Rising to the challenge

European bakery industry research report 2020

TATE & LYLE

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Welcome

Welcome to this report on the European bakery industry.

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Our aim has been to capture the trends driving change in the industry at this uniquely testing time, and help professionals operating in the bakery sector maximise their potential.

To gain insight into the sentiments of bakery businesses, we surveyed 400 professionals in July 2020 in roles including production, sales, research and development, human resources and marketing, and across our four key European markets: Germany, France, Spain and the UK. These companies represent a broad cross-section of the sector in terms of size, product sub-category and sales channels.

They also come from across the supply chain – from manufacturers to retailers.

We asked them about their current and on-going challenges and opportunities, as well as longer-term market trends, and about the strategies they are using to find profitability and growth.

Throughout the report, we have augmented the findings with data from other sources in order to build a more complete pan-European picture. Our own bakery experts have contributed extensively to every step of this report, and finally, we asked our partner Mintel to provide some of their unique insights and perspective on the market.

At Tate & Lyle, we remain committed to supporting the industry and our customers. Strong category expertise and a deep understanding of the current and future challenges are key to that.

We would like to take this opportunity to thank all of those who contributed to this in-depth snapshot of the industry for adding invaluable insight.

We hope you find it useful and informative.

Executive summary

It's well known that people's eating habits change in challenging times, but the COVID-19 pandemic has had a bigger impact on people's lifestyles than anything else since World War II.

These effects are plain to see in our survey results, with levels of demand in bakery products shifting radically since the start of the crisis.

As people have been increasingly confined to their homes, bakery sales through the grocery channel have seen a significant uplift. This has seen many businesses adapt their product offerings and routes to market to remain profitable and boost sales.

• Sales in out-of-home and travel environments both fell significantly, as confirmed by 89% and 76% of firms respectively.

• New-product development (NPD) cycles are changing rapidly, with almost eight in 10 respondents (77%) saying they had altered in response to COVID-19. These changes are allowing businesses to target new customers and respond to consumers' rapidly changing buying habits.

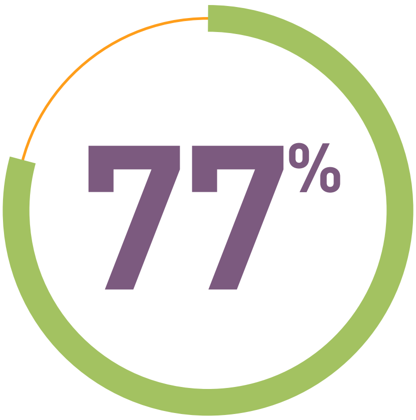
• There is significant positive sentiment in the sector on the question of how quickly conditions will return to normal. In July 2020, respondents from all four countries anticipated, on average, that this will take less than 10 months.

• Beyond COVID-19, the data shows a significant trend towards freshly baked products and the growing popularity of specialist breads. Increasing emphasis is being placed by consumers on clean label and vegan and plant-based products, and those that are more sustainably sourced.

• Manufacturers are looking to both reduce their use of palm oil and to use sustainable palm oil.

• Updating packaging and reducing single-use plastics are front-of-mind for many firms, being mentioned by more than two in five respondents.

• Customers are looking for enhanced nutritional benefits from baked goods and prioritising a healthy immune system and gut health. More than half of businesses (51%) said consumers are choosing products that offer additional nutritional benefits.



have adapted their new-product development cycle in response to COVID-19

The bakery industry finds itself caught between two competing headwinds – the powerful desire for moments of comfort and indulgence and the ongoing trend towards healthier living. The latter of these is being driven by consumers' increasing preference for healthier options, as well as government policies intended to boost public health.

The importance of reducing calorie and sugar content came through strongly in the survey results. However, it's clear that positive nutrition is also gaining ground as a way to deliver health benefits while still offering consumers the sweet, indulgent treats many are looking for.

This could also reflect various government policies that aim to educate consumers on the nutritional profile of products in order to drive changes in consumption habits, as well as advertising restrictions on high-fat, salt and sugar (HFSS) products.

These have given rise to initiatives such as Nutriscore and traffic-light systems, and scoring well on these measures is about more than just calorie and sugar reduction.

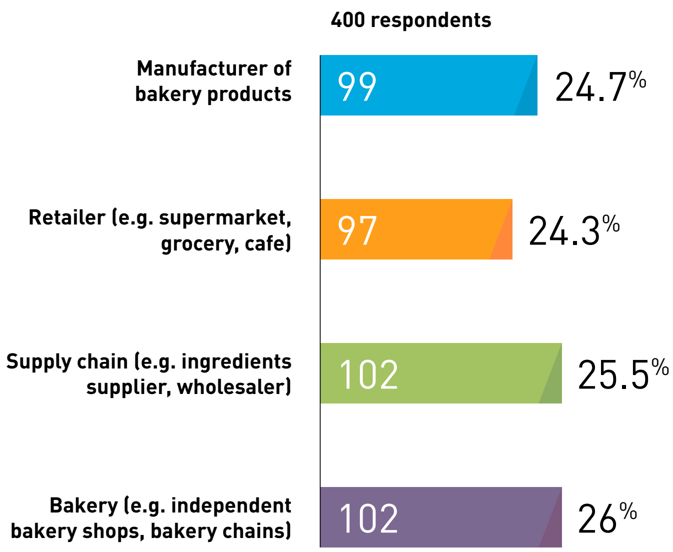
Overall, what emerges from the data is a picture of a sector that is innovating rapidly in the face of significant changes in the market.

said consumers are choosing products that offer additional nutritional benefits

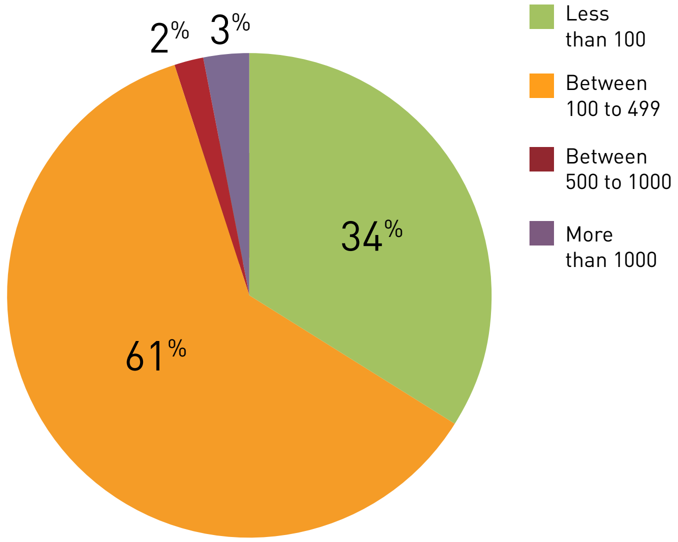
Slicing the data – who we asked

Here is how our survey sample breaks down in terms of the types and size of organisations we asked, as well as which channels and categories they operate in.

