



The Fresh Perspective

February 2010

Booming Categories in the In-Store Bakery

Most sectors of retail would likely say the recession has not been beneficial for their business. While the retail supermarket channel is more protected than some outlets due to the necessity for food as well as consumers' tendencies to eat at restaurants less frequently, some fresh food sales still declined in the past year; produce sales, for example, decreased 2.5% in 2009 compared to 2008.

The bakery department is one area that experienced the opposite effect. The department as a whole increased 1% in total dollar sales across the U.S. for the latest 52 weeks ending Dec. 26, 2009, compared to the previous 52-week period. With sales increasing substantially in key categories, it is clear that many consumers have turned to their in-store bakeries, rather than specialty bake shops or restaurants, for their baked goods.

Individual-sized desserts are not losing steam since their boom in recent years, which was fueled by a combination of consumers' growing emphasis on portion control, smaller household sizes, and efforts to minimize grocery bills and food waste.

Cupcakes – the “it” dessert, appearing in variations ranging from tiered wedding cupcakes to meatloaf cupcakes with mashed potato frosting – grew their total U.S. dollar sales by 11.2% across 2009 compared to 2008. Cupcakes rank third in contribution to the cake category behind decorated cakes and dessert cakes. Also in the cake category, individual desserts increased 7.1% during the same time period, while wedding cakes and ice cream cakes declined 7.7% and 7.9% respectively.

Always a portion-controlled treat, the cookie category as a whole grew 4.6% in dollar sales in 2009 compared to 2008. But the star of cookie category growth was the mini cookie, up an impressive 20.7%, the most of any cookie type.

When it comes to preferred breakfast foods from the in-store bakery, consumers are trading sweet and gooey breakfast foods such as cinnamon rolls (-2.5%) and pastries (-4.8%) in favor of bagels. Sales of total bagels in 2009 were up 5.7%, including a 33.6% increase in regular bagels and a 4.8% boost in mini/bite/chunk bagels. Gourmet/large bagel sales declined 6%, further demonstrating Americans' preference for all things miniature.

Interestingly, brownies tend to be a treat that consumers clearly prefer in large sizes. Mini/two bite brownies declined 9.9% in 2009, while gourmet/large brownies grew sales by 16.9%.

As rumors swirl about designer donuts being the next big thing in baked treats, donut sales at supermarkets grew 2.9% in 2009 compared to 2008, topping out with more than \$450 million in sales across the U.S.

Bagels and donuts are two breakfast foods that can be quickly grabbed before leaving the house, and easily eaten during the morning commute. Consumers seem to be looking for the convenience of on-the-go breakfasts similar to what they could get at a drive-through or coffee shop, but at a more economic price. This is further evidenced in the fact that quickserve breakfast sales jumped 64% in the five years before the recession hit, according to the NPD Group. Yet in the fourth quarter of 2009, when unemployment hit 10%, quickserve breakfast traffic was down 4% (The Washington Post).

Which technology do you think will be most prominent among retailers in the coming year?

Online coupons
23%

Blogs
5%

Social media
14%

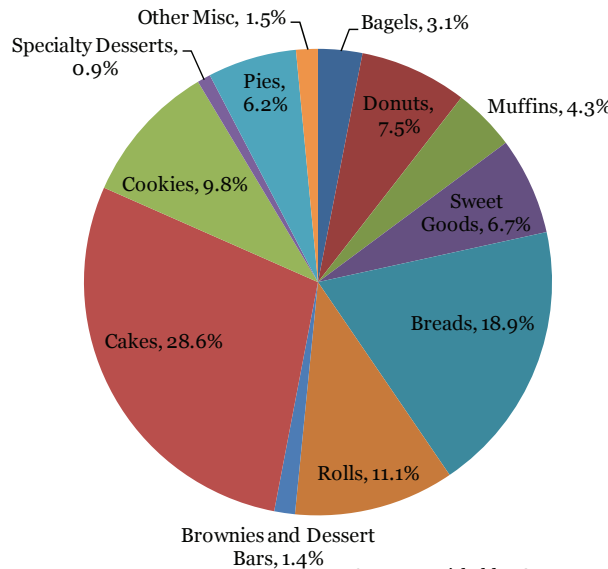
Loyalty card/cell phone compatibility
(i.e. loyalty card coupons sent directly to your cell phone)
59%



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Additionally, bagels can be bought and stored for at least a few days, while cinnamon rolls and pastries tend to lose their fresh-baked appeal more quickly. Suppliers and retailers can boost breakfast bakery sales by offering products and packaging options that satisfy consumers' desire for convenience and affordability. For example, they could package seven bagels together with in-store signage that encourages shoppers to save the cost and calories of a drive-through breakfast, and stock up on breakfast for the week.

**Category Contribution to the Bakery Department
Total U.S. 52-Weeks Ending 12/26/09**



Source: Perishables Group FreshFacts® Powered by Nielsen

**Dollar Contribution to
Department Change vs YAGO**

Bagels	0.1%
Donuts	0.1%
Muffins	-0.1%
Sweet Goods	-0.4%
Breads	-0.3%
Rolls	0.2%
Brownies and Dessert Bar	0.0%
Cakes	0.1%
Cookies	0.3%
Specialty Desserts	0.0%
Pies	-0.0%
Other Misc	-0.2%

Surprisingly, Hispanic sweet goods from the in-store bakery declined 8.2% in dollar sales. The booming U.S. Hispanic population is spurring new product and menu trends across the U.S., but perhaps this group of shoppers is choosing to shop at specialty markets aimed toward their demographic, or create their sweet goods from scratch at home. Retailers can use bi-lingual signage and in-store displays to reach out to this important group of shoppers and establish the in-store bakery as a destination for multi-cultural baked goods.

While growth in these bakery categories is occurring at the total U.S. level, it is important for individual retailers to examine their own sales and changes in assortment or distribution to determine whether the trends are consumer-driven, supplier-driven or retailer-driven. It is then possible to assess how to further capitalize on those trends, and to identify areas that may also benefit from creative packaging, merchandising and signage related to current consumer preferences.