



# New Market Trends in the European Bakery Sector

## *Bakery market drivers and brakes through 2018*

25th Annual IAOM Mideast and Africa District Conference  
Cape Town, South Africa, 5 December 2014

by Anne Fremaux

## Expertise in Bakery: products/countries/circuits

- Consulting
- Individual market research
- Strategic multiclient research
- Market due diligence

*All along the food & drink  
and distribution chain  
- throughout the world*

- Update of **Bake-off Survey**<sup>+</sup> (2015)
- Bakery in **Russia** (2014)
- Bakery **Ingredients** France (2014)
- Bakery **Panorama** EU-27 & Turkey (2012, 2007)
- Savoury Pastry **Snacks** EU-16 (2011)
- **Bake-off** Bakery Markets EU-16 (2010, 2006, 2002)
- Fresh Bakery Strategies in **Modern Retail** France (2007)
- Use of **Fats** in the Bakery Industry France (2006)

<sup>+</sup>open for Founder Client subscription

- An overview of the European bakery markets  
*Need to adapt to new consumer trends*
- Future challenges in bakery products distribution  
*Who will lead the growth?*
- The new shape of the industry  
*Now and in the future*
- To sum up  
*Some major trends*

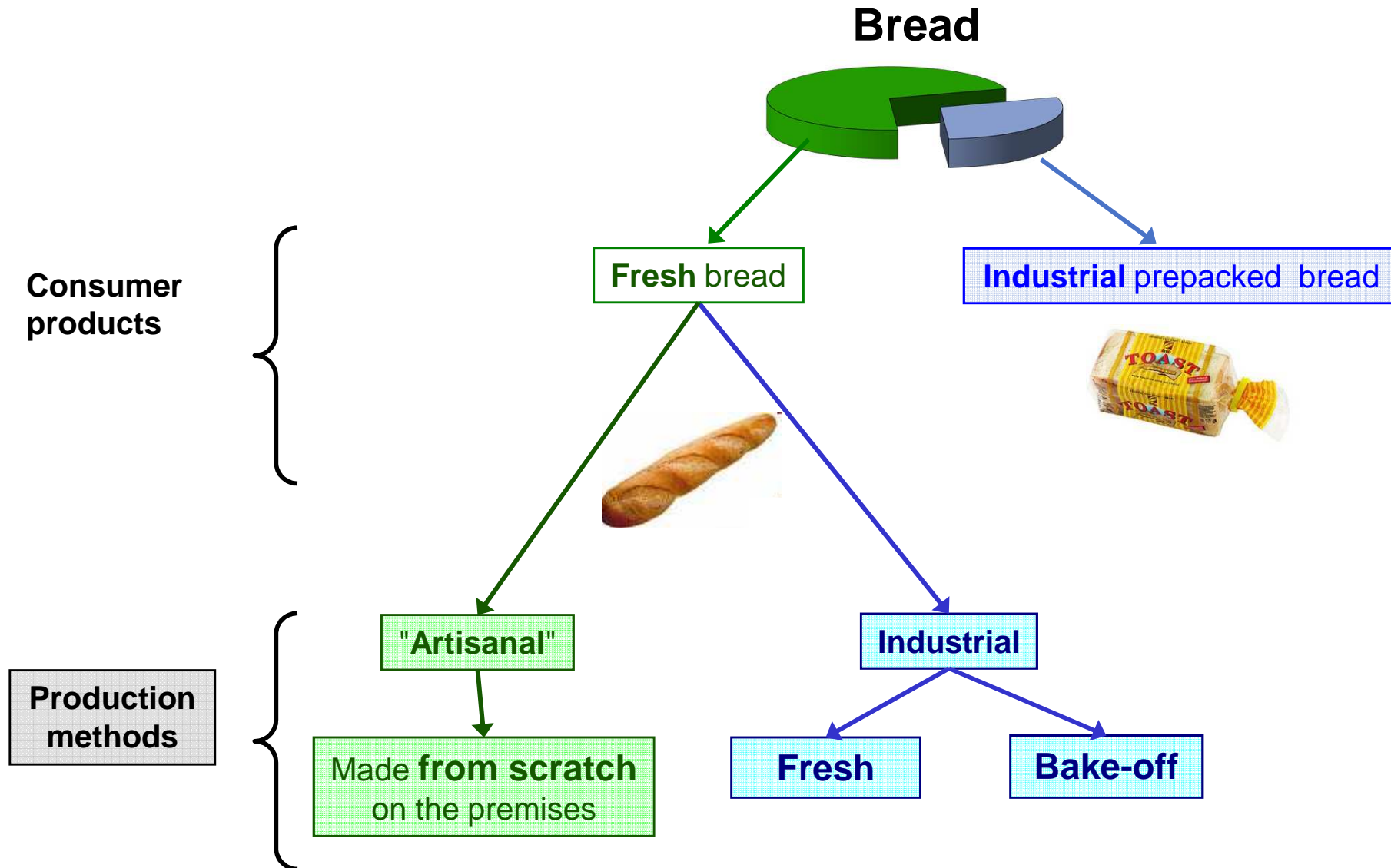
# An overview of the European bakery markets

