

Baked not fried - bakery fast food shows strongest growth

Contributed by Euromonitor International
 Friday, 10 February 2006
 Last Updated Wednesday, 21 September 2011

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The bakery products fast food sector is home to a number of chains, including Subway, Krispy Kreme, Panera Bread Co and Quizno's, all of which realised exceptionally strong growth in 2004. These chains experienced gains in units, transactions and value sales that topped all other fast food chains. According to Euromonitor International's research, bakery products fast food witnessed value growth of nearly 5% between 2003-2004, whereas the burger and chicken fast food sectors showed only 1.6% and 2.8% value growth, respectively. The high growth achieved by bakery fast food is even more remarkable considering that it is the second largest fast food sector, following only burger restaurants.

Health consciousness and outlet expansion drive growth

Euromonitor International's research shows that a number of factors are responsible for driving growth in the bakery fast food sector. Firstly, the entire fast food industry, including the bakery sector, has benefited from the increasingly fast-paced nature of US consumer lifestyles. Thanks to their "on-the-go" lifestyle, Americans are increasingly choosing fast food because they have less and less time to cook.

Secondly, the bakery sector witnessed growth due to the growing health consciousness of US consumers. This has seen consumers choosing healthier options, such as fresh sandwiches, soups and salads, instead of the traditional option of burgers and fries.

But perhaps the most compelling reason for the success of bakery fast food is their ability to easily open new outlets. Restaurants such as Subway, for example, often require little or no cooking apparatus, which means they can open a restaurant in smaller locations that are not necessarily suitable for a large burger restaurant. Euromonitor International's research shows, for example, that the number of outlets in the bakery fast food sector grew by 4% between 2003-2004, compared to only 0.7% for burger chains.

Success stories

Subway is the main success story of the bakery fast food industry. The chain achieved a milestone in 2001 by surpassing the number of McDonald's units in the US. Growth of the chain has been strong ever since, largely on the back of its healthy reputation and offering of fresh food. Recently, however, the chain has achieved success by adding more upscale products to its menu, such as "artisanal" breads, that are more commonly found in fast-casual restaurants.

Outlook

While Subway takes the high road with regards to health, another bakery fast food chain is realising excellent results with one of the more fattening foods "the doughnut. Krispy Kreme trades primarily on the popularity of its raised, glazed doughnuts, which are served freshly made and hot. Due to its fanatical following, Krispy Kreme is now the third-largest chain the sector, growing sales by 12% in 2004 and building on the 24% increase of the previous year. Krispy Kreme is also notable for its focus on multiple-portion sales, with the company choosing less-convenient locations in the hope that, once there, consumers will take a dozen or two doughnuts for consumption later.

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