J Sainsbury plc
Interim Results Announcement
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Presentation

Simon Roberts
CEO

Good morning everyone, welcome to our Interim Results presentation. Thank you for joining us today. I'll begin with the key highlights of the first half, specifically how we're delivering for customers and how that's translated through to the strength of the performance we've achieved.

Bláthnaid will then take you through the financial performance and outlook, before I come back to talk with a bit more detail on the progress we're making across Next Level Sainsbury's. But before that, I want to start by saying a big thank you to every one of our colleagues and to all our farmers and suppliers for everything they've done to deliver for our customers through the first half.

We all know just how challenging conditions have been across the food supply chain through the course of this summer, with five record heatwaves, particularly for our farmers and growers. That has extended to the pressures that the extreme weather placed on all our logistics and store colleagues.

So many of our team working right across Sainsbury's went the extra mile to really deliver. A huge thank you to them.

Now, we've delivered another strong first half, with continued grocery volume growth, market share gains and profit growth. What sits behind that is something you've heard me talk about many times, our relentless focus on the things that matter most to customers, great value, outstanding quality, excellent availability, and leading service.

On value, we're in a really strong position, improving against most key competitors in the half. Operationally, we delivered outstanding availability at the most challenged times in the summer heatwaves, with fresh food availability two percentage points higher than the other full choice grocers.

We continue to pull ahead of the rest of the market on quality with the strength of our innovation across Taste the Difference and Discovery.

We're building momentum and differentiated capability using the strength of our balance sheet to invest in accelerating customer loyalty through personalised value, technology, which improves the customer journey, and infrastructure and systems that deliver efficiency and resilience.

Now, the cost of living remains top of mind for customers, and we've continued to make very focused investment to ensure that we're razor sharp on price across all the items in the basket that customers buy most often, with the biggest Aldi Price Match in the market, Nectar prices on almost 11,000 products, and personalised value through Your Nectar Prices, where customers have saved £250 million since launch in 2021.

This is delivering a consistency in our value position that has really stood out over the last six months.

While we've strengthened value, we've kept investing in what has always set us apart, our trusted reputation and the association Sainsbury's as a brand has with customers for our food quality, range, and innovation.

This year, we expect to launch more than 2,000 new and improved products - our biggest innovation programme ever. This includes more than 700 Taste the Difference and Discovery products, really stretching our lead versus the market.

Innovation isn't just about premium food. We're building on our leading position to make healthier choices easier by introducing new products, reformulating current ranges, and improving the visibility of nutritional benefits on packaging.

We're seeing real momentum as we bring more of our food offer to more customers, with fresh food sales up over 4% in the first half. We opened 14 convenience stores and two supermarkets, both of which were former Homebase stores, and we're really pleased with their performance.

We've alsoinvested in around 170 stores in the first half, focusing on those with the greatest potential. That investment is delivering, with these stores seeing stronger volume growth and customer satisfaction scores higher than the rest of the estate.

To create greater fresh food capacity, we've been rationalising General Merchandise range and space, making the space work much harder, with volume per general merchandise stocking point up 10%.

Across all our supermarkets, we completed our biggest ever fresh food range reset, changing range and space allocations to reflect evolving customer shopping habits and improve availability and stocking efficiency.

Sainsbury's has long had a reputation for strong relationships with farmers and suppliers, and we're building on that at a time when it matters more than ever. By the end of 2026, 60% of products in fresh produce, dairy, meat, fish and poultry will be in long term agreements. This goes way beyond the agreements that you will hear other retailers talk about.

This is about our cost-of-production models, which give producers predictable profit margins, greater certainty, and the confidence to invest for the future. That strengthens the resilience of our supply chain, and helps our suppliers deliver the consistent quality and availability of food our customers rely on.

So why do the inputs across what we're doing on value, innovation, quality and our relationships with suppliers matter so much? It's because they're delivering a winning formula that customers really trust.

On value for money, I've talked before about how long it took for customer perceptions to catch up with the real change we'd made in our value position, following the investment we started with Food First back in 2021.

That has now shifted. Customers consistently recognise the value they get at Sainsbury's, rating us ahead of our competitors. That reflects what we've delivered over time and the trust we've built. Importantly, we've strengthened our value position whilst maintaining the quality advantage that has always set Sainsbury's apart.

You can see that really clearly here. Our quality scores remain significantly ahead of the other full-choice grocers, maintaining an advantage we've built over many years. It's the strength of that proposition that gives us the confidence to put more of it in front of more customers.

In the stores where we've made the most significant investment, we've added an average of 1,500 new products per store, and as part of our fresh food reset, we've given more space to key categories such as meat, fish and poultry. At the same time, we're getting more from the space we retain in General Merchandise with higher trading intensity, lower working capital, and simplified operations.

Toys is a good example. It was one of the first categories to go through the full range reset, and with fewer, better products, sales grew 13% in the first half.

So, we're creating more space for our stronger food offer, while at the same time driving better productivity from the rest of the store.

This is where it all comes together. We are right there with our customers day in day out, ensuring we deliver on the things that matter most to them. At a time when the market has been a bit more volatile, we have maintained our lead and consistency on overall customer satisfaction, with more customers continuing to choose Sainsbury's for their big basket shop.

This shows how our consistency has translated into performance, with strong volume growth relative to the market over a number of years.

We knew we would be lapping some particularly tough comps through this period. So while we continued to grow volumes, we dipped a little below the market in the second quarter.

The comp will remain tough through Q3, and we're expecting it to be another very competitive period. But we are really well set up for the second half, our food proposition remains consistently strong across value, quality and service, and we expect to deliver another winning peak.

Let me bring all of that together. We are really encouraged by our first half. We're continuing to invest in the things that matter most to customers, and we can see those choices delivering strong customer satisfaction, and continued growth of big basket main shop customers.

We're heading into peak with a strong value position, outstanding quality, and our best-ever Christmas ranges, including 60 new Taste the Difference Discovery products, and we're going to continue to make the right balanced choices that will deliver sustainable sales and profit growth. Our guidance today reflects that, with our central case implying continued profit growth in the second half.

With that, let me hand over to Bláthnaid to take you through the financial performance and outlook.

Bláthnaid Bergin
Chief Financial Officer

Good morning, and thank you, Simon. I will now cover the financial highlights for the 28 weeks to 12 September 2026. Starting with a reminder of our financial framework. This lays out the factors that underpin our commitments to deliver profit leverage from sales growth, strong cash flows, higher return on capital employed, and enhanced shareholder returns.

As we near the end of our three-year Next Level strategy, we are pleased with our progress. We delivered continued food volume growth, higher profits, and strong cash flow generation. We are well on track with our plans to deliver £1.6 billion of free cash flow over the three years to 2027.

Together with the bank exit proceeds, we will have returned nearly £2 billion to shareholders through dividends and buybacks.

We are now going to look at the performance of our continuing operations, excluding Argos. As a reminder, we have entered into an agreement to sell Argos to Swift Partners. As a result, the performance and cash flows directly attributable to Argos has been represented as a discontinued operation.

Underlying performance in this financial review refers to the Group's continuing operations, unless otherwise stated. Starting first with our sales performance. Grocery sales grew by 2.9%, reflecting continued volume growth and a lower level of inflation versus last year. Grocery growth was partly offset by a 3.4% decline in general merchandise and clothing.

