

# GROCERY HEADQUARTERS

\$12

August 2009

**CENTER STORE**  
Innovation rules

**FOCUS ON FRESH**  
Kid-friendly  
produce

**SELLING WELLNESS**  
Wholesome snacking

**NONFOODS  
FOR PROFIT**  
A spark from batteries

**TECH SOLUTIONS**  
Tech trailblazers

**EQUIPMENT, DESIGN  
& OPERATIONS**  
New spin on  
roisseries

## For a good cause

Retailers and manufacturers step up their efforts to support charities in tough economic times.



# Snack attack!

BY CAROL RADICE

**A**T FIRST GLANCE IT MAY SEEM LIKE AN ANOMALY THAT CONSUMERS WHO ARE ATTRACTED TO NATURAL PRODUCTS WOULD ALSO BE OPEN TO SNACKING, but the reality is no matter how natural of a life one is trying to lead, most of us enjoy a treat once in a while.

“We live in a country of snackers,” says Mary Schulman, executive vice president for Bethesda, Md.-based Snikiddy. “Let’s face it, American consumers love to snack. At the same time, however, they are aware that many conventional options may not be the best choice.” As a result, she says many consumers are gravitating toward snacks that are better for them and a better fit with a healthy lifestyle.

“The concept of simple, wholesome real ingredients is something that resonates with shoppers today,” she says. “This means no added colors or preservatives and beyond that it is always nice to get an added benefit. Our cookies, for example, contain an added source of whole grains and are high in fiber. Our pasta happens to be gluten free, low in saturated fat and is low in calories. The unique appeal of natural snacks such as ours has attracted the attention of everyone from Safeway to Toys ‘R’ Us.”

Seeing a void in the marketplace, Schulman and her mother started the company, naming it after the childhood nickname given to her by classmates after a teacher remarked that her mother packed her healthy lunches because she was a persnickety eater. The kid version of the word—snikiddy—stuck. “As evidenced by growth trends, consumers want authentic, natural snack products from companies whose reason for being is to provide healthy options,” she says.

Experts say the overall rise in sales of indulgent products such as snacks, including bakery products, has helped spur sales of healthy snacks. “People want to feel better and they are looking to simple rewards such as bakery products,” says Tina Battistoni, marketing manager for Eagan, Minn.-based French Meadow Bakery, which has a global business alliance with Buffalo, N.Y.-based Rich Products Corp.

**Today’s natural chips, cookies and desserts appeal to consumers who want a great tasting snack and a healthy indulgence.**



“People may be scaling back on luxury purchases, but they are willing to spend money to treat themselves to a small indulgence. Increasingly, shoppers are also looking to purchase premium-quality, all-natural desserts when they entertain at home. We see a clear opportunity for retailers to capitalize on these trends.”



Industry officials say retailers should keep three things in mind—consumers are looking for delicious flavor, all-natural ingredients and an authentic company story. “At Kettle Foods, when it

comes to our chip line our goal is to deliver on all three of those points in addition to our commitment to sustainable business practices,” says Julie Dunmire, brand director for the Salem, Ore.-based company.

Taste is also a primary focus at Wakefield, Mass.-based Immaculate Baking, a better-for-you brand of refrigerated ready-to-bake dough products. “Although we’d all like to believe people are drawn to natural snacks due to their health benefits, the reality is taste is what really drives repeat sales,” explains CEO Paul Nardone. “We never lose sight of the fact that our products need to be healthier than other products in our category, but they also need to look and taste good,” he says.

### CONSUMERS ARE STILL SPENDING

Experts say the trend toward natural snacks is strong enough to withstand today’s economic pressures. “People may not be eating out as much, but as evidenced by our continued sales growth, they still want to indulge and are willing to spend money on premium treats,” he says. “At the same time, they are mindful of value and don’t want to feel guilty eating foods with artificial ingredients or overloaded with saturated fats or sugars. We realized when we created our line of products that it needed to taste better than anything already out there but without containing ingredients such as high-fructose corn syrup or trans fat.”

