Food Retailers

Nielsen: Implied ticket still inflationary in the first 3 weeks of December

Industry Overview

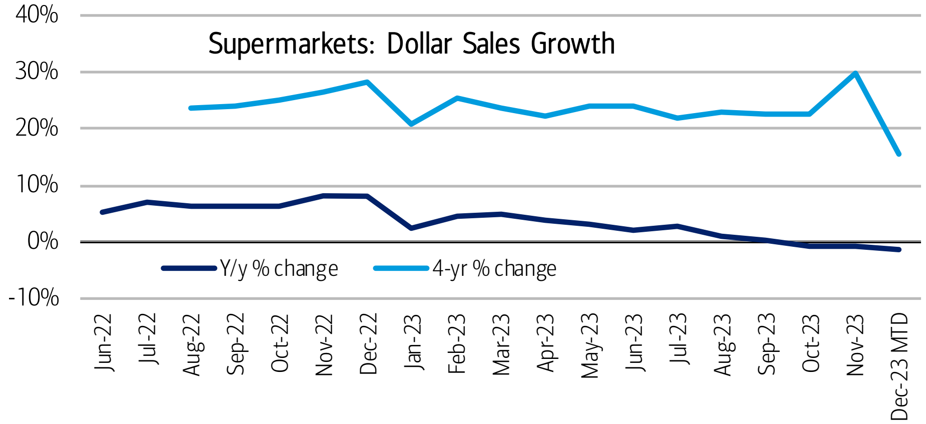
04 January 2024

Equity
United States
Food Retailers

December-MTD supermarket sales slow -60bp vs. Nov.

Exhibit 1: Conventional Supermarkets monthly dollar sales growth (1 & 4-yr % change)

Supermarket sales were -1.4% y/y in the first 3 weeks of December, down -60bp vs. Nov. on lower ticket growth & accelerating volume declines



Source: Nielsen, BofA Global Research

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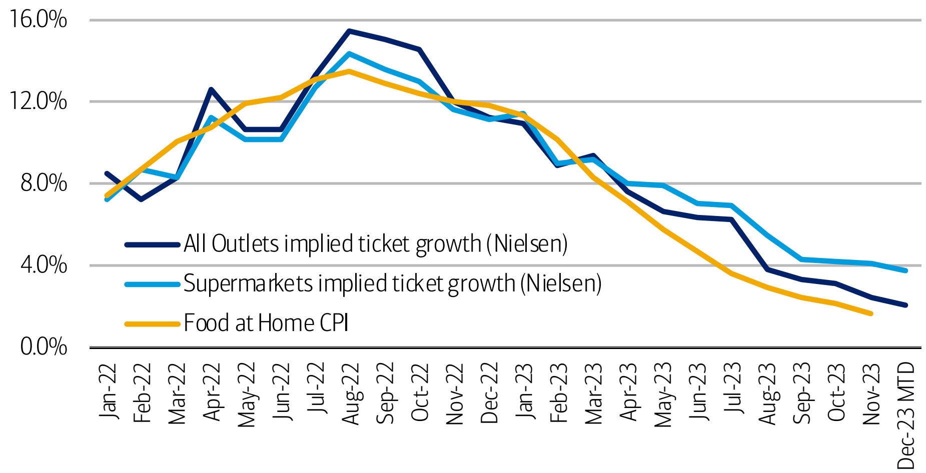
Supermarkets implied ticket growth +3.8% y/y in Dec-MTD

Exhibit 2: Nielsen implied ticket growth by channel vs. Food at Home CPI

Nielsen implied ticket growth (which has been trending above the Food at Home CPI) still inflationary at +3.8% y/y for Supermarkets & +2.1% for AOC in the first 3 weeks of December



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

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See inside for more on our key highlights

Robert F. Ohmes, CFA
Research Analyst
BofAS
+1 646 855 0078
robert.ohmes@bofa.com

Kendall Toscano
Research Analyst
BofAS
+1 646 855 1704
kendall.toscano@bofa.com

Key terms:

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

MTD = month-to-date

Stocks mentioned in this report

KR = Kroger

ACI = Albertsons

GO = Grocery Outlet

WMT = Walmart

COST = Costco

BJ = BJ's Wholesale

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Timestamp: 04 January 2024 05:49PM EST

Key Highlights

- **Supermarket sales remain negative y/y in December:** Total store y/y sales growth in December-MTD was -1.4% y/y for Supermarkets & -0.5% y/y for the AOC channel. This was down -60bp vs. November for Supermarkets & -90bp for the AOC channel. AOC outperformance (+90bp) cont'd 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 +2-4%:** with Supermarkets +3.8% y/y & AOC +2.1% in December (down -40bp & -30bp vs. November, respectively) compared to highs of 14-15% in August 2022. Inflation continues to track higher in non-perishables vs. perishables (Exhibit 14). We see slowing same-stores sales for conventional grocers (including KR, ACI & GO), discount stores (WMT) & warehouse clubs (COST & BJ) as food inflation continues to ease (see our latest Tracking Food at Home Inflation update). We think shoppers will continue to favor value & variety (incl. in price points & higher-margin private label items) as consumers are still adjusting to grocery prices that are up 25%+ (CPI) vs. 2019.
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Exhibit 3: Total Store Sales Trends by Channel – Y/y % Change
Y/y sales growth in December slowed -60p vs. November for Supermarkets (which remained negative y/y) & -90bp for the AOC channel (which inflected negatively)

All Outlets Combined

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-MTD
Dollar Sales	3.0%	3.8%	2.6%	1.5%	0.6%	0.4%	-0.5%
Volume	-3.3%	-2.4%	-1.3%	-1.8%	-2.6%	-2.0%	-2.6%
Implied Ticket	6.4%	6.3%	3.9%	3.3%	3.2%	2.4%	2.1%

Conventional Supermarkets

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-MTD
Dollar Sales	2.0%	2.7%	1.1%	0.3%	-0.7%	-0.7%	-1.4%
Volume	-5.1%	-4.2%	-4.4%	-4.0%	-4.9%	-4.9%	-5.1%
Implied Ticket	7.0%	6.9%	5.5%	4.4%	4.2%	4.2%	3.8%

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: December-MTD 4-year trends likely reflect Thanksgiving timing on 11/23 this year vs. 11/28 (falling in first week of December) in 2019

All Outlets Combined

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-MTD
Dollar Sales	28.5%	26.6%	27.9%	27.7%	28.0%	32.1%	22.1%
Volume	-4.5%	-5.1%	-5.8%	-5.2%	-4.7%	-3.3%	-5.2%
Implied Ticket	33.0%	31.6%	33.7%	32.9%	32.7%	35.4%	27.2%

Conventional Supermarkets

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-MTD
Dollar Sales	24.0%	21.8%	22.9%	22.7%	22.7%	29.8%	15.5%
Volume	-10.5%	-11.5%	-11.8%	-11.1%	-11.4%	-7.6%	-14.3%
Implied Ticket	34.5%	33.3%	34.8%	33.8%	34.1%	37.4%	29.8%

