J Sainsbury plc
Q1 Trading Statement
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Presentation

Operator

Hello and welcome to the Sainsbury's Q1 Trading Statement 2023/24 Analyst Q&A call. On the call this morning is Simon Roberts, Chief Executive, and Bláthnaid Bergin, Chief Financial Officer. I will now hand you over to Chief Executive, Simon Roberts, for the presentation.

Simon Roberts
Chief Executive Officer

Thank you. Well good morning everybody and thank you for joining Bláthnaid and I to talk about our Quarter 1 trading, covering the 16-week period to 24th June. I'm going to talk about our trading performance in the Quarter and then, of course, we'll be happy to take everyone's questions. The webcast I'm going to show the slides on now over the coming minutes is also available on our website.

Okay, so first a reminder – and you know these well – of our key of the key priorities that we set out back in November 2020.

Today, we are a fundamentally stronger business than we were two and a half years ago. Our priorities have driven that reset, with our relentless focus on Food First improving our Food business, supported by our Brands that Deliver, delivering a stronger General Merchandise business, and as a result of our focus on Save to Invest, we're delivering the structural cost reduction that we committed to.

Meanwhile, in Connected to Customers, Nectar is becoming an ever more powerful driver of the way we talk to and connect with our customers, and a future profit driver too. In this Quarter, we have successfully launched Nectar Prices.

We're also really encouraged as a team by the progress we are making on Plan for Better, and we've now fully integrated sustainability into the core of the business and into our decision making.

Now, in April we talked about the progress we've made and our determination to build on that stronger position. We're continuing to make bold choices to save costs and to invest where it matters most to our customers and to our colleagues too.

It's as important as ever that we maintain our improved value position, and we're determined to keep prices low on the products that customers buy most often. We're also committed to pass on input price savings to customers as soon as we can, and the Nielsen data suggests that we are leading the industry in doing this.

We're also continuing to support our colleagues through the cost-of-living crisis. We've extended free food available in our stores, distribution centres and contact centres indefinitely, and we're also offering additional colleague discounts over this summer. Now, we know that when we prioritise investing in our colleagues, in our team, in our people, we see the benefit in colleague engagement and that comes through into our customer service.

Now, the innovation muscle that we've developed has been a real strength for us this Quarter, and customers are recognising us more and more for our choice and for our quality too. In the Quarter where customers have had an unusually high number of big national occasions to celebrate, they looked to us as the clear choice to help them do that.

Now, I said in April that one of the factors behind the profit guidance range that we provided for the year ahead was that we wanted to retain the flexibility to make the right choices for the business over the course of the year for all of our stakeholders. Now, clearly there's still a lot of uncertainty out there for customers, and a lot of the year still to trade. So, whilst we're pleased with the momentum we've generated in Quarter 1, particularly in Grocery, and we're excited about the plans for the rest of the year, we're retaining that guidance range at this stage.

Let's turn now to the Quarter 1 numbers. Grocery sales, as you can see, increased by 11% over the Quarter, an acceleration of about four percentage points on our Quarter 4.

Inflation was less than 1% higher Quarter-on-Quarter, so the majority of the improvement was driven by a return to volume growth. Some of this is carrying over momentum from last year, but we were also helped by the particularly strong performance through the bank holidays and events, and, of course, the good weather that came towards the end of the Quarter.

Argos continued to gain market share, growing ahead of the market with strong consumer electronics sales offsetting weaker seasonal sales earlier in the period, when the early spring/summer weather was clearly cooler. It's worth noting that the 5.1% growth quoted here would have been more than 6%, excluding the impact of the closure of Argos in the Republic of Ireland. We have now fully closed the business, so the impact of this over the next three Quarters will be closer to two percentage points.

Clothing sales were also impacted by the cooler spring weather. Tu customers are a bit more seasonally driven and buy to wear and so we saw a big contrast between weaker sales earlier in the Quarter and then stronger sales growth as the weather improved. In what was a highly promotional market, full price sales participation increased over the Quarter, year-on-year.

Fuel sales were down 21%, reflecting both lower input prices and volume declines.

In Grocery, we've outperformed the market this Quarter with strong volume momentum, reflecting the continued benefits from our value proposition, the launch of Nectar Prices in April, and a strong performance relative to the market, across all the key events in the Quarter. We're really encouraged that we've made gains from both primary and secondary customers through this period.

For over two years now, we've consistently inflated month in, month out behind key competitors, and customers are increasingly relying on us for consistent value, particularly across the products they buy most often.

