# Personal Business

## Putting the shopper first is the best strategy for success.

**By Jim Dudlicek, Bridget Goldschmidt, Abby Kleckler and Kat Martin**

It's no surprise to anyone that the pace of innovation in grocery retailing has accelerated, and for the good of the industry, let's hope it stays that way.

The announcement of Amazon's acquisition of Whole Foods Market may be a fading memory, but it won't ever be forgotten, and it ought to be the first thing retailers see in their rear-view mirrors when thinking about what they should do next.

A year ago, we noted that understanding how consumers shop has become more important than exactly what they're buying (though that's certainly helpful to know, as the data that follows in this report demonstrates). But continuing to grow in importance is the why — the motivation behind increasingly personalized buying and eating habits.

The Food Marketing Institute (FMI) in June released the 45th edition of its annual "U.S. Grocery Shopper Trends," a look at grocery shopper attitudes and behavior. The 2019 report, a survey of nearly 1,800 grocery shoppers prepared by The Hartman Group Inc., studies what consumers want from their retailers when personalizing their grocery shopping.

"One-third of households have at least one family member following a non-medically prescribed diet, and this rate is higher for younger generations," says Leslie G. Sarasin, president and CEO of Arlington, Va.-based FMI. "In an effort to meet their idea of eating well, households are eating in increasingly personalized ways, challenging the food shopping experience."

To achieve this personalized shopping, consumers visit an average of 4.4 banners per month and regularly shop 3.1 channels to meet their diverse grocery needs. They also expect their grocers to evolve with these needs, and to be satisfied with their primary store's ability to meet those needs (8.7 out of 10).

As for choosing a store, quality, freshness, low prices, cleanliness and product variety are the keys to retaining shopper loyalty.

Convenience is driving younger consumers to shop online. Shoppers rank their online experience slightly better than those in physical stores when it comes to transparency, convenience and personalization, but online isn't cannibalizing in-store visits — the 43 percent of consumers who shop online also average 1.7 trips a week to their physical stores, higher than the national average of 1.6 trips per week, making the in-store experience an important component of the omnichannel environment.

These desires for both convenience and discovery, FMI reports, also lead to shoppers experimenting with more personalized methods for retrieving their groceries, such as delivery or click-and-collect methods.

"'Trends' explores the current food retail marketplace and the influential roles health, well-being and technology play in the experience," Sarasin says. "Food shopping is personal, and grocers help their shoppers navigate shifting needs, values, priorities and life pressures that require teamwork, negotiation and compromise at home."

### Moving Past Price

Consumers enjoy the shopping experience more when they believe they're getting something special or out of the norm, even when they're not, David Moran writes for progressivegrocer.com.

"Models for pricing and promotions are guided by the assumption that shoppers are consistently rational beings," says Moran, co-founder and chairman of Palo Alto, Calif.-based Eversight. "But according to research, they're actually far more apt to act on impulse. To account for this fact, pricing and promotional practices need to be reconsidered."

Moran cites a recent study revealing that 94 percent of Americans indicated that they would take advantage of an exclusive offer if it weren't typically offered to the general public. Survey participants selected this option over a price-match guarantee, and 41 percent said that they would likely seek out something to buy just to use the offer.

Data also shows that the lure of a deal is sometimes too good to pass up. As Moran notes, "Discounts, coupons and other promotions spark feelings of victory and satisfaction, feelings that trump price alone."

### Methodology

**For the 2019 Consumer Expenditures Study, data has been provided via Nielsen's Total Food View, an inclusive data universe of UPC and non-UPC products (which includes fresh random-weight retailer-assigned PLU [price lookup code] and system 2 sales volume). This reflects the total U.S. food market, which encompasses all grocery stores with $2 million or more in annual all-commodity value (ACV), and includes natural food retailers and discount grocers. References to "fresh" or "perishable" foods encompass the inclusive view of UPC-coded and non-UPC products found throughout the store, but most predominantly in the produce, bakery, deli, meat and seafood departments.**

Digital coupons and in-store promotions can work together to create a single, cohesive shopper journey, regardless of whether that journey is motivated by months of product research or an impulse buy. "It's possible to use digital coupons to inform and stimulate in-store purchases in creative ways, and vice versa," Moran says. "These insights can then be used to better predict in-store and online engagement."

Another vital piece of the marketing technology puzzle for retailers and CPGs is artificial intelligence. AI, machine learning and data analytics are being applied to inform marketing and pricing decisions, Moran observes.

"AI analyzes millions of different data points remarkably fast to deliver the information needed to drive promotions," he says. "Systems parse data in very specific ways, enabling brands to maximize their potential. Promotions become far more customized, which places them in a better position to be redeemed, whether based on a shopper's momentary whim or by winning on price. Intelligence, coupled with predictive analytics, offers an unparalleled level of flexibility."

Retailers would be foolish to ignore any technology or technique that helps them better understand shoppers' behavior and predict how their needs can best be met. Doing so accurately and consistently is the formula for inspiring loyalty and driving sales.

### Sales Snapshot

Total supermarket sales across all grocery, perishable, general merchandise, and health and beauty categories topped $420.9 billion, a 2.1 percent increase from 2017, Nielsen data shows. Individual products sold surpassed 146 billion, down 0.7 percent from 2017.

Predictably, perishables performed the best and continue to show the most promise for the foreseeable future: nearly $217 billion in 2018, up almost 3 percent over the prior year. Driving that growth is the deli, with sales up nearly 10 percent over last year. Floral showed the next strongest sales growth, up 4.6 percent to nearly $2.5 billion. Bakery delivered sales growth of 3.6 percent, to nearly $9.7 billion. Meat and seafood followed, with sales growth of nearly 3 percent, at $53 billion, chased by produce (up 1.4 percent), frozen foods (up 1.3 percent) and dairy (up 0.9 percent).

Key categories in perishables include prepared foods, beverages, eggs, desserts and dairy alternatives.

Grocery sales rose 1.5 percent, just clearing $179 billion. The strongest growth among subcategories was in alcohol, with sales up nearly 3 percent to $24.3 billion.

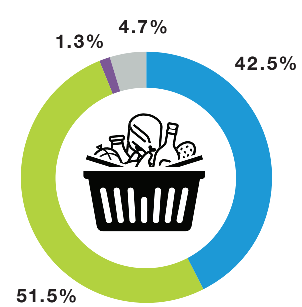
The $127 billion grocery food category rose 1.5 percent in sales over the prior year, with few significant standouts. Nonfoods remained flat, meanwhile, with sales up 0.4 percent to $27.8 billion.

Health and beauty care is up 1 percent, to $19.8 billion in sales. Strengths include baby products, ear care and vitamins. General merchandise brought up the rear, with sales down 2.7 percent, at $5.4 billion.

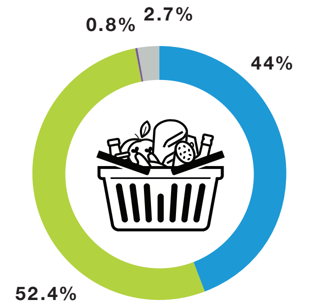
Read on for a complete category-by-category study ...