Source: Nielsen, BofA Global Research

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- **Supermarket promos -HSD% vs. 2019 (partially on Thanksgiving timing):** Promos in December-MTD were +5.9% y/y for Supermarkets & +3.8% y/y for AOC. For both channels, this is the 15th straight month of higher y/y promos in contrast to negative trends we had observed in early 2022 likely reflecting cost pressure/availability challenges (after higher/normalizing y/y promos in 2021). While promos remain below pre-COVID levels (tracking -7.4% vs. 2019 for Supermarkets & -8.9% for AOC, both down vs. prior months likely reflecting Thanksgiving timing in first week of Dec. in 2019), 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 15th straight month, but still below 2019

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23 MTD
Promo % sales	28.3%	27.9%	28.1%	28.3%	27.8%	30.5%	28.6%
y/y % chg.	5.5%	4.5%	8.3%	5.3%	3.1%	3.6%	3.8%
4-yr % chg.	-6.1%	-6.5%	-6.2%	-6.5%	-3.1%	-0.2%	-8.9%

Source: Nielsen, BofA Global Research

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Exhibit 6: Conventional Supermarkets Total Store Promo Trends
Supermarket promos up y/y for 15th straight month but still below 2019

	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23 MTD
Promo % sales	34.0%	33.8%	33.0%	32.9%	32.9%	35.3%	33.4%
y/y % chg.	7.7%	9.3%	8.5%	6.2%	5.2%	4.7%	5.9%
4-yr % chg.	-4.9%	-4.6%	-5.9%	-6.2%	-5.4%	-1.4%	-7.4%

Source: Nielsen, BofA Global Research

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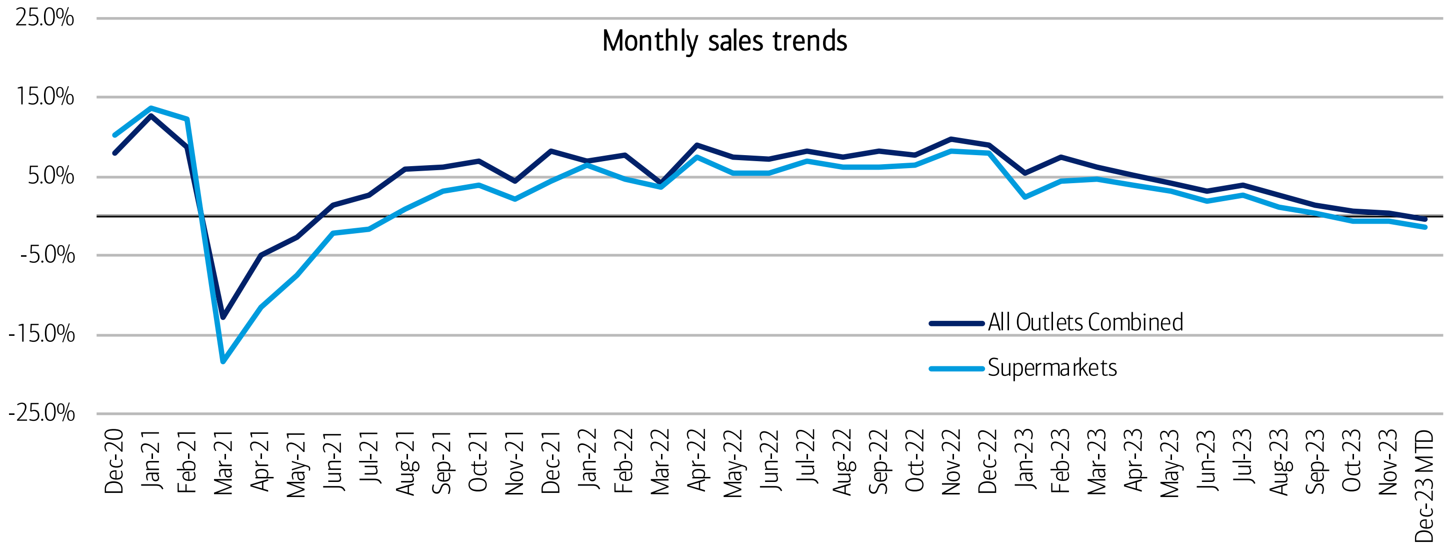
Nielsen: Conventional Supermarkets vs. All Outlets: Monthly Trends

Exhibit 7: Conventional Supermarkets vs. All Outlets Combined (incl. drug & mass) total store monthly $ sales y/y % change
Grocery sales in December slowed -60bp vs. November for Conventional Supermarkets (to -1.4% y/y) & -90bp for the AOC channel (to -0.5% y/y)



Source: Nielsen, BofA Global Research

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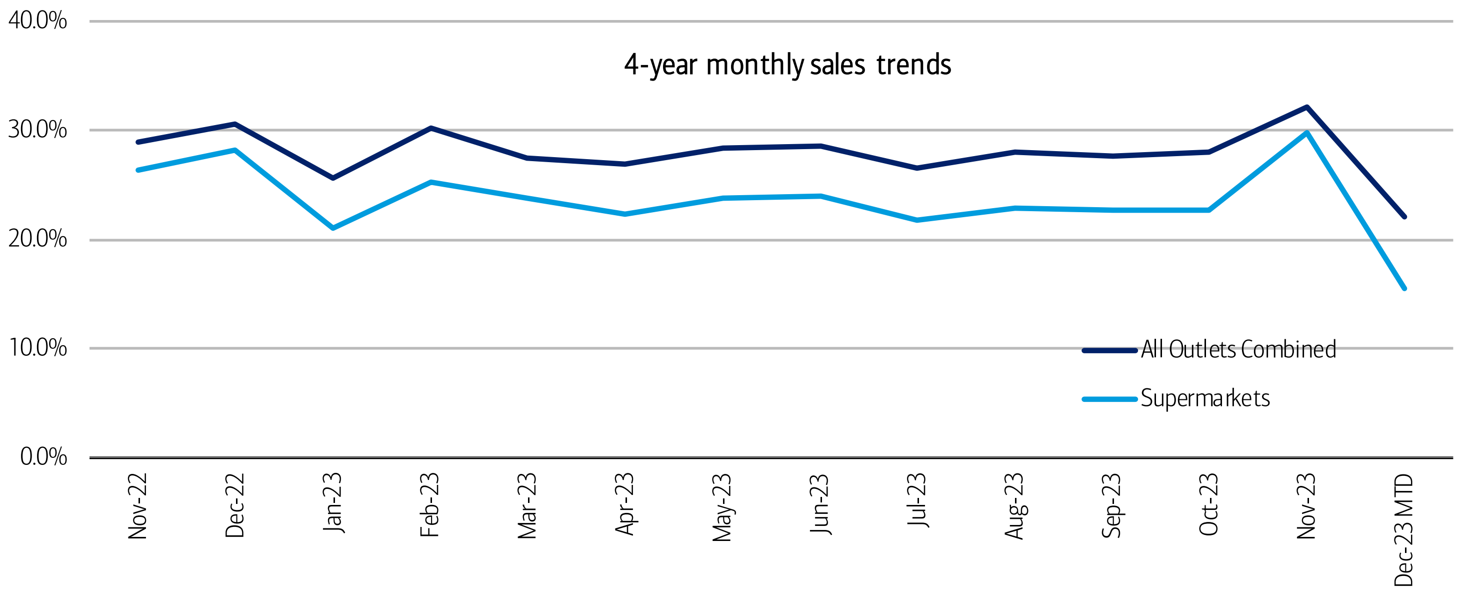
Exhibit 8: Conventional supermarket vs. All Outlets (incl. mass and drug) total store monthly 4-year % sales growth
4-year sales growth remained elevated, though both channels slowed in December-MTD, which could partially reflect Thanksgiving timing on 11/23 this year vs. 11/28 (falling in first week of December) in 2019



