

THE WHY? BEHIND THE BUY™

14th EDITION



ACOSTA

In the latest edition of *The Why? Behind The Buy™* Acosta analyzes the existing and emerging generations of grocery shoppers – not just how their preferences vary by age, but how the era in which they grew up impacts their behaviors. Acosta's research provides insight into how these five generations are changing the grocery landscape and how brands and retailers should adapt.

Five Generations of Shoppers

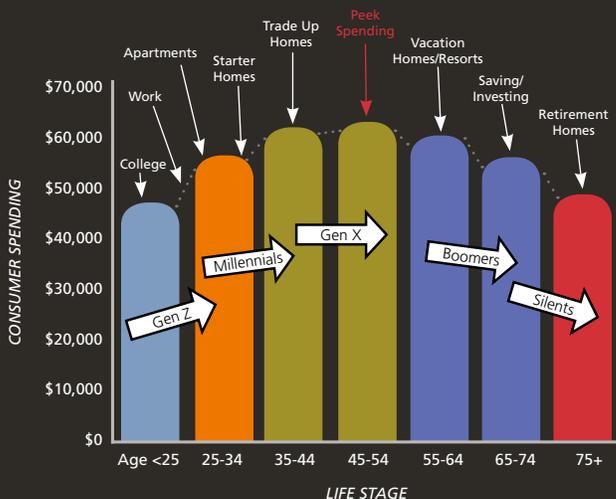
There's no doubt the grocery shopping landscape is changing. Birth rates are declining, the population is aging, households are getting smaller, and for the first time ever there are FIVE distinct generations of shoppers. Each of the five generations has distinct characteristics and attributes that influence their shopping preferences, behaviors, and ultimately, purchasing decisions.

	Gen Z	Millennials	Gen X	Boomers	Silents
Age/Birth Years	12-21 1996-2005	22-36 1981-1995	37-52 1965-1980	53-71 1946-1964	72+ Before 1946
Population Size¹	42.1 million (7% of shoppers 18+)	67.1 million (27% of shoppers 18+)	65.7 million (26% of shoppers 18+)	72.1 million (29% of shoppers 18+)	27.5 million (11% of shoppers 18+)
Average Household Size²	3.18	2.85	2.92	2.78	1.87
Average Spend Per Month on Groceries²	\$269	\$298	\$380	\$314	\$287
Key Differentiators	Not big spenders – yet –but they're dedicated to healthy, organic food, and make frequent trips to the store	Using technology to shop and save, and they're not particularly brand loyal– but they're driven by speed, convenience and variety	Biggest spenders on groceries, loyal to their brands, and big users of digital coupons	Downsizing, technology-capable, and interested in locally sourced products	Have the highest per-person grocery bill, but live on fixed incomes and are motivated by value

¹ U.S. Census Bureau, 2016 Population estimates by age, July 1, 2016
² Acosta Custom *The Why? Behind the Buy™* study, Spring 2017

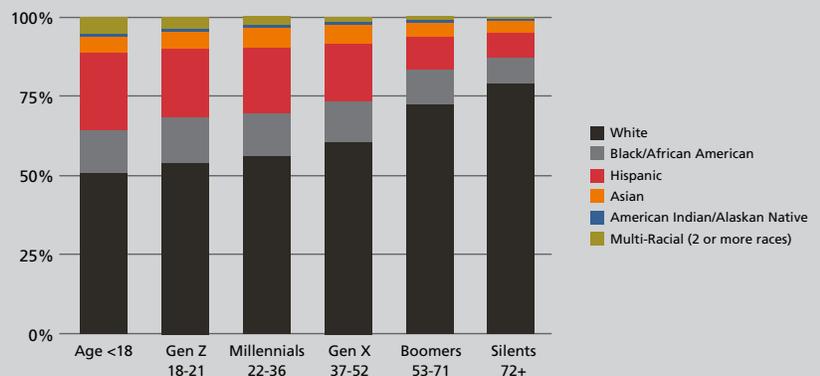
Life Stage Dictates Spending, Putting Gen X on Top ... For Now

Consumer spending is largely driven by life stage. Currently, Gen X shoppers, with kids at home, are at peak spending while Boomers are downsizing and spending less. Likewise, for the first time ever, we're seeing Gen Z emerge as an influencer in grocery spending. Following these trends, by 2025 Millennials will move toward peak spending and Gen X will be downsizing.



