

**October 2008**



**affiliated to the American  
Society of Baking**

**Autumn Conference  
Proceedings  
2008**

# British Society of Baking Autumn Conference 2008

Coombe Abbey Hotel  
Tuesday 7<sup>th</sup> October 2008

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Note: The BSB's 2007/2008 Accounts and AGM report are published separately. Copies are available on request from the Secretary.

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**THE BRITISH SOCIETY OF BAKING**  
 Affiliated to the American Society of Baking

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## Chairman Andrew Pollard



Good morning ladies and gentlemen. On behalf of the BSB Executive Committee may I extend a very warm welcome to our speakers, sessional chairmen, and BSB members and their guests to our autumn conference at Coombe Abbey. I am sure that we will have an interesting, informative and enjoyable day. For those of you who were not at the A.G.M. yesterday, I am very

pleased to announce that Keith Houlston was appointed Vice Chairman of the Society, a well deserved appointment. I will now hand over to Richard Ball, our Sessional Chairman for the first three sessions.

## Sessional Chairman Richard Ball



Good morning to you all. I am delighted to introduce David Smart of Greenhalgh's Craft Bakery as our first speaker, although I am sure he requires no introduction to most of you. David gave an excellent presentation to the BSB in 2000 and we look forward to learning about developments in his business since that time. In the programme notes for David's presentation it says

'Over the last eight years Greenhalgh's have made substantial capital investment in bespoke equipment without compromising product quality' and this I believe is part of the ethos and success of Greenhalgh's Craft Bakery. Please welcome David Smart.

## A Family in Business David Smart



In Bolton we do take our food seriously, hence the size of me! It goes into our lives, it goes into our humour. As a company we are split between Bolton and another famous northern town, Wigan. Many towns have nicknames and people from Wigan are called the 'Pie eaters' because they do eat an awful lot of pies. We have three town centre shops in Wigan and they each sell 60% - 65% pies. So they are

nicknamed the pie-eaters and there is a famous story of a pub in the town centre of Wigan and above the bar it said 'Pint, pie and a woman for 5 quid'. Bert says to Bill, 'hey, that's right good value isn't it', and Bill says 'hang on minute Bert, who's pie's are they? That gives you a bit of a flavour of what I mean. I gave a presentation to the BSB 8 years ago in 2000 entitled 'Quality, A Family Affair' which I thoroughly enjoyed. Sadly in

2001 the storm clouds gathered family wise when my eldest sister Marian passed away. She was the sales and marketing side of our typical archetypal business - mother, father, eldest daughter, eldest son and family. Marian was the daughter so she went into the shops, the boys go in the bakery and that's what most archetypal businesses are like. Marian was not like me - she actually had common sense, and she was fantastic at marketing. She was a character, unbelievably straight, she was my consoler, and she was the person who kept me in line. I would say, I've got to do this, I've got to do that and she'd say 'hang on a minute there's always tomorrow, just think about it David, and when we've done that then maybe we'll do it'. I absolutely miss her like mad, because she was a very controlling factor on my life.



David's late father Allan and late sister Marian

Sadly in 2005 my father also passed away, through a diabetes related illness. I was on holiday in Tuscany just before he died and, unusually, on

about half a dozen occasions he phoned me to ask how the holiday was going. He phoned again on the Friday and I said we were going to a local monastery. He said 'Say one for me I need it'. Sadly he passed away the next day! So with the old man and our Marian gone, we had enforced change, which was not easy but had to be done. My dad was like the godfather. It was and still is today, his business. I'm just a standard bearer taking the business from one generation to the next and for all the ethics that he put into it.

For any of you that don't know us, I will very briefly cover the early years. My dad worked as bakery manager for a Jim Greenhalgh from 1950 to 1957, whose bakery supplied pies, pea suppers, sandwiches and hotpots for the local dance hall. The business was taken over by the big leisure organisation Mecca during this time. In 1957 my father was called to a meeting with Mecca, who wanted to sell the bakery. After some discussion and negotiation, mainly on the fact that my dad could not afford to buy the business, it was agreed that he could take over ownership and pay off the cost when he could afford to do so, a very generous offer. So in 1957 his was the start of Greenhalgh's Craft Bakery and here are photographs of the first bakery and of the inaugural dinner.



New bakery inaugural dinner, 1957



*Greenhalgh's Lostock Mill site*

We moved to a new bakery in 1971 at Lowstock Mill, Horwich, which is where we are today, see aerial picture of the site. On the site we have bread, confectionery and pie bakeries, together with a sandwich making and vegetable preparation area, an engineering department, vehicle maintenance and our offices.

Also on the site is Eurobake Ltd. As many of you will know, we have been involved with Eurobake Ltd as agents for Kemper mixers, ovens and a wide range of their other bakery processing equipment for many years. The lady who started Kemper was Emil Kemper. She was a German Jew, a wonderful and very powerful Germanic lady but you can imagine the difficulties of owning and operating an engineering business in Germany just after the war!

I spent some time in Germany working in German bakeries to gain experience and also at Kemper. I learned to speak German during this time but as anyone who has tried to learn a foreign language in a foreign country knows, it is easy to use the wrong German word or expression, when speaking to native Germans, which totally changes the concept of what you are trying to say. This sometimes led to embarrassing situations for me, particularly when ladies were involved, much to the amusement of Emil Kemper and her colleagues!

**Pie Production** We have two large Radermaker plants producing pies and pastries at Lowstock Mill. One is 17 years old now and we are replacing it next year. We have a pastry line that makes around 18,000 sausage rolls an hour and another that makes 9,000 pies an hour and runs for about 12 hours per day. We also have a site B which we call LOSTOCK Lane, which is basically deep freeze storage together with some manufacturing. The site is too big for us at present so part is leased off but we'll grow into it, maybe not in my time but perhaps the next generation. This was my dad, planning generations into the future, a very wise man. We have a laminating plant at LOSTOCK Lane which produces one tonne of puff pastry per hour and 750kg of Danish pastry per hour. The puff pastry is produced in billets which we ship over to the other bakery. The Danish pastry production is slower because it is finished off into whatever shape and type is required. The Danish pastry make up line runs at around 12,000 pieces per hour, a wonderful machine. I remember well making Danish pastry by hand when I was working in Germany! NB David ran several video clips during his presentation, covering pie and pastry production, showing parts of the factory and office, and on their new imagery.

**50th Anniversary** We celebrated our 50th Anniversary in 2007 and we hired Bolton School Conference Centre for a superb

party for our family and staff. Mr & Mrs Henry Warburton came along, together with quite a number of other dignitaries, including my dear friend Sylvia Macdonald of the British Baker. We all had a right good night!

**Sales** We were doing lots of wonderful things on the production side of the business. However on the sales side we thought we were missing a trick somewhere on our shop design and logos. Having a look at one or two of my contemporaries in the BCA, I thought we needed to improve. Even the third generation of our vans had the original filigree and lattice work design, all very twee and '1980s' and it wasn't what the younger customers wanted. I thought our image was clumsy, cluttered and certainly old fashioned. I didn't really know what to do, so I then started looking around some of my colleagues in the BCA to see what they were doing and at other bakeries. Knowing I was interested in new ideas, the sales director of our flour supplier very kindly invited me over to

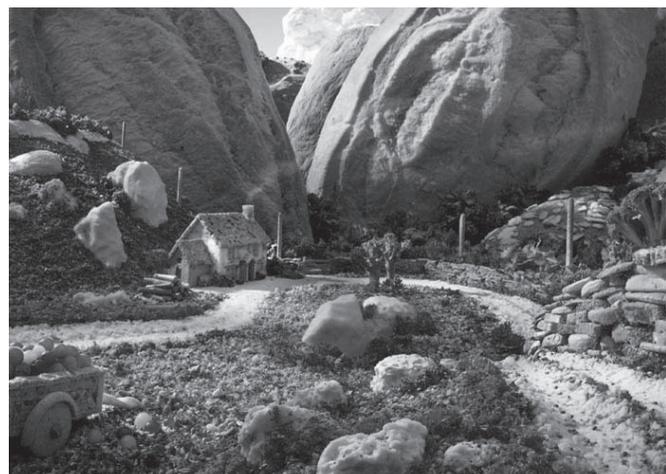
Paris to a Jean Paul Gaultier exhibition. This was all about bread being used as an art form and everything in the exhibition was made from bread. It was a bit of an eye opening session really



*Jean Paul Gaultier bread sculpture*

because I'd never seen this kind of display using bread before - the way they can shape it and use it to produce works of art.

They used baguettes as window blinds for example. Alright, it's an exhibition at the end of the day but it was actually something new other than just a bakers shop, where you'd go in for a pasty and a loaf and you stick a picture on the wall that looks like the breads, cakes or pies that you want to make. There was a picture on the wall of the exhibition which I've been trying to trace ever since. It featured a lady at the side of a bike wearing a leather skirt and a typical blue and white top. There was a boulangerie just in focus in the background, cobbled streets and a bag of baguettes. I thought that picture was fantastic but I can't find it anywhere. If I could I would borrow it, hire it whatever, since it really encapsulated the imagery of what we are trying to produce. The picture below from the exhibition is made from loaves, cauliflower for clouds, bread sticks, slices of bread, bread crumbs, cheese, grapes,



*Jean Paul Gaultier food painting*

parsley and different loaves of bread for mountains – they had created pictures with food! I thought this is what I want, what I want to try to emulate, something a little fresher, something that sparks an interest. Just trying to do something different with a shop display to capture that little bit of imagination!

**The Younger Shopper** We have also got to appeal to a younger audience. My daughter Georgina was doing business A levels at school so she made up some 100 questions for a customer questionnaire. She is an attractive young lady, so she got all the young lads to fill in the questionnaire. She also gave out product samples to encourage people to fill them in and went completely away from our shop with the questionnaires. We asked things like ‘where do you buy you’re celebration cakes?’ Answer - Supermarkets, ‘What do you think about Greenhalgh’s?’ Answer - Pie shop. All the answers were fed back and analysed for action. For example, we want people to think that we are more than a pie shop, even though our sales are around 45% pies. We had to try and get all this into what I thought was required for Greenhalghs over the next 10 years and think about what my dad and our Marian would have wanted.

So we updated the shop design, see photograph below. It is a lovely shade of green that you can see from the bottom of the street. So you have blue of Greggs and the green of Greenhalgh



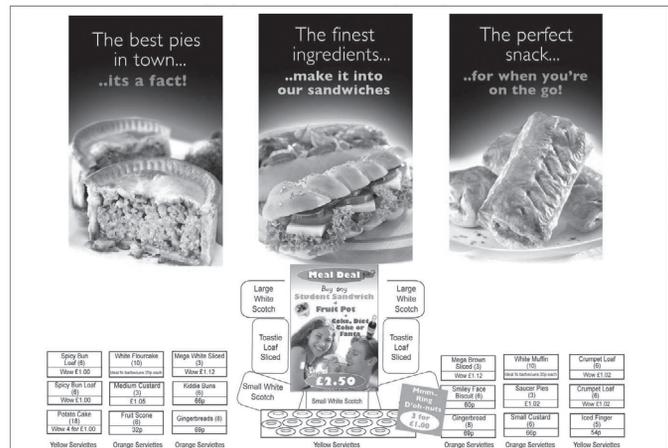
and there is no mistaking them. Previously you couldn't see the green of Greenhalghs, which taught me an almighty big lesson. We came up with this concept of a big G in 'Greenhalgh's'. It is the initial

impact imagery, the cleanliness, the high impact imagery is of importance and likewise inside the shop, the signs in the window, ‘Good honest food’ that’s the message that we are portraying. We are a pie shop so why not put pies in the window? That’s what we did and our sales went up by about 12.5%, because people could see we sold pies. This seems to be a strange phenomenon, since we have been in Bolton for the last 52 years! But the cleanliness the simplicity of it, the demographics of that shop is actually younger people to who would normally go in a ‘Greenhalgh’s shop, which would predominately be female, 28 - 35 to about 55 - 56. The younger people, up to about 25 and the older people, tend to go into a shop which is cheaper than ours and the middle age range is our catchment area. But being a greedy git, I wanted everybody to go in our shops! What I didn't want to do however, was frighten people off with the new imagery, so I wanted to make the new Greenhalgh's imagery such that customers, existing



and new, would be happy coming into our shops. Hopefully that’s what we have achieved!

**Van Sales** The photographs below shows what our delivery vans and our new mobile shops look like. Again it’s the big ‘G’ ‘Greenhalgh’s’, nice and simple, keep it neat. A lot of bakers have mobile shop van sales these days so we decided to go mobile. We’ve got 3 mobile shop vans now, plus one on order for delivery before Christmas and one on order for delivery after Christmas which will take us to five. One of the, pardon the pun, best things since sliced bread, these mobile shop vans take £2,500 - £2,700 a week - one man, one van, thank you very much. It is very profitable. We charge 7 - 8% more than our retail shops because it’s convenient. Sales are literally soups, sandwiches and few pies. We tried selling coffee but didn't work, not in our area anyway, because most of offices and factories in the industrial estates we cover supply coffee free to their staff. Mobile shops were a great move for us so you should consider if it would be successful in your area.



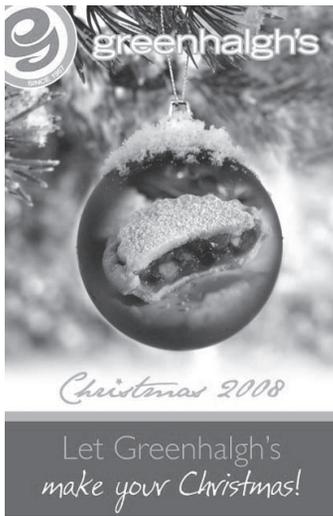
**Window Display** See below shop window leaflet 21 June ‘best pies in town’ it’s a fact sheet, for meat pies, ‘finest ingredients in our sandwiches’, etc.

Very simple, very straightforward, very clean, high impact photograph and that’s what makes all the difference. That’s how we’ve changed. Likewise, below is the window



poster that is currently in as we speak. Halloween, Bonfire Night ‘Treat them to something special, perfection is in the pie and discover something sensational’. Again very high colour, very neat, very simple, very impact and obviously

the new company colour goes out with all the advertising. This year we have offered a week's holiday with pay as a prize for the manageress who can decorate her Greenhalgh's shop the best for Halloween. They are all working hard on decorating their shops and have given a great reaction to the idea.



**Christmas brochure**  
This is what our Christmas brochure looks like this year. Again very simple, very Christmas looking, with the mince pie in the middle, 'Christmas 2008, let Greenhalgh's make your Christmas'. Again, it smacks of quality, say's its Christmas with the mincemeat pie and we do sell a few mincemeat pies at this time of year!

**Internet Marketing** My dad didn't believe in the internet and he didn't want anything to do with it but obviously he was from a different generation, god love him. To our generation and my son's generation, and my wife's - she's quite high up in the Brownie and Girl Guide Associations and everybody there communicates by email, there are no letters, it's all e-mail. We're now changing our website to what we think we should



be doing. It's going to have videos on, a blog There is a little baker in the top right hand corner on the home page and it's called 'ask David' and it sends me an email direct. It's one of the best things we've ever done, because our customers have a direct link to me. I usually get 5 or 6 e-mails a day asking things like 'What calories are in soup?' You get a bit of a dialogue going with them. You've never seen them on god's earth, but they've got this reaction this rapport with you and say thanks a lot. The lady who receives a personal reply to her e-mail is a confirmed Greenhalgh's customer because she thinks she's got personal access into David Smart. It is a very good customer communication tool.

