

By JANICE HUNT

Customer-focused bakery

The in-store bakery is the heart of the store. It has the potential to evoke warm and wonderful memories of comfort food – of hot bread slathered in butter, delectable baked treats, and much more. Better still, it has the potential to fulfil customer expectations right across all income sectors. But it needs constant focus.

In the face of skills shortages, rising costs, and reduced consumer spending, it's all too easy to lose sight of the huge appeal of a customer-focused bakery. But, say bakery successes and industry pundits, putting extra effort into the bakery is worth it.

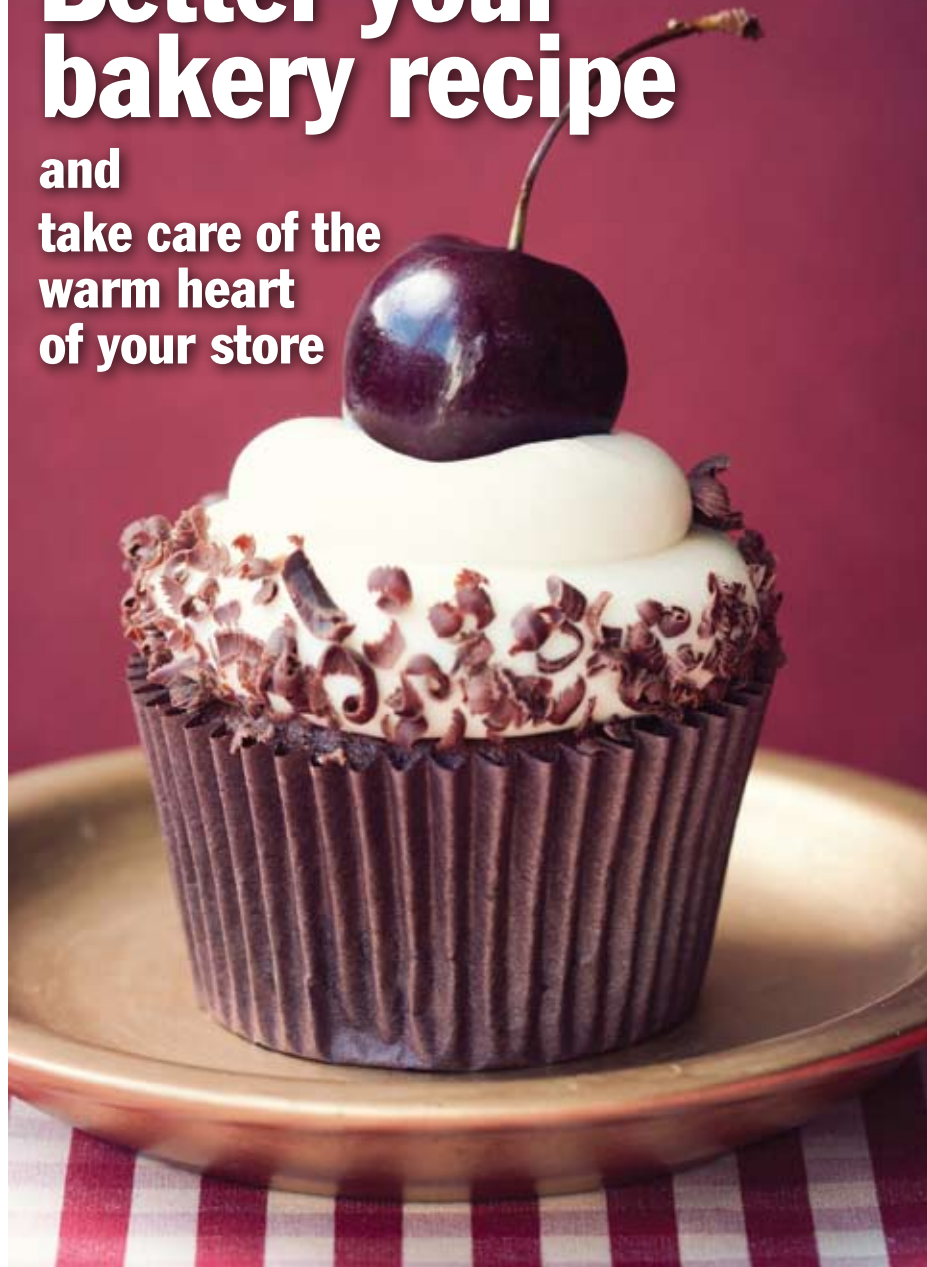
Paul Kyriakides, technical national key accounts manager of Chipkins Bakery Supplies, says that a great bakery will make a difference to the whole store's bottom line. "We've often seen that when a bakery radically improves its offering, the ratio of bakery turnover to store turnover may remain the same, but the store turnover as a whole will increase. People will spend more in the bakery, but at the same time they will spend more across the store."

