

Death Spiral of Supermarket Format

Strategic Convergence
Goal: Economies of Scale
LOWER PRICES

Changing Demographics and Customer Needs

Consolidations
New Stores

Leveraged
Buying

Store
Brand
Dilution

Dependence
on Trade
Promotion
Dollars

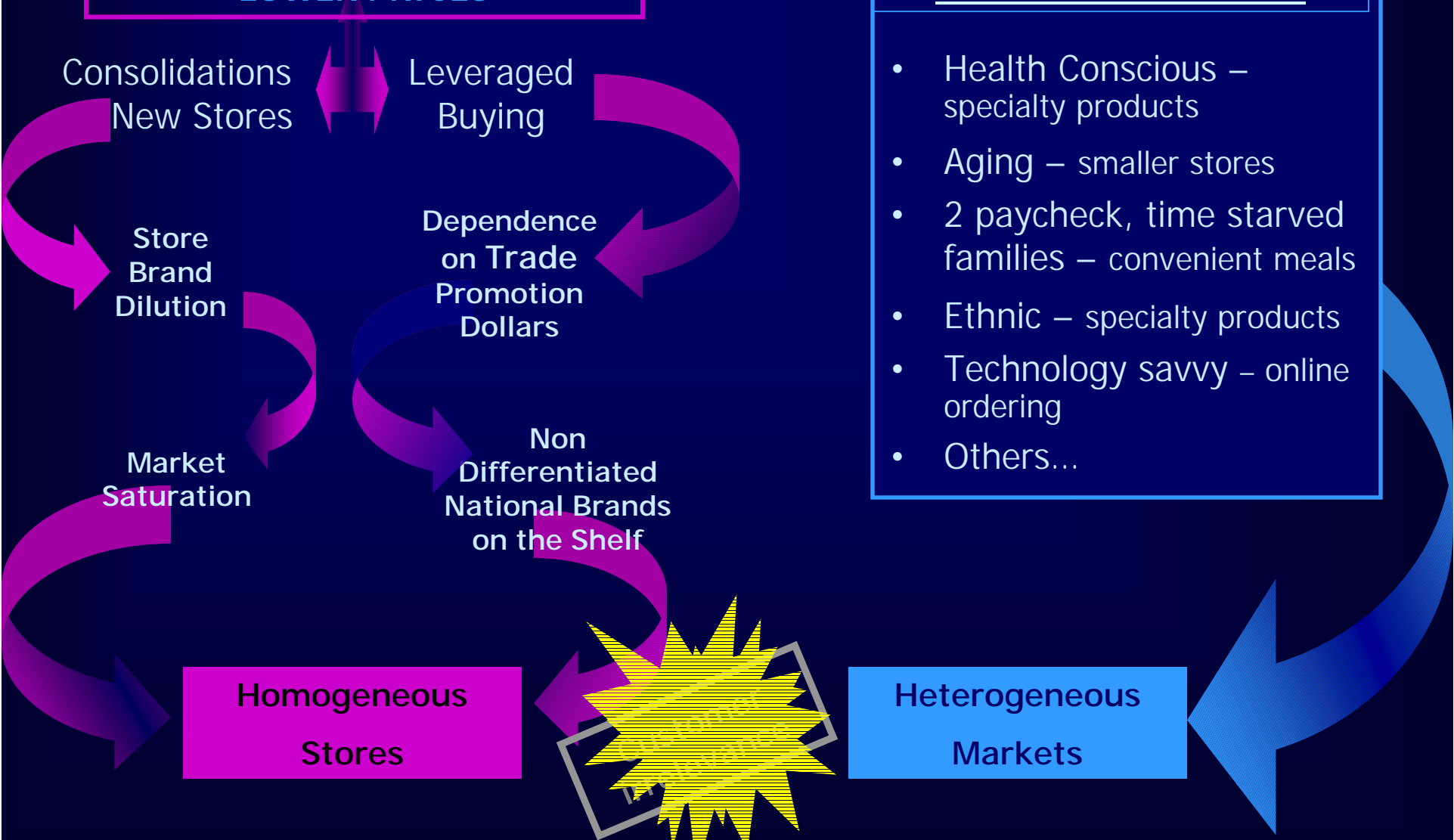
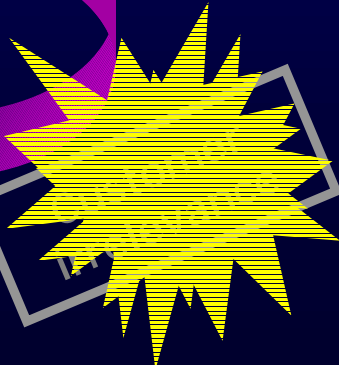
Market
Saturation

Non
Differentiated
National Brands
on the Shelf

- Health Conscious – specialty products
- Aging – smaller stores
- 2 paycheck, time starved families – convenient meals
- Ethnic – specialty products
- Technology savvy – online ordering
- Others...

Homogeneous
Stores

Heterogeneous
Markets



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Homogeneous Stores

Customer irrelevance

Heterogeneous Markets

Decreased Relevance to Heterogeneous Markets

Supermarkets Stuck in Undifferentiated Middle Ground

Multichannel shopping

Manufacturers Seek More Efficient and Effective Trade Channels

Retailers Lose Trade Dollars

Retailers Raise Price To Cover Over Head

Shoppers go
loss of shoppers and total sales

- Food service
 - Dollar stores
 - Super centers
- Alternative Formats
- Specialty Stores
 - Category killers
 - Online shopping
 - More....

XX DEATH XX

