

Bakery

White Paper

1 of 4



Plan
to Graduate to
Head of the Class

Sponsored by



A Letter From Dawn

Every spring, more than 4 million students graduate from high school and college in the United States. And all those graduation parties add up to millions of decorated cakes and cookie trays. Instore bakeries across the country ring up gross dollar sales from mid-May through June that rival any other top sales periods of the year. In short, graduation season is not to be taken lightly.

This first installment of Dawn's White Paper 2009 series on bakery category management strategies and opportunities focuses on graduation cakes and cookies as a single category, to help you identify the potential for growth. With so much on the line, your first step is to plan ahead. The information provided in this report will help you pinpoint those key opportunities for driving higher profits throughout the upcoming graduation season.

As you will find in this special report on the graduation season, all cake subcategories averaged higher dollar sales during the graduation period than during the total year. Representing the largest lifts at graduation time are snack cakes (including pound cakes, angel food cakes and shortcakes) and decorated cakes.

Of note in the cookie category, message cookies (32.2 percent higher), everyday cookies (7.2 percent higher) and mini cookies (0.2 percent higher) all averaged higher dollar sales during graduation season.

At Dawn, we know that to build higher profits during graduation season your key to success begins with great products. Not only does Dawn offer a multitude of cake and cookie options, but also an organized category management approach to help you graduate to the head of the class.

Best Regards,



Steve Beekhuizen
Senior Vice President of Sales
Dawn Food Products, Inc.
1-800-248-1144

Plan to Graduate to Head of the Class

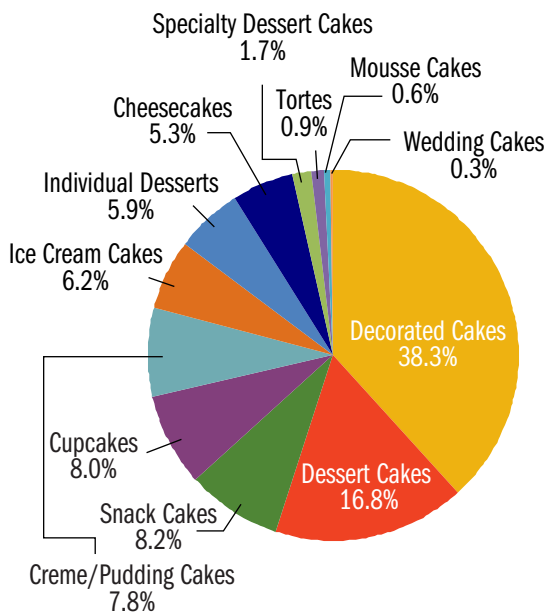
American humorist Robert Orben once described a graduation ceremony as “an event where the commencement speaker tells thousands of students dressed in identical caps and gowns that “individuality” is the key to success.” Graduations are the perfect time to celebrate the graduate’s accomplishments with a personalized dessert item that exhibits their individuality.

Graduation day ceremonies and parties are held in every school and college to honor and celebrate the achievements of the students, and the instore bakery is the perfect outlet to provide the cakes and cookies that are traditionally used to celebrate. Graduation season includes the months of May and June, and retailers have an opportunity to capitalize on incremental and differentiating offerings this time of year.



More than 4 million students graduate every year from high school and college in the United States.

Total U.S. Cake Dollar Share by Subcategory
Graduation Season: May - June 2008



Source: Perishables Group FreshFacts®

Benchmarking the U.S.

Category management is a continual process. Existing bakery benchmarks should be updated as often as possible to allow for tracking of emerging trends in the marketplace. In this report, we will use point-of-sale data to benchmark performance of the total bakery department, and then investigate regional and seasonal differences.

The bakery department data contained in these reports is based on Perishables Group FreshFacts® data powered by Nielsen. The point-of-sale syndicated data set includes U.S. food stores with more than \$2 million in annual sales for the latest 52 weeks ending Dec. 27, 2008. The data represents 61.8 percent of all commodity volume (ACV) of retail supermarket sales in the instore bakery department including UPC, PLU and system 2 coded items. Areas of focus will include category dollar share, sales trends, seasonality, category contribution and other insights.

