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CATEGORY INSIGHT REPORT

SALTY SNACKS



Snacking on the Rise

Snacks aren't just for after school anymore with a whopping 47% of consumers reporting that they regularly snack. And any type of food is becoming a snack as consumers have elevated snacking into a meal category of its own. Manufacturers have taken notice, and new product introductions in the salty snack market have experienced healthy growth since 2009, despite a brief dip in 2013. We expect 2014 to meet or exceed 2012's trajectory and to continue to be driven by popped chips, whole-grain snacks and popcorn introductions.

NEW PRODUCT INTRODUCTIONS

U.S., snack sub-categories, Jan. 2009 - April 2014

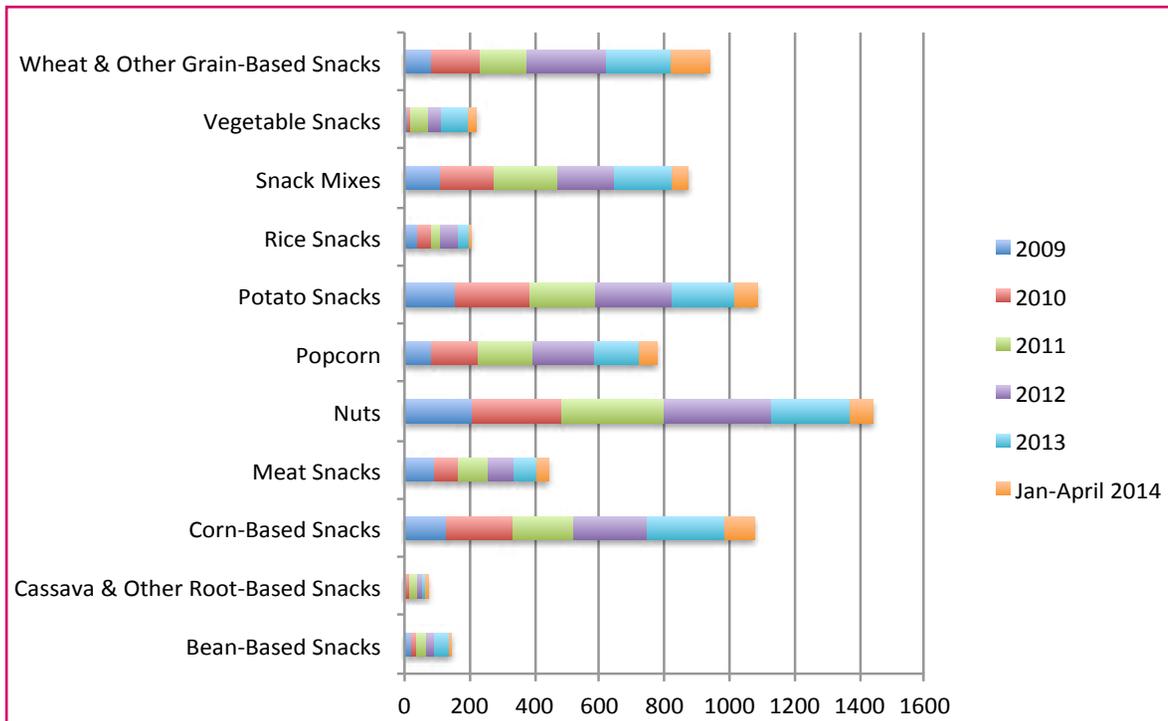
The salty snack category is large and diverse. New product introductions appear to be increasing quite nicely for 2014, especially in the wheat/grain-based snacks, popcorn and potato snacks. Consumers continue to show preference for better-for-you snacks, as 57% feel salty snacks should only be eaten in moderation. They associate salty snacks with being less healthy, but at the same time, they want a healthy snack to have the same physical characteristics of a “regular” one.

57%
OF CONSUMERS FEEL SALTY SNACKS SHOULD ONLY BE EATEN IN MODERATION.

