



# 6th Annual Food and Beverage Consumables Study

**TABS Analytics**

## Executive Summary

TABS Analytics has conducted a comprehensive survey on the purchase trends for food and beverage categories every year since 2013. These categories account for approximately 20 percent of all CPG sector sales. TABS examined categories purchased, frequency of purchase, outlets where purchases are made, the deal tactics used and trends impacting consumer preferences.

## Key Findings

- **More Buyers, More Frequent Purchases Drive Category Gains** – Salty snacks, frozen pizza, novelty and popcorn saw gains as more individuals are buying in these categories, and heavy buyers increase their purchasing.
- **Millennials, Households with Kids Above Average Buyers** – Demographics of heaviest buyers show both millennials (ages 18-34) and households (HH) with kids exceed the average by 2 to 3 percentage points. With median income rising, gains were seen in middle income levels, not just the highest income bracket.
- **EDLP and Circulares Rise to Top of Deal Tactics** – Every day low price (EDLP) continues as a favored deal tactic, growing in popularity among those ages 18-34, while circulars rose to No. 2. Households with kids are responsible for a significant decline in deal search.
- **Traditional Grocery and Walmart Still Favored Outlets** – A quest for convenience seems to have tempered consumers from bouncing from outlet to outlet, leaving traditional grocery stores and Walmart as the top places they shop regularly.
- **Online Grocery Growing, But Nowhere Close to Success Threshold** – Despite a 4 point year-over-year increase, the number of regular online food and beverage purchasers is still only 17 percent.
- **Demand for Trendy Organic and Diet Items Wane** – While there may be a lot of hype about the importance of having organic and diet products the mix, consumer preferences indicate that these are just niche markets, both of which are in decline.
- **Top Four Brick and Mortar Outlets Dominate Candy Sales** - While chocolate was more popular for holiday-related candy, it was almost a tie between chocolate and non-chocolate in terms of everyday purchases. Walmart, Target, dollar stores and traditional grocery accounted for two-thirds of all candy purchases.

## Methodology

For the sixth consecutive year, TABS Analytics conducted a survey – fielded by TNS in August 2018 – of 1,000 individuals age 18 or older in the U.S., to gain insights into:

- **Food and beverage categories purchased.** 15 categories accounting for 20 percent of CPG retail dollar sales, including major snacking categories like candy, carbonated beverages, cereal, cookies, crackers, frozen pizza, ice cream, juice (refrigerated), juice (shelf), frozen novelties, popcorn, salty snacks, sports drinks, water and yogurt.
- **Frequency of purchase.** As defined in the following table when referring to heavy buyers, very heavy buyers and heavy deal users:

Buyer Group	Refers to...	Defined as...
Very Heavy Buyer	Specific Category	12+ times/yr (5pt scale)
Heavy Buyer	Total Consumables	55+ pts over 15 Categories
Heavy Deal User	Total Consumables	6+ Deal Tactics Regularly

- **Types of deal tactics used.** Tactics examined include active deals (shoppers visiting multiple stores to get the best deals, circular, shopper loyalty cards, online coupons, free standing inserts (FSI), rebates) and passive deals (every-day low price (EDLP), private label (PVL), large size, bonus packs).
- **Outlets where consumables are purchased regularly.** Traditional grocery, Walmart, Target, dollar store, chain drug (CVS, Walgreens, Rite-Aid), online, value grocery, Costco, Sam’s, convenience store, Trader Joe’s, BJs and Whole Foods.

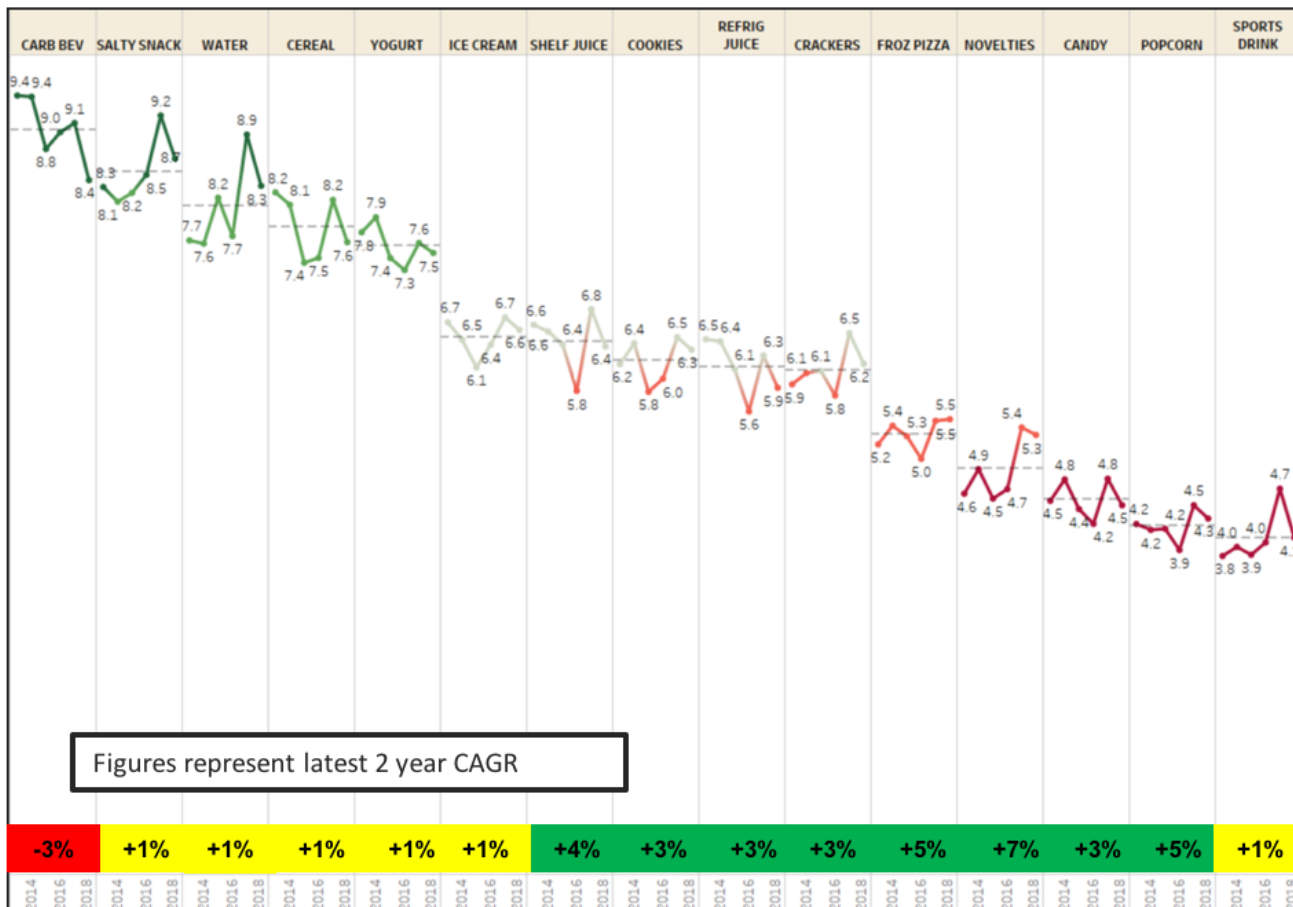
TABS Analytics tests and checks results for internal data validity against external industry corroboration, (correlating data to purchase frequency by category). It is important to note that “share of mentions” is a proxy for “share of trips” or “store transactions.”

