

What's in a name?

In the food manufacturing industry, brand loyalty is vital – even the smallest scare can send consumers running. And with increasingly complex supply chains, maintaining quality is becoming more of a challenge. United Biscuits CFO **Jeff van der Eems** tells Nigel Ash how businesses can protect their good name.



It has been said that consumer brands are a business's most intangible yet most valuable asset. Do you agree?

It depends on the nature of your business, but for United Biscuits the brand is everything. Like other snack food companies, we rely on millions of unsupervised transactions every day: the consumer walks up to the shelf and chooses your product. We are not there to help sell it; the product has to sell itself. The only reason it will do that is if consumers know and trust the brand and they know what to expect when they buy the product.

In your view, what happens when food companies run into trouble with their brands?

Despite certain consumer perceptions, companies are not trying to pull a fast one. Often, they just do not take the time to make sure that brand support and the brand's principles are part of the business.

Certain high-profile cases have hit the headlines over the years (see box, right). These are good companies that care passionately about the brand and their consumers, but somehow they didn't connect the dots quickly enough because the brand wasn't sufficiently strong in its value set.

Your value set has to start with this: the reason you exist is because consumers like and buy your products. If that value set does not then lead your operations, a gap develops and you face a PR and business disaster.

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You have obviously studied the disasters experienced by other food companies, most recently the troubles over products contaminated with the illegal dye Sudan 1. What lessons do you take from them?

We watch these all closely. The food industry is a small community. We need to understand how other companies react and how the food service agencies and trading standards people react.

But we are a little more confident because we know that the brand is the most valuable thing we possess. We have a huge array of brands and we know that once you lose a consumer, you do not get them back very easily, so we protect our brands like a hawk.

The cost of mishandling a crisis

Ribena

Earlier this year, an experiment by two New Zealand schoolgirls revealing that Ribena ready-to-drink products contain almost no vitamin C was tested in court. Ribena makers GlaxoSmithKline were ordered to take out advertisements correcting their marketing claims.

Cadbury's

In 2006, salmonella was discovered in several Cadbury's products after dozens of people became ill with food poisoning. The chocolate manufacturer is now facing prosecution for failing to inform the correct authorities and continuing to sell the affected products. The incident caused a loss of consumer confidence in one of Britain's best-known brands and cost Cadbury's £30 million.

Perrier

Perrier's reputation for purity suffered an embarrassing blow in 1990 when benzene was found in the water. The incident ultimately led to the recall of 160 million bottles of Perrier.

'You have to have a clear crisis management team with a clear procedure.'

How do you protect your brands?

We have a value set, the most important of which is that the consumer is boss. I know it sounds trite, but you must always keep that at the heart of everything you do. However, as the world gets smaller and companies go further afield to source supplies, it is getting harder to keep an eye on the origins of your produce. As suppliers consolidate and start taking more of their manufacturing to distant locations, you get secondary and tertiary suppliers supplying your main suppliers. This means that the vendor assurance chain gets longer and more dispersed, making it more complicated to know the exact quality of your supplies.

The product has to be exactly how the consumer expects it to be, or better. You have to make sure that you have the right raw materials in the right condition and you have to process them in the right way. Vendor assurance is one of the most important things that companies have to get right.

The second thing is making sure that the standards of quality, hygiene and infrastructure are right. Practically all of our production is done in-house. We control the product because we make it ourselves.

But surely things go wrong sometimes: how are problems handled?

Every food company gets it wrong on certain occasions; for example, a seasoning can get into the wrong bag, such as salt and vinegar getting into a chicken-flavoured packet of crisps. These things do happen, but we always respond immediately to protect consumer satisfaction.

You have to have a clear crisis management team with clear procedures. We take a holistic approach to crisis management, from the raw materials supply chain right up to the consumer.

We have a very robust programme that alerts the right people, ranking incidents as green, amber or red. The team tends to be drawn from quality assurance and health and safety because they are best placed to understand the technical aspects of the product.

We test the crisis management system by running scenarios each year, which often includes a curve ball thrown in at some point after the exercise has begun. We also involve our PR agency. Afterwards, we assess the process, checking whether the team had clear objectives, made good decisions and involved the right people.



Do you also have your finance people involved? Do the exercises go right down to cash flow?

Yes. Our finance function is customer facing. Each functional group within United Biscuits has deep financial support. These individuals get involved along with the central control group. You cannot have finance running a crisis management situation alone, but as they are always involved we know the financial implications of the decisions being made. There can be a point at which the entire finance function is standing behind the problem.

In the case of a red incident, I will be involved straight away and I will make sure that my financial controller is on the project team and knows exactly what is happening.

You need to make sure your finance team is sufficiently involved in the business. The beauty of finance is that it can see the whole picture. While other departments do very specific things, such as procurement, manufacturing and marketing, and know these areas very well, finance can connect all the dots. Finance views things holistically, which means that by keeping it involved you are unlikely to miss much.

In past crises, some companies appear to have juggled awkwardly with the risk of admitting legal liability and admitting the problem. What are your thoughts?

It is easy to generalise and say that you should always let the legal consequences follow, because if you do the right thing for the consumer and the brand you will be in business 50 years from now, rather than just five. But it is another thing when you are actually facing the situation; that is when you really find out how deeply embedded your company values are.

It is also important to realise that a product recall can be an opportunity as well as a crisis. Consumers tend to be supportive of brands they like, but if they feel like you are letting them down, that's it, they will walk away. So if you show them that you are trying to do the right thing, and that you always will do the right thing, they will respond accordingly.

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Product recall insurance is a route, albeit an expensive one, that some companies take to cover themselves against the financial risks involved. What is your view on this?

There is no right or wrong answer, but you need to be clear about the implications. Insurance is not going to fix the problem; it is just how you choose to protect yourself financially. Companies debate this issue all the time.

I do not want to say specifically what we do, but in my previous two companies one did have insurance and the other didn't. There is no correct answer because the cost of the insurance is prohibitive. What I will say is that nobody fails to do a recall because they don't have insurance. I have experienced recalls both with underlying insurance coverage and without. Both went well because they were led by the principle of 'consumers first'.

You insure through a third party or you self-insure depending on the cost-benefit analysis. The finance and legal departments tend to make the decision on this.

If you decide to carry the risk yourself, you do need to make sure that you have the financial resources to cover any potential recall. This sounds fundamental but when you are in a highly leveraged business like ours, you need to make sure that you have enough flexibility – and we do. ■



Jeff van der Eems

Jeff van der Eems was appointed CFO of United Biscuits in 2005. Born in Canada, he joined United Biscuits from PepsiCo, where he worked for 12 years in a series of senior finance and strategy roles in Europe, the Middle East, Africa and the US.



Most recently, van der Eems worked as the CFO for PepsiCo UK and Ireland, where he was responsible for Walkers Snackfoods, Pepsi-Cola, Quaker Foods, and Tropicana. He brings a wealth of food and drink experience to United Biscuits.

Prior to PepsiCo, he specialised in mergers and acquisitions at several investment banks in New York.