Bread & Bakery Products

2002 Market Report

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Executive Summary

Growth within the bread market was better in 2001 than in other recent years, for a number of reasons. A feature of the market in the past decade has been price-cutting by retailers, but in 2001 there were fewer and less stringent cuts. There has also been continued activity within the industry to develop added-value products, especially in the speciality bread and bakery products sectors. However, the overall growth rate of just 2% in 2001 reflects the fact that this is a mature and saturated market.

The white bread sector gained in value slightly after remaining static for many years, although the brown and wholemeal bread sector continued to decline. The ethnic and speciality bread sector has become increasingly important, benefiting from both the trend towards in-store bakeries (ISBs), which are particularly suited to the production of French and other continental breads, and from the internationalisation of eating habits. Although the bakery products market grew faster than the traditional bread sectors during the second half of the 1990s, growth slowed during 2000, as this sector became the target of price cuts. However, 2001 witnessed something of a recovery.

The end of severe price-cutting within the market has occured as a result of a number of factors, including a change of emphasis among supermarkets, with a move towards quality and away from knock-down prices. The adverse weather conditions in 2000/2001, and the subsequent poor wheat harvest, which has led to higher flour costs, have been widely publicised in the general media, and consumers have, on the whole, been prepared for price increases.

However, manufacturers are now having to contend with growing competitiveness within the bread market. The high level of new product development (NPD) has meant that the number of product categories is increasing — in some cases leading to a fight for shelf space in supermarkets.

With almost 100% household penetration, there is little room for any dramatic market growth in the future. Undoubtedly, there is scope for product innovation and adding value within individual sectors, with speciality breads and bakery products the most likely to benefit. However, it is probable that this will be at the expense of the traditional bread sectors, and the overall market will grow only slowly between 2001 and 2006.

1. Market Definition

REPORT COVERAGE

Bread is a staple item in the UK diet, with household penetration of almost 100%. The market for bread and bakery products has been static for some years, but there has been considerable movement within different sectors of the marketplace, as manufacturers and retailers have attempted to increase their share through product innovation and diversification.

The focus of this report is on bread and bakery products. Cakes and pastry products are exluded.

MARKET SECTORS

The two main sectors of the market are bread and bakery products, which can themselves be subdivided on the basis of several different factors.

Bread

This report divides the bread sector into three segments:

- white bread
- brown and wholemeal bread
- ethnic and speciality bread.

The white bread and brown and wholemeal bread sectors are represented by 'traditional' bread shapes, some of which are described below. Both standard and premium sliced wrapped loaves are included. The division between white and brown/wholemeal is based on flour type:

- white bread — made from flour, that contains only the endosperm, or central section, of the grain (approximately 75% of the whole grain)
- brown bread — made from flour representing approximately 85% of the whole grain, containing a crude fibre content derived from wheat of no less than 0.6%, and with an ingredient flour other than wholemeal
- wholemeal bread — made from the entire wheat grain, with nothing removed.

There are numerous varieties in terms of bread shape, with regional preferences often apparent. Some of the more common shapes are:

- sandwich loaf — a tin loaf with a flat top, giving even, rectangular slices
- split tin — a long, tin-baked loaf giving a large number of small slices
- farmhouse — similar to a split tin, but shorter and fatter for larger slices

- batch loaf — tall loaves baked without tins by placing them close together in the oven so that the sides touch; they are split apart after baking, and have only top and bottom crusts
- cob — a round loaf, often made with a combination of brown and white flours, usually with a sprinkling of crushed wheat on top
- Vienna — a white baton-shaped loaf, usually enriched with milk, with a glazed, crisp crust and sometimes topped with poppy seeds.

White Bread

The white bread sector also include softgrain bread, which is made from white flour with additional grains of softened rye and wheat. During 2001, a new type of white bread, made partly with wholemeal flour, was introduced by some major manufacturers.

Brown and Wholemeal Bread

Variations within the brown and wholemeal bread sector include:

- wheatgerm bread, which has an added processed wheatgerm content of no less than 10%
- granary bread, made from granary flour (a trademark of the Hovis brand), which includes kibbled and whole grains.

Ethnic and Speciality Bread

The ethnic and speciality bread sector include breads from continental Europe and further afield, including the Middle East and Asia. These breads are made with a variety of different flours and methods, and include:

- naan — a white-flour bread, lightly leavened by a natural yeast starter developed from airborne yeasts
- pitta — the best-selling ethnic bread in the UK, pitta is a flat bread from Greece and the Middle East; it is generally made from white flour, but is available in wholemeal variants, is usually oval in shape, and can form a pocket for fillings
- focaccia — a light, soft Italian bread made from white flour with olive oil, and often with added flavourings, such as garlic, herbs, olives or sun-dried tomatoes
- ciabatta — a flat, crusty white Italian bread, made with virgin olive oil and with large holes in the dough
- baguette — a long white crusty baton loaf (also known as a French stick) made with special flour, it has a very short shelf life because it goes stale very quickly
- cholla — a braided Jewish loaf traditionally eaten on the Sabbath and at festival times, enriched with butter and eggs to give a creamy coloured crumb and a very fine texture.

Bakery Products

The bakery products sector was previously called morning goods, referring to products such as rolls, which were traditionally sold in the morning and consumed on the day they were baked. Due to modern technology, ingredients and packaging, the shelf life of these products has improved, making the term 'morning goods' somewhat out of date. In addition, changing shopping and eating habits mean that these products can now be consumed a day after purchase.

Rolls and baps account for the majority of sales within this sector, although the sector also includes traditional British toasting products (muffins, crumpets and teacakes), as well as scones and buns, and seasonal products, such as hot cross buns. In recent years, the sector has expanded to encompass international products, such as croissants and US-style sweet muffins, as well as bagels, pancakes, waffles and potato cakes.

MARKET TRENDS

The Price of Bread

Many craft bakers and supermarkets increased their prices during 2001, marking an end to the price-cutting activity that had characterised previous years. According to some industry sources, extensive publicity in mainstream media meant that, on the whole, customers were prepared for these increases. There were a number of reasons for these price rises. Early in the year, Allied Bakeries introduced selective increases, which were tailored to the profitability of its individual customers, in response to rising delivery costs.

The poor UK wheat harvest also had an effect on prices during the second half of 2001, with the cost of wheat for autumn delivery to millers rising by up to 30%. In addition, worldwide wheat production shifted from surplus to deficit, as wheat growers in Europe and North America switched to other crops, such as maize or soya, due to poor prices.

Growing Competitiveness Within the Market

Manufacturers of mainstream products continually having to rethink their strategies, and update and promote their products, in order to differentiate them from their competitors. This is due to the proliferating number of categories within the bread market — including premium, organic and continental breads — coupled with improvements in the quality of retailers' own-label products.

Lifestyle Factors

The many lifestyle changes having a continuing impact on the bread market include the following:

- Smaller household sizes, including more single-person households and smaller family households, are leading to new product developments (NPDs), such as 'half loaves' and the growing popularity of rolls and bakery snacks.
- The rising fortunes of the bakery products sector can be attributed in part to changing eating habits, with casual eating patterns, such as snacking or grazing, taking the place of traditional meals.
- The increase in the number of families in which both partners work full time has led to a higher proportion of meals — especially lunches — being eaten outside the home. This has helped to boost demand for sandwiches, giving plant bakeries the opportunity to widen their market by supplying bread to sandwich manufacturers. It has also meant that a wide variety of outlets (including convenience stores and High Street craft bakeries) now incorporate bake-off units to prepare freshly-baked sandwiches and hot snacks for the lunchtime market.

MARKET POSITION

In 2001, the bread and bakery products market had an estimated value of £2.9bn, which was considerably more than the markets for breakfast cereals or biscuits, for example.

Table 1: A Comparison of the UK Bread Market and Other Major Food Markets by Value (£bn at rsp), 2000/2001

Bread and bakery products	2.9
Cheese	1.6
Biscuits	1.2
Breakfast cereals†	1.1
Eggs	0.5
Sugar	0.2

rsp — retail selling prices

† — includes pasta and other foods based largely on cereals, such as pizzas

Note: the bread and bakery products figure is for 2001; all other figures are for 2000

Source:Key Note

The *Family Spending Survey* showed that household spending on bread and bakery products in 2000/2001 was £1.80 per week — the same as in 1999/2000. In 2000/2001, this value represented 2.9% of all household food expenditure, compared with 3% in 1999/2000.

Table 2: Household Expenditure on Food by Type (£ per household per week and %), 1999/2000 and 2000/2001

	1999/2000		2000/2001	
	£ per Week	% of Total	£ per Week	% of Total
Food Consumed at Home				
Meat	8.2	13.8	8.3	13.3
Fruit and vegetables	6.9	11.6	7.3	11.7
Dairy, fat and oil	5.5	9.2	5.7	9.1
Flour, biscuits, cakes and cereals	4.2	7.0	4.3	6.9
Beverages	3.5	5.9	3.6	5.8
Confectionery and ice cream	2.4	4.0	2.5	4.0
Bread	1.8	3.0	1.8	2.9
Fish	1.4	2.3	1.5	2.4
Sugars, jams and spreads	0.5	0.8	0.5	0.8
Eggs	0.4	0.7	0.4	0.6
Other foods	5.5	9.2	5.9	9.5
Total food consumed at home	**40.3**	**†67.6**	**41.8**	**†67.1**
Meals out‡	19.3	32.4	20.5	32.9
Total	**59.6**	**100.0**	**62.3**	**100.0**

† — does not sum due to rounding

‡ — includes take-away meals eaten in or out of home

Source:Family Spending, National Statistics/Key Note

According to the *National Food Survey* (NFS), consumption of bread (in volume terms) rose slightly between 1999 and 2000, from 717g per person per week, to 720g. However, consumption of bread has fallen considerably since 1989.

Table 3: Consumption of Food by UK Households by Type of Food (grams per person per week), 1989-2000

	1989	1996	1998	1999	2000
Milk and cream†	2,236	2,106	2,010	2,007	2,081
Vegetables	2,325	2,118	1,944	1,966	1,986
Fruit	919	1,023	1,074	1,063	1,120
Meat and meat products	1,019	943	934	912	966
Other cereals	678	809	736	747	788
Bread	834	752	742	717	720
Fats and oils	269	227	194	186	186
Fish	147	154	144	144	143
Sugar and preserves	233	185	155	141	139
Cheese	115	111	104	104	110
Beverages	74	64	58	56	58
Eggs‡	2.29	1.87	1.68	1.68	1.75

† — millilitres or equivalent per person per week

‡ — number of eggs per person per week

Source:National Food Survey (NFS)

KEY TRADE ASSOCIATIONS

Federation of Bakers

Founded in 1942, the Federation of Bakers represents the plant-baking industry. It has 63 members: 54 in England and Wales, and nine in Scotland and Northern Ireland. Membership decreased slightly between April 2000 and April 2001, due to rationalisation within the industry.

During 2001, one of the main challenges to the Federation was the issue of selling bread at below-cost prices. Following a submission, the Competition Commission produced a report proposing a Code of Practice to put the retailer-supplier relationship on a more even footing. However, it was felt that the Code did not address the issue satisfactorily, and the Federation is currently considering how best to address the matter in the future.

The Federation has also addressed the issues raised by the success of the market for organic foods, and has appealed to organic groups, such as the Soil Association, not to limit certification of organic bread production to small-scale operations.

Among its other activities, the Federation runs courses in bread-making skills, including a 2-day Introduction to Technical Aspects of Plant Baking, and an 8-day course on Principles of Plant Baking. A new course on Premium Bread Technology was introduced in October 2000.

In April 2000, the Federation introduced its Contractors' Passport Scheme, ensuring that all contractors working on members' sites have been audited in respect of health and safety requirements.

Flour Advisory Bureau

The Flour Advisory Bueau (FAB) is a generic body, which came into existence in 1956 to provide information on all matters concerning flour and bread to the public, media, schools and health professionals, as well as to the catering, retail and baking trade.

Recent activities undertaken by the FAB include a report investigating food allergies and intolerance (see Chapter 7 — Current Issues), and a children's competition based on their suggested improvements to school meals.

National Association of Master Bakers

The National Association of Master Bakers (NAMB) represents the interests of the craft-baking industry in England and Wales. It provides a forum for members to meet and exchange views, and represent the views of the industry to government and other national organisations.

It is perhaps an indication of the way the craft-baking industry is evolving that *Bakers Review* — formerly the journal of the NAMB — has been replaced by its publishers, Turret RAI, with *Bake & Take*, which was launched in autumn 2001. *Bake & Take* covers the takeaway, foodservice and café marketplace, as well as the traditional craft bakery sector, and includes a four-page Bakers Review section containing NAMB news.

2. Market Size

THE TOTAL MARKET

In 2001, the bread market showed a better growth rate than in recent years. This was mainly because retail price cuts were fewer and less stringent, but it was also because of the growing importance of added-value products, especially in the speciality bread and bakery products sectors. Key Note estimates that the total market reached a value of £2.9bn at retail selling prices (rsp) in 2001, representing an increase of 2% over the previous year.

