



Partnership for Innovation in Education

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THE BONBONERIE BAKERY COMPANY

The BonBonerie has been looking to develop the perfect line of special occasion cakes for kids. To determine the best options for new cake flavors, they are looking for more in-depth consumer research and a “big picture” study of the bakery industry. Can you help fulfill this assignment?

Situation

Walking briskly past the bakery’s rows of cakes and ovens full of pastries, Sharon Butler vaguely remembered an event she was supposed to attend. But after a busy morning testing new cake formulas, her mind was blank. As one of the two owners of the BonBonerie, she glanced at her dough-spattered calendar, and realized two exciting events were quickly approaching for the bakery. In just one month, the BonBonerie would be having their 30th anniversary and her co-owner Mary Pat’s granddaughter’s fifth grade class would be visiting to help them celebrate.

Sitting in their weekly staff meeting, Sharon mentioned the important BonBonerie event so that her employees could begin thinking of ways to celebrate. “We should definitely have a birthday cake!” said Mary Pat. “That’s a wonderful idea,” Sharon replied. Mary Lee, the production manager asked, “What type of cake should we serve? Opera Cream? Bumbleberry? Or maybe our Lemon Raspberry Torte?”

Sharon hesitated, and carefully considered her words before saying, “I’ve talked to some parents who are reluctant to buy one of our cakes for their child’s birthday. They think the cakes are so rich they would be wasted on children who would be just as happy with something made from a boxed cake mix.” The staff groaned. Mary Lee ventured, “What if we make a new cake flavor specifically tailored for children’s birthdays? If we have something that appeals to a kid’s taste profile, more parents would purchase their child’s birthday cakes here. We could even do a themed, new cake launch at the party!”

The bakery staff excitedly agreed. They looked to Sharon, who announced, “Ok, everyone! We have our challenge, now let’s come back with some ideas for next week.”

Background

Sharon Butler and Mary Pat Pace founded the BonBonerie in 1983. Initially the women shared a kitchen with a caterer to sell wholesale (selling to stores or restaurants, instead of directly to consumers) so that they could control costs. They discovered keeping a large inventory of available products was time-consuming, and very expensive for the start-up company. Seven years later, the pair moved out of their caterer kitchen, and leased an O’Byronville, OH location, which had both a kitchen and storefront. The bakery has been located in the same building for the past 25 years.

For the past 32 years, the BonBonerie has created elaborate cakes and tortes similar to delicacies created in Europe centuries ago. The bakery’s philosophy revolved around creating cakes and pastries that were both beautiful and delicious.

Sharon adds: “European bakeries – called patisseries -- view cakes a bit differently than their American colleagues. European bakers create a sophisticated cake creation made by layering a variety of separate elements to create a complex whole.” For instance, she says, “a simple cake like the classic Italian genoise may be sliced into four layers, each layer brushed with a liquor-imbued syrup, then filled with a classic pastry cream, whipped cream or ganache, and covered with an entirely different, but complementary frosting.”

Sharon continued: “Americans don’t grow up with European-style cakes, and their children don’t have the opportunity to appreciate – at a young age -- such types of flavor complexity.” The BonBonerie typically sells cakes to adults wanting to celebrate a very special “grown up” occasion, like anniversaries, weddings and milestone birthdays. “Kids are an elusive market for us, and it’s a product we still haven’t figured out. We’ve wanted to deliver a product that satisfies a child’s appetite and flavor profile, but that cake hasn’t been easy to develop.”

The BonBonerie exclusively uses premium ingredients such as fresh eggs, whole milk, and Belgian chocolate. All items are cooked from scratch in the bakery. After performing some basic research, the BonBonerie discovered that kids prefer boxed cake mixes, with oversaturated oils and a light fluffy (air-filled) crumb. Sharon noted: “BonBonerie will never use cake mixes – that is out of the question for our bakery, and it would affect the reputation we have nurtured for 32 years.” She says, “Creating a kid’s birthday cake offered us a dilemma: How do we produce something that kids will love, and it still delivers a premium product that our bakery is proud to offer to our customers?”

