



Market Report

A Snapshot of your Market Sector

Bakery

This pack has been designed to provide information on setting up a business in the Bakery industry in Scotland, as well as helping to inform the market research section of your business plan. You can find more information on how to write a business plan from the Business Gateway website (www.bgateway.com/businessplan), including an interactive template and tips to get you started.

This market report was updated by Business Gateway in November 2017. If you find the information contained in this document useful, tell us about it! Send us feedback [here](#); we will use your comments to help improve our service.

What do I need to know about the Bakery market?

The following summary statistics have been taken from market research reports and reliable resources that the Information Service uses to compile industry information. They should give you an indication of how your industry is faring at present and whether there is demand for your type of business:

- ◆ The Bread and Bakery Goods Production industry has been under pressure in recent years, as demand for traditional loaves of bread has been falling. This has caused problems for large plant bakeries that tend to specialise in loaf production. By contrast, small artisanal bakeries have proliferated and proven increasingly popular with consumers. Nevertheless, **industry revenue has largely stagnated over the period, rising at a compound annual rate of 0.1% over the five years through 2017-18.** (IBISWorld, *Bread & Bakery Goods Production in the UK*, August 2017).
- ◆ Over the five years through 2017-18, the Bakery Product Retailing **industry revenue is expected to decrease at a compound annual rate of 2.6% to reach £1.9 billion.** Industry revenue is expected to decrease marginally by 0.1% in 2017-18. Over the five years through 2022-23, industry revenue is forecast to increase at a compound annual rate of 2.2% to reach £2.2 billion. (IBISWorld, *Bakery Product Retailing in the UK*, July 2017).
- ◆ The UK Bakery market is **worth £3.6 billion a year, equivalent to 4.1 billion units.** Plant bakeries produce around 80% of bread sold in the UK; in-store bakeries within supermarkets produce about 17% and craft bakers produce 3%. (The Federation of Bakers, *British Bakery Market Factsheet*, August 2016) (tinyurl.com/phx499p).
- ◆ **Baked goods in the UK recorded a flat performance in 2016** with marginally positive retail value growth to reach £6.2 billion and a slight retail volume decline to reach 2.7 million tonnes; however it is predicted to grow over the forecast period with a weak 1% retail value CAGR to reach £6.4 billion by 2021 (Euromonitor, *Baked Goods in the UK*, November 2016).
- ◆ The annual decline in volume sales actually increased over 2015-17. At an estimated 1.93 billion kilograms in 2017, this charts a **further drop of 2.0% year on year and a 7% drop over the last five years.** Value sales are anticipated to slip to just 0.7% year on year in 2017 to just over £4.1 billion. (Mintel, *Bread and Baked Goods - UK*, October 2017)
- ◆ The national organisation for this industry is the [Federation of Bakers](#). Other useful organisations include the [British Society of Baking](#), [British Baker](#), [Scottish Bakers](#) and [Scotland Food and Drink](#).

Where can I find more information on my market?

The Information Service has access to a number of databases which can offer more detail on this industry. Some of these reports are listed below - if you would like to be sent extracts from any of these reports, please contact us on **0300 013 4753** or email info@bgateway.com.

