Sweet Bakery Trends 2021 (update June 2021)

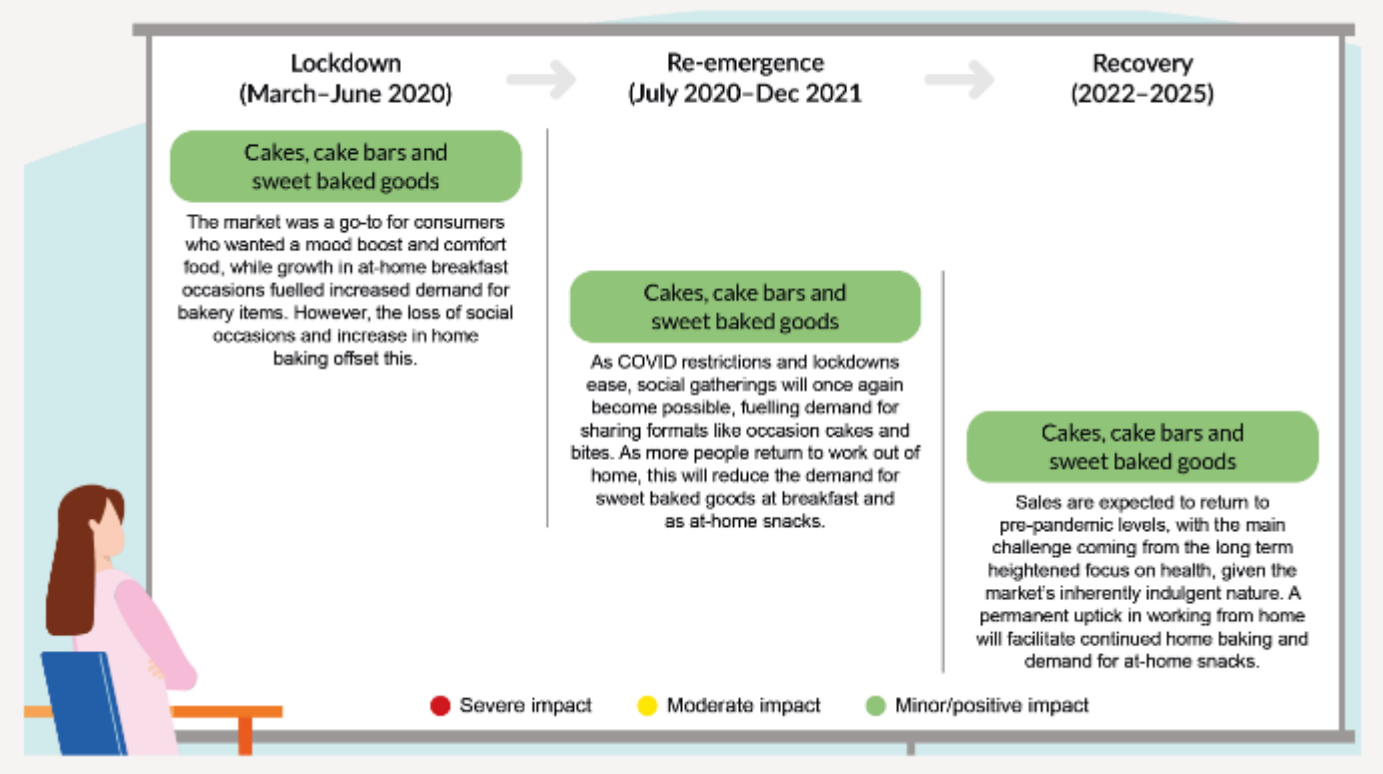
Including a Product Focus on Doughnuts

PART 1

The Market

Expected Impact of COVID-19

Expected Impact of COVID-19 on Cakes, Cake Bars and Sweet Baked Goods, Short, Medium and Long-Term, April 2021



Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods. UK, April 2021

Cakes and sweet bakes sales don't enjoy same uplift as overall food retail in 2020

- The loss of sharing and lunchbox occasions, heightened health concerns and a boost to baking hit the sales of cakes, cake bars and sweet baked goods.

Slow growth ahead as the market faces health and competitive pressures

- Cautious spending mindsets will support at-home meal and treat occasions, but curb demand for higher priced cakes and sweet bakes.
- Longer term, the market faces headwinds from the enduring heightened focus on health and interest in baking, as well as competition from other treats.

