



Retail Scene Report

Seattle, Washington State &
America's Pacific Northwest

KANTAR





Retail Scene Report

Seattle, Washington State & America's Pacific Northwest

FEBRUARY 2020

KANTAR

Kantar Consulting for The Consumer Goods Forum's
GFSI Conference 2020



Contents

Seattle, Washington State & America’s Pacific Northwest	22
Food Retail in the Pacific Northwest	24
Supercenters & Warehouse Clubs	27
Supermarkets & Convenience Stores	29
Full-Service Supermarkets.....	29
Value/Private-Label Supermarkets	32
Convenience Stores.....	34
Food Safety in America & Washington State.....	35
The US Federal Government & Agencies	35
Washington State Food Safety.....	36
City, Town, & Local Food Safety	37
Conclusions	38
About Kantar	40

Seattle, Washington State & America's Pacific Northwest

When you imagine an exciting food retail scene, three things immediately come to mind:

1. A vibrant job market
2. A diverse and open culture
3. A growing population and economy

Seattle, Washington State, and America's Pacific Northwest have all three of these, making it one of the most exciting food retail scenes in the world. Let's explore.

JOBS. The greater Seattle Metropolitan region plays the role of global headquarters to an amazing array of fast-growth, globally-successful companies including Amazon, Microsoft, Costco, Starbucks, and Boeing – to name just a few. In 2018, average real wage growth for Washington State grew by a whopping 5.5%, to a median of USD65,301 per yearⁱ. Needless to say, the competition for workforce talent is strong.

DIVERSITY. The foreign-born population of Seattle stands at 40%ⁱⁱ and is growing. As first- and second-generation immigrants settle in this booming economy, they also import their food culture – placing pressure on restaurants and food retail outlets

to offer diversity in flavors, products, and services. One of the most unique features of the Pacific Northwest compared to other parts of America is the strong Asian influence in the region. Washington State has a self-identified Asian population of 9% that continues to growⁱⁱⁱ.

GROWTH. With a hot jobs market and a fast-growing and highly diverse population, come rapid growth and innovation in retail. King County, Washington – the main county in the Seattle Metro region – was America’s third-fastest growing county by population from 2010-2018^{iv}. Washington State’s Gross State Product (equivalent to GDP), grew 4.5% on an annual basis in real terms in the period 2013-2019^v. This makes Washington State the fastest-growing state in the USA. You may also have guessed that other Pacific Northwest economies finished closely behind Washington, with Oregon #2 (4.3%), California #3 (3.8%), Idaho #7 (3.3%), and Nevada #9 (3.1%).¹

Map of the Continental USA – with the Pacific Northwest Region highlighted

¹ The USA’s Gross State Product (GSP) is measured for 50 states and the District of Columbia, for a total of 51 regions.

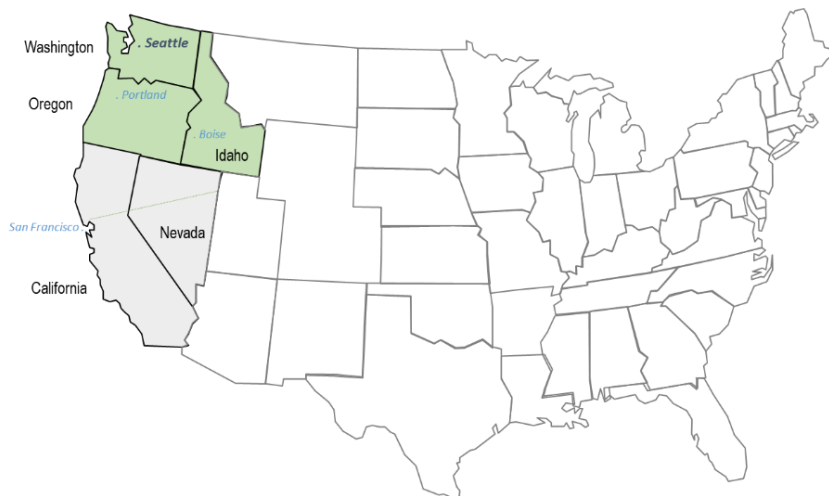


Figure 1. The Pacific Northwest is comprised of the entire states of Washington, Oregon, Idaho as well as northern portions of California and Nevada

Food Retail in the Pacific Northwest

Seattle, Washington State, and the Pacific Northwest’s food retailers are as diverse and rapid growth-minded as their home city, state, and region. Some might say they are also very different from other parts of the USA, reflecting the demands of the local population which can be characterized as fast-changing and forward-thinking.

