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A Market Evaluation of Salad Dressings

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History of Salad Dressing

Salad dressings and sauces have a long and colorful history, dating back as far as 5,000 years ago when the Chinese were using soy sauce as a topping for fresh vegetables and nearly 2,000 years ago when the Babylonians used oil and vinegar for salad dressing. Early Romans favored salt for their herb and grass salads. Oriental spices, oil and vinegar are ingredients that the Egyptians preferred for their salads. Mayonnaise debuted more than 200 years ago on a French Nobleman's table (Stradley).

In the 20th Century, Americans took salad dressings to a new level by using various spices, vinegar or lemon juice, and oils to create a variety of dressings and sauces. In the early 1900s, store-bought dressings and sauces were mostly unavailable (Stradley). Because of this, chefs had to start from scratch, often resulting in inconsistent dressings. Gradually, restaurants began packaging and selling their consistently good special dressings to delighted customers, and the commercial salad dressing industry was born (www.hungrymonster.com). Some of the major brand dressings that were introduced in the 1920s are still around today.

The Kraft Cheese Co. entered the salad products business in 1925 with the purchase of several regional mayonnaise manufacturers and the Milani Company. Kraft began marketing bottled dressings with French Dressing as its first flavor (Stradley). Almost 50 years later, Steve Hanson commercially introduced Hidden Valley® Ranch Dressing, developed from the highly touted dressing he served on salads at his Hidden Valley dude ranch. The dressing was originally sold as a dry mix but eventually became the bottled dressing that is so well-known today.

The growth in popularity of Kraft and other salad dressings resulted in the increased marketing of bottled dressings over the decades. For example, Foodmonster.com states that 6.3 million gallons of salad dressings sold in 1950 grew to 17.5 million gallons by 1960 and 34.3 million gallons in 1970.

Today's Salad Dressing Market

The Ranch flavor intruded by Hidden Valley® became so popular that competitors followed suit, and now ranch-style dressing is America's fa-

Table 1: 2002 Supermarket Salad Dressing Sales

Type	Retail Sales ($ millions)
Dressings mixes-dry	95.35
Dressings-liquid	1,198.59
Dressings-reduced fat	281.63
Mayonnaise	711.14
Miracle Whip-type	309.49
Salad and Potato Toppings-dry	96.66
Sandwich spreads-relish type	21.68

Source: ADS

vorite dressing flavor followed by Italian, creamy Italian, Thousand Island, French and Caesar (www.hungrymonster.com).

In 2002, according to The Association for Dressings and Sauces, total retail sales for salad dressing were more than $3.4 billion. That number is 0.32 percent of total retail sales. Supermarkets around the nation sell $2.7 billion of salad dressing, with the remainder being marketed through foodservice channels. The percentage of household penetration is 94.7 percent, and the percentage share in supermarkets is roughly 78.6 percent.

A report prepared by Euromonitor states that A.C. Nielsen predicted several industry trends for salad dressing. First, dressings were expected to remain a household staple with a household penetration level of 89 percent or higher. Secondly, 2003 dollar sales were 3.1 percent over 2002, with mayonnaise also having increased by 2.6 percent for the same time period. (Euromonitor)

The same study also listed several other interesting facts:

- Eighty-eight percent of dressing and sauce volume was sold through grocery and mass merchandisers in 2002.
- Although consumers are eating more salads, overall they are using less dressing and are paying more per bottle—up to $1.63 per bottle in 2003 from $1.56 in 2002.
- Dressing and sauce category growth in 2002 stemmed from gains in alternate channels, such as drug stores, club stores and convenience/gas station stores (other categories have also seen growth due to these "non-traditional" retail channels).

Dressings and sauces, an almost $9 billion industry, has grown 2.6% over the past three years.

The 1994 Labeling Law and High-Fat Dressings

A study of supermarket data of salad dressings purchases before and after the Nutrition Labeling and Education Act mandatory labeling law went into effect in 1994 shows that labeling has impacted the salad dressing industry (Lang). After six years of mandatory food labeling, a Cornell University faculty member found that consumers are becoming savvier about high-fat foods on grocery shelves. He found that sales of high-fat dressings significantly declined after mandatory labeling by roughly 5 percent. Prior to the label law, all low-fat salad dressings carried nutrition labels, but the vast majority of high-fat dressings did not.

