2022

CPG + GROCERY

TRENDWATCH

The Household Budget Deep Dive

VERICAST

/ CONTENTS

How four key segments are buying essentials differently (and what to do about it)

What's driving household spending today?

Rising prices, supply chain delays and inflation at a 40-year high[1] have all affected how people engage with CPG brands and retailers. This doesn't just mean consumers are cutting back — they're scrapping long-term behaviors and finding entirely new ways to be savvy.

This makes it critical for marketers to zero in on consumer demographics and behavior.

To successfully retain and acquire new shoppers in a volatile environment, marketers need to know how different segments spend and how to capture their attention.

It's never been more difficult to achieve acquisition and retention goals

64%

OF CONSUMERS FEEL MORE **ANXIOUS** ABOUT THE INCREASE IN INFLATION

42%

OF CONSUMERS **STRUGGLE TO AFFORD ESSENTIALS**

But there are still gains to be made in the market. Using our consumer research we've identified the unique, unexpected and long-term shifts in spending attitudes toward household essentials across four key groups:

Baby boomers

BORN BETWEEN 1946–1964

- Anxious about inflation
- Many are on a fixed income
- Can afford day-to-day essentials
- Prefer shopping in-store with print coupons and discounts
- Stick to their shopping list to keep costs down

Millennial parents

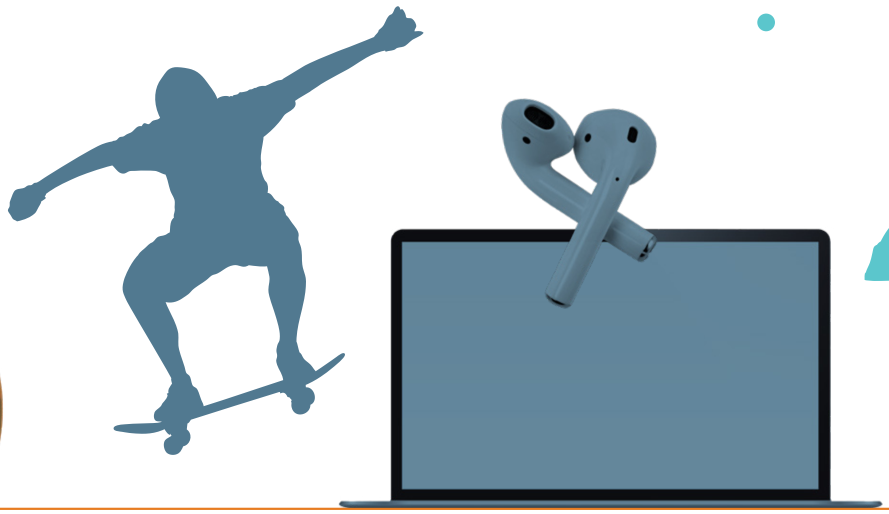
BORN BETWEEN 1981–1996

- Care about the latest technology and personalized offers
- Struggle to afford essentials, and their changing habits reflect this

Gen Z

BORN BETWEEN 1997–2004

- Least anxious about the increase in inflation
- Highest expectations of any generation for receiving personalized communications and seamless experiences across all channels[2]
- Along with millennial parents, the generation most looking toward technology and brand values when it comes to shopping for essentials



Affluent shoppers

HH INCOME OF $100K+

- Despite being better off, they're still cutting back on spending
- Price and value are important to them

The current economic environment represents a moment of change for each of these groups.

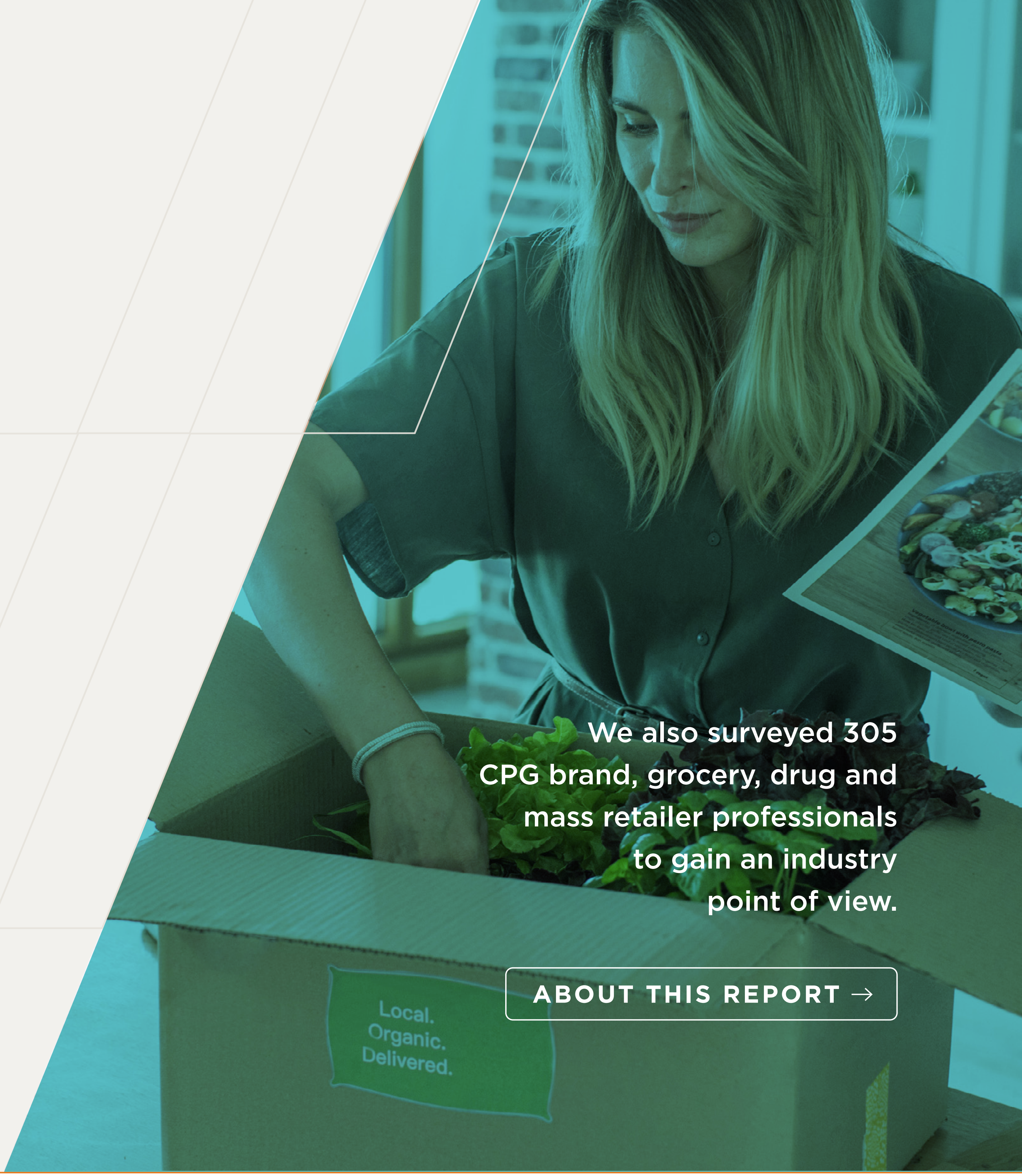
Marketers who understand this and plan accordingly will be top of mind as buyers across generations make moves to save.

