



# Report Highlights

While in the past two to three years, nearly all shoppers had developed at least some bargain-hunting habits born of necessity, today's market isn't quite so consistent. Because the economic recovery has been, and will continue to be, uneven, it is having a different impact on each of the various market segments. Finding deals that help stretch tight household budgets continues to be imperative to some shoppers, while others have started to show signs of letting up on money-saving behaviors and returning to pre-recession spending and shopping habits. This has led to an incredibly complex marketplace in which retailers and food manufacturers must have a clear understanding of where growth is likely to occur, where the opportunities lie and how to customize these initiatives to each shopper audience.

Women continue to take on the majority of grocery shopping, especially the stock-up trip, with men more oriented toward quick trips. The majority of shoppers drive no more than five miles to their primary store, but 60 percent do not shop at the store closest or most convenient to their homes. Reasons for bypassing other stores on the way to their primary store center on lower prices, better variety, habit and speed. In fact, favorable pricing is deemed "very important" among 74 percent of shoppers. High-quality produce and meat are deemed very important in the store selection process as well — categories consistently dominated by traditional operators.

In the midst of rising gas and food prices, trip frequency plunged to an all-time low of 1.7 trips a week, with more consumers shopping only once a week or even every other week. Shoppers are, however, more loyal to their primary store, both in share of trip and share of dollars spent.

While last year *Trends* recorded an increase in shoppers willing to shop at a variety of stores to collect on sales promotions, this willingness dropped significantly in 2011. Shoppers estimate they spent an average of \$97.30 per week on groceries, of which 76.8 percent is spent at the primary store. Store satisfaction rose again to its highest level in many years, at 8.4 on a 10-point scale where 10 is best. Formats scoring above average often have a narrow focus on a certain shopper or product segment. A very high 95 percent of shoppers say they would "probably" or "definitely" recommend their primary store.

The two most-frequented store types remain the full-service supermarket and supercenters, each gaining a few percentage points over last year as shoppers visited convenience stores, drug stores and other nonfood formats for grocery-type items less often over the past year. Nine in 10 shoppers visit a full-service supermarket at least once a month and 57 percent consider this format their primary channel. Twenty-nine percent of shoppers name a supercenter as their primary store for grocery items, especially center-store products. Supercenter shoppers are extremely price and value focused, whereas supermarket shoppers often pay more attention to variety, quality and service.

Private brands continue to soar as a means to save money on groceries — receiving high performance marks and making inroads into non-traditional categories previously dominated by national brands. Coupons, endorsements by friends and family and in-store sampling are the three most important ways to grow own-brand purchases. Ultimately, however, the price point continues to dominate the new-item purchase decision, both for private-items and new food items in general. Money-saving measures that are declining in popularity center on buying less in general and, more specifically, volume-based discounts: fewer shoppers are purchasing bulk packages, larger package sizes, multiple packages and so on. This decline is caused by higher-income shoppers — who drove most of the popularity of bulk-buying — easing up on money-saving behaviors. On the contrary, more shoppers are trying to stick to the list they prepared pre-trip, and coupons continue to be used often and across demographics. Shoppers remain fairly unwilling to change primary stores in order to save money.

Scratch cooking is another way for shoppers to save on food spending. Nearly three-quarters of shoppers looking to save money say they are doing more of their own meal preparation whereas 26 percent are turning to meal solutions over eating out. Shoppers agree that supermarket-prepared meals are cheaper than and a good alternative to restaurant meals, but perceived lack of variety and quality cause shoppers to not often consider supermarkets as a destination when looking to eat out. On average, shoppers prepare five home-cooked meals a week, with women continuing to take on the majority of

the cooking responsibility. Compared with pre-recession, shoppers place more emphasis on price and less on time/ convenience and healthfulness when planning home-cooked meals. Shoppers are also planning meals further out, both during the week and on the weekend. While shoppers have taken to home-cooked meals as a way to save money over the past few years, knowledge of meal preparation is marginal at best. Whether preparing a nutritious meal, cooking fresh meat and poultry or picking wine, many shoppers admit room for improvement or even ask for help. The benefits of shopper education on meal preparation, including money-savings, health and family mealtime, are evident.

