

"Product Quality and the Role it Plays"

Darren Grivvell

I am delighted to have the opportunity of speaking to you today and delighted for once to have the opportunity of talking about the very important role of our product strategy in establishing Hovis as the leading brand in plant bakery today.

Often when I am invited along to speak at a conference mostly it is to talk about the more glamorous aspects of the Hovis marketing strategy - The cartoon advertising and the mould breaking packaging and of course both of these have

played a fundamental role in the Hovis success story. But at Hovis - and within RHM generally we believe that you can't have a great brand if you don't deliver great products. Great Marketing does not make great brands - quality products designed to meet the needs of consumers are at the heart of every successful brand.

So today I am going to talk about what I think are the essential pillars of success of the Hovis brand. Hopefully it will be clear to you all that these are very

much anchored in the product portfolio itself. In the course of the next 20 minutes or so I will cover 3 major factors that I think are fundamental to the success of this great British brand.

These are:

1. **The brands heritage** Hovis was amongst the first brands to advertise and throughout the many campaigns, the brand stands today, for the same fundamental beliefs that were established when Hovis was first established as

a flour brand in 1887.

2. The emphasis we place on **understanding the needs of our consumers** and translating their requirements into products uniquely tailored to their changing needs and requirements

3. Last but by no means least - **Our product** quality - which we believe is second to none.

To begin with I will indulge in a little history - for we have the benefit of a long and enduring track record in making bread in this country. Our brand heritage remains to this day the cornerstone of our success.

Since 1887 when Richard Stoney Smith developed and patented a way of retaining and locking in more wheatgerm goodness in his flour, Hovis has excelled in providing the UK consumer with products founded on a simple guiding principle - that everybody deserves to have good, nutritious bread available to them at an affordable price.

Here is what we call our brand ideology - its what gets Hovis people out of bed in the morning and what motivates them to work through the night to ensure that 8 million loaves are delivered every week to 8000 outlets across the length and breadth of the country. Whilst the look of our advertising has changed dramatically, essentially we are talking about products that are full of natural goodness. Here's the modern rendition of the essential Hovis product proposition.

That Goodness message, centred on the product is as strong today as it was 117 years

ago. As you can see from this quote from consumer research even the most ardent loyalists of our competitors understand what it is that makes Hovis different to other brands! Both product and message have been consistent across all of those years and that makes a huge difference.

Today of course Hovis comes in many formats and recipes. For our first 100 years however, apart from the introduction of modern plant bread manufacture and slicing, Hovis was basically Hovis - a single product brand made to a single recipe. In manufacturing terms this was a simple easy to manage operation. In the last 15 years however the market place has changed dramatically. Our product strategy needed to change with it or Hovis would become irrelevant to many modern households.

This brings me to my second major pillar of success - the emphasis we place on understanding the needs of different consumer groups to guide our product development and manufacture.

Currently Hovis products lead their market segments; as you can see from this slide a Hovis product tops each of the major product segments of Family White, Healthy White, Wholemeal, Premium and Grained.

This is not to say that we have simply proliferated our range. Our track record on New Product Development is impressive. As this chart shows

New products from Hovis account for over 40% of all NPD in the category and the average

sales value per new line is significantly better than the nearest competitor. This is not the result of happy coincidence. We invest heavily as an organisation in research to understand consumer trends, to cluster key consumer segments and define the product attributes that most accurately meet the needs of the target sector. We utilise sensory modelling techniques pioneered by our research facility at High Wycombe and last but by no means least we place great emphasis on translating consumer attributes into manufacturing process control to ensure we can deliver the finished product to the highest of standards.

Our pioneering attitude to product development and manufacture has seen Hovis bring a number of mould breaking firsts to market - In the 1980s the development of our first 100% Wholemeal plant bread - In the 1990s the advent of the Square cut loaf - the now iconic Beans pack that is the country's favourite loaf, The innovative introduction of Hovis Crusty and Hovis Best of Both and more recently Hovis Best with Less - the first low carb bread from a major brand.

In all, these product led initiatives have added £167m to the value of the UK plant bread market. At the total brand level our manufacturing strategy has continued to advance to give greater competitive edge to our brand positioning. Hovis is the first and as yet only major brand to reject the use of artificial flavours and preservatives in all our bread products. This relies heavily upon a slick and

responsive manufacturing and supply chain to ensure our products are distributed and on shelf fresh everyday.

In short Hovis could not be the brand it is, nor develop in the way it has developed were it not for the excellence in product manufacture and development that we all but take for granted. Across 23 sites nationwide Hovis is produced everyday to exacting standards of quality and consistency. Which brings me to my final pillar of excellence - Product Quality.

