



EXECUTIVE INSIGHTS

Ice cream's heating up the frozen category

Ice cream and novelties have grown by over **\$1 billion** in the past five years. Yep, that's billion with a "b." This power frozen category has achieved more sales growth since 2011 than any other frozen segment, making it the star of both the frozen aisle and the **\$10 billion-plus frozen dessert category**.

» We all scream for ice cream

A key driver of ice cream and frozen novelties' success is the fact that these products are purchased at retail by 87% of U.S. households, according to IRI panel data. Families are the primary customer group for supermarket ice cream, reported retailers in a June 2017 survey by the International Dairy Foods Association, with 56% of respondents ranking families first, followed by adults, older adults, children and teens.

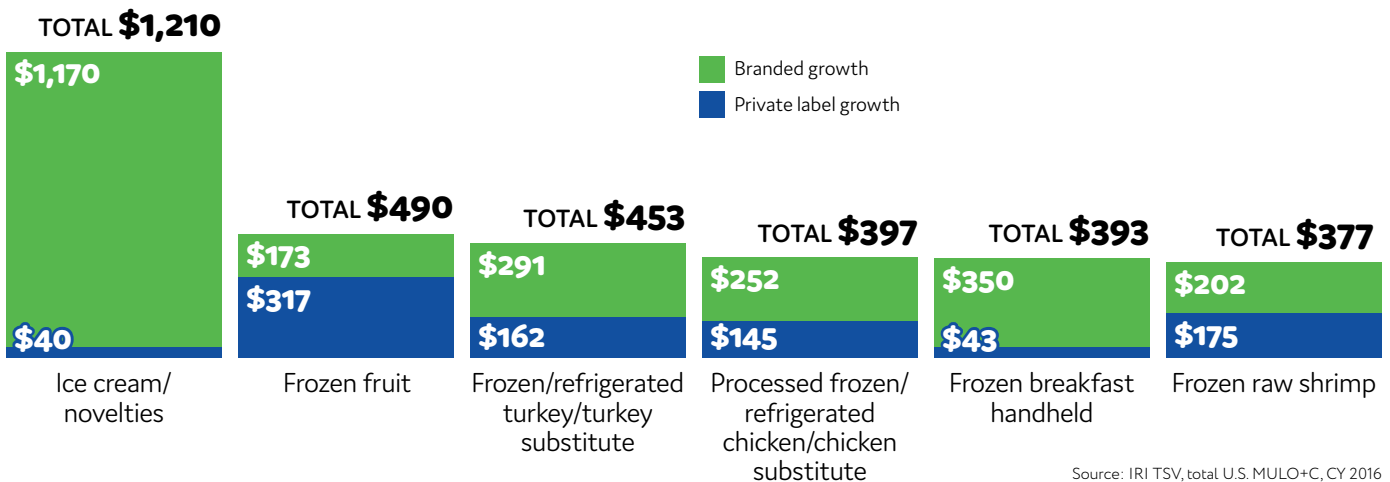
In fact, **the average American consumes more than 23 pounds of ice cream per year**, according to IDFA. That means almost every shopper in your stores represents an opportunity to maximize ice cream's potential and to build a tasty bottom line.

» Indulgence makes a comeback

Consumers are choosing to return to full-fat, authentic ice creams after their recent flirtation with lower-fat products

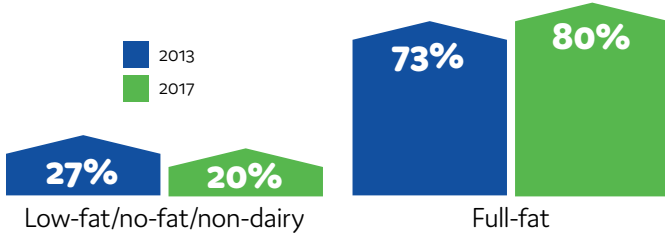


Frozen segments with \$100 million+ in growth (2016 vs. 2011) IN MILLIONS



Source: IRI TSV, total U.S. MULO+C, CY 2016

Retail ice cream mix DOLLAR SALES



Source: IRI, total U.S. MULO/2017 captured as 52 weeks ending Oct. 1, 2017

such as those labeled “churned” or “frozen dairy dessert,” which have been trending downward for the past five years.

