Premium niches are the aim

WOLF BUTTERBACK WAS ALWAYS A NICHE SUPPLIER WITH HIGH QUALITY STANDARDS. BBI TALKED TO **CHRISTIAN TOMASCH**, MANAGMENT SPOKESMAN, AND **DR. BJÖRN KAHLER**, SALES MANAGER FOR NORTHERN AND EASTERN EUROPE, ABOUT WHETHER THIS COURSE CAN BE SUSTAINED IN THE LONG TERM

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++ figure 1
Christian Tomasch (r.), Spokesman for the company management, and Dr. Björn Kahler (l.), Sales Manager, Northern and Eastern Europe

+ **bbi:** The baking industry in Central Europa is currently experiencing big changes. The food retail is becoming increasingly involved. Many players in the market are repositioning themselves, and consumers' eating habits are changing. What is Wolf ButterBack's experience of these changes?

+ **Tomasch:** I believe the artisan bakeries in Germany will continue to have good opportunities. Consumers appreciate quality and freshness. A strong food retail in the fresh baked goods sector is something new in Germany. The consequences are difficult to assess, because on the one hand the retail has the resources to change the market permanently, but on the other consumers have built up high expectations regarding baked goods over many years, mainly due to the ten thousand bakeries. An even clearer separation will occur between high-volume and quality suppliers, whereby quality can mean many things, all the way from the use of high-quality raw materials and special production processes to the avoidance of additives or the use of specific marketing concepts, e.g. aimed at regionality and emotionality.

+ **Kahler:** The food retail's aggressive pricing will cause problems for bakers, but we will probably not experience conditions here in Germany like those in the Czech Republic, where the topic is being fought out almost exclusively in the retail, namely at an unimaginably low level of prices and thus also of quality. It is quite possible that in five years' time consolidation will also have taken place in the food retail, and not every baking station that has relied only on rock-bottom prices will survive. Quality and premium concepts might also develop in the food retail, which would defuse the price competition for bakers. But competition based on top quality will always remain, irrespective of whether it is now between baker and baker or between the bakers and the food retail.

+ **bbi:** What does Wolf ButterBack's strategy look like in view of this assessment? Will you remain focused on bakeries or will you become a supplier to the retail, and do you plan to build up capacities or acquire them by purchase?

+ **Tomasch:** Our strategy is the targeted acquisition of premium niches, not general market penetration everywhere. For us it is less a question of "baker versus retail" and more one of "premium quality versus cheap". Because premium baked goods concepts in food retailing have to some extent developed more consistently abroad than in Germany, we fit in well there with our quality aspiration. As was always the case, bakers in Germany are in the lead with quality in our core categories of croissants, Danish and snacks, therefore they are our main target group. Basically our strategy is to serve all those customers who support our quality philosophy and our premium positioning. Whether the retail in Germany will develop in this direction remains to be seen. The characteristic features of the baked goods market are highly complex market structures and a large number of micro-markets in which one must know one's way around. The advantage is that the central focus in such a market environment is still on individual customer and supplier relationships and on personal knowledge and contacts, and many companies can find a successful strategy and positioning. However, as a company in the Martin Braun Group we also do not exclude acquisitions to support our growth strategy, if they fit in with our positioning.

+ **bbi:** Dr. Kahler, as Sales Manager for Northern and Eastern Europe, how to you assess the position in your sales area and in Central Europe?
+ **Kahler:** It is a highly competitive market which for historical reasons lacks a finely-structured network of bakeries. Production is industrialized, quality is rather poor, sales take place almost exclusively in the food retail and prices are to some extent ruinously low. But we find our niche despite all that. There is a demand for high quality products even in these markets. Of course they are not high-volume markets, but nor does Wolf ButterBack aim at mass production. We want to be the leading supplier of premium frozen baked goods. For example the Russian market is steadily developing for us. Everything there depends on the partner. ▶

Christian Tomasch

Christian Tomasch (47) has been Spokesman for the management of the Wolf ButterBack KG since 1st June 2012. He brings more than 20 years of experience in the marketing and development of foods in a wide variety of categories from snacks and sausages, margarine, fats and oils at Unilever to soups and convenience foods at Campbell. Regarding his move to the B2B business, Tomasch says: "In all the categories of food, the consumer ultimately follows the same global trends of convenience, flavor and health. At Wolf ButterBack for example I can add this consumer orientation to the already outstandingly good customer and baker orientation." +++

Dr. Björn Kahler

Dr. Björn Kahler (38) has been responsible as Sales Manager for the markets in Northern and Eastern Europe since 1st January 2012. He knows the B2B baked goods market from his time at CSM, where among other things he worked as Key Account Manager for major clients in the food service from mid-2005 onwards. +++

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Savory snacks and sweet Danish are popular there, primarily the more complex products and innovations through whose quality one can differentiate oneself in the market.

