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**THE STATE OF THE
GROCERY SECTOR AND CONSUMER SHOPPER INSIGHTS!**

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EXECUTIVE SUMMARY

The Canadian grocery sector has been in a state of flux since the beginning of the pandemic, and the inflationary wars that have emerged. As a result, consumers are:

1. Turning to food banks: According to Second Harvest's annual "Hungry for Change" study, they revealed demand across this country is expected to increase by 18% in 2024. That translates to more than 1M Canadians accessing food banks for the first time.¹
or:
2. Cutting back on food purchases: On News Talk 1010 today (09/24/24), I learned that 30% of Canadians are cutting back on food purchases to save money.

This report provides a summary of

The State of the Grocery Sector and Consumer Shopper Insights!

Top 5 Findings:

1. When the exchange rate is taken into consideration, Canadians are much more cautious than their American counterparts on their weekly grocery spend.
2. +80% of families are spending 30 minutes or more preparing for their grocery shopping.
3. Price sensitivity is driving more cross-shopping than ever which is driving down average revenue per grocery transaction.
4. The primary grocery channel for Gen Z and Millennials is Mass Merchant. The primary grocery channel for Gen Z and Boomers is traditional grocery.
5. The average weekly grocery spend in 2024 is highest amongst Gen Z, Millennials, and Gen X, at \$177.30 USD.

Food Distribution Guy's 3 Brand Strategies – Sales Perspective are outlined on page 5.

¹ Food Banks in Canada Brace for Demand, CTV News, February 2024

FORWARD

- This month Nielsen IQ reported on inflation in the FMCG sector. Canada's Consumer Price Index rate in August hit +2.0%, the first time since 2021. Yet, CPG inflation has been trending well below CPI for the past 7 months. As a result...we're seeing slower dollar growth than in previous years.²
- Canadians are being forced to make tough choices, cutting back not only on luxuries but also on essentials and experiences that were once part of daily life:
 1. Canadians are cutting back on purchasing meat/seafood, fruits & vegetables, cheese, eggs, and butter as they are cited to have become too pricey to buy regularly.³
 2. Numerator reporting:
 - Despite inflation on the decline across FMCG sectors, the rates of Online and Gas & Convenience grocery inflation remain volatile compared to other retail channels.
 - Consumers are increasingly cooking at home, budgeting expenses, to make ends meet.⁴

CHANNEL OBSERVATIONS

- For the 52-week period ending August 10, 2024, there has been a major shift in dollar growth to discount banners in Canada. *Please refer to Appendix 1 – Chart 1*
- Over the past 5-years, there has been a similar shift in the US, and consumers' primary grocery channel – from grocery to mass and club. *Please refer to Appendix 1 – Chart 2.*

CONSUMER WEEKLY GROCERY SPEND

- Over the past year, both Canadian and US consumers have been extremely tight opening up their wallets for grocery shopping. If the exchange rate is taken into account Canadians are more cautious when it comes to grocery shopping. *Please refer to Appendix 1 – Chart 3*

CONSUMER SHOPPER INSIGHTS

- Price sensitivity is driving more cross-shopping. *Please refer to Appendix 1 – Chart 4.*
- >80%: Spending up to 30 minutes or more preparing for their next trip to the supermarket.
- 35%: Seek out meal inspiration:
 - 70%: Social media.
 - 49%: Grocery store flyers.
 - 40%: Brand's website.
- 65% build their shopping list around deals and discounts,
- 46%: Compare prices online or in flyers as they prepare for their grocery trip.
- 88%: Have switched to lower-priced brands in response to increased prices.
- 76% Have stopped purchasing in select categories.
- 72%: Increased their use of coupons. *Please refer to Appendix 1 - Chart 5.*
- 48% of consumers believe CPGs need to improve how they help shoppers save money.
- 45% of consumers believe grocery retailers need to improve how they help shoppers save money.

² Nielsen IQ, Market Track Canada All; Channels, Monthly Periods ending Aug 24, 2024

³ Canadians are Getting Real About the Things they No Longer Buy Because They're Too Expensive, www.msn.com, September 23, 2024

⁴ Canadian Consumer Trends: Numerator, September 20, 2024

CONSUMER SHOPPER INSIGHTS DEMOGRAPHICS

- Please refer to *Appendix 2 on page 8 which breaks down*
 - Primary grocery channel shopped by gender and age.
 - Weekly trips to the grocery store by gender and age
 - Weekly grocery spend by gender and age.⁵