Celebration cakes hit by COVID-19 restrictions

- Sales of celebration cakes and occasion cakes and puddings saw a sharp drop in 2020 as a result of social gatherings banned for much of the year and work-based sharing occasions also lost.

New government strategy aims to get people eating healthier

- The emergence of the COVID-19 pandemic at the beginning of 2020 has renewed the urgency to tackle the nation's obesity crisis. A new policy paper was published by the Department of Health and Social Care on 27 July 2020 detailing the measures and new restrictions that will be brought into power.
- These new restrictions are set to hamper sales of cakes, cake bars and sweet baked goods as 70% of people who eat and buy cakes, cake bars and sweet baked goods say that promotional offers cause them to buy these products on impulse.

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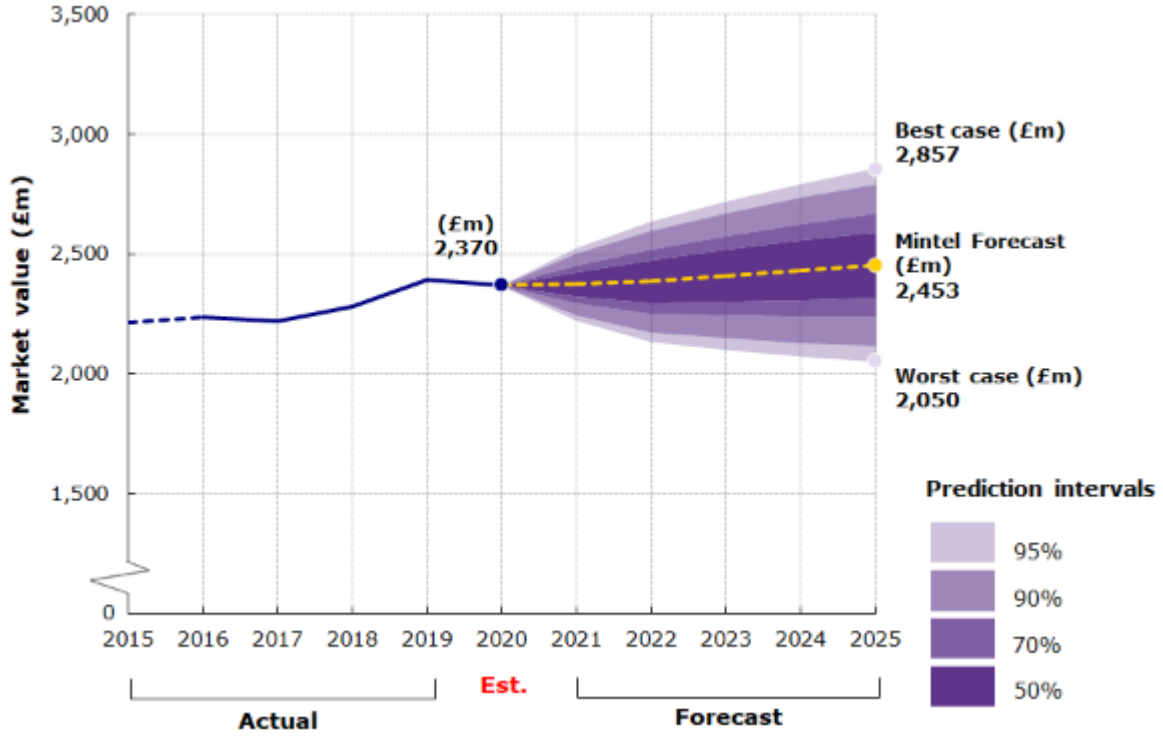
UK Market Size and Forecast

Forecast of UK retail value sales of cakes, cake bars and sweet baked goods, 2015-25



"Unlike many types of food, cakes, cake bars and sweet baked goods haven't seen a big boom in sales through retail channels due to the COVID-19 outbreak. Instead the drop in sales of cakes has been balanced out by the increased demand for sweet baked goods. Home baking and better-for-you offerings are key areas for brands to explore going forward given consumer interest."

Angharad Goode, Research Analyst, April 2021

COVID-19 is unlikely to have long-term negative impact

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods. UK, April 2021 - Source: Based on IRI/Mintel

Bakery Consumer Trends 2021

What the Consumer Wants

Global opportunities

One in ten launches in 2020 carry a vegan claim.