After doing some market research, Nardone says he realized there was an unmet need for cookies that were closer to what people make at home. “Consumers like to assemble meals, but many don’t have the time anymore to create things from scratch,” he says. “They want great tasting foods without artificial ingredients, but making it themselves is not always convenient.” He adds that the ability to participate in making these cookies with minimal effort helps to create an emotional connection with consumers and often evokes fond memories of childhood.

Another company that believes it is possible to marry the qualities of taste, convenience and health is Clinton, Mich.-based Eden Foods. “People don’t want to be afraid of the health repercussions of eating any food, let alone a snack,” says Sue Becker, vice president of marketing. “We are fortunate that as a family-owned, independent company rather than creating consumer-driven or shareholder-driven products, we can create healthy, nutritious, energy full snack products we’d like to eat ourselves.”

Becker says Eden searches out farmers with superior crops and then finds a way to bring the products to market. “For example, we decided to introduce pistachios into our lineup only after connecting with a farmer who had beautiful organic pistachios,” she says. “Our standards are very high and we do everything the hard way. Our snack line fits in with retailers who want to offer their customers high-end, healthy choices.”

For these reasons, Becker says Eden’s snack sales continue to rise. “The economy hasn’t affected our sales. Healthier salty snacks are growing at more than three times of the rate of indulgent snacks.”

### THE IMPORTANCE OF INNOVATION

Ramona Cappello, president and CEO of Los-Angeles-based Corazonas, says its chips are unique as they are made with plant sterols, which have been proven to lower cholesterol.

“We use only heart-healthy oils, plus other great ingredients like whole oats and whole grains for our tortilla chips and a frying process that helps our potato chips have 40% less fat than regular potato chips,” she says.

Cappello says consumers and retailers are clearly happy to find healthier snack options. “People are beginning to see they don’t have to compromise taste and are demanding more from their basic snacks such as higher fiber, low sodium, whole grains and more unique flavors today,” she says.

Officials at Lawrence, Mass.-based Ian’s Natural Foods note that while growth has slowed somewhat in comparison to last year, the company is still seeing strong interest. Ian’s offers a variety of natural and organic kid-oriented snacks, including cookies, crackers, yogurt bars and salty snacks. The company is about to launch a fruit snack line called Fruitabits, a crispy snack made with real fruit. The company’s core demographic group is kids ages 2 to 12 and their focus is on lunch box snacks—those items that mom buys at least once a week.

“Mom is our buyer, but kids are driving our new product innovation in terms of flavor profiles and product shapes,” says Clair Sidman, marketing manager for Ian’s. “She is trying to buy healthier snacks for her kids and is attracted to products free from artificial colors, flavors and preservatives, hydrogenated oil, refined sugars, hormones or antibiotics, bleached flour, less fat, etc. Mom wants to feel good about the snacks she buys and kids want the snack to be fun and great tasting.” Sidman adds that the company’s allergen-free line has also been well received. “For the first time kids with food allergies have products made specifically for them and that on the outside look like a normal.”

The York, Pa.-based Stauffer Biscuit Co., which has a full line of cookies and crackers, including an all-natural segment, is receiving a lot of interest for its innovative all-natural children’s cookies, which includes animal crackers and Googles cookies. Googles have no preservatives, artificial flavors, colors, or sweeteners. The cookies are a good source of calcium, contain no trans fat or cholesterol and are packaged in convenient





resealable bags that lock in freshness, company officials note.

“Our all-natural line of animal crackers as well as Googles are relatively new for us and we are still in the process of building distribution and increasing awareness, but overall we’ve been pleased with the initial response to date,” says Anna Sebastian, director of marketing.

Innovation is taking place in the chip segment as well. Last year, Kettle Foods was awarded the Grocery Manufacturers Association marketing award for its annual Kettle Brand People’s Choice campaign. “The original People’s Choice invited our fans to vote for the next Kettle Brand Potato Chip flavor and has evolved over the past five years,” says Dunmire. “For this year’s People’s Choice, now in progress, we’ve invited our fans to join us for the Kettle Brand Create-a-Chip Challenge. For the first time, we’ve created a limited-edition Create-a-Chip Kit which has everything chip-lovers need to make their own flavors using unseasoned chips and blends of all natural seasonings.” Fans can then share their recipes online at [www.kettlechipchallenge.com](http://www.kettlechipchallenge.com).

