84.51°

Consumer Digest

2023 YEAR IN REVIEW

Adapting with resilience: The new customer paradigm

Consumer Digest

Welcome to the 84.51° Consumer Digest 2023 Year in Review.

This special edition brings together the year's key insights to provide a holistic view of shoppers' preferences and behaviors as they navigated another year of economic uncertainty and constrained budgets. Throughout the year, we looked at how shoppers responded to high prices, and identified the strategies they're using to save money. We examined how customers move seamlessly between in-store and online shopping, and outlined the priorities they focus on when making purchasing decisions. We also explored what shoppers want in terms of product innovation and shopping experiences in the future. Finally, as the new year approaches, we're looking ahead to see how long shoppers think inflation might last, and what they're optimistic about for 2024.

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SECTION 1

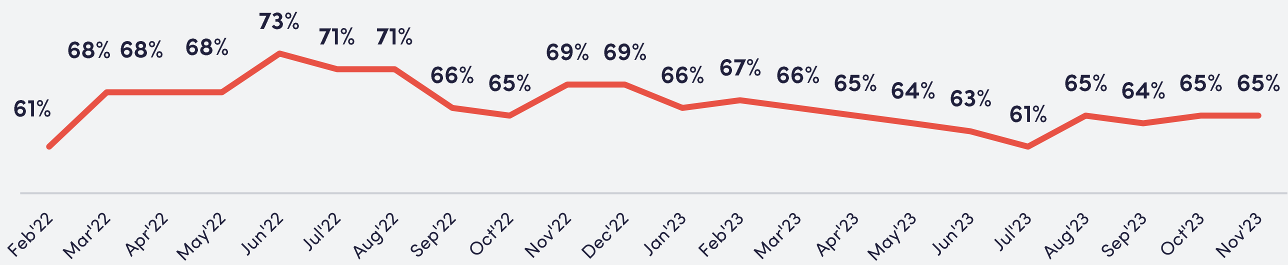
TRENDING. . . Inflation & the consumer response, financial comfort, health concerns, share of stomach

Over the past two years, we've put a finger on the pulse of shopper attitudes and spending to understand how those behaviors trend over time in response to ongoing economic uncertainty. While concern over inflation has leveled out, shoppers are still feeling the pinch, so they're adjusting their spending as they keep a watchful eye on prices. They're persevering with resilience, but unsure how long inflation will last.

Concern over inflation: FEB '22 – NOV '23

- We've been tracking shopper concern over inflation for the past two years, starting February of 2022. Since then, we saw the lowest concern at 61% in February '22 and July '23, while June of '22 saw the highest concern at 73%.
- Over the past year, there's been a steady decline from February to July, flattening around 65% over the past 4 months.

Shopper concern over inflation - % of Households Extremely Concerned (Feb'22 – Nov'23)

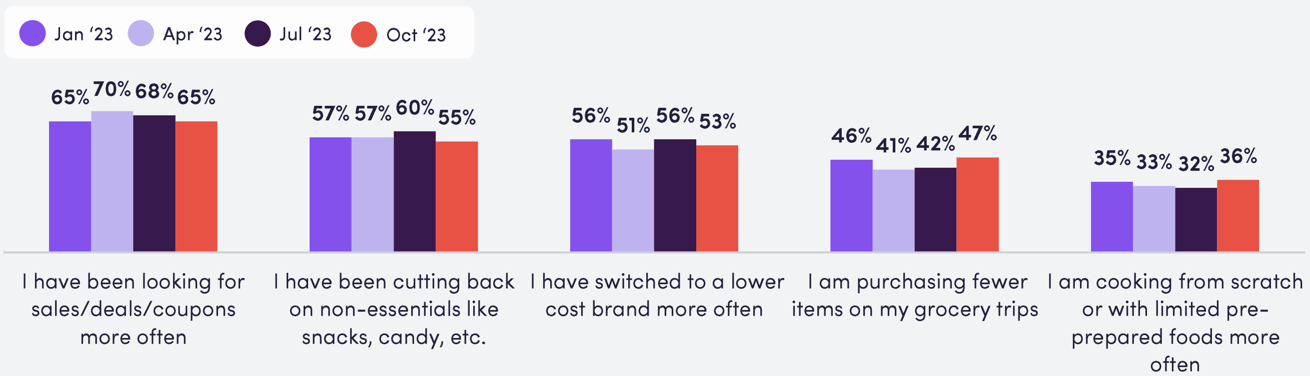


Top 2 Boxes (T2B) on 7-point scale

Source: 84.51° Real Time Insights Surveys Feb'22 – Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Shoppers' response to inflation and high prices

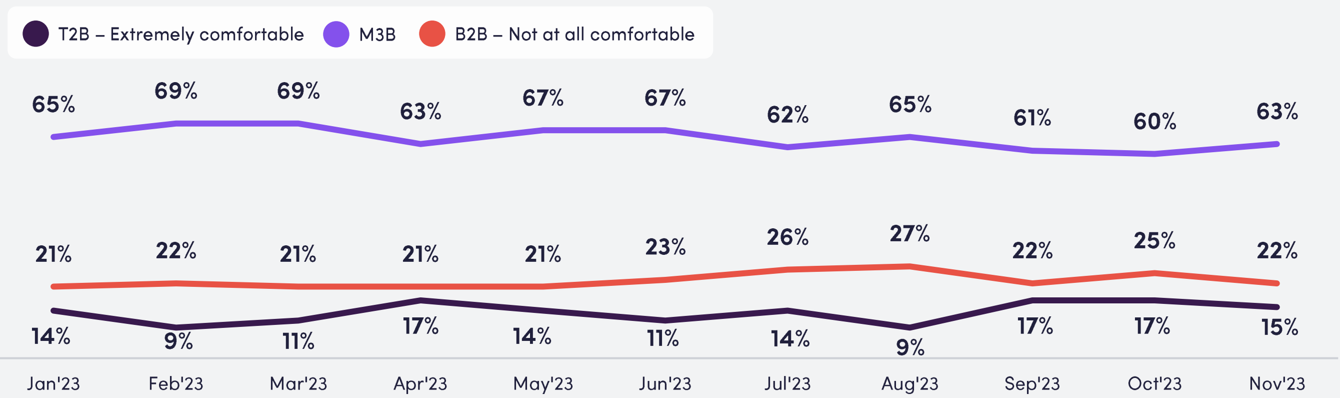
- Shoppers responded to inflation over the past year with most looking for sales / deals / coupons more often (yr. average of 67%), cutting back on non-essentials like snacks, candy, etc. (yr. average of 57%), as well as switching to lower cost brands more often (yr. average of 54%).



