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The Macroeconomic and Cultural Microcosms of Global Groceries

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THE MACROECONOMIC AND CULTURAL MICROCOSMS OF GLOBAL GROCERIES

By

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Thesis Summary

The aim of this thesis is to understand the global grocery market and to present a framework to assist sector players in developing go-to-market strategies as they expand abroad. In order to holistically study the cultural and economic implications of grocery stores across the world, we first selected six unique countries to focus our research: Singapore, Brazil, Chile, Australia, Germany and the United States. In addition to having personally traveled to each of these countries, we chose to analyze these six very different markets in order to include a wide range of cultures and levels of economic development.

We found that despite all nations having their own specific shopping habits and preferences, universal themes do exist in regards to trends and substantial factors in all grocery sectors around the world.

With our findings, we created a framework made to aid multinational grocery store chains as well as product brands looking to enter foreign markets. The framework consists of seven universal determinants of retail and beverage success. Our framework is not a stand-alone solution and must be supplemented with thorough research about the potential market. However, we do believe our framework provides a solid "pulse check" in the consideration process of new market entry. Hence the name:

Factors for Pulse Check Consideration	
Nutrition	**Retail Channels**
Consumer Transportation	**Marketplace Regulation**
Shopping Frequency	**Economic development**
Price Sensitivity	

We believe these seven factors will not only help grocery stores and product brands better determine which markets to enter but also help adjust their strategies for market entry once they select their ideal target market. Through a short case study using a local alcohol

ice cream producer, PROOF, we illustrate how our Factors for Pulse Check Consideration can be effective in practice.

Introduction

As members of the International Business Education Alliance (IBEA) cohort, we spent three semesters abroad, one in each Germany, Singapore, and Brazil. Between the two of us, we also spent a summer doing language immersion programs in Germany and France. Needless to say, much of our four years of college has been spent outside of the United States. Independent weekend and between-term travel took us to 27 countries across seven continents. One of our favorite things to do upon visiting a new country would be to pop in the grocery store or visit a local farmer's market (or both). Some of our most poignant memories from doing so include:

- Buying local strawberries at an open-air market in Chefchaouen, Morocco, and enjoying them as we walked around the town
- Visiting Habitat by Honestbee, a very modern grocery concept, in Singapore
- Popping into ALDI in Warsaw, Poland, for some cheese bread like we were accustomed to eating in Germany only to realize all the breads were very different
- Visiting one of many convenience stores in Argentina that is branded as a Milka Chocolate store to find that they sold much more than just chocolate (we still haven't quite figured this one out)
- Trying oysters on the banks of the Garonne in Bordeaux, France, at a Sunday market and washing them down with fresh-squeezed orange juice and macarons

With our travels, we came to appreciate just how much one can learn about a country, its customs, and its people through food. Furthermore, as we visited more stores and markets in different cities, we realized that culture and economy play a large role in how the grocery sector operates and vice versa.

In this thesis, we seek to achieve a greater understanding of the grocery retail markets across Singapore, Brazil, Chile, Australia, Germany, and the United States by examining at depth the cultural and macroeconomic influences that drive them. We first conducted thorough background research on each country, its economy, and its culture before diving

deeper into learning about its mass grocery retail (MGR) market. After developing a base knowledge of the country and its MGR sector, we pulled out key trends and drivers of the industry in order to then compare these trends between countries.

Initially, we planned to build on this research by proposing a mutually exclusive, collectively exhaustive framework of what any grocer or consumer goods producer needs to consider and to alter in their operations in order to successfully enter a foreign market. What we have found, however, is that cultural impacts do not easily fit into a one-size-fits all framework and often have differing levels of impact, making them hard to consider universally.

Instead, we have developed a structure with which companies may "pulse check" the potential of a new market before jumping into extensive research. Based on the important factors uncovered during the research of the six countries presented in this thesis, it is entirely adaptable based on the potential country of entry and the companies' needs and considerations.

As the world becomes smaller and increasingly globalized, more companies are expanding beyond their home countries into new markets. This research will assist in understanding the viability of the target market and moving forward from there to create a successful go-to-market strategy.

Singapore

Introduction to Singapore

An independent city-state with a population of six million, Singapore has one of the densest populations in the world. Although quite young, the country has experienced amazing growth since its independence from Malaysia in 1965. Much of Singapore's wealth comes from its booming port and financial services [37]. Just north of the equator, Singapore is hot, humid, and rainy, with nearly 100% humidity and 90 degree temperatures daily [39].

Map of Singapore [39]

Country History

Singapore was established as a small fishing village sometime before the 14th century and became a strategic port for the Sumatran Empire. In 1824, Singapore came under the control of Sir Stamford Raffles and the British East India Company; however, it was not made a British colony until Japanese occupation ceased at the end of World War II. After

becoming independent from the UK, Singapore briefly joined Malaysia before declaring sovereignty as a city-state in 1965 [38].

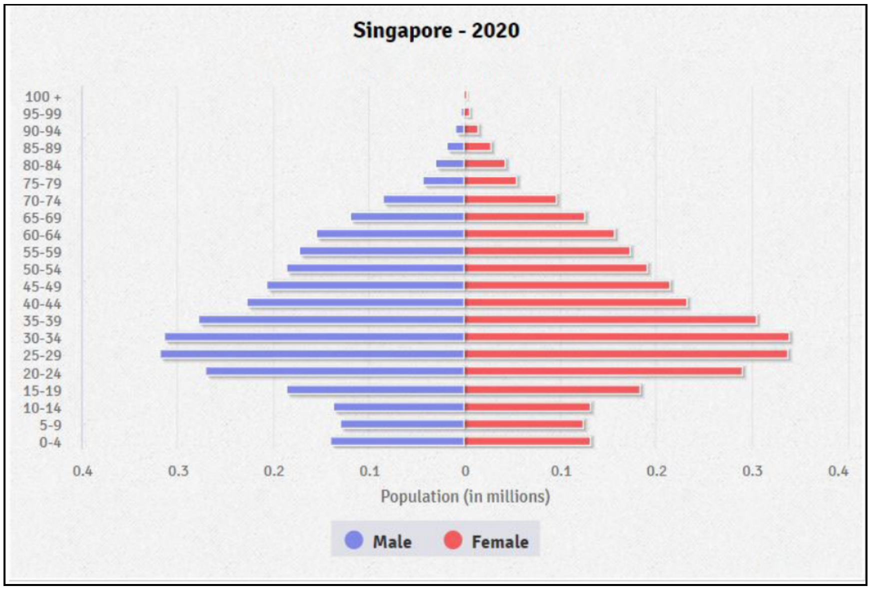
Upon its independence, Singapore was a very poor nation facing problems with education, public sanitation, drug addictions, and infrastructure, to name a few. Prime Minister Lee Kuan Yew led the nation for 31 years and is accredited for much of Singapore's prosperity since 1965 [38].

Population Distribution and Makeup

As mentioned, Singapore has the second densest population after Monaco. 100% of the population is urbanized [39].

Singapore is very much a melting pot of cultures from all over the world. The dominant ethnic backgrounds are Chinese (74%), Malay (13.5%), Indian (9%), with other ethnicities making up roughly three percent of the population. Citizens from all backgrounds coexist peacefully with few conflicts between ethnicities [39]. There are several neighborhoods with traditional markets and larger concentrations of residents of similar descent, such as Kampong (Malay/Arab), Little India, and Chinatown.

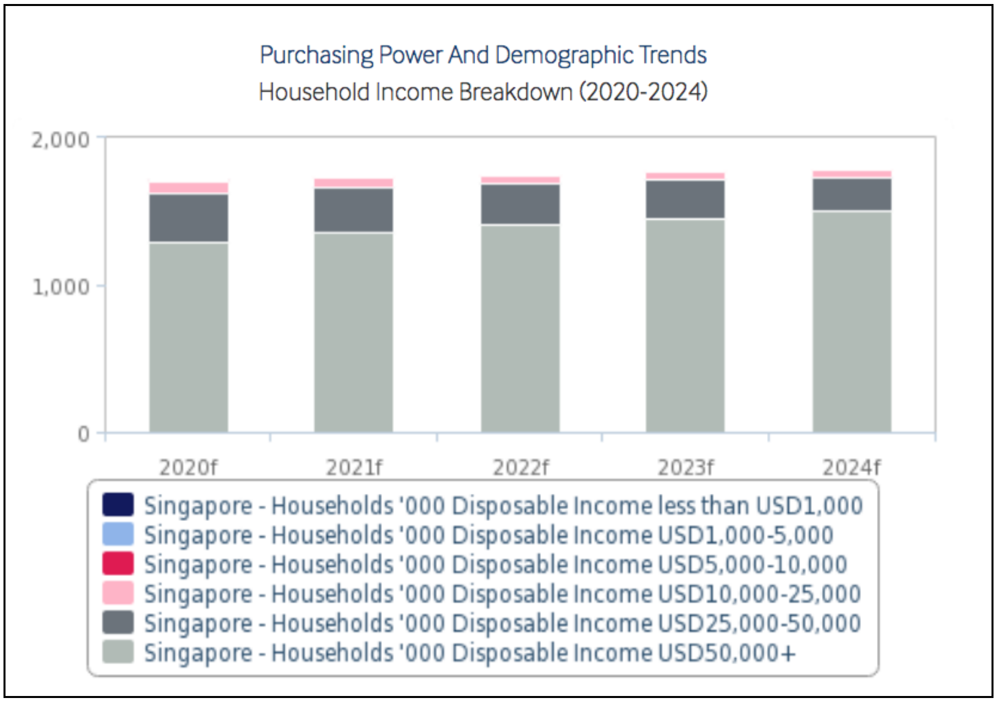
Nearly 25% of the population are foreign nationals who come to Singapore for work or study [40]. The nation is extremely welcoming to expatriates, partially because of an aging population (illustrated below) and low birth rate (0.9 children per mother) that will not sustain the country's workforce needs [39].



Current population pyramid [39]

Personal and Family Income

Average income is high, and the majority of citizens are at or above the middle income segment. Over half of households have annual disposable incomes of $75,000 USD or more as seen below [46]. This being said, household debt is quite high, averaging 150% of income [44].



Singaporean household disposable income [46]

Given a GDP per capita of $94,000 USD and high costs of living, the Singaporean government subsidizes many aspects of life for citizens, from housing to dining out to healthcare and education. 80% of Singaporeans live in public housing called HDB flats, which are rent controlled and restricted to citizens. Expats and other long-term residents live in condominiums or detached homes, which are generally more expensive [45].

Culture

Language and Religion

As Singapore has three main ethnic backgrounds, there are four official languages: Mandarin, Tamil, Malay, and English. English is used most widely in governmental communication and business as to avoid bias toward one of the other languages. Students grow up at least bilingual, with a mother tongue they speak at home, English at school and in town, and perhaps a foreign language at school as well [41].

Religion is an open subject and all religions are harmonious in Singapore. 33% identify as Buddhist, 14% Muslim, 19% Christian, 5% Hindu, and 19% agnostic. Religion is often split along ethnic lines - most Singapore Malays are Muslim and Singapore Chinese Buddhist [42].

<u>Food</u>

Food is a huge part of daily life and cultural heritage in Singapore. Cultural institutions since the 1800s, hawker centers are open-air markets with food stalls that have each perfected a few dishes [53].

Lau Pa Sat hawker center in the Financial District [50]

According to studies conducted by Nielsen and NEA in 2018, 24% of survey respondents eat out daily, while 85% reported eating out at least once a week [51,52]. With busy schedules, oppressive heat, and cheap options at hawker centers or on delivery apps, it often makes more sense for Singaporeans to eat out than to cook. Dinner and lunch are consumed outside of the home at equal rates: lunch is often with colleagues and families meet at hawker centers for dinner [51].

Family Life

Although Singapore has one of the lowest birth rates in the world, 0.8 children per mother, society is extremely family-centered. Extended families of three or more generations may live in the household, with children taking care of their elderly parents. Children live at home until they get married. It is typical for grandparents to take care of their grandchildren, especially as more women earn advanced degrees and continue their careers after getting married. Gender roles are more fluid and men and women are considered equals in all senses [43].

Economy

Singapore is a successful and open economy with very low unemployment at a rate of 2.2%. Most industry comes from exporting medical technology and pharmaceuticals as well as financial services and advanced technology [39].

Regulatory and Trade Environment

Singapore ranks second out of 190 in the World Bank's 2019 "Ease of Doing Business" report [48]. There are very few barriers to conducting trade in Singapore as the country is so reliant on exports to drive the economy and importing goods as they have little space for production (especially agriculturally).

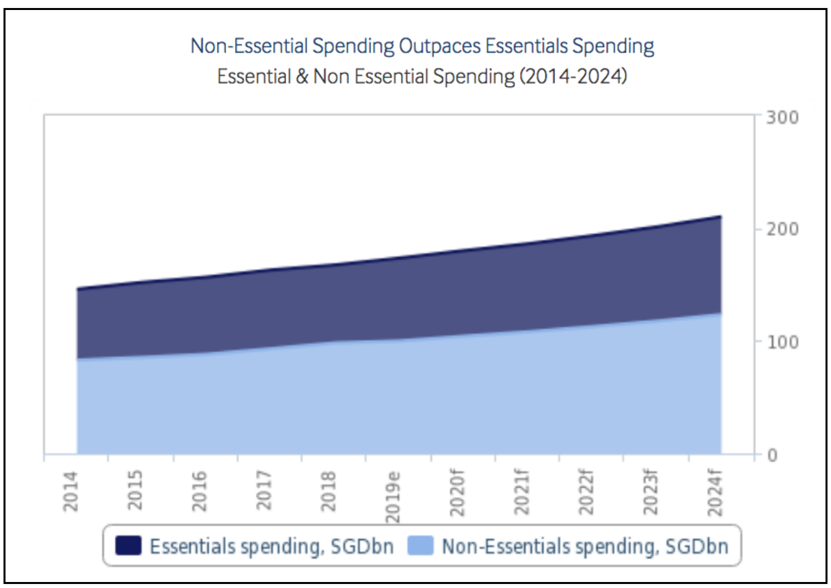
That being said, there are restrictions and high tariffs on the import of alcohol, tobacco, and automobiles. Meat, poultry, and fish are subject to rigorous testing to ensure quality standards and to detect hazardous contaminants [47].

