

2014 CATEGORY INSIGHT REPORT

SWEET SNACKS



The Sweet Side of Snacking

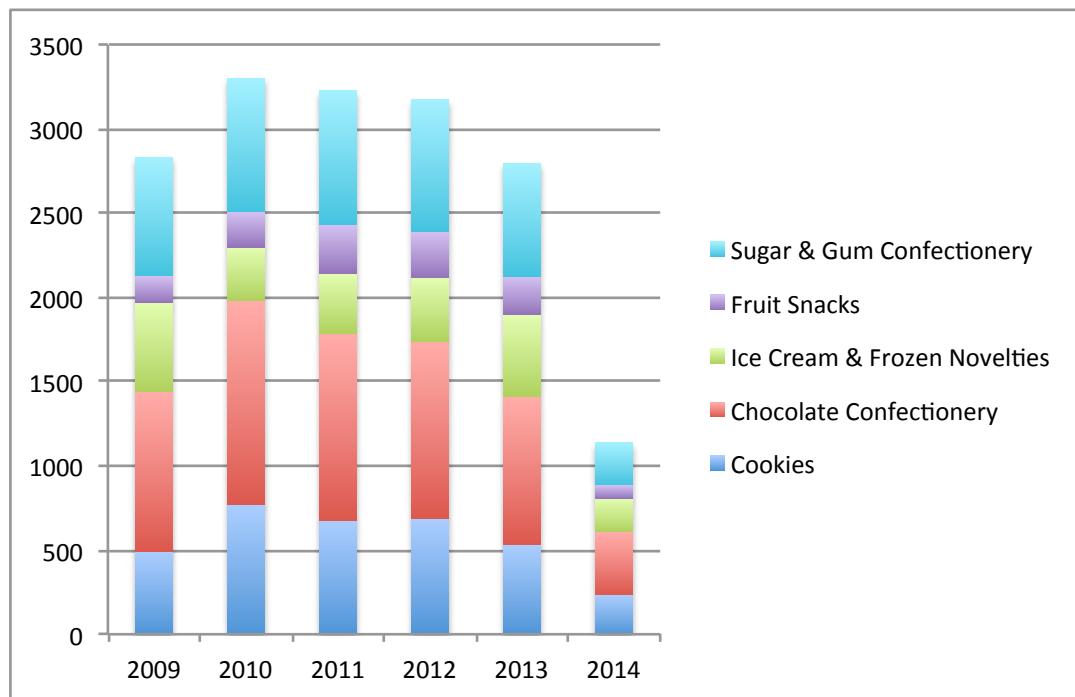
In a *Serious Eats* article on the joy of small, sweet snacks like a few bites of kulfi-pistachio cardamom ice cream or a Stroopwafel over a mug of office coffee, the author says, "The smallest bites can turn a bad day better, and a good day amazing." Well, the United States must be a country full of people having amazing days because Americans sure love their sweet snacks! According to Bakery and Snacks Magazine, the U.S. sweet baked snacks and dessert market will reach more than \$14 billion by 2017.



NEW PRODUCT INTRODUCTIONS

U.S., Sweet Snacks, Jan. 2009 - May 2014

Innovation is down in all categories except for ice cream and frozen novelties. This decline is due to the category recovering from the lackluster economy and consumers' increasing interest in healthier snacks. The success of the ice cream and frozen novelties segment can be attributed to the growing popularity of frozen yogurt as consumers view it as a healthier alternative.



CLAIMS

Across the sweet snacks category, the claims are fairly consistent with a few standouts.

Chocolate and Sugar Confectionaries

Seasonal claims made up approximately 35% of all new chocolate confectionery product launches and experienced a 10% increase between 2010 – 2014 and 10% of sugar confectionery launches in 2013. Also, in the gum market, functional ingredient claims are increasing in importance such as teeth whitening claims. In addition, 80% of all gum launches had a low-no-reduced sugar claim in 2013.