Total Bakery

To help define and manage categories, the instore bakery department sales are broken down into four

super categories: breads and rolls, breakfast, desserts and miscellaneous. Breakfast includes donuts, muffins, bagels and sweet goods. Desserts include cakes, pies, brownies/bars, cookies and other desserts.

Overall, total U.S. instore bakery department sales increased 6.2 percent during the 52 weeks ending Dec. 27, 2008, to \$9.7 billion (projected from 61.8 percent ACV to 100 percent ACV). Instore bakery sales captured 2.2 percent of total store ACV during the timeframe, up from 2.1 percent from the previous 52 weeks. During the timeframe, desserts contributed the largest percentage of bakery department sales with 46 percent of the total. The breads and rolls and breakfast categories contributed 30.2 percent and 21.9 percent, respectively.

Total U.S. Sales Trends

Cakes

The cake category is comprised of cheesecakes, crème/pudding cakes, cupcakes, decorated cakes, dessert cakes, ice cream cakes, individual desserts,

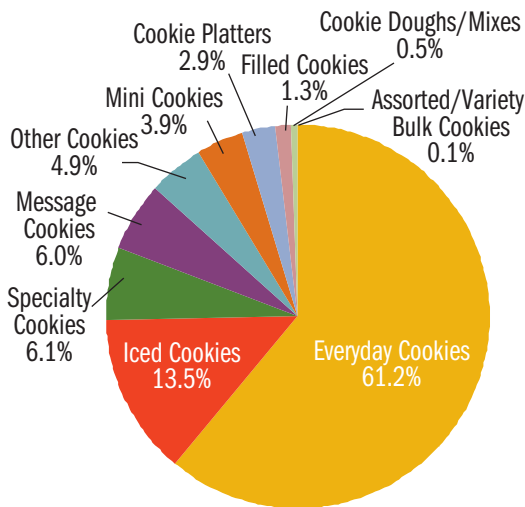
mousse cakes, snack cakes, specialty dessert cakes, tortes and wedding cakes.

Across the total U.S. during graduation season, cakes averaged \$3,030 per week per store, which is 16.5 percent more than the total year average of \$2,601. Graduation season cakes contributed 32.1 percent to total bakery department dollar sales during 2008, which is 3.7 percentage points more than the annual average.

Decorated cakes made up the largest portion of cake dollar sales during both graduation season and total year 2008. They represented 38.3 percent of cake sales during graduation season, which was 2.5 percentage points higher than the annual average of 35.8 percent. Dessert cakes, the second largest portion of cake dollar sales, represented 16.8 percent of cake dollar sales during graduation season and 17.4 percent of cake dollar sales during the total year.

All cake subcategories averaged higher dollar sales during graduation season than during the total year. Representing the largest lifts at graduation time are snack cakes (including pound cakes, angel food cakes and shortcakes) at 36.6 percent, decorated cakes at 24.6 percent and ice cream cakes at 23.6 percent.

Total U.S. Cookie Dollar Share by Subcategory
(Graduation Season: May - June 2008)



Cookies

The cookie category is comprised of assorted/variety bulk cookies, cookie doughs/mixes, cookie platters, everyday cookies, filled cookies, iced cookies, message cookies, mini cookies, other cookies and specialty cookies.

Cookies averaged \$830 per week per store during graduation season across the total U.S., which was 0.9 percent less than the annual average of \$838. Cookies contributed 8.8 percent to total bakery department dollar sales during graduation season, which is 0.4 percentage points less than the annual average of 9.2 percent.

Source: Perishables Group FreshFacts®

Everyday cookies, at 61.2 percent of cookie

dollar sales during graduation season, made up the largest portion of cookie dollar sales and were 4.6 percentage points more than the annual average of 56.5 percent. Iced cookies, the second largest portion of cookie dollar sales, represented 13.5 percent of cookie dollar sales during graduation season, which was 3.2 percentage points less than the annual average.

Overall, cookies averaged 0.9 percent less in dollar sales during graduation season when compared to the total year. However, message cookies (32.2 percent higher), everyday cookies (7.2 percent higher) and mini cookies (0.2 percent higher) all averaged higher dollar sales during graduation season.



Graduation cakes are more popular in the South, where graduation season cake sales are 5% above the national average.