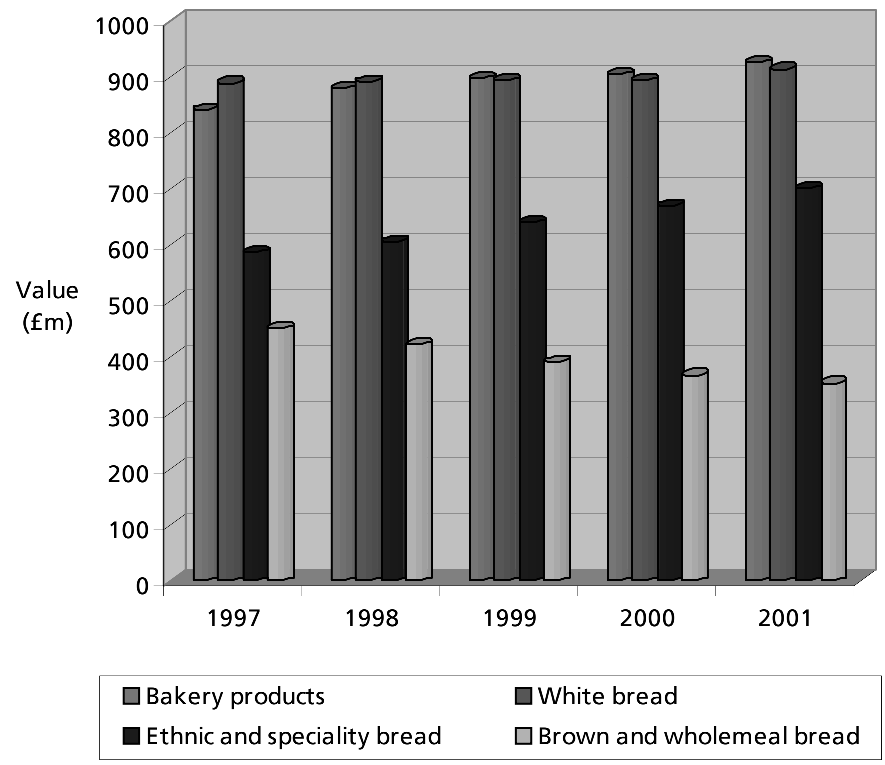
Table 4: The UK Bread and Bakery Products Market by Sector by Value at Current Prices (£m at rsp), 1997-2001

	1997	**1998**	**1999**	**2000**	**2001**
White bread	890	892	895	895	915
Brown and wholemeal bread	451	422	392	368	353
Ethnic and speciality bread	587	606	640	670	701
Bakery products	842	880	898	905	926
Total	**2,770**	**2,800**	**2,825**	**2,838**	**2,895**
% change year-on-year	-	*1.1*	*0.9*	*0.5*	*2.0*

rsp — retail selling prices

Source:Key Note

Figure 1: The UK Bread and Bakery Products Market by Sector by Value at Current Prices (£m at rsp), 1997-2001



Source:Key Note

BY MARKET SECTOR

Bread

The steady decrease in the value of the market for traditional brown and wholemeal bread was halted in 2001, when bread discounting in supermarkets became less of a feature than in previous years. However, the overall market share taken by white, brown and wholemeal bread continued to decrease slowly between 1997 and 2001, falling to 43.8% in 2001.

Table 5: The UK White, Brown and Wholemeal Bread Market by Value at Current Prices (£m at rsp and %), 1997-2001

	1997	1998	1999	2000	2001
Value (£m at rsp)	1,341	1,314	1,287	1,263	1,268
% change year-on-year	-	*-2.0*	*-2.1*	*-1.9*	*0.4*
Sector share of the total market (%)	48.4	46.9	45.6	44.5	43.8

rsp — retail selling prices

Source:Key Note

White Bread

The price increases implemented by plant bakers in 2001 (and the subsequent fall in supermarket discounting of white bread), combined with the stronger presence of added-value products (such as organic loaves), meant that the value of the white bread market rose by 2.2% during 2001, having remained static for many years. Market share remained almost static, at 31.6%.

Table 6: The UK White Bread Market by Value at Current Prices (£m at rsp and %), 1997-2001

	1997	1998	1999	2000	2001
Value (£m at rsp)	890	892	895	895	915
% change year-on-year	-	*0.2*	*0.3*	*0.0*	*2.2*
Sector share of the total market (%)	32.1	31.9	31.7	31.5	31.6

rsp — retail selling prices

Source:Key Note

Brown and Wholemeal Bread

Brown and wholemeal bread has always been a 'difficult' product for the consumer. Although aware of its nutritional benefits, the majority of consumers (especially men and children, who eat more bread than other groups) seem to prefer the taste and texture of white bread.

Despite industry efforts to address the issue — with product innovations including softer-textured wholemeal bread — the sector has continued to decline, taking a 12.2% share of the market in 2001, compared with 16.3% in 1997.

Table 7: The UK Brown and Wholemeal Bread Market by Value at Current Prices (£m at rsp and %), 1997-2001

	1997	1998	1999	2000	2001
Value (£m at rsp)	451	422	392	368	353
% change year-on-year	-	*-6.4*	*-7.1*	*-6.1*	*-4.1*
Sector share of the total market (%)	16.3	15.1	13.9	13.0	12.2

rsp — retail selling prices

Source:Key Note

Ethnic and Speciality Bread

The ethnic and speciality bread sector has become increasingly important in recent years, benefiting from two separate trends. One is the growing popularity of in-store bakeries (ISBs) and bake-off units in smaller outlets, which are particularly suited to the production of French and other continental breads. The other trend is the internationalisation of eating habits, with consumers incorporating a wide range of regional and ethnic breads — such as naan, pitta and soda breads — into their diets.

Although the speciality bread sector is dominated by French breads (estimated to take a 55% share), the market for Italian bread is growing fast, and now holds an estimated 9% share.

The sector has been growing at a steady rate since 1997, and accounted for 24.2% of the total bread market in 2001. It has been less prone to price-cutting activity than other sectors. This is partly because the sheer variety of products makes it difficult to pinpoint a potential 'best-seller', and partly because the speciality sector has a more up market customer base, which is less likely to be swayed by dramatic cost savings.

Table 8: The UK Ethnic and Speciality Bread Market by Value at Current Prices (£m at rsp and %), 1997-2001					
	1997	**1998**	**1999**	**2000**	**2001**
Value (£m at rsp)	587	606	640	670	701
% change year-on-year	-	*3.2*	*5.6*	*4.7*	*4.6*
Sector share of the total market (%)	21.2	21.6	22.7	23.6	24.2

rsp — retail selling prices

Source:Key Note

Bakery Products

Although the bakery products market grew faster than the traditional brown and white bread sectors during the second half of the 1990s, it too became the target of price cuts, and growth slowed considerably in 2000. However, there was something of a recovery during 2001, with the sector growing by 2.3%, and its share of the total bread market reaching 32%.

Table 9: The UK Bakery Products Market by Value at Current Prices (£m at rsp and %), 1997-2001					
	1997	**1998**	**1999**	**2000**	**2001**
Value (£m at rsp)	842	880	898	905	926
% change year-on-year	-	*4.5*	*2.0*	*0.8*	*2.3*
Sector share of the total market (%)	30.4	31.4	31.8	31.9	32.0

rsp — retail selling prices

Source:Key Note

MARKET SHARE BY SECTOR

The figures presented in this section are based on data from the *National Food Survey*, and include bread and bakery products consumed at home only. The figures exclude consumption in restaurants, sandwich bars and other food outlets.

Table 10: Market Share of Bread by Sector by Volume (%), 1996-2000

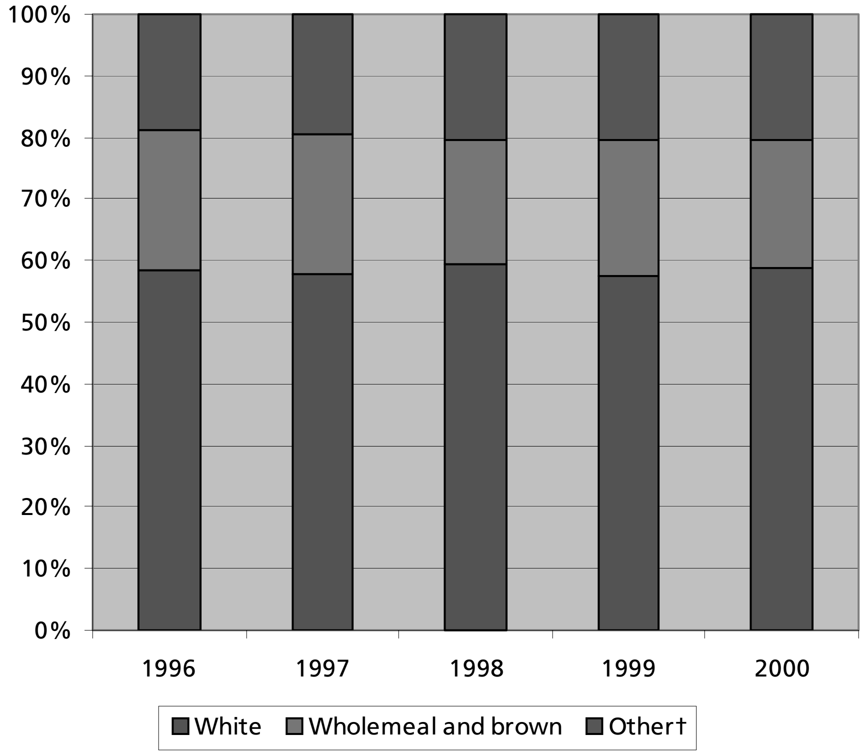
	1996	**1997**	**1998**	**1999**	**2000**
White	58.6	57.8	59.5	57.6	58.8
Wholemeal and brown	22.6	22.9	20.0	22.0	20.7
Other†	18.9	19.4	20.5	20.4	20.4
Total	**‡100.0**	**‡100.0**	**100.0**	**100.0**	**‡100.0**

† — includes bread rolls and speciality breads, malt bread, French bread, Vienna bread, starch-reduced bread and part-baked bread products

‡ — does not sum due to rounding

Source:National Food Survey/Key Note

Figure 2: Market Share of Bread by Sector by Volume (%), 1996-2000



† — includes bread rolls and speciality breads, malt bread, French bread, Vienna bread, starch-reduced bread and part-baked bread products

Source:National Food Survey (NFS)/Key Note

The volume penetration of white bread has been steadily increasing over many years, at the expense of wholemeal and brown bread. There was something of a reversal of this trend during 1999, but this was not sustained during 2000, when white bread accounted for 58.8% of market share by volume, compared with 20.7% for wholemeal and brown bread.

Table 11 analyses volume consumption in more detail.

Table 11: Market Share of Bread by Bread Type by Volume (%), 1996-2000

	1996	1997	1998	1999	2000
White sliced standard	34.2	29.3	29.3	32.2	31.1
White premium loaves	12.6	18.4	19.5	16.2	17.9
Wholemeal (sliced and unsliced)	13.2	12.1	10.9	12.3	12.5
Rolls	9.5	9.3	9.4	9.4	9.6
White unsliced standard	9.3	8.4	8.2	8.2	9.0
Brown (sliced and unsliced)	9.5	10.7	9.2	9.6	8.2
Vienna/French bread	3.6	4.2	4.2	4.3	3.9
White soft grain loaves	2.2	2.2	2.4	1.0	1.3
Malt/fruit bread	0.9	0.9	0.9	0.8	1.0
Starch-reduced bread and rolls	0.7	0.8	0.8	0.6	0.7
Other bread†	3.6	3.5	3.9	4.2	4.4

† — including sandwiches purchased for home consumption

Note: figures do not sum due to rounding.

Source:National Food Survey (NFS)/Key Note

Although the shares of volume consumption for a lot of the bread types remained at a similar level between 1996 and 2000, the consumption of two bread types changed considerably. The share of volume consumption of white sliced bread fell from 34.2% in 1996, to 31.1% in 2000, while the consumption of white premium loaves increased from 12.6% to 17.9% during the same period.

OVERSEAS TRADE

Overseas trade is relatively unimportant in the UK bread market. A number of UK plant bakers export part-baked and frozen bakery products to retailers and the foodservice industry in Europe and elsewhere. Furthermore, there is a growing sandwich market in continental Europe, which is also serviced by some UK companies. However, exports of bread and bakery products currently only account for around 2% of the total market.

Although the UK market has been characterised by a growing interest in ethnic and continental products in recent years, very little of this (approximately 1%) is imported. Many ethnic products are made by relatively small UK-based companies, which were originally set up to service ethnic communities in large metropolitan areas. In the case of bakery products from continental Europe, a number of European firms specialising in such products have been acquired by UK-based companies, and/or have set up UK subsidiaries themselves.

3. Industry Background

RECENT HISTORY

During the second half of the 1990s, the bread market was dominated by the negative effects of discounting by supermarkets. As a staple item within the British diet, bread played an important part in the price wars between major retailers, which used the product as a ‘loss leader’, selling it at below cost price in order to attract customers. (Bread reached a low of 7 pence for a standard loaf during 1999.)

Although bread manufacturers responded to this by introducing added-value products, such as premium and super-premium loaves, the multiples reacted by extending their discounting practices to these sectors, too. However, 2000 and 2001 witnessed a reduction in discounting activity, as supermarkets began to concentrate on quality rather than price cutting, and as bread manufacturers began to implement price increases.

Another area in which the supermarkets have had a strong influence in recent years is in the widespread adoption of in-store bakeries (ISBs), which sell craft-style breads baked on the premises, either from scratch or by bake-off methods (finishing part-baked or frozen dough products). This has had a strong effect on both the craft and plant-bakery sectors, exacerbated by the fact that supermarkets introduced discounting into their ISBs during the mid-1990s.

Many plant bakers have now entered the bake-off market, producing their own part-baked products for finishing off in ISBs, and/or acquiring existing companies that were already supplying the sector.

The craft sector — represented by small High Street bakery shops — has been declining for many years, suffering from small-scale production and low profit margins. Most existing craft bakers have now diversified into areas such as takeaway food (e.g. sandwiches and hot snacks prepared in bake-off ovens) and many have incorporated cafés into their premises. Some of the more successful craft bakery chains now see themselves as competing with the coffee shop chains, such as Starbucks, more than with plant bakers or ISBs.

NUMBER OF COMPANIES

According to the Federation of Bakers, 80% of all bread production is now concentrated in just 11 companies, operating from a total of 61 units.

Figures published in *Business Monitor PA1003 — Size Analysis of UK Businesses* show that there were 1,845 VAT-based enterprises engaged in the manufacture of bread, fresh pastry goods and cakes in 2001 — 115 fewer than in 2000. Relatively few companies (280 in all, representing 15.2% of the total) had a turnover of more than £1m during 2001.

Table 12: Number of VAT-Based Enterprises Engaged in the Manufacture of Bread, Fresh Pastry Goods and Cakes by Turnover Sizeband (£000, number and %), 2000 and 2001

	2000		2001	
	Number of Enterprises	% of Total	Number of Enterprises	% of Total
Turnover Sizeband (£000)				
1-49	205	10.5	180	9.8
50-99	425	21.7	375	20.3
100-249	580	29.6	575	31.2
250-499	310	15.8	275	14.9
500-999	160	8.2	160	8.7
1,000-4,999	185	9.4	180	9.8
5,000+	95	4.8	100	5.4
Total	**1,960**	**100.0**	**1,845**	**†100.0**

† — does not sum due to rounding

Source:Business Monitor PA1003 — Size Analysis of UK Businesses

EMPLOYMENT

A total of 85.3% of the VAT-based local units engaged in the manufacture of bread, pastry and cakes employ fewer than 20 people, and 62.5% employ fewer than ten people.

