

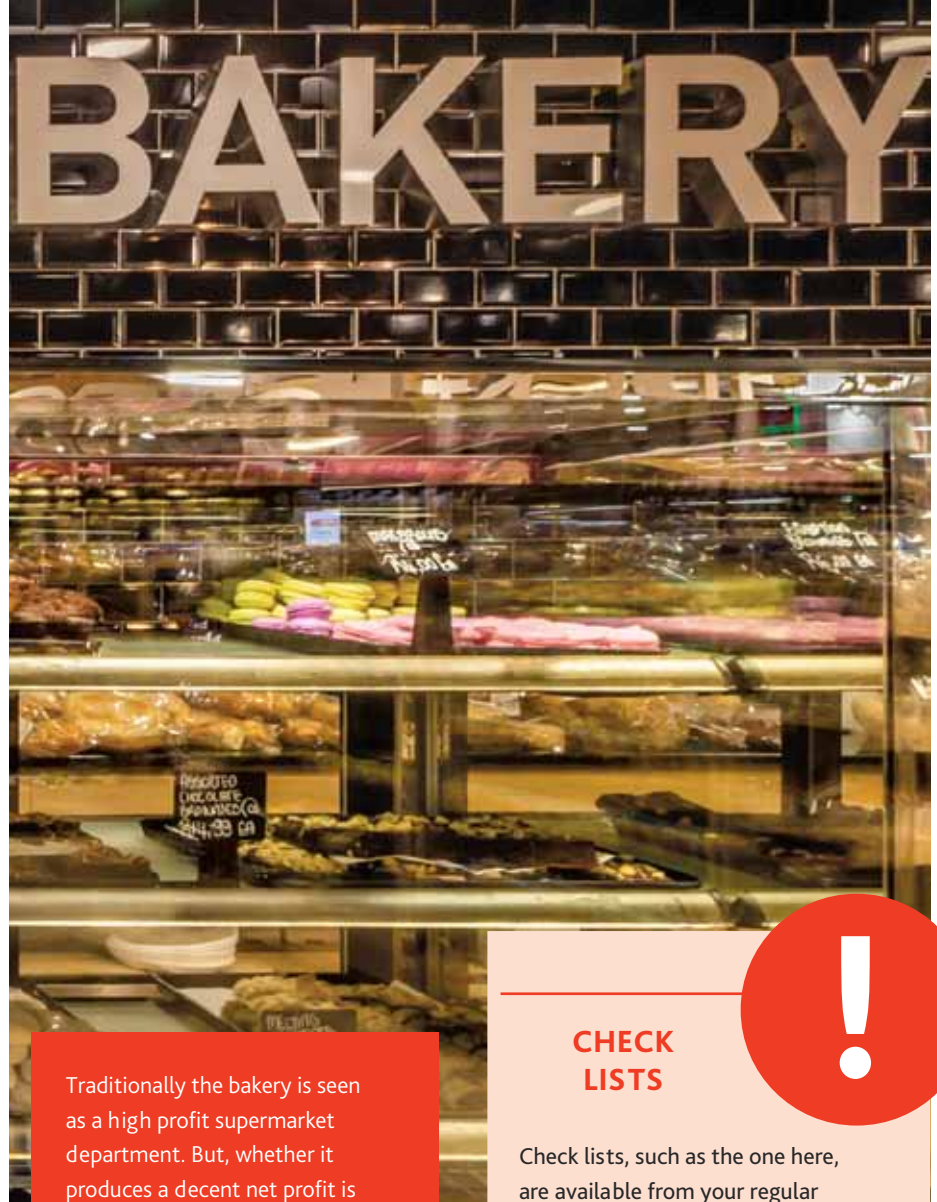
How are you managing your bakery?

Reality sinks in when the retailer analyses the wastage and net profit results.

Most supermarkets in South Africa are equipped with bakeries, which have become a centre of attraction for the store's clientele both from a visual as well as a sensory perspective. Consumers are often tempted to 'buy up' from basic bread by attractive displays of speciality breads, scrumptious small goods and delicious cakes and savouries. Nothing beats the aroma of freshly baked bread as it comes out of the oven.

Retailers get carried away when analysing their bakery profit and store contribution ratio. The mind boggles with figures such as 45/48% in gross margin (after a proper stock take process) and 6/10% store contribution (very achievable in many independent stores). The first calculation often shows that the bakery is the biggest contributor to store profitability, yielding as much as 20% of the store's overall gross margin.

