

Shoppers' Hunt for Value: Consequences for Brands

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Nov. 8, 2023



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The Price is not Right

Price anxiety is changing the way shoppers behave at the grocery store.

News about **inflation** is more than just a series of stories. It has an impact on the decisions that grocery shoppers make every day.

Consumer responses are **not uniform**. They vary across socio-economic strata and age cohorts. Some will be **temporary**; some **enduring**.

How should brands understand and respond?



Wages aren't keeping pace with prices

US consumers keep spending despite high prices and their own gloomy outlook. Can it last?



BY CHRISTOPHER RUGABER AND ANNE D'INNOCENZIO
Updated 2:41 PM MST, October 30, 2023

WASHINGTON (AP) — A flow of recent data from the U.S. government made one thing strikingly clear: A surge in consumer spending is fueling growth, demonstrating a resilience that has confounded economic Reserve officials and even the sour sentiments that Americans have expressed in opinion polls.

A4 | SATURDAY, OCTOBER 28, 2023 NATION ARIZONA DAILY STAR

Many say expenses outpace earnings

CORA LEWIS
Associated Press

NEW YORK — About 2 in 3 Americans say their household expenses grew over the last year, but only about 1 in 4 say their income increased in the same period, according to a new poll from The Associated Press-NORC Center for Public Affairs Research.

As household expenses outpace earnings, many express concern about their financial futures. What's more, for most Americans, household debt has either risen in the last year or has not gone away.

Steve Shapiro, 61, who works as an audio engineer in Pittsburgh, said he spent about \$100 a week on groceries prior to this year, but now he shells out closer to \$200.

"My income has stayed the same," he said. "The economy is good on paper, but I'm not doing great."

About 8 in 10 Americans say their overall household debt is higher or about the same as it was a year ago. About half say they currently have credit card debt, 4 in 10 are dealing with auto loans, and about 1 in 4 have medical debt. Just 15% say their household savings increased over the last year.

Tracy Gonzales, 36, who works as a subcontractor in construction in San Antonio, Texas, has several thousand dollars of medical debt from an emergency room visit for what she thought was a bad headache but turned out to be a tooth infection.

"They'll treat you, but the bills are crazy," she said. Gonzales said she's tried to avoid seeking medical treatment because of the costs.

Relatively few Americans say they're very or extremely confident they could pay an unexpected medical expense (26%) have enough money for retirement (18%). Only about one-third are extremely confident their current financial situation will allow them to keep up with expenses, though additional 42% say they're somewhat confident.

"I've been looking forward to retirement my entire life. Recently I realized it's just not going to happen," said Shapiro.

JOHN RAOUX, ASSOCIATED PRESS

Credit cards as seen July 1, 2021, in Orlando, Fla.

A man shops March 19 at a grocery store.

The New York Times | <https://www.nytimes.com/2023/10/17/business/private-label-food-groceries.html>

Those Doritos Too Expensive? More Stores Offer Their Own Alternatives.

Retailers are expanding their own private-label food and beverage offerings, attracting customers looking for less expensive options.

By Julie Creswell
Oct. 17, 2023

The snack chips had become pretty pricey.

For years, customers stopping at Casey's General Stores, a convenience store chain in the Midwest, hadn't thought twice about snagging a soda and a bag of Lay's or Doritos chips. But over the past year, as the price of a bag of chips soared and some customers felt squeezed by the high cost of gas and other expenses, they began picking up Casey's less-expensive store brand.

So Casey's began stocking more of its own chips, in a variety of new flavors. This summer, Casey's brand made up a quarter of all bags of chips sold, eating into the sales of big brands like Frito-Lay, which is owned by PepsiCo.



Spending Outlook

George Mason 2023 study found that 48% of consumers anticipate they will increase grocery spending.

But this is not exuberance.

“There is a segment of consumers who are feeling the pain of the macroeconomic environment and through various actions are adjusting their shopping behaviors accordingly.”



Source: “State of the Retail Consumer” George Mason University, June, 2023



CONSUMERS CAUTIOUS THIS HOLIDAY SEASON

Avg. Weekly Grocery Spend Per Household



Shoppers Worried About Having Enough Money for Food



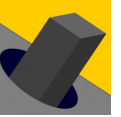
Shoppers Worried About Prices Rising for Favorite Foods



77% of Shoppers Are Taking Steps to Address Rising Food Prices For Holiday Meals / Celebrations



