



Industry Trends & Insights

Wizard of Lightbulb Moments

The uptick in meal kits over the last year was not due to an age of enlightenment on consumer’s part, which has now led us to a “new normal”. Consumers were forced into this age of aggressive e-commerce adoption due to COVID-19. Remember back to 2019 when meal kit companies were losing money due to low engagement and high dropout rates of home delivery services. How meal kits found a truer voice with consumers was their move into retail grocery. That afforded meal kits the opportunity to better align with consumer drivers and behavior. In this environment, rather than a single kit arriving on their doorstep, consumers can browse amongst many kits, select in the moment instead of ahead, and round out their basket with other needed food items for the household. They regain control this way and save on delivery costs. Enter COVID-19, the parent breathing new life into meal kits. Lockdown and lack of cooking skills contributed to their resurrection. The cost was still a deterrent to those financially affected by either COVID-19 or the Recession so they were purchased by those who remained in the top part of the K of the K-Recovery we are in now. Younger generations cannot afford to purchase meal kits routinely, nor can the younger range of Millennials, or anyone in the bottom part of the K of the K-Recovery. As consumers gain confidence and venture back to retail grocery and restaurants, meal kit usage will wane. Usage may not return entirely to pre-COVID-19 levels, but the upward trajectory will reverse. The original sweet spot for meal kits in grocery will remain true and is now joined by restaurants producing their meal kits. Restaurant meal kits seem to spark interest in consumers but time will tell as to whether they want to take the time to try to recreate a restaurant favorite...when the restaurant itself is open and available to make the meal for you.

KEY INSIGHTS

Meal kits (15%) round out the bottom options for online grocery shoppers



24% have taken advantage of restaurateur’s meal kits



71% of consumers under 34 yrs say kits are too expensive to be a regular choice



50% of adults say they’d be likely to order a meal kit from their favorite restaurant

Online Grocery Shopping Quadruples Since 2017



The COVID-19 pandemic has led to a major spike in shopping online for groceries, according to a new survey of nearly 8,000 consumers from PowerReviews. Just over 60% of consumers say they shop for groceries online more now than they did pre-pandemic. Seventy-three percent of consumers have bought grocery items online during the past three months compared to only 17% during 2017. The accelerated adoption of online grocery shopping is being led by millennials, with eight in 10 making a purchase in the past three months, followed by 74% of Gen Z and 72% of Gen X. This compares to 60% of baby boomers. The chance to save time is driving 59%

of consumers to shop online. This is followed by safety, or the desire to avoid COVID-19 exposure (49%) and avoiding impulse purchases (31%). Other reasons include the ability to easily compare products and prices (24%), getting product information and reviews (22%) and difficulty getting to a grocery store (20%). Conventional grocers and big box stores saw the biggest increase in online grocery shoppers, jumping from 38% in 2017 to 65% in 2021. Only 22% are using digitally sources like Amazon Fresh and Drizly, down from 39% four years prior. Third-party services such as Instacart (20%) and meal kits (15%) round out the bottom options.



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Restaurant Sales Projected to Climb 10.2% In 2021

From 2019 to 2020, COVID-19 impacted the restaurant industry, with sales plummeting 19.2%. According to the National Restaurant Association's State of the Industry Report, 2021 sales are projected to climb 10.2%, though not nearly enough to recover from the steep hole caused by the pandemic. Last year ended with sales \$240 billion below the forecasted levels, with approximately 110,000 foodservice establishments permanently closed (and nearly three-quarters of those operators saying they would not open another restaurant). In April 2020, the number of adults who said they don't offer takeout as much as they'd like rose from 44 to 52%, though by December 2020, that number had settled down to 33%. In April, 83% of adults surveyed said they were not eating out as much as they'd like, nearly twice as many people (45%) who were asked the same question in January 2020. Now, 68% of customers say that they're more likely to purchase takeout or delivery now than before the pandemic. The pandemic brought many operational changes, from off-premise investments to technology upgrades and menu overhauls, and 68-74% of operators across all segments say that they plan to keep at least some of these changes. The most likely COVID-19-related shifts that will mold long-term operations strategies include trimmed menus and the popularity of more off-premise options including meal kits and cocktails to-go: 35% of consumers and 53% of Millennials say they'll be more likely to choose a restaurant if they can get an adult beverage with their to-go or delivery order. More than 50% of adults say they'd be likely to order a meal kit from their favorite restaurant in the future. As the pandemic continues, comfort foods are a major selling point, with 33% of off-premise customers saying their food orders over the next several months will be influenced by if the restaurant sells their favorite comfort foods.



