



The 2015 American Pantry Study

The call to re-connect with consumers

June 2015



Dear consumer packaged goods executive,

I am delighted to present key findings from our 2015 American Pantry Study. Deloitte first conducted this annual study in 2010 to gain a deeper understanding of consumer attitudes – and how those attitudes affect purchasing behavior. However, this year's survey is particularly important and exciting because it offers early insights into how today's consumers are responding to the US economy's belated but increasingly strong recovery. Such insights are crucial as consumer packaged goods (CPG) companies jockey for position to recapture the hearts and minds of American consumers after years of caution and penny-pinching.

Another exciting feature of this year's survey is the inclusion of ethnographical data via mobile, which uses an innovative smartphone app to capture in-the-moment insights about how food shoppers make decisions while shopping. This cutting-edge research provides deep insights that can help CPG companies increase their influence with consumers and maximize the value of their marketing investments.

This is a critical moment for CPG companies. As the US economy builds strength, consumer attitudes and behaviors could shift dramatically – creating tremendous opportunities and risks for companies in the sector. Businesses that get things right can use the economy's momentum to propel themselves to new heights. On the other hand, those that get things wrong – or move too slowly – could very well be left behind.

I hope you find the insights from this year's study valuable, and that they help your company map out a strategy for spectacular growth and success in the months and years to come.








Regards,

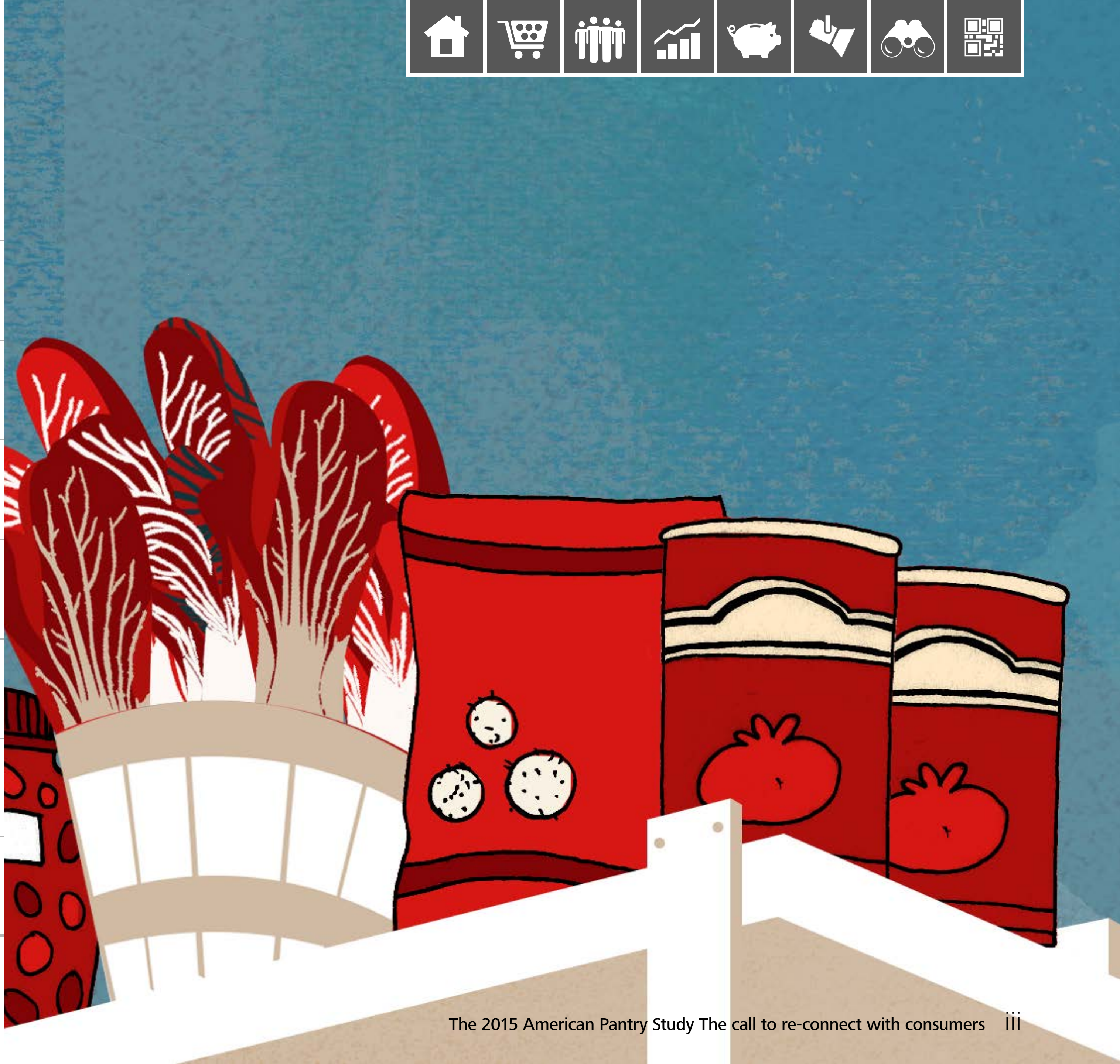


Barb Renner
Vice Chairman and US Consumer Products Leader
Deloitte LLP



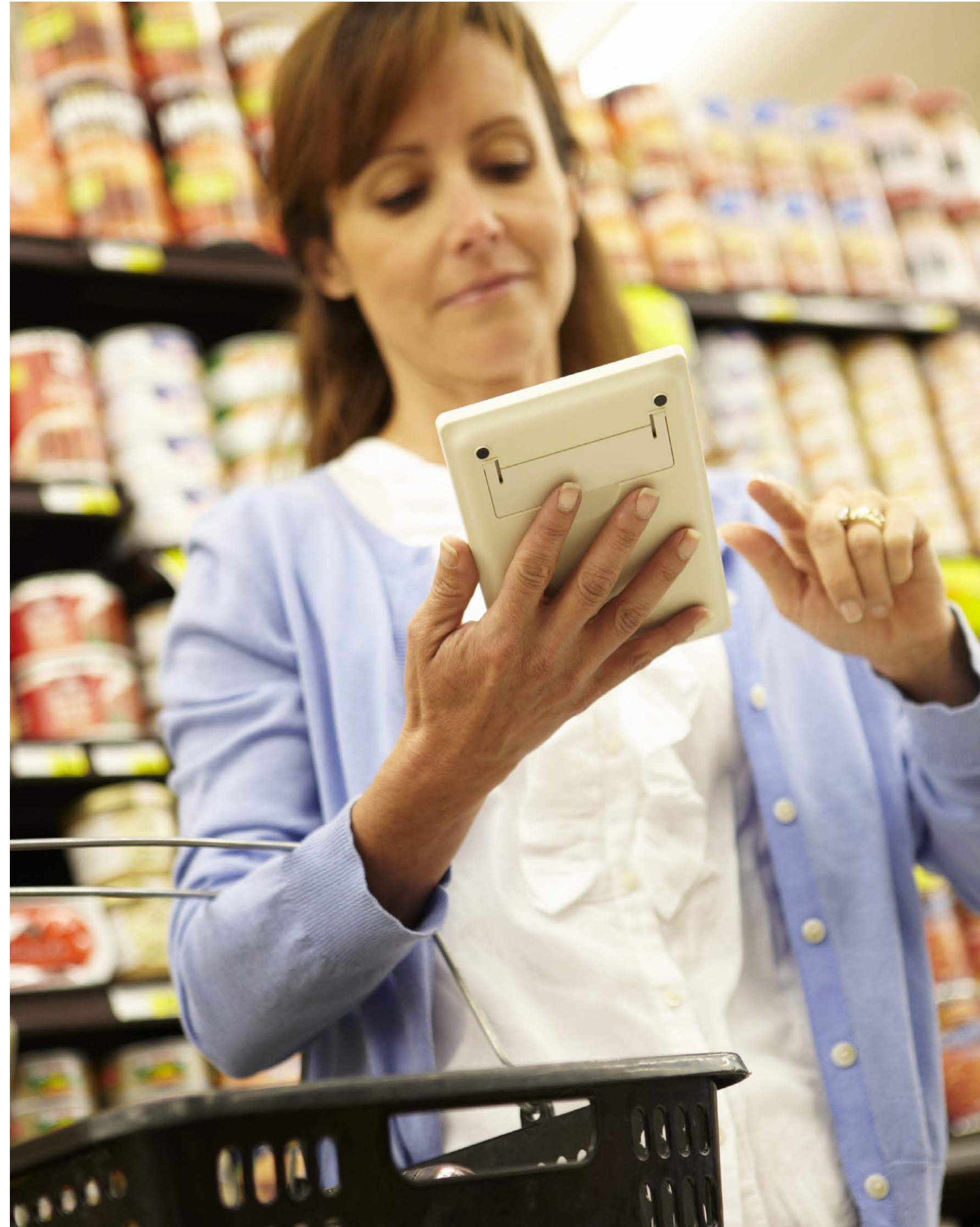
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End of the new normal?



