The bar boom

Insights Report

REFORMULATING IN A NEW ERA OF NUTRITION BARS

Nutrition bars have become a staple American health food option. They are now a go-to solution that provides both nutrition and convenience for busy, on-the-go families and mobile, snack-oriented young adults. However, it is also a category that is rapidly evolving as consumers demand more easy-to-eat foods with simple ingredients that taste good and come from brands they trust. The segment has transformed from its roots as granola and cereal bars, to products that now feature a wide range of attributes, from energy and protein value, to weight loss, a dizzying array of health claims, and many offering a hip vibe that speaks to shoppers' lifestyles and values.[1]

Cargill

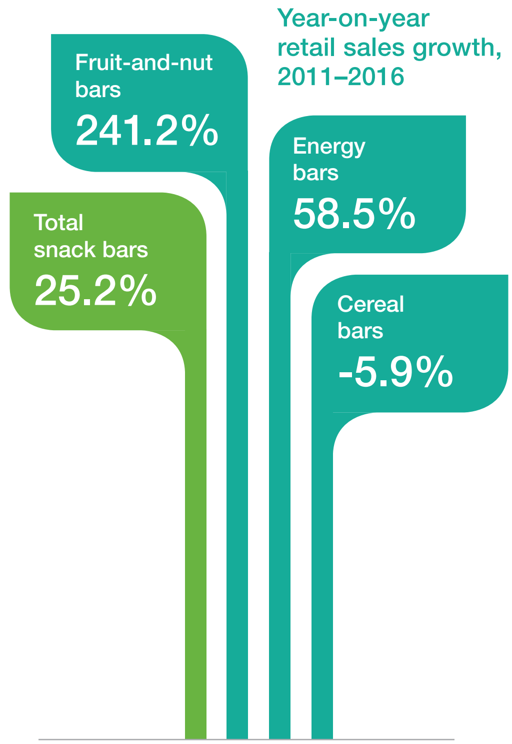
The overall bar market

However, this is a tricky landscape for brands and product formulators. While some consumers value label-friendly, simple ingredients above all else; others want low-sugar content and added nutritional value. Still others seek out exotic flavors and great taste. And don't forget transparency. Many consumers want to know where the ingredients come from, how the bar is processed, and if the brand supports their values.

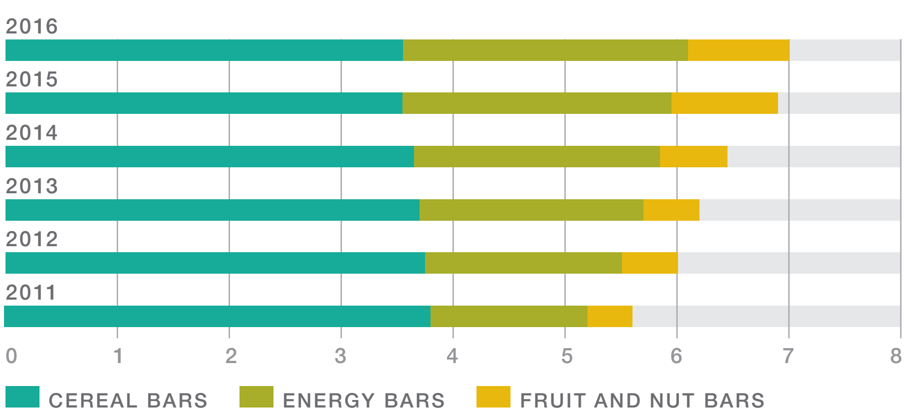
For brands that can meet these needs, however, there is an upside. The total snack bar market is growing in North America, where sales are expected to reach $7.5 billion in 2017. Continued improvement at a 4.4% CAGR is estimated to push revenues past $8 billion by 2020, according to Euromonitor International.[2]

