

# Day Two

## Sharing Success

### Tony Phillips

You must be wondering what on earth I can say which will be of any interest to you, so do 1. Already we have made progress, we agree on one thing at least.

I think I must be here to prove you don't have to be very clever or gifted to survive, so I can give hope to anyone of average ability, all you have to do is marry the right person and delegate all the work. Well, its' worked for me.

How did I start - after selling off most of my Fabric shops which I had started with £90.75 and a £750 overdraft, Barbara thought it would be a good idea if we had a small Sandwich Bar. It was lift by 19ft - 209 sq ft in a Victorian terrace of shops.

With my usual kindness I said you only sell sandwiches for 2 hours a day and I am paying rent for 24 hours a day so what are you going to do the rest of the day - so I bought her a black domestic gas stove for £10 - the old cast iron ones - and said you can bake pies and cakes for the rest of the time.

Trade grew quickly and as we had a basement half full of dirt and mess I decided to get someone to dig it out and turn it into a small Bakery. I also bought a huge Gas oven (4 trays). Well I\* had never seen such a huge monster. I showed it to the lady helping Barbara make cakes and she promptly gave me notice.

So I decided to advertise for a Baker. As usual my luck was good and Cliff Owen, a truly wonderful man who passed

away last year, a retired Master Baker and Craftsman applied and worked from 7.00 am to midday. He asked me if I would like him to make me a little bread. I said that's a good idea but I only have 71b bags of flour, so I gave him my 71b bag of Self Raising flout Some of you may know you do not use self-raising flour for bread - I didn't. However we survived and grew and bought a 5 deck 15 tray Tom Chandley.

Oh by the way I forgot to tell you I never applied for planning permission because I never through about it - I was having too much fun making money.

My next brilliant idea was to offer to rent the basement of my next door trader for £5 a week. Knocked a hole through the wall and off we went again. Sorry to say had never heard of Building regs, retaining walls or thought to ask the Landlords in London.

This proved to be a great idea so I carried on renting everyone's basements, knocking holes through their walls and expanding. A very cheap way to grow. Although when I did learn of retaining walls I often had visions of the whole street collapsing like when they blow up tower blocks on TV

Next came my next great idea, why not expand and diversify then I would not have to work - my Managers and Barbara would do all the work and I would only have to count the money; I know don't say it - YOU FOOL...

So I bought a cycle shop of some 10,000 sq ft for £108,000 and decided to turn it into a Wine Bar. Well building costs escalated and Bass offered me £40,000 loan at 2% so it ended up as part Pub. Also I set up a Travel Agency, employed a Manager who was on local radio every Sunday - used his name as I figured I was getting a lot of free advertising and he was pleased to see his name over the door and got an ABTA license. Kept a couple of Fabric shops, one of which my Mother ran for me and the Bakery. So I had Pub/Wine Bar, Travel Agency, Fabric Shops, Bakery.

During this period I had also become a City Councillor and Chairman of various committees. I mention this because of the next rather naughty part of the story which Barbara said 'don't you dare tell it' so I will, but I will tell any Ladies present when to put their fingers in their ears as it is a true part of the saga.

Being a City Center site Sunday trade was slow, so my Manager said could he put on entertainment in the morning. If it makes money - fine with me. Well one day all hell broke loose - my phone rang and a reporter said "do you have any comment on running a Sunday Strip Club?" Next thing I knew it was in the National Press, local radio, Central TV and HTV usually on the lines of "Prominent Tory Cllr runs Strip Club". I told you Jean, having me here would bring down the high tone of the BSB. However back to the story, our then MP said, "Tony, I met Margaret in the lobby and she said, "what is that dreadful Tony Phillips doing in Gloucester?"

As you can guess Barbara and my Mother were not pleased with me and said you have to stop it. Well the bar takings were terrific so I phoned the Superintendent of Police and said "is it legal?" "Oh yes" he said, in fact very useful because I now know where to find my Police Force on Sundays in your place.

Now Ladies close your ears because I have to tell the truth; I decided to go to the bar on Sunday to tell the girls to behave, as there was a lot of press present. I asked my Manager where were the girls, he said only one this week as we could fill the place without paying more and she is in the kitchen getting ready. Why the kitchen I asked, well she likes to come out dancing straight into the bar area.

