IBISWorld

WHERE KNOWLEDGE IS POWER

Shop smart: Increasing premium brand sales and healthy eating trends will spur growth

IBISWorld Industry Report 44511
Supermarkets & Grocery Stores in the US

April 2019

Darshan Kalyani

About this Industry

Industry Definition

The Supermarkets and Grocery Stores industry makes up the largest food retail channel in the United States. Establishments in this industry retail general lines of food products, including fresh and prepared meats, poultry and seafood, canned and frozen foods, fresh fruits and vegetables and various dairy products. Delicatessens primarily retailing food are also included.

Main Activities

The primary activities of this industry are

Retailing a general line of food

Retailing health and beauty products

The major products and services in this industry are

Beverages

Dairy products

Drugs and health products

Fresh and frozen meat

Frozen foods

Fruit and vegetables

Other foods

Other nonfood items

Similar Industries

44512 Convenience Stores in the US
Establishments in this industry primarily retail a limited line of goods, known as convenience stores or food marts (except those with fuel pumps).

44611 Pharmacies & Drug Stores in the US
Establishments in this industry retail a range of prescription and over-the-counter medications, health and beauty items, toiletries and consumable goods directly to consumers on a walk-in basis.

44711 Gas Stations with Convenience Stores in the US
Establishments in this industry primarily retail automotive fuels in combination with a convenience store or food mart.

45291 Warehouse Clubs & Supercenters in the US
Establishments in this industry wholesale general groceries (but not as their primary activity), as well as general lines of new merchandise.

45439 Direct Selling Companies in the US
Establishments in this industry retail frozen food and freezer plans via direct sales to residential customers.

About this Industry

Additional Resources

For additional information on this industry

www.fmi.org
Food Marketing Institute

www.nationalgrocers.org
National Grocers Association

www.supermarketnews.com
Supermarket News

www.nacsonline.com
The Association for Convenience & Fuel Retailing

www.worldbank.org
The World Bank

Industry at a Glance

Supermarkets & Grocery Stores in 2019

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

The Kroger Co.
16.4%

Albertsons Companies LLC
9.7%

Publix Super Markets Inc.
5.7%

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Key External Drivers

- Per capita disposable income
- Agricultural price index
- Urban population
- Healthy eating index

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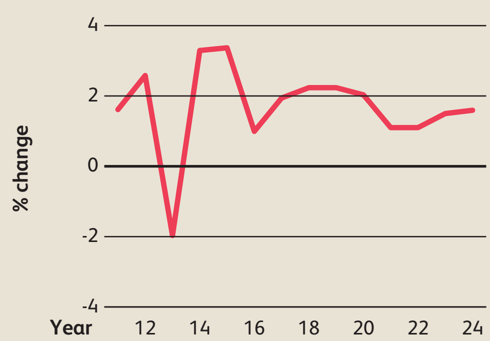
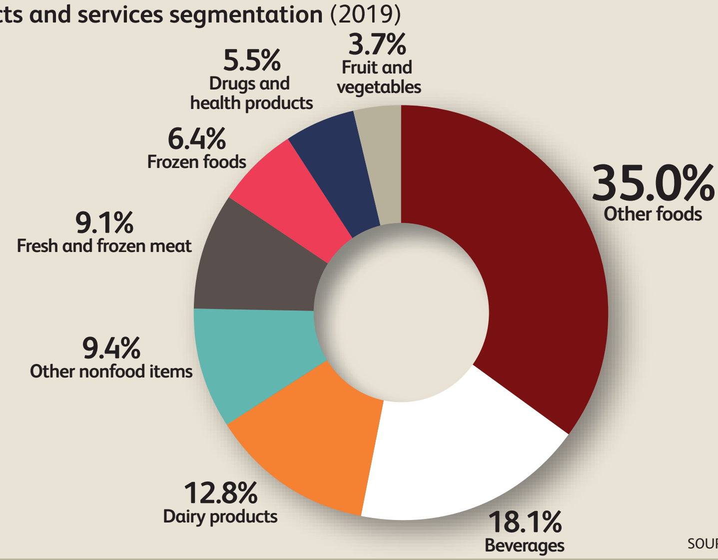
Revenue vs. employment growth

Per capita disposable income



SOURCE: WWW.IBISWORLD.COM

Products and services segmentation (2019)



SOURCE: WWW.IBISWORLD.COM

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

FOR ADDITIONAL STATISTICS AND TIME SERIES SEE THE APPENDIX ON PAGE 37

Industry Performance

Executive Summary | Key External Drivers | Current Performance
Industry Outlook | Life Cycle Stage

Executive 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.

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

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.

Key External Drivers

Per capita disposable income

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.

Agricultural price index

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

Industry Performance

Key External Drivers continued

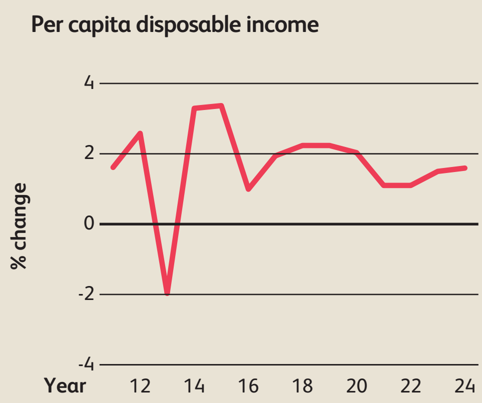
merchandise sold to consumers, boosting industry revenue. In 2019, the agricultural price index is expected to rise. Volatility in the agricultural price index could pose a potential threat for operators in the industry.

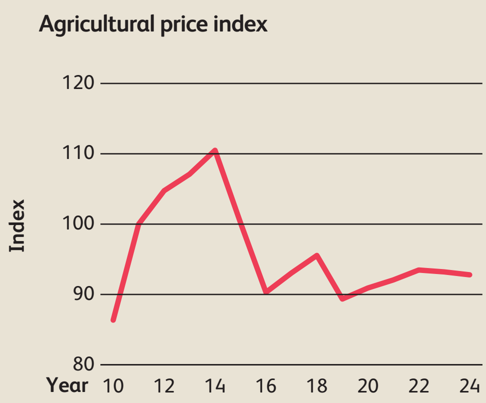
Urban population

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. In 2019, the urban population is anticipated to grow.

Healthy eating index

As consumers become more health conscious, measured by the healthy eating index, they tend to purchase a greater variety of all-natural and organic products. Consequently, as consumers demand a greater variety of premium products, such as organic produce, industry revenue increases. In 2019, the healthy eating index is expected to fall.



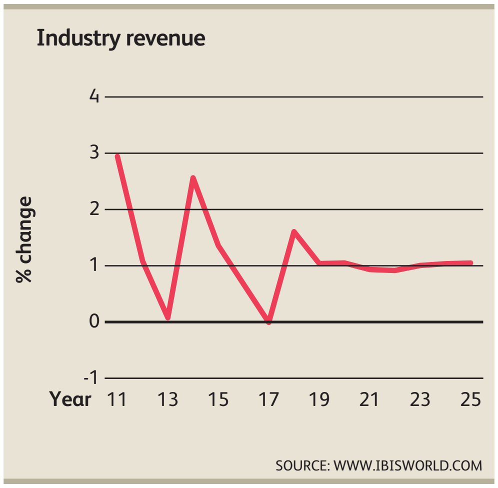


SOURCE: WWW.IBISWORLD.COM

Industry Performance

Current Performance

The Supermarkets and Grocery Stores industry retails a variety of household goods and edible grocery products, including fresh and prepared meals, poultry and seafood, canned and frozen foods and fruits and vegetables. Over the five years to 2019, industry participants benefited from a strengthening domestic economy and rising disposable income levels, which enabled consumers to purchase more premium goods. The industry has also benefited from growing demand for all-natural and organic products during this period. Despite various economic factors that have supported industry growth, rising competition and changing consumer preferences have threatened many operators, forcing them to generate revenue growth in new ways. Overall, IBISWorld anticipates industry revenue



to increase at an annualized rate of 0.9% to $654.6 billion over the five years to 2019. This includes growth of 1.0% in 2019 alone, driven by strong growth in per capita disposable income.

Growth from nontraditional store formats

As with many large retail industries, establishments in the Supermarkets and Grocery Stores industry come in a multitude of shapes, sizes, formats and specialties. Industry operators range from large-scale conglomerates with thousands of locations to small specialty stores with a single storefront. Due to the diverse nature of store types, certain types of businesses have grown faster than others. Over the past five years, limited assortment stores like Trader Joe's and Aldi have experienced the most rapid growth. These stores are often located in populous areas and are much more compact and efficient than traditional grocery stores. Rather than offering dozens of brands of the same product, these stores provide a more selective offering. Unlike their larger counterparts, limited-assortment stores sell primarily private-label products, which are both less expensive for consumers and more profitable for industry operators. Trader Joe's, the leading supermarket in sales per square foot, sells more than 80.0% private-label goods, all of which are free of GMOs, artificial coloring, trans fat and high-fructose corn syrup. While private-label brands are traditionally perceived as inferior, stores like Trader Joe's have positioned their store brands as premium products without charging premium prices. These limited assortment stores are particularly popular among millennials who are typically more price-sensitive and less brand-driven shoppers.

Per capita disposable income is expected to rise an annualized 2.1% over the five years to 2019. Improving discretionary income has enabled consumers to purchase a wider variety of premium grocery items, specifically organic products. Growing health and environmental concerns have also driven consumers to purchase more all-natural and organic food. According to research conducted by the Organic Trade Association, over 82.0% of households

Industry Performance

Growth from nontraditional store formats continued

purchase organic products, and nearly 14.0% of all fruits and vegetables purchased are organic. Overall, organic and all-natural product sales have grown tremendously in a stagnant industry, increasing 8.4% in 2016 alone (latest data available). Consequently, industry participants have benefited from the sale of organic goods, which are sourced at similar prices as nonorganic foods and then priced at a premium. According to the US Department of Agriculture, premiums on organic fruits and vegetables can range from as low as 7.0% for items like spinach, to more than 100.0% for some organic egg varieties. As a result, over the past five years, fresh-format stores like Whole Foods and Fresh Market have expanded due to strong demand for their premium organic products. These stores offer an extensive array of organic and specialty foods not available at traditional grocers.

Competitive environment

Due to the nondiscretionary nature of industry products, operators experience a steady level of demand for food and nonfood items. However, alternative retail stores, such as convenience stores, dollar stores and mass merchandisers, also offer goods similar to those of traditional grocery stores like Kroger and Albertsons. In recent years, supercenters and warehouse clubs have obtained a greater share of the food retailing market. Mass merchants, such as Costco and Walmart, offer lower prices than industry participants because they sell products in bulk. These stores also offer convenience, as they sell a variety of nonfood items such as clothing and furniture. Due to evolving consumer needs, dollar stores and convenience stores have also expanded more rapidly than supermarkets, according to research conducted by Booz and Company.

As limited-assortment stores and department stores have flourished, large-scale traditional grocers have struggled to compete. Over the past five years, companies like Kroger and Albertsons struggled to generate growth organically and engaged in a flurry of merger and acquisition (M&A) activity. Rather than open up new stores, these large companies acquired regional brands with a loyal local following. This strategy enables large brands to expand their geographic reach without incurring high costs. Likewise, many medium-sized operators have engaged in M&A activity to benefit from economies of scale. As a result, over the past five years, this traditionally fragmented industry has become slightly more concentrated.

Large-scale traditional grocers have struggled to compete with limited-assortment stores

Profit and participation

Supermarket and grocery store operators have benefited from rising discretionary income and various consumer trends over the past five years. Yet, several factors, including intensifying competition and volatile commodity prices, have dampened the industry's performance. Despite rising incomes, the heightened competitive landscape has forced many operators to compete based on price. Limited assortment stores that primarily sell private-label merchandise

Industry Performance

Profit and participation continued

are able to keep prices low without hurting profit margins. Larger operators that sell costlier national-branded items struggle to maintain margins in light of intense price competition. Additionally, these large companies have been plagued with high acquisitions costs, further depressing their profit margins in the short term. Even so, as more profitable store formats popularize, average industry margins have increased from 1.4% in 2014 to an expected 1.6% in 2019.

