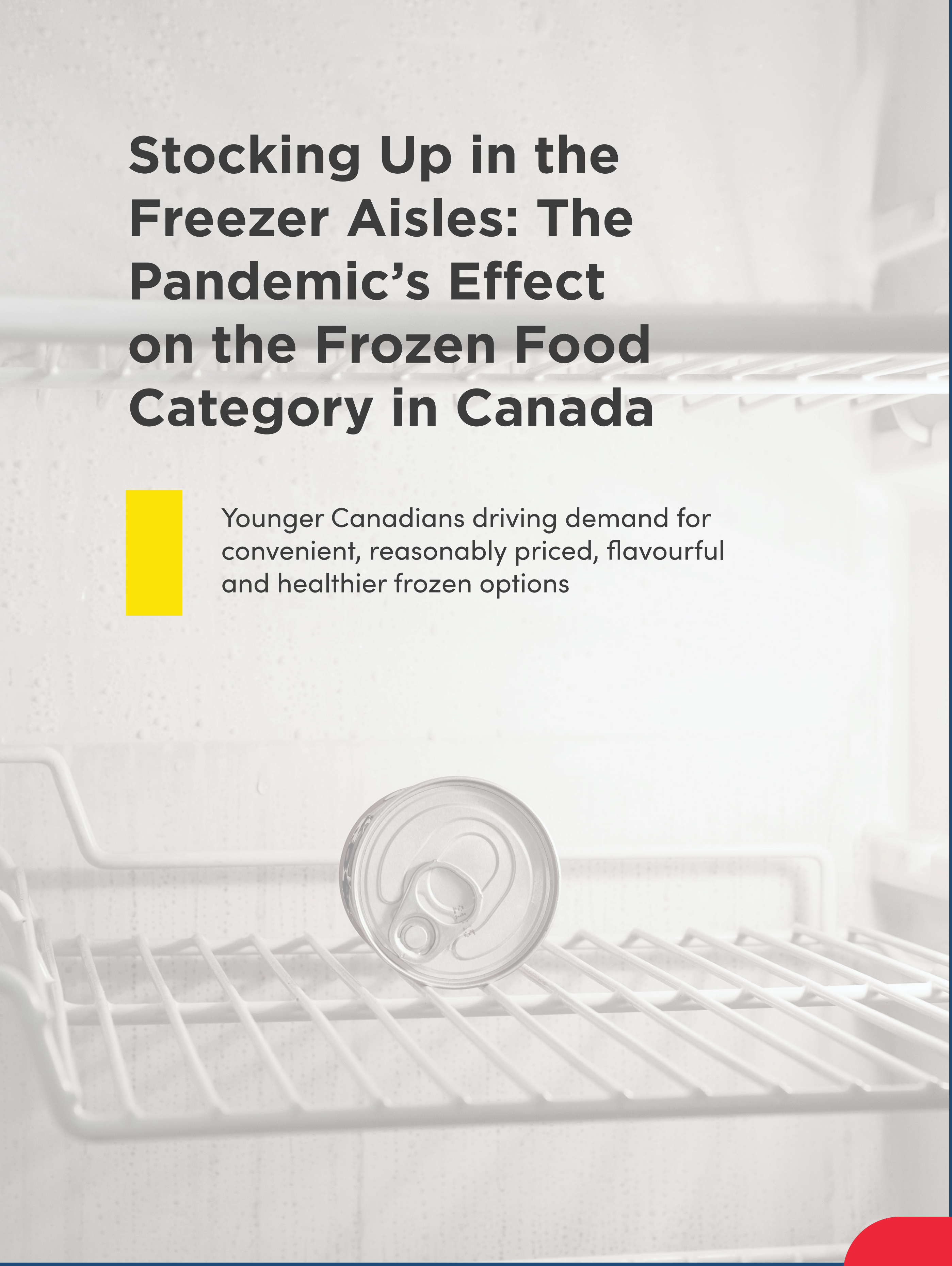

Stocking Up in the Freezer Aisles: The Pandemic's Effect on the Frozen Food Category in Canada

Younger Canadians driving demand for convenient, reasonably priced, flavourful and healthier frozen options

Caddle 2021 Report

Contents

Operationalizing the Frozen Food Category

Throughout this report, we reference various segments of the frozen category, including foods, meals and snacks. And while some products may conceivably fall under more than one segment (e.g., one frozen waffle may be a snack, but three may constitute a meal), in general, the following are examples of the types of consumables within each segment:

- **Foods** – catch-all for frozen consumables – e.g., fruits and vegetables, ingredients and other miscellaneous products
- **Meals** – most often represent larger-portioned and/or more complete food options, including frozen meals and pre-prepared entrées – e.g., traditional frozen dinners, trays of lasagne, family-sized pizzas
- **Snacks** – grab-and-go items most eaten between meals – e.g., French fries, frozen appetizers, chicken nuggets or wings, pizza bites, burritos

Frozen Foods Figure Heavily in Canadian Consumption Patterns

Frozen foods were already popular before COVID-19 hit, especially among the "Fast Food = Convenience" subset of consumers. Yet, specific factors dictated by the pandemic—and the ways that consumers have had to transform their lives because of it—have led to a sales explosion in several frozen categories over the last year.

For instance, between March 2019 and 2020, frozen fruit and vegetable sales increased by 117% and 129% respectively and sales of frozen potatoes rose by more than 60%[1].

(It's not surprising, then, that vegetables top the list of most purchased frozen foods for more than a third of Caddle's Daily Panel consumers, while fruit ranks third, at 16%[2].)

Younger demographics in particular are increasingly recognizing the benefits afforded them from the frozen aisles. Take these three measures, for example, that indicate the behavioural change that's occurred since the beginning of the pandemic:

- **Consumers who have increased their level of frozen food purchases:** Gen Zers and Millennials (each 33%) vs. General Population (26%)[3]
- **Consumers who have increased their consumption of frozen meals:** Gen Zers (24%) and Millennials (21%) vs. General Population (16%)[4]
- **Consumers who eat frozen meals from weekly to daily:** Gen Zers (41%) and Millennials (32%) vs. General Population (27%)[5] – note that Gen Zers over-index by 5.5% on daily consumption of frozen meals, compared to the General Population—an indication that these younger consumers are more amenable to frozen food as a meal solution than older demographics.

Canadians Love Their Frozen Snacks

When asked in October 2020, 13% of consumers indicated that they were eating more frozen snacks as a result of the pandemic[6]. Gen Zers were particularly affected, over-indexing against the General Population by more than 13 points.

When it comes to frozen snack choices, consumers value "flavour" most, followed by "price." This is consistent across the General Population as well as Gen Zers and Millennials, though younger respondents put slightly more emphasis on "price" than their older counterparts. (Note: "Ingredients" comes in a distant third—suggesting that consumers are less conscientious about the healthfulness of the foods they snack on.)

Meanwhile, nearly half of Canadian consumers prefer savoury frozen snack foods (especially people in Saskatchewan, British Columbia, Quebec and New Brunswick, who over-index by 14%, 5%, 4% and 4% respectively). In contrast, Prince Edward Islanders flip the script from the rest of the population, preferring sweet over salty frozen snack foods, though by a small margin.

Top 3 Most Purchased Frozen Foods

35.7%
Vegetables

21.6%
Pizza

16.3%
Fruit

This leads us to ask: What are Canadians likely indulging in most to quell their munchies?

Based on the "savoury" tip-off and the fact that the segment has seen significant growth, we argue that it's likely French fries! In 2017/18, Canadians consumed about 238,600 metric tons of fries and this was projected to rise to 241,500 metric tons by the end of 2019[7]—roughly equivalent to the weight of 160,000 average-sized American cars.

Meanwhile, the sales of frozen potatoes rose by more than 60% between 2019 and 2020[8]—an indication that potatoes remain firmly entrenched in Canadian consumer diets and likely, their snacking repertoires as well.

4 Main Drivers for Canadian Shoppers' Increased Frozen Foods Consumption

No matter which way you slice it, Canadians are clear about the benefits delivered by frozen foods, and in particular frozen meal solutions. Across several Daily Panel surveys over the course of the COVID-19 pandemic, four main drivers emerged time and again: increased convenience; better flavours; lower cost; and health benefits.

Caddle Daily Panel Survey[9]

Q: Why do you most often consume frozen meals?

	General Population	Female	Male	Gen Z	Millennials
"I need something quick & easy"	42%	44%	41%	35%	39%
"I don't feel like cooking"	20%	17%	22%	25%	25%
"I'm busy"	8%	8%	8%	9%	10%
"I don't know what to eat"	8%	9%	8%	15%	11%

Q: What is most important to you when purchasing frozen meals?

