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 2019. 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 faced challenging operating conditions over the past five years. Profit margins have come under pressure, particularly since the commencement of the supermarket price war in 2014... Nonetheless, industry revenue has been supported by changing consumer trends, such as rising levels of health consciousness and increased demand for artisanal products. Industry revenue is forecast to increase at a **compound annual rate of 3.2% over the five years through 2019-20, to reach £8.5 billion.** This includes growth of **2.1% in the current year.** (IBISWorld, *Bread & Bakery Goods Production in the UK*, July 2019).

- Over the five years through 2019-20, IBISWorld expects industry revenue to **increase at a compound annual rate of 1.1%, reaching £2.5 billion.** This includes forecast growth of **1.9% in the current year.** (IBISWorld, *Bakery Product Retailing in the UK*, August 2019).

- Steady slowing has marked the annual rate of value decline of total bread and baked goods retail sales since 2014. Value sales are anticipated to slip **just 0.7% year on year in 2017 to just over £4.1 billion.** However, this was solely due to a rise in average prices. As fallout from the weakness of the Pound, mounting manufacturing costs are now translating into high consumer-facing prices. Premiumisation, added-health trends and the rise of smaller loaves are also feeding into this uplift. (Mintel, *Bread and Baked Goods UK*, September 2017).

- The bread market has returned to near stagnation by value in 2019. The market is expected to see a slight **0.1% year-on-year value decline to £3.5 billion,** propped up by rising prices, with **volumes down 2.1%** to 1.7 billion kilograms. This continues a downward trajectory, largely caused by the long-term decline in sales of pre-packed bread (Mintel, *Bread UK*, September 2019).

- The Bread and Morning Goods market is worth **£3.88bn** and grows at **+2.2%.** However, it is experiencing small volume declines due to individual shoppers buying less often and in smaller quantities. (The Federation of Bakers, *Bakery Market Overview*, December 2018, tinyurl.com/y2x7wwqz)

- 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.

♦ **Mintel – Cakes, Cake Bars and Sweet Baked Goods (March 2019).** Estimated at £2.3 billion in 2018, the UK cakes, cake bars and sweet baked goods retail market grew by 7.4% over 2013-18. This was due primarily to inflation and masks a volatile underlying volume sales performance. Sales rose by 2.4% in 2018, driven by inflation – due both to rising ingredients costs and the premiumisation trend – and by a modest uplift in underlying volume sales within the dominant cakes/cake bars segment.

♦ **IBISWorld – Bakery Product Retailing in the UK (August 2019).** Over the 10 years through 2024-25, industry value added, which measures the industry’s contribution to GDP, is anticipated to increase at a compound annual rate of 0.2%, while GDP is expected to rise at a compound annual rate of 1.5% over the same period. This suggests the industry is growing at a slower rate compared with the overall economy.

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

♦ **The Federation of Bakers Factsheets** ([tinyurl.com/y6b3vguk](http://tinyurl.com/y6b3vguk)). A series of consumer factsheets and other publications on a range of topics related to the bakery industry. Current offerings include a market overview, distribution, labelling, environmental practices, dietary and nutritional information, as well as other topics.

♦ **British Baker, Latest News** ([tinyurl.com/yyq5a9nb](http://tinyurl.com/yyq5a9nb)). British Baker’s website hosts news articles on a range of topics related to the industry, from new products on offer by major players, announcements of new deals and collaborations, and new trends and developments within the industry and consumers.

♦ **Kennedy’s Bakery Production Magazine** ([tinyurl.com/y29a2vuy](http://tinyurl.com/y29a2vuy)). Another publication dedicated to the baking industry.

♦ **Scottish Grocer, Bakery News** ([tinyurl.com/yyhznncn](http://tinyurl.com/yyhznncn)). The Scottish Grocer and Convenience Retailer has a page dedicated to news in the bakery industry, with stories on new products and innovations in bread and sweet baked goods like cakes and biscuits, as well as other issues facing the industry such as sustainable production, reduced plastic use and consumer trends.

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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](https://www.yell.com), [Thomson Local](https://www.thomsonlocal.com) or [Google Maps](https://www.google.com/maps)
- Trade specialists like [EuroPages](https://www.europages.com) (European directory), [The Wholesaler](https://www.wholesaler.co.uk) or [Free Index](https://www.freeindex.co.uk)
- Business to business (B2B) specialists such as [Kompass](https://www.kompass.com)

Likewise, your local Chamber of Commerce may publish a members’ directory; find your local Chamber on the [Scottish Chambers](https://www.scottishchambers.org.uk) 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](https://www.companieshouse.gov.uk) 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](mailto:info@bgateway.com) or by calling **0300 013 4753**
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 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 Accountant” 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.

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You must not rely on the information in the report as an alternative to advice from an appropriately qualified professional. If you have any specific questions speak to your Business Gateway Advisor or consult an appropriately qualified professional.

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