

By LAURA DURHAM

There are many aspects to a good in-store bakery: Top of the range equipment, skilled staff and quality ingredients. But to become a great bakery, you also need to offer unique products and added services – only then will you stand out from your competition.

Point of differentiation

An in-store bakery can give a store a distinct advantage in a very competitive retail market. "This feature can allow retailers to create a unique offering that, if done properly, will afford far greater margins than very competitively priced grocery lines," comments Paul Kyriakides, technical national key accounts manager at Chipkins Bakery Supplies. He adds that a successful bakery can account for anywhere between 7 and 15% of the store's turnover.

"It has been proven that a store with a bakery doing R100 000 per month at a ratio of 10% to store turnover will grow in line with the bakery," says Kyriakides. In other words, if the bakery improves its offering and increases its turnover to R200 000 per month, the store will do R2 million.

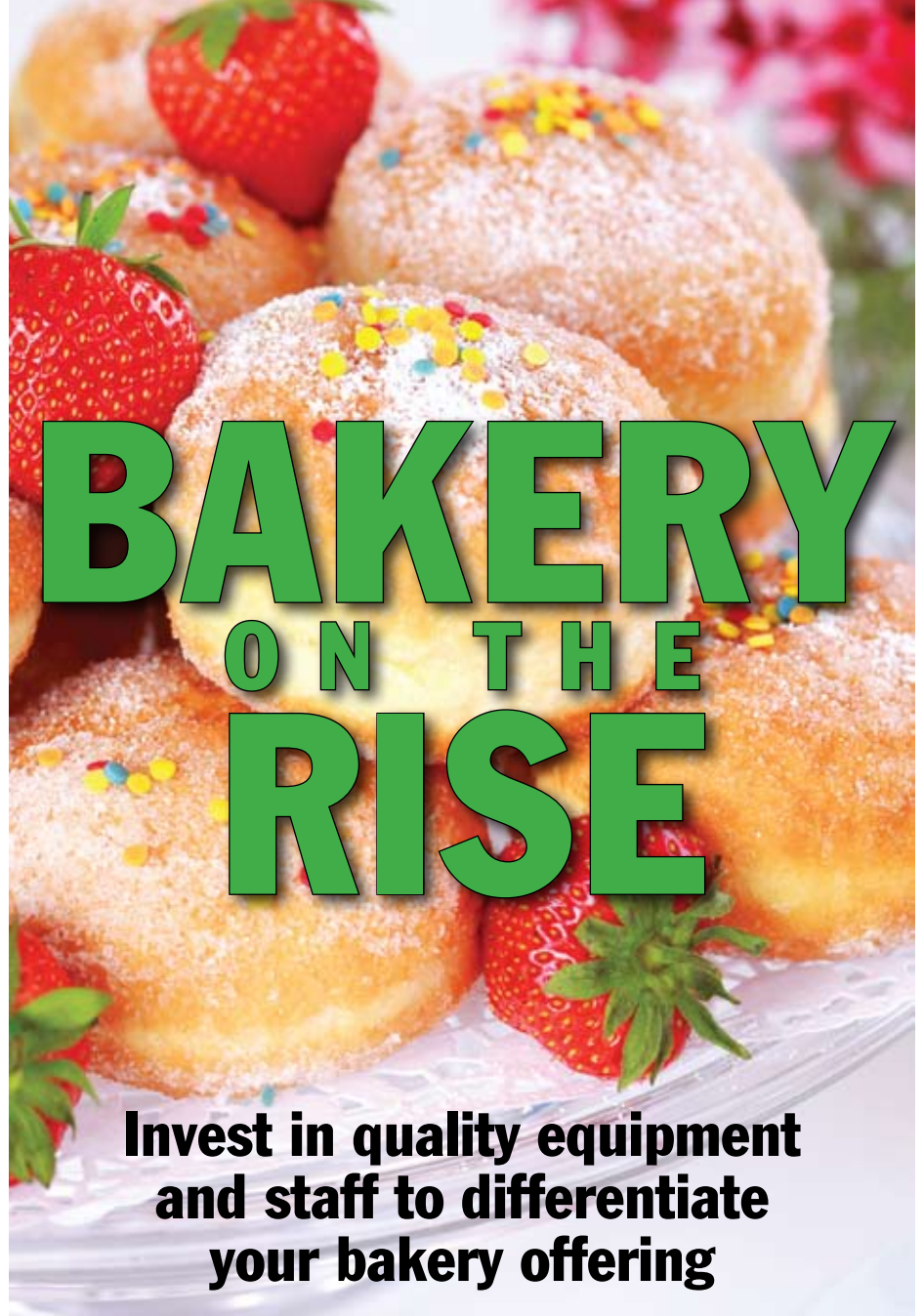
In addition, customers who are attracted to your store because of the bakery department will go on to purchase grocery lines as well.

