The Consumer Spend Report 2024

A comprehensive analysis of consumer trends and the sentiments that shape the way we shop

upside

A letter to our readers

Every day, I speak with brick-and-mortar retailers in the grocery, restaurant, fuel, and c-store industries about their business challenges and how they are overcoming them. Without a doubt, these retailers are some of the most resilient business people I've had the pleasure of meeting.

With 100,000 retailers and 35 million consumers in our marketplace, Upside sits on a treasure trove of data that can help retailers make business decisions. In that spirit, we're introducing the inaugural Consumer Spend Report to shed light on current consumer sentiments and how those sentiments shape buying behavior.

Today, we see that a negative outlook on consumers' own household finances has spurred a number of consequential trends that retailers certainly know about — namely, that increased price sensitivity has led to increased cross-shopping. This has always been fairly normal customer behavior, but what stands out to me today is the growing prevalence of what we call **the uncommitted customer**.

The uncommitted customer is not rare — they make up the *majority* of customers in America. We've heard retailers refer to these customers as "secondary and tertiary," "infrequent," "irregular," "occasional," "lapsed," and more. Whatever the term, they're uncommitted to one retailer or brand.

The uncommitted customer is defined by their willingness to shop around, visiting different locations and formats in order to provide for themselves and their families. They're primarily thinking about their own lives and how to maintain their standard of living without spending more for it. If you think about it, you might actually fall into this bucket — buying paper towels at a wholesale club, produce at your local grocer, and health products at Whole Foods.

Many times, these customers are actually members of the retailer's loyalty program, but they are not behaving loyally. They represent a hard-to-win customer base for retailers, and today, that customer base is growing.

Winning these uncommitted customers represents a tremendous opportunity. And when you read between the lines of these big spending trends, this report sheds more light on who they are and what they say they need to behave differently.

I hope this report serves you well.

Alex Kinnier
Co-founder & CEO,
Upside

Methodology

To compile The Consumer Spend Report, Upside conducted a wide range of research:

- **We analyzed 1.1 billion transactions from over 8,000 retail partners** across the grocery, fuel, convenience, and restaurant industries to paint a robust picture of consumer behavior.
- **We commissioned two nationwide surveys of the general population,** reaching 3,700 American consumers — from teenagers to retirees, from those that live alone to those with families of six or more — to understand their spending preferences and views on the economy. The results are weighted by income bracket, so no one group is overrepresented.
- **We heard from more than 3,400 consumers** who shared, in their own words, how they're behaving and what's driving that behavior. These conversations shed important light on the numbers we were observing, adding human stories to contextualize the data.

We defined the "uncommitted customer" at the category level instead of the customer level. That means that an individual consumer could be an uncommitted grocery shopper, but show committed loyalty to a particular fuel station, for example.

To qualify as "uncommitted," the customer had to meet the following criteria:

Category and purchase frequency		AND EITHER Unique locations shopped[1]	OR Types of formats shopped[2]
Grocery	Monthly or more	3+ per month	2+ per month
Fuel	Monthly or more	2+ per month	2+ per month
Convenience	Monthly or more	4+ per month	2+ per month
Restaurant	Monthly or more	3+ per month	3+ per month

[1] The differences in frequency thresholds across categories reflect varied consumer preferences. Customers like variety in their meals, for example, and no restaurant expects a customer to dine exclusively with them. The figures above are based on our assessment of the distribution of customers by visit frequency in our survey.

[2] "Formats" describes the different types of retailers within a category. Grocery formats include regional chains, big-box retailers, dollar stores, and more; fuel formats include standalone stations, grocery store stations, truck stops, and more; restaurant formats include quick-service restaurants, fine dining establishments, prepared food bars at grocery stores, and more.

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Trend 01

2024 TREND 01

Consumers continue to feel negatively about the economy, and they're looking to make the same buying decisions without increasing their budgets.

Though consumer spending continues to grow and inflation has cooled dramatically since its highs in the summer of 2022, consumers are still feeling skeptical about the strength of the American economy. According to a new Upside survey of the general population, a majority of respondents — 56% — see the economy as somewhat worse or much worse than one year ago. Only 22% of respondents see the current situation as an improvement over 2023.

These results largely remain consistent across demographic groups, no matter the respondent's age, household size, or household income. The most popular answer for all groups regarding the American economy was that it is **much worse** now than it was last year. Of particular note, young people between ages 18 and 24 were most pessimistic about the economy, with only 12% of those surveyed saying the economy is better now than it was last year. Though no group was particularly optimistic about the economy, individuals aged 65 and older expressed the rosiest outlook: about 27% of those respondents said it is somewhat better or much better currently.

The demographic groups most pessimistic about the economy were:

- The youngest respondents: **18-24** years old
- The largest households: Families of **six** or more
- Those with annual household incomes **between $25,000 and $49,000**

The demographic groups most pessimistic about their individual financial situations were:

- Gen X & Baby Boomers: **45-54** years old and **55-64** years old (tie)
- The largest households: Families of **six** or more
- Those with annual household incomes **below $25,000**

It makes sense, then, that negative feelings regarding *household* financial health prevail, as well. About 43% of respondents see their own situation as somewhat worse or much worse than it was a year ago, a plurality for that particular question. An Upside user named Joe verbalized that particular sentiment: "It's a struggle these days to stay afloat financially." Another agreed: "In today's economy, everybody is looking for any way to save a penny."

