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5 key stats on how consumers are dining and what it means for retailers

Article

Inflation is on the rise and the competition for consumer dollars is heating up between restaurants and retailers.

- The consumer price index (CPI) for food was up 2.2% YoY in March 2024, according to the US Department of Agriculture's (USDA) Economic Research Service.
- Prices of food at home (via grocery store or supermarket purchases) were up 1.2% YoY, while prices of food away from home (via restaurant purchases) were up 4.2% YoY.

Higher inflation at restaurants may encourage more consumers to eat at home, which could be a win for the grocery business. Here are five insights into how consumers are purchasing their food as prices continue to rise.

1. Consumers are cutting back on delivery

Key stat: Nearly a quarter (23%) of US consumers said they no longer order delivery so they don't have to pay for the fees, according to Revenue Management Solutions' Dining Dynamics in 2024 report.

- In Q1 2024, 51% of consumers ordered restaurant delivery at least once a week.
- But 38% said they would order delivery less in the future.

What it means: For some consumers, delivery isn't worth the extra cost. Retailers that want to boost delivery adoption should keep fees to a minimum, potentially using a membership subscription to offer free delivery without having to absorb the cost of delivery logistics.

2. Convenience stores present competition for grocers, restaurants

Key stat: Foot traffic at convenience stores was up 17% compared with 2019, according to data from Placer.ai, as reported by Restaurant Business.

- This outpaces increases in traffic to grocery (up 12%), superstores (up 7%), quick-service restaurants (up 5%), and full-service restaurants (down 8%).
- Gas-station convenience stores like Buc-ee's, QuikTrip, and 7-Eleven are expanding their prepared food offerings, taking advantage of the consumers that are stopping for gas.

What it means: Brands shouldn't discount convenience stores, especially if they're trying to reach a younger demographic. Over a quarter of US Gen Z consumers and 31% of millennials report shopping at their favorite convenience store each day, according to data from Convenience Store News' 2023 Shopper Study as reported by Store Brands.

3. Consumers are dubious of dynamic pricing

Key stat: About half (49%) of regular fast-food consumers in the US say they are less likely to make a fast-food purchase if the restaurant uses dynamic pricing (the practice of raising prices when demand is high and dropping them when demand is low), per a March 2024 CivicScience survey.

- Recently, Wendy's drew consumers' ire after news that the fast-food restaurant would experiment with surge pricing, a method used by rideshare companies to raise prices when demand is high.
- 72% of fast-food consumers said they have stopped themselves from eating at a fast-food restaurant because of higher menu prices at least a few times, per CivicScience.

What it means: Now may not be the time to get creative with pricing. In times of economic uncertainty, the brands that remain transparent and consistent are the ones likely to win consumers' trust, and therefore, dollars.

4. Consumers are open to paying more for sustainable options

Key stat: Over half (53%) of consumers worldwide would pay 10% more for sustainable versions of packaged food and drinks, per a December 2023 survey from YouGov. Almost as many (48%) would pay 10% more for sustainable meats and produce.

- Products making environmental, social, and governance-related (ESG) claims averaged 28% cumulative growth over the five-year period between 2017 to June 2022, versus 20% for products that made no such claims, per a joint study from McKinsey and NielsenIQ.
- Sales of items with specific claims (like "vegan" or "carbon zero") were 8.5% higher than those without any claims. Sales of products with less specific claims ("sustainable packaging" or "plant-based") were 4.7% higher than non-labeled products.

What it means: While some consumers are willing to spend more on sustainable products, it's not guaranteed to boost sales for every brand. Plus, there's often a discrepancy between what consumers say they're willing to pay for and what they actually purchase, especially if budgets are tight. Brands can't rely on sustainability alone to convince consumers to spend.

5. A bad experience can outweigh low prices

Key stat: Nearly half (48%) of consumers worldwide decreased their spending on fast food after a very poor experience, according to a Q3 2023 survey from Qualtrics XM Institute.

- What's more, 16% of consumers say they'll stop spending with that fast-food brand altogether.
- While fast food is the category consumers are most likely to decrease or stop spending, supermarkets, department stores, and online retail are all in the top 10 places consumers will pull back on after a bad experience.

What it means: While pricing plays a major role in courting consumers, it's not the only thing that matters. Retailers need to invest in the customer experience to keep consumers coming back, investing in making the shopping journey as personalized and seamless as possible.

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