EXECUTIVE SUMMARY

ATTITUDES TOWARDS FROZEN FOODS

UK, 2021

MINTEL

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THE COVID-19 PANDEMIC DROVE STRONG SALES GROWTH FOR FROZEN FOODS IN 2020; HOWEVER, BRANDS WILL NEED TO DISRUPT SHOPPERS' HABITUAL APPROACH TO BUYING FROZEN IF THEY ARE TO CONTINUE TO GROW SALES IN THE 'NEXT NORMAL'. FROZEN FOODS WITH ETHICAL ATTRIBUTES WARRANT FURTHER ATTENTION AS THESE ATTRACT STRONG CONSUMER INTEREST BUT ARE CURRENTLY UNDEREXPLORED ON THE MARKET.

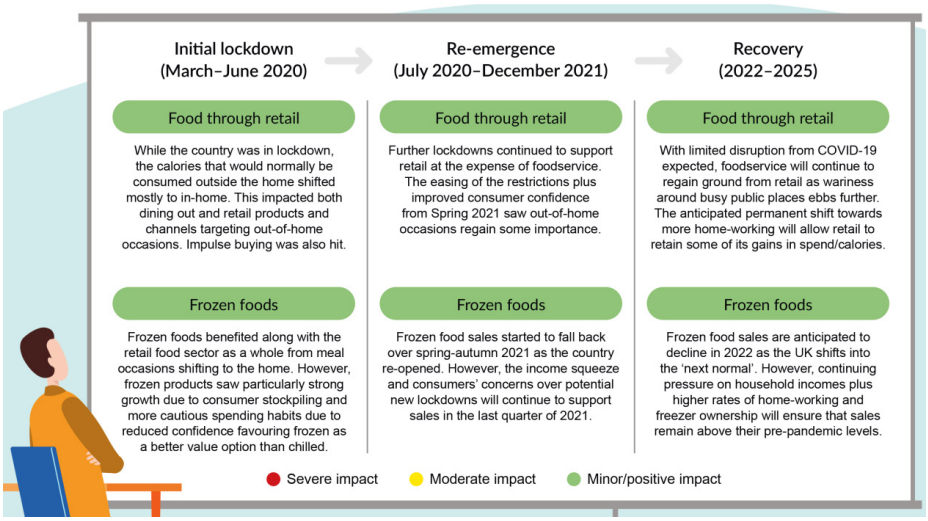
Alice Baker, Senior Research Analyst

Impact of COVID-19 on frozen foods

Figure 1 provides an analysis of the impact of COVID-19 on the frozen foods category, as well as the expected impact on the broader food market. It draws on Mintel's expertise in the market, our COVID-19 consumer tracking studies, and our learnings from previous periods of market disruption.

Areas highlighted in red are expected to be particularly hard-hit, yellow reflects an expectation of significant but largely manageable disruption, and green shows that we believe the market will face only minor negative impact, or that it could stand to benefit from the changes in consumer behaviour.

FIGURE 1: SHORT-, MEDIUM- AND LONG-TERM IMPACT OF COVID-19 ON FROZEN FOODS, 2021



Source: Mintel, November 2021

The market

COVID-19 sends frozen sales soaring in 2020

Estimated at £5.5 billion in 2021, the UK retail frozen foods market grew by 26.6% over 2016-21. This was mainly driven by the surge in category volume sales in 2020, which were the result of the COVID-19 restrictions shifting meal occasions to the home, plus consumers stockpiling long-life products. The prevailing uncertainty also dented consumer confidence, causing them to adopt more cautious spending habits and thus opt for frozen as a more economical choice.

Growth in frozen starts to slow in 2021

The strong growth in frozen food sales continued for much of the first half of 2021 while restrictions remained in place, but started to decline over late spring through autumn as the country re-opened. However, pressure on household incomes, plus consumer concerns over possible new lockdowns, will continue to support sales for the final months of 2021. Average prices rose in 2021, in line with the wider food market, due to various issues in the supply chain.

