

GROCERY WARS

GROCERY WARS – EMERGENCE OF THE DISCOUNT SHOPPER

In 2009, Canada and the global markets encountered a recession that resembled the great depression of the 1940's. Though jobs were lost and many private sector employees had their salaries frozen or cut back, out of all G7 countries, Canada weathered the storm the best due to our strong banking system. During this same period, the traditional grocery sector encountered turbulent times. In fact, over the past 5 years, their market share has declined by 7% as club, mass and discount banners continue to make in-roads into the traditional grocery sector. Through this period, the “Discount Shopper” has emerged. Who are these consumers and why the shift in their purchasing habits and what is the implication for small business?

Emergence of the Discount Banner

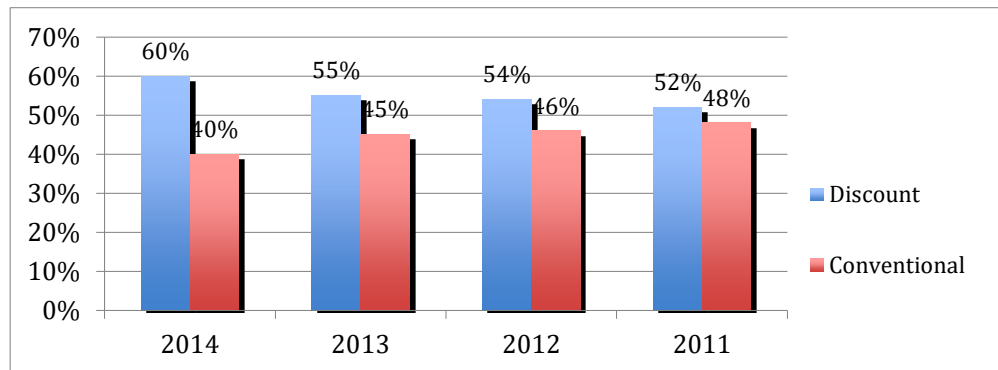
Through Brand Spark's 2015 Canadian Shopper Study, they found 1) consumers were seeking the greatest value for their dollar, especially when it comes to household food consumption and 2) discount banners are rapidly picking up market share. Why the emergence of the discount banner? Outlined below are a few thoughts as to why.



- Increased competition from Walmart, Costco
- Surge in grocery prices. In 2016 Canadian families will be spending on average \$700 more for household groceries than they did in 2014
- The overall state of the Canadian economy – GDP growth less than 2% annually
- Rising electricity prices in Ontario. Among the highest across North America

The chart below highlights, which channel the store shopper, has shopped the most for their food and beverage purchases.

Store Shoppers Shop Most Often For Food & Beverage, 2011 - 2014



During the 3-year period ending 2014, discount banners have increased their market share at the expense of traditional grocery.

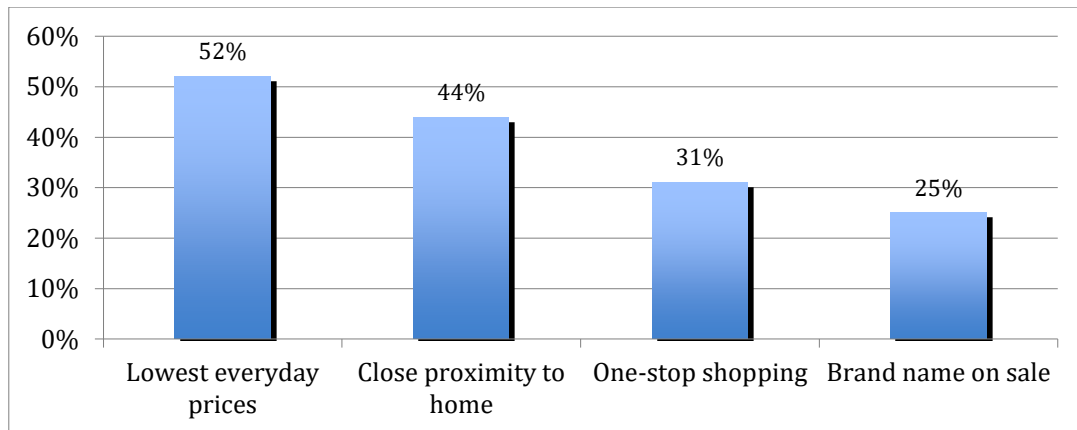
The Discount Shopper and What Do They Seek

As part of a separate study, Brand Spark identified the discount shopper as

1. 50+ years old – 49%
2. Married – 54%
3. Empty nesters – 55%
4. Have one of more children at home – 42%

Though they seek the lowest everyday prices, they also seek a retailer with close proximity to home.

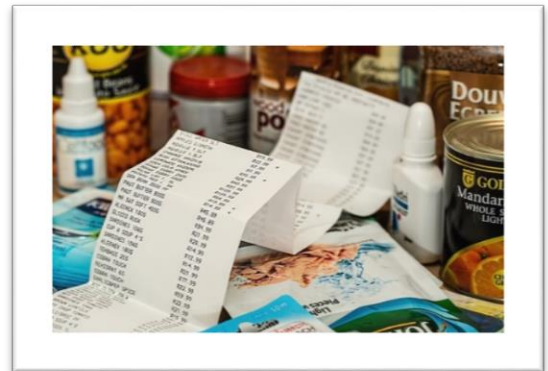
What is the Discount Shopper Looking For?



How Does The Discount Shopper Shop?

The Discount Shopper *keeps a tight budget on household purchases, especially food. To help them cut costs, many make lists or turn to flyers. A study by research group ledger reveals a few other common shopping behaviours:*

1. Before buying groceries, I always make a list of items to purchase – 83% strongly or somewhat agreed
2. I always plan my purchases based on specials in grocery store flyers – 69% strongly or somewhat agreed
3. I always set a budget for food purchases that should not be exceeded – 49% strongly or somewhat agreed
4. I always plan my weekday meals before making my purchases – 46% strongly or somewhat agreed



Implications For Small Business

This consumer sector cannot be ignored by small business. Though research reveals close to half of the discount shopper is the “Baby Boomer”, do not fool yourself. Though technically they may be senior citizens, they lead active, vibrant lives with a love for life. This group has deep pockets to impact food purchases. In fact, they control 35% of our population’s discretionary income and 20% of all food purchases are made by this demographic sector. They seek healthy food options that speak to ailments they may have or are afraid of getting.

So, does your product target audience include the discount shopper? If you were to answer No, you may be losing out on a lucrative consumer sector.

For more help Getting and Staying Listed in Canada’s Grocery Sector, connect with us through our website: www.fooddistributionguy.com or call: 1-844-206-FOOD (3662).