Grocery Market

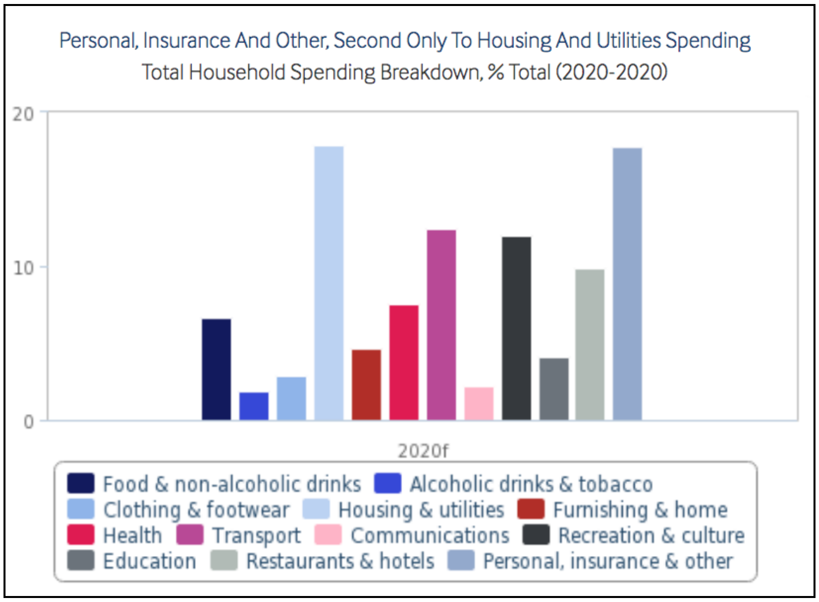
Because of limited agricultural land, Singapore imports the overwhelming majority of its food, namely from the US, the Netherlands, Australia, and New Zealand. There is a little food processing activity, but most is conducted offshore and imported as final product [44].

Consumer Spend

In 2020, spending on essential goods, including food and non-alcoholic drink, is expected to average 42.2% of total household spending. In this category, housing and utilities alone account for 17.9% of total spend, nearly 45% of essential spending. Projected rising housing costs will soon take a larger share of the budget, yet Euromonitor and Fitch Connect also expect essential spending to decrease in proportion to household income by 2024 [46].



Household income allocations [46]



Singapore household spend [46]

Only 6.6% of household spending in 2020 is on food and non-alcoholic drink, the lowest rate of any country in the Asia-Pacific. Money spent on food accounted for 94% of total spending on food and non-alcoholic drinks. Forecasted total spend is $8.2 billion USD in 2020; by comparison, Hong Kong's spend on food and non-alcoholic drinks is nearly 2.5 times this amount [46]. The main explanation behind this is that Singaporeans eat many meals in hawker centers (85% eat out more than once a week) -- and the average price for a full meal at a hawker center is $4-5 USD.

Because of this low rate of spending, there is much room for growth in this segment as household income continues to rise [46].

<u>Trends</u>

As mentioned, there is growing demand for premium products, especially organic and value-add convenience products. NTUC FairPrice has partnered with UK high end grocer Waitrose as well as retailer Tesco to import higher-margin premium goods. Retailers have

also created several high-end specialty stores, such as 'The Gourmet Grocer' in an attempt to tap into high-income consumers who are seeking something different [44].

Online grocery and delivery options are increasingly popular and will continue to gain sales as busy Singaporeans seek a convenient and reliable way to shop. 44% of Singaporeans report ordering groceries or meal delivery online, compared to the global average of 33% [51]. Retailers are innovating in this space, trying concepts from unmanned grocery stores to pickups in metro stations, as consumers continue to sort out their preferences for online food shopping [44].

Key Players

There are three main parent companies operating in Singapore's mass grocery retail space, NTUC FairPrice, Dairy Farm International, and Sheng Siong. Due to competition and heavy market saturation, new entrants have difficulty gaining ground. French retailer Carrefour attempted to enter Singapore in 2012 and pulled out the same year due to lack of potential to gain market share. To continue growth, the current operators are developing omnichannel strategies and investing in strong e-commerce platforms for online shopping and delivery services [44].

KEY PLAYERS IN SINGAPORE'S MASS GROCERY RETAIL SECTOR

Parent Company	Origin	Fascia	Format
NTUC FairPrice	Singapore	NTUC FairPrice	Supermarkets
		Cheers	Convenience stores
		FairPrice Express	Convenience stores
		Xtra	Hypermarkets
		Finest	Supermarkets
Dairy Farm International	Hong Kong	Cold Storage	Supermarkets
		Market Place	Supermarkets
		Shop 'n' Save	Discount supermarkets
		Giant	Hypermarkets
		7-Eleven	Convenience stores
Sheng Siong	Singapore	Sheng Siong	Supermarkets

Source: Company information, Fitch Solutions

Key players in Singapore MCR and their retail brands [44]

In addition to large grocery stores, convenience stores, such as 7-Eleven and Express, located in residential areas are frequented for small purchases. Informal grocery still accounts for 32% of sales, mainly in provision shops and local wet markets that sell produce. While prices are lower than in supermarkets, younger Singaporeans are increasingly favoring grocery retail outlets instead of traditional markets [44].

There have been a few successful new entrants to the grocery retail sector. These retailers have focused on e-commerce, premiumization, and convenience foremost. One such example is Habitat, a brick and mortar store under the already-successful grocery and food delivery company Honestbee [49].

Habitat store entrance [49]

Features of the store include:

- The only form of payment is cashless via the Honestbee app
- Curated sections, with meat and seafood sections that will cook your food as you like upon purchase. This convenience allows Singaporeans a fresh meal without having to heat up their kitchen and/or home
- Exclusive and imported snack and convenience items

- Dining hall with a French bakery, cocktail bar, and vegetarian restaurant, among others [49]

The store concept gives Singaporeans incentive to visit for something other than just groceries -- but also offers delivery services if that is the case. A balance of convenience, premium products, and lifestyle, Habitat meets the demands of Singaporeans in the 21st century in a novel way.

Key Takeaways

Unique factors to Singaporean culture and economy that shape the mass grocery retail market include:

I. Very low household spend on food and non-alcoholic drink

II. Heavy public transport usage and low car ownership

III. Local open-air and ethnic markets are popular with older Singaporeans, less so with younger generations

IV. Extremely limited agricultural space and production

Singaporean consumers, while very well-off, spend remarkably little on food and drink due to government subsidized hawker centers, cultural institutions that offer a delicious meal for an average of $4 or 5 USD. Many Singaporeans do not visit grocery stores regularly, instead opting for grocery or meal delivery in addition to eating at hawker centers. Because delivery is only marginally more expensive than visiting a store personally, busy Singaporeans seeking convenience are increasingly choosing this option and retailers are investing in new ways to provide this ease in shopping. Another way that grocery stores are more convenient for residents is by locating retail outlets inside metro stations. Because of regulatory barriers to owning a car, public transport is heavily utilized.

While older Singaporeans, perhaps immigrants or first generation, often prefer to shop at local markets, younger generations are opting to do their grocery shopping in supermarkets. This is in part due to demand for imported packaged and premium products from Europe or Australia, as well as products that have value-added convenience, such as pre-washed and chopped vegetables. Although the population pyramid is inverted now, in future years MCR will have a greater share of the market over informal shopping.

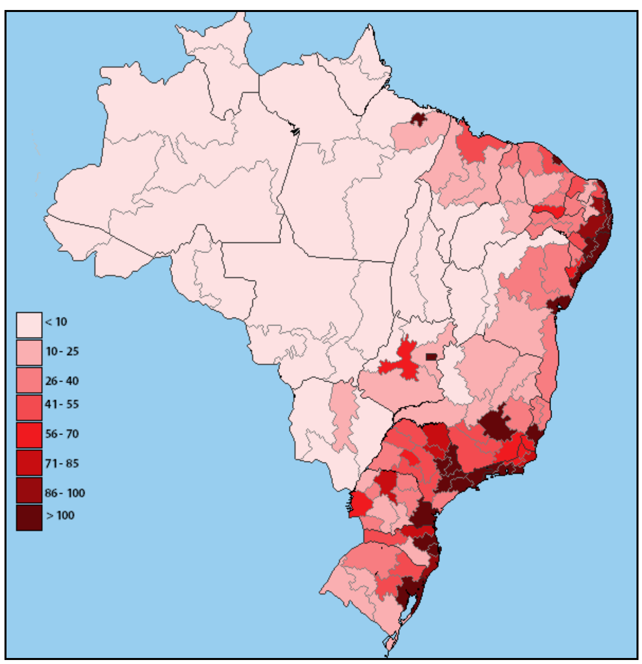
Brazil

Introduction to Brazil

The largest and most populous country in South America, Brazil is considered one of the world's strongest emerging markets and most vibrant cultures. Brazil endured military rule and dictatorship for much of the 20th century but has been a democratic nation since 1985. Still faced with rampant inequality, infrastructural issues, and corruption, Brazil remains optimistic for development led by its strong agricultural and industrial sectors [1].

Population Distribution & Makeup

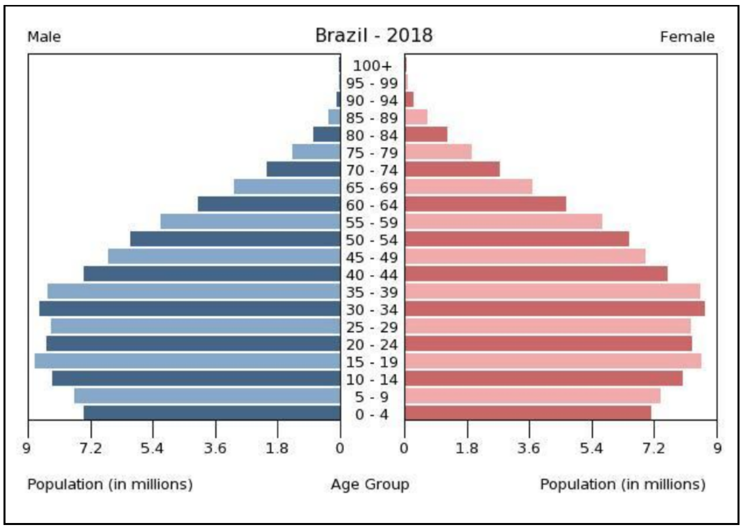
Brazil has a population of 212 million, with the vast majority of citizens living along the Atlantic coast [1]. Although the interior of the country is very rural, population density is sixth-highest in the world. The core of the population is centered in the Southeast around São Paulo, Rio de Janeiro, and Brasilia; São Paulo has a metropolitan population of nearly 22 million [2]. Nearly 87% of the population is urban [15].



Brazilian population density in square kilometers [3]

Citizens of European descent comprise 48% of the population, with an additional 43% reporting as mixed and 8% of African descent. While there are native indigenous groups that live in the Amazon, they make up less than 0.5% of Brazilians. In the Southeast, there is also a large population descended from Japanese immigrants [15].

Brazil has an extremely young and growing population as illustrated in the population pyramid below. These younger generations have much more purchasing power and economic potential than their parents and have a strong influence over the nation.



Population pyramid in Brazil, 2018 [1]

The government has not taken full advantage of the working population and it is a priority to productively employ them before the population pyramid shifts around 2035 [1].

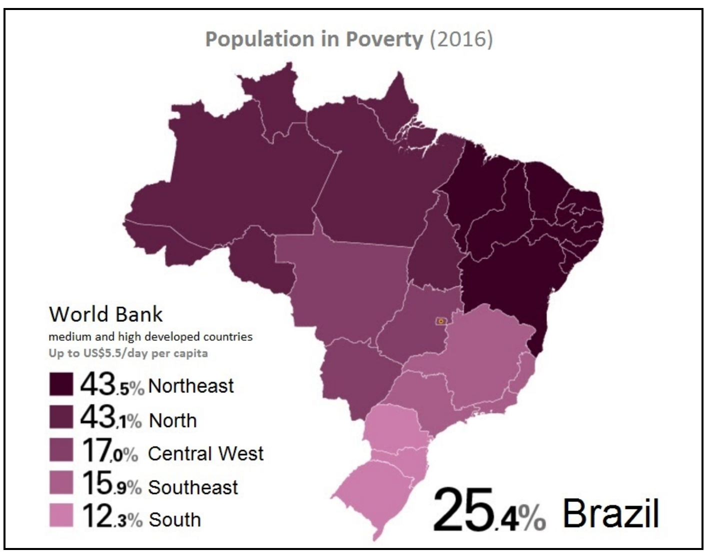
<u>Inequality</u>

Brazil's current state is largely influenced by its history of slavery, which was not abolished until 1888. Brazil overwhelmingly took the most slaves of anywhere in the Americas [4]. Over five million Africans were brought to Brazil across 300 years to work on sugarcane plantations and in wealthy households [5]. The impact of slavery is still felt on a daily basis today throughout the country, notably through income inequality largely along racial lines.

While roughly half of Brazilians are in the middle class, Northern and Northeastern populations, women, and black citizens are disproportionately poor [1].

Brazil has relatively high inequality with a Gini coefficient of 0.47. Relationally, Mexico, China, and India have Gini coefficients within 0.01 of Brazil's [6]. According to a study released by the Brazilian Institute of Geography and Statistics in 2018, 55 million, or 26%, of Brazilians were living in poverty. Poverty is defined by the World Bank at a threshold of about R$387 in earnings per month [7]. According to a study conducted by the Brazilian institute of Social and Economic Analysis, poverty more than doubled from 2014 to 2017, during which time Brazil faced a deep recession [10].

This being said, Brazil does not have a specific poverty line that has been defined. Some organizations consider persons earning less than R$170 per month to be poor and those under R$85 per month extremely poor [8]. Such ambiguity lends to inaccurate reporting of true poverty rates in Brazil.



Brazilian poverty by region, 2016 [8]

Nonetheless, it is clear that there is an unequal distribution of income throughout the country. Northern Brazil is markedly poorer than Southern Brazil [8]. Disparities in income,

opportunity, and infrastructure also lead to higher rates of violent crime in Northeastern Brazil [1]. As the economy continues to bounce back from the 2015 downturn, economists claim that recovery will reach the historically disadvantaged last [10].