## More Buyers, More Frequent Purchases Drive Category Gains

Purchase frequency of the food and beverage categories examined in this survey are consistent with industry macro trends TABS has seen discussed in quarterly earnings of key retailers, such as Walmart, Target and Costco, which all reported increases in same store sales. When looking at a two-year compound annual growth rate (CAGR), salty snacks have taken the No. 1 position with a purchase frequency of 8.7. Frozen pizza, novelty and popcorn are experiencing the strongest gains, fueled by a dual trend in of more buyers and more purchasing by very heavy buyers, who purchase the products 11+ times a year.

Carbonated beverages is the only category that has seen declines, when normalizing the data over two years. However, purchase frequency of carbonated beverages (8.4) still outpaces water (8.3).

### Annual Category Purchase Frequency (Reported)



## Millennials, Households with Kids Above Average Buyers

To evaluate the heaviest buyers of food and beverages, TABS developed a point system that considers the number of categories in which these individuals buy, and the amount they purchase in each category.

Looking at the chart to the right, you'll see in green that heavy usage skews young, with the millennials (ages 18-34) purchasing at 30 percent, exceeding the average of 27 percent.

Households (HH) with kids continue to be the heaviest buyers, with an average of 42 percent over the last five years. TABS research shows that a households with kids are two times more likely to be a heavy buyer of food and beverages. While it would be efficient to target this group for marketing purposes, it is important to note that only 25 percent to 30 percent of all households have kids, accounting for a little over a quarter of the overall market.

Looking at income, there has been some growth at the highest end of the income level (\$150,000+). However, those in the middle income ranges still are purchasing above average, which is one reason there isn't sluggishness in the food and beverage sector. Factoring into this is recent Bureau of Labor Statistics data that shows median household income growing 2 percent.

Geographically, purchase frequency in the West continues to decline.

## Heaviest Buyers of Food & Beverages

	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	AVG
<b>TOTAL</b>	<b>25%</b>	<b>28%</b>	<b>25%</b>	<b>23%</b>	<b>31%</b>	<b>27%</b>	<b>27%</b>
18-34	34%	33%	25%	27%	36%	28%	30%
35-44	30%	35%	32%	29%	37%	31%	32%
45-54	23%	38%	23%	28%	27%	30%	28%
55-64	24%	20%	31%	17%	30%	25%	25%
65+	10%	12%	16%	13%	24%	19%	16%
MEN	22%	29%	22%	23%	33%	28%	26%
WOMEN	29%	27%	28%	23%	29%	25%	27%
<\$30K	22%	27%	17%	19%	18%	17%	20%
\$30-49K	25%	26%	26%	22%	31%	28%	26%
\$50-74K	27%	29%	27%	30%	32%	30%	29%
\$75-99K	27%	29%	32%	22%	37%	32%	30%
\$100-149K	27%	33%	24%	22%	41%	26%	29%
\$150K+	22%	28%	23%	22%	29%	31%	26%
KIDS	46%	43%	39%	35%	51%	40%	42%
NO KIDS	16%	23%	20%	20%	24%	22%	21%
NORTHEAST	24%	26%	28%	24%	34%	25%	27%
SOUTH	28%	33%	23%	26%	31%	24%	27%
CENTRAL	29%	33%	26%	20%	34%	30%	29%
WEST	20%	19%	24%	20%	25%	24%	22%
NEW ENGLAND	21%	30%	27%	28%	36%	26%	28%
MID-ATLANTIC	25%	25%	28%	23%	33%	25%	27%
SOUTH ATLANTIC	28%	31%	23%	30%	34%	27%	29%
EAST SOUTH CEN	30%	35%	29%	29%	35%	22%	30%
WEST SOUTH CEN	25%	34%	19%	17%	25%	23%	24%
EAST NORTH CEN	30%	35%	28%	19%	39%	26%	29%
WEST NORTH CEN	26%	28%	23%	22%	24%	34%	26%
MOUNTAIN	20%	19%	28%	22%	26%	21%	23%
PACIFIC	20%	19%	22%	19%	24%	26%	22%
NON-HISP WHITE	25%	29%	25%	23%	31%	26%	27%
NON-HISP BLACK	34%	22%	26%	32%	26%	33%	29%
HISPANIC	24%	25%	23%	21%	43%	24%	27%
OTHER ETHNIC	16%	26%	27%	17%	27%	30%	24%