*Need to adapt to new consumer trends*

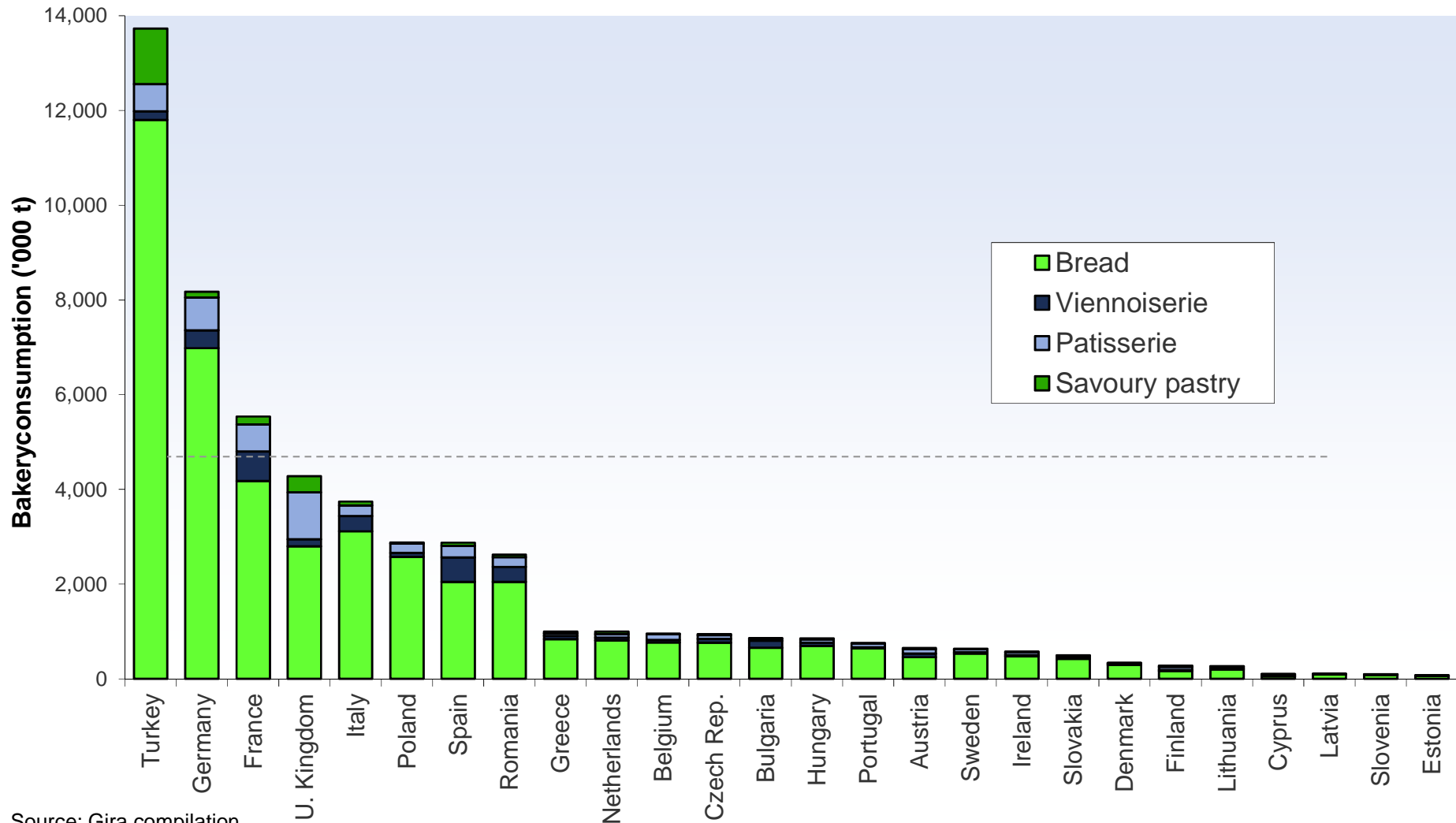


# Bakery products and production methods

*The same definitions used in all countries*



# The European bakery market in 2013: *Over 40 million tons and EUR 130 billion*



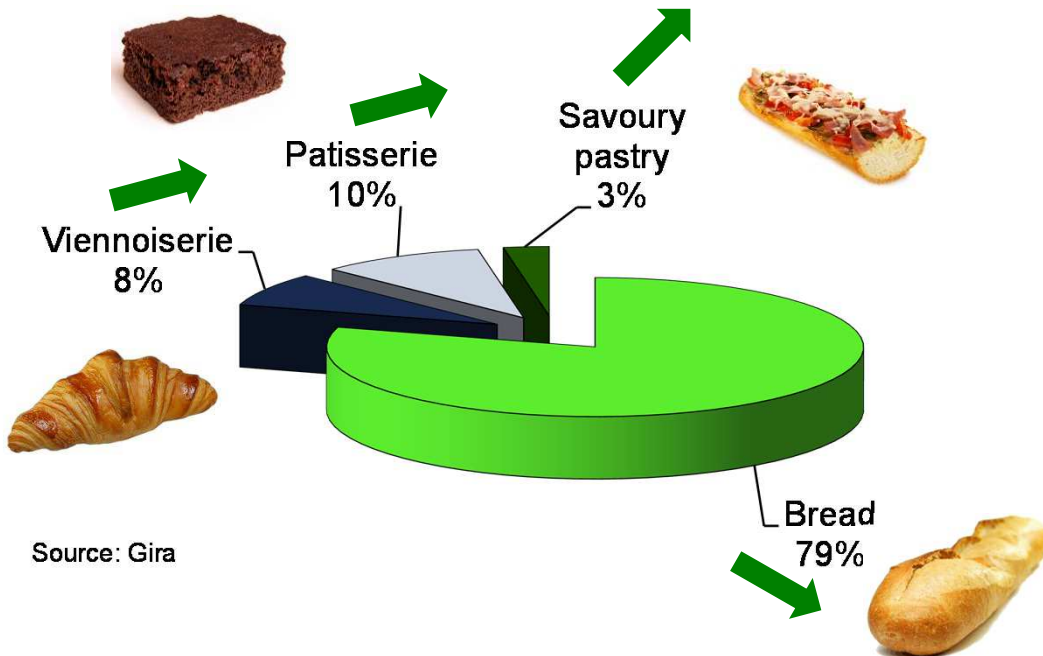
Source: Gira compilation

- Overall bakery consumption has **decreased** by **-0.2%** in the past 10 years
- Consumption should remain **steady** in the near future.