The economic downturn is affecting where and what shoppers eat. There are several indications that shoppers' emphasis on price and value is causing a decline in nutritious eating, such as fewer shoppers showing concern for eating healthfully, greater proportions admitting room for improvement when rating their diets, and fewer people starting weight-loss diets. About one in five shoppers report seeing nutritional labeling guidance programs at their primary store, with a much larger share not knowing if this service is provided or not. If aware, understanding of the program is outstanding, though usage rates are moderate. The programs are used equally to help shoppers find healthier versions of staples they currently purchase and understand the nutritional value of new ones. Among program users, 43 percent are convinced they are making healthier choices. When studying the nutrition facts panel, shopper focus surrounds the fat and sodium content, followed by the calorie count. Shoppers are, however, not particularly interested in calorie postings on supermarket-prepared foods.

Consumer enthusiasm for all things local continues to grow. Freshness and support of the local economy are the chief reasons for purchasing locally-sourced products — defined by state lines for some shoppers and a certain mileage radius for others. Sustainability is shaping up as a macro trend that will continue to do well in the future, but will play a tie-breaker role at best. With the exception of the truly eco-minded shoppers, most are not willing to pay more or accept lesser functionality and performance.

Social media and mobile technology are two areas of fast growth and opportunity for the food retailing industry. Large numbers of shoppers use Facebook, LinkedIn, YouTube and other forms of social media — providing a variety of platforms for the industry to connect with shoppers directly. Despite high participation, shoppers do not often discuss food items or grocery shopping, nor are many linked, friends or connected with supermarkets or food manufacturers. Specialty food retailers are the exception. Many shoppers would be willing to try a new

restaurant, cook a new recipe or buy a new food item based on recommendations from their social network, but a much lower share would shop at a new grocery store. As such, the influence of the social network can be considerable, although shoppers don't necessarily trust their network over traditional sources of media. In fact, shoppers place greater trust levels in newspapers, government website and radio and television news programs than they do in information gathered from their social network. Despite the relative newness of smartphones, 23 percent of grocery shoppers already own and use the technology and interest is moderately high for grocery-related apps such as recipe look-up, product reviews, sales specials and digital coupons. To date, smartphones are used disproportionately among higher-income households.

The industry's efforts to safeguard food are paying off in all-time high levels of confidence in food safety — both in food purchased at the grocery store and restaurant meals. This amounted in very few changes in buying behavior as a result of food safety concerns or recalls, down to 12 percent from its high of 38 percent in 2007. Shopper comfort levels with food produced or grown domestically is much higher than that imported from other nations. With the exception of Canada, less than 20 percent of shoppers is "very comfortable" with food grown or produced in other countries. Television and the Internet are shoppers' main sources of information in the event of food recalls. Shoppers' social networks are increasingly important to learn about food safety issues, in addition to television and other traditional media vehicles, but shoppers are not very likely to sign up for social media postings by their primary store on food recalls.

The remainder of 2011 and 2012 will likely continue to be a mixed bag with spending increases among some shoppers and value-shopping among others. While U.S. consumer food prices had the smallest annual increase since the 1960s in 2010, higher food commodity and energy prices will exert pressure on retail food prices the coming months. Consumers will likely remain cautious, and emphasis on price and promotion will continue to hold their stature among the various strategies retailers want to pursue. Cautious spending and the decline in grocery visits will once again make trip capture and growing the basket size paramount. While there are exciting opportunities for the food retailing industry to attract new shoppers and increase shopper loyalty, there are still challenges ahead. To succeed, manufacturers and retailers must innovate by continuously introducing new products, packaging, pricing, merchandising and promotional strategies, and customizing these initiatives to highly-defined shopper segments.