Trends in Retail

Issue 14, Spring 2019

Alberta

Trends in Retail

Issue 14, Spring 2019

Content

How Did Grocers Fare In 2018? Highlights From Canadian Grocer Annual Survey

2018 was another year of intense competition. Trade issues with the U.S., rising labour costs, food safety issues and grocers' grappling to offer online and home delivery services all have contributed to this situation. According to Canadian Grocer's annual market survey[1], total sales of the traditional groceries and convenience stores increased only 0.4 per cent over the previous year and valued at $97.5 billion. According to Table 1, 2018 had the second worst performance in sales in the last 10 years.

Canadian Grocer's annual market survey looks only at traditional grocery, which includes: chain[2] and franchise supermarkets; unaffiliated independents; and major banner convenience stores. The survey does not reflect food sales generated at drugstores, mass merchandisers (such as Walmart) or warehouse clubs (such as Costco). However, many market research estimates show that Walmart's and Costco's food sales growth is in the range of 8.5 per cent to 9 per cent in 2018 – considerabley higher growth than the traditional groceries.

Table 1: Ten Year Food Store Sales, Canada

	Total sales		Chains		Independents	
	(Billions)	% change	(Billions)	% change	(Billions)	% change
2009	$82.3	3.9	$49.4	60.0	$33.0	40.0
2010	$84.4	2.6	$50.8	60.1	$33.7	39.9
2011	$85.3	1	$51.4	60.3	$34.0	39.7
2012	$87.9	3.1	$53.4	60.7	$34.5	39.3
2013	$87.6	-0.4	$53.0	60.5	$34.5	39.5
2014	$89.2	1.9	$54.1	60.7	$35.1	39.3
2015	$91.0	2	$55.4	60.9	$35.6	39.1
2016	$94.5	3.8*	$57.5	60.9	$37.0	39.1
2017	$97.2	2.8	$59.2	60.9	$38.0	39.1
2018**	$97.5	0.4	$59.4	60.9	$38.2	39.1
2019***	$98.3	0.8	$60.0	60.9	$38.3	39.1

*Starting with April 2017, retail figures are calculated using a new sample to improve efficiency.

