Trends in retail

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Content

Retail Meal Solutions

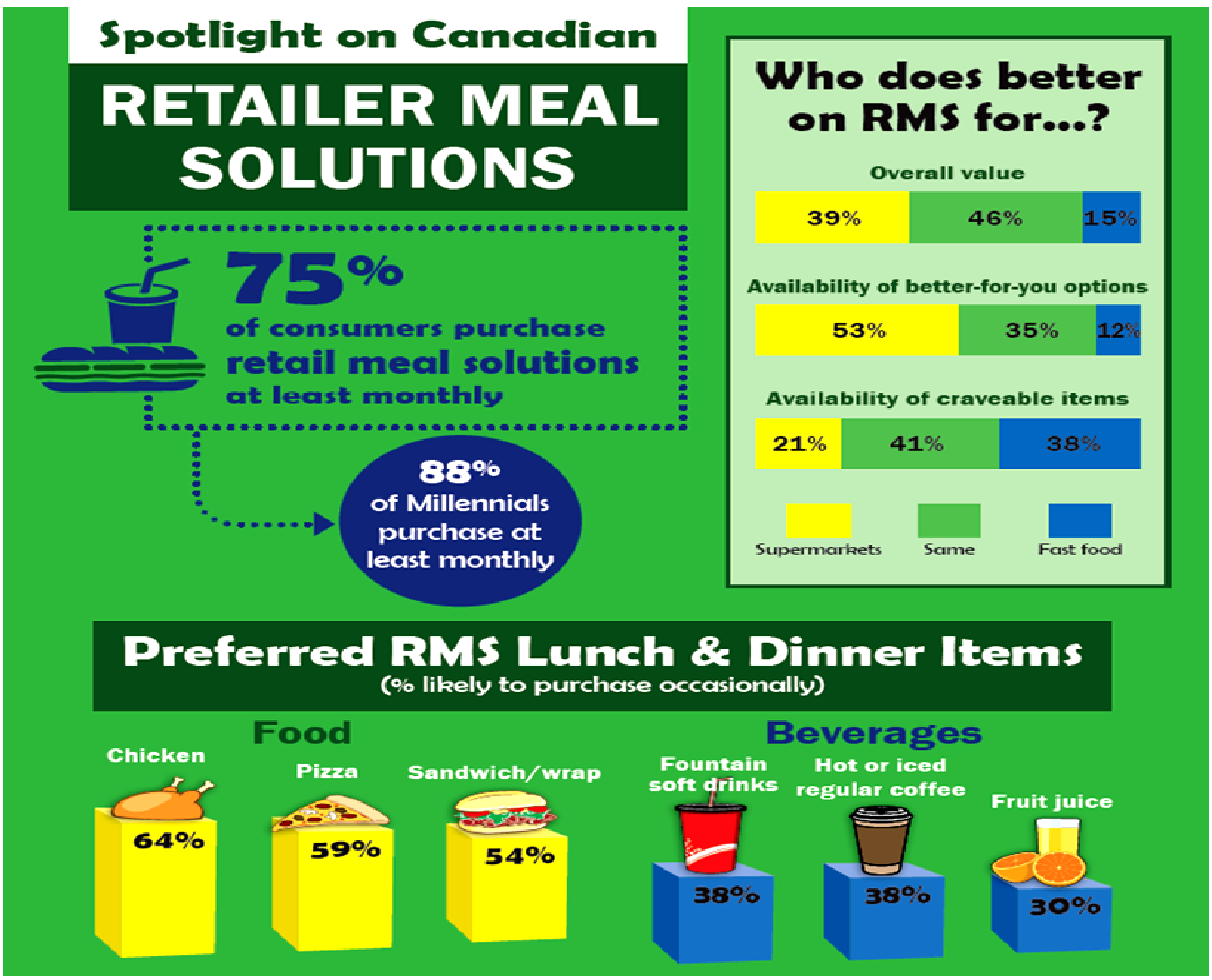
Prepared food offerings by retailers, also known as Retailer Meal Solutions (RMS), grew an estimated 3.6 percent in 2014. RMS poses a threat to its primary competition – fast food. This is mainly because consumers consider prepared foods in retail stores of the same quality, value and cleanliness as fast food. Research suggests that despite increasing competition among various retail channels, traditional supermarkets retain their lead in RMS sales. Twice as many consumers purchase RMS from traditional grocery supermarkets as compared to any other retailer. To steal market share from restaurants, retailers are using strategies to create an elevated experience for their customers. Grocery stores, in particular are becoming more like restaurants.

Convenience stores are also leveraging in breakfast opportunities even though fast food restaurants still have a stronghold on breakfast. Most traditional retailers are better suited for evening meals when consumers have more time and are purchasing grocery items. Although drugstores currently offer minimal RMS, their market share could increase in the near future. Younger consumers view drugstores as a viable RMS option, particularly for snack occasions.