**Facebook** Hands up who in the audience is on Facebook... you're the winners, because anyone who is not is missing a



perfect communication tool. There is a 'Greenhalgh's appreciation society on Facebook and believe it or not I didn't start it! Someone else started it as a bit of a joke but I've now taken it over. There are over 300 people in the Greenhalgh's appreciation society now, with about 20 people joining per week, due to word of mouth spreading. You've got to make it funny and interesting however. Some of the videos I've played today are on Greenhalgh's appreciation society facebook site. Whenever I make a change or add something to the site, 300 e-mails are sent out and out of curiosity people think 'I wonder what he's doing now' and by default, you've put Greenhalgh's in their mind yet again. It's just a simple communication tool but really effective.

**Public Relations** We do lots and lots of PR. If you put an article in a newspaper or magazine, the readers may not believe your claims. If however someone else puts in an article about your company the readers believe it is true.

I don't know why but they do. So anytime we can get our picture in the paper for whatever reason, we do so. We are running a thing at present called 'Support your local hero's', which we spread out to all the shops, whether it be 'that's me there with the mountain rescue' or 'we did crocus walk', or helping to support a Bolton swimmer for the Olympics, or our sales manager dressing up as a witch at Halloween. I do a talk once a month to the local WI's and I'm booked up for the next 12 months- 14 month - women are the bread buyers. At any one time I have around 60 members of the WI visiting the bakery, whom I'm indoctrinating into the wonders of Greenhalgh's. Its a perfect opportunity to do one to one marketing.

**Food and Drink Exhibitions** We had a stand at the Food and Drink Exhibition at the NEC this year and we did IFE the year before and the Food and Drink in 2006 We will have a stand at IFE in 2009 as well since if you are in wholesale selling you've got to go where the buyers will be Yes it does cost a lot of money to exhibit but if you want the buyers on your stand to see your range of products you have to be there.

So this has been a look at where we came from, where we are now and with a look at the future with a strong sense of the past. As I've said before, I am a baton carrier, trying to take the business from one generation to the next. So thank you very much. As there was eight years between now and the last time I gave a talk to the BSB, I will see you all in 2016!

## Questions & Answers

*Question: Sylvia MacDonald, Croydon - "Do you have a whole Marketing Department David and can you tell us a little bit*

*about the quality of your bread. Will sour dough ever reach Bolton and can you send us a picture of the prize winning Halloween shop (for the British Baker)”*

**Answer:** The business uses 100% Canadian wheat flour for all its bread. We use a bulk fermented process where 60% of the liquor of the dough is from ferment which has been fermenting for about 18 hours or so. That forms 60% of the liquor going into the final dough, which is then fermented for about 2 hours.

Will sour dough reach Bolton? It already has reached Bolton, however the Bolton and the Wiganers can't get the connotation of sourdough yet, because to them sour is bad – why would you want to eat sour bread! However we say our dough is naturally fermented! So yes naturally fermented bread has reached Bolton. And yes I will send you a picture of the prize winning Halloween shop.

*Question: Sylvia MacDonald, Croydon Do you have a Marketing Department?*

**Answer:** There's me and the Sales Manager Sandra, the lady who looked like a witch (in front of the Halloween shop in the PR photograph).

*Question: Sylvia MacDonald, Croydon: Do you design the posters yourselves?*

**Answer:** Yes, we do have two lads who put our wants and desire into, for example the Christmas brochure. The first few designs that were coming off, I said No, they don't look like Christmas, so on Saturday afternoon I went back up to my office and went onto Google, and just trawled Google Images everything to do with Christmas, Father Christmas, Santa, Sledges, all that sort of thing and there was just a picture of a Fir tree with a Glass Bauble so I ripped that off and then I hand drew a mince pie and took it to our guy and said copy that. And then he came up with the brochure, so really it's his work but based on what Sandra and I wanted

*Question: Andy Pollard – East Yorkshire : The so called Credit Crunch, or the effect that the financial climate is having at the moment, I think we all know that certainly the North West has been a traditional area for buying quality bread. Have you seen any effect of it so far or what do you think will happen in terms of your own shops?*

**Answer:** We have still got the same amount of customers coming into our shops but sometimes they just don't spend as much. So you've got to take that and say 'how you are going to adapt your business accordingly'? We were musing over a cup of coffee and since credit crunch rhymes with lunch, we've now got a credit crunch lunch. We've doctored a couple of our products and made some pasties smaller and gone down to the basic minimum of meat quantities and one thing and another. We are retailing what we call a "Student" pasty, trying to separate it from our normal products, so we're doing a student pasty and a student sandwich. The Student Pasty is 75p and the Student Sandwich is £1.15 and low and behold we've found a different market. Our normal customers are still coming in buying our normal products and yes we have some other customers coming in buying Student credit crunch lunch and whether they are students or not who cares! So that's how we are doing it.

Sessional Chairman: David thank you very very much, it was a tremendous presentation. I could listen to you all morning but unfortunately we've only got the 40 minutes, so ladies and gentlemen would you like to thank David once again.

**Sessional Chairman Richard Ball**

As you will see in your programme notes, Edward is Communications Director for TNS, a global market information and insight group, the largest in the world. Rather than being a purely a market researcher, Edward's background is in Sales, National Accounts and marketing. He is therefore well aware of the need to present findings in a clear and actionable manner and we can look forward to receiving extensive information on the current retail market and on how it is likely to change. Please welcome Edward Garner.

**Important note about the following paper:** Due to the large number and extensive details contained in the PowerPoint slides Edward Garner used in his presentation, it was impossible to produce a meaningful transcript for the printed proceedings using only some of his slides, particularly since they would be printed in black and white and colour is required to for most of the slides. Therefore the following transcript of Edward's presentation needs to be read while viewing the slides. You can access Edward's PowerPoint presentation on the BSB website and therefore view the individual slides while reading the transcript. The slide numbers which cover specific areas of the presentation are given in the printed transcript. To access Edward's PowerPoint presentation log on to [bsb.org.uk](http://bsb.org.uk), then click on the member's area. Your user name is your surname (lower case) and your password is your membership number. (Contact [secretary@bsb.org.uk](mailto:secretary@bsb.org.uk) if you have forgotten your membership number).



## The Shifting Sands of Retail Edward Garner

I am going to talk about downturn, see slide below. I put a question mark on the slide but it is out of date because downturn doesn't have a question mark on it any longer I'm afraid, it is happening!

**Bread trading indices** This is the only bread chart I'm going to show, slide 3, since I am not going to talk about bread, I'm going to tell you about the retail grocery market and it is very fast moving at the moment, as if you didn't know it. This slide is looking at Bread Trading indices, in other words I'm saying that independent share of the bread market is an index of 2.31, 2.3 x its share of grocery as a whole. So we have at the top end there a typical shop, bread, milk the top up shop, so they are all over index very strongly on bread sales, relative to the normal share. Then you have main stream grocery retailers, being pretty similar areas trading at bread very closely to what we are trading in total grocery. Then you have the discounters which are low prices on bread and on other areas they sell and are





actually under index on bread most substantially and then Marks & Spencer's very low on bread relative to its sales because obviously a huge amount of its business is higher margin, chilled food and that really is all I'm going to tell you about bread.

**Total Till Roll (Slide 4)** This is the very top line of our reports. As its name implies, it's just simply what people spend in the outlet, and it gives us a very accurate measure, it actually is used by the city a lot, it's our most syndicated data and in addition to the paying clients, it goes to about 900 news desks and journalists and so on. That's the last set of data we've got and the basic message from it is that you want to be in grocery, you don't want to be in non grocery! You've only got to pick up the newspaper and read about anything relating to the housing market. A huge number of retail outlets are now on the critical list - problems from JJB sport, DSG group which is Currys, Kesso which is Comet, anything relating to house moves, white goods are an absolute nightmare. The only real certain business is Funeral Directors. You have to eat so at least you still have a market in grocery, growing at 7.3%, except that's inflation basically - in volume terms we're static.

**Grocery Price Inflation (Slide 5)** That is our measure of pure inflation in the grocery trade. There have been all sorts of nonsense coming around, if anybody owns up to reading the Telegraph, you'll have read Harry Wallop, who many months ago said 'you know we're all doomed, it's 15% inflation' and so on. Absolute rubbish it's lower than that. We measure that on 75,000 identical products, so it's one hell of a shopping basket and we keep the proportion the same from one year to the next, so that is pure inflation to the degree that if you actually down trade or buy cheaper products you could actually get a personal inflation rate that is not as hair raising as that. But the reason that it is climbing its actually a lot of common papers it's going to come down, so it's probably the only bit of good news I'm going to give you this morning, because a lot of the big increases in growing product dairy came in at the back end of last year and they will come out of the annuals, so inflation is going to come down, not prices are going to come down, but inflation is going to come down although having said that I'm reading in the paper today that the severity of the economic down turn is actually putting pressure on commodity prices and in fact oil, is now 40% off its peak, I'm dammed if can see that on a garage forecourt at the moment, but that's what's actually going on.

**Trade switching between retailers (Slides 6 – 8)** There is a trend of trade moving from premium retailers to discount retailers and I'm going to tell you that we've got a lot of growth for Aldi and Lidl the German discounters and ASDA very strong on price. There is pressure on Marks & Spencer's, (that's very familiar within the press), they are actually in negative territory. There is pressure on Waitrose and a little bit of pressure on Sainsbury's who come out with their results the day after tomorrow, reckoned to be about 3 or 4 % up on last year but that's behind inflation and so on. So I'm going to clarify those movements but that's very clear and very clear indeed. Within the retailers we are getting a move down stream. Premium private label, this country is unusual in that we have private labels that cost more than the national brands; premium private label like Tesco Finest is actually quite expensive relative to national brands. We are seeing a decline from them to the branded, to standard private label to value own label.

**Total Grocery 4 weekly Targeted Own Label Shares In slides 9 – 10** we have over two year's premium private label on the market as a whole four weekly premium and healthy private label, so you notice for instance at Christmas we go for premium, but we say sod it as regards health, we don't like health at Christmas, but you'll notice perhaps a little bit of a down turn in premium private label and look at that. We have budget private label at its highest ever levels.

**Agenda So slides 11 - 12** contain the agenda I'm going to be following and I'm going to look at the individual retailers and give you a little bit of a flavour of what they are about and these are my sort of quirky heading so you will remember it. So Tesco is slowing, which I am sure is a huge tear for this audience and will stay awake at night worrying about Tesco obviously.

**Market shares (Slides 13 – 15)** These are market shares where total gross is equal to 100% and it's 12 week ended, by the way I think you get a copy of this presentation, I go through it quite fast, so don't worry about if I'm missing numbers and if anybody's got a real problem my email address is at the end, so just send me an email and I'll send you a copy. Tesco is actually under pressure, it's actually lost a bit of share, that won't include Marks & Spencer's because the industry doesn't classify it as a grocer, but anyway. So we've got Tesco down, ASDA are up, because they are screaming about price these days. Sainsbury's down, Morrison's up and then various other retailers we are going to talk about as we go through. So that's the kind of situation and that is the reflection of that price movement that we are seeing.

**Tesco Slides (16 – 20)** Tesco, well its not that bad they are growing at 7% but of course there is a decimal point in there, which shows me that Tesco is actually behind the market ok, if you are not at 7 point whatever it is % then you are going backwards at the moment, that's the problem cause this is based on money, so Tesco slightly under pressure except any businessman knows you don't put percentage in the till you put cash in the till and Tesco's added over one and a half billion pounds worth of turnover from one year to the next because of its sheer size, not to be confuse with the one and a half billion points of profit before tax they declared in the first half year, very sad case obviously Tesco. That's what their market shares been doing over 3 years, 156 data points on that it's weekly.

The bumps up and down aren't statistical wobbles, that's really rock solid data, it's just that the promotional ebbs and flows that you get and the line underneath is just showing the basic trend and you can see that dip over to the right and that shows me the Tesco turnover in 12 week chunks compared with the same period a year ago, so in other words you can see a slow down except at the end you would say 'oh no the slow downs stopped', but it's inflation these bars are moving forward 4 weeks at a time, if I do something more simple and just take the market share and take away what it was a year ago you can see that they are in negative territory and have been for a little while. Having said that and before as I said as we shed a tear, each of these dots when they appear, is a 52 week period of data and it's showing me penetration, that's a proportion of GB Homes that had a Tesco experience, be it retail or over the internet, and the amount they spent in Tesco over that year, basically you can see that the trend is upwards all the way and on our databases we haven't got any product market retailer that has got consistent performance like that. As I say, whilst there may be a bit of pressure in the UK, internationally their business figures are up 10 or 11% so they are very strong. The figure at the end there, 87.6 let's say 88, it means that there is only 12 % of this country that hasn't had a Tesco experience within the last year. So very dominant, they really are a substantial operation. That's their demographics, without getting too complicated on that chart, that's plotting the market share by top left will be social class or income group really, top right household size, housewife age number of children and it's over three years so this slight movement over the years though not a lot. The main point is just how flat the line is because Tesco is so big whenever you look at them indexing they are so close to the average because they are a large part of the base of the fraction as well.

**Sales Trends (Slides 21 – 24)** So they have to be a broad church, they have to do something for everybody, and they have done this with budget private label which you can see sharp increase, very strong increase from Morrison's but that's because they re-launched their budget private label, it used to Better Buy it's now Value. All these private labels up over the last 12 weeks, but the other side of the coin is Finest, which is a premium range but that's down, that showed 11% over last year, you notice those great peaks that's Christmas. When I first joined the market research industry about 20 years ago, the first client I presented statistics to was Bowater Scott the paper people. The company doesn't exist anymore but the brand still does, which is Andrex. It was the time when people used to go to Brands at Christmas and believe it or not the brand share of Andrex toilet tissue went up at Christmas. People wanted to enhance their toilet experience but now the wheel has come full circle and people are actually turning to private label at Christmas, which is really quite remarkable. They have pulled off the biggest marketing trick in the last decade in my view, because if we look at people's attitudes, **Slides 25 - 27**, Tesco's Finest share amongst people that regard themselves as a connoisseur of food and wine is 50% above its national share, so there is that linkage and then there is the other linkage of people buying Value so that price is the most important thing that they buy. Both called Tesco, both on sale in Tesco, utterly different consumer attitudes to them. They have done the same with the retail store, the top two bars are large shops as it says Trolley, when you are going around buying everything, middle one is basket category and the bottom one is destination food

like pick up a pizza on the way home, you know just one items, so that's the kind of spectrum of the shopping missions if you like. Of course Tesco Extra, where you've got about 50 checkouts you're not going to nip in there for a bottle of milk are you, life's too short, but that's where they overtrade. Now look at Express it's the complete opposite, just as you've got Value and Finest, you've got Express and Extra, very very clever. Very clever indeed! If you look at their website, **Slides 28 - 30**, you will suddenly realise that despite Tesco are doing the calling, they have to admit that ASDA is as competitive as they are now, even on their own website, because you now look at that and the number of prices where they say more expensive or cheaper. And the other thing they are doing which you will not like one little bit, is if you are thinking of buying Kingsmill forget it, we've got something much cheaper, which is Tesco Value bread at 45p and that's what happens on the website, if you click on buying, 'I want to buy a major international brand of bread' they will say 'really, we've got something cheaper for you'. We love Tesco! They have also been doing this; you've probably come across this, the advertising. They have come up with a whole new raft of brands of this we've never bloody well heard of, Country Barn cornflakes, Oak Lane Ketchup, my absolute favourite, you can see the way my mind works Spring Force Toilet Tissue! I really don't want to hear about force, let alone metal springs!