Source: FMI 2023 U.S. Grocery Shopper Trends, Holiday Season

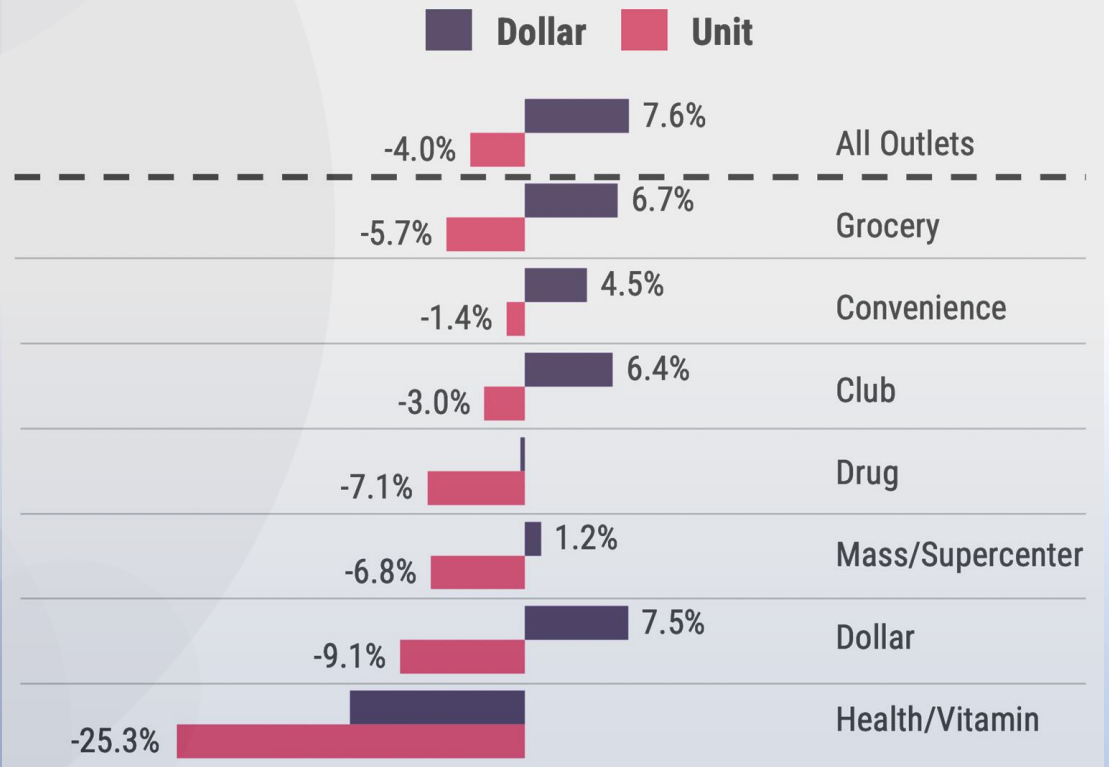


Prices are up, but so is spending – for some

“While overall spending remains elevated due to higher selling prices, consumers are approaching their shopping trips differently, and basket size is smaller than it was a year ago.

“CPG consumers have also started their migration to value-focused retail options.”

Total CPG Dollar and Unit Sales by Channel
52 Weeks Ending April 23, 2023 % Chg. vs. Year Ago²



Source: Circana, OmniMarket™ Core Outlets, Circana OmniConsumer™ Scan Panel, all outlets, CY 2019 — CY 2022, 52 weeks ending 4/23/23



GenZ shifts lifestyle to combat rising prices

85%

report at least
one barrier to
financial
success

74%

changed habits
to confront
grocery
inflation

43%

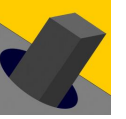
eat at home
more often
instead of
dining out

33%







limit grocery
spending to
just the
essentials

“96% anticipate maintaining those lifestyle changes over the next 12 months. This signals a significant shift in how Gen Z will continue responding to this environment.”

Source: Bank of America Better Money Habits Survey Aug. 2023



Six shopper shifts to cope with inflation

| | | |
|--|---|---|
|  1. Shop Private Label |  3. Economical Proteins |  5. Alt Stores |
|  2. Fewer restaurants |  4. Home Cooking |  6. Skip delivery |

And yes, some may just shop a little less....



