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Transcription

Title: Tesco Third Quarter and Christmas Trading Update Analyst Call

Date: 11.01.2018

Speaker: Dave Lewis

Conference Ref. No: EV00066211

Duration: 40:49

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Presentation

Operator

Hello and welcome to the Tesco third quarter and Christmas trading update call, and throughout this all participants will be in listen-only mode and afterwards there'll be a question-and-answer session. And just to remind you, this call is being recorded. And today I am pleased to present both Dave Lewis, Group CEO; and Alan Stewart, CFO. Please go ahead.

Dave Lewis

Thank you. Good morning everybody and a happy New Year to you all. Thank you for joining us and as usual Alan, our CFO, is on the call with me too. Now, I know it's a very busy morning for everybody so I'll get straight to today's announcement. I'm very pleased to say it's another very strong performance, a strong third quarter and a record Christmas in the UK. In the UK sales grew by 2.3% for the third quarter and we outperformed the market in both like-for-like sales and volumes. Earlier in the year we took a strategic decision to hold back on inflation, passing through less to our customers than our peers. That set us up really well for the third quarter and we outperformed as a result. That momentum accelerated again with a record four weeks leading up to 25th December. In either the Christmas week itself, or if you take the full seven trading days before Christmas, we sold more than ever before in our food offer, as we made our offer the most competitive it's been for many, many years. Now, that's exactly where we want to be and it's worth remembering that this is our third consecutive Christmas of growth with a total UK three-year like-for-like of 4% and a 5.6% like-for-like growth for our core food business.

I spent a lot of time in stores across the country in the build-up to Christmas and the quality of our execution was the best I've seen. The planning and preparations were spot on and the business was humming. It was a real pleasure to see and to be a part of. If you were tracking the sentiment on social media, you could see the positive reaction from our customers too. The key driver of our performance remains food and particularly fresh food. Through the Christmas period our food sales grew by 3.4% and fresh by 3.7%. In that key Christmas week, we significantly outperformed the market in fresh, with a full 4% lead in the IRI market data. Over the 19 weeks, food was up 3.2% and fresh was up 3.6%.

If I come back to the really strong Christmas performance, let me give you a little bit of the colour of what was driving that. We sold over 600,000 fresh whole turkeys, which was up 13% year on year; lamb was up 15% and salmon, fresh salmon from our fish counter, grew by more than 23%, which if you put it in weight terms means that we sold just over 500,000 kilos of fresh salmon in that Christmas period. Our party food grew by 7%, and in the fourth year of our Festive Five offer, which this year sold over 20,000 tonnes, vegetables were up 5%.

Away from food, F&F clothing was up 5%, and the new brands, Go Cook and Fox & Ivy drove 6% growth in own-brand homeware. We continue to selectively max the mix in areas like vision, home computing and entertainment and that creates a drag from GM in total of 0.6% over the six-week period.

From a brand perspective, Tesco Finest was up 4% and Tesco Free From had a strong performance, with Christmas lines up 24%. Importantly, the growth came across every one of our formats and channels. The positive momentum we saw in our large stores over the last – the first half of the year has remained, with sales from our Extra stores, excluding GHS, growing 2% over Christmas.

And online we had a record Christmas period, with over 4 million grocery orders; total sales were up 5%. In the key Christmas week, we made 770,000 deliveries and our colleagues picked more than 45 million items.

So I'm really pleased with the way that we delivered in the months leading up to Christmas and in particular in those four weeks running up to Christmas Day. Now, at the same time as we were achieving these record volumes, we were also having to manage the substantial and complex challenge from integrating the volumes previously supplied by Palmer & Harvey. Following the announcement of Palmer & Harvey's administration on 28th November, we had to change our plans to incorporate an extra 5,000 deliveries of nearly 900,000 cases to stores each week, including, for example, virtual rebuilding of our tobacco supply chain, all of which put a strain on our distribution system during our most busy period. These challenges are resolved now but

they did take some of the shine off an otherwise outstanding performance. Lost tobacco sales impacted our total like-for-like number by around 0.5% for the six-week period.

