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Food companies are cooking up new recipes for your favorite foods



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Monday, 19 Sep 2016 | 10:36 AM ET



Jeff Daniels | CNBC
A grocery store in California.

Out with the old, and in with the new.

America's leading food manufacturers and restaurant chains are increasingly overhauling classic foods to rejuvenate slowing sales and don a health and wellness halo.

"We're seeing a reformulation of a lot of products, and this move back to basics is because Americans are just in general more proactive with their health," said Andrew Mandzy, director of strategic insights at Nielsen.

Food companies are dropping artificial flavors, coloring, preservatives and other additives with scary names and focusing more on natural, wholesome and fresh ingredients. They also are focused on lowering sodium and sugar content and shifting to gluten-free products.

Nearly 70 percent of the consumers surveyed by Nielsen say foods without artificial ingredients are always more healthful. And 55 percent

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of consumers say they avoid artificial ingredients, hormones or antibiotics, genetically modified organisms and food in a package with the chemical compound BPA, or bisphenol A. Nielsen's survey consisted of roughly 30,000 respondents worldwide.

Change on the menu at restaurants

Among them is **McDonald's**, which recently said it is getting rid of antibiotics in its chicken and removing artificial preservatives from several items, including its Chicken McNuggets. And it's rolling out new buns that no longer contain high fructose corn syrup.

At Denny's, one of its signature breakfast items, pancakes, got a new recipe in July and now features fresh buttermilk and real eggs — a change from the old pancakes that consisted of a dry mix blend paired with water.

Panera Bread and **Dunkin' Brands** also have made ingredient changes to their menus, with Panera adopting a "no-no list" and reworking more than 150 ingredients in its cafe pantry. Dunkin' said this year it was eliminating titanium dioxide, a whitening agent, from its powdered sugar donuts.

"To address the evolving consumer demand for more real, quality choices and transparency, we continue to work on improving our entire menu," said Dunkin' in a statement.

Tampering with iconic brands

On the packaged food side, some of the most iconic brands are seeing reformulations, including **Kellogg's** Eggo foods and Kraft Mac & Cheese. In December, **Kraft Heinz** added a natural color and other touches including new spices such as paprika and turmeric. Nine Eggo foods are free of artificial colors and flavors, and the rest of the brand is scheduled to be free of them by the end of this year.

Some food companies are highlighting natural ingredients on the front of packaging and even making promises about the contents containing only "real ingredients."

"What we're seeing is it's not as much about the nutrition labels and much more about the ingredient list overall," said Melissa Abbott, vice president of culinary insights for the Hartman Group, a research and consulting firm specializing in food and beverages. "It's this overriding cultural shift towards everything being real and fresher and less processed."

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Some ketchup makers eliminated high fructose corn syrup.

Kraft's sales appear to have been helped by a marketing campaign tied to the Mac & Cheese product renovation. In March, the company launched an ad campaign touting the new recipe with comedian Craig Kilborn featuring the tagline: "It's changed. But it hasn't." By August, Kraft Heinz was telling analysts on its earnings conference call that it was seeing "strong volumes" from the Mac & Cheese renovation.

Nielsen data shows products labeled as organic are getting rewarded with average volume growth of 13.1 percent over the 52 weeks ended July 30 and those listed as hormone or antibiotic-free enjoyed growth of 21.7 percent and 12 percent growth, respectively. Claims of GMO-free as well as those having no artificial colors or flavors also produced growth.

Then again, some research has shown the sales boost might be brief.

BMO Capital Markets analyst Kenneth Zaslow issued a report in the spring that looked at the progress and impact of food renovation changes and found that "ingredient reformulation creates an initial lift to food sales, though its sustainability remains in question while there may be margin pressure." The firm looked at product changes covering a wide swath of categories, from cereals, canned and frozen food to pasta, dairy, bread and chocolate candy, to draw its conclusion.

Abbott expects the packaged food industry is roughly halfway done with the product reformulations of legacy branded foods. She said the industry is starting to see more line extensions of classic brands, particularly "super iconic" products where companies want to keep the original as it is.



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Indeed, Hershey's Simply 5 is a line extension of the company's classic chocolate syrup. The new chocolate syrup launched nationally in May and contains five ingredients compared with the classic's 11 ingredients.

"We've gotten extremely great feedback," said Shawn Houser, product development director for Hershey.

Hershey also has made its own changes and "consolidated and simplified" various candy brands in its confections portfolio. Now, it will apply the strategy across its entire snacks portfolio, which includes the Krave brand.

"It's really taking out the artificial flavor and making sure that we're using natural vanilla in there as well as getting rid of some of the emulsifiers that might be a little scary to consumers when they first see them on the label," said Houser.

Meantime, Nestle — another major candy brand — earlier committed to removing artificial flavors and at least two food colorings from all of its chocolate products, including Nestle Butterfinger, Crunch and Baby Ruth.

In August, the Nestle-owned Stouffer's frozen entrees became the latest classic brand to announce a recipe change when its regular lasagna with meat and sauce product removed four ingredients — bleached wheat flour, dextrose, autolyzed yeast extract and carrageenan. It explained that "simplifying recipes" was part of a new "Kitchen Cupboard" program, which emphasizes ingredients consumers might find at home.

"Today's consumers are seeking food with ingredients they recognize and trust," Tom Moe, director of marketing for the Stouffer's brand, said in a statement.

Nestle, with other U.S. packaged food brands such as DiGiorno, Tombstone, California Pizza Kitchen, Jack's, Hot Pockets and Lean Pockets, has also made changes to its pizza and snacking products by removing artificial flavors and reducing sodium.

Executives say the challenge in making product reformulations with classic food brands is to not sacrifice quality and maintain the flavor, texture and overall taste. Moreover, another issue that sometimes gets raised is by removing certain artificial ingredients the product may have a shorter shelf life.

There also can be risks associated with reformulating classic products and there are several examples where it didn't work. For example, weak sales resulted in [PepsiCo](#) saying last year it would drop the sweetener aspartame from its diet colas but then the beverage giant brought it back. Also, there have been some ketchups that got rid of the high fructose corn syrup initially, but they went back to them because they didn't see sales increase.

"Manufacturers are under the impression that if they switch to being non-GMO or take high fructose corn syrup out of their formulations, for example, then consumers will flock to their product," said Abbott. "The reality is that legacy brands need to transition to clean [ingredient] panels to simply remain relevant to the consumer so these products are still even part of the consideration set."

She added, "For most legacy brands, not making this transition is less about increased sales and more about basic survival."



Jeff Daniels
Coordinating Producer

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