

Market Review

An overview of the markets we operate in, and a summary of the key trends we aim to take advantage of.

Our Markets

Despite signs of a return to pre Covid-19 consumption demands, market conditions continue to be extremely challenging for the food industry. Commodity price increases, further destabilising supply chains and increased costs triggered by the Ukraine conflict, as well as soaring energy prices pose a significant challenge to all UK food and drink businesses.



Retail

Grocery

Inflation dominated headlines throughout the year, most noticeably in the second half of our trading period as the impact of increased fuel and grocery costs was felt. Ambient grocery sales value fell slightly by -0.7% with take home volumes falling by 4% as pressures increase on household budgets, cancelling out post-Covid-19 volume gains from last year (Kantar Worldpanel, 7 Aug '22). With consumers having limited ability to offset increased cost pressures, shopping to budget became the trend in the second half of our trading period. The average annual grocery bill is currently projected to rise by £380 (Kantar Worldpanel, 20 June '22). While premiumisation continues to be a key consumer focus, discounter market share has recently increased through footfall, as shoppers seek to manage their weekly grocery spend.

Cake

Finsbury continues to be one of the most significant manufacturers of cake in the UK, with the market currently valued at £1.028 billion (+7.7% year on year), with volumes up 1% on the previous year. Celebration cake saw the strongest value growth at 10.3% for which Finsbury has the strongest share presence, followed by sharing products and seasonal (IRI, 52 w/e 16 July '22).

Bread

The retail bread and morning goods market has increased in value to £5.25 billion, growing by 1.7% year on year (Kantar Worldpanel, 52 w/e 10 July '22) with Finsbury having a sizeable presence in buns and rolls, hot cross buns and artisan bread.

Free From

The retail Free From cake market is valued at £58.2 million +10.1% (Kantar Worldpanel 52 w/e 7 August '22) and the retail Free From bread and morning goods market is valued at £164.0 million +13% year on year (Kantar Worldpanel, 52 w/e 7 August '22).

£58.2m

Retail value of the Free From cake market as of August 2022.

Out Of Home

The UK out-of-home market spans many sub-sectors including coffee chains, restaurants, pubs, hotels and the non-profit sector such as the prison service or education. Each has different routes to market. The UK eating out market is set to value £95.2 billion in 2022, +4% vs. pre-Covid-19 2019 value, with unrestricted trading and inflation the main drivers (Lumina Intelligence). Retail, travel and leisure are the strongest performing segments, with recovery particularly driven by quick service channels.

We have a significant presence in the out-of-home bread and morning goods sector, primarily via our buns and rolls business and with our Kara brand. In sweet treats our presence is primarily within the coffee chains.

£95.2bn

The UK eating out market value in 2022, +4% vs. pre-Covid-19 2019 value.

Overseas

Our overseas markets are primarily in Europe, principally France, Benelux and Ireland, with a smaller presence in most other major European countries. The size of these markets is significant, and their structure is similar.

Consumer Trends

Following improvements in consumer confidence through 2021, views of the state of the economy are extremely pessimistic, with consumers seeking value for money in their purchase choices. However, although price conscious, they are also seeking affordable treats from products offering “value” also in terms of a positive eating experience, both in and out of home.

The trend towards healthier eating options has been a feature of the UK food and drink market for several years and has continued to evolve. However, indulgence remains a key trend and consumers continue to look to “sweet-treating” categories for affordable treats. Media focus and regulatory pressure will remain a driver for recipe reformulation, portion size and product innovation. Indeed, new legislation, targeting a number of High Fat, Salt and Sugar (HFSS) categories including cake and morning goods, will be implemented in the second half of 2022 which will influence how these categories are advertised, displayed and promoted in store and online.

Long-term social and demographic trends have a major bearing on the food sector. These include the rise of smaller households, single-person mealtimes, an ageing UK population, growing urbanisation, and an increasingly mobile population (although this has stalled due to Covid-19) with less time to eat. This growing fragmentation of consumers, channels, eating moments and needs is translating into increasing demand for personalised products to meet individual needs. As a result, single-serve and individually wrapped products are becoming more prevalent and important. The latter may continue to gain popularity as a consequence of the Covid-19 pandemic with food safety and hygiene featuring higher on the list of consumer priorities.



Finsbury Food Group creates and supplies bakery product ranges across both retail grocery and foodservice markets, in the UK and internationally. We aim to match and satisfy key consumer demands, new consumer trends and specific bakery-market niches.

