

# Emotional return

BAKERY INGREDIENTS PRODUCER BACKALDRIN, UNDER THE MANAGEMENT OF PETER AUGENDOPLER, HAS UNDERGONE UNPARALLELED DEVELOPMENT AND HAS EVOLVED FROM A DIRECT SUPPLIER IN AUSTRIA AND GERMANY TO AN INTERNATIONAL ENTERPRISE WITH MORE THAN 580 EMPLOYEES AND NUMEROUS SUBSIDIARIES. HILDEGARD M. KEIL, EDITOR-IN-CHIEF OF BAKING+BISCUIT INTERNATIONAL TALKED TO **PETER AUGENDOPLER** ABOUT TRENDS AND OPPORTUNITIES ON THE VARIOUS MARKETS

**+ bbi:** Mr. Augendopler, has the crisis over the last few months had a detrimental effect on the business within the bakery ingredients business and if yes in which aspects?

**+ Augendopler:** In general, the bakery business has not changed as people always have to eat. However, there has been a slight shift towards more cost-efficient products although this has hardly been noticeable. We, as a supplier, have been

much harder hit by the changes in currency in Eastern Europe as some important currencies have been devaluated.

**+ bbi:** What impact did that have on your business?

**+ Augendopler:** We supply all our subsidiaries with products based on a calculation in Euros and as a result of the devaluation, the subsidiaries had to pay 35-40% more. Alternatively, we cannot and will not raise our prices in these countries by 35-40%. This means that we are putting in some of our reserves, but this is how business works.

**+ bbi:** Has the sales volume declined in Eastern Europe and what steps did you take?

**+ Augendopler:** No. The sales volume remains stable. Russia is the only country where we experienced a small come-back of the more simple types of bread. However, we decided to proceed as normal. All of our subsidiaries are doing well. We will not change anything. We have tried to adapt the prices slightly but have only succeeded marginally.

**+ bbi:** Are there areas in the world where business is better for you?

**+ Augendopler:** The crisis did not affect the Arabic and African countries and in total, the entire Euro area is stable as well.

**+ bbi:** How strong are you in Africa?

**+ Augendopler:** We have been producing for two to three years in Jordan and because many of the African countries are Muslim, it has not been difficult to break into these markets from there. Currently, we supply our products to 15-20 African countries. Of course, business is not yet that strong but our partners do their jobs well and care for our customers. This is a sound basis for expansion.

**+ bbi:** Africa is a large continent. Where are you present?

**+ Augendopler:** In North Africa from Egypt to Mauritania and also in the Sudan, Kenya, Cameroon, Ghana, Senegal, Sierra Leone, the Ivory Coast to name a few.

**+ bbi:** What does the market look like?

**+ Augendopler:** In these countries, free formed bread loaves are traditionally eaten; most of them are white bread loaves. However, there is some interest in health bread and organic bread. The producers are mainly small companies, although



+ Peter Augendopler

there are also larger ones that supply supermarkets. Sometimes, the supermarkets bake their bread themselves.

**+ bbi:** Will this be one of your future growth markets?

**+ Augendopler:** I am hesitant about a forecast here, but we are trying of course. Since we are present in many Islamic countries, this has become a home market to us and Africa is joining in as well. The growth is due to the development in population.

**+ bbi:** Such effects cannot be expected in Europe. Is the market stagnating here?

**+ Augendopler:** No. In Europe growth is more in terms of quality. Europe is interested in different products, for example in those having a small, defined technological effect. There are more consumers in Europe interested in bread with health value and they are also willing to pay more for these products. Added to this, the population in Europe will not shrink but will grow due to immigration.

**+ bbi:** But also due to the ageing populatio ...

**+ Augendopler:** Even the ageing population will be balanced out by immigration. Take Austria for example. For centuries, this country has been a traditional immigration country with the society making it possible to integrate all the

immigrants. They have changed the Austrian culture. Since 1908, the Islamic religion has been equal to Catholicism and Protestantism. Our society has benefited from that.

**+ bbi:** But even including the immigrants – do you really think Europe will become a growth market?

**+ Augendopler:** It is not possible to know what the future will bring! But I am deeply convinced that the future will be better than the present and the past. It cannot simply be that the summer of 2008 was the peak of European culture.

**+ bbi:** But still, backaldrin cannot be entering new markets for nothing ...

**+ Augendopler:** Of course, we will safeguard our growth in the future. Our presence in more markets means that the risk is also distributed and chances are improved. Added to this, presence in many countries and cultures means that one can learn a lot. Presently, we are doing business in about 80 countries around the world. This generates a positive excitement amongst the employees here in our company. It prevents negative thoughts and promotes the search for creative solutions and ideas to solve problems.