Regional Preferences

Cakes

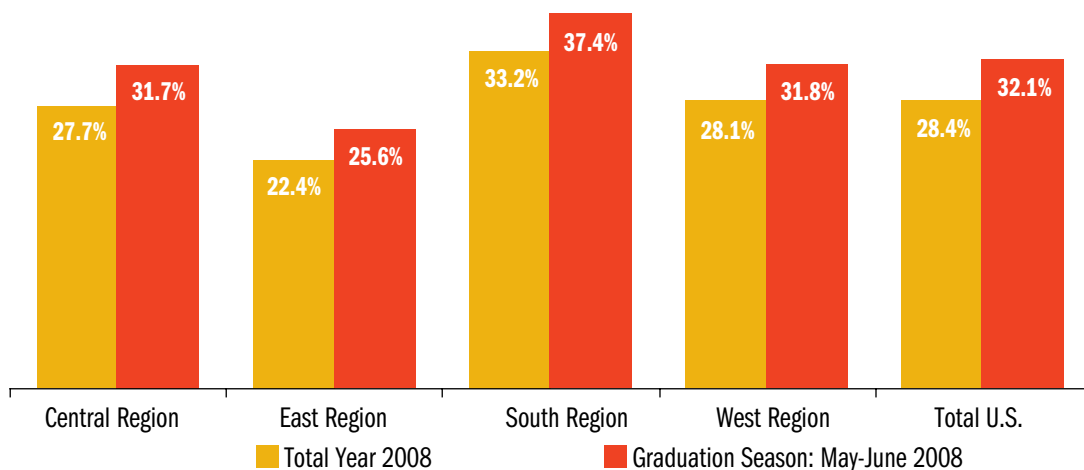
Cakes captured 37.4 percent of bakery department dollar sales in the South region during graduation season, over five percentage points above the national average. The South also had the highest cake contribution to bakery department dollars during the total

year, at 33.2 percent, which was almost five percentage points higher than the national average.

During both graduation season and the total year, the East region had the largest cake dollar sales per week per store. Cakes represented \$3,584 in the East region during graduation season, which was 18.3 percent more than the nation average, and represented \$3,007 during the total year, which was 15.6 percent more than the national average. However, despite having the largest cake dollar sales, the East region registered 6.5

Cakes Average Contribution to Total Bakery Dollars by Region

Total Year 2008 vs. Graduation Season: May - June 2008



Source: Perishables Group FreshFacts®

percentage points less than the national average in cake contribution to total bakery dollars during graduation season (25.6 percent vs. 32.1 percent) and registered six percentage points less than the national average in cake contribution to total bakery dollars during the total year (22.4 percent vs. 28.4 percent.)

Cookies

At 12 percent contribution during graduation season, the Central region had the largest cookie contribution to bakery department dollars and was more than three percentage points greater than the national average. Cookies also captured 12 percent of bakery department dollar sales during the total year in the Central region, which was almost three percentage points above the national average during that timeframe.

The Central region registered the highest average cookie dollars per week per store during both graduation season and the total year. Cookies represented \$1,264 during graduation season in the Central region, which was 52.3 percent more than the national average of \$830, and they represented

\$1,193 during the total year in the Central region, which was 42.4 percent more than the national average of \$838.

