

44511 – Supermarkets & Grocery Stores in the US

Key Statistics Snapshot

Revenue

\$654.6bn

Annual Growth 14–19

0.9%

Annual Growth 19–24

1.0%

Profit

\$10.5bn

Wages

\$66.5bn

Businesses

42,470

Market Share

Kroger

16.4%

Albertsons

9.7%

Publix Super Markets Inc.

5.7%

Revenue vs. employment growth



Per capita disposable income



SOURCE: WWW.IBISWORLD.COM

Key External Drivers

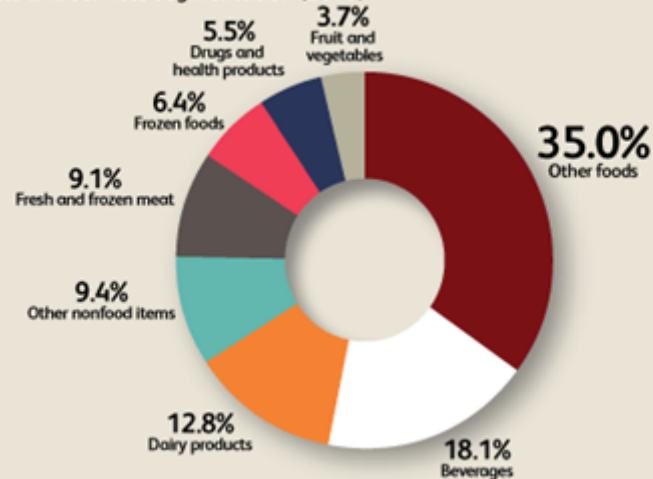
Per capita disposable income

Agricultural price index

Urban population

Healthy eating index

Products and services segmentation (2019)

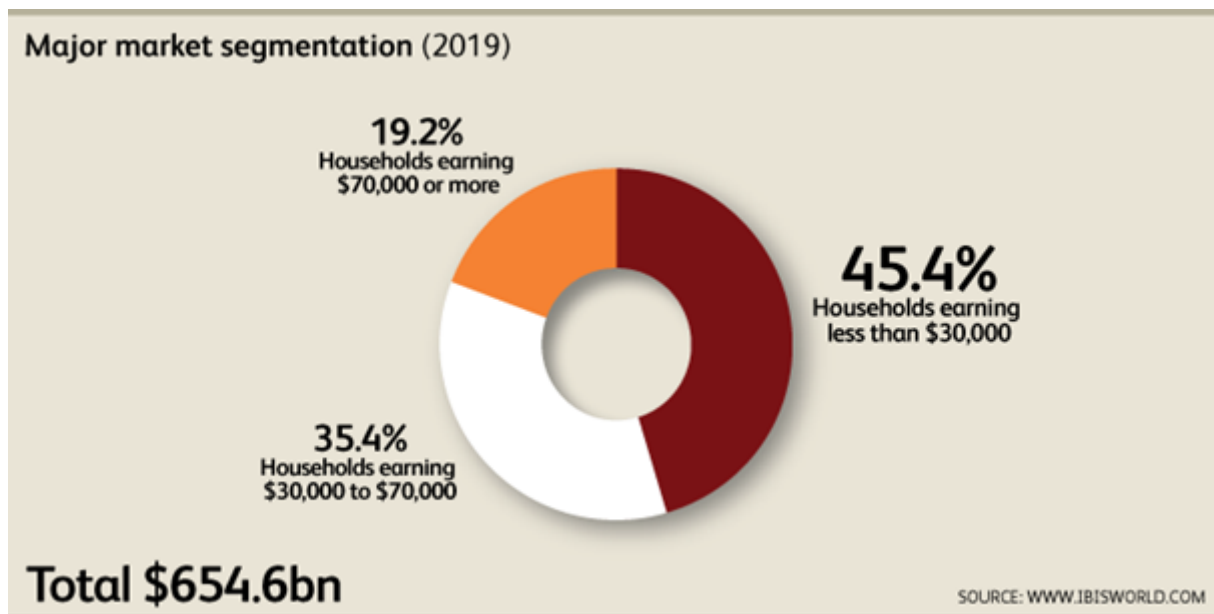


Industry Structure

Life Cycle Stage	Mature	Regulation Level	Medium
Revenue Volatility	Low	Technology Change	Medium
Capital Intensity	Low	Barriers to Entry	Medium
Industry Assistance	Low	Industry Globalization	Low
Concentration Level	Low	Competition Level	High