This report reveals the most effective strategies to connect with these groups. It outlines how each segment is spending, what they're looking for, and how brands and retailers can capture their interest at a time when loyalty is at risk.

WORRIED ABOUT YOUR BUDGET?

LEARN 5 WAYS →

BRANDS CAN THRIVE DESPITE THE INCREASING COST OF MARKETING



We also surveyed 305 CPG brand, grocery, drug and mass retailer professionals to gain an industry point of view.

ABOUT THIS REPORT →

01

BABY BOOMERS

Preparing for the Pinch

01

BABY BOOMERS

Preparing for the Pinch

Baby boomers are the most particular when it comes to price.

- **83%** say the increase in prices is their biggest challenge when shopping for food, health and beauty, personal care or household items online or in-store

- **36%** are most likely to switch products when preferred products aren't available

- Are less worried about lengthy shipping times (**12%**) and trading down to less expensive options (**17%**)

BIGGEST CHALLENGES
FOR ALL SHOPPERS

61%
RISING PRICES

30%
SWITCHING PRODUCTS DUE TO AVAILABILITY

BAFBY BOOMERS

01 Preparing for the Pinch

Consumer vs. industry perspective

Baby boomers rank having to switch products because their preferred product isn't available as the second highest challenge when shopping. But only **34%** of brands and retailers think this is a big challenge for consumers.

Retailers can help shoppers find the right products by offering a strong lineup of private brands and advertising new items from national brands, both in-store and online.

JULIE COMPANEY
DIRECTOR, CLIENT STRATEGY

VERICAST

For CPGs, this represents an opportunity —

Guide shoppers to stores where products are in stock, or drive awareness of other products in the lineup that meet the same need. Retailers should ensure their private brand offerings are appealing and well-advertised.

AIMEE ENGLERT
EXECUTIVE DIRECTOR, CLIENT STRATEGY

01

BABY BOOMERS

Preparing for the Pinch

Baby boomers have created new habits since the pandemic began, including how they discover deals and plan their shopping.

- **43%** are most influenced by coupons that arrive in the mail or newspaper when shopping at a new store or trying a new product, followed by print circulars delivered to their home (**38%**)

- **20%** have been searching for more coupons online and in print

- They shop at less crowded times of day (**38%**) and have been sticking to their shopping list to keep costs down (**32%**)

Older generations are getting comfortable with ecommerce. An omnichannel approach to deals will pay dividends when it comes to shoppers looking to save.

01

BABY BOOMERS

Preparing for the Pinch

A BIG OPPORTUNITY EXISTS to promote products to consumers who are particularly keen on private label alternatives

… or are open to trying them, especially when they're looking to trade down to lower-priced options.

