

8<sup>th</sup> Annual  
Consumer Value Study  
Food & Beverages  
(*Consumables*)

August 12, 2020



# Methodology

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- Survey to 1,000 Adults 18+ in August of every year from 2013-2020. Responses weighted by Age/Gender to national census.
- Change in Vendor in 2019 resulted in a “Step Function” of results. Some 2018-to-2019 results may be more extreme than the actual trend as a result.
- Areas of Questioning:
  - Food & Bev Category Purch Frequency (15 Category accounting for 20% of CPG Retail \$)
  - Strong Agreement on Type of Deal Tactics Used
  - Strong Agreement on Four “On Trend” topics
  - Outlets where purchase Consumable Regularly (6+ times per year)
- External and Internal Validity Checks
- Share of Mentions is a proxy for Share of Transactions by Outlet

# Methodology

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- HEAVY BUYER: 55+ POINTS, where points are scaled based on 1-5 scale per category on Frequency. Consistent definition since 2013.
- HEAVY DEAL USERS: 7-10 Deals used regularly. New definition, with all back data redefined.

# Consumables Posted Its Strongest Gains In The Eight Years Of This Study. This Is Consistent With Other Sources.

## Annual Purchases per Buyer

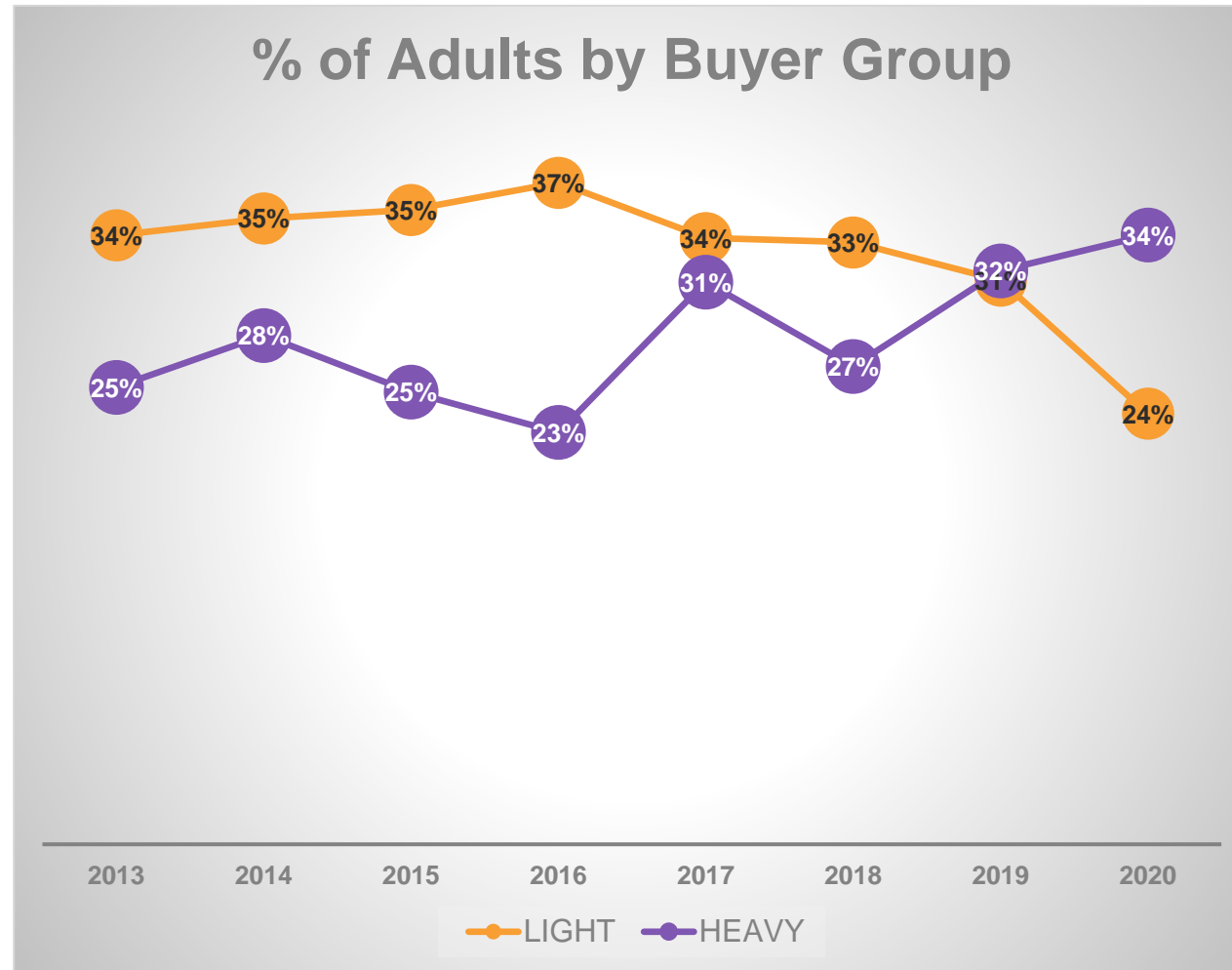
CATEGORY	FY2020	% Chg vs 2019	7YR
SALTY SNACK	10.2	17%	3%
FROZ PIZZA	6.9	16%	4%
COOKIES	7.7	14%	3%
CARB BEV	9.9	9%	1%
CRACKERS	7.0	8%	2%
NOVELTIES	6.1	7%	4%
CEREAL	8.1	6%	0%
ICE CREAM	7.1	6%	1%
REFRIG JUICE	6.5	3%	0%
SHELF JUICE	6.6	3%	0%
CANDY	5.4	2%	3%
YOGURT	7.2	2%	-1%
SPORTS DRINK	5.1	-3%	4%
POPCORN	6.1	-4%	1%
WATER	9.6	-7%	3%

- After several years of flat sales, Carb Bev has shown a strong resurgence in the COVID era. Conversely, Water and Sports Drinks became less popular.
- Salty Snacks, Frozen Pizza and Cookies all saw big gains in 2020.
- Longest sustained growth: Salty Snacks, Frozen Pizza, Cookies, Novelties, Sports Drinks and Water.
- For all the hype, Yogurt has been flat over the past seven years.

