

KANTAR RETAIL

Hidden Gems of the Grocery Channel

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Elley Symmes, Analyst

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501 Boylston St., Suite 6101, Boston, MA 02116

T: +1 (617) 912 2828

howard.zimmerman@kantarretail.com

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Purpose of This Series

“Hidden Gems” is designed to provide ideas from smaller retailers or supermarket themes that Kantar Retail does not track regularly. These retailers may not always be the largest customers, but they are still important and provide a deeper picture of how the grocery channel continues to evolve.

This series is a periodic roundup of news, information, and trends to help keep you up to speed on regional grocers.

In this edition you will find:

- Store Operations & Executive Changes
- Format and Store Developments
- Digital and Technology Developments



Store Operations & Executive Changes

Save-A-Lot Appoints Lidl Vet, Kenneth McGrath, as New CEO



Reported: April 2017

- In an unexpected announcement, Save-A-Lot appointed former CEO of Lidl Ireland, Kenneth McGrath, as their new CEO. McGrath also led Lidl's U.S. expansion until 2015.
- The announcement came 2.5 months before Lidl's first U.S. store opening, highlighting Save-A-Lot's heightened commitment to best compete against the new entrant.
- This appointment is the first major change in senior leadership since the private equity firm, Onex, acquired the retailer in December 2016 from its previous owner, SuperValu.



Hy-Vee Restructures to Grow IT, Health & Wellness, and Restaurant Development



Reported: April 2017

- Hy-Vee is implementing a corporate restructuring to focus growth in three key areas: information technology, health & wellness, and restaurant development.
- The retailer plans to add almost 70 new positions to its corporate staff. Fifty of the added positions will do IT-based work while the remaining 20 will oversee future development and expansion of Hy-Vee’s Market Grille restaurants and HealthMarkets.
- Hy-Vee’s restructuring highlights the larger need for grocery retailers to find growth from unconventional places to stay relevant. Food service, technology (online grocery), and health & wellness all meet new shopper demands, making them core levers to drive continued growth and loyalty.



Schnucks Appoints Former Anheuser-Busch President as New COO



Reported: May 2017

- Schnucks named former Anheuser-Busch president, David A. Peacock, as its new COO and president.
- Peacock spent 20 years at Anheuser-Busch and also brings restaurateur experience as the chairman of Vitaligent LLC, the largest franchisee of Jamba Juice.
- In his new role, Peacock will manage procurement/merchandising, operations, marketing/communications, and supply chain for Schnucks, which operates 100 stores in Missouri, Illinois, Indiana, Wisconsin and Iowa.



Marsh Supermarkets Files Chapter 11

Reported: May-June 2017

- Following months of store closings, Marsh Supermarkets filed for Chapter 11 bankruptcy and is seeking buyers for its remaining 44 stores.
- Kroger and Fresh Encounter have agreed to acquire the leases for 26 of Marsh's remaining stores. The remaining 18 stores will hold going-out-of-business sales and remain open until the inventory is sold (most likely early July).
- Marsh Supermarket's bankruptcy highlights the heightened competitive grocery environment. Seen as a real innovator of the channel, Marsh was unable to translate this innovation into growing its business, a threatening reality across the grocery channel.



Weis Markets Partners With dunnhumby and Aptaris to Activate Consumer Insights

Reported: June 2017

- Weis Markets has partnered with dunnhumby and Aptaris to enhance its consumer insights and shopper marketing. The two companies will provide Weis with their integrated promotional planning, price optimization, modeling and forecasting system.
- The retailer selected this solution to help increase sales, improve customer loyalty, and build a more profitable and competitive market position across its stores. The partnership will optimize promotions through real-time modeling and insight into pricing activities on top-and-bottom-line financials.
- Leveraging shopper data to drive store operations is increasingly important as retailers look to better differentiate themselves and personalize shoppers' experiences, while still maintaining financial acumen.



dunnhumby

CEO of Southeastern Grocers, Ian McLeod, to Depart



Reported: June 2017

- CEO of Southeastern Grocers, Ian McLeod, announced he is leaving the company to pursue another opportunity. The retailer's COO, Anthony Hucker, will serve as the interim CEO until it permanently fills the position.
- McLeod came to Southeastern Grocers in 2015 and initiated a series of store remodels and expansions to help turn around the struggling business. These included; converting 18 Winn-Dixie stores to the retailer's new Hispanic banner, Fresco y Mas; rebranding Harvey's locations to a price-centered format, and upgrading Bi-Lo stores.
- Despite these investments, Southeastern Grocers has not grown as expected, and continues to look for ways to bring growth back into the company.



