
Placer.ai Grocery Deep Dive - October 2020

The COVID pandemic has fundamentally altered the grocery sector from [the way consumers shop](#) to the [brands consumers choose to shop at](#). And while many expected these changes to be short-lived, there are signs that some shifts could have real staying power. Therefore, it is essential for brands to understand the overarching trends and the more subtle shifts that have taken place during these unprecedented times.

The following report provides an overview of the grocery industry from the onset of the pandemic from a location analytics perspective. After reviewing the different aspects of these changing industry patterns, we will drill down to examine two competing retailers' performances, applying the changes we've seen in shopping behavior patterns to understand those cases.

The information includes location insights and data on leading trends shaping the next normal in the grocery industry. After reading this report, you will understand how grocery brands can overcome COVID-19 related challenges.

Investigating the Industry

To understand the overarching trends in the grocery space, we began by taking a group of over 15 leading grocers to serve as a sample for the wider sector. This approach allowed us to apply a 30,000 foot perspective on the broader trends and factors facing these brands.

Visits and Foot Traffic Recovery

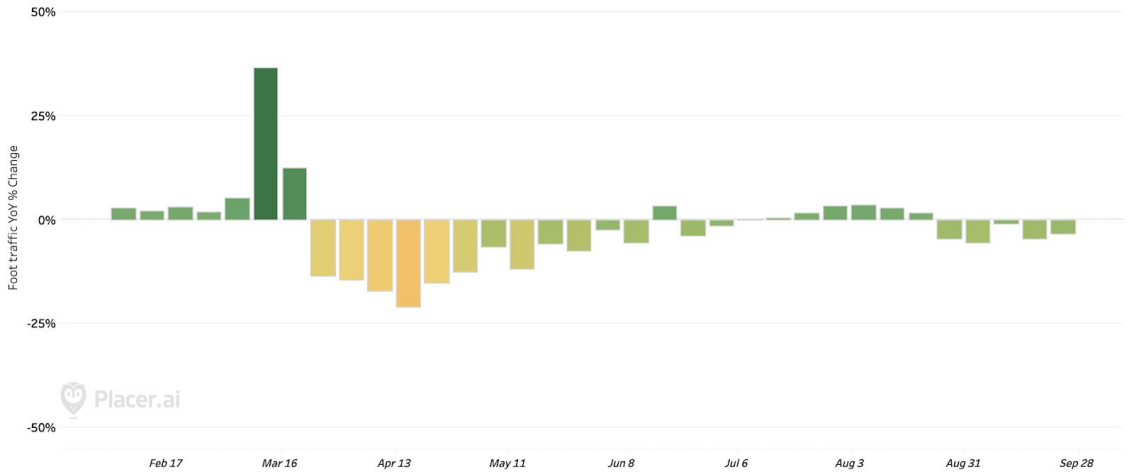
An examination of year-over-year change in foot traffic data for the group shows the dramatic changes that the American grocery industry has experienced in the past six months.

There was a sharp rise of nearly 30% in grocery store foot traffic during the second week of March when shoppers rushed to stock up amidst pandemic fear and uncertainty. A dramatic decrease in store visits followed shortly thereafter in late March when stores

began limiting hours and entrances. This months-long period of visit declines lasted from the end of March through June as grocers coped with lockdowns, self-imposed restrictions, and broader consumer concerns. Yet, the summer of 2020 saw significant signs of a visit recovery and a return to normalcy in consumer shopping patterns.