Over the past few years, BonBonerie noticed that – over time -- their customers’ tastes have changed. Customers wanted more handmade and personalized

products, with some unique “impulse” birthday or celebration items located near the cash register. With experience in creative arts, both owners understood that they are co-celebrating every customer’s special occasion.

Mary Pat said, “We began to see that our bakery doesn’t just sell cakes and desserts – we are selling an experience that hinges upon celebrations and special occasions, with enough other products, that we are also considered an everyday bakery too.” Armed with that knowledge, both owners wanted the bakery to reflect a high customer service and celebratory atmosphere in the bakery and marketing materials. They wanted the bakery to reflect an artful and sophisticated experience from the time they enter the bakery, to the presentation of the BonBonerie product in their customer’s homes.

Mary Pat and Sharon are proud to see how far the BonBonerie has come. Sharon says, “Even though we aren’t in an ideal location, people come to the BonBonerie because of our cakes and pastries are truly a treat. It’s taken years of hard work and long hours, but we’ve won all sorts of awards and have been voted best bakery in the city five years in a row.”

While 80-85% of their business done in-store, BonBonerie sells wholesale to 18 restaurants and two supermarkets in the Cincinnati. These are mid- to upper- end stores and restaurants, whose customers can afford to pay a 20% mark-up on the products.

Market

BonBonerie offers products that cost anywhere between fifty cents for a simple sugar cookie to several hundred dollars for a wedding cake. Sharon says, “Even though we create high-end products, we aren’t necessarily targeting a high-end consumer.” Because of this wide range of prices, Sharon believes that anyone can enjoy their baked goods.

Though many people can afford BonBonerie cakes, they cater to more mature (older) taste buds. Kids tend to prefer cakes that are light and fluffy, and BonBonerie cakes typically are much more dense and rich. According to National Panel Data, younger people prefer simpler flavors, with fewer ingredients. For instance, younger children are typically less familiar with typical BonBonerie flavor additions such as marzipan (a sweet almond paste), raspberry meringue (a fluffy egg mixture that is added to icing) or tangerine butter-cream (a citrus frosting).

Sharon looks at overall “Fancy Food” NPD data, and worries the handmade, baked goods industry is declining. People can now purchase a range of baked goods at supermarkets, rather than making a special trip to the bakery. In addition, with more mature consumers interested in maintaining a healthier, lower carbohydrate, dairy or gluten-free diet, the opportunity to increase sales is worrisome. In addition, producing and selling beautiful and great tasting wedding cakes is a key product segment for the bakery. However, according to the Wedding publication, “The Knot”, couples are purchasing fewer wedding cakes, and they are choosing instead trendier sweets such as cupcakes and cake

balls. Such a trend indicates family traditions will no longer demand a special occasion cake from one specific bakery, which could be problematic for BonBonerie. Currently, special occasion cakes comprise approximately 40% of BonBonerie's sales.

Looking at the general cake market, Mintel Reports indicate 51% of children's birthday cakes include some type of purchase from a bakery. But they also note households with a child under the age of 18 are more likely to have used a cake mix in the last year than households with no children under 18 (84% versus 65%).

Product

Monday through Saturday, seven full-time bakers use fresh ingredients, industrial mixers and enormous ovens to make the BonBonerie's baked goods. All the cakes are made without mixes or artificial ingredients. Bakers use ingredients that an at-home cook could use, such as fresh eggs, butter, and high-quality chocolate. The BonBonerie offers several seasonal cakes that change every month, such as Chocolate Raspberry Jewel and Pumpkin Roulade. They also constantly offer Opera Cream (a chocolate cake with a creamy vanilla filling) and carrot cake (a cake with shreds of carrots and a sweet cream cheese frosting).

