



TIMELINE AND TRENDS

THE SHAPING OF THE GROCERY INDUSTRY



We live in a dynamic world, and the grocery industry faces rapid change. Inside this ebook from Penske Truck Leasing, you'll explore the trends that have shaped today's consumer behavior. You'll travel from the first brick-and-mortar supermarket at the turn of the

20th century to today's omni-channel, e-commerce world. On the way, you'll learn how food safety regulations, diet trends and technology have forever changed the industry, increasing today's growing demand for fresh foods.

You'll also get a peek into future trends. And you'll find a checklist you can use to ensure grocers and supply chain partners are ready to meet current needs and future opportunities.

Bigger Is Better



Start of Disruption



Barcodes and Scanners



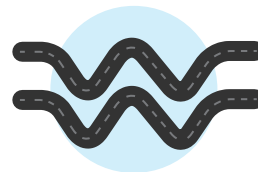
Getting Healthier



Safety First



Seismic Changes



Home Delivery



Consumer Options



What the Future Holds



Are You Ready?



THE EARLY YEARS

Bigger Is Better

A&P opens the first "economy" grocery store, marking the unofficial start of the chain-store revolution.

[SOURCE](#)

Walmart opens its first Supercenter, marking the start of Walmart's most profitable phase and making it a key player in both the grocery and wholesale club sectors. [SOURCE](#)

SUPERSTORE**1912****1930****1976****1988**

Kroger builds "superstores," the forerunner of the modern-day supermarket. [SOURCE](#)

The first Price Club Warehouse store opens in San Diego. By 1983, the brand name becomes Costco, and it sparks the start of the "wholesale club" movement that also includes Sam's Club and BJ's Wholesale Clubs. [SOURCE](#)

KEEPING TRACK OF WHAT COMES AND GOES

Barcodes and Scanners Revolutionize Supply Chain Management

SOURCE



The first barcode scanner is built. Norman Joseph Woodland and Bernard Silver create a device that can electronically read printed material, paving the way for a new system of inventory management.

1951

1960s



Scanner technology becomes affordable.

The introduction of two technological developments, cheap lasers (to read the code) and integrated circuits (to handle the information scanned from the code), makes scanners possible for mainstream use.



The Universal Product Code is introduced.

Standardization of the bar code makes it feasible for manufacturers to put the symbol on their packages. Previously, there were various systems, each with their own proprietary code.

1971

1974



History is made. At a Marsh supermarket in Troy, Ohio, a 10-pack of Wrigley's Juicy Fruit gum becomes the first retail product sold with the help of a UPC and a scanner. [SOURCE](#)

THE START OF DISRUPTION

Limited-Assortment and Fresh-Format Stores



GETTING HEALTHIER

Diet Trends Shape Consumer Behavior

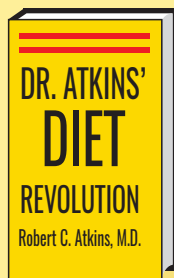
**The 'low-carb diet craze' takes hold.**

Consumers begin gravitating toward fresh food based on the popularity of:

- Dr. Atkins' *New Diet Revolution* (2002 update) [SOURCE](#)
- Dr. Loren Cordain's *The Paleo Diet* [SOURCE](#)
- Dr. Arthur Agatston's *The South Beach Diet* [SOURCE](#)

1972

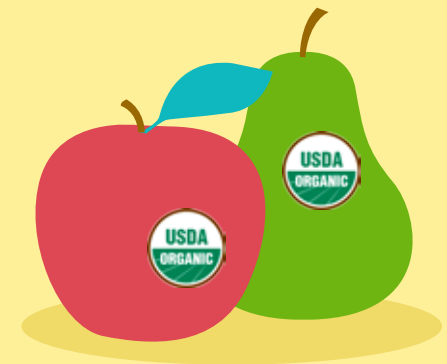
LATE '90s/EARLY 2000s

**Dr. Robert Atkins publishes *Dr. Atkins' Diet Revolution*.**

Book sells more than 15 million copies.

[SOURCE](#)

2002



First USDA Organic food labels appear based on the passing of the U.S. National Organic Standards. [SOURCE](#)



First USDA rules on gluten-free labeling appear, helping to spark the gluten-free diet movement.