Table 13: Number of Local Units Engaged in the Manufacture of Bread, Fresh Pastry Goods and Cakes by Number of Employees (number of units and %), 2001

	Number of Units	% of Total
Number of Employees		
1-9	2,130	62.5
10-19	780	22.9
20-49	240	7.0
50-99	85	2.5
100-199	75	2.2
200-499	70	2.1
500-999	20	0.6
1,000+	5	0.1
Total	**†3,410**	**†100.0**

† — does not sum due to rounding (source rounds to the nearest five)

Source:Business Monitor PA1003 — Size Analysis of UK Businesses

REGIONAL VARIATIONS IN THE MARKETPLACE

Many of the large plant bakeries began their operations as small family businesses in a single region, and expansion has tended to be organic, in geographical terms, with distribution focused on areas surrounding the company's original region.

The operational areas of some of the major plant bakers are shown in Table 14.

Table 14: Major Plant Bakers by Number of Manufacturing Sites and Location of Operations, 2001

Company	Location	Number of Sites
Allied Bakeries Ltd	Nationwide	13
British Bakeries Ltd	Nationwide (inc. Northern Ireland)	17
Fine Lady Bakeries Ltd	Banbury, Oxfordshire	1
Fletchers Bakeries Ltd	Sheffield, Yorkshire	1
Frank Roberts & Sons Ltd	Northwich, Cheshire	1
Harvestime Ltd	Midlands	2
Rathbones Ltd	North of England, Midlands, Wales	7
Warburtons Ltd	Scotland, North of England, Midlands	11
William Jackson & Son Ltd	Kingston-upon-Hull, Humberside	1

Source:The Federation of Bakers/Key Note

DISTRIBUTION

Manufacturers

Distribution and delivery of bread from plant bakers is a complex operation, with multisite operators often concentrating the production of different lines at individual bakeries, needing inter-company trunking for full distribution of products. Most plant bakeries retain their own delivery fleets and drivers, with some smaller companies using contract or franchise delivery for areas over a certain distance from their manufacturing facilities.

In recent years, there has been an increased emphasis on just-in-time (JIT) delivery, ensuring that the product is delivered to the customer at the right time and in fresh condition.

Retailers

The multiple grocers dominate retail distribution, taking the major share of the wrapped-and-sliced bread market and, more recently, the ISB market.

Craft bakers have had their share eroded by both the multiple retailers and the convenience sector, including forecourt retailers and symbol groups. As well as selling wrapped and sliced bread, the latter have also adopted bake-off techniques to sell crusty bread and bakery products, putting them in direct competition with the craft sector.

Recently, a number of large chains have been active within the craft sector, expanding through acquisitions of individual outlets and smaller chains, and diversifying into takeaway food and catering. The three largest chains are Greggs, Lyndale Foods and Three Cooks.

Table 15: The Leading Multiple Bakers by Number of Retail Units, 1996, 1999 and 2001

	1996	1999	2001
Greggs	1,052	1,072	1,100
Three Cooks (RHM)	268	296	297
Lyndale Foods Ltd	230	345	252

Source:Key Note

HOW ROBUST IS THE MARKET?

The difficult relationship between bread manufacturers and major multiple retailers has led to a number of problems for large plant bakers, which have suffered both from dramatic price-cutting activity and from the adoption of ISBs by supermarkets.

The industry's response has been to concentrate on adding value through product innovation, and there is strong competition between the few large companies remaining in the market, which are all aiming to differentiate themselves from the others in order to gain fiercely-contested supermarket shelf space.

In 2000, the recent troubles within the plant-baking sector came to a head with plant closures by Allied Bakeries and the sell-off of British Bakeries' parent company, Rank Hovis McDougall.

At the opposite end of the size spectrum, many small craft bakeries are struggling for survival, and others have been absorbed into the larger, more successful chains. This sector is in the process of reinventing itself, with many craft bakeries becoming primarily catering outlets, with the production of bread virtually a sideline.

LEGISLATION

On 1st October 2001, the increase in the Minimum Wage (from £3.70 to £4.10 for workers aged over 21) came into force. This is one of the factors expected to contribute to further increases in the price of bread during 2002.

In May 2001, the Health & Safety Executive (HSE) published an updated list of occupational exposure limits to a number of substances, which included flour dust.

4. Competitor Analysis

THE MARKETPLACE

The UK baking industry is based on three major sectors:

- plant bakeries
- in-store bakeries (ISBs)
- craft bakeries.

Plant Bakeries

Large plant bakeries — mainly producing wrapped bread on a large scale — account for over 80% of the bread consumed in the UK. The sector is dominated by two companies, Allied Bakeries and British Bakeries, which together account for more than half the market. Kingsmill, from Allied Bakeries, was acknowledged as the brand leader for several years, but in August 2001, British Bakeries claimed that its Hovis brand — which was relaunched during the year — had overtaken it.

The family-owned company Warburtons, which has expanded considerably over the past few years, is the third-largest plant baker by value.

Most plant bakers produce both their own branded products, and the own-label bread sold by multiple retailers. The majority also supply the convenience sector, including symbol groups and forecourt retailers, and have catered for this sector with product innovations including bread and other bakery products with a longer-than-average shelf life.

The plant-baking industry is characterised by a high degree of vertical integration, as demonstrated by Table 16.

Table 16: Vertical Integration in the Milling and Baking Industry, 2001

Parent Company	Subsidiary	Activity
Rank Hovis McDougall	Rank Hovis	Wheat-flour milling
	Ranks Meel BV (The Netherlands)	Wheat-flour
	British Bakeries	Bread and other bakery products
	Le Pain Croustillant	Bakery products
	Martin Spécialités SA	Bread products and patisserie
	Sofrapain	Bread products and patisserie
	RHM Food Ingredients	Bakery ingredients
	Three Cooks	Bakery and catering outlets
Associated British Foods Group	Allied Grain	Grain trading
	Allied Mills	Flour milling
	Westmill Foods	Packaging of flour and cereals
	AB Ingredients	Bakery ingredients
	Allied Bakeries	Bread and other bakery products
	Speedibake	Frozen and part-baked bakery products
Northern Foods	Kara Grain D'Or	Bakery products
	Gunstones	Bakery products
	Fletchers Ltd	Bread and other bakery products
	Smiths Flour Mills	Flour milling

Source:Key Note

In-Store Bakeries

As well as having a strong impact on the market with their own-label plant-baked bread, supermarkets have been responsible for the growth of the ISB sector. The major multiples now have ISBs in the majority of their stores, baking from scratch and/or using bake-off methods.

Although this initially had a very strong impact on the plant-bakery sector, most plant bakers now supply ISBs with their own part-baked and frozen products. Most of the increase in market share enjoyed by ISBs has been at the expense of smaller craft bakers.

The rise of the ISB, which has been fuelled in part by the shift in consumer tastes towards continental bread and patisserie products, has prompted the entry of a number of companies from France and elsewhere in continental Europe into the UK market. Some of these companies have subsequently been acquired by large UK plant bakers.

Craft Bakeries

The craft-bakery sector is represented mainly by retailers that bake bread and bakery products on their own premises. Many craft bakers have now diversified into catering and takeaway food.

MARKET LEADERS

Allied Bakeries Ltd

Company Structure

Allied Bakeries Ltd is part of the international food, ingredients and retail group Associated British Foods (ABF), the other businesses of which include British Sugar, Twinings tea and the Primark retail chain. In October 2001, ABF acquired Kerry group's SPP ingredients business, which is a leading supplier of technical bakery ingredients in the UK and Europe.

During 2001, three divisions within ABF (AB ingredients, Nelsons of Aintree and Kingsgate Food Ingredients, which is part of Allied Mills Ltd) were merged to form a new UK bakery ingredient group, which became part of the ABITEC Group, ABF's food technology arm. The new division serves the plant-bakery and food-manufacturing sectors, as well as ISBs of major retailers. The craft-bakery sector is also served by Allied Mills.

Allied Bakeries, which claims a third of the UK bread market, produces a number of bread and bakery product brands, including Kingsmill, Sunblest, Allinson and Burgen.

Current and Future Developments

During 2001, Allied Bakeries closed five distribution depots, having already undergone a series of plant closures in 1999 and 2000.

Early in 2001, Allied Bakeries announced that it would be implementing price increases on some of its premium and value-added products, mainly in response to higher delivery costs. The increases — amounting to an average of 3% to 4% — were not introduced across the board, but were tailored to the profitability generated by individual customers.

In 2001, Allied Bakeries was given the award for best bakery own-label supplier by *The Grocer* magazine.

A new addition to the Kingsmill range was launched in 2001. Kingsmill Whole White, which tastes like a white loaf but is made with one-third wholemeal flour, was developed to help parents persuade their children to eat more healthily. The packaging contains a transparent cut-out so that consumers can see that the bread is white.

Financial Results

Allied Bakeries Ltd has changed its name to ABF Grain Products Ltd for accounting purposes only.

According to results from the ICC Juniper database (taken from Companies House), in the 52-week period ending 16th September 2000, ABF Grain Products Ltd recorded a turnover of £44.4m and a pre-tax loss of £18.4m. In the 53-week period ending 18th September 1999, the company returned a pre-tax loss of £83.7m on a turnover of £461.5m.

British Bakeries Ltd

Company Structure

British Bakeries Ltd is part of Rank Hovis McDougall (RHM), which was acquired from Tomkins PLC by the private equity firm Doughty Hanson in 2000.

RHM has eight divisions:

- Rank Hovis — flour miller, producing McDougalls flour
- British Bakeries — manufacturing, marketing and distributing wrapped bread and morning goods
- European Frozen Bakery — produces frozen part-baked bread and bakery products
- Manor Bakeries — manufactures ambient packaged cakes
- Centura Foods — produces branded and own-label grocery products, including Bisto gravy
- Partnerships — has relationships with customers including McDonald’s,

Pizza Hut and Marks and Spencer

- RHM Ingredients — manufactures ingredients used by major food manufacturers
- Food Products — consisting of six businesses operating in various food trade sectors.

Doughty Hanson has announced its intention to further expand the RHM group into Europe through acquisitions.

British Bakeries runs 17 plant bakeries, and has 6,500 employees. Its brands include Hovis, Mothers Pride, Nimble and Granary.

Current and Future Developments

2001 saw the relaunch of the Hovis range in new distinctive packaging, featuring images of popular foods associated with bread; for example, the Great White loaf featured cucumber slices, and the Square Cut version was covered with baked beans. A new Square Cut for Sandwiches wholemeal loaf has been launched, the packaging of which is decorated with slices of egg. According to the company, the revamped packaging is designed to refresh the brand's image, and to increase its appeal to children.

In August 2001, Hovis launched the Best of Both loaf (a white loaf made partly with wholemeal flour) just 2 weeks after Kingsmill had launched a similar product, called Whole White.

British Bakeries has entered into a pilot scheme with the Bakers Union to establish a working partnership agreement aimed at removing the 'them and us' culture and enabling managers, employees and unions to work together in joint problem-solving.

Financial Results

In the year ending 29th April 2000, British Bakeries Ltd recorded a turnover of £411.7m, an increase of 1% over the previous year's figure, and a pre-tax loss of £2.4m, having made a pre-tax profit of £10.8m in the previous year.

Fine Lady Bakeries Ltd

Company Structure

Fine Lady Bakeries Ltd is part of the Heygate Group, a family business, of which the major operation is flour milling. The bakery business, which is based in Banbury, in Oxfordshire, was founded by local bakers in the 1950s, and acquired by the Heygate Group in the mid-1960s.

Financial Results

In the 52-week period ending 31st March 2001, Fine Lady Bakeries Ltd recorded a turnover of £34.5m and a pre-tax loss of £1.1m. In the 39 weeks to

1st April 2000, the company returned a pre-tax profit of £2.1m on a turnover of £39.9m.

Fletchers Bakeries Ltd

Company Structure

Fletchers Bakeries Ltd was purchased by Northern Foods PLC, which already had a 25% stake in the business, in 1999 and is now part of the Northern Foods Convenience Food division, along with the existing speciality bakery business Kara Grain d'Or Ltd.

Fletchers, which supplies fresh bakery products to supermarkets and frozen products to foodservice markets through frozen food wholesalers, was originally a family business, having been founded in Sheffield in 1923.

Current and Future Developments

In November 2001, it was announced that the Chief Executive of Fletchers' parent company, Northern Foods, would retire in 2002, to be replaced by the former Chief Executive of Nestlé, Peter Blackburn.

Financial Results

In the 52-week financial year ending 31st March 2001, Fletchers Bakeries Ltd recorded a turnover of £87.9m and a pre-tax profit of £7.6m. In the 39 weeks to 31st March 2000, the company returned a pre-tax loss of £807,000 on a turnover of £67.8m.

Frank Roberts & Sons Ltd

Company Structure

Frank Roberts & Sons Ltd incorporates Roberts Bakery, (its wholesale bread business, which delivers daily to supermarkets in a number of regions in the UK, and exports bread and morning goods to several European countries) and The Pastry Case (which was formed in 1988 to produce long-life ambient pastry products).

The original company was founded in 1887, and the business is still family owned.

Financial Results

Frank Roberts & Sons Ltd recorded a 9% increase in turnover, to £29.5m, in the year to 2nd September 2000. The company made a pre-tax profit of £2m in 2000, compared with £981,000 in the previous financial year.

Harvestime Ltd

Company Structure

Harvestime Ltd is the Plant-Baking division of the William Price Group, a family business founded in 1879, which also owns a Speciality Bread division consisting of New Primebake Ltd and Boboli (UK) Ltd. The Group also owns the French Croissant Company, which it purchased in 1998 and which supplies a small range of French bakery products, including croissants and brioche.

Harvestime produces a range of wrapped and crusty bread, including an organic range manufactured at a dedicated production facility. The products are available under supermarket own labels, and are also sold through symbol groups and dairies under the Harvestime brand.

Current and Future Developments

In 2001, Harvestime launched 400g half-loaf versions of its range of Traditional and Crusty loaves. The loaves, aimed at single-person households and families with individual preferences, have the same-sized slices as the 800g loaf, but fewer of them.

Financial Results

In the year ending 30th December 2000, turnover for Harvestime Ltd increased by 9.2%, to £45.8m, while pre-tax profits rose by 42.7%, to £431,000.

Kears Group Ltd (Rathbones Ltd)

Company Structure

Kears Group Ltd is a subsidiary of the Republic-of-Ireland-based Greencore Group PLC, and the holding company for a group of nine bakeries, known collectively as Rathbones Ltd. Greencore Group acquired Hazlewoods Foods PLC's sandwich business in 2000.

