



NEW PRODUCT COMPETITION 2018 CHALLENGE: DEVELOP A DAIRY-BASED SNACK THAT ANSWERS THE EVOLVING NEEDS OF TODAY'S SNACKING CONSUMER



August, 2017

* The statements made and information provided in the current and subsequent slides are based on consumer insights and cannot be used to make product claims. Claims must be truthful and not misleading, supported by scientific data and aligned with regulations in the current marketing environment.

DISCLAIMER

THE USE OF BRANDS AND IMAGES OF BRANDED PRODUCTS IS INTENDED ONLY TO PROVIDE EXAMPLES OF CONCEPTS BEING DISCUSSED, AND DOES NOT IMPLY ENDORSEMENT OF ANY BRAND OR PRODUCT

SHIFTS IN OUR LIFESTYLES, EATING CULTURE, AND FOOD VALUES HAVE LED TO CHANGES IN OUR UNDERSTANDING OF THE ROLE, REACH, AND PURPOSES OF SNACKING

Key Shifts Affecting Snacking:

- Upending of traditional, daily food rituals
- Changing wellness & culinary trends
- Growing accessibility to food and food types

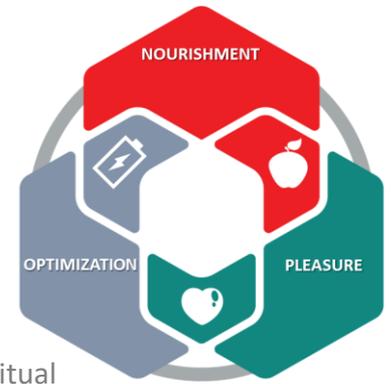
“Everyone eats so differently these days. That’s why it’s kinda confusing, because to a lot of people now, breakfast is just a slice of toast, a cup of coffee, and maybe a fruit on the way out the door. But to me those are snacks.” —Audie (49)

Past and Traditional		Emerging and Future		
Values	Home as Epicenter of Food Management: Industrially Processed Food Delivers Reliable Convenience	Wellness-Driven Shift in Food Values	Fresh & Real Defines Quality	Fresh, Global, Experiential Take Prominence
Role of Snacking/Meals	<ul style="list-style-type: none"> - Snacking is infrequent - Meals are central and drive eating 	<ul style="list-style-type: none"> - Snacks become a shared pastime – diversion, fun, fill-in to meals 	<ul style="list-style-type: none"> - Moralistic management of snacking as consciousness of fat/salt/sugar - Cracks in the dominance of meals 	<ul style="list-style-type: none"> - Snacks increasingly fluid, undefined, and ubiquitous - Meals at times displaced by snacks though still valued
	<ul style="list-style-type: none"> • Snacks are for kids – treat only 	<ul style="list-style-type: none"> • Snacks become compatible with and enablers of wellness 		

Source: The Hartman Group, *The Future of Snacking* - 2016

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MODERN SNACKING FRAMEWORK ORGANIZES AROUND 3 KEY DRIVERS: NOURISHMENT, OPTIMIZATION AND PLEASURE



NOURISHMENT : 56% of snacking occasions reflect some need for daily sustenance, long-term wellness, or health management



- **Hunger Abatement:** Bridge meals and prevent the distraction of hunger pangs
- **Hydration Management:** Reaction to “thirst trigger”; but increasingly proactive and habitual
- **Sustained Energy:** Proactively snack to maintain one’s reserves to meet the demands of life
- **Condition Management:** Provide structure intended to help consumers manage health/diet

PLEASURE: 49% of Snacking fulfills emotional desires for enjoyment, craving and comfort



- **Comfort & Craving:** Physical experience and/or emotional gratification of experiencing desired tastes and textures
- **Indulgence & Reward:** “Treating” and self-care, delight on the palate, and celebration of big or small achievements
- **Variety:** Diversity of flavor and texture that keeps eating and drinking interesting
- **Discovery:** Food exploration into food types, provenances, preparation methods, food purveyors, & new products

OPTIMIZATION: 34% of all snacking occasions reflect need to fulfill physical and mental performance demands



- **Quick Energy:** Bring energy back to one’s baseline or even provide an extra boost of strength and vitality
- **Recovery & Rejuvenation:** Restore equilibrium by recovering lost nutrients, fluids, and depleted energy levels
- **Mental Focus:** Perform at a high level cognitively, or simply “be present” while engaging in life, work & play
- **Stress Management:** Relief of systemic imbalances and a chronic state of stress and fatigue

Source: The Hartman Group, The Future of Snacking - 2016

ONE THING THAT ALMOST ALL CONSUMERS AGREE UPON IS TASTE IS PARAMOUNT - 96% OF CONSUMERS SAY THEY CHOOSE SNACKS BASED ON TASTES THEY WILL ENJOY Source: IRI Report; 2017 State of the Snack Food Industry



NOURISHMENT: DISTINCTION BETWEEN “EMPTY” VS. NUTRIENT-DENSE FOODS GUIDES DESIRED PRODUCT ATTRIBUTES FOR NOURISHMENT

Minimal processing and inherent nutrients are key to products that go beyond satisfying basic hunger and hydration and towards meeting sustained energy and condition management.

