CRF Learning: HRBP: Business Catalyst Programme

Pre-read

Chris Revons took the lift to the third floor. The rest of the leadership team were gathering outside the boardroom, drinking coffee and chatting. The Head of the division looked up from a Smartphone and smiled briefly "Good morning, Chris. I think we are all here now, so let's get started". As the HR Business Partner for the division, Chris knew that this would be a critical meeting for the new Head and the whole management team. In less than 6 weeks the leadership team would have to present their new 5 year strategy to the Board of Global Whole Foods, their parent. This meeting was the first proper chance the team had had to discuss options and align around a common direction.

Chris had been working in HR at GWF, for 4 years – for the last 2 as HRBP for the Arrivederci business, the group's ice cream division. The last 2 years had not been easy for Chris. The business had been under significant pressure to perform but without additional resources people were suffering from stress and low morale. Industrial relations disputes, always under the surface, broke out periodically. On top of that, Chris felt under pressure from Group HR to implement agreed global policies more rapidly. Chris hoped that with a new Head the business would start to invest in talent and development. Initial signs were good but Chris had enjoyed precious little time with the new boss so far.

Lone Rasmussen, the new Head of Arrivederci, had been brought in 6 months earlier on the retirement of the previous incumbent, a family member of the dynasty from whom GWF had acquired the business 8 years before. Lone had a remit from the CEO of GWF to revitalize the business and inject some new thinking into a business that was viewed as sound but unexciting by the Board. Lone, who had experience in retail supermarkets, relished the opportunity and had a radical vision for transforming Arrivederci into a modern customer-centric brand. Lone's vision relied heavily on work done by Sasha Kerensky, the newly appointed Head of Marketing and Communications at Arrivederci.

Sasha had been recruited by Lone from their previous employer and was an expert in digital and guerilla marketing. Sasha's vision was to make the business data-driven and to move it away from selling products alone to 'curating life-style experiences for customers'.

Vic Ainsworth was the FD of Arrivederci. Vic had been parachuted into the position 3 years earlier by corporate after Arrivederci had failed to make its numbers for several years in a row. An accountant by training, Vic was credited with bringing some financial stability to the company and gained grudging respect from the rest of the leadership team as a result. Vic was close to Ralf Backmeyer, GWF's long standing CFO and was rumoured to be in the running to succeed Ralf when he retires next year. Arrivederci's annual turnover had hovered around 1.5 billion euros for the last few years. As such they were one of the largest divisions in GWF. Although growth had been lacklustre, the measures implemented 3 years before had improved profitability and cashflow was healthy. The question was whether this performance was sustainable.

The rest of the team were both long standing employees of Arrivederci. Charlie McNeil, the Head of Operations and Logistics, had come up through the ranks and served 25 years in the company, nurturing its production assets through expansion in the 1990s and then staying with the company when the family sold out to GWF. An engineer by background, Charlie had an intimate knowledge of all the plant and machinery and was revered for the ability to keep production flowing and drive operational efficiency. With Lone arriving, Charlie hoped that at long last GWF would start to invest in the substance of the business.

The last member of the team was Drew Noble – the Sales Director. Drew had joined Arrivederci 4 years before, after a successful career in sales with a major multinational food brand. Drew was ambitious and was thought to have been the unsuccessful internal candidate for the Divisional Head's job. Drew was known as a hard driving sales manager who believed in incentivizing the salesforce and had a compendious knowledge of supermarket buyers and their wants. Suspicious of the new untested ideas Sasha had been promoting in the business, Drew was hoping to persuade Lone to extend the range with more modern flavours and expand aggressively in emerging markets.

Arrivederci – the Company

Alfonso and Augusto in their first store

Arrivederci had been first established in the 1930s by 2 Italian immigrants to London's East End. Augusto and Alfonso Marinelli settled with their families in Clerkenwell, the heart of Little Italy, and set up shop selling Italian-style ice creams. Augusto was the product expert, famed for his discriminating palate as much as his flair for inventing new ice cream varieties to suit the English consumer. Alfonso was the business brains.

After the Second World War, Alfonso borrowed money from his relatives to set up a small factory in Acton to produce the brothers' famous ice cream.

It was Alfonso who came up with the brand name:

Arrivederci – A Good Buy in Any Language!

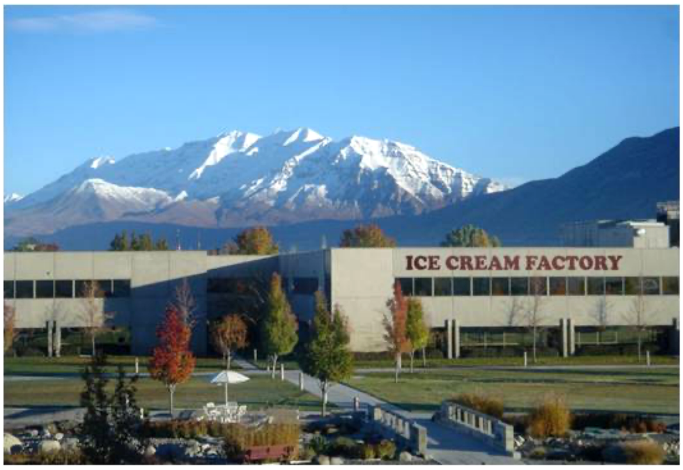
Sales expanded with Arrivederci's branded cycle carts, soon a familiar sight on the streets of post-war London. As motor vehicles became affordable the Marinellis were eager to build a fleet and soon their ice creams were being sold throughout the UK.

Augusto Marinelli still serving behind the counter of his ice-cream parlour in his 70s

The Marinelli Brothers Go Mobile!