**Note: Growth figures exclude population growth of +4.85.**

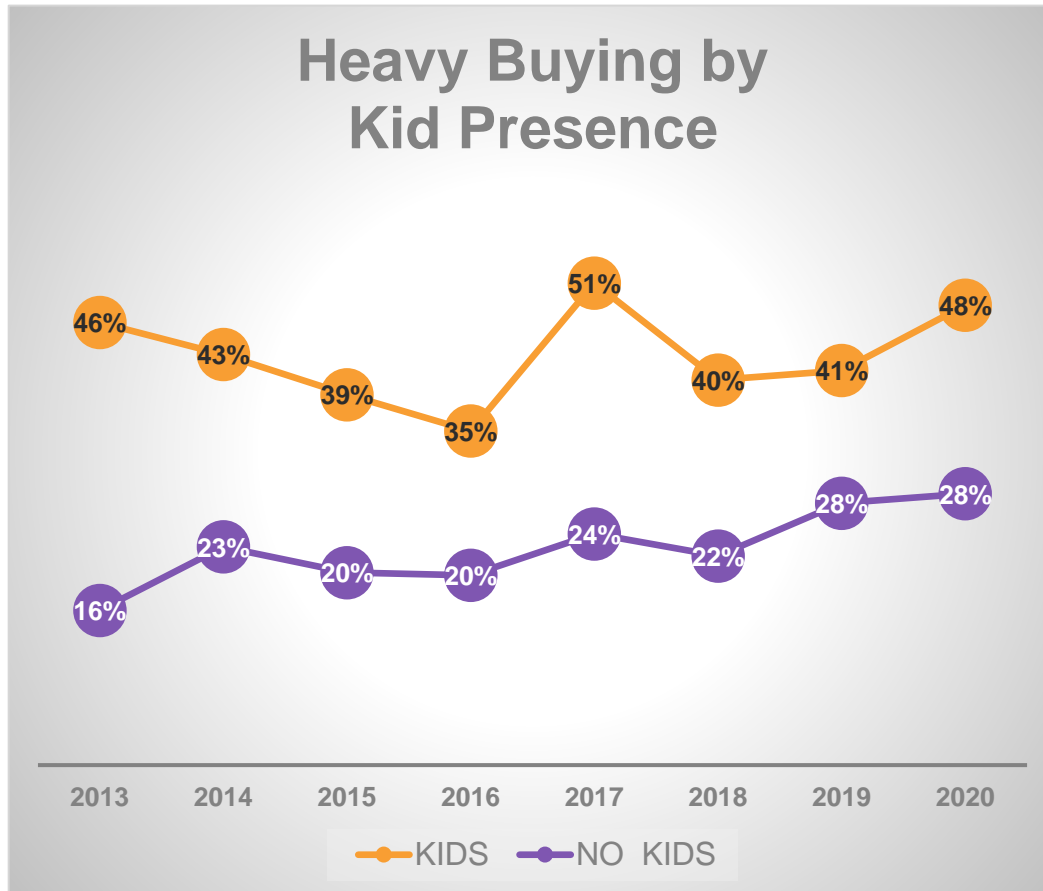
Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# Growth Is Coming From A Shift Towards A Higher Percentage Of Heavy Buyers In The Categories And Lower Percentage Of Light Buyers.



Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# HH's With Kids Continue To Be Much Heavier Consumables Buyers, And They Lead The Surge In Sales In 2020.

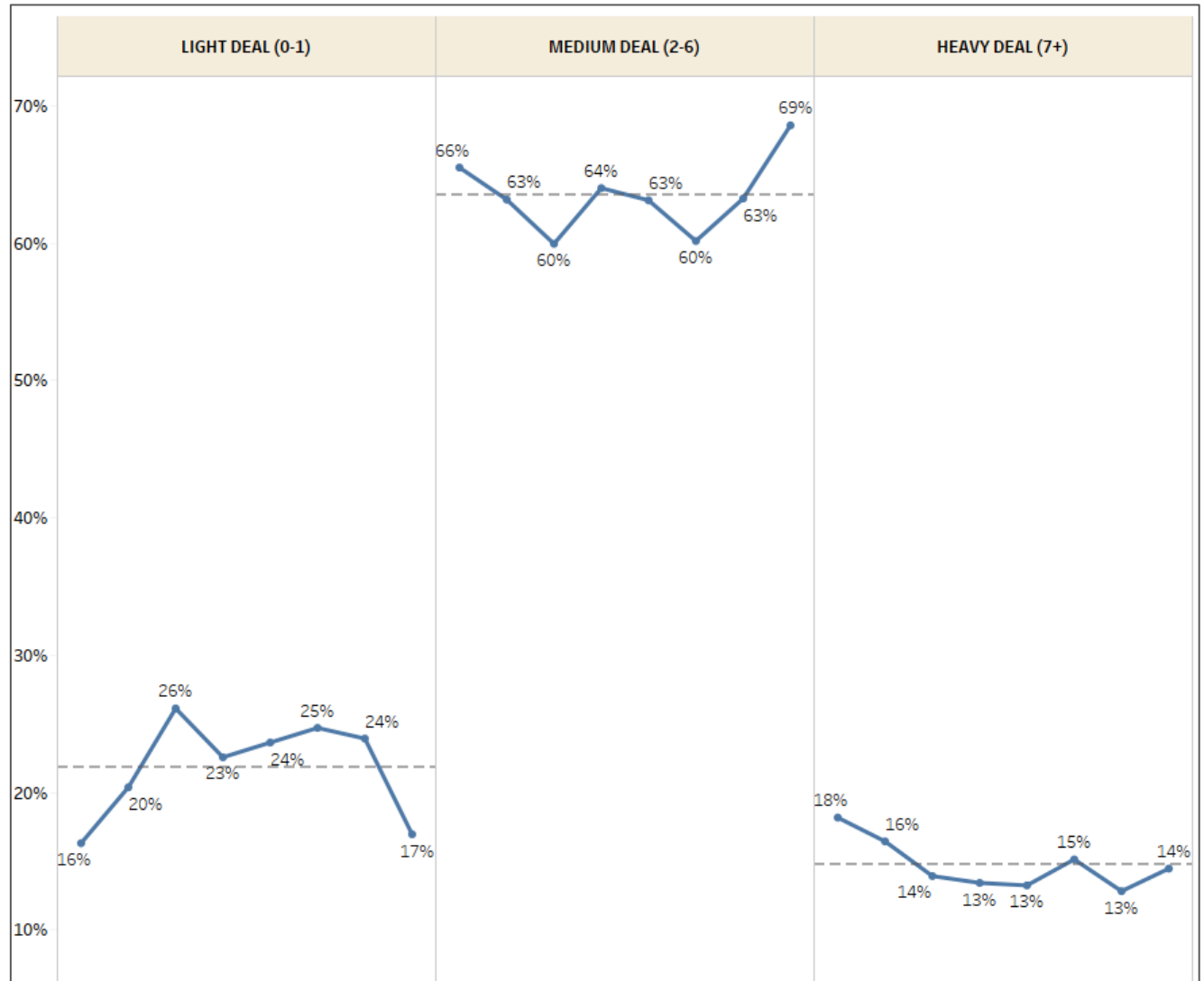


- The longer-term growth, however, is among Households without Kids.

Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# Macro Deal Usage Trends Over Time.

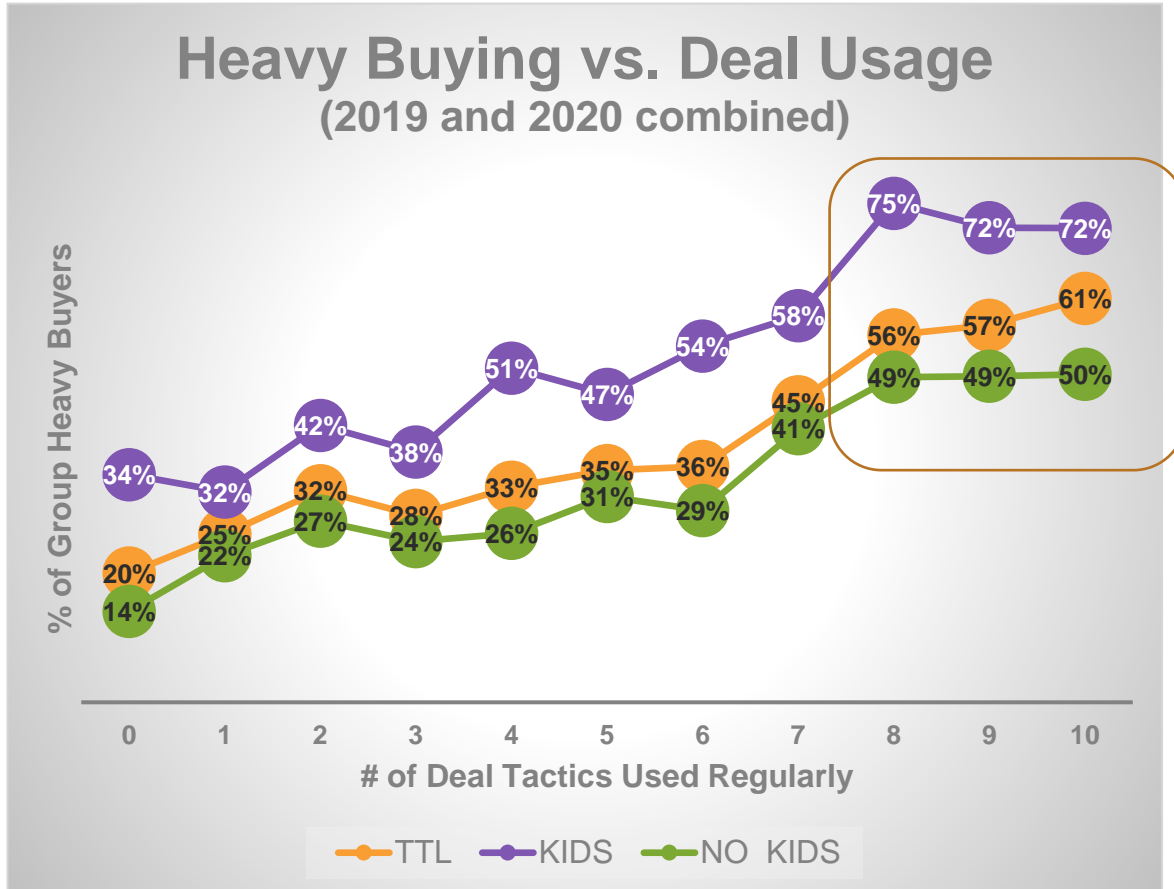
- After five years of relatively stable Deal usage over the past five years, there was a sharp swing from Light to Medium Deal usage.
- Heavy Deal usage has remained stable over the last six years.
- **Importantly**, Consumers' appetite for Deals has increased during COVI.



Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

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# The Relationship Between Deal Usage And Heavy Buying Is Unmistakable.