Low profit margins and a highly competitive market have discouraged many new companies from entering the market. This, alongside increased consolidation and the steady rise of online grocery services, has led the total number of industry enterprises to decrease at an annualized rate of 0.2% during the period, totaling 42,470 companies. Wage growth has been mitigated as many operators have implemented self-checkout stations to cut wage costs. Nevertheless, rising minimum wage laws and increased hiring overall has led industry wages to increase at an annualized rate of 1.7% to reach $66.5 billion in 2019.

Industry Outlook

Over the five years to 2024, the Supermarkets and Grocery Stores industry is expected to benefit from the continually strengthening US economy. As per capita disposable income rises, shoppers will be more inclined to purchase premium-level, value-added products at retail stores. In addition to growing demand for premium goods, operators will benefit from slowly growing input costs, as commodity markets steady compared with the cost spikes present during the previous five-year period. However, due to intensifying competition from alternative retailers, such as dollar stores, online grocers and wholesale clubs, industry operators will struggle to compete. Overall, IBISWorld projects industry revenue to grow at an annualized rate of 1.0% to $687.6 billion over the five years to 2024.

Industry trends

Shifting demographics are anticipated to significantly influence the industry over the next five years. Millennials have emerged as the most populous generation in the United States. As this group's disposable income rises, industry operators will increasingly cater their services to attract these individuals. Millennials are typically characterized as being both health conscious and value driven. Due to these preferences, premium private-label brands have become increasingly popular among this demographic. According to Mintel, 42.0% of millennial grocery shoppers find private label foods more innovative than branded products, and about 70.0% believe that the quality of these store-brand products

Shifting demographics are anticipated to significantly influence the industry

has increased in recent years. Accordingly, millennials have popularized stores that sell premium private-label foods such as Trader Joe's, Aldi and Lidl, a German grocer that opened its first US location in 2017. These stores are generally smaller in size and enable shoppers to choose between a select number of high-quality products rather than thousands of brand names. As limited assortment stores continue to gain market share, stores with traditional layouts will struggle to compete.

Industry Performance

Industry trends continued

Although national-scale supermarket conglomerates are the most threatened by the popularity of limited-assortment stores and supercenters, many other industry operators are struggling to stay relevant. In an attempt to compete with Trader Joe's and Aldi, premium grocer Whole Foods announced plans to open a line of stores aimed toward millennials. These stores would be small in size and exclusively offer private-label items. Large national chains are also following this trend. Ahold, a Dutch-based operator with storefronts in New England and the Mid-Atlantic, is introducing a line of limited-assortment stores under the brand name bfresh. Over the next five years, IBISWorld expects that more supermarkets will follow this trend to appeal to a growing millennial demographic.

While some major operators will open new limited-assortment and fresh-format stores over the next five years, others will choose to simply enhance their current locations and product offerings. Traditional supermarkets are increasingly adding amenities like home grocery delivery, movie rental services, ATMs, dining areas and beer and wine bars. For these companies, enhancing their current stores is much more cost effective than opening up a new one, especially in such a saturated market.

Online competition

Over the five years to 2024, industry operators will experience heightened competition from online operators. During the previous five-year period, many supermarket operators shifted to omnichannel offerings to stay competitive with e-tailers such as Amazon and meal preparation startups such as Blue Apron. This trend is expected to continue over the next five years, as e-commerce sales are expected to rise at an annualized rate of 8.0%, indicating a continued shift toward virtual shopping. Since online grocery sales are not included in the Supermarkets and Grocery Stores industry, the steady adoption of online grocery services will hamper industry revenue growth in the coming years.

In addition to competition from online grocery delivery services, online pickup services are also expected to surge in popularity, further threating industry sales. External operators such as Walmart have launched same-day pick up services for online grocery orders. Additionally, e-commerce powerhouse Amazon made its entrance into the brick-and-mortar grocery market through its 2017 acquisition of Whole Foods. Further, the company plans to open 2,000 Amazon Fresh stores in the United States by 2026, many of which will operate without traditional check-out lines.

Online pickup services are also expected to surge in popularity

Profit and participation

Merger and acquisition activity is expected to continue as large operators seek to benefit from economies of scale and expand their geographic reach. Due to increased competition and high market saturation, enterprise growth is anticipated to be sluggish over the next five years. The number of industry enterprises is forecast to rise at an annualized rate of only 0.5% to 43,514 companies over the five years to 2024.

Industry Performance

Profit and participation continued

Similarly, industry employment is expected to rise at an annualized rate of 1.0% to 2.9 million workers during the period. IBISWorld expects profit to remain stable at 1.6% of revenue during the next five years. A rising agricultural price index, along with the increasing popularity of store-brand items, will positively affect profit, as these items earn higher margins. Even so, average profit will be stifled by costs associated with continued merger and acquisition activity.

Industry Performance

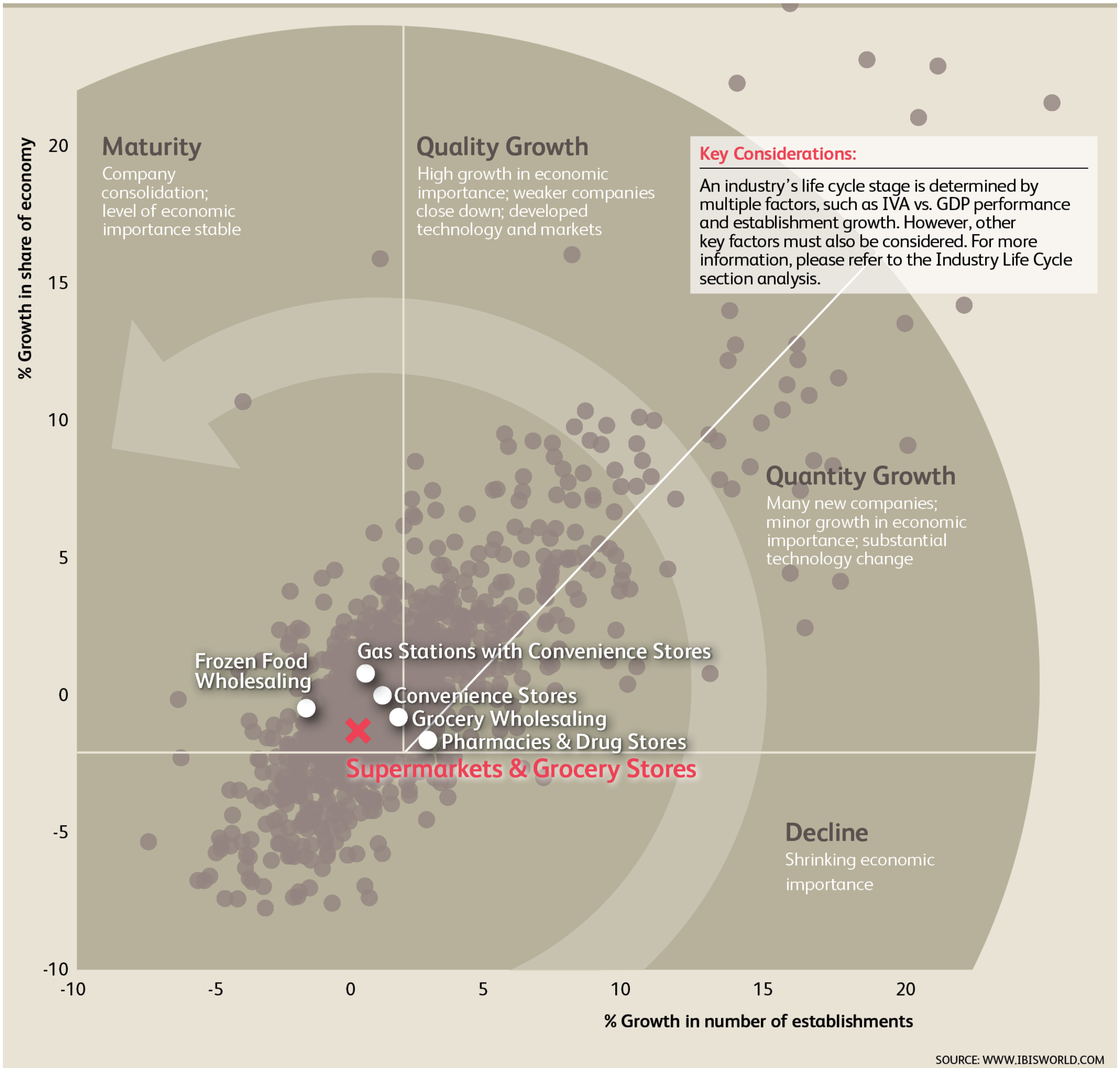
Life Cycle Stage

Industry value added is expected to underperform GDP growth in the 10 years to 2024

Industry establishment growth has stagnated

Operators have focused on boosting operational efficiency through technology

Industry operators retail fairly homogeneous products



SOURCE: WWW.IBISWORLD.COM

Industry Performance

Industry Life Cycle

This industry is **Mature**

The Supermarkets and Grocery Stores industry is in the mature stage of its life cycle. Over the 10 years to 2024, the industry's contribution to the overall economy is expected to increase at a slow annualized rate of 1.5%. Comparatively, US GDP is forecast to rise at an annualized rate of 2.1%. Typically, an industry is considered to be declining when industry growth falls below GDP. However, supermarket and grocery stores have historically suffered from low profit margins, which lowers this industry's contribution to the economy. Additionally, intense competition in the food retailing sector has also contributed to the industry's slow growth.

Characteristic of a mature industry, supermarkets and grocery store chains have engaged in a substantial number of mergers and acquisitions over the past five years. Consequently, during the 10-year period, the number of enterprises is expected to remain the same. Due to low profit margins and the competitive nature of the industry, new operators are discouraged from entering the industry. Furthermore, increased competition from supercenters and wholesale clubs has made it more difficult for many larger grocery chains to compete in the industry. Since these large operators struggle to grow organically, they have relied on acquiring mid-sized regional competitors to boost their market share.

The products supplied by this industry have largely reached saturation levels. The only real growth comes from the introduction of new niche market goods or advances in product formulas. The market for grocery products has undergone little change in recent years. However, participants have benefited from growing demand for all-natural and organic products. Furthermore, supermarkets have implemented technological changes in the form of self-checkout aisles and automated warehouse equipment, which have boosted operating efficiencies.

Products & Markets

Supply Chain | Products and Services | Demand Determinants
Major Markets | International Trade | Business Locations

Supply Chain

KEY BUYING INDUSTRIES

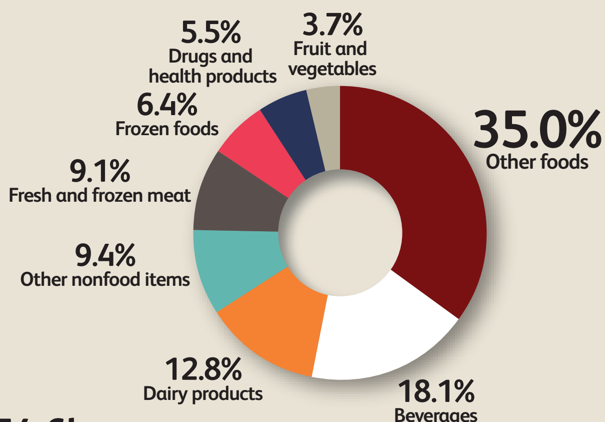
9901	**Consumers in the US** American households purchase various goods at supermarkets and grocery stores.

KEY SELLING INDUSTRIES

42441	**Grocery Wholesaling in the US** Grocery wholesalers supply a range of products to supermarkets.
42442	**Frozen Food Wholesaling in the US** Frozen food wholesalers supply supermarkets with frozen meals.
42443	**Dairy Wholesaling in the US** Dairy wholesalers supply milk and other dairy products to supermarkets and grocery stores.
42444	**Egg & Poultry Wholesaling in the US** Wholesalers supply eggs and poultry products to supermarkets.
42445	**Confectionery Wholesaling in the US** Wholesalers supply a variety of confectionery to supermarkets and grocery stores.
42446	**Fish & Seafood Wholesaling in the US** Wholesalers supply seafood products to industry participants.
42447	**Beef & Pork Wholesaling in the US** Wholesalers supply a range of red meat products to supermarkets.
42448	**Fruit & Vegetable Wholesaling in the US** Wholesalers supply a variety of fresh fruit and vegetables to supermarkets and grocery stores.

