

The Rise of Loyal Shoppers

A new generation of consumers is emerging with shopping habits that will change retailing



Based on an exclusive survey of consumer attitudes for PLMA by Surveylab



HIGHLIGHTS

Buffered by severe recession; a revolution in communications, media and advertising, and a retail landscape that bears little resemblance to what existed less than a decade ago, today's consumer is not the same shopper we used to know. PLMA's 2015 survey – "The Rise of Loyal Shoppers" – indicates that many long-held assumptions are no longer true. A look at the Highlights of the study makes it all very clear.

1 The baton has been passed to a new generation of consumers. There has been a major shift of purchasing power in the marketplace. After decades of dominance by boomers, a new generation of Americans – those ages 25-45 – has taken over as the heaviest purchasers of consumables. Comprised of Generation Xers and emerging Millennials, it is 81 million strong – more than a third of the U.S. adult population – and is critical to retailers. Their spending will only continue to grow, as these are the peak years for building families and careers. What's more, they behave differently from other generations when they shop.

2 These consumers shop often, but a majority does their regular grocery shopping at only two stores. The rate of shopping trips is high: More than eight in ten consumers ages 25-45 shop at least weekly. But patronizing just two stores for their regular household grocery needs is by far their most popular shopping regimen, and it has been increasing as a habit overall during the past decade. This runs counter to the conventional wisdom that consumers are increasingly shopping across a growing number of stores for different products. In a 2006 PLMA study, a third of all consumers said they shop in two stores, but in the new study the figure has risen to 48%. Only 12% now say they shop in one store while 29% shop in three and 12% in four or more. Expect the two-store habit to continue, as a majority of America's fledgling consumers have also adopted the approach. In the 2014 PLMA Millennials study, 53% of those ages 18 to 25 shop in only two stores.

3 While they shop around, these consumers are in fact very loyal to their favorite stores. The study refutes another piece of conventional wisdom: the image of the fickle American grocery shopper. Some observers contend that every time a new or revamped retail format debuts, consumers forsake their favorite store and rush to the new shop on the block. The survey casts doubt on that scenario. Rather, it reveals that these 25-45 year-old consumers have been loyal to their favorite stores for years. Six in ten have regularly shopped at their grocery store as well as their mass merchandiser for more than five years. Half have shopped at their drug store for that long. Among those who have lived in the same neighborhood for more than five years, half in the study, the figures spike to 77% for their grocery store, 76% for their mass merchandiser and 60% for their drug store. Only 23% of all in the study recently switched to a different store for their regular shopping. One factor contributing to this stable customer base: Americans are less mobile than they used to be. Only 12% move each year, down from 20% to 25% during the postwar era, and on average they stay in the same home nine years.

4 Store brands may be the retailer's best friend. Consumers 25-45, in increasing numbers, are trying store brands for the first time in product categories where they had previously only bought a national brand. Moreover, in overwhelming numbers they report the trial produced a satisfactory experience. In one of the most significant findings in the survey, more than 49% of respondents recently chose a store brand for the first time instead of a favorite national brand in a particular category. When later asked how they compare the store brand with their previous choice of a national brand, 28% reported "very favorably" and another 62% said "favorably." A trend widely observed during the recession, such store brand trial is increasing: In the 2009 survey, 35% of all consumers said they engaged in the practice, and a year later the figure had grown to 43%; the post-purchase satisfaction rates expressed by consumers were as high in both earlier studies as it is in the new one.

5 At the shelf, store brands are gaining as a go-to option. Loyalty to particular brands is not strong. The study indicates that when consumers ages 25-45 go to the store and look for a particular brand or product, only one in four selects the brand without hesitation. The rest are open to making a different choice. They check availability, prices, packaging and labels of other brands. And fully one quarter say that they consider the store brand version of the product if it was not their first choice. In a related finding, if a particular national brand that a consumer desires is not available, a strong majority, 61%, immediately opts for the store brand version of the product instead. Consumers in the study were significantly less likely to buy a different national brand, try another store, seek assistance, search online or just delay purchase. Compared with recent PLMA studies, this bent towards store brands at the shelf is increasing.

6 These consumers are buying store brands more often than shoppers in previous studies. About half of the respondents ages 25-45 buy store brands "always/almost always/frequently" in their supermarkets, drug stores and mass merchandisers. This is a dramatic increase in the top rates of purchase when compared to PLMA studies over the past decade. In 2002, the corresponding figures for all consumers were: 36% in supermarkets, 22% in drug stores and 28% in large discount chains/mass merchandisers. In 1991, the figure in supermarkets was only 12%. Annual household income makes little difference. Across all income brackets in the new study, half or more of consumers buy store brands in supermarkets at the top rates. Moreover, six in ten report that every time they do their regular grocery shopping "about half or more" of what they buy is store brands. Compared with five years ago, more than four in ten are now buying more store brands; looking at the year ahead, nearly four in ten intend to buy more. There are also high awareness and purchase rates of store brands in non-grocery channels such as those specializing in home improvement, pet care, office supplies, and health and beauty. Eighty-four percent are "aware" of store brands in those channels and 36% buy them at the highest rates.



7 Retailers get high marks for their store brands. Nearly nine in ten of this 25-45 generation believes the store at which they do their regular grocery shopping carries good store brands. In addition, half of them believe their regular store has better store brands than other stores of its type. Among the leading reasons they choose to buy store brands now over national brands are a good past experience with the chain's store brand, product quality, and trust and confidence in the retailer. What will encourage consumers to buy more ahead are better quality; more variety; new and innovative products, including health and wellness and organic offerings; and a greater variety of package sizes. Store brand development pays off for chains: Three out of four say the selection of store brands is an "important" factor in choosing where they regularly shop for groceries.

8 Consumers ages 25-45 are reading labels closely. These consumers eagerly embrace the responsibility of knowing what is in the products they buy. One third say they are "very aware" of the ingredients used in food items; another 57% are "somewhat aware." Two thirds read nutritional labels "always/almost always/frequently." Only 10% say they "rarely or never" read them. Label reading is an important prelude to purchase. Seventy eight percent say such information on the label is helpful to them when they are grocery shopping. The practice extends to non-food products as well. More than one in five say they are "very aware" of ingredients in items such as household cleaners, health and beauty products, and over the counter medicines; another 45% are "somewhat aware."

