

by A. Elizabeth Sloan

The Lowdown on Low-Income Consumers

Low-income shoppers may not be top of mind among product developers, but targeting them represents an enormous and virtually untapped opportunity for today's food industry. Just consider the numbers.

Low-income consumers are estimated to generate \$115 billion in incremental consumer packaged goods (CPG) spending over the next decade, according to SymphonyIRI Group's 2010 report titled *The Lower Income Shopper*. The number of lower-income households, defined as those with income <\$35,000, is projected to grow from 42 million in 2010 to 51 million in 2020; their CPG spending will go from \$109 billion to \$140 billion. Hispanic, African American, Gen Yers ages 18–34, consumers 65+, and households with children make up the key demographic segments within the diverse low-income segment.

More than half (56%) of lower-income households are preparing even more meals at home than they did in 2009, reports the Food Marketing Institute's (FMI) 2010 *U.S. Grocery Shopper Trends*. Nine in 10 households (89%) with incomes <\$25,000 and 81% with incomes of \$25,000–\$35,000 make a home-cooked meal 3+ times per week, up 8% and 4%, respectively, vs 2009. Moreover, members of 36% of lower-income households also are cooking more from scratch in 2010, softening demand for meal solutions, FMI reports.

Just under half (47%) of

shoppers with incomes <\$25,000 bought gourmet/specialty foods in 2010, up from 34% in 2009, according to the National Association of the Specialty Food Trade's 2010 *Today's Specialty Food Consumer* report. Not surprisingly, flavored basic ingredients including margarine/butter, sugar, and oils and unique/ethnic varieties of rice, flour, syrups, and other staples should have high appeal.

Lower and mid-income households are the most likely to cook for special occasions and to cook for fun with their

More than half of lower-income households are preparing even more meals at home than they did in 2009.

families, according to Mintel's 2008 *Cooking Enthusiast—U.S.* report. One-quarter (24%) entertain guests at least once a month, per Mintel's 2008 *Home Entertainment—U.S.* report, making reasonable and convenient party fare another unmet need.

Cold cereal, yogurt, frozen dinners/entrees, frozen pizza, fresh bread/rolls, natural cheese, soup, luncheon meats, salty snacks, crackers, chocolate candy, cookies, and ice cream/sherbet are the largest food categories purchased by lower-income households, according to IRI's 2010 report. More importantly, lower-income households are driving growth in many of these categories. Salty snacks, natural cheese, yogurt, fresh bread/rolls, and coffee are

among the categories with the highest projections for future growth, according to IRI.

Lower-income households are also the most likely to buy canned meats and shelf-stable dinners, according to Nielsen Co. data. Beef and frozen meals/entrees are strong performers in the low-income consumer market, with a 10% jump in sales in 2009, according to a U.S. Dept. of Agriculture report. Six in 10 lower-income households (62%) bought fewer single-serve packs, 60% purchased smaller quantities of their favorite treats,

and 40% bought less fresh produce over the past two years, per IRI's 2009 *Competing in a Transforming Economy* report. Lastly, six in 10 low-income households are eating away from home less in 2010 than in 2009, according to FMI; however, those in low-income households are the most likely to eat in a fast-food restaurant for lunch.

Eating healthy is very important to 76% of those living in lower-income households vs 83% of those in the upper-income bracket, according to IRI's 2009 report. Moreover, interest in healthy eating is accelerating. FMI reports that 44% of shoppers in lower-income households are very concerned about the nutritional content of their food, up 6% vs 2009; 28% feel their diet

could be a lot healthier.

In 2009, 51% of those in lower-income households bought foods/drinks specifically for antioxidants, 53% for vitamins/minerals, 41% calcium, 33% fiber, 31% protein, and 26% omega-3 fatty acids, according to Packaged Facts' 2009 *Functional Foods and Beverages in the U.S.* report. Not surprisingly, affluent shoppers remain about twice as likely to buy organic food as those in lower-income households, according to FMI.

Contrary to common belief, middle-income and high-income shoppers are most likely to check for grocery specials and use coupons, not lower-income shoppers, according to FMI. Shoppers in low-income households are among the least likely to stock up, buy large package sizes, or go to stores other than their primary store for specials. Consumers in 43% of low-income households expect to purchase more private label foods/drinks in 2010; more than half (52%) of low-income households are heavy store brand users, also according to FMI. And despite financial constraints, consumers in 71% of lower-income households like to try new food products, IRI reports, which is another reason it makes sense to target members of this market segment. **FT**



A. Elizabeth Sloan,
Contributing Editor
• President, Sloan Trends Inc.,
Escondido, Calif.
• sloan@sloantrend.com