



CPG and retail consultant John Boccuzzi looks at the changing landscape of retail, from how consumers shop to stores' adaptive merchandising tactics aimed at grabbing their attention and dollars.

The New Consumer

How Shopping Has Changed For Good

WHILE CONSUMER CONFIDENCE has returned to its pre-downturn levels, according to The Nielsen Co.'s latest Global Consumer Confidence Index, grocery retailers are still challenged with a decreased market basket, and suppliers are confronted with a new type of consumer whose priority has become value. This mindset is resulting in its own set of demands because value is not just about price — most consumers will not sacrifice quality and taste for price alone.

To capitalize on the opportunities, it pays to understand this "new consumer." RetailWire, in its Fad or Trend? survey, identified several characteristics of the new consumer. For instance, 52.8 percent of respondents are now shopping around for price comparisons, 50.3 percent have pre-planned lists, and 47.9 percent are using coupons and rebates.

Interestingly, the survey also found that consumers are likely to choose store experience over value, if they recognize the difference. The research found that these trends were already in motion, but were accelerated by the recession and have now become longer-term consumer behavior.

When it comes specifically to snack consumers, the March 2010 SymphonyIRI Group, Inc. report the State of the Snack Industry, termed them Shoppers of a New Era. Their snack habits have become more conservative: 26 percent try to make snacks last longer, 31 percent snack less, 42 percent are cutting back on snack spending, and 22 percent are eliminating unplanned snack purchases altogether.

Jim Simon, chief services officer at the consumer-centric analytic services company Spire, LLC, states: "Looking at the average number of snacking segments purchased, we

saw a two percent decrease in 2009 versus 2008. This supports other data that indicates consumers are still purchasing snacks, but are being more selective as to the specific items they choose."

Spire research through the past three years also shows that nearly everyone buys snacks, and despite the change to a value-oriented mindset, the SymphonyIRI report noted pockets of growth in both healthier and total indulgent snack segments. This is where much of the opportunity lies — when the going gets tough in an economic crisis, consumers demand to hang on to small indulgences. They actually want to snack.

Mark Lang, professor of food marketing at Saint Joseph's University, suggests: "Snacking might be the fastest growing consumption occasion, and treats and affordable luxuries are how consumers are rewarding themselves for coping with today's stresses." He goes on to state, the most successful food and beverage innovations "have deftly capitalized on consumers' drive for at-home and from-home meal and snack solutions that provide a mixture of nutrition, convenience and indulgence."

Private Label Offers Solutions

Still, value is oftentimes strictly perceived as low price, especially in the snack category, which some view as non-essential. But Lang warns against this perspective. In the current economy, many consumers have increased their private label consumption. The majority of research shows that, on average, about one-third of consumers will buy any brand with the lowest price.

One successful store brand product developer taking advantage of this union of

indulgence and value is Daymon Worldwide, Inc. Scott Reindel, director of snacks and confections, says: "Both snacks and confections have shown positive increases during this volatile economic climate. As consumers are shifting toward eating more meals in, and taking their lunches to work and school, both segments have been positively impacted."

Reindel referenced an In-Store Marketing Institute study that proved the salty snack aisle in the grocery channel has the highest closure rate at 66 percent (the percentage of times a consumer actually buys in-aisle). By comparison, the second highest is ready-to-eat cereal with 42 percent. "We are now beginning to see more and more retailers making snacks a top priority in their own brand strategy. Considering there are multiple snacking occasions throughout the day, the potential opportunity for trial is significant," he continues.

Cheryl Perkins, founder and president of Innovationedge, LLC, a brand consultancy, expands on this notion: "Private label continues to be a focus for innovation. We're seeing retailers figuring out how to deliver quality products while still maintaining lower prices for consumers. This is, of course, the value proposition that many consumers demand."

Perkins also notes a key point of differentiation for many products is not cost alone. "New product performance and differentiated ingredients are driving both private label market share and margins," she explains. "The growth of less expensive private label consumer goods that exhibit performance equal to national brands is an ongoing trend that began when the first signs of the recession emerged."

Reindel agrees. "We are seeing retailers focus more on national brand-level quality than in the past in their development of an own brands program. Historically, own brand snack programs were strictly a price proposition. Now there is a much greater focus on sourcing higher quality assortments," he asserts. "The same can be said for confectionery, and it is not uncommon today to find European or European-style chocolate being used in private brand chocolate bar programs."

New Product Development Surges

When it comes to new product development, are most candy and snack suppliers launching totally new items or is the focus more on line extensions? Reindel answers: "For retailers that have well-developed programs, we look for solutions to enhance the category, attract new buyers and increase market basket ring. The real key is executing a core assortment and then adding relevant new items in the sub-categories

with the biggest growth opportunity. The common denominators in all successful private brand programs are a commitment to building brands versus launching products, the foundation of a solid core assortment, and the addition of new and unique flavors to keep the program fresh and exciting."

