The (Re)Rise of Discount Grocery Retailers

A Threat to Conventional Grocery

CADDLE

Make better decisions, faster, with access to rapid insights at every stage of the consumer journey.

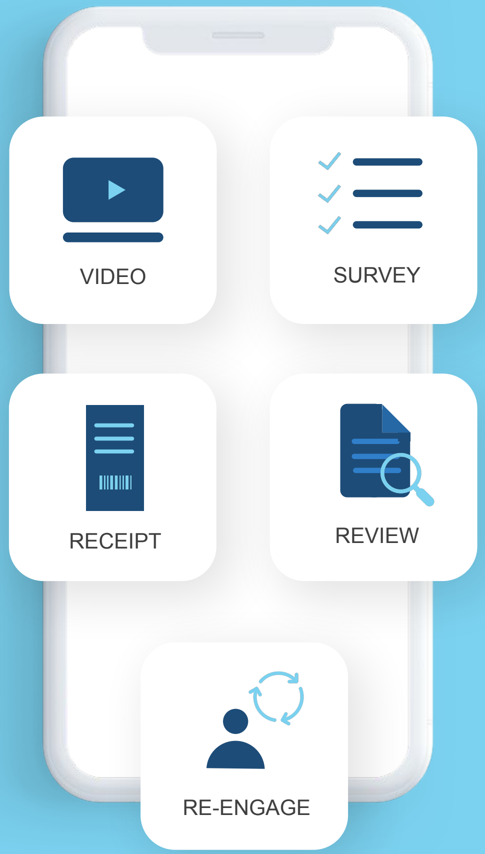
Agenda

How It Works

Caddle® is the largest daily and monthly active panel in the Canadian market.

Capture relevant insights for any challenge or opportunity. Engage seamlessly with shoppers at every stage of the consumer journey by leveraging the Caddle suite of tools.

Caddle® rewards panel members for actions ranging from video, survey, receipt capture, reviews, and more.



Largest Canadian Panel In Market

Panel Details

Largest daily active panel in Canada: 10,000+ DAUs and 100,000+ MAUs

Every type of shopper

Canadian representative samples

Holistic understanding across path to purchase

Engaged users rewarded for actions

Dynamic, on-demand reporting dashboard

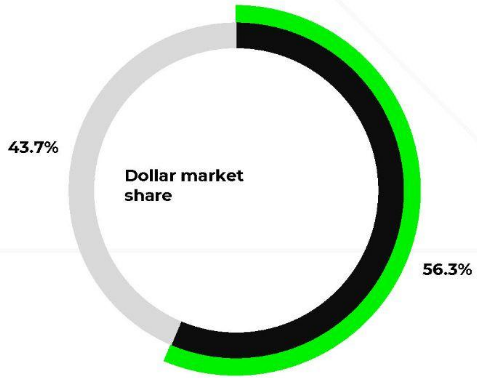
Macro and niche data verticals including:

- New Moms
- Costco Shopper
- Amazon Prime Members
- Cannabis Consumers
- Health Professional
- Luxury Shoppers
- Shopper Dad
- Repeat Purchasers
- Vegan Buyers
- Pop Consumers
- Environmentalists

Early in the pandemic, traditional grocery stores saw a higher uptick in sales

Conventional grew slightly faster than discount retailers, fueled by COVID-19

A view of Nielsen's measured importance and growth within discount and conventional retailers



	$ mkt shr pt chg	$ % growth
Conventional	+0.6	+9
Discount	-0.6	+7

	Total channels	Total discount	Total conventional
$ spend/household	$5,698	$2,283	$3,559
Spend/household $ % chg	+8	+8	+9
Trips per household	132	53	82
Trips per household % chg	-11	-11	-11
Shopping basket	$43	$43	$43
Shopping basket % chg	+22	+21	+23

Why?

- One stop shop (Convenience)
- Larger assortment (Assortment)
- Higher perceived cleanliness (Safety)

The (Re)Rise of Discount Grocery

BUSINESS | News

Giant Tiger discount chain expanding, plans to increase store count to 300

Brett Bundale
The Canadian Press Staff
Contact

Published Monday, May 10, 2021 2:22PM EDT

Sobeys reaches milestone in FreshCo expansion plan

Seven new locations announced for discount grocery format

yahoo!finance | Yahoo Finance Canada

Dollarama to open more than 600 stores in Canada over nex decade

Fashion & Style   Tanya Mok   Posted 3 months ago   Report Inaccuracy

Dollarama is expanding with 700 new stores across Canada in the next decade

Discount Defined

Store that sells grocery products at less than the normal retail price (excluding Walmart).

Methodology

A representative survey of Canadians was conducted in June 2021 to identify discount shopping trends, and compare to other retailer types.

Over 2,000 Canadians participated in this survey.

Margin of Error: +/- 1.2%, 19 times out of 20. Any discrepancies in or between totals are due to rounding.