## EDLP and Circulars Rise to Top of Deal Tactics

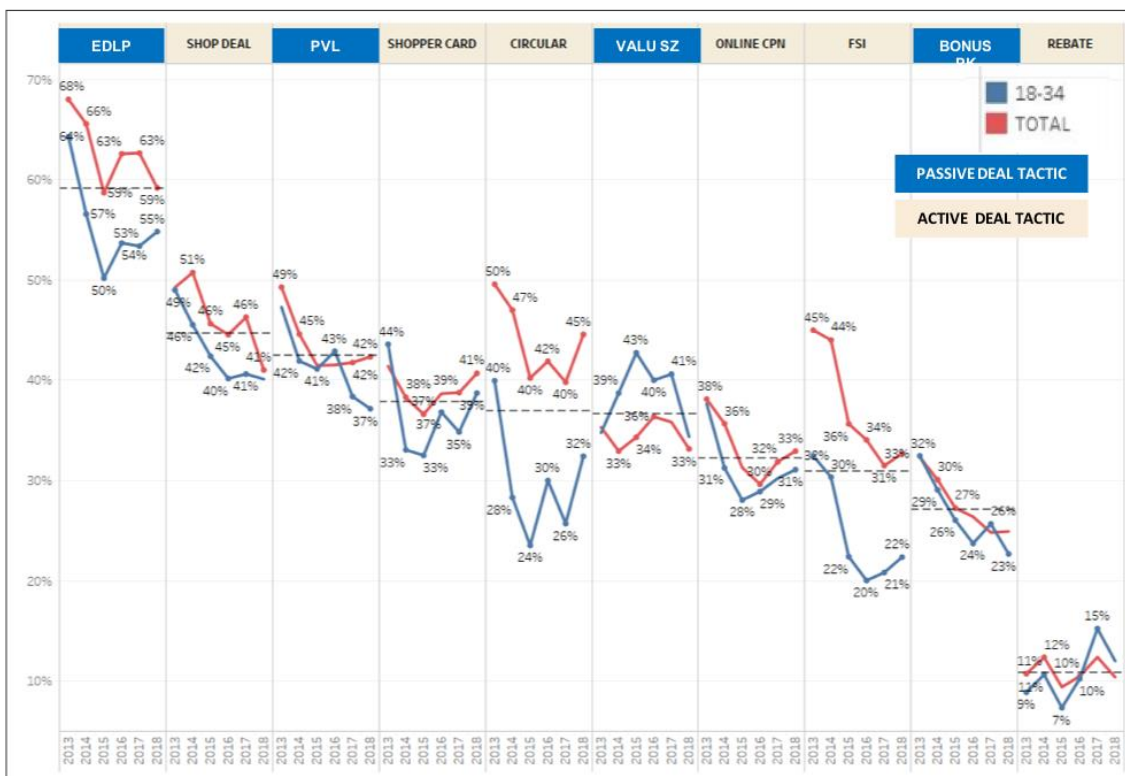
Every day low price (EDLP) continues to be the most favored tactic, growing year-over-year in use by those ages 18-34. Though declining in use for the overall population, EDLP still far exceeds all other passive or active deal tactics.

Circulars are now the No. 2 deal tactic, though TABS is unclear why this tactic has risen in popularity among both young purchasers and the general population. With this increasing popularity, there is now an even more pronounced gap between circulars and free standing inserts (FSIs), as shown in the chart below.

There was a significant drop in deal search behavior, from 46 percent last year to 41 percent this year. People seem less inclined to bounce from store to store to get a deal, favoring convenience instead. The overall decline in the number of places people shop to get a deal will have implications on how retailers make gains in these product categories.

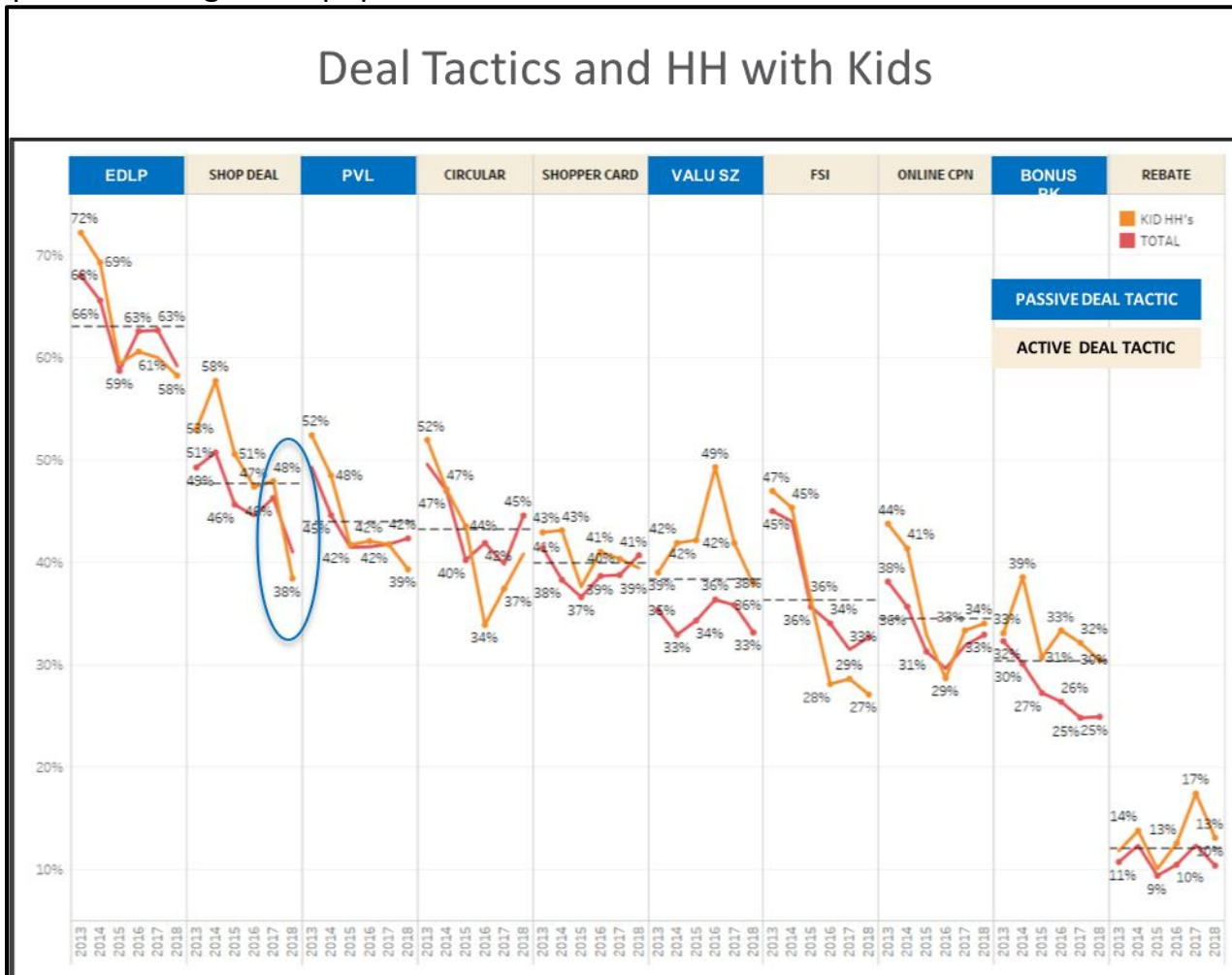
Value sizes also saw a sizable decline, from 41 percent to 33 percent, which has implications for eCommerce companies and club retailers that are encouraging manufacturers to create larger product packs. Online coupons grew slightly to 33 percent overall, but are still not gaining traction. Other tactics, including shoppers' cards, either remained solid or experienced a negligible decline.

