

Indulgence driving innovation in baked foods

America's love affair with indulgence remains strong as ever when simple treats provide rewards for everyday feats.

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by Beth Day



Many of today's sweet goods not only offer simple indulgences but also clearer, simpler-to-understand labels.

KANSAS CITY — In a food culture where everyone is trying to eat healthier, the sweet goods market is holding its own. Americans continue to love everything from snack cakes and muffins to donuts and other baked treats, and most prefer the regular versions over low- or fat-free types, according to a 2015 Packaged Facts report, *Sweet Baked Goods: U.S. Market Trends*.

The indulgence factor still drives the demand for sweet goods, even among those who place a high emphasis on health and wellness. Packaged Facts reported that U.S. consumers spent \$20 billion on these products in 2014, and dollar sales grew by a compound annual growth rate of more than 4% since 2010.

"Eating healthy is important to a growing number of consumers, but so is treating yourself to indulgences, albeit in moderation," said Eric Richard, education coordinator, International Dairy-Deli-Bakery Association (IDDBA).



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"People of all generations still want to have and enjoy a 'treat' throughout the day or week," said Kim D. Bickford, CEO, Clyde's Donuts, Addison, Ill. "They may look at sweets as something they 'deserve' or have earned in exchange for a good workout. Others may simply be saving room for one of their favorite indulgences."

Fifty-four percent of adults said they always try to eat healthy foods and maintain a balanced diet, according to Packaged Facts. However, nearly 60% said they eat foods they like regardless of calories. Snacking has become the new way to eat for many, with two-thirds of adults admitting to between-meal snacks and more than 40% frequently eating sweets.

"This is a very exciting time for the rapidly expanding snacks category, which is ripe with opportunity for innovation," said Burke Raine, senior vice-president, chief marketing officer, Hostess Brands, L.L.C., Kansas City, MO.



Smaller sweets are gaining popularity, as they seem to be a healthier alternative to full-size sweets.

Despite consumers' ongoing love affair with sweets, the market is challenged by those searching for better-for-you treats that still taste good. Snacking is considered healthier based on the belief that eating small amounts of food every few hours rather than three big meals per day is better. Consumers perceive that having small treat moments, rotating indulgent and non-indulgent foods helps achieve



...making indulgent and non-indulgent foods, respectively, to provide an overall balance, according to snacking articles from The Hartman Group, Inc.

That's a trend that many bakers are trying to leverage. "Consumers seek high-quality, fresh products that provide that ultimate eating experience," said Gary Kyle, chief sales and marketing officer, J. Skinner Baking Co., Omaha, Neb.

"Our mantra at J. Skinner is to provide tempting, tantalizing artisan baked goods that create a sensational taste experience."



Going upscale with artisan-style breakfast items and premium sweet goods provides a point of differentiation in a category where indulgence reigns.

Cleaning up their act

More consumers are looking for authenticity and "real" ingredients in their foods, including sweet ingredients like real sugar. A greater number of Americans continue to avoid products made with processed or artificial ingredients, according to data from IDDBA.

The team at J. Skinner believes commitment to quality and traditional methods separate its line of European-style Danish, coffee cakes, gourmet cinnamon rolls, muffins and other sweet goods from the competition.

"For instance, products using our signature Danish dough take up to 36 hours from raw ingredients to finished product," Mr. Kyle said. "By allowing proper fermentation and resting of the dough, we produce flavors and textures that competitors can't touch with their fast-paced processes."

Earlier this year, Hostess introduced a new Mini Muffins formulation that has the nutritional benefit of 8 g whole grain per serving.

Meanwhile, Hostess Brands is expanding its product portfolio to include more nutrition-oriented products, and, in fact, earlier this year, the brand introduced a new Mini Muffins formulation that has the nutritional benefit of 8 g whole grain per serving.

"In addition to being a good source of whole grain, Hostess' new Mini Muffins contain no high-fructose corn syrup, no partially hydrogenated oil and 0 g trans fat," Mr. Raine observed.

Families consume more cakes and pies, but nutritional value of treats made with artificial ingredients are not popular with this segment, according to Mintel's May 2016 report on prepared cakes and pies. Manufacturers would do well to offer all-natural and organic brands to attract families. Ideas for customization, such as decoration and personalization, would likely further appeal.

