

[DINNERS & ENTREES]

# Opportunities & **Challenges**

**Leading brands in the category continue to pursue strategies that have been successful in the past, while monitoring external factors that are affecting their consumers.**

By Michael Hartnett

**A**NNUAL SALES VOLUME for the dinners and entrees category has topped \$6 billion, but average growth for the category has slowed to little more than 1%, leaving lots of leading brands to ponder individual strategies that favor more of the same or new directions.

Of the three segments that make up the dinners and entrees category, the sales volume is still, overwhelmingly in single serve, with some \$3.6 billion in sales, but the growth is in grab-and-go products within the handheld segment which is now generating the most significant increases with some \$1.3 billion in sales.

Those findings are part of the 52-week results reported by Information Resources, Inc., Chicago for the period ended late March. And that trend is even more pronounced in the most recent 12-week results, also ended in March, when sales of handheld products grew by 10.8%, compared with single serve growth of -2.40%, and multi-serve at -1.90% on 12-week sales of \$298 million, and -1% growth and \$1,181 million in sales for the 52-week period.

As always, there is lots of room for exceptions within those general findings, but leading brands in handheld like Stouffer's Lean Cuisine, Corner Bistro, Hot Pockets and Lean Pockets generated remarkable growth as high as 58% and 48%. In single serve, many familiar names generated outstanding results, including Healthy Choice Complete Selections, Marie Callender's Complete Dinners, Stouffer's Lean Cuisine Spa Cuisine Classics, Weight Watchers Smart Ones, and the new Healthy Choice Café Steamers is clearly coming on strong.

The multi-serve segment continues to be a favorite, with Gourmet Express reporting sales gains of 24%, and several other top-selling brands generating strong results, including Contessa, Birds Eye Voilat and Bertolli frozen dinners.

Some, but not all, senior executives with leading brands such as Gourmet Express, On-Cor, Weight Watchers Smart Ones, Kahiki, and The Hain Celestial

Group say they are sensing a whiff of change in the air, driven in part by major factors like ever-increasing fuel costs and higher ingredient costs. And then there is the potential for a slowdown in the national economy, which could actually have a positive impact on category sales.

"A lot of key issues in the dinners and entrees category are still very important—great-tasting products, ease of preparation and, specifically, strong growth in the skillet meal segment," says Bob Scully, CEO and chairman of Gourmet Express, Gridley, Ill., marketer and manufacturer of the Gourmet Dining brand.

"But the most important things are not just what companies are doing internally. We have been impacted by things that are external—by commodity price increases at an unprecedented level, along with the squeezes the consumer is finding himself in. A lot of people are now stopping to think before jumping into their cars, and sales at non-traditional outlets are up because of the value proposition," he notes.

"On-Cor has always stayed the course with products that emphasize taste, convenience and value," says Howard Friend, president and CEO of the Northbrook, Ill.-based company. "Products have to taste good or people don't buy them. And with everyone's busy lifestyle, the convenience factor plays an important role. The value message is there with frozen anyway because you always get a better buy in the frozen food case than when you're going to a restaurant."

From Heinz U.S. Consumer Products, Pittsburgh, Pa., and its Weight Watchers Smart Ones, a spokesperson observes, "Consumers are showing us more and more that health and wellness plays a significant role in their



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purchasing decisions. We know they are looking for more options that fit with their own personal health and wellness goals, but at the same time they don't want to sacrifice taste. That's why we've continued to add variety to our line, most recently with the introduction of Smart Ones Fruit Inspirations entrees. We also know that convenience and portion control packaging are trends that are helping to create a lift in the category. People are becoming accustomed to the convenience of portion controlled packaging of their favorite foods, as evidenced by the 100 calorie snack pack trend."

The Hain Celestial Group, Melville, N.Y., has carved out an even more specific product niche with its newest product introduction, the Gluten Free Café line with four new frozen entrees emphasizing great all-natural ingredients and fortified with vitamins B and D, and folic acid, plus iron and calcium. The products are also gluten free for those with gluten intolerance or worse, Celiac Disease, a form of gluten intolerance that affects one in 133 people, reports Kim McGowan, senior brand manager, frozen foods.

The four new products are being presented to traditional grocery channel and the natural food channel, and have already been accepted by Whole Foods Market. The products are scheduled to start shipping in early June, and consist of: pasta primavera, Asian bowl, fettuccini Alfredo, and lemon basil chicken. Each is a single serving and carries a suggested retail price ranging from \$4.99 to \$5.49.

Kahiki Foods' Tim Tsao, vice president of sales and marketing for the Gahanna, Ohio-based company, also cites the impact of higher prices on shoppers' purchase decisions, observing, "Consumers are making less shopping trips but



buying more when they do. These shoppers are looking for value. Price has become the number one factor in where they shop and it has become the primary means of comparison for new products. For frozen food companies, this means

people are eating at home more and looking to do this at a reasonable price. It's a good time to help families at the dinner table."

Citing the Kahiki Foods' own Market Intelligence research, combined with that of IRI and Food Marketing Institute sessions, the company identifies several factors that are, or could, become more and more important. These include an increased openness by consumers to shop at "value" stores (at the expense of traditional supermarkets), and a trend toward cooking more at home and eating out less frequently. Other key issues include the importance of nutritional information and, increasingly, shoppers demonstrating their willingness to seek out coupons and specials.



