

Get Crackin' on Innovative Crackers

The Cracker Aisle

The cracker aisle is a popular place at most grocery stores. Snack crackers¹ make up 83% of the cracker aisle and account for the majority of the growth within the category.² With crackers in 93% of US households, the cracker aisle is a frequently shopped area, full of opportunity for manufacturers.³

A closer look at retail sales shows a solid 6% growth in the number of packages of snack crackers sold over the past 5 years (from 2006 – 2011). Dollar sales increased 20% from 2006 – 2011 due to an average increase of \$.30 per unit. This is strong growth for such a large, mature category. The same iconic brands that have always defined the snack cracker aisle still line the shelves – Cheez-It, Ritz, Triscuit, Wheat Thins, Goldfish and Town House. In fact, three manufacturers dominate the majority of the cracker space – Kellogg's (Keebler), Kraft (Nabisco) and Pepperidge Farm – making up 76% of snack cracker sales.⁴

What's New in Crackers?

So what's new in the snack cracker aisle? What drove consumers to spend over \$3.6 billion on nearly 1.4 billion packages of crackers in 2011? Most innovation has been around the shape and size of crackers. As portable snacks fit best with our very busy lives, crackers fall perfectly into this sweet spot. They are small, perfect for on-the-go snacking, and are great plain, or topped with anything from cheese to spreads to deli meat.

Ritz Crackerfuls is an example of an innovative 2009 snack cracker introduction. These are oversized rectangular Ritz crackers with fillings aimed at adult palates. This product propelled Ritz further into the 'sandwich cracker' space with interesting, indulgent flavors such as Bacon and Garlic Herb. These crackers capitalize on important current trends such as

handheld, meal replacement and portability. The product also includes "better for you" whole grain messaging. Other companies like Kellogg's and Pepperidge Farm went the opposite route, creating thinner, scaled down 'cracker chips' and 'flatbread



¹ Snack crackers = IRI types 'All other crackers' plus 'Crackers with fillings'. Excludes graham, saltines, matzo, and breadsticks

² SymphonyIRI FDMx Data Latest 52 wks ending 12/25/11

³ SymphonyIRI Consumer Network Panel, TUS All Outlets 52 wks ending 12/25/11

⁴ SymphonyIRI FDMx Data Latest 52 wks ending 12/25/11

crisps'. These products pit crackers head-to-head with salty snacks, but position themselves as a healthier alternative.

Although there is some exciting innovation occurring with the shapes and sizes of snack crackers, there is a lack of innovation around **healthy grains**. While almost every brand has a token whole wheat, whole grain, or multigrain cracker, there are few interesting grains or grain flavors appearing in the mainstream cracker category.

With our nation fighting an obesity epidemic, many Americans are turning away from products high in sugar and fat, instead focusing on healthier substitutes such as whole grain bread, muffins and fruit. Clever product innovations, such as formulating with more nutritious, higher-in-fiber grains, can help offset consumers' nutritional concerns about sugar by focusing on better-for-you ingredients.⁵

ConAgra Mills offers better-for-you ingredients and whole grain solutions to fit any cracker. Whole grains and fiber can be added to crackers using all natural **Sustagrain**[®] which has three times the heart healthy soluble fiber of oats. Adding **Ultragrain**[®] to crackers will increase the whole grain content, while maintaining the mild taste, light color, and smooth texture that many consumers enjoy. And ConAgra Mills **Ancient Grains** can offer consumers taste adventure through unique grains and custom multigrain blends.

A Hole for Whole Grains

As manufacturers turn towards healthier snacking alternatives, whole grains are an easy place to start. Currently whole wheat, whole grain, and multigrain crackers make up 29% of the snack cracker category. Nearly 400 million packages of these crackers were sold in 2011. At approximately \$2.75 per package, this equates to over \$1 billion in whole wheat, whole grain, and multigrain cracker sales! This is up 4% in dollar sales from year ago, partly because whole grain snack crackers command a higher selling price than regular snack crackers. Regular crackers sell for \$2.60 per package while whole grain varieties sell for \$0.15 more.⁶

According to recent proprietary research conducted by ConAgra Mills, one in three consumers is looking for a more nutritious cracker – specifically one with higher amounts of whole grains (31%), fiber (28%), and multi-grains (26%).⁷ However, mainstream consumers are sometimes wary of the dark color and grainy texture of many existing products. ConAgra Mills can help solve this issue with unique grain-based solutions.

Ultragrain[®] and Sustagrain[®]

ConAgra Mills Ultragrain[®] offers a great way to increase the nutritional value of a product while maintaining the neutral taste and color that mainstream consumers prefer. Revolutionary, all-natural Ultragrain[®] is the whole wheat flour that delivers the



⁵ IBISWorld – Cookie, Cracker and Pasta Production in the US, October 2011

⁶ SymphonyIRI FDMx Latest 52 weeks ending 12/25/11

⁷ ConAgra Mills Cracker Innovation Concept Test, January 2012

same taste, texture and appearance as products made with refined white flour – appealing even to those wary of dark, traditional whole grain products.

