

# THE BAKER

Welcome to the second edition of 'The Baker'.

Newsletter  
March 2016





# WELCOME

**Welcome to the second edition of The Baker. We hope to highlight wider grocery and consumer trends that can inspire thoughts and discussions for your own market.**

Within this edition we will cover the winners and the losers of the grocery market's busiest time of year, Christmas. Plus, we will put a focus on the changing consumer preferences in terms of ingredients, health and the resurgence of snacking.

We hope that you enjoy reading the articles and we look forward to hearing your opinion on the topics.

Many thanks  
**The Kantar Worldpanel Bakery Team**

## CONTENTS

### **Page 3: Roast the Competition at Christmas**

Christmas has always been the busiest and most important time of year for retailers and this year was no different. The competition has increasingly intensified due to the continued battle between the Discounters and the Big 4 and prices are driven down as a result.

### **Page 4: What's In?**

Staying up to date with the latest trends is increasing in importance as latching on to changing consumer needs can be very beneficial for manufacturers. Many of these new trends are health based but convenience is also key as time-poor consumers reach out for quicker, easier options.

### **Page 5: Snacking Decline is Yeast-erday's News**

Snacking has been in decline ever since health began its resurgence in popularity. This year the snacking occasion returned to growth, we'll explore what's behind that growth and think about the impact for manufacturers in the future.



# ROAST THE COMPETITION AT CHRISTMAS



**After 17 months of negative inflation, shoppers took advantage of cheaper Christmas dinner items. However, rather than pocket the difference, shoppers bought more volume and spent more on entertaining proving that as consumer confidence grows, so do our waistlines.**

Alcohol made the highest contribution to growth with Sparking Wine, Lager and Spirits driving this. Out of the additional £1.2bn spent over Christmas this year versus the average month, 43% of this was on Alcohol.

Lidl was a clear winner this Christmas with a campaign that stayed one step ahead of the competition. They were the first retailer to release their Christmas advert, which spiked growth when total grocery remained flat. Then, in December, a couponing campaign was released in the national press offering £10 off baskets over £50, which resulted in the majority of growth being driven by larger baskets. In general, the mainstreaming of discounters has given them a greater share of bigger baskets overall, which only intensified over Christmas. For Aldi, Christmas was more of a mixed bag when put into context with continuous level of strong growth. They still performed well but, this year, Lidl out-performed them during Christmas. There is no doubt Lidl's trade-driving activities played a part here.

Within premium retailers, M&S saw its strongest growth in three years driven by shoppers trading up from other retailers – switching even came from fellow premium store Waitrose. M&S also grew through shoppers trading up within store by buying into their most expensive ranges.

Within convenience, Co-op's 'Little & Often' convenience strategy continued to be a success over the festive period as shoppers favoured the store to buy last minute essentials. Christmas Eve was the busiest day as over 3.5 million transactions were completed.

Tesco made significant improvement versus previous months but were still down year on year at 0.5%, despite having the highest growth in a number of categories such as alcohol, which was driven by champagne and an EDLP strategy on wine. This resulted in Sainsbury's shoppers switching to Tesco for alcohol, which hindered their overall performance. Morrisons' structural changes, such as store closures, resulted in an overall sales decline. Their £25 off bonus scheme was turned off this year resulting in losses in main shops and the discounters picking up £5.3 million of this. Asda also took a hit from the discounters with performance 3.3points behind the market. This came as discounters made significant gains from Asda's traditional target audience: families.

**Faye Wilkes**  
Category Analyst



# WHAT'S IN?

**Taking a look back at 2015, we saw the rise of a number of healthier alternatives – one of these being quinoa, the high-in-protein grain. Packs of quinoa sales have risen by 28% (52 w/e 3rd Jan 2016), and the Big 4 all benefit from this – particularly Tesco whose sales are up +£0.5m on 2014. Quinoa has also crept into many more salads and, most recently, breakfast bars so the rise is seemingly going to continue into 2016.**

Alternatives are a key trend within themselves. Healthier variants of existing ingredients are constantly appearing, such as cauliflower rice and vegetable crisps, and 2016 looks to be no different. It is possible that chia seeds, black rice and natural sweeteners such as agave nectar may all enter the market this year.

Manufacturers are continually stretching the possibilities and benefits existing ingredients can provide. Coconut for example, another healthy ingredient, has seen continued growth across multiple categories including oil, soft drinks in the form of coconut water and even confectionary with the arrival of milk chocolate toasted coconut.