Industry Benchmarks

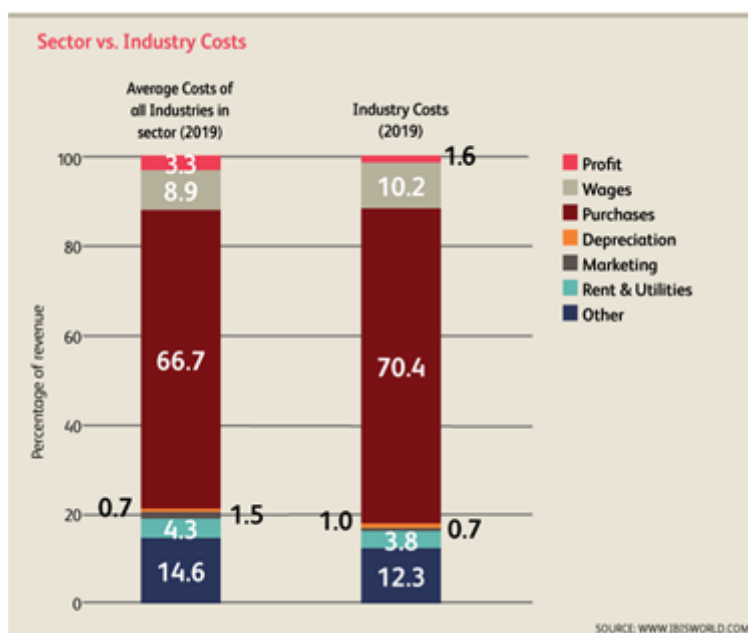
Major Markets



This chart shows the size of the markets that buy the industry's products or use its services.

It is based on the proportion of revenue each buying segment contributes to total industry revenue

Cost Structure



This chart represents the latest cost structure of the industry. It shows the proportion of revenue each cost item absorbs, with the remainder representing profit. The comparison to all other industries in the sector provides a benchmark that shows how the industry differs from its peers.

Industry Performance

Performance Summary

The Supermarkets and Grocery Stores industry has grown over the five years to 2019, benefiting from a strengthening economy. As per capita disposable income increased during the period, many consumers shifted to premium, organic and all-natural brands, helping lift industry revenue. Conversely, inflationary food costs have caused many consumers to continue purchasing private-label brands over the past five years. While a shift toward more generic goods curbs revenue growth, it helps operators maintain profit margins, as store brands are less costly to produce than national brands. Overall, industry revenue is expected to grow an annualized 0.9% to \$654.6 billion over the five years to 2019, including a 1.0% increase in 2019 alone.

Despite revenue growth during the period, industry operators experienced intensifying competition from alternative retailers. Consumers turned toward warehouse clubs and supercenters, such as Costco and Walmart, because of the cost savings and convenience of these retailers. Mass merchandisers are able to offer lower prices due to their scale of operations. Consumers also shifted toward limited assortment and fresh format stores like Aldi and Trader Joe's that provide a simpler layout and primarily sell less costly store-brand products. Due to increased competition from a variety of retailers, many large national grocery chains offered big discounts and promotions to drive foot traffic to their stores and strengthen consumer loyalty. Large operators also engaged in a variety of mergers and acquisitions, as the saturated market prevented organic growth. Due to high consolidation costs and intense price competition, industry profitability is expected to increase only slightly during the period.

Over the five years to 2024, the industry is anticipated to grow steadily, resulting from rising discretionary income and consumer preferences. As health concerns intensify, more consumers will seek all-natural and organic products. Operators are also anticipated to benefit from steadier commodity markets that will cause input costs to rise much more conservatively than in the past. Consequently, industry revenue is forecast to rise at an annualized rate of 1.0% to \$687.6 billion over the five years to 2024. Profit margins are expected to remain stable over the next five years as increasing competition persists but private-label brands and more efficient store layouts prevail.

