

\$79 REPORT / FREE EXAMPLE / UNITED STATES

Sprouts Farmers Market

Three AI hypotheses to test first.

Earn extra visits from existing loyalty spend. Adjust fresh buying to true demand. Back the new products customers keep buying. Begin with the decision that limits growth, then test whether AI improves it.

1 / LOYALTY SPEND

Earn the next trip

Allocate existing value and contact spending to actions that earn extra worthwhile visits.

2 / FRESH DEMAND

Buy to the real need

Test ordering and markdown decisions within existing RELEX/SRS, balancing waste and availability.

3 / NEW-ITEM RANGE

Back lasting demand

Use repeat buying and member feedback to decide what stays and how deeply to buy.

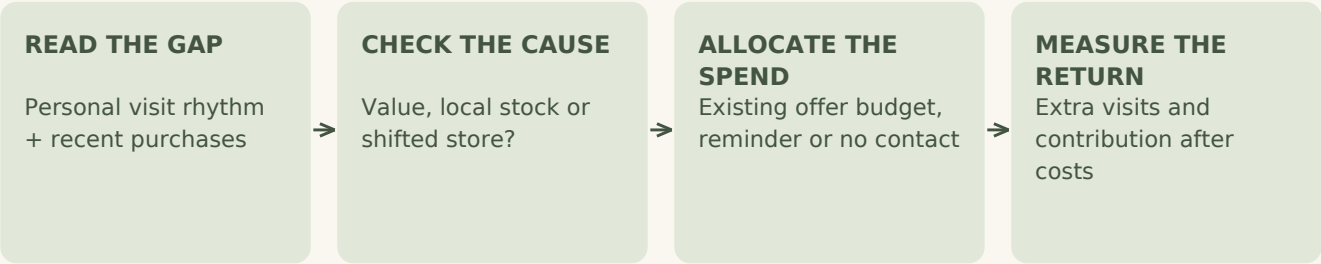
WHY THESE THREE

Sales are growing through expansion while existing-store demand is softer. Management identifies visit frequency as the clearest weakness; new products and the core customer remain strengths. Availability is an operating hypothesis to check, rather than an established cause of the sales decline. [3,11]



01 / AI HYPOTHESIS: CUSTOMER VISITS

Give the right shopper a reason to return.



Proposed decision sequence. A missed visit is a signal to investigate, not proof that a discount is needed.

HYPOTHESIS

Better allocation of existing loyalty spending may recover worthwhile trips among less-engaged shoppers. Rewards already personalizes, while loyalty costs pressure margin and affordability tests have produced a mixed traffic response. The question is which spending changes behavior. [3,9] First separate a longer visit gap from a customer shifting to a nearby new Sprouts store, seasonal buying, or a temporary price or availability problem. Chief Customer Officer Amanda Rassi should own the test with Rewards and finance. Her remit includes loyalty, personalization, eCommerce and insights. [23]

WHAT AI CHANGES

Estimate incremental response to each permitted action, ranking who should receive it, when, and who should receive nothing. Keep the existing budget fixed: propensity to buy is not evidence the offer caused a purchase. Purchase history and past campaign exposure supply the signal; current local stock makes the action feasible. Compare with current Rewards deals and recommendations. [9]

A CONCRETE DECISION

A shopper stops buying familiar fresh essentials. Check stock and nearby-store migration. Test value or convenience when they are the likely barrier. Route repeated stock problems to operations before more marketing.