9 They have strong confidence in the safety of the country's food and non-food supplies. Overwhelming numbers of consumers in the study believe food products are safe for consumption and that non-food products, such as household and health and beauty items, are also safe for use. Thirty eight percent said food supplies are "very safe" for consumption and another 49% said they are "somewhat safe." When it came to non-food products, 32% said they are "very safe" for use and 54% said they are "somewhat safe." Only one in ten of these consumers expressed any safety concerns with either type of products. About half also believe both manufacturers and retail chains do everything possible to provide information on the environmental and ecological implications of the products they make and sell. In a related finding, 70% of these consumers ages 25-45 said environmentally friendly packaging was "important" to them when they do their regular grocery shopping.

10 A new era of consumer optimism is growing. While a segment of these Americans ages 25-45 has been hurt badly by the recession and feels left behind by the economic recovery, three fourths in the study say they are generally optimistic about the future. More than half say their generation is financially better off or about the same as previous generations of Americans, and nearly six in ten believe their children and grandchildren will be financially better off or about the same as they are. Overall, only 8% describe themselves as pessimistic about the future while 20% are neutral. Forty percent think economic conditions for them and their family will improve in the year ahead. Respondents in the highest household income bracket in the study – \$100,000 a year or more – were the most optimistic about the future, at 84%; though even in the lowest bracket – less than \$25,000 a year – more than half expressed optimism.

The Rise of Loyal Shoppers

Study of U.S.
Primary Grocery
Shoppers
Age 25-45



PLMA consumer studies through the years

Every five years since the mid-1980s, PLMA has commissioned a comprehensive, nationwide study of shopper attitudes. Included in the studies are benchmarking questions on consumer attitudes towards store brands, their shopping habits and preferences in general, as well a group of inquiries into emerging retail trends of the period.

Much has happened since the PLMA studies were instituted. Retailers have grown into national, even international, players. New store formats – ranging from warehouse clubs to specialty food chains – have redefined the shopping experience. Drug chains have consolidated, discounters and dollar stores have proliferated, extreme value grocery chains have expanded, and buying online is transforming the fundamental role of bricks-and-mortar stores.

A new study focusing on the 25-45 age group

To once again test the consumer attitudes that have propelled store brands for more than three decades, PLMA commissioned SurveyLab, which specializes in online research, to conduct a study of 1,059 men and women across the country who identified themselves as the primary grocery shopper for their household.

This study focused on the 25-45 age group. Five hundred thirty nine women and 520 men participated. They are representative of the 81 million Americans in the key age group; 41 million women and 40 million men overall. It is the first time in the 30-year history of its quinquennial studies that PLMA has selected a specific demographic group of consumers for analysis. By 2020, the median age in the U.S. will be 38 years of age, in the middle of this population as it moves through the nation's demography.

Entitled “The Rise of Loyal Shoppers,” the new study consists of more than sixty questions aimed at determining consumers’ overall outlook; how they evaluate their family’s present and future economic conditions; how they shop for all types of grocery products, including food and non food; how they feel about various retail formats; what influences their ultimate choices at the shelf; how they behave as they prepare for their regular grocery shopping and once they are in the store; and their attitudes and purchase habits with respect to store brands.

This 25-45 age group is important to retailers as it is presently experiencing family formation and career building years where spending on household grocery products is considered to be the highest among all age groups. A *Harvard Business Review* article called the 25 to 45 group the “sweet demographic of parents with kids at home and lots and lots of consumer goods to purchase.”

“U.S. household spending peaks at age 45 and then declines in every consumption category except health care,” said J.P. Morgan Asset Management in a 2014 report. “Overall spending, in today’s dollars, falls about 30% from age 45 to 75.”

The Rise of Loyal Shoppers



A CNN report, “Where Americans Spend Their Money,” concurs. Among all age groups in 2012, spending on food and housing peaked for the 35-44 group. Median annual spending on food was \$6,211 for those 25-34 and \$7,765 for the 35-44s. For health, spending was \$2,904 and \$2,762 for the younger groups and \$3,411 for the 45-54s, while on housing it was \$17,026 and \$19,979 for the younger groups and \$18,872 for the older group.

According to the Census Bureau, median household income in 2013 was \$52,700 for the 25 to 34 segment and \$65,000 for the 35 to 44s, which

represented year over year increases in both of about +1%. By comparison, the household income of those 45 to 64 declined about -2%.

Investing in family, home and career

Shoppers 25-45 tend to be investing in family, home and career. They are also making critical judgments and sacrifices every day that impact their shopping behavior. They came of age before and during the recession and their shopping habits and preferences were undoubtedly influenced by it.

“The recession had the greatest impact on the employment status of Americans ages 25-45,” said a report from the OCLC, a nonprofit library cooperative based in Ohio. “More than a quarter experienced a negative job impact: Unemployed, reemployed at a lower salary, or working multiple jobs to make ends meet. They made lifestyle changes as a result: Two-thirds spend less on dining out.”

Attitudinally, when they shop for household groceries they focus on value, price and service while also expecting to be valued by retailers in return, says design group Dalziel & Pow. “Shoppers appreciate a simplified level of choice from retailers that comes from an understanding of their tastes and needs. They also enjoy a degree of ceremony when it comes to leaving with a prized purchase.”

A report from PricewaterhouseCoopers and TNS Retail Forward says this group will “begin to reach their prime household formation years in 2015 and attempt to emulate the lifestyle their Baby Boomer parents have and to which they are accustomed. It is a more diverse group in how they shop, where they shop and how they spend their money. As a result, they represent a challenge to traditional retailing.”

The cohort is also making an impact in other national markets. A 2014 study by Deloitte described consumers ages 25 to 44 in the U.K. as “super shoppers” and pointed out that while they make up just

18% of the population they account for 70% of retail sales. These largely young professionals “spend, spend, spend. They are busy, savvy, mobile, and seek speed and choice. These customers are in the driving seat and pushing retailers for even higher standards of service and greater convenience. Compared to other consumers, they use a wider range of resources to research purchases, and they do this using a greater variety of channels.”