CLAIMS

Jan. 2009 - April 2014

Just like in other categories, “better for you” claims are dominating the salty snack market with no sign of stopping. Gluten-free claims in new product introductions increased 19% since 2009, and low/no/reduced claims more than doubled to 38.1%.



TOP 10 CLAIMS FOR SALTY SNACKS JAN. 2009- APRIL 2014

1. Kosher
2. Low/No/Reduced Allergen
3. No Additives/Preservatives
4. Low/No/Reduced Transfat
5. Gluten-Free
6. All Natural Product
7. Ethical - Environmentally Friendly Package
8. Wholegrain
9. Low/No/Reduced Fat
10. GMO-Free

CRAVING FLAVOR

While at first glance the top 15 flavors listed at the far right looks like the typical flavors you would expect for salty snacks, we delved a little deeper and found some exciting new flavor combos that are reflective of the trends we are seeing in salty snacks. Most notable is the continued emergence of bold flavor combinations including everything from smoky notes to spicy hot and sweet and salty or spice pairings.

We've categorized the flavors and provided a snapshot of some unique combinations we are seeing

BARBECUE AND...

Heat (chipotle/Habanero)
Fruit (Black Cherry/Pineapple)
Smoke (Mesquite/Hickory)
Seaweed

COCONUT AND...

Curry
Lemongrass
Maple

SPICE, SPICY AND...

Smoke
Chipotle mango
Habanero & Sour Cream
Chili Pepper, Coconut & Vinegar
Ketchup
Pickled
Sweet Chili

CHEESE

Asiago & Herbs
Goat & Rosemary
Monterey Jack
Gouda, Garlic & Smoke



TOP 15 FLAVORS FOR SALTY SNACKS JAN. 2009- APRIL 2014

1. Cheddar Cheese
2. Sea Salt
3. Cheese
4. Salted
5. Barbecue
6. Butter
7. Roasted/Salted
8. Roasted/Toasted
9. Caramel
10. Onion & Sour Cream
11. Ranch
12. Nacho Cheese
13. Cinnamon
14. Jalapeno Pepper
15. Onion

*Sub-category matches one or more of Bean-Based Snacks, Cassava & Other Root-Based Snacks, Corn-Based Snacks, Potato Snacks, Rice Snacks, Vegetable Snacks, Wheat & Other Grain-Based Snacks, Popcorn, Nuts, Meat Snacks, Snack Mixes

WHAT IS DRIVING THE SNACKING CATEGORY?

What's really in the bag? The following trends reflect what's moving in the snack aisle.

Better-for-you Snacking

Consumers, especially health conscious ones, are striving to make better choices when it comes to their snack selections. Between 2008-2013, the snack market saw 53% growth in better-for-you snacks with nuts and trail mix leading the pack. Analysts expect the nuts/trail mix sub-category to have additional growth of another 61% by 2018. In addition, the number of consumers who would define themselves as "healthy snackers" has grown from 2 million to 41 million since 2004.



Cape Cod Lightly Sweet Kettle Corn Popcorn

contains 40 calories per cup and is made with whole grains.



Saffron Road Korean BBQ Crunchy Chickpeas

are made with organic chickpeas seasoned with all natural ingredients and sweet & spicy flavors.

Anytime Snacking

With two-thirds of Americans snacking between meals, the sales of chips, popcorn, nuts and dips grew to \$21.8 billion in 2013, up 3.3% despite the recent recession. As we have pointed out before, anything can be a snack and smaller single packaging and to-go formats continue to drive the category.

Millennials

Whether to provide fuel or for social occasions, Millennials' snack habits are adventuresome and varied. They want it all: great taste, portability, sometimes healthy/sometimes indulgent, and if enjoyed with friends, even better. Forty-one percent of Millennials cite increased social occasions as the reason for their increased snack purchases. Younger consumers also desire organic and natural salty snacks more than all other generations, making them prime targets for specialty snacks with clean product labels. Finally, Millennials tend to be less price-conscious in the snack aisle most likely due to snacks' relative low-cost.

