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International Markets Bureau

MARKET ANALYSIS REPORT | JUNE 2010

Consumer Trend Report

Convenience

Source: *Mintel*

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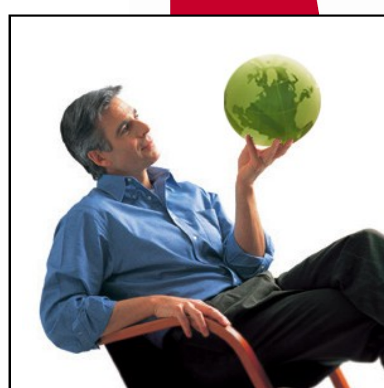


Growing Forward

Canada

THE TREND

Today's consumers are seeking solutions that allow them to maximize their free time and disposable income dollar, and spend more time doing the things they value. The convenience trend is driven by this desire to create more leisure time. The convenience trend is driven by this desire to create more leisure time. In 2008, a Datamonitor survey found that 44% of citizens across 15 countries feel that it is difficult to manage their daily obligations and find time to relax. A Yankelovich study conducted in 2008 discovered 70% of Americans aged 16 years or older feel that they do not have the time to do all the things they need to do. In addition, 50% of Americans believe the lack of time is a bigger problem than money (Datamonitor 2009). This trend is having a dramatic influence on food preparation and consumption.

Due to changing lifestyles, consumers are spending less time planning and preparing meals. A recent survey conducted by Waitrose Food and Green & Black, an organic chocolate company, found that 58% of U.K. consumers spend no more than 30 minutes cooking dinner each night (Datamonitor 2006). In addition, 60% of American consumers do not know at 4 p.m. what they will have for dinner that night, and expect to spend a total of about 30 minutes preparing, cooking and eating the meal, including clean up. Cooking at home is seen as a chore, and meal preparation is considered very time consuming. Eating alone at non-fixed mealtimes is becoming more common, as a result of changed eating habits, attitudes toward cooking, and busy lifestyles (Ahlgren 2005).

Convenience is multi-faceted and will continue to evolve and converge with other trends to meet the food needs and demands of society. Convenience means more than single-serve, easy-to-prepare, and easy-to-take-away products. Consumers also want convenient products with additional attributes, such as foods that are healthy, ethical, and comforting.

This report is designed to provide the reader with insights into what is driving consumers' consumption of convenience food products and innovative solutions. By understanding the dimensions of this trend, manufacturers will be better able to capitalize on emerging opportunities and position their products successfully in the marketplace.

INSIDE THIS ISSUE

“…PLAN AHEAD, KEEP MENUS SIMPLE, AND USE LOTS OF CANNED, PACKAGED, AND FROZEN FOODS.” – L. CHAPMAN, GOOD HOUSEKEEPING, 1950”

Source: *Mintel*

Defining Convenience

Source: *The Hartman Group*

Simplicity is key. Convenience foods are entrenched in every food category; however, the definition of *convenient* has changed. At one time, convenient meant quick-to-prepare. This began with the advent of cake mixes and TV dinners in the 1960s, and continued more recently with the explosion in microwaveable foods in the 1980s. But today convenience also means *assistance*. Products may not be fast, but may remove steps in the meal preparation process, making it easier for novice cooks or time-pressured parents to make healthy meals. Some slower foods, such as slow-cooker meal kits, allow the consumer to quickly assemble a meal in the morning and return to a ready-made dinner in the evening. This convenience-as-assistance theme also appears in the growth of convenient meal components, rather than complete ready-to-heat dishes (Mintel November 2009).

Demographic Influences

Changing consumer demographics have contributed to the growth of the convenience food market. For instance, the aging population is seeking smaller packages and ease of preparation. Despite having cooking skills, these older consumers are embracing convenience options to maximize their free time. On the other hand, there is a subset of younger consumers who are experimenting more with slow food cooking and looking for solutions to improve their cooking knowledge and heighten sensory experiences. Mid-lifers (25-49 years) increasingly feel the pressures of parenthood and other factors pushing them towards convenience to achieve a work-life balance (Datamonitor 2006).

