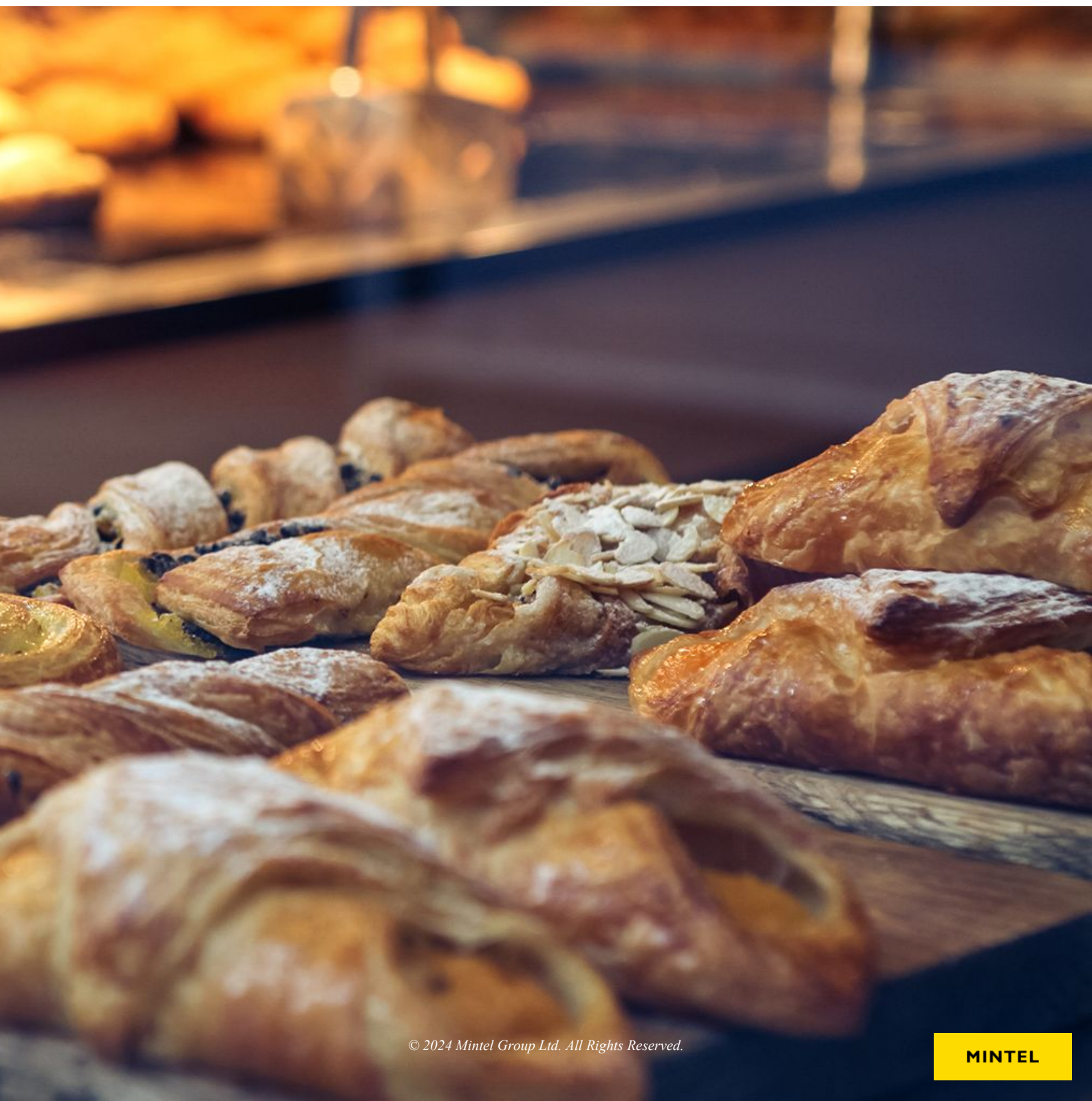


IN-STORE BAKERY – US – 2024

Building longer-term loyalty, shopping habits, and growth in the ISB will require a healthy balance of indulgence and meeting everyday needs. Innovation on the menu can create new occasions, but so can getting creative with pairings and merchandising that embraces the full power of the perimeter.



Kelsey Olsen, Food & Drink Analyst



In-store Bakery – US – 2024

This report looks at the following areas:

- In-store bakery purchases and frequency of purchase by product
- In-store bakery occasions
- Interest in in-store bakery experience and product concepts
- Associations with baked goods by purchase location
- In-store bakery attitudes
- In-store bakery market size and forecast
- Brand innovation, strategies, and opportunities

Overview

In recent years, grocery retailers' development of at-home food solutions have demonstrated the power of food-centric offerings and programs that connect with consumers' everyday convenience needs: from value options that fit into tighter budgets to accessible indulgences that bring convenience and comfort in uncertain times. The ISB can be a focal point in the perimeter of the store alongside foodservice-style options that can be brand and traffic builders.

