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BUSINESS

Which foods can you get at a big savings at discount stores? We dug deep into the data to find out — and made a surprising discovery

A Star analysis of a dozen common grocery items sold throughout the first 22 weeks of the year reveals that while the price of food is rising across the board, savings for shoppers are increasing at discount grocers.

By **Joshua Chong** Staff Reporter

Sat., July 16, 2022 | 7 min. read

READ THE CONVERSATION (50)

You loved the neatly laid-out rows, the shiny, unblemished fruits, the full-service meat and seafood counters. But now you've made the switch. With the price of food outpacing almost everything else, you had to.

As the COVID-19 pandemic continues to ravage the cost of living, Canadians have been increasingly migrating from full-service grocers to discount supermarkets in search of deals.

But as retailers continue to hike prices at their stores as their own costs rise, many shoppers are wondering [if they're really saving](#) by making the switch — and how much.

Turns out, they are — in some cases, a lot.

A Star analysis has found discount shoppers are in fact saving more now than they were at the beginning of the year. A deep dive into a dozen common grocery items sold throughout the first 22 weeks of the year reveals that while the price of food is rising significantly across the board, the savings — or price differentials — between full-service and discount supermarkets are also growing.

On average, discount shoppers saved just over 30 per cent at the start of the year. By late spring, savings for the same products grew to more than 40 per cent in some weeks.

The analysis, which used data provided by Saskatchewan-based tech company BetterCart Analytics, tracked the price of 12 products (one dozen eggs, canned soup, apples, bananas, broccoli, carrots, cauliflower, chicken breast, lettuce, two litres of milk, oranges and pasta) at more than 200 individual full-service and discount grocery stores across the country.

Online pricing data was collected from higher-end banners Loblaws and Independent City Market across the country, along with discount grocers No Frills and Walmart. These are the only grocers for which the data was publicly available.

Data for all 12 products was available from Loblaw's and No Frills, while prices for some items were unavailable from Walmart and Independent City Market as they are not sold online.

Grocers that only publish prices in flyers or do not have comprehensive data available online could not be analyzed by BetterCart Analytics' AI system. Therefore, it's not possible to compare prices across all of Canada's major grocers.

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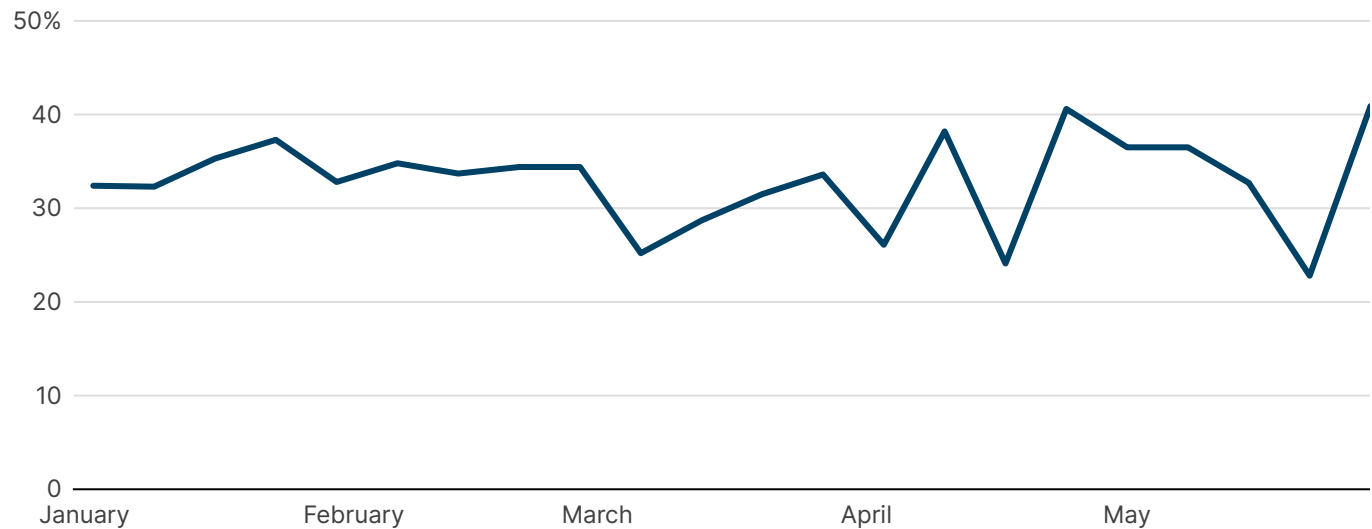


In all, the report aggregated more than 55,000 data points of these items sold throughout the first five months of 2022, revealing how grocery prices and savings changed over time at both discount and high-end supermarket brands.

The analysis showed the cost of food at both types of grocers increased significantly from the beginning of the year until early April, especially at discount stores. In late spring, however, prices decreased at low-cost banners while those at full-service stores stayed relatively stable, leading to deeper discounts compared with the start of the year.

Average savings as high as 40 per cent in 2022

The findings show that for the 12 staples, the average amount discount shoppers have saved, while varying week per week, has paid off.



