

NACS Magazine

Category Close-Up: Packaged Sweet Snacks - The Sweet Sell of Success

By Sarah Hamaker

While packaged sweet snacks have not registered a big jump in sales in recent months, the category has seen a slow but steady increase in sales since November 2009, according to NACS State of the Industry data. Back then, the average sales of packaged sweet snacks per store per month hit \$1,585. That figure dipped to \$1,429 in February 2010 before climbing to \$1,728 in May 2010.

Henry Colley, vice president of retail operations for Sprint Food Stores Inc., in Augusta, Georgia, supports NACS data with his comments; "Packaged sweet snacks have risen about 1.5 percent in terms of dollars at our 12 locations," he said, adding that some of the increase is probably attributable to price hikes.

Mixed Reports

Overall, the packaged sweet snacks category grew 5.22 percent from 2008 to 2009 in terms of gross margin percentage, according to the *NACS State of the Industry Report of 2009 Data*.



Manufacturers also paint a positive picture of packaged sweet snacks sales. "We have seen strong growth in the category lately," said Andy Axelrod, president of Love and Quiches Desserts.

"Sales are going really well right now for bakery," agreed Catherine Porter, senior customer marketing manager for convenience stores for Sara Lee. "The latest numbers through August are showing really strong category growth, especially for cinnamon rolls, muffins and cakes."

In terms of dollar sales, total sweet snacks advanced 2 percent for the 52-week period ending October 3, according to SymphonyIRI data. That growth was driven in part by an acceleration in sales — a 2.9 percent jump — during the 26 weeks before. "This trend shows continued momentum toward consumers eating more indulgent items, fulfilling their savoring occasions," said Kathy Kemmet, director of new product development, immediate consumption channel for Kraft Foods.

However, not everyone paints a rosy view of the category's sales. "Sales have been about the same for us in the packaged sweet snack category," said Carl Hitt Jr., director of retail for Wi-Not Stop, which has 11 convenience stores in Virginia.

Wi-Not Stop makes its own packaged sweet snacks items and has seen a small bump in sales of those products. Hitt attributes the increase to people looking for value and their private-label brand offers "basically the same product" but at a lower price-point.

"In convenience stores, over the last quarter, the packaged sweet baked goods category was flat on retail dollar sales," said Chuck Engle, vice president of national accounts for Hostess Brands Inc.

Occasional Indulgence

Packaged sweet snacks appeal to consumers partly because of the promise of an affordable luxury. "Recently, we've been seeing a renewed focus on more indulgent snacks that deliver on quality and taste," said Jeff Blalock, vice president of sales at Flowers Bakeries.

"This may be due to the tough economy. When times are tough, people seek out affordable indulgences. That's a bit different from what we've seen in the recent past, when there was a surge in demand for better-for-you sweet snacks. While there is still demand for healthier snacks, health-conscious consumers are now also looking for the occasional indulgence," said Blalock. Flowers will be focusing attention on developing more indulgent snacks in 2011 to meet this need.

"Sales of the heavy sugar products have not slowed down any," said Colley. One reason could be that consumers are willing to pay a premium price for quality baked goods as a way to pamper themselves.

"I think we will continue to see more premium packaged baked goods on the shelf," said Axelrod. "People are willing to pay a premium for a quality treat that offers 'home-baked goodness.'"

Latin Flavor

Several packaged sweet snack trends can be traced to the growing influence of Hispanic consumers.

"We've had to bring in more Hispanic-type sweet snacks to accommodate our changing client base," said Hitt of Wi-Not Stop's packaged sweet snack category. "For example, we've added conchas, which is like a big sweet roll, and different types of sweet breads."

Latinos also have brought different flavor combinations to the packaged sweet snack category. "Because of the Hispanic influx nationwide, we've seen more requests for more tropical flavors," said Al Cason, vice president and COO for Bud's Best Cookies Inc. Latin-based fruit flavors include orange-mango, pineapple and guava.

Packing More Punch

Cookies and cakes have added more ingredients to their recipes, with nuts or candies within baked goods. "Within cookies, there has been a shift to indulgent, candy-like attributes," said Kemmet. The shift is partly due to consumer interest in combinations of flavors within one baked-good product.

