



Insights Driving the Future of Food and Retail

Shaun Abraham

Executive Director, Market Insights, J.P. Morgan Merchant Services

Andrea Brandon

Vice President, Business Development Global Enterprise Sales,
J.P. Morgan Merchant Services

J.P.Morgan

- The landscape of retail demands a truly customer-centric model no matter the channel or method of engagement as lines between retail types become more blurred.
- Multiple points of intersection that exist across Grocery, QSR and Traditional Retail can influence and shape merchants' retail strategies.
- As insights are connected across retail industries, we can learn even more about affinities between consumer groups to drive meaningful offerings in the market.



While reports of the “death of retail” have been circulating for years, the world of digital commerce has done more to reshape retail than to eliminate it. “I don’t think retail is dead. Mediocre retail experiences are dead,” says Neil Blumenthal, Warby Parker’s cofounder and co-chief executive. “While e-commerce has been growing, the majority of retail still happens within four walls.”¹



\$5.4 trillion
total retail sales
in 2016,
up 3% over 2015²



Over 90%
of transactions
occur in
the store



15 million
employees



116,000
U.S. shopping
centers

In this age where on-demand and highly personalized experiences define consumer expectations, retailers are tasked with turning to a truly customer-centric model no matter the channel or method of engagement. In order to provide personalized experiences that include speed, convenience, consistency and human connection, retailers require an enhanced understanding of how their customers behave beyond their own walls. To meet and exceed expectations, businesses have an opportunity to use behavioral insights across a consumers' entire journey, transcending traditional boundaries such as Retail, Restaurant, and Grocery.

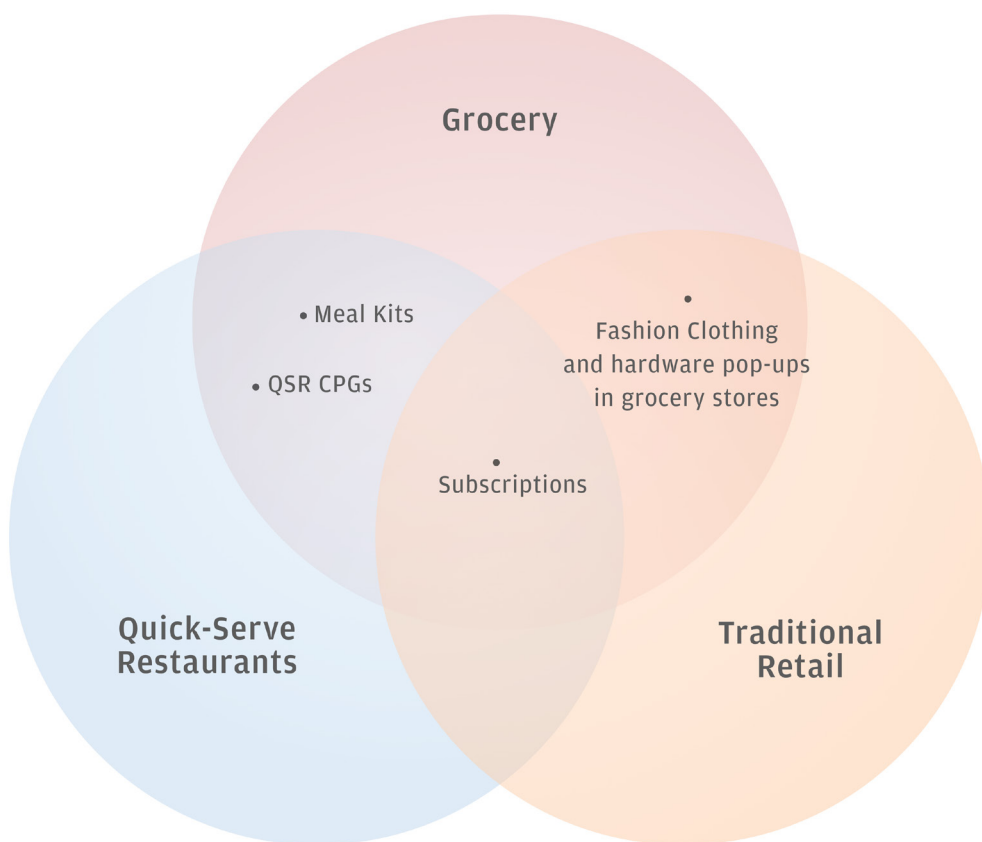
¹ Khadeeja Safdar, “Warby Parker to Open 25 Stores This Year, Co-CEO Says,” *The Wall Street Journal*, January 23, 2017.

