CHAPTER SEVEN

BAKERY BUSINESS PRODUCTION ASPECT
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<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Contents</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>7.1</td>
<td>PRODUCTION ASPECT</td>
<td>260</td>
</tr>
<tr>
<td>7.2</td>
<td>THE BASIC INGREDIENTS OF BAKERY PRODUCTS</td>
<td>261</td>
</tr>
<tr>
<td>7.3</td>
<td>TYPES OF BAKERY PRODUCTS</td>
<td>263</td>
</tr>
<tr>
<td>7.4</td>
<td>KEY DECISIONS RELATED WITH PRODUCTION ASPECT</td>
<td>265</td>
</tr>
<tr>
<td>7.5</td>
<td>IMPORTANT ASPECTS</td>
<td>267</td>
</tr>
<tr>
<td>7.6</td>
<td>BAKERY BUSINESS - FINANCE ASPECT</td>
<td>271</td>
</tr>
<tr>
<td>7.7</td>
<td>FOR STARTING OF A BAKERY BUSINESS UNIT, THE FOLLOWING ARE CONSIDERED AS FIXED ASSETS</td>
<td>273</td>
</tr>
<tr>
<td>7.8</td>
<td>ESTIMATING THE WORKING CAPITAL REQUIREMENT</td>
<td>275</td>
</tr>
<tr>
<td>7.9</td>
<td>AVAILABLE SOURCES OF FINANCE</td>
<td>277</td>
</tr>
<tr>
<td>7.10</td>
<td>MANAGEMENT OF EARNINGS</td>
<td>280</td>
</tr>
<tr>
<td>7.11</td>
<td>BAKERY BUSINESS MARKETING ASPECT</td>
<td>281</td>
</tr>
<tr>
<td>7.12</td>
<td>THE NATURE AND FEATURES OF BAKERY PRODUCTS</td>
<td>282</td>
</tr>
</tbody>
</table>
CHAPTER SEVEN
BAKERY BUSINESS PRODUCTION ASPECT

7.1 PRODUCTION ASPECT:

Bakery products, known as the 'instant food', are not produced as fast as they are consumed. They are the result of careful planning and controlled production activities. A bakery businessman has to be very cautious about all the relevant possible factors influencing the production activity.

Production of bakery products means the systematic conversion of raw materials, i.e. wheat flour, sugar, water, 'ghee', etc., baking the necessary steps, such as mixing, fermenting, moulding, baking etc., into various bakery products like breads, buns, biscuits, and cakes.

During the research process, it was felt that, even if a small bakery business unit is to be started as a source of self-employment, it is necessary to consider the following aspects –

i) Essential ingredients of bakery products.

ii) Various types of bakery products - steps involved in the production process.

iii) Key decisions related to production activity.

iv) Consideration of important aspects and activities in production.

Let us consider the above-mentioned aspects in depth.
7.2 THE BASIC INGREDIENTS OF BAKERY PRODUCTS:

a) Flour:
The flour of wheat is one of the most important ingredients used in bakery products. Wheat, from which flour is made, is the most essential grain used in bread making. It is the only cereal that contains the proper combination of glutenin and gliadin.

b) Eggs:
When eggs are listed, whole eggs - the yolks and the whites - are meant. Eggs are important, because they add colour, improve the grain and texture of baked products, increase volume and give structure to the product, add flavored, and have considerable nutritional value.

c) Salt:
It brings out the desired flavour and controls yeast action. It improves the texture and grain of baked products for the purpose of good taste, salt is necessary.

d) Milk:
Various forms of milk are used in the bakery such as liquid whole milk, liquid skimmed milk (i.e. milk after removing butter fat from whole milk), powdered whole milk etc. In bakery product milk improves the texture and food value, while keeping the quality and flavour.
e) **Sugar:**
Cane sugar and beet sugar both are used considering the nature of the product and the availability. The main function of sugar is to provide basis for yeast, which in turn produces CO\(_2\) gas that raises the dough fabric.

f) **Yeast:**
It is a microscopic plant or cell grown in vats containing a mash of ground corn, barely malt and water. The two types of yeast are - compressed yeast and dry yeast. Yeast causes fermentation producing CO\(_2\) gas, which raises the dough fabric. When yeast is mixed with flour into dough, the yeast plants begin to grow and multiply very fast. This growth produces the leavening gas or carbon dioxide, which forms the small bubbles that cause the dough to rise. Yeast in baked products increases the volume and improves the grain, the texture and the flavour.