Shift #1: Turn to Private Label

44%

Think store brands usually are a **good value** for the money

40%

Think store brand products are a **good alternative** to name brands

35%

Think some store brand products are **higher quality or equal** to name brands

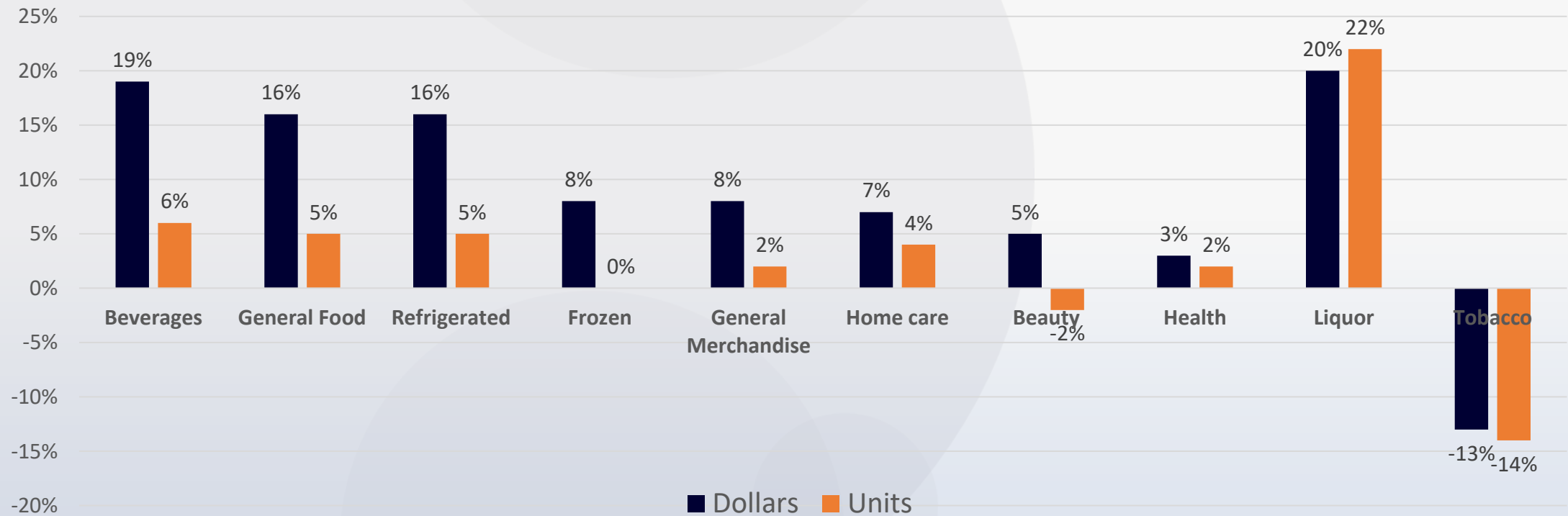
Private Label has become an increasingly viable option for many consumers across the last three years as value becomes the key priority.

Source: NIQ Consumer Mid Year Outlook 2023



Your category may vary: PLMA

Private Label sales trends by major department – 1st Half 2023 YoY



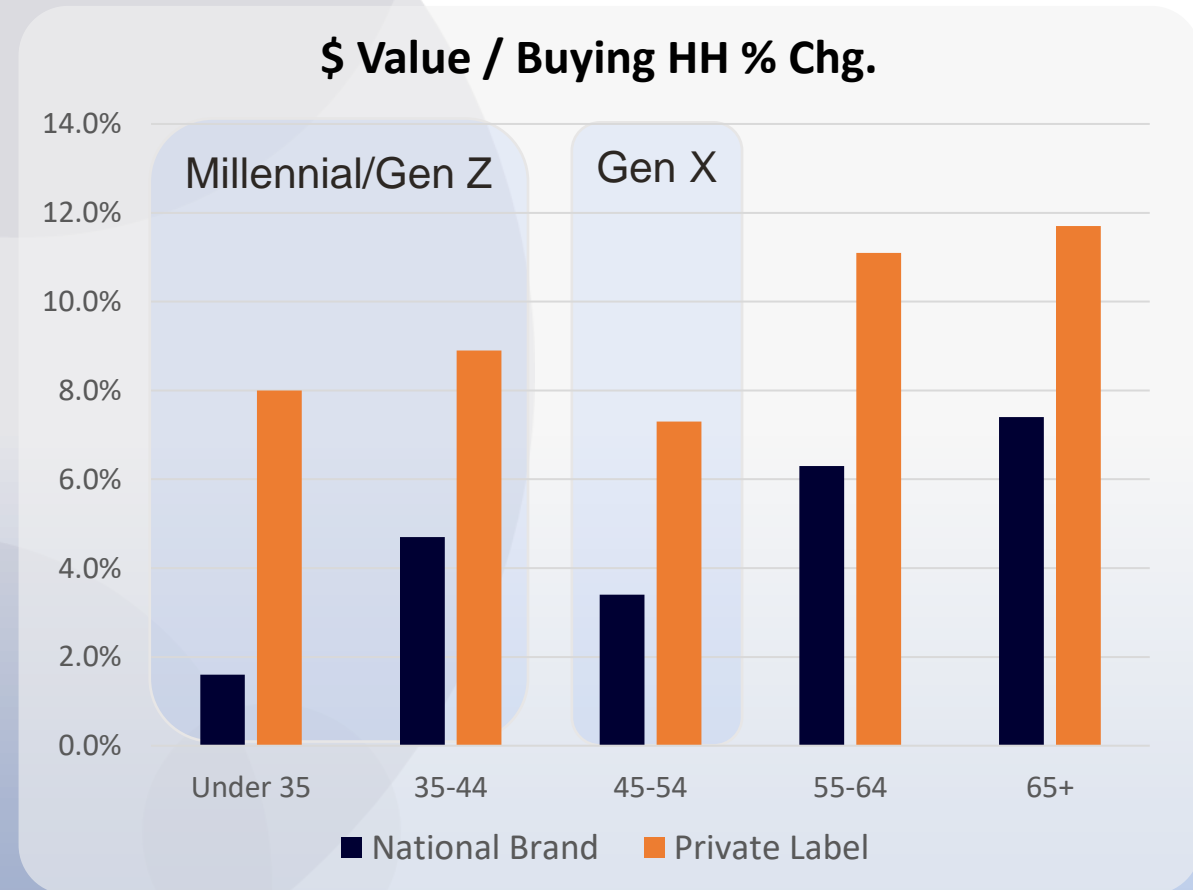
Source: Private Label Manufacturers Association and Circana