Most of Seattle’s chain grocery operators have their origins in the Pacific Northwest – with a few exceptions such as Walmart,

Kroger, Target, and 7-Eleven (though Kroger acquired two chains with strong regional heritage and still operates these under those banners). For reference, consult this list of the major food retailers operating in the Seattle region, ordered by the number of Washington State locations.

A Selected List of Important Food Retailers, in Washington State, by # of Locations
Revenues in US Dollars, billions, as of last 52/53 week financial reporting period

Parent Company Name	US Head Office Location (State)	Regional Company / Banner Names	Grocery Store Types	# Locations	Annual Corp. Revenues	USA ± Retailer Rank ²
Starbucks	Washington*	Starbucks	Restaurants	757	\$ 26.5	26
7-Eleven	Texas	7-Eleven	Convenience	247	\$ 13.3 ±	29
Albertsons Companies	Idaho*	Safeway, Albertsons	Supermarkets	219	\$ 59.9	10
Kroger	Ohio	Fred Meyer Supercenters, QFC Supermarkets	Hypermarkets & Supermarkets	118	\$ 121.2	4
Bartell Drugs	Washington*	Bartell Drugs	Drug Stores	68	\$ 0.1 e	n.a.
Walmart	Arkansas	Walmart, Neighborhood Market	Hypermarkets & Supermarkets	67	\$ 514.4	1
Grocery Outlet	California*	Grocery Outlet	Value Supermarkets	53	\$ 2.3	n.a.
Target	Minnesota	Target	Hypermarkets	37	\$ 75.4	8
Costco	Washington*	Costco	Warehouse Clubs	33	\$ 149.4	3
Aldi	California*	Trader Joe's	Private Label Supermarkets	24	\$ 25.0 e	17
Winco	Idaho*	Winco	Value Supermarkets	22	\$ 7.6 e	61
Amazon	Washington*	Whole Foods Market, Amazon Fresh Delivery, Amazon Go	Supermarkets, Convenience	11	\$ 232.9	2
Town & Country Markets	Washington*	Ballard, Central, & T&C Markets	Supermarkets	6	\$ 0.1 e	n.a.
Metropolitan Markets	Washington*	Metropolitan Markets	Supermarkets	6	\$ 0.1 e	n.a.
Natural Grocers	Colorado	Natural Grocers	Supermarkets	3	\$ 0.9	n.a.
New Seasons Market	California*	New Season Market	Supermarkets	1	\$ 1.0 e	n.a.

*US head office in the Pacific Northwest region

± 7-Eleven, Inc revenues taken from reported franchise totals, US

e = Not disclosed, Kantar estimates

²Source the NRF's Top 100 Retailers - <https://stores.org/2019/07/01/2019-top-100-retailers/>

Source: Kantar Retail IQ (www.kriq.com)

The strength of locally-grown chains is reflected structurally in the share of retail that local formats represent. The main 'local' channel – the warehouse club pioneered by Costco – combined with other superstores, has a 53% share of Food, Drug, & Mass channels. This compares to just 26% at a national level. Put simply, Washingtonians love shopping at their club stores.

