

## **Competing in an age of change**

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I am a relative newcomer to the British baking industry, having been appointed marketing manager of Craigmillar early in 1992. Fairly soon after my appointment, I realised that the overall pattern of retailing had much more impact on the entire baking industry than any other single factor.

Even for an ingredients supplier, spotting the trends and anticipating the impact that they would have on the use of ingredients and the consequent investment in relevant food technologies was important. Obviously for a front line baker, and I use the term advisedly - it's a war out there understanding the retail environment was and is critical to long term success.

What I would like to do in this paper is to outline the major features of the competitive environment of retailing bakery goods, as I see it, and stimulate business owners or managers to think about their businesses and the way in which they can satisfy consumer demands for baked goods. Competition is intense in the retailing arena with baker competing against baker, baker against supermarket, supermarket against supermarket, in-store bakery against packaged on the shelf product. And then there are the newer sources of competition - bake off in convenience stores, specialist sandwich bars, doughnut and cookie kiosks - all competing for a share of the housewife's purse.

As always in these cases, there is no magic formula for success, nor a single product idea that will rescue a fundamentally weak business or industry. Competing successfully is not about having cheaper prices than everyone else, or about any other single attribute of your business; it is about exploiting and balancing the skills and resources of your organisation to provide your customers with a better proposition than your competitors.

Retail competition will continue to intensify, and senior management or proprietors of businesses that want to prosper are going to have to spend more time analyzing their business offering and checking its relevance to the modern consumer.

I was struck at Bake '95 by meeting people whose reason for visiting the show was to see if there were any new product ideas and 'find the new ciabatta'. The quest for variety is laudable, but most businesses would benefit from a more fundamental appraisal of their operations by taking a consumer's eye view of their total offering and that of their competitors.

I have also noted how loud the voices are that cry 'foul in the high street' and how much energy is channelled into lobbying for a level playing field for small businesses. But this is not a game with rules and a referee. It's a war. We are all trying to find something that will give us an advantage over our competitors.

Let me acknowledge that there are difficulties, and even injustices, affecting smaller high street businesses compared to larger out-of-town supermarkets and also that lobbying against them is no bad thing because, in competition terms, if your competitor has an advantage, you should try to neutralize it.

However, we must not lose sight of the key ingredient in this struggle and that is the fight for the hearts, minds and wallets of the consumer. No amount of lobbying in Westminster will do that for you.

Understanding the consumer is therefore fundamental to understanding our own businesses and allowing us to compete. I do not feel that the energy invested in the inward focus of lobbying is balanced by sufficient industry-wide attention to understanding and reacting to consumer needs.

Let's be clear, it's not governments or local planning authorities who are responsible for the growth of supermarkets. It's not really even the supermarkets themselves - it's the consumers. They want to shop there. They may think it's a drudgery and a bore, but the mass market does not want to do the bulk of its shopping in the high street.

The supermarkets do not prosper because there is some Orwellian influence in our lives that compels people to troop mindlessly to Sainsbury's, but because they provide the accessibility, shopping environment, product choice, and value equation that makes the consumer choose to go shopping in a supermarket. Never forget, the consumer has a choice. As a manager of a retailing business, whether you are a supermarket or a master baker, your task is to influence the consumer to exercise their choice in your establishment.

There are many complex factors that combine to determine where an individual will shop and on what occasion. There are a number of external factors, many of which are beyond the control of an individual business, which create buying habits which in turn become satisfied by a retail location which provides a product range, a shopping environment and therefore a shopping experience. This is why I use the term 'total offering' - it isn't simply products that you offer your customers, you also offer them an experience when they enter your shop based on what they see, hear, smell, taste and touch.

I believe that it is important to keep on top of these factors in your local area. The centre of gravity for retailing, the forces that determine the attractiveness of a location for shopping, can be very easily changed - a new Park and Ride scheme, a new road link, traffic calming measures, a factory closure, a change in local policy for school meals and so on.

External influences include social factors such as income group, lifestyle aspirations, time available through job commitments as well as personal considerations such as daily routines, for example fitting in with school runs, or a preference to spend more time in leisure activities.

Infrastructure includes such things as accessibility to shop locations, whether town centre or edge of town, as well as car ownership and ease and cost of parking.

The purpose of the shopping trip - weekly bulk shop, quick top-up for 'essentials' or indulgent search for treats - is another key factor determining both products that will be purchased, as well as the type of shop that a consumer will visit.

Demand stimulation describes the types of influences have been brought to bear to encourage people to come to one shop rather than another such as product promotions, local advertising or an article in the local papers.

The main influences in people's lives are readily identifiable. In examining grocery retailing, probably the most important factor is convenience. Over 60% of housewives do a major weekly shop - it is a routine chore for them and therefore the opportunity to go to one location, have access to problem-free parking, buy the whole range of grocery requirements, pay one bill using whatever method they want, load the whole trolley into their car and depart without having to negotiate town centre traffic jams is the way that they need and want to do their bulk shop.