We've committed to customers that we will pass on input price savings, and the basket of our top 100 selling products is cheaper now than it was in March, and that's against a market where prices have gone up. The box on the right-hand side of this chart shows the year-on-year improvement in our price position versus key competitors across all the products that we can match.

Now of course, value is not just about lower prices, and we're delivering for customers across the full breadth of prices and promotions, increasingly through Nectar Prices and personalised offers through Your Nectar Prices, and as you know, we launched Nectar Prices in April and we've seen a fantastic customer response with more than a million new customers signing up to Digital Nectar in the Quarter.

We're rolling out Nectar Prices to more and more products, and it's now available on more than 3,000 products including Own Brands, fresh products, and fruit and vegetables too, and customers have already saved over £90 million through shopping Nectar Prices, since we launched in April.

Customers are also continuing to manage their household budgets by switching into our Own Brand products, and our new Stamford Street range brings a number of entry price point products together under one brand and expands the range too, making it easier for customers to find great value when they shop with us, with around 200 everyday staples at low prices.

Now, more than 40% of these products feature in the Aldi Price Match, which is now at its highest level too, covering around 370 products in total.

The first Quarter has given customers lots of opportunities to get together with friends and family across many big events, and we've continued to show the best of Sainsbury's here, outperforming the market by at least 3% across all the key season events in Quarter 1 from Mother's Day, through Easter, to the late May bank holiday, and, of course, the Coronation, building on our performance last year.

We launched over 300 new products in the Quarter, with a big focus on Fresh Taste the Difference lines, and that drove Fresh Taste the Difference sales growth of 12% in the Quarter. As customers look to enjoy picnics and barbeques over the summer with hopefully more good weather, we've almost tripled our summer innovation in Taste the Difference compared to 2021.

We've consistently invested in our colleagues and as a result, we're seeing strong colleague engagement scores. Importantly, this is also feeding through into further improvements as you can see in our customer service.

Now, the team and I are really proud that our team continues to deliver leading customer satisfaction scores in supermarkets, ahead of our full-choice competitors, and we're seeing some recovery in customer satisfaction too, as the impact of higher prices start to unwind. Since launching Nectar Prices, we've seen a step-up in customers' rating of our great promotional offers, and we continue to lead on key areas that really matter to customers, such as speed of checkout and availability of our colleagues.

Let's now turn to General Merchandise and the performance in the Quarter. The chart on the left shows the detail behind the Argos sales growth. We've seen really strong growth across the lower margin key electronics categories, still benefiting from stronger availability year-on-year in mobiles, tablets and gaming consoles and ongoing demand for energy-saving products.

The chart on the right shows that this is where we've made the biggest share gains. This has been offset by weaker sales across the higher margin seasonal categories, with a later start to summer having had an impact, particularly against very good early summer weather, through the same period last year. Home and furniture sales are down year-on-year but marginally ahead of a weak market.

Overall, we're pleased with the performance, given the market share gains across all categories, but we will face tougher comps through the remainder of the year, as we annualise the start of the improvement in availability last year and, of course, continue to trade against last year's very hot summer weather.

So, in wrapping up, I would like to go back to the key priorities, which are continuing to drive our clear focus, and the momentum we're seeing across the business.

Looking ahead to how the rest of the year and how that might play out, there's still a lot of uncertainty but we are encouraged by our performance in the first Quarter, and we remain very much on track with the guidance we set out in April.

Thank you for listening to that. Bláthnaid and I are now very happy to take your questions.

Question and Answer Session

Operator

We will now begin the Q&A session. To ask a question, please select the raise hand feature, which can be found at the bottom of your Zoom interface. Once it's your turn to ask a question, we will call your name, and ask you to unmute yourself. Please begin raising your hands for questions.

Our first question comes from Andrew Gwynn, from Exane BNP Paribas. Please unmute yourself and begin with your question.

Andrew Gwynn, Exane BNP Paribas

Hi, all. Hopefully, you can hear me?

Simon Roberts

We can hear you, Andrew, yes.

Andrew Gwynn, Exane BNP Paribas

Apologies, but no video today, unfortunately – or maybe fortunately!
Three questions. Firstly, non-food – slightly better, as you mentioned. What do you think it says about the consumer?

Second, and third, really, related to the fuel investigations. So, firstly, what do you think the industry got right and wrong? Then, thirdly, going back on the fuel, what does it say, really, about the potential for profit in the future? Thank you.

