
Grocery Deep Dive - Winter Update

The offline grocery sector performed exceptionally well throughout the pandemic, and the grocery space is continuing to benefit considerably from the pandemic's impact on retail patterns. Our Grocery Deep Dive whitepapers from [October 2020](#) and [June 2021](#) describe how the pandemic affected grocery foot traffic and consumer behavior at the height of the pandemic and as consumers eased into the 'new' normal. We're now diving back in to see how the grocery sector is performing a year and a half after being radically disrupted by the first wave of COVID-induced panic.

The following report provides an overview of the grocery industry from the onset of the pandemic from a location analytics perspective. Following a review of different aspects of the changing industry trends, we will drill down into the performances of leading grocery brands and analyze the main contributors positioning them for long-term success.

Scoping Out the Sector

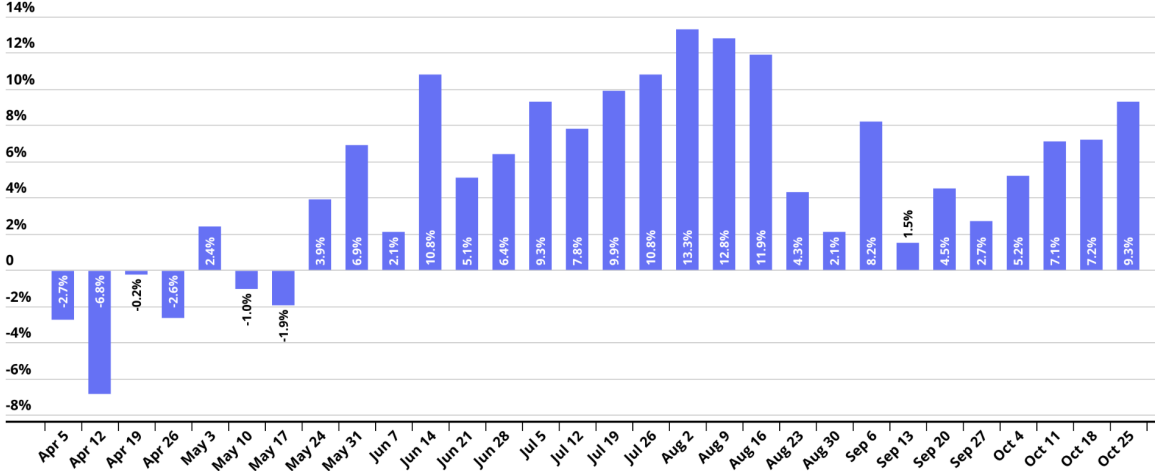
Grocery Visits are (Yet Again) on the Rise

The fourth COVID wave highlighted once again the strong correlation between the rise in COVID concerns and grocery visit growth. As the number of COVID cases skyrocketed across the country in August, so did visits to grocery stores. During the first three weeks of August, the grocery industry saw visits grow by 13.3%, 12.8%, and 11.9% in comparison to those weeks in 2019. Interestingly, it seems that grocery visits are more closely correlated with the anticipation of a COVID wave than with the rise in actual cases: while [cases peaked in September](#), grocery visits peaked in August.

When the fourth COVID wave receded towards the end of September, grocery visit growth also slowed down, with foot traffic falling from 11% year-over-two-year (Yo2Y) growth in

August to only 3% Yo2Y growth in September. But the recent [supply-chain crisis](#), which is causing empty shelves across grocery stores nationwide, seems to be bringing some of those visits back, as purchase limits and shortages force customers to make more frequent grocery runs. Not only has visit growth continued deeper into October, the visit surplus compared to 2019 has actually increased as the month progressed.

Weekly Visits to Grocery Stores - Compared to 2019



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Correlation Between Grocery Visits and Other Retail Categories

Many expected that grocery visits would be negatively correlated with restaurant visits, since customers who dined out less presumably needed to buy more groceries to make up the difference. But looking into the foot traffic data, we found that the impact of different retail sectors on each other was not so simple.

