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## UPDATE : Asda's Bond : UK Grocers Face Two Years of Limited Growth

By Simon Zekaria

Of DOW JONES NEWSWIRES

LONDON (Dow Jones)--The chairman of supermarket chain Asda Group Ltd., Andy Bond, said U.K. grocers are facing two years of limited growth as the retail sector battles macroeconomic headwinds.

In an interview with Dow Jones Newswires at the Consumer Goods Forum global summit, Bond said: "I am concerned for the consumer. Do I think we are going to see great retail growth over the next two years? I don't. I think we are going to be toughing it out."

Economists are concerned that high fuel prices, unemployment, tax hikes and public spending cuts will put pressure on U.K. consumer spending.

The coalition government Tuesday increased the rate of value added tax to 20% from Jan. 4 to cut the country's budget deficit.

"There are headwinds all the way through to the end of next year. The earliest I can see light at the end of the tunnel is January 2012," he said.

Bond also said the US Wal-Mart Stores Inc. (WMT) owned chain's stated aim to become the number one non food U.K. retailer in five years, overtaking Tesco PLC (TSCO.LN), is achievable by organic growth alone.

"I am confident that the plan is acquisition-neutral."

In April the group set out its plans for a big expansion of its standalone general merchandise stores, Asda Living, to around 150 in five years time, up from 24.

But analysts have questioned whether the market leader position can be realized without consolidation.

Bond said the group's recent underperformance versus rivals is partly due to less new space growth.

"If you strip out space we are all doing roughly the same. We are all in very low like-for-like growth. Consumers are finding it tough and we are annualizing against very low inflation."

He also said the chain has been impacted by being a price leader in a promotional environment.

"The market is very, very promotional. It is not that we have suddenly gone backwards. Yes things can improve and we will get on and do that."

"I am pretty optimistic as the year goes on," he said.

In Kantar Worldpanel data for the 12 weeks to June 13, Asda's market share fell from 16.8% to 16.7%--its lowest market share since November 2008. Its sales also came slightly behind the market.

Sales growth has slowed in the industry in recent months as food inflation, which helped boost sales in 2009, has fallen away on lower commodity prices.

-By Simon Zekaria, Dow Jones Newswires; +44 207 842-9410; simon.zekaria@dowjones.com