Cookies

Americans eat cookies for almost any reason, with the first being as a snack, then a dessert. Seen as an indulgence, it is interesting that all-natural and whole grain claims are claims that distinguish the cookie segment in the sweet snacks category. All-natural claims grew 11% while whole grain claims increased 15% between 2009-2014. Environmentally friendly packaging claims grew 14%.

Ice Cream/Frozen Novelties

The top claims for ice cream have melted slightly in recent years. Consumers were interested in low-no-reduced fat and calorie claims and desired premium ingredients. However, gluten-free and environmental friendly packaging claims are becoming increasingly important to health-conscious consumers.

TOP 10 CLAIMS FOR U.S. SWEET SNACKS JAN. 2009- MAY 2014

- 1. Kosher**
- 2. Seasonal**
- 3. Low/No/Reduced Allergen**
- 4. Gluten-Free**
- 5. All Natural Product**
- 6. Low/No/Reduced Fat**
- 7. No Additives/
Preservatives**
- 8. Ethical - Environmentally
Friendly Package**
- 9. Premium**
- 10. Children (5-12)**

A CARNIVAL OF FLAVOR

Our heads were spinning with the creative flavor combinations we unwrapped when reviewing sweet snack product introductions.

Chocolate Confections

- Agave, Quinoa & Sesame
- Almond, Hazelnut & Caramelized Onion
- Almond and Habanero
- Apple, Caramel, Chili Pepper & Sea Salt
- Bacon, Sea Salt & Smoke
- Banana & Pretzel



Sugar & Gum Confections

- Absinthe/Salt
- Beer, Caramel & Pretzel
- Cherry & Daiquiri
- Chili Pepper & Watermelon

Kilwins Confections & Ice Cream is offering savory truffles: Bacon Maple Syrup, Bleu Cheese & Toffee, Stout Beer, Coriander & Peppercorn, Chipotle Pepper, and Pistachio Cardamom Crunch.

Cookies

- Peanut, Pretzel & Salted Toffee
- Hazelnut & Whiskey
- Chai Tea
- Tiramisu
- Stracciatella
- Apple, Chocolate, Gingerbread & Marzipan

Ice Cream

- Agave & Coconut Milk
- Basil & Strawberry
- Blackberry & Red Wine
- Bitters and Chocolate
- Caramel, Toffee, Malt, Coffee & Whiskey
- Chamomile & Orange
- Juniper, Lemon & Macaroon
- Mascarpone & Cherry

TOP 20 FLAVORS FOR U.S.
SWEET SNACKS
JAN. 2009- MAY 2014

1. Chocolate
2. Strawberry
3. Cherry
4. Peanut Butter
5. Orange
6. Vanilla
7. Lemon
8. Caramel
9. Peppermint
10. Mint
11. Raspberry
12. Fruit
13. Grape
14. Almond
15. Watermelon
16. Coconut
17. Apple
18. Blueberry
19. Cinnamon
20. Berry

SWEET SNACKS CATEGORY DRIVERS

Sweet & Salty

It's clear in the sweet snacks category, opposites attract. Whether pairing sweet with either salty or spice, consumers flock to these taste combinations. At this year's Sweets and Snacks Expo, attendees were treated to pairings of peanut butter with salty or sweet favorites like bacon or marshmallow fluff. Along these lines, Aztec Tortilla Inc. is introducing savory tortilla chip crumbs to pair with sweet desserts such as chocolate, caramel, fruits or custards.



Vosges Haut Chocolate Pink Himalayan Crystal Salt Caramel Bar consists of pink Himalayan salt, burnt sugar caramel and dark chocolate.



Trader Joe's Ruggedly Adventurous Cowboy Bark features dark chocolate with toffee, pretzels, Joe Joe cookies, peanuts, almonds and a sprinkling of salt.



Kilwins Milk Sea Foam is a crisp, salty, light-as-air center coated in milk chocolate.