g) **Fats:**
Fats used for baking purposes are all edible fats or hydrogenated oils of vegetable or animal origin such as hydrogenated shortening, lard oils, butter. Fat improves the nutritional value of bread. It lubricates the effect on gluten strands, and improves the ability of making the slices of the bread. It increases weight also.

h) **Ammonium Carbonate:**
It contains the constituents of carbon dioxide gas, which is liberated from the ammonium carbonate by decomposition due to heat and moisture in the baking process. If used in baked products, it improves their quality and texture, bring about more uniform symmetry and increase volume.
i) **Flavoring Material:**

Although, these cannot be considered as the basic ingredients in bakery products, they are important in producing the most desirable flavour.

i) **Water:**

It binds together the insoluble proteins of flour, which form gluten. Any water, which is fit for drinking, can be used for bread making, but not the hard water.

### 7.3 Types of Bakery Products:

As defined earlier, bakery products are those products, which are baked. It includes all those products, which can be cooked by dry heat in a closed place, called an 'oven'. These products are the results of the combination of various basic ingredients described above.

Some of the popular and regularly used bakery products are as under:

**1) Bread:**

Bread is one of the most popular bakery products. Almost all the bakery businessmen produce breads in different shapes and types. It is the accepted term for food made of wheat flour. It is a nutritious food obtainable at low cost.

Various stages in bread making include –

1) Considering the nature and quality of essential ingredients,
2) Weighing of ingredients,
3) Mixing of ingredients,
4) Fermenting the mixture,
5) Scaling
6) Rounding,
7) Bench proofing,
8) Moulding,
9) Panning,
10) Pan proofing,
11) Baking,
12) Cooling.

Qualities of the bread can be judged in terms of volume, symmetry of shape, colour, flavour, moistness, crust colour, etc.

2) Cakes:
Cakes are very much popular among the teenagers and small children. It is a leavened and shortened sweet product containing the essential ingredients like flour, sugar, shortening and eggs. It may include other optional items also such baking powder, milk, fruits, flavour, etc.
Its quality can be judged by taste, texture, aroma, character of crust, etc.

3) Biscuits:
All especially babies, children, youth, old persons, and patients consume biscuits. The bakery businessmen produce a large variety of biscuits. However, biscuit is such a product that it is normally produced by big bakery manufacturers on a large scale. Small bakery businessmen feel it a costly proposal to produce biscuits. It is equally difficult for them to acquire the quality, and compete with the big bakery businessmen.

4) Buns:
It means small shapes of bread dough some times slightly sweetened or flavoured. These are plain long finger buns coated with pink / white glace icing.
5) **Nankatai and Pastries:**
Nankatai is a popular bakery product with flour, shortening, sugar, curd, charoli, etc. These days, pastries are very much popular among the consumers.

6) **Kharis and Cream Rolls:**
These are the products usually manufactured by small bakery businessmen. These products contain the ingredients such as flour, salt, water, shortening, sugar, butter, etc.

During the survey, it was observed that there could a large amount of variety in respect of each of these products e.g. If we consider bread, then milk bread, fruit bread, buns, small size, large size breads, loaves etc. are available.

The same is the case with cakes biscuits, buns, and pastries. Usually, each manufacturer possesses his own production / mixing formula in respect of bakery product manufactured by him.

7.4 **KEY DECISIONS RELATED WITH PRODUCTION ASPECT:**
During the survey, respondents were asked about, the key decisions related to production aspect. It included information and opinion about product items, product line, and product mix.
1) Selection of Product Item:
Product item means a particular type of product, such as bread, cake, biscuit, etc. Respondents were asked - how they select the product items. It was noted that big bakery businessmen like Hindustan Bakery, Areal Bakery, Modern Bakery, have production of a large number of product items. Small bakery businessmen expressed that this is neither possible nor profitable for them. It is better for them to produce the product items in smaller quantity, at least in the initial stage of the business.

2) Deciding on the Depth of Product Line:
Product line means a group of products having some features in common. Producing variety or types of the same product brings depth in product line. For example, if we consider about cakes, a large number of variety is possible on the basis of size, shape, fragrance, contents, etc. It was observed that the depth in product line is possible for big bakery manufacturers. Small bakery businessman and the new entrant cannot take the risk of bringing much depth in their product line.