Bagged Salads and Salad Dressing Sales

As a result of American health consciousness, which led to increased salad consumption in both low-fat and low-carbohydrate diet plans, U.S. salad dressing and vinaigrette sales have benefited. This trend has continued due to the success of pre-packaged salad mixes, which spare consumers the effort of shredding their own lettuce and chopping their own vegetables. Salad has grown more popular as U.S. consumers look to control their weight and maintain their health, and sales of salad dressing have grown accordingly.

According to Mintel International Group Ltd., sales of bagged salad greens grew 16.5 percent between 2001 and 2003, from $2.7 to $3.2 billion while sales of salad dressings grew 4.6 percent from $1.6 billion to $1.7 billion during the same period. Interest in salad greens has led to a greater interest in salad dressings, which is in a way a paradox: salad greens represent one of the healthiest and lowest-fat foods, while the majority of salad dressings contain high levels of fat, since they are typically made with oil.

Vinaigrettes often use olive oil as a base, and claims in recent years of olive oil health benefits has caused sales of vinaigrettes to increase. However, health-oriented low-fat salad dressings saw their sales lag behind those of full-fat regular varieties in both value and volume terms for the first time over the course of the review period (Euromonitor).

In general, U.S. consumers are finally realizing that many low-fat salad dressings, such as low-fat mayonnaise, are inferior to their regular counterparts in both flavor and texture. Rather than minding their health and girth through the consumption of low-fat salad dressings, U.S. consumers are now opting to consume less full-fat salad dressing, thereby sacrificing quantity for quality (Euromonitor). Nevertheless, companies, such as Lancaster Colony Corp., have launched product offerings, such as the low-fat T Marzetti's Two-Lightful Dressing, to capture consumer desires for a full-flavored low-fat dressing. This low-fat product contains only 2 grams of fat per serving and also claims to be comparable to regular salad dressing in flavor and texture.

Though U.S. consumers have reduced their consumption of low-fat salad dressings, they continue to demand health-oriented products through the purchase of all-natural, and even organic, products. One larger brand to benefit from this trend was Newman's Own, manufactured by Newman's Own Inc. The continuing success of Newman's Own salad dressings and vinaigrettes in 2002 enabled the company to claim 0.8 percent of overall U.S. sauces, dressings and condiments value (Euromonitor). Owned by the famed American actor Paul Newman, Newman's Own Inc. manufactures a broad range of all-natural consumables.

Specialty Food magazine also believes convenience and health has spurred salad and dressing sales (Purcell). Consumers' desire for good nutrition without sacrificing convenience has led to a dramatic jump in the bagged salad and less a dramatic increase in the salad dressing market. According to Mintel International, sales hit $5 billion in 2004, an increase of 28 percent in constant dollars over 2001. The $1.7 billion salad dressing market has grown 4.6 percent from 2001 to 2003 and is predicted to grow three percent in the next five years at constant prices.

Mintel data shows that consumers buy dressings and bagged salad greens for a variety of uses. According to respondents: 78 percent use salad greens to make side dishes, 48 percent prepare main-course salads and 44 percent top sandwiches with greens. A growing number of consumers use salad dressings as a sandwich topper. Dressings are benefiting from this trend. Also, marinades and dips are being cross-merchandised with vegetables, seafood, meat and other fresh food. In its store-within-a-store called Nature's Marketplace, Wegmans merchandises its new private-label line of six shelf-stable organic salad dressings. Other new product introductions include: Steel's Gourmet Foods Low-Carb Salad Dressing, Annie's Naturals Portion Packages, Annie's Naturals Organic Salad Dressing for Kids, Fresh Express Farms Romaine & Radicchio Salad Kit and Fresh Express Farms Dinner Size Chicken Caesar Salad Kit.

New Product Activity

Although salad is one of the healthiest meal options, consumers often soak their greens with high-calories and/or high-fat dressings. This has caused diet and nutritional concerns, which has driven new product activity. The advent of diets such as Atkins and South Beach are bringing an influx of low-carb options. Many dressings sweetened with Splenda instead of sugar appeal to carb-counters and dieters, as well as diabetics. Portion control, also helpful to the calorie-conscious, is being addressed with roll-outs of individual dressing packs. Individual packs also provide increased variety, another important factor to consumers. Organics, too, continue to rise, both in the salad greens and dressing offerings.

