

# Inflation weighing on Ocado and its customers

Ocado says more of its customers are buying fewer items and trading down to cheaper options as they try to navigate the cost of living crisis.

The online supermarket revised its full-year outlook on Tuesday and now expects a small decline in sales as Britons try to cope with inflation, which hit 10.1% in July.

Ocado Retail – a joint venture between Ocado Group and Marks & Spencer – said the value of the average basket had fallen by 6% to £116 in the three months to 28 August.

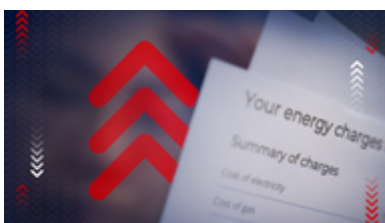
Ocado said that sales rose in the quarter by 2.7% to £532m, an improvement compared with the decline seen in the previous three months.

Customer numbers were up by 23% to 946,000, with a 10.7% increase in average orders per week.

Inflation is expected to ease somewhat following Prime Minister Liz Truss's plan to cap surging household energy prices.

However, higher costs for things such as dry ice and energy could hurt the retailer's profits in the fourth quarter.

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Chairman Tim Steiner said: “We remain focused on providing Ocado Retail customers with the best possible value to help them navigate the cost of living crisis, and are encouraged by the positive underlying trends in the business which underline the value of Ocado’s differentiated proposition to customers.

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“Our online grocery model, which creates efficiency through

advanced technology, offers customers a combination of competitive prices, the widest ranges, and industry-leading service.

“As we have seen in Q3, customer numbers are sharply up as consumers either switch from other providers or try online grocery for the first time; underlying productivity in fulfilment and the last mile continues to improve; and the new chief executive of Ocado Retail, Hannah Gibson, brings fresh vision and energy to the business.

“As consumer spending stabilises, we expect Ocado Retail will again deliver attractive and accelerating growth in sales and a strong recovery in profitability.

“For all these reasons, we are optimistic for the future even while recognising the challenges that higher energy bills and other inflationary pressures are creating for our customers today.”

Ocado shares were down almost 11% by 10.45am, while M&S shares fell by 2.5%.