Simon Roberts

Okay, thanks, Andrew. Let's start with GM. Just in terms of in the Quarter, clearly the weather came late in the Quarter. Remember when we were having our Prelims call at the end of April and we were all wishing and hoping the weather to come soon, it took a lot longer, didn’t it? So, clearly we are encouraged by our market share gains in the Quarter, and that's come through, I think, really strongly. When the weather came, we were already ready for it. It just came later than last year, and therefore delayed the benefit in the Quarter. That said, we've seen stronger sales as a result of good weather, and we're well set for the summer that's still to come. So, I think all in all, in terms of the performance, a slower start, well set now, momentum building, and we think we're in a good place, ready to take advantage of the volumes as they pick up.

In terms of your second and third questions, on fuel, right and wrong. I think maybe a couple of comments here. I think the first thing to say is, it isn't that long ago, is it, that we were using fuel as an industry to drive customers to our supermarkets. Fuel stunts were a very common approach in the industry and I think one of the things that I think we would reflect on is that we're now putting all of our energy and focus into having the best value in food, and that's what's really driving our volume performance. So, I guess the first thing to say would be, that's our priority and that's been a big shift for us, and for others too. So, prioritising value in food, rather than our offering promotions in fuel.

I actually think that when you think about what's happened for our business, we've really focused, haven't we, in a very intentional way on getting our value position in a much stronger place? Three years ago, we weren't good enough value, we weren't competitive enough. We've really addressed that. Our cost-saving programme has been fundamental in helping us to deliver improvements in value that you can see in these results and that momentum's really building. So, I guess in terms of what we got right, I think we really saw the need to get our value in better shape two and a half, three years ago. That started to feed through in better customer perceptions and improved volumes.

Then the last thing I would say on the question is that I think Food First has been fundamental for us. It's really changed the focus in the business, it's focused the way that we think and it's put us in a much stronger position so that we can be both very competitive on food and also continue to be very competitive on fuel too.

Then in terms of what does the investigation perhaps tell us about the future to grow profit, perhaps between Bláthnaid and I. Bláthnaid?

Bláthnaid Bergin

I think the one thing I would say is this industry's always under scrutiny and will always continue to be under scrutiny. But if I look back over the last few years, I think we've got the balance really right, in that protecting our flexibility and then what we did towards the back end of last year has really helped us.

We've got the balance right for customers, we've invested in our proposition, we've really invested in value and we've done a bit of a price reset since we started this strategy three years ago. We've really invested in our colleagues, you can see that in what we've done on pay, leading rate of pay in the industry. We've invested in food and also increased colleague discount days as well. So, the reset is really good for us and we see that as positive.

That in turn has led us to have positive volume and we're really seeing that momentum coming in. The investments that we made in Q4, because we protected that flexibility, is driving that volume today and we'll continue to protect that flexibility so we can continue the momentum that we currently have in the business today.

One of the things that's important for us and why volume is so important is getting more volume over your fixed cost base is what drives that flywheel for profitability and hence, as part of our Food First programme, that was one of the key principles that underpinned it. Simon, anything else to add?

Simon Roberts

No, hopefully that gives you a good sense and I think clearly, we've still more to do. We're two and a half years into our plan. As Bláthnaid says, we're really starting to see the benefit of volume and as a team we're very focused on how we keep driving that, but also how we keep driving the cost savings to underpin it too. Thanks, Andrew.

Andrew Gwynn, Exane BNP Paribas

Okay, thank you very much.

Operator

Our next question is from William Woods from Bernstein. Please unmute yourself and begin with your question.

William Woods, Bernstein

Hi, good morning both, thanks for taking the question.
I've got three, if I may. The first one is on you've talked about the end of inflation and talked about cutting prices. Are you seeing sequential or year-on-year deflation here and are you see this across your entire basket?

The second one is how is your Stamford Street range performing and why did you consolidate into one brand? It feels like it slightly goes against the trend of making value ranges not look like value ranges.

Then the final one is just on pricing in general merchandise. Are you also seeing the end of inflation here? Thanks.

Simon Roberts

William, thanks. Let me try and take each of those in turn. Look, first on inflation, clearly what we're seeing here is the beginning of food inflation starting to come down. The reason we say that is because when we look at the price of the 100 highest volume products that we sell, what we've seen is the price of those products at the end of the Quarter compared to the start of the Quarter, those prices have come down. They've come down at Sainsbury's when actually in the wider market they've continue to go up and we think that's just a really important proof point that prices at Sainsbury's, we're leading the market in bringing prices down on those products that matter most to customers.

In terms of your question on where we are on inflation overall, clearly as lower input prices come through we're really committed to pass the benefits on to customers as soon as we can. We're seeing that happen first in fresh foods, we've seen that clearly in products like bread and butter and dairy products and milk, chicken. I think we always said, didn't we, that we'd expect those products that saw the impact of inflation first would be those that would see this rollover happen first too. So, it will take some time in other categories, particularly packaged, canned goods, it will take longer for the impacts to pass through.

