

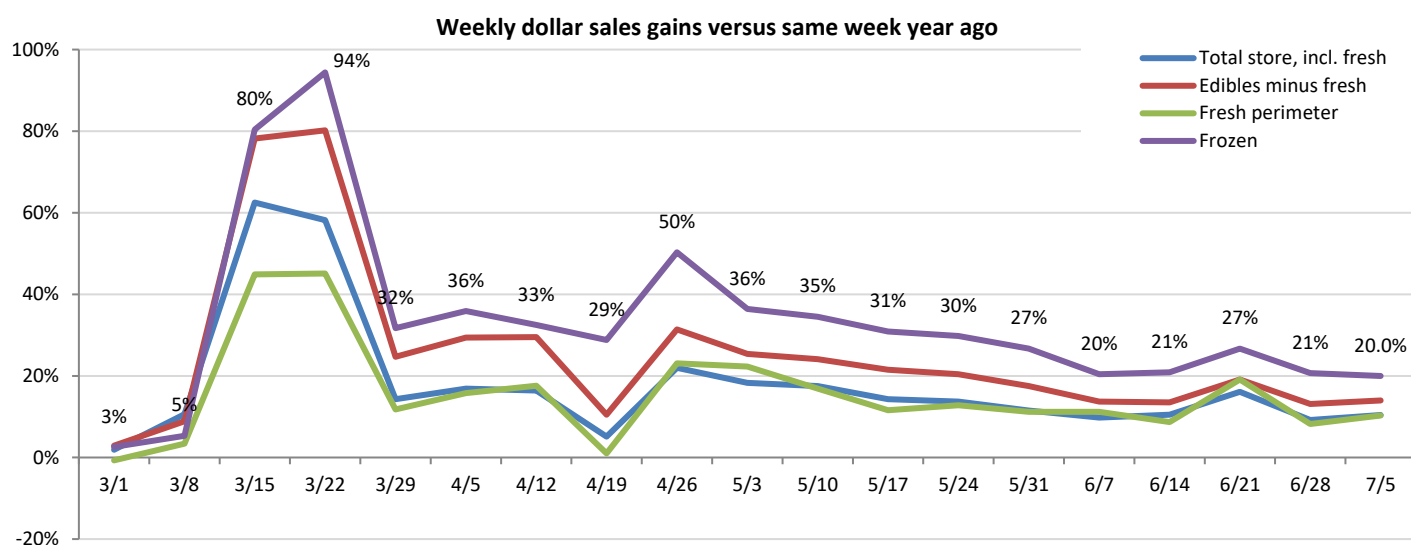
## Holiday Week Sparks Another 20%+ Growth Week for Frozen Foods

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Independence Day is typically a big week for fresh departments as consumers grill out versus eat out. But while fresh meat and produce saw robust gains, it was once more the frozen foods department that took home the win for the highest gains. An underlying driver may have been that many states rolled back the previous relaxation of social distancing measures this same week, which often included more limited capacity at restaurants. As such, it is likely that consumers flocked to stores once more to stock up on foods for their everyday meal occasion needs in addition to holiday-related sales.

The holiday week boosted total store sales (+10.4%), center-store edibles (+14.0%) as well as the fresh perimeter (+10.3%). However, already a big grocery holiday any year, Independence Day was much harder to beat versus other holidays that typically see more dollars leak to foodservice, such as Mother's Day or Father's Day. So while gains were achieved, the spikes were not nearly as high as those seen for earlier 2020 pandemic-affected holidays. For frozen foods, sales increased 20.0% versus the same week a year ago, which unbelievably, is the lowest gain since the week of March 8. In fact, this marks the 17th week that frozen food sales gains have been in the double-digits, with near doubling of sales in mid March.



Source: IRI, Total US, MULO, 1 week view % change vs. year ago.

