

The Impact of the Cost-of-Living Crisis on the **Sweet Bakery Category**



Introduction

Welcome to the second edition of Bakery Bites - our series of reports designed to provide insight on key issues impacting the baking industry. Following on from the first Bakery Bites report - the rise of the flexitarian - the growing interest in vegan sweet bakery products (published in September), there was only one topic we could cover in the second report, given the influence it is having on the UK. And that is the **impact of the cost-of-living crisis on the sweet bakery category**.

In developing this report, we've partnered with research specialists Sapio Research to share some unique consumer findings and insights on sweet bakery. Sapio Research is a UK-based consumer and B2B market research company. The company delivers valuable evidence and insights to national and international businesses. Within this report, we look at a piece of cost-of-living research undertaken by Sapio Research in December 2022, which involved a survey of 1,000 UK consumers.

The standout finding from the research is that it can no longer be business as usual for bakeries, food service operators and retailers, with only 1 in 5 consumers feeling their spending hasn't changed because of the cost-of-living crisis. And while price is a major factor on purchasing decisions as disposable income is squeezed, the research highlights that people are responding in different ways - indicating "value for money" is very much a consumer priority but this does not necessarily mean they are looking for cheaper, lower quality goods.

Included in the report we provide analysis of the findings, pose questions for bakeries, food service operators and retailers to consider in the future, and provide guidance about how businesses can remain competitive in the current economic climate.

Finally, we hope you find the report of interest and would welcome your feedback on the findings, as well as suggestions for future topics. We would invite you to participate in the discussion on our [LinkedIn page](#).

Enjoy the report.



Helen Sinclair
UK Marketing Manager
Baker & Baker



Impact of the cost-of-living crisis on businesses and consumers

'Permacrisis' was chosen as Collins's 2022 word of the year. The dictionary defines the word as an 'extended period of instability and insecurity'.

No area of society currently remains untouched by the permacrisis, both consumers and businesses alike. Sapio Research's **International Business Barometer** found that 69% of businesses are experiencing employees asking for more financial support to help them cope. And whilst the majority (73%) said that they feel responsible for supporting employees, all but 4% are experiencing the impact of the recession to some extent.

Compounding the cost-of-living crisis is the recession. The barometer found that 95% were concerned about a recession, whilst 72% believe that they will feel the impact of the recession by the summer of 2023. 24% are feeling the effects already.

As a consequence of both the cost-of-living crisis and the recession, businesses are having to make difficult decisions including reviewing working hours and deciding whether to stick or twist with sales and marketing activities and budgets.

These considerations evidence the extent to which the permacrisis is already affecting businesses. To understand how the permacrisis is affecting consumers, Baker & Baker partnered with Sapio Research to take a deeper dive into the attitudes and behaviours of consumers at this time.

Consumers have had to make tough decisions about how they budget and spend on things like sweet baked goods. Baker & Baker's research found that 84% of the 1,000 respondents have had their income reduced by the cost-of-living crisis. So, it is not surprising to see that the majority of consumers have seen their budget for sweet-baked goods reduced and, as a result, are purchasing their favourite sweet treats less often.

This is, however, only a small taste of the full findings. Continue reading to discover the present state of consumers, their needs and expectations, and how it can be used as a touchstone for developing business strategies going forward.

Jane Hales
Director
Sapio Research



Businesses:



Consumers:

84%
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Impact of the cost-of-living crisis on sweet bakery

Bakeries, food service operators and retailers may not have had such a merry Christmas when it came to sweet bakery sales. Research found that 57% of respondents envisaged the current cost-of-living crisis would impact on purchasing sweet baked goods in the run up to the Christmas period.

Looking further into the future, the cost-of-living crisis has also had an impact on both frequency and location when it comes to consumers purchasing sweet bakery products. Today, only one in five (22%) consumers purchase sweet bakery goods several times a week, compared to over a third (36%) pre-crisis.

And, instead of buying sweet baked goods from a wide variety of places (pre-crisis), most respondents (64%) now tend to limit their choice to a single type of business. The top three locations for purchasing sweet bakery products were supermarkets (80%), chain bakeries (27%) and convenience stores / independent bakeries (both 16%).

In response to the question: "When you buy a sweet baked good now, what do you prioritise?", the top three answers (not including diet) were:



While the price statistic may not be surprising, the good news for quality bakery companies is that consumers are still interested in flavour and quality.

This, alongside the statistic that consumers are purchasing sweet bakery products less often, may indicate that some consumers are sacrificing frequency to maintain the same flavour and quality products that they have become accustomed to. This should make businesses consider whether offering cheaper, often lower quality, alternatives, is the best 'compromise' option. Reducing portion sizes could be a way of maintaining quality while addressing the current price situation.

Interestingly, in response to the same question, the bottom three answers aside from allergy requirements were:

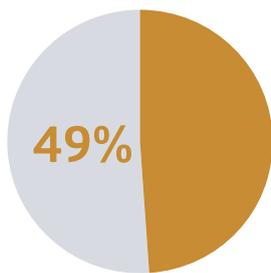


So, the above seems to indicate that sustainability and health considerations, such as calories are considered as a lower priority during the current permacrisis. Will that remain the same when budgets aren't so hard pressed? Smart businesses will keep issues front of mind as younger generations (the future) are focused on issues such as sustainability and health.

