

Something's bubbling at PepsiCo.

Harish Bhayani of PRM Diversity Consultants investigates.

BACKGROUND

Start delving at PepsiCo UK and a clear message emerges – they really seem to 'get' supplier diversity. Now in my experience, progress on supplier diversity in UK organisations is still quite patchy, so when Mayank Shah at MSDUK suggested we write a case study on their successes, I was a little sceptical to be honest. But having spoken to lots of people at PepsiCo, some of their new Ethnic Minority Business suppliers and MSDUK, I'm delighted to report some great success stories. Here's what I found and some top tips for other corporate buyers and EMB suppliers...

RECENT CONTRACT AWARDS

PepsiCo have awarded four sizeable contracts to EMB's in the last 12 months, as a result of their initiatives with MSDUK. Each contract is worth a six figure sum (in one case pushing seven figures). So we're talking about significant business opportunities which went to EMB's, that may otherwise not have.

NOW LET'S DISPEL A COUPLE OF MYTHS

1. Everyone I spoke to had this same message to share. This is not about favouring EMB's. It's about levelling the playing field for all suppliers, to open up access to and for more diverse suppliers.
2. Another popular misconception is that large contracts can be won quickly. The typical reality is that it takes time to win a major contract with a new large client. The reasons for this are discussed below, but in essence: significant decisions in large organisations are made by people who need to have faith in a supplier's ability to deliver, and in the absence of prior demonstrable experience or a recognised brand, that faith takes time to develop.

FINDING EMB SUPPLIERS

In all of the cases we reviewed, the initial introduction was made through MSDUK. In most cases this was through one of their very popular Meet the Buyer events. In one case, the eventual contract came about as a result of a mentoring relationship between a PepsiCo UK Procurement Manager and an EMB business.

WHAT MADE PEPSICO SUCCESSFUL WITH THEIR SUPPLIER DIVERSITY EFFORTS

Embedding into business as usual

The diversity concept aligns well with PepsiCo's core values, referred to as "Performance with Purpose", which incorporates sustainability into their mission to drive shareholder value.

Their UK board and a senior level Diversity & Inclusion Steering Committee drive strategy. Garry Clancy, as head of the procurement function, oversees supplier diversity as a member of the steering committee. Ian Brennan, Procurement Manager, champions ongoing supplier diversity activity in procurement. The commitment continues through all tiers in the procurement function. Formal mentoring roles have been created to assist EMB's new to PepsiCo or large buying organisations. The mentors help suppliers to understand PepsiCo's expectations, decision making processes and standards. In fact, this mentoring even led, by chance, to identification and selection of a new EMB supplier for a large contract for the supply of apples for the Copella juice brand. Ian Brennan summarises their experience thus "top down commitment was most important initially, to get the subject on the radar. Now it's got legs and momentum, all purchasers believe in and run with it".

Performance in supplier diversity is monitored through their overarching Business Results Targets and People Results Targets frameworks, however PepsiCo do not work to quotas. To quote Davina Adams "it's part of what we are paid to do".

Where competing tenders are assessed to be of equal value, decision making can be escalated to a Diversity Council to determine the final outcome. This mechanism helps to embed diversity by sending a clear message about the importance placed on it in the organisation.

SUPPLIER DIVERSITY CASE STUDY PEPSICO. INTERNATIONAL

Proactivity

Formal, close working with the team at MSDUK, to leverage access to EMB's. For example, for the last 2 years PepsiCo has been holding annual planning days with MSDUK on an open book basis, reviewing past performance and discussing future procurement needs with a view to MSDUK recommending potential suppliers from its growing database. As a result of this, last year, PepsiCo issued 65 questionnaires to EMB suppliers identified by MSDUK, followed up for responses, made subsequent site visits to selected respondents and championed a number of them to internal clients. All the major new EMB awarded contracts have come about as a result of this proactivity with MSDUK.

Progress over time is measured. Last year PepsiCo measured the proportion of diverse suppliers on their database, using a questionnaire to suppliers (a contract handled by yet another EMB introduced by MSDUK) and this year will be repeating the exercise to gauge progress. PepsiCo's experience of the MSDUK database has been very positive overall, with Ian Brennan lauding the organisation for finding some extraordinarily good suppliers more recently.

Working with potential EMB suppliers, for example through mentoring, to ensure they are ready and able to supply.

Working on internal clients to provide assurance that selected EMB's can deliver - a key challenge for any small or unknown supplier is how to convince buyers and users of services that they are as worthy a supplier as the incumbent or larger well known brands. For example, the procurement team facilitated an open day for EMB supplier Standout Design to share its knowledge and expertise with internal clients, free of charge. This gave clients a risk free opportunity to see what the supplier could do and the supplier to gain a better appreciation of the clients' needs.

Increasingly, and on the back of their UK successes, PepsiCo UK are engaging with their colleagues in the USA to engage with suppliers for needs across their EMEA region (Europe, Middle East and Africa).

Risk & cost management

PepsiCo realise that taking on new and small suppliers carries risks and potential costs. Their philosophy is to manage this by assessing and balancing the short, medium and long term costs. Is there a magic formula? No. But there is a clear understanding that short term cost savings or risk avoidance can jeopardise longer term performance through a more capable supply chain.

The procurement team ensured that time was taken and proper effort expended to properly assess risk, true supplier capabilities and potential, and thereafter introduce selected suppliers to internal service user clients.

None of the interviews conducted revealed any costs or risks specifically attributable to EMB businesses as such; they appear to pose the same cost/risk profile as any small or medium sized business.

