



## CASE STUDY

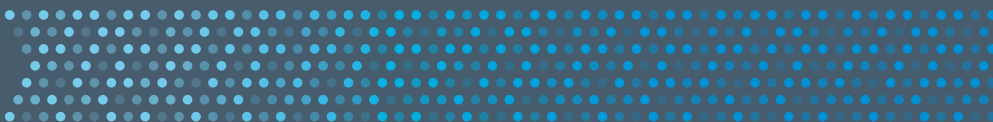
# Sainsbury's



**Neil Bradford**  
Head of Procurement

In this case study we examine the development of Sainsbury's supplier relationship management (SRM) programme. We explore how the reduction of savings, and the introduction of Sainsbury's 20 x 20 sustainability plan and 'Sourcing with Integrity', were the catalyst for change.

## STATE OF FLUX



# Sainsbury's was founded in 1869 by John James Sainsbury and his wife Mary Ann. It began as a dairy shop with the promise of higher quality milk and butter at affordable prices.

At this time, product adulteration and contamination were commonplace, so by taking a different approach the Sainsbury's family built a business which has grown to become one of the UK's largest retailers.

Today Sainsbury's operates over 1,000 stores and employs around 150,000 people. It sells up to 30,000 products produced by over 17,000 farmers and growers, 2,000 suppliers, and reaching over 22 million customers a week. In the year to March 2013, Sainsbury's reported sales of £24,511m, an increase of 6.8% on the previous year, and declared an increase in operating profit of £51m to £789m.

In mid May 2013, State of Flux was invited to attend Sainsbury's procurement supplier conference at their Holborn store support centre. The event was part of an ongoing communication process to share Sainsbury's business strategy and objectives with its supplier base. In this particular case, the key suppliers engaged in their supplier relationship management (SRM) programme and a number of others. The agenda included the usual business updates and some interesting insights into the relative performance of the main players in the supermarket sector, as well as Sainsbury's strategy for continued growth. The second half of the event focused on Sainsbury's 20 x 20 sustainability plan and in particular 'Sourcing with Integrity' as one of the five values that provide the framework for the plan. You can learn more about Sainsbury's 20 x 20 sustainability plan and Sourcing with Integrity by visiting [www.j-sainsbury.co.uk/responsibility/20x20](http://www.j-sainsbury.co.uk/responsibility/20x20)

Another feature of the event was the 2013 supplier awards recognising contributions made by suppliers to the key five areas (pillars): risk and governance; commercial; innovation; quality and service; and 20 x 20. There might be a sense that supplier awards have fallen out of favour over the last few years, possibly as a result of inconsistent behaviours and treatment of suppliers leading to a certain amount of cynicism. However, it was evident (at least in this gathering) that this form of recognition is still something that suppliers value. From talking to a number of supplier representatives at the event, it was clear that suppliers engaged in Sainsbury's formal SRM programme and those close to it believe it is delivering a different and more productive relationship.

We therefore resolved to find out more and were pleased when Neil Bradford accepted our invitation to explain a little more about Sainsbury's SRM programme.

Neil is head of procurement at Sainsbury's and is the architect of the SRM approach deployed by Sainsbury's procurement team. We met Neil and his colleagues Hannah O'Reilly (Category Manager) and Agnes Guzik (Senior Buyer) at 33 Holborn, Sainsbury's London HQ.

Sainsbury's procurement is responsible for annual procurement spend totalling over £3 billion across c.2,000 suppliers, 85 of which are part of their SRM programme.

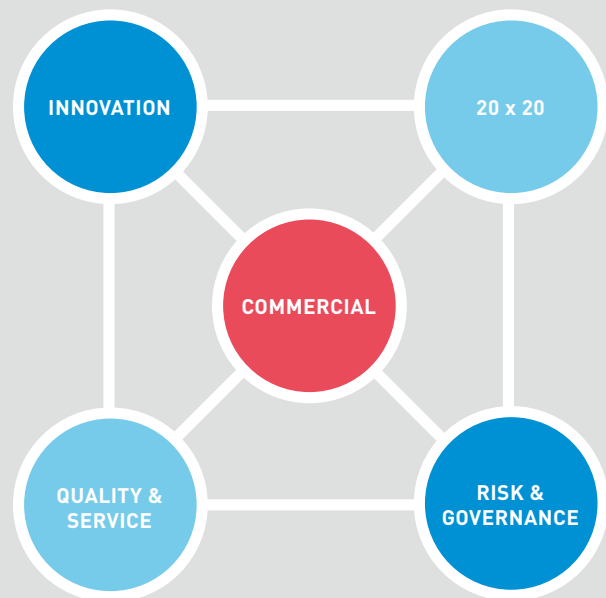
## ***How long has your SRM programme in its current form been in existence and what were the key business drivers?***

Like many organisations we have had SRM in various forms over a number of years and during that time the drivers were almost exclusively commercial. What it took to galvanise the approach in its current form a couple of years ago was the realisation that the 'low hanging fruit' in terms of savings were diminishing, and that driving just the savings agenda was not consistent with delivering other corporate objectives such as the 20 x 20 sustainability plan and the five values:

- Best for food and health
- Sourcing with integrity
- Respect for the environment
- Great place to work
- Making a positive difference to our community

The question we had to answer was how to engage more effectively with our supplier base to deliver a broader range of benefits, consistent with Sainsbury's corporate strategy. If an SRM project does not set out with the objective of improving service and quality to customers and colleagues, it will not gain the business support that is integral to the delivery of successful projects. Our departmental ethos for procurement is customer, colleague and company first, function second.

