

RIGHT BACK AT IT

A resurgence of innovation with consumers in mind provides the path to growth for snacks.



◆ *by Beth Day*

Consumers still love their salty snacks and seek indulgences to satisfy cravings. With economic uncertainty continuing, price and value are strong considerations, along with snacks that deliver on bold flavors, health claims and new eating occasions.

Prices remain high but they're not rising any-

where near the double-digit increases from mid-year 2022 to 2023. Inflation waned during 2023, but consumers were looking for ways to manage their budgets, a trend expected to remain in 2024. These factors have led to unit and volume softness across most snacking categories, as with most food and beverage sectors. In addition, producers must consider other significant shifts in snacking and product purchases.

"Taking into account the macro impact for the category over the past couple of years, we see that consumers have shifted gears on what, where and how they buy their snacks, and it is impacting unit and volume sales," said Sally Lyons Wyatt, executive vice president and practice leader, client insights, at Circana. "They are pulling different levers with snack choices with some buying less product, while others are downsizing to buy smaller sizes or turning to multi-packs to stretch pantry items. Some consumers are not returning to categories as often, and still others have changed where they shop."

The overall salty snacks category posted 6.9% growth with more than \$31.1 billion in dollar sales, according to data from Circana for the 52 weeks ending Jan. 28. In the broader snack aisle, which includes cookies and crackers, sales were \$51.7 billion, up 4.6%.

Shifts are occurring within separate snack categories. Unit sales dropped for most, but some are impacted more than others with price being a deterrent. For example, fruit snacks and some nutrition bars have declined in units due to large price increases. Conversely, some bars increased in both dollars and units because of expanded consumer mobility during 2023 and the likelihood these products meet a specific need for consumer groups.

Lyons Wyatt explained that the impact on sales is different for each category and based not only on price but also innovation, availability and the loyalty factor. For tortilla chips, some consumers are unwilling to do without their favorite brand and will pay the higher price. The Circana data for the 52 weeks ending Jan. 28 shows price increases for tortilla chips, yet the category still thrives as unit sales rose.

Other Salted Snacks delivers on alternative bases and healthier options that move the needle for better-for-you (BFY) salty snacks, posting 3.3% growth with more than \$6.6 billion in sales. Corn Snacks showed explosive growth with a 19.5% increase

Price and value are driving snack sales as consumers feel the pinch at the register, but innovation can create opportunities for growth.

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in dollar sales and a 10.5% increase in units. Pretzels grew 8.7% in dollar sales; kernel popcorn has seen both dollar and unit growth as well.

“Innovation with corn snacks resulted in unit and dollar increases, as well as for pretzels,” Lyons Wyatt said. “There were also volume increases with kernel popcorn, likely due to its affordability and ease of customization at home. There may have been some social media influencers demonstrating the addition of tasty and interesting toppings and seasonings to fresh popped popcorn. A do-it-yourself trend is also at play here.”



Top: Spicy flavors remain a draw for snackers, especially in the tortilla chip category.

Bottom: Campbell's Snacks expanded its Goldfish brand into a new category with its multi-texture potato-based Goldfish Crisps.

Campbell's Snacks

BACK TO INNOVATING

Over the past few years, challenges with inflation and supply chain hindered innovation with producers sticking with core products, but things are changing. A resurgence of snack innovation is expected at some level this year.

“When you think about the lack of innovation in recent

years and slight declines in snacking volumes, it speaks to the holding power of snacks,” Lyons Wyatt said. “Adding back innovation that drives excitement will allow producers to address all recent consumer shifts, and there will be a growth momentum.”

Worth noting is that potato chips led the salty snack category with \$8.6 billion in sales, but tortilla chip sales increased by 9.5% and saw unit increases as well.

“Salty snacks have bucked the trends with continued growth driven by tortilla chips,” Lyons Wyatt said. “The taste, texture and versatility of tortilla chips appeal, and they are a favorite of the younger generations due to tremendous innovation with products.”