Products and Services

Products and services segmentation (2019)



Total $654.6bn

SOURCE: WWW.IBISWORLD.COM

Other foods
Other food items make up 35.0% of revenue in 2019. Other foods include bakery products, snack foods, canned foods, pasta, condiments and ethnic food. The most commonly purchased products in this segment include fresh bread and rolls, salty snacks and cold cereal. Other foods' share of industry revenue has expanded in recent years, driven by the growing demand for snacks and condiments. Product innovation and new flavors have driven demand for snacks and condiments. As per capita disposable

Products & Markets

Products and Services continued

income improved over the past five years, many consumers began trading up from generic products to branded and premium goods, such as organic and gluten-free snacks. As consumers turn to nutrient-enhanced bread, pasta and snack foods, this segment's share of industry revenue is anticipated to improve in the upcoming years.

Beverages

Beverages constitute 18.1% of revenue in 2019, and include both alcoholic and nonalcoholic drinks. Carbonated beverages, followed by beer and wine, were the most popular by unit sales in 2015 (latest available data). Due to an increasingly health-conscious customer base, soda sales declined as a share of revenue in the past five years, with per capita soft drink consumption falling at an annualized 2.8%. Also, demand for sugary beverages, such as fruit juices and drinks, has waned due to health concerns. For example, refrigerated fruit juices and drinks sales were down 2.3% in 2015 (latest available data), according to Supermarket News, an industry news source. To counteract the falling demand for sugary beverages, manufacturers introduced a variety of healthier drinks, such as lightly sweetened iced tea and kombucha, helping maintain this segment's performance. Wine consumption rates have also risen, especially due to the widely advertised health benefits of drinking small volumes of wine. Due to these trends, this segment's share of revenue remained relatively stable over the past five years.

Dairy products

Dairy products account for 12.8% of revenue in 2019. Products in this segment include milk, milk alternatives (e.g. soy, almond and rice milk), cheese, yogurt and butter. This segment of industry revenue has increased over the past five years, driven by a 1.3% annualized growth in per capita dairy consumption and a greater variety of premium products. For instance, Greek yogurt's popularity has grown drastically in recent years, helping boost this segment's performance. Also, new plant-based milk beverages have appealed to consumers who are lactose-intolerant or do not consume regular dairy milk, helping drive sales among different consumer groups. This segment's share of industry revenue is expected to expand over the next five years as producers introduce a variety of new products.

Frozen foods

The frozen foods segment accounts for 6.4% of revenue in 2019. This segment includes prepared frozen dinners, burritos, pizzas and desserts. While frozen food provides convenience and great taste, demand has slightly declined in the years following the recession as many consumers traded up to fresh food. In addition, while producers have introduced a variety of healthier products, such as reduced-sodium and low-fat frozen meals, health concerns have kept consumers from purchasing these items. As a result, this segment's share of revenue has slightly declined as unit sales of frozen dinners dropped 6.4% in 2015 (latest data available), according to Supermarket News. Over the next five years, its share of industry revenue is anticipated to remain steady as inflationary prices for fresh food make frozen goods more attractive.

Other nonfood items

Other nonfood items account for 9.4% of revenue in 2019. Items include household cleaning products and utensils, hygiene products, lawn and garden items, hardware, tobacco products, pet food and supplies, automotive accessories and novelty items. Due to the diversified nature of this segment, an increase in one

Products & Markets

Products and Services continued

segment can offset a decrease in another. Therefore, this segment's share of revenue remained stable over the past five years.

Fresh and frozen meat

The fresh and frozen meats segment accounts for 9.1% of revenue in 2019. Products in this segment include poultry, fish and deli items. The most commonly purchased products in this category include eggs, lunch meats and breakfast meats. Demand for fresh meat has dwindled in recent years due to inflationary prices. Higher prices have caused some consumers to limit the volume of meat they purchase, while other consumers have traded down to more affordable cuts and varieties, like ground beef and frozen meat. Nevertheless, this segment's share of revenue has expanded over the past five years because of these higher prices. Yet as the price of meat declines over the next five years, this segment's share of the industry is anticipated to decline slightly.

Drugs and health products

Over-the-counter drugs, vitamins and other health and wellness products make up another key segment of industry sales, accounting for 5.5% of revenue in 2019. The main items in this segment include prescription and nonprescription drugs. Sales of vitamins and supplements increased over this period as a result of health trends. This segment has grown significantly over the past five years, as operators expand their product offerings to compete with both industry and nonindustry operators.

Fruits and vegetables

Fruits and vegetables, including fresh and frozen varieties, are expected to account for 3.7% of revenue in 2019. Despite growing health concerns and the popularity of fruits and vegetables, which have encouraged consumers to eat more leafy greens and fruits, this segment's share of industry revenue has declined in recent years. Moreover, over the five years to 2019, the price of fruits and vegetables grew an annualized 3.5% and 3.8%, respectively. Price increases have caused per capita consumption of fruits and vegetables to decline over this period, according to the US Department of Agriculture. Consequently, this segment's share of revenue has fallen and is expected to remain relatively stagnant during the next five years.

Demand Determinants

Household disposable income is the most significant demand determinant for grocery purchases because it is related to the frequency with which consumers purchase goods from supermarkets. Furthermore, the level of household disposable income determines the quantity and quality of purchases. For instance, households with relatively low levels of disposable income purchase essential goods and very few (if any) high-end grocery items. However, households with higher levels of disposable income can vary the quality and quantity of goods they purchase.

Consumers are sensitive to prices, especially during times of economic uncertainty. Since very little product differentiation exists among retailers in this industry, the price they charge for their products heavily drives demand. In a highly saturated market, supermarkets constantly compete against each other to expand their consumer base. For instance, industry participants drive foot traffic to their store by offering consumer loyalty rewards, coupons and promotions, among other specials. Also, supermarkets continually look to expand their product lines to appeal to a range of consumers.

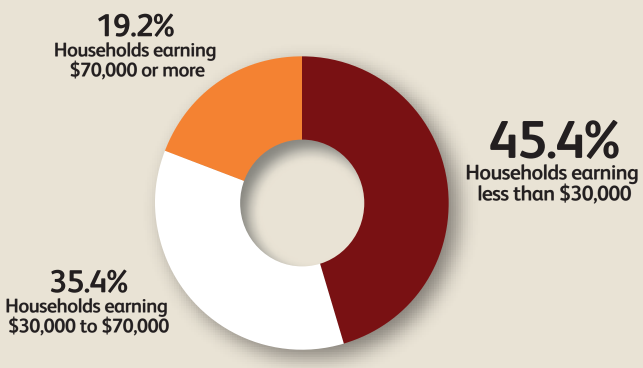
Products & Markets

Demand Determinants continued

Convenience is also an important demand determinant. To remain competitive, supermarkets must be located in high traffic areas that are easily accessible to consumers. Consumers often choose a grocery store within the closest proximity to their home or work. Especially when shopping for generic items like bread or milk, convenience is often the single most important factor for consumers. When pressed for time or if the need for an item is urgent, many consumers are often willing to sacrifice lower prices for convenience.

Major Markets

Major market segmentation (2019)



Total $654.6bn

SOURCE: WWW.IBISWORLD.COM

While some operators resell their goods to other retailers, wholesalers and foodservice establishments, about 99.0% of goods are sold directly to consumers. Furthermore, when consumers shop at grocery stores and supermarkets, they primarily purchase food and beverage products. However, several supermarkets and grocery stores sell other items, such as cleaning supplies, vitamins and supplements and personal care products such as face wash and shampoo. The amount consumers spend depends on their income and gender. The following breakdown of household income spending patterns was derived from the US Bureau of Labor Statistics' Consumer Expenditure Survey.

Households earning less than $30,000

Households earning less than $30,000 annually account for 45.4% of revenue in 2019. Consumers who fall in this income range typically buy generic brands and staple food items at supermarkets, such as milk, meat and bread. Grocery retailers experience stiff competition from supercenters and warehouse clubs for these consumers because they offer the convenience of one-stop-shopping. Additionally, lower-income consumers have increasingly turned to dollar stores to purchase a variety of goods for cost savings. Consequently, this segment's share of the market has declined due to intensifying price-based competition from alternative retailers.

Households earning between $30,000 and $70,000

Households that earn between $30,000 and $70,000 account for 35.4% of revenue in 2019. Households within this segment purchase both generic and

Products & Markets

Major Markets continued

branded goods at supermarkets. In addition to groceries, households in this range tend to buy personal care products and drugs from in-store pharmacies. While some consumers in this income group have allocated more dollars to alternative retail channels, most consumers still rely on supermarkets to purchase their staple food and nonfood items. Consequently, this segment's share of industry revenue has remained stable over the past five years and is anticipated to remain steady in the upcoming years.

Households earning $70,000 or more

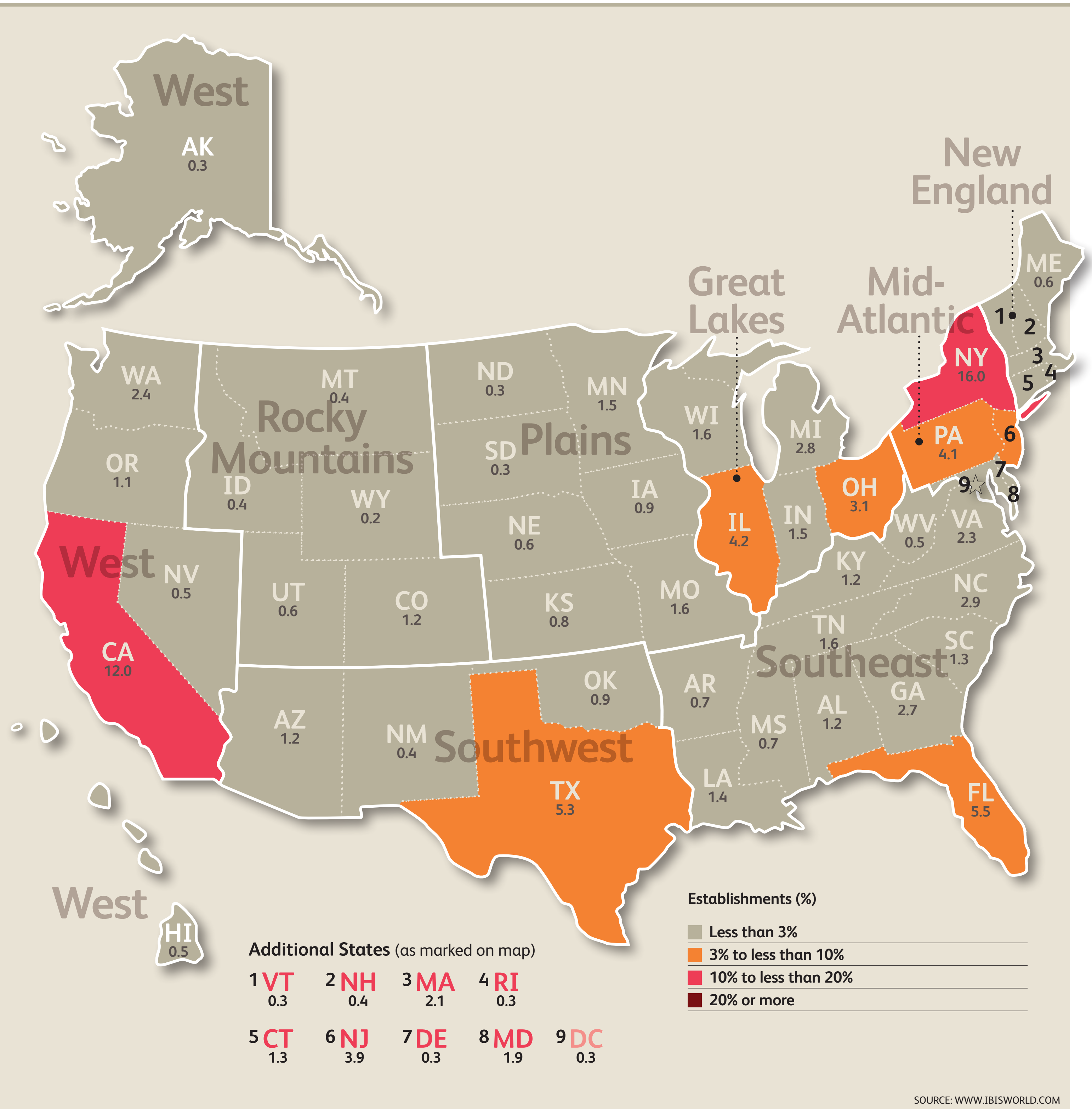
Households earning $70,000 or more account for an estimated 19.2% of revenue in 2019. Families in this income group depend on the convenience, affordability and accessibility of supermarkets to purchase weekly necessities. Higher income families often trade up to branded and premium goods, helping lift this segment's share of industry revenue. Moreover, many shoppers in this income group purchase goods for their entire family, whereas consumers in lower income brackets purchase goods just for themselves or a small family. Consequently, consumers in this group purchase a greater volume of products per shopping trip, helping lift this segment's share of the market. While many consumers in this segment have also allocated a greater portion of their dollars to alternative retailers, a rise in disposable income levels have let high-income consumers purchase a greater variety of goods from supermarkets.

