Trends and Disruption in the Supermarket Industry

Laura Strange
SVP, Communications and External Affairs
National Grocers Association
About the National Grocers Association

NGA is a national trade association with nearly 1500 members representing the retail and wholesale grocers that comprise the independent supermarket industry.

NGA’s mission is to ensure independent, community-focused retailers and wholesalers the opportunity to succeed and better serve the consumer through its policies, advocacy programs and services.
Presentation Outline

• What is an Independent Grocer?
• Supermarket Disruption and Trends
• How Independent Grocers Are Responding
• Q&A
What is an Independent Grocer?

- Independent grocers operate a **variety of formats** and are defined not by size, but by **ownership**.

- Independents are **privately-held** or **family owned** supermarket operators.

- Independents are represented in every state and county across the U.S. and are the **true entrepreneurs** of the industry.

- Independent grocers are the **backbone** of Main Street America.
Independent Grocers Impact America

- **21,000 stores**
- **25% of the retail grocery industry sales**
- **$131 billion in annual sales**
- **1% of the United States GDP**
Supermarket Disruption and Trends
“Retail Will Change More in the Next Five Years Than It Has Changed in the Last 50…”

Greg Foran, Walmart
Nature of Competition
## Independents Identify Competition Over the Years

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supercenters</td>
<td>Conventional Supermarkets</td>
<td>Supercenters</td>
<td>Conventional Supermarkets</td>
<td>Supercenters</td>
</tr>
<tr>
<td>Conventional Supermarkets</td>
<td>Supercenters</td>
<td>Conventional Supermarkets</td>
<td>Supercenters</td>
<td></td>
</tr>
<tr>
<td>Limited Assortment Stores</td>
<td>Limited Assortment Stores</td>
<td>Limited Assortment Stores</td>
<td>Dollar Stores</td>
<td>Hard Discounters</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Online retailers</td>
</tr>
</tbody>
</table>

Source: NGA/FMS Financial Benchmark Studies
Framing the realities of U.S. retailing in 2019

Successful grocery retailers and manufacturers will have to balance and execute Omnichannel flawlessly.
Industry Trends

• E-commerce
• Transparency
• Convenience
• Variety & Assortment
• Differentiate – But How?
Illustrating the buying power of shopper loyalty at Independents

<table>
<thead>
<tr>
<th></th>
<th>Independent Shopper (1x+ Shopper)</th>
<th>Independent Shopper w/ 50%+ SOW</th>
<th>Independent Shopper w/ &lt;50% SOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share of Wallet of Total Market</td>
<td>13%</td>
<td>69%</td>
<td>11%</td>
</tr>
<tr>
<td>Percent of Independent Shoppers</td>
<td>100%</td>
<td>10%</td>
<td>90%</td>
</tr>
<tr>
<td>Annual Spend</td>
<td>$884</td>
<td>$3,287</td>
<td>$641</td>
</tr>
<tr>
<td>Trips per Household</td>
<td>19.7</td>
<td>52.7</td>
<td>16.5</td>
</tr>
<tr>
<td>Dollars per Trip</td>
<td>$44</td>
<td>$62</td>
<td>$38</td>
</tr>
</tbody>
</table>
Convenience and Price are Top Drivers of reasons to shop at Independents

- Spend at least 50% more at an Independent store

- Switched to local supermarkets in the past 12 months: 14%

Reasons to Shop Independents:

- Convenience: 70%
- Best Prices: 52%
- Better than nearby alternatives: 44%
- Best quality: 44%
- Personal service: 20%
How are Independent Grocers Responding?
Innovation in Formats, Offerings and Experience
Format Diversity
Fresh and Local Offerings
Shopper Experience – In Store

ShopRite DIETITIAN PROGRAM
Providing complimentary nutrition services to customers and the community

- One-on-one consultations
- Supermarket tours
- Support groups
- Weight management classes

THE FRESH DIVIDE
You Pick, We Prep!

NGA NATIONAL GROCERS ASSOCIATION
Shopper Experience – Online

DOWNLOAD OUR MOBILE APP
START SAVING TODAY!
Ads • Coupons • Recipes • Shopping List

Download on the
App Store

Download on Google Play

NGA
NATIONAL GROCERS ASSOCIATION
Key Takeaways – Where Independents Win

✓ Fresh, locally sourced perishables
✓ Delis and bakeries with astounding variety and customized food products
✓ Superior Customer service – In store and online
✓ Speed and nimble business approach
Thank you and I look forward to your questions!