

# FOOD BUSINESS

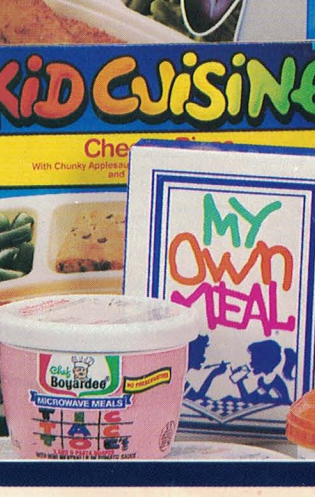
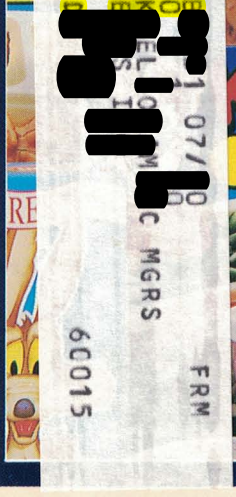
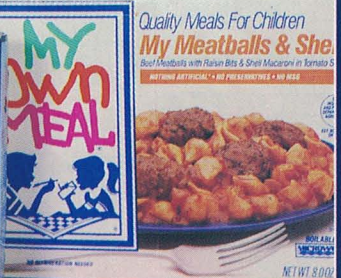
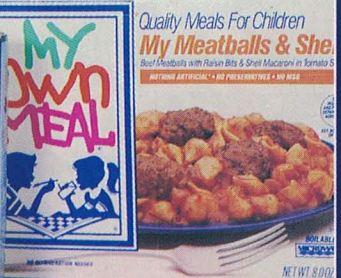
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## KIDS MEALS

### The Market Grows Up



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THE BRANDING OF FOODSERVICE

# Kids meals: The market grows up

*Hormel, ConAgra, Tyson lead the charge.*



**ConAgra's Kid Cuisine has chalked up \$77 million in sales.**

by Lisa R. Van Wagner

**T**o get growth these days you have to take business from other people. The standard strategy is to introduce new products which pump up an existing market in new ways and create new categories," contends Richard Lawrence, president of Marketing Intelligence Service Ltd., Naples, N.Y.

In the kids meals segment, that's happening with dizzying speed as food companies scramble to introduce meals and entrees that will appeal directly to kids. In doing so, they have taken niche marketing to the max, focusing on a very specific target. Toys, cartoons, nutrition—it's no holds barred in the latest battle for the kidfood dollar.

"The entire industry is continuing to fragment itself into more niches—and this segment is especially niched: microwave, convenience, kid-portions, kid-oriented license. Now that you've got [ConAgra's] Snoopy's Choice, adding nutrition, the category has got a lot of wind behind it," said Stephen Carnes, an analyst with Piper, Jaffray and Hopwood, Minneapolis.

Food companies know kids—and they know their parents. Balancing the needs of the two is tough, but by providing popular foods in a convenient, affordable way, they are tasting success. The category may be new, but the major players are by no means newcomers to the market.

"Basically, you have companies that were already in the frozen foods business, like Tyson's and ConAgra, coming up with frozen food products geared toward kids," explains analyst David

Rabinowitz of McDonald & Co., Cleveland. "Then you have companies that were not [in frozen foods]—like Hormel with Kid's Kitchen and American Home Products' Chef Boyardee—coming up with shelf-stable meals."

The convenience meals are the logical offspring of the TV dinners of yesteryear with one big difference—kids can cook them themselves. Thanks to the microwave, busy parents can leave the house knowing the kids can have a hot meal without the dangers involved in using the stove.

The segment plays heavily on parental guilt and kids' tastes—for both kid-food and independence. Designed to fill in when parents must work late, when kids have evening activities, or when everyone is just too tired to make a traditional dinner, most feature pasta, beef or chicken, a vegetable, and a side dish or dessert in attractive packaging. Some also offer a toy or puzzle with each meal.

"By taking something out of the freezer or cupboard, taking its top off and zapping it, kids become chefs, and they like it because they have the freedom to decide when they're going to eat and what they're going to eat," Lawrence said. The individual packages also assure that each child can choose his or her favorite meal for the evening.

The acknowledged creator of the category is Mary Anne Jackson, the former Beatrice executive whose firsthand experience juggling work, child and mealtime resulted in My Own Meals.

