How grocery can earn "share of stomach" with fresh-and-prepared food

[report]

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What's inside

This study examines the food spend habits of 20,000 consumers across a variety of industries — including grocery, convenience stores (c-stores), quick-service restaurants (QSRs), and others.

Based on what we learned, this report shares how grocery brands can:

01

Convert infrequent grocery customers into brand loyalists

02

Increase + improve fresh-and-prepared food offerings as a way to earn share

Fresh-and-prepared food in grocery stores is often found in the deli area and can include a variety of options.

Examples include: rotisserie chicken, hot entrées + side items, sushi, sliced fruit, sandwiches, and salads. In some grocery stores, it can include dine-in options.

The battle for customers' "share of stomach" is on.

Food industry lines are blurring and new competitors have entered the arena. Consumers are buying meals at convenience stores, picking up grocery ingredients at mass merchandisers, and ordering meal kits online. A USDA study* shows the amount of time Americans spend sitting down and eating a meal has declined over the past 10 years, while purchases of prepared food from grocery stores and food service options (carry-out, delivery, or fast food) have increased.

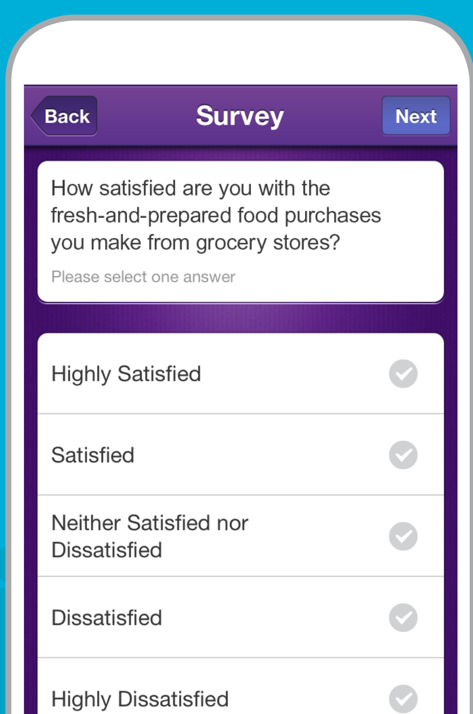
With customer behaviors and expectations shifting to a focus on fresher but faster food options, the grocery industry is now faced with the challenge of remaining relevant and competitive against more convenient industries.

* Source: FoodNavigator-USA.com, 2018

Methodology

How we got the data

SurveyMini®—SMG's location-based mobile research app—uses precise mapping technology to trigger visit-detected surveys to an active user base of more than 140,000 respondents. The results give clients dynamic, DMA-level competitive intelligence on more than 6,500 brands across 650,000+ locations.



SurveyMini®

1 custom survey*

10 targeted questions

20,841 respondents

11 key takeaways

Results cover the following industries:

Casual dining
(e.g., Applebee's, Chili's)

Club
(e.g., Costco, Sam's Club)

Convenience store (c-store)**
(e.g., QuikTrip, Wawa)

Fast casual
(e.g., Chipotle, Panera)

Grocery
(e.g., Kroger, Whole Foods)

Mass merchandiser***
(e.g., Target, Walmart)

Quick-service restaurant (QSR)
(e.g., McDonald's, Wendy's)

* In field 10/11/18–10/15/18
** In this report, all c-store data includes a fresh-and-prepared food purchase
*** In this report, all mass merchandiser data includes a grocery purchase

