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# Talking Points: Peak Bar?

## Do We Really Need Another Snack Bar?

### RaboResearch

Food & Agribusiness  
far.rabobank.com

### Nicholas Fereday

Senior Analyst – Consumer  
Foods  
+1 347 215 4158

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## Summary

For the longest time, the US snack bar market was one of the rising stars in the US packaged food firmament, growing at above-average rates as it established itself as the perfect platform for many of today's consumer trends, especially when on-the-go. But what worked when we traveled has not done so well as we stayed at home – the pandemic quickly curtailed our mobile and sports-related snacking habits. Overall, as Mondelēz would have us believe, consumers have been snacking more during the pandemic as a source of “comfort, connection and community,” but not, it seems, when it comes to our beloved snack bars. During these pandemic days, what was convenient and highly relevant to consumers has become well, less relevant and not aligned to their home-centric needs. Not every brand or food product pivoted to the at-home experience, and it is easy to see why a nutritionally dense energy bar might lose out to say popcorn as we retreated to the comfort and consolation of our sofas and Netflix. And so, despite 2020 being a boom year for most supermarket aisles, it was a very tough one for snack bars, and potentially more worryingly, there doesn't seem to have been much of a return to their old retail form so far in 2021. As Simply Good Foods noted in a recent (under)statement, “bars remain temporarily soft due to fewer on-the-go usage occasions.” As we survey the snack bar landscape, here are five themes that come to mind:

1. 2020, Below the Bar
2. Above the Bar – Some Bright Spots
3. Lowering the Bar – Did I Just Eat Dessert?
4. Bar None – Everyone Wants to Be a Snacking Powerhouse
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## 1. 2020, Below the Bar

Let's start with a look back at last year, although comparing data sources oftentimes feels like comparing apples and oranges. In 2020, various sources suggest sales in the US snack bar market were down by about 5% to 10% compared to 2019 after averaging (according to IRI) a respectable 4% growth in the previous four years (some data providers suggest the market was already averaging just 1% growth in 2016-19). In recent years, most growth has been driven by what Euromonitor refers to as the protein & energy bar market (8% CAGR since 2015), which overtook the declining cereal bar market (a.k.a. breakfast bars) in 2016 to become the largest subsegment with over half the market.

In terms of major players, IRI puts General Mills and Kellogg's, with their broad portfolio of snack bars, in the top two spots with about 20% and 15% market share, respectively, with Clif Bar & Company and KIND jostling about in the 10% to 12% range. Generally, the older breakfast-oriented brands of General Mills, Kellogg's, and PepsiCo – such as Larabar, Nature Valley, Kashi, Special K, and Quaker – have continued to lose market share to the newer lifestyle entrants, most notably KIND (fully acquired by Mars Inc. last year), as well as the 'Others,' suggesting the pandemic has not offered up any respite from longer-term trends – the market has become more competitive and less concentrated over time with a stream of new entrants. (I easily came across over 70 companies during my Googling for this note.) For example, General Mills' Nature Valley granola bars, one of their biggest sellers, was down 11% last year, according to IRI, and Special K bars also took a double-digit hit. According to Euromonitor, Clif Bar & Co.'s roughly one-third market share of the energy & protein bar market (their home turf) has dipped, losing out to new entrants such as Kellogg's RXBAR (acquired in 2017), Simply Good Foods' Quest Nutrition and Atkins, and a deluge of smaller competitors. The 'Others' category now has the biggest slice, with an estimated 35% market share in 2020.

Of course, the devil is in the details of the subcategories and how and when snack bars are consumed. Unsurprisingly, some snack bars are associated with particular eating occasions, such as breakfast or as a mid-afternoon pick-me-up. Similarly, a lot depends on how brands view and market themselves. Many of the Natural Products Expo West crowd would not be amused to learn the data providers lump them in with Kellogg's Rice Krispies Treats (which has been on a tear since 2018).

Looking to 2021, the data is harder to interpret as we lap the surge in demand from last year's pantry-loading bump. Year-on-year numbers from IRI, for example, for the four weeks leading up to the start of April 2021 put sector sales down by about 11% and volumes down by 15%. Unsurprisingly, negative year-on-year sales growth has been the norm for most companies to date this year. But let's not get too obsessed with these early 2021 numbers, recognizing the 'noise' has been dialed up.

## 2. Above the Bar – Some Bright Spots

A couple of bright spots emerged from the overall gloom and doom in 2020:

- **KIND words.** Let's call out KIND's achievement in bucking the downward trend, with sales up by 4% in 2020, according to IRI. Although this represents a slowdown compared to previous years, it was enough to outshine its rivals, and KIND was the only major player to grow sales volumes (up 6% compared to a 3% decline in the overall category). One of the drivers here seems to be the strong growth in their breakfast and cereal bars, which must have resonated with those looking for modern at-home breakfast options.
- **E-commerce, again.** As with other categories, snack bars benefited from the consumer's move to the virtual – online snack bar sales doubled in 2020, which naturally favored the bulk purchase of multipacks rather than the previous, default single-serve options. For snack bars, this is very much an emerging channel and represents a big opportunity. E-commerce has also helped consumers discover the smaller guys it seems. Commenting on this online surge at a recent FoodNavigator webinar on the industry, Karen Howland from CircleUp argued that consumers shopping online are more easily able to search for bars by trait to "find the brands targeting specific needs and attributes that they're focused on," allowing them to cut through the clutter and confusion that one is normally presented with by hundreds of bars at a typical supermarket. Thrive Market online, for example, allows members to filter their shopping by diet (gluten-free, paleo, etc.), certification (B-Corp, Fair-trade, etc.), ingredients (low-carb, dairy-free, etc.), and other values (made in the US, women-owned business, etc.), reminding us that, for consumers, values are as important as ingredients.