This mix shift has happened across mainstream to super-premium, and brands with high taste credibility have been among those that have benefited most. In fact, **the most common retail purchase driver for ice cream/treats in the United States is flavor (nearly 70%),** according to Mintel.

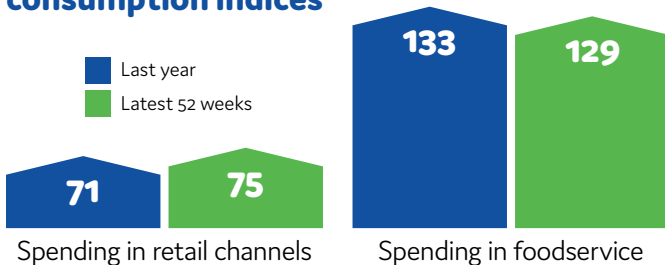
While private label has experienced slight growth with novelties, all of traditional ice cream’s growth has come from branded items, usually at the upper end of the price spectrum.

» Retail follows foodservice lead

The return of indulgent ice cream has also helped close the variety, flavor and quality gap that once existed between retail products and foodservice ice cream experiences. What was once a “going out” occasion is quickly becoming a “staying in” moment for families.

This is especially true for millennials, who have traditionally skewed their consumption to foodservice. As these 75 million millennials become parents and enter their prime ice cream consumption years, the trend to at-home enjoyment is quickly shifting.

Millennial consumers’ ice cream consumption indices



Source: Retail spending captured through IRI Panel—52 weeks ending April 16, 2017/Foodservice spending and regional/local captured through Mintel ICE CREAM 2017 data book, ending year end 2016

The downward trend in foodservice growth since 2016 (with restaurant closures now occurring faster than during any prior year post-recession) opens up new possibilities for putting more ice cream into shopper baskets more

A cup of innovation

Friendly’s Cups—ice cream topped with sundae syrups, add-ins such as candy pieces, and a final dollop of whipped cream—have seen year-over-year growth since their launch in 2011, even as the other Top 6 cup brands have declined in dollar sales. Inspired by the successful menu blends from Friendly’s restaurants, the sundae-in-a-cup is now the third-largest cup brand even with availability in just 25 percent of the country.



often. Millennials index much higher for regional and local brands, so this may become a driver of their retail ice cream consumption too, along with the new items and unique flavors they crave.

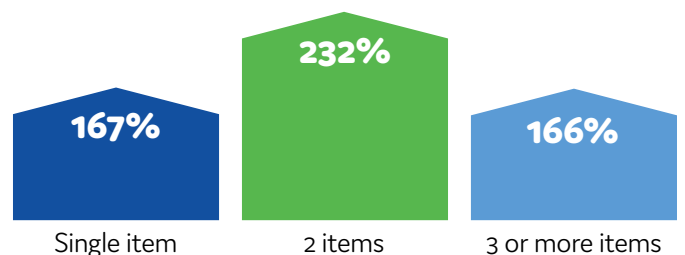
» Flavors of the moment

Indulgent, specialized flavors—plus the foodservice experience where everyone gets the ice cream of their choice—have encouraged shoppers to stock more variety in their freezers.

Vanilla is still U.S. consumers’ flavor of choice in both ice cream and novelties, according to IDFA, followed by chocolate, cookies ‘n cream, mint chocolate chip, and chocolate chip cookie dough. The latest flavor innovations are broadening palate appeal by combining sweet and salty, such as salted caramel and salted vanilla, reports Mintel, and ice cream products that incorporate mix-ins like cookies, brownies, candies and cake are essential to re-creating the personalized foodservice experience at home.

The desire to give everyone their personal favorite means buying more than simple basics. In fact, **promotions based on multiple purchase yield higher sales lifts than those promoting a single item.** Even those requiring a three-item purchase drive as much lift as a single item—and move high unit volume in the process.