Key Product Attributes:

- Water
- Whole grains
- Fiber
- Protein
- Fat
- Probiotics
- *Minimal sugar*

Because of their toothsome and ability to inherently deliver many of the desired product attributes, a **wide range of FOOD categories** are top of mind for nourishment.

However, **WATER-BASED** beverages satisfy hydration and are replacing more sugar- and calorie-laden choices of the past.

SMOOTHIES and **nutrient-dense beverages** allow consumers to straddle the needs of hydration with satiety in unique ways.

Consumer Product/Brand “Hall of Fame”*:



(Greek) yogurt



nut and granola bars



Whole fruits & vegetables



Grain chips and crackers with healthy dips



RTD tea, water, and smoothies



CONSUMERS DEFINITELY WANT SNACKS THAT DELIVER ON THEIR NUTRITIONAL NEEDS

- **60% want additional health benefits beyond nutrition (e.g. antioxidants)**
Up 8 points vs. 2016
- **59% of consumers want snacks that contain vitamins & minerals**
Up 2pts. vs. 2016

Source: IRI Report; 2017 State of the Snack Food Industry

*Consistently mentioned in consumer interviews as reflective of nourishment-driven needs and occasions

Source: The Hartman Group, The Future of Snacking - 2016



PLEASURE: INDULGENT TRADITIONAL FAVORITES MEET CONTEMPORARY REINVENTIONS

As snacking evolves with food culture, consumers are seeking more contemporary and nuanced experiences of pleasure. And while purely indulgent experiences have their place, consumers now expect pleasure to be compatible with nourishment or optimization.

Key Product Attributes:

- Good taste
- Unique flavor/texture
- Iconicity/nostalgia
- Surprise & delight
- Beauty/design
- Global
- Interactive

Sweets and salty snacks and the carbonated soft drinks that accompany them are not only symbolic of pleasure but are enduring bastions of traditional “snacking.”

With the rise of future snacking considerations and a diversifying food landscape, such products are being joined by less traditional products that provide a **spin on traditional indulgences**, either **through disruptive flavor, texture, interactive design, and product narratives or through a unique straddling of multiple snacking drivers.**

RETAIL TRENDS:

- **Within Indulgent, the growing halo around whole-fat dairy has spurred growth within Ice cream/sherbet & ice cream novelty categories**
- **65% of consumers state Sweets are more of a treat than salty snacks**
- **Products with chocolate are outpacing overall Food & Beverage growth**

Source: IRI Report; 2017 State of the Snack Food Industry

Consumer Product/Brand “Hall of Fame”*:



Chocolate & candy



Baked goods



Globally inspired



Ice cream & novelties



Chips



Popcorn



Sodas

*Consistently mentioned in consumer interviews as reflective of optimization-driven needs and occasions

Source: The Hartman Group, The Future of Snacking - 2016



OPTIMIZATION: LIFE-HACKING THROUGH SNACKING

Evolving perceptions of performance and optimization and scrutiny of the type of products and ingredients in them to help manage and target needs. Old standbys of energy, such as caffeine and sugar, still play a role but are gradually being supplanted by emerging alternatives.

Key Product Attributes:

- Protein
- Fat
- Fiber
- Caffeine
- Condition-specific vitamins and minerals
- Antioxidants
- Botanicals (plants, herbs, and extracts)
- Adaptogenic botanicals
- LOW sugar

Nutrient-dense FOODS that have notable amounts of high-quality and clean(er) sources of protein, fat, and fiber help serve optimization.