81% OF BABY BOOMERS

73% OF ALL CONSUMERS

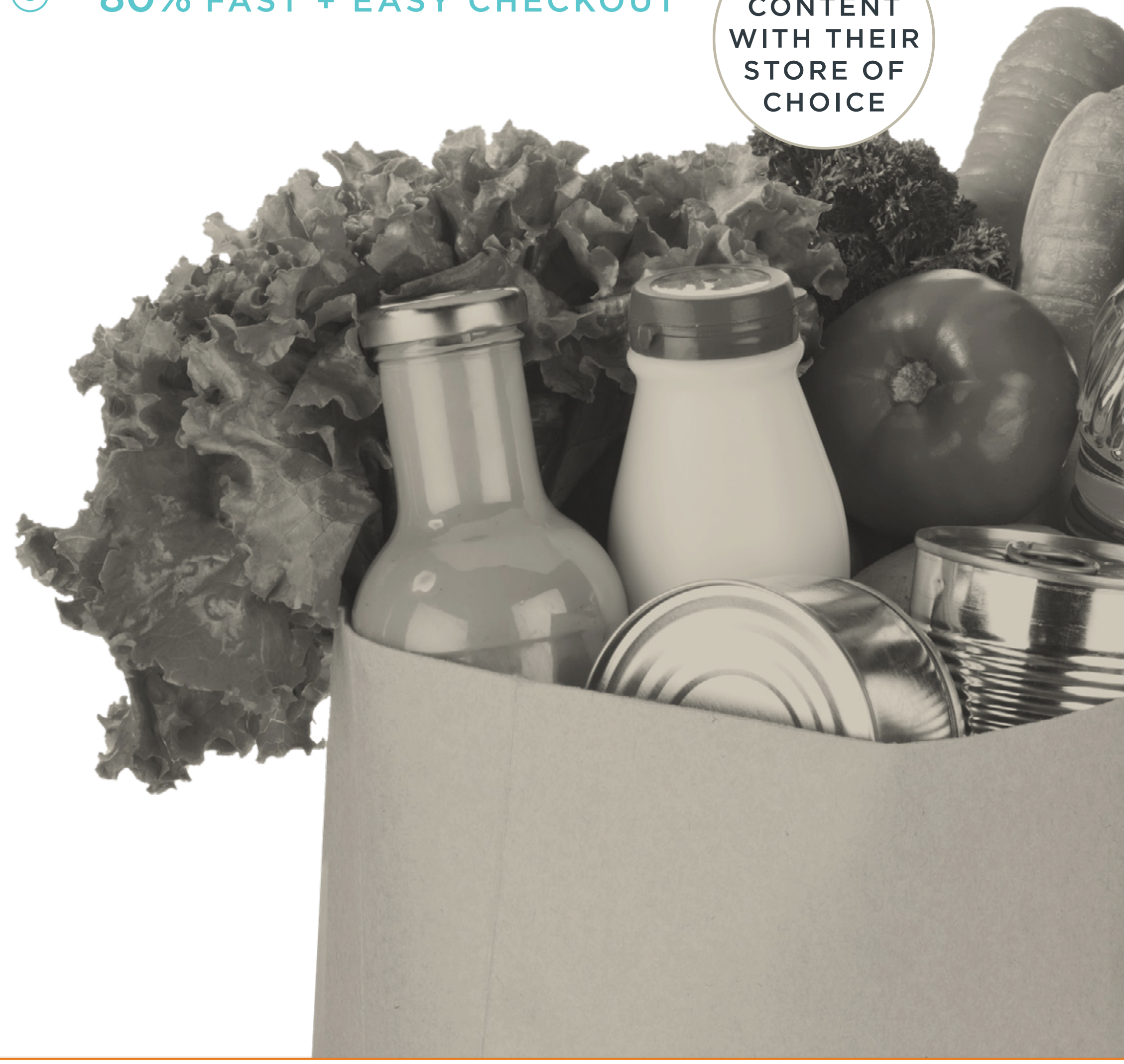
SAY THEIR GROCERY STORE HAS QUALITY, REASONABLY PRICED **PRIVATE LABEL BRANDS**

BABY BOOMERS

STORE OF CHOICE

- 87% CLEAN + SAFE ENVIRONMENT
- 84% ITEMS THEY NEED
- 80% FAST + EASY CHECKOUT

MOST CONTENT WITH THEIR STORE OF CHOICE



VERICAST

01

BABY BOOMERS

Preparing for the Pinch

- Consumers, brands and retailers agree that the biggest challenge currently facing consumers is cost
- But while brands are more worried about acquiring new customers, retailers are more concerned with keeping the ones they already have

Industry perspective

TOP 3 CHALLENGES FACING ADVERTISERS IN 2022

CPG BRANDS		GROCERY STORES
INCREASING COST OF GOODS	TOP 01	INCREASING COST OF GOODS AND SUPPLY CHAIN ISSUES (TIED)
PANDEMIC UNCERTAINTY	TOP 02	PRICING
CUSTOMER ACQUISITION	TOP 03	PANDEMIC UNCERTAINTY AND CUSTOMER RETENTION (TIED)

01

BABY BOOMERS

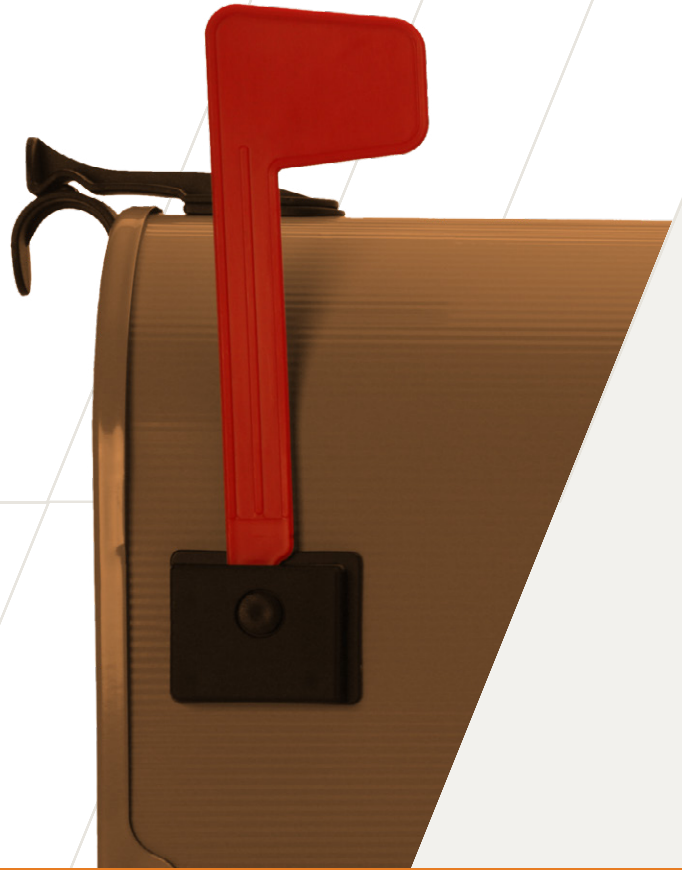
Preparing for the Pinch

How can you switch up your strategy for baby boomers?