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Pandemic Transforms Eating Habits



New research from St Pierre Bakery reveals why the opportunity for food brands is greater than ever with 85% of Americans changing eating habits. Researchers reported that 55% of the population have enjoyed not having the pressure of being somewhere at a specific time, with 35% agreeing that lockdowns have made them "live slower." A third believe that their "general concept of time" has altered as a result of the pandemic and as such, for 47%, time-keeping around meal times has shifted. More than a quarter of US adults (30%) are snacking more often during the day, whilst 35% have abandoned "traditional" mealtimes. Breakfast has been most transformed by slower living, with 28% eating the first meal of the day later than pre-pandemic. The knock-on impact has pushed back lunch and evening meals (26 and 28%) and driven an adoption of brunch

for 28 per cent of Americans. In fact, 63% of Americans are spending more each week on their food shop now than pre-pandemic. The research revealed that 33% of US adults have signed up to a subscription box in a bid to keep their menu exciting, whilst a further 24 per cent have taken advantage of entrepreneurial restaurateurs pivoting business to produce meal kit boxes.

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Demand For Premium Rises

Over the past year, consumers dubbed "confident cooks" made up only 8% of shoppers and represented only 12% of the dollars spent at retail – yet they accounted for 44% of the sales gains in the meat and seafood segment, according to IRI. In addition, "cooking enthusiasts" accounted for only 22% of consumers and 24% of retail meat sales, but they drove more 53% of the category's growth. This small group of shoppers also were more adventurous in the variety of their selections – purchasing on average 18.4 types of meat or seafood during the past year compared to the average of only 10.6 the previous year – a 74% increase, IRI VP of corporate strategy & development. For example, IRI found that 11.8% of "start-up" households, which tend to be younger and have lower incomes, traded up for premium or specialty food items to create restaurant-style meals at home more the 5.2% of total respondents who did so. Similarly, over the last year 13% of start-up households purchased more meal kits compared to 4.7% of total respondents compared to the year before. The shift to premium ingredients in 2020 was most visible in the spices and seasoning segment, which saw an 11.4% increase premiumization in 2020 compared to the previous year, according to IRI.



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Sources: NRA, St Pierre Bakery, IRI

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Young Consumers Are Ordering Out Less, Cooking More

According to the latest Y-Pulse survey, which explores consumers ages 34 and under, 32% do not like to cook, down from the 39% who said the same in this summer 2020. Additionally, 48% agreed that "Ordering prepared food from a restaurant has become my new normal," down from 52% this past summer. The evolving new normal has moved beyond preparing the same thing every day for 41%. Y-Pulse found that 78% have found opportunities to explore cooking new recipes during stay-at-home periods and 80% have been inspired to learn more cooking techniques while cooking at home. Forty-four percent are disappointed with the lack of variety available to them when they shop for groceries online. Meal kits that make it easier for home cooks to enjoy variety for 46% of young adult consumers, but 71% say the kits are too expensive to be a regular choice. The opportunity to capture the loyalty of next-generation shoppers has substantial momentum, as 62% say they are gaining a new appreciation for the supermarket deli as a meal resource, it added.



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Subscription Models Shined in 2020



Datassential reported 11% of consumers now use restaurant-offered subscriptions or meal kit memberships. And 48% are looking to save either time, money or both when choosing what subscription services they choose. Among consumers interested in restaurant subscription programs but not yet using, 66% say they would be willing to pay more than \$10 for entrée programs. About 19% of millennials say they currently pay a monthly charge for a restaurant-offered subscription, compared with just 4% of Boomers.

Sources: Y-Pulse, Datassential

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Recorded Webinar & 2 New Reports Available Now! Shifting Sands Forecast: Trends Shaping the Food Industry in 2021/22

Due to the overwhelming response we had to our webinar review of **Shifting Sands Forecast: Trends Shaping the Food Industry in 2021/22**, we are excited to announce that we have posted the recording on our website! In case you were not able to attend, please watch the replay at your convenience at:

<https://culinarytides.com/trends-forecast-report>

We are also excited to announce we have expanded our report options to include:

- The original full report reviewed in our Webinar
- A new Food focused version of the report
- A new Beverage focused version of the report

Order Now

Visit our website to see more details, watch the webinar, and read testimonials of this year's report!

Here is what clients are saying about this report:

"Because of COVID-19, we were having challenges prioritizing our pipeline. This report helped us focus our efforts." Beverage industry client

"We weren't sure how to get out ahead of consumers, this report helped us fine tune our ideas and messaging" Sr. Marketing Executive

"We weren't sure which trends we could count on sticking around after this crisis so we were feeling kind of stuck. My crew loved this report because it got us moving forward again." Restaurant Strategy Team Lead

"We were getting bogged down in worrying only about the micro trends and how quickly we could activate against them. This report helped us take a step back and plan ahead for the macro trends to make our R&D and marketing more efficient."

"This report is not only a master file of trends impacting the food and beverage industry from every angle, but it's helping us connect the dots between trends to get a clearer picture of where our best opportunities lie."

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