

Exclusive  
edition with  
COVID-19  
Chapter

**2020**

**INDEPENDENT**

**GROCERS**

**FINANCIAL**

**SURVEY**

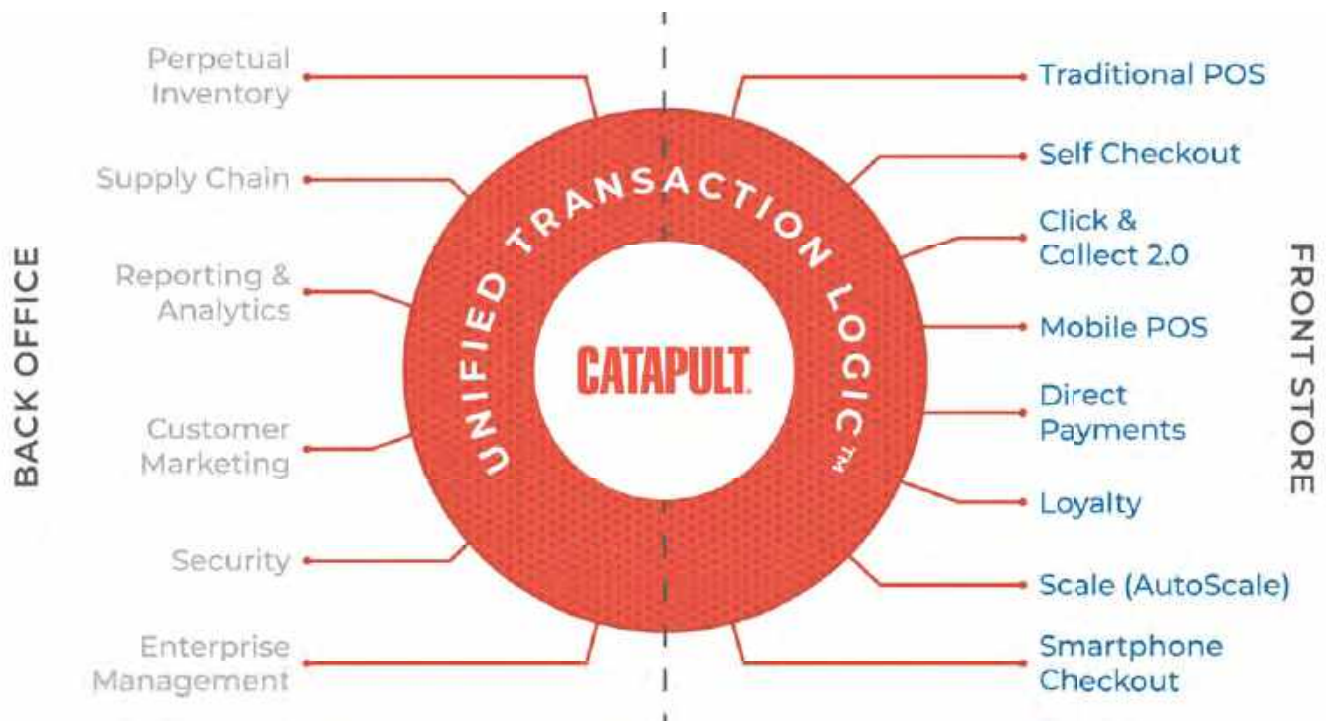


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Dear Independent Grocer,

We hope the 2020 edition of the *Independent Grocers Financial Survey* finds you well, both personally and professionally.

While the world of food retailing saw unprecedented levels of change during the first half of 2020, our financial and operational performance in 2019 served as an essential building block for our ability to respond to the incredible spikes in traffic, sales, and engagement during the COVID-19 pandemic.

Our focus on store remodels, and openings in 2019 prepared us for the onslaught of customers during the panic-buying weeks in March. Our focus on providing e-commerce service allowed us to quickly react to the massive uptick in online grocery shopping as consumers sought to minimize trips to the grocery store. And, importantly, our ever-present focus on people and being there for our customers and communities reminded many shoppers of the importance of the independent grocer when encountering empty shelves in our big-box competitors.

In addition to the 2019 performance review that serves as a tool for benchmarking and identifying areas of opportunity, this year's report includes a special section on grocery retailing amid COVID-19, including performance statistics specific to independent grocers. You will find a review of the financial performance between March and June 2020 as well as the survey results on measures taken, including raises, bonuses, and changes to sick leave policies.

As the survey portion of this report typically fields in March and April, given the circumstances surrounding the pandemic at that time, the number of respondents in this year's report is lower than average. This did not affect our ability to provide national-level benchmarks, but at times affected more in-depth analysis by region, size, sales, or other factors. Where possible, we continued to include regional and volume-based benchmarks to allow for comparison against peers to understand true performance in the various marketplaces.

Thank you to all participants and supporters of this survey for making this valuable report possible. We hope this report will provide you with key insights to leverage these benchmarks and guide future decisions to improve your company's profitability, efficiency, and overall performance.