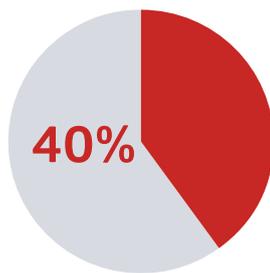


How are **consumers** looking to deal with the situation?

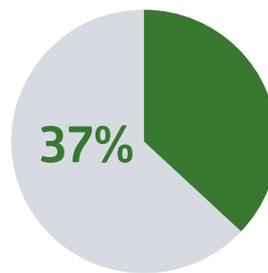
So, how are consumers looking to deal with the cost-of-living crisis when it comes to sweet bakery goods? The top four answers to the question "How do you intend to deal with the situation?" were:



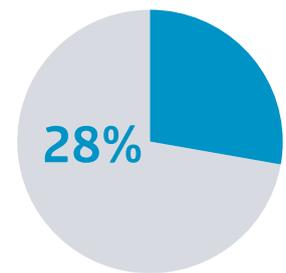
Trying sweet baked goods from discount stores



Buying non-branded sweet bakery goods



Switching from a premium to standard tier baked good



Baking sweet goods at home

These findings pose more questions for bakeries, food service operators and retailers on how to remain competitive in the current economic climate. For example, should outlets consider evolving their sweet bakery product portfolio, and is offering cheaper, lower quality treats, the best option? And would a drop in quality alienate an outlet's core customer base?

The research indicated that while some portfolio alterations may be necessary during the current cost-of-living crisis (and possibly following the crisis, if new buying habits stick), it's not all doom and gloom - especially for those outlets offering premium products.

Although the research found that people are purchasing sweet baked goods less often, that does not mean that they are seen as an unaffordable option. In fact, 68% still think they are value for money in the current economic climate. 79% also thought sweet baked goods were still an affordable treat, which is somewhat reassuring given the current challenges facing consumers.

And for those bakeries, food services operators and retailers offering premium products, a market still exists. 66% of consumers would rather buy better quality sweet baked goods less often, rather than buying a cheaper, lower quality alternative.

Putting these findings into context, they follow similar trends Baker & Baker is seeing in other European markets such as Central Europe.

There is an opportunity for bakeries, food service operators and retailers who evolve their product offer to meet the 'new' what, where and when regarding sweet bakery products. And that doesn't mean sacrificing quality - however, flexibility and innovation will be key.

How can **businesses** remain competitive?

One thing that is clear from the research is that it can't be business as usual for many bakeries, food service operators and retailers. However, there are a number of ways outlets can remain competitive and help weather the current cost-of-living storm.



Demand-led baking

Batch baking from scratch means a fixed number of products must be baked regardless of consumer demand. Baking from frozen pucks or part-baked products, and/or supplementing with thaw and serve goods, means only the number required are baked off/defrosted, helping to reduce waste and to keep an eye on the bottom line.



Sacrifice size rather than quality

Reducing product size to hit price point so quality can be retained is an option worth considering, especially given the findings in this research and the ethos of "if I'm going to have a treat, then I want to have a quality treat to make it worth my while".



Turning waste into wow

This is often a missed opportunity but using offcuts in other recipes such as toppings on other bakery products including doughnuts, brownies, cookies etc (or using as part of desserts or milkshakes e.g., brownies in sundaes) can really create the wow factor and help products stand out in store. On the next page, we've included a few examples to give you some inspiration.



Stay familiar

Keep to familiar flavours, or twists on the familiar. When money is limited, people are less prepared to try new products / flavours for fear they might not like them, and they will have wasted their money. Sticking with chocolate could be a wise decision.



Get creative

Use products in different ways so less SKUs need to be held, helping to protect margins. For example, a cookie puck can be:

- Baked off as a traditional cookie
- Shaped as a cookie cup to fill
- Included as part of a hot ice cream dessert.



Our Baker & Baker Fudge Brownie Sheet Cake

Simply cut & decorate
for any occasion

FUDGE BROWNIE Bliss

The Possibilities are Endless!

VALENTINE BROWNIES

- Use a heart cutter to create shape
- Melt white chocolate and drizzle or flood the top of the brownie
- Sprinkle with dried strawberry pieces



STENCIL BROWNIES

- Simply use a stencil & dust with icing sugar

BROWNIE POPCORN

- Cut the brownie to size required
- Melt chocolate in a bowl and mix in popcorn
- Load chocolate popcorn mix onto the brownie



SALTED CARAMEL BROWNIE

Don't forget to use your off-cuts as toppings!

- Cut the brownie to size required
- Top with salted caramel sauce
- Use off-cuts of brownie as a decorative topping

Contact details

If you any queries or questions about this study, and to register for future reports, please contact:

Nick Bevan

European Communications Manager
Baker & Baker

nicholas.bevan@bakerandbaker.eu

About Baker & Baker

Baker & Baker is one of Europe's leading suppliers of Bakery Products with market leading capability in the donut, muffin, brownie, cookie, cake, specialty bread, and viennoiserie categories.

Baker & Baker is dedicated to delight customers and consumers with outstanding competence, innovative products and high-quality service.

Serving customers in the retail, food service and the artisan channels under a portfolio of trusted brands including Baker & Baker American Bakery, Goldfrost, Concadoro, Molco, as well as licensing brand agreements with Mondelez and Disney, and partnering with major key accounts on private label.