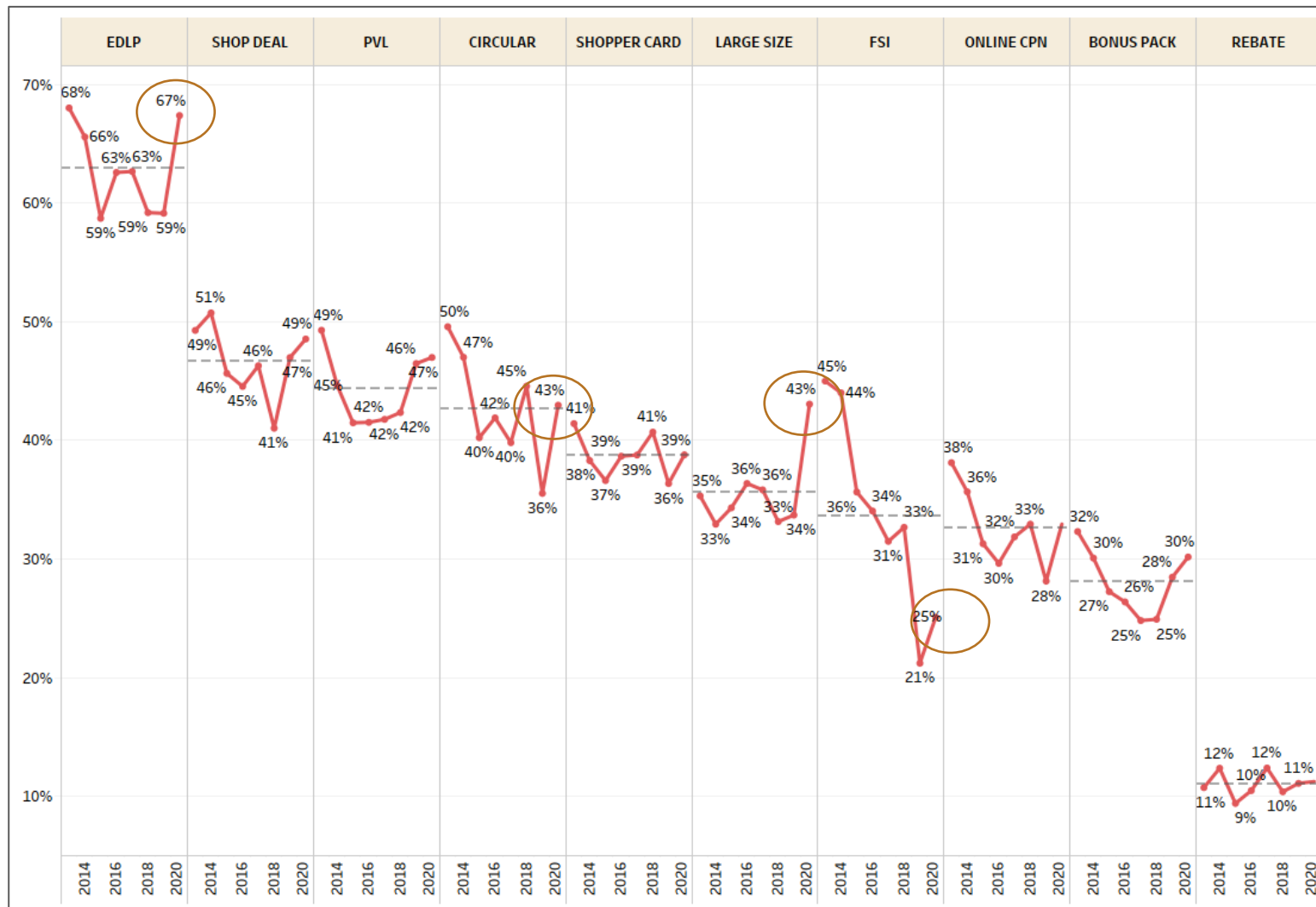


- Heavy Buying among both groups plateau at eight tactics. This suggests a deal saturation point, but a very high one, to be sure.

Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©



# Which Deal Tactics Are Used Most Often?

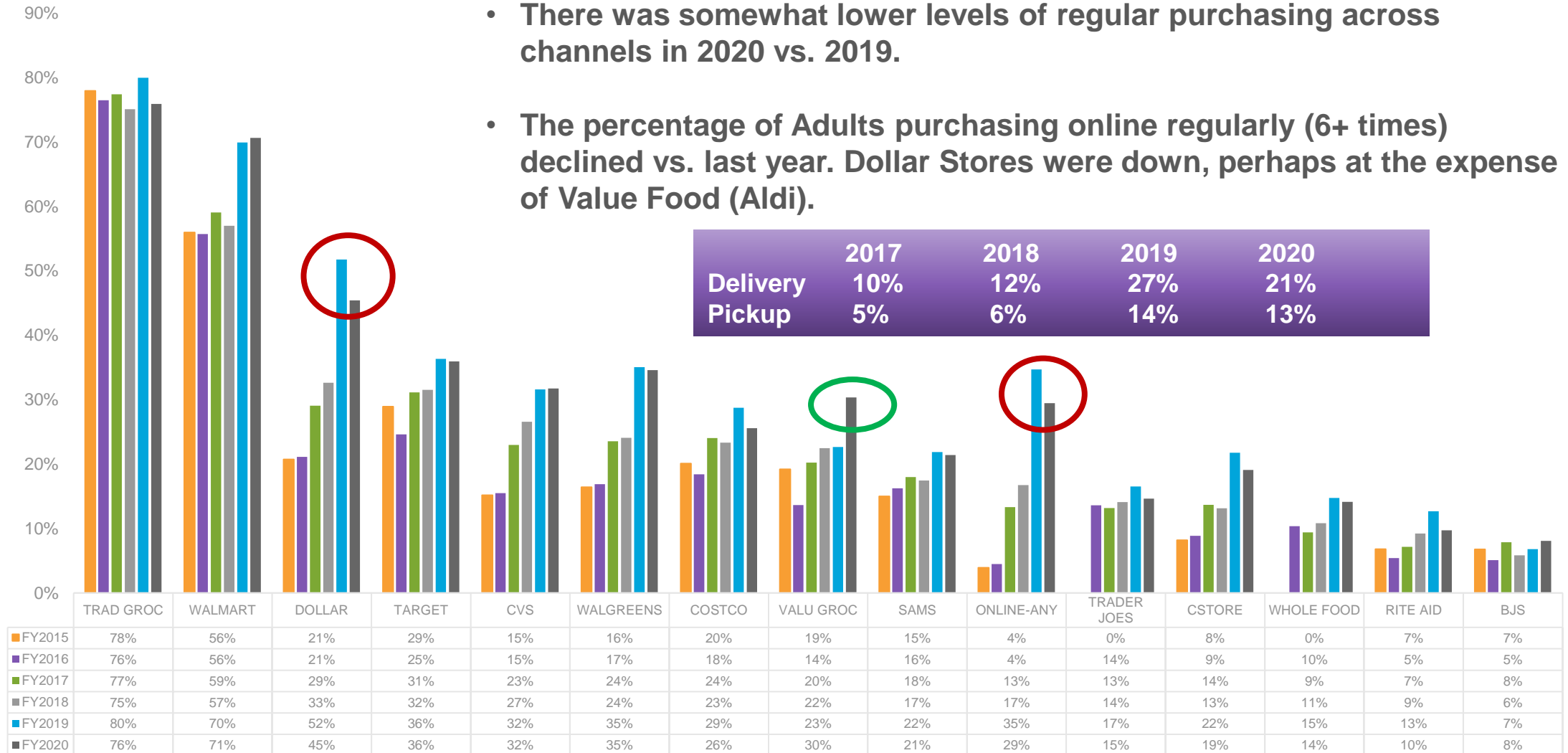


- EDLP, Circulars, Large Sizes and FSI's saw the largest gain in usage vs. 2019.
- FSI's experience the CPG version of a "Dead Cat Bounce," in which short-term gain is obscured by significant long-term decline.
- Large Size gains appear to align with higher needs to stock-up to minimize store trips.

Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# Where Are People Shopping Regularly (6+ Times)?

- There was somewhat lower levels of regular purchasing across channels in 2020 vs. 2019.
- The percentage of Adults purchasing online regularly (6+ times) declined vs. last year. Dollar Stores were down, perhaps at the expense of Value Food (Aldi).