NPS

Net Promoter Score (NPS) is a trusted research methodology that provides an index to measure the willingness of consumers to recommend a company’s products and/or services to others based on their experience.

NPS = % 9-10 ratings minus % 0-6 ratings

Likelihood to Recommend (NPS) Grocery Banners

5 of the top 6 retailers over the last 12 months for NPS,
have a value as their unique offering

Discount Grocery Primed to Outpace and Surpass Other Channels

"Discount is king: We have seen many conversions of grocery stores into discount stores across the country already. Canadians will continue to look for bargains, but we are expecting that trend to intensify over the next year or so. Discount stores will do well in an inflationary environment. A total of 70.2% of Canadians will be actively looking for promotions and discounted food products." - *Dr. Sylvain Charlebois, Scientific Director, Agri-Food Analytics Lab*

✓ Value is the primary shopping driver across the entire Canadian grocery landscape

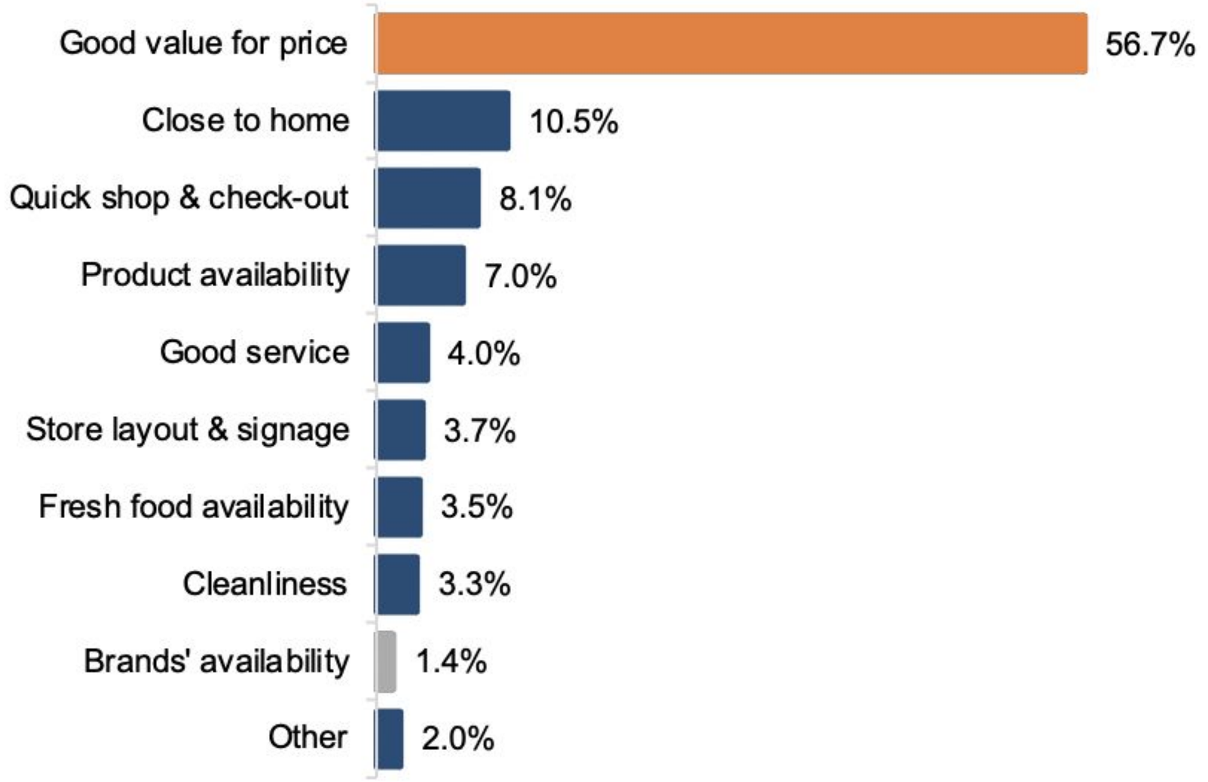
70%

of Canadians looking for promotions and deals.

Value Beats Out All Other Factors

Consumers want value first and foremost with 56.7% of Canadians considering it most when deciding where to shop for groceries.

Which factor do you consider most when deciding where to shop for groceries?