## Supermarket Category Share of Sales

**Dollar Sales**




**Unit Sales**




■ Grocery ■ Perishables ■ General Merchandise ■ Health & Beauty Care

**Source:** Nielsen

## Top Categories by Percent Change in Dollar Sales

| | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Breakfast Meals/Combos | $67.85 | 402.5% | 26.08 | 403.7% |
| Meal Kits (Prepared Foods) | 38.58 | 256.2 | 3.47 | 161.2 |
| Naan (Bread) | 10.13 | 190.8 | 2.97 | 158.0 |
| Squash | 31.56 | 182.4 | 11.28 | 93.3 |
| Soft Drinks | 16.89 | 155.0 | 12.25 | 149.8 |
| Health/Nutrition Bars | 27.14 | 99.6 | 11.39 | 112.2 |
| Smoothies (Deli) | 22.25 | 84.0 | 4.18 | 124.6 |
| Butter | 18.34 | 59.3 | 1.87 | 57.7 |
| Nondairy Yogurt | 132.19 | 47.8 | 77.07 | 30.4 |
| Olives | 12.53 | 45.3 | 1.35 | 38.3 |

## Bottom Categories by Percent Change in Dollar Sales

| | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Yogurt (Frozen) | $10.47 | -27.7% | 0.49 | -24.1% |
| Smoothies (Frozen) | 10.75 | -26.8 | 3.42 | -36.7 |
| Cellular Phones | 10.03 | -26.1 | 0.27 | -32.0 |
| Fruit Party Platters | 43.00 | -20.1 | 5.42 | -22.1 |
| Soft-Shell Tortillas | 35.66 | -19.9 | 19.25 | -13.5 |
| Lunch Bags | 20.55 | -19.7 | 7.36 | -17.1 |
| Tilapia (Frozen) | 144.00 | -19.0 | 22.43 | -18.1 |
| Flea and Tick Products | 41.31 | -17.9 | 4.13 | -16.8 |
| Cinnamon and Other Sweet Rolls | 10.31 | -17.5 | 3.30 | -27.6 |
| Catfish (Frozen) | 64.39 | -16.5 | 6.57 | -23.6 |

Ranked by percent change in dollar sales.
Misc. categories and those with sales of less than $10 million are not included.

## Penetration of Categories by Retail Channel

| CATEGORY | ALL OUTLETS | SUPERMARKET | DOLLAR STORES | DRUG STORES | MASS EXCLUDING SUPERCENTERS | SUPERCENTERS | WAREHOUSE CLUBS | CONVENIENCE/ GAS | ALL OTHER OUTLETS |
|---|---|---|---|---|---|---|---|---|---|
| Alcohol | 65.0 | 47.9 | 2.0 | 5.6 | 6.0 | 21.9 | 12.7 | 4.5 | 3.3 |
| Bakery | 98.5 | 92.1 | 19.9 | 5.4 | 18.3 | 55.6 | 28.5 | 6.6 | 5.9 |
| Beauty Care | 87.7 | 38.6 | 23.5 | 28.4 | 23.6 | 49.1 | 7.0 | 0.4 | 3.0 |
| Dairy | 99.6 | 95.6 | 18.1 | 11.1 | 23.5 | 61.3 | 37.3 | 8.5 | 7.6 |
| Deli | 91.9 | 79.5 | 5.1 | 1.4 | 8.9 | 37.8 | 24.6 | 2.6 | 2.7 |
| Frozen Foods | 99.2 | 94.0 | 17.2 | 7.6 | 18.1 | 55.7 | 35.1 | 4.4 | 5.7 |
| General Merchandise | 98.5 | 63.8 | 44.8 | 22.9 | 36.1 | 64.6 | 25.4 | 1.9 | 7.5 |
| Grocery | 100.0 | 97.5 | 53.7 | 48.0 | 42.5 | 70.8 | 48.3 | 22.9 | 16.7 |
| Health Care | 98.8 | 71.3 | 30.3 | 50.4 | 28.6 | 59.8 | 31.5 | 2.6 | 4.6 |
| Household Care | 99.7 | 86.0 | 49.8 | 27.4 | 35.9 | 65.3 | 40.1 | 2.0 | 7.9 |
| Meat | 96.5 | 88.6 | 8.0 | 1.8 | 12.0 | 48.4 | 25.0 | 1.0 | 4.0 |
| Personal Care | 99.0 | 70.1 | 38.1 | 38.8 | 33.6 | 61.7 | 28.2 | 1.3 | 4.6 |
| Pet Care | 71.2 | 44.5 | 15.5 | 5.3 | 16.8 | 39.8 | 13.9 | 0.8 | 2.9 |
| Produce | 97.5 | 91.7 | 4.8 | 0.9 | 12.7 | 52.1 | 34.5 | 2.0 | 5.8 |
| Tobacco and Tobacco Alternatives | 28.9 | 10.1 | 7.6 | 3.3 | 2.0 | 9.4 | 1.0 | 8.1 | 1.4 |

Includes all buyers for 52 weeks eneding Dec. 29, 2018
**Source:** Nielsen

## 2018 Supermarket Dollar Sales & Unit Volume

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| **TOTAL GROCERY** | **$179,053.46** | **1.5%** | **64,567.47** | **-0.9%** |
| **ALCOHOL** | **$24,313.51** | **2.9%** | **2,404.82** | **0.8%** |
| Alcoholic Beverage Mixers | 224.30 | 3.6 | 49.08 | 0.5 |
| Beer, Flavored Malt Beverages, Cider | 11,314.93 | 2.2 | 1,212.44 | -0.2 |
| Spirits | 4,189.56 | 4.4 | 287.97 | 5.3 |
| Wine | 8,584.72 | 3.2 | 855.33 | 0.8 |
| **GROCERY-FOOD** | **$126,908.67** | **1.5%** | **55,067.55** | **-0.7%** |
| Bagels | 620.76 | 6.1 | 197.33 | 0.3 |
| Baking Mixes | 1,401.94 | -0.7 | 881.74 | -2.8 |
| Baking Staples | 2,723.14 | 0.8 | 1,038.82 | -0.5 |
| Baking Supplies | 224.15 | 2.4 | 78.57 | 0.0 |
| Beans | 661.29 | 0.3 | 639.89 | -1.1 |
| Beverage Enhancers | 1,157.60 | 0.1 | 695.53 | -2.4 |
| Beverages | 25,257.15 | 3.5 | 11,633.56 | 1.5 |
| Bread | 5,686.40 | 1.1 | 2,243.81 | -2.8 |
| Candy, Gum, Mints | 6,153.92 | 1.5 | 3,081.64 | -0.5 |
| Cereal and Granola | 6,575.22 | -2.3 | 2,184.83 | -3.0 |
| Cheese | 141.81 | -0.4 | 36.87 | -3.8 |
| Coating Mixes and Crumbs | 264.71 | 0.5 | 123.05 | -2.2 |
| Combination Packs | 8.82 | 24.4 | 0.80 | 29.0 |
| Condiments | 2,678.84 | 1.1 | 1,042.32 | -0.9 |
| Cookies and Crackers | 6,747.25 | 0.6 | 2,548.86 | -0.7 |
| Cooking Wine and Vinegar | 419.00 | -5.7 | 142.99 | -5.4 |
| Creams and Nondairy Creamer | 362.56 | 1.1 | 115.60 | 2.4 |
| Dessert Toppings | 134.06 | -2.4 | 52.72 | -3.2 |
| Desserts | 438.13 | 1.7 | 261.09 | -2.8 |
| Diet and Nutrition | 1,832.49 | 4.4 | 546.50 | 2.1 |
| Dips/Spreads | 1,281.43 | 1.2 | 444.53 | -0.6 |
| Dough and Batter Products | 2.39 | 1.7 | 0.57 | -3.4 |
| Dry Salad and Potato Toppings | 356.91 | -0.4 | 177.15 | -2.5 |
| Eggs | 1.33 | 3.9 | 0.23 | 21.1 |
| Extracts, Herbs, Spices and Seasonings | 2,514.62 | 4.1 | 890.67 | 1.2 |
| Fruit | 2,073.08 | -1.5 | 920.24 | -5.5 |
| Fruit Snacks | 430.66 | -1.8 | 174.44 | -8.2 |
| Fully Cooked Meat | 332.78 | -0.1 | 162.02 | -2.0 |
| Marshmallows | 127.27 | -0.9 | 83.36 | -3.9 |
| Meal Combos | 117.68 | -4.0 | 59.51 | -5.3 |
| Milk Products | 198.93 | -5.1 | 79.94 | -7.7 |
| Milk/Dairy Alternatives | 150.11 | 0.4 | 56.88 | -2.0 |
| Nut Butters, Jam, Jellies | 1,995.39 | 0.4 | 586.28 | -1.6 |
| Nuts and Seeds | 1,999.63 | 2.2 | 500.10 | 0.9 |