FOOD DISTRIBUTION GUY'S 3 BRAND STRATEGIES - SALES PERSPECTIVE

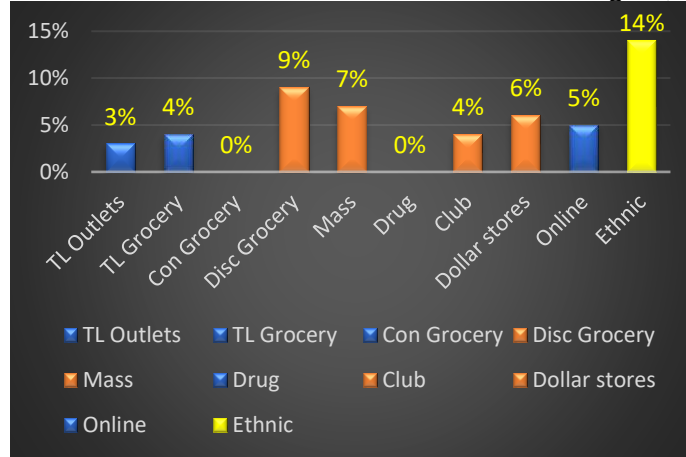
1. A distinct target audience and broad distribution base is a necessity, and brands must have a true understanding of who they are, and where they shop.
2. With consumers taking limited trips to the grocery store, brands must offer great value, transparency, and educate families on how they can help save them money.
3. Brands need to be competitively priced and offer a promotional allowance that will allow them to self-promote their product 3-4x per year. Display shipper programs are a strong strategy to drive incremental sales.

⁵ 2024 Mid-Year Promotion Trends & Shopper Insights, Inmar Intelligence, September 2024

APPENDIX 1

Chart 1

Canada Dollar Volume Growth – L52 Week PE Aug 10, 2024⁶

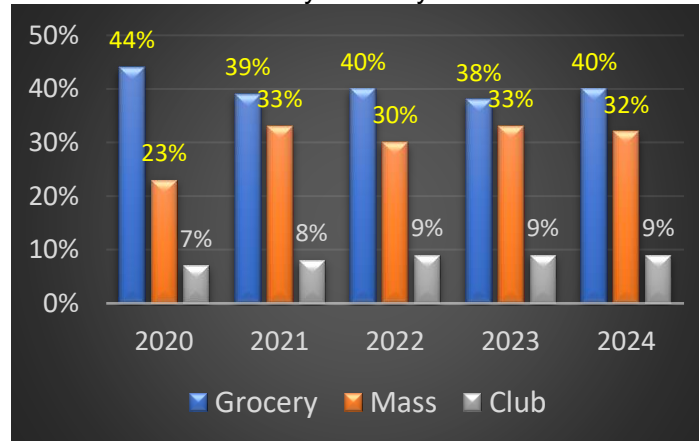


Notes:

1. Loblaws opening up “No Name” Discount banner – shelf stable food only.
2. The performance of Ethnic stores. In 2023, 97.6% of Canada’s population growth came from international migration.

Chart 2

US Primary Grocery Channel⁷



⁶ Demand Landscape Overview, Environics Analytics, September 2024

⁷ US Grocery Shopper Trends, The Food Industry Association, 2024

APPENDIX 1 CONTINUED

Chart 3

Americans Weekly Spend on FMCG⁸

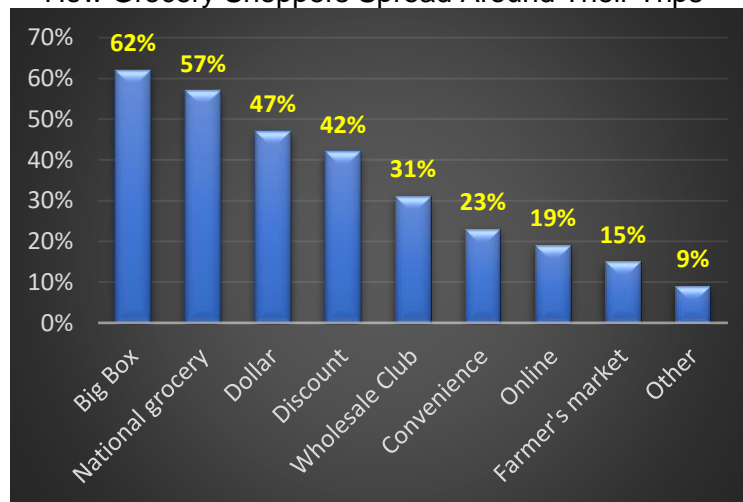


Canadians US Weekly Spend on FMCG⁹



Chart 4

How Grocery Shoppers Spread Around Their Trips¹⁰



Which of the following types of retailers have you shopped for grocery items within the last 12-months?

