

# East Bay **Business Times**

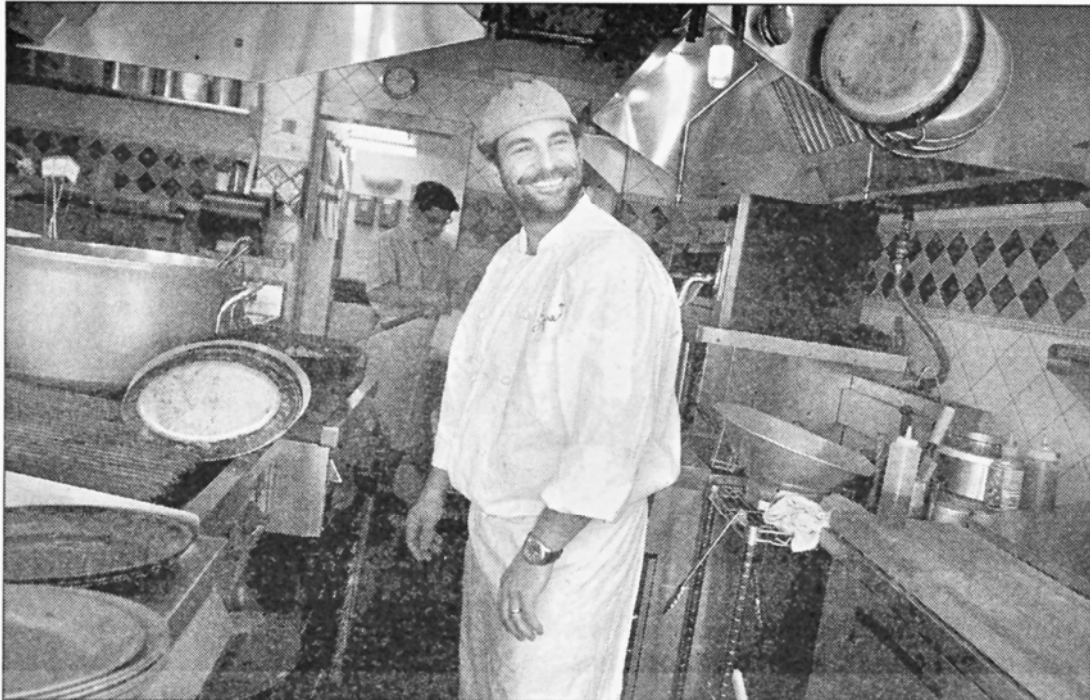
Serving the Greater East Bay Region

VOL. 6, NO. 34

April 30, 2004

\$1.50

April 30, 2004 • East Bay Business Times



STEPHANIE SECREST EAST BAY BUSINESS TIMES

**Gregoire Jacquet's Berkeley restaurant is among many businesses having to cater to growing numbers of customers on low-carb diets.**

# Mounting low-carb sales: trend to stay or just a fad?

BY DAVID GOLL

A new wave of Bay Area food businesses are retooling product lineup and revamping menus to meet the seemingly insatiable appetite for low-carb foods, hoping to cash in on the trend.

Others see no reason to change based on the latest American food fad.

There's no question there's plenty of money to be made – at least for the moment. With an estimated 59 million Americans engaged in carbohydrate-restricted diets, the industry reported 2003 sales of more than \$15 billion, according to LowCarbBiz, a trade newsletter.

Galaxy Desserts of San Rafael has generated triple-digit annual growth with its high-carb desserts but says 30 percent of its predicted sales of between \$12 million and \$15 million this year may come from its new line of low-carb treats.

After giving four low-carb cheesecakes and mousse cakes a splashy debut at the Fancy Food Show in San Francisco in January, Galaxy started distributing them nationally the following month.

"They are doing incredibly well in the stores," said Danny Rubenstein, who oversees the company's business development, sales and marketing. "People want indulgence, but they want to be smart about it. We saw this trend coming, we did our homework and now we are riding the crest of the wave."

Restaurateurs, too, feel they can ill-afford to blow off the low-carb phenomenon.

Faz Poursohi, whose Pleasanton-based chain operates five Faz restaurants in the Bay Area, said he's adding more protein dishes to accommodate a growing number of carb-obsessed diners. After debuting his "low-carb options" menu in San Francisco's Crocker Galleria, he's expanding low-carb offerings at his restaurants in Sunnyvale, Pleasanton, San Ramon and Danville.

"We want to make it easy for our customers so they don't have to design low-carb meals from the regular menu," he said.

Gregoire Jacquet, who runs a restaurant in Berkeley's "Gourmet Ghetto," said his a la carte, protein-heavy menu is tailor made for aficionados of the diet made famous by the late Robert Atkins. Starchy side dishes such as rice and potatoes must be ordered separately, so they are more easily resisted by dieters, he said.

"Five to 10 percent of my business today is

from people on low-carb diets," Jacquet said. "People come in and specifically mention they are seeking low-carb items. Even my mother-in-law is on the diet. This has become so big, you just can't ignore it."

Or maybe you can. Steve Sullivan, founder of Berkeley's Acme Bread Co., said he has no plans to introduce a reduced-carb version of his baguettes or ciabatta. His double-digit sales increases say he doesn't need to hop on the low-carb bandwagon.

"Maybe we'd be seeing even bigger increases without the low-carb craze, I don't know," Sullivan said. "We saw our biggest sales decreases in 2001, during the dot-com bust, so it seems to me people cut back on buying our products when they had less money. Our sales have been climbing ever since."

Castus Low-Carb Superstores of San Ramon continues its growth spurt, with plans for about 200 stores by late 2004. This month and next, Castus locations – which carry up to 1,600 low-carb food items per store – will open in such varied locales as Walnut Creek, Campbell and Elk Grove to Miami, St. Louis, Louisville, Ky., and Anchorage, Alaska. The company expects 2004 sales of \$25 million.

Neil Stern, partner in Chicago's McMillan-Doolittle retail consulting firm, said bakers, restaurateurs and grocers often find themselves in a very serious game of trying to ride trends or outwit fads. "The challenge is determining what's a fad and what's a trend," he said. "The country is littered with empty frozen yogurt stores."

A small retailer is especially vulnerable to consumer whims. And big grocers can kill off smaller rivals just by setting aside a portion of shelf space for low-carb items.

"Stores like Safeway have the everything-under-one-roof advantage," Stern said. "They're taking less of a chance than the narrow-focus stores."

Stern offered notes of both caution and optimism.

"(Atkins) is a diet. A thousand diets have come and gone before, and a thousand more will follow," he said. "Over time, there's no question the frenzy will calm down. However, just as with low-fat products, this trend has changed the way people shop, raising awareness of carbs as a dietary issue. Whether those changes are deep enough to sustain all of these companies remains to be seen."

Reach Goll at dgoll@bizjournals.com or 925-598-1436.