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Oils, Butter, Margarine Spreads, Substitutes | 2,253.49 | -0.6 | 542.09 | -2.6 |
| Olives, Capers, Pickled and Marinated Vegetables | 1,174.07 | 2.4 | 498.55 | 0.1 |
| Packaged Coffee | 5,050.13 | 0.8 | 763.07 | -0.1 |
| Packaged Tea | 806.38 | 0.1 | 237.06 | -1.8 |
| Pancake, Waffle, French Toast Toppings | 443.95 | -1.5 | 118.42 | -4.0 |
| Pasta, Rice, Dry Beans and Grains | 2,659.79 | 0.3 | 1,504.48 | -0.9 |
| Performance Nutrition | 674.32 | 2.9 | 239.19 | -2.1 |
| Pizza | 90.91 | -2.6 | 22.57 | -4.1 |
| Prepared Foods | 8,059.74 | 1.1 | 5,246.30 | -1.0 |
| Processed Meat | 91.10 | 1.4 | 119.55 | 0.1 |
| Rolls and Buns | 2,421.84 | 0.7 | 1,049.25 | -2.5 |
| Salad Dressing | 1,325.45 | -0.6 | 529.98 | -2.9 |
| Salty Snacks | 12,142.55 | 3.5 | 4,543.20 | 1.0 |
| Sauce and Seasoning Mixes | 642.17 | 4.0 | 616.81 | 1.6 |
| Sauce, Gravy, Marinade | 3,734.12 | 1.2 | 1,954.36 | -0.9 |
| Seafood | 1,295.17 | 1.4 | 756.83 | -3.9 |
| Snack & Variety Packs | 367.83 | 6.9 | 90.70 | 5.9 |
| Sour Cream Products | 8.46 | 1.4 | 5.02 | 1.2 |
| Sugar and Sweeteners | 1,592.63 | -1.7 | 543.28 | -3.2 |
| Sweet Goods | 307.32 | -1.1 | 87.40 | -3.4 |
| Sweet Snacks | 2,307.95 | 1.5 | 1,018.64 | -1.1 |
| Toaster Patries | 350.88 | -2.2 | 149.65 | -2.9 |
| Vegetables | 2,372.98 | 0.0 | 2,045.97 | -3.3 |
| Wraps and Tortilla Shells | 1,651.63 | 2.8 | 696.82 | 1.2 |
| Yogurt | 12.36 | 7.1 | 5.92 | -4.4 |
| **GROCERY-NONFOOD** | **$27,831.28** | **0.4%** | **7,095.10** | **-2.9%** |
| Baking Supplies | 52.80 | 9.6 | 14.72 | 8.7 |
| Bathroom Accessories | 33.54 | 1.9 | 6.08 | 2.0 |
| Dish Care | 1,007.48 | -0.1 | 278.85 | -3.1 |
| Food Storage | 1,228.97 | 1.4 | 420.54 | -3.6 |
| Home Air Fresheners | 778.18 | 1.4 | 248.66 | -2.5 |
| Household Cleaners and Supplies | 2,066.53 | 1.2 | 533.69 | -1.3 |
| Laundry Care | 3,358.00 | -0.6 | 623.41 | -3.9 |
| Paper and Plastics | 8,073.65 | 0.1 | 2,020.25 | -3.7 |
| Pest Control | 216.69 | -0.7 | 42.74 | -1.5 |
| Pet Food | 5,586.71 | 1.7 | 2,129.59 | -2.8 |
| Pet Supplies | 1,015.03 | 0.8 | 140.36 | -2.8 |
| Pet Treatments | 61.74 | -14.4 | 7.78 | -10.9 |
| Smoking Accessories | 109.31 | 0.7 | 40.08 | -1.7 |
| Tobacco | 4,146.46 | -0.4 | 583.01 | -1.3 |
| Tobaccoo Alternatives | 96.19 | 5.1 | 5.34 | 5.3 |

## 2018 Supermarket Dollar Sales & Unit Volume

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| **PERISHABLES** | **$216,693.60** | **2.8%** | **76,903.40** | **-0.5%** |
| **BAKERY** | **$9,691.90** | **3.6%** | **3,430.28** | **-0.4%** |
| Bagels | 188.89 | 2.5 | 194.70 | -3.6 |
| Bakery-Misc. | 167.59 | 110.0 | 63.50 | 61.0 |
| Baking Staples | 1.19 | 41.7 | 0.22 | 22.2 |
| Bread | 1,362.49 | 0.4 | 557.66 | -0.5 |
| Cereal and Granola | 1.64 | 5.1 | 0.38 | 8.6 |
| Coating Mixes and Crumbs | 1.20 | 12.1 | 0.58 | 7.4 |
| Combination Packs | 0.18 | -50.0 | 0.13 | -38.1 |
| Cookies and Crackers | 1,238.16 | 6.1 | 314.15 | 3.2 |
| Desserts | 3,756.10 | 3.0 | 629.57 | -0.5 |
| Diet and Nutrition | 0.98 | -14.8 | 0.23 | -36.1 |
| Doughnuts | 711.81 | 2.1 | 503.45 | -2.2 |
| Meal Combos | 9.94 | -34.7 | 6.34 | -22.5 |
| Muffins | 544.47 | 2.6 | 192.61 | -0.9 |
| Prepared Foods | 1.44 | 23.1 | 0.82 | 24.2 |
| Rolls and Buns | 806.77 | 0.6 | 626.27 | -3.5 |
| Sweet Goods | 854.94 | 5.1 | 314.84 | 3.4 |
| Wraps and Tortilla Shells | 44.11 | -20.5 | 24.83 | -20.3 |
| **DAIRY** | **$44,838.59** | **0.9%** | **17,065.64** | **-1.5%** |
| Bagels | 46.24 | -4.3 | 26.12 | -6.0 |
| Baking Staples | 14.84 | -5.8 | 6.36 | -6.5 |
| Beverages | 4,981.20 | 1.4 | 1,725.55 | 0.8 |
| Bread | 70.12 | 19.0 | 24.71 | 14.2 |
| Cheese | 10,627.90 | -0.5 | 3,465.13 | -0.4 |
| Creams and Nondairy Creamers | 2,757.89 | 5.2 | 860.47 | 1.9 |
| Dessert Toppings | 322.31 | 5.5 | 107.82 | 2.0 |
| Desserts | 466.24 | 1.1 | 212.47 | 0.3 |
| Dips and Spreads | 0.18 | -5.3 | 0.01 | 0.0 |
| Dough and Batter Products | 1,219.23 | 0.5 | 557.86 | -0.5 |
| Eggs | 3,977.70 | 13.1 | 1,508.61 | -1.4 |
| Meal Combos | 983.40 | 8.5 | 495.75 | 9.3 |
| Milk Products | 7,632.49 | -4.7 | 2,769.41 | -3.5 |
| Milk/Dairy Alternatives | 1,092.97 | 8.6 | 331.94 | 7.6 |
| Nut Butters, Jam, Jellies | 2.75 | -3.5 | 0.59 | -6.3 |
| Oils, Butter, Margarine Spreads, Substitutes | 2,774.98 | 0.9 | 852.70 | -0.5 |
| Packaged Coffee | 12.92 | 7.8 | 1.49 | 2.8 |
| Pasta, Rice, Dry Beans and Grains | 343.16 | 4.1 | 88.53 | 2.1 |
| Prepared Foods | 1,539.02 | 8.8 | 378.29 | 9.4 |
| Processed Meat | 0.84 | -17.6 | 0.12 | -20.0 |

