



WBA WISCONSIN ECONOMIC REPORT



Wisconsin Grocers Association

Competition. Change. Challenge.

By Brandon Scholz, WGA President and CEO

These three simple words fully capture what happened in the retail grocery business in Wisconsin during 2018. And not surprisingly, they are the foundations for what grocers and food industry retailers will be going through in 2019.

Most all businesses can lay claim to the competitive factor in their respective industries, but few can match the competitive nature of the grocery industry because of the razor thin margins that grocers are forced to deal with. Not only do retailers, large and small, single or multiple store operators have to compete with the store down the street, but they have to compete with other non-grocery retailers who want to sell select groceries and products.

Convenience stores and pharmacies have expanded their product lines with fresh food, beer and wine, beverages and more. Pharmacies especially have cut deeply into home and beauty care product sales. Big box hardware stores selling groceries and specialty stores for pets have reduced these categories in the grocery store.

There's an old story about a New York City electronics dealer who undercut every single competitor with the absolute lowest prices in the city. When asked how he could do that, his answer was simple—volume. The man could have been a grocer.

With skimpy margins, grocers have to laser focus on bringing back the customer and really can't afford to lose them or let them troll other competitors.

Competition is great for consumers. Groceries are some of the best priced bargains around. Trading Economics reports, "(The) cost of food in the United States increased 1.2 percent in October of 2018 over the same month in the previous year. Food Inflation in the United States averaged 3.41 percent from 1914 until 2018."

If competition was just about the grocer down the block, one could say that's relatively manageable. When an entirely new force comes into the universe, just about everything changes. Online shopping isn't coming; it's here. And it is a change for the good.

Granted, the majority of grocery shopping still takes place in traditional brick-and-mortar grocery stores. But with more and more retailers bringing online shopping, pick-up, and delivery into their business model, online growth will accelerate.

Statista notes, "In total, U.S. online grocery sales amounted to about 17.5 billion U.S. dollars in 2018 and are expected to rise to nearly 30 billion U.S. dollars by 2021."

In this age of smart phones and near constant internet access, many grocery retailers are integrating a range of new and exciting services into online grocery shopping using mobile apps, click-and-collect, and home delivery.

More than half of the grocers offer a variety of mobile apps offering exclusive e-coupons, online ordering, or loyalty card programs and more. In a few short years, this will be standard in the industry.

There are some impediments to the growth of online found mostly in the ability to offer home delivery or pick up at the store and prohibitions on home delivery of alcohol, but that continues to change as customers demand that service.

Change creates challenges. While it's critical to offer online grocery shopping, somebody has to go through the store, pick and process the order, bag it, and get it set for pickup and delivery. That creates new duties and likely new jobs. I recently saw a store manager power shopping for an online order—clearly more manpower is needed!

When was the last time you went grocery shopping and all the checkout

lanes were full with checkers? It's a rare sight these days because grocers, like most other employers, can't find enough people to fill the available jobs that are open. And we're not just talking about checkers and baggers. Department managers, dietitians, HR, pricing, store managers... positions at every level.

Add into the mix changes coming to the grocery industry like online ordering, store pickup, and home delivery and more positions are created and when that volume doubles, stores will need more employees to fill these positions. There are more than 3,500 job openings in Wisconsin for grocery stores. That number changes daily and will only go up as the industry and competition grows.

The grocery industry stands ready and willing to work with Governor-Elect **Tony Evers** and the State Legislature to be a part of the effort to grow and expand Wisconsin's workforce. While there are many priorities on political agendas, expanding the workforce has to be one of the top efforts.

Without a sufficient workforce, employers and employees will suffer as businesses will not be able to compete and that will begin to change the dynamic of the brick-and-mortar, mom-and-pop grocery stores in Wisconsin.

Competition. Change. Challenge. Three words that demonstrate the current retail industry and three words that exemplify the industry that is constantly challenged and changing to meet competition.

The Wisconsin Grocers Association represents nearly 1,000 independent grocers, retail grocery chain stores, warehouses and distributors, convenience stores, food brokers and suppliers. Wisconsin grocers employ over 50,000 people with \$815 million in payroll and generate more than \$6 billion in annual sales in Wisconsin resulting in approximately \$250,000,000 in state sales tax revenue.