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Perishables categories aren't immune to consumer pressures

Introduction

As we navigate through 2024, the Perishables sector continues to be a dynamic and rapidly evolving segment of the FMCG industry. From fresh produce and dairy to meat and seafood to fresh bakery goods, Perishables play a critical role in consumer diets and grocery store profits.

This midyear review aims to provide a comprehensive analysis of the current state of the Perishables market, highlighting key trends, challenges, and opportunities that have emerged over the first half of the year. Whether you are a retailer, supplier, or industry analyst, this eBook offers valuable insights to help you stay ahead in this competitive landscape.

The first half of 2024 has been marked by significant shifts in consumer behavior and market dynamics, driven largely by economic pressures and evolving health and sustainability concerns. Inflation has continued to impact pricing strategies and consumer spending patterns, with many shoppers prioritizing value without compromising on quality.

At the same time, there has been a noticeable increase in demand for organic and sustainably sourced perishables, reflecting a broader trend towards health-conscious and environmentally friendly consumption. These factors have created both challenges and opportunities, necessitating a strategic approach to meet changing consumer expectations.

Some of the key topics we'll cover in this eBook are:

- Overarching Perishable Trends
- Meat, Bakery, Dairy, and Fresh Aisle Insights
- Key Opportunities and Challenges
- And more



32%

of Americans feel worse off, but less so vs. year ago

Source: NIQ Consumer Outlook 2024 vs. previous studies, US Market
Q: Compared to a year ago, is your household better off or worse off financially

Rising food prices remains top of mind for consumers

Concerns about geo-political crisis climbs to the forefront this year

Top 10 concerns among U.S. consumers

Ranking change
vs. Mid 2023

1	Rising food prices	36%	=	same
2	Increased housing costs	15%	↑	was #4
3	Economic downturn	14%	↓	was #2
4	Global conflict / crisis escalation	14%	↑	was #11
5	Political unrest	13%	↑	was #8
6	Increasing utilities	13%	↓	was #3
7	Global warming / environment	10%	↑	was #10
8	Ability to provide basics for family	9%	↓	was #5
9	Rising fuel / transportation costs	9%	↓	was #7
10	Personal welfare / happiness	8%	↓	was #6



Source: NIQ 2024 Consumer Outlook vs Mid-Year 2023 Survey, US Market

Key Perishable Trends



Key Perishable Trends

The Perishables market is undergoing a transformative phase, driven by a confluence of factors that are reshaping consumer preferences and industry practices. Among the most significant trends is the impact of inflation, private label growth, and a heightened demand for organic and sustainably sourced products.

This shift is prompting retailers and suppliers to adapt, emphasizing transparency, ethical sourcing, and sustainability in their offerings. They are also focusing on the introduction of new products and adapting a more flexible pricing model.

With that in mind, here are 3 key trends impacting the Perishables market:

1. Inflationary Belt Tightening

After a year and a half of price deceleration, the rate of FMCG prices started to rise again in April. Even though the U.S. economy is strong, consumers are still feeling the pinch, with **41%** buying only what they need. Worse, year-to-date FMCG dollar growth continues to slow with units flat versus a year ago.

As 2024 continues, retailers and manufacturers must explore new avenues for growth, including innovation, promotional strategies, and catering to evolving consumer demographics such as an aging population and multicultural cohorts. Luckily, many Perishable brands are well-positioned to make these changes.

2. Private Label Growth

In 2023, Private Label accounted for **19.4%** of total FMCG value sales globally, with private label in the U.S. seeing a **17%** share. Opting for Private Label is now a key saving measure for shoppers in 2024, with **27%** of shoppers indicating that switching to Private Label is important to their cost-saving strategy.

In the Perishables category, Private label growth is beginning to slow, opening up opportunities for more brands to recover market share going forward. This means pricing looks to be a key component of everyone's strategies going forward.