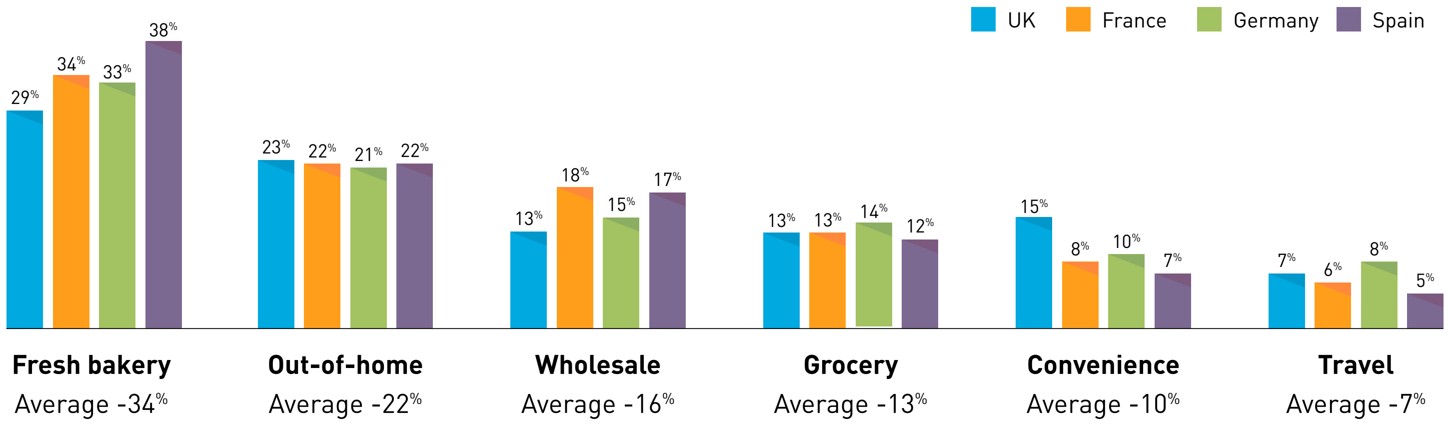
Organisation type



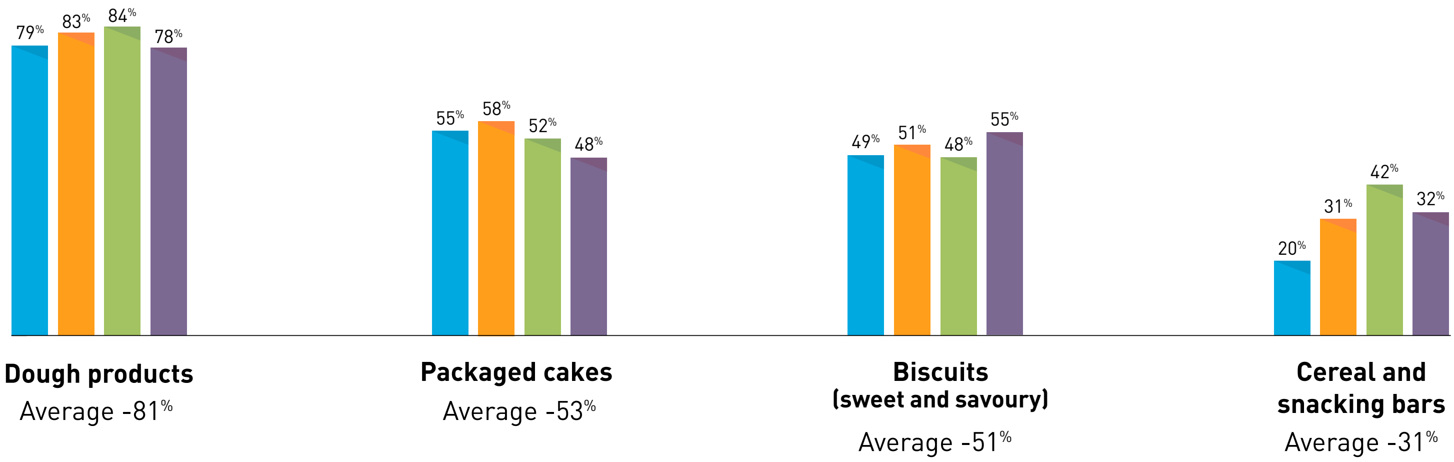
Number of employees



Channels served



Predominate category of focus



Katya Witham
Global Food and Drink
Analyst at Mintel

Setting the scene

COVID-19 has had a dramatic impact on the European food and drink market. Macro-trends, which were crucial consumer drivers pre-pandemic have gone into reverse, while other trends have emerged, altered or accelerated.

Social distancing measures and economic shutdowns have created new habits and attitudes. For example, the concept of convenience has changed as more consumers prepare all meals at home, leave the house more rarely and discover new types of at-home activities. "Easy to make" has become "easy to make from scratch" as consumers are commuting less. Instead, they are rediscovering the convenience that existed before the pace of the world accelerated and using their time at home to learn new cooking or baking skills that will be useful beyond the pandemic.

Despite the tone of optimism from our survey around returning to pre-crisis levels of trading, It is likely to be years before out-of-home channels recover to 2019 footfall levels due to ongoing social distancing measures and consumer anxieties. A recession will compound staying in because it is so much cheaper than going out, triggering a new era of hyper-nesting. It means that, for years to come, food and drink manufacturers will be tasked to make their products more relevant for in-home eating and entertaining occasions.

COVID-19 has also made people aware of what's important in life — and their own fragility. Healthier diets are no longer a 'nice to have' but an essential way of life. More people will be looking for ways to stay healthy or to improve their wellbeing. This is especially true for people who have or are at risk of the diet and lifestyle-related health issues that can exacerbate COVID-19 cases, such as obesity, diabetes and cardiovascular conditions.

