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2023 FOOD INDUSTRY TRENDS

There are always two perspectives in an ever-changing market – companies and their consumers – and both parties are hitting a learning curve as the world settles into reduced pandemic regulations and new (and evolving) consumer habits and preferences.

From one perspective, food companies are navigating ways to best respond to and meet their consumers' needs. On the other hand, consumers are looking to food companies to support their new lifestyles and habits – ones of convenience and health – as they continue to prioritize their own well-being and enjoy the benefits of shopping and ordering online. Looking into 2023 and beyond, food companies need to adapt and respond to meet the evolving needs and wants of the consumer while also providing constant customer support, or they risk being left behind in an increasingly competitive market.

In this report, we break down these 2023 food industry trends:

DECREASED INTEREST IN MEAT ALTERNATIVES SHOWS STRENGTHENING OF FLEXITARIAN DIETING

SNACKING MEETS THE NEEDS OF CONSUMERS ON-THE-GO

A PUSH TOWARD ETHICAL SOURCING AND VISIBILITY THROUGH FOOD TRACEABILITY

THE GROWING POPULATION AND INCREASED RECOGNITION OF FOOD COOPERATIVES

AN EXPANDING POST-COVID MARKETPLACE OF DTC MEAL KIT SERVICES

MONITORING THE VARIABILITY OF THE AVERAGE CONSUMER BASKET SIZE

FROZEN FOOD COMPANIES NAVIGATING ECOMMERCE

DECREASED INTEREST IN MEAT ALTERNATIVES SHOWS STRENGTHENING OF FLEXITARIAN DIETING

Despite layoffs and declining sales of large meat alternative companies, consumers remain interested in decreasing the amount of animal products and byproducts in their diets. Whether for moral reasons, environmental reasons, or taste preferences, consumers have expanded their horizons from simply cutting out meat to a more adaptable diet known as flexitarian dieting. As many as 47% of Americans between age 24-39 identify themselves as flexitarians, actively replacing animal products and byproducts with plant-based alternatives.

Although inflation has pushed consumers to actively make more deliberate choices about what they're buying and the way that they're buying it, they maintain their exploratory spirit, wanting to push new boundaries and continue to try new things. This is presenting new opportunities for companies, as consumers are creating openings for new plant-based alternative products that brands can explore to fill the demand for commonly used meat and dairy products.

47% of Americans aged 24-39 follow a flexitarian diet.
SOURCE

An area of caution while filling the market openings is the increased consideration of consumers' personal health and the demand for ingredient simplification. Consumers are worrying about additives and other potentially harmful ingredients, with 62% reviewing a product's ingredient list before buying an item. This creates a very clear line of what a consumer will find satisfactory in a new product.

Health and flexitarian dieting go hand-in-hand in the mind of the consumer, particularly as more research is being conducted on the benefits of certain ingredients over others. While the rise in flexitarian dieting doesn’t appear as though it will decrease, it still creates a large bucket of variability in what a consumer will look for in that space.

SNACKING MEETS THE NEEDS OF CONSUMERS ON-THE-GO

Snacking has become much more than simply eating between meals. With new variables introduced to consumers, including inflation, health concerns, and social media, many are choosing their snacks deliberately, making it more of a lifestyle choice. The biggest priority of snacking is convenience, as 45% of consumers eat at least three snacks daily. With more and more hybrid offices and consumers remaining on the move during work-from-home days, consumers need something easy, clean, and affordable so they can feel good about integrating the snacking habit into their lives.

Consumers are eating snacks at home, while walking, or while driving at higher rates than at work or at school. We have adjusted to the constant idea of being on the go, as the flexibility of working from home has established a new standard for our day-to-day routine. This has also led to pushing the boundary of what constitutes a meal and what constitutes a snack, as consumers continue to replace the standard three meals per day with smaller and more frequent snacks.