Kyriakides encourages stores to review their bakery operations to ensure they are delighting their customers with aromatic, fresh baked goods that they want, while also ensuring that their bakery is being cost-effectively and efficiently managed. "The bakery is a service department where a store can really make a name for itself, creating a unique, fresh offering according to its customers' needs," he says.

Janine Ho-Lin, Pillsbury's brand manager, says in-store bakeries are seen to be largely driven by economical products – affordable offerings that are desired by consumers, but not necessarily as expensive as a gourmet patisserie. "Although the latter exists, there

Better your bakery recipe

and take care of the warm heart of your store



is definitely an opportunity within in-store bakeries to grow and further develop premium product offerings that will drive value growth in the sector. While there are common products widely sold across the channel, signature products offered exclusively by retailers do help to differentiate a store and drive higher margins in the in-store bakery." She adds that there seems to be a combination of developments in in-store bakeries, where some have started to tailor their offerings to better service the local shoppers in their communities, while others are moving away from speciality products and beginning to focus on driving volumes with faster turnaround items, such as bread. She emphasises that for bakeries to adapt to

changes in the market, the dynamics of the shopper profile and the location of the bakery need to be taken into account.

Challenges and opportunities

Kyriakides says that one of the main challenges facing the local in-store bakery market is a lack of skilled staff, which can lead to shortcuts being taken in bakery product offerings and a consequent loss of sales. Chipkins has introduced a two to three week training course, which covers aspects of baking, bakery management, and other important subjects. It's doing well and he believes that the course, together with the Chipkins' team of 18 bakery trainers that visit stores, is making a difference to the skills shortage. ▶

BAKERY FEATURE ▶

Another reason for in-store bakeries to up their game is the increase in the number and popularity of independent artisanal bakeries, which is encouraging a higher expectation of top quality fresh baked products among consumers. In-store bakeries can improve their products to meet those expectations.

"We've seen many in-store bakeries rationalising their range of products in response to labelling legislation and the Consumer Protection Act, which requires full ingredients lists to be available for all baked goods."



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This, he says, has contributed to a strong growth in wholesale bakeries supplying prepacked and pre-labelled baked goods to retailers, which is unlikely to delight customers and meet their demands.

Another trend among in-store bakeries that concerns Kyriakides is the tendency to buy frozen products for baking off. He says that many of these retailers have made significant investments in bakery equipment, which is not being used to its potential.

Pillsbury's Ho-Lin sees this slightly differently. She notes that while premixes for bakeries have not undergone step-change product innovation in recent years, the innovation however, has come from operators in bakeries who are experimental by nature.

"They are also educated by manufacturers to not only use premixes in the traditional methods, but to adapt to customer trends entering the market. Small changes and additions to the base recipe of a premix can transform the end product entirely. One change that we have seen is the growth of speciality bread premixes, offering solutions to operators who have limited staff skills, but still want to bake a more upmarket variety of breads in-store."



When a bakery radically improves its offering, the ratio of bakery turnover to store turnover may remain the same, but the store turnover as a whole will increase.

"We've seen that when in-store bakeries ensure that their customers are able to get their favourite bakery items fresh from the counter each day, it builds a strong loyalty to the bakery. In addition, this product tailoring aspect also delivers convenience, as consumers are constantly looking for quick, easy solutions to add value to their busy lives," she says.

