Digital Engagement Transforms Grocery Shopping

INSIGHTS AND OPPORTUNITIES TO DRIVE ECOMMERCE, IN-STORE, CONSUMER ENGAGEMENT AND THE OMNI-FUTURE

FMI THE FOOD INDUSTRY ASSOCIATION

NielsenIQ

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FMI–The Food Industry Association

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About FMI

As the food Industry association, FMI works with and on behalf of the entire industry to advance a safer, healthier and more efficient consumer food supply chain. FMI brings together a wide range of members across the value chain — from retailers that sell to consumers, to producers that supply food and other products, as well as the wide variety of companies providing critical services — to amplify the collective work of the industry. www.fmi.org.

About Nielsen IQ

NielsenIQ (NIQ) is the world's leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. NIQ combined with GfK in 2023, bringing together the two industry leaders with unparalleled global reach. Today NIQ has operations in more than 95 countries covering 97% of GDP. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View.

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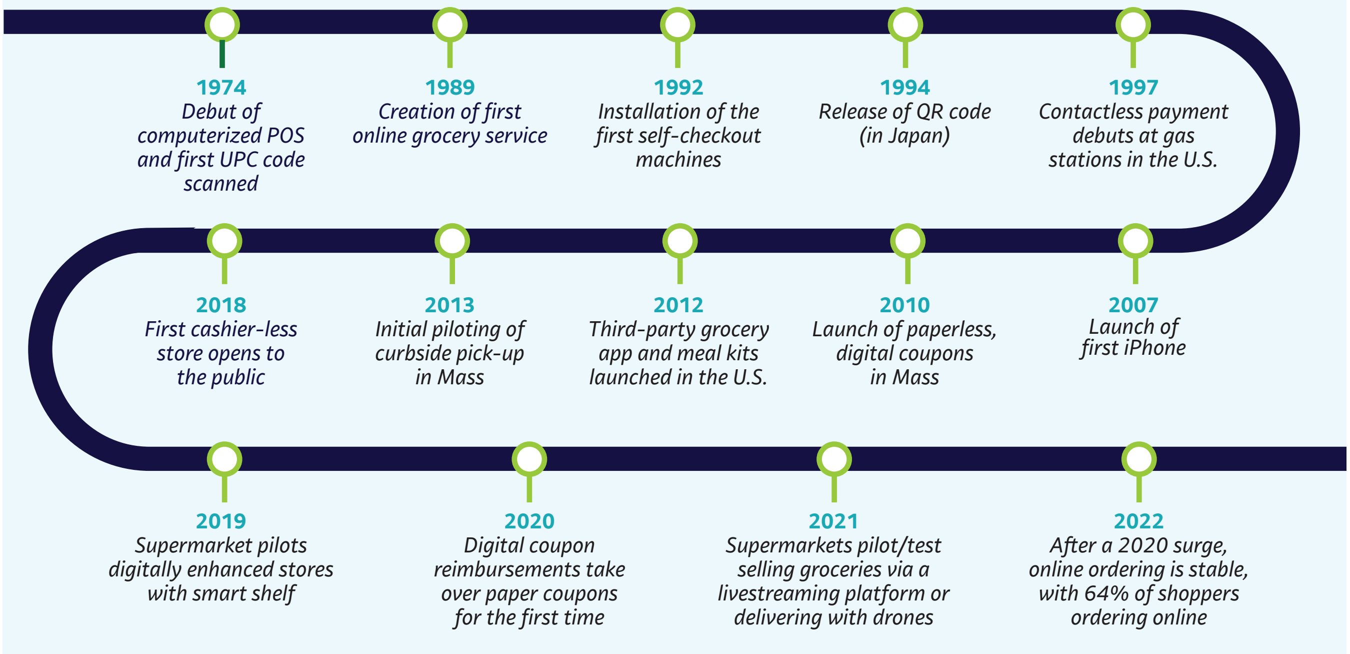
Key Takeaways

- **Nearly everyone is now a digitally engaged shopper:** Omni penetration across the store — represented by shoppers buying both in-store and online – now stands at more than 90%, NIQ found.
- **Digital engagement drives both in-store and ecommerce:** Consumers are shopping and “pre-shopping” by leveraging ecommerce, retailer apps and websites, social media sites, and other platforms.
- **Online leads omnichannel growth:** Online sales growth exceeds that of in-store for food and nonfood categories, while in-store leads in total share.
- **Size of the prize expands:** Total U.S. online sales are expected to reach $388 billion by 2027, based on NIQ projections.
- **Food presents a big ecommerce opportunity:** Food items represent a top growth opportunity due to their scale. Given that online share in food lags that of nonfoods, a focus on food will be a natural way to grow online baskets.
- **Gen Z becomes the purest omni-shopping generation:** As the most connected, influential and largest generation to date, Gen Z begins its shopping journeys online and is heavily influenced by social media. Meanwhile, Millennials index highest for online purchasing.
- **Retail eschewing traditional channel roles:** Channel fluidity, which refers to the ability of consumers to seamlessly transition between different shopping channels—such as ecommerce, in-store, and social —is increasingly important.
- **Social commerce disrupts retail:** Fifty-five percent of respondents to NIQ’s 2024 Consumer Outlook survey now make direct purchases from social media or live-stream platforms for grocery and household items.
- **Click and collect tops fulfillment strategies:** Curbside pickup is most often used by 31%, overtaking same-day home delivery, which has dropped to 29%, according to FMI data.
- **Technology, including AI, spurs omnichannel:** Most retailers (92%) are using technology to personalize or customize shopping or marketing experiences, both online and in-store, based on FMI data.
- **Evolving payment strategies enhance in-store experiences:** Retailers are enhancing these experiences through scan-and-go technology (nearly half of food retailer respondents to FMI Speaks now offer this) and mobile payments.

Introduction: The Omni Story Evolves

NOTABLE MILESTONES: TECHNOLOGICAL DEVELOPMENTS IN GROCERY



ADOPTION OF ONLINE GROCERY ORDERING

2015	2019	2020	2022
7% of shoppers ordered groceries online in the past 30 days	**35%** of shoppers ordered groceries online in the past 12 months	**41%** of online shoppers shopped online every 2 weeks or more often	**50%** of online shoppers shopped online every 2 weeks or more often

FMI U.S. Grocery Shopper Trends 2022

The importance of digital engagement and technology has been growing for a long time in the grocery industry.

Consider the dawn of scanning in the 1970s, the creation of the first online grocery service in the 1980s, and the release of the first QR code in the 1990s.

Today, the focus is on aspects including omnichannel, omnishopper, ecommerce, and digitally engaged in-store shopping. The vast majority of households in the U.S., more than 90%, now engage in some form of omnichannel shopping.

FMI and NIQ have been conducting a series of research reports on these topics reaching back to 2017. This latest report, *Digital Engagement Transforms Grocery Shopping,* charts the transformation triggered by the COVID-19 pandemic and the ongoing emergence of new technologies that are reshaping the grocery shopping experience.

Grocery ecommerce penetration has seen fluctuations since its peak during the pandemic. However, its growth trajectory remains strong, and it is gradually capturing a larger share of the market. Younger generations who have never known a world without online shopping are increasingly likely to adopt ecommerce as a convenient and accessible option. Other generations are evolving and adopting online shopping as well.

This report provides a comprehensive update on digital engagement in grocery shopping across online and in-store, leveraging perspectives from NIQ and FMI proprietary data and analysis. The insights include a new NIQ outlook on the size of the prize. The report also features the latest examinations of the omni landscape, digitally engaged shopping behaviors, and food industry strategies to enhance customer experiences. The closing section presents questions to drive further thought within food industry organizations.

Outlook and Size of the Prize

In-store grocery sales currently represent about 80% share with relatively flat growth. The balance, online shopping, is growing more quickly. The NIQ projection is for this dynamic to continue, which will gradually increase the share of online grocery sales and reduce the share of in-store grocery sales.

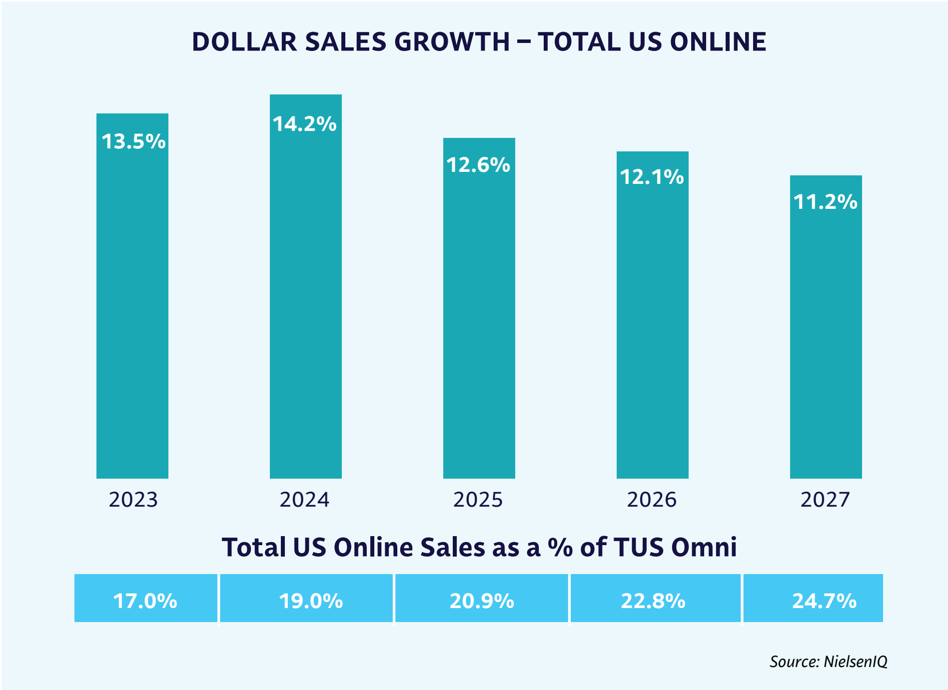
Grocery dollar sales are expected to grow, driven by online sales, while in-store will remain relatively stable.

TOTAL US CHANNEL DOLLAR SALES CAGR

TUS Omni	+2.6% CAGR
TUS In Store	+0.1% CAGR
TUS Online	+12.0% CAGR

Source: NielsenIQ

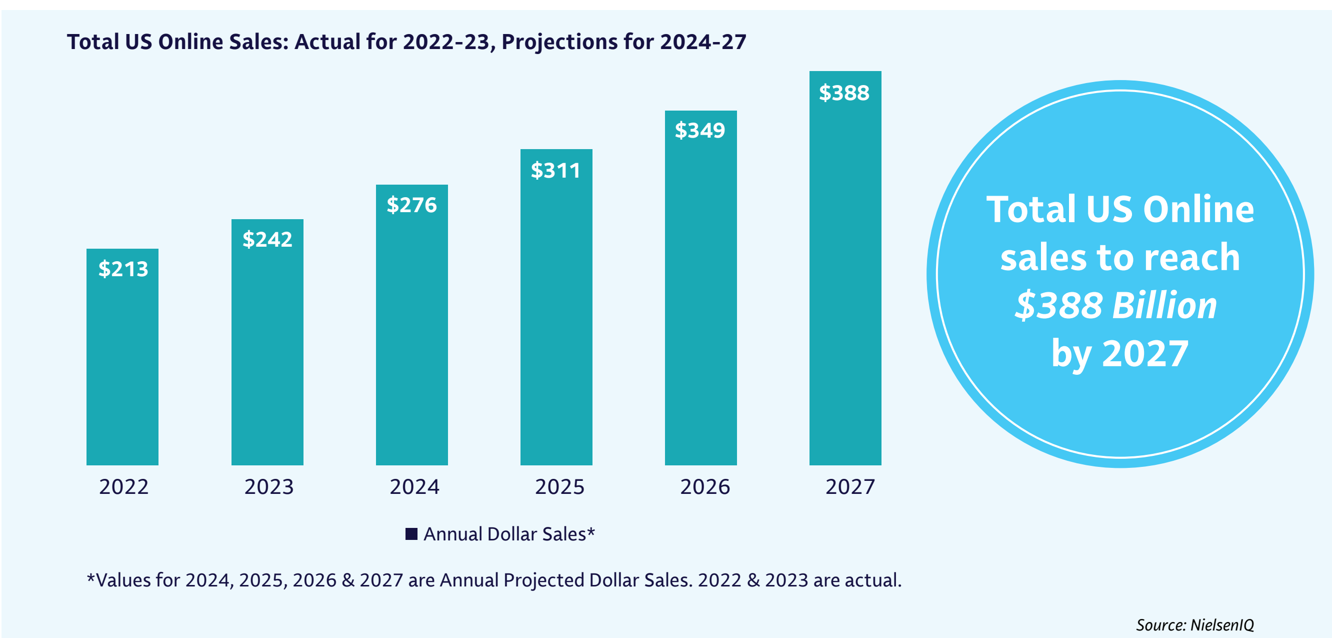
The shift towards an omnichannel retail landscape is evident, driven by evolving customer expectations and the convenience of online shopping. For 2024-27, the total U.S. omnichannel market is projected to hit a CAGR of 2.6%. In-store sales growth is expected to slow to a CAGR of 0.1%. Online sales, however, are forecast to continue their robust growth with a CAGR of 12%.