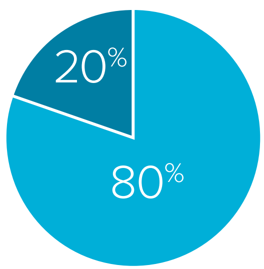
Respondent demographics

All of the data is from people who do ≥ 50% of the shopping for their households

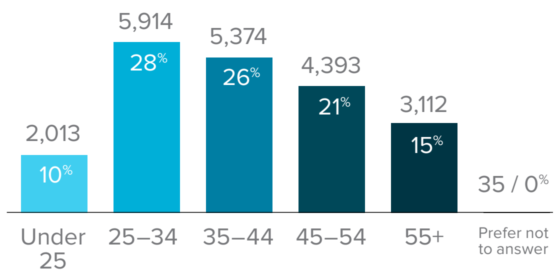
Gender

- Female: 16,728
- Male: 4,074

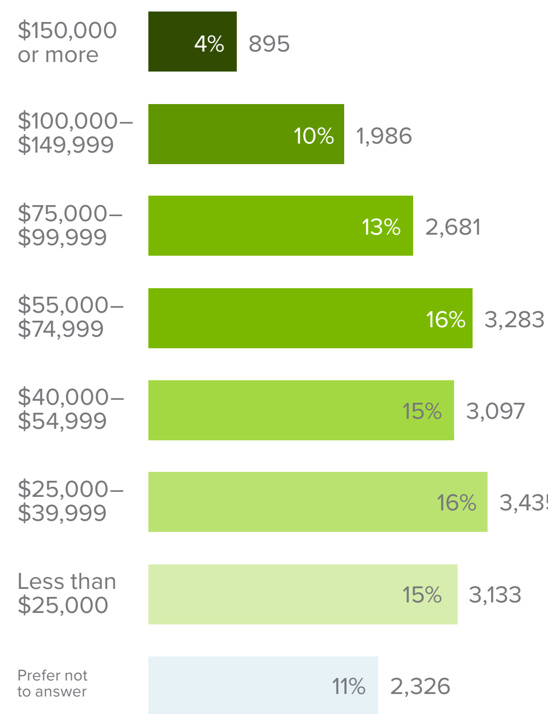
Prefer not to answer: 39



Age

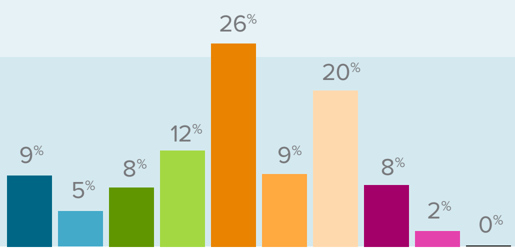


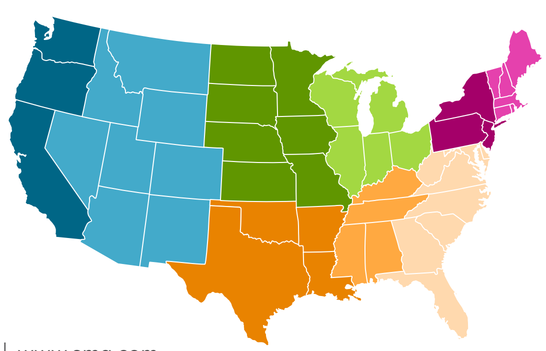
Income



Census Division

- Pacific 1,922 / 9%
- Mountain 970 / 5%
- West North Central 1,602 / 8%
- East North Central 2,596 / 12%
- West South Central 5,455 / 26%
- East South Central 1,970 / 9%
- South Atlantic 4,200 / 20%
- Middle Atlantic 1,670 / 8%
- New England 439 / 2%
- Unknown 17 / 0%





Executive Summary

01 More industries are competing for customers' "share of stomach"—today, c-stores are delivering the most satisfying experience.

02 High spenders (those who spend more than $250/week on food) allocate the smallest percentage of their food budget to grocery.

03 Most grocery customers are highly motivated by convenience factors during their shopping experience.

04 Highly Satisfied fresh-and-prepared food purchasers spend more money, more often at grocery.

05 Even though convenience factors spur purchase of fresh-and-prepared food at grocery, Taste is the biggest driver of Satisfaction.

1

Convert infrequent grocery customers into brand loyalists

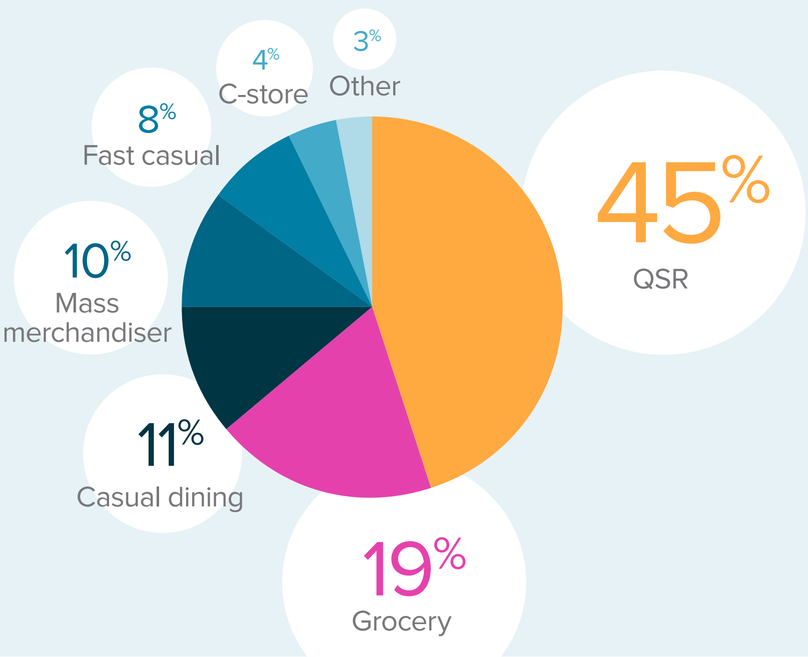
Today, QSR dominates visit share—leaving grocery with only 19%

The food industry has expanded to include a broader range of competitors offering more food options — c-store, specifically, is trending upwards in the fresh-and-prepared segment

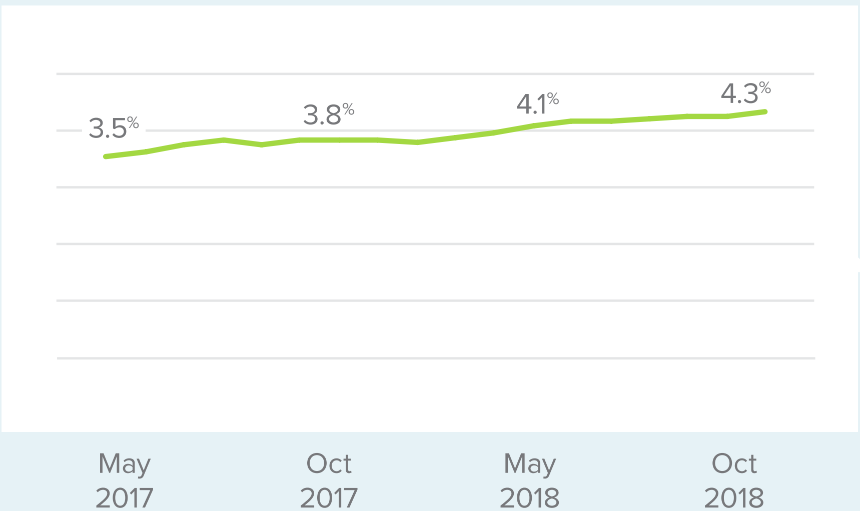
Takeaway

With new contenders entering the ring, grocery has to work even harder to get customers in the door.