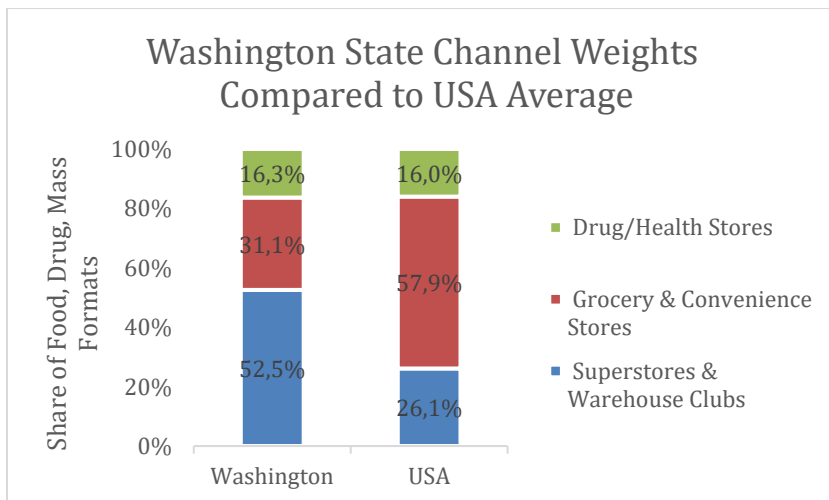


Figure 2 Channel Weights in Food, Drug, Mass (Source: US Census and Washington State Revenue Department)

This is reflected in the growth rates seen in Washington. Whereas in most places around the world, hypermarket growth is slowing or even negative, in Washington State the channel continues to produce double-digit growth. Just take a look at the growth rates by channel as published by Washington State’s Department of Revenue:

Washington State	Year on Year Growth Rate (%)	
	2018	2019 H1
Superstores & Warehouse Clubs	17.9%	8.7%
Supermarkets & Convenience Stores	5.6%	4.7%
Drug/Health Stores	7.0%	7.6%

Source: Local Taxable Retail Sales (LN45), Department of Revenue, Washington State

There are some important differences in store formats in the Pacific Northwest compared to other parts of the world. We will highlight some of these differences in the next few paragraphs.

Supercenters & Warehouse Clubs

American retailers refer to hypermarkets as ‘supercenters’. US supercenters are generally larger in size than a typical hypermarket and have a much larger floor space devoted to non-food categories such as clothing, home furnishings & decorations, building & gardening materials, toys & entertainment, automotive parts, and more. The three main supercenter operators in Washington State are:

- **Fred Meyer.** Fred Meyer stores, owned and operated by [Kroger](#), are on average 150,000 square feet (14,000 square meters) and carry over 225,000 SKUs. The first Fred Meyer stores opened in Portland, Oregon in 1922 and have continuously modernized over the years. The stores have a loyalty rewards program called ‘My Freddy’s’. The first Seattle Fred Meyer store opened in 1968. For some great videos and other information on the history of Fred Meyer visit the [Oregon Historical Society’s pages](#) -
- **Walmart Supercenter.** Walmart opened its first Supercenter in Missouri in 1988 and began opening stores in Washington State in the same time period. At

the time, Walmart primarily operated large-format discount department stores. The company then spent many years building Supercenters or converting their discount department stores to the format. Today, the average Supercenter sizes at 177,000 square feet (16,750 square meters). Walmart operates 3,570 supercenters in the USA and even more worldwide. Most now offer ‘Curbside Grocery Pickup’ as a service – there are now 31 in Washington. The stores also offer ecommerce “Pickup Towers’ which connect stores to Walmart’s endless-aisle online assortment. There are now 16 such towers in Washington stores.

- **Target.** The average Target in Washington State is 117,000 square feet (11,000 square meters). Target, more than other large format competitors, offers ‘store in store’ concepts with partnerships that include Apple Electronics, CVS Pharmacies, Target Optical, Target Health Clinics, and Starbucks Coffee dining areas.

In addition to these three operators, Washington is home to Costco, one of the world’s largest retailers. In 2018, rival Sam’s Club, operated by Walmart, closed its locations in Washington State leaving Costco as the only large-scale club player in the Seattle region.

- **Costco.** Costco provides bulk-size (wholesale format) products to members. Membership levels vary but the average household can purchase membership for a USD60 annual fee. Costco reports that it now has nearly 54 million paid memberships and 99 million total

cardholders globally. The first Costco opened in Seattle in 1983. The average Costco is now 146,000 square feet in size (14,000 square meters). Costco has a limited assortment approach with just 3,700 active SKUs. It has opened three new warehouses in Washington State since 2010, reflecting the high concentration of locations in the state. The primary way Costco succeeds is by innovating in current locations through attracting more members and offering great services to existing members.