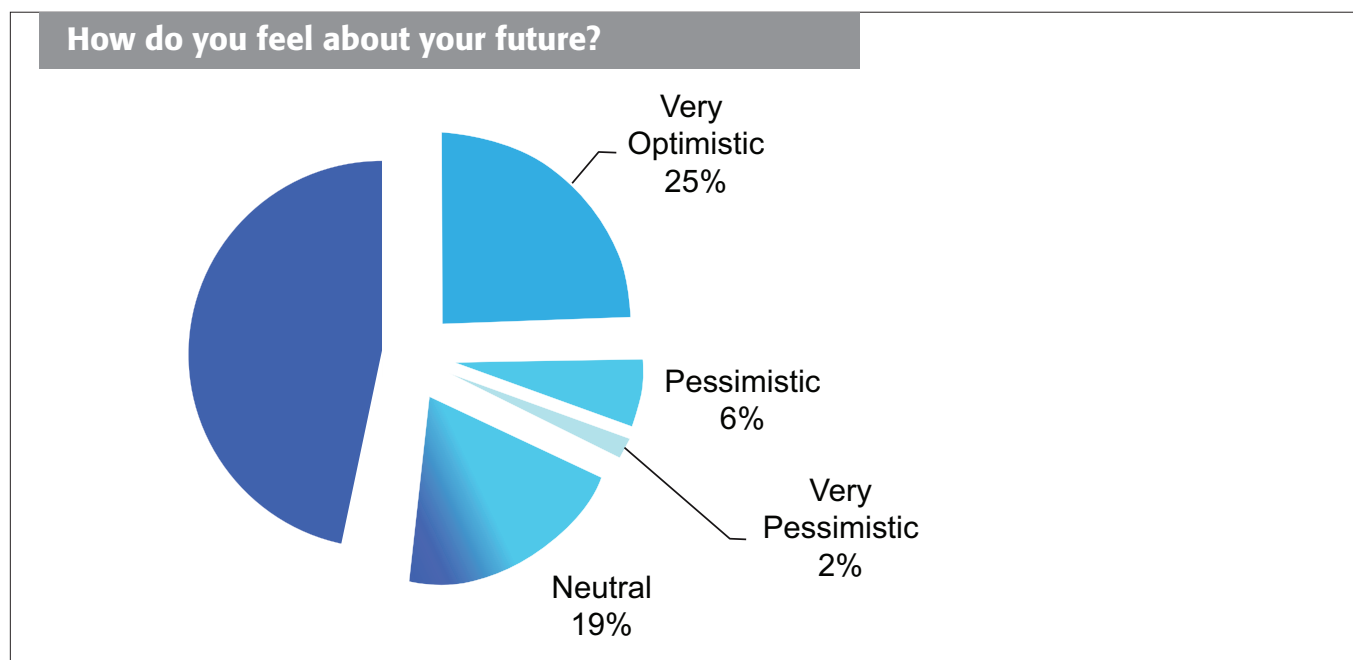
American consumers ages 25-45 represent a unique combination of growing household needs and spending power on consumables, and their shopping habits are changing retailing.

Study Findings

■ The economy and the 25-45 year-old consumer

The study included a number of questions on how shoppers age 25-45 assess their family’s overall present and future. In general, respondents are optimistic but at the same time they acknowledge the adverse effects on them and their family of the difficult economy in recent years.

Three fourths say they are generally optimistic about the future, while, by way of comparison, more than half say their generation is financially better off or about the same as previous generations of Americans, and nearly six in ten believe their children and grandchildren will be financially better off or about the same as they are. Overall, only eight percent describe themselves as pessimistic about the future while 19% are neutral.



Respondents in the highest household income bracket in the study – \$100,000 a year or more – were the most optimistic about the future at 84%; though even in the lowest bracket – annual income under \$25,000 – more than half expressed optimism.

The Rise of Loyal Shoppers



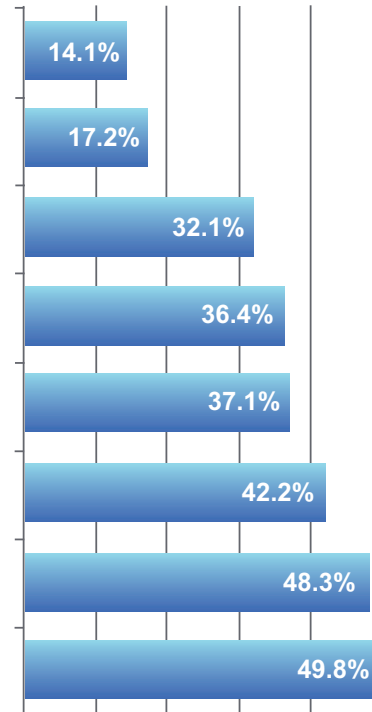
The adverse effects of the recession are relenting for some. One in four say in the past year conditions for them and their family have improved. But for 53% they have stayed the same. Most also acknowledge they have not been left unscathed by the difficult times. Forty percent have been “slightly” or “moderately affected” by the economic recession while only one in six report they have “not been affected at all.”

■ Shopping habits were changed by recession

Accordingly, these 25-45 year-old consumers in large numbers made changes in their shopping habits. Among the leading steps they have taken: collecting more coupons and promotions on national brands (50%); reducing impulse buying (48%); buying more store brands (42%); spending less on groceries in general (37%); buying larger sizes and quantities to save on needed items (36%); cutting back on expensive items such as fish, meat, prepared meals and convenience products (32%); and delaying their purchase of groceries until they can buy them on sale (17%). Only 14% changed the retailer where they do their main grocery shopping.

How has the economy changed your habits with regard to grocery shopping?

- I change the retailers where I do my main grocery shopping
- I delayed buying regularly purchased groceries until I can buy them on sale
- I cut back on expensive items such as fish, meat, prepared meals and convenience items
- I buy larger sizes and quantities to save on items I regularly need
- I spend less money on groceries in general
- I buy more store brands
- I reduce my impulse buying
- I collect more coupons and promotions on national brands



Consumer optimism is also strong going forward: 40% think conditions will improve in the year ahead; 46% say things will stay the same.

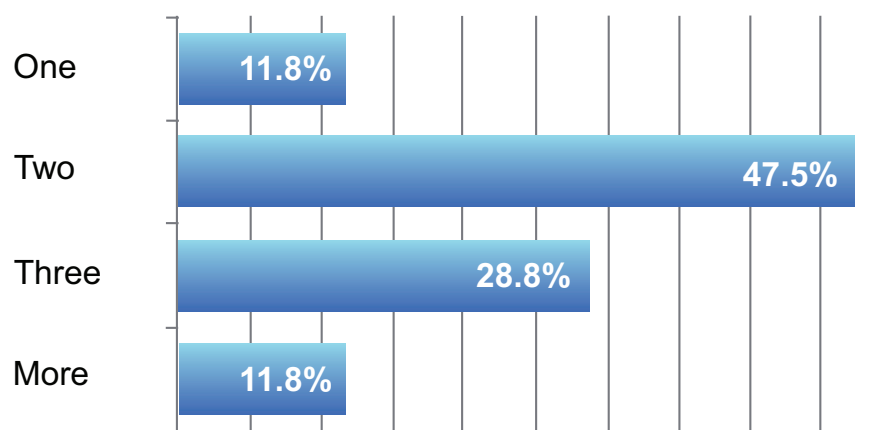
But not all those in the survey feel they are out of the woods. A significant segment has been hurt badly and feels left behind by the recovery. Some 13% say they have been seriously affected by the economic recession and another 27% have been moderately affected.