While those figures may not sound all that impressive, it is important to look deeply at specific bar categories, which reveal a competitive landscape that varies between sub-categories. For example, breakfast and cereal bars, long the behemoth of segment sales, saw negative growth between 2011 and 2016, while energy bars and fruit-and-nut bars experienced explosive increases to drive the category as a whole to an increase of 25.2 percent over this time period.[2]

During this period, the market saw the launch of approximately 6,800 new snack bar products[3] and the emergence of a next generation of powerhouse brands, many with stripped-down ingredient lists and claims related to lower sugar, minimal processing, high-quality ingredients, and a simple health premise. Euromonitor noted in its 2015 report, "Biscuits and Snack Bars in the U.S.," that many of the brands that emerged at the time also portrayed a socially conscious lifestyle image that has had growing appeal for younger consumers. These bars resonated with consumers and became a launch pad for the emergence of a new era in the bar segment that has blurred the lines between sub-categories: Granola and cereal bars have beefed up their nutrition and added more functional ingredients, such as protein and fiber, while the nutrition and energy bar segment is innovating with creative and decadent formulations.[4]



Snack bars retail value in North America (Billions USD)



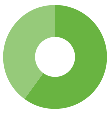
Sales of cereal bars are decreasing, while energy, and fruit-and-nut bars are booming, leading to overall category growth.

Source: Euromonitor Passport, April 2017

The evolution of bars will likely continue as consumer desires change and manufacturers look to meet the needs of new target groups and address specific health conditions. These factors have resulted in the launch of bars that push the envelope, with more savory profiles and unconventional ingredients, such as meat, caffeine and vegetables,[5] or creative combinations of sweet and savory flavors, such as fruit and chili peppers. Additionally, new bars will be positioned for specific target audiences and will address particular health or diet issues. For bar manufacturers, it promises to be a lively ride.

What consumers want from their bars

To create successful bar products in this environment, however, brands need a strong understanding of who is buying bar products, how they perceive different categories, and why they consume bars. Research firm Leatherhead International offers some insight into these questions, with data noting that the most frequent bar users in the United States tend to be women, affluent, with a college education, and under the age of 54 (millennials and Gen Xers). They typically turn to bars in the latter part of the day, as an afternoon snack or for energy before or after a workout.



60% consume bars as a portable breakfast option

3 in 4 U.S. consumers who purchase snack bars eat them between meals

Highest users of energy and snack bars are between **ages 25 and 54**

Source: Leatherhead Research, Ltd.

Apart from the desire for foods with simple, familiar ingredients that are low in sugar and offer a strong nutritional profile, there are a few overriding trends that are driving bar consumption. Here are a few of the reasons why bars are booming.

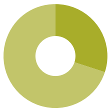
Bars are food with hustle

Consumers are snacking between meals or instead of meals more than ever, and snack bars are the perfect solution. They can deliver added nutrition and address specific dietary needs, such as satiety or energy, all in a convenient single serving. *New Nutrition Business*, in its *Ten Key Trends in Food, Nutrition and Health 2017*, calls this trend "snackification" and reported that it has helped to reinvent certain products, including bars, as something exciting, portable and contemporary.

While the concept transcends all food categories, it has been an important driver for bar brands that have been able to capitalize on the fact that bars can address numerous consumer desires, from low sugar and gluten-free to high protein. These products have growing appeal for younger consumers who are willing to pay a premium for healthy, nutritious snacks.[6]

While Americans as a whole are looking for healthier snacks, millennials are a key audience for these portable products – and as they start new families, this demographic group will continue to be an important market for bar brands.

For millennials, snacking has become a lifestyle, and they eat snacks significantly more than their baby boomer parents. They also tend to be more emotional or functional snackers, with 27% saying they snack because they are bored, and 17% snacking when they are stressed.[7] But they are not looking for junk foods. One in three millennial parents wants healthier snacks for their kids, and 42% of parents say there is a need for more conveniently packaged snacks.



