

# THE POWER OF SNACKING:

WELCOME TO THE SNACKING REVOLUTION

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What defines a snack? A treat between meals, something to curb your hunger, or even replace breakfast?

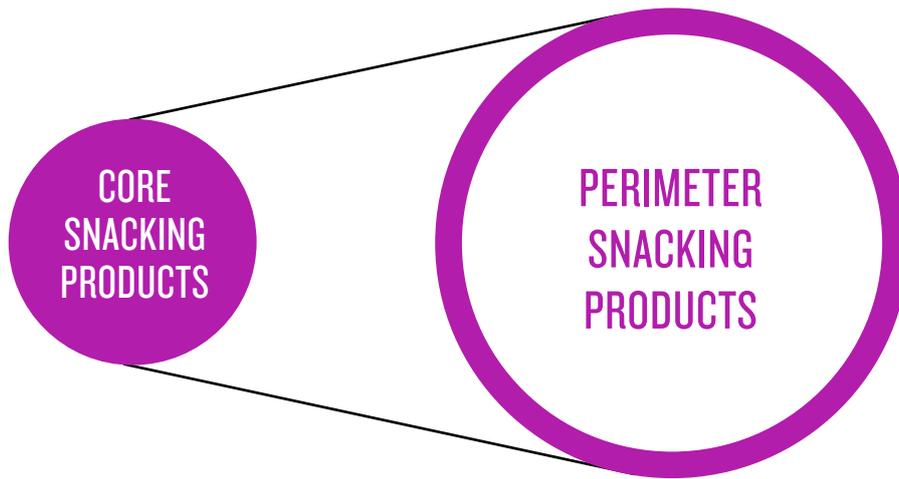
However you see it, for most people snacking is a daily habit. And in many cases, one that is indulged several times a day, driving a huge demand for products to satisfy this insatiable consumer need.

Traditionally, manufacturers and retailers have treated snacking as an impulsive category. Convenience stores have been the heartland for this shopper mission, being well placed and well stocked to serve the needs of consumers at various points throughout their day. For years, confectionery, crisps and soft drinks were the most popular go-to snack choices for the British consumer. But over the last five years, we've seen a dramatic shift in the world of snacking.

Now, thanks to the wider social trends towards healthier living and changing preferences towards sugar and protein consumption, shoppers have more choice than ever when it comes to their mid-day snack. Changing shopper lifestyles are also playing a part in this shift, with millennials leading this change. Time poor, more informed, and more likely to snack frequently than previous generations, millennials are shifting demand to more natural snacks with more diverse flavours and obvious health benefits. Now, snacking ranges include products such as protein balls, healthy popcorn, pea snacks and even beef jerky—some of which didn't even exist on the U.K. supermarket shelves two years ago.

To understand the scale and opportunities within snacking, we need to redefine the category. We need to think beyond the traditional core that delivers the bulk of demand today and look at the secondary options to understand what feeds into the core segment of snacking and what sits on the perimeter.

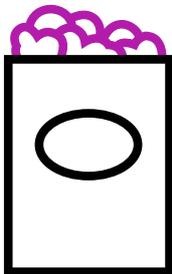
This will help to better understand where your competition comes from, where your growth opportunities are, and what role your brands play today and in the future.



## CORE VS PERIMETER

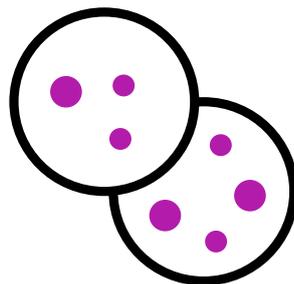
The snacking category is currently worth over £18 billion today, and growing at 0.3% in value. It's an enormous category and an integral part of the store that drives basket spend through impulsive purchases.