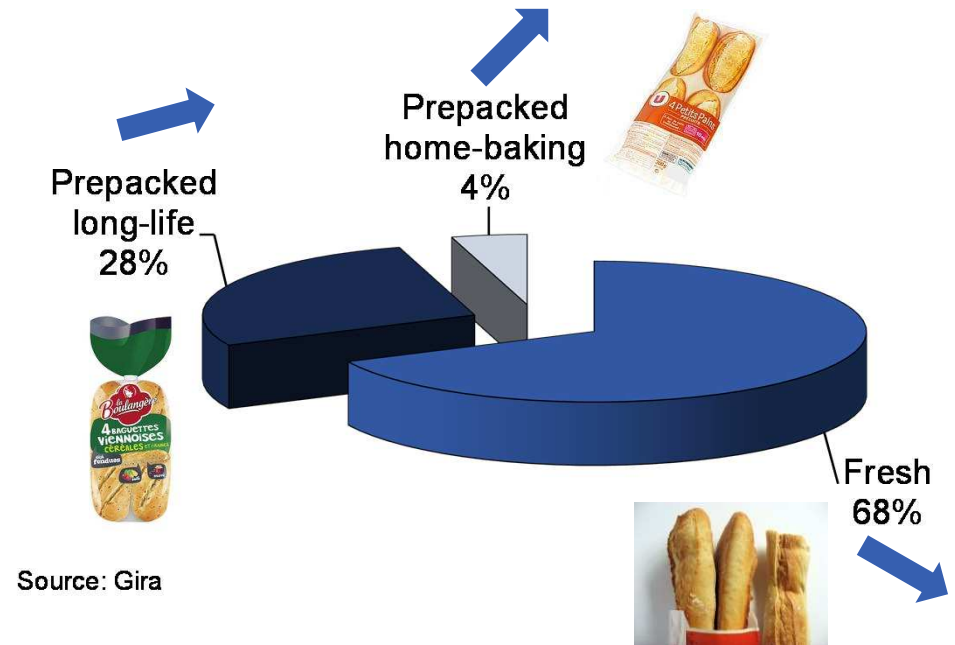
# Bread & fresh products dominate

*But suffer from increasing competition*

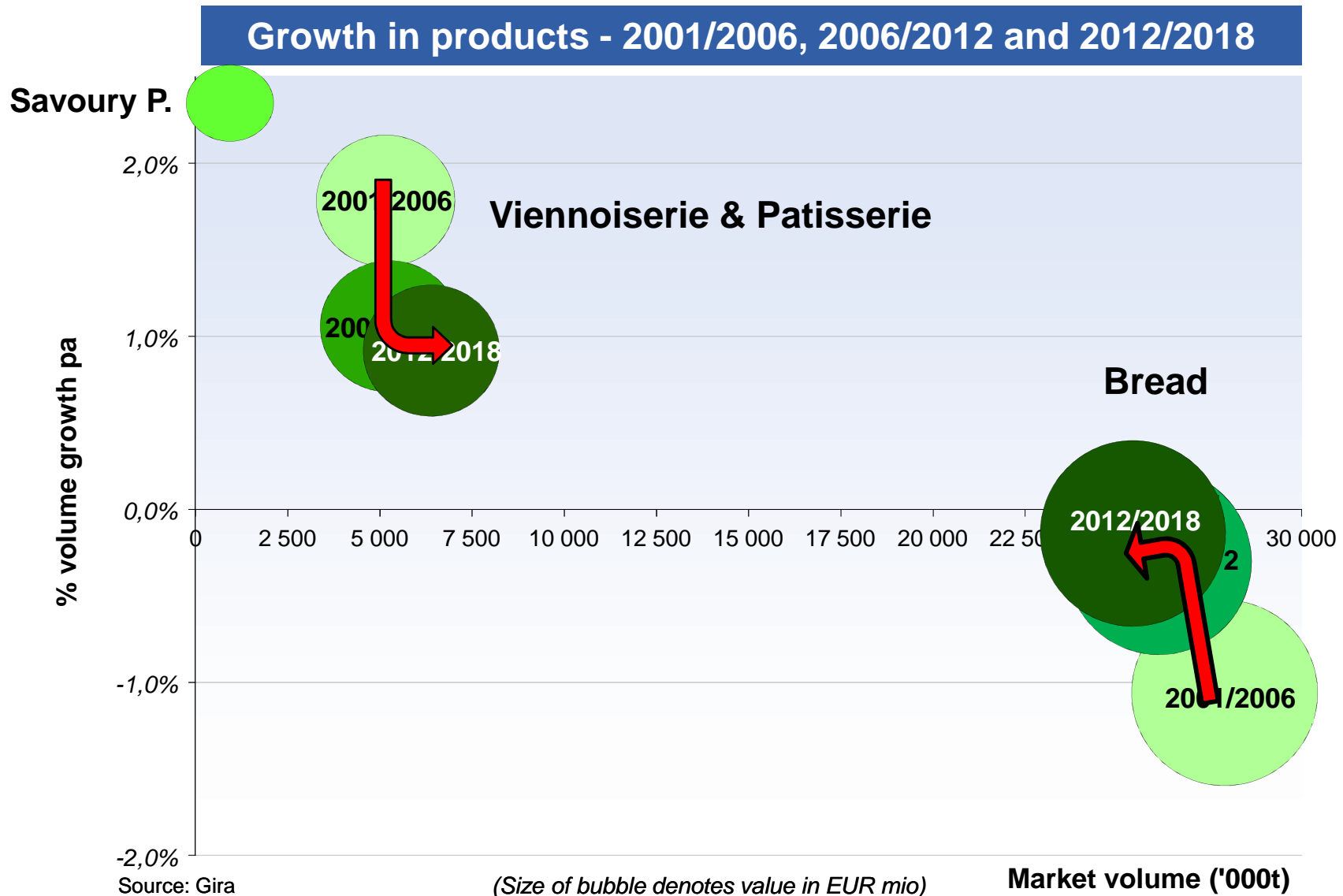
**Bakery products consumption volumes by products, 2013 Europe**



