Make Informed Decisions
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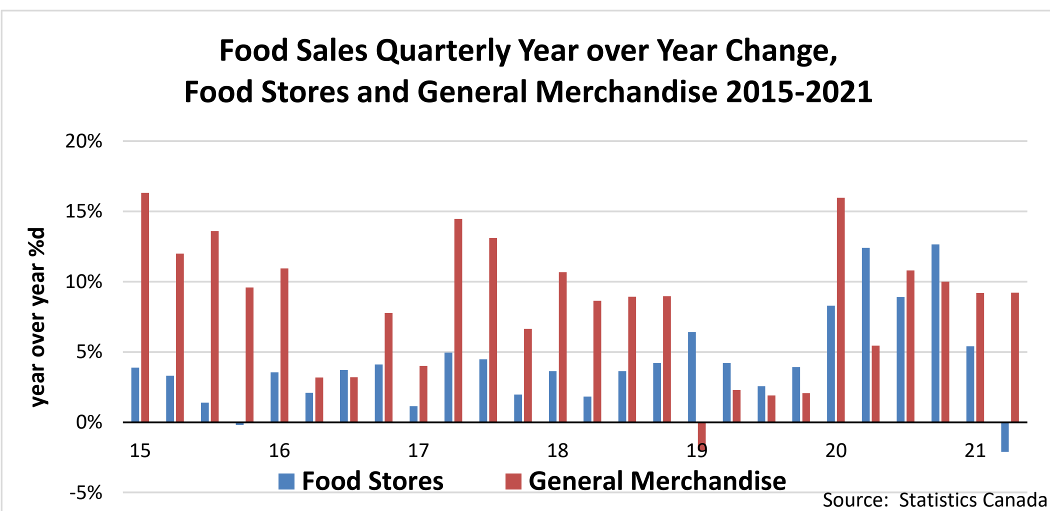
Second Quarter Channel Sales

Statistics Canada recently released their second quarter "Retail commodity survey, retail sales." The quarterly survey shows sales by commodity through the main channels. In this case the focus is on food sales, through the StatsCan classifications of total retail; the food and beverage stores and general merchandisers (GM). Supermarkets comprise about 70% of all food and beverage store sales. Of food sales, it is estimated that supermarkets are likely responsible for 80% of food and beverage store sales. When it comes to food sales, the general merchandise category is effectively Walmart and Costco. Other GM companies such as Canadian Tire and the dollar stores also sell food.

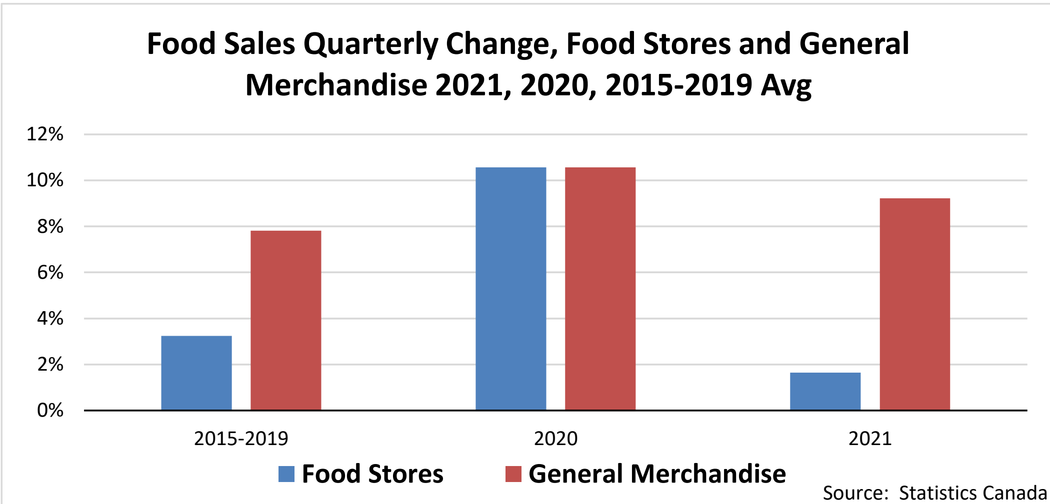
In the second quarter, total food sales through all retail channels saw 0% sales change year over year versus 2020. In 2020's second quarter at the height of the government lockdowns and panic buying, food through retail in total increased by 10%. Second quarter 2021 food and beverage store food sales (supermarkets) saw sales decline 2% year over year. That compares to a 12% jump in the 2020 Q2. By contrast the GM channel saw food sales increase by 9% in Q2 this year. That compares to a 5% increase at the peak of the lockdowns and hording in Q2 last year.