Unsurprisingly, those with higher household incomes were more likely to report that their own financial situation either stayed the same or got better since last year.

How do these sentiments actually show up in practice? Here's a brief snapshot of consumer budgeting by retail category.

	Grocery	Fuel	Convenience	Restaurant
Median monthly budget per household	$350 ($418 average)	$100 ($137 average)	$30 ($63 average)	$100 ($140 average)
Percentage of shoppers who always stay within budget	41%	57%	63%	48%
Average number of months per year shoppers say they do exceed budget	3.8 months	2.6 months	2.1 months	2.7 months

These sentiments show that consumers remain firmly in a **“save and conserve”** mindset, though some of them are finding it difficult to stick to a budget in a few key retail categories. On the whole, shoppers aim to cut back on what they don’t need and make careful choices about where they do business in order to maximize the value they receive on every transaction. The average person will not realistically consume less; they’ll just consume differently (ordering chicken instead of steak, for example).

58%

of respondents say their economic perception caused them to cut back on spending

89%

say they rely on coupons and promotions the same amount or more often than last year

> **In this economy, every penny counts for my family. I pass many gas stations and go out of my way to (get promotions).**
>
> **Maria,**
> Upside user

> **The cost of food has skyrocketed. It is nearly impossible to go out to eat and anytime I can get a few dollars back is extremely helpful.**
>
> **Chris,**
> Upside user

Trend 02

2024 TREND 02

Price sensitivity is driving more cross-shopping than ever, and customers are increasingly uncommitted to specific brands or retailers.

upside

These sentiments around saving likely won't come as a surprise to most retailers. Inflationary price increases have taken their toll on American consumers, many of whom are now attempting to stretch their budgets. Couple that with the proliferation of options and channels today, and we see more cross-shopping between brands and formats. This context points to a theme for 2024: **uncommitted customers are a growing group of shoppers who prioritize their own needs over loyalty to any one retailer or brand**.

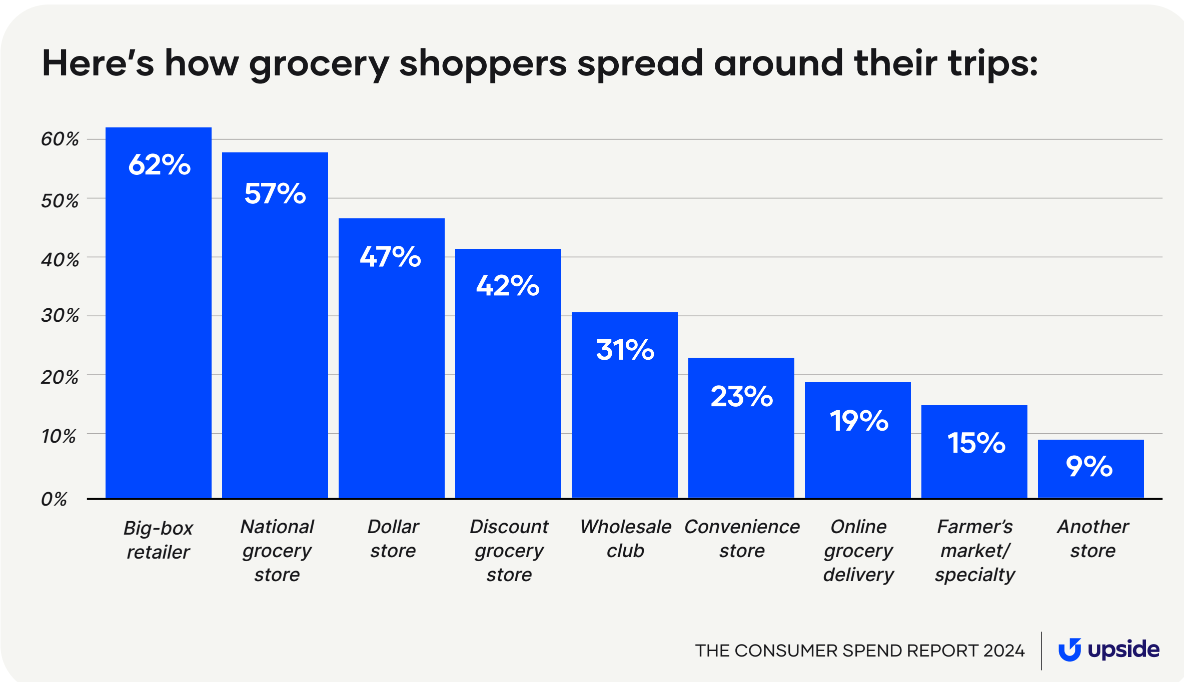
The responses to our survey show that uncommitted customers make up a large portion of the overall population. Consider the following data from each of our key retail categories, starting with grocery. **81% of grocery shoppers compare prices across stores.** They also use loyalty at multiple stores in order to maximize their benefits — an Upside analysis of loyalty showed the average grocery shopper belongs to more than two different grocery loyalty programs. Furthermore, our survey data showed that shoppers visit about three different stores monthly; data from FMI suggests that number might be even higher, at about five different stores a month.

The restaurant industry is facing similar challenges — **63% of diners compare prices between restaurants,** and their options are proliferating. A Yelp report showed that new restaurant listings increased by 10% in 2023.

For fuel and convenience store operators, channel blending is accelerating competition. It's not just other stations that retailers have to worry about; dollar stores and grocery stores also present formidable challenges. That's made clear by the **19% decrease in inflation-adjusted c-store revenue per site** from January 2021 to January 2024.