Indulgent and nostalgic comfort foods, including bakery, have been high in demand in the wake of the COVID-19 pandemic, and will continue to play a comforting role in the majority of people's lives in the post-COVID-19 world. Yet, the lockdowns caused by COVID-19 have reportedly resulted in many consumers experiencing weight gain, brought about by reduced levels of physical activity and increased comfort eating associated with stress and boredom.

As a result, there will be an increased focus on calorie, sugar and fat reduction, as consumers are becoming more conscious of long-term health implications of the pandemic. More consumers will be open to healthier innovation that still allow for a moment of small indulgence and will expect the food and drink industry to respond to these concerns.

It goes without saying that the pandemic has created huge challenges for the food and drink industry, but it has also been the catalyst for huge opportunities. These are both immediate with many businesses thriving from agilely adapting to new consumer needs and in the long-term as the crisis will leave a number of lasting legacies.

Although many aspects of the "next normal" are shrouded in uncertainty, Mintel expects that key opportunities for the food and drink industry will lie within a heightened interest in physical health, emotional wellbeing, local businesses and communities, the environment and real value for money.

The current challenge

The bakery industry, like all of society, has had to adapt rapidly to the COVID-19 crisis, which has brought drastic changes in consumer habits, impacting demand for bakery products.

According to Mintel, many of the occasions in which people consume baked goods, such as group celebrations at home or in the workplace – have largely been lost, as have on-the-go impulse purchases. While the former two may see only a short term dip, it's likely that the latter will take longer to recover.

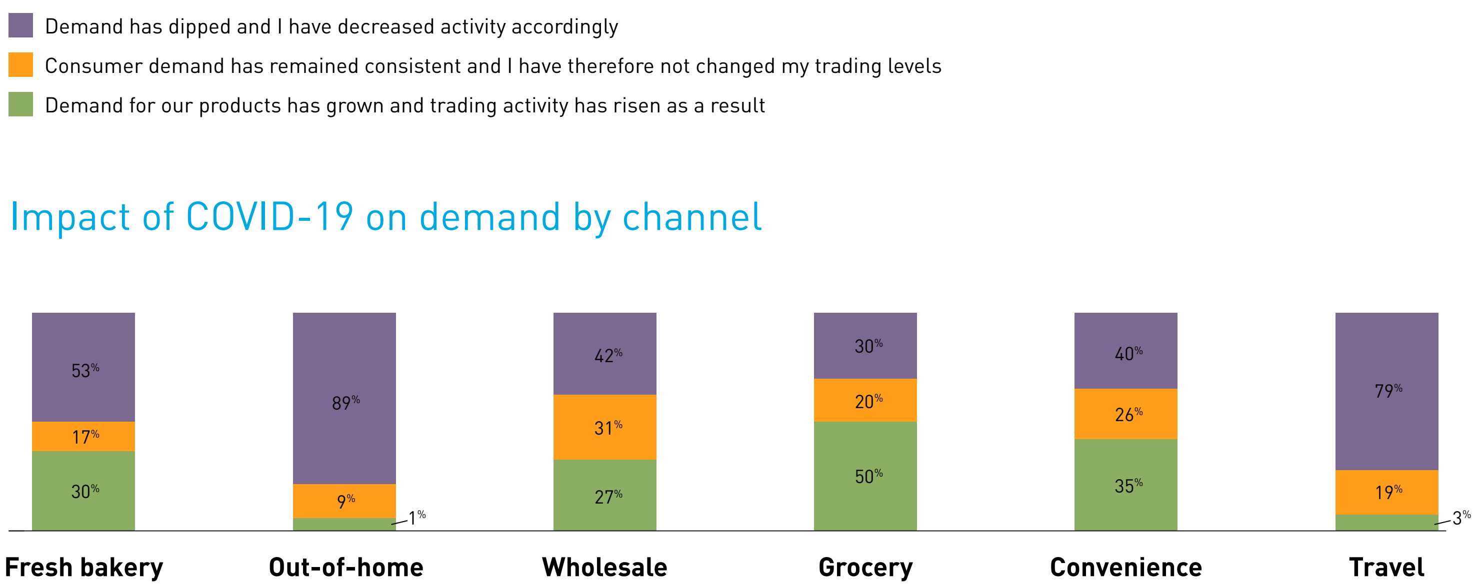
In line with this, our research shows that sales have fallen significantly as a result of the pandemic, but the impact has not been uniform across all channels.

Out-of-home and sales in travel-related environments have seen the biggest dip in demand (-89% and -76% respectively) – possibly unsurprising given the restrictions that were placed on people's movements. In the UK, none of the businesses asked had seen growth in out-of-home sales, while zero growth in travel sales was seen by German businesses.

On the other hand, businesses say they have seen an increase in demand in the grocery channel, with a balance of 50% of respondents saying they had seen growth. The uptick in this area has been greatest in the UK, where three in five respondents have seen demand increase.

Convenience, fresh bakery and wholesale also saw some growth reported by respondents, however, overall demand decreased.

Impact of COVID-19 on demand by channel



Turning up the heat

The immediate strategic changes implemented by bakery businesses since the start of the pandemic have mainly focused on cost management. There could be several reasons for this, including economic uncertainty, fears over a slow recovery, an expectation of reduced revenues as a result of poor channel performance and even distribution challenges. However, we do see some interesting differences in the responses between the different markets we surveyed.

In the UK and Spain, the most commonly stated strategy was better management of cash flow (53% and 47% respectively), whereas cost optimisation in the supply chain was the main priority for French (49%) and German (44%) firms.

Managing profitability was a key priority too, particularly for UK businesses (43%), although it was also highlighted by 39% of firms in France.

As consumer habits are changing towards home-baking and grocery-store-bought products and away from convenience and on-the-go purchases, many firms have been adapting their product offerings in response. For example, almost half of UK businesses (47%) say they have focused on product reformulations in response to the pandemic. We are also seeing this elsewhere, albeit to a slightly lesser extent: mentioned by 35% of respondents in Spain, the next highest-ranking country.

Part of this could be down to cost-engineering to maximise profitability, but it also reflects the ongoing need to both keep ranges fresh and vibrant for customers and deliver producers' stealth-reduction commitments.

