Marketing | Graham Field
Annie's Case Study | September 30, 2024

Most readers will be surprised to see a company's net sales increase from 76.8 million in 2008 to 143.3 million in 2012 and be referred to as "lacking in awareness." However, this is because top executives at Annie's believed the brand had that much room for growth. Annie's is a natural organic and food company that touches various industry sectors. It offers food across three categories, including meals, snacks, and dressings. Their primary draw is the health benefits of their products, which lead people to purchase despite the prices being higher than their competitors. Because of this, the company has seen consistent growth over the past few years and is in great shape financially, especially after women's private equity firm Solera Capital gained a major stake in the company in 2001, allowing further room for growth. On top of all this success, consumers were moving towards more organic products over time, ensuring further development in future years. However, the company was not content with "growing with the category," but desired mass expansion. Their belief in expanding the brand was concrete, even though the world was still recovering from an economic recession. To meet their goals, Annie's began drafting ideas for potential target markets, new products, and promotion. So what do these concepts look like? How can Annie's keep the brand fresh, while maintaining the consumer relations they take such pride in? In this study, we'll explore these aspects, and discern how Annie's can grow their brand into a global powerhouse.

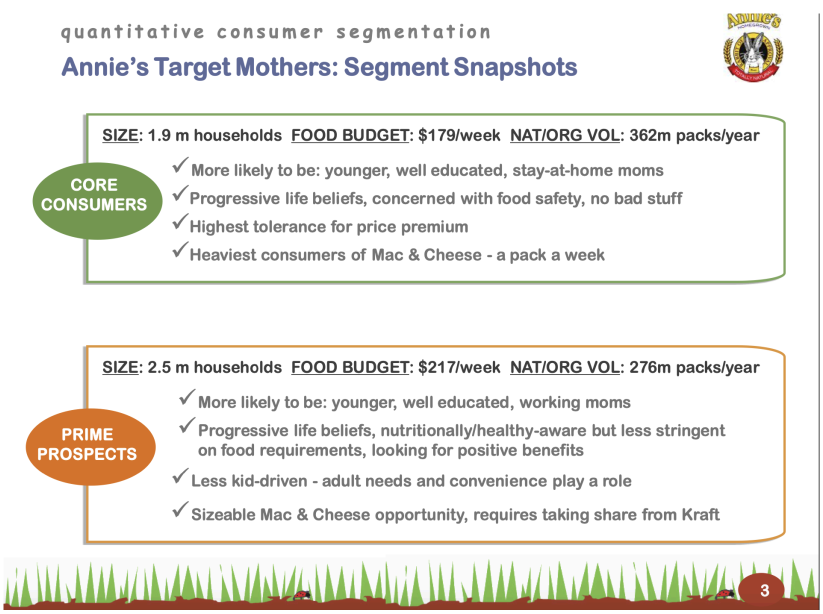
Question One

A key part of Annie's expansion strategy involves focusing on which target market to prioritize. The company has achieved success competing in what they refer to as "non-traditional ways" in a very traditional industry that makes up consumer packaged goods. Despite this success, Annie's must face whether they can replicate this success in new markets using the same methods. Because of this, they have set their sights on "Prime Prospects."

At the moment, much of Annie's success is driven by "Core Customers," described as "committed and loyal customers" who will pay more money to eat healthier foods. This group comprises younger kids and their mothers, as kids liked the taste and the "fun" products, while mothers liked they could provide easy, healthy foods their kids would like. These Core Customers frequently purchase Annie's products, with estimates showing they consume a pack of mac and cheese per week. However, Annie's has identified two problems: that kids may outgrow their products, and that their target audience isn't broad enough. Because of this, they leaned toward Prime Prospects.

Prime Prospects represents the brand "aging up." Exhibit One highlights the differences between them and Core Customers. Prime Prospects consist of younger, well-educated, working mothers, rather than the stay-at-home moms that make up Core Customers. While they share the progressive life beliefs of Core Consumers, they are described as more moderate about their attitudes toward food requirements. They are also less kid-driven and are mainly looking for food that fits their adult needs and is convenient to make. Ultimately, I believe that prioritizing these Prime Prospects moving forward is the ideal way for Annie's to expand their business.

Prime Prospects represents the best strategic choice for Annie's moving forward due to their mainstream choices. They also align with Annie's values as they still prioritize the things Annie's values - being passionate about "food, people, and the planet." However, by reaching these Prime Prospects, Annie's will achieve its goal of touching new, mainstream markets while also preventing the problem of being outgrown by its target audience.



