

SUPERVALU'S AG PURCHASE ADVANCES ETHNIC GROCERY INITIATIVES

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National grocery wholesaler Supervalu Inc. has expanded its Hispanic grocery offerings to South Florida clientele with the purchase of prominent ethnic wholesaler Associated Growers of Florida (AG). Supervalu is one of the top ten US grocery wholesalers, with wholesale sales accounting for 61.7% of total revenues in addition to sales from its retail locations in the Midwest and Mid-Atlantic.^{1 2} The \$180 million merger, announced less than four months after Supervalu's purchase of Unified Grocers and Central Grocers, greatly expands Supervalu's presence in the Florida market and grants the company greater national scale. AG distributes to "an exciting mix of multi-cultural independent grocers" in South Florida, the Caribbean, Central and South America.³ According to Mark Gross, Supervalu's president and CEO, "We're obviously investing significantly in what I'll call the Hispanic market."⁴

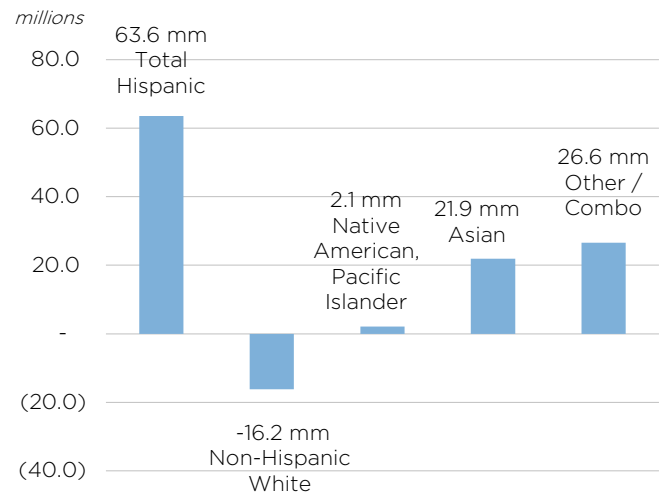
This development comes amidst rising interest in the ethnic grocery sector given the US Hispanic community's size, growth, and distinctive food preferences. The Fall 2017 Longpoint Review covered the recent wave of private equity investments in retail chains like Cardenas Markets, Mi Pueblo, and Fiesta Mart.⁵ See Figure 1. In the US, the

FIGURE 1: ETHNIC SUPERMARKET M&A ACTIVITY ⁶

Target	Buyer	Date	Size (\$)
Los Altos Ranch	Cardenas Markets	Oct '17	Unknown
Cardenas Markets & Mi Pueblo	KKR	Nov '16	Unknown
Fiesta Mart	Acon Investments	Apr '15	\$120 mm
Mi Pueblo Food Center	Viceroy Park	Feb '14	\$51 mm
Pro's Ranch Market	Cardenas Markets	Jan '14	\$55 mm

Hispanic community is highly concentrated in major urban markets such as Miami, Orlando, Dallas, Austin, Houston, and Southern California. Grocery expert Burt Flickinger III, Managing Director of the Strategic Resource Group, notes that ethnic consumers represent a valuable opportunity for grocery sector expansion given that Hispanics account for 90% of current US population growth.⁷ See Figure 2.

FIGURE 2: US CENSUS BUREAU: POPULATION PROJECTIONS 2014 - 2060 ⁸



Supervalu's AG purchase highlights the steps that back-end grocery suppliers are taking to help their merchandising counterparts deliver on the promise of an authentic Latin food retail experience. In another noteworthy example, Amazon partnered in June 2017 with El Latino, a Florida-based ethnic foods supplier, to better cater to South Florida's consumer market.⁹ Maria Ibañez, the founder of El Latino, says, "We sell nostalgia...The consumer has to experience the same flavors they had growing up."¹⁰ The strategic focus on ethnic foods by El Latino, AG, and others underscores the important concept of "curation." According to Harvard Business School

Professor Ryan Raffaelli's 3 C's framework, a curated product mix with unique appeal to local consumer segments is instrumental to building customer loyalty.¹¹ Supervalu's AG acquisition broadens the Midwest-based company's assortment of Hispanic foods and strengthens their position as a supplier for ethnic supermarkets in South Florida, which are increasingly seen as high-quality anchor tenants by local real estate operators. ■



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