# Consumer Trends: Future Challenges

## Janice Jones

This paper is an overview of the most important consumer trends in the annual *FMI Trends* report and the annual *FMI Industry Speaks* report from 1999. The *Trends* report is based on a random sample telephone survey of 2,000 U.S. grocery shoppers. One-half of the sample focuses on shopping habits while the other half looks at topics related to nutrition and food safety.

Current industry trends are best understood within the perspective of the current economic environment. Overall, the period leading up to the time of the survey (January 1999) was strong economically—a rising stock market, strong gross domestic product, low inflation, and low unemployment. These positive indicators reflect a positive consumer outlook. In this overall positive economic picture, the food industry reports an increase in food store sales to $443 billion, representing a median sales increase for supermarkets of 4.2 percent.

**Changing Consumer Lifestyles**

While many of the overall trends in grocery shopping have remained constant over time, consumers' lifestyles are changing. These changes bring challenges to the grocery industry. Some of these changes can be found in a close analysis of the data by examining age-related differences, attitudes of working women, and increasingly diverse populations.

While the economic picture remains rosy, the pace at which people work continues to grow. In many national polls, the increase in stress, particularly among working women, is increasing. Consumers report a decrease in leisure time. More stress and less leisure time lead consumers to seek convenience in the way they shop and in the way they prepare meals. Increased stress leads to a need to control and simplify life.

Although these changes affect attitudes, when it comes to groceries, the top factors in choosing a grocery store have remained fairly constant over time. The top five factors are:

*Percentage Rating "Very Important"*

- High-quality produce 89%
- Clean, neat store 89%
- Use-by dates 83%
- High-quality meat 82%
- Courteous employees 77%

There have been some minor shifts in position among the top five factors. Use-by or sell-by-date-labeling has increased in importance since 1995, up from 76 percent to 83 percent, and up in relative position from number four to number three. Meat quality as an important factor has decreased slightly from 86 percent in 1995 and has dropped to number four from the number two position in importance.

However, among certain segments of the population, the importance factors show more variation. The youngest shoppers are 25 percent more likely to value fast checkouts. Working women are also more likely to identify fast checkout and convenient location as more important. The oldest shoppers are more likely to care about personal safety outside the store. And shoppers in the 50- to 64-year-old age range place a greater value on getting nutrition and health information.

We look at the difference between the items that are rated as very important in choosing a grocery store and the items that receive an excellent rating from the consumer at their primary grocery store to find the performance gap. This gap signals an area in which stores may need to improve performance. The following factors registered the highest performance gap: high-quality produce, accurate shelf tags, high-quality meat, low prices, and use-by dates.

Note that price is not the most important factor. In the past nine years, the importance of price has dropped along with the accompanying behavior of shoppers to get the best deal when they shop. Possible causes for this may be the recent good economy and the need for convenience. Additionally, newspaper readership and subscriptions have been declining, particularly among younger demographics. This could also account for some of the drop in the shoppers' reported attention to newspaper advertising and coupons. In

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some cases, the use of frequent shopper programs may replace consumers' reliance on coupons and newspaper ads.

*Percentage Drop in Price-Related Actions, 1990–99*

- Look in newspapers for specials -34%
- Use price-off coupons -46%
- Shop other than primary store for advertised special -50%
- Compare prices -33%

However, price is still a factor when consumers shop at another store. When asked why they shopped at a store other than their primary store, 43 percent gave convenience as the main reason, and 39 percent gave lower price as the main reason.

Overall, consumer satisfaction remains high with their primary grocery store, averaging 8.1 on a 10-point scale. But the satisfaction rating is correlated to age, with the increase in satisfaction parallel to the increase in age. The youngest consumers are not so happy with their shopping experience. Only 28 percent of 18- to 24-year-olds rated their store a 9 or 10, compared to 56 percent of those 65 years-old or older. It is not clear that they will "grow" into liking the shopping experience either. And the post-boomer generations, sometimes called the echo boom, are nearly as large as the boomers. These people will be the primary shoppers of the future. Will their satisfaction with their grocery store experience increase or decrease?

