

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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Wheat: Cereal Bars - Overview

Products included in the product line

- Cereal bars are portable food products that are used for a number of purposes including, but not limited to, breakfast, snacks, energy products and health and nutrition products.

General market trends and information

- In 2003, total cereal bar sales were \$2.6 billion. Of this amount, \$2.1 billion were retail sales, and \$173 million are mass merchandisers such as Wal-Mart and Target. Retail sales increased by 12.7 percent and mass merchandise sales increased by 25.6 percent. Clearly this is a product line with a great deal of potential.
- A major determinate of cereal bar consumption is the presence of children in the home; 69 percent of households with children consume cereal bars compared with 46 percent of households without children.
- Cereal bars are used for a number of purposes. Some are marketed as a dietary supplement, others as a breakfast food, and others as a snack items.
- Consumers purchase cereal bars for a number of reasons, 42 percent of consumers cite cereal bars as an energy boost, and 37 percent of consumers use cereal bars as a meal replacement. There are several market segments an entrepreneur could pursue.

New product trends

- From 2000 through 2004 there were 1,952 new product introductions throughout the world in the retail cereal bar market. Cereal bars that made some type of health claim were the leading type of product introduction.
- Examples of new products are bread products that are low in fat, organic, enriched with calcium, high in protein, low in carbohydrates, chocolate.

Manufacturing and distribution issues

- The cereal bar market is maturing rapidly and is increasingly dominated by firms such as Kellogg, Quaker Oats and General Mills. This will make it difficult, but not impossible for smaller firms to enter the market.
- The vast majority of cereal bars are sold through supermarkets or mass merchandisers. However, given the ways they are consumed, there are alternative market channels available to firms. These include health food stores, convenience stores, and vending machines to name a few.
- The type of wheat produced in Michigan, Wisconsin, and Ohio may limit the ability to take advantage of this market.

Overall assessment of opportunities

- The greatest potential is in developing products that appeal to the demand drivers of indulgence and wellness. There are also some opportunities to develop products that appeal to convenience and ethnicity. There are few opportunities in developing products that appeal to value.

Sources

Mintel. Cereal Bars.

_____. Global New Products Database.

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