DRIVERS IN THE SNACK CATEGORY

Popping Up

Popped chip and popcorn formats are taking the salty snack market by storm. Boasting a lower fat content with a crisp, airy exterior, popped chips in a wide variety of savory and sweet flavors have made their way into American shopping carts. At least 30% of Americans say they purchase popped chips regularly as they value the volume of chips that can be consumed per serving along with the great, familiar chip taste and texture. Plus, the added bonus of gluten-free options combining rice flour and potato starch makes popped chips appeal to consumers with allergen issues.

Popcorn is enjoying a renaissance driven by brands promoting low-calorie profiles. Reengineered manufacturing has allowed brands to create popcorn offerings that give the consumer hunger relief for very little caloric intake resulting in the feeling of satisfaction and

indulgence. The popcorn market has exploded with percent gains twice that of potato chips between 2011-2013 and is expected to continue to expand with unique flavor combinations like salty-sweet or sweet-spicy combinations and whole grain, gluten-free options.



479 Toasted Sesame + Seaweed Artisan Popcorn is described as a savory blend of seaweed, toasted sesame, chia seeds and spices. This air-popped, wholegrain popcorn contains 58 calories per cup and is free of GMI, gluten, trans fat and anything artificial.



Lay's Kettle Cooked Lattice Cut Aged Cheddar & Black Pepper Potato Chips are said to be crafted with care, and contain no artificial flavors or preservatives.



Popchips is the most successful U.S. popped chip brand. It expanded its range in January 2014 to include Veggie Chips with a Hint of Oil, which contains a blend of nine vegetables.

Indulgence

Consumers know they can't be perfect all the time and can't resist the desire to indulge every once in a while. Consumers aspire to be healthy but they also like a treat now and then, especially Millennials. The sales of potato chips show no sign of slowing down as consumers look to these snack choices to balance their healthy meal choices throughout the day. Despite popped chips' efforts to make a dent in the sales of potato chips, potato chips remain the best selling salty snack in the category with 81% of the sales followed by nuts and tortilla chips. More than 55% of consumers purchase salty snacks as treats while the same number admits that they should be eaten in moderation. Regardless, manufacturers should continue to offer indulgent salty snacks as well as healthy options.

DRIVERS IN THE SNACK CATEGORY

Whole Grains, Seeds & Beans

It comes as no surprise that salty snacks with whole grain claims would be successful given consumers' perceptions of the health benefits from centering a diet on whole grain foods. Since 2010, 85% of new salty snacks introduced globally have had a whole grain claim, particularly in the U.S., which has led in whole grain snack development.

Products with 'seeded' ingredient additions, like flax, chia, sesame, sunflower and poppy seeds, are overtaking the chip aisle as consumers flock to incorporate these healthy ingredients into their diets, even in their salty snacks.

Beans are also becoming a popular base for salty snacks due to the better for you benefits of higher protein and fiber. From chickpeas to various beans such as adzuki, black and soy, these snacks are following the chip format and offer yet another healthy alternative to potato chips.



The Good Bean Thai Coconut Lemongrass Chickpeas contain crispy crunchy chickpeas flavored with toasted coconut, lemongrass, limeleaves and Thai spices. It is claimed to contain as much protein as 23 almonds and as much fiber as two cups of broccoli.



Late July Organic Sub Lime Multigrain Snack Chips contain 20 grams of wholegrain per serving.



Lesser Evil range of all natural chia crisps is said to be loaded with protein, fiber and omega 3.

FUTURE OPPORTUNITIES

Mid-Morning Snack Opportunity

We have already established that consumers are snacking more than ever. But it's interesting to note that 47% of consumers' eating occasions occur when they are alone and half of what they are eating is considered snacks. And snacking mid-morning can be categorized as a mini-meal and the manufacturer that capitalizes on this day part will create new opportunities for growth. Less processed and interesting ingredients are two attributes that consumers desire in their snack/mini-meal choices and they may incorporate them with other foods they have in their fridge. Salty snack manufacturers can be creative in incorporating whole grains or creating healthy product line extensions that work for this time of day, like whole grain chips and hummus in unique flavors.



