Food Prices & the Consumer 2024: How Shoppers and Consumer Preferences are Responding to the Post-COVID, Post-Inflation Marketplace

FMI U.S. Grocery Shopper Trends and more

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FMI – the Food Industry Association

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FMI in the Marketplace

FMI propels the retail food industry by advocating for and supporting a safer, healthier, and more efficient consumer food supply.

$1 Trillion industry with nearly 6 million employees.

- More than 40,000 retail food stores
- More than 1,500 retail, product supplier and associate members
- Nearly 12,000 pharmacies

70% of all FMI members are independent operators*

*Independent operators: 50 stores or less

Representing nearly 6 million employees

$1 Trillion food retail industry annual sales volume

www.fmi.org 3
As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer, healthier and more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.
For Perspective: American Food Spending as a Share of Income

Overall, consumers spend slightly less of their income on groceries now (6.68% in 2021*) than they did in 2001 (6.92%).

Source: Bureau of Labor Statistics, Consumer Expenditure Surveys

Low-Income Shoppers: Percentage of Household Income Spent on Groceries

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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</thead>
<tbody>
<tr>
<td>2001</td>
<td>27%</td>
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<tr>
<td>2020</td>
<td>20.5%</td>
</tr>
<tr>
<td>2021</td>
<td>22%</td>
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</table>

Source: Bureau of Labor Statistics, Consumer Expenditure Surveys
Food at home prices are up ~25% since right before the pandemic

As of Nov ‘23, food prices are up 25.1% since Jan ‘20

Source: https://fred.stlouisfed.org/graph/?g=lbH7D
Shifting Areas of Concern among Americans

Food Prices Overtake COVID-19 and Supply Chain Concerns

70% of shoppers are still concerned with rising prices at the grocery store – down from 75% in February 2023.
• 76% of GenX
• 71% of Millennials

51% are concerned with rising prices at restaurants – down from 55% in February 2023.
Food Inflation is Felt the Strongest

- Food from grocery stores: 70% (−2 pts), Very concerned: 30%, Extremely concerned: 39%
- Gas: 61% (−7 pts), Very concerned: 26%, Extremely concerned: 35%
- Rent/Housing costs: 56% (−1 pts), Very concerned: 22%, Extremely concerned: 34%
- Food from restaurants: 51% (+3 pts), Very concerned: 26%, Extremely concerned: 25%
- Clothing: 44% (+2 pts), Very concerned: 22%, Extremely concerned: 22%
Supply Chain and Inflation

CONCERNS WITH OBTAINING FOOD

- Prices rising on the foods I prefer
- Having enough money to pay for the food I need
- Items I need being out of stock

Note gaps in fielding.
Food Price Concerns Stack Up

High Food Price Concerns Cut Across Income Levels

- Total: 7% Decreased, 68% Stayed the same, 25% Increased
- <$40k: 10% Decreased, 58% Stayed the same, 31% Increased
- $40k-$99,999: 7% Decreased, 67% Stayed the same, 26% Increased
- $100k or more: 5% Decreased, 75% Stayed the same, 20% Increased
New Highs for Spending=New Habits

**AVERAGE WEEKLY GROCERY SPENDING PER HOUSEHOLD**
Among all shoppers

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<tr>
<td>2015</td>
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<td>$161</td>
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<td>2016</td>
<td>$107</td>
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<td>$134</td>
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<td>2017</td>
<td>$110</td>
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<td>$114</td>
<td>$121</td>
<td>$142</td>
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<td>$148</td>
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<td>$148</td>
<td>$164</td>
<td>$155</td>
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<td>2018</td>
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<td>$164</td>
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<tr>
<td>2019</td>
<td>$114</td>
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Shoppers Use Unit Pricing to Understand the Marketplace

**Do you regularly check the unit pricing, such as cost per ounce or cost per item, among the same or similar products in the store to compare products?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>2014</td>
<td>78%</td>
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<tr>
<td>2023</td>
<td>74%</td>
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</tbody>
</table>

**Do you regularly check the unit pricing, such as cost per ounce or cost per item, among different grocery stores to compare products?**

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>52%</td>
</tr>
<tr>
<td>2023</td>
<td>60%</td>
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</tbody>
</table>

**Gen Z** and **Millennials** are the most likely to compare unit pricing both within their main store and across stores.

