

"Wow!" What a wonderful time to be in the Food Business in the United Kingdom

Rob Cagan

I was asked to present my presentation to a power point display. We spend a lot more time running New York Bagel than preparing power point presentation. My name is Rob Cagan and I'm with New York Bagel Company. New York Bagel Company has been in business now for more than a decade and is responsible for pioneering the first meaningful distribution of bagels in the United Kingdom. By utilising, what I would refer to as pure entrepreneurial spirit, selling one bagel at a time we were successful in creating a cottage industry. Quite a unique cottage industry it is, evidence by attracting the biggest the best food conglomerates around the world that were willing to invest multi- millions of pounds to have the opportunity to compete with us. The reason they did so, they apparently share the same vision that we do, that although we are nothing but a cottage industry at this time, we had vision of this industry becoming a fully fledged industry in a 18 19 reasonable amount of time, trading in hundreds and hundreds of millions of pounds. I'm happy to say at this point that New York Bagels over the last five years has been able to experience a forty percent compound growth year on year.

We now sell millions of bagels a week with the capacity to sell many more millions of bagels per week. We own 100% of the branded bagel business in the UK, there's not many brands that can say that. We also are responsible and own over 90% of the total bagel business in UK supermarket industry, that's something that is quite impressive to our New York Bagel team and others in the industry that fight hard for their market share and their brand presence. This did not happen by accident, this happened because of the multiple amounts of components that really is based on fundamental business practices, that has separated us from the rest.

Just a few of those components:

Waste: Waste for any manufacturer is the secret devil, it's probably the single most significant reason why manufacturing companies find it hard to compete. We are happy to say that the waste factor for New York Bagel is only a fraction of the industries norm, although it's not yet zero percent, so we still have some more work to do.

Standard of Quality: Of the product that is manufactured, I believe that New York Bagels standard of quality is, for sure, at least as good as the best competitor we have in the business, actually I believe its better. The sizes, the shapes, the colours, the presentation of the packaging, simple things like how bold the ink is on the yellow tags, those simple things are what separates us from the rest.

Technical Expertise: When I look at our technical team I am very proud. New York Bagels is a very small company in relation to the companies that exist in the food industry today, but technically we are as sound as any of the biggest companies in the world in the bakery business.

Theoretical Capacity: An issue that many manufacturers do not like to talk about or think about, but the truth is, capital or financing is offered to an operation in a form of machinery or kit and it's necessary for the business to operate those resources as efficiently as possible, and if one doesn't there is no way they can be competitive. I'm happy to say once again that New York Bagel has a higher utilisation of theoretical capacity than I have ever seen in the business, but once again, for sure, we can do better.

Sales: We have got a sales team, the Director, is six years tenure with the company, a truly amazing man, lives and breathes the business, try to say something bad about a bagel in front of the guy, and forget about it. We are very responsive, we are respected in the industry, but for sure, once again we can be more responsive, we can be in the stores more, we can look for problems before they become real problems, and by the way as a branded manufacturer, he has the responsibility and his team for growing this industry, because it's not going to grow unless we make it grow.

Purchasing and Planning: Once again a 10-year tenure for the manager of that department. We buy things very well, we are very efficient when we buy things, but as we see month to month, quarter to quarter we find other ways that we can save money. The ability to develop relationships with our suppliers is seen to be so important.

These are just a few of the components that are responsible for us being able to achieve what others in the food industry find it hard to believe. I mentioned before, and it cannot hurt to mention it again, a 100% brand ownership, very significant.

