

INNOVA MARKET INSIGHTS

Cereal and Energy Bars Showing Maturity in the USA

The December 2009 announcement that Kraft Foods had sold its nutrition bar business under the Balance Bar brand to a private equity firm perhaps indicates that the Company's interests are currently focused in other areas. Should we see significance in terms of the cereal and energy bar market as a whole? In the key market of the USA, where sales of bars had risen from less than USD400m in 1996 to over USD2bn, this rate has now slowed and there are signs of saturation.

The Innova Database records that over 1,600 cereal bars were launched in the first 11 months of 2009, up from the same period in 2008, but well down on the total of over 2,000 launched in the same period in 2007. The majority of launches have a health positioning. In the USA over 90% of the launches recorded had a health positioning of some kind, compared with just over 80% in Western Europe. Particularly in Europe, most are marketed on a fairly general multi-benefit health platform.

It is only really in the USA that the market for more specialist nutrition bars has emerged from the relative obscurity of the specialist sports nutrition sector and into the mainstream. This has been led by three players which pioneered the US energy bar market in the 1990's- Powerbar, Balance Bar and Clif. Two of the three were snapped up in 2000 by major multinational food companies looking for upcoming markets emerging from rising levels of interest in health and convenience. At that time Balance Bar, originally developed for consumers with special dietary needs, was purchased by Kraft. Powerbar was bought by Nestlé, while number three player Clif remained independent.

Balance Bar has retained its original 40-30-30 concept of 40% carbohydrate, 30% protein and 30% fat for sustained energy and hunger management over the years. Within that framework, it has explored a huge range of product options, including energy bars, fruit and nut bars, natural and organic bars, high protein bars, meal replacement bars, 100-calorie bars and low-carbohydrate bars, to mention but a few. Many of these initiatives do not seem to have worked, however, with its range immediately prior to its sale encompassing just four lines - Original, Gold, Pure and Carbwell.

While Powerbar has continued to lead the market, Balance Bar has had problems and has been overtaken by former number three Clif. Looking at new product launches in the US over the past 12 months, the Innova Database shows that, while there was little evidence of activity from Balance Bar, Powerbar was continuing to develop its range with a strong sports and

performance image. At the same time, Clif was focusing on the natural image of its range and extending into new flavours and formats such as Clif and Luna Cookies and Clif Shot Roks.

Meanwhile the overall cereal bars market in the USA is facing some problems after years of sustained growth. Sales through supermarkets, drugstores and mass merchandisers showed only slight growth in the first half of 2009. Nutrition and intrinsic health bars, including energy bars, saw the best growth in the market, ahead of breakfast bars and rice snack squares. It also has to be remembered that the majority of the nutrition bars business goes through specialist outlets, multilevel marketing, etc., which may also be facing a downturn.

LuAnn Williams, Head of Research for Innova Market Insights, states that "Within the nutrition bars market, traditional-style energy bars are having to compete with a range of other health-oriented bars, not only those positioned on a general or multibenefit platform. There are a range of formats that are currently very much in vogue in the USA, including wholegrain, high fibre, weight management, digestive health, free-from and natural".

She emphasises that "With the high levels of product activity apparent in the bars market in recent years, it may be that saturation point is approaching in the USA, with market maturity and segmentation reaching a point where further innovation opportunities are going to be more limited. This will possibly cause further shakeouts in the market and create an even more challenging environment".

For further information on the Innova Database, the representative for Australia and New Zealand is Glen Wells (Glen.Wells@innova-food.com.au)