

Grocery Industry Trends 20/21

A Cashmaster USA Report



This report looks at the changes to consumer and purchasing behaviors, how grocery retailers are responding to new attitudes and how this is continuing to drive growth within the industry post-COVID.

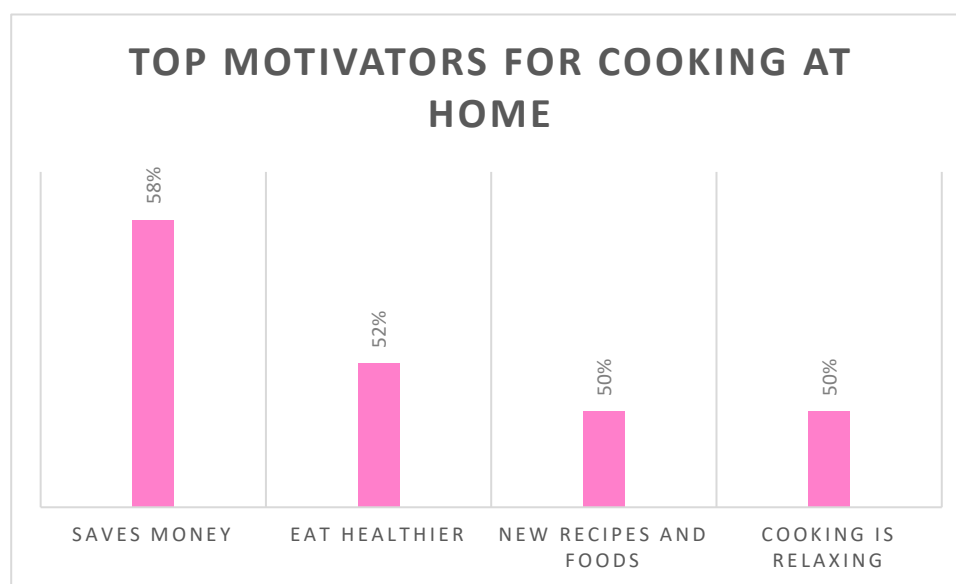
Over the last year and triggered by a global pandemic and the subsequent lockdown, we have seen grocery retailers respond to unprecedented demand on their entire business ecosystem. Overall, businesses have bravely tackled the situation head on, resulting in rapid growth across the industry.

In 2020 sales jumped on average by 20%. A number of factors have influenced this steep incline in sales; many consumers shifted to working from home, and while restaurants, bars, and other non-essential businesses such as shops, gyms and salons were closed, people have reined in spending by upwards of 40% every month. The grocery sector has been a major winner throughout this period as consumers continued to purchase essential items but were also positioned to capture a larger portion of the monthly income.

The Rise of the Homebody Economy

COVID-19 has affected every aspect of our day to day lives, and put many daily activities, hobbies, and interests on pause through the global lockdown. Due to the change in people's living circumstances and the restrictions placed on the food service sector, 2020 saw a large swing towards meals being consumed at home, whereas previously they may have visited bars or restaurants on a regular basis.

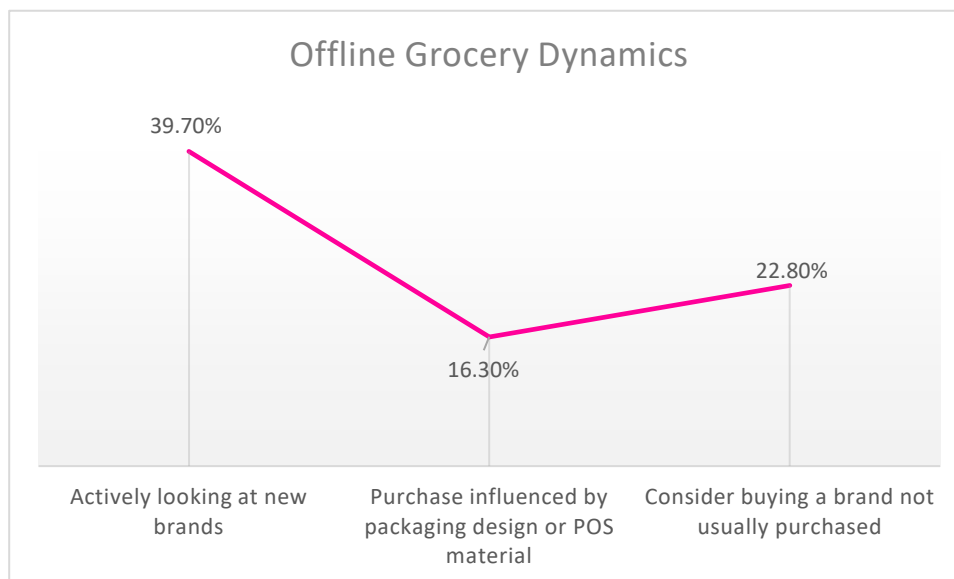
One positive outcome of this is that many people have discovered a love for cooking, with more than 70% of Americans stating they are enjoying cooking much more than they have before and are also spending on average \$9-12 more on their weekly grocery bill.



