Food Processing Skills Canada

Palates and Pockets:

A Deep Dive into Canadian Grocery Consumer Attitudes and Behaviours

EXECUTIVE REPORT | February 2024

ISBN : 978-1-998766-62-8

Food Processing Skills Canada
201 - 3030 Conroy Rd,
Ottawa, Ontario
K1G 6C2

Food Processing Skills Canada

FPSC is your labour, skills and workforce development non-profit organization. Our job is to provide leadership in professionalizing the food and beverage manufacturing industry so that the most important resource - people - are the best in the world. We have developed a national skills strategy which is a proven long-term approach successfully utilized by other Canadian professional sectors. This strategy builds collaborations with industry, government, academia, unions, associations, community organizations and other stakeholders.

This program is funded by the Government of Canada's Sectoral Initiatives Program

This project was funded by the Government of Canada's Sectoral Initiatives Program.
The opinions and interpretations in this publication are those of the author and do not necessarily reflect those of the Government of Canada.

Table of Contents

Consumer Survey

About
the Consumer Survey

This is the report for the first of two Consumer Surveys to be conducted for gathering insights into Canadians':

- Grocery shopping habits
- Perceptions of food and beverage products available to them
- Knowledge about food items such as healthfulness, amount of processing required, environmental / ethical production, etc.
- Priorities and considerations when grocery shopping
- Experience amid increasing food prices and inflation

In separate research, a total of 401 grocery retailers from across Canada were surveyed in October 2023. They were asked some similar questions as the consumers, and their responses are noted in this report.

Introduction and Methodology

A total of 1501 adult residents from across Canada were surveyed online, between September 29 - October 3, 2023.

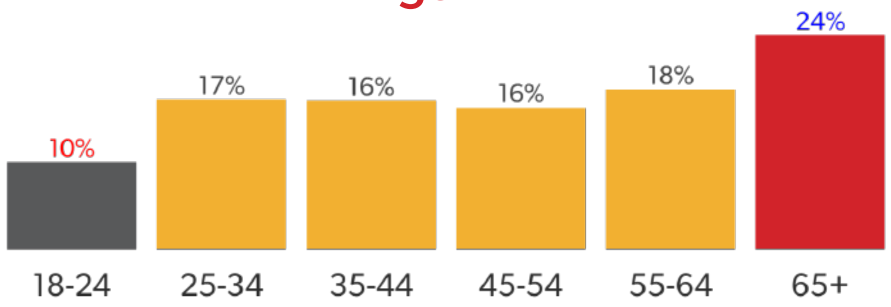
The sample was randomly drawn from Leger's web panel of potential survey respondents.

Post-stratification weights were applied to the sample based on 2021 census population figures to ensure representation by province, age, and gender.

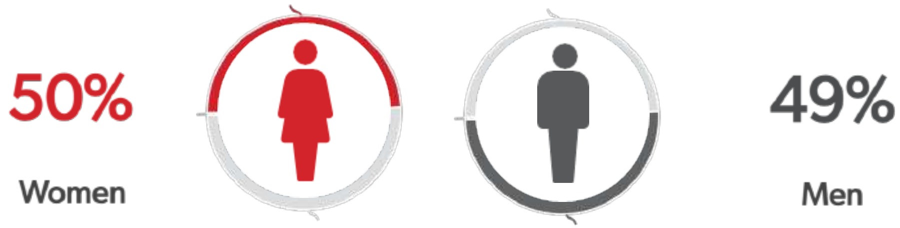
An associated margin of error for a probability-based sample of this size would be ±3%, 19 times out of 20.

Respondent Profile

Age



Gender



Household Income

Less than $20,000	6%
$20,000 - $39,999	14%
$40,000 - $69,999	21%
$70,000 - $99,999	18%
$100,000-$119,999	8%
$120,000 - $139,999	6%
$140,000 - $169,999	7%
$170,000 or more	8%

Regions

British Columbia	14%
Alberta	11%
Saskatchewan / Manitoba	6%
Ontario	39%
Quebec	23%
Atlantic Canada	6%

Other Characteristics

Canadian Born: 80%

Parents of children < 18 years old: 23%

Have dietary preference: 15%

Key Findings: Consumers uncertain about quality and safety of food.

Over the last four years, Canadians' food and beverage consumption habits have been shaped by several strong forces, including trends emerging from the COVID-19 pandemic (e.g., more cooking at home) and more recently, the most extended period of elevated inflation since 1982.[1] This survey uncovers what consumers are thinking and prioritizing going into 2024. We also take a comparative look at what grocery retailers believe about consumer preferences.

