GROCERS FACE RENEWED COMPETITIVE CHALLENGE AS CONSUMERS RETURN TO OLD HABITS

An Ipsos Point of View

By Jaime Tarud
and Mike Murphy

GAME CHANGERS

Key Takeaways:

- Grocery retailers need to find ways to minimize the impact on revenue in a post-pandemic world.
- Solutions include offering more robust “heat and eat” options and simple foods that are quick and convenient.
- Meal preparation kits are another tactic for grocery retailers in adjusting to the post-COVID era.

Among the many significant changes on consumer behavior the COVID-19 pandemic forced throughout the U.S., eating more meals at home from food bought at a grocery store is one that certainly played a role in the surge of the industry's sales, which surged 12 percent in 2020 compared to 2019, according to census data.

In a recent Ipsos survey of 1,000 U.S. consumers, nearly two-thirds (64%) of households indicated they were spending more at grocery stores during the pandemic, with 4 out of 10 spending $200 or more per month. However, as the pandemic subsides, nearly half (49%) expect to decrease their current grocery store spend for meals. For households with children, the impact is even more pronounced, as 60% will spend less; 43% by $160 per month or more.

What can grocery retailers do to blunt the impact on revenue as consumers revert to their pre-COVID habits around meal spend, and what can they do to differentiate themselves in this area for the long term?

At the onset of COVID-19, grocers and big-box players immediately implemented or expanded delivery and pickup services to adapt to the pandemic environment and grow meal spend, as well as customer loyalty. Ipsos' 2020 eCommerce benchmarking study demonstrated how critical it is to continue to perform on newly implemented delivery and curbside offerings, as 77% of consumers reported they will continue or increase use of delivery after the pandemic subsides, and 69% will continue or increase their use of curbside/in-store pickup.

Still, winning space in consumers' refrigerators and tables for meal occasions required more than that: new offerings and services emerged, with retailers making further investment into prepared foods, "heat and eat" options, meal prep kits, in-store technology and online/app resources to help people plan meals and facilitate shopping for them.

What will influence consumers to continue to spend their meal dollars with their grocery store in a post-pandemic world? Along with continuing investment in curbside and delivery, other top priorities emerge. Nearly 20% of consumers cited these three things as top two influencers in maintaining their spend with their grocers, and current industry performance in these areas leaves plenty of opportunity to improve.

- **Offer more robust and appealing "heat and eat" options:** 19% included this as a top 2 influencer, but only 57% rated their grocery store a 7 out of 10 or higher on their current offerings.
- **Offer an array of simple foods that are quick and convenient:** it doesn't have to be fancy, as 18% indicated this would keep them coming back to their grocery store for meals, though nearly 40% rated their store a 6 out of 10 or worse in this area.
- **Offer meal preparation kits:** 17% said these would be a top 2 influencing factor for them, but among those who have tried their grocer's kits, 58% rated them a 6 out of 10 or below, representing significant opportunities for retailers to step up.

Grocers can also improve the selection and appeal of prepared foods, and offer curbside pickup and delivery of prepared foods. Technology-based solutions, whether in-store or online, are currently less influential towards driving meal dollar spend, but among those who are using them, grocer performance is rated poorly.

Table 1: Of the things grocery stores could do to entice you to spend more meal dollars with them, what are the top two that would influence you the most? | On a scale from 1-10 where 1 means poor and 10 means excellent, rate your grocery store on each of the below.

Services/Offerings Assessed by Customers	Influence the most (percentage selected)	6 or below
More robust/appealing Heat & Eat fresh food offerings	19%	43%
Offer an array of simple foods that are quick and convenient to eat	18%	39%
Offer meal prep kits	17%	58%
More robust/appealing prepared food offerings	14%	47%
Offer curbside pick-up of prepared foods	13%	47%
Online meal planning resources/app	11%	54%
Delivery of prepared foods	11%	55%
Offer meal prep kit subscriptions	10%	63%
Have in-store technology to help plan meals/facilitate shopping	6%	59%

*Percentages based on respondents that know of or have used the offerings or services.
Source: Ipsos Consumer Tracker, April 2021. 1005 online respondents across the U.S.

Grocery retailers will have major decisions to make in terms of prioritizing investments. Consumers have made it clear they want convenience and quality. There are increasing options available to them to have both, from Uber Eats to newly enhanced drive-thrus at QSR restaurants, to their favorite local restaurants going above and beyond to get their customers back.

In this hyper-competitive environment where consumers have so much choice, it becomes even more imperative for grocers to *ensure consistency* in the quality of meal solutions to retain the increased share of meal dollars they are enjoying today, as well as understanding consumer behavior perceptions and behaviors as they relate to at-home meal spend.

Now what? How a global research and insights organization like Ipsos can help:

- **Ensure quality and consistency:** The actions grocery stores are taking to address retention of meal spend need to meet customers' expectations and be delivered consistently across their networks and partners (e.g., home delivery service). Consider mystery shopping solutions to help monitor service execution of curbside/delivery, as well as availability and freshness of in-store meal solutions, including the use of photos.
- **Listen to and understand your customers:** Retailers should refine their meal solution offerings and services with the consumer front and center, uncovering target customer expectations and performance perceptions. Consider qualitative interviews and quantitative survey research to ensure your offerings align to quickly evolving consumer preferences and expectations.

By most objective measures, the grocery industry has been incredibly successful in quickly evolving and has responded admirably to the challenges the past year have brought on, from putting customers' health and safety first as an essential business, to innovating and thriving to help Americans enjoy great meals at home. The coming year presents additional challenges for grocers to respond to. The stakes could not be higher for grocery stores to anticipate, adapt, and execute in response to consumers' changing expectations and needs.

What's Next:

- Standing out in providing quality and value in facilitating eat-at-home meals will be vital.
- Continue to think broadly and innovatively about ways to keep customers spending meal-dollars in-store. For example, some grocers are expanding in-store dine-in offerings by creating restaurants within the store or leasing space to restaurant companies.
- Grocery retailers can lean on data to update offerings and adapt quickly, using Ipsos' crowdsourced geolocation surveys.
- The surveys capture in-the-moment feedback from customers entering or exiting your stores (or your competitions') to provide timely and actionable data around intentions.
- Grocery retailers can learn everything from consumer leanings (Did they intend to buy from prepared foods?) to ultimate actions (Did they buy? Why or why not? How was the quality and selection?)

Contact Information

Jaime Tarud
Director, Channel Performance
Jaime.Tarud@ipsos.com

Mike Murphy
Vice President, Channel Performance
MikeJ.Murphy@ipsos.com

About Ipsos

At Ipsos we are passionately curious about people, markets, brands, and society. We deliver information and analysis that makes our complex world easier and faster to navigate and inspires our clients to make smarter decisions. With a strong presence in 90 countries, Ipsos employs more than 18,000 people and conducts research programs in more than 100 countries. Founded in France in 1975, Ipsos is controlled and managed by research professionals.