Take a closer look at the buying behaviors of Upside's Consumer Spend Report survey participants, grouped by retail category:

Grocery



SURVEY QUESTION

Which of the following types of retailers have you shopped for grocery items within the last 12 months?

In grocery, about 62% of respondents visited big-box retailers for their food items, making it the most popular choice — even more so than national and regional grocery store chains. Value formats like dollar stores, discount grocery stores, and wholesale clubs each capture trips from more than 30% of customers surveyed.

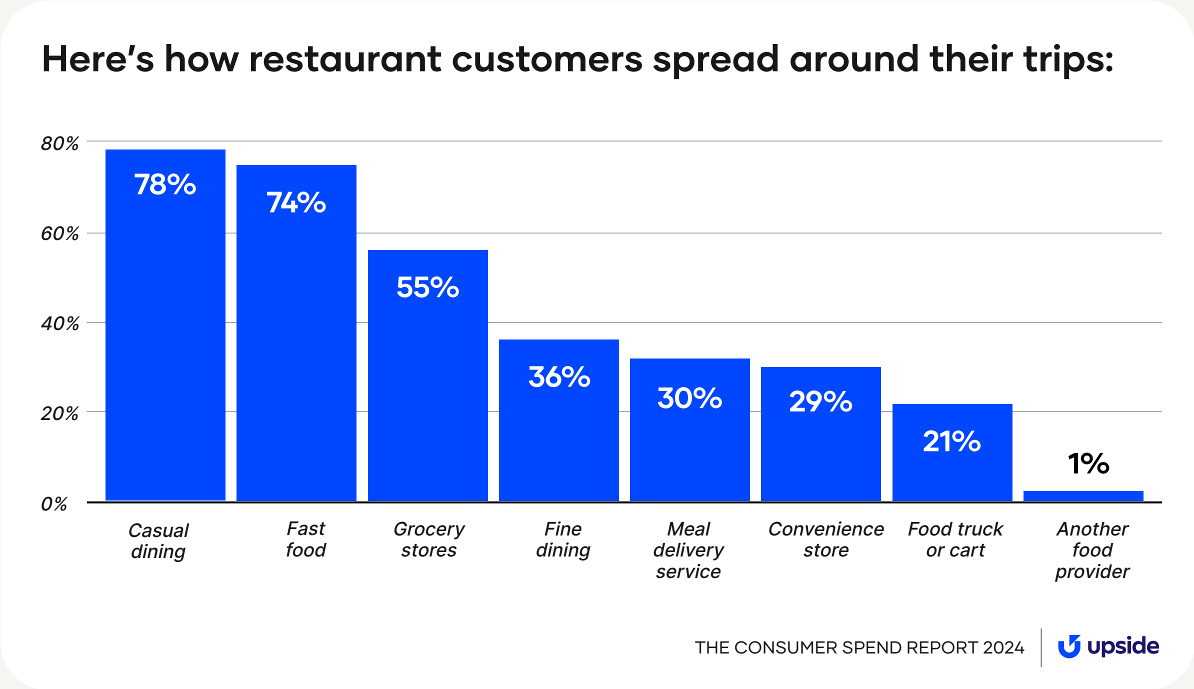
Here's why they say they're behaving that way:

The most important factor in determining where these shoppers transacted was low prices. Furthermore, grocery shoppers said the most important reason they visited more than one store in an average month was to get better prices on certain items.

An Upside user named Teresa told us she regularly buys groceries from three different stores: Walmart, Aldi, and Price Chopper. She gets the best prices at Walmart; Aldi has whatever items she can't get at Walmart, and the prices there are still affordable; and she likes Price Chopper because it is a clean store with a wide selection that's a convenient stop on her way home.

Additionally, the price sensitivity of grocery shoppers supports the fact that high-value private labels are increasing in popularity. Store brands accounted for more than 20% of grocery unit sales in 2023 for an all-time high, according to the Private Label Manufacturers Association.

Restaurant



SURVEY QUESTION

Which of the following types of businesses have you purchased a meal from within the last 12 months?

