

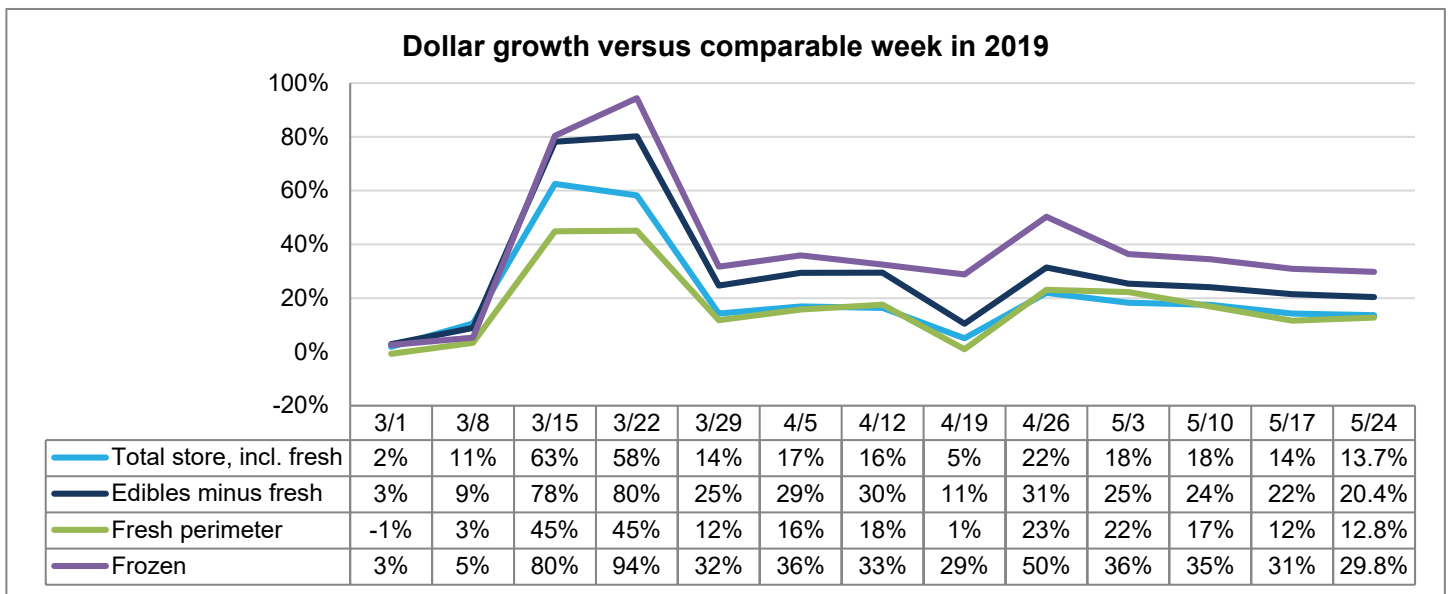
## Frozen Food Sales Gains Remain, Outpace Total Store

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Memorial Day week traditionally signals the unofficial start of summer grilling season, with subsequent sales strength for fresh meat and produce. However, social distancing measures meant fewer people traveled and gatherings were different and often smaller. Based on elevated everyday demand along with strong Memorial Day holiday demand, grocery retailing sales continued to track well ahead of the old baseline the week of May 24. And as seen since the second week of March, amid all the changes in shopping patterns there has been one constant: the frozen food department has been among the top performers.

Dollar gains for frozen foods for the week ending May 24 were up 29.8% over the same week in 2019 — virtually unchanged from the week prior. In other areas of the store, the meat and produce department had another strong week, but overall perimeter performance was pulled down by continued struggles in deli-prepared and in-store bakery that have seen sales losses each week since the end of March. Center store edibles increased 20.4% — making frozen foods once more a sales leader.



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

Frozen foods generated nearly \$1.3 billion in the week of May 24, 2020 — \$296 million more than the comparable week in 2019. Supply chain issues combined with the highly elevated consumer demand drove continued out-of-stocks at some stores. On the Retail Feedback Group’s Constant Customer Feedback (CCF) program, a shopper wrote, “There were very few frozen vegetables.” Another wrote, “Your frozen

vegetables have been pathetic for the last two months or even before the virus.” Others noted understanding of the situation and wrote, “I realize that out-of-stock items are due to these difficult times. There was very little in the frozen food department, specifically Asian food (fried rice meals).”

