

# Q&A

## Interview with Chris Bull

**Q. You introduced a major strategic review of the business, Project Refresh, to reposition the business for future growth. Eighteen months into the project, is it delivering the expected results?**

**A.** In the review we set out a plan to strengthen the McBride business model and reposition the Group for future growth. The four pillars underpinning the process – organisational change, category review, competitiveness and efficiency and new market opportunities – are all delivering.

New ways of working were put in place to improve our speed to market commencing with the successful implementation of the category leadership roles and the establishment of our Centres of Excellence underpinned by the new way we are approaching category management. I am really excited that this is delivering Private Label share gains, and very encouraged by the positive feedback that we are receiving from our customers on this initiative.

We have delivered on our rationalisation plans for our European manufacturing footprint and we are seeing the benefits from the enthusiasm with which our operations are embracing Lean manufacturing and identifying opportunities to drive out costs from our processes.

The markets of Central and Eastern Europe are the growth engine for the business, with Asia providing further opportunities as a source of growth for the future.

We have made good progress across the board, but there is still more that we can do to drive out unnecessary complexity from the business and strengthen our business model.

**Q. The economic environment continues to be challenging across Europe. Is this benefiting the demand for Private Label products?**

**A.** Yes, definitely. The value for money proposition of Private Label products has never been more important to today's consumers, especially in the Eurozone where we are seeing record levels of unemployment.

Shoppers are increasingly 'savvy' in searching for great deals as they try to manage their weekly shop. In a recent study by the Institute of Grocery Distribution, 69% of consumers said supermarket Private Label products tend to provide better value for money than the alternative brands. We are working more closely with our retail customers to ensure that their Private Label ranges of Household and Personal Care products deliver real value to the consumer, and the most recent market data in the UK shows that one in every three household products bought is a Private Label.

**Q. Organisational change was at the heart of Project Refresh. What benefits are you starting to see from these changes?**

**A.** We have improved our speed to market and the roll-out of new product introductions across markets. The new ways of working means that we are more responsive to changing customer needs. Today we are a more joined up and connected

organisation. International customer teams are in place, and the research and development Centres of Excellence and the category leader and category development leadership roles have significantly improved category focus and development efficiency. Examples of our new ways of working include the successful launch of our fast dissolving auto dishwasher tablets in both the UK and Germany. Our teamwork across markets has resulted in Skincare contract gains with major retailers in France and the UK with products sourced from Brno, and the roll-out of our laundry liquids sachets expertise to our European customers.

Building on the success achieved so far we announced in June 2012 that we are taking the logical evolutionary step of moving to a fully functional based organisation.

We are moving to a single commercial organisation under one leadership which comprises customer facing and focused business units covering geographies, and together with a category organisation which now covers all of our categories. The new structure makes McBride even more focused on customers, focused on developing categories and focused on driving profitable growth.

We have also moved to a single end-to-end supply chain under one leadership, from buying through manufacturing to delivery. This function will build on the great work carried out so far and is focused on delivering the lowest possible total cost for our supply chain, while most effectively serving our customers.

Research and development also moves to a fully functional organisation under single leadership, building on the success of the Centre of Excellence model, which is already driving innovation and delivering fantastic value to our customers and consumers.

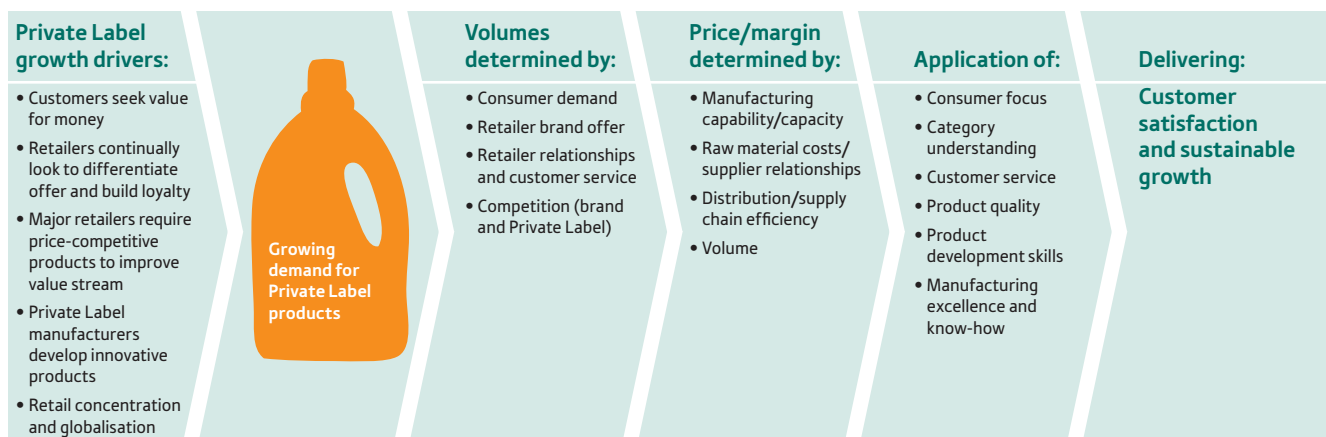
The picture is completed with the Finance and HR functions supporting the business in a lean and effective way.

