

FROZEN BAKERY MARKET

BY TYPES (Frozen Breads, Frozen Pizza Crust, Frozen Pastries, Frozen Cakes, Others),

DISTRIBUTION CHANNELS (Artisan Bakers, Retail, Catering & Industrial, Others)

& GEOGRAPHY

— *Global Trends & Forecasts to 2018*



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1 EXECUTIVE SUMMARY

The global frozen bakery industry has been on a higher growth trajectory for the last few years. The growth is largely fuelled by hectic schedules and rising awareness of nutritional facts amongst people. The frozen bakery market has grown considerably in recent times and is expected to continue its growth in future. For instance, bread is considered as one of the leading staple food worldwide. Factors such as availability of a variety of bakery products and quality demand of buyers have encouraged quite a few leading frozen bakery product suppliers to expand their chain across the world. There has been a considerable rise in the number of over-the-counter and retail bakeries. Better value for money and new gender behavior are a few of the other reasons for the increase in consumption of frozen bakery products.

The world is witnessing an increase in the number of bakery businesses, with consumers opting for the more reasonably priced frozen bakery products to other baked fast foods. The frozen bakery segment is anticipated to show robust growth in North America and Europe. Consumers are also benefited with the purchase of frozen bakery, as it is easy for them to use it and keep it for a longer period of time. The growth of this market segment banks on consumer preference for a convenient alternative to freshly baked products. This growth will be maintained in the future with an opportunity to produce new specialty bakery with plenty of innovation for health-conscious consumers.

2 MARKET OVERVIEW

2.1 MARKET STATISTICS

2.1.1 RELATED MARKETS

2.1.1.1 Global cold chain market

Cold chain is an uninterrupted supply chain through temperature-controlled storage and distribution activities, in order to extend and ensure the shelf life of perishable products such as fruits & vegetables, dairy, bakery & confectionery, and meat, fish & seafood. Cold storage and refrigerated transport are two momentums to the logistics industry. Cold chain logistics is the upcoming trend in the market and is gaining popularity in the food & beverage industry due to growing demand for frozen food products, globally. The changing consumer behavior toward processed and preserved goods forms the main driver for this sector.

Common temperature range for a cold chain in food industry is XX°C to XX°C and -XX°C to -XX°C. But the specific temperature tolerances depend on the actual product being stored and transported. Cold chain is important in the supply of perishable foods to distant places in hot climates, served by poorly developed transport networks.