After the cakes have been baked and cooled, a team ices and fills the cakes with a range of buttercreams or jam spreads. The finishing team frosts the outside, and covers the cakes with chocolate curls or pareils. In its final stage, the decorating team adds details to the top of the cake, such as piped curlicues, marzipan fruits, and chocolate diamonds.

Once the cakes are complete, they are boxed and kept in a refrigerator until they are sold to the customer. Some customers place special orders for both custom and seasonal cakes, while others purchase seasonal cakes at the store. Some cakes are delivered to restaurants and supermarkets with supplier contracts to the BonBonerie.

Pre-made cakes sell for \$20-22 for a six-inch cake that can serve six to ten people or \$36 to \$44 for a nine-inch cake that can serve 14 to 20 people. Custom cakes, which have more detail and cannot be produced at the same efficiency as their production cakes cost between \$42 and \$67 for a six-inch cake, \$69 and \$89 for a nine-inch cake, and \$120 and \$149 for an 11 inch cake, which can feed 30 to 40 people. Custom cakes must be ordered 7 days in advance, though pre-made cakes can be bought and personalized with a message such as "Happy Birthday, _____!" anytime the cakes are in stock.

Competition

Even though the BonBonerie is recognized as being one of the best bakeries in the Midwest, they still have plenty of competition in the birthday-treat market. Their primary competitors are local bakeries, pre-packaged grocery store cakes, and branded box mixes.

There are several bakeries within a few miles of the BonBonerie. Servatii Pastry Shop produces breads, and sandwich/appetizer trays, in addition to cookies, pastries, and cakes. Many of their cakes are very similar to the BonBonerie's, such as their Opera Cream, carrot cake, and Raspberry Mousse cake. However, the cakes at their 14 different locations are slightly more expensive than the BonBonerie's, averaging between \$25 and \$30.

Another family owned competitor is Busken Bakery, a business that had been operating since 1928. Because of their light texture ("crumb") and extremely sweet icing, Busken cakes typically appeal to children. Custom specialty cakes that serve between 30 and 35 people are available for \$75 to \$95, and can only be made using yellow cake, white cake, or marble cake (yellow cake with swirls of chocolate cake mixed in). Customer cakes must be ordered at least three days in advance. Regular sheet cakes are also available.

BonBonerie considers the local bakery Cupcake Crazy to be their biggest competitor. While Cupcake Crazy began by specializing in different sized cupcakes, they have branched out to make regular cakes, cookies, and cake pops. Their cupcakes are especially popular for birthday parties because they do not require plates or utensils, and can easily be distributed. The desserts cost \$36/two dozen for mini cupcakes, \$3.50/cupcake with an 18 cupcake minimum for regular sized cupcakes, and \$36 for a giant cupcake cake that would feed 8 to 10 people. They recommend ordering 3 days in advance.

BonBonerie also competes with grocery stores producing cakes in deli or bakery departments. Many grocery stores have bakeries that can either make a custom cake or add some personalization to a pre-made cake. But these bakeries often use mixes, chemical stabilizers, and artificial ingredients, which can lead to a cake that is not as high quality as those made at the BonBonerie. Supermarkets also sell pre-packaged cakes, such as Carvel ice-cream cakes and frozen Sara Lee cakes. Such frozen brand name cakes offers a customer variety, promotional discounts (coupons), and convenience.

Finally, consumers might make their own birthday cake instead of purchasing it from the BonBonerie. Birthdays are special times, and many parents want to make something extra meaningful for their children. Boxed cake mixes make this very easy and convenient. A simple birthday cake with icing can be produced for under \$5.00, in less than two hours. Boxed mixes can be found in dozens of flavors, and they can be baked in many shapes or feature characters from different movies and TV shows. Finally, they can be iced in the child's favorite flavor or color.