Younger Generations are More Diverse

Generations are becoming more racially and culturally diverse; while only 21 percent of the population ages 75 and older are non-white, 46 percent of Gen Z shoppers (ages 18-21) are non-white including 22 percent who identify as Hispanic and four percent who are multi-racial (two or more races). From 2010 to 2020, 89 percent of U.S. population growth is forecast to come from racial and multicultural growth (non-white), which is impacting what's being purchased in stores as tastes continue to diversify.



SOURCE: U.S. Census Bureau, American Community Survey, July 1, 2016 figures

Introducing Gen Z Shoppers ages 18-21

Five Things to Know about Gen Z Shoppers

1 They've never experienced life without the internet. Gen Z shoppers have the highest percentage of smartphone ownership of any generation (95 percent), and many (42 percent) use a digital grocery list, proving technology is fundamental to their lives.

2 They're multicultural. The U.S. population continues to grow in ethnic diversity and these youngest grocery shoppers are the most diverse of all, likely signaling that the exploration of authentic, global food experiences will continue.

3 They're less likely to be the primary grocery shopper. Thirty-three percent of Gen Z shoppers do about half or less of the grocery shopping for their households.

4 They know about health and wellness. Gen Z shoppers show high awareness of, and desire for, healthy food, with more than one-third of their grocery basket considered organic products on a typical trip.

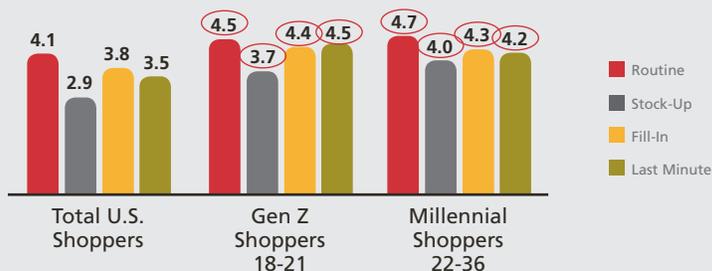
5 They're not big spenders...yet. With students making up 45 percent of this population, it's no surprise that they have the lowest reported household income of any generation, and spend the least on groceries — with a reported average of \$269 a month.



Following the Millennial Shoppers, Gen Z Shoppers Are Making More Trips to the Store

Gen Z shoppers and Millennial shoppers have a number of similarities, including the strong frequency of their monthly grocery shopping trips across trip types. Both generations indicate making significantly more routine, stock-up, fill-in and last minute trips to the grocery store each month than total U.S. shoppers, and other generations.

In an average month, about how many of each of the following types of shopping trips do you make?



○ Indicates significantly higher than Total U.S. Shoppers at a 95% confidence level

What's Next for Gen Z?

Gen Z has another six years until the entirety of the generation reaches adulthood, so it's still early to tell exactly how this generation will fit into the grocery retail landscape, or how their shopping patterns will take shape. Thanks to growing up in a similar technological landscape as Millennial shoppers, we can expect them to reflect a similar digital-savvy. Initial information indicates that some Gen Z consumers are getting brand information from online influencers (like well-known bloggers and other internet personalities), in addition to considering the brand recommendations of their family and friends.