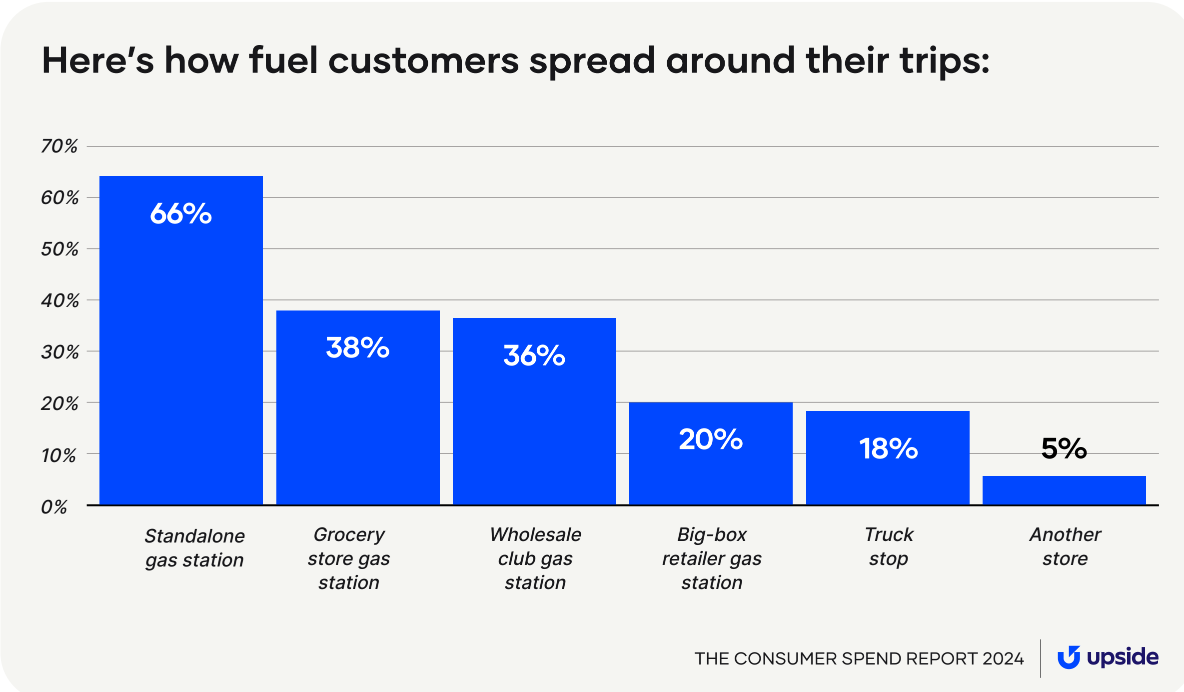
In the restaurant industry, we also see formidable competition from non-traditional formats. More than half of respondents said they've purchased meals from a grocery store, and just under 30% said they've bought one from a convenience store.

Here's why they say they're behaving that way:

Restaurants are different from grocery stores or fuel stations in that tastes and palate preferences matter more for meals. For that reason, better-tasting food is the most influential factor for survey respondents when choosing where to dine. Close behind as second-most important, though, are lower prices.

Additionally, we see once again that getting better prices on certain meals is the most important reason that respondents dine out at more than one restaurant per month — even more important than getting a wide variety of meals.

Fuel and c-store



SURVEY QUESTION

Which of the following types of businesses have you purchased fuel (gas or diesel) within the last 12 months?

Perhaps it comes as no surprise that drivers selected a "standalone gas station" as the most popular location to fill up, since 66% of respondents said they'd visited one in the past year. However, a notable percentage of people fuel up at grocery stores, wholesale clubs, or big-box retailers.

Here's why they say they're behaving that way:

Once more, a low price is the most important factor for determining which station to visit, and it is also the most important reason for transacting at more than one station in the average month.

C-store shoppers care about bargains, as well — they, too, reported low prices as the top factor for choosing a c-store. As for the reasons that shoppers visit more than one c-store in the average month, respondents cited three reasons as their most influential criteria: convenience (naturally), prices on certain items inside the store, and gas prices at the associated pumps, if applicable.

Across all retail categories, this cross-shopping trend is a direct byproduct of the "save and conserve" mindset, and it's having an effect on retailers.

Trend 03

2024 TREND 03

As a result of cross-shopping, inflation-adjusted sales are down across categories.

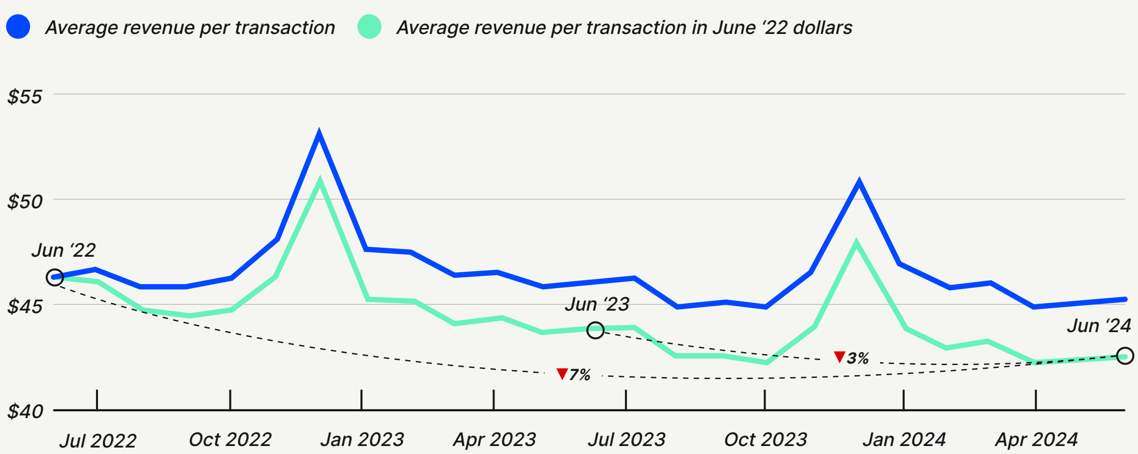
Though many retailers might be experiencing increases in topline sales, adjusting those figures for inflation often shows a less rosy picture. As it turns out, inflationary price hikes are driving many of these increases, creating an illusion of growth.

Grocery

In the spring of 2024, we observed that grocery sales were mired in a period of stagnation after months of fast, sustained growth at the height of the pandemic. Our latest analysis confirms the continuation of this trend. Year-over-year, inflation-adjusted revenue at grocery stores is holding relatively steady in June 2024; it's actually slightly increased by less than a percent. When we extend the lookback window to two years, though, revenue is down more substantially — it has decreased by about 6% after adjusting for inflation.

