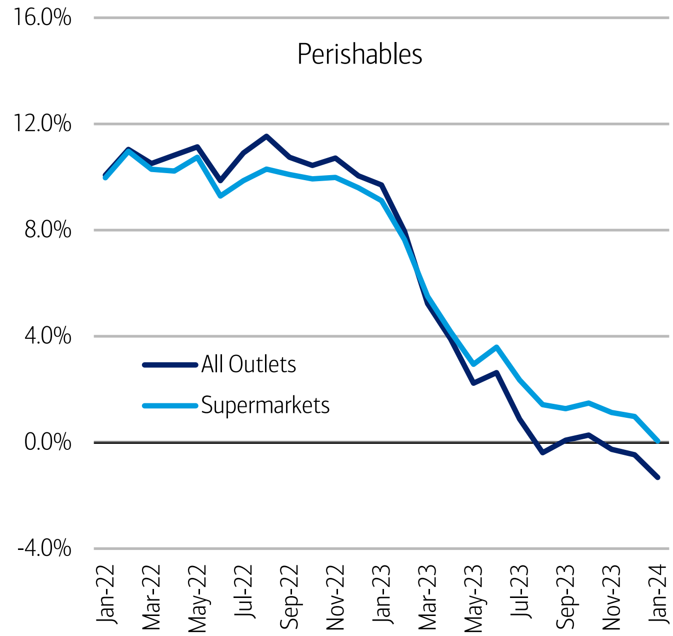
Exhibit 15: Perishables Implied Ticket Growth by Channel
Perishables implied ticket growth tracking higher for Supermarkets vs. All Outlets



Source: Nielsen, BofA Global Research

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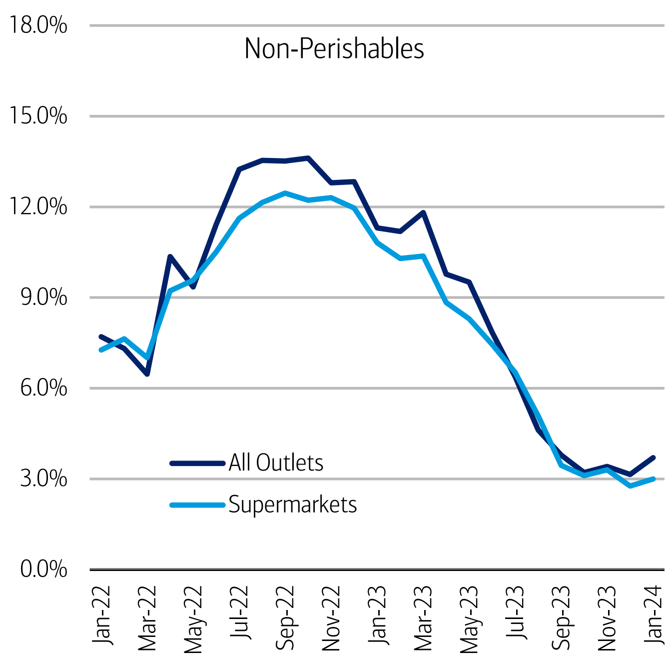
Exhibit 16: Non-Perishables Implied Ticket Growth by Channel
Non-perishables implied ticket growth tracking higher for All Outlets vs. Supermarkets



Source: Nielsen, BofA Global Research

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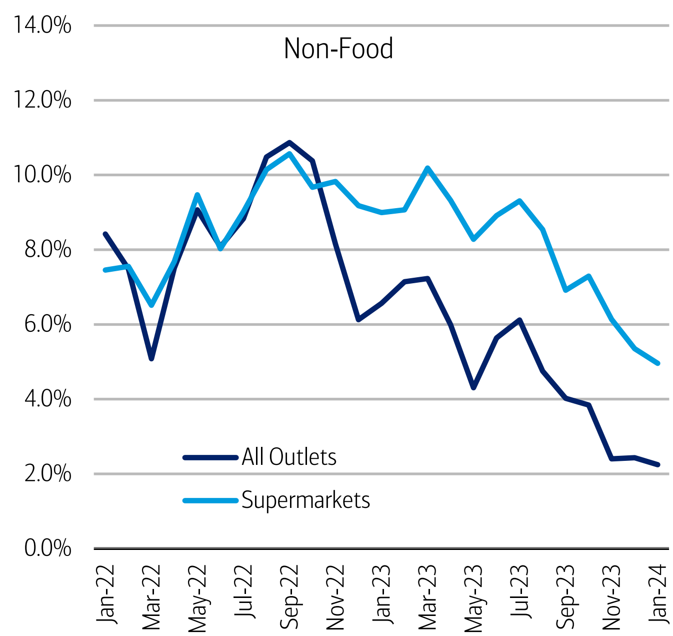
Exhibit 17: Non-Food Implied Ticket Growth by Channel
Non-food implied ticket growth tracking significantly higher for Supermarkets vs. All Outlets