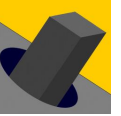
Private Label gains vary by cohort

Private Label outpaces National Brands in growth, notably among Gen Z and younger Boomers.

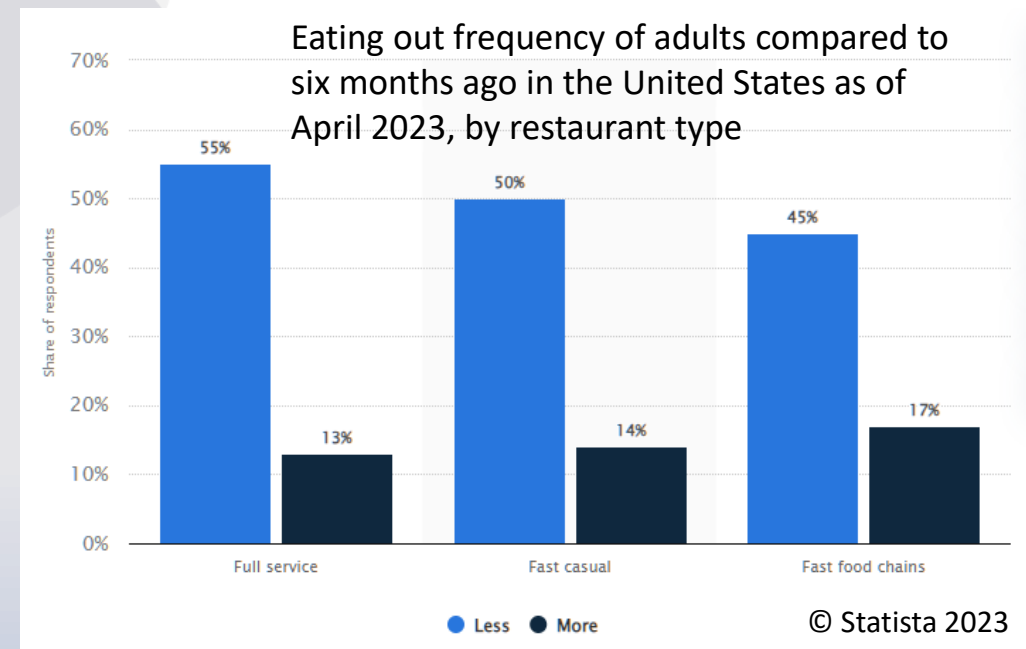
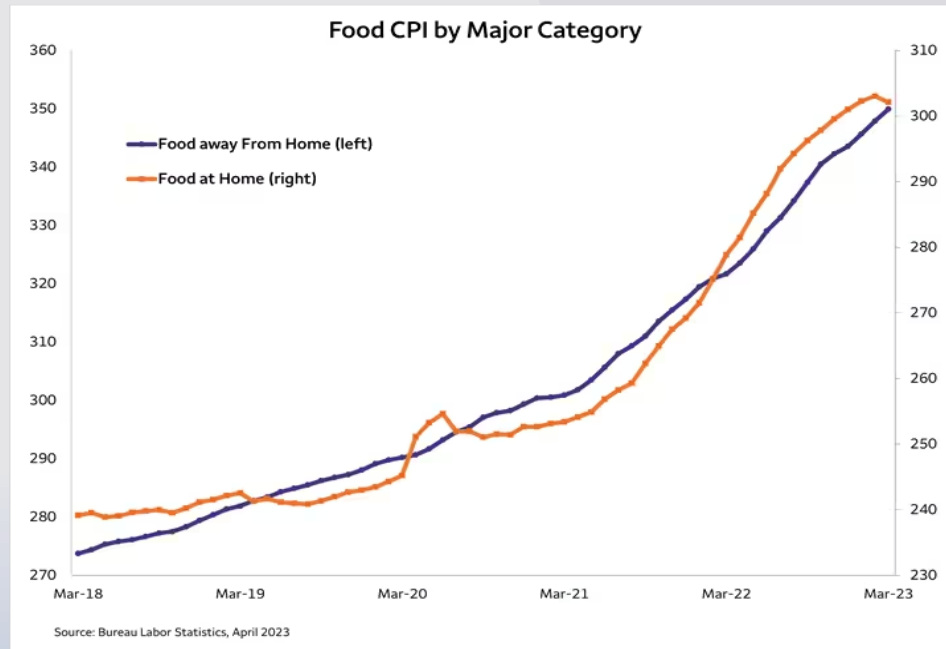
Will their attitudes prove to be enduring?



