



eat *Canadian* 

CANADIAN Grocery Retail Guide

SECTION 2 Canadian Grocery Segments and Operators in Canada



Saskatchewan
GROCERY RETAIL & FOODSERVICE
VALUE CHAIN INITIATIVE

*Adapting to Consumers Demands and
Capturing New Market Opportunities*

Content in Section 2 will be provided on various segments of the Canadian grocery industry and will include information on the conventional, organic, health and specialty segments.

Included in the grocery segment will be some of the language used in grocery retail, such as bunker, hangers, coolers, turns, facings, bogo, in-store, end cap, rings, basket size, footsteps, doors, banners, and other phrases to help producers and processors understand the retail environment.

The content provided in Section 2 will focus on the Canadian grocery industry by channel, by major retailer, and by market share in various provinces with a focus on Saskatchewan retailers. The content will include discussions on:

1. Who are the retailers, where are they, how big are they and what are the key market indicators?
2. National retail food chains such as Loblaw, Sobeys, Whole Foods
3. Regional food chains such as Metro, Safeway, Overwaitea, HY Louie (IGA), Federated Co-op, Longo's, Choices, and Buy-Low



4. Major independent food retailers by region
5. Independent and specialty retailers
6. General products retailers such as Giant Tiger, Costco, Walmart
7. C-stores (convenience stores) and drug stores such as Shoppers Drug Mart, London Drugs and Rexall Drugs
8. G-stores (gas stores) such as Petro-Canada, Shell, and Imperial Oil

Content in Section 2 will also identify the wide range of “banners” that are used by the nationals and regionals to differentiate themselves from the competition. Content will look at how retailers such as Loblaw use the Real Canadian Superstore, Zehrs, Provigo, T&T Markets, and Food Basics banners to compete against Sobeys banners such as Sobeys, Thrifty Foods and Price Chopper while Overwaitea uses banners such as Save-On-Foods, Urban Fair and Price Smart to compete in different market segments.

The Canadian Retail Food Sector

The retail food industry in Canada is highly competitive and each retailer faces strong competitors. The industry is driven by consumer demand, which is impacted by food and economic trends, changing demographics, ethnic diversity, environmental awareness and time availability.

Retailers in the industry include traditional major and independent supermarket operators, as well as mass merchandisers, warehouse clubs, drugstores, limited assortment stores, discount stores, convenience stores and specialty stores. Many of these retailers now

offer a selection of food, drugstore and general merchandise, while others remain focused on supermarket-type merchandise.

The retailers in the industry are also subject to competitive pressures from new entrants into the marketplace and from the expansion or combination of existing competitors, particularly those expanding into the grocery market. These competitors, such as Walmart, Dollarama, Giant Tiger and Target have the financial and organizational resources to allow them to compete effectively with the established major and independent food retailers.



Most of the new entrants into the retail food industry operate in a non-union environment. These companies benefit from lower labour costs and more favourable operating efficiencies, making it more difficult for the unionized companies such as Loblaw Company Limited to compete.

Traditional supermarket or food store operators in Canada can be divided into several categories of merchants. The focus of these stores is primarily on food but many of these operations now include drug stores on site and a growing number of general merchandise items such as clothing.

National Food Chains

In Canada there are only two national food retailers, Loblaw Company Limited (LCL) and Sobeys. Both companies have retail operations in all provinces and employ a number of retail “banners” to capture market share in different market segments.

LCL had retail sales in 2011 of approximately \$30 billion or 40% of the Canadian retail food market. LCL is one of Canada’s largest employers and employs over 138,000 people. Operating in excess of 1,300 outlets, LCL has over 47 million square feet of retail space which gives it the largest retail “footprint” in the country.

The second largest food retailer in Canada is Empire Food (Sobeys). In 2011, the 1,337 Sobeys and other Empire Food banners had retail sales of approximately \$16 billion, employed 85,000 people and had a combined footprint of 27.5 million square feet. Sobeys and related Empire Food banners captured approximately 21% of the retail food market in Canada.

The combined market share of LCL and Sobeys represents over 61% of the retail food sales in all channels of distribution in Canada. This includes regional chains such as Safeway, Federated Co-op, Overwaitea Food Group and mass merchants (Walmart), box stores (Costco), convenience stores, specialty and drug stores.

Both LCL and Sobeys use a range of banners and house brand products to target specific market segments. This strategy has also been adopted by some of the larger regional chains such as Metro and Overwaitea Food Group to compete with the nationals and independents in their market areas.

