

Marketing Scenario

Food Science Career Development Event – 2013

Memorandum

TO: Product Development Group
FROM: Market Research & Opportunity Group
SUBJECT: Meeting market needs for a non-nut snack bar for retail sale

TASK: Using the materials, ingredients, pricing, and nutritional information provided, design a non-nut snack bar.

Let's face it, for most of us, the line between meals and snacks is blurring. The *AARP Bulletin*, a publication of the AARP (formerly known as the American Association of Retired Persons), recently reported that around 97% of American adults snack between meals. While Americans used to get their calories from three square meals per day, Wixon Director of Marketing Kim Holman has suggested that "a portion of the population has stopped eating three meals a day and gone to five small snacks, which has huge implications for the food and beverage industry." Recent statistics indicate that nearly half (48%) of all adult eating occurs between meals. Gary Stibel, Chief Executive of New England Consulting Group, went so far as to say, "Snacking is a long-term trend and the future of eating. You and I will continue to snack more and sit down to a meal less." Kraft Foods Vice President of Immediate Consumption Jill Manchester has said it is expected that growth in people snacking is expected to rise an additional 18% by 2018.

Several major studies support such notions. Purdue University Professor of Food and Nutrition Dr. Richard Mattes noted that between 1997 and 2006, snacking in the American diet grew to constitute "a full eating event," or a fourth meal, averaging approximately 580 calories per day. Results of an ongoing national "What We Eat In America" survey conducted by researchers with the USDA's Food Surveys Research group evaluating the snacking habits of 5,000 adults aged 20 and older showed a sizable chunk of our daily calories continue to come from serial snacking during the day. Specific findings from the study indicate that one-third of our daily calories (32% for women, 31% for men) come from snacks. Unfortunately, the study also showed that women are consuming an average of 624 empty calories per day from solid fats and sweeteners, and men are consuming an average of 923 empty calories per day.

While some of this may sound like bad news for those trying to maintain both healthy eating habits and healthy body mass indexes, Dr. G. Harvey Anderson from the Department of Nutritional Sciences at the University of Toronto pointed out that, in general, snacking has not been linked to

weight gain. According to Anderson, “The literature does not support the intuitive notion that increased consumption of snack foods is an independent cause of obesity. In fact, for some age groups such as young children and older adults, foods consumed outside a meal are important sources of energy.”

This is all good news for snack food manufacturers as snacking between meals creates more eating opportunities. A recent report by Rabobank pointed to the success of the snack market, especially the snack bar, during the last two recessions. During the last decade, the U.S. snack bar market has grown at twice the rate of other snack foods and nearly three times the rate of the overall packaged food sector. More specifically, the packaged snack food segment has experienced a modest 2.4% annual growth and the savory snack market, including chips and pretzels, has seen an annual growth of 3.5%; however, the snack bar market has averaged an amazing 6.4% growth annually. In total, the U.S. market for snack bars has almost doubled to almost \$6 billion over the past decade, a bright spot in the snack food industry.

According Dr. Diane Morris, President of Mainstream Nutrition, consumer behavior has led to four major food trends: taste, convenience, health, and “entertainment.” Diane Toops recently wrote in an article in *Food Processing* that, “less expensive than meal options, snacks offer the convenience consumers seek,...buyers are willing to grab them and go to satisfy their immediate snack craving.” When asked about the health aspect of new products, Innova Market Insights Research Manager Lu Ann Williams noted, “nearly 60% of snack launches recorded by Innova Market Insights in 2011 had a health positioning of some kind.” Toops also noted consumer trends focusing on healthier, yet flavorful snacks. These trends, especially toward greater convenience and health, show no sign of waning and will drive overall snack bar consumption.

Several factors, including portability and appeal to a wide range of audiences, are contributing to the overall success of the snack bar category. Five major target populations have emerged in the snack bar market: high-performance athletes, health conscious individuals, active women, active children, and on-the-go individuals. Recent studies show three in every five adults report regular consumption of cereal, snack, and/or energy bars and non-users report being put off by poor value and health credentials. Manchester identified 20 to 34 year olds as “the leading edge” for the snack bar segment as they are in search of items that are easily portable and the remaining segment as children through age 19 who are “the first generation that will grow up with better-for-you snacking” which is a natural eating pattern for them.

Keeping all of this in mind, we see an opportunity to capture a significant piece of the snack bar market by focusing on two important goals --- a simplified ingredient deck and great taste. Consumers are paying closer attention to food quality claims and are seeking “real food” options as opposed to highly processed food choices. We recognize there are already numerous options for consumers with respect to snack bars; however, we see a need to produce and market a product that will provide consumers with a better-for-you snack option that meets their needs in terms of taste, convenience, and health while reducing the number of empty calories they are consuming. We believe we can accomplish this by producing a portable, natural, better-for-you product consisting of a limited number of ingredients that yields a cleaner label than options currently produced by many of our competitors.

Your challenge is to develop a non-nut snack bar for individual retail sale using ingredients provided in the ingredient list. Looking at the overall market and consumer behavioral characteristics, we believe we are best positioned to reach both the health-conscious and on-the-go individuals aged 20 to 34 as our target populations. It is fair to assume that our product should appeal to both male and female consumers. Our preliminary research indicates that the serving size of 1 bar should be between 40 and 48 grams. Be sure to provide an exact formulation of your product including weights for each of the ingredients you select.

Your team should determine a catchy name, design marketing panels for your selected packaging, develop an accurate nutrition panel, and create an appropriate ingredients statement. We recognize that the nutritional label will have to be developed by the graphics design department. So, for your initial presentation of the product you develop, you may prepare a separate nutrition label on the provided poster board instead of attaching it directly to the product; however, be sure to bring your larger nutrition label to your presentation. Your principal display area must still be affixed to whichever packaging option you select. Be sure to clearly identify key processes for production and quality control within your production plan. Your team must package the product using the packaging option of your choice and identify the price point for selling the item. You must be able to make a minimum profit of 50% and include at least 75% mark-up to account for production, marketing, brokerage and distributions costs.

We are eager to see the product you develop and are looking forward to hearing your full report. Any work you produce should be done on the blue scratch paper provided, and this **MUST** be brought with you to the oral presentation.

GOOD LUCK!