

Bakery, a new opportunity – Barilla Australia

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Barilla was founded in 1877 and since then has grown steadily. Pietro Barilla started to sell bakery products and pasta in a little bakery shop in Parma and continuously opened new ones. This firm developed and acquired different pasta and bakery companies over the years. Presently, the Barilla Group owns two strategic business fields, pasta meal and bakery products, where the bakery's turnover in Italy is approximately 65% of the total. In the 80ies the local market seemed to saturate and this firm dared to attack foreign markets. Barilla currently exports approximately one third of all their production to over 120 countries, a share that grew by some ten per cent in 2002 and is bound to increase with the development of Barilla's international activities.¹

Almost five years ago this food group decided to enter the Australian market. In this environment the pasta meal lines were able to capture approximately eight per cent in value of the pasta market. In order to further increase the turnover in Australia, Barilla is testing whether it should import and sell on a big scale some of the already existing bakery products (biscuits, bread and shelf stable cake) from Mulino Bianco (equals Passioni overseas), Wasa and Pavesi. Those products contribute a significant part in the home market but are until now almost inconspicuous in international business. "Change remains inevitable, in war, in peace and in day-to-day operation of our business."² As one can derive from this, it is a key question in Barilla's future, both in Australia and abroad. Hence, this paper is a first step to make this opportunity become reality!

The increasing competitive pressure as well as the consolidating tendencies in the dry grocery business in Australia has let this company considering new ways in order to remain a strong force in the market. "In any competitive environment, a company must be good at what it does and possess skills that make it stand out. Distinctive competencies allow growth companies not only to make more money from existing businesses but also extract greater value from new opportunities".³ Barilla has proved with their long and well-established tradition that they are able to flourish and understand the business in which they are playing their cards. For this project no new product is going to be developed, limited investments

¹ W.a./cp.: <http://www.barillagroup.com/thebarillagroup/companyprofile/index.htm>, 30.8.03

² Berachell 2001, p.311

³ Baghai/Coley/White 1999, p.101-102

should be considered and economies of scale used. Therefore, the idea of importing an already well selling product stands to reason.

In order to reach the goal and get a competitive edge in implementing new bakery lines into Australia some profound analysis has to be done. First the bakery market in Australia must be thoroughly analyzed to understand the market potential. The procedure for this section is done following Kotler who is separating the steps for a successful market identification in a timely manner. This involves completing a market segmentation and coming out with a targeting proposal. “Successful management begins by identifying and understanding customer needs and wants and then designing a marketing program that will satisfy those needs and wants at a profit for the organization.”⁴ Then the market environment must be screened. It involves evaluating the own strengths and weaknesses as well as the ones of the main competitors. The following step is to position the product within these market surroundings so that it can perform most effectively.

Next, several management strategies are presented. Different possibilities are being discussed and co-operations in any form will be considered up to an extent that they could be of any use for Barilla Australia Pty Ltd. Hence, more light will be shed on the strategic considerations, which contain the competitive strategies from Porter, development strategies as well as the portfolio strategies from the Boston Consulting Group and General Electric / McKinsey matrix.

In the last section these academic theories will be applied to the example of Barilla’s subsidiary in Australia to figure out whether there is a chance that some products of the bakery brands could make a sizeable contribution to the overall performance of this branch. The author’s personal input is to define a unique selling proposition for the diverse product lines because he is convinced that this is the most likely chance to make a good product flourish. Moreover, the writer is trying to figure out whether there is a market in Australia for some or even all bakery products that the Barilla Group is already selling in Europe.

It is crucial that a considerate study of this issue is executed. At the beginning the situation of this subsidiary is being considered. Due to the structural circumstances, a lot is dictated from the head quarter in Italy, like their targeting audience, which is families, as well as their selling arguments. The current status is being portrayed, the positioning for the selected

⁴ McColl-Kennedy 1994, p.116

biscuit portfolio chosen which will be backed up by the two portfolio strategies previously mentioned. To be able to sell bread and shelf stable cake in Australia an acquisition or a construction of an own manufacturing plant would be required due to the short shelf life of these items. However, this rather small subsidiary of the Barilla Group in Australia will probably be not capable of making such heavy investments.

Then, the best possible strategy is defined in order to make the most of the opportunity. In order to develop company activities one needs to marshal the necessary capabilities such as privileged assets, growth-enabling skills and special relationships. In Australia the privileged assets such as the distribution channels already exist, the brand and reputation have spread through the country and gained recognition over the last years. Customer information data is already being collected with the help of ACNielsen through the activities in the pasta meal market. Ties with existing customers and suppliers can provide growth opportunities and should be nurtured.⁵

This paper will be showing that Australia could be quite an ideal test market for Barilla's international units to study the potential of some of the bakery lines on a bigger scale due to the size and the structure of that market segment. Before that can happen, some obstacles have to be put aside. The biggest concern is the food labelling that must be adjusted in order to fulfill the necessary requirements. Nevertheless, the whole biscuits range from Passioni and Wasa as well as the Pavesini and the Togo biscuits from Pavesi could be placed in a white spot in the Australian market and have a substantial potential of becoming high-flyers when they are properly introduced into the Australian biscuit market. In relation to the amount of people who are living here and the growth perspectives that they face, the Australian environment is ideal to start this venture. However, there is no doubt that it will not be an easy task to master and a lot of effort and commitment is needed to emerge victorious.

⁵ Cp. Baghai/Coley/White 1999, p.100-106