

Managing change at a progressive pace

1. Organisational change

What we said

The Refresh programme identified the need to change our organisation and ways of working to provide a greater focus on our increasingly multinational customer base, focus on core and future growth categories, better co-ordinate the Group's considerable R&D capability and give leadership to the Group-wide supply chain. Group leadership for R&D, the supply chain programme, category teams and international customer teams have been implemented.

What we did

We have been implementing change in the way McBride works at an increasingly progressive pace. During the year we further enhanced our Group ways of working through expanding the Group purchasing function to include indirect purchases. We took the first steps toward a Group R&D organisation and established a Group packaging development team. A Group Information Systems structure has been implemented and we have piloted a Group supply chain organisation.

Still to do

On 1 July 2012 the Group implemented the further development of the organisation of the Group, with the removal of the divisional structures and the creation of Group Commercial and Operations functions focused respectively on driving growth and cost reduction.

The embedding of the new organisational structure and new ways of working will be a key task for the Group in the coming year.

	12-month action plan (2010)	→ Delivered (2011)	✓ 24-month action plan (2011 →)	→ Delivered 2012	✓
Customer focus	<ul style="list-style-type: none"> → Build stronger relationships at a senior level → Establish international customer teams → Build leading category management capabilities 	<ul style="list-style-type: none"> → Top-to-top meetings held with over 25 leading retailers → International customer teams and leaders established for 11 multinational customers and ways of working established → Category management training programme established in the UK business with roll-out to rest of Europe planned 2011/12 	<ul style="list-style-type: none"> → Continue geographic expansion → Category management training programme roll-out to rest of Europe planned 2011/12 	<ul style="list-style-type: none"> → Category management approach adopted by laundry liquids and skincare teams in Europe 	
Product development	<ul style="list-style-type: none"> → Establish core category development and R&D resources 	<ul style="list-style-type: none"> → Refocus of R&D resources → Three Centres of Excellence established → Four category leaders in place → Four category development leaders appointed 	<ul style="list-style-type: none"> → Exploit scale → Improve speed to market → Improve R&D effectiveness avoiding duplication 	<ul style="list-style-type: none"> → Move towards Group R&D with new structure aligned around technology and functional lines → Additional Centre of Excellence established → Category leadership approach extended to specialist cleaners and general liquids categories 	
Group functions	<ul style="list-style-type: none"> → Supply chain → Group procurement → IT 	<ul style="list-style-type: none"> → Group-wide leadership of supply chain effectiveness established → Group-wide Lean manufacturing initiated → Group procurement extended to indirect purchasing → Packaging group established → Group-wide IT systems support in place 	<ul style="list-style-type: none"> → Lean assessments to be undertaken at all sites 	<ul style="list-style-type: none"> → Move towards a single integrated supply chain team across all countries → Move towards standardised opex and lean tools → Group packaging technology leaders established for bottles, skillets, corrugated, printed films and closures 	



Read more on pages 18 and 19

Read more on pages 20 and 21

2. Category management

What we said

A comprehensive review of McBride's Household and Personal Care portfolio identified categories which we believe will provide the greatest growth potential in both the short to medium and longer term. We have named these 'core growth and future growth' categories. The core growth categories comprise laundry liquids, machine dishwashing and specialist cleaners, while the future growth categories comprise skincare, air care, male grooming and mouthwash. All growth categories provide a significant growth opportunity and are margin enhancing.

What we did

The growth category teams have worked cross-functionally to share best practices and drive harmonisation across the business. The resulting focus on more integrated ways of working has improved our response times to customer tenders as well as enabling more effective use of resources. Category management training has also been shared with all category teams, with bespoke usage and attitude research being undertaken in three areas to date. Significant Private Label share gains have been achieved in categories where we have been able to work closely with our customers to drive Private Label up the consumer agenda.

