

by A. Elizabeth Sloan

## Blockbuster New Products: What's Selling and Why

Italian confectioner Ferrero's *Kinder Joy*, an interactive candy egg that includes a toy, was America's best-selling new food/beverage product last year with year one sales of \$124.4 million, per IRI's May 2019 *New Product Pacesetters*\* report, which tracked the top 100 new products with a full year of sales in 2018. *M&M's Caramel* and *Oui by*

Boston Consulting Group's *2019 7th Annual Growth Leaders Report*, nearly \$20 billion in consumer packaged goods (CPG) industry sales have shifted from large and medium-sized to smaller and private label manufacturers over the past five years.

One-third of 2018's best-selling new food/drink *Pacesetters*

beverages; 61% take a "wait and see" approach. Those in very high-income households, older Millennials, and those with children at home are the most likely to be early adopters, per IRI. Early adopters dramatically over-index for new products that promote sustainability, healthfulness, convenience, simple ingredients, and, for some, compliance with a special diet (Figure 2).

*2019 New Products Survey*, 38% of consumers say they try to eat healthy half of the time and eat whatever they want the rest of the time; 35% try to eat healthy 80% of the time and leave room for little indulgences. One in five (22%) eat pretty much what they want all the time; 5% follow a strict diet.

Snacks with a healthy halo are also hitting the mark. Portion control (*Duncan Hines Perfect Size for 1*), more nutritious ingredients (*RXBAR*), and healthier manufacturing methods (e.g., baking versus frying for *Lay's Poppables* and *Ritz Crisp & Thins*) were among factors driving last year's best-sellers.

Two-thirds of the general population who were surveyed in IRI's product survey reported that convenience (65%) and healthfulness (67%) were very influential in their new product purchases; 64% cited simple ingredients; 39% noted sustainability; and 31% said it was because the product complies with a specific healthy diet or

Figure 1. *New Product Pacesetters: Top 10 Best-Selling New Foods/Beverages 2018.* (total year one dollar sales, multi-outlets) From IRI 2019

	Sales in Millions
1. Kinder Joy	\$124.4
2. M&M's Caramel	\$120.6
3. Oui by Yoplait	\$100.5
4. Gatorade Flow	\$78.1
5. RXBAR	\$73.9
6. Grown in Idaho	\$59.9
7. Mountain Dew Ice	\$59.9
8. Lay's Poppables	\$51.6
9. Ritz Crisp & Thins	\$49.1
10. Duncan Hines Perfect Size for 1	\$47.9

*Yoplait* also posted year one sales of over \$100 million (Figure 1).

For the first time, just over half (51%) of the best-selling *Pacesetters* were developed by smaller companies (revenues < \$1 billion) versus 22% introduced by companies with sales in the range of \$1–\$5 billion and 14% from companies with sales of more than \$5 billion.

The largest companies, however, still accounted for over half (54%) of new *Pacesetters* dollar sales; medium-sized companies accounted for 27%; and smaller companies, 19%. Per IRI and the

were new brands versus line extensions, up from less than 10% five years ago.

While total *Pacesetters* revenues for new foods/beverages has declined over the past six years due to the success of more targeted/niche products, the good news is that new food products are staying relevant longer. In 2018, 70% of IRI's 2017 *New Product Pacesetters* grew or maintained sales in year two, according to IRI.

One-quarter (26%) of adults are classified by IRI as "early adopters" of new foods/

### Market Drivers

Indulgent offerings accounted for nearly \$800 million in year one *Pacesetters* product sales. Five of the top 10 best-selling food/beverage *Pacesetters* featured sweet/savory indulgence. *Duncan Hines Perfect Size for 1* ranked tenth on the *Pacesetters* list. *Hershey's Gold*, *Ben & Jerry's Pint Slices*, *Blue Bunny Frozen Bunny Snacks*, and *Hostess Bakery Petites* were also among 2018's best-sellers.

The concept of small indulgences as a reward continues to gain traction. According to IRI's

Figure 2. *Factors That Have an Impact on Interest in New Food and Beverage Products.* (priorities for various consumer segments) From IRI 2019

	Total	Avid Early Adopter	New Product Enthusiast	Laggard
Taste	93%	96%	96%	92%
Price	83%	84%	82%	82%
Healthfulness	67%	81%	68%	65%
Convenience	65%	80%	70%	62%
Simple Ingredients	64%	81%	70%	61%
Sustainability	39%	63%	42%	35%
Complies With a Special Diet	31%	51%	39%	28%



**Mondelez International** successfully extended the venerable Ritz brand with its line of oven-baked Crisp & Thins, No. 9 on the 2018 New Product Pacesetters list.

eating style.

Coupling high protein, added vitamins/minerals, and natural ingredients with ease of use (e.g., *Birds Eye Veggie Made Mashed Eating Well Dinners* and *Quaker Overnight Oats*) was a successful combination.

