Graduation project

Bakery conundrum:
Indulgence vs. Health and Wellness

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Dawn Foods' approach to the health and wellness trends on the Dutch sweet bakery market

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Foreword

First and foremost, I would like to express my gratitude to Mr. Eddy van Blanken for giving me the opportunity to be part of his team and his company. What I appreciate the most about him is the passion with which he speaks about his ideas and the respect with which he treats the people he works with. Those are things I would definitely take as lessons and apply them to my future endeavors in both professional and personal plan.

I would also like to thank everyone at Dawn Foods for making this internship one of the best professional experiences I have had thus far. I felt accepted and supported throughout the duration of my project. The informal and friendly working environment added up a lot to this whole experience and made it both educational and fun. I truly enjoyed the ease with which I could approach people and talk to them regardless of the topic. This helped me learn so much more about the company, the sweet bakery industry and the international business environment, in general.

I hope in my future career I am lucky enough to work in such welcoming environment and feel as much motivated and supported as I felt at Dawn Foods.

I wish everyone at Dawn Foods the best of luck and much success in the future.

Sonya Nikolova

Management summary

Health and wellness become more relevant and important to the food industry as the awareness for obesity and weight management issues is growing. As a supplier in this industry, Dawn Foods has to make sure it is on track with the demands of the market. Therefore, upon a request by the company, a research of the Dutch sweet bakery market exploring the dimensions in which the health and wellness trends are present on it has been executed. Both qualitative and quantitative research techniques have been applied. Industry reports and data sources have been consulted as well.

Two-stream health positioning system, namely Health (Active) and Health (Passive), is used in the food industry in order to differentiate the products by their claims. As the findings from the consumer insights survey suggest, the passive health positioning is more relevant to the sweet bakery market. This includes claims such as low fat, low sugar, low sodium levels, reduced calories, as well as the “free from” range – gluten- and lactose-free. Consumers say they mostly focus on consuming less fat (40% of respondents) or less sugar (37%), namely the “reduced” claims, when they make health-conscious adjustment to their nutrition plans. However, when it comes to indulgence moment, 56% of them admit they only sometimes pay attention to the health values of the food they consume. Another 20% claim they rarely do that. Regarding particular food intolerances, roughly 8% of the survey participants say to be either gluten or lactose intolerant.

The Dutch sweet bakery industry is predicted to grow slowly but steadily in the following three to five years. Respectively, the health and wellness industry is also expected to gain bigger share on the market. However, the majority of the products launched within that category are mainly in the bread group. When it comes to the indulgence products, again only the passive claims, as described above, come forward. Within the “free from” range, the launches of sweet bakery products are very limited, despite the growth in the health and wellness category.

Therefore, to Dawn Foods is recommended to focus on the “reduced” range of health and wellness claims that are demanded by its customers or imposed by law in the industry. This will serve as a qualifier for the company to be competitive and strive for expanding its market share and customer base. In addition, Dawn can take more proactive approach and obtain quality and ingredient certifications that are mostly valued in the industry.

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1. Introduction

1.1. Company introduction: Dawn Foods

Dawn Foods is a family company operating in the food industry, in particular providing variety of baking mixes, cake and pastry ingredients, range of glazes as well as ready-to-eat products like cookies, cupcakes, and cakes (Dawn Food Products, 2013). It started as a rather tiny bakery for donuts in Jackson, Michigan, and today it is the largest privately-held sweet bakery manufacturer and supplier internationally (Dawn Food Products, 2013).

Dawn Foods is striving to be competitive in the industry and, therefore, to provide products that satisfy the current needs and demands of its customers. With obesity being a major health-threating issue worldwide, the number of people paying more attention to what they consume is increasing constantly and, thus, new trends in sweet bakery are overtaking the market (Dawn Food Products, 2013). Recognizing this, Dawn Foods would like to explore the opportunities within the trends of health and wellness and to find out whether the consumers are indeed interested in those trends when they make a purchasing decision.

1.2. Research objectives

The aim of this study is to identify the current patterns of health and wellness (H&W) present in the sweet bakery market in the Netherlands and find out how Dawn can best react on them. From the analysis of those trends will be derived growth drivers for the company. This will allocate rooms for improvement and spark ideas and innovation concepts, aiming to improve Dawn's product range in accordance to the demands and needs of the consumers.

1.3. Research background and problem statement

Wellness and health are climbing the priority list of consumers while price and quality still hold the top positions (Toops, 2012). That is valid for the food industry in general and has its reflection in the choices made by consumers regarding all types of food, including sweet bakery products as well. Recognizing this potentially growing trend, Dawn Foods is interested to find out whether there are profitable opportunities for it in the health and wellness stream of the sweet bakery industry. It is essential for the company to find out whether there is a chance for growth in these areas in order to pro-actively develop them, in case they exist, or, if they do not, to keep its focus on another essential for its success markets. Therefore, the proposed research question is: *How should Dawn Foods respond to the trends of health and wellness on the Dutch sweet bakery market?*

In order to further facilitate the analyses, the research problem has been broken down into a number of constructs. Based on them, a few sub-questions have been developed, as listed below:

1. What are the current market trends in the sweet bakery industry?
2. What is the potential of the health and wellness sweet bakery market in terms of market size?
3. What is the consumers' behavior regarding the health and wellness trends?
4. On what type of product specifications should the company focus with regard to the trends of health and wellness?

Each of the constructs has the purpose of enhance the logical flow of the project and to establish a clear relevance to the central question.

1.4. Report outline

The following report includes theoretical concepts, gathered through a desk research, as well as practical evidence collected through a field research. Next section discusses the concepts around health and wellness found in the academic literature. Following, a chapter outlining the methodological matters of the research provides information about the research population, data collection and analysis methods that have been used. Afterwards, findings and discussions of them will be listed. The report concludes with recommendations to the company for further actions.

2. Theoretical framework

In this section, an overview of the main constructs concerning the research question is given. Theory regarding health and wellness, the dilemma between indulgence and health & wellness, and consumer attitudes will be discussed in the following independent sections.

2.1. Health and Wellness

The size of the obese population worldwide is increasing dangerously fast due to the bad nutrition habits and the sedentary lifestyle. New campaigns promoting healthy behavior and positive change in the nutrition habits are popping out every day, indicating that consumers are becoming more aware of the negative effects that their passive lifestyle and unhealthy eating habits have on their wellness (Weichselbaum, Hooper, Buttriss, 2013).