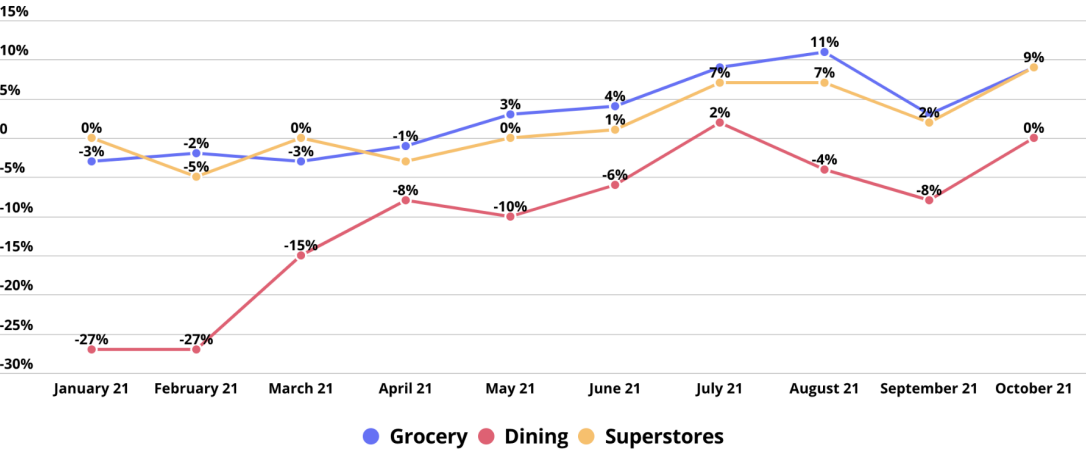
Tracking the year-over-two-year change in grocery and dining visits since the beginning of the year shows that since April – when restaurants reopened – visit trends generally moved in similar directions. Visits to grocery stores and restaurants increased and decreased together, with two exceptions. In May, dining visits dropped slightly while grocery visits

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increased compared to 2019; but the drop in dining visits is likely relative to the Memorial Day 2019 dining peaks, as many restaurants were still not offering indoor seatings and enforcing mask mandates over Memorial Day 2021. Dining and grocery visit trends were also decoupled in August, but that month was also unusual due to the high levels of COVID concern over the fourth wave, which brought a clear decline in dining visits. It seems, then, that barring exceptional COVID-specific circumstances, dining and grocery visits move in similar directions.

Less surprisingly, grocery visits seem to be strongly correlated with superstore visits. Between April and August, the two sectors exhibited a very similar Yo2Y variance, with visits to the two sectors increasing and decreasing together and often even changing by identical percentage points. This tight correlation may be due to the many similarities existing between these two sectors, most notably in terms of product offerings.

Grocery, Superstore and Dining Visits - Compared to 2019



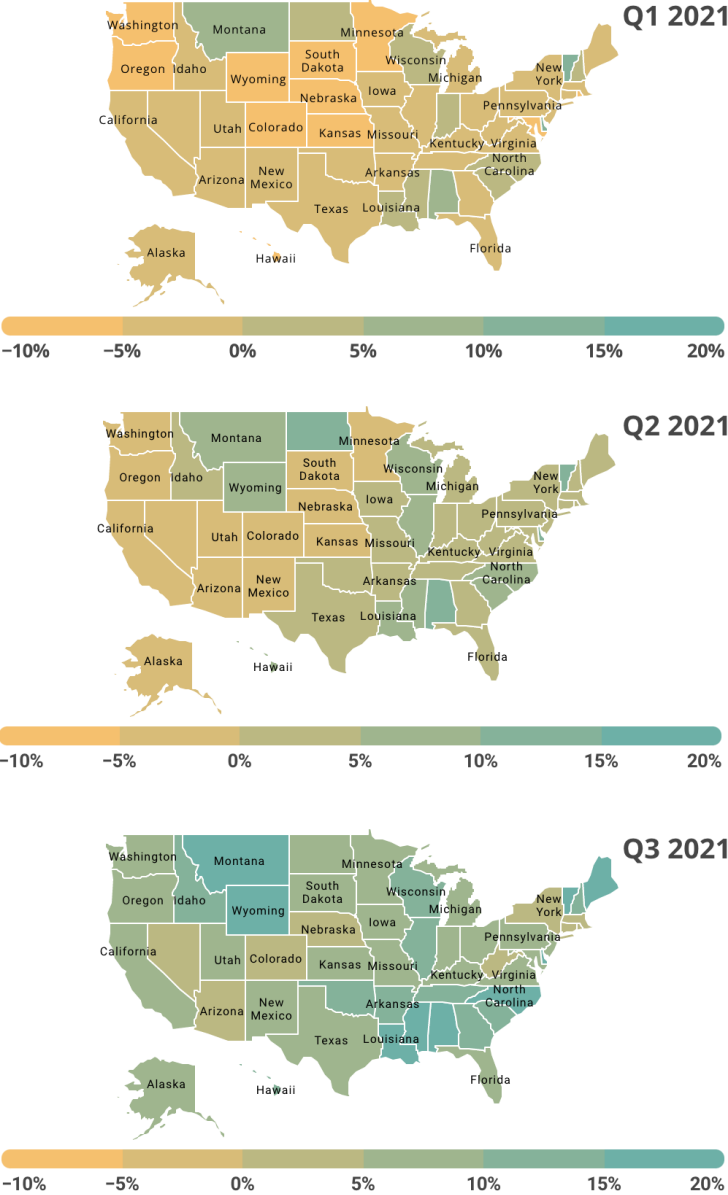
Regional Impacts

Looking at nationwide foot traffic data highlights sector-wide trends, but analyzing the change in visits by state can reveal key distinctions between regions. Although almost all states saw a year-over-two year increase in visits in each of the first three quarters of 2021,