Recovery Trend Over Time

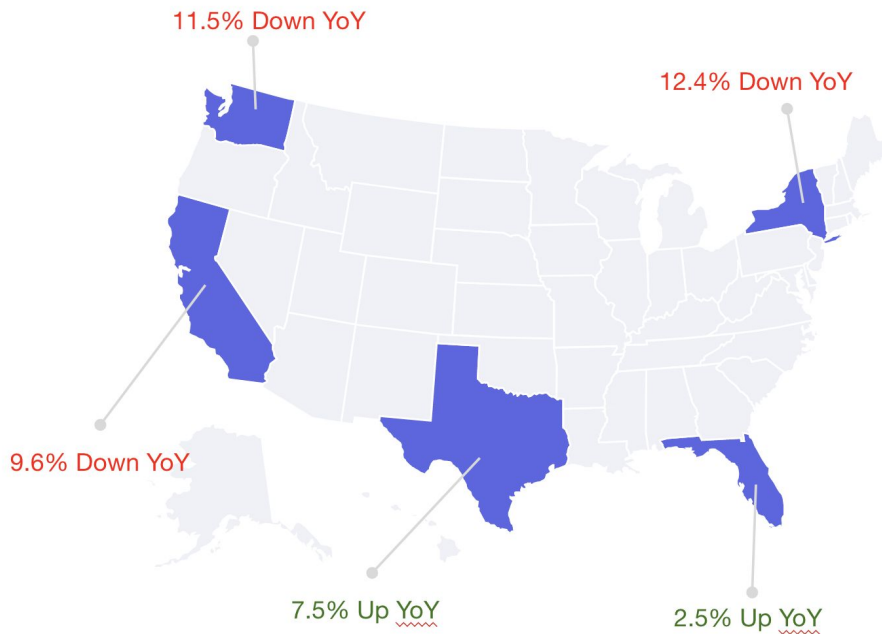
Nationwide - Groceries



Regional Impacts

While an overall recovery is certainly en route, many states and regions see this return unfold in different stages. For the grocery retailer Trader Joe’s, California, New York, Washington, Florida and Texas are the five states with the largest number of venues amounting to over 50% of its overall footprint. Looking at the year-over-year visits for the week of September 14th, there was a substantial difference between states. New York, Washington, and California were down 12.4%, 11.5%, and 9.6%, respectively, significantly below the chain’s nationwide average for that week (-4.3%) and pulling its recovery number down. On the other hand, visits in Texas and Florida were up 7.5% and 2.5% respectively that same week.



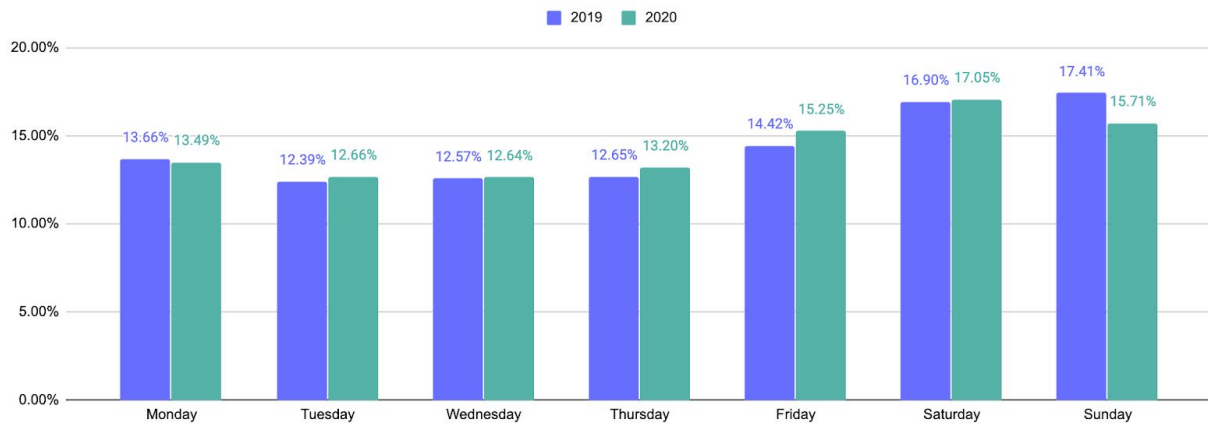


Shifts in Shoppers' Behavior Patterns

While essential retail status kept grocery shopping open during the pandemic, there have been clear shifts in the shopping experience. To this point, grocery shopping was highlighted by busy weekdays, evening hours, and fitting around commute and work schedules. So as routines and habits have changed dramatically for millions during the pandemic, it makes sense that shoppers' behavior patterns across the country would also vary.

Is Monday the New Sunday?

An examination of the year-over-year percentage changes in daily foot traffic from March through September 2020 revealed that many Americans' favored grocery shopping days have changed. There was a decrease of around 2% in the daily visit share for Sundays with grocery shoppers showing indications of a preference for weekday visits.



To match that trend, the percentage of visitors coming between Tuesday through Friday grew slightly, with Friday making the most significant jump of nearly 1%. Initially, during the outbreak of COVID-19 in the spring of 2020, there were even more significant [time-related changes in customer behavior](#) and a strong push towards midweek shopping. As the recovery progressed, these shifts have somewhat stabilized and are closer to 'normal.'

