

# "Adding Value with Bakery Foods"

**Andrew Adam**

## **Baked Goods.**

Why do we use this word "Goods" when we want to describe the foods that are produced by our bakeries? Goods - property, freight things, items. All words to describe objects. Whenever I hear this term, I cannot help thinking of a goods train - a smelly old diesel engine chugging slowly through the night pulling anonymous items concealed in trucks, containers and tanks. This is such an industrial term for something that is made to be eaten and even enjoyed. It is depersonalisation, reducing the food that we make to items in boxes, to commodities.

For me there is also a sub text in this. We see bakery foods in isolation of the rest of our diet, when, in fact, they play an incredibly important part of our food intake and usually are best when they accompany or are accompanied by something else. As an industry we tend to focus on baking; we are incredibly proud of being bakers and thrive on the mystique of

fermentation; we value the craft skill of those who have got them and acknowledge that food scientists, marketers, sales people, accountants and, worst of all, technical auditors are all inferior species to our skilled bakers. Sometimes it seems as though our world begins at the mixer and ends on the cooling rack. And if all this is a little blunt, please allow me to exaggerate a little in order to make my point.

And my point is that we make food. Great food, nutritious food, tasty food, indulgent food, colourful food, simple food, intricate food, and versatile food. But above all else, what we produce is food. Food is a necessity for life but that does not mean that it cannot be a pleasure to buy and to eat. Bakery Foods can be used to add value to any food business, and so should not be regarded by us and our industry as a stand alone food group living in isolation of all other foods businesses. The idea of today's paper is to look at this in two ways:

1. We need to think broader than simply producing bakery foods. We need to consider how bakery foods add value to our diet - making it more nutritious, tastier or more varied. How it adds overall to the pleasure of eating, and therefore where and how it can be sold.

2. Secondly we live in an industry driven by spreadsheets and dominated by buyers who know the price of everything and the value of nothing. This has resulted in food production becoming more and more industrialised with product development driven to hit cost targets rather than taste or quality targets. There are some businesses out there who are continually trying to produce bread that consists of a

few percentage points of flour on water weight! It is an ever increasing challenge to add value in the face of such creeping commoditisation.

The phrase "Added Value" is one of those irritating marketing buzz-words that is over used by so many. For many it is simply finding a way to add a few quid to the purchase price.

We have seen many so called quality assurance schemes that have been designed, with the best of intentions, to reassure or inform consumers as to origin or quality standards. The badges or logos they carry are seen as a way of adding value to food products by assuring that certain standards have been met. However look behind many of these schemes and consumers need to have a pretty good knowledge of the food chain and pressure on the food industry to interpret what they are saying.

Examples range from the ISO standards which was introduced as a quality standard, but, in reality, measure consistency rather than quality; the Little Red Tractor, which seemed to me to be an effort by the NFU to protect its members from what they perceived to be the double standards of supermarkets. Then there is my favourite, the organic movement represented by a number of bodies such as the Soil Association.

In my personal opinion, here was a movement and a standard that, in the baking industry at least, devalued some of the basic values it originally stood for. In reality "Organic" could only be seen to signify that produce had not been subjected to chemical or other non natural intervention or inputs. Laudable in its own right, but why should the lack of pesticides or antibiotics actually result in better food? In the baking

industry, the accreditation scheme meant that it was only practical for larger businesses that tend to have ambitions of national supermarket distribution to gain the necessary badges. So some of the original and basic values of the organic movement of low intensity agriculture and food produced and consumed locally, were lost in a marketing maze.

Much confusion then for the poor old consumer. Against this commoditization of food, what do I mean by adding value with bakery foods? Note this is about adding value *with* bakery foods not adding value *to* bakery foods. I am therefore not looking at how to get a higher price for your products but how our bakery foods can be used to enhance the offering of other food businesses.

Our industry produces an incredibly versatile range of foods that can be consumed throughout the day, in all sorts of different places, to satisfy all sorts of different needs and moods. Our produce is used from staples to snacks to comfort foods to indulgence foods.