- ◆ **IBISWorld - Bread & Bakery Goods Production in the UK (August 2017).** The future of the Bread and Bakery Goods Production industry seems to be brighter for operators in the pastry segment than for those in the bread segment. The industry is likely to become more fragmented as a consequence of the rise in popularity of artisan bakeries as consumers have become more interested in the provenance of their food. Wheat prices will remain a source of potential instability – the world price of wheat has been consistently falling over the five years through 2017. The level of competition in the market means industry operators will have to absorb most cost increases themselves if they want to maintain demand, thereby restricting profit margins. Cakes and pastry account for the largest share of industry revenue as it covers a wide range of products including cakes, muffins, sweet pies, tarts, doughnuts, brioche, pancakes and fruit bread.
- ◆ **IBISWorld - Bakery Product Retailing in the UK (July 2017).** The performance of the Bakery Product Retailing industry will primarily depend on operators' ability to innovate and respond to changing consumer preferences. Operators have also introduced alternative products in a bid to differentiate themselves from more generic competitors. Industry players have also expanded their product range to cater for special dietary requirements. This includes low-salt, low-fat and gluten-free products to serve gluten intolerant, diabetic and dieting consumers. The industry is expected to benefit from the growing on-the-go culture as time-poor consumers favour snacking.
- ◆ **Mintel - Bread and Baked Goods - UK (October 2017).** Gluten-free has become a mainstream feature of the bread and baked goods market, with growth in the wider gluten free market continuing to gather pace. Sales of gluten-free/wheat-free foods grew by over £80 million (44%) in the two years to 2016. A study published in March 2017 indicated that gluten-free diets could be linked to type 2 diabetes.
- ◆ **Mintel - Cakes and Cake Bars - UK (March 2017).** While cake market value sales were flat in 2014, growth reached its highest rate in 2015 since at least 2011 at 2.5%. This saw the value of the cake market reach £1,221 million. Mintel anticipates slow yet steady growth between 2015 and 2020, with an overall increase of 8% taking the value of the market to £1,313 million. Small cakes have the lead in terms of usage and accounted for just under half of sales in 2016. Large cakes account for 21% of the market, with the celebration cakes and occasion cakes and puddings making up the rest of the market. With almost two thirds of adults (57%) having eaten cakes from in-store bakeries (ISB) and 17% doing so at least once a week, these clearly hold strong appeal. Freshness is likely to be the key factor here, and the visual impact of the bakery display is a major enticement.
- ◆ **Euromonitor - Baked Goods in the UK (November 2016).** Over the forecast period up to 2021, the importance of supermarkets and hypermarkets as distribution channels for baked goods is expected to decline to a limited extent. This is due to the fact that unpackaged, artisanal products are growing in popularity, given the perception of them as high-quality options. Although supermarkets and hypermarkets will attempt to combat this development by producing more baked goods on-site, this effort will not be wholly successful as in the mind of a growing contingent of consumers,

premium quality and industrial scale manufacturing or supplying processes are incompatible.

- ◆ **MarketLine - Bakery & Cereals in the UK (September 2016).** The bakery and cereals market may be entered successfully on a small scale and through niche products, despite competition from large, established players. New starters will have to offer a different enough range of products to enable it to compete against the established players. Due to rising consumer awareness of nutritional issues, emphasis on natural ingredients may be a good strategy. It is forecast that market growth will come from whole wheat and multi-grains breads in the future. Sales of 'free-from' products are also increasing, as customers look to cut out ingredients like dairy and gluten. There is also a trend towards speciality and continental breads.

There are also a number of online resources you may find helpful:

- ◆ **Federation of Bakers, Fact Sheets** (tinyurl.com/phx499p). A variety of free fact sheets on a number of topics relevant to the British bakery market, including labelling, food allergies and intolerances, including gluten, and the environment.
- ◆ **Resource Efficient Scotland, Help for the bakery sector** (tinyurl.com/grh3y2l). Information specifically for bakers on resource efficiency measures; topics covered include reducing food waste, energy and water efficiency, and staff and customer engagement.
- ◆ **Bakery Info** (tinyurl.com/nat9g6s). This industry website contains the latest news, events and special events in the bakery industry, and includes a news section for business support.
- ◆ **Scotland Food & Drink Showcase** (www.foodanddrink.scot/showcase). This directory of a variety of Scotland's food producers and suppliers can be useful to identify local competitors or suppliers of bakery ingredients.
- ◆ **Food Manufacturer, Chocolate and cocoa: top 2017 trends revealed, January 2017** (tinyurl.com/z7r3xkc). Indulgent, premium, healthy, and sustainable and clean, are the four leading trends driving growth in cocoa and chocolate, according to a new report.
- ◆ **Bakery Info, Will these be the big food trends of 2017? November 2016** (tinyurl.com/jrp9e5k). Modern versions of traditional favourites, plant-based recipes and waste reduction are expected to be major global food trends next year.

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How can I find out about my competitors?

Business Gateway's online guide to [Competitor Analysis](#) explains how to find your competitors, how to research what they're doing and how to act on what you learn about them.

