**Grocery and Specialty Food West-2016**

**Introduction:**

My name is Frank Yeo and I am Publisher and Editor of Western Grocer magazine. This is a very special year for us at the magazine because we are celebrating 100 years of service to the grocer industry in western Canada.

What are the principal determinants driving and shaping the grocery industry in western Canada over the next several years and what it will mean for independents?

Yesterday, I moderated the Panel of Independents and we had some great insights into what some of the current challenges are to independent grocers today.

This presentation will look at the recent consolidations in the western market and how that has changed the game. It will address the fundamental socio-economic factors shaping the industry ranging from changing demographics, including the increasing importance of ethnic consumers, to the rise of new technologies.

**The Changing Consumer**

Let us start with how today’s consumer is changing. These changes have been multi-dimensional. First, we are facing a very fundamental generational shift as the Baby Boomers pass the torch to the so-called “Millennial” generation, or those born between 1980 and 2000.

**The balance of spending will shift by 2020 when millennials are expected to number 10 million and represent 26% of the population, surpassing baby boomers.**

# By 2030 they will make up 75% of workforce

No matter how persistent they are, companies have trouble selling stuff to this important new demographic when they use traditional, time-tested marketing techniques.

**Meet Consumer Needs at all Points on Path to Purchase by Integrating in-store and on-line shopping experiences**

# Deals Account for 31% of Purchases

# Not Clipping Coupons-Using Apps such as Amazon Mobile

# Online shopping grew at +43% and represents a 1.9% share of sales

While this generational shift is very significant, equally as important is the growth of the ethnic consumer.

Nielsen forecasted that between 2013 and 2017, Canada will have seen an influx of 800,000 visible minority consumers.

By 2031, visible minorities will account for one-third of Canada’s population.

South Asians and Chinese also account for a sizable portion of the North American population, as Nielsen projects this group to grow to 6.3 million in Canada alone by 2031. Over the next 10 years, approximately 70% of all growth in Canadian consumer spending will come from East Asian and South Asian consumers

 20% of Canada’s total population is foreign-born. That’s 6.8 million people, or 1 in 5 Canadians

Every year 250,000 new immigrants arrive in Canada. That’s one million potential new customers every four years

 Of Canada’s 6.8 million immigrants, just over 90% live in four metropolitan areas: Toronto (47%), Vancouver (45.2%), Calgary (28.1%), and Montreal (20.3%)

**The Changing Market**

It probably didn’t come as much of a shock to anyone in the grocery industry that Sobey’s decided to close down up to 50 stores, the majority of them in western Canada. Indeed, this is what consolidation is all about: serve the same size market with less capital investment making existing stores more profitable.

Sobey’s has claimed that these stores were underperforming locations and as part of its efforts to realize $300 million in annual savings from the acquisition of Safeway it only made sense to close them down. When Sobeys was earlier forced by the Competition Bureau to divest some of the newly acquired stores there were others who eagerly stepped into the breach to snap the locations up-for Co-Op it provided an opportunity to enter markets it did not have a significant presence in before. The Northwest Co. purchased the only Price Chopper location in Winnipeg.

Thus far, however, Sobeys has said it will *close down* the stores instead of selling them. The company said, in fact, that its planned closures will remove 1.5 million square feet from the national grocery store market. But something still has to be done about the real-estate. The most likely scenario is that these locations may provide an opportunity for an independent grocer or an ethnic chain to expand; otherwise they will simply be shuttered.

But will anyone now be interested in taking over what were underperforming locations? With the acquisition of Safeway, which made Sobey’s the preeminent player in the West, can we expect to see further developments with new players coming into the market?

With the recent announcement that Save-On Foods will be opening two locations in Winnipeg, and plans afoot for expansion in Saskatchewan, Jimmy Pattison’s Overwaitea Food Group is making the jump to become a fully regional player in western Canada, a move that has been anticipated now for some time. The move makes all the more sense with Sobey’s purchase of Canada Safeway, the consequences of which are now unfolding with greater rationalization through store closures and consolidation and automation of warehouses throughout the West. Once again, the West will have two very strong players vying for the consumer dollar.

Save-On Food’s expansion across the West means that it is now very unlikely that Metro will undertake any initiative here...unless it is making a pitch for Save-On itself, which was also widely rumoured for some time. But it seems pretty clear that the Pattison Group is not very interested in that at this juncture. Indeed, the company seems intent on continuing to build its footprint and with Sobey’s still shedding locations and closing warehouse operations (it was recently announced that the entire King Edward operation in Winnipeg will be shuttered) there will be plenty of real estate available.

**The Mobile Customer/ New Technologies**

We have all seen depictions of the future world of marketing where consumers are targeted as they walk through a mall or store with personalized messages, perhaps delivered by a holographic image or on a smart phone, based on intimate knowledge of their buying habits or patterns, acquired through extensive data mining.

POS systems-giving greater control to management of key functions, better information with which to make critical purchasing and merchandising decisions.

Today’s customer is more connected than ever. Just over the last year Smartphone use has increased 11% in Canada.

As a result, grocery stores will have to be a active in this domain by monitoring social media as any other industry that engages consumers.

It is not so much social media, however, as it will be the way Smartphone’s are used in the future to make payments, acting as an electronic wallet and in the process to collect valuable customer data.

We have already seen the roll out of new payment apps that can be tied to loyalty programs and POS terminals equipped with near-field communications capabilities.

This will give retailers the ability to communicate directly with their customer as they enter the store based on an extensive data base of their purchasing history.

But even on the social media side, grocery stores should be monitoring more closely than they do what their customers are saying about them. A new study by [Interactions Marketing](http://www.interactionsmarketing.com/) on consumer trends found that 91 percent of women surveyed conduct online research before making any purchase. Additionally, 37 percent use their phones to conduct research during their shopping trip. 8.5% of customers in the 18-29-year-old bracket say that reviews on social media sites are their preferred source of product information.

Smartphones are changing the way consumers shop and we are just at the beginning of that change. How it will pan out in the years to come will have to be seen but rest assured it will mean a more active engagement with customers in the future.