International Trade

International trade is accounted for on the manufacturing level. As a result, although a significant share of goods retailed by operators is sourced from international locations, supermarkets do not directly import and export groceries.

Products & Markets

Business Locations 2019



SOURCE: WWW.IBISWORLD.COM

Products & Markets

Business Locations

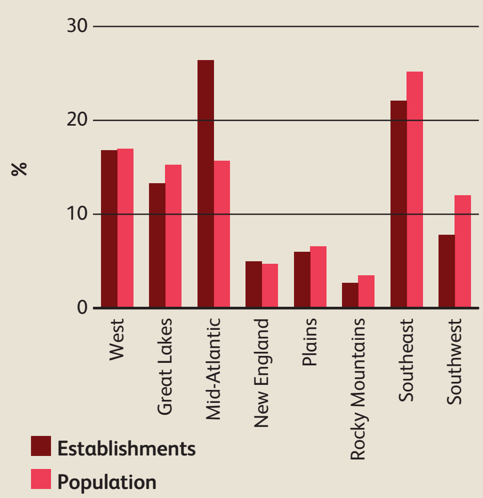
As with most retail industries, the location of establishments falls broadly in line with how the population is dispersed throughout the United States. In theory, the greater the number of residents, the stronger demand for supermarkets and grocery stores should be. Therefore, major retailers strategically locate their establishments in and near large cities. Other factors that influence the distribution of industry establishments is shopping preferences in specific states and regions. For instance, warehouse clubs and supercenters are more heavily concentrated in the Great Lakes (13.3% of total industry establishments) and Southeast, curbing the need for supermarkets and grocery stores.

This industry is largely concentrated in the Mid-Atlantic region, which accounts for 26.4% of establishments. This region includes highly populated states like New Jersey, New York and Pennsylvania. In fact, New York accounts for 16.0% of establishments, partially due to its large population. More importantly, the nation's first grocery store chain, The Great Atlantic and Pacific Tea Company, was first established in New York City. Consequently, the Mid-Atlantic has historically remained the most important region to this industry.

The Southeast is the second most densely concentrated region, accounting for 22.1% of industry establishments. Large states, such as Florida and Georgia contribute a significant share of storefronts to this region. Moreover, one of the leading supermarket chains, Publix Super Markets, is headquartered in Florida (5.5% of total establishments).

The West accounts for 16.8% of establishments, serving 17.3% of the population. California, the most densely populated state in this region, is the largest contributor to this share, accounting for 12.0% of all industry establishments.

Distribution of establishments vs. population



SOURCE: WWW.IBISWORLD.COM

Competitive Landscape

Market Share Concentration | Key Success Factors | Cost Structure Benchmarks
Basis of Competition | Barriers to Entry | Industry Globalization

Market Share Concentration

Level
Concentration in this industry is **Low**

The Supermarkets and Grocery Stores industry is highly fragmented, with over one-third of enterprises employing less than five workers. Moreover, the top three operators are expected to account for 31.9% of industry revenue in 2019. The remaining share of the market is mainly composed of small and medium-sized operators that cater to local and regional markets. IBISWorld estimates that 41,467 operators will actively compete for the remaining 68.1% of market share in 2019. Even though a large portion of businesses operate a single establishment, medium-sized stores are beginning to comprise a larger portion of the market.

Market share concentration has fluctuated over the past five years due to a flurry of mergers and acquisitions. Large companies like Albertsons and Kroger have acquired numerous brands, boosting their share of industry revenue. Additionally, medium-sized players like H-E-B and Meijer have dominated local markets by saturating their respective geographic regions. These stores are often family-owned and have grown over the past five years due to their strong position in local communities. While market share for these companies generally falls below 5.0%, these stores eroded the market share of large companies during the five-year span.

National level premium chains like Whole Foods and Trader Joe's have also expanded their share of industry revenue over the past five years. Like many regional family-owned stores, these national chains provide superior customer service and extensive premium products. These retailers also offer a wide variety of niche goods such as gluten free and vegan products, many of which are not offered by traditional grocers. As disposable income increases and consumers become more health conscious, these brands are expected to increase their share of the industry over the next five years.

Key Success Factors

IBISWorld identifies 250 Key Success Factors for a business. The most important for this industry are:

Proximity to key markets
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.

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

Ability to control stock on hand
Managing inventory ensures that products are always available for purchase, particularly if they are advertised as the weekly special and in high demand.

Close monitoring of competition
Grocery stores compete on price due to the low level of product differentiation. Consequently, retailers must monitor when competitors offer discounts and promotions.

Access to the latest available and most efficient technology and techniques
Operators that take advantage of the latest technology in security and point of sale processing benefit from increased productivity and higher profit margins.

Competitive Landscape

Cost Structure Benchmarks

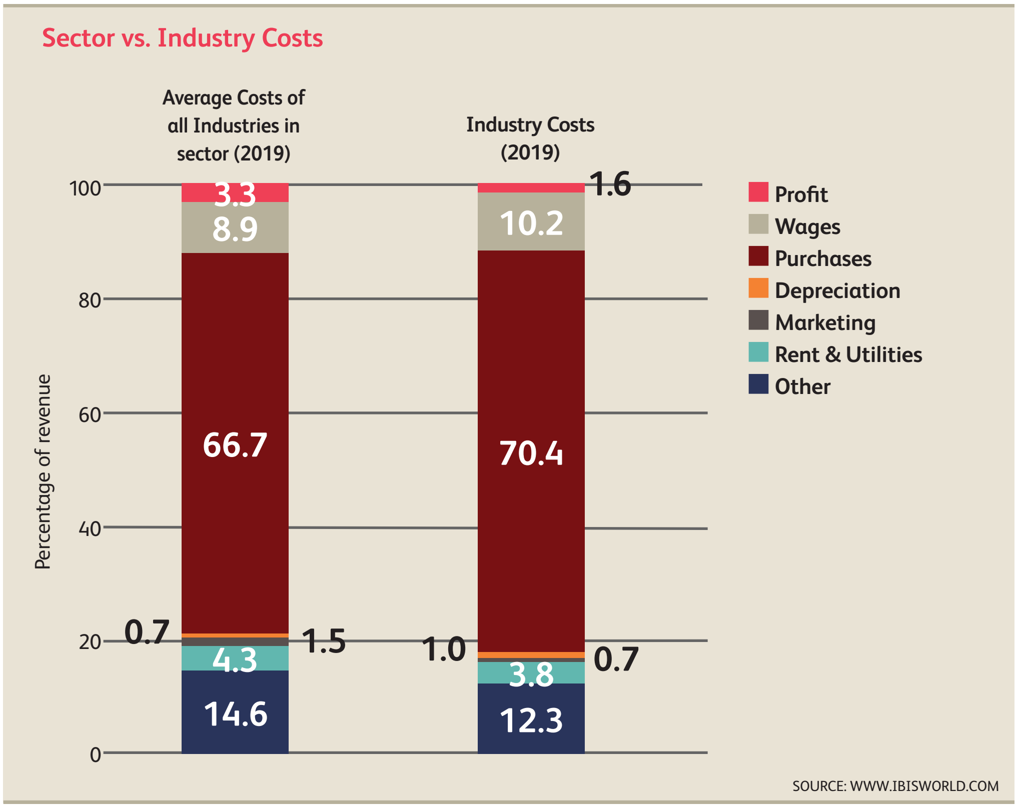
The cost structure for this industry is based on an estimate of the average industry participant. Consequently, profit margins and other costs vary from retailer to retailer and depend on several factors such as ease of access to suppliers and scale of operations.

Profit

In 2019, industry profitability, measured as earnings before interest and taxes, is anticipated to account for 1.6% of revenue, representing a slight increase from 1.4% in 2014. The Supermarkets and Grocery Store industry has historically been characterized by low margins, due to the fragmented nature of the industry. Supermarket operators compete largely on price, as the products sold by retailers are homogeneous. Consequently, companies offer discounts and promotions frequently to drive foot traffic to their stores and boost customer loyalty and retention rates. Over the five years to 2019, the industry has contended with intensifying competition from warehouse clubs and supercenters that offer even lower prices than supermarkets. While this trend holds true for the industry as a whole, specialty retailers, such as all-natural and organic grocers, have experienced high and even increasing margins during this period. Over the five years to 2024, IBISWorld anticipates industry profitability to increase, as the growing popularity of private label products with millennials boosts profit.

Wages

Wages constitute the second-largest cost segment for this industry, accounting for 10.2% of industry revenue in 2019. This figure represents a slight increase from 9.8% in 2014. This increase is largely due to an increase in the average wage,



Competitive Landscape

Cost Structure Benchmarks continued

particularly due to rising minimum wage laws. Moreover, due to technological advancements, such as self-service checkouts, many low wage industry jobs have been eliminated. Consequently, there is a larger share of higher skill workers who are require more sizable compensation. Over the next five years, wages as a share of revenue is expected to remain steady.

Purchases

Purchases account for an overwhelming majority of revenue, estimated to constitute 70.4% of industry revenue in 2019. This figure represents a slight decrease from 2014. As commodity markets fluctuated during the five-year period, the cost of many key agricultural products, from fruits to meat products, remained volatile, ultimately decreasing in the latter-half of the five-year period. Consequently, lower input costs have been passed down the supply chain to food manufacturers and retailers, reducing purchases' share of revenue during this period.

Depreciation

Depreciation is expected to account for 1.0% of total industry revenue in 2019. Depreciation costs have remained steady over the past five years in the industry.

Marketing

Marketing costs are expected to account for advertising and promotions. While supermarkets offer promotions regularly to drive foot traffic to their stores, marketing is expected to only account for 0.7% of revenue in 2019.

Rent

Rent is expected to account for 2.6% of total industry revenue. Rent costs have remained steady in the industry over the past five years.

Utilities

Utilities costs have remained steady in the industry over the past five years and is expected to account for 1.2% of total industry revenue in 2019.

Other Costs

Other costs associated with operating a supermarket include various administrative expenses. Overall these costs are expected to account for 12.3% of total industry revenue in 2019.

Basis of Competition

Level & Trend
Competition in this industry is **High** and the trend is **Increasing**

Internal competition

Supermarket and grocery store operators fiercely compete for the consumer's dollar in an increasingly competitive food retailing sector. Due to the homogeneous nature of the goods sold at supermarkets, industry participants compete on price by offering discounts and promotions in addition to customer loyalty awards. Supermarkets rely on a large volume of sales with low markups and offer generic- or store-branded food items that are less expensive than branded products to drive sales. Most stores offer weekly savings on popular products to entice new consumers.

Other than lower prices, grocery stores must attract customers with the range and quality of products they offer. Industry players who offer an extended range of goods cater to a larger consumer base from both low- and high-income households. However, if grocery stores price their high-quality products too high, they risk losing sales, even from high-income households. In the years following the recession, private label products have maintained their popularity among consumers. In particular, higher-end generic goods, such as Whole Foods' 365 organic line of products, have experienced increasing

Competitive Landscape

Basis of Competition continued

sales as consumers seek affordability and value. Consequently, retailers that offer a range of private label products have benefited from improved sales and margins.

Supermarkets offer a variety of products and services, aside from traditional grocery and nonedible products. For instance, through its partnership with Starbucks, recently acquired Safeway operates in-store Starbucks-branded coffee shops at many of its locations. Other additions that can make the shopping experience more convenient for consumers include ATM machines, movie rental kiosks and other amenities.

