

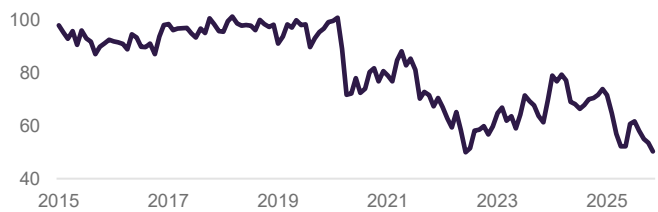
# Industry Update

*“It’s not what you look at that matters, it’s what you see.” – Henry David Thoreau*

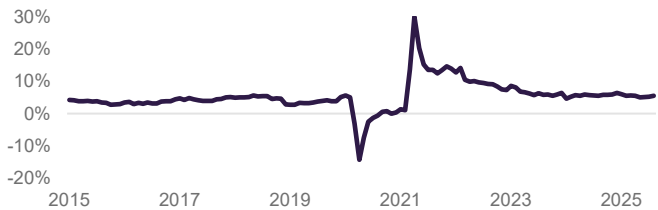
## Spending Grows Despite Pessimism

Today’s shopper isn’t just looking for deals—they’re looking for value. While inflation has moderated, consumers perceive prices as still rising faster than their incomes, which leads to a sense of diminished purchasing power. Consequently, consumer sentiment is hovering near record lows, yet shoppers continue to spend.

Consumer Sentiment Survey



Personal Consumption Expenditures % Δ YoY



## Prices Have Risen Rapidly

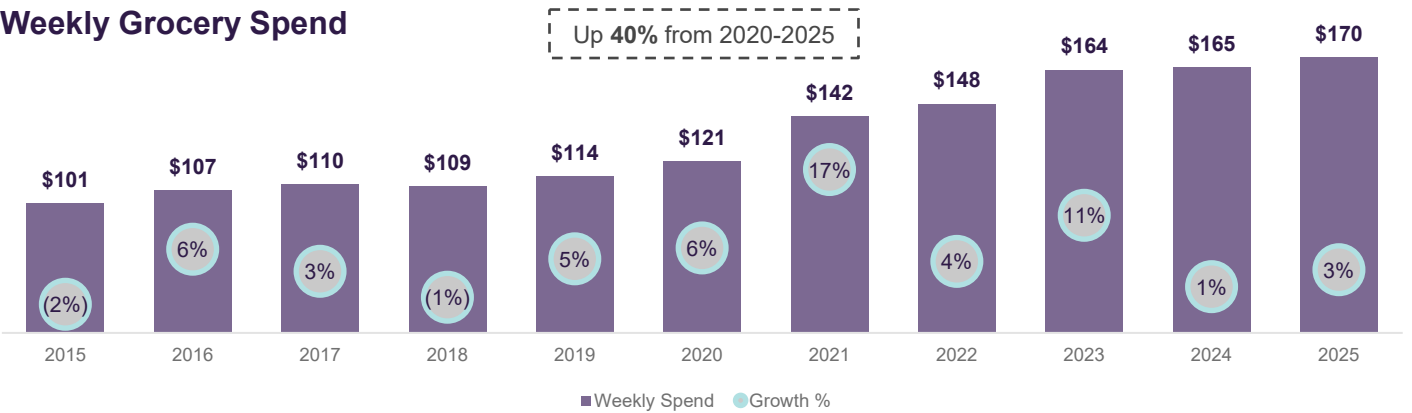
Grocery prices stayed relatively stable from 2010-2020 but surged significantly from 2020-2025, driven by factors such as COVID-related supply chain issues, avian flu outbreaks, shrinking cattle herds, and geopolitical disruptions. Today, consumers spend approximately 40% more on weekly grocery trips compared to 2020. While wages have generally grown faster than food price increases during this period, the negative sentiment due to inflation overshadows the positive feelings from rising incomes.

Increases from 2020 2025

CPI +25%	Food CPI +31%	Wages +28%
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This reflects the principle of loss aversion—a core concept in behavioral economics where perceived losses outweigh equivalent gains. Emotionally, the discomfort of paying 25% more for goods has a greater impact than the satisfaction of earning 28% more. In fact, consumers are more likely to feel that they deserved the increased wages while simultaneously feeling that rising prices are unfair. This psychological reality will continue to reinforce the feelings of negative sentiment until consumers can adjust to a new normal around pricing.

