Convenience

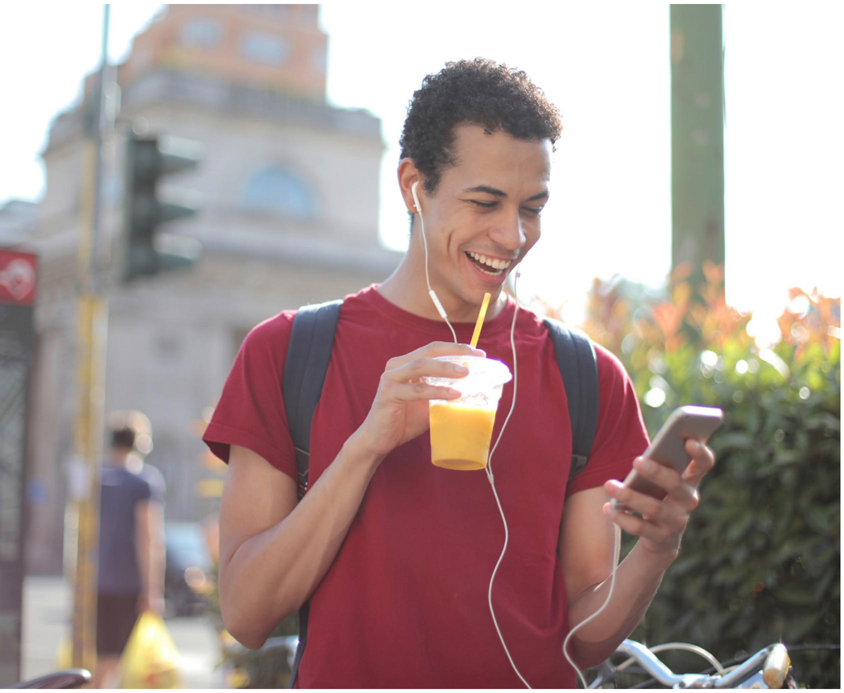
Insights Report

ELEVATING QUICK-AND-EASY FOODS AND BEVERAGES FOR TODAY'S CONSUMER

Consumers the world over love convenience foods—a quick meal or snack means less time shopping, cooking and cleaning up, and more time with friends and family. Manufacturers have heeded the call with innovations in boxed, frozen and packaged options . . . creating a smorgasbord to satisfy just about every shopper's taste and need. As the lines continue to blur between snack, lunch and dinnertime, convenience foods are evolving from time-savers to trusted staples.

Cargill

On-demand convenience



From breakfast to dinner, a new generation of modern convenience food and drink is emerging as manufacturers respond to rising quests for healthy eating and improved sustainability, alternative proteins, gourmet and ethnic options, and competition from quick-delivery services.[1] As a result, the global convenience foods market is expected to grow at a significant pace as its scope and applications are rising enormously across the globe.[2]

Technological advances will also raise consumer expectations for the category, from planning to shopping to preparation. Interest in premium convenience will not be limited to dinnertime, creating opportunities for every meal, snack and beverage break.[3] With more than half of the world's population online, the direct-to-consumer platform will continue to change how people get groceries, meals and even beverages.

Growth of the "on-demand" consumer ethos, along with more women in the workforce, is a primary driver behind the convenience foods and drinks market. The category can be segmented into chilled foods, canned foods, meals, frozen foods, beverages and ready-to-eat snacks, with this last category growing at a fast pace as acceptance widens for replacing meals with snacks.[4]

Globally, North America accounts for a substantial share of the convenience sector, and will likely continue as the market leader, with the United States and Canada as the major consumers in this region. Europe and Asia Pacific are also forecasted to positively influence future growth. Europe is the second-largest region, with significant market share. However, Asia Pacific is estimated to grow at the highest CAGR in the forecast period, with India and China as the major players here.[5]

