

Bakery

White Paper

3 of 4



Single-Serve
a Small Way to Create
Big Sales

Sponsored by



A Letter From Dawn

Understanding the changing demands of the instore bakery shopper is more important than ever to the continuing profitability of the bakery business. Consumption and buying habits are shifting. People are more mobile. They are seeking out bakery products that fit their lifestyles. Hence, the proliferation of 100-calorie packs in the consumer packaged goods aisles. The instore bakery is also responding with a greater assortment of single-serve bakery options. Based on the latest data, the opportunities ahead for bakery are quite promising.

From cake wedges to single pie slices, single-serve (or portion control) bakery products in the sweets category of the instore bakery make up 2.8 percent of the total instore bakery business, according to new Perishables Group FreshFacts data. While this may not seem an eye-popping number, consider that single-serve bakery dollar sales grew an astounding 24.4 percent from the prior year for the 52 weeks ending June 28. For that period, single-serve's contribution to total instore bakery sales rose from 2.4 percent to 2.8 percent. This is obviously a category on the rise.

In this third installment of Dawn's White Paper 2008 series on bakery category management principles and opportunities, we investigate this emerging category of single-serve bakery products: cakes, cupcakes, brownies, muffins, donuts, pies and more. This is truly a groundbreaking study, as there are no formal definitions for this yet untapped category.

For this study, single-serve items are defined as items that are labeled as single-serve, portion control, or are a piece of a larger bakery item. Items were flagged as single-serve items based on key words in the item description provided by the retailers. The bakery department data contained in these reports is based on Perishables Group FreshFacts data powered by Nielsen.

At just under 3 percent of total instore bakery department sales, which totaled \$9.6 billion for 52 weeks ending June 28, single-serve bakery products in the sweets category of the instore bakery now represent a \$269 million pie. Most important, the size of the pie is growing fast. You won't want to miss out.

Best Regards,



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

A Small Way to Create Big Sales

Portion control is a hot topic these days, as the current trends are lauding well-balanced nutrition and an “everything in moderation” philosophy that includes allowing small portions of indulgent items back into diets. The grocery aisles have seen a proliferation of calorie packs and single-serving products over the past few years. However, these types of products are not as widespread in the instore bakery department. The bakery portion control products that are on the shelves represent only 2.8 percent of department dollar sales, underscoring the opportunity to capture these sales in the bakery department.



Small cakes are perfect for baby's first birthday, for small households or gatherings, or even as a personal reward.

Instore bakeries have seen recent success selling cake wedges, or single pie slices, for example. These items are packaged individually and represent only a portion of the full-sized item. Many small bakery items, such as cupcakes, muffins, donuts, and cookies, are sold individually; however these items are not considered single-serve items in this study, because even though they are generally small, they are full size for their category.

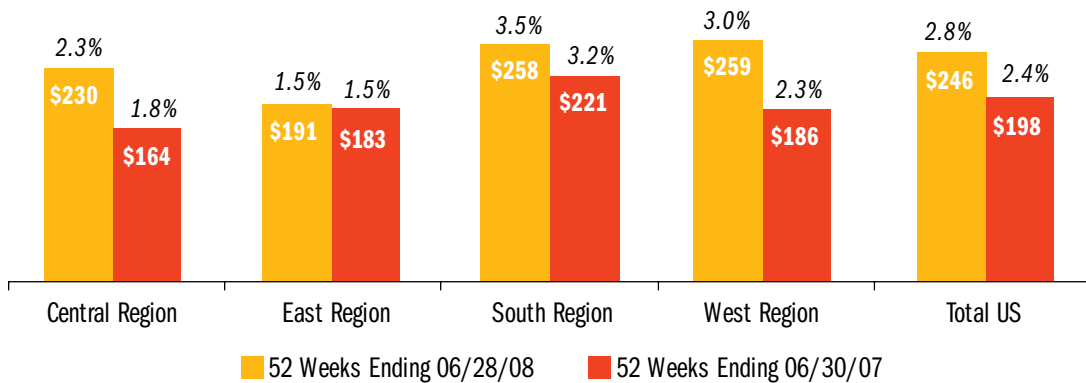
Single-serve sales nationwide

Developing instore bakery categories requires existing bakery benchmarks to 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 seasonality 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 June 28, 2008. The data represents 61 percent all commodity volume (ACV) of retail supermarket sales in the instore bakery department including UPC, PLU and system 2 coded items.