Looking outside the UK, in Ireland, sales grew by 3.5% over the 19 weeks as customers responded well to the fresh food offer. The work the team has done to strengthen our offer in Ireland has really moved the business forward and we're growing volume, transactions, basket size and market share. In Central Europe, we continue to turn around our business, with like-for-like sales up 0.6% over the 19 weeks and the operational performance in countries was really very good. Importantly, we saw an improved position in Poland. In Asia we continued to see the impact of our decision to step back from bulk selling activities in Thailand, with sales down 11.1% over the 19 weeks. We've also withdrawn from other couponing and promotional activity which, in addition to the market deflation, has impacted the topline growth. It's absolutely the right thing to do and we'll finish the job in the fourth quarter.

Outside of the retail business, Bank revenue grew by 4.8% across the 19 weeks, with strong growth in the number of savings accounts and in the number of new mortgage customers, in line with our strategy of increasing the proportion of secured lending.

So those are some of the highlights of our performance over the last 19 weeks but I'd like to spend a few moments now looking ahead. Clearly we'll save the full update until April but just to say we're confident in the outlook for the full year and we are firmly on track to deliver the medium-term ambitions that we set out 15 months ago. On Booker, we're pleased to get the unconditional clearance from the CMA last month and as we said before, we expect to hold shareholder meetings towards the end of February with completion in early March.

So a very good performance over the last 19 weeks; the long-term building momentum of our business continues and I'm really pleased with the progress that we're making. As a final word, I'd just like to thank all Tesco colleagues and our supply partners for their commitment and their effort during this very, very busy period. It really is much appreciated. So thank you for listening and I'll now hand back to Hugh for your questions.

Q&A

Operator

Thank you. Ladies and gentlemen, if you wish to ask a question could you please press 0 and then 1 on your phone keypad now in order to enter the queue and then after I announce you, just ask your question. And if you find that question has been answered before it's your turn to speak, just press 0 and then 2 to cancel. And there'll be a brief pause while the questions are being registered.

Okay, our first question is to the line of Bruno Monteyne at Bernstein. Please go ahead, your line is open.

Bruno Monteyne

Good morning, Dave, Alan.

Dave Lewis

Morning, Bruno.

Bruno Monteyne

Two questions from me, please. At the half-year results you made it clear that you kept the pricing inflation from getting through to customers in the first half, trying to protect them from the Brexit inflation. Am I right in understanding in the second half you let it come through and therefore that will have impacted your pricing position versus the market, as it finally came through?

The second one: how would you estimate the impact on profits from the tobacco supply issues, either positive or negative? And the third question is you talked about, in quarter four, the impact in Asia, Thailand mainly, will end. Does that mean from quarter one next year you should – you're expecting to be back into positive growth in Thailand? Thank you.

Dave Lewis

Okay, right, so Bruno, thank you for the three questions. So, in terms of inflation, you're absolutely right in the what you talked about in the first half year. We – and if you look – you know, importantly, the way that we look at it Bruno is if you look through the whole period of last year, the year to date, the level of inflation in Tesco is lower than our peers and therefore we've sharpened our price position relative to the marketplace. There has been some inflation, in terms of point but if I look at it in total and the way that I would measure that is if I look at our price relativity in the month of December, I was really happy with our price relativity versus the market and we saw that in the volumes and we saw that in the food performance.

So there has been some – you know, you look at point inflation and people can make one conclusion but you really should look at total inflation and what the actual price relativity is at a point in time, and I was really happy with where we were at Christmas.

In terms of your second question, look, tobacco is very valuable, it has a big impact on the sales line, it's actually really quite low when it gets to – in fact, very, very small when it comes to the profit line, so no impact in terms of profit. It's clear, we took some of the complexity into our distribution system and that would have cost us – you know, that will cost us a little more but nothing at all, Bruno, that would make us change our view about the outlook for the year, but just to recognise that we've had to take in that sort of separate operation.

And in terms of Asia you're right. You know, we set about a programme of maxing the mix and getting away from unprofitable sales. I'm happy with the way that that's progressing. I think there's also a little bit in Thailand, you know, I think market deflation was 3% in the period as well. So if you look underlying, it's still about the same level that we thought it would be but there's some market movement. And yeah, you know, we gave ourselves a year to walk through that and so when we get into March, I'll be looking for Tony and the team to show us a return to growth.

Bruno Monteyne

Thank you.

Dave Lewis

You're welcome.

Operator

The next question is over to the line of Andrew Gwynn at Exane. Please go ahead, Andrew, your line is now open.

Andrew Gwynn

Hi, morning all and happy New Year. Can you just talk –

Dave Lewis

Thank you, Andrew.

Andrew Gwynn

Yeah.

Dave Lewis

Sorry.

