

“Points of Impact”

NGA Retail Operations
Survey

2002-2003



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Points of Impact 2003 Survey

The Financial "Points of Impact 2003 Survey" was conducted by The National Grocers Association (N.G.A.) in collaboration with Financial Management Solutions (FMS). The survey was conducted in December 2002 with direct participation of 685 N.G.A. member retail companies.

The survey focused on three main areas: sales, margins, and expenses. The results reflect the various regions, types and size of the operations of each member company, and the volume of business segregated by conventional, discount, upscale, and limited assortment store (LAS) formats. Participants in the survey represented both single and multi-store retail companies. Respondents were 70% owners, 25% executive management, and 5% store management.

When asked what was their greatest concern for the coming year, participants overwhelmingly responded (80%) that their concern was competition from supercenters. One hundred and ninety two supercenters opened in 2002 increasing the count to 1258 nationwide. Supercenters will outnumber discount stores in 2004. In addition, this survey provides a concise coverage of all areas of impact from supercenter competition and outlines focal points for competing against them. Respondents compete with the phenomena of the supercenter through establishing strategies and objectives such as; remodeling, improving customer service, special promotions, improving overall signage, advertising unique items, creating themes, and diversifying to other adjacent selling opportunities. In addition, respondents stated they plan to expand general merchandise, health and beauty care, and add a pharmacy or increase their current one. The "store within a store" concept and the addition of fuel centers were stated as further strategies to fight the supercenters.

The survey's general findings indicate that in the area of sales, supercenters and drug stores are out-performing grocery stores which are essentially flat. Discount formats are leading the increases in sales. To increase sales, the survey illustrates the importance of solidifying a strong primary shopper base and strive to meet their demands by finding unique target markets. The greatest increase to store expenses is employee healthcare benefits, which have increased on average between 15%-22% in recent years. Single store operators tend to cover a greater percentage of employees with health care coverage than multi-store owners. Pensions and 401K plans are available in 63% of the stores that responded to the survey.

If you would be interested in a company-specific assessment of your company in comparison to responses in the survey, please contact Mary Wallace or Karen Voorhies at the National Grocers Association. Call 703/516-0700 or fax your request to 703/516-0115 or email: mwallace@nationalgrocers.org or kvoorhies@nationalgrocers.org.

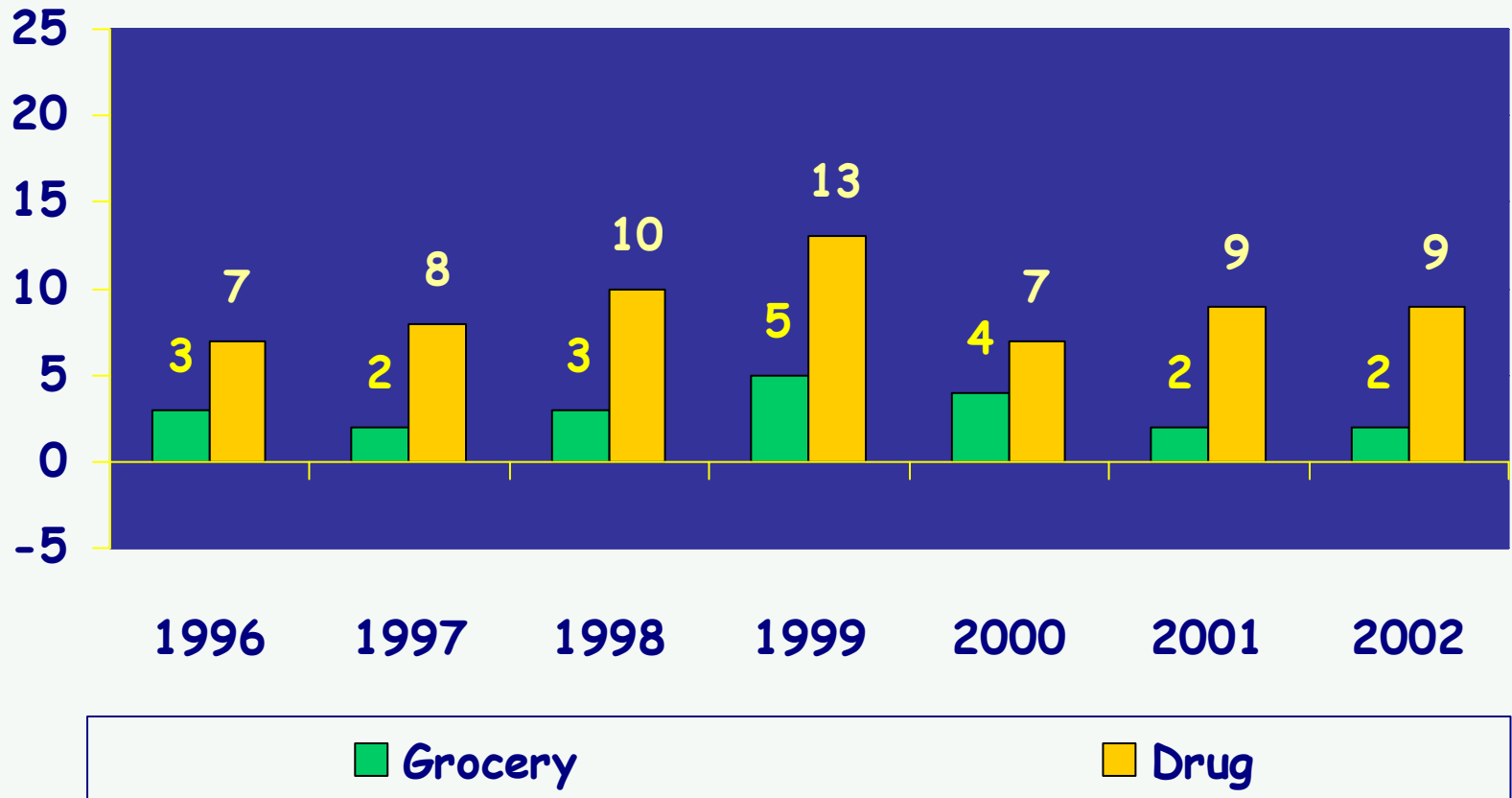
U.S. Census Bureau 1996 - Nov 2002

Monthly Retail Trade Survey Sector Services Statistics

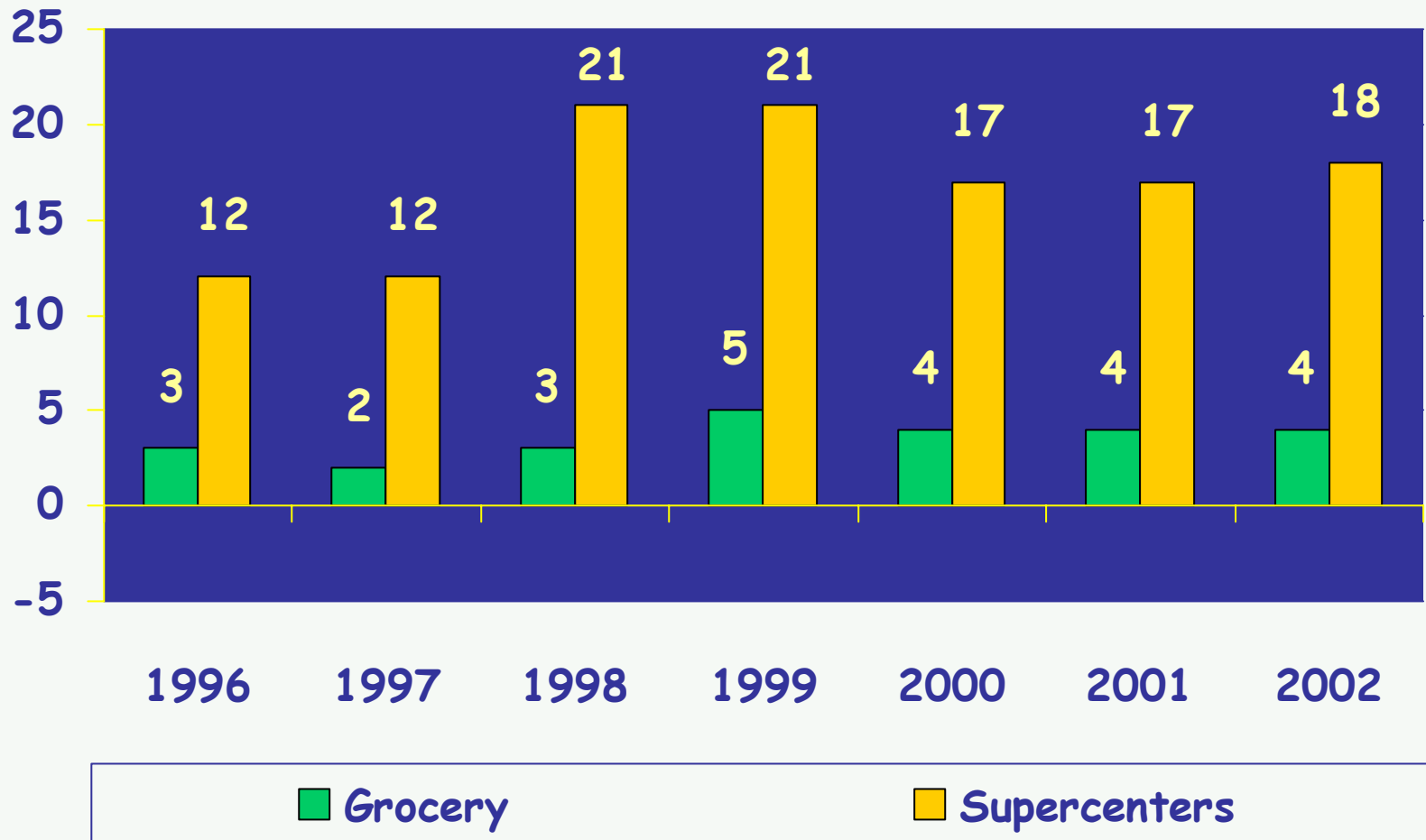
Grocery Stores Sales Annual Percentage Change