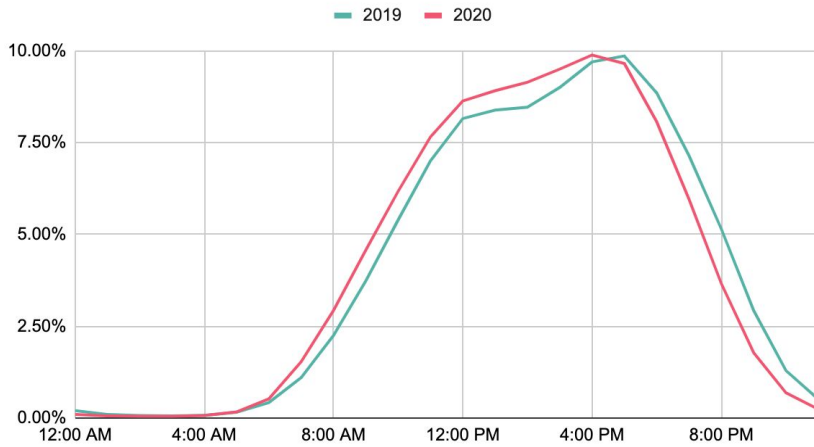
One trend that is sustaining, though, is the decline in grocery shopping on Sundays. As the number of people working from home has risen during the pandemic, the ability to shop during the week has grown. It appears that many consumers are showing a preference for leaving Sundays for other activities and finding time for supermarket visits on other days - a trend that could have wider impacts over time.

Early Bird Gets the Worm

There were also significant changes in peak grocery shopping hours across the industry. The entire visitation trend from March through September of 2020 moved earlier than the year before, showing clear consumer preferences for morning trips.

What does this mean in practice? In 2020, a substantial number of shoppers were arriving earlier than they had in 2019. Each of the morning hours between 7 AM and 12 PM saw its visit share rise 1%-2% compared to the same period a year prior, and the peak hour for visits moved from 5 PM to 4 PM as a part of this shift as well. Early afternoon hours were also busier in 2020 than in 2019, with evening hours seeing the most significant decline in visit share. For example, in 2019, 5% of visitors would arrive between 8 and 9 PM, while in 2020, only 3.5% of visitors came at that hour.

YoY % Change - Foot Traffic by Hour

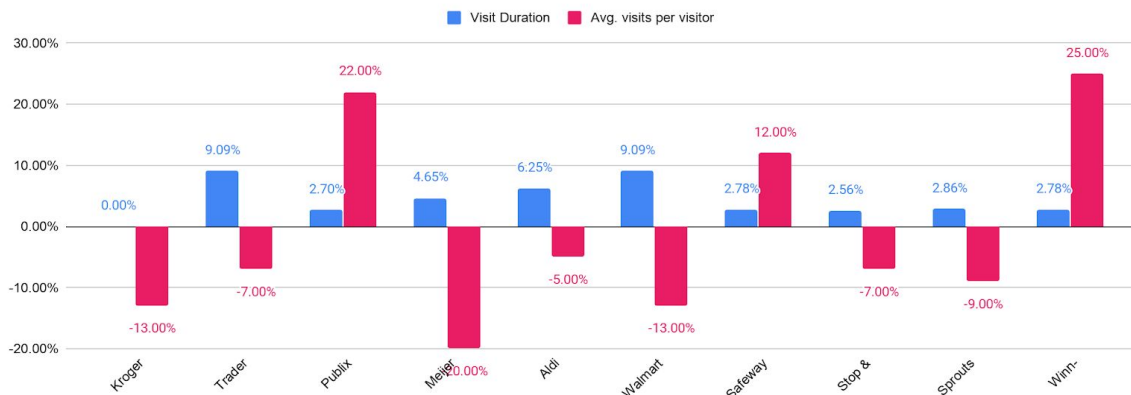


Mission-Driven Grocery Shopping

Another interesting shift centered around a changing balance between visits per visitor and visit duration. While many brands saw declines in the number of visits per visitor, they also saw significant increases in the amount of time spent on the average visit. This aligned closely with wider reports of increases in basket size and of the value of each visit.

