back to basics, like never before:
three keys to unlocking food & beverage growth in 2025

(Approximately 6-Minute Read)

summary

As we kick off 2025, pepviz™ is excited to explore several food & beverage category dynamics shaping shopper perceptions and behaviors this year. We'll analyze shopper trends and choice drivers in the context of an evolving retail landscape, in-store and online. Then we'll propose three main "keys" for driving growth informed by the latest data & insights, all with an eye to accelerating growth in partnership with PepsiCo in 2025 and beyond.

introduction

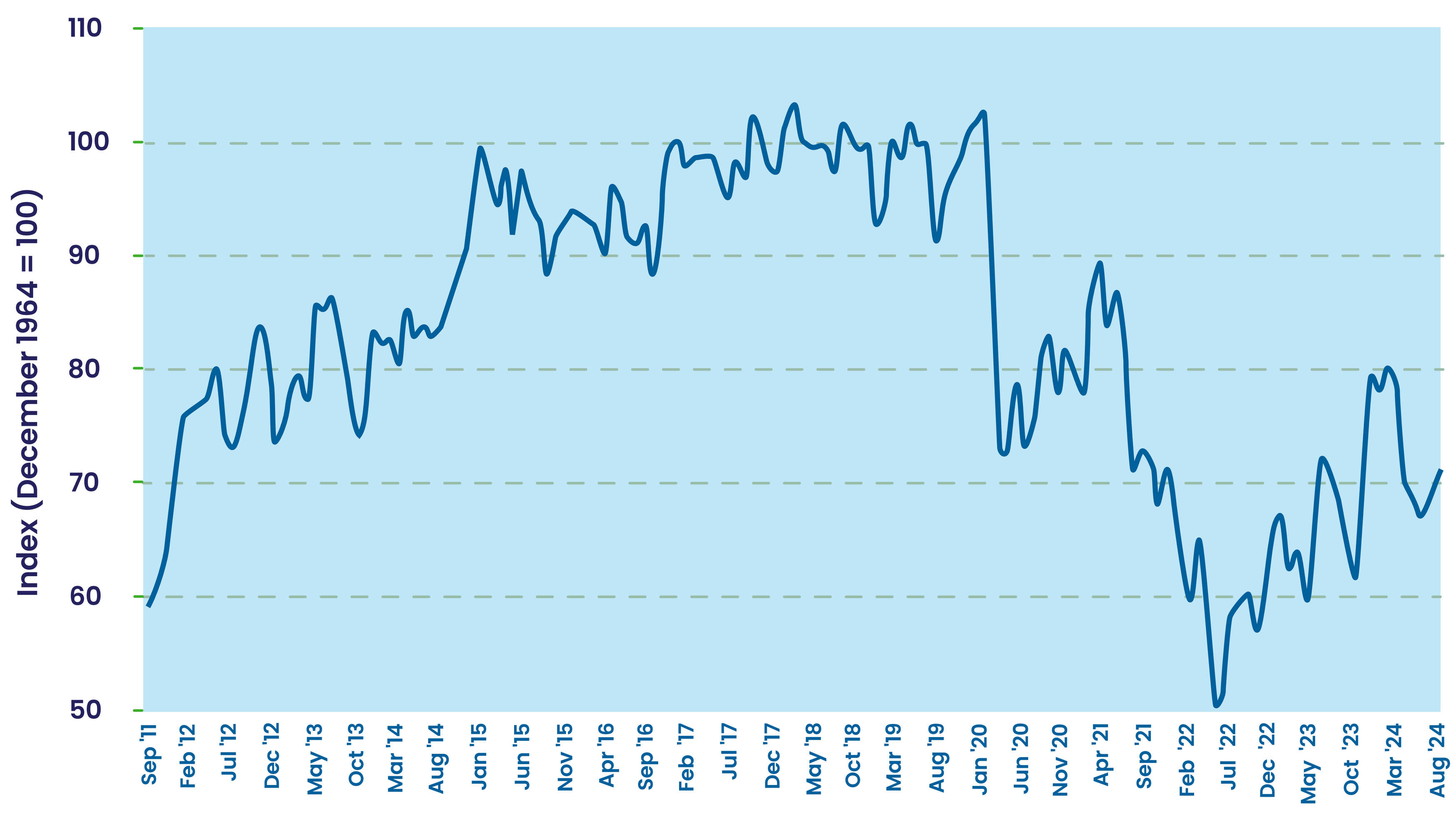
Happy New Year! And welcome to 2025, retailers, marketers, merchants, data scientists and all of our other PepsiCo food & beverage partners. Today, we kick off the new year by looking at **three proven ways to drive growth in food & beverage** - attracting new shoppers, creating experiences online and off that will have them coming back for more, and ensuring the right assortment to drive conversion.