BAIRD (2012) points out the aging population, discretionary income, healthcare spending and coverage, consumer education, necessity to address obesity and the opportunities for increasing exercise, as the main factors that push the new trends on the bakery and food, in general, market. Toops (2012) adds also the drastically increased number of health issues amongst the younger population as a red flag for the society to start paying closer attention to the nutrition habits across all generations.

A significant sign that the consumers become more aware of the threats that bad nutrition habits hide is the increased demand for healthier alternatives of a variety of products. Numerous food and nutrition programs promoting healthier lifestyle and improved eating habits are being run in the majority of the Western-European countries. (McCarthya, Cluzelb, Dresselc & Newtond, 2013)

BAIRD (2012) says the biggest tendency for growth is seen in the nutrition and organic bars and in natural and organic foods. Martinez-Monzo, Garcia-Segovia and Albors-Garridos (2013) agree with that but also claim that not only health but pleasure and convenience are what consumers mainly focus on. The authors argue that the healthier alternatives offered on the market should resemble as closely as possible the taste and thus the joy that the original product would bring to the customer.

IMAP (2010) and BAIRD (2012) agree that diet foods are the next big trend on the market. Respectively, the number of people seeking quality before price is rising and they are willing to spend more on a healthy, sustainably-grown food that will benefit their body and overall wellness as both authors claim.

However, Toops (2012) disagrees and claims that consumers may want to buy healthy products but most of the time they are neither aware of what exactly is considered healthy nor willing to pay more for it. Toops (2012) and Martinez-Monzo, Garcia-Segovia and Albors-Garridos (2013) agree that convenience comes as one of the main priorities to consumers because of their lifestyle and the lack of enough time for food preparation at home.

2.2. Indulgence vs. health and Wellness

Being a food company in an obese society presents a challenge. The scary truth is unhealthy foods are incredibly profitable. (The Economist, 2012)

Main conflict arises when companies claim to be putting effort in improving their products' nutritional value, yet keep on making profits by selling unhealthy food (The Economist, 2012). However, Palmer (2008) suggest that this oxymoron might be consumer-pulled as there are many people that become more aware of the relation between their diet and their health and try to make healthier food choices but are not willing to give up their little, guilty pleasure treats. That is how the phenomenon of "healthy indulgence" comes to live. On the contrary, e-Power (2013) claims that focusing on more functional food is forced by the consumers as well as by the food manufacturers.

Belei, Geyskens and Goukens (2012) suggest as a common assumption the fact that health claims attached to an unhealthy food have the power of stimulating the consumption of the food. This is so, because those types of claims provide an easy justification for indulgence and, thus, reduced feeling of guilt.

According to Chapman (2012), cravings, as a suitable excuse for an indulgence attitude, are a big force in the foodservice purchases. The author also suggests that majority of the consumers driven by a craving are willing to pay higher price for a product satisfying their eager desires for particular taste.

2.3. Consumer attitudes

According to Wilcox and Vallen (2009) consumers are more likely to make indulgent food choices when a healthy item is available compared to when it is not available. The authors claim that the reason for this phenomenon is the consumer perception that when healthy food option is present it will fulfill their nutrition-related goals and simultaneously grant them a permission to indulge. Pich, Ballester, Thomàs (2011) conclude that although adults above the age of 15 give higher dietary ratings and undoubtedly recognize the healthy foods, the impact of this knowledge on their habits is very poor. Further, the authors suggest that change in the communicative strategies can have positive impact on consumers' behavior.

Consumers perceive the freshness, and respectively the healthiness, of a food based on its appearance, flavor and texture as well as on its odor (Heenana and Hamid, 2009). Another study conducted by Krystallis and Chrysochou (2012) claims that prior and accurate awareness of the functionality of the food influences the conscious choices made by consumers. Furthermore, the authors argue that the perceptions about the degree of healthiness related to functionality types differ among consumers also based on the perceived health benefits of the food prior to consumption.

Labiner-Wolfe, Lin & Verrill (2010) add that the front-of-package-only conditions influence consumers' perceptions and choices. The low-carbohydrate claims, for instance, trigger a reaction of perceiving the food as healthier option over an alternative that does not carry the low-carb label. However, McIntyre and Schwanke (2010) disagree by claiming that in the case of sweet bakery goods the labeling giving the food a healthier outlook has a negative effect to buyers by countering other desired associations (e.g. "natural", "rural", "home-baked" and "traditional).

3. Methodology

3.1. Orientation and scope

The current project has a strategy-making nature and therefore the central question is of a recommendation type. Both qualitative and quantitative research is conducted in order to come up with the conclusions and a set of recommendations for the company. The findings are complimented with additional information collected from industry reports and articles. This mixed research strategy allows for the issue to be observed from different perspectives which will be beneficial in making complex decisions regarding the future steps the company is possibly going to take.

The scope of the project covers the health and wellness trends on the Dutch sweet bakery market. It focuses solely on the Netherlands due to the fact that the country is one of the biggest and most profitable markets for Dawn Foods in Europe. Therefore, the findings of this research are applicable only to the Dutch sweet bakery market.

3.2. Population & Sampling

The research domain includes consumers in the Netherlands. The reason for that specific geographic selection is the fact that the country, and the region of Benelux in a broader concept, has a key role in the sweet bakery market for the company (Dawn Food Products, 2013), as already mentioned. In particular, the Netherlands (together with the UK and Germany) has proven to be trend-setter, thus, establishing a path that the other countries will soon be following as well. Furthermore, due to the higher standards of living present in those regions of Europe, the number of people that can afford to buy more healthy and sustainable alternatives is higher as it is perceived that the price of those products will be higher than the average for sweet bakery goods.

A probability (also known as representative) sampling method has been used in order to determine the size of the sample that will be subject of the research. This means that each case of the population has an equal chance to be selected and to take part in the research. The consumer base that has been approached is restricted mainly geographically (only within the Netherlands) but not demographically (variety of age, gender, educations, occupation, etc. groups have been approached).