Then of course, whilst commodities are starting to come down in some areas, we're not going to see lower labour costs, for example. Those costs are now fixed in, energy's taking time. So I think clearly everyone wants inflation to come down faster, but it is going to take time and it's not going to happen as quickly as I suspect everyone would wish to it.

In terms of over the balance of the year, we'd expect inflation to come down, but we expect to still retain a situation of inflation. I think prices are just going to be going up less quickly than they have been.

On Stamford Street, we're really pleased with Stamford Street, we think it's been a really positive move for us. The reason I say that is exactly to your question, is it's made the visibility of our entry price points even more compelling in-store and online. So if we were to walk our store together now or look at our online pages, it's just the vibrancy and the identity of the packaging really stands out for customers. Customers really like it.

We wanted to bring Sainsbury's quality and best prices in our entry price point tier, so by bringing everything together under Sainsbury's Stamford Street that's what we've done. Entry price point is our fastest growing product tier. So, only a few weeks in but really encouraged so far and the team have done a fantastic job moving quickly to get all of that rebranding on product into store and online as quickly as possible.

Then pricing on GM, I think same rules apply here, right, for all the obvious reasons. Customers are watching every penny that they spend, a lot of focus on what are customers buying in GM and how do they get the best value. So, we've got really competitive prices in Argos and on our General Merchandise business. We pass on benefits as soon as we can and it's clear in the market share performance of Argos, I think, that customers are really trusting the value in the Argos offer.

William Woods, Bernstein

Excellent, thank you.

Simon Roberts

Thanks, William.

Operator

Just a reminder, to ask a question please select the raise hand feature which can be found at the bottom of your Zoom interface. If you're dialling in, please press star-nine. Our next question is from Nick Coulter from Citi. Please unmute yourself and begin with your question.

Simon Roberts

Hello, Nick.

Nick Coulter, Citi

Hi, good morning to you. Three if I may and I'll go one by one, if that's easier. Firstly, given the relative strength of Grocery volumes and the absence or lower level of elasticity, do you have a sense of where customers might be cutting back to compensate? Or maybe they aren't cutting back, so I guess in that sense it's more of a question on your view of the health of the UK consumer, I guess, in this Quarter and as we move forward please. Thank you.

Simon Roberts

Thanks, Nick. Let me take that one. I think important to say just in answering your question that there are some effects in this Quarter that we think gave us some tailwinds. So, clearly we've been better value but I would just highlight the fact - two elements:

One would be we launched Nectar Prices in the Quarter, clearly that's got off to a very good start. We don't plan to launch Nectar Prices every Quarter, so that's given us some benefit in this Quarter, given it was such a significant launch for customers and given customers have been really buying into that quickly, first point.

Second point is the number of events in the Quarter. If we think about the bank holidays, the Coronation, Easter, Mother's Day, it's been a Quarter where our strength in delivering great choice and product for customers has really come through. As I said, we beat the market by at least 3% on each of those event weeks and so clearly as the year unfolds we don't have as many of those to come.

Look thirdly, the third point I would just make is that we start to get towards some much tougher comparators now. You'll remember last year we really picked up our performance in Quarter 2 and onwards, so just in terms of when you look at our performance relative to others, important to bear those things in mind.

In terms of where the consumer's at, I think we're not seeing any fundamental changes. Customers are being very savvy. On food they are making choices to make the budget go further. The reason we've grown our volume, we think, is because customers are really trusting our prices in a way more than they have before. As we said, inflation was up about 1% in the Quarter, the rest of the 4% came from improved volume. So we're seeing more customers shop at Sainsbury's, we're seeing customers really buying into our value.

If we think about the fact we've invested £560 million over two years, another £60 million in the Quarter, we're being very selective, Nick, about how we're investing this. We're investing it in areas which really drive the flywheel and that's important - more volume over fixed cost. We're being very focused on that investment, giving customers value but doing it in a very selective way.

On GM, I think what we're seeing here is there's a lot of uncertainty clearly in customers' budgets, the impact of interest rates, we haven't really seen that come through yet. So, that's the reason why we think it's very important to retain flexibility this year again. We'll have to make sure we are competitive where we need to be and as customers are really tightening their spending on the basis of interest rates and other factors, we're going to have to make sure that we really adjust our offer so we deliver for them in what's going to be quite an uncertain period.

