Category Plan for Baked Bread in Lidl:
Report #3: Assessment of Product Category

Jake Elliott - C00246509

Sriramanan Kalirajah - C00253505

Sama Allahkaram - C00246505

Category Management (CW_HHMKT_B) Y4

Institute of Technology Carlow

Carlow, Ireland

October 24th, 2019

Table of Contents

Category Market Size

The baked bread category has been consistently growing in Ireland over the past few years. Between 2017 to 2018, the bread category grew by 2.8%, from €392 million to €403 million (Bord Bia, 2019). Moving forward, the industry is predicted to grow by at least 7.5% by 2023, increasing the market to €445 million from €403 million (Mintel, 2018 cited in Bord Bia, 2019). In 2017, 60% of the bakery sector consisted of new Private-label New Product Development (NPD) due to the increase of in-store bakery launches in supermarkets and own-label investments (Bord Bia, 2019).

Growth Trends - past / future

According to the Central Statistics Office (CSO), bread prices decreased by 0.9% in February 2018, which meant that consumers had more disposable income to spend towards premium bakery products (Bord Bia, 2019). Additionally, more consumers are becoming health-conscious and strive to improve their overall wellbeing by turning to more nutritional goods, including premium breads (Mintel, 2018; Bord Bia, 2019; Euromonitor, 2018). The ingredients and where they are sourced from are critical as consumers are demanding transparency from category manufacturers (Mintel, 2018). Furthermore, health is one of the main drivers for product development (Passport, 2018). In regards to sliced bread, the majority of consumers are changing over to fresh, premium bread as its nutritious content is higher (Euromonitor International, 2018). Consequently, sourdough bread is on the rise because of the health and wellness trends and demands from the consumers (Euromonitor International, 2018). Amrin Walji, a Senior Innovation Analyst at Mintel, predicts that the three major trends in the bakery industry for the next two years are new flavours, ingredients and textures (Mintel, 2019 cited in Bord Bia, 2019).

Key Brands & Market Share (market share by brand, format, variant, SKU)

While private label holds 60% of the bakery sector, Joseph Brennan Bakeries Ltd. has sustained its leadership in baked goods whilst the top five brands remain stable (Euromonitor International, 2018; Passport, 2018). However, when it comes to the baked bread category within the baked goods industry, there are no companies holding significant market share since this type of product is made in-store and is not sold in mass quantities across the country (Alumni, 2019).

Key Manufacturers

Although artisanal bread leads in market share of all bread brands in Ireland, supermarkets and other retail chains are taking production of artisan bread away from local bakeries. In an interview with the Irish Times, baker Pat Byrne of Cremore Bakery stated that almost half of the independent bakeries in Ireland have closed in the past several decades (Keena, 2018). This is consistent with the high market share of private label brands, as large retailers increase their selection of artisanal bread products and the inclusion of in-house bakeries in their stores (Euromonitor International, 2018).

