

DECLARATION OF INDEPENDENTS

Independent grocers tend to be a forward-looking lot, and optimism remains high. “We’re off to a good start, and we feel pretty good about this year,” says Jimmy Wright, owner of Wright’s Market, in Opelika, Ala. “Certainly, you’re seeing somewhat of a lift up with the change in [presidential] administration and overall consumer confidence out there.”

Pat Raybould, president of B&R Stores, based in Lincoln, Neb., also feels that while there are certainly challenges, the overall atmosphere is upbeat. “We’re seeing some bottom-line improvements,” he says. “I’m looking forward to the rest of 2017 and beyond.”

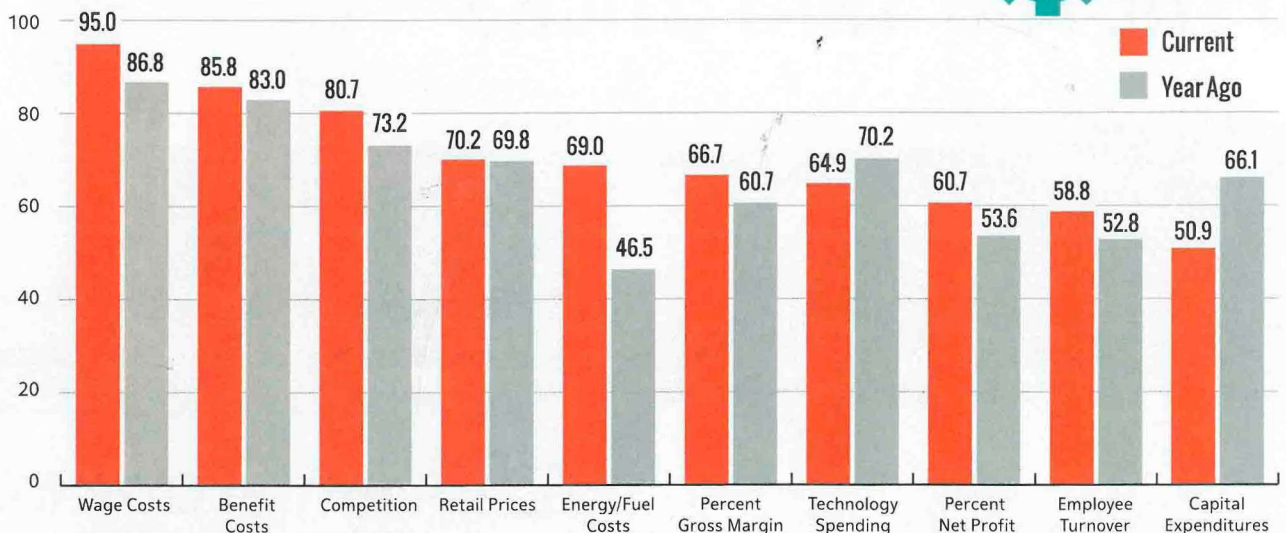
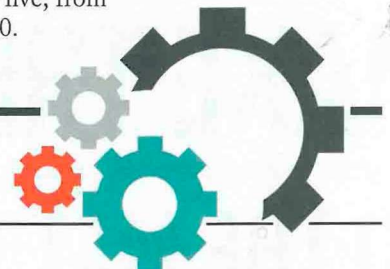
While optimism is high, the general feel for the bottom line is down slightly, with independent retailers rating the coming year at 65.2 on a 0-to-100 scale (zero being awful

and 100 being sensational), which is down from last year’s forecast of 67. (At year’s end, independents actually ranked 2016 at 60.8) Some of this could be attributed to the uncertainty that always accompanies a change in administration, as well as the many challenges facing retailers today.

Some of those challenges include wage costs, benefit costs and competition, which are the same top three operational factors that weighed on independents last year, and fall in line with the overall supermarket industry’s top three concerns. Independents do differ from the whole industry in their rising concern about retail prices, which ranked fourth compared with the overall industry’s eighth, while energy/fuel prices saw a big jump this year to hit the top five, from last year’s ranking of 10.

EXPECTED 2017 CHANGE IN OPERATIONAL FACTORS

For independent retailers. Score: 100=increase; 50=no change; 0=decrease



Source: Progressive Grocer Market Research, 2017

"I could see fuel as having some effect down the line, and utilities go up each year," Raybould notes. B&R, which operates several banners, including Super Saver, Apple Market, Russ's Market and Save Best, has actively been replacing older equipment with newer, more energy-efficient models and replacing open cases with models that have doors.

Competition continued to rank in the top three of operational factors concerning independents, and the types of competition continued to grow. According to the National Grocers Association's 2016 Independent Grocers Financial Survey, competition from other conventional supermarkets is the biggest threat — the first time that supercenters haven't taken the top spot in the study's nine-year history.

However, both Raybould and Wright take a laissez-faire attitude toward competition. Wright observes that his market has seen a number of new stores open, from limited-assortment to discount retailers. "When I grew up, it was grocery store versus grocery store," Wright points out. "Now we've moved into some kind of 'hypercompetition.'" No one format has seemed to have a huge impact on his business, however. It's more of "there's a little bit here and little bit there," when it comes to competition, he says.

THE BOTTOM LINE FOR INDIES

HOW WAS 2016? HOW ARE PROSPECTS FOR 2017?

Rated on a scale of 0-100, where 0=Awful, 100=Sensational

2017 Forecast	2016	2015
65.2	60.8	66.0

Source: Progressive Grocer Market Research, 2017

Raybould notes that several new types of competitors have entered his market in the past several years, but the one currently having the most impact is the specialty channel that's growing across the country.

