consumer corner

Updates from Competitiveness and Market Analysis Branch

Issue 7, August 2010

Emerging Consumer Demand for Premium Foods & Beverages in Canada

Qualitative Research Evaluation

by Sharon Faye

*Source: Ipsos Reid 2008 **

Prepared for: Canadian Council of Grocery Distributors (CCGD)

Background

The grocery landscape in Canada is changing as consumers' needs and wants evolve. One example where there is a noticeable shift is in the area of "premium food and beverages".

This study is based on the findings of the literature review, together with focus groups held in four regional markets - Western Canada – Victoria, Calgary), Ontario (Woodstock, Toronto), Quebec (Grandby, Montreal) and Atlantic Canada (Moncton, Charlottetown).

How can this information be used?

This study identifies what consumers are looking for in premium products, to meet their needs, values and choices (health, ethical, indulgence, convenience, etc.). It includes the motivators and barriers behind consumers' choices.

Producers and processors can better align their business, through the products, processes and services they deliver.

It highlights some of the subtle differences between urban and rural settings in regards to premium products.

Detailed Analysis:

Trends driving purchases of premium foods/beverages:

Some of the influences are an aging population (nutrition and healthy eating), a multicultural society and ethnic food consumption, increased knowledge and education, health awareness, and household compositions (children, working mothers, smaller households).

- An increased variety of cuisines seem to benefit the more ethnically diverse populations (Toronto, Montreal, Calgary). Authentic ethnic foods in retail, specialty and delis, and ready to eat "take home" foods (i.e., Thai, Sushi, Chinese, Indian…) were often cited as key motivators to choosing premium foods.

* Ipsos Reid is a survey-based marketing research firm that interprets market trends and assesses market potential among other services.

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Cont from p.1 **Trends driving purchases of premium foods/ beverages**

- A relatively strong correlation was seen between age and increased emphasis on healthy eating and nutrition, including more natural, higher quality and healthier foods. While some people have more time to devote to meal planning and preparation, for most it was a combined effort of food *avoidance* and food *adherence* that influenced premium food choices. At the same time, interest was not only with older individuals but in some cases there were some extremely health conscious younger participants; some older individuals did not appear to be overly concerned with what they ate.
- Consumers are more conscious and knowledgeable about healthy foods, due to increased labelling, and access to food and nutritional information. Although consumers admitted to the confusion at times from numerous and sometimes conflicting claims made on packaging, most had established their own trusted sources of premium foods or beverages. Some rely on a strong recognized brand as their guide; others rely more on the sales outlet to deliver healthier food choices (i.e., Farmers' markets, organic producers, specialty stores, etc.)
- Active lifestyles mean many people are faced with more time constraints and there is more of a demand for "portable, "convenience" foods. These are seen as more expensive due to the value-added convenience or portability of packaging or ready-to-eat nature of the food. Smaller portion food options were seen as more expensive, but also seen as better value as they minimized waste. Time pressures have a strong influence on the choices of many food and beverage products that save time, such as pre-cut, pre-washed, pre-cooked, and pre-mixed. Read-to-eat and ready-to-heat options were also recognized by consumers as premium. Working mothers were likely the most time-starved people and often relied on higher priced, convenience products. It is a budget/time trade-off, and for many, the extra time saved more than compensated for the extra cost of the product.

Four Common Motivators to Purchasing Premium Food and Beverages:

1. ***Health/ Nutrition & Wellness***—products that are more natural, free of additives, "better for your health", and the "freshest". The specific reasons varied among age groups. Younger people recognize the consequences that certain food choices have on their health. Some older Canadians, those with more time or close to retirement, spent more time on their meal planning. Some are better able to afford better quality and foods they enjoy. Some foods sought out are those with Omega-3s or Vitamin D to maintain health.

2. ***Convenience/ Immediacy***—this is not static, but evolves with changes in household size, household composition, the degree of busyness, and suitable portion size per household (i.e., older consumers, or one- to two-person households).

3. ***Indulgence/ Luxury***—products are those that fulfill some emotional or personal needs (e.g., a reward, something exotic for a meal, or a rich dessert to celebrate, to show appreciation, to share, impress, treat or enjoy life, or a small luxury they can afford).

4. ***Production Value & Ethics***—consumers are also concerned with the needs of others; considering how personal food choices impact the environment, the welfare of animals, local farmers, and their own economy. Consumers have an increased awareness that products and foods are harmful to the environment and some will select foods to "support the health of the environment" and contribute to "less waste". There is more trust in "organic" or "locally produced", perceiving these products to have higher production standards, a greater sense of integrity and a perception of being more transparent. Consumers wanted to support farmers right in their own community; these values were more evident where people lived closer to the food production areas in the country (i.e., Charlottetown, Moncton, Woodstock).

