

When Goodman Fielder's baking division was under pressure from rising input costs and increased competition from private label products

Deloitte acted as a key adviser to help restructure the business with a view to sustainably improve earnings over a three-year period. Early results are exceeding our client's initial expectations

The Challenge

Goodman Fielder's baking division, one of Australia's leading FMCG companies, delivers 1 million units of fresh food product daily through a national, direct-to-store supply chain.

Prior to our involvement, the business experienced a significant reduction in earnings, primarily driven by:

- Increased competition from private label product which impacted volume and pricing in its proprietary branded business
- A rise in input costs
- The loss of some key contracts.

Goodman Fielder requested Deloitte's assistance to rapidly restructure its go-to-market model and supply chain to restore financial performance to sustainable levels.

How we helped?

Deloitte worked with the business over an extended period to develop and execute an appropriate response to the new market reality. This included:

- Optimising the product portfolio and deleting stock-keeping units
- Significantly reducing the manufacturing footprint (and taking out excess capacity)
- Breaking up a fixed-cost supply model and moving to a leaner distribution model
- Restoring distribution cost-to-serve to sustainable levels
- Successfully negotiating new pricing arrangements with their major customers.

Critical to their success was the ability to make decisions in areas that had previously been difficult, supported by:

- Detailed analyses of the financials and performance of the business in a way that 'shone a light on the true profitability of the business'
- A range of broad and deep strategic options that shaped longer-term thinking, busted myths and identified key trade-offs and
- A clear view of P&L, balance sheet and cash-flow benefits that could be associated with each option. As a result, benefits were tangible and could be closely tied to the financials.

Value delivered

The blend of strategic, operational and financial skills provided by Deloitte enabled Goodman Fielder to create and execute a turnaround program that is projected to significantly improve divisional EBIT within three years.

Initial benefits were realised within six months of the start of the program and after nine months the client is tracking to an annualised run rate of 70% of total expected savings.



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