

Agri-Processing



Understanding Consumer Trends Can Present New Opportunities

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**UNDERSTANDING CONSUMERS TRENDS
CAN PRESENT
NEW OPPORTUNITIES**

Leona Reynolds-Zayak

Agri-Processing Branch
Business & Innovation
Alberta Agriculture, Food and Rural Development

Phone: (780) 853-8103
leona.reynolds-zayak@gov.ab.ca

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Abstract

Personal eating styles are influenced by age, personal health, ethnicity, and family food attitudes. Population demographics, perceptions, awareness and attitudes are the key factors that influence food purchases. Monitoring these factors over time will provide a comprehensive understanding of the current consumer trends.

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Introduction

The saying, “the only thing that is constant is change” is very relevant in the food processing industry. Consumer and business trends used to change slowly, providing managers an opportunity to spend time analyzing the implications to their business, allowing them to make well-informed decisions. However, today, as in life, change in consumer and business trends happen rapidly. This has forced managers to become more observant and better prepared to make strategic decisions. Managers have found that it is essential to keep on top of consumer and business trends. Changes in the market place may lead to a shift in the demand for their product or perhaps present new business opportunities. Capitalizing on new opportunities involves tracking consumer and business trends, ignoring passing fads and evaluating the implications to your business.

Fads versus Trends

What’s the difference between a fad and a trend? A fad is a flash in the pan. It is here today and gone tomorrow. For example, in the 1980’s the increased concern about heart disease and blood cholesterol levels lead a company to introduce oat bran as a product to reduce blood cholesterol levels. Although heart disease is still a concern, we do not hear much about oat bran. Another example of a fad was Jolt cola.

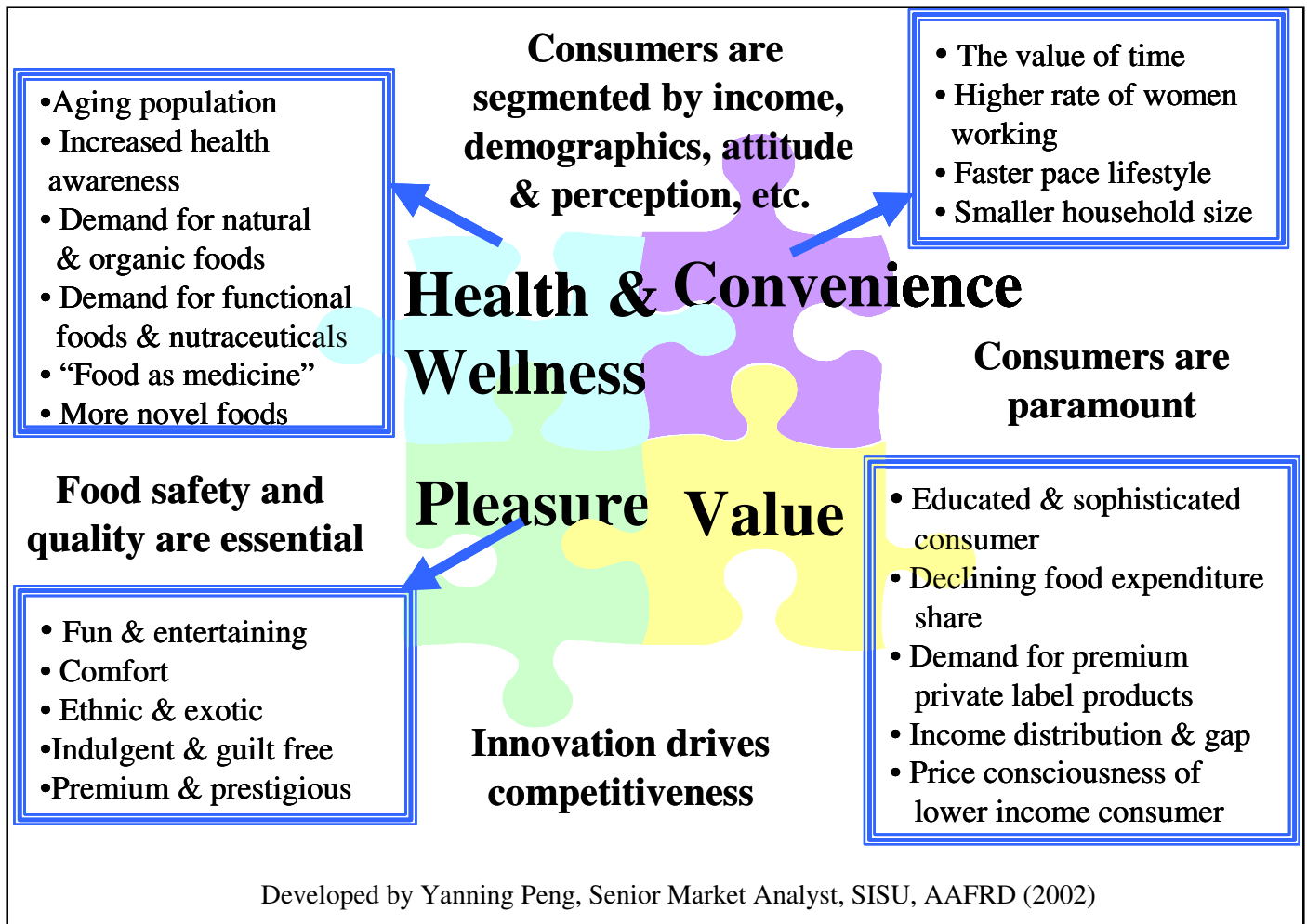
A trend is what is about to hit. It is big, bold and just beginning to impact consumers buying habits. Trends indicate real and widespread change. A true trend is enjoyed by a few today, practiced by many tomorrow and practically all next week. Knowing the latest trends is a prerequisite to success and even survival. A good trend spotter knows how to separate a hot new idea from today’s passing fad.