General merchandise sales were down 5% year-on-year in line with our expectations, reflecting our strategy of allocating more space to food and simplifying the range. Clothing sales were down by around 2% in a subdued and promotional market and against tough comparatives.

Despite this, volumes performed ahead of the market, reflecting the strength of our offer and improved availability. In total, Sainsbury's sales grew by 2.6% in the half. Fuel sales were up substantially year-on-year, reflecting higher average wholesale prices and a modest volume decline. Together, this delivered total continuing operations sales growth of 4.5%.

Looking at the shape of that by quarter, grocery growth was lower in Q2 than Q1, entirely as a result of lower inflation. Volume growth was broadly similar across both quarters despite tough comparatives.

Turning now to the sale of Argos. As announced in July, we have agreed the sale of Argos to Swift Partners, enabling us to fully focus on our core food business. This transaction is expected to complete in February 2027, with full separation expected by February 2029.

Additionally, in July we handed back our banking licence, the final Bank colleagues exited and we exited the last of the onerous contracts. Together, these have created significant complexity in the accounting for the half, with the exit charges relating to the bank and moving Argos to discontinued operations.

While the Bank is now clear, the Argos exit costs will continue to move. The largest element will be the working capital true-up that we will need to complete at year end.

The numbers you are looking at today reflect the half-year position. They will be adjusted for both trading performance and the working capital true-up as we finalise the sale and exit in February.

While we have treated Argos as discontinued, given the fact that it is heavily integrated into Sainsbury's, this has driven a review of Sainsbury's assets, and resulted in some impairments in continuing operations. I will cover those in the next few slides.

This table shows the breakdown of Argos discontinued operations numbers. Before I talk about some of the bigger numbers, you can see that Argos made a loss of £8 million in the first half, slightly higher year-on-year. This was in line with our expectations, and we continue to expect Argos full year operating profit to be in line or ahead of last year.

We have recognised a non-cash impairment loss of £215 million on the disposal of Argos, and we've also booked a provision of £102 million in relation to separation costs, largely tech driven. There will be further separation costs to be recognised as we finalise the exit. Separately, we recognised £37 million of restructuring and impairment costs in line with our Save and Invest programme.

Turning now to profits from continuing operations. Last year, we reported total underlying operating profit of £506 million. Excluding the Argos discontinued operating loss, and taking into account perimeter adjustments, this creates a continuing underlying operating profit base of £507 million.

Versus this £507 million base, underlying operating profit increased by 3.6% to £525 million, reflecting volume growth, balanced investment in the customer offer, and continued cost savings delivery.

Underlying finance costs were flat year-on-year, and as a result, underlying profit increased by 5.2%. We expect continuing operations underlying net finance costs to be around £300 million to £310 million in 2026/27 versus our previous guidance of around £320 million.

Underlying earnings per share increased by 10.4%, reflecting a lower underlying tax rate year-on-year and a reduced share count as a result of the cumulative effect of share buybacks.

This slide sets out items excluded from underlying results, on a continuing operations basis. We incurred £60 million of non-underlying costs during the half. The largest item was £87 million of divestment costs.

This primarily relates to non-cash impairment of non-trading sites and Sainsbury's stores following the announced disposal of Argos operations, as well as fees associated with the disposal. It also includes £8 million of final bank exit costs.

Retail restructuring programme credits in the period primarily reflect gains from lease exits, and the renegotiation of dilapidation provisions recognised in prior periods, partly offset by the redundancy and property strip-out costs associated with bakery closures.

Now turning to our cash flow metrics. Free cash flow increased by £57 million year-on-year. There were three elements to this. Firstly, the working capital of £67 million is largely driven by payment timings. We continue to deliver on our working capital programme.

Secondly, capital expenditure was £71 million lower year-on-year in the first half, primarily driven by the timing of spend, and finally, profits are higher year-on-year. Net debt will be covered on the following slide.

This table shows the key elements of our cash flow and movements in net debt this year and last. Following the change in the Financial Services business model, net debt and associated cash flows from financial services are now included in the core net debt measure.

Opening retail net debt has been adjusted accordingly, as shown in the table. Comparatives have not been restated, given the prospective nature of the change in the financial services operations.

Before the impact of this change, net debt including lease liabilities increased by £221 million, primarily reflecting shareholder returns comprising of £213 million of dividends and £200 million of the £300 million share buyback programme, returning bank disposal proceeds received in the prior year.

Free cash flow of £333 million was partly offset by divestment cash costs, including the winddown of previously provided bank exit costs not directly attributable to portfolio sales and adviser fees associated with the disposal of Argos operations.

Current year discontinued operation cash flow represent the trading cash inflows of Argos operations and cash outflows to settle onerous contracts previously provided for by the Bank portfolio sales.

We continue to expect to generate free cash flow of more than £500 million in 2026/27, consistent with our commitment to generate at least £1.6 billion over the three years to 2027.

Continuing cash capital expenditure is expected to be between £750 million and £800 million in 2026/'27 versus our previous guidance of £800 million to £850 million, with the reduction reflecting the movement of Argos to discontinued operations.

Here we lay out our balance sheet metrics. Net debt to EBITDA is broadly unchanged year-on-year at 2.6 times, and within our target range of 2.4 to 3 times. Return on capital employed improved by 20 basis points year-on-year to 9.2%.

Turning to shareholder returns. As previously announced, we intend to complete a £300 million share buyback programme this year, comprising a core of £200 million and an additional £100 million returning bank disposal proceeds.

The £200 million core share buyback was completed in the first half, with the remaining £100 million expected to complete in the second half. We are proposing an interim dividend of 41 pence per share, representing 30% of last year's full year dividend, consistent with our standard policy. In total, we expect to return more than £600 million of cash to shareholders this year.

In summary, we are pleased with our performance in the half. We delivered profit growth against continued tough comparatives in a competitive market, generated strong free cash flow, and are delivering strong cash returns to shareholders. We also announced the sale of Argos, which will allow us to focus our resources on our core food business.

Looking ahead to the full year and the guidance we have issued to the market this morning, I thought it will be useful to clarify what exactly this represents and how it compares to our previous guidance.

Our previous guidance was underlying operating profit of £975 million to £1,075 million, including Argos. Last year, Argos contributed £9 million of operating profit, and we said that we expected profits to be broadly unchanged year-on-year. On a continuing operations basis if we exclude that £9 million from the previous guidance and round down by £1 million, that would be the equivalent to £965 million to £1,065 million.

Versus that range, we now expect underlying operating profit from continuing operations of between £1,025 million and £1,065 million.

I know plenty of you will ask about the financial services contribution. Financial services contributed around £3 million to operating profit growth in the first half. For the full year, we expect a contribution to continuing operations profit growth of around £10 million versus the previously guided £20 million. This reflects the financial services contribution that now sits with Argos in discontinued operations.

For next year, we talked about £40 million of incremental income, and we still expect to deliver at least half of that upside on a Sainsbury's-only basis, so roughly another £10 million of incremental income from financial services next year. We won't separately disclose financial services income, and we will only make a comment when it has made a significant impact on growth in any period.