Frozen food sales for 2022-26 to remain above their pre-pandemic levels

Further inflation is expected in the frozen food category over 2022-26. Frozen food volume sales are anticipated to decline further from their 2020 peak in 2022 as the UK enters the 'Next Normal', with the continued shift back towards more out-of-home working practices and leisure occasions. However, the continuing income squeeze will continue to support sales.

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The expected permanent shift towards more at-home working and increased freezer ownership will also help to keep sales for 2022-26 above their pre-pandemic levels. The projected decline in the child population over 2020-25 will hinder sales of frozen foods, as usage of many frozen products is higher among families. Consequently, value sales of frozen foods are projected to rise by 11.5% to just under £6.1 billion and volume sales to fall by 0.3% to 1.6 billion kg over 2021-26.

As well as our central forecast, we have created an alternative scenario in which COVID is brought under control even more quickly than currently expected (our Rapid Recovery scenario), and a scenario where we examine the impact of even higher levels of COVID-related disruption (our Extended Disruption scenario). For further details, see the section COVID-19 Scenario Performance.

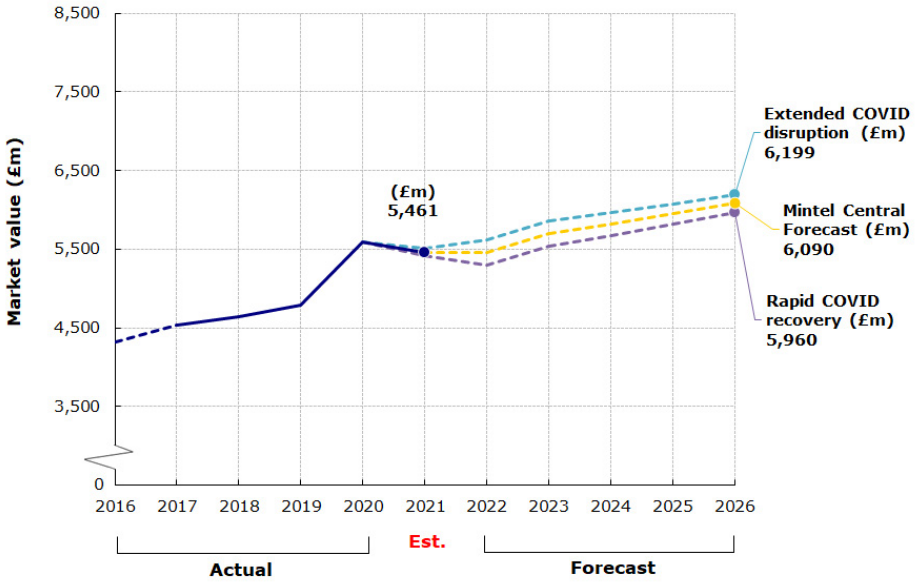
Companies and brands

Own-label dominates sales in the frozen foods sector

Own-label dominates sales in the frozen foods sector, accounting for 58% of category value sales and 65% of volumes in the year to September 2021. This reflects the fact that supermarkets' own-label lines are the only operators present in all segments of the frozen foods category.

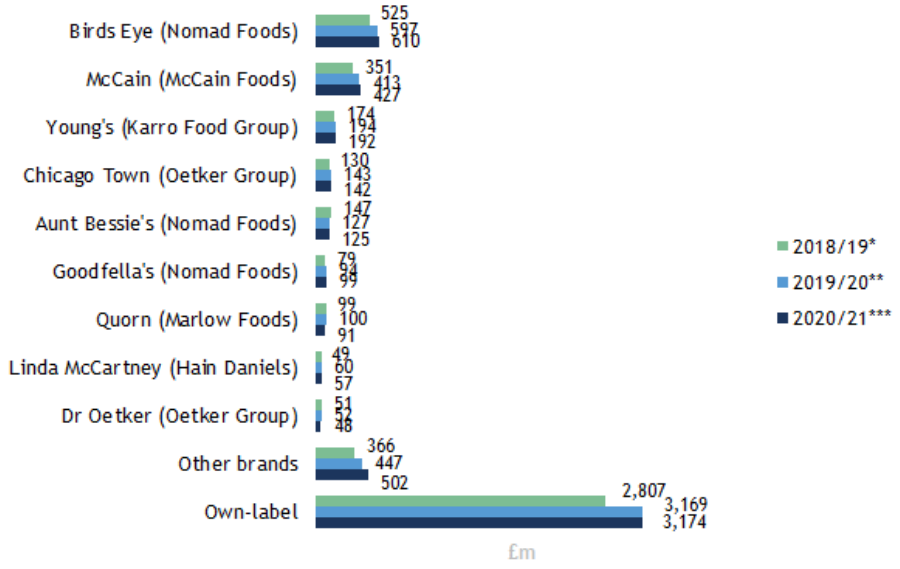
Own-label experienced strong sales growth in 2020 in line with the frozen foods sector as a whole, also benefiting from consumers' more cautious spending habits. Own-label frozen food volume sales declined faster than the overall category in the year to September 2021 as improved household finances allowed shoppers to trade up to branded products, although value sales remained in growth due to overall food price inflation.