Andrew Gwynn

Can you just talk a little bit more about maxing the mix within the non-food. I think I heard a 0.6 percentage point drag on the –

Dave Lewis

Yeah.

Andrew Gwynn

– overall like for like, so just wondering what’s happening within the category. The second was just on the consensus, could you just confirm where you see consensus at the moment? I’m not sure if you’ve done an exercise very, very recently.

And then the final one is just on – as we ran over Q3, there was a lot of promotion within the market but also specifically from Tesco. I mean, one of your peers called it chasing unprofitable sales, so particularly around the fuel promotions. So what was the logic in that and would we expect repeats going forward?

Dave Lewis

Okay, fair enough. So, look, Andrew, the – you know, I think we’ve talked about maxing the mix in, you know, our Capital Markets Day, sort of October, what, 15 months ago now and you’ve seen from us, at periods outside of Christmas, what it is that we’ve been doing to manage a more profitable mix within general merchandising and we’ve carried on with that. So, in home, you’ve seen the launch of exclusive brands, Fox & Ivy, Go Cook, really fantastic customer reaction to them growing at 6%; clothing continues to grow and do very nicely, 5% but we – you know, we were selective in those categories and how we participated. So, in home computing and in entertainment, we were less – you know, less active but that’s the continuation of what it is we’ve been doing now for, you know, the last two years in terms of managing the mix of the products that we sell.

To your second question, obviously we’re in offer period so I – we don’t run – I can’t comment on a consensus exercise but we remain, you know, very confident in the outlook that we talked about at the half-year and so really nothing new to say there. You know, bang on track with everything that we’ve been talking about before.

Your comment on promotions is really interesting because actually, if I look at the number of promotions in Tesco, in Q3 a number of promotions were down 4.7% year on year and our number of promotions in – at Christmastime were flat, year on year. So actually, if you look in the – you know, the 19 weeks that we’re talking about, we’re talking about less promotions in Tesco, not more, so, you know, I’m not sure where that comment from competitors may have come. Yes, we’ve put a petrol promotion in there. It wasn’t particularly aggressive, it was around £60 of shopping, it worked very well for us, so really very happy with that but that’s about a little for something that’s important to customers. But total promotional activity in Tesco, over the 19 weeks, was down year on year; I don’t have the number yet for Christmas but 4.7% in Q3 gives you some idea of the trajectory towards lower, simpler, more stable prices.

Andrew Gwynn

Okay, yeah. I think it was specifically the fuel promotion that was referenced.

Dave Lewis

Yeah.

Andrew Gwynn

Just one very quick follow-up, just on Asia, the wholesale drag still around about six percentage points and now obviously we’ve got the deflation and the promotion change as well within that, is that? Just to confirm some –

Dave Lewis

No, I think the whole – the bulk drag we talked at the time about being more like 8%, you know, 8–8.5% and then you’ve got the 3% of market deflation that we talked about, so that’s what the composition of that looks like.

Andrew Gwynn

Okay, perfect, thank you.

Dave Lewis

Thank you.

Operator

We are now over to the line of David McCarthy at HSBC. Please go ahead, your line is open.

David McCarthy

Yes, good morning, gents.

Dave Lewis

Hi, David.

David McCarthy

Hi. A few questions. First question is, can you talk about your distribution? Was that under strain at Christmas? Was there any issues there? Are you confident in – that you've got the infrastructure right to continue growth?

Secondly, I wanted to ask about tobacco and Palmer and Harvey, because I'm a little surprised at the impact of 50 basis points, because it was kind of an open secret that Palmer and Harvey was going to fail, and yet you seem to have been caught a little bit surprised by that.

And the thirdly, you know, this is a call on trading, but you've talked about margins so you've opened the door to this question. And that's that you – 15 months ago, and by the time you talk in April, we'll be, you know, halfway through towards that date of – which will only be two years away, of 3.5–4% margin. Are you going to narrow that range as you, you know, zero in on it? I can understand the wider range when you've got three/four years to go, but as you get into two years and one year, are you going to be saying that that range is going to be, I don't know, you know, 3.6–3.8%, or 3.7–4%? Are you going to bring that range in at any point?