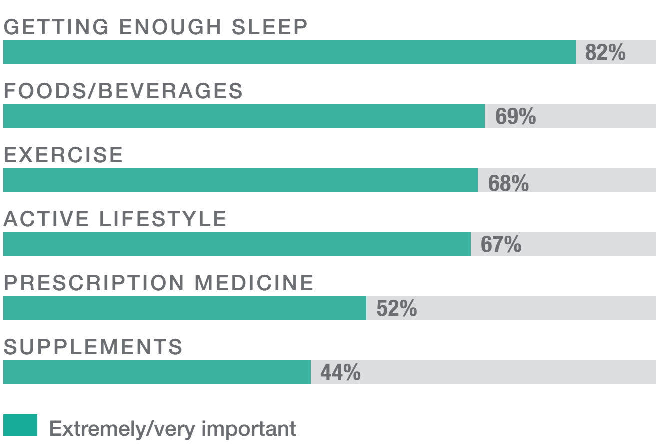
Here are five top trends shaping convenience today and for the foreseeable future.

TREND 1. Convenient and healthy

As the marketplace continues to move toward healthy options across all food and beverage categories, the convenience landscape is no longer solely dominated by perceptions of "processed" or "unhealthy." The use of label-friendly ingredients, fewer or no preservatives and more naturally sourced sweeteners makes it easier to find better convenience options to address consumer interests . . . and this desire shows no signs of abating. Today's shoppers rate what they eat and drink as important to promoting good health over exercise and prescription medications, thus leaving the door wide open for manufacturers to offer healthy options.[6]

This expectation of better-for-you options—even in indulgent categories—now extends across age demographics. Overall, 67% of shoppers (and nearly 75% of those in their 20's) believe all categories, including snacks, soft drinks and candy, should be made as nutritious as possible. When specifically choosing indulgent categories, health still permeates, with 54% reporting that health actually matters more than indulgence, and another 33% considering health and indulgence equally. Only 11% say that they consider indulgence more than health.[7]

How important are each of the following in maintaining good health/preventing health issues?



Source: Health Focus International, "2019 USA Trend Report."

Busy consumers want healthy options (strongly agree/agree)

Source: Health Focus International, "2019 USA Trend Report."

Success requires a holistic approach

To ensure success in a digital, fast-paced world, manufacturers must pay close attention to quickly evolving consumer concerns. To keep up, food and beverage products must deliver on taste while conveying health and a sense of ethics. To achieve that unique synergy with packaged foods, consider these five key insights.

Repositioning as a wholesome, natural product is a holistic effort[8]

Sustainable values. Having minimal negative impact on the environment, for example, contributes to the feel-good factor.

Nutritious profile. Consumers are aware of the types and amount of nutrition content, and look for nutrients such as protein, in addition to claims.

Plant-based. Ingredients suitable for vegans and vegetarians are considered healthful, beyond those that are intrinsically healthy.

Authenticity and provenance. Being transparent with consumers about where and how products are sourced helps to earn their trust.

Absence of unfavorable ingredients. Claims like free from preservatives, for example, can indicate fresher ingredients.

Add value with one word

Manufacturers can convey convenience, wholesome ingredients, easy preparation and ease of consumption with one word: *simple*. The term "simply" is often combined with other label messages, such as organic, natural, no preservatives, containing real fruit and more. The term also indicates ease of use and consumption, so it is a fairly versatile descriptor.[9]

TREND 2. Tapping into texture

Nutty and crunchy, creamy and smooth . . . move over umami, and make room for texture. Long overshadowed by color and flavor, the influence of texture on food and beverages is increasingly being recognized. This heightened sensory experience often creates a greater feeling of indulgence, according to Innova Market Research, which tapped Texture as one of its Top 10 trends of 2020.[10]

Brands are baby-stepping into texture by touting inherent qualities or launching new products highlighting texture, such as nitro beverages, fluffy bakery, jelly drinks and yogurts. Because meat analogs, plant-protein-rich products and dairy alternatives can offer texture challenges, some brands are responding by adding muscle/moisture pockets and formulating extra-creamy dairy-free yogurts.

