



2021 Food & Beverage Industry Trends



Executive Summary

TABS Analytics, a division of Blacksmith Applications, delivers the latest updates on the food and beverage industry trends for 2021. TABS examines the changes in the industry following the pandemic, including categories purchased, frequency of purchase, top deal tactics impacting consumer preferences, outlets where purchases are made, and e-commerce's grocery core metrics.

Methodology

For the ninth consecutive year, TABS Analytics surveyed 1,000 adults (18+) in the US in August of 2021. The responses are weighted by age and gender to the national census. The purchase frequency is adjusted for population growth. In addition, a change in survey vendor in 2019 resulted in a "step function" of results, causing some 2018-to-2019 results to appear more extreme than they were in reality.

The survey enabled TABS Analytics to gain insights into:

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

| Buyer Group | Defined as: |
|-----------------|--|
| Heavy Buyer | 55+ POINTS, where points are scaled based on 1-5 scale per category on Frequency. Consistent definition since 2013 |
| Heavy Deal User | 7-10 deals used regularly |

- **Types of deal tactics used.** Tactics examined include everyday low price (EDLP), shop deal (shoppers visiting multiple stores to get the best deals), private label (PVL), circular, shopper card, large size, online coupon, free-standing inserts (FSI), bonus pack, and rebate.
- **Popularity of four "on-trend" themes.** Topics include purchasing organic foods, purchasing diet foods, conducting online research, or having the tendency to shop online overall.
- **Outlets where consumables are purchased regularly.** (6+ times a year) Channels included traditional grocery stores, Walmart, dollar store, Target, CVS, Walgreens, Costco, value grocery stores, Sam's, online, Trader Joe's, C-stores, Whole Foods.

TABS Analytics assesses and verifies for internal data validity against external industry corroboration, correlating data to purchase frequency by category. Note that "share of mentions" is a proxy for "share of transactions by outlet".



TABS Analytics delivers the 9th Annual Food and Beverage Consumer Value Study which examines categories purchased, frequency of purchase, top deal tactics impacting consumer preferences, outlets where purchases are made, and e-commerce's grocery core metrics.