Where grocers are really feeling the negative impacts of cross-shopping is in average inflation-adjusted revenue per transaction. When shoppers visit multiple stores each month to pick up the grocery items they need, they naturally spend less at each individual store. In practice, that has resulted in a 3% decrease in inflation-adjusted revenue per transaction in June 2024, year-over-year. Compared to two years ago, we're looking at a 7% decrease.

Cross-shopping drives down average revenue per grocery transaction



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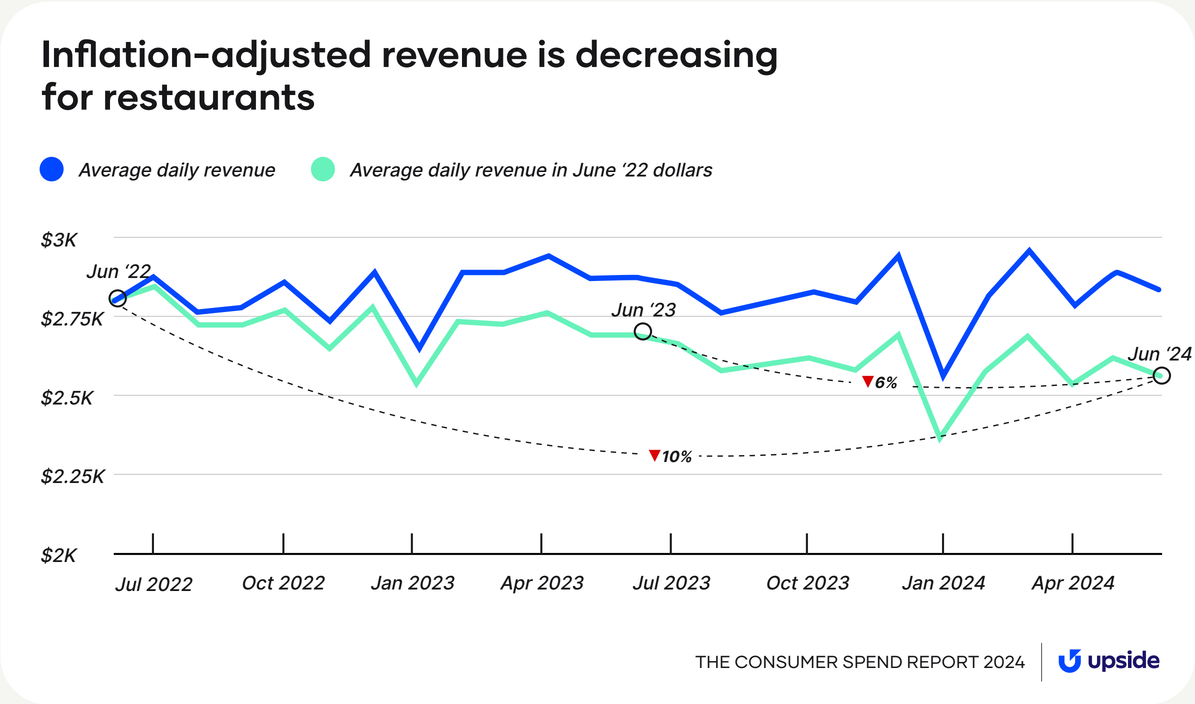
Restaurant

Restaurant goers have made it clear they've reached a breaking point on price increases.

In the fall of 2023, Upside published an analysis showing that price increases had pushed restaurant customers to trade down from full-service restaurants (FSRs), and year-over-year foot traffic was down about 4%. Quick-service restaurants (QSRs) and fast food chains were the beneficiaries of that shift, to the tune of a 3% increase in year-over-year foot traffic.

Fast forward to today, and restaurant customers continue to trade down or out. But now last year's winners are this year's losers. We see evidence of that in the data, and in headlines like McDonald's Q2 2024 earnings report, which showed a decrease in global sales for the first time in more than three years.