The past several years have been long and challenging for many companies in the CPG sector. After years of economic struggles and uninspiring growth, shoppers have learned to be very careful and resourceful with their spending – holding out for lower prices, and employing a variety of techniques and approaches to stretch their dollars to the limit. Also, despite major investments in brand-building and marketing, loyalty to national brands has continued to decline across most product categories since 2010 as store brands continued to be a viable competitor.

The good news for CPG companies is that the US economy finally seems to be turning the corner and accelerating towards real recovery and growth. However, according to our survey the majority of consumers believe the economy has fundamentally changed and that tough economic conditions are the “new normal.” Most also say they will continue their resourceful ways even after the economy improves. Are consumers right? Or will they quickly revert to their old free-spending habits once the economy gets rolling?

The Great Depression of the 1930s and 1940s was an unequalled calamity that left consumers scared and scarred for generations. However, it remains to be seen whether the so-called Great Recession we are just now emerging from will have the same kind of lasting impact. The vast majority of surveyed consumers say they are entrenched in cautious, resourceful, and precise shopping behaviors. However, there is hope for CPG companies that are able to shift their brand and product portfolio to the attributes that matter most to the consumer: healthy, innovative, convenient, and customized.

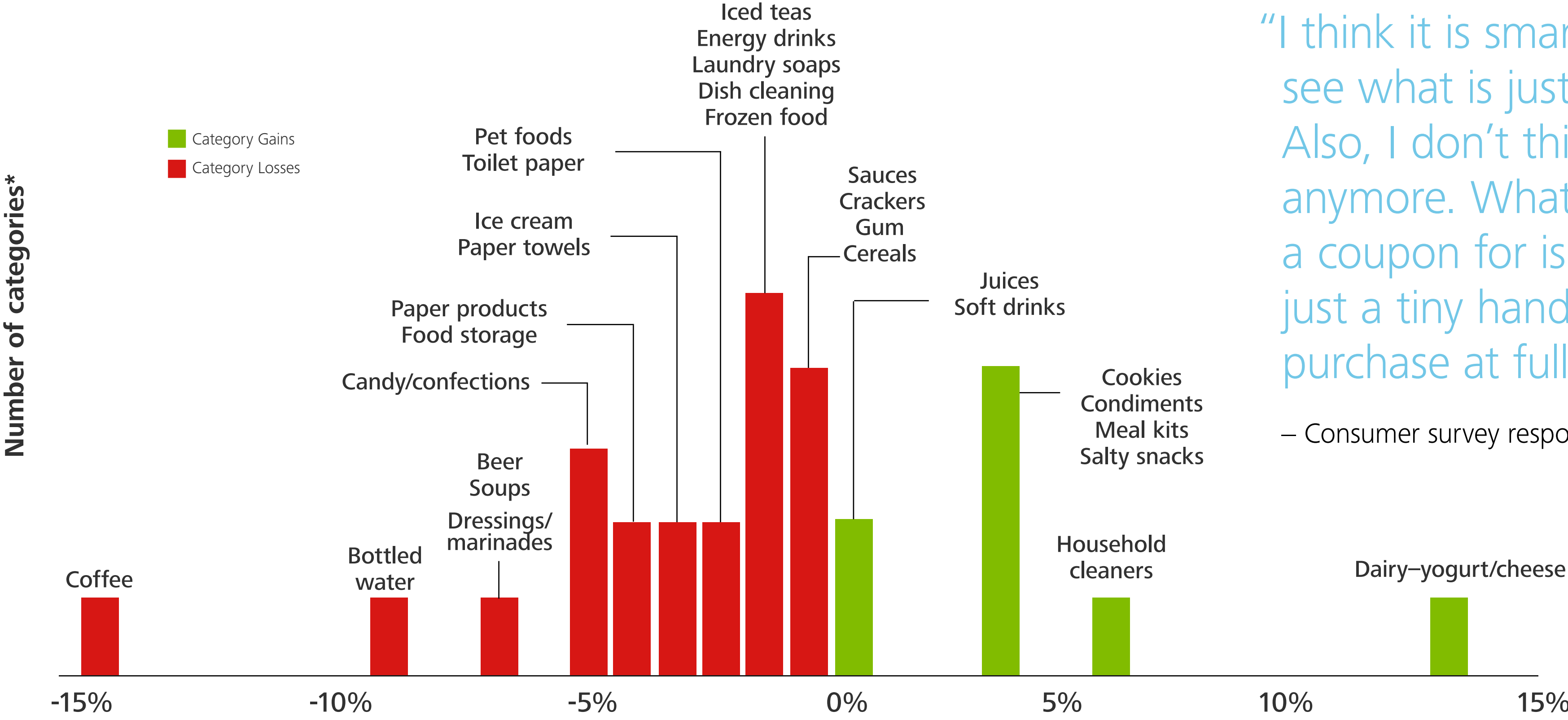
“My shopping trends have changed as a result of the economy. Some of that includes buying less food overall. Some of it involves buying much less impulsive buys. Some of it involves experimenting with local products and store brand foods.”

– Consumer survey respondent



Brand loyalty: Consumers continue to jump ship

Despite large ongoing investments in marketing and brand building, three out of four packaged goods categories have seen a decline in “must have” brand loyalty since 2011. To help stop the slide and regain lost ground, national brands need to consider new approaches to either broaden their long-term appeal to value-conscious consumers, or to re-connect with recession-weary consumers as they start to loosen their purse strings and enjoy the fruits of an improving economy.



*Comparison of 2015 loyalty scores is made with the 2011 study for the categories that were not a part of the 2010 study
 Note: Brand loyalty is measured in terms of 'Must have' ratings that depict brands that a consumer will buy whether they are on sale or not

“I think it is smart to try store brands to see what is just as good as name brands. Also, I don't think I'm brand loyal at all anymore. Whatever is on sale or I have a coupon for is what I'll buy. There are just a tiny handful of items that I will purchase at full price...”