Meanwhile, dollar sales growth for the total U.S. online market increased by 13.5% in 2023, followed by a projected 14.2% in 2024. Growth is projected at 12.6% in 2025, 12.1% in 2026 and 11.2% in 2027.

GROWTH WILL DRIVE ONLINE SALES

The Digitally Engaged Grocery Shopper benchmark study reveals that the size of the prize is expanding significantly.



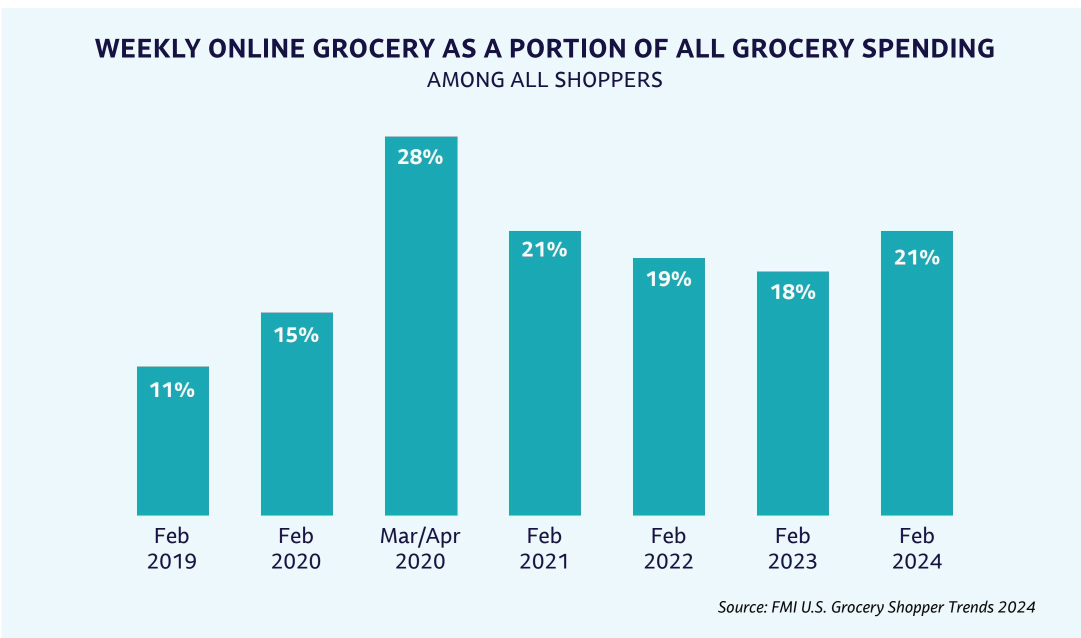
Total U.S. online sales for grocery items are projected to reach $388 billion by 2027.

Understanding Today's Omni Landscape

The growing consumer acceptance of online shopping is shifting the omnichannel dynamic, even as in-store shares remain relatively high. However, the story is not uniform, but rather varies according to category. Many nonfood categories have shown considerable dollar sales growth over the past year. Food, meanwhile, represents a top ecommerce growth opportunity due to its scale.

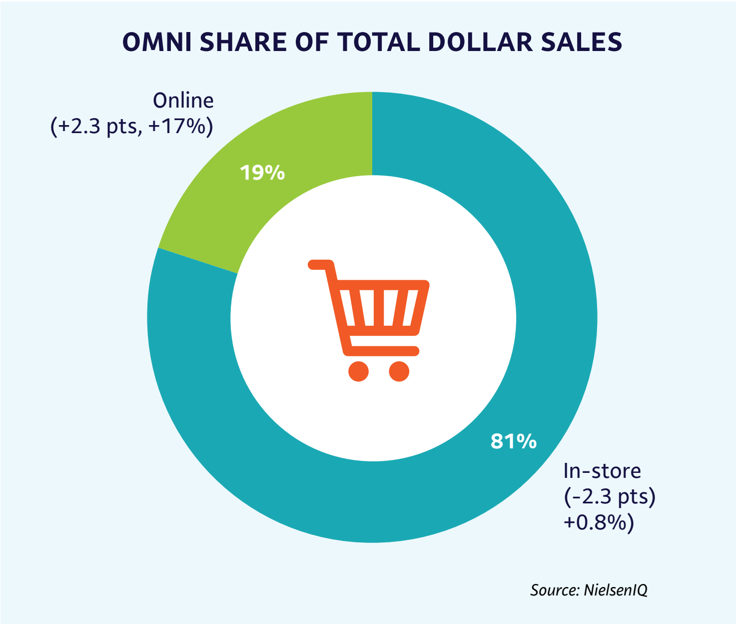
TRACKING THE UPS AND DOWNS OF ECOMMERCE

For many years now, FMI has asked shoppers how much they spend on groceries and how much of their grocery spend is online. In February 2020, just prior to the COVID-19 pandemic, shoppers estimated that 15% of their grocery spending was done online, on average. Weeks later, this surged to 28% but later settled into the 18% to 21% range.



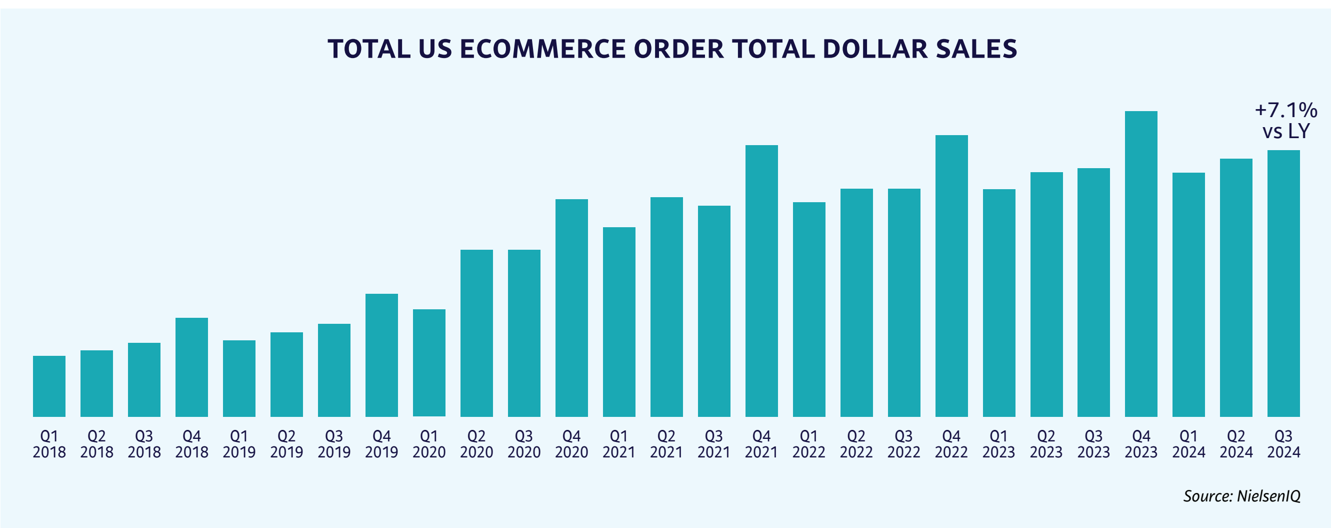
SALES GROWTH ONLINE EXCEEDS IN-STORE LEVELS

The online share represents about a fifth (19%) of total omni sales, and those online sales are growing faster than in-store (12% vs. 0.1%)



The data suggests a growing acceptance of online shopping, which is reshaping the retail landscape. As consumers become more comfortable with online purchases, businesses may need to adapt their strategies to cater to this trend, especially in categories where online shopping is gaining traction.

DIGGING DEEPER INTO THE ECOMMERCE GROWTH TREND



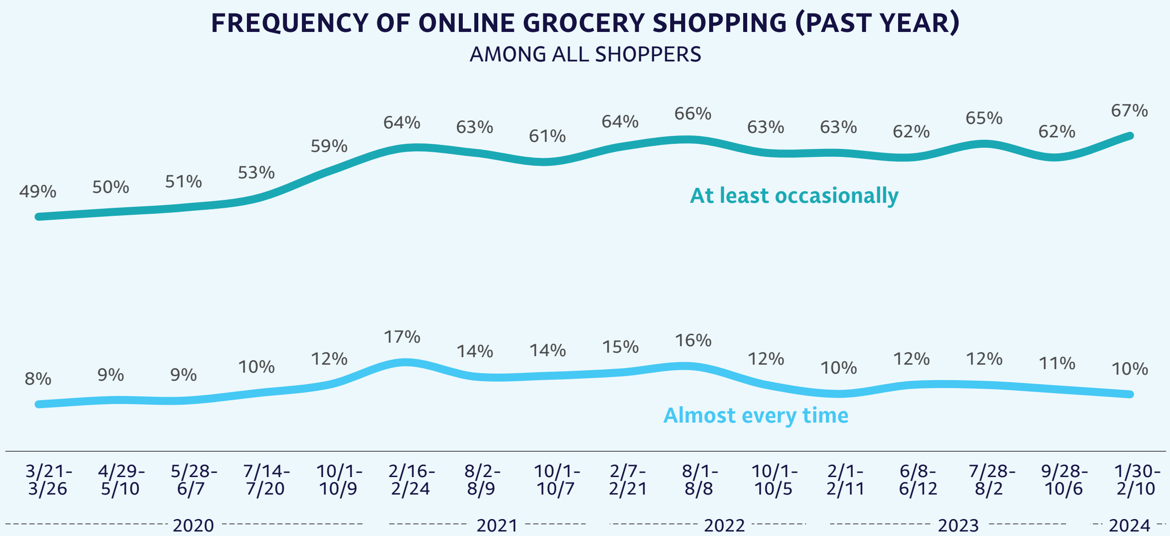
While it's no surprise that the fourth quarter of each year is the peak ecommerce buying period, Q3 has become a critical selling period for online retail leaders – many of which have established signature online selling events, such as Prime Day, Circle Day and Deal Days.

No longer merely a transitional period in the quarterly selling cycle, Q3 now serves as a bellwether and strategic time for online retailers to analyze and forecast consumer trends, sentiment, and spending power—all essential for impactful inventory planning and promotions. By seizing Q3 data to guide up-to-the-minute Q4 planning, retailers can adjust strategies to position themselves for success in the all-important final three months of the year.

COMPARING OCCASIONAL TO HIGH-FREQUENCY ECOMMERCE SHOPPERS

The portion of U.S. adults participating in online grocery shopping grew dramatically during the first year of the COVID-19 pandemic, rising from about half of shoppers to two thirds.

The 8% of online-reliant grocery shoppers — who think of themselves as grocery shopping online "almost every time" — doubled to 17%. That online-reliant percentage fell over time while the portion of consumers participating in at least occasional online shopping has continued to grow.

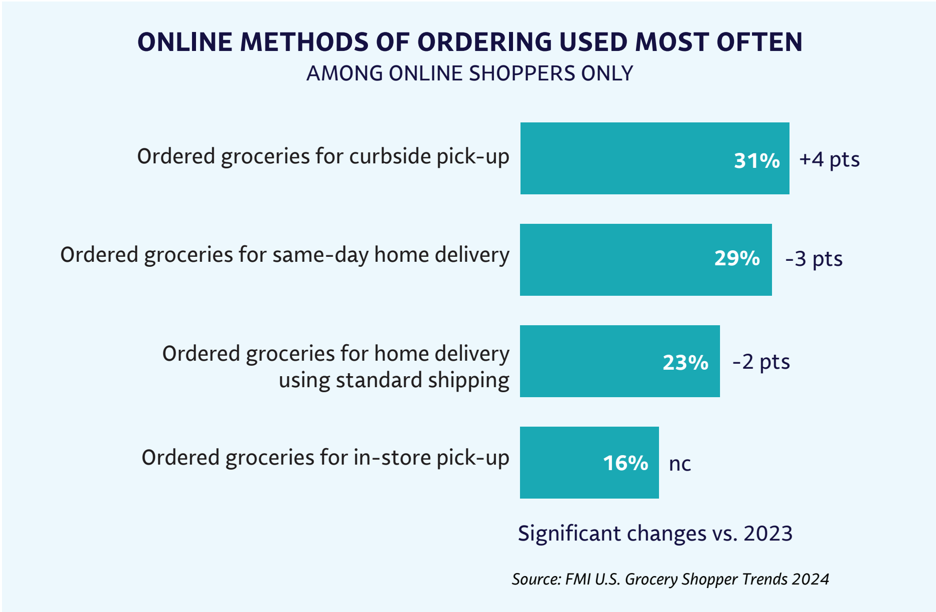


Source: FMI U.S. Grocery Shopper Trends 2024

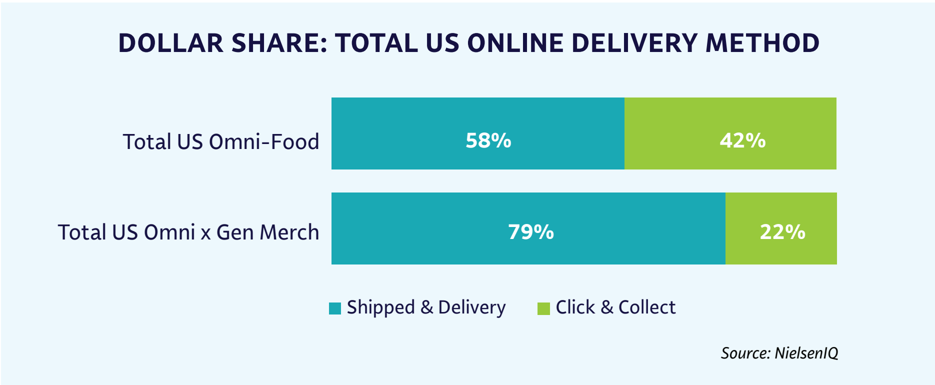
Diving into Demographics: Online-reliant grocery shoppers tend to be Millennials and parents, as well as urban residents, suggesting that online reliance pairs well with busy urban lifestyles, according to FMI's U.S. Grocery Shopper Trends (Trends). However, unlike earlier periods, the shoppers most reliant on online options today are less concentrated among high-income households. Annual incomes above $100k appear to equally support occasional and heavy online grocery usage, suggesting that cost may still be a barrier to entry but is currently less of a barrier to frequency than it may have been in the past.

