



Strategic Insights Monthly Industry Brief

By Strategic Insights Team • Feb 06, 2023

Smart Brevity® count: 3 mins...860 words

Happy Monday! A lot happened last month...

- Restaurant traffic softened, and consumers are trading down to QSRs.
- Online grocery sales declined as supply chain woes hit digital shelves.
- Sustainable innovation saw growing interest in LATAM.
- A major c-store is bucking fuel in favor of household goods.

Let's dive deep on each...

1 big thing: Restaurant traffic declines as prices rise



What's new: [Restaurant traffic](#) is down 4% year-over-year with QSRs up 7% and Independents down -9%.

The big picture: Traffic at QSRs [has been outpacing full-service since mid-March](#). We've seen survey results for months telling us an industry decline was on the way. We're starting to see the impact of that research.

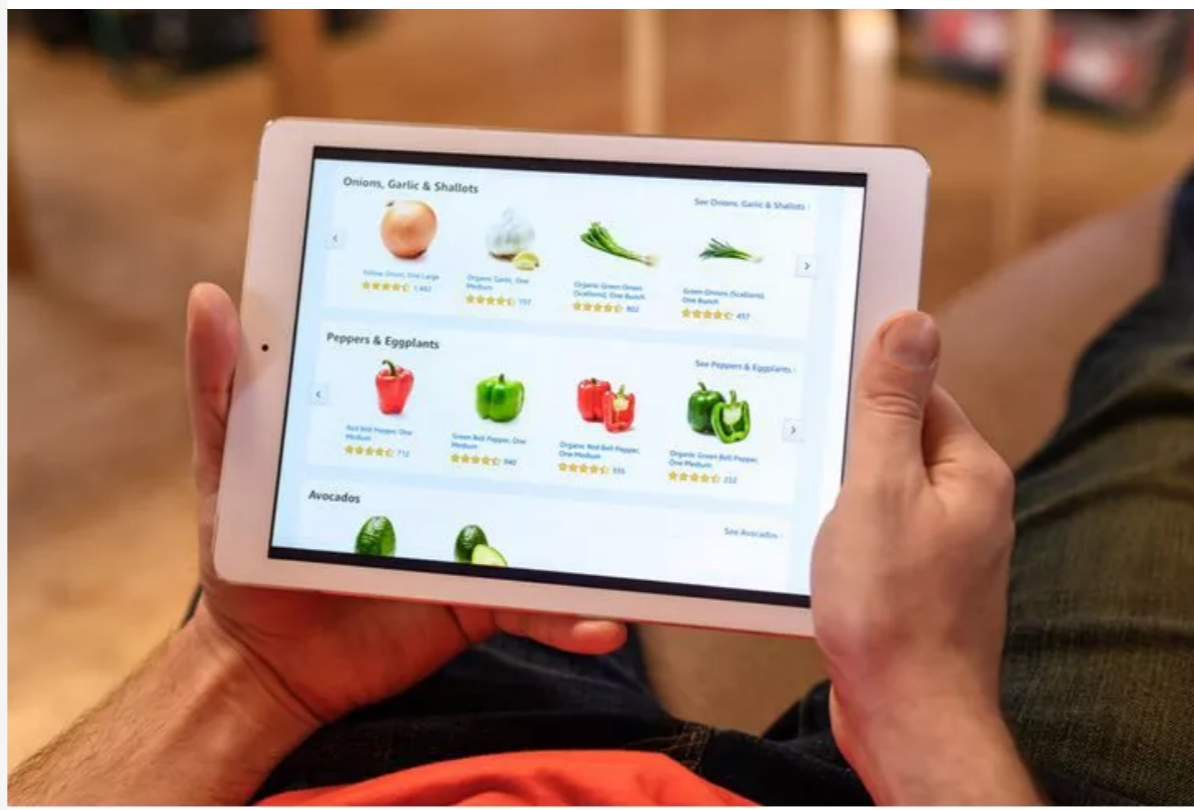
- [46% of diners](#) said they'd order less when they dine out. Now the average number of items per receipt [dropped from 3.8 to 3.5](#).
- [74% of consumers](#) said they'd be dining out less. Now [2/3 of Independents](#) have seen sales decrease.
- [1/2 of consumers](#) say they're not eating out as often as they'd like. Now [45% of operators](#) struggled to pay July rent, a 7% increase vs June.
- [84% of consumers](#) recently said they're eating out less because of cost.