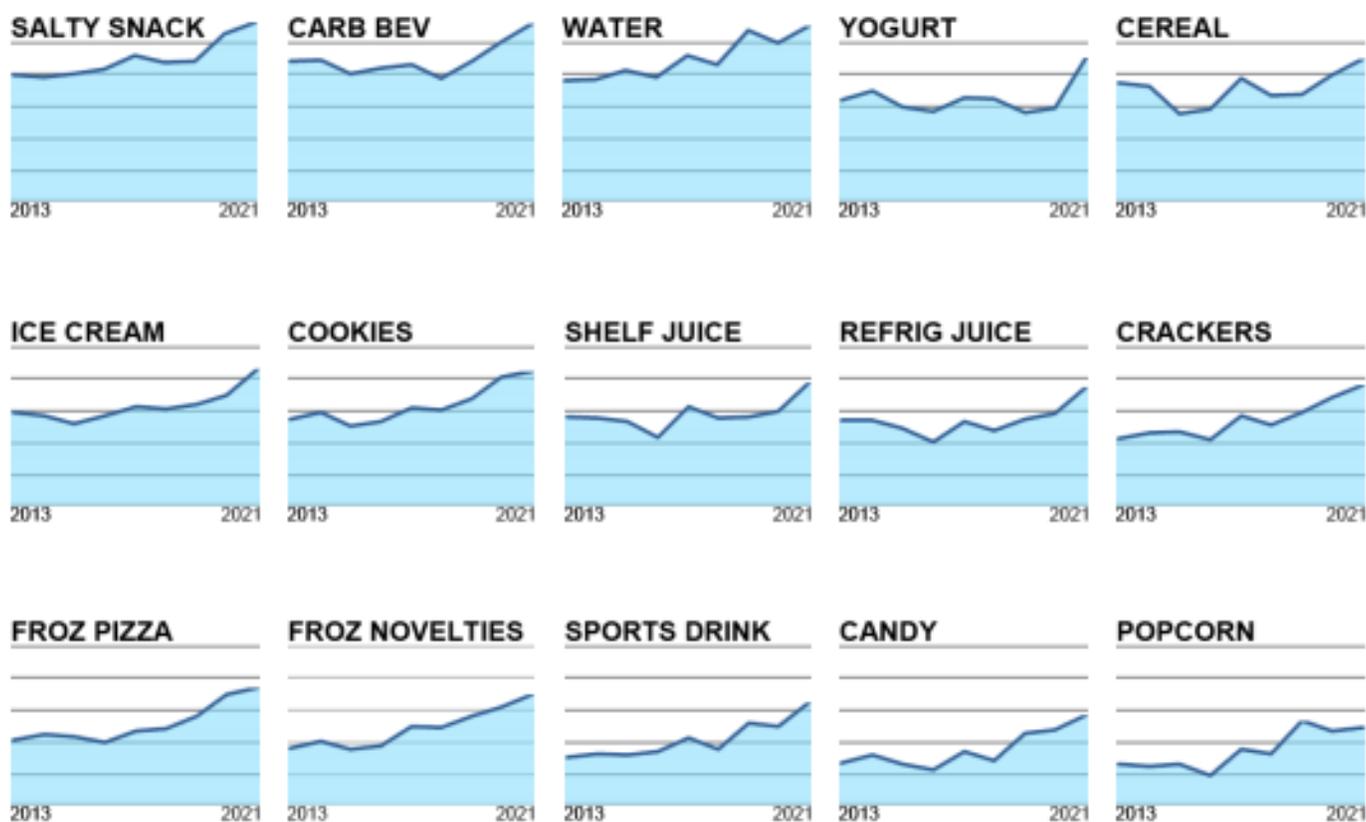
Post-Lockdown: 2021 Grows Off a High 2020 Base

There was a significant surge in sales at the start of lockdown. The big question is now that we are coming out of the pandemic, what does the industry look like? The industry has not only held that growth, but it has also continued to grow. Target and Walmart alike continue reporting strong, healthy sales growth compared to last year at the peak of the pandemic and the year pre-COVID.

Households with children remain the heaviest buying demographic and drove the growth in purchasing. Over 60% of households with children (about 30% of the sample) are heavy buyers of consumables, a 27% jump from 2020. In addition, there was a 21% increase in heavy buying among households without children.