Source: Nielsen, BofA Global Research

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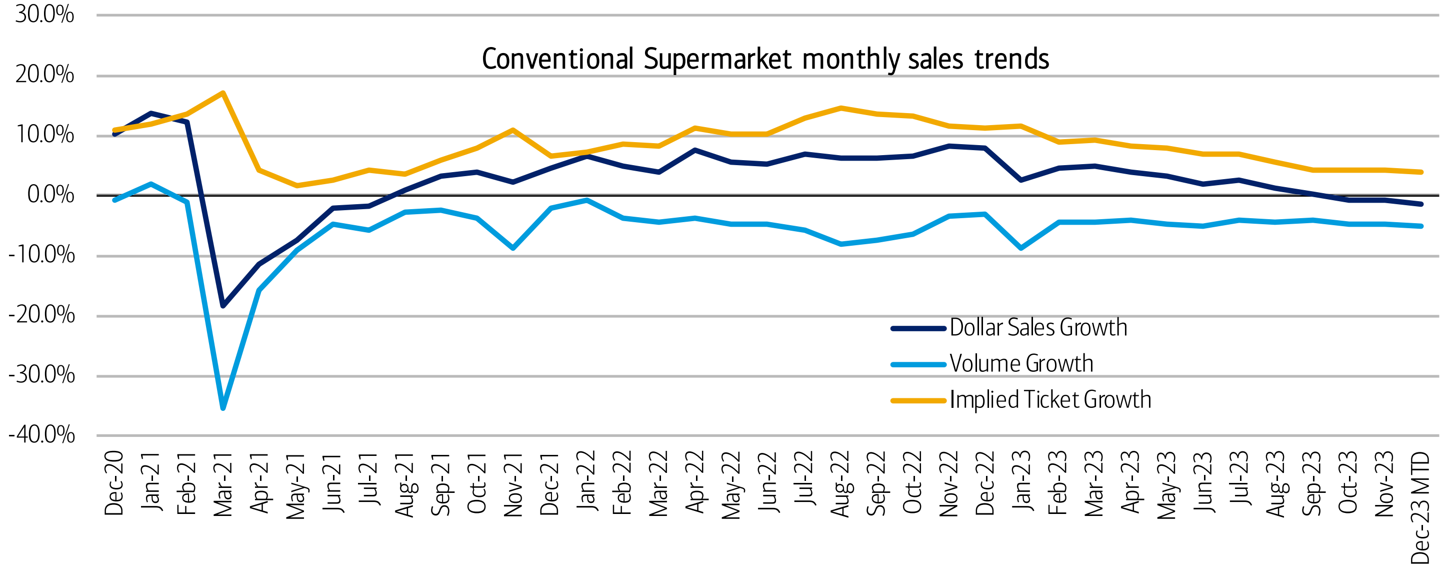
Exhibit 9: Conventional supermarkets total store sales monthly y/y % change
Supermarket sales were -1.4% y/y in December, down -60bp vs. November on lower ticket growth as well as accelerating volume declines



Source: Nielsen, BofA Global Research

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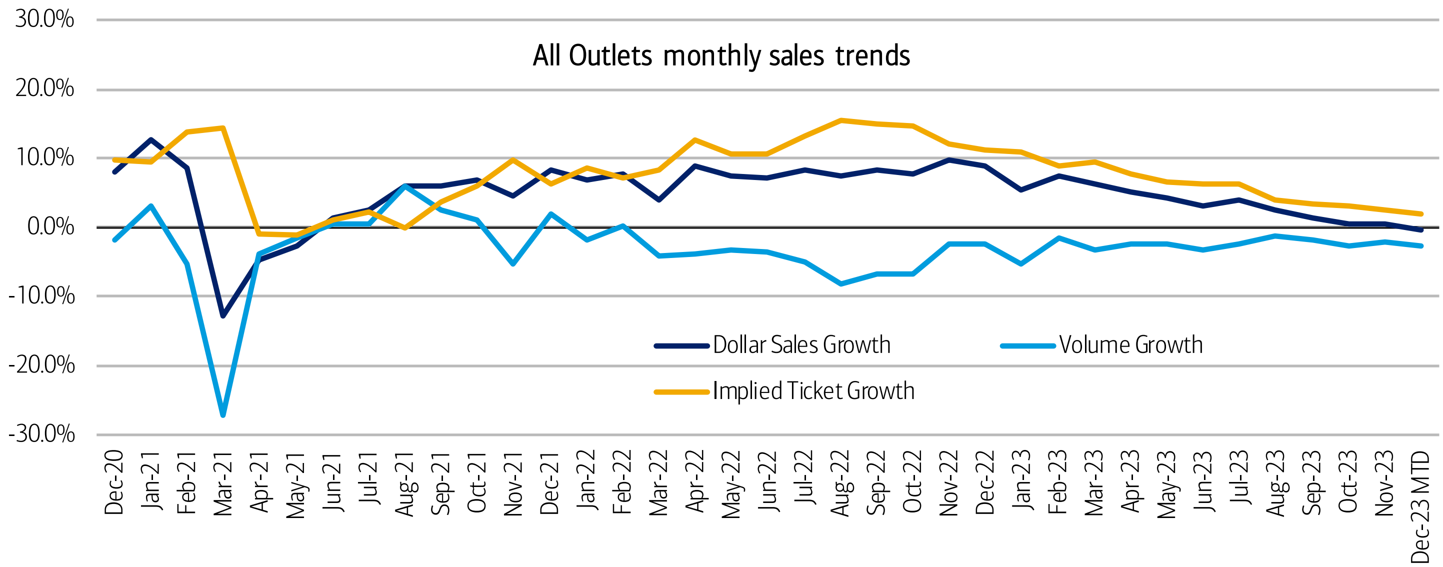
Exhibit 10: All Outlets Combined (incl. drug & mass) total store sales monthly y/y % change
AOC sales were -0.5% y/y in December, down -90bp vs. November on accelerating volume declines as well as lower ticket growth



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 December-MTD. Sales growth remains strongest for non-perishables as ticket growth remains near ~3%