SWEET SNACKS CATEGORY DRIVERS (continued)

Alcohol-Inspired

Cocktail- and beer-inspired flavors are making their way into sweet snacks. Beer chocolates and margarita or daiquiri flavored ice cream treats are just two examples where grown-up libations are infiltrating the sweets arena. This is an attempt to "age-up" the sweet snacks category, as older Boomers and Millennials are some of the largest consumers of ice cream treats and novelties.



Lille Belle Farms Limited Edition Whiskey in the Bar Barrel Aged Dark Chocolate has been aged in whiskey barrels, and the charred oak and aged whiskey imparts a flavor that balances the blend of Central and South American beans that go into this chocolate.



Kilwins Stout Beer Truffle



Jelly Belly Draft Beer Jelly Beans

Dessert-Inspired Crossovers

Tiramisu, Cake Batter and Stracciatella are prime examples of taking one dessert format and using it as flavor inspiration for another, particularly ice cream. With the economic downturn, the ice cream and frozen novelties category suffered, but at this time consumers gravitated towards ice creams that were reflective of high-priced sweets like Blue Bell Brand Italian Crème Cake Ice Cream, probably as an affordable indulgence. (Can't buy the high-end sweet? Can't take a vacation to Italy? Eat Italian Creame Cake ice cream instead!) Additionally, 63% of consumers view high- end dessert flavors as being of higher quality and could therefore justify the expense of this small treat.



Weight Watchers by Whitman's Candies Red Velvet Chocolates consist of a velvet center and rich dark chocolate. The bite size chocolates contain 110 calories per pouch.



Blue Bell Italian Cream Cake Ice Cream is a creamy vanilla ice cream with pieces of delicious Italian cream cake, shredded coconut, roasted pecans and a smooth cream cheese icing swirl.

SWEET SNACKS CATEGORY DRIVERS *(continued)*

Handcrafted/Artisan Touch Elevates Snacking

Despite (and perhaps in part because of) the technology-focused world we live in, consumers crave and respect products made by hand and appreciate a human touch.

"Handcrafted," "made by hand," and "artisan" are terms used to describe this trend, and its popularity can easily be seen in the sweet snacking arena. Locally made, small batch and handcrafted ice cream products are responsible for the category maintaining its sales as consumers appreciate the premium ingredients and embrace locally sourced concepts.



Mallow Artisan Marshmallows Yucatán Flavored Marshmallows has a molten red chili pepper center and a coating of milk chocolate, cocoa powder and other spice.



Sotto Zero Black Cherry Yogurt Gelato is handcrafted daily in small batches by third generation ice cream masters from Rome. The manufacturer claims that it is made with local, hormone-free milk and high quality ingredients.

Premium = Healthier

Forty one percent of consumers believe that premium sweet snacks are healthier than traditional treats. This is partly due to their perception that premium products contain higher quality ingredients. This belief rings true for 64% for consumers aged 25-34 and provides an opportunity to manufacturers looking to either grow or enter the sweet snacking market as healthier products give consumers permission to snack responsibly. In the chocolate segment especially, line extensions featuring premium ingredients/higher cocoa percentages/flavors will draw consumers who equate premium with better quality.



Williams-Sonoma Organic Gummy Bears are free from gelatin, nut and gluten.



Yasso Peanut Butter Cup Frozen Greek Yogurt Bars contain only natural ingredients, real Greek yogurt, 6g protein and rBST-free milk.

SWEET SNACKS CATEGORY DRIVERS *(continued)*

A Spot of Tea & A Touch of Joe

You can't turn a corner without running into a local or national tea or coffee shop. Because sweets taste better when accompanied by a cup of tea or coffee, why not incorporate the flavor of tea or coffee right into a sweet treat? In chocolates and, surprisingly, gummies, tea and coffee flavor concepts are appearing in confections with great success.



Bissinger's Pomegranate White Tea Gummy Pandas are said to be all-natural and contain white tea, organic syrup and cane sugar. A green tea variety is also part of the line.



