

A Turnaround Story in the Making

Many local manufacturers have sent operations offshore to remain competitive, but one national icon is committed to keeping its food production within our borders by relying on innovation, quality, and the loyalty of everyday Australians.

Images by Estelle Judah Photography

Australian manufacturing has certainly seen better days. The growing list of manufacturing operations closing down in this country has raised major concerns about our future economy and where jobs will be generated in the coming years. SPC has gone through tough times and learned just how challenging it is to produce in this country. But nothing would have prepared Australia's last remaining fruit and vegetable processor for the shock of the federal government's rejection of its co-investment grant application in February, or the unprecedented consumer support for SPC and the sales increases that ensued.

SPC Managing Director Peter Kelly said the company had been severely damaged by a 'perfect storm' created by external economic factors such as the high Australian dollar and the deluge of cheap, imported products that have been dumped in the Australian market.

"We had made a strong case for getting government support. Most of our problems were created by the lack of regulation in the Australian market in relation to anti-dumping laws and tariffs on imports versus exports, as well as the high Australian dollar and issues with trade practices. The unfair playing field in which we were forced to operate really hit us hard and decimated our export markets."

When the federal government blamed SPC's woes on 'overgenerous' workplace conditions, the company challenged assumptions made by both the government and some media commentators. "We decided we had to stand up for our employees and set the record straight. We openly demonstrated that production worker wages, at an average of \$53,000 a year, were in fact modest and the allowances paid were minuscule in the overall cost equation."

After SPC's request for federal government funding was rebuffed,

the Australian icon was inundated with offers of support from its employees, suppliers, retailers, growers, universities, and local and state governments.

"It was totally unexpected. A big part of it was payback for all the things we had been doing right. When that story broke, I think a lot of everyday Australian consumers had a good think about what kind of country we were becoming when we can't make our own food anymore. They asked, 'What would happen if we lost another iconic brand that we grew up with?' That's when the Twitter #SPC Sunday campaign began."

Linda Drummond, an avid blogger and Twitter user from Newcastle, kicked off the social media phenomenon that generated more than 21 million impressions in just two weeks. Another person instrumental in rallying support for SPC was Shepparton local Teena Knight, who started the Save SPC Facebook page, which attracted more than 10,000 likes. >



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“#SPC Sunday was quite a remarkable grassroots campaign, which led to a level of sales we’d never seen before; SPC-branded products were selling out. It’s probably done more than any other effort to push the ‘Australian Made’ theme; we’ve all triggered something powerful in consumers, partly because of the desperate state we were in and partly because we were fighting so hard. It appeals to Australians—the never-give-up attitude and fighting against seemingly overwhelming odds.”

Following the Victorian state government’s pledge, and the overwhelming support of Australian consumers, retailers began to follow suit as consciousness surrounding the

importance of local food production heightened. “If consumers want Australian products, then they’re going to get Australian products. We are starting to see Australian independent retailers like Ritchies, Drakes, Foodland, and IGA installing ‘Australian only’ sections in their stores. We’ve never seen that before, and that’s a direct response to what consumers are saying.

“We recently made a major announcement about a new five-year, \$70-million deal with Woolworths across all our categories for more Australian products. The beautiful thing about this agreement is that the timeline matches our investment horizon, so we’re working hard

with Woolies on innovations and improvements to our range, and Woolies is giving their customers what they want.”

Peter also extended his gratitude to the Coca-Cola Amatil (CCA) board that has, along with the Victorian Government, secured SPC’s future with a \$100-million co-investment. “If you go back over the past five years, SPC has been a poor investment for CCA. But CCA has persisted; they’ve absorbed losses, and at the same time put in another \$78 million for the future. They have really been impressed by what the SPC team has been able to do in such a short time—the changes that we’ve made internally, and the groundswell of support we’ve received from all stakeholders.”

