

BAKERY TOOLKIT

How To Manage Your Business Through A Tough Economy

The Innovation Issue:

Simple Tactics to Turn Ordinary Baked Goods into Extraordinary



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Innovation in Motion

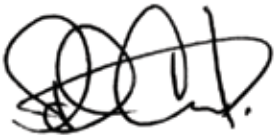
How do you transform a \$12 cake into a \$16 cake? You might be surprised to learn that the answer is much simpler than you think.

Innovative steps such as creative finishing touches can add dollars to your profits while costing you only pennies.

From new product development ideas to self-service strategies, today's bakers are thinking outside the box in their efforts to drive new sales and expand into new territories.

This issue of *Bakery Toolkit* is devoted to providing you with useful and simple-to-execute tips in innovation that are certain to help your profits grow.

At Dawn, we are pleased to bring the latest ideas in innovation from bakers who really know their customers. It is that personal touch that is so important in today's competitive environment, and we at Dawn are committed to helping you make the most of every opportunity.



Paul Caske
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New Products

New products can be the lifeblood of your retail bakery business. To succeed in your efforts to make your bakery a destination for customers, you need enticing products to keep shoppers coming in the door. New products are one of the most successful hooks in your toolkit to drive sales and gain repeat business.

Frost Doughnuts, which opened in Mill Creek, WA, last summer to great fanfare, is at the forefront of one of the hottest trends in America – the gourmet donut. Del Hernandez, co-owner of Frost Doughnuts, suggests a strategic approach to introducing new flavors of signature items.

\$ *Frost Doughnuts produces dozens of donut flavors, but does not offer everything at once.*

The bakery strategically introduces two

or three new flavors each month – just to whet people’s appetite. “That’s what keeps people coming,” Hernandez says. “People love it. It’s always something different.”

This spring, Frost successfully introduced a Malted Milk Chocolate Mousse Bar, which is a bismarck stuffed with chocolate mousse, dipped in chocolate with a final layer of mousse on top. “It’s very elegant looking, and super delicious,” Hernandez says.

Another simple way to spice up your product offerings is to add a trendy topping. While bacon may not seem like it belongs on top of a donut or a cupcake, Frost is one of a growing number of retailers that are witnessing a huge customer following for their bacon-topped creations. One of Frost’s top-selling gourmet donuts is the Smokey Bacon Maple Bar

Frost Doughnuts introduces only a few new flavors each month to keep customers excited.



(pictured on the cover). The maple icing is infused with bacon, and a fresh slice of bacon is added on top. This donut is so popular that Frost customers call ahead to order them. “We can go through 300 of those on a Saturday,” Hernandez says.

RETRO FAVORITES

Another valuable tip for your bakery is to reintroduce retro favorites that your customers will know and love. American consumers are showing a huge interest in all things retro, and retro bakery favorites are items that enjoy a local history in your city.

\$ Put your own twist on retro favorites to turn old-fashioned classics into your own signature sweet treats.

Haydel’s Bakery in New Orleans offers a great example of this, as owner David Haydel Jr. shares how they reintroduced Russian Cake to their customers with huge success. Russian Cake’s popularity in New Orleans dates back to 1872 when the Grand Duke Alexis of Russia visited New Orleans for Mardi Gras and wanted a special cake.

Today, Haydel’s makes its own version of Russian Cake by starting with cake scraps of almond cake, gold cake and devil’s food cake. The cake scraps are mixed together with raspberry jelly and a hint of anise and placed in a special pan. Then bakers pour a large amount of sugar on top of the mixture to rest overnight and compress the mixture. The next morning, they ice and cut the Russian Cake into squares of different sizes to

FAST FACT

Putting a new spin on old favorites is the No. 1 menu trend in America, according to Technomic.

serve in the front shop. “It’s a great way for New Orleans bakeries to use up scrap cake that might be thrown away. So you take what’s going to be a loss and turn it into something you can sell,” Haydel says. “It’s really popular with a lot of the older crowd here, and then the little kids now that are coming in go nuts for it.”

These types of simple steps and innovative approaches to new product development can do wonders for turning what might have been stale sellers into instant classics.

Haydel’s Bakery turns old-fashioned favorites like Russian Cake into their own signature best sellers.



Expanding Sales

Looking outside the walls of your own retail shop can prove a great start to expanding your bakery sales. Wholesaling can be a profitable venture, provided you examine all of the costs involved and have a well thought-out plan. Poul Larsen, owner of Larsen's Bakery in Seattle, offers the following insightful tip for fellow bakers who are considering a move into the wholesale bakery business.