Challenge expectations around flavour and texture

Brands can spur **impulse purchasing** and win over new consumers by innovating with flavours which are **unexpected yet complementary** (e.g. chilli-infused hot cross buns). Cake makers can also **enhance the eating experience** with new formats, like dipping sauces.

Promote a permissibly indulgent image

Sweet bakery can present itself as a 'healthy in moderation' kind of treat through innovating around **better-for-you recipes**. Added **protein**, or recognisable superfood ingredients like **matcha tea**, can be incorporated to deliver this health halo.

Develop ethical and environmental credentials

The increased consumer scrutiny of companies' ethical and sustainability credentials should encourage cake brands to increase their use of **recyclable, recycled** and **sustainable** packaging. More brands can also support **ethical** and **environmental** initiatives.

Source: Mintel – A year of innovation in cakes and sweet bakery, 2020 – September 2020.

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What the Consumer Wants

EMEA opportunities

Innovate with unique flavours

Consumers continue to base their cake purchase decisions around flavour, so incorporating **unexpected yet complementary flavours** into recipes (e.g. hot cross buns with chilli) can excite consumer expectations and generate sales.

Diversify sustainability credentials

Brands can meet consumer expectations around **ethical and sustainably-sourced products** by expanding sustainable packaging initiatives, ensuring shorter supply chains and supporting local communities.

Innovate around permissible indulgence

Reformulating with **less processed** and **more natural** ingredients will appeal to consumers who are concerned about the composition of retail cakes.

*"**Innovative flavours can elevate the moment of indulgence:** The ongoing COVID-19 pandemic, and associated economic downturn, has resulted in consumers looking for more ways to **treat themselves**, especially as they are **spending more time at home**. Innovative and exciting flavours can spur impulse purchase and can help consumers to not only satisfy cravings, but also offer emotional benefits."*

Mikolaj Kaczorowski, Innovation Analyst, September 2020

Cake makers can explore more intriguing, yet palatable, flavours to keep consumers engaged with the category and also demonstrate strong sustainability credentials to ease consumer concerns regarding the environment.

Source: Mintel – A year of innovation in cakes and sweet bakery, 2020 – September 2020.

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What the Consumer Wants

Further opportunities

People who favour premium cakes/sweet baked goods show an above-average willingness **to pay more for freshly baked, award-winning and ethically sourced products**

Enhance indulgent experiences

As an indulgence-driven category, brands need to maintain consumer interest by innovating with **novel and luxurious flavours, contrasting textures and distinctive packaging.**

52%

of eaters/buyers **prefer to eat premium products less often rather than standard ones more often**, with agreement high even among people with tight finances.

Innovative flavours

Consumers tend to stick with **tried and tested** flavours and cake styles. However, launching **new flavours inspired from popular culture, innovating with novel formats** can spur **impulse purchase** and excite interest in the category.

Aim for artisanal quality

The backlash **against ultra-processed foods** and mass production is an opportunity for cake brands to **focus on quality ingredients and traditional, artisanal recipes**.

Source: Mintel and Euromonitor

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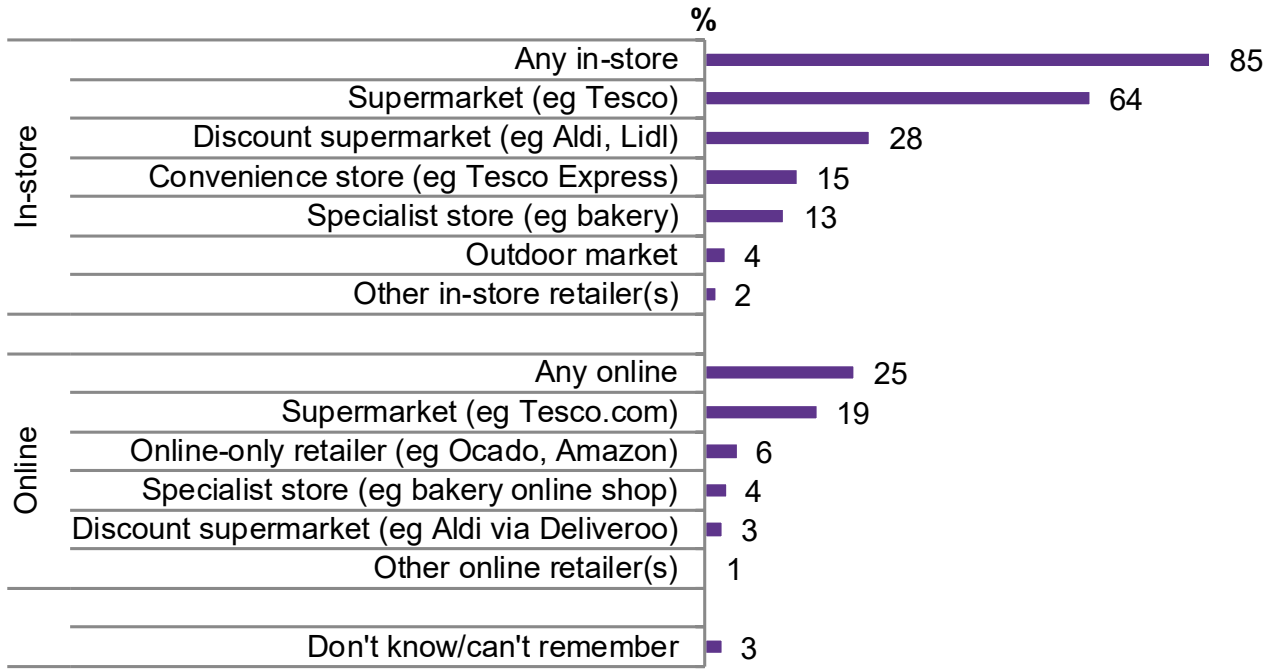
Where People Buy Cakes, Cake Bars and Sweet Baked Goods

