Biscuits, Cookies and Crackers

Executive Summary – UK – April
The biscuits, cookies and crackers market has benefited from consumers looking for a cheap and indulgent treat in the recession, although the growth in the healthier biscuits segment proves that health has returned as a motivator for purchase for biscuit buyers.
The UK biscuits, cookies and crackers industry has benefited from consumers reaching for the biscuit barrel throughout the recession, although rising commodity costs and an inability to appeal to a younger and more discerning consumer base are threatening the market. Growth has been achieved, however, driven by price rises, which have been moderated by promotional activity in the sector, encouraging consumers to continue to buy.

Valued at £2.2 billion in 2010, the biscuits, cookies and crackers market has grown by 22% over the last five years, although in real value terms, the market has seen a fall of 3.4%. It is estimated that the market will reach £2.3 billion in sales in 2011, a 2.7% rise on 2010 levels.

2010 sees growth slow

Trading in 2010 has been slower than in 2008 and 2009, with brands decreasing NPD while own-label has increased NPD and gained share. Brands have continued to invest in above-the-line support, although large players such as United Biscuits have significantly scaled back advertising expenditure between 2006 and 2010.
The future
Mintel’s forecasts suggest further growth in the industry in the next five years to £2.6 billion by 2015. Factors which will contribute to this include continuing consumer caution when it comes to discretionary spending due to weak levels of consumer confidence and concerns about employment, which will be mitigated by a rise in the number of over-55s, the core market for sweet and savoury biscuits. While some savoury biscuit sub-categories will benefit from the increase in AB consumers (eg rye crackers), sweet biscuits will suffer from the stagnation of the C2DE socio-economic groups.

Health has returned as an important driver to purchase, with healthier biscuits experiencing growth of over 15% between 2008 and 2010, driven by brands such as Go Ahead!

Traditional biscuits and crackers continue to struggle to appeal to the younger consumer. With taste the most important factor when choosing a snack, the perception that certain segments are tasteless continues to dent consumer interest.

Market Factors
Moderate consumption
Penetration of biscuits, cookies and crackers remains high and has reached almost seven in ten consumers in 2010. Sweet biscuits remain the most popular being used by almost nine in ten consumers. Usage remains infrequent and predictable, however, and the challenge is to increase regular occasions and broaden the appeal of sweet biscuits beyond accompanying a hot drink (which is the case for 54% of consumers).

Savoury biscuit usage is more frequent than sweet but relies on a smaller consumer base, with less than half (44%) of consumers buying the most popular variety of cream crackers.

Ageing population
With usage skewed towards the over-35s for sweet biscuits and over-55s for savoury, barring cookies, there is an urgent need to widen its appeal beyond the older generation.

Brands are now targeting the on-the-go snacking and lunchbox markets, with smaller formats marketed as an ideal way to control portion sizes. Fox’s Mini Party Rings contain individual bags of the multi-coloured biscuit, featuring on-pack games for younger children.

Balancing health and indulgence
Health and indulgence continue to be the main motivators to purchasing in the biscuits, cookies and crackers sector.

Concerns over health have benefited the healthier sweet biscuits segment, while the industry has sought to improve its health credentials by reducing saturated fat levels and calorie content on behalf of the consumer, with Penguin reducing the calories in a bar from 133 to 106.

Ryvita is attempting to shift consumer perceptions of Ryvita Crispbread as ‘diet food’ to one of ‘a tasty and versatile wholegrain food product’, making it more accessible to a greater number of consumers.

Consumers’ search for everyday indulgence has boosted the everyday and special treats segments.

Companies, Brands and Innovation

Figure 2: Market share, biscuits, cookies and crackers, 2010

* Kraft Foods includes Nabisco but not Cadbury

Source: Mintel
United Biscuits chases own-label

Own-label continues to account for almost a quarter of the biscuits, cookies and crackers market, dominating both in terms of sales and share as consumers look to trade down on price.