2.1.1.2 Frozen food market

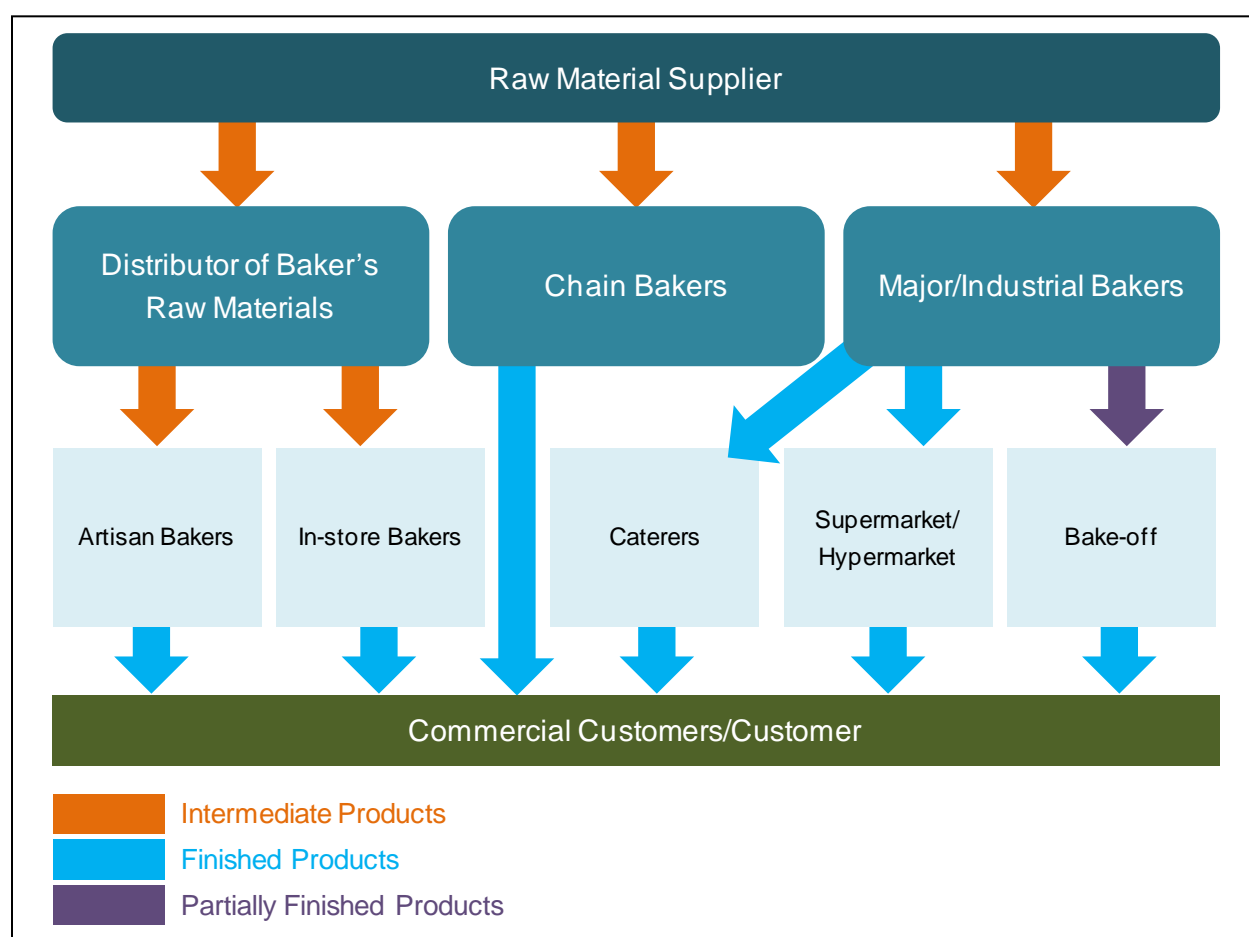
Frozen food consumption is increasing worldwide. Frozen ready meals consist of wide product range which includes frozen pizza, desserts, snacks, etc. The important markets in the European frozen food market such as Germany, France, and U.K. show a long-term growth. U.K. is the most developed market for per capita frozen food consumption; but Germany has the highest market value. U.K.'s retail segment is growing, while the foodservice sector remains the same. On the other hand, the German foodservice sector is growing and the retail sector is in the developing stage. Recently, there has been a huge growth in the number of supermarkets and fast food chains. This has led to an increase in sales of consumer-ready frozen foods such as ice-cream & frozen desserts, frozen fruits & vegetables, seafood, and meats.

3 INDUSTRY ANALYSIS

3.1 SUPPLY CHAIN ANALYSIS

FIGURE 1

FROZEN BAKERY: SUPPLY CHAIN ANALYSIS



Source: Related Research Publications and MarketsandMarkets Analysis

The diagram above describes the supply chain of frozen bakery that starts from the raw material supplier and ends at the final customer. The raw material is supplied to chain bakers,