Dave Lewis

Thank you, David. Look, on distribution, what we were – so, no, I'm very, very comfortable with the capability of the distribution infrastructure. The fact that we were able to take in that sort of level of complexity and volume at our busiest period, I think shows the capability that's there. But it was – David, it was complicated, and, you know, we were very happy with Palmer and Harvey as a partner to take that part of our distribution. So, it was something that we would have preferred to continue in the way that it was. We brought it in at – you know, we obviously had contingency plans. We were under the impression, I think as everybody was, that it wasn't an event that was going to happen before Christmas, but unfortunately it did. But by far and away the most significant there, David, as you touched on in your second question is tobacco, and it wasn't just about supply chain. It was about being able to access the buying of tobacco from suppliers who were supplying Palmer and Harvey that they couldn't, and then needed to supply ourselves, so there was a really big ramp-up.

As you know, our tobacco market share is a little bit more than 30%, and so building that pipeline again did take time, and that's why you see the impact that you do. But we did have availabilities on tobacco through that trading period, and it certain places there weren't insignificant availability issues. We now have that firmly established in our own network. It has to be a secure segregated supply chain, as I'm sure you appreciate, so it's quite complicated for what it is. And you know, David, we had a contingency plan, but would we have chosen to be assimilating all of this in Christmas period? Normal project planning, you wouldn't have done it in a Christmas period, but we had to and we did. And the teams worked fantastically, but as you know, we were by far and away the largest customer of Palmer and Harvey, so we felt that impact more.

Now, to your final question, I haven't given it any thought, David, apart from, look, we – I'm really comfortable and confident in the range that we've got, 3.5–4%. I'll take away your suggestion and reflect on it as we get towards April. But I hadn't thought – I thought you'd at least give me 3.5–4% for the period. But let me reflect on what you say. If we can be helpful, we'll try to be. But at the moment, 3.5–4% and still really firmly on track, and very happy with that guidance.

David McCarthy

Okay, that's super. Thank you very much.

Dave Lewis

Thanks, David.

Operator

We are now over to the line of Xavier Le Mené at Bank of America Merrill Lynch. Please go ahead.

Xavier Le Mené

Yes, good morning, gentlemen, and a happy New Year. Quick one actually from me. Can you just quantify the inflation you had in Q3 as well as Christmas, and also give us a bit more insight on the volume? So, what volumes are we talking on? You had 0.3%, if I'm right, for each one, so what kind of volume growth you had for Q3 and Christmas.

Dave Lewis

So, Xavier, what we saw is there's a level of market inflation out there which has been, you know, plus or minus 3% for most of the period. And depending on where the competition has been, they were either ahead or below that. Rather than talking about individual points, as I said on an earlier question, I look at the totality of it, and the inflation that we've seen in Tesco is below the average for the market and below the average for the peers. And therefore, the price competitiveness that we stand at now, and stood at through the Christmas period, versus the market, really very happy with.

In terms of volume, you know, I suppose the critical metric for us is market outperformance. And we continue to outperform the market. It's fair to say that, you know, as inflation came through the market, did macro volume become harder in total? It did a little bit. You know, the critical thing for us, as Tesco, is in whatever those prevailing conditions are, are we outperforming the market in volume? And we continue to do that really very strongly through Q3 and in Christmas, and I gave the specific for the seven days before Christmas. You know, IRI had a standout performance versus the market, at 4%, which is a show of the strength relative to our peers.

Xavier Le Mené

Okay, thank you.

Operator

We are now over to the line of Niamh McSherry at Deutsche Bank. Please go ahead, Niamh, your line is now open.

Niamh McSherry

Morning, everybody. So, two questions from me.

Dave Lewis

Morning.

Niamh McSherry

The first one is on the drag – 0.5% drag from tobacco sales. Can I just confirm that that is tobacco value sales? And I was wondering if, perhaps, beyond that, you think there was an impact on your footfall because of the tobacco issues? And then secondly, on the general merchandise drag, is there – I mean, how long should we expect that to last? Another year? Another two years? I'm just wondering whether you have an idea of where you'd like your general merchandise kind of sales mix to be, and hence then how we should expect that to develop going forward.

And then actually, I do have one more. Could you comment, perhaps, on trading since Christmas, so January trading across your regions? Thank you.

Dave Lewis

Okay. A shorter trading update, Niamh. So, yes, I can confirm that the 0.5% of tobacco is value sales. No, we didn't see any impact in footfall, but you give me the opportunity to say that – and people are talking about Christmas week, and all sorts of claims around records, and obviously Christmas fell on a particular time. So, what we did, we looked not just at Christmas week. If I look at any seven days of trading leading up to Christmas Day, in Tesco's history, we never sold more food than we did this Christmas. So, you know, as an indicator, we didn't see any impact in footfall. We saw a very, very, very strong lead-up into Christmas. Tobacco was a problem, but we didn't see that impact in the rest of our offer, but we did lose that topline sales that I've mentioned before.

