Consumer Corner

Consumer demand for value-added food products: snack food

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Value-added food products

Consumer preferences are changing rapidly, creating opportunities to develop new food products that meet these needs. The pandemic brought radical changes to consumers' everyday lives, and many of the newly adopted behaviors may be here to stay. Many value-added food products have emerged as a response to these changing consumer demands. Businesses must be increasingly customer-oriented if they want to stay competitive and grow. This issue examines recent changes in consumer demand for food and how it influences the value-added food sector.

There is no formal definition of value-added food. A simplistic view is 'adding' to raw ingredients and processing them in a way that increases economic return. A useful definition of 'value-added' is provided by the United States Department of Commerce[1]:

- A change in the physical state or form of a product (such as milling wheat into flour or making strawberries into jam).
- The production of a product in a manner that enhances its value (such as organically produced products).
- The physical segregation of an agricultural commodity or product in a manner that results in the enhancement of the value of that commodity or product (such as an identity preserved marketing system).

In addition to these definitions, value-added also means increasing consumer appeal through meeting consumer needs of health, nutrition and safety requirements.[2]

Emerging trends affecting value-added food purchasing

Recent research on the food industry reveals the following primary trends in consumer food purchasing and consumption:

- Healthy options with flavour
- Food safety and transparency
- Digitally-driven delivery and take-away services
- Sustainable food options and minimizing waste
- High-protein
- Meal-kits

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[1] Value-added Products. University of Maryland Extension. https://extension.umd.edu/agmarketing/value-added-products

[2] Growing Canada's value-added food sector. Report of the The Standing Senate Committee on Agriculture and Forestry. 2019

Healthy options with flavour

The increasing incidences of food-related disorders have prompted consumers to change their diet and lifestyle making them more health-conscious than ever. Consumers are concerned about purchasing foods with added preservatives and artificial or added sugars that might affect their health.

One of the biggest challenges for the value-added food and beverage industry is to come up with a variety of nutrient-rich foods without diminishing their quality or compromising on taste, while maintaining the cost-effectiveness.

Food safety and transparency

Consumers have become increasingly interested in knowing what goes into their food. That has led to 'ingredient labelling' forming a major part of the packaging process. End-to-end traceability has emerged as one of the latest trends and a very important aspect of value-added food and beverage manufacturing.

Digitally-driven delivery and takeaway services

The consumer landscape has been transforming into a digitally-driven economy, with people ordering groceries and food from their mobile devices. According to a post pandemic consumer survey[3], 63.8 per cent of Canadians have ordered food online in some capacity over the last six months. Thirty-one per cent of respondents have used curbside pickup or home-delivery services from grocery retailers during that same period. This was followed by food delivered directly from a restaurant (28.6 per cent), via a delivery app such as Uber Eats or Skip the Dishes (26.3 per cent), meal kits from providers like Chef's Plate and HelloFresh (12.8 per cent), and farmers' market items using local delivery services (4.1 per cent).

Online shopping is increasingly becoming an omnichannel for grocery and food. Consumers, armed with the technology to check prices, compare products and user reviews, are no longer shopping in brick and mortar stores. New e-commerce channels are pulling sales from traditional brick-and-mortar stores and local retailers, as shoppers order instantly from retailers halfway around the globe.

This situation provides challenges to the value-added food sector. While it is important for food manufacturers to have a presence in e-commerce, it is also important to focus on product packaging, relationship development with retailers, delivery companies and so forth.

Sustainable food options minimizing waste

Consumers are increasingly concerned about sustainable aspects of their food consumption-particularly regarding plastic and packaging waste. Although consumers acknowledge the importance of packaging, they have not significantly shifted their views on packaging as a purchasing consideration. However, value-added food manufacturers have to focus on packaging and waste reduction aspects as there will be a consumer segment who will always scrutinize these attributes in the food products that they purchase.

High-protein and plant based options

High protein diets have been a key trend over the last few years. From sports nutrition to weight loss to healthy ageing, the use of this functional ingredient has been incorporated into many different categories. Recently, the focus is on plant-based proteins as consumers look for healthier and more sustainable ways to incorporate protein into their diet.

With consumers increasingly seeking functional, high-protein foods, value-added food manufacturers have the opportunity to innovate with new protein sources and high-protein food formats.

[3] COVID-19 Online Food Activity. Dalhousie University. 2020.