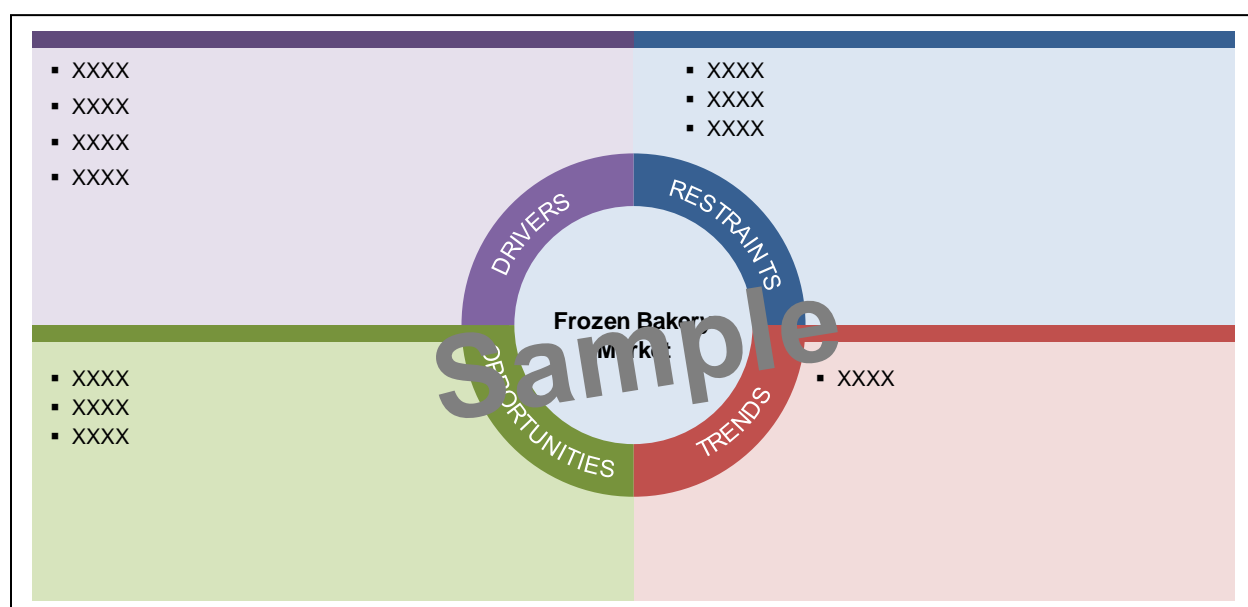
industrial bakers, and also to the distributors of bakery raw material. Artisan and in-store bakers purchase raw materials from distributors, prepare the frozen product, and sell it directly to customers. The chain bakers sell their products directly to their customers. The key industry players sell their products through caterers or hypermarkets, and also sell partially baked products to bake-off shops. The frozen bakery supply chain is composed of a wide range of products and companies which operate in different markets and sell a variety of food products.

4 MARKET ANALYSIS

4.1 MARKET DYNAMICS

FIGURE 2

MARKET DYNAMICS



Source: MarketsandMarkets Analysis

4.1.1 MARKET DRIVERS

4.1.1.1 Greater safety & taste consistency

Growing health concerns and high living standards drive the frozen bakery market. The health and wellness trend is an important concern of today's consumers, which leads them to buy packaged food products as they are considered safe. The benefits of frozen bakery products are easily recognized by consumers as these provide them with good quality and nutritious products that have greater taste consistency.

4.1.1.2 Economic growth - drives the consumption of frozen breads

Economic growth of any country is the main factor for the development of the frozen bakery market, as consumers can afford high-end products with improved nutritional and shelf life. Some of the European and North American countries show a strong economic development. Hence, these markets are considered the most significant markets to invest in the frozen bakery. In recent future, some of the Asia-Pacific countries too are projected to depict good economic development, which will result in the further development of frozen bakery products in those regions.

4.2 PORTER'S FIVE FORCES ANALYSIS

4.2.1 BARGAINING POWER OF BUYERS

There are large numbers of manufacturers with same product portfolio as required by the consumers. These manufacturers also provide the customers with diversified product range. In addition, buyers are also served with customized solution as per their requirement. Due to the availability of wide range of local and international brands, bargaining power of buyers is high.

Thus, the bargaining power of buyers is high.

4.2.2 THREAT OF NEW ENTRANTS

Frozen bakery market is characterized by new product launches, which requires perfect R&D setup. Local players cannot usually come up with such products. Also, new large players find it difficult to compete with established markets such as Europe. In addition, the most preferred strategy of market leaders is merger and acquisition of local and small players in a particular region. These large players are also well-established with their distribution channels.

Thus, the threat of new entrants is low.

