

Bakery

2009 White Paper 3 of 4



Sweet Ideas for December Holidays

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A Letter From Dawn

Holidays present wonderful opportunities for increasing sales and profits at the instore bakery. Consumers exhibit a festiveness and cheer come December that is seldom equaled during other times of the year. Holidays put people in the buying mood, thus, it is vitally important to present them with many appetizing and attractive options in your fresh bakery department.

Don't forget there are several important holidays that occur this December: Hanukkah begins Dec. 12, followed by Christmas Day on Dec. 25 and the first day of Kwanzaa on Dec. 26.

Kwanzaa is a celebration of family, community and culture for honoring those with African roots. The colors of Kwanzaa are black, red and green, and these colors can be used in a wide assortment of cake and cookie decorations.

Star of David cookies, with six points and iced in blue, offer one example of how to create colorful holiday cookies for Hanukkah celebrations. Challah bread, braided egg bread, is also enjoyed on this Jewish holiday.

Christmas brings a huge array of decorative ideas, ranging from green Christmas trees iced with rings of silver garland to red Santa Claus cookies with white icing for his beard.

Generic holiday cakes, cookies and sweet goods can be decorated or adorned into the shapes of snowflakes, gift boxes with bows, and other decorative figures.

At Dawn, we know that winning ideas for the holiday season are important to your business. We hope this latest installment of the 2009 Dawn White Paper series on bakery category management presents you with a gift box full of ideas to capitalize on this December.

Best Regards,



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ON THE COVER:
Dawn offers a wide variety of cakes, cookies, and sweet goods - perfect for any holiday special occasion. Contact your Dawn sales representative for our latest collection of designs or for expert help on creating your own.

Sweet Ideas for December Holidays

Opportunities abound for capitalizing on creative merchandising strategies and tactics geared for the December holidays that include Hanukkah, Christmas, and Kwanzaa. Instore operators such as Giant Eagle and Meijer offer a variety of examples of how to seize the opportunity to lift bakery sales during these special occasions.

Pittsburgh-based Giant Eagle makes shopping for donuts and other breakfast treats more convenient for shoppers by using open slant tables that feature dozens of trays of appetizing donuts in every flavor imaginable. Giant Eagle increases the variety of breakfast options during the December holidays.

Offering another creative merchandising idea, Meijer, a Michigan-based chain of 189 supercenters, features a “Kid Zone” section on the lower two rows of its donut cases. Donuts are iced in eye-catching colors such as green and yellow swirls, perfect for kids. And putting the Kid Zone on the lower rows of the donut case ensures that young shoppers can reach what they want.

Other ideas perfect for December holidays include seasonal cookie platters and dessert trays. More breakfast items such as filled donuts, cheese Danish and fruit fritters are popular during the December holidays, and retailers can use creative instore signage to promote breakfast specials for holiday gatherings and package items in larger containers for family-size gatherings.

Ukrops, a Virginia-based chain of 27 stores, features its famous “White House” rolls and other bakery specials like boxed donuts near its Rotisserie chicken displays, putting shoppers in the mindset for assembling holiday meals with ease.

Retailers can communicate value to shoppers by offering specials like “buy a dozen, get three free.” This tactic encourages shoppers to buy more product and boost average rings for each shopping trip.



Decorate top-selling chocolate chip cookies with holiday colors. Make up party platters or sell as an individual treat.

PLANNING AHEAD

Preparing in advance for the December holidays of Hanukkah, Christmas, and Kwanzaa is essential to getting a headstart on successful merchandising plans and executing promotions that deliver to desired results. These three holidays consist of various celebratory activities, usually culminating in a feast and gift giving. The instore bakery is the perfect outlet to provide the decadent desserts and breakfast items often purchased during these holiday times of celebration and family. Beginning the second week of December, sales start to ramp up for these holidays; therefore the last three weeks of December sales data is used for this article and is referred to as the December holiday timeframe.

Because 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 March 28. The data represents 61.4 percent 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/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 4.8 percent during the 52 weeks ending March 28 to \$9.8 billion (projected from 61.4 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.

Nationally, during the December holidays, desserts contributed 48.9 percent of bakery department sales, which was 2.7 percentage points more than the yearly average of 46.2 percent. Breakfast bakery items contributed 2.8 percentage points less of bakery department sales during

Roll iced donut holes in coconut flakes to create snowballs or tint coconut to coordinate with December holidays. Package in groups of 6 or 12 for quick sales.



Christmas tree and Star of David cakes are examples of items that trigger higher impulse sales during the holidays.

the December holidays than during the total year. Within breakfast bakery, bagels, donuts and muffins all contributed less and sweet goods remained flat in contribution to bakery department sales during the December holidays when compared to the total year.