	Sep-23	Oct-23	Nov-23	Dec-23 MTD
Perishables				
Dollar Sales Growth	-0.1%	-0.6%	-0.6%	-1.2%
Volume Growth	-0.1%	-0.9%	-0.3%	-0.7%
Implied Ticket Growth	0.1%	0.3%	-0.3%	-0.5%
Non-Perishables				
Dollar Sales Growth	2.3%	1.3%	1.5%	0.3%
Volume Growth	-1.6%	-1.9%	-2.0%	-2.9%
Implied Ticket Growth	3.9%	3.3%	3.5%	3.2%
Non-Food				
Dollar Sales Growth	1.9%	0.7%	-0.3%	-1.1%
Volume Growth	-2.0%	-2.9%	-2.2%	-2.7%
Implied Ticket Growth	4.0%	3.6%	1.9%	1.6%

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 December-MTD

	Sep-23	Oct-23	Nov-23	Dec-23 MTD
Perishables				
Dollar Sales Growth	-1.1%	-2.0%	-1.9%	-2.3%
Volume Growth	-2.3%	-3.5%	-3.0%	-3.4%
Implied Ticket Growth	1.2%	1.5%	1.1%	1.0%
Non-Perishables				
Dollar Sales Growth	1.2%	0.0%	0.0%	-0.7%
Volume Growth	-2.3%	-3.1%	-3.3%	-3.7%
Implied Ticket Growth	3.5%	3.1%	3.3%	3.0%
Non-Food				
Dollar Sales Growth	1.7%	1.3%	0.0%	-0.8%
Volume Growth	-5.2%	-6.0%	-6.0%	-6.1%
Implied Ticket Growth	6.9%	7.3%	6.0%	5.2%

Source: Nielsen, BofA Global Research

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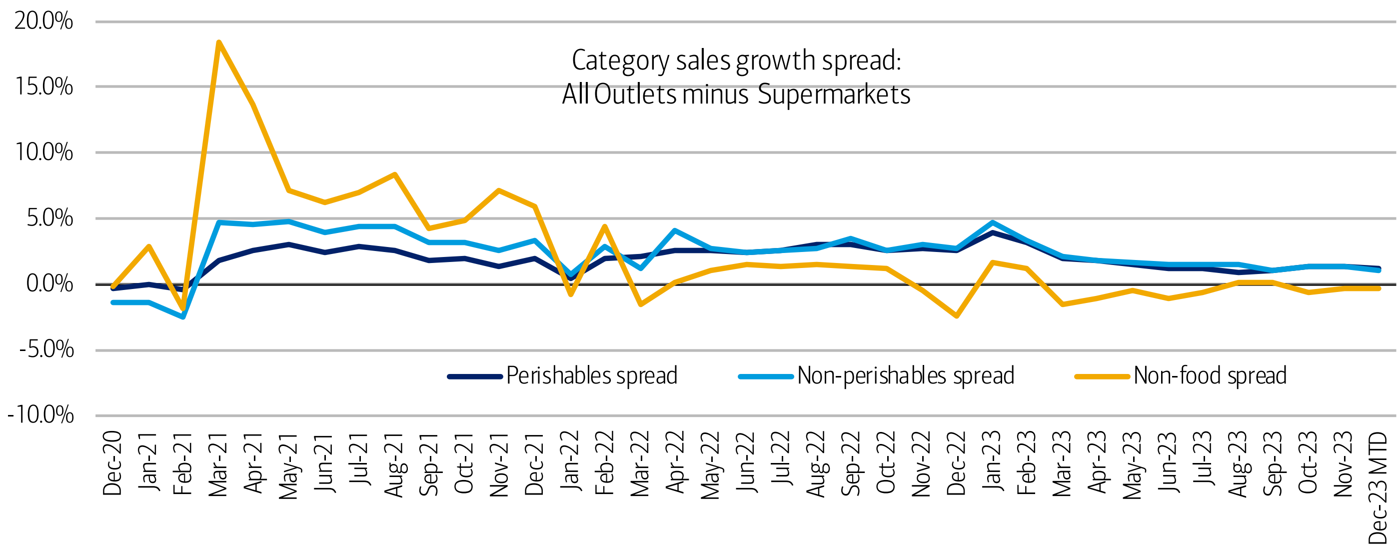
Exhibit 13: Conventional Supermarkets minus All Outlets Combined dollar sales monthly y/y % change by category
AOC sales continued outperforming Supermarkets in perishables & non-perishables, while non-food trends were more similar between channels



Source: Nielsen, BofA Global Research

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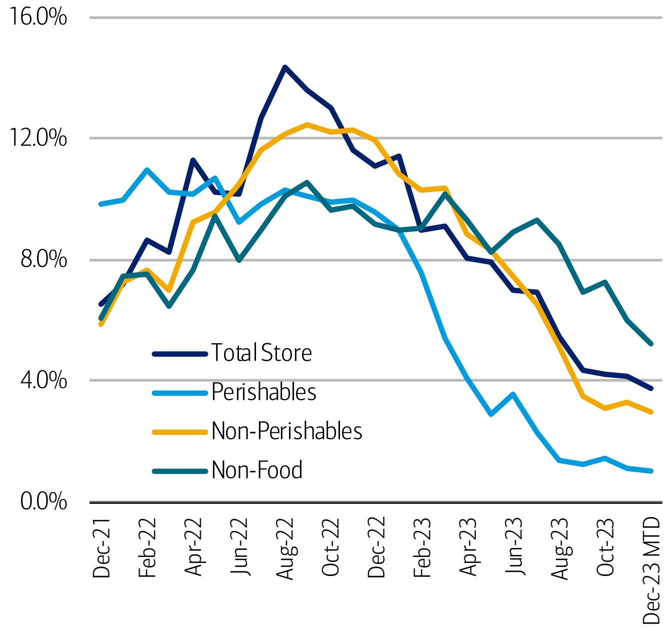
Exhibit 14: Conventional Supermarkets Implied Ticket Growth by Category

Implied ticket growth for supermarkets (+3.8% in Dec-MTD) tracking highest in non-food, lowest in perishables



Source: Nielsen, BofA Global Research

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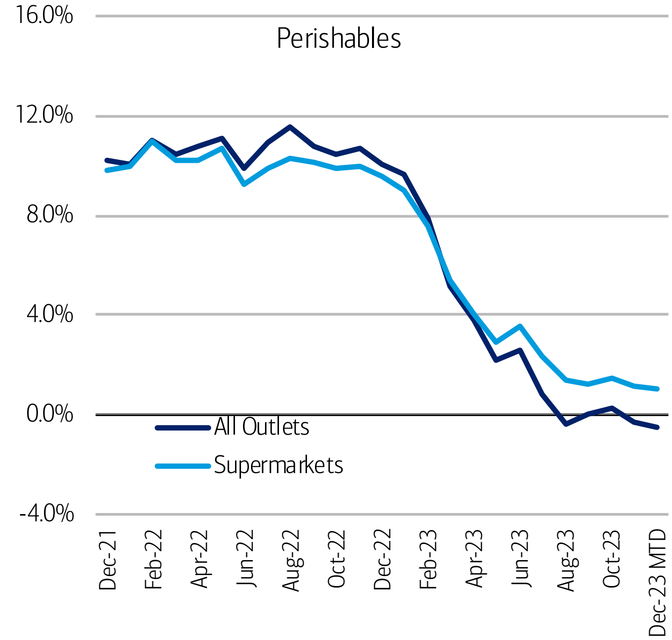
Exhibit 15: Perishables Implied Ticket Growth by Channel