Source: NIQ Homescan L52 7/26/23 vs. YA



Shift #2: Dine in or dine out?



As grocery price increases slow:

“*Food away from home* will continue to trend higher for much longer than the supermarket channel. This will pressure consumers to consider eating at home more often or altering which restaurants get their business.”

“The underlying reality of value will be the biggest decision point for consumers as the slowdown in price increases allows them to find that value with greater clarity.”

Source: “What’s ahead for food inflation?”, Wells Fargo



Shift #3: Steak or Chicken?

Shoppers trim their budgets by purchasing less expensive proteins

42%

buy only the amount needed

35%

look for coupons

35%

stock up when meat is on sale

16%

cook more meatless meals to save money

“To save money, a large majority of consumers (76%) report they made changes to the amount, type, cut, and/or brand of meat they purchase or changed where they shop.”

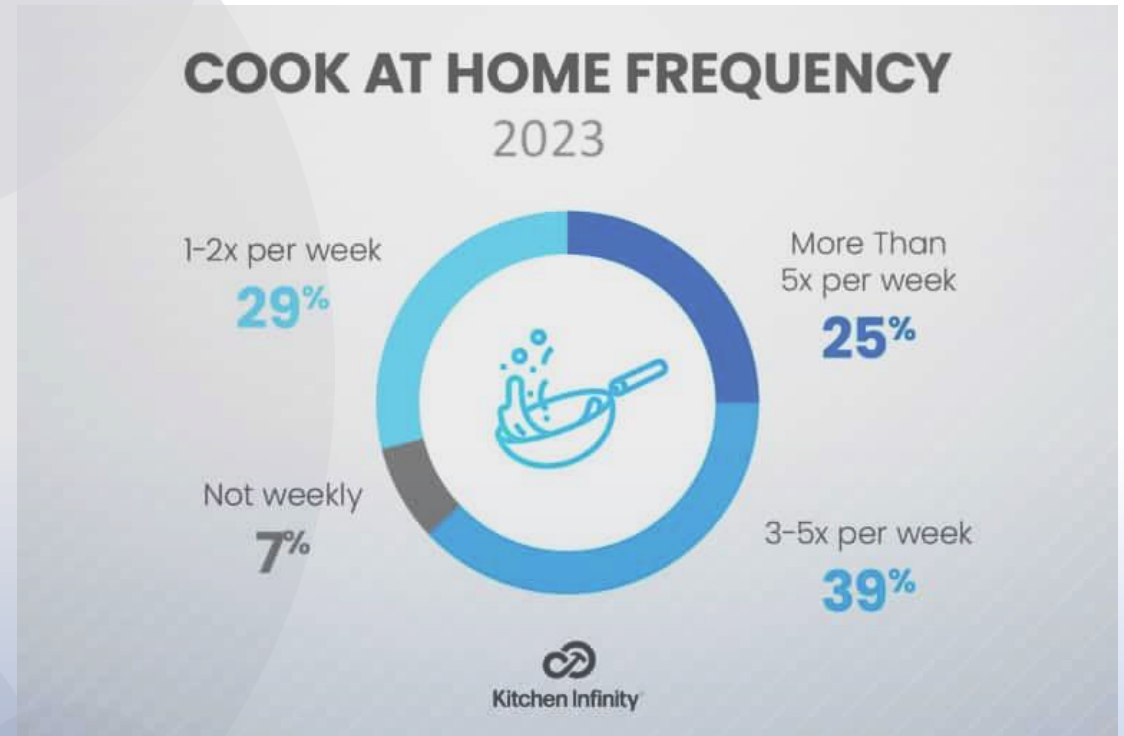
Source: “Power of Meat 2023,” North American Meat Institute and FMI – The Food Industry Association



Shift #4: More home cookin'



“Certain demographics like younger adults, parents and those from dual-income households are far more reliant on restaurants than others.”



