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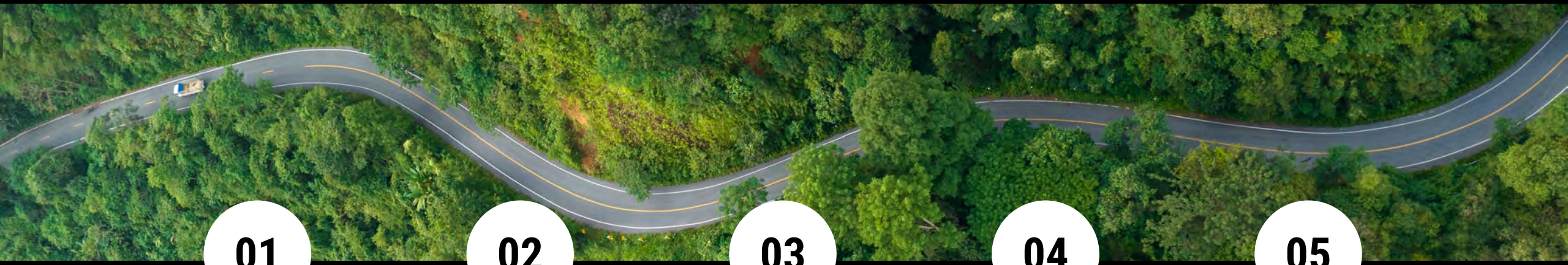
State of the Snack Food Industry: It's A Snack Journey

NCA Sweets & Snacks
Sally Lyons Wyatt

May 14, 2024

The State of Snack Food Industry: It's A Snack Journey

Today's Discussion



01

Consumer Stoplights

Some changes have been made, but snacking is still strong in the U.S.

02

Shifting Gears

Optimizing snacking opportunities requires some changes

03

Different Fares

Need more than price for growth

04

Joy Rides

Personalized consumer connections to bring joy and excitement is helping drive sales

05

Fuel

Goal is to increase penetration, trips and/or buy rate – HOW you do it is important

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Consumer Stoplights

Some changes have been made, but snacking is still strong in the U.S.

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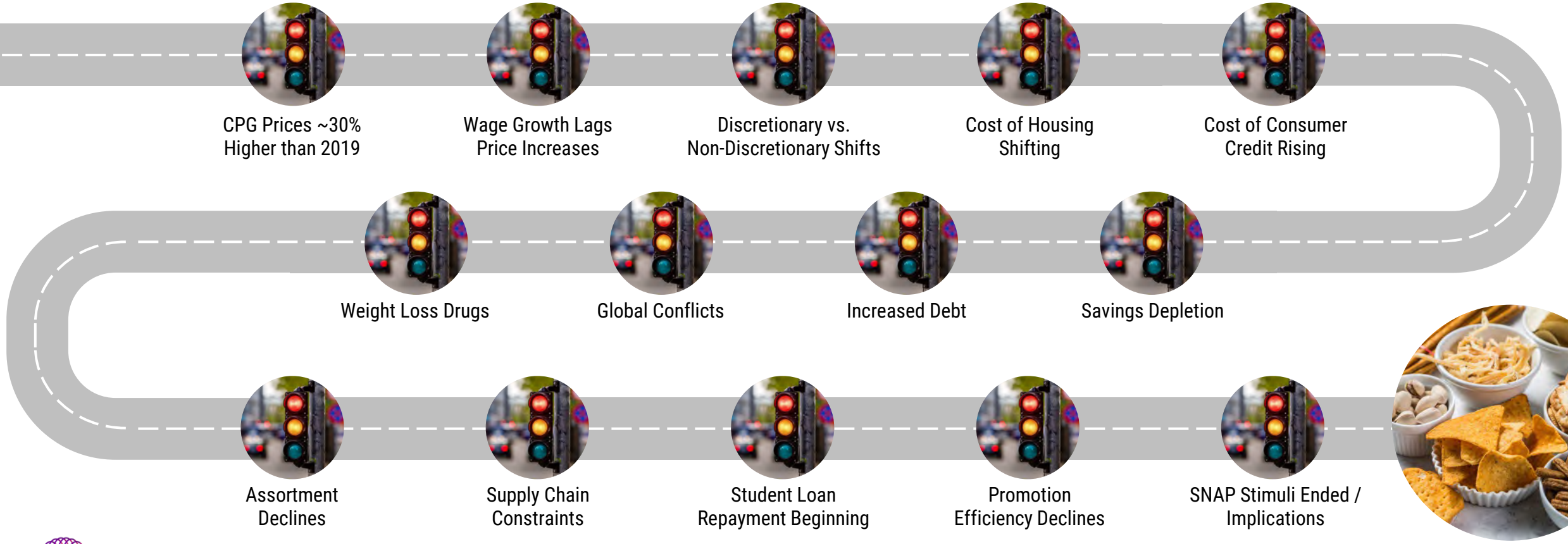
Consumers continue to have more stoplights on their snacking journey



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“Do It Yourself” mentality is winning consumer dollar sales but units across sectors still struggle

However, consumers have continued to spend in CPG

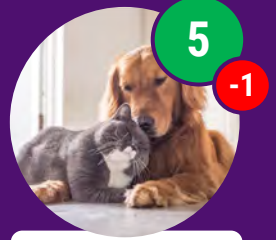
Dollars
Unit

Gen Merch
CPG

Retail Segments YTD Sales % Chg. vs. YA

Significantly Stronger/Weaker vs. 2023 trend

Prestige Beauty



Pet

OTC Healthcare

Home Care

Mass Beauty & Personal Care

Auto

F&B

Office Supplies

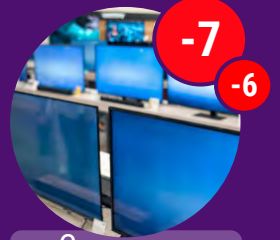
Small Appliances

Housewares

Toys

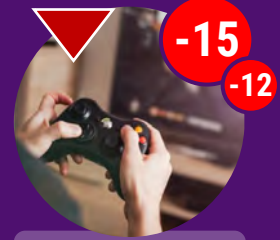
Sports Equipment

Apparel & Accessories



Consumer Technology

Juvenile



Video Games

Note: Volume sales and price per volume shown for CPG segments. Unit trends shown for general merchandise. Source: Circana, Retail Early Indicator (general merchandise), Circana MULO+ with Conv (F&B/Non-Food CPG). 2024 YTD ending 4/21/24 vs. YA. - Circana Thought Leadership.

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Within F&B, **snacking is still a U.S. lifestyle** with mobility influencing where consumers purchase and consume

46%

of consumers snack 3+ snacks a day

Down 3ppts YA, but no change vs 5 years ago

Between-meal occasions		
	2023 annual occasions per capita	vs. 2020
Total Between Meal Occasions	809	+9
Sourced from Retail	745	+8
Consumed in Home	666	-14
Sourced from Foodservice	64	+1

Source: Circana, National Eating Trends® and CREST®, YE Dec. Includes retail and foodservice occasions; Circana 2024 Snacking Survey

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Core snacks at retail is a

$214B universe

Inflation deceleration has resulted in dollar growth slowing, but Unit sales improving for YTD 2024

Category	Dollars % Change vs. YA	Unit % Change vs. YA
Total Store with Perimeter	4.2% | 2.3%	-1.7% | 0.0%
F&B	4.5% | 2.3%	-1.4% | 0.3%
Macro Snacks	6.2% | 1.1%	-2.1% | -0.7%
Core	6.9% | 1.9%	-1.8% | -1.2%
Expanded	4.4% | -1.2%	-2.9% | 0.8%

Source: Circana MULO+ w/Conv, 52 Weeks ending 12/31/23 | YTD 4/21/24

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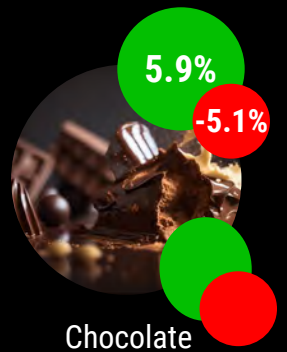
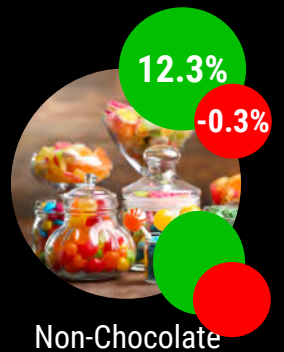
Since 2023, there have been positive sales movement across core snacks