The core is built up of categories traditionally associated with snacking:



### SAVOURY SNACKS

(CRISPS, CRISP SNACKS, POPCORN, NUTS, BREADED SNACKS, SAVOURY BISCUITS)

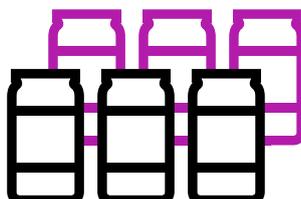


### SWEET SNACKS

(CONFECTIONERY, SWEET BISCUITS)



### SNACK BARS



### SOFT DRINKS

(WATER, COLA, ENERGY DRINKS, SQUASH)

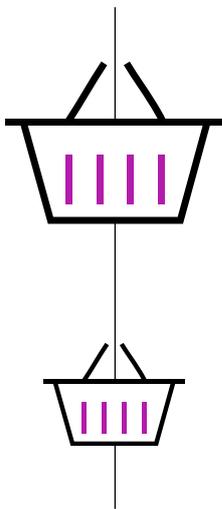
Today, one in four baskets contain a soft drink product, and one in five contain confectionery - a strong message to retailers that despite all of the news surrounding sugar and a growing focus on healthier lifestyles, shoppers still want sweet snacking products.

Energy drinks and water were both in growth last year and this dichotomy of health (water) versus an artificial sugar boost (energy drinks) illustrates how consumer demand is pulling this category forward.

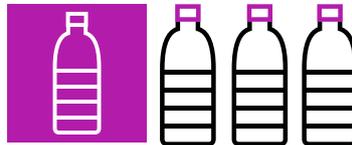
It's these core products that are also driving the strongest uplifts when featured on promotional gondola ends in store - the key signpost locations in store that encourage shoppers to be impulsive and head down the category aisle.

## SHOPPERS STILL SEEK SNACKING

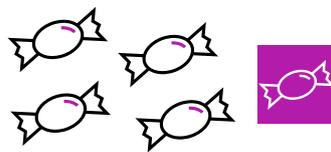
**Core snacking in  
1 in 2 FMCG  
baskets**



**Soft drinks and  
confectionery  
drive highest  
conversion**

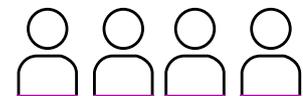
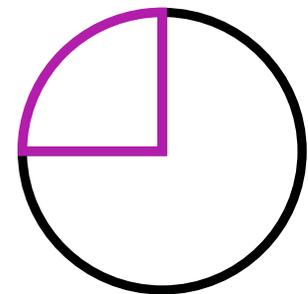


**1 in 4**



**1 in 5**

**Core snacking  
shoppers shop  
2.5 times a week**



**SOFT DRINKS, CRISPS AND CONFECTIONERY ARE THE THREE HIGHEST PERFORMING SNACKING CATEGORIES WHEN PROMOTED IN SECONDARY LOCATIONS; WITH CRISPS AND CONFECTIONERY DELIVERING MORE THAN DOUBLE THE VALUE UPLIFT OF POPCORN.**

For retailers, it's important to consider the different roles that these core categories play in delivering incremental spend. At the same time, retailers need to find strategic ranging options for healthier snacking products within the core, balanced alongside those that make up the perimeter which tend to flex most with consumer trends.

## **SO WHAT ABOUT THE PRODUCTS THAT SIT ON THE PERIMETER OF SNACKING?**

These are products that seek to fulfil the next snacking occasion and tempt shoppers outside of the core – and more often than not, these are products whose primary function sits entirely outside of snacking. For example, every food and drink category in the store now offers a “snacking” option: cereals transformed into on-the-go bars, spreads transformed into snack packs, single serve ice-creams in the freezer aisle, yoghurts in the chiller, and snack-sized portions of packaged fruit and vegetables in the produce area of the store. All of these items currently sit in the defined snacking perimeter, and the options are vast.

This rise in the perimeter is being fuelled by three things: big brands, niche brands and private label.

Big brands not traditionally associated with snacking products are expanding their scope to get in on the game and we're also seeing a flurry of niche brands coming into the store, while private label products are on the rise in this traditionally brand heavy category. Let's take protein balls as an example, we see big brand offerings from the likes of Graze, niche brands such as Deliciously Ella, and private label offerings from most of the major grocery retailers. Snacking innovation has increased as shoppers needs have diversified opening the door for the more nimble brands, niche players and private label to push through into the periphery and challenge the core.

# OUTLIER OR INSIDER?

So, is the perimeter of snacking a good place to be?

