

## Waiting for a Thaw

Processors expect sales to increase (slightly) next year. Meanwhile, they continue to develop new flavors and portions to tempt consumers.

■ **Jim Carper** *Chief Editor*

**H**äagen-Dazs celebrated its 50th anniversary this year. The brand launched in 1960 with three flavors (chocolate, coffee and vanilla). Today it offers more than 65 flavors in ice cream, sorbet, frozen yogurt and frozen snacks.

But ice cream makers had little else to celebrate in 2010. A drop in sales, a rise in ingredient prices and competition for retail shelf space are churning their stomachs. Even this summer's weather was not kind to the category. When temperatures get too high, consumers seek relief in cold beverages, not ice cream.

"The biggest challenge for everyone right now has been the variability of commodity prices. What's made it even more difficult is that this variability has affected key ice cream ingredient categories like cream, sugar and cocoa," says Matthew Thornicroft, spokesperson for **Pierre's Ice Cream Co.**, Cleveland.

"It's a very competitive category," says Penny Baker, director of marketing for **Smith Dairy Products Co.**, Orrville, Ohio. "Unfortunately, at retail, the category is over-promoted. There is very little brand loyalty in ice cream. Over-promotion rarely allows the retailer to capture full-revenue register rings on the frozen dessert category," Baker says.

Private label rules the ice cream market. Sales of private-label ice creams are more than double that of the closest branded ice cream, according to data from SymphonyIRI Group, a Chicago-based market research firm. **Breyers** is the No. 1 brand, ringing up \$435.2 million in sales compared to \$992 million in private-label sales in a recent 52-week period (see table on page 46). Total sales in the category were off 4.1%, compared to the previous period (as measured in dollars), but unit sales were down just 1.1%.

To compete, even in a stagnant market, processors have to develop new products and flavors to help a brand stand out (and stay) on a retailer's shelf.



"We're putting in a lot of energy into the development of fun and exciting new flavors," says Thornicroft. "Adding new things encourages customers to keep coming back to our freezer door wondering, 'Wow, what's next?'"

"We really focused on our frozen yogurt line of products with a package redesign and three new flavor offerings," says Colin Wright, trade relations coordinator for **Turkey Hill Dairy**, Conestoga, Pa. "For 2011 we will continue our 2010 focus of keeping things fresh and innovative with one caveat; streamline our product offerings."

Turkey Hill will release two new premium flavors — Homemade Vanilla Ice Cream, which is a vanilla ice cream recipe that includes extra vanilla, and Double Dunker, a mocha ice cream swirled with chewy cookie dough and crunchy chocolate cookie swirl.

"In general, consumers are looking for natural, healthier ingredients, and less preservatives. That's true with the ice cream category, too," says Baker of Smith Dairy. "We are finding that consumers in our markets want good old-fashioned ice cream." Regular ice cream continues to dominate the category with more than 85% of total volume, she says.

"Some of the most significant trends that we are seeing in the ice cream category are consumers' interest in dairy desserts with natural ingredients, healthy benefits, value and products with clear and precise packaging," says Turkey Hill's Wright.



## Ice Cream Dollars, Units Drop Slightly

Brand	Dollar Sales (millions)	% change vs. yago	Unit Sales (millions)	% change vs. yago
Private Label	992.4	-4.9	345.9	-3.9
Breyers	435.2	-3.3	137.7	+3.5
Dreyer's Edy's Slow Churned	298.4	-5.9	85.0	-1.7
Blue Bell	296.6	+3.7	81.5	+3.3
Häagen-Dazs	246.8	-4.3	66.1	-3.5
Ben & Jerry's	217.8	-1.2	65.3	+3.2
Dreyer's Edy's Grand	149.1	-21.3	44.0	-18.3
Dreyer's Edy's Fun Flavors	134.9	+38.0	39.3	+43.3
Wells' Blue Bunny	133.7	+4.6	38.1	+14.4
Turkey Hill	119.5	-6.1	42.4	-1.8
Total category*	3,968.5	-4.1	1,224.6	-1.1

\*Includes brands not shown. Total U.S. - Supermarkets, drug stores and mass merchandisers (excluding Wal-Mart). 52 weeks ended 9/5/2010. Source: SymphonyIRI Group, a Chicago-based market research firm, [www.symphonyiri.com](http://www.symphonyiri.com)