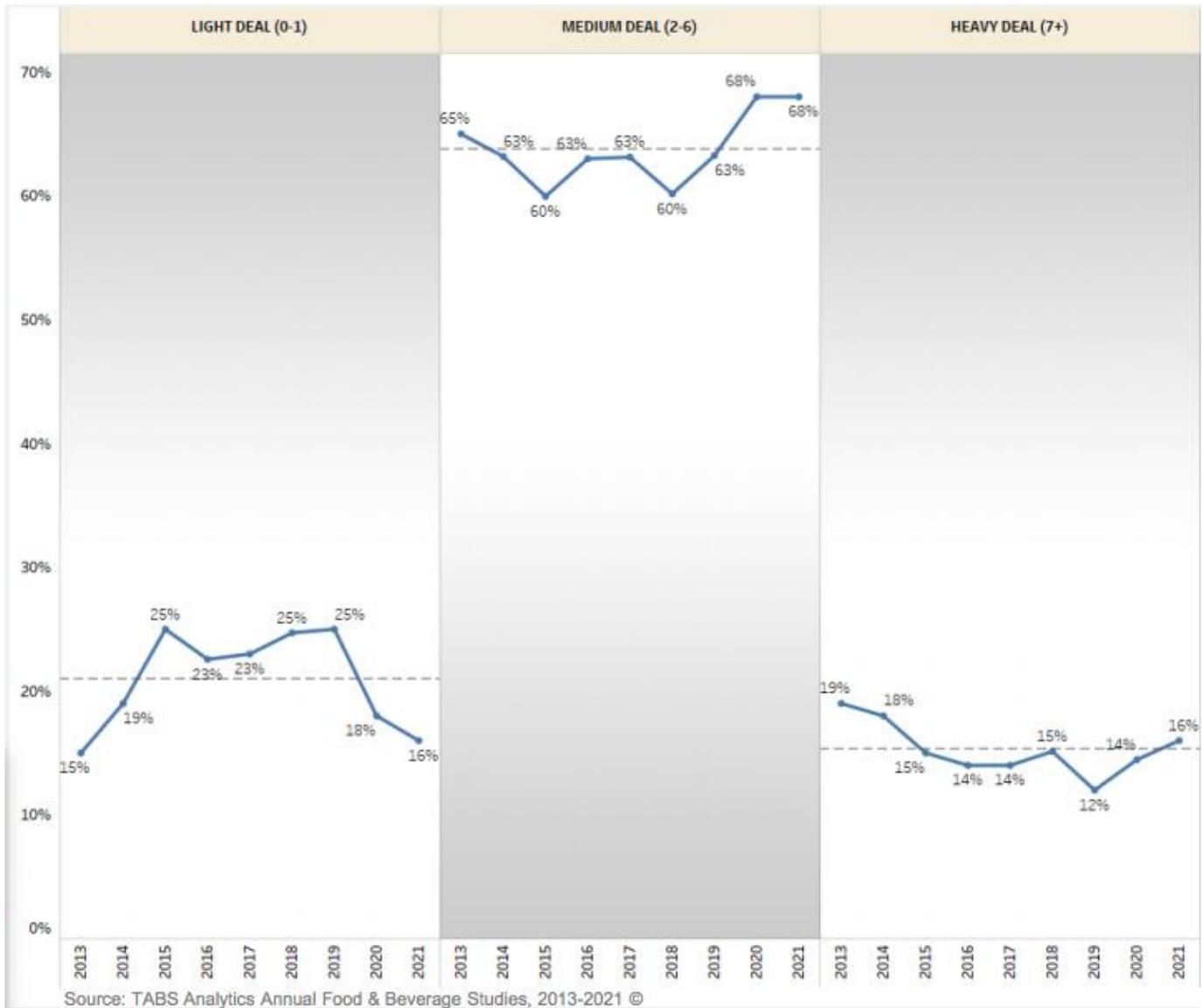
Getting Shoppers Off The Deal Without Much Success

Despite industry initiatives to get shoppers less reliant on deals, deal participation has only decreased marginally over the last nine years. Almost half of grocery shoppers use at least three deal tactics regularly and 25% of shoppers use six or more deal tactics regularly, down from 31% in 2013. The overall average is 3.9 deal tactics per shopper compared to 4.2 in 2013. The data concludes that in general there is still regular heavy deal usage.



Macro Deal Usage Trends Over Time

Overall, there has been a slight decline in the number of light deal buyers, and a slight increase in the number of heavy deal buyers:



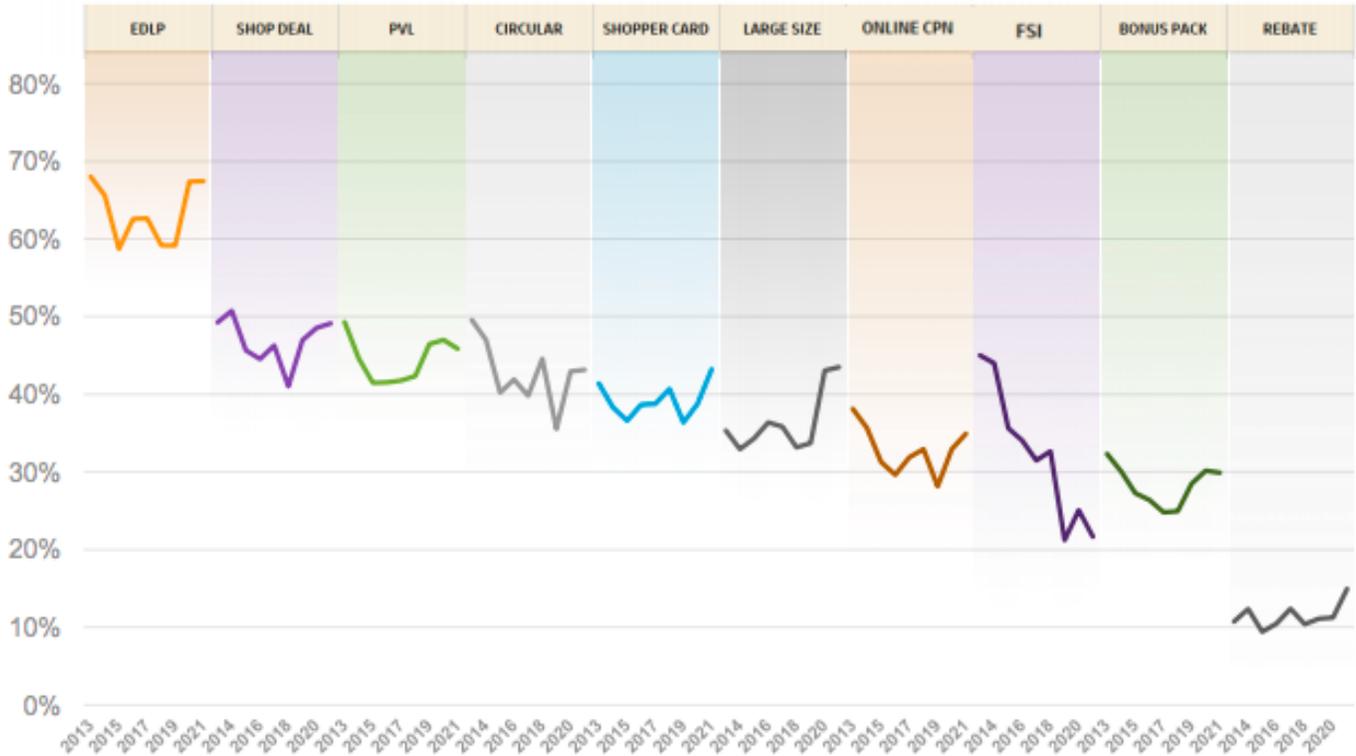
Light deal usage is at its lowest level (16%) since 2013. This means deal usage is almost universal among shoppers. In terms of heavy deal usage, there was an uptick despite average prices being significantly higher in retail. The avid deal shoppers hover around 15% of the market.

Most people fall within the medium deal category, meaning that over 80% of people are regularly using at least two different deal tactics.

Which Deal Tactics Are Used Most Often?

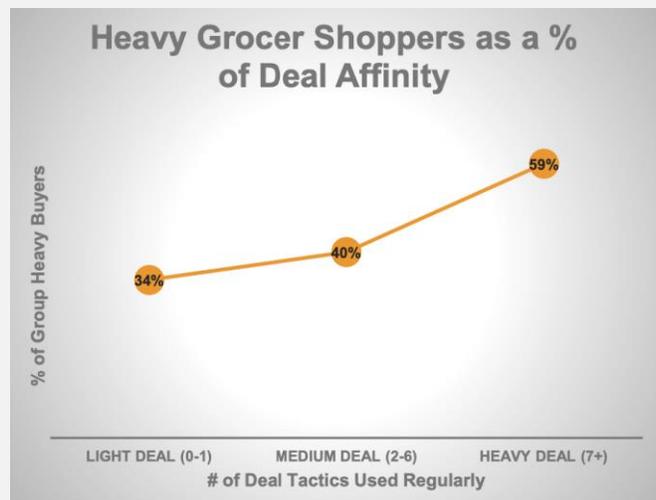
EDLP continues to be the most popular deal tactic at two-thirds of buyers, explaining why Walmart attracts a large portion of shoppers. The runner-up is shop deal, meaning shoppers will go between stores to get the best offer or deal. The interest in large sizes surged concurrently with the pandemic. FSI usage is at half of the level of usage it was in 2013, but usage has stabilized over the past three years at around 22%. It's safe to assume usage has decreased alongside newspaper readership.