**ASDA (Slides 31 – 64)** This is the politically correct version of the presentation! That's what their market share has been doing and that again is this business of comparing a turnover on a 12 week period of the same period a year ago and over to the left you can see that they went through a nightmare. You may remember redundancies made at store level, redundancies in Head Office, change of Trading Director, if anybody deals with them, they've now got a bit of a pit-bull a guy called Darren Blackhurst, nice on one to one but a very tough negotiator and he came into the business and said they've all gone soft you've lost the plot, so there was a renewed focus on pricing, tidying up the store availability not a re-launch but it's had huge results in just, I think I'm actually going to use their own words "sticking to the knitting", and that knitting I'm afraid is price. They've tried other things, this was one of the stores in Northampton and another one in Pontefract, my garden shed looks better than that! And is positively soviet on the inside with 95% private label and the last time I made that comment there was a Russian in the audience and I had to back track furiously. They've also closing these operations, stand alone George stores, the George clothing ranges is being folded back into the run of main store or ASDA Living, which they are sticking with. The Demographics are quite different and that's the shape of them visually but we are all very guilty of loosing data by summarising, so if I summarised ASDA to you I'd say it's See though DE, large households with younger children, which is what people would recognise. See through DE, blue collar basically the way we split social classes, it's getting a bit outmoded now, but the point is because of the second largest retailer and by the way you know that they are owned by Wal-Mart of the States which is the world's largest company not just world's largest retailer. I do want to say that it's larger than Belgium but that kind of damns with saying praise doesn't it! The social share amongst social class A B is 13.7 so they under trade in A B's, and if you're A B you lot say your professional managerial when you go to ASDA you are not totally keen on I am your greeter. You probably do not want to be greeted with

piles of smart price toilet tissue, you'd rather walk into the flowers and the fruit and veg and so on, and the other thing you are probably not very keen on, myself included, is ASDA FM, which you can actually listen to on the internet, can you believe that. You know when you go in the store they shout the offers to you. Anyway, so they were deciding to do something to lift their share amongst AB's and they under trade in fresh and chilled which is a typical, you know when I'm using these indices it means that the fresh and chilled is 97% of its share of the shopping basket. So they under trade there, so they really should be doing something about it and they have been, they are trading more strongly there than they are in the total. The big growth in alcohol is easy, you just do a multi buy in larger packs. The figures on alcohol move all over the place according to World Cup's and Christmas, so we can ignore that. Believe it or not 14% up in Organic and organic isn't the top of mind word when you think of ASDA, but off the low base very strong growth and the other thing is very strong growth in the premium private label, off a low figure it's nothing like Tesco Finest it's much more at the bottom of the graph, I've actually already shown you that line just on a different graph, but the point being the people but this stuff actually even if they don't buy a lot of ASDA extra special they do buy a lot of stuff in-store. They are the big hitters, we used to call it the goats cheese effect. You don't sell tonnes of goat's cheese but it's important to have it because the people that buy it spend a lot of money in your store.

Then I thought I would look at the rolling source of change in spend again, 12 week periods. The green bit tells me that people who shopped in ASDA, come back a year later and they are spending more money in ASDA, that's what that saying, more sales to regular shoppers. I am also interested in the blue bit which is the consistently gaining from other retailers, apart from a little bit over to the right. Consistently gaining because it is above the line. I thought I would analyse that blue line and clarify it for you, so there it is. I thought let's just concentrate and these are the things that are worrying ASDA if you like, up in Leeds. Firstly they no longer have the benefit of the collapse of Kwik Save, they did very well out of smashing up Kwik Save over the years. Some of you might remember the Kwik Save's 6/7% outlets in this country with about 1500 shops. It no longer exists and obviously that business has gone somewhere and a large amount of it has gone to ASDA. But that's gone. The one thing ASDA has done has stopped losing to Tesco and is now gaining from Tesco. That's the traffic that's moving. And remember what I said at the beginning about that price situation, ASDA just shouts price. There was a situation where, I think it was Andrew Higginson of Tesco, one of the main board members, was quite sniffy about ASDA's performance and said they were a one club golfer, in other words what he means is that they just have one trick which is price. ASDA are very good at PR and Andy Bond their Managing Director then sent a set of golf clubs to Andrew Higginson. And of course in common with a lot of other people this is what's happening ASDA now, quite consistently losing to Morrisons and I will come on to Morrisons shortly. ASDA is all about price, we can't ignore that, there is also a lot of promotions. It used to be 'Every day Low price', they certainly cut back on the large amounts of 'Buy one get one free' because 'buy one get one free' now gets a bad press. Buy one get one free is my book is buy one and watch the second one rot. And also I think WRAP, Waste Resource and Action Plan is very much against 'buy one and get one free' because you end up buying stuff you don't

want.

But what we do get in ASDA, a particular popular promotion, is temporary price reductions, TPR, Multi-buy, Y for X (3 bottles of wine for £10) that sort of promotion. Big favourite for ASDA and you will notice it is the strongest thing for them. Just in passing you will notice over to the right just how strong on price cuts Iceland is. Always in the window, 75p freezer essentials and so on.

Now this is looking at price, prices are a very complicated area. If I am asked by a journalist what's the cheapest supermarket? It's about the only question I won't answer because it depends on what you are buying, very difficult. I've got here, not the sort of price of a shopping basket, I've got the price of all the products in 284 markets but in the proportion that people are buying then in the stores. So in other words it looks as though Sainsburys are much more expensive than the others – it isn't the case, it's because it sell more expensive things – it's a mix effect in there. I am just interested in the blue line for Tesco and the green line for ASDA. Before Darren Blackhurst arrived Tesco was in index terms getting cheaper, so even if ASDA didn't do anything it made them look expensive, okay, because it's just indexing, and then ASDA said no we better sort out price. These aren't big movements but we are talking about huge amounts of data behind them and a renewed focus on price. Over to the right they are all climbing a bit because of increasing strengths and discounts. And that's the sort of pricing we have been seeing from ASDA, very clear cut prices are a major part of the advertising and in-store. You may remember that which they actually managed to achieve by using less material on one side of the suit than on the other.

Food price inflation has peaked, I said that at the beginning, Andy Bond agrees with me, so there we are. You may also be aware that they've come out with that sort of pricing because they wanted to spike Tesco's guns. Tesco came out with the budget private labels, here we are the slashing of price with Smart Price. One wonders what the hell you get when you buy 500 grams of margarine for 21p and bread, 30p, so we are back to that territory again. Pretty remarkably hairy pricing. They did at one point have sausages for 2p each I believe but not many lived to tell the tale.

It's important if you trade with Sainsburys to understand where they are. I call them 'mass market upmarket'. In other words they are not Waitrose but then again they are not Tesco and ASDA. They operate a little bit between the two in terms of ethics and pricing. And it was a comedian, it's not my line but somebody did say the whole purpose of Sainsburys actually was to keep the riff raff out of Waitrose.

**Sainsburys (Slides 56 – 65)** Sainsburys is a Christmas outlet, there are three Christmases on there, it shares peaks at Christmas because people are going for food values at Christmas so differentially they will go to Sainsburys, Waitrose, Marks & Spencer. That looks okay, doesn't it, except we have this problem that if you are not making seven you are running backwards. So that's the reason, the scale is almost invisible, it's about five they are growing in that last period. So it's behind the game and they are under a bit of pressure. Having said that, one of the reasons it looks like they are under pressure, and this is to be fair to Sainsburys, they have reduced their relative pricing. I showed you that line earlier, and you can see we do have a real reduction in the relative price positioning of Sainsburys. They have had to get more competitive. Okay if you are doing 21 day beef or Taste the

Difference, you can price it as you wish because it's unique to you, but you cannot say well our Kellogs cornflakes are more expensive than at Tesco. People won't wear it any longer; they expect these known value items to be at the same sort of level. So that, because of the share, is a sterling measure. That will put pressure on the share if you reduce your relative price. It's just the mathematics of it and they really have got behind budget in a way they didn't used to. The orange line on their Sainsburys basics used to be economy or low price which was 'poor people buy that' and now we have gone to 'Basics' and they even use that in the advertising with Jamie Oliver, so there's good, better, best hierarchy in private label. And in fact, relative to Tesco, okay there's some pressure on Taste the Difference, but its only 1% down, Tesco was down 11%, so not so bad. An although this is sales and remember Tesco is twice the size of Sainsburys, that does tell me that actually Taste the Difference is a very strong range, it does very well for them. And of course they do operate in bread but I am not talking about bread in this presentation.

Total fresh and chilled quite different from ASDA, they over-trade by 10%, so Sainburys is to a degree is a fresh from chilled outlet. If I look at the movements, their fresh and chilled is stronger than their overall growth, this is year on year growth. Frozen strong growth, but then again frozen is very small in Sainsburys so that's strong growth off a low base, so it's not that significant.

And then if I look at the lifestyles of people that shops at Sainsburys, again I never really explained, but we take our data from 25000 homes who record their shopping electronically when they come home and once a year we can run a questionnaire past them and cross link, and the point is that those answers aren't people thinking about Sainsburys, those answers are produced in isolation just by somebody filling in a questionnaire. We produce the link to Sainsburys in our computer by linking it to the electronic purchasing because obviously if you asked a person coming out of Sainsburys why they shopped there they would probably parrot back Sainsburys advertising and that's a waste of time and bad research.

So what we've got in **slide 65** is ethical, organic, connoisseur of food and wine, country of origin which is provenance, Fairtrade, free range, recycling, its all there. I'll show you a Waitrose chart later, it's the same thing just the numbers are higher.

**Fairtrade (slides 66-70)** So what about Fairtrade? Well this is the share in the bars of Fairtrade bananas and the line is the premium pricing, so in other words we've got a growing market share and yet they are selling at a 30% premium to the average banana. This is the first example, the other one is going to be free range eggs. I put it to you that anything that is growing its business at a 30% premium to the market you have to sit up and pay attention. I know we've got a credit crunch but something is going on here, and this is people being ethical. That's the growth in total grosses, that's what happened in Sainsburys, they now only sell Fairtrade bananas, in fact their move was the biggest single thing for the Fairtrade foundation and to be fair, Waitrose got their first, but it has been a big PR coup for Sainsburys.

**Free Range Eggs (Slides 71 – 80)** Free range eggs - now this is fascinating. Whenever we produce data every four weeks now eggs is one of the first things I look at. Why, because we have a wonderful price progression. We see the credit crunch

operating here. This is a massive increase in the price of eggs for dairy. Over at the bottom of the chart we've got ordinary cage or battery eggs and we've got an egg costing about 8p here and its gone up to about 12p, about a 30% increase in eggs and that's also been seen right across dairy as well. So there's that price increase and no doubt about that sharp it was too. But the price of an organic egg has probably gone too far because that's what's happened to the market share, it's suddenly fallen off a cliff. Now if people can say well actually I can still be ethical because I can buy free range eggs and there the share of free range eggs is nearly 60% of the market, most by value of the eggs in this country are free range now, at retail. The blip was the chicken run programme with the chefs saying you want to buy free range and as it happened had a bigger effect on eggs than it did on chickens and there we are just showing the market share in the bars and the line. It is very similar to bananas in the sense you've got something growing at a big premium. Pay attention to it. That's what has happened to eggs in total Grocers, that Sainsburys, once again I said they are not the average and that's Waitrose, not including quails eggs obviously. And that's (slide 80) the free range share of chickens which was the subject of the programme you might remember but of course it is much cheaper to buy free range eggs so it has a much bigger impact on eggs than it does on chickens.

Slides 81 – 82 enable me to show you my olive index – it's my invention, it's my gift to the world. I've discovered you can get quite a close correlation between whether people are over or under trade on olives and their social class, the retailer. So you've got Waitrose on another planet up there on olives, they've got an olive department. It's important to remember that Sainsburys is not Tesco, or Waitrose or Asda, it is in that sort of half way house position but it's very important for them.

**Sainsburys Slides (85 – 94)** I'm just showing you the trading we are getting for Sainsburys slide 83, very strong on fresh and chilled, fresh fish, fruit, veg and salads, it's all about health isn't it, and there's olives so that's fine. That's organic, a very similar pattern actually, you can play this game with a lot of retailers. It's just important to remind you where Sainsburys finds itself. Strong in fresh and chilled, why, well that's what's been happening in frozen and Unilever sold Bird's Eye, no wonder and that's what's been happening in chilled, quite different. These are Sainsburys demographics, they've been getting younger if you look at bottom left, the latest bar is actually not biased away from the youngest age group and they have been trading more strongly in good old basic family shopping which is where Tesco and Asda have been strong. Making a few gains but their gains have come back with them gaining from other retailers, so Sainsburys over the last year have gained nearly £36million by people switching out of M & S. But the blue bar does tell me they were gaining, but they have now started losing a bit so there is pressure on them and the biggest pressure is probably price perception. The blue bars are people spending plenty of money in Sainsburys. The other bar shows in term of shopper turn, are they getting new shoppers? No there are some people not going into Sainsburys because they think it is too expensive. In other words it's a perception issue, which they are always struggling with. If you talk to people at Sainsburys they will admit that. So a bit of pressure and of course that's part of the pressure because like everybody else they are losing to Morrisons at the moment. Another one if you have seen that advert, it will horrify you, because it's another one rather like the Tesco thing, you don't

want to buy that, you want to buy this. It's a family seen around the table passing the ketchup, it's not Heinz, it's some Mickey Mouse product they've got but everybody is still happy with it. Feed your family for a £5 – we are all familiar with that.

**Morrisons (Slides 95 – 122)** The surge at Morrisons, well look at that over to the right. Very very strong, as you know they took over Safeway and that gave us three phases, store sell offs, profit warnings, blood in the boardroom, then we had stable but behind the market so they were suffering, and then real growth, and it's a totally new team. Sir Ken now at 74/75 is no longer at the helm; it is Marc Bolland, a Dutchman, and a completely new board. Very strong operation, totally different ethos for the company now. Gaining new shoppers and strength on existing shoppers, so it's a very strong base there. We have a big misconception in the south about life in the north and that gave Morrisons a problem in coming into London and as it happens, for different reasons, into Scotland, and as a result they didn't get many shoppers initially. And this is the reasons, remember this is 2007, so this is how they were and I actually presented this data to Morrison's board at the time, because I said you have a communication problem. You have acquired a business in London and in fact Scotland, where Safeway was the leading outlet, but people have no idea what you are about. All of a sudden they have seen this black and yellow signage but they have no idea, and the Morrisons shoppers are saying, they need to fill up, health food, rubbish bought by fanatics, not worry about eating healthily, buy clothes for comfort not style, often on a diet to lose weight, I'm fat, and people regularly smoke in my house. So here's the management summary – and that's the sort of advertising they were doing, which is rubbish. Any fool can do that sort of advert which is fictitious shopping basket which happens to be cheaper than Asda. But of course it's all changed, they now talk product, and price, but they've suddenly woken up to the fact that they've got a problem in store, it's good old fashioned grocery trading. They own the farms, they own the abattoirs, they own the pack houses and they have not been telling anybody about it. But of course nowadays, provenance, where the food has come from, you know when you go the Sainsburys or Waitrose and they give you the name of fish you've bought. Very impressive website, worth going to, totally unlike what it used to be before and in the case of looking at fish, tells you a lot about it. Very good. Very strong growth then so they came out with 9%, so of course that's ahead of the market so doing very well. Strong in fresh and chilled. Fresh and chilled is slightly up-market, Morrisons is slightly down-market so that is a hell of an achievement and that's to do with Market Street, which I presume everybody is familiar with. A lot of fresh, and if I sharpen the focus even further we've got enormous amounts of fresh and chilled up there. It's all about fresh and chilled, it's all about Market Street and if I do a fish index, it actually shows you that relative to its social class, Morrisons over trade on fish, it's above the line, it is not on the line and that's a testament to the way they merchandise it. Fresh and chilled is the fastest growing area even though they do talk about price quite a lot. That's the Premium private label, huge sales at Christmas, that's the budget private label which of course, like everybody else's, is increasing. They have also changed their promotional strategy, much more and temporary price reductions cutting back on multi-buys, buy one get one free. Their recovery is solidly based. This is looking at big trolley sales. If people remember Safeway they did such great offers you went in and

bought those and actually cleared off and did the rest of your shopping somewhere else, because the rest of the store was expensive. That is not applying to Morrisons; it's based on big shopping trips, not cherry picking. That's what that chart is showing. And the end result is that's the Morrisons difference. You can read through it cafe, restaurant, butchery counter, fresh fish counter etc, it's all about the retail theatre and the people there value it because it's the point of difference. Here you can feed the family for £4, so it's cheaper than Sainsburys. Having said that, at the end of all the excitement, really things are relatively ..... people are arguing over decimal points of share amongst the top four, if you take that sequence. Obviously we go back to that period when Tesco overtook Sainsburys in 1995.