Visit Share Among Food Industries



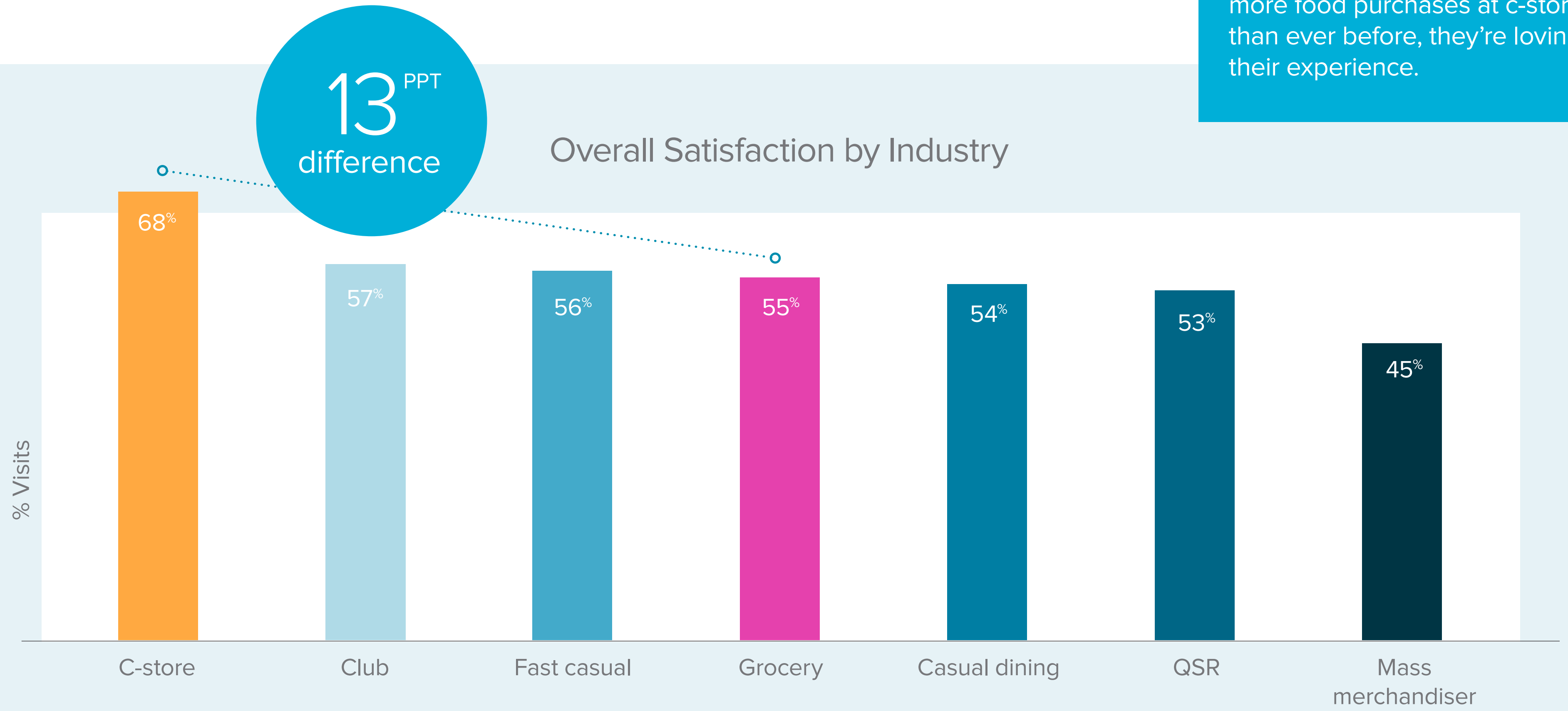
Visit Share Trend for C-store Fresh-and-Prepared Food



C-store leads the pack when it comes to customer satisfaction—outpacing grocery by 13 ppts

Takeaway

Not only are customers making more food purchases at c-stores than ever before, they're loving their experience.



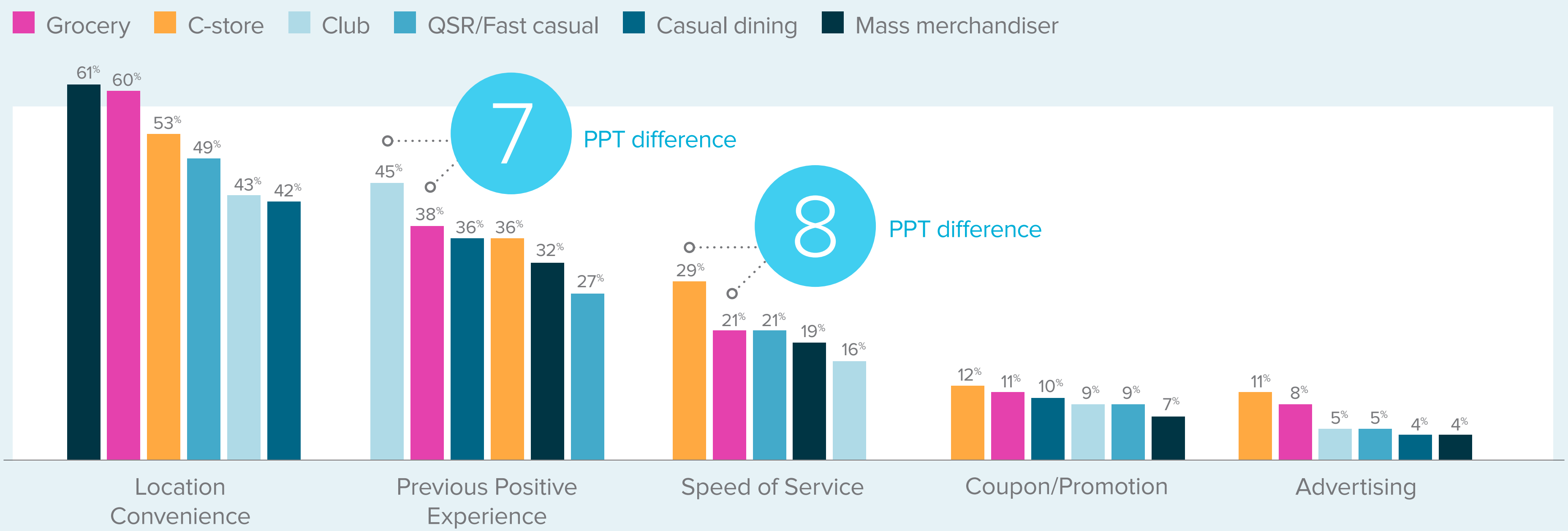
motivation

Location convenience is the biggest motivator for visits—but there are still factors the grocery front line can impact

Takeaway

Grocery's biggest opportunities to earn share are in delivering a positive experience and improving on speed.