3.3. Data collection

The main research strategy and preferred method for conducting the quantitative research has been online surveys with consumers. This is so because the response level is proven to be higher than the one estimated when the questionnaires are sent by post or via mail (Verhoeven, 2011). Furthermore, this strategy is budget-friendly and economically beneficial to a research with no financial sponsorship like the current one.

A desk research technique has been used to collect the industry data concerning the Dutch bakery market and the sweet bakery industry outlook. Dawn Foods has an unlimited access to a lot of reports about the market, numerous researches and surveys as well as variety of databases. The big variety of information sources allows for a solid, reliable and up-to-date data to be collected and analyzed.

3.4. Data analysis

The market analysis of the food and bakery industries in the Netherlands is executed primary by collecting data from industry reports and allocating trend patterns among the findings. The current market trends will be depicted from the desk research and compared to the essence of the products Dawn manufactures. This will facilitate the indication of the potential areas of performance for the company regarding the trends of health and wellness.

For the analysis of the quantitative data, collected by the means of the consumers' insight survey, will be used Microsoft Excel software. This is so because the program gives an opportunity to create easy and functional tabular and graphical representations of data, thus facilitating the allocation of particular patterns that come obvious from the results. This way of summarizing the results will also make it easier to draw conclusions supported by solid data. Furthermore, the online-based platform used to create and conduct the survey (www.esurveycreator.com) has the option to extract the data in a different formats (e.g. Excel spreadsheet, SCV file) as well as creates immediate graphs and tables per question. Those features of the website will be used in order to again facilitate the analysis of the information.

3.5. Limitations

The research span has been limited to the consumer base in the Netherlands. This is so because the country is one of the few biggest and most important European markets for the company. Furthermore, the Dutch sweet bakery industry has proven to be a trend-setter, therefore playing a key role in the product developments and portfolio innovations. Apart from the geographical limitations, another restriction has been imposed in terms of the market trends being research. The focus is on health and wellness because they are recognized as growing trends for the food industry, in general, as well as for the bakery industry, in particular. Since the survey is conducted online this imposes immediate limitation on its population. Only people that have an access to a PC will be able to participate.

In terms of time constrains, the project must be executed in 20 weeks as provided in the internship requirements by Hogeschool Utrecht.

3.6. Ethics

Protecting the image and the name of the company is of a main priority at all times. In order to protect all participants, involved directly or indirectly in the research, all their input will be treated with high confidentiality and anonymity. To ensure that and made participants aware of how their personal data and responses will be used, an information paragraph outlining that will be placed at the beginning of the questionnaires.

4. Findings

4.1. Dutch sweet bakery industry

Dawn Foods operates in the food industry and therefore, what is trendy in it has bigger or lesser influence on the company. For that reason a data regarding the popular concepts and developments within the food industry as well as data regarding the Dutch sweet bakery industry has been collected.

The variety of nutrition concepts, “top trends” lists and “best n number functional foods” that can be found on Internet is endless. Despite the minor differences, all of them revolve around a few main patterns that reflect the current state of and the directions in which the industry is moving as discussed in the following paragraphs.

Innova (2013) uses two-stream health positioning system to separate the trending concepts and claims in health and wellness within the food industry. Products can be placed either under the Health (Active) or the Health (Passive) category. Under the first category fall products to which some health-beneficial ingredient has been added (e.g. added fiber, prebiotic, Omega-3), thus the health value of the product has been enhanced. Under the passive category, ingredients that are believed to have bad impact on the consumers are reduced or completely taken out leading to claims in the “reduced” group such as low sugar, low fat, and low calories. In the passive positioning products can be also placed under the “free from” group, namely gluten- and lactose-free. A full list of the different claims that go under each stream can be found in Appendix 1, on page 32.

In the passive health positioning stream gluten-free products has an increase of 5.3% in terms of sales from the second half of 2011 to the second half of 2012. Lactose-free has dropped by 13.5% for the same period. Low sugar and low fat have decreased by, respectively, 63.1% and 22.1%. In the active health positioning, added fiber and prebiotics seem to be growing the most, by 133.3% and 127.9% for the period mentioned beforehand. Functional, not specified food category has increased in sales by 52.6%.

According to International Markets Bureau (2011), in the first two quarters of 2011 within Western Europe there have been 5, 259 new bakery, cereal and dessert product launches. The source further says that 18% of those, or approximately 947 products, have been present in the sub-category cakes, pastries and sweet goods. Meanwhile, during the last three years have been launched 25 new products within the categories Sweet Biscuits/Cookies and Cakes -

Pastries & Sweet Goods with some sort of a health claim, both passive and active. The main passive health claims of those products are low fat, low sugar or no added sugar, whereas active ones are high fiber, vitamins and minerals fortification, and wholegrain. (Innova, 2013)

Reduced salt, fat and sugar are on the top of the list as trends in the food functionality category. Some of the biggest bakery suppliers of both mixes and finished goods to the Dutch market are also implementing variety of innovations in their portfolio (Van Es Marketing Services, 2013). Zeelandia, supplying about 74% of the Dutch sweet bakery market (Van Es Marketing Services, 2013), responds to the trends of health and wellness with a range of product lines enriched with variety of "better-for-you" ingredients, namely vitamins, minerals, multivitamin mixes, omega 3 fatty acids (Zeelandia, 2013). According to Puratos (2011), one of the main competitors of Dawn Food Products in the Dutch market, what the consumers are looking the most for in sweet bakery goods is taste, health, convenience, pleasure and nutrition. Within three categories – Reduced, Naturally Healthy and Functional & Fortified – Puratos offers products with lower sugar, fat and salt content, high fiber, and wholegrain (Puratos, 2011). Another big supplier on the market and a direct competitor to Dawn Food Products, CSM, claims that making treats more acceptable to indulge with is what consumers are looking for. Health claims the company relies on in its endeavors in the health and wellness trends are both passive and active, including low fat, sugar and sodium, reduced calories, added fiber and wholegrain products (Bakery Supplies Europe Holding, 2013).

4.2. Market size and potential

For the period 2011-2016 Euromonitor International (2012A) cites a steady growth value of about 1% CAGR (Compound Annual Growth Rate) for the global bakery industry and estimates its monetary value to reach US$459,000 million in sales by the end of the period. The same source projects that the global health and wellness bakery will grow at a 3% CAGR and hold 17% of total bakery sales by 2015.

