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PROFIT AND LOSS IN IN-STORE BAKERIES

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"People make things work"--so it is possible to generate a profit in an on-premise bakery operation, regardless of the type (Scratch, Mix, Bake-off, Blend). But, desirable return on investment is more difficult to achieve than in other "alternative departments" because of the manufacturing nature of a bakery, high product perishability, and the resources, personnel skills and management attention required.

Making a profit depends on:

Quality. Each bakery must establish, document, communicate and police with total dedication its own quality standards that relate to what the store's customers are willing to pay - keeping in mind that most people, regardless of status, will pay a premium for consistent quality. There must be no compromises on quality.

Pricing for Profit. Accurate cost information is essential for all products produced and selling prices must be calculated from these costs with clear cut profit objectives in mind. The temptation to use in-store baked foods as loss leaders should be resisted, as doing so is destructive to profits as well as a quality image.

Controlled Variety. The kind of uncontrolled or unplanned variety that often results from enthusiasm to please customers and build sales substantially reduces profit opportunities. Like in other departments of the store, in a bakery management must take a "position" and make decisions as to what items or

groups of items are profitable to offer and where to put merchandising emphasis for best variety image and profit results.

Controls. Accurate management records are required for:

1. Keeping production in tune with sales potential and merchandising aggressiveness.
2. Minimizing shrinkage due to mark downs and waste.
3. Utilizing labor resources effectively.

People. Mentally alert, enthusiastic, honest people of at least average intelligence are necessary for profit generation. Just knowing how to bake will not "get the job done". Operating a bakery profitably requires a person in charge who can do or supervise more than one thing at a time - preferably someone who can cope with many projects going on simultaneously. The working environment must bring out self-motivation, hustle, and desire to please customers. This requires complete compatibility and understanding between bakery and store management people.

Equipment. Economically feasible labor saving equipment should be installed and used properly. Blend equipment needs with preset product mix objectives and long range merchandising plans.

Effective Merchandising. A long range well planned and organized aggressive

merchandising program that takes full advantage of the innovative potential of a bakery and the people involved is required for profit results. Just "letting it happen" does not justify an investment in a bakery.

Operating Freedom. Restrictions that severely limit personnel utilization in performing all job junctions put a damper on profit potential.

Modern Ingredients. Without compromising quality standards or raising costs beyond pricing leverage, use should be made of frozen doughs, mixes, semi and finished goods for controlling product flow and most profitable labor utilization.

In summary, most in-store bakeries fail to provide profits or remain an asset to the whole store because:

1. Quality standards are vague and often compromised.

2. Pricing has no realistic cost base and price is over-used as the prime merchandising tool.

3. Variety just happens, with little or no "direction" for profit objectives.

4. Record keeping is an unnecessary burden.

5. Total reliance for success is placed on hiring and keeping happy an experienced baker who does not have to work harmoniously with store management.

6. Labor saving equipment is misused.

7. Merchandising is based upon spontaneous selection of a hot price or two, a few worn out features, and a weekly note that says "let's be sure to have it".

8. Operating flexibility is limited by "outside" restrictions on labor utilization and scheduling.

9. Old fashion biases prevent open mind analysis and use of labor saving products.