² “U.S. Retail Industry Statistics and Market Size Overview, Business and Industry Statistics,” Plunkett Research, Ltd., 2017 (Excludes grocery and restaurants)

Blending Ingredients: Grocery, QSR and Traditional Retail

As retailers become more channel-less, the lines between retail types become more blurred, creating increased incentive and convenience for customers. Whether it is picking up a screwdriver when visiting the pharmacy, pants while buying eggs or fast food at the entry of a grocery store, these cross-retail experiences are active and growing as the blending of complementary experiences proliferates in the market.

So how do retailers evaluate the best industries and partners to complement their businesses? The answers lie in the analysis of and insights on the consumer journey. Multiple points of intersection that exist across Retail, Grocery and QSR (such as meal kits, subscriptions, and clothing and hardware popups in grocery stores) can influence and shape your retail strategy (**Figure 1**).

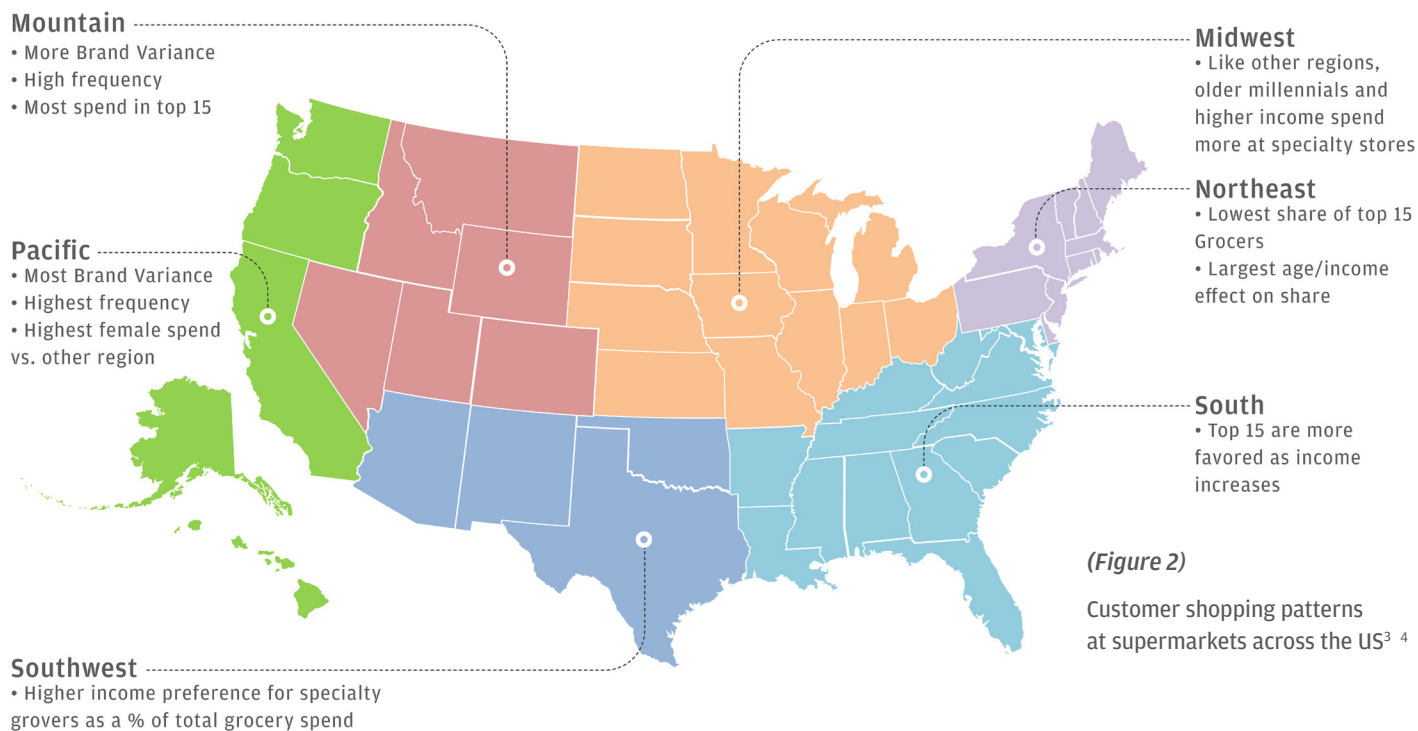


(Figure 1)