Sum of Dollars Per Store/Week Period Single Serving



Source: Perishables Group FreshFacts®

SPECIAL REPORT

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 5.6 percent during the 52 weeks ending June 28, 2008 to \$9.6 billion (projected from 61

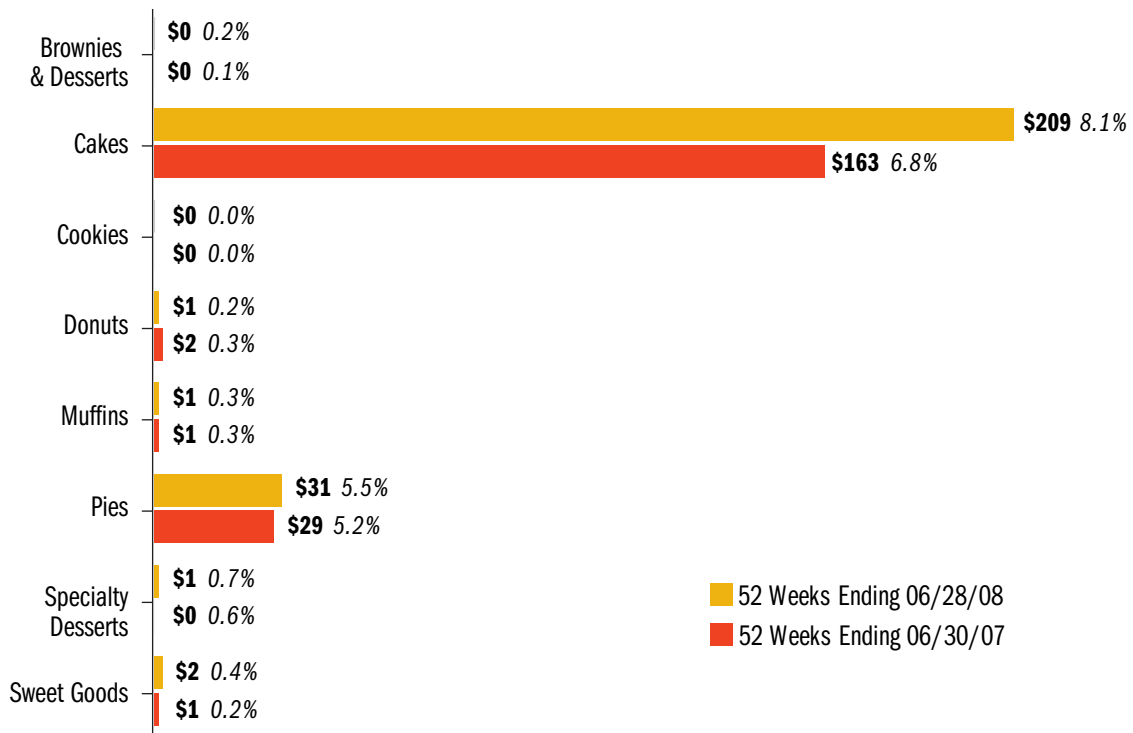
percent ACV to 100 percent ACV). Instore bakery sales captured 2.1 percent of total store ACV during the timeframe, unchanged from the previous 52 weeks. During the timeframe, desserts contributed the largest percentage of bakery department sales with 46.4 percent of the total. The breads and rolls and breakfast categories contributed 29.5 percent and 22.2 percent, respectively.

SINGLE-SERVE ITEMS

Total U.S. Sales Trends

For this study, single-serve items are defined as items that are labeled as single-serve, portion control, or are a piece of a larger bakery item.

Total U.S. Dollars Per Store/Week Period
Single Serving



Source: Perishables Group FreshFacts®

Items were flagged as single-serve items based on key words in the item description provided by the retailers. Breads, rolls and bagels were not included in the study. Bakery items sold in bulk, such as single muffins, single donuts, and single cookies were not considered single-serve unless they were pre-packaged singly, or were a smaller piece of a full-sized item. Mini-sized items were not included in the study because they are not a piece of a full sized item, but rather a version of the full sized item that was created in a smaller size. Muffin tops, however, were included in the study as single-serve items, as they are a piece of the full sized muffin item.

Single-serve attributes included in the study are:

- **Brownies and Dessert bars:** single-serve, slice
- **Cakes:** single/double serve, half, quarter, slice, square
- **Cookies:** single-serve
- **Donuts:** single-serve
- **Muffins:** single-serve, muffin tops/ crowns
- **Pies:** half, quarter, single-serve, slice
- **Specialty Desserts:** single-serve
- **Sweet Goods:** half, quarter, single-serve, slice, square



Individual desserts can be customized with ease.

Total U.S. Single Serve Type

	Current	YAGO
Cakes	0.0% double serve	0.0%
	21.5% half	25.7%
	0.8% quarter	0.7%
	11.7% single serve	12.8%
	64.9% slice	59.6%
	1.1% square	1.3%
Pies	79.2% half	79.9%
	0.4% quarter	2.4%
	5.8% single serve	5.3%
	14.6% slice	12.4%

Source: Perishables Group FreshFacts®

It should be noted that the analysis is reliant upon the item descriptions, and thus only as accurate as the existing level of retailer coding.

Across the total U.S., single-serve bakery items averaged \$246 per week per store during the 52-week time period ending June 28, 2008. Single-serve items grew 24.4 percent in dollar sales over the previous year. Contributing 2.8 percent to the total bakery department dollar sales during the timeframe, single-serve item contribution was up from 2.4 percent during the previous year.

Single-serve dollar sales made up 8.1 percent of the cake category, up from 6.8 percent during the previous year. Single-serve cake items rang up \$209 in per week per store average dollar sales, up from \$163 the previous year. This increase in sales of single-serve cake items was the largest seen across bakery. Single-serve pies followed, with a 5.5 percent dollar share of the total pie category, up from 5.2 percent a year ago. Average single-serve pie dollar sales were \$31 per week per store, up from \$29 a year ago.

