

## Module 12 - Grocery Trends

The nature of retail is to keep up with trends. Failure to do so can cause a retailer to suffer lost sales, even leading to closure of the business. Rural grocery stores are no different. The case could be made that they need to be even more in tune with trends as they try to hold on to the smaller market in which they find themselves. At this writing, there are several trends that are hitting the grocery space, both rural and urban, that need to be explored. Some of them are due at least partially to the Covid-19 pandemic.

First on the list of trends is the consumer desire for ease of shopping. While this is not necessarily a new desire, more stores are offering services to address this issue. Where available, many customers have moved from in-store shopping to online ordering. They can then pick up their order at the store or other location, or they can have the groceries delivered right to their door. This trend has become known as digital grocery. Research from Symphony RetailAI suggests that having an online option can increase both sales and loyalty. According to their June 2021 article, shoppers with a digital option “shop more frequently and spend up to 20% more than in-store only shoppers”. (Omnichannel Grocery Shoppers Spend Up to 20% More, 2021) The article continues, “The data suggests that retaining online and omnichannel shoppers, and encouraging in-store shoppers to make online purchases, will yield long-term loyalty for retailers.”

Of course, small rural grocery stores with limited budgets and limited personnel will have to determine which of these services can be implemented in their store. As discussed in the section on Innovation, there are creative ideas being tried to bring some of these options to rural stores. However, as rural stores look for ways to remain relevant and maintain (increase?) sales volumes, digital grocery should be considered as part of the operation. As an example, Ramsey’s Market in Southwest Iowa employs online ordering through egrowcery, an online platform that according to their website allows retailers to “grab new market share as shoppers look to save time with online alternatives”. (eGrowcery, 2023)

Another example of a trend Ramsey’s is trying are grocery lockers. Ramsey’s Market is in Lenox, Iowa, but they have installed grocery lockers, some refrigerated, in the smaller nearby communities of Walnut and Shelby, Iowa. Customers order their groceries online and then pick up their groceries in one of the lockers utilizing a customized code to gain access. More information on this can be found at [3newsnow.com](https://www.3newsnow.com).

The next trends to explore are somewhat interrelated, “Fresh” and “Local”. Given that these rural stores are close to the farm economy, this is an opportunity for small stores to really differentiate themselves from the larger stores. The rural stores have ready access to fresh produce, meat, and possibly dairy products. In fact, producers of these products may already be shopping in the store. These products are in high demand and typically not sold at dollar stores.

The perimeter departments have generally offered the most opportunity for sale of local products. Produce departments have commonly carried items grown by local producers. Bakery and dairy departments may also showcase local producers. In recent years there has been increased interest in the source of meat products, offering another opportunity for local producers to sell through stores. There are plenty of other opportunities for local producers to sell their wares in the hometown stores. Honey, salsa, and crafts are just a few examples.

Given the perishable nature of many of these products, it is understandable if some retailers are hesitant. That said, according to a 2015 presentation by the US Department of Agriculture entitled “Why Local Food Matters” ([usda.gov](http://usda.gov)), “Availability of locally grown produce and other local packaged foods are major influences on grocery shopping decisions.” And that “87.2% of consumers regarded this as ‘very or somewhat important’ to their choice of a primary food store”. (Tropp) Given statistics such as this, it is worth considering local products as an option.

Items such as local produce and dairy items (i.e., eggs and milk) are typically delivered at the height of freshness. The resulting longer shelf life can be of benefit to both the retailer and customer. Again, this is a differentiator and therefore a reason for customers to shop locally. Meat sourced locally is no different. Another advantage to sourcing products locally is a lower carbon footprint due to the proximity of the retailer to the source of the products. Finally, buying local will support jobs and add to the local economy.

One thing to keep in mind is that there are often regulations that apply to buying/selling fresh products from local producers. Since regulations will vary from state to state, it is best to check with your local health inspector(s) to remain in compliance. Another challenge with sourcing locally may be finding enough product to keep up with demand. Thought needs to be given to finding the correct supplier(s) that can provide the quality and quantities needed. The University of Minnesota Institute for Sustainable Agriculture (MISA) published a Farm-to-Grocery Toolkit that provides insight into setting up partnerships with local producers as well as an outline of the regulations to keep in mind. That toolkit can be found here: [Farm to Grocery Lid 1 \(misadocuments.info\)](http://misadocuments.info).