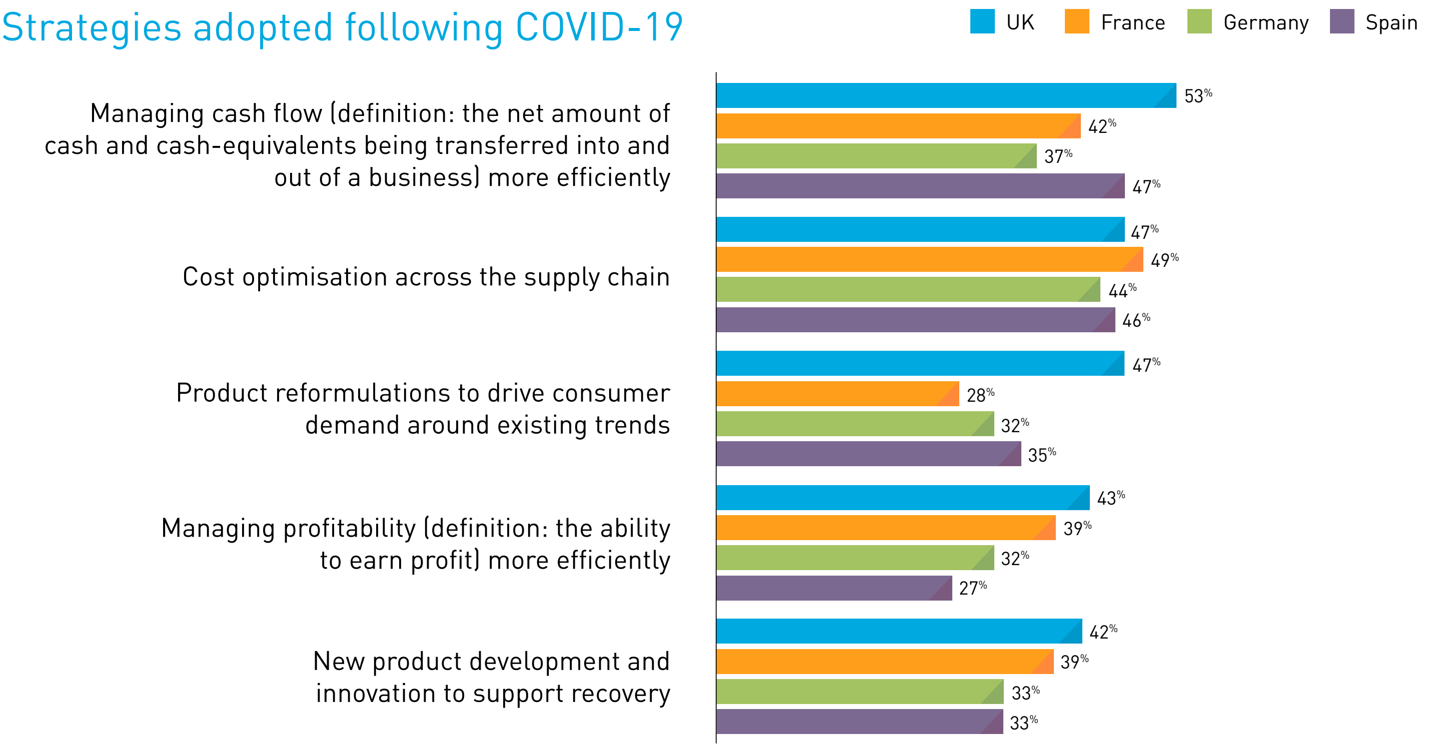
For the UK, there are a number of additional factors that may indicate why product reformulations are a higher priority there than in other European markets. These include government-led initiatives such as sugar tax and Public Health England (PHE) strategies to impact consumer diets, alongside retailers being particularly proactive in seeking to differentiate their offering from competitors, branded or own label.

Strategic volume and price discounts were most common in Spain (41%), but almost two fifths (39%) of British businesses also said they had used discounting to drive business during the crisis.

From our four surveyed markets, rationalising product ranges was a tactic favoured mainly by German businesses (40%). This is a tactic often used by businesses in the face of a need to either make pricing more competitive, drive increased profitability or both.

Additionally, recent events may have added more pressure to supply chains and ingredient availability for certain products. During lockdown, many European markets also suffered spikes in panic buying, particularly for staples such as bread. This overnight change in demand could be another determining factor in the decision to rationalise product ranges.

Strategies adopted following COVID-19



Fresh ways of working

While cost management is understandably an immediate concern for bakery businesses, it's clear that the industry is not standing still.

Achieving resilience has been front-of-mind for a large proportion of bakery businesses in recent months, and an average of 50% said they have increased their focus on longer-term economically sustainable practices.

That makes it the most common operational response to the pandemic. In Germany, 56% said it was part of their strategy.

The next most popular response has been localisation of supply chains, with 42% of businesses naming it a priority. In many cases, this will have been a pragmatic decision for firms based purely on availability of supplies. While cost is clearly a priority, it has to be offset against the risk of delayed deliveries.

Reducing fixed costs has also been a feature of businesses' operational response, and reductions in staff numbers have been common. This is especially the case in the UK, where half of businesses said they had cut their headcount, but France is not far behind, with 42% saying they have reduced staff levels too.

Another radical business model shift we've seen is more brands exploring direct-to-consumer sales in response to the boom in online shopping, prompted by the crisis and the success of services like Deliveroo. We've already seen this from major brands, with examples including PepsiCo's Snacks.com and PantryShop.com launches and, Kraft Heinz' Heinz to Home. Many smaller regional bakeries have also started deliveries at the height of lockdowns.

It will be fascinating to watch whether this is the start of a major trend, or a more temporary response to COVID-19.

said they have increased their focus on economically sustainable practices

Emerging from pandemic

When the survey was conducted in July 2020, respondents showed significant optimism for how quickly trading levels would return to normal within the bakery sector. Now we are a number of months down the line, these sentiments may appear overly optimistic, however they are still worth noting as we see the demand for bakery products growing.

The UK anticipated the slowest return to pre-COVID-19 conditions, with an average expectation of 9.8 months, while Germany, France and Spain all had similar expectations at 8.6, 8.5 and 8.7 months respectively.

As many economies enter recession, and the likelihood of lockdown-type measures remain, the sector will again need to take stock as it's likely we'll see another shift in consumer purchasing behaviour. For example, sales of products that enable baking at home tend to flourish during difficult economic times as people look for low-cost leisure activities. Meanwhile, mid-tier purchases may suffer as market segmentation polarises to budget and premium options - something borne out during the 2008-9 downturn. [1]

1 Mintel, Bakery in a Post COVID-19 World, June 2020

Brexit

Had COVID-19 not impacted the economy in the way that it has, it's likely that the UK's departure from the EU would have been a key talking point for this report. It's important to remember that the issue has not gone away while we recover from the pandemic.