Impact of COVID-19 on Consumer Behaviour

In-store and online purchasing locations of cakes, cake bars and sweet baked goods, December 2020

"Where have you bought cakes, cake bars and sweet baked goods, using the following methods, in the last 3 months? Please select all that apply "



Base: 1,594 internet users aged 16+ who have bought cakes, cake bars and sweet baked goods in the last 3 months Source: Lightspeed/Mintel

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods. UK, April 2021.

Supermarkets are still the dominant channel, one in four buy online.

Despite the pandemic having shaken up the grocery retail market, **supermarkets** remain by far the most popular places for people to shop for food. **60%** of those responsible for grocery shopping in their household do most of their shopping in supermarkets*.

Similarly, **64%** of cake, cake bars and sweet baked goods buyers bought these sweet treats **in-store from supermarkets** over the three months to December 2020.

28% bought these items from **discounters**, adding to the competitive pressure that brands face in this market.

Only **25%** of category buyers bought these treats via **online channels**, falling notably below online grocery shopping overall and highlighting the need to **replicate the impulse cues of in-store shopping**.

**Source: Mintel - Supermarkets: Inc Impact of COVID-19, UK – November 2020.*

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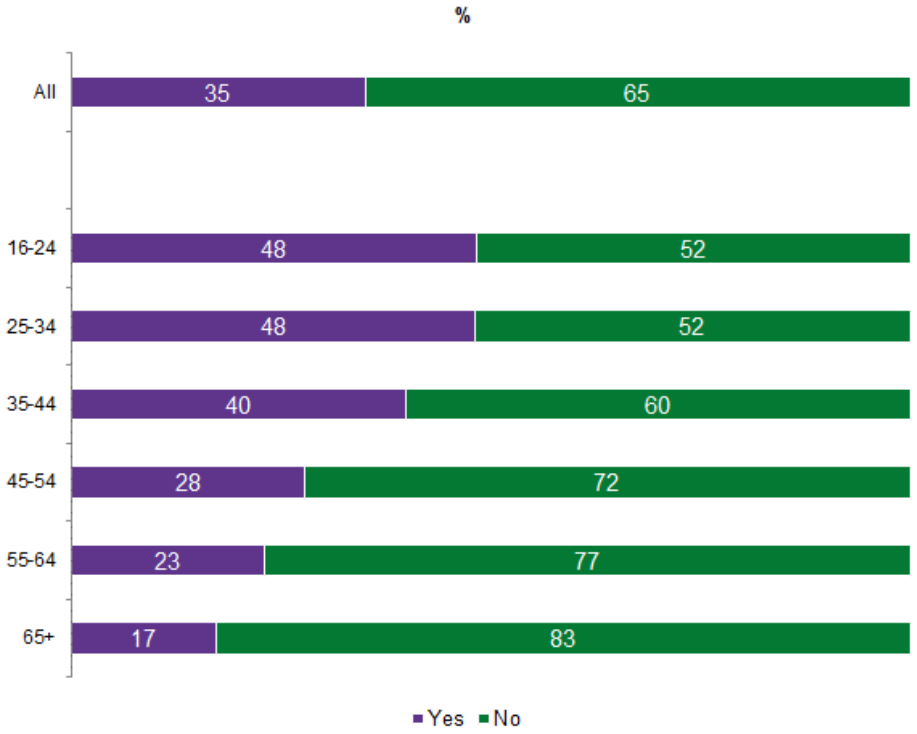
What the Consumer Wants