External competition

The Supermarkets and Grocery Stores industry contends with intense external competition, particularly from mass merchandisers such as Walmart and Costco. While Walmart and Costco do not necessarily specialize in grocery retailing, they generate a substantial portion of revenue from the sale of grocery products. External competition from warehouse clubs and supercenters has intensified in recent years, as many consumers prefer one-stop-shops where they can purchase a variety of goods, such as apparel and furniture, in addition to traditional groceries. Mass merchandisers also provide lower prices than most supermarkets, as they benefit from economies of scale. Supermarkets also experience competition from convenience stores, discount retailers and foodservice providers.

Barriers to Entry

Level & Trend
Barriers to Entry in this industry are **Medium** and **Increasing**

Barriers to entry in the Supermarkets and Grocery Stores industry are moderate. However, the level of initial capital investment is high. In the past, the major operational cost for industry participants was wages. In addition, the introduction and installation of point of sale (POS) systems over the past decade has raised the level of capital expenditure for supermarkets. POS systems are not the only consideration for a prospect; new entrants must consider a whole range of expenses, including leasing a building. Start-up costs can be financed through a combination of owner investment, short-term loans and long-term borrowing. If new entrants are unable to secure financing for these initial investments, they will not be able to enter the industry.

The pre-existence of distribution networks between operators and suppliers can be a barrier to entry, as existing operators have established relationships of trust and loyalty with their suppliers over a period of time, granting them preferential treatment and pricing.

Barriers to Entry checklist

Competition	High
Concentration	Low
Life Cycle Stage	Mature
Capital Intensity	Low
Technology Change	Medium
Regulation and Policy	Medium
Industry Assistance	Low

SOURCE: WWW.IBISWORLD.COM

Also, the leading retailers have locked in supply bases for certain fresh food categories, which are inaccessible to new entrants. Consequently, new food retailers, especially those wanting to establish relationships with produce suppliers and farmers, may contend with a limited pool of choices. There has also been a noticeable trend of consolidations in the past decade among US produce suppliers and growers, making it even more difficult to select an appropriate vendor.

Conversely, no direct licenses are required to operate supermarkets or grocery stores, which significantly lowers

Competitive Landscape

Barriers to Entry continued

barriers to entry. Additionally, the industry is highly fragmented, with the top three chains only accounting for 31.9% of industry revenue in 2019. Thus, prospects can successfully enter the industry by specializing in a specific product category like all-natural, organic and gluten-free.

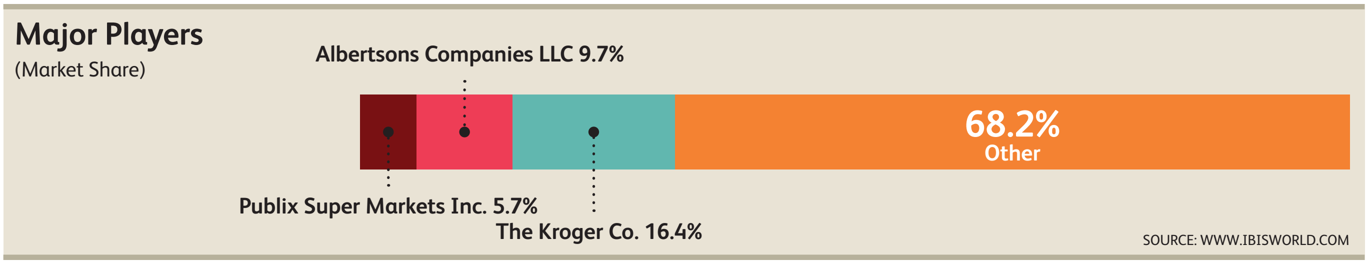
Industry Globalization

Level & Trend
Globalization in this industry is **Low** and the trend is **Steady**

The Supermarkets and Grocery Stores industry exhibits a low level of globalization. Due to the nature of retail stores, supermarkets do not engage in international trade. Also, most industry establishments are based in the United States and earn revenue from domestic operations. However, companies have increasingly expanded their operations abroad to enter growth markets. Foreign companies also operate supermarkets in the United States. For example, Delhaize America is a subsidiary of Belgian Delhaize Group.

Major Companies

The Kroger Co. | Albertsons Companies LLC
Publix Super Markets Inc. | Other Companies



Player Performance

The Kroger Co.
Market Share: 16.4 %

Industry Brand Names
Dillons
Food 4 Less
Kroger
Owen's
Pay Less Super Markets
Smith's
Ralph's
Harris Teeter

The Kroger Co. (Kroger) was founded in 1883, and is the largest grocery store chain in the United States. Headquartered in Cincinnati, the retailer employs 449,000 people throughout the United States. The company operates one retail segment, which includes its retail food and drug stores, multidepartment stores, jewelry stores and convenience stores. Along with its retail business, Kroger operates 37 manufacturing facilities where it produces a variety of private-label goods, primarily baked goods and dairy products, which are sold at its retail outlets. Kroger generated nearly $122.7 billion in total revenue in 2017.

Kroger participates in the Supermarkets and Grocery Stores industry through its food and drug stores segment and multidepartment stores. The company operates nearly 2,800 supermarkets and grocery stores across the United States. Kroger trades under 24 brand names across 35 states. Also, the company uses private labels as a way to differentiate its products and compete against other industry players. The company sells about 15,000 private-label items in three tiers: Private Selection is the premium-quality private label, offering food and beverages that cater to consumers' specific gourmet tastes; the midrange banner brand makes up the majority of private-label sales; and value brands, which maintain an emphasis on price.

Over the past five years, Kroger has focused on driving sales productivity in markets that it already operates in, as well as expanding through strategic acquisitions. Since Kroger is the largest grocery retailer, it aims to acquire companies in locations where it can expand its market share. For instance, in January 2014, the company merged with Harris Teeter Supermarkets, enabling Kroger to expand into the Southeastern

The Kroger Co. (US industry-specific segment) - financial performance*

Year**	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014-15	86,281.0	N/C	2,495.4	N/C
2015-16	91,310.0	5.8	2,973.0	19.1
2016-17	96,900.0	6.1	2,886.7	-2.9
2017-18	99,025.0	2.2	1,683.2	-41.7
2018-19	100,581.2	1.6	2,404.5	42.9
2019-20	107,434.8	6.8	2,773.3	15.3

*Estimates; **Year-end January

SOURCE: ANNUAL REPORT

Major Companies

Player Performance continued

and Mid-Atlantic markets, marginally boosting its market share. In November 2015, the company purchased Roundy's Supermarkets, adding an additional 151 Midwestern storefronts to the company's portfolio. Over the past five years, the company has also expanded its online operations and same-day pick-up service.

Financial performance

Kroger has achieved consistent growth over the past five years, benefiting from higher sales and merger and acquisition activity. As discretionary income continued to strengthen, consumers began trading up to branded products at retail stores, helping lift the company's performance. Kroger also benefited from expanding its private-label offerings, which includes its upscale generic products and value goods. While the company benefited from improved sales and acquisitions during this period, intensifying competition from warehouse clubs and supercenters has threatened its performance, encouraging the company to seek growth through acquisitions. Nevertheless, over the five years to fiscal 2020, Kroger's industry-specific revenue is expected to increase at an annualized rate of 4.5% to $107.4 billion. The company's profit has fluctuated during the five-year period, resulting from various costs associated with acquisition activities.

Player Performance

Albertsons Companies LLC
Market Share: 9.7 %

Industry Brand Names
Bruno's
Giant-Carlisle
Giant-Landover
BI-LO
Giant Food
Stop & Shop
Tops
Safeway

Albertsons Companies LLC (Albertsons), the second-largest industry operator, was founded in 1939 and is headquartered in Boise, ID. As one of the largest food and drug retailers in the United States, the company employs more than 275,000 workers in more than 2,300 stores across 35 states. Albertsons operates through 18 branded store banners, including Albertsons, Vons, Shaw's, Randalls, Pavillions, Star Market, Carrs and recently acquired Safeway. In 2017, Albertsons generated $59.9 billion in total revenue.

While the company operates hundreds of locations under its Albertsons brand name, the business has historically undergone many mergers, acquisitions and rebranding operations. In 2006, Albertsons was acquired by SuperValu, and the company was removed from the New York Stock Exchange. In 2013, SuperValu sold Albertsons and a variety of other grocery store brands to Cerberus Capital Management. The acquisition included Albertsons, Acme, Jewel-Osco, Shaw's and Star Market, all to be under

Albertsons Companies LLC (US industry-specific segment) - financial performance*

Year**	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014-2015	57,497.0	N/C	292.0	N/C
2015-2016	58,734.0	2.2	410.7	40.7
2016-2017	59,678.2	1.6	640.5	56.0
2017-2018	59,924.6	0.4	-4.9	N/C
2018-2019	60,743.3	1.4	651.1	N/C
2019-2020	63,821.4	5.1	452.6	-30.5

*Estimates; **Year-end February; Operating income growth not measured due to fluctuations

SOURCE: IBISWORLD

Major Companies

Player Performance continued

the parent company Albertsons LLC. Later in 2013, the new conglomerate acquired United Supermarkets, further diversifying the geographic spread of the company.

In March 2014, the company announced a proposed $9.4 billion acquisition of Safeway, the second-largest US grocery store chain in terms of revenue at the time. The proposed acquisition would drastically increase the company's market share and geographic range. In compliance with an antitrust review of the merger, Safeway and Albertsons were forced to divest a combined 168 store locations, 146 of which were bought by the Haggen Company, a Washington-based grocery stores chain. The merger was finally cleared in January 2015 by the FTC and in July 2015, the company filed a proposal for initial public offering. In mid-2018, the company announced that it would buy Rite Aid Corp. for an estimated $24.0 billion. However, on account of strong resistance from Rite Aid Corp.'s shareholders, both companies called of the proposed transaction in August 2018. As of October 2018, Albertsons is still a privately held enterprise.

Financial performance

Resulting from aggressive merger and acquisition activity, Albertsons expanded at the end of the prior five-year period. The acquisition of Safeway in 2014 solidified the company's position as a major industry operator, increasing the company's store count more than twofold. While these large-scale acquisitions increasingly boosted company revenue, profit margins have plummeted due to high acquisition costs. Overall, in 2019, Albertsons is expected to account for 9.7% of industry revenue, a significant increase from being an other player at the end of the prior five-year period. The company's revenue has increased at an annualized rate of 2.1% to reach $63.8 billion over the five years to 2019.

Player Performance

Publix Super Markets Inc.
Market Share: 5.7 %
Industry Brand Names
Publix

Publix Super Markets Inc. (Publix) began operations in 1930 in Florida and is regarded as the largest employee-owned supermarket chain in the United States. The majority of its 1,167 supermarket locations are in Florida, while a

Publix Super Markets Inc. (US industry-specific segment) - financial performance*

Year	Revenue ($ million)	(% change)	Operating Income ($ million)	(% change)
2014	30,559.5	N/C	2,570.1	N/C
2015	32,362.6	5.9	2,869.3	11.6
2016	33,999.9	5.1	2,751.7	-4.1
2017	34,558.3	1.6	2,732.8	-0.7
2018	36,093.9	4.4	2,744.4	0.4
2019	37,607.7	4.2	3,052.8	11.2

*Estimates

SOURCE: ANNUAL REPORT

Major Companies

Player Performance continued

significant portion of sites are located in Georgia, Alabama, South Carolina, North Carolina and Tennessee. In 2017 (latest data available), the company employed 193,000 full-time and part-time employees. Publix operates in only one segment, but the company also manufactures and retails a variety of products under its private labels. Moreover, about 84.0% of its sales are generated from grocery items, while the remainder derives from the sale of health and beauty care items, general merchandise, pharmacy, floral and other products and services. Overall, Publix generated $36.1 billion in total revenue in 2018.

The company has achieved growth over the past five years by expanding the number of storefronts to its roster, benefiting from higher product prices and increased customer counts due to an improving economy. For instance, in 2018, Publix opened 51 new stores and remodeled 146 locations. The company focuses heavily on its existing regional markets rather than expanding through mergers and acquisitions, like many other larger industry operators. Additionally, over the past five years, the company has significantly expanded its online channel and grocery delivery operations.