There is a substantial segment of the market expressing uncertainty about the quality and safety of their food, evidenced by the finding that a little less than two-thirds of consumers say they trust the food sold in Canadian grocery stores. Relatedly, consumers tell us that inspection of food and beverages is among their most important considerations, but only some believe that all products sold in grocery stores are inspected by Canadian authorities. Many consumers also indicate that it is difficult to determine whether products have been inspected.

Delving into the factors influencing grocery shopping decisions, the survey underscores the prominence of traditional considerations of freshness, quality, and price, as well as the importance of having detailed nutritional information on packages. More recent, twenty-first-century considerations of environmental impacts, ethics, and product origin/traceability are important to large segments of the market (e.g., women and those with dietary preferences) but not universally valued.

[1] https://www.whitehouse.gov/cea/written-materials/2021/07/06/historical-parallels-to-todays-inflationary-episode/

Key Findings: Consumer attitudes vs. dietary choices… and inflation.

The survey examines the perceived healthfulness of foods and beverages, unveiling a complex relationship between consumer attitudes and dietary choices. A substantial proportion of consumers express interest in the health impacts of their diets, but differing perspectives emerge on the healthfulness of products, including organics. Consumers express a mix of ambivalence and pragmatism toward processed foods: most say these foods and beverages are “terrible” for their health, and many try to avoid them, but at the same time most believe that almost all food sold in Canadian grocery stores is "to some extent processed". The survey also produced healthfulness ratings for 22 common foods and beverages, including a few surprising results.

Finally, against a backdrop of rising food prices, the survey captures the pervasive impact of inflation on consumer behaviour. Nearly all respondents perceive a significant increase in grocery prices, with 84 percent indicating a substantial rise. The cause of food inflation has been a hot topic of debate in Canada. Our survey reveals that two-thirds of Canadians attribute the price surge to opportunistic behaviour by players in the food and beverage supply chain. Grocery retailers, in particular, bear the brunt of blame, with 59 percent of consumers holding them responsible. In response to escalating prices, more than 8 in 10 consumers report making changes to how they grocery shop, with a startling 64 percent of them saying their household has made five or more changes in an effort to cope.

Preferences, Perceptions & Priorities

As consumers increasingly seek products that align with their evolving lifestyles, health considerations, and societal values, processors face the challenge of staying attuned to these shifts. The survey began with a battery of perceptual questions to give processors a fresh perspective on the grocery consumer landscape.

Three results suggest that a significant proportion of Canadians may be unsure about the quality and safety of their food:

1) Only six in 10 say they “trust” food sold in grocery stores. Perhaps this relatively low level of trust is partly explained by other results:
2) A mere 30 percent believe that all food sold in Canadian grocery stores is inspected by the government (and 25 percent "don’t know").
3) Additionally, relatively few consumers agree that Canadian food and beverage processors are the best in the world. In contrast, 80 percent of grocery retailers surveyed agree.

Product origin, particularly Canadian origin, is of interest to most consumers, but detailed nutritional information is what they appreciate most. Grocery retailers dramatically overestimate the significance of product origin and traceability to consumers, along with the salience of ecofriendly packaging.

Perceptions and Priorities

Q. Please indicate whether you agree or disagree with each of the following statements.

In separate research, grocery retailers were asked to predict consumer agreement. Below are the proportions of retailers who think consumers would agree with each statement…

Statement	% Agree	Retailers
I appreciate detailed nutritional information on the food and beverage products I buy	74%	82%
I trust food sold in Canadian grocery stores	63%	-
I care whether my food is produced or manufactured in Canada	60%	-
I care about how and where my food and beverages are made	58%	86%
I look to purchase products with ecofriendly or less packaging	46%	86%
I like to try new and innovative foods	46%	86%
I look to purchase products with traceable origin	39%	79%
Canadian food and beverage processing companies are the best in the world	30%	80%
All food sold in Canadian grocery stores is inspected by the government	30%	-

Sample base: 1,501

Canadians are most likely to prioritize three considerations when grocery shopping: **freshness, quality, and price**; and they prioritize them equally. A second tier of considerations is occupied by the importance of products being inspected by Canadian authorities, along with product convenience. Consistent with other results, product origin, and environmental and ethical considerations are relatively less important.

In a follow-up question, consumers were asked "how easy" it is to determine the aspects they consider important when purchasing groceries (i.e., aspects they rated 4 or 5 on a 5-point importance scale). The most difficult information for consumers to find pertains to a product's ethical and environmental characteristics. More significantly, given the relatively high importance accorded to it by consumers, only 36 percent say it's easy for them to determine whether a product has been inspected by Canadian authorities.