Simply put, yes. This is where the innovation sits and it's also where the evolution of the category will come from. The perimeter will ultimately shape the future core of the snacking category, and that's why it's important to know what role your brand will play in shaping this evolution.

If your products sit in the perimeter, you have the opportunity to move into the core by becoming synonymous with the snacking mission, either in scale or by being lifted in by a strong consumer trend.

A great example of this is cereal bars. This is a category that would have been well entrenched in the perimeter of snacking five years ago. A push of manufacturer innovation into the breakfast occasion, coupled with the rise of the consumer trend for "energy" snacks fulfilled by oats and nuts, has opened the door and cereal bars moved firmly into the core. We see this same path for protein products, with the next products to move through into the core being natural and free from.

To make the move, brands must continuously look outside of the store to the wider food and drinks market to spot trends early, and promote continuous development of more experiential, convenient and innovative propositions.

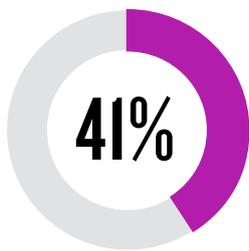
This means that if your products sit at the core, your competition is not only coming from the adjacent core categories, but also from the categories in the perimeter.

# KICKING THE SUGAR HABIT: NEW AGE HEALTH

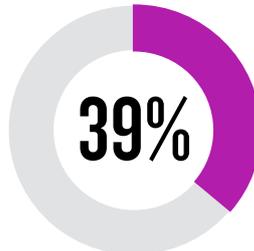
Attitudes to health vary across the globe and within individual households. Over the last year, much of the focus has centred on sugar consumption and the wider drive towards health and wellbeing. 45% of U.K. shoppers make a real point of buying healthy options when doing their grocery shop, and 39% of U.K. shoppers are looking for snacks that contain less sugar. As a result, both manufacturers and retailers are keen to provide healthier snacking choices alongside the traditional core snacking products to demonstrate positive social responsibility and to drive basket spend.

## SHOPPERS SEEK HEALTHY SNACKS

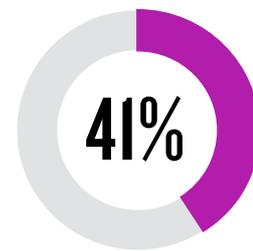
HEALTH TRENDS ARE EVIDENT IN SNACKING WITH SUGAR,  
FAT AND PORTION SIZES AMONG TOP CONCERNS



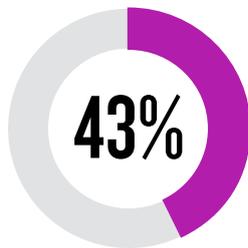
SEEK OUT SNACKS WITH  
**LESS SUGAR**



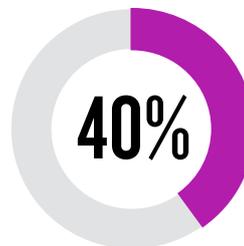
SEEK OUT SNACKS THAT ARE  
**LOW IN FAT**



SEEK OUT SNACKS THAT PROVIDE  
**ENERGY/REFUEL**



CONSIDER  
**PORTION SIZE OF SNACKS**



EXPECT TO **PAY A PREMIUM**  
FOR HEALTHY/FUNCTIONAL SNACKS

Source: Nielsen healthy snacking hot topic 2017-Q. Which of the following statements do you agree with when it comes to how you snack between meals?

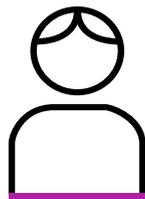
The sugar tax, which was implemented in April 2018 has been a driving force behind this, and one that is particularly supported by millennials. There is a strong trend which sees the younger generation more in favour of the sugar tax proposition, with 44% believing that having the tax in place will help to tackle the obesity problem in the U.K., and while the majority agree with the sugar tax, some feel that it doesn't go far enough.

In the case of soft drinks, our research shows that millennials claim to be more likely to change their purchasing behaviour as a result of the introduction of the tax, and reduce the amount of sugary drinks they consume (29%) compared to just 16% of over 55 year olds.