Current and Future Developments

Price pressures within the bread industry were blamed by Greencore for a 55% drop in pre-tax profits in the year to June 2001.

Kears has now begun supplying bread to the former Hazlewood sandwich-making factory, and the two companies are working together to develop sandwich breads.

Financial Results

In the 53-week period ending 30th September 2000, Kears Group PLC returned a pre-tax profit of £4.4m on a turnover of £103.3m. In the 52-week period ending 25th September 1999, the company recorded a turnover of £94.9m and a pre-tax profit of £5m.

Warburtons Ltd

Company Structure

Founded in Bolton, Warburtons Ltd is a family-owned company with 11 manufacturing units based in Scotland, the north of England and the Midlands.

Current and Future Developments

In August 2001, Warburtons claimed market leadership in Scotland, having entered the Scottish market just over 5 years earlier.

Product launches during 2001 included a crusty premium white loaf, introduced in October, and a premium range of rolls, including soft sandwich rolls, made with durum wheat and semolina, and sunflower-and-honey rolls, both launched in June.

In May 2001, Warburtons entered the speciality bread sector through the launch of the Bake & Share range of ready-to-bake breads.

The company has joined other companies, including Tetley GB and St Ivel, to launch a health website — www.healthyliving24.co.uk — which carries interactive content on dieting, exercise, nutrition and relaxation.

Financial Results

Warburtons Ltd's turnover increased by 12.8% in the year ending 30th September 2000, to £183.3m. Pre-tax profits for the company increased by 46.6%, to £26.6m.

William Jackson & Son Ltd

Company Structure

William Jackson bakery, which is based in Hull, was established in 1851. Its parent company is William Jackson & Son Ltd, which also owns Jackson's Family Food Stores, Tryton Foods and Crystal Motor Group.

The business of William Jackson Bakery is organised in three divisions:

- Retail — marketing branded bread, snack products and speciality breads to supermarkets, wholesalers and the independent sector, and own-label products to multiple retailers
- Foodservice — supplying ambient and frozen bakery products to food manufacturers, restaurants and sandwich makers
- Export — dealing with the export of ambient and frozen branded and own-label products to continental Europe and a number of other countries.

Current and Future Developments

William Jackson Bakery's Nutribread range — which is made with low-sodium sea salt — includes Nutribread for Women, which contains soya flour, linseed and evening primrose oil to help maintain a healthy hormone balance. Nutribread for the Family is rich in omega-3 fatty acids.

Financial Results

In the 52-week period ending 28th April 2001, William Jackson & Son Ltd returned a pre-tax profit of £1.6m on a turnover of £159.1m. The company recorded a turnover of £191.3m and a pre-tax profit of £4.3m for the 53-week period ending 29th April 2000.

SPECIALIST RETAILERS

There are three major chains of specialist bakery retailers — Greggs PLC, Lyndale Foods Ltd and Three Cooks Ltd.

Greggs PLC

Company Structure

Greggs PLC originated in a small outlet, which was opened in 1930 in Newcastle, and has grown mainly through the acquisition of smaller regional chains. The company was floated in 1984, when it had a portfolio of 261 outlets in four regions. The number of outlets had almost doubled by 1994, and the company now owns around 1,100 outlets. Most outlets trade under the Greggs brand name, but the Bakers Oven outlets, which were purchased from ABF in 1994, continue to operate under their own brand name.

Current and Future Developments

Early in 2002, Greggs reported that good weather, plus a buoyant retail climate, which had generated high levels of consumer traffic on the High Street, had had a beneficial effect on sales. The company reported a like-for-like sales growth of 9% during the second half of its financial year, and forecast that its full-year results, to be posted in March, would show 'very good progress'.

Bakers Oven cafés have been equipped with touch-screen systems, providing customers with an interactive touch-screen magazine at their tables. The magazine is updated daily and features articles, competitions and advice.

The company has announced plans to expand its number of outlets to 1,700 over the next 10 years. At the end of 2001, a rumour in the national press that Doughty Hanson, owner of RHM Foods, was in bid talks with Greggs was strongly denied by the company.

Financial Results

In the year to 30th December 2000, Greggs PLC achieved a 9.8% increase in turnover, to £339m. Pre-tax profits for the company rose by 22.5%, to £26.4m.

Lyndale Foods Ltd

Company Structure

The Lyndale Foods Group was formed in 1996, when Lyndale Foods Ltd was purchased from Warburtons Ltd. The Group now incorporates 252 retail outlets trading under a variety of names, including Sayers, Hampsons, Anne's, Fords, Burtons and Spinks, together with the Peter Hunt pie business.

Current and Future Developments

In 2001, Lyndale, which is based mainly in the North West, sold its Mountstevens bakery and 93 shops (all Mountstevens outlets) in the South West, in order to concentrate on its northern businesses. Mountstevens was acquired by Lyndale in 1997.

50 of the company's shops have been rebranded with a bright new corporate image.

Financial Results

In the 52-week period ending 30th September 2000, Lyndale Group Ltd (the parent company of Lyndale Foods Ltd) reported a turnover of £109.2m and a pre-tax loss of £3.1m. In the 10-week period ending 30th September 1999, the company returned a pre-tax profit of £66,000 on a turnover of £16.3m.

Three Cooks Ltd

Company Structure

Three Cooks Ltd is part of the RHM group, which also includes British Bakeries.

Current and Future Developments

During 2001, the company created a new corporate identity, including new furniture and lighting, and an enhanced product offer that includes premium coffee and fresh food, enabling it to compete with outlets such as Starbucks and Costa Coffee.

Financial Results

Three Cooks Ltd's turnover fell by 0.5% in the year ending 29th April 2000, to £52.2m. The company made a pre-tax profit of £2m in 2000, compared to £349,000 in the previous financial year.

OUTSIDE SUPPLIERS

Wheat Supplies

The 2001 wheat harvest was a particularly poor one, owing to a combination of wet weather conditions and reduced plantings. This is already having an impact on prices during 2001/2002, with increases of up to 30% in the price of wheat.

Table 17: Total UK Wheat Harvest (million tonnes), 1985/1986-2001/2002

1985/1986	12.1
1990/1991	14.0
1995/1996	14.3
1996/1997	16.1
1997/1998†	15.0
1998/1999	15.4
1999/2000	14.9
2000/2001	16.8
2001/2002[e]	11.6

† — 53 weeks

e — estimated figures

Source:Department of the Environment, Food and Rural Affairs (DEFRA)/ Nabim

Although the majority of wheat used by UK flour millers has been home-grown in recent years, the poor quality of the 2001 harvest is likely to mean that a higher proportion will be imported for 2002.

Table 18: Wheat Usage by Area of Origin (%), 1985/1986-2000/2001

	Home-Grown	EU	Other Countries	Total
1985/1986	62	21	17	100
1990/1991	88	5	7	100
1995/1996	86	9	5	100
1996/1997	86	8	6	100
1997/1998†	81	12	7	100
1998/1999	82	8	10	100
1999/2000	83	6	11	100
2000/2001e	84	5	11	100

† — 53 weeks

e — estimated figures

Source:Department for the Environment, Food and Rural Affairs (DEFRA)/ Nabim

In an attempt to avoid the problems that have beset the meat and poultry industries in recent years, the cereals sector has established assurance schemes for the production and delivery of grain. Around three-quarters of all UK wheat marketed from the 2000 harvest was produced on assured farms, which keep records of their actions and are subject to third-party verification.

Flour Milling

The high degree of vertical integration in the bread industry means that much of the flour-milling industry in the UK is in the hands of companies that are also active in bread manufacture. Between them, Allied Mills and Rank Hovis (the flour-milling division of RHM) account for approximately half of the flour produced in the UK each year.

The UK flour-milling industry is going through a period of upheaval, including the sale and break-up of the Spillers flour-milling business during the late 1990s. The eight former Spillers mills have now been distributed between three companies, two of which are new entrants to the UK flour-milling industry — Kerry Foods, which has two mills, and the US company Archer Daniels Midland, which has four. The remaining two mills are now owned by Rank Hovis.

These developments, together with the closure of a number of milling facilities during the past few years (including closures by both Allied Mills and

Rank Hovis during 2001), mean that there are now 68 mills operating in the UK, which are owned by 32 flour milling companies. The industry's total turnover is just under £1bn.

Table 19 shows flour production by type between 1996/1997 and 2000/2001. As can be seen from the table, flour production remained relatively static during this period.

Table 19: Flour Production by Type of Flour by Volume (000 tonnes and %), 1996/1997-2000/2001

	1996/ 1997	**†1997/ 1998**	**e1998/ 1999**	**e1999/ 2000**	**e2000/ 2001**
Volume					
(000 tonnes)	4,449	4,530	4,478	4,480	4,522
Type of Flour (%)					
Bread-Making					
White	53.1	53.3	53.5	54.8	53.9
Brown	3.8	3.6	3.2	2.2	2.6
Wholemeal	4.7	4.5	4.2	5.4	5.2
Other Flour					
Biscuit	13.1	13.2	12.6	12.0	12.4
Cake	1.4	1.7	1.7	1.9	1.8
Prepacked					
Household	4.1	4.1	3.9	3.6	3.8
Other and starch	19.8	19.6	20.5	19.5	20.5
Total	**100.0**	**100.0**	**‡100.0**	**‡100.0**	**‡100.0**

† — 53-week year

e — estimates

‡ — does not sum due to rounding

Source:Ministry of Agriculture, Fisheries and Food (MAFF)/Department of the Environment, Food and Rural Affairs (DEFRA)

ADVERTISING AND PROMOTION

Main Media Advertising

A total of £12.1m was spent on main media advertising for bread and bakery products during the year to September 2001. This figure was slightly down on that for the previous 12-month period, when expenditure amounted to £12.3m.

Table 20: Main Media Advertising Expenditure on Bread and Bakery Products (£000), Years to September 2000 and 2001

	2000	2001
Hovis white bread	1,203	3,765
Kingsmill	4,835	3,352
Warburtons bread range	1,121	1,911
Greggs bakers product range	758	704
Warburtons product range	757	621
Nimble Amazing Grain malted bread	334	322
Nutribread	-	316
Allinson wholemeal bread	-	288
Cuisine de France boulangerie range	128	119
Allied Bakeries bakery goods	-	116
Hovis crusty bread	1,115	-
Pillsbury Toaster Pockets	523	-
Sharwoods naan bread	86	-
Soreen malt loaf	166	-
Warburtons organic bread range	444	-
Other	801	550
Total	**12,274**	**12,065**

Note: totals do not sum due to rounding.

Source:ACNielsen MMS

The year to September 2001 saw a considerable increase in the share of total bread advertising taken by Allied Bakeries, British Bakeries and Warburtons, which between them accounted for 86% of all advertising expenditure.

Allied Bakeries and British Bakeries ran major advertising campaigns during the year — Allied Bakeries backed the launch of Kingsmill Whole White with TV and radio campaigns featuring the comedians Mel and Sue, while British Bakeries relaunched Hovis with new packaging and a £7m marketing programme. The campaign, featuring a new character — Harry Hovis — includes an Internet website, where the new ads and packaging can be viewed, and screensavers downloaded.

Warburtons increased its advertising expenditure from £2.3m for the year ending September 2000, to £2.5m for the following 12-month period, representing 21% of all expenditure on bread and bakery products in the year to September 2001. The company was the subject of a number of complaints to the Advertising Standards Authority (ASA) about its poster campaign 'Respect the Bread', on the grounds that it could encourage anti-social behaviour. (The images used included a serrated bread knife and a hand holding a rolling pin.) However, the ASA concluded that the posters were light-hearted, and part of a humorous campaign, and the complaints were not upheld.

The 'Respect the Bread' theme continued using a different angle during the latter part of 2001, with advertisments featuring people who are fanatical about bread; for example, television advertisments in Warburtons' trading areas showed a man who has to check hundreds of eggs to find the perfect one to eat with his bread.

William Jackson Bakery invested in a national press campaign targeting women aged 25 to 55 in the AB and C1 socio-economic groups as part of the brand-building strategy for its Nutribread healthy bread range.

Table 21: Main Media Advertising Expenditure by Allied Bakeries, British Bakeries and Warburtons (£000), Years to September 2000 and 2001

	2000		2001	
	Expenditure (£000)	% of Total	Expenditure (£000)	% of Total
Allied Bakeries	4,835	39.4	3,756	31.1
British Bakeries	2,652	21.6	4,087	33.9
Warburtons	2,322	18.9	2,532	21.0

Source:ACNielsen MMS

Exhibitions

The **Food & Bake** exhibition is organised by an industry consortium known as Bakery Exhibitors Ltd (BEL), and managed by the publisher Turret RAI PLC. The 2000 event, held at the National Exhibition Centre (NEC) in Birmingham, attracted 19,000 visitors. There was not an exhibition in 2001, but one is due to take place at the NEC in March 2002.

Bakers' Fair is the exhibition solely for the craft-baking industry, organised by the London and South Eastern Region of the National Association of Master Bakers (NAMB). The 2001 event took place at the Business Design Centre, in Islington, in October.

The international bakery and patisserie exhibition — **Europain** — is due to be held in April 2002 in Paris.

5. Strengths, Weaknesses, Opportunities and Threats

THE TOTAL MARKET

Strengths

- Bread remains a staple product in the national diet, and is consumed in almost every household, despite changes in eating habits.
- Bread is a 'destination category' for most supermarket shoppers, i.e. it is a product that consumers go to supermarkets specifically to buy, rather than being an impulse purchase.
- The shelf life of many bread and bakery products has been improved by manufacturers' initiatives, improving convenience for both retailers and customers.
- Bread represents the main source of fibre in the UK diet, providing a quarter of the daily intake on average.

Weaknesses

- The market is mature and saturated, leaving little room for growth.
- As eating habits have changed considerably over the past two decades, bread is less likely to be consumed at meal-times than has been the case in the past.
- On the whole, British consumers do not use bread as an accompaniment to main meals, as is the case in continental Europe.
- The market's value has been depressed for a number of years by heavy price-cutting.

Opportunities

- Difficult market conditions have encouraged manufacturers to concentrate on new product development (NPD), which has revitalised some sectors.
- The growing interest in organic food offers many opportunities for the bread market.
- The development of functional food has already been exploited by some bread manufacturers, and may lead to further opportunities in the future.
- Although the market has reached saturation levels in terms of penetration, there is still scope for increasing the frequency of purchase.