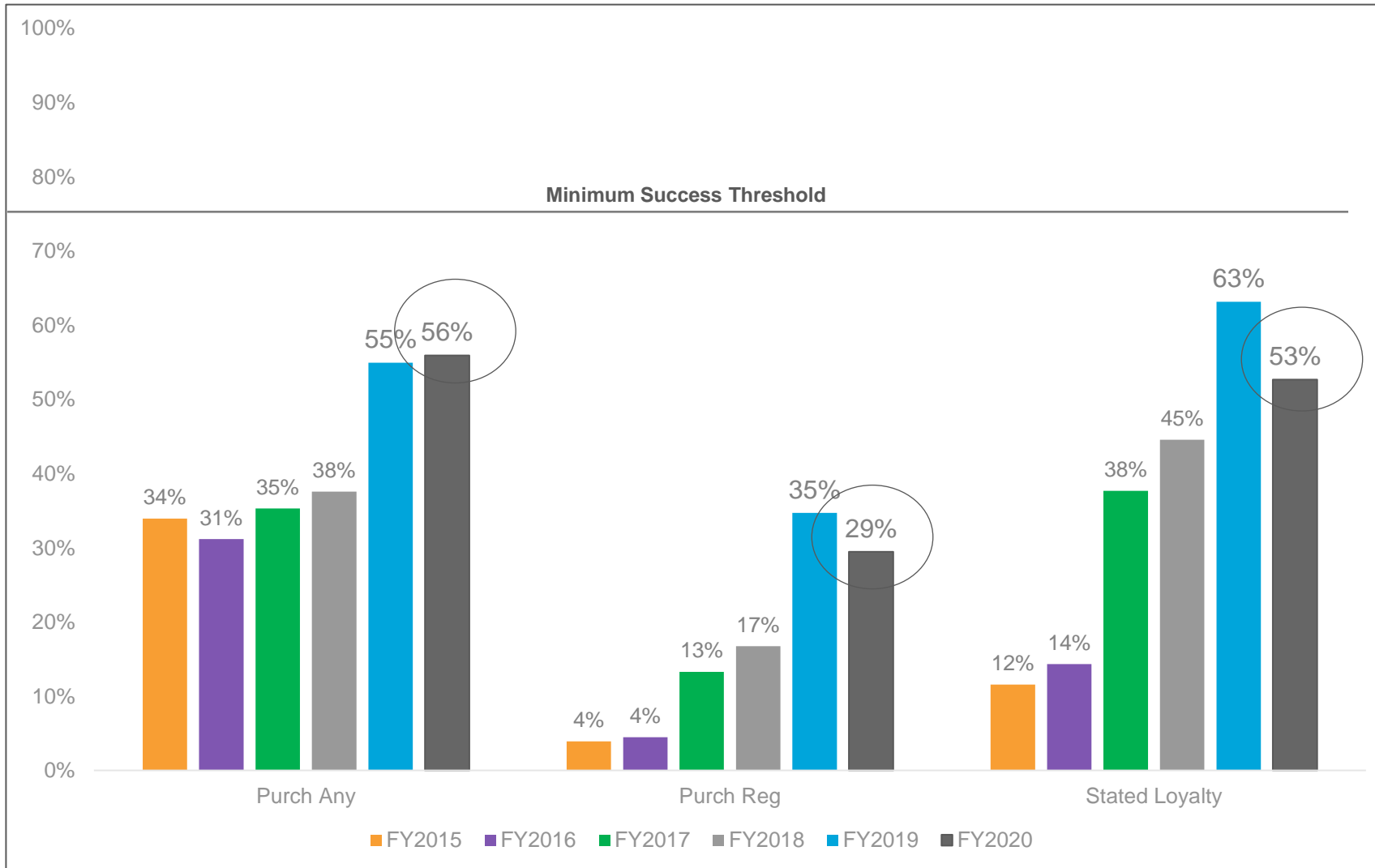
# What Are Current Shares By Outlet?

## Share of Mentions (proxy for transactions)



- Gainers: B&M Grocery, Mas, Aldi
- Losers: Costco, Online, Dollar
- Club appears to be the channel most vulnerable to buyer shifts to Online, particularly as Online moves to Larger sizes.