Interestingly, when asked what the biggest challenge to their business was going to be over the next 12 months, just 6% of British businesses named Brexit, compared with 10% of German companies.

It's true that Brexit presents a complex mixture of threats and opportunities to UK bakery businesses. While there is a good chance that a no-deal Brexit would prompt a rise in wheat prices, it's also possible that UK firms are anticipating a significant uplift in domestic demand for their products.

The higher level of concern among German businesses could be a reflection of their exposure to the UK market resulting from the popularity of major discounter brands like ALDI and Lidl, or down to more fundamental fears about political stability in general.

Innovation is kneaded

As the bakery industry evolves rapidly in the face of changing consumer habits, new opportunities are emerging for businesses to achieve growth.

Across Europe, specialist breads are seen by bakery professionals as the single biggest area of growth. In Spain, 21% named the sub category as the most promising, while in Germany and France it was highlighted by 20% and 19% respectively. The only exception is the UK, where regular bread was named the biggest opportunity, being mentioned by 23% of respondents.

Mintel research shows that, as the coronavirus crisis unfolded, consumers have gravitated towards bread as a trusted, reliable, adaptable and comforting food[2]. This suggests a positive boost to both the volume of bread consumption and the image of bread in general.

According to Mintel, in the years running up to the pandemic, many consumers were becoming more cautious about their bread intake, with wheat increasingly being viewed as an ingredient to avoid. As a result, bread products that demonstrated better nutritional performance – those with greater fibre content or gut-health boosting properties – were growing in popularity.

It's interesting that specialist breads topped the list overall despite the differences in consumer bread-buying habits – wrapped loaves being significantly more popular in the UK, while the continental nations favour fresh bakery.

However, this distinction is clearer when we look further down the list, where regular bread is the biggest area for growth in the UK (23%) but only in fourth place for the other three nations surveyed (11% Spain, 11% Germany and 7% France).

Otherwise, the growth areas look broadly similar across all countries – although cake mixes feature in the top five areas for the UK (7%), perhaps reflecting the increase in home baking among Brits as a leisure activity.

There is also a focus on innovation products – such as new hybrid products or unconventional flavours – in France, where it appears in the top 5. Interestingly, when asked which categories would generate the highest consumer demand, it is UK firms that place innovation products first, perhaps indicating that these innovations have already reached greater maturity for UK manufacturers.

2 Mintel, Bakery in a Post COVID-19 World, June 2020

Changing tastes

In terms of other trends that are generating demand, it is freshly baked products that are viewed as the biggest driver, with half of businesses naming them. They were the top priority for Spanish, German and French businesses (52%, 52% and 49% respectively).

In the UK however, innovation products (named by 50%) were top, followed by enriched nutritional content (49%), freshly baked products (48%) and artisan and craft bakery products (48%).

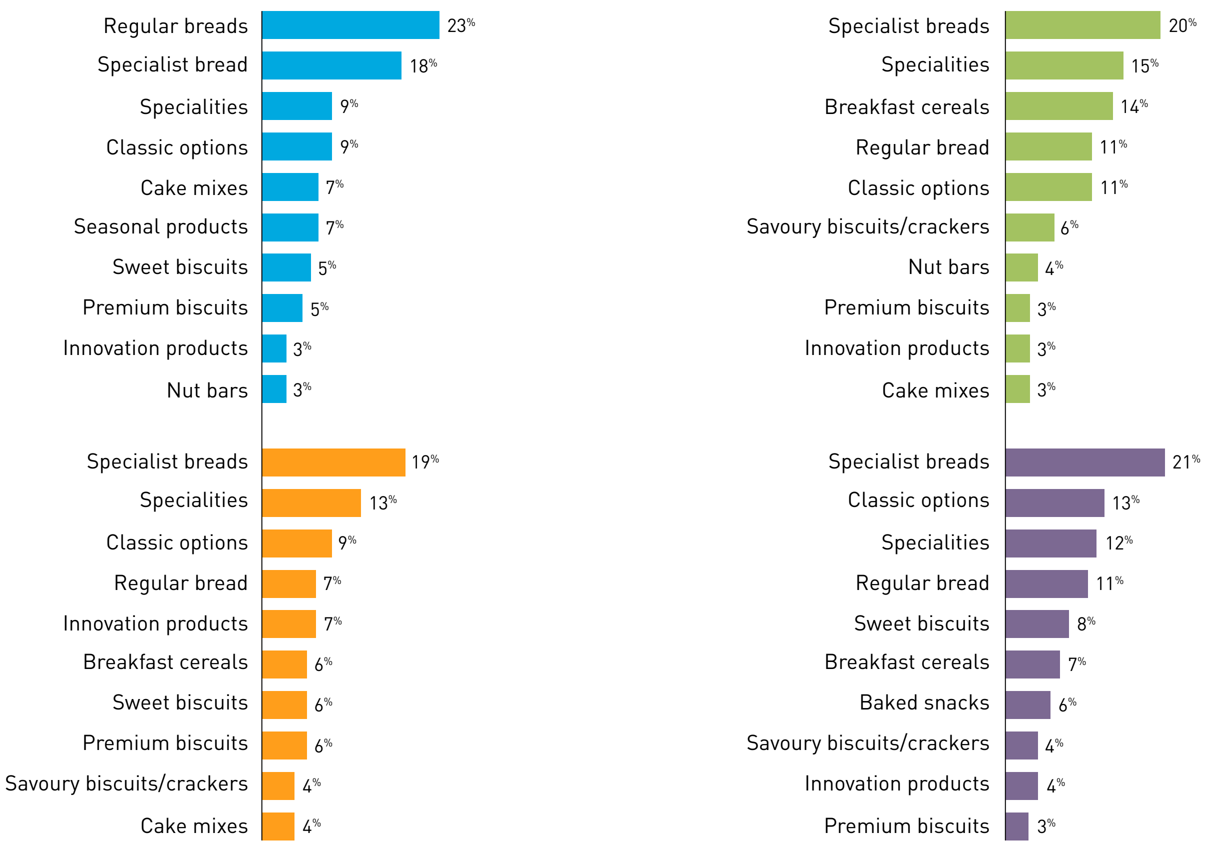
Plant-based products and veganism had the lowest averages with both at 22%. While this may come as a surprise given the rise in prominence of veganism in recent years, Mintel research shows that vegan claims are still significantly lower for bakery products than for food products as a whole. In 2019, just 3% of bakery products made vegan claims compared with 11% of food products as a whole [source: Mintel GNPD].