33% of U.S. consumers are looking for healthier snacks

Source: Snacking Motivations and Attitudes U.S., 2015, Mintel

Champion of sports foods

Bars have long been the archetypal sports food. Instead of remaining a solid player in sports nutrition, they, along with other foods, are caught up in something far bigger, according to Julian Mellentin, editor of *New Nutrition Business* and author of the *Ten Key Trends*. The report calls this the "sportification" of foods and names it as one of its top three trends in 2017.

While any food can potentially be "sportified," bars have been a clear winner in this respect, serving as an early solution for consumers who not only aspire to play sports but also increasingly understand the value of being active for overall health. Bars also easily meet the additional requirements for sportification, with their convenient, single-serve format, an existing connection to sports and activity, and their ability to provide nutritional attributes, such as energy, endurance, and protein.

Dialing in to bar consumers

Ultimately, these trends are propelling the launch of new bar products that are both innovative and functional. The market is now seeing a proliferation of bars that are organic, high in protein, free of GMOs and gluten, as well as allergen-friendly.

But looking forward, there are likely further opportunities to produce bars that meet the specific needs of demographic groups, such as seniors and children, with condition-specific bars. Other potential opportunities for brands include new niche groups, such as young urban dwellers who are leading a hectic lifestyle, yet are health-aware and may have issues with pollution or immunity.[8]

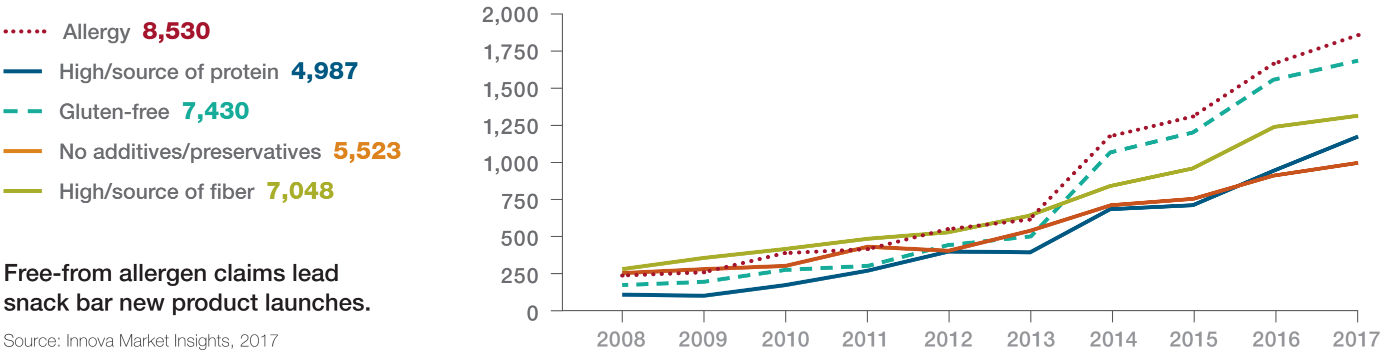
Companies with the most new bar product launches

COMPANY	2012	2013	2014	2015	2016	GRAND TOTAL
Clif Bar	36	65	53	56	114	**324**
Kellogg	37	68	70	63	59	**297**
General Mills	20	59	50	51	29	**209**
Quaker	29	44	24	34	59	**190**
Kind	12	17	23	38	46	**136**
Abbott	24	23	18	24	32	**121**
ThinkThin Products	26	7	46	19	16	**114**
Nature's Path Foods	17	30	8	26	26	**107**
Probar	49	2	33	14	9	**107**
Balance Bar	12	15	32	22	8	**89**

Clif Bar introduced the greatest number of new products, with claims such as organic, high protein, GMO-free and gluten-free.

Source: Innova 2017

Snack bar claims on the rise (Number of product launches)



Free-from allergen claims lead snack bar new product launches.

Source: Innova Market Insights, 2017

Key challenges in bar formulation

While bars have the potential to be a long-term blockbuster category, as any other product, they are subject to increasing consumer scrutiny of the ingredients used and the desire to see products with simple, understandable ingredients. Traditionally, bars have been highly processed and contained long ingredient lists with unfamiliar chemical ingredients and high-sugar content.

