Overcoming Obstacles

Dealing with Disruption: How Grocers are Tackling Challenges in the Grocery Industry

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Topics

- Changes in the retail landscape
- New trends affecting rural grocery

Competitive challenges



NGA: Who we are

The National Grocers Association represents independent community grocers in every congressional district across the country, as well as their wholesaler partners. Each year, independent grocers account for a little more than a third of all annual grocery sales. By advocating for the growth and continuing innovation of these community business leaders, we help them bring choice, convenience and value to hardworking Americans.



- More than 1,700 retailer member companies and 30+ wholesaler member companies
- More than 8,500 store fronts across the U.S., Puerto Rico and the U.S. Virgin Islands
- More than 21,000 independent community grocers in the U.S.



The NGA Community

























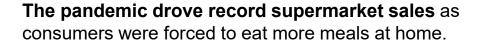






Changes in the retail landscape

- Pandemic
- E-commerce
- Emphasis on fresh
- Prepared foods/meal solutions/grocerants



That drove **accelerated acceptance of online grocery shopping**, bringing 5 years of anticipated growth in a span of just a few months.

Grocers that up until then had little or no web presence were forced to offer online shopping, pickup or delivery to meet the demand from people hesitant to shop in person, despite grocery being declared an essential business during the pandemic.

Grocers have **invested aggressively in the fresh perimeter** to enhance the shopping experience. Despite inroads by e-commerce, fresh areas remain a draw for in-person shoppers.

While the pandemic stalled in-store dining, grocers pivoted to offer **restaurant-quality meals in pre-packaged formats** (grab & go, heat & eat).



Pandemic shifts in consumer behavior

Increase in Grocery Spending: The COVID-19 pandemic led to a 14% increase in U.S. household grocery spending (March 2021)

In-home Eating: Almost half (47%) of consumers say they cook more frequently now than before the pandemic (March 2021)

Local: 41% of shoppers say they will shop at their local community store (May 2020)

E-commerce: 43% of shoppers say they shopped online in the last six months versus 24% prepandemic (September 2020)



Pandemic shifts in retail operations

Independents make operational shifts to address COVID challenges ...

- Salad bars and foodservice were suspended, substituted with pre-packaged, grab & go items
- **E-commerce platforms were launched or expanded,** often assisted by 3rd-party providers
- Alternative sourcing channels were located for hard-to-find, high-demand goods

Along with enhanced sanitation procedures, **some of these changes will remain**, depending on local demand or continued pressure on the supply chain



New trends affecting rural grocery

Rural U.S. consumers may face **challenges finding access** to retail food stores, especially if they live in regions with high poverty rates and decreasing population.

Single-location grocery stores, as opposed to chain stores, made up a **larger percentage of the grocery stores in rural counties** than in nonmetro urban counties. In 2015, single-location grocery stores comprised about 82% of all food stores in rural counties, compared with about 70% in large urban nonmetro counties and 74% in small urban nonmetro counties. (*USDA*, 12/7/21)

From 1990 to 2015, the **share of rural grocery stores decreased**, while convenience stores, specialty food stores, warehouse clubs and supercenters, and dollar stores have become more plentiful. Dollar stores and supercenters grew the most in percentage terms—150% and 35%, respectively—partly because they were almost non-existent in 1990.

https://www.ers.usda.gov/amber-waves/2021/december/rural-counties-losing-share-of-grocery-stores-gaining-other-types-of-food-retailers/

New trends affecting rural grocery

Supercenters and dollar stores have flourished in rural areas, often at the expense of smaller independent grocers, because of their scale and ability to dominate on low price and ample selection.

As smaller traditional grocers vanish, **consumers are often forced to drive longer distances** to purchase groceries, especially fresh produce.



New trends affecting rural grocery

Some small-town grocers are capitalizing on the local foods trend. Almost 80% of grocery stores surveyed said they use local farmers as either major or minor suppliers for fresh produce. (University of Minnesota Extension study)

Rural grocers can focus on the in-store experience. The future grocer could more intentionally integrate the social aspects common in small towns by becoming a "social anchor" of the community.

The new generation of consumers embraces authentic brand stories and food with simple origins. Rural grocers' proximity to farmers can be an effective marketing tool.



Competitive challenges

Fragmented market

Labor

Food deserts

Lax antitrust enforcement



Traditional grocery's historic hold on the at-home food market has eroded. Independent and large-chain grocers face increasing competition from mass/big-box retailers, club stores, drug, dollar, even home improvement (Menards), plus Amazon and other pure-play e-tailers. Where do you rank on the spectrum as consumers prioritize quality, selection, experience, service and convenience?

The nationwide labor shortage pits retailers against each other for a diminished pool of talent, making it more difficult to maintain a high level of service.

Challenge of operating in less populated areas have driven some smaller operators out of business, especially those forced to compete with large chains and superstores.

Decades of non-enforcement of antitrust laws designed to protect smaller businesses have tipped the scales in favor of large chains, whose power buyers compel suppliers of high-demand products to enter into exclusive supply arrangements.

Our panelists ...

Tye Anthony

Associated Wholesale Grocers, Kansas City, KS

- Jenny Osner

Hired Man's Grocery & Grill, Conway Springs, KS

- Jimmy Wright

Wright's Market, Opelika, AL