To fuel the at-home cooking surge, and to combat meal preparation fatigue, many grocery businesses have launched digital tools for recipe building or ready-made meal kits that can be purchased instore. This shift in attitude and with many Americans continuing to explore flexible working and working from home, it is likely to be long term change to culinary habits, and one that retailers will need to continue responding to with innovative offerings to keep their shoppers interested.

The Era of the Challenger Brand

With more and more meals being prepared within the home, this has provided consumers with a new opportunity to experiment with their weekly shop, with 75% of Americans reported to be purchasing items or brands they may not have considered previously. This has been particularly great news for smaller or challenger brands who have seen a growth of 0.7% marketshare in 2020.



Modern marketing and customer engagement practices see increasing levels of online customer interaction, and this This also opens a whole new opportunity for challenger brands and products to go direct to consumer, pushing supermarkets to lower profit margins on products and to be more transparent with their pricing. With almost all grocery retailers looking for new ways to partner with the consumer-packaged goods companies, to better understand and engage deeper with their customers.

Ecommerce and Online Grocery Stores

The global lockdown has seen an increase in consumers choosing to do their shopping online via grocery ecommerce platforms, with an average of 10% of Americans now carrying out their weekly grocery shop online.

With online shopping increasing by just under 20% in the last two years, the grocery industry has begun to take on the challenge of consistent messaging and brand loyalty across both brick-and-mortar locations and the online community. In addition to customer service and satisfaction, process improvement and more mature fulfillment strategies will need to be explored, as this trend continues. Businesses that have evolved to efficiently offer customers choice in the way they interact and transact will be well positioned for future growth.

Healthier Eating Habits

Many American's relooked at their health and eating habits in 2020, driven by home cooking and the heightened awareness of health due to COVID-19. To stay healthy and safe during the global pandemic, consumers were doing whatever it takes, including changing their attitudes towards foods and the way they shop. This set the table for the grocery industry to start establishing wellness programs and introduce a wider audience of consumers with personal health initiatives, with a number of well-known brands laying out plans to better integrate their grocery selection with their healthcare guidance and resources. The challenge moving forward will be to retain these new customers as society forms its view of the new norms.

Supply Chain Fragility

With the chaos of the early lockdown panic buying trend, the grocery industry was placed under immense pressure to perform. Exceptional demand resulted in some weaknesses being exposed within the supply chain, especially within the meat industry and vulnerabilities within distribution models. Shelves were left empty across America and the globe, driven by panic buying of essential items. The industry had to act quickly to respond to the situation and adapt their instore shopping methods. A few examples of this were, to allow the elderly and vulnerable shoppers early time slots in the morning to allow them access to essential items, setting a limit on how many items of a particular product you could buy in one shop and reducing the amount of stock on shelves to deter customers from buying more than they needed.

Location Based Marketing

The grocery industry has already made huge strides in adapting and accommodating changes in consumer behaviors, but with customer shopping habits and preferences changing and with 60% of shoppers advising they have changed where they shop for reasons such as working from home, reduced public transport and product availability, retailers now need to hyper focus on location-based marketing to continue to drive footfall.

Staff Burnout

The grocery industry and its employees have been stretched for over a year, and the labor-market is becoming increasingly competitive. With an ever-growing to do list for grocery store workers that range from instore customer service to online orders and the usual daily tasks of cleaning, restocking, counting cash and customer management - Grocery executives are now looking to cost-effective solutions, to reduce the time spent on the simpler daily tasks and create a more simple and consistent process that can make a huge difference to your employees' workload, productivity, and stress. There are many solutions available to help grocery retailers automate some of these tasks and it is about finding the right one for your business.

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