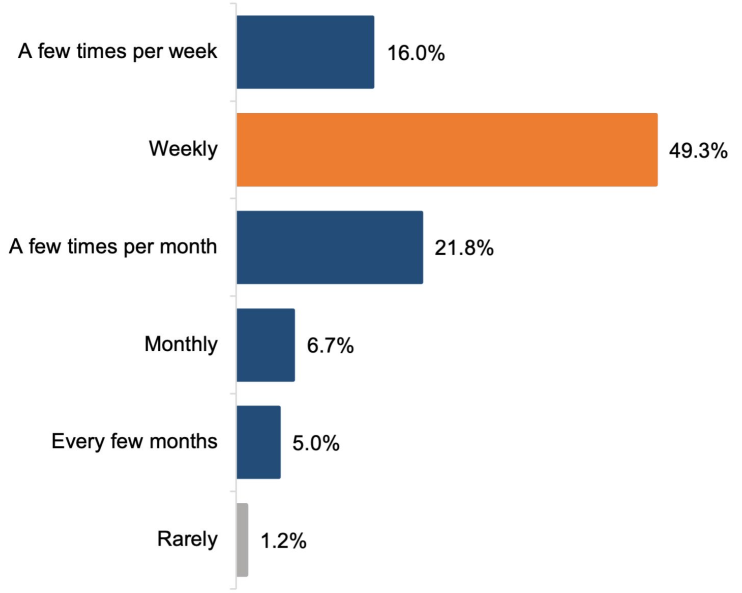


The Discount Grocery Shopper

87% of Canadians regularly grocery shop at discount stores

- 65.3% shop weekly or more
- 87.1% shop a few times per month or more
- Only 1.2% rarely shop at discount grocery stores

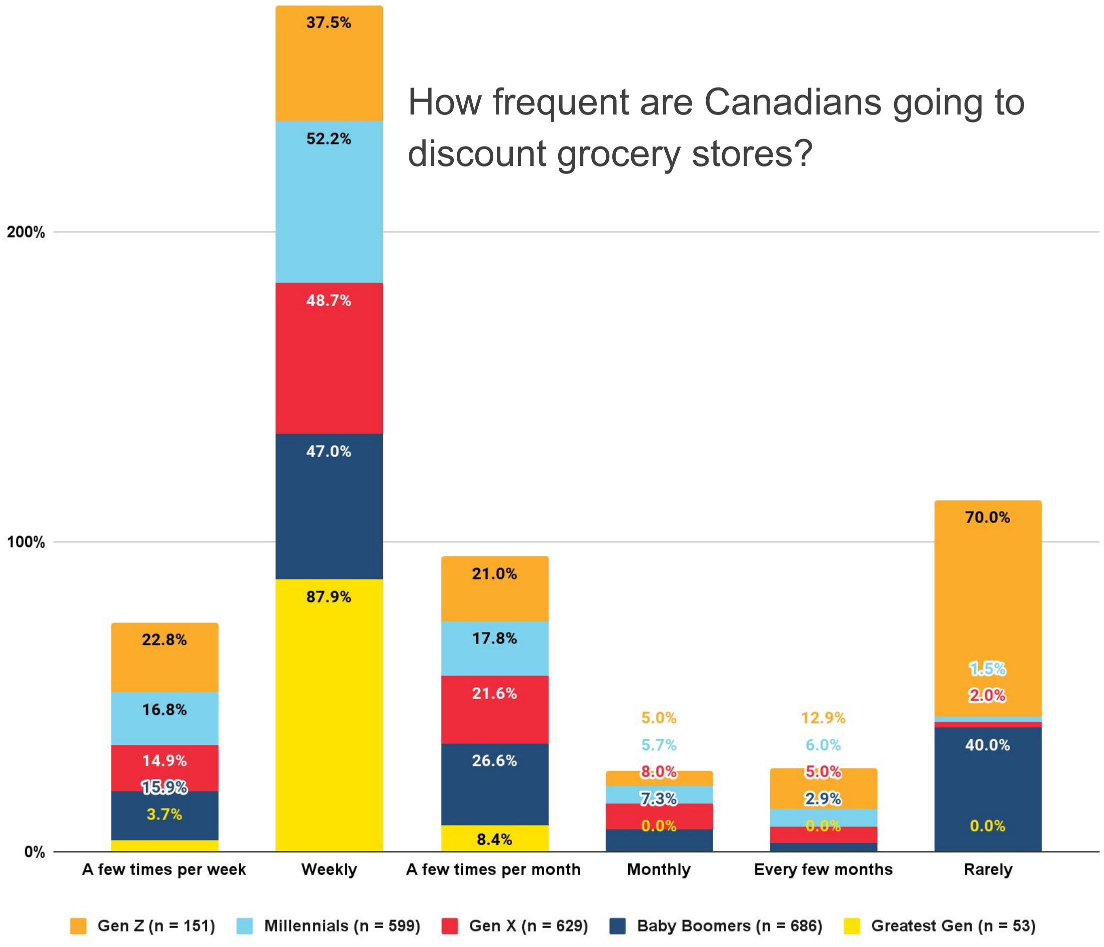
How frequent are Canadians going to discount grocery stores?



A Closer Look

There is a correlation between age and discount store shopping frequency. Younger people shop less often. These stores are not a staple in their shopping habits.

How frequent are Canadians going to discount grocery stores?



Certain Stores Get The Lion's Share of *Weekly* Visits

How often are Canadians visiting these retailers?