So I went into the kitchen and you must now use your imagination - there was a naked young lady one foot on the ground, one on a chair with a pair of scissors in her hand - need I go on? Well where do you look when having a conversation in such circumstances. If you doubt that ask a young lady to strip naked in your kitchen, use a pair of scissors and have a serious discussion.

When I went home and told Barbara and Mother all about it - well that was the final straw, strip shows or them. Not an easy

decision if you had seen the bar takings - but love and self preservation took over.

Now I can hear Sylvia Macdonald saying when I read her my scribbling over the phone "but what has this to do with baking?" - answer - I'm getting there. Luck again

- Bass came with a big offer to buy me out. I took it and moved the bakery to a 2000 sq ft unit on a friend's industrial estate. I sold the travel agency and decided to retire. However whilst deciding I got bored and kept opening new bakery shops. We had 1000 sq ft of production area and got up to £1Million turnover of which approximately 75% at that time was produced in the bakery. We were short of space as you could imagine so I decided to move again. Found a 10000 sq ft unit plus 2500 sq ft garage and parking for about 50 cars.

My final farewell - again I was lucky - I had Neville who is competent, far better than I was at his age and very hard working to take over where Barbara left off - working hard to keep me in the manor to which I had become accustomed. Finding they needed me less and less for day to day running I got a job with the British Baker (the pay is above the minimum wage and far more than I am worth - Sylvia is so kind to me) so I took that and got more involved with the NAMB and Anglo Welsh till they threw me off their board.

So I went to America where they did not know me and they elected me to the Board of Retail Confectioners International based in Chicago - then found I was the first non-North American on their board in its 83 year history. They used to have approximately 1 - 2 hour board

meetings - they are now 5 hours - everyone seems to keep arguing more so they tell me, which leads me on to my next point - At my first board meeting Barbara said "don't be your usual self, we have a lots of friends here and I want to keep them."

Well for 30 whole minutes I kept quiet but they kept on talking about chocolate and training seminars for the convention, so I asked them "are you in the chocolate business?" because I'm not, I'm in the money making business. After all if I could sell horse manure at a better profit I would change over - this they seemed to think was a very novel idea and cause great debate. Big mouth, I ended up at Montreal giving the seminar on Profitability.

How don't get me wrong, I really love the Bakery trade and have a genuine massive respect for Craftsmen, and as for all you famous people out there I am truly a little in awe. But I do not want to employ the most wonderful cake decorator or Craftsman in the World, I just want good people whom I can replace when they leave me and the best way I know to do that is to buy the very best in equipment I can afford. I just do not believe there will ever be enough skilled people for the small guys like me.

The famous Geenhalghs, Waterfields, Ainsleys, Birds, Aulds and all the other top people can train to their own high standards but people like me have to learn and adapt. One thing I am sure of, you can only survive if you are a low cost producer, not a low quality.

We smallish companies are in a vulnerable position, too big to

have major economies, and too small to compete with the really big people. We make reasonable profits but not really enough to justify the capital investment, which never ends. You have to keep investing to survive. The demands on management are far too high for the rewards we can afford to pay. We are a nickel and dime

business. Look at the cost of producing a doughnut to sell at 45p to a packet of Aspirins to sell at £1.10. There is no comparison. Retail wage costs are virtually impossible to control. Service charges are a disgrace, upwards only rent clauses immoral and Governments of all colours are well there are no words in our language bad enough to describe them.

Have you ever wondered why when we order a piece of equipment we have to provide the working capital to the manufacturer to make it? What risk are they taking ? No, we Bakers must be Saints, that is excluding any National chains which open branches near me and try to pinch my staff.

The one thing I believe in above all is 'KISS' keep it simple stupid, easier said at times than done, but if we don't I feel the chances of succeeding are, to say the least, difficult. Think about it, who in their right mind would. dream up the idea of a Bakery if it did not exist. Start out with raw materials, produce the product daily, arrange delivery, marketing, sales and then destroy what is left at the end of the day. You really would think anyone coming up with such a business plan was mad; you certainly would not invest in it. We must be all geniuses to survive, leave alone make money

under such conditions. Often I wonder why do not all the different trade associations get together and lobby Government in a far more effective way then we do at present. True we cannot put as much money into political party coffers as Supermarkets but we do create more jobs.