We take great pride in our products and the results speak for themselves. But we have no great dogma or mantra attached to what we think makes great bread other than that our fundamental belief is that all bread should be basically Good For You - Our quality parameters are defined by consumers themselves and then built in to our product quality specifications and controls at site level. We constantly review against consumer requirements and against our competitors with one goal

constantly in mind - to be the best - as defined by the consumer groups to whom the product is being marketed. Through everything that we do and everything we have done we never lose sight of the fact that Hovis is a brand of the people and essentially populist in nature. This will always underpin our marketing strategies.

So there you have our 3 great pillars:

Our heritage centred on the innate natural goodness of our product from which we have not strayed in 117 years.

Our focus upon developing our products to meet the ever changing and challenging needs of our consumers and the great emphasis we place on investing in the appropriate research and development to maintain the strength of our understanding in this area.

Our Product quality - translated directly from consumer defined attributes, enshrined at our sites and within our people and measured and monitored by innovative techniques all to ensure we deliver great products consistently to our consumers.

But these are essentially our foundations - start points upon which we build - So where do we see the challenges moving forward?

Nobody in this room needs a crystal ball to foresee that the industry will face major nutritional challenges now and in the near future. At Hovis we embrace these challenges and have been at the forefront of salt reduction - By the end of 2004 we will have reduced salt levels by a further 5% in all Hovis products placing Hovis at some of the lowest salt levels of any brand in the market place. And we will not rest here - we will constantly review our portfolio and continue to build upon our reputation as a brand that stands for simple, honest goodness. As consumers strive to make sense of the many and varied messages that the media continue to put before them our intention is to ensure that Hovis remains a brand that they can trust is always going to be better for them. Our product will be at the heart of this message - as it has been throughout our history. We look forward to another

century of growth. *Question - Anne Bruce, Croydon*

I was just wondering if you could tell me something about the thinking about the "Enjoy" launch recently?

Answer - We put it on our Super Premium range really as a way of tying a lot of disparate products together as one range and you'll notice that we

changed the packaging as well. We believe that it summed up that these products were better tasting, but it is something we are reviewing as we go along.

Has it been successful so far?

It's a little bit early to tell, certainly the new products we've launched are on track and exceeding our estimates but we're reviewing it. It's too early to tell, the packaging has been changed about six weeks now.

Question - Jim Brown, Cumbernauld

Sorry, maybe because I live in Scotland I have never heard of your 'beans' loaf so I'm not sure it's the favourite loaf in Scotland. What I wondered about, the Hovis name was based on a wheatgerm loaf so how did you manage to take that name onto products which do not contain wheat germ but claim the same benefits and everything else?

Answer - Really the step change we have made in the brand is become a force within white bread. Consumers seem to have translated the goodness message we have advertised on to all of our range, but there is more work to do. Certainly we don't

have strength in white bread throughout the country, but from the quote I showed you earlier, they've not thought of Hovis as only brown bread, we've been able to extend beyond that, into white, just by telling them that all of our bread has goodness, so I guess to answer your question, the proof is in the pudding, consumers are buying into our white bread although we still have the majority of our strength in brown and wholemeal.

Question - Ian Melling, St Albans

Its rather good to have this opportunity to put this to you today, I speak this morning as a consumer who is occasionally reluctantly dragged around the supermarket isles and I find it rather confusing when I come to the bread section, which is my particular interest, and one of my favourite breads is original Hovis as you now call it, and I find it hard to find. First of all I never find any large loaves, I only find occasionally a few small loaves, but I find it very confusing, and this is the point, partly connected with the last question, that you put the name which I associate with the boy on the bike actually, that you have branded a whole range of breads with what was once a very

special name for one particular product, and I find it from a marketing point of view very confusing.

Answer - As I said earlier, its something we will constantly review, I do think we can improve our shelf stand out particularly on the Hovis logo which we are looking to evolve, so I do take that point on board. Certainly with the 'Enjoy' range we've tried to get a balance between the Hovis brand and

the descriptive beneath it and I don't think in most cases _ the descriptives are particularly small but it's a balance between trying to make a range look strong and one colour way and look part of a range and trying to give sufficient stand out to each of the products within it and it's a balance and a juggling game. I do take your point, I think certainly the Hovis brand we are looking to make much stronger on pack and we'll review the effectiveness of the other piece of communication along with that.

Question - Albert Wood, Bingley

You spoke a lot this morning on the product quality, it is a belief in the industry that quality can be subjective, surely your consideration and how you shifted the packaging marketing of your business from the Mothers Pride wax wrap and polythene bag to what you've got now has been a more stunning reward to British Bakeries than what the product quality has. Would you like to comment on that?

Answer - Yes, I think that's fair. We do a lot of analysis in terms of cause and effect for market share and we know that packaging has been the overwhelming factor in our step change result as well as getting into why and having success there. I do agree that our packaging has been a step change in our performance. That said, we can't let up on the focus of quality and consistency across 23 sites our biggest challenge is to make sure that quality is consistent and hence our testing in our High Wycombe facility and the

consumer research that we do, so yes there are different causes and effects for our success of which packaging is a major part, but certainly we need to vigilant all of the time as to our product quality because we are producing 24 hours a day, six and a half days a week.

