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A Delectable Aussie Icon

The manufacturer responsible for some of Australia's favourite biscuits is taking the world by storm while still keeping our national manufacturing industry alive.

Images by Scott Ehler

Arnott's has long been an iconic Australian brand. What started as a small bakery in Newcastle has grown into an internationally recognised food manufacturer that employs thousands of people throughout the country and region.

Acquired in 1997 by US-based Campbell Soup Company, the organisation has retained its proud history in Australia and is one of the largest food companies in the Asia-Pacific region. Arnott's success has put Australian-made biscuits into more than 40 markets across the globe, including Japan, the US, Canada, the UK, Indonesia, Tahiti, and New Zealand. This ever-growing international network is a testament to Arnott's product quality and unparalleled manufacturing capacity.

Vice-President of Supply Chain for Arnott's Asia-Pacific Craig Funnell began his career as an electrical engineer, working with petrochemical company ICI Australia. After two years with the organisation, Craig left to travel overseas before returning to Australia and working with FMCC giant Johnson & Johnson. It was there that Craig spent the next 18 years of his career, learning the industry and getting a taste for the Asia-Pacific market.

During Craig's tenure with Johnson & Johnson, he was responsible for setting up a supply chain for the company's various consumer products in China. "I was able to assemble a remarkable management team, and together we built a factory and a supply-and-distribution network that covered more than 600 cities," he explains. "It was an entire supply chain that now supports more than \$500 million in sales and is a regional sourcing hub for Asia-Pacific—all from an empty block of dirt and in 18 months. Within three years, the network was delivering global benchmark results across core KPIs. It was a very hectic time, but one in which we had some great fun, and truly memorable moments."

Following a stop in Hong Kong where he was responsible for Johnson & Johnson's Asia-Pacific manufacturing network, Craig and his family returned to Australia, where he joined the country's then-largest food company, Goodman Fielder. Two years later, Craig moved to Arnott's, heading up supply-chain activities for the Asia-Pacific region, which included seven manufacturing locations and approximately 2,000 staff.

Managing an icon

As a key member of the Arnott's leadership team for more than a decade, Craig has played an

important role in developing a new ambition for the company along with a clear strategy. He was also passionate about contributing to the leadership team's way of working to ensure they work together effectively.

A priority was to develop a major change program within Arnott's, which required aligning the leadership team on the ambition and how to achieve it, including focus on their purpose, strategy, priorities, and plan. Regular workshopping has provided a valuable opportunity for the leadership team to collaborate on how to execute their strategy and deliver on their priorities to ensure they achieve their ambition and work effectively as a team.

Arnott's has integrated a transformational framework to deliver on its business strategy. There has also been alignment with Campbell Soup's global strategies and growth ambitions. This has led to leadership support, guidance, and ongoing advice throughout the organisation.

Craig is one of more than 50,000 Australians who have worked for Arnott's throughout the past century. Today, Arnott's employs more than 2,800 Australians across all states and territories. Arnott's also employs several thousand people across the Asia-Pacific region in countries including New >



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Regional Business Development Manager