Nick Coulter, Citi

Are you seeing any canaries in the coalmine? The weak performance in furniture as a market and maybe, I don't know, larger ticket, electricals, white goods, what are you seeing in those categories and how is that changing over the Quarter, please?

Simon Roberts

There were a couple of key effects I mentioned in my opening comments. Obviously, the impact of the weather was significant in the Quarter; it came much later than last year. So that's the reason why in clothing and the seasonal categories we saw a much slower start. That recovered in June. But I would also say customers are managing within a budget, so when warmer weather comes, customers are moving spend from somewhere else in order to buy the barbecue or the paddling pool, it's not net extra spend.

So, I think that's quite a different customer behaviour from what we might have seen before, where customers just net-net spent more money. I think the differences in the Quarter were the later weather, clearly much tighter focus on what everyone's spending and an absolute pursuit looking for the best value. That's one of the reasons why we think we're winning, we're giving customers the best value we can, we're passing on savings as quickly as we can and customers are really noticing that so our volume's improved.

Nick Coulter, Citi

Great, then a final one, probably in your power alley, but on health and beauty, how much of an opportunity do you think you have as perhaps others step back in the market?

Simon Roberts

Look, I think we're really encouraged with the steps we've taken as a team over the last two or three years in all reality to improve our health, our beauty and our wellbeing offer. If you spend time across our supermarkets, in 300 to 400 stores now we've got a very extensive range, we're taking share as a result of that. But we're also, wherever we can, taking opportunities to make sure we improve the use of our space as well.

For example, as we've taken the pharmacies out of our stores we'll be redeploying that space into areas that customers want to shop more range from. So net-net growing our share in health and beauty through the actions we've taken and also making sure that we make every square metre of our space work really effectively in our stores for what customers want to buy.

Nick Coulter, Citi

Super, thank you so much.

Simon Roberts

Thanks, Nick.

Operator

Our next question is from Izabel Dobreva from Morgan Stanley. Please unmute yourself and begin with your question.

Izabel Dobreva, Morgan Stanley

Hello, good morning.

Simon Roberts

Hello, Izabel.

Izabel Dobreva, Morgan Stanley

I have two questions.
The first one was around the price cuts we have seen so far this year, a lot of which have been in private label. Are these price cuts the result of the commodities rolling over or are you seeing any increase in the actual levels of competition in the market? Then more broadly, how would you expect these price cuts to evolve by category, so fresh versus packaged foods versus the parameter of the store and so on?

Then my second question is around the recent political events, shall we say, surrounding the Grocery industry and whether you could comment on how you see this evolving. Do you think we could head for a French style of government intervention? Then more broadly, what do you think will be the end outcome of the hearings and the probes?

Simon Roberts

Shall I maybe take your second question on recent events and the focus on the industry and maybe Bláthnaid can give us a sense just in terms of the focus we're putting on price and passing on to customers.

Let me take the second question first, I think let's face into some of yesterday's news and recent events.

I think it's very clear, isn't it, Grocery retailing is the most competitive industry out there. We make less than 3% margin, less than 3p in £1 of everything that we do. And last year we saw, as you know, our profits come down a bit by £40 million year-on-year as we reinvested for customers and made sure that we reinvested for our colleagues too and really balanced those choices across all of our stakeholders.

I think our view on this is that as an industry, not just as Sainsbury's, as an industry, the whole industry has really stepped up to make sure that food's available for customers at the best value possible and become more efficient. I think the important point I'd make here is that at Sainsbury's we have saved over £900 million of operating costs in two years, £1.3 billion over three years and that's absolutely critical in enabling us to reinvest in that value.

So, my view on this is I don't think there's much to be gained from people blaming each other. There's a lot to be gained by focusing on efficiencies and making sure that everyone understands we're doing the best job we can to give customers that value that they demand and expect at the moment.

In relation to yesterday's review on fuel, we welcome transparency in fuel pricing, we think it's a good thing. We think it's a good thing because customers will see where the value is and we have always been either the first or second best value in any locality for fuel. We're very competitive for fuel and by having more transparency of that customers will see that. You only have to look at the price at a Sainsbury's supermarket of unleaded or diesel this morning compared to some of the other competitors in the market and you'll see how good our value is and has always been.

I think we should just absolutely reflect too that one of the things we've been doing in our Food First strategy is ensuring that any benefits we see from Argos or Habitat or Tu or fuel get recycled into food prices. So at the heart of your question, we're very focused on our plan. We're operating in a very low margin industry and we're putting everything we can into the best value for customers and making sure that all of our stakeholders we balance those choices against. Over time I would expect more and more understanding of those choices that we've made.