We also know that some consumers are looking for neutral-flavored crackers that won't compete with their choice of toppings or spreads.⁸ Adding Ultragrain to a carrier cracker can increase the amount of whole grains and nutritional benefits, yet keep the cracker neutral in order to taste the toppings. It's an easy addition for any consumer looking for a healthier cracker.

Nearly one out of two consumers is looking to add more fiber to their diet.⁹ An attractive way to add visual interest and textural appeal is by adding Sustagrain Flakes – which have three times the fiber of oats – as a topping to crackers. Similar to snack or cereal bars, crackers can be topped with flakes or grains to add dimension, and in the case of Sustagrain, increase the fiber content and promote satiety. Sustagrain Flour also works well in cracker fillings because it has a neutral flavor and can increase whole grain and fiber content without adding much bulk.



Flavor Adventure in Crackers

Consumers have come to associate whole grain crackers with better-for-you, healthier snacking options. While healthy snacking is a great area for whole grains to play, there is also plenty of room for innovative options far beyond whole wheat. Manufacturers can look to interesting ingredients such as ancient grains to create a taste and flavor story that will appeal to the whole family.

ConAgra Mills Ancient Grains, including amaranth, quinoa, teff, sorghum and millet can propel healthier crackers to a new level. Because these grains are unique and adventurous, they can do a great job of attracting consumers.

Chart 1: Snack Cracker Uniqueness (top 2 box)

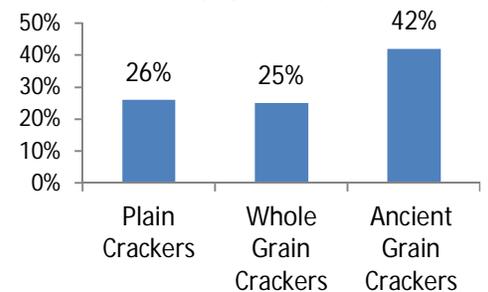
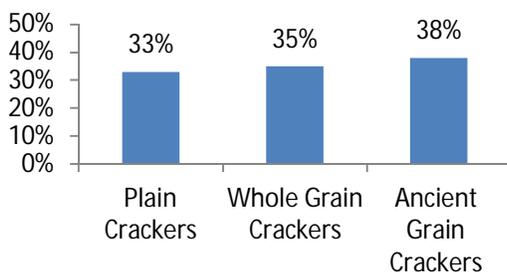


Chart 2: Snack Cracker Purchase Interest (top 2 box)



ConAgra Mills recently completed a study in which new cracker concepts were shown to consumers. Ancient grain snack crackers were seen as very unique (see chart 1 above) and had slightly higher purchase interest than plain crackers and whole grain crackers (see chart 2 at left).¹⁰

⁸ ConAgra Mills Ethnography Research, December 2011

⁹ ConAgra Mills Fiber Study, April 2011

¹⁰ ConAgra Mills Cracker Innovation Concept Test, January 2012

Don't talk to Healthier Crackers

The key to differentiating with innovative grains is to not focus strictly on health. Consumers recognize that whole grains are healthier – they know they need to add whole grains to their diets, and most know that they aren't getting enough whole grains. So how can manufactures help consumers get their daily amount of whole grains – without turning them off with health claims?

ConAgra Mills recommends messaging snack crackers made with innovative grains as **flavorful and adventurous**. Ancient grains are seen as authentic, full of flavor and culture.¹¹ Capitalizing on these benefits and marketing ancient grain crackers as a vehicle for flavor exploration, adventure, and premium ingredients creates the consumer perception that they are treating themselves. That's what better-for-you crackers should stand for.

Kashi's Original 7 Grain TLC crackers are a perfect example of using innovative grains. Kashi's crackers contain a combination of oats, hard red winter wheat, rye, long grain brown rice, triticale, barley, buckwheat, and sesame seeds, and add enticing flavors such as Toasted Asiago and Honey Sesame to appeal to sophisticated taste buds.¹² Marketed as "T-L-C" crackers, they give consumers the sense that the product is better for you, without overtly talking to the health benefits.

Crackers All Day Long

Consumers are eating crackers primarily as a snack throughout the day (78%).¹² Knowing this, should manufacturers tailor crackers to fit each day part? Can crackers be incorporated into a side dish? Can flavorful crackers be crushed for a wholesome breading for fish or chicken? What about dunkable breakfast crackers in your oatmeal or a breakfast crackers topped with peanut butter, Nutella, or preserves? Ancient Grain crackers could be dipped in hummus or other on-trend dips.

With crackers taking on adjacent categories such as handheld meal replacers and salty snacks, why can't they morph into other categories as well? Healthy snacking is a popular trend – creating a more flavorful, healthier snack can certainly help manufacturers sell more crackers.

ConAgra Mills can help you brainstorm and jump start your innovation ideas. With the amazing grains of ConAgra Mills, the possibilities are endless. Now let's get crackin'....

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¹¹ ConAgra Mills Cracker Innovation Concept Test, January 2012

¹² ConAgra Mills Cracker Innovation Concept Test, January 2012