Source: *Mintel*

Average household size in Europe and North America is decreasing, with more households consisting of just one or two people. Convenience cooking will depend on the families' priorities, the demands on their time and the size of the household, among other factors. Families look to blend convenience, health and comfort in meal solutions. One of the biggest challenges for working parents with children is balancing work, life and personal time. Globally, Americans have the highest consumption rates for convenience mealtime solutions due to time pressures, with 54% using convenience products three to six times per week (Datamonitor 2009).

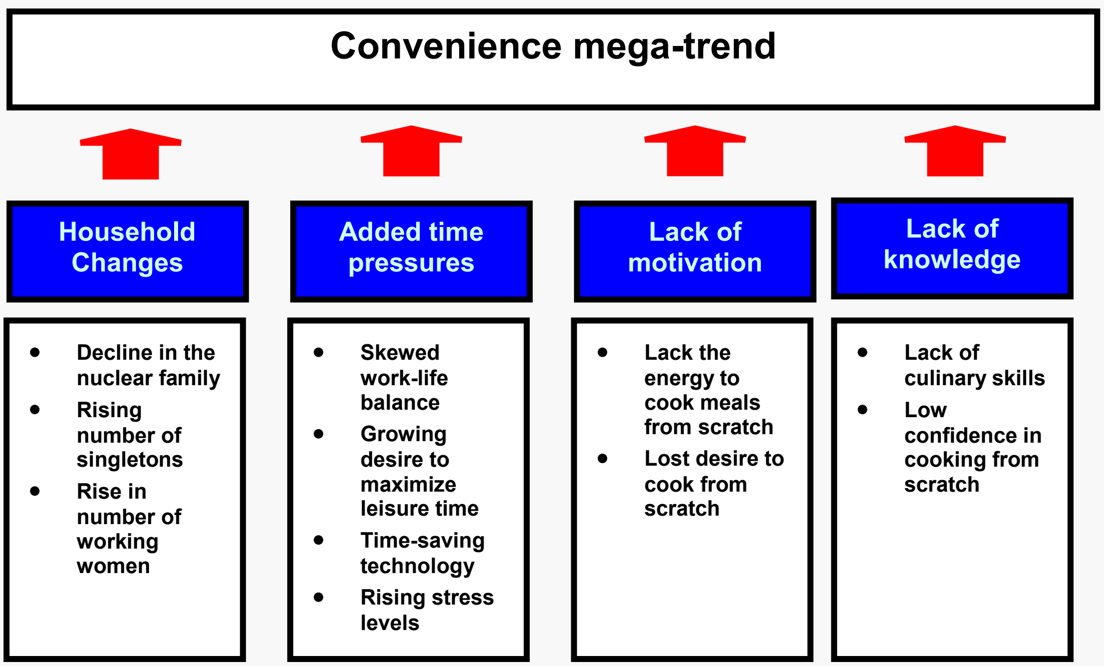
Convenience options have been influenced by increased female participation in the workforce, more use of household technologies, longer working hours, and rising consumer incomes. The increased use of appliances has been particularly influential. Microwave ovens, for example, save preparation and cooking time. Freezers make food available for later consumption, food processors shorten preparation time, and dishwashers speed clean up (Buckley 2007).

Drivers

The convenience trend symbolizes the increased time pressures, stresses and work-life balance problems that consumers are increasingly experiencing, as illustrated in Figure 1. Time scarcity, meal fragmentation, speed shopping and the erosion of cooking skills are stimulating the demand for more convenient food options. Working longer hours and lack of cooking skills increase the attractiveness of convenience foods. Consumers also want food products that are healthier and interesting, such as experimenting with new ethnic foods; retailers, such as Canada's Loblaws, are producing new lines of convenience foods to meet these consumer demands. This includes Loblaws' Blue Menu line of healthier products and ready-to-eat ethnic entrees and sauces.

The current economic downturn has affected people's behaviour as they choose meal solutions. Many are trying to save money by cutting their use of takeaways and reducing the frequency with which they go to restaurants. This behaviour correlates with consumers preparing more meals at home (Mintel 2009).