Creating texture with label-friendly ingredients provides an opportunity to reinvent foods and beverages. Consumers are more wary of traditional texturants, such as modified starches, synthetic emulsifiers and gums.[11] In dairy alternatives, brands are responding with label-friendly, creamy texture from chicory root fiber and pea protein, lending a healthier nutrition profile from fiber fortification and the addition of plant protein; and in reduced-sugar beverages, plant-based pectin gives a full-sugar mouthfeel.

7 in 10 global consumers say that "textures give foods and beverages a **more interesting experience**"

3 in 4 consumers say "textures, such as crispy, make food and beverages **more indulgent**"

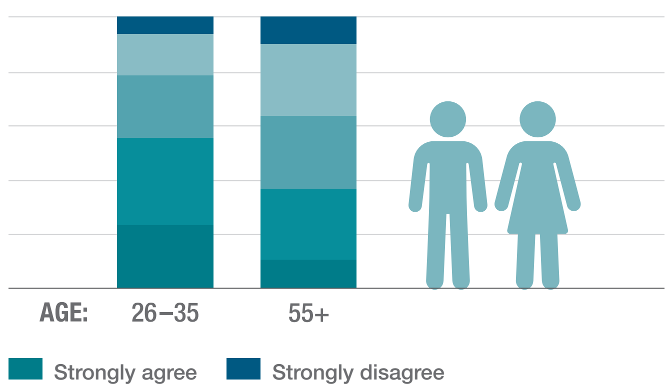
"I love **combinations of textures** in my food."

% of respondents who strongly agree

35% | 38% | 26%

Innova Market Insights. "Top 10 Trends for 2020." December, 2019.

"**I care more for the texture** experience than for the ingredient list of a food product."



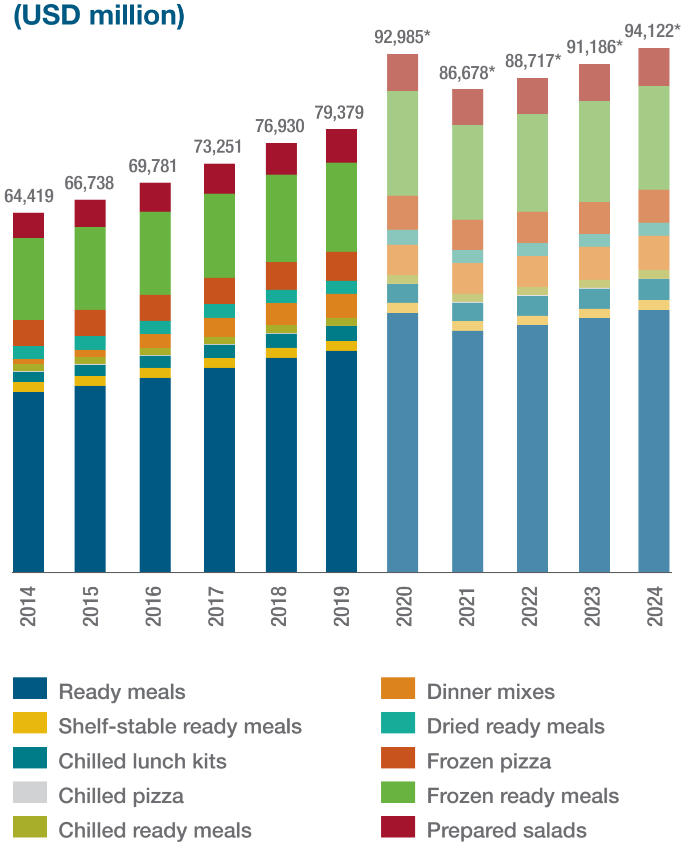
Source: Innova Market Insights. "Top 10 Trends for 2020." December, 2019.