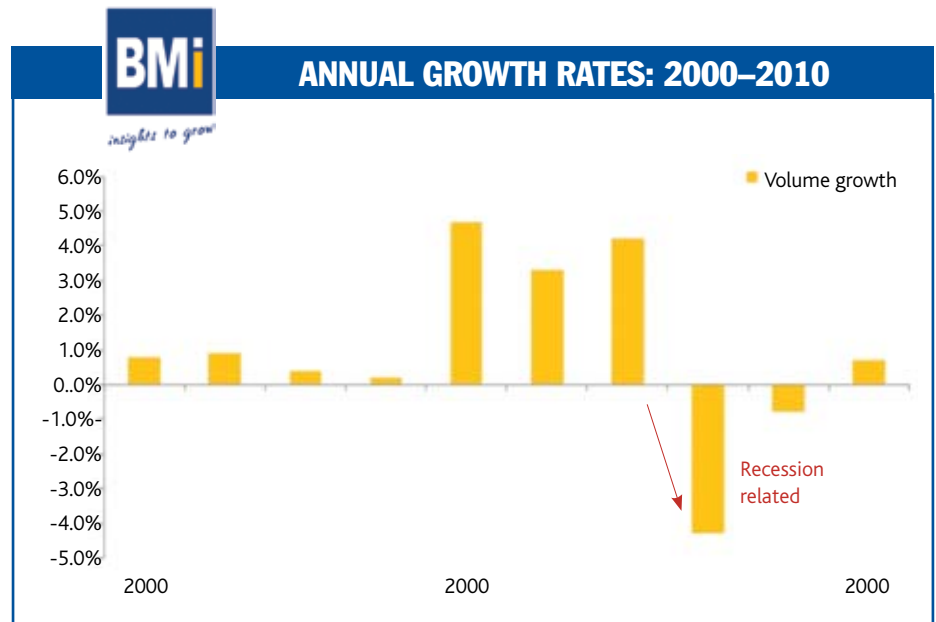
BMI's bakery outlook

BMI Research categorises the baked products industry as comprising bread and baked confectionery, with bread featuring as the major product, using about 80% of all flour produced. Bread is second to maize as a staple food and provides about half the kilojoules provided by maize products.

Bread represents about 92% of the baked goods market, and is produced in the

main by plant bakeries, in-store bakeries, and standalone artisanal bakeries. Baked confectionery items make up the remaining 8% of the total baked products market. Looking at 2010, BMI says that overall, the baked products market showed only limited growth and looking further back, it has been fairly stable. "During 2010 there were raw material price increases that pushed the overall cost of product through to retail. This implied relatively high unit prices compared with previous years. Many producers cited this as the main reason for the slow growth in 2010," comments Jan Wegelin, research manager at BMI.

Regarding baked goods distribution channels in 2010, foodservices direct declined whereas the rest remained fairly stable. The majority of baked products are consumed by the retail market, as many



outlets sell direct to the consumer, instead of sending to other channels.

Some of the larger bakeries export products to the rest of Southern Africa, such as Namibia, Lesotho, Swaziland and Botswana.

What's baking globally?

According to the International Dairy-Deli-Bakery Association's (IDDBA) 'What's In

Store 2012?' report, in-store bakery sales reached close on R72 billion (\$10.2 billion) for the year ended May 2011, which was up 2.2% over the previous year. The report notes that, like the rest of the food industry, the dairy, deli and bakery sectors are feeling the effects of the recession. Consumers, who are also feeling the effects of the economic downturn, are seeking value, innovation and healthy options.

According to the report, in-store bakeries have adapted with different nutritive offerings, as well as with products that are free of allergens, such as gluten, nuts, and dairy. Similarly, the scratch baking method is making a comeback in many service bakeries as consumers seek fresh, whole foods. Mini portions are hot in the bakery case, as are less costly, lower-calorie convenience snacks.

The NPD Group's 'A look into the future of eating' report says that sweet snacks and desserts are expected to be among the fastest-growing food categories through to 2018, with the number of servings projected to grow 14% among consumers overall and 34% among young adults. While tastes and purchase trends do differ in South Africa, it is safe to assume that an increase in confectionery treat sales can be attributed largely to the consumer trend of eating at home rather than eating out when budgets are tight.

Bakery success stories

Artisanal bakery Fournos and The Square SuperSpar's in-store bakery have both maintained steady growth for years. See their stories on pages 14 and 15. ▶



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Famous Fournos

Fournos Bakery was started as a tiny rotisserie chicken and rolls outlet on Oxford Road in Rosebank by a master artisanal baker and the present managing director, who also has a sound baking background. That was almost 20 years ago. From the start, all developments, upgrades, and product range changes and additions have been customer-driven. Today the privately-owned family business consists of 10 stores, with nine based in the Johannesburg region and one in Centurion.

This year, Fournos won its 14th Best Bakery in Joburg award at the Leisure Options Awards, which Debi van Flymen, operations manager for Fournos, believes reflects the consideration and care its customers have been shown since the beginning. "Our customers are our life blood. We listen to them all the time and apply their suggestions and requests as far as we possibly can. The fact is that we don't get trapped watching our competition to see what they're doing; we look to our customers and what they want for our direction. It's the way it's always been. We see everyone as our target market – from the construction worker picking up a couple



Freshly baked bread remains core to the Fournos business, with each of the ten bakeries producing about 85 bread and bread roll products daily.



In identifying sites for Fournos bakeries, there are two main criteria. The location must be in a neighbourhood with an office component to service both families and office needs, and customers must be able to see the sky when they sit and eat.

of R1.40 rolls for lunch to the office executive ordering regular massive platter orders."

She says Fournos's driving passions are quality and freshness of product, value for money, and service. "All our baked products are made using traditional baking methods and without flavourants, colourants, preservatives or stabilisers – and have been since the first rolls came out of the oven."

