



CEREAL

2018 • CATEGORY INSIGHT REPORT

It's no surprise to hear that cereal sales have slowed in recent years. However, there are clear opportunities for growth, including consumers' focus on satiety and snacking. We're also examining a growth in wholegrain offerings, unique tastes, "super" ingredients and a consistent attentiveness for the clean and natural. Let's take a closer look at what's happening in cereal around the globe.

CEREAL OVERVIEW

GLOBAL OVERVIEW

In developed cereal markets, such as the United States and Canada, consumers are eating less cereal as they look for breakfast foods that deliver more protein and greater satiety, as well as products that can be eaten on the go or at a sit-down spot other than their home, like work or school.

In emerging markets, such as China and Japan, consumers are not ready to give up their established breakfast patterns. Western-style cold cereals hold some appeal and are tried from time to time, but they struggle to win against the strong Asian tradition for hot and savory breakfast fare.

NORTH AMERICA OVERVIEW

In the US, sales of hot and cold cereal continue to maintain slow growth and Mintel projects this low rate of speed to continue through 2020. Consumers perceive cold cereal in particular as processed, high in sugar and low in nutrients. Adding to the decline: stepped-up competition from on-the-go breakfast alternatives such as yogurt and more dining out from consumers. Hot cereal has seen sales growth, but the segment is not significant enough to quickly make up for cold cereal's declines.

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Cereal sales will grow to \$11.1 billion by 2019. -Mintel

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CONSUMER SNAPSHOT:

Younger consumers more engaged in cereal category, present opportunities.

Mintel reports cereal eaters ages 18-34 eat a wider variety of cereals than older Americans. Millennials also are more deeply engaged in the category with strong opinions about cereal, both positive and negative.

On the positive side, 84% see cereal as a great snack.

Pair this with the fact that 56% think it needs to be more portable, and we see product development opportunities for new dayparts and new formats to connect with these consumers.



When considering snacks, keep in mind that nearly 75% of this age group of cereal eaters say that they wish cereals kept them full longer, and 72% wish it gave them more energy. And given that Millennials are more likely to snack throughout the day instead of eating three standard meals, Mintel sees sales opportunity in positioning specifically as a snack as a likely sales growth area.

A final point of interest when considering new products for 18-34 year-olds is the power of nostalgia. They are far more likely than other age groups to agree that the brands they loved as a kid are still their favorite. Well-known kids' brands may be able to take advantage of these attitudes with marketing to adults that position them as ideal for snacking, a permissible indulgence or a trip down memory lane.

But remember, it always comes down to taste. The vast majority — 89% — of cereal consumers get behind taste as an important factor when choosing a cereal.

75%

OF 18-34 YEAR OLD CEREAL EATERS SAY THAT THEY WISH CEREALS KEPT THEM FULL LONGER

89%

OF CEREAL CONSUMERS GET BEHIND TASTE AS AN IMPORTANT FACTOR WHEN CHOOSING A CEREAL.

65%

WHOLEGRAIN, WITH 65% OF LAUNCHES, CONTINUES TO BE THE LEADING NATURAL CLAIM FOR BREAKFAST CEREALS

46%

OF U.S. HOT CEREAL CONSUMERS SAY HIGH FIBER IS IMPORTANT TO THEM

CEREAL CLAIMS

North America has the highest percentage of natural claims in breakfast cereals globally and is experiencing continued growth as consumers increasingly seek out healthy, organic and all-natural cereals.

Wholegrain, with 65% of launches, continues to be the leading natural claim for breakfast cereals. Both non-GMO and “no additives/preservatives” have seen strong growth, from 21% of launches each in 2013, to 30% and 32%, respectively, in 2017. Organic is also a consistently growing claim with nearly half of US consumers associating “organic” with “healthy.”

The organic claim is seeing year-on-year growth in breakfast cereals launches. Between October 2013 and September 2014, 13% of global cereal launches carried the claim, and it rose to 17% by October 2017.

Top 5 Global Claims for Cereal

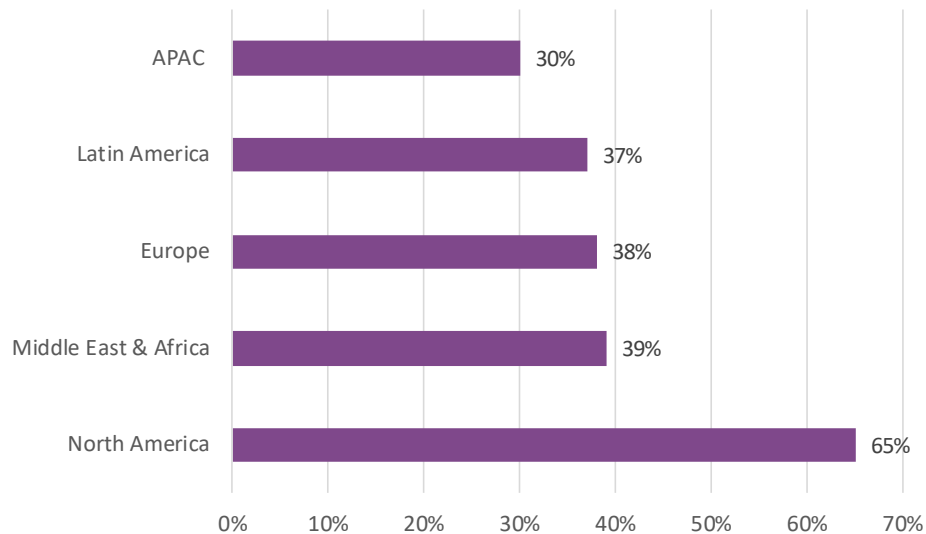
1. Wholegrain
2. High/Added Fiber
3. Ethical - Environmentally Friendly Package
4. Organic
5. No Additives/Preservative



WHOLEGRAIN

As mentioned, Wholegrain is a significant claim in hot and cold cereals around the world. Whole grains appeal to consumers looking for high-fiber cereals. Across the pond, we see that high fiber is of interest to 37% of UK breakfast cereals buyers, but 32% of people interested in high fiber aren't actually reading nutrition labels to seek out this information. To connect with these consumers, wholegrain cereals need to call out their natural high fiber content in more direct ways.