Often I have suspected large companies have a vested interest in not opposing onerous legislation as the worse it gets the more smaller companies drop by the wayside leaving the market even more open for them because they have more people to deal with it, or should I say

perish the thought".

However I still think it's a great trade to be in, the people are so helpful, never do you ask for help and not get it. Really you could say it's a way of life and I have enjoyed it most of the time and when the P & L shows a good profit, I love it.

I really do hope I have not offended anyone but I try to tell it as I see it, not as I would like it to be.

Thank you so much for allowing me to be here, it really is a privilege to have the opportunity of meeting so many people who were just famous names to me before.

*Question: John Gillespie, Aberdeenshire*

*You mentioned equipment, the importance to the baking industry, now that came up again yesterday people were talking about equipment, is this really the cause of the skill shortage or is it because it is simply more efficient, more effective to get updated machinery that is always improving?*

Answer: I think its both quite frankly, there is a skill shortage which I think we'll never solve, I think that's a fact of life. Secondly you've got to be more efficient because if we don't there is going to be no survival for us. If you are the best bread maker in the world you can only do so much by hand, you've got to use equipment, without it I just cannot see how we can possibly survive. There are the unique businesses, but for all us average type of people, even the very fine people like Waterfields, they've got to invest in equipment to survive because how can one man produce the profits these days with the labour costs and all the regulations.

*Question: John Gillespie, Aberdeenshire*

*Tony, do you do anything to try to get young people, what do you do to try to get young people to come into the industry to learn the craft?*

Answer: We go around the schools and we take groups of school children around. Now and again we pick one up from that. I think the education and training is all very well but the only people seeing the benefit that I can see are the people doing it. We have more and more sex education and what happens, we have more and more illegitimate children. We have more and more education in the bakery business, and what do we have less and less bakers. Somewhere along the line somebody has got to say, I know you mustn't criticize training and education, but when you look at the facts what returns are we really getting for the enormous amount of money we are putting into it and that my argument. when you are running any business you are putting a lot of

money in and if you are not getting a good return what the hell are you doing it for. I just can't understand why we keep putting more and more money into it and getting less and less people, so something's gone wrong somewhere.

*John Gillespie: It sounds to me though that although you've been a number of other industries, the one that you seem to have a passion for and a love for is baking.*

Answer: I do, its given me a very good living lets not knock it for goodness sake, and I don't think you could ever meet a nicer group of people than bakers. The first month I was in the business I phoned John Waterfield and *they* gave me recipe and they told me how to do something.. you know I didn't know they were so big, I just saw the name in the British Baker, but I thought, if you don't ask you don't get. But that was the point, they could have turned round and said who the hell are you, one little tiny bakery and *yet* they spent 10 or 15 minutes giving me a recipe and telling me how to make something. And that's the point of the business; I think it's great that people do this so how could you not like it.

*Question: Sylvia Macdonald, British Baker*

*Tony you told us about the retail side of the business, but at what stage did you decide to expand into wholesaling, to what we call catering or foodservice and how has that gone?*

Answer: The buffet service side of our business went extremely well, every figure is relative to the size of your company, we are a small company with round about £2M turnover, so we're not

that big. We started the buffet business which is literally delivered to the doors of the company, mainly 95% corporate and we try to do everything right. We wear uniforms, we did packaging right, we tried to make a good job of it on the theory that if you are going to a large company they don't want a tatty bakery van rolling up and some bloke in a tatty pair of jeans and sweater, so we dressed them up in neat gear, and we went up to £165,000 turnover in the first year from scratch and the profit margins are remarkably high when you think about, not from an accounting point of view but from a practical point of view. You've got your fixed costs there anyway so it doesn't really add to your fixed costs. You've always got lots of staff in the bakery you can pull in in an emergency to get it going so it's a very profitable part of the business. It'll probably touch about £200,000 by about the second year roughly, and then we went into chocolate and candy making and that's coming along very nicely. Again going after the corporate market, so we use about, nothing very big, about 8 tonne of couverture every year and we make moulds for companies with their logos on and boxes of chocolates, and we bought a little printing press so we can put gold leaf on the boxes and turn them around in a matter of a day, so we can take an order for 200 boxes of chocolates and get them made and delivered within 48 hours. So we are small but have speed and profit, but everything we try to do has only got one aim, net profit. We are in the business for money, we love it, but we are only there for money. If we don't make money we are not going to

be there.