Currently the total bakery market in the Netherlands is estimated at US$ 5,101.8 million. Expected value in 2015 is US$ 5,265.7 million (International Markets Bureau, 2011). Projected total growth for the time period 2013-2015 is 3.2% (calculations in Appendix 2, page 30). According to Eurmonitor International (2012), the market has grown at 2.4% CAGR in the period 2007-2012, or by 12.6% in total.

In a forecast analysis, Euromonitor International (2012B) says the health and wellness market within the food industry will be worth US$ 3 billion by 2017. Global bakery health and wellness market accounted for 17.4% of the total bakery market (International Markets Bureau, 2011). In the category HW (Health and Wellness) Cakes the market size rose by 22, 8% for the period 2005-2010, worth US$ 262,500 at the end of the period. For the same time span the HW Global bakery increased its size by 16, 7%. Exact calculations can be found in Appendix 2, page 33.

There are many people who have some kind of food intolerance and, thus, are required to follow a particular nutrition plan. However, there are a rather bigger number of people that believe to be having a type of food intolerance. Furthermore, some people simply choose to avoid certain types of foods because they think they are bad for their health without any solid scientifically-based explanation behind those assumptions. Therefore, the potential market for the different products in each intolerance group is rather hard to determine precisely. Ingredients Network (2012), discovered that about 70% of the consumers asked whether they would consume foods from the “free from” range despite the fact they do not have any food intolerance symptoms, say that they would. Furthermore, most of the population is pretty flexible and tend to be off and on consumers of “free from” food products.

In another article, again Leaderhead Food Research (2012) suggests that despite the number of people that consume healthy foods based on “healthy “ perceptions, there is still not so small share of the population that has been actually diagnosed with certain food intolerances. The article also suggests that this could be a hint that there are profitable opportunities for the business in the “healthy” foods market.

According to the Nederlandse Vegetariërsbond (2013) vegetarians and vegans combined represent roughly about 4.5% of the Dutch population which means estimated 733,500 people. However, the organization warns that it is hard to say how many of those people are full-time vegetarians and how many are part-time ones.

According to the Ingredients Network (2012), the lactose food intolerance is far more widespread phenomenon that the gluten one. However, the category marketwise is as big as the gluten-free, says the same source. Global launch numbers for lactose-free dairy products more than tripled in the five-year period to the beginning of 2012. However, allocating an exact number of launches per product category is hard. (Nutracauceticals World, 2012)

Estimated by Euromonitor International (2012A), the Western-European gluten-free market is the largest globally. However, the source adds that gluten-free is recognized more as a healthier food choice rather than a dietary requirement for the population diagnosed with coeliac disease. According to Gilissen and Van den Broeck (2010), about 1% of the total population in Western Europe suffers from Celiac disease. The Dutch Celiac Disease Patient Society (Nederlandse Coeliakie Vereniging) (2013) has 15,000 officially registered members. However, the society says that the number of people with gluten intolerance in the Netherlands is estimated to about 160,000 of which around 135,000 are unaware of their condition.

The Ingredients Network (2012) identifies significant growth in both gluten- and lactose-free markets and claims both of them have relatively the same sizes across Western Europe. However, as reasons why the markets do not develop further the report points out two possible causes. On one hand, the gluten-free market might not be recognizing that despite the people that are officially diagnosed with intolerance there are many others that are not, yet they do reach out to gluten-free products. On the other hand, the lactose-free industry might not be able to realize its potential and the actual size of the population, concerned by that intolerance.

4.3. Consumer insights survey

In order to satisfy a need, it has to be first recognized. Therefore, the ruling source on the market, namely the consumers, has been reached out to in order for their thoughts on health and wellness to be collected. In the span of ten questions, variety of aspects concerning the main problem has been covered. Although the number of respondents set as a goal, 100, has not been reached due to time constrains, a relatively good result of 81 correctly filled out surveys has been achieved. The two variations of the questionnaire, in Dutch and English, can be seen in Appendix 3 (page 35) and Appendix 4 (page 39), respectively.

The demographic profile of the representative respondent consists of their gender, age and education. The biggest group or respondents in terms of the first is females, being 52% of all respondents. Majority of the sample falls in the age groups of 21-25 and 41-45 years old. Furthermore, most of the participants claim to have an undergraduate degree of education, 51% of them, whereas the second biggest group is that of a people with a high school diploma, 36%.

Asked about the frequency of their sweet bakery consumption, about 32% of the respondents say they do so every few days. Next most selected option is rarely, given as a response by 20% of the surveyed people.

Interesting aspect of the survey was to find out whether the population of consumers makes any adjustments or major changes to their current eating habits. In the particular question they were given the option to choose from variety of factors, from eating less sugar, through following a particular food intolerance diet (e.g. gluten-free), to simply making no changes. The participants were able to select more than one option to answer the question. As the data shows, most popular means of incorporating healthy eating is consuming less fat, selected by 40%, and eating less sugar, given as a response by 37% of the respondents. Furthermore, snacking less (43%) and reducing the portion sizes (28%) seem to be also among the top options consumers choose when they decide to change their eating behavior towards more health-conscious one. Roughly 10% of the respondents say they change towards consuming more organic food. About the same percentage of people claim they strive to buy fair trade products. Slightly less than 8% of all respondents indicate they have some sort of food intolerance and therefore follow either gluten-free, lactose-free, vegan or vegetarian diet.

Roughly 20% say they do not make any adjustments to their nutrition plans with regard to the health and wellness trends. Moreover, about 86% of all respondents say they will not follow any particular nutrition plan unless they are diagnosed with some sort of food intolerance and that forces them to do so. The remaining, 14% say they would be willing to switch their eating habits to a certain diet even if they do not officially have any particular food allergies and intolerances.

Regarding the price consumers are willing to pay, about an equal amount of them agree or disagree to pay higher price for healthier sweet bakery products. Fifty-two percent claim they will not pay more, whereas the remaining 48% say they will do so. Interesting trend pattern here is that the people who say they change towards more healthy eating, by reducing fat and sugar consumption, are also the ones willing to spend more on a sweet bakery product with better functionality (better health value). On the contrary, the respondents who say they snack less and try to reduce the size of their portions seem to be the ones more unwilling to pay higher prices for a sweet bakery product with some kind of health claims.