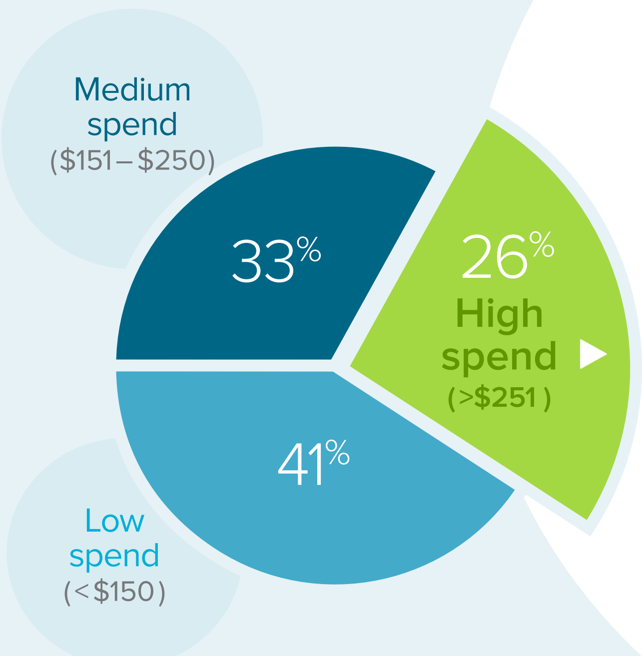
Trip Motivation by Industry



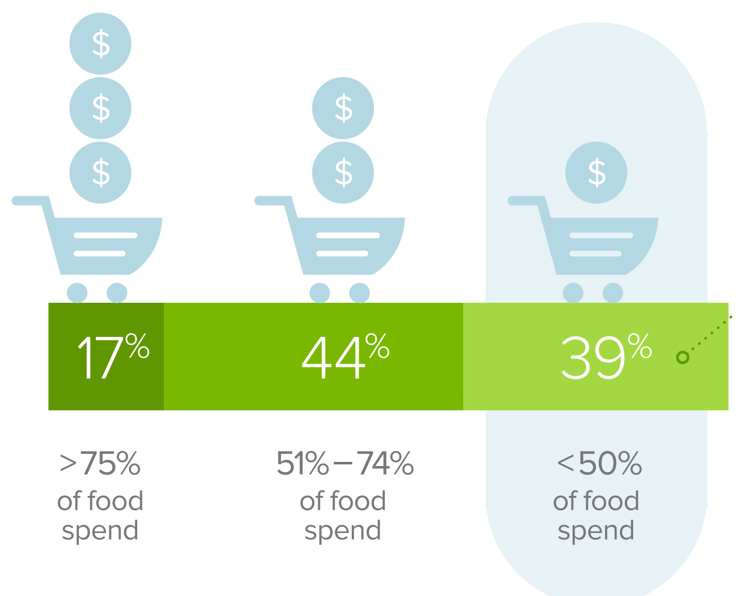
26% of customers spend more than $250 per week on food across all industries

Compared to other groups, high spenders are allocating less of their food budget to grocery

Total Spend on Food per Week



% of Weekly Food Spend at Grocery for High Spenders



High Opportunity Group

High spenders who allocate less than 50% of their weekly food budget on grocery are, on average, spending $268 on non-grocery food purchases.

Takeaway

High spenders are high opportunity for grocery.

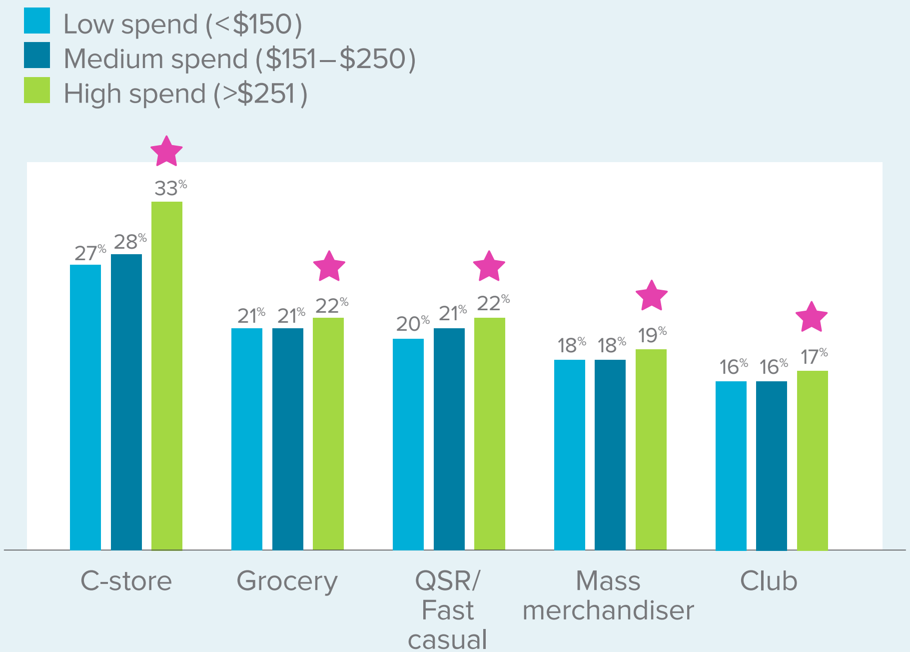
High spenders are more motivated by Speed of Service than other customers

