

MSU Product Center

For Agriculture and Natural Resources

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Chips and Fries – Few opportunities

Market drivers that provide many opportunities

- There are **few** opportunities for chips and French fry products to appeal to the demand drivers of **convenience**, **value** and **wellness**.

Specific opportunities

- The vast majority of households consume potato chips. This is a large market
- Chips and fries by their very nature are convenient foods. There are few opportunities to appeal to this demand driver, especially for chips.
- There are also few opportunities to appeal to the demand driver of value. In order to appeal to the demand driver of value a firm must be the low cost producer. These are mature, well established markets dominated by large firms. The production of chips and fries exhibits economies of scale which also limits the ability of new firms to enter the market.
- Chips and fries are not considered healthy foods despite the fact that potatoes, in and of themselves are healthy. The best way to appeal to the demand driver of wellness is by offering products that have “food minus” characteristics. Foods that have reduced fat, reduced sodium, no cholesterol, etc. may have some potential. Organic and all natural also have some potential.

New product examples

- Despite the maturity of this industry there continues to be a steady stream of new product introductions in the chip industry. There are relatively few new French fry introductions.
- Small Planet Foods, Inc., Cascadian Farm, frozen organic French fries.
- Wal-Mart, Checkers/Rally's frozen French fries, trans fat free.
- Good Health Natural Foods, Inc., Solea , Olive Oil Potato Chips, trans fat free and 30 percent less fat than regular potato chips, available in club stores.
- Procter & Gamble, Pringles fat free potato chips.

Special issues

- These markets are very mature, and the supply chain is well established. Contracting is common. Meeting size criteria is important, especially with respect to the fry industry. This creates a barrier to entry for new firms and products. Furthermore some of the firms such as Frito Lay are very large and well established. Obtaining retail space may also present difficulties.
- Selling to gourmet stores and ethnic stores may present some opportunities.

Key to success

- Given the level of integration in this market, a guaranteed outlet for the products produced is very important. Try to link product attributes with indulgence and ethnicity with other attributes to differentiate your product from the others.

Sources

Mintel. Side Dishes.

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_____. Global New Products Database.

Salazar, M. and L. Bush. *Standards and Strategies in the Michigan Potato Industry*, Research Report, No. 576. East Lansing, Michigan Agricultural Experiment Station, Michigan State University, 2001