

# comment & analysis

MANAGEMENT

## People make retail; retail makes people



Linda Clark

Change is inherent in the retail sector – indeed, it is what makes it an exciting environment in which to work.

Food retailers develop fashion offers (George at Asda), and clothing retailers fight back with innovation in food (M&S). European fashion chains grow their UK presence (Zara, Mango and Miss Sixty), while many stores build Web sites and offer a full e-commerce facility (Waitrose and Tesco). Pure-play dotcoms (Amazon) start to challenge existing operators, and quoted retailers are bought by private equity finance (Debenhams). Does this activity mean that new skills are required, and who are the high flyers to watch out for?

Richard Rose, chief executive of Whittard for the past two-and-a-half years, has succeeded in growing sales and margin while

maintaining the distinctive culture he inherited. Getting his people to drive the business resulted in Whittard coming 57th in the *Sunday Times 100 best companies to work for in 2004* list.

Rose, a winner of the FT Entrepreneur Award, did not come from a retail background, having run a publicly quoted electricals distribution business. However, he brought the commercial and financial experience that was needed.

Another retailer also started his career outside retail, in the FMCG sector.

Andrew Fryatt joined Mars as a graduate trainee, developing blue-chip marketing experience, before moving to Woolworths, attracted by the challenge of a retail environment. He ran Tandy, which was sold to Carphone Warehouse and, in his last role, he rebuilt and re-branded mobile phone provider One2One. Now he runs his own consultancy, but perhaps the right corporate position might lure him back.

However, other high flyers are retailers through and through. Keen to gain international experience in a turnaround situation, Milton Guffogg took up the challenge of international operations director at Naafi in Germany. Bringing traditional retail operations skills from Kingfisher and what was then Burton Group, he has moved the business into profitability and implemented a major culture change programme.

At 38 years old, Moss Bros chief executive Philip Mountford is one of the youngest leaders. His career has included roles at Simpson, Daks and Versace, and now, having helped return the company to profitability, he is moving ahead with a brand development programme. Then there is Barry Stevenson, until recently retail director at M&S. He is actively exploring private equity opportunities and is sure to make an impact wherever he ends up.

So which retailers could benefit from their expertise? My suggestions include Fortnum & Mason (great brand name, but recently suffered a 38 per cent fall in profits); Lillywhites (once the authority in sports retailing, now a shadow of its former self); and Wedgwood (a strong brand, but not capitalising on its potential).

To successfully restore, grow and nurture a retail brand, a high flyer's background is less important than a passionate dedication to understanding customers and anticipating their needs, coupled with excellent people management skills.

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Committed to the cause: Co-op swapped its entire own-brand coffee range to fair trade last November

FAIR TRADE

## Supermarkets are edging closer to a fair trade utopia

BY ZOE WOOD

The Fairtrade Mark celebrated its 10th birthday earlier this month. However, after a decade of championing the rights of suppliers and producers in developing countries, is the fair trade utopia envisaged by campaigners really any closer?

According to the Fairtrade Foundation, sales of products bearing the Fairtrade Mark now run at an annual rate of £100 million, and right-on shoppers can choose from more than 250 products. Consumers now spend more than £2 million a week on ethically traded coffee, tea and produce, as opposed to the £2.7 million spent during the whole of 1994.

Last year, demand for fair trade products continued unabated, with sales surging from £63 million in 2002 to more than £92 million. However, sales growth aside, fair-trade products are a drop in the grocery ocean when you consider that TNS estimated the UK food market was worth £70 billion in 2003.

### Making an impact

Fairtrade Foundation deputy director Ian Bretman says the *pièce de résistance* would be for his organisation to impact on World Customs Organisation negotiations. However, for the time being he believes it is about providing practical assistance to producers in the developing world.

"It is also about providing a model and to support a wider change in the way world trade is managed," says Bretman. "There is a much bigger picture here. Having said that, over the past year we have created a credible certification system that adds value to retailers, and

consumers are showing a lot of interest in new product."

It could be viewed as ironic that the UK's biggest supermarkets embrace March's annual Fair Trade Fortnight so tightly, because if they are not squeezing suppliers, who is?

Most grocers had product launches timed to coincide with the fortnight. Tesco introduced the first non-food item – roses – plus 30 other products, while Wal-Mart-owned Asda got in on the act with 15 fair trade lines.

### Cut-price bananas

However, the British love affair with the banana best serves to illustrate the contradictions within the market. The price per kilo for non-fair trade stock has plummeted over the past 18 months, from about £1.10 at the end of 2002 to approximately 70p now.

Bretman hears stories about producers in Ecuador and Costa Rica selling bananas by the box-load for a few dollars. "There has been a large reduction in the retail price, but they are not selling more bananas, because the volume has remained static," he says. "The big supermarkets are fighting over market share."

No one denies that the grocers are up against it, with value-conscious consumers expecting ever-lower prices. However, there seems to be hope for the fair trade industry. Asda maintains that supporting fair trade is not at odds with its EDLP strategy and, for instance, accepts lower margins on fair trade bananas.

"Obviously, margins are fairly tight across the business, but we don't use it [fair trade] as an opportunity," says an Asda spokesman. "The price is a reflection of the fact it is more

expensive to procure – we don't use it as a margin-enhancer."

Co-op is fundamentally committed to fair trade and is prepared to take a hit on margins in order to ensure it is commercially sustainable. Last November, Co-op took the bold move of swapping its entire range of own-brand coffee to fair trade. However, the world market price for coffee is very low, making fair trade coffee beans up to three times more expensive.

"A large part of the cost has been passed on to us and so margins have been hit," says a Co-op spokesman. "We could have tried passing the cost on to consumers, but what would be the point? We are trying to mainstream fair trade, so setting retail prices [such as prices] too close to national brands was not an option."

"Our view is that, with the ongoing package of support that we operate, customers will switch away from these lower-margin national brands and into Co-op fair trade, so the category margin mix will show improvement overall," added the spokesman.

### Limited choice

Co-op's experience shows that a commitment to fair trade can pay dividends. However, with only 250 products for even the most conscientious shoppers to choose from, there is a limitation in terms of categories where fair trade criteria exist. This needs to be accelerated to allow a more comprehensive range of products to be made available.

"Ultimately we'd like to be unnecessary – we'd like all trade to be fair," explains Bretman. "However, I think that's a long way off."