While these "three keys" are time tested ways to grow, we hope to offer new perspectives on each, **reframing them in light of timely trends and insights** into how shopping and shoppers are evolving today. Because, while we don't have a crystal ball on the future, we do have have powerful data & insights to share into what today's shoppers want. By regrounding in the fundamentals of their needs and preferences, we can evolve with them to drive growth in 2025 and beyond.

So let's get back to the basics, like never before!

2025 marketplace insights

It all starts with understanding shopper sentiment and choice drivers. Despite a rebound in consumer sentiment during the first quarter of 2024, as of the end of last year **consumer sentiment had yet to fully recover** to pre-pandemic levels.[1]



And that means shoppers continue to make tradeoffs, with **dining out and entertainment being the categories shoppers are the most likely to reduce spending in.** The good news is that shoppers are **far less likely to reduce spending on groceries.**[2]

CATEGORIES RANKED FROM LEAST TO MOST LIKELY TO REDUCE SPENDING

LEAST ▼

1 Gas / Fuel	6 Apparel
2 Groceries	7 Travel
3 Gatherings	8 Larger Purchases
4 Gift Purchases	9 Entertainment
5 Home Goods	10 Dining Out

MOST ▲

So which categories are expected to grow? Are there any household dynamics to be aware of heading into this new year? And what does the landscape look like in terms of shopper choice? Let's have a look.

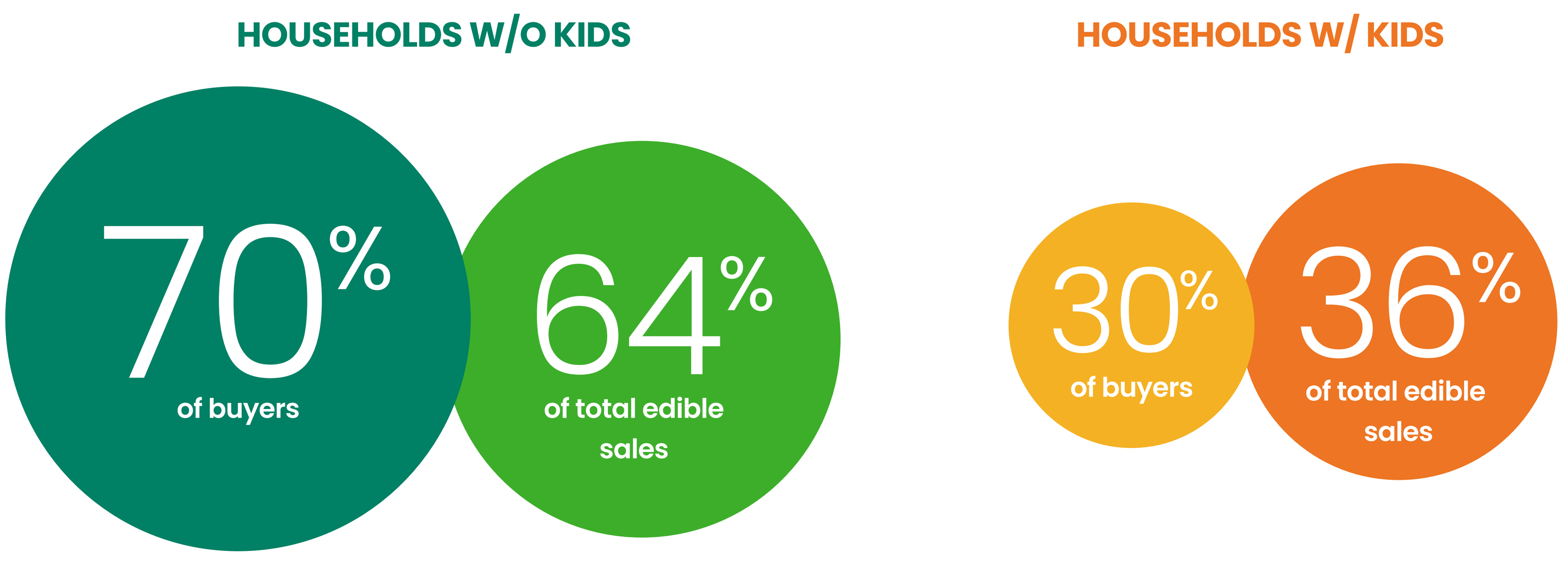
A. Core food & beverage categories are projected to grow in 2025

