

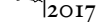


Grocery Stores: discussion, current landscape, and history

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

Macroeconomic Discussion

Grocery stores hold a very important role in the dynamics of macroeconomics. Consumers spend 13% of their net income each year on food (down from 42.5% 1901  2017), which is the 3rd largest spend in 2017 after housing (23.3% 1901  2017 31.1%) and transportation (<1% 1901  2017 15.9%)¹.

(firm revenue) = (average price per calorie) * (% of calories captured in trading area)

Firms in the U.S. food system can grow in two ways. First, they could increase the average cost per calorie by offering consumers increased value over existing alternatives. Some examples include convenience stores that offer close locations and wide operating hours. Food away from home services offer a place to consume food and convenience in food preparation. The other way firms can grow is by increasing their portion of calories that consumers receive through their services. They can compete in the market and grow their number of locations or taking a lower price per calorie and hope to gain a larger market share.

U.S. Food System Current Landscape

The caloric intake of U.S. citizens is 2,048 (down from 2,178 in 2001  2017)². The percent daily energy intake U.S. households get in food away from home is 34% (down from 37% 2015  2016). The average household spends \$3,335 (up from \$3,113 1984³  2017) buying food meant for outside of home consumption. Households spend \$4,363 annually for food meant to be prepared at home (down from \$4,646 1984  2017). The total market size of food consumption is estimated to be \$1.6 trillion⁴.

38,307 establishments sell food for at home consumption which a market size estimated to be \$701.18 billion in 2018⁵.

Name	Leader	Leader Revenue \$B
Combined Superstore	Walmart	500
Wholesale Stores	Costco, Sams Club	271
Drug Stores	Walgreens, CVS	232
Supermarket	Kroger, Albertsons	183
Discount Stores	Aldi	16
Convenience Stores	7-Eleven	15
Health Foods	Whole Foods	6

¹ United States. Bureau of Labor Statistics. *100 years of U.S. consumer spending: data for the nation, New York City, and Boston*. Report. U.S. Department of Labor, U.S. Bureau of Labor Statistics, Washington, D.C., 2006. URL <http://www.bls.gov/opub/uscs/home.htm>

² Beltsville Human Nutrition Research Center Food Surveys Research Group (Beltsville MD) U.S. Department of Agriculture, Agricultural Research Service, U.S. Department of Health, Centers for Disease Control Human Services, and (MD) Prevention, National Center for Health Statistics (Hyattsville. *What We Eat in America*. Internet, 2018

³ dollars converted to 2017 dollars

⁴ This number includes the 4,363 + 3,113 * 130m = \$1 trillion from personal spending and adds in government and business spending. Source: Food Prices and Spending, USDA

⁵ The largest food retail categories (combined superstore, wholesale, and drug stores categories), grocery only makes up a portion of their total sales, the majority of their revenue coming from non-food items such as home goods, furniture, apparel, and fuel

Name	Leader	Leader Revenue \$B
Online Grocery	Amazon	2
Specialty Goods	H Mart, 99 Ranch	1



For food consumed away from home 4 models dominate: pre-packaged food meant for immediate consumption, buffets, limited serve restaurants (fast food and fast casual dining, 180,764 2002⁶ 2016 237,922 locations), and full-service restaurants (198,531 2002⁶ 2016 246,888) for a total of (469,018 2001⁶ 2017 633,918 locations⁸).

History of Grocery Store Innovation⁹

- 1859 The Great Atlantic and Pacific Tea Company (A&P) is founded
- 1882 Barney Kroger founds Great Western Tea Company
- 1886 During this time general stores offered very limited selection. Coffee and tea mostly
- 1911 A&P expands its selection. Its 800 square foot stores now hold nearly 270 products. Store keeper still picks out items for customers. Store credit, home delivery, and trading stamps are commonplace
- 1915 Marion Skaggs founds Safeway
- 1916 Clarence Saunders designs a store specifically for self service item selection
- 1920 A&P experiments with "economy" stores. Stores without delivery, credit, or advertizing. "Cash and Carry"
- 1925 A&P now runs 14,000 of its economy stores
- 1927 Ford produces 15 million model t automobiles
- 1930 Michael Cullen opens a store in long island in a old garage with extreme price discounting and limited furnishings.
- 1962 Sam Walton opens first "wal-mart"
- 1980 272 Walmart Stores
- 1992 1,928 Walmart Stores
- 1998 Kroger purchases Fred Meyer

⁶ News Articles Company 10-Ks.

Data collected from company 10-k

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2017

⁷ OpenStreetMap contributors.

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⁸ Bureau of labor statistics. Food services

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⁹ Theodore W. Leed and Gene A. Ger-

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