Having held various senior roles with CCA prior to his appointment, Peter was familiar with the board of SPC’s parent company. “CCA could see the many things we were doing to get SPC on the right track. The board was confident we were heading in the right direction so they were prepared to invest. It’s out of a loyalty to Australia from our board that they have persisted with SPC, because they really believe in Australian manufacturing.”

This remarkable turnaround story has also breathed new hope into Australia’s struggling agricultural sector, which has been losing ground thanks to illegal dumping of produce and damaging price wars. “We are very close to our growers; we have a mutually dependent relationship. We make sure we update them as events unfold and as support continues to pour in.

“We need to keep them informed and thinking positively about the future. We had our formal quota meeting in March and we were able to give them a much more positive view of the future than they’ve had for many years now, and many are starting to plan again for a long-term future.”

While much of the nation has rallied behind the SPC story, the most crucial player in all of this is the Australian consumer. “Whether it’s luck or great planning or a combination of both, I think we had all the right ingredients in place; we had a real story that triggered something in a few Australians, who then triggered it in many more. SPC needs to keep developing that relationship with consumers because, ultimately, they’re the ones that decide; they make the call about what stays and what goes on supermarket shelves.”

Another great sign of SPC’s influence on the industry is the government crackdown on food dumping, particularly in canned tomatoes. “The government investigated about 103 companies that export from Italy to Australia and they found that 101 of them were dumping. We think the other two got away with it [laughs] and we’ve raised our concerns about this directly with the minister. Amazingly, 96 exporters wouldn’t even cooperate with the authorities, so they all got hit with a penalty tariff of 26.5 per cent. Dumping has been happening for a long time, and it explains why those products were so cheap on supermarket shelves compared to Australia’s Ardmoma brand.

“You’re not allowed to dump products here; you’re not allowed to wipe out the local industry through dumping and then put your prices up later when you’ve got the market to yourself. That should not be accepted in this country. It was a coalition commitment before the election to crack down on dumping and to reverse the onus of proof, and they seem to be doing that via Minister Ian Macfarlane. This is important because it means that bottom tier of dumped private-label products won’t be pricing us out of the market for much longer.”

According to Peter, SPC must innovate to survive, so the \$100-million investment from the Victorian Government and CCA will be put to work to drive new product and packaging innovation



and efficiency measures. “We’ve got trials underway with McDonald’s and 7-Eleven on a new product called Perfect Fruit. It looks and feels like soft-serve yoghurt, but it’s made of 99-per-cent fruit. Tasting it, you would swear it had dairy in it, but it’s dairy-free and fat-free. It has the same calories as an apple, and counts as a serve of fruit in your daily diet. It tastes as good as, if not better than, ice cream and it’s a wonderful, healthy dessert.

“Another example is our Taylor’s ready-to-eat pouch soups with variations such as pumpkin and pear. Through these types of products, we are demonstrating you can have fruit in every meal if you have the creativity to make it happen. There are other things on our innovation agenda, such as vitamin-enhanced fruit shots. I’m focused on creating different ways to get that healthy daily serving of fruit into kids and adults. And, of course, we are serving fruit that’s grown in idyllic conditions and manufactured right here in Australia.”

Peter recognises the importance of producing food locally. “The Australian provenance story is

powerful; we need to market Australia as a trustworthy source of the highest-quality food for the world. It just so happens that we make wonderful products, and they are grown in world-class conditions by passionate growers who meet the highest environmental standards. SPC now has the opportunity to combine this provenance and passion to bring products to market in new and innovative ways.”

It’s been an arduous battle for SPC, but, with the investment deal signed, Peter believes the real work has only just begun. “We’re busy meeting with customers, making sure our prioritisation of the innovation projects matches what they want for their consumers too. We’re meeting with all stakeholders to do what’s required to make SPC strong again.

“My team feels the responsibility to make sure that this works. We know we have to do much more than complain about unfair trade; we have to get on with making our products better each day and telling the world about it. So it’s the opening bell and we’re off now, fighting even harder to make this work.”

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