Figure 1: A number of lifestyle and demographic factors are responsible for driving convenient approaches to food preparation



Source: *Datatmonitor*

Time Scarcity

Many consumers are feeling overwhelmed by their lifestyle obligations. Time-pressured consumers express strong preferences for quick, efficiency-driven products that allow them to feel more in control of their time. This consumer group will multi-task in order to compress more activities into less time, leading to wide behavioral implications. For instance, time scarcity is a common reason for consumers failing to maintain a healthy lifestyle, including, skipping meals, eating-on-the-go, cooking from scratch less often, and failing to exercise regularly. As a result, consumers are looking to simplify and reduce time in the kitchen. Product solutions are needed to restore balance in the consumers' life (Datamonitor 2009).

Simplified meal preparation

The need to simplify meal preparation and consumption remains a lifestyle reality for many time-poor consumers. A large number of consumers who do not have the time or skills to prepare complex meals still want nutritious options. There is an ongoing market for products and services that cater to this consumer segment. There is a proliferation of cookbooks and television programs based on the theme of simple and healthy meal solutions, such as Rachael Ray's *30 Minute Meal* concept or Weight Watchers *5 Ingredient 15 Minute Cookbook.*

Expedient dining

Families are looking to reduce meal preparation time. Families coming home from work or school are hungry and want to eat immediately. Mealtimes are further complicated by families making multiple meals due to different food demands by children and parents, and will opt for fully and partly-prepared meal solutions (Buckley 2007). An increased choice of prepared meals offers consumers a wide range of foods that they can enjoy without the difficulty of following long or complex recipes. Consumers can purchase prepared meals that only require heating in the microwave or oven, or quick assembly, such as bagged salads.

Meal fragmentation/Multitasking on-the-go

Consumers are adopting a more flexible and informal approach to food preparation and consumption. The concept of eating three meals a day is out-of-date. Skipping core meals has become a characteristic of contemporary eating patterns. Breakfast is the most common meal to miss in our on-the-go society. According to Datamonitor, Europeans on average miss 68.5 breakfasts per year, whereas Americans miss an average of 59.5. In 2008, Canadians on average missed 35 breakfasts per year (NPD Group 2008). Americans skipped an average of 65.2 lunch occasions in 2006, compared to the European average of 19.5. This is likely due to the Europeans' stronger lunch culture. The general trend in 2011 will be for consumers to increasingly skip breakfast and lunch occasions (Datamonitor 2009). In Canada, lunch is the most common meal to be skipped. For instance, in 2008 Canadians missed 43 lunch meals per person (NPD Group 2008). This is a reflection of the hectic daily activities of most consumers and an indication of work culture overriding daytime meal occasions, as well as further growth of the snacking trend.

Food on-the-go

Food consumption is increasingly worked in around people's needs and lifestyles. Food products have to be suitable to consume while commuting to and from work, while working at a desk, or while engaging in leisure activities, such as exercising at the gym.

Source: *Datamonitor*

Fully prepared and partly prepared meals

There are numerous options for fully prepared meals, including ready-meals (all types), pizzas, and take-away food for consumption at home. Partly prepared meals consist of several meal components, such as wet and dry sauces. Some meal kits may require additional ingredients and preparation to complete. In one week, 45% of Europeans and Americans prepared such meal options 3 to 6 times or more, whereas only 10% of consumers eat them less than once a week or never (Datamonitor 2006). This illustrates that today's consumer relies on assistance in the kitchen.

Speed shopping

Despite being attracted to new experiences, consumers often simply engage in autopilot purchasing of groceries, which leads to more habitual buying. Speed shopping is a trend that reflects the more selective, sometimes disengaged approach that consumers adopt to ensure that the shopping process is as efficient as possible. This includes adopting a "mission-focused" approach to shopping by sticking to a pre-determined grocery list and adopting shopping patterns that are somewhat habitual, with little initiative to seek out new brands and associated benefits. As a result, it is very difficult to attract the consumer to new products since this habit implies brand loyalty, even if there are better options (Datamonitor 2009).