Dollars % Change vs. YA
Units % Change vs. YA

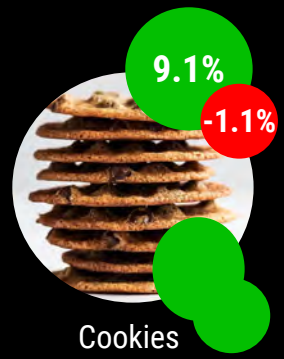


Chocolate Candy

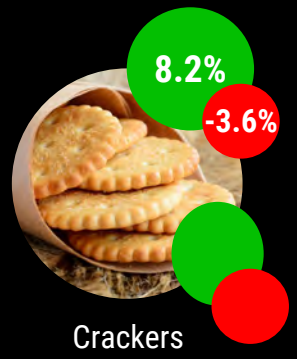


Non-Chocolate Candy

Potato Chips



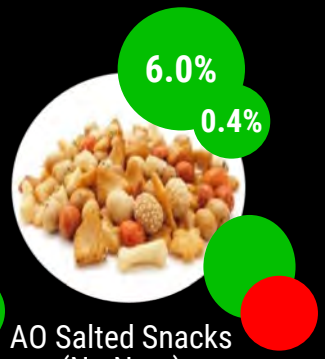
Cookies



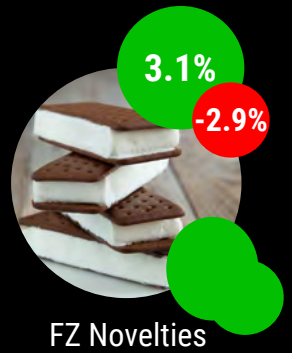
Crackers

Yogurt

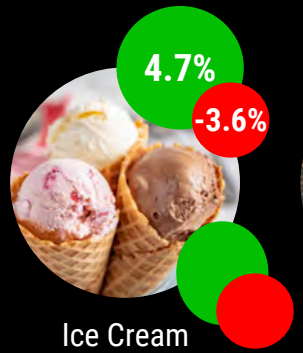
Tortilla / Tostada Chips



AO Salted Snacks (No Nuts)



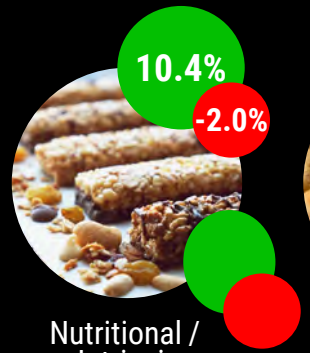
FZ Novelties



Ice Cream

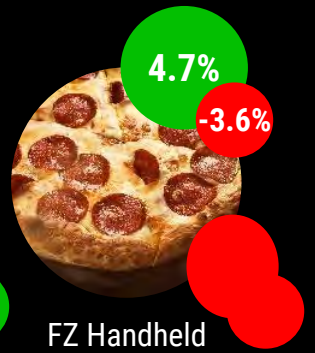
Snack Nuts

Dried Meat Snacks



Nutritional / Intrinsic Health Value Bars

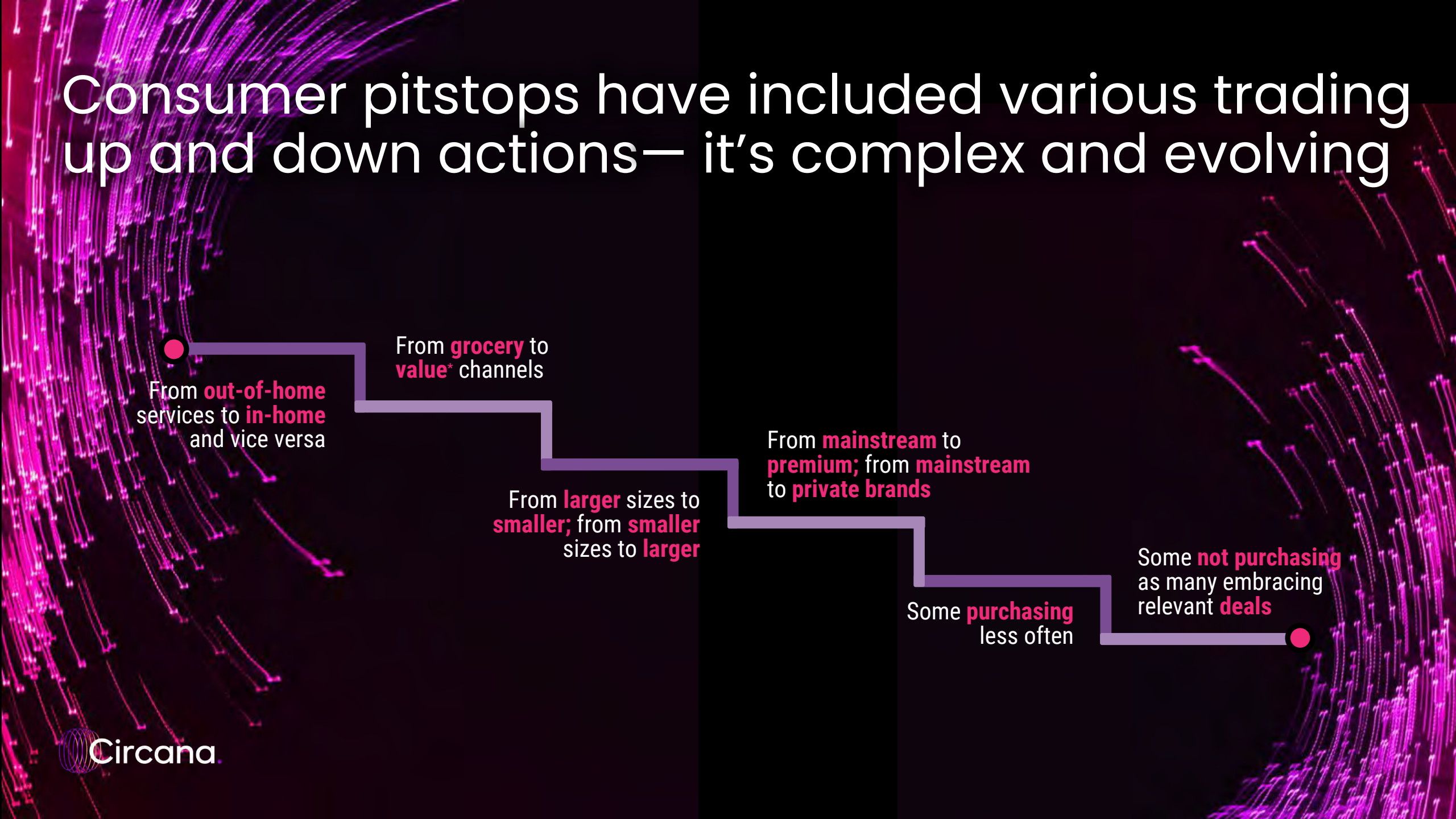
FZ Appetizers / Snack Rolls



FZ Handheld Dinners / Entrees

Source: Circana MULO+ + w/Conv, 52 Weeks ending 12/31/23 on Top; YTD ending 4/21/24 on bottom; Ranked on Dollar Sales

Consumer pitstops have included various trading up and down actions— it's complex and evolving



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Leading to variety driving sales growth

Unit Change Leaders

CORN SNACKS (no tortilla chips)

SUGARLESS GUM

DAIRY NATURAL CHUNKS CHEESE

YOGURT

TORTILLA/TOSTADA CHIPS

AO RFG CHEESE MEAT DESSERT

CUT SNACKS

PRETZELS

ICE MILK FZ DESSERT

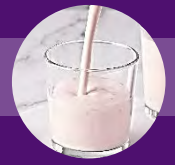
AO SNACK/GRANOLA BARS/CLUSTERS

Volume Change Leaders

SUGARLESS GUM

YOGURT

SS YOGURT/YOGURT DRINKS



NON-CHOCOLATE CANDY

ICE MILK FZ DESSERT

CUT SNACKS

DAIRY NATURAL CHUNKS CHEESE

CORN SNACKS (no tortilla chips)

NUTRITIONAL/INTRINSIC HEALTH VALUE BARS

FZ YOGURT TOFU

Source: Circana MULO+ + w/Conv, 52 Weeks ending 12/31/23..

