Top Findings of the Power of Bakery 2019

1. Talk about a lot of dough: cross-store bakery item sales reflect the true Power of Bakery. Smaller categories are selling big. Total bread and baked goods sales reached $59.7 billion and delivered 1.5% dollar growth in 2018. In-store bakery sales were $13.8 billion and yielded a three-year CAGR of +2.8% and year-over-year results of +2.2%. In-store bakery sales are dominated by desserts, sweet goods/snacks and cookies, whereas center-store sales are more evenly balanced between functional items (bread, buns, rolls, etc.) and indulgent items/desserts (donuts, coffee/snack cakes, cookies, cupcakes and pies).

2. Follow the bread crumbs: conversion rates leave lots of room for improvement, particularly in indulgent items/desserts. Capturing shoppers’ grocery dollar is no guarantee to also be the bakery destination of choice. While 74% of shoppers typically purchase functional items at their primary store, conversion is much lower for indulgent items/desserts (63%) and special occasion items (40%). Stand-alone bakeries are grocery retail’s biggest competition along with in-home baking. Be a well-known bakery destination, with strong brand differentiation and a favorable quality-price image to secure more of the bakery dollar.

3. Three-quarters of shoppers look for specific ingredients and/or health callouts when purchasing functional bakery items. Whole grain and multi grain are the most looked for ingredients, boosted by high Boomer interest. Calories, fiber and sugar are the top nutrition-related claims, with Millennials pay more attention to carbs, protein and gluten. While interest in special production claims such as non-GMO or organic is high, purchasing is subject to an acceptable price differential. Assortment additions in organic/non-GMO in key subcategories can trigger a higher price/margin purchase, particularly among younger shoppers and in urban areas, but consider the size of the prize given the wide variation in sales/share levels.

4. Meet consumers’ needs in functional attributes, but always remember the power of emotion. Top-of-mind “bakery” word associations are dominated by positives such as delicious, good/great, the wonderful smell/Aroma, memories, childhood, yummy, tasty and love. While it is important to meet consumers’ wants in functional attributes, health and well-being and transparency, remember the power of emotion in driving sales — particularly impulse sales.

5. By offering choice and education, the bakery industry can keep shoppers engaged in indulgent items/desserts. Supported by a low share of sales generated by wellness claims, a majority of shoppers either pay no or just some attention to healthier choices when buying indulgent items/desserts. One-quarter pay a lot of attention. Top better-for-me strategies are the use of “real…” ingredients, smaller portion sizes and avoiding artificial ingredients. Offer choice along with education.

6. Fresh is king, with shoppers’ definition of fresh focusing more on the when than the where. Fresh is the universal winner of baking-related claims that matter to consumers. Shoppers define “fresh” by when it is baked and its use-by date, but that definition may be shifting. Millennials focus more on an item’s enjoyable taste, where it was baked and using minimally processed ingredients while avoiding artificial colors, flavors and preservatives.

7. While consumers see scratch baking as superior, the use of partially-prepared/baked items is widely accepted. Most shoppers believe scratch baking delivers superior quality. However, 57% are indifferent to their store using partially-prepared/baked ingredients. Shoppers place their trust in the bakery to deliver a product that meets expectations. In special occasion items, more shoppers prefer the ability to personalize pre-packaged items than those preferring items made from scratch to personal preferences. Customer service is much more important for indulgence and special occasion purchases.

8. Use the bakery aisle and in-store bakery’s unique strengths and weaknesses to reinforce or change consumer perceptions. Most shoppers switch back and forth between the bakery aisle and in-store bakery. The aisle enjoys a favorable consumer perception in price, nutritional information and shopping convenience. The in-store bakery has strong perceptual advantages in service, freshness, quality of ingredients and taste, but is seen as more expensive. Drive cross-usage to capitalize on the aisle’s trip frequency and the bakery’s impulse power.

9. Trip magnet: bread and baked goods bring shoppers to stores nearly once per week. Being a top-of-mind bakery destination is important to capture the category’s many trips among primary and secondary shoppers. Outside of sales specials, the most effective ways to prompt unplanned purchases are sampling, coupons and eye-catching displays. Donuts have the greatest impulse purchase power, followed by cupcakes, cookies, cheesecake and muffins. Chocolate is easily the top impulse flavor. Capitalizing on bakery trips by driving a greater store basket remains an opportunity.

10. Sales specials can prompt brand switching, impulse purchases and new item trial among three-quarters of shoppers. High promotional sensitivity shows the impulse power of bakery, especially in center-store, where 35.2% of units are sold on promotion. In the in-store bakery, 21.8% of dollars are sold on deal. Leverage secondary displays to drive additional dollars.

Links and resources
- Bakers: For inquiries or your copy of the report, email Christina at cdonnelly@americanbakers.org.
- Retailers: To download the report, visit: www.fmi.org/store/ For questions, email Rick at rstein@fmi.org
- For questions on the report or presentation, email Anne-Marie at aroerink@210analytics.com or Todd at todd@toddhalellc.com

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