TREND 3. Frozen foods heating up

Referred to by some experts as the “original meal kit,” the frozen foods market is bouncing back from its several-year slump due to competition from fresh, ready-made meals and other new healthy convenience offerings. Consumers who opted for meal-kit delivery programs may also be returning to frozen, as the shine is fading from the kit category which is increasingly under fire for packaging waste, cost, narrow expiration dates and online grocery purchases.[12]

The global frozen food market size was estimated at $280 billion USD in 2018, and is projected to expand at a CAGR of 4.3% from 2019 to 2025.[13] Frozen food consumers reported convenience as the main appeal of the category, but they also value the taste, quality, variety and consistency of the food itself; they are willing to be more adventurous with their palates and try new cuisines.[14] The turnaround in sales is attributed to innovation in the space highlighting health and ethics, along with the convenience of a frozen meal or snack.

U.S. Ready-Made Meals Market Growth (USD million)



* 2020–2024 indicates forecasted growth

Source: Euromonitor International, Packaged Food: Euromonitor from trade sources/ national statistics

Sweet Earth Foods, recently acquired by Nestle, has found its sweet spot in the frozen aisle by offering plant-based and vegetarian products with ethnic twists. Featuring “healthy and harmless” meat analogues, its burrito line offers a protein-packed world of flavors such as The Anasazi, The Kyoto, The Greek and the Curry Tiger. Another company, Good Foods Made Simple, with its tagline “Less is More,” is using clear marketing terms such as “no hormones” and “no antibiotics” instead of “all-natural” for its products.

For consumers who simply want healthier versions of their trusted favorites, frozen veteran Stouffers is delivering with its Simply Crafted line of family-size, kid-pleasing entrees like Five-Cheese Lasagna and White Cheddar Macaroni and Cheese featuring recognizable organic and non-GMO* ingredients without modified food starch or preservatives. Healthy revamps that feed the family quickly and easily can help parents feel good about the food they are putting on the table.

As consumers are snacking more than eating meals, options in the freezer feed the demand. This once-niche category is showing the highest growth margins in frozen and wide-open for healthy launches.

Top 3 frozen food categories with the largest percentage dollar growth

Soups/sides
+9.8%

Appetizers/ snack rolls
+5.8%

Breakfast foods
+5.7%

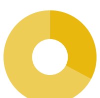
Source: Grand View Research. “Frozen Food Market Size, Share, & Trends 2019–2020.” June, 2019.

TREND 4. Plant-based progression

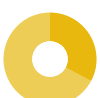
Once a niche category, plant-based foods and beverages have rapidly evolved into a robust and dynamic market category. With growth of U.S. retail sales of plant-based foods at 11.4 percent in the past year, bringing the total plant-based market value to $5 billion, it's clear that American consumers are hungry for alternatives to animal products.[15]

While the demand for plant-based food options is increasing across all consumer sectors, millennials are the true drivers. This younger, busy demographic appreciates and supports plant-based foods' convenience and ease-of-use. Health, ethics and diversity of options have been the traditional motivators for plant-based eating, but sustainability is increasingly top-of-mind for the switch to vegan eating, especially with younger buyers.[16]

Nearly **8 in 10** millennials eat meat alternatives, compared to more than half of non-millennials.



Almost **one-third** of millennials are trying to eat a more plant-based diet, compared to more than one-quarter of non-millennials.



One-third of consumers plan to buy more vegetarian/plant-based food products in the next year, rising to nearly two in five of millennials.

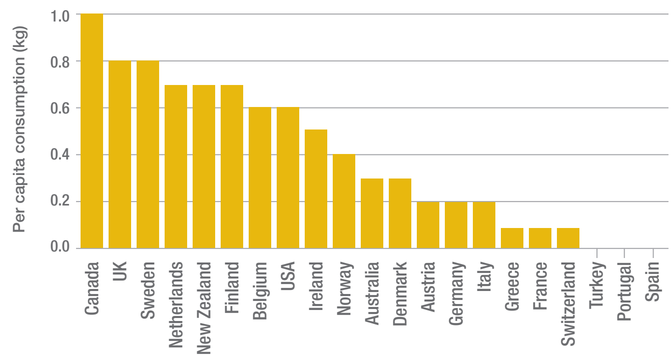
Mintel. "What Consumers Really Think About Meat Alternatives." October, 2018.