Grocery vs. Drug Sales Annual Percentage Change

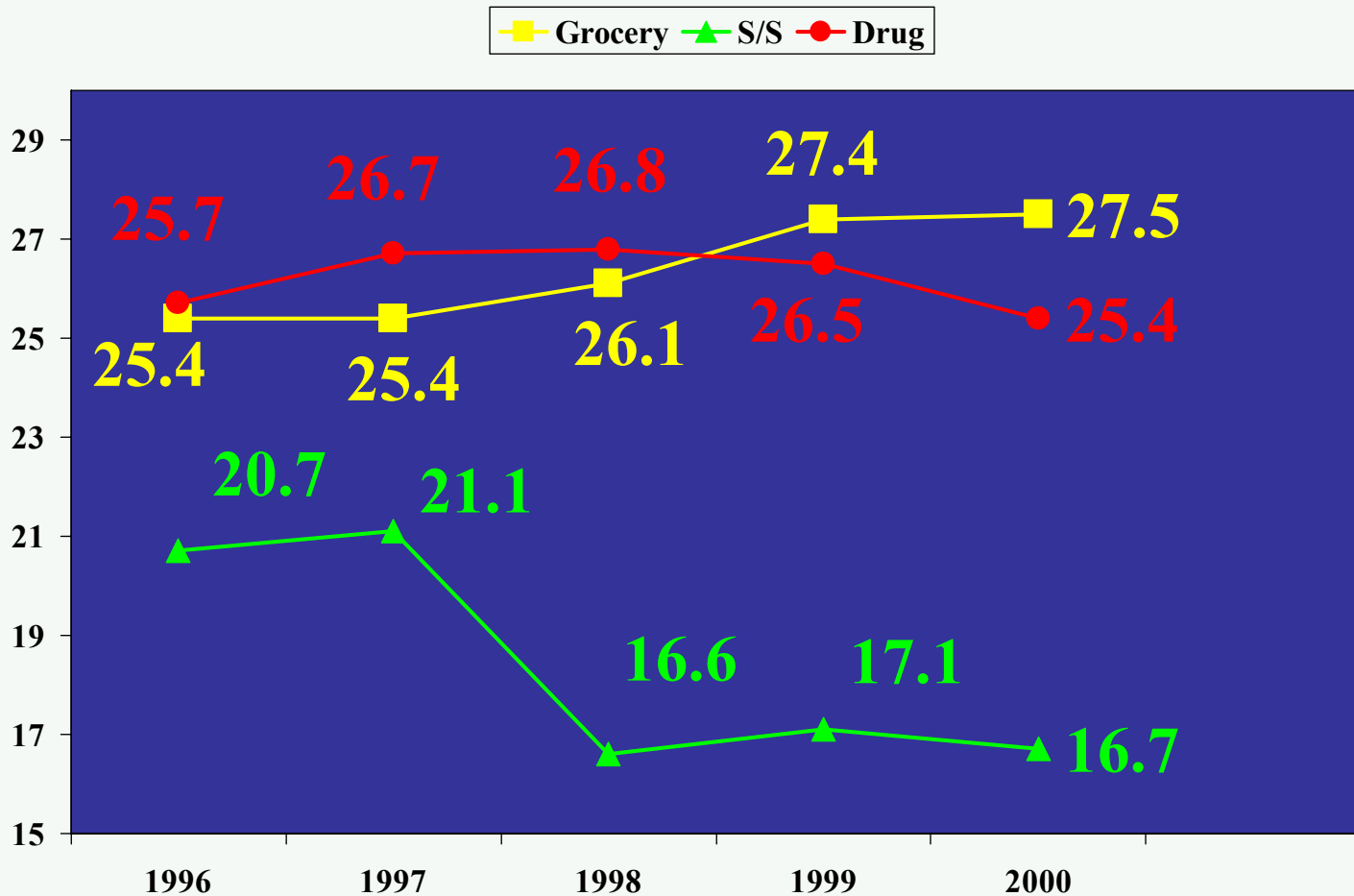


Grocery vs. Supercenters Sales Annual Percentage Change



Retail Gross Margins

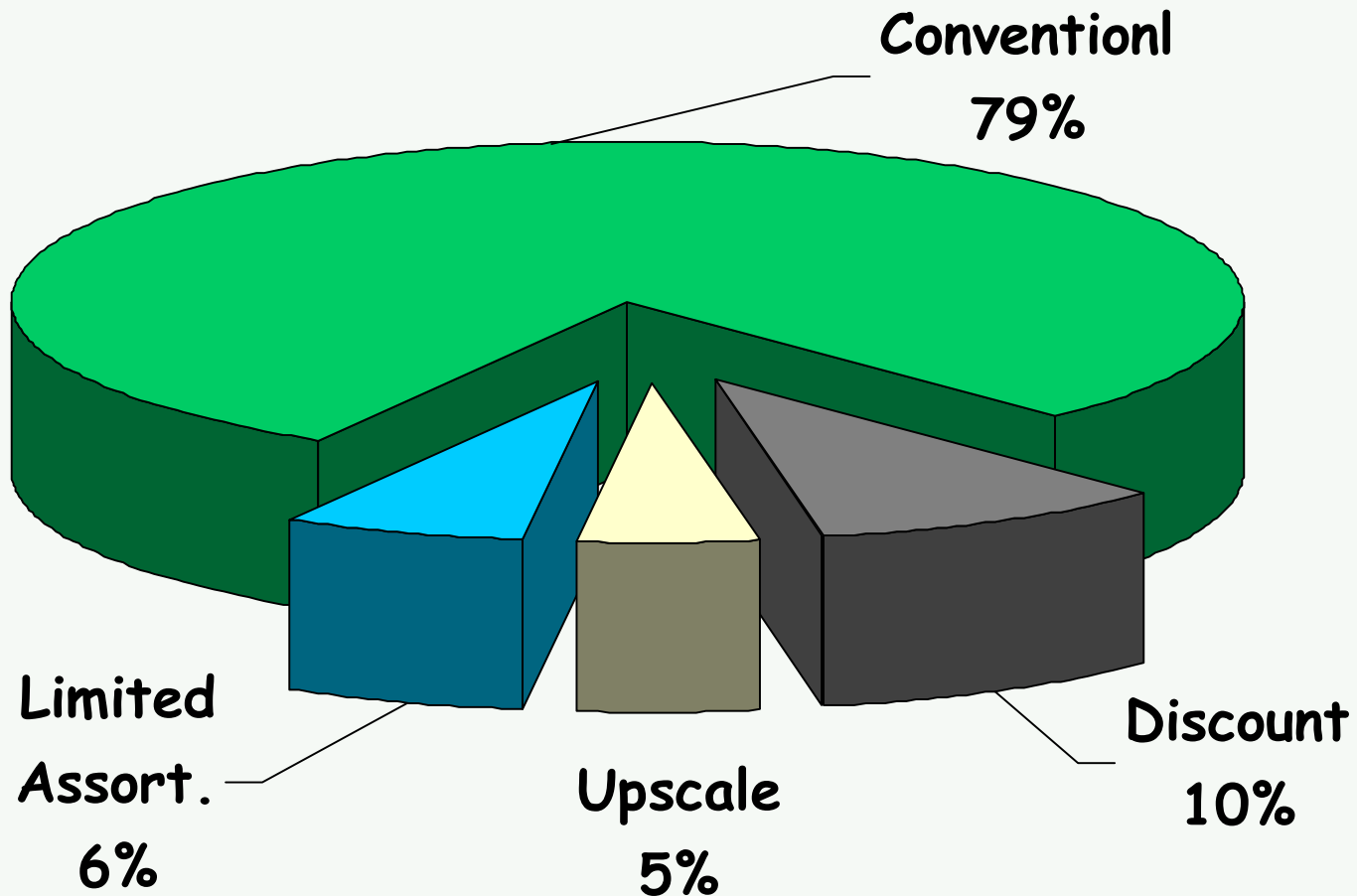
US Census Bureau



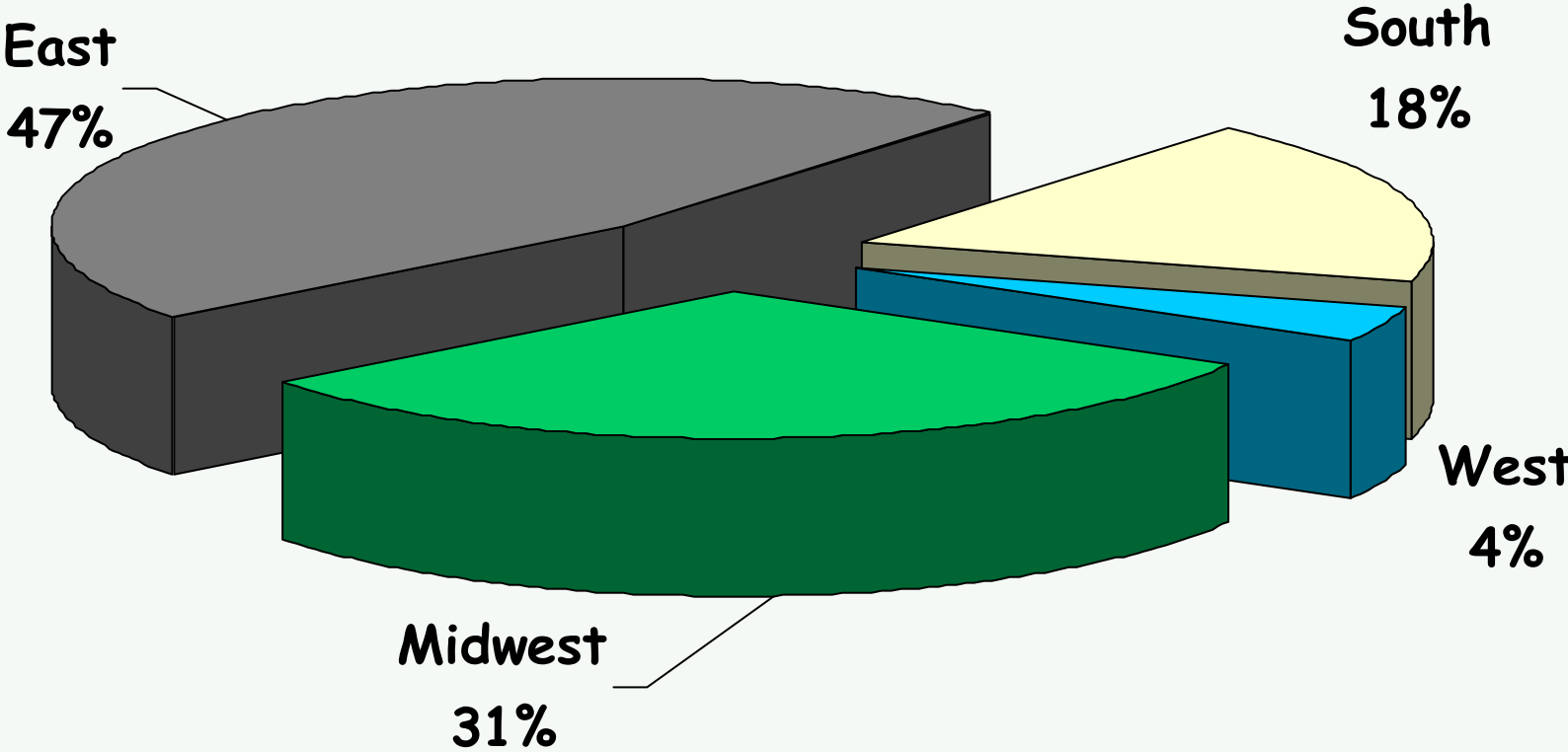
Points of Impact in Your Retail Operation

**FMS/NGA
Operations Performance
Independent Supermarkets
Survey
2002-2003**

Store Formats of the 685 Retail Companies Surveyed

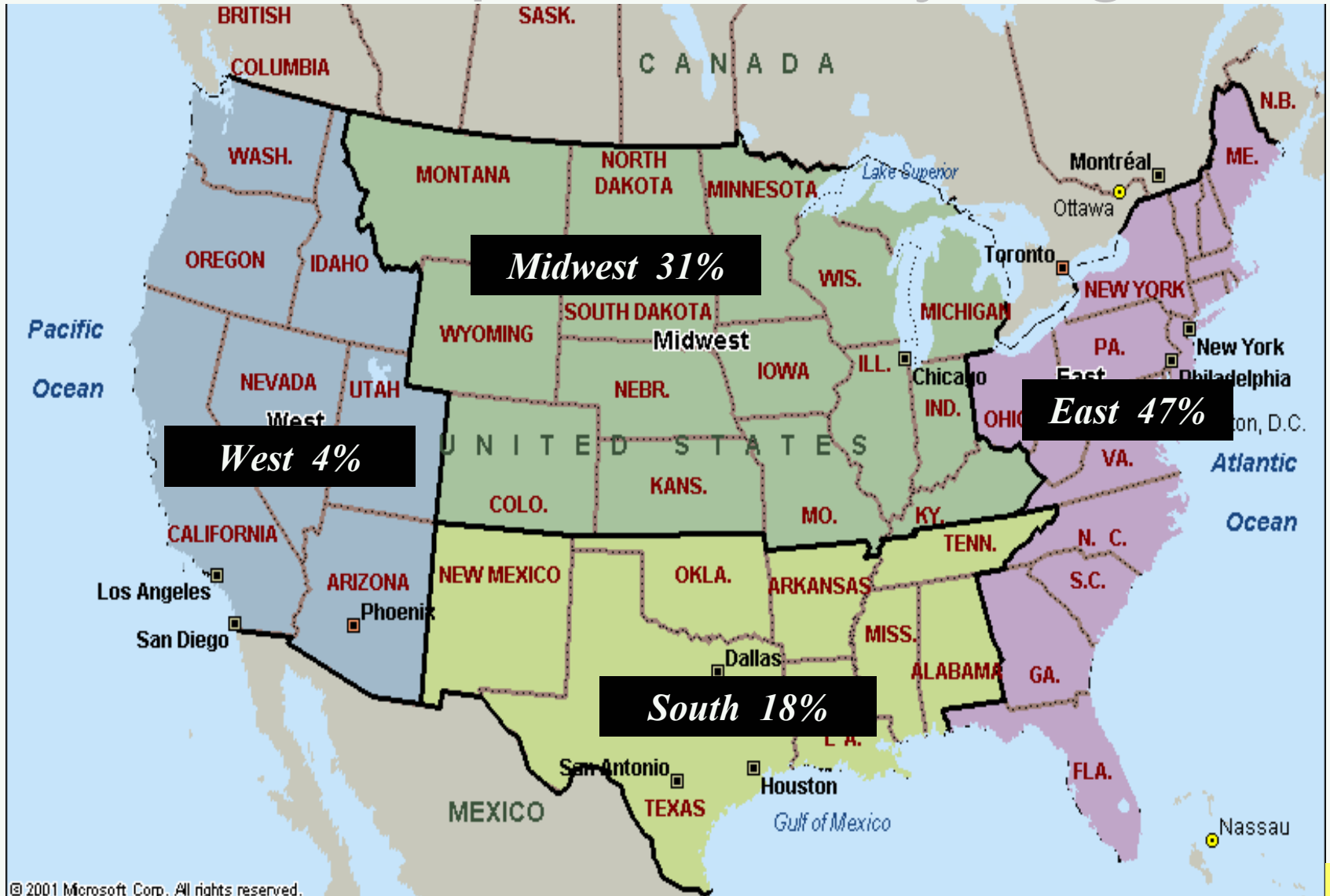


In what state(s) are your stores located?

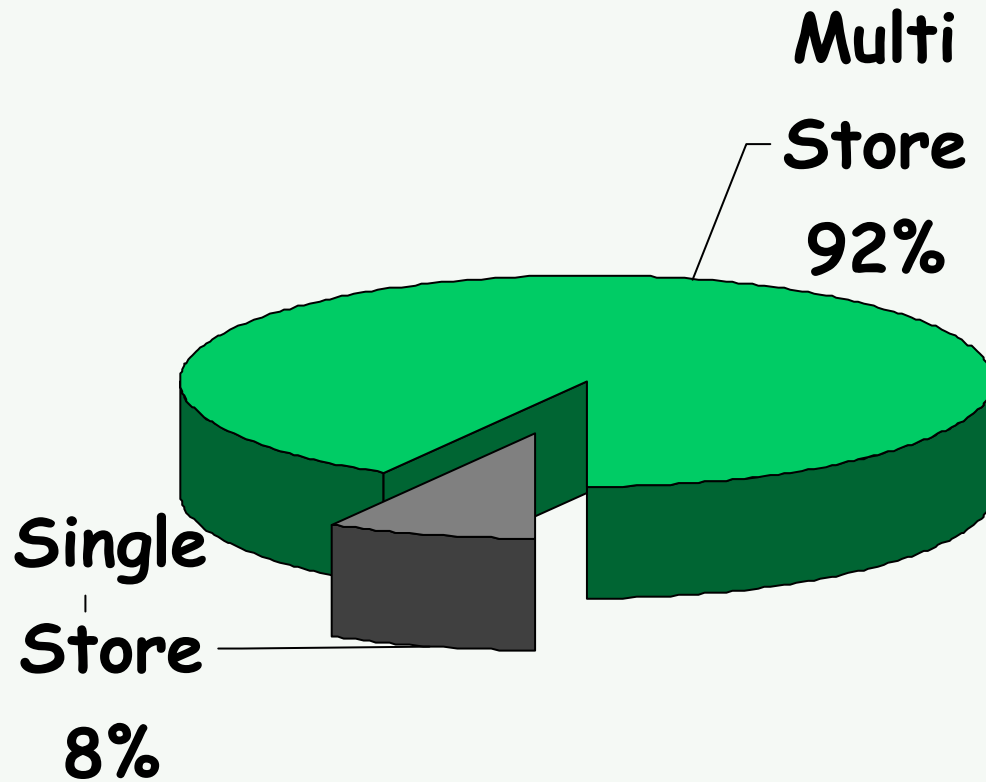


Refer to page 9.

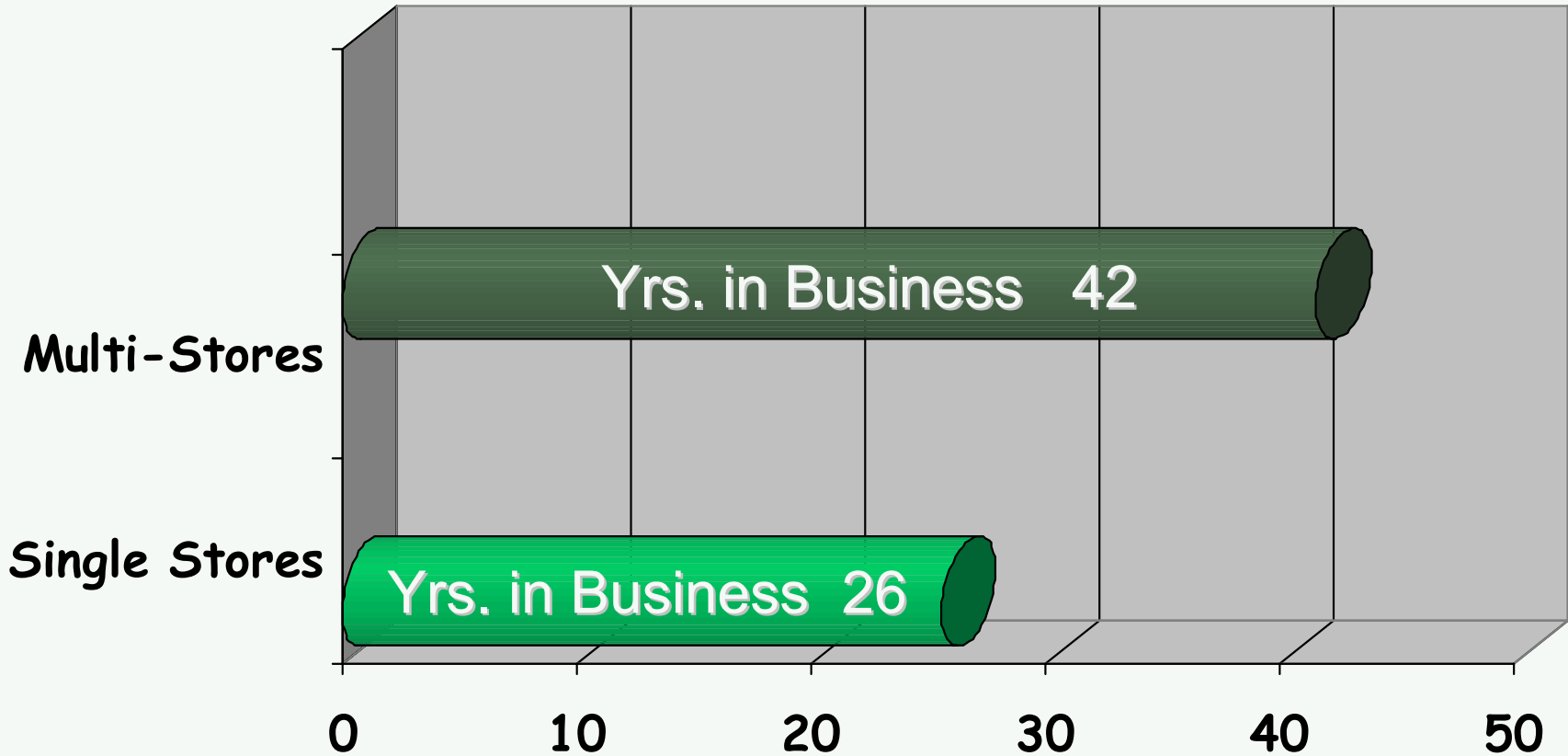
Stores Represented by Region



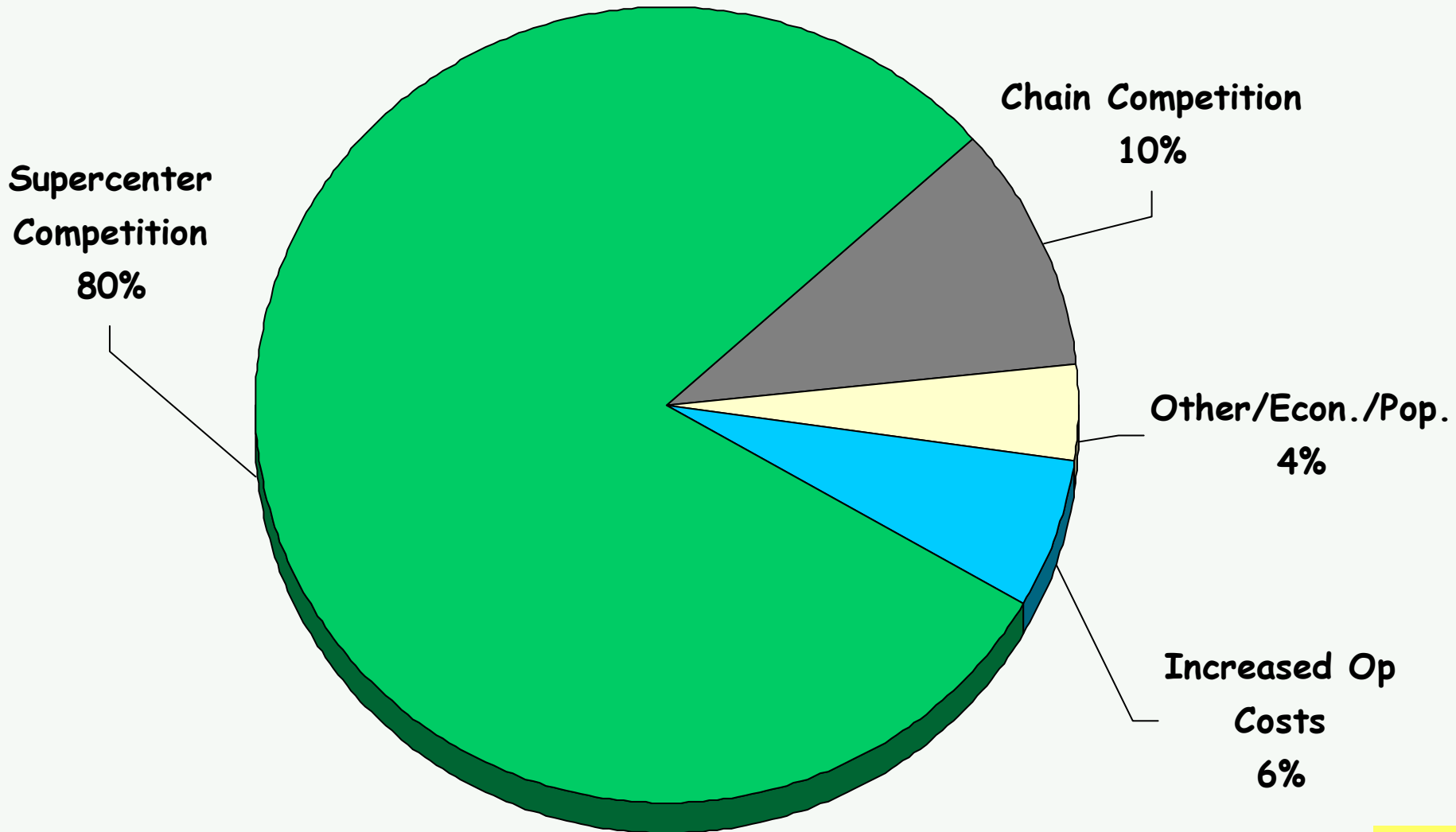
How many stores do you operate?



