The Monthly Focus: Bakery

Getting up-trade in difficult times

April 2024

Category Challenges in Context

The continuing quest to save money at every opportunity may at times seem like a downward spiral for brands and retailers, putting pressure on margins and driving value growth down. Bakery is certainly not immune to this trend, however, as shoppers look to make savings we have seen an unexpected turnaround in the fortunes of white sliced bread according to reports in the Grocer recently.

Predictably though, this growth isn't necessarily helping brands, with price being the primary driver of this growth, and Private Label will always win this race. In fact, a quick comparison on shopper priorities shows that across Bakery, private label shoppers are significantly more concerned with price – just as we see for the rest of the store (Figure 1).

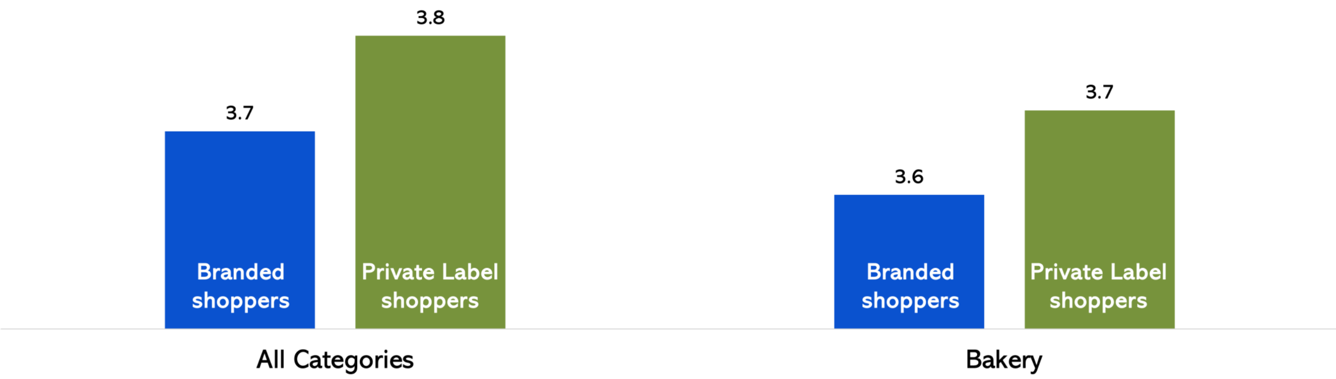

Figure 1 – Shopper importance of Price (mean score out of 5, higher = more important)

So with this challenge in mind, what else can be done to drive value for Bakery, is there still room for premiumisation for example, and which Bakery segments are best placed to take advantage of it?

As figure 2 shows, across the Bakery department there are varying attitudes to premium when we look at shopper mindset. In many sectors shoppers are willing to 'pay more' for better quality choices. This sort of analysis is key to ensuring that any efforts to drive this kind of strategy can be more targeted and consequently resources are used more effectively.