Never slow on the uptake, the large food companies rushed to fill the new niche. Hormel arrived first, with the shelf-stable Kid's Kitchen, followed by frozen Kid Cuisine from ConAgra. According to Carnes, ConAgra accelerated its rollout of targeted kids frozen products because of expected big gun competition from Tyson's Frozen Foods, which obtained a license from Warner Bros. to create its catchy Looney Tunes line. But that license apparently

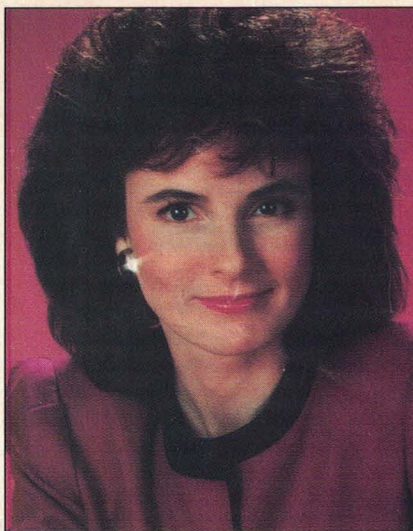
has forced the company to price its meals higher than Kid Cuisine, cutting into expected sales.

"As far as I can see, Tyson's has not made its sales objectives, and ConAgra certainly has with Kid Cuisine," Carnes said. "Kids have a choice of looking at a funny package or opening and getting a funny toy or puzzle [offered with packages of Kid Cuisine]. So far, I think the toys and puzzles are winning."

Although comprehensive data on the kids meal segment are scanty because the category is new, Information Resources Inc., Chicago, reports that ConAgra's Kid Cuisine has racked up \$77 million in sales, with Tyson's Looney Tunes far behind at \$32 million.

Snoopy's Choice, introduced last November, has challenged the segment by calling attention to the nutritional aspect of food specifically designed for kids. Last year, the healthy frozen entree and dinner category, targeted to adults, racked up sales of \$4.7 billion. Such success indicates that similar dietary concerns will more than likely extend to kids meals.

"The bottom line is, most of the frozen and shelf-stable meals that target children are junk," said Bonnie Liebman, director of nutrition for the Center for Science in the Public Interest, Washington, D.C. "The notable exception is Snoopy's Choice, which has about half as much fat and sodium as all the others. Frankly, I think Snoopy's Choice may set a trend as it

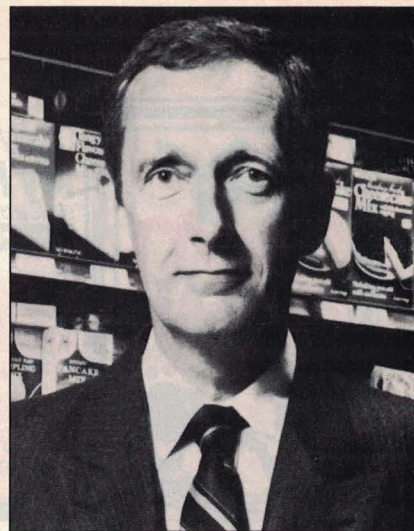


**Jackson: Category creator.**

gets other companies to change their recipes."

Liebman also gives high marks to Hormel's Kid's Kitchen for its efforts to keep its meals low in fat, but charged that its meals are still "loaded with salt." Increased awareness of the role of fat and salt in kids' diets may cause future changes in the entire category, she said.

Most of the kid meals are advertised directly to children, while the convenience, affordability and nutrition aspects of the category are geared to parents. Most companies don't set a specific target age, although it ranges between 3 and 12. The exception is



**Lawrence: Kids become the chefs.**

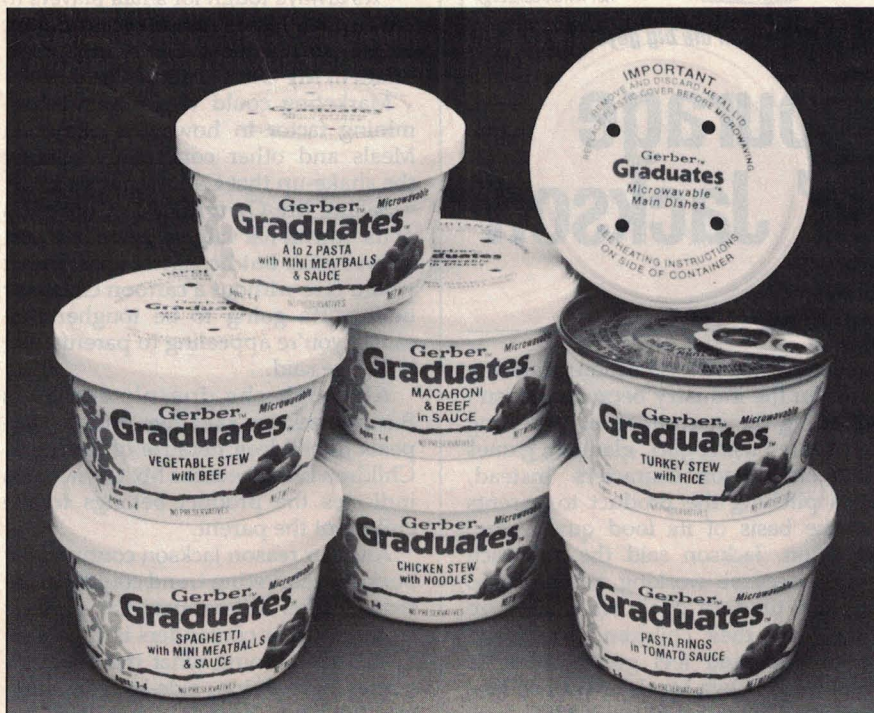
Gerber Products Co., which is branching out of its own baby food niche with Gerber Graduates Main Dishes, microwaveable meals aimed specifically at parents of kids aged 1 through 4. Gerber's solid reputation for concern about children's nutritional needs should boost parents' confidence in the new product, analyst Rabinowitz said. The Graduates were test marketed in two areas of the country before their recent regional rollout.

