

## ***By Breakthrough Solutions***

---

2020 has been unprecedented in many ways and has been extremely challenging for fresh produce suppliers, retailers, and shoppers.

The rollout of COVID-19 vaccines brings us all hope for a return to normal in the coming year. We at Breakthrough Solutions believe there is, actually, a new and better normal ahead. With that focus, we want to share our predictions of seven key trends for 2021. Our insights are drawn from a Summer 2020 Breakthrough Solutions national consumer survey on their online shopping behavior, desires, and experiences and from a variety of other trend research sources.

Looking ahead, the following summarizes the top consumer trends for produce suppliers in the coming year. Each one can provide opportunities for those that take advantage of these trends. Our goal has always been to improve the profitability of the produce industry, and we remain committed to helping growers, shippers, and marketers navigate through this time of uncertainty.

### **1. Online shopping - The fresh produce industry must act now to ensure the digital future doesn't result in a return to a commoditized past and lower sales**

Online grocery is here to stay and growing rapidly. Online sales in 2020 are expected to grow by more than 90% over 2019 and could reach more than 20% of total grocery sales by 2025— To understand the growth, consider it was only 3.4% in 2019. While the online sector is growing, the digital shift has the potential to put fresh produce brands, revenue, and profitability at risk. As consumers are now shopping in an omnichannel world, shopping for fresh produce online is a very different experience and decision process than pushing a cart through the produce department.

A Breakthrough Solutions' Summer 2020 online grocery shoppers survey found that more than 50% of shoppers purchase less fresh produce online than during in-store visits. What is worrisome is that shoppers are also significantly less likely to try new products online. Shoppers feel they have fewer fresh produce selection options available when shopping online vs. shopping in-store.

With shoppers rapidly taking an omnichannel approach, adding online to their weekly buying habits, there is a need for brands and categories to stay top-of-mind with consumers.

What actions can your company take to remain relevant to your consumers who are now making shopping decisions in new ways and places?

## **2. Produce packaging will play a new and bigger role - The challenge will be balancing food safety, product quality, brand messaging, and sustainability**

Food safety concerns arising from COVID-19 created strong consumer demand for packaged produce this year, but despite that, consumers have not abandoned their concern for sustainability. These concerns, combined with the evolving need for packaging that can handle the supply chain and brand communication demands of online grocery, are forcing produce companies to rethink the role of packaging.

Packaging's role has always been to protect the product, communicate the brand, enhance brand awareness, and the consumer product experience while being cost-effective and merchandizing friendly. Now, produce companies will need to meet those requirements while also finding cost-effective packaging solutions that enhance food safety and increasingly minimize the use of non-compostable plastics.

While balancing the food safety, product protection, branding, and sustainability needs for produce packaging poses a cost-management challenge for produce companies, creating new packaging in 2020 has provided additional branding opportunities for communicating directly with consumers— particularly in online channels. When the alternative is simply a commodity photo, branded, distinctive packaging can strengthen a produce supplier's presence online. Meanwhile, the impact of packaging at home can include branding, messaging, recipes, reasons to repurchase, and cross-selling of new or other products on the package. }

Achieving the perfect produce package that meets sustainability expectations will take innovation and industry partnerships. Positive momentum in this area will continue in 2021. At Breakthrough Solutions, we have always been at the forefront of packaging solutions to help connect better with consumer desires. What is your company working on to stay on trend?

## **3. The locally-grown produce movement starts to come of age**

Innovations in digital platforms connecting farmers to consumers, greenhouse technology, LED lighting, automation, and vertical farming are helping supply catch up with rapidly growing demand for locally-grown produce.

These innovations are allowing new local suppliers to become increasingly cost-competitive, provide year-round supply, and even capture shelf space and consumer attention in stores. This is being achieved by deploying non-traditional vertical farms and greenhouses in many local markets and reducing the need to ship selected products long distances. Leading vertical farming companies—including Plenty, Bright Farms, Revol Greens, Rise Gardens, and Kalera—have raised over \$400mn in follow-on investment rounds this year.

At the same time, demand for local continues to rise, with millennials looking to support local farmers. The pandemic has provided a strong boost and interest from consumers to spend within their communities.

Traditional produce suppliers, that source from different regions for year-round supply, will come under increased competitive pressure as local, greenhouse, and hydroponic farms become more cost-competitive through year-round operations and develop new strategic partnerships with retailers and foodservice suppliers.

Traditional farmers and growers are feeling the combined pinch of the Buy Local trend with the high productivity and lower costs of southern hemisphere growers. As a result, there will be pressure on legislation to protect rural areas from perceived unfair practices, a need to invest in more productive varieties, as well as increasing automation and robotics in farming and packing to offset labor shortages. Are you keeping up with the trends to stay competitive in your categories?

