

5 WAYS

to Tap the Hidden Power of the **Frozen Food Aisle**

Consumers tend to have a complicated relationship with frozen foods. They rely on frozen fare for a convenient shortcut when schedules are tight—but they may feel guilty for not whipping up a meal from scratch using fresh foods. They reach for frozen favorites to quickly satisfy an off-hours craving—yet they question the health and quality quotient of many frozen items. It all adds up to a category fraught with unique challenges, as well as undeniable strengths and opportunities that manufacturers and grocery retailers can work together to leverage and monetize.



The **SCHWAN**
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SCHWAN'S CONSUMER BRANDS, INC.



Convenience has always been one of the primary drivers of this major **\$22 BILLION CATEGORY** (including dinners/entrees, pizzas, side dishes, and appetizers/snacks), projected to continue growing steadily to **\$23 BILLION IN SALES IN 2019**, according to Packaged Facts research. Consumers also turn to frozen foods for ease of storage and use, whole-family appeal and taste.¹

Shifts in shopping and eating behaviors, however, are posing challenges to the frozen category, with competition for the frozen food dollar coming from other supermarket

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departments, restaurants and non-grocery retail outlets. To keep loyal customers from migrating away from frozen foods, grocery retailers will need to rethink their approach to the frozen aisle, starting with defining the area’s target shopper.

Anatomy of a happy frozen food buyer

Just about everyone eats frozen foods: Consumption cuts across age, income and ethnicity. While the convenience and

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versatility of frozen certainly appeals to parents, adults-only households are just as likely as households with children to purchase frozen foods and to say they will continue purchasing frozen foods in the future.²

Frozen food consumption habits are also often linked to life events.³ For example, a new job can bring about stress, unpredictable hours and a shift in the routine. As a result, those with new jobs are more likely than average to take advantage of frozen foods’ convenience and taste benefits,⁴ suggesting that consumers in the throes of a big life change are prime candidates for boosting frozen food purchases.

“Frozen is extremely relevant for the time-starved busy family of today, as well as the staying-single-longer millennial,” notes Bob Shaw, founding partner of Concentric, a branding, marketing and innovation agency in Charlotte, N.C.

In fact, millennial shoppers in particular are key targets for frozen food purchases linked to life stages: This demographic group of consumers ages 18 to 34 ranges from recent high school graduates to working adults living in the suburbs with a spouse and kids, with shopping habits that vary accordingly. In addition, they’re currently projected to outspend every other generation by 2017.⁵

De-mystifying frozen for the nay-sayers

When consumers opt *not* to buy frozen, research suggests it’s less a function of traditional demographic variables than a reflection of certain attitudes and beliefs. Exploring these attitudinal barriers is a crucial first step for breathing new life—and sales—into the frozen aisle.

“It’s important to understand shoppers’ [frozen] usage and shopping habits so retailers and manufacturers can work together to reinvigorate that part of center store,” says David Lundahl, chief executive officer of InsightsNow, a consumer research firm in Corvallis, Ore. “You have to go deeper into understanding consumers’ behavior.”

How consumers really feel about frozen foods

% TOP 2 BOX AGREEMENT

	Consumers who have purchased the same or more in any of the key frozen product categories in past 6 months vs. previous 6 months	Consumers who have purchased less in any of the key frozen product categories in past 6 months vs. previous 6 months	Gap
Good quality brands are available	 85%	 63%	-22
Helps me reduce waste/save in freezer	 73%	 49%	-24
Made with natural ingredients	 53%	 23%	-30
Something I am proud to serve	 52%	 30%	-22

Source: *Reinvigorating Frozen Foods Report*, Schwan's Consumer Brands, Inc., June 2016