Brewla Specialty Brewed Cherry, Pomegranate & Red Tea Bars are 100% natural. Made with craft-brewed tea and boosted with zinc and vitamins B and C for immunity.



Dannon Oikos Café Latte Greek Frozen Yogurt contains active yogurt cultures and is a good source of protein.

Good Things Comes in Small Packages

Sometimes less is more, especially when it comes to portions. Sweet snack manufacturers are embracing "fun sizing," which allows consumers to incorporate sweets into their healthy diets with the idea of "everything in moderation."



Maple Bacon Mini Chocolate Bar is a miniature size bar introduced by Chuao Chocolatier. It's made with crisp bacon, delicate maple sweetness and bonfire smoked sea salt.

FUTURE OPPORTUNITIES

Functional/Healthy/Natural Ingredients

Making sweet snacks multi-functional by incorporating healthy ingredients allows consumers, especially older Boomers, to justify indulging in a treat every now and then. Concern about artificial flavors has consumers looking to go "au naturale" when choosing a food concept and sweet snacks are no exception. Gum manufacturers are also trying to increase their offerings of functional products, using gum as a delivery system for a number of benefits, such as teeth whitening, a claim that tops the list for new gum concepts. Adding whole fruit pieces or fruit purees, which are popular in Europe, to candy adds healthy credentials to the sweet snacks category. More than half of U.S. consumers agree that incorporating real fruit into products is important.



Dreyer's Outshine Apple & Greens
Fruit and Veggie Bars contain a fruit and vegetable content that is derived from puree and juice of: pumpkin, mango, pineapple, apple, banana, kiwi, kale and spinach.

44%

OF COOKIE CONSUMERS WOULD
LIKE TO SEE MORE GLUTEN-
FREE OPTIONS IN THE COOKIE
CATEGORY.



**Udi's Gluten Free Salted Caramel Cashew
Soft-Baked Cookies**

Gluten-Free Cookie Market

Despite the influx of gluten-free food concepts and the increase in consumers making gluten-free choices, the cookie segment has only a handful of products with this claim. There is a market across all demographics for gluten-free cookies, as only 8% of American consumers say they currently eat gluten-free cookies. However, 44% of cookie consumers and more than half (53%) of 18–24 year olds say they would like to see more gluten-free options in the category. In 2013, 9% of sweet cookies had gluten-free claims.

FUTURE OPPORTUNITIES (continued)

A Healthier Cookie

It's clear consumers would appreciate a healthier cookie with great taste. Cookies are the perfect snack size, easily satisfy a sweet tooth and provide the psychological gratification of indulgence. Two-thirds of American consumers consider health attributes when buying cookies, and in order to claim their share of the growing snack market, manufacturers should consider incorporating healthy ingredients such as Greek yogurt.



Quaker Oat & Yogurt Strawberry Sandwich Biscuits contain 10g whole grains per serving.

Consumer On-the-Go

People are always on the move and looking for snacks that will move with them. This need continues to drive innovation in many categories, including sweet snacks. Products such as portable, in-car coffee makers with dedicated coffee pods may become a reality sooner than we think. Packaging innovation such as screw tops and resealable packages that allow you to take a portion of a candy bar and reseal for freshness are also going to be commonplace.

The Psychological Side of Snacking

It's not just women who eat ice cream to improve their mood. In fact, 19% of consumers admit to doing just that, and adding mood stabilizing ingredients like tryptophan has the potential to differentiate concepts and create a sweet niche for manufacturers looking to focus on inner health as well as physical health.



A NEW MINDSET

Finally, how a product is positioned has as much to do with its success as how it tastes. A great tasting sweet snack can sit in the freezer case or candy aisle with no chance of being purchased without the perfect message being communicated in the appropriate way to the right target market. The sweet snacks category needs to differentiate itself to compete alongside the healthy product offerings in other snacking segments, like bars, but if formulated in the right size and with the right balance of guilt-free indulgence positioning, this category will succeed for many sweet years to come.



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. Ibid