It is also interesting to note that only 72 percent of those who say price is an important consideration say it is easy to ascertain it. Here, consumers may have difficulty anticipating the check-out price of products sold by weight (e.g., produce), among other challenges.

Purchase Factor Importance & Ease of Determination

Q. How important are each of the following considerations when purchasing groceries?

% Important

Below are the proportions of retailers who think consumers would deem each factor as "important"...

Q. How easy is it for you to determine the following when purchasing groceries?

% Easy **Of those who said "Important"*

Factor	% Important	Retailers: deemed "important"	% Easy
Freshness	93%	84%	84%
Product quality	91%	86%	73%
Price	90%	83%	90%
That the product has been inspected by Canadian authorities	71%	79%	35%
Convenience (i.e., preparation time and ease)	62%	79%	
Where the product is grown/produced	56%	82%	66%
Environmental sustainability of the product	50%	81%	27%
Ethically grown/produced product	49%	82%	31%

Sample base: 1,501

Aspects such as product origin, environmental sustainability, and ethics are relatively less important considerations for consumers overall but are nevertheless important to large proportions of the market. This is particularly true of women and Canadians with dietary preferences. We find a significant willingness to pay extra for products with such qualities: half of consumers would do so for locally grown products. At the bottom of the list of four aspects (local production, ethical company, lower carbon footprint, and traceable origin), 27 percent are willing to pay extra for a product with a traceable origin.

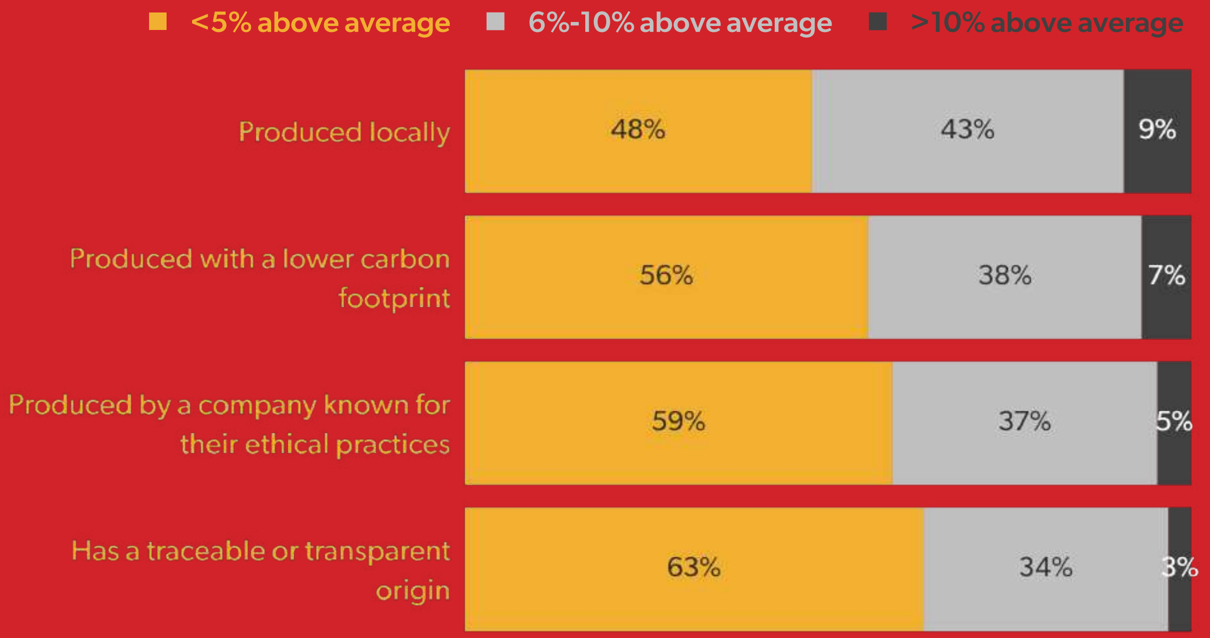
In terms of price, half of those willing to pay more for a "100% locally produced product" would pay at least six percent more for it. In contrast, only about one in three would be willing to pay that much extra for a product with a traceable origin.

Product Attributes
Willingness to Pay More

Q. Would you be willing to pay more for a product with the following attributes?

Sample base: 1,501

Q. How much more would you be willing to pay?
** Of those who said they'd be willing to pay more*



The Perceived Healthfulness of Popular Foods & Beverages

According to a 2023 survey quoted by *Canadian Grocer*, more consumers are prioritizing health and wellness. [2] Survey evidence from Statista suggests that an aging population is helping drive this trend, particularly when it comes to diet. [3]

The survey encompasses several questions on the connections Canadians make between the food and beverages they consume and their health, including several items aimed at helping us understand consumer perceptions of "processed" foods and beverages.