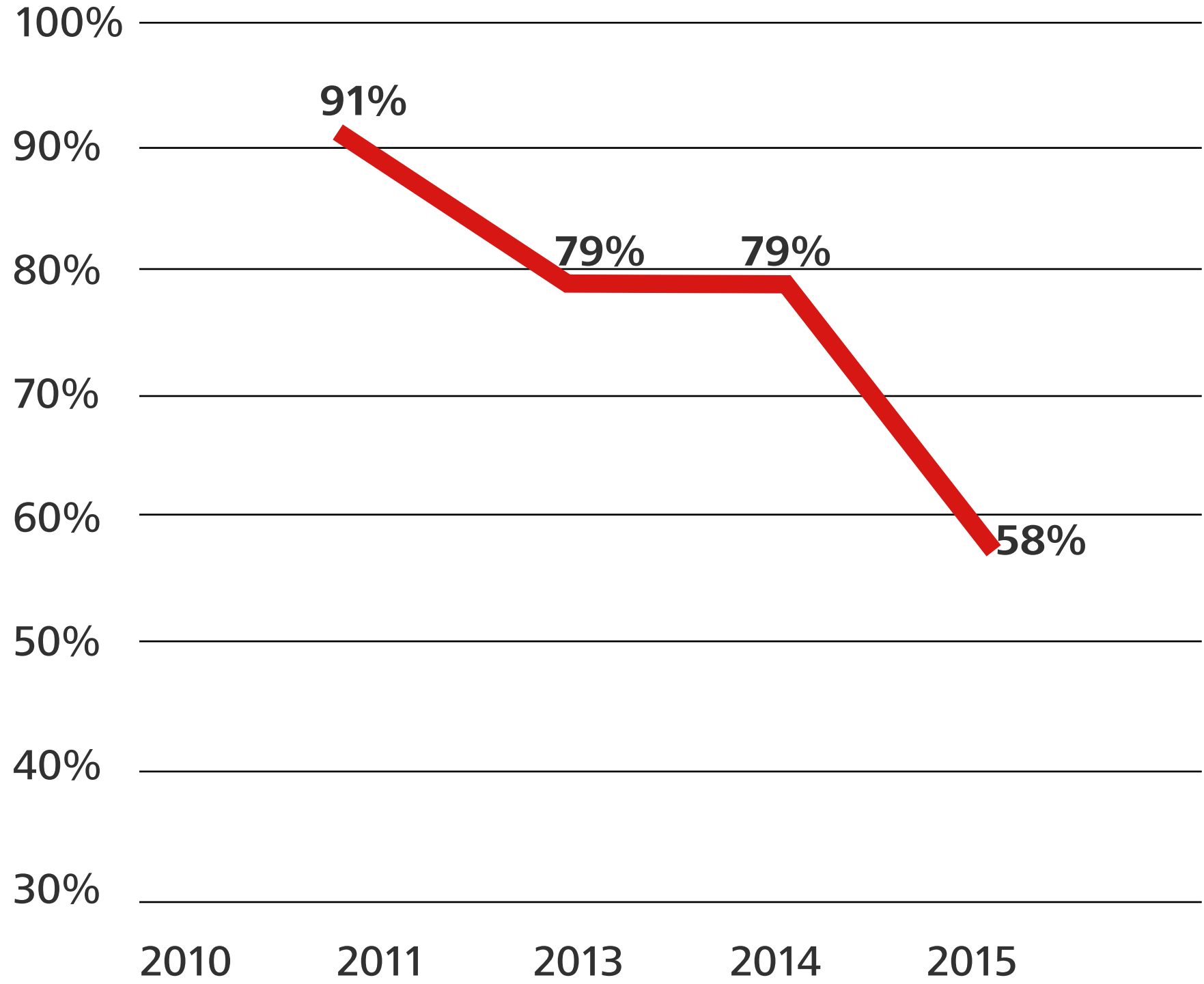
– Consumer survey respondent



Today's consumers are skeptically optimistic

Consumer sentiment is improving but still has a long way to go. Most consumers (58%) believe the US economy continues to be in a recession; however, that number has fallen dramatically since 2011. This combination of skepticism and improving optimism could be the starting point for a major shift in purchasing behavior.

I believe that the U.S. economy is currently in a recession...



“Some day, I will get back on a good financial footing. When that happens, I will abandon low quality food, whether it’s national brands, or store brands. On the other hand, I will continue to experiment with high quality store brands that perform well and have consistency...”

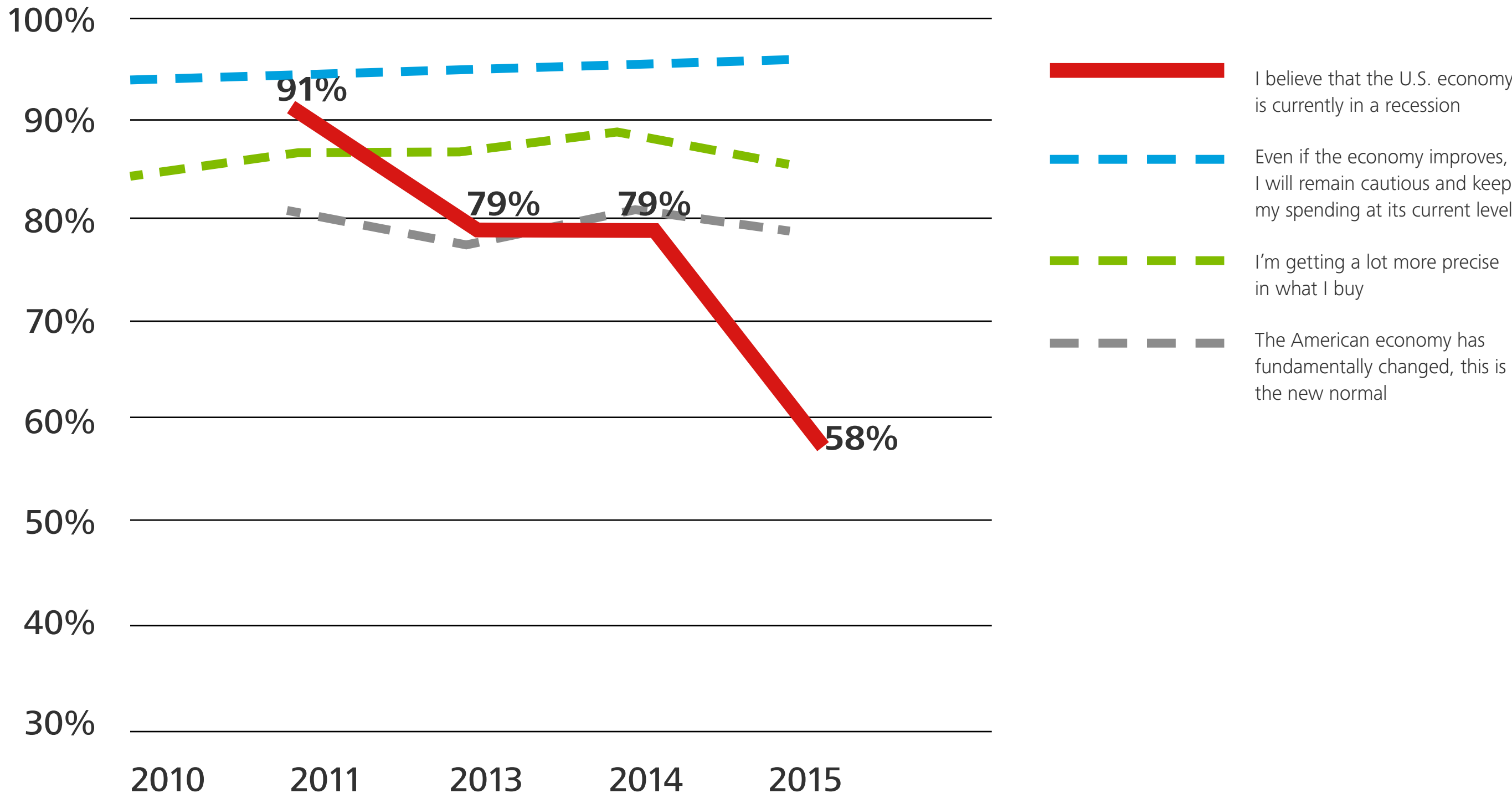
– Consumer survey respondent



Frugality: Permanent habit or passing fad?

The number of consumers who believe the economy is in a recession has declined significantly since 2011. Yet the majority (58%) still hold a recessionary view, and the number who say they will continue to spend cautiously even if the economy improves has continued to rise. What's more, nearly 80% of consumers believe the American economy has fundamentally changed and that thriftiness and challenging economic conditions are the new normal. Are they right? Or is frugality a passing fad?

... and consumer caution and precision are "the new normal"



"The economy is on the upswing, but that won't change my frugal nature..."

– Consumer survey respondent

To navigate effectively in this period of uncertainty and rapid change, CPG companies may need to make an aggressive effort to understand and anticipate shifting consumer attitudes and behaviors – and then consider ways to get in front of the prevailing trend. The following pages highlight some key insights from our 2015 pantry survey that can help companies reconnect with consumers and rebuild brand loyalty during this critical time.

Highlights from 'The 2015 American Pantry Study'