**Waitrose Slides (123 - 138)** Waitrose an ethical consumer? Government statistics here, which are very difficult to get hold of if you ever go to the Government website. Believe it or not to keep things in perspective, I know the economic news is dire, but we are two and a half times wealthier than we were in 1970 and at the same time, and going back to your parents time, they spent 24% of the household budget on food and non-alcoholic drink in 1963, it is now about 9%. Yes the trend has stopped and it may well go up but it's got to go back a long way to come back to here. The reason for showing you this chart is why Waitrose is still relatively okay, because it's got people happy to spend that bit extra. Rather like the Sainsburys chart, it's just all the numbers are higher; it's all about Fairtrade, free range, organic, recycling and so on. And when we talk about organic it is there, the Soil Association will say it's about £2Billion, but we can only call it organic when we physically actually get the word organic in the barcode descriptor, otherwise we agree on trends, but you can see there's pressure there. Interesting to see the next number to see whether people in the credit crunch are saying "organic, too far". You do have to realise anyway when you hear people say, well 90% of people have bought organic at the end of the year, but it doesn't mean they are organic shoppers. So we've got 14% of buyers account for two thirds of the market and at the bottom there we have 12% of people only account for 1% of the market and probably by accident, and to prove it here is someone buying by accident in the store. Very very strong on organics for Waitrose if you didn't know it, it's four and a half times stronger in the organic market than it is in the other markets. It's got about a 3.8 share in the market as a whole, multiply that by four and a half to get its share in organic, it hugely over trades in organic. Why do you shop there? Well the staff are friendly, there's less queuing at the checkout, more variety, because it is to do with the quality of the shopping, and I visit different shops with the best prices – absolutely not – people are disagreeing with that statement, the numbers are lower than 100, they don't worry about price, they send their butler out to check it for them. If I look at the broad areas, very strong on fresh and chilled, massive over trade on fish and fruit and vegetables, it's the healthy diet and believe it or not Waitrose shoppers are thinner than average and Asda shoppers are fatter than average and that's not a politically incorrect statement, it is true but I can tell you more about that on the body mass index calculations later, and chilled olives obviously. Go to the website if you want to know about fish, it has got one of the best websites I have ever seen because you can click on this thing on the bottom which rolls past you like the fixture on ice and you click on each fish and it concentrates on that fish and tell you all about it. It is well worth a look.

Discounters – (Aldi, Kwik Save, Lidl and Netto) plus information on Somerfield, Cooperative and Fairtrade Slides 139 -169.

The penultimate section is a few charts, we are all flocking apparently, this is what the journalists, lazy journalists, have now started to say – middle class is flocking to Aldi and Lidl. It's not the middle classes, obviously it is not where you do your Christmas shopping, you notice the three Christmases that people actually go away from these stores at Christmas but we have got a lot of growth, particularly over to the right and one of the reasons is the collapse, just as it was with Asda but before we get hysterical, yes we have got growth over here but if I add Asda, Aldi, Lidl, Netto together as a discount sector we are not actually as big as we were a couple of years ago, so again just to put it in perspective because you add up Aldi, Lidl and Netto, 6% - well discount sector in Germany is over 40% and you can relate it to store numbers, it isn't people flocking quite so simply and if we take their store expansion programme as detailed by their Chief Executive, we'd say that in a few years time they might have a 4.5 share.

I've done a little bit of an analysis, I looked at people who shopped in period 1 compared with people who shopped in period 1 and period 2, and in other words what I am trying to do is look at new shoppers, the people they've got now. They are not the middle classes, there's no particular bias to class there on income tax band, but they are larger households with children and younger, isn't that more logical. They are the people that are being squeezed on the money and they are the people that are going to the discounters. And in London and the south, that's where they can expand into. And it's all about new shoppers not people suddenly giving their whole shopping basket to these places, same with Lidl.

Somerfield, well that's what's happening there. Quite a lot of store sell offs, the reason for the decline. They were going to go for £2.5Billion; they eventually went for £1.57Billion to the Co-OP. The Co-Op very very strong in Fairtrade even stronger than Waitrose, all the beverages are Fairtrade and if you put the two together you can add their shares except they are going to sell off stores for the competition commission but you can't just add the penetrations because there's an area in the middle where they overlap in a year. So if I put the two together I say that they are likely to get just under two thirds of the country shopping there in a year which means that in those terms they are about the same size as the discount sector or Morrisons. But not as big in turnover but in terms of shop traffic.

**Home Delivery Slides (170 – 177)** Last few charts - home delivery. Believe it or not it's Tesco although we have had quite a bit of growth from Asda. The other one that trade above their weight are Kardo who are very strong on fulfilment, very nice young man comes round and virtually puts the shopping away for you. Anyway it's all about Tesco, you don't get internet shopping at Christmas. That's the demographics which is very unusual because it's up-market younger, normally the money is with up-market older, double income, cash rich – time poor, and if you look at young families where the youngest child is 0 – 4 years it's actually over 6%, it's a big outlet in its own right, internet growth is large, it's not fringe, it has happened, it's big. Very strong bias towards higher income groups and council tax bands. There's a link between the bricks and mortar, so if you shop is Tesco or .com, in an eight week period, 70% of you also go to the bricks and mortar store and you are much

more likely to buy produce in the store and canned goods on the internet, the logic works there. Two thirds of the Sainsburys internet customers also go into the bricks and mortar stores. And what does it tell us, well it's the life style of people who are time pressed, don't want to go to the store, cash rich – time poor, under pressure when they do grocery shopping. My favourite one down the bottom, tend to spend money without thinking – very useful to us!

**Reminders slides (178 – 186)** To summarise: slowing up of Tesco, we covered that. Asda not just C to D,E, doing things to actually get A B C 1 shoppers but remember to netting it's price, at the end of the day that's what Asda is about. Mass market upmarket which is where Sainsburys finds itself. The surge of Morrisons so they've got the re-launch and the main problem they've now got is to decide whether they are talking price with Alan Hanson or freshness with Denise van Outen, it's the balancing act they are doing. The ethical consumer, Waitrose, but to a lesser extent Sainsburys. Flocking – well we know about that, and home delivery. Except as I said, go right back to the beginning of my presentation, the elephant in the corner of the room and what is moving all these numbers, and they will continue to move because, we publish new data next week, it is the downturn.

**Questions:** Although there were some questions following Edward's presentation, unfortunately the company who looked after our audio visual requirements at Coombe Abbey must have failed to record them because they were not on the tapes of the conference proceedings they supplied to us. Please accept the BSB Executive Committee's apology for this.

Sessional Chairman Richard Ball

I would like to welcome our third speaker Andrew Fuller, who is Product Development Technologist for Muntons plc. Andrew's paper is titled "The application of malt products in bakery goods" and currently I work for a similar company so I will be very interested in Andrew's presentation. I have worked with malt flours for about the same time as Andrew and in that time I am amazed at how much I have learned about the products I knew very little about and I look forward to what Andrew is going to say. Being born shortly after the war I enjoyed the delights of a spoonful of cod liver oil followed by a spoonful of liquid malt and boy did I love that liquid malt after the cod liver oil. So a lifetime later I am now working with the particular products and learning all about them. I have heard them described as mystery ingredients with very few bakers really understanding the products or knowing exactly the benefits from them. Andrew joined Muntons with 15 years experience in new product development, focused on baked goods, developing quiches, and followed by chilled bread development for a major retailer. He now uses his knowledge in developing malted ingredients and applications. The key is the applications and Andrew, I am sure your paper will brush aside some of the mystery of malt products and highlight the benefits of using what is a natural ingredient.

# The Application of Malt

## Products in Bakery Goods

### Andrew Fuller



Good morning. I am going to talk about the use of malted ingredients and their properties and benefits in baked goods. I will give a summary of what is in the market place at the moment, where you can find it, potential uses, as well where it is currently not used but could be, and why malted products are used.

So as a good place to start – what is malt? Perhaps the most concise description is a grain which has been soaked in water, sprouted, and dried, a simplistic way of putting it. The purpose of these actions is to convert the proteins and the starches within the grain into a form which has functional and/or flavour properties of benefit to the end user, in your case bakers but also to brewers, millers, etc. Basically the malting process converts the starches and proteins into sugars and amino acids that are the building blocks of the malt flavour we all recognise, together with its functional properties. So what can be malted? Most cereal grains can be malted, but there are four main grains which you will see commonly available – barley, wheat, rye and oats. Something which Richard touched on in his introduction is the important fact that malted ingredients are natural. The maltster only uses water, heat, time and physical effort to convert cereals into a malted grain and then manufacture that malted grain into the malted ingredients that you are likely to see in your bakeries. A buzz term just now is ‘slow food’. An example of a slow food is a long fermentation time ciabatta, which has a fantastic full fermented flavour. The equivalent to this is malted ingredients, the malting process taking seven days - two days steeping, four days germination

### Malted Ingredients

- **Natural**
  - Water
  - Heat
  - Time
  - Physical effort
- **Slow Food**
  - 2 days steeping
  - 4 days germination
  - 1 day kilning
- **Food miles**
  - Most malting barley / wheat is grown within 50 miles of the malting facility
- **Clean Label**

and one day kilning to convert the starches and proteins in the mother grain into a malted ingredient. Another current buzz word is food miles. Most malting barley and wheat are grown within 50 miles of the malting facility, so it is quite an ethically good ingredient to use in that way. Perhaps the most viable benefit of using malted ingredients is the fact that they are clean label. You will only see on a bread ingredient label that it contains malted ingredients, the source of the ingredient, such as barley, the word malt, and then the form of that malted ingredient, be it a flake or flour. It is something consumers are familiar with and recognise as a natural, healthy ingredient.

## Types of malt products – dry malt products and particulates

I will discuss malt products under specific heading to try and make them a little bit more understandable and I’m going to start with dry malt products and particulates. Many people will recognise Hovis Granary bread, see photograph, as a bread



which contains malted products such as in the diagram headed ‘contains’.

The diagram shows the range of particulates which are available. They are available in different sizes, anything from very thin flakes to slightly rolled grains and in different colours. A range of colours are achievable by adjusting the malting process or by adjusting how much the flakes are toasted, which is one of the final stages of processing and they are available

### Contains....

- **Malted Flakes**
  - Available in different sizes, colours and from various cereals.
  - Texture
  - Rustic visual
  - Flavour
  - Wholegrain
- **Kibbled Malt**
  - Finer particulates
  - Available in different sizes, textures and from various cereals.
  - Texture
  - Flavour
  - Wholegrain

from different cereals. Particulates provide texture to finished products. A rustic visual effect, which is important if you are producing a batch bread for example on a

very high throughput bread plant. It’s quite a benefit to give a rustic visual effect to that particular product even though it’s not undergoing a rustic process. You also get a nice malt flavour throughout the loaf. Quite an important thing to remember about many malted ingredients is they are wholegrain. We are taking the whole of the grain and processing it with heat, water and time and taking nothing away. Therefore malted grains, or malted flakes are classed as wholegrain. Something perhaps less widely used is kibbled malt. Much smaller particulates than flakes they are really useful for things like dinner rolls etc, where malt flakes might be a little bit too big. They also work particularly well as a topping. As with the malted flakes, kibbled malt are available in different sizes, textures and from

### As a Topping

various cereals. They provide texture and flavour and they are also classed as wholegrain. So I’ve touched upon the use of malted

ingredients as a topping. You can see some bagels I have baked off with various traditional toppings. The traditional topping I guess for bagels is poppy seeds and as a contrast you can see just how rustic the bagels look with the malted wheat flakes and rye flakes on them. But you can also see if you want a better, more even coverage or less of a rustic feel about the product if you like, that's where the kibbled malt comes in and gives quite a nice appearance on this type of product. Malted wheat flakes are used on malted grain rolls to give texture, flavour and appearance. Barley and wheat flakes are also used in cereal bars to give a really nice crunchy texture to the bar. Okay that's particulates, now on to roasted malt flours and referring back to the Hovis photograph, this also contains roasted malt flour. The main reasons for adding roasted malt flour is colour, flavour and aroma.



Multi grain rolls

**Roasted Malt Flour**  
**Crystal Malt Flour**

- Malt heated in closed vessel prior to kilning
- Optimum temperature for further starch conversion to sugary syrup
- Dried at high temperature to caramelize the 'syrup'
- Caramelised sugar crystallises when cooled.
- Results in red/brown colour and sweet cereal malt flavour

**Roasted Malt Flour**

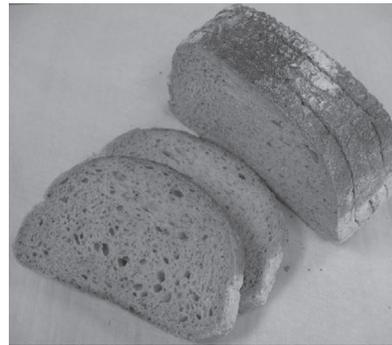
- Drum roasted dry malt (processed like roasted coffee beans)
- Results in stronger roast flavour and dark grey/brown colour

Moving up the scale with a dark crystal malt, the colour takes one step up and you'll notice you are getting some grey hues into the colour. So if you are looking for a dark coloured rye bread for example, this would really come into its own because you would be looking for slightly more grey hues to the bread.

**Duchy Originals Organic Multiseed Bread**

- Organic Roasted Malt Flour
  - Flavour
  - Colour

At a level of 1% on flour weight, the heavily dry roasted malt flours contribute a high level of colour where required in bread.



Dark Baltona Polski Chleb

In addition to Hovis Granary loaf, Duchy's original organic multiseed bread contains organic roasted malt flour. I haven't mentioned organic products yet but needless to say most maltsters produce organic versions of most of the non-organic



Waitrose Farmhouse Batch Multigrain

flours and malt extracts. Organic roasted malt flour is used in Duchy's original organic multiseed bread. It does not have a high colour as a very light coloured malt has been used and gives a really nice background flavour to compliment the seeds and not overpower them. Then onto a Polish bread which is available currently. Dark Baltona Polski Chleb – roasted malt flour for colour and flavour. Slightly darker colour from a darker malt, slightly more grey malt, and it relies on the use of malt flour to differentiate it from their light alternate

version. A similar product to the Hovis Granary is Waitrose Farmhouse Batch Multigrain containing malted wheat flakes for texture, appearance and flavour, plus roasted malt flour for colour and flavour.

**Diastatic Malt Flours**

The next range I'm going to talk about are hidden malt flours. This is one of the products that I really didn't understand when I went into malting industry and it took me a little while to get to grips with it and I think its something which many people in the baking industry have perhaps forgotten how to use. By hidden malt flours I mean diastatic, enzyme active, malt flours.

