

Sharing Success

David Powell

Some time back when Auntie Jean asked me to talk at this conference I gave the expected response - oh, I am so flattered, of course I will, anything I can do to help, etc. etc.

Having put the phone down, two, no four words came to mind - oh, XXXX, why me!

She also failed to say that I would be the last speaker of the conference and separate you all from the bar, lunch or whatever.

Yes, I was enormously flattered to be included in such an eminent and exalted group, but the first thought that came into my mind was a few years back a very successful entrepreneur who had created a very successful speciality bread bakery supplying national retail multiples was due to give the key note speech at The Institute of Directors in London - the theme "How to create and run a successful business". From the time the flyers went out to the conference date the business went into receivership. I am genuinely pleased to be here today with my business growing, thriving and about to come back under one very expensive new roof.

I started the business in November 1991 with some well equipped large premises, a nucleus of staff and an enormous loan but no sales.

Our first product was hand tied poppy knots, and our second Daktyla - a traditional Greek bread. The speciality bread range has continued to grow and while it is an area where there is still much talk and hype, it is interesting to break down the sales per variety, per day - a good product will sell 4,000 loaves per week when you distribute that to 140 stores, 7 days per week, it is not many per store per day. The niche that we have is that this quantity is too many for a small business, but not enough for a large one to produce. Most of our bread products are made with overnight sponges, all are hand finished.

In 1997 I received a call from a coffee shop chain wanting an innovative range of muffins. Because we were a bread bakery we had no ingredients, no pans, no baggage. The first week we sold 500, we currently sell 180,000 muffins and 80,000 other cakes to the same customer. This brought calls from various other coffee shops which we currently supply. The reason that we can supply products to a number of companies that are locked into a

ferocious battle to the death is that we can supply 3 different chains with 3 different chocolate muffins - the only common ingredient is the sugar, the paper cases, pans, flours, oils, eggs, chocolates are all different. They get an exclusive bespoke product but benefit from our experience and economies of scale.

Although the coffee shop chains receive a lot of negative press, for us they have been wonderful. I keep getting told that their bubble has to burst, but the good ones are still opening 80 shops each annually.

The products that we make for coffee shops are made fresh every day and delivered fresh every day nationally. From a production perspective this has created problems as the products have to look and taste the same as when made by hand, but we need to produce 50,000 daily in up to 30 flavours. Again, the size of each daily production run can be very small, but that's the niche we have - that's what we do. As Tony said in his paper, it is dangerous to analyse what we do against common sense.

We currently produce from four sites, employ 210 staff, turnover £10M+ and have made profits in every year but our first.

Running a wholesale business I am often told how the supermarkets or big boys treat me - it is the one area that I disagree with Tony's paper this morning. We get very acceptable prices for our products; get paid quickly and on time. We also get large and increasing volumes. It helps that all our customers have come to us asking for supply which puts a very different start on any commercial discussions. It also helps that they cannot get the quality and consistency of product and service elsewhere. I will return briefly to this later.

Today's theme has been "Success" and we have already heard about it in many different ways, but I would like to go back a bit and ask

What is success? How do we judge it? and Can we measure it?

I don't propose to answer these questions, after all, Martin has one shop open 3 days per week and Warburtons are a major national food producer. Both enormously successful.

Is it the right heading for today's' papers?

We have heard a lot today about families, previous generations, etc. - the two best things my family did for me was to have absolutely no connection with baking - and for my Father to be a success at what he did - a bank manager - but perhaps not in the way you think!

He came out of the RAF after the war to look for a career that offered prospects and, most importantly at that time, job security - he went into banking - was very successful at it and here's the key woke up every morning for 40 years hating what he did but carrying on to provide for his wife and children. He spent 40 years looking forward to retiring and not working for a Bank. He retired, was diagnosed with cancer and died

That devotion has had an enormous effect on me in that I went into something I wanted to do regardless of security or pay and worked at getting good enough at it so that someone would pay me to do it - a bit selfish really!

I might add that this type of selfishness is an important characteristic for an entrepreneur to have bucketfuls of! When I asked one of my senior managers to read my script, she added single minded obsessive passion to do what you feel is right. To heed advice but not necessarily take it.

The lack of bakery background also meant that when I started my business I had no money, no bakery baggage, no customers - I did have drive, enthusiasm, commitment - well you do with the size loan I had taken out - they keep one very focussed!

