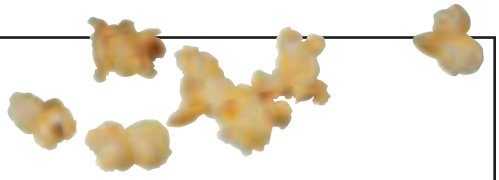


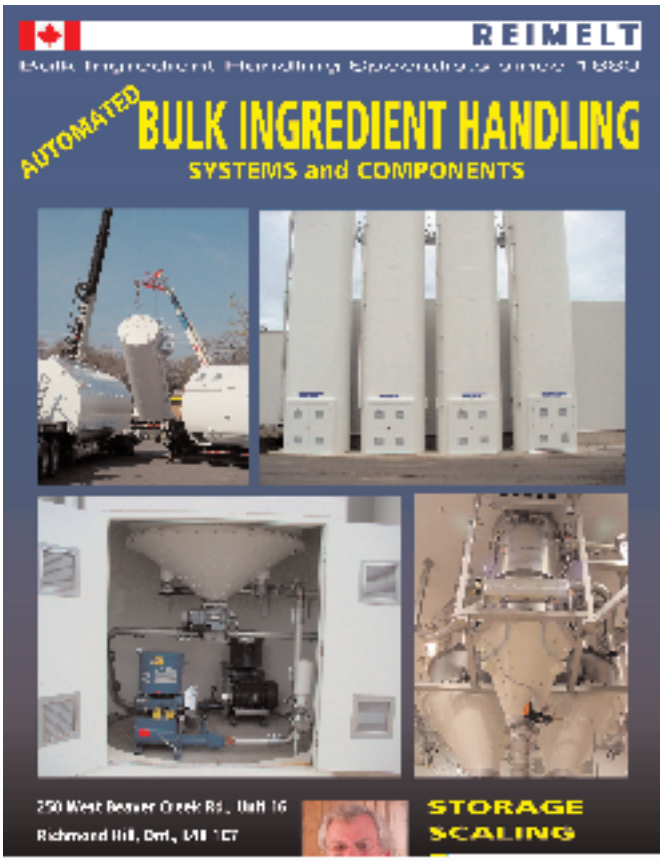
A NEW CRUNCH

Snack food players step up to the plate with bolder flavour choices and smaller grab-and-go sizes to satisfy consumer cravings

BY DAVID KOSUB

Doubtless movie mogul Cecil B. DeMille would not have been amused. His sprawling cinematic masterpiece *Cleopatra* compared to the humble potato chip? Jack Pong chuckles mischievously. A lover of analogies, the owner and president of Toronto-based Snackie Jacks (a soy snack chip) can't resist making the comparison, because in one key respect the Hollywood blockbuster bears a striking resemblance to the potato chip industry.

"In the past, *The Ten Commandments* and *Gone with the Wind* could run for twelve months, no problem. But today North American moviemakers cannot satisfy customers with one type of movie. It has



to be something different, because people's tastes in movies keep changing." We could hardly have expected the potato chip to do less than evolve along with other tastes, adds Pong.

Consumers want variety and in recent years have seen the potato chip industry explode with every possible flavour – from bonafide winners like sour cream and onion, salt and vinegar, ketchup and nacho cheese to more dubious recent entrants to the marketplace like octopus and cuttle fish flavour chips. It's all about experimentation, says Pong, and providing consumers with choice.

Frito Lay Canada marketing manager Jason McDonnell agrees. "There are products and flavours in the marketplace that consumers would never have thought of trying three, four, five years ago. The consumer palette is ever changing and the potato chip portfolio is just one element of that changing palette."

Despite a one per cent slip in annual unit sales over 2002, ACNielsen says potato chips still account for $454 million in sales – or 66 per cent of all salty snack sales. Those are the kinds of figures that Kim McKinnon, vice-president of the Canadian Council of Grocery Distributors, pays close attention to. Canada's grocers represent 80 per cent of snack food sales and much of the potato chip's continued success, she says, can be traced to new consumer demand.

"It's all about segmenting the market and offering different products to meet different needs that are emerging out there. For example, the ethnic changes and the aging population. These are helping to drive greater variety."