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Consumers are making shifts in where they purchase snacks, but the majority are sourced from home

Snacks – 2023 dollar share and share change vs. YA in and out of home –
74% sourced from home in 2023/YTD 76%

	Total Retail	Total Com. FS	Retail F&B							Commercial Food Service		
			Grocery	Mass	Club	C-Store	Dollar	Drug	Pure Play ecom	QSR	FSR	Retail FS
	74.4% (-0.2)	25.4% (+0.2)	30.3% (-0.6)	17.0% (-0.1)	8.6% (0.0)	10.5% (+0.4)	4.0% (+0.4)	2.0% (-0.1)	1.6% (-0.1)	16.0% (+0.5)	2.8% (-0.1)	6.8% (-0.2)
YTD 2024												

Source: Circana, Snacking Venue Trends - Dollar Sales Share Chg. vs YA (ppt), CREST, Year Ending Sept & Complete Consumer – FY 2023 – Q1 ending March 2024 & POS and Circana Receipt panel 2024 YTD through 3/31/3024
Dollar sales change at the occasion for foodservice, whereas retail is for categories that are oriented toward the occasion (not necessarily consumed at the occasion)

The emotional macro need is the motivation for more than half of snacking and treating eatings

Emotional	Functional	Wellness
Percent of Eatings by Macro Need (YE September 2023)		
55.9%	33.9%	10.1%
Share Change vs. 2018		
+0.03 ppts	+0.08 ppts	-2.1 ppts

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Source: Circana, SnackTrack®

Emotional needs are tied to three main moments

emotional =

favorite routine
yummy
reward me

Source: Circana, SnackTrack®

Alpha, younger Gen Z, Gen X are driving eatings and positive trends as they enter new life stages

% of Eatings When Need State is Favorite Routine, Yummy, or Reward Me

Year Ending Sept 2023 vs. 2018 Change vs. YA

Gen Alpha	Younger Gen Z	Older Gen Z	Younger Millennials	Older Millennials	Gen X	Boomers
2013 – cur 2 years	*born 2006 – 2012*	*born 1997 – 2005*	*born 1990 – 1996*	*born 1981 – 1989*	*born 1965 – 1980*	*born 1946 – 1964*
15.2%	**13.9%**	**8.5%**	**7.3%**	**8.8%**	**19.4%**	**23.7%**
+8.2% pts	+0.4% pts	-6.4% pts	+1.2% pts	-0.7% pts	+2.0% pts	-2.6% pts

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Source: Circana, SnackTrack®

Shifting Gears

Optimizing snacking opportunities requires some changes

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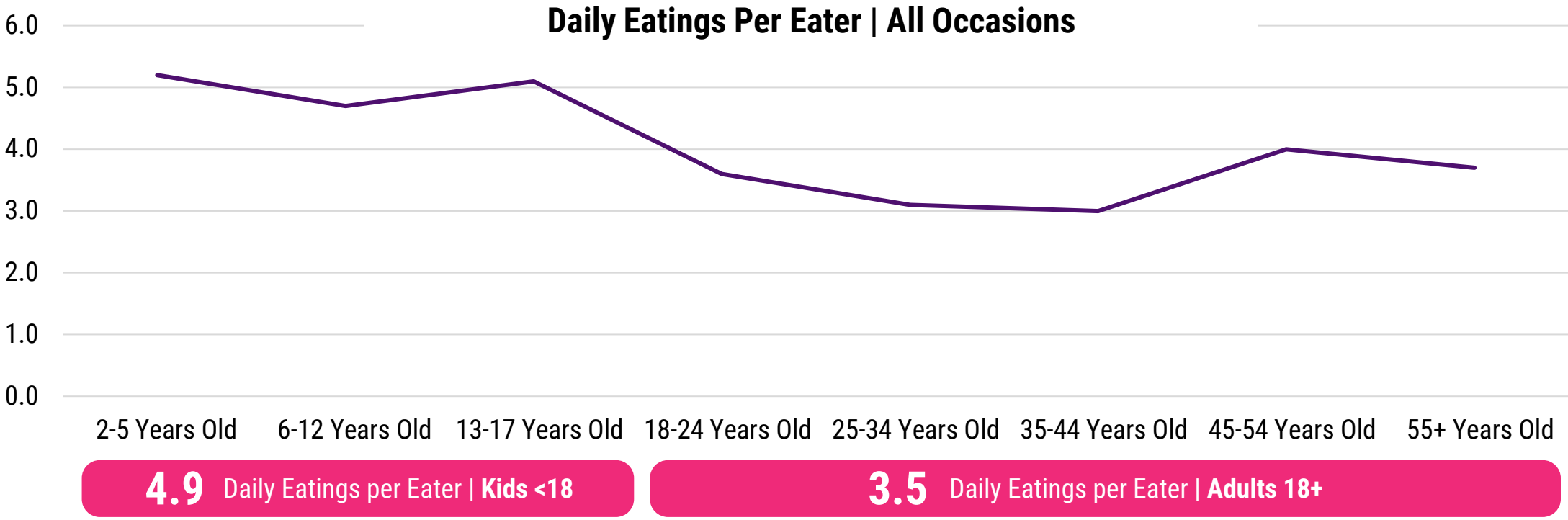
Consumers have about 4 eatings of snack foods on a typical day with kids leading the way

Total Daily Eatings per Eater = 3.8

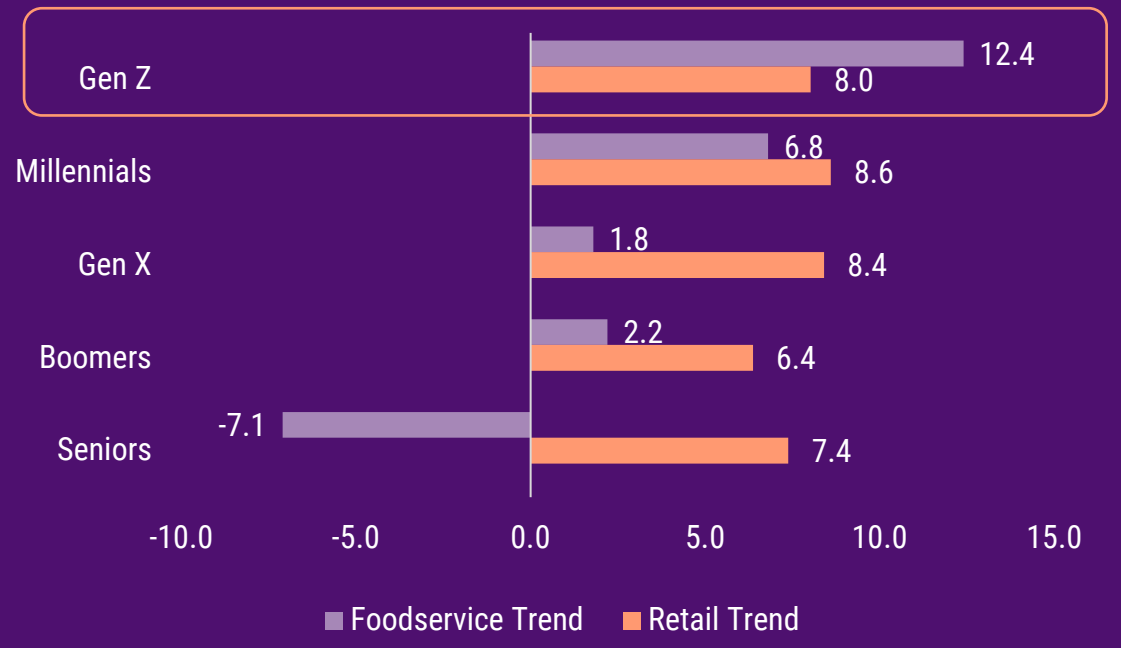


Source: Circana, SnackTrack®, Years Ending Dec.

