

MSU Product Center

For Agriculture and Natural Resources

Funding: USDA Rural Development Cooperative Service Market Advisor: The Hale Group

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Wheat: Cakes/Pastries - Overview

Products included in the product line

- Cakes and Pastries include cakes, pies, brownies, cupcakes, cheesecakes and other snack cakes.

General market trends and information

- Retail sales of this product category were \$4.33 billion in the U.S. in 2003, total sales including all outlets was \$5.6 billion. Food service is another major outlet for these products accounting for \$1.35 billion in sales in 2003. From 1998 to 2003 retail sales of these products increased at an annual rate of 5.8 percent. It is estimated that retail sales will reach almost \$6 billion by 2008, an increase of 35 percent from 2003. Much of the growth is a result of increased sales by in-store bakeries.
- A consumer survey showed that 33 percent of those respondents bought a ready to eat dessert in the previous month. Of this number, one third purchased made to order desserts. Snack cakes are particularly popular with households that have children.

New product trends

- From 2002 through the first quarter of 2004 there were 3,446 new product introductions throughout the world in this category.
- Examples of new product introductions are Adam Matthews Gorilla Forest Banana cake; High Cotton Bakery Classic Liqueur cakes available in Mountain Blueberry, Chocolate Kahlua and other flavors; Trader Joe's Mini Chocolate Volcano Cakes; and Bishop Baking's Swiss Roll snack cakes.
- There is potential to develop products that appeal to the demand driver of indulgence, several of the examples of the above are indulgence products. There is also potential to develop products that appeal to convenience and ethnicity. There is less potential to develop products that appeal to the demand drivers of value and wellness.

Manufacturing and distribution issues

- The cake market is not concentrated but it is competitive. The largest firm had a market share of 15.9 percent in 2003. Private label brands account for 34 percent of all sales, and other firms (besides the top 4 firms) account for another 23 percent.
- Supermarkets are the dominant source outlet for these products. The market share for mass merchandisers such as Wal-Mart is actually declining. Supermarkets are increasingly developing their own in store bakeries.
- There does seem to be potential for firms that are interested in cake and related products. In order to take advantage of this, potential firms may need to develop alternative market channels, such as direct sales, or sales to specialty stores or convenience stores.

Overall assessment of opportunities

- In conclusion, the greatest potential for product development in cake and pastries appears to be in the areas of indulgence, although there appears to be some opportunities in appealing to convenience and ethnicity as well. The potential of appealing to wellness and value is limited.

Sources

Mintel. Cake

_____. Global New Products Database.

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