As a reminder for future years, when we announced the divestment of Argos, we guided that the impact on underlying operating profit was broadly neutral, with lost Argos operating profit and dis-synergies offset by Argos store-in-store rental income and Nectar income. This included the change to our financial services contribution expectation. So no further adjustment is required.

We remain focused on maintaining our strong competitive position, delivering strong cash generation of more than £500 million, and creating consistent value for shareholders.

Thank you for your time. I will now hand back to Simon.

Simon Roberts
CEO

Thank you Bláthnaid. Let me now take you through the progress we're making across our Next Level Sainsbury's strategy.

When we launched Next Level Sainsbury's in February 2024, we set a clear purpose and four strategic outcomes. We're now in the final year of the plan, and we continue to make sustained progress.

As we announced in July, the planned sale of Argos is an important evolution. It will create a simpler, more focused Sainsbury's, while enabling Argos to continue its transformation under dedicated ownership. I'll come back to Argos shortly, but let me start with First Choice for food.

Our ambition here has been consistent right back to when we launched Food First in 2021. We want many more people to choose Sainsbury's as the place they come to for good food.

On value, what's distinctive is how the different elements work together. We have the biggest Aldi Price Match in the market and Nectar Prices on almost 11,000 products. Increasingly, we're combining that broad-based value with personalised offers through Your Nectar Prices. Together, that's delivering really meaningful value for customers, saving £16 on average on a big trolley shop, and consistent, trusted prices on the items customers buy most often.

While customers have the reassurance of trusting us on value, they know they don't need to compromise on quality - as ever, it's the quality of our food that really sets us apart. Taste the Difference sales have increased nearly 50% over the last four years, and on that strong base, we're still seeing growth ahead of the market again this year.

With continued investment in fantastic innovation and quality, we see huge further opportunity here. Our biggest programme of Taste the Difference innovation is coming for this Christmas.

Taste the Difference Discovery, our range of restaurant quality meal solutions, and premium speciality products is building on that strength and opening up new territory for customers seeking the most exciting innovation in food.

We've doubled the range this year and it's now contributing around a quarter of Taste the Difference growth. Our product development teams working alongside our suppliers are doing a brilliant job, expanding Discovery into new categories, including BBQ, Italian meals, and premium meat, fish and poultry choices like Norfolk Black chicken. We expect the range to exceed 200 products by the end of the year.

We want our customers to be able to access the best of our food offer however they choose to shop with us, and we're encouraged by the growth we've continued to have across all channels, not just through supermarkets, but also convenience and Groceries Online. Online performed particularly strongly with sales up 9%, reflecting improved overall customer satisfaction including the friendliness of our drivers, quality, range, and availability. As you know, we were early into the rapid delivery grocery market both with our own On Demand proposition, Chop Chop, and then we moved into partnership with Deliveroo, Uber Eats and Just Eat through 2025.

We've largely completed our rollout of On Demand, now in more than 1,400 of our supermarkets and convenience stores. Alongside expanding our digital offer, we're making shopping at Sainsbury's easier and more seamless, creating a more joined-up experience both online and in-store. We've brought SmartShop, On Demand and Groceries Online together in our enhanced Sainsbury's app. We're also adding new features to take the effort out of shopping. Search your store helps customers quickly find products, while AI-powered Smart Lists turns a photo or even a meal idea into a shopping list, helping customers plan, find what they need and keep track of their budget.

In Tu, the work we've been doing to strengthen the customer offer is continuing to deliver. We've been focused on developing our ranges and style credentials, alongside driving better availability through a step up in operational performance. We're seeing the benefit of that focus. Customer perceptions of style are up, availability is stronger, and Tu has outperformed the wider clothing market.

We also delivered our best-ever Back to School performance, with sales up 8%. This is being supported by the rollout of RFID across clothing, giving us better stock accuracy and helping drive availability and operational efficiency. So, while the overall clothing market remains subdued, we're making good progress on the things that will strengthen the Tu offer for the longer term.

Turning next to Loyalty Everyone Loves. Nectar continues to be a really important part of how we deliver value for customers and deepen their relationship and connection with Sainsbury's. We're continuing to make Nectar more personalised and more rewarding, while giving customers more ways to earn and benefit through our growing coalition of partners. At the same time, we're investing in the data and Retail Media capabilities that continue to strengthen the long-term growth opportunity for Nectar360. What's really powerful is how those two sides increasingly work together.

For customers, it's about delivering great value through Nectar Prices, points and increasingly personalised rewards, alongside more ways to earn and redeem points through our coalition partners. For suppliers, Nectar360 brings together our customer insight, targeting and Retail Media capabilities to help brands connect with customers in more relevant, measurable and higher-returning ways, and that's driving deeper digital engagement.

Nectar participation continues to grow, with digital Nectar users up 9%, and 17% more customers are accessing personalised offers on their favourite products each week through Your Nectar Prices. We know that this engagement drives a real difference in loyalty. Increasingly, personalisation can help customers discover different parts of our range. Whether that's making healthier choices or introducing more customers to Taste the Difference.

Nectar360 continues to be at the forefront of Retail Media in the UK, fuelled by innovation and the strength of customer engagement with Nectar. Pollen is the most advanced Retail Media platform in the UK. We launched this proprietary platform at the end of last year and we are now rolling it out across a wider client base. It's revolutionising the way that brands and agencies work with Nectar to run omnichannel Retail Media campaigns at scale. Pollen has now delivered more than 600 campaigns for around 100 clients.

Nectar360 has also become the first UK Retail Media business to be accredited and independently audited against the IAB Europe Retail Media Measurement Standards. This provides a unique guarantee of credibility on the way that Nectar360 delivers and measures return on investment. Alongside Pollen, we're continuing to expand our in-store media network, with more than 3,500 digital screens today, and close to 5,000 expected by the end of the year.

This slide brings to life what that capability can deliver for brands. Brands are able to connect with customers across in-store, onsite and offsite channels, and measure the impact. This Diet Coke and *The Devil Wears Prada* campaign is a great example, reaching eight million customers and delivering a 3.7 times incremental return on advertising spend.

Let me turn now to Argos. As we announced in July, we've agreed the sale of Argos to Swift Partners, completing February 2027. This is the right next step for both businesses, creating a simpler, more focused Sainsbury's, while giving Argos greater flexibility to accelerate its transformation under dedicated ownership. The team continues to make good progress in delivering the transformation plan with investment in people, stores and technology, and encouraging marketplace launch, and strong new-customer take-up of the new credit proposition.

Perhaps most importantly, it's business as usual at Argos and we expect full year trading profits to be in line with or ahead of last year. So, our focus is on continuing that progress and securing a stronger future for Argos as we move towards completion of the transaction.

Save and invest to win is about investing in technology and infrastructure to deliver sustainable structural efficiency gains. We're creating a simpler, more automated and more productive business, while continuing to invest in the capabilities that will make Sainsbury's stronger for the future. We are on track to deliver our £1 billion cost-saving target, taking total savings to £2.3 billion over the past six years. Our focus has moved away from individual one-off saving initiatives towards end-to-end improvements in processes and ways of working that change the game in terms of costs. These will deliver savings well beyond the current year.

Investment in technology is improving productivity and delivering benefits for customers. Our stores are becoming more connected, from the shelf edge through to customer scanning. AI is making a very real difference to in-store productivity, and safety and loss prevention whilst improving customer satisfaction and availability. We've made good progress rolling out facial recognition technology following a successful trial which saw logged incidents fall by 46% and more than 90% of identified offenders not returning to our stores.