Percentage Saying They Use the Tactic Regularly



Source: TABS Analytics Annual Food & Beverage Studies, 2013-2021 ©

59% of heavy deal buyers are heavy grocery buyers, overall. This compares to only 34% of light deal buyers. In addition, these heavy deal buyers are only 15% of the buyers, but roughly 30% of the sales. They buy more frequently and their transaction sizes are larger.



Where Are People Shopping?

In 2021, grocery stores remain the largest contender, with around 75% of shoppers frequenting these types of stores. Regular online grocery purchasing has peaked at around 35%. The option to pick up groceries has increased in popularity slightly over the last three years, while delivery remains flat.

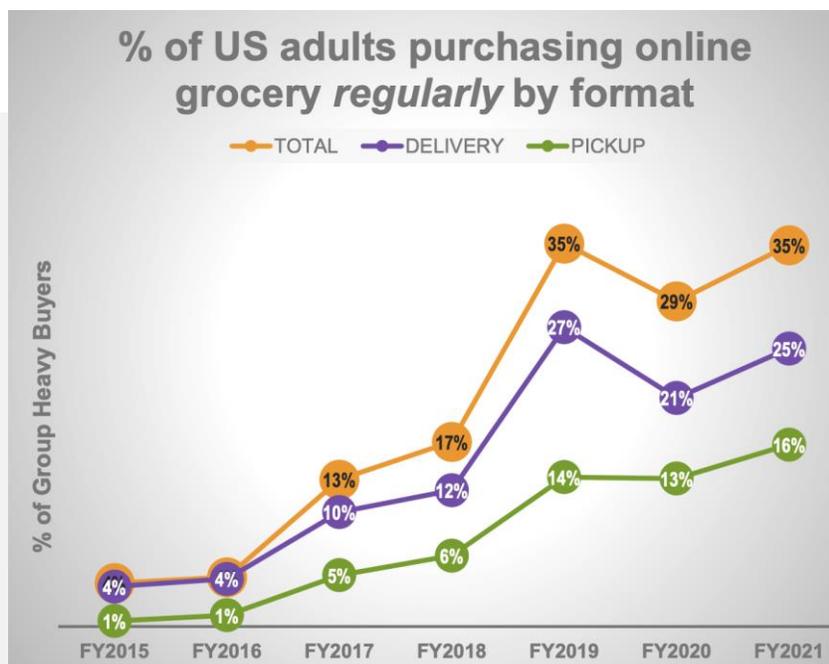
Walmart and C-store have seen an increase in popularity since 2020.

The value grocery store, Aldi, has seen a surge in popularity more significant than major banners such as Costco, Sam's Whole Foods, or Trader Joe's. In fact, Aldi has more shoppers than the total of all natural foods banners.

Online Regular Shoppers Return to Pre-Pandemic Shopping Levels

- 25% of US adults purchase groceries online for delivery (6+ times per year).
- 16% of US adults purchase groceries online for pickup (6+ times per year).
- There is little overlap between formats: 19% are exclusive to delivery; 10% are exclusive to pickup, and 6% use both regularly.

These numbers reveal that there is no longer a single brick and mortar supply chain, now there are three. All these formats fall under the umbrella of e-commerce; however, the differences in the means of delivery are significant.



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What Are Current Shares By Outlet?