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



Source: Nielsen, BofA Global Research

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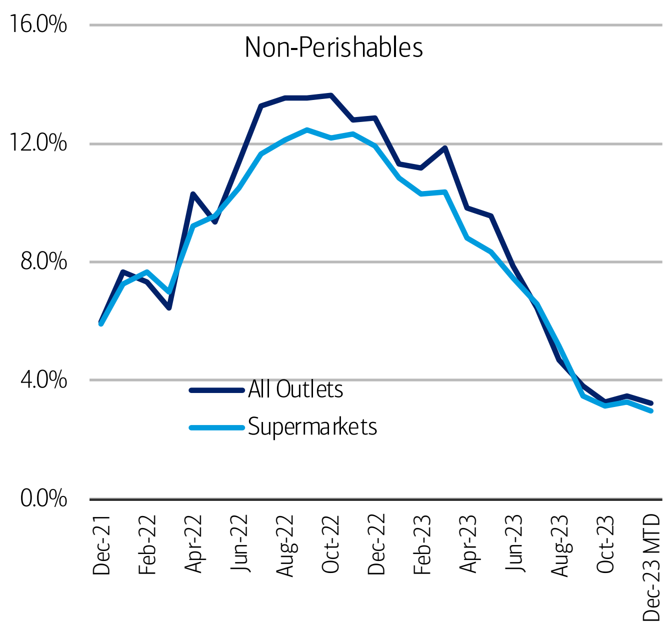
Exhibit 16: Non-Perishables Implied Ticket Growth by Channel

Non-perishables implied ticket growth tracking slightly higher for All Outlets vs. Supermarkets



Source: Nielsen, BofA Global Research

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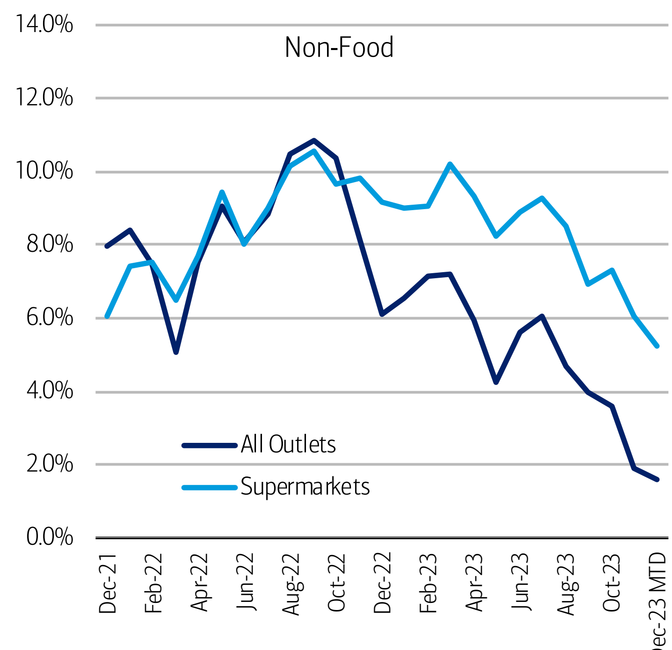
Exhibit 17: Non-Food Implied Ticket Growth by Channel

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



Source: Nielsen, BofA Global Research

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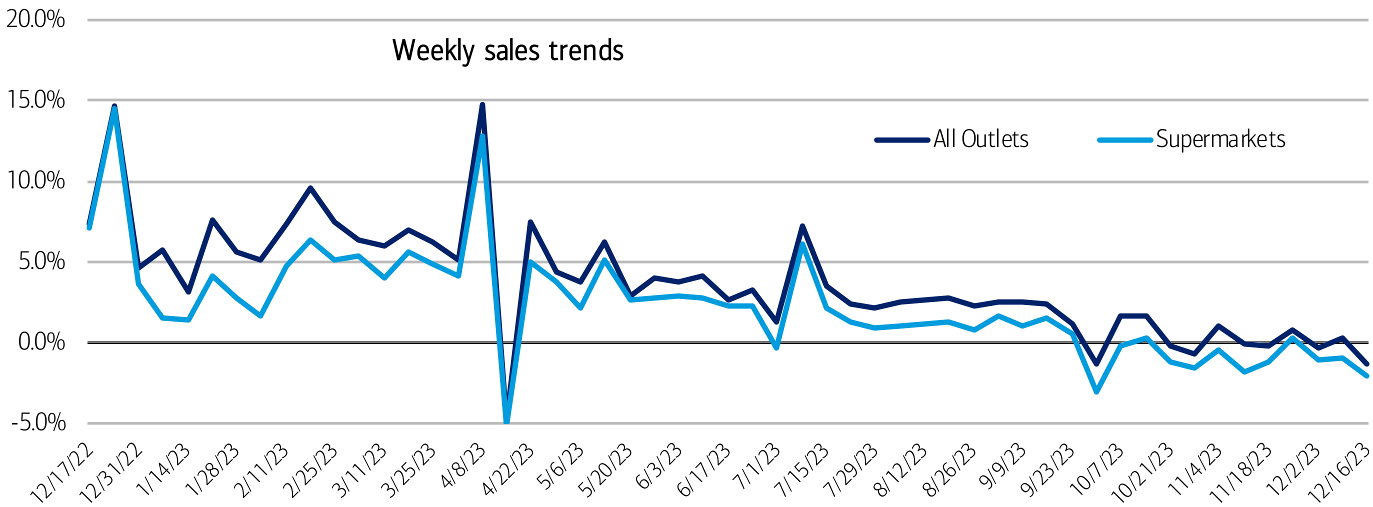
Conventional Supermarkets vs. All Outlets: Weekly Trends

Exhibit 18: Conventional supermarket vs. All Outlets (incl. mass and drug) total store weekly y/y % sales growth
Sales growth softened into the third week of December for both Supermarkets and the AOC channel



