



## Industry Trends & Insights

### Wizard of Lightbulb Moments

Consumer spending drivers are easily misread and misunderstood, which can lead to missteps. Spending drivers wax and wane as influences change, just as flavor trends do. However, they don't manifest in the same way or for the same reasons. The trick is to find alliances so that products offer elements that satisfy both flavor and spending drivers. This month we will just focus on spending drivers.

Consider the current parents: Inflation/Recession, COVID-19, and the Russia-Ukraine conflict. Think of parents as influences you cannot control. After 2 years, consumers have now adjusted to a new higher fear set point in their lives and are showing an unusual mix of behaviors. Typically, with a Recession looming, comfort food returns however experimentation drivers continue to move forward for food & beverage. Cutting back on food service is the number one-way consumers report they will save money but that also maintains forward momentum. Consumers are expected to trade down on products, locations, and brands they buy from, which is evidenced in part by a rise in private label purchases. Sustainable purchases have started to wane as economic stressors take precedent, although drivers remain strong. And usually, consumers start to drink more alcohol, but this has not happened. Instead, they are drinking less but drinking premium.

This mixed pattern demonstrates consumers resistance to sliding back into recessionary behavior. The behavior can either delay onset of, shorten, or soften a Recession. We personally ... are hoping it holds.

#### **84% Of Americans Concerned A Recession Will Occur In The Next Three Months**

This quarter's BMO Real Financial Progress Index results found 84% of Americans said they are concerned about a recession occurring by the end of the year. Over the past three months, 74% reported concerns about inflation have increased. And 78% feel their financial momentum is threatened by higher grocery bills and the rising cost of gas (76%). To prepare for a potential recession, 76% of Americans said they are making lifestyle changes such as delaying large purchases on a house or car, paying down debt, and cutting back on holiday spending. Between ages 55-64, 82% said their concerns about inflation have increased over the last three months, compared to 62% of those between aged 18-24 and 70% of those aged 25-34. Americans who report being "much more" financially secure decreased to 39% from 50% a year ago and 47% last quarter. Americans who said they feel "much less" financially secure, rose to 27% from 16% in the same quarter a year ago. The number of Americans who said they are making financial progress decreased to 54% from 62% a year ago. More than 40% of Americans under age 35 do not have enough savings to cover an emergency. However, there is room for improvement as the Index revealed 25% of Americans do not track financial progress. The number is higher among women (30%) compared to men (21%).



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Source: BMO

#### KEY INSIGHTS

28% are saving less with 18% tapping into existing savings



71% think the country is currently in an economic recession



84% are concerned about a recession occurring by the end of the year



54% have heard about shrinkflation, 64% are worried about it



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**Study Reveals Where Consumers Will Reduce Spending**

According to the September Monthly Consumer Sentiment Study from Numerator, 39% say personal finances are their primary concern for the coming months, up from 36% in August 2022. The next highest-cited concern “world events” was 17% and 6% for COVID-19 related concerns. However, the 60% of respondents who have a high level of concern regarding the economy is down 13 percentage points from its recent peak in June 2022. Top areas where consumers intend to reduce spending in the coming months due to inflation are: Dining out (46% of respondents), Travel (44%), Snacks and candy (30%), and Alcohol (29%). However, 23% do not expect to cut back at all, holding steady

since August. Nearly all respondents (98%) still indicate at least moderate economic concern, 77% think inflation will continue to increase, 71% think the country is currently in an economic recession, and 70% expect the economy to worsen in the next few months. Three-quarters (76%) of respondents are worried about rising prices on essential goods and services, while 68% are worried about rising gas prices, and 62% are concerned about rising prices on non-essential goods and services (e.g. travel, restaurants). Roughly six in 10 (59%) surveyed consumers expect to spend more than \$200 on holiday purchases in 2022.

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**U.S. Grocery Shoppers Resilient As Food Prices Rise**

U.S. Grocery Shoppers Resilient as Food Prices Rise according to the fifth edition of the “U.S. Grocery Shopper Trends 2022” series from FMI, 90% of shoppers are concerned about some aspect of food accessibility, with 61% worried about rising prices specifically — an eight-percentage-point increase since February. Shoppers believe that they have at least some degree of control over their finances, particularly in regard to their grocery budgets (86%). Shoppers’ concerns about rising prices are focused on essential items, among them gas (77%), food (72%) and housing (59%) costs. Households with children are especially worried about rising prices of school supplies (64%) and clothing (65%). Shoppers noted that they had control over aspects of their household budget, particularly eating out (91%), grocery shopping (86%) and, for households with kids, child care (87%). Shoppers reported weekly grocery spend totals of \$136, \$12 lower than in February. Shoppers are coping with rising food prices by seeking deals (49%), buying more store brands (41%), purchasing fewer items (37%), buying in bulk (23%) and using store loyalty programs more (22%). Consumers are also seeing different benefits from shopping in-store or online. They observed that when shopping in a physical store, they can make adjustments at the shelf (61%) and save on shipping/delivery (57%), but when grocery shopping online, they can better monitor basket size (64%) and save on gas (62%).