Our thought bubble: Americans are still spending [40% of their food budget](#) on restaurants, so Ventura Foods can help our customers capture more than their fair share.

- Independents that are winning are focusing on two things — unique applications and “familiar with a twist.”
- Ideas like adding a regional or global flavor, like Gochujang or Nashville Hot, on a menu [drives real consumer interest](#).

What's next: Trucking CEOs expect even [higher prices and more disruption](#) this fall, and companies like McDonald's, Chick-fil-A, and others are putting a [renewed focus on apps](#) to drive customer loyalty. Ventura Foods can help.

2. Grocery e-commerce needs to adapt to new demands



Digital grocery sales were down 13% from the first quarter of 2022 to the second.

Grocers have lost \$11 billion from unavailable or unsubstituted items [since the pandemic started](#) — and lost \$0.16 in average margin in Q2 2022 — according to a new analysis of more than one million shopper orders and surveys with 12,000 shoppers and 1,200 U.S. grocery executives.

- **Flashback:** The explosion of digital shopping during COVID forced grocery executives to execute digital strategies faster than they usual — often at the expense of profitability and operational effectiveness.

Why it matters: 83% of grocery store executives expect pricing pressure to continue until 2023, so we expect to see changes in the way grocers handle e-commerce in the near future.

What else the study showed:

- In the first half of 2022, 13.7% of all grocery orders were digital, and those sales decreased 13% from the first quarter to the second.
- Digital basket sizes have decreased as inflation rose. The average price of an item in a digital basket increased 15% in the second quarter.

The takeaway: Manufacturer's will need to closely watch the evolution of e-commerce and adapt to its new demands. In-stock will be key to success as we move through post-pandemic times and the current recession.

Go deeper: [Today's omnichannel shopper base is larger and more loyal](#)

3. Cargill and partners launch LATAM innovation hub



Givaudan, Bühler and Cargill — in collaboration with the Food Tech Hub LATAM and the Food Technology Institute — are [building a food innovation center](#) in Campinas, Brazil.

- **Why it matters:** The hub gives manufacturers a chance to use cutting-edge technology and develop sustainable food-and-beverage solutions that our world desperately needs.

The lab will feature a state-of-the-art demo kitchen, where consumers, food scientists, nutritionists, chefs, mixologists and marketers, and other professionals, will be able to work together.

- **It will be equipped** with the most up-to-date wet and dry extrusion systems for plant-based proteins and beverages processing units, too.

This is a great example of three leading global manufactures joining forces to co-create, collaborate, accelerate sustainable innovations.

Go deeper: If you needed a reminder of why this work is so important, [16 million Brits were forced to cut food and essentials](#) as a result of cost of living.

4. Major c-store plans to open more food-focused, fuel-free locations



A QuikTrip convenience store Retrieved from QuikTrip's website.

QuikTrip is finalizing construction on a gasoline-free store in Tulsa, Oklahoma, that's focused on food and household goods — and aims to open August 12.

- **The big picture:** The store highlights a broader trend we've been watching — [lines being blurred](#) between grocery stores, restaurants and now c-stores that focus on prepared foods and household merchandise.

Our thought bubble: Electric vehicles may be driving this trend. C-stores sell [80% of America's gasoline](#), but it's difficult to see a pathway to charging 80% of America's electric vehicles.

- Retailers will have to compete with chargers at home, at work, and at other businesses that offer them. Plus, charging is an activity ideally suited for [endpoints](#) — where the car is parked for extended periods.

As more cars become electric, more convenience stores will need to reinvent themselves like QuikTrip's pilot store.

What else we're watching in c-stores:

- [Staffing and supply chain hurdles are still affecting store operations](#)
- [7-Eleven Acquires Skipcart Delivery Service](#)
- [Sheetz to Launch Major Expansion in Western Pennsylvania](#)

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- Are you an external customer or partner of Ventura Foods? Have no fear — we would love your opinion as well!

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