NOFRILLS
maxi
REAL CANADIAN SUPERSTORE
Atlantic Superstore
food Basics
Super C
FRESH CO Lowering food prices
GIANT TIGER

Most frequent
53.3%

Least frequent
25.3%

Over 75% of No Frills / Maxi customers visit at least a few times per month

Caddle Report Discount Grocery Stores | June 24-28, 2021 | n = 1,634

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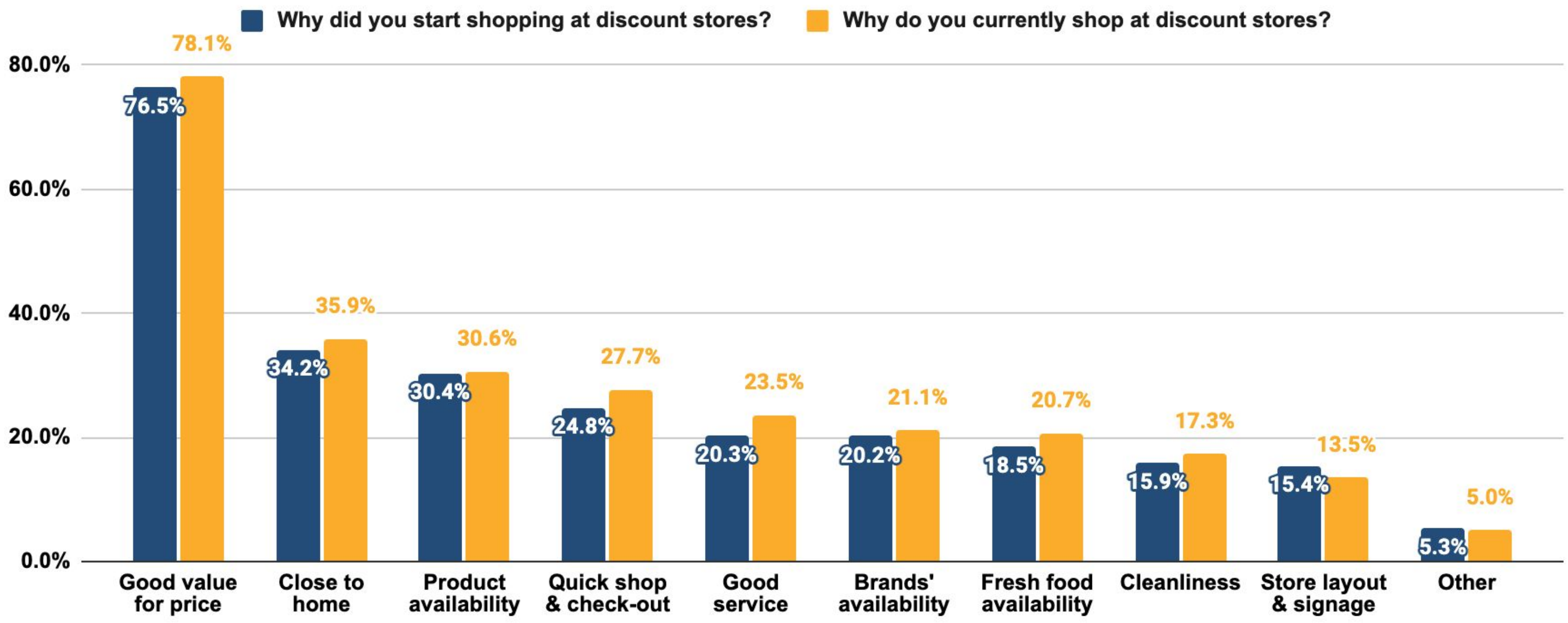
Value Drives Trial and Traffic

But other factors increase in importance to retain shopper loyalty



Caddle Report Discount Grocery Stores | June 24- 25, 2021 | n = 2,116

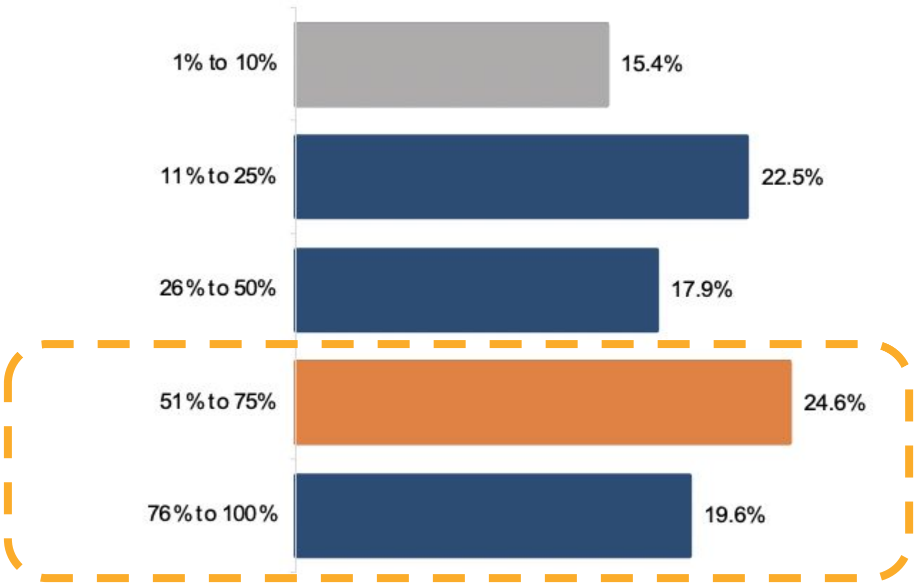
Trip Frequency:
Who is Winning the Most (In the next 6 months)

