State of the Industry Report

Brands are Back

Snackers return to their favorites — at the right price — but the economy still influences purchasing decisions.

By Bob Gatty

Despite the lagging economy, consumers came home to their favorite snack brands in 2010, although their ability to find those products at a favorable everyday price was an important factor in their purchasing decisions.

There was no doubt that economic concerns still weighed heavily on snack shoppers, according to the 2010 State of the Snack Industry report developed by SymphonyIRI Group and presented in March at SNAXPO in Orlando, FL, by Sally Lyons Wyatt, senior vice-president. However, as ingredient costs continue to rise, the ability to raise prices is still difficult — especially in an inflationary environment as retailers strive to attract a continued number of value-conscious consumers. Despite such pressure, several major players in the baking and snack industries have indicated they plan to raise their prices 5% or more in 2011 to maintain margins and cover rising ingredient costs, according to several recently published reports.

That said, frugality still rules, even when it comes to snacks and impulse spending for these items. According to SymphonyIRI's data, 42% of consumers are spending less on snacks, 30% are trying to make their household snacks last longer and are snacking less frequently, and 25% are eliminating unplanned snack purchases. Moreover, Ms. Wyatt said, the numbers show that consumers are still concerned about the economy and expect food and energy prices to increase, and their own financial situations to either worsen or not improve this year. That's not good news for an industry that has seen significant growth during the past two years. Unlike earlier times, the ability to increase pricing in today's environment is, in many cases, simply not available. In fact, the situation is just the opposite with price discounting in such categories as conventional potato chips and those other snack categories that are not perceived by consumers as premium items.

The report also showed that healthier snacks are continuing to gain in popularity at the expense of indulgent, and that growing numbers of consumers look for all-natural and organic products and say sustainability practices of manufacturers influence their buying decisions.

The report's data on sales performance was based on SymphonyIRI's InfoScan Reviews, Marketinsight and Health & Wellness Advantage studies. Shopping behavior data was developed by SymphonyIRI's Consumer Network, and consumer attitude information was developed in the company's 2011 Consumer Snacking Study.

Despite those efforts by consumers to stretch snack dollars, Wal-Mart lost ground, according to the report, with snack dollar sales declining 3.1% in 2010 and volume sales dropping 5.2% vs. 2009. Meanwhile, drug stores increased snack dollar sales by 2.6% and volume by 3.1%, and grocery stores gained 1.9% in sales and 1% in volume. Convenience stores increased dollar sales by 1.6%, while volume declined 2.1%.

The report showed that in 2010, grocery gained share vs. 2009 at the expense of Wal-Mart across two-thirds of snack categories, including cookies, crackers, salty snacks, chocolate candy and ice cream/sherbet.

According to the study, consumers are deciding where to buy their snacks based on convenient location (56%), lowest everyday price (53%), best selection of products (43%), their ability to get in and get out quickly (40%), selection of private label (29%) and one-stop shopping (27%).

Industry-wide, snack dollar sales increased an average of 1.1%, while volume dipped by 0.6%. Leading volume gainers were snack/granola bars, up 5.5%, and yogurt, up 5.4%. Salty snacks volume across the industry was down 2.2%, but sales dollars increased slightly, by 0.4%. Price fluctuations were moderate with a 1.6% industry average increase. Prices were heavily influenced by promotional activity and merchandising support, the study showed.

According to a separate consumer panel report developed for SFA by SymphonyIRI, salty snack dollar sales increased 0.31%, but volume sales declined 1.1%. Within that category, other salted snacks (no nuts) increased 4.1% and 6.1%, respectively, leading the category. Potato chips gained 1.6% and 2.7%, respectively, and pork rinds gained 1.52% and 1.66%, respectively. Pretzels were up just under 1% in both sales dollars and volume.

Role of Price. "Brands are back," Ms. Wyatt said during her presentation at SNAXPO. "Private label is here, but consumers are not buying private label for everything. They want their brands, but their brand purchasing decisions are still heavily influenced by price."

The SymphonyIRI Group consumer survey showed that 68% of respondents prefer their favorite brand over private label, up 4% since 2009. While 47% said they switch to those snacks when their budget is tight, private label snack volume declined by 0.4% to 17.1% share last year, with dollars share flat at 12% compared with 2009 numbers.

Although 44% said their brand decisions are "very strongly" influenced by item price, 27% said they want their favorite brands at a reasonable regular price, up 7% compared with 2009. Those seeking favorite brands on sale declined from 44% in 2009 to 41% in 2011. The survey showed that 32% purchase any brand, if the price is right.

Consumers’ actual experiences with brands are essential, Ms. Wyatt stressed, as 46% reported that their brand decisions are very strongly influenced by brand trust.

“Consumers are gravitating toward the concept of finding their favorite brands at a reasonable everyday price,” Ms. Wyatt said. “Everyone should look at that and not forget it.”

Ms. Wyatt said innovation played a key role in increasing share across several snack categories — at the expense of private label products in those categories. For example, 11 new yogurt pacesetter offerings cut 1.2% from store brands’ share, and 10 salty snack pacesetters helped to reduce private label’s share by 0.2%.