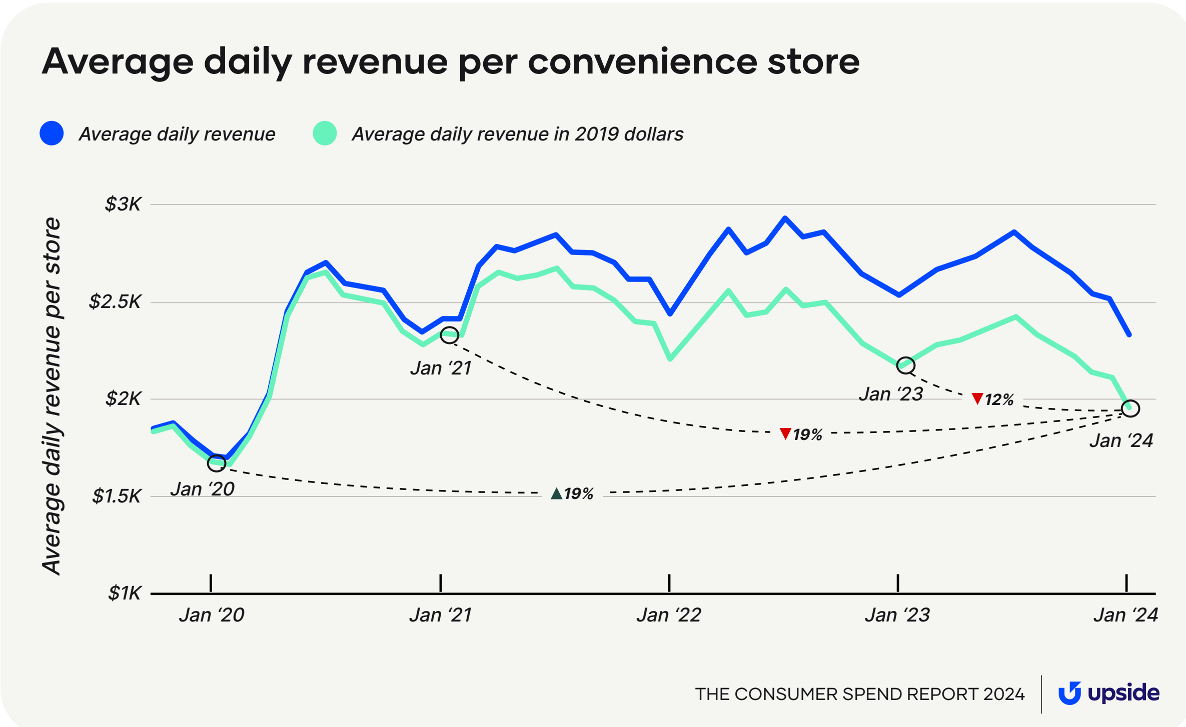
Across the QSR space, we see decreases in sales year-over-year. The average daily revenue per restaurant, adjusted for inflation, was about 6% lower in June 2024 than it was one year prior. If we compare the current year to 2022, average daily revenue, adjusted for inflation, is about 10% lower now than it used to be.



We're also seeing similar decreases in average revenue per transaction, indicating that not only are consumers visiting less frequently — they're also trading down on the menu when they do. In June 2024, average inflation-adjusted revenue per transaction was 5% lower year-over-year, and it was 10% lower than 2022 levels.

Fuel and c-store

Last year, NACS reported that 66% of c-stores saw higher sales numbers year-over-year. But revenue increases don't paint the full picture. Adjusting for inflation, c-store revenue was down 12% year-over-year in January 2024; compared to three years prior, it was down 19%. That's largely because c-stores weren't seeing the same kind of foot traffic as they used to. Average daily transactions in January 2024 were down 12% year-over-year.



In fuel, unit sales are down, as well. According to OPIS data, fuel gallons sold in Q2 2024 were down 4% from one year ago and down 23% from five years ago.

Overall, c-stores have a unique and pressing problem that other retail categories don't: Many consumers regard them as inessential. Our respondents set low monthly budgets for c-store purchases — their average budget was $63 per month ($30 per month median), which was $74 lower than that of any other retail category. Furthermore, c-store has the largest percentage of respondents who actually stuck to that budget: 63% of c-store shoppers always kept their c-store spending under the budget they set.

Trend 04

2024 TREND 04

Loyalty remains critical... but it's not changing behavior.

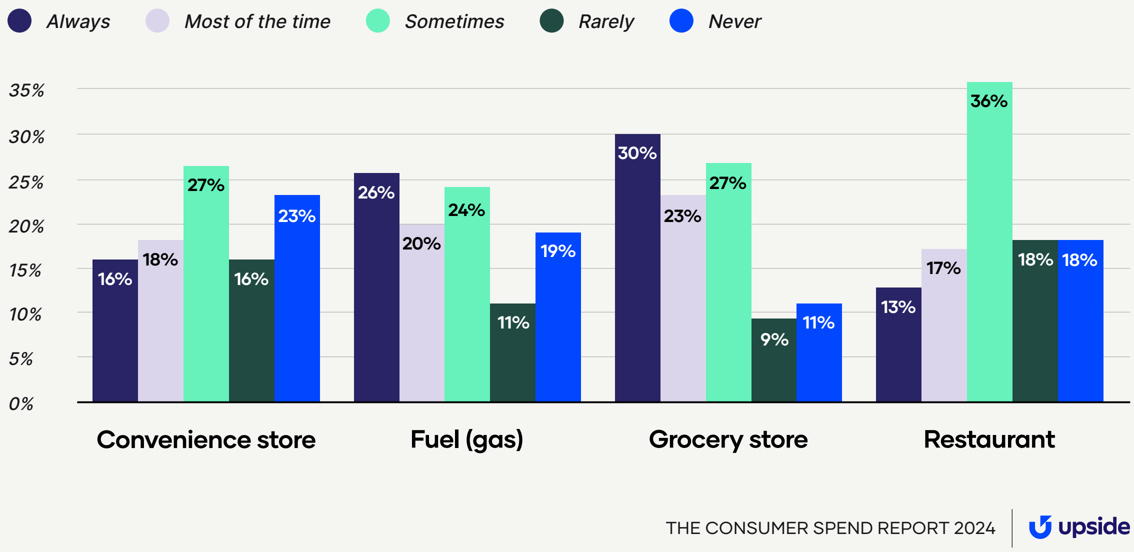
In response to cross-shopping and in an effort to differentiate, retailers often turn to loyalty programming. Our survey shows that's a wise decision, because just over 90% of consumers consider loyalty (or the lack thereof) when making decisions about where to shop. Those respondents agreed that it is important to earn loyalty rewards or cash back at a given retailer, and a similar number — 92% — said that loyalty or cash back programs are worth the effort.

Furthermore, loyalty "super-users" — your most frequent visitors — are even more valuable than most retailers realize. Though they only make up 22% of members, they account for roughly *half* of total revenue (not just revenue from loyalty members).