### Which Deal Tactics are Used Most Often?



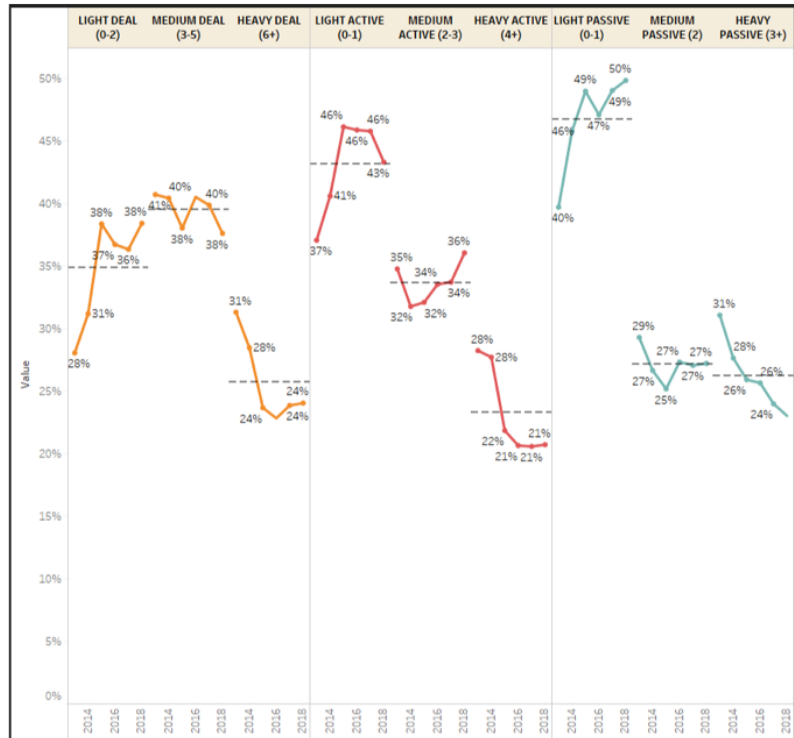
Looking more closely at use of deal tactics by households with kids, there was a sharp drop (10 points) in deal search behavior. This could signal an emerging story with this group of buyers, who may be favoring convenience over price now.

Not surprisingly, this group shows a strong preference for value sizes and bonus packs, compared to the general population.

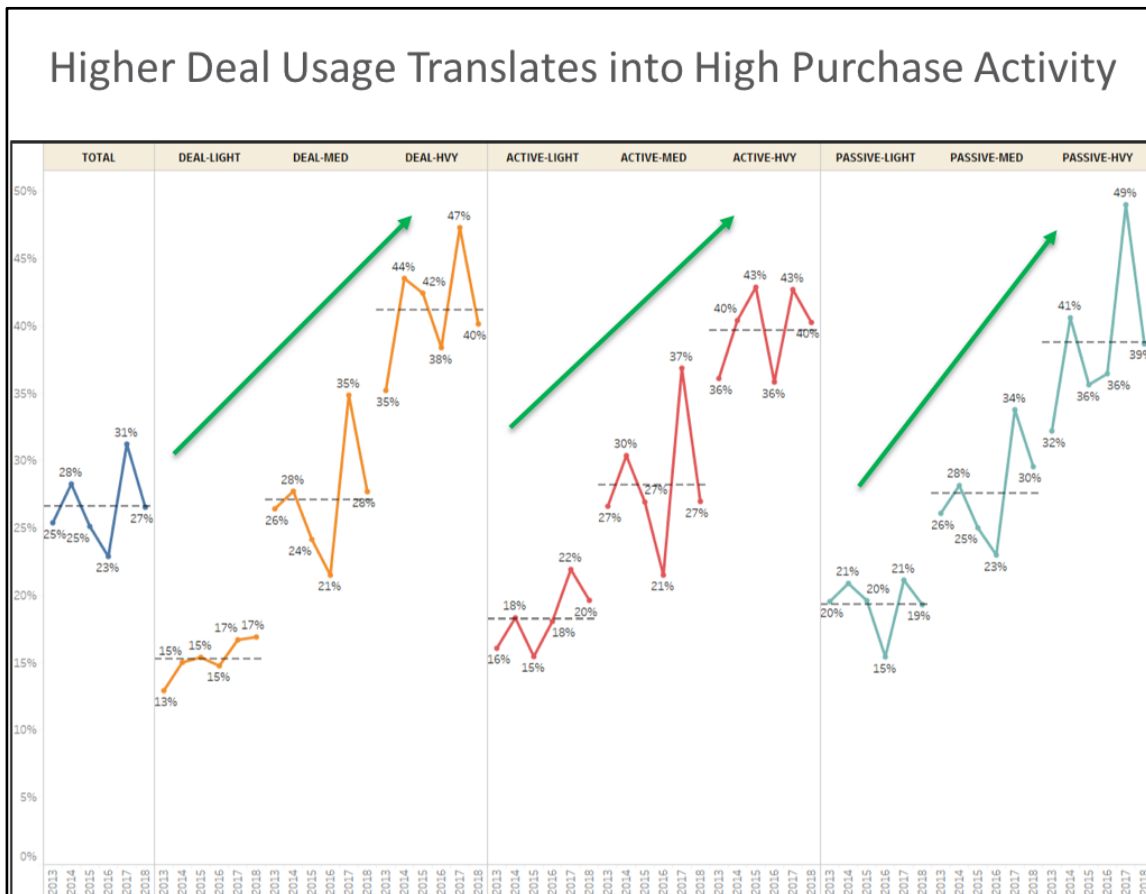


TABS also looked at macro deal usage trends over time (at right), which showed that deal participation levels have remained largely unchanged. The one significant change, however, was in heavy passive deal tactics usage, which appears to have grown less popular over the years.

## Macro Deal Usage Trends Over Time



There is a definite cause and effect between higher deal usage and higher purchase activity. The chart below clearly shows that greater use of any type of deal tactic – active or passive – results in more purchases. 40 percent of heavy deal users are heavy buyers of food and beverage products, while only 28 percent of medium and 17 percent of light are heavy buyers. So even though retailers may claim that they want to boost engagement or other factors to increase sales, its clear that deals should be a fundamental part of the equation.





## Traditional Grocery and Walmart Still Favored Outlets

Traditional grocery (75 percent) and Walmart (57 percent) still exceed all other outlets by nearly two to three times, despite seeing a 2 percentage point drop at both outlets.