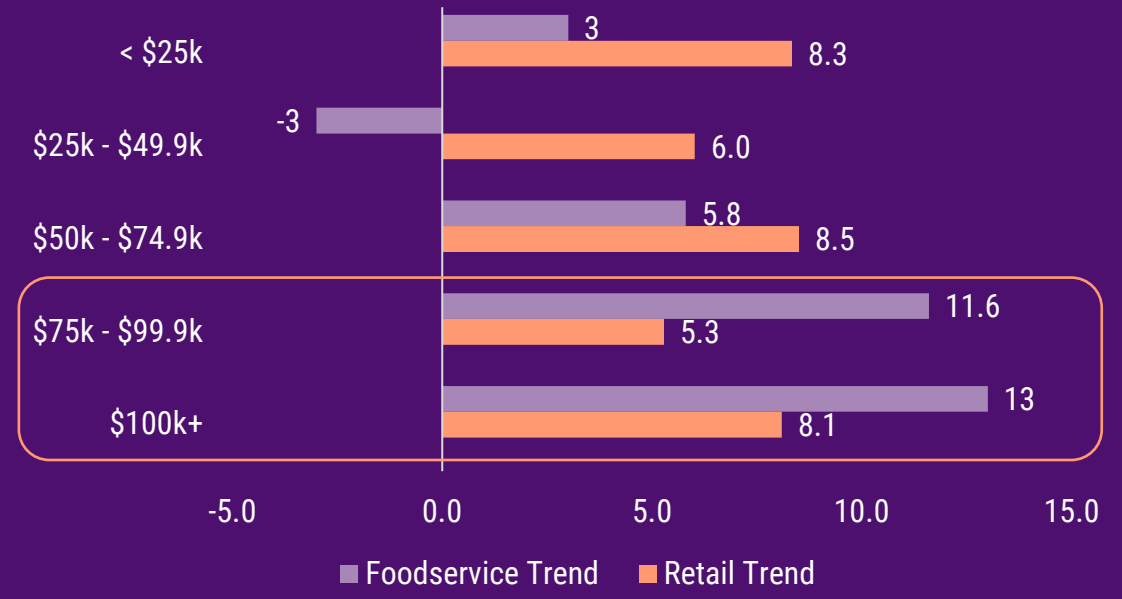
Retail continues to win snack dollars except for younger generations and more affluent households

Snack Venue Trends - Dollar Sales % Change vs. YA

GENERATIONS



INCOME



Source: Circana, CREST, Year Ending Sept & Complete Consumer – 52 weeks ending 12/31/23
Dollar sales change at the occasion for foodservice, whereas retail is for categories that are oriented toward the occasion (not necessarily consumed at the occasion)

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Younger generations have shifted more of their spend from Retail predominantly to QSR

Gen Z

Millennials

Gen X

Boomers

Seniors

Spending Shift

Gen Z		Millennials		Gen X		Boomers	Seniors
FROM	TO	FROM	TO	FROM	TO	FROM / TO	FROM / TO
from retail to QSR (+0.8 share ppts)		from retail to QSR (+0.7 share ppts)		from grocery to C-Store (+0.7 shr ppts) and Dollar (+0.6 share ppts)		no dramatic swing, but favoring Mass and Dollar and some Convenience (+0.5 share ppts)	spending strongly entrenched in grocery (+0.3 share ppts)

Snacking Venue Trends - Dollar Sales Share Chg. vs YA (ppt) by Generational Cohort
Source: Circana, CREST, Year Ending Sept & Complete Consumer – 52 weeks ending 12/31/23
Dollar sales change at the occasion for foodservice, whereas retail is for categories that are oriented toward the occasion (not necessarily consumed at the occasion)

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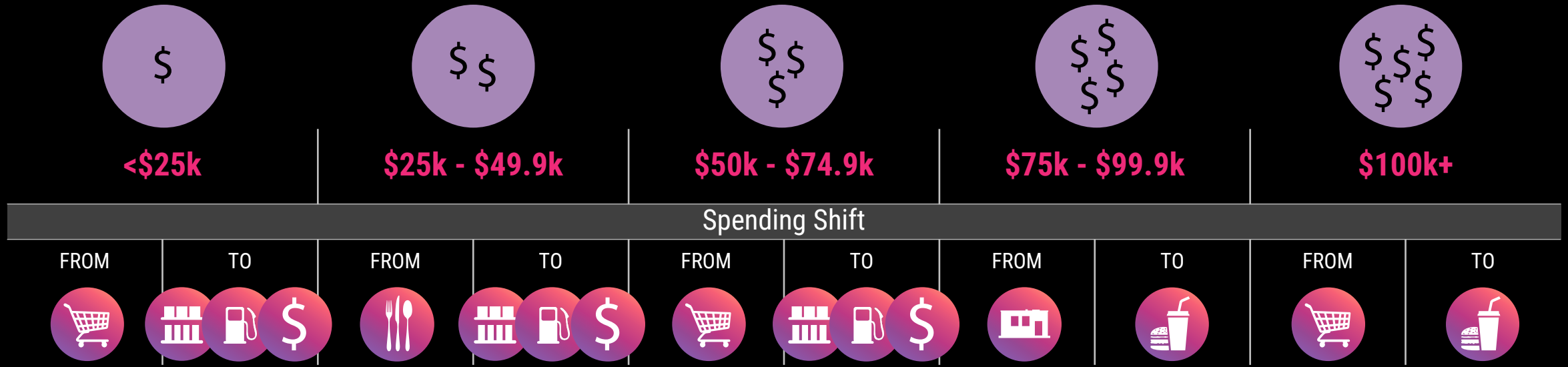
Higher income households are shifting snack spend more to QSR foodservice

Lower income shoppers are shifting spend from grocery to Mass, Dollar and some C-store



from Grocery (-1.1 share ppts) to Mass, C-Store & Dollar (+1.9 share ppts)

from Commercial FS (-1.4 share ppts) to retail (+1.4 share ppts) favoring Mass, C-Store and Dollar

from out of Grocery (-0.5 share ppts) to Mass, Dollar & C-Store and QSR (+1.0 share ppts)

from retail (-1.5 share ppts) to QSR (+0.8 share ppts)

from Grocery (-1.0 share ppts) to QSR (+0.9 share ppts)

Snacking Venue Trends - Dollar Sales Share Chg. vs YA (ppt) by Generational Cohort
Source: Circana, CREST, Year Ending Sept & Complete Consumer – 52 weeks ending 12/31/23
Dollar sales change at the occasion for foodservice, whereas retail is for categories that are oriented toward the occasion (not necessarily consumed at the occasion)

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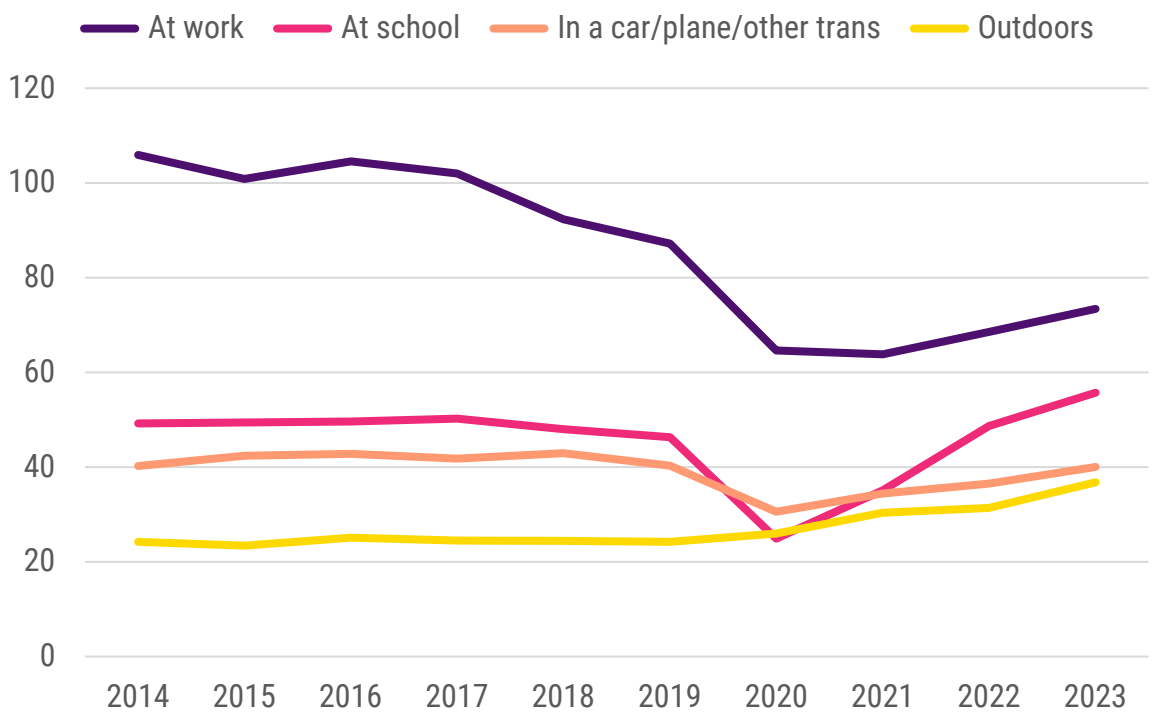
50%

of consumers state
“I often eat snacks instead
of a meal because I am on the go”
(+6.3 ppts vs. 2019)

Source: Circana 2024 Snacking Survey

All generations are driving the rebound away from home

Total Snacks / Treats by Where Consumed
Annual Eatings per Capita



Total Snacks / Treats Consumed Away From Home
Annual Eatings Per Capita % Change 2023 vs. 2022

Gen Alpha

Gen Z

Millennials

Gen X

Boomers

Source: Circana/SnackTrack®, Years Ending December

When snack foods are consumed

Movement toward with main meals consistent with need for speed to table

Snacking Occasions

Between Main Meals

With Meals

Meal Replacement

Percent of Eatings | 2022 | 2023

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Source: Circana/SnackTrack®, Years Ending Dec.