NOFRILLS / maxi	REAL CANADIAN SUPERSTORE / Atlantic Superstore	food Basics / Super C	GIANT TIGER	FRESHCO Lowering food prices
+0.3%	-0.5%	+0.2%	-0.5%	+1.2%

Big Spenders Love a Discount

- Big spenders ($750+ monthly grocery budget) spend a much larger percentage of their monthly budget at discount stores
- 44.2% of large spenders spend more than half of their monthly budget at discount stores

Share of wallet: Discount grocery store purchases relative to total monthly grocery bill



Discount trips outpace future visits to traditional, convenience and drug store channels

Consumer Behaviour Changes During vs. Post Pandemic

Trip Frequency shifts towards discount and drug stores

Discount	Dollar	Drug	Convenience	Traditional
+13.1%	-1.6%	+3.6%	-11.3%	-2.2%

Trips to discount and drug stores are expected to increase

**Club and Mass excluded.* Caddle Report Discount Grocery Stores | June 24- 25, 2021 | n = 2,428

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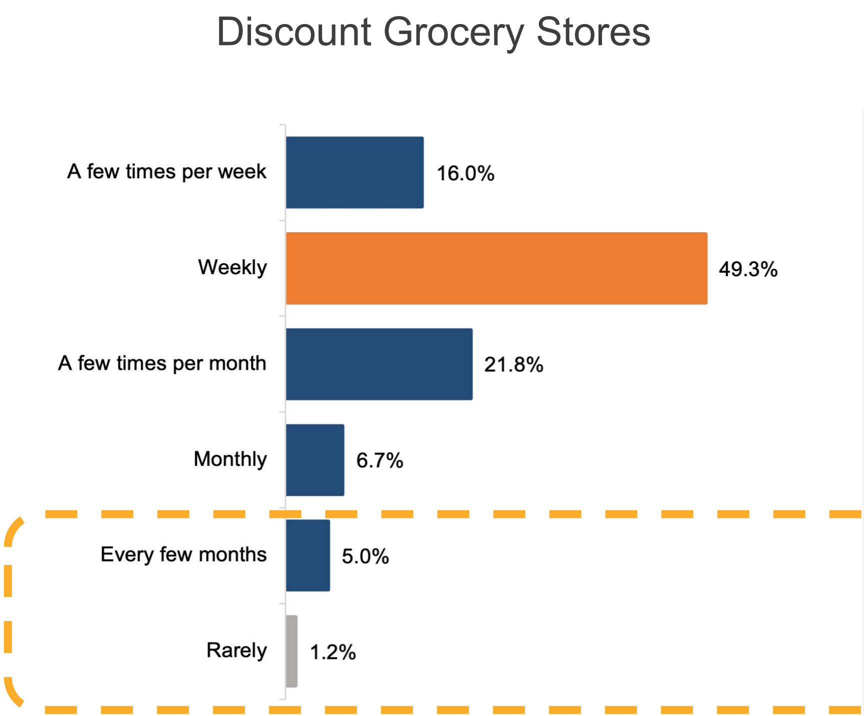
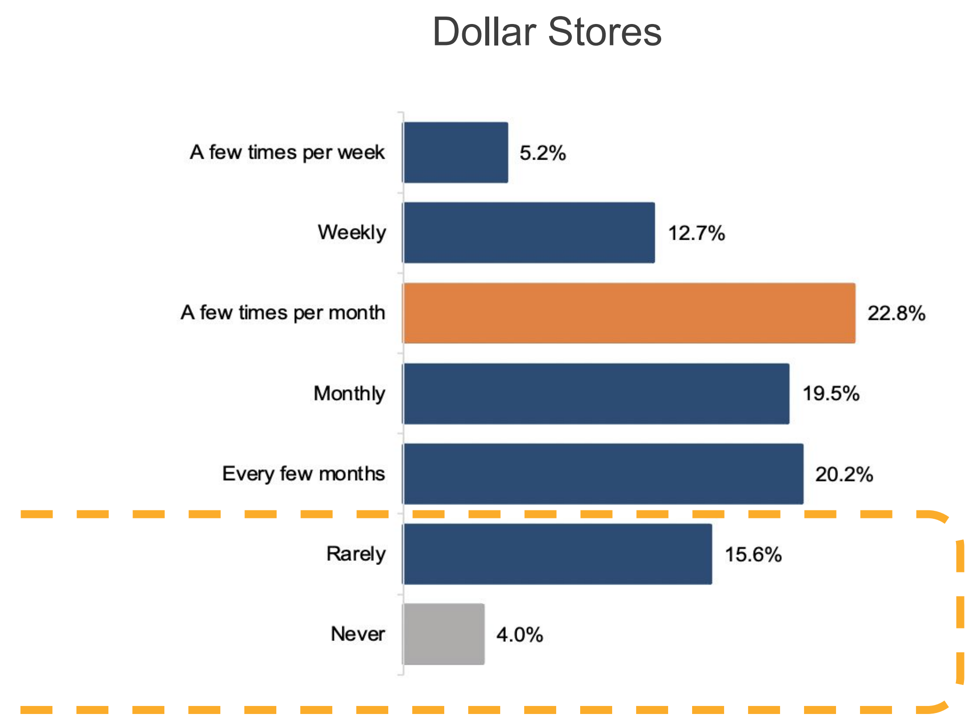
Discount vs. Dollar Store

