

FACTSHEET No. 3

THE BRITISH BREAD AND BAKERY SNACKS MARKET

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1. BAKERY MARKET OVERVIEW

This report uses a standard, industry-wide definition of Bakery, to include sliced and unsliced bread, rolls, bakery snacks and speciality breads. This covers both plant-baked products; those that are baked by in-store bakers; and, products sold through craft bakers.

Market Size

The UK Bakery market is worth over £2.7 billion and is one of the largest sectors in the food industry. Total volume at present is approximately 4.3 billion units, the equivalent of nearly 12 million loaves and packs every day.

Plant manufactured products account for around three-quarters of all bakery products sold in the UK. In-store bakeries make the majority of the remainder, with less than 5% from craft bakeries.

In contrast to many other food categories, where supermarkets' own labels are increasingly dominant, the trend in bakery is towards branded products. Two-thirds of plant made products are branded and this proportion is growing, as consumers seek out branded reassurance and trade up to higher quality products.

However, in common with other food markets, more bread is being sold for consumption outside of the home. Between 5% and 10% of bread volume is estimated to be sold for foodservice uses.

Growth Trends

After a long period of post-war decline, the bakery market began to stabilise in the mid 1980's and then grow from the 1990's onwards, due to increased consumer awareness that bakery is an essential part of a healthy, balanced diet.

Furthermore, a massive growth in product types and varieties has driven growth in the market, as consumer tastes diversify and consumer food repertoires increase

In more recent times, faddish eating trends, such as the Atkins Diet, have driven some consumers away from the category. However, the impact has been limited and bakery still remains an essential part of most consumer diets, with household penetration of bread at around 97%.

In the last 2 years, the category has shown good growth, with the number of packs and loaves sold increasing by 1½%. Over the same period, consumers have shown their willingness to trade-up to more premium products and to stand the costs of wheat-driven price increases. In the last 2 years, the value of the category has grown by over 10%, making it one of the strongest performing categories across all of grocery.

Consumer Trends

Consumption trends in bakery are largely driven by external factors that are common across most food categories. These can be broken down into 4 main areas: -

- ❖ Changes in the UK population
- ❖ Concerns over health and safety
- ❖ The need for convenience
- ❖ The need for pleasure-seeking indulgence

As a result of changes in the UK population, there has been significant growth in the proportion of single and two person households. This has driven a need for smaller pack sizes and single serve portions. For example, within the wrapped bread sector, 400g loaves are now growing significantly faster than 800g variants.

As a result of changes in lifestyle and eating habits and more women in employment, the need for convenience has never been greater. This has driven consumers to seek out snacking-on-the-go solutions, meal replacements and easy preparation meal solutions. With toasting is the number one snack preparation method and sandwiches dominating lunchboxes, bakery has been well positioned to take advantage of this trend, triggering significant product innovation and sales growth.

Health issues are seldom out of the press these days and have had a massive impact on food consumption decisions. Consumer focus on nutrition, digestion, allergies, obesity and many other health related topics, have raised issues over the health status of bread. In general, bakery still maintains a healthy halo and consumers tend to switch to healthier variants, such as wholemeal or seeded bread, rather than switching out of the category completely.

Despite the growth of health as a driver of food choice, the need for indulgence and pleasure continues to be the most important consumer driver. In bakery, this has led to an

internationalisation of tastes, driving the growth of continental and ethnic products, and a desire for more premium, higher quality products

Taking all of these factors into account, and despite the difficulties presented by a mature market, the value of bakery is expected to grow steadily over the next four or five years. The healthy halo of bakery should continue to drive small levels of volume growth, in spite of the challenges presented by health and diet issues.