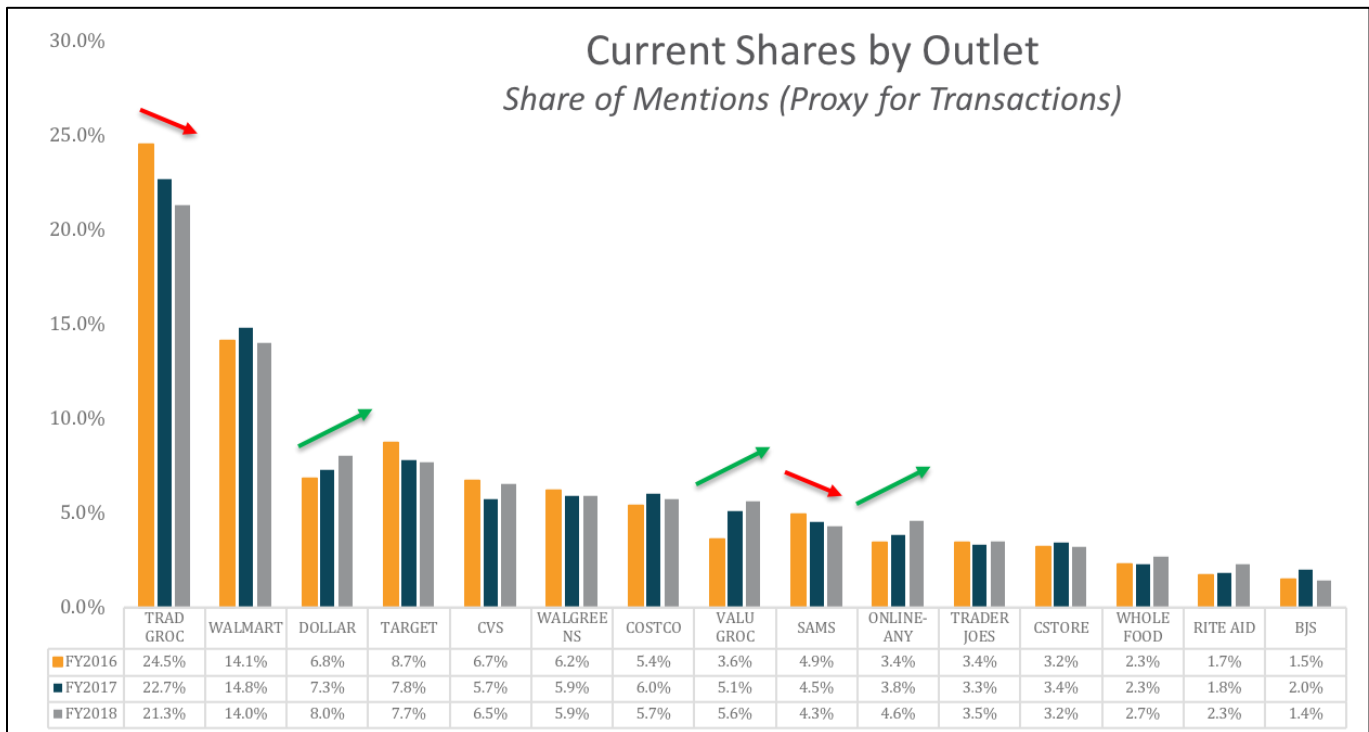
Examining macro trends, small format stores – including dollar stores, drug outlets and value food like Aldi – saw gains of 2-4 percentage points each.

Online continued to grow, but at 17 percent is still significantly behind brick and mortar outlets. Only 1 in 6 consumers report purchasing groceries online regularly. Delivery is still the preferred eCommerce experience, beating out click and collect pick-up by almost 2:1.



Large format outlets – mass market, food and club – account for 57 percent of transactions, while small format – dollar and drug stores, convenience stores and value grocery – is only 38 percent.

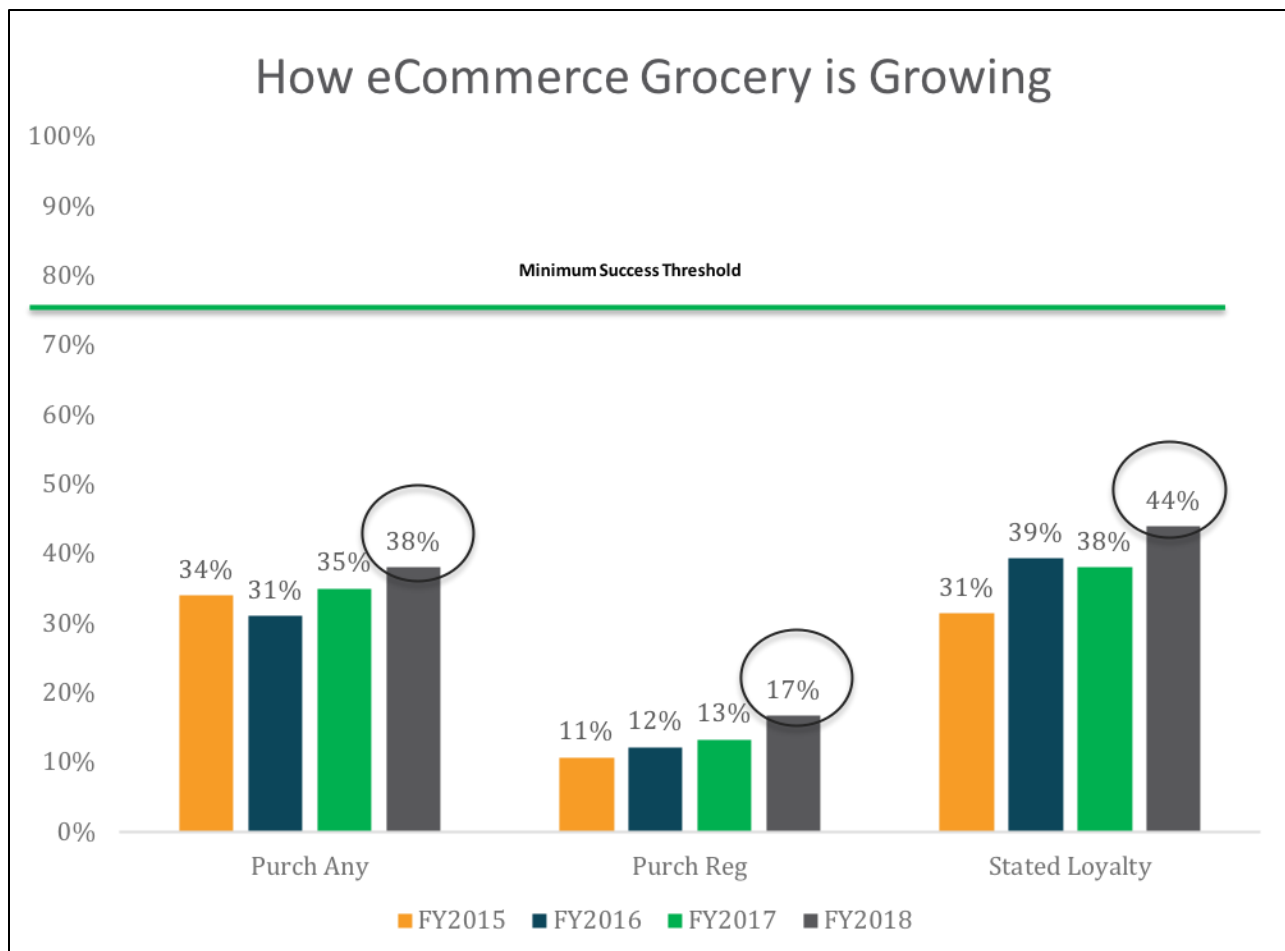
Despite the disparity, small format and online are gaining at the expense of larger format, with the biggest increases coming from small format brick and mortar, not eCommerce.



