

## Satisfying Customers - The Route to Successful Sales

Speakers: *Albert Wood Wayne Rowlett.*

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(Please note that this report has had to be edited as we were unable to include the many slides used in the presentation)

Good afternoon everyone, they say this is the graveyard slot for speakers so my friend and I are determined to offer an antidote to those of you who might be thinking of having a nap! Firstly, some introductions; I'm Albert Wood, and for the last 20 years have been responsible for the development of the in-store bakeries at Asda and my much younger, good looking colleague here is Wayne Rowlett who does a bit of marketing and can talk for England on almost any subject at any time of the day !

It's pleasing for me that while I've been busy at Asda developing the in-store side of craft baking companies like these: (A slide showing a collage of Craft Baking Company Logos) have also grown indicating this little fella (A slide showing a winged loaf rising high) is the direction we should all take, and we'll be talking more about him later in the presentation.

Together, our aim is to talk to you about our formula for generating profitable sales from the in-store bakeries, it's comforting to note that the current rate of growth of in-store bakeries is around 40 per annum nationally. Over the years strategy for generating profitable sales from the in-store bakeries has proved successful, but like all good strategies is constantly changing and we're going through a period of significant change at the moment. The comforting thing is that the basics never change, but keeping an eye firmly on them is often difficult. In the next half an hour or so we want to revisit those basics with you.

Before we do we'd like to spend a few moments setting the scene by giving you some brief background to Asda.

Good companies have a clear vision and however difficult circumstances become, manage to stick to it. At Asda our aim is to be Britain's best value superstore for fresh food and clothing mean we still have difficulty adapting working patterns to shopping trends. These days freshness and quality means producing little and often batches of bread right through the day, every day - including Sundays!

Some of you will have heard of our PIG - the acronym for Product Information Guide. It is our bible, covering the recipe, process and visual check for every product we make or finish in our bakeries. It is still the most depressing thing when we go into a bakery and can't find it, it tells us immediately that it isn't central to that bakery's operation.

We have to find better ways of ensuring that the PIG is used as an integral part of the bakery operation, I'd like to move to a situation where all batches of product are positively QA'd by colleagues in-store. This would ensure that the final product meets a few simple criteria for quality and consistency, and a record is kept of each batch.

We are currently reviewing how we production plan in the future, it is essential if we are going to make inroads into the availability problem many supermarket bakeries suffer from. We favour centralising the process, taking the sales history of each store and applying any forecast factors centrally and then issuing a weekly production plan to each store. There are many issues we need to resolve first, but this element of our process is absolutely vital to ensuring full availability.

In keeping with our corporate formula for growth chart we have developed our own formula for growth for the bakery category, you can see from the heading that we believe that to satisfy our customers we have to deliver stunning fresh bakery products thru the day.(slide: Bakery Formula for Growth Chart) In the outer ring we've set out our strategy. It's driven by the goal of simplicity, and we believe that by achieving that we can create a compelling environment for our customers.

As we said earlier the bakery is one of our hero categories in the store and we want to market our difference. Customers tell us that seeing products made and finished is important to them, they want the theatre of an old style bake shoppe with customer service and we aim to give it to them. Freshness is also a great way to communicate our difference and things like pik'n'mix give us an opportunity to drive the impulse sales opportunity. Selling with personality is an Asda credo and exactly why we regard our in-store colleagues as heroes, they make the difference.

We started this talk with the title satisfying customers - the route to successful sales, I think it is fitting that we summarise our points with the 3 key contributors to success in our in-store bakeries.

Firstly, our research over the years demonstrates to us that our customers like to be sold to in the 'old fashioned' way and see products being made and finished, so a key part of our offer is what we call the theatre of the bakery, we think it re-assures our customers to see the process. Secondly the only reason we are there is product freshness, this is one of the few areas in the stores we can't buy in true freshness. This is a very important element of the value our customers demand. Finally, as all of you will know, Asda's renaissance in the last few years has been built on our commitment to returning to our value roots. We have engineered a bakery operation that has at it's heart an ability to deliver outstanding value, which for our customers, is a combination of price and quality.

Technology is available to part-bake pale or white breads with a variety of products on the same tray for one temperature and one time, this is the opportunity to move into the selected areas we have referred to.

In our business the people bit of our operation is absolutely critical, our bakery colleagues are our hero's and we treat them as such. That old retailing cliché is as true now as it ever was: "if you're not serving a customer, you'd better be serving someone who is! "

The quality revolution on food manufacturing in the last 20 years has been built around transferring the responsibility for quality to everyone involved in the supply chain. Quality is never one persons responsibility it is all of ours. But this sentiment demands education, leadership, commitment, support.

At Asda we truly believe in nurturing craft skills; we think it will deliver improved quality but equally importantly helps promote a sense of pride amongst colleagues in the job they are doing. As we get back to traditional bread making these skills are going to be even more important, we've got to get to a situation where becoming a baker in a supermarket environment is a desirable and worthwhile career.

There are a few challenges we have to face to achieve true pride-in-job. Firstly training, I've mentioned our own Craft scheme as Asda which is highly regarded and managed under the auspices of the City & Guilds scheme. There are 3 levels in our scheme, leading to full membership of our academy, it's not easily achieved. We are doing our bit.

Supermarkets and their suppliers will need to develop and put far greater emphasis on training and coaching and demonstrating and job well done, WAGJLL is the acronym for 'What a Good Job Looks Like' and is the way we manage our training. In recent years we've seen training as an extra cost rather than an investment in the future growth of this sector. Not just in bread-making but in the express areas of in-store bakeries like donuts and cream we desperately need to focus more resource in training and coaching.