Financial performance

Over the five years to 2019, the company's revenue is anticipated to increase an annualized 4.2% to $37.6 billion. The company has historically experienced higher margins than its competitors by implementing a variety of programs. For instance, the company launched its GreenWise organic brand, which brings in higher margins than its other private label brands. In addition to its generic products, the company offers notable customer service, which helps the chain retain customers. Also, its newest innovation is the Aprons Cooking School, which is offered in 11 locations. These efforts have enabled the company to boost sales, increase customer loyalty and maintain its earnings during the period. Unlike their competitors, Publix strays away from aggressive merger and acquisition activity, resulting in relatively stable profit margins year by year.

Other Companies

The Supermarkets and Grocery Stores industry is highly fragmented. While operators control a substantial share of the market in specific regions and cities, it is difficult for regional players to obtain significant share of the national market. Nevertheless, some of the leading supermarket chain operators are listed below.

Other Company Performance

Ahold Delhaize
Market Share: 3.9 %

Grocery retailer Ahold Delhaize (Delhaize) was formed in mid-2016 when Delhaize Group and Ahold merged to form one entity. Combined, the company now operates 6,637 stores in the United States, the Netherlands, Belgium and across Europe. US operations are conducted through 1,960 locations, operating under the brand names Food Lion, Hannaford, Stop & Shop, Giant, Martin's and bfresh, as well as several online operations (which are excluded from this industry).

In June 2015, Delhaize announced the merger agreement with Ahold, a Netherlands-based grocer operating in the United States. The $29.0 billion

Major Companies

Other Company Performance continued

merger was completed in July 2016 and the company changed its logo to reflect the new combined entity. In 2019, IBISWorld expects Ahold Delhaize's industry-relevant revenue to reach $25.4 billion.

Other Company Performance

HEB Grocery Company LP
Market Share: 3.7 %

Founded in 1905 and headquartered in San Antonio, HEB Grocery Company LP (HEB) is one of the largest family-owned grocery chains in the United States. In 2017, *Forbes* ranked HEB the 13th-largest private company in the United States. The company employs more than 101,000 workers across its more than 380 stores in Texas and Mexico. Along with the standard grocery selection, HEB offers many local or Texas-themed items such as Texas-shaped tortilla chips and condiments from popular Texas chain Whataburger. The local appeal has enabled HEB to grow steadily over the past five years, becoming the leading supermarket in many of Texas' largest metropolitan areas. In November 2015, the company launched its online store, which lists more than 50,000 nonperishable grocery items. Since HEB is family owned, the company does not release its financial information to the public; however, IBISWorld estimates the company's US revenue to reach $24.2 billion in 2019.

Other Company Performance

ALDI US
Market Share: 2.9 %

ALDI US is headquartered in Batavia, IL, and has operated in the United States since 1976. ALDI, the US subsidiary's parent company, was founded in 1913 in Germany. ALDI US is a discount grocer that purchases items in bulk to pass on cost savings to consumers. Additionally, 90.0% of store merchandise are ALDI private label brands, enabling further competitive pricing. The company currently employs over 25,000 workers in nearly 1,800 stores across 35 states. The majority of stores are located in the Northeast and Midwest regions; however, the company has recently expanded to the West through 25 southern California locations. Over the past five years, the company has grown substantially, appealing to both price-conscious and value-driven consumers. The company plans to open more than 650 new US stores through 2018. Although ALDI US is private and does not release financial data, IBISWorld estimates that the company sales will reach $19.0 billion in 2019.

Other Company Performance

Meijer Inc.
Market Share: 2.9 %

For more than 80 years, Meijer Inc. (Meijer) has served the Midwest as a leading family-owned grocer. The company employs over 77,000 workers across its more than 220 locations throughout Michigan, Ohio, Indiana, Illinois, Kentucky and Wisconsin. This regional powerhouse serves as a one-stop shop, offering an extensive grocery product selection, pharmacy, deli and photo printing services. According to *Forbes*, Meijer is the 15th-largest private company in the United States in 2017. The company has experienced steady revenue growth and opened numerous stores over the past five years, mostly recently in Wisconsin. In 2016, the company announced plans to invest $400.0 million in 32 store remodeling projects as well as nine new supercenters. Although the company is private and does not release financial data,

Major Companies

Other Company Performance continued

IBISWorld estimates that revenue will reach $18.7 billion in 2019.

Other Company Performance

Trader Joe's
Market Share: 2.6 %

Headquartered in Monrovia, CA, Trader Joe's has emerged as one of the fastest-growing grocery chains in the United States. With more than 470 stores and 8,000 employees, the company has grown rapidly over the past five years, with only 340 locations at the start of the five-year period. The majority of products sold in Trader Joe's stores are private-label, resulting in lower prices for consumers and higher company profit margins. Additionally, the company emphasizes the quality of their products, and claims that it does not sell items containing GMOs, high-fructose corn syrup, trans fat or artificial colors and flavors. According to *Business Insider*, Trader Joe's significantly outpaces every other major grocery store chain in sales per square foot. In 2019, IBISWorld estimates that the company will generate $17.2 billion in revenue.

Other Company Performance

Wakefern Food Corporation
Market Share: 2.6 %

Headquartered in Keasbey, NJ, Wakefern Food Corporation (Wakefern) was founded in 1946 and is currently the largest retailer-owned cooperative in the United States. According to Supermarket News, Wakefern is 18th on the Top 75 United States-Canada Food Retailer and Wholesalers list in 2018. The company operates in the Supermarkets and Grocery Stores industry through several subsidiaries, including ShopRite and PriceRite. Overall, Wakefern grocery and nonfood warehousing facilities comprise over 2.5 million square feet of space across nine states, including New York, Pennsylvania, Maryland, Massachusetts and Virginia. Since Wakefern is a privately held company, little detailed financial information is not available. Nevertheless, IBISWorld estimates that the company will generate $17.1 billion in retail sales in 2019.

Other Company Performance

Whole Foods Market Inc.
Market Share: 2.6 %

Whole Foods Market Inc. (Whole Foods) is one of the world's leading natural-food retail chains and is the first national certified organic grocer in the United States. Founded in 1980 in Austin, TX, the company specializes in natural and organic foods. After acquiring its top competitor, Wild Oats Markets, the company now operates more than 460 locations in the United States, Canada and the United Kingdom. Along with its unique positioning, the grocer has benefited from the popularity of its private label brands, such as 365 Everyday Value and Wellshire Farms.

Over the past five years, Whole Foods has experienced sizable competition from new industry entrants such as Sprouts, Trader Joe's and The Fresh Market. To combat these competitors, the company launched its own small-format store brand in 2016, under the Whole Foods 365 brand name. These stores are targeted at price sensitive and value driven millennials and sells primarily company brand 365 Everyday Value products. The stores are also equipped with hot food bars, juice stations and other amenities. Whole Foods was recently acquired by Amazon in a deal

Major Companies

Other Company Performance continued

valued at $13.7 billion in 2017. Amazon has already begun to decrease Whole Foods' prices, extend Whole Foods discounts to Amazon Prime members and make products available online, making products more affordable and accessible to a larger demographic. In 2019, the company's industry-specific revenue is expected to reach $17.2 billion.

Other Company Performance

Walmart Inc.
Market Share: 2.2%

Founded in 1962 and headquartered in Bentonville, AR, Walmart Inc. (Walmart) is the world's largest retailer and grocery chain by sales, as well as the third-largest employer worldwide. The company leverages its massive size to exert high buying power over its suppliers, meaning it can obtain significant cost savings and pass them down to consumers with heavily discounted prices. Walmart is currently the number-one seller of groceries, although the majority of its revenue generated from this channel comes from its supercenter stores (see IBISWorld report 45291). However, industry-relevant revenue is generated through the company's Neighborhood Markets, a chain of smaller grocery stores launched in 1998. Neighborhood Markets are smaller than the company's traditional (i.e. standard format) supercenters and include pharmacies, liquor stores, delis, bakeries and photo shops.

Over the past five years, Walmart has sought to improve its sales by growing its Neighborhood Markets presence in urban locations. The company currently operates this class of stores in 800 locations across 36 states and Washington, DC, and expects to open numerous new stores in 2018. However, this segment of the company's operations is currently too small to make a significant splash within the Supermarkets and Grocery stores industry. In 2019, IBISWorld estimates Walmart will achieve industry-relevant revenue of $14.1 billion from its Neighborhood Markets stores, which accounts for 2.2% of industry market share.

Operating Conditions

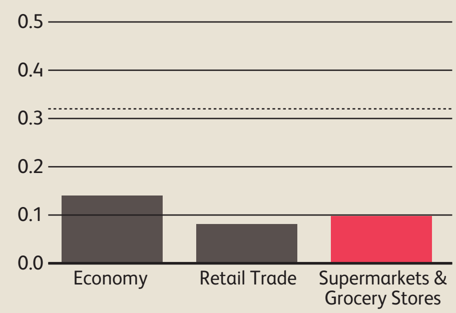
Capital Intensity | Technology & Systems | Revenue Volatility
Regulation & Policy | Industry Assistance

Capital Intensity

Level
The level of capital intensity is **Low**

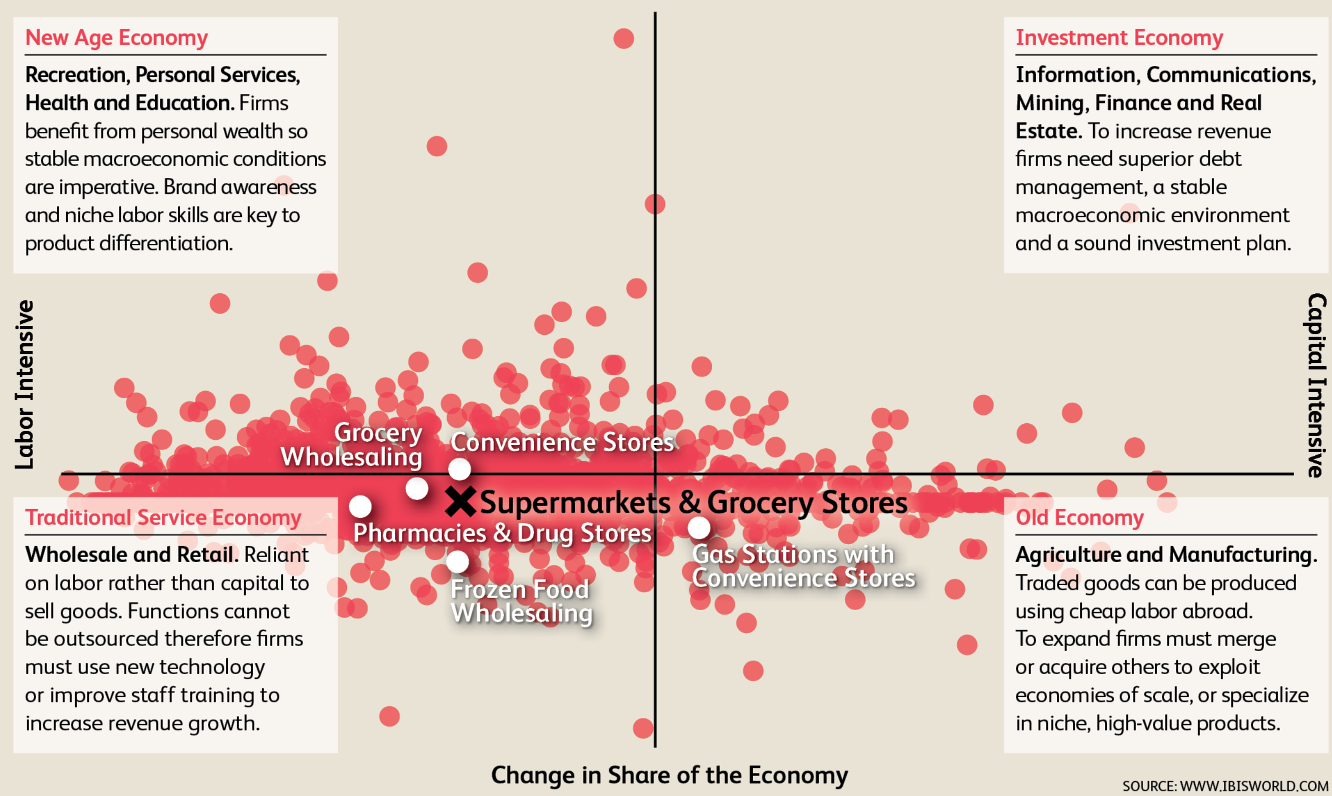
The Supermarkets and Grocery Stores industry exhibits a low level of capital intensity. Using wages as a proxy for labor and depreciation as a proxy for capital, IBISWorld estimated that for every $1.00 spent on labor in the industry, $0.10 will be spent on capital in 2019, increasing just slightly from 2014. Capital expenditure for the industry includes the purchase of store assets such as cash registers and shelving. While most industry operators invested relatively small portions of their revenue on capital goods, many of the large supermarkets implemented new technology. For instance, the introduction of computerized point of sale systems and self-checkout systems has increased supermarkets' dependence on capital to improve operating efficiencies. Advancements in the internet and the development of online ordering

Capital Intensity
Capital units per labor unit



Dotted line shows a high level of capital intensity
SOURCE: WWW.IBISWORLD.COM

Tools of the Trade: Growth Strategies for Success



SOURCE: WWW.IBISWORLD.COM

Operating Conditions

Capital Intensity continued

capabilities also increased capital expenditure for many large operators.