Another aspect that the questionnaire has covered is whether consumers pay attention to the types of food they indulge with, in particular, whether the food is offering some sort of healthy value or claims. Figure 1 bellow represents the trend given by respondents in that aspect.

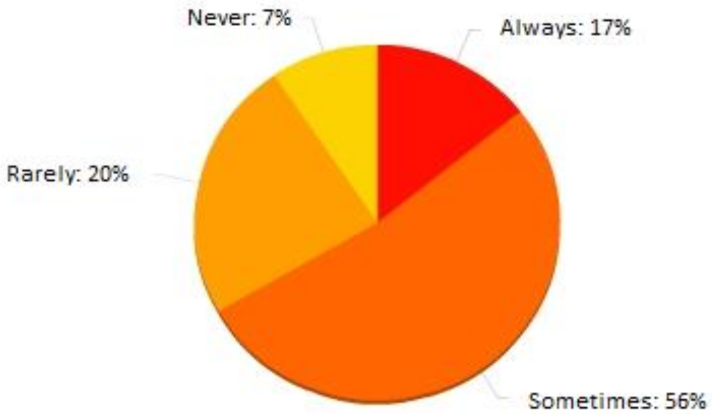

Figure 1. *Frequency of consumption and food functionality*

Source: *Consumer insights survey carried out by the author (2013)*

As the numbers show, majority of the reached consumers claim they occasionally pay attention to what health values the food they are indulging with brings to them. However, a rather big percent of them, 20, says they very rarely consider that aspect of the foods they choose to consume when indulging. On the other hand, yet relatively big share of the respondents say they would always pay attention to how healthy their food is.

Since Dawn Foods is a Business To Business company, the distribution channels affect its connection to the end consumers rather significantly. In that sense, the survey population has been asked to indicate where they would expect to purchase healthier sweet bakery products. Between 53 and 58 percent of all respondents pointed out that a bakery, a supermarket and a health store are the most common locations they would search for indulgence goods with health claims. Consumers are less likely to consider buying a healthy indulgence good at fast food chains, from vending machines or petrol stations, which were some of the other answer options provided to them.

5. Discussions

5.1. “Healthy indulgence”

The consumers are becoming more and more aware of the risks that overweight and obesity bring along and the majority of them seem to be trying, to some extent, to incorporate healthier lifestyle changes.

The passive health positioning claims are more appealing to Dawn because of the nature of the products it makes. Cakes and cookies are long considered “a guilty pleasure”, especially by the people who claim to be more health-conscious and pay more attention to the types of food they consume. Furthermore, the trend of “cheat meals” also adds to the image of those products. There are many people that manage to stick to a strict diet because they allow themselves to eat one “bad” meal every now and then. Most of the time, that meal would include either fast food or a sweet treat. Since that is one time in which those people allow themselves to purely indulge, the likelihood of them paying attention to the health values of the food they indulge with, is very low. As a support to the statement that people are less likely to pay attention to the health value of indulgence goods, comes the outcome of the consumer insight survey, discussed in section 4.3. Most people say they are careful about the food functionality “sometimes” whereas a second most selected answer is “rarely”. This leads to the idea that consumers recognize those moments of indulgence as moments of joy and celebration, moments they try to make the most of and, thus, allow themselves to enjoy whatever food they like without feeling guilt. This type of consumers is not likely to compromise taste over health value.

A fairly high percentage of the consumers, 43%, say they snack less as a way to change their diet. Another 28% mention that they would eat smaller portions. Such consumers again fall into the group that is not very likely to compromise the taste over the health values of the food. For them easting smaller amounts is already a measure against the negative effects certain food products would have on their well-being. By reducing the portions or the occurrence of indulgence moments, they can enjoy good taste without necessarily feeling guilty because of that.

On the contrary, there is a share of consumers that still wants to indulge but with a healthier treats. This is so, because they are looking for a “guilt-free” indulgence that might not necessarily deliver them the taste of the original, rich version, for instance, triple chocolate muffin, but would satisfy their sweet craving in a way that they will feel better about. Such consumers would like to consume sweet bakery goods with less or no added sugar, fat and sodium; however they might or might not restrict the portion size they are consuming. The idea behind is, that, although they still indulge, it is not as harmful to their body as any other sweet bakery item without any health claims would be. For some people this contributes to the way the feel about themselves and the things they do to take care of their body. Although they realize that such products are still not absolutely healthy, they see those as a much healthier option of what it could have been.

Most people see indulgence as a reward, especially if they are trying to reduce their weight or follow strict nutrition plan for other reasons. Therefore, they would look for the ultimate treat delivering the so-desired taste and satisfaction. In those terms, the health value of the consumed food falls on the background.

5.2. Passive health positioning: qualifiers and differentiators

According to the consumer insights survey, only 8% of the respondents claim to have some sort of food intolerance to gluten or lactose. Another 84% say that they will not follow any specific dietary plan unless they have been diagnosed with some sort of food intolerance.

Within the passive food positioning stream can be formed two groups of health claims that are relevant to company's products, namely "free from" and "reduced". In the first one are included gluten- and lactose-free, whereas in the second – low sugar, fat, sodium, calories, etc. In the context of sweet bakery, the "reduced" group can often be identified as a qualifier (or a generic trend) for a company to enter the market and operate in the industry. For example, the set levels of sodium in the bakery products in Europe come as law enforcement from the European Commission. Therefore, if Dawn wants to be eligible to compete in the industry it has to comply by its rules. Of course, not all of the requirements for reduced levels of certain ingredients are established by the law. As a Business-to-Business company, Dawn has to serve its customers by delivering the products they want. Some of them, due to corporate social responsibility concerns or trying to reduce the negative image their company and products (e.g. fast food chains) have, use the health claims as a way to fight the social pressure. Therefore, that is another reason for Dawn to make sure it fulfills all "qualifiers" in order to be able to supply its customers with the desired goods.

