

MARKET WATCH

Consumer buying habits fuelling independent retailer sales

The retail grocery industry is undergoing major changes and the principal beneficiaries are Wal-Mart and independent grocers.

“The independent grocers’ share of the market went up 3.5 per cent last year and is still growing,” John Scott, the president of the Canadian Federation of Independent Grocers (CFIG), told an audience attending the Manitoba Food Processors Association annual conference and general meeting this spring, at the Victoria Inn in Winnipeg. “We have been the most successful group among traditional supermarkets in adapting to changing demands.”

The change in consumer buying patterns, Scott explained, is coming from two directions. On the one hand, the baby boom generation is more concerned with buying healthy foods, but they also want service. The younger generation also wants healthier food choices, and reads labels, and they expect technological change in the grocery industry as with everything else. The problem, he says, is that “the major supermarket chains aren’t able to adapt that quickly.”

Scott pointed out that the demand for organically produced food is growing at a rate of 50 to 60 per cent a year. Consumers also want healthy additives, such as omega-3 and folic acid, as well as low-fat food that is ready to eat. To illustrate the changes that have taken place, Scott noted that Canada Safeway in 1985 had 76 per cent of the Alberta market. “By 2000, Safeway was just another food store; business wasn’t growing.” Safeway’s response, he said, has been to create a new brand as a “lifestyle store.” The chain has just started building the new concept stores, and according to Scott, sales are up 15 per cent in the areas where the new store models have opened.

Sobeys is repositioning itself as “your neighbourhood grocer,” said Scott, noting the emphasis on service and top-quality food. “The prices are a little higher, but market share has been growing in the past few years.” By comparison, at Loblaws (which owns

Extra Foods and Supervalu) sales have been faltering, Scott noted. “Loblaws took its eye off the ball,” he said. “Its strength was its President’s Choice program. But it has been trying to market itself as a food discounter. I suspect that over the next three or four years, Loblaws will bounce back by renewing its emphasis on its President’s Choice lines.”

By comparison, Scott described Wal-Mart as the smartest company he has ever seen. “They drive a tough bargain with suppliers, but work very well with them. They provide good-quality grocery products at the lowest prices. Every new store that Wal-Mart is opening now has a full grocery section which takes up half the area of the store.”

In order to help independent grocers maintain their newfound edge, Scott’s CFIG has launched a project in Ontario – with the full support of the provincial government – whereby independent grocers are being introduced to small processors. In the first phase, 10 retailers were matched with 10 processors. “There must be tons of small processors who are looking for a way to bring their product to the market,” said Scott. “A large number of our members are rural and many consumers want to be able to buy locally produced products. So we approached the Ontario Food Processors Association to help us create a dialogue between their members and ours.” The results were successful enough that a second meeting of 25 retailers and 25 processors was scheduled for later in the month. Processors and retailers in British Columbia are also looking to try the same approach.

“There is a real opportunity in these meetings,” said Scott. “Everybody is looking for a way to stand out in business. You have to be price competitive, but that doesn’t mean you have to have the lowest price. What you need to offer is quality, consistency and an innovative selection of products.”

— Myron Love



	Latest 52 Weeks				Latest 52 Weeks Year Ago			
	\$ Vol	\$ Vol % Chg	Unit Vol	Units Vol % Chg	\$ Vol	\$ Vol % Chg	Unit Vol	Units Vol % Chg
TL CANNED & BOTTLED FRUITS	114,040,506	2%	74,816,409	4%	111,567,126	-3%	72,282,962	-3%
TL FROZEN FRUIT	116,843,731	15%	21,889,858	12%	101,564,506	22%	19,617,910	20%
TL FROZEN VEGETABLES	267,229,932	6%	92,125,936	4%	252,786,188	3%	88,626,597	1%
TL ORGANIC FROZEN VEGETABLES	1,487,217	9%	434,221	11%	1,368,599	21%	389,957	21%
TL NON-ORGANIC FROZEN VEGETABLES	265,742,715	6%	91,691,715	4%	251,417,589	3%	88,236,640	1%
TOTAL WET-PACKED SELECTED VEGETABLES (CORN\BEANS & PEAS)	127,135,499	NA	148,948,293	NA	NA	NA	NA	NA

Source: Nielsen MarketTrack, National XNFLD All Channels (Total Grocery, GM + WC)
 Latest 52 Weeks Ending May 12, 2007 and Latest 52 Weeks Year Ago Ending May 13, 2006