And their Overall Satisfaction at grocery lags c-store by 16 ppts

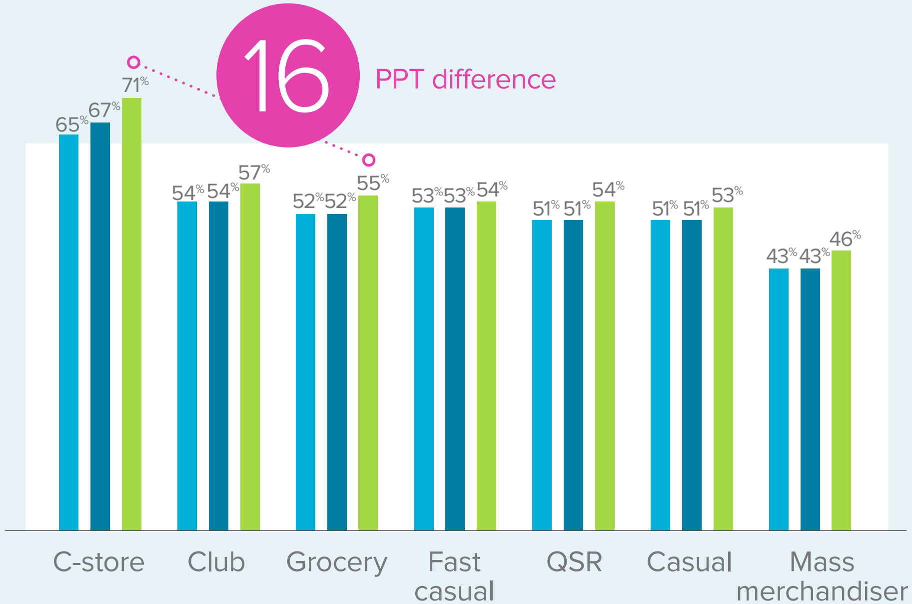
Takeaway

Focus on giving high spenders what they want: a fast experience.

Reason for Visit—Speed of Service



Overall Satisfaction by Total Spend



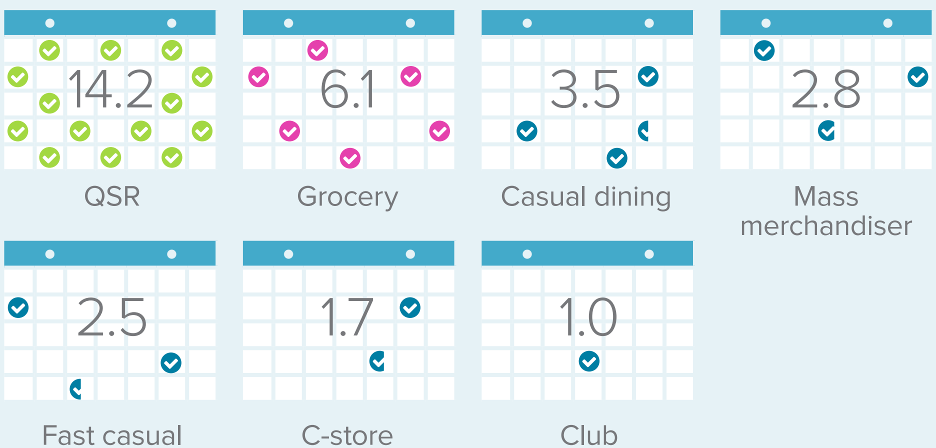
High spenders aren’t loyal to one grocery store

They’re making an average of 6.1 visits to grocery each month, but those visits are spread across 5+ brands

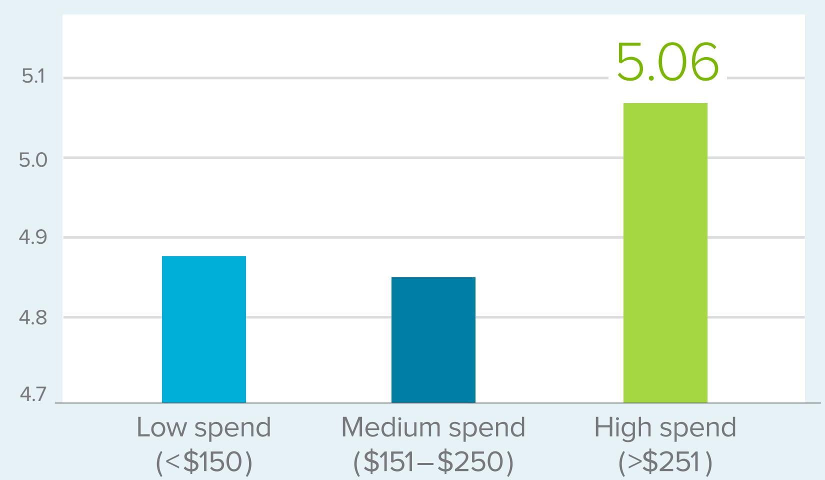
Takeaway

By providing a highly satisfying experience to these customers, you can make sure more of their grocery visits are to your brand.

Average Monthly Visits of High-Spend Customers



Average Number of Grocery Brands Visited



Deliver an experience that focuses on speed + convenience to win brand loyalty

Today's customers are busy people and they want food fast—but that doesn't always mean it comes in a paper bag at a drive-thru. There are now more options than ever for customers to get meals quickly—including fresh-and-prepared food at c-stores.

The grocery industry has a big opportunity with high spenders who allocate the least amount of their budget to grocery. This group is highly motivated by speed and convenience factors — and they're much more satisfied with their food purchases at c-stores than grocery. By finding ways to accommodate their expectations for speedy service, grocery could earn more visits from this coveted group of shoppers and get them to spend more at grocery.