## Weekly Grocery Spend



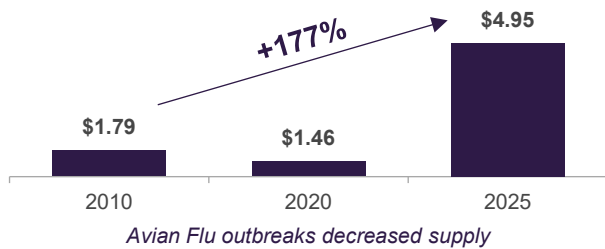
Sources: University of Michigan, Bureau of Labor Statistics, Federal Reserve Economic Data, Food Industry Association

## Price Shock Dashboard

Psychologically, consumers utilize established price anchors—mental reference points about how much something should cost—when making purchases. Following a period of relative stability, the rapid price escalations from 2020-2025 were unsettling for consumers as they faced nearly double the rate of annual food inflation compared to the average for the prior 25 years. These rapid price increases have led to anxiety and negative sentiment and will likely continue until shoppers establish a new normal for their price anchors.

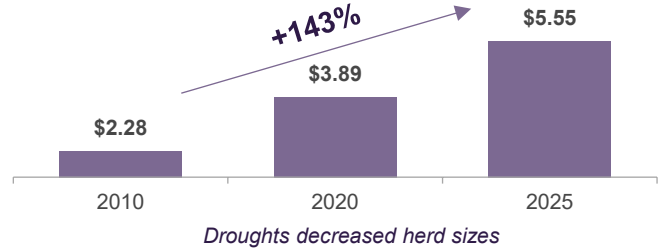
### Eggs

Cost per dozen



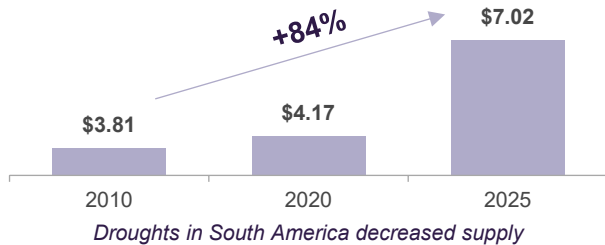
### Ground Beef

Cost per lb



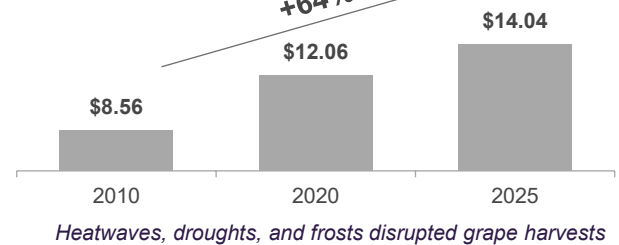
### Coffee

Cost per lb



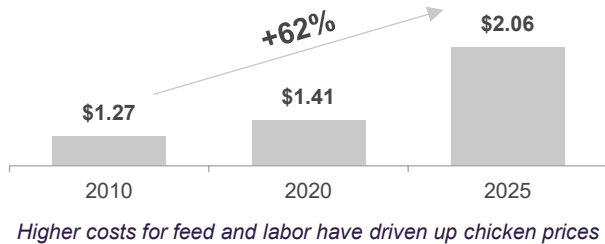
### Wine

Cost per liter



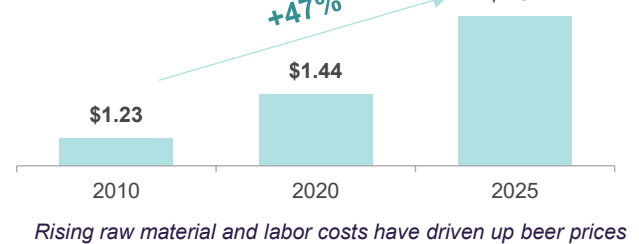
### Chicken

Cost per lb



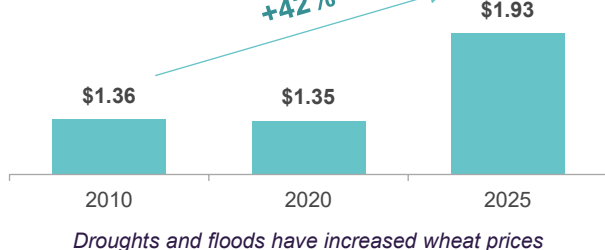
### Beer

Cost per 16 oz



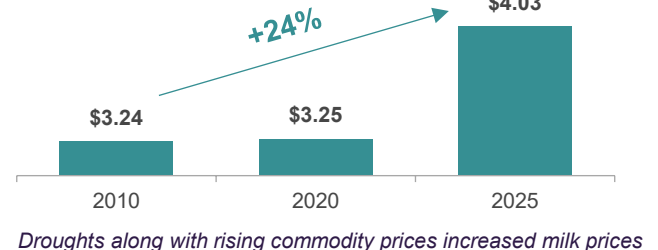
### Bread

Cost per lb



### Milk

Cost per gallon

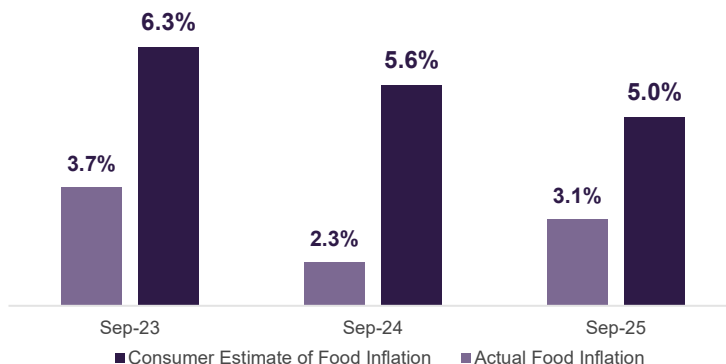


Data as of January 1 of each year.

Sources: Bureau of Labor Statistics, Federal Reserve Economic Data

## Consumers Overestimate Inflation

- According to the University of Purdue, consumer perception of food inflation remains higher than the official data.
- As a result, consumers are changing some of their behaviors to prioritize where they spend their dollars.
- Businesses can succeed in this environment by meeting the customer where they are at and understanding how they are feeling—namely stressed out about shopping.



## The Hidden Toll of Rising Food Prices

This psychological strain around rising prices prompts an important question: how are consumers responding? Many are behaving as though the economy is in recession, despite indicators to the contrary. This shift has given rise to the “value consumer” who is focused on maximizing the value of each dollar rather than reducing overall spending. Instead of cutting back, these consumers are:

### Economizing

Consumers are economizing where the product is of less perceived value. Store brands and private labels are in high demand among every income class as consumers are trading down in some categories to maintain or exceed current spending in other categories.