“Consumers are trying to eat healthier [71%],” Ms. Wyatt said. “Predominantly they feel that if they can stay healthy, they can avoid medical expenses.” That, she explained, accounts for a shift of 7% since 2006 in healthier snack purchases compared to indulgent products.

Healthy Influence. The study showed that 60% of consumers are trying to eat foods that help prevent health problems and/or manage existing health conditions, and 24% seek snacks that offer benefits beyond basic nutrition. A full 40% view snacks as an important part of a healthy eating plan throughout the day.

While consumers want to know about products that are low-fat, low-cholesterol, low-sugar, high-fiber, low-calorie and whole-grain, they also want to be alerted to products with low sodium content and those that are all-natural or contain natural ingredients.

A slight majority of consumers (51%) want retailers to clearly identify healthier products in the store, the study showed, and 47% want comments or symbols on packages to help them select healthier options.

Ms. Wyatt advised the industry to partner with parents as they teach their children about healthy eating and to offer snacks with nutrients that are fresh and not processed, as well as those that are low-fat and low in calories and to watch portion sizes.

The balance between price and nutritional value also should be reinforced, she said, noting that 71% of parents look for snacks that are inexpensive and 43% will compromise on nutritional value to save money.

The study also showed that dollar sales of organic (+8%) and natural (+7%) indicate that those snacks are performing well across the industry. Some 29% of consumers said it is important to them that snacks are natural or organic, and 20% said they are trying to increase consumption of such foods.

In addition, sustainability remains a growth opportunity, with 26% of shoppers saying that reduced and more eco-friendly packaging influences their snack selection, and 21% saying they like to see biodegradable packaging. Green manufacturing and business practices influence the snack selection of 20% of consumers.

“Green is good,” Ms. Wyatt said to the SNAXPO crowd. “You all are answering that call, and when you do, and when you let consumers know, it works.”

Satisfying Hunger. “Snacks play an important role in providing satiation,” Ms. Wyatt noted, pointing out that 28% choose them to satisfy immediate hunger, and 11% to serve as a “mini meal.” Six percent view snacks as an opportunity to get nutrition.

In part, because of underlying health-and-wellness and satiation trends, strong growth is evident outside the sweet and savory snacks category, Ms. Wyatt said, and such items as refrigerated snack rolls, snack/granola bars, yogurt, dry fruit snacks and string cheese all have made significant gains.

Snacks touting high-protein and low-sodium attributes are demonstrating particularly strong growth, the study showed, and a number of new products boasting these attributes made inroads over the past year — products such as Chobani Greek yogurt, Wonderful pistachios, Fullbar weight-loss bars, and Dan-o-nino dairy snacks.

Hunger satisfaction steers considerable snack selection, as 68% of consumers who purchase meat snacks do so for that reason. According to the SFA Panel Report, sales dollars of dried meat snacks increased by a healthy 9.7% last year, with volume up 12.2%. Jerky’s dollar and volume sales were up 5.7% and 8.7%, respectively.

In addition, 54% of consumers who purchased snack bars did so to curb their hunger. For crackers, that number was 46%, snack nuts 42% and salty snacks 39%.

“If you have a product that can answer that call, communicate it,” Ms. Wyatt advised listeners at SNAXPO.

Still, many consumers view snacks as something to enjoy purely for pleasure, Ms. Wyatt added, with 55% saying they are more likely to eat what tastes good rather than what is healthy, and 35% saying they are eating to satisfy a specific craving, although that reason is down from 39% a year ago.

Ms. Wyatt also noted the important role of snacks in home entertaining, as 54% of consumers reported snacking more during social occasions and 57% said they consider snacks an important part of social occasions. Thus, she advised marketers to tailor messages to key snack rituals such as family time, at-home entertainment and on-the-go eating.

Convenience is also crucial for many consumers, Ms. Wyatt stressed. More than one-third (34%) said they eat snacks instead of a meal on the go, and 39% seek out snacks that can be eaten on the go.

Ms. Wyatt pointed out that 26% of consumers plan specific snack purchases before going to the store and urged marketers to take advantage of both traditional media such as clip-out coupons and new media like click-and-save coupons, online ads or social media promos to create awareness.

“Getting them to new media is key,” Ms. Wyatt said. “Getting coupons online or delivered to the handheld is important. It is something that consumers will continue to gravitate to and use. Dig deep with new media efforts designed to build excitement and buzz."

For More Research on Snacks

This year’s State of the Industry Report only touches on the wealth of data about new product and consumer trends affecting the snack industry. For more information, visit the Snack Food Association’s website, www.sfa.org, to download the PowerPoint presentation from SymphonyIRI’s 2010 State of the Industry Report presented at this year’s SNAXPO in Orlando, FL. For more insights and scanning data on the industry, SymphonyIRI, Chicago, IL, can be reached at www.symphonyiri.com or (312) 726-1221.

In addition, Snack World magazine received two executive reports on the snack industry from Mintel Group Ltd., a market research firm based in Chicago, IL. Mintel published the reports in March and April, and they included research on market trends as well as on information from the company’s Global New Products Database. For more information, Mintel can be reached at www.mintel.com or (312) 932-0400.

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