• Both brands and retailers overwhelmingly rate social media as more effective (**63%**) than print media (**19%**)

• Unsurprisingly, baby boomers are the least influenced by social media (**6%**), showing that it's crucial to consider your target audience when adjusting your media spend

• Baby boomers are certainly looking online — however, they find print media far more influential when it comes to trying a new brand or store coupons, favoring circulars received in the mail (**43%**) and newspapers (**38%**)



ALMOST HALF OF BABY BOOMERS aren't getting the printed store ad they want in their mailbox.

It pays to invest in reaching this audience at home, where they are looking for your print ad to plan their shopping.

VERICAST

02

MILLENNIAL PARENTS

Craving Convenience

02

MILLENNIAL PARENTS

Craving Convenience

For millennial parents, times are tight.

MILLENNIAL PARENTS

REALITY OF SHOPPING TODAY

LOWER THAN THE CONSUMER AVERAGE

67% OF MILLENNIAL PARENTS

SAY THEIR GROCERY STORE HAS QUALITY, REASONABLY PRICED **PRIVATE LABEL BRANDS**

- **53%** STRUGGLE TO AFFORD ESSENTIALS
- **29%** SAY IT'S HARD TO FIND PREFERRED PRODUCTS
- **26%** TRADE DOWN TO LESS EXPENSIVE OPTIONS
- **23%** USE CASHBACK REBATES/APPS

A MISSED OPPORTUNITY when parents look for lower-priced options.

To maintain their edge, brands should disrupt the trade-down mindset by continuing to advertise to stay top of mind and to close the price gap with retailers' private label brands.

02

MILLENNIAL PARENTS

Craving Convenience

Grocery stores should call attention to their convenient meal solutions.

84% OF GROCERY STORES

RATE THEMSELVES WELL FOR HAVING **MEAL PLANNING SOLUTIONS**

60% OF MILLENNIAL PARENTS

RATE THEIR GROCERY STORES HIGHLY FOR HAVING **MEAL PLANNING SOLUTIONS**

> Grocery stores could appeal to parents looking for convenience by promoting ready-to-eat & freshly prepared meal options available in-store or for delivery.

JULIE COMPANEY
DIRECTOR, CLIENT STRATEGY

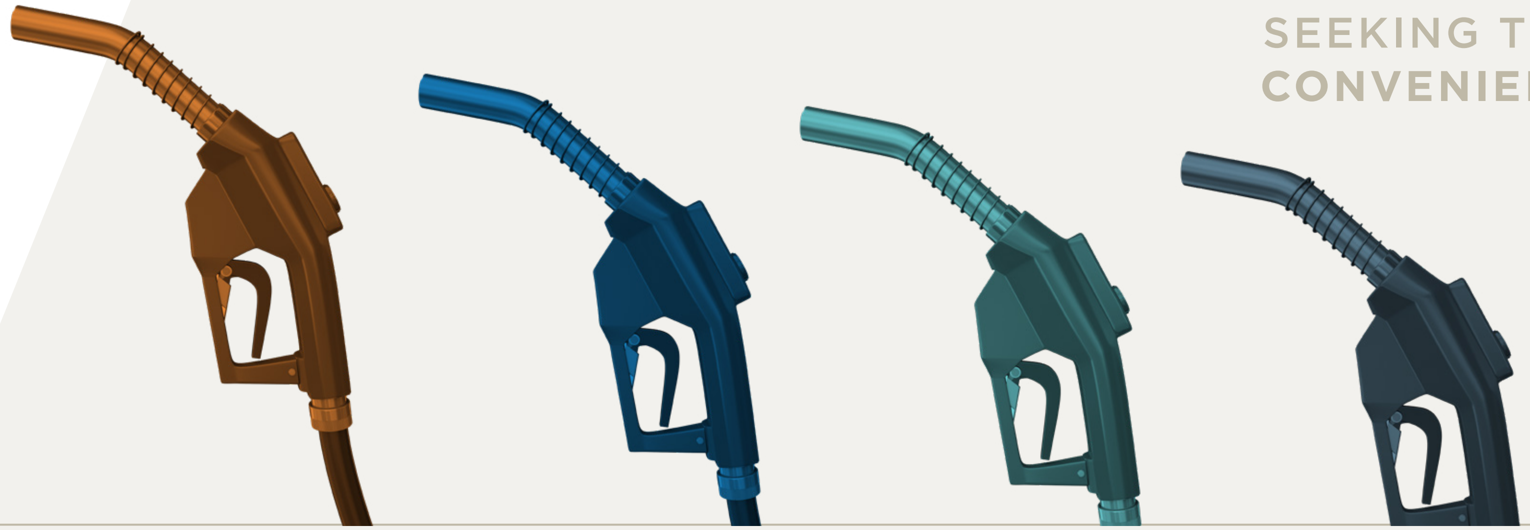
02

MILLENNIAL PARENTS

Craving Convenience

Due to rising gas prices, millennial parents (**63%**) are more likely to shop at fewer stores, compared with **56%** of consumers overall.

CPG brands can reach gas price-conscious shoppers on the go through mobile ads or on digital screens at the pump.



MILLENNIAL PARENTS

SEEKING TO BALANCE CONVENIENCE + COST

- 63% SAVE GAS BY CONSOLIDATING SHOPPING TRIPS TO FEWER RETAILERS
- 56% AGREE THEIR GROCERY STORE MEETS THEIR NEEDS FOR HOME-DELIVERED PRINTED ADS TO PLAN THEIR SHOPPING
- 51% PREFER RESTAURANT AND GROCERY ORDER DELIVERY IN SAME TRIP
- 46% WILL PAY MORE FOR THE CONVENIENCE OF A SUBSCRIPTION SERVICE

HIGHER THAN CONSUMERS OVERALL

Grocery stores can help consumers manage high gas prices —

Promote fuel rewards programs and market locations that have fuel pumps as a one-stop destination.