Research and Development

The BonBonerie is no stranger to creating new cakes. Every year they add four new cake flavors to their seasonal line-up. However, each new cake flavor is a production risk. Sharon says: "We love to create new flavors and new cakes. But we don't always know how to estimate which will be more or less popular. If we make too many, the bakery wastes money each time we have to discount or give the product away. If we make too few and sell out, we can't sell what we

don't have, and we lose money. It goes without mentioning too, that if we sell out, we might lose the customer who comes to bakery and leaves empty handed."

She added, "It takes a lot of our employees' time to create a new cake. We have to test it several times and make certain it fits into our cake team's production line. If a cake is hard to make, more steps are needed to produce it, and it might involve too many people. And that means the cost will be higher for our customer." Once a new cake "crumb" passes the production team hurdle, the team must develop the perfect complementary icing, and the design decorations.

Mary Pat adds, "Our design team's biggest priority is to make certain the cake is delicious, fits into its production schedule, and satisfies all the necessary ingredient costs so that its price will be competitive with the other regular flavors sitting in the case. If the BonBonerie makes a new cake that proves to be unpopular, we have wasted both time and money, and our reputation could suffer. But if the new cake is a hit, then the bakery might have a large increase in customers, sales volume and overall publicity. We take on the costs of new product development every time we introduce a new cake flavor, but we love to offer different and unique items for our customer."

To develop a new cake, BonBonerie staff does their research. First, they look to fancy food trends. What flavors are trending in popularity? What might complement a current food trend? What are people eating now versus in prior years? For instance, BonBonerie did not offer any hazelnut cakes because most Americans weren't accustomed to the taste. Yet when Nutella (a chocolate and hazelnut spread) became popular, they developed a hazelnut cake to their seasonal choices.

Once the staff has decided on a cake flavor, they research recipes that can accommodate their production and baking processes. The bakery staff moves into its testing phase. If needed, senior staff members modify recipes so that the product meets BonBonerie standards and oven capacity. After the recipe is approved, the whole staff joins for initial taste tests. If the new recipe passes, the production team allows the cakes to age in the refrigerator to confirm the cake will taste just as good after a few days' storage. After 3 days in the refrigerator, the bakery moves to developing an icing that complements the cake. Once both the cake and icing are agreed upon, there is a final taste test to make certain all the flavors and textures "fit" together well.

When the cake is considered "final", BonBonerie promotes the new flavor on their social media channels. Then they wait. The production and marketing team keep a tally of the cake's sales rate and customer comments. Sometimes they will even offer some taste tests to customers in the bakery to get their reaction to its flavor and presentation. Erin Powell, BonBonerie counter sales says, "Sometimes we sell out of flavors immediately. Other times, even after we did all our research, a cake just won't be successful." She adds, "Developing a new cake allows us to talk to our customers and get their point of view. Testing a new cake, offers two-way communication with our customers. And their opinion matters! In fact, after casual in-store testing of our cakes, many of our customers

have offered BonBonerie flavor insights and recipe tweaks we may never have considered!”

Sales and Marketing Strategy

According to the BonBonerie staff, adding a new flavor demands a large allocation of time, talent and ingredient waste. For instance, over the past 10 years, they have been committed to developing a cake children would love. Sharon noted “We’ve known that children’s birthday cakes are a large potential market for us. For years, BonBonerie would develop a cake that was marketed to children, but one aspect of it was always disappointing to the customer. Parents would call us and say their kids didn’t like the cake because it was ‘too rich, had too many flavors or it had a dense texture.’ We couldn’t win.”

Adding a new cake flavor demands the creation of a new marketing strategy per new product introduction. Customers won’t know about the new flavor unless the BonBonerie markets it. BonBonerie relies on a combination of social media, advertisements, and word of mouth to attract new customers.

BonBonerie uses Facebook and their Bakery Blog to create a conversation with their current consumers. BonBonerie posts different events at the store, their partner organizations, and they feature new baked goods produced that month. Photos are so important in “showing off” a new cake. In addition, the cake and flavor descriptions have to be “mouthwatering” to the reader. If a photo and description catches someone’s attention, they will often comment or share the photo on their own wall, allowing all their friends to see it.