Source: Nielsen, BofA Global Research

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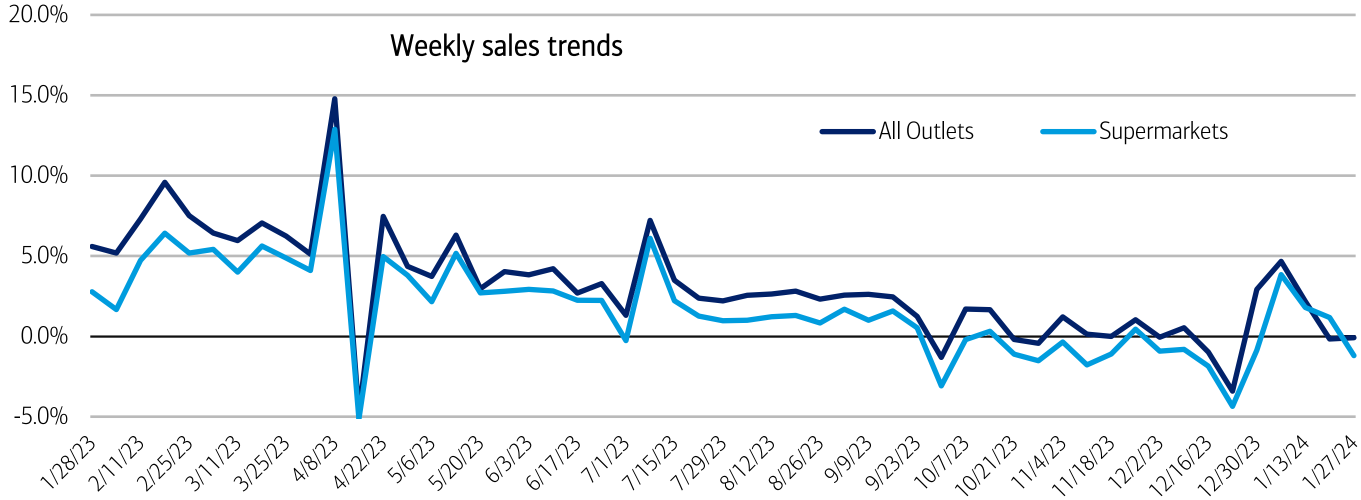
Conventional Supermarkets vs. All Outlets: Weekly Trends

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 positive y/y in January. Trends slowed moving through the month – and we note the first week of Jan. may have benefitted from the inclusion of New Year's Eve (which was included in the last week of December last year)