## 2018 Supermarket Dollar Sales & Unit Volume

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Rolls and Buns | 6.23 | 4.7 | 2.13 | 1.4 |
| Sour Cream Products | 855.85 | 0.1 | 434.98 | -0.7 |
| Sweet Goods | 11.00 | 1.0 | 5.86 | 4.1 |
| Vegetables | 6.04 | -24.3 | 2.14 | -24.9 |
| Wraps and Tortilla Shells | 152.92 | 5.1 | 67.23 | 1.9 |
| Yogurt | 4,940.17 | -4.3 | 3,139.37 | -7.6 |
| **DELI** | **$29,853.41** | **9.7%** | **5,840.84** | **7.5%** |
| Beverages | 824.04 | 1169.5 | 260.15 | 1267.8 |
| Cheese | 4,320.54 | 3.0 | 786.85 | -0.1 |
| Combination Packs | 175.59 | 10.6 | 20.47 | 18.0 |
| Condiments | 62.31 | 1.6 | 19.63 | -1.3 |
| Desserts | 111.38 | 13.0 | 36.65 | 10.0 |
| Deli-Misc. | 484.41 | 63.2 | 72.85 | 78.4 |
| Dips and Spreads | 1,977.54 | 5.4 | 534.56 | 1.8 |
| Fully Cooked Meat | 4,879.98 | 5.1 | 915.65 | -1.2 |
| Lunchmeat | 5,475.33 | 4.3 | 782.67 | 0.6 |
| Meal Combos | 376.22 | 8.0 | 189.55 | 5.2 |
| Oils, Butter, Margarine Spreads, Substitutes | 4.42 | -4.9 | 2.64 | 21.1 |
| Olives, Capers, Pickled & Marinated Vegetables | 371.00 | 3.9 | 74.91 | 3.1 |
| Pizza | 317.50 | 1.3 | 65.31 | 2.2 |
| Prepared Foods | 10,330.01 | 9.7 | 2,040.07 | 5.7 |
| Processed Meat | 5.81 | 17.8 | 1.97 | 20.9 |
| Sauce, Gravy, Marinade | 132.18 | 4.7 | 34.70 | 3.0 |
| Sour Cream Products | 5.15 | 63.5 | 2.21 | 88.9 |
| **FLORAL** | **$2,486.45** | **4.6%** | **302.25** | **3.1%** |
| Artificial | 6.29 | 1.5 | 1.17 | 2.6 |
| Decor Plant | 393.90 | 6.5 | 47.89 | 5.5 |
| Garden Outdoor | 368.38 | 1.8 | 66.92 | 1.4 |
| Outdoor Seasonal | 18.81 | -1.9 | 2.70 | -2.2 |
| Precut | 1,699.07 | 4.9 | 183.57 | 3.1 |
| **FROZEN FOODS** | **$31,210.81** | **1.3%** | **9,134.05** | **-0.6%** |
| Bagels | 12.45 | -5.6 | 5.41 | -11.5 |
| Baking Staples | 66.95 | -4.3 | 25.67 | -5.4 |
| Beans | 113.29 | 1.2 | 54.84 | 0.8 |
| Beverages | 141.35 | -6.5 | 77.48 | -8.8 |
| Bread | 365.47 | -3.0 | 141.86 | -7.7 |
| Condiments | 1.04 | -3.7 | 0.16 | 0.0 |
| Creams and Nondairy Creamers | 1.05 | -12.5 | 0.43 | -15.7 |
| Dessert Toppings | 206.11 | -1.9 | 126.42 | 0.6 |
| Desserts | 7,748.03 | 0.3 | 2,086.52 | -0.1 |
| Dips and Spreads | 11.89 | 11.1 | 3.19 | 5.6 |

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Dough and Batter Products | 210.86 | -0.3 | 57.70 | -3.4 |
| Doughnuts | 7.86 | 9.6 | 1.41 | 11.0 |
| Extracts, Herbs, Spices and Seasonings | 1.85 | 1.6 | 0.65 | 1.6 |
| Fresh Meat | 1,179.86 | -2.7 | 174.51 | -5.6 |
| Fruit | 649.50 | 0.1 | 137.63 | -1.8 |
| Fully Cooked Meat | 1,712.52 | -1.5 | 303.82 | -1.2 |
| Ice | 541.62 | -0.5 | 200.59 | -2.7 |
| Meal Combos | 1.03 | -29.9 | 0.28 | -34.9 |
| Muffins | 0.48 | 20.0 | 0.07 | 16.7 |
| Pasta, Rice, Dry Beans and Grains | 188.01 | -2.0 | 57.13 | -3.0 |
| Pizza | 2,846.73 | 3.9 | 801.45 | 0.7 |
| Prepared Foods | 9,776.92 | 2.3 | 3,173.93 | -0.8 |
| Processed Meat | 454.02 | 2.7 | 167.45 | 2.0 |
| Rolls and Buns | 110.18 | 1.5 | 32.46 | -3.1 |
| Sauce, Gravy, Marinade | 6.77 | 4.6 | 1.83 | 2.8 |
| Seafood | 2,639.57 | 2.4 | 330.28 | 0.0 |
| Sweet Goods | 36.94 | -4.5 | 9.47 | -8.0 |
| Sweet Snacks | 9.85 | 40.1 | 2.52 | 45.7 |
| Toaster Pastries | 105.55 | 0.4 | 44.91 | -0.5 |
| Vegetables | 2,048.23 | 4.1 | 1,109.20 | 0.7 |
| Wraps and Tortilla Shells | 4.08 | 25.2 | 1.36 | 23.6 |
| Yogurt | 10.75 | -26.8 | 3.42 | -36.7 |
| **MEAT AND SEAFOOD** | **$53,026.20** | **2.9%** | **14,042.92** | **-2.4%** |
| Fresh Meat | 34,317.12 | 2.9 | 9,458.77 | -3.1 |
| Fully Cooked Meat | 831.42 | 0.2 | 169.37 | -1.2 |
| Ham | 1,248.70 | 1.1 | 477.47 | -5.5 |
| Lunchmeat | 2,936.43 | -1.7 | 927.92 | -3.4 |
| Meat-Misc. | 270.70 | 46.3 | 39.46 | 48.5 |
| Processed Meat | 8,737.33 | 2.5 | 2,345.67 | 0.0 |
| Seafood | 4,645.73 | 4.5 | 621.48 | -0.1 |
| Seafood-Misc. | 38.77 | 324.2 | 2.78 | 172.5 |
| **PRODUCE** | **$45,586.24** | **1.4%** | **27,087.42** | **-0.4%** |
| Baking Staples | 7.66 | 4.4 | 2.25 | 9.8 |
| Combination Packs | 0.41 | 105.0 | 0.04 | 100.0 |
| Diet and Nutrition | 27.14 | 99.6 | 11.39 | 112.1 |
| Dry Salad and Potato Toppings | 2.41 | -15.1 | 0.67 | -19.3 |
| Extracts, Herbs, Spices and Seasonings | 785.35 | 5.3 | 534.18 | 4.2 |
| Fruit | 21,906.01 | 0.3 | 13,890.57 | -0.8 |
| Meal Combos | 24.29 | -8.6 | 9.08 | -4.4 |
| Nuts and Seeds | 114.32 | -7.3 | 24.23 | -9.4 |
| Prepared Foods | 0.89 | -35.0 | 0.28 | -22.2 |
| Produce-Misc. | 70.83 | 99.7 | 31.13 | 125.7 |