some regions saw more grocery growth than others. As the maps below show, the northwest, southeast, and northeast all saw a significant rise in grocery visits, while the southwest, midwest, and mid-Atlantic saw a more moderate increase.

Changes in Grocery Visits - Comparing to 2019

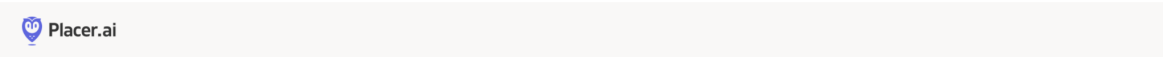
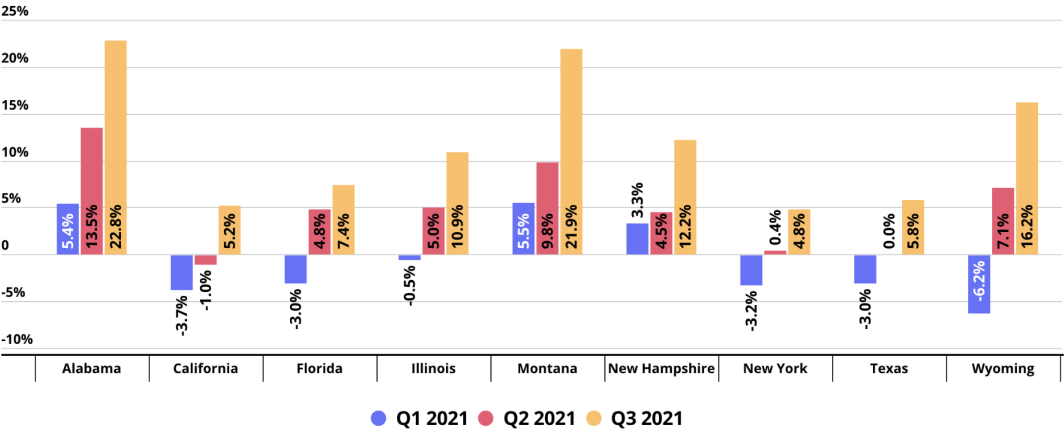


In the northwest, grocery visits to Montana, Wyoming, and Idaho rose by 21.9%, 16.2%, and 11.8%, respectively, between Q3 2019 and Q3 2021. Year-over-two-year grocery visits in the

Southeast also increased, with Arkansas, Louisiana, Mississippi, Alabama, Tennessee, North Carolina, and South Carolina seeing visit hikes in Q3 of 11.7%, 18.6%, 15.8%, 22.8%, 12.5%, 15.3%, and 13.7%, respectively. Finally, the northeastern states of Maine, New Hampshire, and Vermont saw their Q3 grocery foot traffic increase by 15.9%, 12.2%, and 18.7% when compared to Q3 2019.

Meanwhile, in California, Texas, Florida, and New York, grocery visits rose by 5.2%, 5.8%, 7.4%, and 4.8% between Q3 2019 and Q3 2021.

Changes in Quarterly Grocery Visits in Comparison to 2019



Shifts in Consumer Behavior Patterns

COVID brought many significant changes to consumer behavior. In some areas, these changes appear to be sticking, while other pandemic-induced habits are fading away.