2. BREAD

a) Market definition and key sectors

- Despite competition from newer, fast growing bakery categories meeting consumer demand for versatile products and more adventurous tastes, bread remains *the* staple item in the UK diet. Bread is an excellent source of carbohydrate, energy, vitamins (especially B vitamins), protein and calcium; white bread is a major source of calcium in the diet. Bread is also one of the nation's main source of fibre.
- As well as being one of the ultimate healthy foods, bread also makes an excellent carrier for other nutritious ingredients e.g. seeds.
- Bread is purchased by 99% of households in the UK and this figure has remained relatively static for several years. The average UK household buys just over 86 loaves per year and spends an average of £53.27. This works out at an average of £0.62 per loaf. (TNS 52 wks to 17/07/05)
- In common with other food markets, more bread is being sold for consumption out side of the home. Between 5% and 10% of bread volume is estimated to be sold for foodservice uses.
- The bread market can be split into 2 areas:
 1. *Plant bread* (also called wrapped sliced bread) is baked by plant bakeries and is the biggest sector. Latest retail market figures indicate that plant bread accounts for approximately 78% of value sales of the bread market. (TNS 52wks to 17/07/05, ACN 52wks to 31/07/05)
 2. *ISB (in-store bakery) bread* is bread that is baked in-store. There are 2 methods for ISBs:
 - Scratch Bakery using raw ingredients
 - Bake off method using dough which is part-baked and frozenMost major grocery stores have an ISB and they can also be found in small grocers, butchers and other small shops, garage forecourts and restaurants.
- *Plant bread* and *ISB bread* have different roles in the market.
 - ISB bread has a shorter shelf life, is more expensive and is therefore more of a treat product.
 - Plant bread is more of a standard everyday purchase based on a longer shelf life presliced format with greater convenience for consumers.

- *Plant bread* is available in 400g and 800g packs and can be split into the following various sectors (see market size and growth section).

b) History and context of bread within bakery

- Bread has been a staple food for humans since 7000BC and there are now more than 200 varieties of bread sold in the UK.
- Between 1950 and 1980 bread volume declined as a result of changing eating habits and growing competition from a wide range of new foods from around the world.
- In the 1980s there was some stabilisation to this decline.
- In the early 1990s sales started to increase again due to increased consumer awareness of the health benefits of bread and increased variety of bread on offer. In the mid 1990s there was another short downward spell.
- In the early 2000s, low carb and faddy diets spelt a downward period in volume sales. More recently however there has been a revival in sales as consumers have realised that faddy diets are not good for their health.

c) Market size and growth

- Bread is one of the biggest grocery markets in the UK.
- The UK retail bread market is estimated to be worth approximately £1.6bn and is growing at 2.7%. This growth is driven by plant bread, the biggest bread sector, which is in growth by 3.4% year on year. ISB bread is declining in both units and value which has been due to retailer trading patterns. (see Figure 1)

Figure 1

	Units			Value		
	2005 (billions)	2005 Share %	% Change	2005 (billions)	2005 Share %	% Change
Plant Bread	2.01	78	-0.1%	£1.34	84	3.4%
ISB Bread	0.58	22	-9.5%	£0.25	16	-1.0%
Total Bread Market	2.59		-2.4%	£1.59		2.7%

(Plant = ACN 52 wks to 31/07/05, ISB = TNS 52 wks to 17/07/05)

- Looking at the colours of the bread within the plant bread sector (see Figure 2):
 - There is a growing trend towards non-white as consumers increasingly buy into healthier and premium alternatives (wholemeal, malted and seeded).
 - Bread with bits (malted grainy and seeded) is up £31.8m (34%) and is the biggest source of year on year growth
 - Wholemeal/Brown is also seeing strong growth, up £24.6m (10%) year on year

- White, although remaining far and away the biggest sector with 70% value share, is seeing a decline of £11.8m (1%) year on year.

Figure 2

	Units				Value			
	2005 (billions)	% Share	yr-on-yr change (billions)	yr-on-yr change %	2005 (billions)	% Share	yr-on-yr change (billions)	yr-on-yr change %
White	1.43	71	-0.07	-4%	£0.94	70	-£0.01	-1%
Wholemeal/Brown	0.44	22	0.03	9%	£0.28	21	£0.02	10%
Bread with Bits	0.15	7	0.03	25%	£0.13	9	£0.03	34%

(ACN 52 wks to 31/07/05)

- Within the bread category there is a general trend towards premium and value added segments as consumers increasingly look for healthier, value added products with more premium finishes and quality ingredients. It is products that have these attributes that are driving the overall growth in the market. The bottom end products such as the cheapest on display ranges are seeing year on year % declines.
- Despite being a mature market, the value of the bread market is expected to grow steadily over the next few years driven by macro trends of Health, Convenience and Premiumisation.