FIGURE 2: COVID-19 SCENARIO VALUE FORECASTS FOR RETAIL SALES OF FROZEN FOODS, 2016-2026



Source: Based on IRI/Mintel

FIGURE 3: LEADING BRANDS' VALUE SALES IN THE UK RETAIL FROZEN FOODS MARKET, 2018/19-2020/21



*52 w/e 14 September 2019

**52 w/e 12 September 2020

***52 w/e 11 September 2021

Source: Based on IRI/Mintel

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Birds Eye and McCain gain from uptick in meals at home, Aunt Bessie's loses out from curbs on socialising

The leading player in frozen food, Birds Eye, enjoyed strong growth both in 2020 and 2021, benefiting from meals shifting to the home while COVID-19 restrictions were in place. Extensive advertising also helped to keep the brand front-of-mind for consumers. McCain was another brand to gain from the uptick in at-home meal occasions, including people looking to recreate foodservice meals. Meanwhile, Birds Eye's Nomad Foods stablemate Aunt Bessie lost sales in 2020 due to the restrictions on social interactions at key roast dinner occasions such as Easter and Christmas.

Health claims are underexplored in frozen foods

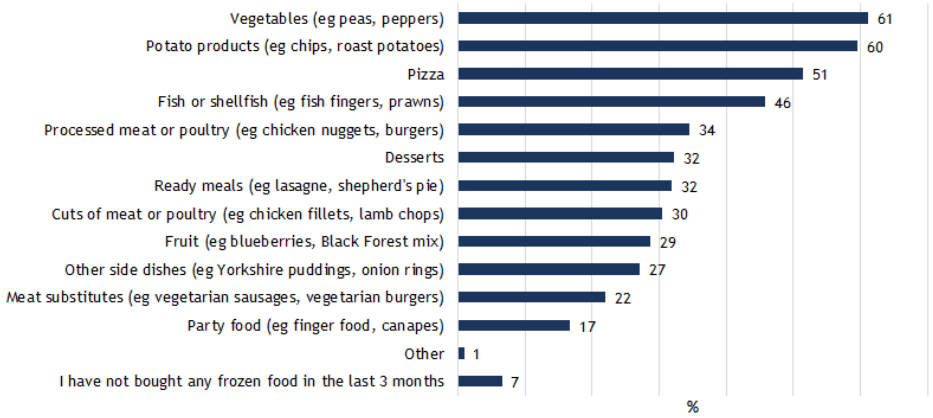
Health claims are rare in frozen food launches. Low/no/reduced (L/N/R) saturated fat was the most widespread 'minus' health claim in 2020; however, it featured on just 8% of frozen food launches. Similarly, high protein was the most widespread positive health claim, but appeared on only 6% of launches in 2020. There is an urgent need for more health-led NPD in frozen foods, given many consumers' increased health consciousness since the COIVID-19 outbreak and the looming HFSS regulations.