Millennial Shoppers ages 22-36: Selective Spenders

Five Things to Know about Millennial Shoppers

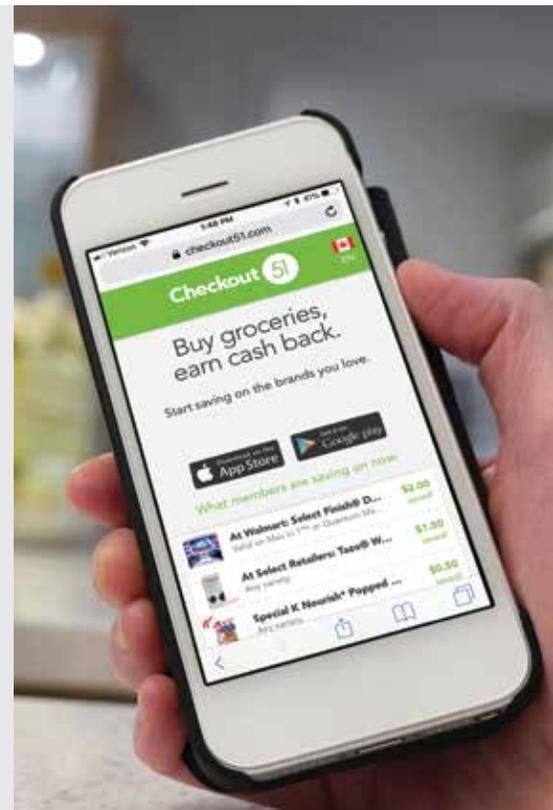
- 1 They're less brand loyal than other generations.** Retailers and brands still have time to win the hearts and wallets of Millennial shoppers. We see a dichotomy in brand engagement, as 48 percent of Millennial shoppers agree that I don't care which brand I buy, but will switch when I find a better deal, but on the converse, 45 percent of Millennial shoppers agree they like sharing their experiences with their favorite grocery brands when with family and friends.
- 2 They are price-conscious shoppers.** More Millennial shoppers are buying more store brands to save money, with 57 percent agreeing that they compare the price-per-ounce part of price tags when making a purchase decision. Efficient meal planning is important, as 61 percent of Millennial shoppers agree that I select products to create more meals at the lowest total cost.
- 3 They are interested in ingredient transparency, healthy and fresh.** Millennial shoppers show a high awareness of product ingredients and sourcing, so brands need to be transparent, and focus on fresh and healthy ingredients. Six in ten Millennial shoppers indicate they usually look at a product label or packaging before buying, and 48 percent agree that we eat healthy foods even though they are more expensive, which is counter to their price-conscious nature.
- 4 They're driven by speed and convenience.** Across generations, they spend the least amount of time grocery shopping. Fifty-eight percent of Millennial shoppers agreed that they try to do their shopping as quickly as possible, with 51 percent of Millennial moms agreeing I'd like some help grocery shopping faster, so I can spend less time in store.
- 5 Millennial moms matter.** Almost half of Millennial shoppers (46 percent) indicate having children under 18 in their household, compared to just one-third of total U.S. shoppers. With those extra mouths to feed, Millennial parents report spending an average of \$360 per month on groceries, over \$100 more per month than Millennials without children, who spend an average of \$245 monthly.

Millennials now account for 27 percent of U.S. shoppers ages 18+ and come with lots of spending power. While their current reported monthly grocery spending is similar to total U.S. shoppers, by 2025 that figure will likely increase significantly, as they approach their peak spending years and add children to their household.

Let's Get Digital

Like Gen Z, Millennials are digital natives, so it's natural for them to use technology while grocery shopping. Sixty percent of Millennial shoppers are using mobile apps for grocery coupons or discounts, significantly more than any other generation. The most popular apps reported were Ibotta (27 percent) and Checkout 51 (24 percent). Compared to Boomer shoppers, twice as many Millennial shoppers indicated that they use mobile technology to compare prices while they shop, and more than three times as many Millennial shoppers looked up health and nutrition information about specific products while shopping.