How long have you been in business? (Average)



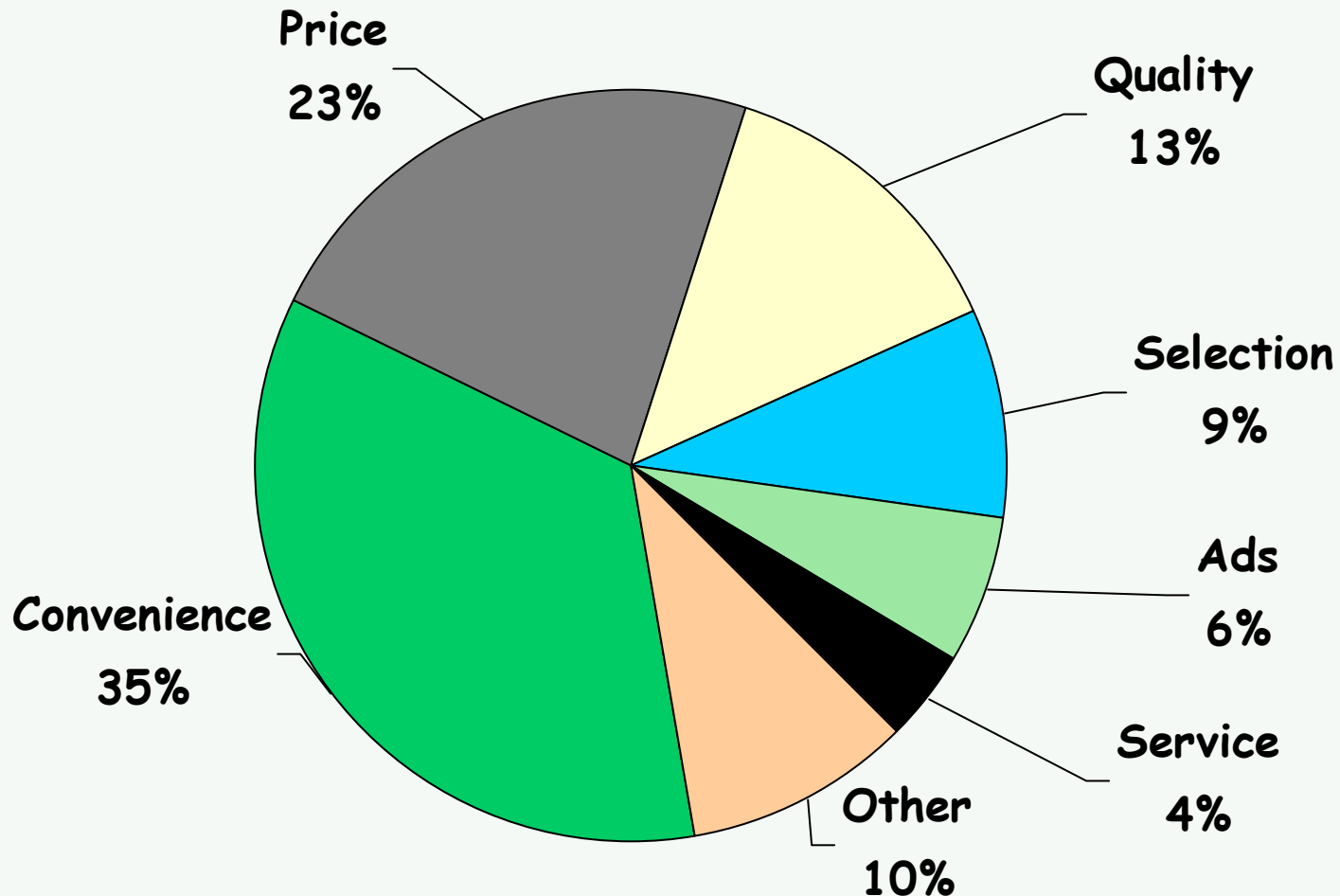
What are your biggest competitive concerns for the coming year?



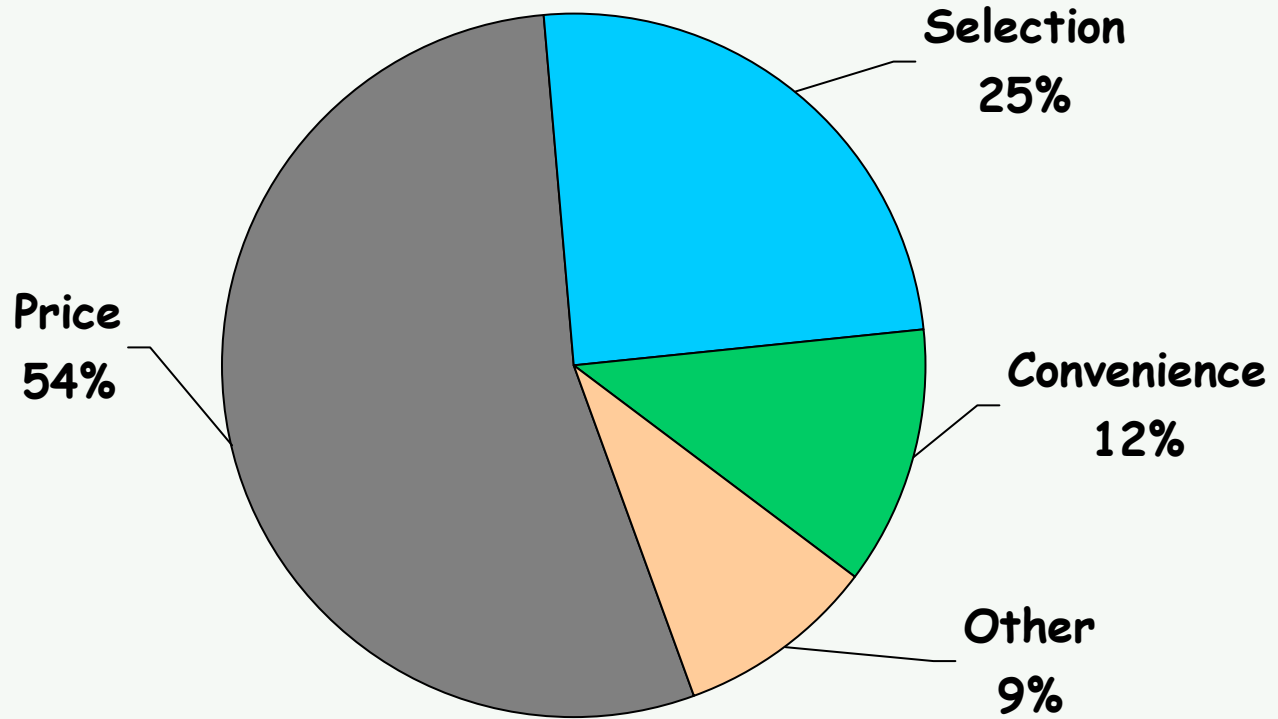
Most Typical Response to Supercenters

- Establish strategies and objectives
- Remodel/Refresh
- Improve Customer Service
- Special Promotions
- Improve overall signage
- Advertise unique items and themes
- GM/HBC/Pharmacy emphasis

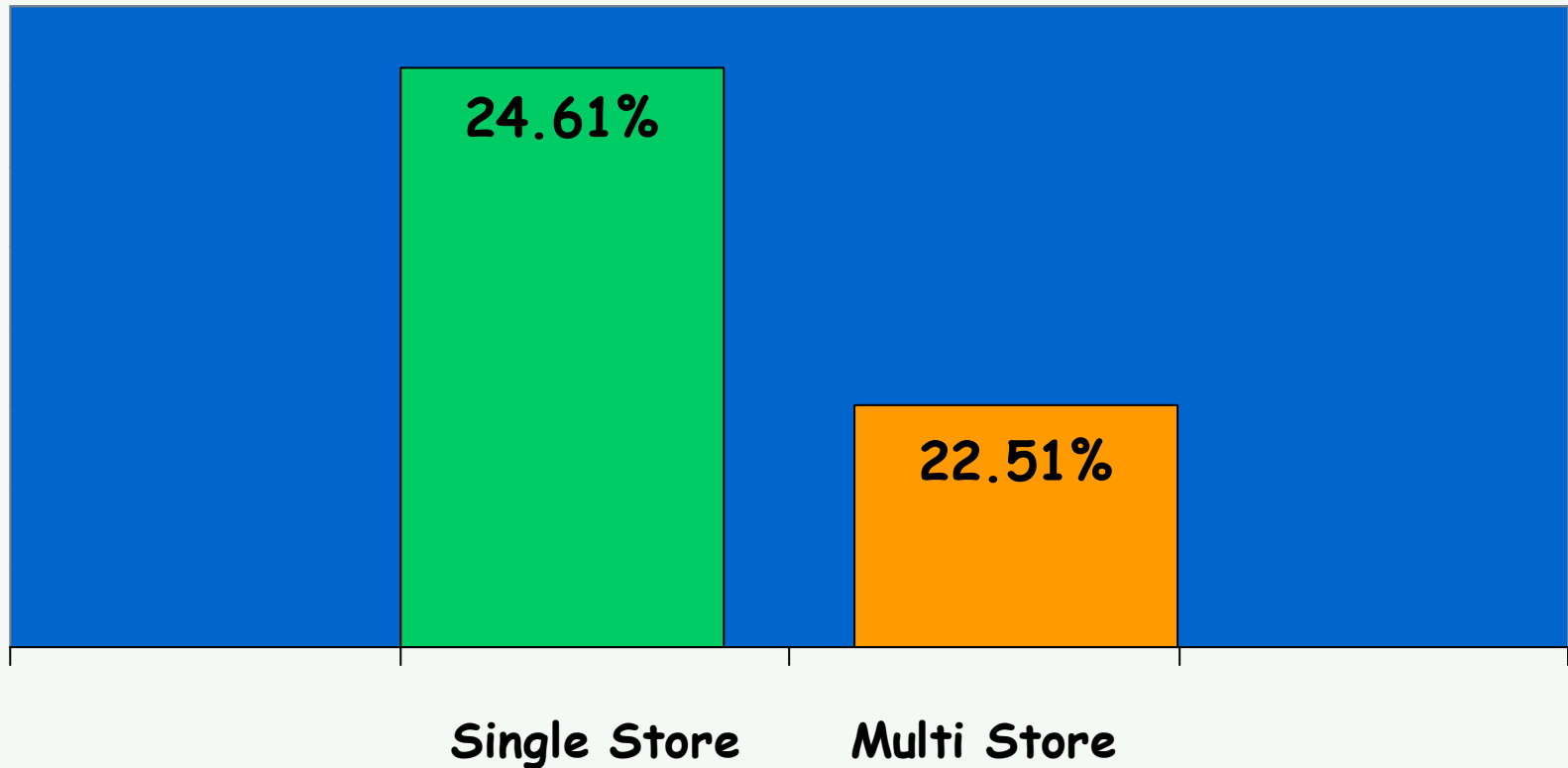
What are the major reasons for shopping at a primary store?



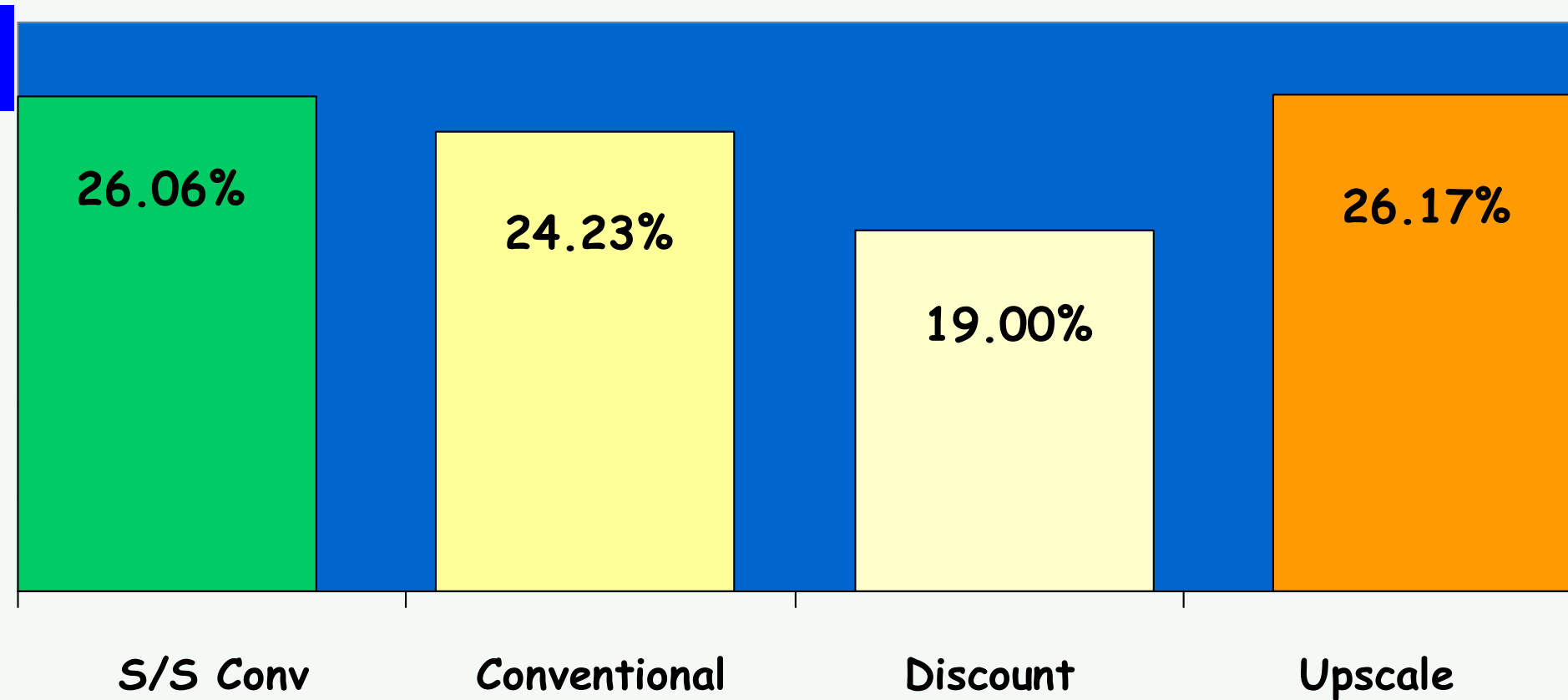
What are the major reasons for shopping at a Supercenter?