Source: 84.51° Real Time Insights Surveys Feb'22 – Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Financial comfort

- Most shoppers felt neutral when it came to their comfort levels over their finances this past year.
- July and August saw the highest levels of shoppers not feeling at all comfortable about their finances.



Top 2 Boxes (T2B), Middle 3 Boxes (M3B), Bottom 2 Boxes (B2B) on 7-point scale

Source: 84.51° Real Time Insights Surveys Jan'23 – Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

What is causing you to feel '**uncomfortable**' about your finances?

83% Grocery prices

77% Inflation

72% Monthly Bills

67% Lack of savings / retirement fund / security net

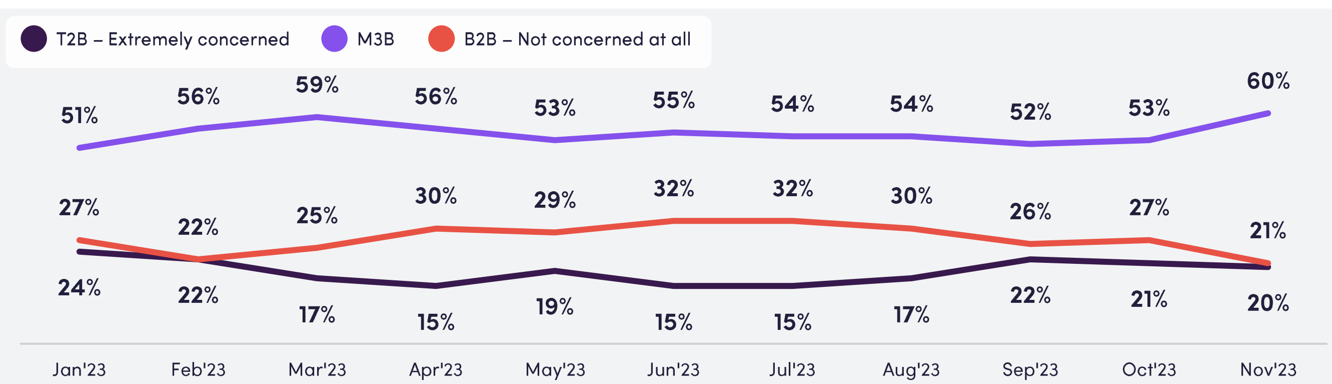
51% Upcoming holiday

48% Credit card debt

Source: 84.51° Real Time Insights Survey Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Health concern

- As we saw a drop-off in concern over COVID-19 towards the end of 2022, we changed the question to ask their general concern over contagious diseases and viruses starting in January of 2023.
- Most felt little variation during 2023 when it came to their concern over contagious diseases and viruses, with a slight elevation during the winter months.

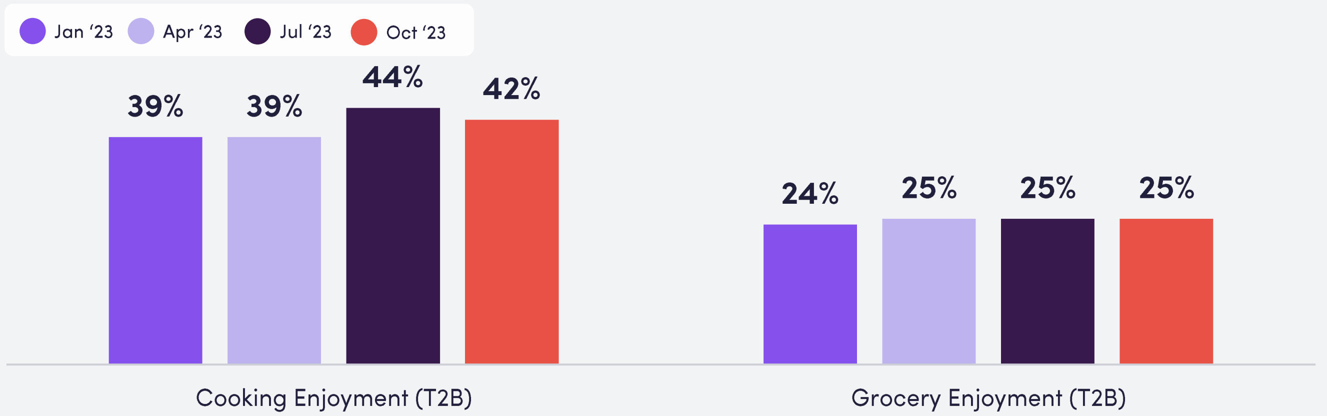


T2B, M3B, B2B on 7-point scale

Source: 84.51° Real Time Insights Surveys Jan'23 – Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Cooking/shopping enjoyment

- Shoppers' enjoyment over cooking was slightly higher in the back-half of the year with July seeing the highest enjoyment of 44%.
- Grocery shopping enjoyment was consistently flat quarter over quarter with roughly 25% of shoppers stating their grocery shopping was extremely enjoyable.