On the other hand, there is the other group within the passive health positioning stream, “free from”, that can sometimes act as a differentiator on the market. The types of products having such health claims are targeting specific group of consumers with special dietary requirements, rather than targeting the general public. Therefore, whether a company has such range of products is its very own choice and depends on its target group of consumers. As the results of the consumer insight survey suggest, only a small share of the surveyed population, 8%, claims they are having some sort of food intolerance and need to follow a specific nutrition regime. Furthermore, 86% say they will not follow any specific diet unless they are diagnosed with some sort of a food allergy or intolerance. Those facts make the “free from” market category rather unattractive for a sweet bakery goods manufacturer like Dawn. Although the bakery industry shows a 5.3% of growth in sales for gluten-free products from the second half of 2011 to the second half of 2012, it is very likely that most of that growth can be contributed to the bread sector. Consumers seem to be more concern whether their main food sources comply with the nutrition plans they are following, rather than the foods they indulge with. However, those findings are contradictory to what the theory suggests. According to Wilcox and Vallen (2009), people would more likely indulge when their foods has some sort of health claim because then they will fell like they have both fulfilled the required norm of good nutrition as well as satisfied their sweet tooth. The practice proves that the consumers that would show such a behavior are rather small piece of the bigger picture.

In this context, if Dawns had a bread product line it could have gone into launching a gluten-free range of bread products. Similar to some of the biggest suppliers in the industry, for instance Zeelandia and Puratos which also have their bread categories, with such a line Dawn could have made a good investment with possibly high returns. As the data from Euromonitor International (2012A) points out, the gluten-free market in Western Europe is the largest globally and with the advancement in the technology for diagnosing food intolerances, it will possibly grow even more over the next few years. Furthermore, the healthy lifestyle trends that the media spreads around also have their influence over the behavior of the consumers which can contribute for increasing the size of the potential market even more.

5.3. Market potential

Although both the global bakery market and the global health and wellness market are expected to grow in the span of the next few years, it remains hard to estimate how significant this growth will be in the health and wellness sweet bakery industry, in particular. The global health and wellness industry is set to held around 17% of the total sales in bakery by 2015

(Euromonitor International, 2012A), yet it could be accurately suggested that those sales will happen mainly in the bread compartment of the industry. It can be assumed that increase in the demand and sales of sweet bakery goods with health and wellness claims will also be present, but calculating the exact potential of the market, in terms of monetary value, remains hard.

As discussed already, the company does not seem to have much potential in entering the "free from" sector in the sweet bakery industry. The numerical data that has been collected from the industry reports suggests relatively the same. However, while the "free from" sector might not be a tempting destination for Dawn Foods, other business opportunities might be found in the health and wellness claims. For the period 2005-2010 the category health and wellness Cakes have raised by 22.8% globally while simultaneously the global health and wellness bakery also have grown by estimated 16.7%. Although the difference in the growth percentages is relatively small, minding the current health and wellness outlook and the predicted growth in the coming years, it can be argued that an increase in the health and wellness categories such as Cakes will be seen in the near future as well. It can be further suggested that the products in this category would be focused on the "reduced" rather than "free from" compartments of the passive health positioning stream. This is based on the unpredictable behavior of the consumers when it comes to following gluten- and lactose-free or vegetarian/vegan nutritional plans. This combined with the indulgent nature of the products that the company offers, suggests that the "reduced" levels of certain ingredients like sugar, fat and/or sodium are areas whether probably the business opportunities and the respective growth of the health and wellness market will be bigger.

5.4. Brand positioning

In the bakery industry, Dawn Food Products is known as a manufacturer and supplier of baking mixes, glazes and fillings as well as ready products such as cookies, muffins, celebration cakes. Therefore, the company is positioned as a provider of indulgence products; products that are not considered a main food group, rather – a nice treat or a snack. In this context, it is rather contradictory for the company to start an endeavor in the health and wellness category. If this is the case, it will require new strategy for market positioning and penetration including possibly new customers, distribution channels, even production facilities, for instance if gluten-free goods are to be produced.

6. Conclusions and Recommendations

The main question was: *How should Dawn Foods respond to the trends of health and wellness on the Dutch sweet bakery market?* As main objective has been set the exploration of the health and wellness trends within the Dutch sweet bakery industry and whether those trends hold a profitable opportunity for Dawn Foods. Therefore, as an answer to the main research question, the company can respond to the demand for health and wellness claims by focusing on excelling at the qualifying trends (e.g. low sugar, fat, calories, etc.) as the "free from" category does not offer profitable business opportunities at the current moment. Bellow the conclusions and the recommendations leading up from them are explained in more detail.

Market potential in the "free from" category is too small. The projected growth in the size of the bakery market, both the general and the health and wellness one, in the upcoming few years is an indicator for slow but steady progress in the industry. Despite the increasing size of the population that is diagnosed with some sort of food intolerance and the expanding "free from" category, no business opportunities can be allocated in this category at this point of time. As mentioned in the discussions, section 5.2, most of the increase in sales within the category can be contributed to main food groups like bread, for instance. It is hard to indicate whether the consumption of more functional (with better health value) sweet bakery products is growing as steadily as well. According to the data collected from the industry, the number of people diagnosed with specific food intolerance in the Netherlands is not very high. Furthermore, often pattern is that many people follow certain "free from" nutrition plan only based on what is trendy at the moment without really understanding its meaning. Therefore, predicting the size of the market is rather hard and does not provide solid evidence that there is an attractive business opportunity in the "free from" compartment. Therefore, Dawn Foods is advised to ***focus on the qualifiers within the passive health positioning stream.*** This will be a beneficial strategy for the company because it will allow Dawn to keep its brand image and still position itself as the provider of indulgent pleasures, however making sure that it also cares about rising issues, such as obesity, and tries to contribute in a positive manner to the wellbeing of the society.

Health and wellness trends are irrelevant to the consumers because they would most likely prefer to enjoy good taste, when they decide to indulge, than be preoccupied about the health values of the food product.