** Figures are estimates

*** Figures are forecasts

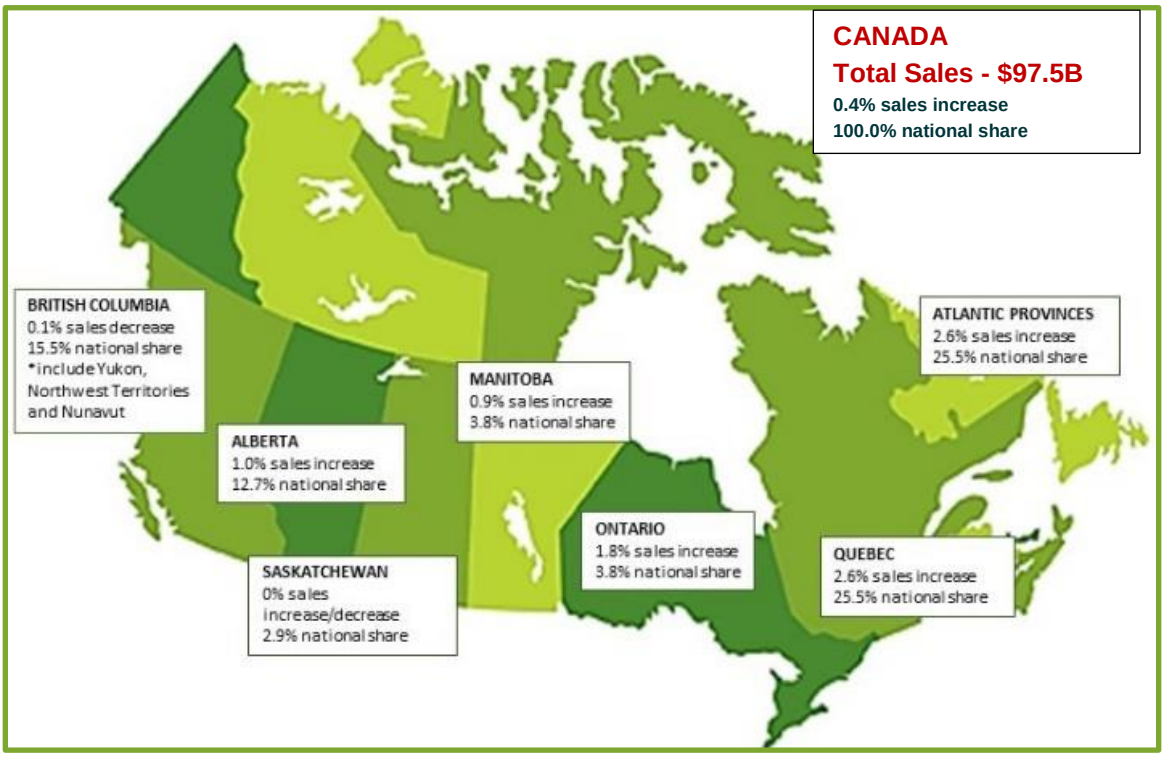
Source: Canadian Grocer, 2018

This survey revealed some interesting regional stories. As illustrated in Table 1, Quebec and the Atlantic provinces fared the best among the povinces with sales growth of 2.6 per cent and 2.5 per cent respectively. Also, Alberta performed better in 2018, with a sales growth 1.0 percent in contrast to a 6.8 per cent decline in 2017. In the most competitive grocery markets, Ontario and British Columbia, sales performances were less positive in 2018. Their sales declined 1.8 per cent and 0.1 per cent respectively.

[1] Canadian Grocer. 2018. Annual Market Survey. https://console.virtualpaper.com/canadian-grocer/cg012019/#42/

[2] Chain supermarkets are defined as any four or more stores with a single ownership.

Figure 1: Ten Year Food Store Sales, Canada



Source: Canadian Grocer, 2018

Chains vs. Independents

As illustrated in Table 2, a comparison of chains' (supermarkets and conveniene stores) and independents' shows that the Atlantic provinces have the highest market share of chains, while Quebec has the lowest market share of chains.

According to Canadian Grocer, in 2018, chains' market share remained at 60.9 percent with independents holding at 39.1 percent as compared to 2017 figures.

Table 2: A Comparison of Chains and Independents

		Chains	Independents
Atlantic Provinces	Market Share	78.9	21.1
	Total Sales	$5.4B	$1.4B
	# of stores	662	959
Quebec	Market Share	36.8	63.2
	Total Sales	$9.2B	$15.8B
	# of stores	2080	4281
Ontario	Market Share	62.1	37.9
	Total Sales	$19.7B	$12.0B
	# of stores	3085	2883.0
Manitoba& Saskatchewan	Market Share	70.8	29.2
	Total Sales	$4.6B	$1.9B
	# of stores	716	1297
Alberta	Market Share	76.0	24.0
	Total Sales	$9.4B	$3.0B
	# of stores	1345.0	848.0
British Columbia	Market Share	73.1	26.9
	Total Sales	$11.0B	$4.1B
	# of stores	1162	874
Canada	Market Share	60.9	39.1
	Total Sales	$59.3B	$38.1B
	# of stores	9040	11142

Source: Canadian Grocer, 2019

Specialty Food Stores[3]

Specialty food stores, such as meat markets, bakeries, green grocers and fishmongers, continued to gain ground in 2018. However, it should be noted that specialty food store are measured separately in Canadian Grocer's annual market survey and are not included in the $97.5B total sales figure. Many specialty stores sell products labelled as organic, gourmet or all natural. Therefore, these industry goods are differentiated from standard foods that are sold at mainstream retail and grocery stores. Increasingly health conscious consumer preferences and disposable income growth have enabled operators to charge a premium for these industry products.