<table>
<thead>
<tr>
<th>Generation</th>
<th>Compare within store</th>
<th>Compare across stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gen Z</td>
<td>78%</td>
<td>70%</td>
</tr>
<tr>
<td>Millennial</td>
<td>79%</td>
<td>73%</td>
</tr>
<tr>
<td>Gen X</td>
<td>69%</td>
<td>56%</td>
</tr>
<tr>
<td>Boomer</td>
<td>72%</td>
<td>53%</td>
</tr>
</tbody>
</table>

*Based on FMI's U.S. Grocery Shopper Trends 2023 and 2014 reports conducted by FMI and The Hartman Group. These studies were fielded to a nationally representative sample.*
How are Consumers Addressing Rising Food Prices?

**Deals**
- I look for more deals: 52%
- I buy only when on sale/deal: 31%

**What**
- I buy fewer items: 32%
  - I don't buy as much FRESH meat or seafood: 18%
  - I buy more FROZEN meat or seafood: 18%
  - I don't buy as much fresh produce: 14%
  - I don't buy organic: 13%
  - I buy more CANNED meat or seafood: 9%

**How/Where**
- I buy in bulk: 23%
- I buy more in person: 21%
- I buy more online: 12%
- I changed where I shop for food: 10%

**Brands**
- I buy more store brands: 41%
- I changed brands I buy: 22%
- I use store loyalty programs more: 30%
- I go shopping less often: 24%
- I don't do anything differently: 6%
The New Normal?: Rise of the Value Shopper
Shoppers’ Notions of Value

More nuanced, shifting from a simple price-quantity ratio to a more complex matrix of personal values, needs, and priorities.
Values have Value – Not Just Price

Emerging Dimensions of Contemporary Notions of Value

Quality has emerged as the North Star of contemporary notions of value. It reflects the primacy of personal food standards and eating aspirations, and it includes attributes around freshness, cues of minimal processing, health and nutrition, product sourcing, and ethical considerations such as sustainability and labor standards.

Relevance refers to shoppers’ deliberations about needs versus wants and necessity versus indulgence. Questions about how well an item aligns with personal/household preferences, its utility, and its potential for waste have taken on greater weight as shoppers seek to meet the various preferences and needs of individual household members while minding their budgets.

Experience captures the importance of dimensions such as pleasure, enjoyment, novelty, variety, and discovery as well as aspects of shopping such as store cleanliness and the friendliness and knowledge of store employees.

Convenience continues to be a key element of value, embodying not only traditional criteria such as speed, ease, and accessibility (which shoppers sometimes trade for lower price), but also contemporary expectations around engagement, flexibility, experience, and relevance.
There’s a few things involved in getting good value. You have the idea of price and affordability, getting more for your money. You also look at good quality — if it is healthier, made with sustainable materials, is healthy and delicious. Getting really cheap products, yes, you haven’t spent a lot, but you get what you pay for, and if you’re getting a product for the cheaper amount, the quality might be compromised.

—Female, 42
Getting Good Value has Become More Important

How Important is it for you to get GOOD VALUE?
Among all U.S. shoppers

- **Total**:
  - TOP priority: 36%
  - HIGH priority: 51%
  - MEDIUM priority: 13%

- **<$35K**:
  - TOP priority: 41%
  - HIGH priority: 45%
  - MEDIUM priority: 14%

- **$35-99K**:
  - TOP priority: 35%
  - HIGH priority: 52%
  - MEDIUM priority: 13%

- **$100k+**:
  - TOP priority: 33%
  - HIGH priority: 52%
  - MEDIUM priority: 13%
Evolving Consumer Behaviors: Technology
Smartphones have become an integral part of the shopping experience

<table>
<thead>
<tr>
<th>Activity</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Check weekly sales specials at your primary store</td>
<td>64%</td>
</tr>
<tr>
<td>Use digital coupons</td>
<td>63%</td>
</tr>
<tr>
<td>Call or text someone in my household about items at the store</td>
<td>61%</td>
</tr>
<tr>
<td>Look up recipes</td>
<td>54%</td>
</tr>
<tr>
<td>Use the in-store item locator</td>
<td>47%</td>
</tr>
<tr>
<td>Read reviews of products and brands</td>
<td>46%</td>
</tr>
<tr>
<td>Look up info about ingredients, how a product is made or where it is from</td>
<td>44%</td>
</tr>
<tr>
<td>Scan QR codes/barcodes of grocery items to compare prices across stores</td>
<td>36%</td>
</tr>
<tr>
<td>Scan QR codes/barcodes of grocery items to learn about their nutritional value</td>
<td>35%</td>
</tr>
</tbody>
</table>
Despite the proliferation of AI tools, two-thirds of people have never used them.