Irish Consumer Category Needs

Consumption Per Capita

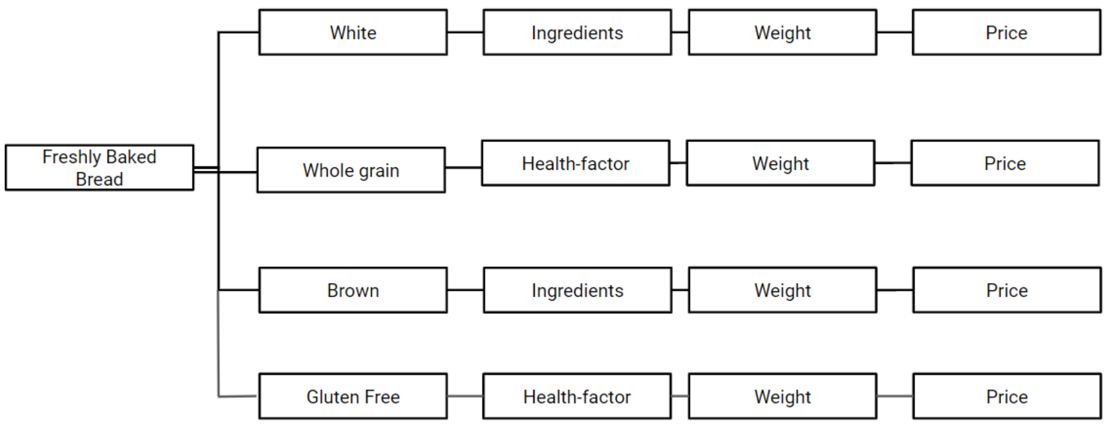
According to Statista, national revenue for all bread (contrary to fresh-baked bread as stated previously) in Ireland reached €703 million in 2019, forecasted to grow slowly to €717 million by 2022 (Statista, 2019). Despite this steady growth, average revenue and volume per capita has decreased significantly from 2015 to 2019 (€152.52 million to €143.93 million, and 76kg to 67.4kg per capita respectively) (Statista, 2019). Conversely the EU consumption has also dropped from 67 kg during 2004 to 63 kg in 2016 per capita showing that ireland consumers are still consumes more bread per capita compared to the rest of the EU (Döring, 2016). Lastly Irish buyers are consuming less bread on average while spending more, as price per unit of bread has been increasing significantly (from €1.67 in 2012 to €2.13 in 2019) (Statista, 2019).

Consumption Patterns

- Sourdough is on the rise
- Consumers are seeking nutritious content, therefore opting for premium bread
- White bread still dominates sales due to convenience, familiarity, and availability, however this is expected to decline because of healthy alternatives (Passport, 2018)

- Some consumers have started to avoid bread products due to digestive discomfort (Bord Bia, 2019). This can lead to a shift towards more personalized bread offerings or to different alternatives such as gluten free.

Purchase Decision Tree



After carrying out secondary research, the decision-making process for purchasing baked bread was created.

Key Purchase Drivers

The key purchase drivers for the baked bread category are the following:

- Source: consumers are willing to pay more for locally-sourced products over mass-production (Passport, 2018).
- Transparency: this directly helps increase consumer trust (Mintel, 2018; Bord Bia, 2019).
- Ingredients: shift towards health-conscious diets (Bord Bia, 2019). Also, 79% of Irish consumers want a reduction in salt and sugar levels in baked breads/goods, while 76% want a wider selection of healthier alternatives (Bord Bia, 2019).
- Freshness: there is a lack of freshness perception on packaged baked goods, thus resulting in a shift towards bakeries (Passport, 2018).
- Health: 2017, 1 in 5 irish people shopping for gluten-free (Bord Bia, 2017)

Barriers to Purchase

1. Price: As previously stated, general bread price per unit is increasing in Ireland (Statista, 2019) while the cost of fresh-baked bread has decreased (Bord Bia, 2019). While freshly baked bread varieties vary in prices by brand, type, and weight, consumers may perceive that the bread types that the speciality bread types they desire cost more than mass-produced/packaged type that they are used to buying for their family.
2. Learning curve: With the increased variety and health benefits of fresh bread, customers may not know which bread would best suit their needs and would be more likely to purchase the same type/brand as they did previously. Increasing communication of these benefits would educate consumers while encouraging them to try new products
3. Quality perception: Consumers seeking quality bread may be selective about the brand they purchase or location they purchase from. If a brand does not portray a strong value perception, consumers may choose to purchase from a competitor they deem to serve better quality goods
4. No urgent need: Similar to price, consumers may choose not to purchase freshly baked bread if they feel they do not have a strong need for it. For this, they may choose to purchase pre-packaged bread if it satisfies their needs more.
5. Shelf life: shorter shelf life compared to other product categories. Currently, there are no indicators for when or what time the bread was baked or when the best before date is. This results in many customers testing the freshness with their hands, which is detrimental to the health and cleanliness of the bakery.

