
January sales bounce back for Foodworks

BRUCE ATKINSON

Sales for January have bounced back sharply for the Foodworks banner group after a period of flat growth in the run up to Christmas.

Woolworths has not had all of the growth in supermarket sales to itself with Foodworks posting a 7.8% increase in January.

Independent stores in a number of holiday locations traded particularly strongly as Australians apparently holidayed closer to home this year but the sales gains were posted across the entire Foodworks store network.

Peter Noble, Foodworks CEO, said large supermarkets posted an increase of 9.53% in January,

mid-size stores had a 5% lift and small grocery outlets were up 5.84%.

Noble said customer counts were up 2% in the month and the basket size increased by 5.6%. Sales of fresh foods were running at close to 10% up on the same month last year.

"We went into December with flat sales, growth of between 1% and 3% but there were signs of a lift in the second half of the month.

"The basket size was up and in January sales regained momentum."

Changes in discretionary spending see more spent on food

Noble said there seems to have been a material change in consumer behaviour with consumers cutting back on discretionary spending and lifting their spend on food to be eaten at home.

"There is a cocooning effect, back to the family and back to home. Along with that, consumers appear to be shopping locally.

"With petrol off in terms of price points and interest rates down, there has been a noticeable lift in consumer spending.

"The Rudd Government package definitely provided a boost to consumer spending patterns on food and, of course, hot weather has shaped sales patterns."

Noble said sales of generics had increased by 8% across the Foodworks store network.

"We have been very pleased with the January sales but we remain watchful and cautious about the outlook for the months ahead.

"We are continuing to focus on costs and on enhancing our retail offer and customer service."

Product range expansion continues

Noble said Foodworks is continuing to roll out its private label product in line with a plan announced last September to extend the banner's range to around 700 lines.

Noble said the company's partnership with CEVA Logistics, a global logistics company, that is working with Foodworks to source, warehouse and distribute the expanding private label range is on track.

He said there are a number of milestones in the program with CEVA Logistics and planning and development work was already progressing well on the private label rollout that has a launch target of around 200 lines within five new category specific house brands in the next 12 to 18 months.

"We are a little behind plan and want to increase the take up and penetration of our private label range but our results to date have been encouraging.

"Consumer shopping of private label is certainly much higher than it has been historically and they are responding to innovative and interesting products, not just the staples.

Foodworks currently has around 250 own brand products, developed over the past two years and plans to build the Best Buys range as well as a series of new labels such as Luca & Bella, Top Savers, Help@Home, Sunny Bay Snack Foods, The Promenade, Harvest Valley and Riverdale Farms.

The latest private label release was a Marlborough region Sauvignon Blanc wine sold under a house brand, Stonebay, at a pricepoint under \$10.

CEVA partnership faring well

Announcing the partnership with CEVA Logistics last year, Noble said FoodWorks wanted full control of their growing private label portfolio and a focus on the opportunities for the product range, including differentiation from other retailers.

FoodWorks has switched about 80 products in the Best Buy range from Metcash to CEVA Logistics as part of the house label strategy but the banner still draws some housebrand lines from Metcash, including the wholesaler's Black & Gold generic product range.

Foodworks stores draw around 58% of their stock from Metcash with 42% direct into store.

Noble told FOODweek the banner remains committed to expansion through new store development and conversions of existing stores but he said the property market has slowed.

"Last calendar year, we delivered all the new sites on our plan. In 2009, we expect at least three stores on our plan will be delayed.

"Developers are finding it harder to access capital for projects." **FOODweek**