The emphasis on your shift from Mothers Pride classified as an ordinary loaf into more premium, its very good to see, now the price of that clearly has increased, are your customers happy?

Mothers Pride is not an area I can shed any light on, I don't know if anyone else would like to comment, sorry I don't know the answer to that.

Question -Ann Bruce, Croydon

I was just wondering if you are planning any advertising activity for Hovis?

Answer - yes, there is advertising ongoing all of the time and we've actually changed our strategy from relatively few bursts a year to more regular pulses. That's because consumers buy bread week in week out and hence we want to be on air more of the weeks of the year, so I think we've just finished a burst of Best of Both advertising and then we'll move into some white advertising and I think we are on air about 26 weeks of the year.

Question -John White, London

A question for you and for Martin actually, you are both producing low carb products which support and sustain a diet which we heard from

Tamara has no scientific basis and if successful would impact, presumably quite heavily on your more standard product range, and I wondered what kind of thinking had led to you producing your low carb products?

Answer - I guess my view would be that we want to appeal to lots of different consumers, we're a big brand and we don't want to lose sales. Clearly low carb diets are out there, I think its questionable as to its longevity and how many consumers are actually partaking, but we in part wanted to have a product as a defensive measure in case things took off and probably its

testament to our R & D skill that we were able to turn it round so quickly, so I see it as part of a portfolio appealing to mainstream consumers and if they want to lower their carbohydrate intake we have a product available for them. It's not an area I would particularly push but in terms of your question about cannibalisation it is a higher price point and is a margin that is higher than our average, so there's no down side to us. I would also clarify that ours isn't a low carb bread, its lower carb and there's a difference. The other factor is that when you taste the product

we think it's very difficult to tell the difference between this product and standard Hovis, so I think had we found massive product trade offs we wouldn't have gone down this route. We think for those consumers who are looking to lower their carb intake as part of a balance life style then we have a product available to them. It's exceeding our expectations at the moment, we've got some press support coming up and we will have to continue to review it. I don't think it will be a massive part of our business but one I think we should have as part of our portfolio.

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British Society of Baking

How great product manufacturing makes great brands

Simon Grivell
Head Of Marketing
RHM Bread Bakeries

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The role of great products

Here's my family

You can have great products without making a great brand but you can't have a great brand without great products

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Three pillars of excellence

- Heritage
- Consumer understanding
- Quality

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Providing Everyday Goodness for over 100 Years

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Hovis ideology

From the moment of its birth, Hovis has always been about doing things in a better and more wholesome way.

Back in 1895, Richard 'Daddy' Deane used not have kept the ingredients in the Hovis flour, but he recognised the genuine nutritional benefit in ordinary simple ingredients.

This belief is even more important in today's expected world of junk food and nutritional compromise. We recognise that at times (whether in the reality of this world record or, 'Whisk it, we constantly strive to make bakery products that are not only delicious, but are generally good for people too.

There is something good inside every part of the Hovis brand, from the people through to products.

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Hovis goodness today

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Consumers know what to expect

"Hovis equals goodness - it's as though we are programmed to believe and expect that Hovis is full of natural goodness"

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100 years of product consistency!

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Hovis product portfolio

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Products tailored to consumer needs

Family White	Healthy White	Wholemeal	Grained	Adult Presaltn
Hovis Square Cut 22%	Best of Both 35%	Hovis Hearty 28%	Hovis Country 41%	Workhorse Premium Plus 14%
Kingston Square Cut 24%	Kingston Whole & White 36%	Kingston Tasty Wholemeal 19%	Kingston Gold Malted Wheat 38%	Workhorse Seeded Batch 11%
Workhorse Toastie 15%	Tesco Premium White 41%	Workhorse Soft Wholemeal 17%	Hovis Country Grain 21%	Kingston Soft White 9%
Workhorse Old White 14%	Workhorse Healthy White 2%	Almond Wholemeal 5%	Hovis Softie 7%	Hovis Country 6%

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Track record on NPDP

	Total Sales	Share	Av. Value
Total Bread NPDP	£13.4 M		363 k
Hovis NPDP	£5.4 M	40%	1,805 k
Competitor 1	£2.3 M	17%	466 K

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Bringing 'Firsts' to the Market

- In the 1950s the development of the first 100% wholemeal yeast bread
- In the 1950s the advent of the Square cut loaf - the new iconic Deane pack became the country's favourite loaf
- The innovative introduction of Hovis Country and Hovis Best of Both and more recently
- Hovis Best With Less - the first low carb bread to a major brand.

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To be the best

Everyday goodness for Everybody

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The future?

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Boy on the bike

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