And I suppose that there is a wide variety in the quality of the output of bakeries. The Industrial bakeries will continue to produce our everyday volume products while craft

bakeries can never hope to compete on price so must look to service or product quality to find their competitive strengths. This in itself would provide more than enough material for a whole day of BSB papers, but today I want to focus on the use of the products themselves.

In this context, Adding Value to

a Business means making enhancements or improvements that make its offering more attractive to its customers - perhaps you could describe it as exceeding their expectations or making it more attractive than its competitors.

Without the use of accreditation schemes and their logo badges, it is tempting to think of adding value as simply improving quality. This is one possible route but let us now look at bakery foods away from the traditional bakery environment of shop or supermarket and look a little beyond our traditional boundaries.

The baking industry is used to being a consumer facing one. Selling to consumers via its own high street shops or through the shelves of the supermarket. Wholesale business to restaurants or hotels is seen as low margin volume opportunities.

When we think of bakery, we tend to think of bakeries. But there is no way that our consumers are going to spend their whole day in a bakery, so it follows that our bakery foods could be found in an almost infinite variety of places, from traditional bakery shops, supermarkets and other corner stores to outside the home in rail stations, airports, hotels, restaurants, book stores, cinemas, the roadside... the list goes on.

However, I believe that any food business can add value to its own offering through developing and offering a bakery range. Indeed many nonfood businesses are now finding that a food offering can make

their premises more attractive to visit.

My own business is a stage removed from supplying the consumer - we serve those who make and prepare bakery foods, and have given a great deal of thought to the concept of adding value. We use two models to work with our customers in this area.

Firstly, the concept of Adding Value - we believe we can add value in 3 major ways:

1. We can reduce input costs through the use of cheaper ingredients
2. We can improve efficiency through the use of products that can reduce wastage, yield or other aspects of production efficiency
3. We can grow their sales through improving availability, choice, variety and quality.

We will focus on the 3rd element in this paper.

Secondly, we look at a bakery range in layers - our so called pyramid model.

Any business has a core or foundation to their range. We think of this as "*Everyday*" products that customers would expect to be available - a tin loaf, farmhouse loaf or a Granary perhaps. Pound cakes or jam doughnuts.

The next layer is "*Variety*" - or "familiar with a twist". Here we encourage innovation or development of everyday products - varying the everyday product through flavour, shape or some other form. This could include cheese baps, a herbed bloomer or mini sponge tea time

cake snacks.

The third level is known as "*Speciality*". Broadly we would be looking for products that are everyday products in one country or region and introducing them as specialities in another.

The Top Level is known as *Novelty*. This refers to seasonal or promotional items that may have a relatively short time within the assortment - you can think of them as fashion items.

As we go up the pyramid, sales value of the items increases, but sales volume per item decreases. We take this model a stage further with our customers by helping them identify the most appropriate way of producing each item. In a typical bakery this would start with scratch or close to scratch recipes in the every day layer, evolving to thaw-sell products for the top novelty level.

There is no reason at all why this approach should be confined to ingredient suppliers. Bakery companies themselves could use the approach to develop a much more valuable business to business aspect to their operations.

If we take this as an approach to dealing with other foods businesses, let us now look at how a great bakery offering can add value to or enhance their offering. We will start by looking at how bakery foods can be consumed throughout the day.

From the beginning of the day to the midnight snack, bakery foods can be used and consumed at every meal. Bakery foods clearly play a major role at breakfast time with - in Europe,

bread, croissants and other types of viennoiserie rule, while the North Americans thrive on the sweeter bakery foods. As the clock ticks on past the mid morning sugar hit, which is ideal for individual cakes and pastries, sweet and savoury pastries and breads at lunchtime; restaurant desserts, afternoon tea, into high tea, dinner with its

opportunities for both decent rolls as well as desserts inspired by patisserie and petits fours to complete the deal.

Then after dinner and after the pubs empty, it's kebab time!

This gives us a huge amount of opportunities.