Multiple brands crossover into frozen during 2020-21

Various brands crossed over from chilled and ambient categories into the frozen foods sector in 2020 and in January–August 2021. This included several brands such as Cathedral City, Hula Hoops and Del Monte working with Iceland to release exclusive products. Meanwhile, a number of foodservice operators, including Itsu and Pret a Manger, launched products at retail or expanded their selection over 2020/21, probably with an eye to making up for lost sales while venues were closed. Frozen food brands such as McCain also turned to foodservice trends for inspiration, putting them in a position to benefit from people's efforts to recreate restaurant meals at home.

FIGURE 4: PURCHASE OF FROZEN FOODS, BY TYPE, 2021

"Which of the following types of food have you bought frozen in the last 3 months?"



Base: 2,000 internet users aged 16+

Source: Kantar Profiles/Mintel, July 2021

Frozen foods advertising focuses on quality and family connections in 2020/21

Quality was the focus in adverts from a number of the leading frozen food brands during 2020/21, with Birds Eye highlighting how freezing helps to preserve fish's freshness and nutrients and Young's emphasising its expertise, including its role in the invention of scampi. Another theme emerging strongly in advertising for frozen foods over 2020/21 was the products' key role in family meals. Birds Eye's adverts for its processed poultry products put a strong emphasis on their versatility and ability to elevate everyday meal occasions. Others such as McCain and Aunt Bessie's also looked to mine emotional associations by focusing on how shared meals bring families together.

The consumer

Buying of frozen foods is near-universal, with many buying from multiple segments

Buying of frozen foods is near-universal; 93% of adults buy at least one type, with frozen vegetables and potato products the most widely bought types. Many people have wide purchase repertoires, with a quarter (23%) of adults buying seven or more types of frozen foods. Frozen pizza, fish and shellfish, and processed and unprocessed meat/poultry, stand to face headwinds from the falling birth rates and the resulting decline projected for the child population, with purchasing of these products higher among parents of under-16s than non-parents.

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Convenience motivates buying of frozen products, but need for more ethical emphasis

Ease and speed of preparation are the top reasons for buying frozen foods. There is a strong overlap between the two motivations, with 68% of people who seek out foods that are easy to prepare also buying frozen because it's quick to prepare.

Wanting to have products on hand as a standby meal option is another key reason for buying, with this having gained additional pertinence for many consumers since the COVID-19 outbreak. There is a need for companies to raise consumer awareness of frozen products' role in reducing food waste. While this is an important issue for many consumers, only 36% of category buyers cite it as a reason for buying frozen.

Consumers' lack of awareness limits sales of frozen foods, with some quality concerns also

Companies need to make more consumers aware of the breadth of selection of frozen food products available, as 26% of people who do not buy any/all types of frozen food say that it doesn't occur to them to buy some products frozen. Perceptions that chilled foods/fresh produce is better quality than frozen are off-putting, particularly for younger adults, standing at 30% among 16-34s, compared with 23% of 35-54s and 22% of the over-55s. Giving background details about product sourcing and manufacturing should help to strengthen quality associations, as should innovation in products with ethical attributes.

FIGURE 5: REASONS FOR BUYING FROZEN FOODS, 2021

"Why do you buy foods frozen? Please select all that apply."

