



The Business of Thrift

Understanding Low-Income and Value-Oriented Consumers

OVERVIEW | KEY HIGHLIGHTS | ORDER FORM





As the U.S. economy continues to shift, understanding and meeting the needs of these various types of value-seeking consumers in the U.S. has never been more critical. How should food and beverage brands position themselves to succeed with these growing segments of the U.S. population?

Economic recession, recovery, and realignment have been major drivers of change in the U.S. food and beverage industry and consumer values and purchasing behaviors. An uneven economic recovery and the growing bifurcation of wealth despite low unemployment continue to shape how many consumers source their food and understand brands long after experts declared the Great Recession over. And yet despite this wealth gap, quality attributes like organic and less processed cues are still growing in importance culturally. Similarly, as fewer households are able to call themselves “middle class,” the traditional consumer base of many brands and grocery stores is gradually eroding. At the same time, even those who are doing OK financially often can find themselves prioritizing thrift when it comes to food.

The Business of Thrift report provides a look at the socioeconomic forces at play in the U.S. and offers a comprehensive exploration of how value-oriented and lower-income households navigate their food and beverage consumption.



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METHODOLOGY

Quantitative Approach

Nationally representative survey, fielded online August, 2018

Sample

- Total: n=2,352
- Mid/High-Income consumers: n=455
- Low-Income consumers: n=1,897
- Rural/Low-Density Zip Code Augment: n=654

Sample includes:

- Past 12 months SNAP/WIC/EBT recipient
- Low socioeconomic status (<\$35,000 HHI and high school education or less)
- All others with HHI ≤400% Federal Poverty Level

Key Group Profiles

- Value-Oriented Consumers. Those who consider lowest price, lowest price/unit, or largest size at a given price extremely important to their food/beverage purchasing and who are not P12M SNAP/WIC/EBT recipients
- Rural Consumers. Residents of a ZIP code with ≤60 people/sq. mile and report that they live in a rural area or small town
- P12M SNAP/WIC/EBT Consumers. Received SNAP, WIC or other EBT food benefits (such as state benefits) in the past 12 months

Qualitative Approach

Fielded in July, 2018

In-home ethnographies: 2-hour in-home individual interviews, including a tour of the kitchen and food storage

Shop-and-talks: 90-minute combination interview and shop-along

Virtual interviews: 75-minute interview via Skype

Homework: All respondents completed a homework assignment prior to their interview, involving 1) a photo gallery of their kitchen and food storage; and 2) a writing assignment about shopping strategies related to saving and splurging.

Sample

- Aged 26-67
- Mix of gender, household income, children in household, race/ethnicity, and U.S. census regions
- Respondents were recruited to fill several key groups: P12M SNAP recipients, low socioeconomic status (\$35K HHI and high school education or less), HHI <400% federal poverty guidelines, rural residents, and value-oriented middle-class shoppers

ABOUT THE REPORT

General report (PowerPoint and PDF) including executive summary and demographic data tables (Excel). Product Price:

- **Before October 31, 2018:** **\$12,500**
- After October 31, 2018: \$15,000

Release Date: September 2018

Report Length: 126 pages

Market Coverage: U.S. market

To purchase the report, fill out the order form on the last page of this overview.



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EXECUTIVE SUMMARY: HIGHLIGHTS

Income Inequality in the U.S.

How consumers spend and save is impacted by individual circumstances, broad economic trends, and cultural beliefs about the right and wrong ways to deal with money.

- Most consumers engage in “thrifty” behaviors – especially in their household shopping – because this type of frugality is culturally valued.
- However, for mid/high-income consumers, frugality is more of a choice, whereas for low-income consumers, it is a necessary way of life.

Growing income inequality – a long-term trend exacerbated by the Great Recession – means a higher share of consumers are low income now than in the past.

- Federal definitions of “low income” actually cover the majority of American consumers and include consumers one might otherwise consider “middle class” – those making around or just under 400% of

the poverty level. This fact points to a large population size of consumers – many of whom are not typically understood as “low income” – who face financial difficulties in affording everyday expenses, including food and beverage.

- Low income crosses demographic and cultural groups – there is no single type of low-income consumer. However, certain groups are more likely to be low income as a result of historic and structural systems of inequality that persist today – racial and ethnic minorities, women, and the elderly. Households with children are also more likely to be low income.

This report focuses on understanding their needs, desires, and limitations, with an eye toward opportunity in how companies can meet them where they are in their busy, and often stressful, lives.

Attitudes, Aspirations, and Actions

Consumers across all income levels share similar social and political attitudes as well as similar general attitudes around eating, cooking, and Health + Wellness (H+W).



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EXECUTIVE SUMMARY: HIGHLIGHTS

However, low-income consumers are more likely to view their diet and health as diminished relative to other consumers.

- They do not see themselves eating as well as the average American in terms of health, freshness, quality, or variety. They're also more likely to perceive themselves as less healthy, especially on a range of mental health factors related to stress, relaxation, and balance.

Low-income consumers feel more barriers between them and their aspirations – especially affordability and access. These barriers tend to be external and therefore potentially amenable to companies that may have solutions.