**Diastatic Malt Flour**

- Enzyme Active
- $\alpha$  and  $\beta$  Amylase
  - Enhanced Fermentation
    - Open texture
    - More volume
    - Improved flavour
  - Softer crumb
  - Improved crust colour
  - No need for added sugar
- Protease
  - Improved dough extensibility

The key is that when you need the functional properties of enzymes the malt it is processed very carefully at low temperatures so as not to denature the enzymes that naturally occur in the grain. The first enzymes I'll talk about are Alpha and Beta amylase, which break down the long chain starches in your dough into shorter chain carbohydrate and sugars. This release of sugars provides a sustained supply of food for the yeast and optimises fermentation, giving you a much more open texture, more volume, and the sugars that are going into

the dough give you quite extra flavour by improving the fermentation. You will also notice a softer crumb. Perhaps a product that you'll be aware of that uses high levels of diastatic malt flour is the Soreen Malt Loaf. This is a very nice product but with a very crumb and you wouldn't want to see that level of stickiness in a traditional batch or sandwich bread! You have to bear that in mind when you are using diastatic malt flours and a level of around 0.7% on flour weight is perhaps the maximum you would be looking to use in standard bread. You will also see an improved crust colour with the addition of diastatic malt flour. I mentioned the starch conversion to sugars. These sugars in the dough give increased crust colour, something which is quite a benefit with today's short bake times on many products and there is no need for added sugar in the dough. There is a lot of pressure to remove sugar from our products and the addition of enzyme active malt flour can, by converting naturally the starches in the bread into sugar, do a very good job of replacing added sugar and without having to declare sugar on the label. Protease is the other main enzyme in diastatic malt flour and this breaks down some of the proteins in the dough and this can improve dough extensibility. Sometimes it's not a benefit but other times it is. It is something to bear in mind. With diastatic malt flour you have a package of enzymes and if you want to have one particular enzyme it may be worth looking at alternatives. If you are looking for a package of enzymes to enhance fermentation and give you some level of improved dough extensibility then diastatic malt flour is ideal.

Diastatic malt flour can be used to increase volume and give a softer texture to bagels. It also improves dough extensibility, particularly relevant when you've got quite a stiff bagel dough and the sugars it creates gives an improved crust colour. You have got to be careful what level of diastatic malt flour you use. If you use too much you start to open up the texture too much and as we know bagels are very dense textured so you have to be really careful of the level you use in this sort of application. Perhaps not so critical in texture as the bagels is premium ciabatta, which has a more open texture to bagels. So you would use slightly higher levels of diastatic malt flour to really open up the texture, make the dough easier to handle and give a better development of crust colour. In my previous career producing chilled garlic ciabatta, it was constantly a problem trying to develop crust colour with a short bake time so it was a good opportunity to use diastatic malt flour to solve this problem.

So to summarise, on the dry malt product side we have kibbled malt and flake malt for texture, rustic visual effect and flavour. Roasted non-diastatic malt flour for crumb colour, flavour and aroma. And then the hidden malt flour or diastatic malt flour where you have the enzyme activity to enhance the fermentation, give a softer crumb and improve the crust colour.

**Blends** Many maltsters and other ingredient manufacturers produce a number of blends of malted and unmalted ingredients, so quite handy if you don't want to handle a number of malted ingredients and you are just looking for a simple solution which is perhaps a concentrate that you'll add to a typical recipe to produce a good malted or seeded loaf for example.

**Liquid Malt Extracts**

I'm going to move on to liquid malt extracts now, perhaps an

area which is not so well explored in the bakery industry. They are heavily used in confectionery and biscuits in particular but also in breakfast cereals. Malteasers are perhaps the classic example from the sugar confectionery industry of where malt flavours are used to their best advantage but they are also used in chocolates, biscuits and breakfast cereals, be it traditional or extruded. In my opinion malt extracts are under used in the bakery sector, so I will go through a few of the benefits of liquid malt extracts and where they can be used in the baking industry. A quick overview of the production of malt extracts is given below.

**Malt Extract Production**

- **Mill**
- **Malt coarsely milled to help water absorption**
- **Mash**
- **Malt and liquor (mash) added to mash vessel**
- **Heat**
- **Mash heated to optimum temperature profile for starch and protein conversion to sugars and amino acids**
- **Filter**
- **Starches and other non-soluble matter filtered out**
- **Evaporate**
- **Under vacuum at low temperature**

So what does malt extract give you?

- **Sweetness**
- **Malt flavour**
- **Can offer colour where required**
- **Less processed than other sweeteners**
- **Also available in dried form if handling viscous liquids is an issue**

**Why use malt extract in place of refined sugar?** Refined sugars have been stripped of vitamins, minerals, and fibre. White sugar is 99.9% sucrose. Consequently, consuming large amounts of refined sugars places an extra burden on the body to supply the nutrients, specifically the B vitamins, chromium, magnesium, and zinc, needed to convert glucose into energy. Refined sugar may also impair the absorption of trace minerals like copper and chromium present in some of the other foods we eat.

Source: USDA biochemist Richard Anderson

Richard mentioned in his introduction that as a boy his mother gave him a spoonful of cod liver oil followed by a spoonful of malt extract. Why the malt extract? Because it's good for you, that's the answer. But why is it good for you – well it is naturally derived nutrition in a form particularly suitable for human consumptions. I am no nutritionist but the following tables from published papers give an overview of the vitamins,

Vitamins			Minerals		
Vitamin	Typical range (mg/100g)	RDI (women, mg)	Vitamin	Typical range (mg/100g)	RDI (mg)
B1 (thiamin)	Trace-0.8	0.8	Calcium	14-25	700
B2 (riboflavin)	0.18-0.77	1.1	Chromium	0.01	0.025
B3 (nicotinamide)	7.2-11.1	13	Copper	0.7	1.2
B6 (pyridoxine)	0.6	1.2	Iron	Trace-3	14.8 (women)
B8 (biotin)	0.006	0.01-0.2	Magnesium	80	270 (women)
B12 (cobalamin)	0.005	0.0015	Manganese	0.15	-
C (ascorbic acid)	0.1-0.2	40	Phosphorous	213-370	550
Pantothenic Acid	5.5	n/a	Potassium	510-630	3500
Folic Acid	0.06	0.2	Sodium	6-122	-
			Zinc	0.25	4-7

minerals and proteins that are available in malt extract and give you an idea why it is good for you.

**Applications**

I will talk about applications in relation to the types of malt extracts that are available. Malt extracts are much the same as malt flours in that you have a combination of non-diastatic and

**Proteins**

- Proteins present in pre-digested form – better quality than corn and beans.
- Readily absorbed into the body's bloodstream
- Amino Acids (digested proteins) present
  - Glutamic Acid
  - Proline
  - Aspartic Acid
  - Leucine
  - Alanine
  - Valine
  - Serine

diastatic types. I've also mentioned that dry malt extracts are available when liquid malt extracts are difficult to handle for particular applications. I'm also going to refer to super dark malt extracts,

which are heavily heat darkened malt extracts. They have a very bitter taste rather than the sweet malt taste and very dark colour contribution.

So let's go through a few applications and perhaps the stereotypical malt product is a malt loaf. Another might be malted milk biscuits but the malt loaf is the first thing that many people think of in the use of malt products. This is a real kitchen sink type product - use all of the malted ingredients that are available to give quite a characteristic malty sticky product.

**Malt Loaf**

- Diastatic Malt Extract
  - Stickiness
- Non-Diastatic Malt Extract
  - Sweetness
  - Malty Flavour
  - Colour enhancement
- Superdark Malt Extract
  - Rich, bitter malt flavour
  - Dark colour



The diastatic malt extract gives you the stickiness – I already mentioned that when I talked about the diastatic malt flours, so the use of diastatic malt extracts

and diastatic malt flours at a high level gives a really sticky product, which is beneficial in this application. Non-diastatic malt extract is used to give the sweet malty flavour and help enhance the colour but malt products which may not be included in malt loaves currently on the market but have good potential for use, are super dark malt extracts. They really enhance the rich, bitter, malt flavour and give quite a dark colour to the product. At the moment many people use caramel for this purpose so it's a good opportunity to use a malted ingredient as an alternative to this. Not only does it provide the colour but it also provides quite a characteristic flavour and really enhances the malty flavour of these products.

Bagels – I have already touched on bagels. Good opportunity to use diastatic malt extract as an option as opposed to diastatic malt flours to improve the volume and give a softer texture and more colour to the product. I've done some baking work in the past at replacing sugar in bagels and you can actually get away with replacing all the sugar in a typical recipe with malt extract which is a good potential benefit when retailers are pushing for sugar removal from these type of products. It does give quite a nice background flavour as well. It doesn't hit you initially as malty but the flavour really comes through when you eat it.

On to biscuits – I mentioned that malt extracts are widely used in the biscuit industry for quite different reasons to other baked goods. The main reason for putting malt extract into biscuits is to improve the crunchy texture of the biscuit and it really has quite a profound effect at a relatively low level, perhaps around 0.8% or so and you really can notice it when you bake two

**Digestive Biscuits**

- Non-Diastatic Malt Extract
  - Sweetness
  - Enhanced flavour
  - Even bake colour
  - Improved crunchy texture
- Diastatic Malt Extract
  - Prevents cracking in the oven



products off, one with malt extract, one without and when you snap it open you really do get quite a crunchy crumbly texture even

when the biscuits have been left exposed to air for quite some time. You also get the benefit of the sweetness, the enhanced flavour and even bake colour. Diastatic malt extract has also been reported as giving the benefit of preventing cracking in the oven which is a problem with many biscuits. Mini Cheddars are one of my favourites and I didn't realise that malt extract was included in them until I was doing some research for this presentation but it is put in there to enhance the savoury flavour. So this is a really good example of how malt extracts really can work in savoury products rather than just adding sweetness. There is a good potential to use non-diastatic malt extract in pie fillings to enhance the flavour of meat and potato pies and similar products. It is used quite widely in the cooking sauces that you will see on the supermarket shelves to contribute colour and enhance the savoury flavour but there is also sweetness there as well. Another of my favourites is chocolate muffins. You will see in this picture that the product to the right is much lighter in colour than the products on the left. The difference between these two is a small inclusion of super dark malt extract. The inclusion level of around 1% has a real effect on these; it gives you a much darker, richer appearance to the chocolate muffin. But instead of just improving the colour it really does enhance the chocolate flavours and gives you potential to drop the cocoa level which can maybe help the costings of these types of products. But it really does give you a rich chocolate flavour which was missing from the product that didn't include super dark malt extract. I've done a taste panel trial and around 80% of the participants preferred the muffins with the small amount of super dark malt extract. So the proof of the pudding, or muffin, is in the eating!

**Chocolate Muffins**

- Superdark Malt Extract
  - Bitter chocolate flavour enhancement
  - Colour



Another product where you can potentially look at replacing all the sugar is in fruited bread and similar products. The fruited



bread in the photograph is Bara Brith. There is approximately 20% on flour weight of sugar in this product which can all be replaced by malt extract to give that background

sweetness but also generally enhance the flavour and give a really nice crust colour to the product. And again you really notice the aroma of the malt coming through when you cut it and toast it, that's when the aroma of malt really comes through. A couple of ideas for the future as well. Most maltsters make malt for the brewing industry and my particular company produces a lot of hopped malt products which go into the home brew industry. I thought 'why can't these be used in the baking industry'? I've tried to produce an ale bread before and I have replaced all of the water with a very dark ale in the hope of getting quite a significant ale flavour coming through. I baked it off, lovely smell as it was baking in the oven, but when you get it out of the oven and cut it you wonder where the flavour has gone. The flavour just does not come through, the volatiles just drift off in the air, it smells lovely when it is piping hot but there is just no impact in the finished product. So the use of a hopped malt extract instead of ale can really enhance those flavours. Because it's quite a concentrated hoppy taste as well as the sweet malty flavour, a very low level really does give you a real bitter, beery, hop flavour to the bread. It lasts through the baking process and you really do know you are eating a beer bread just with a very small level of hopped malt extract included. As far as I am aware it is not currently used in the baking industry so this is just something I have looked at recently. I mentioned clean labelling at the start of the presentation, this again has a clean label, simply malt extract, hop extract, added to other ingredients used in bread.

**Lactic Malt Extract**

- Lactic acid added during processing
- Bitter / sour taste can help replace flavour lost with low salt levels.
- Still retains benefits of 'standard' malt extract
- Crust colour
- Sweet flavour

As described above, number of lactic enhanced malt ingredients are available and one of these is a lactic malt extract. The baking industry has been asked to reduce salt in products and this could be helped by using lactic enhanced malt ingredients. The addition of lactic malt extract really can bring back some of the flavour lost by the reduction in salt in your baked goods and still give all the benefits of using standard malt extract.



You've still got the functional properties of the malt, the sweetness and the sugars which help develop good crust colour.

**To summarise**

what is available – flake and kibbled malt for texture, rustic appearance and flavour. Roasted malt flours for colour, flavour and aroma. Diastatic malt flours and diastatic malt extracts to enhance fermentation. Non-diastatic malt extracts and dried malt extracts for sweetness and colour development. And something new, flavour enhanced malt extract such as lactic malt extract.

**Questions:** Although there were some questions following Andrew's presentation, unfortunately the company who looked after our audio visual requirements at Coombe Abbey must have failed to record them because they were not on the tapes of the conference proceedings they supplied to us. Please accept the BSB Executive Committee's apology for this.

**The Chairman**

Thank you very much Richard. At this point we change our Sessional Chairmn so please welcome Mike Holling..

**Sessional Chairman  
Mike Holling**



I am delighted to introduce Callton Young, who will discuss the Food and Drink Federation's (FDF) Five-fold Environmental Ambition and its relevance to the baking sector, as a win-win for business and the environment. Callton is a Defra Senior Civil Servant on secondment to the FDF. As Director of Sustainability and Competitiveness at the FDF he

has developed FDF's Five-fold Environmental Ambition, the Federation House Commitment on water efficiency best practice and FDF's Checklist and Clause for Greener Food Transport. In 2007 Callton became the first recipient of The Lord Carter Memorial Cup for Outstanding Services to the Food and Drink Industry and was awarded an OBE in the 2008 New Year's Honours list. Please welcome Callton Young.

**FDF's Five-fold Environmental Ambition,  
Callton Young OBE**



For those of who may not know it, the Food and Drink Federation, or FDF as it is known for short, is a premier trade body which brings together a wide range of interests across the UK food and drink sector, the largest manufacturing industry in the UK. The Food and Drink industry creates jobs, employing over 440,000 people in the UK and it creates wealth,

being responsible for about £21 billion of Gross Value Added

to the UK food chain each year. Our industry, as purchaser of over two-thirds of all domestic agricultural produce, also creates market outlets for UK farmers. Moreover, we provide a valuable service to our customers and consumers upon whom we ultimately depend. In short our industry is economically and socially significant in so many ways. This makes it all the more important therefore that we behave sustainably too. Our customers, consumers and other stakeholders expect nothing less.

To improve our sustainability, the FDF decided last October to show environmental leadership by being bold - bold about making a real difference to the environment. This is not to imply that the FDF members had been sitting on their hands before then. Indeed, quite the contrary. Many member companies have long been embracing concerns about the environment. Moreover, they have translated understanding into real action, with tangible outcomes. Individually and in a largely uncoordinated fashion, I would say that they have regularly produced glowing examples of best practice. Gradually those individual examples have added up - in some cases to reveal surprisingly significant overall improvements in the sector's environmental performance. Take climate change, for example. Government figures show that the food and drink



manufacturing sector as a whole achieved a 12% absolute reduction in CO2 emissions between 1990 and 1999. This increased to an absolute reduction of 15% by 2005, which is significant by any standards. So as I have said, last October FDF decided to show environmental leadership by being bold about making a real difference to the environment. However before I say how this has been achieved, let me say a little about why.