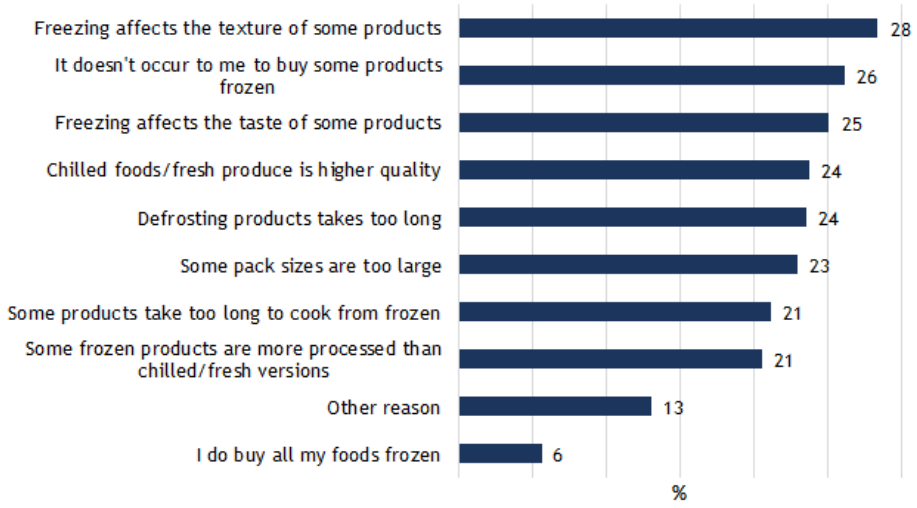


Base: 1,869 internet users aged 16+ who have bought frozen foods in the last 3 months

Source: Kantar Profiles/Mintel, July 2021

FIGURE 6: BARRIERS TO BUYING FROZEN FOODS, 2021

"Why do you not buy any/all your foods frozen?"



Base: 1,999 internet users aged 16+ who have not bought any frozen foods in the last 3 months or who have bought frozen foods in the in the last 3 months but have not bought all types specified

Source: Kantar Profiles/Mintel, July 2021

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Need to disrupt shoppers' habitual approach to buying frozen, with untapped potential in ethical

Many shoppers' habitual approaches to buying frozen – including only visiting the aisle at the end of the shopping trip and only when they have specific products in mind to buy, as well as spending little time browsing the aisle – make it difficult to grow sales of frozen by limiting the potential for people to come across new products. Perceptions of the frozen aisle as uninspiring and hard to navigate will also limit sales. Companies must therefore find ways to tempt shoppers into the frozen aisle and to maintain engagement once they arrive.

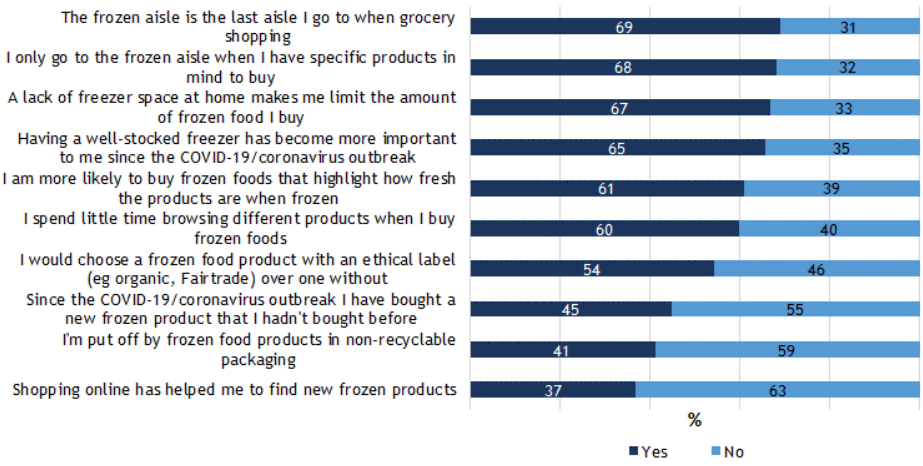
Frozen foods with ethical labels/ certifications warrant further exploration, as while 54% of category buyers would choose a frozen food product with such labelling over one without, ethical claims are rare in the frozen foods category. Consumers' increased environmental and ethical consciousness following the COVID-19 outbreak strengthens the opportunities for brands to gain sales by highlighting their ethical credentials.

Loose frozen produce and bake-at-home international sweet baked goods attract interest

There is good potential for supermarkets to extend their packaging-free initiatives to include frozen products; loose frozen produce appeals to 29% of adults, rising to 40% among over-65s. Frozen bake-at-home international sweet baked goods have potential to succeed in the 'Next Normal' due to the anticipated permanent shift towards more home working boosting at-home breakfast and snacking occasions. These products appeal particularly to under-35s and parents of children aged 4 and under, at 26% and 28% respectively.

FIGURE 7: BEHAVIOURS RELATING TO FROZEN FOODS, 2021

"Do the following statements apply to you?"