The share of mentions (proxy for transactions) reveals the following insights on current shares by outlet:

- Gainers: Aldi, Online, and C-store
- Losers: Costco, Trader Joe’s

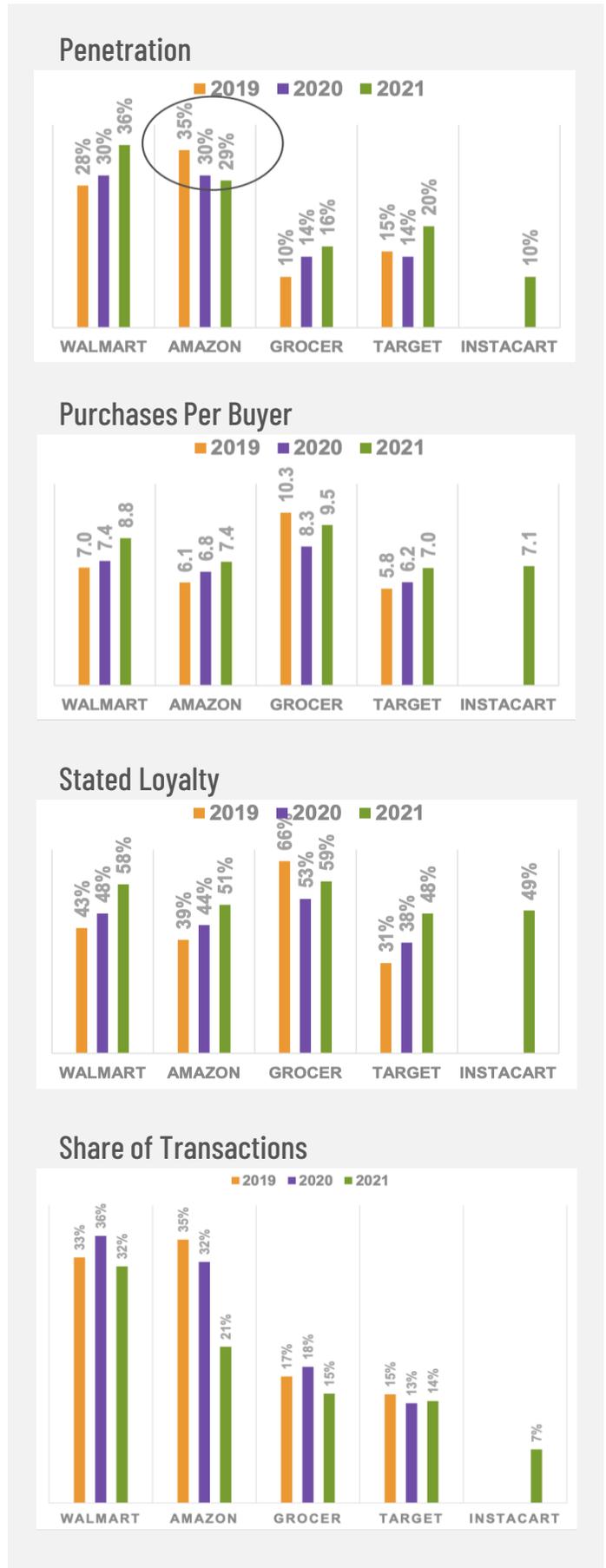
Losses at Costco and Trader Joe’s can potentially be explained by an overemphasis on organics, as only about 19% of shoppers try to purchase organics, see the chart on page 8.

E-commerce Grocery Core Metrics: Growing Buyers, But Not Loyalty

Overall, there was a significant increase in the penetration of online grocery. However, regular purchasing has remained stagnant since 2019. Customer loyalty declined, which means there is a burden to acquiring the new buyers needed to continue sales growth.

Amazon’s buyer base saw a second straight of year decline while all other major platforms grew. Overall, we see a significant increase in purchase frequency across all major e-comm grocers. All outlets are below the 75% loyalty rate needed to ensure consistent revenue, but all are trending the right way.