Deep Dive: Trip Frequency





38.5% Buy Grocery Products from Dollar Stores Monthly or More

- Most (50.7%) Canadians rarely use dollar stores for grocery products
- 64% of consumers use either Dollarama or Dollar Tree for grocery purchases

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Dollar Store Shopping: Generation Breakdown

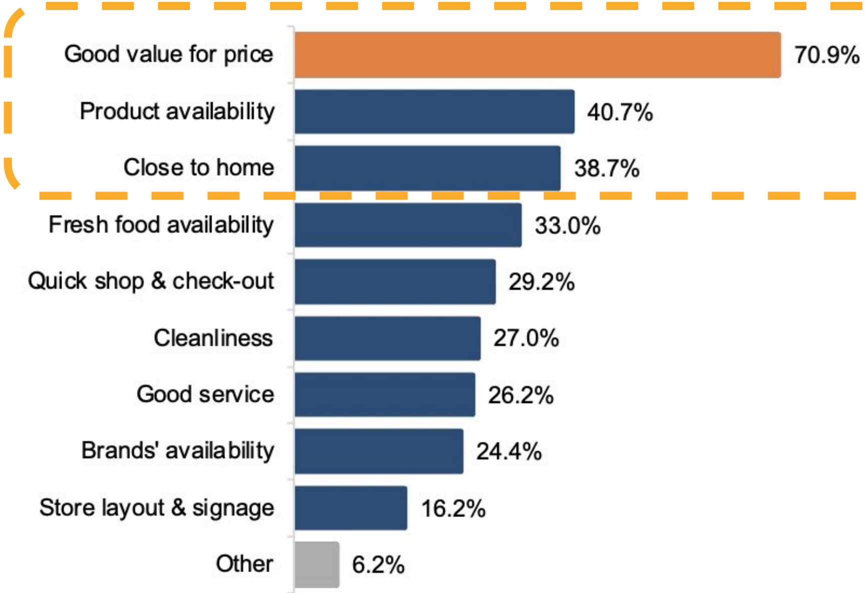
Dollar Store Shopping	Greatest Gen (1900-1945)	Baby Boomers (1946-1964)	Gen X (1965-1980)	Millennials (1981-1996)	Gen Z (1997-2005)
All Trips	37.4	52.9	61.9	66.7	69.9
Grocery Trips	33.2	31.2	36.6	44.3	56.6
Net Difference	4.2	21.7	25.3	22.4	13.3
% Grocery Trips	88.8%	59%	59.1%	66.4%	81%

Caddle Report Discount Grocery Stores | June 24- 25, 2021 | n = 2,330

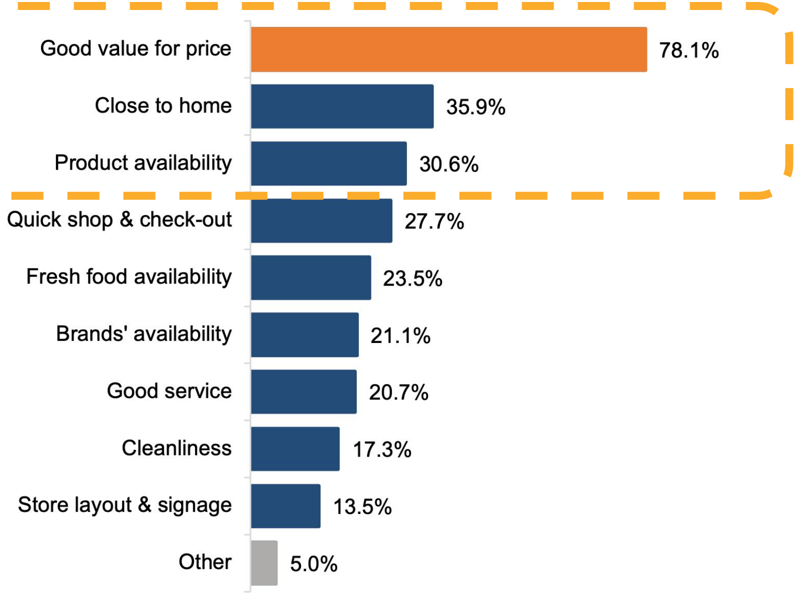
The Discount Product Assortment vs. Value Trade-Off