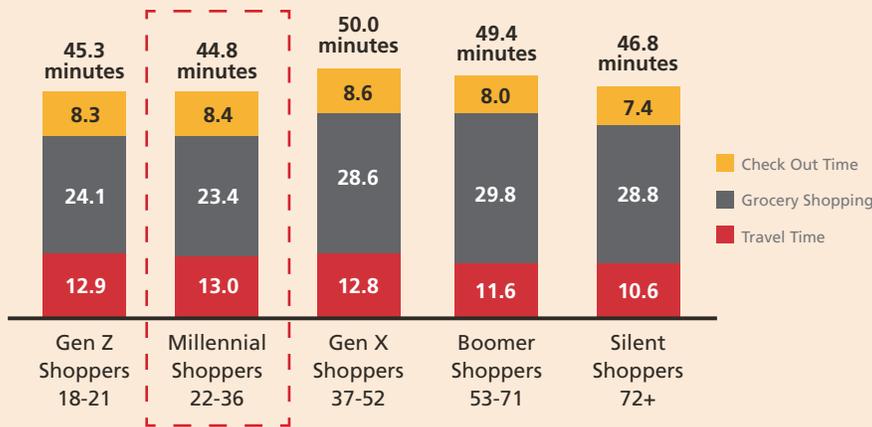
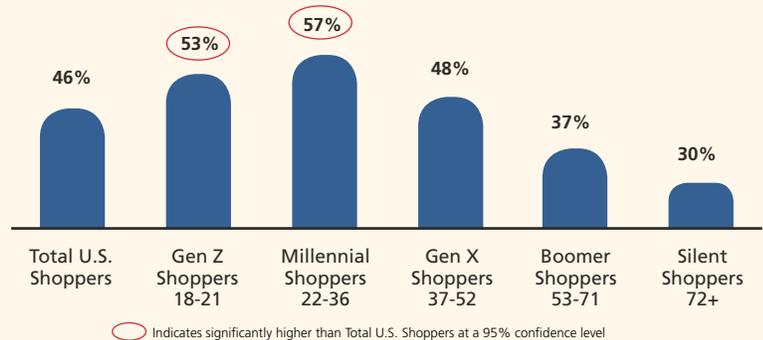
Using Mobile Technology while Shopping (% Shoppers indicating the digital behavior was extremely or very important when grocery shopping)



Gravitating Toward Store Brands

Millennials are willing to spend more on things like travel, experiences and pets, but will save on expenses like car payments, phone land lines and cable TV. Another way they save? Buying store brands. Almost six out of ten Millennial shoppers agreed they purchase store brands to save money, significantly more than any other generation, with Gen Z shoppers not trailing much behind.

Buying more store brands to save money
 (% Shoppers indicating the statement: *Describes me perfectly/Describes me very well*)



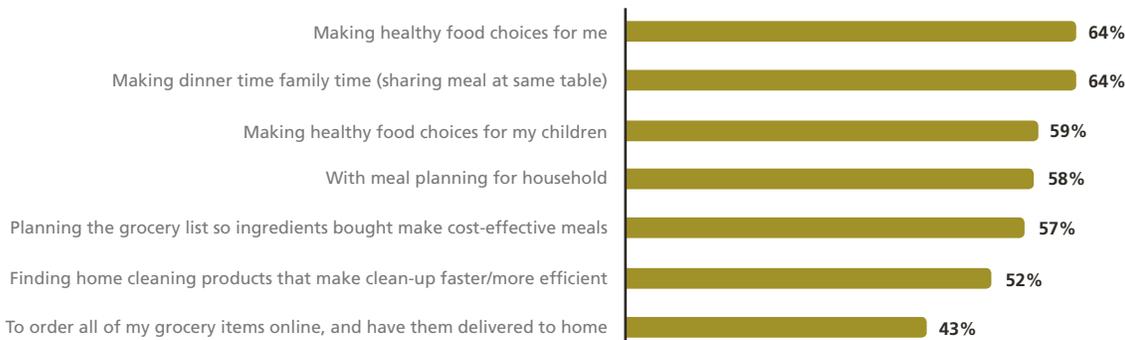
Speedy Shoppers

Although seven out of ten Millennial shoppers indicate they enjoy grocery shopping, that affinity doesn't translate to more time spent shopping in the store. As compared to other generations, Millennial shoppers report spending the least amount of time grocery shopping. They reported spending an average of just 23.4 minutes grocery shopping and less than 45 minutes for the total grocery trip, including travel and checkout time.

Millennial Moms Matter

Almost half of Millennial shoppers (46 percent) indicate having children under 18 in their household, compared to just one-third of total U.S. shoppers. With those extra mouths to feed, Millennial parents report spending an average of \$360 per month on groceries, with the majority of Millennial moms handling the grocery shopping duties for their household. They also report that 44 percent of household weeknight dinners are typically not eaten together as a family. When asked about the areas where Millennial moms could use help, it's no surprise that many prioritized making dinner time family time in addition to help making healthy food choices.

