

Grocery Stores Remain Essential, Perform Strongly with In-Person and Online Sales

Going to the supermarket has been a familiar and comforting ritual for many American consumers for decades. Although 2020 presented many changes and challenges, shoppers continued to make regular trips to the grocery store for fresh food or stockpiling of certain items.¹

As a matter of fact, grocery stores were at the top of the essential category as they sell a wide variety of basic necessities that consumers purchased over the past year.² Today's grocery experience offers a range of brick-and-mortar and online shopping options, including home delivery apps that bring groceries right to the doorsteps of consumers at their preferred day and time. Grocery store sales have grown exponentially over the last five years due to a strong U.S. economy, and these necessity-based

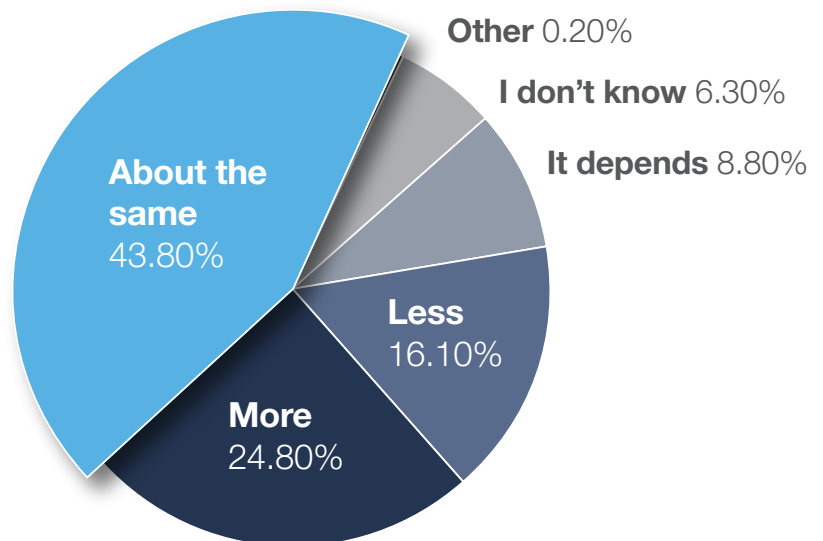
Grocery stores are deemed as essential retailers and therefore the effects of the pandemic have had minimal impact on this asset type.

retailers are expected to perform even during difficult economic times.³ Prior to 2020, Americans found themselves with extra disposable income and many consumers shifted spending habits to purchase premium, organic and all-natural branded foods, helping the industry grow. The grocery industry experienced an exponential increase in grocery sales in 2019, topping the year off at \$695 billion⁴, including online and in-store sales. Even during a challenging 2020, grocery sales reported \$759 billion⁵ at year-end and experts project grocery store sales will continue to grow through 2025.³

While 2020 may have changed some consumer shopping habits – and the year accelerated the evolution to online shopping, even for groceries – there is a large segment of the population that continues to want to venture out and have in-store experiences. According to a consumer behavior report by research firm, Raydiant, 46 percent of its respondents prefer in-store shopping over online.⁶ Retailers may use the in-store experience as a competitive advantage, by providing good customer service and connecting emotionally with shoppers, while significant product research and price comparison may happen online. Consumers are likely to return to a store if they had a positive experience.⁶

Shopper Survey

Do you believe you will shop in physical locations more, less, or the same compared to 2020?⁶



Another study conducted by Mercatus and Incisiv, grocery market analytical change firm, found that 78 percent of consumers prefer the brick-and-mortar grocery versus online shopping experience.⁷ The preference to either shop inside the grocery store or pick up curbside indicates that shoppers remain loyal to retailers with a physical store presence.⁸ As consumers continue to spend more time at home, many are focused on eating at home, thus supporting grocery sale revenue.



The opportunity to go to a physical store is still attractive to many and this may be an opportunity for brick-and-mortar grocers to focus on core experience factors that consumers value including quality and freshness of food, friendliness of staff and cleanliness of the store.⁹ Brick-and-mortar loyalty, focusing on vast food selections and store cleanliness is expected to help support increased sales revenue across grocery brands.¹⁰ Online grocery shopping is anticipated to also continue to expand, as this new ritual seems appealing to the consumer that enjoys the time savings with buying online, no lines inside stores and not having to deal with parking challenges. However, retailers are expected to use a combination of both, online and in-store shopping, to ensure success of its stores in the years to come.

Sources:

¹<https://www2.deloitte.com/us/en/insights/industry/retail-distribution/future-of-fresh-food-sales/pandemic-consumer-behavior-grocery-shopping.html>

²<https://www.globest.com/2021/02/18/the-pandemic-underscored-the-importance-of-essential-retail/>

³IBIS World. Supermarkets & Grocery Stores in the US industry outlook (2020-2025)

⁴US Census Bureau Retail Sales Data 2019

⁵US Census Bureau Retail Sales Data 2020

⁶<https://retailerleader.com/consumers-still-prefer-store-shopping>

⁷<https://www.supermarketnews.com/online-retail/online-grocery-more-double-market-share-2025>

⁸<https://www.supermarketnews.com/retail-financial/food-home-will-continue-drive-grocery-sales-2021>

⁹<https://www.supermarketnews.com/consumer-trends/supermarket-customer-satisfaction-rebounds-amid-pandemic>

¹⁰<https://www.bloomberglp.com/press-releases/2020-09-17/online-grocery-sales-projected-to-reach-250b-by-2025-according-to-new-research-from-mercatus-and-incisiv>

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- federal, state or local laws and regulations;
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