But do kids like these new meals, or are parents just buying them for convenience sake? It may be a little bit of both. To establish the category, food companies are playing it safe by offering mostly tried-and-true kid favorites in packaging guaranteed to catch a child's eye—at prices a parent won't blanch at.

"Foods for kids are not really new. There have always been breakfast cereals positioned to kids. It's only with the advent of the microwave oven and its household penetration of 80-plus percent that the category was made possible," Lawrence said.

At the retail level, the meals are doing "fair" in both the frozen and shelf-stable segment, according to a spokesperson for Giant Food, Landover, Md. The newness of the category makes it difficult for the chain to tell exactly how the items are doing, but it reports that sales are "neither good nor bad." However, the company expects sales will go up in the summer when more kids are home, and mealtimes become more relaxed.

While analysts hesitate to predict how well microwaveable meals targeted directly to kids will do ultimately, they agree that food companies have found a new niche, and that the new food category is here to stay. **FB**



**Gerber branched out of baby food with meals for 1- to 4-year-olds.**



Being first could help My Own Meals compete with the big guys.

## Detractors encourage My Own Meals' Jackson

*Marketing nutrition, not glamour.*

The founder of the company that introduced the first line of shelf-stable, microwaveable meals for children is getting some unusual encouragement these days.

Food company executives are calling Mary Anne Jackson to talk about My Own Meals, but they aren't congratulating her. Instead, they're criticizing her marketing strategy.

The former Beatrice executive said the calls don't bother her, though.

"If they're that concerned, then I must be doing something right," she said.

Her marketing has become a sticking point in the industry because she isn't following the convention of appealing to children using glitz, glamour, games or even cartoon characters. Instead, she's pitching the product to parents on the basis of its food quality and nutrition. Jackson said the approach works because working parents who are too tired to cook often pick up dinner for their children at fast-food restaurants and feel guilty about it. Because My Own Meals has no artificial ingredients, preservatives or MSG, parents won't feel guilty about not cook-

ing.

In addition, Jackson takes good nutrition one step further, providing serving suggestions on the box to help parents meet the needs of children on special diets.

The company makes five 8-ounce meals for children 3 to 10 years old. The meals, which generally sell for \$1.99 to \$2.49, include chicken, potatoes and carrots; chicken and rice; turkey meatballs and noodles; beef meatballs and pasta; and pork, lentils, barley and macaroni. Dessert is not included.

My Own Meals is sold only regionally in northern California, Minneapolis, Chicago, parts of the East Coast and military commissaries, but Jackson said she hopes to go national soon. Despite the limited distribution area, the meals already have struck a chord, she said.

"Parents are responding. They're happy that there's something out there that's good for kids," she said.

Jackson would not release information on the privately held company's sales since it introduced the meals in 1988, but she said sales had "grown phenomenally."

Craig Carver, an analyst for Dain Bosworth Inc., said the market segment is all but closed to new entrants and that the category should experience a sorting out within the next few years, leaving only the strongest companies.

"It's always tough for small players to become well-entrenched in a segment of the market unless they're there first. That's in My Own Meals' favor."

Marketing could well play a determining factor in how well My Own Meals and other companies weather the shake-up that Carver predicts.

Selling My Own Meals on the basis of its nutritional value is a smart move, Carver said, but he wasn't sure how it would fare without a cartoon character tie-in. "It's going to be tougher [because] you're appealing to parents and kids," he said.

Although she doesn't use Bugs Bunny, Jackson said her product appeals to children because of its name. Children like it because My Own Meals indicates the product belongs to the child, not the parent.

Another reason Jackson continues to buck the marketing trend could well be that it helps differentiate her product from the other contenders in the field.

"If I tried doing what the big companies were doing, side-by-side, step-by-step, how different would I be?"

—David Volk