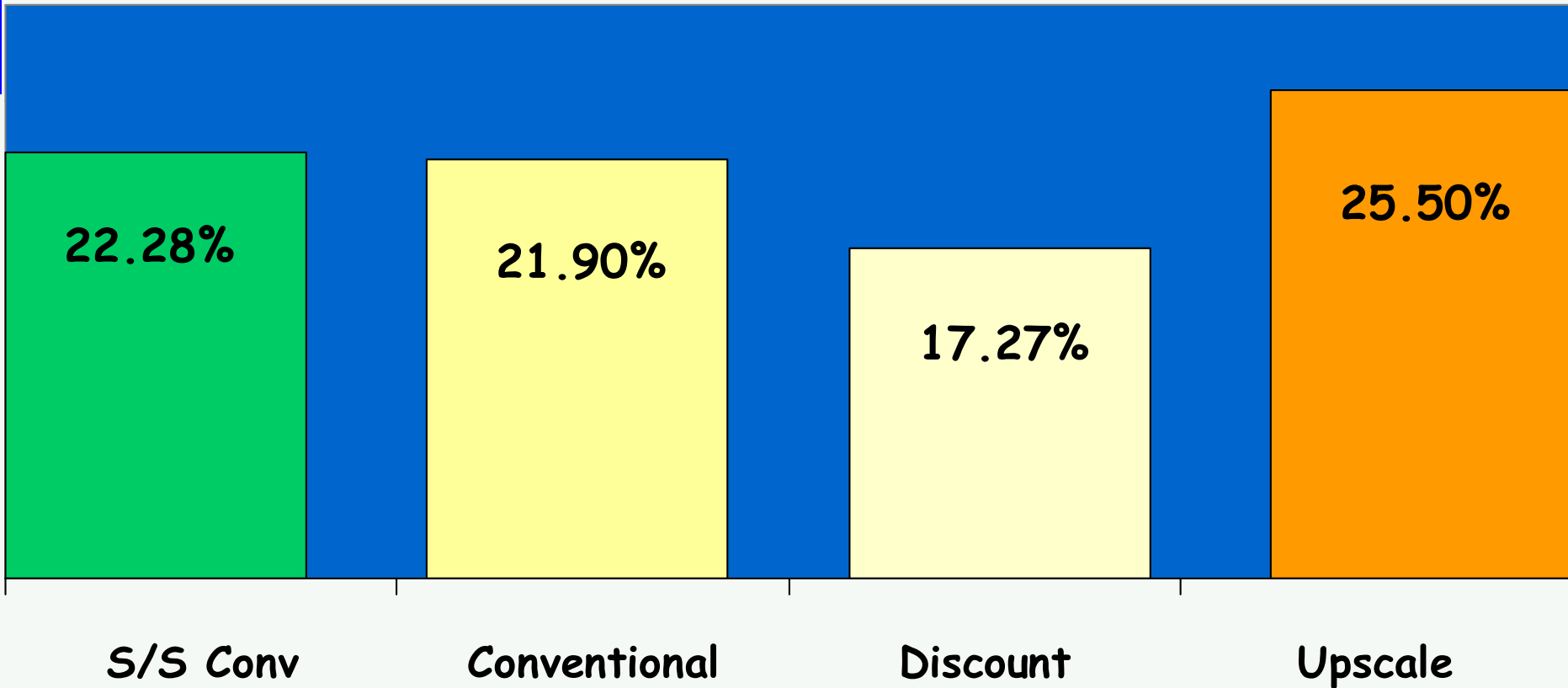
What is your total gross margin? (Single vs. Multi Operators)



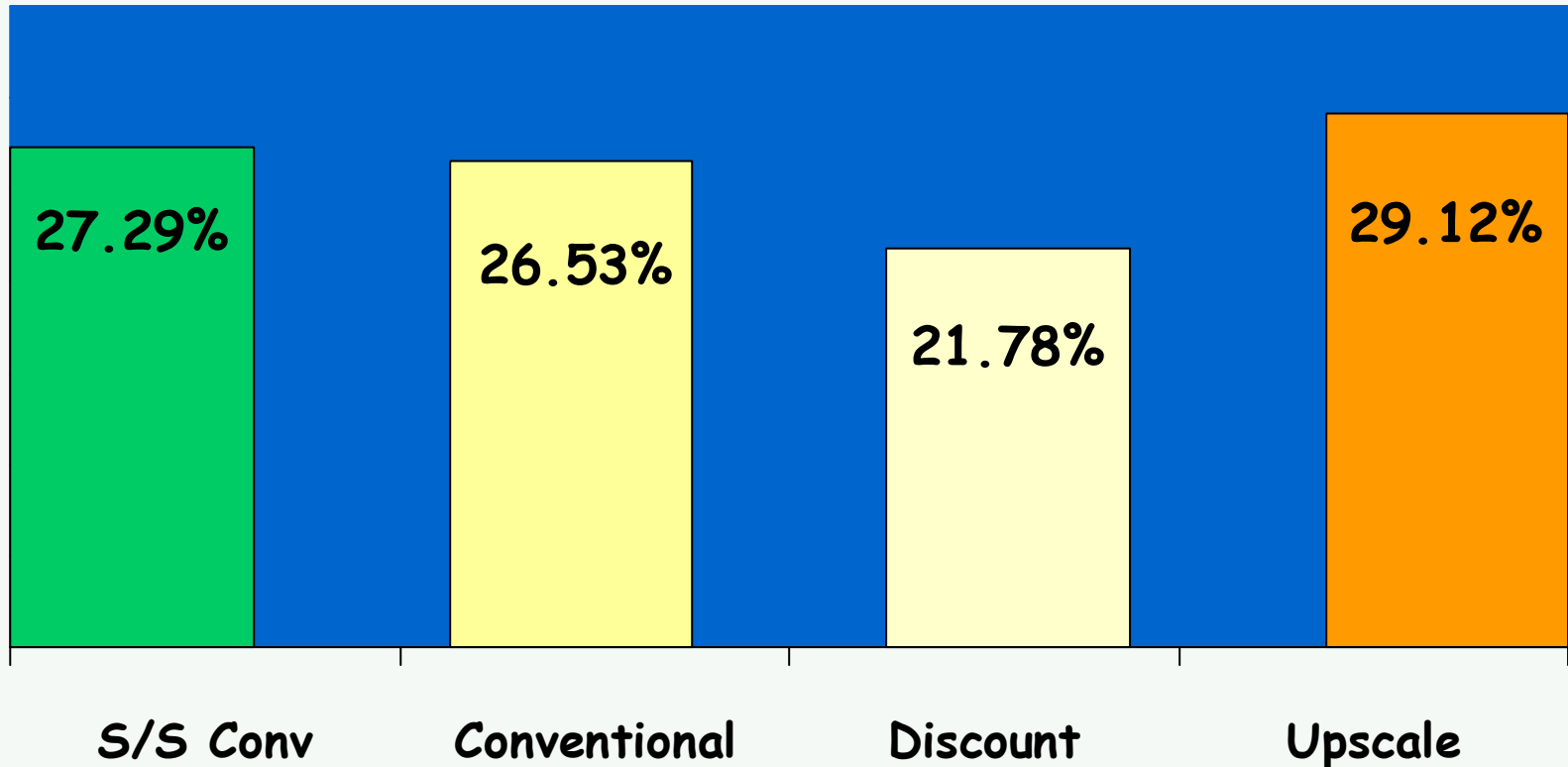
What is your total gross margin?



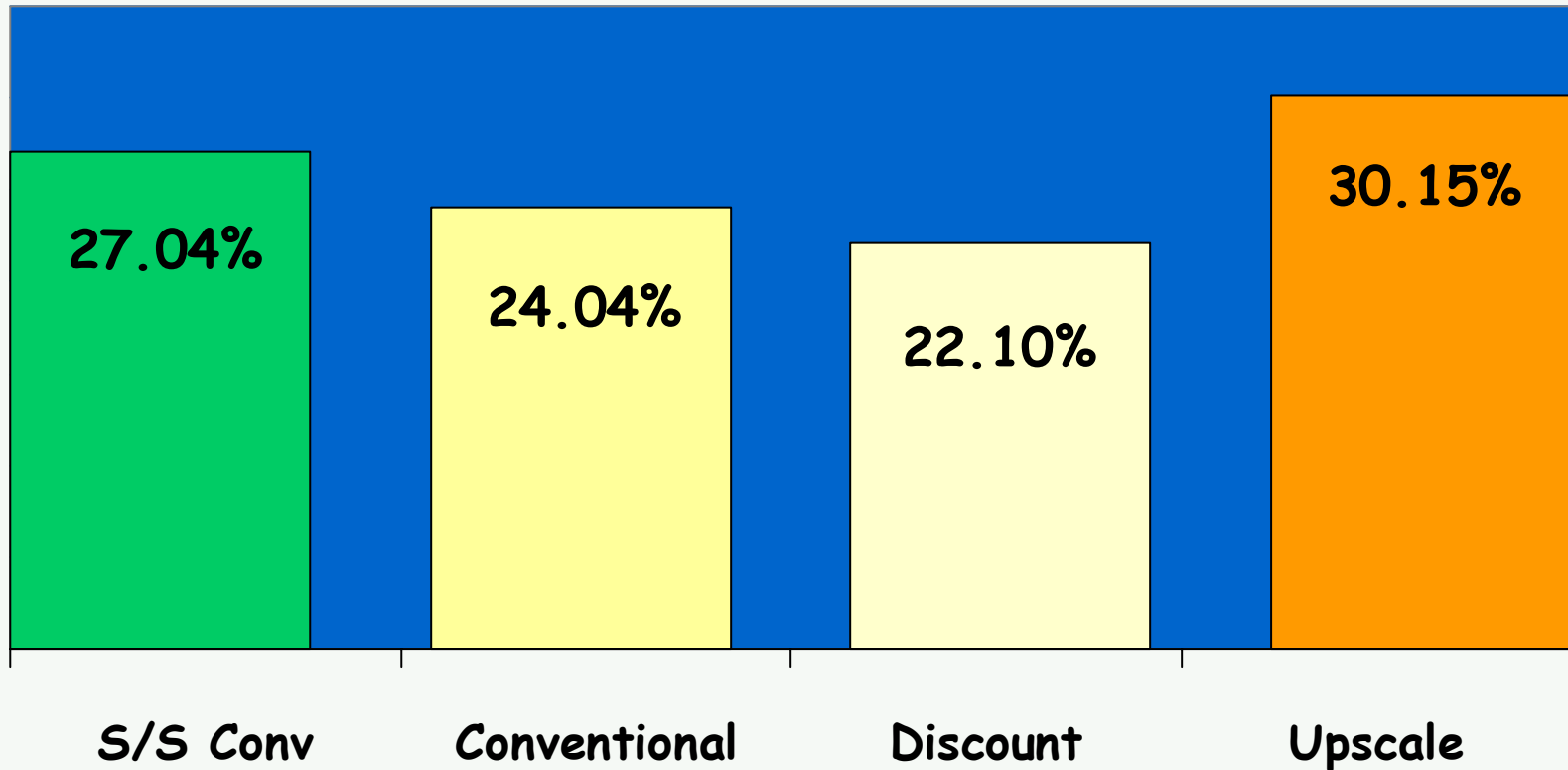
What is your grocery margin? (Includes Dry, Frozen & Dairy)



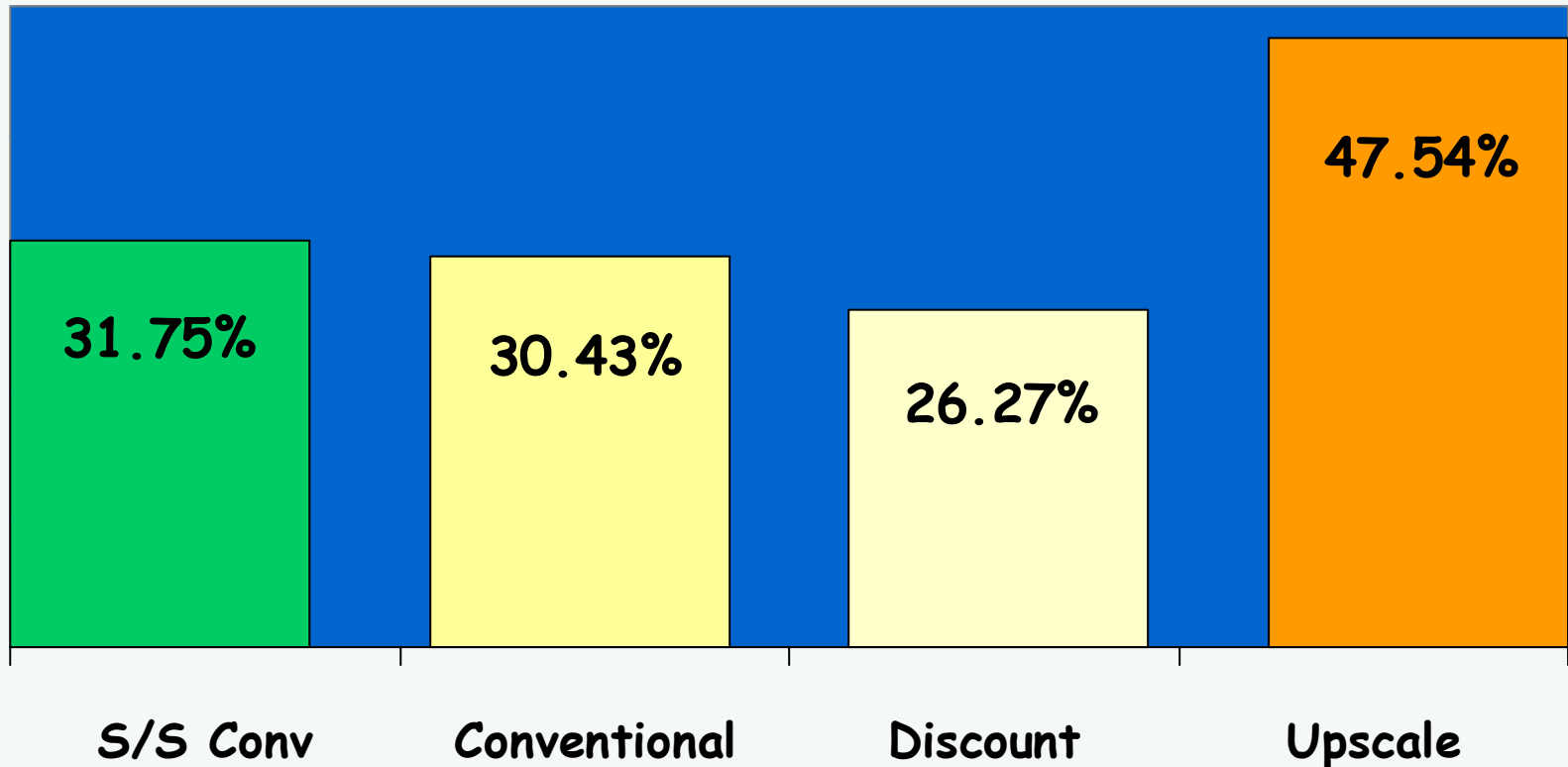
What is your GM/HBC margin?



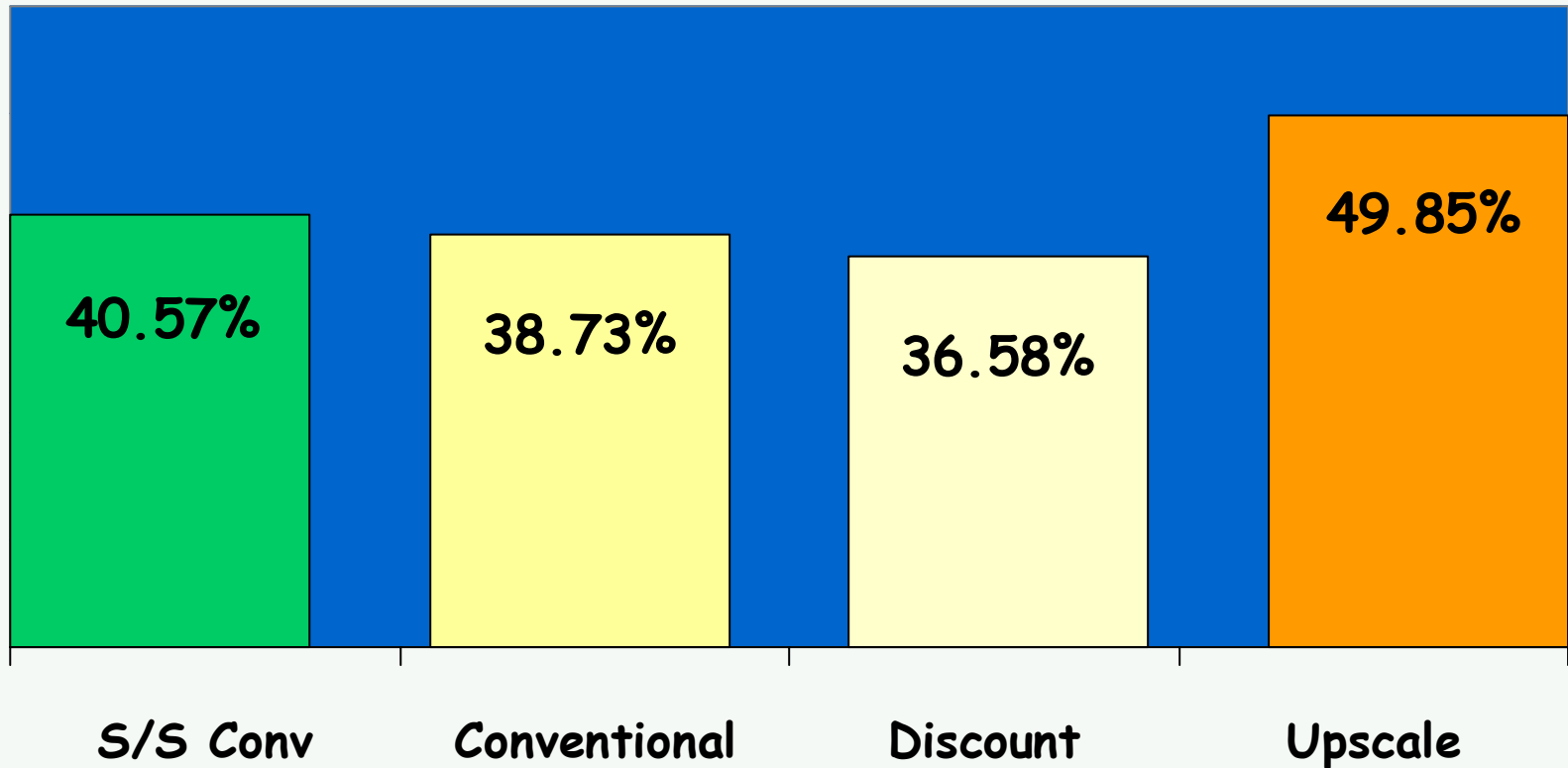
What is your meat margin?