## Online Grocery Growing, But Nowhere Close to Success Threshold

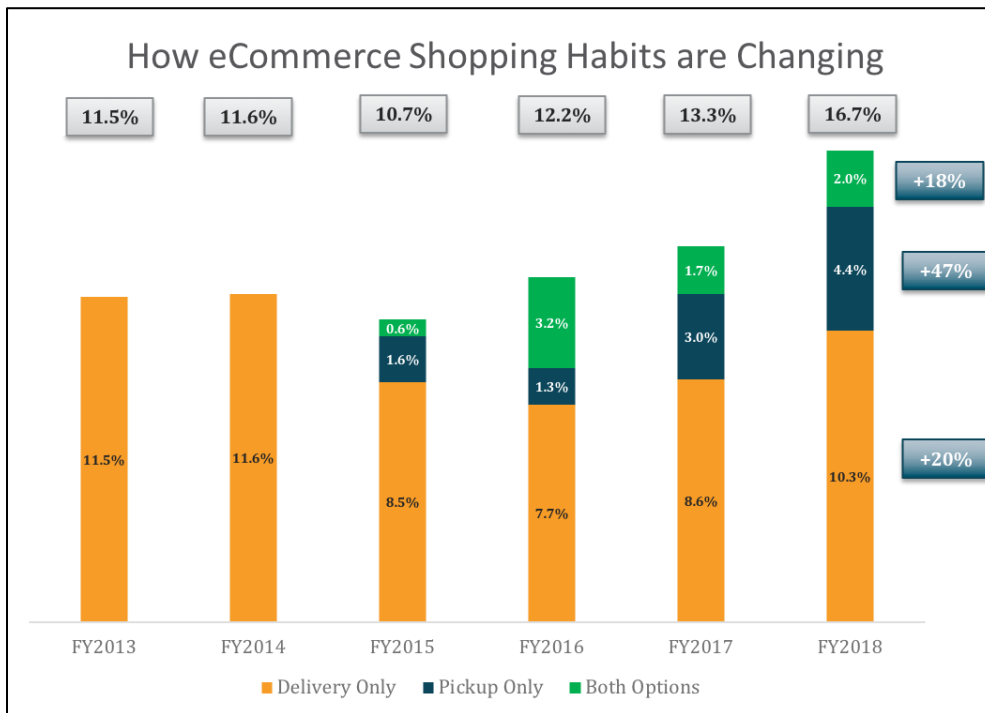
A minority of shoppers purchase food and beverages online even just one time. Currently 1 in 6 consumers purchase online regularly, compared to 99 percent who buy products in these categories at brick and mortar outlets.

Stated loyalty to online shopping has improved, rising to 44 percent, but it is far short of the necessary level (around 75 percent) that is needed to ensure ongoing success of that channel. TABS believes that there is still a lot of runway for eCommerce grocery to continue its growth trajectory over the next five years.



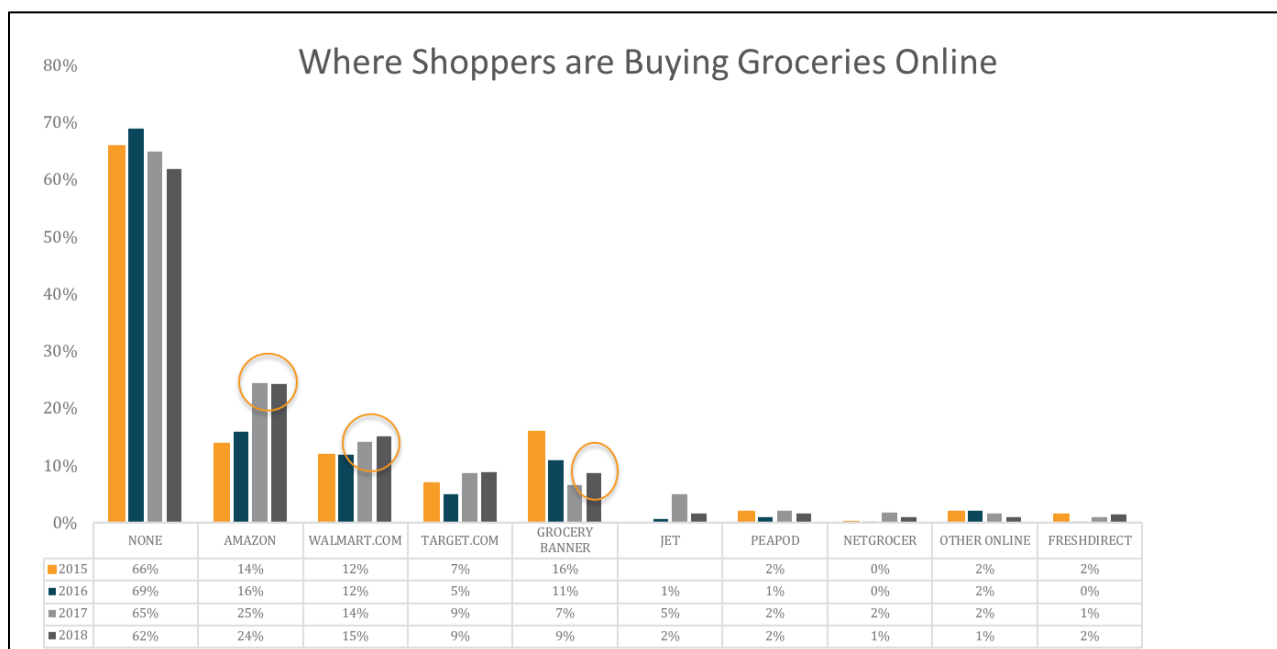
Both delivery and pick-up options for eCommerce transactions grew year-over-year (see chart top of next page). Only 12 percent of shoppers do both; the remaining 88 percent show a distinct preference to one format over the other.

Pick-up only grew the fastest (to 4.4 percent) as people preferred the click and collection option, however those who do that regularly was so small that it still has a long way to go to achieve scale.



Grocery banners are making a comeback in their online business after two years of heavy declines. Factoring into the about-face, perhaps, is expansion of this offering at Kroger; however that is more of a supply chain efficiency play, not a sign of shopper demand.