Don Sturgeon:
donald.sturgeon@ti-films.com
+61 2 6022 0220

Sales Manager – Labels

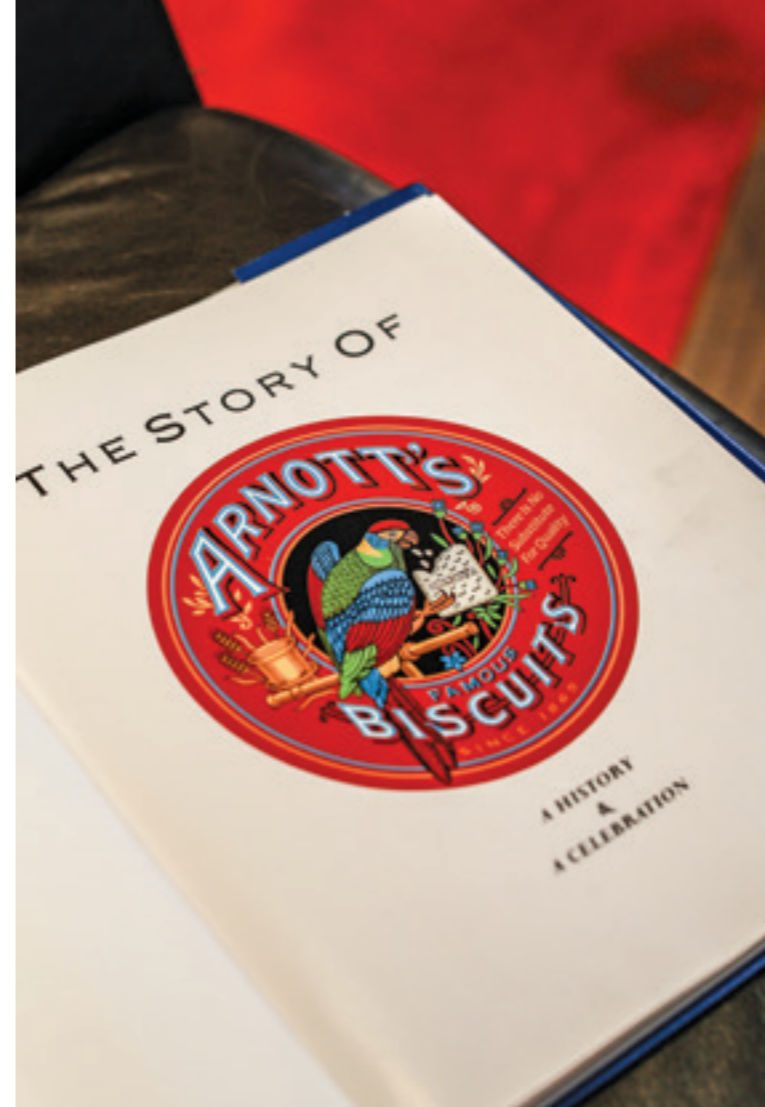
Steve Hodgson:
steve.hodgson@ti-films.com
+61 2 9276 7002

Technical Manager

Adam Stewart:
adam.stewart@ti-films.com
+61 2 6022 0253

Customer Services and Logistics Manager

Byron Pattison:
byron.pattison@ti-films.com
+61 2 6022 0212



Zealand, Indonesia, Malaysia, and Japan.

Nearing the company's 150th anniversary, Craig believes the secret to Arnott's longevity rests in its staff's loyalty and commitment towards maintaining the company's status as an Australian icon. "There's a very deep-set pride in ensuring the quality of the Arnott's biscuits, and there's a deep-set pride in protecting Arnott's brand," he says. "That is truly what sustains everyone who works for Arnott's. What buys the discretionary asset is the admiration, love, and commitment for the brand and the business."

Arnott's isn't just a respected brand among its staff; many Australians have a cultural connection to the brand and its products. "People across Australia love Arnott's," Craig affirms. "The Arnott's brand and products are actually in 95 per cent of Australian households. Those

households buy Arnott's every week. It's pretty big. It's become part of the Australian cultural identity, and there is a high level of responsibility that comes with that knowledge.

"If you sit in a cab or you meet a stranger who finds out you work for Arnott's, everybody has a story and they tell you their favourite brand and their favourite biscuit. Everyone I've spoken to has very strong, nostalgic memories from their childhood that they connect with the Arnott's brand. As our website highlights, 50,000 Australians have worked for Arnott's, so you often meet people who have actually worked in one of our factories or bakeries. There is a real loyalty and commitment to keep Arnott's prosperous."

Committed to social responsibility

Part of that loyalty comes from the company's contributions to the

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- Craig Funnell

community. As a major contributor to rural Australian businesses, Arnott's has a strong sense of social consciousness and responsibility. Craig is chairman of The Arnott's Foundation, which aims to create positive environments that allow families to build, maintain, and enjoy a better quality of life. Through the foundation, Arnott's supports projects including:

- Driver Reviver: Ensuring safer driving, particularly during family holiday times.
- Fairy Sparkle Garden Project: Building magical garden areas for children in hospitals.
- Foodbank Australia: Helping welfare agencies provide food to people in need. The company donated more than 557,912 kilograms of product to Foodbank in 2010-11.
- Camp Quality: The Arnott's Foundation's support will enable more than 1,500 families with children who have cancer to participate in Camp Quality's family camps.