Looking at the three levers of growth explains much of the strength for frozen foods amid the pandemic: household penetration, trips per buyer and dollars per buyer/trip. Frozen foods already had very high household penetration and many brands picked up new buyers over recent months. The second lever, the number of trips, shows additional strength where many other categories are seeing trips down or flat. For the week of July 5 versus the same week a year ago, trips across edibles are up just 1%. Trips for frozen foods are up 12% — only exceeded by home care. Frozen food trips have consistently

seen much higher gains than other food categories, or seen gains where others dealt with declines. The third lever, optimizing the basket size and dollars per buyer, however, shows other food category doing better. For the week of July 5, the average basket size for food items was up 15% over the same week a year ago. The average basket for frozen food was up too, but only 7%. This pattern is the same across most weeks and is likely an indicator that people are limited in their purchases by their freezer space and instead buy more frequently.

Frozen foods generated about \$1.29 billion in sales the week of July 5, 2020. The dollar gains were achieved with many fewer items in the aisles. Supply chain decisions aimed at optimizing production and efficiencies drove continued limited assortment at some stores. IRI's measure reflecting assortment variety shows the average number of frozen food items available per store has been down for weeks, but did improve to 1,352 this week — the highest in many weeks. Despite the improvement, assortment variety was still down 7.2% versus a year ago.

	3/1	March (3/8-3-29)	April (4/5-4/26)	May (5/3-5/31)	6/7	6/14	6/21	6/28	7/5
Average weekly items/store selling	1,393	1,449	1,394	1,365	1,345	1,347	1,347	1,336	1,352
Change vs. YA	-4.2%	-0.1%	-3.3%	-5.7%	-7.7%	-7.9%	-6.9%	-7.3%	-7.2%

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

Some of the hardest-hit areas included the following:

- Frozen pizza: -16.6%
- Frozen entrees: -11.1%
- Prepared vegetables: -10.9%
- Frozen fruit: -11.2%
- Breakfast food: -9.3%
- Processed poultry: -7.9%

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

While total meat/poultry and seafood SKUs were off by 3.2%, frozen meat continued to be the one area where retailers increased assortment with the average number of items per store up 0.8% versus the same week a year ago. Frozen seafood assortment was down 4.3% the week of July 5 versus year ago.

## Dollars versus Volume

For the week of July 5 there continued to be a significant inflationary gap between dollar gains and volume gains for all frozen items. The volume/dollar gap had been highest for meat, but this week, frozen fruits and vegetables experienced a bigger volume/dollar gap, at 13.2 percentage points. Ice cream also saw significant inflation.

Category	% sales change 1 week ending 7/5 versus year ago		
	Dollar sales	Volume sales	Volume/dollar gap
<b>Frozen meals</b>	+17.3%	+11.8%	-5.5
Breakfast food	+19.8%	+14.0%	-5.8
Dinners/entrees	+16.3%	+10.7%	-5.6
Pizza	+18.0%	+12.1%	-5.9
<b>Frozen meat/poultry/seafood</b>	+26.5%	+14.6%	-11.9
Processed poultry	+34.0%	+30.2%	-3.8
Meat	+11.6%	-4.1%	-15.7
Seafood	+43.4%	+36.7%	-6.7
<b>Frozen desserts</b>	+12.3%	---	---
Ice cream/sherbet	+12.0%	+1.5%	-10.5
<b>Frozen fruits &amp; vegetables</b>	+24.4%	+11.2%	-13.2
<b>Frozen baked goods</b>	+19.1%	+17.5%	-1.6
<b>Frozen snacks</b>	+29.1%	+23.3%	-5.8
<b>Frozen beverages</b>	+25.4%	+16.2%	-9.2

Source: IRI, Total US, MUJO, dollar and volume sales 1 week change vs. year ago

## A Deep-Dive into Frozen Food Sales

Independence Day week again brought double-digit increases versus the same week a year ago for all areas except prepared vegetables which managed single digit gains. Frozen meat/poultry/seafood took over as the top sales category, representing 32.5% of total frozen food sales. Frozen meals dropped to second, at 30.3% of sales. Frozen seafood was a distant leader in percentage gains with a whopping performance of +48.0% versus a year ago.