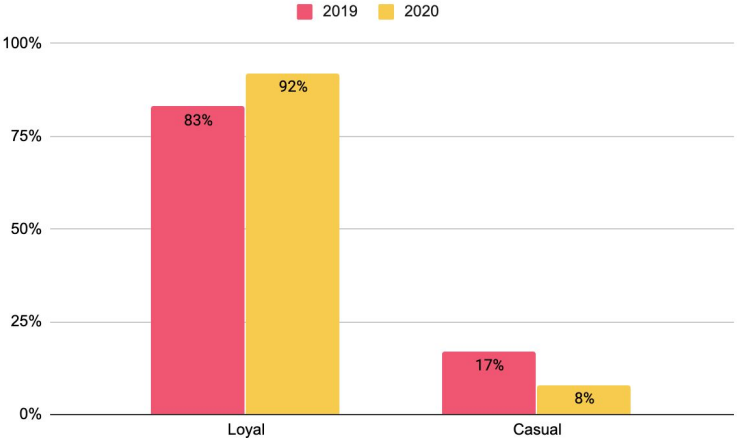
The year-over-year performances of a range of leading grocery chains show that, apart from Kroger, the average visit duration grew between 2% and 9% year over year. Alternatively, we can see that apart from two chains - Publix and Winn-Dixie who experienced dramatic growth in their repeat visitor metrics - the average number of visits per visitor decreased. Essentially, consumers were looking to make less visits, but accomplish more with each visit - a trend known as mission-driven shopping.

Visit Duration and Average Visits per Visitor - YoY % Changes



Mission-driven shoppers will try to get as much done as possible in a single visit and will be more willing to spend added time in a single store than to add other stops to their shopping trip. This behavior means stores are getting less visits, but those visits are more substantial. The ramifications of these changes are crucial to grocery brands. If a consumer is willing to spend nearly 9% more time in a Trader Joe's, even if he pays 7% fewer visits, the likelihood of the basket size increasing significantly grows. [Acosta's research](#) found that 37% of consumers now spend more on each grocery trip versus their pre-COVID-19 food shopping purchases. Of those spending more on groceries, 59% claimed their higher grocery bills were due to eating at home more, 52% cited higher prices, and 50% said they're stocking up more.

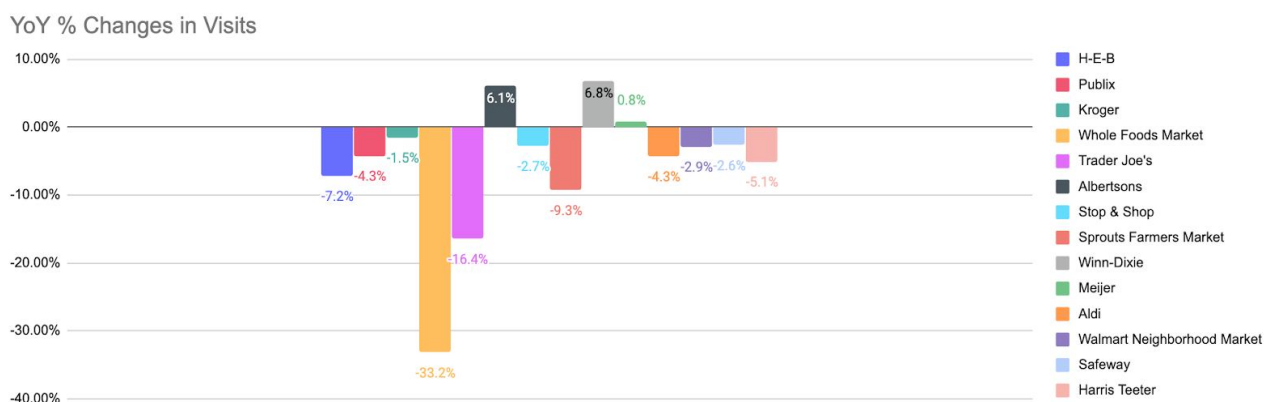
When comparing the past six months to the same period the previous year, the average number of visits per visitor decreased, but the number of visits by customers considered 'loyal' grew by 9%. A customer is deemed to be loyal if he visited the same chain twice or more over that period. Not surprisingly, there was also a 9% decrease in casual visits, customers who visited a particular grocery store only once during that period - something likely directly related to less overall trips and tourism.



Growth in brand loyalty during a pandemic makes sense. When shoppers want to visit fewer places, they'll go to their most familiar store with the hope of being able to get everything they need in a single visit. Brands that provide a 'one stop shop' can benefit from this shopping behavior, and businesses with data about this rise in visits by loyal customers can capitalize on this information.