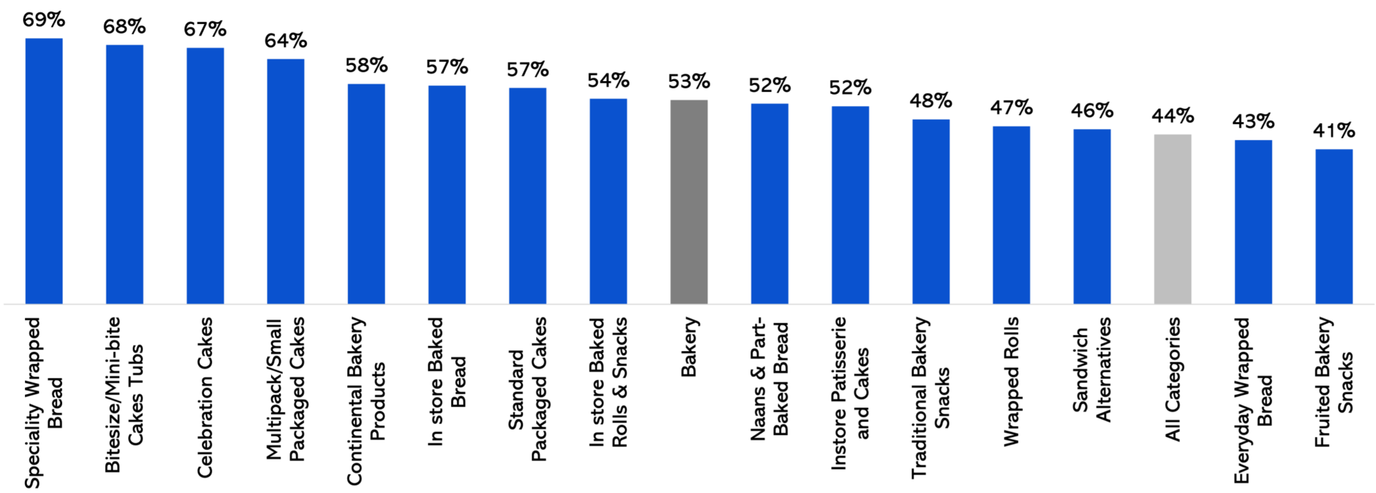

Figure 2 – "Don't mind paying more", agreement scores, Bakery categories

Figure 2 shows that generally across Bakery there is a mandate for premium when compared to the store average for all categories, and in particular sectors like Speciality Bread and Cakes are the most likely to resonate with shoppers around this.

But of course, premium can be many different things, there are various aspects that we can consider to drive such an agenda, capitalising on aspects like Health and Sustainability or perhaps a deeper focus on Provenance for example.