Look, when you talk about GM, it's not really about how long. You know, we talked about a journey which was max the mix to 3.5–4% by 1920. We continue to work on that trajectory. Do we have an idea, I think was your question? We have more than an idea, we have a very specific plan, and we have a very specific trading point of how we get from where we are to where we want to be. You'd understand for competitive reasons that I'm not going to give any insight to that, until actually we've made the changes, but I'm really very happy with the way we're thinking about macro space in the store, and how it is we're thinking about getting the returns from the space that we have through the mix that we've put in there. And so, you know, absolutely on track with how we were planning to max the mix to 3.5–4%.

Look, it's – we've updated trading up to 19 for the last 19 weeks. The – you know, the two weeks after Christmas are two of the smallest weeks of the calendar year, so there's nothing really for me to update, and I think I – now, if I get into giving, you know, weekly updates on trading, I'll spend all my time on the phone. But no, over the six-week period, really very happy with the way that, you know, the Tesco business played into the market.

Niamh McSherry

Okay, thanks.

Operator

We are now over to the line of Sreedhar Mahamkali. Please go ahead, Sreedhar, your line is now open.

Sreedhar Mahamkali

Hi, good morning, Dave and Allen. Two questions then, please. Specifically, when was the tobacco issue totally resolved? I realise it's never really going to 'total', but when was the total supply resumed, I suppose is what I'm trying to understand. And if it's not literally the last few days, what was the trend since then in terms of your tobacco sales? One.

And two, just given it seems clearly like a headline miss in the UK, Asia was a bit worse, Europe Christmas trading wasn't really as good as Q3. That's quite a soft comp, why are you confident in your profit outlook, please? Is there anything you can – I realise again there's the trading statement, but I thought I'd ask the question. It will be helpful if you could flesh out your thoughts.

Dave Lewis

Okay. So, look, Sreedhar, let's talk about tobacco. So, look, the issue became really live immediately after 28th November, and that's why I gave you the date correct. So, the problem was all the way through the six-week trading period that we're talking about, you know, and it comes all the way up to the very last few days. We, you know, we continue to require more volume of tobacco than our suppliers have been able to give us. It's been their year-end as well, and if you know in the tobacco industry, they work to certain quotas of volume. So, to rebuild the supply chain the size of Tesco's is not insignificant. So, we really have been up to the last few days in terms of accessing all of the volume that we needed for the supply chain.

In terms of the resolution that I talked about was the incorporation of the system into our Dagenham DC is now done, complete, and behind us, so now it's all about just making sure that we completely top-up the pipeline and get the availability back to the 99% that we would want in this category.

Sreedhar Mahamkali

Sorry, where is availability now then, please? Just – again, again, if you don't have it to hand, I understand.

Dave Lewis

No, look, I do. So, we're talking – and I don't mind. We're talking about in the low-90s per cent. So, looking at yesterday, we're talking around tobacco availability, be really clear, in the low-90s. And that's all about actually just rebuilding as literally stock flows through now, but if you want a precise point, that's where we sit on that trajectory.

The – to your question around performance more generally, Sreedhar: look, actually, I look at the UK performance and people may or may not understand, and I completely get it, around tobacco. It's not a category that we talk about much. I think the thing – the two things that are important to remember is: it's very significant at the top line because of the price of the product. It's very, very, very, very small when we think about profitability. So, whilst it's a miss in terms of sales, like-for-like, its impact on

profit is really very small. And so, that's why if I look at the mix and how we ran Christmas in the UK and Ireland, really very happy with the way that we ran the proposition for customers in both of those countries, and saw a strong performance. And that's why, you know, when I come to the restrictions of what I can say, just saying, you know, we're very happy, confident with the outlook that's out there.