Consumer Trend Drivers

Canadians food choices are driven by convenience, health and wellness, pleasure and value. These macro trends are a result of the food industry trying to meet the consumer demands. Food products often incorporate more than one trend but few ever meet all of these needs. There are always some trade offs in balancing all characteristics. Consumers are searching to define their personal eating styles through revising their thinking about food and mixing and matching various food characteristics to find the ideal combinations for themselves and their families.

Understanding consumer trends is like solving a puzzle (Fig. 1). Food consumers are segmented by demographics and lifestyles. While, their consumption patterns are determined by age, gender, income, attitude, perception, and other factors. Understanding and tracking changes in consumer demographics and lifestyles is the underlying basis to understanding most of today’s consumer trends. In Canada, demographic, cultural and economic diversity is increasing. There are more people with different ethnic backgrounds, lifestyle and tastes than ever before. One of the keys to Alberta food processing industry’s success is to identify opportunities through understanding the implications the changes in consumer demographics and lifestyles will have on the market place. In other words, processors need to identify the all of the puzzle pieces and put them together to capitalize on new market opportunities.

Fig. 1 Consumer Trend Puzzle

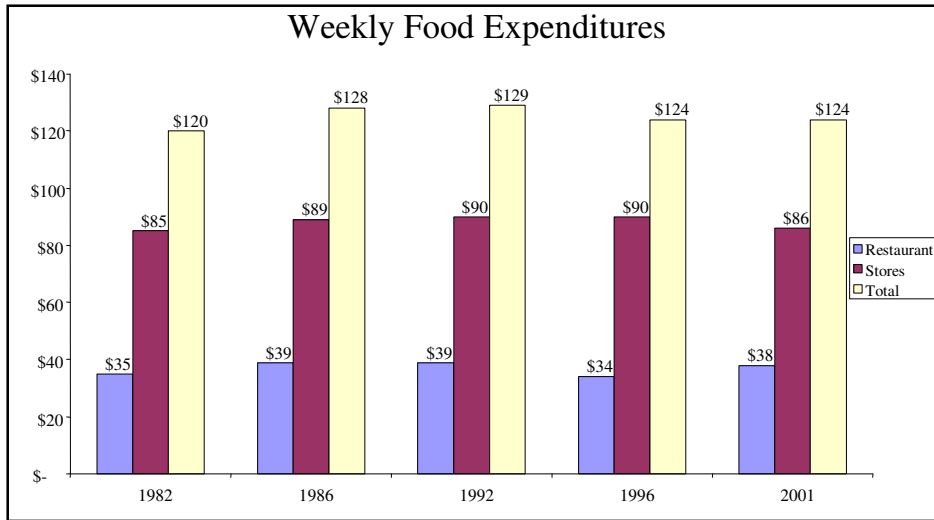


Food Expenditures