+ **bbi:** How extensive is your product range nowadays, how many products do you develop each year and how many of them are successful in the marketplace?
+ **Tomasch:** We manufacture approx. 150 standard products, plus another approx. 200 special items that we produce for specific customers or markets. As far as product development is concerned, we have moved away from a "more the merrier" innovation policy and try instead to bring new products onto the market in a targeted way. At the same time we follow a clear innovation process in which new ideas are constantly being fed in, tested on the basis of various criteria, and implemented or else discarded. In practice we consider 2–3 new products every six months to be absolutely sufficient.

+ **bbi:** Organic and sustainability are two of the industry's buzzwords. You have marketed organic baked goods since 2008. Where does Wolf ButterBack stand now?
+ **Tomasch:** We have had organic baked goods in our product range since 2008. We abandoned this commitment at the end of last year. In most cases in purely organic bakeries the alignment to organic is a question of philosophy and is communicated as an all-embracing concept. Frozen dough pieces don't fit into that scenario. Therefore from the outset we aligned our product range specifically to those bakeries who want to use organic as an additional offering, and we provided corresponding help with certification, presentation etc. Unfortunately we discovered that certification and its rules and regulations were regarded as a big obstacle by those bakers who wanted to offer both conventional and organic baked goods. Furthermore the food retail had taken up the theme of organic baked goods strongly in the past few years and had indicated a price limit to consumers here. However, the size of the demand for organic by end customers in the bakeries to which we supply has not been sufficient to make our activities worthwhile any longer.

+ **bbi:** Has organic had its day as a distinguishing feature?
+ **Kahler:** Basically organic has its justification. Organic will have its market share especially in the case of fresh goods, vegetables, meat etc., but will also always remain a niche and will be served by specific producers and retailers. In addition we detect a trend towards regionality, which is slowly but surely overtaking the organic trend in order of priority. Here again, although generally binding rules are still a long way off, it is a topic that is considerably easier for consumers to understand.

+ **bbi:** In the summer of 2011 you published the first sustainability report in which you set the company various aims such as active protection of the environment and climate, together with other social objectives. What is the state of affairs today, and which targets have you implemented?
+ **Tomasch:** In our 2011 sustainability report we set ourselves many different goals which we intend to achieve by the end of 2013. Many actions in this respect are already taking effect, and in a few areas we implemented our stated aims long ago.

For example in Factory 1 we converted our plants to environmentally compatible refrigerants such as nitrogen and ammonia in the past year (see article on pages 64–66). In the first place this conversion has a beneficial effect in terms of energy, but is also considerably more environmentally friendly than the use of conventional refrigerants.
In the area of our workforce, we carried out movement analyses of our employees at their workplaces in the context of our Health Workgroup that was established in late 2011 in collaboration with the health insurer, the AOK. This yielded important information about employee health, which has led for example to ergonomic floor mats or the offer of a visit to a back care training specialist. In addition there are ongoing objectives, for example the reduction of organic waste or a high rate of innovation. We plan a new status report about our sustainability targets for publication in 2014.

+ **bbi:** Do your customers demand a sustainability report?
+ **Tomasch:** No, a sustainability report is not a requirement in our industry, but our customers are interested in our activities. It also shows that we are a progressive company that responds to the challenges of operating sustainably. This is an additional indication of safety, security and quality, especially abroad.

+ **bbi:** Mr. Tomasch and Dr. Kahler, thank you very much for the interview. +++

Wolf ButterBack KG

wolf ButterBack weil Qualität verbindet

The business was founded in 1991 by Erwin Wolf and Dagmar Kreis, both of whom brought with them experience from the frozen baked goods industry. Wolf ButterBack has belonged to the Martin Braun Group and thus to the Dr. Oetker Group since 2004. According to the company management, sales grew by 4.5 % in 2012, and even at a double-digit rate in neighboring countries or in Eastern Europe. The growth target for this year is 3–6 %. One quarter of turnover, which is not officially stated, originates from exports, with a rising trend. Marketing/distribution is controlled from Fürth, supported by the company's own 27 sales staff (of which 15 employees are in Germany, 4 in Italy and 5 in Austria). Operating a 2-shift system, production factories 1 and 2 in Fürth currently produce around 250m dough pieces per year. However, factory 2 is already designed so it can also produce in three shifts. An additional factory with an integral amenities building is also planned. Around 500 employees currently work in administration and production in Fürth, plus the sales staff in the field in this country and abroad. +++