*Question: Sylvia Macdonald, British Baker*

*Could I just ask you about your sandwich and takeaway business, in the shop do you actually make sandwiches to order, do you deliver sandwiches outside to other people ?*

Answer: Occasionally through the buffet side of the business, but we've never been very successful with it. Other people have, we tried setting up a fax system, but it was very unprofitable, they were phoning in for two sandwiches and a doughnut when you had a minimum order of £20. We never made any money out of that quite frankly, so unless it's through our buffet trade we don't do it. I think some of us make money in one thing and some in another. It didn't work for us but in our retail side obviously we make all goods on the premises. About 50% of our business is bake off and filled rolls and sandwiches.

*Question: John White, London*

*What do you think of the supermarkets ?*

*Answer: To be truthful I've always ignored them because I can't see the point, let's be realistic about it, I don't like them very much. I take the view that they're there, I ain't going to change it so why waste my good time worrying about it. I'm not going to supply them that's for sure. They're there so don't waste time worrying about them.*

*Question: Most of what you talk about is market segmentation; you also seem to be quite involved in transferring your costs through your business and segmenting your costs*

*in your business.*

*Answer: Yes, we analyse cost very very tightly for a small company, we probably have too much paperwork but I can't find the alternative, I really don't want to do anything that doesn't make a profit. Other people do it and can do it well, Greggs obviously, I can't get away with large leaders, whenever I try it I just sell the same amount at less profit so I don't bother. We put our prices up on a rolling system pretty well every month we put a price up. We don't worry about price, you see not being a baker nobody ever told me I had to charge low prices. I didn't know, so I just charged high prices because that was the only thing that seemed logical to me, so right now we are in an arcade, we are at the end and we pay £20,000 rent and where Greggs and three cooks have gone they pay £65,000 rent and they are literally 500 yards in front of me. Now we sell pasties at £1.25 and our lowest filled roll is £1.95. They're selling pasties for 53p each or 3 for a £1. Now when*

*these two came I thought hell this is going to hurt my turnover, by the way at the moment we are running about 6% up this year on last years trade but at that particular branch I budgeted for a 10% fall in turnover. I figured realistically at those prices and you've got to go past them to get to me I'm going to be hit. In actual fact we're running about 1.75% up in that branch as well so I am more than satisfied. I think you've got to work a hell of a lot harder to sell 3 pasties for 53p you might just as well sell one for £1.25 or £2.50. The only people who worry about price is your staff and maybe you if you are an old baker, but the public don't worry that much about the price, they don't know half the time, you stop the customer and say how much did you pay for that doughnut and that filled roll, they might tell you the total figure but they won't have a clue on the individual price. So we've always been anywhere from 25% to 45% above our competitors, not that we're doing it much better, but we do put it in nice*

*bags, you know and we smile when they come in, but really we don't worry about the price very much, we figure what we want. If we make a product and it didn't sell at the price we'd stop making it, simple as that. I really think the bakers make a rod for their own backs with this price thing. I spoke to a baker back about 5 years ago, he made a mistake apparently he was selling at that stage custard slices for 30p and they'd misprinted the ticket and put it at 65p and he said do you know I've sold just*

*as many. Well yes you do, why worry so much about it, just put the price up. I know its different in different areas but Gloucester is not a well paid area, it's a pretty average area, the north people, you are all wonderful at telling us how badly off you are, but you're not, you're better off than most of us are. So really we sell the lowest filled roll at £1.95 and that makes us a profit, not enough but a profit and that applies to every product we make and sell. We go for a good price else you may as well stay at home and rest.*