Source: Nielsen, BofA Global Research

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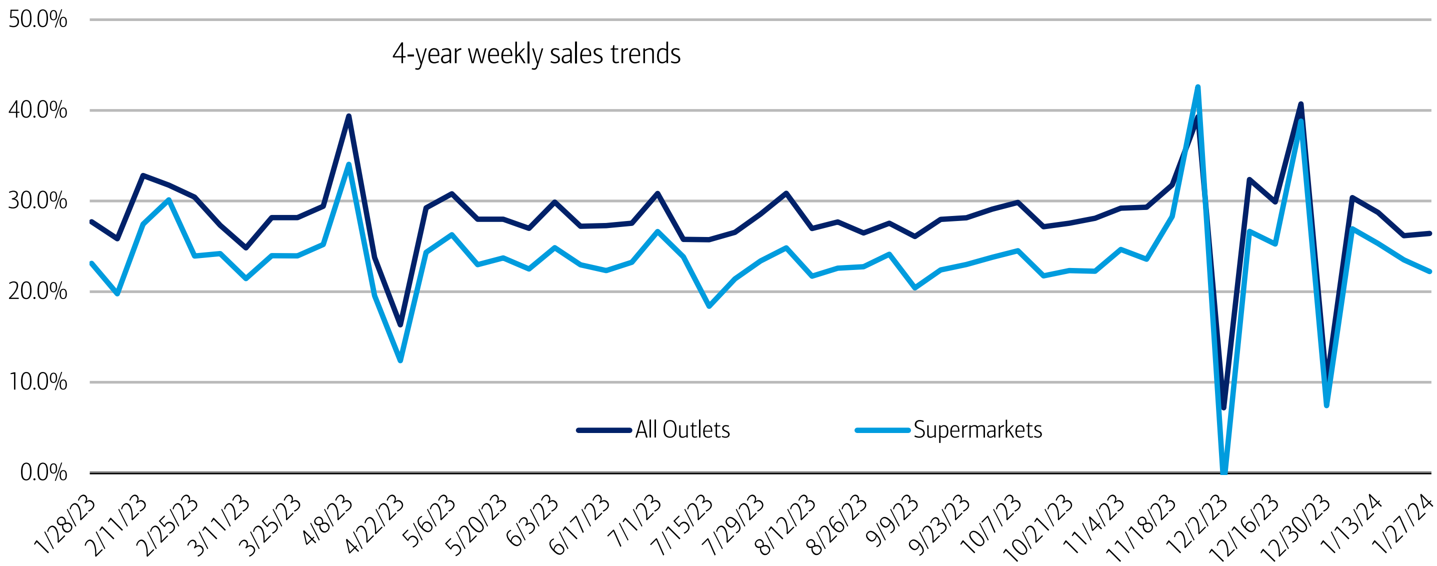
Exhibit 19: Conventional supermarket vs. All Outlets (incl. mass and drug) total store weekly 4-year % sales growth
Moving past volatility related to holiday timing in November & December, 4-year sales growth was strong for both channels in January



Source: Nielsen, BofA Global Research

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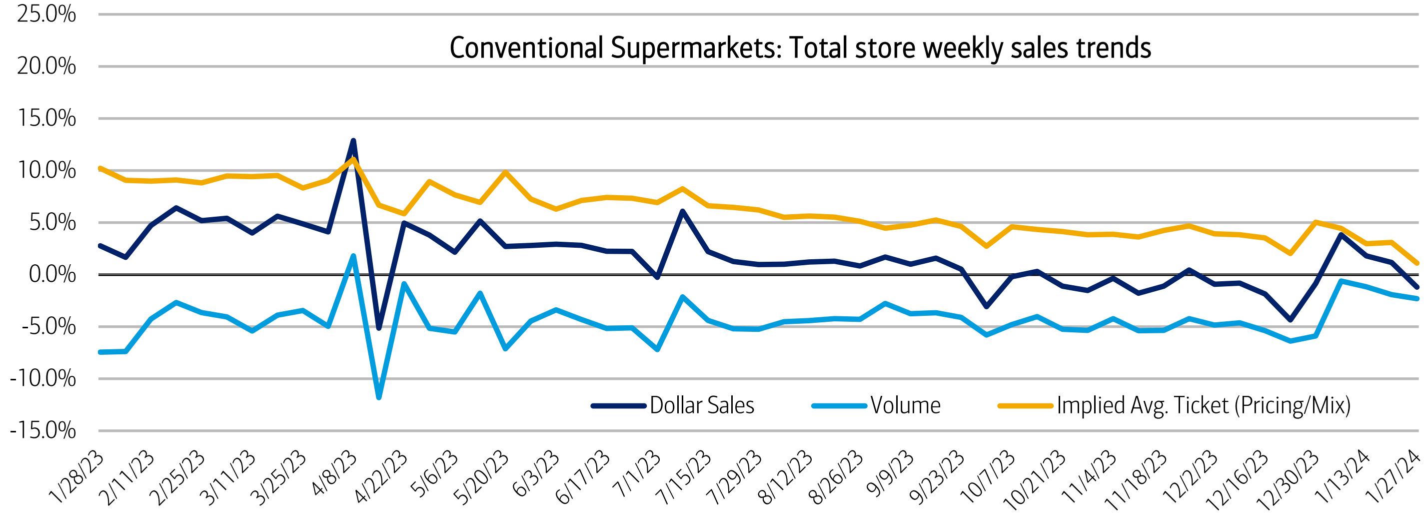
Exhibit 20: Conventional Supermarket total store sales weekly y/y % change
Supermarket sales trends continue to reflect higher y/y ticket growth while volume remains negative