Points of intersection across Grocery, QSR and Traditional retail

Grocery Insights: Understanding how your demographic changes

Based on our analysis of customer shopping patterns at supermarkets across the U.S. by age, income, region and gender segments, the strongest distinguishing factor in consumer behavior is linked to region (**Figure 2**). The Northeast consumer shops at the most unique grocery stores, which could be interpreted as a lack of brand loyalty. Pacific region consumers show the highest



preference for specialty grocers such as organic and niche category providers. This group also had the highest number of visits compared to all other regions. Across regions, total spend increases for consumers up to their 30s then plateaus in older segments. This phenomenon warrants an exploration of the Quick Service Restaurant (QSR) segment where age is the main driving force in consumer behavior. QSR, then, could be a strong influencer on the food spend shift toward grocery as consumers age. Evaluating food trends across both of these segments can help merchants understand what drives their consumers' behavior and set new strategies in blending their product and service offerings.

QSR Insights: Aged to Perfection

Unlike Grocery, where region is the strongest factor in consumer behavior, age is the key in customer dining behaviors at QSRs (**Figure 3**). As we looked across the Top 50 QSRs, we learned that younger generations dine at QSRs more often and are less loyal to brand than older generations. Specifically,

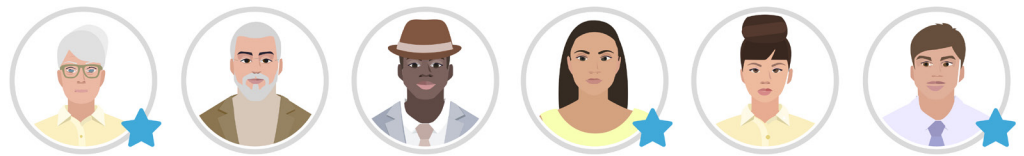
⁴Top 15 grocery merchants defined by region versus Top 15 nationwide

³Chase internal data, 2016-2017. Chase proprietary issued card data only. Does not include any co-brands/partner cards.

those in the 18-24 age group are three times more likely to eat at a QSR than those in the 55+ age segment. However, the 18-24 group dined at 12 different brands in the Top 50, indicative of a lack of loyalty to large, legacy QSR brands. Viewing frequency as an indication of loyalty, we found that the 65+ age group was the most loyal to the Top 50 and was less active in the unique category⁵ than

(Figure 3)

QSR spend by age⁶



Age	65+	55-64	45-54	35-44	25-34	18-24
Unique QSRs	5.8	7.6	9.6	10.8	11.5	13
# Annual Transactions	34	55	79	101	113	125
Annual Spend	\$414	\$645	\$917	\$1130	\$1109	\$1103
Average Ticket	\$12.00	\$11.20	\$11.60	\$11.20	\$9.80	\$8.80

any other age group. They have the highest average ticket, but spend the least amount overall in the category. Blending these insights with an understanding of how grocery consumers behave will help retailers understand how to converge verticals and meet the needs of their clients.

Serving up Points of Connection

As insights are connected across retail industries, we can learn even more about affinities between consumer groups to drive meaningful offerings in the market. Evaluating the shift in spend away from QSR and toward Grocery as consumers age can help merchants understand what types of questions to ask about incorporating food sales into their businesses (Figure 4). Are millennials more open minded to ethnic foods and does that translate to interest in Grocery? Are Baby Boomers the most predictable shoppers across food types? These are the types of questions retailers of all kinds should be asking since the data proves out the general shift of food spend as consumers age from QSR to Grocery categories.

⁵Unique QSRs are defined as the average number of different QSRs visited in the Top 50 nationwide

⁶Chase internal data, 2016-2017. Chase proprietary issued card data only. Does not include any co-brands/partner cards.

(Figure 4)

Shift in spend toward Grocery as consumer age⁷

QSR					Grocery				
Age	Unique QSRs	# Annual Transactions	Annual Spend	Average Ticket	Age	Unique QSRs	# Annual Transactions	Annual Spend	Average Ticket
18-24	13	125	\$1103	\$9	18-24	3.3	42.5	\$1061	\$25
65+	5.8	34	\$414	\$12	65+	3.0	64.2	\$2784	\$43

These findings should serve to open the door to further exploration and exemplify the incredible opportunity retailers have to better serve their customers. Using data across Grocery and QSR will help retailers combine the right products and services in their locations, create personalized promotions and drive loyalty. Relentless adaptation based on insights is required in this constantly changing landscape in order for retailers to compete and win.

⁷Chase internal data, 2016-2017. Chase proprietary issued card data only. Does not include any co-brands/partner cards.