[2] https://canadiangrocer.com/more-consumers-prioritize-health-and-wellness-grocers-step-their-offerings.
[3] https://www.statista.com/forecasts/1367880/distribution-of-consumers-that-try-to-eat-healthy-in-canada-by-age-group

Six in 10 consumers are “very interested” in how their diet affects their overall health and immunity, with interest higher among women and those with dietary preferences but lower in Quebec and lower-income households.

For some consumers, organic products are synonymous with a healthy diet and lifestyle, but this isn’t the case for most consumers. The survey reveals that less than half (42%) believe organic products are “healthier” than regular ones. Interestingly, an equal proportion thinks that organic products are better for the environment, thus giving organic products a double advantage in the eyes of some consumers. Albertans are least enthused about organic products. For example, only 29% say they would “always buy organic” products if they could afford it, compared to the 39% national average. Relatively few people say they are “confused” about the term "organic." It’s worth recalling that such confusion was a major issue about 10 years ago.[4]

Canadians appear to have ambivalent views toward “processed” foods and beverages. On one hand, six in 10 say that processed food is “terrible” for their health, and 43 percent try not to eat processed food. On the other hand, half believe that “almost all food sold in Canadian grocery stores is to some extent processed.”

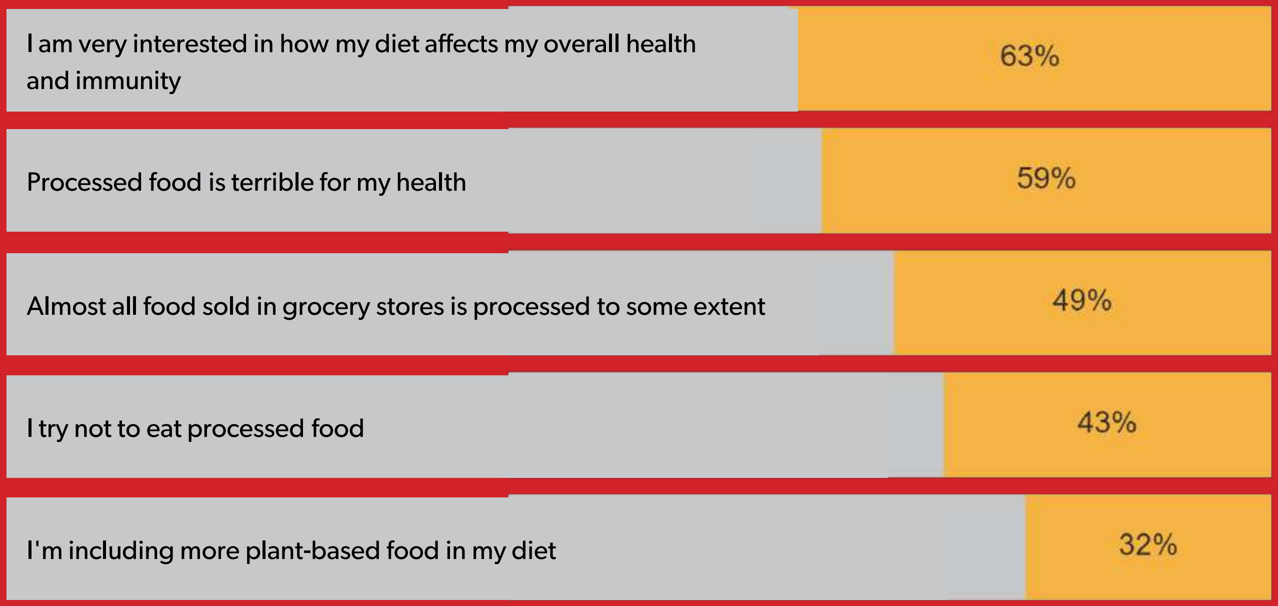
[4] https://www.forbes.com/sites/bethhoffman/2013/07/17/organic-causes-confusion/?sh=6e023c633159