	General Population	Female	Male	Gen Z	Millennials
Taste/flavour	32%	30%	35%	27%	32%
Price	25%	27%	23%	27%	29%
Healthy	10%	9%	11%	7%	10%
Ingredients	9%	8%	10%	10%	8%
Brand	7%	9%	6%	11%	7%

Note: Only top responses outlined, therefore columns do not add up to 100%.

01 Convenience

Frozen foods deliver the ultimate in pandemic convenience, as underlined by the fact that almost half of Caddle's national Daily Panel most often consumes frozen meals because they "need something quick and easy." This has been consistent over the course of the pandemic, though has intensified over time, as evidenced by the 9-point increase between October 2020 and April 2021. (Note: The second-most common response, "I don't feel like cooking," also speaks to "convenience," though its proponents are fewer than half of the "quick and easy" consumers.)

At a time when it's more difficult to slip out to do casual grocery shopping and food delivery either takes too much time or is too much of the "same-old-same-old," consumers likely find it much easier to appease appetites by grabbing something from the freezer and heating it up in minutes in the microwave or oven. Plus: Frozen ingredients come pre-processed, which means less work to get a variety of elements into a meal at a moment's notice.

Another facet of convenience is availability: Because frozen food items are often flash-frozen at the peak of freshness, consumers are able to access the best ingredients year-round—a major boon for those who yearn for short-season produce (e.g., rhubarb, strawberries, corn, beans, etc.), wild-caught fish varieties, or other items that may be difficult to find fresh locally.

02 Flavour

"Taste/Flavour" ranks first in the list of considerations people have when purchasing frozen meals—not surprising, as consumers around the world continue to rely on food to keep their moods up[10].

Because frozen foods stay fresher, longer, they don't need the same level of preservatives or additives to deliver the same flavour punch. At the same time, as packaged goods manufacturers continue to introduce novel varieties of tried-and-true staples—including meal solutions as well as everyday kitchen staples—consumers can expand their flavour horizons without investing in a bunch of spices, raw ingredients or other food elements that may otherwise spoil or sit on their kitchen shelves indefinitely.

03 Cost

Because they're prepared and packaged in bulk, frozen foods tend to cost less than their fresh food equivalents. At the same time, buying larger quantities can often lead to savings. This makes the frozen category a strategic choice for people who are trying to make budgets stretch, particularly younger Canadian consumers, who prioritize “price” closely behind “Taste/Flavour’’ in their purchasing decision-making.

Putting cost into perspective, we can also look at the ongoing issue of food waste: In Canada alone, nearly 60% of the food (amounting to 35.5 million metric tonnes, worth $49.46 billion) is lost and/or wasted annually. Of that, 32%—totalling 11.2 million metric tonnes of lost food—is avoidable[11].

Frozen foods generally have a much longer shelf life than fresh items. When consumers purchase and keep frozen food in their kitchens, they’re further able to mitigate food waste, and in the process, save more of their hard-earned money from going into landfill or compost.

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04 Health

By no means is it true of the entire frozen category, but it goes without saying that certain segments are indeed able to deliver against consumers’ wishes for healthier eating options. And when you consider that 42% of Canadian consumers have gained undesirable weight since the start of the pandemic (including 37% who have gained 6–10 lbs.[12]), it’s no wonder that more consumers, and especially Millennials and Gen Zers, are turning to frozen foods to cater to unique diets[13].

Take produce, for instance: According to the Mayo Clinic[14], flash-frozen fruit and vegetables may in fact be healthier than some fresh varieties. Why? Flash-freezing stops the vitamins and nutrients in produce from degrading, which is a natural process that begins the minute that fruit and vegetables are harvested.

Similarly, many of the steamer packs used these days are designed to preserve freshness, so manufacturers can use fewer preservatives and additives to keep their products tasting fresh and more flavourful for longer. And less processed food with fewer additives and preservatives definitely aligns more with various dietary and lifestyle trends, including gluten-free, organic, plant-based, non-GMO, etc.