Consumers expectations include better-for-you RMS without sacrificing value and convenience. Ethnic offerings will drive differentiation. Convenience stores are adding more ethnic RMS while ethnic grocers are promoting their unique RMS. Still consumers continue to call for even more ethnic offerings. Asian prepared food, in particular is in high demand and offers retailers a potential point of differentiation.

Understanding RMS trends in the retail sector allows suppliers and manufacturers to identify opportunities and to make a more targeted pitch to their customers.

RMS Infographics



Source: Technomic. 2015. Canadian Retailer Meal Solutions Consumer Trend Report

Food Service Sourcing Practices

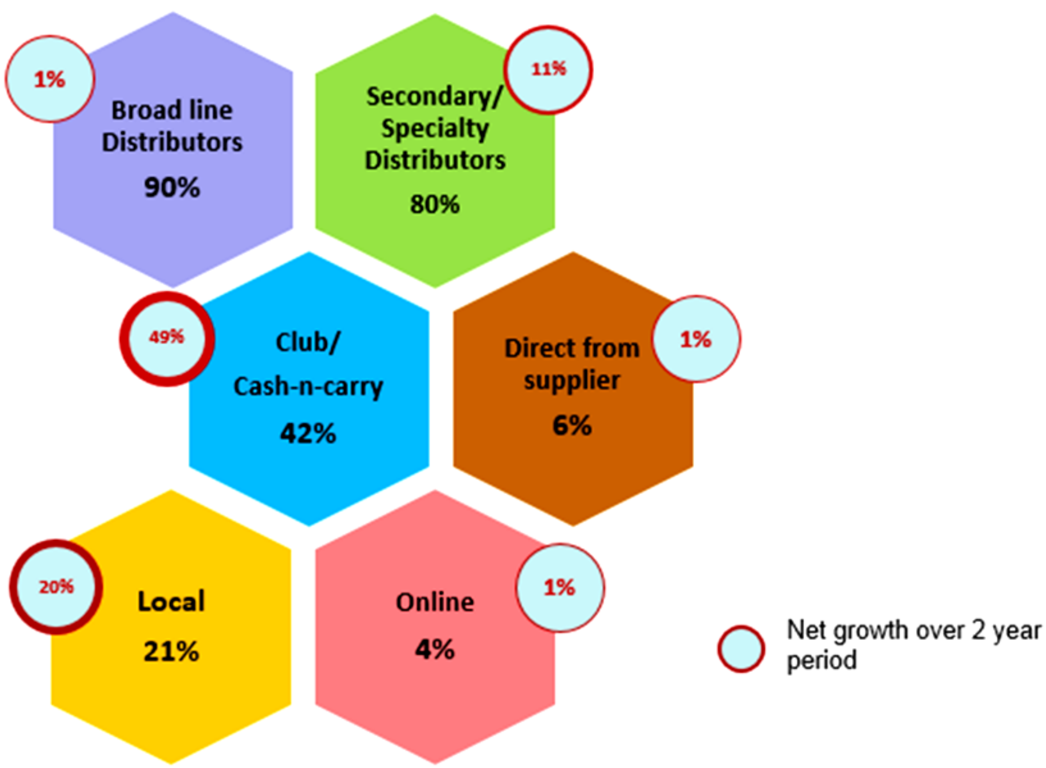
Technomic 2014 study of food service providers' sourcing practices, revealed that the bulk of purchases are through broad line distributors such as Sysco, Gordon Food Services and Summit. They use secondary sources to purchase ethnic items, seafood, produce and different meat varieties.

Product categories that are typically purchased from different sources include the following:

- Club or Cash and Carry - all but fresh meat
- Direct - primarily fresh meat
- Online - canned goods
- Local - fresh meat, fresh dairy, fresh produce

The study also found that during a two year period from 2013 to 2014, there was a significant growth in some of the sourcing channels. These include club/ cash-n-carry (49% net growth), local (20% net growth) and specialty distributors (11% net growth). The reasons for growth in club/cash-n-carry include better prices, broader selection and variety of products. Local sources are appealing to food service operators as they offer larger variety of fresh items. The growth in local sourcing has important implications for local producers and processors in Alberta.