Looking Ahead: Predictions for Further Store Operations & Executive Changes

1.

Reorganizing Senior Leadership to Better Defend Against New Competition

- Monitor shifts in senior leadership to best understand the new strategic directions retailers are employing.
- Leverage your different channel teams to apply best practices for defending against unconventional competition such as Amazon and Lidl.

2.

Shifting Focus from Organic Growth to Extract More from Existing Assets

- Evaluate potential opportunities to connect your brands/categories to more places in the store, especially in perimeter departments where margins are higher.
- Prioritize solution-based merchandising that builds baskets, helping retailers drive their comparable store sales.

3.

Emphasizing Shopper Data to Drive Store Operations

- Anticipate price and assortment changes driven by shopper data. Utilize your data resources to provide granularity into shopper demands and advocate for continued shelf presence in store.
- Leverage shopper insight to optimize store layout to better serve shifting shopper demands .

Format and Store Developments

WinCo Opens First Store in Oklahoma

Reported: May 2017

- WinCo opened its first Oklahoma store in Moore, OK with plans to open two more in Oklahoma City and Tulsa. The store measures 84,000 square feet and is open 24 hours.
- The store will feature WinCo’s signature “Wall of Values” at the entrance in addition to its full produce section, meat, deli, bakery and bulk food departments.
- WinCo’s open price point positioning will add new price competition to the Oklahoma market. Furthermore, its employee-owned business model brings an added level of sophistication to its store execution and customer service.



Wegmans to Open First Washington, D.C. Store

Reported: May 2017

- Wegmans will open its first Washington, D.C. store in the Fannie Mae Headquarters on Wisconsin Ave. The store will measure to be around 80,000 square feet and is expected to open by 2022.
- The D.C. store will be one of Wegmans' smallest stores yet (suburban stores measure ~120,000 sq. ft.) as the retailer looks to build more city-friendly locations to capture the urban shopper. Wegmans is also planning to open its first New York City location in Brooklyn later this year.
- Wegmans is very purposeful in its store openings, typically opening only 3-4 per year in high growth areas. Since 2004, the retailer has been expanding in Virginia and Maryland but this D.C. store marks a new urban-focused direction for the company.



Southeastern Grocers Converts Seven Winn-Dixie Stores to Hispanic Format



Reported: June 2017

- Southeastern Grocers has converted seven more of its Winn-Dixie banners in Southern Florida to its new Hispanic format, Fresco Y Más. With these additional seven locations, the company now has 18 total locations.
- This is Fresco Y Más' second year in operations and Southeastern Grocers has been very happy with the success of the banner. The retailer operates 50 additional Winn-Dixie stores in the Miami area which could eventually be converted.
- The Winn-Dixie banner has struggled in recent years to differentiate itself against regional and national competitors such as Publix and Walmart Neighborhood Market. Rebranding them to Fresco Y Más gives Southeastern Grocers an opportunity to drive new profitability out of their existing assets.



Meijer to Open First Small Format, Urban Concept Store Under New Banner

Reported: June 2017

- On June 26th, Meijer broke ground for its first small format, urban concept store, Bridge Street Market, located in Grand Rapids, Michigan’s West Side neighborhood. The banner is expected to open fall of 2018.
- The store will measure ~30,000 sq. ft. (compared to Meijer’s average size of 200,000 sq. ft.) and will “deliver a convenient, fresh neighborhood grocery option for those who live, work, and play in the area,” according to Meijer’s senior leadership.
- For big box retailers, understanding the nuances with small-box economics can be very challenging. This initiative will very much remain a test concept until Meijer masters the operations behind executing this new format.