CURBSIDE PICKUP OVERTAKES SAME-DAY DELIVERY

A shift is evident in which fulfillment method online shoppers say they use most, according to FMI's Trends data. Curbside pickup is most often used by 31%, overtaking same-day home delivery, which has dropped to 29%.

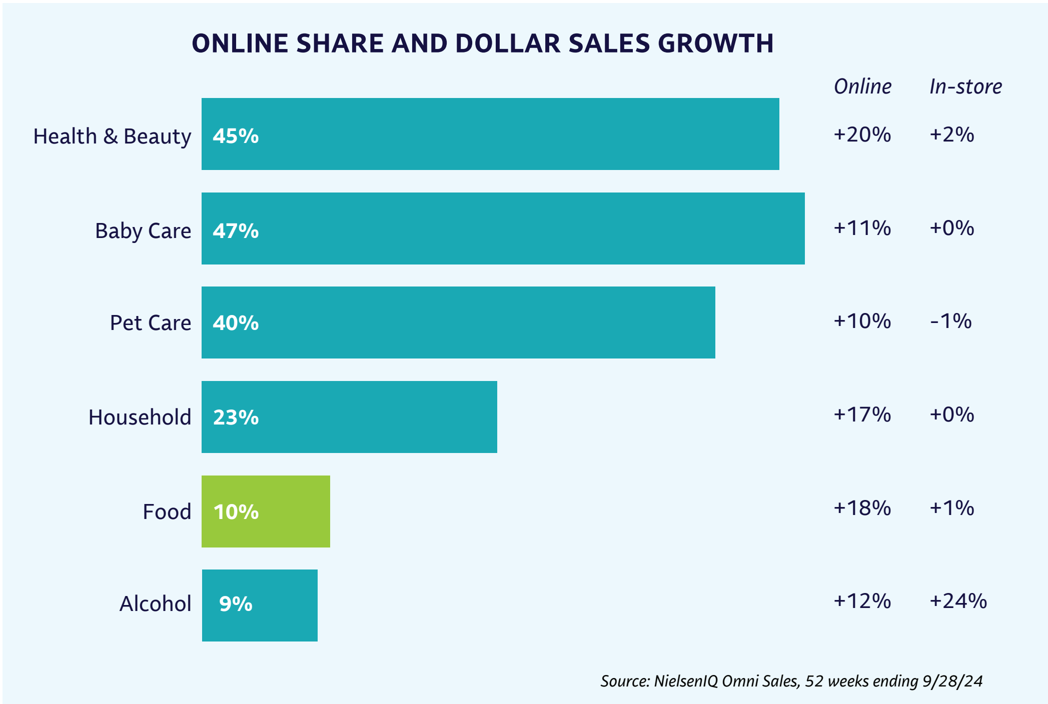


NIQ data shows that click-and-collect plays a more significant role in food (42% share of delivery methods) versus nonfood (22%) purchases.



THE ONLINE GROWTH STORY VARIES BY CATEGORY

The role of online shopping differs by category, reflecting varied levels of consumer comfort and acceptance. This means that while some categories may see rapid online adoption, others might lag due to varying consumer preferences.



NIQ data shows nonfood categories with significant ecommerce shares and considerable dollar sales growth over the past year. For example, the health and beauty category showed the fastest growth online, at 20%, versus 2% growth for in-store.

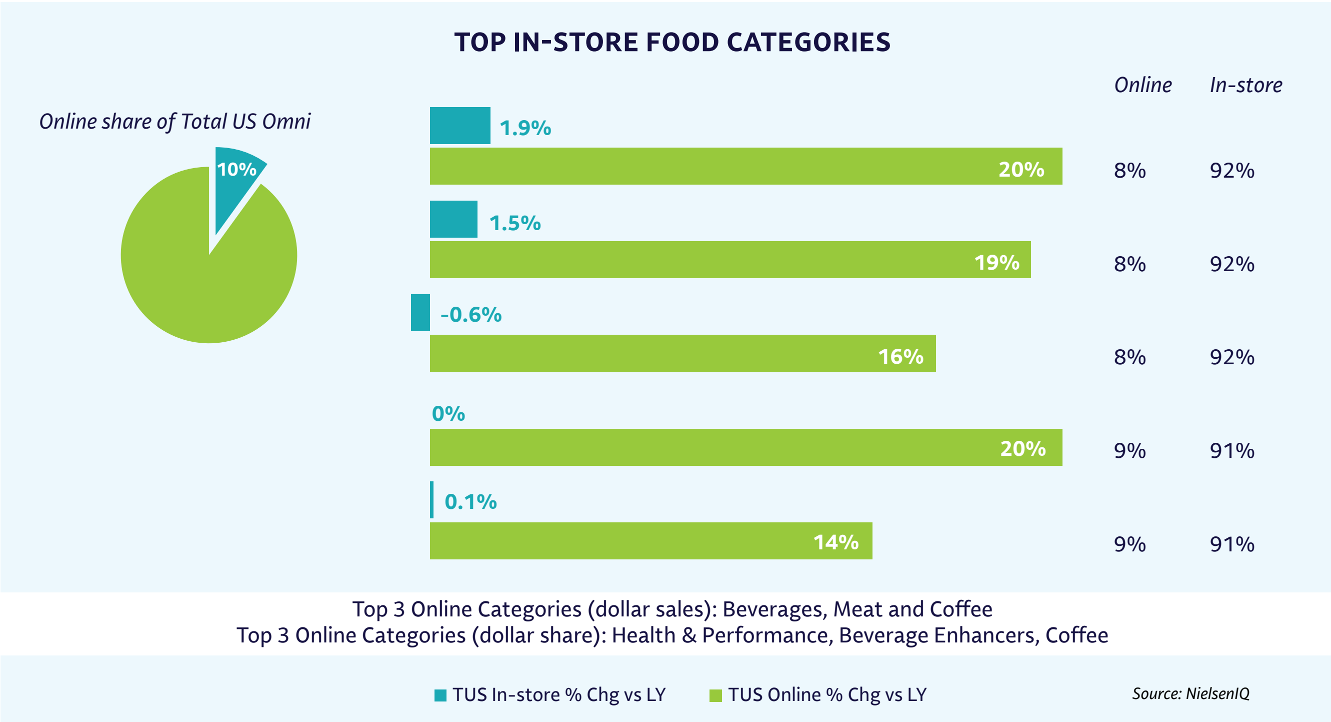
This online growth indicates a significant shift towards ecommerce as consumers prioritize convenience in personal care products.

The data indicates particularly strong growth potential for food and alcohol. Food represents a 10% online share, and the sharp rise in online food buying, at 18%, suggests a growing acceptance of food shopping online, especially for convenience items.

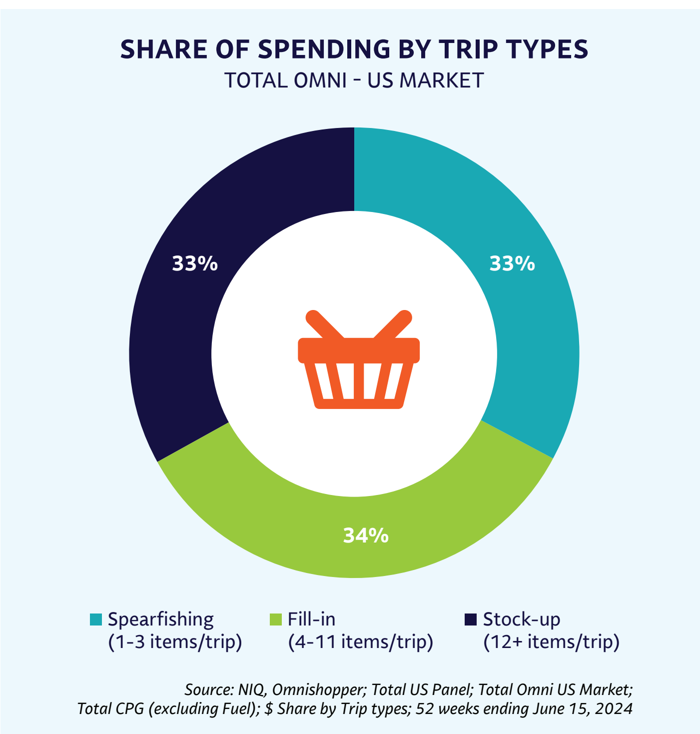
During the past 24 months, online retailers' nonfood sales have benefitted from the trend of personal care products being locked up behind glass in-store, which is a response to the troubling trend of skyrocketing shrink in brick-and-mortar locations, particularly for high-theft items like beauty, health, and personal care products.

Rather than dealing with in-store barriers, online retailers offer shoppers experiences that include a wider selection, availability, customer reviews and delivery options.

TOP FOOD CATEGORIES EXPERIENCE STRONGER ONLINE THAN IN-STORE GROWTH



Top 3 Online Categories (dollar sales): Beverages, Meat and Coffee
Top 3 Online Categories (dollar share): Health & Performance, Beverage Enhancers, Coffee

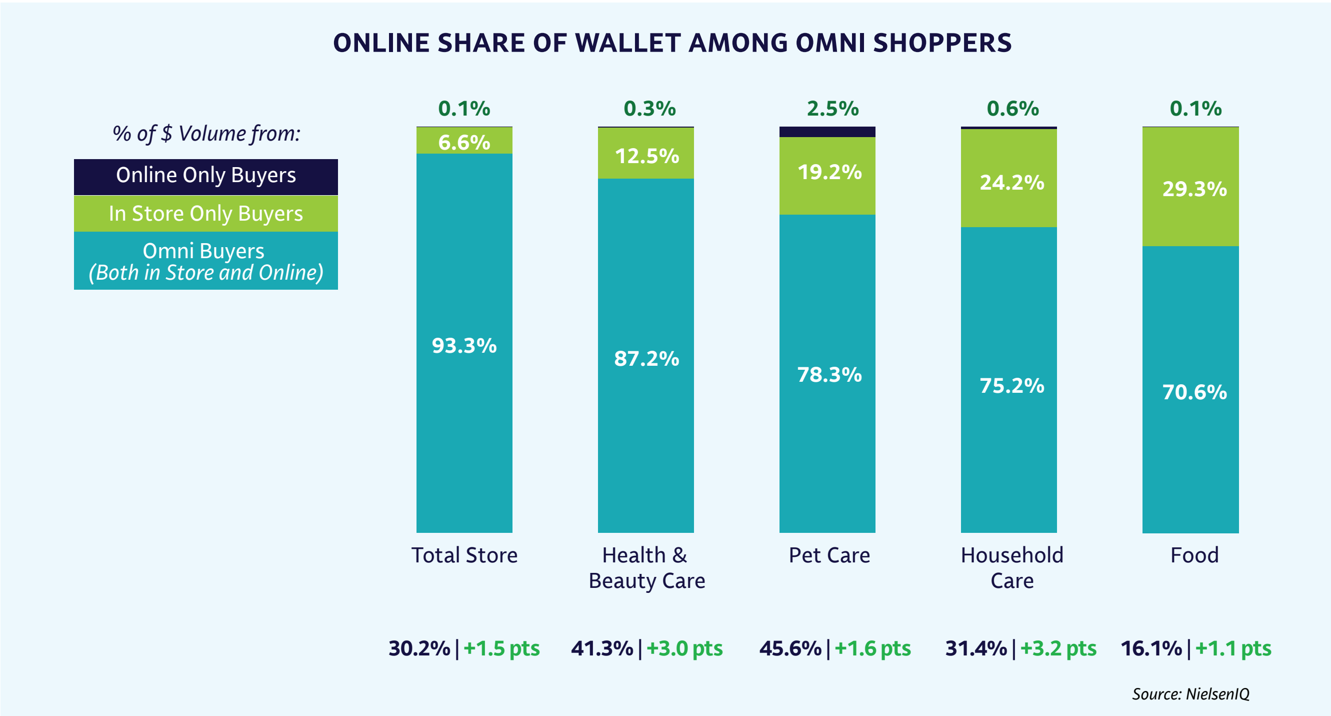


Beverages, meat, prepared foods, salty snacks and produce all show stronger online than in-store growth. For example, in the beverage category, the online growth is 20% while in-store is only about 2%. This is the case even as in-store share for the beverage category remains much higher than the online share (92% vs. 8%).