There is a distinct difference between in-home and away-from-home snack choices

Specialty coffees are serving as snacks for some

	Top Snacks Growth Insights By Generations	Gen Z (Adults)	Millennials	Boomers
	In Home Consumption Categories (AEPC)*	Alt Salty Snacks Rice / Popcorn Cakes / Snacks Seeds	Salsa Cheese Puffs & Curls Treat Bars Toaster Pastries	Chewy Candy Granola Bars Cookies Crackers EX Filled
	Away from home Consumption Categories (Menu Importance)**	Breakfast Sandwiches **Specialty Coffee**	Burgers **Specialty Coffee** Breaded Chicken Sandwich Frozen Sweets	**Specialty Coffee** Donuts/Sweet Rolls Breakfast Sandwiches Bagels

Source: Circana, SnackTrack, Year Ending Dec. 2023
*** Source: Circana, CREST, Year Ending Dec. 2023*

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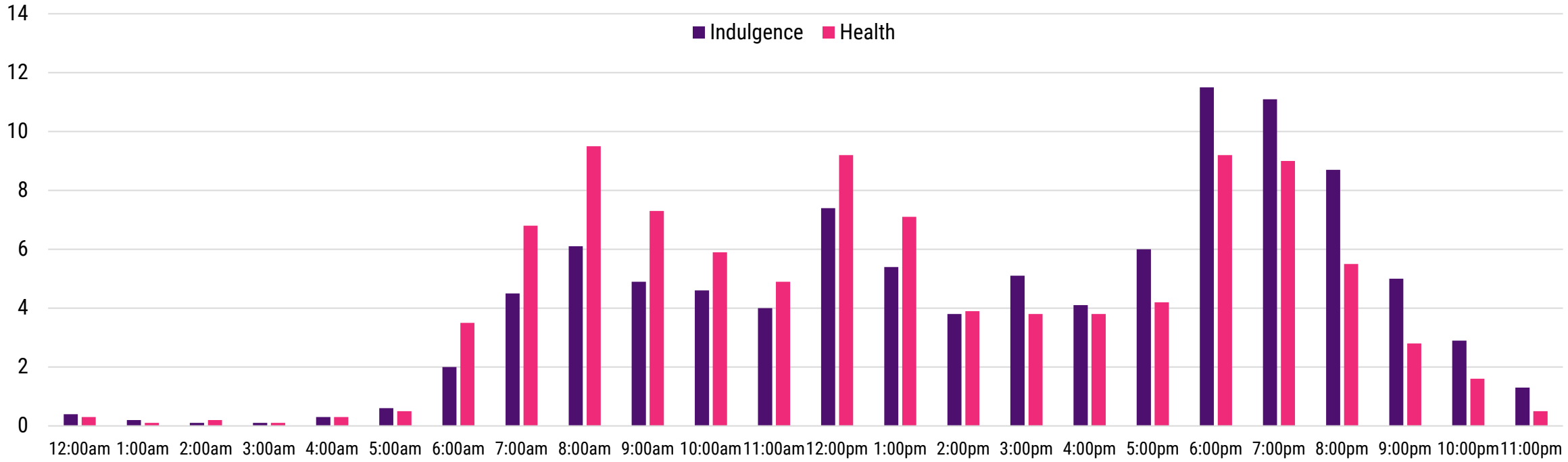
Consumers are more likely to indulge themselves as the day progresses

Percent of All Eatings –Motivated by Health or Indulgence



Source: Circana/National Eating Trends® (NET®) ; Year Ending Dec 2023
Motivations for indulgence: it was a favorite, it was a special occasion, satisfied craving/special taste, wanted a treat/reward, looked/smelled really good
Motivations for health: was healthy/nutritious, provided nutrients/vitamins I needed, was high in protein, to help lose/maintain weight, to limit or reduce fat/carb intake

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Different Fares

Growth will need some different fares – more than just price

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Price plays a role in snacking decisions, but consumers aren't cutting back because of price

81% actively look for the best value when purchasing snacks (+2.3 ppts vs '19)

74% look at the price before choosing what to snack (+3.7 ppts vs '19)

68% having a low price point is important when selecting snacks (+2.9 ppts vs '19)

26% state they are snacking less frequently and that is down (-5.5 ppts vs '19)

30% are reducing their "impulse" snack purchases as well (-7.6 ppts vs '19)

Source: Circana 2024 Snacking Survey vs 2019; % of Consumers

In fact, the source of snack unit / volume loss has price as a driver, but also extends beyond

01

Slowdown in Category Innovation

02

Distribution Losses

03

Role of Snacks in Consumer Basket

04

Private Label Penetration

05

Retailer's Change in Priorities

06

Drop in Trade Efficiency

07

Changing Consumer Needs & Occasions

Snacks not only offer variety, but they play key roles on consumers' well-being journey

BFY / Wellness

54% snacks are an **important part** of my **healthy eating plan** throughout the day (+4.7 ppts vs '19)

57% provides a **serving of fruit or vegetables** (+2.9 ppts vs '19)

52% has 'probiotics' to help with **digestion** (+12.3 ppts vs '19)

51% The snacks I eat help me **manage my daily calories** (+8.5 ppts vs '19)

Permissible Indulgence

62% of consumers state the they actively seek items that are **good for them** as part of the role of snacking (+4.8 ppts vs '19)

61% Is high in **protein**

Indulgence

20% of consumers say that a snack is **fun and indulgent** (+2.3 ppts vs '19)

57% of consumers state: "I like to eat snacks that **add excitement** to my daily diet" (+7.2 ppts vs '19)

Treat

67% Is **fun to eat** (+2.8 ppts vs '19)

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In 2023, True Indulgence continued to gain share across segments, however 2024 showing potential shifts

Better for You may be turning the corner to growth

Total BFY / Wellness

Dollar Share	Unit Share
27.3 | ⬆ CY	25.7 | ⬆ CY
-0.4 Change	0.1 Change
5% $ % Change	-1% U % Change

Total Permissible Indulgence

Dollar Share	Unit Share
24.2 | ⬇ CY	22.2 | ⬇ CY
-0.3 Change	-0.5 Change
6% $ % Change	-4% U % Change

Total True Indulgence

Dollar Share	Unit Share
30.3 | ⬇ CY	29.2 | ⬇ CY
0.4 Change	0.5 Change
8% $ % Change	0% U % Change

Total Treat

Dollar Share	Unit Share
18.2 | ⬆ CY	23.0 | ⬆ CY
0.3 Change	-0.2 Change
9% $ % Change	-3% U % Change

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Source: Circana MULO+ w/Conv, 52 Weeks ending 12/31/23 | Arrows YTD ending 4/21/24

Looking at snack sales with claims, “less of” still dominate; vegan / vegetarian continue to climb

