

SMART MONEY

BAKERY CHAIN



Photo: James Davies

Six-point strategy keeps dough rising

Brumby's Bakeries started in 1975 and chief executive Michael Sherlock, above, has been with the company for 28 of those years. When Sherlock, 55, took over the reins about eight years ago, he felt the bakery chain wasn't close to fulfilling its true potential. He sat down with general manager and company secretary Steve Brown and they came up with a five-year strategic business plan.

Brumby's had four stores when Sherlock joined and today it has about 320, mainly across Australia and New Zealand. The market value of Brumby's, which is listed on the Bendigo Stock Exchange, grew from \$6.8 million in December 2003 to \$46 million in early 2007 when Sherlock led a failed management buy-out bid for the company. Brumby's reported a 21 per cent jump in net profit after tax for the full year ended June 2006, to \$2.08 million.

Sherlock's five year strategic plan is built around six subject areas:

- **Research:** Brumby's undertakes thorough research of its brand and systems to identify opportunities. Research involves focus groups on product, usage and attitude surveys of customers and demographic analysis for future store openings.

- **Strategy:** From the research, Brumby's refines its strategy, making its aim "to sell more bread to more

people more often whilst building profit, fun and lifestyle for all stakeholders in the system".

- **Structure:** Brumby's reviews its reporting lines to simplify the company structure and responsibility.

- **People:** The company reviews the commitment of the team driving the five-year strategic business plan with quarterly management meetings and weekly phone conferences. It rewards team performance through annual bonuses, independent salary benchmarking and golden handcuffs of share bonuses for long term loyalty.

- **Systems:** Brumby's holds an annual review of its operational systems, which include 10 volumes of operations manuals for stores, 10 volumes of national department best practice manuals and 10 volumes of team training manuals.

- **Results:** It analyses store results achieved monthly, quarterly and annually.

Damien Lynch

Brumby's rewards performance through bonuses, salary benchmarking and golden handcuffs.



Making bread ... Brumby's boss Michael Sherlock at a GO store yesterday.

Picture: ROB MACCOLL

Brumby's fresh look at stores

By LILIANA MOLINA

LOAVES of bread won't be the focus of the new look Brumby's GO stores, which are taking on the likes of sandwich giant Subway.

The company is in final negotiations for sites in Melbourne and Sydney.

The second store will open in Brisbane next week after the first outlet at Southbank doubled its turnover in the first month.

Managing director Michael Sherlock said the stores were developed to take advantage of customer demand for ready-to-eat fresh food on top of a need to find new ways of making bread to cover a shortage of skilled bakers.

New types of ovens also made it easier to bake bread products in a small physical area, he said.

The product lines include filled baguettes, rolls, sausage rolls and sweet and savoury pastries.

"Traditionally 60 per cent of the bread sold at Brumby's is taken home and consumed, but the idea of the Brumby's GO is 'baked to go' where 90 per cent of the products are ready for the consumer now," Mr Sherlock said.

"The concept is more suited to food courts.

"People already understand Brumby's because of the bread."



Guru of bread to rise over challenge



Mike O'Connor



THE INTERVIEW

AT one point in his life Michael Sherlock, the man at the centre of Brisbane's \$40 million bakery battle, found himself teaching at a comprehensive school in London.

"It was the opposite of *To Sir With Love* — I was the only white bloke in the class," he says.

Sherlock, founding director of Brumby's Bakeries, grew up in the railway sidings of country Victoria.

"My father worked for the railways. He used to drive the rail motors and we shifted around a lot. There were four of us kids and I was the only boy. I didn't expect to get to university. In fact I was the first one in the family to get as far as Year 12.

"My initial thought was that I wanted to be a primary school teacher but I ended up getting very high marks and got into university in

1971. Then the only way to get through uni was to take a studentship so I became a bonded teacher, majoring in economics and accounting. When you finished your degree you had to go and teach for three years to work your bond out," he says, as we sit in his Park Rd, Milton office from which he is presently trying to fend off a takeover bid for his company by Retail Food Group.

The red and white striped shirt, red tie and red socks suggest a person who doesn't easily fit the corporate template. Then there's the rock'n'roll memorabilia on the walls, a conversation spiked with rock'n'roll lyrics and the row of military helmets on the bookcase.

Were you to describe him as an entrepreneurial, music loving, gregarious, 55-year-old mild eccentric, you would go some way towards describing the man who instead of serving his three-year bond as a teacher when he finished university went, in his words "absent without leave".

"I left the country for four years," he says. "I did the hippie trail in a fried-out Kombi. There was me and

another bloke and an ex-girlfriend who I met overseas and who later became my first wife and we travelled for four years."