In September, the company will announce the newest Kettle Brand Potato Chip flavor, inspired by fans’ recipes and the new flavor is expected in stores in early 2010.

Immaculate Baking is about to dip its toe into the seasonal cookie dough segment with the addition of two new flavors launching this fall—chocolate peppermint made with peppermint bark candy and gingerbread spice made with real ginger, clove and molasses. Nardone notes the company will also be debuting refrigerated dough with peanuts, caramel and milk chocolate at this year’s Expo East.

Battistoni at French Meadow describes her company’s diverse line of products as “all-natural-plus desserts.” Many are made using organic ingredients and in some cases their desserts offer enhanced nutritional benefits. For example, its hemp brownies are high in Omegas. The company also has a line of gluten-free snacks and desserts. “We created a wide range of individually packaged snacks that are all natural and extremely indulgent including dessert bars, bites and cakes as well as brownies, cookies, cupcakes and mini cakes,” Battistoni says. She adds that people tend to feel less guilty about eating a bite-sized snack than a full dessert.

Looking forward, Battistoni says the company will be focusing on synchronizing on-trend flavors and ingredients with individual and bite-size packaging and potentially infusing more enhanced functional benefits.

Officials at Eden note their snack line fits in with retailers who want to offer customers high-end healthy choices. Becker says she aware a lot of companies are focusing on smaller, individual size portions, but believes making a product with a few servings and packaging it in resealable bags is more in line with how consumers snack. “We feel this format better promotes a grab and go healthy snacking option,” says Becker, noting that aside from snacking, consumers are using dried fruits and nuts as an ingredient in meals, salads or baking.

This summer Snikiddy expanded its all-natural puffs snack line with the addition of a Nacho Cheese flavor. Schulman describes the snack as having a fun, bold Southwest flavor that appeals to a wide range of people, adding



that it is cholesterol free, low in saturated fat and only 120 calories per serving. “We get a lot of consumer data from our website and what we’re seeing is parents often buy our natural snacks for the whole family, including themselves,” she says.

Store layout and consumer shopping habits play a key role in determining placement, according to Schulman. Since most people who purchase natural food also purchase produce, Schulman suggests grocers consider placing their natural snack set near produce. “Wegmans does a fantastic job in routing their customers from the produce aisle right into the store-within-a-store natural set,” she says. Schulman sees an opportunity for natural snacks to be integrated in the future as consumers become more educated.

Officials at Eden feel the opposite is true in terms of the best placement for their products. Becker encourages retailers not to include Eden’s snacks in the natural aisle because it limits who sees the section. “Retailers who merchandise Eden snacks in the mainstream snack aisle have been very please with the turns they are experiencing. We’re all for consumers being given choices and feel it would be appropriate for our products to be featured next to conventional counterparts.”

Sebastian suggests that Eden’s natural products be displayed adjacent to their core animal crackers and cookies because the consumer views them as mainstream. Stocking a range of sizes is also crucial she says.

For officials at Ian’s, product placement preference is in a store-within-a-store natural set. “Moms consider this area a safe zone and know anything their kids will pick up here she will be OK with buying. Instead of saying ‘you can’t have that’ she can say without hesitation to their kids that they can pick out their own choices,” says Sidman.

## GAINING MORE SPACE

Considering the recent growth rate of healthier snacks, Cappello is among those who would like to see retailers enlarge the linear footage dedicated to this segment. “There is a clear opportunity for retailers to get into this in a big way and become a destination for healthier snacks, but to do so may mean dedicating more space,” she says. “To date, our experience has been very positive working with grocery retailers.”

Retailers, she adds, have also been open to exploring cross-merchandising promotions between Corazonas and the pharmacy department. “Safeway recently ran a chainwide pharmacy tie-in promotion which was very successful,” she says. “They put up a shipper of our one-ounce bags in the pharmacy department and the pharmacist mentioned our product to patients who had heart disease or related health issues.”

Initially some of their accounts first brought their products into stores through the traditional snack buyer, but increasingly these same retailers are moving Corazona’s snacks into a natural set across from the traditional chip offerings. “While we may experience a few transitional bumps during this process, the underlying message to me in all this is that many retailers are now viewing natural as mainstream and that can only be a good thing,” Cappello says. □