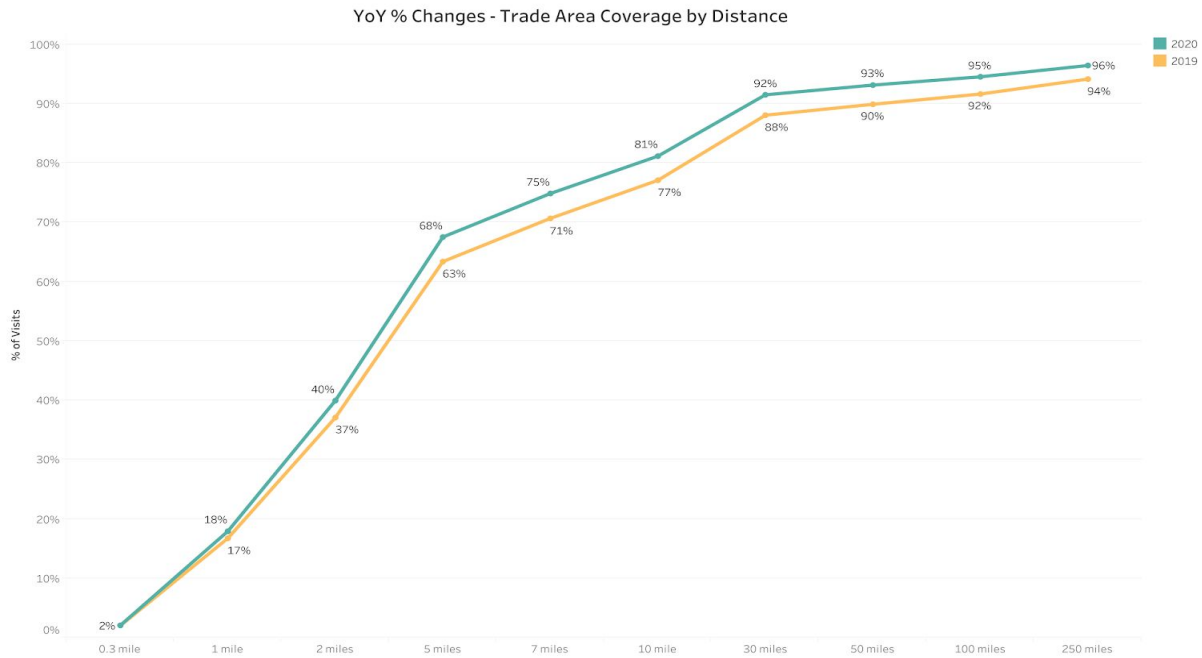
Rise of the Traditional Grocer

This trend also seems to have lifted up traditional grocers. Fourteen leading grocery brands' year-over-year percentage changes in foot-traffic from March through September 2020 reveal another interesting pandemic-driven phenomenon. While most of these brands experienced drops in year-over-year foot traffic levels, there were three brands that, despite the pandemic, saw growth in visits compared to the previous year. Kroger, Albertsons, and Meijer, three traditional family-oriented grocery stores, have shown clear signs of strength throughout this period. Others like Meijer, Public, and Safeway saw limited declines, while more specialty chains, like Whole Foods Market, Trader Joe's, and Sprouts Farmers Market, were hurt more.



Changes in Trade Area Coverage

Another interesting factor in shopping behavior changes was store proximity. The graph below shows that, since the pandemic, shoppers have been less keen on traveling farther distances than before and have preferred doing their shopping closer to home. In 2019, up to 63% of grocery visits were from within a 5-mile store radius. In 2020 on the hand, up to 68% of all visits came from that same 5-mile radius. This trend can be attributed to shoppers' overall tendency to visit their "good and familiar" stores during the pandemic without taking unnecessary risks.

