

Dairy Pursues the Snacking Market

White paper reveals snacking segment holds the most potential for dairy industry growth.

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Even if they aren't up on the latest supplement news and trends, everyone knows about the important bone-building benefits of calcium. Providing lactose intolerance isn't an issue, one of the best places to get calcium is from dairy products. But aside from a few noteworthy new products over the past decade or two, there is a general lack of developmental innovation and excitement moving the dairy industry forward, according to a new white paper from Rosemont, IL-based Dairy Management Inc., which encouraged dairy formulators to pursue the lucrative snack category—a segment the group said holds the most profit potential.

Drawing on 18 months of consumer and industry research, the white paper found that dairy products account for just 13% of all between-meal snack choices for people two years and older, presenting a large opportunity for the industry to grow its share of the snacking eating occasion.

“By re-imagining dairy products and ingredients in snacks, food manufacturers can take advantage of a significant business opportunity,” said Lynn Stachura, senior vice president of strategic insights with Dairy Management Inc. “Snack-based innovations are seemingly unlimited, especially for those incorporating dairy products and ingredients that are versatile, wholesome, natural, nutritious and delicious.”

The white paper cited NPD Group data that pegged snacking as a growing \$90+ billion eating occasion with 87% of U.S. consumers reporting eating or drinking between meals—translating into an astounding 850 million eating occasions annually.

One surprise finding, according to Ms. Stachura, was that consumers reported that the frequency of their healthful snacking occasions rivaled that of more treat-like snacks and desserts. “In fact, as defined by consumers, healthful snacks garner 51% of all snacking occasions, making this a prime area for innovation with dairy and dairy-based products,” she said. “Snacking is now viewed as helping contribute to moderation and balance in everyday eating—which naturally aligns with dairy's nutritious profile.”

When asked why she thought dairy products were so underutilized as snacks, Ms. Stachura pointed to dairy's inherent need for refrigeration. “Because of refrigeration and portability issues, dairy hasn't been a consumer-friendly snack option in the past, and the

industry hasn't created new product options to meet that consumer need," she said. "As a result, other snacks have outpaced dairy by meeting consumers' lifestyle needs."

But there is hope, providing formulators can rise to the challenge. "Dairy can claim a greater share of the snacking category by focusing on new product innovation, as well as raising consumer awareness of the inherent goodness (and nutrient richness) of many dairy products and ingredients," she said. "The proprietary consumer research conducted by the Innovation Center for U.S. Dairy provides an excellent roadmap to allow industry to kick start or further their current new product development efforts and push sales growth for dairy-based snack products."

The white paper also spotlighted how the traditional three-square-meals-per-day habit has continued to morph into a day punctuated with mini-meals, further blurring the lines between meals and snacking. The white paper noted that 30% of consumers currently claim to eat mini meals throughout the day rather than three main meals, with another quarter desiring to do so too.

"With such a large portion of the population moving away from traditional eating behaviors, there is tremendous opportunity to meet their evolving needs," said Ms. Stachura.

The heightened consumer interest in calcium for bone strength is another area that formulators can capitalize on. "The opportunity here is to develop products and messaging that help consumers get more from their snacking calories," Ms. Stachura commented. "Science shows that consuming at least three servings of milk, cheese or yogurt everyday helps people meet their daily calcium, potassium and other nutrient recommendations. By developing innovative snacks that contain dairy, manufacturers will fulfill consumers' need for snacks that are real and authentic—and provide real nutrient benefits."

To fully realize the potential of snacking, the white paper recommended the dairy industry develop products that go beyond what is available today. It also identified five key segments that best align with dairy or dairy ingredient-based products and offer the greatest opportunity for incremental growth in the dairy industry: Morning Energy, Tasty PM Meals (consumed with a meal, such as chips or cheese), Substantial Crunch (more filling snacks, usually consumed after lunch to tide the consumer over), Naturally Nutritious (eaten between breakfast and lunch, and often less processed), and Sweet Bites (tasty and often "poppable" products eaten between meals).

"Dairy is underdeveloped in the snacking eating occasion despite its ability to provide food and beverage manufacturers with the tools to develop great tasting and healthy snacks that consumers demand," said Ms. Stachura. "Innovations in this area will not only grow dairy's share of the occasion but also fill a void for consumers as the market continues to grow."

For more information about the white paper, please log onto www.usdairy.com.