## WHILE THE MAJORITY AGREE WITH THE SUGAR TAX, SOME DON'T FEEL IT GOES FAR ENOUGH

### ATTITUDES | SUGAR TAX

**54%**  
OF THE UK AGREE WITH  
THE SUGAR TAX



**YES, I AGREE** WITH SUGAR TAX THAT IT WILL HELP TO **FIGHT OBESITY** (DRIVEN BY 18-34 YRS - 44%)

**36%**

**YES, I AGREE** BUT I THINK IT **SHOULD GO FURTHER** THAN JUST SUGARY DRINKS

**18%**

**NO, I DON'T BELIEVE** IT WILL **PREVENT OBESITY**

**46%**

Source: Nielsen Sugar Tax Quick survey 2017.

Ref. Q4. Which of the following best describes your attitude to the sugar tax? Base: n=539

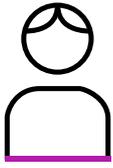
So what levers can brands pull in order to adapt and maintain position in the core or challenge from the perimeter when it comes to health trends?

## 1 CHANGE THE RECIPE

No-added-sugar variants are flooding the market, following in the footsteps of the low-salt and low-fat products. The challenge is maintaining the nurtured taste and flavour of the product without compromising the quality in the eyes of the consumer.

Providing an alternative recipe which is not too artificial is important as research shows that consumers are not only conscious of the health attributes of their snacks, but are also seeking natural and minimally processed foods. In our global snacking survey we found that over a quarter of shoppers were looking for snacks with natural flavours and colourings. This trend is only set to grow, so creating a recipe based around natural components will set the product on the right track into the core.

# 'SHRINKFLATION' IS MORE ACCEPTED BY YOUNGER SHOPPERS



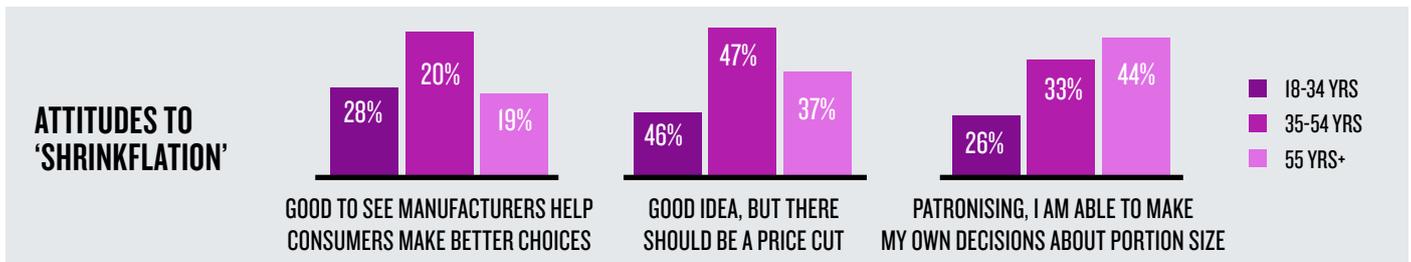
**YOUNGER AGE GROUPS** ARE LIKELY TO AGREE WITH MANUFACTURERS USING 'SHRINKFLATION' AS A WAY TO HELP CONSUMERS MAKE THE RIGHT DECISIONS

(18-34YRS 28% VS. 55YRS+ 19%)



**OLDER AGE GROUPS** ARE LIKELY TO FEEL IT'S PATRONISING,

(55 YRS+ 44% VS. 18-34 YRS 26%)



Source: Nielsen Sugar Tax Quick survey 2017.

Q7. Some product manufacturers have reduced certain pack sizes to ensure they stay below a certain number of calories. For example, single portion serving sizes being reduced to 100ml instead of 150ml to keep the product calories to below a certain amount. How do you feel about such changes?

Base: 18-34yrs n=161, 35-54yrs n=189, 55yrs+ n=182

## 2

### REDUCE PRODUCT SIZE OR PORTION

This is an option for many manufacturers to help manage sugar content in products. The Nielsen Sugar Tax survey shows that the U.K. is largely accepting (65%) of this practise, particularly younger shoppers (74%). However, it is imperative not to fall into the "shrinkflation hole", as two thirds of these willing shoppers are averse to paying a premium for a smaller pack. Therefore, managing the right portion size for the occasion, and balancing the price with clarity to ensure you are meeting perceived value is critical for success.