The BonBonerie also uses these platforms to hear what consumers have to say about their company. People will often use social media to congratulate or complain about products and services. If someone has a bad experience with one of their products, that may affect their customer retention rate. The BonBonerie must respond immediately, so that the customer feels like they have been heard and a solution has been offered. In addition, the bakery receives many great new ideas from customers using the marketing platforms, especially with social media.

“Word of mouth” advertising (called “buzz”) is one of the most effective forms of marketing. When a customer talks about a product and influences others’ behavior, it is called “free” marketing. It is one of the least expensive communication tools a company can use.

BonBonerie General Manager Tracy Daugherty says, “Word of mouth marketing is incredibly important, and it is extremely cost efficient. People are much more likely to buy one of our products if a friend or an acquaintance offers a personal and positive recommendation. Our customers have to see and taste our products, and having someone offer a great opinion of our hand-made cakes and cookies, is so important to us. We don’t have the huge marketing budgets like those grocery store brands. Our customers are so important to us.”

To generate word of mouth advertising, the BonBonerie responds to many donation requests for community events. For instance, they recently provided

treats for a Yelp party with over 1,000 attendees! When they donate baked goods, BonBonerie allows the bakery to be seen and tasted by new potential consumers, with little or no cost to the consumer. Those who sample BonBonerie products typically perceive the quality of their products, and they are more likely to visit and purchase from the bakery -- or recommend the bakery to their friends.

Finally, the BonBonerie purchases traditional print advertising, with custom ads in Cincinnati bridal, parenting and fashion magazine featuring their products for weddings, baby showers, milestone birthdays, corporate events and religious occasions.

Cost Analysis

Many factors affect how much profit a business can make from a product. For instance, BonBonerie must consider the costs associated with ingredients, equipment, machinery, rent, utilities, employee wages, marketing costs, insurance, and maintenance. In addition, they also must have a good idea of how much consumers are willing to pay for their products. Such information can be gathered using personal surveys with customers, facilitating larger focus group meetings or looking at competitors' pricing.

A cake must be profitable for BonBonerie to continue offering it to their customers. Funding the employees is one of the two highest costs to the BonBonerie. In fact, Sharon says "It takes 35 different steps to deliver a finished cake to our customer. From the time they order the cake, to the moment they receive the finished cake in our signature BonBonerie box, we have a process that allows our customer to receive the best tasting product for their home."

Ingredient costs also play a very important role in the final price of a BonBonerie product. The BonBonerie prides itself on using ingredients that are fresh, natural and pure. Some products, like Belgian chocolate, pure vanilla and baking soda can be bought in bulk. But a bakery can only purchase a limited amount of pure butter, lemons or ginger without a warehouse or unlimited refrigeration. Bulk purchasing of bakery staples balances out purchasing dated ingredients like milk, butter, eggs and fruit such as lemons and strawberries.

The BonBonerie prides itself on using high quality ingredients and authentic baking methods that guarantee a high quality product for a discerning customer. But they think kids would love their cakes, if only they could figure out the perfect mix of ingredients, taste profile and pricing. Can you help them?

The Problem

The BonBonerie needs you to help develop a birthday cake that kids will enjoy, so the bakery can further develop their market and customer base.

