KANTAR WORLDPANEL

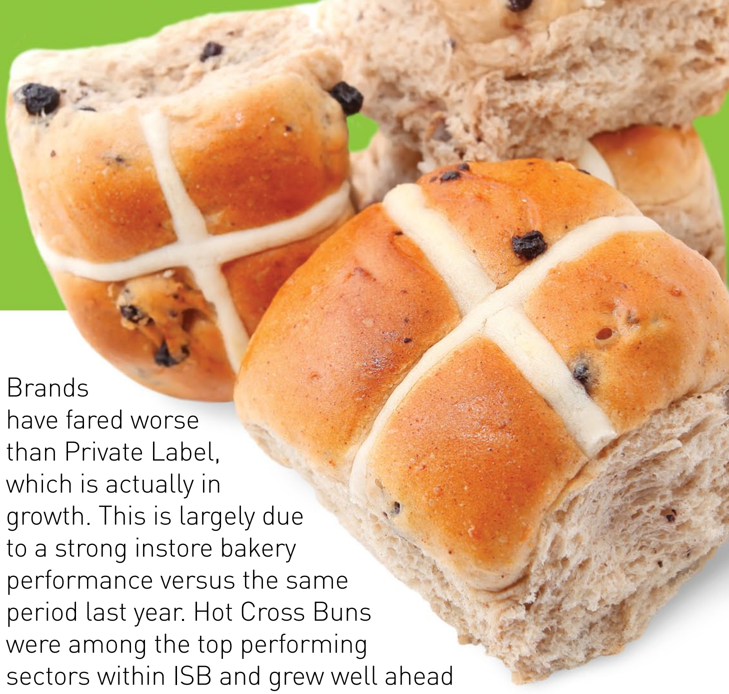
THE BAKER

Welcome to the first edition of 'The Baker'.

Within this edition we cover the overall performance of the Bakery Category, as well as looking into the Price Wars that many of the staple grocery categories have been battling recently. We have also reviewed what and who is behind the rise of the Free From market.

Newsletter
July 2015

HAS THE BREAD MARKET GONE A-RYE?



Sales since the start of the New Year have left the bakery market decidedly flat. Losses have been stemmed slightly as promotional strategies encourage shoppers to purchase more often. However, trip spend needs to be boosted to revive long term category value.

We know that price is the major factor in driving this performance as the fall in prices, particularly within wrapped bread, cancel out the positive contribution from frequency gains. Volume per trip, too, plays a part, which again is driven through the wrapped bread market. The influence here is unsurprising as the sector accounts for just over a third of the bakery market and so has a big impact on how the category performs overall. For example, over the latest 52 w/e period, households are making an additional purchase over the year – resulting in an additional £34m for this category alone. However, more than double this has been lost through price reductions as discussed in our focus on 'Price Wars' piece.

These losses in the Bakery market appear to have been stemmed slightly since January - not driven through a stabilisation of prices but through an even greater contribution of frequency growth and a slowdown of the losses generated through those smaller trips. One factor at play here is a slight shift in the promotional strategy within the market. The Big 4 in particular have increased the share of packs sold through a temporary price reduction and slightly pulled back from volume deals. This goes some way towards explaining both the decrease in packs per trip and the consequent need to purchase more often.

Brands have fared worse than Private Label, which is actually in growth. This is largely due to a strong instore bakery performance versus the same period last year. Hot Cross Buns were among the top performing sectors within ISB and grew well ahead of the market during the Easter period – but at a total level they grew more modestly. This is interesting because the overall Easter period (8 weeks ending April data) saw a slight dip versus last year. The peak in Easter-related bakery products was not enough to influence the total Bakery performance overall during this period. Unsurprisingly, the slight decline and key measure trends during this period largely mirrors that of the YTD picture.

The key to returning this category to growth is to maximise both spend and volume during each individual trip.

By Charlotte Elver

BATTLING PRICES

The grocery market experiences 'negative inflation' which, rather than being demand-driven, derives from retailer price wars. At the beginning of 2015 the retailers announced their commitment to lowering prices across a range of staple food categories with the aim of winning shoppers. The bakery sector, wrapped bread in particular, has been no exception to the price battleground.