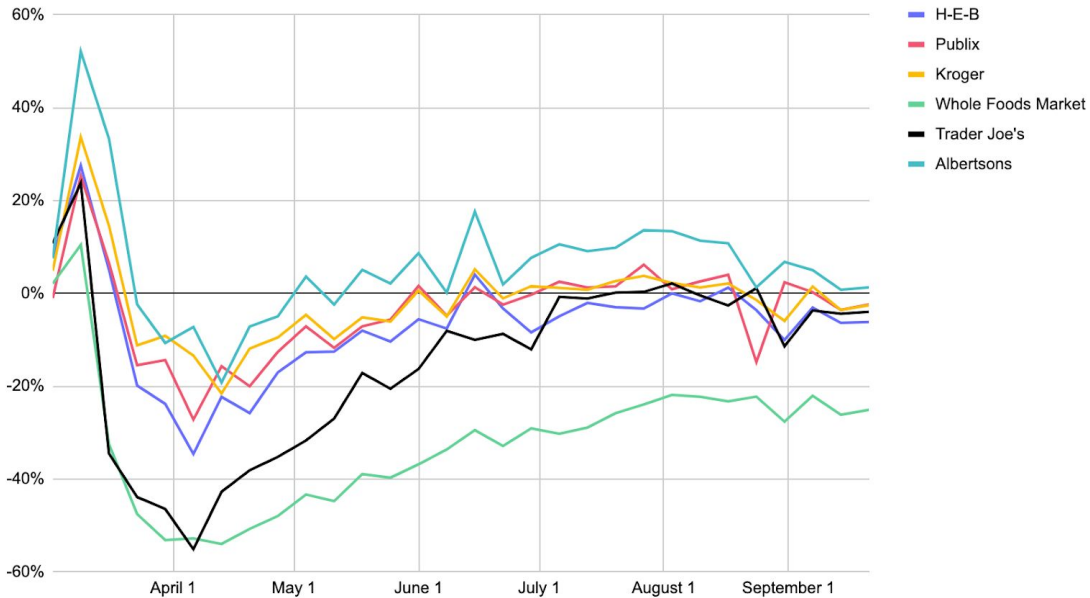


Understanding the Outliers - The Brands that Surprised and Why

And these trends can be seen even more clearly when looking at the outliers - those with growth or more significant decline. To analyze this, we started by taking six of the leading grocery brands in the United States and drilling down into their location analytics to see how they performed during the past six months compared to the same period in 2019. Kroger, Publix, H-E-B, Albertsons, Whole Food Market, and Trader Joe's started at similar foot traffic levels at the beginning of the epidemic in March 2020, with all seeing a jump in early March.

Albertsons, a brand that benefited heavily from the shift to traditional grocers and mission-driven shopping, clearly showed a unique level of strength throughout the pandemic period, with visits rising as high as 17.5% year over year in June. And because of this level of strength, only recently in September did Albertsons competitors begin to match the brand's uniquely impressive output.

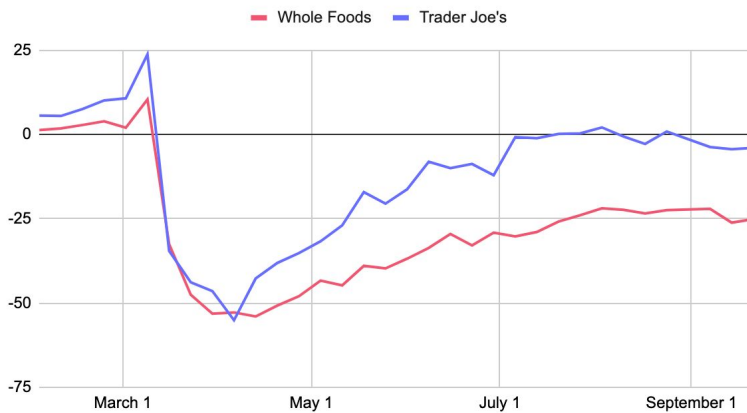
YoY % Foot Traffic Change



Three other traditionally oriented grocers - Publix, H-E-B, and Kroger - all saw a similar pattern to Albertsons with a March high leading into an April valley followed by a steady and effective recovery. Yet, two brands stand out for different patterns.

Trader Joe's and Whole Foods Market saw visit trends that differed significantly from much of their competitive landscape, both dropping dramatically during the first two weeks of April with visits down 60% year over year. Initially, it seemed as though Whole Foods and Trader Joe's were facing similar challenges where a more expensive product line and niche approach were damaging their ability to thrive in the unique pandemic environment.