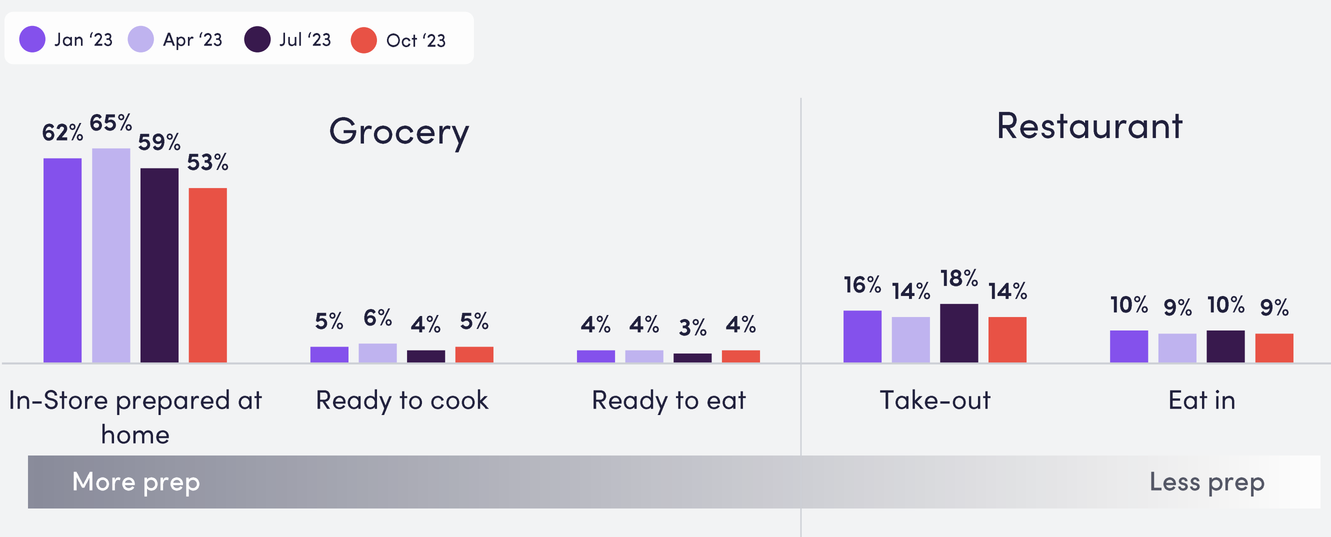


T2B on 7-point scale

Source: 84.51° Real Time Insights Surveys Jan'23 – Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Share of stomach

- The majority of food consumed came from a grocery store with some shifts in restaurant take-out throughout the year.

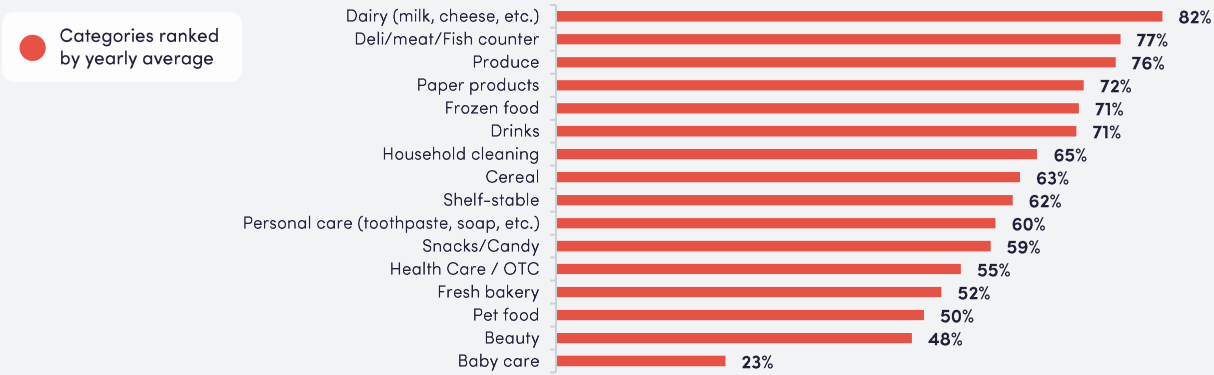


T2B on 7-point scale

Source: 84.51° Real Time Insights Surveys Jan'23 – Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

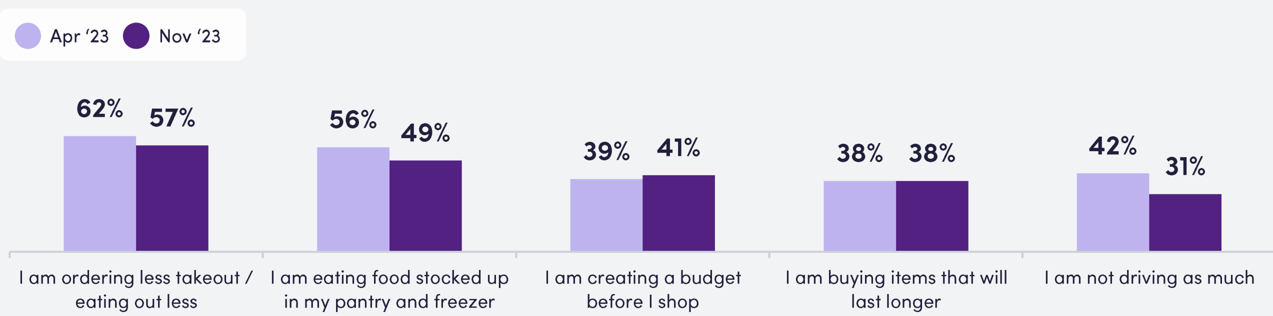
Shoppers consistently noticed price increases in these categories throughout 2023

In what categories are you noticing an increase in price at the grocery store?



Source: 84.51° Real Time Insights Surveys Jan'23 – Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

How did shoppers stretch their overall dollar on food and groceries?



Source: 84.51° Real Time Insights Surveys Apr'23 and Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Verbatims: Money-saving '*hacks*' shoppers are using to help save

Utilizing coupons and discounts...

"I am using more store coupons. I also have an app that I can use for QR codes."

"Buy things that I have coupons for and only things that are on sale."

"I use loyalty programs. I use digital coupons. I shop mostly sales."

Buying in bulk and re-packaging food...

"I buy family-sized portions (like meat) and re-wrap them into individual portions that I fix for myself."

"Pay attention to unit cost; buy in bulk; buy store brands; supplement with cheap options for quick meals (e.g., instant ramen)."

Shopping at discount grocery stores and buying store brands...

"Shop sales, eliminate food waste, shop at lower-cost retailers."

