



Getting to know GLP-1 users, a new kind of consumer

How food and beverage companies can prepare their portfolios for the impact of weight-loss drugs on purchasing behaviors



Introduction

What happens to the U.S. food and beverage industry when millions of Americans just aren't as hungry anymore?

GLP-1 medications have exploded in popularity in the US, in part because of their ability to promote weight loss by suppressing appetite.

According to KPMG analysis, the base-case scenario for food and beverage companies anticipates an estimated \$48 billion reduction in consumer spending every year for the next decade, compared to what consumers would have spent before GLP-1s came on the scene. That estimate may be conservative (as later discussed in this paper). Further, the global GLP-1 market is forecast to grow at a 29.6 percent compound annual growth rate through 2030.¹

The impact on overall food and beverage sales in this country could be significant. But while GLP-1 users are consuming fewer calories, our analysis indicates they still represent a \$190 billion market—they are just consuming differently.

GLP-1 medications are typically prescribed in conjunction with healthier lifestyle changes, including behavioral changes such as improved nutrition and more exercise.

Companies that can tap into those changes have an opportunity to grow market share and develop new sources of revenues while managing downside risk.

In this paper, we discuss how the purchasing behavior of GLP-1 users might change to align with their new consumption habits and how food and beverage companies can rethink their portfolios to successfully address this weight-loss revolution.



GLP-1 impact on food and beverage by the numbers

▲ **3.5%** of U.S. population or **~13 million** consumers using GLP-1 medications, with numbers rising

▼ **21%** estimated fewer calories consumed by the average GLP-1 user annually relative to before starting medication

▼ **31%** of GLP-1 users spending less on groceries every month

▼ **~\$48 billion** reduced food and beverage spend annually through 2034

▲ **~\$190 billion** food and beverage market in GLP-1 users up for grabs

¹ Research and Markets, "Global Glucagon-Like Peptide 1 (GLP-1) Agonist market (2024 Edition)"

Sources: U.S. federal government agencies including USDA, NIH, and CDC; Morgan Stanley Research AlphaWise Survey; KPMG analysis

Estimating the impact

To quantify the potential impact of GLP-1 medications on food and beverage consumption, we established several parameters. First, we envision adoption by two separate consumer groups.

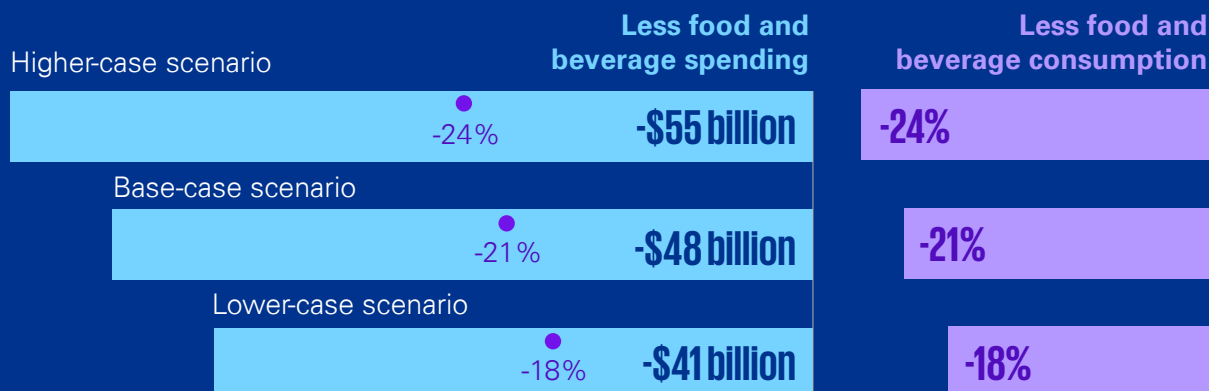
The first group is medical users who have insurance coverage for their GLP-1 medications due primarily to obesity. For this group, we reviewed obesity rates by income level, taking into account different spending patterns.

The second group is lifestyle users who do not meet their insurers' criteria and pay for GLP-1 medication personally. If not covered by insurance, 16 percent of consumers still said they would pay for the drugs, which can cost around \$1,000 or more per month out of pocket.² Therefore, we looked at income levels and estimated increasing adoption among the top three quintiles due to multiple factors including disposable income and health consciousness.

With estimated rates of GLP-1 adoption established, we then looked at how much less GLP-1-using consumers will eat and drink. GLP-1 users spend 31 percent less at the grocery store than before starting medications, according to one survey, and twice as many have reduced spending on takeout/delivery and restaurants, 61 percent and 63 percent, respectively.³

Exhibit 1: Projected reduction in food and beverage spending

We applied a general estimate of reduced spending using average food spend by income level and taking into account anticipated inflation looking ahead 10 years. Using our experience in the food and beverage industry and a conservative approach to projections, we developed the following potential scenarios of the impact of GLP-1 on consumer spending.