Meal-kits

The pandemic forced people to eat at home, giving them more reasons to try meal-kits that deliver a set of pre-portioned ingredients, and corresponding recipes, to make it easier to prepare meals. Meal-kit companies the world over have reported increasing sales, increasing market shares and profits.[4] Experts believe that this habit (home cooking) is here to stay in the long-term because of increased convenience and healthy eating trends. Therefore, meal-kits provide opportunities for the value-added food sector.

Consumer demand for value added food - snack food

Snack foods have been one of the fastest growing value-added product categories in the domestic market in recent years. Snack foods continue to evolve both as between-meal snacks, as part of main meals and as meal replacements.[5] The role of snack food is changing in response to consumer demand. Snack foods are well-positioned as value-added products with potential to address the above noted changing consumer needs and wants.

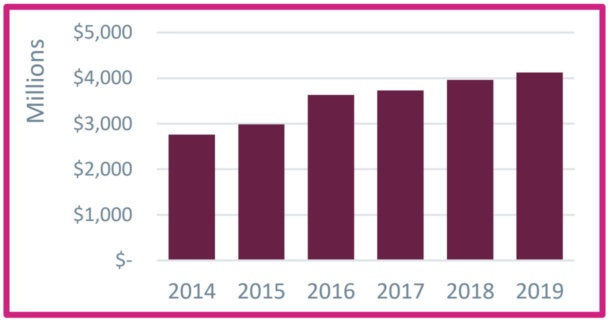
According to the North American Classification System (NAICS) the snack food industry is comprised of establishments that are primarily engaged in salting, roasting, drying, cooking or canning nuts. Processing grains or seeds into snacks and manufacturing peanut butter, potato chips, corn chips, popped popcorn, hard pretzels, pork rinds and similar snacks are also included.

However, according to Ipsos[6] the factors defining snacks have changed significantly and now include beverages and meals once positioned as breakfast, lunch or dinner.

Canada

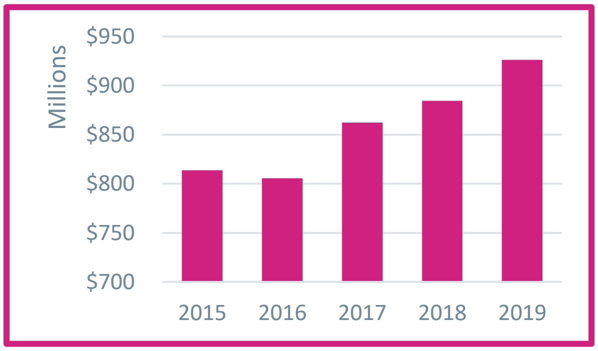
Recent data for snack food sales in Canada at the retail level/consumer level is not available. However, snack food manufacturing sales (Figure 1) and snack food import data (Figure 2) indicate that demand for snack food is increasing in Canada. The fact that these data are based on NAICS and are not included for beverages and meals that may be categorized as snack foods, the final sales values may be larger than the these figures indicate.

Figure 1: Snack food manufacturers' sales, Canada



Source: Statistics Canada

Figure 2: Snack food import values, Canada



Source: Industry Canada

[4] Financial Post. Aug 2020. https://financialpost.com/news/retail-marketing/meal-kit-popularity-explodes-during-pandemic-putting-more-pressure-on-traditional-grocers-to-change

[5] NPD. https://www.npd.com/wps/portal/npd/us/news/press-releases/2019/the-future-is-bright-for-snack-foods-as-permissible-portable-and-beneficial-eating-solutions/

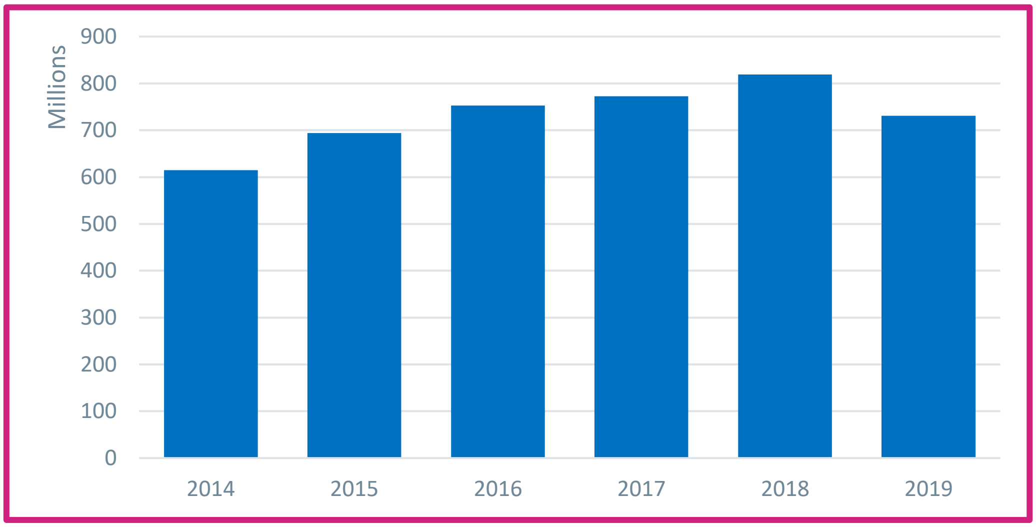
[6] Ipsos FIVE Canadian Snacking Nation 2018 report.