### Climate change

FDF acknowledges the scientific expert opinion at the UN Intergovernmental Panel on Climate Change that the Earth is locked into a pattern of rising temperature and sea levels that is almost certainly the result of human activities. All the indicators show that climate change is arguably the biggest single challenge facing mankind and the planet. FDF accepts that the main cause of climate change is the release of greenhouse gases, such as CO2, into the atmosphere. From our manufacturing sector's perspective, these primarily arise from the burning of fossil fuels, upon which we depend for generating energy and raising steam. However, it is also worth

mentioning that they also arise from the disposal of food waste to landfill, which can give rise to methane emissions which are 21 times more potent than carbon dioxide. FDF agrees that the continued disposal of packaging and food waste in landfill sites is a big challenge for our society and undermines its green credentials. We fully support the guiding principles in the Government's waste hierarchy of putting waste prevention first, followed by reuse, recycling, energy recovery and lastly disposal.

### Water

Water is another precious resource. FDF acknowledges the expert opinion that it is increasingly vulnerable to the impacts of climate change and increasing demand. We accept that this can give rise to stress on water supplies in certain parts of the country and that the impact can also adversely affect local wildlife habitats and water quality.

### Food transport miles

FDF supports the drive - no pun intended - for 'fewer and friendlier' food transport miles. We agree with the research findings published by Defra in 2005. These show the impacts of UK food transport in respect of the UK food chain as whole, to overwhelmingly be domestic and principally to arise from road congestion, damage to infrastructure, and road accidents. So, you might ask, how then is FDF going about environmental leadership having been convinced of the environmental imperatives? Well, on behalf of its members, FDF gave a collective and public commitment to make a significant contribution to improving the environment by targeting priorities where we can make the biggest difference. FDF's collective approach is a significant departure from the individualistic and largely uncoordinated manner that I described earlier which has been typical of the sector's environmental performance to date. This is a bold initiative for a food and drink trade body. No other body in the food sector has taken this step or shown this degree of leadership on this important agenda.

Turning to the specifics, working collectively FDF members have a five-fold environmental ambition:

- i. First we want to show leadership nationally and internationally by achieving a 20% absolute reduction in CO2 emissions by 2010 compared to 1990. We did not stop there. We are also aspiring to a 30% reduction by 2020
- ii. Secondly we aim to send zero food and packaging waste to landfill from 2015
- iii. Thirdly we would like to make a significant contribution to WRAP's work to achieve an absolute reduction in the level of packaging reaching households by 2010 compared to 2005 and provide more advice to consumers on how best to recycle or otherwise recover, used packaging
- iv. Fourthly we are working to achieve significant reductions in water use and to contribute to an industry-wide absolute target to reduce water use by 20% by 2020 compared to 2007
- v. Fifthly, we want to embed environmental standards in our transport practices, including our contracts with hauliers as they fall for renewal, to achieve fewer and friendlier food transport miles. By doing this we will contribute to an absolute target for the food chain to reduce its

environmental and social impacts by 20% by 2012 compared to 2002

Furthermore, FDF has committed to measure and report annually on the collective progress that we make against each of our ambitions. And we will be transparent by publishing the results. I would now like to touch briefly on how FDF is delivering its five-fold environmental ambition. We are placing widespread adoption of best practice at the heart of this, along with close partnership working with Government and best practice bodies.

### **Water Usage Reduction Ambition**

FDF is working closely with Envirowise, the Government's expert body in this field, to encourage the widespread adoption of water best practice. Indeed, we developed and launched in January, an FDF/ Envirowise Commitment on water efficiency best practice. Called, the Federation House Commitment, it will enable industry to work in a systematic way to improve water efficiency by following five steps to success:

- i. developing a 2007 baseline of water use
- ii. assessing water use at each manufacturing site
- iii. developing site specific action plans
- iv. delivering against action plans
- v. providing annual progress reports on water and cost savings

21 FDF member companies, with a combined turnover of £15 billion, signed up on day one. You may ask 'what does success look like'? Let me illustrate it through two case studies.

### **Water Saving**

Walkers Crisps, through a combination of engineering solutions and changed operator behaviour, have been able to save around 700 million litres of water per year at its Leicestershire sites. Similarly, engineering solutions at Cadbury Trebor Bassett's site in North Wales have yielded savings of about 17 million litres of water each year. We need to roll out such success because if the industry as a whole achieves a 20% reduction in water use then it would save some 140 million litres of water per day - the equivalent of 56 Olympic size swimming pools per day. Furthermore it would save £60m in water bills per year. That's enough said on water – what about transport?

### **Food Transport Miles Ambition**

To deliver our food transport miles ambition, in July FDF launched its policy for achieving fewer and friendlier food transport miles. It comprised a checklist of best practice to embed best practice in food transport, plus a standard clause to embed environmental standards in members' contracts with third party hauliers. 38 FDF members, with a combined turnover of £16b, signed up on day one!

#### **Food Transport Miles Savings**

A case study from Mars UK illustrates what is possible through the adoption of Transport best practice. By maximizing vehicle loads, minimising journey distances, strategic placing of warehouses, and adopting modal shift from road to rail, Mars UK has been able to avoid 606,000 food transport miles per year.

### **Carbon Saving Ambition**

Moving on to carbon saving, FDF is working with the Carbon

Trust and the British Standards Institute on the development of a single methodology to measure the carbon emissions associated with the supply chains for food and non-food products. This methodology will help industry identify CO2 hotspots where further reductions in emissions can be made. This will allow us to build upon the best practice already being adopted by members which can give rise to some amazing results! Let me illustrate what I mean through two further case studies.

### **Carbon Savings**

Tate & Lyle, through investment in a new biomass boiler at its Thames Cane Sugar Refinery site, expects 70% of the site's annual energy needs to be met from renewable sources by 2009. This, in turn, should result in a 70% reduction in the CO2 emissions associated with the site's activities – that would amount to a saving of about 120,000 tonnes of carbon dioxide each year. McCain Foods, is now meeting 60% of its annual electrical needs at its Whittlesey plant from renewable energy - an outcome made possible by its investment in three new wind turbines, among the tallest on-shore in the UK.

### **Summary**

To sum up therefore, last October FDF decided to show environmental leadership by being bold - bold about making a real difference to the environment. We committed to making a significant collective contribution to improving the environment by targeting priorities where we can make the biggest difference.

- i. We will show leadership nationally and internationally on CO2 emissions;
- ii. We will endeavor to send zero food and packaging waste to landfill from 2015;
- iii. We will aim to make a significant contribution to reducing the level of packaging reaching households;
- iv. We will seek to achieve significant reductions in water use;
- v. And we will work to achieve fewer and friendlier food transport miles.

Collectively, this is FDF's Five-fold Environmental Ambition. We want the baking industry to be a strong partner in this since your sector of the Food Industry is well placed to contribute. Working collectively we can make a real difference to the environment and to the financial bottom line of businesses as well. Working closely with our partners, FDF aim to do just that!

**Questions:** Although there were some questions following Callton's presentation, unfortunately the company who looked after our audio visual requirements at Coombe Abbey must have failed to record them because they were not on the tapes of the conference proceedings they supplied to us. Please accept the BSB Executive Committee's apology for this.

### **Sessional Chairman Mike Holling**

Good afternoon everybody, I hope you enjoyed your lunch. This afternoon we have two more excellent speakers and it now gives me great pleasure to introduce our next speaker Pat Smyth from Dublin. Pat is the Managing Director of Yeast Products based in Finglas, Dublin and is the current President of the Irish Association of Master Bakers. Pat has an extensive

wealth of knowledge, experience and expertise and today he is giving us an overview of the Irish baking market. So please give a warm welcome to Pat Smyth.



## Overview of the Irish Bakery Market

### Pat Smyth

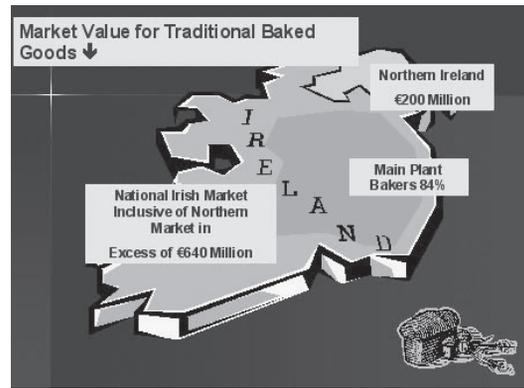
Basically we are looking at changes which have happened in the Irish market and a mix in the demographics of the market.

#### Significant Changes in Market Demographics Influenced By:

Increased Ethnic population mix and a more sophisticated indigenous population.

- 20% Of Primary School Children are now Immigrants'
- 200 Languages Spoken over a 10year Time Frame
- Increased travel experience
- Increased disposable income
- Greater awareness of wholesome food
- Growth in suburban shopping centres
- Growth in quality convenience food
- Eating out is a growth trend

We have an increased mix in the ethnic structure of our population and we have a more sophisticated indigenous population with people travelling more, or have been travelling more, with the advent of the \*Celtic Tiger, which has, it reasonable to say I think at this stage, come to an abrupt halt. I understand a lot of people are currently cancelling their holidays abroad. *\*(Note from Editor: The term Celtic Tiger is used to describe the period of rapid economic growth in Ireland that began in the 1990s and slowed in 2001, only to pick up pace again in 2003 and then slowed down, once again by 2007 with further contraction in 2008. Until early 2008 many economists believed a soft landing was possible, but it is now projected that GDP will contract by 4% or more in 2009. Wikipedia Feb. 2009).* Some 20% of the pupils in our primary schools in the last ten years are now from immigrant families and 200 languages are now spoken in Dublin where up to ten years ago the indigenous population were speaking English only, so that has a huge bearing on the way our society is beginning to develop. And the reason I mention that is because if obviously 20% of the primary schoolchildren going forward are now from non-Irish backgrounds, obviously the type of products that we as an industry would produce to meet their needs as they become families would have to change. So it's a challenge and an opportunity in effect going forward. And then we had increased disposable income, again which may have come to an abrupt halt as well although I often wonder to what extent that is going to have a bearing, because the latest stats from the CSO (Central Statistics Office) would suggest that the total outlay on groceries in the average Irish household would be in the order of 7% of total disposable income. So really cutting back on food. That's the great thing about being in the food sector at a time when a recession may come about. Really



the impact, at least not directly, is not on us although there may be knock-ons as mortgage rates increase and loans become more expensive and so on. Also there has been a trend towards an understanding of what wholesome food means. A lot has been prompted by various industry sectors and also by quite a number of television programmes which are now concentrating on food to a very great extent. Every day of the week I think there will be two or three programmes on television with people going into food, the composition of foods, how you produce foods, the nutritional value of foods and so on. So people are becoming aware, they are becoming educated.

The other thing that has happened of course is that with the advent of the Celtic tiger we began to mimic what's happened in the UK over the years and that is – we have the advent of new motorways, the advent of new shopping centres, a decline in rural villages and so on. Almost identical to what's happened here, I would say in fact identical. And we now have people shopping in large shopping centres and the implications of that of course will be that they are dealing with the Tesco's of this world who are one of the main players in our market with Dunnes Stores, Superquinn and so on. The other area where there is growth is in the use of convenience foods. A lot of people now because they have to travel from the city centres where they work to achieve affordable housing are in fact buying food both on the way to work, during their working day and also when they come back in the evening. We also have a change where in the past traditionally Irish families would be based on a house with two gardens etc back and front, the entire trend now is into living in apartments, and in these apartments of course all the infrastructures necessary are in the basement of the apartments so when you go in at night you get your laundry done, buy your food before you get into the lift etc. And by and large they tend to live off microwaves or eat out. And of course that is why eating out has become growth trend. Young people by and large have never witnessed a recession and up to recently have been cash rich and were in fact eating out in a whole range of ethnic restaurants that have grown up in Dublin and in other large cities in Ireland which have now become unbelievably cosmopolitan. I am going to give you the values of the Irish bread market 'tongue in cheek' because it has already been referenced that bread last week was selling at 60 cents, so the value of the market is a snapshot, it's a point in time, but I would say that fundamentally speaking, with the special offers off the table, that is the current value of the Irish bread market as determined by the people who produce bread in it, not by some statistician somewhere. These figures are actually coming from the industry.

#### Market Changes

- Increase in frozen, gas flushed and par-baked products

- Increase in Eastern European and other ethnic groups requiring ethnic products
- Increase in population
- Estimated population will double in next 12 years
- Size of family units
- Apartment dwelling
- Increase in commuting time
- 60% of producers have vacated the market

In the last twelve years 60% of the producers numerically that are in the market have closed down, for one reason or another. In the peak of the Celtic tiger people were closing down because by and large bakers would originally have to have grown up and started their businesses in small urban centres and these centres have now become the centres of new areas of development. So the value of the property would enable a baker, if he so desired, to retire. And in a lot of cases the children in fact had decided not in fact to stay in the business. I think that's probably the same here. Business was going well, the children had an opportunity to go to University, they had choice, which, when I was a kid growing up we didn't have, you went into the bakery, and because of that they were not in fact staying with the continuity plan that the parents might have had and people were saying, mostly based on my experience, driven by the wives of a baker leaving bed every morning at 2.00 am. "John, we've £3million here can we not call it a day?" and they were calling it a day.

Also of course the market then changed in the availability of product. We then began to see that new innovative technologies were coming into play. We were seeing the advent of frozen products, Cuisine de France, crumpets, gas flush and par baked.

All of these began to have a bearing on the availability of products in the supermarkets where skill was not essential for their manufacture, because they were done at source and the quality was effectively guaranteed to meet the needs of that particular niche in the market at which they were targeted.

Just as an aside, the biggest single group of people currently coming to Ireland to live and work are coming from the UK, which is logical when you think about it because over the years everybody on both islands had family members on the other. But the big change was the influx of people from Poland, Latvia in particular, and also from other non-EU countries to fill the job markets that were being developed by the Celtic tiger and which we did not the numbers at home to fulfil. We then had a dramatic increase in population because if you have a population of say, 3.5 million, and you take .5 million over a short period of time into that, and you are talking about working adults, and of course they also have their children, you get a feel for what's beginning to happen in terms of that 20% emergence of non-indigenous Irish in the market. On top of that

we have a situation where the population is estimated to double within the next twelve years. The reason for that is, if you look at the Irish population currently, the average age profile is low, so when we are looking at people who are in the market, both indigenous Irish and new entrants, by and large they have not yet started to have families so that is going to work its way through. The other thing that has an impact is, traditionally Irish families, if you take for example, my vintage, you had a situation where most Irish families would have had 4 -6 children. That's completely altered now. That would be 2 max, 3 would be the exception. Large Irish families are no longer a thing at all, that's over, and by and large I would imagine the same would be true of the other people coming to live in the country as well, because the cost pressures that bring that about and the desire to give your children opportunities which are costly, will ensure that the family sizes stay low. Commuting time and then health. Health has become a huge issue at all levels. People are looking at brown breads over white. Bread is getting negative publicity as we know. It is decried by most diets and I am not sure to what extent we have been successful in repulsing the negative claims that have been made. We know we are under pressure from the health authorities to ensure that salt levels, fall. The target is to get it down to 1.8% and then lower. I think I discovered at lunch, over here it is in the order of 1.5%. So that's a trend that is coming forward.

Then there have been responses that have been unique in the Irish market as well. When I mentioned the decline of craft bakers, Robert Ditty and Genesis, for example, have come up with a way of building a viable base for craft bakers where they pool their resources.