Food remains a top growth opportunity due to its scale. Given that online share in food lags behind nonfoods, a focus on food will be a natural way to grow online baskets.

Looking at both food and nonfood across omnichannel, the share of spending by trip types is evenly split between spearfishing (defined as a shopping trip focused on one-to-three items), stock-up and fill-in.

OMNI PENETRATION IS STRONG, BUT LOTS OF HEADROOM ACROSS DEPARTMENTS



It is evident that nearly everyone is now a digitally engaged shopper. Omni penetration across the store — representing shoppers buying both in-store and online – stands at more than 90%. Yet significant differences exist in how purchases are made across various departments, presenting ample opportunities to drive further penetration throughout the entire store.

Examining the omnishopper leaderboard reveals that the health and beauty category boasts the highest penetration of multichannel buyers, with 87% of consumers purchasing both online and in-store. In contrast, the pet category has the highest level of online-only buyers, though this still represents just 2%. Meanwhile, the food category has the highest proportion of in-store-only buyers, with 29% of consumers choosing never to buy food online, while 71% shop both in-store and online.

Channel Fluidity

Channel fluidity, which refers to the ability of consumers to seamlessly transition between different shopping channels—such as ecommerce, in-store, and social —is increasingly important in today's retail landscape, where customers expect a cohesive and integrated shopping experience.

MEETING CUSTOMERS WHERE THEY ARE

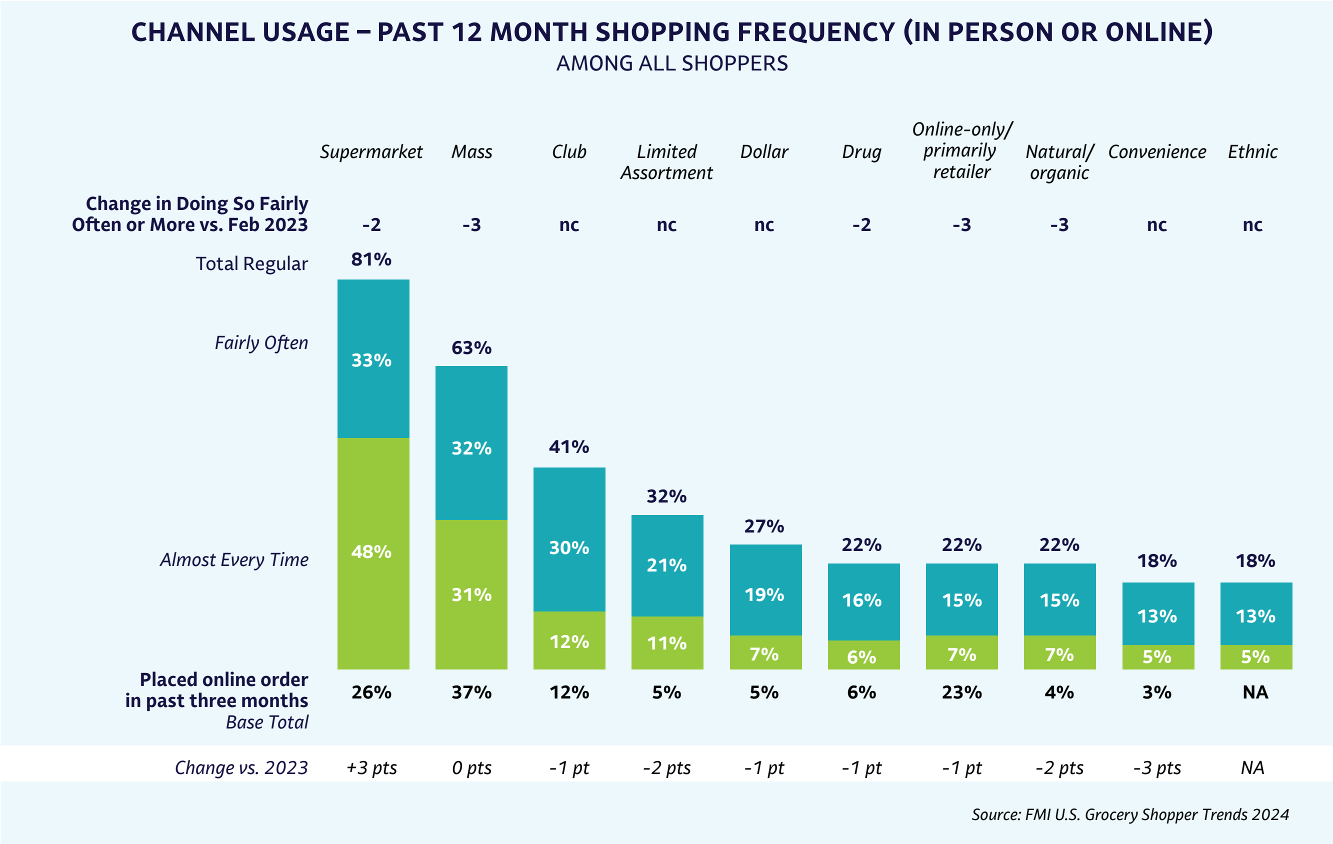
Retail channel fluidity is a key shift in the omnichannel era and for digitally engaged shoppers whose journeys are not linear and who may interact with a brand through multiple touchpoints.

It is relevant for a customer who might browse products online, check availability in a physical store, and then choose to purchase either online for delivery or in-store for immediate pickup based on their preferences and needs.

As consumers become more accustomed to fluid shopping experiences, they expect brands to meet them where they are, whether through social media, mobile apps, or physical stores.

Supermarkets, Followed by Mass, Lead in Channel Usage

Supermarkets remain the channel shopped most frequently and by the most shoppers, with 81% of grocery shoppers saying they use a supermarket fairly often, according to FMI's Trends.

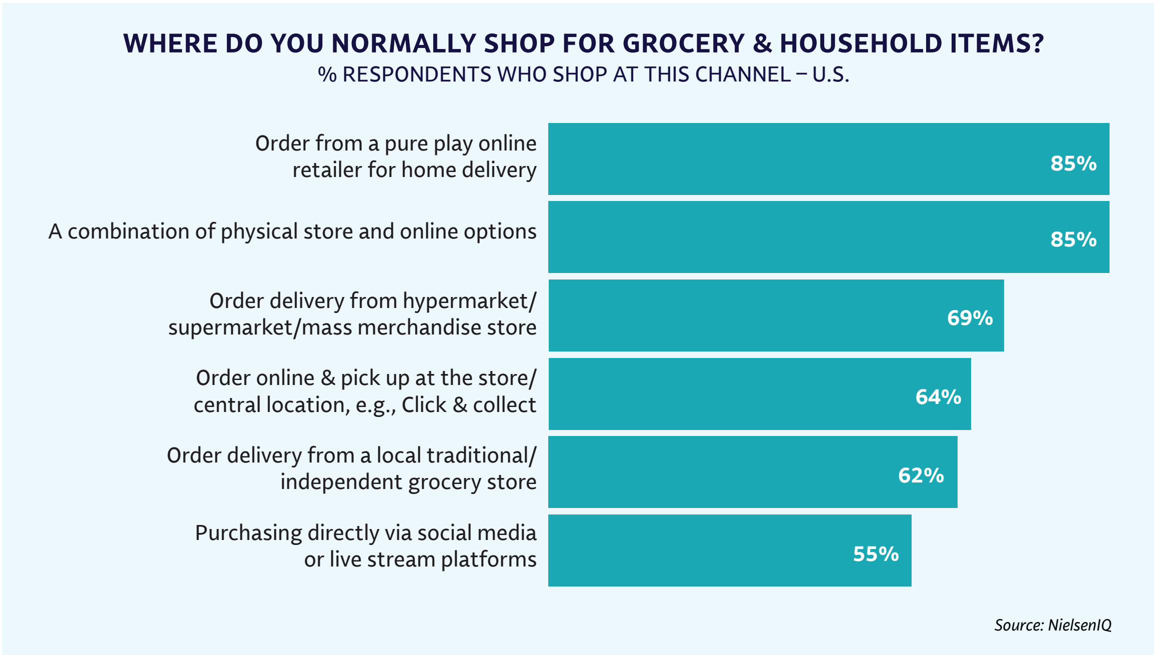


While almost half of grocery shoppers visit supermarkets "almost every time" they shop, this reflects a three-point decline from a year ago. One in four shoppers say they have placed an online order at a supermarket in the past three months, a three-point increase since a year ago.

Mass continues to be the second most-shopped channel, with 63% of shoppers visiting a mass store regularly. Mass also has the greatest online reach, with 37% of mass shoppers having placed an online order in the past three months. Like in the prior year, shoppers are less likely to report they visit a given channel "fairly often" or more, perhaps consistent with practices or intentions to save money.

SOCIAL SHOPPING IS EMERGING AND CHALLENGING TRADITIONAL RETAILERS

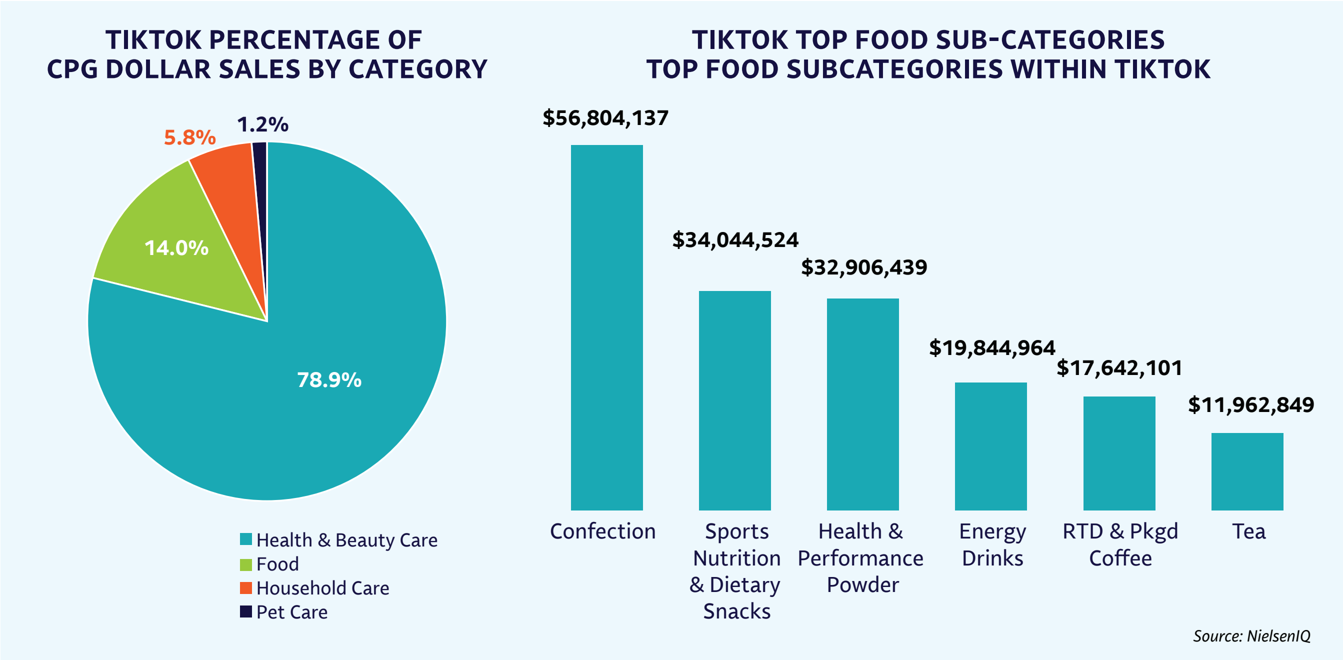
By enabling consumers to shop "everywhere," social shopping eliminates traditional barriers such as store locations and travel time.



According to the 2024 NIQ Consumer Outlook survey, 55% of respondents now make direct purchases of grocery and household items from social media or live streaming platforms.

What makes social commerce so powerful is its ability to convert awareness and interest into purchases instantaneously. Traditionally, a consumer may wait days, weeks or longer between becoming aware of a product and purchasing it. In that intervening period, untold numbers of consumers have lost interest or changed their minds.

TIKTOK BECOMES HIGHLY INFLUENTIAL IN SOCIAL SHOPPING



TikTok is on track for $1 billion in sales and has earned a distinction as the first name in social shopping, also known as social commerce.

The TikTok Shop became a top 10 beauty retailer in the U.S. within months of launching, capturing over 6% market share in those categories.

Nonfoods products are the hottest sellers on TikTok Shop, especially health and beauty care (which has an overwhelming lead with 80% of TikTok sales). Food—which primarily centers on novelties — accounts for 14% of TikTok Shop sales as a percentage of dollar sales by category.