In addition to this, consumers are searching for new ideas, flavours and varieties. In terms of bakery goods, the supermarket in general as well as the in-store bakery has been the motor for innovation, not the high street. Put this into an environment that is demonstrably hygienic, provides adequate, if not good, quality and gives at least a belief of value for money and you will find that consumer's demands are amply catered for.

Contrast the experience of shopping in the high street. Firstly there is the need to visit several shops - no easy task for mothers with children, who are the highest spending households, and a burden even for those unencumbered with small dependants. Tesco tell us that the average grocery purchase from their stores weighs in excess of 40kg - can you imagine carting that down the high street? The product range on offer is often standard, often poorly displayed in a shabby environment, price levels are higher and the only payment option is cash. No wonder the consumer prefers to shop in supermarkets.

The good news is that, unlike butchers and fishmongers, there is a place in the nation's hearts for the baker. Whether or not there is a place in their wallets is very much up to individual bakers and the efforts that they put into their shops. I commissioned research to examine attitudes to different types of outlets.

What are the attractive elements of a good bakery? The smell of fresh baking is such a strong attraction and the baker can not only capitalize on this but build on it by launching a three-pronged attack on his customer's senses. The infantry: a visual display assaulting the eyes with the delightful warm colours of baked goods topped off with appetizing colours; all supported by the artillery barrage of an aroma of fermentation, baking and freshness; and finally the air strike of a sample to taste, carefully targeted and guaranteed to deliver the knock-out blow.

Add to that a busy bustling environment suggesting a popular and therefore good' establishment - the highest possible standards of hygiene of both fittings and staff. And remember, it has to look hygienic not simply be hygienic, so any hint of a chipped tile, a door that needs varnishing or a scruffy piece of paper with 'special offer' scrawled upon it will let you down.

People enjoy the friendliness of a bakery - we are dealing with 'warm' things here, warm products, warm ovens, warm colours, nostalgia, a warm feeling it's cosy, it's cuddly, it's 'nice'. People feel that they won't be looked down at for only buying one doughnut and they appreciate being treated as an individual by an individual.

Please have it firmly embedded in the front of your mind that these soft and fuzzy issues are a very strong, marketable proposition.

At last, I have mentioned the 'M' word marketable, marketing. To many bakers, marketing is what you do when you put on a promotion or design a poster for your shop or advertise. However, marketing is much more important than that - in fact it is far too important to leave to a marketing department. It is an attitude of mind that must run through all parts of your business that constantly reminds each individual member of staff that what you are seeking to do is give the customer what they need and want and do it better than your competition.

This has to be more than posters of lions with 'The customer is king' captions - each member of staff must understand what their individual impact is on the effect that the whole business wants to create.

As a retail baker, you are a brand owner. What you do with your brand enables you or prevents you from competing with all other retail bakers. This message is as relevant to the high street baker competing with the supermarket in-store baker as it is to Asda competing with Sainsbury.

Your shop is the outward expression of your business to the consumer, and therefore all the key aspects of it combine to communicate a range of values that in turn transmit a message that is interpreted by your customers - it is your brand image. In basic terms, a poorly lit, cheaply fitted out shop with a depleted range of poorly presented products sends the message 'cheap, and probably unhygienic'.

There is no order to the importance of these factors; the key is to orchestrate all the variables to achieve a relevant and profitable brand. In the short time we have available, let's consider some of the main issues in each of these areas.

Location is often cited as the single most important retailing factor. No doubt it is one of the key variables, but it has to be balanced against other aspects of the business. This is very often a chicken and egg situation and depends on whether or not you are starting from an existing location, in which case you need to build the other variables to give you a sustainable proposition at that given location. However, it is just as valid to begin with a concept such as a fast food bakery or a bakery combined with coffee shop, which you believe can be profitable and then go and seek the most appropriate location.

Shop owners must therefore work out which shopping requirements they fulfil or wish to fulfil. Are they a 'destination shop' to which people will travel for goods and services they cannot get elsewhere? Are they part of a secondary location that provides top-up shopping or services a population that cannot or does not want to travel to out of town sites? Are they in a busy high street frequented by a range of people from office workers looking for a lunchtime snack to tourists looking for a local speciality?

Location must also be considered in terms of time as well as geography - a shop that is not open when people want to buy is, to all intents and purposes, not there at all.

The brand must then be built around the shop premises. Product, staff and environment must work together to project a relevant offering to the consumer. As a brand owner, the baker must continually check that his brand values are relevant and are communicated to his public. Research that I have run shows that as many as 66% of bakers do not run promotions, do not advertise and do not foster recognition through local public relations. Can you imagine a supermarket that does not run promotions or advertise? I can't.

Promotions do more than shift more product at a reduced price - they can encourage consumers to experiment and they can reassure your customers that they are achieving value for money by shopping with you. The old adage that if you build a better mousetrap, the world will beat a path to your door is no longer true. You must build a better mousetrap and tell the world about it.

Staff. Your business's human contact with your customers. They are vital as ambassadors for your business and can help you by actually selling and not merely serving. Clean, well presented, and encouraged and taught to show interest in your customers in a natural, fresh way. 'Have a nice day' may work in the States, but as part of a scripted 'customer relations interface interactive dialogue', it sucks! British phrases could, of course, be used to good effect - 'Happy Easter' in the build-up to Easter would work. Be friendly, be interested, be clean, but above all else, be natural.