3) Decision on the Product Mix:
Product mix means the sum total of all the products produced by a businessman. During the survey, respondents were asked - how they decide on the product mix. It was noted that various aspects such as cost of production, availability of raw materials, demand for goods, expectations of prospective consumers, etc., affect the decision. The problem is somewhat more crucial in case of small and new businessmen, as they suffer from shortage of finance, lack of experience, and limited knowledge of market conditions. For them, it is really a difficult task to decide on which product items to produce, how much depth should be there in product lines, how the product additions, modifications, and eliminations, be done.
However, almost all the respondents expressed that the product mix decision is not static one. It is changed with the better financial position of the businessman, increased expectations of consumers, and emergence of competition.

7.5 IMPORTANT ASPECTS:

1) Quantity:
During the survey, it was found that production process could be undertaken even for 24 hours. However, it really depends on the total quantity to be produced. This decision can be taken after considering-

a) Availability of resources i.e. capacity of oven, availability of raw material, machinery, workers, finance, etc.

b) Total demand for the products

In the beginning, it is difficult to judge the exact demand. But once the process starts, by experience it can be predicted easily. Demand for bakery products depends on the quality of the product consumer's confidence, their financial position, their buying habits, etc.

Respondents expressed that in order to gain consumer's confidence, production of goods at proper time, of proper quality, and in proper quantity, is needed.
2) Quality:

Quality of final product depends on –

i) The quality of the raw material used;

ii) Proper control at each stage;

iii) Proper storing of raw materials, finished goods;

iv) Proper sequence in various process of production.

Let us consider these aspects in depth.

i) Quality of the Raw Material Used:

The entire success of the bakery products depends on the raw material used. Respondents expressed that wheat flour, in adequate quantity, is normally available in the open market. Alternatively, it can be purchased from the Bakery Manufacturer's Association, which is playing an important role in supplying wheat flour. The main advantages of purchasing it from the association is that it is comparatively cheaper the supply is assured and there is assurance of quality.

Bakery businessmen expressed that normally the question of quality of wheat flour does not arise, as it is available in the sealed gunny bags. Even then, quality of various ingredients must be checked before use.

ii) Proper Storage:

Almost all the ingredients, including wheat flour, sugar, and 'ghee', are available in sufficient quantities in the market. However, it was observed that usually such products are purchased on a large scale, availing a credit facility of 10 to 15 days. Therefore, it is inconvenient according to respondents to have a 'hand-to-mouth' buying in case of these products. As a result, storing of such raw materials becomes an important aspect for the businessmen. For this purpose, a separate storeroom is required, with a minimum measurement of 8' x 10'.
During the survey, it was observed that wheat flour is stored in gunny bags, 'ghee' and sugar in tin containers, and the remaining others in boxes or bags. The final products are usually stored in trays and plates, till the consumers purchase them.

It was found during the research process that small bakery businessmen due attention, to proper storage of goods. Adequate light and ventilation, cleanliness, system of record keeping - are the aspects, somewhat neglected by these businessmen.

iii) Control:
For maintaining quality of the bakery products, control at each stage of production process is necessary. Big bakery businessmen expressed that they have a definite system of setting standards and confirming the same. Quality is checked after each and every production process, such as mixing, panning, baking etc. A separate person is usually appointed to supervise the production activities. Control over storage is achieved by keeping a record of stores maintaining registers etc.

In case of small bakery businessmen, however, it was observed that no adequate attention is provided in respect of supervision and control of activities. The owner has to purchase the goods, play active part in production process, and supervise the employees. He is usually over-burdened with large number of functions and activities. With no correct system of record keeping, he has to suffer from the problems of wastage, theft, and adverse effect on quality of the product.
iv) Proper Sequence:
It was noted that proper sequence in the production activities is necessary. Equally essential is to keep a sufficient time gap between these activities.

3) Oven:
'Oven' or 'Bhatti' plays a very important role in the entire process of production. Though, the measurements of oven differ, depending the circumstances, the specific area of a normal oven is 8' x 10', requiring a space of 14' x 12'. It is usually built by the 'gavandis', (masons) having the required specialized knowledge and skill. It can be operated on electricity or wood, the decision depending on the possible problems of power supply, costs of operation and maintenance, etc. It was observed that in Pune area, oven operating on wood is popular among the businessmen. Respondents expressed that even a small drawback in building the oven, may create problems in the production of quality bakery products.