Otis Spunkmeyer offers 20 snack foods containing "no funky stuff."

In many ways, people are searching for a real deal. "Consumers are on the lookout for better ingredients but aren't willing to sacrifice flavor," said Kristina Dermody, brand president of Otis Spunkmeyer, an ARYZTA brand, San Leandro, Calif. "The best thing about Otis Spunkmeyer is that our entire line of 20 snack foods contains 'No Funky Stuff,' offering consumers an incredible variety of sweets made



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without artificial flavors or colors, high-fructose corn syrup or partially hydrogenated oils.”

Clyde’s Donuts led the market in the prompt removal of azodicarbonamide and continues to research flavor profiles and clean label ideas that will appeal to shoppers. “We’re always looking for ways we can be innovative with our

products to give customers what they love best,” Mr. Bickford pointed out.

Millennials continue to demand fewer preservatives and are likely to view prepared cakes, pies and other snacks as undesirable for that reason, according to Mintel. Expanding brands to include upscale products made from premium ingredients and fewer additives may appeal to this segment of the population.



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“Otis Spunkmeyer foods are made with real ingredients that deliver a superior, homemade taste. Our ‘No Funky Stuff’ guarantee really stands out to shoppers,” Ms. Dermody added. “It’s a promise to consumers.”

Mintel reported millennials are also brand loyal. Nearly two-thirds (63%) reported they always buy the same brand, compared with 28% of baby boomers. Plans to include gourmet brands could attract and retain younger consumers with upscale offerings and high-quality ingredients.

“Many manufacturers sell on price, which in turn creates inferior products that do not encourage repeat purchases,”

Mr. Kyle noted. “Our marketplace strategies differ in that we want to create a loyalty and following with our products through quality and fresh branding.”



Blended sweet baked goods have risen in popularity, including the Duffin, a combination of donuts and muffins.

Hybrids vs. nostalgia

Since the Cronut appeared on the scene at the Dominique Ansel Bakery in New York City, a myriad of blended or cross-category sweet baked goods have launched. Take Duffins, a combination of donuts and muffins, and Townies, the mash of tarts and brownies. The sweet treat market is also driven by what’s new, according to Mintel’s Bread, Bakery and Cakes Global Annual Review 2016. The craze for hybrid sweet bakery products at the food service level is now filtering down into retail with new format ideas.

Nostalgia is a powerful driver in the sweet goods categories because childhood memories of favorite treats impact adult

choices.

“At Clyde’s Donuts, we know that our core products, donuts, are all about creating great memories and special events, like picking up a box of donuts with Dad on Saturday morning,” Mr. Bickford observed. “Donuts create great memories and ‘Smiles All Around,’ which is our theme.”



The cronut seemed to spark the trend of cross-category sweets.

The major packaged cake brands in most markets tend to be well-established players that consumers have grown up with, according to Mintel’s Global Review.



For its line of sweet goods launched in May, Otis Spunkmeyer developed simpler recipes that were reminiscent of the past because they offer a more transparent approach to baked goods.

“We find many adults are nostalgic for the tastes of their childhood, particularly in the snack food aisle,” Ms. Dermody pointed out. “Because Otis Spunkmeyer is a beloved brand that many remember from their school cafeteria or summer camp, we’ve found many consumers are eager to relive those memories and also make new ones while enjoying our new

line of sweet treats, including cookies, mini muffins, loaf cakes, creme cakes and more.”



Hostess recently launched Hostess Deep Fried Twinkies.

Hostess, however, jumped on a more recent trend with its first foray into the frozen foods aisle, with the launch of Hostess Deep Fried Twinkies. Mr. Raine described it as a product innovation that was inspired by consumers who have been deep frying their own Twinkies at backyard barbecues and state fairs across the country for years.

To capitalize effectively on the power of nostalgia, producers can recreate beloved classics with a modern twist. Using well-known ingredients and flavors with proven appeal in different formats actually plays into the hybrid movement and creates products that are new and distinct for discriminating consumers, according to Mintel’s Global Review.

That’s certainly true with such established brands as

Tastykake and Mrs. Freshley’s.



Alternative packaging for products such as minis are intended to grab shoppers’ attention for indulgent sweet goods.