Mike Hodgson, projects director at Macadams, says that a small store bakery should focus on fresh and range to draw customers to the store. By becoming a destination for daily purchases, customers will start to increase their basket spend due to the convenience.

Invest in equipment

Even though quality equipment will come with a higher price tag, it is definitely worth the investment. "Quality equipment will allow a bakery to achieve maximum production output in the shortest time possible with little or no down time due to equipment failure," comments Kyriakides.

Also, the quality of the finished product will be affected by the quality of the



BAKERY ON THE RISE

Invest in quality equipment and staff to differentiate your bakery offering

equipment. "Ovens that dry product out before it is properly baked, uneven baking, proofers that do not heat and steam properly should be avoided at all costs," he says.

Regardless of the equipment quality, regular maintenance inspections should take place to keep the small but meaningful things – such as rubber seals on ovens – in check.

According to Kyriakides, the minimum requirement for a bakery should be a mixer, proofer, oven and tables. He also suggests that prospective bakeries contact reputable bakery equipment suppliers who would also assist with layout plans and maximum production capacities.

Karen Langham, sales and marketing manager at Kalapac Consultancy Services offers the following advice to store owners:

- Make sure scales are working properly and if you're still using a manual scale, switch to electronic for improved accuracy
- Give your staff sufficient training as this will reduce wastage in the bakery
- Make sure your equipment is checked and serviced regularly
- Keep an eye on energy management, as electricity is the biggest expense in many bakeries.

Make your bakery energy efficient

Every store owner is uncomfortably aware of the increase in operating costs, particularly the annual electricity hikes. Chipkins' Paul Kyriakides says the general rule of thumb is that in order to make provision for expenses in a bakery, 30% is

Bakery feature



CASE STUDY:

Mangalani Bakery, Soweto

The bakery at Mangalani Filling Station in Chiawelo, Soweto was not doing well. Bread would come out misshapen and the fresh rolls were nothing special, judging by the lack of customer demand.

But all that has changed after retail operations manager, Howard Keen, called in the help of Karen Langham at Kalapac Consultancy Services (KCS).

Keen had joined Masingita Group of Companies two years ago and although he had many years experience with running service stations, he knew "diddly squat about how to go about fixing the bakery," he admits.

The bakery has been around for 15 years but they'd reached a point where they were only producing two trolleys of bread per day, simply due to lack of customer demand and confidence in the product.

Langham and her team set about fixing the situation.

Fresh learning

They arrived with samples of their premix range (bread, rolls, sweet and soft) and set about making bread and rolls with the bakery staff, using the convenience store's (C-Store) equipment.

Keen was pleased to discover that the equipment was of good quality with only a few improvements needed, such as replacing rubber seals. Langham did point out that the bread pans needed to be replaced and 240 were immediately ordered.

"There were lots of little problems that had come about from people getting into bad habits," explains Keen. These included



Moses Sebabo proudly shows off the freshly baked bread and one of the speciality cakes to come out of the bakery.

packing the bread too hot, each baker having a slight variation to the bread recipe and still using a manual scale instead of an electric one. In addition, they would sell the 'reject' bread for a discounted price.