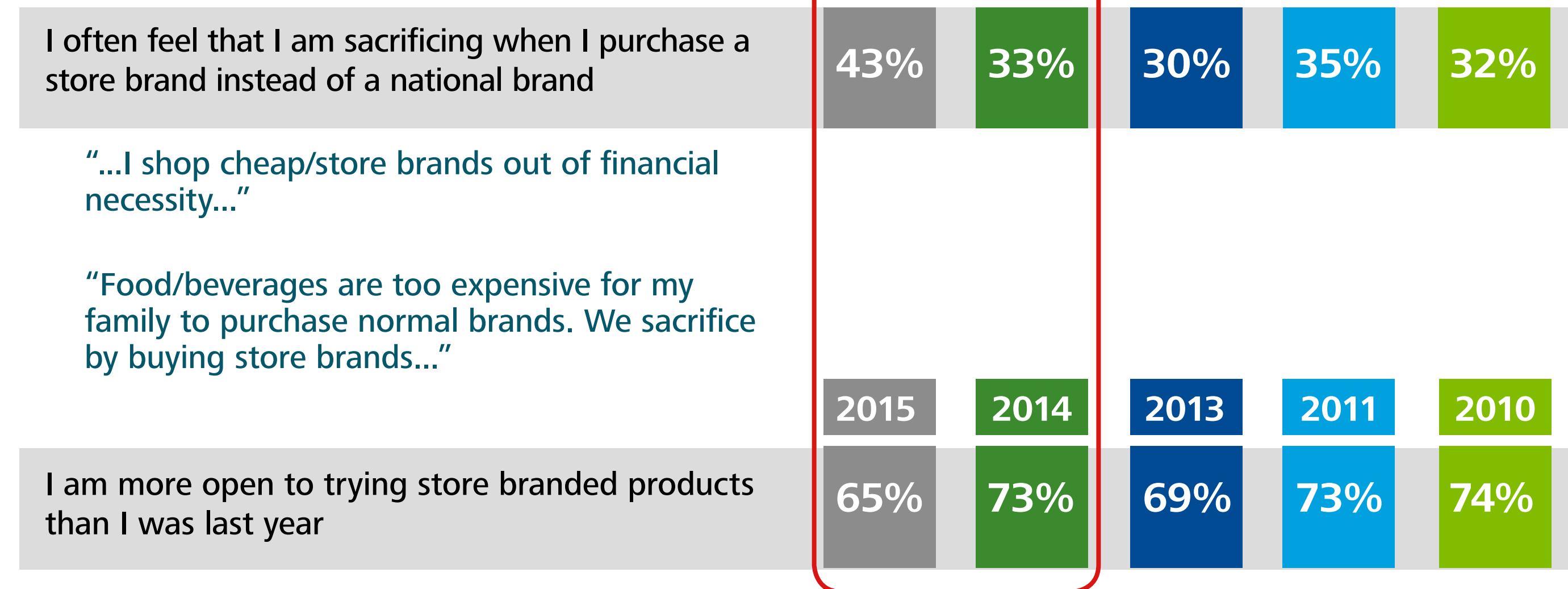
In this section

- + Changing nature of store brands
- + Consumer defined loyalty
- + Definitely digital
- + Point of purchase
- + Non-price related triggers
- + Inside the mind of the consumer
- + Health and wellness – newly defined
- + Consumers willing to pay

Signs of reversal in store brands: Losing their appeal?

Years of economic stagnation certainly helped improve the appeal of store brands. But now that the economy is building strength, a growing number of consumers are once again seeing store brands as a sacrifice and are less willing to try them. This year's survey revealed a noticeable increase in the number of consumers who view store brands as a sacrifice. There was also a sizeable drop in the number of consumers who are open to trying store branded products. This could now be a long-awaited opportunity for national brands to reverse their weakened position of declining brand loyalty.

Changing nature of store brands



"...I will continue to experiment with high quality store brands that perform well and have consistency..."

"There are many store brands that are made by nationally well known companies that are of very good quality, you just have to experiment and learn them..."



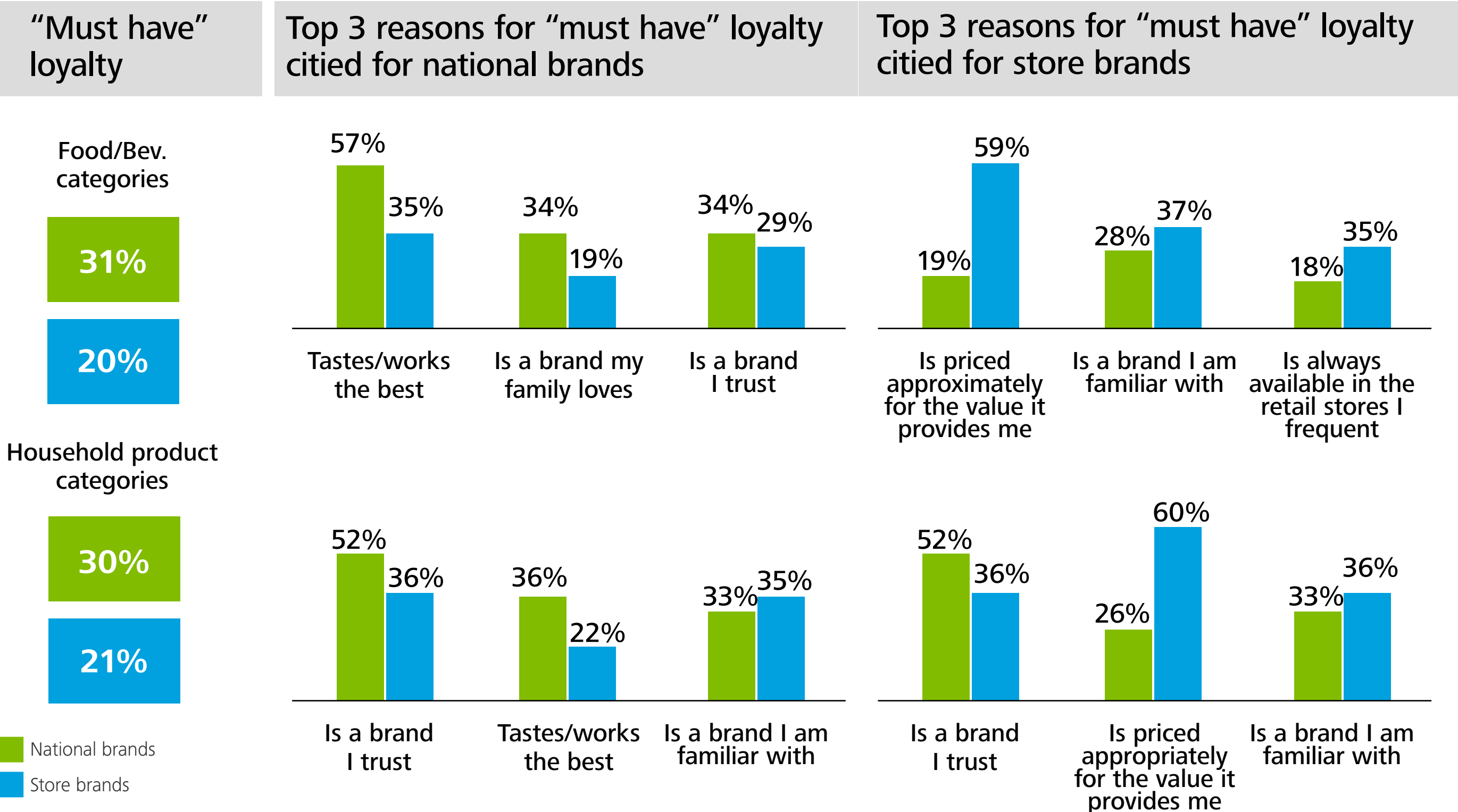
Brand loyalty: Heads vs. hearts

Consumers choose store brands for *practical* reasons such as price, familiarity and availability. On the other hand, they tend to choose national brands for *emotional* reasons, such as love and trust. As the economy improves, will consumers continue to focus on practicality – or will they return to their past behavior and follow their hearts?

“I prefer store brands because they are more cost effective. Never would I purchase a product for the brand, it makes no sense to pay extra money for a label...”