Source: Nielsen, BofA Global Research

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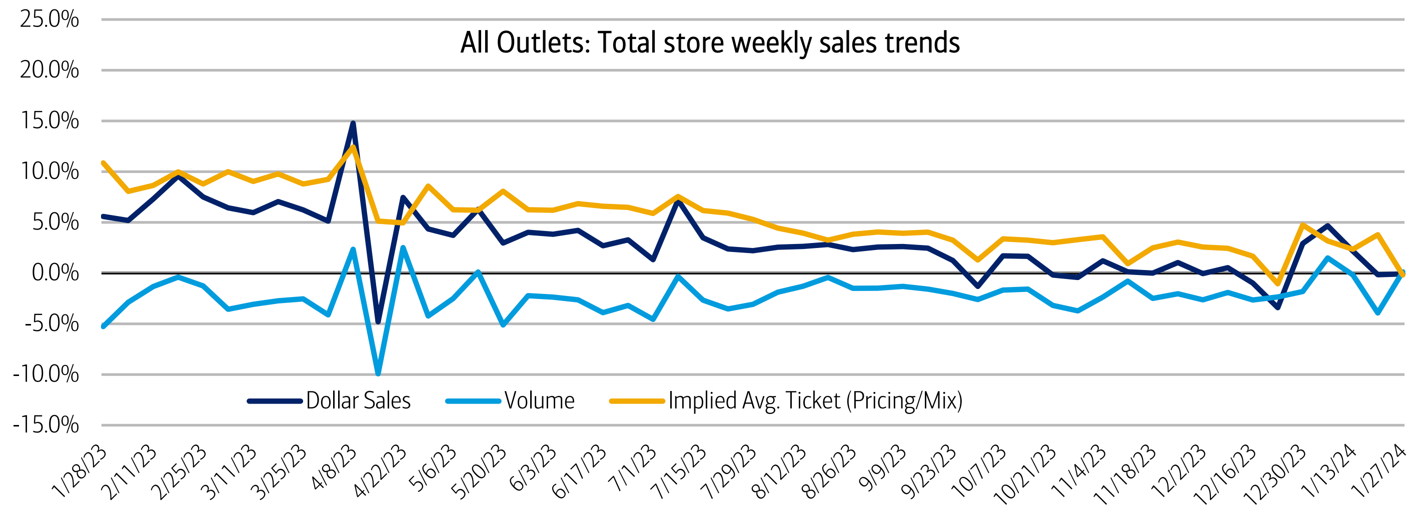
Exhibit 21: All Outlets Combined (incl. drug & mass) total store sales weekly y/y % change
AOC sales trends have largely reflected higher y/y ticket growth offset by volume declines. Negative volume trends saw a positive inflection in the first week of January that was followed by a return to down/flattish