"Buying store brands over premium brands"

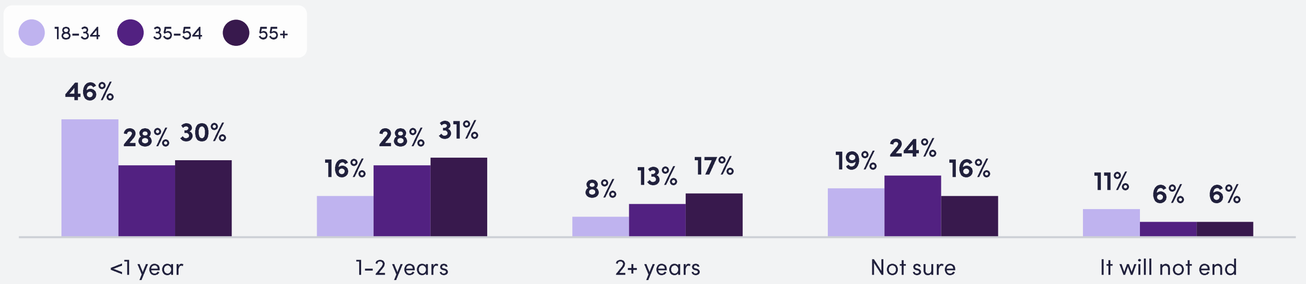
Source: 84.51° Real Time Insights Survey Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

2023 – '24 Outlook on inflation and the economy

- Between April '23 and November '23, we saw a significant difference in the amount of time customers said they expect inflation to last.
- Uncertainty around when inflation will end — or if it will end at all — increased substantially among all age groups.
- A growing number of shoppers ages 55+ expect inflation to last less than one year.

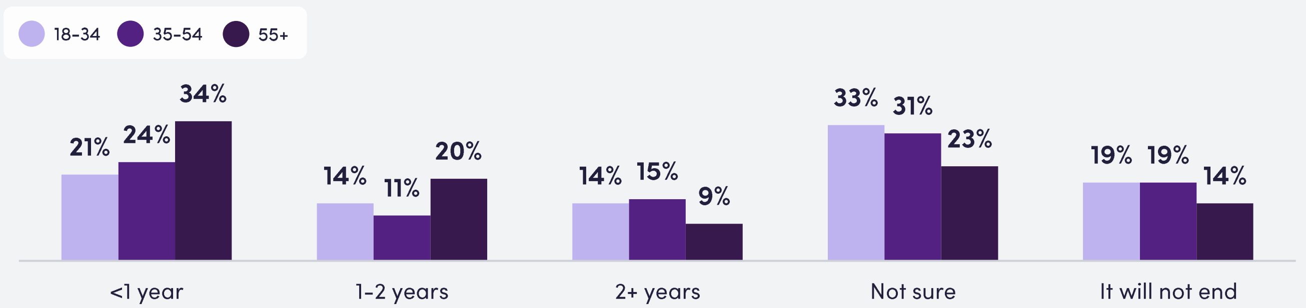
Shopper's expectation for how long inflation will last

April 2023 – How long do customers expect inflation to last?



Source: 84.51° Real Time Insights Survey Apr'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

November 2023 – How long do customers expect inflation to last?



Source: 84.51° Real Time Insights Survey Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

- Uncertainty also carried over to customers' predictions on the timing of a potential recession.
- While 13% don't think a recession is looming, 42% of customers think a recession might happen in the next year or less, 8% think longer than a year from now while the other 37% are not sure.

When, if at all, do you think a recession might happen?

Source: 84.51° Real Time Insights Survey Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Some households hit harder by inflation: SNAP & Student loans (JUNE/SEPTEMBER CONSUMER DIGEST)

JUNE – SNAP Overview

The Supplemental Nutrition Assistance Program (known as SNAP in most states) is the cornerstone of the nation's nutrition assistance safety net. SNAP provides food benefits to low-income households to help supplement their everyday grocery budget.

In March of 2020, Congress enacted the SNAP Emergency Allotments (EAs) which were a temporary benefit increase to all SNAP participants. These EA payments were phased out over time and as of March 2023, these additional payments have all been canceled.

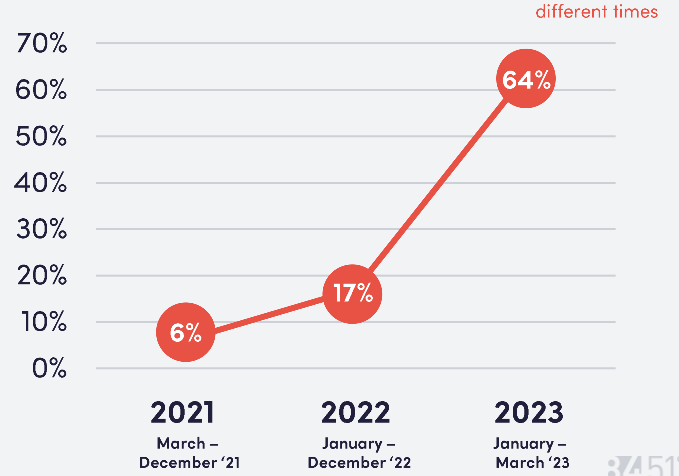
~42 million people receive **monthly SNAP benefits**[2]

65% of SNAP participants **are households with children**[2]

36% are families with members who are **older adults or are disabled**[2]

Percentage of shoppers who reported when their EA benefits were canceled

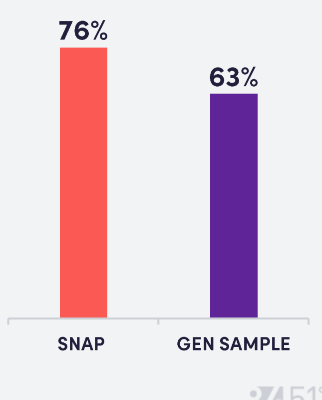
*HHs may have gained benefits at different times