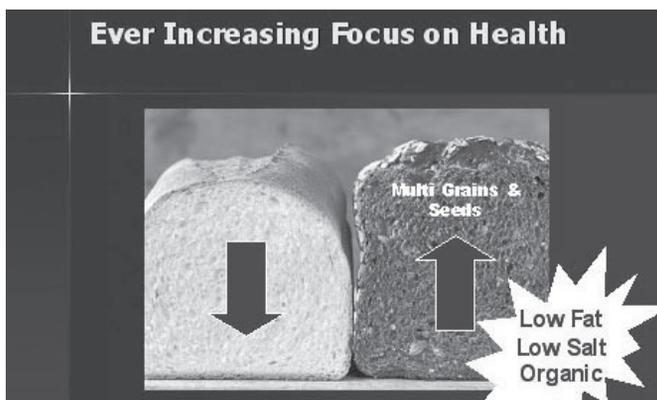
#### Company of Irish Bakers Group

- Pooling production capacity, craft skills and resources
- Economies of scale
- Pressure from supermarkets for lower prices and greater variety
- Increased pressure on traditional small businesses
- Brand identity

What they do is they pool the production capacity of their craft skills, their resources and they get economies to scale by doing that and it enables them to enter the market on a level playing field with some of the bigger players and their quality focus.

Of course the industry is under immense pressure then from multiples for lower prices. That continues and we are not really sure currently how it is going to pan out. We do know for example that the multiples appear to have a desire, you could almost say statement of fact, that their own margins will not be impacted by anything that happens in the market place. So the pressure is on the industry to give them more and more by way of guaranteeing their own returns.

The small businesses then do so in the face of multiple penetrations of their own areas and markets. In a lot of the small towns in Ireland, particularly where say Aldi and Lidl would enter, and here historically supermarkets would not have had the capacity to survive of what would be the population of the town – because of the scale of Aldi and Lidl they can. And by and large they are now bringing national pricing into small rural country areas where that wouldn't have been the case before and the smaller bakers are coming under immense pressure and a lot of them, as I say, have decided to throw in the towel. Those who haven't currently are trying to negotiate with Aldi and Lidl to become suppliers of Aldi and Lidl. When you look



at the sheer scale of the operation of these stores relatively speaking you would wonder how a small family bakery business could meet the pressures, even in say credit terms. The other thing of course Robert Ditty has done, he has given a brand identity. It's a common brand identity and it means that people going into the stores see a common brand identity, realise the fact that the goods produced are to a standard, and have come to terms with the fact that this is a quality brand identity and that's is underpinning the operations. So the Irish market is not unique in so far as we need to address rising production costs, bakeries are being very innovative, they've put a lot of pressure into coming up with systems for reducing energy costs. We have a programme running currently in the country called "The Power of One" which really is a means of forcing people to take responsibility themselves in their workplace for turning off equipment that isn't in use, turning off lights that aren't in use and so on, and reducing the energy costs. Rising utility costs regrettably are a fact of life, driven in the main by the international commodity markets and we've seen huge movements in recent times in flour, oil and all the other basic materials that go to produce the loaf. Also then there is pressure coming through in the marketplace for more speciality products, and at the moment we would acknowledge that we have a very low skill base in the country. It is something that needs to be looked at. So to do that you have to come up with educational support and these various agencies are currently trying to give this support.

#### **Educational Support**

- Enterprise Ireland
- National Bakery College Dublin
- The Flour Confectioners and Bakers Association (Skillnet)
- The Bakery College Belfast

Enterprise Ireland is the State development board for industry. They are putting grants on the table to encourage people to get involved in up-skilling. They are also organising programmes where they are taking people away to other countries and make available to them expertise. At the moment they are currently targeting the SME sector of the bakery industry because they need to target companies who currently would have turnover in the region of £5million and the endeavour is to get them to have a turnover of £10million going forward. Then of course we have the National Bakery College and people of course are attending that. At the last count I think there were 159 full time students in the National Bakery College. That looks impressive but in fact it may not be what it seems. Because of the rules governing entry into the University system you can in fact go to a Vocational College and you can start off a training programme which ultimately will lead to your ability to make application to a University. So in fact we have 159 people does not at all mean that you are going to have 159 people entering the bakery sector as bakery professionals. In fact the very opposite would be the situation. In a lot of the short term courses being run in the National Bakery College and other Colleges, the general public are also attending these as they have a general interest in producing bread which they perceive as being better quality, than that they see on offer in the supermarkets. Therefore there is an awareness programme taking place which I think is probably a spin off from the programmes that are currently showing on the television and so on re food production and food quality and the general ethos

of food production at home.

We have the Flour, Confectioners & Bakers Association. They operate through an association which has Government funding called 'Skillnet' and that programme is designed to bring to small bakers the opportunity for their employees to be trained at work. Because one of the problems we identified was that small bakers when they would be successful would take someone into the bakery who would have a demonstrated capacity to produce product but would have a desire, for example, to enhance their skills, they didn't particularly want to see them leave to go on training programmes that could see them away from the bakery for three months at a time. So the decision was taken to train them on the job and to certify them on the job when they have achieved a certain level of skill.

And of course we have the Bakery College in Belfast and that is the sister college in effect of the one in Dublin and they too are offering training courses along the same lines.

In the past the bakers in the South of Ireland and the bakers in the North of Ireland by and large traded within their own geographic areas. That situation has changed completely and will continue to change going forward. The industry now view the island as a whole, as a single market and are currently trading both sides of the border. The border which if you went there now doesn't really exist, so there is no border and therefore there is no border for trade and the supermarkets are common to both sides of the border anyway. They negotiate trading arrangements with bakers and they expect to be supplied both sides of the border as well. So we now have the emergence of an all Ireland market. We are also seeing a trend towards fewer but larger producers. When I mentioned 60% of bakers had left, in that number had been some plant bakers, and by and large we are down to about 11 or 12 of what we would call plant bakers in meaningful terms currently on the island, and I think it's reasonable to assume that if we take what's happened in Britain as being a logical model for what's going to happen in Ireland going forward, that number will decline. By and large as a rule of thumb the number of bakery groups, the bigger ones anyway, tend to reflect the number of large multiples with which they trade. You tend to find that if you have 5 or 6 large multiples, you have 5 or 6 large bakery groups, and then some speciality groups adding to the mix.

So more acquisitions and mergers - that certainly will be the way going forward and that's already happened and I think it's reasonable, based on what I've been hearing recently, that in the near future we are going to see more of that. The other thing of course we are seeing are imports from continental Europe. With the advent of preservation technology bread is not now an ambient product any longer, it's something that has a life span and can move from one market to another. We are seeing the advent of naan bread, pumpernickel breads; we see breads coming in from Holland, the soft rolls, brioche coming in from France and so on. And these are all new additions going on to the shelves in the local supermarkets and they are all vying for space with the local baker who in the past would have filled the space with his own product range. We also have the increased regulatory control. Brussels are having more and more to say in the way which we live our lives. We were talking this morning about the de-regulation of weights as they relate to the market here and by and large as far as you are concerned they view weights across Europe as being a common situation, so that no longer need products be made - 400 gm, 800 gm, 1200 gm and so on and this has become a thing of the past and will be here this time next year and currently is in Ireland. We

do not have that stipulation any more. There was a time we followed religiously what the UK would have done in terms of weight legislation but last year that was abandoned. Then you have the change in product mix. When I started work I was an indentured apprentice at a time when your father had to sign you in and your master told you what you could and couldn't do and you had to sign a document where you agreed to that. During that time we were making breads in a very large bakery in Dublin and the smallest product range that we produced at the end of a day's shift was sliced bread for the hotel sector, and then suddenly with the advent of Chorleywood that grew in prominence. I think I would probably argue at this stage that that's beginning to change now because there is a move towards crusty and speciality breads now featuring more and more and I'm sure it's the same in the UK as in Ireland. We have in-store bakeries offering hot par-baked product as fresh and there is a huge demand for that at the moment. In the main in-store bakeries in Ireland hadn't been successful. Tesco tried it and it didn't really work, partly to do with the non-availability of skills. They reverted ultimately to par-baked frozen and a bake off but in fact recently, within the last twelve months, we have seen the emergence of the Spar Group called EuroSpar. EuroSpar is roughly three to four times the size of a traditional Spar store and they offer in-store baking as part of the range of goods, and they also offer scratch baking as part of the in-store range of goods. There are a couple of companies currently in Ireland engaged in training people to operate turn-key operations in the EuroSpar stores. We now have a situation where small bakers are beginning to come back, albeit at a lower level, but they are coming back through the supermarkets.

Energy costs, gas, has just gone up 60% in Ireland. Electricity is going up 30%. Our input costs have quadrupled in the last few years and flour prices and general grain prices have increased and that's working its way into the overall mix into marked increases in our manufacturing costs, which we can't really offset unless we can pass them on.

In advance of coming here I did a quick survey in Dublin on Sunday just to see what the situation was with the advent of the notification of the stalling of the Celtic tiger and I wanted to see was it working its way through into the bread market and to my horror I discovered in fact it was. In one large multiple they were retailing a lesser branded bread at 60 Euro cents per 800gm loaf.

#### **Current Irish Market , Sunday 5th October 2008**

- Branded 800gr Sliced White Bread retailing at 60 Euro Cents
- Own label 800gr Sliced White Bread retailing at 50 Euro Cents
- Special Weekend Offer on Groceries at 1980s Pricing
- Offers in All Major Multiple Retailers
- **Is this the way forward?**

They were also offering Own Label white; this is all white bread, at 50 cents. We have never seen prices as low as that before and it's happening at a time when our input costs, as I mentioned, are falling off the Richter scale. So one would wonder if this were to continue down where it would end.

We have another supermarket then who decided to go an old road approach and what they said was they were going to have a weekend where they offered everything in the store rated to the value that it was in the 1980's. So you can image what that

meant when you look around at branded goods going through now at 1980 prices as well as Own Label. The position I suppose is really that the battle now that's been started by Lidl really in our market, was resisted initially by Tesco who decided they weren't going to go down that road and they held off for about two months, and did not in fact engage in the battle. But every day the German discounters were putting adverts in the paper, as anybody here from Ireland would know, where they were saying their brands and products were beating the similar products in the other main multiples by 'x'. And it was coming through at about 30%. Eventually it would appear Tesco would not take any more of this and they decided to respond, and they in fact have reduced over 1000 have been dropped by 30% or more in response to this. And the thorn in the tiger's paw was when some correspondent said that "every Lidl helps" and that really increased the determination of Tesco to make sure these upstarts weren't going to take any further market share, and that certainly has happened.

#### **There are a number of questions that have to be addressed:**

- What will be our response to changing market circumstances?
- Can we ignore our skills shortages?
- Can we as an industry continue to allow the multiple buyers hold our margins to ransom?
- What opportunities will emerge to introduce other business models?
- Will higher unit prices allow us to attract a skilled quality workforce?
- Is "Back to the Future" worthy of consideration?
- Most convenience hot baked goods begin life as frozen or par-baked frozen?
- Are we satisfied with current technology?
- Cuisine de France-Premier Artisan Range?
- What is the growing appeal for farmers markets and the artisan baked goods which they sell?
- Are we listening to the consumer?
- Why are cookery programmes and celebrity chefs in such demand?
- Who are the celebrity bakers & confectioners to fill this role?
- Is the health and long life aspirations of consumers seen as an opportunity or threat to our business?
- What is the growing appeal for farmers markets and the artisan baked goods which they sell?
- Are we listening to the consumer?
- Why are cookery programmes and celebrity chefs in such demand?
- Who are the celebrity bakers & confectioners to fill this role?
- Is the health and long life aspirations of consumers seen as an opportunity or threat to our business?

So as an industry then we have to decide really where we are going for the future. We have a model, it's been there for years, its undergoing pressure at present and we know there's a need for change. We know that in order to produce the kind of products the customers are looking for, it's not a case of making Chorleywood dough for three minutes and popping it in a tin in different shapes and sizes and that will suffice, because it's not sufficing. People are beginning to experience the opportunity to try other products from other countries so therefore I think we are going to have to do something about this. In terms of how we operate - we are in a scenario at present where we are really

painted into a corner. We deal primarily to the multiples so therefore there are probably five main buying arms in the country dictating the bulk of product that's sold. So how do we address this? It would appear certainly that as individuals companies do not have the strength to withstand the kind of pressure that's brought to bear on them, so obviously there's a need for the industry to make a decision as to what it needs to do. And that's not difficult to say but it's very difficult to do. And then what opportunities will emerge with other models that could be used for the purpose of bringing our products to market. For example I was interested to hear this morning that these vans were going out now on to the street with direct contact with the consumer offering products. I assume in areas where there are office blocks and so on so the people can deal directly with the baker and the middle man is taken away. The other question we have then is how will unit prices allow us to attract a skilled quality workforce. This is my own personal view. Over the last number of years, 10, 15, 20 years, we have been working continuously to bring the prices of our products down and each time as the price came down the cost of producing that, in terms of labour costs, became a consideration that was always under pressure as a percentage. When I started work in the bakery trade, bakers used to explain that the quality of the goods they produced were excellent and nutritional value for money because for one pint of Guinness in Dublin at the time it was equal to the price of a pan loaf. Well if you take it that you can buy bread at 50 cents, you can buy ten loaves now for the price of a pint of Guinness in Dublin, and I think therein lies the problem.

Then looking at the technologies, Chorleywood process and so on, and looking at the new products that are coming into the market place, looking at continental breads and the interest that people have in these products, the fact that people are eating more different and diverse ethnic meals, they want to compliment that with the breads from the countries from which these recipes come, and given that bakers in the past used to produce a vast range of materials which we don't do today for any number of reasons, is back to the future a consideration? Do we need to turn back perhaps and decide to come forward again but from a different direction? And then we have the situation where most convenience hot bread goods begin life as frozen or par-baked frozen. That's a fact. There are very few outlets at present producing bread as hot ambient on the day of purchase.

Somebody mentioned today when we were looking at malt the concept of using sourdoughs and so on. Is there an opportunity to look at sourdoughs? In Ireland people talk about the flavour of breads, I'm not really sure that people have decided what that actually is, other than they don't want what they already have. In a former life working with a former company, we had a marketing guru and he was asked to look at bread and come back and explain to us what we needed to do in terms of bread characteristic to meet the needs of the market. And about a month later a meeting was convened and he made the following statement having looked at the thing in a very in-depth manner, what he came up with was the following, he said "bread should be soft, white and inoffensive to the filling" so therefore it was an edible wrapper we were producing.

And then the way forward, if you take very large companies who are looking at market trends going forward and you look at the investments they are making to support these trends, and if you look at say, what Cuisine de France have currently done, particularly in the creation of their new mega bakery now in Dublin, you are looking at their launch now of the next level of

their products which is the Cuisine de France Premier Artisan range. That gives a strong indication of where they in fact see the market going and perhaps where we should be looking at the market going as well. If 7% of the outgoing of any family is based on food, surely then they can be selective and they are being selective as to what they buy in terms of food and they are going to be selective of what they buy in terms of bread.

The other phenomenon we have and it's growing across the country and was started by Dreena Allen who is involved with the Ballymalo Cookery School in Cork was the introduction of Farmers Markets. That's a growth area. There isn't a week that goes by but another farmers market doesn't open. They are viewed as the centres of sale for craft food. Some small bakers in fact are beginning to concentrate their weekend efforts supplying these farmers markets where in fact they can get up to 30% more for their products than they can if they endeavour to sell it in the supermarket. And so that will be there and I assume over time will grow. Of course there's a ceiling because it doesn't offer convenience purchase, it offers a weekend opportunity really, so it's a selected weekend opportunity. Nevertheless it's still part of what we do.