4) Machinery:
It was observed that big businessmen were using the machines like mixing machine, packing machine, slicing machine etc. However in case of small bakery businessmen, it was noted that the entire production process is possible manually. Even though, machines offer the benefits like standardization of products, great speed and capacity etc., in the initial stage, small businessmen cannot afford to purchase them.

5) Legal Provisions:
It was noted that big bakery businessmen are well aware of the provisions of The Prevention of Food Adulteration Act. However, the small businessmen are not following the provisions of the act in sincere manner. In fact, majority
of them are not aware of the concerned legislation. It was observed that bad habits (e.g. smoking or chewing tobacco etc.) of the owner or his employees affect the product quality in an adverse manner. Inspection of food products by concerned authorities is an issue of constant fear for them.

To conclude, production aspect is one of the most important aspects in case of bakery business, and has to be given due attention, while starting a bakery business unit.

7.6 BAKERY BUSINESS - FINANCE ASPECT:

a) The Concept of Finance:
Finance is the key to all human activity. In this modern world, we all have accepted the truth, hidden behind the saying money makes the mare go'. It is one of the foundations of economic activity of mankind. According to George Christy and Peter Rodea, "Finance is the study of money - its nature, creation, behaviour, regulation and problems."

The significance of finance increases to a great extent, when we consider its role in the sphere of business transactions. Finance is regarded as the 'king pin' of business enterprise. It is the guide for regulating investment decisions and expenditure, and endeavors to squeeze the maximum out of available rupee. Certainly, financial viability is the central theme of any business proposition.

b) Bakery Business Unit - Financial Considerations:
The present research is associated with the starting of a bakery business unit as a source of self-employment. It is quite essential to see the nature and
extent of the role played by finance in this respect. Hence, three aspects of financial administration with reference to a bakery business unit are considered:

a) Estimation of fixed and working capital requirements.
b) Raising of funds - Consideration of sources of finance.
c) Management of Earnings.

Thus, the intention of the research is to study the financial requirements of a bakery business unit, consider the available sources of finance, analyze the practical situation and recognize the difficulties associated with running a bakery business unit.

c) Estimation of Capital Requirements:
Estimation of the exact amount of capital required for starting a business unit is a very basic and primary decision taken by the businessman. Care has to be taken to see that both the extremes over capitalization as well as under capitalization are avoided. The nature and size of the proposed business unit is one of the most important factors affecting the amount of capital.

Here, the researcher is concerned with the starting of a bakery business unit as a source of self-employment. It means, the concept of large-scale bakery business activity is consciously kept outside the preview. Production, marketing and other related activities, all are considered at a small level. Therefore, a businessman with enthusiasm and vigor, but with a small amount of finance - is the subject of research. With this assumption, the whole finance function is analyzed.
It was observed that two methods are used for estimating the total capital requirement of a bakery business unit: Comparison Method, and Statistical Method. Under the comparison method, study of estimates made by other concerns of similar nature and size is used in arriving at the total cost required.

Under the statistical method, capital requirements for all the fixed and current assets are calculated and the total is made to ascertain the total capital requirements.

Here, recollecting the information given by the respondents, while conducting the survey, capital requirements of a bakery business unit, possible sources of finance, and financial problems in running a bakery business unit, are discussed.

d) Requirement of Fixed Capital:
Bakery business is an activity producing consumer eatables like bread, biscuits, cakes etc. If compared with the industrial products, we may assume a lesser amount of fixed capital. Yet existence of some basic fixed assets like land and building, oven, some primary machines and furniture etc. have to be accepted.

7.7 FOR STARTING OF A BAKERY BUSINESS UNIT, THE FOLLOWING ARE CONSIDERED AS FIXED ASSETS:

1) Land and Building:
The land and building with a well-constructed oven are the two basic things that require special attention. An area of approximately 400 to 500 sq. ft. is required for setting up a bakery business unit. At least four rooms are needed
one for storing of raw materials and the finished goods, another for counter (i.e. bakery shop), the third one in the form of the oven and the fourth for the production activity.

Construction of an oven is a specialized matter, requiring an amount of approximately Rs.20,000/-.

Land owned or rented is a basic thing in the bakery business. We are all aware of the mounting prices of land and construction. However, the fact has to be accepted that unless the concerned businessman is able to make the arrangement for land and building, the bakery business cannot be started. In other words, only a person with sufficient area of land, or building with at least three spacious rooms can think in a positive manner.

