

**CONSIDER***Smaller stores, more choices*

Paced by millennials and men, American shoppers continue to discover specialty foods as they become a more integral part of the American diet, according to “Today’s Specialty Food Consumer,” the annual report from the Specialty Food Association.

The \$127 billion industry saw specialty food consumption jump significantly in 2016. Sixty percent of consumers, across all age groups, say they have bought a specialty food in the past six months, up from 47 percent in 2015. The purchasing patterns of millennials cover the widest range of categories and the most diverse retail channels. They are the most frequent purchasers of products like chocolates, cookies, pizza sauces, salsas and dips.

“Discovering specialty food has become a core part of the younger consumers’ daily shopping routine. They are moving away from the staples that they grew up with and embracing the new tastes and flavors of specialty food,”

Phil Kafarakis, Specialty Food Association

“Consumer preferences for specialty food products are growing at double digits, outpacing mainstream food staples. Discovering specialty food has become a core part of the younger consumers’ daily shopping routine,” says Phil Kafarakis, president of the Specialty Food Association.

The ten top-selling specialty categories are similar to last year. Cheese remains at the top and has grown 14.7 percent to \$4.3 billion, but refrigerated and frozen meat/poultry/seafood and chips/pretzels/snacks have inched up to the number 2 and 3 spots, respectively. Refrigerated entrees and prepared meals joined the top 10 after experiencing a 34.5 percent sales increase over the past two years. Unit sales of specialty foods grew 13.7 percent overall.

### Smaller store formats

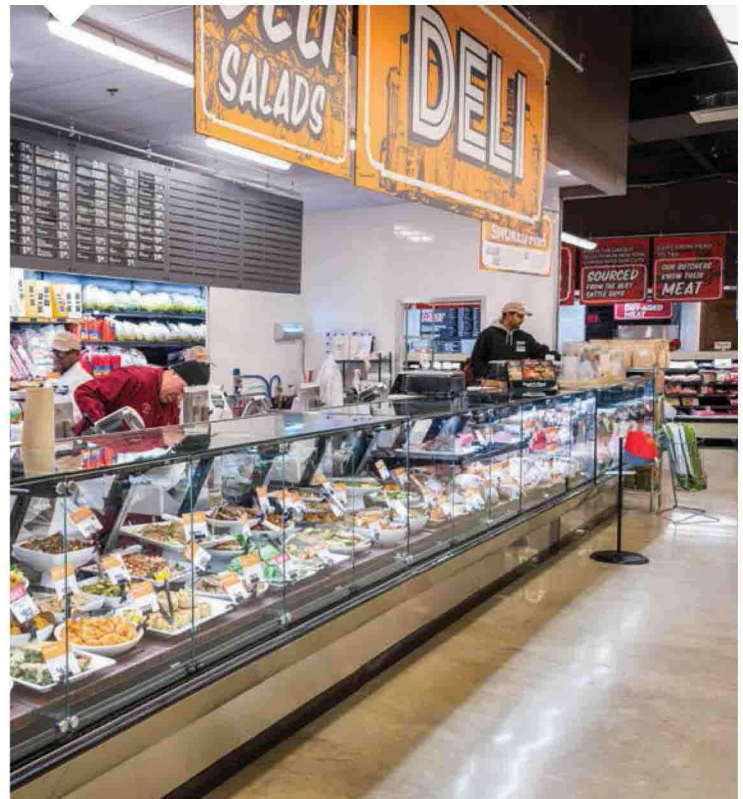
In large part due to the success of specialty food stores, many food retailers are embarking on a downsizing trend – as it relates to store size.

Median US supermarket store size, according to the Food Marketing Institute, reached a tipping point in 2006 when media total store size reached a pinnacle of 48,750 square feet. By comparison, a decade earlier, the average was 38,600 square feet. Now the average is 46,000 square feet, and it’s dropping every year.

If there’s one thing every grocery shopper wants, according to Packaged Facts, it’s the convenience of being able to get in and out of the store as quickly as possible. For a growing number of shoppers and retailers, smaller stores are the ticket. In Europe, ALDI and Lidl have long wielded the smaller store advantage over huge hypermarkets, and both chains are now expanding in the United States.