Personal and Family Income

According to the OECD, household adjusted disposable income in Brazil is roughly $12,700 USD per year [11]. This data is skewed upwards, reflecting income inequality further elaborated above. In reality, the median income is significantly lower than this figure.

Culture

Religion

Brazil is home to the largest population of Roman Catholics in the world, with 65% of the country identifying with the religion. Generally speaking, Brazil is homogeneously Christian, with another 22% of citizens identifying as Prodestant. While Brazilians consider themselves to be rather religious, they as a whole attend church quite infrequently and do not subscribe to all tenets of Catholicism or Christianity [9].

Food

Brazilians typically eat three meals a day and a small afternoon snack. Meals are valued time with family or friends and can often continue on for several hours. “Lanchonetes” are popular throughout cities as a place to gather and have a coffee or small snack. Meals are often ended with a small coffee or espresso [14].

Typical Brazilian meal [16]

Meals are not considered complete if they are not warm or have rice and beans. A typical meal will be rice, beans, meat, and perhaps a bit of green salad or french fries. For breakfast, coffee with milk and toast and fruit is common. American foods like pizza or hamburgers have only recently become widely accepted as meals; these used to be considered afternoon snacks.

Family Life

Brazilian families are notoriously tight-knit and often live together intergenerationally. Children typically live at home until they marry. While poorer families may have five to eight children, the average for upper-middle class families is one or two children [13].

Family structure is traditionally patriarchal, with women working out of the home, part-time, or not at all to care for the children. While this is slowly changing, it is still the norm [13].

Many middle and upper class families employ domestic workers to care for children or elderly parents, to cook and clean, or to drive them. These workers often live in the home and are an integral part of the household. In fact, in 2011, there were 6.7 million domestic workers reported in Brazil, and they are mainly all women of color. Until 2018, the service

industry was unregulated. Workers did not have a minimum wage and were subject to long hours and subpar working conditions [12].

Economy

Brazil is the largest economy in South America and the eighth-largest economy in the world [1]. While economic growth has been volatile, with the most recent recession in 2015 and 2016, Brazil has a vast supply of natural resources that drive value. From sugarcane and coffee to oil and mineral ores, Brazil exports all around the world [18].

Regulatory and Trade Environment

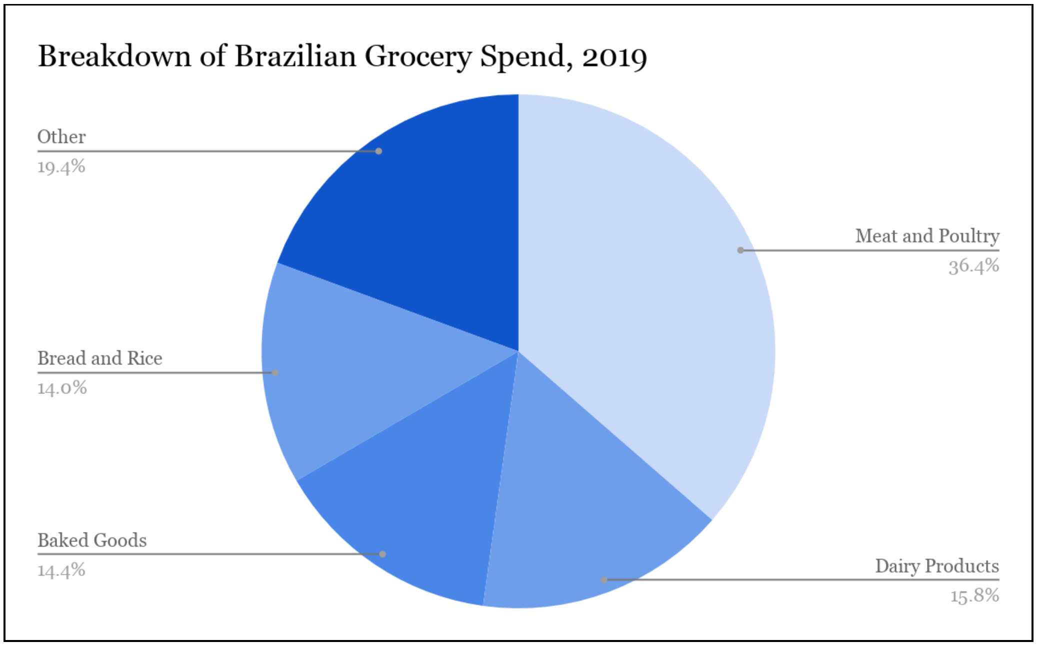
According to the World Bank in 2019, Brazil ranks 109 out of 190 for ease of doing business. Furthermore, Brazil ranked 138 out of 139 for regulatory burdens due to complex, arbitrary, and/or changing regulations [17].

Brazil is a particularly difficult country to conduct business in because of the uncertain landscape, high import tariffs and customs burdens, rampant corruption, and complex legal and tax systems. Import duty ranges from 10-35% and then value-added tax (which falls to the consumer) can range from 7-33% [17]. For this reason, imported products are extremely expensive for consumers.

Grocery Market

Consumer Spend

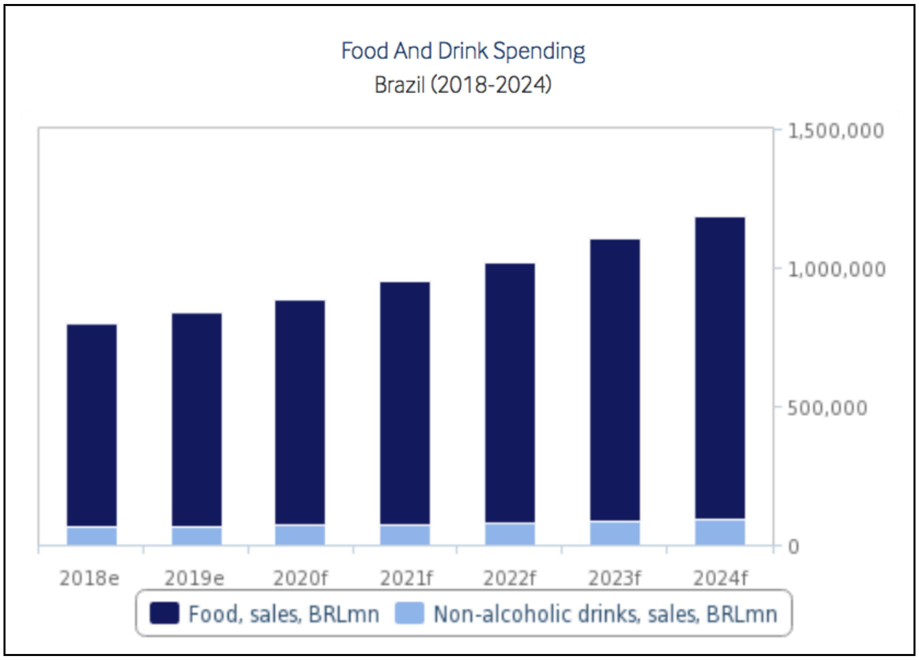
As the Brazilian diet largely revolves around animal protein, it is not surprising that in 2019 the average household dedicated 36.4% of food spending to meat and poultry. Also important to note, Brazilians spent the most on confectionery goods of any Latin American country, with the majority preferring local products for quality and price [54].



2019 Brazilian grocery spend [54]

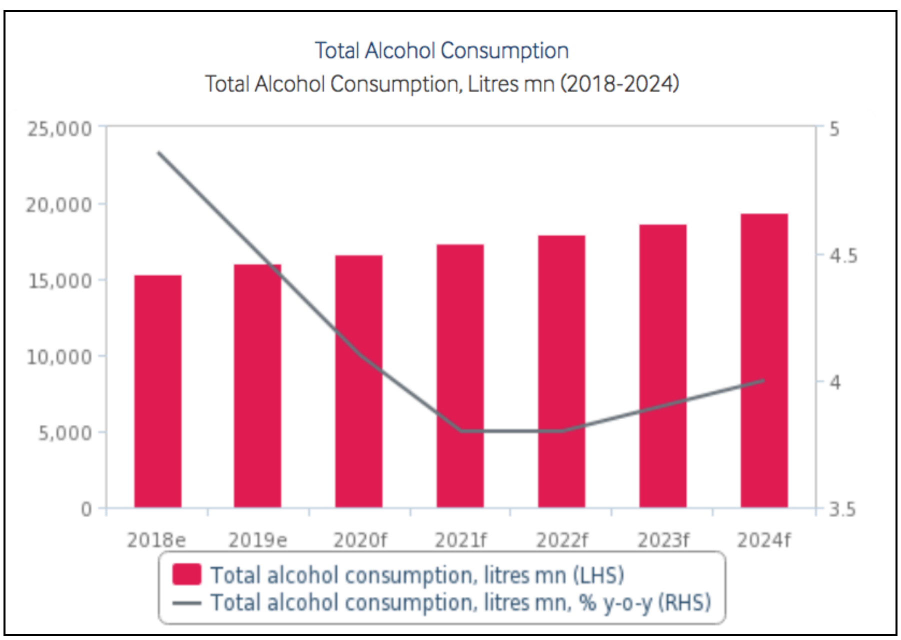
Trends

With an increasingly strong economy and growing purchasing power, consumer spending on food and drink is expected to increase 6.3% year-over-year in 2020 and continue this trend through 2024.

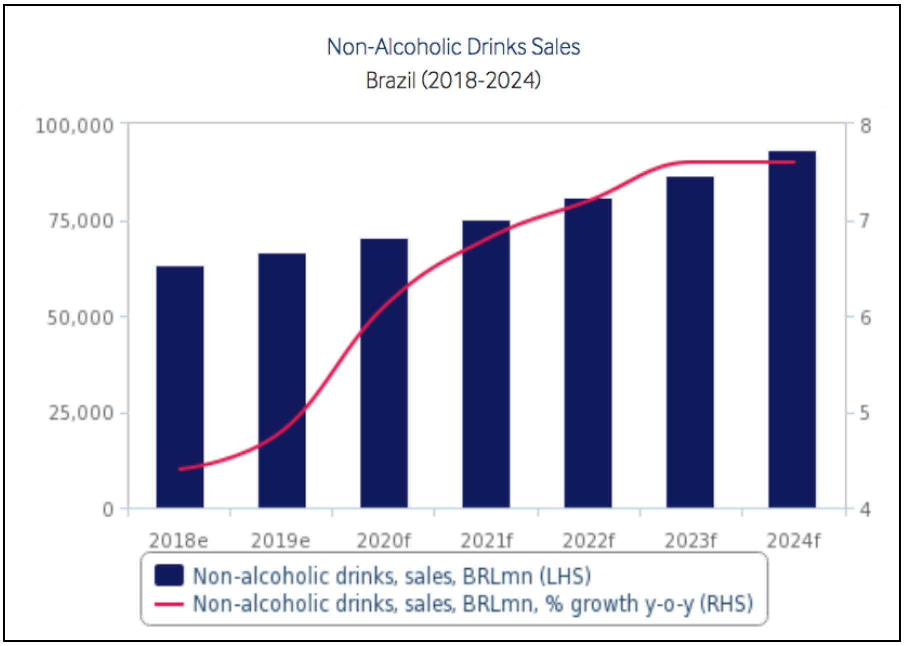


Food and Drink Spending [54]

Additionally, it is expected that the beverage market will grow at a similar rate (~6% per year) over the next four years. Both the non-alcoholic and alcoholic sales will be driven by Brazil's young customer base.



Alcohol consumption and forecasted growth [54]



Non-alcoholic beverage consumption and growth [54]

<u>Demands of the Middle Class</u>

As mentioned, Brazil's youthful population has growing purchasing power and is vastly increasing the middle class as they enter the workforce.

While premium products took the hardest hit during the 2015-16 recession, it is expected for spending in this category to increase driven by middle-class consumers. Particularly of note is the dairy industry, which is expected to grow especially the premiumized sub-sectors of yogurt and cheese. Generally speaking, the Brazilian middle class is quite price conscious, and economic downturns increase this sensitivity [54].

Another grocery sector that is expected to grow in value is convenience foods, especially in urban areas. This is quite an immature market currently, but as young professionals move to urban areas, they are seeking value-added prepared grocery products and are willing to pay a premium [54].

Key Players

Mass grocery retailers in Brazil have consolidated in recent years, and the top three players by market share - Carrefour, Pao de Acucar, and Walmart - hold nearly 40% of the market. Pao de Acucar and Carrefour both run convenience stores in addition to larger supermarkets in order to meet consumer demand. Additionally, cash-and-carry and discount stores remain popular, especially with lower income segments [54].

TOP BRAZILIAN MASS GROCERY RETAILERS

Company	Revenue (2018)	Market Share (%)	Number of Stores
Carrefour	BRL56.3bn (USD15.4bn)	15.8%	435
Grupo Pao de Acucar	BRL53.6bn (USD14.7bn)	15.0%	1,057
Walmart	BRL28.2bn (USD7.7bn)*	8.0%	450
Cencosud	BRL8.5bn (USD2.3bn)	2.4%	201
Irmaos Muffato	BRL6.9bn (USD1.9bn)	1.9%	57
SDB Comercio	BRL6.3bn (USD1.7bn)	1.7%	63
Supermercados BH	BRL6.0bn (USD1.6bn)	1.7%	198
Companhia Zaffari	BRL5.3bn (USD1.4bn)	1.5%	36
DMA Distribuidora	BRL3.7bn (USD1.0bn)	1.0%	138
Sonda	BRL3.4bn (USD0.9bn)	1.0%	42

*Note: Results are from 2017. Source: Brazilian Supermarket Association (ABRAS), Company reports, Fitch Solutions

Key grocery players in Brazil [54]

Key Takeaways

Trends within the Brazilian grocery market are driven by three main points:

I. Racial and geographical inequality

II. Price sensitivity and purchasing power

III. Nationalistic trading mindset

Nearly one-fourth of Brazilians living in poverty and citizens of African descent or those living in the Northeast are far more likely to be under the poverty line. Even as the Brazilian middle class expands and experiences an increase in purchasing power, they remain very price sensitive. Although they are considered middle class, average incomes are low across

the board. Mass grocers have some difficulty expanding regionally due to the wide variability in disposable incomes and preferences by socioeconomic class.