This final step is a natural consequence of all the other organisational improvements we have been making over the last two years. All our efforts are driven by an internal mantra to seek to be 'responsive to customers, quick in decision-making and faultless in execution'.

**Q. The Group indicated that major changes were planned in its supply chain infrastructure and in the introduction of Lean manufacturing across the Group. How are these important initiatives progressing?**

**A.** We have made significant progress over the last two years in remodelling our European supply chain footprint and reducing complexity within the business. We have closed two factories in the last 12 months, focusing production in a smaller number of large-scale sites and centres of manufacturing excellence. The implementation of our Lean manufacturing programme is gathering pace and delivering real savings with our Year 2 target of £2 million of savings confirmed. As more teams attend our in-house Lean 'Bootcamps', further opportunities for efficiency improvements and cost saving initiatives are being identified. A really encouraging initiative!

## Our business model



**Q. McBride has been developing its business in Central and Eastern Europe and South East Asia. How are these businesses performing and do you expect to make further acquisitions in these regions?**

**A.** Central and Eastern Europe is a growth engine for the business in the short to medium term. Retailers in the region are expanding and improving their Private Label offer. We are working with them to deliver improved packaging and performance and consumers are buying into this. Our sales in Poland increased 23% last year.

South East Asia is also growing strongly, albeit from a lower base and it has a key growth role in our future. We are embedding McBride manufacturing and Private Label competencies in the region and winning contracts with the result that sales in Vietnam are up 32% and Malaysia up 9%. Regarding acquisitions, we continually look for attractive partners to expand our technology capacity in the target development markets.

**Q. The retail environment is changing rapidly with traditional formats and shopper channels coming under pressure; press reports are showing increased consumer demand for convenience and growing interest in on-line retailing. What is McBride doing to adapt to these challenges?**

**A.** We monitor how the retail environment is developing and the way consumers are changing their approach to the weekly shop. This helps us to understand how these trends may influence the future demand for Private Label products. Hypermarkets and large superstores still account for over 60% of the UK grocery market, based on the latest Planet Retail data.

Today, consumers are increasingly using a mix of channels: combining convenience shopping with a large weekly shop either in store or increasingly on-line, with click and collect in store also gaining popularity. As part of our approach to category management we work with our customers to consider the optimum pack sizes and which product ranges would be most suitable for alternative channel formats and constantly assess what the implications of these options are for our supply chain.

**Q. How is McBride making its business more sustainable in the current economic environment and does this conflict with the objectives of Project Refresh?**

**A.** Making our business more sustainable is an intrinsic element of Project Refresh. Improving efficiencies, reducing complexity, streamlining our operations and eliminating waste are key functions of both our sustainability and Refresh agendas.

But we are doing more than this. We are building sustainability into our product development programme, with lighter weight packaging, more concentrated products and laundry products designed to work at lower temperatures. These not only reduce our carbon footprint, but help consumers use less energy. Our sustainability working group and the packaging development group are sharing best practice on energy savings and reducing packaging complexity, both key contributors to sustainability.

**Q. Two years into the job, what have been the biggest challenges you have faced, and what are the current main challenges/opportunities for you as Chief Executive of McBride?**

**A.** I am pleased with the progress made but there is much more to do. It's fair to say we have been faced with some tough economic headwinds, particularly around raw material cost inflation, but the direction we have set is absolutely the right one and we are making solid progress.

Today we are a more connected, focused and agile business better able to leverage our scale and capabilities. The actions we are taking continue to build on that. The new organisation will cement the steps we have been taking over the last two years and allow us to accelerate the pace of progress. It will allow us to deploy our best resources when and where we want to gain maximum advantage.

These may be difficult economic times but we will emerge stronger, with a more robust business better able to capture the full potential of Private Label.