Meat substitutes market gets real

One need only look at the success of Burger King's Impossible Burger to see the potential in the alternative meat sector. With consumer acceptance of plant-based meat products on the rise, sales are expected to reach $8.1 billion by 2026.[17]

Most meat analogues are made through a process called shear-banding: a mix of water and protein isolate is pushed between a rotating cylinder through a tube. This technology is revolutionizing the simulation of meat structure and replicating the texture of chicken, tuna, beef and pork. The process is easily scalable and adaptable to manufacture products with different types of structures. It's inspiring new meat substitutes from non-specialized players, who blend their own mix of spices and flavorings with third-party-supplied protein structure. This new production model opens up the competitive meat substitutes landscape to anyone with the distribution network and marketing capacity to launch their own meat substitute.[18]

Total volume consumption of meat substitutes 2019 (Western Europe, North America, Australasia)



Source: Euromonitor. "Innovation in Context: Meat and Fish Substitutes." January, 2020.

Because the technology for texture is currently very similar across meat analogues, and many players are innovating a similar product selection, the protein source is the largest differentiator between products. This is especially true for label-reading consumers seeking a new experience. Soy remains the most common protein, but demand is growing for soy-free options—and manufacturers are following suit with increased soy-free packaging claims. Soy is being replaced with protein from peas, hemp, wheat, quinoa, corn, chickpea, flax, fava beans and mushrooms, often mixed to attain a unique flavor and texture. Ingredient scrutiny is sure to grow, and producers who opt for non-GMO,* organic and recognizable ingredients will be ahead of the pack.[19]

According to the Mintel report, sustainability remains a key selling point for meat analogues, and 61% of the global respondents are worried about climate change. To resonate with these consumers, meat analogue companies must communicate a strong association with sustainability and emphasize their role in ecology and climate compensation.[20]

Nothing fishy here

Fish substitutes have remained in the shadow of meat analogues, but hold significant potential. For consumers worried about overfishing, fish analogues relieve concerns while still providing a star protein. Specific fish alternatives, such as tuna, can appeal to foodies as replacements in recipes calling for a specific type of fish.

Asia Pacific has the highest share of protein intake from fish and seafood globally, especially sea-locked countries such as the Philippines and Malaysia. As meat analogue companies look to expand to Asia Pacific, fish substitutes could be a natural fit for local food culture.[21]