- The development of in-store bakeries (ISBs) has helped to improve perceptions ofthe quality of bread, reminding consumers of its traditional, aesthetic characteristics such as crustiness and aroma.

Threats

- Although heavy discounting by supermarkets has been less of a problem for the bread market over the past year, there are signs that the proliferation of new product categories may make it increasingly difficult for manufacturers to gain shelf space.
- The wide range of product positionings can also be confusing for the consumer.
- Bread’s image as a commodity product is still likely to act as a brake to any real growth within the market.

WHITE BREAD

Strengths

- Consumers tend to prefer the taste and texture of white bread to those of brown and wholemeal bread. This is especially true for men and children, who tend to eat more bread than others.
- White bread is a rich source of calcium and iron, as well as fibre, and its nutritional benefits have been reinforced by government health advice.
- Even though price discounts on white bread were not as heavy in 2001 as in the recent past, the product still offers the consumer good value for money.

Weaknesses

- Standard white bread, in particular, still has a loss-leading image, which is at odds with the current trend for quality in food.
- On the whole, white bread tends to be less appealing to the sophisticated ‘foodie’ consumer, who is prepared to pay more for ‘good-quality’ products, such as wholemeal and specialist varieties.

Opportunities

- Improvements in technology are aiding NPDs such as the launch of ‘healthier’ white loaves, which are made partly with wholemeal flour but still have the taste and texture of white bread.
- Improvements in distribution by plant bakeries mean that fresh sliced white bread can be available throughout the day, fitting in with the ‘24/7’ lifestyle that is now prevalent among many consumer groups.

- Sales of white bread can be increased by the growing number of smaller outlets incorporating ISBs.
- The development of new products with a longer shelf life may encourage convenience stores to carry larger stocks and a wider variety.

Threats

- The white bread sector is becoming increasingly crowded in terms of product positionings, and is among the most likely to suffer from problems in obtaining shelf space.
- As the largest sector, white bread is also the most likely to be affected by price-cutting by the multiple retailers.
- The white bread sector is also the most likely to lose sales in the face of the growing popularity of other sectors, such as speciality breads and bakery snacks.

BROWN AND WHOLEMEAL BREAD

Strengths

- Wholemeal bread tends to appeal to a more upmarket consumer base than white bread.
- Those who consume wholemeal bread are often more loyal, and less prone to product switching. They are also more affluent, and less likely to be influenced by price-cutting.
- Wholemeal bread contains more fibre than white bread, which contributes to its 'healthier' image.

Weaknesses

- Brown and wholemeal bread appeal to a narrower market than white bread.
- Children and men, who tend to be the largest consumers of bread, are more likely to reject brown and wholemeal bread.
- The cost to the consumer of brown and wholemeal bread is generally higher than that of white bread.

Opportunities

- The development of the market for organic food is particularly likely to benefit the brown and wholemeal sector, which already has a 'healthier' image than the white bread sector.

- Product innovations over the past few years have increaded the mass appeal of brown and wholemeal bread by making the texture more like that of white bread.
- The extension of premium and super-premium products to the brown and wholemeal sectors will benefit the market.

Threats

- Continuing activity within the premium white bread sector is likely to make consumers of white bread more reluctant to switch to brown or wholemeal.
- The strengthening position of the specialist bread sector, which appeals to the same upmarket consumer base as wholemeal bread, is also a problem for the sector.

ETHNIC AND SPECIALITY BREAD

Strengths

- The ethnic and speciality bread sector has benefited from a growing interest in food, cooking and eating among many consumer groups, increasing the desire to try exotic and unusual dishes.
- In addition, eating habits have become increasingly international, prompted by foreign travel and the influence of multi-ethnic communities in many areas of the UK.
- Ethnic and speciality breads usually offer higher profit margins than other types of bread.
- Some speciality breads — especially those within the ethnic segment (such as pitta and naan) — have long shelf lives.

Weaknesses

- The sector is prone to the effects of short-term fashions in eating habits, and some new products sell well only for a relatively short period of time.
- Many of the speciality bread products, such as crusty continental breads, which are produced in ISBs, need to be consumed soon after purchase. This can be a problem for UK shoppers, who are less likely than those in Europe to shop for food on a daily basis.

Opportunities

- The 'ready to bake' sector is growing in popularity. Speciality breads, such as garlic and foccacia breads already feature strongly in this market and there are limitless opportunities to extend the sector with new varieties.
- Most types of ethnic and speciality bread can be produced using organic ingredients.
- It is often the case that new bread varieties are introduced to consumers originally through the food service sector, in restaurants and sandwich outlets. These can be good testing grounds for new products

Threats

- As ISBs become more widespread, the sector is becoming increasingly prone to discounting.
- Some of the most popular ethnic and speciality breads, such as pitta and French loaves, already have commodity status to some extent.

BAKERY PRODUCTS

Strengths

- The wide range of products within the bakery products sector means that it is more adaptable than the bread sectors.
- The products are particularly well-suited to today's more casual eating habits, as they can be eaten at meal times or as snacks at any time during the day.
- Many bakery snacks have a long shelf life.
- The products lend themselves well to impulse purchasing.
- Generally, these products are more suitable than other bread products for smaller households, which are increasingly becoming the norm.

Weaknesses

- There is a regional bias to many bakery products, which may be a limiting factor.
- Bakery products are generally more expensive to the consumer than white and brown loaves. This may have a negative effect on the sector in the event of an economic downturn.

Opportunities

- Product variety is an important feature of the sector, meaning that it lends itself well to NPD.
- Many of the bakery products that were once available only on a seasonal basis are now on sale for much of the year.
- The sector can accommodate brand extensions of many of the new products that have been developed within the white bread and brown and wholemeal bread sectors.

Threats

- There are signs that the sector is approaching maturity, with fewer new products being developed.
- Price-cutting has also become increasingly evident within the sector over the past few years.

6. Buying Behaviour

INTRODUCTION

The research findings discussed in this chapter are based mainly on the Target Group Index (TGI) survey, which is carried out annually by BMRB International Ltd. The TGI tables on bread usage are based on housewives, defined as the person responsible for household grocery shopping. It should be noted that the findings from the 2001 survey are based on male as well as female housewives, whereas those from previous years were based on female housewives only.

The chapter also includes figures on household purchasing of bread, taken from the *National Food Survey* for 2000, which is published by the Department of the Environment, Food and Rural Affairs (DEFRA).

PENETRATION OF BREAD

The status of bread as a staple product within the UK is highlighted by its very high penetration levels. In 2001, 98.3% of housewives said they used it.

Table 22: Penetration of Bread (% of housewives), 1999-2001

	1999	2000	2001
Any bread	98.4	97.7	98.3
White bread	86.5	86.7	86.5
Brown bread	45.5	47.8	47.8

Source:Target Group Index (TGI), © BMRB International Ltd, 1999, 2000, 2001

White bread is still almost twice as popular as brown bread, with 86.5% penetration among housewives. There was a slight increase in the penetration of brown bread between 1999 and 2000, and this penetration level (47.8%) was sustained in 2001.

USAGE OF BREAD

The high household penetration of bread does not necessarily mean high consumption, as Table 23 shows.

In the 2001 TGI survey, 49% of housewives said that they used two loaves of bread or less a week, while 34.5% used between three and five loaves a week. Only 13% were heavy users, i.e. using six or more loaves each week.

Table 23: The Usage of Bread (% of housewives), 1999-2001

	1999	2000	2001
Heavy Users			
Eight loaves a more or week	5.1	5.6	5.4
Six or seven loaves a week	7.7	7.5	7.6
Medium Users			
Five loaves a week	8.9	9.4	9.2
Four loaves a week	14.4	12.6	9.2
Three loaves a week	16.5	16.1	16.1
Light Users			
Two loaves a week	25.4	25.6	25.4
One loaf or less a week	21.4	22.5	23.6

Source:Target Group Index (TGI), © BMRB International Ltd, 1999, 2000, 2001

The proportion of medium users of bread has fallen steadily over the past 2 years, while the proportion of light users has risen.

SOCIO-DEMOGRAPHIC ANALYSIS OF BREAD USAGE

By Age

An analysis by age reveals that the heaviest users of bread are housewives in the 35 to 44 age group, 19.1% of whom use six or more loaves each week. Household composition is undoubtedly an important factor here — housewives in this age group are more likely than most to be providing for families with older children and teenagers, who tend to consume large quantities of bread in packed lunches, with meals, and/or as between-meal snacks.

The age bands on either side of this group (25 to 34 and 45 to 54) also show heavier-than-average usage of bread, presumably for similar reasons.

Table 24: Usage of Bread by Age (% of housewives), 2001

	Heavy Users	Medium Users	Light Users
Age			
15-19	12.3	40.6	46.5
20-24	10.0	32.9	56.3
25-34	13.9	34.4	50.6
35-44	19.1	41.4	37.5
45-54	15.1	42.3	41.0
55-64	6.2	37.0	53.7
65+	5.3	24.4	65.9

Heavy users — six or more loaves per week

Medium users — three to five loaves per week

Light users — two loaves or less per week

Source:Target Group Index (TGI), © BMRB International Ltd, 2001

Bread usage drops sharply once housewives reach their mid-50s — an age group that often coincides with children growing up and leaving home. This reinforces the importance of the family market in terms of volume consumption of bread.

In the case of the over-65 year-olds, 65.9% of those responsible for the household grocery shopping say they consume two loaves of bread or less per week.

By Social Grade

The status of bread as something of a commodity product is confirmed by the fact that the highest usage is to be found among those in the C2, D and E socio-economic groups. Those in the higher-earning AB group are the lowest users of bread, with 7.8% using six or more loaves per week, and nearly six in ten (58.3%) using two or fewer.

One reason for this is that bread — especially standard white sliced loaves — is a particularly cheap staple item in the diet, and it makes sense for those on lower incomes to consume it in greater quantities than more expensive alternatives. Eating habits might also play a part; for example, those in the AB and C1 socio-economic groups are generally more likely to be adventurous in their eating habits, and to experiment with foreign foods and other alternatives to bread.

Table 25: Usage of Bread by Social Grade (% of housewives), 2001

	Heavy Users	Medium Users	Light Users
Social Grade			
AB	7.8	31.4	58.3
C1	9.6	33.4	55.2
C2	14.1	38.4	45.0
D	16.7	41.6	39.3
E	12.3	30.8	53.5

Heavy users — six or more loaves per week

Medium users — three to five loaves per week

Light users — two loaves or less per week

Source:Target Group Index (TGI), © BMRB International Ltd, 2001

There is something of a polarisation among those in the E socio-economic group, which contains a relatively high proportion of heavy users of bread, but also a high proportion of light users. This group is made up mainly of those on state benefits, including both pensioners (most of whom live alone or in two-person households, and as such consume less food generally) and families and younger people with very low incomes (for whom bread is likely to form an important part of their diet).

By Region

There are still some strong regional variations in eating habits within the UK, and this is borne out by the fact that some areas — notably Wales and the North of England — have higher bread consumption than others. In Wales, 14% of housewives said that they use six or more loaves in a week, compared with 10.3 in the South West of England.

Table 26: Usage of Bread by Region (% of housewives), 2001

	Heavy Users	Medium Users	Light Users
Region			
Greater London	11.3	29.4	57.5
South East/East Anglia	10.6	34.1	52.8
South West	10.3	33.4	53.9
Wales	14.0	37.8	43.0
East and West Midlands	12.6	37.9	47.6
North West	11.1	38.7	48.1
Yorkshire and Humberside	12.7	35.4	49.3
North	13.3	35.0	48.8
Scotland	11.9	34.9	50.7

Heavy users — six or more loaves per week

Medium users — three to five loaves per week

Light users — two loaves or less per week

Source:Target Group Index (TGI), © BMRB International Ltd, 2001

By Presence and Age of Children

The presence of children in a household is an important predictor of bread usage. 10.6% of housewives with children in their household are heavy users of bread, compared to 4% of housewives with no children in their household.

Households with children in the pre-teenage and early teenage years are particularly likely to consume large quantities of bread — 13.3% of housewives in households with children aged 10 to 15 use more than six loaves a week.

Table 27: Usage of Bread by Housewives by Presence and Age of Children (% of housewives), 2001

	Heavy Users	Medium Users	Light Users
All housewives	11.7	35.0	50.9
No children in household	4.0	17.0	33.9
Any children in household	10.6	21.6	13.4
Children under 1 year	9.4	22.4	22.2
Children 1-4 years	10.5	23.2	16.8
Children 5-9 years	12.6	24.4	12.4
Children 10-15 years	13.3	19.8	8.3

Heavy users — six or more loaves per week

Medium users — three to five loaves per week

Light users — two loaves or less per week

Source:Target Group Index (TGI), © BMRB International Ltd, 2001

HOUSEHOLD PURCHASING OF BREAD

According to the *National Food Survey*, just over a third of households (34%) bought white sliced standard bread during the week the 2000 survey was conducted, and just under one in four (23%) bought premium white sliced loaves. One in five bought wholemeal loaves in some form in the 2000 survey, with 16% buying brown bread. Rolls were purchased by 27% of households.

Table 28: Percentage of Households Purchasing Each Type of Bread Within the Survey Week (%), 1999 and 2000

	1999	2000	% Difference 1999-2000
White unsliced standard	14	14	-
White sliced standard	35	34	-1
White sliced premium	21	23	2
White soft grain, sliced	2	2	-
Brown (sliced and unsliced)	17	16	-1
Wholemeal (sliced and unsliced)	20	20	-
Rolls	27	27	-
Malt/fruit bread	4	4	-
Vienna/French bread	15	14	-1
Starch-reduced bread and rolls	2	2	-
Sandwiches	5	4	-1
Other bread	15	16	1

Source:National Food Survey/Key Note

7. Current Issues

SALT LEVELS IN BREAD

There has been an ongoing debate about the levels of salt in bread, with the Food Standards Agency (FSA) putting pressure on the industry to reduce the amount of salt used in bread manufacture for health reasons. According to the Agency, studies have shown that bread accounts for nearly a quarter of the salt consumed in the average diet.

In 2000, the Federation of Bakers agreed to implement a 10% reduction in salt usage among its members. A report by the FSA, published towards the end of 2001, indicated that there had been an average reduction of 12.8% in the amount of sodium in bread since 1998.

The greatest reduction was apparent in standard white sliced bread, which had 20.9% less sodium in 2001 than in 1998.