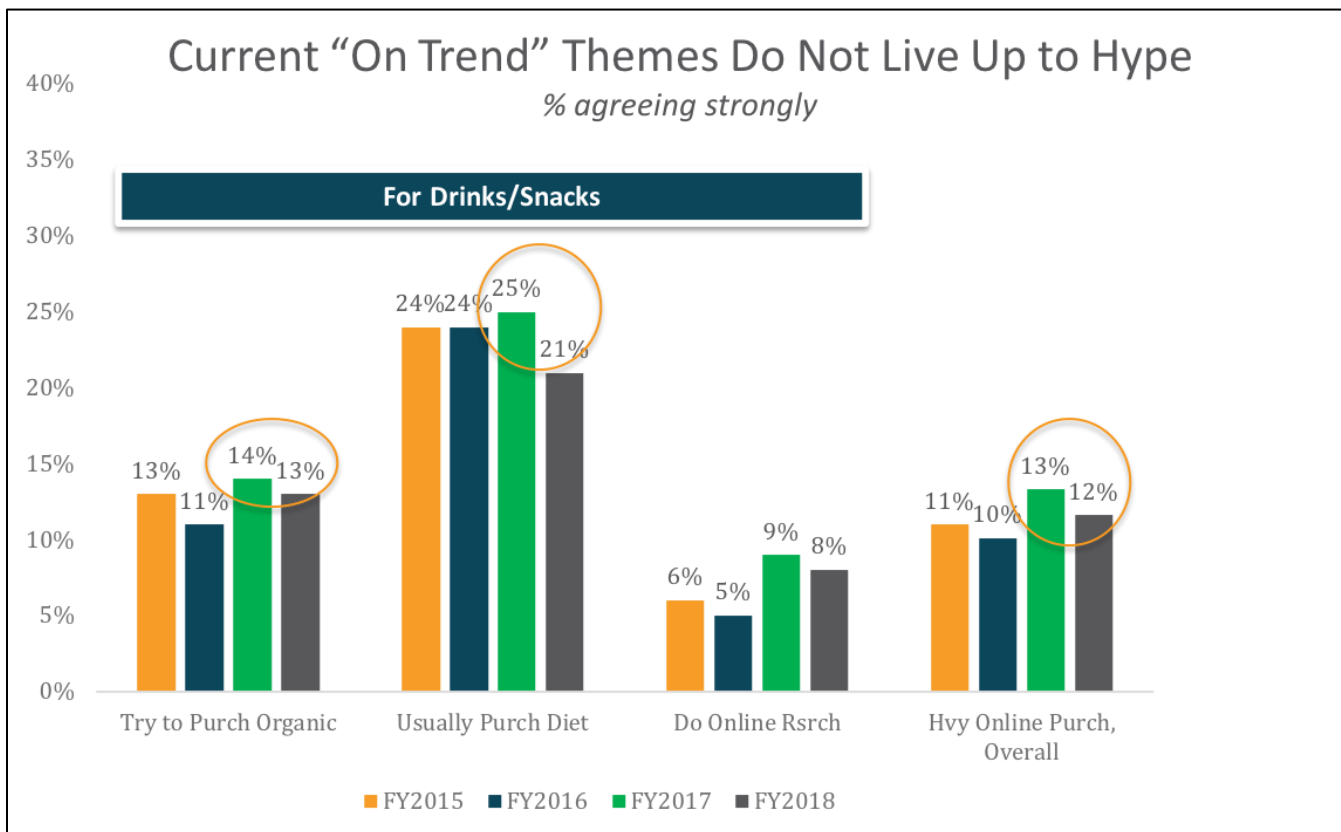
Amazon was flat year-over-year, showing no evidence that it has been able to capitalize on its acquisition of Whole Foods in term of increasing a customer base for online grocery. Walmart.com continued to grow, showing a 1 percentage point increase year-over-year.



## Demand for Trendy Organic and Diet Items Wane

TABS asked consumers about their opinions on three current trends: organic products, diet products and online shopping.

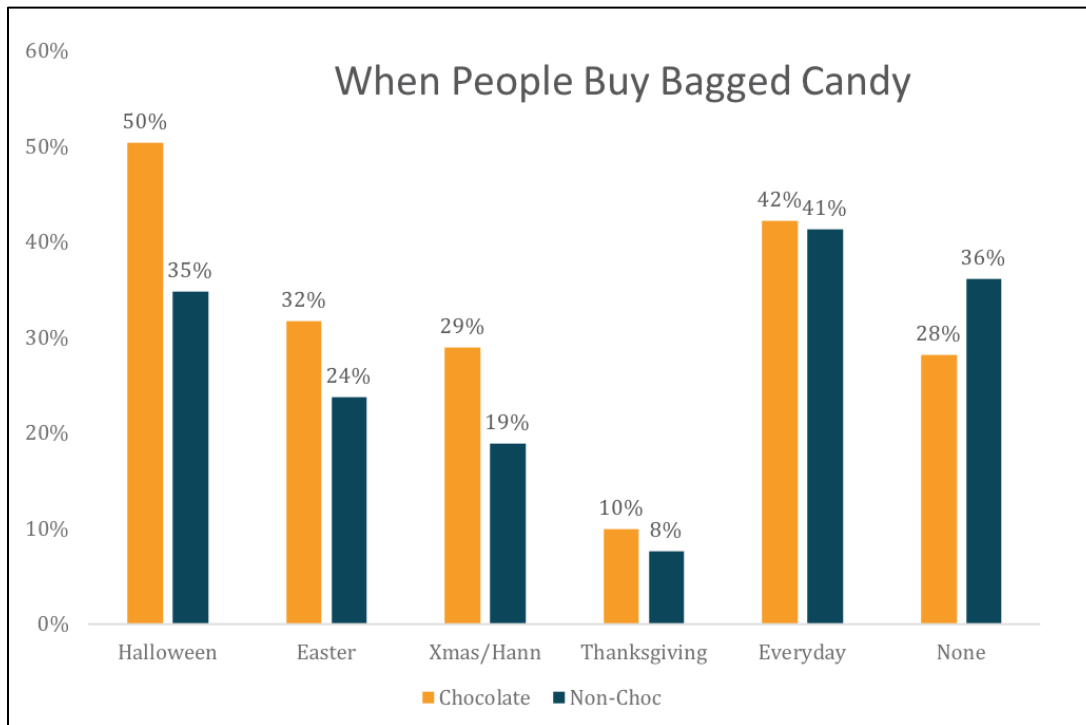
- **Organics** – Only 13 percent of consumers try to purchase organic, making it a very niche, and overrated market. The demographics for organics – higher income consumers – is appealing to retailers and manufacturers but it won't likely ever be a source of major customer acquisition.
- **Diet** – These low-cal/no-cal products showed a big year over year drop, by 4 percentage points, indicating that it's not as big a priority for consumers as in the past.
- **Online** – Biggest limiting factor to online shopping is that only about 1 in 8 people are heavy online shoppers. While TABS sees healthier online market share in other sectors – for larger one-time, high price purchases, such as appliances or car seats – there isn't an expectation that this will translate into every day purchases of food and/or beverages.