**Bakery products consumption volumes by technology, 2013 Europe**

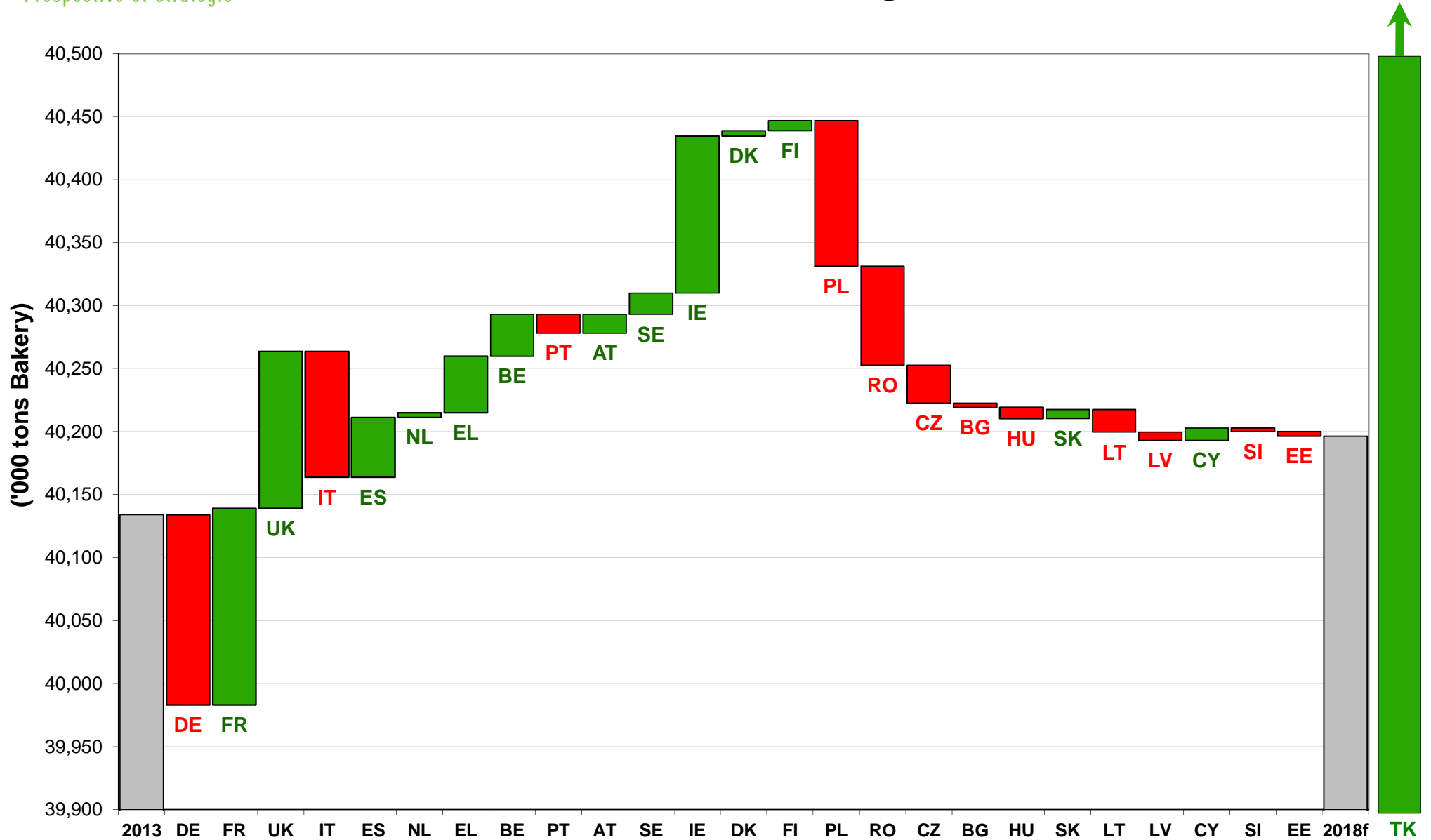


Long-term trends have stopped or slowed down: *bread has benefited from the crisis...*





# Bakery consumption will show contrasted future growth towards 2018



Source: Gira

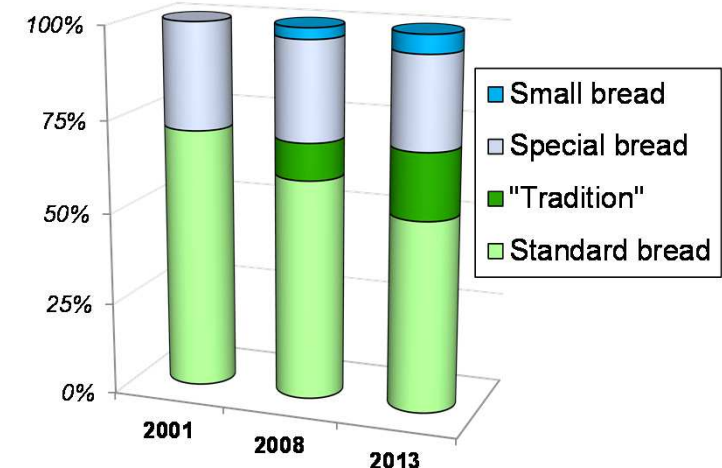
# Trends in bakery products consumption: *polarization of the bakery market*

- **Trading down** for basic products:
  - Success of low-price standard daily bread
  - Success of hard-discount stores



- **Trading up:**
  - High quality and more expensive bread specialities
  - Success of artisan breads ("Pain de Tradition Française")
  - Hamburger frees o.s. from fast-food

***Retailers and manufacturers need to fill the gaps!***



Source: Gira

# Bakery products consumption drivers and brakes

## □ Main consumption drivers:

- Bread: natural and cheap
- New tastes and new shapes
- Search for snack and food-on-the-go
- Looking for meal solutions

New tastes    On-the-go    Mini-bites    Convenience  
 Snacking    Meal solutions    Savoury



Bakery - Deli - Breakfast - Lunch - Brunch  
 Maple Products - Gluten Free Bakery

## □ Brakes on consumption growth:

- Effect of the economic downturn on indulgence and added value products
- Sweet products: **a treat and not a need**
  - Health concern
  - Competition from alternative savoury snacks
- Return to home-baking