Table 29: Levels of Sodium in Bread (milligrams per 100g and %), 1998 and 2001

	1998	2001	% Reduction 1998-2001
White bread, premium, sliced, large	587	530	9.7
White bread, standard, sliced, large	583	461	20.9
White bread, crusty bloomer, unsliced	589	545	7.5
Wholemeal bread, sliced, large	540	487	9.8
Brown bread, sliced, large	528	443	16.1

Note: sodium (as indicator of salt) at milligrams per 100g

Source:Food Standards Agency (FSA)

LABELLING OF BREAD

The FSA has also been turning its attention to the labelling of food, in an attempt to eradicate misleading and false information on packaging. A report was produced for the FSA by the Food Advisory Committee (FAC), prior to consultation with food manufacturers regarding the phrases and images used to market food brands.

According to industry sources, bread labelling could be particularly difficult to regulate in this way, as bread is still strongly regional, with different regions giving the same name to different products.

One area that could be affected is the in-store-bakery (ISB) sector, which may need to review the use of the term ‘fresh’. For example, bread that has been part-baked and preformed before being finished in bake-off units could represent a potential infringement of the FSA guidelines if it is described as ‘freshly baked’.

Other terms that are potentially problematic to the bread market include ‘traditional’, which the FAC report states should be used ‘to indicate the use of an older, less mechanised process in bread manufacture’.

Warburtons reacted to the report by removing the term ‘original’ from some of its packaging.

WHEAT INTOLERANCE

There has been a growing trend for consumers to try to eliminate particular foods from their diets, on the basis that certain health problems could be caused by an allergy, or intolerance, to those foods. Wheat has been one of the main targets in this case (together with dairy products), and, as such, this trend represents a potential threat to the bread and bakery products market. In addition, there has been a fashion — imported from the US — for weight-loss diets based on a high-protein, low-carbohydrate food intake, which is, again, potentially damaging to the industry.

In the US, the Wheatfoods Council, which has been fighting these issues for several years, acknowledges that they have had an effect on consumption of bread and flour. During 2001, the Flour Advisory Bureau (FAB) commissioned a survey, which revealed that 24% of women believe they are intolerant or allergic to a specific food type, with even more cutting out foods for other reasons, such as weight loss or general health. In total, more than 40% of women had eliminated specific foods from their diet between 1996 and 2001. However, 46% of the women who were eliminating foods had taken no advice about making these changes, and 66% had had no information about how to replace the nutrients they were losing.

According to the FAB, women could be putting their health at risk by eliminating wheat from their diets. In a press release, the Bureau quoted nutritionists who agreed that cutting out wheat could lead to mental and physical under performance, or even to eating disorders, and referred to studies showing that only between 1% and 2% of the population actually suffered from a food intolerance of any kind.

CORPORATE DEVELOPMENTS

Honeytop Speciality Foods has won a contract to supply Iceland stores with own-brand, long-life naan breads. Honeytop is a family-owned business, which produces fresh, long-life, chilled and frozen naan breads for supermarkets, ready-meal manufacturers and the catering sector.

Millers Bakery Machinery, which manufactures and refurbishes bakery equipment for supermarkets, was bought out by Aga Foodservice Group early in 2002. In 2001, Aga acquired Mono Bakery Equipment.

IN-STORE BAKERIES

Marks and Spencer has announced plans to introduce a new small-scale bakery format at over 80 of its 300 stores. The format, called Neighbourhood Bakery, will feature a range of products, most of which will be supplied raw and frozen and subsequently baked in store. Northern Foods and British Bakeries will be among the suppliers used.

Safeway has unveiled a new concept, 'Best in Fresh', focusing on fresh food sourced locally, and open-plan preparation, cooking and baking areas. Its flagship store in Woking, which was opened in 2001, incorporates a juice bar, a pizzeria, and a bakery/patisserie with a traditional brick-surrounded deck oven. The company is currently focusing on its ISBs, having revamped 58 of its 360 bakeries during 2001, and is planning to increase the proportion of its in-store offering that is baked from scratch.

NEW PRODUCT DEVELOPMENT

Cuisine de France, which supplies part-baked French breads and confectionery, launched a number of new products during 2001, including Gourmet, Fine Breads of the World and Organic Bread.

8. The Global Market

EUROPE

Bread consumption is static or falling in most European countries. German consumers eat the most bread, with an annual consumption of 84.8kg per person in 2000, considerably above the European average of 66.9kg. Denmark is in second place, with an average annual consumption of 74kg, while consumption is lowest in Luxembourg, at 50kg.

In contrast to the situation in the UK, the bakery market in mainland Europe still tends to be dominated by craft bakers. This is due in part to the fact that there is still a strong tradition in many European countries of buying freshly-baked bread on a daily basis. However, over the past few years there has been evidence in some countries of a shift towards plant-baked bread. In France, for example, the market for plant-baked bread has been growing at 6% per annum, and in 2000 stood at more than £2bn (the total bread market was £6.3bn). This shift has been attributed partly to the fact that the French are now taking shorter lunch hours, leading to increased consumption of sandwiches.

There have been accusations in the media that French bakers have been using the introduction of the euro in January 2002 to increase their prices, with baguettes that should have cost 0.64 euros — the equivalent of the old price of FFr4.20 (40 pence) — being on sale at 0.69 euros, representing a price rise of 3 pence.

Corporate Developments

A franchise scheme, aimed at preserving artisan skills, has been set up in France by the country's leading miller Grands Moulins de Paris (GMP). The scheme has 500 outlets throughout France, under the banner La Ronde des Pains. During 2001, a pilot scheme was set up in the UK, with an outlet being opened in a department store in Windsor.

Starbucks Coffee International, a wholly-owned subsidiary of Starbucks Coffee Company, has signed a joint venture with Europastry SA (which owns one of Europe's largest bakery businesses) together with Madrid-based restaurant and retail company Grupo Vips, and El Moli Vell, (a retail operator with over 170 cafés, bread and pastry shops in the Barcelona area). The deal marks Starbucks' entry into the Spanish market.

New Product Development

The German bakery Pema has launched two varieties of wholemeal bread under the logo of the fitness magazine *Fit for Fun*. One of the loaves is made with orange juice, calcium, magnesium and vitamin D3, and the other is formulated with inulin prebiotic fibre.

NORTH AMERICA

Corporate Developments

Republic-of-Ireland-based company IAWS Group PLC (Irish Agricultural Wholesalers Society), which acquired Cuisine de France in 1998 and Delice de France in 1999, bought an 80% stake in the Los-Angeles-based La Brea, which supplies artisan bread to restaurants, supermarkets and other retailers. Both Cuisine de France and Delice de France also operate in the US.

In 2001, Sara Lee Corporation bought Earthgrains Co., the second-largest bakery firm in the US, in a deal that will more than quadruple Sara Lee's annual bakery sales. Earthgrains has 61 bakeries and two refrigerated dough plants in the US, and 12 bakeries and four refrigerated dough plants in Europe.

New Product Development

The wholesale bakery operator Interstate Bakeries has reformulated some of its bread varieties to increase their shelf life from 3 days to 1 week

9. Forecasts

FUTURE TRENDS

Price rises during 2001 have meant that, for the first time for a number of years, the bread market has not been plagued by the phenomenon of the cheap loaf. Some of the reasons for these increases — notably the growing reluctance of farmers to accept low prices for their wheat, and the resultant switching to other crops — may have a more lasting effect than the seasonal fluctuations due to weather conditions, and the consequences of supermarket price wars. It may well be that consumers will have to become used to paying more than a few pence for a loaf of bread. This will undoubtedly be good news for the industry, enabling it to concentrate more on innovation and product quality and thus further add to the value of the market.

However, although the consumer may be prepared to pay more, it is likely that there will continue to be friction between the supermarkets, (which have become accustomed to using bread as a loss leader, or at least to being able to offer large discounts), and the bread manufacturers. This may well be exacerbated by the growing number of new products and categories being launched.

In some respects, the lifestyle changes that are taking place during the first decade of the 21st century could be seen as unfavourable to the bread market. For example, the growth in the number of one- and two-person households, and the 6% decrease in the number of children aged under 10 forecast between 2000 and 2010, may have some effect on volume, as households with children tend to consume more bread than those without.

However, the effect of ever-busier, and generally more affluent, lifestyles, with more working mothers and dual-income couples, may lead to increased demand for added-value products — especially those that capitalise on the intrinsic convenience aspects of bread and bakery products.

Although the issue of wheat intolerance (real and imagined) is at present only of minor importance in the UK, this may pose a threat to the market, at least in the short term, if it turns into the latest dietary ‘fad’. The launch of a number of wheat-free products within both the health-food sector and the mainstream sector — many of them stocked by major retailers — suggests that the trend is already being noticed by the food industry, and there is the extra disadvantage that food intolerance is most likely to be taken seriously by the more affluent consumers. This is perhaps an issue that could be addressed in marketing and advertising — either generically or by individual brands — if it looks like becoming a serious threat.

FORECASTS 2002 TO 2006

It is generally agreed that the bread market is fairly static, at least in volume terms, and given that there is almost 100% household penetration, there is little room for any real growth.

There is undoubtedly scope for product innovation and adding value within individual sectors, with speciality breads and bakery products the most likely to benefit. However, it is likely that this will be at the expense of the traditional bread sector, and Key Note forecasts that the overall market will grow only slowly between 2002 and 2006.

Table 30: The Forecast UK Bread and Bakery Products Market by Value at Current Prices (£m at rsp), 2002-2006

	2002	2003	2004	2005	2006
Value (£m)	2,944	2,997	3,039	3,072	3,109
% change year-on-year	*1.7*	*1.8*	*1.4*	*1.1*	*1.2*

Source:Key Note

10. Company Profiles

INTRODUCTION

The following section contains financial profiles of some of the principal companies identified as operating within the market sector discussed in this report. The financial results of some of the important names within the sector may not be reported if:

- their principal activities are so varied that their results are not considered applicable to the survey
- they are no longer trading as separate companies
- their financial data is very out of date.

DEFINITIONS

A company which has a 'Y' consolidated value has filed consolidated accounts for the relevant year.

† — denotes that the growth rate calculation is invalid, because the figures either move from positive to negative or from negative to positive.

Turnover (Sales)

This includes all income derived from the principal activities of the firm, net of VAT. It encompasses UK sales, exports and overseas and intercompany sales.

Pre-Tax Profits

The net trading profit figure after deduction of all operating expenses, including depreciation and finance charges but before deduction of tax, dividends, subventions or group relief, and other appropriations. Where applicable, it will include the share of profits and losses of associated companies. Items described by the company as exceptional are included; extraordinary items are excluded.

Profit Margin

Pre-tax profits expressed as a percentage of sales.

Average Remuneration

Total employee remuneration divided by the number of employees.

Sales per Employee

Sales divided by the number of employees.

FURTHER INFORMATION

For more detailed financial information telephone *ICC Customer Services* on: +44 (0) 29 2066 0370

BRITISH BAKERIES LTD

Registered Office	Chapel House Liston Road Marlow Buckinghamshire, SL7 1TJ Tel:01753-857123
Company Registration Number	00241018
Date of Incorporation	13/07/1929
Holding Company	Rank Hovis McDougall Ltd
Ultimate Holding Company	Tomkins PLC

Previous Name(s) and Date(s) of Change

British Bakeries (Midlands) Ltd (02/09/88)

Principal Activities

The production and sale of bakery products.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

British Bakeries Ltd is part of Rank Hovis McDougall (RHM), which also includes the Rank Hovis flour-milling group and a European Frozen Bakery division producing part-baked bread and bakery products. RHM was acquired from Tomkins PLC by the private equity firm Doughty Hanson in 2000.

Brand Information

Brands from British Bakeries include Hovis, Mothers Pride, Nimble and Granary.

Recent Developments

British Bakeries is attempting to improve industrial relations by working with the Bakers Union on a pilot scheme to establish a working partnership agreement. The aim of the agreement is to remove the ‘them and us’ culture in the industry.

During 2001, the Hovis range was relaunched in distinctive new packaging, featuring images of popular foods associated with bread. The Hovis Best of Both loaf, a white loaf made partly with wholemeal flour, was launched in August 2001.

FINANCIAL PROFILE

Year End	29/04/00	01/05/99	02/05/98	03/05/97
Weeks	52	52	52	53
Consolidated	N	N	N	N

Sales

Sales (£000)	411,709	407,680	410,836	426,773
% change year-on-year	0.99	-0.77	-3.73	-
Exports (£000)	6,466	5,971	4,617	4,146
Exports/Sales (%)	1.57	1.46	1.12	0.97

Profits

Pre-tax Profits (£000)	-2,355	10,804	13,933	7,539
% change year-on-year	-121.8	-22.46	84.81	-
Profit Margin (%)	-0.57	2.65	3.39	1.77
Operating Profit (£000)	-2,428	10,829	13,860	17,788

Employees

Number of Employees	6,478	6,723	6,837	6,984
Average Employee Remuneration (£)	20,398.58	18,747.43	17,965.92	17,963.54
Sales per Employee (£)	63,554.96	60,639.60	60,090.10	59,954.28
Profit per Employee (£)	-363.54	1,607.02	2,037.88	1,059.10
Capital Employed per Employee (£)	9,275.55	17,216.57	17,126.52	16,292.67

Balance Sheet/Ratios

Capital Employed (£000)	60,087	115,747	117,094	113,788
Return on Capital (%)	-3.92	9.33	11.90	6.50
Net Worth (£000)	33,352	34,326	25,811	15,095
Current Ratio (%)	0.57	1.07	1.03	0.98
Liquidity Ratio (%)	0.49	0.99	0.95	0.90

FLETCHERS BAKERIES LTD

Registered Office	Claywheels Lane Sheffield South Yorkshire, S6 1LY Tel:0114-234 8171
Company Registration Number	00249790
Date of Incorporation	28/07/30
Holding Company	Northern Foods PLC
Ultimate Holding Company	Northern Foods PLC

Previous Name(s) and Date(s) of Change

None

Principal Activities

The manufacture of bread and confectionery products.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

Fletchers Bakeries Ltd is part of the Convenience Food division of Northern Foods PLC, along with the speciality bakery business of Kara Grain d'Or Ltd, Fletchers was purchased by Northern Foods, which already had a 25% stake in the business, in 1999.

Brand Information

Fletchers supplies fresh bakery products to supermarkets, and also frozen products to foodservice markets through frozen food wholesalers.