- Mid/high-income consumers are more likely to see themselves and their own preferences as their biggest obstacle to improved eating and H+W.
- Low-income shoppers are as likely to cook as higher-income folks, but their tight budgets preclude risk taking. They opt more often for whatever is easiest and cheapest and are less likely to prioritize nutrition.

Ultimately, what lower-income consumers want – healthy, tasty, fresh, and affordable food – is not that different from other consumers, but their budgets do not allow for much beyond the essentials.

Financial Security and Food Security

The higher a consumer's income, the more financially secure they feel and the more likely they are to be optimistic about their own and their family's futures. With more income comes greater ability to save and plan, and thus a greater feeling of control over the future.

- Not all low-income shoppers feel financially insecure. Qualitatively, a consumer's approach to budgeting – proactive or reactive – often makes the difference.

Limited food access is surprisingly widespread, with around half of consumers waiting for payday, feeling the need to tighten their food budget, and making trade-offs in the name of price.

- However, low-income consumers are more likely to experience limitations, experience them more frequently, and experience them in more severity (such as not having enough food vs having enough but not the foods they'd like).
- Strict food budgeting is very common among low-income shoppers. For some, proactively managing a strict budget is freeing as it allows them to eat how they like within their means. For others, the budget is reactive, determined by other expenses, bank account levels, or other factors, particularly limited time and energy.
- With a variety of additional stress factors – like multiple jobs, managing children, or lacking a car – many low-income consumers feel more reactive around time, distance, or energy than money.

Low-income consumers would welcome solutions that make tracking grocery spending easier on the fly. Setting and sticking to a strict budget is the first budgeting behavior to loosen as consumers move up the income scale. Likewise, splurging around payday shifts away from groceries and more toward restaurants.

- Many consumers prefer not to track their restaurant spending. Even those who dine out frequently view this spending as a “treat.”
- Qualitatively, consumers who tend to be more reactive about their food budget, or whose shopping is driven by payday schedules, tend to exhibit more scrimping and splurging behaviors. When times are good, they stock up and splurge; when they're tight, they trade down or go without.

Approaches to Food Sourcing, Budgeting, Shopping, and Saving

In general, low-income shoppers, particularly those on the lowest end of the income scale, don't have the resources to aggressively hunt deals.



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They stick with what works – familiar, convenient retailers and restaurants where they know they can get what they need at a price they can afford. Only after they make a bit more – around 250% FPL – do promotions and cross-channel shopping become key features of their shopping.

- Low-income consumers' grocery shopping is tightly focused on price and convenience. They rely heavily on Walmart, discount grocers, and dollar stores, spending a greater share of their grocery dollars there than at others.
- Likewise, when they outsource, they overwhelmingly visit fast food, which functions as an affordable treat in addition to being convenient and low cost.
- Low-income consumers' purchasing is similarly concentrated on a narrower range of categories focused on essentials, and they're less likely to buy fresh perimeter categories as well as "extras," like ice cream.

As income increases – particularly after it passes 250% Federal Poverty Level (\$62,750 for a household of 4) – consumers broaden the number of retailers and restaurants that they visit and the number of categories they buy.

- Still price sensitive but with more income and expanded range of options, these consumers represent an opportunity for companies that can offer the right value equation of price, convenience, quality, and experience.
- Low-income shoppers would increase their overall volume and spending on food if they had more to spend. Even after payday, they are more likely than mid/high-income shoppers to simply do their normal shop.

Low-income consumers' definitions of value prioritize price and

experience, especially convenience. Mid/high-income shoppers place a higher emphasis on quality and nutrition, which low-income shoppers believe they sacrifice for low prices.

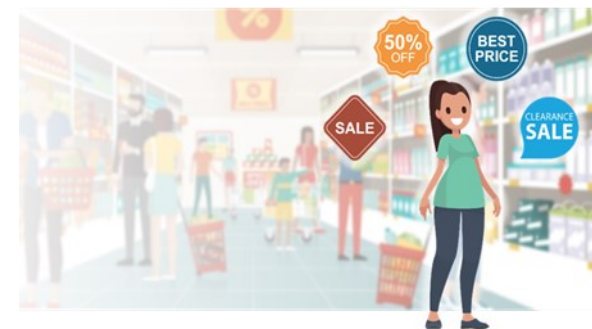
- Mid/high-income shoppers seek savings through promotions, coupons, and cooking at home. Low-income shoppers typically already buy the lowest-priced items, making sales irrelevant. With tight budgets and limited storage space, they are often unable to take advantage of deals when they see them. They focus more than others on actually buying and using less food.

Living With Limits: Value Consumers, SNAP/WIC/EBT Consumers, and Rural Consumers

Limited by focus on price: Value-oriented consumers are more likely to be lower income, but even some higher-earning consumers prioritize cost savings.

Limited by finances: Food benefits recipients see others taking part in the cultural movement toward fresh, higher-quality foods, and they aspire to participate more fully.

Limited by access: Rural consumers rely on a more limited assortment of retailers and restaurants for sourcing food, and their purchasing and consumption of food is shaped by this limitation.





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COST

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- Before October 31, 2018** **\$12,500**
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