According to Craig, philanthropic endeavours are a cornerstone of the company's ethos. This year, Campbell's ANZ donated 225,000 serves of vegetables to Australians in need to mark the official opening of its new, \$14.6-million V8 PET line at its Shepparton facility in Victoria. And in 2010, the organisation delivered 82,000 kilograms of soup to more than half a million hungry Australians. The cans were donated to Foodbank, Australia's largest hunger-relief organisation, which feeds more than 60,000 people every day by acting as a conduit between major food and grocery manufacturers, retailers, and 2,200 welfare agencies across the country.

This significant delivery equated to approximately 602,874 bowls of soup, and came at a crucial time. During winter, welfare agencies typically experience an increase in the number of individuals and >



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families who rely on them for food, clothing, blankets, and shelter.

"Many Australian families experience hardship over the winter months, and with higher rents and utility costs, people on low fixed incomes are really struggling to keep a roof over their heads," Director of Development at Parramatta Mission Deborah Schofield explained in a press release. "It can be difficult to keep the home warm and have enough food on the table. We have more people through our doors in the cooler months—not only people who are homeless, but entire families in need of food parcels. Tinned soup is perfect."

Additionally, the impact of the rising cost of living in Australia has resulted in a growing pressure on singles, the elderly, single-parent families, and the working poor. Consequently, there is a greater

reliance on welfare organisations to ensure these groups' basic need for food is met.

CEO of Foodbank John Webster commented on the donation: "Campbell Arnott's is one of our longstanding donors, and this donation arrived in time to provide those in need with a healthy and delicious meal over winter. We hope a hot cup of soup put a smile on the faces of hungry Aussies."

The soup was distributed to welfare over the winter months. In 2010, Foodbank aimed to deliver 20 million kilograms of food to the hungry, and in doing so took a step closer to meeting the demand for food in Australia.

Such a philanthropic gesture has a ripple effect throughout the entire organisation, engendering a sense of loyalty and pride at all levels. "We recognise the onset of winter is a time when welfare agencies are most stretched," Arnott's General Manager Jacqueline Chow said at the time. "Having partnered with Foodbank for many years, we were delighted to

once again do our bit to help address hunger in our community. One bowl of Campbell's soup typically provides at least one serve of vegetables, and in some cases three, so each meal will be as nutritious as it is filling and delicious."

Environmentally conscious practices

As one of the largest food companies in Asia-Pacific, Arnott's has an environmental policy in place that reflects its commitment to conduct business in a manner that respects and protects the quality of the environment, striving towards limiting emissions to the water, air, and land, as well as the efficient use of resources.

This is why the organisation works closely with water authorities like Sydney Water to identify opportunities for reducing water consumption. As well as helping to conserve water, Arnott's is focused on reducing its energy consumption and has a number of programs in place at all sites. >

"Arnott's gets the best from suppliers because they believe in the power of partnerships. You do your best work for people who value and trust you. That's why Arnott's has been one of DDB's best clients for over a decade."
- Leif Stromnes, Managing Director, Strategy and Innovation, DDB Group



The company is a signatory to the National Packaging Covenant. Arnott's action plans contain specific objectives to minimise the use of packaging material, to use recyclable materials, and to ensure the environmental impacts of consumer packaging waste are managed and minimised.

In the past five years, Arnott's has:

- ensured 5,000 tonnes of carton board contained 95 per cent recycled content
- introduced packaging recycling, and disposal information labelling on packaging
- eliminated 70 tonnes of plastic packaging each year
- eliminated 16 tonnes of steel packaging each year
- eliminated more than 240 tonnes of cardboard packaging each year

- optimised packaging footprints and pallet efficiency, eliminating 24,000 pallets, more than 350,000 B-double kilometres, and 240,000 litres of diesel per annum.

Remaining Australian

The challenges of Australian manufacturing are well documented and have led to the demise or offshore outsourcing of various companies' operations. "As the Australian dollar and the import competition has risen, being Australian and our commitment to Australia's sustainability is a key differentiator for us," Craig highlights. "Australian manufacturing and its future health and sustainability are big issues for our suppliers and retail customers. It is a very real agenda from suppliers right through to the customer."