“New products really drive fun and excitement in the snack cake category, and innovation is at the forefront with the Tastykake brand,” said Brent Bradshaw, vice-president of marketing of cake for Flowers Foods.

While Flowers Foods’ Mrs. Freshley’s brand goes to market differently than Tastykake — frozen warehouse distribution vs. fresh direct-store delivery, respectively — Flowers has been focusing on new products and a new look for this line as well.

“We’ve had several successful new Mrs. Freshley’s product launches, including Icers, Peanut Butter Cupcakes and Peanut Butter Brownies,” Mr. Bradshaw said. “We’re also in the middle of a package redesign that will improve Mrs.

Freshley’s shelf impact and help drive impulse purchases.”



Spice rather than spicy has seen some growth in cakes with the use of cinnamon for seasonal winter offerings.

Spicing it up a bit

Seasonal ingredients and flavors are trending because they reinforce the notion of authenticity and, in many cases, the appeal of locally sourced products and ingredients. Many of



today's consumers gravitate toward desserts produced locally, according to IDDBA.

Packaged cakes in the U.S. are behind the curve on flavor innovation, according to a Mintel 2016 Product Innovation report on bread, bakery and cakes. Sixty-eight percent of cake consumers overall — not just millennials — are interested in new flavor choices for packaged cakes.



Salted caramel continues to grow in the cake segment.

Spicy and savory flavors are more frequently found on restaurant menus. However, packaged cake launches in retail sectors relied on more conventional and commonplace flavors like chocolate, vanilla and fruit, especially lemon and strawberry, according to the report. Spice rather than spicy has seen some growth with the use of cinnamon for seasonal winter offerings. Caramel and salted caramel continue to grow as well.

During the past 18 months, Tastykake introduced unique flavors and different products, such as peach cobbler and caramel mini cupcakes, as well as alternative packaging formats featuring gable-top cartons for their minis.

"We challenge our team daily to develop new and different ideas that will stretch the brand and keep consumers

interested," Mr. Bradshaw added.



New products as well as line extensions keep consumers engaged and drive sales in the sweet goods category.

The sensory appeal of texture has the potential to impact the packaged cake segment, according to Mintel's Global Review. Products that are designed to be heated to create a liquid, gooey center have begun to appear in bakery markets. Also, a more visual food culture has made room for innovations that showcase bold colors and originally constructed shapes and formats, according to Mintel's 2016 Food and Drink Trends, titled "Eat with Your Eyes." Bright colors and eye-catching shapes create a food experience.

"At Clyde's, we've developed a whole array of seasonal flavors and decorations in cake and yeast donuts — as well as fritters — to offer our customers throughout the year, including items like hearts, footballs, stars and Christmas tree shapes," Mr. Bickford said.

TastyKake offers a variety of seasonal products, including its blueberry sweet rolls during the summer.



Seasonal products and L.T.O.s

Much of the flavor innovation in recent years — 8% of all launches in 2015 — has come from seasonal or limited-time offerings (L.T.O.s), according to Mintel's innovation report. Twenty-two percent of consumers agree that seasonal products, such as pumpkin and peppermint, influenced their purchase. However, ethnic flavors like green tea or dulce de leche, or savory varieties like zucchini and spinach were not as influential.



popular flavors like key lime, salted caramel and red velvet. Now, we've expanded into flavors that tie closer to the seasons like our cherry and blueberry sweet roll varieties."

In the years since Hostess' July 2013 comeback, the company has embraced creative flavors and concepts, introducing an array of seasonal snack cakes, such as Pumpkin Spice Twinkies and Peppermint Ho Hos. "Hostess has added new items to its portfolio as well, such as candy-topped brownies through a partnership with Mars' M&Ms and Milky Way brands," Mr. Raine said.



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Seasonal flavors are a big hit with consumers, and that is a great way to keep the brands fresh and exciting. Clyde's Donuts offers fall seasonal flavors, including pumpkin, apple and red velvet.

Otis Spunkmeyer will highlight fall flavors its customers love by introducing two seasonal treats — Iced Pumpkin Mini Loaf Cakes and Hot Chocolate Frosted Crème Cakes. Both will be available for a limited time at national retailers beginning Oct. 1.