Brazilian dietary preferences are quite homogenous, with a strong focus on meat, beans, and rice. This is even further exaggerated because of regulatory barriers in trade and the high cost to import food products into Brazil. For foreign entrants, it is imperative to partner with a Brazilian company or produce locally to avoid passing on exorbitant tariffs to local consumers.

Chile

Introduction to Chile

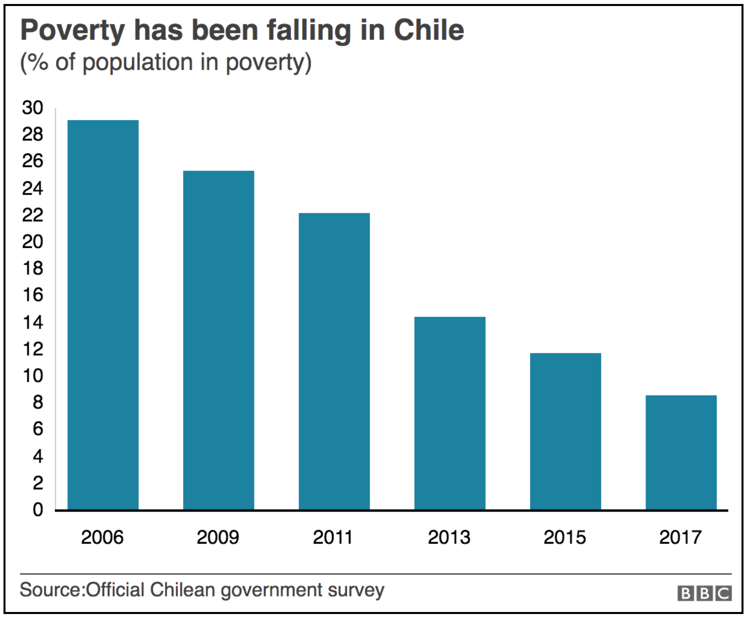
Population Distribution & Makeup

The population of Chile as of July 2020 is estimated at 18.2 million. The overwhelming majority of the population is urbanized. 87% of citizens live in an urban area, most centered around the capital of Santiago. The north (making up the Atacama Desert) and the south (consisting of the Andes and national parks) are largely uninhabited [19].

Chileans are a relatively homogenous group when it comes to geography and ethnicity, with 89% of the population identifying as white and non-indigenous [19]. In the mid-1800s, the Chilean government promoted mass immigration from Europe with aims to build up the southern provinces. German immigration in particular has influenced the culture in southern Chile, especially in Valparaiso [20].

Inequality

Chile has relatively high inequality with a Gini coefficient of 0.46. Relationally, Mexico and Costa Rica have Gini coefficients within 0.01 points of Chile's [21]. In terms of household income by percentage share, the poorest 10% hold 1.7% of income while the richest 10% own 41% [19]. Chile has seen vast improvements for the extremely poor since the turn of the century. In 2000, 36% of the population was below the national poverty line. In 2018, it was 8.6% [22].

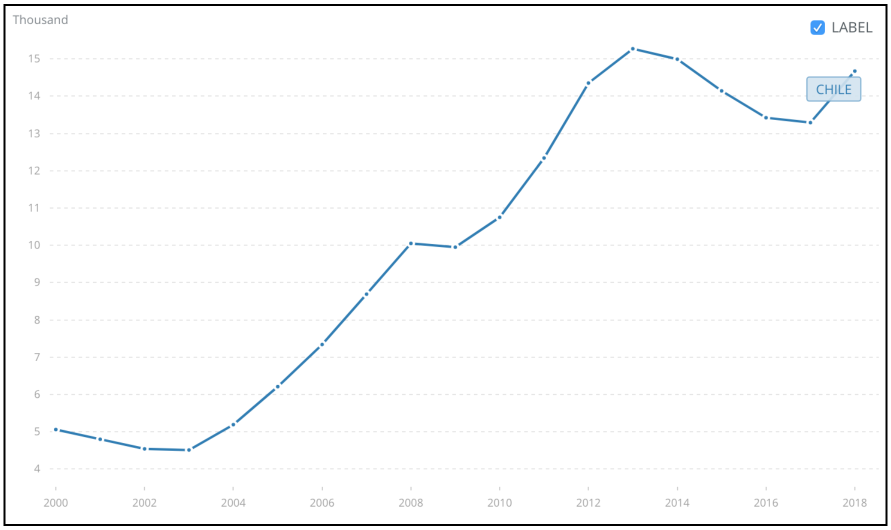


Chilean poverty rates [24]

While Chile's poor have seen a huge increase in quality of life in the past two decades, there is still significant and systematic inequality. While the middle class is growing, the median family income in Chile is still quite low as compared to other developed nations. Among OECD partners, Chilean inequality is second-worst [23].

<u>Personal and Family Income</u>

GNI per capita, or average family income, in 2018 was $14,760 USD [25]. The graph below illustrates trends in Chilean GNI per capita since 2000. This data is skewed upwards, reflecting income inequality elaborated above, and, in reality, the median income is significantly lower than this figure.



Chilean GNI per capita, 2018 [25]

According to a BBC article published in October 2019, the median monthly wage was $550 USD, or $6,600 per year. Roughly half of Chileans earn near this figure [24].

Culture

<u>Religion</u>

84% of Chileans self-identify as Christian, with 67% of the population as Catholic. As is the case with many parts of the world, younger generations are becoming less religious. The Catholic Church sponsors many charities and primary schools in the country and often has great (unofficial) influence over controversial legislation such as abortion or marriage rights [36].

<u>Food</u>

As in Brazil, mealtime in Chile is social and leisurely. Chileans typically eat around midday and then have dinner later, usually between 8 and 10pm. Diets are quite meat-heavy and revolve around rice and beans [35].

While Chileans often eat at home, it is becoming increasingly common to eat out, especially for students or young professionals who may not be living at home with their families [35].

Chile has one of the heaviest populations in Latin America. Half of six year olds are overweight and nearly three-quarters of the population over 15 is overweight or obese. Chileans consume the most sugary drinks per capita in the world, with sodas or juices accounting for on average 188 calories per day [55].

Family Life

Chilean families are small and very tight-knit, with children living at their parents' home until they are married. Families typically only have one or two children; one theory for this is the higher level of education in Chile. It is expected for children (namely daughters) to care for their elderly parents [34].

While Chile has one of the lowest rates of female employment in South America at 51%, women are increasingly present in leadership and have relatively high equality [34].

Economy

Mining represents a significant part of GDP and exports in Chile. As a result, both the Chilean economy and currency are reliant, to an extent, on the strength of the global copper market. Chile accepts much foreign investment, especially for the advancement and modernization of the mining industry [33].

Regulatory and Trade Environment

Chile is an extremely attractive trading partner and has a very open market with few trade restrictions in place. A member of the OECD (the first in South America), the WTO, and the revised CP-TPP, to name a few, Chile has entered into 26 trade agreements covering 86% of the world's GDP. The CP-TPP, which was signed by 11 countries in 2018, is of particular

importance to Chile, who trades significantly with China. The deal removes 98% of tariffs between the two [31].

Products from countries that do not have a FTA with Chile face a uniform 6% import tariff. Luxury goods such as alcohol, tobacco, electric vehicles, jewelry, and precious metals can incur additional tariffs ranging from 15% to 61% (for cigarettes specifically) [32].

<u>Foreign Investment</u>

Chile welcomes foreign investment across industries and received more foreign direct investment (FDI) than 81.03% of other countries measured by Global Edge in 2018 [26]. Net inflows of FDI peaked in 2010 with $16 billion USD. In 2018, Chile received net inflows of $6.08 billion USD [22]. The sharpest part of this decline was in 2017, with FDI dropping $5 billion USD year-over-year. A main driver of this was volatility in copper prices and quality [27]. It is expected that political unrest in the fourth quarter of 2019 will drive down FDI to some extent [28].

In 2016, Chile produced a quarter of the world's copper with 5.6 million tons mined. In the same year, Chile also mined 37% of the global lithium supply [29]. Much of the FDI received by Chile is to support the modernization and development of the mining industry to meet global demand.

Grocery Market

Chile has a competitive MGR sector, mainly in the form of supermarkets and hypermarkets. Supermarkets were initially introduced to the heavily populated and higher income areas as an alternative to traditional markets but have since expanded to more middle- and lower-class neighborhoods [56].

<u>Key Players</u>

The Chilean grocery market is quite fragmented. As seen in the chart below, there are nine major parent companies operating in the country. Because the market is quite mature, many of these retailers are turning their development to neighboring countries instead of focusing on developing within Chile [56].

KEY PLAYERS IN CHILE'S MASS GROCERY RETAIL SECTOR

Company	Fascia	Format
Cencosud		
	Jumbo	Hypermarkets
	Santa Isabel	Supermarkets
WalMart Chile		
	Hyper Lider	Hypermarkets
	Express Lider	Supermarkets
	Ekono	Discount
	Super Bodega Acuenta	Discount supermarkets
	Central Mayorista	Wholesale
Hipermarc SA (formerly Supermercados Unimarc)		
	Unimarc	Supermarkets
	Super Unimarc	Convenience
	Hiper Unimarc	Supermarkets
Supermercados Montserrat	Montserrat	Supermarkets
Falabella	Falabella	Supermarkets
Empresas Bravo	Bryc/Supermercado 10 Mayorista/Puntos Utiles/Abarrotes Bravo	Supermarkets
Montrone PLA	Economax	Supermarkets
Cofrima		
	Cofrima	Hypermarkets
	Cofrima/La Gran 7	Supermarkets
Korlaet	Korlaet	Supermarkets

Source: Trade directories, trade press, company material, Fitch Solutions

Key MGR players in Chile [56]

Since entering Chile in 2009, Walmart has gained a 22% market share. They operate 400 stores under several supermarket, discount, and convenience store brands. Another key player is Cencosud, which runs nearly 360 grocery stores as well as department and home improvement outlets [56].

<u>Trends</u>

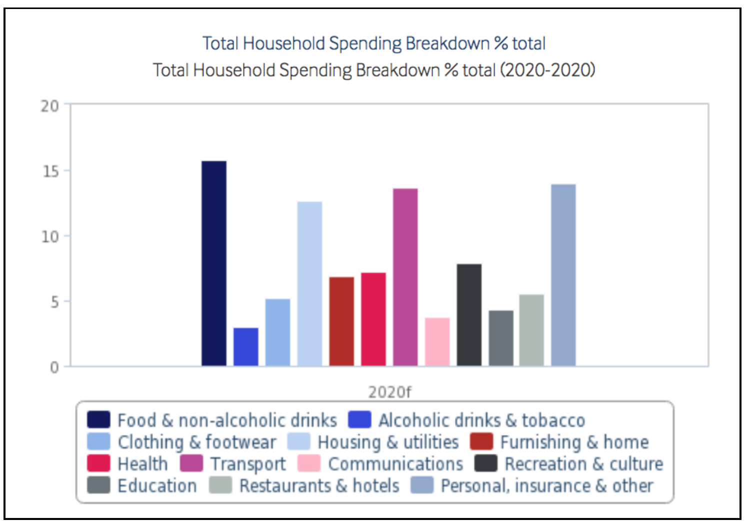
As with the markets in many countries, e-commerce and online grocery is promising for Chile. With the highest rate of smartphone penetration in Latin America, consumers are primed for online ordering and home delivery. Currently, Brazilian app Rappi is one of the

few available services; however, Uber acquired Mexican online marketplace Cornershop in late 2019 [56].

Additionally, corner stores marketed as convenient and high quality are expanding across Santiago. With a dense population, growing disposable incomes, and busy lifestyles, more Chileans are seeking quick options closer to home. Several market leaders in MCR have opened convenience store brands, as have several gas stations such as ESSO and Shell [56].

<u>Consumer Spend</u>

Spending on food and non-alcoholic drinks accounted for nearly 16% of household income in 2019. As the middle class expands and disposable income increases, the sub-segment projected to have the most growth is dining out, especially at international or more premium restaurants [57].



Spending on food and drink is forecast to hit $28.7 billion USD in 2020, again impacted by preferences for premiumization and imported goods as consumers have more disposable income [57].

Key Takeaways

Essential considerations for the Chilean mass grocery retail market include:

I. Growing disposable income

II. High obesity rates, especially among children

III. Cultural correlation of meat

With a growing middle class and average disposable income, Chileans are eating out more and looking for premium or convenience items. Grocery stores should endeavor to position themselves uniquely, meeting consumer demands while still remaining sensitive to keeping prices low.

Chile has the highest obesity rates in Latin America and introduced strict packaging and labelling requirements in 2012 as a way to combat heavy processed food consumption. As a result, purchases of foods labelled with the warnings have decreased and customers are looking for healthier packaged goods. Along a similar vein, although meat is extremely culturally ingrained in Chile, younger citizens are becoming more environmentally conscious and changing to plant-based diets. While grocery stores offer some alternatives now, there is high demand for meat alternatives and more health-conscious products in general. Because of open trading laws, it is relatively easy to import products. Grocers, especially internationally owned subsidiaries, should prioritize importing to meet demand for products that do not exist locally.

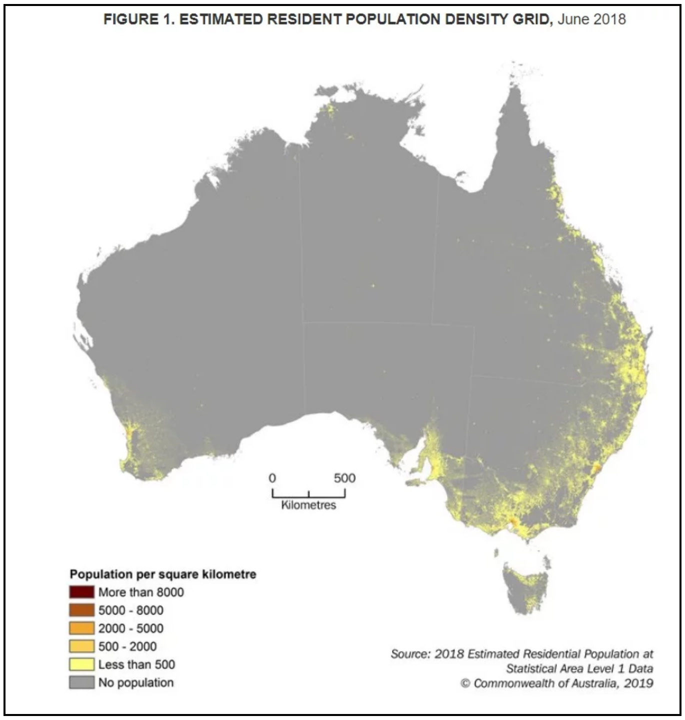
Australia

Introduction to Australia

The largest country in Oceania and the only nation to inhabit an entire continent, Australia, commonly known as the 'Land Down Under,' is a developed country and a global economic player. Settled initially by the British as a penal colony in New South Wales, the continent later developed 5 additional colonies that were combined in 1901 to form the Commonwealth of Australia when the country won its independence [58]. The driest and flattest of all inhabited continents, Australia hosts a variety of biodiversity found throughout its Outback that separates its coasts.