Regional Food Chains

Regional food chains have a combined market share of approximately 15% in Canada. The chains vary in size from Metro Stores, with 564 large format food retail and convenience stores and 2011 sales of \$11 billion with a 19.3 million sq. ft. footprint, to Safeway with 200 stores and sales of \$7 billion the Overwaitea/Save-On-Foods group with 120 stores and Federated Co-op with 304 stores. On a smaller scale are a number of regional chains such as Longo's with 20 full size stores in Ontario and Calgary Co-op with 22 stores.

It must also be noted that both LCL and Sobeys operate regional banners that are designed to capture specific market share in a local area. For example, Sobeys owned the Thrifty Food chain of 22 stores in B.C. which is targeted at the 53 Save-On-Foods stores in the same market. LCL uses banners such as Extra Foods and Shop Easy to compete with Family Foods in the same markets in western Canada.

Smaller regional chains do not have the same number of banners as the national chains, however, they do have access to a range of house brand products through wholesalers such as MacDonalds Consolidated or Associated Grocers.

Specialty Food Stores

Usually independently owned and operated specialty food stores fall into many categories but generally the greatest number of stores are in the health food, ethnic, local or gourmet market segments. Retail food sales of stores in this segment represent approximately 3% of food sales in Canada.

Specialty food stores, such as Choices and Whole Foods, have carved out a strong niche in the retail food sector by offering a good selection

of food products in special or niche categories. Specialty stores were responsible for launching the organic and natural food, and ethnic food segments in the Canadian market. Innovative by nature, many of these stores are at the leading edge of food innovation and food trends in Canada.

Loblaw Company Limited purchased "T&T Markets" for over \$220 million and has expanded the chain from 11 to a total of 22 stores in 2011 stores that specialize in ethnic food. Sobeys is rebranding Price Chopper stores in Ontario to Freshco. Freshco will be a small chain of 15 stores that will be targeted at the ethnic market in Ontario.

These stores will purchase products directly from vendors, distributors and wholesalers.



Independent Food Stores

Independent food store sales have declined in dollar volume over the past years as their market share is eroded by specialty stores, general merchandise stores and the expansion of major food stores. For example, LCL added 1 million sq. ft of retail space this year. Market share in this segment is approximately 10% of the overall food retail sales in Canada. It should be noted that this still equates to a market size of approximately \$10 billion per annum.

There are thousands of independent retail food stores in Canada. They range in size from 1,500 sq. ft. to over 200,000 sq. ft.; the product selection ranges from 2,500 to 20,000 products and the annual sales range from \$150,000 to \$10 million per year. While diverse in nature, these operations must compete on a daily basis against well financed and large competitors with many times their resources.

Independent food stores must have clear points of differentiation from their competitors. Often they will specialize in specific types of store formats, product ranges, locations, footprint, pricing and service. They represent an excellent means of entering the market for small and medium sized innovative food companies.

Independent stores will often belong to buying groups or associations that give them the opportunity to take advantage of bulk purchases on products. These stores will also purchase from a number of wholesalers, distributors and vendors.

Convenience Stores – C-Stores

A significant percentage of the convenience stores in Canada are either owned by or are franchises of either Couche Tard in Quebec (Mac's convenience stores, Daisy Mart) or 7-Eleven in Tokyo, Japan (7-Eleven Stores) or by one of the petroleum companies such as Imperial Oil (On the Run).

In many instances, there will be a partnership formed between the oil company and Couche Tard and a company such as Tim Horton's. The

operation will have a convenience store, gas pumps and a fast food outlet (A&W, Subway, Tim Horton's). Couche Tard and 7-Eleven have over 2,000 stores in Canada with a combined footprint of over 3 million sq. ft.



A number of convenience stores (the traditional “mom & pop”) are family owned and operated and will purchase from wholesalers and distributors.

It should be noted that the major national and regional chains such as Sobeys, Metro and Overwaitea have started their own chains of convenience stores to capture the time constrained consumer segment of the market. These stores are now offering fresh products in addition to shelf stable and snack products.

Drug Stores

Several years ago, Shoppers Drug Mart tested selling organic milk and “healthy-for-you products” in selected drug stores. The results were encouraging enough to expand both the food assortment and the distribution to all new and converted stores. The results of those early tests have led to the expansion of the food program at Shoppers to hundreds of locations and the introduction of food products by chains such as London Drugs and Rexall.

Drug stores now represent a growing channel of food distribution in Canada and have encouraged other traditional non-food companies to position food products in their locations in order to maximize the dollar spend by consumers at their locations. In 2011 drug stores represented approximately 7% of all food product sales in Canada.