Perceptions of Processed Food

Q. Please indicate whether you agree or disagree with each of the following statements.

Statements About Processed Foods

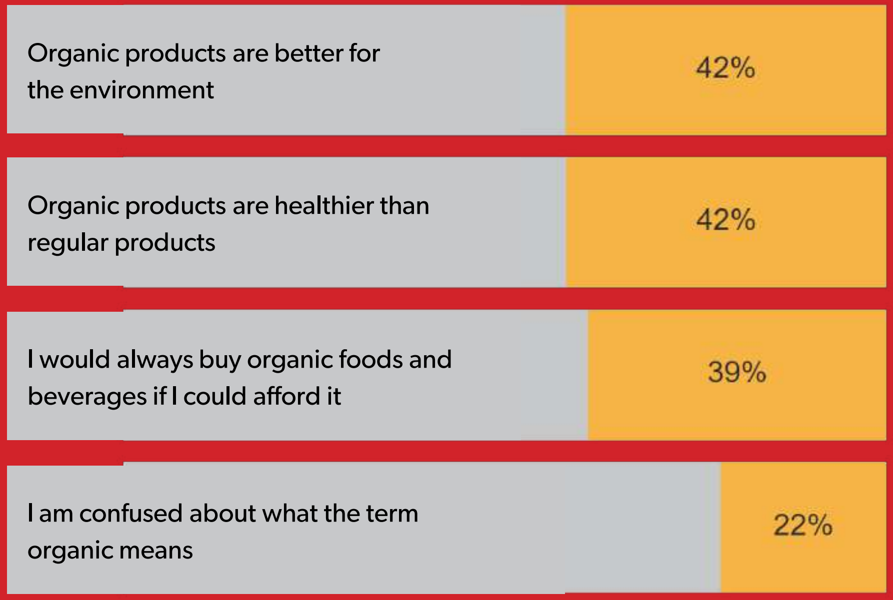
% Agree



Sample base: 1,501

Statements About Organic Foods

% Agree



Sample base: 1,501

The survey tested several common foods and beverages by asking Canadians to 1) rate the healthfulness of 22 products, and 2) indicate "how processed" they perceive these same products to be. The exercise yielded several noteworthy results for food and beverage processors:

- As could be expected, given perceptions of processed food, the foods and beverages that are perceived to be very processed are also much less likely to be deemed healthy.
- Cheddar and cottage cheese are considered equally healthy, even though cottage cheese has much lower fat content.
- 1% milk is somewhat more likely than almond milk to be viewed as healthy, but the latter is much more likely to be considered very processed (i.e., 4 or 5 out of 5).
- 71 percent say "organic eggs" are healthy, but 85 percent feel this way about regular "eggs."

- Few people view alcohol as healthy, but wine is more likely to be considered healthy than beer. Beer is also more likely to be regarded as highly processed (54% compared to 35% for wine).

- Most Canadians (60%) view fresh ground beef as healthy, but 79% feel this about fresh chicken breasts. In sharp contrast, only 11 percent believe eating frozen chicken fingers is healthy (the same proportion as frozen French fries).

- Consumers are much more likely to consider fresh broccoli healthy than frozen and twice as likely to consider frozen broccoli very processed.

Perceptions
of Healthfulness and Processing

Q. How healthy would you say it is to eat/drink the following food and beverages?
How processed would you say the following food and beverages are?

Healthfulness of … Vegetable Fruit Products

			% who say processed
Fresh broccoli	15%	85%	7%
Frozen broccoli	29%	71%	16%
Oranges	21%	79%	6%
Orange juice	40%	60%	37%

Healthfulness of … Proteins

			% who say processed
Eggs	15%	85%	7%
Organic eggs	29%	71%	7%
Fresh chicken breasts	21%	79%	13%
Fresh ground beef	40%	60%	19%
Frozen chicken fingers	89%	11%	79%

Healthfulness of … Alcohol & Snacks

			% who say processed
Wine	75%	25%	35%
Beer	87%	13%	54%
Frozen French fries	89%	11%	67%
Chocolate cake baked in-store	92%	8%	71%
Chocolate cake from cake mix	94%	6%	75%

Healthfulness of … Dairy Products

			% who say processed
1% milk	42%	58%	23%
Almond milk	51%	49%	37%
Cottage cheese	43%	57%	27%
Cheddar cheese	45%	55%	35%

Healthfulness of … Carbs & Soups

			% who say processed
White rice	63%	37%	29%
Dried pasta noodles	65%	35%	46%
Soup prepared in-store	78%	22%	49%
Canned soup	84%	16%	76%

Behaviours and Attitudes to the Rising Cost of Groceries

Inflation has dominated headlines and conversations for the last two years, with the rising price of food and beverages the salient concern for many consumers. The survey results suggest that the impact of food inflation has been broad and deep, prompting most Canadian households to take several actions to deal with this negative trend.