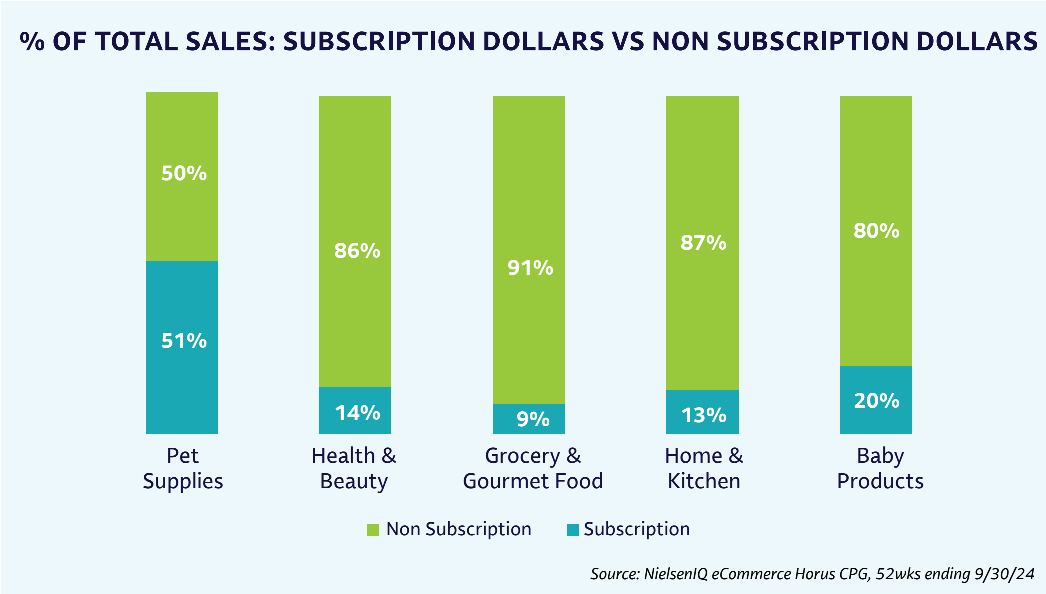
According to NIQ research, TikTok users are 48% more likely to discover and immediately purchase new products than users on other social/video platforms, emphasizing TikTok's role as a catalyst for consumer engagement.

The platform also offers offline impact for other retailers. Remarkably, two in five users who discover a product on TikTok opt to visit physical stores to make purchases, highlighting the platform's influence on offline consumer behavior.

SUBSCRIPTION SALES REPRESENT SIGNIFICANT SHARE

Subscriptions have become a significant part of the market, representing about 12% of total ecommerce sales. That figure rises to 16% for nonfood categories.

Pet supplies are the clear leader in subscriptions, with 51% of that category's sales consisting of subscription sales.



Other categories with significant subscription shares include baby products (20%), health and beauty (14%), home and kitchen (13%) and grocery and gourmet food (9%).

Additional Facts About Subscription Sales:

- **Top Subcategories:** The top subscription subcategories in dollar sales, starting with the highest, are dog food, supplements and vitamins combo packs, cat food, flea and tick products and ready-to-drink and packaged coffee.
- **Benefits for Consumers:** Subscriptions enable replenishment, curation, convenience and personalization.
- **Benefits for Retailers/Sellers:** Subscriptions foster customer loyalty, predictable revenue and lower customer acquisition costs.

SHIFTS IN DIRECT-TO-CONSUMER (DTC) LANDSCAPE

While total direct-to-consumer (DTC) continues to trend upward—especially in beverages, health care, vitamins and supplements—the share of DTC in some departments is trending down. Direct-to-consumer share of total food edged downward to 3.3% from 4.9% a year ago, according to NIQ.

As the DTC market evolves, competition intensifies, making it crucial for established brands to innovate and differentiate. Brands either need to be well funded to account for customer acquisition costs, or they need to be able to go viral.

Many of the most successful DTC food brands have adopted subscription models that drive convenience and foster customer loyalty. They also leverage AI to tailor product recommendations and marketing messages based on individual preferences.

The Who Behind the Shift to Online

"Digital Advocates" and "Value Seekers" are leading the ecommerce charge. Millennials lead the momentum towards online. Gen Z, a generation still emerging, is already marked by a high digital engagement and shopping journeys across channels, from online to in-store.

ONLINE SHOPPER PERSONAS SHOW WIDE RANGE OF ATTITUDES

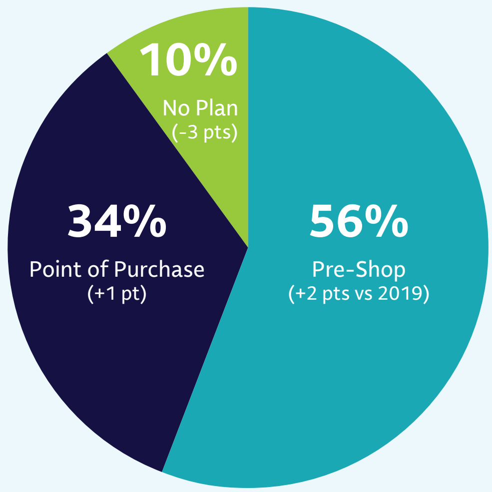
Digital Advocates (29%)	Value Seekers & Researchers (27%)	Digitally Averse (28%)	Spontaneous Shoppers (16%)
High trust and invested	*Research driven and tech savvy*	*Low trust, low tech savvy*	*Low value seeking, low shopping enjoyment*
• Tech savvy • Information-driven • Trusts online • Driven by the convenience advantages of buying online	• Tech savvy, leverages online for information • Will go wherever the deals are, on- or offline • Uses internet to research information • Online frequently, but mainly to find information about their offline stores	• Do not spend online & do not trust online purchases • Poor view of online shopping • Small basket sizes • Shop online for products they cannot find in store	• Time starved & disinterested in shopping • Get in and out quickly • Little to no trip planning • Open to online shopping but does not fit in their lifestyle

Source: NielsenIQ

Digitally engaged grocery shoppers are leading the online push, with the most invested group, Digital Advocates, showing the most engagement. On the other end, Spontaneous Shoppers are the least interested.

MORE THAN HALF OF SHOPPERS ENGAGE IN PRE-SHOPPING

Shoppers are increasingly engaging in pre-shopping activities before heading to grocery stores.



Source: NielsenIQ

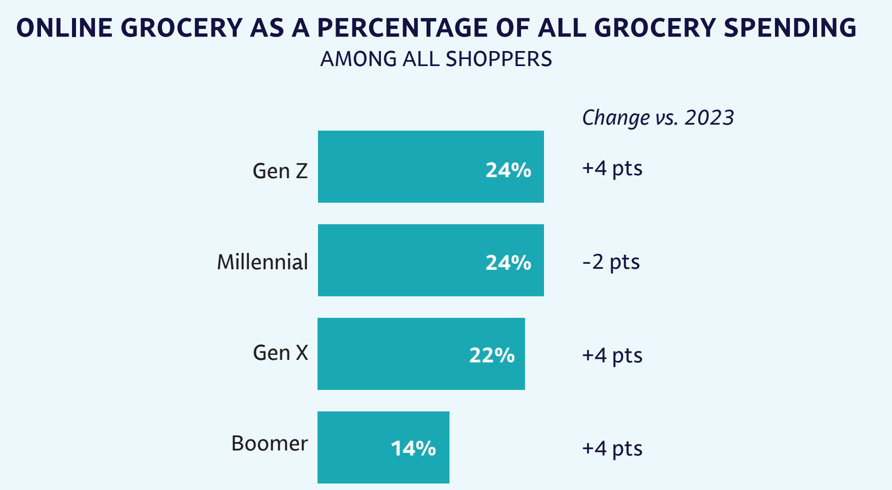
Currently, 56% of shoppers are pre-shopping.

Pre-shopping includes creating lists, browsing circulars, visiting retailer websites and mobile apps and utilizing social media and other online resources.

Notably, Boomers are the most active pre-shoppers, with nearly 60% engaging in this activity. Pre-shopping decision-making is influenced by out-of-store multimedia promotions.

Meanwhile, 34% of shoppers rely on point-of-purchase decision-making, which underscores the importance of retailers having product availability on the shelf.

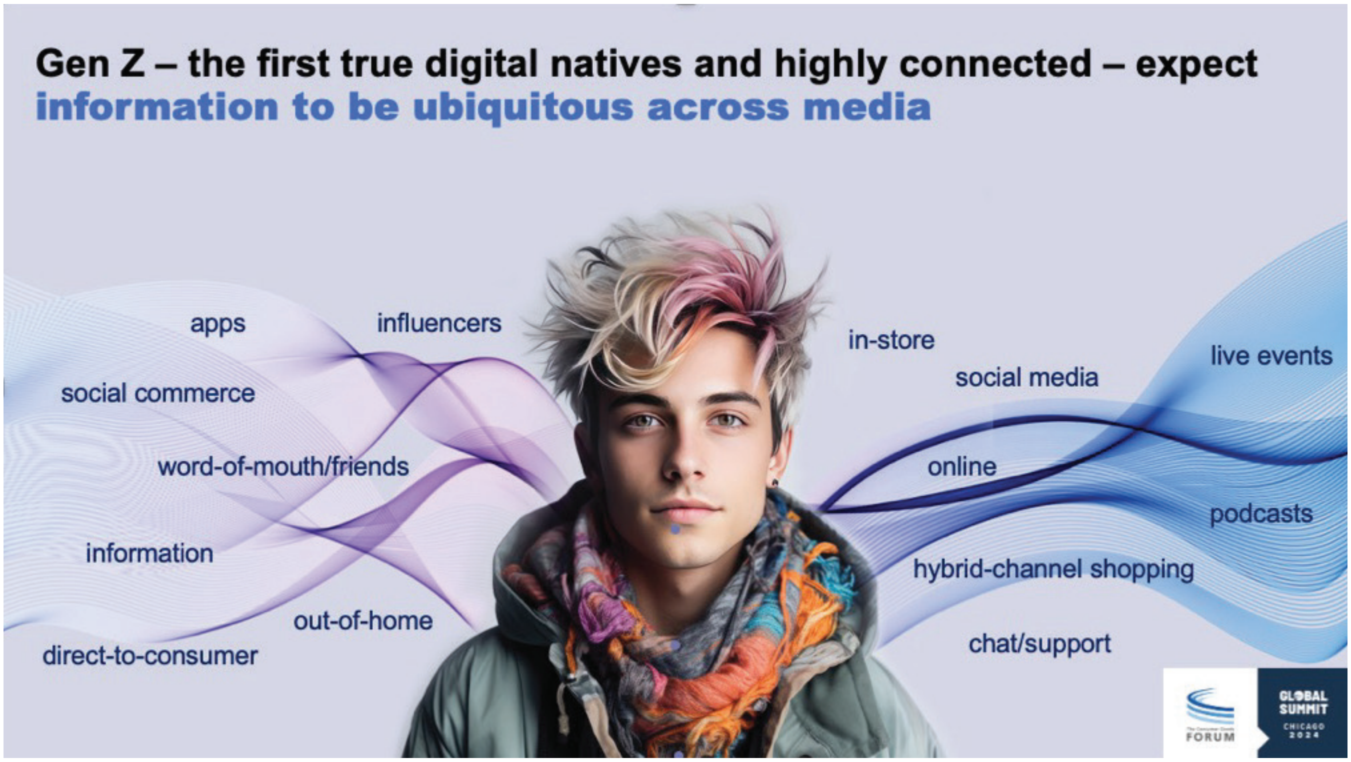
YOUNGER SHOPPERS LEAD IN GROCERY ONLINE SHARE



Source: FMI U.S. Grocery Shopper Trends 2024

Younger shoppers — Millennials and Gen Z — lead in the online share of their overall grocery shopping. However, Millennials showed some decline in the online share over the past year, while other cohorts dedicated a bit more of their spending to online grocery shopping.

GEN Z WILL BE THE PUREST OMNI SHOPPING GENERATION



Source: NielsenIQ

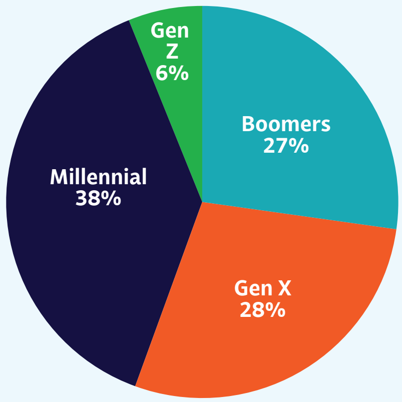
Gen Z, defined as individuals born between 1997 and 2012, comprises 25% (2 billion) of the world's population. Their global spending power is projected to reach $12 trillion by 2030, positioning them as the wealthiest generation across all regions. This generation is set to surpass Boomer spending by then.

Insights about Gen Z:

- **Shopping Journey:** As the most connected and influential and largest generation to date, Gen Z will be the purest digitally engaged shopping generation. Members of Gen Z begin their shopping journeys online and are heavily influenced by social media.
- **Insistence on Availability:** Gen Z is deeply invested in their desired brands being available wherever they are.
- **Purchase Influence:** Because many members of Gen Z still live with their parents, it is essential to look at their influence on household purchases, especially where they may not be the ones directly purchasing.