Source: Nielsen, BofA Global Research

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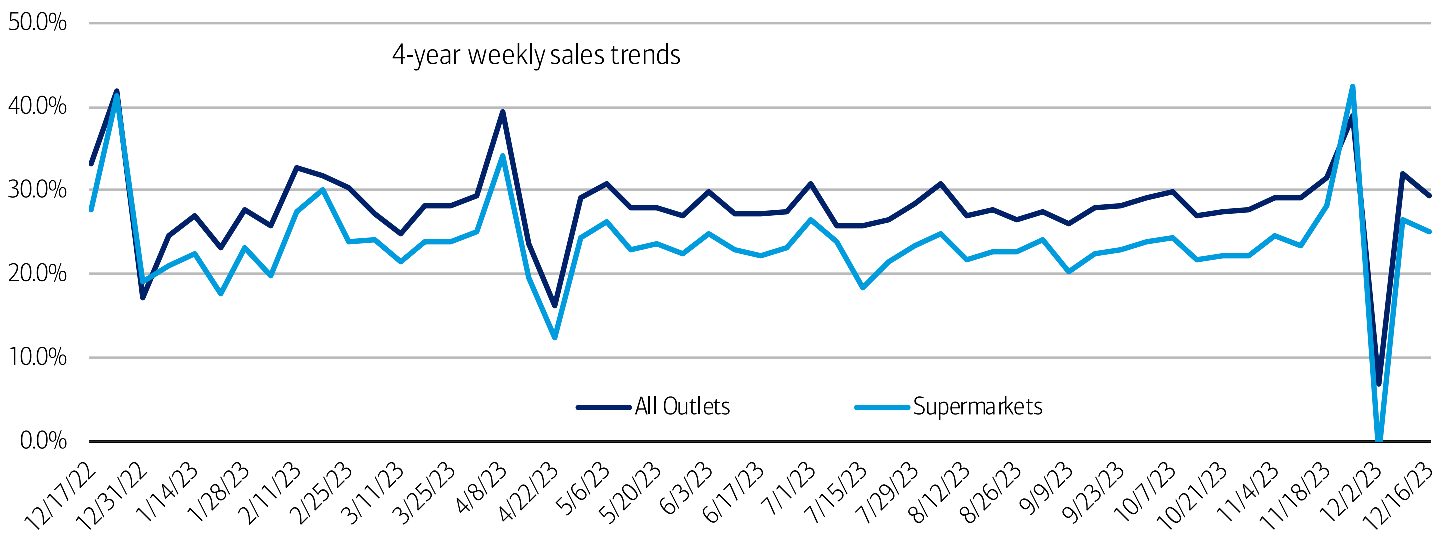
Exhibit 19: Conventional supermarket vs. All Outlets (incl. mass and drug) total store weekly 4-year % sales growth
4-year sales growth experienced volatility related to the timing of Thanksgiving, which fell on 11/23 this year vs. 11/28 (in the first week of December) in 2019



Source: Nielsen, BofA Global Research

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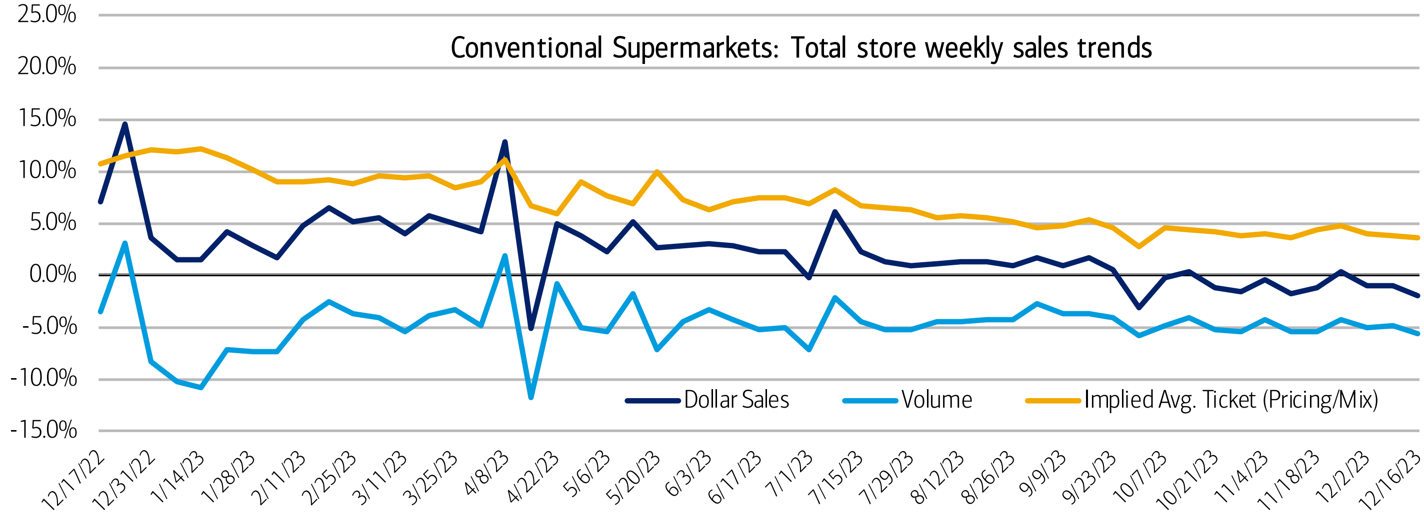
Exhibit 20: Conventional Supermarket total store sales weekly y/y % change
Supermarket sales trends continue to reflect higher y/y ticket growth while volume remains negative



Source: Nielsen, BofA Global Research

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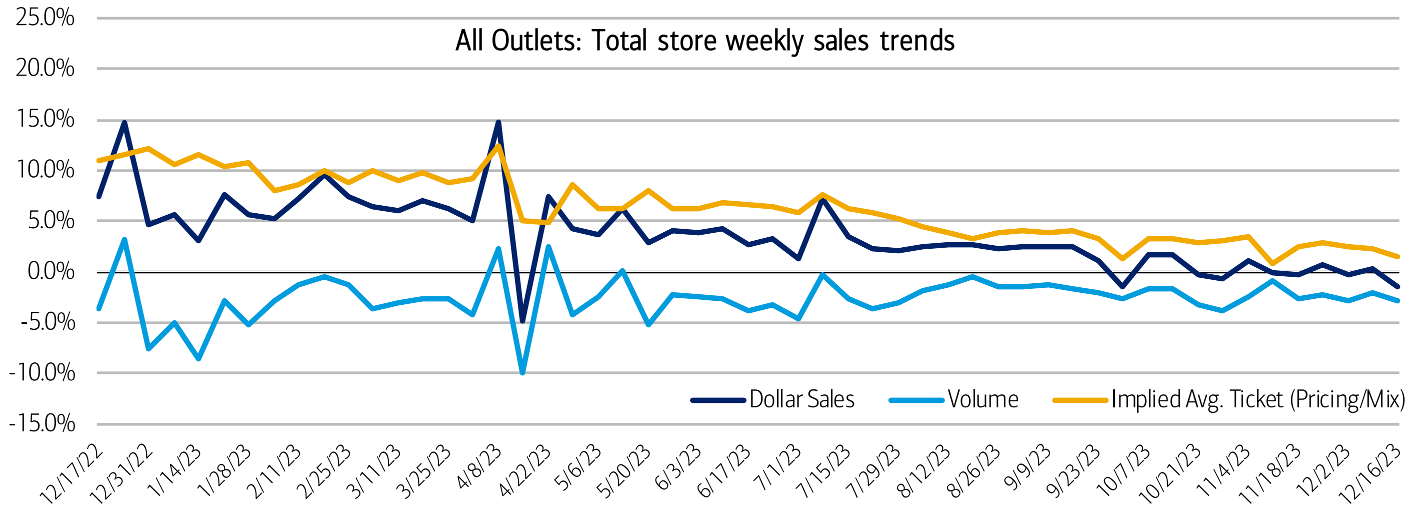
Exhibit 21: All Outlets Combined (incl. drug & mass) total store sales weekly y/y % change
AOC sales trends continue to reflect higher y/y ticket growth while volume remains negative