While bakery is the cornerstone of Fournos, the company's offering has expanded to include deli, coffee shop, food platters, ice cream, pasta making, and much more. The bakeries produce about 85 bread and bread roll products, and a total of more than 230 lines. The famed Fournos croissants are produced in vast quantities by hand, and daily sales across all shops have reached mind-boggling quantities.

Bread is also mixed by hand. "We believe that a baker should have a connection with the dough to feel exactly what's needed to get it right all the time. For instance, on a rainy day, the mix will be a bit different to a dry, sunny day," she says.

The high baking standards set by the two founders are still maintained as they are deeply involved in training bakers to consistently achieve the same standards. Maintaining consistency of quality across the group is absolutely crucial.

Fournos employs a total of more than 600 people and is enormously proud of

its phenomenal staff retention record. It's one of the fundamental reasons for its success, maintains Van Flymen. "Our team is passionate about our business – the quality and service excellence. It's constantly inspiring." Fournos store managers are responsible for understanding their own customer bases, what their preferences are, and when their peak periods are, and deliver on those expectations.

In identifying sites for Fournos bakeries, Van Flymen says there are two main criteria. The location must be in a neighbourhood with an office component to service both families and office needs, and customers must be able to see the sky when they sit and eat. That's an important piece of the puzzle, she maintains, as it eliminates a sense of claustrophobia and being enclosed that some malls can project. Even Fournos outlets based in malls are on the outskirts with access to outside seating.

Merchandising, as with everything else in Fournos Bakery, is done with extreme care and attention to detail. Each store is designed according to store layout and customer comfort levels. The company follows general merchandising principles, but each store is unique, and everything is taken into account – with an eye on flexibility to enable the store to adapt, change and grow as the need arises.

And when all is said and done, Van Flymen waxes lyrical about the core of the business – freshly baked bread. "Bread is food for the soul. All over the world, bread is an important part of many meals in some form or another. There is something about a loaf fresh out of the oven that is intoxicating – and being in the business of making really good bread is a privilege we treasure."

Great baking at The Square

A basketful of delectable and tantalisingly aromatic freshly baked goods fills the senses soon after entering The Square Superspar in Boksburg. One customer, who runs a coffee shop and buys lots of his baked goods from The Square, was eager to sing its praises. "You need to travel far to find a bakery as great as this one. The range of products is excellent and it keeps changing, which makes it exciting to shop here. The quality is also always consistently good."

Store manager, Frans Gouws, has made the bakery his own 'baby'. He has been at the store since three months after it opened eight years ago. He started as a butchery manager and was soon appointed store manager.

About 70% of the bakery offering is made from scratch and comprises about 90 lines, which Gouws admits with a smile is 'crazy', but it works. He says range is important and it keeps his customers extremely involved and interested in the bakery offering. He is constantly on the lookout for new recipes – in magazines and recipe books – and encourages his bakers to try them. He then displays them with a 'try me, I'm new!' sign and depending on the response, will keep it on the shelves until the next exciting new recipe catches his eye. Some favourites must always be available, but just as important is to keep new confectionery and bread treats to tempt local palates. Gouws says his customers, who are predominantly Afrikaans, understand quality baked goods and know what they want. Across the road from the Superspar are two schools, which bring in many customers. He and his bakery team work hard to keep them coming back for more.




About 70% of the bakery offering at The Square Superspar is made from scratch and comprises about 90 lines, which store manager, Frans Gouws, admits with a smile is 'crazy', but it works.

Favourites on the shelves include baked from scratch puddings such as sago, malva, and Jan Ellis puddings, among many others that constantly tempt the sweet toothed customers. Recognising that he has customers from all income groups, Gouws also has a 'single item' table of baked confectionery where customers can pick up confectionery at R1 a piece.

The bakery team consists of 12 bakers, eight of whom are bread bakers and four confectioners. They're trained in-house and have all been on the team for a long time. He is very proud of what they are achieving and constantly encourages them to "put their heart and soul into their work and to make miracles". He has weekly meetings with them where the previous week's offerings are assessed and decisions are made about new recipes for trial.

Gouws believes in baking small quantities throughout the day to make sure that fresh products are available all the time. He also starts early as many of the bakery's customers are coffee shops and they rely on his products for their daily offerings. Another aspect of the bakery that Gouws considers extremely important is pricing. He maintains that the days of 60% profit margins are over. "We must recognise that people have less to spend on food and we must adapt our pricing, working smarter and more cost effectively," he says.

The effort that goes into the bakery all the time is paying dividends and growth has been steady. Future plans are to expand the bakery as space is now getting cramped. More space will make it easier for customers to shop in the bakery and that's what it's all about, says Gouws. 



Recognising that the store has customers from all income groups, the bakery at The Square Superspar also has a 'single item' table of baked confectionery where customers can pick up confectionery at R1 a piece.