Product and share of frozen food department sales for w.e. 7/5/20	% Dollar sales change vs. comparable week ending in 2019					
	3/1	March (3/8-3/29)	April (4/5-4/26)	May (5/3-5/31)	June (6/7-6/28)	7/5
<b>Frozen dept (ex poultry)</b>	<b>+2.6%</b>	<b>+52%</b>	<b>+37%</b>	<b>+36%</b>	<b>22.1%</b>	<b>+20.0%</b>
Frozen meat/poultry/seafood (32.5%)	+8%	+65%	+48%	+60%	34.8%	+26.5%
Processed poultry	+4%	+75%	+48%	+50%	33.0%	+34.0%
Meat	+11%	+91%	+57%	+61%	30.4%	+11.6%
Seafood	+17%	+46%	+46%	+66%	48.0%	+43.4%
Frozen meals (30.3% of sales)	-3%	+53%	+28%	+20%	13.6%	+17.3%
Breakfast food	+1%	+44%	+30%	+22%	17.0%	+19.8%
Dinners/entrees	-3%	+44%	+16%	+12%	11.5%	+16.3%
Pizza	-2%	+79%	+53%	+35%	16.9%	+18.0%
Frozen desserts (27.0%)	+2%	+28%	+32%	+35%	18.2%	+12.3%
Ice cream/sherbet	-0.2%	+30%	+35%	+34%	16.2%	+12.0%
Novelties	+6%	+28%	+31%	+35%	19.3%	+12.1%
Desserts/toppings	+0.2%	+23%	+18%	+43%	27.8%	+17.9%
Frozen fruits & vegetables (10.3%)	+4%	+67%	+44%	+43%	23.8%	+24.4%
Fruit	+10%	+64%	+46%	+53%	37.0%	+36.7%
Potatoes/onions	+3%	+67%	+56%	+54%	29.4%	+25.1%
Plain vegetables	+5%	+72%	+38%	+34%	16.1%	+23.2%
Prepared vegetables	-13%	+35%	+12%	+9%	-0.3%	+7.9%
Frozen snacks (3.7%)	+1%	+67%	+60%	+48%	31.1%	+25.4%
Appetizers/snack rolls	+1%	+67%	+60%	+48%	31.0%	+29.0%
Frozen baked goods (2.6%)	-1%	+46%	+32%	+46%	22.4%	+19.1%
Frozen beverages (0.5%)	-2%	+80%	+58%	+49%	31.4%	+25.4%
Juices	-2%	+80%	+58%	+50%	31.5%	+25.5%

Source: IRI, Total US, MULO, 1 week view % change vs. year ago.

## What's next?

Independence Day week was the last of the spring and summer holidays, leaving a seven week stretch of regular weeks where everyday demand will have to carry the sales gains. Wave 14 of the IRI shopper surveys shows that concern over COVID-19 is rebounding as cases rise around the country. Thirty-eight percent now say they are more concerned than they were last week and 41% of Americans are bracing for longer duration, expecting the health crisis to last at least 12 more months. Given the rising concern and the rolling back of restaurant re-openings, foodservice transactions may plateau, while consumers once more flock to supermarkets. It is likely that retail dollar sales will sit above the 2019 baseline for the foreseeable future. Making meal planning easy remains one of the biggest opportunities for the frozen supply chain as consumers prepare an average of 84% of meals at home, according to IRI's weekly survey. Consumers, who were initially taking to preparing more scratch meals, are running out of meal ideas and craving variety. Pre-pandemic, it was exactly this meal fatigue that drove consumers to visit restaurants and buy meal kits instead of cooking at home. Additionally, the lunch opportunity is big as 38% of those who will be working next month expect to be working from home five days per week. This is compared to 15% doing so pre-pandemic.

**Please recognize and thank the entire food supply chain for all they do to keep supply flowing during these unprecedented times. These sales surges are only possible thanks to the heroic work of the entire food supply chain. 210 Analytics, IRI and AFFI will continue to provide weekly updates as sales trends develop.**