According to the findings of the consumer insights research, discussed in section 4.2., cutting on consuming fat and sugar are among the most often measures that respondents apply to their nutrition plans with regard to the health and wellness concept. Because the obesity problem in the society is getting bigger and bigger, stricter rules are applied both by law and by the bakery industry itself to the functionality of the food and its ingredients. Therefore, more companies make their required standards for percentage of salt, fat, sugar, etc. stricter. As a supplier, Dawn should focus on ensuring it complies with all law-enforced standards as well as meets the requirements imposed by the industry. In this line of thoughts, an advice to the company is ***to focus on the customers and their expectations regarding the products, instead of focusing on the end consumer.*** By doing so, the company can find a balance between both health and social claims, making a statement that it cares about both. Some of Dawn customers are, for instance, fast food chains which strive to clear their image and make sure the message they send to the consumers is positive and attractive for them. Therefore, by meeting the products specifications and standard requirements for ingredients, Dawn can ensure a successful relationship with its direct market. Pro-active approach can be taken in that sense as, for example, obtaining certifications for ingredients, production quality or packaging that are trendy in the particular market and most of the current or potential customers will ask for them when conducting business with Dawn.

7. Areas for further research

One insight gained by this research was that sustainability is important to both customers and consumers. Due to the restricted time frame, the scope of the project did not include sustainability and thus, no further research on this concept has been done. However, the author recommends that Dawn should definitely consider exploring this path.

The sustainable aspect of food's supply chain is as relevant and as important to the customer of Dawn as it is to the society and the governing bodies. Sustainability becomes a rising issue worldwide, across all industries and different kind of companies. The developing concerns increase the expectations for doing sustainable business and harming the environment as less as possible.

Therefore, a further research in the areas of sustainability is recommended. Sustainable claims on ingredients, manufacturing or packaging can be used as a differentiator in the industry due to the business-to-business nature of the company. Promoting sustainability thought out the entire supply chain is a common thing in the food sector as it further enhances the claims given on the product. Therefore, creating an image of a sustainable manufacturer and supplier will make Dawn more attractive partner in the industry and possibly increase its market share.

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Appendices

Appendix 1

Innova Database – Health positioning

Health (Active)

No Sub-Category Selected

- Added Calcium
- Added Fibre
- Added Iron
- Added Protein
- Anti-Aging/Aging-Well
- Bone Health
- Brain Health
- DHA
- Digestive/Gut Health
- Energy/Alertness
- Eye Health
- Functional
- Functional, not specified
- Heart Health
- Immune Health
- Joint Health
- Omega-3
- Oral Health
- Prebiotic
- Skin Health
- Sports & Recovery
- Vitamin/Mineral Fortified
- Weight Management

Select All De-Select All

Health (Passive)

No Sub-Category Selected

- Allergy
- Antioxidant
- Diabetic
- Gluten Free
- HFCS Free
- Lactose Free
- Low Calorie
- Low Carb
- Low Cholesterol
- Low Fat
- Low GI
- Low Sodium
- Low Sugar
- Natural
- No Added Sugar
- No Additives/Preservatives
- No Trans Fats
- Organic
- Sugar Free
- Wholegrain

Select All De-Select All

Appendix 2

Bakery market size

Market Sizes of Bakery Products and Frozen Bakery and Desserts in Western Europe by Country
Forecast Retail Value in US$ millions - Current Prices

Geographies	2011	2012	2013	2014	2015	2011-2015 % Growth
Western Europe	**147,849.2**	**150,345.9**	**153,443.8**	**157,083.4**	**160,564.3**	**8.6**
Italy	25,639.0	26,039.3	26,708.4	27,580.7	28,469.9	11.0
France	22,522.4	22,876.2	23,257.3	23,658.1	24,057.2	6.8
Germany	21,855.4	21,624.9	21,518.2	21,504.4	21,556.9	-1.4
Turkey	20,325.1	21,044.1	21,687.7	22,371.0	22,814.8	12.2
United Kingdom	14,551.0	15,149.7	15,801.5	16,480.0	17,162.3	17.9
Spain	10,137.6	10,144.2	10,253.8	10,459.7	10,628.6	4.8
Netherlands	4,973.0	5,033.1	5,101.8	5,183.1	5,265.7	5.9
Belgium	4,726.1	4,813.1	4,906.4	4,997.7	5,083.1	7.6
Greece	3,875.9	4,005.0	4,170.9	4,339.2	4,527.0	16.8
Austria	3,871.3	3,946.2	4,026.2	4,116.0	4,205.0	8.6
Switzerland	3,345.3	3,386.4	3,438.5	3,499.9	3,547.2	6.0
Sweden	2,466.4	2,509.5	2,555.4	2,604.4	2,657.2	7.7
Finland	2,145.4	2,197.0	2,252.4	2,310.7	2,375.2	10.7
Norway	2,057.6	2,161.8	2,268.4	2,380.5	2,498.4	21.4
Denmark	1,846.4	1,820.4	1,807.0	1,805.9	1,814.7	-1.7
Portugal	1,545.0	1,584.9	1,631.8	1,683.3	1,740.6	12.7
Ireland	1,506.2	1,535.8	1,567.3	1,600.2	1,633.2	8.4

Source: *Euromonitor, 2011*

Source: *International Markets Bureau, 2011*

Market size 2013: US$ 5,101.8 million

Market size 2015: US$ 5,265.7 million

Projected growth:

[(US$ 5,265.7 - US$ 5,101.8)/ US$ 5,101.8] x 100 = 3.2%

Market Sizes of Health and Wellness (HW) Bakery Products in Western Europe
Retail Value in US$ millions - Current Prices

Categories	2005	2006	2007	2008	2009	2010
Total HW Bakery Products	**21,468.8**	**22,169.5**	**22,976.9**	**23,844.9**	**24,412.9**	**25,051.5**
HW Bread	12,454.8	12,865.3	13,293.4	13,677.2	13,954.5	14,281.2
HW Cakes	213.7	225.6	238.5	248.8	256.7	262.5
HW Biscuits	2,103.9	2,174.2	2,246.8	2,324.6	2,404.1	2,490.4
HW Breakfast Cereals	6,244.7	6,411.3	6,662.0	7,008.6	7,158.6	7,324.3
Other HW Baked Goods	451.7	493.1	536.2	585.7	639.0	693.1

Source: *Euromonitor, 2011.* ***Note:*** *Does not include frozen bakery and desserts.*

Source: *International Markets Bureau, 2011*

Market size 2005 HW Cakes: US$ 213.7 million

Market size 2010 HW Cakes: US$ 262.5 million

Growth rate 2005-2010 HW Cakes:

[(US$ 262.5 - US$ 213.7)/ US$ 213.7] x 100 = 22,8%

Market size 2005 HW Global Bakery : US$ 21,468.8 million

Market size 2010 HW Global Bakery: US$ 25,051.5 million

Growth rate 2005-2010 HW Global Bakery:

[(US$ 25,051.5 - US$ 21,468.8)/ US$ 21,468.8] x 100 = 16,7%

Appendix 3

Gezondheid, welzijn en duurzaamheidtrends op de Nederlandse zoete bakkerijmarkt

U staat op het punt om deel te nemen aan een enquête over de gezondheid, welzijn en duurzaamheid trends in de Nederlandse zoete bakkerij-industrie. De vragenlijst heeft 10 vragen en het zal 1 tot 2 minuten duren om het in te vullen. De deelname is anoniem. Alle verzamelde gegevens worden vertrouwelijk behandeld en zullen uitsluitend alleen voor de doeleinden van dit onderzoek gebruikt worden en zullen niet verstrekt worden aan derden.

1. U geslacht: *

- Mannelijk
- Vrouwelijk

2. Hoe oud bent u? *

3. Wat is de hoogste opleiding dat u heeft afgerond of waar u momenteel ingeschreven bent? *

- Geen
- Basisschool
- VMBO
- HAVO
- VWO
- MBO
- HBO
- WO

4. Hoe vaak consumeert u zoetigheid uit een bakkerij? *

- Elke dag
- Om de paar dagen
- Om de paar weken
- Alleen in het weekend
- Alleen op feesten
- Zelden
- Nooit

5. Heeft u een van de volgende eetbeperkingen en/of gewoontes? *

- [ ] Glutenvrije
- [ ] Lactosevrije
- [ ] Diabetes dieet
- [ ] Vegetarisch
- [ ] Veganistisch
- [ ] Organisch voedsel
- [ ] Fair trade voedsel
- [ ] Ik heb geen dieet beperkingen
- [ ] Andere (gelieve te specificeren)

6. Volgt u een of meerdere voedingspatronen in vraag 5, terwijl u niet officieel gediagnosticeerd bent met een bepaalde voedselintolerantie? *

- Ja
- Nee

7. Maakt u eventuele veranderingen in uw eetpatroon om uw gezondheid en welzijn te verbeteren? *

- ☐ Ik eet minder suiker
- ☐ Ik eet minder vet
- ☐ Ik eet minder natrium
- ☐ Ik eet kleinere porties
- ☐ Ik snack minder
- ☐ Ik vermijd gluten in voeding
- ☐ Ik vermijd lactose in voedsel
- ☐ Ik word vegetarisch
- ☐ Ik word veganistisch
- ☐ Ik eet biologisch (organisch) voedsel
- ☐ Ik eet fair trade voedsel
- ☐ Nee, ik doe niet aan eventuele verandering in mijn eetpatroon
- ☐ Andere (gelieve te specificeren) ______

8. Bent u bereid om een hogere prijs te betalen voor gezondere zoete bakkerijproducten? (bijv. cake met minder suiker en vet; glutenvrij muffin) *

- ○ Ja
- ○ Nee

9. Besteedt u aandacht aan de functionaliteit (het gezondheidsaspect) van de producten die u eet om uzelf te verwennen? *

- ○ Altijd
- ○ Soms
- ○ Nauwelijks
- ○ Nooit

10. Waar verwacht u gezonder zoete bakkerijproducten te kunnen kopen? *

- ☐ Bakkerijen
- ☐ Supermarkten
- ☐ Gezondheid winkels
- ☐ Fast food ketens
- ☐ Automaat
- ☐ Benzine-/Tankstation
- ☐ Andere (gelieve te specificeren)

U bent klaar met de enquête.

Hartelijk dank voor uw deelname.

Appendix 4

Health, wellness and sustainability on the Dutch sweet bakery market

Dear participant,

you are about to take part in a survey regarding the health, wellness and sustainability trends in the Dutch sweet bakery industry. The questionnaire has 10 questions and it should take 1 to 2 minutes to fill it in. The participation is anonymous. All data collected will be treated with the highest confidentiality and used solely for the purposes of this survey. It will not be disclosed to third parties.

1. What is your gender? *

- ○ Female
- ○ Male

2. What is your age? *

[ ]

3. What is the highest level of education you have completed or are currently enrolled to? *

- ○ Did not attend school
- ○ Primary school
- ○ High school
- ○ Undergraduate school
- ○ Graduate school
- ○ Post-graduate school

4. How often do you consume sweet bakery goods? *

- Eevery day
- Every few days
- Every few weeks
- Only on weekends
- Only on celebrations/special occasions
- Rarely
- Never

5. Do you follow any of the stated bellow nutrition plans? *

- Gluten-free
- Lactose-free
- Diabetes diet
- Vegetarian
- Vegan
- Organic foods
- Fair trade foods
- I have no dietary restrictions
- Other (please specify)

6. Would you follow some of the nutrition plans in question 5 even if you are not officially diagnosed with certain food intolerance? *

- Yes
- No

7. Are you making any dietary changes to your nutrition habits in order to improve your health, wellness and sustainability? *

- [ ] I eat less sugar
- [ ] I eat less fat
- [ ] I eat less sodium
- [ ] I eat smaller portions
- [ ] I snack less
- [ ] I avoid gluten in food
- [ ] I avoid lactose in food
- [ ] I am becoming vegetarian
- [ ] I am becoming vegan
- [ ] I eat organic foods
- [ ] I eat fair trade foods
- [ ] No, I am not making any changes
- [ ] Other (please specify) ______

8. Are you willing to pay higher price for healthier sweet bakery products?
(e.g. cake with less sugar and fat; gluten-free muffin) *

- ○ Yes
- ○ No

9. Do you pay attention to the functionality (the health value) of the foods you indulge with? *

- ○ Always
- ○ Sometimes
- ○ Rarely
- ○ Never

10. Where do you expect to buy healthier sweet bakery products? *

- ☐ Bakeries
- ☐ Supermarkets
- ☐ Health stores
- ☐ Fast food chains
- ☐ Vending machines
- ☐ Petrol stations
- ☐ I do not eat sweet bakery treats
- ☐ Other (please specify) ______

You have finished the survey now.

Thank you very much for your participation.