Exciting innovation is driving growth for Frito-Lay's Doritos brand, which earned almost \$2.7 billion in sales with 11.8% dollar growth and 3.3% unit increases, according to Circana. Doritos' new line extension, Doritos Dinamita, featuring rolled chips, debuted at Super Bowl LVIII. Flavors include Chile

Limón, Flamin' Hot Queso, Smoky Chile Queso, Fiery Lime and Hot Honey Mustard.

Overall, snack producers are hot on the spicy snack trail.

“Spicy continues to be a growing flavor profile along with different formats or carriers like rolled tortilla chips,” said Brian Smenos, vice president of marketing, Snak King, City of Industry, Calif. “While we see growth in all major categories, we are also seeing significant growth in subsegments like rolled tortilla chips.”

Unique Snacks, Reading, Pa., has been working to create other new and innovative products to disrupt the snack space. The company's Puffzels are a crunchy, seasoned, extruded corn snack looking to bring new flavors to the category.

“To leverage this momentum, producers must get innovation back on track because it has been the backbone of snacks.”

Sally Lyons Wyatt, Circana

“We are hoping for great distribution expansion within retailers in 2024,” said Justin Spannuth, vice president and chief operating officer at Unique Snacks and current SNAC International chairman. “We are also seeing nice growth in our regular pretzel items as we continue to bring brand awareness to consumers. Due to our size, we are able to keep pushing ahead to gain new distribution and customers through either new products or product awareness via marketing.”

Balancing familiarity with new, exciting products appeals to consumers. Mintel's 2024 Salty Snacks report found that 37% of salty snack consumers overall, and 44% of millennials, enjoy trying new types of salty snacks. For example, Camden, NJ-based Campbell's Snacks' Goldfish brand recently introduced its first product innovation made from potatoes, Goldfish Crisps. Combining the familiar Goldfish shape with the attributes of a chip, the crisps are larger and available in Sour Cream & Onion, Cheddar, and Salt & Vinegar.

“Trends we are seeing include higher expectations on multi-sensorial experiences, meaning going beyond just taste, smell and appearance,” said Chris Foley, executive vice president, Campbell's

SALES AND INNOVATION DRIVEN BY FLAVORS

Taste reigns supreme over all attributes across generations with almost three-quarters of consumers refusing to sacrifice taste when choosing snacks, according to the Snack Index. Baby boomers were most unwilling to compromise on taste, followed by Gen Xers.

“Flavor is the top priority of consumers when it comes to salty snacks, with 67% using snacks to fulfill a craving,” said Brian Smenos, vice president of marketing, Snak King. “Flavor trumps interest in BFY, and the flavor experience should be prioritized in messaging or new item development.”

Interest in spicy foods grew during the first half of 2023, according to Datassential. Spicy Nashville hot, spicy margarita and mango habanero flavors saw triple-digit increases during that time. Extremely bold and spicy flavor profiles spell success for salty snacks, especially among young consumers driven by social media and interest in unique experiences and combinations.

“We continue to see broad consumer appeal for unique and bold flavors in snacking,” said Chris Foley, executive vice president, Campbell’s Snacks division. “Within Campbell’s portfolio, you’ll see this come to life broadly.”

The company’s Late July brand launched its Hawaiian Habanero and Scorchin’ Sauce tortilla chips.

Flavors inspired by international cuisines resonate for snacks as well. Poppy Handcrafted Popcorn LLC launched three new internationally inspired flavors: Caribbean Jerk, Mediterranean Herb and Mexican Street Corn to celebrate its 10th anniversary this year.

“Spicy, bold flavor profiles have been growing, and adding another dimension like ‘crunch’ can grab consumer attention,” Smenos added. “Continued innovation will guide product innovation for 2024.”

Snacks division. “We’re also looking at the way our food feels and sounds. When you try our new Goldfish Crisps, you’ll see multi-sensorial in action. Here we crafted a balance of texture, taste, feel and sound.”