Robust Flavors

Sales of salad dressing and vinaigrettes revived somewhat in 2002 after a disappointing 2001 as manufacturers added new robust flavors to meet consumers needs. While salad dressing sales grew by a mere 1 percent in current value during 2001, translating into a real terms decline of 1.8 percent, current value gains accelerated to 4.4 percent in 2002 as sales reached more than $1.1 million. In real terms, this represented growth of 2.8 percent (Euromonitor). Meanwhile, 2002 volume sales increased by 3.4 percent to approach 143,488 metric tons (Euromonitor). In contrast, volume sales had declined by 1.4 percent in 2001 from 2000 levels. Similarly, vinaigrette sales grew by 3.8 percent in current value and 2.2 percent in real terms to reach $627 million in 2002. This compares with a current value sales increase of 1.9 percent in the previous year (Euromonitor). In volume terms, vinaigrette sales grew by 2.7 percent in 2002, to surpass 77,404 metric tons (Euromonitor).

In 2002, consumers saw in the U.S. marketplace an increase in assortment of more robustly flavored salad dressings and vinaigrettes. Due to consumers preferring dressings containing Parmesan cheese, garlic, blue cheese, basil, and balsamic vinegar, more traditional dressings, such as Ranch, have increasingly fallen victim to the change in consumers' preferences.

Through new product development for its Wishbone line, Lipton Inc., a division of Unilever Group, proved especially dynamic in meeting U.S. consumer demand for zestier flavors. In April 2002, Wishbone launched Wishbone Western Sweet & Smooth Dressing. The American Southwest themed product claims a robust flavor akin to barbecue sauce and is available in Original, Blue Cheese, Bacon and Creamy French varieties. The same month also saw Wishbone launch a dual use Salad Dressing & Marinade in such flavors as Tangy Honey Mustard, Asian Sesame, Lemon Garlic & Herb and Balsamic Olive Oil & Herbs.

Wishbone also added stronger flavors to their older, more traditional offerings. In May 2002, the line expanded its traditional ranch flavored dressing to

Garlic and Spring Onion Ranch flavors. Promotional literature describes the products as "Wild Ranch, not mild Ranch." Bolstered by the favorable consumer reception of its new Wishbone salad dressing and vinaigrette offerings, Lipton Inc. gained 0.1 percentage points in share in 2002, to claim 7.8 percent of U.S. sauces, dressings and condiments value (Euromonitor).

Wishbone brand salad dressings saw sales increase more than 11 percent to surpass $203 million during this time period (Euromonitor). Wishbone salad dressing also benefited from the mid-2002 discontinuation of Bestfoods Inc.'s Bestfoods and Hellmann's lines, in addition to the success of newly launched flavors. Also a division of Unilever, Bestfoods Inc. rolled popular flavors of Bestfoods and Hellmann's salad dressings into the Wishbone line. Thus, Lipton Inc and Wishbone were able to attract new users that were former consumers of Bestfoods Inc.'s salad dressings and vinaigrettes. However, the discontinuation of its salad dressings contributed strongly to the overall 0.4 percentage point decline in share suffered by Bestfoods Inc. in 2002 (Euromonitor).

The manufacturer of Hidden Valley salad dressing line, HV Food Products Inc., increased its value sales and share through launching new robust flavors of its signature ranch flavored dressing. On the strength of this activity, the company gained 0.1 percentage points in share to claim 2 percent of overall U.S. sauces, dressings and condiments value (Euromonitor). This gain followed a value sales and share decline in the previous year, as HV Food Products Inc. was relatively slow to respond to consumers' increased demand for more robust flavors (Euromonitor).

Ken's Foods Inc., maker of the Ken's Steak House salad dressing and vinaigrette line, also successfully met U.S. consumer demand for robust salad dressings and vinaigrettes in 2002 via the introduction of new products such as Three Cheese Italian and Tomato Bacon Ranch. In all, Ken's Foods Inc. gained 0.1 percentage points in share in 2002, to hold 0.9 percent of U.S. sauces, dressings and condiments value, as value sales increased by approximately 13 percent (Euromonitor).

Conclusions

As US consumers' tastes have grown more sophisticated over the years, salad dressing buyers have shown more interest in premium/gourmet sauces, condiments, and dressings. A wide variety of offerings have made their way into the market place: low-fat, low-carb, zesty new flavors, traditional flavors marketed in new ways, etc. The high level of household penetration and the varying ethnic and diet-driven demands of consumers suggest that niche salad dressings can find means of competing with national brands.

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