

AUTOGRILL, THE INNOVATION THAT MAKES STOPPING FOR A BREAK A MORE ENJOYABLE EXPERIENCE



The Group now has a presence in 30 countries, with 70% of turnover generated outside Italy, and has reorganised its processes from a single-country approach to centralised teams. Aldo Papa, global head of procurement activities, explains the goals of this transformation and the benefits achieved in terms of supplier management, also as a result of the introduction of new technology platforms



Stopping for a break at an Autogrill outlet is a small treat for all Italians when they are on the move. A quickly served, good quality cup of coffee, slice of pizza or full meal are a must when travelling for work or on holiday.

Not many people know though that today Autogrill, which has been listed on the Italian stock exchange since 1997, is a multinational company with operations in 30 countries, 55 thousand employees and a portfolio of 250 brands, making it the world's leading food & beverage service operator for people travelling not only by car or train, but increasingly by air too, and one of Italy's top companies overall (controlled by the Benetton Group's financial holding company). This success story 'Made in Italy' has been achieved by interpreting Italian culinary traditions in countries the world over and successfully exporting an innovative format.

At present Italy accounts for 30% of a total turnover of about 4 billion euros in 2013, split equally

between Europe and the United States. In the recent past the focus was on the Middle and Far East and in 2014 new outlets were opened in Vietnam, Indonesia, Turkey and Russia. The strategy is targeted at markets where there are good traffic growth prospects and while in Italy most points of sale are on roads, in foreign markets the airport channel is most important.

The business model defines similar standards and formats across all locations, but interprets them based on each individual geographical area, in the firm belief that it is important to adapt typical Italian fare in line with local culinary traditions.

NEW PROCESSES FOR A GLOBAL ORGANISATION

Three years ago the company entered a major transition phase, with a review of its organisational structure from a transnational perspective, leading to the move from a geographically based framework,

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in which Managing Directors held responsibility for individual countries, to customer service oriented staff functions working at global level.

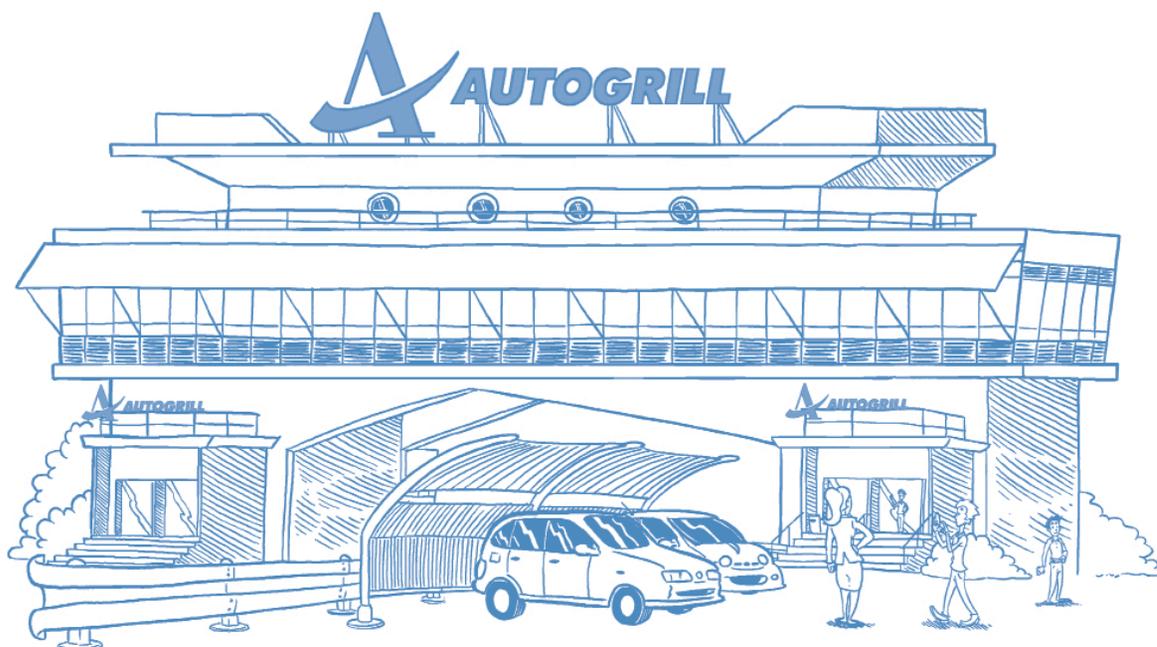
“Gradually the various business lines (including marketing, procurement, the engineering & contractor division, ICT and human resources) were pooled to create teams which provide services to the various national organisations,” explains Aldo Papa, a long-serving manager in the company, who three years ago, as a result of this transformation, changed role from Managing Director for Italy to holding global responsibility for two important areas: Procurement, covering all purchases of goods and services, and Engineering & Construction, or building work on new locations and the renovation of existing points of sale. “We have worked hard to define processes and new responsibilities, bringing all the competences and resources that previously operated at individual country level onto the team and adopting an approach to centralisation that is logical rather than physical. People in different countries, particularly in Europe where integration runs deep, work together today

with the help, amongst other things, of collaboration tools, which have come to be essential”.

