How Retailers Are Dealing With Slow Growth And Strategies They Use To Reduce Price Impacts

Presented by,

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Mission

The Food Institute strives to be the best **single source** for information about the food industry **from farm to fork**.

The association provides balanced coverage of food trends through multiple ways so that industry professionals worldwide can tap in when and how they

Sluggish Growth At Retail In 2017, Particularly Supermarkets

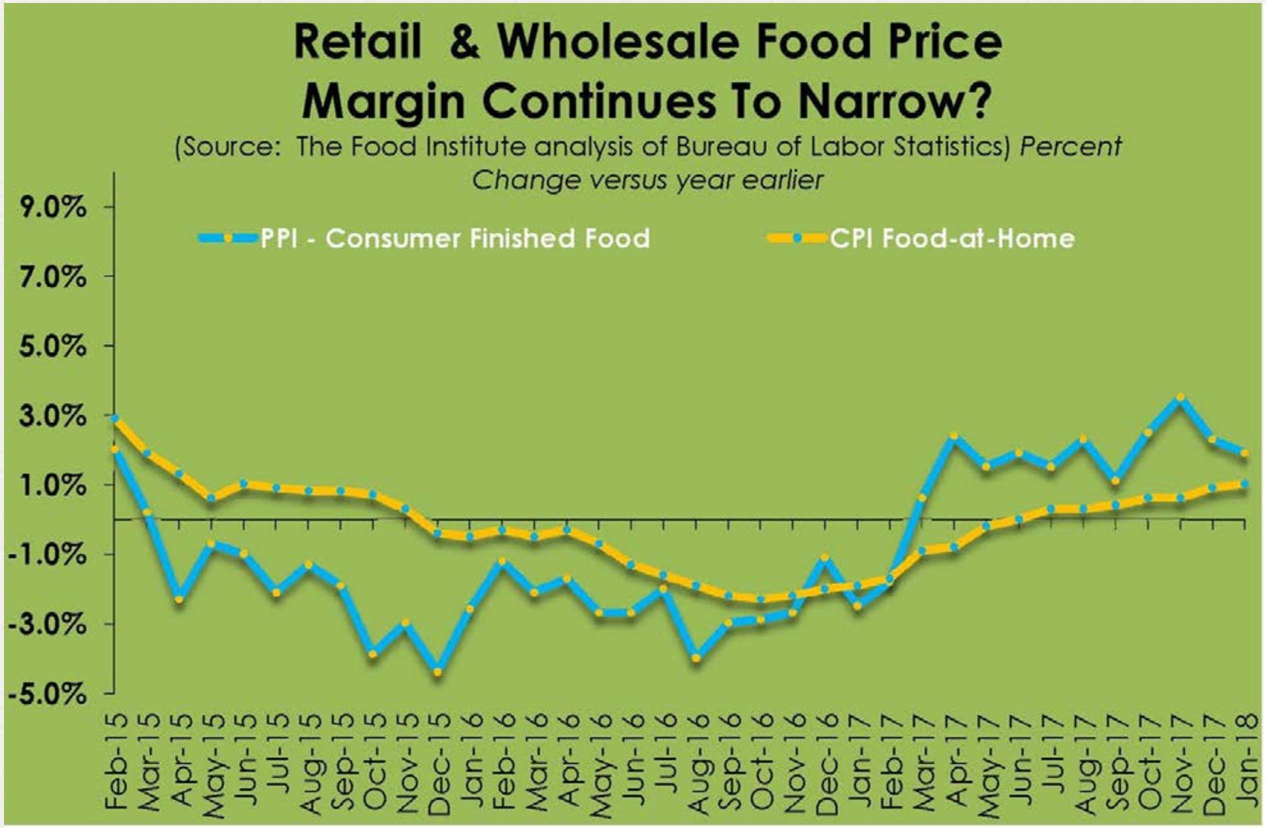
REVISED RETAIL FOOD STORE PERFORMANCE - JANUARY

(Food Institute analysis of Census Bureau data)