The average price per pack of wrapped bread has dropped by 6.3% contributing to £103 million decline in one year. Branded ranges have contributed the vast majority of such value deterioration in the category. However, in volume terms, shoppers have purchased more packs in the past year as a result of shopping the category more often. This trend of value loss and volume rises is experienced by Tesco and Asda and even more so within their branded offerings. In contrast, Sainsbury's, which has preserved a slightly higher average price than that of the total market, and Morrison's have lost out as a result and deteriorate in volume terms as well as value.

The retailers' objective of price reductions was to engage more shoppers in the bread market, which would hopefully translate into more spend throughout store. This aim did not come into fruition though as the all of the major multiples, with the exception of Asda, have lost shoppers in the bread market. On the flip side Aldi, who is not actively partaking in the price battle but does maintain a lower average price, has benefitted. The retailer attracts shoppers from competitors to not only purchase bread but also into the wider grocery categories. However, this is also part of the longer term change in habitual behaviour of store choice that has become more rooted since the recession.

Going forward it is crucial for bakers, manufacturers and retailers to drive value back into the category in the midst of deteriorating prices and rationalisation. Innovation can boost consumer interest back into the saturated market. More recently such innovation has hoped to capture the growing trends around snacking occasions, convenience and sandwich alternatives.

Whichever way you slice it, bread has become a key factor in the grocery price wars and the retailers have not quite experienced the desired impact.

By Holly Crowther

GLUTTONOUS FOR GLUTEN FREE

The Free From market continues to rocket this year, growing by a whopping 27%. Ambient Bakery has also grown by an impressive 22%. Trends show that Free From is now becoming less of a niche market, as 60% of households now shop the category and we see a more demographically balanced consumer base, with children and males becoming much more engaged this year.

There has been impressive growth in the Free From market again this year, as sales grow by 27%. The strong performance is a reflection of the growing popularity of the category – we have seen more shoppers buying these products and more often. Almost 60% of the population have bought Free From products in the last year and the average Free From shopper purchases from the category about nine times in a year. Although, these figures highlight the growing demand for Free From products, it simultaneously highlights how much potential there is for further growth, as shoppers are still purchasing less than once a month on average.

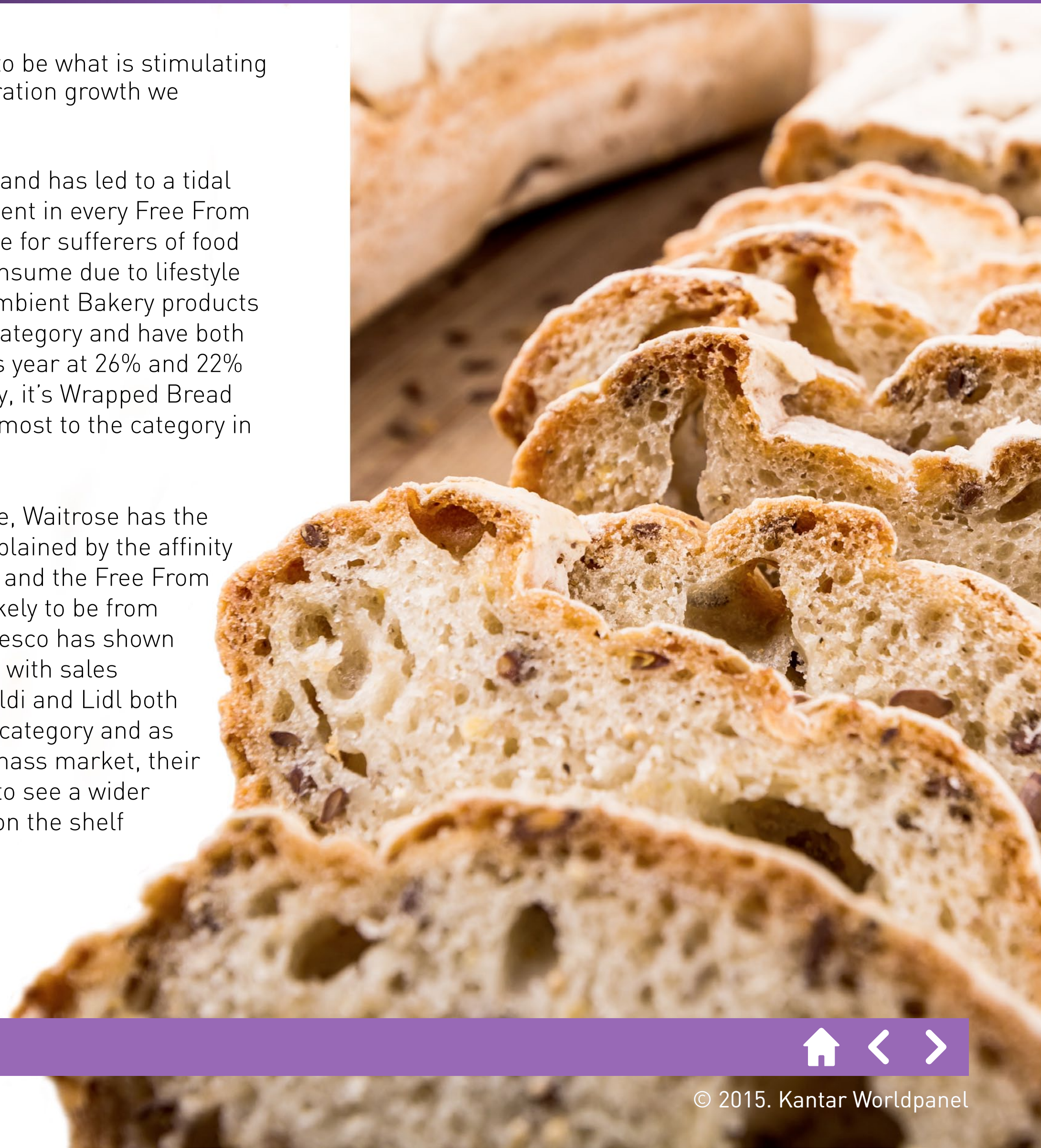
This year, there are one million more consumers of Free From, with a particularly marked increase in males over the age of 25 and children. Historically, females have been Free From's core consumers but males and children have become more engaged with the category as Free From becomes more 'standard', with more products becoming available in more categories. Consumers have stated that they choose to consume these products due to perceived health benefits and because they view them as being more natural.

