



Elan is the second-largest manufacturer of nutrition bars in the world.

HEALTHY BUSINESS

Staying focused on its products and developing open relationships with customers and suppliers have helped Elan Nutrition take a bite out of the market. —CHRIS PETERSEN

ELAN NUTRITION ONLY MANUFACTURES ONE type of product, but the level of attention and effort that go into the company's products has made it one of the leading companies in the industry, it says. Elan supplies a number of health food companies with nutrition bars used for snacks, meals, weight control and sports nutrition. Elan CEO David Finnigan says the company has infused itself with new technology and new management, both of which have helped the company recover from a recent slide in business. In addition, he says Elan's commitment to developing good relationships with customers and suppliers has helped the company maintain a solid reputation.

The company was founded in the late 1980s, and was sold to an investment group in the mid-1990s. By the time it was purchased by Sun Capital Partners in 2003, the company was losing money and market share. Finnigan says Sun Capital invested nearly \$10 million into new equipment and brought in a new management team from some of the biggest names in the food

industry, including PepsiCo, Frito-Lay and Nabisco. The investment has paid off for Elan, which is now the second-largest manufacturer of nutrition bars in the world. Finnigan says the company's customers include Weight Watchers and SlimFast, among others.

Elan doesn't manufacture any other type of health food product, and Finnigan says that helps Elan concentrate on refining its processes. "We're focused," he says, and adds that customers turn to Elan because they know the company can deliver on an idea.

"I think our R&D group in particular has built a reputation for commercializing a concept very quickly," Finnigan says, and innovation has become one of Elan's best-known features.

Although the company produces bars in tried-and-true flavors such as chocolate and peanut butter, Elan also works to create new and unique flavors that haven't been tried in health food before.

PROFILE

Elan Nutrition
www.elannutrition.com
 2004 sales: \$100 million
 HQ: Grand Rapids, Mich.
 Employees: 400
 Service: Nutrition bars
 David Finnigan, CEO:
 "We're more of an open book in the way that we deal with our customers."

Elan's willingness to work with customers to develop new concepts is somewhat unusual in the usually insular food industry, Finnigan says. Elan shares its formulas with customers and therefore allows the creation of "true partnerships" with the companies it serves, he says.

"We're more of an open book in the way that we deal with our customers," Finnigan says.

That attitude extends to the way in which Elan works with its suppliers, as well. The company recently held a "Supplier Day" in November where Elan shared its plans for the future with its suppliers and discussed those plans with purchasing, financial and research representatives of suppliers. Many of Elan's suppliers were pleasantly surprised to see the company take such an approach, Finnigan says.

"The comments I received from the folks were that they had never seen that before," he says.

Another facet to Elan's renewed success is its investment in technology, Finnigan says. One example is the company's slab machine, which is capable of building bars with multiple layers. Finnigan says the machine is flexible and fast, and has the ability to make a wide variety of products quickly.

One such product is a three-layered nutrition bar called "Colossal," which the company makes for NBTY, home of the MetRx brand of health food products.

Finnigan says expectations are the biggest challenges for Elan. Because most of Elan's customers release new products seasonally, that means Elan is at its busiest before the spring and fall product releases, when it is developing and fine-tuning new products.

The expectations of consumers also weigh heavily on Elan's operations. As nutrition bars continue to become more refined in terms of flavors and nutritional content, Finnigan says the company is under greater pressure to make products that are healthy as well as tasty.

"They want a Snickers with 20 grams of protein in it, and not very much fat or sugar," Finnigan says.

He says the company is constantly working to develop new flavors and formulas that combine taste with nutrition.

One expectation that Finnigan says Elan relishes living up to is an extremely high level of quality. He says the company's customers have come to expect Elan to meet high standards of quality assurance, and the company doesn't mind keeping up with those.

"We view that as a real positive," Finnigan says. Elan recently submitted to an independent audit by the Siliker Group and scored a 97 out of 100.

"It'll make us more viable to more people because we can meet those standards where not everyone can," he says.

Despite a slight drop in the overall market that Finnigan attributes to backlash against the Atkins diet and other low-carb diets, Elan saw 40 percent growth in sales in 2004.

He says the company expects to experience growth of 26 percent for the 2005 fiscal year.

In the future, Finnigan says he sees consumers returning to a more balanced approach to nutrition in response to the last few years' emphasis on reducing or eliminating carbohydrates from Americans' diets. ■

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