



# Everything is different down under

MANY EUROPEANS CONSIDER THAT AUSTRALIA IS STILL BEING INFLUENCED BY BRITAIN WITH A EUROPEAN LIFESTYLE PREVAILING. HOWEVER, THIS IS HISTORY AND AUSTRALIA IS A HIGHLY INDIVIDUAL CONTINENT, WHICH IS READILY PORTRAYED WHEN CONSIDERING THE MARKET FOR BAKED GOODS

**+** More than half of the bread sold in Australia is sold in supermarkets. The key product is toast bread. These products are sold under different brand names but they are all produced either by Goodman Fielder (GF) or the George Weston Group (GW). These companies not only produce the entire range from toast bread to sweet pies, but they also have high performance plants that discourage any possible competition right from the outset. They also benefit from the highly concentrated trade scene in Australia. Woolworth and Coles control about 70% of the market, with the remainder being in the hands of some smaller, often regionally operating supermarket chains. The only company ruffling some feathers amongst the Australian supermarket giants is the German discount company, Aldi which currently has 167 stores in Australia. Aldi claims to be targeting 400 stores although some allege that the real target is in the region of 1000. Amongst other products, Aldi also offers baked goods.

Besides GF and GW, there are a few medium-sized, semi-industrial bakeries offering their products exclusively to supermarket chains or wholesalers which means that they do not have to set up their own distribution organizations. One exception is TGA. This company produces frozen dough almost exclusively for its Japanese parent company.

The second groups of companies to be highlighted are chains which account for about a quarter of the baked goods' market. These are predominately franchise companies. The largest one is Bakers Delight with an external turnover of 530m

AU\$ in 2007, achieved with approximately 630 outlets. Bakers Delight Australia currently holds 15.2 per cent of the Australian bread market – a figure which is more than four times higher than that of its closest competitor. New Zealand has 36 bakeries and opportunities are continually available. In Canada and the United States, Bakers Delight trades with 53 Bakeries as COBS Bread. On the Australian bread market, Bakers Delight claims a share of 15%. Somewhat smaller, but growing strongly is Brumby's, the second franchise chain for baked goods. It belongs to the RFG (Retail Food Group) which now serves the country with four differ-

## Summing up

The company portraits and features on the following pages are not the result of many years of exploration of the Australian continent, its societal and economical realities. In fact, they are a subjective impression gained from a two-week stay in Australia followed by extensive research from my German office. I have deliberately refrained from portraying in detail the two market-dominating companies, Goodman Fielder and the George Weston Group. Instead, I have focused on a selection of companies that reflect the situation on the baked goods' market and the supermarkets which currently provide an insight into the dynamic development of the baked goods' market in Australia. +++





ent franchise systems: Bread from Brumby's, Patisserie from Michel's, Donuts from Donut King, and bb's café as coffee shops. Together, all four parts of the company achieved a turnover of 306m AU\$ (about 180m Euros) in the first half of the business year 2008 (ending February 2008). RFG is also considering entering into international business.

Number three amongst the chains is Ferguson Plarre from Melbourne. They have also expanded by way of the franchise system. However, it is different from the other chains as a family stands behind the concept. This not only provides guidance for the company but also identity.

The other 350 producers of baked goods in the country are of rather limited significance. The most salient difference between the baked goods markets in Australia and Europe is the wealth of take-away shops and cafés, coffee shops etc. which all sell baked goods (see table). Each gas station, each motor service area and almost every third business in the purchasing malls and recreation zones in the cities offers baked goods. Of course, franchise systems call the tune. In total, there are four donut chains in Australia: Donut King, Fantasy Donut, DCM Donut and Dreamy Donut which are present all over the country (for more information please read the interview with Bob O'Mara, Chairman of the largest machine trader RVO, from Sydney on page 60.

Bakeries offering their specialties in the quarters are very popular amongst the more affluent middle class consumers in Australia. Compared to the supermarkets, these bakeries realize good prices. A small loaf of bread may be sold for six to eight AU\$.

Salaries are high in Australia. Even an untrained worker makes 60,000 AU\$ annually, which corresponds to about 36,000 Euros. The economy in Australia is prospering. This is due to the vast mineral resources in Australia which gain high prices on the world markets. Added to this, there are oil reserves and a fruitful agricultural sector, as long as drought does not prevail. Wages are high and trained workers are hard to find. This also applies to the craft and semi-industrial bakeries that make great efforts to attract trained bakers from Europe for example.

Approximately 92% of the population of 21.1m considers itself as having European roots, 7% are from Asia and 2.4% are at least, in parts, indigenous. Up to the 1960s, there were "white" immigration politics in Australia. Natives predominately from Italy, Greece, Macedonia and Poland form their own communities in the Australian cities and they are often supplied by their fellow countrymen. In particular, Italians are considered to be specialists in "the art of white", referring the flour, and are known well beyond the borders of these communities. Since the 1960s, the percentage of Asian-Australians has been growing. They have enriched the menu of the Australian people in many respects. Today, there is hardly any other country which has such a variety of authentic restaurants.

The internationalization of the food trends has also left its mark on the range of baked goods. From pita and ciabatta to wraps – all nations are present here. According to statements from several producers and trade representatives; baked goods which meet the requirements for health and wellness are experiencing significant growth rates. The package ▶





labels display their claims for nutritional benefits. There is hype surrounding gluten-free products which is not down to the fact that in Australia the number of people suffering from coeliac disease is higher than elsewhere but it is due to the fact that these products fulfill low carb requirements and have a beneficially low glycaemic index.

