

Case study

## Allied Bakeries



## The company

Allied Milling and Baking is a division of Associated British Foods (ABF) plc, a major international business with a turnover of £10.2bn and close to 100,000 employees working in 44 countries. It consists of four divisions: Allied Bakeries, Allied Mills, Speedibake and Patak's Breads and has a turnover of over £600m and employs around 5,500 people.

Allied Bakeries owns a Top 10 UK grocery brand - Kingsmill - as well as a branded portfolio of other wellknown household brand names including Allinson, Burgen and Sunblest. They have 23 sites across the UK, 17 of them autonomous production sites producing millions of loaves a week and delivering to up to 15,000 customers every day.

In common with many grocery brands Allied Bakeries faces almost daily pressure to contain or reduce their costs so the Board looks to procurement to drive down costs and improve operational efficiencies wherever possible.

## The challenge

Before engaging with Proxima, Allied Bakeries' Procurement Director had secured executive sponsorship to transform its function and drive breakthrough reductions in cost through best practice process driven procurement. This approach was highly successful across the businesses in key categories where in-house expertise was high.

Outside of the key categories, the spend is split over a high number of categories and the business had struggled to recruit or retain sufficient expertise to drive breakthrough cost reductions.

To see the next step change in performance, the Procurement Director believed that higher quality stakeholder engagement and deeper levels of category expertise were needed in these untapped categories. Allied Bakeries' business philosophy is focussed on empowering its personnel and encouraging entrepreneurialism which means a high number of effectively autonomous sites and functions, which means the challenge facing Proxima was to deliver the benefits of centralised procurement, without centralising procurement.

## Our approach

After a competitive tender, Allied Bakeries selected Proxima to provide a managed procurement service across a variety of categories for a 3.5 year engagement. Jointly with Allied Bakeries' Procurement Director a very good governance structure was established, both at programme and category level, which continues to be critical to maintain the speed to value across all categories. Proxima provides a flexible team that operates as part of the procurement function, utilising Allied Bakeries' Strategic Sourcing process across a wide range of categories. By leveraging its pool of category specialists Proxima is able to provide access to a high degree of expertise across all categories, including those that could not justify allocation of a more conventional full-time permanent resource. It is this access to our expertise in an on-demand, shared services model that enabled us to bring a step change in the service delivery of procurement in a cost effective manner.

Although initially engaged by Allied Bakeries Procurement to manage a specific remit, including FM, MRO, Engineering Services, HR, Logistics, Commercial Vehicles and IT, Proxima has provided support across additional categories such as Packaging, Bread Baskets and Tins. In addition Proxima has provided support to Allied Bakeries' ongoing procurement development programme, including the enhancement of the Strategic Sourcing Process.

Proxima offers a full suite of services including data analysis, opportunity assessment, sourcing strategy development, implementation support, supplier relationship management, contract management and risk management.

Given the disparate nature of the sites, and the categories being managed our approach was tailored to ensure that we achieved high levels of business engagement right from the outset, which is sustained over time.

- The Procurement Director and key Board members including the Operations Director and Logistics Director sponsor the programme of activity
- Each Category is either sponsored by a functional manager or a General Manager of a business unit – this sense of client ownership drives momentum and pace of results

Allied Bakeries' working environment is much tougher than the average. In addition to business engagement, there were other key areas we had to master in the early months to ensure the service matched the business need:

- Governance has been critical to the successes seen to date
- Proxima had to rapidly understand how Allied Bakeries ticks as an organization so that any assumptions and decision made were in line with Allied Bakeries' culture and approach
- The correct cultural fit between Proxima people and operational stakeholders on the ground has to be right, and if there was clash, we had to correct the situation fast – something which our shared services model facilitates well

## The benefits

- In Year 1, Proxima exceeded the targets set and achieved savings (including both cost reduction and cost avoidance) on influenced spend of 6% and in year 2 an incremental 9% has been forecast providing an impressive ROI has surpassed expectations
- The high scores achieved in internal stakeholder surveys demonstrate that the service is well integrated into both Allied Bakeries procurement function and the wider business
- Proxima has been successful in constructing commercial relationships focused on delivering efficiency and operational savings for Allied Bakeries, as well as constructing governance structures between the parties to ensure the benefits are captured
- In the area of returnable packaging, a full value chain analysis was conducted and Allied Bakeries now directly manages their suppliers input costs as well as fully understanding the conversion cost.
- In the 2010 CIPS Awards, Allied Bakeries won the award in its category

## About Proxima

Proxima is a dynamic international business, specialising in procurement outsourcing.

At Proxima we approach things differently. Working closely with you, we improve business performance by making procurement deliver more. Our approach goes beyond driving efficiency. It's about enabling change, enhancing management control and delivering results that exceed your expectations.

**Proxima: Redefining procurement. Powering business.**

For more information,  
contact us at:

T: +44 (0)20 3465 4500

E: [info@proximagroup.com](mailto:info@proximagroup.com)

[www.proximagroup.com](http://www.proximagroup.com)