Supermarkets & Convenience Stores

While Costco's Warehouse Club concept and Amazon's eCommerce approach are the two most famous retail innovations coming from Washington State today, it was the Northwest's style of supermarket retailing that originally changed the world. This format has faded in recent years but some startups in the region may one day surprise.

Full-Service Supermarkets

- **Safeway.** Idaho State's 'Safeway Inc.' first listed on the New York Stock Exchange in 1928, making it America's first large-scale and fully-integrated supermarket chain. Safeway pioneered the large-format 'Supermarket Superstore' concept in America, holding the position of

America’s biggest retailer for many years, and boasted international operations in Canada, the United Kingdom, Australia, and Mexico at various points in its history. The company subsequently underwent several takeovers and today is integrated into Albertsons Companies and is once again listed on stock exchanges.

- **Albertsons.** The Albertsons banner began in Boise, Idaho, like Safeway, and was once the principal challenger to Safeway’s success. Albertsons ran into difficulties in the early 2000s after making a major acquisition of American Stores. The company has since reappeared on stock exchanges under the name Albertsons Companies which includes iconic regional banners such as Acme, Jewel Osco, Shaw’s, Randall’s, Vons, and of course Safeway – to name but a few.
- **QFC Supermarkets.** QFC’s full name is ‘Quality Food Centers’. The company hails from Washington State and emerged as a major regional operator in the 1960s. The chain has been owned by Kroger, America’s largest supermarket operator, since 1998. QFC has enjoyed a mid to premium image, particularly when compared to regional sister company Fred Meyer which acquired QFC in 1997, just one year before being taken over by Kroger. The QFC image is now under pressure as organic and wholesome grocery stores invest in the region. In addition to having the Kroger Rewards card loyalty program, QFC also runs a credit card program with MasterCard called QFC 1-2-3 Rewards.

- **Whole Foods Market.** Whole Foods Market, acquired by Amazon in 2017, is a premium supermarket focused on sustainability and quality fresh and organic products. The first Whole Foods debuted in Texas in the 1980s. Whole Foods first entered the Pacific Northwest region in 1989. Today, all stores participate in Amazon’s Prime membership program which offers special products and prices to members.
- **New Seasons Market.** New Seasons Markets – like Whole Foods – focus on the fresh and sustainable segments of the grocery market. The company – created in Portland, Oregon in 2000 – has come to dominate the Portland market and has one store in Seattle. In 2013, the company became a B-Corporation certified company – the first supermarket chain in American to hold gain this certification. B-Corporation certification means the company measures success according to environmental objectives as well as financial measures.
- **Town & Country Markets – including Central Market.** Town & Country Markets is a Washington-based supermarket focused on the fresh and sustainable end of the market. These stores were founded by immigrants – with one of the founding families having Japanese ancestry and the other claiming Croatian heritage. Today the chain has six iconic stores in the region.
- **Natural Grocers.** Natural Grocers is a Colorado-based publicly-listed supermarket, focused on natural food supplements. The stores are relatively small by American

standards – just 11,000 square feet on average (1,000 square meters) – and 25% of floor space is dedicated to 6,600 SKUs of food supplements such as vitamins. The company has three stores in operation in Washington State with a fourth on the way. It recently opened a 14th store in neighboring Oregon.

- **Metropolitan Market.** Like Town & Country, Metropolitan Market is a Washington-based company with a small but renowned footprint. The company began in 1971 with the promise to travel the world and bring back unique and hard-to-find ingredients to Washington State.

Value/Private-Label Supermarkets

When European value giant Lidl recently opened stores on America's East Coast, many observers would wrongly surmise that the West Coast lacked value-oriented food chains or private-label focused supermarkets. In fact, Trader Joe's, one of the world's most inspiring private label supermarkets, acquired by Europe's other large value chain Aldi in the 1970s, has been very successful on the West Coast. However, it is the Pacific Northwest's very own WINCO that has dominated the value segment of the Pacific Northwest value scene for decades.

