

# My Decade of Opportunity.

**David Powell.**

Good morning ladies and gentlemen and thank you Stan for a very warm welcome. The original title of this paper was my golden decade or the supermarkets are putting us out of business, obviously this needs explanation. The first phrase is based on my experience of starting one of the most successful bakeries of the decade; not I hasten to add my words but those of the Plimsoll report that does all sorts of ratios and they tell me that having started in 1991, which is a bit late, I was up there with the best. And in my experience there have never been so many customers looking for high quality bakery products and unfortunately or in my case possibly fortunately so few bakers willing and able to actually supply them. The later phrase is the one that Jean perhaps has the problem with, if you like, again is not my phrase but it's based on almost weekly articles of doom or gloom in the trade press as long established businesses cease trading or go through very difficult periods. I deal with retail multiples and there's very often some very unfortunate used to describe retail multiples and I would say, and perhaps it's fairly obvious for those that can see me, I haven't been screwed to the wall, I'm not being squeezed in all different directions, I'm not financing them and I actually get paid very well. I've not just lived to tell the tale of dealing with multiples, but they have provided me with the success of my business over the last nine years, and I can't get enough of their business, it's great.

I say that I can't get enough of their business, they have given me my success, my golden decade and I'm hoping it's going to stretch into another decade. I'd also like to think that I contributed in some way to their success, in that the areas in which I supply them with product, and I'm not liking this exclusively to myself, but the areas that I supply them, are very often some of their most successful and most rapidly expanding areas of sale and also profitability.

Now before discussing further these opening remarks, I perhaps need to give a little bit of background to where I came from. My father was a Bank manager, my mother was a nurse, I never had any Saturday jobs in the baking industry or anything like that. I was all set to go to Durham University to do a very spurious general arts degree, basically because Durham University at the time was the best rowing University, but about three weeks before I was due to start I woke up one morning and said I'm going to be a baker. Mom said go back to sleep, you'll feel better later, my father was horrified, but I went off to be a baker. Tony Caven, who some of you will know has a business in Hampton Hill, actually plucked me from the Esher job centre, and I did ten months with him before going to the National Bakery School where I did a 2 year full time National Diploma course. I also had the advantage of working nights in a very prominent bakery in London at the same time. So I developed a very good blend of having the technology side during the day and working very hard on the craft side all night.

I had a couple of intermediate jobs, shall we say, then joined an ingredient company as a trainee representative, not through some master plan, but I needed a job that gave me a company vehicle and I didn't want to work Saturdays or Sundays, because I was pursuing my rowing career. I progressed through sales and technical

departments, I organised exhibitions, designed brochures, developed products and worked in bakeries all round the world in this seven year period. I then joined Falconis Ltd in their bakeries in and around the Wembley area, as Technical Director and specialised in product development, when new owners took over I decided to go out on my own.

David Powell Bakeries started trading in November 1991 with a vague plan to supply specialist products to retail multiples. I bought a former bakery, I bought its equipment and I inherited a nucleus of staff, everything in fact that you need, other than sales. Albert Waterfield provided the name when he told me if you are not proud enough to put your name over the door, don't bother. So hence the very unexciting name of the company.

My good fortune, if you like, started fairly early, albeit at someone else's misfortune in that within a month I took over the supply of hand tied poppy knots to one of the national supermarket groups and swiftly followed this up with three Greek style bread products that we got centrally for national distribution. This brought "Cranks" the vegetarian people to my door asking me to develop an organic retail range for them, this we did in 1992 and it failed commercially, absolutely totally, but we took over the supply of their organic sandwich breads which we supplied to their sandwich producer, this also failed, mainly because in 1992 the view on organics was perhaps rather different than it is now. It has been something that's been throughout my career of sometimes being in front of the market, perhaps, but what it did do was it introduced me into the sandwich industry, which I'd got no dealings with at all, and at this time there was a desperate need for speciality breads for making sandwiches. I made lots of speciality breads, but silly little 290g retail loaves, the sandwich manufacturers wanted large ones, we sorted that out and I started supplying the same sandwich manufacturer with breads for their sandwiches. Almost immediately I got call from a whole range of people, from Harvey Nicholls, Selfridges, Tate Gallery, Peter Jones, all of whom phoned up and said that the bread they were getting around their sandwiches, which by the nature of producing a sandwich had to be a least 24 or 36 hours old, was actually better and fresher than they were being delivered by their bakers and would I go and see them. So at this stage we were expanding on three fronts, we had the supermarkets, the sandwich manufacturers, and what is probably known as food service.

