

Sharing Success

Michael Bell

Where we are today

Essentially we have 3 businesses in 1.

Bells of Lazonby is the core traditional element of our business. We have a strong regional wholesale business which we successfully rebranded 3 years ago supplying bread, rolls, cakes, sandwiches and fresh cream cakes over 9 daily delivery routes. We have 9 of our own shops which are now in a modern food to go style - having thinned down from 16 just over 12 months ago. We supply some cake lines to national food service accounts and we do some own label business in the special diets area. Actually it is wrong to describe it as traditional because it has changed massively over the last 10 years and will change significantly again over the next 10.

The Village Bakery Melmerby. The Village Bakery is one of the most respected brands in the organic bakery sector in the UK; it is one of the top 3 most recognised brands in this area. It is a brand with strong environmental and ethical principles and a reputation for innovation and quality. The brand also has wide appeal among special diet groups with ranges of wheat free, gluten free and dairy free products. It has won numerous awards for product quality and fine food and is stocked by leading supermarkets such as Sainsburys, Waitrose and Tesco as well as all the leading independent organic retailers in the UK and food halls such as Selfridges. Its product ranges include snack bars (multi-pack and individual), biscuits, cakes, breads and Christmas lines.

OK Foods - OK is a lifestyle brand focussing on Gluten Wheat and Dairy Free products. Established just last year it is a young brand which has already established a growing reputation in the allergy foods sector with products stocked by Sainsburys and Waitrose and

own label products also produced for Tesco. Its aim is to bring quality and ranges of products which can be enjoyed by the whole family not just those with particular food intolerances. It has a modern attractive style with a "clean" label. Additionally the brand works closely with Manchester Metropolitan University in developing and testing products and has invested heavily in building and equipping one of the few dedicated gluten

free manufacturing facilities in the UK. Its products ranges include snack bars, cakes and biscuits.

Turnover across the 3 brands was just under £10m last year

So how have we got here?

It's time to back to school for some lessons in History, Geography and Economics

HISTORY

My father started the business in 1946. One Man and his Van making bread in the morning and selling it on his van in the afternoon - where we lead others follow - it took the supermarkets nearly 50 years to catch up with the home delivery idea and we have been trailblazers ever since.

Operations looked very different then of course - we even have some shots of staff with cigarettes. But we've always moved with and ahead of the times.

In 1966 when the motorway came to Cumbria it threatened to wipe out our biggest wholesale account - a large transport cafe about 5 miles from the bakery on the A6. My father literally got on his bike drove

down to Teddington and convinced Granada Head Office that they should give us the business at their new service station

In 1969 in probably the best move of all he took advantage of Beeching's decision to slash the railway network and buy a large piece of railway land which provided the ideal base for his new bakery in 1971 and numerous extensions and new developments ever since

In 1984 my sister Jane and I joined the business - in the traditional roles of shops and bakery. I , mention this not because it was particularly momentous or changed the shape of the business but because it was a commitment to continuity and the future

We had been closely working with our neighbours at The Village Bakery Melmerby for a number of years helping with their distribution and packing. In 1998 an opportunity came along for us to become more closely involved by replacing the venture capitalists who had a major share in the business. Here was a decision which truly shaped the future and set the foundation for the current shape and direction of the business. The Village Bakery was an excellent touchy feely business with a great reputation in the organic movement. However it was chronically undercapitalised and as a result

seriously under-achieving. We added investment, management, organisation and a commercial edge. We rode on the organic boom and then maintained much more than our market share by being different

In 2000 we commissioned a major re-branding of Bells of Lazonby - moving from classical green and gold to modern blue and ochre overnight. A truly bold move which paid real dividends and revitalised the brand

In 2002/3 Within 12 months, we built a dedicated gluten wheat and dairy free bakery in a field within the railway site my father bought; we developed and launched a new brand - OK Foods which we have trademarked - and an organic offering under The Village Bakery label. All with completely new ranges of packaging and all to the very highest standards of clinical excellence. We also make own label for two of the leading UK supermarkets and have surpassed all expectations in this growing sector within the food market.