Supermarket Erosion Continues in 2021

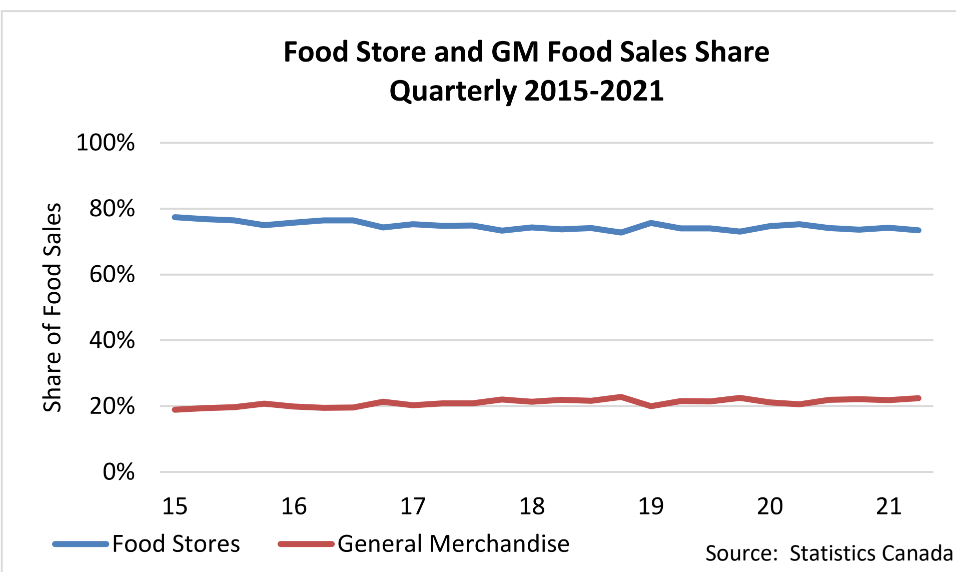
The decline in supermarket sales in Q2 versus last year is not surprising. That is given the hoarding surge in sales last year. In other words, it would be nearly impossible to top Q2 2020 given the consumer hoarding and the lack of foodservice competition. This year in Q2 governments allowed foodservice more freedom to operate and there was little or no hoarding.

What is notable, however is that on average from 2015-2019, GM outpaced supermarkets on food sales by 8% to 3% year over year. But even in the lockdown year of 2020, the GM and supermarkets saw similar sales of 11% increases on food. As of the first half of 2021, with no hoarding, less lockdowns and a little more foodservice, the GM channel outpaces supermarkets on food by 9% versus 2%. The 2021 supermarket result is not unexpected, but the GM change is surprising. The GM strength is impressive given the big gains last year.



Trend Resumes

Of course, all of this means that the long-term trend in food sales market share continued into the first half of 2021. Food stores had about 77% of food sales through retail in Q1 2015 (for reference the share of 87% in 2004). In Q2 2021 the food store share was 73%, a loss of four points of share. The GM channel had 19% of food sales in Q1 2015 (9% in 2004). By Q2 in 2021, the GM channel had 22% of food sales at retail.



The food store or supermarket share loss stopped or slowed during the pandemic, at least in Q2 2020. Conventional grocers fared well during the height of the pandemic. Conventional is more of a one stop shop compared to the discount channels. People consolidated shopping trips and prioritized safety and greater inventory certainty over deals. The gains in share of the GM channel, notably Walmart and Costco slowed at that time. Nevertheless, as noted above, for the whole year of 2020, both the food stores and the GM had sales gains of 11%. So, while the hoarding quarter of Q2 may have been the supermarket's time to shine, the year as a whole was a wash.

By Q2 2021, however, the supermarkets slid from 75% share in Q2 2020 to just 73%. In other words, the long-term trend, interrupted by 2020, continued in 2021.

Why it Matters.

Speculation that the 2020 lockdowns and hoarding would help to consolidate or retain supermarkets' hold on food sales must be re-considered. Whatever gains supermarkets may have made has shown to be delicate and transitory. The same goes for any hopes of changing sales balance from the big retailer's discount banners to their conventional banners. The goodwill of the Canadian grocer's not jacking prices up last year during the hoarding period was not even noticed, and if it was it is now forgotten.

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November 2021

A version of this report first appeared in the September 2021 edition of Grocery Trade Report. If you would like a free two-month trial, please email me at kevin@kevingrier.com