94% of Americans snack every day.
SOURCE

Replacing meals with snacks has brought nutrition to the forefront concern as consumers scour shelves for well-balanced options, with protein being the main macro-nutrient driver in these searches. Dried meat snacks were up in sales by 22.4% as a snacking category. This has not only sparked variety in those spaces but provided an opening for new products from meat alternative companies, expanding the product horizon and compelling consumers to be more adventurous in their eating. Openings are popping up every day, waiting to be filled while on-the-go consumers continue to seek out convenience and health in their snacking options.

3 A PUSH TOWARD ETHICAL SOURCING AND VISIBILITY THROUGH FOOD TRACEABILITY

The Food Safety and Modernization Act (FSMA) from the FDA has made significant progress since its proposal, with the FDA laying out seven major rules to implement the legislation nationwide. These rules standardize the food traceability protocols, requiring organizations to re-evaluate the methods with which they approach their food traceability standards. Most recently, the final ruling for FSMA 204 established traceability recordkeeping requirements as a means to better protect public health.

The push for transparency in the food industry is not unidirectional, rather, consumers have also demanded transparency in their food products. When surveyed, 72% of consumers stated that transparency is either important or extremely important in their decision when choosing a brand. This is an increase from 60% of consumers in the previous year.

72% of consumers demand transparency in food traceability.
SOURCE

As consumers learn more and more about business processes and the complex global food supply chain, they will continue to seek out transparency in the interest of their families' health and well-being as well as environmental concerns. The increase in access to information is a huge driver behind this fact, considering that disgruntled workers, past employees, or even a clever journalist can easily expose an organization for its mishandling of processes.

Companies like FoodLogiQ have expanded their efforts to provide software tailored specifically to tracking high-risk food items throughout the supply chain. These efforts increase the agility of the organizations, giving them confidence in an ever-changing market. Consumers will continue to learn and demand information as new technology provides that increased supply chain visibility and transparency; as such, it's up to organizations to adapt to these growing needs.

THE GROWING POPULATION AND INCREASED RECOGNITION OF FOOD COOPERATIVES

The growth of food cooperatives both nationally and locally has been steady for the past couple of years. Their ongoing local support and local sourcing grew significantly as they became steady suppliers during the COVID-19 pandemic. Consumers were unable or unwilling to travel farther for their food needs, and cooperatives were able to consistently stock the shelves with local ingredients and provide much-needed support and resources to smaller communities.

Local co-ops have also had great success in providing steady jobs, healthcare, and resources to surrounding communities. There are now 218 food co-op locations as defined by the National Co+op Grocers (NCG) compared to the previous year of 147 locations. Many are opening in food deserts and areas experiencing gentrification as a way to provide access to healthy, culturally relevant food from local vendors while employing local residents.

Food cooperatives invigorate the local economy and source many of their ingredients locally, providing much deserved food security to consumers who need it most. This positive impact in struggling communities can create a relationship between participating businesses and their surrounding areas, creating a stronger bond between community and organizations. Co-ops will continue to grow and address inequalities in low-income and struggling communities, providing a healthy option and a safe place to develop a community.

AN EXPANDING POST-COVID MARKETPLACE OF DTC MEAL KIT SERVICES

During the global COVID-19 pandemic, consumers saw an influx of meal kit delivery services to aid in keeping healthy and safe while restaurants were inaccessible. This led to an oversaturation of the market, with many companies starting to fulfill the needs of millions of consumers. Currently, many of these services are consolidating to collaborate and expand on services and capabilities.

Market reports have shown that growth rate specifically in this sector has dropped from 70% growth in 2020 to just 18.2% in 2021. Despite the drop in growth rate, market predictions show revenue to increase from $10.29 billion in 2021 to $11.68 billion in 2022, projected to climb to just shy of $20 billion in 2026. Part of the growth for this industry can be attributed to the diversification into niche markets that allow companies to reach a broader demographic. Services are no longer limited to pre-portioned ingredients delivered to a customer's front door. Now, consumers can buy boxes of choice meats, produce, or pantry staples – providing a variety of products while maintaining the convenience and reliability of the service.