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**Vast Majority of Americans Buying More Store Brands, Says Report**

According to Reach3 Insights, 78% of Americans say rising prices have driven them to purchase more private label products. In the study of 2,000 U.S. adults conducted in early July, 58% of respondents reported buying more store brand pantry and household products. More than half of respondents (65%) said that outside of packaging and branding, private label products and national brand products are the same. Two categories where shoppers are sticking to national brands most are pet food/treats and alcoholic beverages. The survey found that across all income brackets, inflation is having an impact on what people buy, with 91% admitting to being more thoughtful about purchases.

Consumers are purchasing fewer “treats” for themselves, with beauty products (53% buying less), frozen appetizers (52% buying less), sweet snacks (51% buying less) and ice cream (50% buying less) due to inflation.

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Sources: Numerator, FMI, Reach3 Insights

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### **Consumers' Sensitivity to 'Shrinkflation' Is Leading Them to Switch Food & Beverage Brands**

Morning Consult reported that 79% of U.S. adults said in August that they often or sometimes made an effort to save on groceries. A majority of U.S. adults (54%) have seen, read or heard something about shrinkflation, and roughly two-thirds of all adults (64%) are worried about it. Younger cohorts have seen, read or heard less about shrinkflation than older ones (53% of Gen Z adults and 47% of millennials, compared with 62% of baby boomers). Only 25% of U.S. adults said they hadn't noticed shrinkflation in any grocery categories. More than half of U.S. adults said they've noticed snacks decreasing in size or quantity while prices have either remained steady or gone up. Fully 48% of consumers elected to buy a different brand when they encountered shrinkflation, and 49% chose a generic product instead. Those in the lower and middle income ranges (52% and 48%) were more likely to opt for generic products than those in high-income households (41%). And 30% of adults stopped purchasing from specific brands when they noticed shrinkflation. Of those who noticed shrinkflation, 19% didn't take any of these actions.



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### **Sixty-Two Percent of Consumers Believe The U.S. Is Currently in A Recession**

Sixty-two percent of consumers believe the U.S. is currently in a recession, with a further 17% unsure, according to a First Insight Report, The State of Consumer Spending: Inflation Fueling Recession Fears. Rising food prices are the biggest recessionary concern for 68% of consumers, with 48% also concerned about food shortages. The new report, fielded in July 2022, reveals changes in consumer sentiment and behavior in just three months since First Insight's April inflation survey was conducted. Consumer confidence has dropped lower, with now 80% of consumers saying they have less confidence to spend, versus 74% in April. Twenty-eight percent say that they are saving less, with 18% tapping into existing savings to pay for higher cost of living expenses. Dining out remains the top discretionary spending reduction for 54% of consumers, up 13% since April, 44% more consumers say that they will cut back on gym memberships due to higher prices. Thirty-one percent more consumers are turning away from name brands and purchasing private label or store brand products as a means of saving money. Half of all consumers now believe that high prices will remain for the next 6 to 18 months. Two pandemic-affected entertainment categories, nightlife and sporting events, appear to have returned to favor. Fourteen percent fewer consumers indicate that they are reducing their spending on nightlife and 10% fewer are cutting out sporting events. However, 15% more consumers in July say that they will spend less on streaming services, with



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### **Schedule a Capabilities Meeting**

Stop chasing trends and get out ahead of them instead. Stop relying upon static data to see what is yet to come. Knowing which trends best fit your brand, which will resonate most with customers, their longevity, and where they are headed next can clear a path for meaningful strategy.

Culinary Tides, Inc. is private foresights think tank who tracks government, technology, competitors, adversaries / allies, research, and flavor births monthly for clients. We guide food & beverage industry partners navigate trends by revealing patterns leading to products & strategy which connects with customers. We specialize in foretelling a trend's birth and forecasting its trajectory, personality, & longevity.

Join Culinary Tides, Inc. for our Capabilities presentation where we show you how you can take control of your future:

**Schedule a Meeting Now**

Sources: Morning Consult, First Insight

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