Return to Pre-Pandemic Visiting Hours

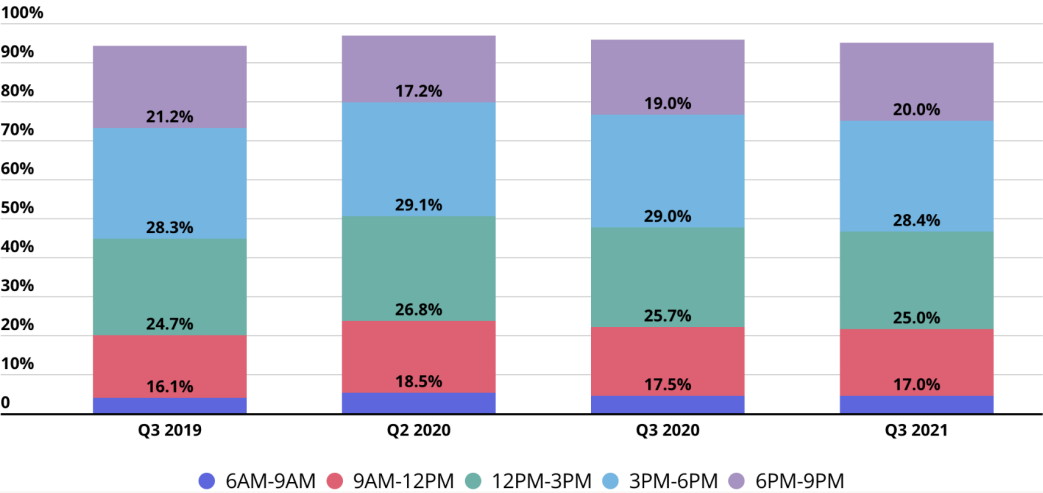
One of the major changes to consumer behavior over the pandemic was the shift in shopping hours across most retail sectors. As many people’s schedules opened up, mid-day



visits increased while evening visits decreased. At the height of the pandemic, in Q2 2020, the share of evening grocery visits had shrunk to 17.2%; the share of mid-day visits – between the hours of 12PM and 3PM – increased to 29.1%; and the share of late morning visits – between 9AM and 12PM – rose to 26.8%.

Now, consumers seem to have largely returned to their pre-pandemic grocery shopping hours, with the share of mid-day visits in Q3 2021 essentially identical to the share of mid-day visits in Q3 2019. And while the proportion of 9AM to 12PM morning visits is still slightly above where it was pre-pandemic (17% in Q3 2021 compared to 16.1% in Q3 2019) and the share of evening visits is still slightly lower (20.0% in Q3 2021 compared to 21.2% in Q3 2019), these differences are quite small, especially when compared to the shift that took place from 2019 to 2020.

Changes in Hourly Visits to Grocery Stores



Weekday Visits are Growing

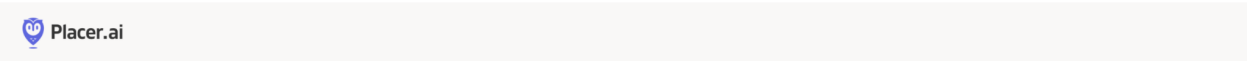
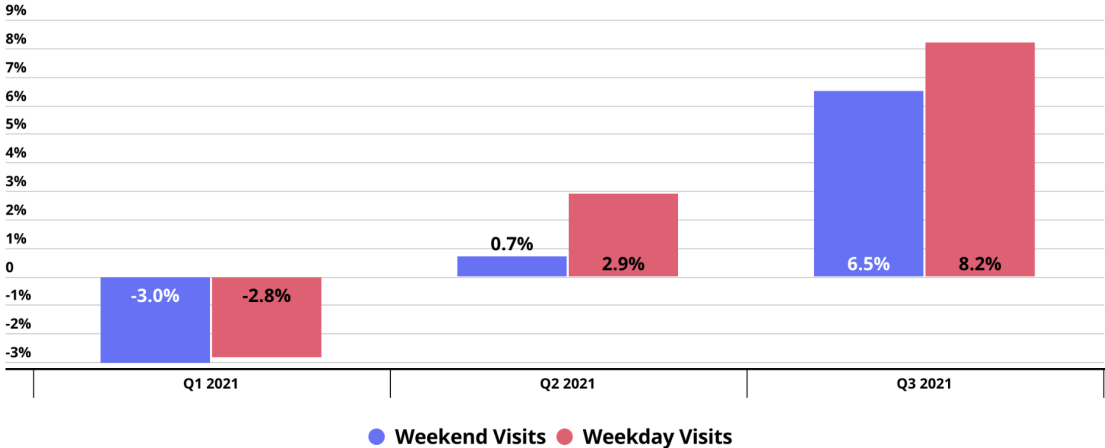
The increase in weekday visits seen over the pandemic has proved more resilient than the change in shopping times. Although both weekend and weekday visits increased compared to 2019, the year-over-two-year grocery visit surplus was greater for weekday visits than for



weekend visits in each of three first quarters of 2021. In Q2 and Q3, weekday visits grew by 2.9%, and 8.2%, respectively, when compared to 2019, while weekend visits rose by only 0.7% in Q2 and 6.5% in Q3.

This could be due to the rise in staycations this summer, or to the fact that many people are still working from home and enjoying a more flexible schedule. But the rise in weekday visits may also reveal a more lasting shift in consumer habits. Whereas at least part of the weekend used to be reserved for running other errands, it seems that consumers are still taking advantage of the reopenings and the renewed license to socialize. Perhaps more shoppers are now dedicating their weekends to leisure and squeezing in food shopping when they can during the week.