Source: Nielsen, BofA Global Research

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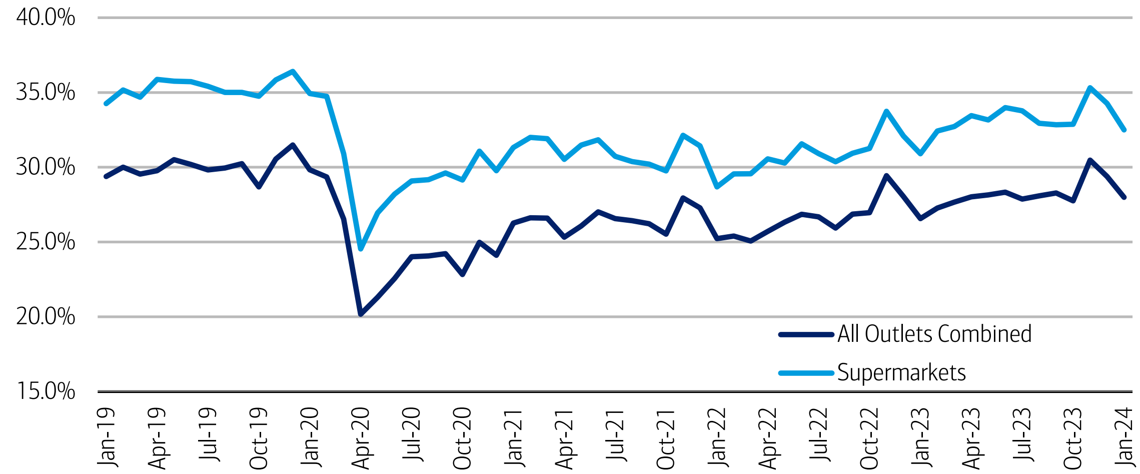
Promotional Trends

Promotions were +5.2% y/y for Supermarkets & +5.3% y/y for AOC in January. For both channels, this marks the 17th 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 -7.0% for Supermarkets & -6.2% for AOC in January).

Exhibit 22: 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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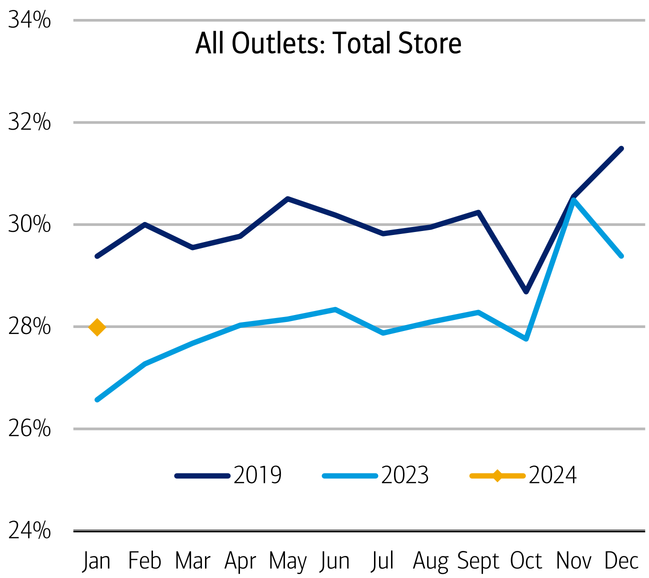
Exhibit 23: AOC total store monthly % of sales on promotion

AOC promos up vs. last year, but down vs. 2019



Source: Nielsen, BofA Global Research

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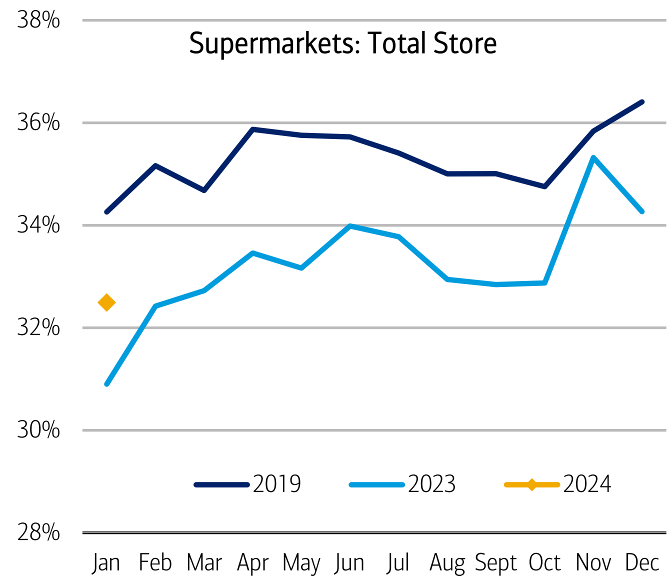
Exhibit 24: Supermarkets total store monthly % of sales on promo