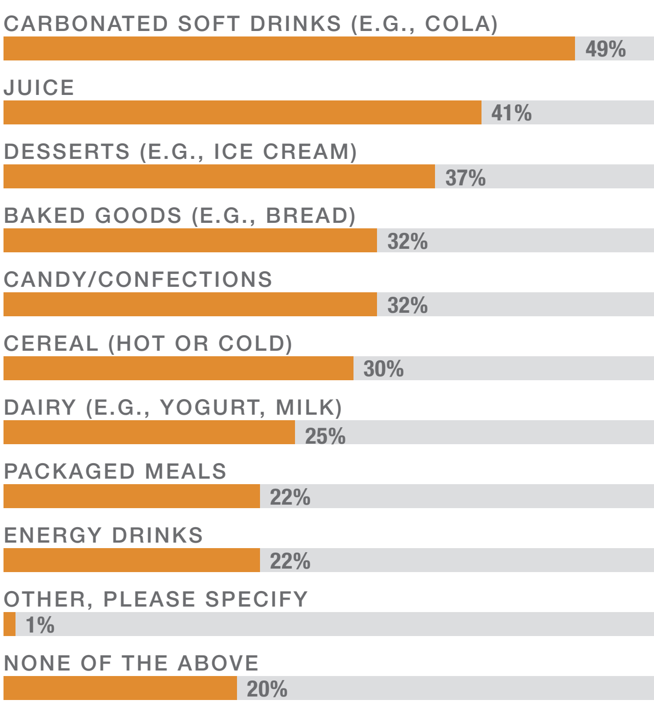
TREND 5. Sweet solutions

As shoppers' interest grows in simple and natural foods, so does their avoidance of perceived negatives—and this includes sugar and artificial sweeteners. Sugar continues to be a concern among purchasers, with shoppers reporting that sugar reduction is at the top of their list for healthy eating, and 7 out of 10 saying that a healthy diet should be low in sugar.[22,23] Additionally, with governments around the globe implementing actions to reduce sugar in processed foods and beverages, the onus is on manufacturers to find alternatives.

For products inherently high in sugar—such as cereal, yogurt and beverages—manufacturers are adding front-of-package labeling, including specifics like "35% less sugar," and when possible, "No sugar." Convenience food manufacturers should take note that just because a product is savory doesn't mean shoppers aren't aware of added sugars on the label.

Not all categories are created alike when it comes to sweeteners

Categories of concern regarding added sweeteners

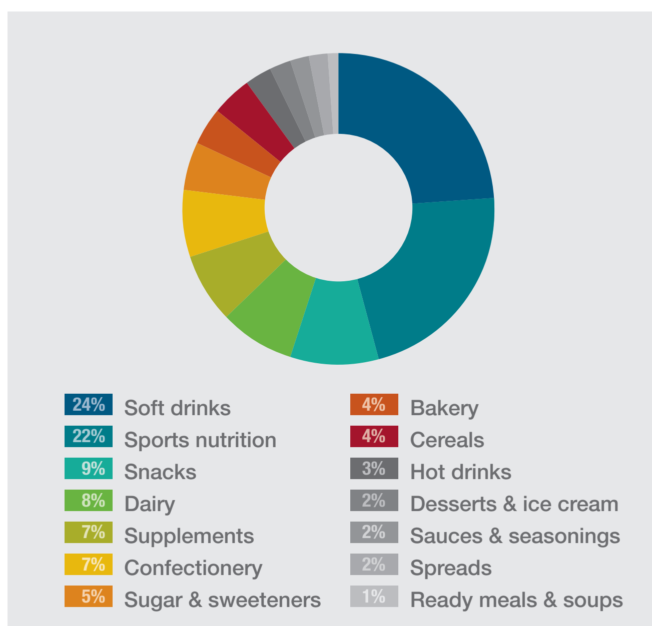


Source: Mintel. Consumer Trends in Sweeteners, 2019.

Sugar reduction poses challenges beyond flavor. Sugar affects texture, product structure, ingredient binding and mouthfeel. Fortunately, innovations in alternative sweeteners offer solutions for all types of foods and beverages.

Next-generation stevia sweeteners address flavor more easily—without the unwelcome aftertaste associated with earlier RebA ingredients—and continue to be used in a variety of convenience foods with great success. The sugar alcohol erythritol adds bulk, as well as flavor, without calories. Manufacturers are finding success with chicory root fiber, unmodified starches and hydrocolloids like pectin to create familiar textures.

Global stevia new product launches by market category



Source: Innova Market Insights

Conclusion

Looking ahead, a new wave of convenience foods will be available as the sector evolves alongside technology, culture and demographics. Expect to see expansion of grocery store individual meal kits and a new generation of prepared meals, snacks, sides and sauces in the canned, frozen, fresh and packaged segments that emulate the flavors and formats of restaurant offerings. Along with health and simplicity, anticipate ethics like sustainability and humane animal treatment to become more top-of-mind among consumers. The plant-based segment will grow, fueled by consumer demand and innovations in meat substitute technology and novel protein sources. Companies need to be ready to pivot quickly—but also remain true to the values their consumers know and trust. As the food industry rises to the challenges of the 21st century world, conscious convenience will lead the way.

Learn more about Cargill's full portfolio of ingredients for label-friendly convenience foods at cargill.com/label-friendly.

*There is no single definition of "non-GMO" in the USA. Contact Cargill for source and processing information.

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