It meant that from day one I had to produce what people wanted and, more importantly, were prepared to pay a price for it on which I could make a profit - they also needed to pay me on time! Wholesale customers do not have to take ridiculous credit, bakers do not have to give it - we are bakers, not bankers! Any

customer expecting long credit, 50 days +, either has a financial problem - in which case we do not touch with the proverbial barge pole - or is a bully - equally do not touch.

If you have a niche product, your service and quality are good and you are confident of what you do, they pay or they are on stop - big national chain or not! Scary perhaps - no scary - but it works! And if it doesn't, the silly bleep who does supply them won't be there for long - be confident.

For the 12 years that I have had my own business I firmly believed that there has never been so much of this type of business on offer and there have never been so few people prepared to produce it and service these customers.

During this period there has been a revolution in eating habits with an ever-increasing insatiable demand for innovative quality products that bakers are ideally qualified to produce. Fortunately for me many haven't or won't.

I am often asked how and where do I look for this business. The truthful answer - not wishing to sound too smug and lazy - is that it comes to us. There was also, especially in the early days, a good degree of luck - albeit, in the words of a famous golfer, the harder I practise, the luckier I become! Every customer we have has approached us!

Now I am not advocating a business plan of sit there and the business will come to you - it comes because of reputation that can only be built up with bloody hard work, dedication - or should it be fanaticism and building a team of people who buy into your vision of quality.

We have heard today that Quality Is King - what this means to me is:

- Quality of service - punctuality - reliability - quality. We achieve over 99.9% service levels on ambient deliveries - no shortages, no damages - yes we have cabs going the 90 minutes to London with 40 muffins but it is our mistake - it is up to us to put it right. The customer remembers how you deal with a problem for longer than accurate, every day deliveries.
- Quality of operation premises - equipment investment - staff management - commitment
- Quality of administration - accuracy - invoice in the correct way and on time - collect money on time - pay staff and suppliers on time - management information and accounts - staff recruitment, training & retention

Oh, and I nearly forgot ...

- Quality of Product

One Wednesday in February a national retail group approached me regarding supply. I visited them on a Thursday and sent some generic samples in Friday. They were impressed with the quality so visited on Tuesday - all sites have higher level BRC accreditation so there were few issues. A proposed bespoke range was shown which, with minor tweaking, was approved and was available in 160 outlets the following Wednesday using ambient and frozen distribution. This order

achieves what we thought were aggressive sales targets for this year. Oh, and they accepted our prices - which were substantially higher than their previous supplier.

A restaurant chain with over 300 outlets ranging from espresso bars to Mexican cantinas has approached us also in February - watch this space!

One problem success brings in a business sense is what to do with it! I have not been as successful in the breeding field and so my only dependant is a half share in a Labrador.

I am very honoured and proud to be a member of the BCA, the members of which have been an enormous source of inspiration and information throughout my career. There is no problem that they can't help with other than "what do I do with it?" Wait till your son is old enough - or your daughter marries - does not really work for me, my half of the Labrador is not the entrepreneur half!

Seriously, this is a big problem to achieving what many would see as the ultimate success. Answers on a postcard please.

Thank you for being so attentive. I hope that some of you may have gained something from my comments.

Question: Paul Matthews, Shipton Under Wychwood

Is your intention, you say you are working under four roofs at the moment, do I gather you are about to work under one roof with the new site?

Answer: Yes, certainly all the production is being brought back under one roof. In 2000 when we

built the new muffin bakery we actually took a conscious decision to move about 3 miles down the road so we could go into new premises and while we were very aware of the problems that being on two sites would create, I don't think any of us realized quite how much inconvenience it would cause. Just at the most basic level, my day to day business, it doesn't matter what site I'm on, the papers I need are always at the other one, the visitors always turn up at the wrong site, so yes the idea is we will bring all the production back under one roof later this year. The central stores and main holding freezers are off site and the engineers facilities are off site but production will be back on the main site.

Paul Matthews:

With an expanding business you never gave a thought to moving up country a bit, as opposed to having customers all to the north and a load offish to the south ?