	TOTAL, FOOD & BEVERAGE STORES:			GROCERY STORES TOTAL:			SUPERMARKETS:			BEER, WINE & LIQUOR STORES		
Millions:	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**
JAN	$ 57,266	$ 56,978	0.5%	$51,925	$ 51,824	0.2%	$ 49,813	$ 49,890	-0.2%	$3,672	$3,590	2.3%
FEB	$ 53,865	$ 54,204	-0.6%	$48,490	$ 48,804	-0.6%	$ 46,407	$ 46,879	-1.0%	$3,703	$3,747	-1.2%
MAR	$ 59,485	$ 58,170	2.3%	$53,481	$ 52,336	2.2%	$ 51,112	$ 50,188	1.8%	$4,184	$4,017	4.2%
APR	$ 58,782	$ 56,375	4.3%	$52,677	$ 50,627	4.0%	$ 50,204	$ 48,482	3.6%	$4,188	$4,075	2.8%
MAY	$ 61,237	$ 59,344	3.2%	$54,666	$ 53,132	2.9%	$ 52,066	$ 50,821	2.4%	$4,578	$4,357	5.1%
JUNE	$ 59,636	$ 58,603	1.8%	$53,107	$ 52,381	1.4%	$ 50,577	$ 50,026	1.1%	$4,606	$4,423	4.1%
JULY	$ 60,664	$ 59,897	1.3%	$54,027	$ 53,385	1.2%	$ 51,440	$ 50,866	1.1%	$4,726	$4,692	0.7%
AUG	$ 60,423	$ 58,607	3.1%	$53,902	$ 52,414	2.8%	$ 51,356	$ 49,988	2.7%	$4,577	$4,421	3.5%
SEPT	$ 59,305	$ 57,354	3.4%	$52,987	$ 51,268	3.4%	$ 50,446	$ 48,981	3.0%	$4,470	$4,371	2.3%
OCT	$ 59,804	$ 58,550	2.1%	$53,421	$ 52,424	1.9%	$ 50,904	$ 50,160	1.5%	$4,468	$4,372	2.2%
NOV	$ 61,195	$ 58,887	3.9%	$54,370	$ 52,431	3.7%	$ 51,998	$ 50,264	3.4%	$4,774	$4,605	3.7%
DEC	$ 66,980	$ 64,583	3.7%	$ 58,043	$ 55,955	3.7%	$ 55,697	$ 53,760	3.6%	$6,154	$5,963	3.2%
JAN - DEC	**$ 718,642**	**$ 701,552**	**2.4%**	**$ 641,096**	**$ 626,981**	**2.3%**	**$ 612,020**	**$ 600,305**	**2.0%**	**$ 54,100**	**$ 52,633**	**2.8%**
Millions:	**2018**	**2017**	**% Chge.**	**2018**	**2017**	**% Chge.**	**2018**	**2017**	**% Chge.**	**2018**	**2017**	**% Chge.**
JAN	$ 59,731	$ 57,266	4.3%	$ 54,270	$ 51,925	4.5%		$ 49,813	---		$ 3,672	---

Proprietary Information: Food Institute LLC, Upper Saddle River, NJ

Retailers Absorbed Increased Costs Throughout 2017



Proprietary Information: Food Institute LLC, Upper Saddle River, NJ

Expenditures For Food At Home Up 2.4% In 2017 Says BEA

- Personal consumption expenditures for off premise food up 2.4% in 2017 vs. 2016