LESSONS

So what lessons can we draw from History

Well History itself is a valuable asset. It means that we have some permanence and firm foundation to our business

Continuity. We are not an organisation going through crises of ownership or internal power struggles. The same threads and basic philosophies are being carried forward

Enterprise. The spirit of enterprise and opportunism shine out like beacons in our history and are very much part of the success story of our business

Change/adaptability. Times and markets change. Those bakeries

which were stuck in the time warp of retail bakery shops have long since perished. The ones that have survived have adapted their business and their offering and there remain many success stories. We have undergone many changes from retail to wholesale back to retail to sandwiches to organic to national to special diets. Anticipating and reacting to market trends with sound planning and organisation

Investment. The business has prospered because we have always invested in it. We have invested over £5m in the last 5 years and we have one of the best equipped bakeries in the country. As an example of our investment and innovation the earlier slide showed oven technology some 40 years ago; here is an example of leading edge development a computer

controlled wood fired rack oven installed at our Lazonby Bakery to maintain the environmental values of the Village Bakery brand in using renewable energy

GEOGRAPHY

Well this is the view as you drive in to our site. There can't be many better places to have a bad day!

Where we are has shaped our business development and success in very much the same way as our history has.

In the early days we were very reliant on tourism supplying many hotels and caravan site shops in the days before supermarkets and foodservice distribution. It was in the good margin business but had its fair share of bad debt and also led to

structural problems for us - August had twice the turnover of January but we didn't halve our costs so we had cracking summers and long winters

Our retail side was cushioned from the impact of supermarkets a lot more so than elsewhere because of our geography and spread of population. This meant that our shops thrived for longer than many of our colleagues in the industry.

However the advantages of geography have now been eroded (or is that a geological term) and we had to face the reality that we were based in a county with more sheep than people. There was only one way to grow and that meant looking for a wider national audience and the mainstream Bells brand just was not up to the task - it had no usps; it had nearly 400 products in its range and so could not compete for volume business. The future lay in niche markets and here The Village Bakery has helped drive the business and the agenda. We are in specialist national markets which have reasonable volume and sensible margins.

The one advantage our geography still gives us is a great place to showcase our business and to impress our customers. Not only is it a fantastic place to work but it is a fantastic place to do business. It is a great asset

So what are the lessons from Geography?

Firstly the need for vision and looking beyond where you are and what you do. It's a question of seeing further than what is happening day to day being aware of life beyond your own business and also outside your

own industry - we are no longer traditional bakers we are in the wider food business.

Then for us there is the need to be different. As I have already said, we had to look to a national market which for mainstream products is pretty saturated. Even the organic sector is now fairly crowded. This took us into the area of Special Diets and also into Fair Trade.

In order to succeed in these new markets we have had to gear up. We have strengthened our technical and product development staff; we have a clinically excellent new dedicated gluten wheat and dairy free bakery and strong links with Manchester Metropolitan University to apply food science to recipe formulation and our baking processes. We now also work closely with supermarkets in developing products

Being where we are means that we have had to be inventive. We have had to look for alternative solutions. Supplying Village Bakery breads to national supermarkets from Cumbria is not easy. We have two licensed producers as partners in the south who do that for us. We have long had to think and act "outside the box"

Home is where the heart is. We belong here - Bells is of Lazonby; we play a key part in the community; we have a very good local reputation. It is also the soul of our businesses. The Village Bakery's organic restaurant at Melmerby is a destination for many followers of the brand and we have 50,000 visitors a year. Artisan bread baked in the wood fired ovens

there is also undergoing a real revival and we have 3 large new outlets for freshly baked bread. It is a fantastic place to be

ECONOMICS

Financial prudence. A sound financial footing is the cornerstone of any business. Our business is built on the principles of financial prudence. We fund investments out of profit and cashflow. We are not indebted to the banks. We control our own destiny but as you can see it has not held us back.

Although the nature of our business has changed and will continue to change, we have always sought to maintain a healthy balance and not to be dependent on one or two pieces of business. Our shops and restaurant give us cash and we have a good spread of regional and national business. We have a balance between traditional bakery, organic, special diets and supermarket own label.