[SOURCE](#)

2004

2006

Spectacular growth in fresh foods. From 1999-06, sales at Whole Foods and Wild Oats grow by 275% and 64%, compared to a 22% increase for all grocery stores. [SOURCE](#)

Starbucks opens first Evolution Fresh juicery, bringing the high-end juice market into the mainstream.

[SOURCE](#)



2012



PUTTING SAFETY FIRST

Legislative Changes Shape the Food Supply Chain

Sanitary Food Transportation Act (SFTA) passed by Congress. Law gives U.S. Dept. of Transportation (DOT) power to establish regulations for safe transportation of food.

SOURCE

1990

2005



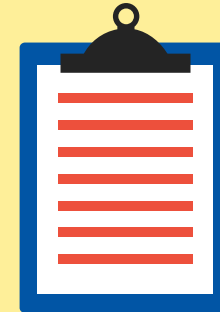
Congress revises the SFTA. Law transfers regulatory responsibility for the safe transportation of food from DOT to the Food and Drug Administration (FDA). SOURCE

President Obama signs Food Safety Modernization Act (FSMA). Law is the most sweeping legislative reform of the food supply chain in 70 years. (Jan. 4, 2011)

SOURCE

2011

2013-2014



FDA proposes seven final rules for FSMA. Sanitary Transportation of Human and Animal Food (STF) regulation generates most attention from logistics providers. (January 2013-January 2014)

SOURCE



First five FSMA final rules are issued.

Rules cover preventive controls for animal and human food, foreign supplier verification, produce safety standards and third-party accreditation.
(September-November 2015) [SOURCE](#)



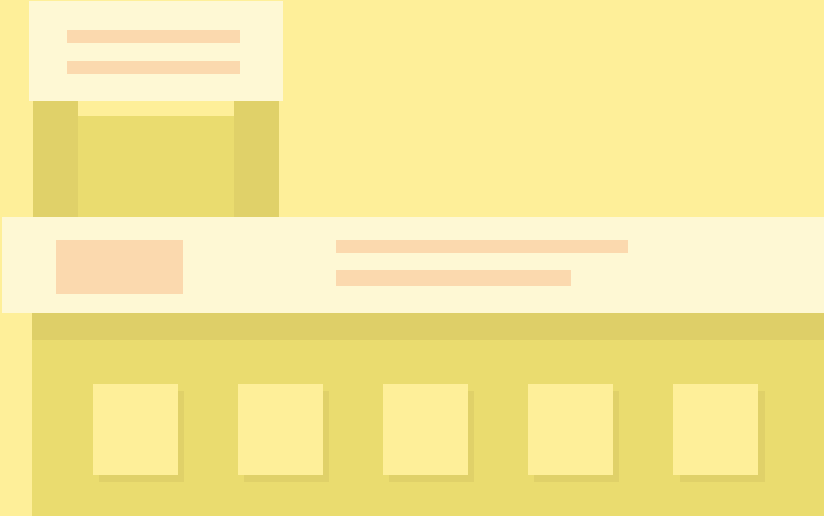
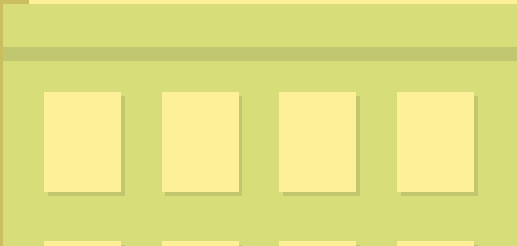
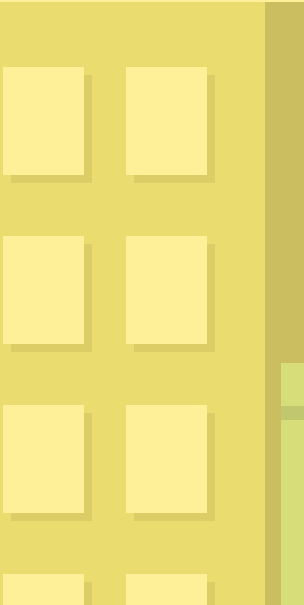
Deadlines for FSMA final rule compliance. Deadlines for small businesses and very small businesses extend into 2018-19.
[SOURCE](#)

2015

MARCH 31, 2016

AUGUST 2016-DECEMBER 2017

Final STF rule released. [SOURCE](#)



RESPONDING TO DISRUPTION

Seismic Changes in Mainstream Grocery

Traditional grocers take notice.