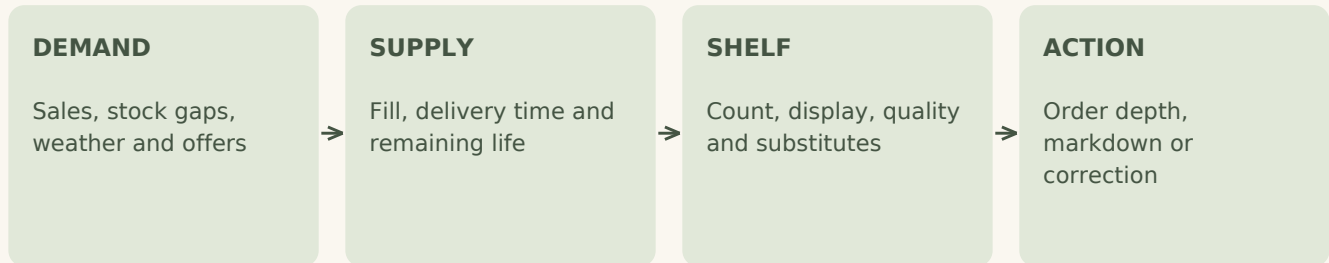
Comparison	What stays controlled
Usual personalization	Current Sprouts contact and offer practice
Simple visit-gap rule	Same offer budget, eligibility and contact limits
AI action ranking	Same stock access; incremental trips after costs

TEST AND DECISION

Randomize shoppers, retaining a no-contact group where feasible. Measure contribution per eligible shopper after discounts, delivery costs and refunds, plus incremental visits. Track opt-outs and workload. Stop if the model pays regular customers to return or cannot beat the simple rule. Member results do not describe every shopper.

02 / AI HYPOTHESIS: FRESH DEMAND

Buy to demand. Protect freshness.



Proposed workflow: predict the risk, verify its cause and assign a feasible action.



HYPOTHESIS

When unit demand shifts, store/category order depth and markdown timing may lag. Merchants, supply chain and stores should test decisions that protect contribution, freshness and availability. RELEX has described Sprouts fresh optimization since 2022; SRS now adds guided counts. Audit live capabilities and adoption before proposing a new layer. [4,10]

WHAT AI CHANGES

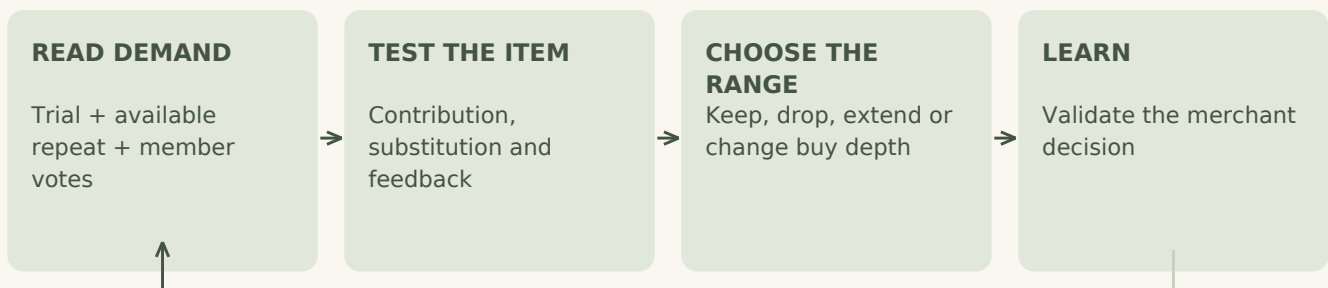
Adjust order depth and markdown timing using availability-adjusted demand, remaining life, promotions, weather and supply reliability. Separate changing demand from doubtful counts and supplier shortages. Give the team a reason, a feasible action and an override. Existing food safety and quality rules constrain every decision; higher forecast accuracy alone is not a business result.

TEST AND DECISION

Use a bounded department and comparable stores. Compare the current system and a simple exception rule with the enhanced ranking. Measure contribution after waste, markdown and labor costs, alongside unavailable shelf hours, freshness and fulfilled demand. Record whether the cause was supplier fill, distribution, count, shelf execution or demand. Move this first locally if verified stock failures block willing buyers. Stop if extra stock increases waste or alerts cannot be acted on.

03 / AI HYPOTHESIS: NEW-ITEM RANGE

Back the products that earn a second purchase.



Proposed merchant learning loop. Available repeat purchase and category economics matter more than initial trial.