On top of that, one in five say conditions for them and their family have gotten worse during the past year, while for half they have stayed the same. Seven percent don't see any light at the end of the tunnel: they foresee conditions for them and their family will only get worse in the year ahead.

■ How these consumers shop for grocery products

These consumers shop often and across a wide array of formats, both conventional and non-traditional. But they display a strong sense of steadfastness and loyalty to their favorite stores, whichever formats they are. This contradicts the view of some industry observers that today's shoppers are fickle and easily lured by the newest operator on the block that promises a different grocery shopping experience.

How many different stores do you visit to do your regular grocery shopping?



The rate of regular store visits remains as high as in previous PLMA surveys. More than eight in ten shop for their regular groceries at least weekly; 31% shop more than once a week and 12% do so every other week. The frequency of shopping visits in other mainstream channels are high as well: In drug stores 30% of consumers shop at least weekly and in mass merchandisers the figure is 58%.

The percentage of consumers who shop least often across the three channels – that is, about once a month or less – is relatively low. It is only 3% in supermarkets, 19% in mass merchandisers and 37% in drug stores.

Patronizing two stores for regular household grocery needs is the most popular shopping regimen, according to the study, and, in fact, has been growing as a habit over the past decade. In the last



comprehensive PLMA study, conducted in 2006, 32 percent said they shop in two stores while in the new study the figure has risen to half. Only 12% shop in one store, 29% shop at three stores and 12% say they visit four or more stores for their regular grocery shopping.

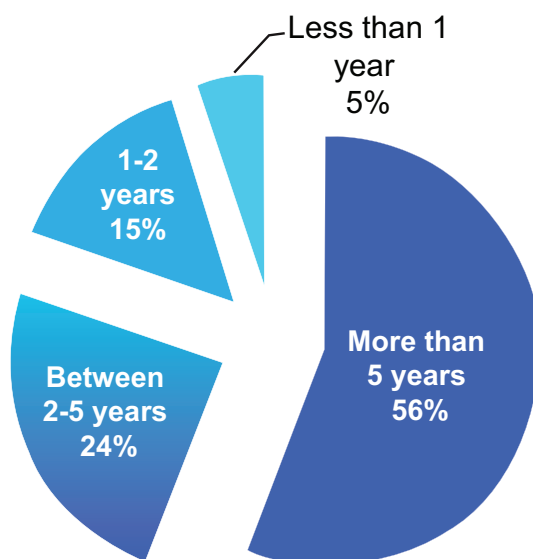
■ Two-store shopping regimen is growing

Expect the two-store habit to continue if not increase as a majority of America's youngest consumers have also adopted the approach. In the 2014 PLMA Millennials study, 53% of those ages 18 to 25 said they shop in two different stores. The two-store regimen also has appeal to a majority of older consumers. In a companion 2015 PLMA survey of those ages 55-65, some 57% said they confine their regular grocery shopping to only two stores.

Supermarkets remain the top choice. Nearly all in the survey, 85 percent, shop in a supermarket for their regular groceries while 74 percent shop at mass merchandisers. Club stores were a distant third at 42%. After that come drug stores, dollar stores and specialty food stores at 25%; no-frills stores (17%); small, neighborhood grocery stores (15%), and convenience stores (12%). Patronage of online services, such as Peapod and Fresh Direct, was lowest, at 3%. Supermarkets have experienced erosion of traffic over the years, but not much. In a 1995 PLMA study, 94% said supermarkets were their favorite place to buy food.

When consumers were asked to identify just one type of store as their main place to buy groceries, supermarkets came out on top again by a wide margin, the choice of 56%, ahead of mass merchandisers, at 30%. Club stores were selected by 5% followed by specialty food stores and small neighborhood grocery stores, both chosen by 2%.

How long have you regularly shopped at your main grocery store?



These 25-45 year-old consumers are staunchly loyal to their favorite stores, suggesting that the image of the fickle American grocery shopper may be overblown. Some observers contend that every time a new type of format debuts consumers forsake their favorite store and rush to the new player. The survey casts doubt on that scenario. Rather, it reveals that consumers have actually been loyal to their favorite stores for years. For example, the study reports that six in ten have regularly shopped at both their main grocery store and their mass merchandiser for more than five years. As well, half say they have shopped in their drug store for that period of time.

Among those who have lived in the same neighborhood for more than five years, which was more than half of the participants in the study, the figures spike to 77% who have patronized their grocery store more than five years, 76% their mass merchandiser and 60% their drug store.

■ Few switch stores

Overall, only 23% recently switched to a different store for their regular shopping. The leading reasons for the switch include: Prices were too high in my previous grocery store (51%); my new store is more convenient (32%); the selection and variety of products was too small (29%); the quality of products was not good (28%); my family's needs have changed (18%); store personnel were not helpful or friendly in my previous grocery store (14%); my new store has a better loyalty card program (14%); my new store has a better reputation (13%); and the previous store was an unattractive place to shop (13%).

The number of consumers who reported they were shopping in their favorite store for less than a year was quite small: only 5% in their supermarket, 10% in the drug store they visit the most, and 5% in their mass merchandiser.