Product Assortment & Geographic Expansion

Conventional



Discount

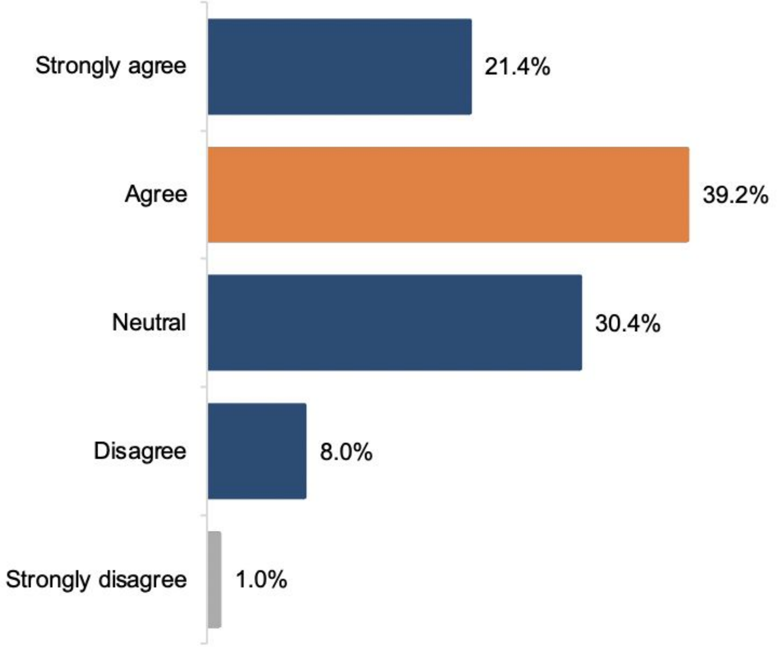


Caddle Report Discount Grocery Stores | June 24- 25, 2021 | n = 2,428

The Product Selection vs. Value Trade-Off is Worth it

- Despite expecting a limited product selection, Canadians are still coming back and plan on increasing their spending at discount stores
  - 21.6% are planning on shopping more
  - Only 5.1% are planning on shopping less

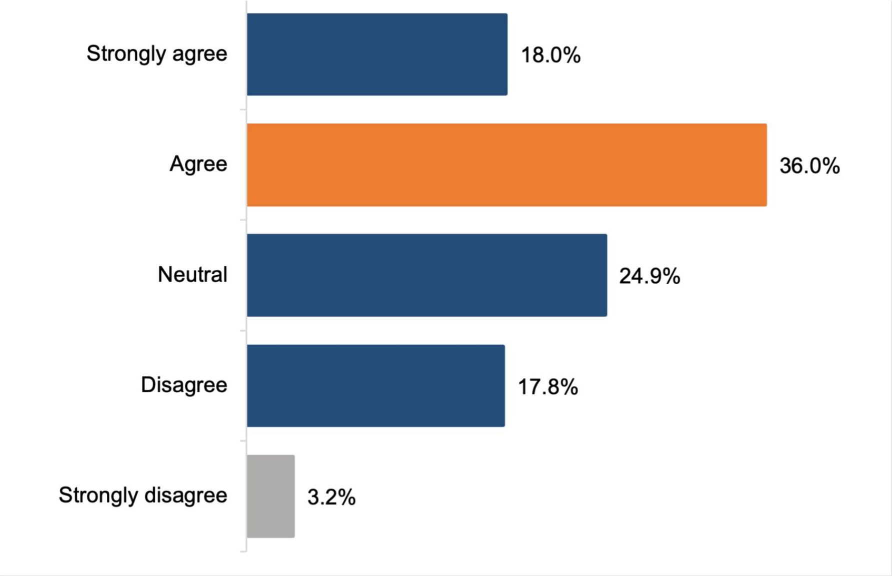
“I wish there was a larger product assortment at discount grocery stores.”



Stocking Up at Discount

- Most (54%) Canadians who shop at discount use discount stores for certain products and get the rest elsewhere
- 21% use discount stores for all kinds of products

"I stock up on certain products at discount grocery stores and purchase the rest of my groceries elsewhere."