Supermarket promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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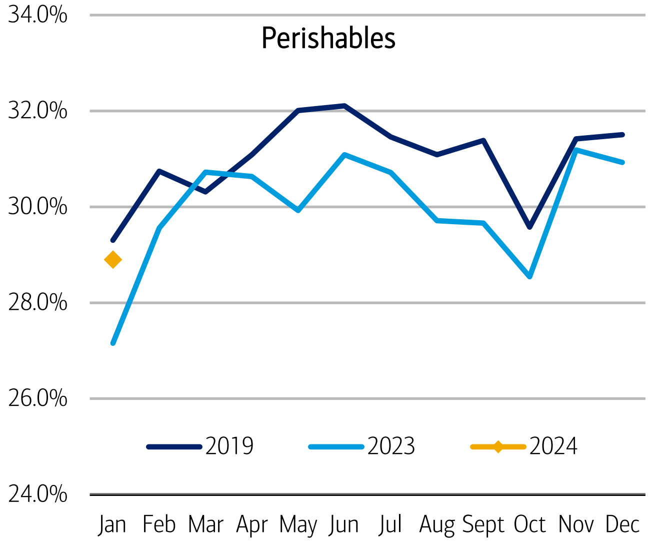
Exhibit 25: AOC perishables monthly % of sales on promotion
Perishable promos up vs. last year, slightly down vs. 2019



Source: Nielsen, BofA Global Research

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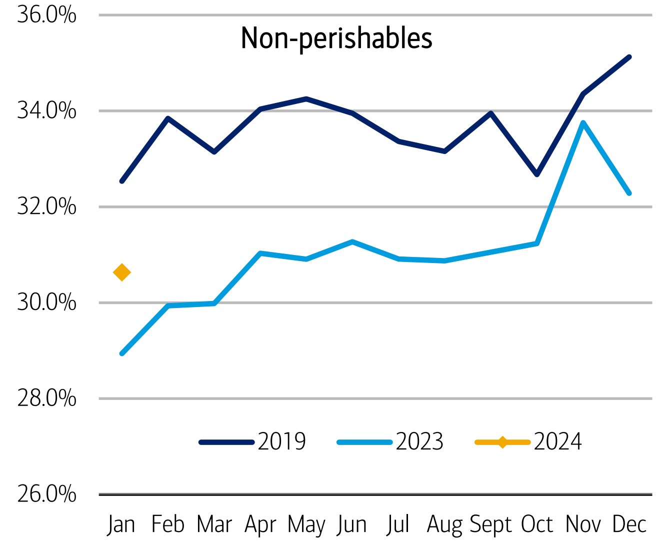
Exhibit 26: AOC non-perishables monthly % of sales on promotion
Non-perishable promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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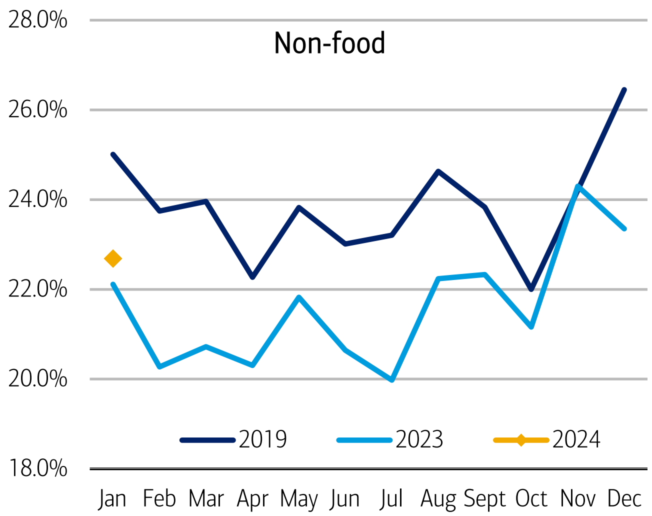
Exhibit 27: AOC non-food monthly % of sales on promotion
Non-food promos slightly up vs. last year, down vs. 2019