Central Europe, the turnaround trajectory is as we wanted. You know, we continue to perform well in Czech and Slovak. Poland starts to become positive in terms of like-for-like, and we stay market leader in Hungary. So, the – keeping that business competitive, or getting it competitive and improving the profitability, has been what we started to do. We showed it in the first half-year, and we carry on with that trajectory. And in Asia, you know, we were I think very, very clear about the fact that we were going to walk away from bulk selling. It would take us a year. We continue to do that. You saw the margin improvement in the first half of the year, and that's, you know, a direct result of changing the mix in the business. So, you know, if you sit in my seat, you look at the three bits of the business, and you say: actually, it's playing out, you know, by and large pretty much where we wanted it to be. The difference is, you know, the complexity and the volumes that came to us from Palmer and Harvey, and we had to accommodate that in the UK in a busy – you know, in a record December for Tesco. So, that's where we are.

Sreedhar Mahamkali

So, can I just have one quick follow-up? In terms of Thailand, have you seen any kind of underlying improvement in consumer post the Royal cremation? I know that was talked about in the past, we should start to see the consumer coming back, beyond the bulk selling and the promotional changes in strategies you're making. Have you got an underlying feel?

Dave Lewis

So, the feel that I've got is the following. The way that I look at it is I look at the market share within Thailand and we continue to hold our market share in Thailand as we go through the change in the mix so that tells me I'm still competitive for customers in Thailand. I think that the notable thing in Thailand is not so much about trend, is that I think is the market has come through a year of being really quiet soft as a market relative to historical averages, and we've seen deflation in the Thai market.

And so over the Christmas period, deflation in Thailand was running at 3% and so that's the new feature that we've seen in Thailand. It's not really about buying behaviour post the King's cremation, but I think we will continue to track that we haven't seen anything now that I could talk to you about Sreedhar and we'll walk through Chinese New Year as well and see how that plays up, but there is nothing in consumer behaviour. It is much more. Six weeks is really quite a tiny period to be thinking through and obviously Christmas is not the event in Thailand that it is in the rest of our business.

Sreedhar Mahamkali

Thank you.

Operator

We now go to the line of James Tracey at Redburn Partners. Please go ahead. Your line is open.

James Tracey

Hi, hello. David, James Tracey here from Redburn. Three questions for me. The first one is could you please confirm your guidance for space growth in Asia. I think your guidance, the half year results was down 0.3% year-on-year for the full-year.

Second question is, can you please tell us what general merchandise is as the percentage of UK sale, ex-fuel? And the final question is on inflation, I've seen comments on the wire saying that Brexit-related increase in prices is pretty much through the system. Inflation should be lower next year; clearly with inflation at around 3% in the second half, it's been a big driver of growth. What sort of levels do you think it will fall to? Are we talking to sort of zero, negative, plus two? Can you help with that? Thank you.

Dave Lewis

Okay all right James, look, in terms of space growth in Asia, no change than what we said before. I can go and check, I have to say I don't have that in top of my head, but there is nothing that's changed since we talked to the half year, so no problem. General merchandising in our business is just under 10% so that's the sort of scale I can give you.

In terms of look, inflation, I don't see anybody can say that Brexit is behind us because Brexit is still in front of us so depending on how Brexit works, we will see what the impact is. And like everybody we play with different scenarios. I think we've never, ever given the guidance on what we think inflation is going to be. We know we are very clear we wanted to be zero. We don't welcome it. We'll continue to do everything we can to offset it.

I think what we've said and what I think others have said is if you look at the short term pressures of cost inflation, they appear to be lower at this moment than they were similar period last year. And that I think is why people are talking about headline inflation being lower in 2018 than it was in 2017. We would agree with that given what I can see in terms of forward cost, but we start from a place which is we want to mitigate as much as we possibly can for our customers and that's all I will say on inflation.

James Tracey

Okay, thanks, Dave.

Operator

To the line of Rob Joyce at Goldman Sachs. Please go ahead. Your line is open.

Rob Joyce

Hi, good morning guys. Couple from me both linked. I guess the first one is just external data suggests October, November running into Christmas you were pretty much significantly outperforming the Big Four peers whereas that seems to have slowed in December with maybe Morrisons and it looks like Asda doing better in the month of December than you guys. Can you point to what may have driven that sort of reversal in fortunes over the period? Anything you think is more structural there?

And just linked to that have we seen a fairly consistent level of competition in the market over December and more interestingly, more recently in January with some recent pricing announcements from competitors? I'm just wondering how you talk to the competitive dynamic. Thanks very much.