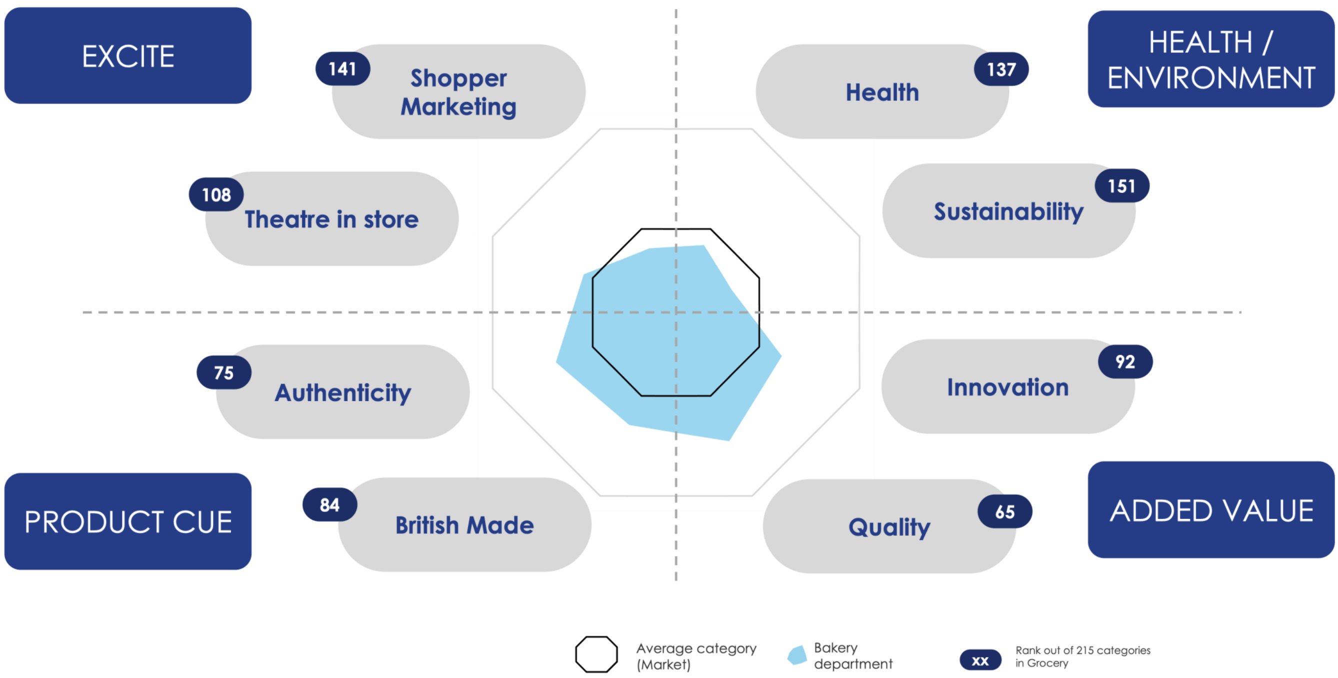

Figure 3 – Category levers beyond price – Bakery ranking versus store average

As we can see from the chart, we've reviewed the Bakery department across eight different aspects that might be considered to help drive a premiumisation strategy. Here we see that areas like Quality, Authenticity and Provenance (British Made) are most likely to play well with Bakery shoppers and as such are areas it may be worth considering.

Of course again, the potential for these will vary by segment within Bakery and a deeper understanding at this level will unlock more specifically where the opportunity sits for each.

Take quality for example, the highest-ranking aspect above. We can see in figure 4 there is a significant spread across the segments of Bakery when it comes to the level of importance shoppers place on this. For example, In-store Bakery is clearly an area where messaging and quality cues will be significantly more likely to drive shopper engagement and subsequently sales growth.

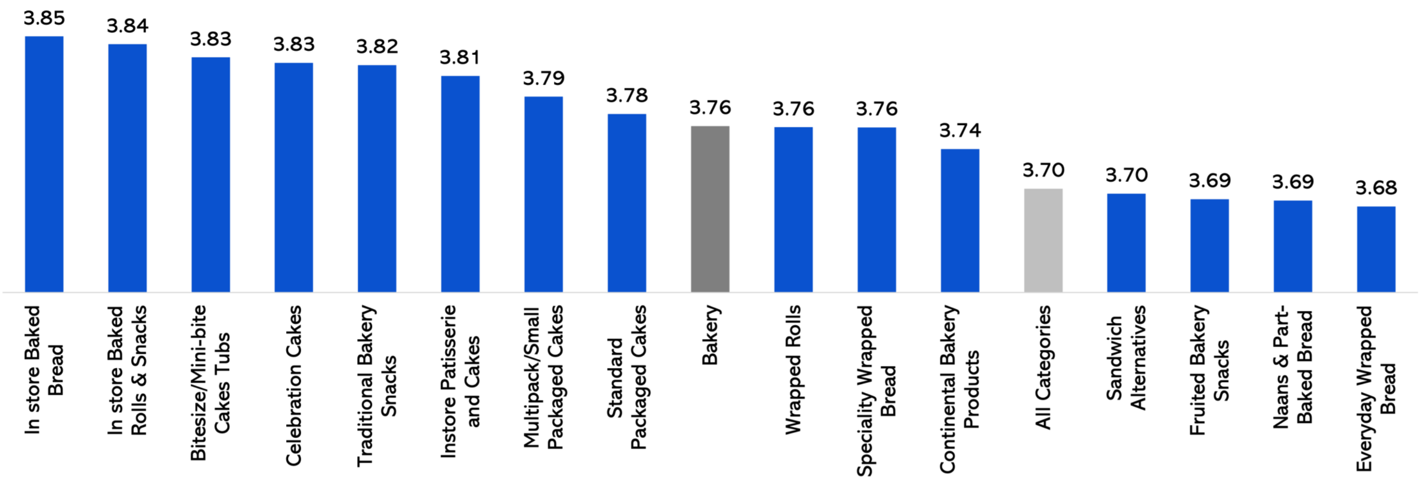

Figure 4 – Shopper importance of Quality (mean score out of 5, higher = more important)

It's also interesting to note that Speciality Bread shoppers rate the importance of quality much lower than most Bakery categories, despite what we saw above in figure 2 that these shoppers are most likely to be willing to 'pay more'. Just further evidence that a one-size-fits-all strategy will not necessarily work!