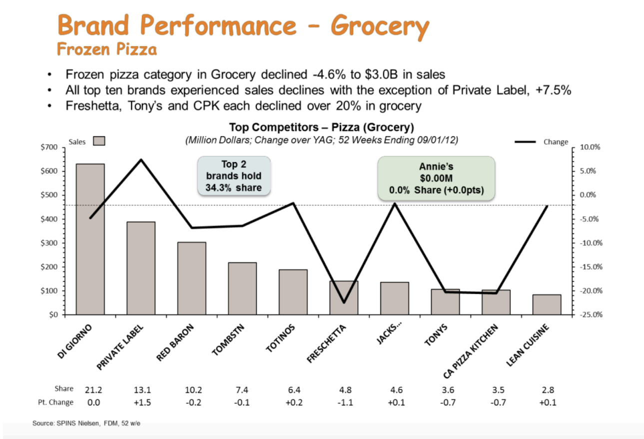
Annie Withey's initial core proposition included four pillars - authenticity, social responsibility, great taste, and simple/healthy ingredients. Annie's is not straying from any of these pillars by expanding, but rather is reaching out to a new audience that will find the same appreciation. Thus, the future for Annie's must be one of ambition, and a plan to bring this authenticity to stores around the globe.

Question Two

As a key goal for expansion, Annie's faces the exciting yet challenging prospect of conquering the frozen food aisle. This $12 billion market presents a significant growth opportunity but is a category traditionally associated with less healthy, processed options, a perception that could cause severe damage to the brand's identity. To succeed, Annie's must implement a strategy that leverages their existing strengths while addressing consumer perceptions and other competitors. I believe that the best approach lies within pushing their "made-with option," which is made with at least 70% organic ingredients, rather than the initial frozen pizza that was 95% organic.

The made-with option was felt to be the best choice by various members of Annie's team as it stays consistent with Annie's branding while also making the product "more mainstream" and allowing for further competition with other frozen pizza makers. This approach, overall, caters to a wider range of consumer preferences and needs.

Additionally, it is important to note the lack of success that organic frozen pizza has in the competitive industry. While thinking of expansion, Annie's noted potential frozen pizza competitors such as Amy's, Newman's, Own, and Kashi. These brands were noted to have "paved the way for healthy frozen pizza with high price points." With this information provided, it's perhaps surprising to find that none of these brands were listed in the top 10 of the frozen pizza industry. Exhibit 9 highlights this, which is worrying for Annie's as it shows that healthy frozen pizza isn't as successful as it may seem. Despite this, the "made-with" approach will likely alleviate their problems, as it will broaden their appeal. While an all-organic problem might resonate with their loyal customer base, it risks alienating mainstream consumers (or the Prime Prospects aforementioned) who are less familiar with organic frozen options. This approach mirrors their existing product lines, where organic and conventional options coexist, catering to a wider range of consumer preferences and needs.



Beyond pizza, something Annie's can do is leverage its existing expertise and brand recognition in mac and cheese, a category where they already excel, to introduce a line of frozen entrees. This strategic expansion allows them to capitalize on a familiar and beloved product, ensuring a smoother entry into the frozen aisle. Furthermore, exploring frozen snacks and appetizers can further diversify their offerings and attract new customers seeking convenient and wholesome options. This product strategy allows Annie's to cater to various needs and occasions, from quick family meals to after-school snacks, maximizing their reach and ensuring "an assault on the market."

Question Three

Annie's should adopt a premium pricing strategy for its frozen pizza line, maintaining consistency with its brand identity and reflecting the higher cost of organic ingredients. This decision aligns with the responses in questions 1 and 2 as this price reflects Annie's reputation and its image as an organic selling brand with premium price points. This would additionally help with letting people know about the organic aspect as people perceive pizza as unhealthy, and organic items are generally priced higher.

Several factors support this pricing strategy. First, as discussed above, Annie's has always positioned itself as a premium brand, offering higher quality products with a focus on organic and natural ingredients. This resonates with their core customers who are willing to pay a premium for these attributes. Secondly, the competitive landscape of the frozen pizza market, dominated by conventional brands, allows Annie’s to differentiate itself through premium pricing, further reinforcing its position as a provider of healthier, higher-quality options.

However, Annie’s must also acknowledge the price sensitivity of the frozen food category and the need to attract new customers. To address this, strategic promotional offers are crucial to overcome the initial price barrier, allowing customers to experience the quality of their frozen pizza firsthand. Some strategies that could be effective are introductory discounts or coupons, as well as a “buy one, get one free” deal or a loyalty program, where repeat customers receive future discounts. This would be extremely effective in the frozen food industry as original promotional offers are known to be a big gateway into the product.