4.2.3 THREAT OF SUBSTITUTES

In few regions such as Asia-Pacific and ROW, the market is still dominated by fresh baked products. These freshly baked products form a major substitute to the frozen bakery products. Also, the par baked products hamper the frozen bakery market.

Thus, the threat of substitutes is high.

4.2.4 DEGREE OF COMPETITION

The degree of competition in frozen bakery industry is medium, but will be rising in the near future. It is low at regional levels, as there is presence of few large players in the market, which creates oligopolistic situation. But at local market level, saturation of local players creates highly competitive environment.

Thus, the degree of competition is medium.

5 FROZEN BAKERY PRODUCTS MARKET, BY TYPES

5.1 FROZEN PASTRY

5.1.1 PIE & TARTS

Pie and tarts are baked dishes which are usually made of pastry dough and contains filling of various sweet or savory ingredients. The categories of 'tart' and 'pie' overlap, with no sharp distinctions, except that the pie usually covers the fillings in pastry, while tarts leave it open.

Pie is consumed widely in the U.S. Frozen pot pies are often sold in individual serving size.

5.1.2 CROISSANTS

Croissants are a type of pastry that originated from Austria. They have a buttery taste. Croissants are made up of yeast dough, layered with butter and rolled in sheet by laminating process. Higher dosage of yeasts is required for croissants which are made up of frozen dough. Quality and consistency of ingredients is maintained while freezing it, failing which, it becomes less crispy and flaky.

5.1.3 OTHERS

Other frozen pastry includes Danish, quiche, and kringle pastry. Danish pastries are made by whey dough and butter. Different fillings are added followed by giving the shape to them. Quiche is frozen after it is fully cooked after putting the custard in a pre-baked pie shell. Similarly, kringles are hand rolled pastries.

5.2 FROZEN CAKE

5.2.1 SPONGE CAKE

Sponge cake batter is prepared by mixing margarine and sugar as basic raw materials. They have high proportion of eggs to flour and are leavened solely by air beaten into whole eggs. A versatile sponge cake can be flavored with extracts, nuts, and citrus zests and is baked in round cake pans or a sheet pan. Sponge cakes can be frozen for up to three months, depending upon the ingredients quality and consistency.

5.2.2 MUFFIN

A muffin is an American originated semi-sweet cake or quick bread that is baked in portions, serving a single person. They are similar to cupcakes, although they are usually less sweet and lack icing.

The batter is frozen in three different ways:

- Freezing the batter in the wrapper
- Freezing the batter in zip top bags
- Freezing the batter in disposable muffin pans

Because of higher sugar content, the batter takes long time to freeze than other foods. To thaw them, they are placed on a baking sheet (or wrapped in foil) and then kept in a warm oven.

5.2.3 OTHERS

Other types of cake include frozen cookie cake and scones. Cookies are frozen for up to four to five months in freezer bags or rigid containers. Rigid containers are more preferred than freezer bags due to its better protection. Scones originated from Scotland and are made up of wheat or barley, and baking powder in different proportion.

6 FROZEN BAKERY MARKET, BY DISTRIBUTION CHANNELS

6.1 INTRODUCTION

A wide distribution channel exists around the globe for frozen bakery products. Globally, retail channel continues to have a significant share in the market followed by catering and industrial channels. Apart from retail, artisanal, industrial distribution channels, and new avenues have been opened, to provide easy access to frozen bakery products for consumers.