Self-checkout video analytics are now in nearly 600 stores, with continued roll-out across supermarkets and introduction into our convenience stores driving significant reductions in mis-scanned items. SmartShop is now available in all our supermarkets with 20% more handsets year on year, supporting operational capacity and bigger basket shops ahead of peak, and we've rolled out our optimised reduction algorithm to all stores, reducing waste and improving colleague efficiency. This has already delivered a double digit million pound saving.

Before I close, let me come back to the commitments we made when we launched Next Level Sainsbury's. We're now in the final year of the plan, and continue to make good progress against those commitments. We've built on really strong foundations to sustain a very strong competitive position, consistently investing in our customer offer. We've grown food volume ahead of the market, and we expect to have grown profit faster than sales and improved ROCE, supported by our cost saving program.

We've generated strong free cash flow whilst investing in our stores and in the long-term strength and resilience of the business. We expect to hit our target of more than £1.6 billion of free cash flow over the three years of the plan. We couldn't do any of this sustainably without keeping a strong focus on outcomes for customers and colleagues, and our key Plan for Better outcomes. We'll give a full update on performance against the metrics at the end of the year.

That brings us back to our key message today. We're delivering for all our stakeholders, building a stronger, simpler, more focused Sainsbury's with the capabilities that matter for today and tomorrow.

Our winning combination of Value, Quality and Service is consistently delivering for our customers. We have a strong and trusted value position, and leading quality and innovation building on the core strength of the Sainsbury's brand. We're deepening loyalty through Nectar and growing Retail Media income, whilst investing in technology, productivity, and efficiency, and this is generating strong, sustainable returns for our shareholders.

Thank you for listening, and thank you for joining us this morning. Bláthnaid and I will now take your questions.

Question and Answer Session

Operator

Hello, and welcome to the Sainsbury's 2026/2027 Interim Results announcement analyst Q&A call. On the call this morning is Simon Roberts, Chief Executive, and Bláthnaid Bergin, Chief Financial Officer.

If you have a question, we ask that you please use the raise hand function at the bottom of your Zoom screen. Once your name has been announced, you can ask a question. If you want to withdraw your question, please lower your hand using the raise hand function. Thank you, and a moment for the first question, please. Our first question comes from Manjari Dhar with RBC Capital Markets. Please unmute your line and ask your question.

Simon Roberts

Morning, Manjari.

Manjari Dhar, RBC Capital Markets

Morning, Simon.

Bláthnaid Bergin

Good morning.

Manjari Dhar, RBC Capital Markets

Morning, Simon. Morning, Bláthnaid. Thank you for taking my questions. I just had three, if I may. My first question is on how you view the consumer outlook as we sit now versus when you originally set your guidance - the original guidance. Then my second question was just on how you view the competitive backdrop evolving in some of those faster-growing segments that you mentioned, Online, On Demand, the premium market. Then finally, also on Online and On Demand, I guess, how do you look at the capacity that you have for growth now and the ongoing opportunity there? Thank you.

Simon Roberts

Thanks, Manjari. Okay. Well, let me take each of those in turn. So look, I think on the consumer outlook on where customers are at, you can see in our results today, we've been super focused on the value, quality and service proposition are absolutely at the heart of the Sainsbury's food offer, and that's really working with our customers. Obviously, customers continue to be concerned about the cost of living, and so having that consistent trusted value is making a real difference in the fact that we continue to win more big trolley shoppers in the first half of this year.

I think, as you've seen over a number of years now, that's the absolute foundation of everything we've been doing to put food first, and that's really working, and that will continue to be really important. Look, I think as we look out over the rest of the year, obviously customers are waiting for the budget next week. Almost, I think they've been trained to be more cautious around that over the last few years, and I think good news, it's happening earlier this year, then we don't have to wait till November.

I think we look forward to the third quarter with the focus on cost of living being front and centre, providing great value. Then obviously as we get towards Christmas, there's signs already customers are starting to look to Christmas. Food ordering's up, interest in grocery online slots that went live last week, we've got more of those. Big focus on innovation and new products in the food offers. So I think customers looking for reasons to be assured on both value and quality that they can get what they want every week.

In terms of how we think about the competitive backdrop. Look, I think you can see in the recent market reads that there's not a lot of volume in the market at the moment. It's being really clearly competed hard for, and everyone's working hard for the volume that they can get. I think that reflects our first half of the year. There's been quite a lot of noise in the comparatives. Obviously, there's some extreme weather impacts this year, the impact of the prolonged cyber on last year's comps, changes in how customers have shopped, particularly the warmer weather meant that customers shop more frequently, but often with smaller baskets.

That's played through into a lower level of volume in the market. I think obviously that means that everyone is working hard to secure volume. Within that, look, you can see what we're doing. We've continued to really deliver that combination of value, quality, and service. Then specific to your point on the channel shifts, I think really clearly, online growth at 9% in the half, we're really encouraged by that. We've been working hard over a period of time to build our capacity, and also our service proposition, and actually our customer satisfaction. We didn't show it in the slides there, but our customer sat moved back in front in the period as well as we continue to really make sure we're delivering for customers online.

In terms of what's happening in there, you talked about some of the segments. So obviously on demand, the fastest growing segment. We obviously went into that market last year, and so we've largely completed our rollout, getting into pretty much all of our supermarkets and convenience stores in the way we've rolled that through. So, I think as we look at that going forward, we delivered in the first half of this year, 27% growth in on demand.

Actually interestingly, what we saw is that our total volume of grocery performance was a little bit up in quarter 2 compared to quarter 1, but obviously as we lap the rollout of On Demand last year, actually we had stronger growth in On Demand in Q1 than Q2. So we're actually pretty encouraged our supermarket volume moved up a little bit in the second quarter. Obviously we're lapping the rollout last year. Others are coming into that channel now, On Demand overall strong.

Then you mentioned premium. Look, I think it's absolutely at the cornerstone of our food-focused plan, which is customers want great value, but they also want great quality, and they want exciting new food ideas. The innovation team, working with our suppliers has done a fantastic job at the premium level. Two thousand new products this year. Big focus on Taste the Difference, our biggest innovation program ever for this Christmas. So a lot happening across how customers are shopping, the kind of products they want. I think what we can see in that is our formula, our winning formula, continues to make sure we can take a better share, we can win big trolley shoppers and customers get assurance in the Sainsbury's offer.

Manjari Dhar, RBC Capital Markets

Great. Thank you.

Simon Roberts

Thanks, Manjari.

Operator

We will move on to Rob Joyce with BNP Paribas. Please unmute your line and ask your question.

Simon Roberts

Rob, morning.

Rob Joyce, BNP Paribas

Hi. Hopefully - morning…

Simon Roberts

Can hear you, Rob, loud and clear?

Bláthnaid Bergin

We can hear you, Rob. Good morning.

Rob Joyce, BNP Paribas

Excellent. So I'll go with three as well. So first one, I guess, stands out as the relative slowdown in performance versus the market. I guess the other thing that stood out was the closing the gap of your overall customer satisfaction versus the other three grocers. They all seem to have caught up quite a lot in the recent quarter. Given that wasn't value or quality, can you tell us what sort of driven them to catch up there? Do we think this sort of relative gap's going to stay closed versus competitors for the foreseeable?