## 2018 Supermarket Dollar Sales & Unit Volume

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Salad Dressing | 314.89 | 1.3 | 86.95 | -3.2 |
| Vegetables | 22,332.04 | 2.2 | 12,496.65 | -0.4 |
| **GENERAL MERCHANDISE** | **$5,425.50** | **-2.7%** | **1,229.98** | **-4.3%** |
| Appliances | 359.52 | 5.4 | 25.29 | 20.6 |
| Automotive Addititves | 109.51 | -2.0 | 21.78 | -4.7 |
| Automotive Air Fresheners | 52.03 | 3.9 | 15.54 | 0.2 |
| Automotive Cleaners and Supplies | 27.33 | -4.3 | 6.19 | -3.1 |
| Baking Supplies | 125.28 | 2.4 | 56.13 | 0.8 |
| Batteries and Accessories | 581.64 | 1.9 | 90.78 | -1.2 |
| Candles and Candle Accessories | 70.79 | 0.5 | 40.72 | -0.9 |
| Combination Packs | 3.29 | 3.8 | 0.65 | -8.5 |
| Computer/Printer Accessories | 63.30 | -23.3 | 2.67 | -20.5 |
| Electronics | 175.33 | -6.6 | 14.72 | -4.2 |
| Food and Beverage Containers | 381.19 | -1.5 | 81.08 | -2.8 |
| Hair Removal | 43.21 | 9.5 | 2.20 | 8.9 |
| Home, School, Office Supplies | 342.53 | -3.5 | 150.76 | -7.2 |
| Household Maintenance | 118.80 | -0.9 | 36.92 | -1.8 |
| Ice Melt | 33.10 | 10.2 | 6.29 | 7.3 |
| Kitchen Accessories | 1,061.51 | -1.4 | 270.72 | -2.2 |
| Lawn Care | 59.13 | -1.0 | 10.16 | -2.9 |
| Lighting | 296.37 | -8.7 | 56.77 | -9.4 |
| Outdoor Cleaners and Supplies | 2.16 | -4.4 | 0.28 | -9.7 |
| Outdoor Recreation | 584.73 | -5.0 | 94.53 | -5.7 |
| Paper and Plastics | 24.26 | -18.2 | 15.55 | -29.8 |
| Party Supplies | 113.43 | -2.2 | 48.73 | -4.1 |
| Pest Control | 25.08 | -4.5 | 6.83 | -8.1 |
| Reading and Hobby | 346.71 | -11.3 | 69.09 | -13.0 |
| Shoe Care | 22.30 | -2.4 | 5.91 | -2.6 |
| Storage and Space Management | 111.51 | 0.3 | 24.21 | 6.3 |
| Trash and Recycling | 16.92 | 5.5 | 1.97 | 7.7 |
| Water Filtration Products | 50.52 | -5.6 | 3.28 | -9.4 |
| Water Treatment | 77.36 | 0.4 | 12.12 | -2.6 |
| Writing Tools and Supplies | 146.66 | -4.2 | 58.11 | -8.2 |
| **HEALTH AND BEAUTY CARE** | **$19,814.02** | **1.0%** | **3,923.58** | **-1.6%** |
| Adult Incontinence | 369.79 | 4.6 | 37.71 | 4.7 |

| CATEGORY | DOLLAR SALES ($ IN MILLIONS) | DOLLAR PERCENT CHANGE FROM YEAR AGO | UNIT VOLUME (IN MILLIONS) | UNIT PERCENT CHANGE FROM YEAR AGO |
|---|---|---|---|---|
| Baby Accessories | 56.23 | 3.9 | 8.08 | -0.2 |
| Baby Bath | 75.82 | 1.1 | 18.57 | -1.3 |
| Baby Feeding | 833.30 | 1.8 | 523.85 | -2.7 |
| Baby Feeding Supplies | 76.16 | -5.2 | 16.70 | -7.6 |
| Baby Hair Care | 11.09 | -7.5 | 3.41 | -5.5 |
| Baby Health and Beauty Lotions | 21.02 | 4.7 | 3.83 | 3.0 |
| Baby-Misc. | 0.39 | -2.5 | 0.09 | -10.0 |
| Baby Treatments | 11.47 | -2.7 | 1.45 | -15.7 |
| Bath and Shower | 1,300.76 | 3.3 | 408.57 | 0.2 |
| Breast Feeding | 6.14 | -0.3 | 0.68 | -5.6 |
| Combination Packs | 8.60 | -30.9 | 1.04 | -25.2 |
| Cosmetics and Nail Grooming | 831.83 | -1.0 | 185.52 | -3.2 |
| Deodorants | 631.17 | 2.6 | 165.31 | -2.2 |
| Diapering Needs | 1,110.02 | -1.4 | 158.38 | -0.6 |
| Diet and Nutrition | 0.83 | -3.5 | 0.03 | 0.0 |
| Ear Care | 13.61 | 12.0 | 2.00 | 9.9 |
| Eye Care | 343.25 | 0.7 | 41.88 | -2.2 |
| Facial Skin Care | 474.65 | 1.9 | 66.79 | 2.4 |
| Feminine Care | 681.36 | -1.3 | 146.07 | -2.8 |
| First Aid | 452.52 | 2.0 | 125.10 | -0.7 |
| Foot Care | 155.43 | 1.0 | 24.10 | -2.3 |
| Formula and Children's Nutritional Beverages | 1,724.51 | -2.8 | 97.54 | -5.8 |
| Fragrances | 63.92 | -9.3 | 10.79 | -6.8 |
| GI Care | 955.67 | 3.7 | 137.04 | 1.3 |
| Hair Care | 1,830.85 | 0.0 | 390.05 | -3.9 |
| Hair Removal | 585.27 | -4.9 | 101.70 | -4.5 |
| Health and Beauty Lotions | 398.57 | 4.5 | 68.74 | 1.3 |
| Medical Accessory | 120.71 | 1.9 | 14.30 | 1.9 |
| Oral Hygiene | 1,824.09 | 1.1 | 497.48 | -1.9 |
| Pain Relief | 986.89 | 2.4 | 162.35 | -0.3 |
| Sexual Health | 151.96 | 1.1 | 16.54 | -0.7 |
| Sleeping and Alertness Aids | 98.07 | 2.3 | 14.34 | -2.4 |
| Sun Care | 217.48 | 1.4 | 26.68 | 2.1 |
| Travel Sets | 6.80 | 8.1 | 2.04 | 12.7 |
| Upper Respiratory | 1,769.98 | 1.0 | 256.56 | -1.6 |
| Vitamins and Supplements | 1,613.81 | 5.7 | 188.27 | 3.8 |
| **GRAND TOTAL** | **$420,986.58** | **2.1%** | **146,624.43** | **-0.7%** |

All "totals" (e.g., Total Grocery) reflect the sum of cateories depicted within this chart.

**Source:** Nielsen Strategic Planner, Retail Measurement, Total U.S. food stores, 52 weeks ending Dec.29, 2018, UPC-coded; Nielsen FreshFacts, Total U.S., 2017, Total Perishables Database; *Progressive Grocer* Market Research, 2019

BEVERAGES

# Refreshment Reigns, Conventional Wanes

Bottled water, RTD coffee and tea are leaders in the category, with big brands and private label both represented.

Convenience is key when it comes to increasing beverage sales today. Bottled water is up 7.7 percent from a year ago, energy drinks are up 11.2 percent, and ready-to-drink (RTD) coffee and tea are up 3.7 percent, according to IRI.

There's likely no surprise regarding these increasing numbers in today's always-on-the-go world, but some of the big players may be illuminating.

The largest coffee chain in the world, Starbucks, has five of the top 10 RTD cappuccinos or iced coffees, and these five individual Starbucks brands accounted for more than $770 million in sales in the past year.


Coca-Cola has three RTD coffees in the top 10; one is through its partnership with Dunkin Donuts, a second through McCafé and a third as a distributor for Java Monster, produced by Monster Energy. Coca-Cola is a company to watch in the category, as it acquired coffee company Costa earlier this year for $4.9 billion and has already launched three RTD products in Great Britain, with plans to expand rapidly.

Coffee is a $14.4 billion market, and of that, RTD is the fastest-growing segment, rising 31 percent in the past two years, according to the July 2018 "Coffee - US" report from market research firm Mintel.

RTD is also the fastest-growing segment of the tea market, as well as the only segment growing in both volume and value, according to Beverage Market Corp.

Lipton continues to be one of the top players, with four of the top 10 brands of RTD canned and bottled tea in the past year. Coca-Cola has a strong showing in this category as well, with Gold Peak sales increasing 3.7 percent. Arizona and Snapple each individually have two brands in the top 10, while Monster Rehab rounds out the rankings, although its sales have dipped 2.6 percent in the past year.

Bottled water is still the top-selling beverage category in the United States, with its sales continuing to increase — 5.8 percent for bottled still water and a huge 15 percent for bottled seltzer/sparkling/mineral water in the past year. In both of these categories, private label brands lead the charge.

