State of Global Snacking: New Growth Frontiers

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Euromonitor International

15 OFFICE LOCATIONS
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100 COUNTRIES
in-depth analysis on consumer goods and service industries

210 COUNTRIES AND TERRITORIES
demographic, macro- and socio-economic data on consumers and economies
OVERVIEW

“Snackification” Trends
Health Trends Shape the Market
Snacking as Experience
Channel Shifts
“Snackification” Trends
Confectionery
Sweet biscuits
Snack bars
Ice cream
Fruit snacks
Savory snacks
Snacks
- Sweet biscuits
- Confectionery
- Fruit snacks
- Ice cream
- Snack bars
- Savory snacks

Staples
- Baby food
- Baked goods
- Breakfast cereals
- Dairy
- Dessert mixes
- Edible oils
- Rice, pasta and noodles
- Processed fruit and vegetables
- Processed meat and seafood
- Ready meals
- Sauces, dressings and condiments
- Soup
- Spreads
$15.6 billion
Represented by 0.7% of global packaged food in 2018

$191 billion
Absolute growth in snacks between 2008-18

56%
Snacks growth between 2008-18

Global Packaged Food: Snacks versus Staples, 2008-18

Source: Euromonitor International
Younger consumers have driven this “snackification” of food

How many times per week do you typically buy a snack outside the home?

Source: Euromonitor International Lifestyles Survey, 2016 n:28,305
Occasions matter: Snacks take the place of traditional “sit down” meals

On a typical day, at what time do you eat a snack?

Source: Euromonitor International Lifestyles Survey, 2011 n:15,933; 2017 n:28,466
Younger consumers are particularly fond of snacking as meal replacement

On a typical day, at what time do you eat a snack?

<table>
<thead>
<tr>
<th>Time</th>
<th>Generation Z</th>
<th>Millennials</th>
<th>Generation X</th>
<th>Baby Boomers</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-10am</td>
<td>18.6%</td>
<td>17.5%</td>
<td>14.4%</td>
<td>11.2%</td>
</tr>
<tr>
<td>12-2pm</td>
<td>14.4%</td>
<td>11.1%</td>
<td>12.9%</td>
<td>6.9%</td>
</tr>
<tr>
<td>5-8pm</td>
<td>16.5%</td>
<td>13.5%</td>
<td>10.1%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
The battle for breakfast

Global Breakfast Categories, 2013-18

- Breakfast Cereals
- Snack Bars
- Yogurt
- Sweet Biscuits

CAGR, 2013-18:
- Breakfast Cereals: 2%
- Snack Bars: 6%
- Yogurt: 7%
- Sweet Biscuits: 5%

Disruptive Brands: Global Sales, 2012-18

- Belvita
- KIND

Sales (USD million, 2012-2018):
- 2012: $0
- 2013: $100
- 2014: $200
- 2015: $300
- 2016: $400
- 2017: $500
- 2018: $600

Source: Euromonitor International
Manufacturers target mornings with breakfast innovations

1. South Korea: Yohai Greek Yogurt Biscuits
2. Brazil: Dan’ Up & Nesfit
3. Saudi Arabia: Deemah Kleija
4. Philippines: Quaker Good Start
5. USA: Jack Links AM
Portability is critical for snack innovation

What are reasons you eat pre-prepared meals (versus cooking)?

- More convenient than cooking
- I do not have time to cook
- I would rather spend my time doing other things
- Ready meals are affordable
- I do not cook very well
- I do not like to cook
- Ready meals are tastier than the food I cook myself

Source: Euromonitor International Lifestyles Survey, 2017 n:25,362
Shrinking pack sizes speak to the growing importance of portability

Global Savory Snacks Packaging: Unit Sales by Pack Size

Source: Euromonitor International
Satiety: Protein and fiber are vital

Growth in Nutrient Consumption across Global Snack Categories

- Calories
- Protein
- Fiber
- Carbohydrates
- Fat
- Saturated Fat
- Salt
- Sugar

Source: Euromonitor International

Change in consumption, 2011-16

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Are staples staging a comeback?

Growth in Global Packaged Food: Snacks versus Staples

Source: Euromonitor International

© Euromonitor International
“Snackification” is alive and well in developed markets

Growth in Snacks and Staples, 2016-18p

Source: Euromonitor International
Traditional staples are still lagging; a few standout categories are driving growth

Staples: Category Share and Growth, 2016-18

Source: Euromonitor International
Cheese
Breakfast cereal
Spreads
Dips
Processed fruit
Soup

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Packaging innovation creates a new segment

- P3
- Kraft Trios
- Sargento Balanced Breaks
- Hillshire Snacking Plates
- Babybel Cheese & Crackers
- Oscar Mayer Natural

US Chilled Lunch Kits, 2013-2018

Sales (USD million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1,500</td>
</tr>
<tr>
<td>2014</td>
<td>$2,000</td>
</tr>
<tr>
<td>2015</td>
<td>$2,500</td>
</tr>
<tr>
<td>2016</td>
<td>$3,000</td>
</tr>
<tr>
<td>2017</td>
<td>$3,500</td>
</tr>
<tr>
<td>2018</td>
<td>$4,000</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
Health Trends Shape the Market
Sugar becomes enemy number one

Growth in Nutrient Consumption across Global Snack Categories

- Calories
- Protein
- Fiber
- Carbohydrates
- Fat
- Saturated Fat
- Salt
- Sugar

Change in consumption, 2011-16

Source: Euromonitor International
Leading to strong growth in savory

Source: Euromonitor International
Savory snacks get healthy around the globe

Source: Euromonitor International

© Euromonitor International
Locally-sourced

Superfoods / Ancient grains

Colombia
Philippines
Nigeria
Costa Rica

Thailand
Germany
Hungary
Mexico
Clean label becomes a global priority

What factors do you look for on food labels?

