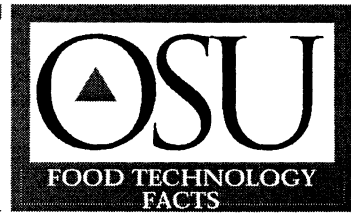




Food Industry Overview: Frozen Pizza



Oklahoma Cooperative Extension Service • Division of Agricultural Sciences and Natural Resources

FAPC-103

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The food industry has gone through many changes in the past two decades, mostly due to the development and implementation of new technology to meet growing consumer demands for convenience products. Frozen pizza, one of the most commonly purchased items in retail food stores, has maintained its market share through the changing nature of the processed foods industry and even grown in popularity. This report presents a brief overview of the frozen pizza industry, including market trends, consumer profiles, and a summary of the major industry competitors.

The Market

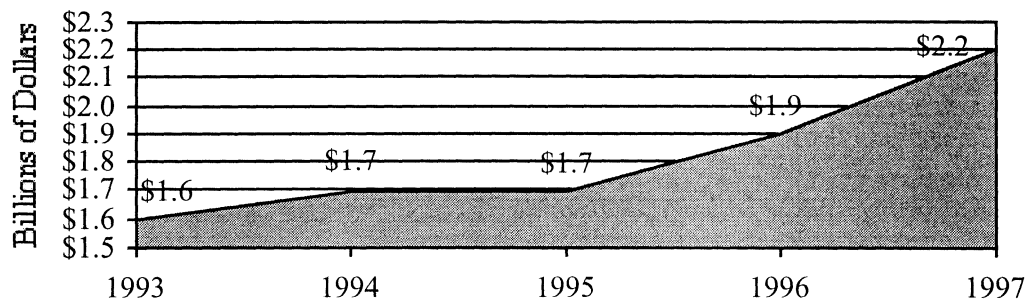
For the purposes of this industry overview, the term "frozen pizza" does not include all products that may be referred to as "pizza products". The market examined in this report includes all types of frozen pizzas except bite-size snacks and "breakfast pizzas". This specifically defined market for frozen pizza accounts for approximately 19 percent of the sales for all prepared frozen foods.

Frozen pizza is an appealing food item due to its ease of preparation and clean-up. Find/SVP, a market research

company, segments frozen pizza into 4 categories: regular pizza (e.g. the Tombstone brand), premium pizza (e.g. DiGiorno, which commands a higher price due to the quantity and quality of ingredients and "eating experience"), gourmet pizza (e.g. Wolfgang Puck's specialty toppings pizzas), and the inexpensive "fill-'em-up" brands (e.g. private label). Companies such as Wolfgang Puck Foods have helped to make specialty toppings more popular, but traditional toppings are still the American favorites.

Prior to 1995 frozen pizza sales saw moderate growth (Figure 1) with sales rising from \$1.6 billion in 1993 to \$1.7 billion in 1994 and 1995. However, the introduction of rising crust pizzas under Kraft's DiGiorno brand in early 1996 and Schwan's Freschetta line later that same year have sparked a renewed growth in this market. The success of these two product lines even resulted in a revamping of existing lines (Kraft's Tombstone Oven Rising Crust Pizza and Schwan's Tony's Super-Rise Frozen Pizza) in 1997 to provide less-expensive alternatives to consumers. The impacts of these introductions were market sales of \$1.9 billion in 1996 and \$2.2 billion in 1997, roughly a 12 percent growth each of these years.

Figure 1: U.S. Frozen Pizza Sales, 1993-1997
(Source: U.S. Dept. of Commerce)



One advantage of frozen pizza as a quick-prepared meal is the variety. Crusts may be thin or thick, with self-rising and hand-tossed crusts being variations of the thick crust concept. While traditional toppings remain the best sellers, specialty toppings such as vegetarian, Mexican, and Oriental are becoming more common. This has allowed frozen pizza to transcend the image of ethnic (Italian) food and provide greater variety to consumers. Even so, ACNielsen indicated that the best-selling frozen pizza in the U.S. is still the "deluxe" pizza with some combination of meat and vegetable toppings (Textor, 1997). Pepperoni, sausage, ground beef, and Canadian bacon are the remaining top five toppings choices, in that order.

Find/SVP predicts a compounded annual growth rate of 8.9 percent for frozen pizza from 1997 to 2002 (Figure 2). Following this estimate, frozen pizza sales will reach approximately \$3.3 billion by 2002. A large portion of this predicted growth is attributed to the availability of rising crusts, which offer a mealtime experience very similar to eating out at pizzerias. Some additional statistics from the 1996 National Eating Trends[®] support this growth estimate: in-home consumption of pizza increased 4 percent-5 percent annually from 1991-1996 with greater growth expected after 1996, and 36 percent of all pizzas consumed in the home in 1995 were frozen pizzas.