The Frozen Pizza Wars: Local Favourites Gain Traction through Variety and Innovation

Back in September 2020, General Assembly in Toronto, Ontario, made a big splash in the media as the brick-and-mortar resto pivoted its pizza offering into a direct-to-consumer (DTC) frozen pizza subscription service. Said General Assembly founder and CEO Ali Khan Lalani of the self-proclaimed "world's first pizza subscription service": "We took off our restaurant hats and we put on our grocery hats[15]." Elsewhere, Lalani argued, "We're constantly striving for 'better' in every area of our business, whether we're re-thinking the frozen pizza category from the ground up, enhancing our e-commerce experience, or diverting waste from landfills through responsible packaging solutions[16]."

By the end of 2020, their pizza subscription service had nearly 2,000 subscribers in the Greater Toronto Area (GTA) alone. (Note: General Assembly pizzas are also sold in select Ontario grocery stores, breweries and wineries.) Then, in February 2021, as the GTA was heading toward another pandemic-driven lockdown, General Assembly announced big news to the world: They had landed $13 million in Series A funding—enough to scale operations in order to produce up to 5,000 flash-frozen, par-baked pizzas per day by Q2–2021 and 10,000 units by Q3–2021, while also working toward rolling out country-wide shipping.

31.4% of Canadians purchase frozen pizza anywhere from a few times per week to a few times per month

More recently, the company filed to become a publicly listed company on the TSX Venture Exchange[17]—thus further signifying that they're serious about their pandemic-induced pivot from dine-in and takeout model to DTC offering.

Now, lest you think that something like this can only happen in a financial hub like Toronto, reports of other Canadian pizza makers-turned-DTC successes have popped up too. Take Archie's Meats, a family-run shop that has been making some of Starbuck, Manitoba's favourite pies since the early 2000s[18]. COVID-19 lockdowns saw their frozen pizza sales increase by 3x in Spring 2020, and they're now selling about 15% more than before the pandemic hit[19]. Meanwhile, their pies are being sold in stores across Manitoba.

What's behind such success? Well, one thing's for sure; Canadians love their 'za. After the U.S., Canadians search "pizza" the most on Google[20]. And, according to Technomic's 2020 Canadian Pizza Consumer Trend Report, 81% of consumers eat pizza at least once a month[21].

As we've learned in other grocery categories, convenience is an important factor driving consumer eating habits during the pandemic[22]—and frozen pizzas are a major time-saver for COVID-stressed Canadians. This could be part of the reason that frozen pizza sales skyrocketed in Canada by 133% when the pandemic hit[23] and sales of pre-made crusts and DIY dough kits rose by more than 20% in the 12 months leading up to March 2021[24].

Yet, there's likely more at play here than simple convenience.

Consider these other factors that are driving consumption habits during the pandemic:

Factor	Insight
Stress	With all of the pandemic's ups and downs, consumers are unsure about what's to come and it's leading more of them to stress-eat—especially women, who are slightly more inclined than men, at 53% and 47% respectively[25].
Nostalgia	Many consumers are missing the kinds of elevated dining experiences they get in their favourite local haunts. Some people are just plain tired of the "same-old-same-old" meals they've been preparing at home over the course of the pandemic.
Variety	While 30+% of consumers have used an online service to order directly from a restaurant[26], there's a lot to be said for variety, and smaller frozen food purveyors are often able to be more innovative, mixing up menu options on the fly. Case in point: General Assembly offers a subscriber-only pizza option that changes each month.
Improvement on home cooking	The types of high-quality, premium-ingredient, fast but not "fast food" options discussed above are meeting more Canadians' needs for locally sourced, and often better-tasting, meal solutions than what they can prepare themselves in their home kitchens.
Waste not, want not	Non-perishables last longer than fresh, so having a frozen pizza or 10 stowed away in the freezer means less fresh food and food scraps will likely end up going into landfill.
Value	Created in bulk, frozen pizzas can often cost less than what a home cook would make in their own kitchen. And compared to traditional pizza delivery services, the cost to the environment is lower too.

The lesson for grocers, food manufacturers and quick-serve restaurateurs alike is that the same recipes and formulations will only go so far with today's COVID-stressed consumers.

Instead, the real potential comes from pushing the envelope and really homing in on what customers want in the moment—whether that's making meal prep as frictionless as possible; offering innovative twists on traditional ingredients; or bringing in technological advances to deliver the same experience the consumer would expect in-restaurant but from their home kitchen.

Conclusion: What Will it Take to Win the Frozen Food Category?