**Supermarkets Provide More Than Groceries**

In an attempt to better serve consumers, supermarkets do more than sell grocery items. Take-out food is on the increase. Shoppers may have a number of other services available, such as floral departments, pharmacies, photo-finishing, video rental, and banking. Even among shoppers who have these services available, not all are using them, even on a monthly basis. For example, only 26 percent of those who have pharmacy services available use them monthly, and only 17 percent of shoppers use the floral departments monthly.

One of the biggest changes in consumer behavior is the number of meals that people eat outside the home. This has led to supermarkets offering a greater number of prepared food choices. In our survey, more than 70 percent of consumers report eating a main meal out at least once a week. Youngest shoppers are far more likely to eat out. Thirty-one percent of 18- to 24-year-olds eat out three or more main meals per week. Finding alternatives for shoppers who do not want to cook is one way to keep the food dollars in the grocery store.

Consumers turn to restaurants, fast-food establishments, supermarkets, and other outlets for prepared food sources. Not surprisingly, fast-food leads other sources in supplying prepared foods. However, supermarkets are making some inroads in this area. Fast-food sources have been declining, from the high of 55 percent in 1992 to 31 percent in the 1999 survey. In comparison, supermarkets have increased from 12 percent in 1992 to 20 percent in 1999. Supermarket take-out food is used across all demographics; however, men in one-person households are slightly more likely to be the target customer. Not all supermarkets provide foodservice operations in the same way; stores are still looking for the best practice solution, whether it be using foodservice suppliers, making the food from scratch, or using a central company kitchen.

**Food Safety and Nutrition**

Concerns about food safety are becoming more important. Recent media reports about meat in both the United States and abroad, as well as Coca-Cola's recent problems in Europe, have focused consumers' attention on this issue. As attention turns to the issue of genetically modified foods, it is hard to predict how U.S. consumers will respond.

Shoppers adhere to a number of practices to keep food safe at home, with washing hands and surfaces topping the list. These actions are important because forty-one percent of consumers believe that people get sick from improper food handling at home and mishandling is thought to be the most common cause of food poisoning. There has been a slight downward trend in confidence in supermarket safety, but the majority of consumers (79 percent) report being completely or mostly confident in their supermarket. Fifty-six percent of those surveyed said they would be likely to buy irradiated food.

In terms of nutrition, consumers send mixed messages. While 50 percent of consumers note a concern about fat, this is a substantial decrease compared to 65 percent in 1995. Considerably fewer people report changing their diets by cutting fats, sugar, salt, and red meat than the numbers that have in previous years. Although 70 percent of shoppers rate nutrition and product safety as very important, taste remains the number-one factor in food selection, with 92 percent of shoppers rating it very important.

## Technology

We could not think about the future without looking at how new technology will affect the grocery business. Of course, the biggest new technology change is the Internet. Numbers of Internet users rise daily. In some urban areas, 60 percent of the population report using the Internet. Nonetheless, there is still a sizable percentage of consumers who are left behind the digital revolution. Polarization between "haves" and "have-nots" holds steady, and people who are economically disadvantaged are technologically disadvantaged as well. The bricks and mortar grocery stores are not likely to disappear for everyone any time soon.

Though more than one-half of consumers are still wary of shopping online, a sizable number of consumers are finding online shopping convenient. Will Internet grocery shopping offer more convenience and control to consumers? Will it fit the lifestyle and habits of some consumers more easily? Will more and more affluent and younger consumers gravitate toward this method of grocery shopping in the future?

What will the Y2K experience bring to the grocery store? Will computers fail, or is it more likely that panic-buying will cause more trouble for stores and distribution of food than any actual computer glitch? Earlier this year, a Gartner Group report, quoted by Secretary Glickman, USDA, stated: "Perhaps the greatest threat to the food supply industry comes from the consumers themselves. Needless and frivolous stockpiling of supplies can create isolated industry shortages."

## Conclusion

Serving more diverse segments of consumers with more convenience and offering more choices are the major challenges facing the grocery business. Convenience may mean many things: self-scanning and faster check-out, home delivery, Internet ordering, and meal solutions to name a few. Choice may mean greater product variety and multiple services in one-stop shopping. Diverse target groups may mean offering different services for older consumers, aging baby boomers, or younger shoppers. More ethnic diversity may require more variety in ethnic foods and more diverse services, such as languages other than English. The challenge for the supermarket business will be to serve changing consumer needs and to maintain profitability in a complex and changing consumer environment.