# The major health challenges in bakery

## *Without affecting products' quality*

### □ "Better-for-you" bakery:

- Salt intake reduction
- Fat alternatives
- High-fibre, high protein options
- Functional and fortified foods



### □ Free-from...

- Gluten
- Wheat
- Allergens
- Sat fats
- Palm oil



### □ Clean-label formulations

*BUT the consumer still want a wide variety of tasty bakery goods!*

### **Bakery and ingredients producers need to adapt!**

- New ingredients formulations: enzyme-based, technological, flavour...
- Special requirements also imposed on technology: specific production lines, even custom-built machines



# Global "green" trends also apply to bakery products

- ❑ **Avoiding food waste:**
  - 25% of bread products in high-income countries are wasted
  - At retail & consumer level, during storage & processing
- ❑ **Buying local to support local economy:**
  - Manufacturers buying local flour
  - Consumer buying in local stores or directly to producers
- ❑ **Carbon footprint:**
  - Bakery products contain a wide spectrum of ingredients from different origins
  - New processes which make smarter use of natural resources
- ❑ **Sustainability is omnipresent...**



*The annual volume of water used for wasted food would fill lake Geneva three times...*



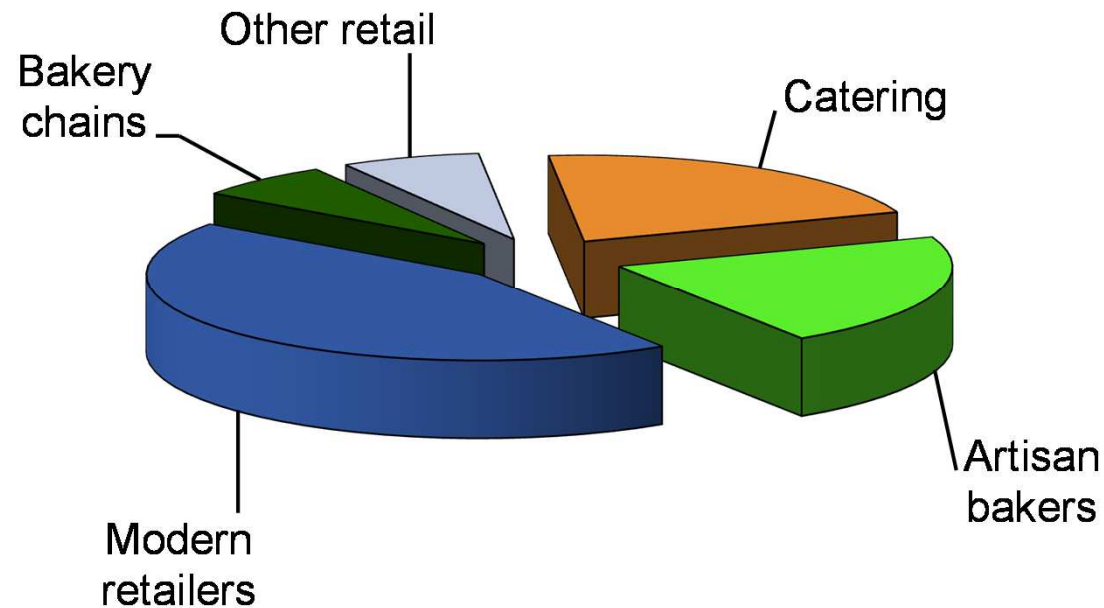
# Future challenges in bakery products distribution

*Who will lead the growth?*



Modern retailers now hold 45% of distribution... *expected to increase further...*

**Bakery products distribution channels, Europe, 2001/2017 trends (by volume)**

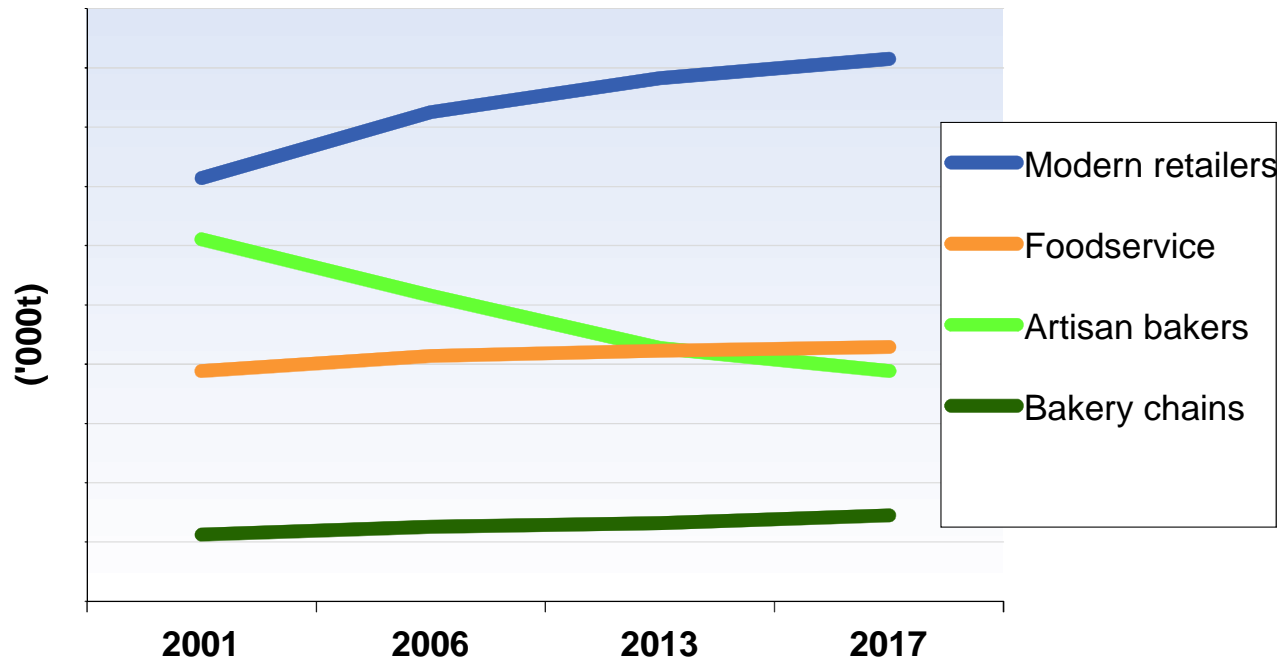


Source: Gira

**2013 volume**

Modern retailers now hold 45% of distribution... *expected to increase further...*