Looking Ahead: Predictions for Further Format & Store Developments

1.

Further Expansion into New Geographies

- Leverage shopper insight to help retailers better acclimate to new environments and differentiate against competition.
- Partner with retailer to feature special promotions during store openings to help drive traffic to store and create excitement with shoppers.

2.

Continued Testing of Differentiated Formats

- Recognize these formats as a way to interact with the millennial consumer. Prioritize these stores to experiment with new merchandising tactics or product innovations.
- Familiarize your account teams with format nuances as these features could be rolled out to larger store footprints if successful.

3.

Growing Understanding of Small-Box Retailer Economics

- Understand the nuanced retailer economics for small-box formats and develop a segmented brand strategy to actively participate in this growing space. Leverage your c-store or discounter teams to learn best practices.
- Plan to defend against decreased shelf space as retailers rationalize SKUs to optimize assortment in a small box space.

Digital and Technology Developments

FreshDirect Invests in Meal Kit Start-Up, Chef'd

Reported: May 2017

- Online grocery retailer, FreshDirect, has invested in the meal kit start-up, Chef'd. This investment marks the retailer's first investment in the meal-kit space and comes as other top competitors are aggressively expanding their meal kit offering.
- Chef'd offers consumers across the U.S. the opportunity to choose and reorder meals at any given time. The company has over 125 commercial partners, including celebrity chefs, culinary personalities, media outlets, technology companies, and various food, fitness and health-and-wellness brands, offering 1,000-plus meal solutions spanning all dayparts.



Wegmans Launches One Hour Grocery Delivery via Instacart

Reported: June 2017

- Wegmans has made its first step into online grocery delivery, announcing a partnership with Instacart to offer one hour grocery delivery. The service will initially be offered in Maryland and West Virginia with plans to expand further in the coming months.
- Instacart's partnership with Wegmans marks a new step into more suburban territory, that is different from its traditional urban focus.
- Up until this partnership Wegmans had been slow to the online grocery game, only offering click & collect services at select store locations. This partnership signals that Wegmans too, recognizes the need to offer these types of services in order to keep up with changing shopper demands and expectations.



Sprouts to Continue Prime Now Delivery Relationship, Despite Amazon WFM Deal



Reported: June 2017

- Sprouts announced they will continue its delivery partnership with Amazon Prime Now in the near term despite Amazon's planned acquisition of Sprouts' competitor, Whole Foods Market.
- Sprouts and Prime Now offer delivery for ten Sprouts stores in Dallas, TX and the retailer plans to more than double this by 2018.
- The Amazon WFM deal will trickle disruption through many surfaces of grocery retailers' businesses. Longer term, Sprouts could begin to explore other third party delivery options such as Instacart or Shipt, to bring more separation between itself and Whole Foods.



Looking Ahead: Predictions for Further Digital & Technology Developments

1. Pure Play Grocery Retailers Expanding Reach

- Allocate trade marketing dollars to these pure play retailers to expand brand presence in the exploding eGrocery space.
- Consider co-sponsoring free-delivery for first time orders in new geographies.

2. Delivery via Third Parties is Path to the Future for Retailers

- Recognize third party players as new selling touchpoints for your brand, especially for new product launches targeted at younger consumers who frequent these platforms.
- Understand risk that can come from relinquishing control to third parties in exchange for speed to gain these services. Develop strategies that ensure consistent and seamless brand experiences between the stores and online.

3. Amazon's Whole Foods Acquisition Creating New Demands for Innovation

- Expect Amazon to use Whole Foods Market's brand and credibility to build its fresh reputation in eGrocery. Today, 54% of Whole Foods Market's stores are in AmazonFresh markets – that number could be over 70% by this time next year.
- Anticipate a reallocation of resources dedicated to technology solutions for both store operations and supply chain to compete with Amazon's best-in-class logistics systems.

For further information please refer to
www.kantarretailiq.com

Contact:
Elley Symmes

T: +1 (617) 912 2865

elley.symmes@kantarretail.com

 @elley_symmes

www.kantarretail.com