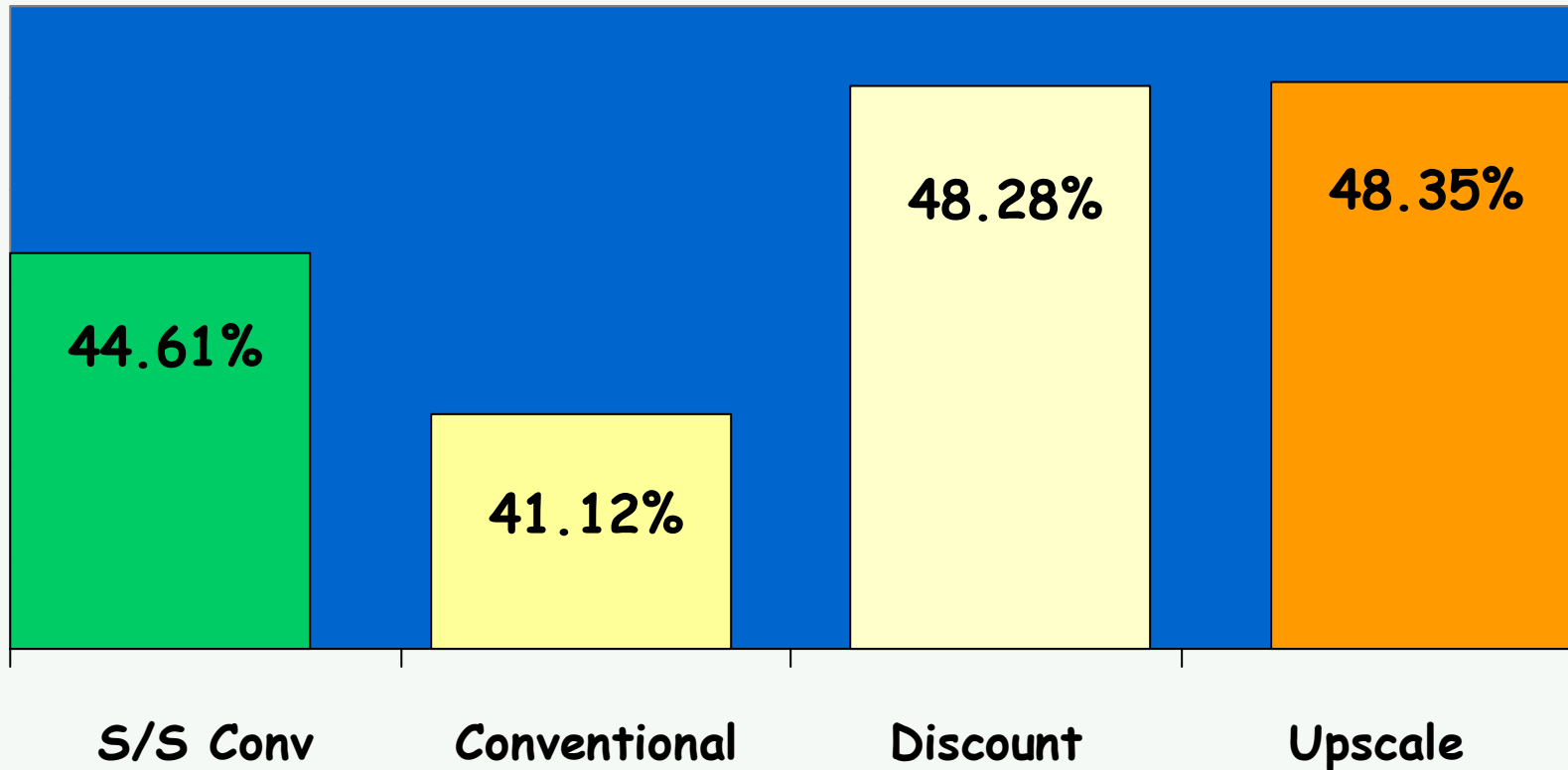
What is your produce margin?



What is your deli margin?



What is your bakery margin?



What is your Average Gross Profit? (By Format and Department)

	Grocery	GM&HBC	Bakery	Meat	Produce	Deli
SS Conv	22.28	27.29	44.61	27.04	31.75	40.57
Conventional	21.90	26.53	41.12	24.04	30.43	38.73
Discount	17.27	21.78	48.28	22.10	26.27	36.58
Upscale	25.50	29.12	48.35	30.15	47.54	49.85
Limited	14.48	17.50		22.40	27.63	
SS Upscale	27.72	31.08	41.71	28.01	35.63	51.94

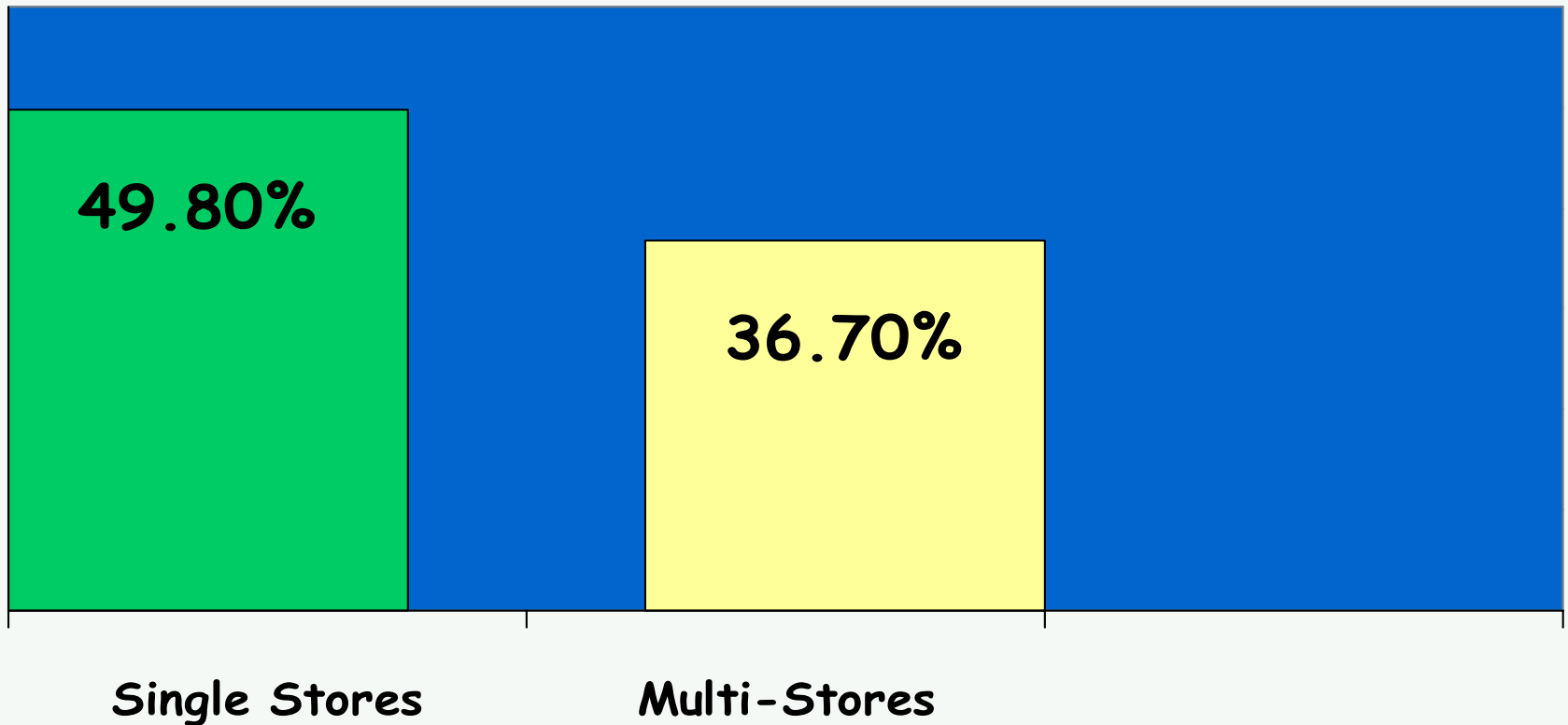
What is your Average Sales Distribution?

	Groc	GM & HBC	Bakery	Meat	Prod	Deli
Conventional	50.47	12.97	9.25	15.46	9.14	5.15
Discount	54.47	4.42	2.33	21.35	11.17	3.32
Upscale	49.27	4.10	3.45	13.41	12.54	9.51
Limited	60.43	15.05		20.23	6.50	
SS Conv	54.23	3.83	5.32	14.46	8.31	5.71
SS Upscale	44.40	2.82	3.52	17.39	10.78	11.41

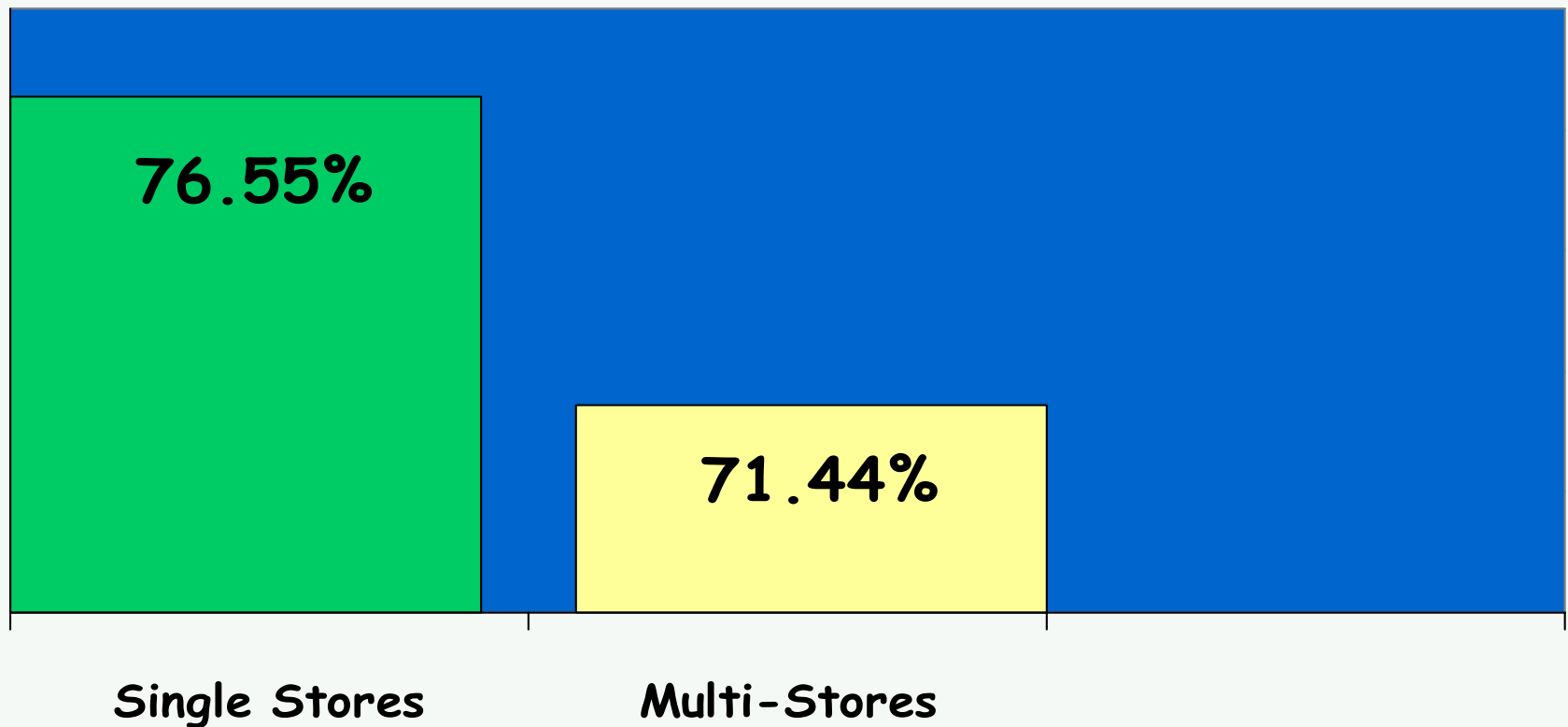
What percent of healthcare cost increase do you anticipate for 2003?



What percentage of your workforce have health insurance coverage?



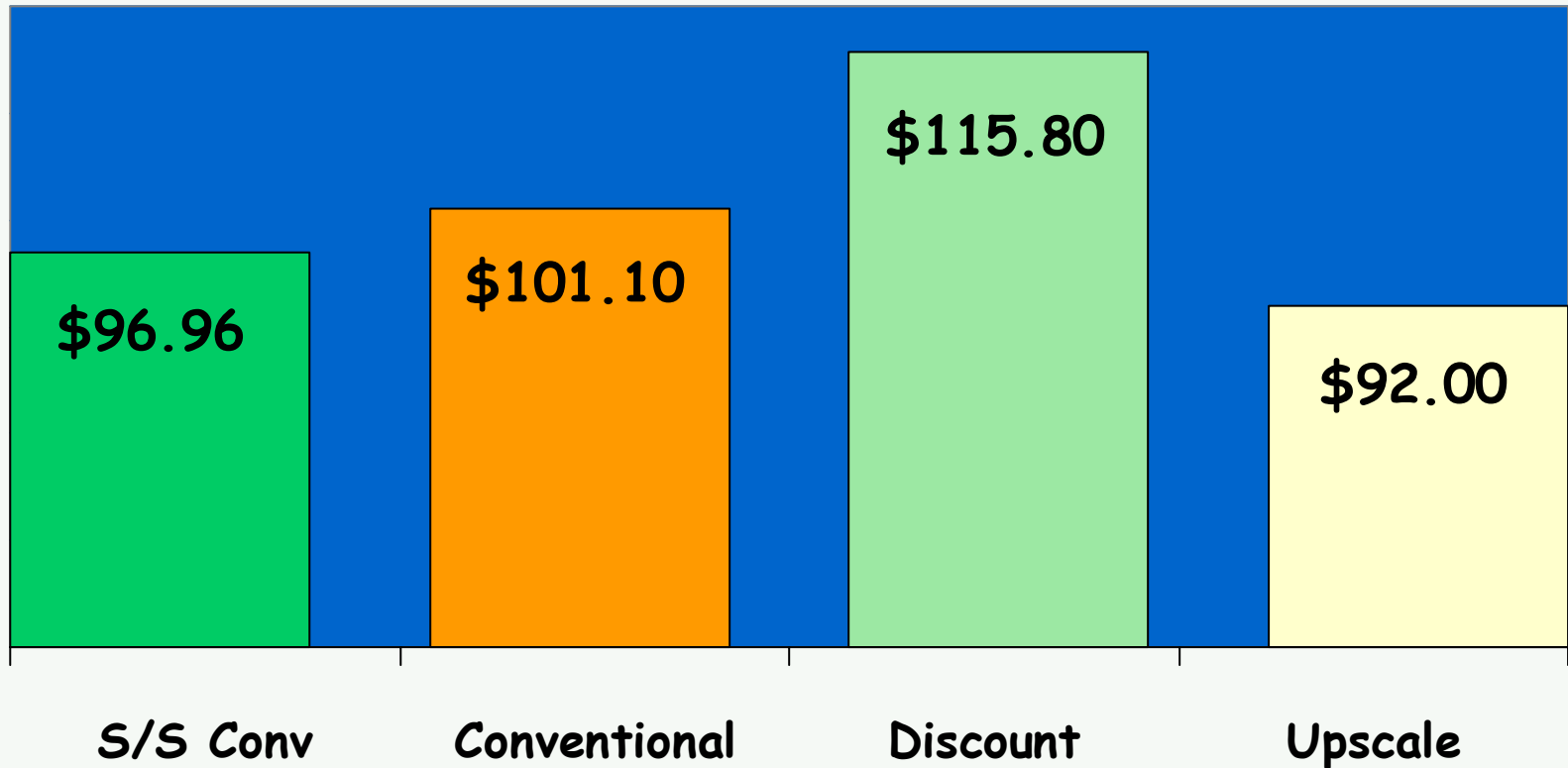
What percentage of the healthcare cost does your company bear for your employees?