HYPOTHESIS

Use Sprouts' innovation strength to make better keep/drop/extend and buy-depth decisions. Management reported about 1,300 new items in Q2, with newness outgrowing the business. Rewards also offers member product voting. Merchandising, foragers and customer insights should connect these signals; innovation is not established as a weakness. [3,21,24]

WHAT AI CHANGES

Rank new-item decisions using first purchase, availability-adjusted repeat, member votes, contribution and substitution. Distinguish a weak item from one shoppers could not find or repurchase. Suggest a reasoned buy-depth or range action for merchant approval. Approved product explanations and meal ideas can support trial, but must use verified attributes and never invent health benefits.

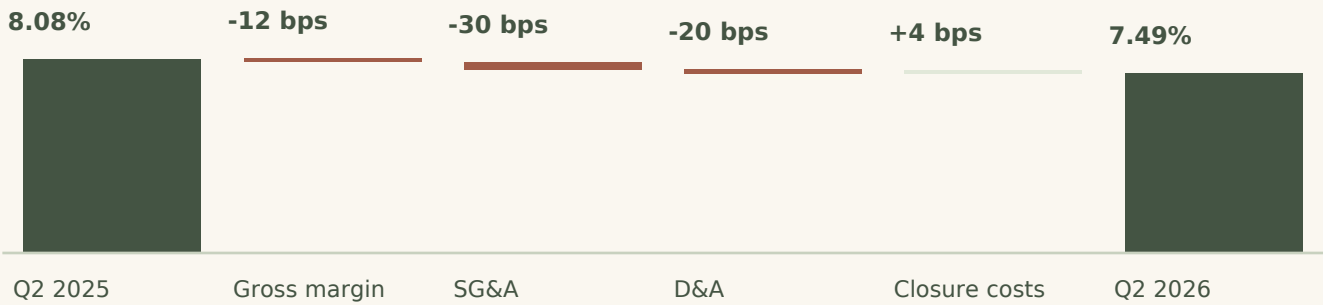
TEST AND DECISION

Compare current merchant practice, a simple trial/repeat rule and AI ranking across a bounded launch set. Measure category contribution after promotions, waste and markdowns; repeat among buyers with a genuine chance to repurchase; and decisions to keep, drop, extend or adjust depth. Account for cannibalization and seasonal items. Stop if recommendations shift sales between items without improving economics or merely reward launch promotion.

04 / FINANCIAL DIAGNOSIS

More stores. Softer existing-store demand.

OPERATING MARGIN / % OF SALES



Calculated from Q2 income statements; one basis point (bp) is 0.01 percentage point. Rounded components explain the 59 bp margin decline. [1]

US consolidated / Q2	2025	2026
Sales / USD millions	2,220.6	2,325.8
Comparable-store sales	+10.2%	-1.0%
Operating income / USD millions	179.4	174.2
Operating margin / calculated	8.08%	7.49%
Net income / USD millions	133.7	129.2

WHAT THIS DIAGNOSES

Sales rose 4.74%; ending stores rose 7.69%, from 455 to 490. Counts are not an exact sales bridge. Comp sales remain 9.1% above two years earlier: 1.102 x 0.99 - 1. That difficult comparison does not eliminate the need to rebuild trips. [1,2,11]

PROFIT DEFINES THE TEST

Operating income fell despite higher sales. SG&A and depreciation drove most margin pressure. Management also linked gross-margin pressure to loyalty investments and fuel costs. Existing customer spending must earn incremental demand. [3] Net income fell 3.37%, while diluted shares fell 4.42%; EPS rose from USD 1.35 to 1.37, which does not establish operating recovery. Evaluate each intervention on contribution after its full costs, not coupon redemption or forecast accuracy. [1,11]

HOW TO READ INVENTORY

Calculated H1 book-inventory days: 27.7 = average USD 427.095m and 436.814m stock / USD 2,837.059m cost of sales x 182 days. This mixes categories; it cannot establish fresh shelf life, stockouts or excess stock. [11]

05 / COMPETITIVE LANDSCAPE

Learn from the competition. Keep Sprouts distinct.

