

Shoppers Price Comparison

Shoppers Food & Pharmacy

Shoppers Food & Pharmacy used a third party audit service, Retail Data Service (RDS), to conduct price checks of all UPC items carried in select Giant and Safeway stores in the Washington/Baltimore area. All UPC items carried in the store are checked each month such that ¼ of the items are checked each week. UPC items include all center store items and fresh items that carry a standard per unit price associated with a unique UPC (not random weight items such as, for example, most meats and produce).

METHODOLOGY:

An index was created to characterize the pricing differential observed between Shoppers Food & Pharmacy and each competitor. The index considers the pricing of all UPC items across a 16 week period (February 13th – May 29th, 2010). Only UPC items carried in common between Shoppers Food & Pharmacy and the competitor (matching UPCs found in the two data sets) are included in calculating the index. Advertised prices having duration of 1 week or less are excluded from the analysis, but temporary price reductions lasting longer than 1 week are included. Items only carried at one store or the other (not in common) are excluded from the analysis.

- For the Giant index, the comparison comprises 12,000-13,000 unique items. The UPCs of Private Label offerings were mapped between Giant and Shoppers Food & Pharmacy such that like offerings are considered matches and are included in the analysis. Unique private label offerings are not included for either chain.
- For the Safeway index, the comparison comprises 7,000 – 8,000 items and no private label products (Safeway or Shoppers Food & Pharmacy) are included in the calculation.

WEIGHTING EXPLANATION:

The pricing data was then weighted based on volume of sales for the item to increase the influence of high volume items on the index and to minimize the influence of UPC items with limited sales. The weights are derived from a unit break down of sales across all Shoppers Food & Pharmacy stores over the same time period as the index.

The unit breakdown of sales for Shoppers Food & Pharmacy was compared to Nielsen Point of Sale data for the rest of the market sales for all food stores over the past 52 weeks ending 12/26/09 to assess its appropriateness for use. In those categories that cumulatively account for 80% of units sold by food retailers in the Washington/Baltimore area, the cumulative % of sales attributable to these categories is highly consistent with the total market and thus the weighting will add relevance to the pricing comparison without introducing undue bias.

	Cumulative % of Unit Sales	
	Total Market	Shoppers Food & Pharmacy
Top 80% Categories	80.273%	80.087%

TOP 80% CATEGORIES (UNITS) WASHINGTON/BALTIMORE FOOD PER NIELSEN PAST 52 WEEKS ENDING 12/26/09

COMMERCIAL BREAD	FROZEN NOVELTIES
SOFT DRINKS MIXERS	PASTA SAUCE
YOGURT	WHOLESOME SNACKS
SALTY SNACKS	PICNIC NAPKINS
MILK	BABY FOOD
EDIBLE GROCERY SOUP	COFFEE
CHEESE	WRAPPING MATERIALS BAGS
FROZEN PREPARED FOODS	SALTS AND SPICES
SHELF STABLE JUICES DRINKS	BACON
BOTTLED WATER	CANNED PREPARED BEANS
ETHNIC	COTTAGE CHEESE SOUR CREAM
CEREAL READY TO EAT	PEANUT BUTTER PRESERVES
PREPARED FOODS GROCERY	DOG FOOD TREATS
FROZEN VEGETABLES	ISOTONICS
REFRIGERATED JUICES DRINKS	REFRIGERATED DOUGH
SUGAR SWEET BAKING	HOT DOGS
CANNED GLASS VEGETABLES	SALAD VEGETABLES
HOUSEHOLD PAPER	FROZEN BREAKFAST FOODS
DRY BAKING	ORAL HYGIENE DENTURE CARE
EGGS	TABLE WINE
CRACKERS	CARROTS
CAT FOOD TREATS	ENVELOPE MIXES GRAVIES
COOKIES	FROZEN SNACKS
BERRIES	PICKLES OLIVES VINEGAR
ICE CREAM	CANNED AND GLASS FRUIT APPLESAUCE
CONFECTIONS SINGLE SERVE	BUTTER MARGARINE
CANNED SEAFOOD	MAYONNAISE SPREADS SALAD DRESSING
PACKAGE SALADS	CONDIMENTS
DRY PASTA	FROZEN PIZZA
LUNCH MEATS	NEW AGE BEVERAGE
CONFECTIONS IN AISLE MULTISERVE	TOMATO PASTE SAUCE AND PUREE

RESULTING INDICES

Using the methodology and weighting approach shown above the following indices were derived for each competitor.