The procurement management process plays a key role in this transformation. In Europe, it involves about 5,000 items and 500 suppliers and has been based on digital technology for years, using the platform developed by BravoSolution. “This has opened up some remarkable opportunities,” says Papa. “New transnational supplier relationships allow us to identify synergy, leverage volume and improve assortment consistency”.

Most of Autogrill’s purchasing is of the ingredients it uses in the food served. Although outlets have retail areas selling food and non-food products, the majority of business is generated by bars and restaurants. “The top 20 suppliers account for about 50% of purchases, but we have a long tail to cater for local products, which are a distinctive feature of our proposition compared with other Food & Beverage sector operators,” says the manager.

By centralising purchasing, the company has been able to exploit synergies across a significant portion



of the assortment, leaving the remaining products and services to local teams.

To manage the procurement process, Autogrill decided to introduce the advanced spending analysis tools provided by BravoSolution, which also supplied the software used by the company today to manage the entire Procure-to-Pay process on a fully digital basis.

A COMPREHENSIVE OVERVIEW OF PURCHASING

“When we launched the procurement function integration process at European level, we immediately realised it was essential to identify the baseline. Without a shared language, we wouldn’t have been able to realise the benefits that drove the reorganisation initiative. As is often the case with international companies, particularly those like Autogrill which have grown by acquisitions and mergers, we didn’t have a consistent Europe-wide data base. Even where we use the same ERP solutions, local codes made it impossible to easily establish a satisfactory level of visibility across the board. BravoSolution’s Spending Analysis tools enabled us in just a few short months to gain visibility of 100% of our Europe-wide purchases.”

In order to do so, we created a standard product category tree that allows us to perform detailed analysis by supplier, by country and by sector, cross-referencing the various trends in order to monitor performance over time. The “new” vendor management system establishes a more extensive and detailed dialogue with suppliers, with a view to improving relations constantly.

“We update the spending analysis on a quarterly basis,” clarifies the manager. “These periodic snapshots allow us to measure improvements against the previous period. Clearly, having a consolidated supplier base which guarantees quality and punctuality has a positive knock-on effect not only on customer service, but also on competitiveness.”

Spending analysis is only the most recent component in a comprehensive solution that aims to guarantee the transparency and traceability of all transactions, as all listed companies are required to do.

Supplier qualification, negotiations and contract management are performed using dedicated platforms and online negotiations have been used for several years now. “Looking at technical purchases for construction work or commodities, which are 100% centralised, it is very easy for us to manage negotiations about technical specifications with pre-qualified suppliers.

Another important aspect is information sharing. “In a transnational team it is absolutely essential for the know-how accumulated by each individual person to become a corporate asset,” emphasises Papa. “A procurement team doesn’t work in isolation and has to take account of what is going on in other company offices. Our work flow is fully integrated with marketing, logistics, quality and accounts receivable, ensuring that what we buy is available in points of sale on time and that the sequence of transactions ends with payment. Interfunctional collaboration, aided by technology, is essential to manage the entire Procure-to-Pay cycle according to criteria of maximum efficiency and traceability.

EXPANSION, THE FINAL FRONTIER IN SOUTHEAST ASIA

The final frontier for international expansion at Autogrill is Southeast Asia. One recent example of this is the agreement signed by the group’s HMSHost International airport division, covering a new concession in Indonesia at Bali’s Ngurah Rai airport, which ranks third in the country by passenger traffic. The agreement involves the creation of five new outlets, which the company estimates will generate revenues of about EUR 25m over the five-year duration of the contract. These stores join 16 points of sale announced in November 2013 at Ngurah Rai (Bali), Juanda (Surabaya) and Sepinggan (Balikpapan) airports.

In the meantime in Vietnam, following the agreement to manage over 80 stores signed in April 2013 with Imex Pan Pacific Group, the country’s leading food & beverage operator, Autogrill has begun opening 27 points of sale at Ho Chi Minh, Hanoi and Nha Trang international airports. The new stores will generate total estimated revenues of about EUR 160m in the period 2015-2025.

These new openings pursue Autogrill’s expansion strategy in emerging countries, which aims to give the Group an increasingly broad-based global presence.

