

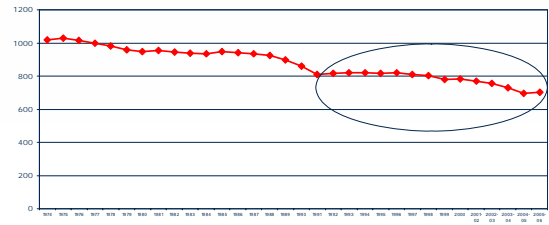


**Product Development and Innovation in the UK Baking Industry**

Paul Molyneux



**Overall bread consumption has been falling**

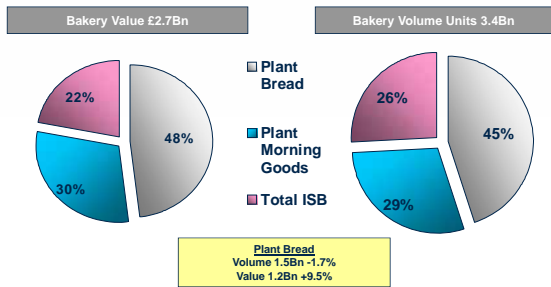


Last 50 years -2.0% pa  
 Last 20 years -1.5% pa  
 Last 10 Years -0.8% pa

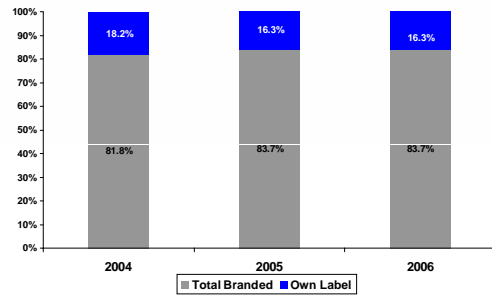
Note: Forecast CAGR based on TNS volume data 03/06



**The UK Bakery Market is big and in value growth**



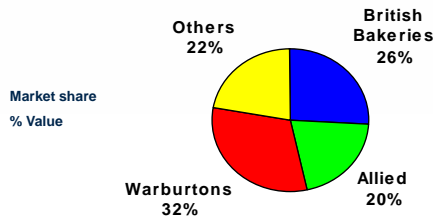
**Branded Product Sales Exceed Retailer Brand**



Source: IRI Multiple Grocers & Co-ops



**How the Market is split up**



Market share % Value



**Bread prices are still low compared to rest of Europe – in spite of recent increases**

	£/kg
London	1.45
Rio de Janeiro	1.47
Mexico City	1.87
Berlin	1.99
Paris	3.15
New York	3.37
Vienna	4.22

Source: Economist Intelligence Unit Autumn 2007



### Historical Context

- **1950's to 1970's**
  - Plant bakery businesses replaced small family bakers
  - consolidation around a number of core brands
  - Mothers Pride, Sunblest, and Warburtons/Rathbones as regional brands.
- **1980's**
  - Massive growth in major multiple supermarket chains
  - Growth of retailer brand products which were similar to brands but lower in price
- **1990's**
  - Bread used as loss leader in retailers down to 7p
  - Sunblest/Mothers Pride all but disappear, O/L increases
  - Launch/development of Premium bread brands Kingsmill and Hovis
- **To date**
  - Continued growth of premium brands
  - High level of new product development
  - Bread now routinely >£1/loaf.



### Market Dynamics

	White	Brown and Wholemeal	New Products
Premium/ Branded	↓	↑	↑↑↑
Standard/ Economy	↓↓	↔	↑↑↑



### Innovation within Traditional types



### Innovation for Health



### Innovation for Taste



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