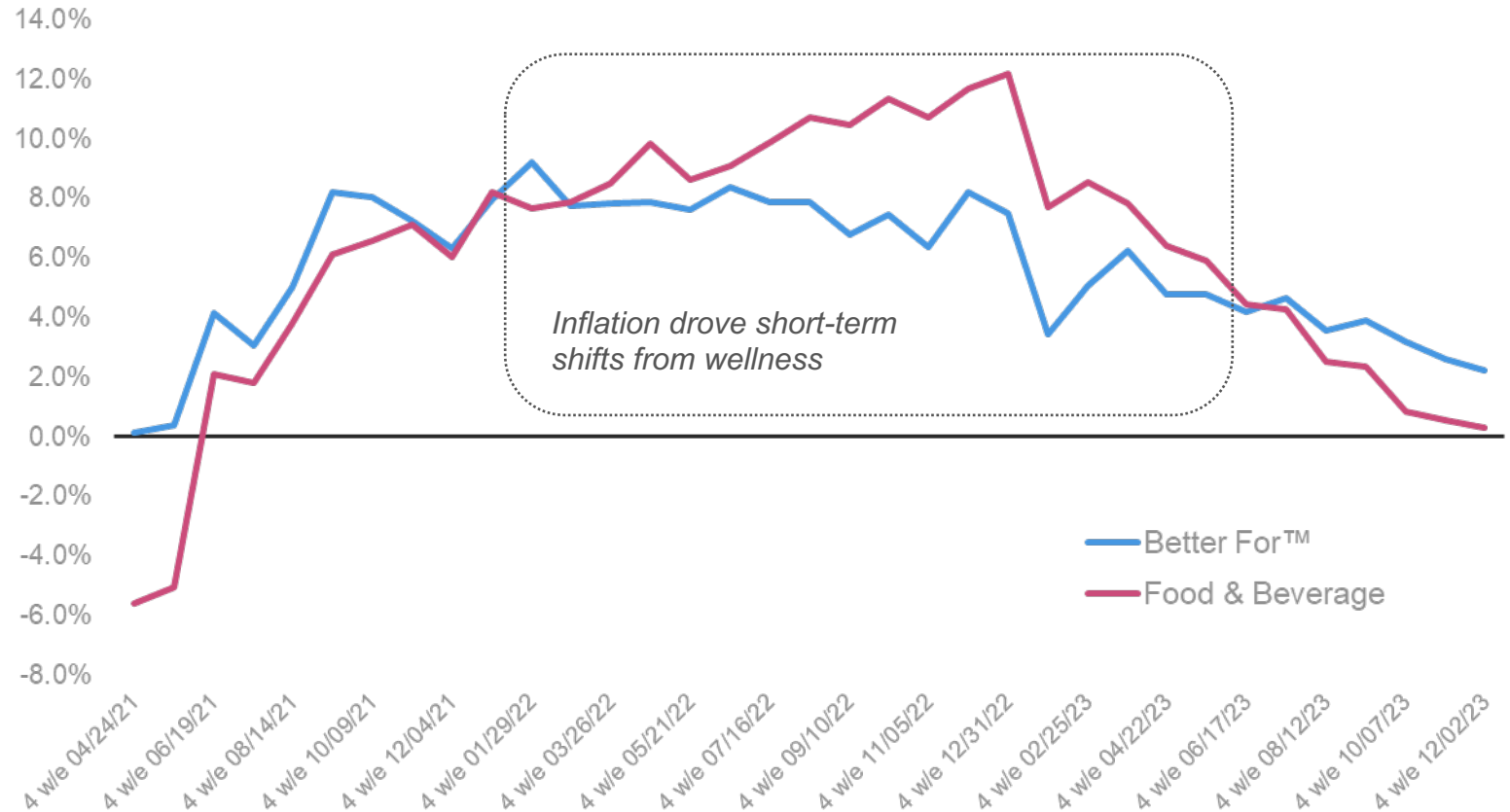
Key Perishable Trends

3. Better For™ Shifts

NIQ’s Better For Segment™ goes beyond the “Natural Channel,” which, as defined by competitors, misses **90%** of the actual Better For™ market, where Premier Fresh shoppers spend 8x more share of wallet. Better For™ products are sold in every retail outlet, so the impact of inflation was felt just as strongly in this segment.

Luckily, like the overall Food & Beverage market, Better Better For™ products are shifting back from their inflationary levels. When it comes to understanding and winning with constrained consumers, it’s essential to take note of where the population stands in terms of their perceived economic situation going forward.

\$ % Chg YA | Food & Beverage vs Better For™



Source: NIQ, Retail Measurement Services – NIQ Product Insight, powered by Label Insight; Total US xAOC; Total Food & Beverage vs Better For segment; \$ % Change vs year ago; 4-week trended through week ending 12/2/23



Meat Department

Meat Department Trends

In 2024, U.S. Meat Department sales are more than **\$124** billion, up **1.2%** over last year. But shifting consumer demand, inflationary pressures, and other factors that affect demand have interfered with many brands' growth, so smaller brands may be falling behind.