When I was asked to come and speak here today, they wanted to know what I wanted to speak about. Actually they asked me to speak about bagels, but there's not much to speak about bagels, everybody, I'm sure loves bagels and enjoys them regularly, you can buy them at any of the multiples. I decided that I wanted to talk about why we are where we are today in this atmosphere known as the food industry in the UK. Some people, at times feel it is in a bit of a time warp. Well in my conclusion, in relation to probably the most talked about issue, the state of the food industry, I kind of break it down. Maybe over simplification, but maybe not, we're part of a food chain, and if you break it down all the way, there are four

different levels. (1) Would be the consumer, what do they want? They want value. (2) Multiples, their reason for existence is relatively simple, they want to buy at the lowest possible price. (3) Manufacturer of brands, of course their responsibility is the manufacture to work efficiently, to watch the waste, to watch the pennies, to operate the business properly, but also we have the responsibility of growing our own industry. (4) Suppliers who are there to support the food manufacturer, they have to run their operations as efficiently as we do, to be able to compete. It all comes down to this, if any of us are fortunate enough to find ourselves on the right side of the railroad tracks. In relation to mass critical volume, once a company has achieved that everything else, necessary to be successful in the system is purely in our control. How hard do we want to work, how important that your sales department can walk into a buyer's office with pride, knowing that they are being supported by their 20 company that's doing their job. It really comes down to the survival of the fittest, doesn't it. People could complain about the situation they find themselves in, however if they do the right job we could not ask for a better atmosphere to do our job in. It's truly a wonderful system we have here today and when I said Wow what a wonderful time to be in the food industry, some of you might have thought this guy's probably being a little sarcastic, but the New York Bagel team has good reason to be proud of it's accomplishments. Always under- standing, and this is one of my main jobs; is we must never become complacent, because complacency leads to the status quo and if anybody thinks they are going to survive let alone thrive in the food industry in the UK by relying on status quo and good old buddy networks, it's not going to happen.

The system we have here now is geared for businesses to be successful, to suppliers to be successful, for multiples to be successful and ultimately, the real decision-makers, the consumers to get what they want and make them happy.

So, the conclusion that I've come to or the message that I want to disseminate from this little talk, was here is a company that's smaller than most, but it is also more successful than most and that's because the New York Bagel team lives this business seven days a week, it would be wonderful if we had a business that was a Monday to Friday, but we do not and most don't, we are judged every day on what we did yesterday and we are going to be judged tomorrow by what we do today and once we forget that, and once we decide it's not important to perform to our maximum capabilities, is the day when I'm going to have to come back and say we do not have 100% brand ownership, we've only got 98% and so on down, and then eventually there will be some formal competition come into the market place, with the right resources, that will overtake us. But I'll say with confidence that not only do we have a superior brand, but we have a tested brand, tested by the biggest and the best, with plenty of opportunity. Thank you.

Sessional Chairman. Thought provoking, challenging perhaps. Do we have any questions for Rob Cagan or comments that people might like to make on the visions he sees and why he's got 100% brand ownership.

Question. Would you just like to say what size your company is and the rate at which you've grown.

Answer. New York Bagel Company has grown over the last five years by 40% compound year on year, we have approximately 116 all full time, one of our policies is we do not allow agency people in the building.

Question. Paul Heygate - Chairman. Because of your rapid expansion and knowing a little bit about your business, how do you communicate through your company so that you can keep everybody together, you are expanding rapidly, you have a short chain of command.

Answer. Everybody has their own way of running a company. I would say I'm probably more micro than most managing directors. Our staff learn about picking up wrappers in front of the building, by watching me do it, because I believe one of the most important responsibilities of an MD is to orchestrate and make sure that the different departments interface properly, because there is a problem when you have departmentalisation, a department can be running perfectly on it's own but very often there's very few people that understand the entire scope of the business and its strategy. So in an effort to create the best communication processes in the business as possible I virtually sit down every day, at least once a day, if not multiple times a day with the top six or seven managers in the company, and each one has their own list for me and we do it all together. As much as possible issues are dealt with as a group because the implications that are necessary to consider are never known until you start to interface. So I think the short answer to that question is I ensure proper communication through micro managing the business, while my list for the engineer can be three pages long - forty - sixty items, some or all of them will involve somebody else in the team. So again the short answer is live and breath the business every day.