

Improved Finance Reporting and Control Framework for Dairy Farm

BPO yields savings of about 55% and 20% respectively on finance and procurement costs

The Situation

As a leading pan-Asian retailer, Dairy Farm and its associates operate more than 3,000 outlets – including supermarkets, hypermarkets, health and beauty stores, convenience stores, home furnishings stores and restaurants. It employs some 60,000 people in the region and reported total sales of US\$5.1 billion in 2004.

Operations in Hong Kong, playing a key role in Group affairs, encompass more than 1,100 retail outlets and 15,000 employees. In the late 1990's, competition increased dramatically in the Hong Kong market. Dairy Farm embarked on a restructuring effort focused on strengthening core competencies, reducing operating costs, avoiding capital outlays in non-core areas and growing revenue.

The Solution

During 1999, Dairy Farm partnered with Capgemini to deliver shared services from centers in China and Australia in a deal involving the transfer of about 400 Dairy Farm employees to Capgemini.

During the first 18 months of operation, the partnership facilitated a radical reshaping of the finance function for Dairy Farm. This was achieved against a backdrop of rapid growth for the Group. Pleased with the results, Dairy Farm entered into a new 7-year partnership with Capgemini in 2003 for a full scope of Business Process Outsourcing (BPO) services including Finance & Accounting, HR Administration and Procurement services for Group companies in the region.

Capgemini leverages its "Rightshore"™ approach to deliver services from BPO Centers in Guangzhou and Hong Kong.

“The success of managing change, especially where it affected people directly involved, is a testimony to Capgemini's credentials.”

“Key benefits of the partnership with Capgemini include cost savings and greater efficiency. With Capgemini taking care of back-office processes and systems, our people can focus on helping to grow Dairy Farm's core business.”

Howard Mowlem
Chief Financial Officer
Dairy Farm International



The Result

The partnership allows Dairy Farm access to world-class capabilities in Finance & Accounting, HR Administration and Procurement without incurring associated capital outlays. With Dairy Farm enjoying a dual listing in London and Singapore, rigorous attention ensures that financial processes adhere to common standards and regulatory compliance.

Notable accomplishments include cost reductions via a decrease in finance and accounting personnel with savings exceeding 55%. In addition, more than \$3 million has been saved by renegotiating the procurement of operating supplies.

The transition has supported growth of almost 500 additional retail outlets, several new businesses and an integrated Oracle-based financial system across business units. The service has also implemented on-line tools for budgeting, management reporting, procure-to-pay and time & expense processing. Flexible, adaptable and scalable processes are key elements of Capgemini's outsourcing services.

How Dairy Farm and Capgemini Worked Together

Dairy Farm aims to be a leader in all its market sectors. Focused on target markets in Asia, Group strategy is to concentrate on retailing by offering consumers value-for-money through low-cost, efficient distribution of high-quality foods and consumer products. Outlets include supermarkets, hypermarkets, health and beauty, convenience and home furnishings stores.

Based on a strategy of growth via mergers and acquisitions, affiliations, franchises and joint ventures, Dairy Farm has built a strong profile via brands such as Starbucks Coffee, Wellcome, Mannings, GNC, 7-Eleven, IKEA, Maxims, Olive Young, Giant, Cold Storage, Shop N Save, Guardian, Photo Finish, Hero, Health and Glow, and Foodworld.

Dairy Farm needed to reduce general administrative costs as part of an organization-wide restructuring. This led to a partnership with Capgemini to deliver shared services. Early success prompted Dairy Farm to extend the partnership with Capgemini for an additional 7 years to deliver full-scope BPO services encompassing functions like Finance & Accounting, HR, Pensions, Records and Procurement.

Flexibility is critical to success. An example being the venues selected for service delivery. Initially from centers in China and Australia, these were subsequently realigned to match Dairy Farm's business needs. As a direct consequence of greater synergy and efficiency gains, the scope of services from Guangzhou increased (despite a reduction in the number of people dedicated to Dairy Farm, currently around 80) while those from Sydney were transferred to a BPO center in Hong Kong. Many ex-Dairy Farm employees who were outsourced initially now provide similar services to other Capgemini clients served from these centers.

The partnership also relies heavily on trust and openness. Led by a very active steering committee, the partnership is a genuine two-way relationship. Like-minded people at all levels from both organizations work as a single, cohesive team to deliver a seamless service for Dairy Farm's benefit. The relationship symbolizes a journey and not just a destination. The target is a continual

transformation of back-office processes and systems underpinning Dairy Farm's business.

Quality of service is another important element that helps to mitigate risk for Dairy Farm. Consistent policies, common standards and rigorous attention to regulatory compliance allow Dairy Farm to enjoy operational transparency, critical due to the company's trans-continental listing. This aspect also helps ensure that Dairy Farm is a credible local partner for globally renowned organizations like Starbucks Coffee, IKEA and 7-Eleven.

"Over the last few years, Dairy Farm has grown more quickly than we had expected. As a direct benefit of the partnership with Capgemini, our cost per store for back-office support has come down. It has made it easier to seamlessly bolt services for new acquisitions, like the IKEA business in Hong Kong, into existing processes and systems being managed by Capgemini"

Howard Mowlem, CFO, Dairy Farm International



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Capgemini, one of the world's foremost providers of Consulting, Technology and Outsourcing services, has a unique way of working with its clients, called the Collaborative Business Experience.

Backed by over three decades of industry and service experience, the Collaborative Business Experience is designed to help our clients achieve better, faster, more sustainable results through seamless access to our network of world-leading technology partners and

collaboration-focused methods and tools. Through commitment to mutual success and the achievement of tangible value, we help businesses implement growth strategies, leverage technology, and thrive through the power of collaboration.

Capgemini employs approximately 61,000 people worldwide and reported 2005 global revenues of 6.954 billion euros.

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Approved by
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