

## Low-carb feast

**Consumers beef up sales of diet-friendly products as they turn away from bread, pasta and juice**

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Low-carb mania is not only affecting Americans' waistlines, it is beginning to impact the bottom lines of businesses.

People trying to lose weight have heeded the call of low-carb diets such as Atkins, South Beach, Sugar Busters and the Zone. An estimated 24 million Americans are on low-carb diets, and as many as 44 million more are considering trying one in the next year, according to a national study. That doesn't count the millions of others who say they are consciously reducing their carbohydrate intake.

The logic is that potatoes, white bread, pasta and other carbohydrate foods turn into sugar, which is harder for the body to metabolize and thus turn into fat. On low-carb diets, high-sugar items such as orange juice or anything with corn starch also are off limits. High-protein food, even if it is high in fat, is thought to help spur weight loss because it is easier to burn.

That thinking is creating a growing industry that is hard to ignore.

LowCarbiz, an industry group in Colorado, estimated that U.S. consumers will spend some \$30 billion on low-carb products this year, up from \$15 billion in 2003.

This massive shift in consumer lifestyles is reshaping the food industry as staples such as bread and orange juice decline in sales, while demand increases for meats and cheeses.

For instance, Interstate Bakeries Corp., maker of Wonder bread, blames the low-carb craze for declining sales and profits.

"We believe the 'health conscious' marketplace was specifically focused on seeking out a low-carb alternative," James Elsesser, the company's chief executive, said recently in announcing its quarterly results. "We see downward pressures across most sectors of our business, as do our competitors."

But there have been benefactors. Johnson & Johnson, which makes the sugar substitute Splenda used in many low-carb items, said the sweetener was one of the main reasons for its 17 percent growth in sales for the first quarter.



DAN TREVAN / Union-Tribune

Even the beloved bagel has succumbed to the low-carb fad. These multigrain bagels made with soy flour and topped with asiago cheese are sold at Big City Bagels in Hillcrest.



EDUARDO CONTRERAS / Union-Tribune

Chris Miller is marketing low-carb cocktail mixes to the happy hour set. Miller and his business partner both lost weight on a low-carb diet, but found they missed the taste of carb-laden drinks like margaritas and pina coladas.

Other businesses have taken notice as well.

Fast-food restaurants from Subway to Carl's Jr. and chains like T.G.I. Fridays have revamped their menus to include items like bunless burgers wrapped in lettuce, steaks served with broccoli instead of potatoes, and low-carb sandwich wraps.

Sheraton Hotels has launched a low-carb menu in its restaurants and banquet and room services, said Kelly Sanders, general manager of the Sheraton San Diego Hotel & Marina.

"We found that nobody was eating the bagel or the croissant," he said, adding that meeting planners were hearing complaints about carb-heavy continental breakfasts. "We are simply reacting to customers' demands."

Bob Sandelman, president of market research firm Sandelman & Associates, said businesses can no longer ignore low-carb consumers.

"They need to respond if they want to remain competitive," he said.

The demand also has spurred the growth of boutique outlets like The Low Carb Food Store, which opened last week in Rancho Peñasquitos, and Low Carb Warehouse, which opened Thursday in La Jolla. Aisles at big-name grocery stores increasingly are filled with products that tout themselves as "low-carb" or as having only a few "grams of net carbs."

Even beer, hardly a product that brings to mind diet and health consciousness, has become an advertising battleground, with brewing giants Anheuser-Busch and Coors extolling the low-carb virtues of their products.

Industry analysts credit Miller Brewing Co.'s surging sales with an advertising campaign highlighting Miller Lite as lower in carbs than rival Bud Light. In response, Anheuser-Busch, maker of Bud Light and the popular new low-carb beer Michelob Ultra, launched an ad campaign pointing out that all light beers are low in carbs. Coors has introduced its low-carb version, Aspen Edge, which the company predicted would be a major contributor to sales after it is launched nationwide in May.

But as companies large and small fight for sales in the booming low-carb marketplace, there is a real question about how big and how lasting the demand will be.