MWW APPLES





PEPSICO
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WHAT MADE THEIR EMB SUPPLIERS SUCCESSFUL

Ensuring that the contract tendered for did not amount to a significant proportion of their overall turnover; buyers are generally wary of taking on business where the supplier can become overly reliant on their business for survival.

Being selective; for example, both Standout Design and MWW specifically identified PepsiCo as a strategic client, and therefore allocated more resource to winning their business than others'. Strategic targeting like this will ensure suppliers get the greatest return on their investments. In the case of Standout Design, as Dan Barber pointed out, they were not existing suppliers, not well known, not based in London originally (a competitive disadvantage in this market) and had a relatively low turnover – but they decided that the large investment required to overcome those challenges was worth the prize – initial contracts with PepsiCo, with potential for further contracts from them and others in the same industry.

Being prepared to invest for the longer term. Winning significant contracts from large organisations usually takes months and often years, and significant resource. Twelve to eighteen months from first contact to first contract is not unusual. And of course the contract may never come. As MWW's Parveen Mehta put it, "you have to be prepared to fail". But, if and when the contract does come, it could transform the supplier's business. Parveen is looking forward to leveraging their experience and credentials on the PepsiCo Apples contract to pitch for new opportunities at

PepsiCo and others in the industry – representing a huge opportunity to expand his market base.

A champion in the buying organisation. Dan Barber describes Ian Brennan as "an absolutely outstanding champion" - once he was satisfied with their capability and potential.

Taking the time and making the effort to understand the market and the client's needs beyond bottom line price, and how best to fulfil these. For example, in PepsiCo's case, Purchasing Manager Sarju Chandarana listed their overall criteria as cost, quality, service and innovation, with food safety being a big priority. Similarly, Parveen Mehta of MWW described knowledge of soft issues such as CSR requirements, Investors in People and understanding of relationship management as important success factors.

Working closely with MSDUK, to ensure Mayank and his team had a clear understanding of their proposition and what types of organisations could benefit from them.

STANDOUT MONSTER MUNCH PACK DESIGN



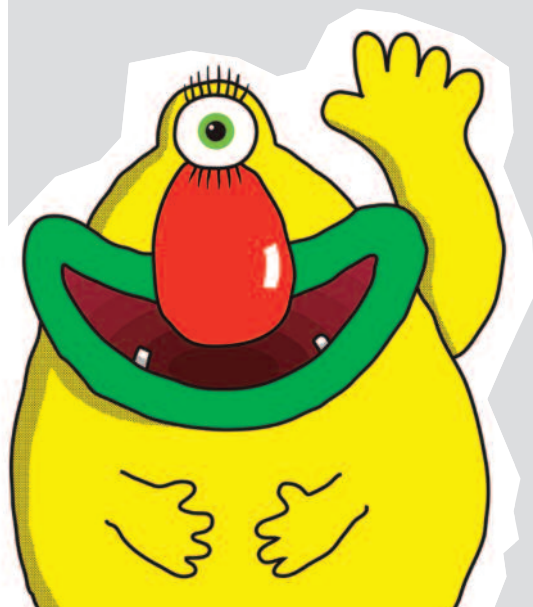
BENEFITS FOR PEPSICO

As Ian Brennan put it, “it’s been really refreshing, we got capability and enthusiasm, innovation has been tremendous; these companies perform more than adequately and have a great speed of turnaround. We got cracking suppliers with different perspectives, who we might otherwise not have found”. It seems PepsiCo are treading a virtuous circle now, able to proceed with increasing confidence and knowledge of how to increase supplier diversity to help get the best suppliers. But they have not lost perspective, as Brennan admits, “we have only just started scratching the surface”.

BENEFITS FOR THE SUPPLIERS

Beyond the obvious benefit of sizeable business through the contracts themselves, all suppliers viewed these contracts a strategic opportunities to get into not just the organisation but also other similar organisations, for the longer term. In each case, the supplier has grown real experience and knowledge with a world class organisation which they can use to target similar opportunities or organisations with a significantly higher chance of success. In some cases this means opportunities to make seismic changes in the scope and size of their businesses.

For MWW, it is an opportunity to break into a whole new sector comprising food and drink production companies. Meanwhile, on the back of their success at PepsiCo, Dan Barber at Standout Design is leading a charge on opportunities with other large organisations who have similar buying processes.



TOP TIPS

“Be committed absolutely or not at all”
Sarju Chandarana, PepsiCo.

For Buying Organisations:

- “Unlock the potential within your (buying) organisation by facilitating wider participation” Mayank Shah, MSDUK
- Ensure that top management commitment is in place; don’t try without this
- Make it a part of the way you intend to do business – values driven
- Make related activities a part of business as usual
- Create and communicate a clear profile of your procurement needs
- Have clear intentions to deliver results in practice
- Make it part of what your buyers are paid to do
- Don’t discount EMB’s because they are small – they often prove to be more flexible, innovative and responsive, as well as lower cost
- Take full advantage of the facilitation offered by MSDUK

For EMB suppliers:

- Expect to get the business on merit – not because you are an EMB
- Be outstanding – aspire to set a global benchmark in whatever you do
- Be utterly efficient
- Define your proposition really clearly and simply to begin with; leave complexities until after the initial introductions
- Be selective and invest heavily in your selections
- Persevere – and don’t expect instant results on a plate!
- Take advantage of the opportunities available to develop, e.g. mentoring, database registration
- Do your research on the client
- Don’t be afraid to pitch for business
- Don’t be afraid to aspire to grow your business to significantly larger sizes
- Be very honest about capabilities and capacity
- Consider how to present your financial health and how it will be perceived

Harish Bhayani
PRM Diversity Consultants