

Part I: Review of Ice Cream and Frozen Yogurt Market

Ice cream and frozen yogurt are not only a frozen dessert, but also life's meaning for some people. Companies have been very successful in promoting their products, not necessarily as something that you eat for pleasure but something that you must consume in order to be happy. The market for ice cream and frozen yogurt sector has successfully grown by more than 16% from 2003 to 2008, and had attracted many large companies, such as Nestle and Unilever, to join the adventure.¹ This report analyzes the marketing environment for two major players in the sector: Nestle's "Dreyer's" (Edy's) frozen yogurt brand and Unilever's "Breyers" ice cream brand. Moreover, it gives marketing recommendations for Dreyer's after analyzing the frozen dessert environment and brand image of both companies.

1.1 Environmental Scan of the Market

1.1.1 Social Environment

Ice cream and frozen yogurt parlors have been one of the major threats for the companies working in the sector. The main reasons for the shift towards parlors are:

- Socializing
- Control the portion that you eat – because you feel more limited in a social environment while eating
- Being able to try new flavors without the need for buying and storing large containers

However, recent financial crisis and recession have made consumers reconsider going to parlors, and they have been more inclined to buy ice cream from supermarkets, retailers or natural stores in order to save money.

1.1.2 Economic Environment

Ice cream and frozen yogurt are seen as inexpensive, convenience products; therefore, the bad economic environment did not decrease the sales in the market. Although there has been a recent recession, **market sales have been stable for the last decade**. In fact, the recent recession benefitted ice cream and frozen yogurt brands insofar that consumers reconsidered going to parlors as mentioned earlier. Choosing supermarket ice cream and frozen yogurt is significantly cheaper than parlor products, therefore leading individuals to purchase these goods more frequently from the supermarkets.²

1.1.3 Technological Environment

Technology is the main player when it comes to **ingredient innovation**. Potential ingredient innovation and short-term taste bubbles are seen as the main factors of technology that can contribute to the market. Short-term taste bubbles have instigated potential ingredient innovation – acting as a chief cause instigator for technology development to address consumer tastes. In addition, technology is prevalent in the development of packaging of the products. Ice

¹ Mintel. (2009, May). Ice Cream and Frozen Novelties: Theme and Scope – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/search_results/display/id=393447

² Mintel. (2009, May). Ice Cream and Frozen Novelties: Retail Channels-Supermarkets – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/search_results/display/id=393447

cream and frozen yogurt companies have used attractive displays via packaging in their positioning and branding processes.³

1.1.4 Competitive Environment

The main competition in this section is the frozen dessert products that are offered by fast food chains. After seeing profits in the market, fast food chains have started to offer tarts, milkshakes, shakes, blended drinks, sundaes, etc., which are competing with the ice cream and frozen yogurt products. **With their low prices and availability, it seems that fast food chains can affect ice cream sales in the future.**⁴

1.1.5 Regulatory Environment⁵⁶⁷

Since 2000, the dairy sector in the U.S. has been partially deregulated, and therefore lacking in meeting today's food health and safety standards. As of January 4, 2011, President Obama has enacted the Food Safety Modernization Act, which will require stricter regulation of dairy products. Members of the dairy industry are greatly pleased with the new regulation because they will be able to promote safer goods to consumers.

1.2 Other Trends in the Market⁸

- The aging population eats less ice cream; therefore, within the household, children are key for consumption in this particular market.
- Almost 95% of sales are made through supermarkets.
- Brand loyalty is very low throughout the market.
- The concept of being healthy and eating healthy products has been dominating the overall food sector recently; due to this fact, frozen yogurt sales are expected to increase steadily compared to ice cream sales in the market.
- Considering the entire ice cream and frozen yogurt market as a product, it is in the maturity stage in the product life cycle. Companies have been adding more features (i.e. flavors) to be able to differentiate their products-- they have gone through the price reduction process, and have been trying to improve distribution channels. There is strong emphasis on building brand loyalty and product differentiation.