Although premium food and beverages were often purchased on weekends and for special occasions, they may also be moving more into the mainstream and becoming more the norm, with little or no rationalization by consumers for the purchase. (This is supported both by literature reviews and focus group participants). If consumers have a link between health and diet, then their willingness to pay for products relevant to a healthier lifestyle increases as they accept that living healthy is an everyday commitment.

Often during special occasions, the food/beverages served act as a focal point for the event. While weekends are a time when consumers are more likely to shop for something special or a treat, for some they are a time to "experience" cooking at home, and for others they are a time to "avoid" cooking at home.

Barriers to Purchase Premium Food and Beverages:

- **Cost, Price & Value** – barriers were dependant on consumers' perception, whether it was worth the extra money. There was scepticism about the "real value" of some products, since for some it tasted or provided the same benefits as "no-name" or less popular brands at a more reasonable or cheaper price.
- **Audience/Consumer** – could be a barrier dependent on household members, when considering the likes/dislikes of each person; whether or not they thought their children would eat it; if there was enough for everyone to enjoy, or too much that would be wasted.
- **Excess Packaging** – versus authentic or unique packaging that is often seen as a signal of a premium product. Excessive packaging could have the reverse effect and discourage purchases. Overly bold or "loud" pre-packaged products were a "turn-off" to many. Consumers concerned about the environment perceived this as wasteful or unnecessary.
- **Ingredient lists** – were an important factor in the buying decision. Excessive lists with various chemical additives signalled to the consumer that the product may be unhealthy or overly processed.
- **Purpose/Use of Product** – often, when an ingredient is needed for a recipe, consumers did not see it necessary to buy the brand name or a premium product. Whether the product was for everyday use or for a special occasion also made a difference in their purchase.
- **Source** – origin of product can impede purchases, if there is a perception of a "lack of food standards" by a certain country or not knowing the country of origin. More and more consumers want to know where their food is coming from, and failure to identify the source often leads to scepticism and mistrust. Consumers prefer to buy local, home-grown but often report being unable to find products in grocery stores labelled as local.
- **No Difference in Taste/Quality** – adds to the general perception that premium food and beverages do not always mean better quality or superior taste. Consumers have experienced inconsistency, and sometimes products failed to meet their expectations. This discouraged them from further purchases and they preferred to buy lower priced options or brands, since they knew what they would be getting.
- **Lack of Familiarity** – consumers were reluctant to buy what they were not familiar with or had not yet experienced (i.e., the company, producer, or product). Consumers like to try products before they buy and often rely on endorsements from others, recognized symbols, institutions or people. Sampling in retail food stores has been reported as an effective means to introduce a new product.

Conclusions

Consumers' perceptions of premium foods & beverages are greatly varied. The following six key themes emerged:

1. **Quality** - was consistently associated with "Premium"
   - It included "the best ingredients", often described as more natural and healthier.
   - More likely to have production standards, or subject to more rigorous production standards.
   - Organic foods were thought of as having a more controlled growing environment.
   - A consistent product; the product would deliver based on the consumer's past experiences.
   - Being "worth it" since consumers were getting what they paid for; not wasting their money.
   - The freshest product available.

2. **Source** - "local" and "imported"
   - Generally consumers across Canada valued products grown locally and viewed this as an opportunity to:
     - Support their local community.
     - Obtain the freshest possible products available.
     - A chance to be closer to the production process (thus reducing the carbon footprint) *[although further evidence/research may be needed to support this].*
   - For many, the definition of "local" often started within their community but often extended depending on the area, or region where it was generally grown, raised or processed (i.e., within the region, the province, the country, relative to other products in the category).

3. **Brand Positioning**

   - Certain "brands" have gained consumers' trust over time, and therefore are considered premium within their category. These branded products have consistently met consumers' expectations. (e.g., Kraft Peanut Butter, Heinz Ketchup).
   - Many brand names have achieved a "best in their category" positioning by consumers, and they won't settle for anything less.
   - Some store brands or private label have managed to reach premium positioning in certain categories (e.g., President's Choice as a premium brand within a variety of food/beverage categories.

4. **Indulgence**
   - For many consumers, premium food and beverages were all about indulgence – a reward to be shared with family, friends, and sometimes to be savoured alone.
   - Most commonly seen on special occasions or weekends.
   - Consumers report an inconsistent retail experience/performance and suggest that there is room for improvement.
     - **Experience can vary by location (within a banner)** – within a store brand there are often only one or two "select" locations as good for premium products.
     - **Main competitors in premium** (versus grocery retail) – mostly found in specialty stores, farmers' markets, natural/ health food stores, independent local grocers, and to some degree farm gate sales.
     - **Store brands** – are no longer seen as generic or lower quality discount brands. Some retailers have achieved their own premium label brands… (e.g., President's Choice).