Private label still water sales increased 11.6 percent over the past year, with all other brands in the top 10 increasing less than 5 percent, and quite a few of the brands actually seeing decreases in sales.

The brands seeing the highest increases in sales, after private label, were Poland Spring and Ice Mountain. Fiji, marketed as artesian water, saw sales decrease a huge 8.7 percent, while Nestlé Pure Life saw a decline of 5.4 percent.

As consumers continue to search for grab-and-go options in the food aisles of grocery stores, it only makes sense that they're looking for bottled RTD refreshments as well. These large sales increases for RTD coffee and tea, as well as for bottled water, don't exist in a vacuum, though; they're accompanied by decreases in conventional beverages — coffee, tea and even tap water — across the categories.

## Top 10 Ready-to-Drink Tea Brands

| | DOLLAR SALES | DOLLAR SALES PERCENT CHANGE YEAR AGO | DOLLAR SHARE OF TYPE | DOLLAR SHARE OF TYPE CHANGE YEAR AGO | UNIT SALES | UNIT SALES PERCENT CHANGE YEAR AGO |
|---|---|---|---|---|---|---|
| Lipton Pure Leaf | $386,816,118 | 3.70% | 17.11 | 0.42 | 151,949,726 | 1.20% |
| Arizona | 361,018,752 | 1.10 | 15.97 | 0 | 223,032,622 | 0.60 |
| Lipton | 225,135,664 | -1.60 | 9.96 | -0.27 | 55,920,091 | -4.70 |
| Gold Peak | 213,036,262 | 3.80 | 9.42 | 0.25 | 89,531,391 | -4.00 |
| Lipton Diet | 153,369,191 | -2.10 | 6.78 | -0.22 | 32,787,454 | -4.70 |
| Snapple | 137,839,347 | -4.40 | 6.1 | -0.35 | 55,590,679 | -0.80 |
| Lipton Brisk | 133,017,275 | 6.00 | 5.88 | 0.27 | 57,389,638 | -0.10 |
| Diet Snapple | 129,238,207 | 0.60 | 5.72 | -0.03 | 41,764,294 | 3.80 |
| Arizona Arnold Palmer | 77,025,463 | 7.60 | 3.41 | 0.2 | 50,950,480 | 3.30 |
| Monster Rehab | 65,177,405 | -2.60 | 2.88 | -0.11 | 19,132,339 | -8.40 |

## Top 10 Ready-to-Drink Coffee Brands

| | DOLLAR SALES | DOLLAR SALES PERCENT CHANGE YEAR AGO | DOLLAR SHARE OF TYPE | DOLLAR SHARE OF TYPE CHANGE YEAR AGO | UNIT SALES | UNIT SALES PERCENT CHANGE YEAR AGO |
|---|---|---|---|---|---|---|
| Starbucks Frappuccino | $507,572,674 | 0.30% | 46.59 | -4.29 | 151,025,059 | 0.20% |
| Starbucks Doubleshot | 183,526,801 | -6.60 | 16.85 | -2.9 | 61,423,226 | -9.50 |
| Java Monster | 136,729,100 | 28.60 | 12.55 | 1.86 | 55,685,856 | 25.70 |
| Dunkin Donuts | 64,773,723 | 0.40 | 5.95 | -0.54 | 27,717,880 | 3.10 |
| Starbucks | 47,281,788 | 29.80 | 4.34 | 0.68 | 18,303,484 | 14.10 |
| McCafé | 20,016,238 | 539.70 | 1.84 | 1.52 | 9,248,841 | 559.50 |
| Starbucks Doubleshot Light | 17,927,243 | 2.10 | 1.65 | -0.12 | 3,850,069 | -0.30 |
| La Colombe | 14,900,642 | 51.30 | 1.37 | 0.38 | 4,851,577 | 41.00 |
| Starbucks Cold Brew | 14,886,814 | 29.40 | 1.37 | 0.21 | 4,778,019 | 24.50 |
| High Brew | 12,794,901 | -0.30 | 1.17 | -0.12 | 6,510,859 | 23.80 |

**Source:** IRI, a Chicago-based market research firm (@iriworldwide)

## Top 10 Bottled Convenience/PET Still Water Brands

| | DOLLAR SALES | DOLLAR SALES PERCENT CHANGE YEAR AGO | DOLLAR SHARE OF TYPE | DOLLAR SHARE OF TYPE CHANGE YEAR AGO | UNIT SALES | UNIT SALES PERCENT CHANGE YEAR AGO |
|---|---|---|---|---|---|---|
| Private Label | $2,636,418,934 | 11.60% | 30.61 | 1.6 | 961,232,294 | 7.30% |
| Starbucks Doubleshot | 183,526,801 | -6.60 | 16.85 | -2.9 | 61,423,226 | -9.50 |
| Dasani | 685,843,925 | -0.70 | 7.96 | -0.52 | 212,520,954 | -4.00 |
| Nestlé Pure Life | 651,407,142 | -5.40 | 7.56 | -0.89 | 182,720,344 | -10.90 |
| Aquafina | 646,354,985 | -1.00 | 7.5 | -0.52 | 199,425,575 | -3.90 |
| Poland Spring | 514,565,098 | 4.70 | 5.97 | -0.06 | 140,320,653 | 3.00 |
| Glaceau Smartwater | 339,850,597 | 2.60 | 3.95 | -0.12 | 125,433,999 | -1.00 |
| Deer Park | 268,789,423 | 2.70 | 3.12 | -0.1 | 69,709,062 | -4.90 |
| Ozarka | 263,752,016 | 0.90 | 3.06 | -0.15 | 71,528,787 | -4.70 |
| Ice Mountain | $238,647,749 | 4.30 | 2.77 | -0.04 | 65,182,703 | -0.40 |
| Fiji | 205,873,870 | -8.70 | 2.39 | -0.38 | 52,806,504 | -16.70 |

**Source:** IRI, a Chicago-based market research firm (@iriworldwide)

BREAKFAST FOODS

## All-Day Opportunity

What used to be a strictly morning meal with relatively few choices is now any time — and any cuisine — consumers prefer.

Generations have been raised on the adage that breakfast is the most important meal of the day. While those expressing such views have decreased somewhat, from 57 percent of adults in 2007 to 52 percent in 2017, according to Packaged Facts data, breakfast beats out lunch (18 percent) and dinner (19 percent) when it comes to importance.

However, what constitutes breakfast is in flux, as is when traditional breakfast foods are consumed, especially as more adults turn to snacking instead of three meals a day. A favorite in many households is the breakfast-for-dinner trend, and the growing accaeptance of cereal as an anytime snack, although cereal sales saw a sales decline of 2.3 percent from last year and unit sales decreased 3 percent, according to Nielsen data.

In grocery stores' prepared food departments, the breakfast segment often remains the largest untapped opportunity in the category as more people move away from consuming the first meal of the day at home. Breakfast meals or combos accounted for nearly $68 million in sales, according to Nielsen, a whopping 403 percent increase from last year. Unit sales also increased 404 percent over last year.

For those retailers that do offer breakfast items, the options have extended beyond the traditional bacon, eggs and toast. Although avocado toast had its moment, and many retailers are now seeing success with toasted house-made breads topped with yogurt spread, cured fish, cheese, and purées made from ingredients like sweet potatoes and seasonal vegetables or herbs, it's not unusual now to see modern takes on biscuits, doughnuts, waffles and pancakes on supermarket foodservice menus as both chefs and consumers express their more creative sides in regard to food.

In Packaged Facts' "Breakfast and Breakfast Foods All Day" report, several trends emerged that grocers need to be aware of. Some of the products encompassing these trends include Asian breakfast options (banh mi, congee, morning fried rice, bao and jianbing); breakfast bowls for champions; next-generation breakfast burritos in the forms of chilaquiles and migas; doughnuts with a difference; eggs benedict; frittatas as open-faced omelets; juiced-up juices; breakfast sausage; shakshuka (Middle Eastern-style poached eggs); breakfast sandwiches and waffles; and French toast and pancakes.