In July 1997 I received a call from an American style coffee company who had been given my name by the sandwich manufacturer, there is a thread and logic to all this, they said did we make muffins, our answer was no, they said could we make muffins, and I said yes we could make anything, but they said did I want to make muffins, and I said no, which was rather like the man that turned the Beatles, saying they had got no talent and would never sell a single record. The reason that I said no was that I perceived them as cheap commodity, sold on price, 4 for 99p in supermarkets, but I went to see them because I was curious. The outcome of this was in March and April 1998 we rolled out a range of ten muffins, it took a while, because we developed a specialised silicone paper case from Sweden, I had special pans made with a characteristic muffin mushroom shape which we had made for us in America, flavours were innovative and carefully balanced and the range was balanced between what we call "flone" which is something like strawberry and white chocolate, healthy which we use ingredients like bran, oat bran, brown sugar, honey

And we then have the low fat, reduced sugar products, and we buy ingredients from every continent in the world to go into these products.

As sales grew with this original customer various other companies came to us to develop various products, whether muffins, confectionery or bread lines. One point you may have picked up from this is every customer that I have ever dealt with has come to me. I've never actually made a cold call yet. One thing which is also different is that we do not have a product range, I have a customer base which is deliberately fairly narrow, I don't want hundreds of customers, because I cannot service them properly, and we produce specific products for those individual customers.

As of now, to put some sort of figures on it, if you like, we are currently turning over about £7m per annum, we have about 150 staff, we produce on two sites in the very extreme south of Hampshire, and the main thing we can look at is the Isle of Wight. All our deliveries go north and we deliver on a daily basis as far north as Aberdeen airport and Inverness. So from that point of view, being in Hampshire is fairly useful!

Sales grow by about 60 to 70% per annum and our profitability more than doubles every year, despite our fairly expensive capital investment programme.

How have I achieved this success? A very important part was that, as I have said, there's no background of bakeries in my life until I was 18 and therefore I have started with no; what divorce lawyer terms would be called "baggage", you know the sort of thing, you talk to people and they go my father used to make 500 bloomers on a Saturday, I can't sell any, I'm a baker I don't use mixes or concentrates I don't need that sort of stuff, that type of baggage, I haven't any of that. I've tried to develop products that are for the right type of customers and those which they are not receiving from other bakeries. When I walk into a supermarket I do not see how full the shelves are with bakery products, I actually see enormous gaps and if you actually look what supermarkets sell, however good and however extensive their range is, there are enormous gaps and opportunities for craft bakers, if you look at it in the right way. If someone is already making a product I don't make it or if I do, there has to be a very strong reason for me to make it and something very strong that separates what I make from what other people are making. I have had to develop this very clear understanding of what I offer the customers, otherwise I wouldn't have a business, but as usual I did it the hard way in that I did get pushed into doughnut manufacture. With hindsight there was nothing I could add to a doughnut that made mine sufficiently different to lots of other producers. I spent ages developing a very fancy special jam, but generally the market was happy with anything that was nice, red and sweet. I made them fresh every day, I used a long fermentation recipe, lots of fresh egg, but so do lots of other people. I offered nothing unique and more importantly there is price point for doughnuts in that if you walk into a supermarket they sell them 10 for 99p. So therefore a product like that there is nothing that I can offer that makes them sufficiently different to be able to get a price that would be of interest to a developing business.

Very much the theme of my business is innovation and innovation and product development needs to be constant, we launched a new muffin into one of the main coffee chains last week, which is actually based on Tai Chi, which is the new trendy flavour in these things and while it's a sweet muffin the main flavouring ingredients

are things like black pepper, cardamom, ginger and cinnamon. That was last Monday, next Tuesday we launch a range of Easter products into them. For the largest supermarket that we supply, we have ongoing development on their own label products, which are being up graded all the time. We also have two products which they sell under bread at the moment where we actually change them every three to six weeks, and that sort of innovation is what has made us perhaps different to a lot of other businesses.

Uniqueness and innovation does not just involve the baked product, it can also involve the baking case, the packaging and the service. With muffins as an example I actually produce every flavour fresh every day and deliver nationally seven days a week, this is fairly difficult to do, but it gives me a uniqueness that other people don't have. We also put a maximum of production plus 4 days on the product, not because it won't last any longer, but why go to the expense of delivering fresh every day, and then dating it "eat by 20th June" which is the industry standard 12 weeks. Four days gives enough time for distribution and allows enough life to overcome variations in demand, in my experience.