2

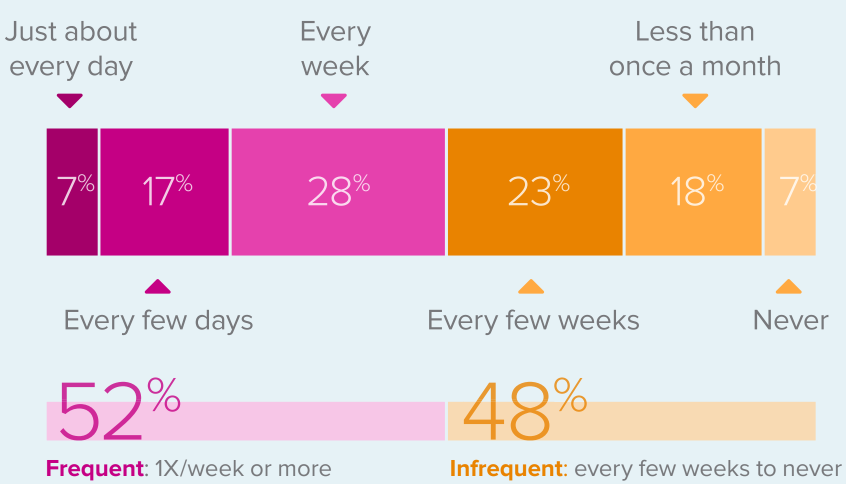
Increase + improve fresh-and-prepared food offerings as a way to earn share

frequency

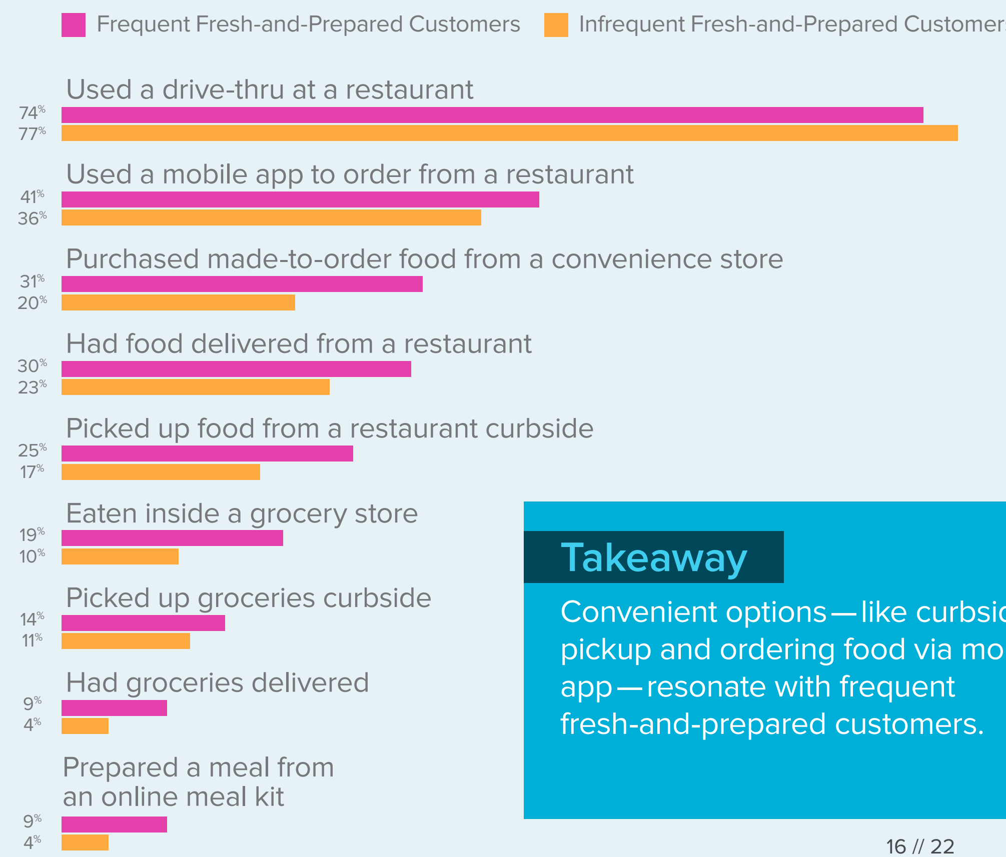
52% of grocery shoppers purchase fresh-and-prepared items at least once a week

And frequent fresh-and-prepared customers are more willing to get their food in more ways

How frequently do you purchase fresh-and-prepared food from a grocery store?



How Food Customers are Shopping



Takeaway

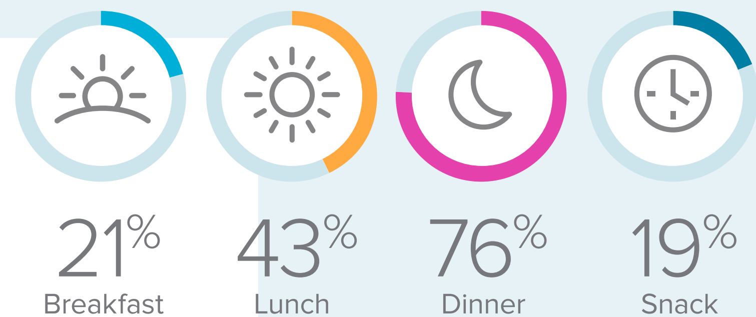
Convenient options—like curbside pickup and ordering food via mobile app—resonate with frequent fresh-and-prepared customers.

Today's consumers want convenient grocery meal options that save them time

Takeaway

Shorter cooking, preparation, and consumption times are the top reasons that customers purchase fresh-and-prepared food—especially for dinner.

Why do you purchase fresh-and-prepared food from a grocery store?