Source: Nielsen, BofA Global Research

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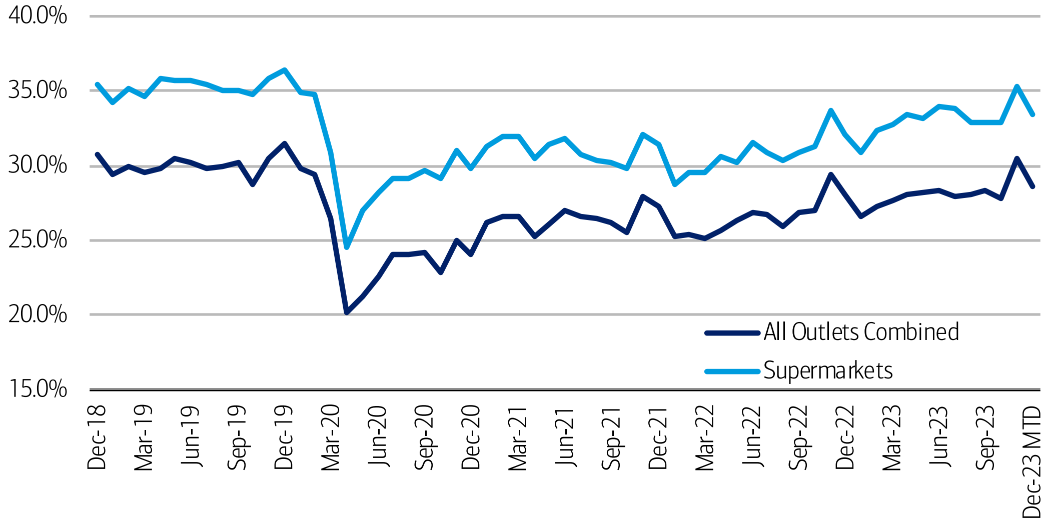
Promotional Trends

Promotions were +5.9% y/y for Supermarkets & +3.8% y/y for AOC in December-MTD. For both channels, this marks the 16th 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 (-7.4% for Supermarkets & -8.9% for AOC vs. 2019, which is down vs. prior months likely reflecting Thanksgiving timing).

Exhibit 22: Supermarkets vs. All Outlets (incl. drug & mass) total store monthly % of sales on promotion

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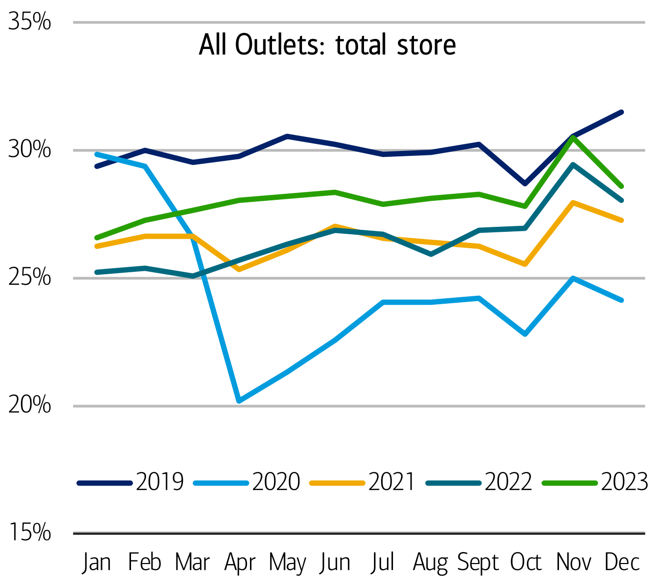
Exhibit 23: AOC total store monthly % of sales on promotion

AOC December-MTD promos up vs. last year, down vs. 2019



Source: Nielsen, BofA Global Research

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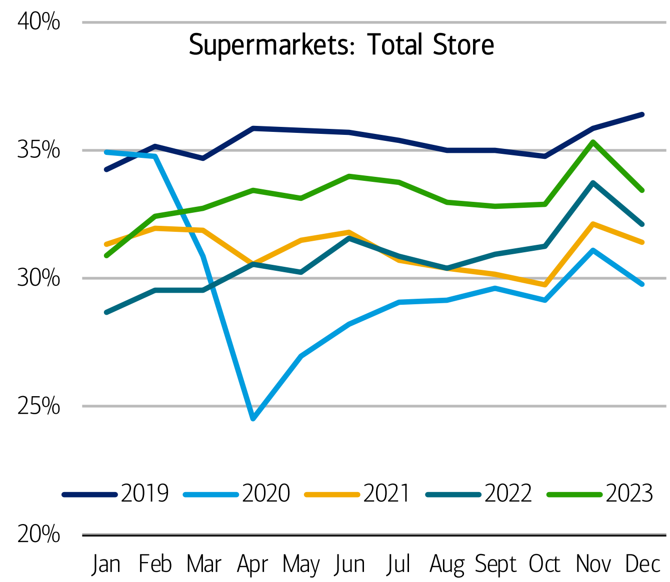
Exhibit 24: Supermarkets total store monthly % of sales on promo

Supermarket promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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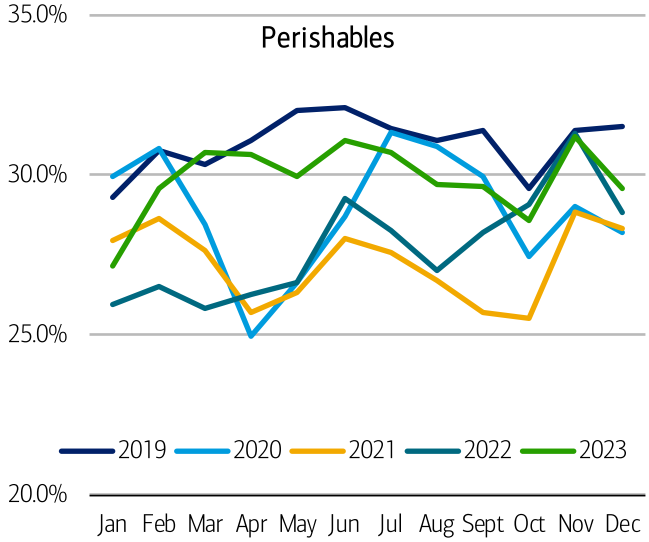
Exhibit 25: AOC perishables monthly % of sales on promotion
Perishable promos up vs. last year, down vs. 2019