JULIE COMPANEY
DIRECTOR, CLIENT STRATEGY

02

MILLENNIAL PARENTS

Craving Convenience

Whether online or offline, ads should be tailored to the needs of millennial parents to persuade them to make a purchase.

A multi-faceted approach to promoting deals works best. When it comes to choosing a new store/website or trying a new brand, **26%** say they're influenced by coupons received in the mail or newspaper, while **25%** are influenced by online coupons or discounts.

Additionally, millennial parents are influenced by social media (**25%**) and mobile ads (**19%**), more than other generations.

These shoppers expect retailers to provide personalized promotions based on their purchase habits and interests (**58%** vs. **46%** of consumers overall).

MILLENNIAL PARENTS

TECHNOLOGY TOPS THE AGENDA

- **65%** RATE THEIR GROCERY STORE AS "USING THE LATEST TECHNOLOGY"
- **28%** SHOP MORE ON THEIR PHONES
- **18%** HAVE/USED MORE TECHNOLOGY TO SHOP SINCE THE PANDEMIC BEGAN

02

MILLENNIAL PARENTS

Craving Convenience

Millennial parents still rate the in-store experience (**70%**) higher than the online experience (**63%**).

70%

63%

Marketers should look for ways to invigorate the online shopping experience, which generally lacks in terms of discovery and inspiration. Rather than simply sticking with old favorites, include new ways to menu plan and help consumers discover products across online properties.

How can you switch up your strategy for millennial parents?

Although millennial parents rate their stores highly for using technology, there's still a digital disconnect with all consumers. **Eighty-five percent** of grocery stores rate themselves highly for using the latest technology, compared with **56%** of consumers overall. Retailers should promote their mobile apps to secure more downloads, deepen engagement and drive more loyalty.

Industry perspective

3 BIGGEST OPPORTUNITIES FOR CPG IN 2022

01 GROW ONLINE SALES

02 DRIVE DEMAND

03 EXPAND THEIR FOOTPRINT

03

AFFLUENT SHOPPERS

Seeking Quality + Value

VERICAST

03

AFFLUENT SHOPPERS

Seeking Quality + Value

Affluent shoppers are also seeking to keep their expenses in check.

While **32%** of affluent shoppers are experiencing some kind of financial hardship,[3] even high-income households are cutting back on spending.[4]

- **57%** of affluent shoppers say the rise in prices is their biggest challenge when shopping for food, health and beauty, personal care or household items online or in-store
- Affluent shoppers rate price and overall value very highly when making CPG purchases
- Affluent shoppers also appreciate value and quality options beyond national brands — 75% say their grocery store has quality, reasonably priced private label brands

PRICE + OVERALL VALUE
are most important to consumers in general when purchasing food, beauty and personal care, and household items.

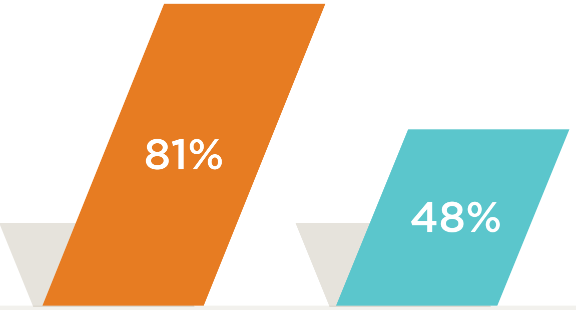
03

AFFLUENT SHOPPERS

Seeking Quality + Value

Consumer vs. industry perspective

Eighty-one percent of grocery stores rate themselves highly for having a weekly digital ad to build shopping lists, but only **48%** of consumers agree.



Retailers can turn this gap into an opportunity to differentiate themselves by providing shoppers with the enhanced digital experiences they want.

Consumers are not fully satisfied with retailers' digital weekly ads. To stand out, retailers need to make their weekly ad experience dynamic and interactive.

JULIE COMPANEY

DIRECTOR, CLIENT STRATEGY

03

AFFLUENT SHOPPERS

Seeking Quality + Value

While not necessarily frugal, affluent shoppers are changing their purchasing habits as much as other consumer groups.

- **42%** have been stocking up more, the highest of the shopper segments we analyzed
- They've also switched to shopping more online (**39%**)
- **23%** are using cashback rebates or apps more often

AFFLUENT SHOPPERS

NOT NECESSARILY FRUGAL

56%

OF ALL CONSUMERS

47%

OF AFFLUENT SHOPPERS

LEAST LIKELY TO STOP SHOPPING AT MULTIPLE STORES IN THE FACE OF RISING GAS PRICES

VERICAST

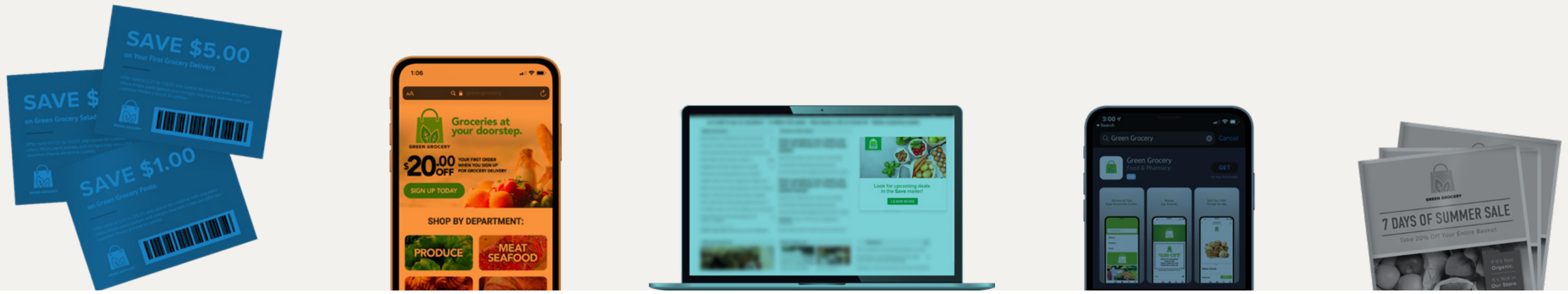
Consumer vs. industry perspective

How can you switch up your strategy for affluent shoppers?