Thankfully, consumers aren't only motivated by the pressures of inflation. They have many other needs and demands that brands can leverage to grow. This means that understanding how consumers are shifting their focus regarding health and wellness, sustainability, convenience, and inflation are key.

Here are 3 key meat department trends:

1. Less Demand for Plant-based Meats

In 2023, **15.5 million** Americans were following a Vegetarian lifestyle, with around **2 million** of those following a purely vegan lifestyle. For a time, this growing trend was shifting grocery sales in many departments, including meat.

However, by April 2024, alternative meats saw a **5.8%** decline in sales YoY. Retailers are responding to this trend by limiting their offerings of plant-based meats and focusing more on their core meat products. As the year goes on, this shift will need to be evaluated by brands operating in the space, and they may need to refine their product assortment to meet the needs of this changing market.

2. Growing Interest in Ethnic Meat

The U.S. is becoming more diverse, and this is reflected in the growing demand for ethnic meats. Consumers are now more likely to purchase meats from different cultures. For example, sales of chorizo are up **9.3%** over last year and up **33.7%** in online sales.

Retailers and brands are responding to this trend by expanding their meat offerings. This may be through the creation of entirely new product lines or adapting existing ones. The key is to understand your target market on a regional or retailer level and intelligently focus your efforts on the areas where the most opportunity is.







Meat Department Trends

3. Convenience is King

Another growing trend among consumers is that they are looking for ways to save time and make meal prep easier. This is leading to increased demand for pre-cut meats and pre-marinated meats. These offerings are also valuable for special events, which can be seen in the growth of meat party platters, which are up **7.5%** over last year.

Retailers are responding to this trend by offering a wider variety of pre-prepared meats. These may be private label offerings through the retailer themselves or branded products. By offering more convenient solutions, meat brands have the opportunity to build a strong foundation for 2024 and beyond.

Saving motivators for American consumers

	Seek lower prices	82%
	Reduce overall spending	67%
	Switch products/brand	66%
	Switch stores	56%
	Switch size	50%
	Prioritize needs	31%

Sources: NIQ, 2024 Consumer Outlook Report; NIQ, Total US xAOC, YTD: 17 weeks to April 27, 2024; NIQ Consumer Outlook 2024, Global

Bakery Department



Bakery Department Trends

In 2024, Bakery is faced with some challenges. Bakery Department growth this year was purely inflationary with Unit declines driven by lost buyers and net losses from retained buyers. Worse, Bakery base unit prices increased **4.9%** compared to **3.8%** in remaining food departments.

This means that consumers are becoming more judicious in their spending, so retailers and brands need to adapt. Luckily, there are still opportunities for intelligent growth if you can identify the underlying challenges your baked goods are facing.

Here's what the Bakery looks like in 2024:

Volume Loss Origins:

Nearly every subcategory in the Bakery Department saw volume loss in the past year. **80%** of Bakery volume loss was from buyers reducing their consumption from last year. Additionally, Bakery Department Penetration is down **-1.2 pts**, leaving emerging and growth brands facing an uphill battle.

Suppliers need to think about regaining and increasing loyalty from their current buyer base, and they need to talk to retailer partners about strategies for driving more traffic to Bakery. The key will be to create new value propositions and consumption occasions that resonate with shoppers who are being more discerning.

