retailstat™
LOCATION

GROCERY STORE FORMATS

Conventional

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This is part of RetailStat's extended series on grocery formats. We began with a report that provides an overview of grocery formats and how they're used by grocery analysts. Here, we provide a deep dive into a specific format. Look for our separate reports on the other grocery formats as well.

CONVENTIONAL FORMAT

The Conventional format is defined as a typical grocery supermarket with standard merchandising, product offering, and customer service. They offer wide selections of national brands and private label food items, as well as some general merchandise. Banners under this format include such prominent names as Albertsons, Food Lion, Giant, Kroger, Publix, Safeway, Stop & Shop, and Winn-Dixie.

Standard departments include produce, meat and seafood, deli, and a bakery. These often include service counters where customers can order custom cuts of meats and cheese or custom-ordered pastries. Many Conventional grocers also include a pharmacy, coffee shop, floral department, and some prepared foods.

The relatively straightforward nature of the Conventional supermarket does mask some subtle nuance. Grocers will sometimes adjust the merchandising and services of a unit to tailor its Conventional format to appeal to the specific shopping preferences of the local trade area. They may incorporate elements that echo those of a Quality/Services grocer, or can simplify offerings to mirror a Discount grocer.

Most chains that modify their format will do so only subtly. If the format shift is substantial, they will usually operate under a different banner to maintain the consistency of their brands. For instance, Kroger in Southern California has Ralph's as a Conventional banner and Food 4 Less as a more no-frills supermarket. HEB in Texas has its traditional banner, and the Central Market banner as a Quality/Service offering and Joe V's as a Discount banner.

The line between Conventional and certain other formats may be blurred for some stores. Grocery analysis, like many professions, is prone to subjectivity. This is where experience matters: to bolster opinion with expertise.

FORMAT TAKEAWAYS

Of the 10 grocery store formats used by grocery experts and analysts, the Conventional format is the most ubiquitous

- Approximately half of all grocery stores are classified as Conventional, and Conventional supermarkets account for just under 40% of future grocery stores that are planned or under construction.
- Albertsons, Ahold Delhaize, and Kroger have the most banners in this format, while Publix, HEB, and Kroger are among those with the most planned new stores.
- In the Southwest and Mountain West, stores have the highest average volumes, while the East sees the highest sales per square foot.
- Conventional stores generally have the largest store footprint in the Southwest, and the smallest in the East.
- The largest number of new stores is expected to be in the South, fueled by Publix and HEB. That region has more future stores being tracked than the next two regions, the East and Midwest, combined.

MAJOR BANNERS

The Conventional format is the largest format category in the grocery sector. RetailStat tracks more than 20,000 Conventional format stores, across more than 2,000 banners, in the 48 contiguous states. The ten largest companies that operate in this sphere includes many recognizable names, as shown in the table below.

Other well-known everyday grocers, such as H-E-B, Hy-Vee, Ingles, and Piggly Wiggly, fall outside of the top 10 when considering store counts of just Conventional format stores. Their store portfolios include stores that operate in other categories, such as Quality/Service or Discount, in addition to the Conventional format.

The ubiquity of this category of grocer has led to this being one of the most hotly contested sectors of the grocery market. Competition is fierce, and banners are always looking for ways to improve their position. The recently concluded saga regarding the proposed merger between Kroger and Albertsons is just one of many events to hit the news. Such maneuvering among the biggest players in the biggest grocery sector will always have monumental consequences, and will attract a lot of attention even outside of retail news circles.

Company	Notable Banners*	Conventional Stores*
Albertsons LLC	Albertsons, Safeway, Jewel-Osco, Acme Markets	2,000+
Ahold Delhaize	Food Lion, Stop & Shop, The Giant Company, Giant Food	1,000-2,000
The Kroger Company	Kroger, Fry's Food and Drug, Ralph's, Smith's, King Soopers	1,000-2,000
Publix Super Markets Inc.	Publix	1,000-2,000
Houchens Industries	Independent Grocer's Alliance (IGA), Food Giant	200-500
Southeastern Grocers	Winn-Dixie	200-500
Wakefern Food Corporation	ShopRite	200-500
Stator Bros. Markets	State Bros	100-200
Giant Eagle	Giant Eagle	100-200
Key Foods Stores Co-op Inc.	Key Food	100-200