<https://pro.morningconsult.com/analysis/when-how-consumers-cooking-2023>



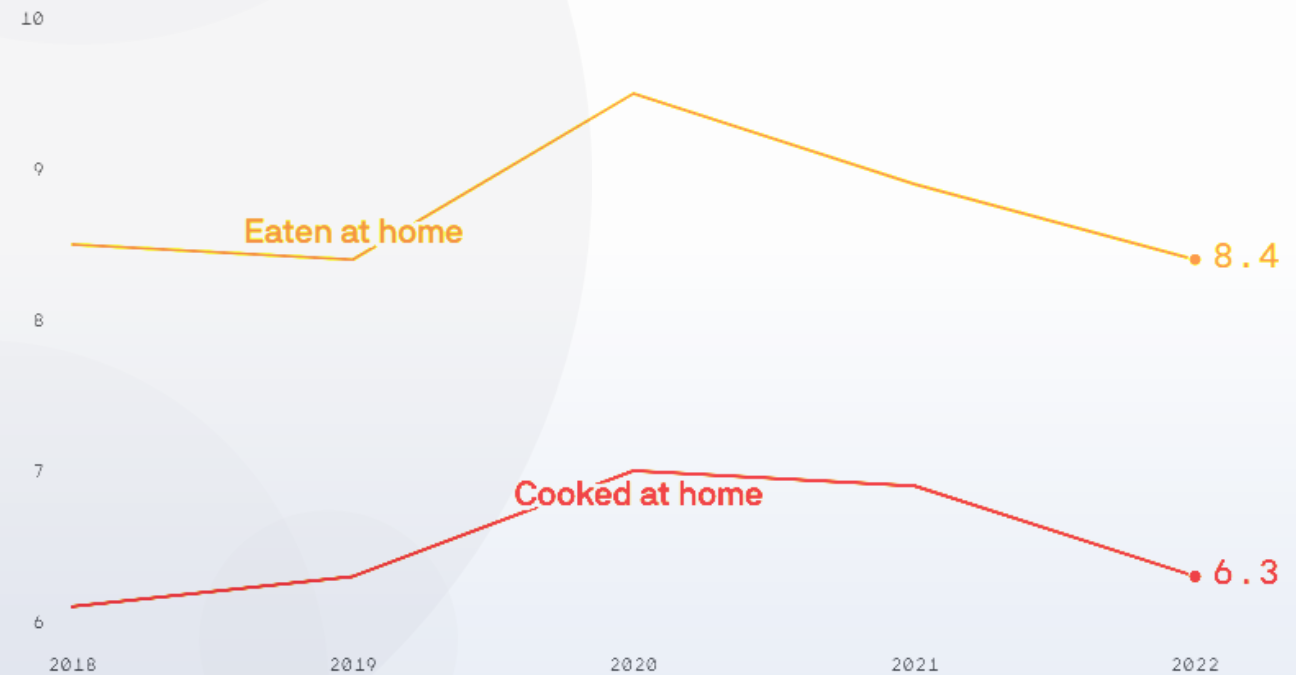
Or cookin' less?

**“Inflation is forcing home cooks to get creative.”
Axios – June 21, 2022**

But Axios newer study released Oct. 30 suggests a counter-trend

Average rate meals were cooked or eaten at home in North American homes within the last seven days