But the reality sinks in when the retailer analyses the wastage and net profit results. Many retailers do not record their wastage, both during the production process as well as at the end of the day, when expired products are either marked down or destroyed. Some bakery staff do not follow the prescribed procedure as dictated by store management, as the end result can make the bakery



Traditionally the bakery is seen as a high profit supermarket department. But, whether it produces a decent net profit is debatable. This article is geared to assist you in responding to this question with authority and certainty.

production and sales staff look inefficient.

Wastage can range from 5% of sales to a much higher figure and this must be taken into account when measuring the profitability of a store.

The net profit reading though is the crux of the matter. Detailed analysis is required, such as manpower costs, rent for the space utilised, a depreciation number for the equipment used in the bakery, some reading of the power utilisation, as well as consumables such as packaging and cleaning materials, the costs of repairs and maintenance and all costs relating to the running of a bakery. Your accountant/financial manager must be included in the securing of these numbers in order to establish the true costs of running your bakery.

The end result will then be either a net profit or a net loss. This figure can then be compared to the gross profit number (for example, 20%

CHECK LISTS

Check lists, such as the one here, are available from your regular bakery goods supplier and we highly recommend that these are used to help you start the process of understanding your bakery better.

Retailers are encouraged to continuously use checklists and rate their answers from 1 (not at all) to 5 (average outcome) to 10 (Excellent).

The outcome will not only be a high margin but a decent net profit as well.

of store gross profit) or it can be surprising (for example, 5% of net profit).

So, the question then arises, "How can I ensure that my gross profitability is reflected in my net profit figure?"

The answer is, "Continuous monitoring of the department is the only way to achieve a positive financial result".

Start a process that checks all aspects of your bakery, ranging from the production line to the sales team, the pricing, wastage and shrinkage.

A checklist for a better bakery

	YES	NO
Is bread fresh and desirable looking?		
Is there packaged sliced bread available for the consumer?		
Are bread rolls fresh and desirable looking?		
Have bread and soft rolls been properly wrapped after cooling to 350 C?		
Is there an adequate range of confectionery on offer and is product desirable looking?		
Are confectionery cabinets and trays clean?		
Are chrome or wooden display trolleys clean?		
Are baked products packed in the appropriate packaging?		
Are all products correctly merchandised?		
Are all products clearly labelled with the correct description?		
Are all products clearly labelled with the correct price?		
Do merchandised products have an expiry date?		
Is point of sale being used?		
Is there cross merchandising? (dough, garlic breads etc.)		
Is manufactured stock being rotated?		
Is the turnover of lines in the cabinet steady i.e. no slow movers or *cabinet fillers?		
Does the bakery use a waste control book?		
Is the waste less than 5% of the product produced?		
Are there enough savoury lines on offer? (besides pies i.e. pizza, vetkoek etc.)		
Are there any products on display that cater for the following: vegetarians, diabetics and coeliac sufferers?		
Is pie warmer temperature correct? (700 C)		
Is pie warmer free of crumbs?		
Is bread slicer clean and free of crumbs?		
Are bakery sales staff able to communicate to customers what ingredients a product is made of?		
Are bakery sales staff able to tell customers what a product tastes like?		
Are there sufficient wet demos available or enough promotional activity?		
Do the sale staff make use of an order book?		
Are sales staff correctly dressed?		
Do sales staff have name badges?		
Do sales staff communicate with production staff and management?		
TOTALS		



Confectionery

- New products are including reduction in sugar and some vegetarian options, and more "bite-size" products emerge.
- Brands with high market share appear to be dominating the category
- Signs are emerging for sustainability and Fairtrade in the development of new line items
- In Asia, limited edition launches are very successful

Ready meals

- The major trends for new items include flavourful, healthier and vegetarian options
- Most new options are available in North America, Europe and Asia
- New private label product development dominates the growth of this segment
- High in/source of protein products are starting to get traction
- Traditional flavours are now joined by ethnic and vegetarian options

Savoury snacks

- Diversification and the launch of premium products are two of the main trends, while experimentation into different flavours is also taking place
- Ethical packaging and health claims are also trending
- Various options of salt and other condiments are included in the new trends

Soft drinks

- Innovation is led by products with less sugar, premium positioning, which also includes craft products
- Multinational suppliers dominate this market
- Clean labels prevail – no additives, no preservatives, organic and GMO-free
- 'No added sugar' is fast becoming a common term

Source: *Food Ingredients magazine*, December 2018