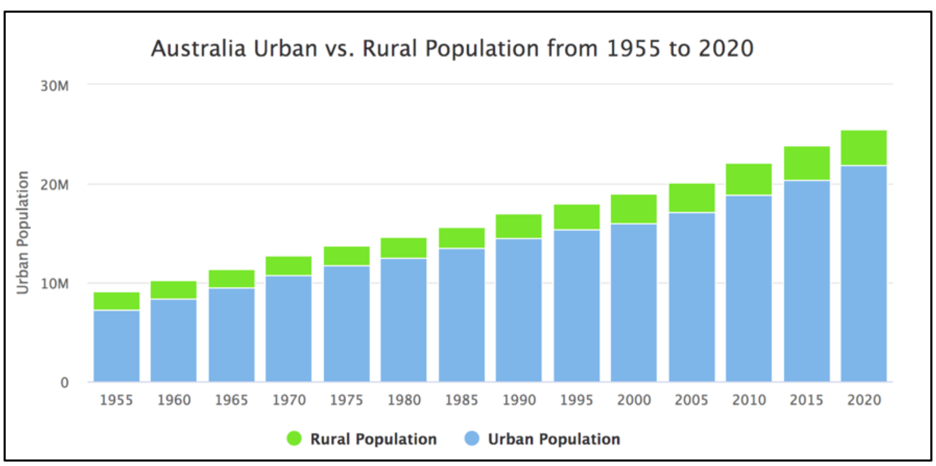
Population Distribution & Makeup

Australia's population of 25 million is mainly concentrated on opposing coastlines, particularly the eastern seaboard [59]. Though the Land Down Under is the 6th largest country in the world in terms of area, its sprawling outback left largely unsettled significantly contributes to its low population density of only 3.3 people per square kilometer (9 per square mile) [59]. However, on a micro level, a wide variety of population distribution exists among cities.



Population Density of Australia [59]

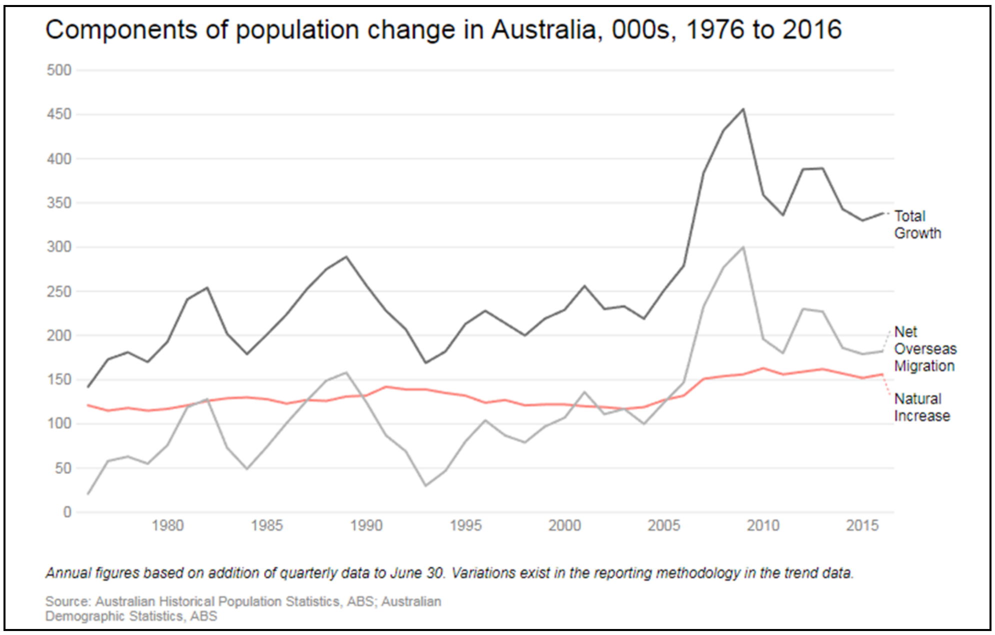
Much of Australia's population does live in urban and suburban environments, and this number only continues to grow.



Urban Vs. Rural Population Australia [60]

Of Australia's 6 states, 4 have population densities above the national figure, with the greatest being 171 people per square kilometer in The Australian Capital Territory (ACT) [59]. The largest cities, Sydney and Melbourne, have populations of 4.6 million and 4.2 million respectively and the five largest cities are all above 1 million [60].

In recent years, the country has seen consistent population growth, mainly stemming from increased life expectancies and immigration. Such trends can be seen through the graph below:



Australian Demographics Statistics [61]

Economy

Australia has a well-developed market economy. Though only accounting for 0.3% of the global population, Australia's economy is the 14th largest in the world with a nominal GDP of $1.5 trillion USD [62].

<u>Regulatory and Trade Environment</u>

Australia's regulatory environment is highly transparent and efficient. With only 3 mandated procedures to open a business, Australia has an economy conducive to

entrepreneurship and supportive of small business [63]. Australia currently has free trade agreements with 10 countries: U.S., China, Japan, South Korea, and ASEAN [63]. Mining and agriculture largely contribute to the country's exports.

Culture

Religion

While over half, 52.1%, of Australians identify as Christian, there is still a high degree of religious diversity across the continent. Within the Christian religion, the two most represented denominations are Catholicism and Protestantism. 8.2% of Australians identify with a religion other than Christianity. Of these, Islam, Buddhism and Hinduism are the most popular. The fastest growing religious affiliation and already 30.1% of the population is no religion, composed of atheist, agnostic and other sub categorical beliefs. This third of the population makes Australia largely secular [64].

Lifestyle

Australians are layback people. Despite the country's British ancestry as a former penal colony of Great Britain, Australian English has evolved to fit Aussie culture with informal greetings, such as 'mate,' and a conversational style of speech appropriate for both personal and work life [65]. Colleagues often refer to each other by their first names as well [66].

In part for Australia's warm climate, most Australians spend a lot of time outdoors. Since most of the population lives on the coasts, many Australians frequent the beach and participate in watersports like surfing. Other popular sports include rugby, cricket and Australian football. Overall, the population is very active, with 70% of Australians exercising at least once a week [66].

Diet

Complementing their active lifestyles, Australians tend to eat healthy and fresh foods. However, like any nation, variety in palette exists and fast food options, such as McDonald's, KFC and local chains are readily available as well. Due to the country's diversity, especially with the recent increased immigration, the term 'Modern Australian' has grown to describe Australia's unique culinary fusion of British, Meditarrean and Asian influenced dishes [66].

Grocery Market

Key Players

The Australian grocery sector is worth $108 billion and has experienced 2.5% growth in the past 5 years [67]. Australia's grocery industry is fairly concentrated with only a few players dominating the majority of the market. The industry leader, Woolworth's, is an Australian owned company started in 1920 and controls 38% of the market. Coles, another Australian-born grocery chain, claims 30% of market share [67]. German grocer, ALDI, and wholesaler Metcash represent 10% and 7% respectively. Though the market is predominantly controlled by domestic names, ALDI is the only grocer of the largest 4 that continues to gain market share, indicating that while Australians have historically and still do favor native companies brands, they're becoming more accepting of foreign entrants [67].

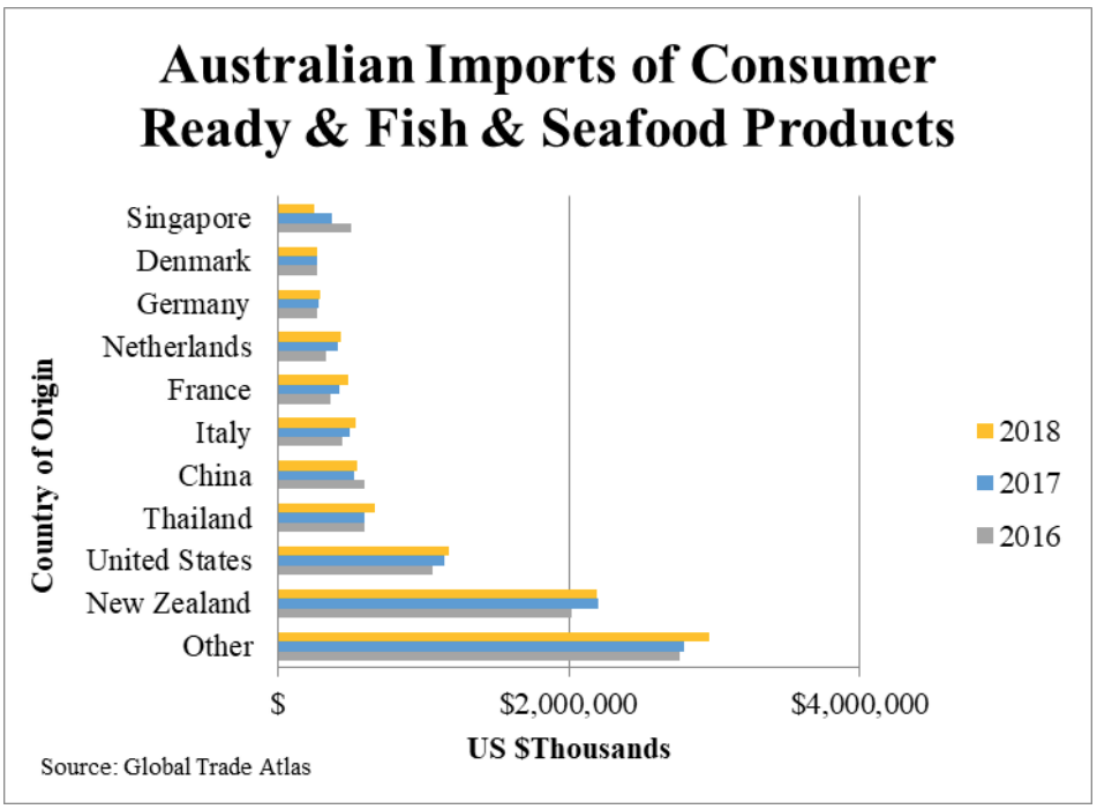
Trends

ALDI's recent sweeping success has been in large part due to its ability to change the Australian perception of private-label products through implementing its own high quality private-label brand [68]. The concept of warehouse stores has also boded well with Australians and continues to gain popularity. Since Costco's entrance into the Australian market in 2009 in Melbourne, the company has added an additional 11 warehouses throughout the country [69]. Though most Australians still prefer to shop at major supermarket chains rather than independent or local options, consumer spending indicates the desire to shop local for fresh fruits and vegetables at greengrocers is growing [67].

Fresh ingredients are themselves becoming more of a focal point for Australian shoppers, suggesting greengrocers and local markets may see a rise in popularity in the near future. While Australia has been slow to venture online for grocery purchases, time-poor consumers and an aging population have sparked industry growth in recent years [67].

Consumer Preferences & Product Offerings

Customer survey responses suggest that Australians prefer to buy Australian made "whenever possible" or "often." However, this overall sentiment does not translate to purchasing behavior in stores, as seen through ALDI's notable success in gaining market share. The chart below illustrates this incongruence as well through both sheer volume and growth of imported products.



As for other preferences such as health conscious eating and sustainable packaging importance, Australians do practice what they preach. Sales of organic food reached 1

billion AUD in 2018, with organic baby food being the predominant subcategory making up 24% [67].

Partly thanks to the volume of imported produce, grocery stores sell a wide range of products to accommodate Australians' assorted palettes. As for local favorites, locally raised meat and seafood like kangaroo, enu and prawns are popular among Australians, while packaged products like Tim Tam cookies, granola bar adjacent Weet-Bix, and Vegemite spread are pantry staples for any Australian home.

Key Takeaways

Through our research, we identified four main aspects of Australian culture and economy that are central to the Australian grocery space:

I. Domestic brand loyalty
II. Active and health conscious culture
III. Extensive consumer palettes and growing demand for foreign imports
IV. Frequent usage of metro and public transport

The Australian consumer wants fresh and fast purchases. Existing retail locations with the most success are those located in or near major metro stops or busy intersections of downtown walking streets – locations with easy access for customers on their way home from school, work or other errands. Australians do have a sense of loyalty when it comes to Australian brands and Australian-made products, but if foreign goods are promising enough, they would not hesitate to say no. The Australian consumer is sophisticated and has diversified tastes. Particularly international specialties would permit Australian shoppers to buy foreign.

Nevertheless, health is still a major concern for the majority of Austrailians and highly processed international products might be still too easy to pass up. For foreign entrants, it

is important to remember these four aspects and study the success of past international firms. One of the main reasons for ALDI's promising growth in the space is due to its introduction of its high quality private label line. Foreign entrants should identify retail locations with a high degree of foot traffic and close proximity to major public transportation stops. Foreign companies should seek to grow their consumer base by offering fresh produce and a wide range of options. For the international products companies wish to offer, they should try basing production or final assembly regionally. This way, stores can provide both fresh options and internationally-inspired cuisine to consumers who can feel good about supporting a foreign firm with domestic operations.