Second one, on the - quite a lot of press reports about your discussions with Morrisons that seem to have been quite extended. Should we consider that as potentially suggesting that the kind of food first strategy is coming to an end? The upside from that, you've maybe taken - harvested most of that.

Then the final one would just be on the overall competitive dynamic of the market. Interesting to see Aldi there improving for the first time in quite a while. Are you seeing a step up in particular from that element of the discounter space? Thank you.

Simon Roberts

All right, Rob. Super clear. Thank you. Three questions. So let me start first of all on your question on the quarter. Look, I think we're actually really encouraged about our performance in the first half of this year and the fact that we've continued to win share, particularly of large trolley shoppers. That's really fundamental in terms of the strength of our proposition. I would just point out that we've just lapped some of the biggest comps we've seen in any of our plans so far.

So this time last year, grocery growth was 5.9%, and as we move into this quarter, a strong comp too. So actually we come through the second quarter when there hasn't been a lot of volume in the market and it's been pretty hard competed for. Actually pretty encouraged by the fact that we grew a bit of share there, and we've continued to grow volume. I think what we can see in the market is there's a bit more promotion out there. There's a bit more incentive out there. Actually, what we've continued to do is to deliver our plan and make sure we're giving customers that combination of quality, value, and service that they really come to expect from us.

So, as we come into the third quarter, you can see in the market reads, volume is subdued in the market at the moment, and in that context, we're making sure that we're absolutely delivering for customers what they expect from us. We've had continued very strong performance, and we continue to make sure that the proposition is very strong. You can see that coming through in the fact we're growing in all channels, and in the key parts of the grocery shop our value is as strong as it's ever been.

In terms of your point on value, I'll just come to that next before your middle question. Look, I think as you can see, we've got some of the strongest value we've ever seen. Obviously through the summer, as customers shop differently, different competitors have responded to that, but all the way through, our consistency has continued to be really strong, and actually we improved against most of the market. We continue to see positive switching from a number of our competitors. You'll know when you think back over a number of years now how much our value position has really stepped forward, and specifically on the discounters that you reference, how much our value position has really stepped up compared to where we were before.

So net-net, what would I draw out of that? Volume is more challenged in the market. You can see that. I can see that. Everyone's working very hard to get what they can. There's a bit more incentive, promotion, vouchering out there at the moment. We continue to deliver our plan, and we've taken a bit of share in the half. Actually as I said, volume gains were a bit better in Q2 than they were in Q1.

On your middle question, look, I'm not going to - and you wouldn't expect me to comment at all on the speculation in the media. What I'm just going to absolutely reinforce is the point I started with on the call, which is, as a team, we're completely focused on our plan to continue to put food right at the heart of Sainsbury's. You've seen in our food first strategy we launched in 2020. You can see in Next Level with a few months of this plan to go how much year on year on year improvement in our performance we've been able to deliver.

We've pretty much six years now have sustained outperformance. We've continued to win more customers. Everything we're about, not least given the announcement we made with Argos in the summer, is continuing to double down on the opportunity, the very significant opportunity we see to continue to strengthen our food business, and that's everything that the team and I are about.

Rob Joyce, BNP Paribas

Okay. Thank you, Simon. I guess just to round out, do you still think you can grow profits in this challenged volume environment?

Simon Roberts

Well, look, you've seen in our report this morning, in our update this morning, we've obviously lifted the lower end of our guidance range. We have obviously delivered an improvement in our profitability in the first half. The central point of our guidance points to increasing profit in the second half. We continue to deliver all of the benefits for customers we committed to, but continue to grow our profits as we do that. So we've got a very clear plan for the second half. We are very focused on delivering it.

Our guidance today, I think gives you a clear message that, at the central point of our range, we expect to grow profits 2% in the second half, the range £1,025 million to £1,065 million. Let's see how Christmas plays out, but we're definitely coming into this period with a very clear plan. I would just make the point as well, our cost savings program, £1 billion over three years when we complete Next Level, £2.3 billion over six years, and teams right across the business are doing a fantastic job to really drive through that cost saving work, because it's so important both to make sure we can invest in the offer, but also to underpin the improvement in our profitability that we've committed to today.

Rob Joyce, BNP Paribas

Thank you.

Simon Roberts

Thanks, Rob.

Operator

Thank you. Our next question comes from Matthew Clements with Barclays. Please unmute your line and ask your question.

Simon Roberts

Matthew, can you hear us okay?

Matthew Clements, Barclays

Hi. Hope you can hear me now. Apologies for that.

Simon Roberts

Loud and clear, Matthew.

Matthew Clements, Barclays

Yes, I can, sorry. The muting and unmuting is out of our control on this side. Obviously, I messed too much with the system. I'll keep it to one because I've wasted everyone's time already. Nectar participations continue to grow, but you don't explicitly call out Nectar as a profit growth driver in the first half. If we assume that cost saving broadly offsets cost inflation, is Nectar one of the key explanations for the delta between profit and sales growth? Then perhaps how important was mix, be it to full price or finest in grocery? Thank you.

Simon Roberts

Matthew, thanks. Well, I think just to pull up on a couple of the key numbers we've talked about in the half on Nectar. So, really importantly, we talk about Nectar as a big acquisition engine to bring more customers into Sainsbury's and to give them the confidence to get great value. As you saw, we've had a 9% increase in the number of customers digitally using Nectar. That's significant in the first half of the year given the high bar we started the year with, and 17% more customers now using Your Nectar Prices. So I think that really shows how fundamental Nectar now is in really driving the total value proposition, but also giving more customers reasons to shop with us.

Our participation levels now, across our supermarkets and grocery online channel of - moving into the highest level of performance that we could have expected, well towards 90% overall. I think the way we think about this, as you know, is that we want to give customers reasons to shop in Sainsbury's, and that's why acquisition of customers into Nectar is such a key part of our Next Level strategy. Then obviously as we do that, two things happen. First of all, customers get the value at Sainsbury's. They also get to benefit from all the coalition partners that we work with, and then that clearly turns into our ability to drive Nectar360.

So you'll be familiar that we committed over the course of this three-year plan to deliver £100 million incremental through the Nectar360 plan, and we're well on track to do that. Obviously, a few months of the plan to complete. You can see in our announcement today just the momentum in Nectar overall, and Mark and the team are leading in a fundamental change to make sure this is absolutely leading the way in Retail Media in the UK. You can see in the new functionality we've got with Pollen, the amount of activity that's now running through our Retail Media platform, how important that is in underpinning that additional profit delivery.

Look, I think to your question, the heart of your question, what does Nectar do? It gives customers even more confidence to shop with Sainsbury's. More customers are doing that. That's helping drive our volume. That's helping drive our ability to drive trade up. You saw in the video back there, one of the things more and more as we learn about customers, we can personalise how we talk with them and help give them suggestions and ideas and recommendations. For example, to help eat more healthily or our Taste the Difference ranges. So more and more it's helping in the mix in terms of what customers choose, and then we're converting that, as I say, through Nectar360. So, we're really encouraged with the progress right across Loyalty Everyone Loves. Obviously as we look ahead, Nectar and our Retail Media leadership in the UK is one of the things that's really underpinning our confidence as we look ahead.