Kashi's Sea Salt & Olive Oil Hummus Crisps, air-popped chickpea crisps made without partially hydrogenated oils, high fructose corn syrup, or artificial anything. At least 5g of whole grain, 3g of fiber and 3g of protein from each serving.

Redefinition of What a Snack Is

In snacking, every category is fair game. High protein roll-ups (like Hormel "Rev" high protein wraps), whole grain, gluten-free, bold flavored crackers and chips, Greek yogurt — the list is endless as anything can be a snack. The lines are becoming blurred as innovation driven by creative ingredients and convenient packaging still trumps all. Small, family-run manufacturers are expected to provide the growth in the salty snack category as they introduce healthy, creative flavors and formats.



Hormel Rev Italian Style Ham Wrap comprises smoked ham and Mozzarella cheese in an Italian herb wrap. This is on-the-go snack contains 17g of protein.

FUTURE OPPORTUNITIES

Private Labeling/Price Consciousness

Expect grocers to try to limit competition and create brand loyalty with private label salty snacks. Private label brands were responsible for 42% of all North American popped chips innovation, an increase from 6% in 2011. The perception that private labeled products are “generic” has been dispelled and many consumers now associate private label as unique and upscale, especially when they boast a competitive or even discounted price point. We expect private labeling to continue its upward trajectory in innovation in the salty snack category especially in healthy and bold flavor options.



Walmart Finest Sweet & Salty Kettle Corn is cooked in small batches and has a sweet, salty burst of flavor. Made from 100% wholegrain popcorn, it contains no artificial flavors, colors or trans fat; and contains 3g fiber per 50g serving.



Aldi Southern Grove Monkey Trail Mix comprises peanuts, dark chocolate drops, tart cherries and banana chips.

Popped Chip Format

The popped chip will continue to expand in the salty snack category with its combination of health and indulgence. Expect to see dessert flavors, sweet/salty combos or bold, ethnic flavors and more innovation in this category, particularly in format and package size.



Kellogg's Special K Sweet & Salty Flavored Popcorn Chips are said to feature a unique crunch and texture.

Many Messages

Many Markets

Boomers view salty snacks as indulgent treats that you would have on limited occasions compared to Millennials who purchase salty snacks while on-the-go or for specific social occasions. Opportunity exists for manufacturers to market to these demographic groups simultaneously but from different angles with different tactics (i.e. social media vs traditional outlets).

FUTURE OPPORTUNITIES

Salty/Sweet/Spicy Combos

Expect to see new introductions, especially popcorn, with salty/sweet or spicy/sweet flavor combinations. For example, Dean and DeLuca launched a new line of popcorn snacks including Caramel Chipotle flavor.



Masala Pop Chai Masala Popcorn with Assam Tea

is hand blended with a fusion of black Assam tea, cinnamon, cardamom, ginger, nutmeg, cloves and black pepper. These warming spices create an exotic and low calorie treat that is intricately flavored and melts in the mouth. It is all natural, vegan, air popped and free of gluten and non-GMO corn.



Harry & David Jalapeno & Cream Cheese Savory Popcorn

is handcrafted in small batches in the Pacific Northwest. This premium gourmet popcorn is said to be creamy with a spicy kick, and comprises tender non-GMO popcorn, pure jalapeno, tangy cream cheese and natural flavors. The gluten-free product has been popped with sunflower oil and contains no trans fat.



FONA CAN HELP!

Let FONA's market insight and research experts translate these trends into product category ideas for your brand. They can help you with concept and flavor pipeline development, ideation, consumer studies and white space analysis to pinpoint opportunities in the market.

Our flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. We understand how to mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here every step of the way. Contact our Sales Service Department at 630.578.8600 to request a flavor sample or visit www.fona.com.

SOURCES:

1. Mintel Market Insights
2. Mintel GNPD
3. Foodnavigator-usa.com
4. Bakeryandsnacks.com
5. Ibid