Industry

Threat

Opportunity

Issues

The agricultural price index measures the prices received by farmers for all agricultural products, including livestock and crops. As prices increase, industry operators often raise the price of their merchandise sold to consumers, boosting industry revenue. In 2019, the agricultural price index is expected to rise. Volatility in the agricultural price index could pose a potential threat for operators in the industry.

Per capita disposable income determines an individual's ability to purchase discretionary goods and services. When disposable income declines, consumers limit purchases to essential items and more affordable brands, curbing industry revenue growth. Per capita disposable income is expected to increase in 2019, representing a potential opportunity for the industry.

Call Preparation Questions

Role Specific Questions Role: Sales & Marketing

Do your company's advertising campaigns target a wide range of consumers?

- Although many industry products are necessities, consumers of different income brackets have varying tastes in products.

How has your business adapted to the growth of online sales over the past five years?

- Some companies have begun operating their own online stores (excluded from this industry), while others have used technologies such as mobile applications with digital coupons to attract consumers to their stores.

Role: Strategy & Operations

What steps do you take to retain talented employees with specialized knowledge?

- Although industry employment typically requires limited knowledge, companies can benefit from employing floor personnel with knowledge about particular specialized products.

Has your company explored acquisition opportunities?

- Large operators have engaged in a variety of mergers and acquisitions, as the saturated market has prevented organic growth.

Role: Technology

Does your company use point-of-sale (POS) systems to ensure that the most popular products are kept in stock?

- Ensuring the most popular products are kept in stock is crucial to keep individuals coming through the front door.

Have you been able to reduce wage costs through automation over the past five years?

- Some companies have implemented self-checkouts to cut wage costs.

Role: Compliance

Have any regulatory expenses significantly impacted profitability recently?

- Industry regulations particularly pertain to fair operations, employee and food safety and alcohol sales.

How does your company ensure all health and safety requirements

are met?

- Operators in this industry are also subject to regulation by the Occupational Safety and Health Administration, the US Food and Drug Administration, the US Department of Agriculture, the Environment Protection Agency and other federal, state and local agencies.

Role: Finance**How do your company's profit margins compare to your main competitors'?**

- The Supermarkets and Grocery Store industry has historically been characterized by low margins, due to the fragmented nature of the industry, and operators compete largely on price, as the products sold by retailers are homogeneous.

How does your company's inventory turnover compare to major competitors'?

- Stocking plenty of fresh and popular products is critical to successful operations.
- Companies should be sure to monitor products' shelf lives and turnover to determine which products to keep in stock.

External Impacts Questions

Issue: Agricultural price index

How closely do you monitor the agricultural price index? Are you able to pass along input price increases to customers?

- The agricultural price index measures the prices received by farmers for all agricultural products, including livestock and crops. As prices increase, industry operators often raise the price of their merchandise sold to consumers, boosting industry revenue.

Issue: Urban population

Are your establishments easily accessible to urban populations? How do you attract visitors to your establishments?

- Consumers living in urban populations tend to purchase groceries more frequently from industry establishments instead of wholesale clubs and supercenters. Consequently, as more consumers live in urban areas, foot traffic to supermarkets and grocery stores increases, lifting industry revenue.

Issue: Per capita disposable income

How have you weathered economic downturns in the past? Are your profit margins significantly different for gourmet items over cheaper goods?

- When disposable income declines, consumers limit purchases to essential items and more affordable brands, curbing industry revenue growth.

Internal Issues Questions

Issue: Proximity to key markets

Is your company dominant in any particular regional markets? What range does your company have in terms of viable operating area?

- A supermarket's proximity to densely populated areas enables operators to maximize foot traffic and sales. Clear signage, easy access and ample parking space also attract shoppers.

Issue: Access to multiskilled and flexible workforce

How do you attract and retain skilled employees? Are there channels for promotion and career development within your company?

- Similar to other retail industries, supermarkets have a highly flexible workforce, which enables stores to rotate staff as required, particularly during extended operating hours.

Issue: Ability to control stock on hand

How do you maintain optimum stock levels? What factors affect demand and stock levels?

- Managing inventory ensures that products are always available for purchase, particularly if they are advertised as the weekly special and in high demand.