Source: Nielsen, BofA Global Research

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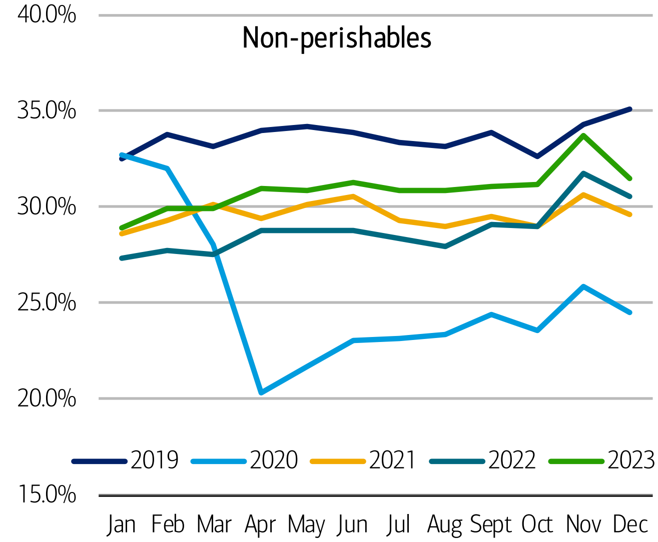
Exhibit 26: AOC non-perishables monthly % of sales on promotion
Non-perishable promos up vs. last year, but below 2019



Source: Nielsen, BofA Global Research

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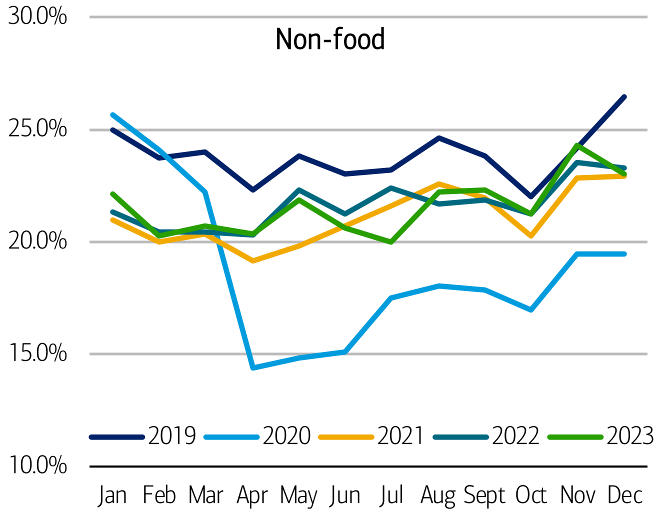
Exhibit 27: AOC non-food monthly % of sales on promotion
Non-food promos slightly down vs. last year, & down vs. 2019



Source: Nielsen, BofA Global Research

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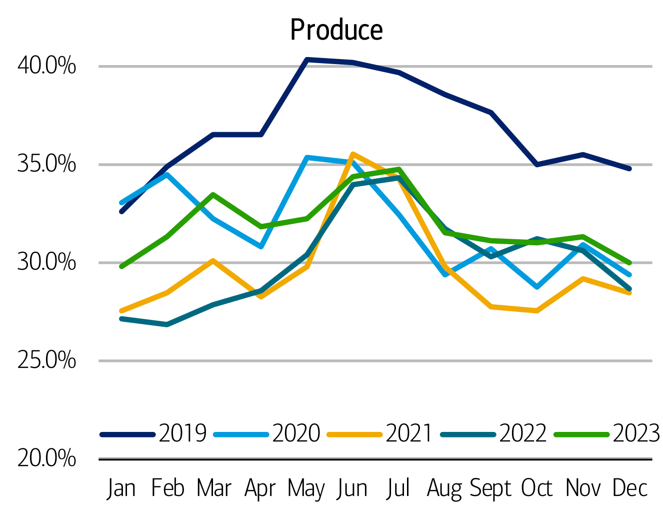
Exhibit 28: AOC produce monthly % of sales on promotion
Produce promos up vs. last year, still well below 2019



Source: Nielsen, BofA Global Research

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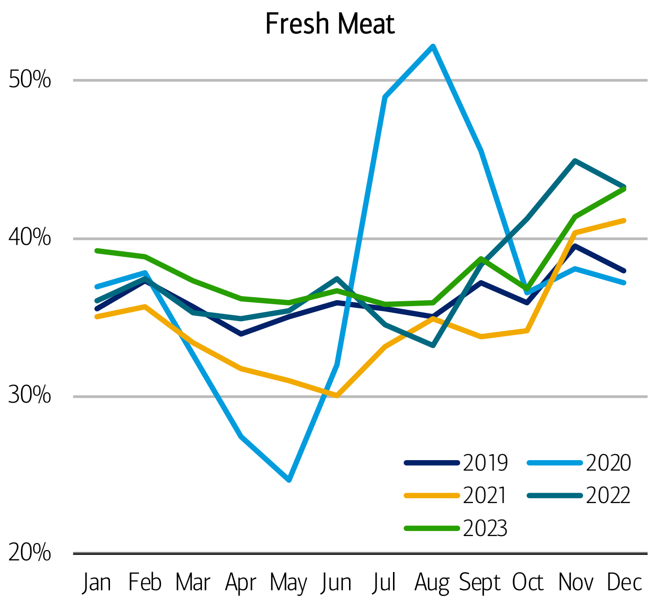
Exhibit 29: AOC fresh meat monthly % of sales on promotion
Meat promos tracking flat vs. last year, higher vs. 2019



Source: Nielsen, BofA Global Research

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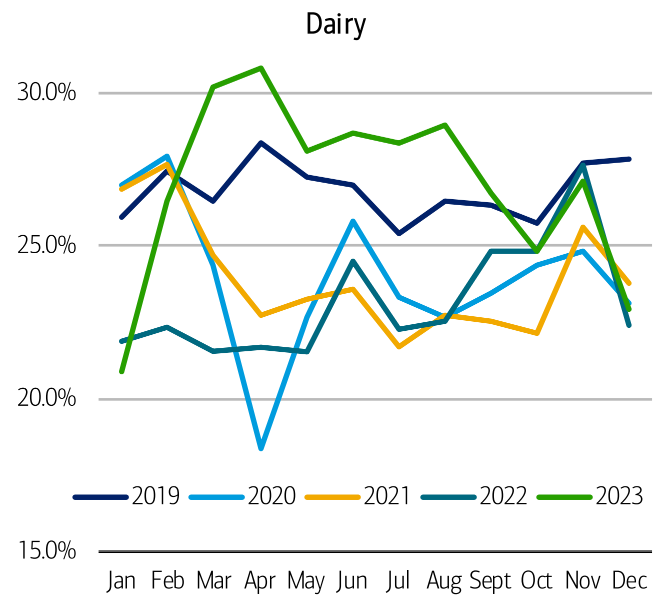
Exhibit 30: AOC dairy monthly % of sales on promotion
Dairy promos up vs. last year, down vs. 2019



Source: Nielsen, BofA Global Research

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