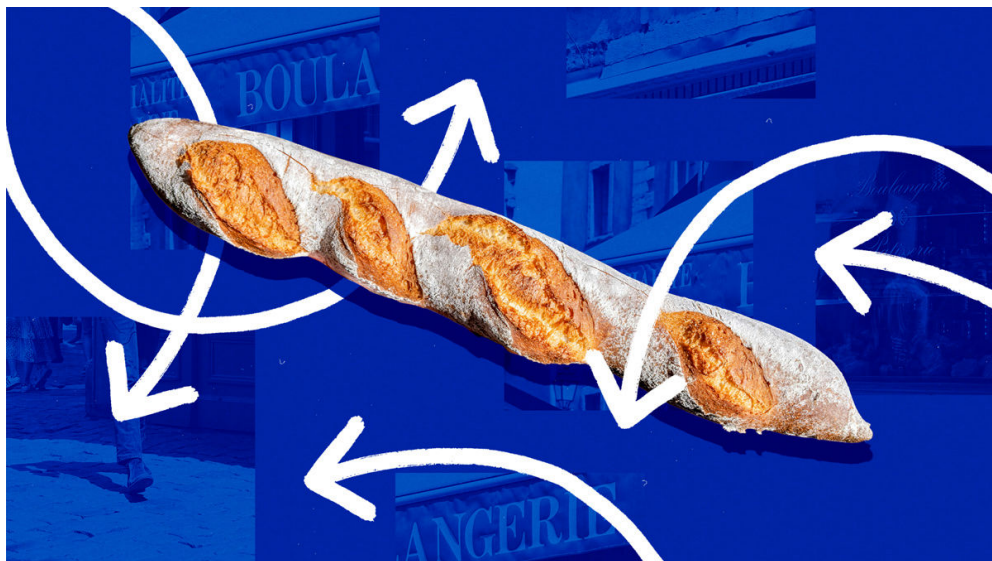




Strategy



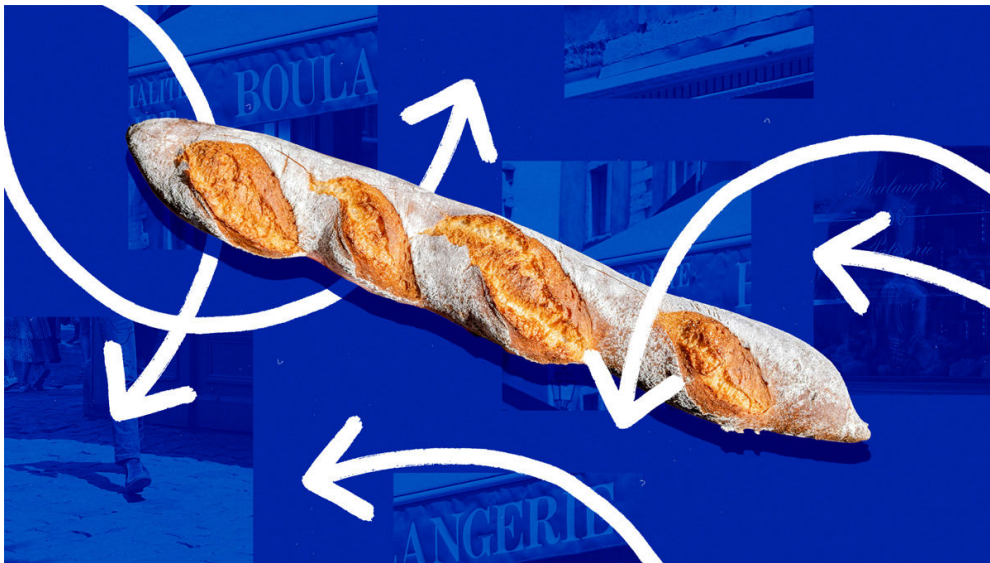
# What French Bakeries Get Right About Strategy

Researchers studied 177 bakeries in the city of Lyon to see what happens when you can't compete on cost. **by Laura Dupin, Filippo Carlo Wezel, and Dirk Deichmann**

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**France's traditionalist bakers, or boulangeries, should be** out of business. Bread prices are competitive, leaving little room for pricing gambits. Ingredients are regulated (by law, the baguette traditionnelle can contain only flour, water, salt, and yeast). If you're a self-proclaimed "traditionalist" the limitations are even more challenging, as traditionalists don't permit themselves a variety of time- and cost-saving practices (such as the use of mixes and frozen dough), which are more or less invisible to consumers. Yet despite these disadvantages,

traditionalists have maintained a strong majority share of the French bread market despite modernist competitors using more efficient production techniques.

How do they do it? Our study of 19 years of bakery competition in Lyon suggest it's by strategic location choice. The lesson of our research is valuable if you're one of the many companies competing on the basis of traditions or values, yet you struggle to differentiate your products from those of your competitors in the eyes of consumers.

To find out more about how traditionalists have competed against modernists, we analyzed the location strategies of 177 bakeries within the city of Lyon, one of France's food capitals, from the beginning of 1998 to the end of 2017. Our approach included regression analyses based on archival data, an experiment, and several rounds of interviews with the bakers in both camps.

The fact that French bakeries are ubiquitous and are such special-purpose spaces (i.e., bakery locations often remain bakeries) meant that we were also able to track the availability of vacant bakeries over time. Across the 19-year period, 264 vacant locations were available to bakers, 203 of which belonged to former traditionalists and 61 to former modernists.

We found an interesting pattern among entrants: Traditionalists predominantly chose former traditionalist shops, and modernists preferred former modernist shops. Interviews with bakers who had done so indicated that this was no accident: They purposely chose a location to continue its legacy. Our findings became even more interesting when we analyzed the proximity of vacant locations to other existing traditionalist or modernist bakeries in the city. Traditionalists did something counterintuitive: Seventy-four percent of the locations

they chose were near a modernist bakery. In contrast, modernist entrants avoided locations close to those of both traditionalist and modernist competitors.

The traditionalist strategy surprised us for a number of reasons.

Basic economics suggest that locating similar firms within limited room for differentiating their products close to each other would intensify competition. In this case, the situation is even worse given that modernist bakeries, which are often affiliated with large milling groups, have a cost advantage.

So why would traditionalists want to work across the street from people who don't share their values, practices, or identity and would presumably subject them to tougher competition? They told us it's because they thought it would help them highlight their distinctiveness. "The fact that there is [a modernist] next to us allows me to differentiate my identity," one explained.

In contrast, modernist entrants told us they wanted to avoid head-to-head competition with anyone.

The moral of the story: While in the natural world birds of a feather often flock together, firms with deep traditions or values that are selling basically the same thing as companies that lack those attributes may want to stay close to the infidels. Doing so might enable you to highlight the one thing that sets your firm apart.

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