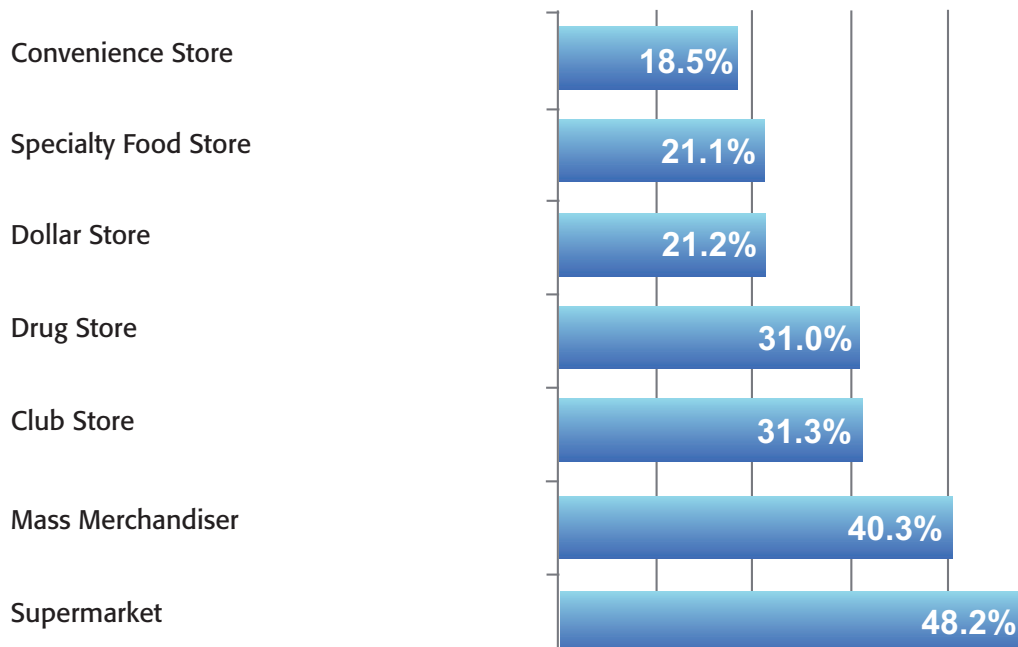
One factor contributing to this stable customer base: Americans are less mobile than they used to be. Only 12% move each year – down from as high as 25% during the postwar era – and on average they stay in the same home for nine years.



The Rise of Loyal Shoppers



**In general, how would you rate your loyalty to the stores in which you shop?
Percent saying “Very loyal”**



When asked to rate their loyalty to the stores in which they shop, consumers spread their allegiance around: 48% said they were “very loyal” to their supermarket; 40% felt that way about their mass merchandiser, and 31% about their drug store and club store. Other results included: 21% were very loyal to their dollar store and specialty food store, and 19% to their convenience store.

Loyalty cards are ubiquitous among these shoppers but their effectiveness and value to the retailer is unclear. Frequent shopper clubs and loyalty card programs are very popular: 84% belong to a program at a supermarket, drug store or other retailer. But membership is so common – 52% carry three cards or more and 30% carry at least four cards – the overall effectiveness of the program relies on what kind of marketing chains do with the data beyond providing sales announcements or cents off at checkout.

Also perhaps owing to their ubiquity, half of consumers say they are no more or less likely to shop at a store with such a program. As a delivery system for coupons they do provide value to both the chain and its patrons: Four in ten say coupons are very important to them when they do their shopping; and four in ten rate coupons as a very important factor when buying a product they have never purchased before at a supermarket or drug store. In response to another related survey question, only 26% said the store’s loyalty card program was a “very important” factor in their choosing where to regularly shop for groceries.

■ Social sites, online ordering still underused

The jury is still out on the use of social sites and online home delivery in grocery shopping. The survey makes it clear that consumers have yet to embrace these tools in meaningful numbers. First the good news for digital marketers: Six in ten say they have used a mobile device or computer before entering the store to get information on a product, as well as once inside the store to get information, look up recipes, or check or compare the price of an item.

What role do social sites, such as Instagram, Facebook and Twitter, play in your regular grocery shopping?



But when it comes to social sites, such as Instagram, Facebook and Twitter, half report they play no role in their shopping. About a quarter use such sites to get coupons and information on sales and discounts, and to compare prices on items; one fifth read about consumer experiences with products and stores. Sponsored pages on such sites also get low use. Only 11% belong to online sites run by stores, 9% to sites run by national brands, and 9% to sites run by other groups with similar interests in shopping, recipes and food.

The Rise of Loyal Shoppers



Have you used an online home delivery service for your regular grocery shopping?

No – I have not used an online home delivery service

38.4%

I would be interested in an online home delivery service if my store offered it

19.8%

I don't think I will use online home delivery for my grocery shopping

17.8%

I do not currently use an online home delivery service but have done in the past

12.4%

Yes – I currently use an online home delivery service

11.6%

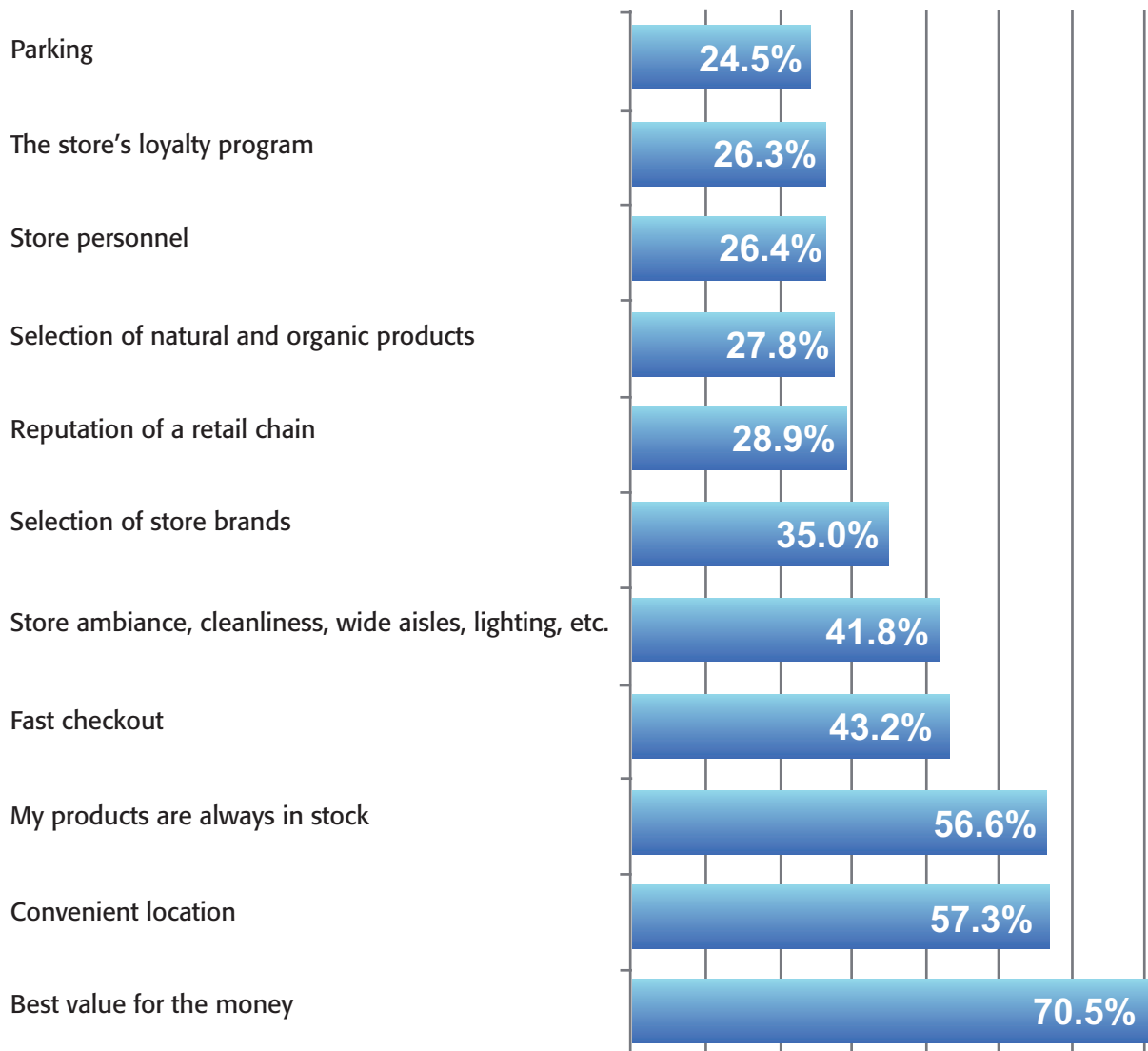
Online home delivery for grocery shopping is in a nascent stage at best, as just 12% currently use the service and nearly six in ten don't foresee ever using it. One fifth say that they do not use such services now but would be interested if their store offered it. Another 12% have used the service in the past but do not do so currently.