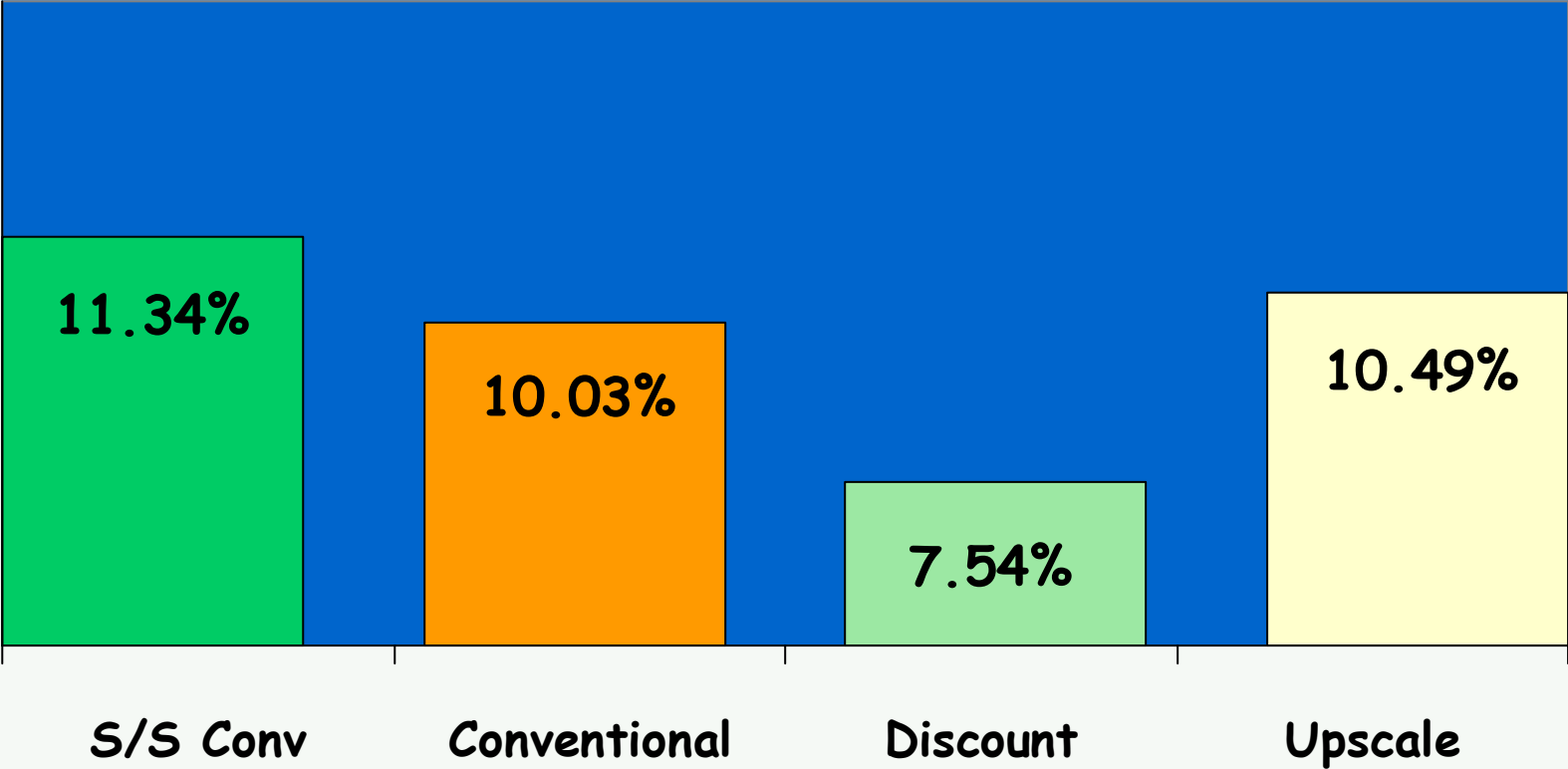
Do you provide a pension plan for your workforce?



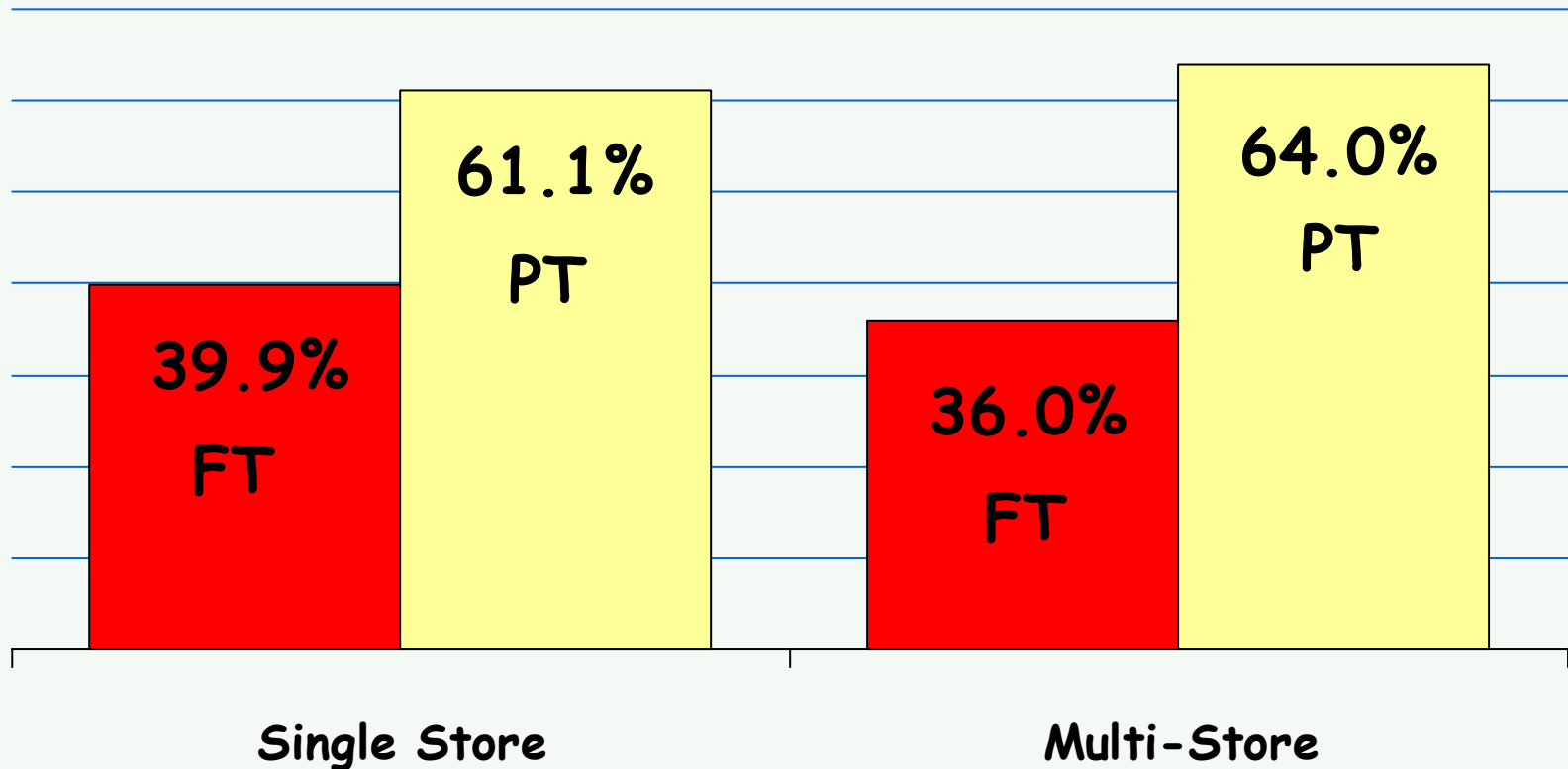
What are your total store sales per labor hour?



What percent of total sales are wages?



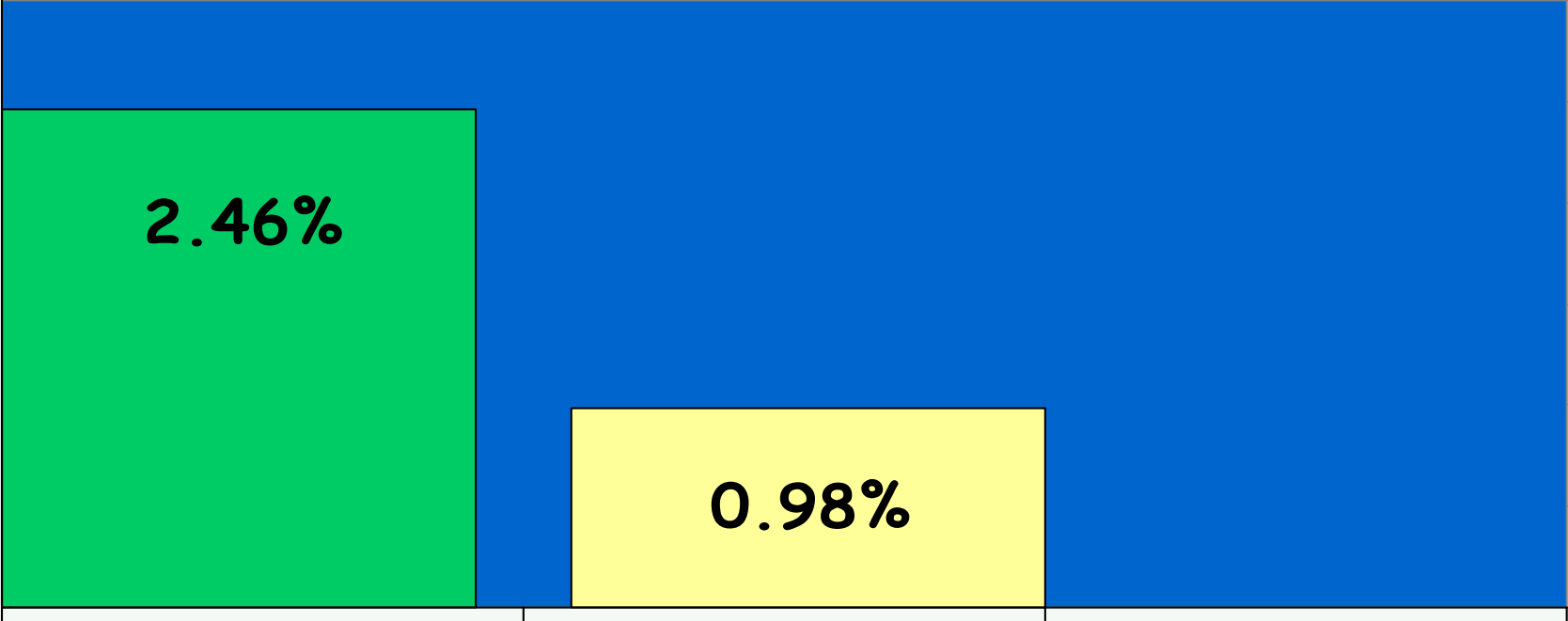
What is the percent of Full Time vs. Part Time Employees?



What is your average rent as a percent to sales YTD?



What is your total print/distribution/advertising costs YTD as a percent to sales?



Single Stores

Multi-Stores

What is your interest expense as a percent to sales YTD?



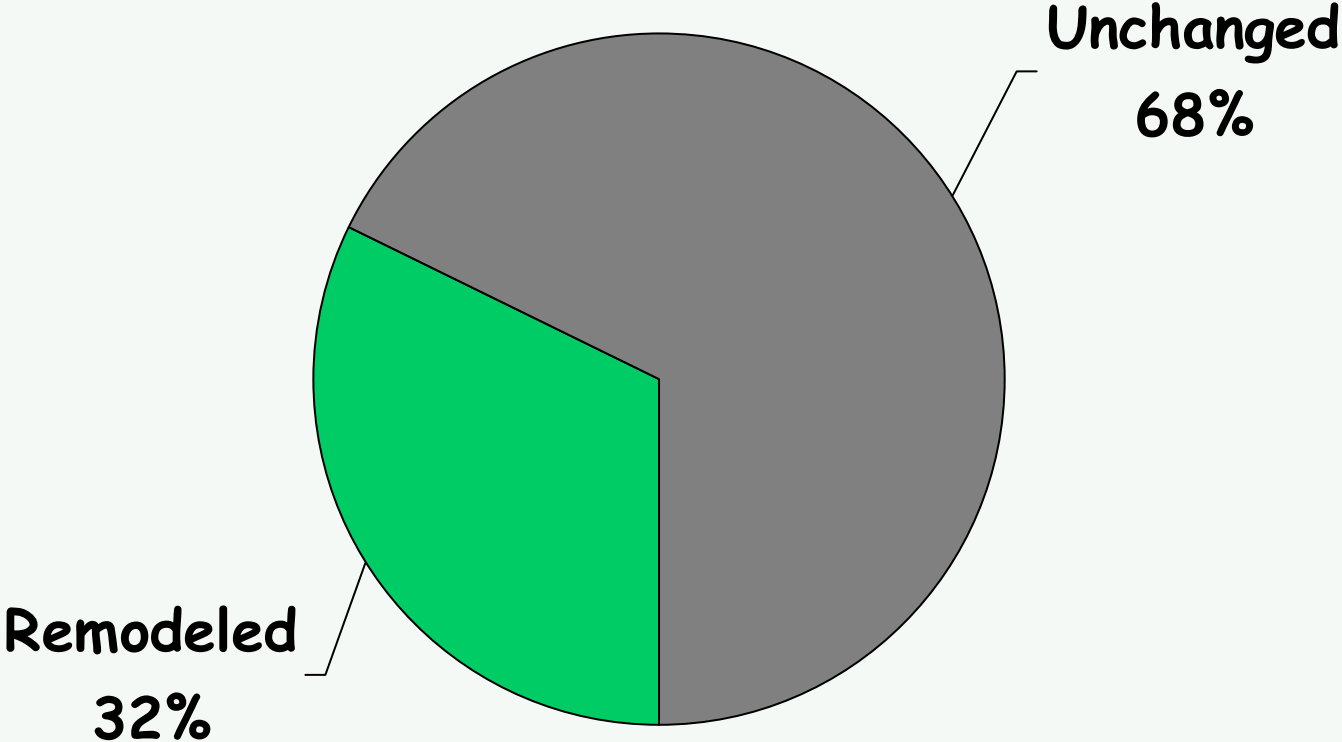
What is your depreciation and amortization as a percent to sales YTD?



What is your profit margin before taxes as a percent to sales?

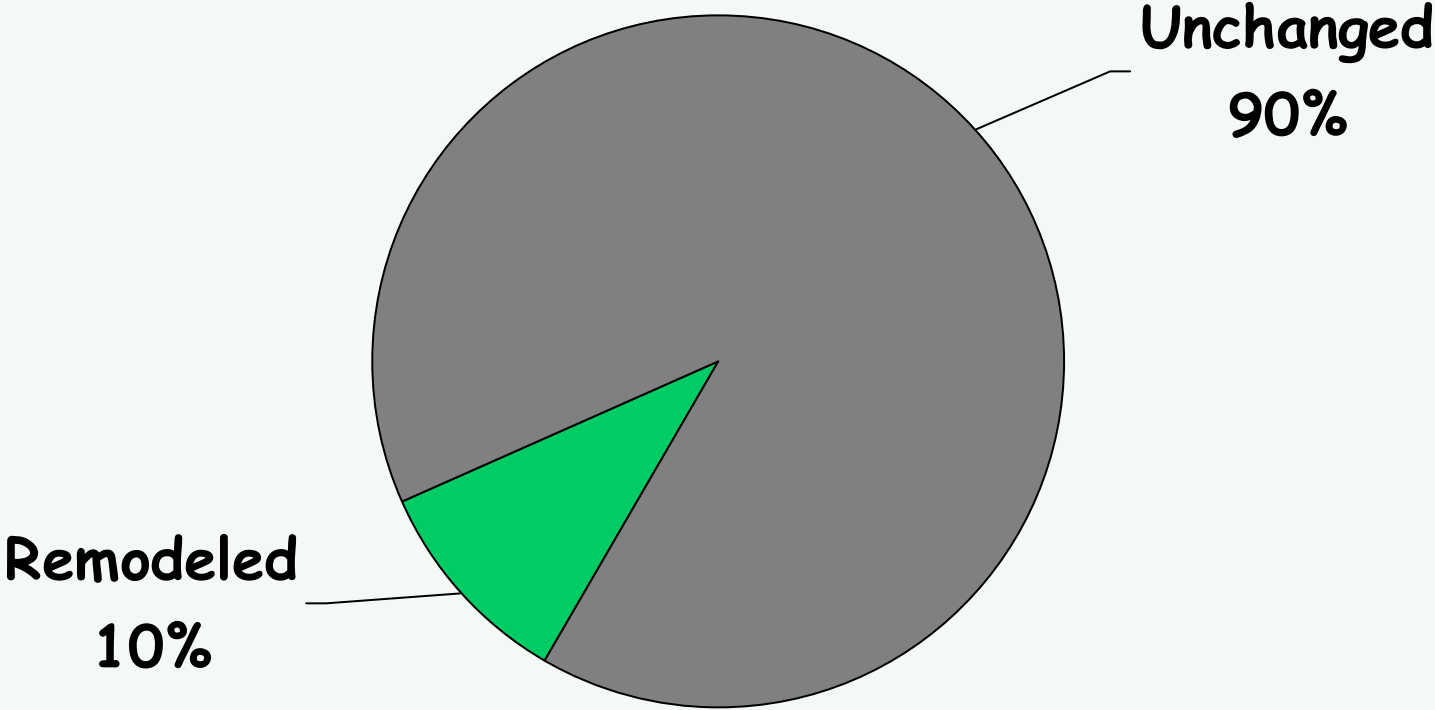


Single stores, per company, that were remodeled last year. (More than \$100,000 Investment)