Efficient shopping

Consumers' grocery store preferences are heavily influenced by location. In addition to weekly shopping trips, consumers are engaging in more frequent *top-up* shopping.

Online grocery shopping

Despite low numbers, more consumers are embracing the Internet for the purpose of convenient shopping. Growing access to high-speed internet technology, a willingness to purchase over the Internet, and growing appreciation for convenience and price benefits, is expected to increase the usage of online shopping. However, Internet grocery purchases do lag behind other consumer purchased goods and consumers using this service are in the minority. Given the increasing consumer desire to top-up shop, it is unlikely that Internet grocery retailing is the future. Ordering goods online and waiting a sometimes considerable amount to time for them to be delivered runs contrary to the goal of top-up shopping, which is to acquire products quickly for immediate consumption (Datamonitor 2009).

Cooking Skills

Consumers have limited cooking skills

Basic cooking knowledge and skills have eroded from generation to generation. Today, consumers' choices are defined by the increased sophistication of convenience food options and a lifestyle characterized by multiple time demands, including work.   Europeans and Americans experience similar difficulties and concerns in preparing food cooked from scratch, the leading issues being cleaning-up afterwards, long cooking times and having enough room to prepare and cook such meals (Datamonitor, December 2006).

***Source**: The Hartman Group*

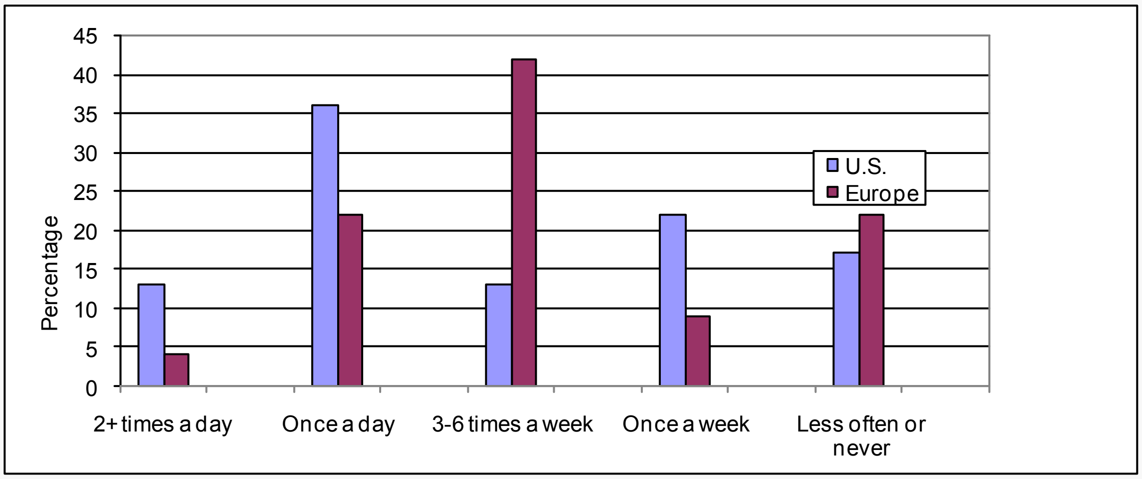
Basic cooking is perceived as difficult

Culinary skills are not being passed down from one generation to the next because young people are not involved in the cooking process from an early age and do not have the opportunity to learn through participation. As a result, some younger consumers view cooking skills as a status symbol. Consumers are technology literate and opt for advanced appliances (particularly microwaves) to facilitate meal production. They use the Internet to seek guidance on food production and to source recipes, but are unfamiliar with basic cooking terminology and how to properly use many common kitchen items (Datamonitor, December 2006).

Cooking is a low priority

Much of the reluctance to engage in lengthier meal preparation is due to limited motivation to cook in favour of other activities. The most popular methods of cooking are those that are both easy and relatively fast. Grilling is the most frequently used method of cooking in the U.S. and Europe, followed by microwaving (Datamonitor, December 2006). As illustrated in Figure 2, 49% of Americans use the microwave at least once a day to prepare a meal.