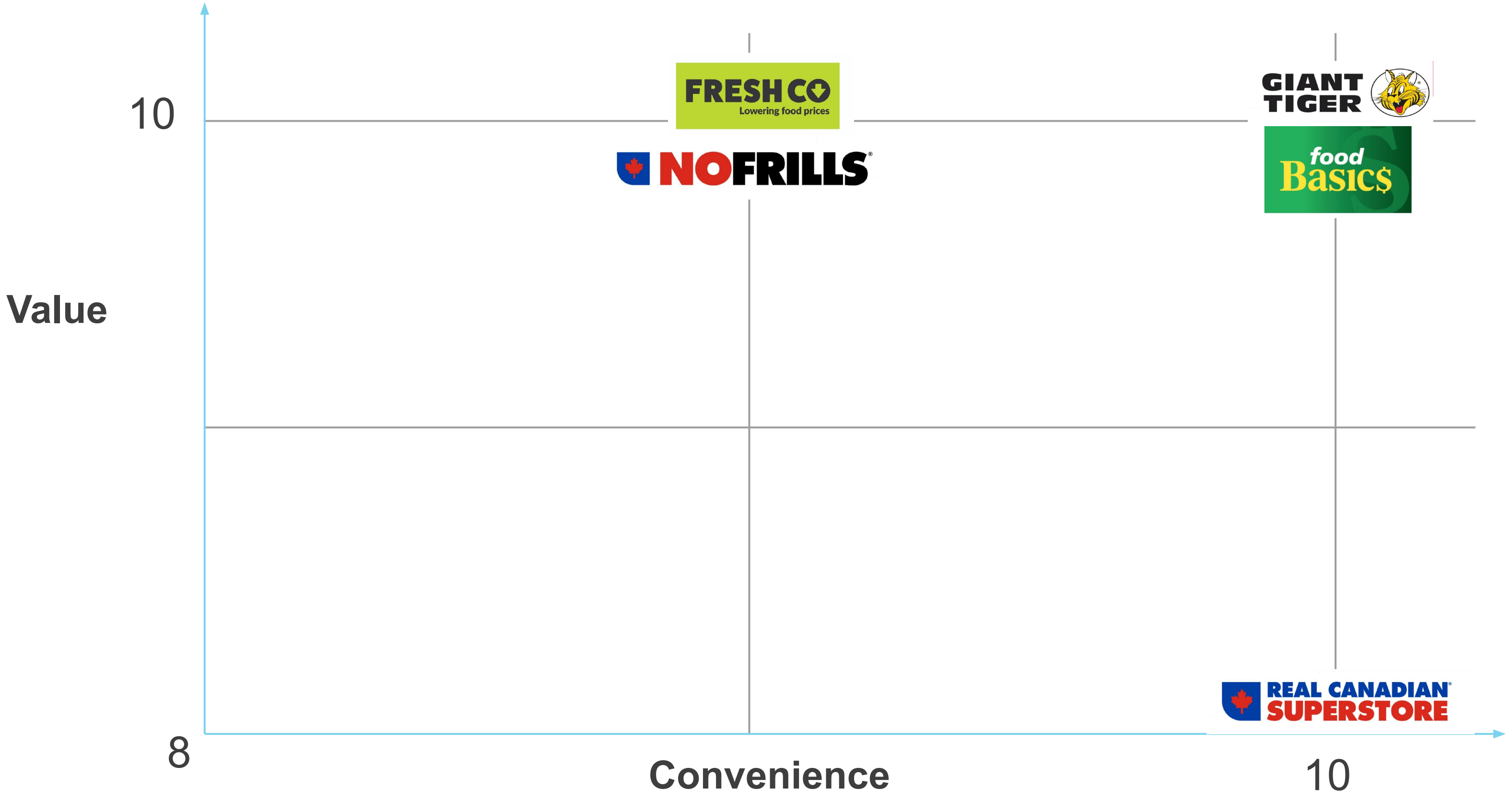
Stocking Up: Generation Breakdown

Every Generation is Taking Advantage of Discount

Greatest Gen (1900-1945)	Baby Boomers (1946-1964)	Gen X (1965-1980)	Millennials (1981-1996)	Gen Z (1997-2005)
59.5%	50.5%	53.9%	57.1%	56.7%

“I stock up on certain products at the discount grocery store and purchase the rest of my groceries elsewhere.”

Value vs. Convenience Ranked by Retailer



Caddle Report Discount Grocery Stores | June 24- 28, 2021 | n = 2,412 *filtered to each retailers' current consumers

Opportunities and Threats

Opportunities for Discount Grocery

Expand Product Assortment

Priority is value, but increased assortment will accelerate discount growth & share of wallet

Invest in eCommerce

1 in 10 Canadians now use Instacart; dominant players include Costco, Walmart, and RCSS

Geographic Expansion

Across the country, Canadians will turn to discount to alleviate financial stresses

Threats to Discount Grocery

eCommerce Champions

Grocery retailers are facilitating home delivery through multiple avenues. E.g., Walmart, Costco

Dollar Store Expansion

Dollar stores are expanding geographically and product selection, creep into discount space

COVID-19

Drive consumers to conventional stores for one-stop shopping in the short-term

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Questions?

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