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## Hot profit\$

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*As Frozen Food Month approaches, ethnic cuisine draws consumers to the frozen food aisle.*

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Once the land of peas and ice cream, the freezer case now offers a global gastronomic feast for hungry and time-starved consumers who crave black bean enchiladas and sushi wraps that can be ready in minutes.

Innovative products—particularly ethnic foods—have helped make the frozen food aisle one of the most highly visited and profitable in the supermarket, according to industry executives. The economy and time constraints of consumers have also had a hand in the rise of the frozen food section.

According to the Frozen Foods in the U.S. 2nd Edition report, released in April by the Rockville, MD.-based research company Packaged Facts, retail sales of frozen foods and beverages through all retail channels totaled just under \$51.8 billion in 2008, representing a healthy 6.5% gain over the previous year.

Competition among retail channels for consumers' frozen food dollars has never been greater. While the grocery channel controls an estimated 55% of frozen food dollar sales, that is down from 65% just five years ago. The most pressure is coming from supercenters and mass merchants, which comprise the second largest distribution channel, accounting for just under 25% of sales, up 5% from 2005. Warehouse clubs accounted for 8% of dollar sales while remaining outlets, including drug and convenience stores, account for 13% of sales.

Supermarkets continue to seek ways to differentiate themselves in the category so as not to see their market share melt away. Once again March is Frozen Food Month and most supermarkets take advantage of the added attention manufacturers provide the category. "Supermarkets are very aggressive in promoting frozen products during the month of March, spurred on by the aggressive awareness programs from frozen manufacturers," says Frank Benso, vice president of Nampa, Idaho-based Great American Appetizer.

While much has changed since Clarence Birdseye introduced frozen foods to the masses 80 years ago, industry observers agree that retailers and manufacturers can do more throughout the year to boost frozen food sales. One of the most popular frozen categories is obviously vegetables, which, according to the Packaged Facts report, has a household penetration of about 80%. While David Brown, director of sales for Siloam Springs, Ark.-based Allen's, a grower and packer of frozen and canned vegetables, says there has been a resurgence of consumer interest in frozen vegetables—driven by new technologies such as steamable bags for the microwave.

"The best way we can help supermarkets is by merchandising on a regular basis," says Brown. "Frozen vegetables is a highly impulsive category—if you can get it out in front of consumers. Using that secondary space and that display space to merchandise frozen vegetables shows consumers there is a convenient and fast way to their meal solutions that they are looking for when they are in the store."

There is certainly no dearth of products to promote either. Observers note that manufacturers introduce about 600 frozen products a year. Allen's recently introduced a value-added line of Steam Supreme products to its Veg-All brand of frozen vegetables. Products in the steamable line include: rice and vegetables; a Far East mix with ginger sauce and a broccoli/ cauliflower and cheese sauce.

### TRIP AROUND THE WORLD

Observers note that much of that growth can also be attributed to increased popularity of ethnic foods. Observers add that less expensive frozen options provide wary consumers—who oft times are hesitant to visit ethnic restaurants or prepare ethnic foods at home as a main meal—with an entryway into a particular ethnic category. With its introduction of organic pot stickers and mini wontons Annie Chun's, has entered the frozen category for the first time. The San Rafael, Calif.-based company is seeking to leverage its name as a provider of shelf-stable natural Asian foods as it expands to the frozen aisle.

"We have always been a shelf-stable product line but consumers have been asking us 'when are you going to have frozen Annie Chun's products,'" says Mike Keeland, CEO of Annie Chun's. "So we felt it was just a natural extension of our brand. Basically what our brand stands for, is trying to take the mystery out of Asian foods for typical Americans. For a lot of consumers we are the first entry into Asian foods."

According to Keeland, the pot stickers, which reach retailer freezers this month, are available in Chicken & Vegetable and Pork & Vegetable (organic chicken or pork, cabbage and onions in a light wrapper). He adds that in line with Annie Chun's shelf-stable product, the all-natural pot stickers don't contain MSG, trans fats or preservatives. The mini wontons are available in three varieties, Pork & Ginger, Chicken & Garlic and Chicken & Cilantro.

Keeland says Annie Chun's was debating on how to enter the frozen category—either via appetizers or meals. They finally decided to enter with appetizers pot stickers and mini wontons specifically for two reasons, the high growth rate potential of appetizers, but more importantly, because Keeland says a brand has yet to take charge of the frozen pot sticker segment.

"We feel we have a real opportunity to come into the category and take a leadership position," says Keeland. "That's really what Annie Chun's tries to do, come out with the newest and most innovative type items."