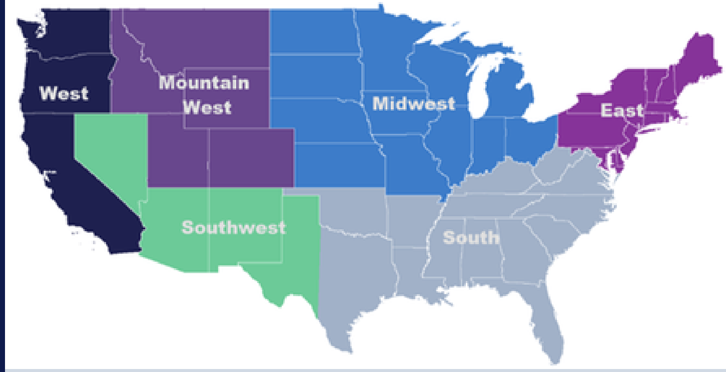
*Note that banners and store count reflect only those typically classified as the Conventional format. Banners likely will have a larger store count if all format types are considered.

FORMAT FACTS

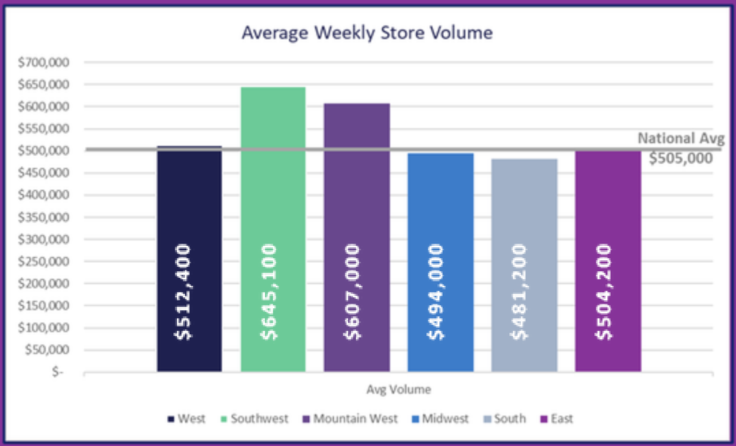
The average grocer in the US, regardless of format, has a weekly sales volume of about $555,000 and an average sales efficiency of about $18.66 per week per square foot of grocery sales area. (Medians are much lower, at $420,000 and $16.15, respectively.) The averages for Conventional format stores are a little lower than the overall averages, with an average weekly volume of $505,000 per week and an average sales per square foot of $17.07 per week.

Performance thresholds are not universally true, particularly in category as large as Conventional, which has such a wide range of quality between banners and individual stores. If we look at performance across the six major grocery regions of the 48 states, as shown in the following charts, we see that there is a noticeable variance in store performance from region to region.

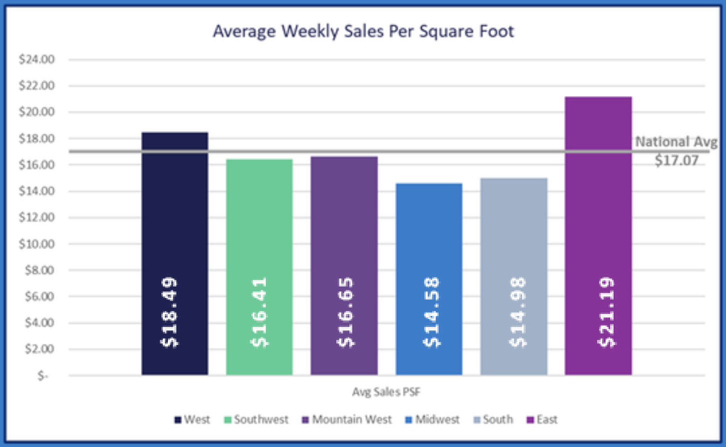
National Grocery Regions



Grocery analysts divide the Continental US into six major grocery regions. Note that, in practice, the NY MSA is its own region, separate from the East region, as is the Miami MSA, separate from the South region. For simplicity's sake, we have combined these metro areas with their respective surrounding regions. Also, in practice, the DC Metro is fully combined with the East region; for our purposes here, the Virginia and West Virginia portions of the DC Metro are included with the South region.



The average weekly store volume for a Conventional operator can vary from $481,000 in the South to $645,000 in the Southwest. Only the Southwest, Mountain West, and West regions exceed the average sales for a Conventional operator, although the East is just a fraction below it.