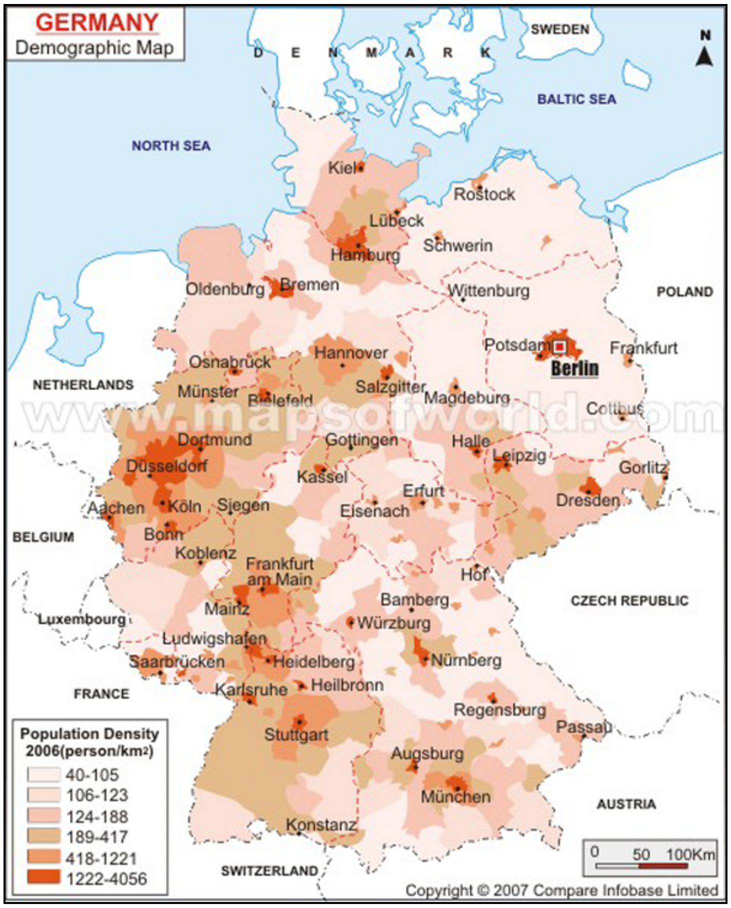
Germany

Introduction to Germany

The Federal Republic of Germany is located in Central-Western Europe and borders 9 other states. Germany is made up of 16 constituent states. With its political capital and largest metropolis, Berlin, in the northeast and its financial capital and largest airport in Frankfurt in the central west, the country is very decentralized [70].

Population Distribution & Makeup

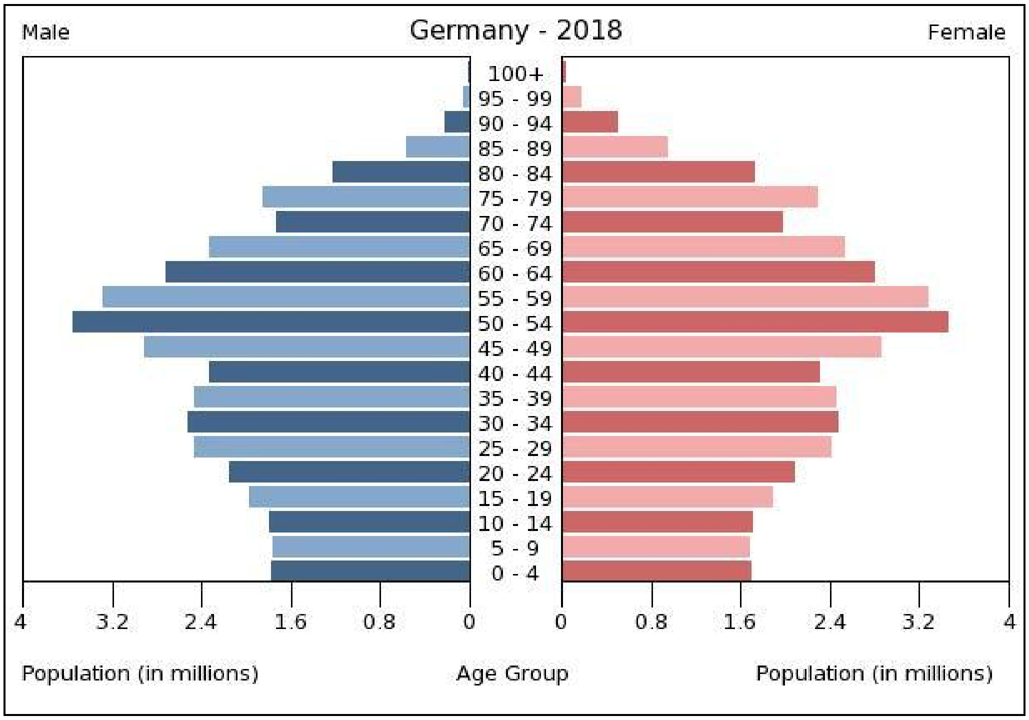
With a population of 83 million, Germany is the second most populous European country only after Russia and the most populous European Union member state. Though the national population density is 235 people per square kilometer, the population differs between the east and west. Despite reunification of East and West Germany in 1990, the east of present day Germany still lags behind in economic development and as a result, citizens continue to seek jobs in the west [71]. Germany also has the greatest amount of immigrants out of all European Union states. 10 million people, or 12% of the population, who reside in Germany were born outside of German borders. Turkish, Russian, Polish and Italian immigrants are the predominant nationalities [70].



Demographic Map of Germany [72]

Population Growth

Despite its large population, Germany has experienced extremely conservative population growth in recent years. Currently the rate is only 0.2% and by 2025, the country is expected to start decreasing slightly [71]. The country's fertility rate is now only 1.5 births per woman. Because of this Germany has experienced an inverted population pyramid over recent years as shown below:



Population Pyramid of Germany [73]

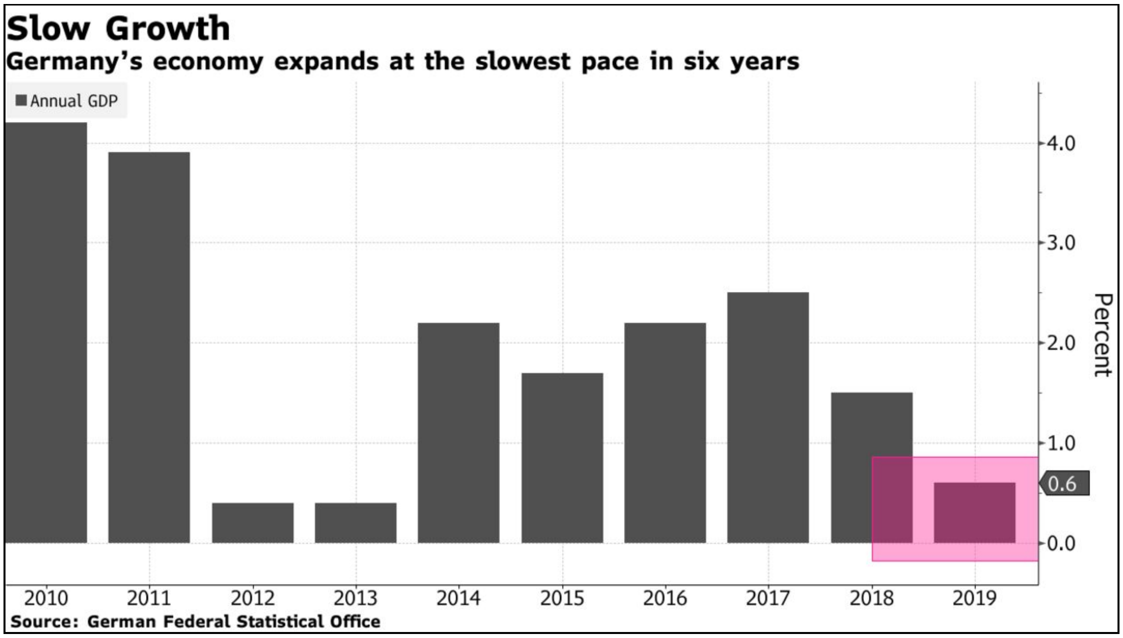
Economy

<u>Overall Structure</u>

Germany is the world's 5th largest economy in terms of purchasing power parity and 4th largest in terms of nominal GDP. A large and developed European market, the country benefits from a highly skilled workforce. Germany's economy is based on high quality manufactured goods and is a major exporter of machinery, vehicles, chemicals and household equipment [70].

<u>Recent Trends</u>

Despite Germany's slow growth is 2019, the small boost in GDP at the tail end of the year indicates the worst is likely over:



German Economic Growth [74]

Nevertheless, as the country experiences lower fertility and an aging population, Germany's labor force will continue to rely more and more on its immigrant population. Increasing productivity and domestic investment will also be key to help sustain future growth [75]. Slowing global trade to such an export-dependent economy is also a substantial risk to Germany [75].

Culture

Religion

The majority of Germans still identify with the Church. Of the 65% of Germans that identify as Christian, 29% are Catholic; however, this is slowly changing [76]. Especially in younger generations entering the workforce, some Germans are choosing to disaffiliate from their

Christian roots to avoid paying the 9% Church Tax required of church members by German law [77]. Now over 30% of the population identifies as non religious. Outside of Christianity, 4.4% of Germans practice Islam [76]. This number continues to grow with increased migration from majority Islam practicing nations such as Turkey and Bosnia [78].

Lifestyle

Although Germans enjoy one of the lowest average work weeks in Europe, between 35 - 40 hours a week, economic productivity is high [79]. Most Germans take pride in their work and their performance, while still enjoying great work-life balance. Many Germans have hobbies or participate on sport teams even into their adult years. Despite the stereotype of Germans being reserved individuals, they like to socialize with their close friends. They tend to have a few very close relationships and often like to frequent the same neighborhood bars or restaurants. Germans loving cars is another stereotype. While some Germans do take great pride in their automobiles, they also view driving as a relaxing pastime [79].

Diet

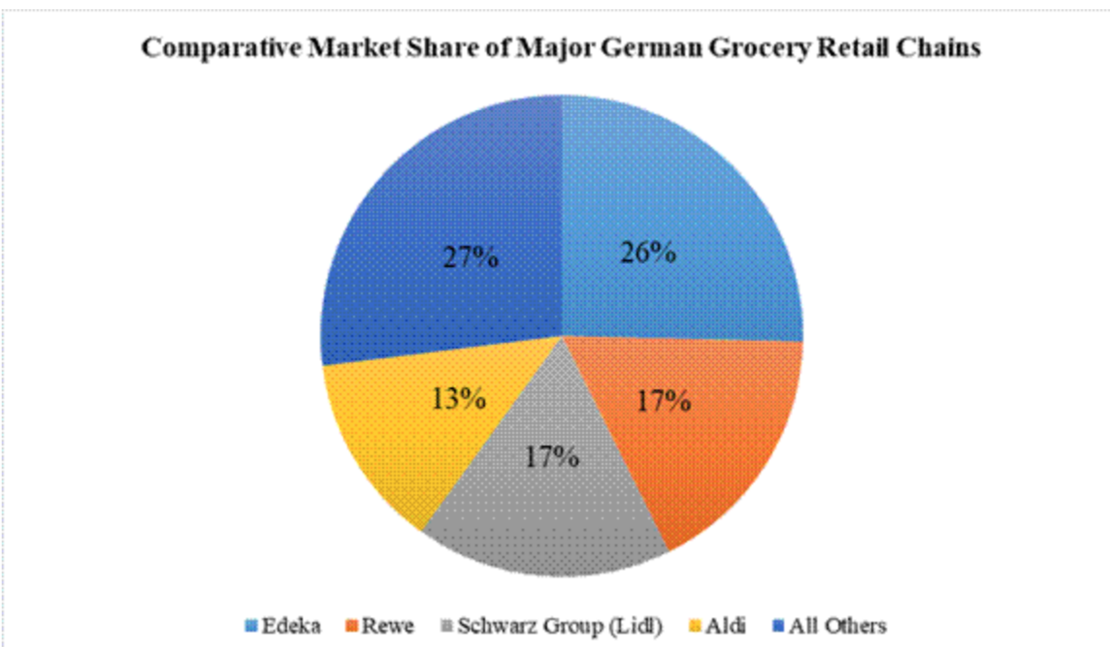
A typical German diet is heavy on protein and starches and is largely composed of meats, breads and cheeses no matter what time of day. A traditional German breakfast encompasses a full spread of bread rolls and toasts, deli meats and sliced cheese and musli [80]. Lunch is usually taken later in the day after such hearty breakfasts and usually consists of some sort of meat, for example bratwurst or schnitzel, and vegetables or potatoes [80]. Dinner food is typically similar to that of lunch. Nevertheless, the German palette is expanding more and more and it is not uncommon for Germans to eat other cuisines, especially those in Western Europe like Italian or French. Turkish food is particularly common as well due to Germany's large Turkish population. While meat is a major part of German cuisine, Germany does have a large population of vegetarians and vegans. By population percentage, Germany has the 6th largest vegetarian representation in the world with 9% of its population [81].

Grocery Market

Germany is the largest market for retail food and beverage in the European Union with a market size of $274 billion [82]. Overall the market is highly consolidated and fairly saturated. Imports of consumer agricultural products reached $64.4 billion in 2018 with overall agricultural imports totaling $108 billion [83].