Some of what's driving these trends are the changes in the U.S. population. According to Packaged Facts, the overall population is expected to rise between 2018 and 2020, with the fastest-growing age group being seniors. Hispanics, who numbered 60 million in 2018, are expected to grow 9.3 percent through 2020, which will require grocers to appeal to culturally specific demands.

The number of children isn't set to increase significantly by 2020, but kids wield a lot of power when it comes to mealtime decisions and purchases. Case in point: breakfast cereals, many of which are marketed toward children, who then persuade their parents to buy the products. A recent Dartmouth-Hitchcock study found that about 20 percent of preschool-age children were exposed to TV advertisements for cereal, and between 43.7 percent and 47.3 percent of them had consumed at least one of the cereals they saw advertised.

The health-and-wellness trend continues to influence the breakfast daypart. Protein still plays a role, with breakfast meats seeing a sales increase of 1.6 percent in the past year, while unit sales increased more than 3 percent, according to IRI data. Further, a DSM Food Specialties survey found that 69 percent of consumers prefer healthy breakfast options over cheap foods.

Even more intriguing to consumers is when that healthy option can be combined with convenience and portability. According to IRI, breakfast bar sales increased nearly 6 percent compared with last year.

MEAL KITS

## Time to Pivot

Opportunities abound if grocers can come up with the right formula.


What you'd think would be a slam dunk for grocers continues to be a work in progress as grocery retailers attempt to make a go of meal kits, searching for a profitable middle ground somewhere between the flailing subscription model and the in-store solution that leverages the broad competencies of the supermarket.

Since they launched in the United States more than five years ago, "time has tempered both growth and expectations for meal kits, though the future remains promising," says market researcher Packaged Facts, which, in its report "Meal Kits: Trend and Opportunities in the U.S., 3rd Edition," forecasts that the meal-kit category will continue to expand and grow healthily over the next four years, but at rates more modest than previously anticipated.

Packaged Facts estimates the U.S. meal-kit market had sales of $2.6 billion in 2017 and would grow almost 22 percent by the end of 2018 to reach $3.1 billion. Growth is forecasted to steadily decline from double-digit gains over the next few years to single-digit gains by 2023.

Long term, as more traditional stores offer meal kits as a product rather than as a service, Packaged Facts contends that the market will stabilize and become similar to other convenience grocery items that sell for a premium, such as precut fresh produce.

"The meal-kit market is highly dynamic and prone to fluctuations, with the top meal-kit providers falling in and out of favor since their introduction in the past few years," says David Sprinkle, research director for Packaged Facts. "Further complicating things, market expansion is expected to be much more reliant on alternative purchase venues than the traditional subscription delivery model, due in part to the convenience and flexibility of online shopping."

To be sure, grocery retailers have been investing in the category. Last May, The Kroger Co. and its Home Chef subsidiary added three new options to the meal kits already sold in more than 900 stores across the country: Oven-Ready meals, designed to serve two people for $8.50 per serving; Heat & Eat meals, ready in five minutes; and Lunch Kits, a range of salads, grain bowls, sandwiches and tacos that run about $6 per serving.

Ahold Delhaize USA's Peapod partnered with cookbook author Mark Bittman on an exclusive Vietnamese-inspired meal kit, Fast Pho. According to Peapod's third annual meal-planning forecast, more than 40 percent of Americans value meal kits as a tool to make cooking at home easier, with other welcomed shortcuts including premeasured ingredients and grocery delivery.

On the other hand, Albertsons-owned meal-kit service Plated laid off 25 staffers, following the January departure of its CEO, and pioneering service Blue Apron experienced an executive shakeup in April.

"The current meal-kit business doesn't seem to be winning the mealtime battle for retailers, so it's time for retailers to rethink their meal-kit strategy," argues Dr. Marcia Schurer, president of Chicago-based Culinary Connections, a food consulting and training company specializing in convenient fresh prepared foods, meal solutions and snacks.

Schurer suggests moving from offering a limited number of SKUs for dinnertime to a storewide strategy that includes ready-to-eat, -heat and -cook; made-to-order; already prepped; and value-added options for all dayparts.

"With questionable track records for sales and profitability, it's time for retailers to pivot and come up with different options with greater customer appeal, popular taste profiles, fresh and local ingredients, can be customizable, fit dietary lifestyles, priced reasonably, encourage repeat purchases, and encourage the purchasing of complementary items from perishable and nonperishable store departments, to increase each customer's mealtime purchase and total store sales," Schurer urges.

A key demographic that shouldn't be overlooked: older adults, for whom meal prep may be a challenge.

"Sales of meal kits to older consumers compete with delivery or carryout meals from restaurants. Many older customers already order a lot of food from restaurants," says Packaged Facts' Sprinkle. "However, many of these customers may miss being able to cook or could benefit from a simplified cooking process. Additionally, the restaurant and home delivery options available for them might not be as healthy or as fresh as they desire."

**Dr. Marcia Schurer is slated to speak about winning the battle for mealtime profits with meal kits at *Progressive Grocer*'s Total Meal Solutions Summit, Sept. 9-10 in Austin, Texas. Find more information and register to attend at www.totalmealsolutions.com.**

SMOOTHIES

# Global Growth

These meal-replacing drinks keep evolving in terms of ingredients, functionality and form.

Smoothies have become ubiquitous, often the beverage of choice for health-conscious adults and trend-setting teens alike. Their benefits are many, mostly health-related, such as that they contain fiber, are often low in carbohydrates if they don't include sugar in their ingredients, and are perceived as healthier than fruit juice.

Smoothies accounted for 22.6 million in dollar sales in grocery stores last year, up 84 percent over the previous year, according to Nielsen data. The global smoothie market is expected to achieve an impressive CAGR of nearly 9 percent by 2022, according to market research by Technavio. Much of the growth is due to consumers' demand for healthier food and beverage alternatives, with fruit-based smoothies accounting for the largest segment of the global smoothie market.

Technavio also released the top smoothie market trends to watch. It's no surprise that organic has also hit the smoothie category, and the resulting products are rich in minerals and antioxidants that also boost the price point. Gluten-free is another top food trend that's impacting smoothies, with the common reasons for choosing gluten-free smoothies being weight management and digestive health issues.

As the food market in general becomes more global in flavor and spice, so, too, does the smoothie category. Increasingly, herbs like rosemary, basil, cayenne, cilantro, fennel or turmeric are being added to smoothies to create bolder flavors or add a warm kick to cool drinks. With the addition of savory spices, smoothies have also become more than a quick pick-me-up and are instead being consumed as a meal replacement. Many consumers are turning to smoothies as a convenient way to consume fruit, vegetables and superfoods, and are opting for them instead of cereal for breakfast or salads for lunch.

While the allure of smoothies has long been the fact that they're portable and easy to consume on the go, smoothie bowls are lighting up social media feeds due to the addition of highly photogenic flowers, seeds, fruits and other toppings. Bowls, which are often thicker than traditional smoothies, frequently contain superfoods like flax or chia seeds, goji berries, and hemp protein. The added nutrients of these superfoods are also helping drive the meal replacement trend. Further, the concept of superfoods as health boosters is a draw for smoothies that incorporate such ingredients. Acai, chia seeds and protein can transform a simple smoothie into a functional supplement by boosting the immune system.

Even CPG companies are introducing their own smoothie bowls. Kraft Heinz recently launched Fruitlove, a spoonable, single-serving smoothie that combines yogurt with three or more fruits and vegetables. Similarly, earlier this year, Dole debuted Spoonable Smoothies that are sold frozen.

Another trend driving the popularity of smoothies is that they're often totally customizable — a big draw for today's consumer. Popular additions to smoothies include protein, probiotics, vitamins, nuts, minerals, grains and seeds. The customization can begin with the base as consumers turn to an increasing number of options beyond milk and nut milks like almond and cashew. Other alternatives can include oat, pea, hemp and coconut milks. Bone broth is another popular smoothie additive, as it's purported to promote gut health, relieve arthritis, boost weight loss, and be high in collagen to improve hair, skin and nails.

