

Emerging markets

FROZEN BAKED GOODS ARE CAPTURING AN INCREASING PORTION OF THE OVERALL BAKED GOODS MARKET IN CENTRAL EUROPE. BAKING+BISCUIT INTERNATIONAL TALKED TO DR. SIMONA SOKOLOVA, ONE OF THE MOST RESPECTED INSIDERS OF THIS INDUSTRY

+ bbi: Dr Sokolova, there is a large market for frozen baked goods in Western Europe with the products being supplied via out-of-home channels as well as via supermarkets and bakeries. What is the industry situation in the Czech Republic and other Central European states?

+ Sokolova: I can confirm that the situation in the Czech Republic and the other Central European countries is almost the same. A few years ago, that was not the case. However, today, you can buy bread and baguettes and even pastry products made from frozen products at supermarkets and gas stations or find them on the breakfast buffet at hotels.

+ bbi: How big is the share that frozen baked goods have on the overall baked goods market and how fast is this sector growing?

+ Sokolova: I dare to say that the size of the frozen baked goods segment and fresh baked goods segment will continue to approach each other. In a few years, the ratio will be balanced. Frozen baked goods are the future. In terms of inter-



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Dr Simona Sokolova, (44) has worked in the Czech frozen baked goods industry for eight years. Her roles, amongst others, have included being the General Manager of one of the largest producers of frozen baked good in the Czech Republic. Currently, she is at the head of her own enterprise, Profrost a.s. +++

national increase, it is hard to estimate the precise growth rate, but, roughly, I think it will be around 10%.

+ bbi: Is this market only served by national suppliers or are there imports from East and West?

+ Sokolova: The Czech and Slovakian markets are served by domestic and foreign producers of frozen baked goods alike.

+ bbi: Frozen baked goods require a controlled and uninterrupted logistics chain. Are there logistics companies in the Czech Republic or are these tasks taken over by the bakeries themselves?

+ Sokolova: We have both variants. It is dependent on the producer as to which he chooses. I know of companies that organize the distribution of their products all by themselves, but of course there are also logistics companies offering their services.

+ bbi: Which product group is dominating the local frozen goods markets – bread and baguettes, fine bakery wares such as croissants, strudel, Danish pastry or different types of cakes?



+ Sokolova: This depends on the strategy that the respective producer has chosen. If you mainly focus on the HoReCa segment (Hotel/Restaurant/Café or Hotel/Restaurant/Catering), fine bakery wares will be your main products whereas common baked goods will be required if you intend to serve mainly supermarkets or hypermarkets. However, the combination of both segments is the best choice. We will opt for this path.

+ bbi: Who are the market makers in Central Europe – the supermarkets or the out-of-home markets?

+ Sokolova: At this point in time – the supermarkets.

+ bbi: Quality or price – which is the most decisive factor on today's market?

+ Sokolova: We have always followed the policy that frozen baked goods mean premium quality. Today, unfortunately, some producers of frozen baked goods choose to make savings via their formulations. My colleagues and I are convinced that this is the path to hell. Our customers try to force us to accept absurd prices, but any purchaser intending to sell quality will do this reasonably and carefully.

+ bbi: There are only a very few Czech companies exporting frozen baked goods into Western Europe. Why is this and do you think it will change at some point?

+ Sokolova: This answer is easy. We started much later and we still have much to learn, in particular in regards to pastry products. The Western markets are divided, to a large extent, but this does not mean that we are not interested in them. I am positive that our time, the time of the companies from Central and Eastern Europe, will come.

+ bbi: How important are the Eastern European markets such as Belarus, Russia and the states of the former Soviet Republic for Czech companies?

+ Sokolova: They are important, of course. However, we are still uncertain about the legislator, situations are unclear, but we are already looking in this direction.

+ bbi: In your opinion, what will the market be like in five years from now? Will Central Europe mainly be served by national or international companies? Will the frozen baked goods market grow, remain stable or even shrink? Will the Czech companies increase their export share? Who will be the key players on the market, the supermarkets or the out-of-home markets?

+ Sokolova: Well, these questions are not easy to answer in view of the emerging worldwide economic crisis. However, one thing is for sure: in all areas with human interference, concentration is always experienced and only the strong ones will survive. Let's hope that we will be amongst the strong ones! I am convinced that companies who are able to invest, even in difficult economical times will survive. +++



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