

FOOD FIGHT: GROCERY PLAYERS BATTLE FOR MARKET SHARE

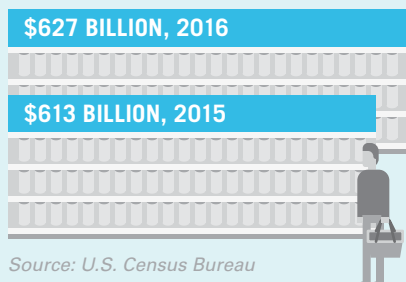
The grocery industry is highly competitive, with traditional supermarket retailers facing pressure from alternative formats, including supercenters, club stores, limited assortment discounters, dollar stores, and drug stores. The resulting pressure has squeezed profits and driven consolidation, which will be further exacerbated by Amazon's proposed purchase of Whole Foods.

DIGESTING THE CHANGES

While overall industry revenues are up, comparable store sales have been challenged and profits are down due to food price deflation and the use of promotions by retailers.

▲ **2.2%**
U.S. SUPERMARKET
INDUSTRY GROWTH

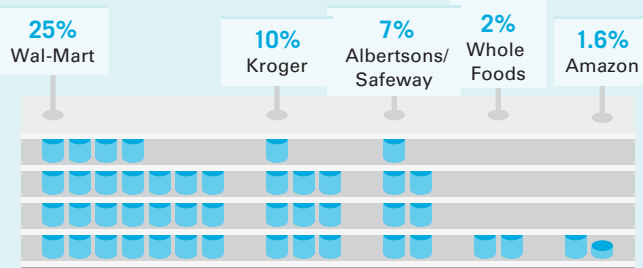
▼ **5%**
U.S. SUPERMARKET PROFIT
2015 TO 2016



Source: Moody's

Source: U.S. Census Bureau

MARKET SHARE:

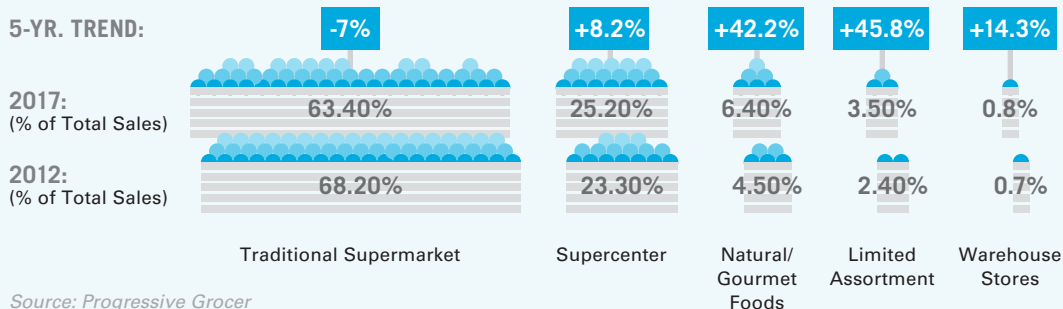


Source: Wall Street Journal

TAKING A BITE OUT OF BUSINESS

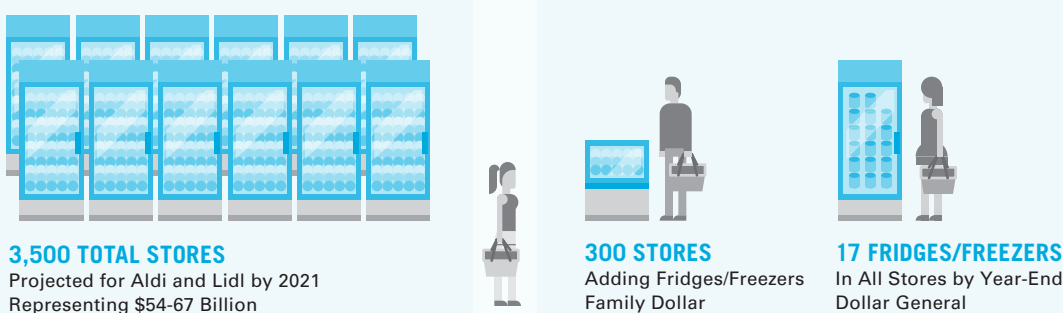
Traditional supermarkets are losing market share to a variety of alternative channels. While limited assortment discounters are aggressively growing, non-traditional grocers are expanding their food offering, especially in perishable items.

PERCENTAGE OF SALES BY INDUSTRY CHANNEL:



Source: Progressive Grocer

NON-TRADITIONAL GROCERS:

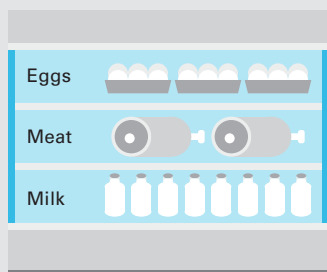


A SMALLER PIECE OF THE PIE

Food price deflation has continued since the second half of 2015, eating into top-line sales, creating price competition, and impacting profitability.

Source: U.S. Bureau of Labor Statistics

CATEGORIES MOST IMPACTED:



▼ **1.3%**
SUPERMARKET PRICES
2015 to 2016
First annual decline in 50 years

▼ **KROGER COMPARABLE STORE SALES**
Second straight quarter of decline after 13 consecutive years of growth

POINT, CLICK, COOK

As traditional retailers adapt using click-and-collect, players like Amazon and Wal-Mart have been testing grocery pick-up, unmanned kiosks, direct delivery, and third parties like Instacart.

ONLINE GROCERY SALES:

2%
OF TOTAL
GROCERY INDUSTRY

Source: Kantar Retail

▲ **17%**
GROWTH:
2016-2017
Representing
\$24 billion

Source: CreditIntell

20%
OF TOTAL U.S. FOOD
AND BEVERAGE SALES
PROJECTED IN 2025

Source: FMI-Nielsen

PRIME REAL ESTATE

Amazon Proposed Acquisition of Whole Foods

\$21.7 BILLION:
Combined Current
Grocery Sales

\$6 BILLION
Amazon's Current
Grocery Sales

\$15.7 BILLION
Whole Foods' Current
Grocery Sales



AN INDUSTRY WITH A LOT ON ITS PLATE

While still a statistically small segment of the industry, Amazon's acquisition of Whole Foods will pressure traditional grocers to up their technology game—not only in e-Commerce, but in big data and analytics. As this will require capital investment, some observers expect further pressure on profits and continued consolidation.

TO LEARN MORE, DOWNLOAD GA'S GROCERY MONITOR AT GREATAMERICAN.COM/RIGHTONTHEMONEY