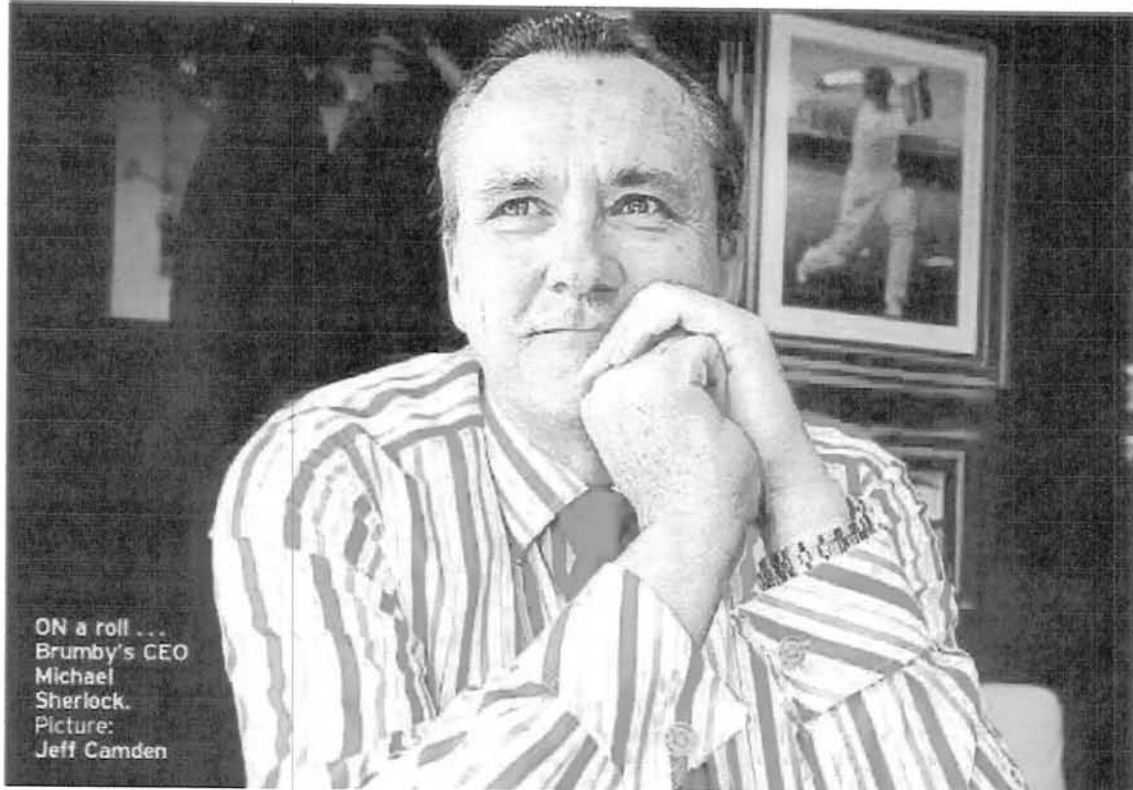
"We had the philosophy of taking the road less travelled. We were one of the last people out of Laos before the Communists took over. I ended up in London and then we went to America, down to Mexico, Guatemala, Belize.

"I had a big problem when I came back. I said: 'I'm back now. I'll serve my bond' but they said I couldn't because things had changed. They had too many teachers and you had to repay them a lump sum for your degree ... so I was banned.

"But I conned myself a job as a TAFE teacher and I had been teaching for three months before they found out that I was banned, but the headmaster went in to bat for me and they let me stay."

Sherlock's time overseas had awoken in him an interest in yoga. "I was interested in eastern philosophy and at uni I joined the yoga society."

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ON a roll ...
Brumby's CEO
Michael
Sherlock.
Picture:
Jeff Camden

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"You know what it was like then," he says of the '70s. "You wanted an Indian guru to show you the inner life."

The yoga society later formed a foundation, starting a primary school and also running a bakery business which helped to support the school in Chapel St, St Kilda in Melbourne.

It was yoga and Sherlock's '70s guru which were to place him on the road to success.

"The guru decided to move to Warwick," he says, "so we all moved there and I bought a fruit shop in Warwick. I knew nothing about fruit but the first Brumby's in Queensland was at Stanthorpe so I used to drive there to buy bread, bring it back and sell it in the shop.

"That was so successful that we converted a fish and chip shop that

my wife ran and turned it into a Brumby's. The yoga foundation ended up with bread shops, two of them in Brisbane at Auchenflower and Indooroopilly and I ended up in charge of them. This was about 1981.

"Then we started setting up new stores and then we discovered franchising. I became one of the pioneers of franchising in Queensland," he says.

Sherlock denies the foundation was a cult but admits that Warwick locals regarded it as such and when ultimately he became disenchanted with the group, he was ostracised by other members of the foundation, some of whom still refuse to speak to him more than 20 years later.

"So I went off and did property development — offices, shops, houses, blocks of flats — wherever you could find a block of land and put a development on it."

He was working as a developer when he heard that the Brumby's business was in trouble. "So I put together a consortium which bought Brumby's from the receivers.

"We didn't expect the success we've had. We've got about 320 shops and we never thought we'd have that many. Now we're looking to expand offshore and make it into a world brand."

Sherlock admits that he has always possessed the ability to make a dollar but has been at pains to make sure that he never became a captive of his own success. "The thing is not to become attached to the money and what it buys so that if it all disappears, your happiness doesn't go with it," he says.

I'd take a punt that whatever the outcome of the bakery battle, Michael Sherlock will emerge as a survivor.

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