

## **BREAKING INTO A SATURATED MARKET: From Rings To Wings**

**Tom Russell**

Good afternoon ladies and gentlemen. As you've just heard, my name is Tom Russell and I am, though I must just say, not for my sins but out of sheer pleasure and enjoyment, the Marketing Manager for a company called The Fabulous Bakin' Boys.

We are a relatively small company based out in Oxfordshire where we bake in a new state of the art bakery, American muffins, flapjacks and other sweet baked snacks. However, life over the past few years has been an interesting one about which I will shortly elaborate. The strange logo on the screen is there for a reason, but for the moment bear with me.

Our current drive and successes to date have very much centred on the changing consumer trends present in early all sectors of the food and leisure industry. The search for convenience and time and labour saving devices and systems.

As we all know, the whole food on the go, or snacking and grazing culture has dominated many developments in the food industry recently and in the baked snack sector nowhere has this growth been more prevalent than in small unit serve portions and mini versions of more commonly available larger products.

Just over a year and a half ago my company went through a massive change, a change so complete and total that there was significant danger of people not recognising the new company. We did this not because things were not going well but because we recognised an opportunity to make things even better. The following few slides outline the changes that we went through, the research that lay behind it, other than gut feel, and the results. It was a presentation that we gave to all our customers, both in catering and in the emergent, to us, retail sector.

It is if you like a journey that spans the last two years during which I hope to give you a flavour of the trends in snacking and how the way we live our lives is affecting our company.

Two years ago the snacks market for baked products was relatively embryonic, being largely ruled by the major baked goods PLCs and the high street craft bakery offering very short life unwrapped products. Granted there were more traditional mini cakes and tarts available in multi packs in stores and also some own label offerings, but none were specifically marketed as snacks.

In our sector, that is sweet baked ambient snacks for want of a better description, there were and indeed still are many many small and rather nondescript companies whose products looked and indeed still look almost identical, and you would very well have seen us up there with the best of them. At the time we were known as the Delicious Donut Company, that didn't and hadn't for some 7 years made donuts and our brand was firmly entrenched in the safely traditional realm that a name like Bakehouse Cakes would only allow it to be.

We felt that it was time for a change, and as things in the market place were starting to move rapidly, what we set out to achieve was to try and make baking, or baked products a little more trendy, and more readily associated with today's faster moving consumer environment rather than the flat capped, mum flour and apron image that it is often more closely associated with.

Going back to our early routes, in our own way we were pioneers of the individually wrapped unit serve cake market being one of the first to offer single wrapped products, basically setting us up as trailblazers of the ambient (medium life) snack sector and relatively innovational in our approach to our market sector. Not only were we one of the first into single wrapped or unit serve products, we were the first to try true product differentiation rather than simple flavour variation, innovation now being key to success in so many sectors.

We put icing on top of our muffins to create the first Megga Muffins, we produced a range of classic pudding recipes as muffins which are still up there in our top 5 sellers, we introduced the sophisticated machinery necessary to double deposit and carry out post baking injection so that we could produce the now acclaimed orange jelly filled Jaffin. We developed a two finger flapjack that follows the more successful countlines, in that it allows the product to be either shared or eaten in two portion controlled sections, In other business areas, we operate direct distribution to the majority of our 7000 customers and this helps us very much to be specialists in the total value chain management process keeping us in direct and close contact with our customers. It has worked very well for us as this chart showing sales of individual units shows.

Major, almost exponential growth levels have been achieved in the last 3 years on top of not unhealthy growth rates before then.

But this wasn't enough. We started to look further ahead and one thing was glaringly obvious. We no longer made donuts and there were definitely wider opportunities.

Our name always raised a smile, but when people found that we didn't make said product that smile rapidly became a laugh. As such we were going to find it increasingly difficult to be taken seriously by the more important potential customer base. Being cute if you like, had got us so far but it was not letting us realise our full potential. In addition, our image and company name were slightly tired and old fashioned and with a brand name and look that was not particularly differentiated the whole operation particularly the Bakehouse, was just not big enough to allow us to expand much more. We would still have grown but the competition was changing and we had to ensure that we rose above it.

It was time for a big change, not just for us but for the sector. Someone needed to take charge - our sector needed a branded champion.

It needed a clear market leader, one that could be realistically spearhead sector growth and provide the expertise and knowledge that other more recognisable sectors have in their branded leaders.

So began a 9 months process of investigation, research and market analysis. Eating patterns as we've heard were and are still rapidly evolving from sit down to grab and go.

One of the major factors driving this is the increasing number of women in full time employment. This means that many families have more disposable incomes and less time and inclination to prepare meals. In addition there are many more distractions and activities, far more demands on what to do with what leisure time there is. Who wants to stand at a stove and bake all day when there is so much else to do?

In addition, many traditional morning goods, so long such staple sellers are also showing significant decline. However, despite these falls, within this sector, Mintel are forecasting growth of up to 70% for the millennium. New products particularly are thought to be driving this growth - products such as croissants, brioches, bagels and American style muffins.

Combined with or as a direct result of the changing eating habits, there is a significant growth in the impulse or food on the move market - 41% of people reportedly eat between meals, and of all snacks purchased according to a recent report by Cadburys, 60% are by women and 1.6m people are supposed to actually eat while on the move, either walking down the street or driving in their cars.

These figures just briefly underline how much rarer it is that we sit down for conventional knife and fork meals. With cars and longer life batteries, it is only going to continue this way, as we spend increasingly longer travelling or out and about doing things.