Interestingly, plant-based was five points higher than veganism in the UK at 27% (22% for veganism), possibly indicating that businesses view plant-based as the less polarising of the two terms. It also emphasises the goodness of plants, where some perceive veganism as being more about giving up particular food groups.

The higher emphasis on enriched nutritional benefits over free-from products is an interesting result, demonstrating that positive nutrition is gaining ground with consumers as they look for the right balance between healthy living and indulgence.

UK France Germany Spain

Sub-category that offers the biggest opportunity for growth in the next 12 months



Routes to growth

When it comes to focus areas for driving business growth, reduced sugar and calorie products had the highest average at 73%. This was significantly higher in the UK at 84%.

Interestingly, when UK bakery businesses were asked about what they think will generate the most consumer demand for goods, improving nutritional value, such as through sugar reduction, had an average of just 25%.

The second most common focus for growth was 'free from' products at 54% average and improving the product-consumption experience at 48% average.

Demand for more value or budget items was higher up the agenda for German firms at 52%, with the UK being the closest follower at just 38%.

Packaging changes such as reducing single-use plastics were also seen as a route to growth for more than two in five (43% on average).

The steps our survey respondents have taken to improving their environmental performance focus on reducing carbon emissions and using renewable energy sources.

This is perhaps understandable, given these measures can also deliver short and longer-term cost benefits in what is an energy-intensive industry. However, it's clear that investment is also going into areas including reducing plastic packaging and limiting the damaging effects of poor palm-oil production practices, although sourcing sustainably is a more popular approach than removing the oil altogether.

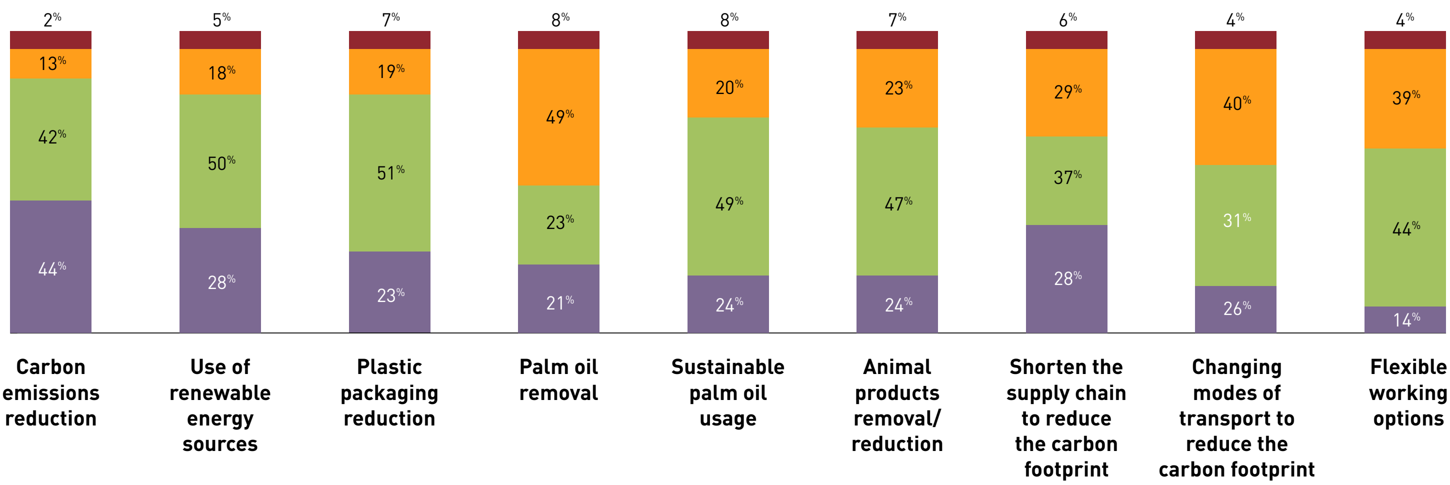
Despite the claimed prioritisation of sustainably sourced palm oil over removal of the ingredient, Mintel data from the past five years shows much stronger growth in products claiming to be free from palm oil than those claiming to use oil from certified sources (25% vs. 8%). This could reflect the fact that manufacturers have already removed palm oil from the goods where it's most feasible to do so, and focus has shifted onto sustainable sources for those products that still use it.

Driving environmental improvements

Environmental sustainability is a priority for the bakery sector, which is no surprise given both the push governments have been giving the green agenda in recent years and the public support it has received.

How organisations are supporting environmental sustainability within their operations

Not Doing | Not Planning | Currently Doing | Currently Planning



Three big opportunities for growth

Insight from Mintel

1. Tapping into the artisan trend

Throughout lockdown, consumers have taken to cooking and having food delivered from nearby restaurants. As they begin to tire of cooking the same meals, they have a hankering for something different, unique and authentic. Food can evoke memories and transport one to different places through the sensory experience. By consolidating and curating local regional food trends, bakery businesses can make authentic artisan products accessible to consumers looking for some stability and comfort - without them having to leave their homes.

A key challenge for producers will be creating products that deliver the artisanal taste, feel and look while also achieving clean-label and shelf-life goals.

2. Adding value to the in-home experience

As consumers spend more time indoors, demand for food and drink products elevating in-home 'me time' will grow. Less money combined with 'infection anxiety' means consumers will take cocooning to a new level. This will create opportunities for bakery businesses to trade consumers up as they seek small indulgences to elevate in-home entertaining and me-time occasions. Premium cake mixes, for example, have the opportunity to cement their place for special occasion cakes as a less expensive but also attractive alternative to a store-bought cake.

3. Breaking the old category barriers

Regardless of COVID-19, the bread and baked goods sector faces challenges to stay relevant and to entice consumers to try something different. As the world eases out of lockdown, there is an increased demand for better-for-you snacks that still offer indulgence and escapism, without conflicting with health goals. Bread and bakery manufacturers are well placed to build new categories within snacking, providing consumers with new tasty and nutrient-rich "at home" snacking options in a convenient format.