\$ *Larsen suggests not selling a whole line of products to wholesale accounts. "Only sell unique items that you have and nobody else does."*

Larsen's Bakery carries dozens of items at their retail shop but sells only signature Danish Kringle to wholesale accounts. "Make it unique. Then you set the price and you set the quality," Larsen says. "Be-

sides, you can produce a lot cheaper with only one product."

Catering can be another lucrative venture for bakeries, and don't forget to pursue both corporate and individual clients. A recent Technomic study found that 40% of consumers expect to entertain more often at home over the next year. Bakeries can offer platters of assorted sweet goods for consumer parties to serve at these types of special occasions.

Selling catering is a constant battle to keep inventing something new for customers to try, according to Michael Roman, president of CaterSource Inc., a national organization for caterers. Roman suggests two important sales tactics to successful catering: Become an expert, and ask more questions. Be a person who

Larsen's Bakery sells Danish Kringle to three local nurseries as part of its growing wholesale business.



beams credibility and an overall understanding of catering. Then ask a lot of questions. Questions lead to sales, and the person who asks the questions stays in control of the situation, Roman says. “Remember: Experts really don’t know all the answers; they just know where to find them.”

Don’t forget there are places to sell fresh baked goods that you might never think of, so keep your eyes and ears open to unique opportunities. Larsen’s Bakery learned this lesson when visiting with a local nursery that had been giving away Danish Kringle with every poinsettia purchase by its customers in the weeks leading up to Christmas. Larsen suggested to the nursery: Why give away free Kringles when you can sell them? Larsen’s Bakery arranged to ship 50 Danish Kringle to the nursery for the upcoming holiday season. “He called me after an hour and said they were all sold,” Larsen recalls. “Now, we sell to three local nurseries. That business keeps growing.”

FIND A HIGH-PROFILE PARTNER

Another profitable tip for expanding your bakery sales beyond your own retail shop is to partner with a high-profile food retailer, like a supermarket chain or a coffee house chain. Starbucks now sells the Chocolate Old-Fashioned Doughnut from Top Pot Doughnuts, a five-store retail bakery in Seattle. Starbucks hand selected Top Pot back in 2005 to carry their doughnuts in the Starbucks pastry cases of stores throughout western Washington. Today, the unique, “old style hand-

FAST FACT

Don’t forget to factor in sales labor, rent and utilities when determining your price on wholesale items.

forged doughnuts” from Top Pot are available at Starbucks across the country.

Enthusiasm goes a long way toward getting the word out about your credibility and ability to get the job done. Owner Margo Engberg of PinkaBella Cupcakes in Redmond, WA, pushed every button she knew after opening her cupcakery late last year. She communicated their story to the local press and gave away large donations, sometimes 1,000 cupcakes at a time, to fundraising dinners or corporate events. Her shop quickly exceeded sales expectations, by selling several thousand of cupcakes per week. The local notoriety paid off again when Nordstrom department store approached Engberg and asked that PinkaBella supply cupcakes to sell at Nordstrom’s café counter. “At first, the idea of giving away a thousand cupcakes wasn’t easy. That’s \$3,000. But you have to look at the exposure. I like getting our name out there.”

The lesson is never underestimate the power of thinking outside the box – or outside your own retail bakery’s walls.

Finishing Touches

Bakery experts agree that simple finishing touches can easily turn your \$12 cakes into \$16 cakes – or \$1 donuts into \$1.50 donuts – with only pennies of extra cost involved. For example, adding candy bar toppings to your cakes, cupcakes and other sweet goods is “very much on trend,” says Joni Peterson, Vice President of Major Accounts for Dawn Food Products, Inc. “One of the biggest trends right now is adding particulates like candy bar toppings on cakes, cupcakes and donuts,” she says. “This is a really easy application across the board.”

\$ *Adding chocolate shavings is another simple and innovative idea that can add profits and eye appeal to your products.*

Mark Bastian, Product Specialist for Dawn Food Products, Inc., suggests that embellishment of garnishes is a hot new trend. “I love using ganache, and chocolate shavings really sell a lot. When you drizzle a cake with chocolate ganache, it looks so much better and adds much more appeal.”

DESCRIPTIONS THAT SELL

The simplest tip of all – and one that won’t cost you a penny – is the finishing touch of how you describe sweet goods to your customers. Take a cue from Manderfield’s Home Bakery and how it describes its cheesecakes in brochures: “Indulge yourself today with one of our smooth delicious cheesecakes, baked with Manderfield’s exclusive recipe that is sure to send your taste buds to seventh heaven.”