### 3. Lowering the Bar – Did I Just Eat Dessert?

As the market has grown, what it means to be a snack bar has morphed and blurred. Besides regular bars, we now have snack balls, bites, cups, layers, minis, rounds, smalls, strips, squares, thins, etc., all adjacent to each other on our supermarket shelves. I don't want to get too philosophical here, but when is a snack bar not a snack bar? When is a candy bar in disguise? (I grew up in the UK, hearing the tagline of "A Mars a day helps you work, rest, and play"). Or when a candy bar is a protein bar in disguise, such as a Snickers Hi Protein Bar? Or when it is dessert, such as a Chocolate Cupcake Luna Bar or Key Lime Pie Lärabar? Or perhaps a Double Chocolate Good to Go bar, which boasts, "This bar tastes like chocolate cake"? Or when it is hiding in plain sight, like Kellogg's iconic Rice Krispies Treats? Some in the industry clearly feel you can have your (cake) bar and eat it. Jim Murray from RXBAR believes, "more than ever, fans expect more from their snacks. They want something they can feel good about eating, but they also want something that's decadent and delicious."

I cannot help feeling the snack bar industry has lost its way here, shedding some of its identity as the market expanded. Almost a decade ago, I wrote in a note entitled, "Never Eat More Than You Can Lift" (thank you, Miss Piggy), that the outlook for snack bars "remained excellent," driven in part by "cannibalizing the wider oftentimes less healthy snack market." Even going as far to assert, "candy is too much of a challenge to the wholesome and active image of the snack bar." How naïve I was. Looking back, it seems the reverse has happened – candy ate up the snack bar, lowering the bar to what has become permissible. Armchair athletes and sofa surfers take note, Wikipedia reminds us that "Energy bars are used as energy source during athletic events like marathon, triathlon and other outdoor activities, where energy expenditure is high, for longer periods of time" If that is the case, the addressable market is clearly not all 330m Americans but many lucrative niche markets.

### 4. Bar None – Everyone Wants to Be a Snacking Powerhouse

Over the past decade, all the major food companies enticed by the strong growth in snacking have declared their ambitions to become 'snacking powerhouses' in one shape or form as their market insights teams identify an ever-increasing number of 'eating occasions' within those twenty-four little hours beyond the cultural norms of breakfast, lunch, and dinner. The good news here for snack bar companies wishing to be bought or to find a partner is that every CPG company believes it needs a number of snack bar brands in its portfolio. Judging by the flow of acquisitions, it appears their appetite has not diminished. It might also be because it has become increasingly harder to be a 'pure-play' snack bar company (the lack of a broader snacking portfolio hit some companies hard in 2020). For example, over the last few years, Hershey bought One Brands (reduced-sugar protein bars) and invested in an Irish snack bar company, Fulfil Bars, which are now sold in the US. Mondelez bought the refrigerated bar company, Perfect Bar, in 2019 (snack bars are increasingly hanging out in the chiller cabinet) and more recently the UK's Grenade bar earlier this year. KIND (and by extension, Mars) acquired Nature's Bakery in December 2020. Simply Good Foods completed its acquisition of Quest Nutrition in 2019, and PepsiCo acquired Health Warrior in 2019 and Kellogg's RXBar in late 2017. We expect more to come.

## 5. Peak Bar – Do We Really Need Another Snack Bar?

At times, it feels like the snack bar market is a microcosm of all the joys and frustrations of the wider snacking and packaged food industry, where snack bars are just one of umpteen categories that a consumer can reach out to when they have the munchies, whether it is on the sofa, at the airport (remember those?), or just that back-up plan you keep at the bottom of your bag (gym or otherwise). In previous notes, we joked about our perennial surprise at the impressive steady flow of new entrants, 'bandwagon' products, and innovations into the already crowded snack bar category. We even suggested that snack bars should become the barometer of the state of the industry: "When the flow of new bar entrants comes to a halt, it will be time to turn the lights off at Expo West and other trade shows." Up until the pandemic, despite a few wobbles, we saw no reason to change our mind. It had remained a strong and vibrant market and continued to be a hothouse of innovation. With low barriers to entry, it was also a great entry point for young entrepreneurs, as well as everyone else's choice of second career. It remained the case that the ubiquitous multi-purpose snack bar appealed to a broad range of eating occasions and consumer trends, both evergreen and faddish. But over a year into the pandemic, with sales sluggish, does the snack bar industry need to have a reset rather than just expecting the market will bounce back as we become more mobile? Do other companies need to follow the path of Clif Bar and KIND, for example, and bring in the Big Food playbook as they start to explore categories beyond the bar? Have we now reached 'peak bar'? Let's continue to celebrate the choice and diversity of the platform but also ask ourselves, do we really need another snack bar?

# Imprint

## **RaboResearch**

Food & Agribusiness

far.rabobank.com

Nicholas Fereday

Senior Analyst – Consumer Foods

nicholas.fereday@rabobank.com

+1 347 215 4158

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