Percent of Millennial Mom Shoppers wanting help:



Gen X Shoppers ages 37-52: Spending Big & Digital Adapters

Five Things to Know about Gen X Shoppers

- 1 They're big spenders.** Gen X may make up only a quarter of the shopper population, but they account for roughly 31 percent of consumer spending, shelling out significantly more than all other generations and spending an average of \$380 on monthly groceries.
- 2 They're cynical - but have the highest brand loyalty.** Lost between two louder cohorts, the Millennials and Boomers, Gen Xers get the reputation for being cynical – but they boast the highest rate of brand loyalty at 70 percent, according to eMarketer. Our research indicates they are less engaged with store brands than younger generations, and 48 percent of Gen X shoppers agreed that I am passionate about my favorite grocery brands.
- 3 They grew up before the internet.** The Gen X population learned to adapt to digital technology in early adulthood, leaving them with one foot in the past and one foot in the future. Many Gen X shoppers have embraced grocery digital marketing, alongside supporting more traditional 'analog' marketing, like coupons available at the shelf.
- 4 They're adventurous grocery shoppers.** They enjoy preparing new dishes, get recipe ideas online and often try new items; with 60 percent of Gen X shoppers agreeing they often check out new items in the grocery store.
- 5 They spend on natural and free-from foods.** Compared to total U.S. shoppers, significantly more Gen X shoppers have purchased grocery items containing all natural ingredients, products that are hormone free, antibiotic free and gluten free, as well as items containing probiotics.



Spending Big, Saving Big with Digital Coupons

While Gen X shoppers are not always in the lead in using grocery digital tools, significantly more redeemed digital grocery coupons in the past month, as compared to other generations, including coupons downloaded to a shopper card and coupons printed from a coupon or retailer website.

In the past month, please tell us what types of coupons you've redeemed for grocery items? (Select all that apply)



Please indicate how much you agree with each of the following statements (% Top 2 Box: Strongly Agree/Agree)	Total U.S. Shoppers	Gen X Shoppers 37-52
I enjoy preparing new dishes	59%	66%
I get recipe ideas online	56%	61%
I often check out new items in the grocery store	56%	60%
I enjoy the experience of shopping for ingredients to prepare meals that I planned for me/my household	53%	57%
I often try new flavors/products	53%	59%
I enjoy the experience of planning meals for me and/or my household	52%	59%

□ Indicates significantly higher than Total U.S. Shoppers at a 95% confidence level

Experience Matters

Although not always recognized due to the influence of other generations, significantly more Gen X shoppers agree that they enjoy the experience of meal planning, grocery shopping, and preparing meals for themselves and their household. Almost six out of ten Gen X shoppers indicated they often try new flavors and products and search out new recipe ideas online.

Boomer Shoppers Ages 53-71: Still Driving Change

Five Things to Know about Boomer Shoppers

- 1 They are technology-capable.** Although most Boomers depend on traditional media, and prefer shopping in brick-and-mortar stores, they do engage with digital and mobile technology.
- 2 They are down-sizing but not in all ways.** Although many Boomer households are down-sizing in household size, they are still big grocery spenders. Brands should explore opportunities to deliver product configurations and package portions that fit with these smaller household sizes.
- 3 They are brand loyal.** Boomer shoppers told us they are buying 82 percent of the same brands as they bought last year, and significantly fewer prioritized buying private label products. Retailers should keep in mind that Boomer shoppers also have a sense of nostalgia, which extends to local products and those 'Made in the USA'.
- 4 Health and Wellness is now an imperative.** Boomers want to continue to 'feel young' and as many plan to keep working, they need the support of a healthful diet, added vitamins and supplements to fill-in nutritional gaps, and OTC/prescription medicines, to help them to lead busy lives well past their 60s, and into their 70s and 80s.
- 5 No 'empty nest' as Boomers add pets.** Boomer households are important pet owner households, and second only in size to Millennial households. Boomers strong discretionary spending provides the opportunity for the associated sales of all of the necessary pet food, treats and other supplies needed for the Boomer pet parents.