2) Machines and Equipments:
During the survey, it was observed that machines and equipments, which can be used in bakery business, include a long list of moulds, trays, kneading machine, slicing machine, scaling machine, water buckets, weights and scales etc. Of course, it is possible only for the big and established bakery businessmen to purchase all these machines and equipments. It was noted that for a newly established small bakery businessman, neither it is possible nor necessary to possess all these machines and equipments. Moulds, trays, a slicing machine, plates and wooden peels are sufficient for him. Moulds can be of various sizes such as 1 pound, 1/2 pound, 4 pounds 'Ladi' etc. It was felt that at least 50 moulds are necessary in the initial stage, requiring an investment of Rs.2500/-. Similarly, minimum 25 trays are required costing Rs.500/-. A slicing machine with 30 blades costs in the range of Rs. 8000/- to Rs. 9,000/-. Wooden peels, minimum four, require Rs. 600/-. Thus, the
minimum investment required in case of machinery and equipments is
RS.12,000/- to Rs.15,000/-. 

3) Furniture:
During the survey it was observed that furniture required may be of various
types such as wooden tables required for the mixing process, tables and
cupboards required in the storeroom and at the sale counter. Showcases,
bread-racks etc. are also required to display the bakery products of course,
minimum furniture with an investment of Rs.8,000/- to Rs.10,000/- is
necessary for a small bakery businessman in the initial stage of business.

4) Vehicle (Tempo):
A vehicle like a tempo is quite useful for the, distribution of bakery products
provided the production is on a large scale and the area of market is wide. A
small businessman cannot afford to invest in purchasing of the vehicle.

7.8 ESTIMATING THE WORKING CAPITAL REQUIREMENT:
During the survey, it was observed that in the bakery business, working
capital is required for financing of its current needs i.e. for purchasing raw
material, for payment of wages etc. It may be invested in stock of partly
finished goods, in accounts receivables and in cash.

While estimating the amount of working capital, the new entrant should
consider several factors, which are as under:

1) Size of Unit:
The bakery business units are assumed to be operated on a small scale.
Naturally the working capital amount required is likely to be small.
2) Time Required for the Production Process:
In the bakery business, the entire production process can be completed within a span of twelve hours or less. As such, there is no possibility of locking up of funds in work in progress.

3) Terms of Purchase of Raw Material:
The raw material required for a bakery business can be purchased on cash as well as on credit basis. During the survey, it has been observed that the purchase of wheat flour is usually made on credit of fifteen days. Other things like eggs, baking powder, salt, milk etc. are purchased on cash basis. Sugar and vegetable oil may be purchased on cash basis or on credit.

4) Terms of Sale:
Sale in the bakery business is done both on cash as well as credit basis. Usually, the sale at the counter to an individual is done on cash basis, whereas sale to the dealer or other bakery shops is done on credit basis. Generally, one-day credit facility is granted.

5) Wages:
The practice adopted by the few bakery businessmen is to pay wages to their workers on weekly basis, whereas few others pay on monthly basis.

6) Storing of Raw Material and Finished Goods:
Under normal conditions, raw material required for bakery business is available easily. Still day-to-day purchasing may be an inconvenient and costly affair. As such, weekly purchases are done by most of the bakery businessmen. Due to perishable nature of finished goods, it cannot be stored
for more than three days. Thus, the working capital locked up in storing of raw material and finished goods are not much.

7) Expenditure on Advertising and Packing:
During the survey, it was observed that small bakery businessmen do not advertise their products. Basically, it is a costly matter for them. And secondly, their market area being a limited one, advertising media of mass communication are not useful for them. However, it is necessary to consider some expenditure on packing of breads and cakes.

While establishing a small-scale bakery business unit, the concerned entrepreneur has to consider the above-mentioned aspects. The respondents expressed that for running a bakery business unit, the working capital is required in the range of Rs. 15,000/- to Rs. 25,000/-.

7.9 AVAILABLE SOURCES OF FINANCE:
Once the amount of capital required is ascertained the next important aspect is raising of funds. Sources of finance mean the ways or means through which funds can be raised. Various sources of finance are available to the bakery businessman.