- **WINCO.** WINCO received its current name in 1999, based on its geographic presence of Washington-Idaho-Nevada-California-Oregon and the idea that, as an employee-owned company based in Boise, Idaho, it was a 'Winning Company'. The company continues today

under the name WINCO but has expanded into many more states including Texas, Utah, Montana, and Wyoming. WINCO stores are very large for supermarkets – more than 70,000 square feet (6,500 square meters). The company focuses on selling brands at low prices by maintaining a no-frills approach to store design and services offered.

- **TRADER JOE’S.** Trader Joe’s primarily sells private label designed to be funny, interesting and, above all, high quality. The company began in California in the 1960s and discovered the benefits of selling private label in 1972 when it created a ‘granola’ SKU. It was subsequently acquired by Germany’s Aldi (Nord) in 1979. The only similarities between Trader Joe’s and Aldi Nord stores in Europe are their focus on limited assortment and private label. The staffing and service models of the sister companies are entirely different with Trade Joe’s staff taking a highly hands-on approach to assisting shoppers.
- **GROCERY OUTLET.** Grocery Outlet Bargain Market had its Initial Public Offering (IPO) in 2019, having previously been controlled by three generations of family ownership and owner-operator store management. The company, despite its IPO, is still seeking franchise investors who receive financial and operational support upon receiving a license to operate stores. Stores range between 15,000 and 20,000 square feet (approximately 1,600 square meters) and sell brands at deep discounts

by using WOW! Treasure-hunt style promotions. Permanent listings are limited in nature. The company has stated that it sees increased consumer acceptance of private label as a major threat.

Convenience Stores

Convenience stores in Seattle are an urban necessity, and the market is changing quickly. Here are a few highlights:

- **7-Eleven.** The world's most prolific convenience franchise has a strong presence in Washington State. In March 2019, the Dallas, Texas-based American division of 7-Eleven launched its lab-store. The lab store is large – 6,300 square feet (585 square meters) – and is designed to use 'pay & go' technology. The architectural company that designed the new format is a Seattle-based firm, which just might signal some new design stores in the region soon.
- **Amazon Go.** When Amazon announced its first Amazon Go store for employees at its Seattle corporate head office, the entire world sat up and took notice. There are now five of these stores operating in Seattle (one with restricted access in a former Macy's building). The stores use visual recognition technology which enables shoppers to grab what they want and then 'just walk out' without having to queue, scan, or pay. Payment is automatically deducted from a linked Amazon account.
- **Starbucks.** Starbucks is not really a convenience store, but it is now the inspiration behind sit-down areas for

many convenience operators. The company is evolving and has begun to test 'Marketplace' concept stores, also known as Reserve stores. The first marketplace concepts are in – you guessed it – Seattle. There are now three Starbucks Reserve stores in the city and the company hopes to eventually have 1,000 such establishments worldwide.

Food Safety in America & Washington State

Foreign visitors to the USA can quickly become confused by the complexity of relationships existing between the national/federal, state, and local levels of government. This is particularly true when looking at food safety, which is often confusing to Americans. Let's briefly explain what you need to know about Food Safety on your visit to see some of America's best food retailers and their facilities.

The US Federal Government & Agencies

The US Federal Government's primary responsibility is to provide guidance to state and local governments when it comes to healthy foods and food safety. This is overseen by two different agencies. The first is the USDA (Department of Agriculture). The USDA carries out inspections of food

processing facilities – particularly those handling meats, fish, and eggs – but also establishes quality scales for these items which can impact the retail price paid by consumers. For this reason, retailers often label their products with the ‘quality’ information as provided by the USDA. An example would be having eggs that are labeled by grade and by size.

The second is the FDA (Food & Drug Administration). The FDA is responsible for setting rules on nutritional labels but also establishing guidelines for State and Local agencies when it comes to standards related to ensuring that foods consumed in the US “are safe, wholesome, sanitary and properly labeled.”

The main way this is accomplished is by the publication of the US Food Code which used by agencies when conducting inspections. The Food Code is updated every four years and circulated among state and local agencies. The most recent report was 767 pages long and covered topics such as “hand contact with Ready-to-Eat foods.” The latest update to the food code is the 2017 edition which can be found on the FDA’s website: www.fda.gov/food/retail-food-protection/fda-food-code

Washington State Food Safety

The governing state agency in Washington is the Washington State Department of Health Food Safety Program, and its website is: www.doh.wa.gov/foodsafety

In Washington, all food workers must undergo food safety training and receive a Food Worker Card when performing their jobs. The standard Food Worker Card is valid for a period of three years. However, it is important to note that some of the

largest retailers have their own food safety staff training programs in place – approved by the Department of Health (DOH) – which grants the worker credentials valid for five years. The retailers mentioned earlier in this report that have these programs in place are Costco, Kroger (Fred Meyer), and Town & Country Markets.