Matthew Clements, Barclays

Okay. Thank you. Thanks for your patience.

Simon Roberts

Thanks, Matthew.

Operator

Thank you. Our next question comes from Benjamin Yokyong-Zoega with Deutsche Bank. Please unmute your line and ask your question.

Simon Roberts

Benjamin, good morning.

Bláthnaid Bergin

Good morning, Ben.

Benjamin Yokyong-Zoega, Deutsche Bank

Morning. Just two if possible. Firstly, on the markets growth has softened. We're seeing promotions run ahead of full price sales. Have you seen any meaningful shifts in customer behaviour, maybe in Q2 compared to Q1? How are you thinking about balancing volume growth and share gains against potential margin dilution from further price investments as we move through the year?

Then secondly, to go back to those higher margin profit streams, it's great to see profits robust despite the softer sales, but can you comment in a bit more detail on the contribution from On Demand and Retail Media in the half? I assume these are key profit drivers.

Simon Roberts

Ben, okay. Shall I take the first question and maybe Bláthnaid, on the second one in terms of how we think about the other streams. I think not to repeat, Ben, but just to recap, I guess, in terms of customer behaviour, what did we see in quarter 2? We saw a lot going on for the customer, not least driven by some of the weather impacts we saw through the summer. I think five heatwaves, people out a bit less, they shopped more frequently, with smaller baskets.

As I said, we had the annualization of some of the cyber impacts last year. Then obviously we've just had a real focus in customers on the cost of living. I think all of those things together have contributed to not a lot of volume in the market at the moment, as I said earlier. That volume being competed hard for, which has seen promotions running a bit up and more general incentives and coupon activity in the market.

The way we think about this is, as I said earlier, we've got a very clear and strong proposition which customers continue to respond well to. We're obviously pleased to be raising the lower end of our guidance today and pointing at the midpoint of our new guidance to our profit commitment for the second half of the year.

Obviously in setting that range, that tighter range, we continue to make balanced choices to make sure that as we enter the second half of the year we can do exactly what we need to do, both in delivering for customers and to make sure that we get the right balanced choices across the business.

Obviously you wouldn't expect us to do any activity that won't deliver the right level of performance. We're very focused on getting things right for customers, making the right balanced choices and making sure that we've got the right plan as we come into the second half of the year in what is a more subdued volume set of conditions there to deliver the best outcome that we can.

Bláthnaid Bergin

We see Nectar and Food OnDemand and OnDemand very much just as part of our business. It's business as usual for us. Simon talked about the incremental £100 million from Nectar, that's well on track to deliver this year. There's always a balanced choice on how much we drop through to the bottom line versus how much we invest to drive our proposition. We make those choices as we travel through the year.

Food OnDemand, we got out of the blocks early on that last year. We're really pleased with its performance last year. Of course others are coming into the market now so we're seeing a little bit of a slowdown, but I have to say it grew by 27% in H1, so we're pleased with the Food OnDemand performance as well.

Benjamin Yokyong-Zoega, Deutsche Bank

Understood. Thanks very much.

Operator

Thank you. Our next question comes from Izabel Dobreva with Morgan Stanley. Please unmute your line and ask your question.

Simon Roberts

Izabel, good morning.

Izabel Dobreva, Morgan Stanley

Hello, good morning. Thank you for taking my questions. My first one is around the phasing of your price investments across the year. We have seen a big improvement in your value credentials over the first half. But I am wondering, to what extent did your expectation for the food inflation evolution over the course of the year impact the phasing? Was there a case of frontloading as perhaps you expected higher input cost headwinds in the second half?

Then my second question, just following up on the rapid grocery market, what in your view is the best action plan to defend market share from here, given the entry of some competitors in the space who have their own market ambitions? Or is your expectation that their entry may actually enlarge the market, meaning that you can still sustain a high level of growth?

Then my final question on Nectar360, could you talk us through how you are adapting the proposition for agentic commerce?

Simon Roberts

Excellent, okay, let's take each of those in turn. In terms of your first question, we've delivered our plan in the first half, Izabel, exactly as we planned. When we look at our relative price position, obviously that's a function both of what we've done but also what others have done.

When we think about the environment overall, we come to the end of the first half of the year in a very strong value position. We've constantly obviously made sure we look week-to-week to make sure our competitiveness is where it needs to be. But just to be really clear, we've not made any different choices to we planned.

To your point, what is different is that inflation is at a lower level than I think most of the forecasters imagined at the beginning of the year. We never made a specific view on where inflation would get to, but obviously inflation is running lower than most forecasters thought. For us, around 2% and I think as we come into this period we're not seeing a lot of move at the moment, as you'll know.

I think when we look at the food categories, I think a couple of things going on there. I think it's clear obviously in some of the brand categories, where it's more dominant suppliers there, very focused on maintaining volume. Whereas in fresh categories I think the pressure is building, for obvious reasons, when we think about fertiliser and energy and the other inputs into fresh foods. I think in fresh food a bit of pressure is building now, which I think will feed through in time.

Obviously what we'll continue to do is balance the right value position for our customers and getting inflation through to the shelf where we need to. I think it's hard to [unclear] the timing of that will exactly play out. As I say, so far in the quarter there's not been [unclear] where the hedging rolls over. I think the pressure on fresh food categories will build.

In terms of the rapid grocery market, I think just to recap there, obviously we were really pleased to take advantage of the move we made last year. We talked to you at the time about the growth that gave us in our performance. Actually, as I said earlier on in the call, we've come through the first half of the year, others not surprisingly have moved into the market. It's the fastest growing channel, so to operate in this market it's not surprising everyone wants to be there.

Actually what we're finding is we wouldn't expect there to be a lot of growth coming from that into the third quarter, because we've taken the growth that's there. But we're finding lots of opportunities to improve the operational performance, think about how the efficiency of the operation works. I think once you've take a big scale capacity on, that shouldn't be underestimated in terms of how we improve operationally and from a profitability point of view how we continue to drive that.

I think OnDemand is clearly going to be a very important part of the way consumers shop. That's why businesses like ours are really thinking about and starting to put in place all of the propositional and operational requirements we need to be right there for customers, however they want to shop. We've seen online grocery overall grow by 9%.

But I'd also make the point that as we think about OnDemand, it's 3% of our total grocery sales today. It's given a lot of growth, but by far and away the biggest channel is still physical shopping. I think as we look ahead we'll see growth in OnDemand and obviously everyone will cycle through their first year of building capacity. We continue to be really confident in

our overall proposition. As I say, we grew volume a bit in our core supermarkets in the second quarter, even though we were lapping a very big period of OnDemand last year.

Then on Nectar360 - and Bláthnaid might want to come in on this as well - I think we continue to be really focused on the strength of Nectar360. As I described earlier, the capabilities that we're building in Nectar360, the capabilities for brands and clients to build their own campaigns, the capabilities to be able to convert the customer participation into really strong campaigns and returns is all coming through well. Obviously we're looking ahead, aren't we, Bláthnaid, to make sure that we are also in a really strong place as customers shop differently, however agentic commerce develops.

Bláthnaid Bergin

One of the things that we're quite focused on at the moment is how do we improve our discoverability, how do we improve our customer experience. We're really watching the trends, what's emerging and how do we stay aligned with those and move at the pace that the market's moving at and our customers are moving at on that.

