



Frozen Retail Demand Strengthens in April 2022

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The April Marketplace

The shift in Easter/Passover dates from early- to mid-April moved holiday dollars from March to April, and as such, from the first to the second quarter. Easter is typically a big selling season for many categories and was the most disrupted of the major holidays in 2020 when most states were under shelter-in-place mandates. In its Easter 2022 overview, the National Retail Federation found that consumer engagement was nearly back to pre-pandemic levels, with 80% celebrating. Average per person spending on all holiday-related purchases was \$170 — a three-year low. Amid 40-year high inflation, consumers expected to spend more on food, but pulled back on spending in all other categories, including clothing, gifts, decorations and flowers.

Inflation not only took the headlines for the Easter holiday, but also dominated everyday spending. The April 2022 IRI survey of primary shoppers found that 90% of consumers believe food prices are somewhat or a lot higher than last year, of whom 96% are concerned about it. This includes 53% who are extremely concerned — the first time this number has moved past half of the population. This compares to 23% of consumers being extremely concerned over coronavirus in this same survey — meaning inflation has a far greater grip on the nation's food spending than COVID-19 at this point.

As a result of inflation, consumers are taking a wide variety of measures, according to the April IRI survey:

- 35% of consumers are planning on cutting back on restaurant spending; however, that may not automatically translate into fewer restaurant visits. In fact, the consumer estimated share of meals prepared at home dropped slightly below 80%, to 78.8%. This points to consumers visiting restaurants a bit more than during December through February, but they are finding ways to reduce their spending. Restaurant takeout remains big, at 52% of consumers having ordered restaurant takeout in April 2022, which may also be a money-saving tactic versus eating on premise.
- Opportunities for retail remain the home-cooked meal with 91% of consumers expecting they will cook from scratch as much (72%) or more often (19%) as last year. Another opportunity is renewed in-person socializing with friends and family with 15% expecting to entertain more.
- The slight increase in online shopping with the Omicron wave of COVID-19 has also receded. Describing their last grocery shopping trip, 13% of consumers shopped online and 87% shopped in person. Among those shopping online, pickup was slightly more popular (7%) than delivery (6%).
- An ever-growing 78% of consumers, up from 72% in March, are making one or more changes to save money while shopping for groceries. While consumers tried to combine all grocery needs into one store, one trip in the past few years, 17% of consumers now visit multiple retailers to get the best deals. More commonly, 47% of consumers are looking for sales promotions. However, in the volatile market, both the frequency of promotions and the depth of the discounts are down significantly versus pre-pandemic across departments and consumers are recognizing this. The survey found that 55% of consumers are finding fewer items they want on sale and 44% believe that when they find promotions, the discounts offered are not as deep as in prior years.
- More than half of consumers, 51%, are now stocking up on certain items. This is driven by concerns over out-of-stocks (24%) and worries that prices may rise further (20%).

Inflation and money-saving measures are widespread and frozen foods are no exception. To document the ever-changing nature of the marketplace, IRI, 210 Analytics and AFFI continue to team up to bring the latest trends and analysis relative to the frozen food department.

Inflation Insights

The price per unit across all foods and beverages in the IRI-measured multi-outlet stores, including supermarkets, club, mass, supercenter, drug and military, accelerated further to an increase of 10.7% in the four weeks ending April 24, 2022 ("April") versus the same four weeks in 2021. Inflation was in the double digits in the center of the store as well as in perishables and compared to April 2019, prices across all foods and beverages were up 21.3%.



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Average price/unit vs. YA	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Jan 22	Feb 22	Mar 22	Apr 22
Total food and beverages	+5.5%	+2.7%	+5.0%	+8.0%	+9.9%	+9.1%	+10.3%	+10.3%	+10.7%

Source: IRI, Integrated Fresh, Total US, MULO, average price per unit and % gain versus YA

Frozen food prices rose in 2020 and 2021, but less so than total food and beverages. In April 2022, the price per unit for frozen foods increased an average of 12.6% — higher than inflation for the total store.

The biggest contributors to frozen food inflation were meat, poultry and seafood, meals and snacks. Frozen fruit and vegetables, baked goods, beverages and desserts averaged single-digit price per unit inflation versus April of 2021.