We have invested heavily in our business - building extensions, new builds, equipment, rebranding etc. Any business that stands still goes backwards

Our staff are our most important asset. We are a family business and like all successful teams we have some individual stars but most importantly everyone in the squad has a part to play in our success. At our bakery in Lazonby we employ 110 staff and over half of them have been with us for more than 10 years. Joe our Bakery Manager has been here for over 30 years and all of his young team of supervisors have been promoted from within the bakery - all

- Innovative and articulate **Brand Aspirations**

- To be the leading organic gluten free bakery producer
- To be the leading independent organic bread producer and supply into all the major UK retailers
- To supply confectionery products into all the major UK retailers
- To break into the export market
- To maintain core brand values and the following of the independent trade

OK Foods

Our mission is to make gluten free products which are every bit as good as their conventional counterparts. Products which can be enjoyed by all the family not just those with food allergies / intolerances. This is one key difference.

The other key difference is that we operate to the highest standards of clinical excellence with dedicated facilities

We have a dedicated team who have been fully trained in not only the standard operating procedures within the factory but have also been given extensive briefing on the nature of food allergies so that they actually understand the issues. There are stringent entry procedures so that we have allergy friendly people dealing with allergy friendly food

Our procedures are stringent at all stages. Vetting of the supply chain is clearly an important issue and one which we are strengthening all the time.
All

ingredient suppliers are asked to guarantee that the products they supply can conform to the lowest levels of reliable testing for gluten and dairy. All new ingredients are externally tested; ingredients are also randomly tested internally using the Tepnel gluten rapid testing kit, which tests to less than 50 parts per million and are also externally tested to the same standards as our finished products. Packaging and ancillary suppliers are also checked - e.g. ingredients in the glue powder used in the boxer are guaranteed gluten wheat and dairy free, we use gloves which are latex free etc

We operate a stringent testing programme with finished products sent for testing on a cyclical basis. We have been testing to 10 parts per million gluten, 2.5 parts per million casein and 20 parts per million lactose. This is an agenda which the major retailers are pushing forward and the boundaries of food science testing are being stretched

Our brand values and aspirations are as follows:

Brand Values

- Gluten Wheat and Dairy Free
 - Can be enjoyed by all. Quality and family appeal
 - Use of good tasting ingredients
 - Clean label
 - Honesty and integrity. The importance of standards
- Innovative and responsive **Brand Aspirations**
 - To be one of the top 5 recognised Gluten Free brands in the bakery sector
 - To supply confectionery products into at least 3 of the major UK retailers
 - To break into the export market
 - To ensure that standards are given higher prominence

Question: John Gillespie, Aberdeenshire

How on earth do you cope with 50,000 visitors a year to the Village Bakery and how did you manage to attract so many?

Answer: I don't, that's somebody else's job. We've tried to make Village Bakery a destination, we've worked with Cumbria Tourist Board and we've also head hunted one of the operators from one of the top Lake District hotels to come and run that side because we have been aware it has been a problem and 2 years ago we felt we were falling below the standards for service and quality that we wanted on that side. But its all down to training, it was interesting to hear Tony saying that he didn't see the point in spending money on training, I'm afraid I come from the opposite perspective, our staff are our business. There are three P's in our business, People, Products and Premises and the first of those is the people and if we get out people right, the Premises will be looked after and the Products I think will continue to be developed that are good.

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John Gillespie: Have you managed Question:

to turn the visitors into a profit Gluten free - there can only be perhaps five families in a hundred

Answer: Yes, it's going very *who may well be buying it. The*

well. *thing is does it have a reasonably good shelf life ?*

centre?

Question: Robert Ditty

I have a lot of customers come into our shop looking for gluten free product today. I do feel to a certain extent that I might be wrong, obviously you have the facts to prove me wrong, but I think it's a fad in the medical GP profession today that if you go along to your doctor with any sort of complaint at all a very easy option is to say look you've got a gluten allergy stop eating anything with wheat in it. Have you planned for a change in people's attitude to gluten free products ?