Cross-shopping drives down average revenue per grocery transaction. Grocery customers are not spending less in general, they're just spending less in one place.

⁸ US Grocery Shopper Trends, The Food Industry Association, 2024

⁹ Demand Landscape Overview, Environics Analytics, 2024

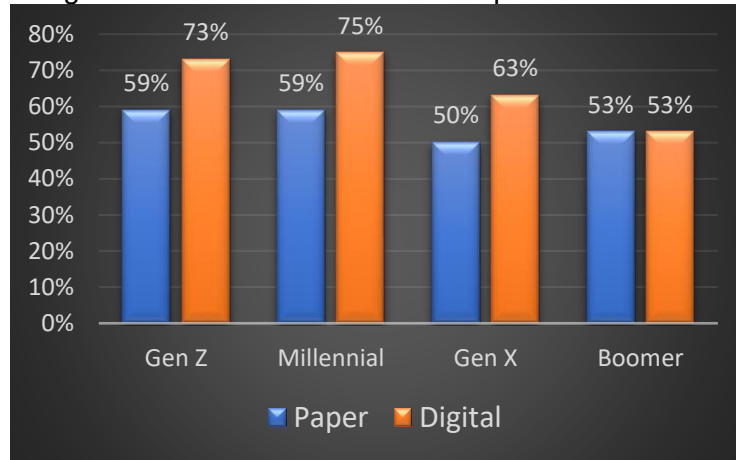
¹⁰ 2024 Grocery Shoppers: Spending Trends & What's Next, Progressive Grocer, 2024

APPENDIX 1 CONTINUED

Chart 5

Coupon Usage by Age

Percentage of Consumers Who Used Coupons the Last 3 Months¹¹

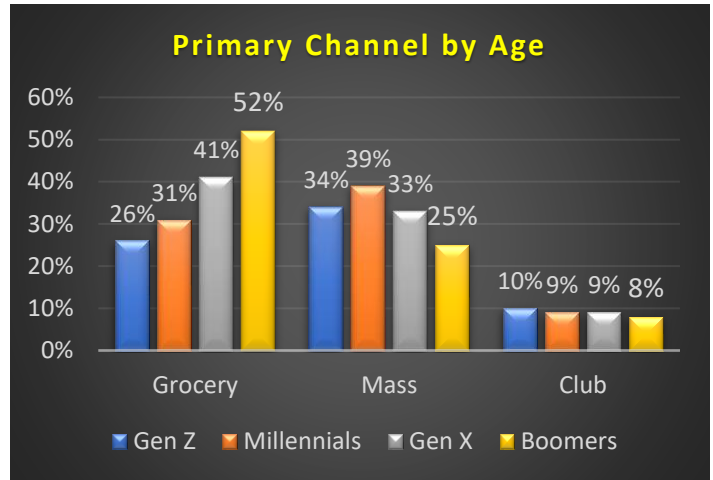
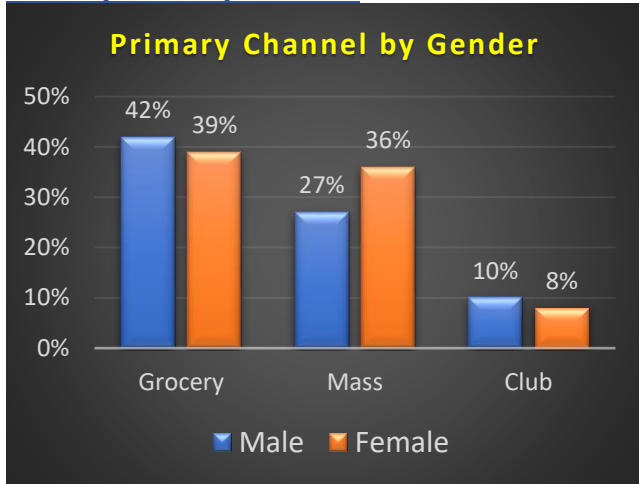


