THE POWER OF SNACKING:

THE FUTURE OF SNACKING

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Our changing lifestyles continuously influence the way we eat. Today, more than ever, we eat what we want, when we want. Although, three square meals a day has been the standard pattern for decades this traditional view of eating has eroded over the years with the introduction of food-to-go, meal replacements, and the myriad of social trends that continue to influence the way we think about food consumption.

Snacking has become increasingly important as busy lifestyles drive our desire for more convenient and quick ways to satisfy our food consumption needs - whether that be immediate hunger, or more emotionally driven.

We explored shopper trends in *Welcome to the snacking revolution* and snacking behaviours in *How well do you know your snacker?.* Now let's look at the areas that are set to make an even bigger impact on the development of the snacking category over the next 10 years: store, technology, channels and own label.

SPACE IN STORE

Over the last five years, the in store space allocated to core snacking categories has evolved quickly.

First came the front of store display, designed to cater to shoppers short on time by enabling them to quickly grab something from a host of food-to-go options and meal deals, without having to make their way across the whole store. Snacking products such as crisps, fruit packs, bars and soft drinks led these displays and became a key strategy for out of town and convenience stores alike.

Next came the removal of unhealthy products from the tills. Confectionery and crisps were stripped from the bottleneck of the checkout and left to fight for space on any adjacent shelves as close as possible to the identified "impulse" areas in store.

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Then came the change to gondola end space. Gone are the full ends dedicated to the promotion of a single brand or product type. Now there are multiple snacking gondola ends littered around the store, full to the brim of competing core snacking products fighting for the same basket and occasion.

Store space is continuously evolving and there are two big trends that will shape the evolution of snacking merchandising.

Snacker based layout. There’s a big opportunity to leverage the seven different snacker profiles we identified in *How well do you know your snacker?* and adapt the store to fit these specific shopper needs, executing a mission-based snacking strategy and merchandising layout. For example, placing all of the products together that meet a more indulgent snacking occasion and are designed to share with family and friends, rather than distributed around the store. This helps shoppers to identify with the occasion and drive sales by making it easier for shoppers to view the full repertoire of snacking options. It also offers a clear point of differentiation for shoppers to help in capturing share of wallet.

THE SEVEN KEY SNACKING PROFILES

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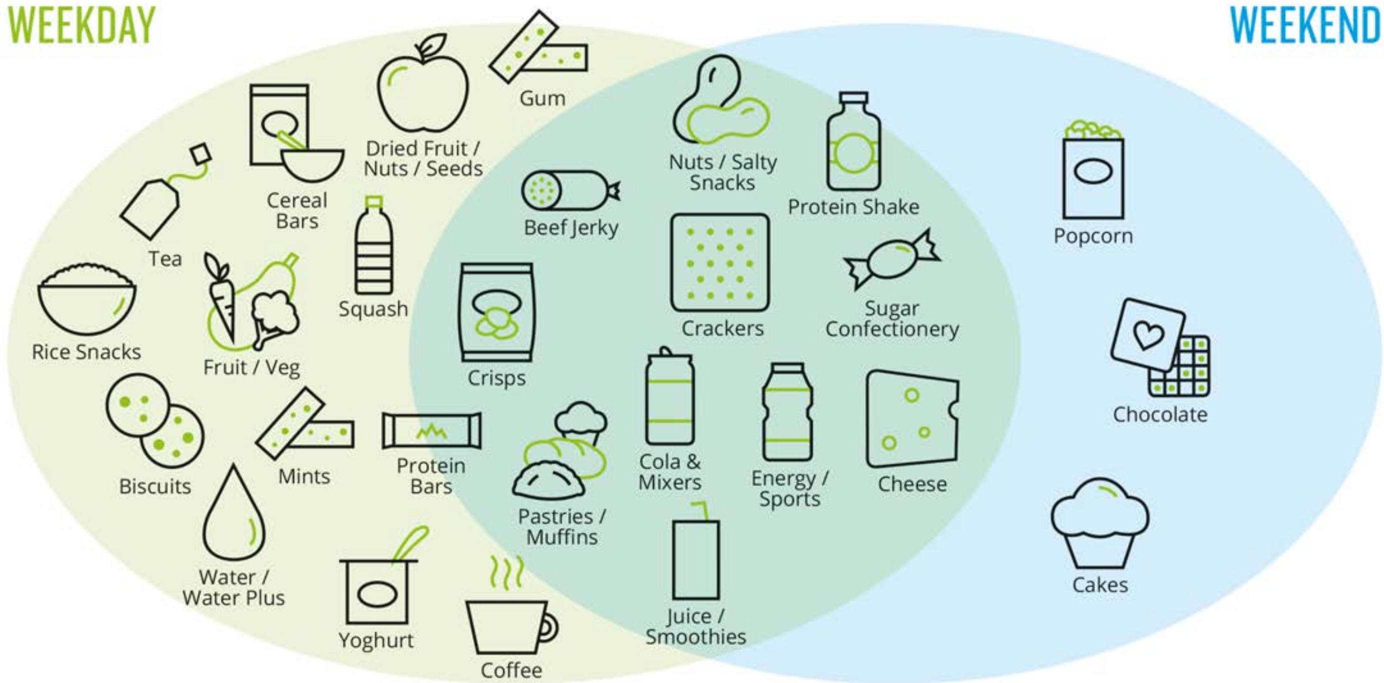
Flexible time/date based layout. The variance between weekday and weekend snacking is important. Our Nielsen Snacking Shopper Study revealed that shoppers have very different consumption and purchasing patterns for snacking in the week compared to the weekend. This presents a great opportunity to be more nimble in store to range and merchandise around these different shopper missions.