The frozen food category has experienced rapid growth in both dollar and units sales since the beginning of the pandemic, driven by core frozen shoppers but also newcomers to the category[27]. And there's no denying the appeal of increased convenience, flavour options, cost and health benefits afforded by the wide-ranging product selection.

With indicators suggesting that this new level of consumption will continue even after Canada gets the pandemic under control, it leaves us to ask: What will it take for brands and banners to win in this still-developing opportunity?

Finding and mining retail data on consumer shopping behaviour, likes and dislikes can keep you one step ahead of your competition and position you to be a thought-leader with bleeding-edge insights into how the frozen category is evolving.

***The result:* Brands can win more customers and retailers can win over more shoppers.**

Assuming that frozen aisles will need to grow to allow for increased traffic and greater assortment, it's inevitable that the sets are going to get messier and harder to shop. On the manufacturer's side, this means:

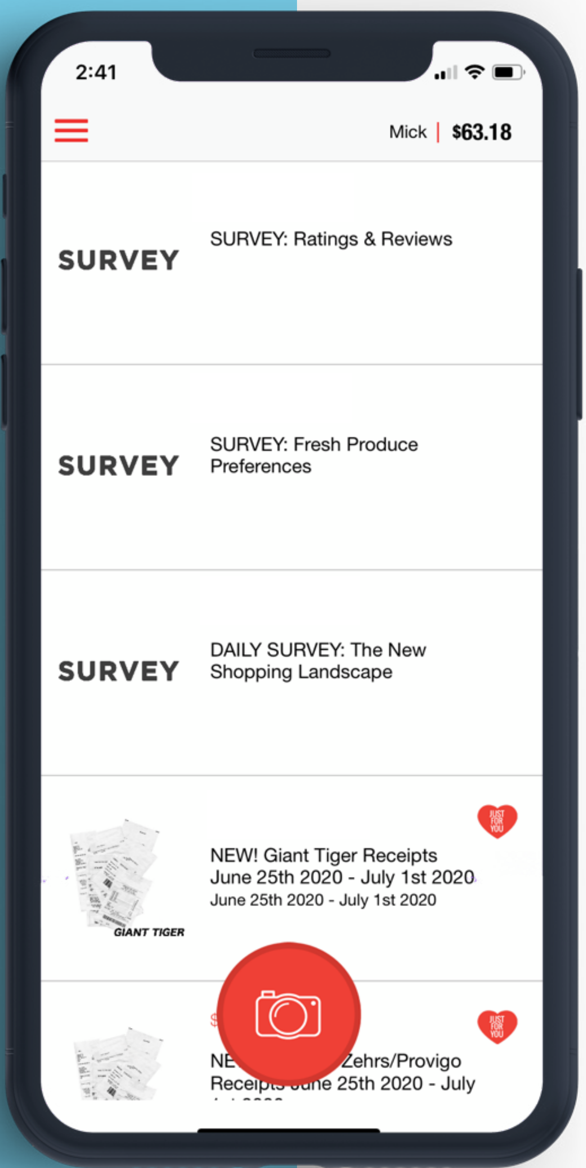
- **Brands will need to figure out how to make their products stand out; this will be especially important for new entries to the category, which may have innovation on their side but likely lose out on reputation.**
- **Brands have a groundbreaking opportunity to position themselves as thought-leaders with retailers, offering bleeding-edge insights into how the category is evolving and how retail partners can win frozen shoppers from their competitors.**

Meanwhile, on the retail side, some national banners appear to have already positioned themselves to capitalize on the growth (whether they planned for it or it's just timely based on other corporate initiatives, e.g., Loblaws got $12 million from the Liberal government's Low Carbon Economy Fund Challenge in 2019 to invest in more eco-friendly refrigeration, in a move they claim will reduce their overall carbon footprint by 23%, or the equivalent of taking 500,000 cars off the road each year[28]).

At the end of the day, winning share in the frozen food category is much like winning in any other category. It comes down to how well you know and understand your customers, how they make decisions and the inflection points in their lives that can cause shifts in their shopping habits.

By understanding the shopper and keeping a steadfast finger on the pulse of their retail habits, enterprising brands and banners can position their businesses well to win share in this growth trend.

Did you know? Caddle® is the largest daily and monthly active panel in the Canadian marketplace. Our mobile-first insights platform rewards Canadians for sharing data and engaging with brands.



About Caddle Inc.