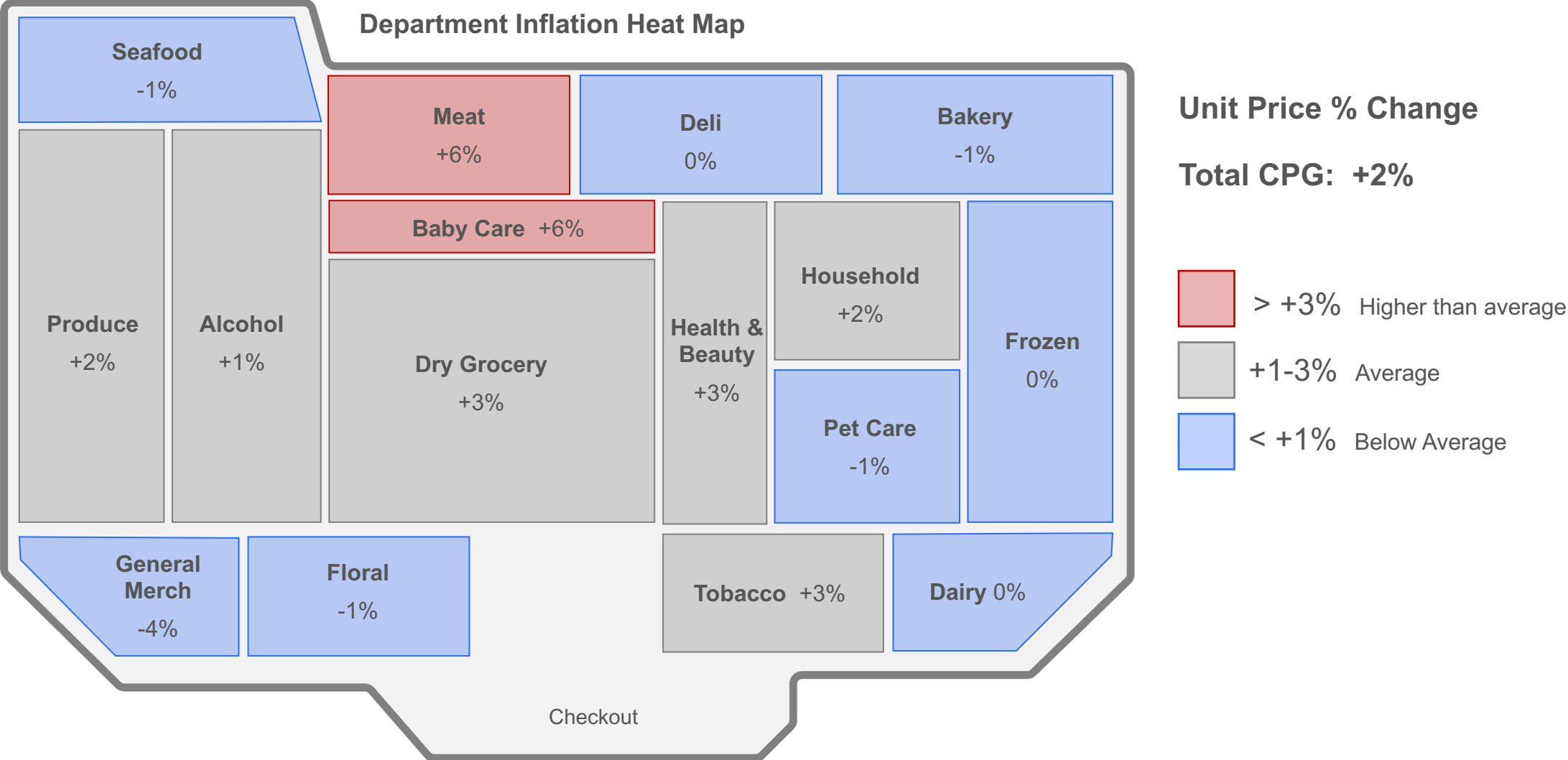
Pie: The Standout

Inflation prompted volume declines for all categories except Pie, indicating that the Pie category is doing something right to counter inflation. In fact, Pie saw a **9.1%** growth in EQ over last year.

Smaller portions at lower absolute price points are fueling increased demand for Pie. Other bakery manufacturers should think about how to adapt their strategies to create new value propositions and consumption occasions that resonate with shoppers who are being more discerning with their dollars.

Source: NIQ SnapView Bakery Department Purchase Dynamics

April 2024: Price increases for most CPG departments are decelerating but Meat and Baby Care continue to rise well above average



Source: NielsenIQ, Total US xAOC, 4 weeks ending April 27, 2024



Dairy Trends

Dairy Trends

With many Americans tightening their belts to focus on the necessities, the Dairy category has become the focus for many. As **30%** of American consumers expect to spend more in the category going forward, total sales are starting to slip. In fact, Milk products have seen a **2.4% drop** in sales revenue this year, with cow's milk hit the worst with a **5.6% drop**.

However, this doesn't mean there aren't opportunities in the category. Cheese is actually up YoY, seeing a **1.7%** increase and Yogurt up **6.6%**. Knowing where consumers are willing to spend more and how their wallets are being affected by continuing inflationary pressures is key to selling Dairy.