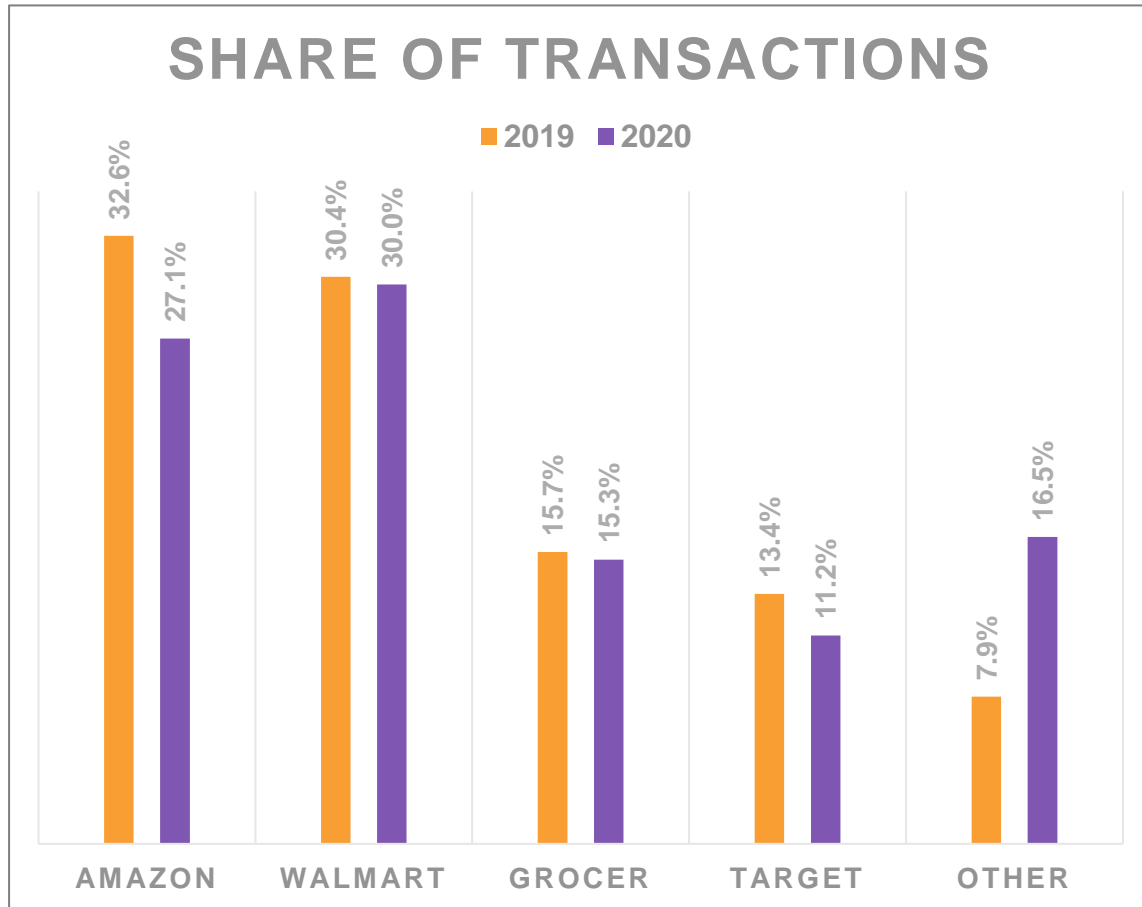
# Ecommerce Grocery Core Metrics



- Online grocery penetration was flat vs. 2019, Regular Purchase dropped noticeably.
- Online loyalty fell back in 2020, and it is again below Success norms.
- The base of consumers for ecommerce grocery did not grow, despite COVID.

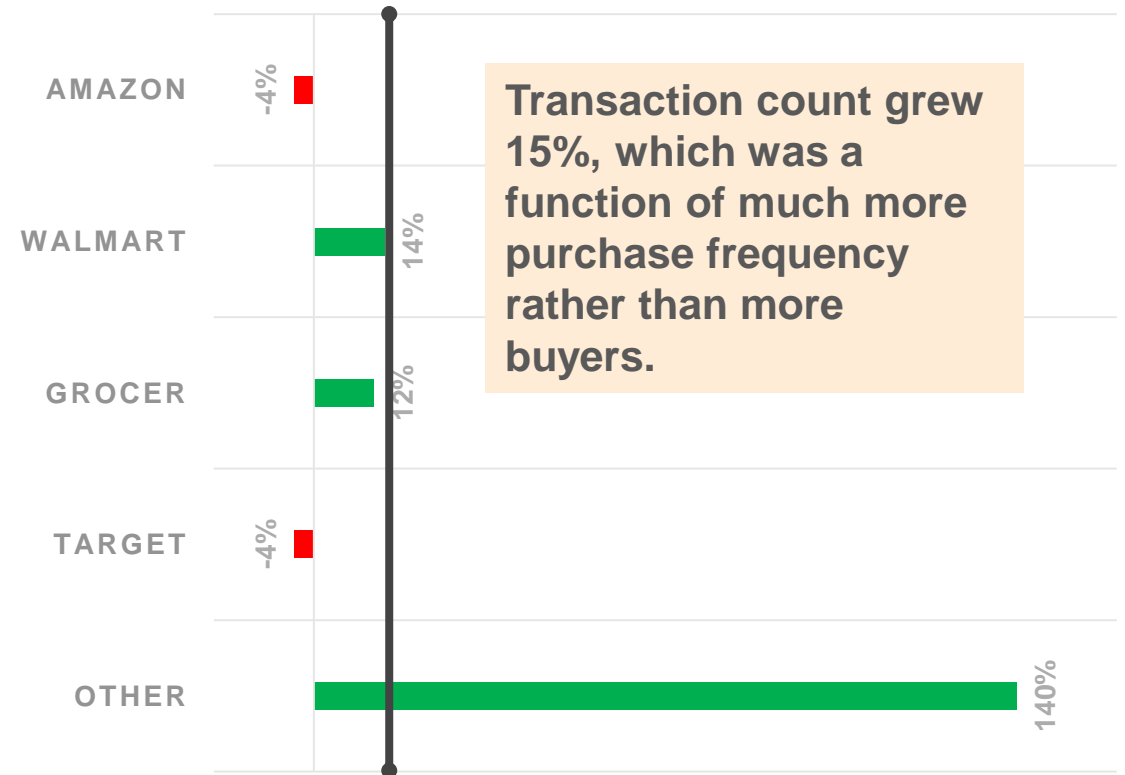
Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# Walmart Has Vanquished Amazon As The #1 Player In Ecommerce Grocery, But The Real Story Is The Gains Made By Secondary Players.