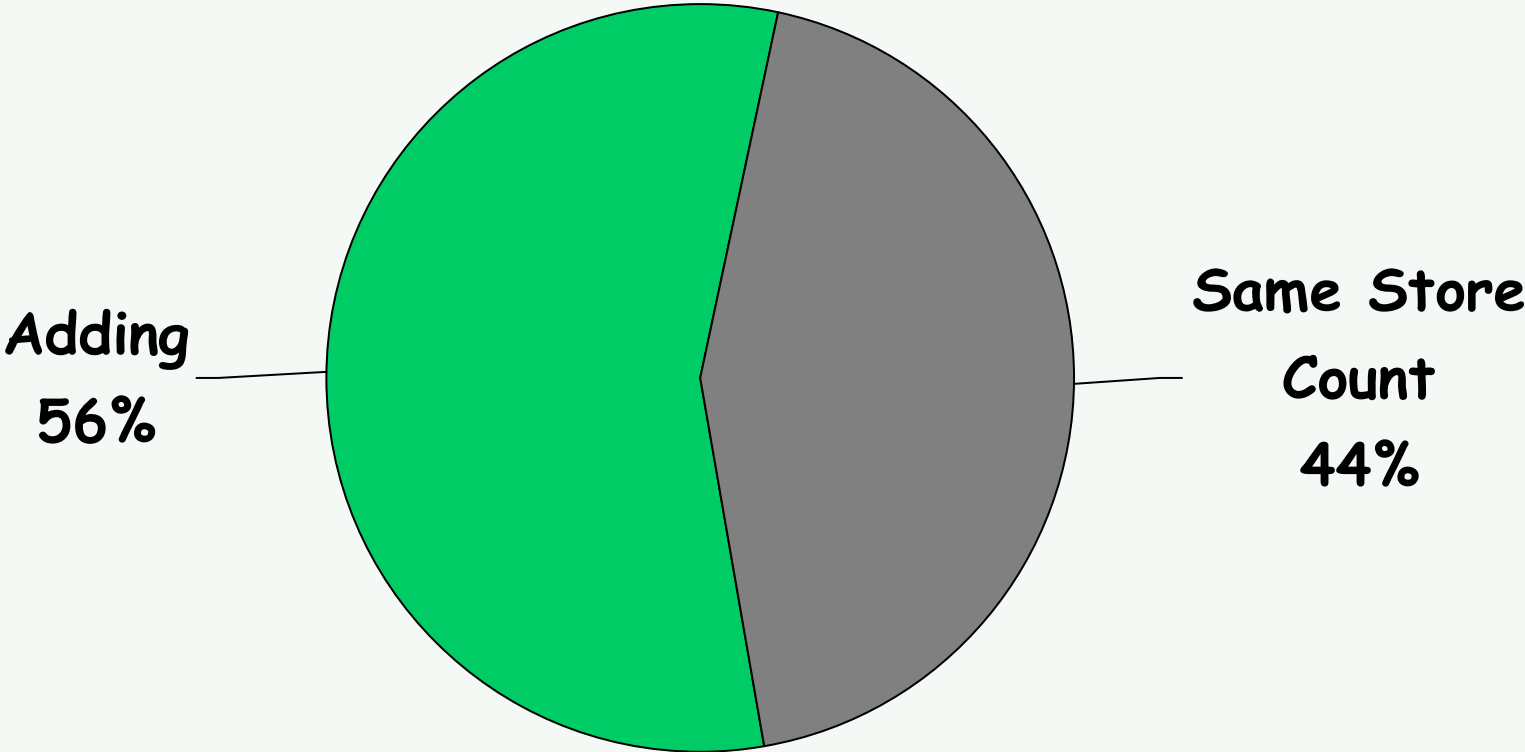
*Over \$100,000 Expenditure

Multi-stores, by company, that were remodeled last year. (More than \$100,000 Investment)

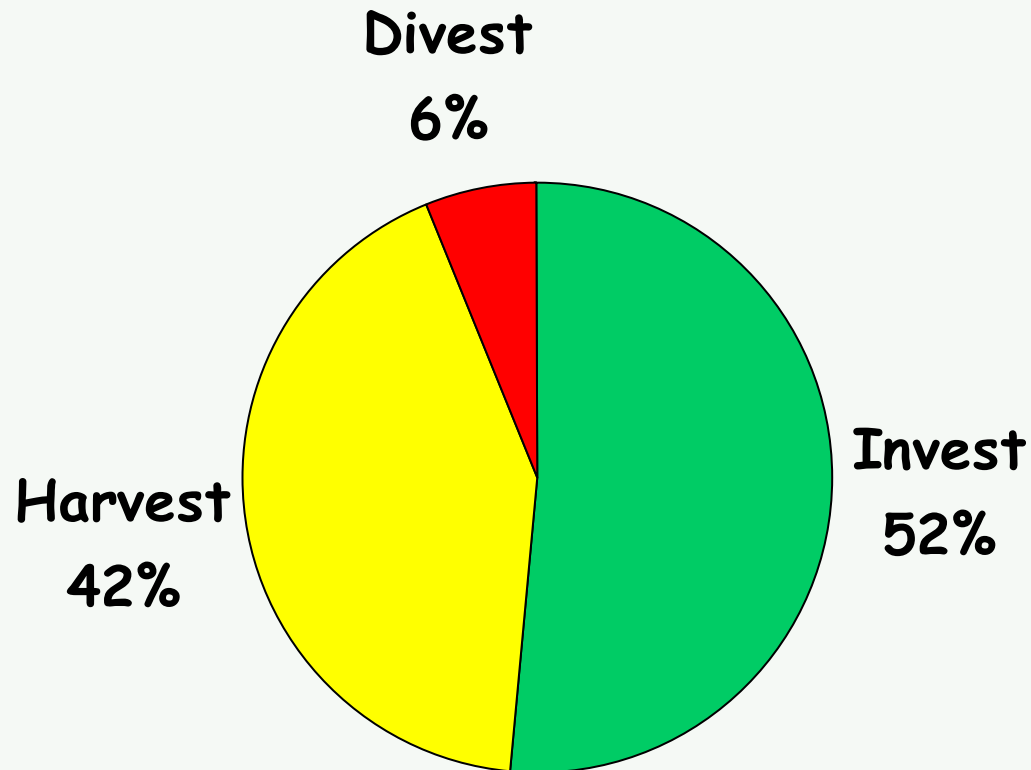


*Over \$100,000 Expenditure

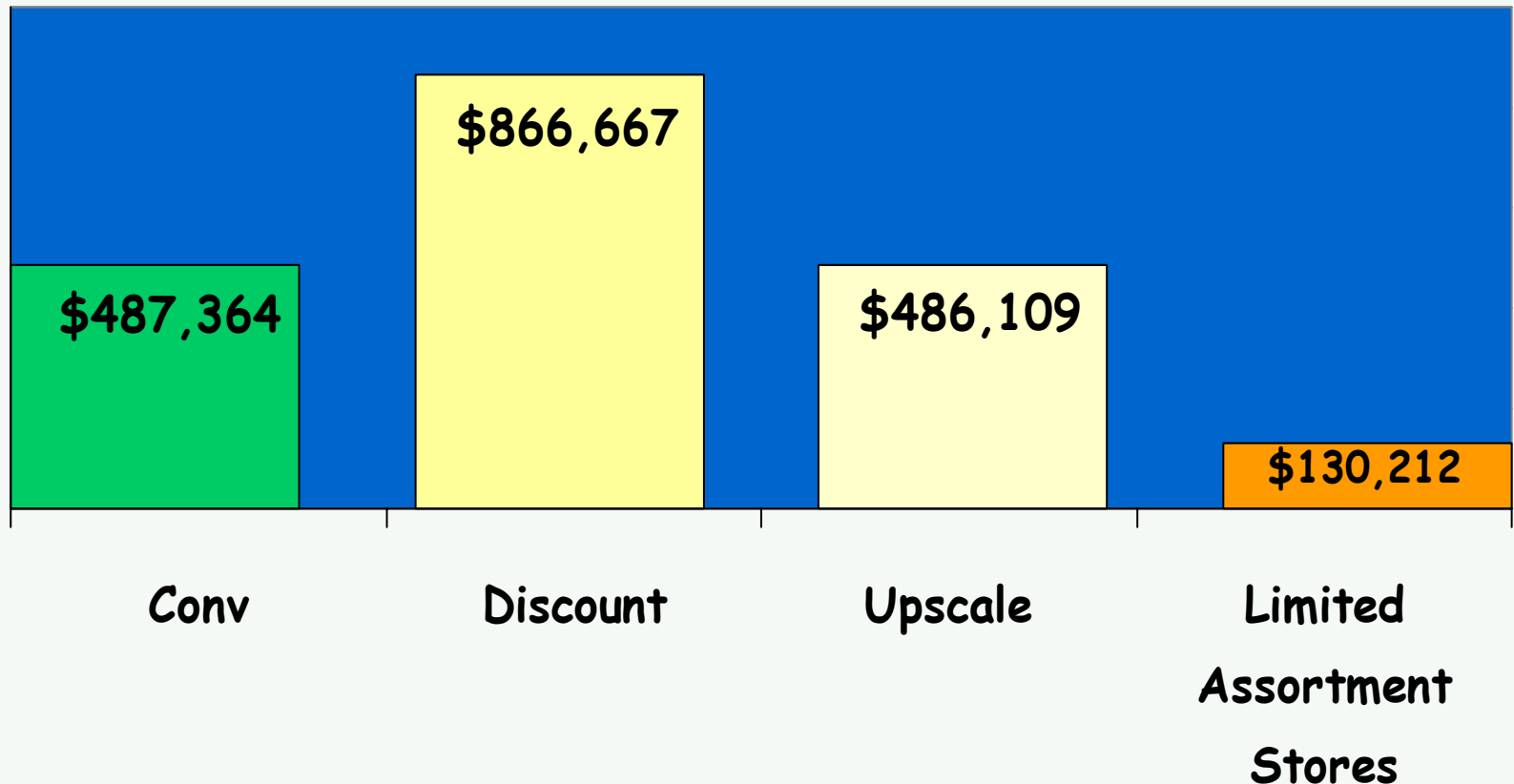
How will your store count change next year?



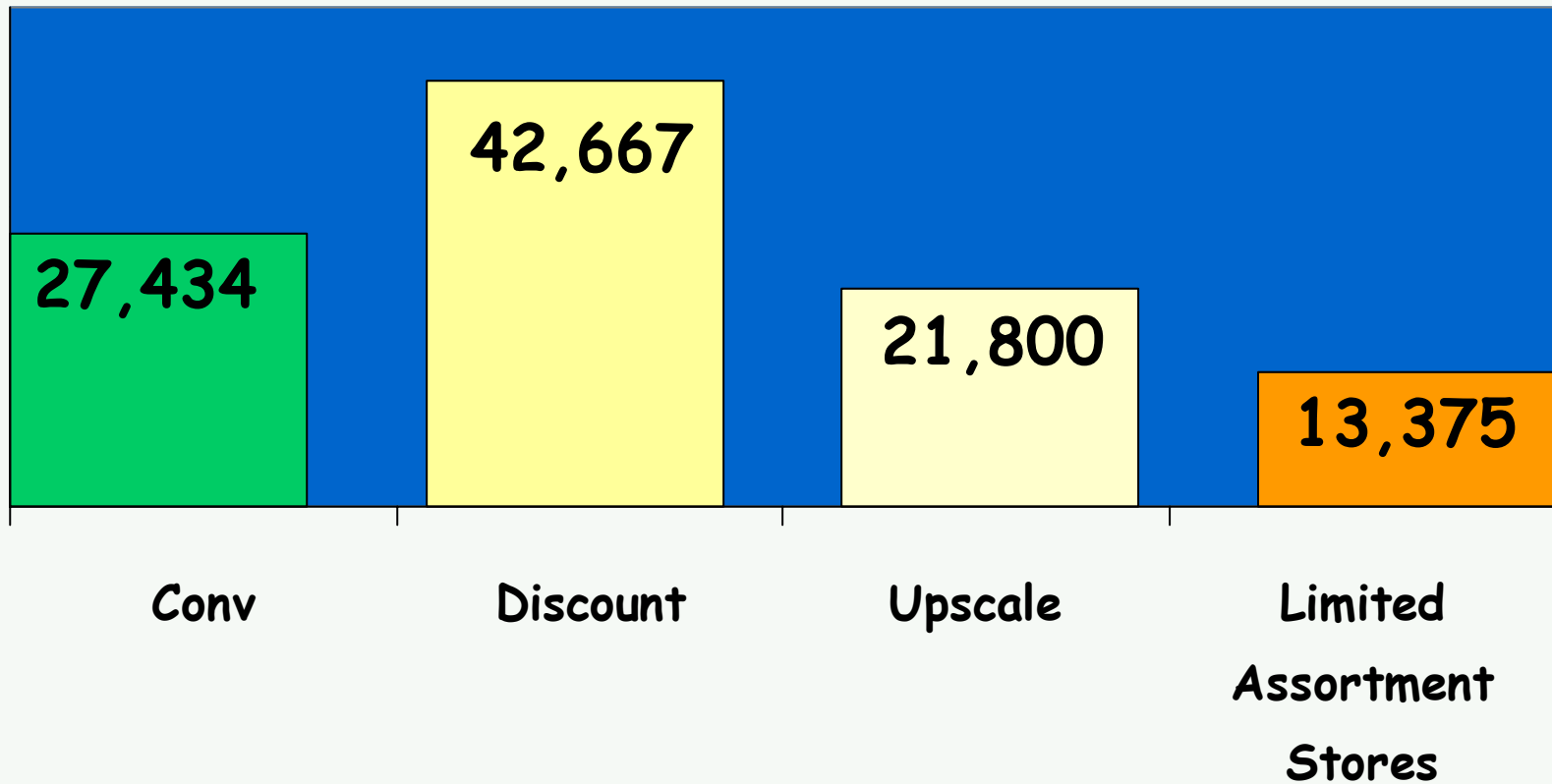
How would you describe your current investment business cycle?



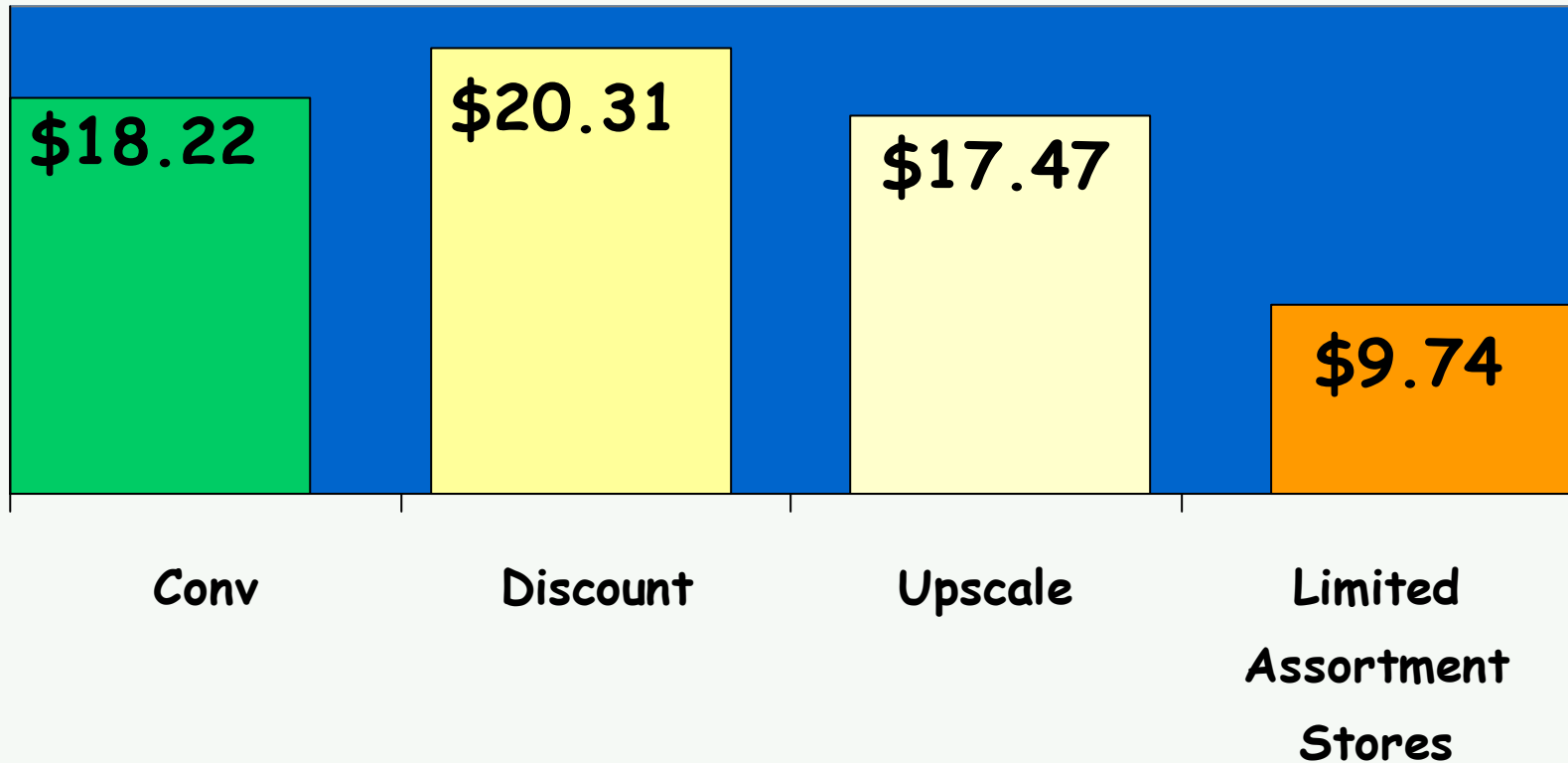
What are the average weekly sales by format ?