Shipping out one food group also strengthens the reliability of the product, as shipping meats is different from shipping produce or boxed items. This improved process reliability – in addition to the customizability that consumers maintain in these new food subscription styles – can increase customer satisfaction. As such, continuing to explore different styles and purposes from DTC food subscriptions will feed into the consumer's exploratory nature and further solidify food delivery as a convenient, valuable asset to the customer.

6 MONITORING THE VARIABILITY OF THE AVERAGE CONSUMER BASKET SIZE

Despite a relaxation on regulations regarding social distancing and in-store shopping, digital grocery shopping has maintained its integration in the lives of consumers, even growing in sales from 5.7% to 12.9% as consumers continue to veer toward the convenience of online grocery shopping. Diverting to online food sourcing has increased consumer basket size by two items, making the average cost per basket $75 while the average price of an item has dropped in this interface by $0.20.

While prices decreased on an online platform, inflation has still driven up food prices in grocery stores. Based on data and current trends, shoppers are being more deliberate, utilizing more selective shopping, and buying directly from grocers rather than third parties. Despite this, shoppers are still averaging 1.6 grocery trips per week per household. Their usual shopping should span a week, but inevitably forgotten ingredients and/or quick restocks create a need for a second trip in some households. Having more than one grocery trip in a week is going to decrease the basket size of an average family trip, since their frequency has increased.

The consumer's average basket size has decreased by two items.
SOURCE

With inflation on the rise, budgeting has become difficult for consumers and has created an interesting dynamic nature to basket size with an influx in wholesale shopping. This creates an interesting variation in average basket size as many food items with a longer shelf life can be bought at a monthly cadence and fresher ingredients will be bought on more of a weekly cadence. With these new variables, it will be interesting to see where basket size settles.

FROZEN FOOD COMPANIES NAVIGATING ECOMMERCE

Frozen food companies are turning to eCommerce and DTC platforms, either using in-house resources or partnering with third-party companies such as Instacart and Shopify that have the existing infrastructure to support distribution. After a previous dip in forward movement, frozen food has become a reinvigorated market during COVID-19 that has not wavered with the slowing of the pandemic.

Current findings show that 57% of shoppers are purchasing more frozen food, with 58% purchasing new and different types of frozen foods, and 57% of consumers purchasing different brands than they did pre-pandemic. This makes it essential for both retailers and consumer product companies to react with diversification of their frozen products to meet consumer expectations for diversity in their convenience. Retailers should also be on the lookout for emerging brands that are not hesitating to diversify and explore new products in the frozen food space.

Many startup companies are already stepping up to the plate to assist in this influx by creating necessary products to aid in the distribution of products. Companies are breaking into the market with cooler designs to create and maintain a reliable frozen food delivery system so consumers get the quality of food they expect. This mutual filling of needs will continue to grow the accessibility and therefore interest in frozen foods as a viable, cost-effective, and healthy option for consumers.

By 2030, the frozen food market looks to be worth $504.41 billion.

SOURCE

CONCLUSION

These trends reflect the fragility of the current food market as new variables constantly hit consumers. Between rising inflation and adapting to new, on-the-go lifestyles, consumers are being calculated and exploratory in their choices. They're not afraid to try something new, abandoning their usual choices for a cheaper, healthier, or more convenient option. It's the responsibility of companies to pivot quickly and listen to their consumers in order to best understand where there's an opening and where to take a risk to fill that need.

One thing remains constant, and that is the ability of the consumer to find the information they desire. It's important for companies to remain transparent to consumers and show that they are taking their health and concerns into consideration, with topics like traceability and food sourcing remaining at the forefront of consumers' considerations. Staying ahead of these market trends and changes will only strengthen brands' presence and relevance in the market in 2023 and beyond.

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