April 2022	Average price per unit	Change vs. YA	Change vs. 2YA
Frozen food department	\$4.55	12.6%	12.7%
Baked goods	\$3.89	12.4%	11.6%
Beverages	\$2.64	2.8%	14.0%
Desserts	\$4.17	7.6%	6.0%
Fruits and vegetables	\$2.75	7.5%	7.4%
Meals	\$4.14	15.4%	15.2%
Meat/poultry/seafood	\$8.84	14.3%	17.3%
Snacks	\$5.73	16.9%	14.8%

Source: IRI, Integrated Fresh Total US, MULO, average price per unit vs. YA and 2YA

April 2022 Sales

The four April 2022 weeks brought \$56.2 billion in total food and beverage sales, which was up from \$54.3 billion in March — likely boosted by the later Easter/Passover timing. Compared with April 2021, dollars increased 8.0% and compared with pre-pandemic, April sales were up 22.0%. Inflation played a significant role with year-on-year unit sales down 2.4%. Perishables, including produce, seafood, meat, bakery and deli, had slightly above average growth, at +7.6%. Frozen foods had the highest increase versus pre-pandemic, at +29.5%.

April 2022	% sales change versus year ago						
	Dollar size	Dollars vs. 2021	Dollars vs. 2020	Dollars vs. 2019	Units vs. 2021	Units vs. 2020	Units vs. 2019
Total food and beverages	\$56.2B	+8.0%	+1.2%	+22.0%	-2.4%	-11.2%	+0.6%
Total perishables	\$25.0B	+7.6%	+1.6%	+21.0%	-3.2%	-9.8%	+1.0%
Total frozen	\$5.3B	+6.8%	-5.8%	+29.5%	-5.1%	-16.3%	+5.1%

Source: IRI, Integrated Fresh, Total US, MULO

Assortment

The frozen food department unit and volume sales were also affected by supply chain woes. Disruption continued to affect the number of items per store. Lapping the declines in assortment seen throughout 2020 and 2021, the number of items per store in the frozen food aisle averaged 1,445 in April 2022. Year-on-year this was down 6.2% but compared with 2019, assortment was down 9.5%. That means the many fewer items need to work harder to accomplish the same sales.

Avg. frozen items/store/week	2019	2020	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Apr 22
Avg. items per store/week	1,523	1,518	1,536	1,544	1,498	1,467	1,454	1,445
Change vs. YA	-3.8%	-0.3%	-2.7%	+1.6%	+1.5%	-2.3%	-5.3%	-6.2%

Source: IRI, Integrated Fresh Total US, MULO, average weekly items per store selling



A Deep-Dive into Frozen Food Sales

All April 2022 weeks came in around \$1.3-1.4 billion in sales —maintaining the weekly levels seen year-to-date. Easter weekend, the week ending April 17th, was the biggest along with the week leading up to the holiday. These two weeks also had the highest year-on-year increases, in the double digits. Post holiday, sales normalized to \$1.2 billion.

Frozen food	Dollar sales	Dollar gains vs. 2021	Unit gains vs. 2021
April 2022	\$5.317B	+6.8%	-5.1%
w.e. 4/3/2022	\$1.308B	+2.7%	-9.6%
w.e. 4/10/2022	\$1.372B	+14.6%	+2.6%
w.e. 4/17/2022	\$1.400B	+10.9%	-1.1%
w.e. 4/24/2022	\$1.238B	-0.7%	-11.9%

The April sales growth over 2021 levels was supported by all areas within frozen, with the exception of beverages. The biggest sales boosts came from frozen snacks and baked goods. Within frozen meals, pizza is coming on strong. In frozen animal protein, seafood had the highest sales, but processed poultry was the best growth performer.