Of course, getting the benefits from selling local, such as higher margin and improved reputation, only works if customers know they’re buying local. Every local product should be clearly labelled as such with in-store signage. Social media can also be a great way to create awareness of these local partnerships. The partnerships with local suppliers create goodwill in the community as the business partners support one another, cross-promoting to friends, customers, and acquaintances in their town.

Beyond local foods, small rural grocers are leveraging other, often higher-margin items. Things such as local flowers, hand-made crafts, and even wines from a local winery are among the options that can be explored. For example, the RAYR Market in Mount Ayr, Iowa features several local items. In addition to meat and eggs from local producers, they carry candles from a local artisan as well as wines from a winery about 30 minutes away.



Carrying local items will benefit the store in multiple ways. As mentioned, these items often have higher margins than typical grocery items. Any increase in sales is a bonus for the store's bottom line, but adding sales with greater margins is doubly beneficial. Beyond financial returns, however, selling local products allows the local store to be seen as even more a part of the community, supporting local producers and artisans as they strive to make a living. The local chain stores seldom carry local products, thus creating another opportunity for the rural grocer to distinguish themselves from the competition.

Another trend that bears examining is consumer demand for Ready-to-Eat (RTE) meals, as well as "meal solutions" such as HelloFresh. While these products will cost more than the individual ingredients would, consumers will measure their "cost" in time against the additional cost to purchase convenience food. Often busy consumers will choose the latter; thus, the increased demand for both RTE and meal solutions. According to a report by Spoonshot, a company that uses artificial intelligence and machine learning to predict trends in food and beverage:

- 55% of shoppers are eating at home more often since the pandemic began
- 36% of adults in the US reported eating ready-to-eat meals in 2020
- Global market of RTE products is expected to grow at annual rate of 7.2% through 2026 (Food Insights: Is the Ready-To-Eat Food Market Expected to Expand?, 2021)

The full article can be found at: [Ready To Eat Food Market: Industry Analysis & Trends](#). RTE meals can be anything from soup to pizza to full meals prepared in-store. The general definition of an RTE meal is one that does not require any washing, cooking, or additional preparation prior to consumption.

As mentioned earlier “meal solutions” are also a growing segment of the food industry. These meals tend to require some assembly and preparation, and often need to be heated or cooked. The kits will include premeasured ingredients and instructions and can be delivered right to the customer’s door. One of the best-known providers of meal solutions is HelloFresh, and according to an article by [progressivegrocer.com](https://www.progressivegrocer.com) “In the fourth quarter of 2021 alone, HelloFresh delivered more than 111 million meals to 3.5 million U.S. customers for a year-over-year increase of 38.7% and 34.9%, respectively.” (Zboraj, 2022)

Since there is often a limited selection of eating establishments in rural communities, and many rural and small-town residents are commuting to work (and short on time), RTE meals and meal solutions could be a popular option if available at the local grocery store. With the increased margin these items offer, it would make sense to capitalize upon this demand to the extent possible.

Another emerging trend is the support of customers for businesses and products that emphasize sustainability and that are ethically sourced. An article by Oracle, a company that provides data services to companies in a variety of sectors, states that, “61% of shoppers are aware of sustainability efforts their preferred grocers are making and that 37% are willing to pay a premium of up to 17% for sustainable choices.” (Jackley, 2023) The whole article can be read here: [10 Grocery Retail Trends in 2023 \(oracle.com\)](https://www.oracle.com/retail/grocery-industry-trends/). Another article from King Retail Solutions states that “Customers shop for groceries twice a week on average, and close to 80% of those customers are now interested in the environmental impact of their choices.” (Sustainable Grocery Stores: 7 Priorities For Greener Grocers, 2021) Examples of sustainability can range from energy efficiency in operations and reduced packaging, to buying from local producers and thus reducing the fossil fuels required to get the products to the store.

Convenience and differentiation can be the keys to keeping a small rural grocery store open. The above trends are just some ways that communities and grocers are working to make that happen. The nature of trends is that they can be transitory. Managers and community leaders need to be on the leading edge of keeping their store fresh – in every sense of the word.

## References

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