The Hershey Co., Hershey, Pa., is innovating within its brands to better respond to consumers and retail partners considering new flavor trends and textures. Recent innovations include Pirate’s Booty Crunch Attack! featuring puffs with a crunchier texture, Dot’s Homestyle Pretzels’ Cinnamon Sugar limited-time offer (LTO) flavor that became a standard offering and SkinnyPop’s new Cheddar Jalapeño flavor. During the year, Hershey plans to launch more LTO SkinnyPop flavors and new pack types to meet evolving consumer needs.

SNACKING ON THE GO

Consumers are now turning to snacks as a convenient meal or ingredient to a meal, and it is becoming a driver for the category, according to the 2024 US Snack Index by Frito-Lay North America and The Quaker Oats Co., both subsidiaries of PepsiCo Inc. The Index found that consumers are more pressed for time than ever, which is felt most by younger generations.

The Index also reports that the average American spends only 52 minutes per day preparing and eating meals, while one-third say they have less than 30 minutes a day. As a result, consumers are integrating favorite snacks into meals, up 35% over previous years. Once a week, more than half of consumers use snacks as a key ingredient in no-prep dinners, and more than one-third use snacks multiple times a week. Both sweet and savory snacks deliver on the need to satisfy cravings and provide comfort.

Millennials and Generation Z consider themselves savvy snackers, and 55% report their favorite snack combinations are inspired by what they have in the pantry, while 32% also turn to social media for additional ideas, according to the Snack Index. They are creative with food, and 65% admit to creating unusual snack combinations.

“Snacks are fun and create exciting experiences, and social media influencers also boost that excitement. Those who value that kind of snacking experience will buy products with a fun factor,” Lyons Wyatt said.



Dot’s Homestyle Pretzels’ Cinnamon Sugar LTO became a standard flavor after success with consumers.
The Hershey Co.

“What we expect to see is the growing trend of meeting shoppers where they are, specifically shoppers looking to get the most value for their dollar.” Chris Foley, Campbell’s Snacks

Convenience is a driver for what we see in snacking, both in general and specific categories. Breakfast still lends itself to convenient on-the-go meals, and snacks play right into this need.

“With the uptick of on-the-go consumers, convenient single-serve snacks are key to drive sales and entry price points, which impact affordability,” Lyons Wyatt noted. “Affordability is a high priority for consumers, and they will gravitate to those snacks that provide the most value for them.”

Alternative grains and nutritional ingredients can grab the attention of adventurous, health-conscious consumers.
Tia Lupita Foods

OPPORTUNITIES FOR BFY

Indulgence now prevails over BFY because consumers tend to seek comfort in snacks and treats

during difficult times. While indulgent snacks have seen powerful growth for the past several years, many shoppers are still interested in BFY snacks in some capacity with 39% of salty snack consumers reporting to Mintel they would purchase more products if there were healthier versions.

“The alternative salty snacks category, which includes a range of options such as veggie puffs, remains the category most associated with health,” said Kelsey Olsen, food and drink analyst, Mintel. “This category covers a range of options and, thus, has the freedom to take health and BFY in different directions.”

Innovation with more protein, high-fiber grains and other energy-boosting ingredients can hit all the marks for nutrition. For example, NY-based Sweet Loren’s launched a line of gluten-free Breakfast Biscuits as its first shelf-stable, BFY offering. Available in Blueberry, Cinnamon Sugar and Chocolate flavors, they offer 19 grams of whole grains and 4 grams of protein per serving.

Pumping up the protein and adding energy-boosting ingredients in 2024 will win with Americans. Fifty-five percent of consumers point to protein as the most important health claim, according to the Snack Index, while others eat snacks to boost energy. More than seven in 10 parents and millennials say they seek snacks to supply energy.