Dollar sales	% sales change vs. YA									
	2019	2020	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Apr '22	\$ vs '21	Units vs '21
Frozen food department	+2.2%	+22%	+4%	-7%	3%	+5%	+5%	\$5.3B	+6.8%	-5.1%
Meals	+1.4%	+16%	+0%	-2%	7%	+8%	+8%	\$1.9B	+7.2%	-7.1%
Breakfast food	+2.9%	+19%	+7%	7%	11%	+12%	+11%	\$375M	+9.4%	-5.4%
Dinners/entrees	+0.6%	+12%	+1%	3%	11%	+12%	+7%	\$918M	+5.4%	-9.9%
Pizza	+3.1%	+22%	-3%	-13%	0%	-0.4%	+7%	\$464M	+9.4%	-2.6%
Meat/poultry/seafood	+3.3%	+33%	+7%	-11%	4%	+7%	+6%	\$1.4B	+9.8%	-4.0%
Seafood	+5.1%	+37%	+18%	-10%	1%	+4%	-3%	\$566M	+2.8%	-5.3%
Processed poultry	+3.7%	+35%	+7%	-1%	15%	+15%	+18%	\$322M	+20.7%	+0.5%
Poultry	-1.1%	+30%	-7%	-24%	-1%	+3%	+9%	\$190M	+17.3%	-7.1%
Meat	+2.2%	+25%	-2%	-13%	6%	+10%	+10%	\$215M	+8.2%	-4.2%
Desserts	+2.1%	+18%	+6%	-7%	-2%	0%	+3%	\$1.1B	+1.9%	-5.3%
Ice cream/sherbet	-1.3%	+16%	+0%	-15%	-7%	-6%	-2%	\$522M	+0.3%	-3.2%
Novelties	+7.0%	+21%	+14%	1%	3%	+7%	+8%	\$496M	+1.9%	-9.4%
Desserts/toppings	+1.2%	+19%	+16%	-15%	2%	+8%	+7%	\$78M	+14.7%	+3.6%
Fruits & vegetables	+2.7%	+24%	-2%	-14%	-4%	-3%	-1%	\$582M	+4.6%	-2.6%
Fruit	+1.4%	+33%	+9%	-6%	-1%	+2%	-0.4%	\$131M	-0.6%	-10.8%
Potatoes/onions	+4.0%	+29%	+6%	-14%	-1%	+2%	-0.4%	\$190M	+10.8%	-2.9%
Plain vegetables	+3.8%	+19%	-11%	-17%	-8%	-6%	-2.5%	\$227M	+3.0%	-1.8%
Prepared vegetables	-12.6%	+5%	-9%	-14%	0%	+2%	+5.6%	\$18M	+16.3%	+20.9%
Snacks	+4.3%	+30%	12%	-3%	12%	+10%	+8%	\$249M	+14.2%	-2.3%
Baked goods	+2.2%	+16%	4%	-12%	0%	+1%	+5%	\$163M	+10.9%	-1.3%
Beverages	-9.9%	+31%	6%	-13%	-3%	-3%	-0.2%	\$21M	-1.7%	-4.4%

Source: IRI, Integrated Fresh, Total US, MULO

What's Next?

The war in Ukraine, the renewed COVID lockdowns in China, record inflation, labor shortages and supply chain challenges will have a continued effect on food and frozen food sales in the months to come.

- Inflation is likely to boost dollar sales while pressuring unit and volume sales.
- More Americans are growing worried about their financial health and ability to purchase what they need.
 - 38% of households report that their current financial health is strained.
 - 32% of household expect their financial situation will look worse a year from now.
- Online shopping seems to be plateauing in engagement: 3% expect to purchase all groceries online, whereas 69% expect to exclusively purchase in-store. The remaining 28% have a hybrid system in which they buy some items online, others in person. This is the most likely area of continued sales growth for grocery e-commerce in case of increased online shopping frequency and/or greater online spending.



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AFFI members now have access to more in-depth information through the IRI portal on the AFFI website. The next performance report in the IRI, 210 Analytics and AFFI series will be released mid-June to cover the May sales trends. Please recognize and thank the entire frozen food chain for all they do.

Date ranges:

2019: 52 weeks ending 12/28/2019

2020: 52 weeks ending 12/27/2020

Q1 2021: 13 weeks ending 3/28/2021

Q2 2021: 13 weeks ending 6/27/2021

Q3 2021: 13 weeks ending 9/26/2021

Q4 2021: 13 weeks ending 12/26/2021

Q1 2022: 13 weeks ending 3/27/2022

January 2022: 5 weeks ending 1/30/2022

February 2022: 4 weeks ending 2/27/2022

March 2022: 4 weeks ending 3/27/2022

April: 4 weeks ending 4/24/2022