Figure 2: Household frequency of using microwaves in meal preparation



***Source:** Datamonitor*

Innovative Solutions

On the horizon new technological advances will assist consumers to minimize the time taken to prepare food in the home, access food on-the-go, and address the lack of cooking skills.

Technological Innovation

- Touch screen cooking is when a computer gives step-by-step instructions on how to prepare dishes. The system provides cooks with animated displays and videos. While the product may not be right for everyone, it is predicted that technology and portable media will invade the kitchen in the coming years, as consumers look for ways to conveniently prepare meals under the direction of trusted sources (Mintel, August, 2008).

- Takeaway food can now be ordered by text message, taking advantage of the current obsession with mobile phones. In 2006, GoMoBo launched their text message-based food-ordering service. After signing up, customers select a local restaurant, place their order by text and simply wait for food to be delivered. On average, consumers spend approximately 24% more than in-store orders using this method (Datamonitor, 2008). In addition Radio Frequency Identification (RFID) is being tested with mobile phone technology. Under RFID, consumers enter participating outlets, plug special RFID readers into their phones and aim their handset at the electronic menu to place an order. After placing the order, the consumer waits for a text to confirm and the cost is billed directly to the mobile phone number. Jeff DeGraff, business professor at the University of Michigan was quoted in *USA Today* (January, 2008) as saying: “Within five years, text ordering will be as common as online orders.”

Innovation in Distribution Channels

Convenience goes beyond the food product categories and also addresses novel access. Some companies have moved beyond the retail shelves and have designed new store and delivery formats to assist customers in accessing healthy and convenient food products. This includes the meal-assembly concept, delivery of organic products to the workplace, or customized foods for children. Each mode helps consumers maximize their time.

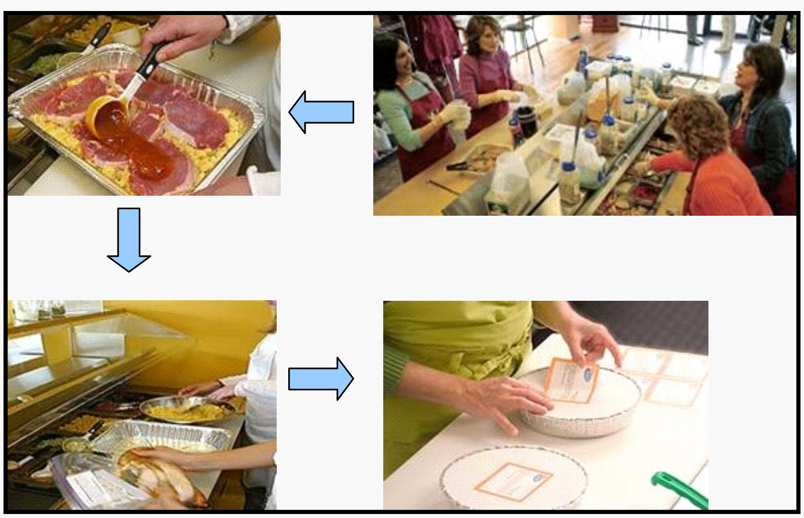
Futuristic Cooking Methods:

In the future, convenience could mean consumers growing their own food. The *Cocoon* cooker was the winner at a recent Electrolux Design Contest. The Swedish invention by Rickard Hederstierna is an example of forward-thinking technology. It is a food generator that lets the consumer grow their own meat. According to Hederstierna, the Cocoon could make food shortages a thing of the past. "This will create 100 % pure meat without the need for animals to be killed and with no risk of contamination," said the 27-year-old. "It will change everything." The design, described as "controversial" by one of the judges, is made of glass, and works by cooking pre-mixed packets of muscle cells, oxygen and nutrients (Device 2009).