Interestingly, Reindel notes that while typically it's the branded companies that bring innovation to the snack and confectionery category, "we are finding many private label suppliers collaborating with retailers to develop truly new and unique product offerings."

Perkins recommends candy and snack companies look across their portfolios, determine the growth areas and align their resources accordingly. She points out that line extensions are typically focused in a few key areas: upgraded basics such as seasonings, less sodium, specific oils to produce unique health enhancements and flavor properties.

She adds that, in general, new products are playing on global trends, including health and wellness and premium flavor profiles. "Premium flavors could include signature flavors, ethnic flavors and other new directions such as combinations found in the salty snack category," Perkins says. "Upscale sweet treats also remain a strong trend and they cross borders. These are also often sold in unique packs that focus on the user experience and on convenience."

Packaging is another area of opportunity for innovation, sources report. One example is

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Saint Joseph's University

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Innovationedge, LLC

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Cadbury's Stride gum. Not only is it an improved product, the packaging changed the way other suppliers present their gum to consumers. In discussing the launch with Cadbury executives, their only regret was not anticipating the huge success of the brand. This led to some out-of-stock issues and manufacturing overtime costs, but overall the launch was game-changing for the gum sector.

Another potentially groundbreaking concept is called Flip Fresh, an example of package enhancement that not only brings consumer buzz, but similar to Stride's packaging, provides added functionality. In this case, the package keeps portions of the product fresh until consumption. This innovation could have dozens of applications including many in the salty snack category.

Gerry Gersovitz, the inventor and patent holder, says: "Consumers will always be drawn to products because of taste, but innovative, functional packaging will be both an initial attractor and a feature keeping them coming back for more. Nobody likes a stale potato chip. And nobody likes to waste product."

Consumer Insights Drive Business

Of course, before products get into the package, suppliers need the benefit of consumer insights, and once on-shelf, retailers need the right marketing programs. With the rise of social media, the opportunity for conversational insight is unlimited and some candy and snack companies have become leaders in not only leveraging online communities, but in developing them as well.

Reindel shares his perspective by adding to our definition of the new consumer. He suggests in the aggregate, they are "diverse, demanding and connected." Multiple communication channels have given consumers a greater and more engaged voice, which provides Daymon and its supplier partners much more actionable consumer insights. This includes a deeper understanding, not only of consumer lifestyles and values, but their real-time thoughts, emotions and behavioral drivers that influence purchases.

"Leveraging insights from social networks provides an enlightened understanding of consumer motivators during each step of their purchase decision journey (initial consideration, purchase and post-purchase). It also provides candid insight into the 'why' behind the purchase," he suggests.

"Category solutions and decisions are no longer based purely on sales data or historical trends, but on a true understanding of the drivers of consumer purchase behavior."

Insights lead to better marketing programs and new types of collaboration. An example of this is Hershey's summer promotion of its chocolate bars with Stop & Shop marshmallows and graham crackers.

Another project called Instant Combo Savings takes this approach to the next level by combining multiple national brands with non-competing complementary private label items. The consumer is given the private label product for free with the purchase of the national branded item.

Imagine Pringles combined with a retailer's private label mixed nuts offering. This type of occasion-based, in-store marketing initiative not only drives purchases, but also offers Pringles additional display space while providing free trial for the retailer's store brand nuts.

Although the recession has certainly impacted every category, including candy and snacks, there is a great deal of potential for growth that remains — especially as consumers still find the need to reward themselves.

Suppliers that focus on higher quality, potentially healthier ingredients as well as innovative packaging are bound to benefit.

We can also conclude that private label, as in other categories, will continue to make a push into the candy and salty snack categories. Competing not just on price, but on taste, quality and innovative package design as well.

With all of this potential, retailers and suppliers stocking private label will need to find innovative ways to promote their brands in-store to drive additional display locations, occasion-based marketing opportunities and trial. **CST**

CONTRIBUTOR INFO



John Boccuzzi, Jr. is the managing partner at Boccuzzi, LLC, with more than 18 years experience as a sales and marketing executive. Prior to founding the company, he served as CEO of Kenosia Corp., provider of demand data analytics for the consumer goods industry. He has consulted for major retailers and manufacturers including: General Mills Inc., GlaxoSmithKline plc, Procter & Gamble, Bacardi Ltd., Nestle USA, Inc. and Ahold. He can be reached at: (203) 364 8305 and John@boccuzzillc.com