WHOLEGRAIN CLAIM AS A % OF NEW BREAKFAST CEREALS, BY REGION: OCTOBER 2016- SEPTEMBER 2017



SEVEN GRAINS WHOLEGRAIN FLAKES: consist of rye, flaxseed, wheat, corn, rice, oat and buckwheat. It is claimed to be high in fiber. Vietnam



BLACKBERRY, DATE & QUINOA MUESLI: comprises oven roasted oats, crispy buckwheat flakes and grains with berry taste. It is rich in fiber and wholegrain and is free from added sugar. Sweden



POST GREAT GRAINS MAPLE & BROWN SUGAR INSTANT MULTIGRAIN HOT CEREAL: contains oats, barley, wheat, quinoa, rye and flax seeds, is quick and easy to prepare and is naturally flavored with other natural flavors. USA

60%

OF U.S. ADULTS EXPRESS INTEREST IN TRYING QUINOA

54%

OF U.S. ADULTS EXPRESS INTEREST IN TRYING CHIA SEEDS



SUPERFOODS

The popularity of “Super” ingredients, often called “superfoods,” “superfruits,” or “supergrains” has increased significantly in breakfast cereal launches, as consumers look for more natural and wholesome ingredients. Quinoa, Chia Seed, Amaranth Seed, Goji Berry and Hemp Seed are the main superfoods players in cereals launches, with Chia and Quinoa seeing the strongest growth.

Ancient grains (supergrains), like quinoa and chia, have captured the attention of consumers looking for nutrient-dense, non-GMO wholegrains. About 60% of US adults express interest in trying Quinoa and 54% in Chia/Chai Seeds. Other types of grains seeing interest among US adults are Millet, Bulgur, Sorghum and Spelt.



LIVING INTENTIONS BANANA HEMP ACTIVATED SUPERFOOD CEREAL: contains dandelion and two billion CFUs of friendly Ganeden BC30 live cultures, as well as sweet bananas, a hint of vanilla and the superfood goodness of powerful greens like spirulina and chlorella. Canada



DR. MCDOUGALL'S RIGHT FOODS MEGA OMEGA ORGANIC SUPERFOOD HOT CEREAL: is packed with nutritious ancient grains, pumpkin seeds, cinnamon and wholegrain rolled oats, and contains abundant quantities of organic milled flax to provide fiber and omega 3s. U.S.

FLAVOR TRENDS

GLOBAL OVERVIEW

Chocolate, Honey, Fruit, Almond & Nut, Frosted Sugar, Cashew and Ginger are among the top and emerging flavors in the category. The mix of better-for-you and indulgent is somewhat surprising given the intense focus on sugar reduction.

Top global flavors include: chocolate, fruit, honey, almond and apple.

U.S. OVERVIEW

The top flavors in U.S. cereals have remained steady over the past 5 years, although we have seen increases in two of the top 10: Blueberry (+158%) and Almond (+75%).

Other flavors spotted with notable growth include Pumpkin, Dark Chocolate, Coconut, Flax, Quinoa, Caramel, Walnut and Pecan. For example, in 2013 there were no Caramel-flavored cereals launched, but in 2017 (as of Nov.) there are 5 on the shelves.

Top U.S. flavors include: almond, cinnamon, honey, apple and cranberry. While there may not be any surprises in the top cereal flavors, we have spotted some more unusual flavors hitting US shelves recently, such as: orange, coffee & macadamia nut, limoncello blueberry, dulce de leche and even ice cream flavors.

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Acai

is the fastest growing global cereal flavor with 1000% growth from 2013-2017. - Mintel GNPD

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CONCLUSION

Some takeaways: Consumers are looking for more from their cereal – more nutrition, more satiety, more energy and more convenience. Growth opportunity exists for wholegrain, high fiber products and those with probiotic ingredients that can promote better gut health. Products with enhanced energy-giving benefits, like high protein and/or caffeine, and cereals with added superfoods or ancient grains can also grow as these ingredients provide the health aspects consumers desire. Snacking is another area for product development as more than 60% of consumers say cereal is a great snack food. Millennials have not closed the door on cereal, especially if it captures their interest in snacking and nostalgia.

YOU DESERVE MORE. LET'S GET STARTED.

What does true partnership look like? You deserve a flavor partner ready to turn these trends into the tangible.

Let FONA's market insight and research experts get to work for you. Translate these trends into bold new ideas for your brand. Increase market share and get to your "what's next." Our technical flavor and product development experts are also at your service to help meet the labeling and flavor profile needs for your products to capitalize on this consumer trend. Let's mesh the complexities of flavor with your brand development, technical requirements and regulatory needs to deliver a complete taste solution.

From concept to manufacturing, we're here for you – every step of the way. Contact our sales service department at 630.578.8600 to request a flavor sample or chat us up at www.fona.com/contact-fona/



Need more?

Reach out to Jennifer, your cereal trend expert!

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Brussel Sprout Sweet Potato Overnight Oats photo credit: Jamie Vespa