Grocery Weekday and Weekend Visits Compared to 2019



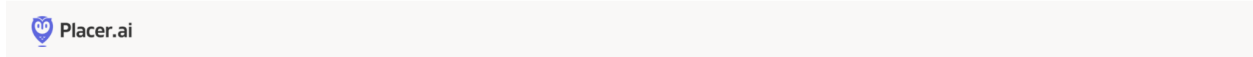
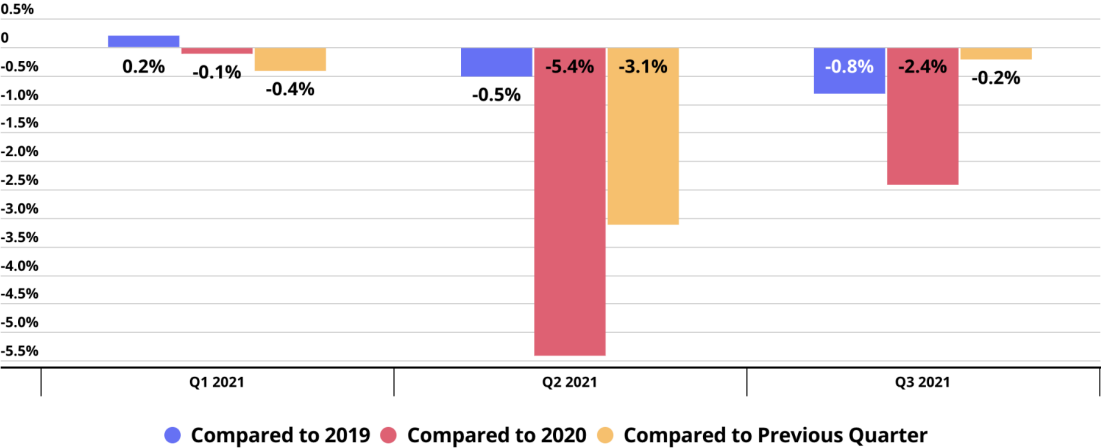
Visits are Shorter

The pandemic introduced us to the concept of mission-driven shopping – consumers minimizing their exposure by making longer, less frequent shopping trips to stock up on food and other essentials. Now, mission-driven shopping appears to be a thing of the past. Median visit duration dropped by 5.4% in Q2 and by 2.4% in Q3 when compared to 2020,



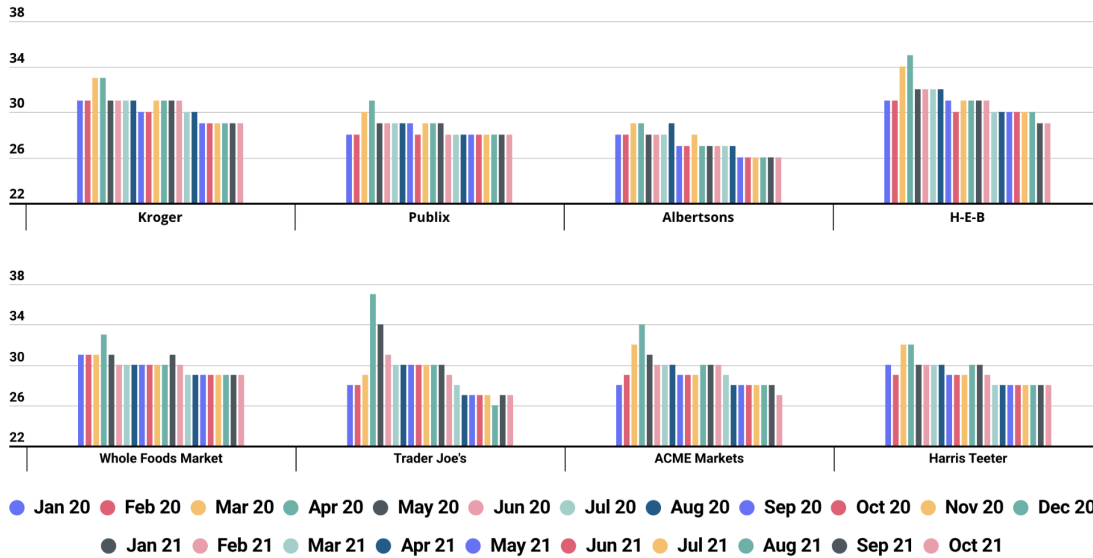
and year-over-two-year data indicates that visit length has more or less returned to pre-pandemic norms.