General Merchandise Stores

General merchandise stores such as Walmart, Target (125 -135 outlets planned for 2013), Costco, and Giant Tiger are rapidly expanding their assortment of food products and now represent one of the fastest growing channels of distribution in the Canadian food industry. The objective of these stores is the same as the drug stores and convenience stores aligned with petroleum companies – that is, to capture the maximum amount of each consumer's shopping budget while the consumer is in the store.

Sales of food products in general merchandise stores were approximately 14% of the total food market in 2011. While still a small portion of the overall grocery sales of over \$88 billion, it represents a significant volume of food sales that were captured from the traditional grocery channel of distribution. Walmart plans on doubling its gross sales of food products by 2016.

Banners

Retailers in the food industry use a variety of "banners" or names of stores to differentiate themselves from the competition. The purpose of the banner is to signal to the consumer the

positioning of the store (or door) in respect to product price, level and range of services, product selection, and shopping experience.

Food retailers have traditionally used banners to denote one of four types of store "format":

1. Good food, fine food, great food, premium food
2. Discount, hard discount or super savings
3. Superstore, big box, bulk, wholesale
4. Convenience



There are a wide range of store formats in the good or great food category. They can range from the Thrifty Foods, Sobeys or Safeway format with the large produce areas, in-house bakeries and a cold and hot deli to the format of an Overwaitea or Family Foods format. Stores are usually in the range of 40,000 sq. ft. and offer a good range of products (10,000 plus).

The discount format has several variations which range from a great food format with a strong discount offering to hard discount stores like Buy Low or No Frills. Normally these stores



will range from 5,000 to 10,000 sq. ft and offer a limited range of products (7,000 plus).

The Superstore format, as the name suggests, has a footprint of over 150,000 sq. ft. and offer little in the way of a shopping experience but do offer a wide selection (18,000 plus) of products.

Pricing in these stores is usually lower than the fuller service, great food format but generally not as low as the hard discount stores.

The convenience format is generally a small format (1,500 – 2,500 sq. ft.) with a limited range of shelf stable and dairy products. This format is commonly associated with corner stores and gas bars. However, these stores are beginning to offer a wider selection of fresh products ranging from fresh fruit and vegetables to prepared sandwiches.

The new banner that is rapidly moving into the market is “ethnic”. Loblaw purchased the T&T chain of ethnic food stores and is expanding them into the major markets across Canada. Sobeys is “rebranding” Price Chopper stores to the Freshco banner in order to capture a greater share of the rapidly growing ethnic market in the Greater Toronto Area. The new and expanding banners represent the growing diversity of the Canadian population and the movement of ethnic food into the mainstream market. It should be noted that the “ethnic aisle” in many traditional grocery supermarkets such as Safeway, Save-on-Foods and IGA is expanding as the aisle becomes mainstream

The following is a listing of the more common food banners in Canada and their position in the market. The “Banner Position” that is used in this chart is fairly broad by definition and each position can be further divided into several parts.

Major Food Retail Banners - Canada 2010

CHAIN	BANNER NAME	TOTAL STORES	BANNER POSITION
National Chain			
Loblaw Company Ltd. (Westfair)	Real Canadian Superstore	143	Superstore
	Loblaw Superstore	19	Superstore
	Maxi & Cie	18	Superstore
	T & T Markets	12	Ethnic
	Dominion	12	Great Food
	Provigo	88	Great Food
	Fortino's	20	Great Food
	Loblaws	76	Great Food
	Zehrs	43	Great Food
	FreshMart	54	Great Food
	Your Independent Grocer	53	Great Food
	Shop Easy, Lucky		
	Dollar, Red & White	359	Great Food/Discount
	Valumart	62	Great Food/Discount
	Extra Foods	85	Great Food/Discount
	Supervalu	22	Discount
	Save Easy	48	Discount
	No Frills	173	Hard Discount
	Maxi	91	Hard Discount
Sobeys	Sobeys	282	Great Food
	Thrifty Foods	24	Great Food
	Traditions Markets	3	Great Food
	Rachelle Bery	19	Great Food
	IGA	314	Great Food/Discount
	Foodland	197	Great Food/Discount
	Freshco	10	Discount
	Price Chopper	107	Hard Discount
	Marche Bonichoix	92	Convenience
Regional Chains			
Metro	Metro	380	Great Food
	Marche Richelieu	95	Great Food
	Super C	63	Discount
	Food Basics	116	Hard Discount
	Ami	86	Great Food /Convenience
	Gem	266	Great Food /Convenience
	Extra	193	Convenience
Safeway Jim Pattison Group	Safeway	224	Great Food
	Overwaitea	14	Great Food
	Urban Fare	3	Great Food
	Save On Foods	77	Great Food
	Coopers	14	Great Food/Discount
	Priced Smart	17	Discount
	Bulkley Valley	1	Discount
	Buy Low	17	Hard Discount
	Nesters	8	Hard Discount

It is important to consider the positioning of a food product in one or more banners. For example, a product that is being positioned as a premium brand may look for distribution in the great food banners but stay away from the discount banners. However, it may be useful to note that when a product is “listed” with a major

food retailer, it is usually open to purchase by all the banners in the chain.