Walmart opens smaller "Neighborhood Market" locations. [SOURCE](#)

Kroger begins "Consumers 1st" initiative in response to grocery competition. [SOURCE](#)

Merger mania begins.

Albertsons acquires Safeway;
Ahold plans to buy Delhaize;
Kroger purchases Harris Teeter.

Great Recession hits.

Consumers gravitate toward discounted, lower-priced goods, leading to a boom in the "dollar store" category. [SOURCE](#)

Wegmans opens first Pub, adding restaurant-style fare and beer sales to the grocery space. Kroger follows suit, bringing growler stations to several locations. [SOURCE](#)

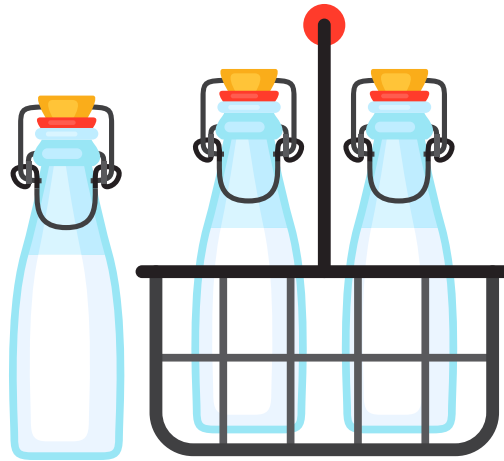
A&P files for bankruptcy, marking the end of an era. [SOURCE](#)

DEMAND FOR HOME DELIVERY

From Necessity to Convenience

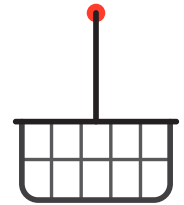
Milk at your door.

Local dairies make routine home milk deliveries, at first using refillable glass bottles, then cardboard cartons. Home delivery is preferred due to milk's short shelf life. [SOURCE](#)



Milk disappears from your doorstep.

Milk becomes cheaper and easier to buy at the store, and home delivery all but disappears. [SOURCE](#)



LATE 1800s-1960s

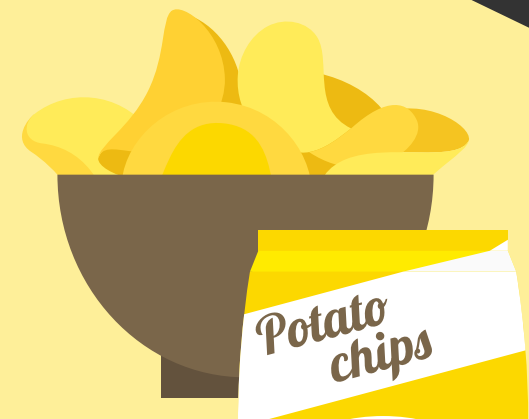
1950s-1960s

1970s

Beyond the milkman.

In 1952, Schwan's makes its first home delivery of ice cream, sparking a national frozen food delivery service that continues today. Other regional companies (like Pennsylvania's Charles Chips) start home delivery of snacks and other popular items.

[SOURCE](#) [SOURCE](#)



Home delivery goes boom, then bust.

The dot-com boom leads to a resurgence in home delivery. Webvan looks to capitalize. But despite a \$375 million IPO in 1999, Webvan never becomes profitable and goes bankrupt in 2001. [SOURCE](#)



LATE 1990s

2000s

FUTURE

E-commerce becomes good business.

By focusing first on major metropolitan markets and growing slowly, companies like Peapod, FreshDirect, Safeway, Amazon Fresh and Coborn's make home grocery delivery and e-commerce profitable. [SOURCE](#)



Unlimited potential for e-commerce.