It is still very early in the lifecycle for these medications, and food and beverage companies need to continue monitoring growth rates and changes in user behavior that could significantly change projections. Our base scenario (Exhibit 1) presents the expected impact on food and beverage spending assuming a moderate and steady increase in users over the next 10 years and an even distribution across the 5 consumer personas we identify later in this paper. Our higher and lower case scenarios present the impact across the broader range of potential combinations in these and other demand drivers.

Even slight changes to insurance coverage, competitive pricing, or other factors that would make the drugs easier to afford could significantly increase the number of users and, likewise, put an even greater dent in food and beverage revenues. Nearly 60 percent of U.S. adults surveyed are trying to lose weight, and 45 percent expressed interest in taking a safe and effective prescription weight-loss drug.⁴

² "KFF Health Tracking Poll July 2023: The Public's Views of New Prescription Weight Loss Drugs and Prescription Drug Costs," KFF, August 4, 2023

³ "Most people on weight loss drugs are spending less on restaurants and takeout, survey says," CNBC, April 20, 2024

⁴ "KFF Health Tracking Poll July 2023: The Public's Views of New Prescription Weight Loss Drugs and Prescription Drug Costs," KFF, August 4, 2023

Get ahead of the GLP-1 wave and capture share of wallet

While GLP-1 users are expected to consume less food and beverage, their market size and purchasing decisions will be highly impactful and relevant to the industry.

Depending on a host of individual factors, from weight-loss motivation to income to nutritional knowledge, any one GLP-1 user could spend less, the same, or even more than they did before starting the medication. They could certainly also make different consumption choices. By understanding the behavioral patterns of this large and growing consumer base, food and beverage companies can recalibrate and craft their product portfolios to help protect against the effects of reduced consumption and to drive market share growth.

Here we present five personas representing consumption patterns that food and beverage companies should keep in mind as they prepare for increased adoption of GLP-1.



The five personas

- 1 The Calorie Cutter**
Does not change what they buy but simply reduces how much they buy
- 2 The Healthy Choicemaker**
Maintains a broadly similar diet, substituting nutritious, lower-calorie options
- 3 The Category Hopper**
Is all in on GLP-1 weight loss, making the most significant changes
- 4 The Premium Purchaser**
Reduces how much they consume but maintains dollar spend
- 5 The Basics Buyer**
Will reduce overall spend beyond pure volume reduction

1

The Calorie Cutter

The Calorie Cutter does not change what they are buying but simply reduces how much they buy in line with their new, lower caloric baseline.

These GLP-1 users are more likely in the lower-income quintiles with insurance coverage for medication that their physicians recommended due to obesity and comorbidities. They are not necessarily interested in finding more nutritious foods, and they may not even see themselves as on a diet. Rather, they crave familiarity and consistency. They want the same flavors and experience as before—just in a smaller portion they can finish.

Calorie Cutters are just eating less, so their reduction in food spend is proportional across their current mix, including across retail grocery and out-of-home consumption.

Portfolio considerations

Give consumers what they love, but now in smaller servings. For example, there are opportunities for consumer packaged goods companies to differentiate their price pack architecture strategy to provide consumer favorites in smaller single-serve meals, including frozen and chilled easy-preparation meals. A fast-food chain might appeal to this consumer with smaller versions of their favorite sandwiches, french fries, desserts, etc. Likewise, restaurants may expand their appetizer-sized versions of popular main dishes.

New food and beverage products within existing categories and new brands targeted at GLP-1 users are less likely to attract the Calorie Cutter. Starting a new medication was already a major lifestyle change for these consumers, and they will seek comfort in the things they already enjoy.

2

The Healthy Choicemaker

The Healthy Choicemaker maintains a broadly similar diet, substituting nutritious, lower-calorie options in currently purchased categories to help move their weight loss along. This consumer, found across all incomes, is enthusiastic about their weight-loss journey and makes two high-level changes in purchasing behavior.

First, the Healthy Choicemaker will shop for the same types of food in what they perceive to be healthier form: lean cuts of beef instead of ground chuck, skim rather than 2 percent milk, lower-salt frozen meals, unsweetened fruit cups, etc. They will make similar substitutions at restaurants, such as trading grilled steak for chicken in their salads.

Additionally, but unlike the Calorie Cutter, the Healthy Choicemaker is open to new products marketed as “better for you” within the categories they are already active. They will gravitate to versions of beverages, snacks, and other products they typically consume that have added functional benefits such as more protein and fiber.

Portfolio considerations

Categories that already include highly similar healthy options (animal proteins, prepared meals, dairy, etc.) will experience shifts in consumption within the category, and feel the impact of changing consumer preferences. Food and beverage companies can help counter this secondary impact through formulation innovation, developing products with functional health benefits consumers want and for which they are willing to pay a higher price.