“I believe companies innovating protein-packed snacks that are both delicious and satisfying will hold a winning hand in the future,” said Dan Morgan, president and chief executive officer, G&S Foods, a private label producer based in Abbottstown, Pa. “I’ve observed a significant surge in demand for high-protein snacks within the weight loss-medication user group. This presents a major opportunity for the snack industry.”

Leveraging the appeal of added protein and the love of salty snacks, Nashville, Tenn.-based Wilde Protein Chips brought the two together, creating a thin, crispy potato chip with 10 grams of added protein per serving, which comes from chicken breast, egg whites and bone broth. The chips are available in bold flavors, including Nashville Hot, Barbeque and Spicy Queso.

Pork rinds also deliver more protein for consumers and align with popular diets, including keto.



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Chris Foley, Campbell's Snacks

“I think the pork rind category will continue to do well because it fulfills a vital part of consumers' dietary routine,” said Mark Singleton, vice president of sales and marketing, Rudolph Foods, Dallas. “People are eating several times a day, particularly high-protein and low-carb snacks. We think the future is very bright as we develop household penetration and trial. We're going to get people to eat more pork rinds in more places.”

There has been innovation in the salty snack sector with more nutritional ingredients and alternative flours, like chickpea, almond and cauliflower. San Francisco-based Tia Lupita Foods offers a classic tortilla chip that is grain-free and contains cactus, which is high in fiber and antioxidants.

“Our tortilla chips deliver on great taste and mouthfeel with the added health benefits of grain-free flours and cactus,” said Vince Giudice, head of operations at Tia Lupita Foods. “We found that BFY attributes help with trial, as consumers are more willing to try something that might be healthier for them, but flavor keeps people coming back. That's why great flavors and BFY play well together.”

Last year, Tia Lupita participated in PepsiCo/Frito-Lay's four-month accelerator program and worked with experts there to further develop its tortilla chip brand. As a result, the company decided to rebrand all

packaging and introduce a new version of its Salsa Verde chip and a new Sea Salt Lime chip made with lime juice instead of lime oil, which is typically used.

Adding bold, fun flavors to healthier snacks broadens appeal. For example, Hippeas delivers more protein and fiber while introducing spicy new flavor profiles. Flavor Blast! Chickpea Puffs are available in Blazin' Hot and Vegan White Cheddar Explosion.



Spicy flavors are popping up in every category. The Hershey Co.



Offerings in gluten-free and other health-conscious trends continue to expand into new categories and flavors. Tate's Bake Shop added Gluten Free Lemon Cookies to its robust gluten-free line.

Tate's Bake Shop

TRUE MEANING OF VALUE

Understanding that value means different things to different consumers and responding with relevant promotions, flavors, sizes and availability is another successful strategy. For example, convenience wins due to increased mobility, and entry price points are valuable for on-the-go consumers. Some will pay more for gluten-free because they perceive it to be important, and premium snacks have done well with consumers looking for a high-quality experience at home.

“Value proposition is huge for 2024,” Lyons Wyatt said. “For overall trends, it is not a one-hit wonder with snacks. Multiple factors are impacting purchases, so producers must respond with a variety of products, sizes and channels that cater to multiple needs to continue to attract and retain consumers.”

On-the-go packs, either a multi-pack for grocery or single pack for convenience, is a growing trend.

“What we expect to see is the growing trend of meeting shoppers where they are, specifically shoppers looking to get the most value for their dollar,” Foley explained. “We work closely with our retail partners to bring this to life. It's also critical that we offer products they want at the right price point and pack size.”