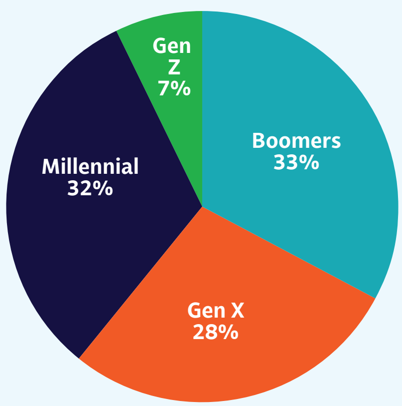
MILLENNIALS LEAD THE PUSH TOWARD ONLINE

SHARE OF ONLINE NONFOOD SALES BY GENERATION



Source: NielsenIQ Omnishopper: 52 W/E 9/7/24

SHARE OF IN-STORE NONFOOD SALES BY GENERATION



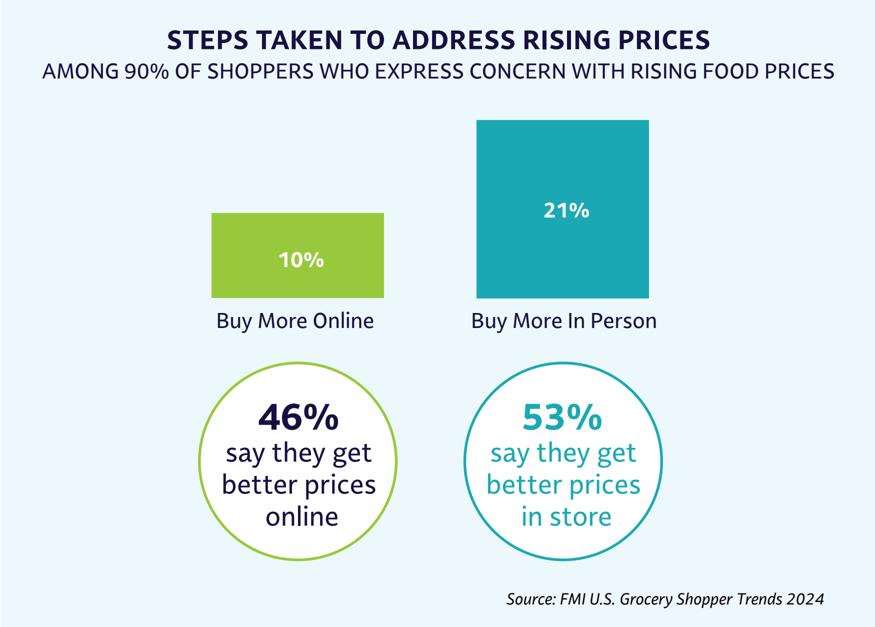
Source: NielsenIQ Omnishopper: 52 W/E 9/7/24

Millennials index highest for online purchasing, followed by Gen X and Boomers. Millennials top the charts with the highest order frequency and annual online spending.

Boomers and Millennials lead for in-store purchasing, followed by Gen X.

The low percentages for Gen Z reflect that many of these consumers are still living with parents and don't have their own incomes yet.

SHOPPERS' PRICE PERCEPTIONS VARY ACROSS OMNICHANNEL

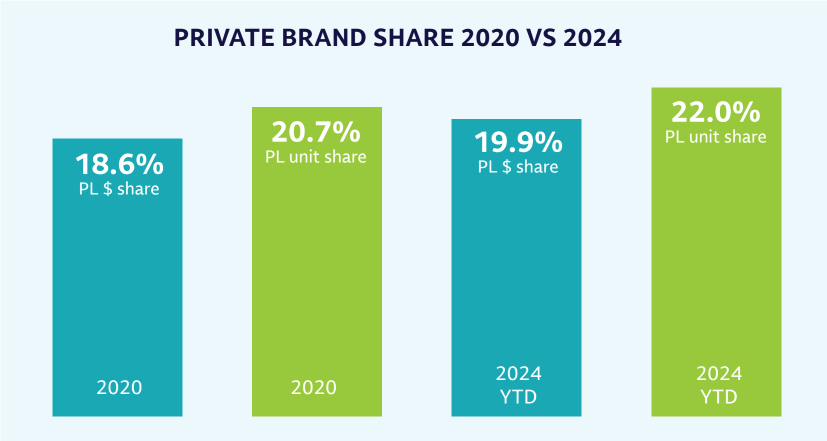


Shoppers strategize to navigate prices and seek out value in both the online and in-store spaces. Online grocery shopping, for example, can help or hinder shoppers' efforts to navigate rising prices. A small minority of shoppers (10%) navigate inflation by buying more online, and those who do tend to cite better prices, basket management (e.g., showing a basket total dollar amount), and gas savings.

These shoppers also note that grocery shopping online allows them to stick to their list better and enables them to check prices across a variety of stores.

On the other hand, twice as many shoppers say that buying more in-store helps them navigate food prices.

Shoppers have been increasingly embracing private brands over the past few years, with the dollar share of those brands rising to 22% in 2024 from 18.6% in 2020.

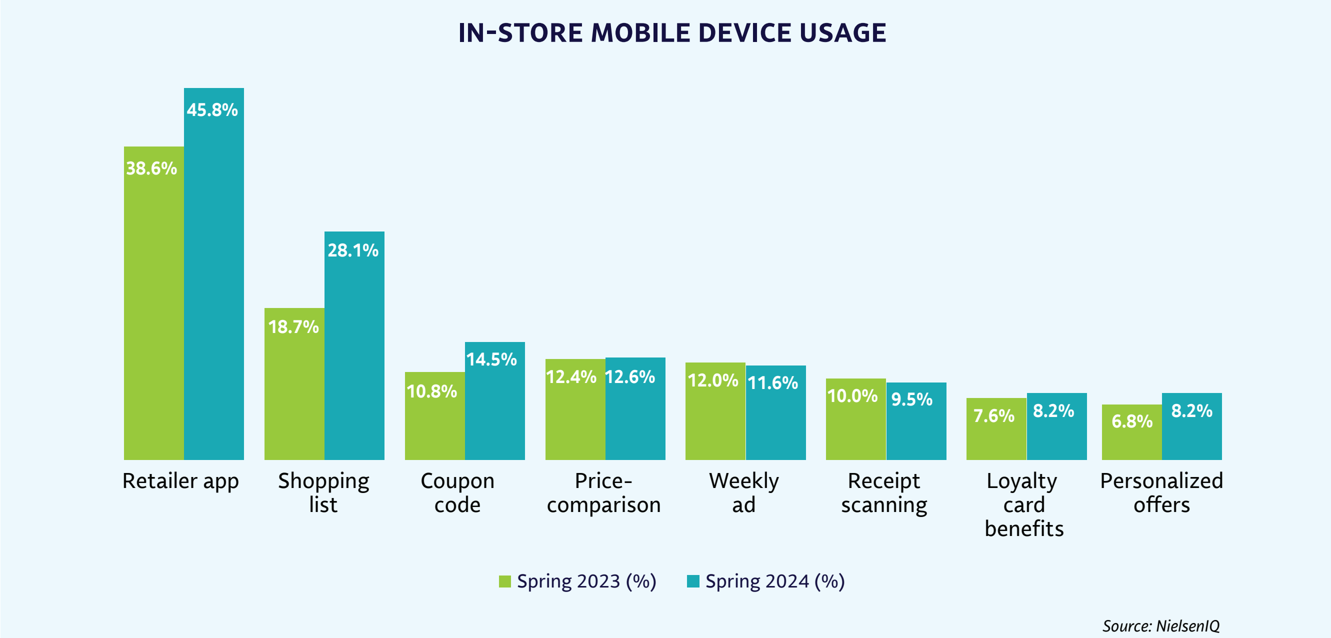


Shoppers cite value and quality among the key reasons for choosing private brands.

Digital Engagement Drives In-store and Online

Shoppers are using mobile devices to assist with in-store shopping, for needs ranging from price comparisons to meal planning. In fact, the quality of a store's app plays a role in whether shoppers decide to make it their primary store. Meanwhile, digital tools are playing important roles in providing deeper information about products.

IN-STORE MOBILE USAGE FOCUSES ON RETAILER APPS



In-store mobile device usage has become a crucial tool for consumers in grocery shopping — and its usage has been increasing. After becoming more comfortable navigating and ordering groceries on retailers' mobile apps during the pandemic, shoppers now customarily rely on their digital coupon and shopping list functions to stay focused and avoid impulse purchases.

Mobile apps also showcase retailers' prized personalization platforms by providing customized deals, real-time updates on prices and promotions, loyalty rewards, purchase histories, and much more.

QUALITY OF RETAIL APP INFLUENCES SELECTION OF PRIMARY STORE

PERCENT OF SHOPPERS WHO FEEL THE QUALITY OF STORE APP/ WEBSITE IS IMPORTANT IN SELECTING PRIMARY STORE
AMONG ALL SHOPPERS

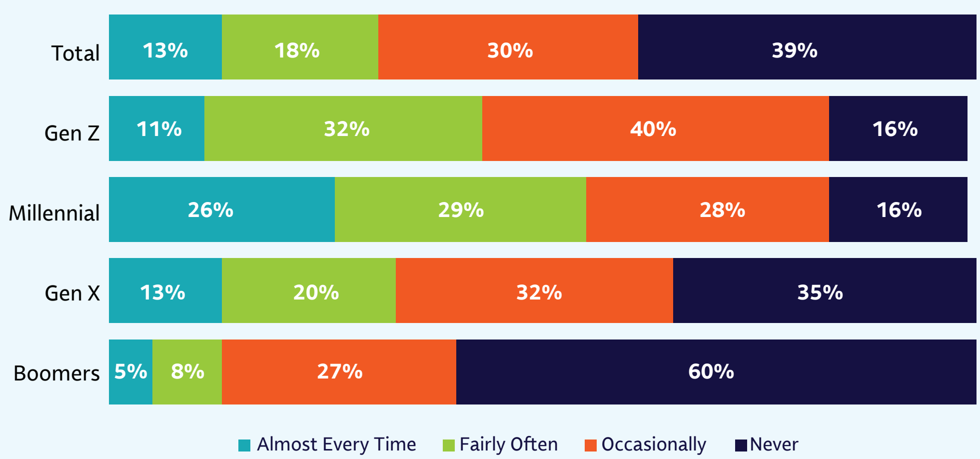
Total	Gen Z	Millennials	Gen X	Boomers	Mature
41%	53%	47%	40%	34%	6%

Source: FMI U.S. Grocery Shopper Trends 2024

The increased usage of grocery store apps among some shoppers has corresponded with greater expectations of apps. A large minority (41%) feel that the quality of a store app is an important factor when determining their primary store, where they choose to spend the most. The importance of quality store apps is greatest among younger shoppers particularly Gen Z, who are the most likely to evaluate stores based on their apps. With third-party apps falling out of favor, the next two years may be critical opportunities to win younger grocery shoppers over to specific stores.

SHOPPERS USE PHONES IN-STORE FOR PRICE COMPARISONS

SHOPPERS USE PHONES IN-STORE FOR PRICE COMPARISONS
AMONG ALL SHOPPERS, BY GENERATION



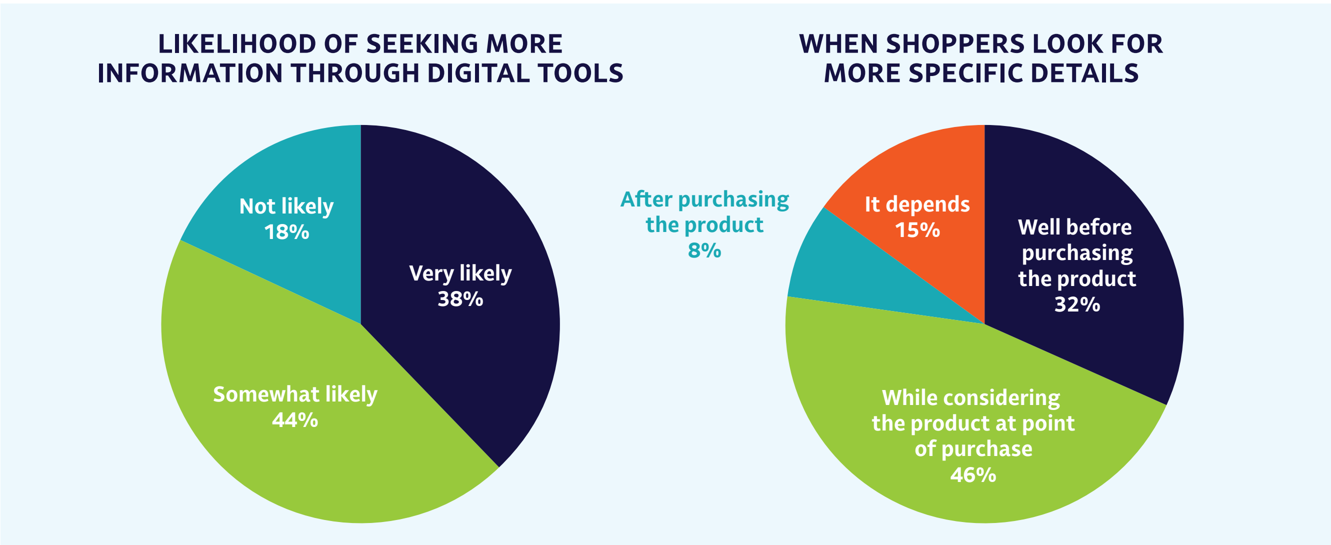
Source: FMI U.S. Grocery Shopper Trends 2024

Seeing shoppers using their phones while they stroll grocery aisles is commonplace today, and FMI recently asked shoppers how often they use their smartphones to compare product prices across stores while they are shopping. Among all shoppers, 61% said that they compare prices across stores at least occasionally, including 13% doing so almost every time they shop, 18% who say that they do so fairly often, and another third (30%) doing it occasionally.