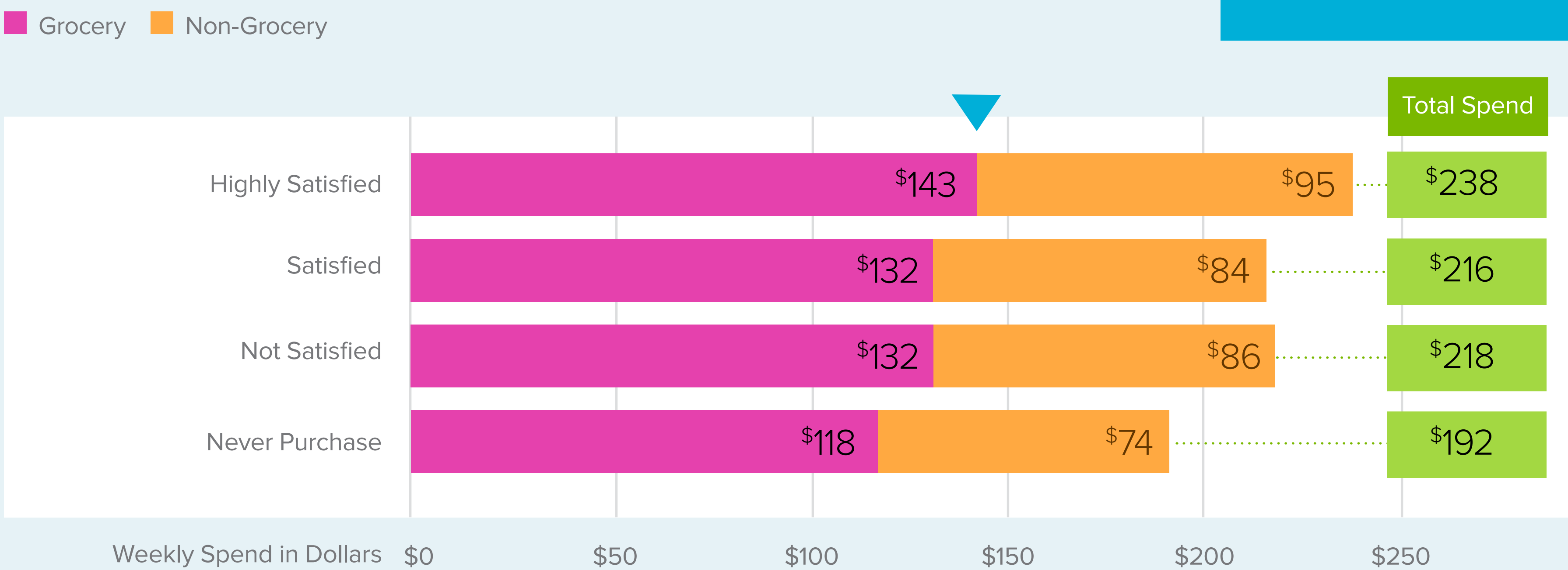
In the last 30 days, when you purchased fresh-and-prepared food, what meal was it for?

Customers who are Highly Satisfied with their fresh-and-prepared purchases spend more money at grocery

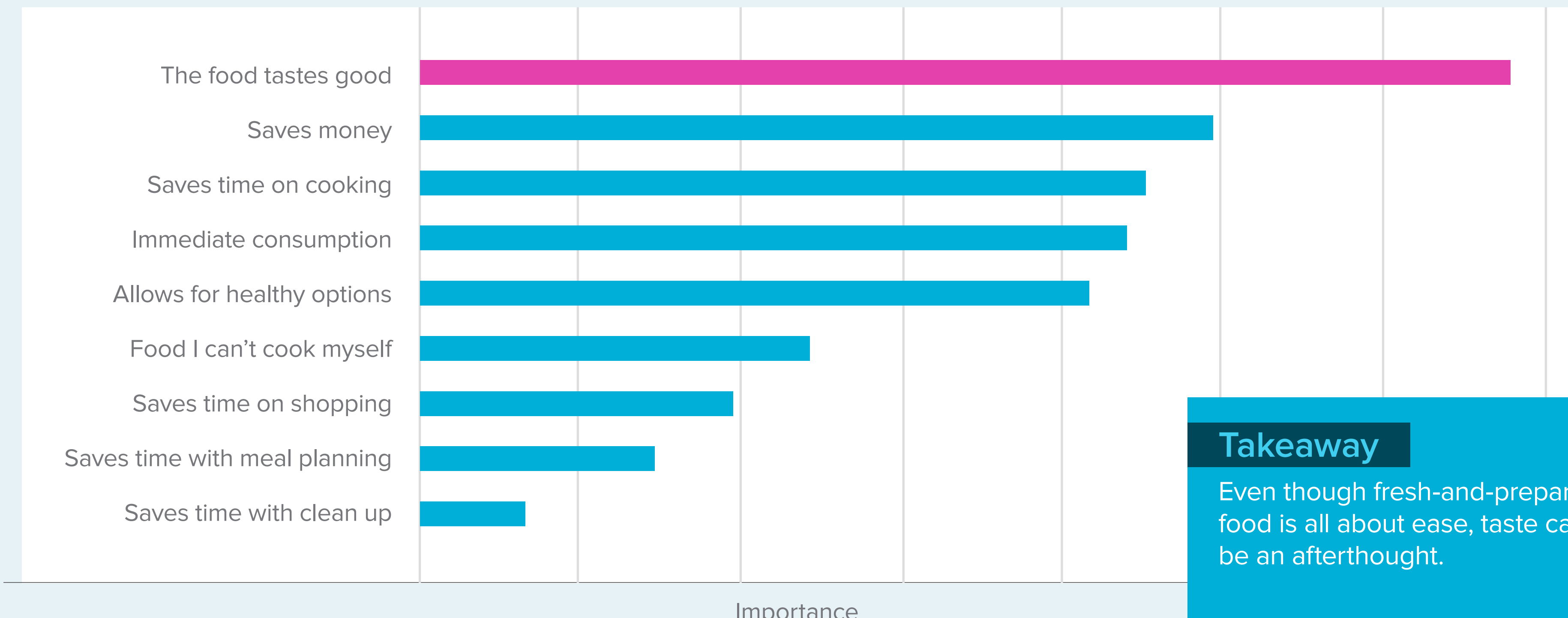
Takeaway

Increasing customer satisfaction with fresh-and-prepared food can have a big impact on your bottom line.