Affluent shoppers shop online. Improving the experience would attract them more.

Grocery stores rated themselves more highly (**77%**) than affluent shoppers rated them (**49%**) at delivering an enjoyable online shopping experience.

WHICH MEDIA DO ALL SHOPPERS USE[5] WHEN PLANNING THEIR ONLINE GROCERY ORDER?



- 31% COUPONS
- 25% RETAILER'S WEBSITE
- 20% RETAILER'S DIGITAL AD
- 19% RETAILER'S APP
- 17% PRINT AD CIRCULARS

AFFLUENT SHOPPERS

Seeking Quality + Value

Email is a highly effective tool for sharing deals with affluent shoppers.

Thirty-six percent of brands and **47%** of retailers rate email as the most effective media for acquiring new buyers.

While email is seen as a top strategy, certain segments, such as baby boomers and affluent shoppers, tend to be more receptive to it. Consider re-evaluating your email marketing strategy to attract new shoppers and address the needs of specific audience segments.

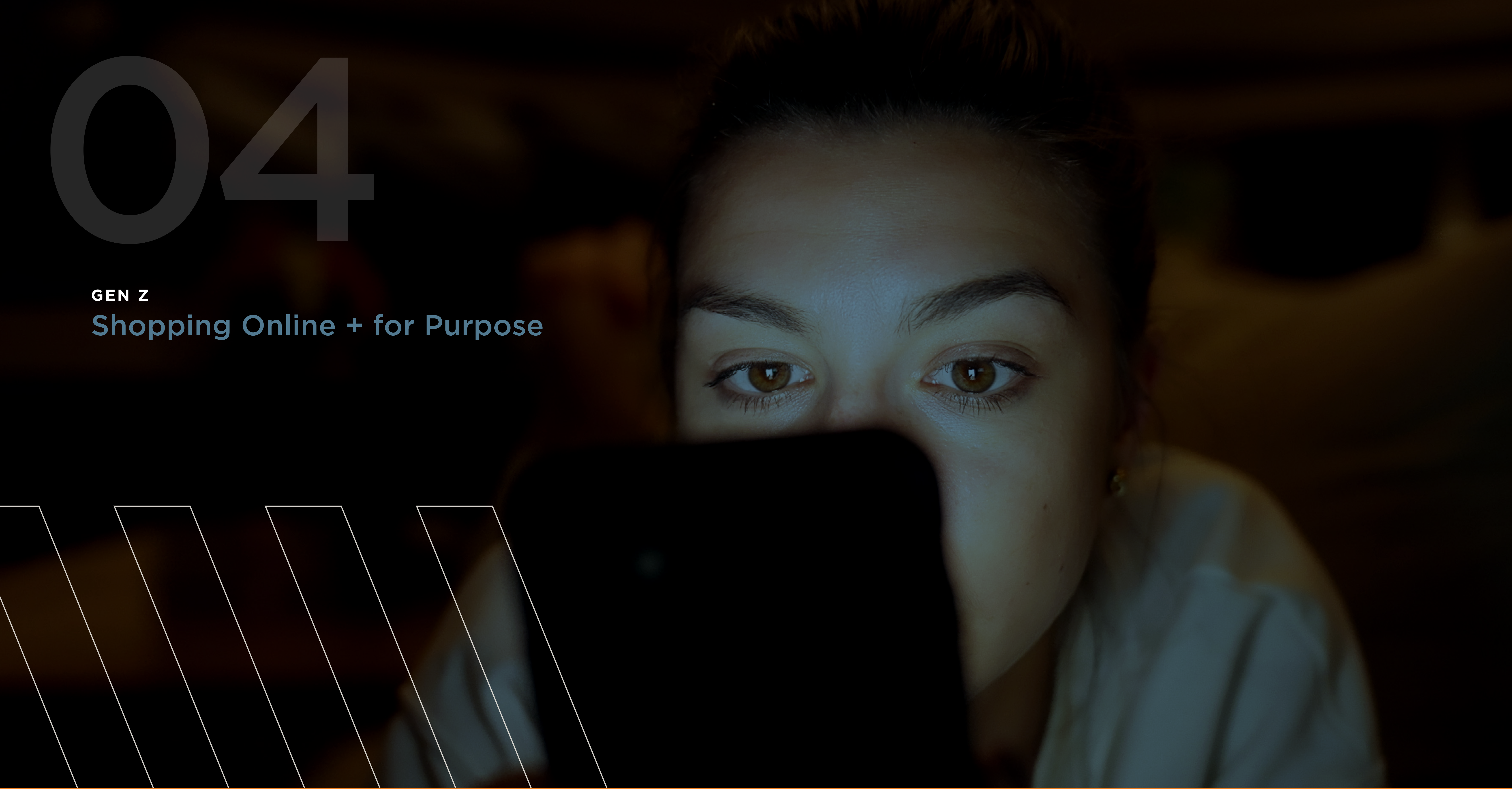
EMAIL ADVERTISING INFLUENCE

SHOP AT A NEW STORE/WEBSITE OR TRY A NEW PRODUCT

Email can be highly effective for gaining new buyers. Yet many retailers focus their email strategies on loyalty members. With loyalty at risk due to inflation, retailers need to continually work to win new shoppers.