The challenge is harder for food service companies to meet, especially for fast-food and other restaurants that do not offer many nutritious options; simple portion reduction on a deep-fried, cheese-covered chicken sandwich will not do.

3

The Category Hopper

The Category Hopper is all in on GLP-1 weight loss, making the most significant changes to their diet to transform their body. These consumers tend to be in the higher-income quintiles, including those paying out of pocket for a slimmer physique who want to squeeze the most value every month out of their \$1,000 investment.

Category Hoppers also have the budget to try all-new products as well as the time and information to educate themselves on health and nutrition. They tend to go deep on researching products to boost their weight loss and counter some of the negative gastrointestinal side effects of GLP-1 medications. The Category Hopper will buy more from different categories than their usual purchases if they think the products can help them meet their weight and health goals, in addition to gravitating toward healthier options among their current preferences. And they will not mind paying a little more.

Portfolio considerations

The Category Hopper may be less likely to find what they want eating out and could shift spending to groceries to buy more products offering functional benefits. In fact, this consumer will be most excited about science-based nutritional products including supplements to offset nutrients lost from lower caloric intake. They also are more likely to be attracted to products that actively highlight the specialized nutrition they seek. For example, meal delivery services that can offer specially formulated and optimized offerings for GLP-1 users strike right at the center of the Category Hopper's desire.

Categories without healthier alternatives will experience the most acute drop-off in food spend, although food companies again can mitigate that loss with products that appeal to serious health-conscious shoppers.



First-mover advantages

Several companies have already made the move to reach the growing market of GLP-1 users.

Nestlé unveiled its Vital Pursuit brand in May 2024 offering portioned products with high protein, fiber, and nutrients. And Daily Harvest meal delivery service is selling a "GLP-1 Companion Food Collection" of frozen preportioned meals high in fiber and low in saturated fat.

Those food and beverage companies early to market with products that meet demands of various GLP-1 users have opportunities to defend share as well as drive growth.

Sources: Nestlé, "Nestlé Introduces Vital Pursuit Brand to Support GLP-1 Users, Consumers Focused on Weight Management," May 21, 2024; daily-harvest.com

4 The Premium Purchaser

The Premium Purchaser reduces how much they consume but maintains dollar spend by buying more premium items. These are the foodies, likely higher income, who want to continue to enjoy eating well. They reallocate the money they are not spending on total consumption to high-quality foods that provide an experience with every bite. Why not buy filet mignon when you only have the appetite for a few ounces of steak?

Portfolio considerations

Food and beverage companies will sell less volume to the Premium Purchaser, but the impact will be highly concentrated in lower-end options, while premium offerings in both retail and food service could experience little to no reduction in spending. However, companies will need to convince consumers that their product is truly better in taste and experience than others on the market.

Like the Category Hopper, the Premium Purchaser will contribute to the upside for nutrition-focused products. Food service also will do better than lower-end retail offerings as Premium Purchasers spend as much time, if not more, dining out.



5 The Basics Buyer

The Basics Buyer selects plain, more straightforward food and beverage items as the GLP-1 medication dampens much of the joy they once experienced from eating. They are more likely to be or have been obese and are feeling the side effects of higher dosages than a lifestyle user might take. They are also more likely to be in lower-income quintiles and may be happy to save some of the money they used to budget for food.

Basics Buyers eat for satiety and function, and they do not care much about what or where. However, as side effects subside, their purchasing behaviors may shift to that of a Calorie Cutter.

Portfolio considerations

Basics Buyers will lead to a reduction in overall spend beyond pure volume reduction, with impacts highly concentrated in premium food and beverage options across retail and food service. Lower-priced options will appeal more, in particular, white label and store brand offerings. Spending will shift to retail from food service as the cost of eating at restaurants outweighs the limited enjoyment the Basic Buyer now experiences.



In summary

As more consumers turn to GLP-1 medications for weight loss and improved health, food and beverage companies need to consider the demands of this growing population and ensure they retain as well as potentially grow market share among them. However, not all GLP-1 users are the same. The more companies understand the unique motivations and behaviors of the Calorie Cutter, Healthy Choicemaker, Category Hopper, Premium Purchaser, and Basics Buyer, the better they can manage the coming shift in food and beverage consumption, the related revenue risk, and the potential revenue growth through portfolio strategies targeted at their highest-value consumer segments.

How KPMG can help

KPMG works with food and beverage companies and other organizations across the consumer and retail sector to transform their businesses for growth, efficiency, and competitive advantage. Our professionals use their industry experience coupled with KPMG proprietary data assets and research to help properly identify and prioritize consumer segments; articulate the revenue risk and the growth and profit opportunities for each; and develop and execute targeted product, price pack architecture, and other strategies that drive value.

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