As for the big issues worrying independents? The top one remained benefits, including wages and health care. "My biggest concern right now is health care," Wright affirms. "We're in a state where one provider has almost 95 percent of the business."

He offers health care benefits to employees as part of an attractive benefits package, which he attributes to his abil-

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Q&A with CELSIUS EVP Vanessa Walker

Progressive Grocer: I've seen CELSIUS for years in Vitamin Shoppe, on Amazon and at my gym. Tell me, what exactly is CELSIUS?

Vanessa Walker, EVP Sales Marketing: Simply put, CELSIUS is a fitness drink where flavor meets function. CELSIUS has capitalized on key ingredients that are proven to provide enhanced results to help you reach your personal best. Drinking CELSIUS prior to fitness activities is clinically proven to accelerate metabolism, burn body fat and calories, and provide a healthy energy boost.

Progressive Grocer: I've noticed the CELSIUS evolution and am seeing the new look and feel of the brand at retail. What prompted the new look?

Vanessa Walker: After extensive focus testing, we strategically repositioned brand CELSIUS as a fitness drink. Pioneering this new fitness position ties together the brand's unique features and benefits,

creates positive interest with consumers and appeals to their overall desire to invest in themselves. The updated branding system and new slogan, "Live Fit" (stated just underneath the CELSIUS logo), aims to anchor the fitness position and solidifies the unique, proven attributes which are also clearly visible in the new branded strip on the lower portion of the can.



Progressive Grocer: What are some of the latest trends you're seeing and how are those trends affecting the brand?

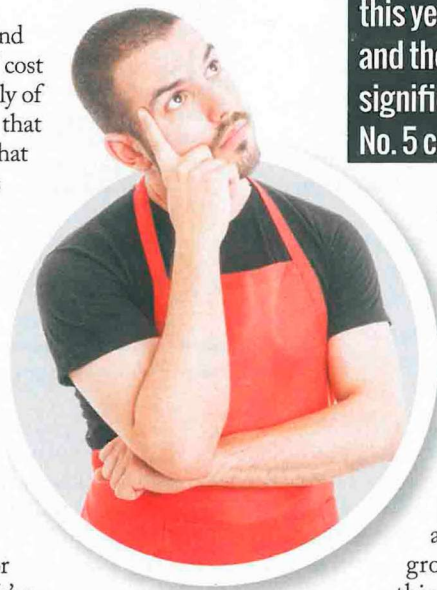
Vanessa Walker: Everywhere you look today, people are wearing athleisure. I see more yoga pants at the airport on people boarding planes than I do at or near a park. A trend I don't see slowing is the desire for consumers to factor exercise or activities into a long day, especially as the workplace changes and more companies are allowing flex time, or people are working from home. CELSIUS speaks to this trend with its Live Fit tagline and positioning as a fitness partner.

*CELSIUS alone does not produce weight loss in the absence of a healthy diet and moderate exercise.

†These statements have not been evaluated by the Food and Drug Administration. This product is not intended to diagnose, treat, cure or prevent any disease.

ity to retain many long-term employees and minimize labor issues. Wright's Markets' cost to provide health care coverage for a family of four is about \$20,000 per year. "You take that across multiple employees, and you see what we're looking at," he adds. "Health care is just wreaking havoc on us."

Labor, ranking as the No. 2 concern this year for both independents and the whole industry, made a significant jump from last year's No. 5 concern. It's certainly a concern for B&R Stores. Raybould notes that his market largely escaped the economic downturn and resulting high unemployment rates of the past decade. "When we got out of the recession, unemployment was already low, so labor continues to be a struggle," he says. "We've



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made some adjustments and have lowered our turnover with some increase in pay."

The minimum wage in Nebraska rose to \$9 last year, but B&R also restructured the bonus plan for the company, allowing all employees to feel a "buy-in" with the stores' success. B&R is an employee-owned company, so the bonuses are in addition to the profit sharing employees already receive.

Overall, independents aren't seeing any huge impediments to continued growth. As Wright says, "I think everything has been pretty stable." **PG**

BIG ISSUES KEEPING INDIES UP AT NIGHT



■ Current
 ■ Year Ago

<p>No. 1 63.1% Benefits (minimum wage, Affordable Care Act, etc.)</p>	<p>No. 2 46.1% Labor (recruitment, retention, diversity, training)</p>	<p>No. 3 37.1% Data Protection/ Security</p>	<p>No. 4 36.0% Price Deflation</p>	<p>No. 5 32.9% Competitive Threats</p>	<p>No. 6 32.1% Increasing Over- head Costs (energy, infrastructure maintenance, etc.)</p>	<p>No. 7 29.7% Market Saturation</p>
<p>No. 1 75.4%</p>	<p>No. 5 31.6%</p>	<p>No. 2 57.9%</p>	<p>No. 3 49.1%</p>	<p>No. 14 3.5%</p>	<p>No. 6 29.8%</p>	<p>No. 6 29.8%</p>
<p>No. 8 28.1% Food Safety</p>	<p>No. 9 23.9% Keeping up with Advancements in Technology</p>	<p>No. 10 18.1% Sustainability</p>	<p>No. 11 16.3% Trust/ Reputation</p>	<p>No. 12 5.3% Genetically Modified Organisms (GMOs)</p>	<p>No. 13 4.3% Feeding the Hungry</p>	<p>No. 14 3.4% Transparency</p>
<p>No. 4 33.3%</p>	<p>No. 8 28.1%</p>	<p>No. 9 26.3%</p>	<p>No. 10 21.1%</p>	<p>No. 11 10.5%</p>	<p>No. 12 5.3%</p>	<p>No. 13 3.5%</p>

Source: Progressive Grocer Market Research, 2017