1) Bank Loan:
In recent years, Government of India has adopted a policy of encouraging the small and tiny sector industrial and business units. Banks both nationalized and co-operative - are offering a helping hand to the small businessmen. Nationalized Banks offer 75 percent of the project amount. For this application has to be made on the prescribed printed form. Along with the application, the project report has to be submitted to the bank. After considering the technical feasibility, financial viability, competence and confidence of the business, a
loan is granted for the period of 3 to 7 years. Few respondents expressed that they have considered this source of finance, but their experience with bank authorities was not an enthusiastic one.

2) Loan from Western Maharashtra Development Corporation (W.M.D.C.):

Since 1973, Western Maharashtra Development Corporation (W.M.D.C.) is providing finance to the self-employment schemes. It provides seed capital, which is necessary to start the business.

Co-operating with nationalized banks, W.M.D.C. is encouraging youth in the age group of 18 to 40, with minimum qualification of S.S.C. passed or a technical examination qualified, to start a small business of his own. If the cost of project is more than Rs. 1 lakh then it grants 10 percent seed capital. If it is less than Rs. 1 lakh, then –

a) In case of a family earning not more than Rs.4,800/- p.a. 20 percent of the project cost is offered to a person from non-scheduled caste. If he is from Scheduled Caste, 22.5 percent of the project amount is given as a loan.

b) If the earnings are more than Rs.4,800/-p.a., then 15 percent in case of non-scheduled caste, and 20 percent in case of scheduled caste of the project cost is offered as the loan amount.

The repayment of loan is to be made in four years. The rate of interest charged is 4 percent p.a.

Western Maharashtra Development Corporation has printed a folder, giving information about the nature of their scheme. It has given a long list of
business units that are eligible for the assistance from it. The list includes bakery business.

However, during the survey, it was noted that subject to exception, no body has considered W.M.D.C. as a source of finance. To add further, majority of the respondents were unaware of W.M.D.C. and its schemes.

3) Loan from Friends and Relatives:
It was observed that bakery businessmen approach their friends and relatives for the finance required to start a bakery unit. Even though, the source has its own limitations, it is a vital one in the line of bakery business.

4) Private Money Lenders:
It is quite possible for the bakery businessman to approach the private moneylenders, but it is a costly affair, as expressed by the respondents.

5) Personal Savings:
Personal savings are certainly important for starting a business activity. However, it is quite difficult for an ordinary person to start the bakery business merely with the help of his own saving.

Majority of the bakery businessmen have started their business with their own savings and with the support of friends and relatives. The old businessmen had no problem in purchasing land or constructing a building on it. Land and building are the key factors in the bakery business proposal. If we look at the situation from the perspective of an unemployed youth, raising of funds seems a difficult issue for him. Of course, for an settled educated youth with some financial basis it is possible to start a bakery business unit with the help of
Banks and W.M.D.C. If he has at least three rooms of his own or can pay rent for them, it will be much more easy for him to start his business.

7.10 MANAGEMENT OF EARNINGS:

Management of earnings means proper utilization of the earnings received from the business. There are certain important aspects that a new businessman has to keep in mind.

The sale and purchasing activity in bakery business can be done on cash and credit basis. The counter sale of bakery products is done generally in cash.

A credit for one to three days is given to the dealers and distributors for selling the bakery products. Though purchase of basic items of raw material like wheat flour, vegetable oil and sugar can be done on credit, small items are to be purchased in cash. Payment to the workers is to be done monthly basis or on weekly basis.

It is interesting to note the point that new entrant may have to face the problem of management of working capital, and not of fixed capital. This is because, once the basic investment in land, building, oven, machines and furniture is made, which is comparatively a small one, problems are somewhat over. However, urgency of production creating a situation for cash purchases, desire for business expansion, credit sale, increasing number and amount of debtors, prompt payment of workers, expenditure on advertising and wrapper etc. may create a difficult situation for the bakery businessman in his day-to-day life.
Thus, it can be said that a small-scale bakery businessman faces has several problems in raising funds, and in the management of earnings. However, with a careful financial planning, correct estimation of capital requirements, proper selection of sources of finance and rational use of earnings received, he can overcome the difficulties related to the financial matters in the bakery business.

7.11 BAKERY BUSINESS MARKETING ASPECT:
In this modern business world, marketing techniques and activities play a significant role. Modern marketing concept aims at maximization of profits, but through satisfaction of consumers. There are various approaches for implementing the marketing techniques and activities. Product approach is one of the most important approaches among them. It aims at understanding the product nature carefully and then applying accordingly all the marketing functions, methods, activities and techniques. Whatever may be the nature of product it should be carefully analyzed first, before taking steps in respect of marketing of the same?

