

# MARKETPLACE

FRIDAY, MARCH 11, 2005

THE WALL STREET JOURNAL.

## Companies Sweeten Sales of Adult Cereal With Sugar

By JANET ADAMY

**T**RIX MAY BE for kids, but a growing number of sweet-tasting cereals are being made specifically for adults.

To capture the aging baby boomer market, cereal makers are adding vanilla, French toast and other flavors to once-bland adult cereals and redirecting some of their existing sugary brands at grown-ups. The aim is to pump up sales of breakfast cereal, which have slipped as many consumers have shifted to energy bars, yogurt and other morning alternatives.

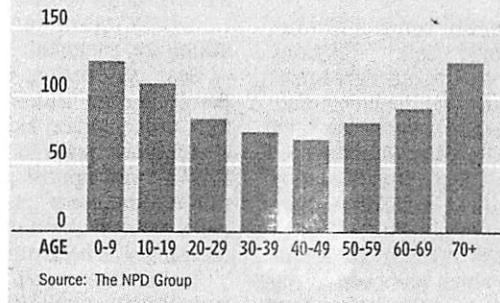
In January, General Mills Inc. launched Fiber One Honey Clusters, which has lightly sweetened flakes instead of the original Fiber One's fiber twigs. PepsiCo Inc.'s Quaker Oats Co. has doubled the number of instant-oatmeal flavors it offers over the past seven years to include apple crisp and cinnamon pecan varieties. Its maple and brown-sugar packets, meanwhile, outsell the unflavored ones.

"If a product doesn't taste good, it doesn't matter what the nutritional benefits are. It's not going to be a successful item," says Dave Kimbell, marketing director for Quaker Oatmeal.

Post, a unit of Kraft Foods Inc., has been re-fashioning ads for adult cereals such as Banana Nut Crunch and Blueberry Morning to emphasize

### Spoon Feeding

Average annual number of cereal servings consumed per capita in 2004, by age group:



taste over health benefits. And after years of marketing Frosted Mini-Wheats to the entire family, Kellogg Co. last year launched a new campaign for the brand geared to 35- to 49-year-olds. In TV commercials, a pitchman tells commuters and middle-age tourists that the new vanilla-crème variety of Mini-Wheats is a tasty way to get almost 25% of their daily fiber requirement.

Sweet cereal for adults makes up a growing segment within the \$6 billion-plus cereal category.

Kellogg calls the segment "adult taste indulgence," and its growth comes on the heels of a move by cereal marketers to be a little less indulgent when it comes to kids' cereals.

Last year, Kellogg, the world's largest cereal maker, came out with versions of children's classics such as Froot Loops and Frosted Flakes with one-third less sugar. No. 2 General Mills began selling a version of Cocoa Puffs and other brands with 75% less sugar.

Cereal makers hope that sweetening adult brands will help them take advantage of U.S. adults' tendency to eat more cereal as they age. In developed cereal markets, average cereal consumption peaks at age nine at about 27 pounds a year. Then it drops considerably until bottoming out with consumers in their late 20s, who consume about 16 pounds a year, Kellogg says. But consumption starts inching up again with consumers who turn 30, until by age 65 the average person is eating about 23 pounds of cereal annually.

In addition to selling well, the indulgence cereals also have helped to insulate Kellogg from price competition. Private-label rivals are less likely to knock off the indulgence brands, either because they are too narrowly targeted at market niches or because store labels can't compete with Kellogg's hefty marketing budgets. The result is

Please Turn to Page B4, Column 5

# Cereal for Adults Gets Sweeter

*Continued From Page B1*

that the indulgence brands tend to have higher profit margins than Rice Krispies, Corn Flakes and other oft-copied varieties.

Cereal makers have tried to put a health halo around the new adult varieties by emphasizing their fiber and vitamin content. But most contain more sugar than their plain counterparts.

For example, while General Mills's regular Fiber One contains no sugar, the Honey Cluster version has five grams of sugar in a 1½-cup serving. Kellogg's regular Special K has four grams of sugar in a one-cup serving; the vanilla-almond variety has nine grams of sugar in a ¾-cup serving.

With the adult cereals, "the loyalty to the original brand transfers to the new product, and people assume they're just getting a different flavor," says Bonnie Liebman, director of nutrition for the Center for Science in the Public Interest, a consumer watchdog group. "They don't realize the cereal has been watered down with more sugar."

Even so, the indulgence brands' sugar content is in most cases less than the sugar found in many regular children's cereals. Kellogg's Apple Jacks, for example, packs 16 grams of sugar into a one-cup serving.

Cereal makers say the enhanced flavor in adult cereals often comes from fruit and nuts rather than empty-calorie sweeteners such as high fructose corn syrup. And the new varieties have the same fiber and vitamin benefits as many less-sweet and no-sugar adult cereals. In fact, the flavored versions of Special K have a little more fiber than the plain kind.

Kellogg attempted to target the adult sweet tooth back in 1995 with Temptations, a brand it billed as an "indulgence cereal for the sophisticated palate." Hop-

ing to appeal to consumers who were driving specialty-coffee and fancy-popcorn sales, Kellogg launched cereal flavors such as French vanilla almond and honey-roasted pecan. But Temptations wasn't very tempting to consumers, and Kellogg eventually canceled it.

Four years later, Kellogg found itself with a surprise hit after adding dried strawberries to Special K in France. The new variety proved so popular that Kellogg started selling it in the U.S. and the United Kingdom. Sales of the product helped the Special K brand displace Corn Flakes a few years later as Kellogg's best-selling brand world-wide.

Adults seem to be of two minds when it comes to sugar. In surveys, adults often say sugar is the ingredient they monitor most closely when they buy cereal, according to Mintel International Group, a Chicago market-research firm.

But in focus groups, adults who don't normally eat cereal have told Kellogg they like the health benefits of cereal but not the taste. "To them, it was maybe a little bland," says Mark Baynes, senior vice president, marketing, in Kellogg's morning-foods division.

Whether they own up to it or not, adults' taste for sweet cereals is growing steadily. Mintel says sales of Special K Red Berries, Honey Bunches of Oats and other "medium-sugar" cereals (with 22% to 34% sugar) climbed 20% over the five years that ended in 2003.

Meanwhile, sales of Grape Nuts, Shredded Wheat and other "low-sugar" cereals (with less than 20% sugar) fell 10% over the period. "People do not really notice" that the new indulgence cereals contain more sugar, says David Lockwood, senior market analyst at Mintel.

Doug Weekes, senior category director at Post, says adults "keep reminding you that, 'Yeah, I don't eat it because it's healthy. I eat it because it tastes good.' "