At the same time, though, loyalty membership in and of itself is *not* indicative of loyal behavior. A recent report from Bond on customer loyalty indicated that the average American consumer belongs to 18 loyalty programs overall, though they're only active in half of those programs. Additionally, we highlighted earlier in this report that consumers often join multiple programs within the same retail category. While a given customer might belong to your program, they could also belong to your competitor's.

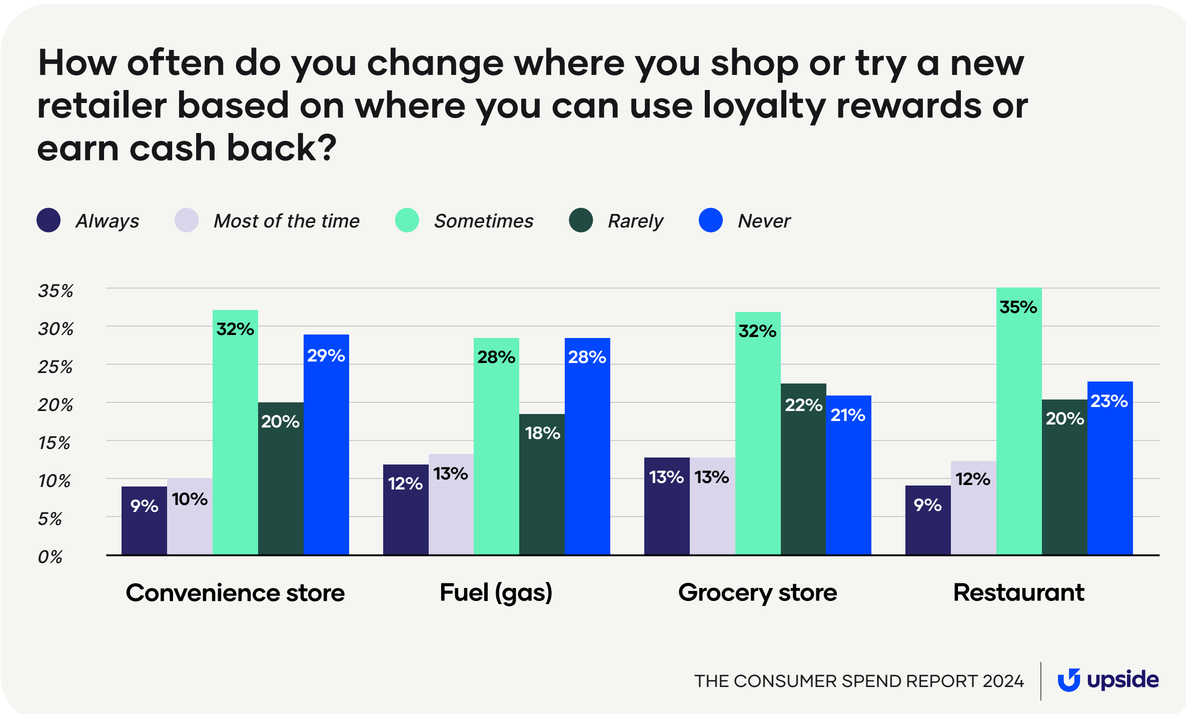
Consider the following chart that shows how often survey respondents make use of loyalty benefits. For both grocery and fuel purchases, a plurality of respondents *always* use loyalty rewards or cash back promotions. It's not a surprise that grocery stores have the highest share of shoppers that always use loyalty — top programs in the industry can have upwards of 80% penetration, making them by far the most widely adopted programs in retail.

When shopping in the following categories, how often do you use a retailer's loyalty rewards, cash back promotions, or other discounts on your purchase?



This chart can be interpreted positively or negatively. There is clearly a category of consumers for whom loyalty is really effective, as evidenced by the number of shoppers that make use of loyalty frequently. But on the other hand, loyalty has no bearing on the purchases for many shoppers. While it's an important lever for retailers searching for growth, it doesn't impact every customer the same way.

Our survey uncovered one particularly interesting insight regarding loyalty: a small but critical minority — roughly 10% of consumers in each retail category, give or take a few percentage points — are "loyalty mercenaries." These shoppers *always* change where they shop or try a new retailer based on the rewards they could earn from doing so. It's good to know these people exist, but there's not much you can do to win their business profitably.



Trend 05

2024 TREND 05

Dynamic pricing has made its way into the public consciousness, but widespread adoption is not imminent.