Here, the subject selected for dissertation is - 'Starting of a bakery unit as a source of self-employment'. Even though a small sized bakery unit is considered here, marketing is equally important.

Applying the product approach for the study of marketing aspects, related to bakery business, let us consolidate the important features of bakery products.
7.12 THE NATURE AND FEATURES OF BAKERY PRODUCTS:

i) Bakery products are those products, which are baked in the oven, and include bread, biscuits, cakes, kharies etc. These are basically made from wheat flour (Maida) and also include other ingredients like sugar, 'ghee', salt, baking powder etc.

In the sphere of marketing terminology, bakery products can be considered as - 'Convenience goods,' and are in 'buyers market' situation.

ii) Bakery products are perishable consumer products. Their life is hardly of two to three days.

iii) These are comparatively low priced items. Considering the short production and consumption cycle, quick marketing is necessary for them.

iv) There is a continuous demand for these bakery products. These products are popular among the citizens, of all classes, castes and age.

The purchasing process involves no complications, and the product can be purchased at every corner of the street. Bakery products, these days, have achieved the status of 'necessary products'.
Marketing of Bakery Products:

The marketing of bakery products as an issue needs to be analyzed considering three aspects:

i) Concept of a small bakery business unit established as a source of self-employment.

ii) The nature of bakery products.

iii) The nature of marketing activities, functions and techniques, and application of the same, for bakery products.

At earlier stages, the first two aspects are considered. In this chapter, the third aspect is analyzed.

During the survey, respondents were expected to provide information and express their opinion about various aspects such as product planning and development, packing, branding (if any), pricing of bakery products, nature and extent of credit facility offered, problems involved in it, nature and extent of distribution, problems related with distribution, nature of efforts made for promoting the sales, advertising etc.

In the sphere of marketing, attention has to be paid to product planning and development, pricing, distribution of goods, promotion of sales, decision about the nature and area of market, understanding the nature of customers, and awareness of competition. These aspects are discussed in the present chapter on the basis of information collected from the respondents.
1) **Product Planning and Development of Bakery Products:**

Product planning means the planning in advance, about the existing as well as newly introduced products. It also includes consideration of product elimination, if necessary. Development of products refers to modifications and additions, in the nature and features of products, so as to make them more useful for consumers.

During the research process, it was noted that bakery businessmen are cautious about the planning of bakery products. A small bakery businessman faces the problem of inadequacy of funds and therefore he takes due care while starting the production of a new bakery product. He has to consider various factors such as expected quality of the product, expectations of the prospective consumers, financial requirements, expenditure on other items such as advertising, packing etc.

It was observed that a small bakery businessman concentrates on limited line of bakery products. Usually, his consumers are from a limited local sphere and therefore, he does not take much efforts for branding and trademark aspect. To add further, packing is done in ordinary papers, without giving much attention to the attractiveness. To attract and sustain the present customers, whenever necessary, he makes suitable modifications in the bakery products offered. It was noted that few bakery businessmen are more careful, about bringing suitable modifications in mixing formulas of cakes, breads etc.

It was also understood that few bakery businessmen convert the bread (if not sold within three days) into toasts and sell it at lower price.
Product elimination i.e. stopping production of a product, is a delicate decision, has to be taken very cautiously. However, it was observed that big bakery businessmen provide due attention to the aspects like branding, trademark, packing, product identification etc.

2) Pricing of Bakery Products:
Bakery products are the frequently purchased products, with comparatively low price per unit.

Considering the cost of production, the standard of living of prospective customers, their expectations, price of the competitive product, expected quality of the product and the financial position of the businessman, fair pricing should be done. However, fair price does not mean the high or low price. It merely means a price, decided only after consideration of the above-mentioned factors.

It was observed that small bakery businessman concentrates on the pricing aspect rather than the quality aspect of the product. For the poor customers, it is necessary for him to offer low priced buns, kharis, and toasts, rather than highly priced, good quality cakes, pastries and biscuits. Secondly, considering the very competitive element in this business, it is not possible for him to adopt high pricing techniques.

3) Distribution of Bakery Products:
During the survey, various bakery manufacturers were contacted. Big bakery manufacturers like Hindustan, Modern, Areal have their own comprehensive distribution system. It includes selling the bakery products through their own bakery shops, contracting the bakery product distributors and selling the
bakery products to the shops at distant places. These big bakery manufacturers have their own vehicles for delivering goods. Their consumers are individuals, as well as organizations like hotels, hospitals and canteens of companies.

