

How consumers' eating habits are changing

Article

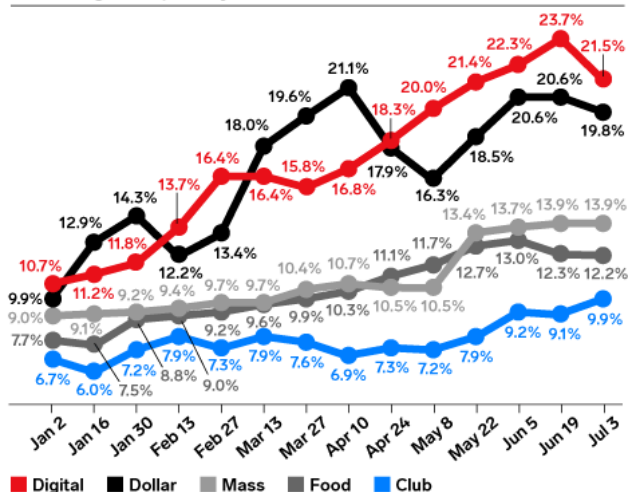
The trend: How, what, and where consumers are eating is changing due to a strange confluence of factors.

- **Consumer prices at grocery stores and restaurants respectively increased 13.1% and 7.6% year-over-year in July**, according to the Labor Department. That's the biggest inflationary gap between grocery stores and restaurants since the 1970s, per The Wall Street Journal. **The unusual disparity is providing restaurants with a unique opportunity to tout their prices and value in advertisements.**

- The situation has helped drive a **21.7% increase in consumer spending at restaurants and bars in the first half of the year**, [per](#) the US Census Bureau.
- **But it hasn't helped some fast-casual restaurants in central business districts.** Many of those businesses are struggling due to fewer people returning to offices. For example, weekday lunch and dinner traffic to **Shake Shack's** Midtown locations is 40% below 2019 levels on average, and **Sweetgreen** lowered its fiscal 2022 outlook due in part to low office occupancy in cities.
- **Despite those trendlines, consumers' pandemic-era drinking habits persist** as at-home alcohol consumption remains high even after pandemic restrictions were rolled back earlier this year, [per](#) IRI.

Change in US Average Price per Grocery Item, by Channel, Jan 2022-July 2022

% change vs. prior year



Source: Numerator, "Price Pulse," June 6, 2022

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It's complicated: There's no simple explanation that sums up the current moment. Instead, an array of factors that include geopolitical disruptions and weather events has driven up grocery prices. Meanwhile, restaurants have been able to adapt thanks to their ability to access ingredients at wholesale prices and economies of scale, adjust the ingredients they use, and lock in lower prices through forward contracts.

- **Consumers' desire to eat out is, in some cases, a practical one as 29% of consumers believe it's cheaper to order from restaurants than to buy all the items needed to cook a meal, and 27% said it costs roughly the same without the work**, [per](#) a Popmenu consumer survey.

- Surprisingly, amid an environment with rapidly rising grocery prices, **a number of companies, including Unilever and Kraft Heinz, are finding success rolling out premium products for at-home consumption**, [according](#) to CNBC. Expanding their product mix so that it ranges from everyday items such as Heinz ketchup to premium offerings like Heinz 57 Collection infused honey with black truffle enables them to appeal to a broad array of customers, including upper-income people who still have money to spend but may be swapping dining out for premium ingredients to use at home.

Challenging times: Rising grocery prices haven't helped all restaurant-related businesses as **a number of startups have struggled in the wake of rising interest rates and investors' cash drying up.**

- Restaurant-software company **Nextbite**, online-ordering company **ChowNow**, food-tech startup **Lunchbox**, and ghost-kitchen startup **Reef** have all cut staff, [per](#) Insider.
- Meanwhile, many [rapid delivery startups](#) are struggling to survive. **Getir** and **Gorillas** have laid off workers, while **Fridge No More**, **Buyk**, **Jokr**, and **1520** shuttered their US operations.

Why it matters: The underlying force shifting consumers' eating habits is their search for value. That's why 58% of the most-watched ads across top restaurant brands from May through early August highlighted deals, prices, or mobile app or loyalty rewards, up from 46% from January through April, per an iSpot analysis reported by the Journal. To capture consumers' attention, grocers and restaurants need to find novel ways to convey the value of their products.

Go further: [Read our report on the Era of Uncertainty here.](#)

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