Changes in Grocery Median Visit Duration



Diving down into the median visit duration at individual brands provides even more insight into consumer behavior. Grocery chains experienced two major drops in visitors' median stay after an initial dramatic peak in visit duration during the outbreak of the pandemic in March and April 2020. The first drop took place over late spring and summer, as the initial COVID-driven hysteria and food hoarding subsided. But many chains experienced yet another drop in median visit duration in the spring of 2021, often resulting in an even lower median visit duration than pre-pandemic.

Median Visit Duration Across Grocery Chains



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Brand Drilldown

True Trade Area Size - No "One Size Fits All"

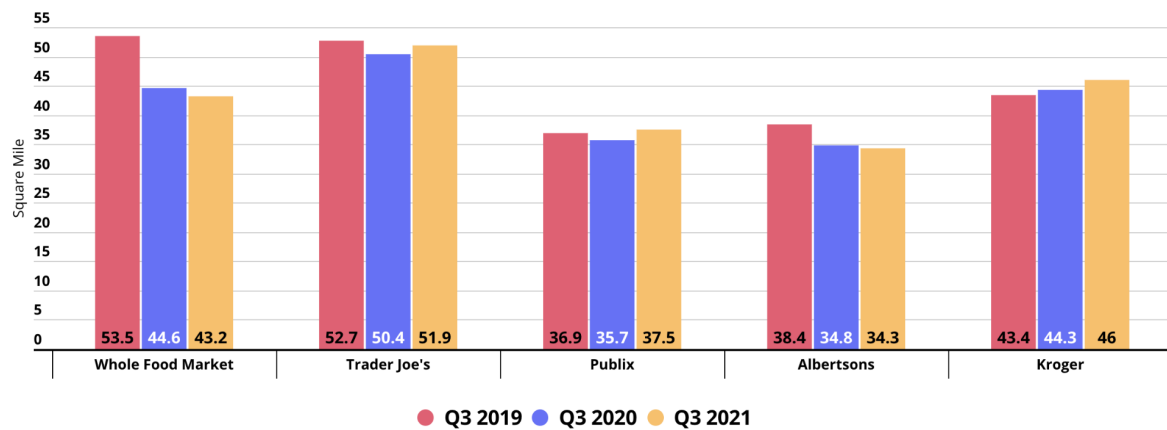
Although almost all chains experienced a certain shrinking of their True Trade Area (TTA) size with the outbreak of the pandemic – when shoppers preferred to shop closer to home – the year-over-two-year changes to TTA in 2021 varied across chains.

Some chains, such as Kroger, have bounced back, and have now reached a TTA size in Q3 2021 that exceeds their pre-pandemic TTA. But other brands, such as Whole Foods Market and Albertsons, are still feeling the impact of the COVID-induced TTA contraction, with a Q3 2021 TTA that is still significantly smaller than it was in 2019. It should be noted, of course, that while the graph shows the average TTA for a brand, there is still significant variance between individual locations and regions for a given brand.

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Average True Trade Area Size (in Sq Mile)



Visit Patterns Consistent, Visit Levels Vary Across Brands

A wide range of grocery chains in the last few months exhibited the same pattern – a gradual increase in year-over-two-year visits throughout the summer, a peak in August, and a drop in September.

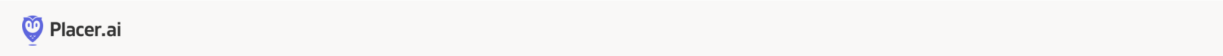
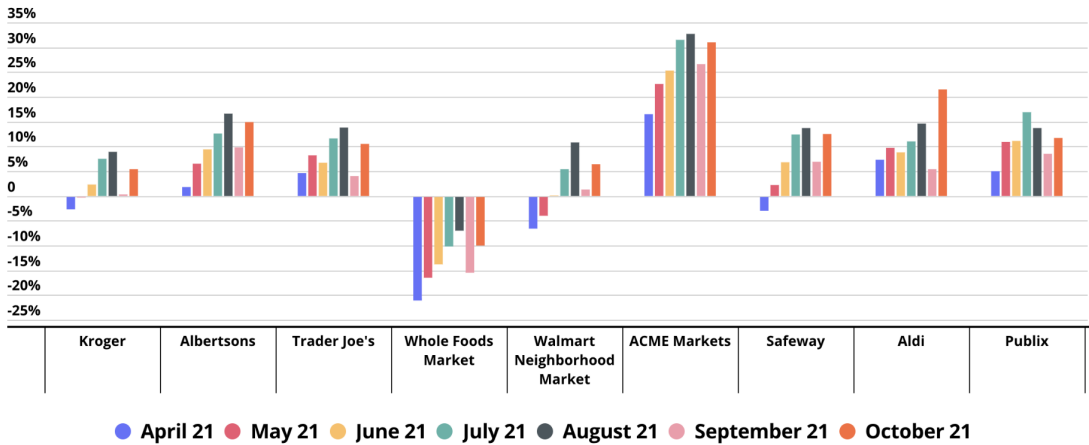
The outliers also experienced this same foot traffic pattern. Of the brands analyzed, ACME Markets saw the biggest increase in visits, with 32.7% and 26.6% in year-over-two-year visits in August and September. Its September Yo2Y visit growth was impressive but still significantly less than its growth in August. On the other end of the spectrum, Whole Foods Market, which has yet to close the Yo2Y visit gap that opened during the pandemic, was closest to pre-pandemic visit levels in August, and then saw a major drop in visits in September.