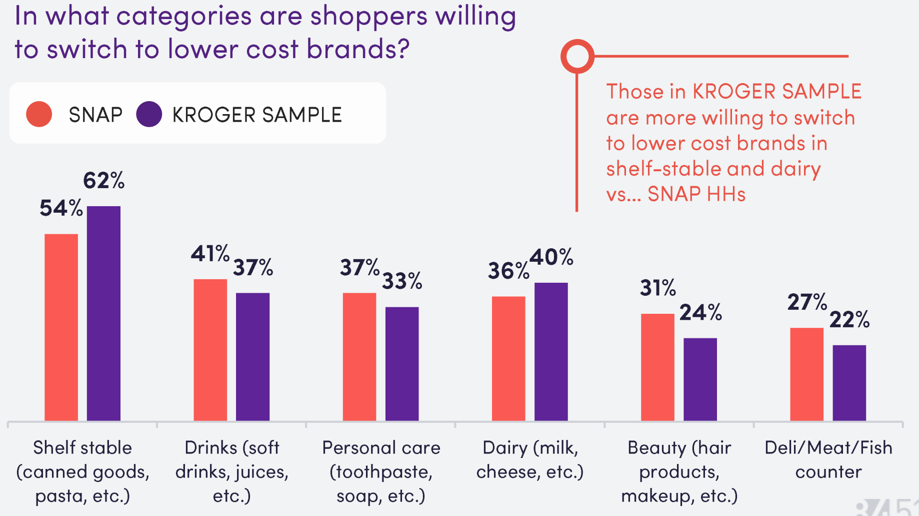
JUNE – Comparison: SNAP participants vs. all other Kroger shoppers[1, 2]

Shopper concern over inflation?

% of Households Extremely Concerned (T2B)



In what categories are shoppers willing to switch to lower cost brands?



SOURCE: 1 – 84.51° Real Time Insights Survey, June 2023 targeting n=400 who have used SNAP EBT tender in the P6M/Jan '23 – Jun '23 at Kroger, 2 – USDA Food & Nutrition Service – SNAP Data Tables (fns.usda.gov)

JUNE – SNAP EA payment cancelation drives financial strain, stress[1]

Of households who receive SNAP benefits, 62% **reported a significant impact to their overall household budget** due to the cancelation of the Emergency Allotment. In addition, there's concern over long-term financial outlook.

48% Not able to save money towards retirement

48% Struggling to keep a monthly budget

44% Afraid there will be more future SNAP benefit reductions

30% Behind on payments and cannot keep up

How has the cancelation of the Emergency Allotment affected how shoppers do their grocery shopping?

Changes go far beyond simple cut-backs, as some SNAP households are now relying more on food banks and skipping meals to help fill in their financial gaps

SOURCE: 1 – 84.51° Real Time Insights Survey, Jun'23 targeting n=400 who have used SNAP EBT tender in the P6M/Jan '23 – Jun'23 at Kroger

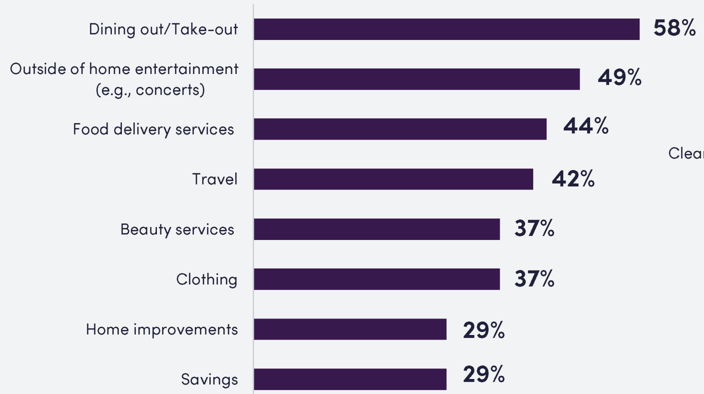
SEPTEMBER – Student loan repayments will impact discretionary spend

According to Credit.com, 13% of the US population has some form of student loan debt.
20% of our respondents claim that either themselves or someone in their household have student loan debt.

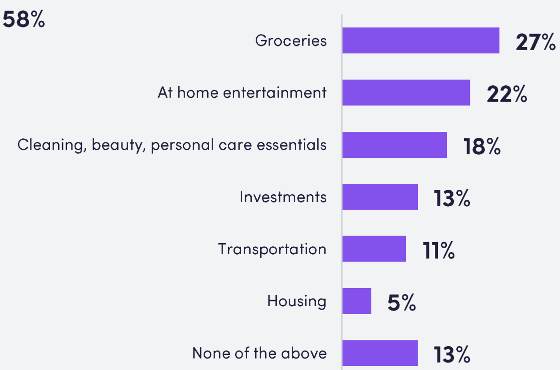
In our survey, 49% of respondents with student loan debt are extremely concerned with their ability to maintain their monthly budget when the student loan forbearance period ends October 2023. ~70% of these respondents claim they/people in their household have not been making payments during the forbearance period.

In which of the following categories, if any, do you plan to cut back spending due to upcoming student loan payments?

MORE LIKELY place to cut back



LESS LIKELY place to cut back



Source: 84.51° Real Time Insights Survey, Sep'23. Sample sourced from consumers who shopped at Kroger in latest 3 months and have someone in household with student loans. n=79

SECTION 4

Omnichannel: Seamlessly shopping between in-store and online

Customers often blend the convenience of ecommerce with the control and perceived cost savings in-store shopping provides. While they'll continue to shift fluidly between the two modalities, 27% of shoppers say they'll be increasing the amount of online grocery shopping they do in 2024, while 9% will do less online.

How shoppers are planning to shop online in 2024

How much **online grocery shopping** do you anticipate doing in 2024 vs. 2023?