Despite headwinds, shoppers remain less likely to make tradeoffs on food & beverage items. In fact, key categories are expected to grow. About half of Americans snack 3+ times a day[3] and **salty snacks are expected to grow at a 5-year CAGR of 4.0%.**[4] Similarly, **beverage consumption** is up 5% vs. pre-COVID.[5] It too is **expected to grow 3.8% over the next five years.**[6] Finally, breakfast is hot, with **33% of all edible trips expected to include a breakfast food** item.[7]

B. Households without kids are an often-overlooked growth opportunity

Another factor to consider is household purchasing dynamics. **Families with kids will continue to drive spending and trips** in edible food, having contributed more to growth than households without kids in 2024.[8]

That said, it's important to realize that **households *without* kids are more numerous and spend more, overall** than households with kids, so it will be important to capture more of their share of spend in 2025 if they're not to be left behind.[9]



The reason why households without kids under index in edible sales is in part due to the fact that **households without kids are 10% less likely to cut back on dining out** than those with kids. However, there is opportunity to continue driving growth in key channels where **households without kids spend more than households with kids: in Grocery & Dollar** (where they spend 2x) **and in Drug** (where they spend 2.6x).[10]

C. Number of channels & retailers shopped remains high in 2025

Almost **half of food & beverage shoppers now shop multiple channels,** up from less than one-third pre-COVID.[11] Shoppers continue to buy across a variety of different channels based on their evolving needs. In 2024, **shoppers averaged close to 17 different retailers shopped** with Grocery (+3.5%), Dollar (+0.6%), Convenience (+0.5%) and Club (+0.1%) all seeing increases in the number of retailers shopped vs 2023.[12]

So what will it take to win in 2025 with inflation-disrupted, income-constrained, and more discerning shoppers who are still on track to increase their food & beverage purchases?

In times of great change, it's important to get back to basics. So let's tap the latest data and insights to win over new shoppers, earn their loyalty, and ensure their needs are met, unlocking brand new opportunities for growth.

three keys to growth in 2025

Throughout the year pepviz will be exploring and sharing insights and best practices on the "three keys" to addressing the main growth drivers in food & beverage.

The first is understanding emerging drivers to **become the choice of a new generation of shoppers** - understanding current and new shopper cohorts and how they satisfy their food & beverage needs in an omnichannel world of unprecedented choice.