– Consumer survey respondent

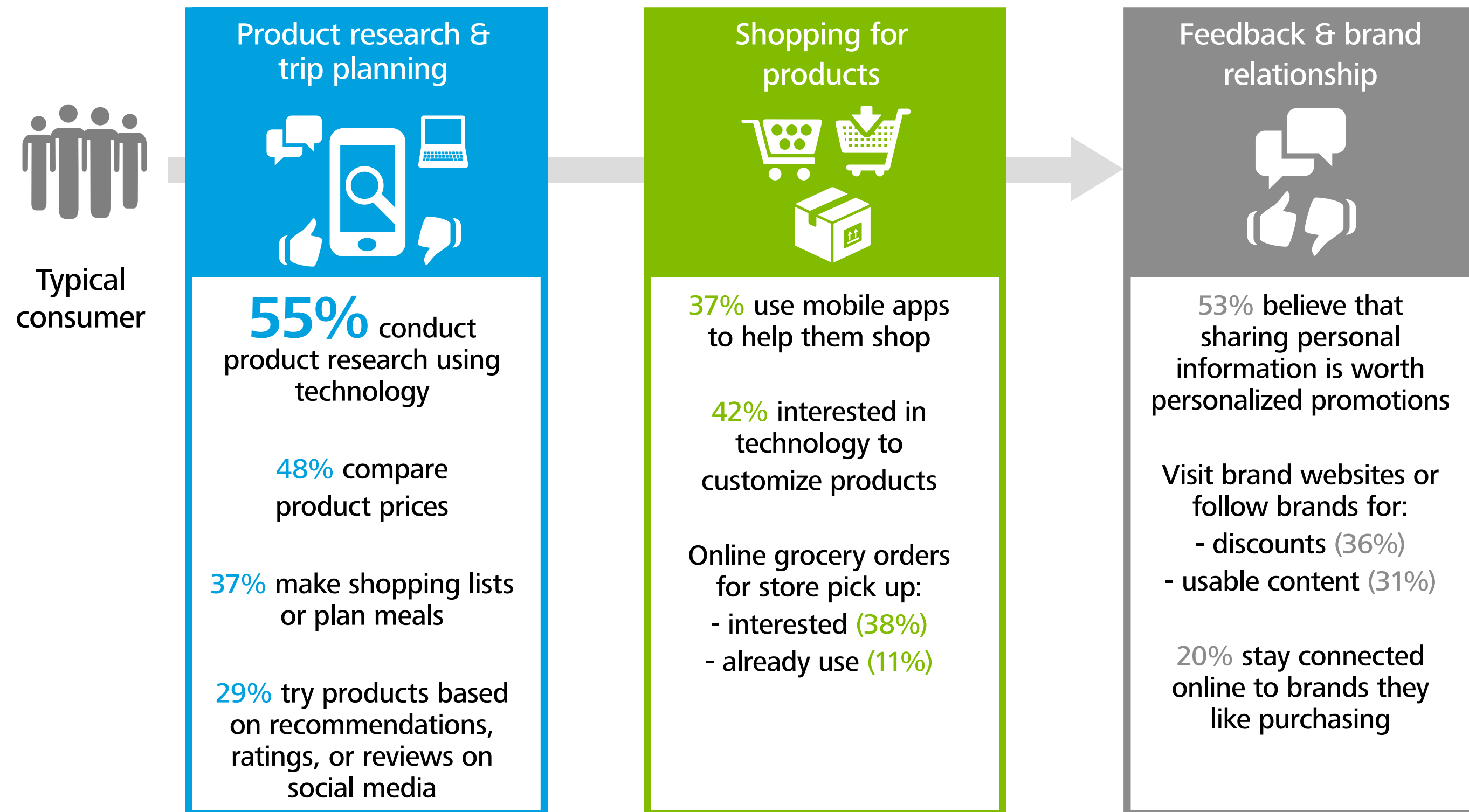
Perception of the consumer connection



Path to purchase: Paved with digital

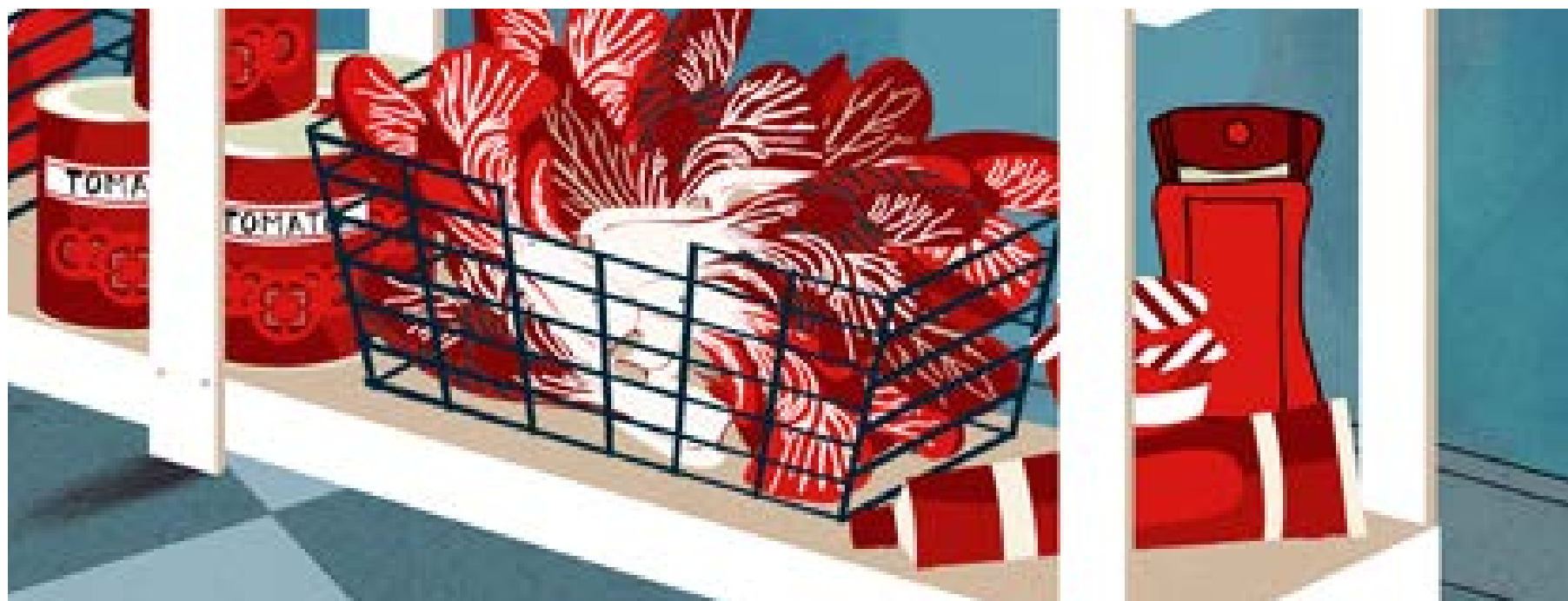
The use of digital technologies in the shopping process used to be an interesting side note and emerging trend. But now the exception has become the rule, with the majority of consumers now using digital at one or more points on the path to purchase. This trend is a game changer. CPG manufacturers and retailers should consider approaches for a deeper understanding of the digital points of contact so they can capitalize on the opportunities to engage consumers and tailor the shopping experience to fit their unique needs.

Technology's increasing influence along the path to purchase



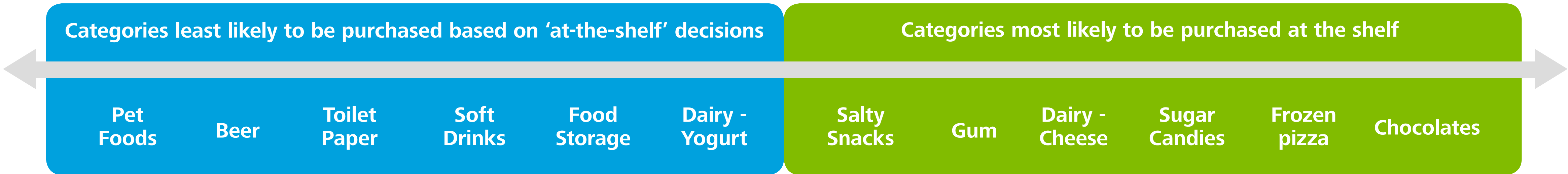
Purchase decisions: At-the-shelf decisions on the rise

Since last year, purchase decisions made at-the-shelf have risen, creating an opportunity for CPG companies to influence unplanned purchases. Currently, more than half of the category shoppers surveyed made at-the-shelf purchase decisions. These decisions accounted for 34 percent of all the units purchased by them. While some categories have low tendencies to stimulate at-the-shelf purchase decisions, others fare significantly better. Understanding the drivers of at-the-shelf purchase decisions can help brands improve their promotional strategies - particularly for product categories such as chocolate, sugar candies, and frozen pizza where purchase decisions are more likely to be made at-the-shelf.



At-the-shelf purchases trending upward

	2015	2014
Decided to purchase at the shelf – % of category shoppers (average across categories)	51%	48%
Decided to purchase at the shelf – % of units purchased (average across categories)	34%	29%





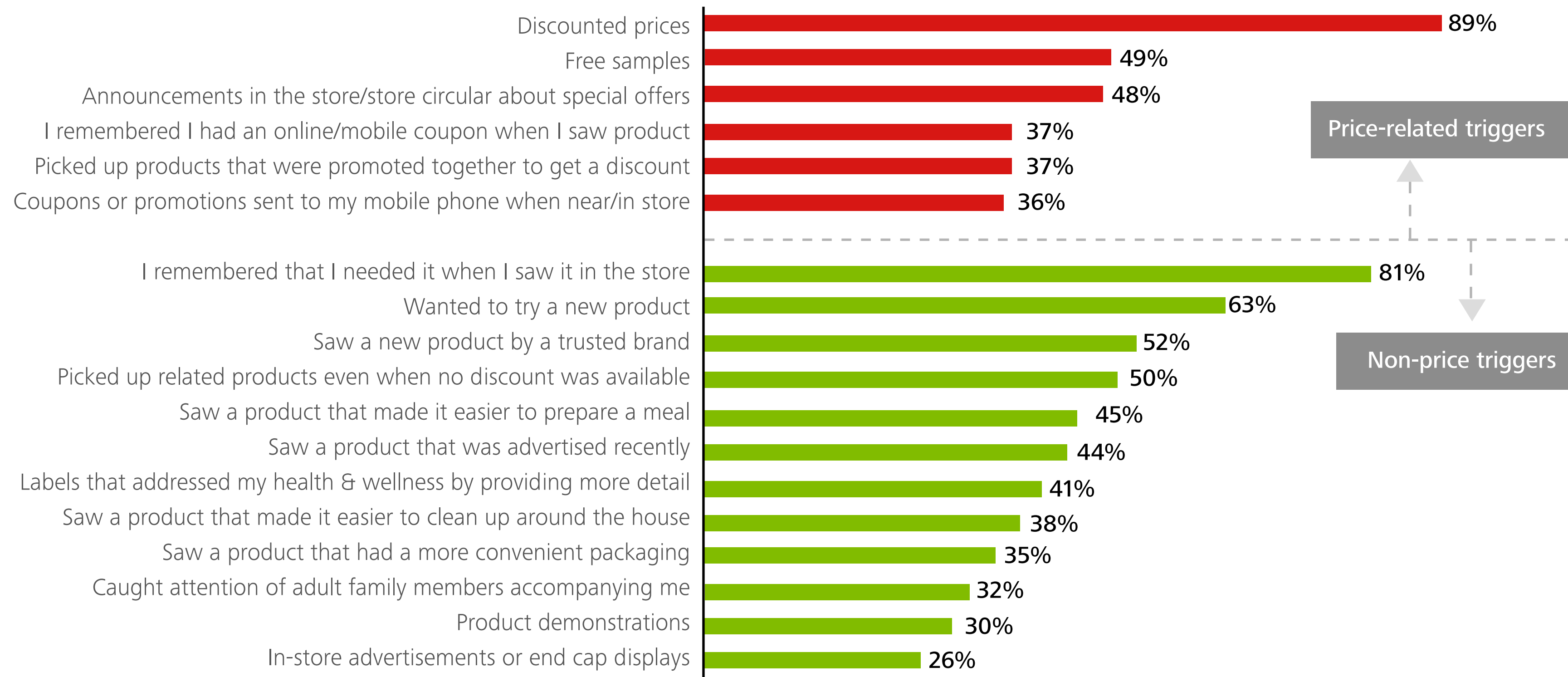
Winning at the shelf: Price is not the only weapon