Global Trends & Predictions for the Irish Market

The global bread market has an expected compound annual growth rate (CAGR) of 1.4% between 2019-2024 for products including: loaves, baguettes, rolls, burger buns, sandwich slices, ciabatta, frozen bread, others (Research and Markets, 2019). Global trends for this market include increased demand for health-conscious products, functional ingredients. Such ingredients include low-carb, high-fiber, multigrain, and fortified breads as major examples (Research and Markets, 2019). As consumers are becoming more health-conscious, they seek bread products which incorporate natural ingredients such as omega-3 and 9 in replacement of artificial preservatives, antioxidants and enzymes (Research and Markets, 2019).

Europe currently holds the largest share in the global bread market by volume (Research and Markets, 2019). Europe is characterized by an increasingly aging population who seek longer and healthier lifestyles through organic products with all-natural ingredients (Markets and Research, 2019). The UK and Irish markets are also experiencing a surge in interest for speciality bread products made with "supergrains" such as quinoa, millet, teff, buckwheat and chia seeds (British Baker, 2017). The perceived health benefits of these ingredients has increased consumer demand for artisan bread as opposed to pre-packaged.

Conclusions (summarize key findings & assess the impact on the category)

Some suggestions for the category.

1. Increase selection of sourdough
2. Increase selection of gluten-free
3. Display health benefits, ingredients, nutritional information of baked bread being sold

Appendix

Figure A: Ireland bread revenue in million € (Statista, 2019)

Figure B: Ireland bread revenue per capita in € (Statista, 2019)

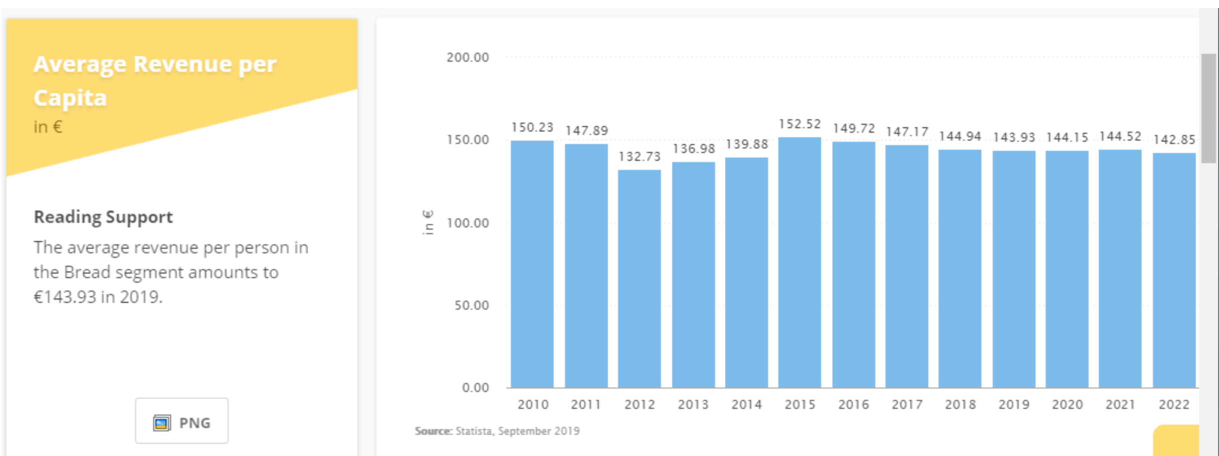


Figure C: Ireland bread volume in million kg (Statista, 2019)