Striving to keep Australian manufacturing local has been



"For over two decades, Arnott's and Allied Mills have worked collaboratively together withstanding the test of time in a highly competitive industry. Their success is our success, and we look forward to continuing to strengthen the iconic Arnott's brand."
- Joseph Di Leo, Managing Director, Allied Mills

quite an accomplishment for Arnott's, whose consistency of quality is a key element of the company's success. Remaining Australian has gone against the grain of many agribusinesses and food manufacturers that are now losing market share to cheaper offshore competitors.

"It's really interesting to see what's occurring in the dairy industry and the bread industry, as well as all the hot topics that are bubbling up," Craig says. "Coles and Woolworths are putting lots of energy into ensuring the average Australian knows their priority is to locally source meat, fruit, and vegetables. It's been a big point of differentiation for us in the biscuit sector."

Arnott's embraces the responsibilities that come with being one of the country's oldest and most revered manufacturers. The company has been assisting in the volatile manufacturing industry. >

Supporting an Aussie icon



Linfox and Arnott's strategic partnership ensures Australia's favourite biscuits are delivered fresh to you.

"Linfox is a valued partner that has helped us transform our supply chain, unlocking value that we share with our customers and loyal consumers."

- Hugh Callander,
Director Planning and Logistics, Campbell Arnott's



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investing hundreds of millions of dollars into its Australian biscuit facilities.

Investment into the national industry and Australian workforce fuels Arnott's cultural and corporate significance. "We've had to be very proactive on investment and increasing our productivity and innovation," Craig highlights. "It's a great temptation to go the cheap route and manufacture in Asia. However, due to the fact that biscuits have a short shelf life and we're coming from a quality perspective, we want to ensure that we can continue to produce them and get the product to shelves as quickly as possible. Therefore, it makes sense to stay in Australia and remain highly productive. We need to be proactive about that to get consistent efficiency gains."

Arnott's 2009 \$37-million investment into its Virginia bakery resulted in biscuit production increasing by 10,000 tonnes per annum, meaning the bakery could manufacture around 47,000 tonnes of biscuits, including Monte Carlo, Scotch Finger, and Shortbread Cream.

The biscuit line measures the length of three football fields and boasts the latest in biscuit-making technology, including mixing, forming, baking, and case packing. The new oven doubled the bakery's capacity at the time, helping the company maintain the manufacturing of its well-loved products.

In 2011, an additional \$67 million was invested into Arnott's Virginia bakery, bumping up total investment to more than \$100 million in the span of just two years. This move signifies Arnott's ongoing commitment to manufacturing in Australia and remaining competitive for the sake of the industry and the brand.

A major component of this ongoing investment has seen increasing automation throughout the bakery. The move towards automated production has helped keep Arnott's competitive in a marketplace flooded with cheaper, imported products.

As a national icon, Arnott's spent more than \$3 billion purchasing raw ingredients and services from local farmers and businesses over the past decade, fuelling the economy of rural and regional Australia. Each year, the organisation spends around \$250 million buying:

- 85,000 tonnes of flour and grains from areas including the Darling Downs, Moree, Liverpool Plains, Riverina, and South Australia
- 22,000 tonnes of sugar from Far North Queensland
- 3,500 tonnes of dairy products from Victoria and New South Wales
- 4,000 tonnes of canola oil sourced from canola crops in New South Wales and Victoria.

The quality of Arnott's biscuits is a reflection of the high-calibre products Australia delivers. "It's also important that our retail customers rely on us to get it right and deliver the product to them in full and on time every single day," Craig explains. "Lower-cost, Asian-based sourcing strategies often negatively affect service levels, which can be frustrating for customers. If you're working on a different category where shelf life doesn't matter as much, it might be a different story. There is no other way for us to service this market well.

"From a quality and environmental perspective, we try to be as close as possible to the sources of our ingredients. The majority of

"Visionpak has been a supplier to Arnott's for seven years. We have developed a strategic partnership, allowing both businesses to benefit from aligned values and commitment to continuous improvement. Safety, sustainability, innovation, and reliability form the core of our partnership." - Domenic Cicciarelli, Managing Director, Visionpak



"We must be proactive on productivity, innovation, and capability. We are continuing to invest. We've been very public. In the past two years, we've invested \$100 million, and we're looking for the next punch for that scale of investment."