Simon Roberts

Thanks, Izabel. I hope we've answered all your questions there. Thank you.

Operator

Thank you, our next question comes from Xavier Le Mené with Bank of America Merrill Lynch. Please unmute your line and ask your question.

Simon Roberts

Xavier, good morning.

Xavier Le Mené, Bank of America Merrill Lynch

Thank you for taking my questions. The first one, if you look at the underlying operating profit, which grew by 3.6% and your topline growth was slower than that. Can you help us to think about the operating leverage that you had in H1 and what we should expect in H2? Especially can you help us to understand the cost bridge from here, labour cost, energy cost and how are you adding the cost going forward? Because potentially that's where some inflation should start to rise going forward, so that is going to be the first question.

The second one, just on the operating profit in H1, so the £525 million. What would need actually to go wrong in H2 to land at the bottom of your guidance? Just to understand a bit of that.

The last point is more on transferring non-food space into food. Can you help us to understand the kind of return on invested capital you've got there, what it means in terms of sales density but also in terms of margin?

Simon Roberts

Thank you. Bláthnaid, do you want to take the first two?

Bláthnaid Bergin

Why don't I start with the first two? If you look at the middle of our guidance range and you look at where we plan to land for the year end, we will deliver profit leverage over the life of the plan. We're pretty pleased with that outcome, subject to everything going our way, which is a great second question on that.

What would need to be true to land at the bottom of the range, volume and what happens in the budget next week and consumer sentiment. But we are fully locked and loaded for Christmas, we're going to serve up a great Christmas to our customers, so we are ready to go on that.

What is coming through, if we stand back and look at the costs in particular, if we look at the hedging, we'll hedge about 12 to 18 months out in advance. We're pretty locked and loaded for this year and the first half of next year. Let's see where energy prices move in the market, but we may see some of those costs coming through into the COGS from our suppliers as well as Simon talked about earlier on that. Do you want to take the next one?

Simon Roberts

Thanks, then on the space question, Xavier, maybe just half a step back in terms of what we've been implementing through Next Level Sainsbury's. You'll remember two key streams of strategic drive here. One was to make sure that we repurpose, to your question, more of the space in our supermarkets to food. Specifically, we've been continuing to drive that programme forward.

We actually made investments in the first half of this year overall in about 170 stores, supermarkets and convenience stores. In supermarkets we've been increasingly reducing the space to general merchandise and correspondingly increasing it to food and particularly fresh food. We added significant space to food in the half.

Importantly, the general merchandise change, just to give you a couple of points to emphasise that. We've been able to improve the sales per stocking point up 6% in general merchandise. We've been able to make substantial labour reduction costs and also improve our working capital through reducing the stockholding in GM. Improved trading intensity in GM, improved assortment and operating cost benefits in food, as we continue to drive that programme in terms of our supermarket space.

Then separate to that, as you know, we continue to selectively open new stores and we continue to open new space in areas of the UK where we're very confident we can get a good return. Actually some of the stores that we've opened now, which are now coming through to their second year, are getting good double digit progress in performance.

We're seeing in the stores we've added more space to food, both improvements in volume compared to the overall business and also in customer satisfaction as well. In summary, the space move in more for more is really delivering as we expected.

Operator

Thank you, our next question comes from Elizabeth Rose Moore with Citi. Please unmute your line and ask your question.

Simon Roberts

Hello, Elizabeth.

Bláthnaid Bergin

Hello, Elizabeth.

Elizabeth Moore, Citi

Morning Simon, morning Bláthnaid. I just have one question please, it was on OnDemand as well, given the shift in competitive context there. Obviously you've still got your first party platform in Chop Chop, which I assume is very small. I think of it as maybe less than 5% of your total OnDemand business. I was just wondering how you're thinking about that now, given the step-up in competition on the third party platforms and whether you might look to reemphasise your first party platform. Thank you.

Simon Roberts

I'm not going to talk about our next phase plans today, because we're here obviously talking about the first half of this financial year. But maybe a couple of stats, if it's helpful. Chop Chop sales in the first half of this year grew actually a bit ahead of our marketplace OnDemand platform, we were 34% up in Chop Chop. It's a much smaller part, as you say.

Overall, in the marketplace in the aggregated we were up 27% in the half. As I said, actually as lapped the comp, what we found was we're 35% up in the first quarter, 17% up in the second quarter, whereas what we can see is a slightly higher performance in Chop Chop. Obviously Chop Chop's a really important part of our proposition. You heard on the presentation how what we've done on our app now has joined together all of our propositions, so it's easier and much less friction for customers to shop.

We're very focused on making sure we've got the capabilities today and tomorrow in the online space. Sales up 9% in online overall. Customer satisfaction improving, we've done a lot of work to make sure that the customer experience in online is the one that we want to deliver for our customers. It's a real focus for us and obviously as we look ahead to how customers can continue to evolve the way they shop in grocery, we're giving a lot of thought to make sure we continue to do the job that we need to do for them and build the capabilities accordingly.

We're really encouraged with how we've delivered OnDemand. Chop Chop a key part of our proposition, making sure that we create a seamless experience and as I say, part of doing that of course is to make sure that the physical store has great availability, because we're picking in our stores, right? One of the things we should never miss here is our availability performance is absolutely an underpin of delivering OnDemand, or in our core grocery online or in Chop Chop.

You'll remember in the presentation we actually outperformed the market through the summer on availability by two points. I think that shows how we get our stores and logistics operations working to power online is also a really important part of this total platform we're building. I'll use that moment to say big shoutout actually to all of our teams across supply chain logistics and in our stores this summer, because it was a really demanding summer.

Actually with temperatures up at 38 degrees, it put fresh food supply chains across the UK under real pressure. Our team did an amazing job to make sure that we could deliver that outperformance on availability, keep operations strong, even despite the weather. I think that just shows the combination of both the human determination and commitment, but also the capabilities that we have in our business now. Thank you.

Operator

Thank you, our next question comes from Sreedhar Mahamkali with UBS. Please unmute your line and ask your question.

Sreedhar Mahamkali, UBS

Thanks for taking my questions today, I think most of them are done already. Just a couple, one is clarification, Simon. I think what you're saying, I understand what you're saying, but just wanted to double check. That is I think in the context of a period of volume underperformance versus industry for you, what does making balanced choices mean? Is that a change in trade plan to drive more volume, or really try and focus on profitable volume? I thought I heard the latter but I just wanted to understand that a little bit more.

Secondly, I think you've hinted at efficiencies to come. You've built the bulk of the volume there in OnDemand and I guess really online as well. Have you started to see profitability improve already in the first half in OnDemand? Maybe take a very big step back, talk about the online as a whole, how you're seeing profitability trend there, either in the first half or maybe overallIf you can just talk through your thoughts there, thank you.

Simon Roberts

Shall I try and maybe pick up the first question then, Bláthnaid, then maybe more broadly online. Let's just recap, because it's super-important, Sreedhar, to make sure we're all clear together. I think we're all clear on the reality of volume in the market at the moment. We're all clear that it's become more subdued through quarter 2, for all the reasons we've talked about. Just how much, in what is already a very competitive market, everyone's competing hard for the volume that's there.