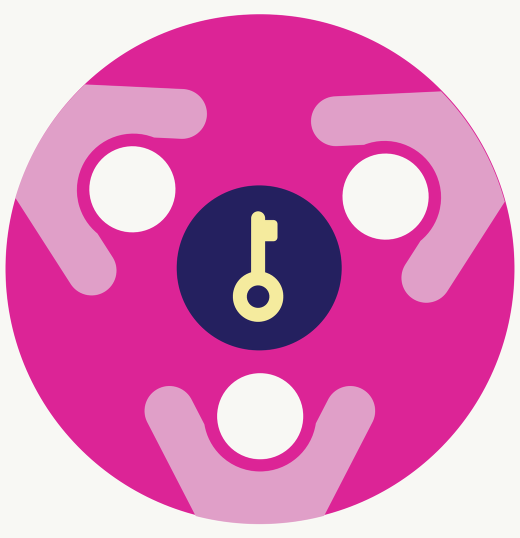
The second is to **create joyful moments to fuel trips and loyalty** - using the right tools to create delightful experiences with the power to forge deeper connections and spark repeat visits.

The third is to **find the sweet spot in tailoring assortment to increase conversion** - identifying and reducing friction to optimize underperformance and address ongoing variations in demand.

In the remainder of our discussion, we'll frame up each of these "keys" to unlocking opportunities for growth using some high-level insights. And **we'll return to these keys throughout the year** with new data, solutions, and case studies.

key 01

win new shoppers by satisfying emerging needs



new shopper needs

When looking to win over new shoppers in 2025, it is critical to understand both shoppers' **current expectations and new needs** that are increasingly determining **where they choose to shop.**

It all starts by meeting basic shopper expectations which includes offering relevant deals, making it easy to find needed items, and digital apps for ordering online. Today's more advanced experience choice drivers now include apps that improve the in-store experience and advanced convenience drivers such as self-checkout and curb-side pickup.[13] So **experience and convenience remain foundational.**

As we move forward, these fundamental needs will be taken to the next level by even greater shopper emphasis on **speed and uniqueness**. PepsiCo proprietary research has uncovered five specific emerging drivers to leverage this year:[14]

Immediacy | Speed | Robust Loyalty Programs | Unique Flavors | Sustainable Products

- **Immediacy:** Focus on being a destination that consistently delivers on **immediate needs, online and off.**
- **Speed:** For an improved eCommerce experience, **offer 30 minutes or less delivery options for shoppers**.
- **Robust Loyalty Programs:** On the loyalty front, make this immediacy and speed even more frictionless by offering **free delivery to members.**
- **Unique Flavors:** When thinking about the types of products on offer, prioritize uniqueness **such as flavors** that can't be found anywhere else.
- **Sustainable Products:** Offer not only better products but **better made, more sustainable products.**

Once we understand these emerging drivers, it helps to understand the shopping dynamics underlying them. Last year pepviz highlighted **three critical factors shaping the future of food & beverage.**

Discover how these future drivers of choice set up **three phygital strategies** that can take your omnichannel game to the next level in 2025. Find out how to more successfully **win over Hispanic shoppers** by understanding "Familismo" and the importance of family rituals. And **explore Gen Z's apparent contradictions** to learn the best ways to grow with this young cohort.

Check out these articles below.

pepviz highlights

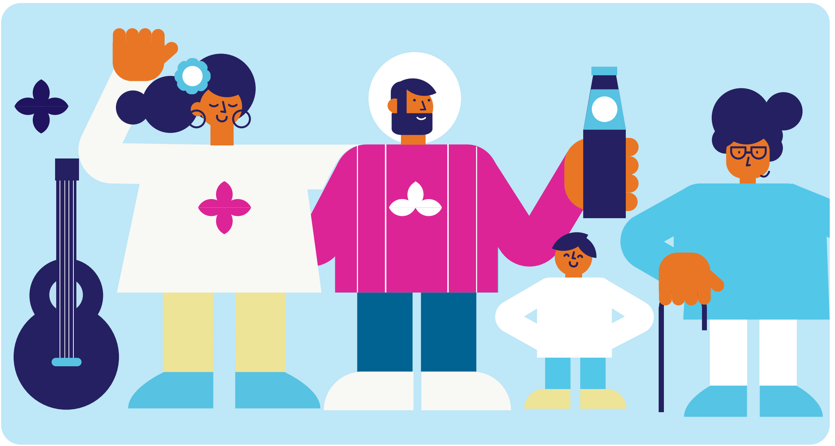
phygital forward:

three strategies for driving omnichannel growth in food & beverage

read more →

the circle of joy:

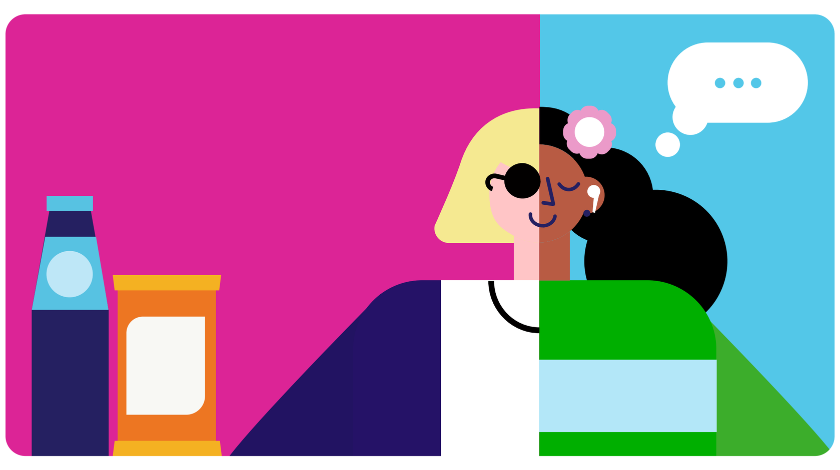
how Hispanic families are shaping the future food & beverage landscape



read more →

why the gen z paradox...isn't:

co-creating food & beverage shopper experiences for the next generation



read more →

By better understanding emerging choice drivers, preparing for an omnichannel future in which physical and digital become one, and serving the needs and preferences that drive Hispanic and Gen Z shoppers, retailers can better position themselves to win new shoppers in the new year.

key 02

drive trips by creating relevant value & joyful moments

joy fueled loyalty

Fueling more trips and driving increased loyalty in 2025 will require a strategy that leans into delivering relevant value while still investing in the future by balancing short-term value plays with long-term portfolio evolution.

Value continues to mean different things to different shoppers, but it **has shifted from being fixed and implicit to purposeful and emotional**. Fatigue from continued trade-offs will drive shoppers to engage in even more value-adding behaviors which include looking for **the right deals**, engaging in **loyalty programs**, and seeking out **joyful experiences** that allows them to offload the mental labor of shopping:

	INSIGHT	STRATEGY	ACTION
Relevant Deals[15]	Shoppers are managing value in various ways. 45% of shoppers will shop around for the best prices (+2% vs 2022) but 57% would prefer to one-stop-shop (+2% vs 2022).	69% of shoppers spend time searching for the best deal. Simplify shoppers' value-seeking journeys and help them see the value and track their savings.	For pre-shop, consider integrating deals with meal solutions through weekly ads. For during shop, deals are enhanced when given flexibility, like offering mix and match.
Loyalty Programs[16]	Shoppers, especially Gen Z and Hispanics, are highly motivated by loyalty and rewards programs.	Shoppers look at loyalty programs during the full shopper journey. 23% check loyalty programs pre-shop and 48% check digital offers during shop.	Offer meal bundling rewards for loyal shoppers and leverge purchase history to target shoppers with relevant deal messaging.
Joyful Experiences[17]	Shoppers want to escape from daily pressures, and stores are starting to diversify their footprints to meet needs through dynamic spaces.	If your store is a delightful destination and a break from the everyday, shoppers will want to return.	Invest in technology to provide augmented experience, helping shoppers navigate the store while receiving personalized messages & recommendations.

key 03

increase conversion by tailoring assortment & marketing levers

tailored assortment

Increasing conversion will require tailoring both in-store and online assortment and fine-tuning marketing tactics for category growth.