Specialty food store sales grew in every province except Alberta, where sales dipped slightly last year. Total Canadian sales through these retailers reached nearly $7.9 billion, an increase from the previous year and a 62 percent increase from 2010.

Table 3: Estimated Specialty Food Sales (in million dollars)

	2018	2017	% Increase
Atlantic provinces	281.6	249.7	12.8
Quebec	2052.6	1952.4	5.1
Ontario	3391.3	3060.6	10.8
Manitoba/Saskatchewan	310.1	284.3	9
Alberta	665.1	668.3	-0.5
British Columbia	1244.9	1142.1	9
Canada	7945.5	7357.4	8

Source: Canadian Grocer, 2019

While improvements in the economy and favourable shifts in consumer preferences have helped boost industry revenue over the past five years, rising external competition has gradually constrained the performance of specialty food stores. Industry operators have experienced high competition from the specialty food aisles of mainstream supermarkets and grocery stores, as well as unconventional retail channels such as online food retailers and convenience stores.

[3] This industry group comprises establishments primarily engaged in:retailing specialized lines of food products

Grocery Food and Beverage Categories Analysis

Using Nielsen Product Insider and Euromonitor data, United States Department of Agriculture (USDA) Foreign Agricultural Services constructed a table with product categories that show an increase growth potential in Canadian retail sector. These insights may be useful for Alberta agri-food producers in order to identify market trends and to icrease innovation in production and value-added processes

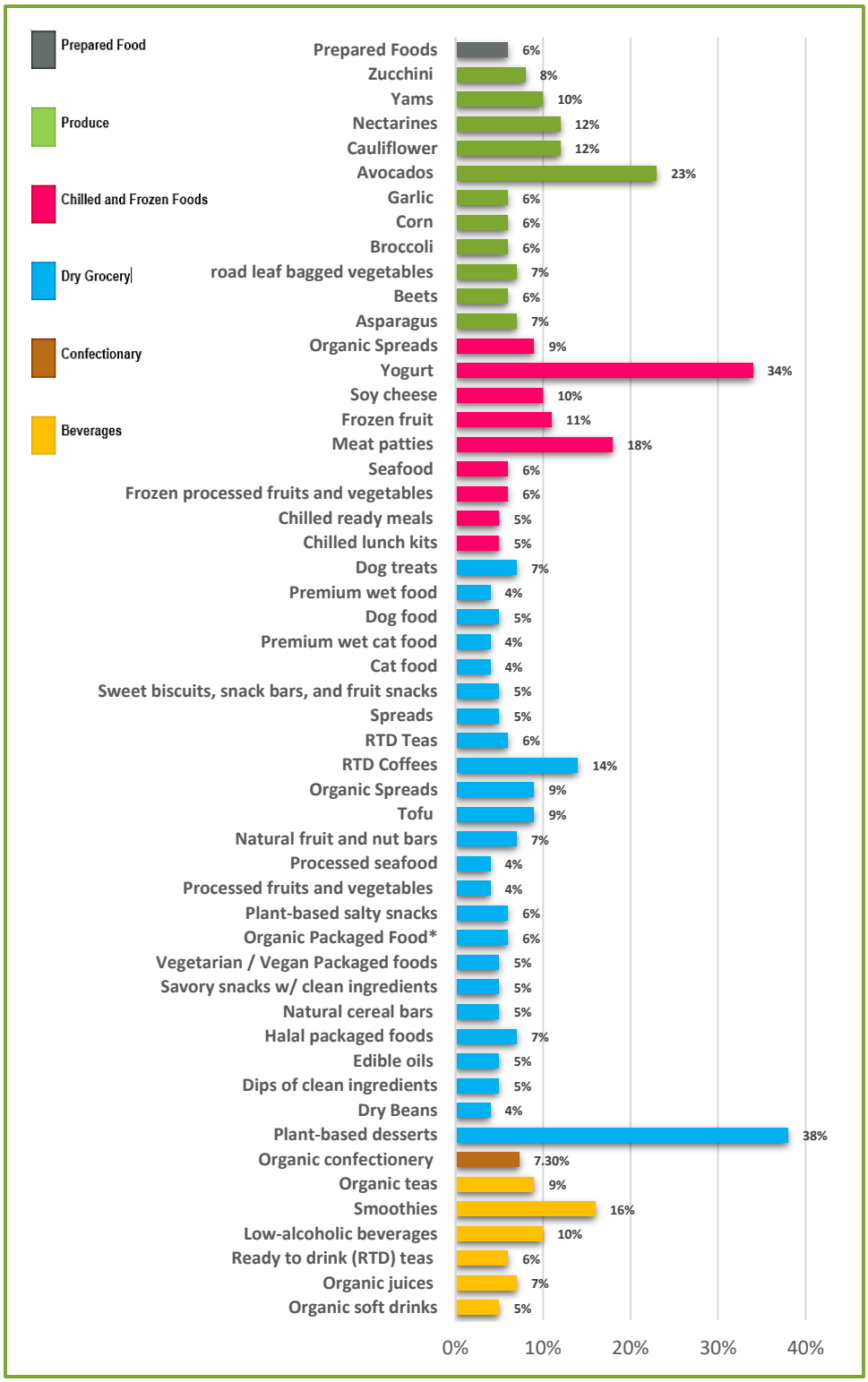
As illustrated in Figure 2, sales growth of products that addresses health and wellness concerns is high. Products with double digit growth provide evidence for consumers' demand for fresh, natural (health and wellness) and convenience attributes. The double-digit growth categories include:

- smoothies and low-alcoholic beverages in the beverage category;
- plant-based desserts and ready-to-drink coffee in the dry grocery category;
- meat patties, soya cheese, frozen fruit and yoghurt in the chilld and frozen food category; and
- avocado, coliflower, nectarin and yams in the produce category.

The reasons behind this trend include the aging population; rise of health conscious millennials and baby-boomers; and busy lifestyles of consumers.

These insights may be useful for Alberta's small and medium-sized enterprises. However, major food brands are also introducing natural, organic and 'better-for-you' products to compete with small–to-medium specialty stoes. In addition, smaller meals and snacking continue to be growing trends.

Figure 2: Product Categories with Increased Sales in Canada (2016 -2020 projection)



Source: GAIN Report, USDA, 2017

Data Highlights

As noted in Table 4, overall food and beverage sales in Alberta showed a slight decline of almost two per cent annually and only -0.4 per cent from the second to third quarter of 2018. While year-over-year change is slightly negative for all categories, specialty food stores had the largest percentage decline from 2017, with a 12.1 per cent decline. Not surprisingly, given that the category also had a -13.9 per cent change from the second to third quarter of 2018 (the summer into fall transition). Convenience stores had the largest positive change in the third quarter with a 6.6 per cent increase.

Table 4: Quarterly Food and Beverage Sales in Alberta, Q3 -2017 to Q3-2018

	Q3 2017	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q2 to Q3	Annual Q3 Change
Food and Beverage Stores	$3,809	$3,814	$3,390	$3,758	$3,742	-0.4%	-1.8%
Supermarkets and Other Grocery Stores	$2,666	$2,686	$2,528	$2,669	$2,657	-0.5%	-0.3%
Convenience Stores	$225	$181	$172	$211	$225	6.6%	-0.3%
Specialty Food Stores	$166	$202	$149	$169	$146	-13.9%	-12.1%
Beer, Wine and Liquor Stores	$751	$745	$541	$709	$714	0.8%	-4.9%

Source: Satistics Canada

Author: Jeewani Fernando
Provincial Consumer Market Analyst
Competitiveness and Market Analysis Section
Economics and Competitiveness Branch
Phone: 780-415-9773
Email: Jeewani.fernando@gov.ab.ca