Health Takes Center Stage:

According to NIQ's 2023 Shopper Health Study, American consumers are facing a slew of health concerns that are shaping their shopping needs. **33%** of U.S. adults are now considered obese, and many are they're combatting it in new ways, like weight loss drugs or seeking out products that make claims like metabolism support.

Unfortunately, many dairy products are seeing dips in sales as Americans pursue products that they deem more in line with their particular health needs. Overcoming this obstacle requires reshaping the narrative and better expressing the health and wellness benefits of your dairy products.

The Impact of Alternatives:

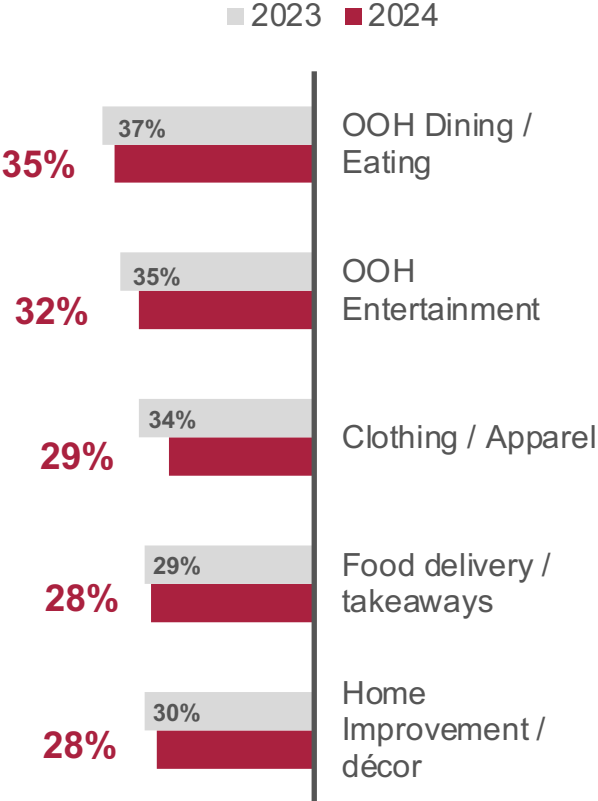
The alternative milk beverage industry is starting to lose steam, reaching **\$3 billion** in total U.S. Omni Sales in the past year. That's a **3.5% drop** over last year. Though not suffering losses as badly as cow's milk, this comes after a long period of strong growth.

This decline is opening up new opportunities for dairy manufacturers seeking to take back market share. Highlighting the benefits of dairy milk and its products and positioning it in contrast to the alternatives can go a long way to bringing shoppers back to the shelf.

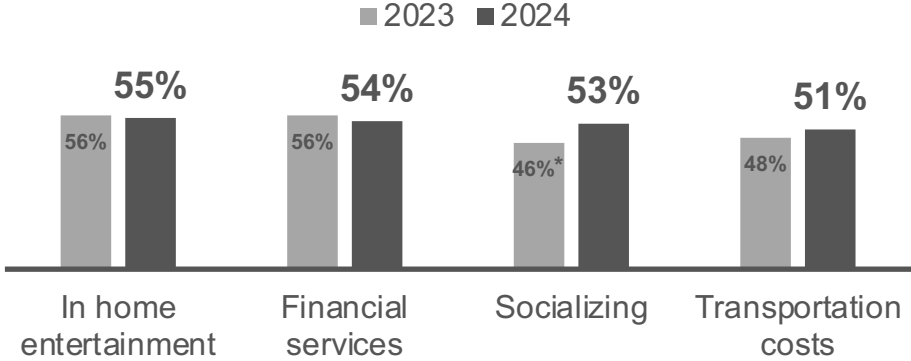
U.S. Wallet shifts favor spending more on life essentials

Solvency and survival needs will shape what categories remain central to 2024 American consumer spending intentions

