

SECOND OPINION

Sometimes it pays to think small

Acquisitions – particularly of smaller stores – continue to reshape grocery

CLIVE BAKER



As The Co-operative Group continues to sell stores out of its enlarged portfolio (most recently to Asda and Costcutter) it is a reminder that, while there is a severe malaise in the M&A market in the broader consumer sector, there is still plenty of activity in the grocery sector.

In fact, while new stores have played a significant part in reshaping the sector over the past 10 years, more than 6,000 stores (and more than 30 million sq ft) have changed hands with a value in excess of £10bn during the period – and that excludes the putative bids for Marks & Spencer and Sainsbury's.

Morrisons' bid for Safeway in 2003 and The Co-op's acquisition of Somerfield last year had the most impact on the overall shape of the sector, transforming Morrisons into one of the major multiples and the Co-op into the largest operator of

small format space by some way. But these deals also led to considerable further activity as each purchaser disposed of significant numbers of stores to different operators to meet regulatory requirements or their strategic or financial objectives.

In the most part, grocery stores and businesses have been acquired by other operators who have rebadged them in the belief that they will generate more profits from each location; and while the larger players have dominated much of this activity (no great surprise) we have seen at least 10 other buyers in the past two years as well as some less obvious trades such as Waitrose

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buying Woolworths stores and Iceland acquiring Simply Food stores (including taking back one that it previously sold to M&S).

A number of financial buyers have looked hard at Sainsbury's (and no doubt they ran their slide rules over others too), attracted particularly by its property portfolio, but none of these ideas was consummated and it is unlikely that they will re-emerge in the foreseeable future given the state of the capital markets.

But private capital has occasionally played a key part in reshaping the sector where trade buyers have been unwilling or unable to acquire portfolios of stores (eg Somerfield) or businesses (eg Big Food Group).

While any further significant corporate activity or consolidation seems unlikely given the obvious regulatory constraints, we do expect further trade in grocery stores, particularly smaller ones; and buyers will come in all shapes and sizes – not just the major multiples. ■

Clive Baker is managing director of McQueen

CRITICAL EYE

LIZ HAMSON



“Oh dear. The Tonight programme has finally lost any semblance of credibility and turned into Brass Eye. Unlike Chris Morris's seminal 90s mockumentary series, however, the issue the unintentionally satirical journalist Mark Jordan purported to shed light on was very real. In the first episode of the two part **Cornershops Under Attack (8pm, ITV1, 8 June)**, Jordan talked to the independent shopkeepers who have “come face to face with the mad, bad and the deadly”.

I'm sure it wasn't his intention, but with the help of a bit of dodgy editing he made one poor victim look like a total moron. “You've been punched and your nose broken,” barked Jordan. “Yes,” said the shopkeeper, inexplicably smiling. “People have robbed you with swords?” “Yes,” he responded, still smiling. “You've been held up with a gun.” “Yes,” grin unwavering. “Do you live in fear behind the counter?”

You can guess the answer and the facial expression. It was only later that we were given some insight into why the shopkeeper had put up with so many attacks – it was for his family, he said simply, not smiling for once. Sadly, the fast and loose editing, banal questioning and needless sensationalism (the shopkeepers' stories were already shocking enough) undermined what would otherwise have been a compelling programme.

You hear the dreadful statistics (and they are dreadful – violent attacks went up 22% in the fourth quarter of 2008), but it's all too easy to forget the people behind them. And what remarkable people you are, risking robbery, racist abuse, being shot at – and even death. No wonder the shopkeeper whose son was taking over after the family store had been destroyed in an arson attack said he felt like he was sending him to Iraq.

On the plus side, the shopkeepers were all trying to tackle the problem and one strategy seemed to work. After being shot at (luckily the bullets were blanks), one shopkeeper installed a cunning “CSI-style” system involving red dye, which amazingly reduced the number of attempted robberies at the store to zero. If only Jordan's part in this documentary had been cut to the same extent. ■

HIGGINS



'People have become obsessed with throwing perfectly good things out!'