SABMiller Procurement
CIPS, Zug
Transforming Procurement in a
Decentralized FTSE Top 10 Company

March 2015
Speakers

Katharina Stenholm, CEO

- Joined SABMiller Procurement as VP Brewing Raw Materials in April 2010, from the Polttimo Group where she was CEO.
- Katharina has a PHD in Biotechnology and Applied Biochemistry.

Jim Ridgwick MCIPS, Global Head of Capability & Procurement Excellence

- Joined SABMiller Procurement in March 2011, from Deloitte’s Supply Chain & Procurement Management Consultancy practice in London and Shanghai where he was a Senior Manager.
- He is driving Procurement Excellence across SABMiller’s Procurement function and notably through its Transformation programme.
Have you heard of SABMiller?

2nd largest brewer
in a market which has seen consolidation among key players

2003 vs 2013 sales share chart showing the top breweries' market share.
Which one of these beers is from SABMiller?

As the name suggests, ("Urquell" in German or "Prazdroj" in Czech both mean "the ancient source")

**Pilsner Urquell** is the original pilsner and first pale lager beer.

It was immensely successful – nine out of ten beers produced and consumed in the world are derived from the original Pilsen beer.
Which are the best-selling 5 beer brands of the world?

1. 103m hl
2. 53m hl
3. 51m hl
4. 44m hl
5. 41m hl

All LOCAL Brands except Budweiser
3rd Party Spend

Brewing Materials + Sustainability
- Malt & Barley
- Hops
- Process Materials
- Adjuncts
- Sugar
- Filtration
- Stabilisation

Packaging Materials
- Glass Bottles
- Cans
- Plastics
- Closures
- Labels
- Secondary
- Tertiary

Supply Chain & Logistics
- Freight
- Fleet
- Equipment
- Parts
- Site Services
- Civil
- Warehousing

Marketing & Business Services
- Media
- Agency Fees
- POS Mats
- Consultancy
- Travel
- Networks
- Hardware / Software
Agenda

Local & decentralised!

Transforming Procurement

A deeper look

Learnings

What’s next.....
Who we are

- Group revenue of $27 billion
- >70% of profit from developing economies
- 95% of lager volumes from No. 1 or 2 market share positions
- SABMiller brews over 200 beer brands in more than 75 countries around the world.
- 70,000 employees
- Strategic partnerships with The Coca-Cola Company: joint venture with Molson Coors in the US
Becoming a global brewer

First acquisitions in Europe
1988 Compania Cerveceria de Canarias in Canary Islands
1993 Dreher in Hungary

Regional and product expansion
1978-82 Botswana, Lesotho & Swaziland

Global growth begins
1993 Uganda
1994 Angola, Mozambique, Tanzania, Zambia, China
1995 Poland
1996 Romania
1997 Ghana, Slovakia
1998 Russia
1999 Czech Republic
2000 India
2001 El Salvador, Honduras, strategic alliance with Castel Group in Africa
1999 Movement of primary listing to London stock exchange

2002 Creation of SABMiller following purchase of Miller Brewing Company
2003 Acquisition of Peroni, Italy
2005 Acquisition of Grupo Empresarial Bavaria
2006 Pacific Beverages JV with Coca Cola Amatil formed in Australia
2008 Acquisition of Grolsch
2008 MillerCoors US JV agreed
2011 Acquisition of Carlton & United Breweries
2012 Strategic Alliance with Anadolu Efes

Acquisition in South Africa
1956 Ohlsson’s, Chandlers Union Breweries
1975-79 Old Dutch, Whitbread, Swaziland breweries, beer interests of the Rembrant Group – achieving 99% market share

1895 Foundation of South African Breweries and launch of Castle Lager
1897 Listing on Johannesburg stock exchange
1898 Listing on the London stock exchange
1910 Expansion into Zimbabwe (formerly Rhodesia)
SABMiller’s strategic focus is centred on four priorities:

1. Developing strong, relevant brand portfolios that win in the local market
2. Creating a balanced and attractive global spread of businesses
3. Constantly raising the profitability of local businesses, sustainably
4. Leveraging our skills and global scale
**Procurement was also decentralised**

*Where we started*

2009

- As with all functions, each country had their own Procurement team
- Sizes varied from a couple to over 60 people
- There were no global procurement roles
- Councils were established to collaborate above country and above region

Limited collaboration across regions

Very limited sourcing above market
Agenda

- Local & decentralised!
- Transforming Procurement
- A deeper look
- Learnings
- What’s next.....
The challenge faced

- Supply markets globalising
- Competitive threat
- Ineffective collaboration above country

Significant lost opportunity

2010-2012

2013-2015

......the solution

......how we did it
Establish a strategic procurement unit in Switzerland

- “Trinity Procurement” established
- Focus on strategic sourcing
- Location selected was Zug with regional satellites
- At its peak it was 80 global category managers and ~10 regional category managers in each region

Early successes:

- Pathfinder function in SABMiller to leverage global skill and scale
- Put Procurement on the map
- Significantly exceeded financial benefits targets from building great teams
- Procurement’s role in the Sustainability agenda established
...how we did it

Capability highlights

- Strategy
  - Category Strategies developed
  - Commercial Value Levers

- People
  - 100 Cat Mgrs
  - 400 Suppliers

- Process
  - Strategic Sourcing
  - Ways of Working
  - KPI framework
  - Benefits Methodology
  - Supplier Accreditation

- Technology
  - Value realisation tracker
  - Sievo Benefit Forecasting

2010 2011 2012 2013 2014 2015
Transforming Procurement…..