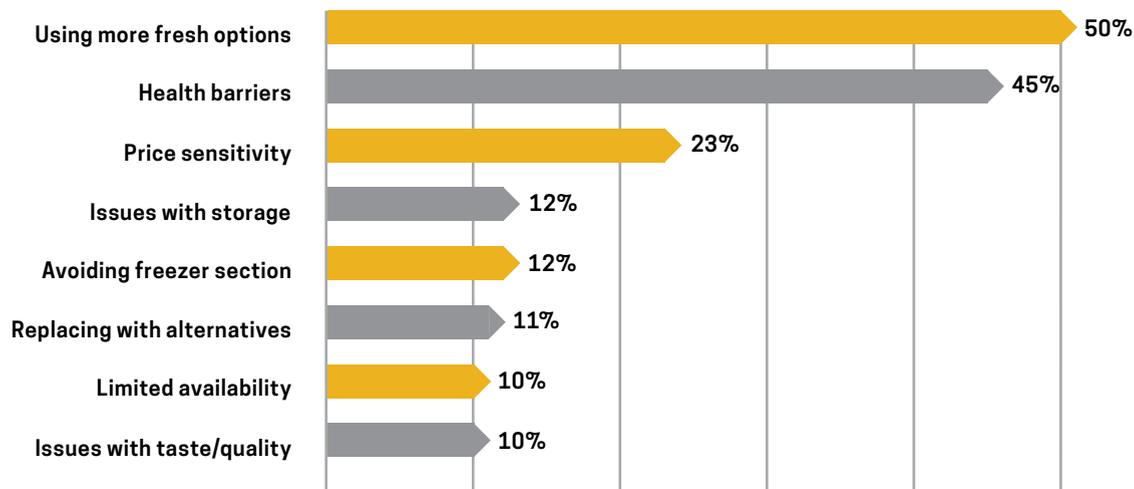
Many consumers, for example, see frozen as a compromise, a trade-off in which certain benefits are sacrificed for the sake of convenience. For some, serving frozen fare can even feel like a copout: Among those who report buying frozen foods less often than they used to, just 30 percent describe frozen products as something they are proud to serve, compared with 52 percent of those who continue to buy as much frozen food.⁶

The growing frenzy for fresh has also proven challenging to the frozen food category. Fresh food and beverage consumption is at a 30-year high,⁷ and the trend has hit frozen hard: A preference for fresh is the No. 1 reason consumers say they are purchasing frozen foods less often.⁸ The related trend toward grocery shoppers sticking to the perimeter (i.e., the produce, meat and dairy aisles) rather than center store is also an important factor,⁹ reinforcing consumers' tendency to stigmatize packaged foods.



Top reasons for buying fewer frozen food products

among consumers who have purchased less in dessert, dinner, pizza, breakfast, and meat/seafood product categories in past 6 months vs. previous 6 months



Source: *Reinvigorating Frozen Foods Report*, Schwan's Consumer Brands, Inc., June 2016

Informing consumers about the reality of frozen food benefits vs. outdated perceptions is vital to growing the aisle, says Tom Gillpatrick, a food marketing professor at Portland State University in Oregon. “[Retailers will need to] educate consumers about healthiness and freshness that can be achieved in frozen—most consumers do not understand,” he says. “For example, frozen fish can be

fresher than fish that is not frozen,” and studies also show that frozen fruits and vegetables can be just as nutritious as or more nutritious than their shelf-dwelling counterparts.¹⁰

The widespread use of frozen products to produce diner-pleasing dishes at restaurants is another myth-buster that retailers and manufacturers alike can exploit to boost frozen food product appeal to savvy shoppers.

“I do see the benefits of frozen, and so do many restaurant chefs,” says Seattle chef Dana Tough, a member of Schwan's Chef Collective. “Frozen food companies have access to high-quality, consistent ingredients that are convenient and delicious, and I know I can count on them when needed.”

“Most people are unaware that the majority of chefs and restaurants use frozen food as core staples supporting their menu,” adds Stacey Fowler Meittunen, senior vice president of Product Innovation & Development for Schwan's Shared Services, LLC. “The convenience and consistency of experience that frozen provides is enormous. Chefs understand that there is a compelling argument for frozen as a viable solution for busier-than-ever consumers who want to eat on their own terms without compromising experience for the sake of convenience.”



The frozen aisle: Friend or foe to shoppers?

Making the case for frozen foods is just half of the battle to take back the aisles, however. The physical setup of traditional frozen food aisles can also contribute to negative consumer perceptions of frozen food products. For starters, the frozen food aisle is usually cold both literally and figuratively.