One of the phrases from the research we conducted with groups of consumers always sticks in my mind... 'And then there's the Saturday girl with her chipped black nail polish!'

An interesting psychological point to bear in mind - consumers these days are used to choosing and helping themselves from supermarket shelves and are not used to speaking to an assistant and discussing their requirements. Add to that the fact that sliced 'n wrapped and all the other packaged groceries have deskilled the consumer in terms of identifying and buying fresh foods and you have a situation where people can become intimidated by asking for breads whose name they don't know.

Nobody likes being exposed for not knowing a Granary from a wholemeal. So, give your customers a comfort zone so that they can relax and browse, and above all, clearly label and price your products so that customers can ask for a product by name and can see the price.

I know of one baker who also provides a short description of the product on each name card along the lines of 'A deliciously light, flaky pastry tart with a rich continental cream filling'. How tempting, how simple, how effective.

While I'm on the subject of labels, could I plead for an end to those Dayglo star things stuck in the window with 'special offer' scrawled in black marker pen. They are tatty and do not communicate a sense of pride in your products.

This brings me into the area that I have called 'shop environment'. This area of your business is so important, yet, so often, so poorly executed. Contrast these three images. Firstly, a craft baker whose shop is by industry standards pretty good. But I honestly feel that it lets itself down by poor lighting design, poor flooring, tatty notices and a failure to show the product off in its best possible state.

Now look at a supermarket in-store bakery - open, warm colours, well lit, point of sale material designed to complement the fittings and present a consistent message.

Now look at a German baker's shop this just screams 'quality products' at the customer.

A lot is said about shop windows and the need to have a good display to attract customers into your premises. Once you've got them inside, a properly executed environment will do two major things. Firstly, it will inspire them to spend money - baker's shops are a paradise

for the impulse purchaser. Treats that do not really cost that much (what's 40 pence or even £1 .40 for a tempting taste tickler) all add up to more revenue for your business.

Secondly, it is an important element of your brand, your set of values that you want to communicate to your public, it reinforces messages such as quality, hygiene, freshness and naturalness, or, if poorly executed, can turn good product into average product and lose impulse sales opportunities as well as discourage customers from returning.

Then there's the product offering. I do not simply mean the range of products that you 'do' and the visual impact that it makes. I also mean the availability of it and its aptness or suitability for your type of operation. We all know the headline facts regarding your products - quality, freshness, variety. Whereas freshness goes without saying - the consumer always expects fresh products from a baker, the other two are less easy to define. Conventional wisdom tells us that quality is paramount, and that if the baker does nothing else, he should promote and seek for excellence in quality. In nine out of 10 cases, I think that this is beyond dispute, but just consider the fact that about 70% of the bread produced in this country is plant product, a great deal of which a craft baker would describe as tasteless pap but which the consumer buys. There are large national organisations who are proud to put products on their shelves that personally I would be embarrassed to feed to the ducks - but the consumer buys it. Your products must appeal to your customers both in terms of range and eatability.

Now for variety, again we know that the consumer likes to experiment and try new things, but they also like their regular products. This means that you have to stock an ever wider range of short shelf life products. Managing the operations side of your business to provide what the customer wants when the customer wants it is absolutely key.

One of the consumer's biggest beefs about bakers is that when they get to the shop from about 1 o'clock in the afternoon, there's no bread left. With the shelf life of fresh bread measured in hours, this is one of the most difficult issues to resolve. But consider it from a consumer's eye view most bakers work in the traditional way baking from early in the morning so that their shops are stocked at opening time somewhere between 8 and 9 o'clock. This is how it has always been - the trouble is the world has moved on. The housewife is no longer going locally for a daily shop of perishable fresh food, she's going to work, and wants to buy at a time that's convenient to her - in the evenings round the corner from her office, possibly during a lunch hour, possibly on a day off. What a logistical nightmare, but one that needs to be understood and grappled with - bake off from frozen, retard and bake off small batches in the shop, use ready-made cake bases and finish off in the shop, or use the Milton Keynes Process - like it or hate it, the reason it evolved is to be able to satisfy that particular consumer need. Therefore, do not write off a production technique just because the products are not quite as good as the craft produced products, when they may be completely acceptable to the customer.

In summary then, the consumer has at the same time become more sophisticated and less skilled in their knowledge and appreciation of fresh foods. Our lives have become more complex with demands made on our time from a variety of activities, including shopping. The typical consumer has a portfolio of shopping locations which is used depending on a raft of interrelated factors. Each bakery business, whether it is a supermarket or a high street baker, must work out where it fits into that portfolio. Product range and shop presentation need to be developed in harmony with one and other to entice customers in and to inspire them to spend when they get there. Production techniques and schedules must ensure that

there are full shelves when the customer wants to purchase, not just when the baker wants to produce. In this respect, the true profit potential of a business lies in getting the detail right.

The key to success does not lie with changing planning law or engaging in price wars with supermarkets, it lies in understanding your consumer and providing them with what they want.