## Sales Rise for Private Label Sherbet/Sorbet/Ices

Brand	Dollar Sales (millions)	% change vs. yago	Unit Sales (millions)	% change vs. yago
Private Label	74.9	+3.1	33.5	+2.9
Häagen-Dazs	31.6	-7.1	9.1	-6.1
Dreyer's Edy's	10.2	-17.8	2.8	-14.3
Whole Fruit	6.5	+1.6	2.2	+3.8
Blue Bell	6.4	-11.5	2.7	-11.0
Kemp's	5.7	+5.9	2.1	+4.8
Prairie Farms	4.5	+15.9	1.6	+11.9
Ciao Bell	4.4	+31.5	1.0	+33.3
Dean's	3.3	+2.1	1.5	+11.5
Friendly	3.1	+178.9	0.9	+184.6
Total category*	181.4	-3.2	68.2	-1.5

\*Includes brands not shown. Total U.S. - Supermarkets, drug stores and mass merchandisers (excluding Wal-Mart). 52 weeks ended 9/5/2010. Source: SymphonyIRI Group, a Chicago-based market research firm, [www.symphonyiri.com](http://www.symphonyiri.com)

Blue Bell, Brenham, Texas, launched an all-natural Strawberry Fruit Bar in its frozen novelty category. "Consumers like the fact that this product is made with 45% real strawberries, it has 50% of their daily recommended allowance of Vitamin C and has only 70 calories per bar," says Carl Breed, director of marketing.

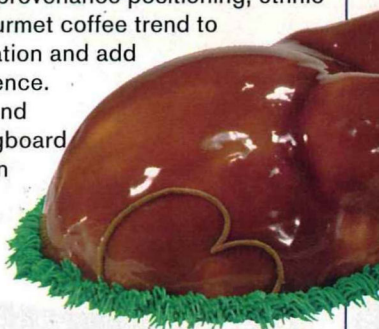
"In the ice cream sector, consumers continue to demand more value as well," says Jeff Kleinpeter, president of Kleinpeter Farms Dairy, Baton Rouge, La.

As Kleinpeter Farms has expanded its selections to 24 flavors, "we have seen higher customer satisfaction due to a variety of flavors, and all of these flavors include locally produced

## FAST FACTS

The market research firm Mintel analyzed ice cream shop operators and classified market innovation by four characteristics—seasonally inspired, fun, flavor, and health and wellness.

- Holiday-inspired innovations are ubiquitous among ice cream shop operators; yet seasonal inspirations play a big role in innovation and are leveraged by limited-time offers.
- Innovations are focusing on fun through the use of co-branding initiatives, unique toppings and original formats to deliver ice cream treats that appeal to kids and adults.
- Operators are using provenance positioning, ethnic influence and the gourmet coffee trend to provide flavor exploration and add sophisticated indulgence.
- Innovation in health and wellness is the springboard for the growing frozen yogurt movement. Innovation to create better-for-you ice cream focuses on reduced fat, reduced calorie and reduced sugar propositions.



Baskin-Robbins' ice cream turkey

ingredients. That has become very important to our consumers," Kleinpeter says.

"Buy local," "preservative free" and "support family farmers" themes have gained in popularity in recent years. Processors are taking notice.

"We have also focused on buying more locally produced milk," Kleinpeter says.

Locally sourced and produced ice cream strikes a chord with some shoppers. "Over the past two to three years, awareness to support 'local' has grown tremendously. We have addressed this concern," Kleinpeter says.

In a weak economy, consumers are getting back to basics and are looking for quality, says Pierre's Thornicroft. Ice cream and frozen desserts have always been a big part of people's lives, and "it's still a relatively inexpensive and fun way to spend time with family and friends or indulge all by yourself," he says.

### Back to basics, forward with innovation

No company wants to sit on its heels. Product introductions show retailers, investors and consumers that a company is moving forward.

"We've made an effort to create new products across almost all of our product lines, products that are uniquely Pierre's," Thornicroft says. The company will add a new flavor to its ¡Hola Fruta! Pure Fruit Sherbet lineup. It is also working on six new flavors to its Yovation probiotic frozen yogurt product line and five flavors for its 48-ounce ice cream and frozen yogurt products.



## Carvel Brands Succeed in Frozen Ice Cream/Ice Milk Dessert Category

Brand	Dollar Sales (millions)	% change vs. yago	Unit Sales (millions)	% change vs. yago
Carvel	89.4	-2.3	5.0	-2.2
Private Label	24.3	+7.7	1.6	+15.1
Jon Donaire	18.0	+15.6	1.0	+12.4
Weight Watcher's Smart Ones	16.6	-15.6	7.5	-11.9
Friendly	14.0	+8.0	1.4	+4.8
Edward's Singles	6.8	+46.9	2.5	+41.2
Carvel Slice'mmms	3.3	+14.1	0.4	+17.8
Carvel Snickers	3.2	+11.6	0.2	+13.4
Celebration Foods Oreo	3.1	----	0.2	----
Carvel M&M's	2.8	-2.7	0.1	-3.2
Total category*	192.9	+3.9	21.2	+0.0