JULIE COMPANEY

DIRECTOR, CLIENT STRATEGY



04

GEN Z
Shopping Online + for Purpose

GEN Z

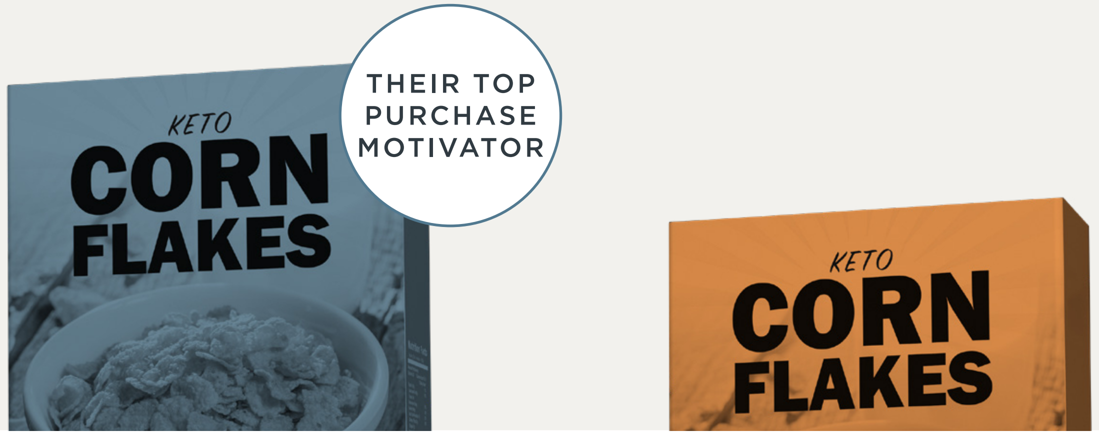
Shopping Online + for Purpose

While price isn't on Gen Z's priority list, the current economic climate is still a concern.

- They are the least satisfied that their grocery store meets many of their needs
- They're also the least concerned with an increase in prices when shopping for food, health and beauty, personal care or household items
- Only **57%** feel the store they shop most has quality, reasonably priced private label brands. This is an opportunity for retailers to highlight their store brands with these consumers.
- Nearly a quarter (**24%**) are worried about lengthy shipping times

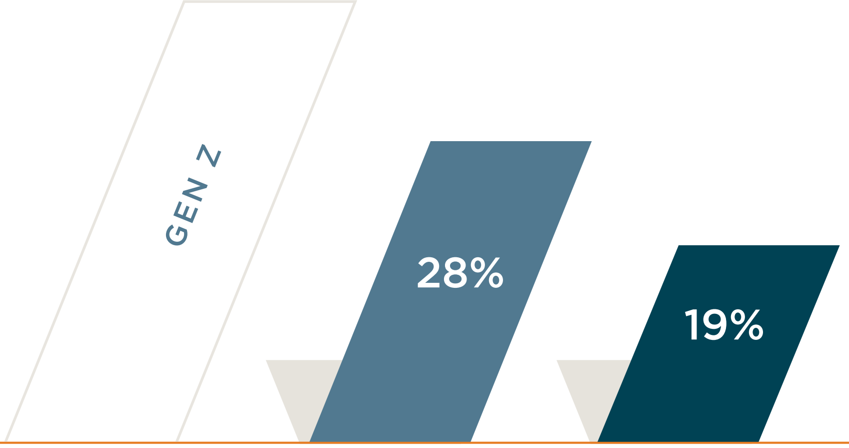
SOCIAL MEDIA PURCHASE MOTIVATOR

SHOP AT A NEW STORE/WEBSITE OR TRY A NEW PRODUCT



24% OF GEN Z

14% OF ALL SHOPPERS



SHOP ON THEIR PHONES MORE

BUY PRODUCTS THROUGH SOCIAL MEDIA SITES

Industry perspective

Media budgets include digital and print.

Even as some brands and retailers assign budget to digital media and other costs, print remains an important part of their strategy.

MEDIA STRATEGY PLANS
2022 VS. 2021

51% — PRINT IS STILL AN IMPORTANT PART OF OUR CONSUMER MARKETING STRATEGY

49% — PLAN TO SHIFT SOME OF THE BUDGET AWAY FROM PRINT

64% OF RETAILERS

PLAN TO SPEND MORE OR THE SAME ON **PRINT CIRCULARS** THIS YEAR

62% OF BRANDS

PLAN TO SPEND MORE OR THE SAME ON **PRINT COUPONS** THIS YEAR

04

GEN Z

Shopping Online + for Purpose

Gen Z has additional online motivators when shopping.

- **50%** use their phones in-store to check product reviews
- **53%** stick to their shopping list to control costs
- **48%** are interested in virtual reality to see how products can fit into their lives
- **19%** are influenced by online video ads; **14%** by ads on internet radio or online music services

Shopping Online + for Purpose

How can you elevate your strategy for Gen Z?

Ensure your messaging emphasizes your brand values. Gen Z is looking for products that align with their social, environmental or political values. This is especially important when it comes to food products (**21%**) and beauty/personal care (**22%**).

THE GOOD NEWS

41% OF BRANDS + RETAILERS

SAY **CONSUMER FOCUS ON SUSTAINABILITY** AFFECTS HOW THEY MARKET TO THEM

ALMOST ONE-THIRD

30% OF BRANDS + RETAILERS

RECOGNIZE **CONSUMER CONCERN** FOR SOCIAL AND POLITICAL ISSUES

THE NEXT STEP

DEMONSTRATE COMMITMENT AND RESPONSIBILITY

05

INDUSTRY PERSPECTIVE:

What Does the Future of CPG + Grocery Marketing Look Like?

05

INDUSTRY PERSPECTIVE:

What Does the Future of CPG + Grocery Marketing Look Like?

