



Sainsbury's Preliminary Results 2015/16; an interview with CEO Mike Coupe

https://www.youtube.com/watch?v=aB9xqz9aN_w&feature=youtu.be

Q: Can you tell me about how Sainsbury's performed in the year and what you feel you've achieved?

A: Well we've had a good performance in what has been a very challenging year. Not least because there's been continuation of price deflation in our markets. We've seen volume growth, we've seen transaction growth, we've managed to maintain our overall market share and we've outperformed our peers. We've seen growth in the areas of investment in our business, whether that's online, convenience or our clothing and General Merchandise business. We've also reduced our costs and we're ahead of our cost target. So in the round, we think it's a pretty good performance.

Graphic

MAINTAINED MARKET SHARE 16.5%

VOLUME AND TRANSACTION GROWTH

Q: What about your strategy? Are you convinced that you've got the right strategy in place?

A: Well we announced our strategy in November 2014 and it was a five-year plan, and we're 18 months in. So far, so good. I think we can demonstrate that through the numbers that we've produced today. Our strategy was all about being focused on our customers, not just today but also in the future, about their needs, their aspirations and our ability to serve them, in our words, Whenever and Wherever they want. It's very important that we continue to develop our strategy but we're pretty pleased with where we are. We're probably a little bit ahead of where we expected to be at this stage.

Q: But when you look at the numbers, why are you convinced that that strategy is working?

Graphic

Improving the quality of 3,000 own brand products

A: Well at the heart of our strategy is the idea of improving the quality of the products that we sell whilst making sure that we also offer brilliant value by lowering the prices of those products. We will improve the quality of 3000 products over the next year or so. We've already improved the quality of 750 of those products. I'll give you a great example; our fish range. Where we've gone back to first principles and the products now on the shelf are absolutely fantastic. You've read about Courgetti and Boodles, so lots of innovation in food and that's something that's going to continue to differentiate us from our competitors.

But equally, there's been a lot of change in our pricing. Our customers would say to us they want simple, everyday pricing. We've taken away a lot of things like Brand Match and we've invested that money back into lower prices. So a good example, the price of whole chickens; £3.50 down to £2.95. so these are big price investments and our customers will notice that. If they notice it, they'll buy more volume, they'll come more frequently and of course that helps us build our baskets overall.

Q: You said there's a good opportunity to grow your GM and your clothing business. How are you going to do that? Are you sure that your customers want to buy clothing and groceries at the same time?

Graphic

Clothing Sales up +8.5%

GM Sales up +3.5%

A: Well we talk about high street style at supermarket prices. We continue to deliver fantastic products and we sell them at great value, at great prices relative to the high street. That's what's fuelled our business over the last period of time. Of course, we continue to look at new product opportunities, extend our ranges and make the most of the space that we have in our stores. Of course we know that when customers shop with us in non-food, they also will buy more groceries overall. So there is a benefit to both parts of the business.

Q: Why's it important for Sainsbury's to have a multi-channel business?

Convenience sales now over £2.3bn

Groceries Online sales up c. +9%

Click & Collect Grocery sites to double to 200

A: Well customers' needs are changing and they're changing very rapidly. Our customers talk to us about the fact that they want to shop with us "Whenever and Wherever they want." Sometimes that will be in a large grocery store, a more traditional style of shopping. Sometimes they'll want to go online. When they go online, they might want to have it delivered to their home or they might want a product delivered to their local store. As an example, we now have Click and Collect in 101 of our shops for grocery items. We've also launched our clothing online business in the course of the last year and we've seen that 70 per cent of clothing online deliveries are actually picked up in store, they're Click and Collect deliveries.

So it shows that a multi-product, multi-channel strategy is what will win over the medium to long term. We have to recognise that and we have to adapt our business as we look forward to complement those customer trends.

When you look at Sainsbury's Bank, how do you view its performance and the potential for future growth?

Graphic:

Underlying Profit up c. +5% to £65m

Total Income up over c. +5% to £274m

A: The Bank's had a good year. We've seen the profitability grow again and we've extended the range of services. For instance, we've introduced Travel Money into more of our shops, and our customers really buy into that. We've seen the sales of travel money grow quite significantly over the last period of time. We'll be launching mortgages over the next period of time as well. We'll continue to extend the range of services that our customers can enjoy. With the acquisition

of the Home Retail Group, we also have another range of financial services that we can offer our customers in the future.

Q: On the acquisition of HRG, you say that that's going to accelerate your strategy. Why are you saying that and what should we expect from here?

A: Well our customers expect us to deliver our products Whenever and Wherever they want. Sometimes that might be in a big, traditional grocery supermarket, sometimes it might be in a convenience store. But increasingly, our customers are shopping online. We believe the acquisition of the Home Retail Group, of Argos, gives us the ability to accelerate our capabilities when it comes to serving their needs. So the idea of being able to order now and having it delivered to your local Argos store, your local Sainsbury's store or indeed to your home within, let's say, four hours, we think that's a pretty powerful idea. So it very much is in line with our overall strategy.

Q: What are your views of the EU referendum? Are you concerned if Britain leaves the EU?

A: Well Sainsbury's is an a-political organisation. It's very much up to the British people to decide whether or not they want to leave or remain in the European Union. The important thing for us is that we continue to do the right things for our customers under whatever circumstances and that we deliver our strategy over the next three or four years. That's what we're focused on and we know if we do that well then overall it will improve the performance of our business.

Q: Clearly there is an uncertain economic outlook going forward. What would you say the outlook is for the business then for 2016?

A: Well actually it's quite interesting that the customer expenditure, customer household income is rising at the moment. However, customers continue to choose to spend that on areas outside the grocery industry. Whether that's new cars or indeed houses or more holidays. So the market continues to be challenging, we anticipate that there's going to be a level of price deflation during the course of the next year. But the important thing is that we continue to do the right things for our customers. Invest in the quality of the products that we sell, lowering the prices, simplifying the prices of those products,

J Sainsbury plc

investing in online capabilities, Whenever, Wherever our customers want.
Making sure we grow our convenience and non-food businesses.

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