**Bakery products distribution channels, Europe, 2001/2017 trends (by volume)**



Source: Compilation Gira



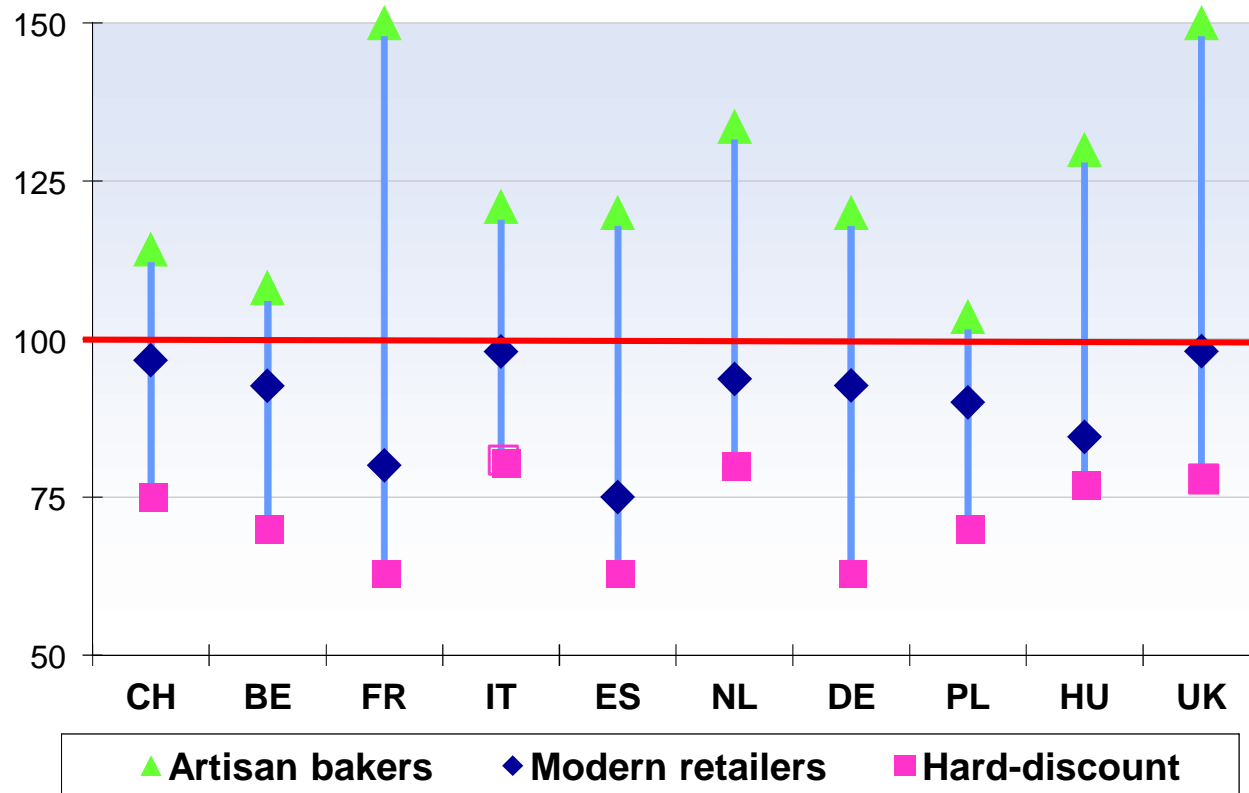
- ❑ **Artisan bakers** => Services & foodservice
- ❑ **Modern retailers** => "Freshly baked": key in driving footfall and more frequent visits
- ❑ **Bakery chains** => A mixed positioning between a traditional bakery & a fast-food outlet
- ❑ **Foodservice sector** => Expansion of coffee shops and cafes/bars