While pure water, coffee, and tea are stalwarts for optimization, the diversifying BEVERAGE space is relevant for *targeted functionality*:

- fortification with additional vitamins, minerals, and botanical extracts
- easy, palatable inclusion of obscure ingredients
- quick consumption and easy absorption by the body

Consumer Product/Brand "Hall of Fame":*



RETAIL TREND: Portability was a theme within the growing Healthier categories and Snack time anywhere presented opportunities for growth



Source: IRI Report; 2017 State of the Snack Food Industry

*Consistently mentioned in consumer interviews as reflective of optimization-driven needs and occasions

Source: The Hartman Group, The Future of Snacking - 2016

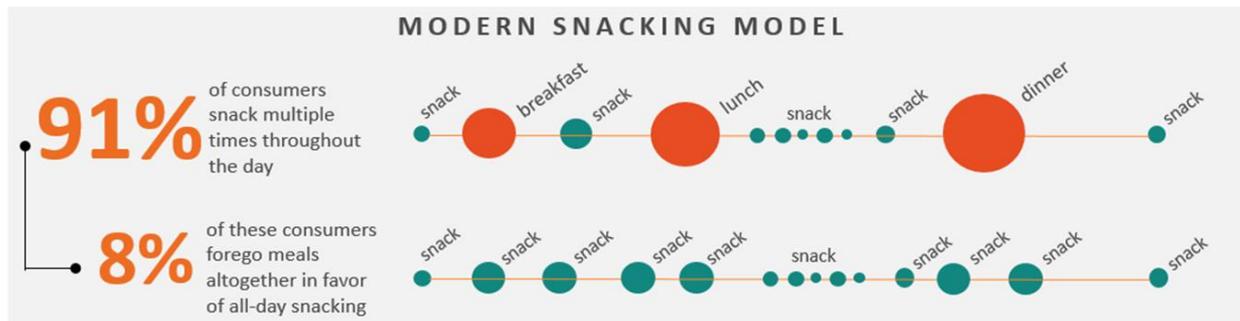
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THE MODERN ERA OF SNACKIFIED EATING HAS FULLY EMERGED TODAY, 50% OF ALL EATING OCCASIONS ARE SNACKING

Snacks are both **complementing and replacing meals**, increasing the need for them to fulfill traditional meal functions.

21% of consumers are snacking more than they were 5 years ago ... Of that number, 42% have done so while cutting back the number of meals eaten in a day.

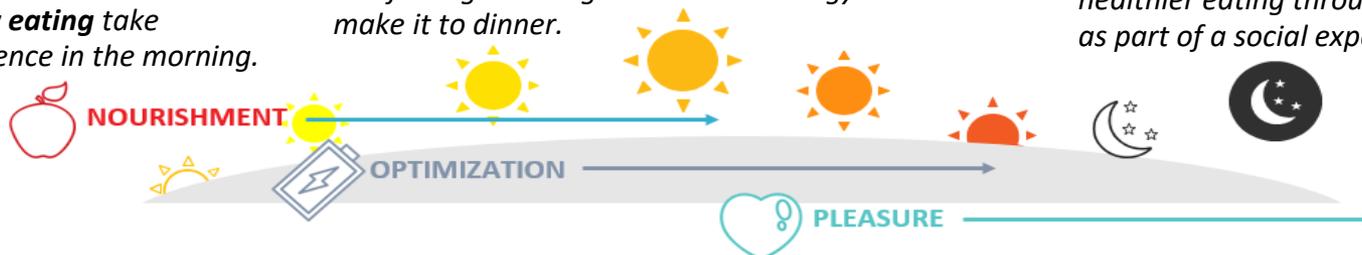


SNACKING DRIVERS CHANGE IN PRIORITY ACROSS THE DAY

Consumer **aspirations for healthy eating** take prominence in the morning.

Midday fatigue may set in, and consumers consequently look for choices that are either comforting or that give them the energy to make it to dinner.

Evening snacks figure as **vehicles for pleasure**, as a reward to balance out healthier eating through the day, or as part of a social experience.



Source: The Hartman Group, *The Future of Snacking* - 2016

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- Consumer perception of “energy”, “healthy”, “natural”, etc., may differ from the scientific and regulatory views.
- The regulatory definition of “energy” is calories (food energy).
- The regulatory definition of “healthy” is [defined](#). Additionally, FDA is providing enforcement discretion [here](#).
- “Natural”/“All Natural”/“Made With Natural Ingredients” is not defined, but is being reviewed by FDA. A cautious approach is recommended.
- Products in the marketplace convey energy benefits in a variety of ways including by product name, ingredients or images.

Therefore

- ✓ Substantiation of product benefits must include supporting all express and implied claims
- ✓ The substantiation must be truthful and not misleading and include a review of the totality of the scientific evidence and reflect the strength of the science at the time the claim is made
- ✓ Substantiation may include proprietary (non-public) research results
- ✓ For further considerations, please see this [link](#)