The health and wellness opportunity

According to research, during the COVID-19 lockdown, many consumers gained weight as a result of reduced levels of physical activity and increased comfort eating associated with stress and boredom. In fact, in a May 2020 survey by FMCG gurus, 32% of consumers said they were more conscious of their weight, compared with 21% the month before.

As a result, it is predicted that there will be an increased focus on sugar reduction as the population becomes more conscious of long-term health implications of the pandemic. More consumers will be open to healthier products that still offer a moment of indulgence, and they will expect bakers to respond to these concerns.

Our research shows that the industry is already addressing this need. Overall calorie reduction was cited as the aspect of health and wellness most relevant to businesses and consumers at 74%, followed by sugar reduction (71%) and fat reduction (54%).

Interestingly, not far behind the top three was all-natural ingredients or clean label at 51%, indicating that businesses recognise the importance customers attach to avoiding artificial additives, preservatives or sweeteners.

The drive to reduce sugar and calories is also reflected in respondents' business development plans, where it was the highest priority by some margin at 71%, ahead of free-from products at 54%.

Changing attitudes to nutrition

While the focus on calorie reduction remains at the forefront, our research shows that consumers' approach to choosing nutritional food is becoming more sophisticated.

For example, more than half of businesses (51%) said that consumers are more likely to choose products that offer additional nutritional benefits, such as added protein and added fibre.

Fibre is a particular priority from a public health perspective, with average adult consumption levels in the UK currently at just 18g per day, despite government guidance suggesting that people should consume 30g per day. This is prompting many bakery businesses to explore how they can fortify their products with additional fibre.

A significant majority (61%) of businesses also said their consumers had at least a basic understanding of the nutritional content of the bakery products they buy. This increases to 74% of consumers in the UK and 63% in Germany.

Interestingly, when asked whether consumers were developing a more in-depth understanding of foods' nutritional profile, it was in France where this was highlighted most, at 57%, but more than half of British businesses (52%) also said it was true. And, at least four in ten German (40%) and Spanish (44%) agreed, indicating that consumer understanding of nutrition is growing more detailed.

There is also evidence in the research that a substantial proportion of consumers are willing to pay more for healthy and nutritious foods, with 44% of respondents saying this is the case. Looking regionally, it is Spain where nutritious food can command the biggest premium, with 49% saying consumers are willing to pay more, compared with 40% in Germany and 41% in the UK.

A third of businesses (34%) said that consumers were increasingly looking beyond the labels on products for details of nutritional contents, although there was a lot of regional variation here.

In Spain, almost half of respondents (47%) said consumers were increasingly using QR codes, web links and apps to source additional information, compared with just 26% in France and 29% in Germany. The percentage in Spain rises to 58% when you look just at respondents in the retail sector, while figures for others, including manufacturers, bakeries and supply chain businesses (41%, 42% and 46% respectively) are lower, indicating that it is retailers that are driving the trend.

Another possible indicator for this increased use of QR codes could be linked to Spanish consumers' higher than average interest in where their food is sourced from. According to recent data from Mintel's Global Consumer Food & Drink report (July 2020), almost a quarter (25%) of consumers in Spain strongly agreed that they would like to know more about the farms or places where the fruits and vegetables that they buy are grown, compared to an average of 15% of consumers across other European countries.

34%

of businesses said that consumers were increasingly looking beyond the labels on products for details of nutritional contents, although there was a lot of regional variation here

44%

of businesses believe consumers are willing to pay more for healthy and nutritious foods

A word from the lab

Will Ballantyne
Category Technical
Manager at Tate & Lyle

How positive nutrition is helping make bakery better for people, and increasing its appeal

Having worked in the food industry for many years now – in kitchens, labs, bakeries and factories of all kinds and sizes, across many applications, I can confidently say bakery is one of the most challenging areas due to the many variables at play.

The different raw materials, their natural and seasonal variability, the breadth of different physical processes and energies that can be applied, and the number of components that combine to make a single product all mean that overall complexity in the development of bakery products is vast.

Think of a tart made up of pastry, filling and glaze or a doughnut with its dough, icing and filling – these are all very different elements that must come together to create an exciting enjoyable taste experience.

Add to this a drive across the industry to improve products from a nutritional standpoint, as well as a need to maintain profitability for everyone along the value chain, and you have a fascinating challenge for food scientists and technologists.

Creating healthier products

Just as there are many variables in baked goods production, there are also many ways that manufacturers can look to improve their products' health credentials.

While this can commonly involve a 'negative' approach – i.e. looking at what can be taken away, such as sugar, fat, salt and total calories – it's also important to consider what can be added to ingredients to improve nutritional value. For example, increasing fibre to help boost consumption levels – something that is on the agenda for public health organisations in countries around the world – and adding more protein.

Where fibre is concerned, it is a more complex question than simply adding more, as all types of fibre are not created equal. Some fibres are fermented to different extents, and so provide different health benefits.

Protein meanwhile is a vital component of a healthy diet and aids in growth and maintenance of the body.

The art and science of great taste

We have to acknowledge that people's tastes and habits will not change overnight, and the journey towards healthier baked products will be a slow evolution rather than a revolution.

Making this possible are the new ingredient technologies that are being developed all the time to support advances in nutrition while allowing bakers to maintain the number-one success factor for any bakery product – great taste.

Our product line includes fibre fortification solutions PROMITOR® and STA-LITE®, texturants such as CLARIA® and RESISTAMYL®, stabilisers CESAGUM® and HAMULSION®, natural flavour ZOLESSE™ and much-loved sweeteners including SPLENDA® and TASTEVA®.

In addition to this, all the excellent work the food and baking industry is doing will always need to go hand-in-hand with consumer education on the need for balanced healthy eating and physical exercise. When it comes to boosting the health of the population, there are no silver bullets.

New products

Following the rapid shifts we have seen in both business operations and consumer behaviour, it's no surprise that businesses are responding with changes to the way they develop new products, and this is evident in our survey results.

Most respondents in all countries (78%) said that their NPD cycles are changing compared to previous years, with almost half (46%) of businesses saying it has changed in duration.

In the UK, a third (33%) said it has become longer, while 13% indicated it has become shorter. Meanwhile, in Germany, a slightly larger portion (20%) said they had shortened the cycle and 26% said it had got longer. It is also in Germany that the largest portion of businesses (35%) said they had changed their NPD cycle but that its length had remained the same.

So, what's driving these changes?