In terms of changes people have made to how they shop, **55%** of brands and retailers predict that consumer focus on sustainability will have the biggest impact on how they market to them in the next few years.

But there are also other forces to contend with when it comes to marketing strategies going forward, such as social and technology changes.

> "Influencer marketing is dominating in 2022. Seventy-five percent of marketers use it and project to spend $4.1B.[6] The creator economy enables full-funnel marketing via influencer social posts and online comments and reviews. This channel will continue to dominate and evolve, forcing marketing strategies to change.

AIMEE ENGLERT
EXECUTIVE DIRECTOR, CLIENT STRATEGY

BRANDS + RETAILERS ANTICIPATE

48% OF BRANDS + RETAILERS

AGREE **STREAMING TV SHOWS + MOVIES** WILL CHANGE HOW ADVERTISERS MARKET TO CONSUMERS IN THE NEXT FEW YEARS

48% OF BRANDS + RETAILERS

PREDICT **SOCIAL + POLITICAL BELIEFS** WILL BE ON THE AGENDA AS CONSUMERS BECOME MORE ENGAGED DURING TUMULTUOUS TIMES

45% OF BRANDS + RETAILERS

PREDICT THE **INFLUENCER + CREATOR ECONOMY** WILL MAKE INDUSTRY WAVES WHICH WILL AFFECT THEIR STRATEGY

05

INDUSTRY PERSPECTIVE:

What Does the Future of CPG + Grocery Marketing Look Like?

44%

OF ADVERTISERS

SAY **SUBSCRIPTION SERVICES** WILL BECOME INCREASINGLY IMPORTANT + WILL INFLUENCE HOW THEY MARKET TO CONSUMERS

"A few retailers have opted to create subscription plans that offer several benefits such as free delivery and exclusive perks. But early adoption data indicates shoppers may not see the cost/benefit in subscribing, especially with inflation."

JULIE COMPANEY
DIRECTOR, CLIENT STRATEGY

35%

OF ADVERTISERS

SAY **PRIVACY RESTRICTIONS** WILL REMAIN A PRIORITY

"Protecting consumer privacy remains a key concern for marketers and, depending on your viewpoint, an opportunity or a challenge for ad tech. There is no such thing as 'future-proofing' privacy targeting. Instead, solution providers must embrace and adapt to evolving privacy principles through continuous investment in advancing their technologies."

AIMEE ENGLERT
EXECUTIVE DIRECTOR, CLIENT STRATEGY

29%

OF ADVERTISERS

SAY **METAVERSE, AUGMENTED AND VIRTUAL REALITY** WILL HAVE A BIG IMPACT ON THEIR AGENDA

WILL SPUR INNOVATION ESPECIALLY FOR HEALTH + BEAUTY

"The metaverse will offer brands the opportunity to extend traditional activations to virtual environments, tapping new audiences along the way. While it's still early, marketers should begin now to explore the possibilities and understand the potential ways the metaverse can work for them."

AIMEE ENGLERT
EXECUTIVE DIRECTOR, CLIENT STRATEGY

/ ABOUT

CPG + GROCERY TRENDWATCH

The consumer survey was fielded April 4 through April 9, 2022, to 1,909 respondents. The survey is part of an ongoing study fielded in conjunction with Prosper Insights & Analytics™. The sample was derived via an online survey and all participants were at least 18 years of age and living in the contiguous United States.

The industry survey was fielded April 4 through April 19, 2022, in conjunction with a global, third-party market research firm with proficiency in internet surveys. We surveyed 305 Consumer Packaged Goods (CPG) and Grocery/Drug/Mass (GDM) industry professionals (who are decision-makers or key influencers of media planning, buying or strategy for broadcast, digital, print or social media) through an online B2B panel. CPG included food and beverage, health items, beauty products, personal care and household products. GDM included grocery/food stores, drugstores and mass merchandise stores.

/ MEET OUR EXPERTS

Julie Companey

Director, Client Strategy

Julie Companey is director, client strategy — Grocery, Drug & Mass for Vericast. She brings 25+ years of experience from both the consumer packaged goods and grocery, drug and mass retailer segments. At Vericast, she focuses on strategies that combine the world of online and offline media to engage consumers and drive them to act. Her data- and insight-driven approach to help clients is especially important amid the shifting consumer behavior in today's environment.

Aimee Englert

Executive Director, Client Strategy

Aimee Englert is executive director, CPG client strategy for Vericast, driving industry thought leadership and heading a strategy practice dedicated to driving revenue through insight, inspiration and media intelligence. She has over 20 years of experience across multiple disciplines, from digital advertising and commerce strategies, to analytics, consumer promotions, and all forms of marketing.

HEAD HERE TO LEARN HOW VERICAST SERVES:

CPG →

GDM →

/ ABOUT US

Vericast is reimagining marketing solutions one business-to-human connection at a time. By influencing how over 120 million households eat, shop, buy, save and borrow, Vericast fuels commerce, drives economic growth and directly accelerates revenue potential for over thousands of brands and businesses. While its award-winning portfolio of products, technology and solutions are part of the Vericast story, its people are the true differentiators; trailblazers in data intelligence, marketing services, transaction solutions, campaign management and media delivery.

We believe with more meaningful insight, you can create more meaningful connections. Find out more at Vericast.com

SOURCES:

1 | U.S. Bureau of Labor Statistics (BLS), Consumer Price Index

2| CM Group, “Marketing to Gen Z: A Fresh Approach to Reach a New Generation of Consumers,” Feb. 3, 2022

3| Richter, Felix, “The Uneven Fallout of the Inflation Surge,” Feb. 14, 2022

4| Richardson, Brianna, “CNBC | Momentive Poll: Financial Literacy 2022,” Apr. 5, 2022

5| Prosper Insights & Analytics™ Monthly Consumer Survey, Jan. 2022

6| eMarketer