L.T.O.s are increasingly being used to spark impulse purchases, and seasonal lines are moving beyond Christmas and Halloween to embrace other occasions like Valentine's

Day and Mother's Day, according to Mintel's annual review.



For Valentine's Day in 2015, Hostess launched its limited-edition Hostess Cup Cakes Frosted Red Velvet Cake with Creamy Filling.

For Valentine's Day in 2015, Hostess launched its limited-edition Hostess Cup Cakes Frosted Red Velvet Cake with Creamy Filling packaged with eight individually wrapped servings.

Clyde's Donuts offers a line of traditional Polish donuts called paczkis with a variety of fillings, a favorite treat during the Lenten season.

"Our team developed a truly authentic paczki recipe, which is not just your regular bismarck," Mr. Bickford said. "It's something truly special for the season leading up to Lent and peaking on Fat Tuesday."

Recently, J. Skinner launched a line of jumbo Danish rings in everyday and seasonal varieties.

J. Skinner offers many limited-edition varieties and seasonal packaging to create excitement. Recently, the company launched a line of jumbo Danish rings in everyday and seasonal varieties, offered in a 12-count, 27-oz package.

"These seasonal flavor combinations increase consumer usage occasions, and the generous size is a great alternative to boring break-room donuts," Mr. Kyle said. "Our special edition flavors and season-inspired packaging capture consumer attention with our seasonal packaging."



customers' attention with eye-catching graphics.

During the past two years, Flowers Foods has introduced a refreshed appearance to its Tastykake brand single-serve film and caddies, multi-pack cartons and donut bags.

Marketing through packaging

There's a lot of creative merchandising and packaging going in the sweet goods market. Retail strategies need to keep shoppers excited about the center of the store while also exploring merchandising around the bakery department, according to Packaged Facts.

During the past two years, Flowers Foods has introduced a refreshed appearance to its Tastykake brand single-serve film and caddies, multi-pack cartons and donut bags.

"The new look showcases Tastykake in a beautiful brand block and helps consumers better differentiate between products and flavors," Mr. Bradshaw explained. "Tastykake represents fun, and we wanted to make sure our packaging conveyed that feeling."

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Manufacturers should continue to intensify efforts in alternative channels like c-stores, which have been growing their share of sweet baked goods sales. The primary purchasers of sweet goods in c-stores are males, ages 18 to 45, who are quick shoppers likely buying on impulse.

"Because you have to catch the attention of this shopper quickly, you want your products to have eye-catching packaging and be merchandised in high-traffic areas where they are easy to see and grab to go," Mr. Bradshaw observed.

C-store branding is flashy and aggressive because producers have only a small window to attract consumers. "C-store packaging hits on hot buttons in the consumer's psyche and takes advantage of the time constraint," Mr. Kyle noted.



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Grocery store product packaging must balance quality, identity and excitement with the consumer. A supermarket brand needs to take advantage of the additional time and thought put into the consumer's purchase to stay ahead of the competition.

In the sweet goods market, healthier snacking, interest in convenience and single-serve formats, and a desire for premium ingredients and gourmet selections are all considerations for manufacturers.

In the end, a little bit of indulgence is all that the heart desires.



Convenience continues to be a significant driver for busy consumers seeking out "minis."

Portioned and packaged to go

Convenience continues to be a significant driver for busy consumers seeking out "minis," single packs and other products packaged for on-the-go snacking, according to Packaged Facts. Smaller-sized products appeal to growing single or dual household segments, older people and consumers concerned about weight maintenance and health.

Sweet goods packaged in single servings or created in mini or bite-sized formats can help consumers feel less guilty about indulgent items and help control portions, according to Mintel's recent Prepared Cakes and Pies report. Consumers also expressed interest in sampling variety.

J. Skinner Baking Co. recently introduced a 10-count mini-Danish pack, including an assortment of cherry, apple, strawberry, lemon and cheese varieties, according to Gary Kyle, chief sales and marketing officer. These small Danish are designed for portion control and on-the-go snacking.



J. Skinner offers a range of smaller-portioned treats, such as its mini Danish pack and Perfect for Two cakes.

By their very nature, donuts have long been a part of America's drive-through, mobile society, suggested Kim D. Bickford, c.e.o., Clyde's Donuts.

"Donuts are the perfect hand-held food to be enjoyed by commuters and families on-the-go."