Exhibit 8 Annie’s Price Premium

Grocery	Kraft*	Annie's**	Premium
Promo	$.95	$1.28	34%
NP	$1.11	$1.98	78%

*Top NMC seller
**Average of top 3 SKUs

Target	Kraft*	Annie's**	Premium
Promo	$.89	$1.15	29%
NP	$1.03	$1.67	62%

*Top NMC seller
**Avg top 3 SKUs

Natural	BTN**	Kraft*	Annie's**	Premium to Kraft	Premium to BTN
Promo	$1.41	$1.42	$1.49	5%	6%
NP	$2.07	$1.28	$2.12	65%	2%

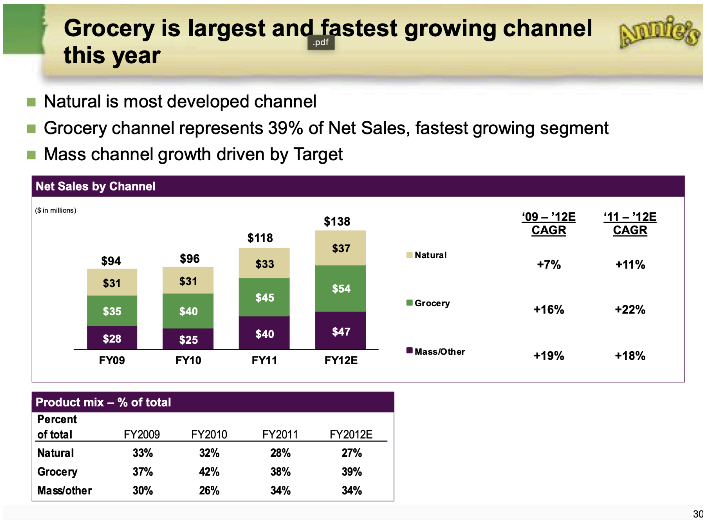
*Top SKU
**Avg top 3 SKUs

In conclusion, a premium pricing strategy coupled with attractive promotional offers is the optimal approach for Annie’s frozen pizza line. This strategy aligns with their brand identity, **as you can see in Exhibit 5, highlighting their price premium compared to Kraft. It’s important to note that Annie’s price premium is the highest in grocery stores at 34/78%, which means that “Prime Prospects” will likely face a higher price than other customers.** ~~(see Exhibit 8 comparing their price premium to Kraft~~**). Overall, however, this** caters to their core customers, and allows them to effectively compete in the frozen food market while attracting new customers. By maintaining consistency in brand positioning and product quality, Annie’s can keep their prices consistent and establish a strong presence in the frozen food market.

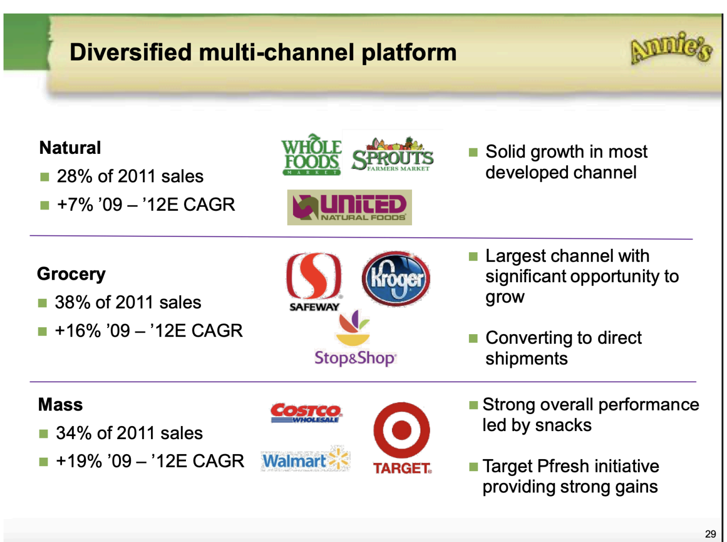
Question Four

It is great that plenty of people purchase Annie’s exclusively, but ideally to be a big brand you have to have people who don’t see the brand as their favorite. Take the Starbucks case for example. In the years between 1992 and 2002, we saw Starbucks expand from a nationwide shop to a global phenomenon. It’s no surprise either, that their customer base changed drastically, going from people obsessed with their coffee to people who only go to a Starbucks every once in a while. While it’s great to have a core audience, once you’ve established that you have to look beyond, and Annie’s has a very established core. Additionally, prioritizing these markets would allow their food to gain more exposure, as they’d be sold in more mainstream channels.

As exemplified in Exhibit 5, grocery stores represented the highest percentage of revenue, compared to the lowest being natural stores, such as Whole Foods, for example. **While Annie’s desires to keep their channel distribution even, their thinking should be impacted by the fact that grocery channels are consistently generating higher and higher revenue, while the percentage of revenue from natural stores is decreasing. The grocery channel also consists of “Prime Prospects,” and makes up a great opportunity for Annie’s to target.** Not only does the grocery channel make up the biggest portion of revenue, but it’s described as the “largest channel with a significant opportunity to grow.”