# Artisan bakers generally have the highest price positioning

**Fresh bread price positioning by retail sector - 2012**

Index 100 =  
 average country  
 price



Source: Gira

# New types of bakery stores: *threats or opportunities?*

Single product bakery



"Yesterday's Bread" in France



Bread vending machine in Belgium



"Click & collect" bakery



Discount bakery stores in the UK



# The new shape of the industry

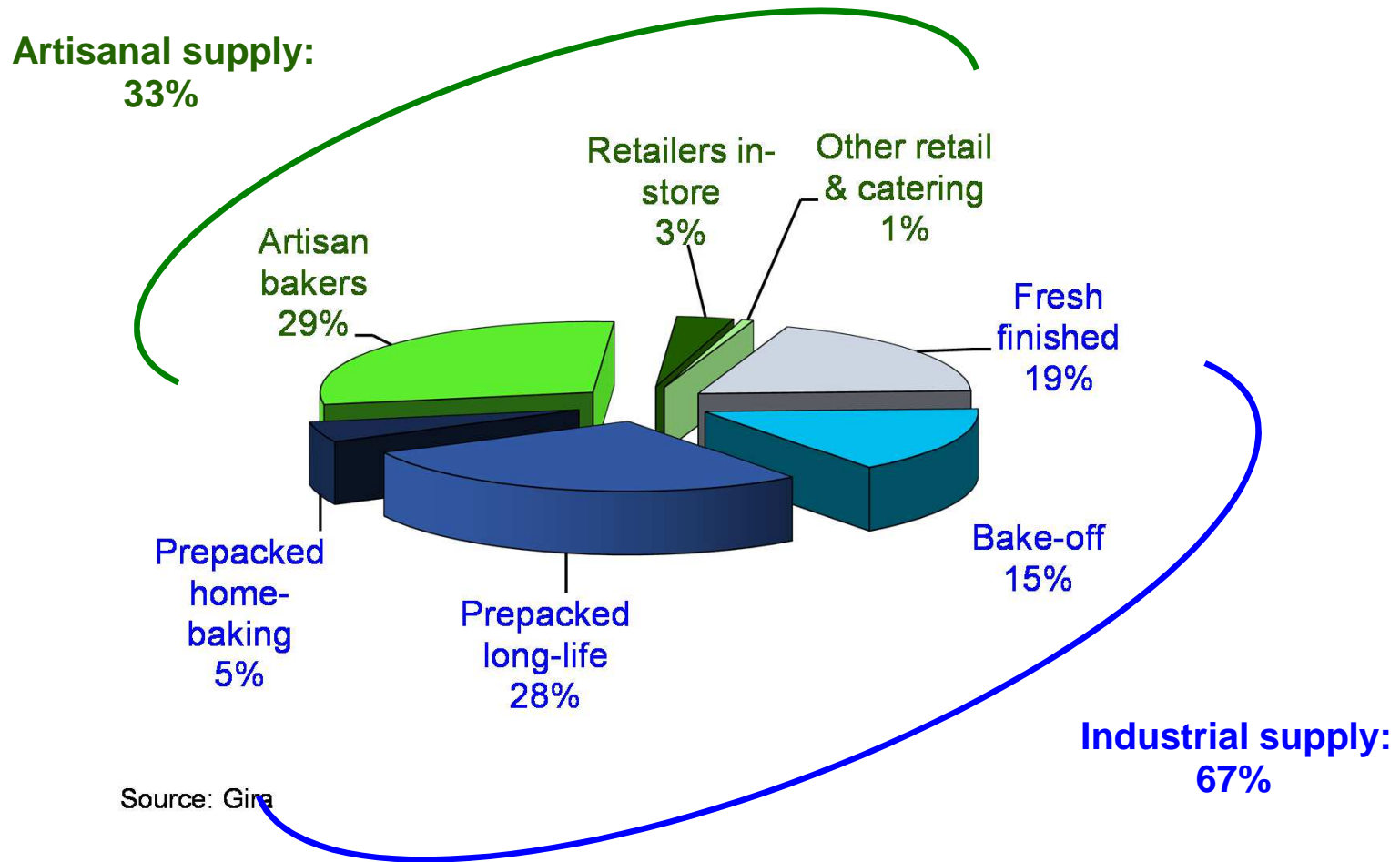
*Now and in the future*



# Industrial bakers supply 67% of bakery

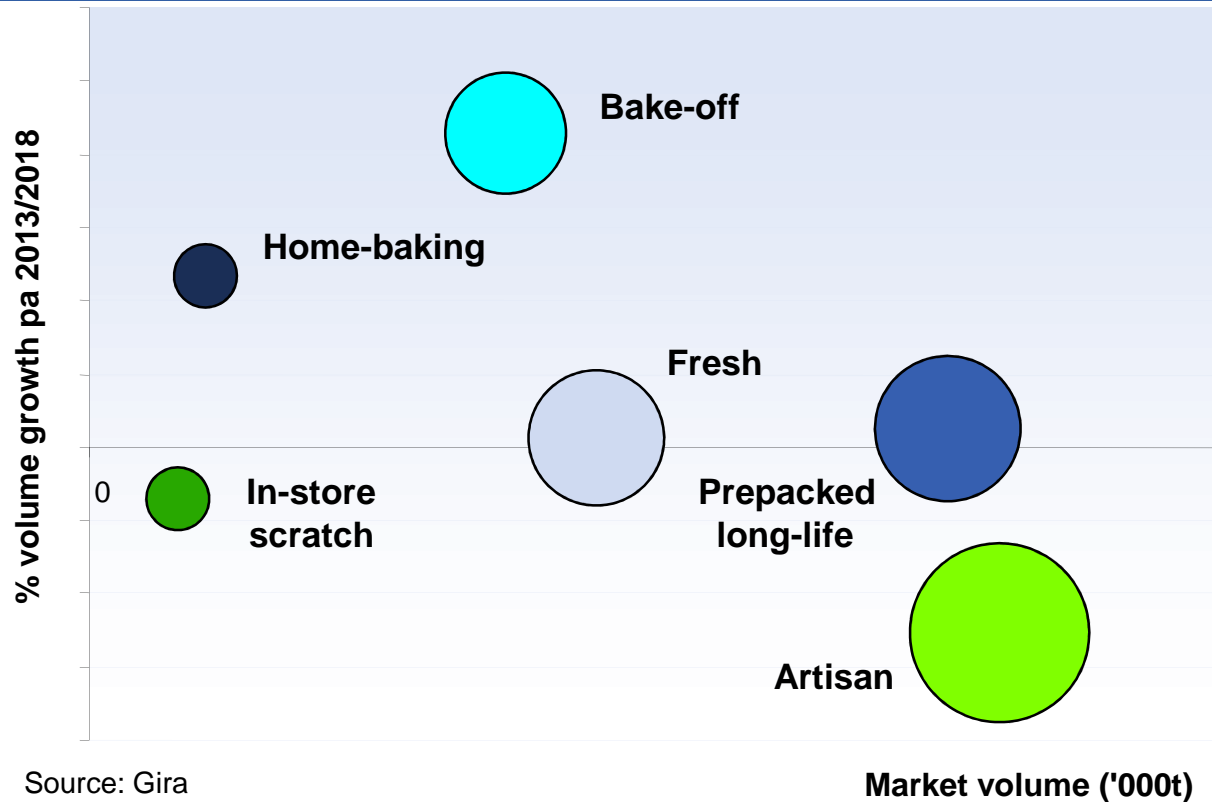
*With main opportunities for bake-off*

## European bakery products production: artisanal versus industrial, 2013



# Craft bakers still represent huge volumes... *...But almost no potential*

**Growth % in total bakery production methods – Europe, 2013/2018**

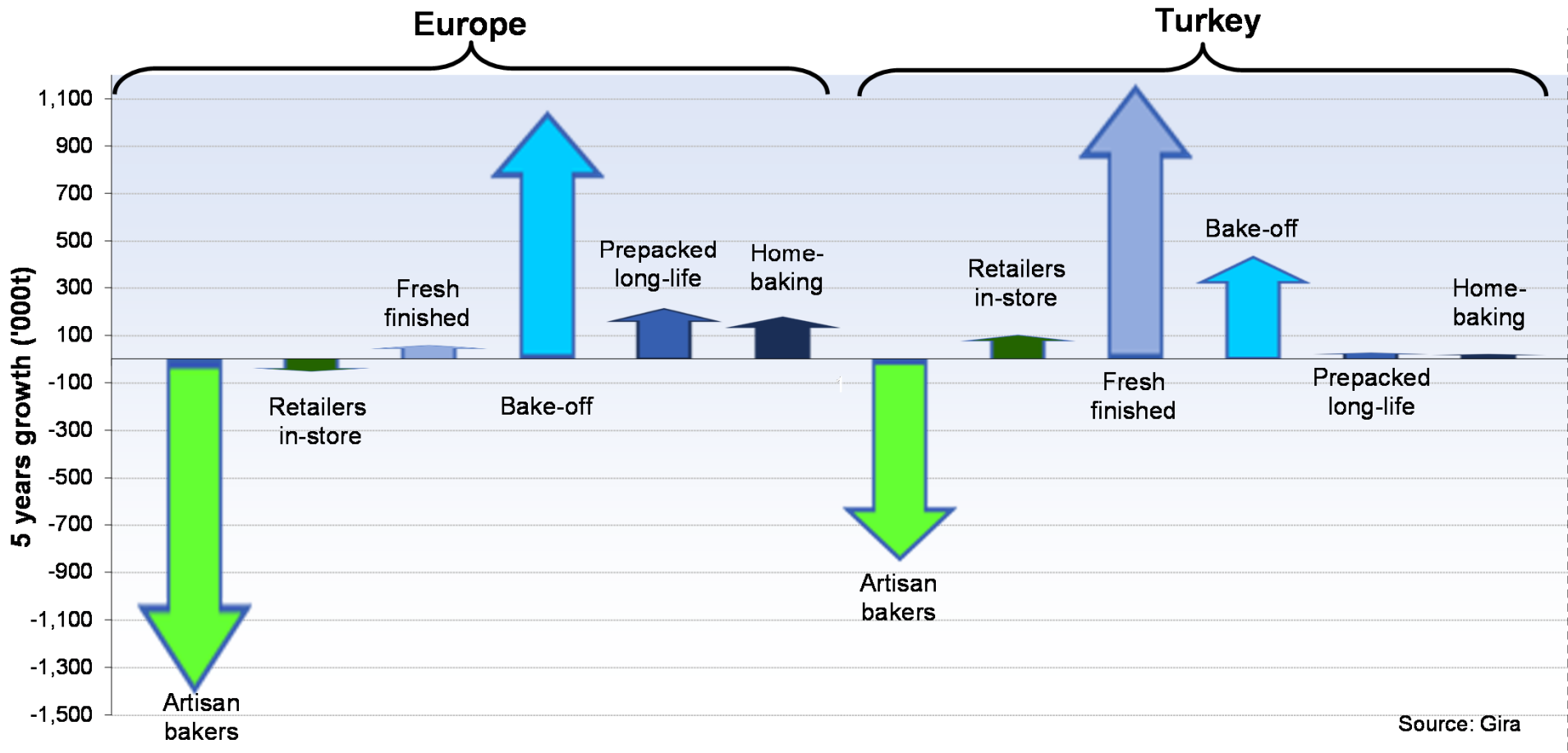


(Consumption figures)



# Biggest growth is foreseen for bake-off, *everywhere!*

## Growth prospects in bakery products production – 2013/2018



Source: Gira

To sum up  
*Some major trends*

# The main trends - *And their likely effect on Industrials & Millers' activities*

Drivers	Brakes
<ul style="list-style-type: none"> <li>▪ Bread: staple &amp; healthy</li> <li>▪ Snacking, on-the-go, savoury</li> <li>▪ Expansion of modern retail</li> <li>▪ Industrial production</li> </ul>	<ul style="list-style-type: none"> <li>▪ Bread &amp; fresh products: mature markets</li> <li>▪ Trading down</li> <li>▪ Increasing health concern</li> <li>▪ Declining artisans &amp; in-store scratch