TOP SNACK BRANDS

Product	Dollar Sales (\$mil)	Unit Sales (mil)	Volume Sales (mil lb)
◆ Total*	\$68,358.7	16,795.6	10,967.0
◆ Cookies	\$11,654.2	2,957.9	2,413.5
◆ Crackers	\$9,412.3	2,437.6	1,829.3
◆ Potato Chips	\$8,621.5	2,694.8	1,297.4
◆ Bars	\$7,051.5	1,394.9	867.0
◆ Tortilla/Tostada Chips	\$6,905.4	1,876.0	1,270.8
◆ Other Salted Snacks	\$6,607.8	1,132.6	778.8
◆ Snack Nuts/Seeds	\$4,944.9	963.3	795.9
◆ Cheese Snacks	\$2,867.0	827.8	368.6
◆ Dried Meat Snacks	\$2,559.2	492.4	137.6
◆ Pretzels	\$2,014.4	494.2	442.3
◆ Corn Snacks	\$1,914.3	571.3	265.2
◆ RTE Popcorn/Caramel Corn	\$1,804.5	468.7	197.9
◆ Snack Mix	\$1,599.2	329.5	258.5
◆ Pork Rinds	\$392.3	151.9	43.6
◆ Apple Chips	\$10.2	2.7	0.6

Source: Circana

Total US - Multi-outlet | 52 Weeks Ending 1-28-24 | Note: Many companies may have multiple brand listings in the Circana data.

*Includes SNAC State of the Industry report categories only

Producers are responding as anticipated volume growth value exceeds the cost of investment needed. Some supply chain hurdles will likely remain for most producers.

“While raw material sourcing shows signs of improvement, we continue to experience inflationary pressures throughout our operations,” Morgan said.

Consumers are pulling out all the stops to make ends meet in a tough economy. Mass and convenience channels are gaining household penetration in unit sales.

“Mass channels offer value, while convenience stores offer accessibility of products. Club channels also increased unit sales, and Internet outlets increased volume on overall core snacking. Specialty stores saw an uptick in unit sales as well,” Lyons Wyatt observed.

Retail still reigns as the primary channel for snack

purchases, though Lyons Wyatt also noticed there has been some movement by younger generations, Gen Z and millennials, who say they have bought snacks at quick-serve locations. Younger consumers are typically more mobile, triggering shifts in where they buy and what they consume.

“We’re seeing nice growth in c-stores,” Singleton said. “When you look at the pork rinds market in general, c-stores are one of the healthiest of channels.”

Snack growth has also been impacted by acquisition activity within the industry. For example, Hanover, Pa.-based Utz Brands Inc. announced that certain subsidiaries, including Utz Quality Foods LLC, have entered into a definitive agreement for the sale of certain assets and brands to Boonton, NJ-based Our Home, an operating company of Better-for-You brands. Our Home has acquired the



Consumers are looking for variety in texture and flavor in familiar products
Herr's

“The snack industry has had a pretty impressive year with growth in most categories,” Spannuth said. “Acquisitions have certainly created disruption on several fronts, and navigating the wake is always interesting. I’m sure there will be more of this com-

Good Health and R.W. Garcia brands, the Lincolnton, NC, and Lititz, Pa., manufacturing facilities and certain related assets, and assume the company’s Las Vegas facility’s lease and manufacturing operations.

Howard Friedman, CEO of Utz, said in a statement that the company expects these transactions to deliver on its supply chain transformation and value creation initiatives, to fast-track deleveraging timeline by a full year and to accelerate brand portfolio strategy to better optimize for growth.

ing in 2024 creating high levels of competition but also creating gaps and opportunities.”

Snacks are poised for potential growth with inflationary rates dropping, new uses for snacks and consumer needs expanding and interest in snacking continuing among all demographics. These are tailwinds for the industry.

“To leverage this momentum, producers must get innovation back on track, because it has been the backbone of snacks,” Lyons Wyatt concluded. “Within categories, if manufacturers ensure products meet the needs of consumers where they purchase, when they purchase and at the price they can afford, snacks could have a great 2024 and beyond.”

Amping up innovation that considers consumer needs and caters to what they value in their snacks is a path to growth. Leveraging social media, channels and other marketing strategies will spark excitement, promote engagement and boost unit and volume sales for the snack category. ♦