Coming back to nearer term in terms of what we're doing on price and passing on, Bláthnaid.

Bláthnaid Bergin

Yes, so why don’t I take that one.
We are absolutely laser focused on continuing to deliver value for our customers. You'll have seen over Q1 that we launched Nectar Prices, that's across about 10% of our products at the moment. We had support from our suppliers to do that, but that's saved our customers over £90 million since we launched Nectar Prices.

We've further invested in the areas that matter most to our customers, we've done about £60 million of further investment in that. You can see that in what we've done on milk, you've seen the price of milk come down, you've seen bread, butter, pasta and toilet roll come down. These are the products that matter most to our customers, the products that they buy most often.

When we look at our top 100 selling products, we are cheaper today than we were last month, so that's come down period-on-period for our customers, so great value is being offered across the estate.

The other thing that we're absolutely committed to is that as inflation - as we see the benefit coming through to us, we're committed to passing that through to customers as well. So we'll continue to pass that through.

However, when we stand back and look at inflation, there's still inflation in the system. We think it'll be low single - mid single digits at year end. But the headline rates that you're reading in the ONS, our customers are experiencing about half of that, so it's not quite in line with what you're seeing in the newspapers on that. But we are absolutely focused on value and passing through those price cuts to our customers as they come through.

Izabel Dobreva, Morgan Stanley

Thank you, so you haven't seen any change in the underlying levels of competition?

Simon Roberts

No, thanks for the question. Look I think the market continues to behave very rationally and I think that's very clear to see and we've seen in the Quarter no significant or sustained change in how any of the competitors are behaving. I think what's broadly clear to see is those that were the first to pass on the impact of higher prices have been the slowest to pass on lower.

Similarly, like us where we were trying to absorb inflation for customers and pass on as quickly as possible, that's one of the reasons why our value position has continued to improve. It's absolutely key, we think, in our improved volume performance in the Quarter.

Izabel Dobreva, Morgan Stanley

Thank you.

Simon Roberts

Thank you.

Operator

Our next question is from Sreedhar Mahamkali from UBS. Please unmute yourself and begin with your question.

Simon Roberts

Hello Sreedhar, good morning…Sreedhar?

Sreedhar Mahamkali, UBS

Morning, Simon. Can you hear me?

Simon Roberts

We can.

Sreedhar Mahamkali, UBS

Thank you so much, I'm having technical issues this morning.
Three questions as well please. Just picking up on that point you just made, Simon, on volume, how should we think about it for the rest of the year? I know you called out events and execution around those events, Nectar launch, Nectar Prices launch, but should we be expecting sustained positive volume through the year with sequentially lower inflation?

Also on that volume point, how is that helping your supplier negotiations? Are you seeing a greater move there competitively versus your other retailers? That’s the first one on volume.

Secondly, on General Merchandise and Clothing, can you give us a sense if - at least from a gross margin point of view, is that trajectory improving into second half with lower factory gate price information, lower freight costs and from the sterling and those kinds of things?

The last one on fuel, does the sales performance in Q1 have anything in terms of working capital contribution, any impact there? Or it's entirely in line with your expectations?

Simon Roberts

Sreedhar, thank you. Why don't I maybe take volume and then maybe Bláthnaid take GM, clothing and fuel? Okay, so look on volume, just to emphasise the point, Sreedhar, to your question, first of all, we're clearly really encouraged with the volume performance. It's congruent with the strategy that we've been driving and as I said, there were some one-off effects in the Quarter. Particularly the number of events, particularly the launch of Nectar

Prices and particularly the fact that we're heading to some tougher comps looking forward that we just want to make sure that we've been clear about.

That being said, it's really clear that the actions we're taking strategically are driving improved volumes. That's because customers are seeing better value in the offer, particularly in food and as we've seen prices start to come down on the top 100 products, where in the rest of the market they have gone up, customers are clearly making choices to shop more with us as a result of that.

I think when we look out over the rest of the year, we've got a lot in our plan in the food business. We'll continue to make the right choices selectively about how we improve value where we need to further, but also making sure that we just continue to do a great job day in, day out, service, availability, convenience - these are the things that really matter to customers and again, one of the reasons why we're performing more strongly at the moment.

On your question about suppliers, I would say Nectar Prices has been a fantastic programme for us. We're in the early days. I really would want to recognise the fantastic job our teams have done right across Sainsbury's. So many parts of the business have been involved in launching Nectar Prices - commercial teams, marketing teams, technology teams, retail teams. Everybody has been involved in this, and suppliers really want to be part of it. When you look across 3,000-plus products today, 10% of our volume coming in Nectar Prices. Clearly, suppliers want to be part of programmes and businesses where volumes are really moving forward. Nectar Prices is key for customers and it's also key in working with suppliers to invest in our offer with us, and that's one of the things that we're seeing happening.