³ Mintel. (2009, May). Ice Cream and Frozen Novelties: Advertising and Promotion – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/search_results/display/id=393447

⁴ Mintel. (2009, May). Ice Cream and Frozen Novelties: Competitive Context – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/search_results/display/id=393447

⁵ "Dairy Herd Network - Sour and Salty Flavors Judged Most Innovative at IDFA's Ice Cream Contest." *Dairy Herd Network*. International Dairy Food Association, 9 Mar. 2011. Web. 13 Apr. 2011. <http://www.dairyherd.com/dairy-news/latest/Sour-and-salty-flavors-judged-most-innovative-at-IDFAs-annual-ice-cream-flavor-contest-117676563.html>

⁶ *International Dairy Foods Association*. Web. 13 Apr. 2011. <http://www.idfa.org/>

⁷ "Food Safety Modernization Act (FSMA)." *U S Food and Drug Administration*. Web. 13 Apr. 2011. <http://www.fda.gov/Food/FoodSafety/fsma/default.htm>

⁸ Mintel. (2009, May). Ice Cream and Frozen Novelties: Executive Summary – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/search_results/display/id=393447

PART II: Brand Analysis and Brand Comparison

2.1 Brand Analysis and Brand Comparison for Dreyer's Slow Churned Frozen Yogurt and Breyers Ice Cream

2.1.1 Segmentation and Targeting

Demographic and geographic segmentation are the most important tools in the frozen dessert industry. Industry-wise target markets in general are (1) households with children, (2) working families, and (3) people living in urban cities, that don't have time and/or access to healthier or fresh desserts. Figure 1, shown below, explains the gender distribution of frozen food consumption, where we can see that young men are one of the main targets of both companies.

Ice cream and frozen novelty consumption in the past 12 months, by age by gender, February 2009

Base: 2,000 adults aged 18+ with access to the internet

"Have you eaten any of the following in the past 12 months?"

	All	Males 18-34	Males 34-54	Males 55+	Females 18-34	Females 34-54	Females 55+
	%	%	%	%	%	%	%
Ice cream	91	96	86	87	94	92	89
Frozen novelty	55	63	49	42	63	60	53
Sherbet	33	42	30	27	29	36	34
Frozen yogurt	29	45	25	16	31	30	25
Gelato	14	24	13	5	15	15	10
Frozen custard	12	22	9	8	14	11	11
None of the above	6	2	9	9	3	4	7

Source: Mintel

Figure 1: Gender distribution of frozen dessert consumption.

Outlined below is an additional way to segment the market⁹:

- **Purists**
 - 32% of the population
 - Eat ice cream without other things like pie or cake
 - Least health-concerned group
 - Mostly aged 55+
- **Frozen Fans**
 - 31% of the population
 - Moderately health-concerned group
 - Most frozen-yogurt friendly group
 - Mostly men aged 18-24 and Hispanics are in this group
- **Bitties**
 - 38% of the population
 - Group members like other mix-ins to ice cream (e.g. candy in ice cream)
 - Mostly women and non-Hispanics are in this group

⁹ Mintel. (2009, May). Ice Cream and Frozen Novelties: Cluster Analysis – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/display/id=393447/display/id=393447/display/id=460981

Ice cream clusters, February 2009

Base: 1,770 adults aged 18+ with access to the internet, who buy ice cream to eat at home

Cluster	%
Purists	32
Frozen Fans	31
Bitties	38
Total	100

Source: Mintel

Figure 2: Ice cream consumption at home

Other frozen treat consumption, by ice cream clusters, February 2009

Base: 1,770 adults aged 18+ with access to the internet, who buy ice cream to eat at home

"Have you eaten any of the following in the past 12 months?"

	All Purists Frozen Fans Bitties			
	%	%	%	%
Frozen novelty	59	39	67	70
Sherbet	36	25	46	37
Frozen yogurt	30	20	44	29
Gelato	15	6	25	14
Frozen custard	13	4	21	14

Source: Mintel

Figure 3: Preference distribution (for frozen novelties other than ice cream) of different segments

Figure 2 and 3 demonstrate that frozen fans are the main target segment for Dreyer’s, and bitties are for Breyers. However, it is also important to note that the statistical distribution of groups are very close to each other, and that’s why each company tries to target all of these groups via different strategies.

2.1.2 Product Positioning and Strategy

Dreyer’s successfully uses its partner, Nestle, to create a competitive advantage: “A fun, playful brand”¹⁰ by mixing Nestle products (e.g. candies) into Dreyer’s products. In addition, Dreyer’s has positioned its Slow Churned branch as both luxurious taste and healthiness together, which is the main competitive idea that keeps the products profitable. Therefore, Dreyer’s uses benefit, product class and quality strategies as its product positioning strategies.