Almost three in five respondents (57%) said that responding to industry trends is the key driver, with Spain coming in above the average here at 66%.

Responding to consumer demand was also a key driver, with more than half (51%) highlighting it, increasing to 57% for businesses in the UK.

The third biggest driver for the changes was capitalising on the opportunity of greater seasonality - that is, products that reference occasions such as Christmas, Easter or Halloween for example – was referenced by more than a third of businesses (35%). This was most commonly cited by UK businesses (41%), but German businesses aren't far behind at 36%.

78%

of respondents in all countries said that their NPD cycles are changing compared to previous years

Insight from Mintel

Notable product launches and manufacturing trends

1. Health and wellness

Heightened focus on health will escalate the need for bakery products, and for sweet baked goods in particular, to either improve their nutritional value to boost permissibility or to elevate the experience they deliver as a treat. Sweet bakery and cake companies can use 'better-for-you' recipes and nutrients to quell consumer anxiety around healthiness.

Launched in Germany in April 2020, Panifactum Low Carb Nut Cake features 90% reduced sugar and 58% reduced carbohydrates compared to other cakes, and is free from gluten and added sugar. It is made with chia seeds and sweetener and is suitable for vegetarians.

2. Plant-based innovation

Bakery products, by their composition, are well-placed to be innately vegetarian or even vegan-friendly. But due to growing consumer interest dietary choices that are animal ingredient-free, brands are increasingly signposting these claims on pack.

In the UK, Premier Foods recently launched Plantastic, a plant-based range of cake bars and dessert pots which the brand has positioned as a 'better-for-you' choice. The products include high quantities of fruit and vegetables, are high in fibre and also contain up to 40% less sugar than 'standard' cake products.

3. Sustainability

The increased consumer scrutiny of companies' ethical and sustainability credentials should encourage bread and bakery manufacturers to increase their use of recyclable, recycled and sustainable packaging. More brands can also support ethical and environmental initiatives, with the local/regional sourcing and artisanal credentials giving the extra twist and attractiveness to the assortment.

Launched in France in September 2020, Les Pains Pérènes de Roland Cottes Country Bread is said to be formulated according to know-how of French bakers, with French CRC wheat which is grown with practices which favour biodiversity, and unique liquid leavening for a unique flavour. It can be displayed for three days, and retails in a 400g pack.

The industry will prove its worth

Our survey depicts a turbulent time for the European bakery sector.

The products consumers are buying, as well as how and when they are bought, have transformed in a very short space of time. At the same time, new operational constraints have changed the way bakers do business.

There is no question that the European bakery sector – along with the whole global economy – is currently facing challenges the like of which have not been seen in living memory.

That said, according to Mintel, there is strong evidence that in time of crisis, people still rely on the familiar staples the sector provides, and that people have turned 'back to bread'.

There are also ongoing trends that are continuing to drive growth. Consumers' shift in preferences towards healthier options, for example, and the growing understanding of the benefits of positive nutrition.

Even in turbulent times, it seems to be clear that there will always be demand for a wide range of bakery goods, but the ability to adapt to these changes will be essential for brands looking to thrive under these conditions.

Thankfully, as this survey shows, there are many encouraging signs of energy and innovation in the face of rapid changes in both consumer behaviour and operational restraints. These indicate that bakers, provided they keep adapting, are well placed to ride out what could be a long-lasting storm.

At Tate & Lyle, innovation is baked in

Our purpose: Improving Lives for Generations

Through our purpose, we believe we can successfully grow our business and have a positive impact on society. It inspires us and informs what we do.

Working in partnership with our customers, we use our ingredients, expertise and people to bring our purpose to life every day. We do this by helping people make healthier and tastier choices when they eat and drink, and lead a more balanced lifestyle.

For over 160 years, we have been working to improve people's lives. It's in our DNA.

Bakery category focus and know-how

We have extensive experience and expertise in the bakery sector, from breakfast cereals, cakes, muffins, cereal and energy bars to pastries, bread, cookies, and more - we help our customers develop relevant products that consumers love.

Innovation is the lifeblood of our business. Our investment in bakery ingredient solutions and technical expertise is focused on meeting the needs of consumers now and in the future.

We have operations across Europe, with a network of manufacturing sites and application and innovation centres, as well as local stock holding.

As a solution provider we work closely with our customers and offer comprehensive support including project management, cleaner label formulation, rapid prototyping, cost-in-use calculations and functionality analysis, to name just a few.

By helping our customers to achieve the functional requirements for their product ranges, we've played a central role in bringing many new and innovative products to the market.

Portfolio snapshot: bakery solutions

Health and wellness

Leading position in soluble fibre fortification solutions

- Replace sugar to reduce calories while maintaining taste and indulgence
- Nutrition through fibre fortification

Texturants

A leading provider of texture solutions

- Adds body and mouthfeel when sugars, fat or gluten are taken out
- Improves shelf life, provides process and bake stability

Stabilisers and functional systems

One of the broadest toolboxes of stabiliser solutions in the market

- Flexible, tailored solutions
- Addressing most technical challenges
- Process optimisation

Sweeteners

Leading provider of sweetener solutions*

- Rebalancing flavours and sweet taste
- Replace sugars, reduce calories

* There are restrictions on the use of non-caloric sweeteners in bakery in Europe. Our experts can advise you on this.

Open as usual

We remain committed to serving our customers as usual through the COVID-19 crisis.

As a producer of so many ingredients that people use in their everyday lives, we are aware of our responsibility to continue to operate safely during these uniquely challenging times.

With that in mind, we have taken wide-ranging precautions to protect our people and manufacturing sites, so that we can offer the continuity of supply our customers depend on.

In addition, we are applying the same precautions in our Pilot Plant and Lab facilities, to ensure the same continuity in the wide-ranging technical and application support our customers value so much.

That's also why we have introduced virtual support tools including video calls and meetings, online category and innovation workshops, virtual tastings, training sessions and pilot plant trials.

Together, we will rise to the challenge.

Methodology

To gather representative data, 400 senior bakery industry professionals (middle-management and above) in roles including production, sales, R&D, HR and marketing with a primary focus on bakery, and across four key European countries, Germany, France, Spain and the UK were surveyed. The companies represent a broad cross-section of the sector in terms of size, product category and sales channels and encompass manufacturers, retailers, wholesalers and bakers. The research was carried out by independent research consultancy Coleman Parkes and took place in July 2020.

TATE & LYLE

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