Dave Lewis

Okay Rob, so I'll be short in my answers. I'm getting the speed-up message from the guys here. Look, absolutely nothing structural. We look at the long term performance and the out performance that you about over the period I think both on Kantar and Nielsen and others you've seen it as well. I think when you look at December I suppose the perspective that I have is I look at the performance on core food versus the market and I still see us outperforming in December so the four weeks was record for us. The one week was record for us. The IRI outperformance was significant in food in that period. So anything changed in terms of structure of food performance during that period? No. There's been an impact on numbers based on tobacco, but we touched on that a number of times so, no, I don't see anything structural.

I think the other thing Rob to fill it out a little bit is I think you got a lot and that's why I mentioned. We're talking about now three years of growth. That's not necessarily the case for everyone and therefore year-on-year comparisons obviously have two elements to them, but now I've not seen anything that I would consider to be structural. I've seen some strong promotional activity, but I would expect that. But as I said earlier our promotional activity is actually down year-on-year.

Rob Joyce

Very quickly on that, just, sorry to interrupt. I mean, obviously fresh foods been very strong. It's a key category, but I guess the corollary is that per cent of store other categories look to be ceding share to other grocers. Is that something we should expect from the strategy going forward? Is that likely to be a bit of a drag or is that a December sort of promotional one-off?

Dave Lewis

Look, I think Rob, what you have to do is make sure that you're comparing and looking at the seasonality of actually where the shock happened across the whole offer. So no, it's not about ceding share in the way that you say. I was really very happy with centre of stores, so that's fresh food. That's food more broadly and that's why I give you both numbers. 3.4% on food for the Christmas period and 3.3% over the 19 weeks is really strong performance in a market which is growing significantly less than that.

So I'm really happy with the overall food. We continue to max the mix. You've heard that from us for 18 months or so, and that's just about that selectively managing what it is we can competitively offer to our customers and make the right return on. That's what maxing the mix is. In terms of your challenge around January competitive position, again, the way that I track is I look at our relative position versus the market and we start the year in a good place.

Rob Joyce

Thanks very much.

Operator

Our final question today is over to the line of Nick Coulter at Citi. Please go ahead, Nick. Your line is open.

Nick Coulter

Thank you, Hugh. Good morning all. Could I just follow up on the halo effect or impact of tobacco? Just to clarify that you have been seeing a transitory impact on footfall particularly in Express, and then I had a follow-up on GMO. Thank you.

Dave Lewis

Nick, we haven't seen what it is you're talking about. Clearly, we do monitor because it's clearly a product which if you want it and it's not available it's not something you defer to next week, you look for elsewhere. So I completely understand the question. The information that I have at the minute is at the total level there's been no change in the footfall and actually as you look through the trading period, actually we traded really strongly. So again, tobacco impact on footfall, I don't have anything that I could say to you other than to look at the bigger number.

We continue to track it. We've not seen a difference in large stores and small stores. But – and as I said earlier availability is rising quickly. By the end of this weekend, we expect to be back up at the high 90s. So we are through that particular challenge. So your second question?

Nick Coulter

Thank you. And then could you talk about the Christmas trend in GMO General Merchandise Online? And I guess an update on the execution of the mix strategy in that particular area if you could? Thank you.

Dave Lewis

Yeah Nick, obviously GMO Online is a really very small part of our total business. And as I've said before we remain competitive, but it's not something that we have deliberately pushed hard. We focused in other areas of the business. The bits that we wanted, and this is where we know what we're strategically trying to do in the market is trying to understand it, is the bits that we want to drive in our general merchandise offer both in-store and online. I'm really quite happy with that performance thus the 6% growth in those exclusive brands for Tesco.

But as you know GMO, small part of the business and challenge from a profitability point of view, so growing hard in places that are unprofitable is not a sustainable thing for my customers or for me.

Nick Coulter

Thank you very much.

Operator

Okay, as that was the last question we had time for, may I please pass the call back to you for any closing comment at this stage?

Dave Lewis

Okay Hugh, thank you very much. Thank you very much everybody for joining the call. I know it's been a busy day, busy week for you. As I said earlier, I'm really pleased with the progress we're making. We enter the final weeks of the year. We have confidence in the plans. We have confidence in the outlook that's out there. And we remain sort of firmly on track to deliver what we said into the medium term.

The contribution of colleagues, the contribution of suppliers over what was an extremely busy period for Tesco was nothing short of inspirational. And I'd like to finish by thanking each and every one of those for the contribution they made to Tesco's trading performance. Have a great New Year, and I'm sure I'll see you all reasonably soon. Cheers.

Operator

This now concludes the call. Thank you all you very much for attending and you may now disconnect your line.