Still to do

Category management has been extended to cover all of McBride's product categories as part of the new organisation structure. The new category teams will use the learning's of the existing Category Leadership teams to develop pan European category plans, establish ways of working with the new R&D Centres of Excellence to identify growth opportunities.

	12-month action plan (2010)	→ Delivered (2011)	✓ 24-month action plan (2011 →)	→ Delivered 2012	✓
Category focus and priority	<ul style="list-style-type: none"> → Review of core growth categories → Review of Group wide category management and category development effectiveness → Implement first Group-wide category investments → Future growth categories → Build leading category management capabilities 	<ul style="list-style-type: none"> → Three core growth categories confirmed laundry liquids, machine dishwashing and speciality cleaners → Future growth categories air care, skincare, oral care and male grooming → Group category management leaders and category development leaders established for laundry liquids, machine dishwashing, skincare and air care → Launch of first 24-hour germ kill trigger cleaners based on Byotrol® technology → Launch of super concentrated laundry liquids concepts in the UK and France → McBride skincare capability launched at PLMA Exhibition in Amsterdam → Category management training programme established in the UK business with roll-out to rest of Europe planned 2011/12 	<ul style="list-style-type: none"> → Continuing product development and innovation in growth categories → Continued progress on sharing of best practice and ways of working across the Group → Continued development of value proposition skincare ranges → Category management training programme roll-out to rest of Europe planned 2011/12 	<ul style="list-style-type: none"> → Innovative patent pending machine dishwashing tablet launched in the UK and Germany → Roll-out of laundry liquid sachets across Europe → New air care formats launched in Europe → Category leadership approach extended to specialist cleaners and general liquids categories. All Household categories are now benefiting from this structure and approach → Byotrol® technology extended in the UK → Roll-out of concentrated laundry liquid formulations across France, Belgium, Italy and Spain → New doy pack format for soluble liquid sachets launched in the UK → First Private Label skincare contracts gained with leading UK and French retailers, including anti-ageing face creams → Study into UK skincare consumer usage and attitudes further reinforces our skincare expertise with customers → New shave gel line commissioned in France, strengthening our capabilities in the male grooming category → Category management approach adopted by laundry liquids and skincare teams in Europe 	

3. Competitiveness and efficiency

What we said

A cornerstone of the Refresh programme was the goal to improve our competitiveness and manufacturing efficiencies through the further rationalisation of our European supply chain footprint and the reduction of complexity within the business. Further significant benefits to the Group in terms of manufacturing efficiency, capacity release and working capital improvements are being delivered through the implementation of Lean manufacturing within our manufacturing facilities.

What we did

During 2011/12 the Burnley household liquids factory was closed and production transferred in line with plan to other UK manufacturing sites. Production of household liquids in Italy has been consolidated to a single site at Bagnatica and European machine dishwashing production has been consolidated at the Foetz factory.

Still to do

The Group will continue to drive efficiencies, reduce complexity across the business and ensure delivery of targeted overhead cost reduction initiatives.

The Group will continue to roll out our Lean manufacturing initiative and ensure delivery of those projects already identified.

	12-month action plan (2010)	→ Delivered (2011)	✓ 24-month action plan (2011 →)	→ Delivered 2012	✓
Supply chain footprint	<ul style="list-style-type: none"> → Complete the next phase of manufacturing rationalisation → Estimated cost of £21 million → Cash cost c £13 million → Payback 2-3 years → Annualised savings of £7 million 	<ul style="list-style-type: none"> → Announced consultation on closure of Burnley factory, downsizing of Bradford and central overhead reduction in the UK → Announced consultation for refocusing of machine dishwashing tablet production in Europe → Project costs and savings in line with plan 	<ul style="list-style-type: none"> → Identify further cost-saving opportunities → Achieve full run rate of cost saving 	<ul style="list-style-type: none"> → Burnley factory closed with nine production lines transferred to Middleton and Bradford sites to plan and on budget → Satellite manufacturing facility in Italy closed and consolidated production in the main factory in Bagnatica → Two machine dishwashing lines transferred from Moyaux to Foetz. Foetz established as European Centre of Excellence for machine dishwashing in Europe → Annualised pre inflation savings of £8 million exceed target 	
Lean	<ul style="list-style-type: none"> → Perform Lean manufacturing assessments at all sites 	<ul style="list-style-type: none"> → Lean assessments undertaken at all European sites → Expected annualised net savings of £1 million confirmed 	<ul style="list-style-type: none"> → Extend Lean assessments to smaller factories → Delivery of expected Year 1 savings of £1 million post inflation 	<ul style="list-style-type: none"> → Eight on-site Lean 'Bootcamps' have been held across Europe → Year 2 and Year 3 savings of £2 million and £3 million confirmed with action plans → Further efficiency and Lean opportunities identified 	