In 2001, Canadian households spent an average of \$124 a week in either stores or restaurants. Although this is similar to 1996 (when inflation is considered), our growing preference for eating out and convenience foods has changed how we spend our food dollar. In 2001, households spent an average of \$38 a week in restaurants and \$86 in retail outlets. (Statistics Canada, 2003)

In 2001, almost 60 per cent of restaurant spending took place in table-service restaurants, 26 per cent in fast food restaurants (including take out) and 10 per cent in cafeterias and snack bars and chip wagons. (Statistics Canada, 2003)

Fig. 2: Food Expenditures in Canada (Statistics Canada, 2001)



In 2001, Statistics Canada noticed a shift in food purchasing behaviours. Although the proportion of the food budget spent on each food category was similar in every income group, Canadian consumers have begun to purchase more prepared, value-added and gourmet foods. The proportion of household food dollars spent on “other foods, materials and food preparations” was estimated to be \$8 per week. This includes a wide variety of items such as frozen pre-cooked dinners and baked goods to peanut butter potato chips and prepared baby food. (Statistics Canada, 2003)

Frozen pre-cooked dinners and baked goods increased from 26 cents of every dollar spent on “other foods, materials and food preparations” in 1996 to 31 cents in 2001. (Statistics Canada, 2003)

In 2001, Canadians spent a weekly average of \$17 on meat (30% beef, 24% poultry, 15% pork and 31% other meats i.e. ready cooked and cold cuts), \$13 on dairy and eggs and \$10 on vegetables.

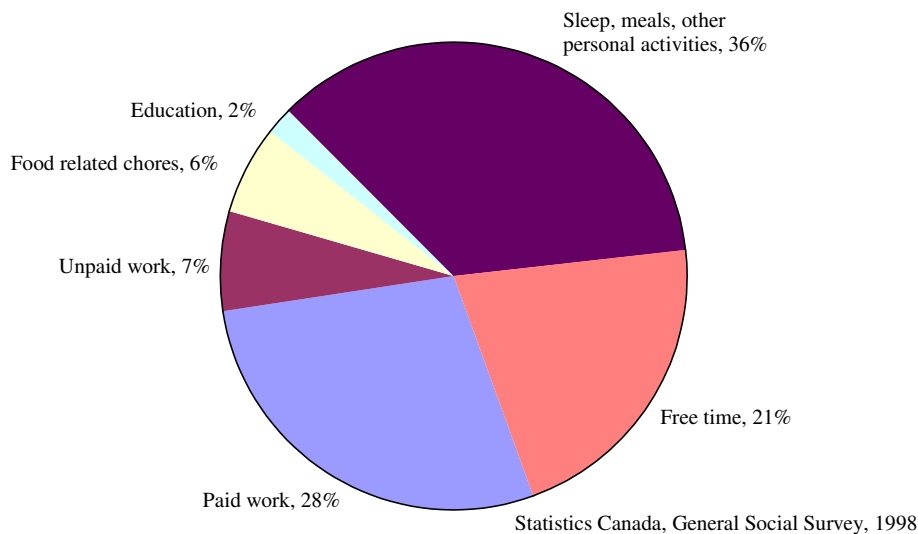
**Table 1
Percentage of Weekly Food Expenditures Spent in Stores (Statistics Canada, 2003 pg. 12)**