Unit % Change vs. YA

Sugar Claims No / Low/ Less

Net Carbohydrate Claims No / Low / Less / Contains

Lactose Claims No / Reduced

Vegan / Vegetarian Claims

26% Is vegetarian
+7.2 ppts vs ‘19

23% Is vegan
+6.5 ppts vs ‘19

Oil Type Claims

Saturated Fat Claims No / Low / Less

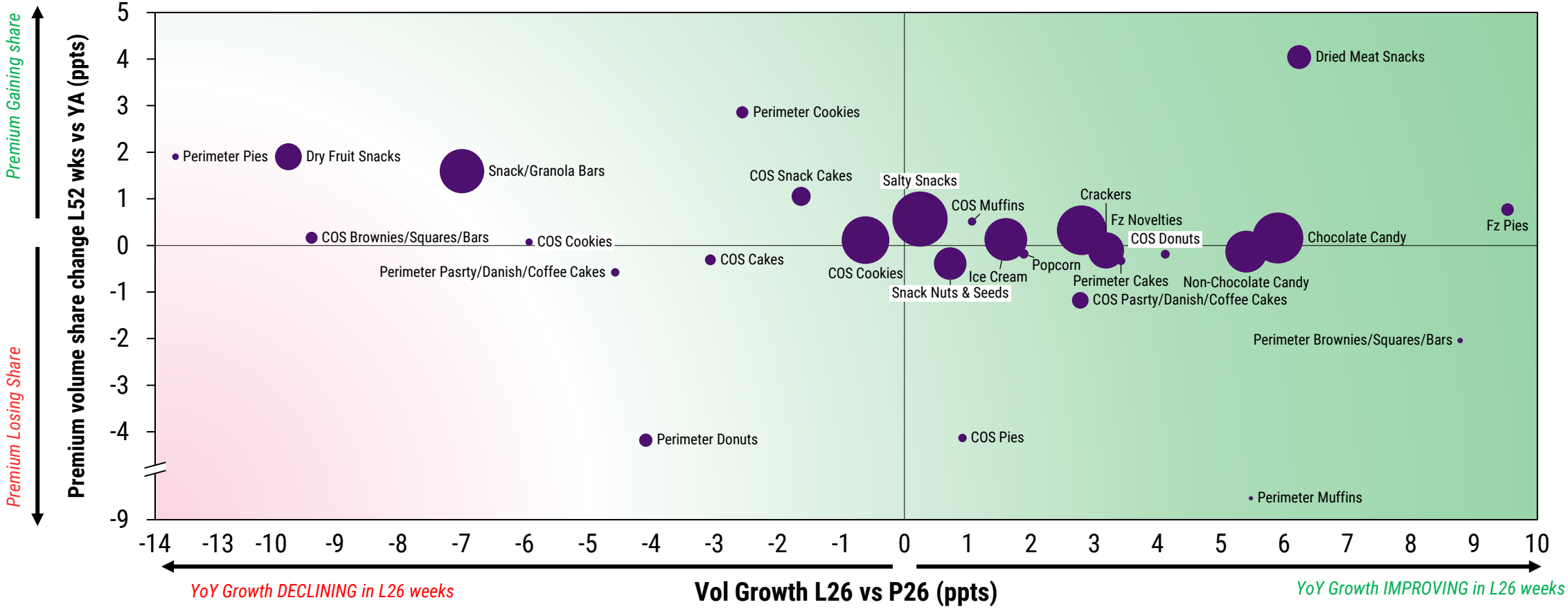
Antioxidant Claims High / Source / More

Source: Circana/SnackTrack®, Year Ending Dec.; Circana MULO + w/Conv, 52 Weeks ending 12/31/23, Ranked on Unit Sales Change; Circana 2024 Snacking Survey

Special moments are fueled with premium snacks

56% of consumers say they are worth paying extra for, up 18.5 ppts vs. '19

Snacks Volume Sales and Premiumization Trends – MULO+ and C-Store - Select Snack categories



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Note: Volume growth is vs YA for both 26 week periods; Price tiers determined by line extension avg. price per volume vs. corresponding subcategory avg. price per volume. Premium > 1.25* avg based on MULO Source: Circana POS data weeks ending 4/24/24, MULO+ with Conv.; L26 weeks ending 4/21/24 and P26 weeks ending 10/8/23. Circana 2024 Snacking Survey

31

Private Brands have made inroads in Snacking (+1% U in ‘23 and Increasing in ‘24)

However, it varies across categories

Even though **67%** of consumers state that when their budget is tight, they often switch to private label (or store brand) snacks (Up 6.4 ppts vs ’19)…

…**62%** of consumers purchase snacks that are their brand of choice (+2.1 ppts vs ’19), therefore having both is critical

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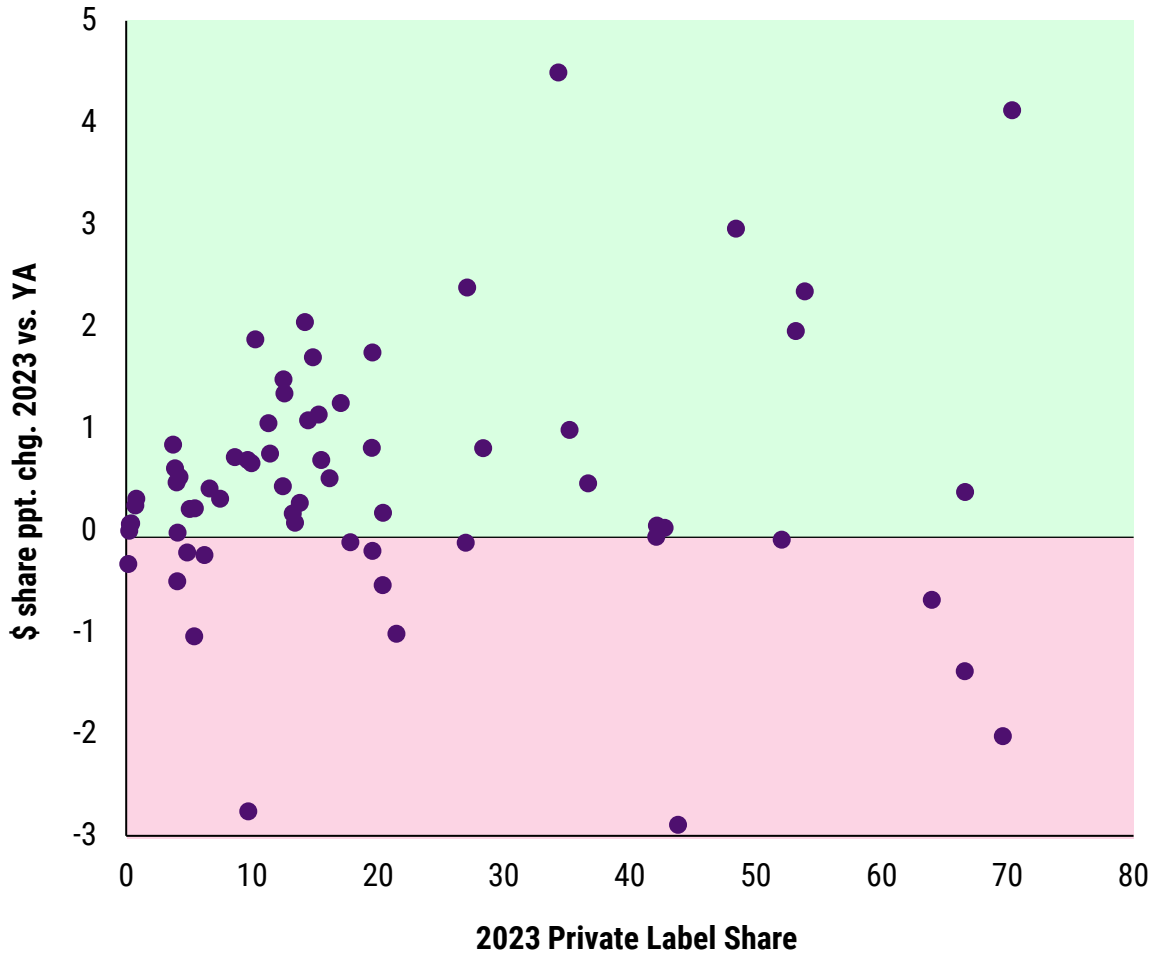
Core Snacks Categories PL $ Share vs. Share Change vs. YA