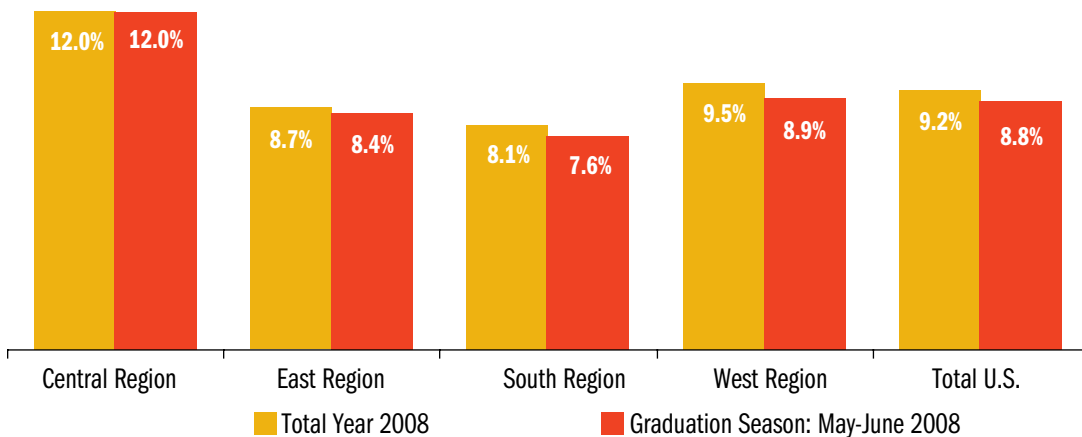
The South had the lowest cookie contribution to bakery department dollars and the lowest cookie dollar sales per week per store during both graduation season and the total year. Cookies represented 7.6 percent of bakery department dollars during graduation season and 8.1 percent of bakery department dollars during the total year in the South, more than one percentage point less than the national average during both timeframes. The South had \$570 in cookies sales per week per store during graduation season, which was 31.4 percent less than the national average of \$830 and had \$596 in cookie sales per week per store during the total year, which was 28.9 percent less than the national average of \$838.

Seasonality

During graduation season, decorated cakes, cupcakes and snack cakes had strong sales throughout each week. Dessert cakes peaked during the weeks of Mother’s Day, Memorial Day – which

Cookies Average Contribution to Total Bakery Dollars by Region

Total Year 2008 vs. Graduation Season: May - June 2008



Source: Perishables Group FreshFacts®

often coincides with graduation celebrations – and Father’s Day.

Everyday cookies had strong sales throughout graduation season, but had the highest peaks in sales during the last two weeks in May.

Iced cookies also registered an increase in sales during the last week in May. Message cookies increased in sales throughout the entire timeframe as well, and peaked during the week of Mother’s Day.

Shapes/Decorations

Top-selling cake and cookie shapes and decorations during graduation season 2008 were as follows:

CAKES

- Edible images
- Photos and portraits
- Balloons and celebration
- Characters
- Sports: baseball, football, basketball, soccer and golf

COOKIES

- Ice cream cone
- Sports: baseball and soccer
- Edible images
- Smiley face
- Photo

Opportunities: Personalize the celebration

With the desire for customized treats, cake and cookie items that have been tailored to the graduate are poised for future growth. Customizing a cake or cookies allows the dessert to fit the graduate’s personality and enhances their celebration by presenting them with a dessert that was made especially for them on their big day.

The ability to create edible images gives the graduate a personalized cake or cookies that could include an image of them or of a favorite character or scene. Sports-shaped and sports-themed decorated cakes and



Promoting cakes during graduation season can boost cake sales for graduation, Father’s Day and other summer events.

cookies are also popular and a great way to celebrate a graduate’s success and enjoyment of a sport.

Merchandising the ability to customize and personalize cakes and cookies in the instore bakery will catch the attention of customers during graduation season. It will also encourage customized cake and cookie sales during Mother’s Day and Father’s Day, which occur during graduation season as well. In-store merchandising and assortment best practices should be adjusted to suit the unique needs of a store and its shopper demographics.

Call your Dawn representative today or call 1-800-248-1144, and we’ll contact a sales representative for you. For more information about our products and technical support, visit Dawn online at dawnfoods.com.

The Perishables Group is an independent consulting firm focused on innovation and creating value for clients in the fresh food industry. Recognized as the leader in applying category development processes to the perishables food space, the Perishables Group’s expertise includes supply chain management; activity based costing, research and marketing services.





You want to stay ahead of your customers' tastes.
It's easier with Dawn behind you.



Your customers' lifestyles are changing; so are their tastes. At Dawn, we've been helping bakeries anticipate those changes for over 80 years. Dawn is committed to giving you the tools to help make your bakery department profitable. That means having the right products in the right formats for your operations. It means understanding trends and offering ways to make the most of them. And, with today's customers demanding convenience and variety, it means giving you the programs and marketing support to spur impulse sales and keep product flying off your shelves. All while providing consistent quality and the technical support you need. Contact your Dawn representative or call **1-800-248-1144**, and get the full advantage of our expertise behind you.



Bakery success starts here.