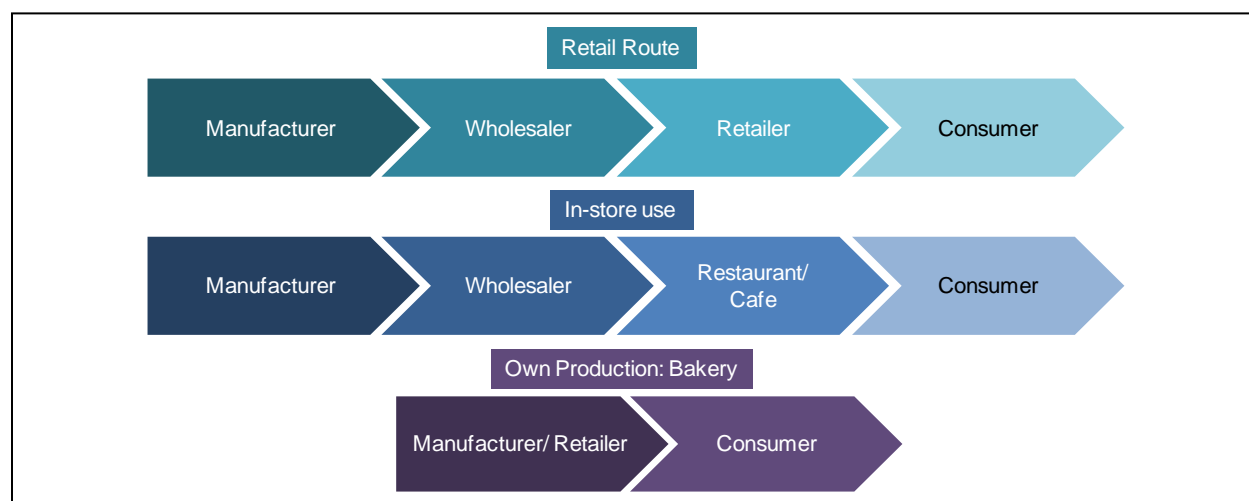
The new distribution channels are:

- Internet/E-commerce
- Direct sales to consumers
- Export opportunities

The marketers have adopted various routes in order to get the frozen bakery products across to its consumers.

FIGURE 3

FROZEN BAKERY: MARKET STRUCTURE



Source: MarketsandMarkets Analysis

6.2 RETAIL

6.2.1 CONVENIENCE STORES

6.2.1.1 The convenience factor drives the attention of consumers to mom & pop convenience stores

Mom & Pop convenience stores are small family-owned businesses at a single location. They don't have multiple operations such as franchises and large corporations. Mom & Pop convenience stores are the new investors, which do not have a significant share in the market and don't rely on any kind of trading to supplement their income. Increasing need for convenience and higher spending capacities have enabled these stores to upgrade themselves. Infrastructure now includes freezing and temperature-controlled facilities for frozen bakery products.

6.2.1.2 Retail market generates maximum sales for frozen bread

Most of the retail chains in the Eastern European countries have demonstrated distinct interest in frozen breads. Sale of frozen breads at various gas stations is also becoming popular.

6.2.2 IN-STORE BAKERIES

In-store bakeries are gaining popularity, specifically in the North American and European regions. Various retail chains have their own in-store bakeries. This helps them to attract more number of customers to their chains. Along with the frozen bakery products, par-baked products are also part of these in-store bakeries.

6.3 CATERING & INDUSTRIAL

This channel includes restaurants, cafes, institutional food service channels as well as industrial channels for value addition of frozen baked products. Changing lifestyles and global brands mean growing needs for frozen and par-baked products for restaurants and other institutional food services. International cuisines and recipes depend to a large extent on bread and its variants. This has warranted the need for high quality products of consistent quality, with longer shelf life. These needs are satisfied by the frozen segment. With more innovations coming through, the sector is bound to grow and occupy a larger share in the market.

6.3.1 FOOD SERVICE

Due to the increase in the number of national and international brands in hotel industry, demand for frozen bakery products will be increasing. Asia-Pacific can form one of the attractive markets for frozen bakery products distribution through this segment.

6.3.2 CATERING

Improved life-style and high incomes have supported the growth of catering industry allowing the entry of frozen foods and increase in their demand.

6.3.3 OTHERS

Institutional bakeries form an important part of this segment. Generally, these bakers sell their products to the local or small bakeries in the market.