IRI’s measure reflecting assortment variety shows an uptick in the average number of frozen food items available per store during the two panic buying weeks ending March 15 and March 22. But ever since, the number of items versus the same week in 2019 has been down. Given that consumer demand is up, the smaller assortment is likely directly due to supply chain issues and SKU rationalization decisions to optimize productivity.

Assortment variety was down 6.5% for the week ending May 24 versus the same week in 2019. This reflects the lowest levels of variety seen since the onset of the pandemic and reflects 94 fewer items per store on average than the same week last year.

	3/15	3/22	3/29	4/5	4/12	4/19	4/26	5/3	5/10	5/17	5/24
Average weekly items/store selling	1,527	1,491	1,370	1,409	1,391	1,382	1,381	1,383	1,379	1,362	1,354
Change vs. same week in 2019	+5.5%	+3.7%	-4.7%	-3.3%	-4.6%	-3.8%	-2.3%	-4.4%	-5.3%	-5.9%	-6.5%

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

Some of the hardest-hit areas included the following, with assortment levels down from the prior week for all:

- Frozen pizza: -17.6%
- Frozen fruit: -14.5%
- Prepared vegetables: -13.6%
- Frozen entrees: -13.0%
- Plain vegetables: -8.8%

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

One of the very few areas with an increase in the average number of items per store was frozen meat (+1.3%). The tight supply in the meat department means inventory is far below normal levels and many meat buyers have ramped up their frozen meat inventory to supplement fresh assortment, where possible. “For the first time in my over 30 year career, we did not feature top round London Broil on the front page of our ads leading up to Memorial Day as a result of the current situation,” said Samer Rahman, senior Director of Meat and Seafood for Allegiance Retail Services. “We promoted alternative items such as frozen pork baby back ribs, frozen chicken breast and frozen burgers. As a result, frozen meat sales have seen double digit growth in the last few weeks.”

Supply chain issues are also felt in inflationary pressure in several categories, including meat. While volume sales measures are not available for all areas, several subcategories are starting to see a significant gap between dollar gains and volume gains — pointing to price increases. For meat, dollars tracked more than 13 percentage points ahead of volume, signaling significant price increases. All frozen food areas had higher dollar than volume gains during the week of May 24 versus the same week in 2019.

Category with % of frozen department sales	% sales change 1 week ending 5/24/2020 versus year ago		
	Dollar sales	Volume sales	Volume/dollar gap
<b>Frozen meals (34%)</b>	<b>+20.0%</b>	<b>+15.6%</b>	<b>-4.4</b>
Breakfast food	+27.2%	+20.9%	-6.3
Dinners/entrees	+15.1%	+11.8%	-3.3
Pizza	+25.5%	+20.2%	-5.3
<b>Frozen meat/poultry/seafood (32%)</b>	<b>+47.9%</b>	<b>+39.2%</b>	<b>-8.7</b>
Processed poultry	+47.2%	+42.5%	-4.7
Meat	+38.2%	+25.0%	-13.2
Seafood	+62.6%	+55.7%	-6.9
<b>Frozen desserts (23%)</b>	20.7%	---	---
Ice cream/sherbet	+20.6%	+12.8%	-7.8
<b>Frozen fruits &amp; vegetables (12%)</b>	+33.8%	+26.0%	-7.8
<b>Frozen baked goods (3%)</b>	+36.5%	+33.6%	-2.9
<b>Frozen snacks (4%)</b>	+47.4%	+43.3%	-4.1
<b>Frozen beverages &lt;1%</b>	+37.5%	+28.0%	-9.5

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

## A Deep-Dive into Frozen Food Sales

The overall 29.8% gains were supported by double-digit increases for all areas of frozen food. The highest gains were achieved by frozen meat, poultry and seafood, at +47.9%. This translated into \$423 million in frozen animal protein sales the week of May 24, an additional \$138 million versus the same week last year. The largest share within frozen foods, frozen meals, increased 20% despite stores carrying many fewer items. Frozen pizza, that had nearly 18% fewer items on average per store selling, increased sales 25.5% over the week ending May 24 versus the comparable week in 2019.