There are several possible explanations behind this September drop. Perhaps the fall in new COVID cases led to a drop in pandemic concern-related grocery visits. Or maybe after the spending sprees of the summer – [during which retail visits increased across many sectors](#) – consumers decided to cut back in September. But whatever the reason for the



September decline, visits in October bounced back across the board – indicating that the pandemic has given the grocery category a long-lasting boost, and that the sector’s strength in 2021 is not linked exclusively to rising COVID cases.

Grocery Chain Visits - Compared to 2019



Strength of Regional Leaders

Diving into some local cross-grocery shopping patterns reveals just how powerful some of the regional chains are.

In Florida, for example, Publix is the strongest regional grocery player – not only because it holds such a significant percentage of visit shares in the Sunshine State ([63% in September](#)), but also because of its extraordinary grocery cross-shopping patterns. In September, an average of 10.7% of visitors to Trader Joe’s in Florida on a given day also visited Publix on that same day – but only 0.3% of Publix customers visited Trader Joe’s.

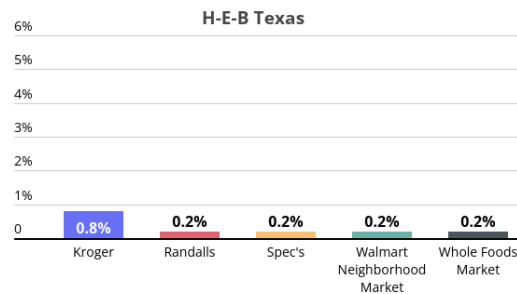
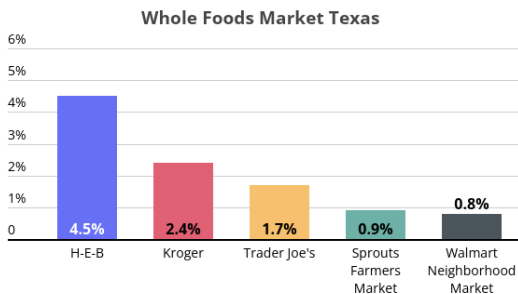
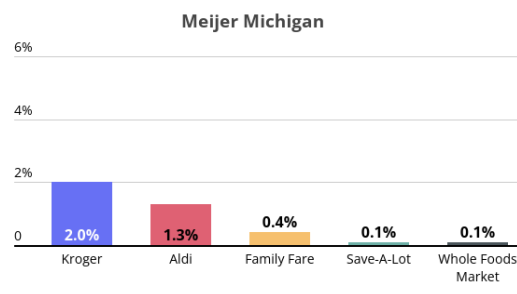
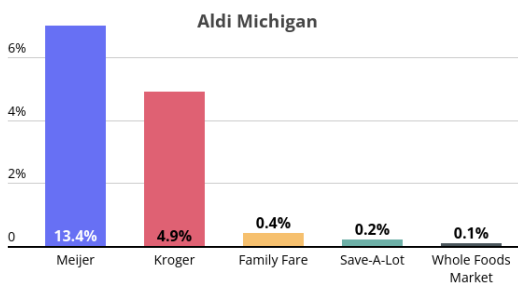
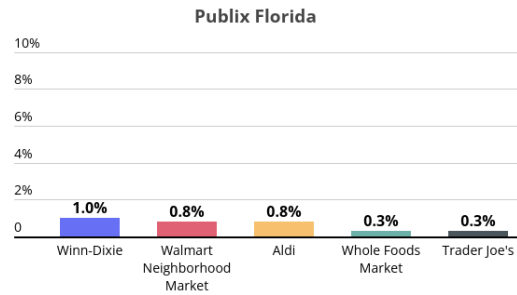
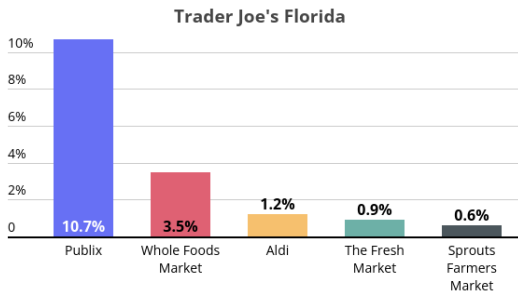
In Michigan, where Meijer is the dominant grocery brand (51% visit share in September), 13.4% of daily Aldi customers visited Meijer the same day, whereas only 1.3% of Meijer’s customers visited Aldi. And grocery shoppers in Texas – where H-E-B is the dominant