Average ice cream sales lift based on feature offer



Source: 3-D Insights Seurat Group 2016, Feature Vision Analysis; IRI, latest 52 weeks ending April 24, 2016

» 3 ways to maximize ice cream sales

1. Expand ice cream brands and varieties.

The brand plays a key role in the ice cream consumer's mind about expectations for quality and price. Create excitement around national brands, and encourage regional engagement with more regional brands.

2. Set the ice cream door with a category management mindset.

- **Mainstream flavors:** Bottom and top
- **Destination or signature flavors:** More visible shelves
- **Impulse or new/innovative items:** Heart of the set for maximum exposure

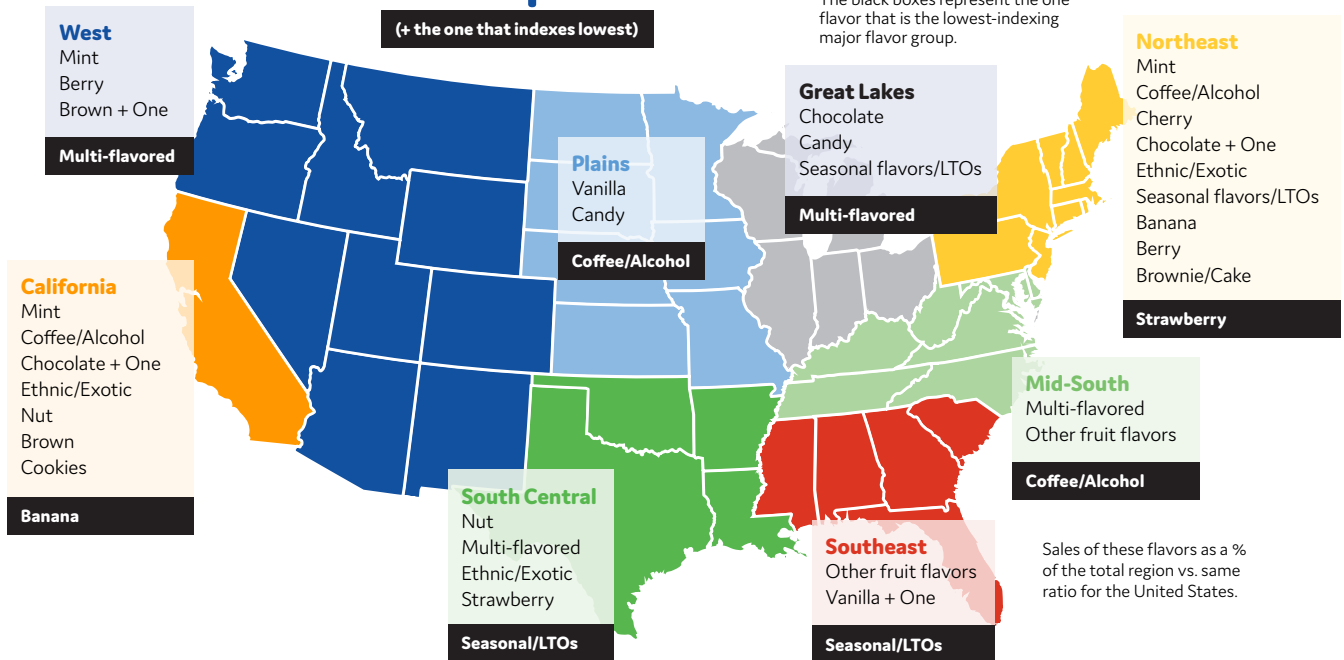
- **Limited time offers:** Heart of the set for maximum exposure
- **Novelties:** Brand adjacency to support visual impact and promotional bundling, positioned as "adult" or "kid/all family"

3. Leverage multiples for successful promotions.

Data show that single price point ice cream promotions are not as effective as multiple-item promotions. Drive expanded consumption across segments with ice cream promotions that feature two or more items for maximum consumer impact.

"Macro-flavor" preferences

Key: Each box lists flavors the region likes (high index: % of total volume of the region/% of total volume of the United States). The black boxes represent the one flavor that is the lowest-indexing major flavor group.



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Contact:

Dean Foods
2711 North Haskell Ave., Suite 3400
Dallas, TX 75204
(214) 303-3400
www.deanfoods.com