	Percentage of total weekly food expenditures			Average weekly expenditure per household
	1982	1996	2001	2001
	%	%	%	\$
Food Purchased from stores	100	100	100	86
Meat	27	22	20	17
Fish & other marine products	3	3	3	3
Dairy products & eggs	18	16	15	13
Bakery & other cereal products	13	15	15	13
Fruit & nuts	10	11	11	10
Vegetables	9	9	10	9
Condiments, spices & vinegar	2	3	3	3
Sugar & sugar preparations	2	3	4	3
Coffee & tea	3	2	2	1
Fats & oils	2	1	1	1
Other foods, materials & food preparations	6	8	10	8
Non-alcoholic beverages	3	5	4	3
On trips overnight or longer	2	1	3	3

Women's Participation in the Workplace

Food trends such as convenience, healthy eating and ethnically diverse foods are to some extent a result of women's influence in the home. Even though women's participation in the workplace is steadily increasing, they still do most of the food preparation. In 2000, the NDP Group's NET Canada Nutrition Survey 2000, reports that the female head of the household planned 84 per cent of evening meals that were prepared and consumed in the home. The increase in dual career and single parent families are escalating time pressures, changing how we spend our time on daily activities. In an average seven-day period, Canadians spent only six per cent of their time on food related chores, making easy/quick foods to prepare more appealing. (Statistics Canada, 1998) (Fig. 2)

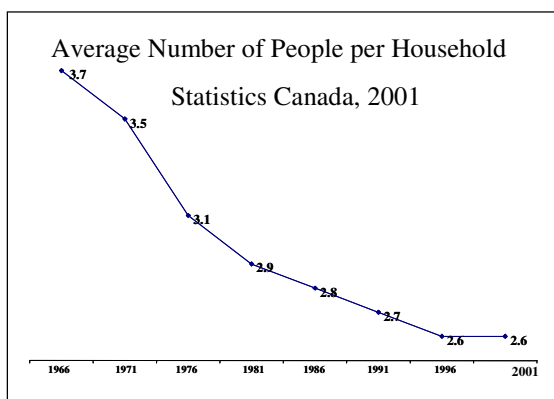
Fig. 2: Weekly Average of Time Spent on Daily Activities (Statistics Canada, 1998)



Household Size

Another significant demographic trend impacting the food and beverage industry is the growth of smaller households. As shown in Fig. 3, the average number of people per household has continually decreased since 1966. The number of people living alone and married couples without children is on the rise, which means the demand for single serve portions of processed foods and foods that require minimal preparation will continue to increase.

Fig. 3: Average Household Size (Statistics Canada, 2001)



Population Demographics

The most important driver behind the demand for food products is the population demographics. Canada's population is becoming more ethnically diverse and older. In 2001 Canada Census Data reported that 18.4 per cent of Canada's population (5.4 million people) was born outside of Canada. This is the largest percentage since 1931 where foreign born people made up 22.2 per cent of the population. People who immigrated to Canada in the 1990's were born in: Asia – 58 per cent (including Middle East), Europe -20 per cent, Caribbean, Central and South America - 11 per cent, Africa – 8 per cent, and United States – 3 per cent. (Statistics Canada, January 2003)

The leading country of birth among individuals who immigrated to Canada in the 1990's was the Peoples Republic of China. Also, nearly three-quarters of immigrants in the 1990's settled in Toronto, Vancouver and Montreal. (Statistics Canada, January 2003)