QUESTIONS TO BE RESEARCHED:

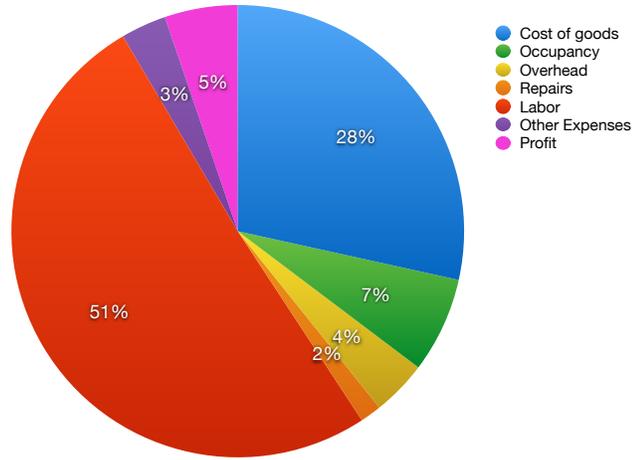
- What are the characteristics of cakes kids typically prefer? What kinds of cakes flavors, frostings, characters or design elements are ideas that interest you?
- Where do you find cakes to purchase? Are bakeries the only place to purchase a birthday cake? Where else can you purchase a cake? Give a range of prices that you might pay for cakes found within your neighborhood. Do some competitive sleuthing, and make a graph of your findings.
- Name some of the most delicious-sounding flavors you see in the grocery store bakery or ice cream aisle. Create a Venn diagram with similar sounding flavor names found across a variety of dessert choices. Which flavors are found most often across a wide variety of desserts? Why?
- Calculate the cost of a cake you might suggest BonBonerie make, with percentages totaling 100%. What costs are you considering? How did you calculate these costs? Have you tasted anything like this cake? Is it priced similarly to the other BonBonerie cakes? What would you name your cake?
- If you have _____ customers per day at the BonBonerie and 10% of them wanted your cake, how would you keep up with demand? How might you make the production team more efficient? Would you lower or increase your price?
- What special decorations or ingredients could BonBonerie use, but a grocery store might not want to offer? Why?
- Would your parents or caregiver be interested in purchasing your cake? Why or why not? Interview them, and write down their responses to your questions.
- What other ways would you market your cakes to kids just like you? Develop a marketing campaign and an advertising slogan.

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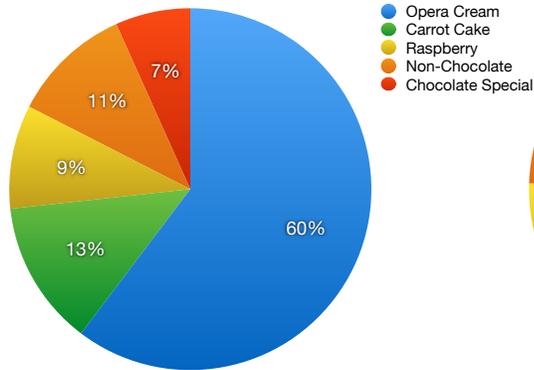
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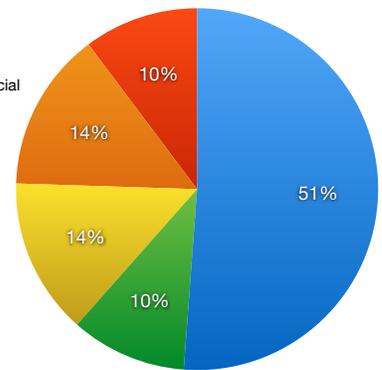
Bon Bonerie Expenditures Breakdown



Bon Bonerie Profit Breakdown by Cake (9")



Bon Bonerie Profit Breakdown by Cake (6")



INGREDIENTS LIST

Description	Unit Price
Flour	\$0.03 / oz.
Eggs	\$3.33 / 1 dozen
Granulated sugar	\$0.03 / oz.
Confectioner's sugar	\$0.07 / oz.
Salt	\$0.04 / oz.
Butter	\$0.16 / oz.
Baking soda	\$0.05 / oz.
Vegetable oil	\$0.05 / fl. oz.
Vanilla extract	\$2.00 / fl. oz.
Chocolate	\$0.80 / oz.
Cinnamon	\$0.90 / oz.
Carrots	\$0.04 / oz.
Walnuts	\$0.60 / oz.
Cream cheese	\$0.30 / oz.
Raspberries	\$0.25 / oz.