



# Retired but not loafing

The man who built Brumby's Bakeries into a 320-store franchise has a few ideas about the recipe for success

CAMERON COOPER

AS the mastermind who helped turn a struggling set of bakery shops into a national franchising powerhouse, you might expect Michael Sherlock to see his bread-and-bun model through rose-coloured glasses.

It is not the way, however, for the founding managing director of Brumby's Bakeries, who built the brand into a 320-store chain before it was bought by the Retail Food Group in 2007 for about \$46 million.

In fact, Sherlock concedes there are already signs of an evolution that has the potential to shake up food franchising, including bakeries. Technology advances are creating growth opportunities for service providers, with bakeries such as Breadtop, Brot and 85 Degrees turning to par-baked products. This refers to a cooking technique whereby a bread or dough product is partially baked, then frozen for storage before being delivered to stores for simple reheating. It is a fast option for food franchises and requires less expensive infrastructure than a bakery.

"It's a totally new formula," Sherlock says. "Because of the changes with technology and ovens and freezing you can get quite a good product out of that now that you couldn't in the last five years. And if you go to Europe, most of it is par-baked."

Despite his love of the Brumby's product, he knows the long hours and resources that it takes to bake from scratch a huge range of fresh bread lines every day.

"You'd think the [bakery] concept is pretty crowded with Brumby's and Bakers Delight, but with technology you are going to be able to come along and find a demand for your product with less capital."

Now a consulting adviser to the Melbourne-based Franchised Food Company that owns brands such as Cold Rock Ice Creamery, Mr Whippy, Pretzel World and Nutshack, Sherlock is also on the board of Krispy Kreme and is still the part owner of five Brumby's stores.

It is fair to say he is not sitting idle. "I really didn't want to retire," he says. "I'm not the type that has a yacht or goes and plays a lot of golf. And I enjoy business and being involved."

Sherlock says he has set four rules to keep himself motivated: avoiding accessing his capital, which means he has to live off "exertion income"; doing only things he enjoys; giving back to the business world by sharing his experiences through speeches and media articles; and maintaining his platinum frequent-flyer card status.

Now writing a book called *Jump-*

*shift!*, which is scheduled for release next year, he says the publication will be a guide to the business techniques and strategies that have served him well for more than three decades. The book will reflect Sherlock's philosophy that running a business is analogous to driving a car: the business plan serves as a road map, while great attention must be paid to gauges on the dashboard that indicate how the business is running.

"You've got to make diversions along the journey but still have your long-term plan," Sherlock says.

One of the biggest mistakes that business owners make, he says, is relying too heavily on profit-and-loss statements and balance sheets, "which is like looking in your rear-vision mirror because it's all historic".

"By the time you get your accountant's figures they are all out of date."

Instead, Sherlock advocates an eight-step approach to business success:

- Planning (setting short and long-term goals).
- Research (assessing market conditions and customer habits).
- Strategy (using research to inform outcomes and shape action plans).
- Structure (establishing clear reporting guidelines for all team members).
- People (recruiting, motivating and rewarding franchisees and employees who embrace your culture).
- Systems (formulating clear business manuals that show new team members how it is done).
- Customers (understanding customer needs and how to deliver to them).
- Results (recording and measuring results and sharing them with the team).

Sherlock adds that business owners must identify the key economic drivers of the business.

For example, it is a given that an inner-city cafe must get its menus, service and ambience right. However, success or failure may hinge on appreciating that time-poor customers need their meals quickly. Therefore, the focus should be on cutting service time.



## THIS BUSINESS LIFE

### Michael Sherlock

**Your first business?** When I was at university I set up two side businesses. One was making leather bags to order. The hippie shoulder bag went out of fashion so I started selling vinyl LPs at markets.

**Career highlight?** Developing the great team culture at Brumby's highlighted by forming a band to play for charity. The other one was spearheading the campaign to get rid of preservative 282 in bread sold in Australia.

**Best advice you received?** Don't get carried away with the results, good or bad.

**And the worst?** You don't need a business plan.

**Most frustrating part of doing business?** The lack of customer service you experience with some companies. They are all wrapped up in their own world and problems and have no urgency in responding to customers' needs.

**Business leader you most admire?** I met Virgin boss Richard Branson when he was just starting out. I have followed his career and admire the attitude, risk-taking, having fun and enjoying-the-journey approach. Just another old hippie making money and having fun.

"If you get that down from, say, 14 minutes to seven minutes the customers will be more satisfied and word of mouth will spread. [But] that dial is never recorded on a balance sheet or a profit-and-loss [statement]."

Fun is another prerequisite for success, according to Sherlock, who played air guitar for Brumby's in-house band (known variously as Talking Breads, the Grateful Bread and Bread Zeppelin) at corporate and charity events.

It echoes his belief that franchisees have to like the culture of a business if they are to truly commit to it.

"You've got to be able to get in there and apply the owner's eye and make it profitable. So if you buy a Brumby's bakery and you hate getting up early and baking or you have an allergy to flour then things aren't going to work out for you."