Another significant demographic trend is the significant increase of visible minorities. A visible minority is a person other than aboriginal who are non-Caucasian in race. Visible minority groups accounted for 13.4 per cent of Canada total population (4 million people). In 2001, the largest visible minority group was Chinese, (1,029,400 people or 3.5 per cent of Canada's population). South Asians, Blacks, Filipino's, Arabs and West Asians, Latin Americans, South East Asians, Koreans and Japanese followed them. (Statistics Canada, January 2003)

The 2001 Statistic Canada Census data also validated that the Canadian consumer is aging. As of May 15, 2001 the average age of Canadians was 37.6 years old. This is highest average age in Canada's history. This trend is expected to continue to increase as baby boomers age. For more information on the aging consumer and the opportunities this trend may bring please refer to *The Aging Consumer and What it Means* by Sarah Oliveira.

Media

New food trends used to start in the fine dining restaurants and then filter down to the retail market. Today, restaurant customers are not the only way to spot new trends. Media is having a huge impact on setting new trends. That's why it is important to read the food sections of the Edmonton Journal, Calgary Harold, City Palates etc. However, it's not only the news media that helps set the hottest new trends. Today celebrity chefs have a major role through their television shows and their cookbooks. They create a dish that catches the consumers' eye and the consumer either requests it in a restaurant or tries to make the dish at home.

Consumer Trends

Heat and serve, fresh, healthy and slightly exotic foods are all part of the food trends in Canada. But nutrition bars and designer yogurts are also popular foods as they satisfy the on the go lifestyle. The top trends are outlined below.

Convenience

Canadians have more money, less time, fewer domestic skills and less inclination to devote time to food related chores. As a result there is an increased demand for foods that can be prepared in a short period of time. This is not a new consumer trend; however, it has evolved over time. When convenience foods were first introduced, consumers were willing to accept a lower quality

and poorer taste for the ability to prepare a meal in a short period of time. But today, consumers' requirements for convenience foods are more sophisticated than ease and speed of preparation. Today, convenience foods must also include ease in purchasing and clean-up, nutrition, flavour and perceived value.

The top convenience food trends are:

- **Ready to Eat/Heat and Eat Foods** – Women continue to do the majority of food purchasing, preparation and clean-up. As a result, the demand for foods that are easy and quick to prepare yet tasty, fresh and nutritiously sound continues to grow.
- **One Dish Meals**- Growth in quick one dish meal kits such as stir fries and stew are expected to grow.
- **Custom Quick Food:** Although consumers have the tendency to not spend an extensive amount of time preparing meals; it still is important for them to feel that they have contributed something to the preparation. Therefore, there will be an opportunity for ready meals or kits, which allow the person preparing to add their own personal touch.
- **Portability:** Eating in vehicles or “Dashboard Dining” as well as eating at your work desk is on the rise. Portability and single service packaging are on the rise to meet the need “eat-where-you-are”
- **Snacks and Mini Meals:** Canadians eating patterns are changing from eating three main meals a day to eating several smaller meals through out the day. Convenient, nutritious snacks or mini meals will increase in demand (i.e. breakfast bars, wraps, sports drinks)
- **Innovation:** Convenience foods will continue to be popular but the key to success will be innovation.

Health and Wellness

Over the last year, there has been a renewed interest in the Atkins diet. Although it is not known how many Canadians are adhering to the Atkins diet, NPD reports that in 2003, approximately 4 per cent of Canadians are on some form of low carbohydrate diet. (NPD, 2004). The increased interest in low carbohydrate foods has lead many manufactures to introduce a low carbohydrate version of a traditional product (i.e. low carbohydrate beer) and many retailers to set up new sections to compensate for the increased demand. However, the big question in the food industry is “Are low carbohydrate foods here to stay or is it a more opportunistic short term trend?”