As I said a few minutes ago, we consistently see the strength of our proposition really connecting with customers. Therefore our focus is on delivering and executing our plan to make sure that that trusted value week in, week out and the ops that go with it, we're really in a good place.

Obviously you wouldn’t expect us to add activity in that isn't sustainable or isn't profitable, so when we think about where our plan is, we're going to obviously deliver for our customers the very best proposition in the second half of this year. We're going to focus on the things that we know our customers really respond to.

In our range, we've obviously tightened up our range a lot today. We've bought the lower level up to now the £1,025 million, £1,065 million. We've done that to make sure that within that framework we'll make the balanced choices we need to. We're not going to do things that aren’t profitable. We've going to really focus on delivering the best offer this Christmas for customers.

We feel very confident about our food business. After multi years of volume outperformance, multi years of new customers joining Sainsbury's, year on year on year now we've demonstrated the strength of our offer. We'll continue to make sure we deliver that in the second half of this year and grow profit as we do it.

Bláthnaid Bergin

Let me take the online operations. We are really proud of what we do in online. We've been at this for decades, we're pretty good at it. If I talk about the GOL, let me start there and then I'll move on to FOD. If I look at the GOL, our items picked per hours is really top end, top quartile. But if we look at some of the technologies coming, some of the AI, somehow that can drive efficiency. We see further opportunity to get even better at what we do today.

Now if I look at the FOD then on the other side, that has emerged and developed really, really quickly. There's a lot of learnings from GOL that we can bring in to that operation to drive efficiency. For us this year it's really about standing back and saying how do we make a better, more efficient operation. How do we improve the customer experience as well in the Food OnDemand, so more to come on that in the new year as we talk about our strategy.

Operator

Thank you, our last question comes from Clive Black with Shore Capital. Please unmute your line and ask your question.

Clive Black, Shore Capital

Morning.Thank you for your presentation and time for my questions. Three if I may, quick ones. Simon, you talked about changing the game with respect to your productivity programme. I know in the new year you'll set out the next medium-term outlook, but what do you mean by that? What is it that's changing the game? In that respect, are you indicating that you're confident of more productivity benefits to come?

Then you set out on the Nectar programme that you were looking for £100 million in incremental gain to 2027, which is on track. I just wonder to what extent Pollen has changed that metric, gives you more confidence or even again could lead to an elevated contribution in time. £100 million, 3% of sales, the amount of questions on quick commerce at 3% of sales versus these other moving parts kind of staggers me.

Then just lastly, diet suppressant drugs. You talked about fresh food sales being up 4%-plus, I just wonder whether you're starting to see corresponding changes in demand around the impact of ultra-processed food and diet suppressant drugs that may be starting to influence the layout of your stores and where you take things going forward. Thank you.

Simon Roberts

Clive, thank you and we will definitely - it's corrected now on screen, so all good. Let's take those in turn. I think on the first question, you know well throughout our plan, since we started in 2020, we've been really clear that we have to save in order to create the investment capacity, in order to win. That's been the core foundation of how we've thought our plan now over six years.

As we said in the upfront presentation, we're on track to deliver £1 billion of cost saving over three years, that will be £2.3 billion of cost saving over the six years of Food First and the Next Level Sainsbury's. We've got a fantastic team in our business, working day in, day out, looking at where we can become more efficient. It's not about cost saving, it's about efficiency and productivity, so that we can deliver better for customers and we can also find new ways of working.

I think you can see today, even in the first half of this year, if you take a fundamental in grocery retailing, how do you handle reducing product in the most optimised way so you reduce waste? You go back to the products as few occasions as necessary and you make sure you get that freshness back in the supply chain. That would be a really good example where we're using AI technology.

We've put a new capability in place, it's making double digit million impacts on the cost base, it's saving time in store, it's giving customers better freshness. Whether it be that, whether it be what we're doing on self-checkout, video analytics to make sure that we are helping everyone that comes to our store to fully pay for the items at the checkout. Whether it be what we've done on facial recognition. These are examples of technology-driven capabilities.

We're thinking a lot about how we connect the whole operating system in the store together. When we think about all of those operational tasks that happen, hundreds, thousands of times every day in a store, there's a huge opportunity actually to think about how we do that in a really connect way with technology helping that. We'll be talking more about that with you as we look forward.

Productivity is absolutely the heart of the way we've delivered our plan today and of course will be fundamental as we continue to look forward. It's one of the things you'll remember in 2024, when I said to you, we said to the market, we were taking the opportunity to invest in new technology, to invest in new capabilities at a time when other competitors didn't have the balance sheet strength to do that. You can see in the Next Level plan how that's really played through.

I think on your second point, we're really excited about Nectar and Nectar360. As I said earlier, Mark and Emma and the team have done a fantastic job really building a platform in Pollen, which means that now 600 campaigns in the first half, 100-plus clients, building unique capabilities that no one else in the retail media space are able to do today. You saw as a result of that, that investment and that capability, the accreditation that Nectar360 is now getting.

We're not complacent here at all because it's moving very quickly, as you know. As you've said, it's a fundamental part of delivering and building strategic capability for the future in grocery. We've got very exciting plans to continue to drive this forward, it's the highest returning investment we make in terms of capital. It's been a huge focus in Next Level and we'll continue to drive that forward.

We're on track to deliver the £100 million we committed and almost more importantly, having leading capability in this is absolutely the heart of this. That we made strategic investment choices that are giving us that competitive advantage. I agree with you, when we think about the topics we've covered on the call, retail media and loyalty that customers love is fundamental to creating value in this industry. We've taken, as you know, a real leadership position in doing that.

Then on your last question, I think maybe just half a step back on this, Sainsbury's over decades has always been at the heart of the nation's food conversation, however customers want to shop, whatever choices they want to make. I think as we enter this period where making healthier choices is very front of mind for customers, customers want good value food but they don't want to compromise at all on the quality or on the nutrition of the food that they buy.

As you say, there are new trends happening, not least with GLP-1, so we look at all of these shifts happening in the market. We're making a big shift on [unclear] health. We've made a lot of moves in the first half of the year, for example, in fibre, really putting fibre choices at the front of how customers think. Actually using Nectar, we're helping to nudge and point customers towards personalised choices about the different products we have, the different health choices they might want to make.

Then specifically to your question, no surprise, the categories that are growing fastest as a result of GLP-1 are protein, dairy, produce. We've just done the biggest space reset in our company for six years in fresh food, which means we're using our space to make sure we're responding to how customers want to shop. Our job is to give customers the best choice and assortment.

One of the things that we've done through Food First and Next Level is to really champion the assortment we have. Whatever diet you want to buy to, Sainsbury's becomes your first choice. That's the reason for the big fresh food reset we've just done this autumn. We've moved pretty much every fresh food area around in our stores, opened up capacity to the areas that are growing. Dairy, for example, one of the fastest fresh food category growth areas, we've really reset the store and we're seeing the benefits of that already.

Operator

That was our final question.

Simon Roberts

Let me just wrap up the call then to say, first of all, thank you for some very good questions this morning. I hope we've been able to give you all the colour on the results and on our latest this morning. It's been very good to speak together with you this morning, so a big thank you from Bláthnaid and I. Obviously look forward to seeing you soon. Thanks a lot for joining the call.

End