Survey of at least 2,000 adults in the U.S. and Canada; Annually, 2018-2022



Data: Cookpad and Gallup; Chart: Axios Visuals



Shift #5: Patronize Alt Stores



2,900
“hard discount”
grocery stores

38,000
dollar stores as
of 2023

Nearby locations and the “right” price points



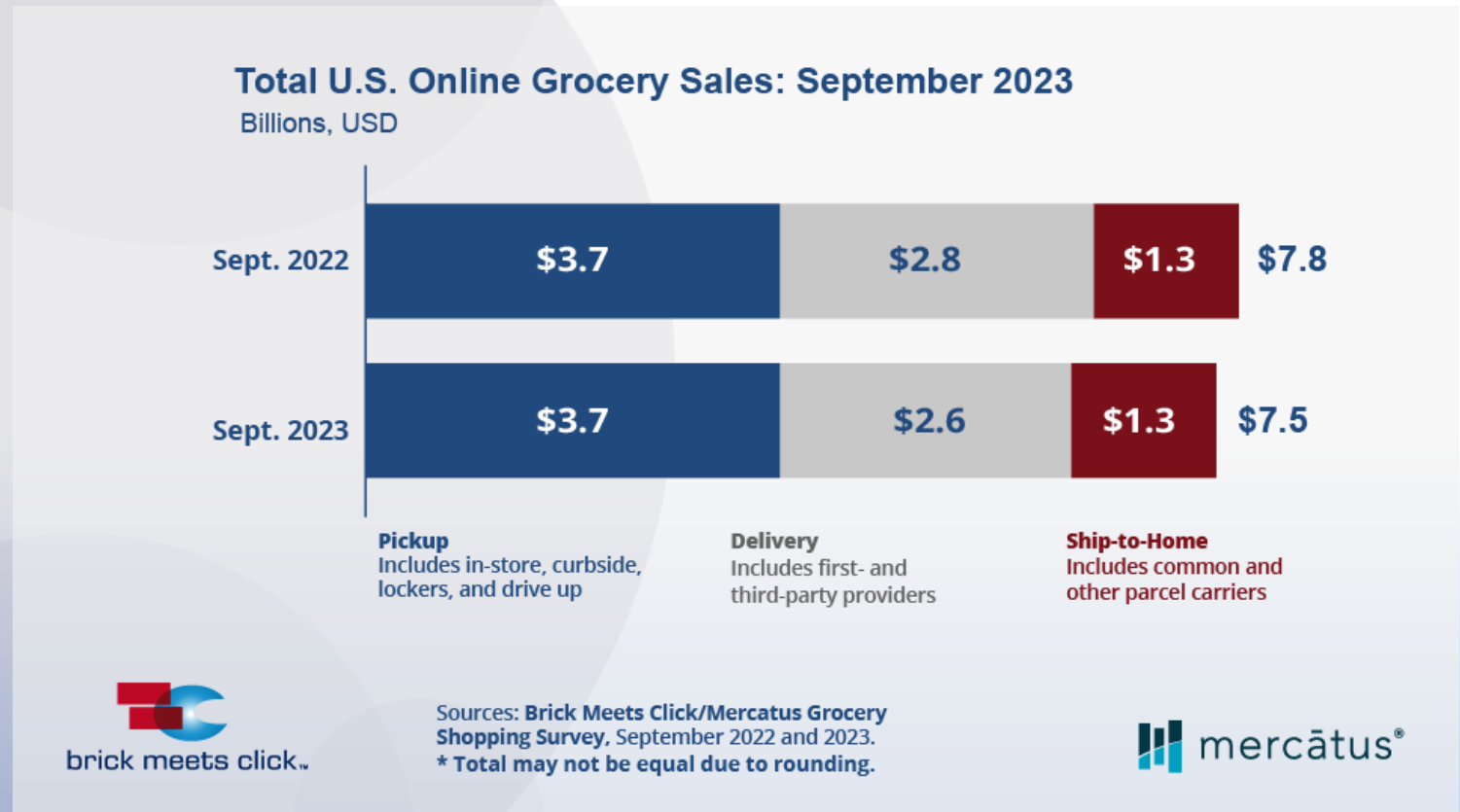


Shift #6: Digital Levels off

“The online grocery market in the U.S. declined 3.1% in September versus last year, ending the month with \$7.5 billion in sales”

Source: Tracking Online Grocery's Growth, Updated Oct. 11, 2023

Brick Meets Click/Mercatus Grocery Shopping Survey fielded September 29-30, 2023.