Manderfield’s Home Bakery introduced a 7-inch dessert cake line that includes Brownie Delight with chocolate shavings.





Here's how you can communicate your bakery's commitment to the extra finishing touches. Use store windows, signs, brochures, and websites to tell your customers about the special 'extras' that your bakery offers.

Bastian suggests that using signage to describe products with “smooth chocolate” mousses or “real” fruit fillings can add uniqueness to your business. Or try a different icing like vanilla bean instead of white icing for your cakes. “Instead of cake with white icing, why not cake with vanilla bean icing?”

“Names have a lot of power, and the description of your cakes can make a big difference,” Bastian offers. “Rich, delicious, moist, iced with real buttercream, smooth chocolate mousse drizzled with imported Belgian chocolate. Those are all powerful words that can add up to bigger profits.”

Weber's Bakery in Chicago features a display table of gourmet cookies, such as “peanut butter cookies dipped in chocolate” and “chocolate dipped Oreo cookies,” in the front of the store for easy access by customers.

Another example of how to add finishing touches to value cakes can be found at Manderfield's Home Bakery in Appleton, WI. The family-owned retail bakery sells a 6-inch chocolate torte that is filled with “generous layers of rich caramel

FAST FACT

Adding chocolate shavings to your finished cakes adds just pennies to your overall food cost.

and Snickers candy mousse.” Co-owner Jerry Manderfield says they also recently started a new cake line called “Slice of Seven.” Slice of Seven dessert cakes are topped with garnishes like chocolate shavings that add to the overall appeal. One of the most popular is the Brownie Delight, which is a white pudding cake topped with chocolate brownie pieces, rich fudge and chocolate shavings.

“We're able to produce a lot of these at one time,” says Manderfield, adding that it's important to factor in the production cost when evaluating the success of any new product line. Don't forget to calculate the labor costs involved in every item you produce, and make sure your time is worth it. If you add a few cents of garnish or topping, but it takes a lot of time, it might not be worth it.

Bastian sums up his ideas with a final piece of advice: “The bottom line is the customer wants to feel like they've bought something really special. It's the product, how it's merchandised, and how it leaves the store. All of those things are very important.”

Self Service

Gone are the days when a retail baker could simply fill up their front cases with fresh baked goods every morning and expect that most everything sold by the end of each day. Today's competitive business environment requires a comprehensive approach to plotting your production needs and merchandising strategies. Selling more self-service packaged items for on-the-go shoppers is one important development that often can be overlooked.

To maximize your donut sales, don't just sell donuts out of the service case. Offer a secondary display of self-service donuts near the checkout register.

Dawn research reveals that only 37% of donuts are consumed at breakfast, so

don't be afraid to merchandise donuts around the clock.

SINGLE SERVE DEMAND

One important trend to watch is the growing demand for single-serve baked goods such as cake slices. As a point of reference, single-serve baked goods sold at supermarket bakeries grew 24.4% in dollar sales in 2009 over the previous year, according to Perishables Group data.

Mike Heyer, president of Racine Danish Kringles in Racine, WI, calls his company's introduction of a new 3.5-ounce, single-serve Kringle "the best idea we've had in the past few years." Racine Danish Kringles, a wholesale baker, sells the new 3.5-ounce Kringles to supermarkets and drug store chains. "We are really pleased with the results of it," he

Racine Danish Kringles calls the self-serve 3.5-ounce Kringle its best new idea in years.



says. “Our older customers really wanted a smaller Kringle, something that is simpler to eat.”

Other bakeries are devoting more space to self-service items at retail to capture more sales from the on-the-go consumers. Manderfield’s Home Bakery in Appleton, WI, is one of a growing number of retail bakeries across the country that are devoting more time and resources to self-service products and modernized packaging that elevates their brand image. For years, Manderfield’s sold a popular line of spritz butter cookies packaged in 1-pound boxes exclusively during the holidays. Then the bakery wanted to turn these into year-round items. So they decided to package a variety of flavors in 6-ounce containers that customers could mix and match.

“Now we make up a bunch of these cookies at one time and freeze them. Volume is the key,” says co-owner Paul Manderfield, who stresses the importance of maximizing productivity in the production process. “Packaging has enabled us to mass produce these items and still offer a fresh product, while putting out a very nice looking product.” Varieties of their fancy butter cookies now available in 6-ounce clear plastic containers include Bird’s Nests, Butter Crescents, Rainbow Drops and Pretzel Bites.