Find/SVP reports that supermarket sales account for roughly 90 percent of frozen pizza sales. The remainder of sales are made through small stores, warehouse stores, convenience stores, mass merchandisers, bakery stores, and specialty food shops. Even though supermarkets sell most of the frozen pizza products, the availability of display space in supermarkets is limited and competition for that space is high. A 1996 report prepared for the National Frozen Pizza Institute (NFPI) by Information Resources, Inc. (IRI) indicated that adding more than 12 feet of display space for frozen pizza generated an average sales increase of 16.5 percent for stores. The same study also indicated that frozen pizza generated sales 50 percent above the department average for every foot of shelf space.

The Consumers

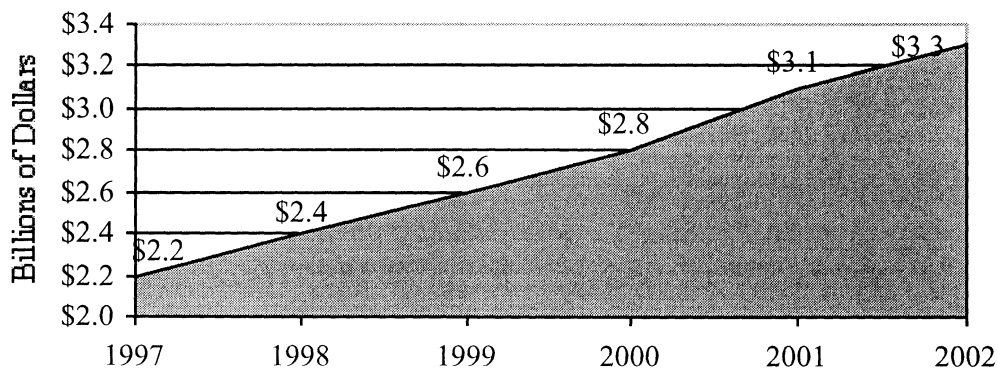
Simmons Market Research Bureau's *Study of Media and Markets* states that frozen pizza has the greatest penetration of all frozen prepared foods, with 57 percent of all American households consuming the various pizza products. The next closest frozen prepared food is waffles/pancakes/French toast, with 47 percent of all households consuming these foods. Quoting similar findings, NFPI reported that in 1996 approximately 58 percent of all U.S. households purchased frozen pizza within a typical 30-day shopping period. This surpasses the number of households purchasing take-out pizza during the same time period.

Demographically speaking, frozen pizza consumption is highest among people 18-44 years of age, with consumption dropping in age levels 45 and up. Find/SVP reports that single and married people are virtually equal in their likelihood to consume frozen pizza, as are whites and blacks. The presence of children in the household also raises the probability that a house will purchase frozen pizza. Asian-Americans; however, are less likely to consume frozen pizza than whites or blacks. People living in the Midwestern U.S. are more likely to consume frozen pizza than those living in the Northeast, probably due to the myriad of pizza delivery choices offered in the densely populated cities of the Northeast. The second highest consuming region overall is the Southeast.

Textor (1997) referenced market findings by ACNielsen stating that the top 10 American metropolitan statistical areas (MSA's) in per capita consumption of frozen pizza are, in order:

1. Des Moines, IO
2. Minneapolis/St. Paul, MN
3. Milwaukee, WI
4. St. Louis, MO
5. Omaha, NE
6. Denver, CO
7. Charlotte, NC
8. Indianapolis, IN
9. Chicago, IL
10. Memphis, TN

Figure 2: Predicted U.S. Frozen Pizza Retail Sales
(Source: Find/SVP)



These findings closely mirror those of Find/SVP in that the majority of these MSA's are located in the Midwest. In another study, the American Frozen Foods Institute (AFFI) found most of the MSA's listed above along with New York City, Columbus (OH), Dallas, and Baltimore to be the highest frozen pizza consuming cities (in terms of total quantity per MSA) in the U.S.

National Competition in Supermarket Sales

The frozen pizza industry is dominated by Kraft and Schwan's, the same large companies that introduced rising crust pizzas in 1996. Other companies sharing the remainder of the market include Pillsbury, Nestle, Quaker Oats, McCain Foods, and ConAgra. The remainder of the market is comprised of private label and other small manufacturers. Much of the following information was obtained from Find/SVP, although other sources are also referenced.

Kraft Foods

As recently as 1996, Kraft held slightly over 33 percent of the frozen pizza market according to the IRI InfoScan[®] Supermarket Review (Figure 3). Kraft's DiGiorno brand, with its chemically leavened rising crust, began national distribution in 1996. DiGiorno's market growth during 1996 was 786 percent, keeping in mind that it was not nationally distributed prior to 1996. The DiGiorno brand topped \$100 million in sales before the end of its first year as a nationally distributed product (February 1997) and topped \$200 million in sales by the end of 1997. This made the rising crust pizza the fastest Kraft product to ever reach the \$200 million-plus category.