According to *The Wall Street Journal*, only 2% of all spending last year for groceries was conducted online. But the potential is huge; that alone totaled \$16 billion in sales. Among other types of goods, online spending for personal care was slightly higher at 7% of the category total (about \$4 billion); for pet care it was 11% (\$4 billion); and for books – the category with the highest rate of online sales – it was 39% (\$10 billion).

■ How these consumers feel about the products they buy

The search for value is uppermost in the minds of consumers age 25-45 as they conduct their regular grocery shopping. But the ultimate decision on where to shop and what to buy is the result of a far more complicated set of factors and influences that range from the availability of the item on the shelf to word of mouth recommendations, brand loyalty, product and packaging innovation, nutritional labeling, and health and wellness benefits, among others.

How important are the following factors for choosing where you regularly shop for groceries? Percent saying "Very important"



The Rise of Loyal Shoppers



Respondents were asked to rate the importance of several factors for choosing where they regularly shop for groceries. “Best value for the money” was first with 71% saying that was “very important.” But “my products are always in stock” was a strong second, as 57% said that was “very important.” Convenient store location received the same rating, followed by fast checkout and store ambience, both 43%. Selection of store brands was “very important” to 35%, followed by reputation of the chain (29%), selection of natural and organic products (28%), the store’s loyalty card program (26%), store personnel (26%), and parking (25%).



Even in a digital world, word of mouth is still a potent influence in helping consumers choose a product they have never bought before at a supermarket or drug store. One third said a recommendation from family or friend was a “very important” factor, behind only coupons at 40%. Following as factors were in-store advertising, free samples or product demonstrations (27% said “very important”); online rating and review of the product (23%); and email notice of a discount (17%).

Retailers can leverage other consumer interests. One-fifth said packaging features such as those pertaining to easy-to-open or environmentally friendly are “very important” when they shop; while three in ten buy and believe health and wellness food items are important to their family.

With respect to health and wellness offerings, 25% plan to buy more of such foods in the future; 23% would like a greater selection of them at their store, and 19% would like to see more store brands in these categories. There are doubters, however. Some 27% do not believe the claims of such products, while 43% say they are too expensive.

■ Consumers feel assured on product safety

But that skepticism does not extend to their view of the overall quality of what they buy. Consumers in the study display a deep trust in the safety of food and non-food supplies in the country. In overwhelming numbers, they believe food products are safe for consumption and that non-food products, such as household and health and beauty items, are safe for use.

Thirty-eight percent said food supplies are “very safe” for consumption and another 49% said they are “somewhat safe;” when it came to non-food products, 32% said they are “very safe” for use and 54% said they are “somewhat safe.” Less than one in ten of these consumers expressed any safety concerns with either group of products.

Half also agree with the statement that manufacturers of products and stores where they do their regular shopping do everything possible to provide information on the environmental and ecological implications of the items they make and sell. Not all respondents are sold: 27% disagree with the statement about manufacturers and 26% disagree with respect to their stores.

Consumers buy food in the drug channel on a somewhat regular basis, but it remains a niche and sales do not appear to be a meaningful threat to other channels with more comprehensive food offerings.

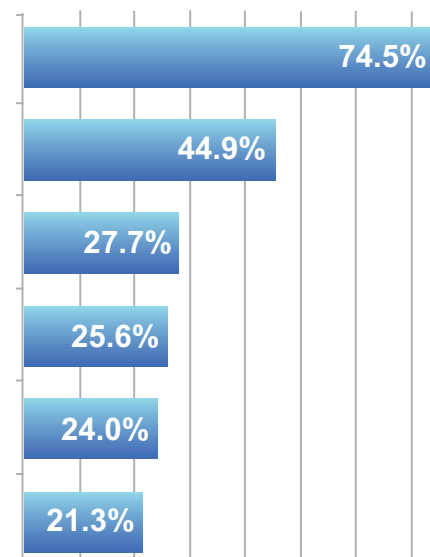
While one in five buy food in drug stores “always/almost always/frequently” and another two in five purchase it “sometimes,” four in ten “rarely” or “never” do. Not surprisingly, convenience is the main inducement for purchase – according to 72% in the study – placing it well ahead of price (42%), value (26%), quality (19%) and selection (17%). Prospects for growth in food sales in the stores are muted: only 28% said looking ahead they expect to buy more food products in drug stores, while 38% answered no, and 34% said not sure.

■ Consumer behavior in the store

Loyalty to a particular brand has never been more fluid and does not appear to be an especially strong indicator of actual consumer purchase. Reflecting this, results from two survey questions asking the respondents about different scenarios at the shelf demonstrate the power of store brands in a face-off with national brands.

When you get to the store and look for a particular brand of product, what do you usually do?