SOURCE: BETTERCART ANALYTICS

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Canada's two largest grocery retailers, Loblaw and Empire, both acknowledged consumers were "trading down" from their full-service banners, such as Loblaws and Sobeys, to their discount brands.

In its latest quarterly report to shareholders, grocery giant Loblaw said its discount division performed "very well," led by "strong growth" by No Frills, the company's hard-discount label.

Empire, which owns Sobeys and FreshCo, is looking to expand its discount sector: it announced plans to open 10 to 15 new FreshCo stores in Western Canada during the 2022 fiscal year.

Presented with the Star's findings, Felicia Fefer, manager of corporate affairs for Walmart Canada, said in a statement to the Star that the company continues to face inflationary pressures across all aspects of its business.

"These are very challenging times for our customers who are feeling the impact of the rising costs of goods and fuel," she said. "We continue to do our absolute best every day to manage the pressures and keep our prices low for our customers."

Loblaw Companies Ltd., parent company of Loblaws, No Frills and Independent City Market, did not respond to the Star's request for comment.

Sylvain Charlebois, a Canadian researcher and professor in food distribution and food policy at Dalhousie University, expects the shift to discount to continue, with retailers investing more resources in the sector, opening new discount stores and converting existing full-service supermarkets to low-cost outlets.

"If I'm a grocer, I'd be looking at converting some stores and I'd be certainly looking for neighbourhoods where people will be pressured by higher interest rates for the next little while," he said.

Ela Veresiu, an associate professor at York University's Schulich School of Business and an expert in consumer behaviour, said shoppers are moving toward discount outlets because they are more concerned about prices and less focused on the frills offered at full-service stores.

"At the expensive stores, perhaps there is better customer service, produce isn't blemished and it's laid out nice and neatly, leading to this perception of better quality," she said.

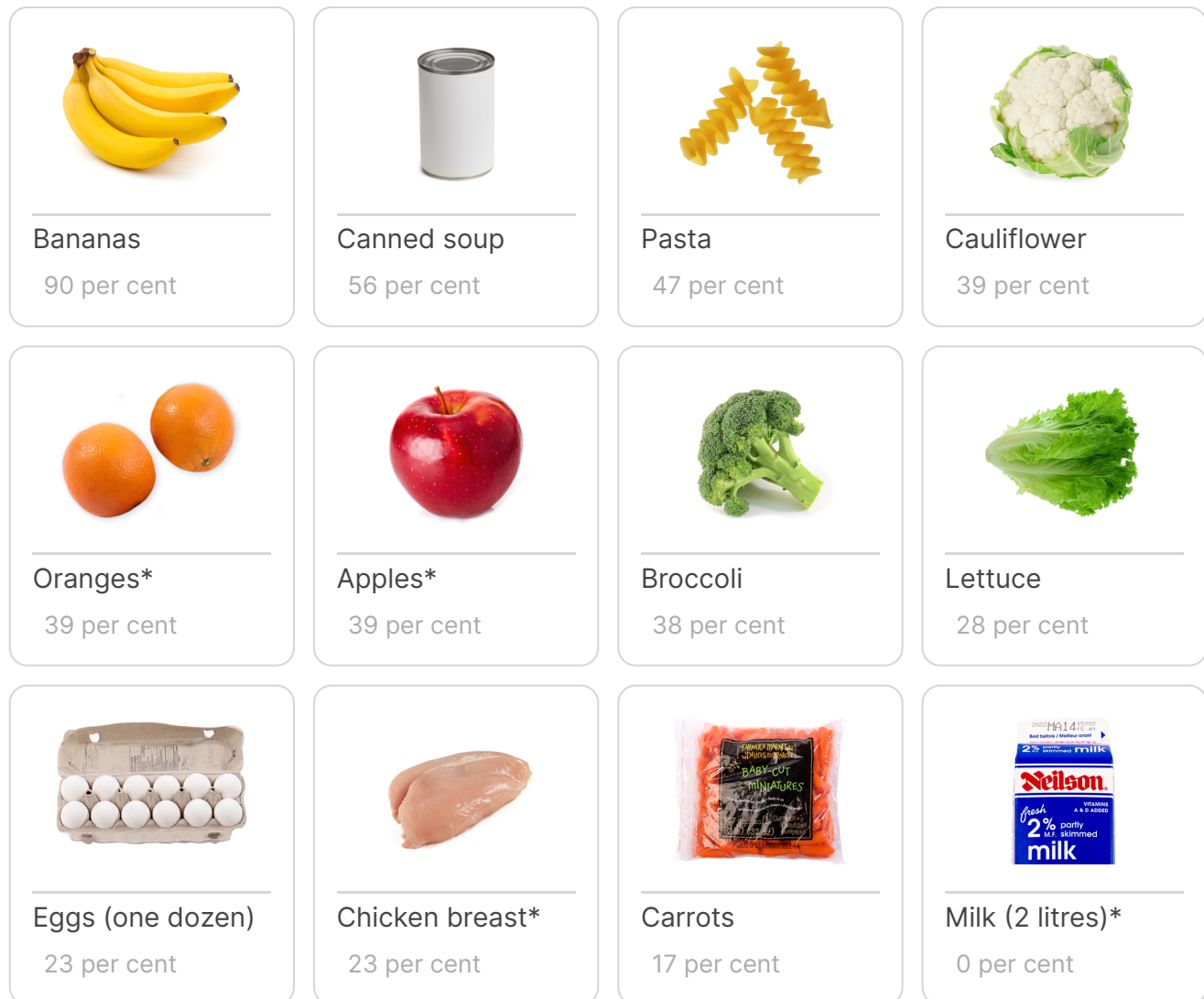
While shoppers used to be drawn to that and were willing to pay a premium for those offerings, many are now searching for savings and brand-switching, "which is becoming the norm," Veresiu said.