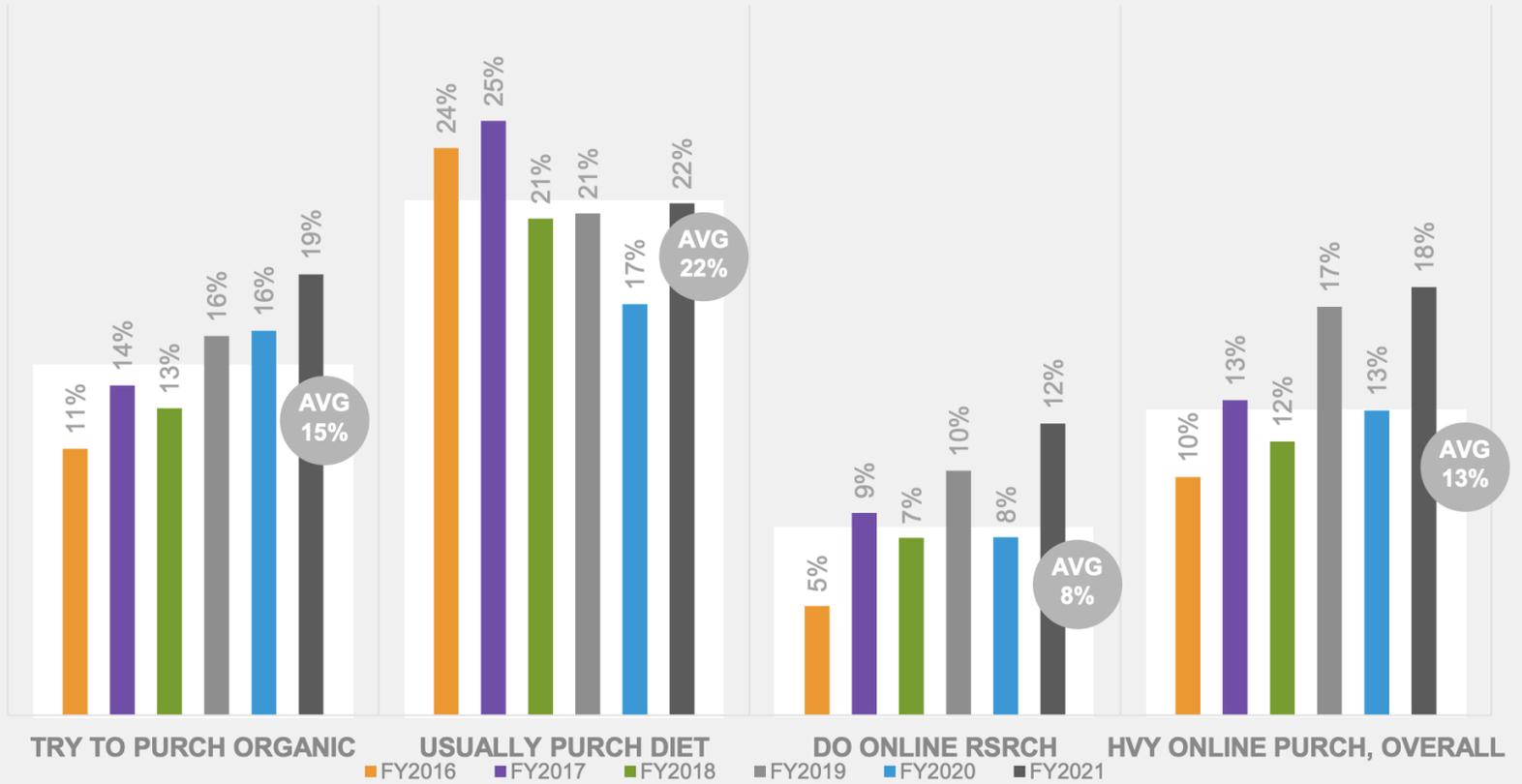
Walmart is the clear #1 in online grocery, and Amazon is struggling share-wise. Instacart—as a standalone brand—is a minor player.



Do Current “On Trend” Themes Live Up To The Hype?

TABS surveyed consumers on their level of agreement with four below trends in the food and beverage industry:

% Agreeing Strongly – For Drinks/Snacks



Organics continue steady growth in consumables, but are still far from becoming mainstream. On the other hand, diet product purchases snapped back to historical levels. A modest amount of people conduct online research before purchasing drinks or snacks. Finally, the vast majority of shoppers are not heavy online shoppers.

This year, just 18% said they were heavy online buyers. The pool of people that would be heavy online grocery shoppers is limited.