**FAMILIARITY WITH NEW AI-ENABLED INFORMATION AND MEDIA TOOLS (SUCH AS CHATGPT)**

Among all shoppers

- 24% Never heard of these
- 42% Heard of, but haven't used
- 15% Used once or twice
- 12% Used more than twice
- 8% Have become a regular user (once a week or more)

**WHAT TYPES OF INFORMATION HAVE SHOPPERS SOUGHT FROM AI-ENABLED TOOLS**

Among shoppers who have used AI-enabled tools

- Meal/menu planning: 35%
- Recipes: 33%
- Food/beverage ingredients or nutrition: 31%
- Restaurant/eating out ideas: 29%
- Diet/nutrition advice: 27%
- Party food/display ideas: 23%
- Other food-related information: 9%

55% of those who used AI-Enabled tools sought 2 or more
34% sought 3 or more
HOW SHOPPERS WOULD UTILIZE A PERSONALIZED DIGITAL SHOPPING ASSISTANT

Among all shoppers

- Find coupons for your favorite products: 42%
- Alerts for price drops on my favorite products: 39%
- Create shopping lists based on the meals I plan to have: 30%
- Perform price comparisons for products across retailers: 29%
- Recommend substitute products that are more affordable: 28%
- Provide recipes or meal suggestions based on ingredients I have: 27%
- Create personalized grocery shopping lists for me: 27%
- Recommend substitute products that are healthier: 26%
- Suggest new products for you to try based on your previous shopping: 24%
- Develop a weekly meal: 24%
- Find me specific product information: 21%
- Automate repeat grocery orders: 17%
- Recommend new stores to try based on your preferences: 14%
- None of the above: 21%

Shoppers would use a digital shopping assistant to save money and streamline shopping and planning meals.
Consumers in 2024: Cautious But Optimistic
Younger Adults Enjoy Shopping the Most

ENJOYMENT OF GROCERY SHOPPING
Among all shoppers

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
<th>Gen Z</th>
<th>Millennials</th>
<th>Gen X</th>
<th>Boomer/Mature</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td>39%</td>
<td>17%</td>
<td>22%</td>
<td>21%</td>
<td>21%</td>
<td>20%</td>
</tr>
<tr>
<td>2021</td>
<td>41%</td>
<td>21%</td>
<td>21%</td>
<td>21%</td>
<td>25%</td>
<td>21%</td>
</tr>
<tr>
<td>2022</td>
<td>39%</td>
<td>19%</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
<td>19%</td>
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<tr>
<td>2023</td>
<td>43%</td>
<td>25%</td>
<td>18%</td>
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<td>18%</td>
<td>25%</td>
</tr>
</tbody>
</table>

- Total: 43% Men, 43% Women, 48% Gen Z, 62% Millennials, 44% Gen X, 29% Boomer/Mature
- Like it: 25% Men, 25% Women, 26% Gen Z, 28% Millennials, 25% Gen X, 23% Boomer/Mature
- Love it: 18% Men, 18% Women, 22% Gen Z, 34% Millennials, 19% Gen X, 6% Boomer/Mature
Optimism about finances and diet in 2024

How do you expect these things to be one year from now?

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Better</th>
<th>The Same</th>
<th>Worse</th>
</tr>
</thead>
<tbody>
<tr>
<td>My household’s finances</td>
<td>33%</td>
<td>41%</td>
<td>26%</td>
</tr>
<tr>
<td>My diet and nutrition</td>
<td>32%</td>
<td>53%</td>
<td>15%</td>
</tr>
<tr>
<td>The enjoyment I get from cooking</td>
<td>28%</td>
<td>58%</td>
<td>13%</td>
</tr>
<tr>
<td>My ability to buy the food I need</td>
<td>28%</td>
<td>49%</td>
<td>23%</td>
</tr>
<tr>
<td>My access to relevant information about the food I am buying</td>
<td>27%</td>
<td>60%</td>
<td>13%</td>
</tr>
<tr>
<td>The enjoyment I get from eating</td>
<td>26%</td>
<td>60%</td>
<td>14%</td>
</tr>
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</table>
Shoppers are hopeful and optimistic about 2024
THANK YOU