### Maintaining

Shoppers are still spending on items that reflect their identity and lifestyle, despite rising prices. Coffee, protein products, condiments, and pet food remain resilient, indicating they have not yet reached a price threshold that discourages consumers from purchasing these items.

### Splurging

Consumers are splurging *selectively*, specifically on purchases that give a high emotional return on investment. Affluent consumers are still booking trips, buying luxury, and enjoying fine dining. Lower-income consumers are taking the same logic and are dining out at more affordable venues to treat themselves.

Based on the above, grocery retailers are doubling down on private label offerings—not just to cut costs, but to deliver perceived value where it matters most. In the consumer’s mind, they are buying store brand items to somewhat offset inflation and continue to spend in other categories with a higher emotional return on investment.

## Meeting Consumers Where They Are

With inflation producing feelings of stress—despite low unemployment and rising wages—consumers are gravitating toward brands that reinforce confidence in their choices and prioritize transparency. By clarifying the value offered and providing consumers with a sense of control surrounding purchases, businesses can help consumers feel good about what they are buying by providing:

### Clarity

Consumers appreciate a clearly articulated value proposition (e.g., Target promoting “Lunches for \$25 a Week” or Kroger labeling the price of chicken as “\$11.20 - Feeds 4 for \$2.80/person.”) and feel like they can trust a brand that is upfront about what they are offering.

### Control

Let the shopper win. Build value ladders that make product trade-ups or trade-downs feel wise. Every price point—good, better, best—should feel intentional. By providing shoppers with a sense of control over their budget, they don’t feel exploited.

### Confidence

Every message should make consumers feel like they are buying wisely, feeding well, and providing stability. Shoppers want to know that what they are providing to their families is nutritious and priced fairly. By doing this, they can be proud of what they buy, which in turn leads to higher spending.

As inflation stabilizes, the emotional residue of rising prices will continue to shape consumer behavior. Retailers and brands who understand the psychology behind spending and who meet consumers where they are in their current mindset will be best positioned to earn trust—and dollars—in this new era.

Sources: University of Purdue, McKinsey Consumer Research, Bureau of Labor Statistics, Federal Reserve Economic Data