Supermarkets depend on manual labor to stock shelves, organize inventory and provide customer service. The level of labor expenditure in this industry is influenced by the number of people employed, their wage rates and operating hours. Employees in this industry range from cashiers to store managers and marketing executives. The number of employees in the industry has increased over the past five years despite the introduction of self-checkout systems.

Technology and Systems

Level
The level of technology change is **Medium**

Pay by Touch

One of the latest technological innovations to be used by industry operators is Pay by Touch scanners, which make payment at checkouts quicker and safer. Through the system, a customer can set up an "e-wallet" that contains his or her bank account, reward card and credit card information. Grocery payment is made by simply scanning a fingerprint and keying in a password linked to account details.

Self-checkout lanes

Self-checkout systems continue to be very popular in grocery stores. Consumers who buy one or two products prefer self-checkout lanes because they are usually the fastest way to make a purchase. However, like any new technology, the self-checkout systems contend with some hurdles, such as proof of age and bar-coding issues. Despite the operational hurdles that companies experience, self-checkout lanes are beneficial for supermarkets because they lower the number of cashiers needed per store, lowering wage costs for operators.

Ecommerce and smartphone applications

Many industry participants have entered the internet retailing sector by enabling customers to purchase products online and have their groceries delivered to their homes and offices. In addition to Peapod and FreshDirect, many regional supermarket chains have begun to offer internet retailing in recent years. Moreover, grocery stores are taking advantage of the popularity of smartphones. Many grocery stores have created applications that Americans can download to improve their shopping experience. These applications display the latest coupon offers, weekly specials and store locations. Some independent grocery applications let shoppers scan bar codes and ring up purchases as they walk through the aisles.

In-store Wi-Fi

Over the past five years, an increasing amount of grocery stores have implemented free in-store Wi-Fi. While Wi-Fi itself is not an innovation specific to the Supermarkets and Grocery Stores industry, it has become a commonality for many operators. According to a study conducted by EarthLink, 28.0% of retailers saw an increase in customer loyalty after deploying in-store customer Wi-Fi, with an associated 2.0% increase in sales. Retailers also reported that consumers using in-store Wi-Fi spent 21.0% longer in the store.

Operating Conditions

Revenue Volatility

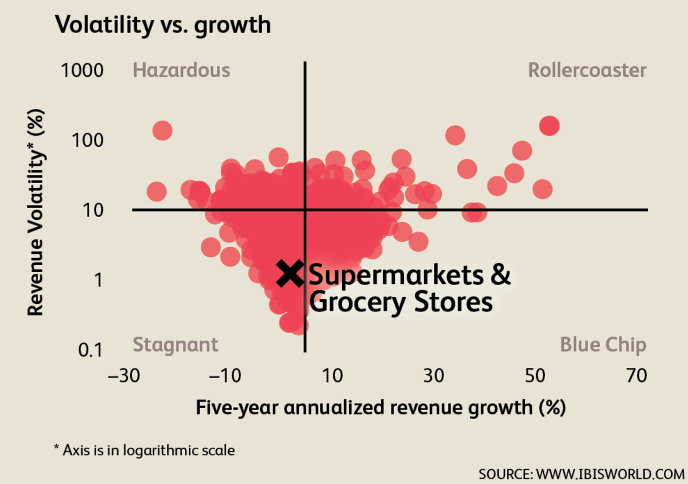
Level
The level of volatility is **Low**

The Supermarkets and Grocery Stores industry experiences low revenue volatility, as industry operators sell nondiscretionary items. Consequently, demand for products sold at retail stores does not fluctuate drastically with minor changes in product prices and disposable income levels. However, significant price increases and lower discretionary income causes shoppers to trade down to discounted or generic products, lowering industry revenue growth.

In addition, consumer preferences have curbed revenue growth over the past five years. The emergence and growth of discount retail stores, including warehouse clubs and supercenters, have caused many consumers to purchase a variety of nonfood and staple food items in bulk at these locations. Also, demand for single-serve beverages, snacks and other sundries has been dampened by the growing popularity of convenience stores.

A higher level of revenue volatility implies greater industry risk. Volatility can negatively affect long-term strategic decisions, such as the time frame for capital investment.

When a firm makes poor investment decisions it may face underutilized capacity if demand suddenly falls, or capacity constraints if it rises quickly.



Regulation and Policy

Level & Trend
The level of Regulation is **Medium** and the trend is **Steady**

Regulations relevant to this industry are generally enacted and administered by state governments. Congress has enacted trade regulations, with the aim of maintaining a free and competitive economy. Congress passed the Sherman Antitrust Act, the Wilson Tariff Act, the Clayton Antitrust Act and the Robinson-Patman Act along with various other regulations to address unfair competition. A variety of other state and local policy regarding alcohol sales and banned substance sales affect industry operators, particularly those with national scale operations.

The Sherman Antitrust Act

In the late 1800s, businesses began to gain market dominance by forming anti-competitive agreements called trusts, which cut prices drastically to drive competitors out of business. The anti-competitive techniques of trusts included buying out competitors, forcing downstream customers to sign long-term contracts and purchase unwanted products to receive other goods. Congress responded in 1890 by introducing the Sherman Antitrust Act, which prohibits illegal monopolies or monopolies that could be shown to use their power to censor competition. This act prohibits any operator from monopolizing the industry through acquisitions. Therefore, the act ensures fair competition among industry participants. This legislation has been particularly pertinent to industry operators over the past five years, which have been marked by

Operating Conditions

Regulation and Policy continued

large-scale mergers and acquisitions. For instance, in 2015, the Federal Trade Commission required the divestment of 146 Safeway and Albertsons stores in order for the merger to be approved.

The Robinson-Patman Act

In 1914, the second section of the Clayton Act became the first federal statute that expressly prohibited certain forms of price discrimination. In 1936, that section was amended to create the Robinson-Patman Act, which provides some measure of protection to small independent retailers and their independent suppliers, from what was thought to be unfair competition from chain stores. The act requires sellers to sell to everyone at the same price, while buyers are to purchase merchandise from a particular seller at the same price as everyone else. The act also prohibits sellers and buyers from using brokerage, allowances and services.

Occupational Safety and Health Administration

Under the US Department of Labor, the Occupational Safety and Health Administration (OSHA) provides various guidelines for grocery stores. For instance, OSHA has guidelines regarding how grocery stores must train their employees, check out items and stock products. Grocery stores that do not follow mandatory OSHA guidelines are subject to penalties. Operators in this industry are also subject to regulation by the US Food and Drug Administration, the US Department of Agriculture, the Environment Protection Agency and other federal, state and local agencies.

Other

A variety of state and local laws also affect industry operations. State and county liquor laws often dictate the times alcohol sales can be conducted, the types of alcohol that can be sold or even ban the sale of alcohol all together. For example, out of Arkansas' 75 counties, 39 have banned the sale of alcohol. Additionally, while the vast majority of states permit grocery store beer or wine sales, only 21 permit the sale of hard liquor. Aside from alcohol, a variety of other substances are sold on a state by state level. Unpasteurized milk, for example, is only fully legal for store sale in 13 states.

Industry Assistance

Level & Trend
The level of Industry Assistance is **Low** and the trend is **Steady**

Supermarkets and grocery stores do not engage in international trade and therefore, do not receive assistance in the form of import tariffs. However, tariffs are applied to goods sold at retail stores. Hence, tariffs rates can influence the cost of goods sold and the variety of products stocked by retailers.

Supermarkets receive indirect assistance from industry associations, such as the National Grocers Association (NGA). The NGA represents retail and wholesale grocers and helps members by providing webinars, training in various topics, and providing them with other informational resources. The NGA represents over 7,500 store fronts across the United States. The National Supermarket Association (NSA) is another trade organization that represents about 400 independent supermarket owners in New York and other urban cities throughout the East Coast.

Key Statistics

Industry Data

	Revenue ($m)	Industry Value Added ($m)	Establish-ments	Enterprises	Employment	Exports	Imports	Wages ($m)	Domestic Demand	Per capita dis-posable income ($)
2010	585,118.6	74,056.7	64,380	41,027	2,402,743	--	--	60,013.9	N/A	38,160.3
2011	602,342.3	71,316.5	64,366	40,888	2,413,784	--	--	59,269.7	N/A	38,769.6
2012	608,858.2	74,913.5	66,047	42,107	2,471,155	--	--	60,300.9	N/A	39,763.4
2013	609,323.7	74,431.7	66,286	42,526	2,482,664	--	--	59,808.0	N/A	38,973.8
2014	624,943.0	75,614.4	65,975	42,018	2,577,732	--	--	61,240.7	N/A	40,249.8
2015	633,430.9	81,783.3	66,284	41,841	2,666,800	--	--	63,413.8	N/A	41,598.1
2016	637,702.9	82,499.0	65,399	41,899	2,690,541	--	--	64,643.3	N/A	42,004.3
2017	637,651.7	81,385.5	65,525	41,993	2,699,088	--	--	64,806.6	N/A	42,791.1
2018	647,896.0	82,528.8	65,885	42,215	2,737,156	--	--	65,746.3	N/A	43,758.3
2019	654,626.3	83,482.7	66,293	42,470	2,767,591	--	--	66,467.2	N/A	44,630.2
2020	661,500.6	84,417.6	66,594	42,649	2,796,615	--	--	67,164.5	N/A	45,278.2
2021	667,671.0	85,188.8	66,870	42,810	2,824,223	--	--	67,820.2	N/A	45,776.2
2022	673,787.6	85,932.6	67,193	43,007	2,849,917	--	--	68,438.1	N/A	46,279.8
2023	680,560.7	86,731.6	67,542	43,226	2,875,507	--	--	69,067.3	N/A	46,974.0
2024	687,610.6	87,627.7	68,009	43,514	2,902,847	--	--	69,735.7	N/A	47,710.3
Sector Rank	**2/63**	**1/63**	**12/63**	**18/63**	**1/63**	**N/A**	**N/A**	**2/63**	**N/A**	**N/A**
Economy Rank	**11/694**	**35/694**	**107/694**	**149/694**	**8/694**	**N/A**	**N/A**	**19/694**	**N/A**	**N/A**

Annual Change

	Revenue (%)	Industry Value Added (%)	Establish-ments (%)	Enterprises (%)	Employment (%)	Exports (%)	Imports (%)	Wages (%)	Domestic Demand (%)	Per capita dis-posable income (%)
2011	2.9	-3.7	0.0	-0.3	0.5	N/A	N/A	-1.2	N/A	1.6
2012	1.1	5.0	2.6	3.0	2.4	N/A	N/A	1.7	N/A	2.6
2013	0.1	-0.6	0.4	1.0	0.5	N/A	N/A	-0.8	N/A	-2.0
2014	2.6	1.6	-0.5	-1.2	3.8	N/A	N/A	2.4	N/A	3.3
2015	1.4	8.2	0.5	-0.4	3.5	N/A	N/A	3.5	N/A	3.3
2016	0.7	0.9	-1.3	0.1	0.9	N/A	N/A	1.9	N/A	1.0
2017	0.0	-1.3	0.2	0.2	0.3	N/A	N/A	0.3	N/A	1.9
2018	1.6	1.4	0.5	0.5	1.4	N/A	N/A	1.5	N/A	2.3
2019	1.0	1.2	0.6	0.6	1.1	N/A	N/A	1.1	N/A	2.0
2020	1.1	1.1	0.5	0.4	1.0	N/A	N/A	1.0	N/A	1.5
2021	0.9	0.9	0.4	0.4	1.0	N/A	N/A	1.0	N/A	1.1
2022	0.9	0.9	0.5	0.5	0.9	N/A	N/A	0.9	N/A	1.1
2023	1.0	0.9	0.5	0.5	0.9	N/A	N/A	0.9	N/A	1.5
2024	1.0	1.0	0.7	0.7	1.0	N/A	N/A	1.0	N/A	1.6
Sector Rank	**24/63**	**30/63**	**38/63**	**39/63**	**29/63**	**N/A**	**N/A**	**29/63**	**N/A**	**N/A**
Economy Rank	**413/694**	**443/694**	**445/694**	**444/694**	**442/694**	**N/A**	**N/A**	**430/694**	**N/A**	**N/A**