SNACK FOOD CHOICES BROADEN

And not just a broader variety of flavours, but of snack food products themselves. In 2003, ACNielsen reported 10 per cent increases in annual unit sales growth for both corn chips and party mix. Prepackaged-shelled nuts enjoyed a 12 per cent increase in the same sales category, while energy bars and drinks shot up 25 per cent over 2002. "When you look at what's hot and what's not," says McKinnon, "energy bars and nutritious snacks are definitely high growth items in stores." McKinnon is even more impressed by the performance of pretzels, up a whopping 59 per cent in annual unit sales growth.

These items are still a long way from overthrowing the potato chip as the dominant snack food in Canada or anywhere else, cautions the president of the Canadian Snack Foods Association, Kent Hawkins. Hawkins' own company produces a single product, the highly successful Cheezies all-Canadian cheddar cheese sticks. The trick to the Cheezies' success story, says Hawkins, has been to resist the trend toward change and keep the product simple. And while not rejecting the notion of some day adding flavours to his product, finding "a point of difference" between old and new products is no easy matter. Retailers, too, are often reluctant to make way for a new product.

"We know cheddar sells and to add new flavours and to do that well we'd want retailers to take a competitor out, but that might not always be possible. They might say, 'Well, what

weights appear to be getting smaller, too, adds Hawkins, in an apparent effort by some manufacturers to offset higher ingredient costs.

"If someone goes from 250 grams to 200 grams obviously that's a way to absorb a cost increase, if you can get away with it. Or you could go the other way, i.e. trading up to a larger weight for a higher dollar yield."

Not to be outdone by Frito Lay, Jack Pong will introduce a new flavour to his line of soy chips in 2004 – Plain and Simple, a natural unflavoured chip aimed directly at health conscious consumers in California and British Columbia. Pong takes credit for having introduced the soy chip to North America in the early '90s while working for Soy King Ltd. of Australia. When the FDA announced two years ago that consumers would benefit by 6.25 grams of soy protein per serving, Pong suggested that Soy King increase its soy content to the recommended level and capture a larger share of the health food market. Soy King wasn't interested.

Salty Snacks – National All Channel* Sales – 52 Weeks to November 1, 2003

Category	Dollar Sales	Annual Dollar Sales Growth or Decline	Unit Sales	Annual Unit Sales Growth or Decline
Potato Chips	$454,156,810	+2%	46,094,743	-1%
Corn Chips	$17,288,048	+25%	963,300	+10%
Pretzels	$30,276,604	+14%	1,354,329	+59%
Party Mix	$70,650,829	+10%	3,983,656	+10%
Popped Corn	$11,253,568	+3%	1,183,579	-3%
Microwave Popping Corn	$109,569,139	+7%	32,567,709	+2%

*All Channel can include sales made through Grocery + Drug + Mass Merchandisers + General Merchandisers + Warehouse Clubs as available per category
Source: ACNielsen, MarketTrack, National All Channel, 52 Weeks to November 1, 2003

"I said 'Okay, I am the pioneer, I broke down the market. Now I want to be a settler and get the land.' And so I worked with my good friend, who's a designer and also a good copywriter, and we came out with Snackie Jacks, which is fun, healthy, user friendly."

In 2003, Pong made another decision – to switch from canola oil to sunflower oil and market this as one more reason health conscious consumers should choose his product over the competition's. He admits the additional expense of the sunflower oil gave him pause, but again searches among his favourite movies for an analogy.

"The director of the *Titanic* almost went bankrupt. He wanted to make a good movie and so he blew his budget. Rupert Murdock said 'Okay, I can give you more money. Go out and make the best movie you can.'" You don't make the best soy chip you can, says Pong, by coupling a high quality soy protein with a lower quality oil.

Hawkins echoes Pong's belief that quality, not the number of products or flavours that can be generated, will help operations like theirs compete with the bigger players. As yet, high quality health food snacks may account for mostly single digit growth over other snack foods in Canada, but that, says Hawkins, is bound to change.

"I'd say going forward the big things happening now in the industry are steps to reduce or eliminate trans fats and to provide nutritional labelling. These are things we're looking at because we know the consumer's going to be looking at them."

David Kosub is a Victoria-based freelance writer.