Manderfield’s also switched gears in their gourmet dessert bar program a few years back. Previously, they produced pans of each flavor of their dessert bars (lemon

FAST FACT

Cake slices account for nearly two-thirds of single-serve cakes sold at supermarket bakeries.

bars, brownies, etc.) and displayed them out in the front sales area. But some flavors sold better and others went stale. And worst of all, no one was managing the rotation to keep products moving.

Baking off a sheet of lemon bars for the day may not be profitable, Manderfield says. Now, they bake the dessert bars all at once and package them in convenient “assortment” packs that include six kinds of bars in a one-dozen package, all for \$6.85 apiece. “That keeps a nice selection out there,” he says. “Every week, we pick six different kinds. They are all fresh, and we don’t have to rotate them.”

Manderfield points out that many bakers were brought up in the business learning a common practice – fill up your service case in the morning and hope for the best. “You do what your dad did for years. You put products out in the case, and whatever is out there is all you can sell for that day. But we found we were losing sales. So how do you get more products out in the store without doing more in the cases? That’s where we decided to get into packaging more.”

Enhance Your Image

Innovative bakers are always in search of creative ways to enhance the image of their signature baked goods. Here's one simple tip for cakes that is sure to make an immediate impact: Turn your cakes into tortes, and watch your dessert cake sales grow layer by layer. Dessert cakes remain a destination category for the bakery business.

"You can easily take a cake from 2 layers to 3 layers and call it a torte – just like the Europeans do," suggests Mark Bastian, Product Specialist for Dawn Food Products, Inc. "Because when you call it a torte, people immediately see that as an upscale product."

A couple of Chicago bakers provide valuable testimony to this simple-to-execute idea. Roeser's Bakery turned traditional tres leches cakes into tres leches tortes.

\$ For years, Roeser's Bakery tried to make a traditional tres leches cake, "and we couldn't give them away," says owner John Roeser. "But once we turned it into a torte cake, it became our largest selling torte cake."

Roeser says the popularity of the tres leches torte spurred another winning idea: "Because the tres leches torte was so popular, we decided to take it another level higher. Now we make a chocolate tres leches cake that is just outstanding. You can hardly go wrong with a cake that you're soaking in 36% cream, evaporated milk and sweetened condensed milk. You rarely get a complaint about it being dry." In addition, Roeser's Bakery makes a piña colada torte and mango torte in the summers. "We try and keep a lot of fresh fruit. Everybody loves fresh strawberries."

Weber's Bakery specializes in a Banana Split Torte Cake that continues to be a top seller.



Fresh strawberry whipped cream cakes has been our staple item since we went into business,” Roeser says.

The secret for Roeser’s is not to be all things to all customers. Find something that works and then leverage that to enhance your image. “We do not try to be the ethnic bakery for any one ethnic group. What we try to provide is enough product that shows we’re sensitive to that ethnic group’s needs, but we twist in an American way, or our way.”

Michael Weber of Weber’s Bakery in Chicago offers a similar success story with their Banana Split Torte Cake, which is one of their top-selling items. Made with two layers of banana cake and one layer of chocolate cake, then filled with homemade custard and topped with fresh bananas, whipped cream and fresh strawberries, Weber’s bills this creation as “truly a banana split in cake form.”

“We’ve been making this cake forever, and one of the reasons we sell so many is the custard is a scratch custard. We make them ahead of time, and customers will walk in and pick up a cake when they need one.”

TURN ORDINARY INTO EXTRAORDINARY

Mark Paielli of Paielli’s Bakery in Kenosha, WI, offers another tip for turning everyday items into extraordinary best sellers. His bakery sells about 15 kinds of donuts, and the most popular is called the “Cyclops,” which is a chocolate iced donut with a dollop of buttercream in the middle.

FAST FACT

Use seasonal items and limited-time offers to help stimulate demand and profits for unique items.

“People go crazy for that. That is our biggest draw on any given day,” Paielli says. “It’s a normal sized donut that we ice with chocolate icing, or sometimes raspberry or lemon. On a typical Saturday, we probably sell 45-50 dozen of those.”



Another lucrative idea is to turn your products into exclusive or limited-time specials. Weber’s Bakery in Chicago enhances its image by promoting signature items for each season, which creates a valuable buzz among customers.