Product and share of frozen food department sales for w.e. 5-24-20	% Dollar sales change vs. comparable week ending in 2019						
	3-01	March (w.e. 3/8-3-29)	April (w.e. 4/5-4/26)	5-3	5-10	5-17	5-24
<b>Frozen dept (ex poultry)</b>	<b>+2.6%</b>	<b>+52.3%</b>	<b>+36.9%</b>	<b>+36%</b>	<b>+35%</b>	<b>+31%</b>	<b>+29.8%</b>
Frozen meals (34%)	-3%	+53.0%	+28.3%	+20%	+19%	+18%	+20.0%
Breakfast food	+1%	+43.9%	+29.7%	+22%	+21%	+24%	+27.2%
Dinners/entrees	-3%	+44.3%	+16.2%	+12%	+12%	+12%	+15.1%
Pizza	-2%	+78.5%	+52.5%	+35%	+31%	+28%	+25.5%
Frozen meat/poultry/seafood (32%)	+8%	+65.4%	+48.4%	+60%	+59%	+51%	+47.9%
Processed poultry	+4%	+74.5%	+47.8%	+50%	+51%	+45%	+47.2%
Meat	+11%	+90.7%	+56.6%	+61%	+62%	+48%	+38.2%
Seafood	+17%	+46.2%	+45.6%	+66%	+65%	+61%	+62.6%
Frozen desserts (23%)	+2%	+28.4%	+32.2%	+35%	+30%	+25%	+20.7%
Ice cream/sherbet	-0.2%	+29.5%	+34.8%	+34%	+29%	+25%	+20.6%
Novelties	+6%	+27.6%	+30.7%	+35%	+30%	+24%	+20.2%
Desserts/toppings	+0.2%	+22.9%	+18.3%	+43%	+37%	+34%	+25.2%
Frozen fruits & vegetables (12%)	+4%	+67.3%	+44.3%	+43%	+39%	+35%	+33.8%
Fruit	+10%	+63.7%	+46.4%	+53%	+48%	+48%	+45.9%
Potatoes/onions	+3%	+66.9%	+55.6%	+54%	+49%	+44%	+42.0%
Plain vegetables	+5%	+72.1%	+38.4%	+34%	+31%	+24%	+25.0%
Prepared vegetables	-13%	+35.2%	+11.5%	+9%	+6%	+4%	+5.1%
Frozen baked goods (3%)	-1%	+45.9%	+31.6%	+46%	+40%	+39%	+36.5%
Frozen snacks (4%)	+1%	+66.9%	+59.9%	+48%	+47%	+48%	+47.4%
Appetizers/snack rolls	+1%	+67.1%	+60.0%	+48%	47%	+48%	+47.3%
Frozen beverages <1%	-2%	+80.3%	+57.8%	+49%	+55%	+49%	+37.5%
Juices	-2%	+80.4%	+58.1%	+50%	+55%	+49%	+37.6%

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

## What's next?

Frozen foods have generated double-digit gains for 11 out of the last 11 weeks and seems to be holding steady at highly elevated levels compared with last year's sales. The next sales report, covering week 12 of coronavirus' affected shopping patterns, is the final week of May. For some states, that coincided with the start of summer vacation. Since mid-March, the closing of schools and colleges brought many more meal occasions to at-home. Now, the altered COVID-19 consumption patterns will go up against summer vacation eating patterns of prior years. Meanwhile, the relaxation of the stay-at-home executive orders looks different from state to state. Many have relaxed mandates allowing some consumers to shop, dine and work out of home. The economic recovery along with the foodservice engagement in those states will be very telling for the likely level of demand at food retailing for the foreseeable future. Given the limited seating, economic pressure and perhaps some latent social anxiety, it is likely that grocery demand will continue to sit well above the 2019 baseline, with frozen foods in a starring role.

**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.**