United Biscuits remains the leading brand, despite experiencing a sales rise of just 1.4% between 2009 and 2010, thanks to a strong performance by its McVitie’s range and Go Ahead! biscuits.

Other notable players include Burton’s Foods, which has taken confectionery brands into biscuits by launching its Cadbury Crunchie, Caramel and Turkish Delight biscuits in 2010 and added Dairy Milk Biscuits and Bournville biscuits to the range in 2011.

Brands dominate NPD

New product launches by brands accounted for over 60% of the total in 2010, although this is down from 75% in 2009.

There has been a focus on smaller formats in both the sweet and savoury biscuit categories, as brands and manufacturers look to appeal more to consumers looking for an out-of-home snack and to aid portion control.

Kraft has launched Mini Oreos and Mini Ritz, Burton’s Foods has unveiled Mini Cadbury Fingers and United Biscuits has revealed McVitie’s Temptations.

Health too remains a key driver to product innovation, with Ryvita Crackers for Cheese marketed as being low in fat and high in fibre and also benefiting from coming in four individual ‘stay fresh’ packs of six crackers.

Kraft Foods looks to TV

Leading brand United Biscuits has spent over £23.2 million since 2006, although expenditure in 2010 was about 70% lower than that spent in 2006.

Kraft Foods has ramped up advertising support over the last few years, with its Oreo, Mikado and Belvita Breakfast biscuit ranges benefiting from TV campaigns, the latter of which featuring the radio presenters Johnny Vaughan and Lisa Snowdon.

Retailers including the big four spent less than 5% of the total market’s expenditure over the last four years.

The Consumer

Figure 3: Usage of biscuits, cookies and crackers, February 2011

Base: 1,500 internet users aged 16+

Penetration remains high

Almost nine in ten consumers use sweet biscuits, with individually wrapped biscuits such as Kit Kat and half-coated varieties such as Digestives the most popular types. Savoury biscuits are used by almost seven in ten consumers, with over two fifths opting for cream crackers.

Usage of sweet biscuits peaks amongst women, the over-35s and those in the D socio-economic group, while for savoury (non-sweet) biscuits this is biased towards the over-55s and those in the lowest socio-economic groups.
**Sweet users rate indulgence, savoury larger packs**

**Figure 4:** Index of factors to be considered when choosing snacks, sweet biscuits and savoury (non-sweet) biscuits (Any other snacks = 100), February 2011

Base: 1,500 internet users aged 16+

When comparing the most important factors when choosing any other snack to the priorities of sweet and savoury (non-sweet) biscuit users, it is clear that while taste and price are important considerations, other factors influence consumers’ buying habits.

For sweet biscuit users, indulgence is by far the most important attribute, which has been evidenced in the rise in value sales of the everyday treat and special treat sweet biscuits markets. For savoury, larger pack sizes and fibre content are most important, which brands such as Ryvita and Jacob’s have been keen to emphasise on-pack.

**Brands engage consumers**

Over two fifths of both sweet and savoury biscuit users tend to buy the same brand, preferring to experiment with flavour instead of brand choice, reflecting the proliferation of brands in the market, the habitual nature of shopping in this sector and the reluctance of consumers to take a risk on an unknown brand in times of economic uncertainty.
What we think

Rising commodity costs, supply issues and any decline in promotional activity will affect the market over the next few years.

With consumer usage already experiencing high penetration levels, the challenge will be to increase occasions beyond accompanying a hot drink for sweet biscuits and beyond Christmas for savoury biscuits. There is also a pressing need to broaden the consumer base to appeal to younger people.

Brands will continue to face increasing pressure from own-label operators, which are now not only competing using lower prices but also higher-quality products. Further investment in above-the-line support will keep brands front of mind and innovation that focuses on the out-of-home market will help to grow the category.

Trading in 2011 is likely to be stable although continuing price inflation will affect consumer confidence on discretionary spending.
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