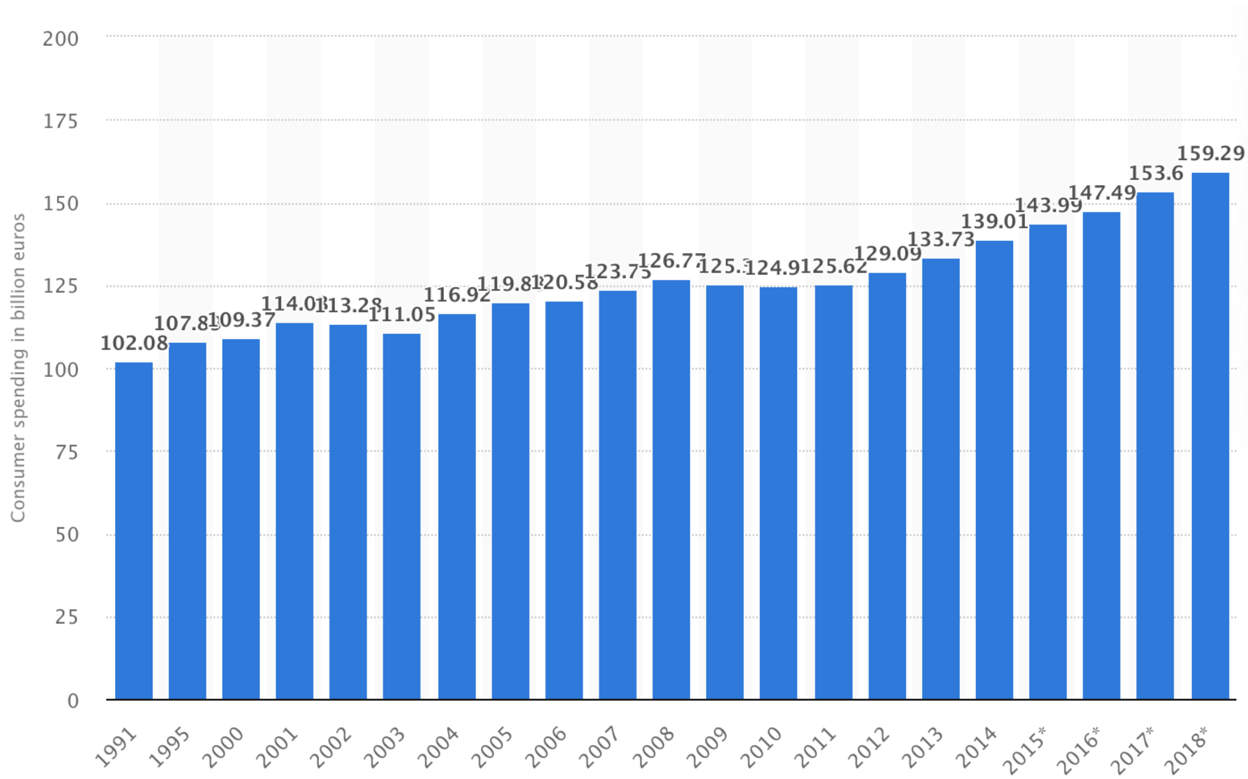
Key Players

The 5 largest players in Germany's grocery sector account for 72% of market share. The top 4 of those are domestic chains: Edeka Group, with Edeka and Netto, Rewe, Lidl and Aldi with Amazon as number 5 for online purchasing [83]. Discount grocery shopping is extremely common in Germany and consumers often do all their shopping at discount grocers like Lidl or Aldi rather than using them to supplement their normal purchases, which is common in other cultures.



Trends

Online grocery shopping only claimed 0.5% of the German food retail market in 2018 but is predicted to grow at a 23% annual growth rate through 2023 [82]. This astounding increase suggests lucrative opportunities for early adopters. While discount grocery stores are widespread due to hesitant willingness to pay a large portion of income for food, consumer spending on food continues to grow. Nevertheless, this increase is fairly conservative after factoring in inflation.



Private household consumer spending on food in Germany from 1991 to 2018 (in billion euros) [85]

<u>Consumer Preferences and Product Offerings</u>

As not all Germans own cars, Germans prefer to shop in their neighborhood or within walking distance and typically frequent their local grocer multiple times a week. Therefore, German grocery stores tend to be on the smaller side. In many areas of Germany, it is still common for groceries to be closed on Sunday; however, in major cities such as Berlin,

Frankfurt or Munich, some stores will stay open [85]. Vegetarian and vegan options continue to increase in importance for German consumers as more people switch to meatless diets for health and sustainability reasons. Wide offerings of bread, cheese and meat are common in German grocers as well as large selections of beer, wine and juice.

Key Takeaways

The success of existing grocers in Germany relies on three main criteria:

I. Convenience and walkable access

II. Wide variety of key staples

III. Affordability

Past foreign entrants, particularly American Superstore, Walmart, have tried and failed to gain market share in Germany by failing to provide all three of these features. Walkability specifically was the reason for Walmart's defeat. Small, domestic retail locations were able to offer the same savings as Walmart, just more conveniently.

Variety of dairy and deli products as well as full service bakery operations are vital components of the German grocer. Diversified beverage sections are important as well. Wide selections of beer and wine and even juices and sparkling water are essential in all locations.

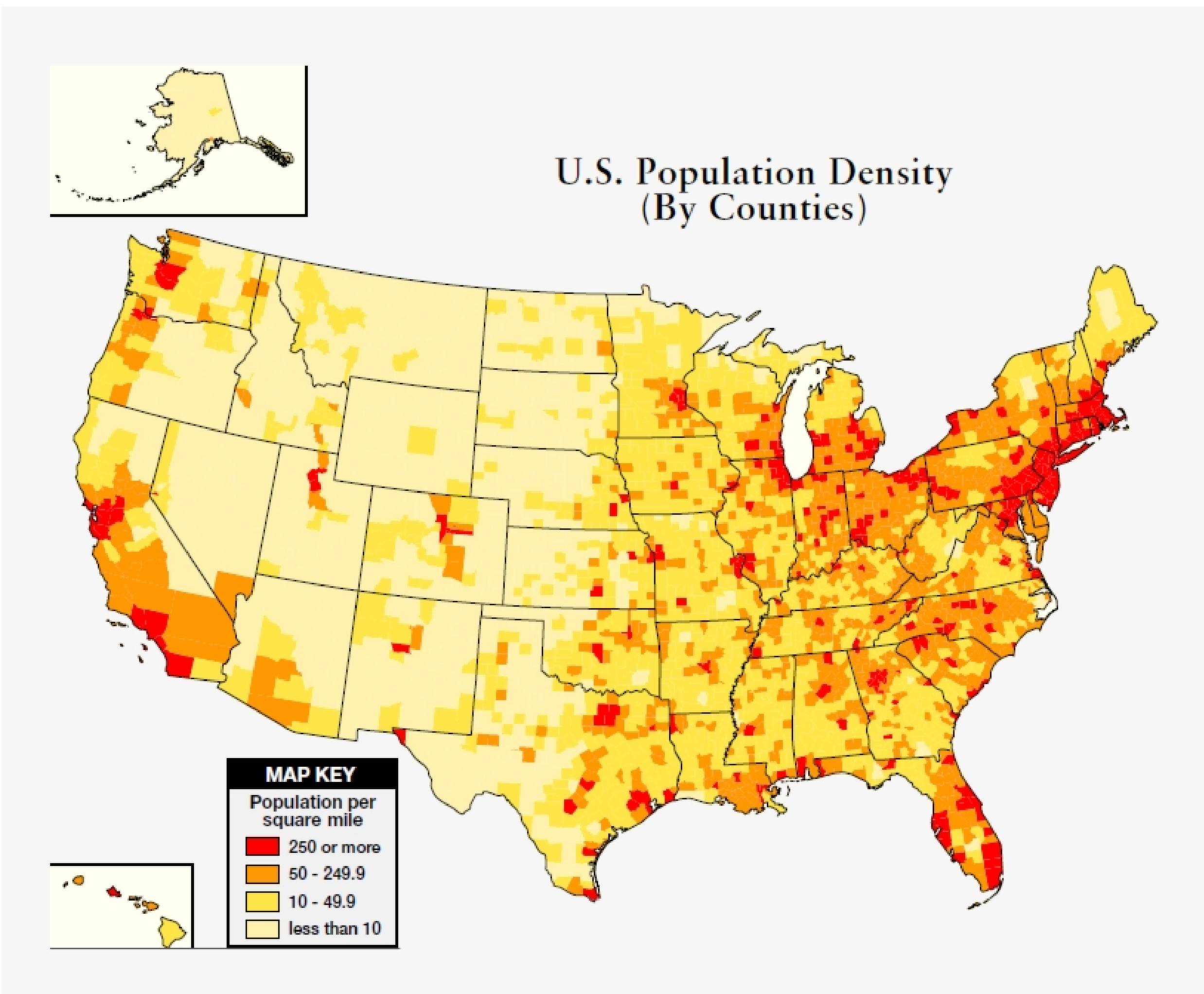
Foreign grocery chains looking to enter Germany should determine their ability to provide large selections of staple items at the same rates and with the same convenience as discount domestic grocers. Should they be able to, only then do they have the potential to succeed. Foreign entrants should spend less capital and retail space on large frozen sections and snack and packaged goods sections and use the majority of their space to supply a wide range of staple dairy, meats, breads and beverages.

USA

Introduction to the United States

Also known as the world's melting pot, the United States of America is home to a variety of cultures. Originally born as a nation of immigrants, the U.S. has evolved to become the world's 3rd most populous country with 320 million people and the home to great deal of diversity [86]. Sprawling 3.67 million square miles, almost a dozen distinct cultural regions have emerged between the country's Atlantic and Pacific coastlines [86].

Population Distribution & Makeup



U.S. Census Population Density [87]

Opposing eastern and western coastlines of the U.S. house the bulk of its population, as well as the northeastern part of the Mid Western region surrounding the Great Lakes. Urban centers appear throughout the country, but most rural areas can be found in the west and in the south. New York City, on the east coast; Los Angoles on the west; and Chicago in the Midwest are the largest American cities with 8.4 million, 4 million and 2.7 million inhabitants respectively [87].

Economy

Overall Structure

With 20.58 Trillion in GDP as of 2020, America's economy is the largest in the world [88]. In terms of purchasing power parity (PPP), the U.S. ranks second only to China [88]. The U.S.'s economy is the most technologically advanced in the world specializing in aerospace, pharmaceuticals, computers, and military equipment. Its financial center in New York City houses the world's two largest stock exchanges, the New York Stock Exchange and the Nasdaq, both by market capitalization and trade volume [88]. The U.S. is the world's largest importer as well as the world's second largest exporter, again only to China [89].

Recent Trends

The recent Coronavirus pandemic is sparking volatility in the U.S. as well as in global markets. While such new shifts' rippling effects continue to oscillate, it is difficult to predict just how much economic change the pandemic will cause. COVID-19 has already stimulated an entire economic cycle from bear back to bull market. The Federal Reserve continues to lower interest rates as well [90].

Culture

<u>Regional differences</u>

United States culture varies widely by geographic makeup and its regions are deeply defined by their own cultural, historic and geographic influences. Though the U.S. is cohesively in tack, the country's past civil war dividing line still very much plays a role in separating the present day cultural South from the Northeast and Midwest. The Western Plains and West Coast also vary in culture.

1. **The South**

   Agriculture is still a driving industry in the southeastern states due to the region's warm climate and rich soil. Cotton, rice, peanuts and fruits are major crops for southern farmers [91]. Industrial centers continue to grow in this region. Cities with well paying jobs and low costs of living such as Atlanta, Charlotte, and Nashville attract more and more younger workers. Also known as the Bible Belt, southern culture remains rather religious and more conservative than the rest of the country. Hispanic influence specifically in states like Texas and Florida drive strong ties to the Catholic Church.

2. **The Midwest**

   The Midwest also is home to a large portion of the USA's agriculture. Its geography made up primarily of flat plains makes the region conducive to growing corn, soybeans, livestock, and a variety of fruits and vegetables [91]. Cultural roots vary, but mainly derive from western european influence [92]. Midwesterns are generally considered nice and neighborly. Chicago, Detroit, Minnapolis, and St. Louis are the largest cities in the area.

3. **The Northeast**

Overall, the Northeast is much more urban than the rest of the United States and claims the four most densely populated states – New Jersey, Rhode Island, Massachusetts and Connecticut [93]. This is also partly due to states being smaller in area in this region.

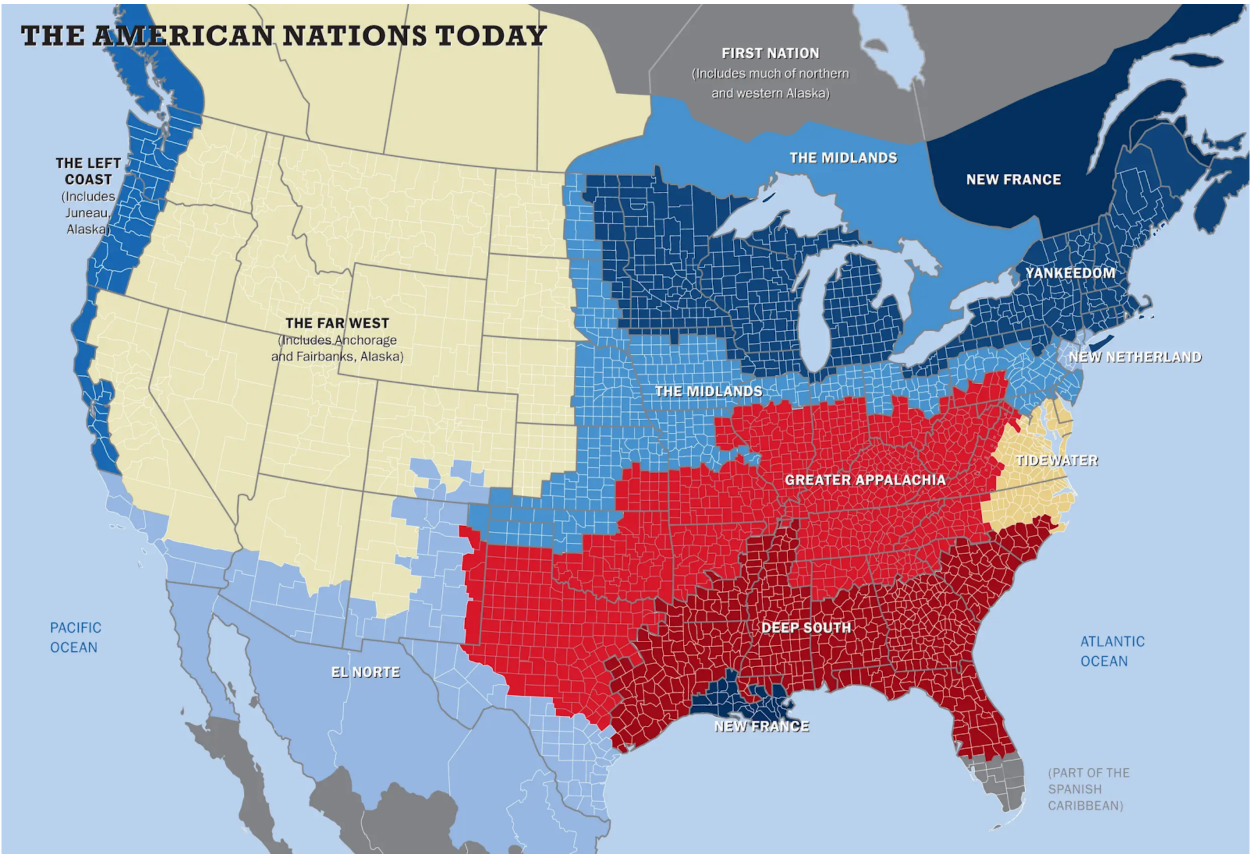
This region also drives a significant portion of the U.S. economy. Its megalopolis along the Boston, Washington Corridor accounts for 20% of the States' GDP alone [93]. This region is highly educated and is home to all 8 Ivy League Universities as well as other highly regarded higher education institutions [92].