Greg Ferrara  
President and CEO  
National Grocers Association  
703.516.0700  
[www.nationalgrocers.org](http://www.nationalgrocers.org)



Robert Graybill  
President and CEO  
FMS Solutions Holdings LLC  
877.435.9400  
[www.fmssolutions.com](http://www.fmssolutions.com)

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**FMS Solutions Holdings LLC (FMS)** — Since 1974, FMS has helped independent retail grocers succeed by transforming historical accounting activities into timely, accurate decision support tools. The company's keen understanding of the challenges the industry faces has positioned it as the National Grocers Association's (NGA) preferred provider of industry benchmarking, best practices, and mission-critical decision support. Headquartered in Florida, FMS has additional offices in Alabama, Minnesota, Missouri, Illinois, Pennsylvania, New Jersey, Maryland, Tennessee, Nebraska, Oklahoma, Oregon, Houston, Ontario (Canada), and Hyderabad (India). FMS services organizations in more than 5,000 locations across North America and the Caribbean, enabling them to improve profitability through better decision support. To learn more about FMS, please call 877.435.9400 or visit [www.fmssolutions.com](http://www.fmssolutions.com).

**National Grocers Association (NGA)** is the national trade association representing the retail and wholesale grocers that comprise the independent sector of the food distribution industry. An independent retailer is a privately owned or controlled food retail company operating a variety of formats. The independent grocery sector is accountable for close to one percent of the nation's overall economy and is responsible for generating \$131 billion in sales, 944,000 jobs, \$30 billion in wages, and \$27 billion in taxes. NGA members include retail and wholesale grocers, and state grocers associations, as well as manufacturers and service suppliers. For more information about NGA, visit [www.nationalgrocers.org](http://www.nationalgrocers.org).

# Study Highlights

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The economy was strong in 2019, and low unemployment fueled consumer spending, including grocery shopping. Independent grocers increased same-store sales by 2.5% in 2019, and given mild inflationary levels, the real gain of 1.6% was the highest seen in many years. Over 2019, 56% of independent retailers improved same-store sales growth, while 21% of independents held their ground. Gains were slightly higher among multistore operators. Close to four in 10 dollars were generated by perimeter departments, with an above-average contribution by fresh in larger-volume stores.

These robust gains were achieved based on higher inventory turns, at 18.7x for the total store, hand in hand with improved margins that reached 28% across departments. Many continued to focus on inventory management, accomplishing a reduction in total store shrink, at 2.9%, through the implementation of shrink management programs that focused on reporting, learning, and correcting each week.

Independent grocers managed these sales gains amid rampant competition and a tight labor market. Employee turnover at independent retailers increased to 19.5% among full-time employees and 63.2% among part-timers. Yet, independents were better able to control personnel-related costs, and the total labor and benefits expenses decreased somewhat to 15.74% of total 2019 sales. Additionally, reductions in rent, utility costs, and a few other expense areas helped reduce total expenses slightly to 28.8% of total sales.

With increases in same-store sales and margins, and a decrease in expenses, the net profit before taxes improved significantly, from 0.63% in 2018 to 1.05% in 2019. Behind the overall improvement in net profits, the study found that the independent marketplace grew more divided. The profit leaders, those in the 25<sup>th</sup> percentile in net profit performance, pulled away further. Their stellar performance improved the average profit across independents, whereas the bottom 75<sup>th</sup> percentile did not change.

With net profits, EBITDA improved significantly over 2019, at 2.34%, up from 1.76% the year prior. This shows that independents continued to have a reliable cash flow performance in 2019. Retailers generally sought to keep assets high and liabilities stable. Independents effectively used their assets to generate sales, with an asset turnover ratio of 6.5 — another improvement over the 2018 results.

Profit leaders averaged 5.30% net profit before taxes. Common traits among profit leaders include a high focus on fresh, particularly meat and produce, along with strong margin and expense management. The total store gross margin among profit leaders is 2.1 percentage points higher than that of the retailers in the bottom 75<sup>th</sup> percentile (“the pack”). Additionally, the leaders’ total expenses, excluding the costs of goods and labor, were more than 1.7 percentage points lower than the pack.

Importantly, independents recognized the need for keeping stores fresh and therefore increased capital expenditures to 1.96% of sales. More than one-quarter of independents remodeled one or more stores in 2019. Independents also invested in e-commerce, which was offered by 64% of independents in 2019, up from 32% in 2018. Many offer both delivery and pickup (30%) or pickup only (26%). This investment in the stores, marketing, advertising, and e-commerce allowed the independent community to welcome the surge of shoppers during the 2020 pandemic.

In summary, 2019 was a solid year in virtually all financial and operational performance metrics. The 2019 performance and investment back into the business and community proved to be a key building block for 2020 pandemic success. Mid-year 2020, total store sales are up 13.3% versus the same period in 2019.