And are we listening to our consumer? I would suggest that we are but in terms of being proactive and looking beyond where the consumer currently is, maybe that's something we need to address.

Then we have, everybody know, Jamie Oliver, Paul Rankin, the name trip off our tongues, we see them on the programmes on television, we see their endorsement of products, it works. Irwins are using very successfully in Ireland Paul Rankin to promote their products, it's been very successful and we have all these celebrity chefs and so on but in fact I would pose the question that we as an industry, are we doing enough to ensure that we have people of that calibre promoting our industry in a way that perhaps bread and confectionery in all its guises and it's a huge range of potential product, are we getting our message out there. At the moment I would argue maybe we aren't.

So who would be our celebrity chefs and bakers? I could pick out a couple certainly but it's something as an industry we should begin to think about.

The other thing that's happened of course is that people are now more health conscious and quality conscious. The move has been towards looking at green ingredient labels and I think that's going to continue. So that is my appraisal of the current situation in the Irish bread market. It's going through the same vagaries as the UK market. I would be concerned that, with the demise of the Celtic tiger, it may be perceived by consumers that they need to cut back and that may change some of the favourable trends that we had seen emerging. However I do not think that they will cut back. Thank you.

**Questions:** Although there were some questions following Pat's presentation, unfortunately the company who looked after our audio visual requirements at Coombe Abbey must have failed to record them because they were not on the tapes of the conference proceedings they supplied to us. Please accept the BSB Executive Committee's apology for this.

#### **Sessional Chairman**

I am pleased to introduce our next speaker Peter Jones, who will discuss the actions which were required to turn round the fortunes of Speedibake, which, despite having been a very successful company after it started in 1984, was suffering from increased competition, low staff morale, lower sales and lack of

NPD success in the early 2000s. Peter, who took over as Managing Director of Speedibake in July 2004, will share with you his recipe for success and the critical role the staff at Speedibake played in turning round the business to the successful company it is today. Please welcome Peter Jones.

## Back from the Brink

### Peter Jones



#### Introduction

This is the story of how a really good business can get into serious difficulties. It's the story of our turnaround plan which may provide you with some useful insight and tools. It's about the importance of people and I'll share some of the techniques that we have used to change our culture. I'll also look at some of the challenges we've had along the way and bring you right

up-to-date with the progress made in restoring the business's fortunes. I'd like to begin by explaining what Speedibake is because I suspect some of you only know us by name.

#### What is Speedibake?

- We are the frozen bakery arm of ABF – Associated British Foods, A £7BN worldwide business with deep roots in bakery through Mauri Yeast, Allied Mills, Cereform GWF Australia and, of course, Allied Bakeries.
- Speedibake has two sites in Yorkshire at Wakefield and Bradford, both of which produce bread and cake products.
- Sales of £70m go to both the retail and foodservice markets and our major business is in Instore Bakeries (ISB).
- We employ approximately 600 people and make about 1,000 tonnes of product each week. It's an exciting, vibrant place in which to work.

#### Product sectors

- We make American style muffins in every shape and size. In bulk and retail packs, as batter and as thaw & serve. In plain paper cases and in fancy tulip cups. We are probably the biggest supplier in the UK. So if any of your children or grandchildren sing "have you seen the muffin man?", after today you can now confidently say "yes".
- We are the biggest producer of ball donuts for the UK which we inject with a variety of fillings. Again, these are supplied in bulk and retail packs, with or without sugar. We also produce ring donuts in both yeast raised and cake style. Format. To give you an idea of the scale,



Product Sectors

- last week we produced 6 million donuts.
- Our French bread offering comprises petit pain, Vienna batons, harvester batons and French sticks.
- We have a state-of-the-art stone bake oven which produces all the sexy breads ending in an "i" or an "a" such as ciabatta, focaccia and pannini. It also makes batards and tear & share formats.
- Our garlic bread offering comprises baguettes, slices, dough balls and tear & share products.
- And, we produce a range of pies and tarts and are currently flat out on mince pies. We have a broad capability and a comprehensive range of top quality products.

#### Innovation centre

Wakefield boasts a state-of-the-art innovation centre. It comprises a full working ISB so we can replicate what our customers do. We have a chef's kitchen as the front-end of our concept work. The centre also includes meeting facilities and a private office area for when customers are visiting. Now for a little bit of history and on how Speedibake nearly went to the brink!

**The good** Gary Weston, who I never had the pleasure of meeting but I guess some of you did, started the business in 1984. It was based in Northampton and over time expanded into the Wakefield and Bradford sites. Gary loved the business and pumped in lots of capital in its surging growth phase. It was a pioneering business particularly in part-baked and French breads and garlic breads. Sales grew rapidly to £70m and it made lots of money.

**The bad** However by the late 90's, the magic stopped. Competitors inevitably arrived on the scene – particularly in the burgeoning French bread sector. Retailers drove hard into the chilled foods area and the advent of chilled garlic bread undermined the frozen market. As problems mounted, innovation slowed. With sales down to £60m and heavy losses being incurred, it was clear that a cost cutting plan was required. The decision was taken to close Northampton and relocate to the tranquil paradise of West Yorkshire!

This was clearly a huge challenge to the management team at the time and putting it politely, I think it is fair to say that they 'lost their way'.

**The ugly** The date of 12 July 2004 is significant for me – it's when I joined the business! The situation I inherited was



The fully equipped innovation centre

c e r t a i n l y interesting. The central overhead was too big for the size of the business which had shrunk to only £50m. Large stocks of product were being held in e x p e n s i v e outside coldstore but weren't

needed by the customers. On the other hand, in a desperate desire to square the circle, the soft budgets of maintenance and

hygiene had been cut. This is a bit like turning off the engine in an aeroplane. It'll glide for a while but then...! As a result, customer relationships took a battering. Speedibake were failing on all the KPIs and inevitably there was a breakdown of trust. With plummeting sales, there was severe under-utilization of capacity. It probably won't surprise you to hear that the workforce was demotivated and worried about their jobs. In joining Speedibake I took the view that I couldn't make things worse! On the other hand, there was every opportunity to make things better – what we needed was a plan!

### The turnaround

- We put together a new team of experienced 'heavy hitters'.
- We set ourselves a big hairy audacious goal.
- We put together a detailed plan to restore the business to health.
- And, we took time out to agree where we wanted to go – our vision and how we wanted to operate – our culture – our values.

### Big hairy audacious goal

Well, it was certainly audacious.

- We set ourselves the goal of growing sales back to the heyday.
- We planned to get back into the black
- And we tasked ourselves with a plan to achieve it in 3 years.

So, what were the bones of the plan?

### The turnaround plan

There were 5 key elements.

**One** – the first thing to do was to stop the noise and fix the outward face of the business.

We bought a window of time, but as one of our customers said “we hear what you're saying peter but it's your actions that matter, not the words”.

Innovation was parked while we set about fixing the service level and quality standards – giving customers what they expected and deserved.

**Two** – secondly, we attacked the operational performance, investing again in maintenance, recruiting better people and giving them clear accountability. We put a bomb under the logistics team to plan efficient production rather than filling up coldstores for fun.

**Three** – thirdly, we de-layered, again introducing clear accountability and made sure the leadership team were very hands-on - driving pace.

**Four** – if people hadn't jumped ship they had certainly got their heads down. Engaging with the workforce and selling them a future was the key. Many had their lives invested in the business and they wanted to be led. I'll talk much more about this later.

**Five** – fifthly, we created a detailed 3-year strategic plan, looking at our markets, customers and competitors, which I guess you could sum up as:

*“Where do we want to play and how will we win?”*

### There were 3 stages to our plan:

Firstly – to get the house in order

Secondly – to get the core profitable

Thirdly – to develop into new areas

I just want to say at this point there wasn't a silver bullet – it

was about getting back to basics. Doing them well and doing them consistently.

### Vision

I talked earlier about our strategic vision. It's not as snappy as “*the world's favourite airline*” but it does encapsulate what we are about. To become:

**Respected first choice** – customers have confidence in us and choose us above our competitors. A cocktail of cost, quality, service, innovation and category management so why look elsewhere?

**Lead growing bakery categories** – speak with authority as we build a critical mass in these product sectors.

**Deliver commercial success** – to our customers and our shareholders.

**Fearred by our competitors** Not because we have the sharpest pencil but because we are just so good. Why would they want to take us on – why not go for another sector?

### Key Strategies

In terms of our key strategies you will obviously understand my reticence to share them with you but what I will share is my mantra to my colleagues. We only want to do two things at Speedibake – sell more and cost less. That's clear for sales and manufacturing but what it says for everyone else is that they facilitate that happening wherever they are in the business. In finance for example, they should give timely accurate information for the best decisions to be made. For the guy controlling the canteen or the laundry budget, he should buy the appropriate quality as cheaply as possible to make us more cost effective.

**Values** When we wrote our vision we also took time to think about our culture and these are our values.

Integrity – we are honest and open with each other.

Accountability – we accept responsibility and don't blame others or pass the buck.

Customer focus – we put the customer at the forefront of everything we do.

Working together – working in teams achieves better results.

Enabling people – we give people the opportunity to fulfill their potential.

Pride – we demonstrate pride in our company and what we do.

**People** Because it's all about people, I firmly believe our people are our competitive advantage. In a plc we can often look much like our competitors. We have the same sort of buildings, the same sort of equipment and ingredients and we may even make the same sort of products. So how do we win? If my army is better trained, better motivated and marching in step to a common goal we will beat the enemy. If not, they will beat us. In a previous life, a colleague once said to me “do you know peter that with every pair of hands you employ, you get a free brain”. And, of course, he was right. In their non work lives some of our employees do interesting things like running clubs or evening managing the household budget so why not get them to play a bigger part at work. So how do we tap into that great reserve of potential which helps me to differentiate Speedibake from the rest of the pack? The way we do it is by:

- communicating and really engaging with our teams.
- investing in training and development

- having a performance management process
- rewarding achievement and people that go the extra mile
- getting feedback so we can tangibly see that our culture is changing.

**Communicate, communicate, communicate**

We invest in communication so that everyone knows how we are performing and what is expected of them.

- I brief every employee twice a year. My site managers also brief twice per year so everyone is getting a high level view every quarter.
- there are daily shift ‘huddles’ talking about line performance and resolving the immediate issues.
- we have plasma screens in the canteens which we use very successfully to get over health & safety information. We show the hse’s napo cartoons as well as a raft of other company information.
- both the site managers publish their own in-house newspaper – wakey wakey and the Bradford echo. These come out monthly and are a blend of company and personal information, like featuring an employee’s artistic talents or giving a country profile of one of our multi-ethnic workforce.
- And, of course, we walk the talk and engage with people at their workstations, getting their ideas.
- After all, who knows best about a job and how to improve it but the person actually doing it

**Training and development**

Last year we invested 11,800 hours in training and development to make our army the best. This was everything from English speaking for other languages to specialist courses for our



engineers. We have linked up with Thomas Danby college as our main provider. My hr manager has a special gift of being able to sniff out sources of funding so we don’t have to pay for it all ourselves.

**Training awards**

The mayors of Wakefield and Bradford came along to present certificates to our first graduates and it was a very memorable day. It was very humbling to see the pride on people’s faces for what they had achieved.

**The par process** Our performance review process addresses two key questions: “what do you want me to do?” And “how am I doing?” We cascade our annual business plan into personal objectives. For our management team we review not just what

objectives have been achieved but also how they have been achieved. Are people living our values? This combination will determine their annual pay review.

**Recognition and reward** We have an abcd award scheme - above and beyond the call of duty. Employees are nominated for going the extra mile and receive leisure vouchers, for say, to



take their partner out for a meal, as a thank you from Speedibake. Here are some of our recent winners. It’s a great morale booster and a very tangible way of saying thank you to people for the pride they show in their roles.

**Measure** Every two years we ask everyone to fill in a questionnaire so we can take our pulse and see what’s working and what isn’t and adjust our plan accordingly. By doing all these things we have made Speedibake a better place to work. And, it’s not just about the cultural improvement, it’s about hard-nosed benefits: our quality is better and customer complaints are down; we have improved our productivity; we are generating more cost saving ideas; and our health & safety has improved alongside all this, making us now one of the best performing businesses in the whole of ABF. Customers comment after factory tours about how knowledgeable and proud people are on our production lines when they are explaining their part of the process. We have had the odd setback of course!!

**Speedibake Training Awards**



**Fire** On 10 July 2006 we had the great fire of Wakefield which started in one of our donut lines and quickly spread to a second. Unfortunately, the fire brigade arrived late and then without enough foam and so it took 45 minutes for it to be extinguished. This destroyed the whole of one donut fryer and the surrounding area including part of the roof and filled the factory with thick black smoke. If you have ever wondered what a food



*The chaos left after a fire evacuation!*

factory looks like when the evacuation is for real see the photograph - you end up with 30,000 donuts an hour going straight onto the floor! The Speedibake team are brilliant in a crisis – everyone pulled together to sort out the mess, clean the place up and we got the site back up and running within 90 hours. A new fryer was located in America and the team managed to install and commission it within 5 weeks. I am proud to say we maintained 100% customer service throughout – we didn't short a single case. We were also very lucky. 5 days later Fletchers had a major fire which burnt down half the



factory destroying 5 manufacturing lines.  
 Flood We had the great flood of Wakefield when tropical rain fell for 24 hours. Fortunately, the waters stopped within one foot of flooding our plant room which would have brought us to a standstill.

**Progress to date in achieving our plan?**

- Sales have grown strongly and are back to £70m.
- We have improved our productivity – each year through labour reduction and increasing throughputs.
- Our quality is consistently to spec and our complaints are less than 1 per cpmu.
- Our service level is regularly above 99.5%.
- And not surprisingly as a result of these achievements we now have really good customer relationships.
- We have a strong innovation programme.
- We have the BRC higher level accreditation and pass our numerous customer technical audits.
- We have achieved an excellent safety record.
- We are winning awards for our environmental work on energy reduction, recycling and reducing landfill.
- And, we have won the right to attract capital investment from our parent.

**George Weston** I began by saying that this was Gary Weston's business and I was delighted when last year his son George came to witness our progress. He sent me a note after his visit which read: 'I view Speedibake as the father viewed the prodigal son after he'd come home!' I guess you were all properly brought up and will understand it. It's definitely one to attach to my CV! Of course, in the parable the father kills the fatted calf..... and I've got mine.

**£5m muffin plant** A £5m investment, making it the best muffin manufacturing site in the UK. The plant comprises a new bulk handling and decant area, together with an ERP system to give complete traceability and batch control, together with a big beast of an Autobake plant to produce top quality muffins.



**Summary**

That's the Speedibake story. I'm not saying everything is fixed but we are in a much stronger position to face the challenges ahead. I think that leading a business is like being the captain on a ship. You have to do 3 things.

- **Firstly** – set the course – the strategy for the business. Where do we want to go and how will we get there?
- **Secondly** – get the right crew in on the 5 Rs. The right people in the right place at the right time doing the right things with the right skills. And if you want a really good top management team, always recruit better people than you!
- **Thirdly** – constantly check your course.

Measure what matters both in terms of the normal business KPI's and also the ones about people and culture. Check that there aren't any icebergs ahead or that you might run aground and alter your course accordingly. By doing these three things we should all be able to prevent our businesses running into the sort of difficulties that faced Speedibake and instead go full steam ahead into the sunset.

**Questions:** Although there were some questions following Peter's presentation, unfortunately the company who looked after our audio visual requirements at Coombe Abbey must have failed to record them because they were not on the tapes of the conference proceedings they supplied to us. Please accept the BSB Executive Committee's apology for this.