A lesson for other small bakeries – instead of trying to make a little money off crumbled bread, you should be focusing on getting the bread right the first time (whether that be through better ingredients, training or equipment!).

The bakery had been using premixes before but as a small independent, they were paying the highest price. With Langham's help, they were able to source higher quality product at lower prices.

The result?

"The training has made everything much better – 100%," comments bakery manager, Doris Magasa, who has been at Mangalani Bakery for 16 years. Keen also notes that his staff were particularly impressed by their new ability to make 'Pick n Pay' rolls thanks to the new premix and serviced bun dividers. Magasa adds that they have now increased the bakery's production from two



Staff members feel refreshed and excited about what Mangalani Bakery can do after recent training. Pictured here: George Masinge, Moses Sebabo and Emmanuel Hlabangwani and Maria Baloyi in front.

to five trolleys in just a few months, and customers have started to compliment the fresh and delicious tasting bread. The brown to white bread ratio is 1:4, with loaves selling for R7.00 and R7.50 respectively. With prices more than R2 lower than the supplier bread on offer, it is no wonder that bakery is becoming well known in the community for its bread.

The bakery staff have also asked for more trolleys, which Keen sees as a positive sign for the months ahead. The KCS team has also been very good about following up with the staff every time they deliver the next batch of premixes. Keen says the rest of the equipment has also been checked and maintenance services have been arranged.

"The whole training experience has really brought everyone together and it's been good for the staff to feel refreshed about the bakery – especially as many of them have been around since the bakery opened," he says.

Expanding the operation

The bakery already has quite a range of confectionery on offer – from Chelsea buns, red cakes, queen cakes and specially made birthday cakes. All of it is baked on site daily as customers keep coming back for more. Birthday cakes are made to order and word of mouth is growing that side of the bakery.

As the bakery's bread and roll production increases, Keen hopes to reach a point where they can supply small entrepreneurs at a discounted price to then sell on elsewhere.

There is also the possibility that the bakery will move to the disused shop on the corner. This will expand the bakery operations, as well as allow the C-store to increase its offering.



WIN a Mobile Kitchen with Royal Baking Powder



For more than 140 years, Royal Baking Powder has been the tried and trusted choice by South Africans to deliver guaranteed results. This summer Royal Baking Powder is rewarding loyal traders with the opportunity to win prizes to the value of R500 000 in their latest promotion.

From 1 October – 31 December 2011, all that is required is to purchase any pack or tin of Royal Baking Powder. To enter dial *120*4466* the last four digits of the barcode #. Traders buying Royal Baking Powder stand a chance of winning a fully equipped branded mobile kitchen trailer and other exciting prizes including mini ovens and Royal Baking Powder hampers will be up for grabs.

For full T&C's visit www.cadbury.co.za



Let there be work, bread, water and salt for all

– Nelson Mandela

added onto the cost of an item. He gives two real examples to show what percentage of that 30% is electricity:

“The average 120-loaf rack oven now consumes R24.00 of electricity every hour. If we take bread as an example and break this down, it translates to 11c per loaf. However, mixing, moulding, proofing and the fact that some ingredients like yeast require refrigeration, we can safely assume that 10% is a fair percentage to factor into the cost of a loaf of bread for electricity or any other bakery product. For rolls, four batches of rolls can be baked in an hour – this translates to electricity cost of 2c per roll.”

The problem comes with oven downtime. He advises bakers to structure the production in such a way that they keep the ovens full and to immediately switch off ovens when they are finished with production.

Skilled staff

Retailers are often too busy to check what’s happening in the bakery and readily accept explanations from unqualified staff. Karen Langham from Kalapac Consultancy Services says there seems to be a general lack of bakery skills in the industry. “There is little

or no experience in the bakery and staff are just left to get on and do it,” she says. Although suppliers often do go in and train and assist, there very little in the way of formal training in the industry.