\*Includes brands not shown. Total U.S. - Supermarkets, drug stores and mass merchandisers (excluding Wal-Mart). 52 weeks ended 9/5/2010. Source: SymphonyIRI Group, a Chicago-based market research firm, www.symphonyiri.com

## Turkey Hill Makes Strides in Frozen Yogurt/Tofu Category

Brand	Dollar Sales (millions)	% change vs. yago	Unit Sales (millions)	% change vs. yago
Dreyer's Edy's Slow Churned	42.5	-7.4	11.7	-4.3
Private Label	37.5	+1.4	12.1	+0.5
Ben & Jerry's Lighten Up	18.9	-5.7	5.6	-1.1
Häagen-Dazs	17.7	-1.6	5.0	-0.1
Kemp's	9.2	+41.4	2.6	+49.6
Organic So Delicious	8.6	-8.8	1.7	-13.2
Purely Decadent	7.9	+110.5	1.7	+97.6
Turkey Hill	5.8	+329.1	1.9	+363.3
Kemp's Live Healthy	5.5	-7.8	1.5	-0.7
Wells' Blue Bunny	4.9	+145.6	1.4	+184.6
Total category*	197.9	+0.8	56.0	+2.7

\*Includes brands not shown. Total U.S. - Supermarkets, drug stores and mass merchandisers (excluding Wal-Mart). 52 weeks ended 9/5/2010. Source: SymphonyIRI Group, a Chicago-based market research firm, www.symphonyiri.com

Dreyer's Grand Ice Cream, Oakland, Calif., is emphasizing "better-for-you" products. The company has seen "overwhelming interest" from consumers to its Fruit Bar brand, says Kevin George, director of innovation and insight. Acai and pomegranate are popular flavors. The 2.5-ounce bars have 60- to 70-calories per serving. On-pack messaging highlights the product's antioxidant properties, fruit and Vitamin C content and calorie count.

"Innovation has been our focus in 2010," says Zeynep Akkan, marketing manager at Friendly Ice Cream Corp., Wilbraham, Mass. "We partnered with Kraft to create the Oreo Ice Cream Cake. Another innovative product we launched this year was the Ice Cream



Cupcakes, which is unique in its ease of serving, versatility and portion control benefits."

In 2011, Friendly will add Sundae Xtreme and Yogurt varieties in cartons and focus on single-serve products.

"Friendly's have been a strong player in the ice cream cup category with our Sundaes To-Go line," Akkan says. "We are planning to increase ice cream cup offerings with more varieties that will meet consumers' needs."

Smith Dairy introduced four flavors in its Ruggles premium ice cream line after analyzing research that looked at consumers' preferences, repeat purchases and prior flavor experience, Baker says. The flavors are Peanut Butter Cup (peanut butter ice cream with chocolate fudge swirls and chunks of broken peanut butter cups); Birthday Cake (cake batter-flavored ice cream with a marshmallow swirl and multicolored sprinkles); Double Fudge Brownie (chocolate ice cream with fudge brownie pieces and a fudge swirl); and Black Raspberry Chip, a limited-edition flavor that sold so well, Smith made it a year-round flavor.

Seasonal SKUs are one way that processors test-market new flavors and recipes. A limited production run keeps inventory low. Successful new flavors can be produced in greater volume, but if a flavor bombs, a processor has limited its risk because it hasn't invested much.

"It's our job to get placement on new flavors" on freezer shelves, says Baker. Allowing space for rotational flavors or limited editions can create interest and excitement. Ruggles Limited Edition ice cream flavors change every three months or so and feature seasonal favorites like Peach Pie, Pumpkin or Candy Cane.

Three new seasonal flavors from Baskin-Robbins, Canton, Mass., are inspired by comfort foods and nostalgia for simpler times, says executive chef Stan Frankenthaler. This fall, the ice cream retailer brought out Chocolate Caramel Malt, Gingerbread Man (with a cinnamon-caramel ribbon) and Red Velvet Cheesecake (with a ribbon of cream-cheese frosting.)

This year, Turkey Hill introduced three new frozen yogurt flavors. The company's sales in the frozen yogurt/tofu category were up 329%, according to SymphonyIRI Group. The new flavors are Honey Vanilla Granola, Peanut Butter Pie and Southern Lemon Pie. The processor also brought out a limited-edition frozen yogurt flavor containing Omega-3s, PomBlueberry Chocolate Truffle. Turkey Hill Frozen Yogurt is made with live and active yogurt cultures.