There exists a near-universal perception (96%) that the price of groceries has increased in the past 12 months (i.e., October 2022 to October 2023), with 84% saying prices have increased "a lot" (especially from the perspective of seniors). Moreover, very few consumers (11%) believe food inflation is "slowing down", despite news and media narrative during the time this survey was fielded which reported a decrease in the cost of groceries.

Perceptions of how much the price of groceries has increased in the past year vary significantly: about one-third say between six and 10 percent, another third peg the figure between 11 and 20 percent and just under a third believe grocery prices have increased by more than 20 percent. Consumers under 34 and Quebecker are less likely to think prices have risen by 20% or more.

There is a massive delta between the proportion of grocery retailers who agree that food inflation slowing down (82%), compared to consumers (11%).

Perceptions of Grocery Inflation

Q. Over the past 12 months, would you say the price of groceries has increased, decreased or stayed about the same?

96% feel the price of groceries increased in the past 12 months

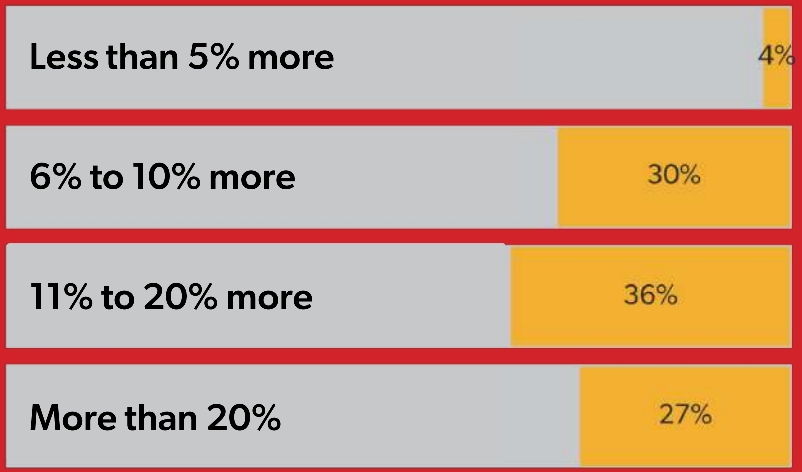
84% increased a lot

12% increased a little

3% stayed about the same

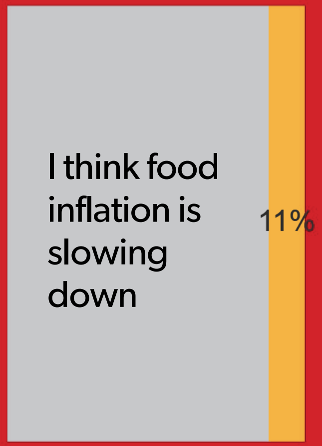
Sample base: 1,501

Q. How much more would you say you are paying for groceries today compared to this time last year?



Sample base: 1,201

Q. Please indicate whether you agree or disagree with each of the following statements.



vs. 82% of grocery retailers who agree

Sample base: 1,501

There continues to be much hand-wringing and finger-pointing about the causes of food inflation.[5] Terms such as "price gouging" are tossed around by some. Others point to factors such as the war in Ukraine, climate change, and supply chain blockages as driving food inflation. Two in three Canadians perceive that the main players in the food and beverage supply chain (i.e., producers, processors, and retailers) have taken advantage of inflation to increase their profits.

Regarding who within the supply chain is most to blame, almost no one points to producers, while only 10 percent blame food and beverage processors. Most (59%) say grocery retailers are the most responsible. The remaining 26 percent say the three are equally to blame.