- I check the prices of all brands of the product I plan to buy
- I look to see what other brands of the product are available
- I read information on the label of other brands of the product
- I select the particular brand of product without hesitation
I consider the store brand version of the product if it is
not my first choice
- I examine the packaging of other brands of the product





At the point of purchase, store brands occupy an important branch in shoppers' decision tree. When consumers go to the store and look for a particular brand of product, one quarter select the brand of product without hesitation. The rest are indecisive and open to a different choice. Nearly all of them check the prices of all brands of the product they plan to buy. In somewhat smaller numbers, they also check the availability and examine the packaging and labels of other brands of the product. And one quarter consider the store brand version of the product, if it was not their first choice.

■ Opting for the store brand

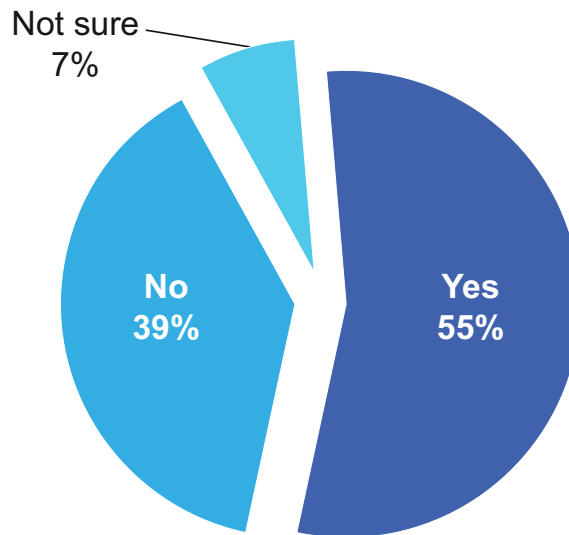
In a related finding, if a particular national brand that a consumer desires is not available at the shelf, a strong majority, 61%, immediately opts for the store brand version of the product instead. In significantly fewer numbers, consumers select a different national brand (48%), delay purchase until the next shopping visit (24%), go to another store to look for the national brand (20%), seek assistance from store staff (16%), or search online for availability elsewhere (10%).

If a particular national brand that you want to buy is not available in the store when you are shopping, what do you usually do?



Another finding underscored the degree of consumer indecision and the opportunity for store brands to close the deal at the point of purchase. When asked the question: "When you decide to shop, would you say you generally have a specific brand in mind?", 55% said yes, but 39% said no and another 7% were unsure.

When you decide to shop, would you say that you generally have a specific brand in mind?



Some things about shopping have not changed, however. Asked: “When you go to the store what is the most important thing to look for when you shop?”, finding a good assortment of products topped the list at 28%. Ease of shopping was next at 26%, then getting out of the store quickly at 13%, followed by cleanliness of the store, and quality and selection of produce, both at 10%.

Consumers age 25-45 are reading product labels very closely. These consumers eagerly embrace the responsibility of knowing what is in the products they buy. One third say they are very aware of the ingredients used in food items; another 57% are “somewhat aware.” Only 10% are “not very aware.”

Two thirds read nutritional labels “always/almost always/frequently.” Only 10% say they “rarely or never” read them. Label reading is an important prelude to purchase. Seventy eight percent say such information on the label is helpful to them when they are grocery shopping.

The practice extends to non-food products as well. More than one in five say they are “very aware” of ingredients in items such as household cleaners, health and beauty products, and over the counter medicines; another 45% report they are “somewhat aware.” But compared with the close scrutiny that a majority of these consumers exercise with food items, a large number of them, 31%, admit to being “not very aware” of the ingredients in non-food products

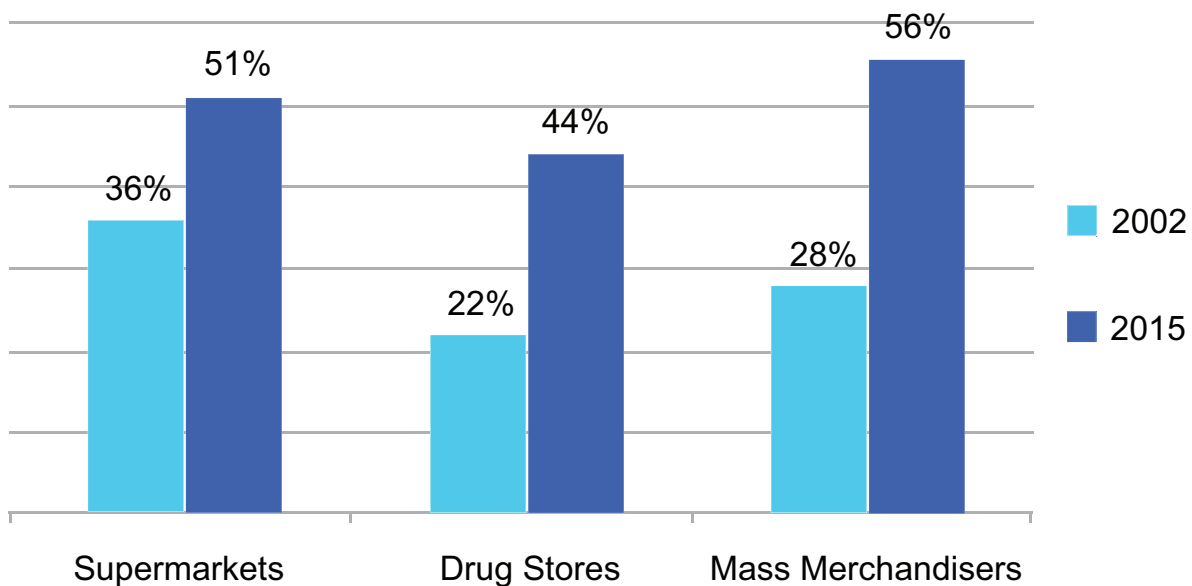


■ Attitudes towards store brands

Store brands are extremely popular among the 25-45 year-old consumers who are the subjects of this study. They give the products high ratings and they are buying them far more often across multiple formats than was reported by shoppers in previous PLMA studies.

About half or more of the respondents are buying store brands at the highest rates of incidence – “always/almost always/frequently” – in their supermarkets, drug stores and mass merchandisers. This represents a dramatic increase in the top rates of purchase when compared to PLMA studies over the past decade.

When you shop for groceries, how often would you say you purchase a store brand product? Percent saying frequently/almost always/always



In 2002, the highest rates of purchase for all consumers were 36% in supermarkets, 22% in drug stores and 28% in large discount chains/mass merchandisers. In the 2015 study, the figures are 51% in supermarkets, 44% in drug stores and 56% in mass merchandisers. The differences amount to increases of about half again in supermarkets and twice as much in drug stores and mass merchandisers, when compared to the earlier PLMA study. For an even longer historical perspective, the highest patronage rate of store brands by shoppers in a 1991 PLMA study was only 12% in supermarkets.