- Craig Funnell

our ingredients are Australian grown. We get the sugar from canegrowers in Far North Queensland and the wheat from farmers in areas as far south as Kangaroo Island in South Australia and as far north as the Darling Downs in Queensland. That's why I keep emphasising Australian manufacturing to our suppliers and customers. It's a big issue for them, so it becomes a virtuous circle. We must be proactive on productivity, innovation, and capability. We are continuing to invest. We've been very public. In the past two years, we've invested \$100 million, and we're looking for the next punch for that scale of investment. That investment will primarily focus on innovation and productivity."

Success through collaboration

Suppliers are vital to innovation and productivity for Arnott's. The company collaborates closely with its strategic partners to keep its operations efficient. "In the first instance, we go for longer-term partnerships for joint and mutual

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"I think the greatest goal we have at the moment is to make sure the Australian consumer is front and centre in our priorities. We've got to create a clear road map over the next three to five years around how we'll continue to grow."

- Craig Funnell

value creation," Craig notes. "Australian manufacturing is not a directive; it's very economical and very real. That means our long-term partners like Visy, Sugar Australia, Cargill Australia, Allied Mills, Amcor, and Linfox benefit from the knowledge that we are focused on Australia. This engenders trust and creates this mutual objective and concern over the sustainability of Australian manufacturing."

Having a common vision with suppliers and strategic partners helps drive the success of Arnott's. "We have a shared goal," Craig says. "It starts with a declaration of our goals so that the trust we build allows our suppliers to be safe in the knowledge that we're partners on this journey. It's a continuing conversation, not just a passive one-off. It's an ongoing exercise of checking where we're at and where they're at."

"No matter how the external environment alters and evolves, we

continue to reassert that. When it falters, we can jointly source new, innovative ways to improve. For example, if one of our suppliers had an operating model that wasn't that productive, they would proactively look for new ideas knowing that we would still be a strong partner. We all have to work together for new ideas as the environment changes."

Communication needs to be clear and consistent with Arnott's key partners. "Instead of having the annual or biannual conversation, we're now actually starting to put shared scorecards together," Craig explains. "It engenders that urgency and ensures we keep an eye on our lofty goals for the long term while also making it real and realising it in the short term."

A look to the future

Every step Arnott's makes is towards the benefit of its consumers. "I think the greatest goal we have at the moment is to make sure the Australian consumer is front and centre in our priorities," Craig says. "We've got to create a clear road map over the next three to five years around how we'll continue to grow and meet Australia's evolving snacking needs with Arnott's biscuits."

"With our suppliers and customers, we're pretty declarative and open about our future direction. We open up with our retail customers and share our long-term innovation plans. Long gone are the days when we might have kept those plans close to our chests. Having long-term partnerships is the only way any of us are going to grow. It does mean that we've got to lean in a bit and go out on a limb. I want Arnott's biscuits to be the pre-eminent snack of choice—across all snacking, not just biscuits. The Arnott's biscuit is our bread and butter. That's what our strength and advantage is, and consumers absolutely love it."

The products that Arnott's manufactures are iconic and continue to diversify. Australians



have had a longstanding love affair with Arnott's biscuits, particularly the country's favourite chocolate biscuit, the Tim Tam. This year saw Arnott's launch the Tim Tam Love More bus, a promotional tour that saw the bus travel more than 5,000 kilometres throughout the course of its three-week tour. The bus journeyed across the country to celebrate the release of new Tim Tam Treat Packs, handing out more than 120,000 Tim Tam biscuits along the way. Australians embraced the promotional tour, happy to see an Australian icon celebrated across the nation.

With the support of Campbell behind it, Arnott's continues to move from strength to strength. The parent company is growing its international portfolio, increasing the global network that Arnott's has at its disposal. The most

recent acquisition by Campbell has been Danish baked-snack manufacturer Kelsen Group, targeted at growing the company's baked-snack market in China and giving the organisation a foothold into further international expansion.

Arnott's is a real Australian success story that is an integral part of the country's cultural and historical identity. The brand is synonymous with quality products and industry-leading manufacturing technology, and is much more than a business and far greater than the brand it has created. As Arnott's continues to invest in our national manufacturing industry while increasing its international network, the organisation has never lost touch with its roots as a true Australian icon that produces some of the country's most loved and recognised products. •

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THING CAMPBELL'S
HASN'T CANNED**