These opinions are also likely to be what is stimulating demand and driving the penetration growth we have seen.

Strong growth and higher demand has led to a tidal wave of new product development in every Free From category, providing more choice for sufferers of food intolerances and those that consume due to lifestyle choices. Dairy Products and Ambient Bakery products together make up 40% of the category and have both shown strong growth rates this year at 26% and 22% respectively. In Ambient Bakery, it's Wrapped Bread and Rolls that have added the most to the category in terms of actual growth.

Assessing retailer performance, Waitrose has the largest over-trade, which is explained by the affinity between the Waitrose shopper and the Free From shopper, who are both more likely to be from more affluent social classes. Tesco has shown the strongest growth this year, with sales increasing by 50%. However, Aldi and Lidl both have vast under-trades in this category and as these retailers become more mass market, their shopper base is likely to want to see a wider choice of Free From products on the shelf in these stores.

By Lauren Szumski



MEET THE
AUTHORS

Charlotte Elver
Client Manager

Favourite Bakery Product: ISB Cookies

Charlotte graduated with a degree in English from The University of Nottingham in 2011. Charlotte has now worked at Kantar Worldpanel for over 3 years and currently specialises in several categories including Bakery and Chilled Goods.

E: Charlotte.Elver@kantarworldpanel.com
T: +44 (0)20 8967 1346

Holly Crowther
Category Analyst

Joined Kantar: 2014
Favourite Bakery Product:
Fruit Scone with jam and cream

Holly joined Kantar Worldpanel last year, after graduating from Lancaster University in 2014 with a degree in Economics and Geography. She is a self-confessed foodie and in her spare time enjoys exploring the food scene that London has to offer.

E: Holly.Crowther@kantarworldpanel.com
T: +44 (0)20 8967 4581

Lauren Szumski
Client Executive

Favourite Bakery Product:
Almond Croissants

Lauren graduated from The University of Nottingham Business School in 2012 and now specialises in the Bakery and Home Baking markets. In her spare time Lauren is a keen baker and avid viewer of GBBO. Her 'signature bake' is Chocolate and Brazil Nut Cookies.

E: Lauren.Szumski@kantarworldpanel.com
T: +44 (0)20 8967 1484

CONTACT US

For further information about Kantar Worldpanel and the services we can provide for you please contact:

Kantar Worldpanel
Westgate
London W5 1UA

T: +44 (0)20 8967 4390

W: www.kantarworldpanel.com