Source: Nielsen, BofA Global Research

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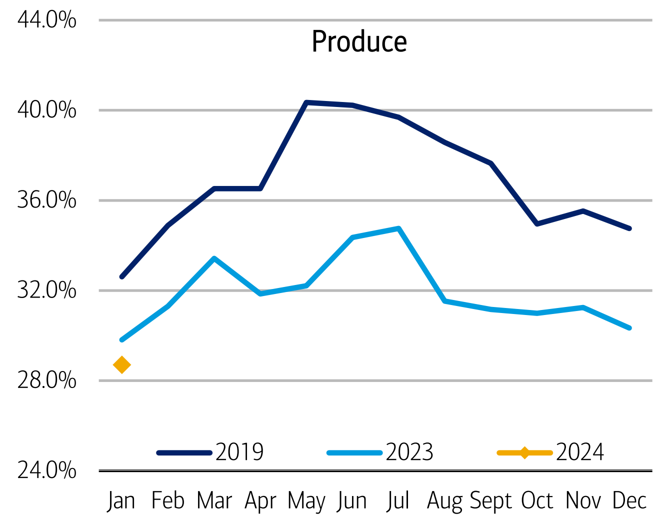
Exhibit 28: AOC produce monthly % of sales on promotion
Produce promos down vs. levels last year & in 2019



Source: Nielsen, BofA Global Research

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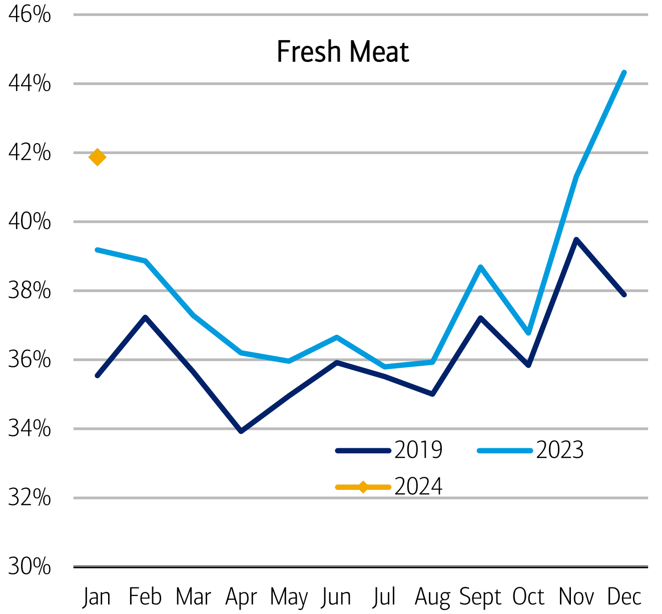
Exhibit 29: AOC fresh meat monthly % of sales on promotion
Meat promos well above levels last year & in 2019



Source: Nielsen, BofA Global Research

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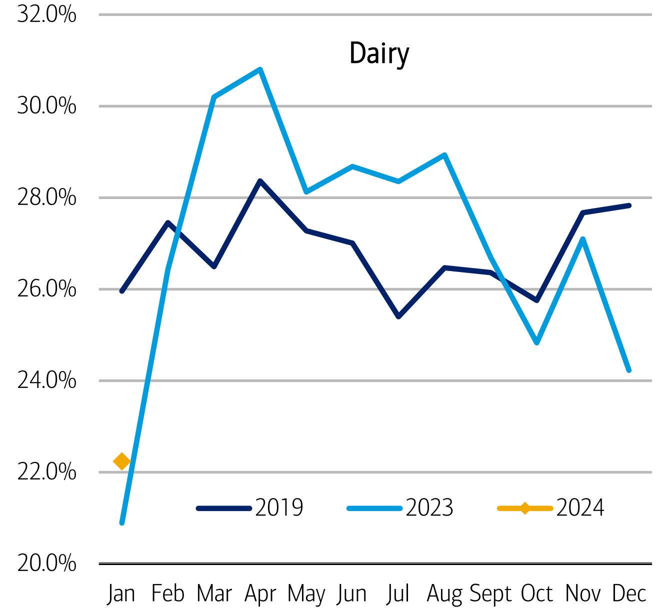
Exhibit 30: AOC dairy monthly % of sales on promotion
Dairy promos up vs. last year, well below 2019



Source: Nielsen, BofA Global Research

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