¹⁰ Mintel. (2009, May). Ice Cream and Frozen Novelties: Cluster Analysis – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic//display/&id=393447/display/id=460971



Source: Dreyer’s Website¹¹

Figure 4: Frozen Yogurt Product-Mix of Dreyer’s

On the other hand, Breyers brand is seen as the old-fashioned, basic, plain ice cream, and they have positioned themselves as the all-natural brand; however, “This long-term positioning for the brand actually makes it less believable, because its efforts to establish itself as all-natural seem to pre-date the need for all-natural products.”¹²

From our range

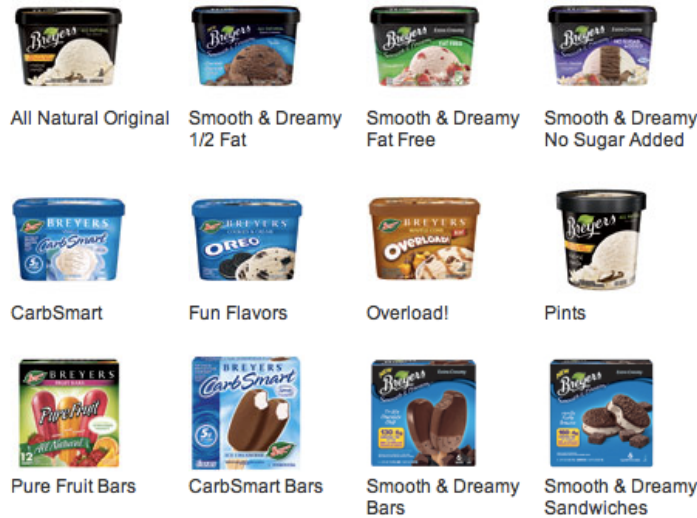


Figure 5: Product Mix of Breyers¹³

¹¹ Dreyer's Soft Serve Frozen Yogurt. Advertisement. *Dreyer's Food Service*. Dreyer's. Web. 13 Apr. 2011. <http://www.dreyersfoodservice.com/pdf/Dreyers-CFS-sellsheet.pdf>

¹² Mintel. (2009, May). Ice Cream and Frozen Novelties: Cluster Analysis – US. Retrieved from http://academic.mintel.com/sinatra/oxygen_academic/display/&id=393447/display/id=460971

¹³ Breyers | Unilever. Unilever USA. Web. 18 Apr. 2011. <http://www.unileverusa.com/brands/foodbrands/breyers/index.aspx>

Overall, there is head-to-head positioning in the market; therefore, both companies are trying to attract customers by innovative moves and by lowering the prices when possible.

2.1.3 Promotion

Dreyer's, in cooperation with Nestle, mostly uses **direct marketing** for its brand. "In an area-storming activity, giving out free products, gift hampers, attracts new customers..."¹⁴ Dreyer's lacks one of the most important promotion tools, which is the sales promotion. It does not provide any benefits to its customers who visit its website to learn about the brand – which is showing that they do not use that to create brand equity.

Breyers values **public relations** more; for example, by participating in charity events to give out free ice cream in order to give back to the community. In addition, Breyers provides coupons via their website as sales promotion. Breyers seems to be using promotion as one of their competitive advantages as the brand.

TV advertising expenditures by leading ice cream parent companies, 2007 and 2008

	2007 media expenditures	Agency	2008 media expenditures	Agency
	\$million		\$million	
Breyers/Unilever	0.5	Campbell-Mithrun, Minneapolis	6.2	Goodby, Silverstein & Partners, SF
Dreyer's-Edy's/Nestlé	1.3	Goodby, Silverstein & Partners, SF	0.3	Goodby, Silverstein & Partners, SF

Source: Mintel/Brandweek Superbrands Special Report 2007, 2008

Figure 6: TV advertising expenditures of both companies in 2007 and 2008

¹⁴ Sheikh, Umair M. "Nestle Marketing Mix and SWOT." *Docstoc*. 27 Sept. 2009. Web. 18 Apr. 2011. <http://www.docstoc.com/docs/12163694/Nestle-Marketing-Mix-and-SWOT>



With premium brands like Ben & Jerry's starting to take off, Dreyer's/Edy's needed a brand campaign to remind people what a truly extraordinary ice cream they offered. Using off-the-wall humor, the campaign not only resulted in an enthusiastic boost in Dreyer's consumption, it topped the list of most-liked advertising campaigns year after year. TV advertising crafted by Tim Hannell made an impact on the global ad community as well, garnering some very heavy trophies in the prestigious Cannes International Advertising Festival. In addition to the core brand campaign, numerous new products were successfully introduced using radio, print outdoor and TV.



Source: Grounds Well Ads¹⁵

Figure 7: Print ad of Dreyer's

Figure 6 shows how Breyers have used TV ads heavily in 2008 compared to Dreyer's. On the other hand, Figure 7 shows how Dreyer's effectively benefitted from print ads and even won an important prize with their campaign.