The health trend continues as consumers strive not only to add healthy products to their diet but also look to cut those considered unhealthy. The latest year saw sugar becoming less popular and the major retailers have reacted to this by backing a law to cut sugar by 50%, resulting in many manufacturers having to

change their recipes. The rise of Free From presents another unavoidable trend and this is often perceived by consumers to be a healthier alternative or to fulfil a specific remedial need. In Bakery specifically, Free From is now worth over £100m and grew by 15.5% in 2015. This is largely driven by gluten-free brands such as Genius and Newburn Bakehouse as they extend their ranges and gain penetration. Further to this, 2015 also saw a new guide launched on best practise labelling of gluten-free foods.

Looking forward to the rest of 2016, the gluten-free trend looks set to continue with the arrival of new products such as banana flour. This could well follow in the footsteps of coconut flour as it can be used to replace traditional flour or added to smoothies and salad dressings.

Not only are manufacturers substituting existing ingredients, they are also combining familiar concepts or products to create something new and exciting. Though arguably less healthy than the alternatives described above, the Bakery market has certainly managed to spark some interest with developments such as the Cronut (a cross between a croissant and a doughnut). This was named as one of the '25 Best Inventions' by Time magazine in 2013. We can certainly expect more of the same in 2016 with the delicious sounding Brookie (a new creation of brownie and cookie baked together) and the tasty combination of ice cream and macaroon as a sandwich known as the 'Ice-Creamacaron-wich.'

In most instances, shoppers have reacted well to innovation providing them with new tasty, healthy choices and exciting indulgent ones. This just proves that there really is room in the market for new and different creations as well as healthier alternatives to our staple, everyday items.

**Samuel Harvey**  
Category Analyst



# SNACKING DECLINE IS YEAST-ERDAY'S NEWS



**In 2009, consumer confidence began its slow and steady resurgence following a period of uncertainty caused by the recession. With this re-found confidence, consumers gradually felt more comfortable with their money and their spending. This increased freedom meant that health, which took a back seat when times were tough, once again became front of mind for consumers and they cut back on snacking in favour of healthier diets.**

Therefore, Snacking experienced a decline and only this year returned to growth (+1.2%). This is positive news as Snacking represents 20% of all in home and carried out food consumption occasions. Part of the drive behind the change in Snacking performance is the rise of healthier snacking: fruit, nuts, popcorn and cereal bars represent some of the top growth areas. Not only this, the number of times health was a driver of consumption for snacks in 2015 grew by 142m vs. 2013. Bakery as a market has not taken full advantage of Snacking growth. In 2015, 1.1bn snack occasions featured bakery items but this is flat versus 2014.

The fastest growth area in snacking at +3.5% YOY is carried out as consumers are increasingly time-pressured and spending more time on the go. Therefore, portable/portionable packaging is key to tapping into this consumer demand. We've also seen a steady decline in household size with 1-2 person households becoming more prevalent. Tailoring your offering through pack format and size is becoming more and more important.



One challenge that snacking is set to face is the growth of online shopping. Snack items are often impulsive purchases and it is difficult to translate the action of browsing an aisle to a screen. Snacking foods are therefore less likely to be picked up in online shopping trips and retailers will have to tackle this challenge if they want to lock in snacking spend.

The reason snacking should be a priority is the fact that the number of occasions where consumers are likely to eat a snack is flexible. This differs to other meal occasions, which are much more fixed, as British consumers are likely to eat a maximum of 7 breakfasts, lunches and dinners in a week. As snacks are not necessarily tied to specific times or habits, they are a truly volume expandable occasion. This offers a great opportunity to manufacturers and retailers alike as additional occasions lead to incremental revenue for both parties.

The return to growth for snacking is undoubtedly good news for retailers and manufacturers, but manufacturers should be wary of the threat posed by the continued growth of healthy snacking, real snack substitutes beyond the scope of popcorn/fruit and the implications of a sugar tax.

**Sam Sear**  
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# MEET THE AUTHORS



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I went to the University of Durham and studied Business; I work on a variety of chilled and Frozen clients. In my spare time I like to experiment with new recipes and travel.

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Graduated from Sussex University with a degree in Economics. Joined Kantar in the summer of last year working in the Chilled and Bakery team. In my spare time I enjoy playing and watching an array of sports, including travelling the length and breadth of the country to watch the mighty Brighton and Hove Albion.

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