- Is all-natural
- Has no artificial sweeteners
- Has no added sugar
- Has no trans fats
- Does not contain GMOs
- Has no artificial ingredients
- Has no added fat
- Contains added vitamins
- Is low calorie

Source: Euromonitor International

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Organic and free-from lead the way

**Organic and Free-From Snacks, 2013-18**

<table>
<thead>
<tr>
<th>Year</th>
<th>&quot;Free-From&quot; Snacks*</th>
<th>Organic Snacks**</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>$1,000</td>
<td>$2,500</td>
</tr>
<tr>
<td>2014</td>
<td>$1,750</td>
<td>$2,750</td>
</tr>
<tr>
<td>2015</td>
<td>$2,000</td>
<td>$2,950</td>
</tr>
<tr>
<td>2016</td>
<td>$2,400</td>
<td>$3,250</td>
</tr>
<tr>
<td>2017</td>
<td>$2,800</td>
<td>$3,550</td>
</tr>
<tr>
<td>2018</td>
<td>$3,200</td>
<td>$3,850</td>
</tr>
</tbody>
</table>

*Organic snack categories include Savory Snacks, Confectionery, Yogurt, Nuts/Seeds, Ice Cream, Sweet Biscuits, Cereal Bars and Fruit Snacks

**Free-From snack categories include Yogurt (Dairy), Ice Cream (Dairy), Sweet Biscuits (Gluten), Cakes (Gluten)

Source: Euromonitor International
Innovation in fortified snacks goes beyond protein and probiotics.
Snacking as Experience
The rise of the “green” shopper

- Alternative ethics
- Plastic-free
- Religious label reinvented
- Plant-based consumption
- Clean label reformulation
Concerns drive ethical labels

64.7% of global consumers try to have a positive impact on the environment through everyday actions

Global Snacks: Ethical Labels by Type, 2016

Source: Euromonitor International
Snack innovations cater to demand for ethical labels

Conservation: Costa Rica
Conservation / Fair Trade: USA
Fair Trade: Sweden
Sustainable Proteins: Finland
Sustainable Proteins: Switzerland
Food Waste: Latvia
Food Waste: Taiwan
Food Waste: USA
Texture / Mouthfeel: Choco-bakery

- Milka Bis - Mondelez (Argentina)
- Cookie Layer Crunch – Hershey (USA)
- Petit Beurre Lait – Cailler/Kambly (Switzerland)
- Chokis Mix – Gamesa (Dominican Republic)

Texture / Mouthfeel: Savory snacks

- Cheez It Duoz - USA
- Tasu Mango Chips - Guatemala
- LaFabrique Browkie - France
- Babol Filifolly Gum - Indonesia
Channel Shifts
Are unplanned purchases under siege?

1. **I often make impulse purchases**
   - 2013: 28%
   - 2014: 27%
   - 2015: 26%
   - 2016: 25%
   - 2017: 24%

2. **I regularly buy myself small treats because I deserve them**
   - 2013: 32%
   - 2014: 31%
   - 2015: 30%
   - 2016: 29%
   - 2017: 28%

3. **I like to browse in stores even if I don’t need to buy anything**
   - 2013: 44%
   - 2014: 42%
   - 2015: 40%
   - 2016: 38%
   - 2017: 36%

The challenge of e-commerce

Delivery + Click and Collect = Fewer store trips
Third-party delivery

Pureplay online retail

Click & collect
The challenge of e-commerce

Changes at the front-end + Focus on the store perimeter = Fewer impulse moments
Changing the shopper journey

Zone 1
Changing the shopper journey
Foodservice and prepared food

Fresh food

In-store meal kits

Image: NACS
Threats to unplanned in-store purchases

Market Shifts

Challenges/Threats

Strategies/Approaches

Focus Areas

Omnichannel

E-Commerce
Declining trip frequency

Online Focus
Position brands to win in e-commerce

In-Store Focus
Reconsider store-based investments

In-Store
Impulse zones are losing traction

New merchandising

New models

New logistics

Prioritize the right channels

Improve trip efficiency

Snacks as destination retail

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Conclusion
“Snackification” is changing how consumers eat

Young consumers snack in place of meals; portability and satiety are crucial

Staple foods innovate with format and packaging in order to compete

Better-for-you trends shape the market

Sugar as public enemy number one; clean label drives health trends

Superfoods / ancient grains, local ingredients and new types of product fortification

New paradigms are shifting consumer demand

The rise of ethical consumerism

Experiential snacking – texture, mouthfeel, combinations

Dramatic shifts in retail; new challenges for impulse
Thank You

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