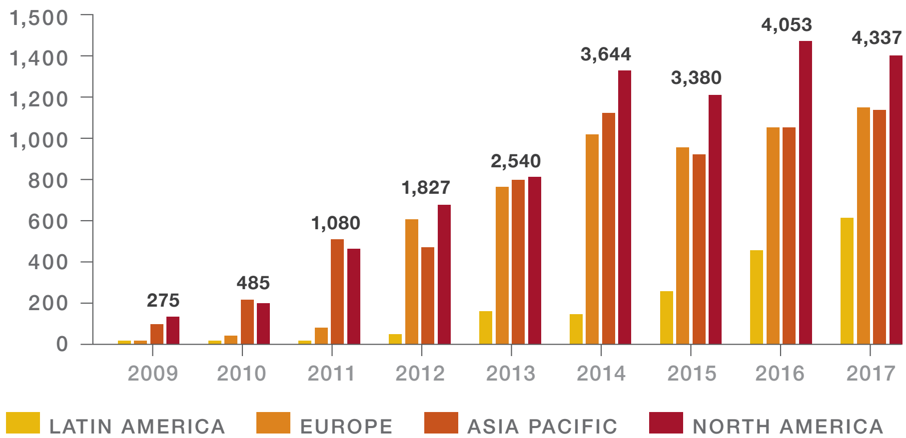
Numerous natural brands gained early ground in the space, but as label-conscious consumers delve deeper into ingredient lists, they are finding that many fall short of fulfilling the attributes they seek. Label-friendly ingredients and minimal processing are now essential in new bar formulation, but as manufacturers take out ingredients that are perceived as undesirable, they must also still deliver products that meet consumer expectations for taste and texture.

Reducing sugar in bars

The key challenge is to create a bar that is both healthy and tastes good without loading it up with sugar and artificial ingredients. Sugar and corn syrup were once the key ingredients used to hold the bar together, keep it moist, and deliver a sweet taste. But now, a growing number of new ingredients can help solve these challenges, from binders and texturizers to high-intensity sweeteners that add few or no calories. A number of label-friendly sweeteners have come to the rescue and are helping to produce bars that meet consumer expectations for both health and good taste.

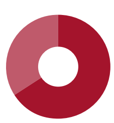
A popular choice is stevia, an herb native to Latin America. The sweetener is extracted from the leaves of the plant species *Stevia rebaudiana* and then purified. Stevia leaf extract is a versatile/functional, label-friendly alternative. It is also available as Non-GMO Project Verified. The active compounds of stevia leaf extracts are steviol glycosides, which are 200–350 times sweeter than sugar and are heat stable, so they are good for a broad range of product applications and ideal for bars.

Stevia product launches continue to grow



Source: Innova Database

Stevia is becoming the go-to sweetener for bars.



Change in year-over-year unit sales for performance nutrition bars containing stevia **+66%**

Number of bars on the market containing stevia: **330**

Total dollar sales of bars containing stevia: **$135 million**

Source: Nielsen Data, Sept. 2017 vs. Sept 2016]

Additional sugar reduction options . . .

Erythritol is a polyol that is produced commercially through a fermentation process, but is naturally present in certain fruits and vegetables. It masks the aftertaste of intense sweeteners and is useful in products for those on a restricted sugar diet. Erythritol has excellent digestive tolerance compared to other polyols, and it is also available as a Non-GMO Project Verified ingredient.

Because erythritol can help round out the bitter notes of stevia, it is increasingly used in combination with stevia extracts, and is already receiving increasing interest for product formulation.

Beyond sweeteners

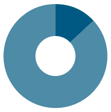
Chicory root fiber is now seen as a functional and reliable ingredient that can help modify texture and lower calorie count when replacing the bulk from reducing sugar in a variety of applications, including bars. Commercially produced chicory root fiber is harvested and processed without solvents or high heat to protect its naturally occurring fructans. In addition to its sugar replacement value, chicory root fiber, also called inulin, is a good option in nutrition bars because many consumers feel they need to eat more fiber, and fiber-rich bars provide a convenient and easy way to do that.