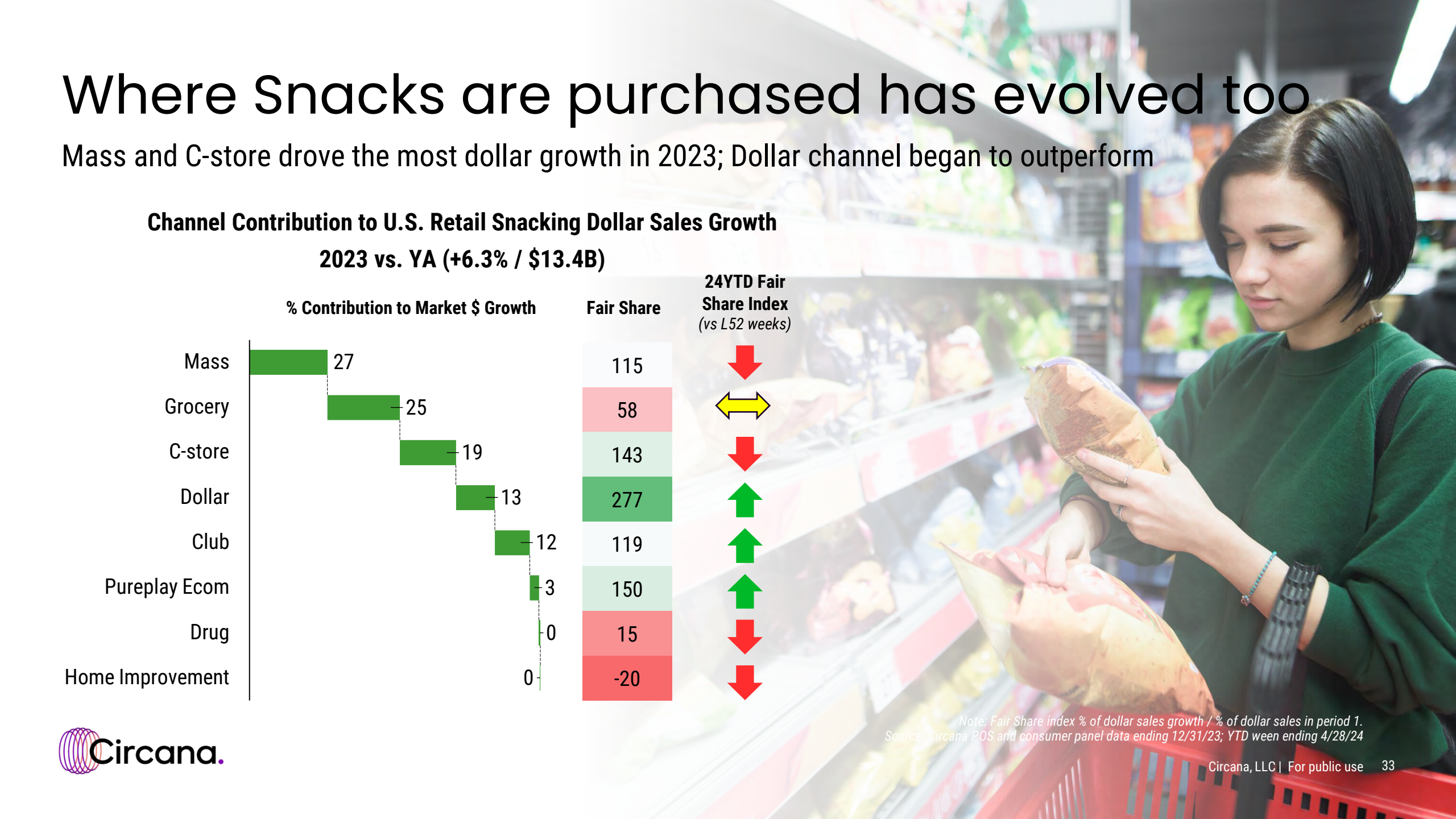
Source: Circana MULO + w/Conv, data ending 12/31/23; YTD week ending 4/21/24; Circana 2024 Snacking Survey

Where Snacks are purchased has evolved too

Mass and C-store drove the most dollar growth in 2023; Dollar channel began to outperform

Channel Contribution to U.S. Retail Snacking Dollar Sales Growth

2023 vs. YA (+6.3% / $13.4B)



Note: Fair Share index % of dollar sales growth / % of dollar sales in period 1.
Source: Circana POS and consumer panel data ending 12/31/23; YTD ween ending 4/28/24

Personalized Joy Rides

Innovating and connecting to bring joy and excitement to consumers will drive growth

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Besides the wellness journey, snack experiences are increasing in popularity

53% seek authentic or unique snack experiences
(+9 ppts vs. 2019)

Innovation will need to fight hard to get trail because **49%** say when my budget is tight, I stick with the same products I've used in the past

Source: Circana 2024 Snacking Survey vs 2019 – Top 2 Box

Consumers are leaning on digital options to learn about new snack foods / trends vs. family and friends

34% **SOCIAL MEDIA**
(+1.7 ppts. vs. 2019)

16% **RETAILER WEBSITES**
(+1.1 ppts. vs. 2019)

10% **MANUFACTURER WEBSITES**
(+1.7 ppts. vs. 2019)

55%
Largest Decline
Family & Friends (-4 ppts)

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Source: Circana 2024 Snacking Survey vs 2019

On the snacking highway, there are many things influencing consumer decisions along the way

Influence	% of Consumers	Pt. Change vs. 2019
Television or radio advertising	36%	5
Smartphone apps	35%	7.1
Online ads and banners	34%	6
Information from website or email	33%	3.3
Information from blogs or social networking sites	30%	2.6
Checkout	**42%**	4.9
In-Store touch screen digital signs	31%	8.6
Mentioned/recommended by store clerk	32%	6

Source: Circana 2024 Snacking Survey vs 2019

The way a snack tastes is still a dominate reason for consumer consumption, but declining

83% of consumers choose a snack that has a flavor they prefer ⬇

85% of consumers choose a snack that has a taste they enjoy ⬇

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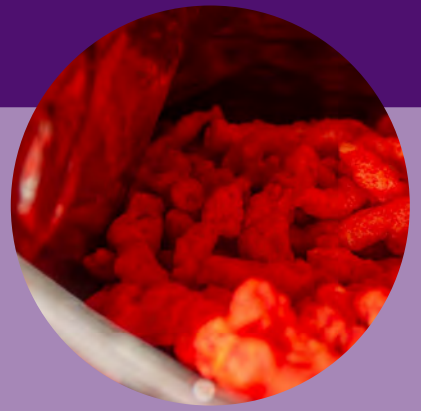
Source: Circana 2024 Snacking Survey

One way is through flavors and top flavors cover the spectrum – example Salty and Crackers



Heat
(e.g., Flamin Hot, Hot Chili Pepper & Lime, Spicy Sweet Chili, Jalapeno, & Flamin Hot Limon)

Cheese
(e.g., Cheese, Nacho Cheese, White Cheddar, Cheddar Cheese, etc.)

BBQ
(e.g. BBQ, Honey BBQ)

Golden Toast	Cool Ranch	Sea Salt	Cinnamon
Cheddar & Sour Cream	Salt & Vinegar		Onion
Extra Toasty	Honey	Hint of Salt	Everything

Source: Circana MULO+, 52 Weeks ending 12/31/23,Unit Rank; Salty and Cracker Only

Nostalgia and variations of flavors is apparent across cookie and bar flavors

Chocolate
(e.g., Chocolate, Double Choc., Choc. Chip, Choc. Chip Cookie Dough, Dark Choc. Peanut Butter, Choc. Brownie, etc.)

Peanuts
(e.g., Peanut Butter, Peanut Butter Chocolate Chip, Peanut, etc.)

Honey
(e.g., Honey, Oat & Honey, etc.)

Cinnamon
(e.g., Cinnamon, Cinnamon Brown Sugar, Apple Cinnamon, etc.)

Marshmallows included		Strawberry	Vanilla
Caramel	Blueberry	Cookies & Cream	Fudge
Coconut		Butter	S'Mores

Source: Circana MULO+, 52 Weeks ending 12/31/23,Unit Rank; Salty and Cracker Only

In addition, we see fun and unique combinations when looking at largest core snacks unit % change winners

- Spicy Apple
- Caramel Cheese Mix
- Hawthorne Pulp & Chili
- Carolina Reaper Pepper Pimento
- Pineapple Pastor
- Chamoy Sour
- Trail Mix Crumble
- PB & Jelly
- Black Forest Ham & Provolone Cheese
- Dulce Enchiladas
- Blue Bubble Gum
- Dark Chocolate Almond Butter Sea Salt
- Salmon & Tuna Nigiri
- Balsamic Vinegar & Caramelized Onion
- Spicy Jarlsberg
- Salted Caramel Mocha
- Dark Chocolate Fireball Whiskey
- Dill Pickle
- Spicy Inari
- Ham Pepper Jack Cheese

Source: Circana MULO+, 52 Weeks ending 12/31/23; Unit % Chg vs YA Rank,; Core Snacks

Be bold with fan favorite flavors like peanut butter whiskey, via brand extensions like crafting catchy cocktails showcased on social media

