



Bread manufacturers: What are the strategic options in response to changing demand?

Bread manufacturers must respond to consumer behaviour that is increasingly volatile and demanding.

Global bread consumption is broadly stable, growing by only 0.8% per year in volume terms over the period 2014-2019¹. While it is falling in Europe, it is experiencing a more positive trend in Asia-Pacific and Africa-Middle East. This apparent maturity masks a change in supply, however. While the first three purchasing criteria remain freshness, taste and price², there is also a demand for innovation, echoing major food trends, namely:



- **Greater demand for products that respect health and well-being.** This is reflected in an increase in the range of bread and bread-making products made from wholegrain, fibre-rich cereals, incorporating ancient seeds and other “superfoods”, with less sugar and fat or more protein.



- This trend leads to a **growing demand for more natural products**. Increasing emphasis is placed on the artisanal aspect of bread making, particularly in countries where it had become highly industrialised, such as the United States, the United Kingdom and Australia. A popular trend is to use sourdough, which is seen as more natural than yeast. “Long fermentation” processes and simple recipes, with a limited number of ingredients, are taking a growing place in the innovations proposed by the sector’s manufacturers. Traditional and authentic recipes are making a strong comeback.



- **Greater convenience.** Bread is considered more as a base ingredient rather than an accompaniment to a dish, mainly in sandwiches. Formats adapted to new consumption patterns, whether on the go or for snacking, are popular.



- **Better eating experience.** As a result of globalisation, consumers are keen to sample more exotic breads, such as pita, ciabatta, pretzel and polar bread. The hybridisation between food cultures leads to the discovery of new flavours and textures: burgers made with crusty bread or pretzel bread, etc.



- **A quest for meaning**, which is also expressed through the act of buying. Respect for the environment and animal welfare is boosting the offer of organic bread and palm oil free bread products, or made with barn or free-range eggs.

In the Mintel database, which lists product launches in supermarkets, “natural” claims (additive-free, whole grain, organic or GMO-free) top the list alongside “suitable for” claims (vegan, allergen-free, gluten-free products, etc.).

To sum up, the global bread market is admittedly mature on the whole, but it is changing and becoming increasingly complex to address all over the world.

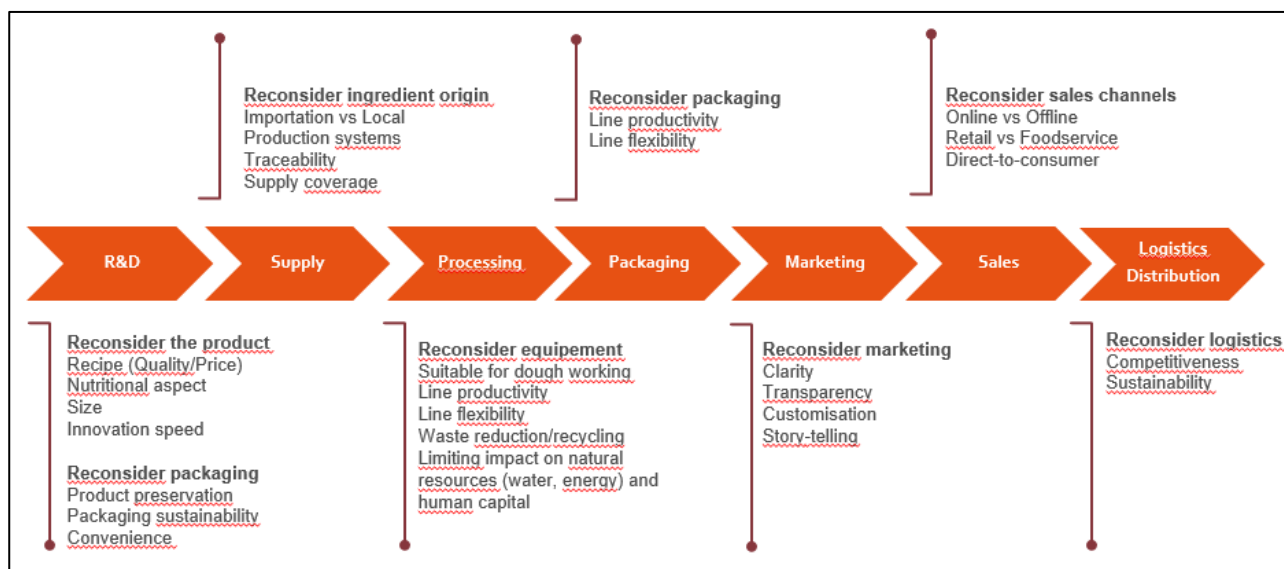
¹ Source: Euromonitor International, 2019; ² Source: Puratos, Taste Tomorrow, 2019



Three major strategic focuses should be given priority: internal development, acquisitions and partnerships

To respond to these developments, industrial manufacturers of bread-making products are adopting three main paths, which can be pursued simultaneously.

Internal development requires rethinking the entire value chain. Each stage of the process requires investments.



The second focus is **acquiring companies** with the required know-how. This strategy allows rapid penetration of a new market but is more risky, as integration can be complex and the price high. A case in point is the world leader in bread, the Mexican group Bimbo, which, since 2017, has acquired Stonemill Slow Craft, a Canadian manufacturer of slow-fermented bread, the US company Bays, which specialises in English muffins, and more recently Mr Bagel in the United Kingdom. It should be noted that this strategy is not the preserve of sector giants; SMEs are also on the lookout for targets that could enable them to set foot in buoyant segments.

The third strategy is that of **partnerships**. This is the most innovative approach, with companies preferring an individualistic approach and a rationale of power relations with their protagonists rather than a shared, collective approach in a win-win process. A partnership can take different forms:

- With upstream and downstream players with a view to securing the supply of raw materials according to the desired specifications, such as McDonald's wheat sector, which relies on contracting with its suppliers, the grain cooperatives Valfrance and Beauce Gâtinais Céréales, the miller NutriXo and the baker Bimbo QSR.
- To reach an optimum balance between quality, production constraints and competitiveness in a highly competitive environment. This can be achieved in particular through close partnerships with ingredient suppliers and equipment manufacturers.
- To fuel a company's innovation flow, through collaboration with start-ups, universities or public-private research centres. This is how Bridor launched La Mie Biote, a fibre-rich bread with beneficial effects on the microbiota and cholesterol content. This creation results from a partnership with the French National Institute for Agronomic and Environmental Research (INRAE) and the Rhône-Alpes Centre for Human Nutrition Research (CRNH).

In order to keep pace with changing demand, a company must be **competitive, nimble, flexible and solution-oriented**. For this purpose, companies need to **constantly keep a finger on the market pulse** and **establish trusting partnerships with other players in the value chain**.

This Summary is taken from a study carried out in January 2020 entitled: "The bread market: Consumption trends and stakeholder dynamics – Focus on the Clean Label", available in restricted access on the website www.unigrains.fr