Conclusions:

Purchasing Habits

Contrary to the fears of many in the industry, sales of consumables continue to grow even after the economy has opened up. Fourteen of the top fifteen food and beverage categories (popcorn is the exception) have shown significant gains since 2019. Households with children continue to be the prime target for consumables, but even households without children posted major gains in transactions.

Outlets

Since the pandemic, Walmart, Sam's, C-store, and Aldi have all increased in popularity. On the other hand, Costco, natural foods, and traditional grocery stores decreased in popularity. Online shopping has only changed marginally (7.9% vs. 7.6%). While delivery is still the preferred method of buying groceries online, pickup is gaining popularity.

The typical grocery shopper purchases at over 5 outlets per year on a regular (6+ times) basis. The notion of "loyalty" to outlets is usually misplaced because half of shoppers switch outlets looking for deals. The strategy should be focused on inducing more trips per shopper and capturing more transactions while they are there. Very few grocers capture more than 50% share of requirements.

Deals

Deal usage continues to remain strong, even though availability has tapered off. Consumers still find deals, with 84% using 2+ tactics regularly, and 16% using 7+ (heavy deal users). Large size deal tactic continues to grow in appeal with 43% of shoppers buying. EDLP is the #1 deal tactic with 67% using, and active shopping for deals is #2 with 49% usage.

Heavy deal users are over 50% more likely to be heavy buyers of groceries than other buyers, which highlights the importance of offering deals.

E-commerce

Walmart remains the #1 outlet for online grocery in the US with 32% of transactions. Amazon is #2 at 21% share. Amazon's losses could be attributed to:

1. Lack of broad pickup footprint.
2. Overlap and competition with Costco.
3. Overemphasis on organics and less popular brands.

All major e-commerce domains (delivery, pickup, both) generated big gains in purchase frequency among existing buyers. However, all of them need to get a high majority (75%+ industry benchmark for retail outlets) of their buyers to become regular buyers.

Brick and mortar retailers, in total, only garner 15% of e-commerce grocery transactions, which translates into barely 1% of total grocery transactions. Instacart as a standalone brand accounts for 7% of transactions. At these levels, e-commerce grocery still needs to grow to prove long-term profitability.

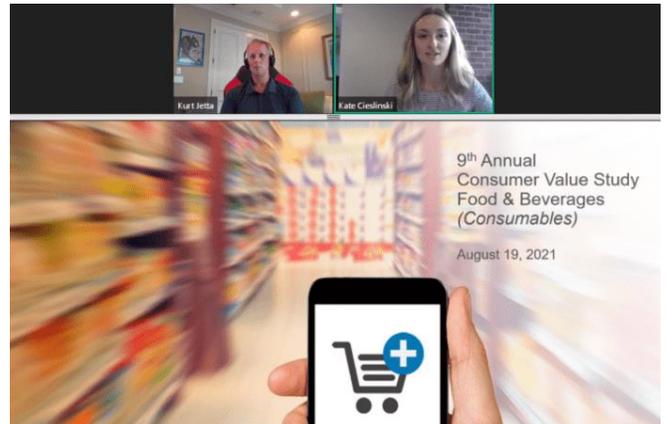


Industry Outlook

The evidence suggests that strong grocery demand remains dominant. Deals continue to have a strong presence in the calculus of most grocery shoppers. Retailers that recognize organics as an important, profitable, incremental niche stand to benefit.

Aldi appears to have taken the mantle from Dollar stores as the growth outlet in small format. This trend should continue as Aldi adds more locations.

Brick and mortar grocery isn't going anywhere. Some of the nation's most beloved brands are grocers, and 100% of consumers shop at some B&M outlet for groceries regularly. By contrast, only 35% shop online regularly.



[Watch the full webinar presented by Dr. Kurt Jetta](#)

Industry Outlook: E-commerce

As the demand for e-commerce grocery continues to grow at Walmart, they can scale and grow profitability. Walmart and other grocers will continue to invest in this business model.

About TABS 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.

