

2.20: Current Trends in Food Retail

Learning Objectives

- Discuss the current trends affecting food retailers

While the growth of channels and competitive outlets has had massive implications over the past twenty years, there are other significant factors influencing food retailing in the United States, including demographic changes, consumer demand for convenience and solutions, and cost pressure.

Specific to demographics, food retailing is being influenced by Baby Boomers, Millennials, and the increasing cultural diversity within the country. This is reflected in the focus on fresh and local foods, the rise of ethnic foods and flavors, the mainstreaming of natural and organic products, nutrition and health credentials, and single-serve and portion control.



The Rise of Healthy Food



Increasing attention to health maintenance through diet has put focus on fresh, organic and all-natural products.

In an effort to manage general health, many Baby Boomers have become more focused on diet and the role that food plays in managing wellness. As a result, manufacturers have responded by improving the health credentials of their items. This often manifests in avoidance trends such as sugar-free, fat-free and low-sodium products. For growers, producers, and retailers, this trend has also been reflected in increased consumption of fresh and local foods, primarily produce, but also extended to meat, fish, and poultry.

Millennials have also demanded a focus on fresh and local foods. Their interests lie in both a demand for authenticity and a desire to reduce the environmental impact of commercial food production. This, coupled with higher health credentials, is also at the core of the mainstreaming of natural and organic foods. Boomers and Millennials in particular reflect a belief that natural and organic foods are both “better for you and better for the environment.”

Single Living Through Food

The smaller households of Boomers and Millennials, who have put off life events like marriage, parenthood, and home ownership to later ages, compared with previous generations, mean that large pack sizes do not suit their lifestyles. Instead, these smaller

households want a smaller pack size and flexible packaging more suitable for households of 1–3 members. Smaller households also want items that are resealable so they can be put away for a later use.

Diversity in Food

Cultural changes within the country mean that the food and flavor variety the general public demands is broadening. While we can already see some changes to the assortment of products offered, we should expect this diversity to influence the shopping environment as well. For example, a lot of in-store signage and product packaging are evolving to be multi-lingual, dependent upon the demographics of the community. Imagery is also changing to reflect multiple cultures. Retailers and their associates need to understand the customs of different groups within their communities, such as halal or kosher restrictions on food handling.

Retailers are also recognizing positive social changes within the grocery market by targeting customers who value diversity and inclusion. For example, Kroger is leading the way by getting involved in their local community and actively participating in local Pride Parades. In the following video, we'll see an example of target market techniques with their participation in the Cincinnati, Ohio's Pride Parade in 2019 and the Unicorn Swirl ice cream product promotion.

The Future Is Convenient

Consumers' demands for convenience and solutions also promise changes to the food retail industry. Of course, this is not new. In fact, these same demands have been at the heart of nearly every innovation we've seen in the industry for the past 60+ years. However, the rise of technology, which encourages consumers to be online, engaged, and connected without interruption, has increased what kind of service is possible and elevated expectations.

A few decades ago during the first dotcom bubble, a host of start-ups worked hard to master grocery delivery. More recently, Amazon has raised the stakes, developing a distribution network that promises two-day delivery for most items, including sundries. They are also expanding into grocery delivery. Amazon's acquisition of Whole Foods in late 2017 sent a very clear message that it was serious about winning in the grocery space.

Amazon is not the only one acquiring companies like Whole Foods. Wal-Mart's purchase of Jet.com and Instacart's partnerships across several retailers also foreshadow that the future of retailing may not include a shopper's trip to the store. Instead, grocery shopping for the average consumer may include only a mobile app, a stored credit card number, and a delivery charge.

In addition, consumers' need for solutions has also contributed to the rise of subscription services that offer at-home delivery. Boxed.com delivers an assortment of household items, including groceries. HelloFresh, Blue Apron, and Plated deliver meal kits with pre-measured ingredients and full instructions for at-home preparation. Companies like Munchery go a step further, delivering chilled meals, which can be heated and served. Note, of course, that all these solutions remove a shopping trip and bring the product directly to the consumer's home. Many consumers are willing to pay a premium for such conveniences.

Home Automation

In addition to increasing online grocery sales, home automation in which appliances can communicate is also impacting the way people shop for food. Already, Amazon Echo is in more than 20 million homes, while Google Home is in more than 4.6 million homes.^[1] We are clearly moving toward a world where a replacement can of soup, box of cereal, or gallon of milk requires only "Alexa, order..."

Cost Pressure

Cost pressure and how it relates to labor is also affecting the industry. Wage inflation, while positive for associates, is a real concern. In light of fragmenting channels and the continued rise of online sales, both of which make brick and mortar stores less efficient, higher wages threaten to shift cost structures negatively. Expect continued efforts by large companies to reduce labor costs, either through automation with tools like self-check lanes or through expanded job roles where two associates will do the work of three.

Demographic changes within the country, consumers' demand for convenience and continued cost pressure, along with continued channel blurring, are the most significant factors facing the food retail industry. Their effects can be seen in everything from the rise of fresh and healthy products to a broadening of ethnic offerings to new grocery delivery initiatives and efforts to control in-store labor costs. These trends promise to influence the industry for years to come.

Practice Questions

<https://assessments.lumenlearning.co...sessments/9141>

1. <https://www.voicebot.ai/2017/10/27/bezos-says-20-million-amazon-alexa-devices-sold/> ↵

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