2.1.4 Distribution

Dreyer's has two main advantages to begin with: having Nestle as its parent company and its innovative distribution channel. Dreyer's uses Nestle's distribution channels as well as some other distribution alliances with big companies such as Starbucks.¹⁶ According to Friedman, Dreyer's success is primarily due to its innovative distribution channel, which is the direct store distribution (DSD) system. DSD allows the company to be able to link thousands of retailers, warehouses and cross-docks and gives the company chance to be able to visit every retailer more than once a week.¹⁷

On the other hand, although Breyers belongs to Unilever, the brand's distribution is not as strong as its competitor, Dreyer's. However, Breyers has a competitive advantage in that it is distributed under the same name all over the world, whereas Dreyer's uses a different strategy where they distribute the same product under two names: Edy's for east coast and Dreyer's for west coast.¹⁸ Limited access to major distribution channels is one of the main issues for the frozen dessert industry; however, Unilever's acquisition of Breyers allowed them to use a broader distribution channel supported by the parent company.

¹⁵ Dreyers. Advertisement. *Groundswell Advertising*. Web. 18 Apr. 2011. <http://www.groundswellads.com/dreyers.html>

¹⁶ "Starbucks Coffee Company." *Warrington.ufl.edu*. Web. 18 Apr. 2011. http://warrington.ufl.edu/mkt/retailcenter/docs/TeachRetail_CaseNoteExample.pdf

¹⁷ "Go-to-market-strategy." Butterworth, Heinemann. 2002.

¹⁸ "Partnering with Dreyer's: Distribution." *Dreyer's Grand Ice Cream, Inc.* Web. 18 Apr. 2011. <http://www.dreyersinc.com/partnering/distribution.asp>

FDMx sales of ice cream and frozen novelties, by channel, 2006 and 2008

	2006		2008 (est.)		Change in sales 2006-08
	\$million	%	\$million	%	%
Supermarkets	6,801	96.0	6,767	94.8	-0.5
Drug stores & other	287	4.0	375	5.2	30.7
Total	7,087	100.0	7,141	100.0	0.8

Source: Mintel/based on Information Resources, Inc. InfoScan® Reviews™

Figure 8: Distribution channels and percentages

2.1.5 Pricing

It is known that frozen yogurt prices are relatively higher than ice cream prices in the market. Dreyer's uses this as a pricing strategy to show that frozen yogurt is a luxurious product due to its health benefits. Therefore, the brand is engaging in skim pricing.¹⁹

Breyers uses the same pricing strategy as well. Considering their ice-cream as all-natural and having the "pledge of purity" – a phrase that is on all Breyers product which guarantees that all ingredients are natural – Breyers charges premium prices compared to other ice cream brands to skim the market.

PART III: Recommendations for Dreyer's Frozen Yogurt

This part of the report gives 3 major marketing recommendations to Dreyer's.

3.1 Change in Segmentation and Positioning

3.1.1 Use only one name throughout the world market

When taking into consideration this analysis of the Dreyer's brand, one may notice a few shortcomings. For instance, **Dreyer's is too segmented. The fact that they have two different names for East and West coasts (Edy's and Dreyer's, respectively) and internationally, will cause them to experience little brand loyalty.** If someone living on the East coast was to travel to the West coast, they would most likely not purchase Dreyer's ice cream because they are not familiar with the brand under that name. This is a great loss because it creates an image that this brand is not able to unite under one name.

Further, the brand has divided itself in order to tend to the tastes of many micro-markets. At one point, just to administer and process this many different sub-brands will become more costly for Dreyer's. **My recommendation for Dreyer's is to reconcile their brand and unify it so that it will become more widely recognized.** For example, if they were to unite their sub-brands under one umbrella brand name, they may be able to further grow due to increased recognition, and may be able to expand to become an internationally recognized brand.

¹⁹ "Pricing Strategy." *NetMBA Business Knowledge Center*. Internet Center for Management and Business Administration, Inc. Web. 18 Apr. 2011. <http://www.netmba.com/marketing/pricing/>

3.1.2 Decrease target markets, increase customer contact, offer new variety of products

For instance, a growing trend in today's economic environment is to allow customers the opportunity to give feedback on a product, in order to tailor a good to society's wants or needs. For instance, Dreyer's does not necessarily need to address such a number of different target markets. Instead, they may provide opportunities, as in on the internet, for customers to enter in competitions to create their own flavor, or to vote on their favorite flavors. **These tactics will allow for Dreyer's to hone in on a specific style, and target a more generalized audience so to speak.**