Chicory root fiber is also a well-researched prebiotic fiber that can support healthy gut bacteria and bone health, making it a solid option for emerging bars, including those targeting specific demographic groups or positioned for specific health conditions.

The positive outlook for fiber

2016 global dietary fiber market: **$3.28 billion**

2019 estimated sales, global dietary fiber: **$4.2 billion**



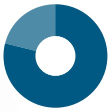
CAGR: **13.1%** for the next two years

Source: *Nutrition Business Journal*

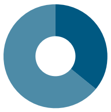
These predictions about the growth of fiber may be modest, given that consumer data shows favorable growth drivers and rapidly expanding consumer interest. The fiber ingredient category will also continue to see good performance as the synergies of prebiotics and probiotics develop.

It is, however, important to note that the U.S. Food and Drug Administration has published a new rule for fiber on Nutrition Facts Labels that changed the daily reference intake from 25 grams to 28 grams and provided a new definition for different types of fiber, requiring that these ingredients show a demonstrated physiological effect to human health. Unfortunately, the new definition excluded ingredients with a prebiotic effect, such as inulin.[9] Suppliers have since submitted petitions on behalf of inulin-type fructans from chicory root fiber, noting research that demonstrates physiological health benefits, and they are confident that these fibers will be shown to meet FDA's criteria.[10]

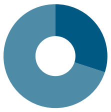
Consumers want more fiber



79% of consumers say they are interested in fiber



36% report "high in fiber" is an extremely or very important product claim



30% said they increased their fiber intake in the last three years

Source: Health Focus International, 2015

Setting a new bar

As the pendulum continues to swing toward healthy eating, consumer desire for simple, label-friendly ingredients, lower-sugar content and nutritional value in their bars will continue to grow. The nutrition-and-energy bar sector is still predicted to be one of the fastest-growing categories in consumer packaged goods, according to Euromonitor International, with the total snack bar market estimated to reach $8.5 billion by 2020. At the same time, there are still a lot of opportunities to build on existing consumer trends and provide innovative new bar options for hungry, time-starved and health-aware consumers. Therefore, they are willing to pay a premium for products that meet these needs.

Still, manufacturers will continue to face the difficult proposition of staying on top of consumer perceptions about ingredients, as well as their dietary and health goals. Looking ahead, here are some key emerging trends and insights:

Less is more: Short and easy-to-understand ingredient lists will become the baseline for new bars that have both reduced sugar and taste great. Furthermore, demand for certifications, such as non-GMO and USDA organic, will increasingly be an important consideration in bars.

Portability rules: Convenience is everything, and bars are a no-brainer . . . but snacking will continue to be a persistent consumer trend affecting the category. As demand for healthy single-serving foods grow, it will also create an increasingly competitive environment as other foods get in on the action. So establishing a niche and serving your audience well will help differentiate your bar from the rest.

Customization is coming: The long-term driver of snacking will give rise to an increasing quest for foods that meet customized, personal goals in a convenient format.[11] Bars that provide nutrients for specific conditions or address emerging eating trends, like the paleo diet and increasing intake of vegetables, fiber, and protein, will increasingly be the norm. The next step is allowing customers to create their own bars, selecting the basics from ingredients and texture to choosing added nutrients for specific health or workout goals.[12]

The formulation factor: Creating new, innovative bars from scratch, or reformulating a bar to meet the growing list of consumer demands, is not for the faint of heart. Take it slow and establish realistic expectations. When replacing ingredients like sugar with label-friendly alternatives, it is seldom a one-to-one swap. Work with a supplier that brings experience and insight to formulating with label-friendly, natural ingredients, as well as a broad portfolio of solutions.

To learn more about Cargill's capabilities for sugar reduction and insight into bar formulations, please visit **Cargill.com/sugarreduction.**

References

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