RETAIL VOLUME DOWN BY JUST 0.4% YEAR ON YEAR

It would be wrong to try to put a gloss over the fact that retail frozen foods are in a static situation overall and that both the supply side of the industry and the retailers really do need to find a better way forward for future years. However, it is over dramatic to be sounding the death knell for frozen foods, as some people are doing. The truth shows quite the reverse. It is noticeable that even the much maligned frozen dessert sector actually increased its value year on year. With the level of price deflation in the market place over that period of time, it either shows that the public's perception of frozen desserts was never as poor as some pundits suggested or that some of the weaker players, who gave in to constant price demands, have disappeared and that this has actually been healthy for the market.

Looking at the recent "Grocer" feature on frozen foods, it is remarkable that even TNS cannot seem to co-relate the difference between volume and value. For commentators on the market to seem surprised that value has gone down but volume has remained basically static leaves you wondering about some peoples' understanding of the dynamics of the market place and what has been happening in terms of price negotiations between the multiples and the suppliers over the last five years.

Jamie Oliver Factor

When one takes out the performances of the products which have been badly hit by the "Jamie Oliver" factor plus an increasing interest in healthier foods, the rest of the market place is now doing reasonably well and hopefully recovering. We must remember that chilled foods are also undergoing the sort of commoditisation which happened to frozen foods seven or eight years ago and you only have to look at the tribulations of Uniq and Northern Foods to see that plenty of chilled food companies have troubles. The problems are much more about the dynamics of the overall market place for food products rather than anything directly specific to frozen foods.

Turning back to the products which have been badly affected by the "Jamie Oliver" factor, it should come as no surprise to anyone in the industry nor to the trade journals that products such as burgers, meat ready meals, low value sausages, as well as chips and high fat potato products are suffering value declines between 8.5% and 3%. Many people are looking to the new suppliers in some of these areas to rekindle public confidence with better, higher value products.

Category Performances

It is a great pity that when the public turns its mind to frozen foods it tends to think only of these type of products and therefore, quite wrongly, the overall frozen category suffers some sort of perception backlash just because the products have been frozen. It is also very noticeable that frozen pizza has managed to show a slight increase in value and therefore a definite increase in volume and this says something for the quality of the pizzas which all of the major suppliers in that sector, whether branded or own label, are offering. It is also noticeable that the promotions which have been carried out on pizza over the last half of the twelve months seems to be producing results. It should also be noted that chilled pizza is one of the chilled products suffering commoditisation by the retailers and when a consumer actually compares the quality of frozen and chilled pizza – at similar prices – then very often the overall quality and benefits of the frozen take precedence over the chilled equivalent.

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It is great to see another step forward in the fish sector with a slight increase in value. With a strong, high-quality brand supported by some excellent own label products from UK and overseas producers, this sector shows just what can be done with a category when there is professionalism and drive on the supply side and an acceptance of the quality and reasonable price structuring by the retailers.

Quality Issues

We have been receiving feedback from a range of sources that the quality of a considerable amount of own label frozen vegetables is leaving much to be desired and it is noticeable that the own label sector of this market is declining more quickly that the branded products. Pundits have been saying for some time now that the constant downward pressure of prices in the frozen vegetable sector would lead to an inevitable incremental degradation in quality, either by agreement or by inevitability. It does look as though these pessimistic predictions have now come home to roost. A very quick look at some of the frozen vegetable products in some of the multiples definitely leaves a lot to be desired. This could explain the 3.4% decline in value.

It will be very interesting to review the TNS figures in six months time when some of the multiples efforts to restrain their bogofs and to improve quality have had a chance to take effect and perhaps when some of the major producing companies have changed hands. It’s tough going but there really should be no lack of optimism for the future.

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