With an eye on the business market, Sherlock concedes that the financial crisis has made it tougher for brands such as Cold Rock and Krispy Kreme that sell treats rather than diet staples.

"You are in a discretionary spend [market] so it's a reasonably tough environment compared to bread, which is virtually recession proof."

With many economists tipping a series of interest rate rises in the next two years, he expects discretionary spending to stay tight for some time.

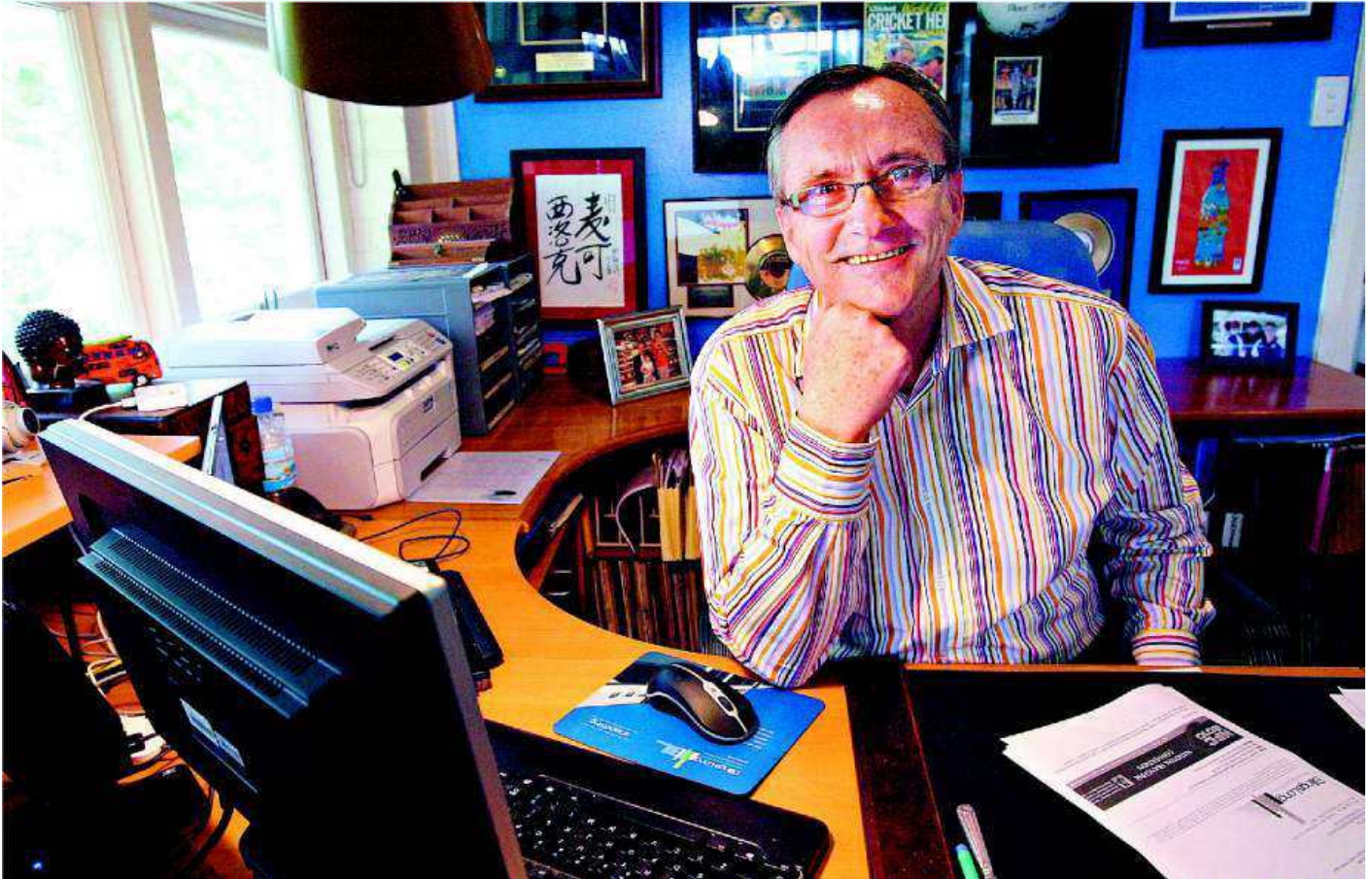
For prospective franchisors or franchisees, that will make it imperative to carefully select market sectors and franchise models.

Sherlock's experience tells him that due diligence is crucial to success.

He has a formula that for every \$5000 spent on buying a franchise, one hour of due diligence is required.

That means sitting outside a store and counting customers; talking to adjoining traders; working in the business on a trial basis; investigating the franchisor; and going over business figures in great detail.

"Most people don't do their due diligence and they are disappointed when they get in there."



Michael  
Sherlock sold  
Brumby's to  
Retail Food  
Group for about  
\$46 million