By 2015, online grocery blossoms into an \$11 billion industry, with an expected annual growth of 9.6% through 2019. [SOURCE](#)



GROWTH OF CONSUMER OPTIONS

The Fight for Grocery Dollars Intensifies

THE TRADITIONAL ROUTE (1920s–MID-1970s)

Consumers bought nearly all of their groceries at one location.

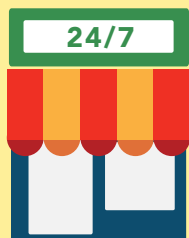


THE MODERN ROUTE

Consumers buy groceries from as many as five different channels.

- Traditional supermarket (Publix, Kroger)
- Limited Assortment (Trader Joe's, Aldi)
- Convenience store (7-Eleven, AM/PM)
- Fresh format market (Whole Foods, Fresh Market)
- E-commerce (Peapod, Amazon Fresh)
- Wholesale/club store (Costco, BJ's)
- Supercenter (Walmart, Target)
- Dollar store (Dollar General, Dollar Tree)
- Drug store (CVS, Walgreens)

SOURCE



WHERE WE ARE HEADED

What the Future Holds



Continued "freshness" –

Consumers remain committed to fresh foods. 75% say produce is most important in deciding where to shop, followed by fresh meat, poultry and seafood (60%), store-brand products (36%), local farms/produce (35%) and in-store bakery (29%). [SOURCE](#)

62.8% increase anticipated in "fresh format" store count by 2018. [SOURCE](#)

Diversification – Consumers now shop at five different types of stores for their groceries, putting increased demand on supply chains. [SOURCE](#)

E-commerce – 57.4% revenue growth expected in this sector from 2013-18, driven by growth of Instacart and Amazon Fresh. [SOURCE](#)

ARE YOU READY?

An Increased Focus on Fresh

Grocery stores have been evolving for decades, and today they have an emphasis on fresh foods like never before. This creates unique opportunities for grocery providers and supply chain partners to work together to ensure goods arrive on time and fresh products have the longest shelf life possible. It also creates additional responsibilities for grocers and their supply chain partners to ensure food is kept safe during transit and can be tracked and traced in the event of a recall.

Going forward, the ability to capture and share information in real time will take on greater importance, and 3PLs and their customers can start preparing now.

A Checklist: Are You Prepared?

- ☐ Do you have the ability to exchange data electronically in real time?
- ☐ Have you determined the level of tracking you need or will need?
- ☐ Can you provide traceability to easily track products in the event of a recall?
- ☐ Can you provide documentation to show proper temperatures were maintained during transit?
- ☐ Are you able to document product custody throughout the cold chain?
- ☐ Do your point-of-sale, warehouse management system or other tracking systems automatically capture and document all of the information you need?
- ☐ Are you confident you have the processes and procedures in place to maintain and document product integrity throughout the supply chain?



ARE YOU READY?

An Emphasis on Convenience

Today's shoppers are demanding high levels of convenience and many are seeking an increased integration between online and brick-and-mortar shopping. To provide that convenience and meet customer expectations, a growing number of grocers are offering online ordering and home deliveries.

The added layer of service can also help grocers compete with the growing number of retailers offering food and beverage items, such as c-stores, pharmacies and big-box stores, but providing omni-channel fulfillment creates new demands. Not only must grocers and their supply chain partners have the right technology in place, they have to determine how and where they will pick products.

A Checklist: Are You Prepared?

- ☐ Do you have the technology to capture and share online orders with the warehouse?
- ☐ Do you know where you will pick your orders? Will you have an individual store double as a warehouse or will you use a traditional warehouse?
- ☐ Do you have the technology needed to streamline the picking process?
- ☐ Can your warehouse management system communicate with your transportation management system to help streamline deliveries and provide timely updates to employees and/or customers?
- ☐ Do you have the types of vehicles needed to access residential areas?
- ☐ Can your drivers provide the level of customer service needed for an in-home delivery?





Rental
Leasing
Logistics

The majority of respondents taking part in the *2016 Third-Party Logistics Study: The State of Logistics Outsourcing* said that in order to meet more demanding customer expectations, such as an omni-channel experience, they are investing in new technology. Among respondents, 58% said they are investing in new capabilities for themselves, 40% said they are leveraging new capabilities from other companies in different industries, and 15% said they are leveraging new capabilities from competitors.