Early indication is that low carbohydrates are here to stay – most likely as “reduced carbs”. In fact, many manufactures in the United States are reformulating their products to not only capitalize on this trend, but in anticipation of new federal regulations and definitions for low-carbohydrate health claims.(FMI, ACNielsen and The Lempert Report, February 2004)

Watching carbohydrate consumption is not the only food concern among Canadians. . The key trends are:

- **Trans Fats and Saturated Fats:** Canadians are continually concerned about fat intake and health concerns associated with trans and saturated fats. As a result, low-fat cereals, dairy products and frozen meals are rising.
- **Correcting Condition:** Food and food ingredients continue to increase in popularity as a method for self medication and disease prevention. As a result, the demand for

functional and nutraceuticals foods will continue to increase and new products will be developed.

- **Weight Loss Products:** Interest in weight loss products continues to be high. However, the number of obese Canadians has increased rapidly over the last few years causing vast public concerns. Yanning Peng in the “*Canadian Consumer Trends in Obesity and Food Consumption*” looks at the Canadian overweight and obesity trends, associated health risks, and trends in nutrient intake from food consumption. She also, explores marketing strategies and recommendations for Alberta food producers and processors in meeting consumer demand for healthy and nutritious products
- **Food Safety:** Consumers are increasingly interested in food products that provide reassurances about food safety. “*Consumer Trends in Food Safety*” by Diane McCann-Hiltz addresses this trend in more detail.
- **Organics:** Health conscious consumers are also increasing the demand for organic and natural products. Rosalie Cunningham expands on the market opportunity in the paper “*Consumer Trends in Organic Foods*”
- **Food & Allergies:** Food intolerance and food allergy consumers represent a niche market that is growing. (ReadyMealsinfo, 2004)

Pleasure

Economic growth and rising disposable income has made Canadians more confident about spending for products and services that make their lives easier or provide pleasure. The trends listed below are in part a result of this economic factor:

- **Ethnic Foods:** Canada immigration and visible minority groups has increased dramatically. Consumers are flocking to healthful and flavourful ethnic cuisines such as Asian and Mediterranean foods where the emphasis is on ingredients such as vegetables, grains and fish.
- **Indulgence or Comfort Foods:** Although Canadians are concerned about nutritional value of food, they still are reaching out for tasty snacks that are high in fat, sugar and salt. The demand for these foods continues to be high for they are often considered a reward for healthy eating or surviving the stresses of everyday life.
- **Gourmet Products of Meal Excitement:** New, unique, high quality and expensive products will be small indulgences for consumers who are seeking meal entertainment.
- **Regional Cuisine:** Consumers are becoming more interested in seasonal, regional and high flavour foods

Value

Consumers still consider nutrition but not as much as they did in the 1990’s. Today, consumers are more interested in flavour and quality. Bolder flavours are more exiting and appealing to today’s consumer. Having said that, Canadians are paying one of the lowest prices for foods in the world. The entrance of warehouse retail outlets into the Canadian market place, has shown consumers to be even more conscious of price. Today, Canadian consumers are demanding increased variety and high quality at very reasonable prices. In other words, Canadian consumers are demanding high value for their food dollar.

Some of the value trends we are seeing in Canada are:

- **Fresh Foods:** Consumers are switching to fresh foods for they equate “fresh” with better taste, health and nutrition.
- **Physical and Emotional Energy:** Stressed out consumers that are seeking energy, power and performance from food are turning to sports drinks, energy bars and snacks.
- **Private Label:** Traditionally, private label has been seen as lower quality and generally less desirable than national brands. However, in recent years, private label has changed dramatically. Stores are starting to introduce premium private label products. Store brands lower price attracts customers while the improved packaging and quality is retaining them and developing brand loyalty.

Conclusion

The Canadian appetite, like its population, is always changing. Foods that we once only dreamed about are now a reality. Dining out, once thought to be luxurious, is now common. The nations population is wealthier, older, more educated, and more ethnically diverse than in the past and these changes are likely to become more pronounced in the next 20 years. Consumers will continue to demand new food products, new packaging, more convenience, new delivery systems and safer more nutritious foods. Therefore the key to success is to be innovative and on top of the consumer trends.

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