Bakery foods are attractive to consumers. Even as Atkins preys on ignorance, vanity and a desire for quick (if artificial) results, their followers feel that they are very much giving something up. Baked foods are attractive to so many people. Vegetarians often say that the only meat dish they really miss is the bacon buttie - so not just bacon, but the baked roll is very much part of the deal here!

Bakery foods are so well appreciated for a variety of reasons - their freshness (if they are fresh!), flavour, homeliness, aroma, indulgence, comfort - there are lots and lots of positive "mood words", that can be applied to bakery foods. A well presented and good bakery range then can have a halo effect on the rest of the menu.

A diner arriving at a restaurant is immediately impressed if they are offered a good quality, fresh selection of breads and rolls. The subliminal thought here is that if *they* can do their breads this

well; they must really know what they are doing in the kitchen. Or, they obviously take care to serve excellent breads so they must have pride in the rest of their food.

Taking a hotel as a theoretical example, we can examine their hospitality programme and easily identify areas where bakery foods can add value to their business - making their offering better than their competitors and therefore making them more attractive as a venue or place to stay.

The food programme in a hotel is obviously a fundamental part of their raison d'etre, and continues throughout the day. Interestingly, their bakery products are probably seen very much as a cost item - they do not charge for the bread to go with dinner or lunch; or the breads and croissants on the breakfast buffet are not charged for separately but are part of the total cost equation. So how can we change the perception of bakery foods as a "cost" to bakery foods "as adding value"?

Hotels come in all shapes and sizes, so for simplicity we will imagine our hotel has three major areas to its food programme, a restaurant service, a lobby or cafe service, and a conference or banqueting service.

The restaurant service kicks everything off in the morning with breakfast. Ask ourselves what is the core of breakfast. In some countries, it could well be bread, but here most effort and cost is probably put into the hot buffet, supported by cereals, fruit and yoghurt and the beverages. To this we can layer

on our bakery foods - a sweet American style range of muffins, Danish, the French Viennoiserie and then a variety of breads and rolls. Too often this is done poorly because of the worry of waste, but with a little imagination this could be serviced with frozen items or attractive merchandising can give an impression of much variety in a relatively small space.

After breakfast, the lobby or cafe service then comes in to play. Clearly the core offering here is the beverage service of tea or coffee.

Let's assume it is nicely served (not in a stainless steel pot that drips everywhere and trickles the occasional spot of brown liquid into the cup). Here hotels often add value by broadening the variety on offer - tea varieties or espresso, cappuccino or latte type coffees. It would also be easy and not too expensive add tremendous value through the use of a few well chosen bakery foods.

Coffee without a biscuit such as a spekulaas would be unthinkable in Belgium. Why not add a small fresh baked biscuit, or a mini cakelet with each cup, or a range of other minis as an add on - scones, cakes or Danish Pastries.

As morning coffee service finishes, the restaurant takes over again for lunch. In fact the concept here would be much the same as for dinner.

The core offering, the reason people visit the restaurant at all, is probably for the protein - the main course whatever that may be. What tends to be the first thing that happens when you sit

down? Here a waiter will offer you something to drink. In France, you will be presented very quickly with a basket of bread. In Spain, a basket of bread will already be on the table; and so often in Germany I find that they bring a plate of bread with a little bowl of garlic butter or olive oil an herbs.

Now in this country, if we do get offered some bread, how often is it one of those appalling banqueting rolls, petits pains or whatever the manufacturer calls them. Those par-baked abominations that invariably do not get baked much beyond the par. Flavourless, textureless and pointless.

So let's enhance the first entree to the restaurant, the starter and the main course with breads. Add patisserie items to the dessert and help finish off coffee either with our cafe's coffee biscuits or some Petits Fours. All simple additions to the menu that raise the level and appreciation of the restaurant to another level simply and cost effectively.

This does not have to be the preserve of top class hotels or restaurants, it can be done effectively from bed and breakfasts to the Ritz. Here we see a burger chain, Fuddruckers in the USA, that sees its add on bakery foods such as cookies as being a

fundamental part of their brand. Cookies are on offer at the counters, and breads are seen as a way to differentiate themselves from their competitors.