Average Weekly Spend of Fresh-and-Prepared Customers



Taste is the top driver of Satisfaction with fresh-and-prepared food at grocery



Takeaway

Even though fresh-and-prepared food is all about ease, taste can’t be an afterthought.

loyalty

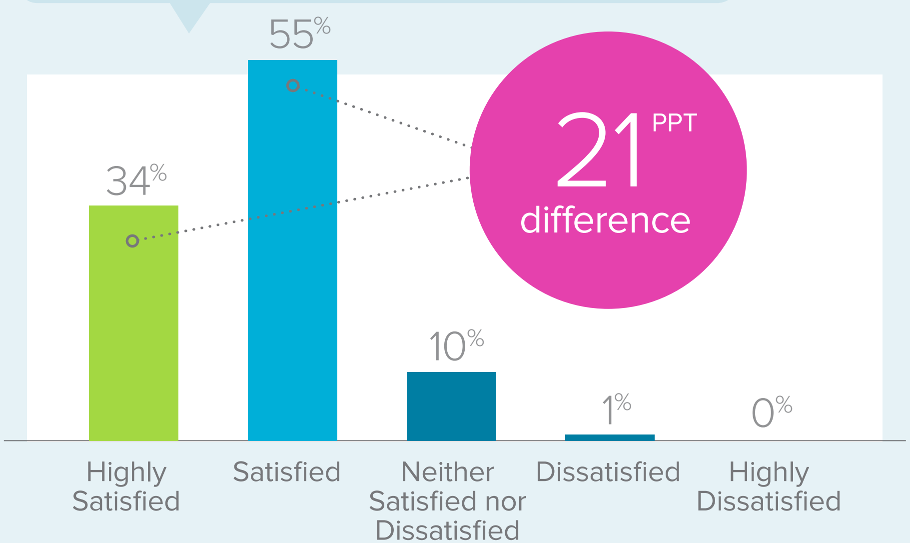
34% of grocery customers are Highly Satisfied with their fresh-and-prepared purchases

And they return 4.4 days faster than those less than Satisfied

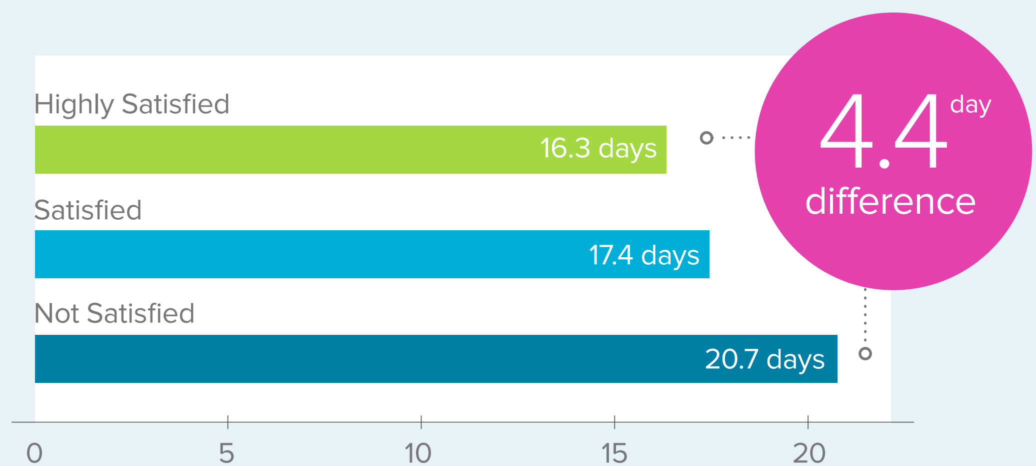
Takeaway

Grocery has a huge opportunity to move Satisfied fresh-and-prepared purchasers to Highly Satisfied—and create more frequent customers in the process.

How satisfied are you with the fresh-and-prepared food purchases you make from grocery stores?



Days to Return to Grocery by Overall Satisfaction



Grocery can start winning by putting more focus on fresh-and-prepared food

Over half of grocery shoppers are purchasing fresh-and-prepared items at least once a week. And frequent and Highly Satisfied customers of fresh-and-prepared items spend more money.

But only 34% of customers are Highly Satisfied with the fresh-and-prepared meals at their grocery store. That means there’s lots of room for innovation and improvement.

Know more.
Do better.

Grocery has always been about the ingredients—it's time to be about meals, too.

The reality is the grocery industry is at the risk of losing more customers to faster and more convenient options—unless they take action and evolve. A strong "share of stomach" strategy is imperative for grocery brands to remain relevant, expand visit share, and capture more spend.

Today's leading brands use customer experience (CX) programs to collect and act on customer feedback in real time. SMG partners with more than 500 restaurant, retail, grocery, and c-store brands—helping them make better business decisions and drive real change.

To learn how SMG can help you build a winning strategy to earn more "share of stomach," visit **smg.com/contact-us.**

About SMG
SMG (Service Management Group) partners with more than 500 brands around the globe to create better customer and employee experiences, which drive loyalty and performance. SMG uniquely combines technology and insights to help clients listen better, act faster, and outperform the competition. Strategic solutions include omniCX™, Brand Research, and Employee Engagement. SMG evaluates 250 million surveys annually, across 130 countries.

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