Weber’s Bakery features a wide array of dessert items as seasonal specials by promoting limited-time offers that continue through a specific time period. This spurs higher demand. “A lot of our products are now seasonal,” Weber says. “For example, we make our key lime pie from Memorial Day to Labor Day. And on Labor Day, the last day that you can get them, we put them on sale. People go crazy and ask us, ‘what’s the limit?’ We really make a big deal out of that in all of our advertising, and customers love it.”

On the Web

One of the most radical changes in the bakery business over the past few years has been the advent of social networking sites in which millions of consumers are becoming “fans” of their favorite food spots – bakeries included.

The Retail Bakers of America helps bakers connect to other bakeries across the country on its Facebook page, and scores of bakeries are joining in this important trend. A number of bakeries already boast more than 10,000 Facebook fans.

Remember: You can’t just innovate with products, you have to innovate with the times. It’s important to stay informed on how people are behaving, connect to younger customers, and remind people to come to you. Social networking sites can be one of the most useful tools to

achieve this goal. Think broadly about your competition because you are not just competing with the next bakery a few miles down the street. You are competing with every place that sells food.

\$ *Daniel Sterling, co-owner of Frost Doughnuts in Mill Creek, WA, offers that they use social networking extensively to create an open dialogue with customers to gather feedback and respond to customer requests.*

Social networking sites are free, and are simpler to use than you might think. Frost mainly uses Twitter and Facebook, on which the donut shop boasts about 3,500 fans. That’s a pretty strong following for a bakery that opened less than a year ago. “We actually started doing it even before we opened, to really build up inter-

Deerfields Bakery uses social networking sites like Facebook to promote new products and seasonal specials.



est in what was coming about. Before we opened, we blocked out all the windows in the store and just put our URL (frostology.com) and didn't tell anyone what we were going to be," Sterling says. "We allowed all the speculation to percolate online and then used social networking to spur that along. We would drop hints." Now, Frost posts an update on what's coming out of the kitchen every day, Sterling says. "The beauty of using social networking is that it allows people to consume that information on their own terms."

GET INTERACTIVE

Another point to recognize is the importance of interactivity on social networking sites. When Deerfields Bakery, which has three locations in the northern Chicago suburbs, launched a new product called Cup O' Cake (a single serving of unique cake flavors), general manager Tim Schmitt says they used Facebook and Twitter to introduce the innovative single-serve product to its customers.

"We'd post a message, 'Come in this weekend and try our new flavor and tell us what you think.'" Schmitt says. "Sure enough, we got 25 people saying do this or try that. It's all about getting the customer more engaged again and starting a conversation thread."

Sterling of Frost Doughnuts agrees that social networking is a highly effective customer service tool. "People are very comfortable critiquing online, as opposed to actually letting you know in

FAST FACT

Facebook boasts more than 400 million active users, and 50% log on any given day.

the store that's something's not right," he says. "We get constant feedback on a new flavor or a recipe we've changed. We can immediately react and satisfy the customers before it becomes an issue."

Some bakery owners may wonder where they will find the time to devote adequate resources to cover the time it takes to stay interacted with customers on social networking sites. Sterling recommends evaluating your bakery staff and finding someone you can trust and who has a highly engaging personality. Then give them the assignment of posting updates two or three times a day on Facebook and Twitter and checking on what type of feedback customers are providing.

Best of all, social networking is a free tool to market your products and keep customers engaged. "What is better than a free source of eyes that you can speak to?" Sterling ponders. "I liken it to a megaphone. If I want to get a message out to thousands of our customers, I just pop on to Facebook and send a message. And I get immediate feedback on that message."

Tips and Trends from Courtney Clark



CLARK

Having your cake and eating it too is the perfect way to describe the new relationship Dawn Foods has forged with Food Network and TLC personality Courtney Clark. As owner of specialty bakery Cake Nouveau in Ann Arbor, MI, Clark is an expert in creating “edible art” with cakes and cupcakes. Her education in the fine arts and her passion for baking combine to create a style and expertise unique to the industry. Clark offers the following tips on how to stay on the cutting edge of innovation.

Don't be afraid to use color! One new color trend is to pair similar color families, like hot pink and orange, or lime green and aqua.

Push the envelope with new flavor combinations. Be adventurous. Passion Fruit and Chili anyone!

How is your workspace decorated? Does it reflect happiness and creativity? My cake shop has purple tile floors and hot pink walls!

When I feel stuck and need fresh flavor ideas, I go straight to the source and ask customers. I'm always surprised about what flavors they request, and usually it's something I'd never guess.

If you haven't jumped on the bandwagon yet, cake balls are all the rage and such a fantastic use of excess cake and filling!

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