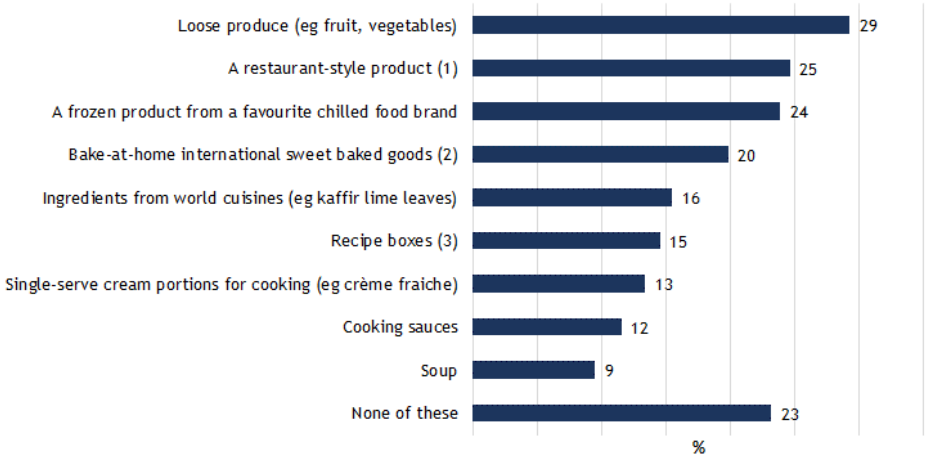


Base: 1,869 internet users aged 16+ who have bought frozen foods in the last 3 months

Source: Kantar Profiles/Mintel, July 2021

FIGURE 8: INTEREST IN FROZEN FOOD INNOVATION, 2021

"Which of the following products would you be most interested in buying frozen? Please select up to 3."



Base: 2,000 internet users aged 16+

(1) Full statement reads: 'A restaurant-style product (eg Itsu gyozas, TGI Fridays chicken wings)'

(2) Full statement reads: 'Bake-at-home international sweet baked goods (eg frozen cinnamon buns)'

(3) Full statement reads: 'Recipe boxes (i.e. ready-to-cook kit with ingredients measured and prepared)'

Source: Kantar Profiles/Mintel, July 2021

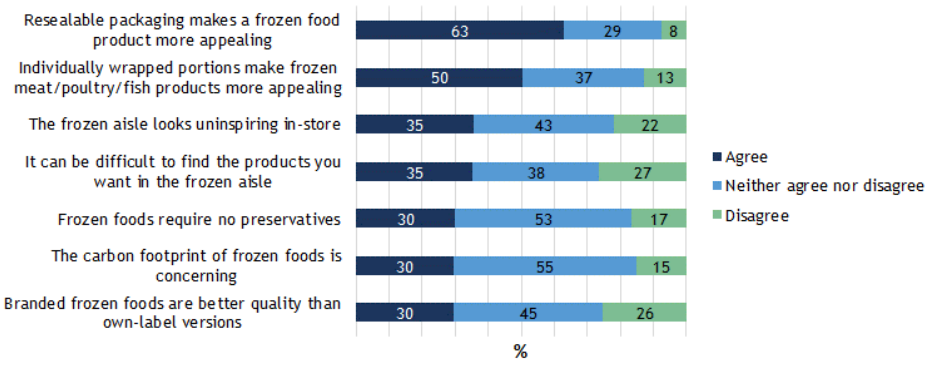
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Need to strike a balance between convenience and sustainability for frozen food packaging

Convenience is important for shoppers when it comes to frozen foods with, for example, 63% of adults saying that resealable packaging makes frozen products more appealing. Brands do, however, need to strike a balance between convenience and sustainability; 46% of people who prefer resealable packaging, and 41% overall, are put off by frozen food products in non-recyclable packaging. Frozen foods present certain challenges for combining resealable packaging elements with plastic reduction, but there are other options for companies to explore, including resealable cardboard packaging.

FIGURE 9: ATTITUDES TOWARDS FROZEN FOODS, 2021

"Do you agree or disagree with the following statements?"



Base: 2,000 internet users aged 16+

Source: Kantar Profiles/Mintel, July 2021

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