“Frozen aisles are typically long straight runs of (sometimes garishly) packaged boxes, bags and tubs behind glass that are essentially a ‘zero experience factor’ for the shopper,” says Christopher Studach, creative director for King Retail Solutions, a retail design firm based in Eugene, Ore.

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— Chef Dana Tough, Schwan’s Chef Collective

Concentric’s Bob Shaw agrees that the frosty, sterile setting of a typical frozen food aisle can be off-putting to shoppers, especially compared with other parts of the store.

“This [sterility] is the greatest challenge [in frozen food merchandising], especially when the perimeter has continued to evolve its sense of food theater,” he says.

The frozen aisles can also induce choice fatigue. Often the extensive shelf sets feel overwhelming, prompting consumers to use shortcuts like signage or trusted brands to find what they need as quickly as possible rather than taking time to browse.

The frozen aisles do win points with shoppers for cleanliness and organization, making it easy for them to find great deals and discounts, especially in endcap freezers. Ultimately, consumers see many of the same benefits in the frozen food shopping experience—convenience, ease, affordability—as they do in the products themselves.

And just as manufacturers can go beyond the convenience factor by adding health, taste and quality benefits to their frozen offerings, retailers can amp up the aisle and the frozen food shopping experience as a whole by thinking bigger than convenience.



Sub-category success stories

Several sub-categories within frozen continue to thrive with increasing sales and/or strong positive consumer sentiment: frozen snacks/appetizers, fruit, vegetables, and ice cream/novelties.

These items sell well in part because they align with broader consumer expectations for frozen foods. All of them score points for delivering convenience and an easy shopping experience.¹¹ But they also win on attributes not typically associated with the arctic aisle. Consumers rate the frozen fruit, vegetables and ice cream/novelties sub-categories high on quality¹²—the very characteristic that declining sub-categories like breakfast and pizza get dinged for.

Frozen fruits and veggies are profiting from manufacturers’ investments in organic, natural and other key health attributes, research supporting their nutritional credentials, and explicit positioning around the healthy/easy/family-friendly trifecta.

Meanwhile, the success of frozen snacks/appetizers and ice cream/novelties proves there’s still a place for indulgence and impulse purchases in the frozen aisle. These sub-categories have capitalized on consumers’ love of rich, luscious flavors that can’t be replicated by the average home chef. But they also appeal to the practical side of indulgence, emphasizing flexibility of use and portion control options.

“Products like frozen pizzas and party snacks fit very well with different ‘moments,’” says David Lundahl, chief executive officer of InsightsNow, a consumer research firm based in Corvallis, Ore. “They don’t have to be aligned with the idea of ‘fresh,’ and are more of an indulgence. Focus on growing [these kinds of] items . . . by identifying more of those moments or occasions that fit with frozen and processed products.”



5 WAYS

to power up

Frozen Food Aisle Sales

Grocery shoppers may not currently feel a strong emotional connection to the frozen food aisles, but retailers have plenty of opportunities to build those connections. Here are five high-impact, research-based strategies for creating frozen food aisles that can compete profitably in the evolving retail food marketplace.

1

Make frozen food aisles easier to shop

“Creating ambiance in frozen is key to driving consumers [there],” advises Meittunen.

Consider breaking things up a bit, for example, to eliminate the warehouse feel of long rows of products behind doors. “Physically give the area unique characteristics, and locate the department in a non-typical way,” advises Studach. “While you can’t completely get away from a linear arrangement, you can arrange a series of liner cases to create segmentation, organization and interest.”

He also suggests treating frozen foods—or at least some “qualifying products”—as a specialty section devoted to healthy, easy meals. “Actively promote those ‘qualifying products’ to differentiate and communicate their quality aspects,” he adds.

Expand frozen food placement beyond the traditional center store aisles for even more purchase opportunities. For instance, add a freezer in the deli area near complementary items like

semi-prepared foods and refrigerated pizzas, or near the checkout to capture shoppers who might not be planning a trek down the frozen food aisle on that shopping occasion.