[5] https://www.cbc.ca/news/politics/grocers-called-back-to-ottawa-1.7005942

Increasing Costs
Perspective On Profits

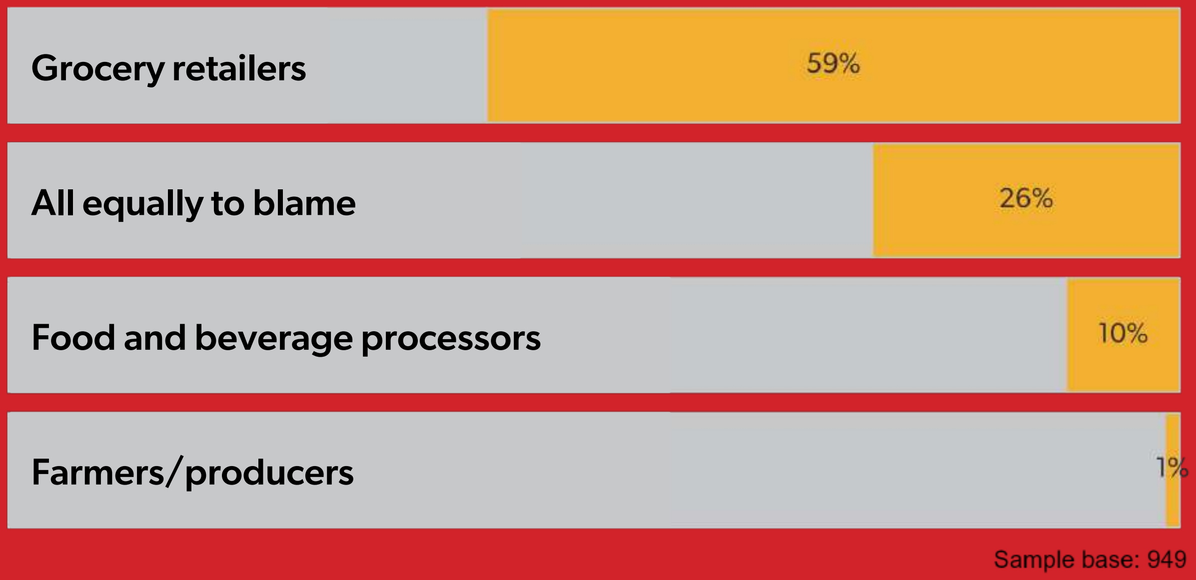
Q. Below are two points of view on the rising cost of groceries. Please tell us which one is closest to your own point of view?

Factors such as the COVID-19 pandemic, the war in Ukraine and climate change have created global inflation. Farmers, food and beverage processors and retailers, however, have taken advantage of the situation to raise their prices beyond what is necessary to cover the higher costs they face, <u>to increase their profits.</u>	66%
Factors such as the COVID-19 pandemic, the war in Ukraine and climate change have created global inflation. Farmers, food and beverage processors and retailers have only raised their prices enough to cover the higher costs they face, <u>without increasing their profits.</u>	21%
Don't know	13%

Sample base: 1,437

Increasing Costs
Who is to blame?

Q. Which one of the following groups would you say has raised their prices the most to increase their profits (Select only one)



What, if anything, have Canadian consumers done in the face of rising food and beverage prices? More than 8 in 10 consumers say they and their families have made changes. What may be more interesting (and surprising) is the scope of changes made: about two-thirds of those who have made a change have made five or more. Another surprising find is that the likelihood of making five or more changes is consistent across household income groups.

The most common actions taken include paying more attention to sales and specials, cutting back on restaurant delivery and take-out meals, shopping at less expensive stores, and buying more private label/generic brands.