Food industry experts point to the low-fat diet mania of the early '90s as proof of consumers' fickle whims when it comes to food.

Bob Goldin of Technomic Inc., a food industry research firm, said products like Snackwell's went boom and bust along with the low-fat diets the spurred them.

There are signs that history might repeat itself with low-carb diets. A survey by ACNielsen, a market research firm, found that 19 percent of respondents said someone in their household had tried but abandoned a low-carb diet. That calls into question whether low-carb diets work well enough for people to stay with them, said Todd Hale, senior vice president of consumer insights for ACNielsen.

"The jury is still out whether this low-carb diet has staying power," he said.

While many industry analysts concede the low-carb craze will slow down, others say it will have an ongoing impact. In a recent report, Morgan Stanley pointed out even though the low-fat diet movement peaked in the early 1990s, consumers still say fat is what they are trying to limit the most.

Craig Cook, co-founder of Baja Bob's, a local company that makes low-carb drink mixes for margaritas and pina

coladas, said he expects the frenzy to taper off in the next year or so. In the long term, he said, low-carb diets will be replaced by more moderate efforts simply to limit carbohydrate intake.

But for now, he said, his company's growth has been phenomenal, jumping from \$250,000 in revenue in 2002 to \$1.2 million in 2003. This year, Cook estimated, the Baja Bob's mixes would have sales of at least \$2.4 million.

"It's insane," he said. "We can't control it."

The frenzy has compelled even more companies to jump into the fray. Pepsico, maker of Doritos and Tostitos, is planning to launch low-carb chips and has already introduced a reduced-sugar Tropicana orange juice product. Food giant General Mills is offering low-carb Hamburger Helper and Yoplait Ultra, a reduced-carb version of its popular yogurt.

Companies with products that are traditionally low in carbs, such as mayonnaise and alcohol spirits, are also revamping their marketing campaigns to take advantage of the fad, said Laurie Kuntz, CEO of LowCarbiz.

Others are going on the defensive.

With orange juice consumption falling in recent years, the Florida Department of Citrus unveiled a nationwide ad campaign to highlight the beverage's health benefits.

While no one denies the fad is in full swing, the question of why is less clear.

America's ongoing problem with obesity surely explains part of the phenomenon, Kuntz said, as an estimated 44 million people in the United States are considered to be obese. Add to that the media's relentless coverage of low-carb diets that often detail the success of celebrities like Jennifer Aniston.

Another key factor that separates low-carb diets from low-fat ones is that the food items are more palatable, Goldin said.

"In the 1990s, they flooded the market with low-fat foods, and they were just abysmal-tasting," he said.

But Bob Wehbe, who just opened up The Low Carb Food Store, said the reason consumers are biting on the newest food craze is simple: It works.

He should know. Wehbe said he lost 35 pounds on the Atkins diet and has plenty of friends who also have shedded weight.

"It is here to stay," he said.

Wehbe has bet big on that belief, leaving a high-paying job to start his store.

"I see a big potential here," he said. "I'm going to take all the money I make and invest it back into the business until one day maybe we are millionaires."

But even the continued success of low-carb diets might make it difficult for smaller players who run boutique stores or offer niche products like Baja Bob's drink mixes, Goldin said. The bigger the market gets, the more that large grocery chains and big-time food companies will want a piece of it.

"What tends to happen is that innovation starts with the small companies and the little guys have a hard time surviving the onslaught," he said.

Chris Miller, the other co-founder of Baja Bob's, agreed that Jose Cuervo and other drink giants will have a hard time ignoring the low-carb market for long.

"I expect them all to enter this arena but so far they have not," he said.

And no matter how big the low-carb business becomes, it will never fully eliminate such carbohydrate mainstays as bread, potato chips and sodas, Goldin said.

"People are still going to eat potatoes and corn starch, but the growth prospects are just a little less now," he said.

Or as Miller of Baja Bob's put it: "There are always going to be people who don't care."

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