Kahiki also reports that as the U.S. population gets significantly older, health and wellness issues will become more important. This menu of positive product attributes will encompass issues such as: portion control, reduced calorie/less fat ingredients, more grains and fiber, steam technology, functional foods, natural and organic products, and packaging that educates and communicates with consumers.

#### New Products, More Planning

Gourmet Dining will continue its fundamental product positioning, with its great taste, ease of preparation and the value message that accompanies the options presented by 28 oz., 32 oz., and 64 oz. package sizes. And, too, the brand's newest product introductions, a chicken Florentine and a chicken parmesan, are entirely consistent with the existing line. However, there is a lot of new activity in the company's headquarters.



"We have reinvigorated our sales force with two very



#### Fuel Prices Drive Sales?

With higher gasoline prices nudging many consumers to cut back on their driving—including the number of visits to grocery stores, the frozen food aisles could become more crowded, according to some industry executives.

At On-Cor, Friend endorses that

scenario with a firm, "yes." He adds, "I think people have been wanting to get back to a home meal and have people sitting around the dinner table."

"If the average consumer is feeling a squeeze now in cutting back on the meals they eat outside the home, they

are not going to transfer that saving and drive more frequently to the grocery store for fresh and deli items. But if they can manage their time and go to the store once a week and stock up on frozen foods, they can eat out of the freezer all week long," says Scully.

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### Hain Launches Gluten-Free Initiative

Hain Celestial Group Inc., Melville, N.Y., has launched a gluten free marketing and sales initiative across 13 brands, including the new Gluten Free Café brand of natural frozen entrees.

As part of the initiative, Hain will celebrate Celiac Disease Awareness Month in October with the launch of a new "Gluten Free" promotion. Using a direct mail campaign targeted to almost 130,000 self-identified Celiac

consumers, the company will distribute literature and coupons featuring its selection of gluten free products across multiple brands.

These materials will direct consumers by zip code to key retailers carrying the company's gluten free products and introduce Hain's new gluten free dedicated website. The site will feature products with nutrition labels, gluten free recipes, a store locator, e-coupons

and other incentives. The promotion will be expanded in spring and summer of 2009 with a sweepstakes and the potential launch of gluten free email blasts.

In addition to Gluten Free Café frozen entrees, other Hain products that will display the company's gluten free logo include Imagine low sodium broths, Kidz Dream, Almond Dream and West Soy non-dairy beverages.

experienced gentlemen, Dan Mellyn, director of private label sales, and Doug Orzel, national sales manager. And the new vice president of sales is Randall Constant, formerly our national sales manager," Scully reports.

In addition, the company's new production facility in northwest Kentucky is scheduled to open late this summer. "The initial reason for going there is our growth. We are customizing it to accommodate the current and future volume, and we will double our capacity there, along with built in efficiencies and economies that will keep us as the low cost provider. From our new location at 100 Gourmet Dining Drive, in Greenville, Ky., we can reach 62% of the U.S. population in one truck day for hauling raw and finished goods," he explains.

That new facility and added capacity will also afford the company more options as it explores the opportunities presented by single-serve meals. "We will use similar recipes, but in different packaging. We're looking at 'rip open and pour,'" says Scully, who notes the likely introduction will be in spring of 2009.

On-Cor continues to emphasize the great taste, the ease of preparation and the value presented by its family-size meals, but more recently Friend notes the additional product feature of no preservatives, prominently noted on new packaging. "Every single item in the On-Cor line and every item in the future will have no preservatives."

That also applies to the brand's newest product introduction, Lasagna Italiano, which began shipping this spring. This newest addition to the classics line features Italian spices and its own layer of ricotta.

On-Cor will continue to support its products with an active, well-rounded media campaign, he notes, with TV spots featuring Richard Kind, FSI drops and Hispanic radio advertising, which is building brand loyalty with Spanish-speaking listeners. And, consistent with past practice, On-Cor will draw on its relationships with Disney, Sony and Dreamworks to tie in with a major motion picture release with its own DVD. Last year's DVD tied in with "Surf's Up," a children's animated film, while the 2008 release will be announced

and supported with an FSI drop in the fourth quarter.

Smart Ones has been generating consistently strong sales gains, and is seeking to maintain that momentum with its newest product innovations. Smart Ones Fruit Inspirations, introduced early this year. The four new entrees are: orange sesame chicken, with mandarin orange slices, pineapple beef teriyaki, honey mango barbecue chicken, and cranberry turkey medallions.

"These entrees combine the sweet taste of fruit and lean, juicy protein for a delicious, satisfying dish," a spokesperson notes, adding that one of the new introductions, the orange sesame chicken has already become a top 10 selling item in the overall Smart Ones line. The brand has already announced its plan to introduced additional new products later this summer to continue expanding its range of meal solutions.

The Hain Celestial Group is going after a gluten intolerant population group that spent \$800 million last year for food and beverages without gluten, says McGowan. By 2010 that figure is expected to increase to \$1.7 billion she says, noting that the growth rate for gluten-free entrees is already outpacing that of traditional entrees.

"We take the issue of gluten intolerance very, very seriously here. We had the Gluten Intolerance Group of North America go into our Pennsylvania manufacturing facility and certify that it meets their standards. We are the first and only frozen food company to be certified in this way, and the group's seal is on our products," she adds. ■



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