Key Ratios

	IVA/Revenue (%)	Imports/ Demand (%)	Exports/ Revenue (%)	Revenue per Employee ($'000)	Wages/Revenue (%)	Employees per Est.	Average Wage ($)	Share of the Economy (%)
2010	12.66	N/A	N/A	243.52	10.26	37.32	24,977.24	0.47
2011	11.84	N/A	N/A	249.54	9.84	37.50	24,554.68	0.45
2012	12.30	N/A	N/A	246.39	9.90	37.42	24,401.91	0.46
2013	12.22	N/A	N/A	245.43	9.82	37.45	24,090.25	0.45
2014	12.10	N/A	N/A	242.44	9.80	39.07	23,757.59	0.45
2015	12.91	N/A	N/A	237.52	10.01	40.23	23,778.99	0.47
2016	12.94	N/A	N/A	237.02	10.14	41.14	24,026.13	0.47
2017	12.76	N/A	N/A	236.25	10.16	41.19	24,010.55	0.45
2018	12.74	N/A	N/A	236.70	10.15	41.54	24,019.93	0.44
2019	12.75	N/A	N/A	236.53	10.15	41.75	24,016.27	0.44
2020	12.76	N/A	N/A	236.54	10.15	41.99	24,016.36	0.44
2021	12.76	N/A	N/A	236.41	10.16	42.23	24,013.76	0.43
2022	12.75	N/A	N/A	236.42	10.16	42.41	24,014.07	0.43
2023	12.74	N/A	N/A	236.68	10.15	42.57	24,019.17	0.42
2024	12.74	N/A	N/A	236.87	10.14	42.68	24,023.21	0.42
Sector Rank	**54/63**	**N/A**	**N/A**	**25/63**	**47/63**	**5/63**	**30/63**	**1/63**
Economy Rank	**636/694**	**N/A**	**N/A**	**398/694**	**527/694**	**151/694**	**595/694**	**35/694**

Figures are in inflation-adjusted 2019 dollars. Rank refers to 2019 data.

SOURCE: WWW.IBISWORLD.COM

Industry Financial Ratios

	Apr 2014 - Mar 2015	Apr 2015 - Mar 2016	Apr 2016 - Mar 2017	Apr 2017 - Mar 2018	Apr 2017 - Mar 2018 by company revenue: Small (<$10m)	Medium ($10-50m)	Large (>$50m)
Liquidity Ratios							
Current Ratio	1.5	1.6	1.6	1.6	2.1	1.6	1.2
Quick Ratio	0.5	0.5	0.5	0.5	0.6	0.6	0.4
Sales / Receivables (Trade Receivables Turnover)	462.5	440.2	475.6	391.5	n/c	356.1	121.4
Days' Receivables	0.8	0.8	0.8	0.9	0.4	1.0	3.0
Cost of Sales / Inventory (Inventory Turnover)	15.0	15.1	14.3	14.7	13.1	16.3	14.4
Days' Inventory	24.3	24.2	25.5	24.8	27.9	22.4	25.3
Cost of Sales / Payables (Payables Turnover)	25.2	25.7	24.3	22.9	52.1	20.9	18.3
Days' Payables	14.5	14.2	15.0	15.9	7.0	17.5	19.9
Sales / Working Capital	35.8	32.0	33.5	32.6	22.7	31.6	58.1
Coverage Ratios							
Earnings Before Interest & Taxes (EBIT) / Interest	5.5	6.3	5.3	5.3	4.7	7.0	4.7
Net Profit + Dep., Depletion, Amort. / Current Maturities LT Debt	2.9	3.4	3.2	2.7	n/a	2.3	3.2
Leverage Ratios							
Fixed Assets / Net Worth	1.1	1.0	1.1	1.1	0.7	0.9	1.5
Debt / Net Worth	1.8	1.8	1.9	1.8	1.6	1.6	2.2
Tangible Net Worth	26.3	26.2	24.7	24.5	18.9	27.7	27.0
Operating Ratios							
Profit before Taxes / Net Worth, %	22.7	30.2	22.6	19.8	22.1	26.1	14.2
Profit before Taxes / Total Assets, %	7.0	9.2	7.4	6.9	7.7	10.7	4.3
Sales / Net Fixed Assets	21.6	21.2	18.6	19.3	28.3	24.1	11.8
Sales / Total Assets (Asset Turnover)	5.5	5.4	4.9	4.9	5.3	5.3	4.2
Cash Flow & Debt Service Ratios (% of sales)							
Cash from Trading	26.0	26.4	27.5	28.1	28.5	28.1	27.9
Cash after Operations	2.1	2.7	2.6	2.0	1.9	2.4	1.9
Net Cash after Operations	2.8	3.3	3.0	2.6	2.5	2.9	2.2
Cash after Debt Amortization	0.9	1.3	0.8	0.6	0.4	0.7	0.5
Debt Service P&I Coverage	2.9	3.2	2.6	2.0	1.8	2.4	1.9
Interest Coverage (Operating Cash)	8.5	10.6	8.4	7.5	5.4	9.0	6.4
Assets, %							
Cash & Equivalents	14.7	16.1	16.4	16.2	17.8	18.1	11.4
Trade Receivables (net)	3.7	4.1	3.8	3.8	2.3	4.1	5.2
Inventory	32.0	30.3	29.3	28.5	33.6	27.7	23.3
All Other Current Assets	2.8	2.8	2.1	2.6	3.2	2.1	2.7
Total Current Assets	53.1	53.3	51.5	51.1	56.9	52.0	42.6
Fixed Assets (net)	30.7	31.1	31.6	30.9	27.3	28.0	39.5
Intangibles (net)	5.9	7.1	7.2	8.1	6.7	8.9	8.6
All Other Non-Current Assets	10.2	8.5	9.6	9.9	9.1	11.1	9.3
Total Assets	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Assets ($m)	14,814.2	15,961.9	14,459.3	15,291.0	265.6	1,420.9	13,604.4
Liabilities, %							
Notes Payable-Short Term	3.3	5.2	3.8	4.1	7.8	1.7	3.0
Current Maturities L/T/D	3.3	3.1	3.7	3.3	2.6	3.6	3.6
Trade Payables	19.1	17.9	18.1	18.2	14.0	21.8	18.1
Income Taxes Payable	0.2	0.2	0.2	0.1	0.1	0.1	0.1
All Other Current Liabilities	11.9	11.0	11.7	11.6	14.1	10.8	9.5
Total Current Liabilities	37.8	37.4	37.5	37.2	38.6	38.0	34.4
Long Term Debt	20.7	20.9	22.4	20.9	21.0	19.5	22.7
Deferred Taxes	0.2	0.2	0.3	0.2	n/a	0.2	0.5
All Other Non-Current Liabilities	9.2	8.2	7.9	9.1	14.8	5.7	6.8
Net Worth	32.2	33.3	31.9	32.6	25.6	36.6	35.6
Total Liabilities & Net Worth ($m)	14,814.2	15,961.9	14,459.3	15,291.0	265.6	1,420.9	13,604.4
Maximum Number of Statements Used	761	740	625	669	227	259	183

Source: RMA Annual Statement Studies, rmahq.org. RMA data for all industries is derived directly from more than 260,000 statements of member financial institutions' borrowers and prospects.

Note: For a full description of the ratios refer to the Key Statistics chapter online.

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Jargon & Glossary

Industry Jargon

FRESH FORMAT STORES Stores that differ from traditional supermarkets by offering an extensive array of premium organic, ethnic and specialty items.

LIMITED ASSORTMENT STORES Stores that are more compact than traditional supermarkets, and low sell a limited variety of low-priced private label items.

POINT OF SALE SYSTEM A hardware or software system that traces where a transaction occurs at a retail establishment or store.

PREMIUM BRANDS Brands that are produced by regional, national or international companies. They are typically priced higher than private label brands and are often considered to be of higher quality.

PRIVATE LABEL BRANDS Brands that are offered by retailers and compete with regional, national and international brands.

IBISWorld Glossary

BARRIERS TO ENTRY High barriers to entry mean that new companies struggle to enter an industry, while low barriers mean it is easy for new companies to enter an industry.

CAPITAL INTENSITY Compares the amount of money spent on capital (plant, machinery and equipment) with that spent on labor. IBISWorld uses the ratio of depreciation to wages as a proxy for capital intensity. High capital intensity is more than $0.333 of capital to $1 of labor; medium is $0.125 to $0.333 of capital to $1 of labor; low is less than $0.125 of capital for every $1 of labor.

CONSTANT PRICES The dollar figures in the Key Statistics table, including forecasts, are adjusted for inflation using the current year (i.e. year published) as the base year. This removes the impact of changes in the purchasing power of the dollar, leaving only the "real" growth or decline in industry metrics. The inflation adjustments in IBISWorld's reports are made using the US Bureau of Economic Analysis' implicit GDP price deflator.

DOMESTIC DEMAND Spending on industry goods and services within the United States, regardless of their country of origin. It is derived by adding imports to industry revenue, and then subtracting exports.

EMPLOYMENT The number of permanent, part-time, temporary and seasonal employees, working proprietors, partners, managers and executives within the industry.

ENTERPRISE A division that is separately managed and keeps management accounts. Each enterprise consists of one or more establishments that are under common ownership or control.

ESTABLISHMENT The smallest type of accounting unit within an enterprise, an establishment is a single physical location where business is conducted or where services or industrial operations are performed. Multiple establishments under common control make up an enterprise.

EXPORTS Total value of industry goods and services sold by US companies to customers abroad.

IMPORTS Total value of industry goods and services brought in from foreign countries to be sold in the United States.

INDUSTRY CONCENTRATION An indicator of the dominance of the top four players in an industry. Concentration is considered high if the top players account for more than 70% of industry revenue. Medium is 40% to 70% of industry revenue. Low is less than 40%.

INDUSTRY REVENUE The total sales of industry goods and services (exclusive of excise and sales tax); subsidies on production; all other operating income from outside the firm (such as commission income, repair and service income, and rent, leasing and hiring income); and capital work done by rental or lease. Receipts from interest royalties, dividends and the sale of fixed tangible assets are excluded.

INDUSTRY VALUE ADDED (IVA) The market value of goods and services produced by the industry minus the cost of goods and services used in production. IVA is also described as the industry's contribution to GDP, or profit plus wages and depreciation.

INTERNATIONAL TRADE The level of international trade is determined by ratios of exports to revenue and imports to domestic demand. For exports/revenue: low is less than 5%, medium is 5% to 20%, and high is more than 20%. Imports/domestic demand: low is less than 5%, medium is 5% to 35%, and high is more than 35%.

LIFE CYCLE All industries go through periods of growth, maturity and decline. IBISWorld determines an industry's life cycle by considering its growth rate (measured by IVA) compared with GDP; the growth rate of the number of establishments; the amount of change the industry's products are undergoing; the rate of technological change; and the level of customer acceptance of industry products and services.

NONEMPLOYING ESTABLISHMENT Businesses with no paid employment or payroll, also known as nonemployers. These are mostly set up by self-employed individuals.

PROFIT IBISWorld uses earnings before interest and tax (EBIT) as an indicator of a company's profitability. It is calculated as revenue minus expenses, excluding interest and tax.

Jargon & Glossary

IBISWorld Glossary continued

VOLATILITY The level of volatility is determined by averaging the absolute change in revenue in each of the past five years. Volatility levels: very high is more than ±20 %; high volatility is ±10 % to ±20 %; moderate volatility is ±3 % to ±10 %; and low volatility is less than ±3 %.

WAGES The gross total wages and salaries of all employees in the industry. The cost of benefits is also included in this figure.