However, in the present dissertation, the researcher concentrates on situation of a small bakery owner who aims, to distribute the product in a small geographical area.

During the survey, small bakery owners from Raviwar Peth, Kasba Peth, Guruwar Peth, Mangalwar Peth were observed to be distributing their products mainly through the counter sale, and to the distributors and dealers who came to them. For a small bakery owner, starting a new bakery, it is quite beneficial to have a counter in front of his production place. Another way is to sell to traveling sellers who purchase in wholesale from producers and sell either at street corner or provide door-to-door service. Generally, they demand credit facility of one day.

One more popular way is sale to retailers, general merchants, having their own shops. They work on commission basis. Products are delivered to them on 'no return basis'. Both, these traveling distributors and retailers expect the credit facility. Recovery of dues from them is certainly a problem for small bakery businessmen.

At the initial stage, the distribution is done cycles or scooters whichever is available and later, with the expansion of the business, he may purchase a tempo or other such vehicle.
However, there are couple of alternative ways, which have not been tried yet, by the small bakery businessmen.

i) Co-operative Selling:
Small bakery producers, instead of selling their products independently may come together to sell them as a joint activity. They may share the profits arising from it.

With this arrangement, along with other advantages of the co-operative moment, they may get benefits like - better storing facility, exchange of views and ideas, reduction in cost, experts advice, more sales, and reduction in risk.

ii) Home Delivery Service:
Now, bakery products are consumed daily and have become a necessity. So home delivery like that of newspapers, milk may be convenient and time saving from customer's viewpoint also.

4) Sales Promotion of Bakery Products:
For increasing and maintaining the sales, several methods and techniques are applied such as advertising, publicity, sales promotion scheme, personal selling etc.

Advertising can be done through various media such as press advertising, radio advertising, T.V. advertising, etc. publicity is non-paid form of mass communication, achieved through publishing views, interviews and information about the product. Personal selling includes the role of both counter salesmen and door-to-door salesmen. Sales promotion schemes are
those novel, non-repetitive methods, which cannot be grouped under any of the above-mentioned three methods.

During the survey, it was observed that big bakery businessmen in Pune advertise occasionally in newspapers and magazines. In bakery shops, counter salesmen are appointed. On certain occasions, contest of consumers is arranged. Stickers, stamps and pictures are also offered on the purchase of bread.

However, it was noted that small bakery businessmen do not advertise their products. This is because of the high cost of advertising on the one hand and the limited area of market for their products, on the other. It is also beyond the capacity of them to apply sales promotional schemes like gifts, samples, contests, and offer of stamps and stickers. For increasing and maintaining the sales, it is necessary for them to offer credit facility to their regular customers. Bakery owners and their employees try to establish personal relations with consumers. With the attractive display of products consumers are attracted towards the bakery shop.

5) Area and Nature of Market:
It is necessary for the bakery businessmen to think about the area and nature of distribution of bakery products.

During the research process, it was understood that majority of the bakery businessmen sell their products within Pune area only. Big bakery manufacturers sell their products not only to individuals but also to hotels, hospitals, canteens, and to the big companies. Large-scale production makes it necessary for them to apply intensive distribution policy.
Small bakery businessmen are found operating within a limited area of market. The financial constraints restrict him to distribute the products within a small area only. To add further, it is not financially feasible for him to supply on large scale, to the hotels and hospitals.

6) **Understanding the Customers of Bakery Products:**

It is one of the most important aspects to understand the nature of the present and the potential customers of bakery products. The marketing activities and decisions are dependent on the relations and expectations of consumers.

Big bakery businessmen possess a large number of consumers for their products. Assuming the customers of different habits, likings, standard of living etc., they offer a variety of products.

However, the small bakery businessmen concentrate on the customers in a limited area. They try to produce and sell the products as per the needs and expectations of customers. They have to consider the castes and religions of their customers and accordingly increase or reduce the production quota on certain days of a week or on the occasions of festival.

It is equally important to consider the competition aspect and its affect on marketing of bakery products. However, it is considered separately in the next chapter.

Success of any business activity ultimately depends upon the effectiveness of its marketing activity. It is an important aspect for a new businessman starting a bakery unit as a source of his employment.