Not making changes

39%
Did not do any online shopping in 2023 and **don't plan to shop online** in 2024

26%
Shopped online in 2023 and plan to do **the same amount** online in 2024

Making changes

15%
Will do **more online** grocery shopping in 2024 than in 2023

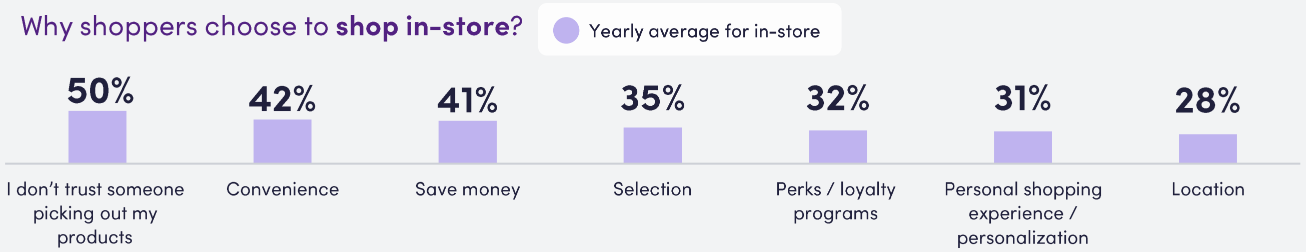
12%
Did not do any online grocery shopping in 2023 but **will in 2024**

9%
Will **do less online** grocery shopping in 2024 than in 2023

Source: 84.51° Real Time Insights Survey Nov'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

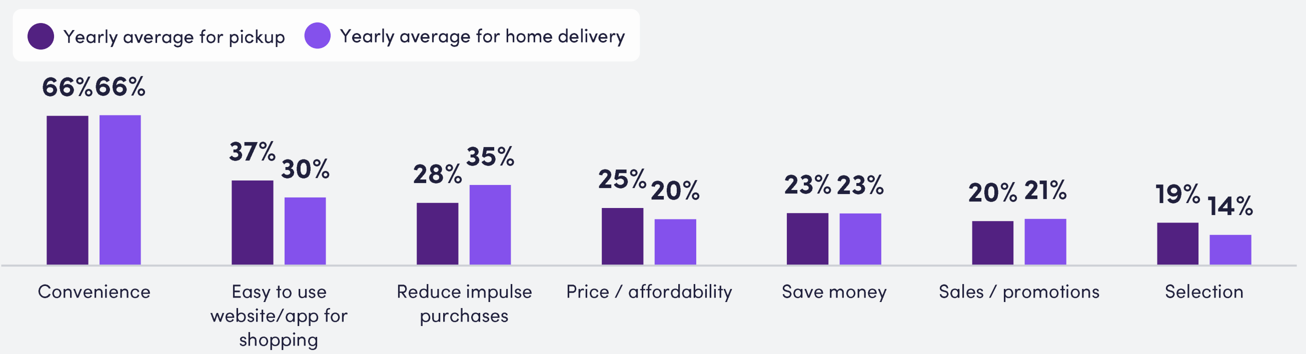
Reasons shoppers choose to shop in-store or online

Why shoppers choose to **shop in-store**?



Source: 84.51° Real Time Insights Surveys Jan'23 – Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Why shoppers choose to **shop online for pickup or shop online for home delivery**?



Source: 84.51° Real Time Insights Surveys Jan'23 – Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Purchase drivers: What influences purchase decisions? (JULY CONSUMER DIGEST)

Planned vs. impulse items – when is the decision made?

The sugar factor – When shopping in-store, customers usually decide to purchase non-edible staples within personal care and cleaning **before** they shop, while snacking, bakery and ice cream tend to be purchased **during** their grocery trip.

Planned: Items that shoppers are most likely to decide on purchasing before they shop:

76%	**Paper Products** *(TP, tissues, paper towels)*
75%	**Personal care** *(toothpaste, soap, etc.)*
74%	**Household cleaning** *(dish soaps, cleaners, detergents, air fresheners, etc.)*
73%	**Health care** *(OTC medications, vitamins, first aid, etc.)*
72%	**Dairy** (milk, cheese, etc.)

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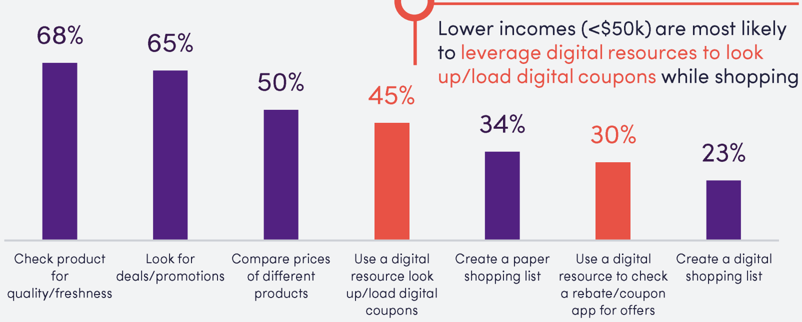
Impulse: Items that shoppers are most likely to decide to purchase during their shopping trip:

- **67%** Snacks/Candy
- **63%** Fresh Bakery
- **69%** Ice Cream/Novelties
- **45%** Produce

What customers say they "always" do while shopping

Which of the following do you *always* do when shopping for groceries and household items?



How does this look by category?

#1-ranked behavior customers always do while shopping in specific departments...

- **Fresh (Produce, Meat, Bakery) →** Check product for quality/freshness
- **Snacks/Candy & Drinks →** Look for deals/promotions
- **Beauty, Health & Baby →** Use a digital resource to check rebate/coupons app for offers

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Top promotions valued by shoppers

Top promotions
ranked as either #1 or #2 by shoppers:

36%	Digital Coupons
25%	Weekly Digital Deals
18%	Buy One, Get One (BOGO)
15%	10 for $10 Promotions

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- Shoppers are divided in what promotions they prefer most – 17% of shoppers ranked digital coupons lowest on their list (B2B).
- Digital coupons are leveraged most when shopping perimeter categories (i.e., Produce, Dairy, Meat/Seafood) while threshold events and end caps are used most often when shopping center store (i.e., Shelf-stable, Drinks & Snacks/Candy).
- Lower-income shoppers cited digital promotions as top ways to save money, while higher income shoppers gravitate towards threshold events.
- When it comes to threshold events (i.e., Spend X, Save X), the most popular is "Spend $15, Save $5" - this is especially true for younger shoppers.

Source: 84.51° Real Time Insights Survey Jul'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Contradicting patterns: Splurging and saving
(AUGUST CONSUMER DIGEST)

Recent industry studies reveal a dichotomy in purchase behavior where consumers are looking for savings and pinching pennies due to inflation but still ponying up to spend on items they're loyal to, passionate about, or just generally prefer.