YoY % Change in Visits -Trader Joe's and Whole Foods Market



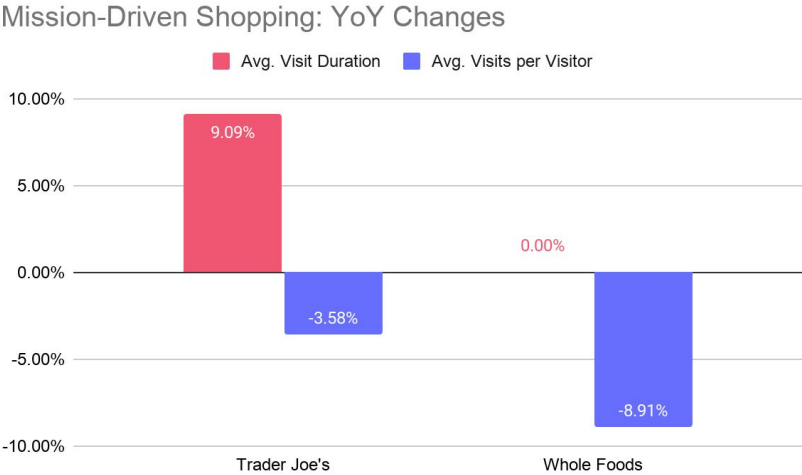
But in response to this shared low, the two brands saw completely different recoveries. Trader Joe's took a giant leap back and began to climb steeply back with visits reaching year over year growth in the summer, while Whole Foods continued to stay far behind the pace of other grocers. What made Trader Joe's make that leap, and what stopped Whole Food Market from making it?

Trader Joe's vs. Whole Foods Market

Trader Joe's and Whole Foods are two of the ten most-visited grocery chains in the country, and hold similar segments in the grocery market. Both brands turn to an environment and health-conscious audience by offering an eco-friendly policy and various health products, including many vegan and organic options. They also have a similar number of venues - a bit over [500 each](#) - spread across the country. Yet, while their recoveries began very similarly, Trader Joe's has already returned to year over year growth, while Whole Foods is still far off its 2019 pace. Why?

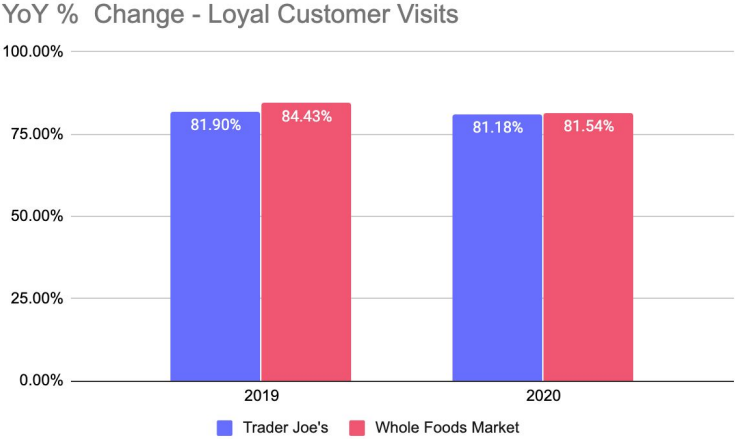
Adaption to Mission-Driven Grocery Shopping

Trader Joe's was much more successful at adapting to the mission-driven shopping pattern that has accelerated across the country during the pandemic. In a year-over-year comparison, Trader Joe's average length of visit increased by over 9% (around 3 minutes longer) for the last six months year over year while Whole Foods' remained exactly the same. This means that while visit numbers expectedly declined, Trader Joe's was able to rely on an extended visit while Whole Foods could not lean on this expanded basket size.