- **Less 0.2% deflation, puts "real" sales up an estimated 2.6%**

What A Year:
M & A Activity Took Off

Proprietary Information:
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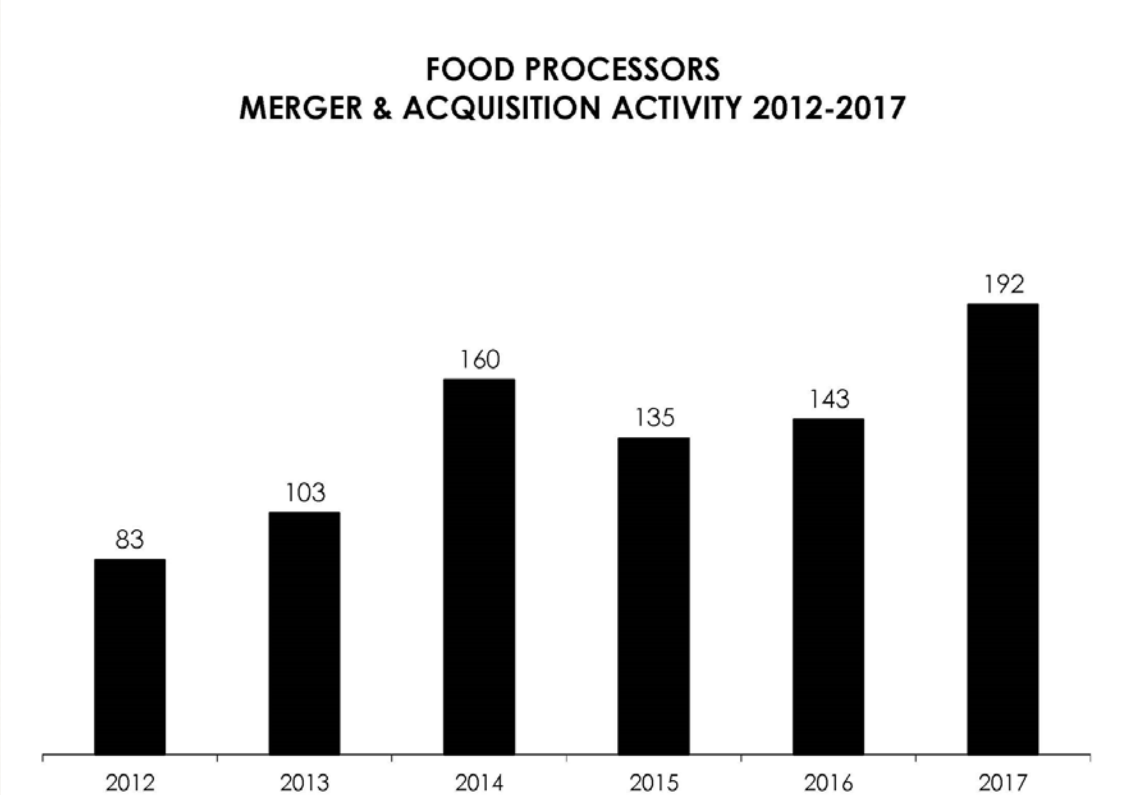
FOOD INDUSTRY MERGER & ACQUISITION ACTIVITY BY CATEGORY 2012-2017

(Source: Exclusive Food Institute Analysis)