Boomers shoppers account for 29 percent of all grocery shoppers; the sheer size of their population alone gives them a lot of purchasing power. "Staying young" is key, especially considering more than seven in 10 Boomer shoppers plan to continue working over the next five years. At least half of Boomer shoppers also plan to stay in the same area over the next decade. This is good news for retailers looking for a loyal customer base, as 93 percent of Boomer shoppers also indicated that they grocery shop most often at the same retailer as last year. Brand loyalty is strong, with Boomer shoppers indicating they are buying 82 percent of the same brands as last year.

Please tell us approximately what percentage of the grocery brands you purchased in the last six months are the same grocery brands that you also purchased last year? (0% to 100%)

 Indicates significantly higher than Total U.S. Shoppers at a 95% confidence level.



Silent Shoppers Ages 72+: Still Spending on Groceries

Five Things to Know about Silent Shoppers

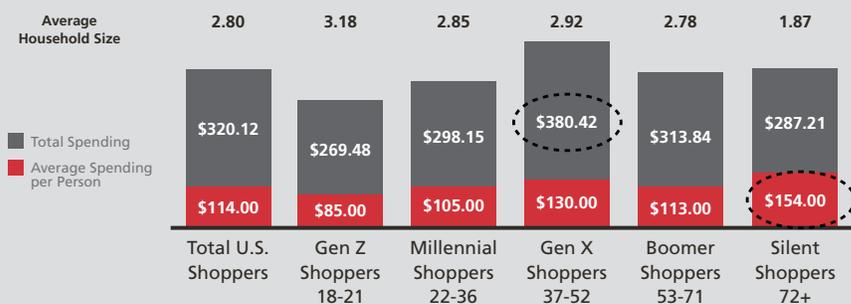
- 1 They are important grocery spenders.** Silent shoppers are spending the most per person on monthly groceries across all of the generations.
- 2 They expect good value.** Retailers must appeal to Silent shoppers' sensible nature, focus on value and their "waste not, want not" philosophy. Silent shoppers are also big redeemers of print coupons, with nine out of ten indicating they've redeemed a paper coupon type for grocery items in the past month.
- 3 They need store associates.** In-store associates are a retailer's best brand ambassador for Silent shoppers, who would like to be recognized, and supported with their in-store shopping experience.
- 4 They may need store layout modifications.** Store signage should be easy to read, and store aisles and sections should be easy to navigate for this older generation, who may well be less mobile and agile than their younger shopper counterparts. Vision and hearing impairments may also impact their shopping experience.
- 5 They may need packaging modifications.** Silent shoppers ability to lift packaging based on its' weight or size (like beverage multi-packs) needs to be addressed in offering a variety of package sizes that also offer value in 'smaller' count configurations. Vision impairments may also make package information difficult to read. Consider minimum typeface sizes that are legible for readers of all ages.

Raised by depression-era parents, the Silent generation chose traditional careers, stuck with them, and were generally prudent with their retirement accounts — and now are financially stable. These shoppers are still focused on value and brands they can trust, as many are living on a fixed budget.

Highest Per-Person Grocery Spending

Silent shoppers are in smaller households, but are actually spending the highest amount on monthly groceries per person across all of the five generations. Although Gen X shoppers reported spending the most on monthly groceries, their larger household size reflects a lower spending per person.

In an average month, about how much does your household spend on groceries? (Spring 2017 Average Spending)



Spending on Groceries, Not Eating Out

With Silent shoppers, grocery shopping has less competition for their monthly food budget from dining out of home than any other generation. Silent shoppers spend the least amount of their total monthly food budget on eating out. This may be due to them living on a fixed income, with 77 percent of the Silent shoppers reported monthly food budget being spent on groceries, versus 71 percent of total U.S. shoppers, and only 65 percent of Millennial shoppers monthly food budget spent on groceries.



Acosta is the sales and marketing powerhouse behind most of the trusted brands seen in stores every day. The company provides a range of outsourced sales, marketing and retail merchandising services throughout the U.S. and Canada. For 90 years, Acosta has led the industry in helping consumer packaged goods companies move products off shelves and into shoppers' baskets. For more information, please visit www.acosta.com.

The Why? Behind The Buy™ survey is fielded biannually and this publication is based on the 15th and 16th edition studies fielded in Fall/Winter 2016 and Spring 2017, respectively. Both studies were completed using Acosta's proprietary Shopper F1rst™ methodology.

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