The index calculation:

Competitor Average / Shoppers Average = Index

- An index of 100% indicates the pricing is equal between the Competitors
- An index above 100% indicates that the competitors pricing is higher than Shoppers' pricing by the percentage indicated by the difference of the index and 100% (i.e., an index of 110% means the competitors' pricing is 10% **higher** than Shoppers')
- An index below 100% indicates that Shoppers' pricing is higher than the competitor (i.e., an index of 90% means the competitors price is 10% **lower** than Shoppers')

<u>Date</u>	<u>Giant</u>	<u>Safeway</u>
5-29-2010	110.09%	108.06%
5-22-2010	108.99%	106.48%
5-15-2010	109.50%	105.72%
5-8-2010	108.77%	104.65%
5-1-2010	107.81%	104.65%
4-24-2010	107.40%	104.31%
4-17-2010	108.02%	104.55%
4-10-2010	109.13%	105.99%

4-3-2010	109.33%	106.36%
3-27-2010	107.67%	105.94%
3-20-2010	107.66%	107.10%
3-13-2010	107.48%	107.68%
3-06-2010	107.31%	107.60%
2-27-2010	106.94%	106.98%
2-20-2010	106.96%	105.76%
2-13-2010	107.85%	106.35%
16 Week Average	108.18%	106.14%

COMBINED COMPETITOR INDEX

To derive a single index that accurately reflects the competitive share of the two competitors surveyed, we used the following inputs.

- An average index across the 16-week period for each competitor (shown in the previous chart).
- A relative share factor to weight the two competitive indices together in proportion to their market share

The relative share factors are based on each competitors' market share as reported by Nielsen for Q1 2010:

- Giant holds a 24.9% share of the grocery market across retailers classified as Food, Drug, and Mass (see listing at end of document)
- Safeway holds a 10.9% share of the grocery market across retailers classified as Food, Drug, and Mass (see listing at end of document)

To calculate a relative share factor, we added the share of both competitors together then determined the proportion of the total attributable to each.

$$24.9\% \text{ Giant Share} + 10.9\% \text{ Safeway Share} = 35.8\% \text{ Combined Share}$$

$$24.9\% \text{ Giant Share} / 35.8\% \text{ Combined Share} = .696 \text{ Giant Relative Share factor}$$

$$10.9\% \text{ Safeway Share} / 35.8\% \text{ Combined Share} = .304 \text{ Safeway Relative Share Factor}$$

FINAL CALCULATION

(Giant 16 Week Average Index * Giant Relative Share Factor) + (Safeway 16 Week Average Index * Safeway Relative Share Factor) = Combined Index

$$(108.18\% * .696) + (106.14\% * .304) = \mathbf{107.6}$$

CALCULATION OF ANNUAL SAVINGS

Nielsen 52 Week Data ending 12/26/09 indicates an average household in the Washington/Baltimore area spends \$6,127.12 annually on groceries.

Multiplying the annual average spend by the combined price index advantage of 7.6% yields an estimated \$465.66 in annual household savings for Shoppers customers as measured across the top 80% of grocery categories. In recognition of normal item price fluctuations and wishing to take a conservative approach, we decided to reduce the \$465.66 annual household savings number for Shoppers customers to \$400.00 for advertising purposes.

Nielsen Classification of Retailers in the Washington Baltimore area

FOOD RETAILERS:

SAVE A LOT CORPORATE STORES
SHOPPERS FOOD/METRO FOOD
ALDI INC
AMERICANA GROCERY
BAINES STOP SHOP AND SAVE
BLOOM MARKET
BOTTOM DOLLAR
FOOD LION
GIANT (MD)
GRAULS MARKET INC
HARRIS TEETER INC
HEALTHWAY NATURAL FOODS
LOTTE PLAZA
MAGRUDERS INC
MARS
MURRYS STORE
SAFEWAY
SUPER FRESH
TRADER JOES CO
WEGMANS
WEIS
WHOLE FOODS/BREAD AND CIRCUS
All OTHER FOOD

DRUG RETAILERS

CVS
FOERS CARE PHARMACY
RITE AID
WALGREENS
OTHER DRUG

MASS RETAILERS

KMART CORP
TAREGT PFRESH
TARGET STORES
TARGET SUPERCENTER
WAL-MART
WAL-MART SUPERCENTER
OTHER MASS