5. **Large & Small Urban Markets**
   - Smaller regional urban markets – consumers from these areas often expressed that they lacked variety in major food retailers, while acknowledging that they had a broader scope of retailers (farm gate, markets, specialty stores, etc.) within a smaller radius.
   - Larger urban markets – while there was generally a wider variety of retailers and products for consumers, their choices seemed more limited to major food retailers and neighbourhood specialty stores. Consumers found it was not as easy to get to a Farmers' Market, due to time constraints and distance involved in travel.

- Larger urban market shopping – was often a daily event; premium shoppers were looking for quick, easy and different ideas for meals to add variety to their menu; time was more of an issue in urban settings; stronger emphasis on more ethnic foods.
- Largest urban market (Toronto) – premium foods were much more likely to be thought of as being "from away"; such as from another region of the country (i.e., seafood) but often from another part of the world (Thai food, Sushi, etc.).
- Smaller urban markets (i.e., those more economically driven by agriculture) – were more attuned to local products and the impact that *buying local* had on their economy and the environment. Consumers in larger urban markets were also concerned about health and the impact what they eat has on the environment, but this emerged much stronger in smaller, urban market consumers.

6. Premium Retailing

- Current literature reviews and qualitative research indicate that "promoting" and "selling" premium food and beverages required certain elements from retailers in order to be successful. Consumers had certain expectations that needed to be met:

    - **Premium Positioning** – consumers didn't want to be told that it was "premium", but it was more of an intuition; largely based on perception and could depend on consumer's beliefs, attitudes and lifestyle. Consumers' perception of premium. varied by consumer, as well as by the occasion, or specific need for the product.
    - **Premium Aesthetics** – certain decors, colours, and textures (warm, rich, natural); design of shelf and store layout; wooden surfaces, clean lines and uncluttered décor signalled uniqueness and authenticity, all contribute to the perception of premium.
    - **Premium Packaging** – ideally products should be packaged in transparent or other unique types of paper. Freshness dates, product origin and ingredient lists should be visible on the package. Premium packaging was also thought to be sometimes very simple, sometimes elegant and void of any loud or bold statements or colours; a certain authenticity associated with premium products, something to promote as special or different.
    - **Premium Brands** – often the less mainstream brands, seen as niche, special and more unique. Still many larger well-known brands were also noted as having achieved a premium position "best in their category"; also a trend seen among private labels for select retailers (i.e., President's Choice, Select, Our Compliment's) now being associated with a premium product.

Recommendations

The findings of this study support an increased effort on the part of Canadian food producers, processors and retailers to offer Canada's premium food and beverage purchasers…

> ***A "fresh, local market" premium shopping experience that seeks to "inform, inspire and indulge" Canadian consumers.***

The premium shopping experience should do the following three things to help consumers:

INFORM them of…

- **Health Benefits** – is it "good for me", are ingredients "real" or "pure", what's the nutritional value of product?
- **Environmental Benefits** – has the product been responsibly grown, produced, manufactured, and packaged with regards to the environmental impact of production and safety (use of pesticides, preservative, chemicals, etc.)?
- **Economic/Social Benefits** – where is it from, who benefits from its sale (local or foreign producers), what is the carbon footprint (limited interest by participants but appears to be growing, especially among knowledgeable consumers)?

- Consumers are more conscientious of food and beverages, and their choices can impact their body, the economy and the environment. They are often bombarded with information. Therefore retailers can help dissect the information and provide the best available products; to help consumers understand the product life cycle (production to packaging) to determine if correct procedures were in place, what ingredients were included or what chemicals or pesticides used; and to understand the importance to their personal health.

INSPIRE them by…

- **"The Story"** – it is interesting, to learn about different cultures, traditions methods of production, origins, etc.
- **Use of the Product** – how do I prepare certain dishes or use the product, what goes well with it, is there an alternative use for the product?
- **Imagined Travel /Adventure** – for those who travel and those who don't, often food is used to seek a "taste experience" by enjoying a variety of flavours and dishes "from away".

- Consumers want to feel inspired; more connected to their food (i.e., an experience for them). Many describe shopping as an experience, not only the eating of food, but the buying and sharing the experience. It is about imagination and innovation; they are looking to retailers to help them.

INDULGE them through…

- **Celebration** – occasions worth of note (personal, family, etc.) and to show family and friends they care about them.
- **Reward** – a treat for achieving a goal, a personal accomplishment for themselves (or family, friends).
- **Lifestyle** – for active, "on the go" convenience oriented food and beverages that support this lifestyle.
- **Ego** – something seen as different, authentic, unique.
- **Entertainment** – something to provide a sense of enjoyment and experience in the shopping process (e.g., Questers – seeking different, unique value options).

- There is evidence that consumers can be very rational in food and beverage choices, and at the same time there remains a strong connection between food and emotion. While it can be connected to a sense of responsibility, there is also an emotional side.