This is further exemplified in Exhibit 7, which shows that grocery stores were the largest growing channel by far in 2011, with a growth rate of 22% compared to the natural channel’s growth rate of 11%, and mass/other with 18%. Ultimately, with these stores generating the most revenue, and having the highest growth potential, they should be prioritized. It should be taken into consideration, however, that a key goal for Annie’s is to keep distribution relatively equal amongst all three channels. Despite this, I believe that they are in a position where they are pretty solidified in the natural and mass/other channels due to their organic snack products and have developed positive relationships with power companies such as Whole Foods and Target. These channels represent their Core Customers, and I believe that these customers will continue to purchase from Annie’s, as they are not continuing from their values but are rather continuing to produce organic products.



Question Five

To effectively promote its new products and achieve its ambitious expansion goals, Annie’s needs to adopt a new promotional strategy that builds on its existing strengths while adapting to the unique challenges of the mainstream market. This strategy should focus on maintaining authenticity, emphasizing convenience and family appeal, overcoming the perception of frozen food being unhealthy, and leveraging in-store marketing.

Annie's core brand values of "real, authentic roots," "socially responsible practices," "premium, great tasting products," and "simple, organic, and natural ingredients," resonate with both Core Customers and Prime Prospects. By clearly communicating the "made-with organic" claim on packaging and in advertising, Annie's can emphasize the use of wholesome ingredients and the absence of harmful ones, further appealing to its target audience.

Positioning Annie's products as a convenient and healthy meal solution for busy families is another key element of the promotional strategy. Prime Prospects, being busy, working mothers, value convenience but also want to consume healthy meals. Using relatable imagery and messaging in advertising that depicts adults enjoying Annie's frozen pizza on busy weeknights can effectively highlight the ease of preparation and the time-saving benefits. This can also be something to improve on in packaging, as the depiction of the frozen pizza in Exhibit 11 fails to highlight these things, rather solely promoting the fact that it is organic. While this is also a main selling point, it should not be the only thing promoted as that has not worked for other brands in the past, and elements such as time-saving and simpleness should be further pushed.

Addressing the common perception that frozen food is less healthy is also crucial for Annie's success. Something the company should do with promotion is to educate consumers about the benefits of frozen organic meals, emphasizing that freezing can preserve things such as freshness. In-store displays and online content showing the quality of Annie's ingredients and preparation methods can help overcome this perception.

While Annie's has traditionally relied on local advertising and grassroots marketing, expanding into the frozen foods market requires a broader approach. Combining traditional media such as television with digital ads (social media campaigns, online videos, etc.), can reach a wider audience. Continuing to leverage creative and engaging promotions, like those showcased in Exhibit 10, is essential to generate buzz and excitement.

Finally, implementing in-store marketing is crucial to maximize

We're at @Whole Foods Market Austin today, sampling organic pizzas and handing out goodies. 11-2PM and then 4:30-7:30 PM. Same time tomorrow (3/20)!

3 repins 13 likes

visibility and appeal in the frozen food aisle, where organic items are historically known to not receive as much exposure. Creative attractive displays and highlighting key product features can inspire people to choose Annie's over other competitors. By implementing these promotional strategies, Annie's can introduce its frozen pizza line to the market in the way that they want, which will attract new customers and put them on a path to reaching the goal objectives. They will be able to "assault the market" in a way that screams Annie's: one that is authentic and ultimately shatters the perception that organic foods can't be enjoyable, even against stark competition.

Annie's journey from to a potential global powerhouse hinges on its ability to navigate the challenges and opportunities of expanding into mainstream markets. By prioritizing "Prime Prospects" - busy, health-conscious working mothers - Annie's can broaden its consumer base while staying true to its core values of authenticity, social responsibility, and great taste. The "made-with organic" approach for its frozen pizza line strikes a balance between appealing to mainstream consumers and maintaining its commitment to quality ingredients. This coupled with a premium price that incorporates strategic promotional offers allows Annie's to compete effectively in the price-sensitive frozen food market.

Emphasizing convenience, family appeal, and the nutritional benefits of frozen organic meals will be crucial to overcoming consumer perceptions and driving purchases. Doing so will allow Annie's to reinforce its position as a leader in the organic food industry. In conclusion, the company has seen vast success, but has plenty more opportunity to go reach new heights. Being bold in their efforts, and taking steps to compete with the best is what will ultimately turn Annie's into the face of organic food items and a product you see all across the aisles - and all across the world.