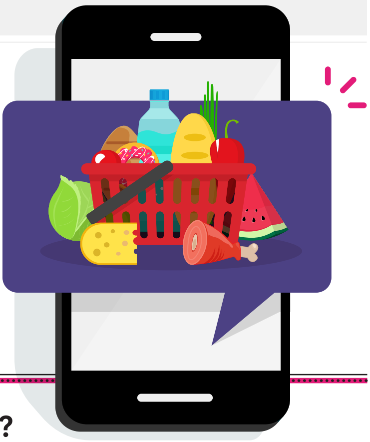
Grocery Retailing: In-Store Update

Though not rapidly, change is coming to the way Americans shop for and consume groceries. The **rampant trend of wellness** is igniting sales in fresh produce and forcing center-of-store brands to innovate and re-think ingredients. Convenience is no longer the only persuading factor in food selection; instead, consumers are interested in health, sustainability, and freshness. Now, with the roots of change planted (organically, of course), we expect shifts to be swifter. E-commerce will grow: 70% of Americans are expected to buy groceries online in ten years as opposed to 23% now. Furthermore, the sustainability movement will demand that our approach to both food production and distribution be transformed.

A BIG BITE OF THE ECONOMY



Perimeter-of-store products are valued at approximately **$210.6B this year**, reflecting 11% growth over the last five years. Expectations are set for consistent growth through **2024 to $236.4B**

At approximately **$300B for 2019**, center-of-store is a larger but stagnating category, with only a 1.7% increase YoY

WHAT ARE CONSUMERS LOOKING FOR?

When shopping the perimeter-of-store, consumers would like to see more of:

- **53%** Fresh local or regional foods
- **37%** Fresh ready-to-eat meals
- **27%** Peeled or pre-cut fresh produce
- **24%** Meal kits
- **21%** Ugly (but less expensive) produce
- **20%** Plant based meat or poultry alternatives

GET YOUR GREENS

Fresh produce is the largest perimeter-of-the-store category, accounting for **36% of sales this year**

Since 2014, fresh produce has been the category leader, **driving more than 50% of all growth**

WHAT CLAIMS ARE CONSUMERS RESPONDING TO?

When looking at private label food and drink launches with "buzzy" claims from the 2013-2018 period:

- New brands that claimed **"No Additives/Preservatives"** led the pack, rising to 24% of such launches in 2018
- **"All Natural"** is on the decline; new brands touting that claim have dropped from 10% in 2013 to 3% in 2018

GENERATIONS THINKING DIFFERENTLY

When it comes to produce:

83% of 55+ are influenced by freshness, as opposed to 61% of 18 to 34-year-olds

30% of 18 to 34-year-olds are influenced by organic, whereas only 19% of 55+ feel similarly

18 to 34-year-olds do show a tendency to spend more: only 42% are influenced by produce cost, while 50% of 55+ reported that price is a factor in their decision making

WHAT ARE CONSUMERS THINKING?

Frozen produce is seen as "easy" **(50%)** but not "trendy" **(7%)** or "innovative" **(8%)**

That said, 63% feel that center-of-store products have improved in quality recently and also that it is the responsibility of food brands to make unhealthy food healthier

BIG PICTURE, RE-ALLOCATION

We **lose or waste** approximately **1/3 of all produced or packaged food**

$680B: the global cost of that food waste

Consumers will play a huge role in how, or if, that shifts; who profits from reducing waste is not yet clear

Source: The New York Times, "The World Wastes Tons of Food. A Grocery "Happy Hour" Is One Answer," September 8th, 2019, Mintel, Better for You Eating Trends – US – 2018, Mintel, Center of Store –US– September, 2019, Mintel, Perimeter of the Store –US– September, 2019

STELLA RISING