### Categorically Speaking

The dinner and breakfast solutions category had the most *Pacesetters* in 2018 (36) and accounted for nearly 40% of total *Pacesetters* new food dollar sales. Protein-rich *Jimmy Dean Simple Scrambles*, *Healthy Choice Power Bowls*, and *Barilla Ready Pasta* meals delivered on the convenience factor.

Grab-and-go mini-meals/snack kits like Keebler's *Townhouse Pita*, *Crackers and Hummus Snack Box* were another strong category. IRI data confirm that products conveniently eaten on the go are important to 56% of consumers. Refrigerated meat/cheese/cracker/dessert snack kit sales jumped 8.5% in 2018 and are up 6.5% year-to-date in 2019.

According to IRI, 47% of consumers eat snacks more than three times a day. Nearly two-thirds sometimes have a

beverage as a snack. In 2018, wellness snacks accounted for 36% of dollar sales, up 1.6%; true indulgence accounted for 26%, +2.9%; permissible indulgence accounted for 24%, +3.9%; and treats were 14%, +1.2%.

Fresh eggs, ready-to-eat cereal, "other" salted snacks, nonchocolate candy, cookies, tortilla chips, nutrition bars, frozen novelties, full-fat yogurt, and refrigerated snack kits led raw dollar snack growth, per IRI. Albeit from a very small base, snacks with a vegan/vegetarian positioning jumped 16% in dollar sales.

All 18 beverage *Pacesetters* combined contributed \$327.3 million in year one revenue. Energy and sports drinks outpaced traditional soft drinks and alcoholic beverage products.

Sales of energy beverages in the United States jumped 8.4% in retail dollars in 2018 and 8.6% in volume, making them the second fastest-growing major beverage category after value-added water in 2018, according to data from the Beverage Marketing Corp.

*Gatorade Flow* topped the list of convenience store *Pacesetters* in 2018, with year one sales of \$145 million, followed by *Core Hydration* with \$123 million in sales; *Monster Hydro*, \$57 million; *Red Bull Purple Edition*, \$53 million; *M&M's Caramel*, \$48 million; *Mountain Dew Ice*, \$46 million; *Kinder Joy*, \$42 million; *Red Bull Lime Edition*, \$37 million; *Starbucks Cold Brew*, \$32 million; and *Pure Leaf Tea House Collection*, \$32 million, per IRI.

Clean eating was the most-cited diet in 2019, adopted by

10% of consumers. Other top diet approaches, according to the International Food Information Council's (IFIC) *2019 Food & Health Survey*, included intermittent fasting, gluten-free,

in-store fresh bakery sales grew 13.6% in dollars and 8.7% in pounds. In 2018, center store/general food sales gained \$3.4 billion; liquor, \$2.6 billion; refrigerated foods, \$2.3 billion; frozen

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low-carb and ketogenic, a specific weight loss plan, the Mediterranean diet, plant-based, vegetarian or vegan, paleo, and whole 30.

### Looking Ahead

According to IFIC, among the factors that have a significant impact on food product purchase decisions, taste (86%) has increased 5% versus 2018 while environment/sustainability (27%) has fallen 13%. Price and convenience each increased 3%; healthfulness remained stable at 62%.

If IRI'S "Rising Stars" (which track early 2019 *Pacesetters* as of May 2019) stay on pace, it appears that bread, more daypart solutions, all-day refreshment, healthy indulgences, and baby food will remain on trend. *Brownberry Sandwich Thins*, *PepsiCo's Bubly*, *Corona Premier*, *Eight O'Clock K-Cups*, *Enfamil NeuroPro*, *Halo Top Dairy-Free*, *Michelob Ultra-Pure Gold*, *Nature's Own Perfectly Crafted*, *ONE Bar*, and *Ore-Ida Just Crack an Egg* would take "top 10" honors.

IRI'S *Early View 2019: Food & Beverage Trends* report confirms that in the first quarter of 2019

food, \$1.6 billion; and the perimeter, \$1.0 billion.

In 2019, one-third of Millennials say they're trying to eat a more plant-based diet; one-quarter of non-Millennials make that claim, according to IFIC.

FMI's *2019 U.S. Grocery Shopper Trends* report states that 34% of consumers are looking for a low-sugar claim at point-of-purchase, 33% seek a no artificial ingredient claim, and 32% are looking for a non-bioengineered/non-GMO claim.

Lastly, IRI projects that small households will represent \$22 billion in incremental food/drink sales over the next three years. **FT**

*\*Note: Pacesetters are the top 100 new foods/beverages that have a full year of sales in 2018, at least 30% ACV at the end of year one and have a multi-outlet geography, including supermarkets, drugstores, mass market retailers, military commissaries, and select club and dollar retail chains.*



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