Contributing 30.4 percent, breads/rolls accounted for 0.1 point more of bakery department sales during the December holidays than during the total year average of 30.3 percent. For the purposes of this report, we look specifically at cakes, cookies and sweet goods to examine the opportunities that exist within these categories during the December holidays.

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 the last three weeks of December, cakes averaged \$2,686 per week per store,

Cakes Average Contribution to Total Bakery Dollars by Region



Source: Perishables Group FreshFacts®

which is 2.3 percent more than the total year average of \$2,625. December holiday cake sales contributed 24.8 percent to total bakery department dollar sales during 2008, which is 3.6 percentage points less than the annual average of 28.4 percent.

Decorated cakes made up the largest portion of cake dollar sales during both the December holidays and total year 2008. They represented 31.5 percent of cake sales during the December holidays, which was 4 percentage points lower than the annual average of 35.5 percent.

Dessert cakes, the second largest portion of cake dollar sales, represented 17.9 percent of cake dollar sales during December holidays compared to 17.5 percent of cake dollar sales during the total year.

Averaging higher dollar sales during the December holidays than the total year and representing the largest lifts were cheesecakes at a 57.7 percent lift, mousse cakes at a 41.4 percent lift and cupcakes at a 31.2 percent lift.

Top-selling cake flavors and types during the December 2008 holidays were as follows:

- White decorated cakes
- Assorted/variety decorated cakes
- Other dessert cakes (*including coconut cakes and raspberry elegance cakes*)
- Chocolate decorated cakes

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.

Nationally, during the last three weeks of December, cookies averaged \$1,368 per week per store, which is 56.9 percent more than the total year average of \$872. December holiday cookie sales contributed 12.6 percent to total bakery department dollar sales during 2008, which is 3.2 percentage points more than the annual average of 9.4 percent.

Everyday cookies made up the largest portion, and iced cookies made up the second largest portion of cookie dollar sales both during the December holidays as well as the total year. Everyday cookies represented 38.6 percent of cookie sales during the December holidays, which is 20.1 percentage points lower than the annual average of 58.7 percent.

Some of the category share lost by everyday cookies was captured by iced cookies, representing 24.4 percent of cookie sales during the December holidays, 8.6 percentage points higher than the annual average of 15.8 percent.

Averaging higher dollar sales and representing the largest dollar lifts during the December holidays were cookie platters at a 493 percent lift, iced cookies at a 142.2 percent lift and filled cookies at a 77.6 percent lift.

Top-selling cookie flavors and types during the December 2008 holidays were as follows:

- Everyday chocolate chip cookies
- Iced sugar cookies
- Seasonal cookie platters
- Everyday assorted/variety cookies

Sweet Goods

The sweet goods category is comprised of cinnamon rolls, coffee cakes, flavored breads, Hispanic sweet goods, other sweet goods (including turnovers, strudel and scones), pastries and sweet rolls.

Across the total U.S. during the December holidays, sweet goods averaged \$746 per week per store, which is 14.9 percent more than the total year average of \$650. December holiday sweet good sales contributed 6.9 percent to total bakery department dollar sales during 2008, which is 0.1 percentage point less than the annual average of 7 percent.

Coffee cakes and other sweet goods (including turnovers, strudel and scones) made up the larg-



Make cinnamon rolls, Danish and other sweet dough seasonal by baking in shaped pans and finishing with holidaycolored icings and decorations.

est portions of sweet goods dollar sales during the December holidays as well as the total year. Coffee cake represented 24 percent of sweet good sales during the December holidays and represented 21.8 percent during the total year. Other sweet goods contributed 22.2 percent of sweet goods sales during the December holiday and contributed 27 percent during the total year. Averaging higher dollar sales during the December holidays than during the total year were flavored breads (including fruitcakes and nut breads) at a 164 percent lift, coffee cake at a 26.5 percent lift, pastries at a 12.8 percent lift and Hispanic sweet goods at a 12 percent lift.

Top-selling sweet goods flavors and types during the December 2008 holidays were as follows:

- Danish
- Cinnamon rolls
- Coffee cakes
- Turnovers

REGIONAL PREFERENCES

Cakes

Cakes captured 29.2 percent of bakery department dollar sales in the South region during the December holidays, more than 4 percentage points above the national average. The South also had the highest cake contribution to bakery department dollars during the total year at 33 percent, which was 4.6 percentage points higher than the national average.