In addition, consumers are turning to a wider variety of colorful vegetables to add flavor to the more traditional favorites of spinach and kale. Some popular options are beets, pumpkins, cabbage and carrots. Health concerns often drive smoothie sales, but the addition of alcohol for an alternative adult beverage is gaining traction in the category. Also, while seasonal fruits will always be favorite ingredients, exotic fruits like yuzu are gaining popularity.

Activated charcoal, which is a growing health trend, is also having an effect on the smoothie category. The ingredient creates a sweet and creamy beverage when added to smoothies, as well as providing naturally detoxifying benefits.

SNACK BARS

## Good, and Good for You

Finding a balance between health and indulgence increasingly guides consumers' choices of such items.

The snack bar market — expected to reach $8.8 billion by 2023, according to Research and Markets — saw an increase of 2.7 percent in dollar sales for the latest 52 weeks ending May 19, according to IRI data, due in large part to the growing popularity of the nutritional/intrinsic health value segment, which grew 5.8 percent in dollar sales, while granola bars' dollar sales declined 4.6 percent.

But while the health attributes touted by the makers of nutritional/intrinsic health value bars are important draws for consumers seeking wellness in convenient forms, that doesn't mean that snacking for its own sake has gone by the wayside: Sales dollars for the breakfast/cereal/snack bar and all other snack and granola bar segments were both up, by 5.7 percent and 3.1 percent, respectively, although unit sales for the latter were down 4.2 percent. Indeed, when it comes to snacking, it seems that consumers want to have their better-for-you bar and enjoy it, too.

This attitude to snacking tracks with findings by the NPD Group, whose recently released "Future of Snacking" report notes that brands are meeting consumers' needs in this regard with snacks that provide both health and indulgence through such solutions as portion-control packs, "thinner" versions of established products, or nutrient-enriched sweet and savory items.

"The role of snack food is changing in different ways in reaction to Americans' desire for balance, portable snack foods and holistic wellness," observes David Portalatin, NPD's food industry advisor. "It's no longer about depriving yourself of something you enjoy eating. Today, it's about giving yourself permission to eat indulgent snack foods in moderation."

That permission naturally extends to items like cereal bars, which are practically the definition of a portable snack, and, according to NPD, will be one of the snack items whose growth over the next five years will be driven by consumers older than 40, Gen Xers and younger Boomers.

In its 2019 "How America Eats: The State of the Snack Industry" research, IRI specifically points to snack and granola bars with Non-GMO and nutritional claims as meeting consumers' wellness needs, while those without such claims fall into the "permissible indulgence" slot. The research also shows that snack and granola bars with grain and 100 percent natural claims were among the growth-rate "winners" when looking at categories across the store.

When it comes to variety, the market researcher notes, "It's table stakes to have a benefit within the bars category — from protein to cheese to free-range chicken — [and] this year's innovation delivered." Examples included offerings from Purely Elizabeth (grain-free), Sonoma Creamery (cheese), One (Protein), That's It (probiotics), Luna (gluten-free), and DNX (free-range chicken and grass-fed beef).

One snack bar brand, Kind, which shows up among the top manufacturers and brands in three out of the four snack/granola bar segments ranked by IRI, recently unveiled a Be Kind to Yourself platform highlighting self-care and healthy choices, which will run on national TV and across digital channels, as well as being promoted via email, field marketing and public relations. The first national snack brand to disclose added sugar content across its portfolio, the company has also hosted an educational pop-up to draw attention to the 100-plus sweeteners in popular snacks, and urged the food industry to more clearly disclose sweeteners and sources of sugar.

"Our longstanding belief at Kind is to craft snacks made with a nutrient-dense first ingredient, like whole nuts, whole grains or whole fruits," says Mike Barkley, the company's president and COO. "Through this new platform, we want to spark a dialogue and remind people to look at what ingredients are most prominent in their snacks."

That level of nutritional and ingredient awareness is rising among snack bar consumers — even as they clamor for great-tasting products — and the grocery channel ignores this trend at its peril.

PLANT-BASED YOGURT

## Culture Clash

As nondairy yogurt grows more popular, it could steal share from traditional counterparts.

There's no doubt about it: Plant-based foods continue to rise in popularity, and that includes dairy-alternative products such as yogurt. In its 2018 report "The Yogurt Market and Yogurt Innovation, 3rd Edition," Packaged Facts singled out dairy-free, plant-based yogurt as the new market disrupter, replacing the now mainstream Greek yogurt trend. As David Sprinkle, the company's market researcher, pointed out, "The segment is following more familiar dairy-alternative beverage ingredient trends, especially as dairy-free yogurt moves beyond soy to feature coconut, almond and cashew, as well as more exotic variations such as pea-based yogurt."

Recent product rollouts and updates in this space include products from Follow Your Heart (coconut); Blue Diamond (almond); Kite Hill (almond); Simply Free (acacia fiber and konjac); Lavva (coconut, plantain, cassava root, pili nut); and Israeli brand Yofix (oats, legumes and seeds).

Sales of plant-based dairy products, excluding milk, came to $697 million for the 52 weeks ending June 2018, according to Nielsen data, representing an increase of 50 percent year over year. The nondairy ice cream and frozen dessert, yogurt, cheese, creamer, butter, and dressing sales included in these figures all saw double-digit growth of more than 20 percent during the same period.

A study from IRI, meanwhile, identified plant-based yogurt among eight categories (the others being milk, ice cream, creamers, meat substitutes, protein bars and supplements, frozen meals, and mayonnaise) that earned more than $100 million in annual plant-based dollar sales in 2018. Additionally, in an April 2019 blog post discussing some of their findings, study authors John Crawford and Tim Grzebinski wrote, "Plant-based foods are now in 53 percent of households, and we expect that this trend will continue to grow."

Crawford and Grzebinski primarily attributed this rising interest, and resulting higher sales, to Millennials, noting, for instance, "In general, younger consumers have a far more positive view of the health aspects of plant-based milks than older generations." Fellow market researcher Future Market Insights concurs, observing of the much-studied demographic: "This population segment is active and diet-conscious. They prefer products with low sugar, fat and lactose as well. Plant-based products are one of the ideal products they desire." Other groups that IRI found more likely to purchase plant-based items were those with higher incomes, and acculturated Hispanics.

The IRI study also showed that the main drivers for purchasing plant-based food alternatives are health and diet, particularly in relation to weight management. As for why shoppers seek plant-based yogurt specifically, other market researchers have noted the growing number of people with lactose intolerance, the rise of vegetarianism and veganism, and consumer concerns about the health effects of consuming dairy. Further, beyond the wish to improve one's personal health, a desire to promote better planetary health through environmental sustainability was cited by Hexa Research.

What's to come in the plant-based yogurt segment? Future Market Insights believes "that the demand for plant-based probiotic yogurt will rise in forthcoming years, on the back of robust popularity of animal-based probiotic yogurt," while various industry observers point to continuing innovation in ingredients, formulations, flavors and convenient packaging.

Rather ominously for the traditional yogurt category, "nondairy yogurt takes probiotics and high protein, both hot nutritional trends, and transfers these trump cards to the plant-based product trend's bag of tricks," noted Packaged Facts last year. "With the plant-based trend, many younger and trendier American eaters are switching lanes from 'leaning more vegetarian' to 'leaning more veganish,' and thereby cutting back on or forgoing dairy."

Having already "seen the dairy-free messaging on the wall," as Packaged Facts put it, traditional yogurt companies have gotten in on the plant-based act as well, making sure to call out their products' health benefits, with Chobani launching a gluten-free, lower-sugar nondairy line, and Danone, which already offers Silk almond- and soy-based yogurt alternatives, introducing the Good Plants line, said to contain 40 percent fewer calories and 70 percent less sugar than most almond milk yogurt alternatives, and Silk Oat Yeah oat milk yogurt alternative in four gluten- and allergen-free varieties. **PG**