¹¹ US Grocery Shopper Trends, The Food Industry Association, 2024

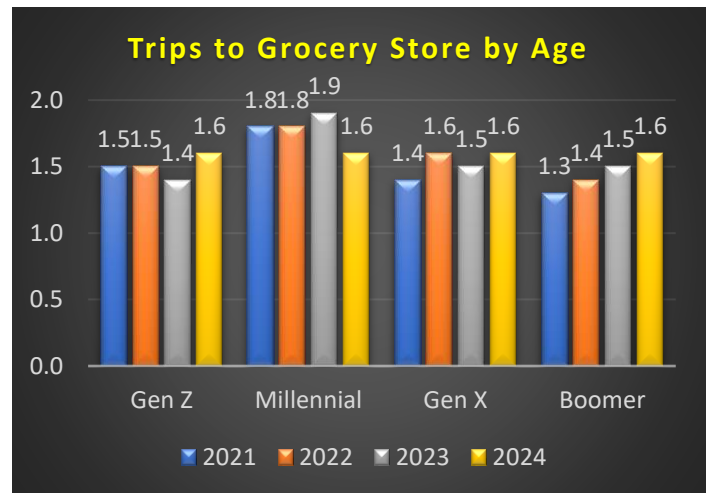
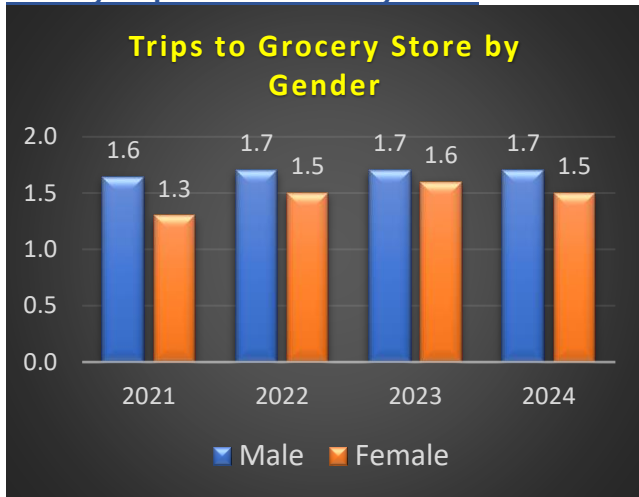
APPENDIX 2

Consumer Shopper Insights Demographics¹²

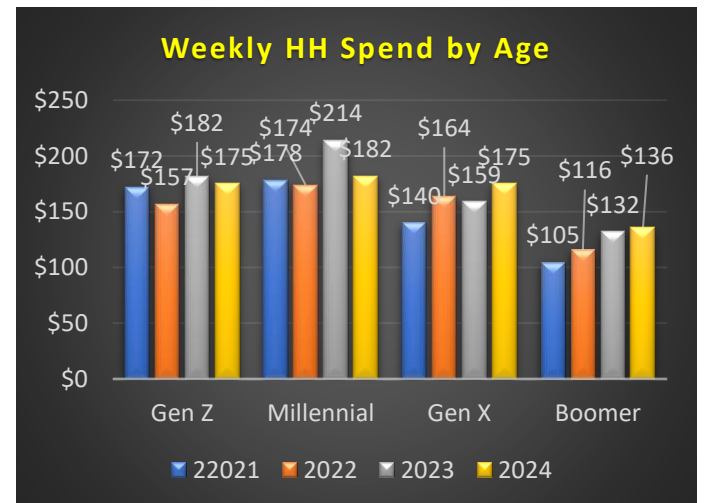
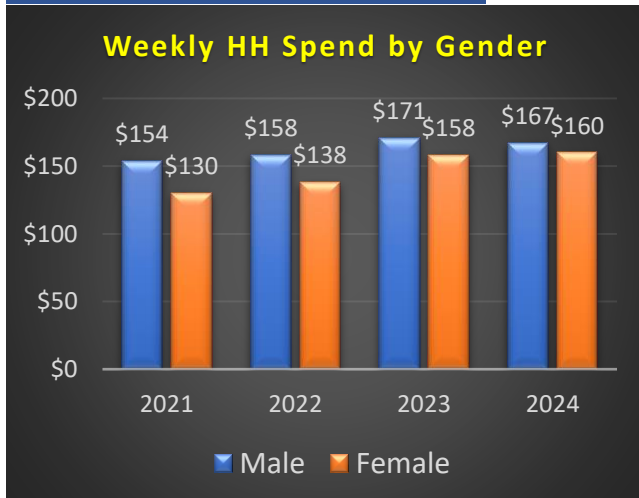
Primary Grocery Channel



Weekly Trips to the Grocery Store



Weekly Household Grocery Spend



¹² US Grocery Shopper Trends, The Food Industry Association, 2024

RICHARD BAKER



FOOD DISTRIBUTION GUY OUTLINE

Food Distribution Guy's mandate is to ensure our principles' success is sustainable in the long-term. Providing our clients with market sights, industry expertise, we champion the sales procurement process in which our principles break through the competitive landscape to "Getting and Staying" listed in Canada's grocery sector.

We possess a strong understanding of the Canadian grocery sector, and we take great pride in sharing the "Pulse" of the

1. Canadian / US grocery sectors.
2. Canadian / US consumer.
3. Our principles respective categories

with our principles on a quarterly basis.

Your brand receives the attention to detail it requires.



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