d) Market supply

- Due to the short shelf life, the majority of the bread sold in the UK is produced here.
- The 3 main manufacturers (Allied Bakeries, British Bakeries, Warburtons) account for almost $\frac{3}{4}$ of the plant bread market by value. (ACN 52 wks to 31/07/05)

e) Consumer trends/usage

- Although the bread category is mature with 99% of UK households buying bread, it is still an exciting area with lots of activity and innovation driving growth within some of the premium and health orientated sectors within it. In the year to date, there have been approximately 44 new product launches. (TNS 52 wks to 17/07/05 and ACN to 20/08/05)
- The key opportunities for market growth will be through increasing frequency of purchase and trading consumers up to higher value products offering health, premiumness or convenience benefits.
- Although there will always be a place for the standard white sliced loaf, with the growth of personal disposable incomes and greater consumer awareness of taste and quality, it is likely that the market for premium quality loaves, continental and ethnic breads will continue to grow (see Breads of the World section).

3. ROLLS AND BAPS

Market Size

The Rolls and Baps sector is the second largest after bread within the bakery market and is worth over £500m. 818m packs of rolls are sold every year which is equivalent to over 15m packs of rolls every day! Unlike the bread market, Private Label dominates with over 75% share of the market however this is beginning to decline slowly as branded players have started to increase their presence within rolls. Overall the number of households that buy rolls is almost as high as those that buy bread and as much as 92% of households buy private label rolls and baps.

Growth Trends

The rolls and baps market is in year on year growth although at a slower pace to the previous year with current growth recorded at 3% in value and 5% in packs. Premium rolls and baps such as speciality and luxury rolls are the key drivers for growth coupled with brown rolls mirroring the trends in bread. Also, although the rolls market is not as seasonal as the other morning goods sectors, rolls and baps sales peak in the summer months as the barbeque season kicks in.

Consumer Trends

The focus on healthy eating and trends in brown varieties continue to attract consumers to brown rolls and baps. In addition, the popularity of consumers trading up to luxury and speciality rolls is apparent with penetration gains however these sectors remain relatively small to the rolls market as a whole.

4. BREADS OF THE WORLD

Market Size

'Breads of the World' sector is the smallest of the sectors within bakery with sales of £304m but is growing at the fastest rate. Easier and cheaper means of travel abroad coupled with consumers' desire to experiment with new varieties of taste are helping to grow this sector. This sector is predominately private label (over 80%) although branded presence is growing.

Growth Trends

Ethnic products such as Pitta and Naan account for 40% of sales and are continuing to grow. Established garlic bread that accounts for over a third of this sector has also seen a revival in unit sales which were up by 7.1% in the latest year as new premium varieties are launched.

Consumer Trends

81% of all GB households have bought at least one type of 'breads of the world' product illustrating how high market penetration is for this sector. These breads are used for complimenting main meals or as a snack. In addition, ethnic breads such as pitta used to fill for lunch as an alternative to bread. The versatility of certain products such as ciabatta and wraps also take away the need for specific meal occasions. A younger consumer profile coupled with NPD opportunities for convenient snacks yields further potential for this sector to grow.

5. SNACKS

Market Size

The bakery snacks market is the largest after bread within bakery and includes traditional bakery products from hot cross buns through to crumpets and muffins to the more contemporary such as panettone. The changing lifestyle trends over the last few years and move towards convenience has resulted in these products being bought throughout the day as a snack although the breakfast occasion is still vital. 777m bakery snacks were sold in the latest year worth £526m. Many bakery snacks are seasonal and consumed during key events such as hot cross buns at Easter or pancakes on and around Pancake Day. Other products such as muffins or croissants are often occasion based for breakfast or other meal occasions.

Growth Trends

The largest sectors within this bakery snacks are hot cross buns followed by scones, crumpets, croissants and pancakes that collectively equate to over half of the bakery snacks sector. Overall growth for bakery snacks has been hindered by the declining sales of many fruited products including belgian buns, currant buns, teacakes and hot cross buns. Conversely sectors such as brioche, iced buns and muffins are performing better than last year but are smaller in size.

Consumer Trends

The decline in traditional bakery snacks can be attributed to the aged consumer profile for these products. There are therefore opportunities to develop more contemporary offerings that would fulfil consumer's desire for a variety of products and flavours given that the GB population is made up of a diversity of cultures as well as the ease and means of travelling abroad hence experiences of foreign food.

Source: TNS - 52 w/e July 2005