While the cafe and lobby have been in action, our hotel's conference and banqueting team have been dealing with a

variety of meetings and conferences.

The big coffee pots have been put on tables outside the rooms or coffee pots have been put on the meeting tables, along with the bowls of mints that are crying out for a microbiologist to carry out a germ count on behalf of the Guardian! We have already seen how the beverage service could be enhanced by biscuits or mini cakes. The real crime tends to come with conference lunches....

The sandwich made of insipid bread. So often this stuff is the equivalent of tea made with a second hand tea bag. The typical business lunch here is a selection of these great sandwiches, some crisps and then a few sprigs of cress to make it truly classy! It would not be so expensive to improve the quality of bread, or use more interesting bread varieties.

This is one example of a food business where bakery is not perhaps at the centre of their food programme but can be used to enhance so much of what they do.

The lessons or messages for us in the baking industry?

1. Do not think of bakery in isolation of other foods, think of how our food products can go together with or enhance other parts of the diet or menu.
2. Look for opportunities outside traditional consumer markets. Change the nature of supplying so called wholesale customers from purely being a cost to their business to helping them develop their food programmes.

*Question - Albert Wood, Bingley*

*I would just like you to clarify this phraseology you used "industry dominated by buyers who know their job, the price of everything, and the value of nothing", I would just like you to clarify that?*

Answer - Well Albert, you've been out of it a couple of years now so things have moved on since your time.

*If you can clarify that please because these buyers, their whole career progression is about cost, profit and if as a supplier you are not innovative to move into new areas, to interest that buyer, you are going to progress that attitude.*

Yes, I know what you are saying. I think the equation is a lot more complex than that. What you are seeing is fewer and fewer buying opportunities for producing companies. Those companies are, lets say working with the retailers, offering products

or not offering products, their competitors may be offering products, innovation and so on, so there's a continual over capacity in the industry that is crying out to be used. The retailing community is able to use that to drive down the cost of the goods that they are buying in, so even though they've got a mission to try and create value for their business, the opportunity for them to drive down costs is presented to them on a daily basis because there is a lot of capacity in the industry that is there to be placed. So you've got an ever continuing vicious circle that is taking cost out of the product at the expense, I believe, of value and quality. I elaborated slightly on the quote that I made, so much of the development that our companies are driven to do

is with a cost target in mind and not necessarily with a product quality target in mind.

*Well my belief is for you to sit in their seat and allow them to sit in your seat, and by that dialogue the solution will be easily obtained because in all that presentation and what we have heard this morning, marketing, packaging, and innovation has been three key words where the bought in bread people are certainly more advanced now, than in store bakery on innovation and they're doing it by those three words, so I would ask you maybe to discuss that more with buyers.*

*Question -John White, London*

*I'm just wondering where pricing sat in your equation?*

The real core of the message was how you work with other businesses to enhance their offering and what I'm saying in this is that if you can improve the quality, you've got a whole price quality equation, but if you can add a little more quality, a little bit more value through the use of better output, better quality output then my belief is that with very little extra investment in the bakery part of your offering, let say in you input 10, you can output 20 in terms of, this is the philosophy I'm trying to expand. Pricing no doubt is always going to be an important part of any business discussion but to actually say in amongst all those messages there is one thing that says price is irrelevant, or price is high, or price is low, its such a wide question John its difficult to say yes, no, 3, 4,7. Are you looking at it in the context of industrially produced bread?