US competitor / scope	Current evidence	Implication for Sprouts
Natural Grocers / overlapping local markets	Organic produce standard; nutrition coaches. June-quarter comp +1.2%, transactions -1.8%, basket +3.1%. [13,19,22]	Make healthy choices understandable and useful. Positive comp can still conceal fewer trips.
Albertsons / local banners	June20, 16-week identical sales -0.8%; excludes fuel, includes pharmacy. Afresh describes national fresh AI rollout. [6,14]	Compare fresh-data and operating workflow, not raw pharmacy-affected sales or scale.
Whole Foods / Amazon	Premium natural grocery; Daily Shop and fresh delivery expansion. Parent claims strong traffic without a numerical comp benchmark. [18]	A clear fresh shopping mission and convenient completion matter; parent financials are not Whole Foods results.

TRENDS AND DIFFERENTIATION

Sprouts' organic, local and innovative sourcing is a stated strength. Whole Foods also highlights fiber and convenient meals in its 2026 predictions. A forecast of a trend is not evidence of Sprouts customer demand. Use availability-adjusted repeat purchase and feedback to decide which attributes deserve space and buying depth, rather than expanding the range because a topic is popular. [16,21]

INDUSTRY / 2025 2.1% FMI-reported food retail net margin.	INDUSTRY / 2025 5.8% FMI-reported out-of-stock rate.	SPROUTS / Q2 5.55% Calculated net income / sales. [1]
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FMI surveyed 70 US/Canadian retail and wholesale companies in February 2026, supplemented by eight public-company filings. These are broad benchmarks, not a matched Sprouts peer average. Period, business mix and stockout measurement differ. [15,25]

WHAT CANNOT BE RANKED RESPONSIBLY

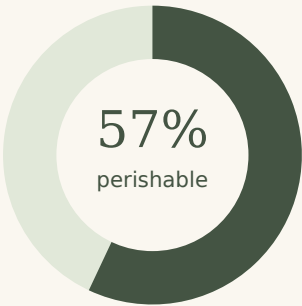
Comparable fresh stock quality, item-level sell-through and normalized days of inventory are not publicly established for these peers. Natural Grocers includes occupancy in its cost-of-goods denominator and has a different category mix. Whole Foods standalone current ratios are unavailable. Measure stock, waste and demand locally; lower inventory alone is not better availability. [20]

06 / OPERATING EVIDENCE AND OUTSIDE CASES

Keep the strengths. Test the missing link.

CURRENT CONTEXT

Q2 is the latest released financial quarter; Q3 results are due 28 October. The September update reports more than 500 stores. Nick Konat becomes CEO on 4 January 2027, with Jack Sinclair moving to executive chair. [26,27]



WHY THE FRESH MISSION MATTERS

FY2025 reported sales mix. Perishable includes produce, meat, seafood, deli, bakery, dairy and floral. It is not the produce share. [12]

Proposed response: connect true demand to freshness, feasible availability and the next useful purchase.

THE OPERATING QUESTIONS BEHIND THE HYPOTHESES

Fresh self-distribution, supplier reliability and store execution shape what can be promised. KeHE supplied 52% and UNFI 12% of FY2025 purchases; these are total-purchase figures for distributor relationships, not produce shares. About 80% of stores were within 250 miles of a fresh distribution center at year-end. Verify current routes, contracts and age at receipt before changing orders. [12]

TESCO / ADOBE: RELEVANT CUSTOMER ACTION

The 13 April 2026 UK partnership announcement proposes AI-assisted personalization and an innovation lab. It shows a direction for better timing and relevance beyond existing loyalty offers, not a measured visit-recovery result. Sprouts should test a narrow decision within its present channels; the UK platform scale and economics do not transfer. [5]

ALBERTSONS / AFRESH: USABLE FRESH INVENTORY

The provider's 23 October 2025 account describes AI replenishment across fresh departments, including recipe, transformation and random-weight inventory relationships. Use it to inspect capability gaps in Sprouts' current setup. It does not prove Albertsons has better shelves, quantify a causal Sprouts outcome or justify replacing RELEX. [6]

BIG C / AWS: OCCASION TO BASKET

AWS's 28 May 2026 Thai launch describes agents matching catalog items, recipes and quantities in a mobile shopping assistant. The transferable decision is helping a shopper assemble a useful basket from approved facts. A launch is not a repeat-purchase experiment; language, market and assortment differ. [17]

CHOOSE THE MECHANISM BEFORE THE PROVIDER

Request a demonstration with the same permitted sample and current workflow. Require reasons, staff overrides, reliable data joins and export. Price integration and support as well as software. Sprouts' own RELEX and Rewards deployments establish the starting point; outside cases do not validate the hypotheses. [4,9]

07 / IMPLEMENTATION AND DECISION

Let the evidence change the order.