Why not have more space at the start of the week dedicated to healthier snacks, multipacks for lunch boxes and planned snacks? Then, from Friday onwards, shift the range and space to sharing packs and more indulgent, treat snacking products. Expand and contract the different segments of the core through the week, and even through the day, putting the products shoppers want clearly in front of them and proactively managing availability.

In store space will continue to shift, especially as promotional and pricing strategies in bricks and mortar stores become more nimble to combat against the ever changing digital environment.



Source: Nielsen Shopper Survey Data - July 2017

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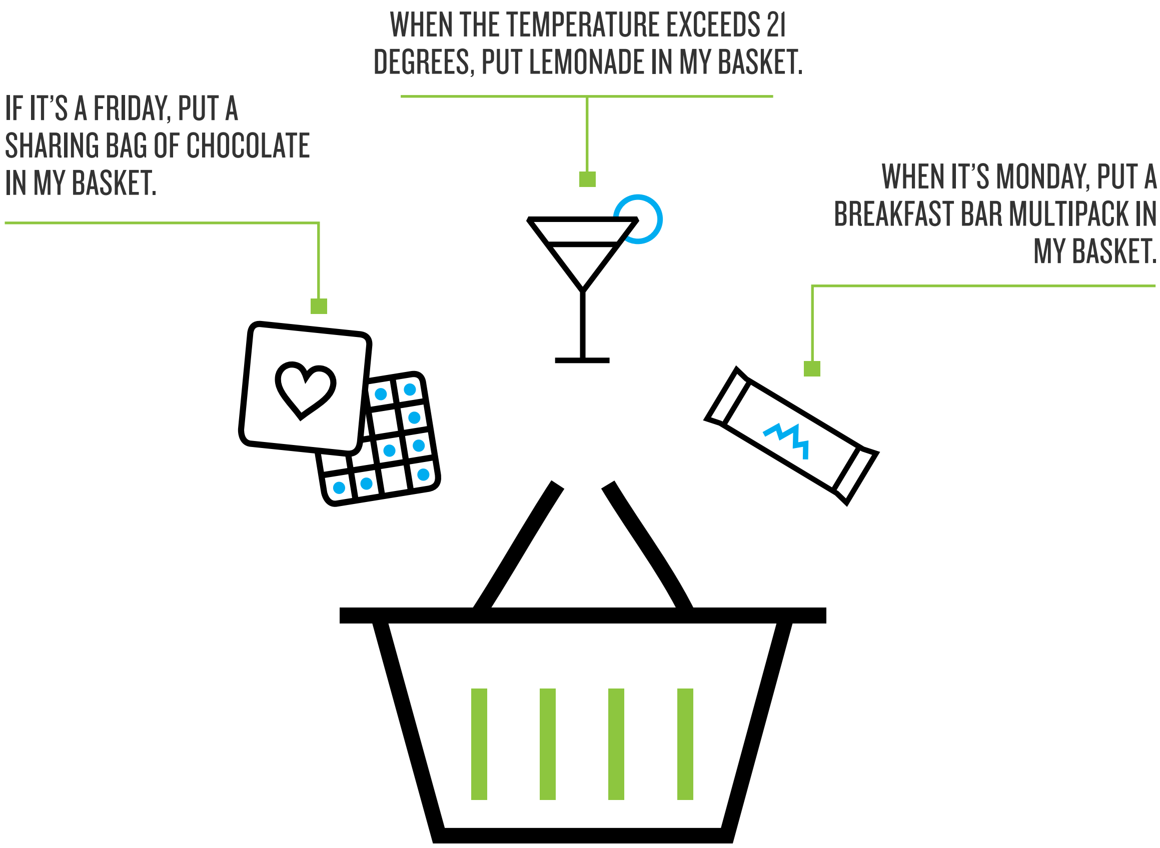
TECHNOLOGY

