

Trends

in retail

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Sobeys Integration of Safeway

Sobeys has experienced modest growth in sales for the last two quarters - 0.4 per cent for quarter ending August 2015 (Q1) and 1.1 per cent for quarter ending October 2015 (Q2). However, for the last two quarters other financial measures have also shown a decline. Adjusted net earnings were down 5.7 per cent in Q1 and 12.6 per cent in Q2 when compared to the same periods in 2014. these may be signs that the integration of Safeway has not gone as smoothly as hoped.

After successfully integrating systems, it appears

Sobeys moved quickly to change processes. The time needed by the organization to adapt to the changes was underestimated. Improvements are being made through training and the integration of operational teams, but these efforts do take time and money. Additionally, the change away from the US Safeway purchasing produce for the Canadian stores has "turned out to be more difficult than anticipated" according to Empire president and CEO, Marc Poulin. They are confident that they are on their way to working out these kinks.

Perhaps one of the most intriguing reasons for the earnings decrease is that Safeway consumers are taking time to embrace the Sobeys private label brand (Compliments), that has replaced the Safeway brand on store shelves. The perception on its quality may have hampered sales although,

in many cases, it is the same product in a new package. Sobeys is adjusting their messaging and pricing, and is focused on regaining consumer confidence. It will be interesting to see if their efforts pay off in the next quarter.

Sobeys Second Quarter Highlights (Quarter ending October 31, 2015)
Sales: \$6,059.2 million
Sobeys same store sales: excluding fuel sales increased 0.9 percent
Adjusted net earnings: \$110.7 million – a 12.6 decrease compared to last year
Adjusted Earnings per share (fully diluted): \$ 0.40 – a 13 percent decrease

Source: Sobeys Corporate News Release

IGD Retail Analysis: Five Themes Shaping the Canadian Grocery Sector in 2016

1. “A challenging economic backdrop driving a flight to discount.”

Worsening economy, higher unemployment, lower Canadian dollar and high consumer debt are encouraging value seeking Canadian shoppers to rely more on discount stores.

2. “Continued reinvention of the supermarket.”

Canadian grocers designing experiential “health and wellness destinations” focusing on fresh foods and restaurant-like offering.

3. “Pushing ahead with grocery ecommerce.”

Walmart, Loblaw's, Sobeys and others creating/building on their click and collect services to expand their reach to offer a convenient shopping option.

4. “Grasping the ethnic opportunity.”

While independent grocers continue to be a key element in this growth area, major banners expanded their offerings in this category.

5. “Positioning the grocery store as a healthcare centre.”

In-store dieticians, pharmacists, cooking demonstrations and a bigger fresh food focus combined with wearable health technologies offer new ways to interact with consumers around their health.



Canada's Favorite Grocery Stores

From a September 2015 Field Agent Canada mobile survey, Canadians were asked which grocery retailer was their favorite – generally and in certain categories. **In Alberta, Costco was ranked number one** for overall results, **Superstore for pricing** and **for the shopping experience**

Save-On Food came out on top. Given that Costco was ranked number one for both their Bakery and Meat departments, and in the top three for Produce, Deli, Home Meal Replacement (HMR) and Store Brand, it is not an unexpected result.

Alberta Rank	Overall Results	Pricing	Shopping Experience
1	Costco	Superstore	Save on Food
2	Save On Foods	Walmart	Federated Co-op
3	Sobeys	Costco	Sobeys

Alberta Rank	Produce	Meat	Bakery	Deli	HMR
1	Federated Co-op	Costco	Costco	Save On Foods	Sobeys
2	Costco	Federated Co-op	Sobeys	Sobeys	Costco
3	Save on Foods	Sobeys	Safeway	Costco	Federated Co-op

Alberta Rank	Organic/National	Ethnic Foods	Store Brand
1	Superstore	Superstore	Superstore
2	Save On Foods	Federated Co-op	Costco
3	Sobeys	Save On Foods	Walmart

The survey also asked Canadian to grade the stores. While the regional grades are not available, the national overall grade was B with many C's and C+'s in the individual categories of Deli, HMR, Meat, Bakery, and Pricing. While Canadian think that their groceries store are doing okay they also think there is room for improvement.

Data Highlights

Monthly retail trade – Retail sales for supermarkets and specialty stores are down in the third quarter of 2015 compared to the second quarter. Specialty food outlets experienced the largest drop in sales, an expected decline after the summer. Sales in the third quarter of 2015 were up modestly from the same quarter in 2014, with the exception of supermarkets that experienced a slight decrease.

Data Highlights cont.

Grocery Sales in Alberta							
	2014		2015			Percentage Change	
	Quarter 2 2014	Quarter 3 2014	Quarter 1 2015	Quarter 2 2015	Quarter 3 2015	Q3 vs Q2 2015	Annual Q3 Change
Supermarkets	\$2,650	\$2,653	\$2,519	\$2,656	\$2,576	-3%	-3%
Convenience	\$185	\$203	\$162	\$202	\$214	6%	5%
Specialty	\$130	\$117	\$116	\$129	\$122	-6%	4%
Beer & Wine	\$651	\$667	\$523	\$681	\$703	3%	5%

Data in Millions where applicable
Source: Statistics Canada 2015

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Or read on [Alberta Food Consumer View Website](#)

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