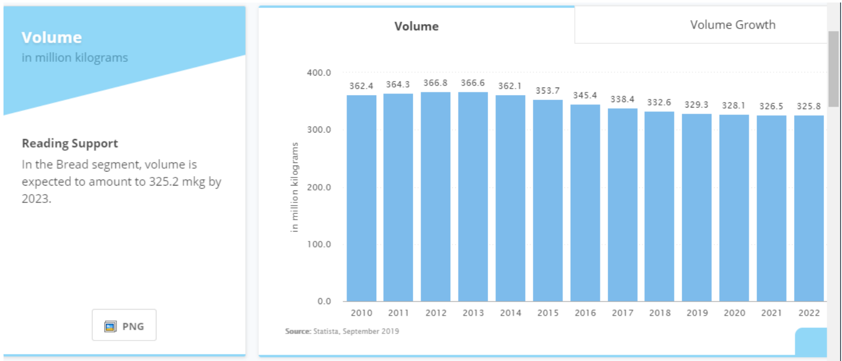
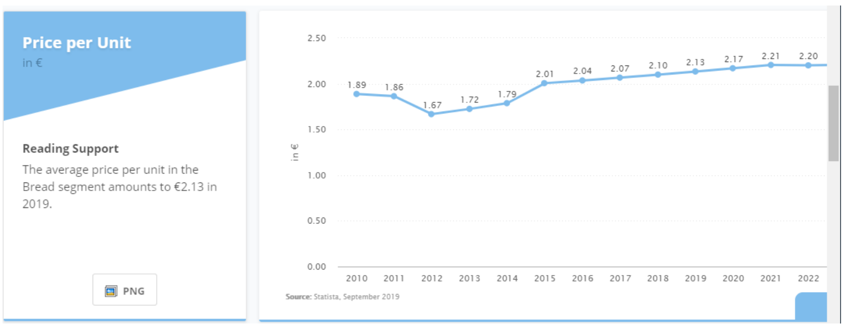


Figure D: Ireland bread price per unit in € (Statista, 2019)



References

Bord Bia (2017). *One in five Irish people are regular gluten free shoppers, Bord Bia Bord Bia researches consumer attitudes to gluten free food for the first time.* [online] Bord Bia. Available at https://www.bordbia.ie/press-releases/one-in-five-irish-people-are-regular-gluten-free-shoppers-bord-bia/ [accessed 23 October, 2019].

Bord Bia (2019). *Bakery – Bord Bia Vantage*. [online] Bordbiavantage.ie. Available at: http://www.bordbiavantage.ie/market-information/sector-overviews/bakery/ [Accessed 12 Oct. 2019].

British Baker (2017). *Looking to the Future with Ancient Grains*. British Baker, [online], pp. 47–51. Available at: http://search.ebscohost.com/login.aspx?direct=true&AuthType=ip,shib&db=ukh&AN=122781645&site=eds-live&scope=site [accessed: 23 October 2019].

Euromonitor. (2018). *Baked Goods in Ireland*. [online] Available at: http://www.portal.euromonitor.com/portal/?4OcpGMZ6IAkx0aOJRQq7EQ%3d%3d [Accessed 22 Oct. 2019].

Euromonitor International (2018). *Baked Goods in Ireland*. [online] Euromonitor.com. Available at: https://www.euromonitor.com/baked-goods-in-ireland/report [Accessed 23 Oct. 2019].

Keena, C. (2018). *The Rise and Fall of Bread Baking as a Craft Industry.* [online] The Irish Times. Available at: https://www.irishtimes.com/news/consumer/the-rise-and-fall-of-bread-baking-as-a-craft-industry-1.3733331 [accessed 22 October, 2019].

Ibisworld.com. (2019). *IBISWorld - Industry Market Research, Reports, and Statistics*. [online] Available at: https://www.ibisworld.com/ireland/market-research-reports/bread-bakery-goods-production-industry/ [Accessed 23 Oct. 2019].

Mintel. (2018). *Ireland Bread Market Report*. [online] Available at: https://store.mintel.com/ireland-bread-market-report [Accessed 22 Oct. 2019].

Mintel. (2019). *The Future of Bread, Bakery and Cakes: 2019*. [online] Available at: https://store.mintel.com/the-future-of-bread-bakery-and-cakes-2019 [Accessed 22 Oct. 2019].

Research & Markets (2019). *Bread Market - Growth, Trends, and Forecasts (2019 - 2024)*. ResearchAndMarkets.com [online], available at https://www.researchandmarkets.com/research/x3bqbt/global_bread?w=4 [Accessed 23 October, 2019].