In terms of over the balance of the year, therefore, we are very focused on making sure we deliver for all of our stakeholders. We'll be selective about where we need to further improve value. We'll always pass on benefits to customers. On GM, I think the environment is more challenging. Interest rates are yet to feed through fully, and so we'll just be very focused on making sure we're giving customers value where they need it most and making sure we do the best job in terms of the GM offer.

Bláthnaid Bergin

Sreedhar, you've asked a great question on GM margin, and there's an awful lot going on in GM this year. I'd start by – we're really pleased with how volume is performing, and we're delivering against really tough comparative, but there's a few dynamics in there. We are continuing to gain market share, so pleased with that, but the summer weather has been cooler, a little bit slower to arrive, and what we've seen is customers mix into tech and into electronics, which is a lower margin category than what we'd see in seasonals. Where we sit today, we're relatively comfortable. We're hoping the weather will arrive and it will correct itself as we travel through Q2.

The second thing that we need to look at is, we had a really strong Christmas. If you think about the second half of last year, we had the postal strike. We really benefited from that because of our fantastic delivery proposition. Again, we wouldn't expect that to repeat, and that's in our forecast and within our range.

The final thing that you need to factor in is availability. We really corrected our position on availability. We're starting to see that annualise as well, so some really tough comparatives in there.

What I would say is we're happy with the momentum in the business. We have a range in our guidance. The reason we have that range is we are cautious on the consumer. We haven't seen those mortgage rates flow through yet, so it's a watch and wait brief for us at the moment to see how the consumers behave as we travel through the rest of the year on that one.

On fuel, we are happy with our fuel position. Working capital is in line with our expectations. We'll see how we travel through the year, what happens with volumes, particularly as the consumer starts to feel a little bit of a pinch towards the end of the year. But if you recall, when we talked about our cash and the cash bridge that we had last year, we had some working capital task in there, so we're comfortable that we're continuing to manage that as we travel through the year as well.

Sreedhar Mahamkali, UBS

Thank you.

Simon Roberts

Thanks, Sreedhar.

Operator

Our next question is from Frederick Wild at Jefferies International Limited. Please unmute yourself and begin with your question.

Simon Roberts

Morning, Frederick.

Frederick Wild, Jefferies International Limited

Good morning. Thanks for taking my question. I just wanted to follow up on that volume point. If you think about it as maybe 300 bps sequential benefit in the Quarter versus Q4, do you have a sense for how much for the events and bank holidays, how much has the Nectar Prices helped? Or, to put it another way, how do you characterise volume performance in different periods within the Quarter? Anything on that’s super helpful. Thank you.

Simon Roberts

Thanks. I don’t want to repeat myself, but I will just emphasise a couple of key points in relation to your question. I think there are a couple of key elements in the Quarter which sit behind the volume story.

First, as we've said, has been the strength of the events. When you look at our presentation slides this morning, you can see event over event over event how strong those events have been. Given the number of them and given the fact they don’t repeat every Quarter going ahead, that was an important element of the volume story in the Quarter. As I say, we beat the market by at least 3% for all of those event weeks.

Secondly, clearly given the timing of our Quarter end, 24 June, we had a lot of the benefit of the weather in the month of June as it turned clearly better for us. That definitely helped the food business but it also helped the GM business too, as Bláthnaid said, as particularly Clothing and seasonal sales picked up as the weather came.

We don't split out the effect of each of those, but when we look at the Quarter, I think the combination of those events plus, as we've described, our significant further improvement in our value position and as the top 100 products started to come down in price, and therefore were at a lower price at the end of the Quarter compared to at the start, customers are more and more now really trusting our value.

The underlying story here on our volume is one of a continued focus on the strength of our value position. Customers are seeing that alongside improving availability, really strong service, and so we're seeing more primary and secondary customers coming back, which is helping drive that volume performance.

Frederick Wild, Jefferies International Limited

Perfect. Thank you very much.

Simon Roberts

Thank you.

Operator

Our next question is from David Roux at Bank of America Merrill Lynch. Please unmute yourself and begin with your question.

David Roux, Bank of America Merrill Lynch

Morning. I seem to have snuck in ahead of James. Sorry, James!
I've just got two questions from my side. Going back to the return to positive volume growth in grocery, can you remind us when was the last time you saw positive volume?