*Obviously my perspective is*

*coloured by my representative role but it struck me that what you said was very sensible, something I could subscribe to quite readily, but you will always come up against this price negotiation at some time, and you just won't be able to do that all the time and there was a lot of enthusiasm there and a lot of vision but I just question whether you would be able to follow it through as universally or ubiquitously as you say.*

*Bearing in mind, on that you are looking at these three layers, you've got the first layer which is lets say the use of cheap ingredients to create cheaper products, you've then got the second layer which is about improving efficiency, so if you've*



*got a business that can look at its total cost and can understand its total cost, you say by altering that variable then you change your total cost equation. What I was really focusing on was the bit about growing the sales through innovation and variety so there cost price is less sensitive. First layer which we didn't talk about today that's a subject for another paper is all about getting the cost out of it so if you are a business to business supplier its attacking, helping, working with your customers on those three layers, taking cost out, helping to improve efficiency and looking at them generating their sales growth. So I reckon if you are looking at that top layer, there you are looking at their top layer of business, how can you improve or enrich their mixture, that's where price is less elastic I think on that level.*

## Adding Value with Bakery Foods

## Baked Goods

— businesses, such as cafes and pubs with fresh **baked goods**, again just contact

... **high quality baked goods** ... all of which are made from scratch using traditional recipes and only the finest ingredients. We offer a unique line of rolls and breads, cakes, pies, rolls and biscuits that taste fresh baked ... and homemade!

Down Food Index - Producers and suppliers of **baked goods**

### The Morning Goods A

usage level is half that of conventional bread improves 0.5% in bread, 1% in rolls and wholemeal goods.

### Baked Goods/Bakery Products in France 2003 (French market report)

... of morning goods including rolls, buns, pastries, cakes and fruit tarts. It is suitable for all types of rolls and is used at ...

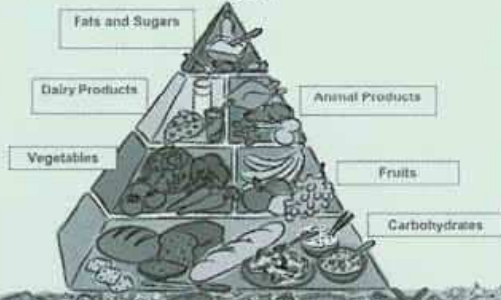
Bakery Foods are too good to be left in bakeries.....



## Bakery foods Are Great Foods



## Bakery Foods Are Part of a Balanced Diet



Against a background of creeping commoditisation of food, those of us who are in the business of food, should not forget the food part!

## "Adding Value" By Accreditation



International Organic Standard

WE ALWAYS KNOWN IT TOO MUCH SALT IS BAD FOR YOUR HEART



## Adding Value with Bakery Foods

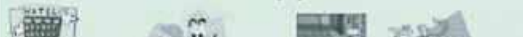
- VERSATILITY
- QUALITY
- BAKERY FOODS CAN BE USED TO ADD VALUE TO OTHER FOODS BUSINESSES



The Baking Industry has traditionally been "consumer facing"



So many places where bakery foods can be eaten and enjoyed



### The Concept of Adding Value to Other Businesses

DEVELOPING THEIR OUTPUT (GROWING THEIR SALES)

INCREASING BUSINESS EFFICIENCY

REDUCING INPUT COSTS

### Building the Range in Layers

NOVELTY

SPECIALITY

VARIETY

EVERYDAY

SALES VOLUME LOWEST  
SALES PRICE HIGHEST

SALES VOLUME HIGHEST  
SALES PRICE LOWEST

### Baked foods are eaten throughout the day

Lunch  
Bread, roll, sandwich, pastry, pizza, biscuits, pastries, buns, rolls, scones

Mid-Morning snack  
Cakes, pastries, scones

Afternoon  
Breads, pastries, scones, doughnuts

Breakfast  
Breads, Croissants, Pastries, Muffins

Evening  
Pastries, Pies, Savoury Breads, Cakes, Doughnuts

### Food is at the heart of a hotel's hospitality programme

### Breakfast

### Café or Lobby Service

BAKERY FOODS ADDING VALUE TO THE CORE OFFERING

### Lunch / Dinner

### Adding Value with Bakery Foods

### The Banqueting Service

+ = lunch??

• Adding value to the sandwich with trendy varieties

• Add value to the beverage and snack offering

### Adding Value with Bakery Foods

- Be part of the food offering – not just a baker
- Looking beyond the traditional consumer markets and changing your perception of them from cheap capacity fillers.
- Bring to other food businesses:
  - Expense
  - Flair
  - Specialisation