Companies should take time to step back and challenge the status quo, rather than continually resorting to discounts and promotions. 81% of consumers surveyed responded 'They remembered they needed it when they saw it the store' as the top non-price trigger for unplanned purchases; 'Wanting to try a new product' was ranked second by 63% of those surveyed. Focusing more effort on non-price triggers might seem risky in the short-term, but has the potential to improve long-term brand health, loyalty and margins.

"Grocery shopping is a game. I keep my pantry stocked with items on sale."

– Consumer survey respondent

Factors that "always" or "often" trigger unplanned purchases





Inside the mind of the consumer

To influence impulse purchases and at-the-shelf decisions, it helps to understand how consumers think and feel. This year's study included mobile ethnography data, offering a real-time look into the minds of consumers while they were shopping. In this study, unplanned purchases occurred in 57% of the shopping trips made to purchase food to eat that same evening or an evening later in the week. In addition to demographic aspects, the tendency to make unplanned purchases varies by trip type, the mood state during shopping, and the consumption intent.

Changing drivers of unplanned purchases: consumer moods and goals link to purchase

	Shopping trip type	Mood when shopping	Consumption intent	Shopping segment	Age	Annual HH income
More likely	Fill-in	Resourceful Uninspired Overwhelmed	With others – today/ future	Sacrificer		\$75,000 – \$99,000
			With others – future	Spectator	45+ years 30 – 44 years	\$100,000+ <550K
Potential for unplanned purchases	Stock up	Happy/joyful Fatigued; Planned Impulsive; Stressed/ anxious	With others – today	Likelihood of unplanned purchases can be considered high above this line that depicts the average		
			Today's snack/meal	Relaxed/carefree Creative Responsible Frugal; Health conscious	Just me – today/future Just me – today Just me – future	Planner Super Saver
Less likely						

Resourcefulness manifests differently across each shopping segment



Super Saver

Sense of resourcefulness has grown significantly due to recession and they take great pleasure in saving money

Resourcefulness at Cash Register and Pantry Management



Sacrificers

Most impacted by the recession, young segment, lowest income, least educated

Resourcefulness shown at the Shelf



Planners

Sense of resourcefulness has grown significantly due to recession and they plan their shopping to save money

Resourcefulness at Cash Register and Pantry Management



Spectators

Least impacted by recession, young segment, highest income, most educated

A well rounded approach to resourcefulness



Health and wellness: A top priority, but the definition is changing

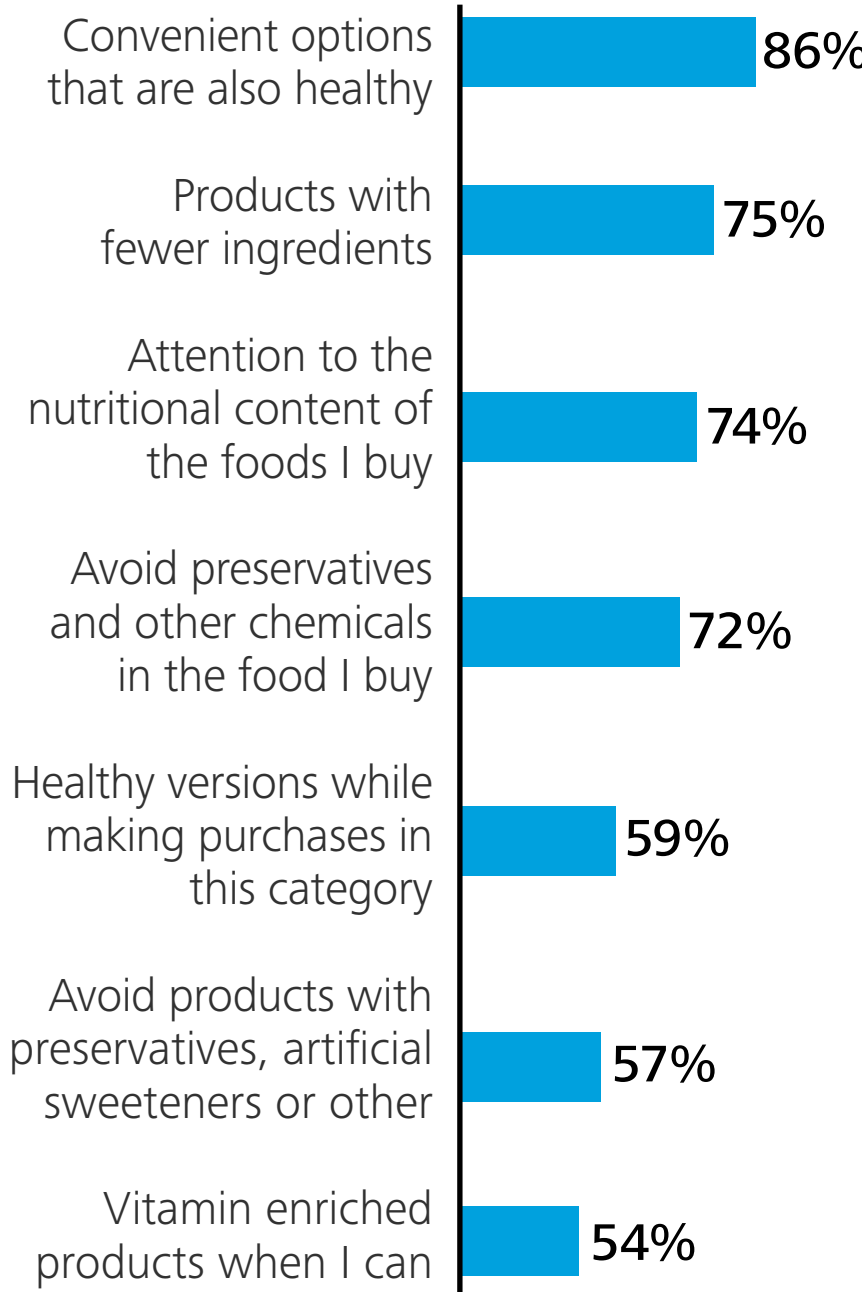
Health & wellness remains a key priority for consumers. However, consumers' specific preferences are constantly changing. In 2015, 47 percent of consumers described themselves as "health conscious", up from 46 percent in 2010. Additionally, 35 percent described themselves as "ingredient sensitive" in 2015, up from 29 percent in 2010. Companies should consider staying updated on the attributes that are most associated with healthy products and how these factors affect product preferences.