CATEGORY OF PURCHASING ENTITY	2017 Announced, Not Closed	2017 Closed	2016 Announced, Not Closed	2016 Closed	2015	2014	2013	2012
					FULL YEAR			
Agricultural Cooperatives	**0**	**3**	**0**	**1**	**0**	**7**	**2**	**0**
Brokers	**0**	**4**	**0**	**3**	**2**	**4**	**14**	**17**
Consultants & Other Service Providers	**1**	**8**	**1**	**4**	**16**	**10**	**16**	**13**
Diversified Firms with Food Industry Interests	**10**	**30**	**4**	**15**	**17**	**30**	**13**	**21**
Food Processors	**19**	**173**	**10**	**133**	**135**	**160**	**103**	**83**
Bakers	0	7	0	6	10	12	6	7
Confectioners	2	8	1	6	7	8	5	5
Dairy	3	20	2	9	12	16	14	7
Fruit & Vegetable	1	22	0	16	12	14	12	11
Meat	1	13	0	15	14	10	8	2
Multi-Product	10	57	4	34	40	68	39	29
Poultry	0	7	0	4	4	5	2	1
Seafood	1	9	0	11	9	2	0	3
Snack Food	0	9	0	10	4	7	5	6
Other Processors	1	21	3	22	23	18	12	5
Investment Firms & Banks	**7**	**102**	**1**	**77**	**60**	**78**	**47**	**52**
Packaging & Equipment Suppliers	**1**	**15**	**2**	**9**	**16**	**13**	**5**	**6**
Raw Product & Ingredient Suppliers	**3**	**23**	**3**	**18**	**12**	**24**	**11**	**10**
Restaurants & Foodservice	**8**	**64**	**1**	**58**	**36**	**61**	**22**	**34**
Institutional/Vending Foodservice	1	6	0	0	0	1	0	3
Restaurants	7	47	0	51	36	60	22	31
Restaurant Delivery/Other Online Foodservice	0	11	1	7	N/A			
Retailers	**5**	**58**	**2**	**98**	**76**	**70**	**41**	**48**
Convenience Stores	0	21	1	45	36	20	10	23
Supermarkets	2	20	0	36	29	36	28	19
Other Retailers	3	17	1	17	11	14	3	6
Soft Drink/Water/Juice - Bottlers & Manufacturers	**4**	**24**	**7**	**23**	**19**	**19**	**9**	**8**
Wholesalers & Distributors	**1**	**22**	**1**	**28**	**8**	**19**	**17**	**21**
Foodservice Distributors	0	15	1	17	4	9	16	17
Grocery Wholesalers	1	7	0	11	4	10	1	4
Unclassified	**0**	**7**	**0**	**6**	**13**	**8**	**9**	**3**
TOTAL	**59**	**533**	**32**	**473**	**410**	**503**	**309**	**316**

A 34% Increase In Acquisitions By Manufacturers



Proprietary Information: Food Institute LLC, Upper Saddle River, NJ

That Surge Was Less Intense At Supermarkets …

Proprietary Information: Food Institute LLC, Upper Saddle River, NJ

..But Was Overshadowed By A Single Deal

Other Chains Split Up

fresh ENCOUNTER

Remke Markets

Kroger

marsh EXPERTS IN FRESH

SpartanNash

Hansen's IGA

FAMILY FOODS

GREAT LAKES FRESH MARKET

Gordy's Market

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More On Those “Alternative” Food Retailers

ALTERNATIVE RETAILER PERFORMANCE - JAN 1 - DEC. 31

(Food Institute analysis of Census Bureau data)