## 3

### EMBRACE THE OCCASION

Despite the noise around health, shoppers still spend in their droves on sugary, salty, fatty treats to consume on their own and share with others, and they consciously balance this within a healthy diet. By embracing the occasion, brands can deliver a proposition that ensures treat and functional snacking products that serve multiple needs and will help protect the core snacking categories of today into the future.

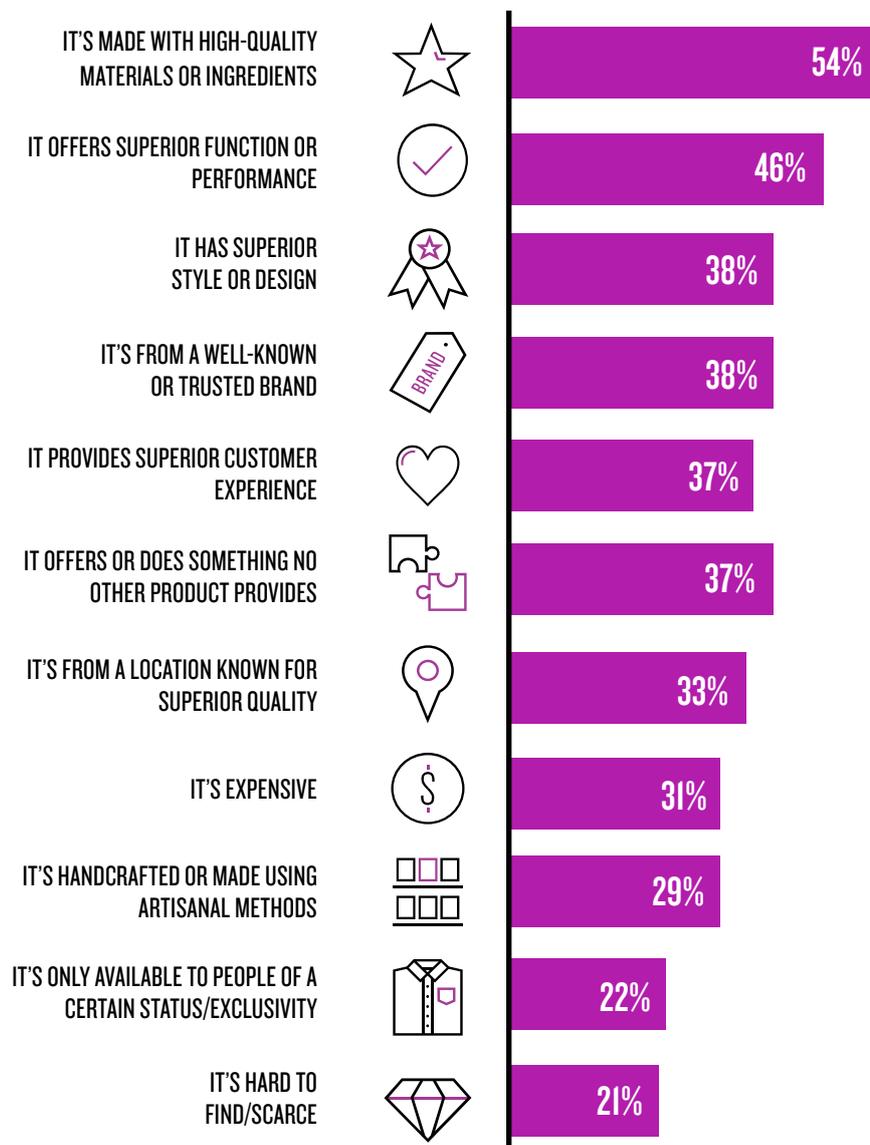
Occasions such as a night in with friends and family, or a celebration, a treat after a hard day at work, or even the boost needed after a workout at the gym - these are all unique opportunities for snacking products to fulfil. The challenge is to optimise your product for these occasions through advertising, packaging and targeted formats such as individual snack packs or sharing bags that support the specific occasion.