Consumers today:

- Want healthy options that are convenient too
- Prefer pure, unadulterated food low in preservatives, sodium, artificial ingredients and high fructose corn syrup
- Are less drawn to attributes that used to be hot, such as low-fat, high-fiber and high-protein.
- Are willing to pay a premium for healthier versions of products

Evolving definition and willingness to pay

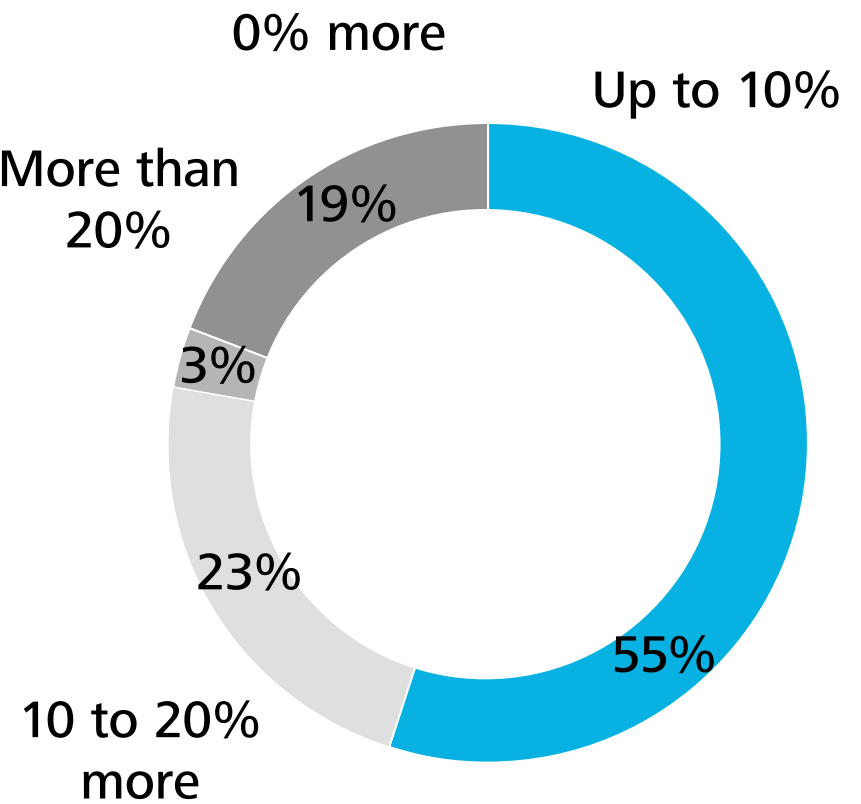
What do majority of consumers prefer?



Which attributes do consumers associate with healthy products?

- No or few preservatives (48%)
- No High Fructose Corn Syrup (HFCS)
- Low sodium
- No or few artificial colors and ingredients
- Natural
- Unprocessed/Farm-fresh
- Low fat
- High-fiber
- Low saturated-fat
- Organic
- Low calorie
- GMO-free
- High-protein
- Informative food labeling
- Vitamin-enriched
- Gluten-free
- Contains functional ingredients
- Contains ancient grains (3%)

How much of a premium are consumers willing to pay for healthier versions of products?



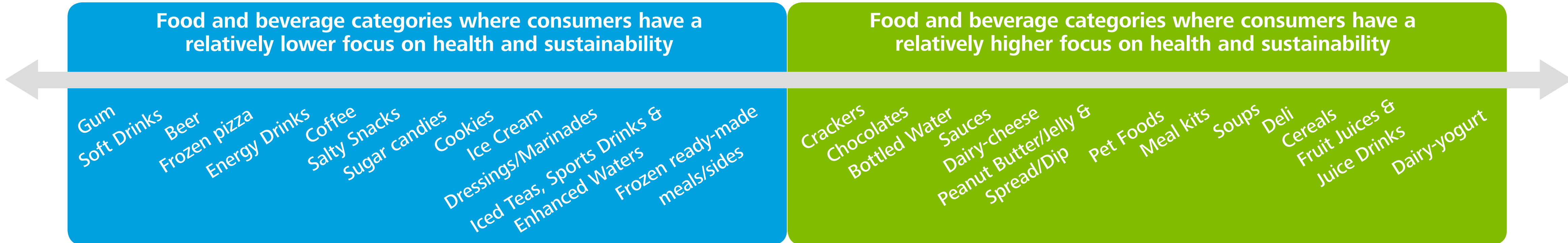


Health and sustainability: Demand varies by product category

Health and sustainability product attributes are more important in some food and beverage categories than in others. For example, sustainability aspects are actively considered while making purchases in bottled water, dairy-yogurt, juices, chocolates and cereal. Actively sought after organic products include the categories of dairy-yogurt, juices, soups, dairy-cheese and peanut butter/jelly.

The below image depicts the average rank obtained by categories across the below statements:

- I actively seek out healthy versions while making purchases in this category
- I actively consider sustainability aspects (e.g. local sourcing, recyclable packaging, and water neutrality) while making purchases in this category
- I actively try to avoid products with preservatives, artificial sweeteners or other chemicals while making purchases
- I actively seek organic products in this category
- I actively seek GMO-free products in this category
- I actively seek gluten-free products in this category

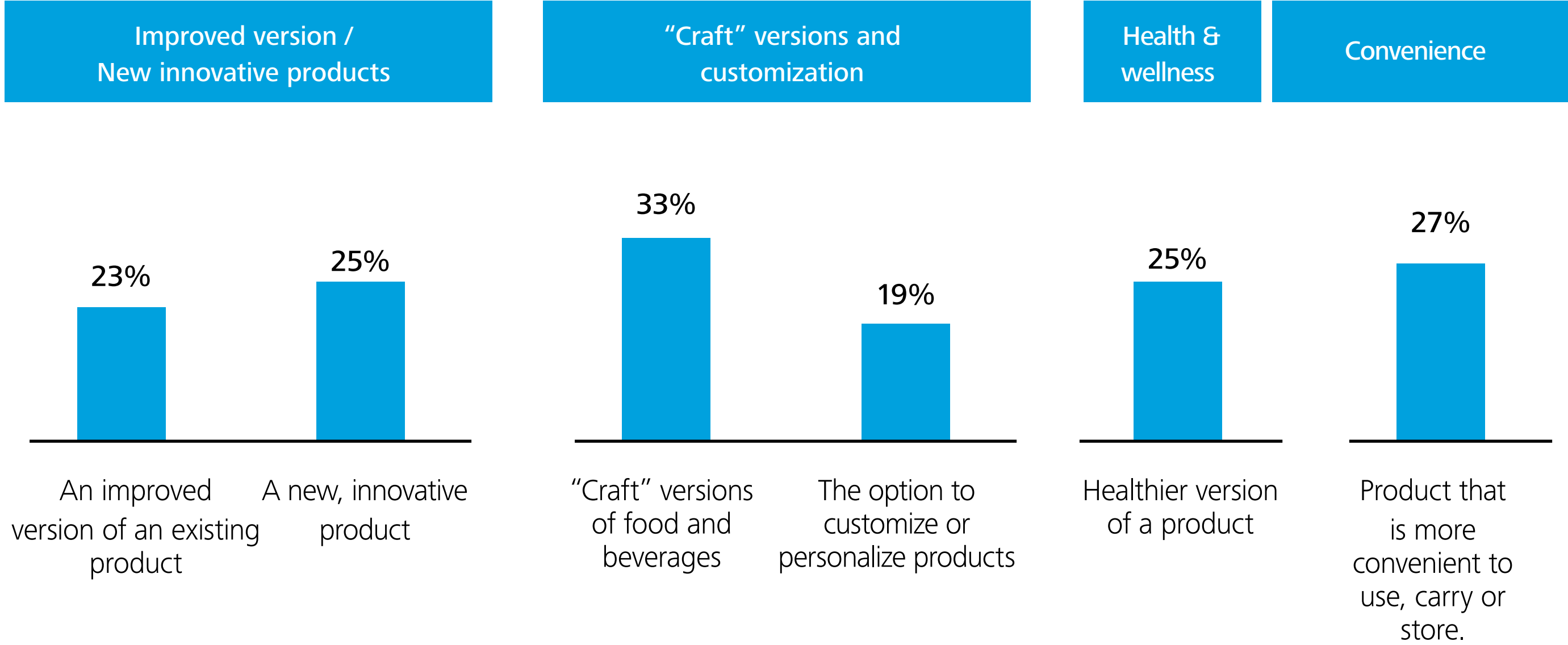


“I have significantly changed my food and shopping habits in the past few years to focus on organic, sustainable and natural products. I am concerned about the bad ingredients in food and other products that they don’t tell us about. So, need to be careful about what I eat...”

– Consumer survey respondent

Price premiums: Consumers will pay extra for what they care about

Willingness to pay more than 10% premium



In addition to a health & wellness premium, today's consumers are willing to pay more for products with the right attributes, including: innovations and improvements, customization, and convenience. It might not be unrealistic to expect that this willingness to pay a premium would hold steady or even increase as the economy improves.



"Today I bought a bag of these chocolate chip cookies...[We really like these cookies, and I like the fact that they use organic flour. And you can see all of the ingredients right on the front of the bag, and I can pronounce everything on these, and I can't really say that they're less expensive than [BRAND 1] or [BRAND 2], but I feel better feeding it to myself and my family, so I'm willing to pay the extra price..."