	WAREHOUSE CLUBS & SUPERCENTERS				DRUG STORES & PHARMACIES				E-SHOPPING & MAIL ORDER			
Millions:	**2017**	**2016**	**% Chge.**	**Est. 2017 Food Sales***	**2017**	**2016**	**% Chge.**	**Est. 2017 Food Sales***	**2017**	**2016**	**% Chge.**	**Est. 2017 Food Sales***
JAN	$34,693	$34,058	1.9%	$ 13,357	$22,254	$22,164	0.4%	$ 935	$40,364	$34,735	16.2%	$ 848
FEB	$34,697	$34,630	0.2%	$ 13,358	$21,126	$22,393	-5.7%	$ 887	$37,891	$34,943	8.4%	$ 796
MAR	$37,413	$37,289	0.3%	$ 14,404	$23,232	$23,550	-1.4%	$ 976	$44,061	$38,819	13.5%	$ 925
APR	$37,472	$36,037	4.0%	$ 14,427	$22,249	$22,648	-1.8%	$ 934	$41,275	$37,272	10.7%	$ 867
MAY	$38,539	$37,833	1.9%	$ 14,838	$23,568	$23,088	2.1%	$ 990	$44,373	$38,847	14.2%	$ 932
JUNE	$38,283	$36,889	3.8%	$ 20,099	$22,691	$22,694	0.0%	$ 953	$43,294	$38,747	11.7%	$ 909
JULY	$38,400	$37,751	1.7%	$ 20,160	$21,986	$22,158	-0.8%	$ 923	$42,584	$37,763	12.8%	$ 894
AUG	$38,976	$37,533	3.8%	$ 20,462	$22,967	$22,994	-0.1%	$ 965	$44,733	$40,556	10.3%	$ 939
SEPT	$37,062	$34,555	7.3%	$ 19,458	$22,032	$22,222	-0.9%	$ 925	$42,021	$39,148	7.3%	$ 882
OCT	$38,459	$37,401	2.8%	$ 20,191	$23,157	$22,115	4.7%	$ 973	$43,925	$39,757	10.5%	$ 922
NOV	$41,762	$39,817	4.9%	$ 21,925	$22,525	$21,881	2.9%	$ 946	$55,215	$48,837	13.1%	$ 1,160
DEC	$50,002	$46,758	6.9%	$ 26,251	$24,453	$24,528	-0.3%	$ 1,027	$67,076	$61,433	9.2%	$ 1,409
JAN - NOV	**$465,758**	**$450,551**	**3.4%**	**$218,929**	**$272,240**	**$272,435**	**-0.1%**	**$11,434**	**$546,812**	**$490,857**	**11.4%**	**$11,483**

And On the Horizon Another Big Deal

Portion not being sold to Walgreens Boots Alliance

"The merger is the best way for them to compete in businesses increasingly threatened by Amazon.com Inc., along with an emboldened Walmart,"
said execs from both firms,
The Wall Street Journal

Competition
Away-From-Home

RESTAURANT INDUSTRY PERFORMANCE - JANUARY

(Food Institute analysis of Census Bureau data)

	EATING & DRINKING PLACES:			FULL SERVICE RESTAURANTS:			LIMITED SERVICE RESTAURANTS:			DRINKING PLACES		
Millions:	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**	**2017**	**2016**	**% Chge.**
JAN	$52,437	$50,279	4.3%	$23,496	$22,857	2.8%	$22,700	$21,500	5.6%	$2,062	$1,878	9.8%
FEB	$52,093	$51,782	0.6%	$23,343	$23,438	-0.4%	$22,160	$22,059	0.5%	$2,066	$1,861	11.0%
MAR	$59,255	$56,193	5.4%	$26,337	$24,964	5.5%	$25,566	$24,555	4.1%	$2,426	$2,019	20.2%
APR	$57,537	$56,726	1.4%	$25,356	$24,961	1.6%	$24,818	$24,422	1.6%	$2,282	$1,978	15.4%
MAY	$58,972	$57,466	2.6%	$25,764	$25,067	2.8%	$25,902	$25,103	3.2%	$2,368	$2,016	17.5%
JUNE	$57,423	$55,038	4.3%	$25,080	$23,728	5.7%	$25,658	$24,619	4.2%	$2,294	$1,880	22.0%
JULY	$57,228	$56,392	1.5%	$24,979	$24,465	2.1%	$25,852	$25,373	1.9%	$2,372	$2,038	16.4%
AUG	$57,197	$55,467	3.1%	$24,781	$23,859	3.9%	$25,739	$25,015	2.9%	$2,325	$1,986	17.1%
SEPT	$55,685	$54,452	2.3%	$23,712	$22,887	3.6%	$24,262	$23,629	2.7%	$2,394	$2,057	16.4%
OCT	$56,713	$55,793	1.6%	$24,163	$23,810	1.5%	$24,718	$24,218	2.1%	$2,447	$2,151	13.8%
NOV	$54,336	$53,193	2.1%	$23,683	$22,820	3.8%	$23,393	$23,380	0.1%	$2,303	$2,003	15.0%
DEC	$59,702	$57,295	4.2%	$27,735	$25,906	7.1%	$24,770	$24,208	2.3%	$2,488	$2,147	15.9%
JAN - DEC*	**$678,578**	**$660,076**	**2.8%**	**$298,429**	**$288,762**	**3.3%**	**$295,538**	**$288,081**	**2.6%**	**$27,827**	**$24,014**	**15.9%**
JAN	$53,374	$52,437	1.8%	$23,916	$23,496	1.8%	$23,106	$22,700	1.8%	$2,224	$2,062	7.9%