baking</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>▪ Target both ends markets               <ul style="list-style-type: none"> <li>• Answer to the still big standard markets</li> <li>• Add value to bakery products and flours</li> </ul> </li> <li>▪ Branding               <ul style="list-style-type: none"> <li>• Opportunities for differentiation</li> </ul> </li> <li>▪ New ingredient formulations</li> <li>▪ ISB in hard-discount               <ul style="list-style-type: none"> <li>• Opportunities for bake-off volumes</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Rising cost and raw material prices               <ul style="list-style-type: none"> <li>• Volatility</li> </ul> </li> <li>▪ Pressure on selling prices / on quality</li> <li>▪ ISB in hard-discount               <ul style="list-style-type: none"> <li>• Threat for bake-off margins</li> </ul> </li> </ul>



# Is bake-off now at a turning point?

## Bake-off at production level: sustainability will be the key

- Trends are moving towards **clean-label** products

- New **formulation** and new **ingredients**

- **Carbon footprint**: bake-off is energy intensive

- **Upgrade** bakery processes

## Bake-off at consumer level: "Defrost" labelling regulation?

- Positive impact of "freshly baked" or "baked in-store"

- Emphasizing scratch baking whenever possible

- "Freshly baked" a misleading label?

- UK, Slovakia, Czech Republic, Greece
- Aldi (DE) and Coles (AU) taken to court
- It is a still ongoing legal battle...

*Thank you for your attention!*

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