Further, since a major trend in the industry is that children are the key target market within a household, the brand may **launch initiatives to address children**. Children love to go to frozen yogurt parlors, mainly because the parlor will put whatever topping they want on their frozen yogurt. Children do not care that they are eating the same frozen yogurt at home. They like that they can "mix things up" as at Coldstone's or Maggie Moo's. What Dreyer's can do to bring this experience home, rather than creating more and more flavors, is to allow these young consumers to do it themselves. **Dreyer's can start producing toppings**, rather than different frozen yogurt flavors, so that customers can purchase Dreyer's frozen yogurt and toppings, and have the flavor mixing experience in their own kitchen. **This allows for a more personalized experience without Dreyer's doing all the work.**

3.2 Raise Consumer Social Responsibility (CSR) Awareness

3.2.1 Increase awareness of CSR programs

Dreyer's has a partnership with Experience Project's BroadCause.com, the leading cause-acceleration platform, for a joint campaign aimed at raising awareness around pediatric cancer research.²⁰ However, Dreyer's does not make their corporate social responsibility policy known well. One of today's largest trends is for firms to use their environmental friendly or socially responsible initiatives as a marketing strategy. This is not to say that corporations are not doing good for the society, but many times, they seek the approval of their customers. What Dreyer's should do is to raise awareness of their CSR programs, and implement more of them. Today's society likes to put their money to work, and to get the most out of their dollar. **To know that by purchasing a container of frozen yogurt, they are helping cancer patients, consumers will more willingly purchase Dreyer's brand frozen yogurt products.**

3.2.2 Increase awareness of the brand quality

In the research findings of this paper, one can identify that there is now a greater amount of regulation in the dairy food industry. With President Obama initiating the Food Safety Modernization Act this past year, Dreyer's and other frozen dessert companies will be forced to have stricter production regulations. However, this can be a huge benefit in that it addresses the concerns of health and food safety conscious individuals. Dreyer's should place a label on their containers stating that their frozen dessert product was made with premium ingredients and processed with the strictest of regulation. **With so much food-scare in today's environment, it will be vital to gain the reliance and trust of consumers that their products are worthy and surpass even the most stringent regulations.**

²⁰ "Dreyer's and Edy's® Fruit Bars and BroadCause.com Team Up to Raise Awareness and Funds for Pediatric Cancer Research." *Find Articles*. Business Wire, 06 Oct. 2010. Web. 18 Apr. 2011. http://findarticles.com/p/articles/mi_m0EIN/is_20101006/ai_n55470555/

3.3 Pricing and Promotion

3.3.1 Increase price competitiveness and sales promotions

Because supermarket ice cream and frozen yogurt have so much competition, they have a high price elasticity of demand. This means that consumers are very receptive of the price of this type of good. First of all, frozen yogurt is not a necessity; therefore, if the price is not right, consumers will simply not purchase one brand of the other. From personal observance of the frozen dessert aisle in a supermarket, people pick up whatever brand is on sale that week. Therefore, Dreyer’s must keep costs low in order to keep their prices feasible for customers, and become competitive relative to other brands.

Figure 9, below, shows how only 15% of consumers are loyal to their frozen yogurt brand and how **74% of consumers can alternate between brands**. Therefore, it will be beneficial for Dreyer’s to **develop promotional programs to attract price sensitive consumers** as well to increase brand loyalty.

Frozen yogurt brand preferences, by region, February 2009

Base: 572 adults aged 18+ with access to the internet, who ate frozen yogurt in past 12 months

"Which one of the following statements best applies to you when buying ice cream and other frozen treats for you or your family to eat at home?"

	All	Northeast	Midwest	South	West
	%	%	%	%	%
Frozen yogurt					
I always buy the same brand	15	9	9	22	14
I have 2-3 preferred brands and I alternate between them	34	41	32	32	33
I have no preferred brands and buy whatever looks good	40	41	51	34	39
I do not buy this to eat at home	12	9	7	12	15

Source: Mintel

Figure 9: Frozen yogurt brand preferences

As mentioned earlier in this paper, Dreyer’s fails to create brand equity due to their lack of sales promotion. While many brands will provide promotions to online visitors, or customers who fill out surveys online, Dreyer’s does not participate in such activities. They must conduct sales promotions through coupons or on their website so that they may **perform customer relationship management**. They need to **create a sense of loyalty** in their customer, and the best way of doing this is to **provide sales promotions**. They may even gear their sales promotion to their large target market of children. An innovative sales promotion would be to create an online game on their website, through which children may win coupons based on their scores. Once they win a coupon, they will most definitely want to go and redeem this prize.