The 1960s and 70s were a time of expansion. After the untimely death of his brother, Alfonso led the business on his own until he was succeeded in the 1970s by his son Riccardo, known to all as Ricky Marinelli.

Ricky maintained his family's good connections to the old country and seized the opportunities presented by the creation of the EEC to expand on the continent. After much consideration the company opened a new plant in Achenheim near Strasbourg in 1979.



Arrivederci's Croatian Plant

Ricky led the business with passion until a heart condition forced him to hand on to his son, Paul, in the 1990s. Paul closed the remaining retail operations but continued to expand production, opening a new plant in Croatia in 1998 to serve the burgeoning Eastern European market.

Sadly, Paul had no children and as no other family members were willing to take on the business, he was forced to look for a trade buyer. GWF made the best offer and crucially, promised much needed investment in the business. Paul stayed on as MD of the new division to manage the transition and the planned expansion but his enthusiasm for the business dwindled as it became clear that GWF's investment promises were not being fulfilled.

The Ice Cream Industry

The global ice cream market was $62,920.3 million in 2014. The market is dominated by two major players – Unilever and Nestle who between them, accounted for some 35% of the market. Beyond the big two there are many large and medium sized regional players, often family owned, who have built up a loyal customer base in their local markets. Below that are thousands of small scale local craft producers, often offering high priced products sourced from local inputs at a price premium.

Arrivederci as a medium sized company with a solid franchise, faced competitive threats from the larger players who enjoy economies of scale and brand power on the one hand and on the other from the rise of smaller niche producers who were eroding their differentiation and seemed able to bring new product ideas to the market more rapidly.

Worldwide the ice cream market is a typical mature market, growing at 4.5% per annum in normal years. As a non-essential food, ice cream has for long been sold as an affordable indulgence. But increased awareness of healthy eating and concerns over obesity have cast a cloud over the industry and forced it to react. Products are increasingly promoted on the basis of an 'absence of negatives' - no additives, no artificial flavourings, non – GM, organic, vegan etc. And yet the growth in emerging markets has produced millions of new consumers with a passion for ice cream and the means to indulge their craving, whilst the creation of new product offerings like frozen yoghurt shows that growth is still possible with the right concept.

The overall market is often segmented as follows – *Category 2014 %*

Impulse ice cream	24,553.6	39.0%
Take-home ice cream	23,493.8	37.3%
Artisanal ice cream	12,428.0	19.8%
Frozen yogurt	2,444.9	3.9%
Total	**62,920.3**	**100%**

Europe and the USA are the largest and most profitable markets but Asia is growing fastest.

Global ice cream market geography segmentation: $ million, 2014 Geography 2014 %

Europe	25,262.4	40.1%
Asia-Pacific	18,713.4	29.7%
Americas	18,168.3	28.9%
Middle East & Africa	806.7	1.3%
Total	**62,950.8**	**100%**

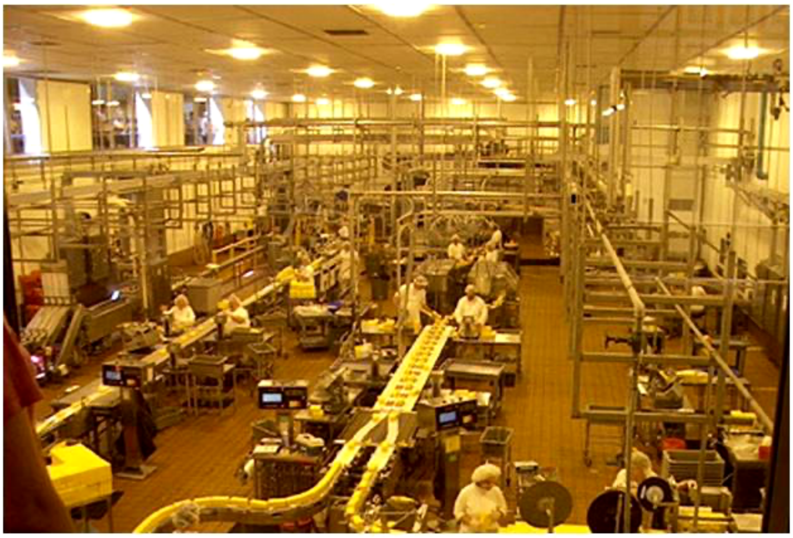
Also important are the distribution channels:

Supermarkets / hypermarkets	37.1%
Specialist Retailers	33.3%
Independent Retailers	14.0%
Convenience Stores	11.1%
Other	4.4%
Total	**100%**

Source: Marketline

The market for ice cream is generally seasonal with peak demand in the summer months and a lower peak around Christmas. Fresh ice cream is by nature difficult to transport and the storage cost is rather high. Producers need to distribute their product widely, which generally involves channels such as supermarkets. These retail chains often have considerable buyer power, which forces down the prices that the manufacturers of ice creams can obtain. Sales space is a vital but finite resource. Supermarkets squeeze the branded ice cream makers by producing their own-label products, forcing the manufacturers to invest heavily in advertising and promotion and new product development.

Some of the large international companies such as Unilever and General Mills have their own chains of ice cream parlours, which sell products directly to the consumer. However, smaller companies may not be able to afford their own ice cream parlours and must instead persuade supermarkets, specialist stores and other businesses to stock their products.



Inside Arrivederci's Acton Factory

Manufacturers of ice cream can differentiate their products quite strongly. To hold on to their market shares, they must be willing to push out old flavours and replace them quickly. More demanding consumers want ice cream to be associated with pleasure and experimentation of flavours unfamiliar to them.