As a result, the smaller store strategy will be even more important to Walmart and Target, both of which have been fielding smaller formats to offset inroads made by dollar stores and to fill the gap between full-sized supercenters and stores too small to warrant their investment, according to Packaged Facts. Walmart’s experiments with small-format stores include its Neighborhood Market stores—which measure approximately less than one-quarter the size of a Walmart Supercenter—and

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currently number about 700, with expansion ongoing. Walmart also recently added two Walmart Pickup and Fuel shops as a way to test additional pickup options. Customers order online and pick up at the smaller stores, which carry convenience store basics as well as fuel. The orders are delivered from larger Walmart stores to the smaller stores.

Target has been opening small stores, though mostly in urban areas where space is tight. In late 2016, Target opened three smaller format stores in New York City, and according to reports CEO Brian Cornell envisions opening hundreds of smaller Targets, making them a major part of future growth. Overall in 2016, Target opened 32 “flex-format” stores occupying less than 50,000 square feet, with plans for at least 16 more in 2017. The smaller stores afford Target entry into high-rent urban areas that can’t handle typical big-box stores. Along with the smaller size, the stores’ product selection is tailored to the surrounding demographic.

The Kroger Co. continues testing a new community-focused grocery store concept called Main & Vine. The smaller-footprint format, with its first

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location in Gig Harbor, Washington, combines local, specialty and everyday products at affordable prices. Main & Vine is part of the Cincinnati-based supermarket giant’s broader strategy in “trying different approaches to connecting with consumers,” says Rodney McMullen, chairman and chief executive officer. The store is designed to serve a customer segment that “we don’t think anybody out there is really serving.”

As of early 2017, even the smallest value grocery format of all—dollar stores—is going even smaller. Looking to tap further into the all-important Millennial cohort, in January 2017 Dollar General began testing in Nashville a 3,400-square-foot concept called DGX, with plans to open a second DGX in Raleigh, North Carolina.

Earlier this year, Fairway Market, an iconic grocery store in New York City, unveiled a new one-stop shopping destination in the thriving Georgetown neighborhood of Brooklyn. Featuring a fresh new look and layout with a retro warehouse feel, the 40,000-square-foot Fairway Market is streamlined for an enjoyable and accessible shopping experience.

The new layout features 60,000 items – three times that of many grocery stores – including natural and organic products, hard-to-find specialty and gourmet offerings, along with its wide-ranging prepared foods section. This Fairway locale is catering to and supporting Georgetown residents by offering hundreds of locally sourced items, and a robust kosher selection, including a fully stocked kosher bakery. New and exclusive features at the Fairway Market in Georgetown include a pizza bar serving fresh delicious pies straight out of the oven, a freshly pulled mozzarella station, and ready-to-eat meal options including rotisserie chicken station, a chopped salad and hot bar, and homemade soups.

Jack Murphy, chief executive officer of Fairway Group Holdings Corp., says with the opening of its second Brooklyn location, and a strong outlook on the future, “Fairway looks forward to further providing the best food and the best shopping experience for New Yorkers.”



Seattle gourmet grocer Metropolitan Market on March 22 opened its newest location (35,000 square feet) in the suburb of Sammamish, Washington, marking the seventh Pacific Northwest location for the company. Metropolitan Market has an unrelenting commitment to sourcing the highest quality products available and standing behind the products they sell. “We are thrilled to open our Sammamish location, providing the very best foods from the Pacific Northwest and around the world in one place,” says Metropolitan Market’s president and chief executive officer Todd Korman.

In the deli, prominent deli meat brands include Dietz & Watson, Fermin and Applegate Farms. Whole fresh chickens are cooked in full view inside Rotisol rotisserie ovens. Met Market offers both regional and international specialty products along with grocery essentials, allowing for a convenient one-stop shopping experience. The Sammamish location’s unique offerings include an extensive showcase of made-to-order items including Met Market’s signature Prime Rib and Mojo Pork sandwiches, a sauté station, ramen noodles and Pizza al Taglio. ■



Prominent brands like Dietz & Watson are found in the deli of Met Markets’ newest location in Sammamish, WA.