Kyriakides points out ten problems you might encounter by hiring unskilled bakers:

- Accurate finished product costings are not taking place often enough
- Incorrect mark-ups result in poor gross profits
- Bakery lines prices are not being compared to that of competitors as readily as other products, resulting in loss of sales
- Incorrect stock takes are giving you the illusion that your bakery is doing well, when in fact it may not be
- Recipes being used in bakeries are outdated and have no place in a competitive market
- A waste factor of higher than 5% is a liability
- Not laying down accurate production times for the making of various products will result in the excessive loss of time
- Inappropriate packaging, merchandising and sell by dates can damage sales
- Bakeries are too sweet: They are not catering adequately for the growing health and allergy related markets and savouries are not being explored to their full potential
- White and brown breads are not up to scratch. The three biggest complaints are in order of significance:
 - Shelf life
 - Taste
 - Undesirable looking bread.

Chipkins does actually offer a number of training programmes for bakery supervisors, fermented goods bakers and confectioners.

Is fresh best?

The jury is out on which method is best – premixes, frozen dough, baking off or scratch baking – but it seems that retailers should try out a couple of them to see what suits their operation and budget. Hodgson says that for a medium sized bakery in a ‘neighbourhood’ store, semi scratch to full



A confectionery offering encourages impulse purchases. According to BMI research, confectionery contributes approximately 8% to the total baked products market.



Customers will appreciate extra services from your bakery like cakes made to order. Here, Emmanuel Hlabangwani from Mangalani Bakery holds up a birthday cake that was made for a set of twins celebrating their sixth birthday.

scratch baking is the current best solution with the support of frozen and buy-in products.

Frozen dough in particular seems to have two opposing debate teams. Hannes Hotarek, MD of frozen baked goods supplier, Goosebumps says that because there is a general deterioration of skills level in the bakery industry, in-store bakeries need more finished or partly finished products. This is to ensure consistent quality of product being sold to customers. In addition, the



PERFECT BAKING EVERY TIME

For orders call (011) 201 9400



range of baked goods now on offer in most stores makes it "impossible" to make everything from scratch, he says. "Frozen products therefore helps to ease the load on bakery staff," he says.

One of the obstacles that he has come across in his dealings with in-store bakeries is the lack of understanding. "The frozen dough we supply them is also made from scratch (obviously)," he says. Frozen dough is simply a time saver, as well as reducing the waste at bakery level.

"Store owners are looking for cheap and there is less gross profit from frozen than scratch (35% versus 45%) but they fail to take into account the overheads that come with scratch baking – labour, electricity etc.," comments Hotarek. "So in the end, the net profit is the same."

Mike Hodgson from Macadams, says he would not recommend any in-store bakery

retail group to use frozen dough for mass production products. "However, it is advisable to use high technical or labour intensive products, like Danish etc. in a frozen dough form," he says.

He lists a number of disadvantages to using frozen dough:

- It results in lower profit margin in the bakery department (GP)
- To bake frozen rolls in the bakery will take 2 hours and the fresh dough will take 1.20 hours
- Frozen dough makes bakers lazy, they become less creative and they begin to feel like dough packers rather than bakers
- It creates under utilisation of existing equipment and a higher cost and space requirements in freezer store room
- Frozen dough products can be damaged by freezing or defrosting



The rewards of an in-store bakery are great as it increases the number of feet into the store, encourages more frequent purchases from your existing client base and is a method of differentiating yourself from your competition.