Alberta

Alberta snack food manufacturing sales show increases until 2018 and a dip of about 11 per cent in 2019. (Figure 3). The decrease may be attributed to tough economic conditions in Alberta. Again, these manufacturing sales data do not provide further details of snack categories.

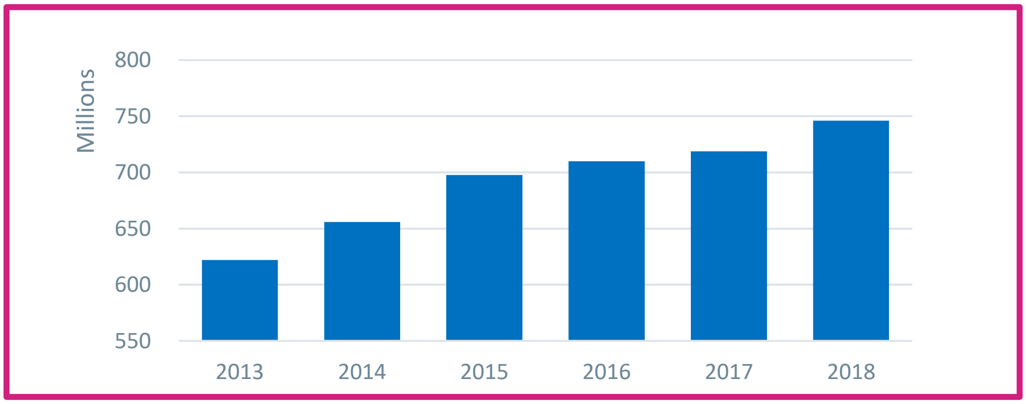
However, Alberta grocery sales data from 2013 to 2018 provides some details about the snack food category. As illustrated in Figure 4, snack food sales increased from 2013 to 2018. In 2018, snack food sales totalled around $750 million resulting in about a four per cent increase over 2017.

Figure 3: Snack food manufacturers' sales, Alberta



Source: Statistics Canada

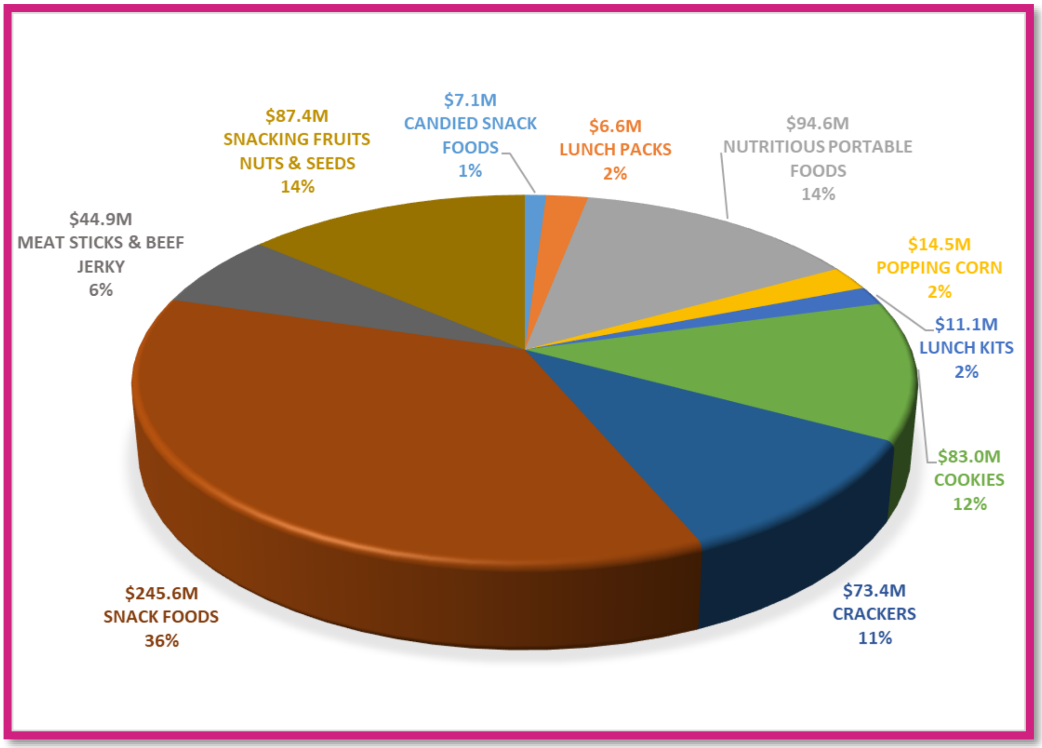
Figure 4: Alberta retail grocery sales – snack food category (2013-2018)