Impact of COVID-19 on Consumer Behaviour

Reduction in usage of cakes, cake bars and sweet baked goods due to health concerns related to COVID-19, by age, December 2020

"Do the following statements about cakes, cake bars and sweet baked goods apply to you? - Health concerns related to the COVID-19/coronavirus outbreak have prompted me to cut back on the amount of cake, cake bars and sweet baked goods I eat"



Base: 2,000 internet users aged 16+ *Source: Lightspeed/Mintel*

65%

Consumers stated that health concerns related to the outbreak have prompted them to cut back on sweet baked goods

COVID-19 has had a clear impact on usage, with the related health concerns prompting cutting back, while sharing occasions have been lost due to restrictions on gatherings and competition from home baking has intensified.

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods. UK, April 2021.

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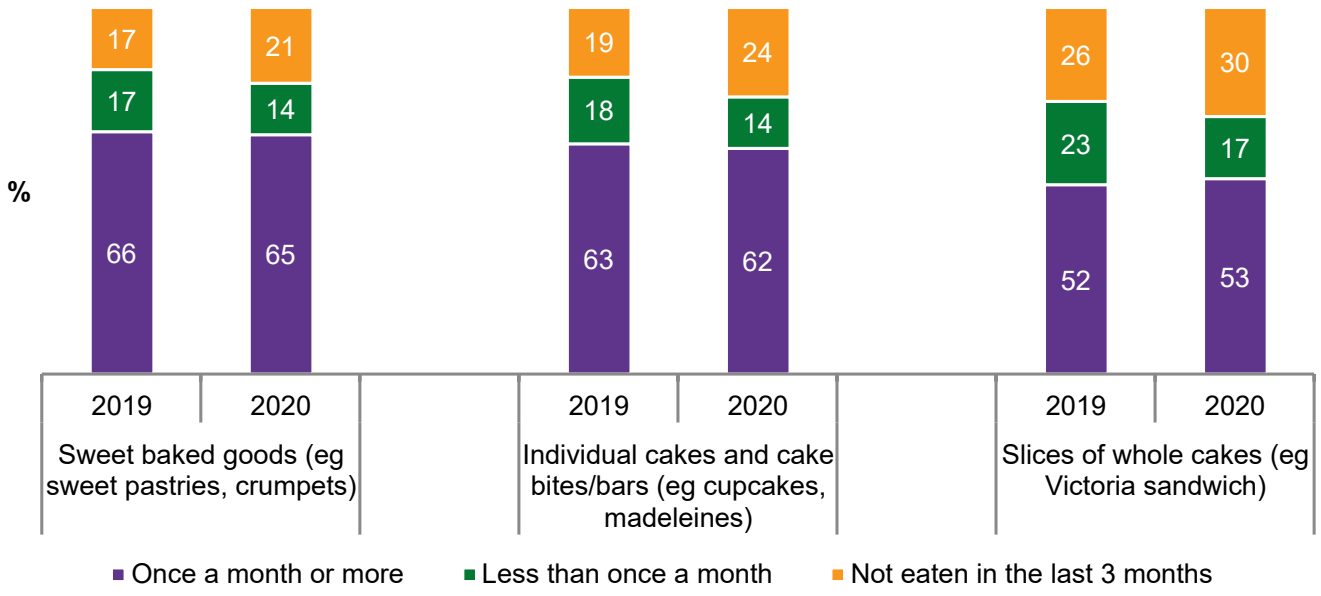
What the Consumer Wants

Impact of COVID-19 on Consumer Behaviour

Usage of cakes, cake bars and sweet baked goods at least once a month and less than once a month, December 2019 & December 2020

"How often have you eaten the following types of cakes, cake bars and sweet baked goods in the last 3 months?"



Base: 2,000 internet users aged 16+ *Source: Lightspeed/Mintel*

Four in five
people eat cakes and sweet baked goods; usage drops slightly in 2020

Cakes and sweet bakes are still enjoyed almost universally.