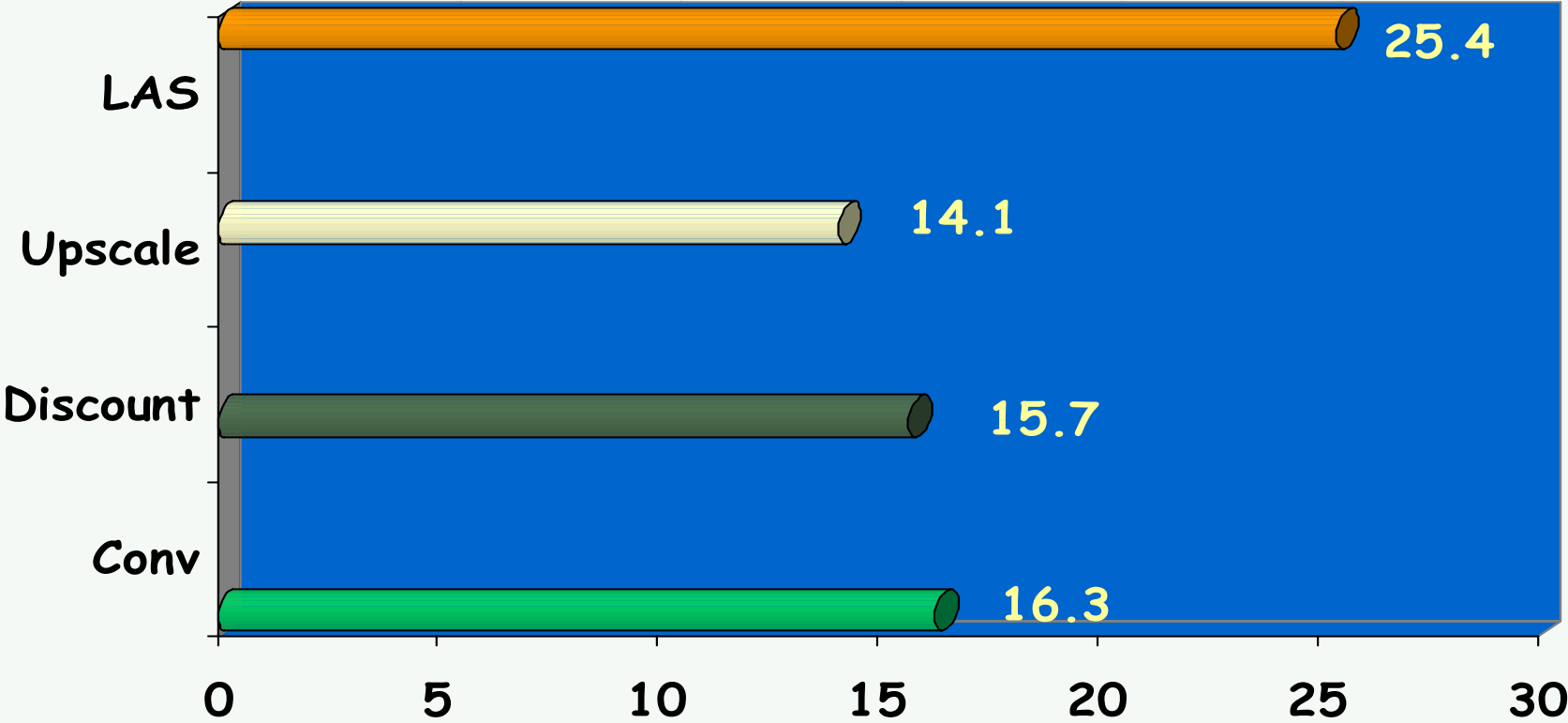
What is the average size of your store(s) in total square footage?



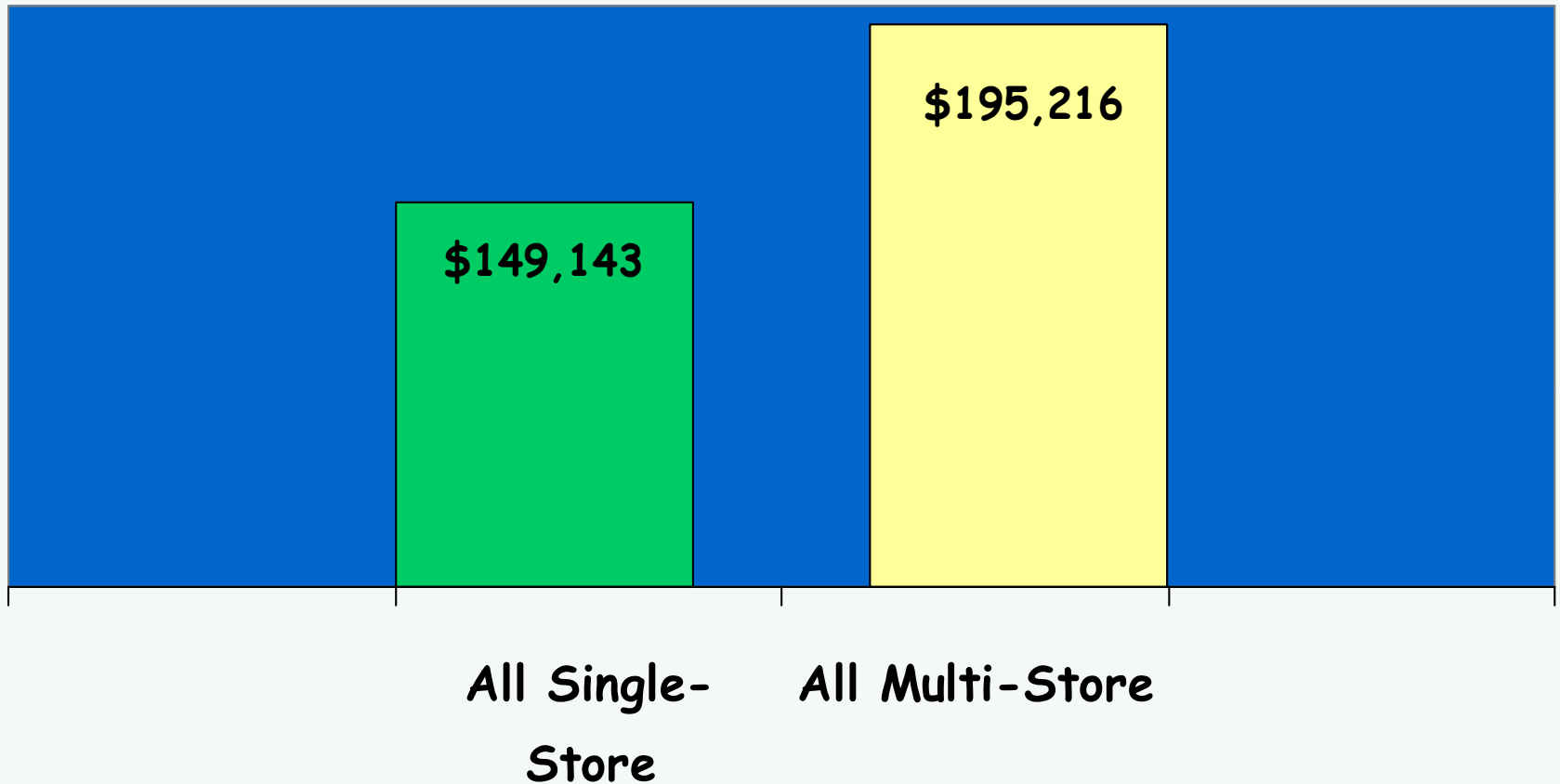
What is the average inventory cost per square foot?



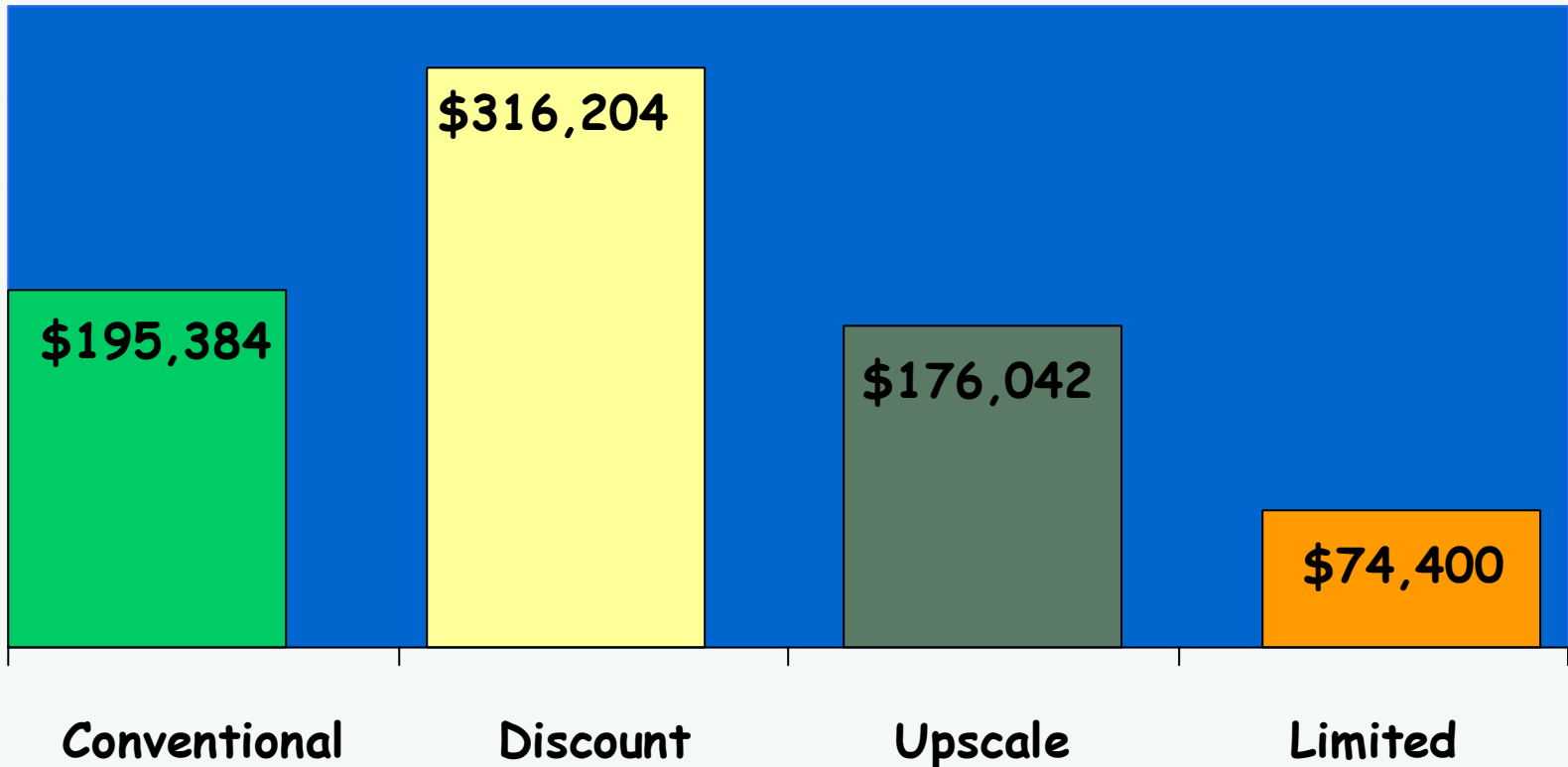
What are your annual inventory turns?



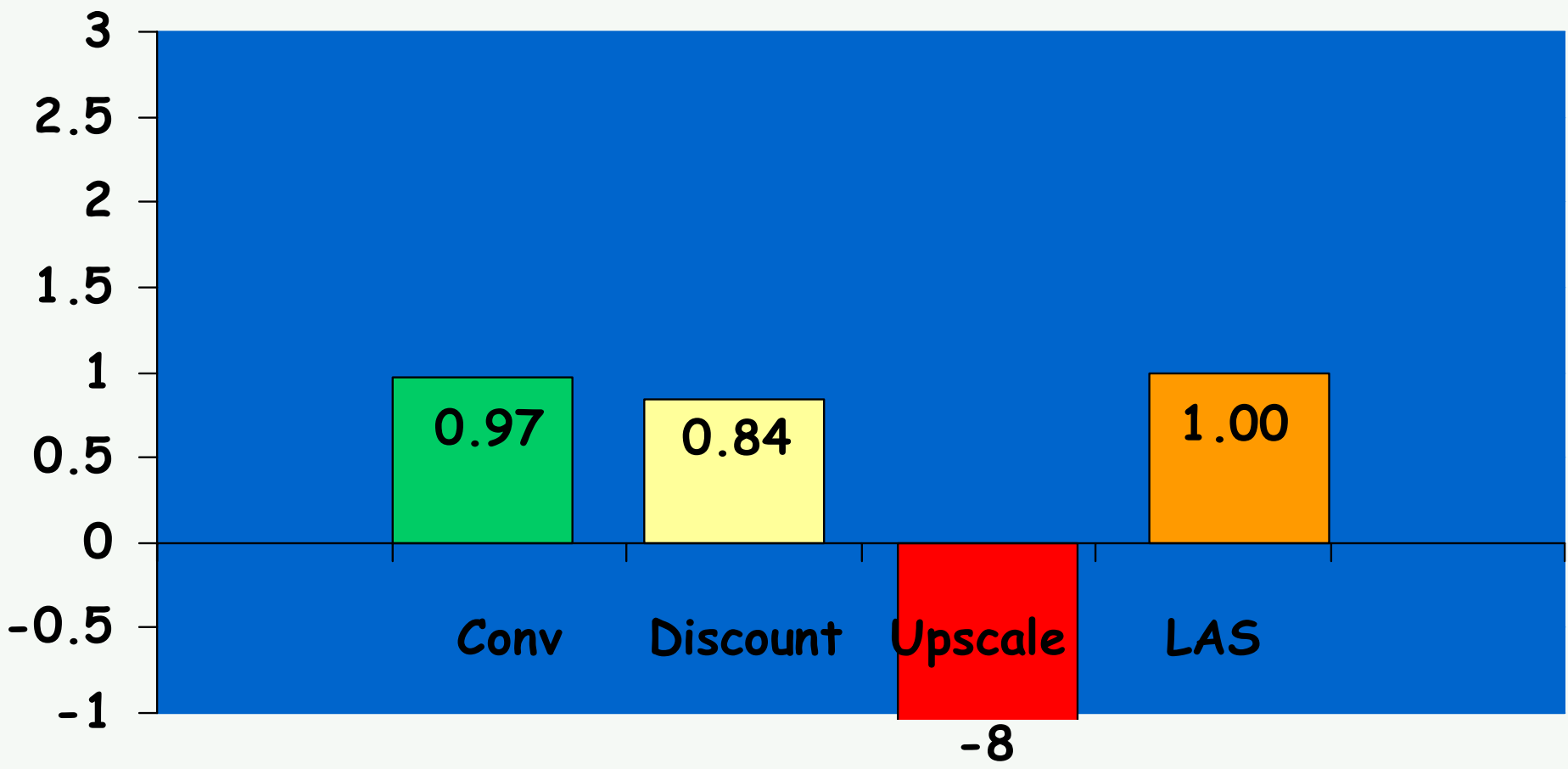
What is the store's weekly range of volume? (Single vs. Multi Operator)



What is the store's weekly range of volume? (Multi Operator)



What is your sales trend percentage by format? (Single Store)



What is your sales trend percentage by format? (Multi Store)