Naturally, there are not only bakeries in Australia but also their respective suppliers. The most important suppliers of raw materials are the mills Kerry and Dawn as well as Bakels Australia. Bakels is a subsidiary of the Swiss Bakels Group, founded down under in 1952. It has three production sites in Sydney, Melbourne and Perth where improvers, mixes, release agents and frozen dough as well as batter for muffins (supplied in a bucket) or frozen cookie dough are made. The turnover of the Australian Bakels company is nearly 90m AU\$; 20% of this is made with frozen dough. 11% of their turnover is realized on the markets in Asia and the Far East. The products are mainly supplied in bulk containers which are then emptied via special equipment into the customers' silos or container. The packaging can be folded after the inner bag has been removed and re-circulated via a pallet exchange

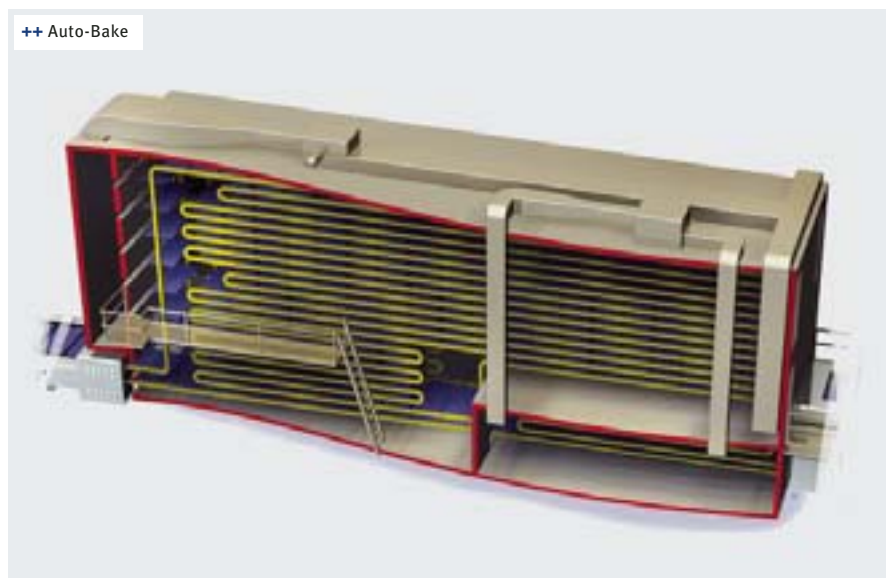
system. The strength of this group is clearly its strong commitment to training its customers and employees externally or internally in seminars.

Autobake is an internationally renowned manufacturer of bakery machinery. The company from Hornsby exclusively produces industrial equipment, lines for bread, cakes and muffins. The most famous product from this Australian company is the Serpentine Oven where trays are conveyed across multiple horizontal levels in a distinctive 'S-shape', achieving a footprint one-tenth the size of a conventional tunnel oven. The export share is above 90%. These ovens are standard equipment in bakeries in Europe, the US and Asia.

The most important middleman between European and American bakery technology is said to be RVO Enterprise, Sydney. The company established by Bob O'Mara and now headed by himself and the German, Wilhelm Harnacke, specializes in bakery equipment and ovens from Italy and donut plants from America. Added to this, both also promote tailor-made developments for the Australian market and import technologies. +++



++ Bakels



++ Auto-Bake



## Counts of Australian Businesses

State	Sector	Turnover size ranges as per end of June 2006 (in AU\$)				total as per June 2006	total as per June 2007*
		up to 50,000	50,000-200,000	200,000 to 2m	above 2m		
New South Wales	bread manufacturing	12	36	66	21	135	141
	cakes & pastry manufacturing	21	66	90	18	195	207
	biscuit manufacturing	9	6	3	9	27	30
	bread & cake retailing	237	711	1311	60	2319	2331
	take away food retailing	639	2676	3543	198	7056	7167
Victoria	bread manufacturing	3	27	57	30	117	117
	cakes & pastry manufacturing	18	39	81	18	156	186
	biscuit manufacturing	3	3	3	9	18	24
	bread & cake retailing	108	486	1113	39	1746	1758
	take away food retailing	570	2811	2613	16	6150	6141
Queensland	bread manufacturing	3	12	45	15	75	72
	cakes & pastry manufacturing	6	12	51	18	87	93
	biscuit manufacturing	3	3	9	6	21	21
	bread & cake retailing	129	348	816	27	1320	1368
	take away food retailing	351	1377	2148	19	4005	4170
South Australia	bread manufacturing	3	3	18	0	24	30
	cakes & pastry manufacturing	3	9	21	3	36	42
	biscuit manufacturing					0	3
	bread & cake retailing	51	105	264	6	426	432
	take away food retailing	111	579	765	24	1479	1500
Western Australia	bread manufacturing	0	6	9	3	18	21
	cakes & pastry manufacturing	6	6	33	6	51	42
	biscuit manufacturing			3		3	0
	bread & cake retailing	36	99	312	15	462	489
	take away food retailing	123	723	999	69	1914	2094
Tasmania	bread manufacturing	3	0	6	3	12	12
	cakes & pastry manufacturing	0	6	15	3	24	24
	biscuit manufacturing					0	0
	bread & cake retailing	27	39	129	6	201	186
	take away food retailing	30	117	288	15	450	402
Northern Territory	bread manufacturing			3		3	0
	cakes & pastry manufacturing					0	0
	biscuit manufacturing					0	0
	bread & cake retailing		6	21	0	27	30
	take away food retailing	15	90	72	9	186	189
Capital Territory	bread manufacturing		3	9		12	12
	cakes & pastry manufacturing			6		6	12
	biscuit manufacturing					0	0
	bread & cake retailing	3	30	72	0	105	108
	take away food retailing	12	81	189	9	291	297

\* Figures for 2007 were only available as total and not split up in turnover size ranges