Proposed diagnosis: separate weaker demand from a purchase blocked by stock, quality or product fit.

Priority	Evidence that moves it up	Owner / comparison
Loyalty spend	Visit gaps persist despite current value spending	Customer officer / current marketing + gap rule
Fresh buying	Unit-demand shifts, waste or verified unmet demand	Merchants + stores / current system + simple rule
New-item range	Trial, repeat and contribution point to different range choices	Merchandising / current practice + repeat rule

A PRACTICAL FIRST MOVE

Join a permitted sample of purchases, campaign exposure, stock and shelf checks, supplier fill, delivery age, waste, product attributes and feedback. Separate established stores from new openings and nearby-store migration. Establish the baseline before testing. Begin visit recovery where availability is dependable; run a fresh diagnostic in parallel. Scope new-item decisions separately so launch learning is not confused with extra discounts.

PRICE AND MEASURE THE WHOLE INTERVENTION

Include data preparation, integration, licenses, model use, store training, staff review, evaluation, ongoing support and exit. Finance and the owner agree a minimum worthwhile contribution change before results. A 90-day sequence can organize readiness, test and review; seasonal products and repeat buying may need longer. Stop for unsafe product advice, worse waste, unwelcome contact or extra work without a worthwhile result.

REVIEW AND SCOPE

This independent public-source example was not commissioned or endorsed by Sprouts. Research covers the business, competitors, trends, financials and installed capabilities; the supporting record retains the detail. Claude critiqued the analysis, followed by Retail Lab source checks and final editing. These three opportunities are hypotheses, with no projected company sales uplift or savings. Public evidence cannot establish internal root causes or data readiness.

SOURCES / 1

Evidence you can trace.

[1] Sprouts Q2 2026 results

29 July 2026

[2] Sprouts Q2 2025 results

30 July 2025

[3] Sprouts Q2 2026 earnings call

29 July 2026

[4] Sprouts / RELEX replenishment

4 June 2026

[5] Tesco / Adobe AI partnership

13 April 2026

[6] Albertsons / Afresh fresh rollout

23 October 2025

[9] Sprouts Rewards

Accessed 9 October 2026

[10] Sprouts / RELEX earlier capabilities

Earlier provider account; accessed 9 October 2026

[11] Sprouts Q2 2026 Form 10-Q

Filed 29 July 2026; quarter ended 28 June 2026

[12] Sprouts FY2025 Form 10-K

Filed 19 February 2026; year ended 28 December 2025

[13] Natural Grocers Q3 FY2026 results

6 August 2026; three months ended 30 June 2026

[14] Albertsons Q1 FY2026 results

23 July 2026; 16 weeks ended 20 June 2026

[15] FMI industry operations benchmarks

7 July 2026; survey reports 2025 conditions

[16] Whole Foods 2026 trend predictions

2026 predictions; accessed 9 October 2026

SOURCES / 2

Evidence you can trace.

[17] Big C / AWS shopping assistant launch

28 May 2026; Thailand

[18] Amazon grocery strategy and Whole Foods expansion

27 January 2026; current company account

[19] Natural Grocers nutritional health coaches

26 March 2026

[20] Natural Grocers Q3 FY2026 Form 10-Q

Filed 6 August 2026; quarter ended 30 June 2026

[21] Sprouts sourcing and product innovation

Current company account; accessed 9 October 2026

[22] Natural Grocers product standards

Current US product account; accessed 9 October 2026

[23] Sprouts customer and merchandising leadership

19 February 2026

[24] Sprouts Rewards benefits / product voting

Accessed 9 October 2026

[25] FMI industry survey methodology

7 July 2026

[26] Sprouts Q3 reporting date and current store context

30 September 2026

[27] Sprouts CEO succession

1 September 2026