Read more on pages 22 and 23

Read more on pages 24 and 25

4. Expanding our geographic reach

What we said

The potential for Private Label Household and Personal Care products in the developing and emerging markets of Central and Eastern Europe and South East Asia remains high as multinational retailers continue to expand their presence in these markets. McBride's decision to invest in Malaysia and Vietnam has been positively received by our customers in the region. In Central and Eastern Europe we will continue to build on the investments in both our manufacturing capability and management team to meet the increasing demand for Private Label products in the region.

What we did

In South East Asia, Newlane Cosmetics has seen a number of enquiries for both Private Label and contract manufacturing of Personal Care products including the biggest Private Label launch of a hair care range for a multinational retailer in the country. Fortlab in Malaysia is now producing Private Label ranges not only for the Malaysian market but also for customers in Australia. Central and Eastern Europe is seeing increased demand for higher quality, attractively packaged Private Label ranges which are building increased trust in Private Label among consumers in the region.

Still to do

The Group objective is to strengthen our geographic weighting in higher growth regions.

Progress has been made in integrating the acquired businesses but we need to accelerate the pace of growth in Central and Eastern Europe and South East Asia.

Further development of exports from our factories in Vietnam and Malaysia to adjacent markets will be key element in delivering this objective.

	12-month action plan (2010)	→ Delivered (2011)	✓ 24-month action plan (2011 →)	→ Delivered 2012	✓
Geographic expansion Asia and Australasia	<ul style="list-style-type: none"> → Continue expansion in developing and emerging markets 	<ul style="list-style-type: none"> → Key multinational customer meetings in the region → Integration of Fortlab Malaysia and Newlane Cosmetics into McBride Asia → Implant of McBride quality systems and processes and expansion of capabilities in the region → Investment of deionised water plant in Vietnam → Investment of sachet production line in Vietnam → Zhongshan factory expanded to include Household liquid capability 	<ul style="list-style-type: none"> → Continue geographic expansion 	<ul style="list-style-type: none"> → Private Label contract gains in Vietnam with Personal care products → Exports of Private Label ranges to adjacent South East Asian markets commenced → Growth of contract manufacturing opportunities with local brand owners → Expansion of air care format capability in the Zhongshan factory → Commenced sale of Private Label products into Australia sourced from Fortlab Malaysia 	
Geographic expansion Central and Eastern Europe		<ul style="list-style-type: none"> → Integration of Brno acquisition into McBride Group → Integration of Foetz and German operations into Central and Eastern Europe business unit → KPI: revenue from developing and emerging markets 9.1% (2011: 8.8%) 	<ul style="list-style-type: none"> → Build on our existing Central and Eastern Europe manufacturing capability to align with growing Private Label demand in Central and Eastern Europe → Exploit relationships with multinational retailers expanding across the Central and Eastern Europe 	<ul style="list-style-type: none"> → Sales growth of 23% in Poland compared to prior year → Announced the merger of our Western Continental Europe and Central and Eastern Europe commercial teams effective 1 July 2012 to exploit the Groups scale and focus in Europe 	