#### **4. Family dining is in the house**

The pandemic shifted spending for food prepared at home from close to 50% pre-Covid to a high of 66% in April 2020 and remained elevated at 54% as of August, per the USDA. But in addition to an increase in spending, 2020 introduced a rise in home cooking - trying new recipes, eating to feel better, eating fresh produce as a healthy choice, and trying new produce varieties and value-added products. The increase in family cooking and eating together will continue in 2021.

Two key trends are driving an increase in meals at home. A recent study from the National Restaurant Association shares that nearly 17% of U.S. restaurants have closed either permanently or long-term amid the coronavirus pandemic. While restaurants have been innovative and have offered expanded takeout and outdoor seating options, restaurant access remains restricted in most states. Also, the continued shift to work from home has increased eating occasions at home. In combination, consumers will continue to get most of their fruit and vegetables at home for the foreseeable future. Fresh produce companies will

benefit from offering ready to cook, heat, and eat products, along with easy snacking products in their 2021 product line.

Innovations introduced during this time of disruption have the potential to shape future behavior. Consider how you can make an impact. For example, one cook-at-home opportunity could be to partner with a retailer to promote international recipes to delight consumers who are missing international travel. Another would be to make it easy to plan and prepare dinner for those who wait until the last minute on a busy day. Are you looking for new opportunities to make the in-home dining experience easy, fresh, and tasty?

## **5. Focus on Food as Medicine**

Eating fresh produce has always been considered an essential part of a healthy diet. For many years, consumers have also been increasing their consumption of produce rich in healthy attributes. This explains why products such as citrus, leafy greens, and berries increased sales faster than other produce items in 2020.

A natural extension of this trend will be consumer interest in natural products enriched with specific components to help achieve a particular goal. Others may seek products that substitute non-renewable ingredients with natural plant-based sources. A bioproduct, such as biofortified foods or biopharmaceutical, is made from organic material available on a renewable basis. It includes such things as crops, fruits, vegetables, aquatic plants, and grasses. This sustainable approach considers the entire product life cycle from its agricultural origin to its ability to be renewed. The demand for bioproducts is growing five times faster than the demand for traditional commodities, and this is no small niche: sales of bioproducts will reach \$480 billion in 2020. Growers can participate in this growing industry by partnering with new and existing technology providers in this space. Have you looked into this?

## **6. Food supply chain disruption pivots into the birth of new strategic partnerships**

With the explosion of online shopping from home, retailers rapidly diversified how consumers could order and receive food to protect their market share and diversify risk. Food suppliers and foodservice distributors launched new paths to get their products to consumers. The world of food retailing and distribution has rapidly evolved this year, with more changes coming.

Shoppers now have to choose from many different ways to purchase fresh produce from retailers: Inside the retail store, online with pick up at the store, delivered to a box, or

delivered at home or office. This has created an omnichannel approach to selling and buying with no clear winner yet.

Understanding this new omnichannel shopper will be critical as Millennials and Gen Z shoppers are establishing long-term behavior patterns, channel, and product preferences that will drive how we sell and shop for years to come.

In this increasingly omnichannel world, fresh produce companies should consider new options to help protect their profitability. Selling just to grocery and foodservice distributors may not be enough in the future. Pursuing strategic partnerships to help lock-in contracts for distribution through omnichannel alternatives can help remove variability from supply and demand planning for fresh produce companies. New alliances may open new profitable paths as omnichannel shopping evolves. Can you partner with someone to earn you space?

## **7. The search for fresh and new**

There is hope in the pandemic as vaccines are coming, but it will be a long winter for many until they are widely available. There will be an eagerness for newness, freshness, and authenticity in new foods/recipes to try at home for those who are already tired of Zoom calls, Netflix, and Mom's recipes. Consumers are fatigued about so many areas of the current isolation as protection lifestyle. This will open the door for those companies that can combine fresh fruit and vegetable offerings with new, tasty, and healthy ways to prepare them - and communicate that information in an engaging way to their target audience.

We recommend that fresh produce companies focus on 1) ) innovative new ways to present and communicate your products using packaging and new channels to reach new buyers, 2) new value-added products, including flavors, varieties, and ready-to-cook options, 3) creating recipes for your product offering with other uniquely flavored ingredients to offer fresh and unexpected new ways to serve and enjoy your products, and 4) Use digital media and packaging to communicate these new flavorful recipes and methods to prepare and serve your products. While there will always be classic dishes for your product line, give consumers something new to enjoy in 2021.