# Sainsbury's SRM pillars



It's certain that sourcing with integrity is a key driver for us. Some of the higher profile initiatives are obviously those that relate to sustainable and safe food production, but in our part of the business we have a big responsibility to deliver targets around reducing the environmental impact of our operations, e.g. reducing operational carbon by a relative 65% by 2020 as compared to 2005\*.

SRM simply felt like the right way of approaching this both from a corporate and procurement perspective.

*\*'Absolute' emissions reduction targets are defined by the GHG Protocol as goals to 'reduce absolute emissions over time'. Relative emissions reduction targets are defined as goals to 'reduce the ratio of emissions relative to a business metric over time'. In the case of supermarkets, the relative is defined as relative to square footage of stores.*

## **What are the key principles and approach to SRM in Sainsbury's?**

SRM at Sainsbury's has five areas of focus:

1. Improving the **quality** of service or product offered or used by customers and colleagues.
2. Looking for more **sustainable and environmentally friendly** ways of working, both for our communities and those which our suppliers serve.
3. **Innovation** – We want to be the company who suppliers want to bring their new ideas to. We are always willing to trial new products or concepts from trusted suppliers.
4. **Risk** management – Learning more about the supplier's marketplace and what risks their business faces, as well as sharing our own best practice.

Cumulatively, these four areas of focus lead to the fifth – commercial benefits. If we are doing the right things that improve service to our customers, make our colleagues' lives easier and respect the environment, then commercial benefits for both parties naturally follow.

Each of the pillars are important to us - our buyers are given the flexibility to work with suppliers and agree which pillars to focus on. Innovation and 20 x 20 (sustainability) have probably driven more projects than the remaining pillars thus far, which echoes Sainsbury's focus on corporate sustainability. As a result of this approach we now have a much broader range of projects being undertaken. We don't need to push this, they just seem to land naturally. Consistent with the broader range of projects, we now have a wider range of stakeholders that understand and are actively engaged in SRM.

## **What would you say the biggest single factor in achieving this transformation has been?**

It has been a combination of things, but if I had to choose one, it would be the removal of savings targets related to SRM activities. For the first year or so we maintained a 10% cost saving target for SRM activity. It seems obvious in hindsight that this would narrow the focus of activity and drive the wrong behaviours. Recognising that SRM still needed objectives we switched to a simple approach whereby each buyer has an objective to complete three SRM 'case studies'. In practice these often deliver both direct and indirect commercial benefits but it's no longer the constraint it was seen as previously. SRM is now seen as more of a vehicle for risk management, sustainability and innovation.

### **What does a case study entail?**

Each project will differ in terms of complexity and will be run using good project management practice. We will quantify benefits and develop robust business cases when required but the output we are looking for is a one page summary. We find this 'cuts to the chase' and is preferred by stakeholders. The case study approach is also valued by our suppliers as a tool for promoting their organisations and the work we are doing.

This 'simplicity' is also reflected in the way we run SRM. We have seen SRM programmes subverted into tick box exercises to complete templates. We believe the real value of an engagement or governance model is to ensure we are having the right conversations with our suppliers.

### **What aspects of the programme are still a work in progress – what are you doing to move it forward?**

There are a number of aspects of our programme that we are still working on, some examples include:

- ▶ A key message of our supplier conference was that we want suppliers to go above and beyond. We want them to look downstream and upstream for improvements, beyond their products for lasting impacts.
- ▶ Multi supplier, cross functional SRM is more difficult. We are still explaining the SRM angle with single suppliers, but want supplier collaboration.
- ▶ We are still working to rationalise our engagement model with some suppliers to ensure we make use of existing forums rather than create new ones.

### **What is your approach to supplier innovation?**

We regard innovation as a vital and integral element of SRM. It is our focal point for this year.

We are pretty flexible in our approach. We don't want to stifle creativity but sometimes no guidance on areas to focus on can mean that you don't 'jump start' the process. Consequently we provide opportunities to both to raise any idea. An example of this will be to visit a store with a supplier and let them review all aspects of its operation. We have examples of where suppliers have come up with ideas that have little or no relationship to their own product or service. On other occasions we will be far more prescriptive about specific problems or challenges. We find that using the pillars is often sufficient structure.

If we get a good idea from a supplier and adopt it, it's rare that we would place any restriction on them using it elsewhere. We believe we have a pretty good track record on being the first to receive good innovation.

Our process is open and transparent; we are keen to hear any idea and will actively pursue any great ones that help us to help our business, environment, customers or colleagues, while also delivering a mutual benefit for our supply base in many forms. However, one thing we do need to guard against is the invitation to innovate being used to make a sales pitch. We hope we are building a common understanding around this and it happens less frequently.

### **We asked Neil what advice he would offer to an organisation starting out on its SRM journey?**

I would probably want to share a list of dos and don'ts:

## Do

#### **BE PERSISTENT**

SRM is still not widely understood outside the world of procurement

#### **KEEP IT SIMPLE**

The basic concept is just that

#### **FOCUS ON BEHAVIOUR CHANGE**

Relationships are between people

#### **DEVELOP TRUST**

Consistency and reliability are key

## Don't

#### **RELY ON DOCUMENTATION**

Work with the minimum necessary

#### **WORK IN SILOS**

Share information freely

#### **BE FIXATED BY ONLY WORKING WITH BIG SUPPLIERS**

Smaller companies can be a great source of innovation