Source: Nielsen Market Track Reports - 2013 to 2018

Analysis of the average sales from 2013 to 2018 for various sub-categories show that 36 per cent of snacks fall under the NAICS defined, traditional snack category (potato chips, corn chips, tortilla chips and pretzels). The other major sub-categories include snacking fruit, nuts and seeds, nutritious portable foods, cookies and crackers (Figure 5).

Figure 5: Six-year average sales and percentages of snack food sub-categories, Alberta grocery sales data



Source: Nielsen Market Track Reports -2013 to 2018

In addition to Alberta grocery sales, made-in-Alberta/local food data provides snack food sales of Alberta-made product labels. A significant portion of the Alberta-made snacks fall into the traditional snack category. In the year ending January 2018, Alberta-made traditional snack sales comprised about 48 per cent of total sales in the traditional snack food category. (Table 1).

The six-year sales trends indicate increasing sales for all the sub-categories except for lunch packs, lunch kits and popping corn. The candied snack foods along with meat sticks and beef jerky sub-categories reported over 50 per cent sales growth from 2013 to 2018. The snacking fruits, nuts and seeds category showed 35 per cent sales growth during the same time. Increased sales indicate that there is potential for future market growth for these value-added food categories in Alberta.

There were no reported sales for Alberta-made crackers, lunch kits, lunch packs and popping corn. The other sub-categories that represent Alberta-made snack foods include meat sticks and beef jerky (2.4 per cent), snacking fruit and seeds (1.6 per cent), candied snacks (0.6 per cent) and cookies (0.2 per cent). The nutritious portable foods sub-category had the least Alberta-made products. These values may indicate potential value-added snack food sub-categories that Alberta food processors could capitalize on.

Table 1: Alberta-made snack food sub-category sales and their percentages of total sub-category sales in Alberta, year ending January 2018

Snack food sub-category	Total Sales value	Sales of products with Alberta made claim	% Alberta made
CANDIED SNACK FOODS	$ 5,668,045	$ 34,994	0.6%
COOKIES	$ 76,937,322	$ 134,595	0.2%
CRACKERS	$ 68,424,196	n/a	
LUNCH KITS	n/a	n/a	
LUNCH PACKS	n/a	n/a	
MEAT STICKS & BEEF JERKY	$ 41,381,181	$ 991,975	2.4%
NUTRITIOUS PORTABLE FOODS	$ 72,904,304	$ 1,758	0.002%
POPPING CORN	n/a	n/a	
SNACK FOODS	$ 232,819,020	$ 111,685,361	48.0%
SNACKING FRUITS NUTS & SEEDS	$ 63,585,554	$ 1,013,129	1.6%

Source: Made in Alberta/local food retail data

Take away

- The value-added food sector offers opportunities for Alberta agri-food processors to innovate and develop new products to meet emerging consumer trends such as more healthy food options with flavour, transparency and safety, sustainability and convenience food options (meal kits, digitally driven delivery and takeaway food).
- The snack food sector has great potential for value addition to meet changing consumer trends.
- Snack food manufacturing sales, import data and retail sales data provide evidence that there is a high consumer demand for snack foods.
- Alberta grocery sales data and made-in-Alberta/local food sales data for the snack food category are useful tools to show how each sub-category performs in sales and what percentage of Alberta made/local represents each sub-category.
- Emerging consumer demand and sales trend data for the snack food sub-categories suggests considerable value-added potential in the snack food sector for Alberta agri-food producers and processors.