So looking at baked snacks in particular, if suppliers can make their products that much more suited to the demands of the convenience food on the move sector then there will undoubtedly be a benefit. In fact, packaged cakes for example is already an extremely valuable sector being worth at present approximately £1bn a year, in fact about as much as we spend on over the counter medicines. It is actually worth more than many major food categories such as ice cream, breakfast cereals and coffee.

Within this total sector, £350m of sales are attributed to small cakes and cake bars and as part of this muffins and flapjacks account for somewhere in the region of £75m. There are problems in determining this sort of figure as US style muffins are referred to as morning goods, when they are really more cakey than bread. This again emphasises the need for the sector to become more clearly differentiated and establish itself as an entity in its own right.

Having got the product right it is down to the power of the brand to ensure that it has the strength to lift it above its competitors. In my business particularly, which is largely made up of catering outlets, strength of branding has become increasingly important in the last couple of years as the big catering companies bring their product offering more into line with High Street successes, giving consumers branded products that they can identify with.

The cheap and cheerful alternatives that once were synonymous with institution food no longer have a place as they lead to poor associations of the total service offered.

In order to capitalise on the trends and data that we have investigated and followed we have been through some major changes in the last years. We have invested heavily in a new state of the art factory that has now given us 10 times the capacity with the same number of staff. It also allows us significant further expansion as part of our ongoing development program. Our service levels and emphasis have also had to change to facilitate JIT ordering, and to build in as much flexibility as possible across our nation-wide next day delivery service. We were recently approached by one of the largest food retailers in the country, Sainsburys, to supply them with a unique product offering that they wanted on shelf within 3 weeks. We were able to go from no design to on shelf within this tight time span.

This sort of flexibility is becoming the norm rather than the exception as the larger retailers tighten their grip and consumers demand things now.

Perhaps most importantly we have developed a new and award winning corporate identity and brand image that, when combined with an innovative product portfolio, has been specifically designed to appeal to the key customer that typifies the majority of snacking consumers.

There is a phenomenal opportunity here. The best product quality, efficient production coupled with product innovation will produce higher margins and greater cash profits for both us and our trade customers while delivering a superior overall offering to the consumer.

Capitalising on this with a strong brand that revitalises consumer interest in a sector riding on the back of greater general category appeal can really only produce one thing - An increase in sales.

We went through a process that at times was very painful under the well if it ain't broke why the hell are we trying to fix it scrutiny on many an occasion. The radical steps that we took have been designed to ensure that we fitted as closely as we were able to tell, the demands of these vital changing areas.

And, as the culmination of this we ditched the donut and re-launched just over a year ago as The Fabulous Bakin' Boys. We did a lot of research, both direct and desk, we took significant action both in terms of investment and product innovation and we launched what can only be described as the Bakin' brand.

A brand that will and indeed has secured sector leadership, and new customers at a rate of 100 per week of late in new market sectors, and as a result one that is maximising the Temptline opportunity. A temptline, unlike a countline which is bought and often eaten immediately, a Temptline is bought with as much anticipation of the eating as the actual enjoyment derived when eating it. The eating is often utilised as a welcome break to the consumer 5 hectic day in a way that a countline doesn't or cannot.

Other sectors have definite champions that have broken the mould, champions that have elicited changes and developments from their sectors as a whole Ice cream has Haagen Daazs, Adult snacks were dramatically changed by Phileas Fogg and Walkers Snack Foods, Tango was a refreshing spark in the soft drink sector.

But within bakin' whilst there are major recognised branded companies both in traditional bakery where values tend to be more homely than dynamic and the biscuit sector where there is a strong youth/child slant, there really is not a lot else that could be said to championing the food on the move snack culture per se.

This is changing rapidly and every day sees new snack orientated products coming to the market. Things are definitely changing fast and many companies will get left behind.

Just having a good product is not going to be enough. A good product is easily copied, but the strength of identity and awareness that comes from a brand is less easily usurped, and is a far stronger platform on which to build a sustainable competitive advantage.

This is just a small selection of the individual product branding on our range that works with the Corporate identity, which I hope will give you a good indication of the attitude and strength of branding that we have and that recently won us the Design Effectiveness Award.

What we have hoped to achieve, with major success to date, is the establishment of a Bakin' snack brand, one with a personality that is ideally suited to the food on the move sector with innovation in both product and brand that are increasingly important to ensure continued success.

A brand that will do this by championing the emergent Temptline sector, revitalising stale sectors by recruiting new users as well as boosting expectations of existing ones. A brand that will help in setting new retailer benchmarks for product quality, service and consumer perception levels. On the strength of our new brand and plans we are looking at a 10 fold increase over the next 5 years. Indeed, so successful has our new approach been that we have in the last 2 months started to supply Tesco, Safeway and JS with Waitrose and Somerfield starting this week. Again, our products focus particularly at the Lunch Box convenience market and the samples that you all have are the packs currently in the Major mults.

Ladies and gentlemen, that basically concludes our journey through the last two years. The snack market place is getting more and more competitive, complicated and sophisticated - people's tastes and expectations are changing as they become more cosmopolitan and aspirational. As we have already touched on the healthier side of snacking earlier today I haven't mentioned it but as we saw there is the whole area of health versus indulgence that will become more than closely linked to the desire for Convenience, Taste and Quality all in one product offering.

Should there be any questions I would be only too happy to attempt to answer one or two, but if there are not and it all made sense to you, you are now definitely Talkin' Bakin'

Thank you Very Much