SHOPPERS EYE DIGITAL TOOLS TO ACCESS PRODUCT INFORMATION

Brands have been increasing the number of ways shoppers can digitally access more information about products, and shoppers say they would take advantage of these tools if given the opportunity.

More than 80% of shoppers said they would be somewhat or very likely to seek more product details — regardless of whether they are in-store or online — by making use of a QR code, website, app or other tool.



INTERESTED IN LEARNING MORE ABOUT			
Ingredient definitions	46%	In-depth allergen information beyond the major food allergens	26%
Sourcing of ingredients	43%	Additional certifications the products qualify for	25%
In-depth nutritional information	40%	The diets the product complies with	24%
Production of ingredients	40%	Company's practices regarding animal welfare	24%
Country of origin	38%	Company's sustainability practices	23%
Manufacturing processes	36%	Company's trade practices	20%
Usage instructions	29%	Company's labor practices	20%
Company/brand information	27%	Company's social responsibility programs	17%
		How producers in developing countries are paid	16%

FMI Transparency Trends 2023

CONSUMER SEARCHES FOCUS ON SPECIFIC ATTRIBUTES

Consumer searches on retailer web sites help identify emerging trends and needs. NIQ Trending Attributes tracks consumer searches — and in food and beverage these often focus on specific need states. These include needs related to health, specific ingredients, product claims, product form and package size.

Top Searches in the Past Year

Specific Ingredients	Product Form	Package	Need State	Flavor	Product Attributes
Chicken, tomato, turkey, peanut, banana, almond, oat, garlic	Fresh, frozen, canned	Individually wrapped, mini-size	Energy support	Hot (spice), Italian, chili, pepper, pickle	Organic, Sugar-free, Diet, gluten-free, vegan

Source: NielsenIQ

Popular search criteria also highlight flavor profiles and key product attributes like organic, gluten-free, sugar-free, and vegan.

Notably, new attributes gaining traction among consumers include “for inflammation,” “egg-free,” “hormone-free,” products containing xylitol, iodine-free options, and items with high polyphenol content. These trends underscore a growing emphasis on personalized health and wellness.

AI TOOLS ENABLE PLANNING AND INSPIRATION

Source: FMI Grocery Shopper Snapshot: January 2024
Base: Those who have used AI (35%)

The smartphone’s role in shopping is evolving and influencing decision-making more than ever. Shoppers are turning to AI for everything from meal planning to diet advice and party inspiration.

DIGITAL DISCOVERY PERSONALIZES AND ACTIVATES HIGH-VALUE, UNIQUE AUDIENCES

Source: NielsenIQ

Digital discovery personalizes and engages high-value audiences by highlighting product attributes such as plant-based, sulfate-free, dairy-free, cruelty-free, organic, non-toxic, grain-free, and non-GMO.

Technology Supports Omnichannel Shopping

Food industry companies are eyeing technology applications to enhance omnichannel shopping, customer experiences, analytics, assortment, and other aspects of their businesses. Food retailers and suppliers are accelerating investments in many existing solutions and experimenting with new opportunities.

TECHNOLOGY EXPERIMENTATION ADVANCES

The increased focus on technology is playing out in a wide range of applications, according to FMI's *The Food Retailing Industry Speaks 2024*. Since 2019, most food retailers have been experimenting with new technologies to improve customer experience, efficiency, and ecommerce. Many applications were initially embraced by only larger retailers, but increasingly they are being used by smaller operators as well, including those with 10 or fewer stores.

ARE YOU EXPERIMENTING WITH...	2019	2020	2021	2022	2023
New technologies to improve the customer experience	72%	83%	80%	85%	81%
New technologies to improve efficiency	75%	81%	80%	84%	86%
Ecommerce strategy	67%	83%	70%	67%	76%

Source: FMI Food Retailing Industry Speaks 2024

ANALYTICS AND AI SUPPORT PRICING, PROMOTIONS AND ASSORTMENT

Data analytics and artificial intelligence (AI) continue to play key roles in the business processes of food retailers. Most retailers have incorporated data analytics for activities such as pricing and promotion, assortment planning and replenishment. On the supplier side, companies are even more likely to have embraced data analytics. Meanwhile, food suppliers lead retailers in making use of AI, although retailers have increased their usage at a faster pace. Top applications include leveraging customer data and assisting with assortment, planning, and replenishment.

Use of Data Analytics or Artificial Intelligence for:	Retailers		Suppliers	
	Data Analytics	Artificial Intelligence	Data Analytics	Artificial Intelligence
Any	85%	41%	94%	69%
To optimize decision making around pricing and promotion	71%	19%	94%	15%
To assist with assortment planning and replenishment	68%	22%	88%	31%
To leverage customer data	70%	21%	88%	38%
Loss prevention	48%	22%	31%	8%
For supply chain logistics (scheduling)	29%	6%	88%	38%
For hiring purposes	NA	6%	NA	31%

Source: FMI Food Retailing Industry Speaks 2024

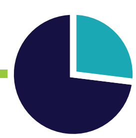
EMERGING TECHNOLOGY ADVANCES SHOPPING

Retailers - Does Your Organization Currently Use or Are You Planning To Use	2023 - Use	2024 - Planning
Mobile checkout systems	48%	13%
Technology solutions for fresh inventory and demand/production planning	40%	15%
Fraud assistance technology	39%	20%
Technology solutions for foodservice ordering and delivery	35%	21%
Dynamic pricing software	27%	14%
Electronic shelf labels/tags	24%	29%
Self-service in-store foodservice ordering kiosks	19%	18%
Technology solutions to aid in product traceability	18%	31%
Ghost kitchens (food preparation facility with no dining option)	17%	6%
Micro-fulfillment	13%	1%
Robotics: Automated warehouses	13%	4%
Robotics: In-store services	10%	7%
Smart carts	8%	10%
Voice technology for customer service activities	8%	8%

Source: FMI Food Retailing Industry Speaks 2024

TECHNOLOGY ENHANCES THE CUSTOMER EXPERIENCE

Technology is playing a key role in retailer efforts to enhance the customer experience. Retailers continue to pursue technology-based service differentiation strategies, including online shopping and faster or "frictionless" checkout.



27%
of food retailers

predict technology will change the in-store shopping experience

Source: FMI Food Retailing Industry Speaks 2024

PERSONALIZING THE SHOPPER EXPERIENCE

Most retailers (92%) continue to use technology to personalize or customize the marketing or shopping experience, both online and in-store. This focus is particularly strong among retailers with a large number of stores (101 or more).

USE OF TECHNOLOGY TO PERSONALIZE OR CUSTOMIZE MARKETING OR SHOPPER EXPERIENCE

Source: FMI Food Retailing Industry Speaks 2024

SHOPPERS TAP INTO TECHNOLOGY

FMI's Grocery Shopper Snapshot: January 2024 explores consumer perspectives on their growing use of technology for grocery shopping.

- Almost two-thirds of shoppers use smartphones to look for deals (64%) or coupons (63%).
- While shopping, 61% make use of smartphones to communicate with household members on items.
- Just under half of shoppers (47%) use in-store item locators at least occasionally.
- 68% of all shoppers say tech-enabled customer personalization is a good thing.
- While only 8% of shoppers are regular users of AI tools, 35% have tried them.
- Of those who have used AI tools, shoppers use it most commonly for planning (35% use AI for meal planning, 33% for recipes, 39% for dining out ideas).

INDUSTRY ANALYZES INVESTMENTS AND ROI

In 2023, food retailers devoted an average of about 1% (0.9%) of their total sales — more than $10 billion — to their technology budgets. The significant expenses and varied ranges in ROI timelines led to mixed feedback on how technology investments are impacting businesses overall. Most food retailers (68%) expect their technology expenses to increase in 2024, with 7% anticipating they will increase a lot.

Food suppliers spent almost twice the share of sales (1.9%) on technology as food retailers and are somewhat more optimistic about the impact these investments are having on their bottom lines. Most food suppliers (85%) expect to increase their technology investments in 2024.

Strategies To Enhance Ecommerce

Food industry companies are strengthening their ecommerce strategies in areas ranging from platforms to fulfillment. They are focusing on enhancing aspects including customer experience, assortments and partnerships.

KEY ECOMMERCE STATS

Following are food industry data points from FMI's ***The Food Retailing Industry Speaks*** 2024. This data reflects ecommerce information from 2023, the latest year for which FMI data is available.

SALES: Almost all food retailers now have online sales (88%), but only 34% saw online sales increases over 2022.

SKUs: Food retailers with online sales sold an average of more than 32,500 SKUs online.

TRANSACTIONS: Online transactions per week averaged about 25,000. The average online transaction size was $112.

PAYMENT: The vast majority of online sales are paid for with a credit card (80%). Retailers report only 16% of payments made with a debit card, with the remaining 4% using other payment methods.

SALES BY DEPARTMENT: Dry grocery (43%) and frozen foods (8%) account for significant shares of online sales. Fresh or perimeter departments represent an average of almost 40% of total online sales. The fresh sector breakdown includes produce (11%), meat (10%), dairy (12%), deli (4%), in-store bakery (1%), fresh prepared/foodservice (1%), and seafood (2%).

FINE-TUNING ECOMMERCE STRATEGIES

Retailers are enhancing ecommerce strategies based on their views about platform shortcomings, financial impacts, and their own sophistication levels. Here are more details on these factors.

- **Sophistication Level:** Food retailers, even, before the pandemic, tended to downplay their ecommerce sophistication. That self-perception persists, as only 8% assess their organization's ecommerce to be very sophisticated. A majority (58%) say their organization is somewhat sophisticated, and 34% say not very or not at all. This offers an opportunity for innovation and finetuning.

- **Profitability:** Less than half (46%) of food retailers with online sales say their ecommerce business is profitable. The percentage is slightly higher among those who use third-party platforms for ecommerce (55%). Food retailers continue to seek profitability in this segment of their business, which still only accounts for a fraction of their sales (6.0%).

- **Platforms:** Food retailers are only moderately satisfied with their ecommerce platforms (13% say very satisfied, 69% somewhat satisfied). Less than one-half (43%) say they are likely to change their platform in the next two years.

INCREASING LABOR TO SUPPORT ECOMMERCE

Food retailers plan to allocate more staff to support their ecommerce businesses (29%). Some expect to increase their workforces to handle online fulfillment (27%); in-store or curbside pick-up (26%); or delivery (23%). Some retailers are increasing space for online fulfillment (39%).

Source: FMI Food Retailing Industry Speaks 2024

PURSUING A RANGE OF FULFILLMENT STRATEGIES

Fulfillment of online orders takes place in a number of different ways.

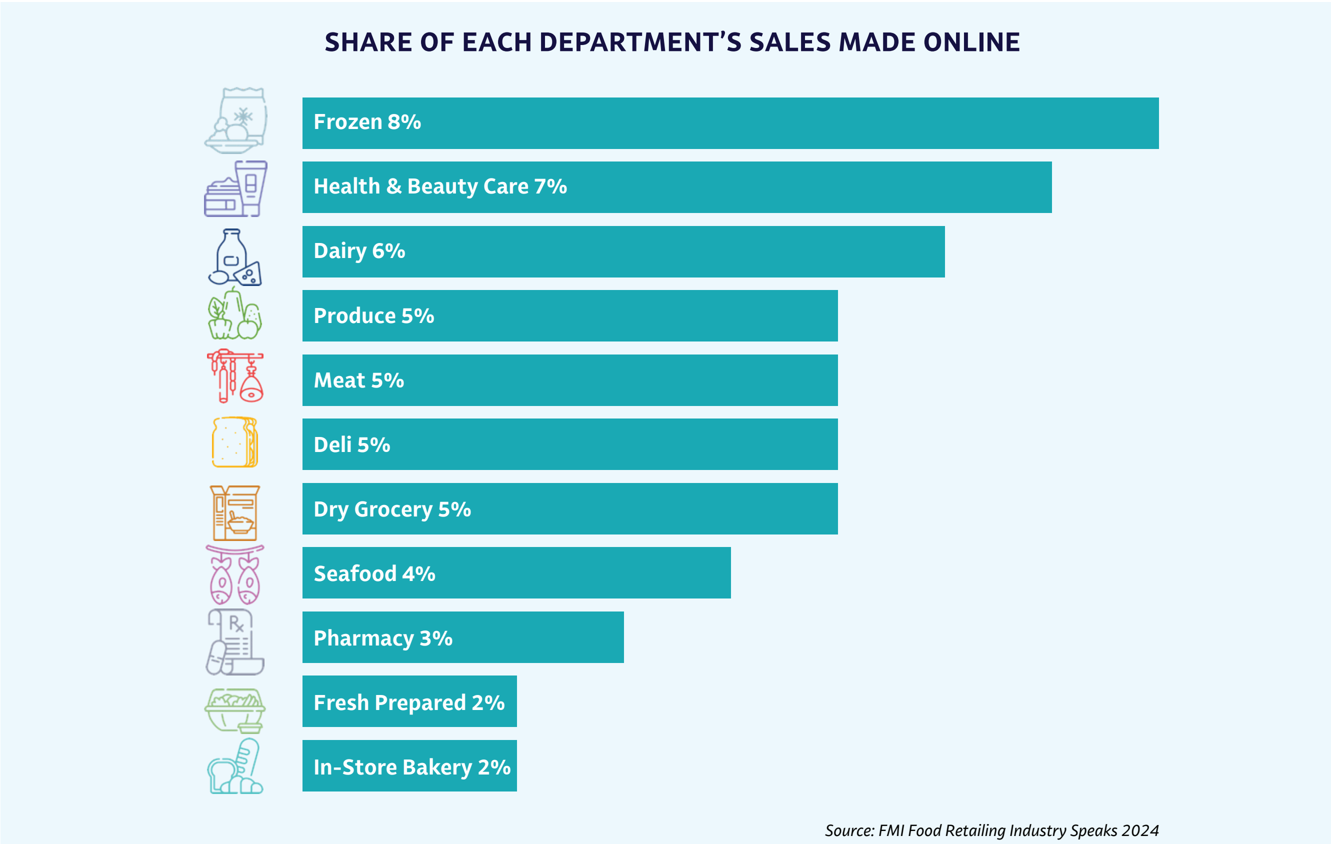
- Most retailers offer pick-up at the store, either curbside (89%) or inside (44%), which is considered the simplest to orchestrate. Some retailers offer pick-up at another location (6%).

