Industry Analysis

Packaged Food Products

Industry Overview

With the American lifestyle becoming increasingly fast-paced, more households are turning to packaged food products for daily sustenance. Breakfast items like Cheerios, Cocoa Puffs, and Cap’n Crunch all come out of a box. Lunch come in the form of ready-to-eat meals such as chicken, pasta, and tuna that can be reheated in the microwave. For some, lunch comes from the can. People who do not have the time to cook after work find comfort in frozen delights such as cold pizza and thaw-and-serve pies for dinner.

The packaged food products industry has been thriving on this phenomenon for decades. Since the 1980s, food product manufacturers have been introducing products for convenience, perceived nutrition, and variety. Consumers shop at supermarkets for frozen breakfasts and lunches. Food is packaged in aseptic material, which keeps food fresh longer without preservatives or refrigeration. Meal-preparation kits are increasingly popular for those that enjoy a limited amount of cooking, such as Nestle’s Hot Pockets, General Mills’ Betty Crocker Bowl Appetit, and Kraft’s Easy Mac Snack Pack. Kids lunches have been made easier with Kraft’s greatly successful Lunchables line, much to the dismay of pediatricians and child nutritionists alike.

This industry encompasses producers of packaged foods including dairy products, fruit juices, meats, poultry, fish, cereal, candy bars, soup, and pet foods. Companies in this business are known as packagers who manufacture, package, and market foods for final consumption. This industry is mostly fragmented, but large companies with diverse product offerings like Kraft and Nestle carry added clout. Some of the major players are conglomerates like Unilever which are also in the personal care business.

Brand Awareness. With cutthroat competition in this industry, players invest heavily on advertising and marketing to boost brand awareness. Companies, especially those with huge advertising budgets, are pushing their brands to capture the largest possible slice of the market. The goal is always to become a household name. Becoming a household name entails constant exposure in television, radio, print, and the Internet. This is how well-known brands such as Gatorade, Milo, Nescafe, Pillsbury, and Quaker perpetuate their dominance in the market. In the first six months of 2011 alone, the industry spent over $3 billion, according to Kantar Media. The industry ranks sixth in the roster of industry advertisers.

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