The challenge faced

- Supply markets globalising
- Competitive threat
- Ineffective collaboration above country

Significant lost opportunity

…..the solution

- Could get money on the table but harder to get money in the bank!
- Successful for big direct spend, less traction with fragmented indirects
- Inefficient and duplicated transactional procurement
- Distance from country customers

…..how we did it

2010-2012

- Strategic Sourcing
- Global POC
- One globally integrated function

2013-2015

- Regional POC
- Global POC
- Process and people
- Technology
....the solution

**Transform Procurement into a globally integrated function**

### “Trinity” before Northstar

- **2012**
  - Global & Regional Sourcing teams
  - Global
  - Regional
  - Local

### Today

- **2015+**
  - One Globally Integrated Function
  - Global POC Network
  - Buy-Sell
  - Global Sourcing

- **Operational and strategic procurement brought together**
- **Transactional elements industrialised into operations centres (POCs)**
- **Buy Sell capability to increase transparency and centralise risk**
- **All Procurement headcount reporting into a CPO**
...how we did it

Capability highlights

Strategy
- Category Strategies developed
- Commercial Value Levers
- Category Migration defined
- Spend under Procurement Management accelerated

People
- 100 Cat Mgrs
- 400 Suppliers
- New roles defined
- Regional Heads in place
- Reporting line to CPO
- 650+ Total
- 100k Suppliers

Process
- Strategic Sourcing Ways of Working
- KPI framework
- Procurement Handbook
- POCs in place

Technology
- Value realisation tracker
- Sievo Benefit Forecasting
- Procurement Portal
- CombineNet and Ariba Sourcing & Contracts
- Global ERP template

2010 2011 2012 2013 2014 2015
Agenda

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Organisation structure

No major change in headcount numbers, resource mix very different
**Procurement Operations Centres:**

*Transactional Core of the new Global Procurement Model*

- **Spot Buys**
- **Contract Enablement (e.g. Catalogues)**
- **Reporting and Compliance to Policies**

- Free capacity in strategic teams
- Full visibility and control of every purchasing transaction
- Enabled with Category Manager’s instructions
We embarked on a major training programme across our 650+ employees.

In Country Procurement:
- 16 modules ~ 4 days ~ 676 total days of training delivered

Strategic Procurement:
- 17 modules ~ 4.5 days ~ 1368 total days of training delivered

Operational Procurement:
- 18 modules ~ 5 days ~ 560 total days of training delivered
**Key enablers**

**Major building blocks of the new operating model included**

- Consistent ways of working
  - Procurement Handbook
- Knowledge & best practice sharing
  - Knowledge Centre
- Procurement mandate
  - Global Procurement Policy
- Customer experience
  - “How to buy” Portal
Agenda

Local & decentralised!
Transforming Procurement
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What’s next.....
Change Management approach
Keep close to your stakeholders

Procurement Transformation can be done at speed, but there are several hard requirements to be met beforehand:

- High calibre **transformation team** under trusted business leader
- Early, focused and frequent **stakeholder engagement** from ExCom down to Country MD/FD to create strong sponsorship in region
- Clear **vision** around Spend under Management and Benefit delivery
- Use consultants selectively. Use the transformation programme to build in-house capability.
- Manage the design process tightly and have a Design Authority in place to deal with and change requests.

The rewards outpace the investment by far.
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Capability development beyond the transformation programme

Our Vision

We are bold and relentless in maximising real value for our businesses through Procurement excellence.
Capability build is the critical bridge between strategy and performance

Trinity Procurement & Country Teams

Globally Integrated Procurement

Procurement Excellence

Op. Centres (POCs) & Global Procurement Policy (GPP) rolled-out
Supplier Management Ways of Working
Procurement Business Partnering
Buy-Sell Piloting & Scale-up
Demand Management (through Closed Loop Value Realisation)
Seamless Source-to-Pay Service
Comprehensive Supplier Partnering Programme
Business Integration with Joint Goals
High proportion of Spend Transacted through Buy-Sell

Cash & Cost Focus
Total Value Focus
(Innovation, Sustainability, Quality, Capacity, Risk, Service, TCO)

Year
F10–F14
F15–F16
F17–F20

Globally Integrated Procurement

SABMiller Procurement Transformation CIPS March 2015
Thanks for listening!
Any questions?