Grocery Update: A Whole New Ball Game

Panelists:
Elliott Olson, Dakota Worldwide
Jim Homccker, SUPERVALU
Minneapolis Shopping Center Association

Changes in Food Retailing

2015

Elliott Olson
Change is Natural

Successful people in real estate have a platonic ideal of always being in a state of becoming.
Market Share

Everybody loves to see market share
(the sports page of business)
Country Club

0%
Red Owl

0%
National Tea

0%
Applebaum’s

0%
Penny’s

0\%
2013 Market Share

gross sales

- Cub Foods: 29.8%
- Target: 17.3%
- Wal-Mart: 13.2%
- Rainbow: 10.0%
- Lunds/Byerly’s: 7.4%
- Kowalski’s: 1.7%
- County Market: 1.6%
- Knowlan’s: 1.5%
- Nash Finch: 1.4%
- Co-op’s: 2.3%
- Coborn’s: 2.8%
- Aldi: 3.0%
- Independents: 4.9%
- Natural Foods: 1.4%
- Trader Joe’s: 1.8%
- Kowalski’s: 1.7%
- Knowlan’s: 1.5%
- Nash Finch: 1.4%
- Cub Foods: 29.8%
Sparks of Change

- Population growth resumes in the core cities.
- MSA will gain 783,000 in next thirty years
- More racially and ethnically diversity.
- Propensity of people to cluster.
- 2000-2010 growth rates:
  - 75% Hispanic
  - 60% Black
  - 51% Asian
  - 11% Am Indian
  - 3% White
Sparks of Change

- Blurring of classes of trade
- Increased population density decreases the range needed for a supporting threshold.
- Distributed refrigeration lowering costs and ease of entry for dollar stores and drug stores.
- Obsolescence of older stores.
- Poor performance of some stores.
- New competitors: Whole Foods, Trader Joe’s, Aldi
- Competitors coming soon: Fresh Thyme, Hy-Vee
- On their radar? WM Neighborhood Markets, Meijer’s
Sparks of Change

- Diverse life styles even within the family unit: schedules, food choices
- Health concerns about food: Organic, natural, pesticides, antibiotics, hormones, gluten free, lactose free, et.al.
- Home is less frequently the shopping point of origin.
- Percent of food dollar spent away from home is increasing.
- Many food service sections of supermarkets cater to workplace population.
Size, Price & Variety
Still Matter

Wegmans       WinCo
Woodman’s     Walmart
Thank You
Grocery: A Whole New Ballgame - Or Is It?

Jim Hornecker
SUPervalu Real Estate

May 5, 2015
“This is my mother. She just came to live with me. She’s from Russia. This is her first time in an American grocery store. She’s crying because she’s never seen this much food in her life.”
• Many of today’s big grocery companies started out fairly similar
• The beginnings are humble
• Usually one man starts selling a few dry goods – tea, milk, sugar, salt, flour
• He makes deliveries. He sells out of a wagon.
MSCA

The Automobile

- Car: 1st big game changer in grocery stores in the past 125 yrs
- Larger stores
- Better distribution
- Parking lots
- Stores went from 1,000 SF to 10-15,000
- Shift to self-service
• Checking out clotheslines
• Joe Albertson famously drove neighborhoods looking at clotheslines for kids clothes to identify growing areas
MSCA

Refrigeration

- Synthetic Freon invented in 1930
- Ice houses became the old technology
- People bought fridges
- Refrigerated and frozen cases proliferated
- Changed the way people shopped and how stores were built
In 1974 a UPC scanner was used for the first time in a grocery store.
The first item was Wrigley gum – now in the Smithsonian.
Checkouts were faster.
Databases and pricing practices led to increased variety – and bigger stores.
The advent of the dryer meant we needed a new sales forecasting tool.

Supervalu invented S.L.A.S.H. in the 70’s.

- Site Location Analysis Strategy Heuristically

The first application of statistical gravity model to grocery sales forecasting.

Now the industry norm.
“If I have seen a little further, it is by standing on the shoulders of Giants.”
- Sir Isaac Newton
• Food is elemental to life
• We eat 3 times a day
• It drives our behavior
• It is core to survival, family, religion, community
• You are what you eat
• The grocery store is a mirror of the community
In 2013 SUPERVALU unwound the 2006 Albertson’s acquisition. The 2006 deal made SVU the #2 supermarket chain in the country. Now more focused than ever on sales and cashflow.
• SVU has three parts:
  • Retail Food: 5 banners operating nearly 200 supermarkets
  • Save-A-Lot: Over 1300 corporate and licensed edited assortment, hard discount stores
  • Wholesale: Coast-to-coast grocery service to nearly 2,000 stores
• Total sales: about $17B
MSCA

SUPervalu in MN

• 78 corporate and franchise Cub stores in MN
• One, soon to be two, Hornbacher’s in MN
• Supply many independents: Jerry’s, Radermacher’s, Lunds & Byerlys, Festival, County Market, Coborn’s, and others
MSCA

- Supervalu led an acquisition of 18 Rainbow stores in 2014
- 5 corporate Cubs: Uptown, Arcade, Eagan Town Centre, West End, Lakeville (Argonne)
- 5 franchise Cubs: Quarry, Oakdale, Roseville, Chaska, Plymouth (169 & 55)
- 2 corporate Rainbows: Maplewood, Midway
- 4 licensed Rainbows: Plymouth (55 & 24), Richfield, Lake & Hiawatha (now closed), West St. Paul (now closed)
- 2 Byerly’s: Eden Prairie, Woodbury
• New Hornbacher’s opening in Moorhead in June 2015
• First new Hornbacher’s since 2006
• New look.
• 61,000 SF store
MSCA

New Cub in White Bear Lake

• Opening December 2015
• First grounds up Cub since 2008
• 61,000 SF store
• 12,000 SF liquor store
• New look
MSCA

SUPervalu is Growing

• Cub is growing
• SV Independents are growing
  • New Jerry's Foods in Woodbury
  • Franchise Cub in Alexandria
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Q&A

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