City, Town, & Local Food Safety

Retail, wholesale, food processing, and other food industry operating licenses are both granted by and can be revoked by city and local authorities. One of the most common reasons for revoking an operating license is related to poor food sanitation. As more and more Americans eat meals prepared outside the home, the demand for highly visible and easy-to-understand food safety signage has increased.

In King County, the main county in the Seattle metro area, local authorities introduced a food safety signage system in 2017 which gives restaurants four different ratings. These must be displayed at all times, even in the prepared foods areas of grocery stores – so keep your eyes out for these when exploring.

If you want to check the inspection history for any stores you visit, you can discover more here:

<https://info.kingcounty.gov/health/ehs/foodsafety/inspections/search.aspx>



Figure 3 Seattle & King Country's Restaurant Rating System

COSTCO #1029, COSTCO #1029 - DELI/ ROTISS x

Costco #1029
27520 Covington Way Se
Covington, WA 98042
Seating 0-12 - Risk Category III

[Get directions](#)

Excellent

The rating is based on the average of high risk violations from the last 4 routine inspections.

[Learn more about the rating system](#)

Date	Inspection type /Violation list	Score
11/14/2019	Routine Inspection	0
04/01/2019	Routine Inspection	5
4100 Warewashing facilities properly installed (5 points)		

Figure 4 An example of a food service inspection report at a retail store in Seattle

Conclusions

Seattle, Washington State, and the Pacific Northwest continues to be one of the fastest growth food retail scenes in the world. With this growth comes significant innovation – some that works and explodes across the world; others that fail but enable Northwest companies to pick up the pieces and try again.



Washingtonians take food safety seriously – this will be fully understood when you visit stores in the region. Make sure to check out the food service inspection reports for the sites you visit while in Seattle.

About Kantar

Understand people, inspire growth. We are a data and evidence-based agency providing insights and actionable recommendations to clients, worldwide. By combining the expertise of our people, our data resources and benchmarks, our innovative analytics and technology, we help our clients understand people and inspire growth.

Retail Expertise. With over 1,000 retail-focused analysts, thought leaders, software developers, and expert consultants, we help clients develop and execute brand, marketing, retail, sales, and shopper strategies to deliver growth. Kantar owns market-leading assets, including **PowerRanking®**; **GrowthFinder**; **Global Monitor**; **Retail IQ**; **RichMix**; **XTEL**; and **Marketing Insights**. We track 1,300 retailers globally; have purchase data on over 200 million shoppers; and forecast social, cultural, and consumer trends across the world.

For further information please refer to:

www.KRIQ.com | www.kantar.com

For queries about the information in this report please contact:

Ray Gaul - Ray.Gaul@Kantar.com

Or

Sara Altukhaim – Sara.Altukhaim@Kantar.com

¹ According to Washington State’s Employment Security Department -
<https://esd.wa.gov/newsroom/washingtons-average-wage-tops-65000-in-2018>

¹ According to the Seattle Times newspaper using Census Bureau data -
<https://www.seattletimes.com/seattle-news/data/diversity-surges-on-the-eastside-especially-in-microsofts-hometown-but-stalls-in-seattle/>

¹ According to the US Census Bureau’s American Fact Finder Quick Facts -
<https://www.census.gov/quickfacts/WA>

¹ According to the US Census Bureau -
<https://www.census.gov/newsroom/press-releases/2019/estimates-county-metro.html>

¹ According to the US Bureau of Economic Analysis -
<https://www.bea.gov/data/gdp/gdp-state>



2nd - 5th
MARCH 2021

SINGAPORE
Marina Bay Sands

conference.mygfsi.com

[#gfsi21](https://twitter.com/gfsi21)

GFSI
CONFERENCE