Despite the government's focus on sugar reduction and its reinvigorated anti-obesity drive, **four in five people eat sweet baked goods** and **81% eat cakes**. This reflects the fact that **only 15% of people try to eat healthily all of the time**, showing that **the majority of people have a place in their diets for treats** such as cakes or sweet bakes.

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods. UK, April 2021.

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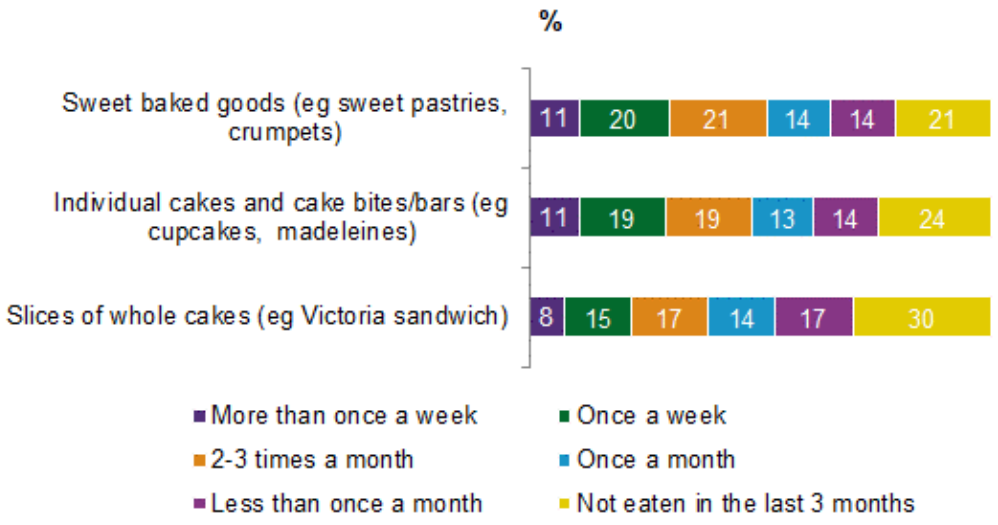
What the Consumer Wants

Usage of cakes, cake bars and sweet baked goods, by frequency, December 2020

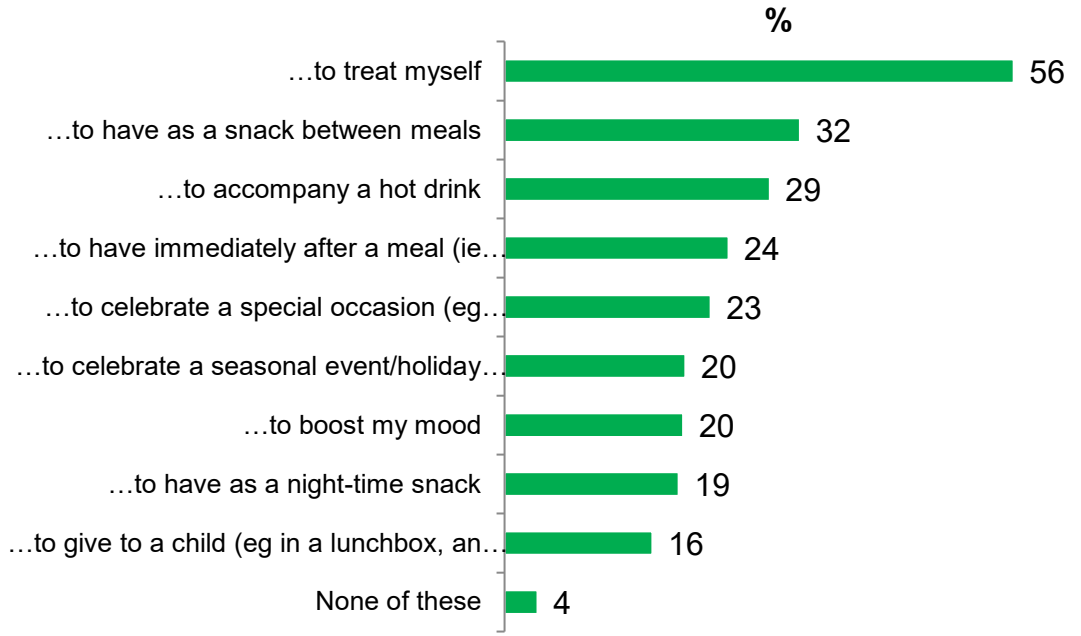
"How often have you eaten the following types of cakes, cake bars and sweet baked goods in the last 3 months?"