**+ bbi:** Does backaldrin face the risk of growing too big so that it will at some point lose its manageability? ▶

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**+ Augendopler:** We already have a rather decentralized organization. Each subsidiary is independent and headed by competent people. We have good control in place which is limited to the bare necessities. This means that we would be able to handle twice or three times as much.

**+ bbi:** Wouldn't China be a potential growth market?

**+ Augendopler:** The countries in Asia are not typical markets for baked goods as we understand them. But you never know what will happen in the future! This is why we are present there as well. We are getting familiar with the country, the people, the culture and the markets. In the case of the market growth picking up, we will be ready. We are present in China with a partner, a large yeast supplier, and we have founded a subsidiary to provide improved expert support for our partner. When we arrange a demonstration, several hundred bakers attend. We also serve restaurant bakeries in Asia. I do not view this in terms of return, we are happy with small successes. Additionally, we are receiving an emotional return. We learn and therefore enrich our lives.

**+ bbi:** How is your business doing in North America?

**+ Augendopler:** The baked goods market there is quite different. We are and will be a niche supplier to this market. The same is true for South America.

### *The countries in Asia are not typical markets for baked goods as we understand them. But you never know what will happen in the future!*

**+ bbi:** This seems to leave Europe and the countries around the Mediterranean Sea as your main focus. Is that right?

**+ Augendopler:** Europe, including the area up to Vladivostok, and instead of the Mediterranean neighboring countries I would say the Islamic market.

**+ bbi:** We are currently observing a structural change in Europe and the Islamic countries towards larger companies. Has this also changed your business?

**+ Augendopler:** In general, no. Larger companies also have to bake and large companies also need advice. The change is that industrial customers have different requirements. We have to offer the right individual solution.

**+ bbi:** Does this include less convenience?

**+ Augendopler:** Industrial bakeries are often suppliers to the trade. They are experiencing a high degree of cost pressure. They are looking for streamlined solutions and cost-efficient material usage. Sometimes there is no other way than to rely on convenience in order to achieve certain qualities. The solutions for large companies are often more challenging because they have longer distribution channels for example. This is why fresh-keeping is a hot topic. The

need for advice does not diminish due to the size of a company. Since we bake in 100 companies each day, we have a lot of experience that a single bakery will not have.

**+ bbi:** When supplying large bakeries, is there increasing competition from mills, enzyme producers and yeast suppliers?

**+ Augendopler:** Yes. However, this does not worry me as they all lack bakery competence. Our business is labor-intensive and customer-oriented. We employ about 80 first class bakers who visit the companies solely for demonstrations. These people are highly experienced; they are hard to find.

**+ bbi:** Let's talk about the trends in the baked goods market. Will we get a market for European baked goods soon?

**+ Augendopler:** There are no intermixtures but rather some blurring. Consumers know other markets and other products. They are confident to try out novelties. One or another product will stick. But basically, nutrition is and will be tradition.

**+ bbi:** Is there a trend towards more indulgence, higher quality and possibly smaller pieces?

**+ Augendopler:** Every human wants the best for himself. The lower the standard of living, the more important good food becomes, whereby "good" can also be "much". Consumers know very well where they can buy good products because it is part of their personal fulfillment.

**+ bbi:** Is there a change from the desire for quantity to the desire for quality?

**+ Augendopler:** I believe that there is something such as a primary instinct which calls for quantity. Have you ever met someone who speaks about a meal by saying, "Nice small portions!"? The contrary is happening. Size impresses. I vote for larger pieces. This has the effect that the price of these products is not immediately comparable. The size impresses and the additional costs are low because, in general, the work input is the same.

**+ bbi:** Is there a trend towards functional food, health and wellness or is this just a small segment of the market?

**+ Augendopler:** If it is real, yes, if it's a trick, no. I think it requires a differentiated view. Of course the politicians are interested in the population eating healthy food as no country can afford to pay high health care costs. But I believe that it is hard for functional food to succeed because indulgence and pleasure are at the top of the agenda. However, as an additional benefit, the consumer will appreciate these benefits.

**+ bbi:** Last question, what surprise is backaldrin presenting to customers and competitors at iba?

**+ Augendopler:** We will talk about it on October 3 at the earliest. We like to keep it a surprise – this is tradition. +++

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