Baker of Smith Dairy says new product development — whether it's a new flavor or a new segment — is "critical" to growth. "New flavors can open doors and generate sales. There is opportunity for growth in other channels as well, such as the evolving and expanding healthcare industry as the population ages," Baker says.





Meanwhile, Blue Bell has put an emphasis on the food-service channel (ice cream parlors, restaurants, sporting venues and other locations requiring a hand-dipped operation for consumers). The processor introduced nine new ice cream flavors in 3-gallon containers.

#### Ice cream as a snack

Annual sales of snacks are \$90 billion and growing. Frozen ice cream and novelties rank second after candy and gum, according to data from NPD NET, presented by Lynn M. Stachura at the International Dairy Show, Sept. 13-15 in Dallas. (Cheese ranks seventh and yogurt 11th.) Stachura, the senior vice president of strategic insights at the Innovation Center for U.S. Dairy, Rosemont, Ill., says dairy and dairy ingredients are underrepresented in the snacks category. She says innovation is the key for the dairy industry to get its fair share of consumers' snacking dollars.

To serve families who snack together, Dreyer's Grand Ice Cream came out with a 140-unit value pack of its Dibs brand in vanilla and Nestlé Crunch flavors. The bite-sized snacks (190 calories for a 13-piece serving of vanilla) are packaged in a resealable bag. (Dreyer's also sells a 60-count bag.)



Redesigning packaging can draw attention to products or attributes.

Turkey Hill is redesigning its frozen yogurt packaging to include a "benefits band" along the bottom that calls out the health benefits at a glance, Wright says. The cleaner look and colors of the package also help consumers find the product on the shelf, he says.

Pierre's Ice Cream brightened the signature sunshine color of its novelties and created "a fun, modern, fresh look that fit better into the design theme" featured on the entire Pierre's brand family.

"We wanted to make the new novelty boxes warm and attractive enough to catch the attention of potential new customers and easy enough for our current customers to spot in what is a very crowded part of the freezer case," Thornicroft says.

Pierre's Yovation is undergoing a more "subtle" redesign, the company says. Originally sold in a quart size, Yovation is switching to pints. "We took that opportunity to enhance its elegant appearance and highlight the new flavors we're planning to unveil for it very soon."

Looking ahead, processors say they will continue to develop new flavors and "good-for-you" products, while they also explore new channels of distribution and marketing. Thornicroft of Pierre's says, "we feel there is a lot of growth potential for better-for-you ice cream products, premium sherbet flavors and frozen yogurt.

But, the popular flavors never change. Pierre's French Vanilla remains our No. 1 seller and has been since we began."

Playing to the popularity of the 100-calorie portion, Nestlé Drumstick added smaller sundae cones this spring. The division of Dreyer's Grand Ice Cream launched s'Mores and caramel flavors in the Lil' Drums line. The frozen treats have 120 calories or less and are packaged 10 cones to a carton. The size has brought new users to the category, says George. Dreyer's also has seen success with 4- to 6-ounce portions of its ice cream brands, from super-premium Häagen-Dazs to low-calorie Skinny Cow. The single-serve containers allow a shopper to get variety and assortment in their purchase, George says.

Friendly's Akkan says the company launched a variety of products that "met consumer needs for indulgence as well as healthy dessert alternatives. New additions to our extra-indulgent Sundae Xtrême line were Mint Cookie Collision and Fudge Nut Brownie. We also added two new frozen yogurts to our better-for-you offerings: Honey Granola and Forbidden Fudge Brownie."

### **Streamlining SKUs and operations**

As they seek to solve the problem of falling sales by introducing new products, processors this year also have focused on tightening up on marketing and production. Turkey Hill's Wright says "the streamlining process will begin by discontinuing a few of our lagging flavors and lines and trying to pay a little more attention to our core premium ice cream offerings. Releasing too many products that are 'off brand' can really hurt you on the shelf when consumers are overwhelmed with selection."

Kleinpeter says his focus this year has been on efficiency in his ice cream and milk plants and in the distribution system.

"Due to limited growth in our sales departments, we have absolutely focused on efficiency, and it has made a great deal of difference in our company. We started recycling more and sending less materials to costly landfill dumps. We raised thermostats in our air-conditioned facilities, especially on down days."

Some processors expect the category to improve next year. Friendly is one. Sales director Bob Squires says the company expects novelty, single-serve and specialty dessert sales to continue to grow in 2011. Should that be the case category wide, and the economy improves and consumers increase their dairy consumption in 2011, all processors will be ready to celebrate—with ice cream, of course. ■