2

Broaden shoppers’ horizons about frozen food benefits

Pad Thai may be delicious, but it’s not exactly easy to make at home. Help shoppers see the benefits of trying unfamiliar or complicated dishes via convenient frozen meal solutions. To alleviate shoppers’ quality concerns, emphasize that professional chefs often start with frozen foods to create delicious dishes and that many frozen food manufacturers have pros on staff. Schwan’s, for example, “incorporates specialty chefs early on in the design process,” says Meittunen.

Bring in-store chefs into the process too by having them develop and sample inspired gourmet meals based on frozen products, promoted with FSIs and retailer recipe cards.

“The key is providing products that can compete with ‘away from home’ restaurant quality and bringing more of those purchases back to the grocery store,” notes Rick Shea, president of Shea Food Consultants in Minneapolis.

3

Stay ahead of trends

“Expand your variety [of frozen products] by looking past overall sales by SKU to a bigger picture view of driving new consumers and incrementality,” says Shaw. “Continue to shift your mix to the more interesting and innovative products.”



In addition to experimenting with the latest new ethnic dishes and flavors, consumers will respond to new frozen products that appeal to what matters most to them, such as health, notes Todd Hale, principal at Cincinnati-based Todd Hale LLC and a consumer research industry veteran. Frozen foods with the wellness claim “free from” artificial flavors or artificial colors delivered solid sales growth during the past year,¹³ and Nielsen reports near or better than double-digit growth both near- and long-term for frozen firms with wellness claims such as GMO-free, gluten-free, natural, and organic.

“Achieving the right [shelf] mix of the tried-and-true and more exploratory products is the ‘holy grail,’” says Meittunen. “Just like any great restaurant menu, retail frozen needs to offer the right balance of traditional favorites and new offerings that reflect consumers’ insatiable appetite to explore and experience new foods with unique flavors, aroma and texture combinations.”

4

Play up staple frozen items

A well-stocked freezer is a busy consumer’s best friend, so regularly remind shoppers to load up on frozen staples that can stand in for fresh or perishable items.

And don’t forget to promote the green side of using frozen staple foods—less waste, says Karen Wilder, senior director, Health and Wellness for The Schwan Food Company. “People are coming to appreciate the fact that using frozen food helps reduce food waste because frozen foods have a longer shelf life,” she explains.

5

Leave ‘em wanting more

Shoppers tend to make the frozen section the last stop on their grocery runs. By that point they may be ready to finish shopping and revert to a get-what-I-need-then-get-going mindset. Unless, that is, retailers give them cause to linger in the frozen aisles via sampling, exciting offers or a more sensory-stimulating aisle experience. Promote just as creatively in the frozen food aisles as you do in the rest of your store. Endcap freezers, for example, are a great place to navigate special offers, promotions or sales, along with bundled deals with other items in the store.

“Providing helpful tips and tricks and information that describes the [frozen] food, its history, origin and special features and benefits is helpful to consumers,” says Meittunen. “Preparation and showcasing how the food can be used in multiple settings and occasions is also very powerful and compelling.”

Ultimately, it’s essential to build trust among shoppers in both frozen food products and the frozen food aisle to create and reinforce their long-term loyalty to the category. By turning the section into a discovery-filled, linger-worthy destination, retailers will not only draw more carts down the frozen aisle, they’ll amplify the entire shopping experience—and boost store sales to boot.

SCHWAN'S CONSUMER BRANDS, INC.

Now, more than ever, consumers want authentic food choices with simple ingredient statements that they can feel good about serving their families. Schwan's Consumer Brands, Inc. conducted research for its exclusive *Reinvigorating Frozen Foods Report 2016* to start a conversation about how food makers and retailers can communicate the benefits of frozen foods to consumers both inside and outside of retail stores.

Schwan's Consumer Brands, Inc., a subsidiary of The Schwan Food Company, offers trusted brands such as *Red Baron*®, *Freschetta*®, *Bon Appétit*™ and *Tony's*® pizza, *Mrs. Smith's*® and *Edwards*® desserts and *Pagoda*® Asian-style snacks. Its products can be found in grocery and club stores throughout the United States.

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