In 2015, only 5% say they “never” purchase a store brand product when they shop for groceries; even fewer, 2%, say they never buy store brands when they shop in a drug store while 6% never buy them while shopping in a mass merchandiser. Annual household income makes little difference. Across all income brackets that were tracked in the new study, about half or more of consumers buy store brands in supermarkets at the top rates.

Compared to consumers 55-65 in a companion PLMA study, these 25-45 year old consumers are considerably more likely – by multiples of twice as much or more – to buy store brands at the highest rate, ie: always/almost always, in all three main grocery channels as well as in non-grocery channels.

■ Store brands are also bought in quantity

As for how much store brands they buy, more than 60% report that every time they do their regular grocery shopping “about half or more” of what they put in their cart is store brands. Some 37% say that on average when they shop their cart is filled “mostly with national brand products.” Three percent say they “really do not notice brands” when they shop.

Compared to five years ago, more than four in ten are now buying more store brands; half say there has been no change in their purchase of the products. Only 6% are buying less. Looking at the year ahead, nearly four in ten intend to buy more store brand products; slightly more than half foresee no change in their purchase and only 1% say they will buy less of them.

There are also high awareness and purchase rates of store brands in non-grocery channels such as those specializing in home improvement, household products, pet care, sporting goods, office supplies, and health and beauty products. Eighty-three percent of consumers in the study are “aware” of store brands in those channels and 37% buy them at the highest rates of incidence – “always/almost always/frequently.”

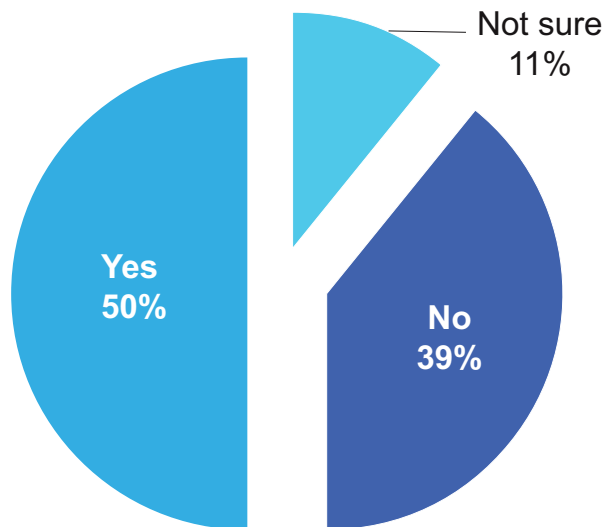
Consumer trial continues to be retailers’ best friend for drawing new customers and building sales. The study shows that consumers in increasing numbers are trying store brands for the first time in product categories where they had previously only bought a national brand item. And in overwhelming numbers they report the trial produced a satisfactory experience.



■ Trial produces high satisfaction

In one of the most significant findings in the survey, more than 49% recently chose a store brand in a specific category for the first time instead of a favorite national brand. When asked after consumption or use to compare the store brand with their previous choice of a national brand, nine out of ten were pleased: 28% reported they compared “very favorably” and another 62% said “favorably.” Only 4% reported an unfavorable result of their store brand trial.

Have you recently tried store brands for the first time in product categories where you previously only bought a national brand item?



A common recession era practice, store brand trial is increasing: In a 2009 PLMA survey, 35% said they had engaged in such trial and a year later the figure had risen to 43%. Consumer rates of “satisfaction” were as high in both of those studies as it is in the 2015 one.

During the recession, price was likely the foremost reason consumers passed on their favorite national brand for the first time and instead tried the store brand. But in the post-recession era, it can be reasonably asserted that the drivers of trial may also include: a prior favorable trial with a store brand in another category, store brand product innovation, the introduction of a store brand for the first time in the category, and even the delisting of a favorite national brand.

Retailers get high marks from these consumers for their store brands. Eighty nine percent of this 25-45 generation believes the store at which they do their regular grocery shopping carries good store brands; 5% are “not sure.” In addition, half of them believe the store where they conduct their regular grocery shopping has better store brands than other stores of its type; 31% are “not sure.”

The main reasons they choose to purchase a store brand product today as opposed to a national brand are: price (73%); value for the money (64%); a good past experience with the store brand (43%); quality (35%); trust and confidence in the retailer (24%); I like to try new things (20%); a unique product or ingredient (14%); advertising and promotion (12%); and attractiveness of the packaging (9%).

When it comes to their buying store brands specifically in drug stores, the following factors were judged to be “very important” by respondents: price (69%); quality (69%); value (67%); convenience (50%); and selection (48%).

Factors that respondents said will encourage them to buy a larger number of store brand products in the year ahead are: better quality of store brand products (52%); my overall satisfaction with store brand products in the past (47%); more variety of store brand products (47%); new and innovative store brand products (33%); a greater variety of package sizes (33%); more store brand organic products (27%); more store brand health and wellness products (23%); more store brand ready meals I can heat and serve at home (19%); more advertising and promotion of store brand products (18%); and better packaging of store brand products (17%).





Appendix – Survey Demographics

Total number of respondents

N = 1059

Sex

Male	49.1%
Female	50.9%

Age group

25 - 35	59.3%
36 - 45	40.7%

Years lived in same neighborhood

Less than 1 year	8.2%
1 - 2 years	14.0%
Between 2 and 5 years	25.9%
More than 5 years	51.9%

Number persons living in your household (including children)

1	11.2%
2	22.1%
3	26.3%
4	25.4%
5	9.5%
6 or more	5.4%

Annual household income

Less than \$25,000	9.7%
\$25,000 - \$49,999	27.2%
\$50,000-\$99,999	42.9%
\$100,000 or more	16.7%
Prefer not to say	3.5%

Publication Credits

Editor	Joe Azzinaro
Director, Public Relations	Dane Twining
Research Director	Tom Prendergast
Media Director	Alisa Svider
Art Director	Fernando Mendez
Graphic Design	Iram Rafique

PLMA gratefully acknowledges the cooperation of Surveylab Limited, Wimbledon, London, United Kingdom in development and execution of the survey and processing of survey results.



PRIVATE LABEL MANUFACTURERS ASSOCIATION
630 Third Avenue, New York, NY 10017

Telephone: (212) 972-3131 Fax: (212) 983-1382 www.plma.com

© Copyright 2015