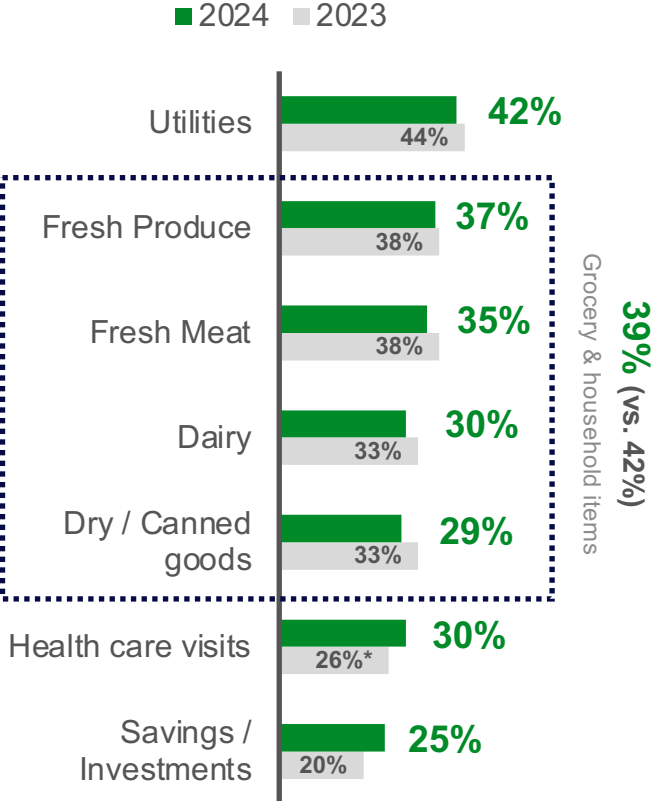
Spending less



Same as before



Spending more



* = comparison data from mid-2023, instead of Jan 2023
 Source: NIQ Consumer Outlook 2024, compared to metrics from 2023 study (or, Mid-year 2023 where required), US market
 Interpreted as: "35% of US respondents plan to spend less on Out-of-home (OOH) Dining and Eating in the next 12 months, compared to 37% who said the same back in 2023."

State of Fresh



State of Fresh

For years, there has been a growing trend toward fresh, locally sourced, and organic foods. As consumers become more aware of the impact of their food choices on their health and the environment, they take a more critical eye to their shopping. Though we're on the other side of the pandemic, this trend will likely continue to grow through 2024 and beyond.

However, inflation, climate change, and other factors may continue to impact the availability and quality of fresh foods. So, how do you keep shoppers invested in your brand when they're getting mixed signals from the marketplace and facing their own challenges?

Here are **5 fresh food trends** you need to know:

1. Inflation Still Matters

The rate of food inflation has slowed down quite a bit, but it's still at **2%**, compared to only **1.1%** in non-food departments. Very few CPG departments are immune to rising prices as inflation continues to hit all areas of the store, primarily driven by food departments – Dry Grocery +1%, Meat +2%, and Frozen +1%.

Increased prices mean smaller basket sizes and more consumers seeking to eliminate products they deem non-essential. As a fresh food brand, you need to understand how to balance promotional sales, consumer needs, and margins to build long-term growth.

2. Consumers Want Sustainability

92% of consumers say that sustainability is important when choosing a brand today. In the grocery store, products with claims like “organic” are more popular than ever, while new and emerging claims around regenerative agriculture, carbon footprint, and responsibly sourced are emerging and growing rapidly.

This trend can be very beneficial for fresh food brands, especially those that source their products locally, sustainably, or responsibly. Still, you need to do a good job of marketing your products around these topics if you want consumers to find you.

State of Fresh

3. Health & Wellness Trends

According to NIQ's 2023 Shopper Health Study, American consumers are facing a slew of health concerns that are shaping their shopping needs. This, paired with the renewed focus on health that came from the pandemic, has revitalized the market for food as a source of wellness.

Luckily, many brands and retailers are acting to support this renewed focus on health. Many convenience stores and drugstores are increasing the amount of fresh food for sale. Fresh food brands can particularly benefit from this trend, especially when aligned to plant-based diets or when their offerings are "organic," one of the most desired product attributes.

4. Slow Online Growth

Though **86%** of US CPG dollar sales are represented by "omnichannel shoppers," fresh food and perishables have not made much progress in gaining traction online. For example, the total U.S. fruit market saw more than **\$49** billion in sales in the past year, but only **\$3.9** billion of that occurred online.

Still, NIQ's omni data also shows that more food dollars are being spent in-store than online. Notably, within the U.S., **21%** of online CPG food is being purchased on Amazon. If online is an avenue you want to build on, you'll need to understand the ways consumers shop online and the difficulties that you may need to overcome.