Immediate competition will be from other businesses in your local area. There are several online directories which can be used to find company information and generate lists easily and at no expense. Many Local Authorities also publish local business directories on the web. Below are some key web resources:

- ◆ General business directories such as Yell, Thomson Local or Google Maps
- ◆ Trade specialists like EuroPages (European directory), The Wholesaler or Free Index
- ◆ Business to business (B2B) specialists such as Kompass

Likewise, your local Chamber of Commerce may publish a members' directory; find your local Chamber on the [Scottish Chambers](#) website.

Once you've identified who your competitors are, the next step is to gather information on the way they do business. Which services do they provide? How do they market themselves? How much do they charge?

To learn about your competitors:

- ◆ Look for articles or adverts in local newspapers, trade press and directories.
- ◆ Try to read their marketing material; if the company has an online presence, visit the company's website as a first port of call. Not only does it give you a better understanding of the company's activities, it can also offer a wealth of information such as a company history or staff biographies, as well as the company's partners or suppliers
- ◆ Search for information on limited UK companies via the Companies House website
- ◆ Gain an insight into your competitor's performance using credit checks and the accounts that limited companies are required to submit to Companies House each year.

We can provide credit checks free of charge; if you are interested in using this resource, or looking for us to help you find relevant publications, please contact us by emailing info@bgateway.com or by calling **0300 013 4753**



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What about suppliers?

[Choosing and Managing Suppliers](#) can help you decide what you need from a supplier, how to identify one and how to choose one to deal with.

Trade associations or industry specific organisations may also be able to recommend suppliers or contacts. You can also use the aforementioned resources for finding competitors to find suppliers.

Once you have decided on a supplier, we can run a credit check on the company to help assess their financial stability. We provide credit checks free of charge; if you are interested in using the resource please info@bgateway.com or by calling **0300 013 4753**.

Who are my customers?

Your business plan should include information about the customers you would expect. Business Gateway's guides on [Retaining and Grow Your Customer Base](https://tinyurl.com/c2fw4o4) (tinyurl.com/c2fw4o4) will help you to identify who your customers are, how to use this information to sell more effectively and how to actively compete in your marketplace.

It can be useful to group your customers by geographical location, age or lifestyle. The websites listed below are freely available and can provide most of this information. If you can't find what you're looking for from these website, please contact us and one of the team will be happy to help:

- ◆ Access the latest population estimates from the National Records of Scotland (NRS). NRS also offers demographic factsheets for each council area in Scotland, which can provide summary statistics for the area you will be based in.
- ◆ Information from the most recent census in 2011 is released via the official website. See in particular the Census Area Profiles. Clicking on your area of interest will give the latest population figures, including estimates by age.
- ◆ Understanding Scottish Places has interactive profiles of towns and cities across Scotland. It can be useful for understanding the interrelationships and flows between towns, and also gives comparisons between two or more places.
- ◆ Scottish Government Statistics provide accurate and up-to-date statistics on Scotland, covering population, health, education and housing.
- ◆ The Scottish Household Survey provides information on the structure, characteristics, attitudes and behaviour of Scottish households, both at a national and local level.
- ◆ Office for National Statistics (ONS) is the recognised national statistical body for the UK. ONS covers a wide range of demographic, economic and social issues at a UK level.

How can you help me with other aspects of starting my business?

The Business Gateway website has guides, videos, online tutorials and tips on all aspects of starting up a business in Scotland. Follow the links below to explore each resource:

Accountancy

Institute of Chartered Accountants of Scotland's (ICAS) "[Find a Chartered Account](#)" tool

Funding

[Practical information](#) on finance and funding for starting and growing your business

Insurance

[Business insurance guide](#)

Legal Help

Gov.uk "[Licence Finder](#)" tool

Law Society of Scotland's "[Find a Solicitor](#)" tool

Pricing

Business Companion [Pricing & payment guide](#).

Please note: the most effective way to research pricing is to conduct your own research – visit wholesalers or suppliers to obtain price lists, find quotes from similar companies and work out what other businesses in your area are charging

Promotion

[BG guides to Marketing](#)

Training

[Skills Development Scotland's My World of Work](#)

[Funding for training](#)

[Small Business Bonus Scheme \(Scotland\)](#)

Your local Business Gateway can offer events, workshops and 1:2:1 support on all aspects of starting and developing your business. Call the helpline on **0300 013 4753** to find out what is available in your area.

We hope you find this Market Report useful and we'd love to hear your feedback [here](#).

Last updated: November 2017

Updated by:

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