7 COMPETITIVE LANDSCAPE

7.1 INTRODUCTION

This section presents the important growth strategies adopted by the companies in the global frozen bakery market from 2010 to 2013. The main strategies identified are:

- Mergers and acquisitions
- Agreements, partnerships, collaborations, and joint ventures
- New product developments
- Expansions and investments

The global frozen bakery market is competitive and involves market players such as Aryzta (Switzerland), Barilla Holdings Spa (Italy), Cargill Incorporated (U.S.), etc. Also, companies such as Custom Foods Inc. (U.S.), Europastry (Spain), General Mills Inc. (U.S.), etc. have prominent presence in the frozen bakery market.

7.2 MOST PREFERRED STRATEGY – NEW PRODUCT LAUNCHES

The most prevalent development activity in the global frozen bakery market from 2010 to 2013 is new product launches. It accounted for XX% of the total development activities undertaken by the key industry players during the concerned period. The year 2012 witnessed the most number of new product developments. With the increase in its consumption in the market, frozen bakery manufacturers focus on developing new ingredients to cater to the growing needs of the bakery industry players.

7.3 MERGERS & ACQUISITIONS

TABLE 1
MERGERS & ACQUISITIONS, 2010 – 2013

Date	Company	Description
February 2013	Aryzta (Switzerland) & Klemme AG (Germany)	Aryzta acquired Klemme, a leader in manufacturing and distribution of frozen bakery products. This helps the company to expand its business by increasing the in-store bakeries of Germany.
October 2012	Flowers Foods (U.S.), & Grupo Bimbo (Mexico)	Flowers Foods acquired Grupo Bimbo's (Mexico) assets, namely, Sara Lee and Earthgrains for sliced breads, buns, and rolls in California. This helps Flower Foods to have strong position in U.S.
July 2012	Flowers Foods (U.S.) & Lepage Bakeries (U.S.)	Flowers Foods acquired Lepage Bakeries, a best-in-class baking company with efficient operations, high-quality products, strong regional brands, and a solid distribution system serving retail and foodservice customers throughout the Northeast.
July 2012	Associated Foods (U.S.) & Elephant Atta (U.K.)	Associated Foods acquired Elephant Atta, U.K.'s leading flour brand. This flour is used to make flat breads. It helps in increasing the company's income.
May 2012	Kellogg Company (U.S.) & Procter & Gamble (U.S.)	Kellogg Company acquired Pringles business from Procter & Gamble which helps them to triple their snacks business worldwide.
May 2012	Grupo Bimbo (Mexico) & Sara Lee (U.S.)	Grupo Bimbo acquired Sara Lee's North American Fresh Bakery which includes Sara Lee in Iberia and Fargo in Argentina. This move helped Grupo Bimbo to become a leading brand in bread manufacturing.

Date	Company	Description
September 2011	Aryzta (Switzerland) & Honeytop Speciality Foods (U.K.)	Aryzta acquired Honeytop Speciality Foods, a market leader in manufacturing of specialty bread. This helped the company to have a good retail market and increased access to supermarkets, convenience stores, and restaurants.
August 2010	Aryzta (Switzerland) & Maidstone Bakeries (Canada)	Aryzta acquired Maidstone Bakeries, a leading supplier of baked goods across Canada.
August 2010	Aryzta (Switzerland) & Fresh Start Bakeries (U.S.)	Aryzta acquired Fresh Start Bakeries, a global supplier of bakery products. This helped the company to extend its distributing channels.
August 2010	Aryzta (Switzerland) & Great Kitchens (U.S.)	Aryzta acquired Great Kitchens, a leading producer of frozen pizza. This helped the company to increase its global footprint.