During both the December holidays and the total year, the East region had the largest cake dollar sales per week per store. Cakes represented \$3,244 in the East region during the December holidays, which was 20.8 percent more than the national average, and represented \$3,114 during the total year, 18.7 percent more than the national average. However, despite having the largest cake dollar sales, the East region registered 4.5 percentage points less than the national average in cake contribution to total bakery dollars during the December holidays (20.3 percent versus 24.8 percent) and registered 5.8 percentage

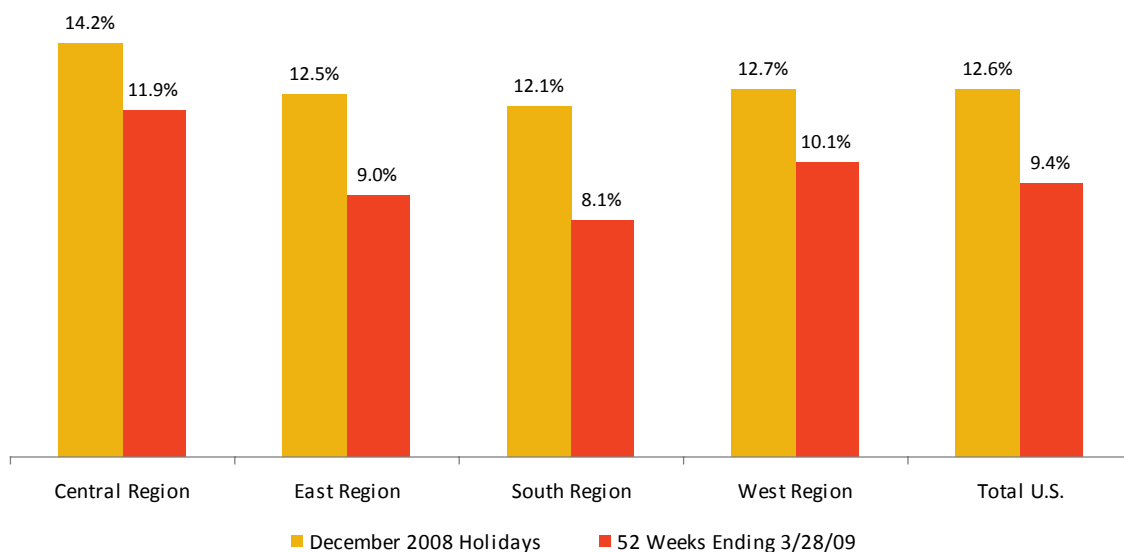
points less than the national average in cake contribution to total bakery dollars during the total year (22.6 percent versus 28.4 percent.)

Cookies

At 14.2 percent contribution during the December holidays, the Central region had the largest cookie contribution to bakery department dollars and was 1.6 percentage points greater than the national average. The Central region also had the highest cookie contribution to bakery department dollar sales during the total year with 11.9 percent, which was 2.5 percentage points above the national average during that timeframe.

The East region registered the highest average cookie dollars per week per store during both the December holidays and the total year. Cookies represented \$1,995 during the December holidays in the East region, which was 45.8 percent more than the national average of \$1,368, and they represented \$1,243 during the total year in the East region, 42.4 percent more than the national average of \$872.

Cookies Average Contribution to Total Bakery Dollars by Region



Source: Perishables Group FreshFacts®

Sweet Goods Average Contribution to Total Bakery Dollars by Region



Source: Perishables Group FreshFacts®

The South had the lowest cookie contribution to bakery department dollars and the lowest cookie dollar sales per week per store during both the December holidays and the total year, likely due to the strength of cakes and sweet goods in the region.

Sweet Goods

Similar to cakes, the South had the highest sweet goods contribution to bakery department dollars both during the December holidays as well as the total year. Sweet goods captured 7.5 percent of bakery department dollar sales in the South region during the December holidays, which was 0.6 percentage points above the national average. They captured 7.4 percent of bakery department dollar sales in the South region during the total year, which was 0.4 percentage points higher than the national average.

During both the December holidays and the total year, the East region had the largest sweet goods dollar sales per week per store, at more than 25 percent greater average dollar sales than the national average during both timeframes. However, despite having the largest sweet goods dollar sales, the East region

registered almost 1 percentage point less than the national average in sweet goods contribution to total bakery dollars during both the December holidays and the total year.

Instore merchandising and assortment best practices should be adjusted to suit the unique needs of a store and its shopper demographics. Now, with a complete data source available for perishables that includes the entire bakery department, category management is possible and necessary for understanding future instore bakery growth.

To learn more, call your Dawn representative today or call 1-800-248-1144, and we will 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.