# TRADING UP: MAKE MINE PREMIUM

There are lots of different ways that shoppers identify a product to be premium, including cost, packaging and even the brand name. But, the key to driving a premium perception is the use of high-quality ingredients. 54% of shoppers agree that a product made with high quality materials or ingredients is a key determinant of premiumisation, over superior function or performance (46%), style or design (38%), and finally price (31%).

## PREMIUM PERCEPTIONS ARE ABOUT MORE THAN PRICE

### PERCENTAGE WHO SAY ATTRIBUTE IS WHAT MAKES A PRODUCT “PREMIUM”



Source: The Nielsen Global Premiumization Survey, Q1 2016



The core has seen a wealth of premium products introduced in a bid to drive value and excitement back into the category.

Private label in particular has used innovation to establish their position in the brand-heavy snacking core. Whether in chocolate, biscuits or crisps, we have seen a strong footprint of premium private label snacks at fixtures. Aiming for the premium end of the category enables them to close the quality gap perception traditionally linked to private label.

Big brands set the benchmark and tone for the category but the challenge is carving out a clear role in a category where private label is sitting (and growing) in the premium end of the category, to effectively manage the perception of value in the eyes of the shopper.

This makes the role of innovation critical to maintaining share - and it means moving beyond a flavour extension or a pack format change. For smaller, more nimble brands there is an opportunity to follow in the footsteps of private label to the premium end of the category, pushing into the top of the category and together moulding a new tier.

# THE TASTEMAKERS: CHANGING SHOPPER LIFESTYLES

Changes in taste and lifestyle are heavily influencing how we shop for and consume food and drink today. Ultimately, our tastes as a nation are diversifying thanks in part to easy access to global travel and the expansion of our networks and spheres, particularly through social and digital media.

This is especially true of the younger generations as they seek new, differentiated and experiential meals and snacks with broader flavours, textures and ingredients. They are also more likely to seek products sourced sustainably and organically, and are more conscious about packaging and waste. All of this also impacts the choices they make when it comes to snacking, particularly the more considered and planned choices.

Arguably, our changing lifestyles play an even bigger role. When, where and how we shop for snacks is impacting the shopper path to purchase in the following ways:

**Time poor shoppers** means snack choices are often decided based on convenient formats and packaging. Having the right format and packaging that makes consumption easy while avoiding excess waste will resonate with shoppers and move the decision away from just price.

**The rise of online shopping** means shoppers are more able to buy snacks in bulk, and plan their snack consumption in advance. This opens up the opportunity for shoppers to buy directly from the manufacturer, cutting out the middleman and the physical store. Offering a consistent brand experience across all channels will drive brand penetration.

**The millennial snacker** is more likely to consume with family and friends, and operate in a more social and experiential environment. Brands and products that communicate with these shoppers with an element of personalisation or theatrical promotions will attract them and drive spend.

**Shoppers are more informed than ever** about the products they buy and the manufacturers who make them. Being clear and consistent with brand communication and talking to shoppers across digital and traditional platforms will win a space in their basket.

Our lifestyles today mean that all of the digital touchpoints along our shopper journey make it harder for brands to cut through. The traditional snacking path to purchase has changed - where once it was about getting the shopper into the store and in front of the shelf - more and more of the decision making today is taking place outside of the store, before the shopper even reaches the shelf.

As the snacking category grows in scale, dissecting it into the core and perimeter will enable us to evaluate the role of the categories which collectively make up snacking as a whole. As we have explored, the core is made up of the traditional categories associated with snacking; giants in the context of the store. However, the perimeter is made up of challenger categories, who all want to benefit from the scale and basket driving forces of the core. Being able to make this transition involves understanding what consumer trends are at play, and which ones will enable your products to reach scale in the core.

The challenge for brands is in being able to reach their shopper and disrupt their path to purchase to drive conversion. This all comes back to understanding the shopper; **how well do you know your snacking shopper?**

Want to find out whether your products are set to disrupt the perimeter or challenge the core? Get in touch with Joanna Parman, Sales Effectiveness Business Partner at [joanna.parman@nielsen.com](mailto:joanna.parman@nielsen.com)

## ABOUT NIELSEN

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