Now, even after boosted dollar sales in 2022 that spilled into 2023, the ISB still faces challenges in building routine, everyday associations. More than a third of in-store bakery



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consumers agree that ISB products are an impulse purchase, and less than half agree that ISB products are good for everyday groceries. Yet, practical bakery items like breads and buns (perhaps predictably), are what really drive routine engagement. Retailers can push past the limits of special occasion shopping and remind consumers of the ISB's versatility and variety that lends to everyday convenience and quality.

The ISB *does* fare well in comparison to other baked goods' shopping locations, but retailers can continue to differentiate and enhance experiences to increase foot traffic, especially with younger shoppers who want more from the ISB. In-store sampling and daily specials are by no means novel ideas, but they are concepts that can bring everyday excitement in a department that needs to break free from being just a special occasion destination.

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Report Content

EXECUTIVE SUMMARY

- What you need to know
- Consumer trends: key takeaways
- Market size and forecast
- Market predictions
- Opportunities

MARKET DYNAMICS

- Market context

Market drivers

- Retailers can address labor issues through tech
- Cooling inflation will benefit some baked goods more than others
- Away-from-home food costs suggest at-home eating occasions will stick around
- Upbeat consumers may indulge in new ways...
 - Graph 1: consumer sentiment index, 2021-24
- ...yet comfort and value will remain priority
 - Graph 2: overall food and drink shopping priorities – important factors when selecting food and drink , 2023

Market size and forecast

- In-store traffic and inflation fuel ISB growth
- Steadier, enduring growth on the horizon
- ISB market is almost \$4B stronger than 2018...
- ...with inflation playing a hand

Market segmentation

- Embrace the savory side of the ISB
- Build the routine portion of the ISB business: breads and rolls, and breakfast
 - Graph 3: total retail sales and forecast of in-store bakery, by segment, at current prices, 2018-28
- Retail sales of in-store bakery, by segment

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- ISB gains traction despite, or because of, lingering inflation
 - Graph 4: in-store bakery purchase, 2023–24
- Even ISB shoppers with limited repertoires buy both sweets and pantry staples
 - Graph 5: repertoire of ISB items purchased, 2024
 - Graph 6: products purchased, by repertoire of products purchased, 2024
- From Gen X to Gen Z, the ISB is rising
 - Graph 7: in-store bakery purchase, by generation, 2024
- Flexibility creates relevance for all household sizes
 - Graph 8: in-store bakery purchase, by household size, 2024

ISB purchase frequency by product type

- Breads aren't the stars of the ISB, but maybe they should be
 - Graph 9: frequency of in-store bakery purchase, 2024
- The ISB is seeing broader generational shifts in shopping habits
 - Graph 10: ISB product purchase frequency, regular purchase, by generation, 2024
- Household size is a barrier to regular ISB engagement...
 - Graph 11: frequency of in-store bakery purchase by product – regularly purchase, by household size, 2024

In-store bakery occasions

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 - Graph 12: in-store bakery occasions, 2024
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 - Graph 13: in-store bakery occasions, by generation, 2024
- The ISB can act as an extension of prepared foods
 - Graph 14: in-store bakery occasions, by household size, 2024

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- Retailers: create a sense of ISB FOMO with simple experiences
 - Graph 15: interest in in-store bakery experience, 2024
- Think like an operator to meet the ISB needs of the now and next generations
 - Graph 16: interest in in-store bakery experience, by generation, 2024
- The ISB can bring instant and delayed convenience to larger households
 - Graph 17: interest in in-store bakery experience, by household size, 2024

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- Give ISB shoppers what they want: options for all day, every day
 - Graph 18: interest in in-store bakery product concepts, 2024
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 - Graph 19: interest in in-store bakery product concepts, by generation, 2024
- Value is not one size fits all
 - Graph 20: interest in in-store bakery concepts, by household size, 2024

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 - Graph 21: attributes associated with baked goods from specific locations, 2024
- Let Boomers know the ISB can fulfill needs beyond sweets
 - Graph 22: attributes associated with baked goods from the in-store bakery, by generation, 2024
- Today's investment to update ISB will deliver long-term returns
 - Graph 23: attributes associated with baked goods from the in-store bakery, by generation, 2024
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 - Graph 24: attributes associated with baked goods from the in-store bakery, by household size, 2024

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 - Graph 25: in-store bakery attitudes, 2024
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 - Graph 26: in-store bakery attitudes, by generation, 2024
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 - Graph 27: in-store bakery attitudes, by household size, 2024

INNOVATION AND MARKETING TRENDS

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- Brands bridge the household size gap with small bites
- Consumers are open to indulgence in different, yet everyday ways
- Target's Favorite Day blurs the line between center of store and ISB
- Brands extend the celebration with year-round reasons
- Brands are inviting consumers to explore on their own
- Flavorscape AI: Bakery

Marketing and advertising

- Think outside the pack for premium positioning
- Making ISB just another destination for international flavors at the store

- The ISB can fit different dietary needs and preferences

Opportunities

- Meeting the in-between moments

APPENDIX

- Market definition
- Consumer research methodology
- Generations
- Abbreviations and terms
- Market size methodology
- Forecast
- Forecast fan chart

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- Total retail sales and forecast of breakfast bakery, at inflation-adjusted prices, 2018-28

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