Single-serve specialty desserts comprised 0.7 percent of category sales, and single-serve sweet goods made up 0.4 percent of category dollar sales. The single-serve portions of muffins averaged 0.3 percent of total muffin dollar sales, while both brownies/des-

sert bars and donuts' single-serve items averaged 0.2 percent of their respective category sales. Cookies did not register a measurable category share of single serving items.

Single-serve Types

During the 52 weeks ending June 28, 2008, in the cake category, slices comprise 64.9 percent of single-serve cake dollar sales, followed by cake halves at 21.5 percent, single-serve cakes at 11.7 percent, cake squares at 1.1 percent, and cake quarters at 0.8 percent. Cake slices gained over the previous year's share at the expense of cake halves, which declined from the previous period.

Pie halves comprised 79.2 percent of single serving pie dollar sales, followed by slices at 14.6 percent, single-serve at 5.8 percent, and quarter pies at 0.4 percent. Pie slices gained in single-serve dollar share over the previous year, while quarter pies declined in share.

Regional Preferences

Single-serve cake items captured 10.2 percent of the cake category in the West region, more than 2 percentage points more than the national average. In the East region, single-serve pie items, single-serve specialty dessert items, and single-serve sweet good items led the nation in share of their categories, at 7.6 percent, 2.3 percent and 0.7 percent respectively. Muffin tops/crowns captured the greatest share of total muffin dollar sales in the Central region, with 0.8 percent, compared to 0.3 percent nationally.

OPPORTUNITIES

Case Studies

One valuable asset for supermarkets is the addition of more grab-and-go cases and secondary displays that feature dessert cakes, bar cakes and even holiday cakes. In particular, dessert cakes and individual desserts offer particular promise for the supermarket business.

One major Southeast chain recently began merchandising cake slices and individual dessert cakes



Round brownies offer a fun and unique grab-and-go item.

in its grab-and-go section, located near the check-out. "Cakes in this section are just as fresh and appealing as in the bakery case," the chain's bakery director says. "Customers love the convenience."

Russ's Market, one of three banners owned by B&R Stores, Inc., an independent supermarket chain based in Lincoln, NE, features an upscale bakery department that includes more grab-and-go products, such as two-pack filled éclairs with plastic spoons attached and topped bagels (two for \$1.50) in flavors like double cinnamon crunch.

To keep pace with consumer demand, B&R's bakery director Eric Schafers says they must offer baked goods with exceptional quality and the convenience of foodservice operations like Panera Bread.

Other instores are following similar paths. Thibodaux, LA-based Rouses, a 32-store chain, offers several signature items in the bakery: Double Doberge cakes, petite fours and Tarte a La Bouille pie. Doberge is an 8-inch, six-layer dessert cake with a moist and creamy chocolate or lemon filling. For those who can't choose a favorite, the ½ Double Doberge is half chocolate and half lemon. Single-flavor Doberge cakes sell for \$16.99, and two-flavor cakes are \$17.99. The Tarte a La Bouille is a Cajun custard pie, which sells for \$4.99.

In nearby Texas, United Supermarkets LLC, a Lubbock, TX-based company of 47 stores, caters to varying customer preferences at its 16 International stores, 20 Traditional stores and 11 Specialty stores, including the newest Market Street in the Dallas suburb of Allen.

Tammy Kampsula, United's Business Director – Bakery, explains that three concepts enable United to offer more tailored products to meet the needs of varying types of consumers.

“At Market Street, we do a lot of day-part merchandising,” Kampsula says. “We put out donuts and breakfast pastries in the morning and switch the display to our Texas brownie between (11 a.m. to noon).”

Single-serve cakes and pies are on the rise, and in particular, slices are leading the way. These items are great for consumers to indulge in a treat while still exercising some portion control. Packaging and signage that speak to single servings, and giving into temptation for just a few bites, can draw attention to these offerings.

Muffin tops/crowns offer arguably the best part of the muffin, without the added calories of the muffin stem. Cross merchandising these items near the bulk case will give consumers reaching for a full-sized



Sliced loaf cakes are pre-portioned for convenience or may be sold individually for a personal indulgence.

muffin another option. Distribution on muffin tops/crowns is not widespread, and retailers can test the viability of these items in their bakeries with the addition of one or two SKUs.

Donuts, cookies, specialty desserts, and brownies and dessert bars are potential opportunities for single-serve item development. By nature these categories already sell substantial volume of individual items, though there may be opportunity to sell half-sized items. Packaging will be important to convey to consumers that this is only a piece of a full sized item, and selling broken cookie halves perhaps could become a signature item for a retailer.

The target consumer for single-serve bakery items may be currently bypassing the temptations of the instore bakery to purchase the 100-calorie pack of cookies or desserts from the center store. Converting these consumers to the instore bakery with the fresh angle, would boost department sales and store profits.

Instituting clear signage around these items that communicates portion control, in addition to creating prominent displays and advertising in the circular, are ways to attract the single-serve consumer.

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 growth.

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.