In order to best evaluate in-store assortment opportunities in 2025, **partner with PepsiCo to leverage proprietary Space Transformation solutions** that can identify the category, shelf, and item level growth opportunities most likely to drive productivity.

For example, shoppers want to feel that assortment has been curated to their evolving needs. And they will continue to try to **balance indulgence and mindful eating** when making decisions on what to buy.

EVERYDAY INDULGENCES	ATTAINABLE LUXURIES	DELIVER LEVITY	NOSTALGIC MOMENTS
	culturally relevant, artisanal or one-of-a-kind products	more daily moments of escapism through gatherings	products which remind shoppers of happier times
F&B Assortment Opportunities	premium tea, coffee, dips and tortilla chips	carbonated soft drinks and potato chips	promote nostalgic campaigns and breakfast cereal

PERMISSIBILITY & FUNCTIONALITY	PERMISSIBLE ENJOYMENT	FUNCTIONAL BENEFITS	FUEL FOR FOCUS
	protein, nutrients and low-sugar forward messaging	products that deliver benefits are worth more to shoppers	products that drive wellness, especially for gen z
F&B Assortment Opportunities	zero sugar beverages and healthy snack items	sport drinks, energy, enhanced water and snack bars	beverage concentrates, protein, fruit and veggie chips

When it comes to **tailoring online assortment,** nearly one-third of online Grocery shoppers stated their main goal for using delivery was to complete their shopping as quickly as possible.

It's, therefore, critical to have the right items available as they make selections.[18] **Snack Variety Packs, Bars and Drinks & Mixes are the most over-indexed online vs. in-store** and should be prioritized when considering assortment.[19]

In addition, consider the **top categories online shoppers are selecting** when prioritizing as well:

TOP ITEMS PURCHASED ONLINE [20]
Ranked by % of Grocery Shoppers Selecting on Last Trip

1	Crackers	6	Breakfast Food
2	Chips	7	Fruit Juices & Fruit Drinks
3	Sweet Snacks / Candy	8	Energy Drinks
4	Fresh Products & Dairy	9	Snack / Nutrition Bars
5	Soda / Carbonated Soft Drinks	10	Sports Drinks

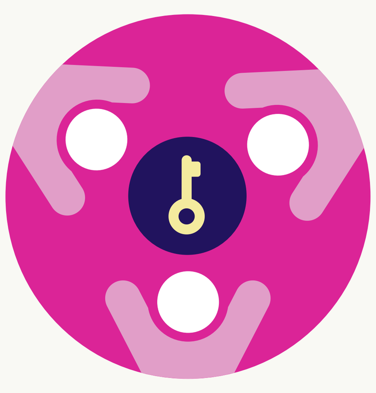
Finally, be aware of **top marketing levers driving incrementality** both for the category and individual items.

In-store, incremental category purchases are most likely to be driven by in-store displays and signage, while specific item decisions are equally driven by pre-shop digital out-of-home and podcast/radio and in-store by sampling and shelf strips.[21]

Online, incremental category purchases are driven by banner ads on other sites or brand-specific stores and mobile push notification offers, while specific item decisions are driven by banner ads on retailer sites driving to brand-specific stores.[22]

from all of us at PepsiCo, wishing you a happy and successful new year!

We hope you've found these insights and tips eye opening and useful. And we hope that you will use these three keys to both **get back to growth-driving fundamentals while seeing them through the prism of 2025's new landscape.**



new shopper needs

joy fueled loyalty

tailored assortment

Be on the lookout for more pepviz thought leadership articles, case studies, and insights throughout the year specifically focused on helping you win over new shoppers shopping in new ways, drive trips and loyalty by creating joyful experiences, and increase conversion by optimizing assortment. **We hope you'll reach out to continue the conversation and partner with PepsiCo** to create even more bespoke and innovative programs for your food & beverage business this year and for years to come.

pepviz is PepsiCo's approach to using data & insights to foster partnership and drive growth with our forward-looking food & beverage retail customers.

Please visit us at www.pepviz.com

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