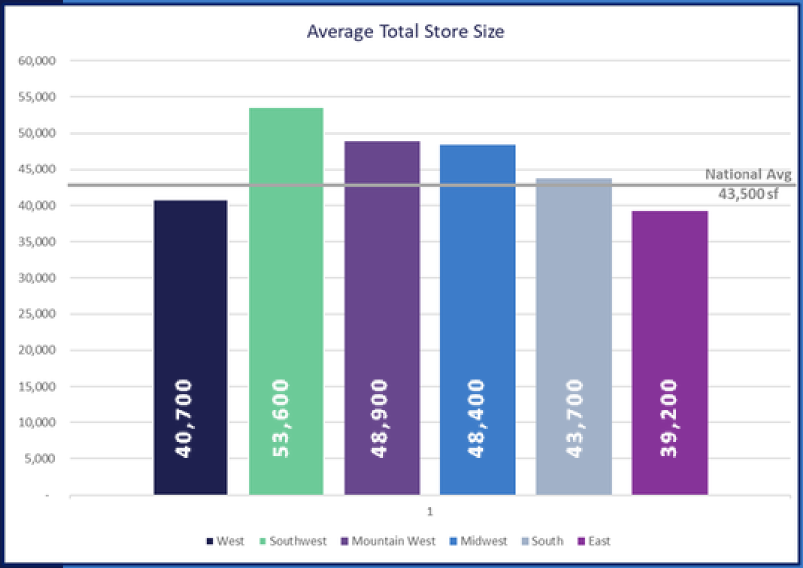


The sales efficiency, as measured in weekly sales per square feet of grocery area, varies noticeably by region as well, and not necessarily in direct proportion to total sales. Sales efficiency ranges from $14.58 per square foot in the Midwest to $21.19 in the East.

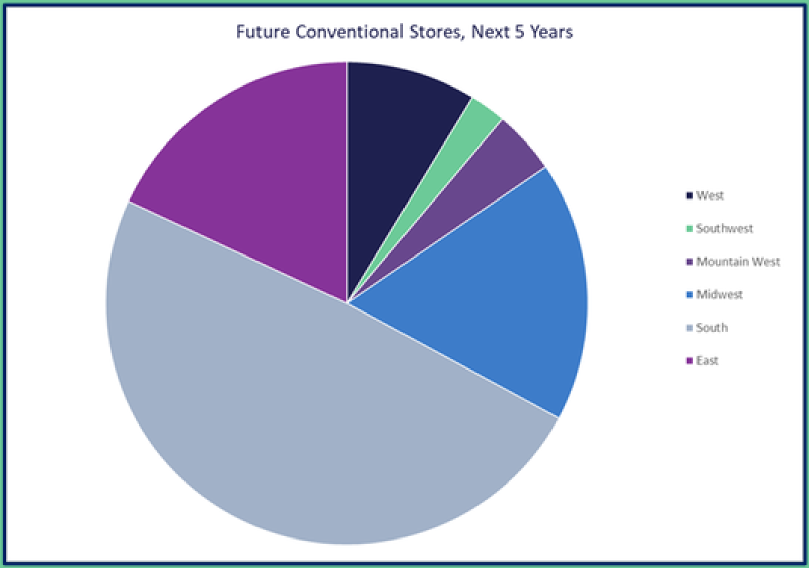
FORMAT FACTS

In terms of store size, the average Conventional format is 43,500 square feet, with about 30,700 square feet dedicated to sales area. At about 71%, the relatively high ratio of grocery area to total area shows that the focus of these stores is on convenience and the prompt circulation of products to the customer in a consistent manner. There is some allowance for backroom storage and non-grocery services, but relatively little.

Regionally there is some variation of the typical size of the Conventional grocer, with the largest stores generally found in the Southwest and the smallest stores generally found in the East. Despite these overall size variations, the ratio of sales area to total area is consistently at just below 71% throughout this category.



GROWTH TRENDS



RetailStat tracks future grocery stores that are proposed, planned, or under construction. Of the grocery formats, the one where we've seen the most potential growth is the Conventional format. Almost 38% of the potential future grocery stores we've tracked are of the Conventional format, although the sheer size of the format means its growth rate is a relatively modest 2.9%.

The banners that appear to be potentially adding the most Conventional stores are Publix, HEB, and the various banners of Kroger.

Regionally, we're tracking that almost half the future Conventional stores will potentially be in the South, bolstered by the expected growth of Publix, not to mention HEB in the eastern half of Texas. The East and Midwest are the next largest with just under 20% of the planned future stores. The West is at just under 10%, then the Mountain West with about half that. The region with the fewest tracked future stores is the Southwest. This may seem somewhat surprising given the population growth of this area; but note that the grocery region designated "Southwest" excludes the high-growth portions of Texas, leaving only Phoenix and Las Vegas as the remaining high-growth metropolitan areas in this region.

However the growth of the Conventional supermarket category plays out, it will continue to be the heart of the grocery sector. The companies that operate in this arena will continue to see opportunities for growth and improvement, and their every decision and action will certainly be scrutinized closely by the nation.

SEE FOR YOURSELF

Conventional Store Format