Recent Developments

In November 2001, it was announced that the Chief Executive of Fletchers' parent company, Northern Foods, would retire in 2002, to be replaced by the former Chief Executive of Nestlé, Peter Blackburn.

FINANCIAL PROFILE

Year End	31/03/01	31/03/00	03/07/99	27/06/98
Weeks	52	39	53	52
Consolidated	N	N	N	N
Sales				
Sales (£000)	87,887	67,794	61,681	57,525
% change year-on-year	29.64	9.91	7.22	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	7,558	-807	2,749	7,250
% change year-on-year	†	†	-62.08	-
Profit Margin (%)	8.60	-1.19	4.46	12.60
Operating Profit (£000)	7,670	-673	2,496	7,150
Employees				
Number of Employees	1,233	1,172	624	613
Average Employee Remuneration (£)	17,491.48	17,382.25	26,872.64	22,938.01
Sales per Employee (£)	71,278.99	77,126.28	96,982.70	93,841.76
Profit per Employee (£)	6,129.76	-918.09	4,322.33	11,827.08
Capital Employed per Employee (£)	28,326.03	24,773.04	46,870.19	53,831.97
Balance Sheet/Ratios				
Capital Employed (£000)	34,926	29,034	29,247	32,999
Return on Capital (%)	21.64	-3.71	9.22	21.97
Net Worth (£000)	34,757	28,849	29,247	32,999
Current Ratio (%)	1.01	0.65	1.42	1.73
Liquidity Ratio (%)	0.77	0.53	1.24	1.41

GREGGS PLC

Registered Office	Fernwood House Clayton Road Jesmond Newcastle-upon-Tyne, NE2 1TL Tel:0191-2817721
Company Registration Number	00502851
Date of Incorporation	29/12/51
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

Greggs Bakeries Ltd (30/12/83)

Principal Activities

A group engaged in the manufacture and retail of bread, flour confectionery, sandwiches and savoury products, and the provision of catering within the shops.

SIC Codes

15132, Other meat and poultry meat processing.
15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

The Greggs chain began with a small outlet, which was opened in 1930 in Newcastle, and has grown mainly through the acquisition of smaller regional chains. The company was floated in 1984.

Brand Information

The company owns around 1,100 outlets, most of which trade under the Greggs brand name. However, the Bakers Oven outlets, which were purchased from ABF in 1994, continue to operate under their own brand name.

Recent Developments

In January 2002, Greggs reported like-for-like sales growth of 9% during the second half of its financial year, and forecast that its full-year results, due to be posted in March, would show 'very good progress'. The company has announced plans to expand its number of outlets to 1,700 over the next 10 years.

Bakers Oven cafés have been equipped with touch-screen systems, giving customers an interactive touch-screen magazine at their tables. The magazine is updated daily and features articles, competitions and advice.

FINANCIAL PROFILE

Year End	30/12/00	01/01/00	02/01/99	27/12/97
Weeks	52	52	53	52
Consolidated	Y	Y	Y	Y
Sales				
Sales (£000)	339,008	308,678	291,420	265,941
% change year-on-year	9.83	5.92	9.58	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	26,356	21,520	20,214	18,035
% change year-on-year	22.47	6.46	12.08	-
Profit Margin (%)	7.77	6.97	6.94	6.78
Operating Profit (£000)	25,998	21,666	20,157	17,988
Employees				
Number of Employees	14,715	14,035	13,420	13,281
Average Employee Remuneration (£)	8,518.31	8,479.59	8,026.57	7,470.60
Sales per Employee (£)	23,038.26	21,993.44	21,305.63	20,024.17
Profit per Employee (£)	1,791.10	1,533.31	1,477.84	1,357.95
Capital Employed per Employee (£)	6,740.67	6,064.20	5,652.46	5,008.13
Balance Sheet/Ratios				
Capital Employed (£000)	99,189	85,111	75,856	66,513
Return on Capital (%)	26.57	25.28	26.15	27.12
Net Worth (£000)	97,178	81,077	69,791	58,619
Current Ratio (%)	0.68	0.50	0.48	0.54
Liquidity Ratio (%)	0.58	0.37	0.36	0.43

HARVESTIME LTD

Registered Office	38 Raleigh Street Walsall West Midlands, WS2 8RB Tel:01922-444546
Company Registration Number	00251769
Date of Incorporation	01/11/30
Holding Company	William Price & Sons Ltd
Ultimate Holding Company	William Price & Sons Ltd

Previous Name(s) and Date(s) of Change

None

Principal Activities

Bakers and confectioners.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

Harvestime Ltd is the Plant-Baking division of the William Price Group, a family business founded in 1879, which also owns a Speciality Bread division consisting of New Primebake Ltd and Boboli (UK) Ltd. The Group also owns the French Croissant Company, which it purchased in 1998, and which supplies a small range of French bakery products, including croissants and brioche.

Brand Information

Harvestime produces a range of wrapped and crusty bread, including an organic range manufactured at a dedicated production facility. The products are available under supermarket own labels, and are sold through symbol groups and dairies under the Harvestime brand.

Recent Developments

Harvestime has launched 400g half-loaf versions of its range of Traditional and Crusty loaves. The loaf has the same-size slices as the 800g loaf, but fewer of them.

FINANCIAL PROFILE

Year End	30/12/00	01/01/00	02/01/99	03/01/98
Weeks	52	52	52	53
Consolidated	N	N	N	N
Sales				
Sales (£000)	45,795	41,932	36,800	32,013
% change year-on-year	9.21	13.95	14.95	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	431	302	138	304
% change year-on-year	42.72	118.84	-54.61	-
Profit Margin (%)	0.94	0.72	0.38	0.95
Operating Profit (£000)	544	490	313	472
Employees				
Number of Employees	479	482	474	456
Average Employee Remuneration (£)	18,933.19	17,612.03	17,708.86	17,755.05
Sales per Employee (£)	95,605.43	86,995.85	77,637.13	68,879.34
Profit per Employee (£)	899.79	626.56	291.14	654.09
Capital Employed per Employee (£)	7,014.61	7,811.20	9,151.90	8,491.23
Balance Sheet/Ratios				
Capital Employed (£000)	3,360	3,765	4,338	3,872
Return on Capital (%)	12.83	8.02	3.18	7.70
Net Worth (£000)	2,187	2,258	2,543	2,587
Current Ratio (%)	0.88	0.88	0.94	0.95
Liquidity Ratio (%)	0.78	0.72	0.70	0.75

KEARS GROUP LTD (RATHBONES LTD)

Registered Office	Claremont Lydney Gloucestershire, GL15 5DX Tel:01594-845678
Company Registration Number	02101165
Date of Incorporation	18/02/87
Holding Company	Kear Family Ltd
Ultimate Holding Company	Greencore Group PLC (Republic of Ireland)

Previous Name(s) and Date(s) of Change

RJT 62 Ltd (30/07/87)

Principal Activities

A group engaged in the manufacture, marketing and distribution of bakery products.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

Kears Group Ltd is a subsidiary of Greencore Group PLC, which is based in the Republic of Ireland, and is the holding company for a group of bakeries known collectively as Rathbones Ltd. Greencore Group acquired the Hazlewoods Foods PLC sandwich business in 2000.

Brand Information

The Group manufactures breads, rolls and morning goods under the Rathbones label, and also produces a wide range of own-label products.

Recent Developments

Kears Group's parent company, Greencore, saw a 55% drop in pre-tax profits in the year to June 2001, which it blamed in part on price pressures within the bread industry.

Kears has now begun supplying bread to the Hazlewood sandwich-making factory, and the two companies are working together to develop sandwich breads.

FINANCIAL PROFILE

Year End	30/09/00	25/09/99	26/09/98	27/09/97
Weeks	53	52	52	52
Consolidated	Y	Y	Y	Y
Sales				
Sales (£000)	103,296	94,879	85,795	86,209
% change year-on-year	8.87	10.59	-0.48	-
Exports (£000)	2,017	745	286	579
Exports/Sales (%)	1.95	0.79	0.33	0.67
Profits				
Pre-tax Profits (£000)	4,388	5,026	6,293	6,630
% change year-on-year	-12.69	-20.13	-5.08	-
Profit Margin (%)	4.25	5.30	7.33	7.69
Operating Profit (£000)	5,424	5,400	6,598	7,581
Employees				
Number of Employees	1,438	1,256	1,119	1,111
Average Employee Remuneration (£)	17,072.24	16,854.30	16,722.07	16,203.42
Sales per Employee (£)	70,477.76	75,540.61	76,671.13	77,595.86
Profit per Employee (£)	2,993.89	4,001.59	5,623.77	5,967.60
Capital Employed per Employee (£)	21,072.32	21,777.07	22,828.42	26,842.48
Balance Sheet/Ratios				
Capital Employed (£000)	30,302	27,352	25,545	29,822
Return on Capital (%)	14.21	18.38	24.63	22.23
Net Worth (£000)	17,209	15,896	22,091	20,759
Current Ratio (%)	0.53	0.48	0.66	0.77
Liquidity Ratio (%)	0.38	0.36	0.51	0.60

THREE COOKS LTD

Registered Office	Chapel House Liston Road Marlow Buckinghamshire, SL7 1TJ Tel:01903-882590
Company Registration Number	00091981
Date of Incorporation	06/02/1907
Holding Company	Ranks Hovis McDougall Ltd
Ultimate Holding Company	Tomkins PLC

Previous Name(s) and Date(s) of Change

RHM Retail Ltd (09/11/94)
John Crampton & Company Ltd (31/12/81)

Principal Activities

The manufacture and retail of bread and other bakery products.

SIC Code

52240, Retail sale of bread, cakes, flour confectionery and sugar confectionery.

Structure

Three Cooks Ltd is part of the RHM Group, which also includes British Bakeries.

Recent Developments

The company created a new corporate identity during 2001, including new furniture and lighting, and an enhanced product offer that includes premium coffee and fresh food, enabling it to compete with outlets such as Starbucks and Costa Coffee.

FINANCIAL PROFILE

Year End	29/04/00	01/05/99	02/05/98	03/05/97
Weeks	52	52	52	53
Consolidated	N	N	N	N
Sales				
Sales (£000)	52,199	52,447	55,094	58,474
% change year-on-year	-0.47	-4.80	-5.78	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	1,985	349	1,686	1,667
% change year-on-year	468.77	-79.30	1.14	-
Profit Margin (%)	3.80	0.67	3.06	2.85
Operating Profit (£000)	1,981	342	1,681	1,665
Employees				
Number of Employees	1,467	1,515	1,570	1,720
Average Employee Remuneration (£)	11,799.59	11,350.50	10,927.39	10,028.65
Sales per Employee (£)	35,582.14	34,618.48	35,091.72	33,355.07
Profit per Employee (£)	1,353.10	230.36	1,073.89	950.90
Capital Employed per Employee (£)	7,197.00	4,077.89	3,220.38	2,265.12
Balance Sheet/Ratios				
Capital Employed (£000)	10,558	6,178	5,056	3,896
Return on Capital (%)	18.80	5.65	33.35	41.98
Net Worth (£000)	7,387	5,140	5,056	3,896
Current Ratio (%)	0.45	0.44	0.38	0.42
Liquidity Ratio (%)	0.34	0.30	0.26	0.28

WARBURTONS LTD

Registered Office	Back of the Bank House Hereford Street Bolton Lancashire, BL1 8HJ Tel:01204-523551
Company Registration Number	00178711
Date of Incorporation	29/12/1921
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

None

Principal Activities

The production and distribution of bread.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

Warburtons Ltd is a family company founded 125 years ago in Bolton. It now has 11 manufacturing units based in Scotland, the north of England and the Midlands.

Recent Developments

Warburtons claimed market leadership in Scotland in August 2001, having entered the Scottish market little more than 5 years previously.

There were a number of product launches during 2001, including a crusty premium white loaf, a premium range of rolls, (including soft sandwich rolls, made with durum wheat and semolina, and sunflower-and-honey rolls), and the Bake & Share range of ready-to-bake breads — the company's first product in the speciality breads sector.

FINANCIAL PROFILE

Year End	30/09/00	30/09/99	30/09/98	30/09/97
Weeks	52	52	52	52
Consolidated	N	N	Y	Y

Sales

Sales (£000)	183,250	162,393	156,223	147,871
% change year-on-year	12.84	3.95	5.65	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-

Profits

Pre-tax Profits (£000)	26,606	18,149	18,712	18,563
% change year-on-year	46.60	-3.01	0.80	-
Profit Margin (%)	14.52	11.18	11.98	12.55
Operating Profit (£000)	24,943	16,595	16,475	17,106

Employees

Number of Employees	2,717	2,652	2,493	2,295
Average Employee Remuneration (£)	19,309.90	18,161.01	17,467.71	17,102.83
Sales per Employee (£)	67,445.71	61,234.16	62,664.66	64,431.81
Profit per Employee (£)	9,792.42	6,843.51	7,505.82	8,088.45
Capital Employed per Employee (£)	40,519.69	35,605.96	33,344.97	31,122.44

Balance Sheet/Ratios

Capital Employed (£000)	110,092	94,427	83,129	71,426
Return on Capital (%)	24.17	19.22	22.51	25.99
Net Worth (£000)	110,092	94,427	83,129	71,426
Current Ratio (%)	1.67	1.63	1.68	1.70
Liquidity Ratio (%)	1.60	1.56	1.61	1.63

WILLIAM JACKSON & SON LTD

Registered Office	40 Derringham Street Kingston-upon-Hull, HU3 1EW Tel:01482-224131
Company Registration Number	00506672
Date of Incorporation	04/04/52
Holding Company	None
Ultimate Holding Company	None

Previous Name(s) and Date(s) of Change

William Jackson & Son PLC (14/06/00)

Principal Activities

A group engaged as food retailers, food manufacturers and motor dealers.

SIC Code

15892, Manufacture of other food products not elsewhere classified.
52110, Retail sale in non-specialised stores with food, beverages or tobacco predominating.
50100, Sale of motor vehicles.

Structure

William Jackson Bakery is a division of William Jackson & Son Ltd. The business of William Jackson Bakery is organised in to three divisions:

- Retail — marketing branded bread, snack products and speciality breads to supermarkets, wholesalers and the independent sector, and own-label products to multiple retailers
- Food Service — supplying ambient and frozen bakery products to food manufacturers, restaurants and sandwich makers
- Export — dealing with the export of ambient and frozen branded and own-label products to continental Europe and a number of other countries.