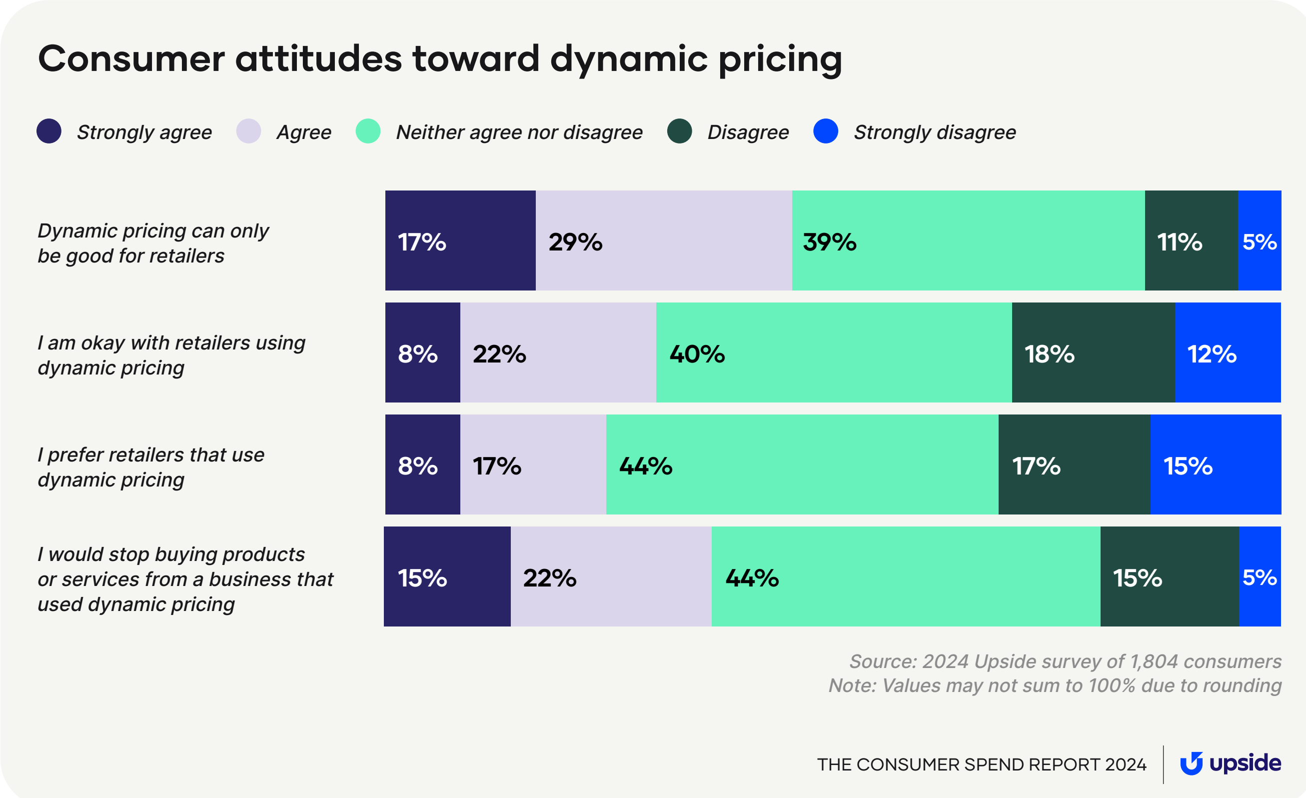
Finally, we've observed that more consumers are becoming aware of dynamic pricing, a revenue management strategy by which a retailer moves the prices of its offerings up or down based on business needs.

Let's contextualize with a few examples. Movie theaters often discount the cost of matinee tickets in order to attract viewers during less busy times. In recent years, some ticketing platforms have added the capability for concert ticket prices to automatically adjust based on fan demand — in practice, it often resulted in surges.

Retailers usually pursue dynamic pricing in order to maximize profit. They consider the state of their business at a given time — perhaps they have spare resources, or perhaps they have a line out the door — and make changes based on that information.

About 51% of survey respondents say they understand how dynamic pricing works, whereas only 17% said they did not. (32% were uncertain.) Additionally, 42% say they are currently experiencing dynamic pricing in their daily lives.

Opinions on dynamic pricing are mixed, however. We asked survey respondents the following questions, and these were the responses we received:



Views tend to diverge a bit by age. Whereas 45% of the youngest group of respondents — those between ages 18 and 24 — said they are okay with retailers using dynamic pricing, only 19% of respondents over age 65 agreed with that statement. Similarly, respondents from that younger group were much more likely to say they prefer retailers that use dynamic pricing — 39% agreed with the statement above, compared to 11% of respondents from the oldest group.

Wendy's unwittingly became the poster child for dynamic pricing in early 2024 after announcing on an earnings call that it would begin testing dynamic pricing. Though the brand only intended to lower prices during slower periods — not raise them during busy ones — the online discourse spun out of control because of consumers' distaste for "surge pricing." No matter the item, consumers generally don't want to pay more for it at a certain time. Recent data from Ipsos showed that only about one in three American consumers were willing to pay more for various products and services. In the end, Wendy's nixed the plan before it got off the ground.

Given that consumers have mixed feelings about dynamic pricing, rolling it out clearly comes with risks. For one, the FTC is investigating whether the practice raises prices for particular groups of consumers; a spokesperson specifically cited women and rural consumers in a statement on the investigation.

As dynamic pricing has attracted negative press and legal scrutiny, it seems that widespread adoption of the strategy is still far off. There is, however, an alternative to dynamic pricing that is viewed more positively by consumers: **personalized promotions**. These promotions change based on the individual consumer's likes, needs, and interests; they only decrease the nominal price, so there's no surge component.

Whereas only 25% of respondents said they prefer retailers that use dynamic pricing, about 45% said they prefer retailers that use personalized promotions. Meanwhile, 59% said that personalized promotions can be good for both retailers and shoppers. Only 33% of respondents thought that dynamic pricing would be mutually beneficial.

Leading economists estimate that businesses can earn an additional 19% profit from personalized promotions; nationally, that means the brick-and-mortar retail sector is currently missing out on more than $640 billion of profit due to static discounts.

Get in touch

Interested in learning more about Upside's consumer spending data, or how Upside can help your business?

Get in touch to schedule time with our team.

Reach out