BAKERY BASICS

Gavin Goschen, sales and marketing director for NCP Yeast (part of Bidbake) goes back to bakery basics and explains the different yeast options available for in-store bakeries wanting to do scratch baking:

- **Wet yeast or bakers compressed yeast** is made from a specially selected strain of *Saccharomyces cerevisiae* – the scientific name for bakers yeast. It is reliable, consistent and ideal for no time dough or for a longer baking process. Wet yeast needs to be refrigerated and has a shelf life of 21 days. Recommended dosing is normally at 2% of flour weight. Compressed yeast is used by commercial and small bakers alike.
- **Cream yeast** is liquid yeast of high quality, which is not subject to downstream processing and packaging operations. Cream yeast guarantees a consistent gassing activity in the baking process and is ideal for medium to large commercial bakeries. By using cream yeast, the bakery is assured of highly accurate automatic dosing, hygiene, convenience and improved yeast utilisation. Cream yeast is kept in refrigerated holding tanks at the bakery to ensure quality is maintained.
- **Instant dry yeast** is specially formulated vermicelli yeast, which is ideal for bakeries in rural areas or where there is no refrigeration. Instant dry yeast can be added directly into the dry ingredients, as there is no need to dissolve in water first. The main difference between instant dry yeast and compressed yeast is that dosage levels are reduced from 2% of flour weight to 0.7% of flour weight. Instant dry yeast has a shelf life of two years – with no need for refrigeration there is no risk of a break in the cold chain.

According to BMI's research into the baked products industry, 80% of all flour produced is used for bread baking. "The industry is controlled by four major players who collectively make up 40-45% of the market. These companies also produce close to 90% of the local wheat flour market and supply flour to their bakeries as well as other independent bakeries," explains Jan Wegelin, research manager at BMI.

Overall, the baked products market showed only limited growth during 2010. Many producers have blamed this on the increase in raw material prices, which pushed up the overall cost of product through to retail.

Who's buying bread?

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. But some of the larger bakeries export products to the rest of Southern Africa, including Namibia, Lesotho, Swaziland and Botswana.

In South Africa, bread is the second most important supplier of energy in the national diet after maize products. In a recent article on the category in *Retail World* (August 29, 2011), Steve Andrews, CEO of Shopperpedia revealed three key insights about today's bread shopper:

■ The footfall powerhouse

Despite the advent of home freezers 70 years ago, 73% of bread shoppers in Australia purchase from the category at least weekly. This is 2 1/2 times more often than the main grocery shopper (MGS) behaviour in the average category.

The shop-to-consume interval is also remarkably short, with 85% of bread shoppers opening their purchase within three days.

■ Love of category versus love of brand

Shopping lists are twice as unlikely to have a bread brand written on them than the average category, despite the bread category featuring on the list much more often.

25% of purchases are private label (house bread) versus the average category at 14%



Plant bakeries have gained market share from in-store bakeries in most urban markets in terms of bread sales.

and only 30% of bread shoppers bought the same brand as last time versus the MGS at 41%.

■ Quality and range do matter

Shoppers who choose to buy bread elsewhere are more likely to do so because of quality and range than price. This is the opposite of the average category, and is a great indicator that shoppers are not only interested in the cheapest offer or the biggest saving.

But how do these insights relate to the South African in-store bakery?

Macadams' Mike Hodgson says that plant bakeries have gained market share from in-store bakeries in most urban markets in terms of bread sales.

He also says that there is a lack of product differentiation across the board because premix ingredients are bought by all in-store bakeries from the same suppliers "This can be specifically seen in the range.

of rolls presented by most retailers in South Africa," he says.

Dare to be different

Differentiation is therefore key – whether it be through unique products or added services.

A bakery is a destination in your store and if you don't have one, you won't even realise the net and gross profit you are probably missing out on. Hodgson says the rewards of an in-store bakery are great:

"It meets customers' fresh bakery needs, increases the number of feet into the store, encourages more frequent purchases from your existing client base and it is a method of differentiating yourself from your competitor."



Quality equipment will allow a bakery to achieve maximum production output in the shortest time possible with little or no down time due to equipment failure.



Already, Mangalani Bakery has increased its production from two to five trolleys of bread each day now that customers have discovered the fresh and delicious offering.