Though overall trends suggest that savings at low-cost supermarkets have grown marginally, the analysis of these staples also shows a volatile market with significant fluctuations in prices and savings each week.

During the study period, overall savings (calculated by averaging the price differentials between low- and high-end banners for all 12 products) at discount stores ranged from 40 per cent down to 22 per cent.

Just what did you save on most?

Looking at the 12 staple items, over the first months of 2022, the average overall savings per item was, in some cases, bananas.



* Does not include pricing data from Walmart

SOURCE: BETTERCART ANALYTICS

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While the overall price of food purchased from stores rose by 9.7 per cent in May — matching the gain in April, which was the largest year-over-year increase in food prices since September 1981, according to Statistics Canada — not everything has gone up evenly.

Some products have risen in price by more than 20 per cent over the course of five months — exceptionally higher than the annual rate of inflation, currently 7.7 per cent year-over-year.

Of the 12 items analyzed, the price of apples at discount stores increased the most on average, up 32 per cent from the start of the year, followed by canned soup at discount stores (25 per cent) and lettuce at higher-end supermarkets (20 per cent).

Other items decreased in price over the survey period: broccoli at lower-end and higher-end recorded the biggest decrease, on average, down 19 per cent and nine per cent, respectively, followed by pasta at lower-end banners, down by eight per cent from the start of the year.

“There’s a lot of volatility, which really makes things difficult for someone who wants to stay on top of things,” said Charlebois.

“So the lesson here, from the data, is that you really have to do your homework almost every week to understand how much you should be paying for the things in your basket.”

Savings between full-service and discount banners also varied widely each week. Between two weeks in April, the price differential between the two store types jumped by more than 15 percentage points.

So how much did you save in actual dollars?

Based on an analysis of 12 common grocery products, discount shoppers saved more in the spring compared to the start of the year.

	Average savings for item week of Jan. 2	Average savings for item week of May 29
Head of cauliflower	\$1.46	\$1.80
Bananas (per bunch)	\$1.11	\$1.51
1 dozen eggs	\$0.98	\$1.22
Head of lettuce	\$0.29	\$1.02
Head of broccoli	\$0.66	\$0.76
Carrots (per bag)	\$0.50	\$0.33
Chicken breast (per 100g)	\$0.37	\$0.37
Oranges (per 100g)	\$0.25	\$0.30
Soup (per 100mL)	\$0.24	\$0.18
Apples (per 100g)	\$0.23	\$0.08
Pasta (per 100g)	\$0.18	\$0.07
Milk (per 100mL)	\$0.00	\$0.00

SOURCE: BETTERCART ANALYTICS

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Much of the price fluctuations between weeks can be attributed to rising fuel prices and issues with supply and demand, said Frances Gunn, interim director at Toronto Metropolitan University’s Ted Rogers School of Retail Management.

While the latter problem, which has plagued the grocery industry for much of the pandemic, has largely been resolved in many sectors, Gunn said rising fuel costs are leading to a new wave of price instability.

Kevin Grier, a grocery market analyst who focuses on the meat industry, said the significant volatility that consumers have witnessed over the past few months is unusual, but not unexpected given the overall market instability.

“Consumers prefer stability and predictability in prices, and grocers want that as well,” said Grier. “So these wide fluctuations in product costs are not the objectives of the retailers.”

Still, most grocers are trying to create more stability in the market by waiting to pass on cost hikes or cuts to customers until they know the price change will stay relatively unchanged for a period of time, said Grier.

“Right now, beef prices are on the decline at the packer level but retailers are not lowering them now because they want to be sure that they’re going to stay down,” Grier said.

“A logical retailer will not lower these beef prices until they’re comfortable that they’re going to stay down, because the last thing you want to do is lower the price and then raise them back up again.”

Despite the weekly shifts in prices, Charlebois stressed that low-cost supermarkets still offer significant savings.

“Every single week, there is some fluctuation, but the bottom-line constant is that it is always cheaper to shop at discount stores,” he said.

Melanie Morrison, CEO at BetterCart Analytics, said there needs to be more transparency around food pricing, especially as grocery costs continue to rise.

“It is critical to consistently evaluate the affordability of food across Canada, and examine the current retail pricing for grocery products that people buy every day,” she said, adding that there also need to be short- and long-term solutions to help address affordability.

“There are simply too many Canadians struggling with food insecurity.”

Graphics by McKenna Deighton



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