

Low-carb trend nibbles at bread sales

By Jessica Griffith

Michael Hatcher and Rick Taylor know exactly how low-carb dieters feel when they approach the temptations of a pretzel stand. The co-owners of the Auntie Anne's franchise at Dayton Mall in Dayton, Ohio, began following an Atkins diet plan one year ago.

"I hate to admit it, but I have not eaten one of my own products in over a year," Taylor says. Hatcher admits to an occasional pretzel but no longer indulges daily. Many of their customers feel the same way. Sales have fallen 10 percent to 15 percent at the 10-year old restaurant since low-carb eating went mainstream.

As Americans forgo the lowfat diets of the 1990s for the protein-rich Atkins and South Beach regimens, bread and pretzel franchises are tweaking their business models to accommodate the low-carb frenzy.

Same-store sales have increased on average at Auntie Anne's, but the company realizes tens of millions of Americans are carb-watchers to some

degree, says Susan Matson, public relations manager for Auntie Anne's in Gap, Pa.

The company is test-marketing Smart Bites, one-inch pretzel pieces with one net carb per nugget. Taylor and Hatcher introduced the product in Dayton and say carb-conscious customers gradually are returning to the store for samples.

Waning interest in bread temporarily hurt the bottom line at Great Harvest Bread Co. in Dillon, Mont. Same-store sales fell 2 percent to 3 percent in 2003, says Mike Basile, CFO of the 175-bakery franchise. The trend reversed in first quarter 2004.

"I think some of our sales decline was due to the low-carb focus but there is no way to quantify that," Basile says. He credits Great Harvest's focus on whole-grain breads for the turnaround in sales. Some low-carb diets allow whole grains.

Sheila McCann, president of House of Bread in San Luis Obispo, Calif., agrees. She says the low-carb trend provides her with an opportunity to explain the difference between whole and processed grains.

"The debate over good carbs and bad carbs has increased curiosity and awareness of whole-grain breads, and that

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only helps the bread," McCann says.

"We talk to customers and try to educate them about the goodness of whole grains and how they fit into a low-carb diet," Basile adds.

Great Harvest, House of Bread and Breadsmith all have introduced breads with reduced carbohydrates. The bread is not a big seller, a fact that does not bother Albert Hasse, president of Breadsmith Franchising Inc. in Whitefish Bay, Wis.

"This confirmed that the artisan bread customer is really looking for the highest quality and most nutritious bread product available," he says. "We don't consider our reduced carb breads to be true artisan breads." Breadsmith also is expanding its line of whole-grain

breads and adding whole-grain flour to desserts such as cookies and brownies.

From April 2003 to April 2004, retail bakery sales fell an average of 5 percent at Breadsmith's 35 stores, Hasse says.

He blames about half of the sales drop on low-carb lifestyles and the other half on increased Breadsmith sales in grocery stores, because wholesale revenue rose 12 percent during the same period.

Sandwich chains are not immune to the low-carb trend. Atlanta-based Blimpie introduced a low-carb menu in October that includes sandwiches, salads, chips, drinks and even a brownie with reduced carbs.

Sales from this menu totaled 8 percent to 10 percent of store revenue in

the months following the introduction, says Mark Mears, chief marketing officer for Blimpie. That percentage tapered off but Blimpie is expanding the low-carb choices to include wraps and more salads.

"We believe the carb-conscious lifestyle is here to stay in one form or another," Mears says.

Is there a carb backlash? Great Harvest franchisee Barry Sparks wants to prove the low-carbers wrong. Sparks opened his bakery in Arvada, Colo., in 1991 and says sales have fallen 30 percent in the past three to four years. Low-carb is not the only factor, but it definitely has shortened the line of customers, he says.

At 6 feet and 170 pounds, Sparks

does not need to lose any weight. His maintenance plan calls for him to eat 70 percent of his calories from products in his bakery. A customer will weigh Sparks every day and his doctor agreed to test his blood every other month at no cost.

"According to Atkins, I should become a 300-pound blob on this diet," Sparks says.

If he maintains his weight, Sparks hopes local publicity will bring more bread-lovers into his store. In the meantime, he does not expect the low-carb craze to do any permanent damage.

"I have every confidence that this goes in cycles," he says. "This is not the end of the conversation about nutrition."

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