Brand Information

The company's Nutribread range includes Nutribread for Women (which contains soya flour, linseed oil and evening primrose oil) and Nutribread for the Family, which contains omega-3 fatty acids.

FINANCIAL PROFILE

Year End	28/04/01	29/04/00	24/04/99	25/04/98
Weeks	52	53	52	52
Consolidated	Y	Y	Y	Y
Sales				
Sales (£000)	159,073	191,302	194,905	184,597
% change year-on-year	-16.85	-1.85	5.58	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	1,610	4,287	3,036	2,857
% change year-on-year	-62.44	41.21	6.27	-
Profit Margin (%)	1.01	2.24	1.56	1.55
Operating Profit (£000)	1,685	4,594	3,205	3,043
Employees				
Number of Employees	2,880	3,110	3,095	2,924
Average Employee Remuneration (£)	9,095.14	9,446.31	9,499.52	9,036.59
Sales per Employee (£)	55,233.68	60,351.30	62,974.15	63,131.67
Profit per Employee (£)	559.03	1,352.45	980.94	977.09
Capital Employed per Employee (£)	19,370.49	17,456.59	17,525.36	18,024.28
Balance Sheet/Ratios				
Capital Employed (£000)	55,787	54,290	54,241	52,703
Return on Capital (%)	2.89	7.75	5.60	5.42
Net Worth (£000)	47,503	44,804	45,570	44,441
Current Ratio (%)	1.53	1.26	1.32	1.45
Liquidity Ratio (%)	0.95	0.77	0.74	0.73

ABF GRAIN PRODUCTS LTD (ALLIED BAKERIES LTD)

Registered Office	Weston Centre Bowater House 68 Knightsbridge London, SW1X 7LT Tel:01784-451366
Company Registration Number	00079590
Date of Incorporation	30/12/1903
Holding Company	Sunblest Bakeries Ltd
Ultimate Holding Company	Associated British Food

Previous Name(s) and Date(s) of Change

Allied Bakeries Ltd (13/09/01)
Sunblest Bakeries Ltd (25/12/91)
Allied Bakeries Ltd (26/11/91)
Sunblest Bakeries Ltd (15/09/91)

Principal Activities

The manufacture and sale of food.

SIC Code

15810, Manufacture of bread; manufacture of fresh pastry goods and cakes.

Structure

Allied Bakeries Ltd is a subsidiary of Associated British Foods, an international food, ingredients and retail group. Allied Bakeries changed its name to ABF Grain Products Ltd for accounting purposes only.

Brand Information

Allied Bakeries claims to have a third share of the bread market in the UK. Brands produced by the company include Kingsmill, Sunblest, Allinson and Burgen. During 2001, Allied Bakeries added Kingsmill Whole White — which tastes like white bread but made with one-third wholemeal flour — to its Kingsmill range.

Recent Developments

During 2001, Allied Bakeries closed five distribution depots, which followed a series of plant closures during 1999 and 2000. During the same year, the company implemented price increases on some of its premium and value-added products, in response mainly to rising delivery costs.

In 2001, the company was given the award for best bakery own-label supplier by *The Grocer* magazine.

In December 2001 Checkout magazine confirmed Kingsmill as Britain's leading bread brand, at no. 7 in the Checkout/ACNeilsen top 100 grocery brands.

FINANCIAL PROFILE

Year End	16/09/00	18/09/99	12/09/98	13/09/97
Weeks	52	53	52	52
Consolidated	N	N	N	N
Sales				
Sales (£000)	445,446	461,490	467,401	459,810
% change year-on-year	-3.48	-1.26	1.65	-
Exports (£000)	-	-	-	-
Exports/Sales (%)	-	-	-	-
Profits				
Pre-tax Profits (£000)	-18,415	-83,706	-37,416	-31,353
% change year-on-year	†	†	†	-
Profit Margin (%)	-4.13	-18.14	-8.01	-6.82
Operating Profit (£000)	-18,420	-83,705	-37,424	-31,209
Employees				
Number of Employees	4,698	6,021	6,431	6,567
Average Employee Remuneration (£)	20,250.32	19,015.32	19,102.01	18,385.26
Sales per Employee (£)	94,816.09	75,200.57	72,679.37	70,018.27
Profit per Employee (£)	-3,919.75	-13,640.03	-5,818.07	-4,774.33
Capital Employed per Employee (£)	34,394.64	27,476.17	32,734.57	30,450.13
Balance Sheet/Ratios				
Capital Employed (£000)	161,586	165,434	210,516	199,966
Return on Capital (%)	-11.40	-49.64	-17.77	-15.68
Net Worth (£000)	53,408	42,778	20,664	24,725
Current Ratio (%)	1.46	1.45	1.33	1.28
Liquidity Ratio (%)	1.27	1.28	1.17	1.11

11. Further Sources

Associations

• Association of Bakery Ingredient Manufacturers
'interests of manufacturers and suppliers of ingredients to the bakery trade'
• Scottish Association of Master Bakers
'craft-bakery trade and employers association'
4a Torphichen Street
Edinburgh, EH3 8JQ
Telephone:0131-229 9415
Fax:0131-229 9407
E-mail:abim@abim.org.uk
http://www.abim.org.uk

Bakers', Food and Allied Workers' Union
Stanborough House
Great North Road
Stanborough
Welwyn Garden City
Hertfordshire, AL8 7TA
Telephone:01707-260150
Fax:01707-261570
E-mail:bfawuho@aol.com
http://www.bfawu.org.uk

Biscuit, Cake, Chocolate and Confectionery Alliance
'trade-related information on the sales of biscuits, cakes, chocolate and confectionery for the home market and for export'
37-41 Bedford Row
London, WC1R 4JH
Telephone:020-7404 9111
Fax:020-7404 9110
http://www.bccca.org.uk

British Nutrition Foundation
'to provide unbiased information; to encourage education; to foster research concerned with human nutrition'
High Holborn House
52-54 High Holborn
London, WC1V 6RQ
Telephone:020-7404 6504
Fax:020-7404 6747
E-mail:postbox@nutrition.org.uk
http://www.nutrition.org.uk

The British Sandwich Association
8 Home Farm
Ardington
Oxfordshire, OX12 8PN
Telephone:01235-821820
Fax:01235-862200
http://www.sandwichnet.co.uk

British Society of Baking
'promotion of good practices in the baking industry'
8 Lendel Close
Formby
Liverpool, L37 3PT
Telephone:01704-831535
Fax:01704-831535

Campden & Chorleywood Food Research Association
'research and development work for the food and allied industries; food packaging, machinery, manufacturers, distributors, retailers and growers, drink and cereal processing'
Station Road
Chipping Campden
Gloucestershire, GL55 6LD
Telephone:01386-842000
Fax:01386-842100
http://www.campden.co.uk

• Federation of Bakers
'representation of the UK's largest bakers'
• United Kingdom Association of Manufacturers of Bakers' Yeast
6 Catherine Street
London, WC2B 5JW
Telephone:020-7420 7190
Fax:020-7397 0542
E-mail:info@bakersfederation.org.uk
http://www.bakersfederation.org.uk

Flour Advisory Bureau
'for the flour-milling industry'
21 Arlington Street
London, SW1A 1RN
Telephone:020-7493 2521
Fax:020-7493 6785
http://www.fabflour.co.uk

Food and Drink Federation
'to represent, promote and further the interests of the UK food manufacturing industry with government, EC institutions and other decision-making bodies'
6 Catherine Street
London, WC2B 5JJ
Telephone:020-7836 2460
Fax:020-7836 0580
E-mail:generalenquiries@fdf.org.uk
http://www.fdf.org.uk

Food, Drink and Tobacco Federation
Confederation House
84-86 Lower Baggot Street
Dublin 2
Republic of Ireland
Telephone:00-3531 660 1011
Fax:00-3531 660 1717

Homegrown Cereals Authority
'delivers a co-ordinated range of focused services essential to the probability of the cereals and oil seeds industry'
Caledonia House
223 Pentonville Road
London, N1 9HY
Telephone:020-7250 3926
Fax:020-7520 3958
http://www.hgca.com

International Milling Association
9 Avenue Gaulois
1040 Brussels
Belgium
Telephone:00-322 732 5354
Fax:00-322 732 3427

National Association of Master Bakers
'to represent small and medium-sized bakery businesses in England and Wales; to act as the Industry Training Organisation for craft bakers'
21 Baldock Street
Ware
Hertfordshire, SG12 9DH
Telephone:01920-468061
Fax:01920-461632

Publications

Bake & Take
Turret RAI PLC
Armstrong House
38 Market Square
Uxbridge
Middlesex, UB8 1TG
Telephone:01895-454545
Fax:01895-454647
http://www.turret-rai.co.uk

The Bakery Magazine
NFBSS/IBB Alliance
76 Gower Road
Haywards Heath, RH16 4PN
Telephone:01444-453945
Fax:01708-727033

British Baker
Quantum Publishing Ltd
Quantum House
19 Scarbrook Road
Croydon, CR9 1LX
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• Food Manufacture
• The Grocer
• Multiple Buyer and Retailer
William Reed Publishing Ltd
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Pease Cottage
Crawley
West Sussex, RH11 9RT
Telephone:01293-613400
Fax:01293-610330
http://www.foodanddrink.co.uk

European Baker
Crier Publications Ltd
Arctic House
Rye Lane
Dunton Green
Sevenoaks
Kent, TN14 5HB
Telephone:01732-451515
Fax:01732-451383

Food Trade Review
Food Trade Press Ltd
Station House
Hortons Say
Westerham
Kent, TN16 1BZ
Telephone:01959-563944
Fax:01959-561285

• Independent Retail News
• Super Marketing
Reed Business Information
Quadrant House
The Quadrant
Sutton
Surrey, SM2 5AS
Telephone:020-8652 8754
Fax:020-8652 8935
http://www.reedbusiness.com

Directories

The Food Pocket Book
NTC Publications
Farm Road
Henley-on-Thames
Oxfordshire, RG9 1EJ
Telephone:01491-411000
Fax:01491-571188

Retail Directory of the UK
Newman Books Ltd
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London, SW1V 2SS
Telephone:020-7973 4649
Fax:020-7973 4798

Scottish Association of Master Bakers: Yearbook
Scottish Association of Master Bakers
4a Torphichen Street
Edinburgh, EH3 8JQ
Telephone:0131-229 1401
Fax:0131-229 8239

General Sources

ACNielsen MMS
Madison House
High Street
Sunninghill
Ascot
Berkshire, SL5 9NP
Telephone:01344-627553
Fax:01344-621037
E-mail:mms@mediamonitoring.co.uk

Ashgate Publishing Ltd
Gower House
Croft Road
Aldershot
Hampshire, GU11 3HR
Telephone:01252-331551
Fax:01252-344405
E-mail:info@ashgatepub.co.uk
- Sources of Unofficial UK Statistics — D Mort & L Siddall

ASLIB: The Association for Information Management
Staple Hall
Stone House Court
London, EC3A 7PB
Telephone:020-7903 0000
Fax:020-7903 0011
http://www.aslib.co.uk
- ASLIB Directory of Information Sources in the UK

BMRB International Ltd
Hadley House
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Ealing, W5 5SU
Telephone:020-8566 5000
Fax:020-8579 9802

Trade Partners UK & Export Market Information
Kingsgate House
66-74 Victoria Street
London SW1E 6SW
Telephone:020-7215 5444
http://www.tradepartners.gov.uk
- Sources of Statistics and Market Information

Headland Press
1 Henry Smith's Terrace
Headland
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Telephone:01429-231902
Fax:01429-861403
- Business Information Sourcebook
- How to Access Market Research Information from your Microcomputer

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Telephone:020-7808 7107
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Bonnier Information Sources

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http://www.statistics.gov.uk

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National Food Survey 1999
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Monthly Digest of Statistics
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Social Trends Annual
£39.50

UK National Accounts 1999
£39.50

Other Sources

ACNielsen
Nielsen House
Headington
Oxford, OX3 9RX
Telephone:01865-742742
Fax:01865-742222

Business Information Futures
1 Henry Smith's Terrace
Headland
Cleveland, TS24 0PD
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Fax:01429-861403

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Fax:01244-681457

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Taylor Nelson Sofres PLC
Westgate
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Telephone:020-8967 0007
Fax:020-8967 4060
http://www.tnsofres.com
• AGB Superpanel

Understanding TGI Data

TGI Tables, produced by BMRB International Ltd, are generally based on one of the following groups:

- **Households** — a private household consists of either one person living alone or a group of people, usually, but not always, members of one family, who live together and whose food and other household expenses are managed as one unit.
- **Adults** — any person aged 15 or over.
- **Housewives** — a member of a private household who is solely or mainly responsible for the household duties.

Number, Profile, Penetration

Tables used in Key Note reports may give figures for the Number, Profile, and/or Penetration. These terms are explained in the following Table.

The total number of adults, housewives, households, etc.

Across
The % of 15-24 year-olds, etc. who are users.

Table Heading

	Population	Number (000)	Profile (%)	Penetration (%)
All housewives	20,371	13,535	100.0	66.4
Age				
15-24		1,045	7.7	0.03
25-34		2,697	19.9	12.1
Social Grade				
AB			.0	61.5
C1			.0	71.9
Region				
Greater				
London		2,557	10.4	55.2

This is the projected number of people in each subgroup who use the product.

Down
The % of each subgroup who are users. Each subgroup should total 100% vertically.

Source:Target Group Index, © BMRB International, 1995

TGI data used in Key Note reports is broken down by age, social grade and standard region.

Social Grade

This is normally based on the occupation of the Head of the Household, or if the Head of the Household is retired, their former occupation. If this information is not available social grade is based on environmental factors such as type of dwelling, amenities in the home, presence of domestic help etc.

Social grade is assessed by the interviewer when collecting the information and is, therefore, based on information given personally and verbally by the respondent. Social grade is checked by BMRB's coding and editing office.

The following table broadly defines the six social grades used. The relationship between social grade and net income of the Head of the Household is a complex one and readers should note that **income is not determinant of social grade**.

Social Grade	Social Status	Head of Household's Occupation
A	Upper middle class	Higher managerial, administrative or professional
B	Middle class	Intermediate managerial, administrative or professional
C1	Lower middle class	Supervisory or clerical and junior managerial, administrative or professional
C2	Skilled working class	Skilled manual workers
D	Working class	Semi and unskilled workers
E	Those at lowest levels of subsistence (no other earner)	State pensioners or widows

Standard Region

This is as defined by the Registrar-General.