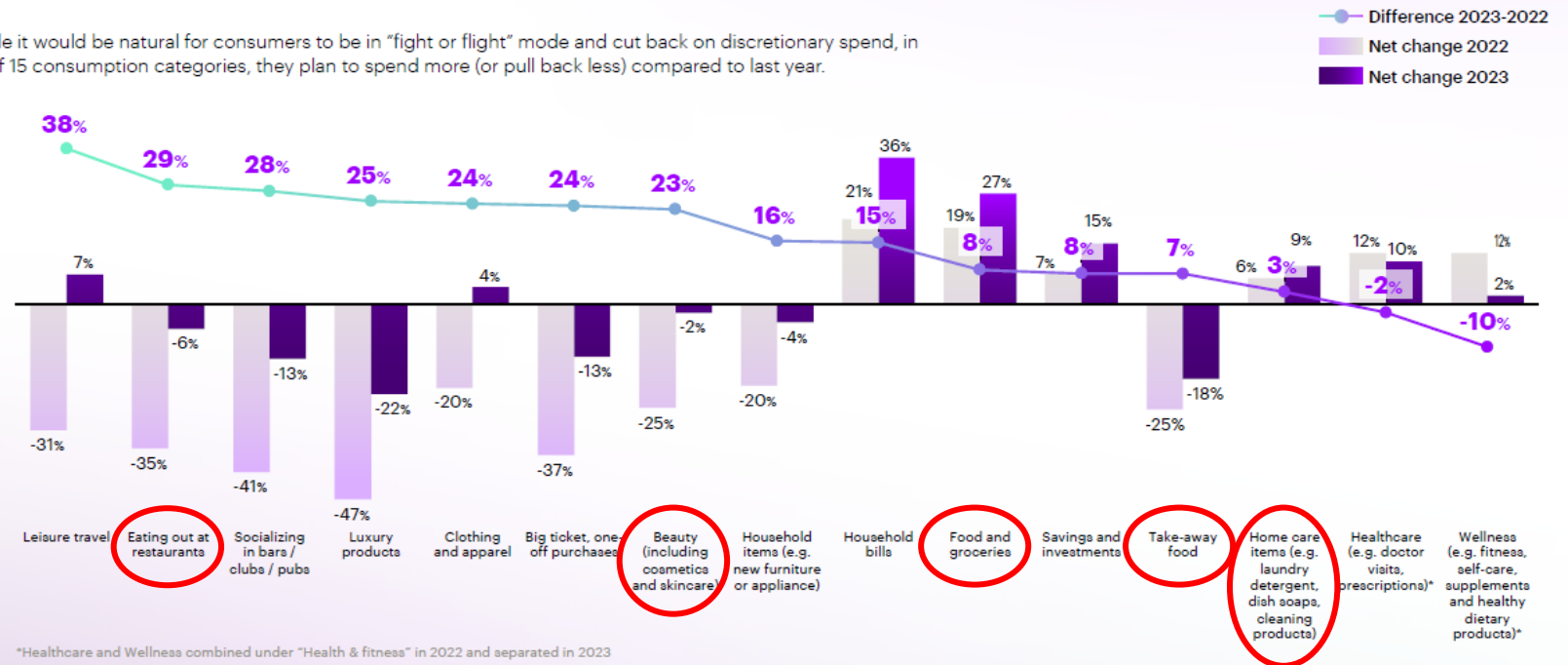
Parting Thought: Resilient outlook

There are signs of positivity among consumers, as measured by their spending intentions.

It would be prudent to ask ourselves, “for which consumers?”

Strong intention to spend across categories.

While it would be natural for consumers to be in “fight or flight” mode and cut back on discretionary spend, in 13 of 15 consumption categories, they plan to spend more (or pull back less) compared to last year.



Expected net change in category spend, 2023 vs. 2022
Expected net change in category spend in the next 6-12 months
(% expecting to increase category spend - % expecting to decrease category spend)

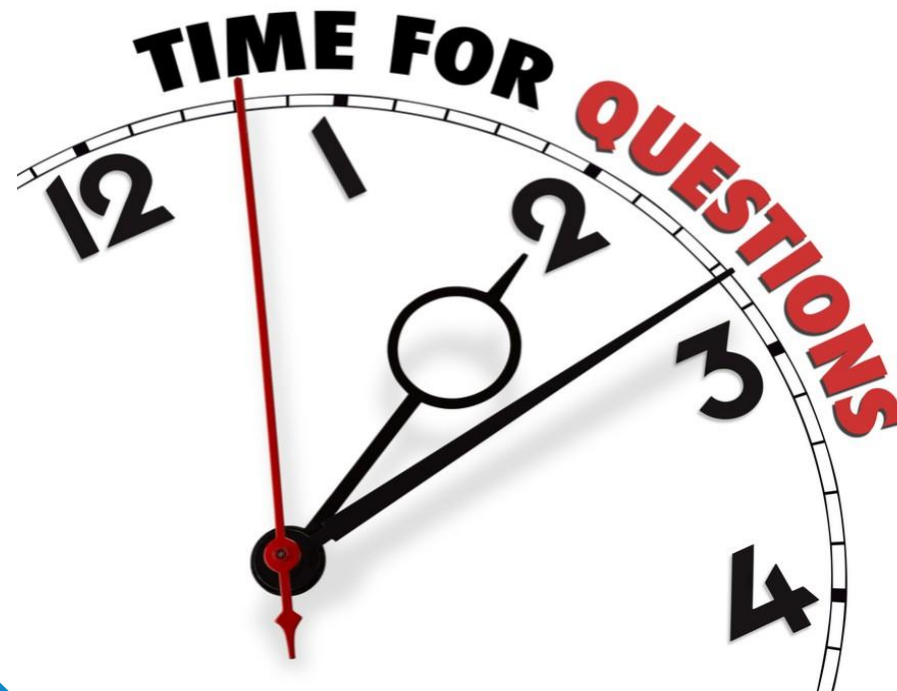
Source: “The Resilient Consumer: How companies can embrace human complexity to unlock value,” Accenture, 2023

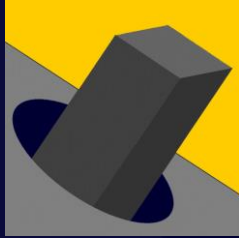
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Any Questions?





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