Since Keeland says most consumers relate the Annie Chun's name to natural foods, he recommends that retailers stock the two new products within natural food sections, which is contrary to what other manufacturers of ethnic frozen foods suggest, including Bryce, Ruiz, president and CEO of Ruiz Foods, based in Dinuba, Calif. He believes Ruiz Foods frozen Mexican products should be in freezer cases right next to the traditional American frozen fare. Ethnic foods, particularly Mexican, continue to gain popularity as well. Ruiz says the Chicago-based Information Resources Inc. (IRI) figures attest to that, as well as the ongoing success of Ruiz Foods El Monterey and Tornados brands.

"When you look at the frozen Mexican category for the latest 4-week period ended November 29, 2009, dollar sales in all eight geographical regions trended up versus the prior year with total U.S. sales up 4.5%," says Ruiz.

As Mexican fare continues to gain favor with Americans Ruiz Foods has expanded its line to meet the changing profile preferences of its consumers. Ruiz says popular selections now include the El Monterey Chicken Rice & Beans Two-pack and Family Pack Burritos and the El Monterey Spicy Jalapeno Bean & Cheese Two-Pack and Family Pack Chimichangas.

The concern Ruiz has, and one that he says should concern retailers as well, is the proliferation of similar products.

"In order to get the most out of the category retailers can reduce duplication," says Ruiz. "They can remind their consumers of the value, quality and convenience of frozen dinners and entrées, especially in today's economy, remain committed to marketing to their customers, maintain proper segment space allocation and finally drive category awareness and profitability by promoting various segments at the same time."

### PIZZA PARTY

Arguably the most popular ethnic food—so popular it's hardly even considered ethnic anymore—is frozen pizza. According to the Packaged Facts report, aside from ice cream/sherbet and frozen vegetables, frozen pizza has the highest percentage of household penetration for frozen food categories at 65%.

Giacomo Fallucca, president and CEO of Milwaukee, Wis.-based Palermo Villa Inc., attributes the success of frozen pizza sales to a number of factors, not the least of which is a change in lifestyle. He says the difficult economy has instilled a nesting instinct in Americans, and they are eschewing pizzeria pizza, moving to the premium frozen segment. He adds that over the past several years frozen pizza manufacturers have vastly improved their product offering, which hasn't gone unnoticed by consumers.

"One of the things we looked at years ago was using restaurant quality toppings on our pizza," says Fallucca. From extra cheese deep dish to ham and pineapple, pizza is a very personal product for many Americans. Palermo's offers consumers three different choices: Primo Thin, an all-natural ultra-thin crispy & flaky crust with a selection of premium toppings; Rustico, a rising crust pizza and Hearth Italia, pizza similar to those found in quaint pizzerias throughout Italy.

As with other segments within the category, new products help drive frozen pizza sales. In the first quarter of 2010 Palermo's is adding a Garden pizza, grilled vegetables on a multi-grain crust and a Fajita pizza, marinated white meat chicken with a zesty sauce and cheese and dollops of real sour cream to its Primo Thin line.

"Offering different tastes is critical," says Fallucca. "But more important is providing our retailers products that sell."

Unique and different is exactly what Deep Foods' had in mind when it developed Naan Pizza for its Tandoor Chef brand. Michael Ryan, vice president of marketing for the Union, N.J.-based company, says the fusion product, which is available with cilantro pesto topping, roasted eggplant and spinach and cheese, provides an opportunity to introduce people to Indian food through pizza—which is familiar to most consumers.

"We have found that consumers, at large, are becoming much more interested in Indian food," says Ryan. "We have been successful in mainstream channels by offering a broad range of selections. We have appetizers, breads and condiments to go along with center plate meat and veggie products. We are able to capture consumer interest because we have the breadth and scope that an Indian restaurant will have."

### Selling a piece of the pie

The frozen pizza tundra is poised to change. In January, Northfield, Ill.-based Kraft Foods, which accounted for approximately 38.5% of the frozen pizza sold in the U.S. agreed to sell the assets to its North American pizza business to Nestlé. The sale includes the DiGiorno brand, the largest frozen pizza brand with about 17% market share, as well as the Tombstone and Jacks brand in the U.S., the Delissio brand in Canada as well as the California Pizza Kitchen trademark license.

The sale also includes two Wisconsin manufacturing facilities and the right to take on the leases for the pizza depots and delivery trucks. The transaction, which was for \$3.7 billion, is expected to be finalized sometime in 2010.