"We're seeing more inclusions, such as adding marshmallow bits, caramel and chocolate to bars, cookies and cakes in order to differentiate the products," said Joe Crane, operations manager for Choice Foods.

A Little Taste

Just as restaurants have exploited the small plate trend, packaged sweet snack suppliers have also begun shrinking their products to give customers a single tiny bit of sweetness at a time. "We're noticing individual portions are becoming a big trend in the category," said Axelrod. "Packaged desserts will start to see delectable desserts in a mini, on-the-go form."

Wi-Not has started selling little pound and marble cakes, which have proven quite popular. "These are more individual, a more immediate-consumption size," said Hitt.

Eye Candy

Because the packaged sweet snack category relies heavily on impulse buys, manufacturers have begun to pay more attention to packaging in an effort to boost sales. "Today, we're also seeing more exciting packaging with bolder graphics. Again, because snacks are impulse items, it's important to have eye-catching packaging and point-of-purchase displays," said Blalock.

Sara Lee recently updated its packaging to grab more consumer attention. Packaging now promotes "made with real fruit" on products. "We've featured claims that resonate with consumers to bring attention to the category and products," said Porter.

Morning Sweetness

Early 2010 saw an interesting bump in the morning daypart for sweet snacks, although more recent data shifted growth back to its traditional evening snack time. Porter attributed the sales jump in the breakfast hours to an increase in consumer interest in comfort foods during winter months.

Overall, Sara Lee views the morning daypart as a golden opportunity for convenience stores to push their packaged sweet snacks. And at Sprint Food Stores, honey buns and mini donuts dominate sales in the morning hours.



"We see consumption of breakfast occasion products like muffins and coffee cakes on the rise as adults look for convenient breakfast favorites that are portable, satisfy a craving and get the day off to a fast start," said Engle of Hostess. In July, Hostess debuted its line of Hostess Breakfast Classics, which includes Danishes, muffins, cinnamon rolls and honey buns, to help spark morning sales.

"Convenience and portability continue to be key drivers in the sweet baked goods category, especially in the morning daypart, when consumers are time crunched and are turning more frequently to convenience stores for their breakfast solution," said Engle.

Finding a Sweet Mate

Bundling packaged sweet snacks with other products, such as drinks and meal packages, can positively affect category sales. "The ability to pair sweet baked goods with hot and cold beverages will also be key to driving incremental sales and consumer satisfaction," said Engle.

Wi-Not has a bundling program that joins packaged sweet snacks with beverages. "People are looking for value," said Hitt. "We try to do combos with coffee and a drink, which seems to do well in our stores."

Sara Lee sees a lot of potential in bundling packaged sweet snacks with foodservice items. "One of the things that we've been doing with our customers to help them capitalize on this opportunity is to offer them turnkey promotional tools against the product line," said Porter. "For example, we're offering a merchandising and promotional opportunity for a four-ounce muffin with small coffee bundle. We also have a cinnamon roll and cappuccino snack bundle."

A Sweet Future

With sales trending up and innovative promotional opportunities expanding, the packaged sweet snack category's best days may still be ahead. "We believe that great taste, variety, convenience and portability to satisfy immediate consumption needs will continue to be key drivers in the convenience category," said Engle.

"Consumers crave indulgent, decadent snacks that satisfy their sweet tooth and can be eaten on the go, and convenience stores make it so easy for consumers to stop and grab that on-the-go snack cake for breakfast or anytime," said Blalock.

Retailers who view the category as a point of differentiation could find sweet success. "Convenience stores can build their sweet snacks sales by combining them with other foodservice solutions, such as muffins with coffee, or cake slices and loafs for that perfect dessert with the hot dog, chips and soda bundle," said Porter. "Convenience stores can create that whole daypart solution to bring consumer attention to that category throughout the day."

With plenty of variety and the convenience factor, packaged sweet snacks occupy a "very good place," in convenience stores, said Colley. "Convenience stores have an edge over fast-food restaurants and grocery stores in this category because we have the variety and the ability to give instant satisfaction with our quick and fast format."

Sarah Hamaker is a freelance writer based in Fairfax, Virginia. She's also a NACS Magazine and NACS Daily contributing writer.