Secondly, just in terms of your top 100 selling products, can you remind us what the broader split is there by category across fresh, packaged, household products, etcetera? Thank you.

Simon Roberts

Thanks for the question. We're going to check back for you on the volumes. It's a little while ago, for sure. We'll come back to you on that one.

I certainly think in the life of our Food First plan, this is the strongest volume performance we've seen over the two and a half years. That's really key for us, because as we turn well into our third year now, a key proof point for us, as you know, is food volume share - it is our first measure of the eight measures we report against, and so to see a return to that in this Quarter is something that we're encouraged by, and clearly all of our plan is geared towards doing that.

We don't actually split out the products in the way you describe. What I would say is, the top 100 products reflect all of the items that we all buy very frequently, so milk, chicken, bread, butter, fruit and vegetable items, dairy items, the cupboard essentials, pasta and rice. It's the products across the broader shop, to your question, and it's the products that customers buy most often.

And it's the basket that we constantly track, because clearly it's so important in forming price perceptions of how strong our value is. That's why in that chart I shared this morning, you can see month in, month out, we've inflated behind the market, and why in this Quarter we wanted to highlight the fact that the price of those products has come down since the start of the financial year.

David Roux, Bank of America Merrill Lynch

Thanks, Simon

Simon Roberts

Thank you.

Operator

Just a reminder, to ask a question, please select the raised hand feature, which can be found at the bottom of your Zoom interface. If you are dialling in, please press star-nine. Our next question is from James Anstead from Barclays. Please unmute yourself and begin with your question.

James Anstead, Barclays

Morning, Simon and Bláthnaid. Two questions left, if that's okay.
Firstly, you showed us in your slides quite a few measures where Sainsbury's is benchmarking very well versus peers, great offers, quality and others. But presumably, the same survey probably has lots of other criteria as well where Sainsbury's is not necessarily number 1. I wonder if there are any that you would highlight, where you think you're lagging and there is room for improvement.

The second one was, I just wonder how firmly you push back on some of these claims that these discounter price-matching schemes could be seen as anti-competitive.

Simon Roberts

James, thank you. We lost the sound a little bit on the first question. I think the heart of the question was, things that we're doing well, which areas could we be doing better? I think that was the heart of your question. Great.

James Anstead, Barclays

Yes.

Simon Roberts

Let me take that. One of the things that is really important to us as a team - we're clearly very focused on our plan, very focused on Food First, Brands that Deliver and Save to Invest. And we're only part way through all the things that we know we need to do.

We're encouraged by the momentum we're seeing on the volume. We can always do a better job being even more consistent for customers on our customer satisfaction. We've seen good improvements, but we're pushing to be even stronger and even more consistent there.

We're encouraged with our cost saving programme. We're pushing really hard to make sure that over the balance of this year we get to the £1.3 billion that we've committed to. We're very focused on the financial measures, continuing to work on improving our returns, continuing to make sure that we deliver against the commitments we have made.

I would say in answer to your question: always more to do, James. We've got good momentum. We're very focused on delivering our plan. But as we come through this third year, we're pushing very hard across all of our measures to make sure that we deliver the commitments we have made, and there is still plenty for us to be focused on there.

To your second question, James?

James Anstead, Barclays

There has been some press speculation that these discounts or price-matching schemes, Aldi price-match, that you and some of your competitors run, could be seen as anti-competitive, which obviously is not the way you are advertising them. I wonder how firmly you would push back against that suggestion.

Simon Roberts

We are driven by customers, and customers really like what we're doing here. More customers are shopping with us than we've seen in a long while, and they're doing that because they're confident in our value.

We're price-matching now on around 370 products. There are more products in the price match than we've had over quite a period now, with a higher propensity of fresh foods, and so we think it's really working for us. It's working for us in giving customers that certainty that when they shop with us they can get Sainsbury's quality at matched prices, and they can also access the full range of assortment of our offer.

It has been one of the key elements of re-establishing really strong credentials on value. As I say, it is delivering well for us.

James Anstead, Barclays

That is helpful. Thank you.

Simon Roberts

Thanks, James.

Operator

That was our final question. I will now hand back to Simon Roberts for closing remarks.

Simon Roberts

Thank you very much for joining us this morning. It has been really good to be able to talk through the questions. I hope the presentation has been helpful. As a team, we're very focused clearly on the rest of this year. There is a lot still to do. As you can see, we've retained the flexibility in our guidance to make sure we can make the right choices as we look out over the rest of the year.

Thank you for listening this morning. It's good to share our momentum with you, and we look forward to catching up soon.

End