Appearance is vital in innovation, some examples are that all the walnut loaves we do are all hand moulded, hand cut, hand floured, they have walnut pieces bursting out of them, which we can achieve by hand moulding, rather than putting them through a mechanical moulding, every muffin we produce has got a different dressing or topping, this makes them eye catching, which helps sales, it also allows my staff my staff and retailers staff to differentiate the flavours and types and perhaps most importantly it doesn't allow automatic depanning.

The environment in which you produce these products in is obviously very important, both sites that I have, have high level BLC accreditation, the original site it was fairly nerve racking experience, because the auditor came in, sat down and said I've got a bit of a problem here, he said this factory is the least suitable I've ever visited for food production, but he said I've actually given you a harder inspection than I would have given anyone else and I can't find any reason why you cannot have the higher level. So when I say environment, its not just about the standard walls and that sort of thing, its very much about the commitment of the people, the team of staff in the bakery, actually making the right product and making consistently and caring about what they are doing, taking an interest in what they are doing.

Money is also very important in terms of investing in new equipment and right from day one, when we where losing serious money hand over fist, I have always invested in new equipment, new processes and also product development in itself is fairly expensive.

On the subject of money; having borrowed a vast amount to establish the business and lost fairly serious money for the first four years, waking up in the morning not knowing if you'll have a business that evening, does keep the mind wonderfully focused and it allows no room for history or sentiment, it very much clarifies what you are trying to achieve.

In my experience, costing and pricing are not the major issue that a lot of people crack them up to be. When I go and discuss products with customers invariably we

will have a launch date agreed, we will have roll out approved, packaging will be done and everything like that will actually be in place, before price is mentioned. Obviously the product has to offer value for money, but my customers. I think, understand that their suppliers need to make a margin, to invest in their businesses, in the equipment and also in the development of the product; I have just spent a seven figure sum on building a new muffin bakery, which has guaranteed the supply of muffins into my main customers, and I would not be able to do that if I wasn't making a margin, and they very much appreciate that the margin that we have made has been invested in a new bakery, rather than another new car for myself.

Another issue which I think I learned the hard way, is very much concentrate on what you are good at, I feel that my business, my team of people are good at making bakery products, we therefore avoid distribution if at all possible and we rely on distributors who generally are very good at distributing.

One of the other, perhaps misconceptions of dealing with retail multiples, is how they pay. In establishing my business I've used Banks extensively because I started with no money and basically borrowed it all and in my experience many businesses get confused between Bakers and Bankers, I'm glad I'm doing this before lunch rather than after. Most bakers that I've come across actually think they are bankers, no banker I've come across has thought that he's a baker. The point I'm making is something that dear Peter Ward from SRS Puratos, one of my formative employers early on taught me, is what is a sale, its not when you get the order, its not when the goods are delivered, a sale is only a sale when you get paid for them on time, and that is the point I'm trying to make about the difference between bakers and bankers.

I produce, bake, cool, pack and deliver the products in under 24 hours from receiving the order, in delivery windows which do not give any room for error, and I pay penalties in certain cases on more than 15 minutes late, which I accept is the name of the game, but I expect to be paid on time and I think that's entirely reasonable. Supplying large retail groups in my experience doesn't mean giving long credit, although it's a very common comment that's made to me. I looked at the aged debtor list the other day and tried to work out, and I think its .05 of 1% of our aged debtor analysis that is on 60 days or over, which actually works out at £321.02 and that's on an aged debtor list of £570,000, so it really doesn't

mean very much in percentage points. But because you are dealing with these large retail groups it doesn't mean, in my experience, that you don't get paid. I do hope in having said that that Terry from LBBA and various other people choose to ignore that bit.

Probably the last part of this paper is where will my business go from here? The best answer is I've got no idea, as you will have appreciated from what I have said, three years ago I didn't produce any confectionery, somebody phoned me, last September I invested a seven figure sum in a new specialist muffin bakery, I don't know whose going to phone me tomorrow, I don't know what products they will want, the one thing that I do know is that the phone will ring and I will do whatever I feel is right and necessary to capitalise on that business opportunity, if I feel its right for my business when the phone does ring.

The other thing that's probably whole separate paper, if you like, in discussing the future, is most businesses are handed down generation to generation, I started mine from scratch, I have no family, if anything happens to me on the way home tonight the dogs home gets it, and again it actually does

Some very interesting questions of what you do with a bakery business, but that's perhaps food for thought for a future conference.

That's a brief insight into my business, I hope there's information, which some of you have found useful.