Loyal Customer Retention Through Hardship

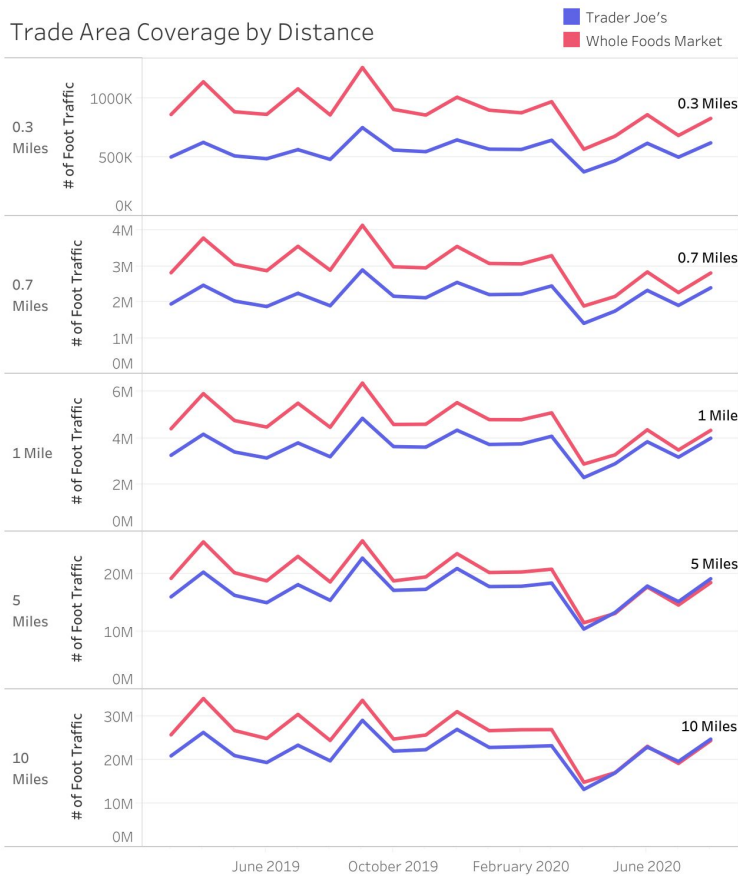
In challenging economic times, keeping loyal customers is essential for continued growth, and leakage can have far worse results than usual. The year-over-year percentage changes of loyal customers between March and September 2020 reveal that Trader Joe's kept the same 81% loyal customers while Whole Foods did not. During the pandemic, Whole Foods' loyal customers' decreased from 84% to 81%.



Changes in Traveling Distances from Home

Examining the size of the two chains' average trade area revealed another meaningful difference. Between March 2019 and 2020, more customers from each mileage distance point visited Whole Foods stores than Trader Joe's stores. For example, at a one-mile radius from each of the two chains, Whole Foods stores were visited by an average of ~2 million more customers. Similarly, at a 100-mile radius from each of the two chains, Whole Foods stores were visited by an average of ~10 million more customers.

In March 2020, a significant change in the above trend occurred. The decline in Whole Foods stores' visits became more pronounced the further customers lived in a store's trade areas. In other words, fewer customers were willing to travel further distances to Whole Foods during the pandemic. In contrast, Trader Joe's overcame this change in customer behavior, and its visits stayed consistent in trade area coverage during the pandemic.



Key Takeaways

This report presents some of the major changes that the physical grocery industry has been undergoing during the pandemic. Identifying these shifts while they happen by using relevant location data based technological tools enables grocery retailers to adapt in real-time.

Which were the biggest?

- Mission-Driven Shopping Shows Staying Power - A trend that pushes consumers to do more on each visit while making fewer visits overall is something that clearly privileges traditional grocers with wider product ranges. Interestingly, this could be a change that lasts far beyond the pandemic as grocery trips can provide more

value to consumers in the period of extended economic uncertainty likely to follow the pandemic.

- Rise of the Traditional Grocers - Brands like Winn Dixie and Kroger that had seen challenges in 2019 are rising alongside powerhouses like Publix and Albertsons. This is a change that could have long term effects as brand relationships could deepen considering the context. These brands are among those that could gain most in the long term from the current environment.
- Consumer Preferences on Display - In 'normal' times, visits that take place at night or on Sundays are likely being influenced heavily by consumers that don't 'want' to be shopping at those times. Shifts to weekdays and mornings are indications that when consumers have a choice, they will choose those times to buy groceries. The big question is whether some of these patterns will remain and how tied they are to increased visit durations and basket size. If grocery chains find that these shifts actually lead to more revenue per visit, much of their focus needs to shift to accommodate these preferences.
- LOYALTY! - Trader Joe's took a huge hit in the early stages of the pandemic but was able to recover with impressive strength from industry-leading lows. Why? Because Trader Joe's customers love the experience there enough that they are willing to come back again and again. On the other hand, Whole Foods is going to need to identify a connection with customers in order to boost their loyalty.
- Cross Shopping Changes Need to Be Monitored - Understanding the shift to mission-driven shopping means some core benefits of co-tenancy with key grocery brands have changed, at least in the short term. This means that brands, shopping center owners, and more need to think creatively on how to better attract visitors and to adapt to these new behaviors.

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