5. Big-Box and Value Gains

To help stretch their dollars, shoppers are turning to stores with lower prices. Value retailers' sales jumped **4%** in the past year, capturing **43.1%** of CPG sales. This makes sense as **82%** of U.S. Consumers say they are motivated to seek lower prices, and **56%** say they're switching stores to save.

As retailers see the opportunity to grow, they will continue to enter new markets and increase competition. As a fresh food brand, you need to be aware of these shifts and align your pricing and promotion strategies accordingly.

Sources: NIQ Total U.S. Omnisales Latest 52 Weeks Period Ending Apr. 27, 2024; NIQ Consumer Outlook 2024, U.S.; NielsenIQ, Total US xAOC, – Value Retailers (Mass+Club+Dollar) 4 weeks ending April 27, 2024 * Value Retailers Dollar Share of Market

Consumer engagement with sustainability varies



34%
Skeptics

Low awareness and priority



Low association to any aspect



14%
Idealists

Passionate but struggle to put into practice



*Better conditions for farmers
Giving back to society
Support of minorities*



22%
Minimalists

Basic awareness of sustainability but no strong motivation



Reduced pollution



11%
Healthy 'me' & 'planet'

Embrace importance with a focus on health and take some action



Almost all aspects from planet to people



19%
Evangelists

"Walk the talk"



All aspects from planet to people

Say
How important is sustainability?

Do
What actions do they take?

Meaning
What sustainability means to them



Opportunities and Challenges

Opportunities and Challenges

Perishables present a wealth of opportunities for retailers and suppliers willing to innovate and adapt to changing market conditions. One of the most promising opportunities lies in the growing consumer demand for organic and sustainably sourced products. As more shoppers prioritize health and environmental impact in their purchasing decisions, businesses that can offer verified organic and ethically sourced perishables stand to gain a competitive edge.

Additionally, the rise of plant-based and alternative protein products opens new avenues for growth, catering to the increasing number of consumers seeking healthier and more sustainable dietary options.

Technology also offers significant opportunities for the perishables market. Advanced supply chain management systems and AI-driven analytics can optimize inventory levels, reduce waste, and ensure that products remain fresh from farm to table. Retailers can leverage these technologies to enhance their operational efficiency and improve customer satisfaction.

Moreover, the integration of e-commerce and omni strategies allows businesses to reach consumers wherever they are, providing the convenience and flexibility that shoppers expect. By embracing digital transformation, companies can create seamless shopping experiences that blend online and offline channels, capturing a larger market share.

However, these opportunities come with their own set of challenges. Meeting the rising demand for organic and sustainable products requires robust verification processes and supply chain transparency, which can be costly and complex to implement.

Additionally, as consumers become more price-sensitive amidst ongoing inflation, balancing affordability with the cost of sustainability initiatives can be a tricky endeavor for many businesses. Navigating these challenges successfully will require strategic planning, investment in technology, and a commitment to innovation on the back of accurate retail and panel data.

What You Can Do to be Successful in 2024 and Beyond

NIQ can help you get a Full View of the market

When the market is shifting, you need to be on top of your game if you're going to come out on top.

NielsenIQ offers emerging and growth brands access to the same best-in-class, accurate data and high-quality insights that Fortune 500 brands leverage—at a price customized for their budgets.

We also know that businesses at different stages have diverse needs. Whether you're looking to nail your next retailer pitch, are expanding distribution, or need to defend your turf, we have the data and tools you need to succeed.

Some of the solutions we can provide include:

- POS & Shopper Data
- Product Attribute Trends
- Omnichannel Sales Data
- Demand Forecasting
- Pricing & Promotion Optimization
- Assortment Optimization
- Expert Insights into Market Trends
- And More

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niq.com/global/en/insights/



About NIQ

NIQ is the world's leading consumer intelligence company, delivering the most complete understanding of consumer buying behavior and revealing new pathways to growth. In 2023, NIQ combined with GfK, bringing together the two industry leaders with unparalleled global reach. With a holistic retail read and the most comprehensive consumer insights—delivered with advanced analytics through state-of-the-art platforms—NIQ delivers the Full View™.

NIQ is an Advent International portfolio company with operations in 100+ markets, covering more than 90% of the world's population. For more information, visit [NIQ.com](https://niq.com).