According to Food Explorer's *MarketWatch*, DiGiorno now has a 13 percent market share in the frozen pizza category. Kraft's Tombstone brand, a well-established lesser-

priced pizza, remains the industry leader with 18 percent market share and annual sales near \$450 million. The Tombstone brand has also included a line of rising crust pizzas, adding to its market growth.

Schwan's Sales Enterprises

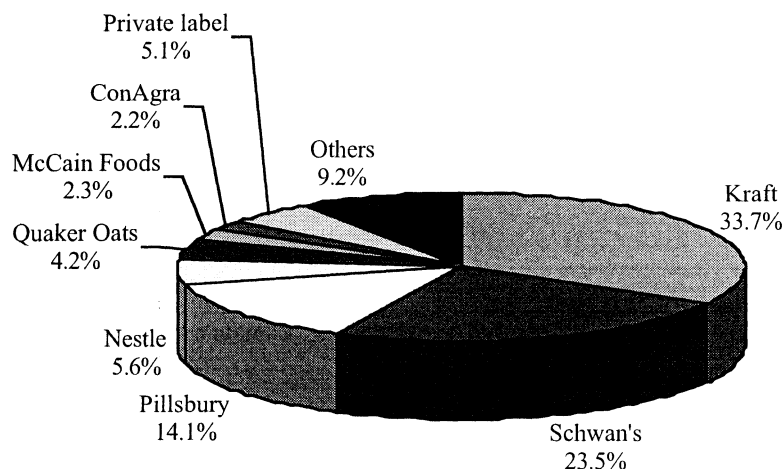
Schwan's introduced Freschetta; a yeast leavened rising crust pizza, in late 1996. This helped build Schwan's share of the national frozen pizza market to roughly 23.5 percent in that year. Schwan's has not realized the same growth rates as Kraft, but much of Kraft's growth can be attributed to an extremely active marketing campaign (Kraft spent \$20 million on frozen pizza advertising in 1996 compared to Schwan's \$1 million).

Schwan's primary frozen pizza, Tony's Pizza, is the second largest selling product line in the market with roughly 16 percent market share and slightly over \$400 million in annual sales. Tony's has also included a line of lesser priced rising crust pizzas to complement the premium Freschetta brand. Schwan's other best-selling brand is the widely recognized Red Baron's pizza.

Pillsbury

Pillsbury's (Grand Metropolitan's) Pizza Division manufactures and markets the Pappalo's, Jenos, and Totino's pizza lines. Pillsbury is the third largest frozen pizza marketer in the U.S. The Jenos and Totino's labels are value-based lines, while Pappalo's caters to a slightly higher quality, premium-priced group. Sales for the Pillsbury lines were showing little growth prior to 1996, when sales rebounded slightly. Marketing expenditures for these product lines remain less than \$0.5 million annually. Rising crust versions of Pillsbury products are a possibility and the company's ability to generate products that remain in the marketplace may serve to increase its market share in frozen pizza.

Figure 3: Shares of Supermarket Frozen Pizza Sales, 1996
(Source: IRI InfoScan Supermarket Review)



Others

The remaining competitors hold significantly smaller shares of the retail frozen pizza market. Nestle's Stouffer pizza had less than \$100 million in sales in 1996 and sales have not shown a significant rebound. Quaker Oats sold its Celeste brand of frozen pizza to Van de Kamp's, Inc. in late 1996. McCain Foods remains a small competitor, while ConAgra has seen some growth in its Healthy Choice pizzas with a French bread crust.

In the gourmet pizza area, Wolfgang Puck Food Co. has shown a tendency for growth. The price tags on these pizzas are far greater than Kraft's or Schwan's, and the toppings are more extravagant. The company is expecting a 15-20 percent rate of growth per year from 1997's roughly \$80 million in sales. The target audience for gourmet pizza is adults over 25 years of age with high levels of education and higher-than-average incomes.

Conclusions

The food industry is innovative. Anywhere from 15,000 to 20,000 new product offerings are introduced each year and more than 90 percent of those products fail to make it to their second year in the market. Those products that manage to stay in the supermarkets for more than one year typically provide greater variety and/or convenience than was previously available to consumers.

The simplistic nature of frozen pizza has provided convenience to consumers for decades. The various options for toppings have allowed frozen pizza to transcend the traditional image of Italian food and provided the variety that consumers desire. Also, the development of self-rising crusts

has allowed frozen pizza products to better compete with pizzeria offerings. In all, frozen pizza, which has been available in one form or another for decades, remains one of the most desired and fastest growing food items in the U.S. today.

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