Source: MarketsandMarkets Analysis

8 COMPANY PROFILES

8.1 BARILLA HOLDING SPA

Pasta Plant - Mill

Via Mantova, 166

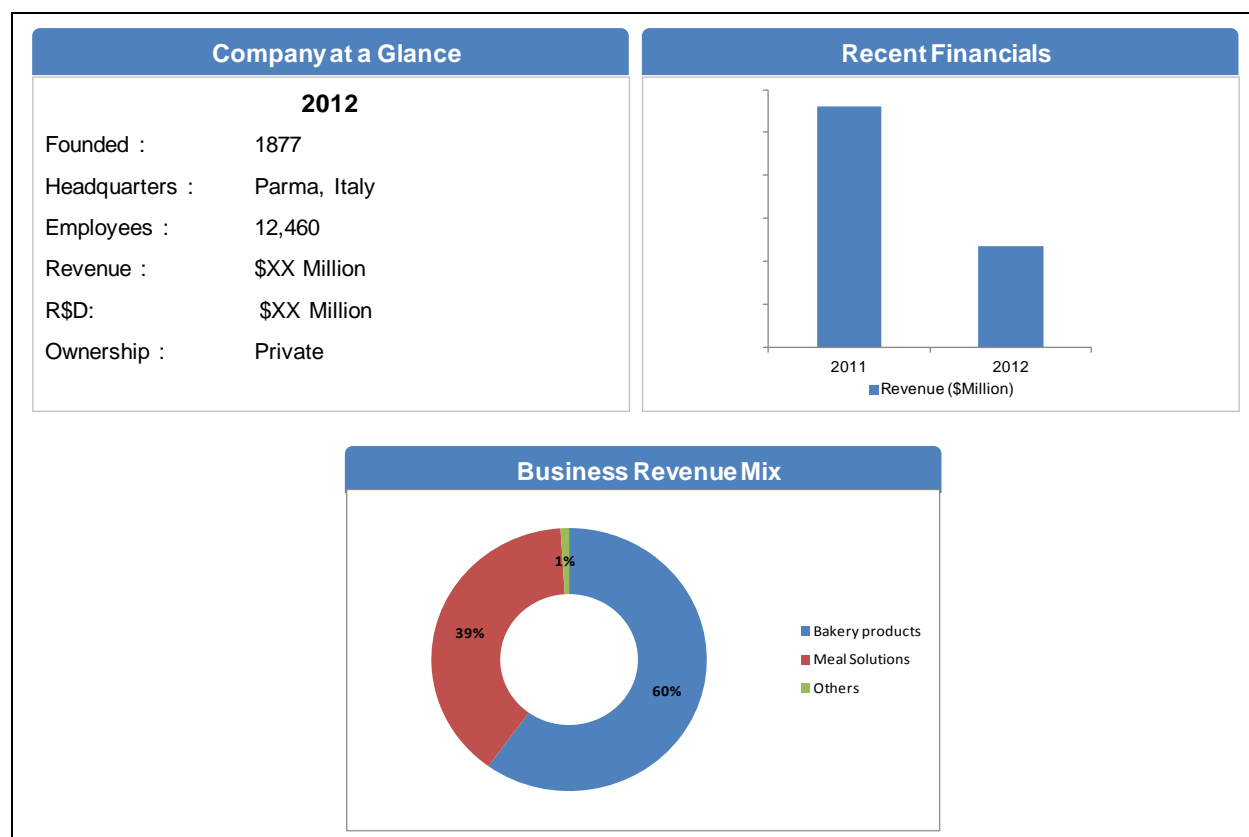
43122, Parma

Italy

Tel: 39-521-2621

Fax: 39-521-2706-21

Website: www.barillagroup.com



Source: Company Annual Report and MarketsandMarkets Analysis

8.1.1 OVERVIEW

Founded in 1877 and headquartered at Parma, Italy; Barilla Holding SPA is one of the key market players in the Italian food groups. The company leads in the pasta business globally. It has 42 production centers in nine countries and exports in around 100 countries. Barilla has two business segments which are Pasta and Bakery products. The Bakery segment includes soft breads, crisp breads, snacks, biscuits, cakes, cereals, and other bakery products. The company owns XX brands and produces around XX million tons of products every year. Barilla Group has formed The Barilla Center for Food and Nutrition (BCFN) which is involved in sharing the knowledge on issues of food and nutrition. Barilla operates in more than XX countries. The company employed around 12,460 people globally in 2012. The key competitors of the company are Nestle (Switzerland), Ebro Foods (Spain), and La Doria S.p.A (Italy). Barilla Holding has been continually investing in research and development and offers more than 1,000 products.

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