Answer: I'm very fond of fish. There are a couple of reasons, the reason I started the business in Fareham was purely because that's where the premises came up and they were ideal for what I thought I wanted at the time. I think there's actually two reasons, an early reason why I was very

glad about that was that it actually meant we were almost off everyone's radar which I think was a big benefit having previously worked in Wembley and Acton and Park Royal and areas like that, where there are an enormous number of bakeries. There does tend to be a fairly cut throat element where they are all treading on each others toes, poaching staff, poaching

customers, that sort of thing and everyone seems to know in London what everyone else is doing whereas we have just quietly got on with it which was an early advantage. But now, when we were looking to invest the money, we didn't even consider moving site because I mentioned earlier, the team is everything and it would be crazy to uproot to somewhere else that may offer slight geographical advantages or whatever and lose the team that I've spent the last 12 years building up. The last 12 years I haven't been building a customer base, or product range or anything like that, what I've done has been building a team of people who can help me run the business in the way that I want to. There have been a couple of examples where people have moved businesses, possibly for what they see as very good reasons because of grants or something like that, but its almost destroyed the business because actually they lose their biggest asset which is their people. I think these days also with the way that the roads are etc if we moved to, the frozen north, Hertfordshire or somewhere like that, it would actually take an hour or hour and a half off the runs. If you're going to Aberdeen or Inverness the best place to start from is probably somewhere like Edinburgh or Glasgow not anywhere in the south.

Question: William Despard, Dublin

You've been very successful providing speciality product into large supermarkets and speciality coffee houses, do you engage in contracts with them as far as a time frame of supply or is it just you are confident enough in your product

that you don't need contracts.

Answer: Well it's not really either of those, in my experience both in my own business and before where I worked for a much larger business than I currently have I've never actually seen a contract with a supermarket or with any other large retailer. Having said that two years ago our largest customer actually went through what they call benchmarking and tendering and all the other fancy words trying to drive the price down and the justification for doing that was that it was a two year supply deal and there would be a contract and whatever and I said fine, that's good for us and that was in March 2002, and I've yet to see the first draft of the contract which actually runs out, probably about now actually. I've been asking them since October what they are going to do and they keep telling me they're going to get back to me on it and, is it a worry, yes it can be a worry but I

think if you've got confidence in what you're actually doing, and I'm confident, conceited, whatever you want to call it enough to think that there is actually no one else at the moment who could supply the quantity, the quality of product that we do within the levels of service and all the other things that get bolted on to that. In my experience I've never really come across contracts. The one time that contracts do appear, in my experience, is that where people have wanted us to make something under license so they can sell it under their own brand and those I'm always very very wary of, because what tends to happen is they come along and say we want you to make X

and you've got to sign this contract where you sign away all your rights and you can't make that product for years afterwards and ultimately they own everything. They also have the right to kick you out at any time and generally they don't have a product, what they want is to use our experience and our knowledge and our innovation to help them develop a product which they then own 100% of the rights to. Now that's happened on several occasions in my career and we've always very much stayed clear away from that because it's too one sided.

Question: John Gillespie, Aberdeenshire

You said you had out over £1 million in cash, payment up to 60 days for fresh product sold and probably consumed in a few days, customers obviously making money from your money, does that give you cause for concern and do you have credit insurance to safeguard you for all that money?

Answer: No we don't have credit insurance. The reason I mentioned it is everyone assumes a wholesale business is giving masses of credit and one of my saying, we're bakers not bankers, and if we're making the right quality product and delivering it right then we should be paid on agreed terms, and I think any business that is either asking for extended terms you shouldn't be supplying because they have a financial problem. If they need three, six, nine months credit it either means they've got a financial problem or they are bullies and they're trying to get you locked in. I think the big advantage we do have on that is the fact that if one's making say

doughnuts and soft round rolls, if you put a customer on stop there's a queue of other customers biting the customers arm off to supply them. If you've actually got confidence in your product and your service and you're doing something other people can't do, it's entirely reasonable to ask for your money and in fact it's not a question of asking, in my experience they offer. All our customers have slightly different credit terms so we don't go in and impose our credit terms on them. We would say how are you going to

pay us? and as long as that fits into what is acceptable to us we'll abide by that. I think most companies have a different system and if go to them and suddenly say right we want paying on the last Thursday of the month, and you're the only supplier who wants that, that's when the problems occur. So as long as you can live within their system its okay. But the other thing you do have to do is be true to your word, and actually if they don't pay put them on stop. Twice in the last year I've had a national coffee chain where we just put them on stop and they didn't believe it, they said of course you're going to supply us aren't you, you've got to because we'll have empty shops. Fine. It's a bit scary but what happens out of that is that if you actually show these people that you are running a serious business and you are offering them what they want, I think out of it, certainly the senior people in the business actually have more respect for you than if you were giving them ridiculous credit. Society of Baking