Empirical x Doritos Nacho Cheese Spirit

Butterfinger-Tini

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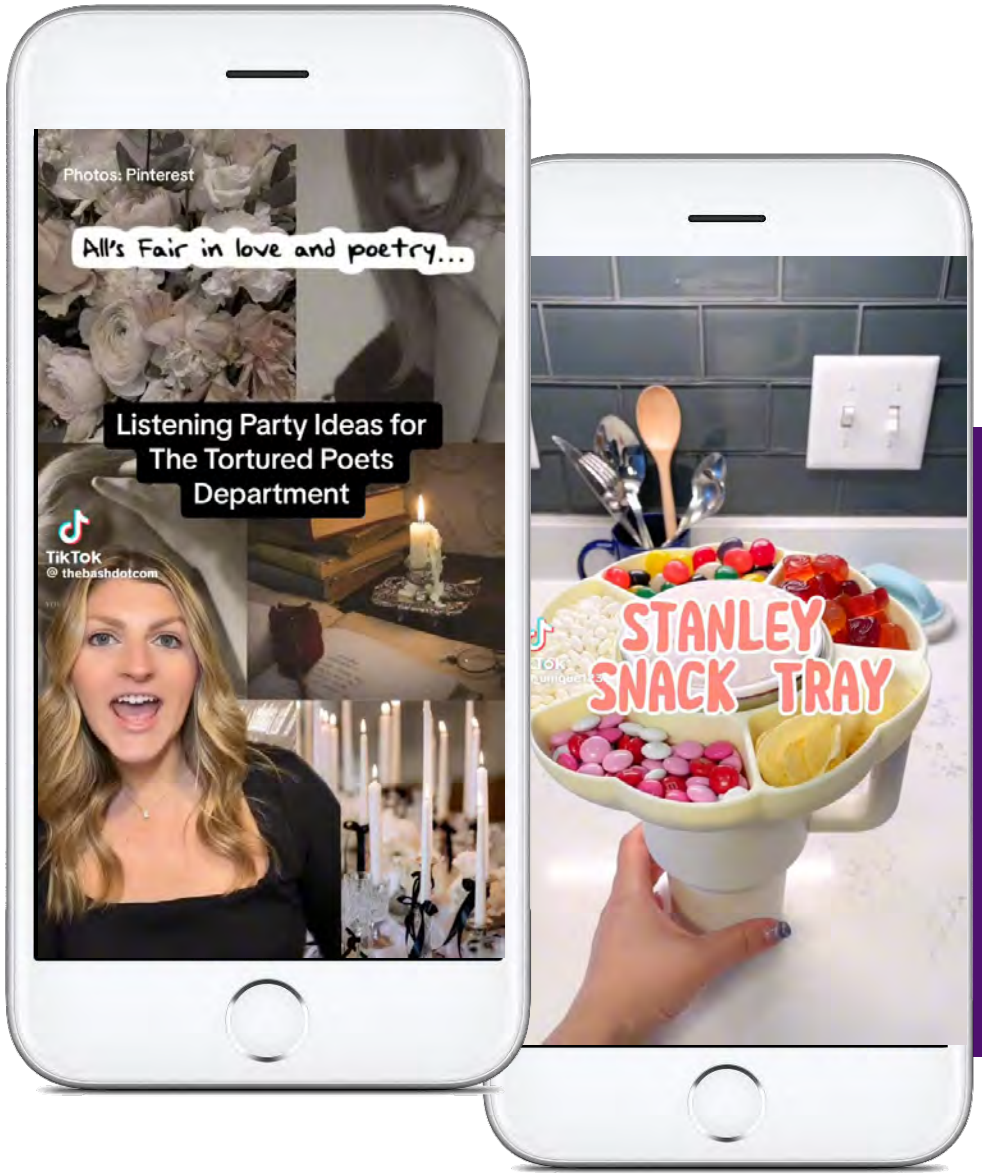
Another way to embrace occasions and speed up sales is via creative ways to interrupt trips

Top Skewing Categories Consumed on Easter Sunday		
Kids (6-12)	Teens (13-17)	Adults (18+)
Potato Chips	Chocolate Candy	Nuts
Chewy Candy	Chewy Candy	Crackers
Cheese Snacks	Tortilla Chips	Breath Mints

Easter 'Bouquets" – Kroger; Source: Circana,SnackTrack , Easter Sunday 2020 through 2024

**Easter shopping weeks: 2020 = 2 weeks ending 4/12/20; 2021 = 2 weeks ending 4/04/21; 2022 = 2 weeks ending 4/17/22; 2023 = 2 weeks ending 4/09/2023; 2024 = 2 weeks ending 3/31/2024*

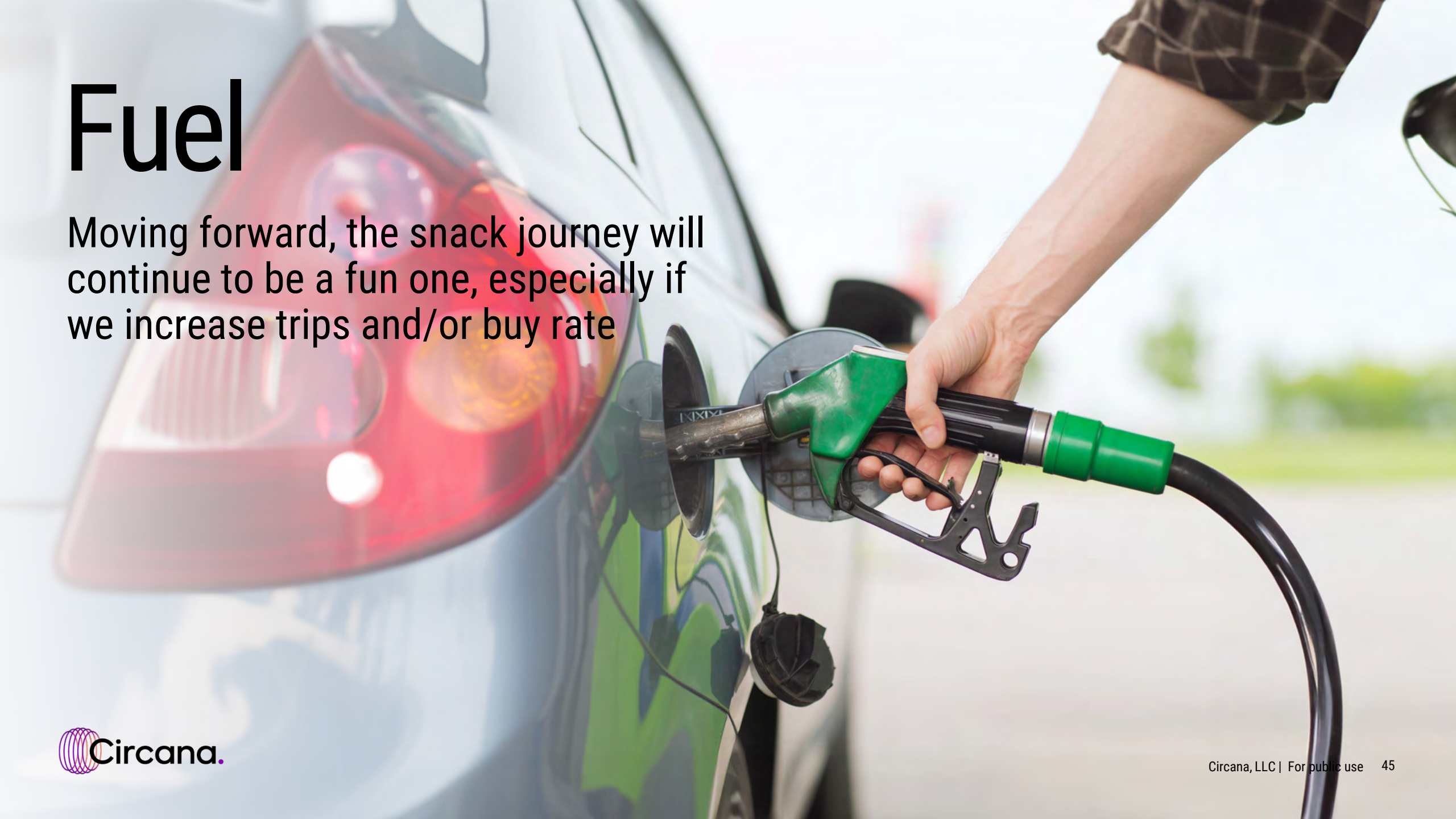


Social Media has also influenced HOW consumers eat snacks, especially with viral moments

Source: Instagram and Linsay Mason Facebook

Fuel

Moving forward, the snack journey will continue to be a fun one, especially if we increase trips and/or buy rate



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Our POV is the Snack Journey Should Reach 2-3% Dollar Sales and More Could be Realized with These Ideas

- **Optimize price-pack-architecture and revenue management levers across channels** for affordability and value as well as premium opportunities
- Ensure portfolio has representation for key cohorts of snacks **aligned to indulgence and wellbeing inclusive of functional benefits**
- Leverage joint business plans with retailers to **embrace occasions- and/or need-based strategies** to stimulate demand
- Focus on **differentiated experiences and relevant offerings** for people on-the-go
- **Innovate** to capture consumer needs, interactions, segments, align price points emphasizing bold flavors when possible
- Utilize loyalty apps and reward programs to **drive engagement and buy rate for retail and foodservice**
- Be smart about your **integrated marketing activation and personalize consumer brand experiences** – especially social / digital – with different messaging for the various cohort targets – remember, purchase-based audiences in general deliver 6x ROI

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Source: Circana Thought Leadership

Thank you

Sally Lyons Wyatt
Global EVP & Chief Advisor
Consumer Goods & Foodservice Insights
sally.lyonswyatt@circana.com
+1-312-285-7319

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