Sobeys' low-cost grocery brand enters Winnipeg market

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Posted: 05/1/2019 7:00 PM
Last Modified: 05/1/2019 9:56 PM | Updates

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FreshCo, Sobeys' entrant in the discount grocery store market, is opening its first two Winnipeg stores on Thursday.

They are just the second and third FreshCo stores in Western Canada as Stellarton, N.S.-based Sobeys has plans to open 12 by the end of the year.

It's a strategic move by Sobeys, which is staking a claim for some of the discount market in Western Canada that it has not been active in although the company has a thriving chain of FreshCo stores in Ontario.

"The discount market is very important to us," said Mike Venton, the general manager of Sobeys discount format. "When you think of the composition of the Sobeys brand across the country, 87 per cent of our locations (1,500 across the country) are full-service businesses. But in the Western Canadian market, the discount segment is growing at the fastest pace. So for us, it is a great opportunity to get our discount business into Western Canada."



At about 45,000 square feet, the two Winnipeg FreshCo stores will be a little larger than the average location partly because they will include Cantor's Express butcher counters run by the Winnipeg family-owned institution Cantor's Quality Meats & Groceries.

The two locations -- one at Jefferson Avenue and McPhillips Street, the other at Regent Avenue and Lagimodiere Boulevard -- will include pharmacies run by the same pharmacists that had operated in those locations in the former Safeway format. Venton said the Jefferson Avenue location will feature a number of specialty items that will appeal to the Filipino community in the neighbourhood, including a fresh seafood counter.

But the guiding principle at FreshCo is having the lowest prices in town and Venton is not shy to make a bold commitment: "We will be the cheapest grocery store in Winnipeg."

FreshCo offers three money-saving guarantees: if a customer can't find product that is advertised in flyer, customers will receive a rain check, plus 10 per cent off that advertised price; if a customer is not fully satisfied with the product quality, FreshCo will reimburse the cost and replace the product; and it will match the lowest price in town on any product it sells.

"We are so obsessed with lowering costs every day," Venton said. "Our operation is built on low overhead. Everything we do is focused on how to get our prices lower and how do we reflect assortment and the needs of the community."

With the logistical know-how of a national multibillion-dollar enterprise, Venton said they are able to offer fresh food at discount prices that are not "discount" quality.

As it prepared to launch in Western Canada, the company revamped its 95 Ontario FreshCo stores, changing the colour schemes and conducting extensive customer research.

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>
> – Mike Venton, general manager of Sobeys discount format

"We were looking to make sure that before we came to Western Canada we felt really confident that what we were going to bring was an improved version," he said.

The changes include enhancing the marketing and point-of-sale areas, highlighting the features and adding price guarantees.

The conversion of a couple of former Safeway stores in Winnipeg comes more than five years after Sobeys paid $5.8 billion for the Western Canadian chain of Safeway stores. A couple of years ago, the company announced its intention to convert up to one-quarter of its 255 Safeway and Sobeys stores in Western Canada to FreshCo formats over the next five years.

Everything has not always gone smoothly since the Safeway acquisition, but the introduction of FreshCo into Western Canada allows the company to repurpose locations that needed help to fit in.

"Strategically it is a very good move for us to be making for a number of reasons," Venton said. "In Winnipeg you will see Sobeys full–service locations in close proximity to each other. Also some neighbourhoods are just suited more for a discount offering. For us it is about capturing more sales and a creating more share of the market and having more options."

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Martin Cash has been writing a column and business news at the Free Press since 1989. Over those years he's written through a number of business cycles and the rise and fall (and rise) in fortunes of many local businesses.

Read full biography

HISTORY

Updated on Wednesday, May 1, 2019 at 9:56 PM CDT: Adds store locations.

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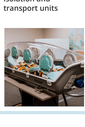

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