- Many offer delivery to the shopper's home. Nearly three-quarters (73%) offer delivery by third-party or demand delivery services, and one-third (33%) by their own employees. Few food retailers (17%) expect third-party or on-demand delivery companies to become competitors.

All food retailers with online sales (100%) continue to handle fulfillment from in-store shelves. Some are taking more sophisticated approaches by using micro or automated fulfillment centers (8%); in-house warehouses (8%); and fulfillment centers that are not automated (5%).

Retailers with online sales evaluate whether to handle all logistics in-house, rely on third parties or pursue a combined approach. In the first year of the pandemic, Speaks found most food retailers took a go-it-alone approach by selling online through their own platforms. While many still rely on their own ecommerce platforms (26%), a significant share of food retailers with online sales are partnering with third parties (26%) or using a combination of own- and third-party ecommerce platforms (48%).

SHARE OF EACH DEPARTMENT'S SALES MADE ONLINE

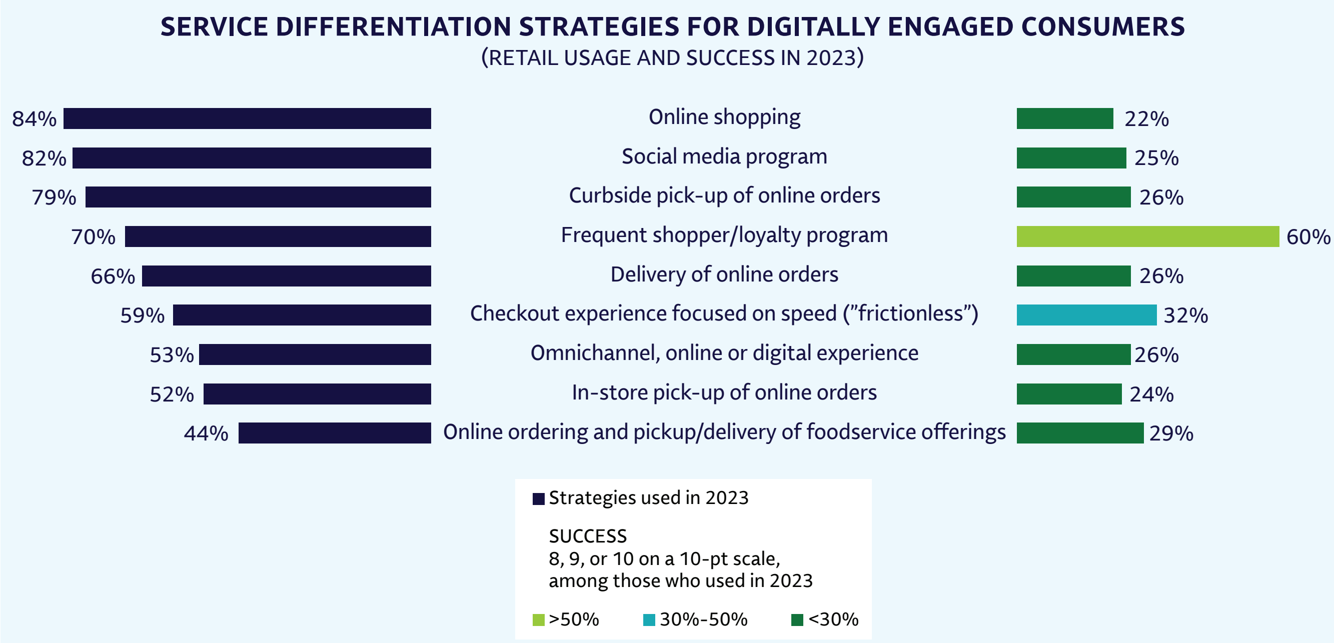


RETAILERS GAUGE COMPETITION BY FORMAT

More than half of retailers responding to the *Speaks* survey said they experienced negative impacts on their businesses in 2023 from a range of competitors. These included online retailers selling food; non-traditional food retailers (not online); traditional food retailers; restaurants; and companies selling direct to consumers.

Industry Energizes Consumer Experiences

The food industry is focusing on strategies to enhance experiences for digitally engaged shoppers. These include approaches for in-store payment and checkout, ecommerce fulfillment and marketing and communications.



Source: FMI Food Retailing Industry Speaks 2024

GROWTH OF RETAILER SERVICE DIFFERENTIATION STRATEGIES OVER TIME:

SERVICE DIFFERENTIATING STRATEGIES	Used in 2019	Used in 2020	Used in 2021	Used in 2022	Used in 2023
Online shopping	59%	75%	80%	70%	84%
Checkout experience focused on speed ("frictionless")	38%	44%	46%	45%	59%
In-store technology such as robotics, artificial intelligence, etc.	10%	9%	15%	12%	15%
Omnichannel, online or digital experience	NA	9%	43%	38%	53%

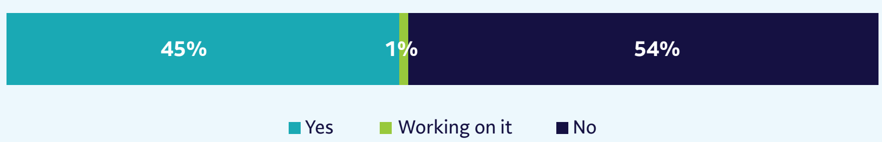
Source: FMI Food Retailing Industry Speaks 2024

IN-STORE INITIATIVES IMPROVE SHOPPER EXPERIENCES

Scan-and-Go

Nearly half (45%) of food retail survey respondents offer scan-and-go technology, compared to just 26% in 2019.

PROVIDE IN-STORE SCAN-AND-GO TECHNOLOGY

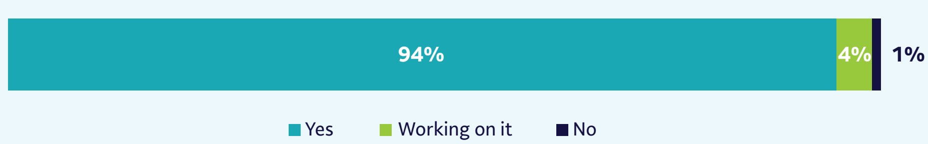


Source: FMI Food Retailing Industry Speaks 2024

MOBILE PAYMENTS

Mobile payments are another way to speed up the checkout process and help it become more "frictionless." Acceptance of this form of payment is now almost universal among retailers. All responding retailers who accept mobile payments now accept Apple Pay. Additionally, food retailers are accepting their store-created wallets (77%) and QR codes (57%).

ACCEPTS MOBILE PAYMENTS



Source: FMI Food Retailing Industry Speaks 2024

FROM DIGITAL TO PRINT — FOOD INDUSTRY EYES STRATEGIC APPROACHES TO MARKETING

The food industry continues to pursue a wide range of approaches to reach broad customer bases, ranging from traditional to emerging strategies.

- **Food Retailers Mix It Up:** Two of the most frequently used communications platforms are also among the most effective — email and in-store signage. Facebook and Instagram are the most-used social media platforms. Printed circulars are still employed by almost 70% but are very effective for only about 40% of those using them. Retail media networks, a strategy included for the first time in *Speaks*, are used by about a third of retailers and very effective for about a third of that group.
- **Suppliers Embrace Digital:** The most-used marketing platforms by suppliers are digital: Facebook, Instagram, digital circular, retail media networks, and mobile marketing/ads. Social media networks score relatively high as effective tools for suppliers, as do TV ads, apps, printed circulars, and in-store promotions. Retail media networks are used by 87% of suppliers and are very effective among 38% of those using them.
- **TikTok Shines for Suppliers:** TikTok isn't the most frequently used social media platform for suppliers, but it is a core strategy as 67% use. Even more compelling, 78% of suppliers using TikTok find it very effective. This finding shows how suppliers are taking innovative approaches to connect with customer bases — especially younger ones.

TOP MARKETING AND COMMUNICATION STRATEGIES

	Facebook	In-store Signage	Instagram	Digital Circular	Printed Circular	YouTube	TikTok
Retailers	97%	93%	88%	86%	68%	49%	31%
Suppliers	93%	67%	93%	87%	73%	67%	67%

Source: FMI Food Retailing Industry Speaks 2024

The majority of food industry (retailers 58%, suppliers 63%) cite positive impact of "new ways of marketing and communicating with consumers (social media, mobile ads, retail media networks, etc.)" Retail Media Networks are utilized by almost all suppliers (87%) and about a third of retailers.

Questions to Drive Further Thought

No two food industry companies are exactly alike. Each organization will need to interpret the NIQ and FMI findings based on the specifics of their businesses and customer bases. Here are some questions to help leaders translate the insights into action steps.

1-Digital Engagement: The research found that consumers are shopping and pre-shopping across channels by leveraging ecommerce, apps, websites, social commerce, and other platforms. Is your organization positioned to take advantage of these opportunities? For which of these opportunities do you expect to prioritize investments in the coming 12 to 18 months?

2-Ecommerce Readiness: The NIQ outlook found that total U.S. online sales are expected to reach $388 billion by 2027. How can your company prepare for this growth and ensure positive consumer online shopping experiences? Does your organization need to enhance product images and attributes available through its app and website? Are these attributes easily accessible through search? Are other aspects of shoppers' app expectations — such as ease of navigation; availability of customized deals and purchase histories; frequent shopper program integration; and use of updated technology — on target with shoppers' latest expectations?

3-Food vs. Nonfood: The NIQ research found that online share and growth varies according to category. Nonfood categories lead the online momentum, while food represents an area of strong potential. What are your opportunities to take advantage of the growth potential for food in ecommerce? How does this involve food categories with the strongest online growth, such as beverages, meat, prepared food and salty snacks?

4-Omnishopper Strategies: The report's findings make clear that channel fluidity — the ability of consumers to seamlessly transition between different shopping channels — will be increasingly important, especially for younger consumers. How can your organization help ensure that your shoppers benefit from seamless experiences across ecommerce, in-store, social commerce and other channels?

5-Making Investments Industry research from FMI outlined industry strategies and investments to drive technology, ecommerce and consumer experiences. How do your organization's plans line up with this overall industry picture? What more will it take to ensure the best digitally engaged shopper experiences?

Resources For More Information

FMI | U.S. Grocery Shopper Trends | 2024
https://www.fmi.org/our-research/research-reports/u-s-grocery-shopper-trends

FMI | U.S. Grocery Shopper Trends: Online Shopping | 2024
https://www.fmi.org/forms/store/ProductFormPublic/u-s-grocery-shopper-trends-2024-online

FMI | The Food Retailing Industry Speaks | 2024
https://www.fmi.org/our-research/research-reports/food-retailing-industry-speaks

FMI | The Power of Private Brands | 2024
https://www.fmi.org/forms/store/ProductFormPublic/power-of-private-brands-2024

FMI | The Power of Foodservice at Retail | 2024
https://www.fmi.org/forms/store/ProductFormPublic/power-of-foodservice-at-retail-2024

NIQ | The Ultimate Guide to Omnichannel | 2024
https://nielseniq.com/global/en/insights/education/2024/the-ultimate-guide-to-omnichannel/

NIQ | A Pulse on Next Gen Customer Journey Solutions | 2024
https://nielseniq.com/global/en/insights/report/2024/the-evolution-of-the-customer-journey/

NIQ | Reclaiming Food and Beverage Sales: Key Strategies for Success in the Digital Era | 2024
https://nielseniq.com/global/en/insights/analysis/2024/reclaiming-food-and-beverage-sales-key-strategies-for-success-in-the-digital-era/

NIQ | What July's Prime Day 2024 performance could mean for the holiday shopping season | 2024
https://nielseniq.com/global/en/insights/analysis/2024/what-julys-prime-day-2024-performance-could-mean-for-the-holiday-shopping-season/

NIQ | Navigating the U.S. Gen Z Market: Opportunities and Challenges | 2024
https://nielseniq.com/global/en/insights/analysis/2024/u-s-gen-z-market/

NIQ | The Evolution of Beauty Retail and Why Brands May Need to Re-Think Their Go-to-Market Strategies | 2024
https://nielseniq.com/global/en/insights/commentary/2024/the-evolution-of-beauty-retail-and-why-brands-may-need-to-re-think-their-go-to-market-strategies/