Meal Assembly Stores

According to a 2009 Datamonitor consumer survey, 25% of U.S. respondents stated that they cook an evening meal from scratch five or more times a week, highlighting that a high proportion of households do not cook from scratch regularly. The concept of meal preparation stores began to appear in the U.S. in the early 2000s as a response to the convenience and health needs of consumers. These stores allow customers to make a month's supply of evening meals at a local franchised outlet in a one or two-hour session, using pre-cut and pre-measured ingredients and following predetermined recipes. This successful meal prep store concept satisfies two key consumer demands of suburban working moms: health and

Let's Dish! DREAM DINNERS SIMPLE. SMART. DELICIOUS. DINNER BY DESIGN™



Source: *Datamonitor*

convenience. Consumers want to provide their families with high-quality, nutritious food, but often do not have the time to prepare such meals. Meal prep stores offer a quick and easy way for consumers to provide nutritious meals for themselves and their family, while giving them the satisfaction that they have partly prepared the food themselves (Datamonitor, July 2007). While the concept is relatively new in Canada, there are opportunities for ingredient companies to serve as preferred suppliers of franchisees.

Organic Box Delivery Systems

Popular in the U.K., the organic box delivery system appeals to consumers' ethical and convenience needs (Datamonitor, 2008). With these systems, farmers, small businesses and some supermarkets, capitalize on consumer demand for organic, ethical food that is locally sourced and deliver it directly to their homes. According to The Soil Association, sales of organic boxes have increased by 53% from US$189 million in 2005 to US$ 291 million in 2006. Abel and Cole is one of the most successful organic box delivery models in the U.K. with over 50,000 customers. The company has expanded its distribution network by delivering fresh fruits and vegetables to offices and schools. The office delivery program called *Brain Food* give employees healthy and convenient snack options in the workplace. Able and Cole also has a business model called *Farmers Choice*, wherein the company supplies schools with bags of fruits and vegetables every week. Teachers and parents sign up for produce bags and pay the following week. A portion of the proceeds goes to the school which acts as a fund raiser (Datamonitor, 2008).

Healthy Convenience for Children

Kidfresh is a food retail and eating outlet in New York specially designed for children. The store caters to affluent and busy families who desire healthy convenience food. The outlet, dubbed as the "Whole Foods for the junior set", concentrates on healthy foods and markets products as being largely organic, free of artificial preservatives and additives, and low in fat and sugar. The concept capitalizes on both the health and convenience trends, which are driving children's food consumption. A Datamonitor survey on functional food and drink consumption trends showed that almost two thirds of parents surveyed (64%) had concerns about their children's overall diet, with 50% worried about their intake of junk food. A growing parental reliance on convenience foods has arisen due to the increasing number of families in which both parents work, meaning many families are cash-rich but time-poor. These factors have led to an increased demand for convenience foods, lunch box items, takeaways and children's menus. Kidfresh provides grab and go breakfasts, lunchboxes, snacks and dinners.

Kidfresh's standout product is the *Shapewich* (Figure 3), a sandwich that can be created in-house in a range of different shapes such as hands, faces and teddy bears. The store provides delivery in the Manhattan area. The company has developed four different children's meal ranges, each one made in keeping with the nutritional requirements of the target age range, based on the U.S. Department of Agriculture's dietary guidelines for Americans. The key to this idea is its simplicity; helping busy consumers make healthy decisions fast (Datamonitor, 2008).

Figure 3: Kidfresh signature sandwich, the Shapewich, and storefront

Source: *Datamonitor (2008) Kidfresh case study*

Conclusion

There are market opportunities for food manufacturers to develop product offerings that assist families and individuals in simplifying their lives and enhancing their quality of life. Fully-prepared and partially-prepared meal solutions that address decision making, time, energy and skill shortages of today's consumers will find a home in the marketplace. Products targeting the convenience trend can also be bundled with other attributes appealing to consumers interests in technology, health, and ethical concerns. This will assist companies differentiate their products from the competitor. In addition companies can capitalize on the convenience trend by building consumers' confidence in the kitchen and serving as a trusted helper, as well as by targeting the differing comfort needs of consumers and their preferences for traditional /home cooked dishes.

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Agriculture and Agri-Food Canada
1341 Baseline Road, Tower 5, 4th floor
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