We have forgotten, I think, that the world of retailing has changed significantly. Supermarkets are open commonly over 80 hours a week, and 24 hour opening is likely to increase not decrease. Shopping habits are generally moving to later in the day and later in the week (for example Sunday is now the busiest trading day per hour). In all of this we haven't adapted our HR policies to meet this, we've got to face into the perennial problem in this industry that focuses all activity in the mornings, while the majority of our customers, as you can see from this slide which shows sales of bread by key time segment, are increasingly buying fresh bakery products later in the day! Our challenge is to sell as fresh a product as possible and that means baking right thru the day, for us this is key to achieving

our objective of satisfying customers. In a business where freshness is so critical it is a nonsense to have the majority of activity focused on morning and night-before bakes.

So, in summary, this is still a craft based sector and likely to become more so in the future, we cannot rely on technology to solve our problems, people will make the difference and we have to invest in supporting them. We will have to invest in training and this is the responsibility of all of us involved in in-store bakeries. Let's recognise that training is not just a once in a lifetime commitment, continuous coaching is the key and we are in desperate need of more of this. And my second key point would be that we have to confront the HR issues in bakery that the heart of our fresh food offer and quality, choice and availability are the key things we strive to achieve.

Today, Asda has 220 in-store bakeries and 6,000 colleagues working in the category. We sell around 2.5m scratch made loaves and rolls everyday plus an express offer consisting of fresh cream and in-store produced muffins. It's the only true manufacturing area in the store and consequently brings with it many challenges.

Recently the sales of in-store produced products have been declining, that's due in the main to the increasing quality of plant bread and driven by the introduction of the so-called super-premium sector. You can see from this chart that the recent declines in the sales of in-store produced bread in supermarkets has mirrored the introduction of these higher quality plant products. This represents a new challenge for in-store produced bread; the quality high-ground in the bread market has, for many years been the unchallenged territory of the scratch baked products - not so any more - and this should be the impetus for a new era of product development in ISB. Additionally the opportunity exists for the in-store bakery industry to market the service element of their offer like pride-in-job.

This brings me nicely to the message we want to get across today; for us at Asda we have always found that successful sales come from getting these 3 key parts of our operation working smoothly together. This is a people business and that is the fundamental part of our offer but they have to have consistent direction and proper process to work with the best ingredients and equipment we can find. When it all comes together it demonstrates how we can bring really fresh product to our customers.

We all know in our industry that quality ingredients in - means quality product out. At Asda we have spent several years working closely with our suppliers to improve whenever we felt there was a need.

We sachet pack all ingredients to portion control.

We control the process to a Product Information Guide. Given we have effectively 220 factories we find this helps deliver consistency.

The process in the manufacture of our products is basically around controlling time and temperature. We achieve this by delivering precise water temperature (and quantity) to give a consistent finished dough temperature.

We use spiral mixers and prefer to high speed mix for our products, our experience tells us that the spiral mixer gives a more open crumb structure to give better mouth feel in the final eat.

This divider has a well proven track record for dividing dough pieces very gently without over felling the dough piece. The conveyor does not occupy much floor space and simply controls the time into the moulder.

Another critical piece of equipment is the Freezer Retarder Prover, we do not use this for Tin Bread and some other products but do use for the majority of in-store bakery products.

We use see-thru oven doors for a more user-friendly process, we find that good heat retention is essential as well as time clocks for both steaming and bake.

We've always been proud of our ability to innovate in the area of bakery equipment and a good contemporary example of this is Grease Free Tins and Trays which has enabled us to deliver a cleaner and safer working environment which has delivered tangible product benefits.

I'd now like to talk a little about our product - our friend here (slide of Winged Loaf). As I alluded to earlier on, baking in supermarkets is a complicated business, can any of you imagine running 220 factories spread from Elgin to Falmouth, with 6,000 colleagues and an annual turnover of bakery managers of 25%, it's logistically a nightmare. Product consistency is the watchword in manufacturing and we have a hard time achieving that given disparate operation. Over the years supermarkets have tried to centralise as much of the operation as possible to improve this consistency, where we have done this with pre-weighed ingredients which have helped greatly. Where we've tried to part-bake products we've pushed it too far to the detriment of quality.

We believe at Asda that we must drive simplicity in the bakery offer in order to ensure that we maintain product consistency and quality. I think the future is going to see us concentrating on producing only products where making them in-store really makes a difference - crusty products for example, and donuts and cream would also fall into that category. That message of simplicity is fundamental to achieving better quality.

We also have a great challenge ahead in product development. Bread, thank goodness, is still a basic, even primal, food in an environment where bio-technology becomes ever more prominent. We believe that bread has a tremendous opportunity to stand for basic simple goodness. However our scratch bake products will have to change to meet this challenge and that posed by the ever higher quality plant standards.

In short, in-store produced bread will have to get even better and we will look for ways to deliver the similar taste and texture characteristics of traditional sour-dough's. We will have to rely less on salt to deliver flavour so it's imperative we work to compensate for this and that does mean looking at fermentation methods.

I envisage a major new product sector emerging in in-store breads characterised by true craft made bread with enhanced flavour and texture. This is the challenge for supermarkets and their suppliers and a very worthwhile and exciting project that I for one look forward to approaching with relish. There is a good analogy in the beer market for what we are trying to achieve, the growth of the real ale movement right through to the micro-breweries more recently have all been a response to the spread of ordinariness and technology in their market. Beer went 'back to the future' emphasising that there is no substitute for pure ingredients and traditional methods and skills.

Our research tells us that customers' tastes are getting ever more international, and we're seeing rapid growth in interest in continental and other speciality breads.

Our challenge in the in-store bakeries is to deliver this wider range of products and choice without complicating even further our current operation