



A staple of salty snack sets, pretzels have been reinvigorated by novel flavor introductions and the segment's health attributes.

Health, Flavor Trends Driving Sector

WITH HOUSEHOLD PENETRATION exceeding 90 percent for salty snacks generally, and 55 percent for pretzels in particular, the market is poised for future growth, according to research from Packaged Facts.

As a result, the segment grew 4.3 percent in the past 52 weeks, reports Eric Johnson, senior director, branded bakery for Snyder's-Lance, Inc. He says key drivers of this growth include the overall healthy nature of the products and strong flavor introductions.

"Pretzels are the most versatile product across the snacking category," Johnson notes, explaining that consumers can find items in the segment to meet any need.

Scott Green, Pretzels Inc. vice-president of sales and marketing, says the segment is among the growth drivers for the salty snacks category, adding: "Although the northeast consumes more pretzels than most areas, we are

seeing growth in the west and in other countries."

While pretzels have always sold better in the Mid-Atlantic states, according to Karl Brown, president of Pretzel Pete, Inc., there has been more acceptance of pretzels on a national scale than there was five to 10 years ago. "Historically, for the rest of the country, pretzels were a niche item. Now they have mainstream acceptance," he notes.

Brown explains the strong regionalism was a result of the large population of German, Austrian and Swiss immigrants in the east who carried the pretzel tradition with them from the old country.

Packaged Facts confirms this regionality, reporting that in the northeast 32 percent of residents eat "large volumes of pretzels," compared with 26 percent in the central region, 17 percent in the southwest and 14 percent along the Pacific coast.

"Outside of the Mid-Atlantic pretzels were considered bland products that didn't offer any exciting taste profiles," Brown adds, explaining this stigma has been lifted in recent years by three factors.

First, he says, the upward mobility of consumers has extended regional trends nationwide. Second, the segment as a whole has moved in a number of directions that meet consumer trends, such as gluten-free and fashionable seasoning profiles. "There are a lot



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SOURCE: PACKAGED FACTS

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of pretzel varieties now that didn't exist five or 10 years ago," Brown adds.

Finally, shoppers seeking healthier options have also helped lift the segment, as pretzels are intrinsically lower in fat and calories per serving than other salty snacks.

"It's the perfect storm of innovation with a halo effect of being a healthier snacking option," he concludes.

SALES BOOSTING FLAVORS

Considering items that entered the market during the past 10 to 15 years, Daryl Thomas, senior vice-president of sales & marketing for Herr Foods, Inc., says factors such as new pretzel pieces and shapes as well as ingredients such as whole grains have helped lift and expand the market.

"Certainly traditional forms of pretzels appeal to traditional consumers, but a lot of the new flavors have opened the market to younger consumers," he explains, adding that items such as filled pretzels and flat, chip-esque formats are also helping invigorate sales.

Snyder's Johnson adds that in addition to drawing new consumers into the sector, flavored pieces are the impetus for much of the segment's growth, as seasoned products have increased sales seven to eight percent during the past year.

Concerning flavors, Pretzel Pete's Brown says the segment falls in line with many of the category's wider trends, such as sweet, salty and spicy.

"Consumers are interested in diverse flavor combinations that don't necessarily encompass traditional profiles," he explains, noting the company has been seeing big interest in combinations such as cheddar and ale, Parmesan cheese and garlic, and sour cream and habaero.

"These combinations introduce an element of surprise for consumers, a 'How did they do

that?' experience," Brown says. "As a result, we are constantly looking at flavor profiles and how we can offer interesting blends."

He adds salty and sweet items are beginning to garner more attention, noting the segment helped introduce the trend long ago with chocolate-covered pretzels. "Other snack bases are getting into sweet and salty combinations — those are micro trends, though," he explains. "Overall, it's a question of pushing flavor boundaries and introducing different possibilities."

And the room to innovate is wide open as everything from ranch and buffalo wing flavors to milder savory profiles are hitting the market, Thomas says.

Yet, while new flavors are driving the market, Johnson says honey mustard and onion is by far the most popular still. "The leadership in honey mustard and onion is consistent," he adds.



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Pretzel Pete, Inc.

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In addition to driving trial and capturing consumers' attention, Pretzel Pete's Brown says flavors help build loyalty, noting this adds to the sector's already high level of shopper allegiance.

"We see consumers latch on to a particular brand, flavor or format that works for them. If they really enjoy a Bavarian-style pretzel, then that is all they'll eat. Only in rare circumstances would they pick up, say, a mini pretzel item."

He explains product thickness might have



something to do with the format loyalty, explaining: "It's about mouthfeel. Consumers will find a size that they like to eat and other thicknesses just won't work for them."

LEVERAGING HEALTH TRENDS

As mentioned, pretzels provide a lower fat and calorie option compared with other salty snacks, but that isn't the only health aspect the product is leveraging.

"As Americans become increasingly health conscious and focused on calories and fat, pretzels have a leg up as a baked product," notes Brown.

Mintel Group Ltd. finds the segment is pushing hard to position health attributes, as the most popular product claims in recent years have been of the better-for-you variety. Leading the way has been low, no and reduced fat; no additives or preservatives; and all natural.

In addition, Snyder's Johnson notes pretzels making gluten-free claims grew sales 18 to 20 percent in the past year, adding the company has doubled its own gluten-free business in the same time frame.

POSITIONING FOR RETAIL SUCCESS

While health and innovation are drawing consumers into the segment, the value proposition the sector offers keeps them coming back.

"For consumers, the cost per ounce for pretzels is less than that for potato or tortilla chips," Thomas says. He explains this is partially because of the lower cost of raw ingredients.

The sector has a fairly narrow pricing range, according to Brown. "But you can break out of that by adding value, such as seasonings or using organic ingredients," he gives as examples. "When you add value there is more flexibility in pricing."

Concerning price, 86 percent of consumers say it is the most important factor when making purchasing decisions, according to Mintel, followed by special offers and promotional pricing.

Johnson notes the average price ranges between \$2.99 and \$3.99, depending on pack size. He adds that private label products have become more aggressive in the past two years, resulting in increased use of promotion and pricing tactics across manufacturers.

Mintel reports private label items currently make up 15 percent of pretzel sales, the largest store brand representation of any snacking sector.

To improve the segment's performance, manufacturers are working on developing new merchandising solutions as well as adjacencies with other product categories.

Pretzel Pete offers a number of display options, including pallet programs, clip strips and display racks, but Brown says floor shippers are the most popular because of their turnkey nature.

"Our programs don't require complicated setup, and once it sells through the display, it's easy to dispose of," he explains. "Plus it can literally go anywhere in the store, so it's an opportunity to make incremental sales without displacing another item."

Johnson adds that while pretzels are a core salty snack sector, and should be merchandised along with similar items, entertainment sections offer an area of growth as does joint merchandising with chocolates, beer, deli counters, spreads and carbonated soft drinks.

For retailers looking to build impressive displays, Thomas says barrel packs are good options. "Retailers can stack them and that gives them a lot of latitude as to where they can merchandise," he explains, adding: "Plus it makes for impressive-looking displays."

"Retailers should respond to consumer interest by stocking and merchandising pretzels," Thomas says. "You couldn't have a successful snack offering without the sector being included." **CST**



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