4. **The West and West Coast**

The Western part of the US is also a major driver of the U.S. economy. Silicon Valley and Hollywood in California are home to the country's technology and film industries. West Coast culture is known to be laidback while still active. Asian cultures such as Chinese, Japanese and Korean are major influences especially in coastal urban areas [92].

Food

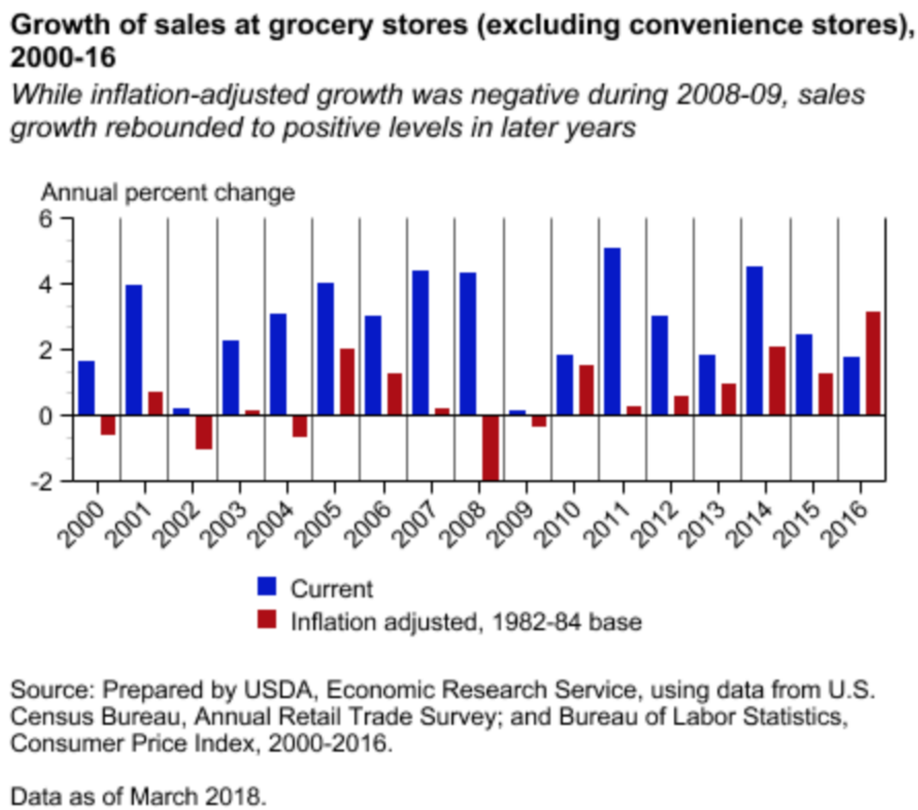
Given that culture varies throughout the country, regional dishes naturally vary as well. Fried chicken, barbeque and corn bread are common comfort foods across the South while certain cities have their own specialities as well. Shrimp n' Grits along the Carolina coastline and Tex Mex inspired by Mexican cuisine in Texas are staples in those areas [94]. Chicago deep dish pizza and Detroit style thin crust are popular in the Midwest, while Philly cheesesteak and New York cheesecake comes from the Northeast [94].



The 11 Nations of North America [92]

Grocery Market

The United States grocery sector is nothing short of significant with a total value of $678.4 billion as of 2020 [95]. The industry is expected to see conservative growth of less than 2% for this year [95].



Key Players

2019 Rank	2018 Rank	Company	Fiscal Year-End Sales (000)
1	1	Walmart Inc.	$514,410,000
2	2	The Kroger Co.	$121,162,000
3	3	Albertsons Cos. Inc.	$62,179,000
4	4	Ahold Delhaize USA	$48,090,120
5	5	Publix Super Markets Inc.	$36,100,000
6	6	H-E-B	$26,000,000
7	12	Meijer Inc.	$17,400,000
8	7	Wakefern Food Corp.	$16,500,000
9	9	Aldi Inc.	$16,053,440
10	8	Amazon (as Whole Foods Market)	$15,887,300

Major USA grocery store chains ranking by total sales [96]

Trends

Online shopping is a major trend globally, especially in the United States. 71% of American grocery stores have already entered the online space and major industry research organizations such as FMI and Neilsen's have predicted online purchasing will reach 100 billion by 2025 [97]. Convenience and ready-made foods as well as sustainable options and packaging are also becoming increasingly important as time-poor consumers become more abundant and as conservation and the planet become more of an interest to Americans [98]. Private label products are also on the rise. Kroger launched its plant based line Simple Truth this past fall to respond to both the increasing need for healthy options as well as the growing popularity of private labels [98]. The overall consumer experience end of grocery shopping is evolving as well and groceries are implementing dining in options to their spaces.

Consumer Preferences & Product Offerings

The typical American goes to the grocery store once or even as little as every other week so large purchases are not uncommon in the States. Because most Americans own their own cars and buy in bulk, consumers are willing to drive to hypermarkets like Walmart for overall savings rather than choose a grocery store solely based on location. Frozen options and packaged products are in abundance as well, which are conducive to the need for long shelf life due to infrequent trips to the store. Optionality in general is a main component of American consumer preference as the diversity of culture and consumers in the States drive a variety of different customer needs. International and health food isles are commonplace in American grocers and entire stores dedicated to specific cuisines such as Indian or Asian are becoming increasingly popular.

Key Takeaways

The American consumer wants it all: healthy, convenient and with as much optionality as possible. In some ways, the American consumer cannot be defined by certain characteristics, because with a incredibly diverse population of 320 million, it is hard to

create a profile of a singular, typical American shopper. It is best to use a spectrum to describe consumers. On one end, a large percentage of Americans are time poor and are in need of quick and convenient shopping experiences. This is why online grocery shopping has taken off in the United States and the online space will only continue to grow. On the other hand, those that still enjoy going to physical stores to shop, really care about the experience. They like to take their time and socialize, while they browse the isles. American groceries should look to consolidate retail locations and use the excess funds to reinvest in their stores with the greatest foot traffic. In order to optimize the consumer experience of its leading brick-n-mortar spaces, grocery firms should focus on remodeling dated stores, expanding in-store cafés and implementing user friendly technology into the shopping process. Lowe's Foods, a supermarket chain predominantly found in Virginia and the Carolinas, has done a great job on the consumer experience side. Many retail locations have juice bars and even "Beer Dens" where customers can stop by before diving into their weekly walk through the isles. Normal size grocery carts are complete with cup holders for customers' coffees or craft brews, while miniature buggies support a flagpole with plastic banners reading "Customer in Training" for generous little helpers assisting their parents with the family errands.

With an increasing interest in healthy, fresh foods, while the demographic of time-poor customers continues to grow, we will likely see a decrease in spend on boxed and processed options as pre-made organic goods and advanced-prepped refrigerated meals gain popularity. Due to the recent rise of home delivery platforms, such as Ubereats and Postmates, and meal prep kits, such as HelloFresh, grocery stores could miss out on future revenues. Grocery chains should look to partner with such programs to retain customers attracted to these shopping substitutes. Rewards programs or membership duality could be potential models for such partnerships.

Global Trends

For companies looking to either expand regionally or tap into foreign markets, it is important to consider the economic and cultural implications of the area to better understand the idiosyncrasies of specific grocery sectors. Just as Walmart failed as a competitor in the German discount grocery space, firms that neglect to do their due diligence prior to market entry will surely miss out on maximizing profit at the very least. Even companies choosing to focus on their existing regional or national presence must be aware of the trends and changing consumer preferences of their current markets. Each is unique in its own ways and has certain aspects that are not transferable to other markets. Nevertheless, on a global scale, two high level trends are omnipresent among geographies:

I. Educated consumers and mindful purchases

II. Increasing expectations

Whether their consumer based lives in the Bible Belt of the Southern United States, the Chilean Andes or the Australian Outback, firms can no longer expect customer attraction or retention on price or convenience alone. The chocolate industry's dependence on child labor and mass consumption of energy used for cattle raising no longer goes under the radar. The more developed a country becomes, the greater the awareness of the societal and environmental ramifications of supply chains and retail operations. While such issues are not completely transparent, companies should expect to incorporate small changes like sustainable packaging and energy efficient operations into their overall strategies. Firms should look to adjust their shelf space allocation to appease the greater health concerns of their customers and educate themselves as well on the details of the operations of their partners and brands they carry. In addition, customers continue to expect more. They want all of their needs met and they expect they will be. Online purchasing will continue to gain momentum to appease those lacking time and those that do choose to do their shopping on

site will expect the process to be enjoyable. HonestBee and their Habitat stores in Singapore do an outstanding job of adapting to these trends.

Overall, firms need to adapt and adjust their models accordingly when new products or trends arise. Whether it is writing mobile apps for online purchases, partnering with food delivery or meal kit companies or simply elevating the customer experience, agile companies quick to react to consumers' needs will thrive.

Framework and Best Practices for Market Entry

We believed that our thesis would culminate in a framework that potential market entrants (consumer brands or grocery retailers) could use to analyze the country or region and determine operational changes that would be necessary to successfully enter the market. After conducting extensive research and analysis of grocery stores around the world, we have learned that country- and region -specific culture and economy are extremely important and do not easily fit into a one-size-fits-all framework. Cultural factors vary widely and have differing levels of impact; even the same factor can have very different implications depending on the region. For example, household grocery spend is an important consideration, but spending in Singapore is low because it is impacted by ethnic heritage and governmental institutions, while spending in Germany is low because citizens are frugal and seek the best quality-price ratio.

Studying individual culture, economy, political environment, and operational risk are extremely important. A quick framework is not sufficient and companies considering entry need to spend months studying the region to understand if and how product entry is viable.

The framework we have developed as a result of our analysis is a barebones structure to quickly pulse check if a grocery market warrants more investigation to consider entry. Based on the important factors uncovered during the research of the six countries presented in this thesis, it is entirely adaptable based on the potential country of entry and the companies' needs and considerations.

Framework for Potential Expansion

When specifically considering the cultural and economic implications to entry, there are seven factors a company should consider. Of course, depending on the product and brand, not all of these variables may be important to analyze. Companies should use this as a

starting point and adjust the framework to fit their needs and brand-specific concerns. Additionally, key elements for consideration will vary by region and level of development.

Factors for Pulse Check Consideration	
Nutrition	Degree of importance of health in consumer purchasing habits
Consumer Transportation	Primary transport: public transport, auto or by foot
Shopping Frequency	How often consumers make grocery store trips
Price Sensitivity	How driven are shoppers by deals and discounts in relation to other factors
Retail Channels	Usage of online vendor platforms versus in-store purchases
Marketplace Regulation	How open is the country's trade in regards to tariffs, total amount of imports, and ease of international business
Economic development	How much does the typical consumer have to spend on food

Framework in practice

To illustrate this framework, we analyzed a local product and assessed its viability to enter a new market. PROOF, an alcohol ice cream brand, has had success in the Carolinas and its leadership team is looking to expand overseas. Australia was identified as a potential market to enter. Given that our pulse check factors are not standalone indicators, we also conducted a SWOT analysis:

Strengths	Weaknesses
• Unique product • High quality	• Expensive • Unheard of
Opportunities	Threats
• Highly developed economy w/ strong purchasing power • No/low competition	• Health conscious culture • Preference towards domestic

• First mover momentum	brands • Capital intensive consumer education and production

We then went through our pulse check consideration:

PROOF to Enter Australia Pulse Check Consideration	
Nutrition	Highly regarded
Consumer Transportation	High usage of metro and bus systems leading to smaller purchase sizes that are feasibly carried on public transport
Shopping Frequency	Frequent due to smaller purchase sizes: 1-3x per week
Price Sensitivity	Not very. Keen on discounts and deals but value quality and convenience just as much
Retail Channels	Online is lagging behind: < 5% suggests room for future growth
Marketplace Regulation	Total international imports are high and growing. Small business-friendly legislation
Economic development	Developed providing more dollars to allocate to food and beverage

We suggest partnering with local manufacturing and production lines to satisfy consumers' national product preference and maintain freshness. The PROOF brand may be foreign, but producing in the region would stimulate the local economy and employ Australians. The brand could then market its "made in Australia." PROOF provides fun, unique and quality products that would wholestically bode well with the Australian consumer. A perfect treat for a layback evening with the mates.

Strategies for Entry

After pulse-checking the potential market using the framework outlined above and conducting a thorough due diligence of the individual country's culture and economy, the next step is to consider potential strategies for entry. Potential avenues for entry include:

I. Mimic past successful entrants of market
II. Consider competitor positioning; find hole in market and fill that demand
III. Seek out weaknesses of competition and improve upon it
IV. Tailor successful existing product line/ brand/ innovation from similar country to new market
V. Partner with local corporation that has a similar value proposition

Again, these strategies (among others) should only be considered after thorough due diligence to determine entry feasibility and potential success.

Final Thoughts

The global grocery market is experiencing a time of major changes. Increased globalization and technological implementation have driven much inter-country M&A activity, augmenting the desire and need of grocery stores and product brands to expand to foreign markets to stay competitive. Such retail chains and food and beverage producers across the globe would benefit from reading this report, following the outlined advice and applying our framework when assessing the viability of potential markets to enter. While our framework is no shortcut – each market is unique and should be carefully analyzed – we believe our findings provide firms seeking international expansion the structure and focus to weigh the most important factors and ultimately make advantageous decisions.

We thank our director, Dirk Brown, for his role in guiding us through this research as well as our second reader and academic advisor, Brittain Goff, for her time and support through our undergraduate careers. Most importantly, we thank the IBEA cohort for exceptional friends that generously provided insights and alternative perspectives to our findings and the opportunity to walk the aisles and taste the foods of grocery stores around the world!

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