Answer: Well our products are more than just gluten free. Of the big six allergens we cater for five of those. We cater for gluten, wheat, dairy, peanut, sesame. We also do shellfish by the way which is 3% of the top six allergens. The only one we don't do is egg because you've got to have something in there to make it work. So our products hopefully have got more reasons to buy them than just the fact that they are gluten free. Food allergy is on the increase and that is not a fad, it is a fact and 30%0 of our investment strategy came from doing some market research, the other 70% is gut feel and you know in your business if you think there is a market you go for it. I don't think you are going to achieve telling your doctor not to say to people not to eat gluten. If he believes it he will continue to do it.

Answer: We don't make any breads, we decided we weren't going to make breads because our research showed us there was a lot of people doing bread and some of them doing it quite well although bread did carry a premium. We are making biscuits, cereal bars, and cakes and some of the work that we are doing at Manchester University is to help us enhance that

shelf life naturally without fouling up the label because people who are interested in food intolerance make themselves very well informed about all the other things that are on a food label. We've only got two people in technical and they field calls on a daily basis about people who are very worried about what they are eating, rightly or wrongly.

Question:

We had a comment from our audience about a gentleman starting up a bakery and received grants to start the bakery up and his trade was basically going to be 50% internet trading, do you find internet trading a useful marketing tool or not at all ?

build a business on 50% of internet sales, and we do push it, on all of our packaging, all of our corporate literature we say its available mail order, we have two websites which are interlinked, we have a very defined group of consumers who we can speak to regularly, I mean coeliacs, there are 60,000 members of celiac UK. We can get in touch with them very simply but people do not shop for food like that. Its like, people don't necessarily buy wine on line, there's something nice about picking up a bottle of wine and turning it in your hand and thinking no, I wont have that one, I'll have the next one and I don't think food retailing, and this is a personal view, is going to have a great future on line, but what it does do we always encourage people who get our things from us mail order to take it into their independent health food shop, to take it into their local Asda, Sainsburys, Tescos and say look I've had this product, its fantastic, please would you mind stocking it. You may think that's a naive way of going on but I know it worked with Asda and I've got a dammed good feeling its one of the reasons why we are now in Tesco because these articulate customers do pester the major retailers for things that they want.

Answer: I think you put your finger on it there; the internet is a marketing tool not a trading tool as far as I'm concerned. We do round about £40,000 per year out of our £10million on internet based mail order. That couldn't keep my wife in nylons. I don't know how you are going to



The Family Way

- Where we are today
- How we got here
- What makes us different/successful
- An opportunity for questions

Business Structure

- BELLS**
 - Bells of Lazonby -- Retail, Regional, National, Own Label
- VILLAGE BAKERY**
 - The Village Bakery -- Supermarkets, National Wholesale, Nationwide via TNT, Restaurant, Mail Order, Licenced production
- OK**
 - OK Foods -- Gluten Wheat and Dairy Free

Back to school

- History
- Geography
- Economics

History

One Man and His Van



Some Key Dates

- 1946
- 1966
- 1969
- 1984
- 1998
- 2000
- 2003

Lessons from History

- History itself
- Continuity
- Enterprise
- Change/adaptability
- Investment



Geography

A Fantastic Place To Be

- Shaped our business
- Early reliance on tourism
- Delayed impact of supermarkets
- More sheep than people
- Only one way to grow
- Our location is a great asset

Lessons from Geography

- Vision
- Need to be different
- Gear up
- Find a solution
- Home is where the heart (and soul) is



Economics

- Financial prudence
- The beauty of balance
- A belief in investment
- The importance of our staff
- The sums have got to add up

Lessons from Economics

The Bottom Line

So What Makes Us Different

BELLS
your baker

- Modern Branding



What Makes Us Different

- Strong regional reputation
- Good middle ground
- Bread and butter

THE VILLAGE BAKERY
WELMERSLEY



Brand Values

- Organic
- Artisan
- Natural good taste with interesting use of flavours
- Supports special dietary needs
- Honest and ethical
- Environmental and caring
- Innovative and articulate

Brand Aspirations

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Common Strands

- Innovation/adaptability
- Opportunism
- Flexibility
- Service
- Quality
- Pride and ambition