According to some reports, discount banners and discount/hard discount stores now represent approximately 40% of all the food sold in Canada.

The following chart identifies some of the key national and regional retailers who sell food.

Major Food Retailers Canada 2012

March 1, 2013

Food	Banner	Total	Western Canada			Eastern		Atlantic			
Retailer	Name	Stores	B.C.	Alta.	Sask./Man	Ontario	Quebec	NFLD	NB	PEI	NS
National Chains											
Loblaw Company Ltd. (Westfair)	Real Canadian Superstore	146	25	27	12	29			19	3	31
	Loblaw Superstores	19			7	12					
	Dominion	12						12			
	Provigo	88					88				
	T&T	19	8	4		7					
	Loblaws	76				43	33				
	Fortino's	20				20					
	Zehrs	44				44					
	Supervalu	22	22								
	Save Easy	48						8	21	4	15
	Shop Easy Foods,Lucky Dollar, Red& White	359	359								
	Valu-Mart	62				62					
	Freshmart	54				31	4	7	6		6
	Your Independent Grocer (YIG)	53				53					
	Extra Foods	85	26	19	31	9					
	No Frills	173	3	18	1	146			2		3
	Maxi	91					91				
	Maxi & Cie	18					18				
	Whsle - Cash & Carry	19									
	Whsle- Presto	11									
	Whsle - Real CDN	34									
Sobeys	Sobeys	290	5	73	28	102		14	22	5	41
	Thrifty Foods	29	29								
	Freshco	76				76					
	IGA	193	88			105					
	Foodland	197				157		3	15	2	20
	Price Chopper	296			1	7	261	8	7	2	10
	Tradition Markets	3					3				
	Rachelle Bery	19					19				
	Marche Bonichoix	92					92				

Major Food Retailers Canada 2012

March 1, 2013

Food Retailer	Banner Name	Total Stores	Western Canada			Eastern		Atlantic			
			B.C.	Alta.	Sask./Man	Ontario	Quebec	NFLD	NB	PEI	NS
Regional Chains											
Metro	Metro	377				159	218				
	Food Basics	119				119					
	Adonis	12					12				
	Super C	72					72				
	Marche Richelieu	142					142				
Safeway	Safeway	225	74	97	54						
Jim Pattison Group	Overwaitea	15	15								
	Save On Foods	78	53	25							
	Price Smart	17	17								
	Coopers	14	14								
	Urban Fare	3	3								
	Bulkley Valley	1	1								
	Buy Low	17		17							
	Nesters Market	8	8								
	Whsle- Buy Low										
	Whsle - Associated Grocers										
	Van-Whole Produce										
Federated CO-OP		304	28	50	226						
Northwest Company	Northern	127	127								
	Giant Tiger	202	1	13	21	106	51		6		4
	North Mart	7	7								
	Quick Stop	11	11								
	Whsle- Crescent Multi Foods	1	1								
Macdonalds Consolidated	Family Foods	68	2	14	46	6					
Marketplace (HY Louie)	IGA	45	45								
Calgary Co-op		23		23							
Atlantic Co-op		128						128			
Longo's		26				26					
Specialty											
Choices		8	8								
Community Natural		2		2							
Country Grocer		6	6								
Fairways		9	9								
Natures Fare		9	9								
Planet Organic		8	2	6							
Quality Food		9	9								
Whole Foods/Capers		8	4			4					

Major Food Retailers Canada 2012

March 1, 2013

Food	Banner	Total	Western Canada			Eastern		Atlantic			
Retailer	Name	Stores	B.C.	Alta.	Sask./Man	Ontario	Quebec	NFLD	NB	PEI	NS
Drug Store											
London Drugs		70	46	20	4						
Rexall		1800									
Shoppers Drug mart		1149									
Jean Couteau		360									
General Merchandise											
Wal-Mart	Wal-Mart	379	42	56	39	132	71	10	11	2	16
Costco	Costco	83	14	13	5	27	18	1	3		2
Target	Target	125	125								
Convenience											
Alimentation	Couche Tard	300					300				
Couche Tard	Depanneur 7 jours	281					281				
	Tabatou	298					298				
	Macs Convenience	886				777		109			
	Macs, Mikes Mart, Daisy Mart, Winks	283	283								
7-Eleven	7-11	457	457								
Drug Stores											
Shoppers Drug Mart	Shoppers	1149	1149								
Katz	Rexall	1500	1500								

As the chart indicates, various banners are used in specific areas of the country to capture market share. The banners offer a variety of store formats that have been designed to meet local demands for products and service. Consumers vote with their feet and the fact that all these formats and banners exist is a testament to the diversity of the market.