* Full-service, limited service, and drinking place data for latest month and year-to-date as estimated by The Food Institute.

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Eyeing Bankruptcy Filing?

Some Strategies Employed

- **Fast moving consumer good sales are shifting across the store**, with fresh foods leading growth across the entire store, with ready-to-eat deli prepared meals representing 60% of the entire deli department.
- **Retailers took a page from meal kit producers as some stumbled**
- **Supermarkets embraced the grocerant trend**
- **Home delivery interest surged and Instacart was there to respond, along with many others such as Shopper Kit.**
- **Increased focus on local; Farmers markets with produce departments**
- **Americans purchased 625 million rotisserie chickens at supermarkets in 2017**, according to Costco and Nielsen. A total of 87 million chickens were sold at Costco in 2017, compared to 51 million in 2010. Chains strive to keep the price of the chickens down, as they serve as an incentive for customers to buy higher-priced side dishes.

Industry Experts Since 1928

“Our reporting has evolved with developments in the industry, but the basic premise of getting the correct information, and getting it fast enough that people can act on it, has never changed.”

Brian Todd
Food Institute President &CEO

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Daily Information to Manage Your Business

TODAY in FOOD

April 13, 2015

MEMBER PROFILE

Pear Bureau Northwest

The Pear Bureau Northwest is a non-profit marketing organization that develops and supports national and international markets, and conducts research, for fresh USA Pears grown in Washington and Oregon on behalf of 1,600 growers. Headquartered near Portland, OR, the Pear Bureau Northwest provides promotional materials and marketing support for nationwide, regional and international retail, food service and school food service programs. The Pear Bureau Northwest hosts the largest website dedicated to fresh pears at: www.usapears.org.

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INDUSTRY NEWS

Dessert coffees will be one of the major non-alcoholic drink trends for spring 2015, according to Mintel. Cane sugar will replace most high fructose corn sugar in drinks this season, while lemonades, low sugar juices, and vegetable drinks will be in high demand. Full Story

Chipotle may raise beef prices between 4% and 6% this year due to increasing meat prices. In addition, the company may face higher prices on tortillas due to eliminating additives. Tortillas are the only item on Chipotle's menu that currently uses preservatives, reported *Chicago Tribune*. Full Story

Lunchables Uploaded, Chobani Simply 100, and DiGiorno pizzeria! were top food launches in 2014, according to IRI's *2014 New Product Pacesetters* report. The top 100 food and beverage products averaged year-one dollar sales of $35 million. Greek yogurt launches captured four top 10 spots, and restaurant crossovers were increasingly popular, such as Starbucks Iced Coffee and Olive Garden Signature Salad Dressing. Full Story

H-E-B launched a new app for grocery shoppers. The app allows users to manage their grocery lists, find out if a product is available at the neighborhood store and redeem digital coupons, reported *Houston Chronicle*. Full Story

PepsiCo's snacks unit saw volume sales climb 3% in North America, driven by new product introductions. Snack volumes rose in Asia, the Middle East and Africa

FI NEWS

Over 200 class action lawsuits were filed against many major food companies over the past several years.

A Primer about the Ongoing Epidemic of Class Action Lawsuits Challenging Food Claims, authored by OFW Law, can help food manufacturers understand what will make them susceptible to class action suits, such as the popular claim "natural," and what they can do to decrease their risk. Read More>>

For more information
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