Online has changed the path to purchase, increasing the options for where and when shoppers can buy their groceries and raising the bar for easily accessible product information. Today's shopper is well informed in all elements of a product or brand, with ratings and reviews becoming integral parts of the decision making process.

The next level of technology that will shape the evolution of online grocery shopping and disrupt the path to purchase is everything-as-a-service technology. Shoppers not only want greater ownership and control over their service, they want instant results and a seamless process from decision making through to purchase and gratification.

Retailers are already trialling this technology, and it's a lever that both retailers and manufacturers can pull to capture share of spend. For snacking, the everything-as-a-service, or 'if this, then that', approach could look like this for snackers:



Everything-as-a-service essentially cuts down the decision making process for the shopper, and automates it. Behavioural information is influencing all parts of the shopping environment today and snacking is no exception.

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CHANNELS

Channel fragmentation is one of the big tensions in the retail industry today. The rise of online has crept into the territory of big out-of-town stores when it comes to catering for the large weekly shops. The big out-of-town stores have, in turn, evolved and expanded to cater for convenience shopping missions - which is also set to be the next battleground for online.

The convenience channel has traditionally been the engine driving the snacking category, however, convenience stores now have to work harder to differentiate themselves against a mission also being catered for by large supermarkets and online. While smaller convenience stores face particular challenges around merchandising within a reduced footprint, they have the advantage of being much more nimble than big out-of-town stores. This allows them to be more flexible when it comes to ranging, for example by increasing breakfast bar ranging in the morning, larger snacking packs in the afternoon, and indulgent drinks or treats in the evening for commuters making their journey home.

As retailers and manufacturers look to the future, portfolio reviews will be critical to ensure the right mix of channels to withstand and capitalise on industry changes as well as identifying where the next new channel will come from.

In future, we are likely to see more direct to consumer offers from manufacturers, a push into food service from retailers, and a change in the snacking products further offered in store. The channel fragmentation presents a greater opportunity to promote wider ranges of convenient on-the-go snacks in large supermarkets and greater conversion of impulsive snacks in online baskets.

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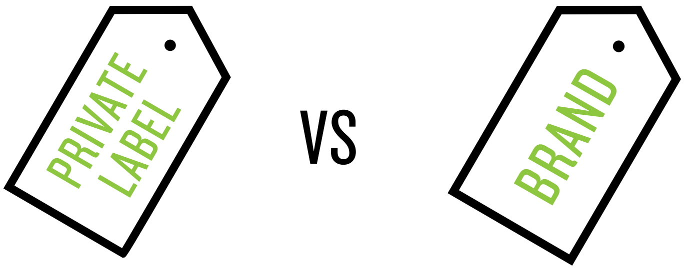
BRANDS VERSUS OWN LABEL

The snacking category has traditionally been a heartland for big brands. In part, the rate of innovation, depth of range and quality perception has kept the share gap as a moat between brands and own label.

However, own label continues to be a strategic lever for retailers and this is coming through in snacking with premium products that are helping to change the quality perception and helping them to take a valuable portion of the snacking pie.

One of the areas we expect to see the brand versus own label challenge is in a spill over from the popularity of meal kits. As shoppers plan to make more food from scratch, 'snacking meal kits' are not far off the horizon. Retailers could use these as a feature to engage shoppers and lead the conversation around snacking through their own label ranges in store, providing a challenge to the role of brands in snacking.

Snacking has a high level of innovation and brands need to keep a focus on new product development to drive the category forward. When the popularity of the Graze listing took off in store last year it didn't take long for similar products to flood the shelves. This speed of reaction means that brands need to continue to invest in innovation to stay ahead and to maintain their role at the fixture. Spotting trends early and being nimble will be crucial.



ARE YOU READY FOR THE FUTURE OF SNACKING?

If you would like to find out how we can help you navigate the future of snacking, please contact:

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