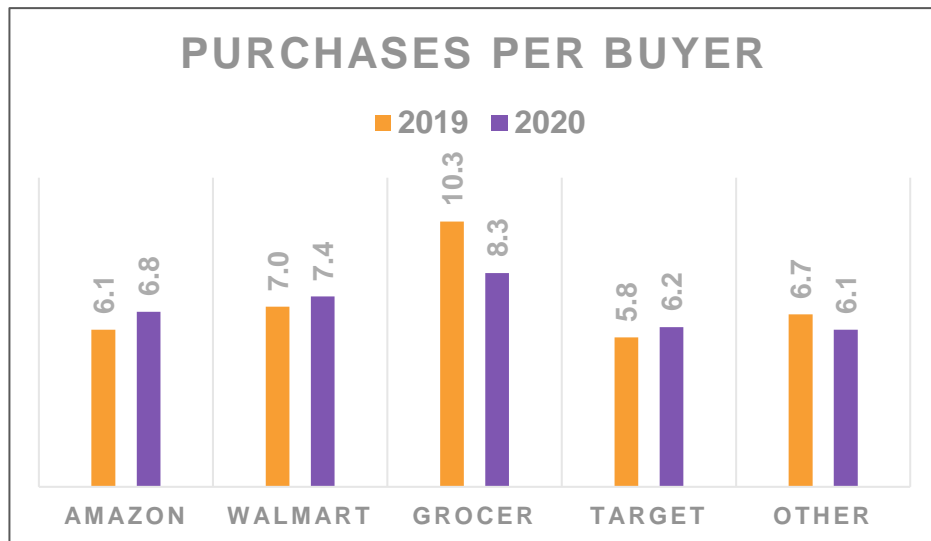
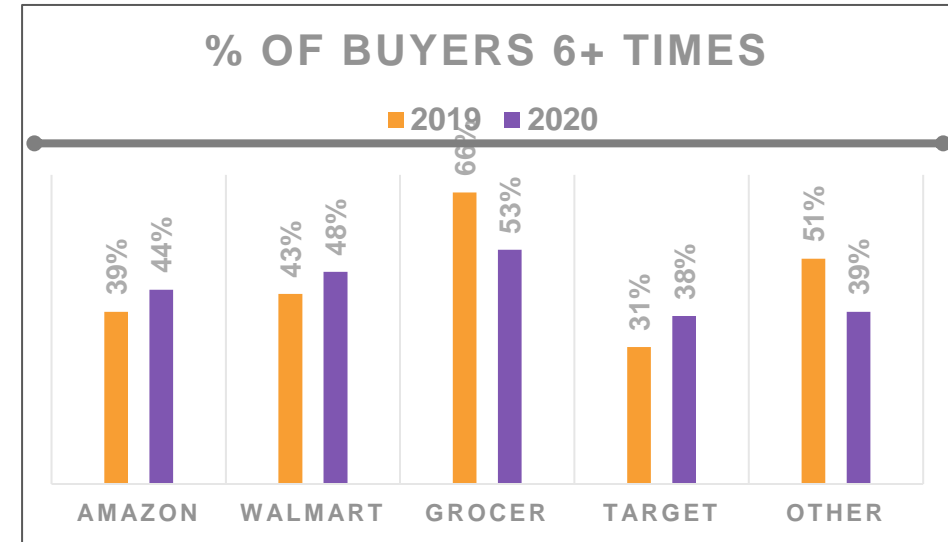
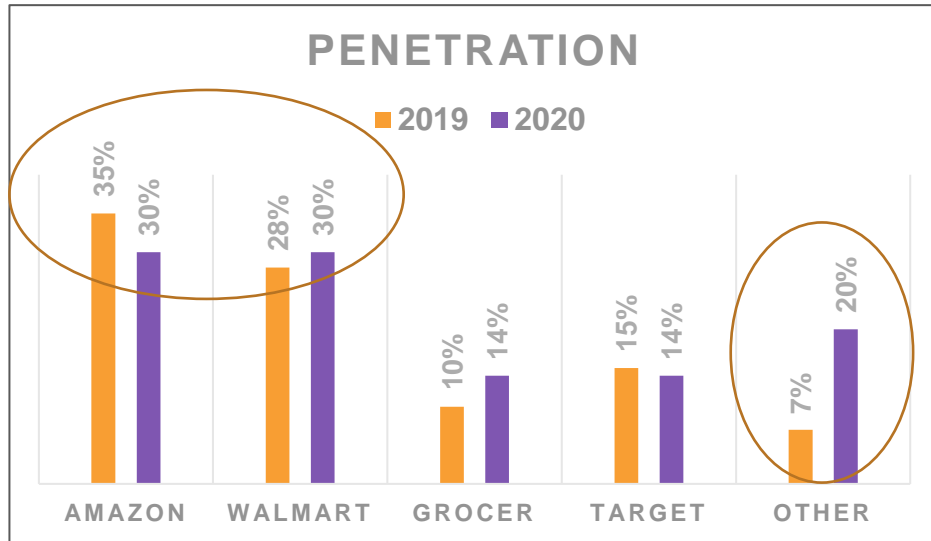


Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

### % CHG IN TRANSACTIONS



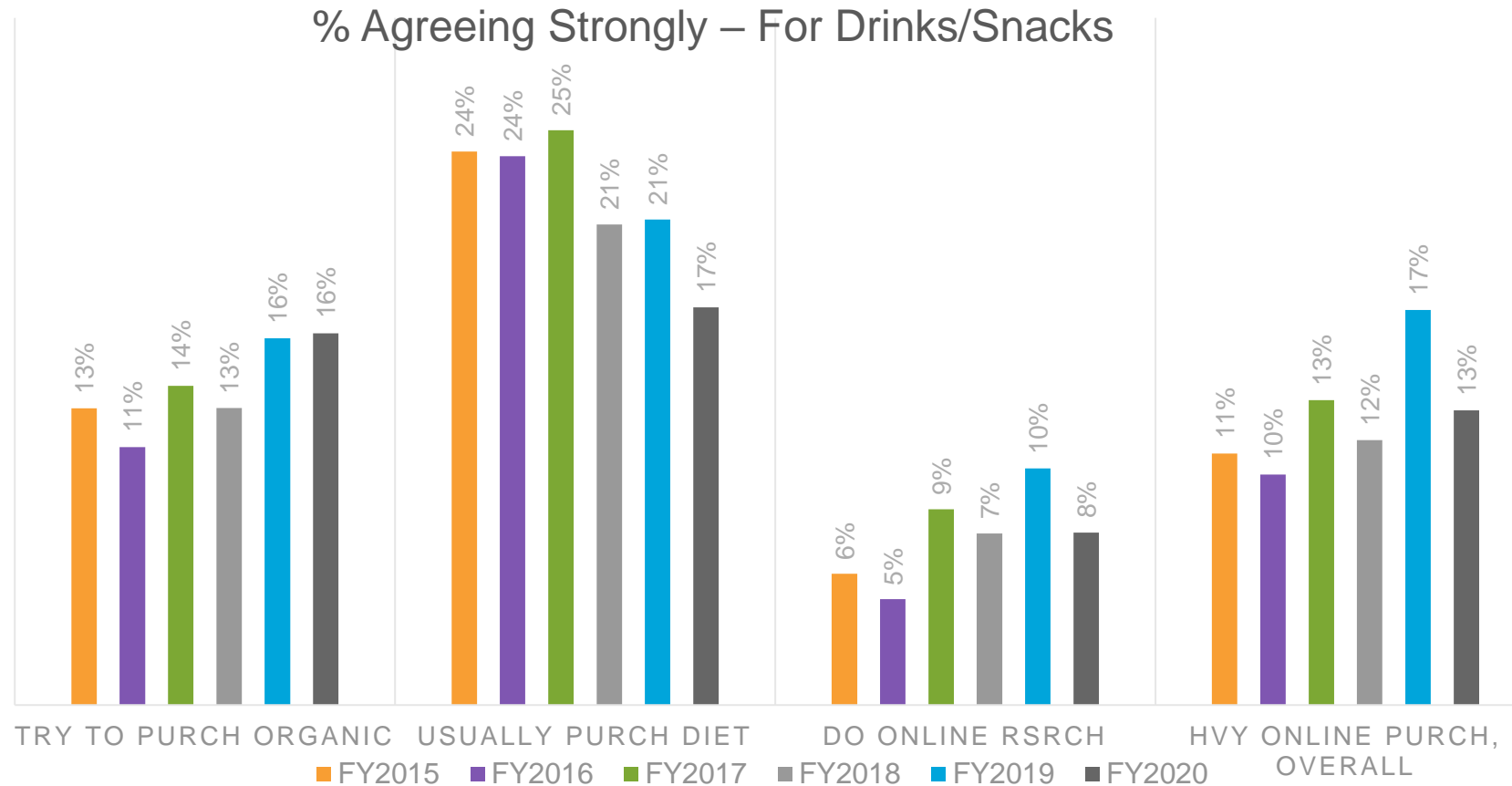
# What Is Driving Sales For The Ecommerce Competitors?



