Frozen Snacks - US - May 2013

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"The category finds favor through offerings geared toward a younger audience, with pizza bites and spicy poppers rising to the top of brand offerings. The expansion of product lines beyond these 'extreme' items into more sophisticated, quality snacks with a higher health profile should resonate more directly with older consumers."

– Beth Bloom, Food and Drink Analyst

In this report we answer the key questions:

- How can frozen snacks overcome a poor health perception?
- How can the category expand snacking on the go?
- How can frozen snacks grow appeal among older consumers?
- How can retailers attract consumers to the frozen snack aisle?

Total U.S. retail sales of frozen snacks hit $4.5 billion in 2012, representing 13% growth from 2007. The category posted slow year-over-year increases in the wake of the economic downturn, indicating that while consumers didn't abandon the category, neither did they flock to it as they increased consumption of food at home.

The category benefits from consumer interest in snacking, convenience, and a perception of affordability. Some 59% of consumers surveyed by Mintel in February 2013 indicated that frozen snacks were an affordable snack option, while 81% of respondents say the products are convenient for at-home eating and 66% find them convenient for on-the-go snacking. However, increased consumer health consciousness limits category performance, as frozen snacks are viewed as too processed and high in calories, fat, and sodium.

Frozen handheld entrées make up 56.4% of total U.S. retail sales of frozen snacks, or $2.5 billion. This represents a 2.6% increase from 2010-12 (6% from 2007-12). Despite growth, the segment lost share to frozen appetizers/snack rolls, which posted a 9.6% gain from 2010-12 (23% from 2007-12) to reach $1.9 billion. The vast offerings of the appetizers/snack rolls segment, which can come in a range of forms and formats, allow for growth through attention garnered from product innovation.

The sales of 10 companies combine to represent 73.6% of MULO sales of frozen snacks, pointing to a highly fragmented category. The three category leaders (Nestlé , General Mills , and Heinz) each posted sales declines during the 52 weeks ending Feb. 24, 2013, allowing for Mexican-style appetizer/ snack roll producer Ruiz Foods to gain share. Such performance points to the need for brands to reassess consumer preferences. Ruiz finds success in a growing interest in ethnic-inspired food offerings, motivated in part by shifts in U.S. demographics that find multicultural groups growing at a faster rate than the total population.

While supermarkets offer the widest selection of frozen snacks, consumer food shopping trends and expanding options at retail allowed "other" channels to achieve category dominance in 2012. "Other" retail channels, which include supercenters, warehouse clubs, natural foods stores, convenience stores, dollar stores, and nonstore retailers, grew sales by 8.7% from 2010-12 to claim just more than half of total U.S. retail sales in the category.

Given the category's close alignment with consumer trends, including having the ability to meet the demand for convenience, variety, and affordability, further sales growth is forecast through 2017. However, such growth will depend on the ability of category players to meet a growing consumer desire

DID YOU KNOW?

This report is part of a series of reports, produced to provide you with a more holistic view of this market for healthy food offerings. Frozen snack sales align closely with product innovation as measured by Mintel GNPD, with product launch patterns portending sales increases and decreases. Health- and wellness-related innovations such as those that allow for the reduction of sodium and fat, boost nutritive qualities such as protein and fiber, and boost a perception of product freshness are a necessary direction for such innovation.

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Table of Contents

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