– Consumer quotes

A look beyond the pantry

A strengthening U.S. economy could drive major shifts in consumer behavior and change the rules of the game as CPG companies fight for the lead in a revitalized marketplace. Of course, there's also a chance consumers will stay true to their word and maintain their frugal shopping habits even after the economy improves – in which case CPG companies will likely need to make a different set of adjustments in order to help reverse declining brand loyalty and fuel continued growth.

Although it's impossible to know for sure which way things will go, this year's survey highlighted a number of key areas that CPG companies can consider focusing on to strengthen their brands and performance regardless of what the future brings:

Emotional drivers of decision making: Understand and target the emotional needs that consumers are trying to satisfy.

At-the-shelf decisions: Target shoppers by trip mission and functional needs to drive impulse purchases.

Brand loyalty: Connect with consumers' functional and emotional needs to differentiate from store brands and drive loyalty.

Digital technology: Use digital technologies to engage consumers and improve their experience at every stage of the shopping process.

Trade spend: Optimize promotion results by understanding the true drivers of incremental lift and in-store shopper behavior.

New products: Tap into consumers' desire and willingness to pay for products that are healthy, innovative, and convenient.

The call to re-connect with consumers

Focusing on these key areas can help CPG companies re-connect with consumers and maximize brand loyalty regardless of how things play out with the economy and consumer behavior.

For more information, or to learn how the results of our study can be applied to the unique needs of your business, please contact:

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[Rich Nanda, Principal, Deloitte Consulting LLP](#)





About the study

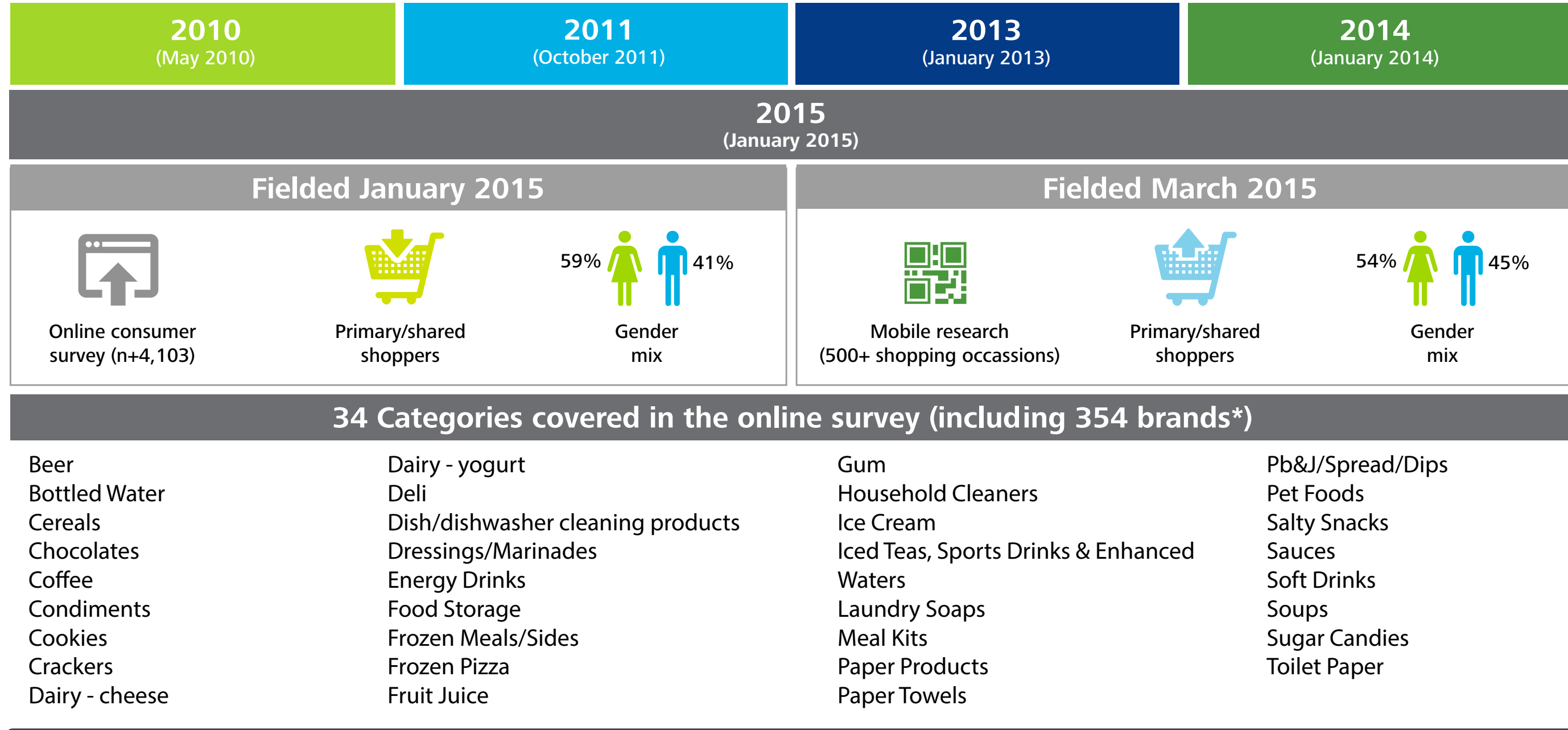
2015 American Pantry Study Sample Demographics

Age (%)		Children in Household (%)	
21 to 29	15	Yes	24
30 to 44	31	No	76
45 to 59	36	Household Size (%)	
60 to 70	18	1	29
Race (%)		2	36
White or Caucasian	75	3	16
Black or African American	13	4+	19
Other	12	Income (%)	
Ethnicity (%)		Under \$25,000	24
Hispanic/Latino	14	\$25,000 to \$49,999	27
Non-Hispanic	86	\$50,000 to \$74,999	18
Employment Status (%)		\$75,000 to \$99,999	12
Work Full-Time	52	\$100,000 or more	19
Work Part-Time	12	Region (%)	
Not Employed	36	Northeast	18
Gender (%)		Midwest	21
Male	41	South	36
Female	59	West	25
Marital Status (%)		Education (%)	
Married/Living together	50	High school or Less	12
Single, Never Married	31	Some College	22
Divorced/Separated/Widowed	19	College Graduate	46
		Graduate Degree	20

In January 2015, Deloitte conducted an online survey of 4,013 consumers to better understand their shopping behaviors and attitudes. The pool of participants included both primary and shared shoppers, with a demographic mix that broadly resembles the overall population of US consumers. Detailed survey data was collected for 354 brands across 34 product categories.

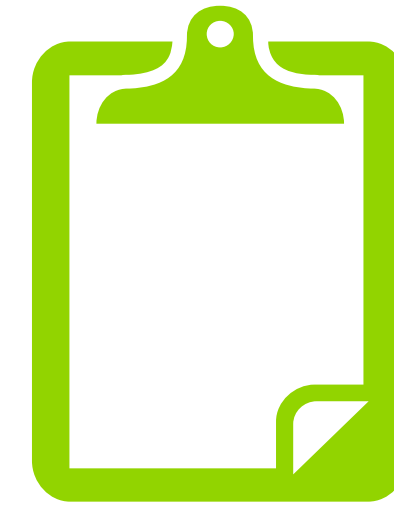
In this year's study, we also supplemented our online survey with a mobile ethnography study conducted in March 2015 that used a mobile app to help respondents document key details of more than 500 shopping experiences.

These two diverse data sources – combined with historical data from our previous studies – provides a unique and valuable perspective on changing consumer attitudes and behaviors, and offers valuable clues about future shopping trends.



*Includes brands purchased in the past six months by at least 30 respondents

Four shopper segments: Resourcefulness manifests differently across each segment



Super Savers

- Sense of resourcefulness has grown significantly due to recession and they take great pleasure in saving money
- Coupons/loyalty cards and gratification management remain the dominant savings routes, but both have reduced in importance since 2010

% of respondents	
2015	2010
26%	21%

Resourcefulness at Cash Register and Pantry Management

Sacrificers

- Most impacted by the recession, young segment, lowest income, least educated
- High feelings of resourcefulness are accompanied by resentment about the compromises they have had to make

% of respondents	
2015	2010
23%	22%

Resourcefulness shown at the Shelf

Planners

- Sense of resourcefulness has grown significantly due to recession and they plan their shopping to save money
- Have de-emphasized their earlier tactics of switching from prepared foods and buying larger pack sizes
- Rising focus on coupons/loyalty cards and gratification management

% of respondents	
2015	2010
21%	21%

Resourcefulness at Cash Register and Pantry Management

Spectators

- Least impacted by recession, young segment, highest income, most educated
- Focus on store brands, switch from prepared foods, and larger pack size has increased, but levels are generally lower than other segments

% of respondents	
2015	2010
30%	36%

A well rounded approach to resourcefulness

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