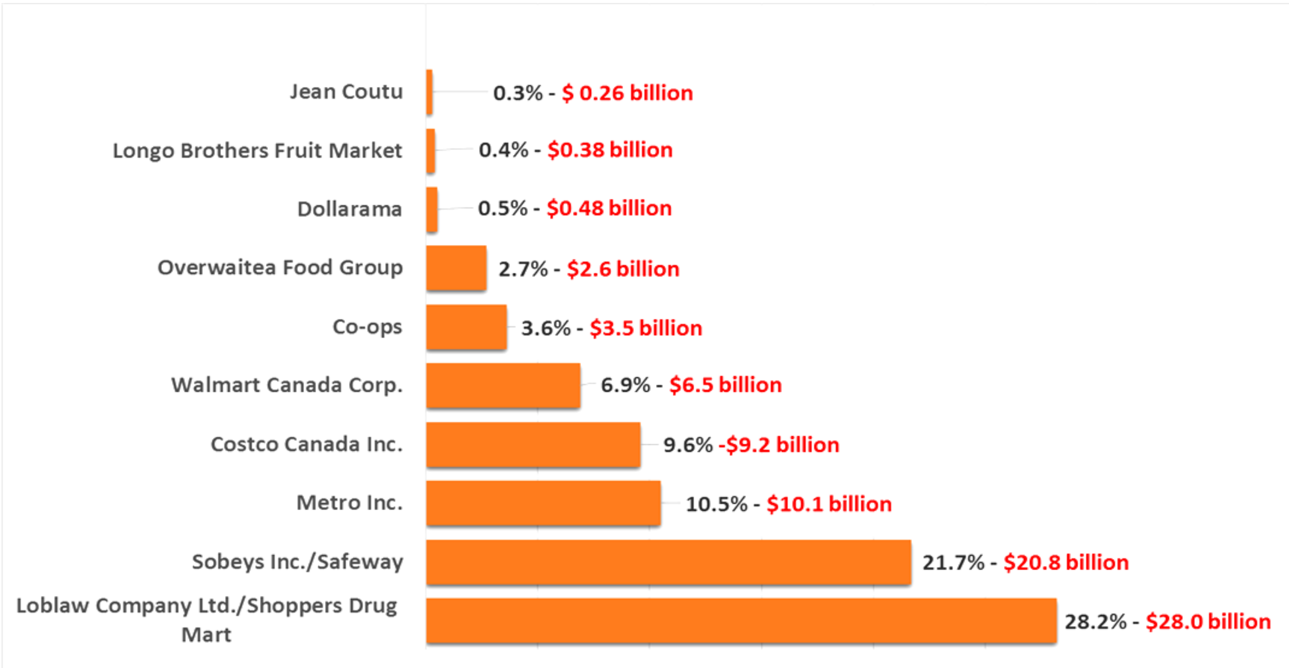
Food Service Sourcing Landscape, Canada, 2014



Source: Technomic, 2014. Foodservice Sourcing Landscape

Data Highlights

Estimated Food Sales Values and Shares, Only For Home Use By Top Canadian Retailers, 2016



Source: Canadian Grocer, 2016. Who's Who

Banners Affiliated With The Top Retail Chains In Canada

LOBLAW COMPANIES LTD.		SOBEYS	METRO INC.
Atlantic Superstore	Real Canadian Superstore	Boni Choix	Ami
Atlantic Save Easy	Real Canadian Wholesale Club	Boni Soir	Brunet
Dominion	Save Easy	Clover Farm	Clini Plus
Extra Foods	Shop Easy	Family Foods	Extra
Fortinos	Shoppers Drug Mart	Foodland	Food Basics
Freshmart	Super Valu	Food Town	Gem
IGA	T &T Supermarket	FreshCo	Les 5 Saisons
L'Intermarche	Valu-mart	IGA	METRO INC.
Loblaws	Your Independent Grocer	IGA Extra	Metro Plus
Lucky Dollar	Zehrs	Kwik-Way	Richelieu
Maxi		Lawtons	Service
Maxi & Cie.		Le Depanneur	Super C
No Frills		Needs	Ultra Food & Drug
Provigo		Price Chopper	
		Safeway	
		Sertard	
		Sobeys	
		Thrifty Foods	
		Tradition	

Data Highlights

Alberta Retail Sales Shares for Different Channels (excluding general merchandizers and farmers markets), Annual 2014-2015

Channel	Year	
	2014	**2015**
Supermarket & Grocery	73.8%	72.5%
Convenience stores	5.0%	5.5%
Specialty Food Stores	3.6%	3.6%
Beer, wine & liquor	17.6%	18.3%

Source: Statistics Canada, Retail Trade, 2015

Alberta retail sales shares for different channels (excluding farmers market and general merchandizers) for the year 2014 and 2015 show a decreasing share for supermarket and grocery. Apparently, this reduced share is captured by convenience stores and liquor stores. Specialty food stores have managed to maintain their market share in 2015.

Source Reports:

Canadian Grocer. 2016. Who's Who, Annual Directory of Chains and Groups in Canada

Technomic Inc. October 2014. Emergence of New Sourcing Practices

Technomic Inc. 2015. Canadian Retailer Meal Solutions Consumer Trend Report

Statistics Canada 2015. Retail trade, sales by the North American Industry Classification System (NAICS). CANSIM 080-0020

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