National vs. Store Brand Preferences

Prefer National Brands	Prefer National Brands but open to Store Brands	No specific Brand preferences	Prefer Store Brands but open to National Brands	Prefer Store Brands
8%	29%	17%	16%	31%

Top commodities shoppers are willing or are not willing to switch to Store Brands

Willing to switch	Frozen	Shelf Stable	Household Cleaning	Healthcare (OTC)
% Share Change National Brand to Store Brand 84.51° Stratum*	+3.8%	+1.7%	-2.6%	+2.7%

Top Reasons Why: Willing to Switch to Store Brand

- **#1** Quality is just as good
- **#2** Store Brands offer variety/selection that meets my needs
- **#3** Store Brands offer product size(s) that meets my needs

Not Willing to switch	Pet	Personal Care	Beauty	Drinks
% Share Change National Brand to Store Brand 84.51° Stratum*	+2.7%	+0.04%	+7.4%	+2.1%

Top Reasons Why: Not willing to Switch to Store Brand

- **#1** Quality is not as good
- **#2** I always buy some national brands I like
- **#3** Store Brands do not offer the variety or selection that meets my needs

Source: 84.51° Real Time Insights Survey Aug'23 & Stratum Product by Measure L52W, ending 8/14/2023*.
Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Retail therapy & permissible pleasures

The top 10 items shoppers purchase with the intent to treat themselves...

1. Candy
2. Baked Goods and Treats
3. Snacks
4. Ice Cream
5. Self-Care Products
6. Beverages
7. Hair Care Products
8. Name Brand Products
9. Cheese
10. Makeup

.... And What Exactly Motivates the "Treating"?

1. Taste
2. Price/Sale
3. Cravings
4. Reward/Treat
5. Quality/Experience
6. Moods/Emotions
7. Good Deals
8. Packaging/Product
9. Nostalgia/Preference
10. Money/Budget

Source: 84.51° Real Time Insights Surveys Aug'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

SECTION 7

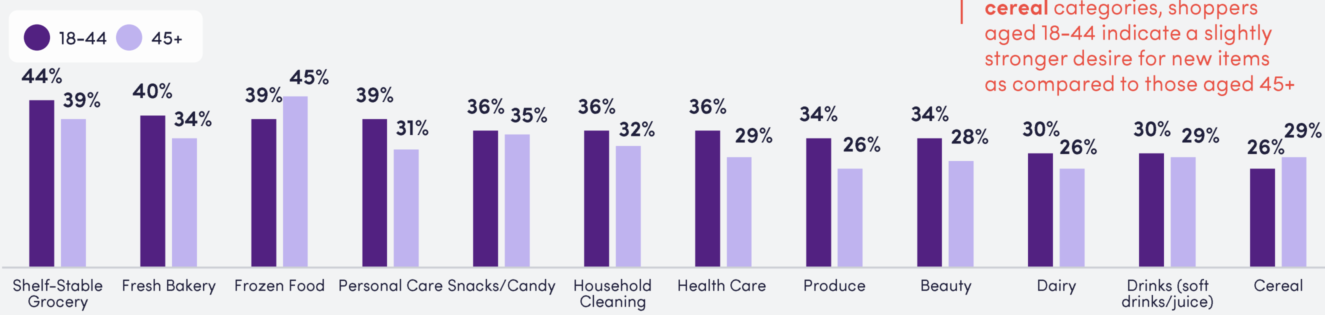
Product Innovation
(OCTOBER CONSUMER DIGEST)

Product innovation – Shoppers seek innovation across many categories with some differences by age cohort

While Covid created a strong focus for on-shelf and in-stock fundamentals, supply chains have largely recovered, which has enabled more opportunities for innovation in the CPG space. New preferences across categories and product attributes are starting to emerge.

Shelf-stable grocery, fresh bakery, and frozen food lead as categories where shoppers would most like to see new products available

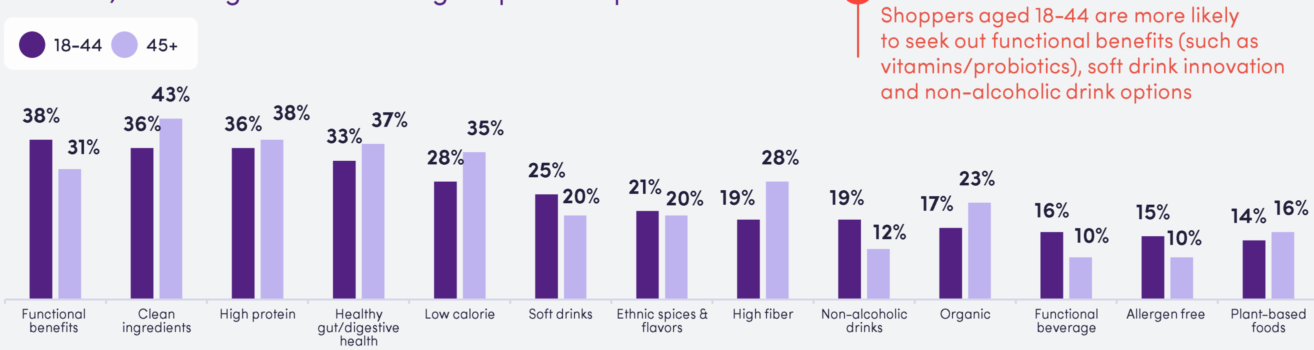
Aside from **frozen food** and **cereal** categories, shoppers aged 18-44 indicate a slightly stronger desire for new items as compared to those aged 45+



Source: 84.51° Real Time Insights Survey, Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. N=400

Shoppers are seeking innovation to provide functional benefits, clean ingredients and higher protein options

Shoppers aged 18-44 are more likely to seek out functional benefits (such as vitamins/probiotics), soft drink innovation and non-alcoholic drink options



Source: 84.51° Real Time Insights Survey, Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. N=400

Given financial pressures, shoppers remain mindful of the price they are paying even when making decisions on trying new products

Percent of shoppers who are extremely concerned (T2B) about these attributes when trying new products:

77% Price	**71%** Flavor	**62%** In-store availability	**61%** On sale	**55%** Coupon availability

Source: 84.51° Real Time Insights Survey, Oct'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

SECTION 8

Grocery shopping in the future
(SEPTEMBER CONSUMER DIGEST)

Grocery shopping in the future – what customers want.