Increasing Costs
Impact on Purchase Behaviour

Q. Have you/your family made any changes to deal with the rising cost of groceries?

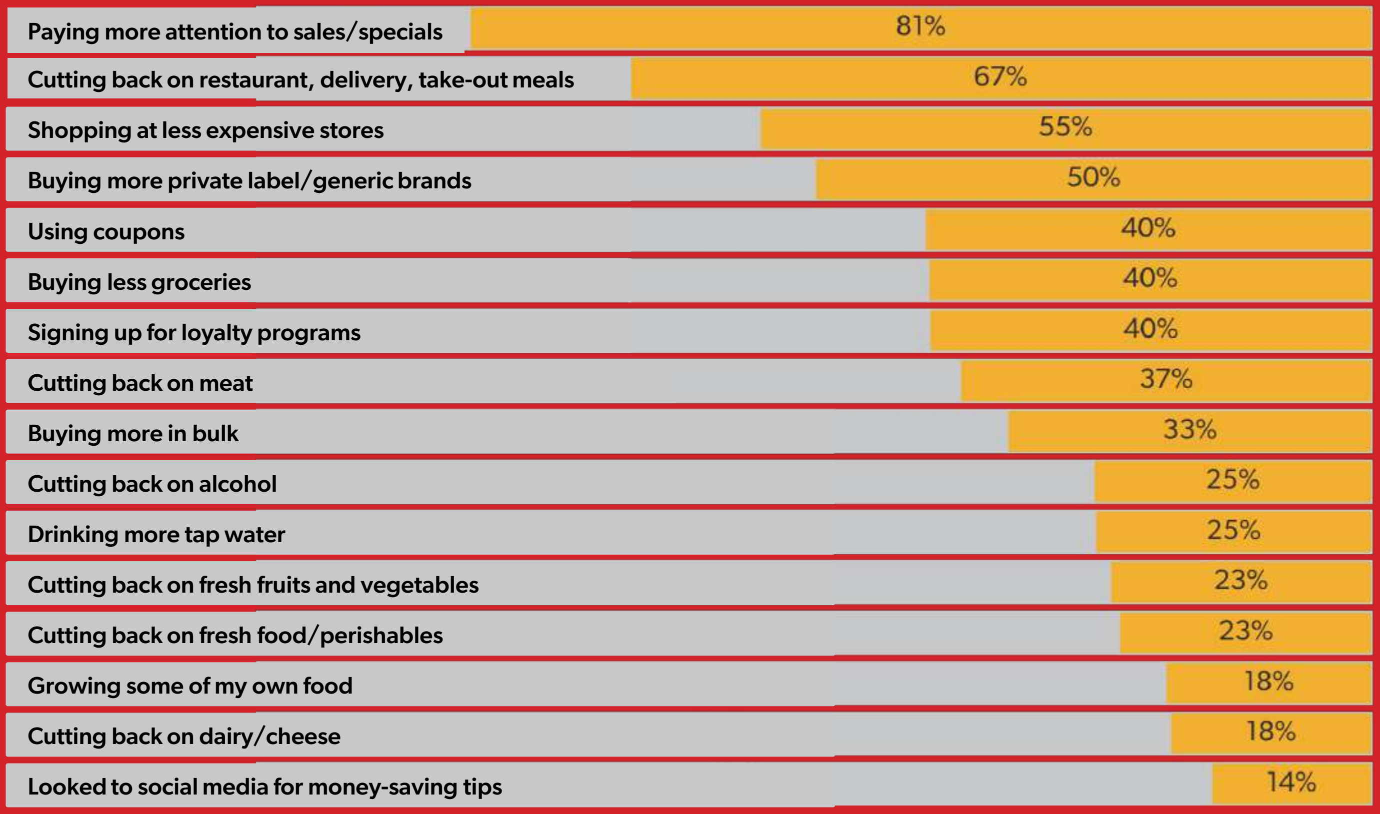
84%

of households made changes to deal with the increasing groceries cost

Sample base: 1,437

Among those who have made a change, **90%** of them have made at least <u>three</u> changes; **64%** have made at least <u>five</u> changes. Higher income households are <u>just as likely</u> to have made as many changes as lower income households.

Q. Which of the following changes have you/your family made to deal with the rising cost of food and beverages? (Select all that apply)



Sample base: 1,201

Implications for Food and Beverage Processors

These findings on Canadian consumers, their preferences and priorities when it comes to food and beverages, and their grocery shopping habits hold valuable insights for businesses operating in the Canadian food and beverage industry. Specifically, the results have the following implications for food and beverage processors:

- A substantial segment of the market appears uncertain about the quality and safety of their food. While food inspection is a complex process involving many players, might there be an opportunity for processors to fill an apparent information gap.
- The traditional considerations of freshness, quality, and price outweigh emergent factors about product origin, environmental impacts, and ethics in the consumer decision-making paradigm. This finding can help guide marketing and product packaging.
- There are large perception gaps between what consumers prefer and prioritize versus what grocery retailers *think* consumers prefer and prioritize. This finding illustrates the importance of processors understanding the consumer.
- Consumers express a mix of ambivalence and pragmatism toward processed foods, as well as a few misconceptions (for example, about the healthfulness of frozen produce). There is an opportunity to educate consumers (e.g., about frozen and fresh nutritional consistency).
- The COVID-19 pandemic caused "temporary" circumstances which produced permanent change. In the case of consumer responses to inflation, two of the most common adjustments are particularly relevant to food and beverage processors: shopping at less expensive stores (46% of households) and, more significantly, buying private label/generic brands (42% of households).

Audiences:

Differences Between Demographics

Women are primarily responsible for grocery shopping. They are also health-conscious, cost-conscious, and environmentally aware.

Men are less likely to prioritize health, environmental sustainability, and ethical considerations when grocery shopping.

Older people prioritize product quality, freshness, and where the product is grown/produced. They care more about Canada products and believe Canada produced is the best.

People with lower incomes prioritize convenience and ethical considerations when purchasing groceries. They are price-conscious and have made many changes to deal with rising costs of groceries.

People with dietary preferences are more health-conscious and environmentally aware, prioritizing organic and plant-based foods while avoiding processed options. They value detailed nutritional information and are willing to pay more for products with a lower carbon footprint and produced by ethical companies.

For more information, please contact:

Elliott Gauthier
Senior Vice President, Data + Analytics
Elliott.Gauthier@hillandknowlton.com

This program is funded by the Government of Canada's Sectoral Initiatives Program