grocery brand (43% of visit share in September) – exhibit a similar pattern. While 4.5% of customers to Whole Foods visited H-E-B the same day, only 0.2% of daily H-E-B shoppers also visited Whole Foods.

Cross-shopping patterns from these three states seem to indicate that while many local customers may visit nationally distributed chains for specific grocery needs – to stock up on specialty items, pick up forgotten items, or snag specific bargains – these customers still do their main grocery shopping at the local leading brand. This data reflects the challenges that large, widespread chains face when competing against strong regional players on the regional player’s home turf.

Daily Average Percentage of Shared Customers - September 2021



Key Takeaways

- **The grocery sector's offline performance suggests an impressive trajectory.**

Grocery brands throughout the country have seen significant year-over-two-year increases in foot traffic. At least part of the growth can be attributed to the ongoing pandemic, as year-over-two-year (Yo2Y) visits spiked in August along with [the spike in COVID concern](#) that same month. But the grocery sector has also had clear success in turning the unique opportunity presented by the pandemic into a longer term strength. The loyalty generated and the renewed appreciation for home cooking could drive an extended period of strength for leading players in the sector.

Visits didn't just rise as COVID cases did. Instead, late October has seen a significant increase in Yo2Y visit metrics for the wider sector. The clear conclusion is that the short term strength created by the unique factors present in 2020 have generated a far longer term trend that is continuing to drive visits to brick and mortar grocery stores.

- **Grocery and dining are not necessarily inversely related.** The Yo2Y growth in grocery visits closely tracked the Yo2Y growth in superstore visits, reflecting the similarity between the sectors. More surprisingly, grocery and dining visits also showed a loose correlation, suggesting that restaurant and grocery success are not inversely related. In October, as COVID cases declined, dining visits saw a sharp uptick when looking at Yo2Y growth numbers. Yet, instead of declining, grocery visits rose in this period as well. This may not only offer optimism for both sectors, but also open up opportunities for more interesting interactions and partnerships between them.
- **Grocery visit trends vary significantly between regions.** Although Yo2Y grocery visits increased in almost every state, the increase in some regions was considerably larger than in others. Many northwestern, southeastern, and northeastern states

saw substantial, double-digit spikes in foot traffic, while states in the southwest, mid-Atlantic, and midwest saw more moderate increases.

- **The grocery sector's performance was not uniform across all brands.** While looking at grocery visits on a sector-wide level reveals some general trends about grocery shopping habits, foot traffic patterns did vary across brands. Some brands, such as ACME markets, performed particularly well this year, while other brands, such as Whole Foods Market, are still working on closing the visit gap that opened during the pandemic.

The continued success of traditional grocers like Publix, Kroger, and Albertsons is notable here because of the capacity these brands displayed to set a foundation for long term success. While the unique nature of the pandemic created a distinct advantage for players like these, the value of their offering is creating an extended period of success that bodes especially well for their long term potential.

- **Consumers are returning to some, but not all, of their pre-pandemic visiting behavior patterns.** Customers have largely returned to their pre-pandemic visiting hours. Visit length has also dropped back down from the long, mission-driven grocery shopping visits of 2020, with median visit duration even falling below 2019 levels. At the same time, the share of weekday grocery visits compared to weekend visits is still significantly higher than it was in 2019.

The rise in weekday visits may reflect a change in how consumers view the weekend vs. weekday distinction since the pandemic. This is a significant takeaway for grocers, enabling both new types of offerings and indicating that incentivizing the continuation of this behavior could drive a significant win/win for grocers and their customers.

- **Cross-Shopping on the Rise.** Same day cross-shopping is back on the rise in the grocery sector, indicating the return of an important behavior. If customers are back in the mode of utilizing multiple players as part of their grocery mix, the shift creates a powerful opportunity for grocers and product companies alike.

Differentiation is critical, and as chains understand the unique pull of their brand they can better double down on the core elements that attract visits. The shift should also push product companies to prioritize a better understanding of where certain products are succeeding and why. Understanding that dynamic could help drive a far more efficient and successful operation.

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