With the rise of ecommerce and digital capabilities, **shoppers are hungry for new grocery experiences and ways to save.** Customers are very interested in new technologies to make shopping easier and more experiential. While shoppers are interested in evolving the grocery shopping experience, the modalities of the future mirror those available today – **71% imagine continuing pickup, 70% imagine continuing in-store, and 60% imagine continuing delivery** (does not add to 100% as shoppers chose multiple modalities).

Source: 84.51° Real Time Insights Survey, Sep'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

TODAY vs. THE FUTURE

TODAY

Which of the below experiences are **part of your regular grocery shopping trip today**?

- **63%** Use Self-Checkout
- **53%** Use Grocery Store Apps to find Digital Coupons
- **45%** Use Grocery Store Apps to find Savings
- **23%** Use Grocery Store Apps to find items In-Store
- **23%** Use Grocery Store Apps to find items Online

THE FUTURE

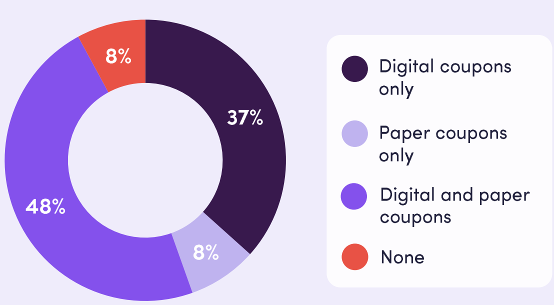
Which of the below grocery shopping **experiences would interest you in the future?**

- **38%** Smart Carts that calculate cost of groceries in real-time and allow you to skip check-out
- **33%** More taste-testing stations and product demonstrations
- **25%** Digital screens on shelves that display ads, nutrition labels, and pricing/promotions
- **20%** Digital screens on cooler doors that display ads, nutrition labels, and pricing/promotions
- **15%** Text based customer service / smart appliances (responses tied for 5th)

Note: 31% were not interested in the grocery innovation options listed

92% of Kroger shoppers use coupons for grocery and household items today

Do you use Paper or Digital Coupons for groceries & household items?



Source: 84.51° Real Time Insights Survey, September 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

In the future, **shoppers would like to save money in new ways**

What is your interest in the following ways to save money? (T2B)

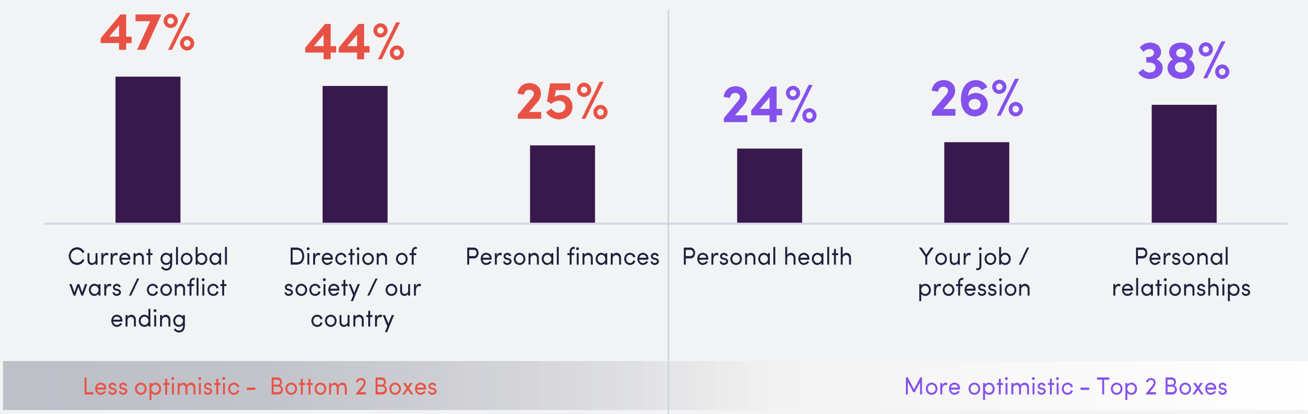
Source: 84.51° Real Time Insights Survey, September 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Source: 84.51° Real Time Insights Survey, Sep'23. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Shopper optimism heading into 2024

- As 2024 approaches, nearly half of customers anticipate global and national affairs will continue to weigh on their outlook and views.
- Customers also believe that a path to optimism lies in the aspects of their lives they have some ability to control — from their jobs and relationships to their own personal health.

How optimistic are you feeling heading into the new year regarding the following?



Source: 84.51° Real Time Insights Survey, November 2023. Sample sourced from consumers who shopped at Kroger in latest 3 months. n=400

Conclusion

In 2023, shoppers adjusted their habits and initiated new strategies to help navigate the ever-changing economic landscape on their own terms. From changing where and what they eat to shifting how and when they shop, grocery customers showed flexibility, resilience and resolve as they sought to stretch their budgets and make ends meet.

There's no doubt that uncontrollable external factors such as the economy, public health and political and social issues will continue to shape shopper expectations and behaviors in 2024. Consumers are more optimistic when it comes to areas of their lives that they can control such as personal finances, health, relationships and their jobs.

Staying attuned to how shoppers adapt to their environments across a variety of conditions will help brands meet these customers where they are, for a more relevant and meaningful shopper journey now and in the future.

About us

84.51° is a retail data science, insights and media company.
We help the Kroger company, consumer packaged goods companies, agencies, publishers and affiliates create more personalized and valuable experiences for shoppers across the path to purchase. Powered by cutting edge science, we utilize 1st party retail data from over 62 million U.S. households sourced through the Kroger Plus loyalty card program to fuel a more customer-centric journey using 84.51° Insights, 84.51° Loyalty Marketing and our retail media advertising solution, Kroger Precision Marketing.

Knowledge Hub

The 84.51° Knowledge Hub provides valuable insights and information in a wide range of comprehensive and compelling reports, from our complete Consumer Digest series to white papers, eBooks, infographics and more. Recent intelligence includes:

- Winning with the omnichannel shopper in the face of disruption
- Behaviorally-verified sampling vs. self-claimed sampling: A study on data quality, effectiveness and accuracy
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