- Amazon saw a reduction in penetration for Consumables; Grocers and smaller websites (Peapod, Fresh Direct, etc...) saw huge gains.
- Decline in purchase frequency for Grocers and Other related to bringing in more marginal buyers to their platforms.
- Amazon, Walmart, and Target all saw significant gains in purchase frequency, but all are still below the Success Norm of 75%.

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

No positive movement on any of the four behaviors.



- Regular purchasers of Diet products have lost over 30% of their buyer base in the last four years.
- Claimed heavy online purchasing reverted back to the normal level, only 13%.
- Organic purchasing remains niche.

Source: TABS Analytics Annual Food & Beverage Studies, 2013-2020 ©

# Conclusions – Categories

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- For once, CPG categories lead the Consumer Sector with big increases in both purchase frequency and average pricing (Source: Nielsen).
- Carb Beverage and Salty Snacks were the big gainers, but almost all of the 15 categories saw meaningful gains.
- Long-term growth was strongest for Water, Sports Drinks and Frozen Novelties.
- Despite all the hype, Yogurt had the weakest performance over the past four years among the 15 categories.
- HH's with Kids are almost 2x more likely to be Heavy Buyers of Consumables.



# Conclusions – Deals and Pricing

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- While retailers and manufacturers pull back on retailer promotions (Source: Nielsen), consumers say they use them more than ever.
- Gains in promotional tactics were registered for EDLP and Large Sizes. Old School tactics Circulars and FSI's also posted significant gains, but the longer-term trend for both is negative.
- The relationship between Deals and Heavy purchasing is unmistakable, with a clear relationship in Deal Usage and Category Purchasing.
- The environment for increasing prices in CPG has never been better, as Demand is high and Supplies are more limited than usual.

# Recommendations – Pricing and Promotions

- Assuming no supply constraints, there is no reason to pull back on promotions. They are still a significant source of incremental sales, and potentially, profit. Unemployed consumers can certainly benefit from better pricing options.
- Given the sharp long-term drop in FSI usage (despite its Dead-Cat bounce this year), FSI's should be confined to generating trial on new products. It is not a viable promotional vehicle for your base business.
  - Conduct a thorough analysis of FSI's effectiveness for your own business to corroborate.
- While there is a rationale for deeper and more frequent promotional pricing, there is equally a strong rationale for increases in everyday price, given the growth in demand. The industry is uncharacteristically strong, and options of discretionary spending are much more limited in a COVID environment.
  - Traditional Price Elasticity analysis is inadequate for assessing the opportunity for price increases.

# Conclusions – Outlets

- Brick & Mortar still shows very strong sales (Source: Nielsen), so Ecomm gains are adding to – not cannibalizing – B&M sales.
- Dollar Store sales dropped significantly, while Aldi saw big gains.
- Costco has been seeing noticeable long-term declines in their buyer base.
- Walmart is now the #1 Ecomm player in Grocery. Amazon lost the title due to a slip in buyer count.
- Ecomm Grocery grew 15% due to existing buyers buying more frequently. There was only a slight bump from new users. The fact that Ecomm Grocery did not meaningfully expand its pool of buyers does not bode well for the future of this channel, ***with the current business model.***
  - Secondary platforms (NetGrocer, Fresh Direct) saw a massive surge in buyer count. Their low repeat levels, however, suggest that this performance may be short-lived.
  - Purchase frequency for Ecomm is still below the levels required for ongoing sales success. While average transactions per Buyer grew, they are still below 10.0 per year. The average Food chain generates over 20 trips per year, and B&M generates over 40.

# Recommendations – Channel Strategy

- The fact that Ecomm **Food** has failed to expand the pool of buyers during COVID, proves the point that Ecomm Grocery will never have scale and never be profitable with the current business model.  
**Pricing Strategy must be front and center to drive profit into the Supply Chain.**
  - Retailers must start charging the correct amounts for Pickup or Delivery.
  - Manufacturers should tailor their mix towards higher price point, multi pack items.
  - Manufacturers should look for opportunities to deliver more margin into the supply chain. Retailers are bleeding cash currently trying to crack the code to profitability on Ecommerce.
  - Consumables manufacturers need to rethink their role in the Path-to-Purchase for Ecommerce. The Mega Categories are used to being low-margin traffic builders, but that luxury does not exist in Ecommerce. Consumables are no more traffic drivers than non-Food products, and wafer-thin margins turn into losses when adding cost of fulfillment and delivery.
  - Manufacturers should look to deliver creative promotional solutions so that Ecommerce does not lose out on these incremental purchases.

# Recommendations – Channel Strategy

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- Resource allocation between B&M and Ecomm need to consider:
  - B&M is over 90% of industry sales in Food; 80% of Non-Food CPG.
  - Ecommerce share, overall, is still relatively small, but the sales are highly incremental to the industry.
  - Retailers are losing money – lots of it – in Ecomm grocery.
  - Manufacturers are making money in Ecomm, but margins are eroding as retailer demands increase.
  - The environment is ripe to use price as a way to build a profitable and sustainable business.
  - Ecomm should receive a disproportionate of support given its incrementality and challenges. This channel, however, should not be “the tail wagging the dog” to a company’s growth strategy.

# Why Do Most CPG Companies Struggle With Pricing?

## White Paper:

### *“The Importance of Pricing to Both Shoppers and Retailers”*

Download Link: [t.ly/JCsi](https://t.ly/JCsi)

Contact us for a copy:  
[robertbaldwin@tabsanalytics.com](mailto:robertbaldwin@tabsanalytics.com)



# Q&A



Dr. Kurt Jetta

Executive Chairman & Founder

[kurtjetta@tabsanalytics.com](mailto:kurtjetta@tabsanalytics.com)