Banners come and go in the market and retailers are constantly revising and refreshing the stores and their selections to meet changing consumer tastes and demands.



Key Retail Indicators

Retailers generally use a combination of financial and performance indicators to gauge the success of their operations. There are several performance indicators that are important for a vendor to understand as a vendor will be judged on a set of criteria that have an impact on the retailer's performance indicators. If a vendor is not making a positive contribution to the achievement of these performance indicators then the vendor will be delisted or dropped.

1. Same store sales (year over year)
2. Retail sales per square foot
3. Inventory turnover



Same Store Sales

Perhaps one of the most important indicators on the performance of an operation is the yearly comparison of the sales of a store or stores. This comparison is different than the total sales of a store or stores in that it only compares the sales in a chain that has been open for more than one year. For example, many chain stores report increased sales in a year due to acquisitions or building new stores, yet same store sales can be flat or decline.

Same store sales are a good reflection of a store's market share, marketing, pricing, merchandising, operations, staffing and distribution among other things. The impact of vendors on this number can be quite significant in respect to deliveries of inventory, promotions, marketing of the products (the pull off the shelf), in store demos, packaging and new product introduction.

Retail Sales Per Square Foot

Real estate is one of the highest cost items for a retailer and this measurement gives a good indication of how well a retailer is using this valuable resource. Retail sales per square foot will vary by banner, by chain and geographic location. In 2011, retail sales per sq. ft. for Loblaw Company Limited stores were approximately \$1,100, at Sobeys \$1,863 and at Metro \$590. However, this raw number does not take into consideration that Sobeys had more convenience stores and drug stores while LCL had a wide range of franchise stores. While many food retail operations do not publish this number it is widely used in the industry as a critical gauge of the effectiveness of the retail operation.

Inventory Turnover

The number of times that a retail food store "turns" inventory or sells out inventory on an annual basis is a key gauge of the effectiveness of the pull of the product off the shelf. All products turn at a different rate and the turn rate is usually tied to margin expectations for the product. For example, if a store sells out of a particular jam product once a month then the jam is turning 12 times a

year; if the jam sells out every two weeks, the jam is turning 26 times per year. If the jam, like milk products sell out every two days then the jam is turning over 180 times per year.

Turns reflect consumer demand and consumption of the product and the objectives, for both the vendor and the retailer, is to have a product with high turns and high margins. For example, a premium priced jam may have a lower turn rate than a moderately price jam. However, the higher priced jam may generate higher margins per item sold than the more modestly priced jam. Turns are also impacted on where in the store a product is located or if the product is grouped with competitive, complementary or like products.

Shelf Position and Product Location

The turn rate of a product is influenced by many factors, not the least of which is where in a store a product is placed. If a jam product is placed beside condiments such as mustard and barbecue sauce the turns will be negatively affected. If the product is placed beside other jams then the turn rate will increase significantly. In some instances the product is placed in two or more locations in the store in order to increase exposure. It is important to remember that over 75% of purchase decisions are made as the consumer “scans the shelf” looking for a product. The scan may only take 3 seconds and in that time the consumer will decide to pick up a product or not.

Recent studies indicate that location on the shelf is not as critical as previously thought, provided the consumer can actually see the product and reach the product on the shelf.

Everyone has seen the “climbers”, people who literally climb up a shelf to reach a product. Many stores use the upper shelf for storage of inventory while other retailers use the space for display. The upper shelves are usually six feet high; the average female consumer is five feet four inches tall. Female consumers purchase over 80% of all grocery items sold in Canada.





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The Agriculture Council of Saskatchewan (ACS) Inc. has developed this electronic guide for the Canadian Grocery Retail Industry as part of its continuing efforts to support the agriculture and agri-food industry and develop the capacity and tools for food growers and processors to enter the Canadian Grocery Retail Industry.

The purpose of the guide is to provide food growers and processors with a better understanding of the Grocery Retail Industry and how to tap into business opportunities within it. ACS has engaged Ackerman & Associates, consultants to the Grocery Retail Industry, to help create this powerful reference tool. Ackerman & Associates is an alliance of senior consultants focusing on business strategy support – research, value chain design and implementation – for the Grocery Retail Industry.

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Agroalimentaire Canada**



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