## Top Four Brick and Mortar Outlets Dominate Candy Sales

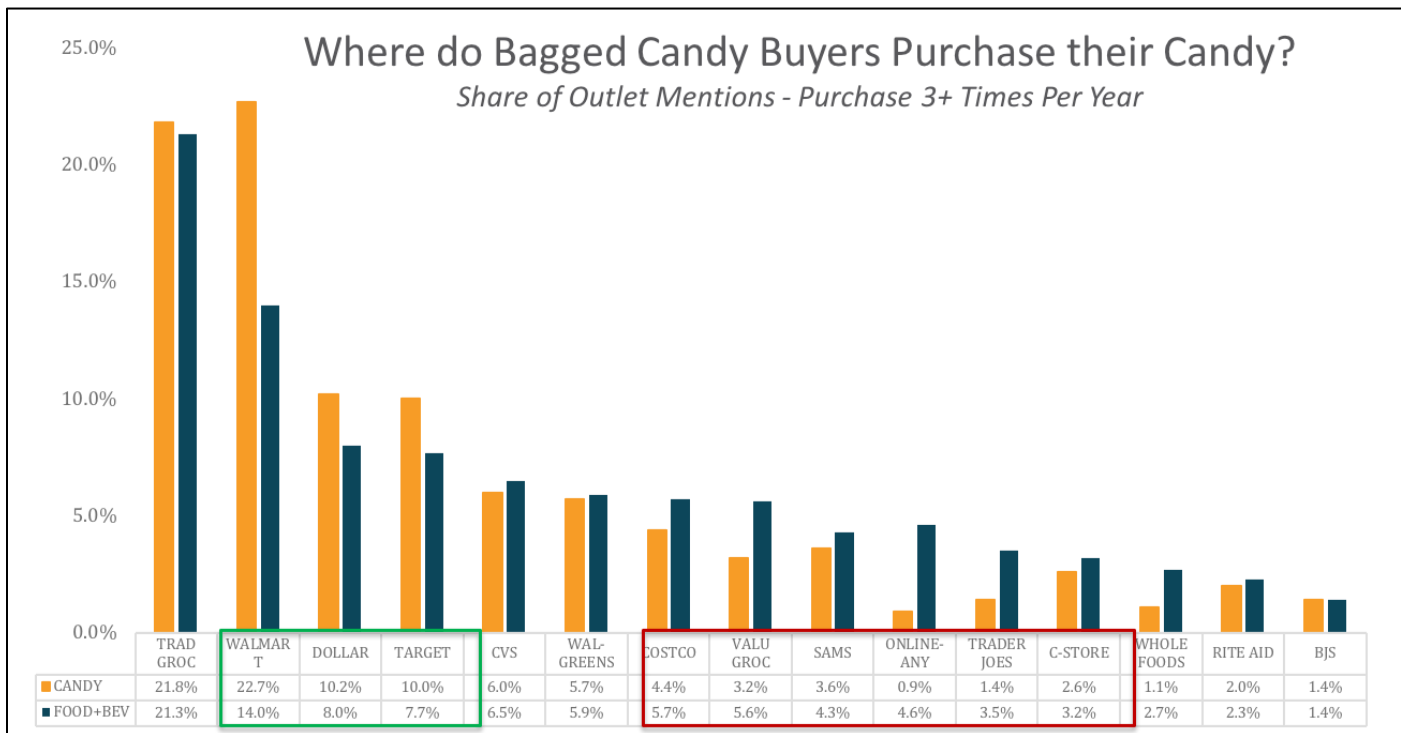
In this year's survey, TABS took a closer look at candy buying trends. Purchases tend to be skewed toward chocolate in virtually every holiday-related category, while every day candy purchases are evenly split between chocolate and non-chocolate.

This data should give retailers insights about shelf management for everyday items. Backing out promotional items around the holidays, it's possible to see the need for a very different mix of products on the shelf.



Shoppers who buy candy 3+ times per year favor Walmart, Target and dollar stores. When you add in traditional grocers, almost two-thirds of all candy purchases are made in these four outlets, compared to only half for food and beverage overall.

Club and small format stores (not including drug stores) have significant room to grow in terms of selling bagged candy. Online got less than 1 percent of the share of mentions for bagged candy, which is considerably lower than the 5 percent share it takes for food and beverage overall.



## Conclusions

- Consumables consumption has increased meaningfully over the past two years, mirroring macro trends in overall CPG retail.
- Households with kids continues to be the most important segment; they are twice as likely to be heavy buyers compared to those households without kids.
- Deals are very important to a wide range of shoppers – 38 percent use 3 to 5 tactics, while 24 percent use 6+ – and there is an extremely high correlation with heavy purchasing
  - EDLP is the most preferred deal tactic, preferred by 63 percent of shoppers. Circulars jumped into the No. 2 slot, with 45 percent of shoppers leveraging them.
  - Deal search behavior dropped from 46 percent to 41 percent as a result of a decline from households with kids.
  - There is a huge gap in use of FSIs and circulars from younger shoppers (age 18-45, which are the heaviest shoppers in the sector) compared to the general population.
- Brick-and-mortar Grocery still dominates with 95 percent of transactions and 99 percent of adults say they purchase regularly at a brick and mortar outlet.
  - Online purchasing gained ground for a second year in a row with regular purchasing growing from 13 percent to 17 percent; share increased from 3.8 percent to 4.6 percent.
  - Despite online gains, it still cannot be considered successful. 62 percent of shoppers still buy no food or beverages online and the loyalty rate is still only 45 percent, compared to a 75 percent norm.
  - A significant trend in grocery is a shift towards convenience. Share growth in small format retail – especially dollar stores – was much greater than online growth.
  - General Mills, Campbell's Soup and Hain Celestial Group continue to struggle since they have placed emphasis on organics, which continues to be an unproductive niche in mass market, even in the natural food channel.



## The Experts in Consumer Analytics®

Tabs Analytics, founded by Dr. Kurt Jetta in 1998, is a technology-enabled analytics firm servicing the consumer products industry. Our mission is to simplify and improve the way analytics is conducted through analytical innovation, which translates into a competitive advantage for our clients. TABS is the leading outsourced sales and marketing analytics firm in the consumer-packaged goods (CPG) industry.

For more information about TABS Analytics services or this white paper, please contact Robert Baldwin at [robertbaldwin@tabsanalytics.com](mailto:robertbaldwin@tabsanalytics.com) or (203) 492-9000.