Base: 2,000 internet users aged 16+
Source: Lightspeed/Mintel

Reasons to buy cakes, cake bars and sweet baked goods, December 2019

"I buy cakes, cake bars and sweet baked goods…Please select all that apply."



Base: Base: 1,637 internet users aged 16+ who have bought cakes, cake bars or sweet baked goods in the last three months.
Source: Lightspeed/Mintel

Dessert and evening snacks offer category potential new eating occasions

- 25% of category buyers purchase cakes and sweet baked goods to have straight after a meal, in other words, as a form of dessert.
- Cake and sweet baked goods brands could do more to emphasise their versatility and actively highlight their suitability as desserts to tap into this occasion.
- Nearly 20% of category buyers have bought cakes or sweet baked goods to have as a night-time snack. The rise of streaming services and evenings in has led to the birth of the '9pm sofa moment', with potential for cakes and sweet bakes to further penetrate this occasion.

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods: Inc Impact of COVID-19.. UK, April 2020 & April 2021

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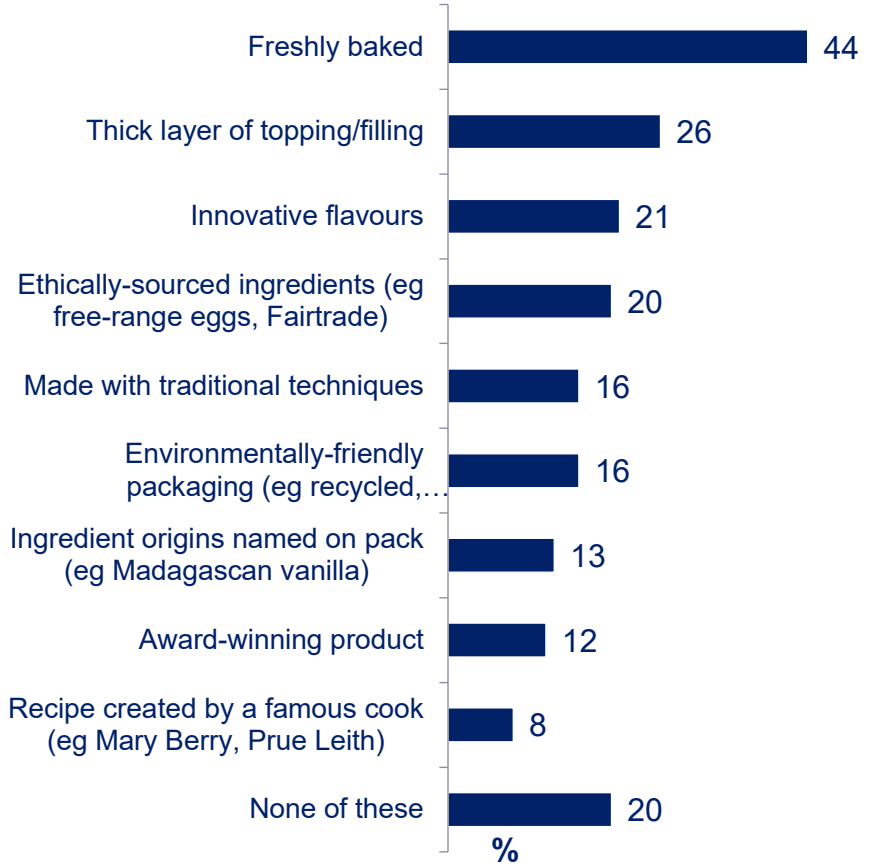
What the Consumer Wants

Desired qualities of cakes, cake bars and sweet baked goods

- **Freshly baked** is the top attribute that people would pay more for at **44% of buyers, rising to 51% among parents of under-5s**.
- **'Quality over quantity'** when it comes to cakes and sweet baked goods provides good opportunities for premium products to succeed.
- People who favour premium cakes/sweet baked goods show an. **above-average willingness to pay more for freshly baked, award-winning and ethically sourced products**

"What qualities do you look for in cakes, cake bars and sweet baked goods? Please select all that apply "



Base: 2,000 internet users aged 16+ *Source: Lightspeed/Mintel*

Source: Mintel - Cakes, Cake Bars and Sweet Baked Goods: Inc Impact of COVID-19.. UK, April 2020.

To be continued...

Please download parts 2 and 3