Launched in 2015 by former consumer packaged goods (CPG) leader and Canadian Grocer 2016 Generation Next award winner Ransom Hawley, Caddle® is the largest daily and monthly active panel in the Canadian marketplace. Our mobile-first insights platform rewards Canadians for sharing data and engaging with brands.

Designed to help brands make better decisions, faster, Caddle has grown into Canada's largest daily active consumer research panel of 10,000+, 6-figure monthly active panel, and growing every day.

Macro and niche data verticals include:

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- Cannabis Consumers
- Health Professionals
- Luxury Shoppers
- Shopper Dads
- Repeat Purchasers
- Vegan Buyers
- Smokers/Non-Smokers

Now working with almost every major CPG company and making inroads with Canada's largest grocery retailers, Caddle provides access to rapid insights at every stage of the consumer journey across every type of shopper, country-wide.

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Endnotes

*Disclaimer: All data presented is owned by Caddle and has a Margin of Error of 1% or lower.

[1] As of week ending Mar. 14, 2020, compared to 2019 average; Statistics Canada data, available here.
[2] Caddle Daily Panel; national survey; n = 8,520; data collected Apr. 7, 2021.
[3] Caddle Daily Panel; national survey; n = 8,520; data collected Apr. 7, 2021.
[4] Caddle Daily Panel; national survey; n = 8,571; data collected Apr. 7, 2021.
[5] Caddle Daily Panel; national survey; n = 8,851; data collected Apr. 8, 2021.
[6] Caddle Daily Panel; national survey; n = 8,718; data collected Oct. 20, 2020.
[7] Statista, "Consumption of frozen fries in Canada from 2000/01 to 2018/19." Data released Sept. 2018.
[8] As of week ending Mar. 14, 2020, compared to 2019 average; Statistics Canada data, available here.
[9] Caddle Daily Panel; national survey; n = 8,570; data collected Apr. 6, 2021.
[10] As detailed in an Agri-Food Analytics Lab at Dalhousie University report on wellness and stress management, conducted in partnership with Caddle; national survey; n = 9,991; data collected Apr. 16, 2021.
[11] Second Harvest, technical report and roadmap, "The Avoidable Crisis of Food Waste."
[12] See Agri-Food Analytics Lab at Dalhousie University report on wellness and stress management, conducted in partnership with Caddle; national survey; n = 9,991; data collected Apr. 16, 2021.
[13] Caddle Daily Panel; national survey; n = 8,530; data collected Apr. 7, 2021.
[14] See https://newsnetwork.mayoclinic.org/discussion/mayo-clinic-minute-benefits-of-flash-frozen-produce/#:~:text=But%20did%20you%20know%20that,freezing%20stops%20produce%20from%20degrading.
[15] See https://www.cbc.ca/news/business/pizza-sales-frozen-pandemic-1.5964160.
[16] See https://betakit.com/general-assembly-pizza-closes-13-million-to-scale-pizza-subscriptions-across-canada/.
[17] See https://betakit.com/general-assembly-pizza-files-preliminary-prospectus-to-go-public-via-the-tsxv/.
[18] See https://www.winnipegfreepress.com/arts-and-life/food/golden-archies-571879972.html.
[19] See https://www.cbc.ca/news/business/pizza-sales-frozen-pandemic-1.5964160.
[20] According to Google Trends, quoted here.
[21] See https://www.technomic.com/reports/consumer/canadian-consumer-trend-reports/pizza.
[22] For more on the importance of convenience in pandemic eating habits, take a look at Caddle's 2021 Q1 eCommerce Grocery CX Tracker, which includes NPS scores, overall shopping experience and 12 key shopping attributes across major national grocery banners (n = 20,284; data collected Jan. 1, 2021–Mar. 30, 2021).
[23] Based on Nielsen Market Track, national all channels, week ending Mar. 21, 2020 (total tracked sales, incl. random weight fresh).
[24] Mar. 2019–Mar. 2020; source: Nielsen.
[25] Based on an Apr. 2021 report presented by the Agri-Food Analytics Lab at Dalhousie University, in partnership with Caddle.
[26] Based on a Nov. 2020 report presented by the Agri-Food Analytics Lab at Dalhousie University, in partnership with Caddle.
[27] Based on results from the U.S. market, as outlined in the "Power of Frozen 2021" report, published by the American Frozen Food Institute and FMI—the Food Industry Association.
[28] According to a statement made by Loblaw Companies Ltd., cited here and here.