



Mark Powell took over as The Warehouse Group Chief Executive in May of this year. He explains his journey to leadership of New Zealand's best-known retailer and sets out his vision for the future of the company.

How did you come to be leading The Warehouse?

I started my working life as a management trainee in the coal mining industry in South Wales. At age of 23, I was put in charge of more than 80 men underground; it was trial by fire. I very quickly learnt a lot about management and getting things done. But with the collapse of the UK coal mining industry in the mid-80s, I changed direction and started in store management with UK frozen foods retailer Iceland. From there my career progressed through a number of organisations including running Wal-Mart Canada's logistics operations, back to Iceland where I was Supply Chain and Home Shopping Director and then to Britain's largest retailer Tesco, where I was UK Logistics Director. All of these roles have had a significant influence over my philosophy on leadership and discount mass-market retailing.

In 2002, my family emigrated from the UK to New Zealand. The Warehouse was the first retailer I spoke with after arriving. I was immediately attracted to the business because it was engaged in the type of retailing I enjoy the most and have the most experience – discount mass-market merchandising. I also admired the inclusive and ethical culture created by the founder Stephen Tindall. Since joining the company I've had a number of roles including managing Group Logistics and Merchandise Planning and Interim Chief Executive of The Warehouse Australia. From 2009 until my appointment as The Warehouse Group Chief Executive in May, I was Chief Executive of Warehouse Stationery, where I led the revitalisation of the brand.

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You lead a team of nearly 9,000 people at The Warehouse Group's network of 135 stores and deal with a myriad of external suppliers and service providers. How do you get them heading in the same direction?

My philosophy of leadership is best encapsulated in the term ‘servant leadership’ in the sense that I don't believe leadership is about me and my personal success. It's about me facilitating success for others, giving our team members; our suppliers and our community the freedom to use their talents towards a common purpose. My role is to ensure the organisation has a clear purpose, clear principles, a clear way of working and a clear plan. I also have an important role as a communicator, motivator, developer of people and - most importantly - a simplifier. This means making sure people keep focused on the agreed objectives and plans are executed well.

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The business principles I am guided by are: customer, people, profit, simplicity, focus and execution. Retail is about detail. It's not complicated. Everything starts and finishes with the customer. We have to ensure our people are delivering for the customer, and we have to deliver a profit. Profit is not a dirty word. Greed is, but not profit. We need profitable businesses, generating wealth and paying taxes, for us to have a healthy society.

Successful retailers are founded on the principles of achieving the mix of product, price, promotion and store experience appropriate to their market position.

They are also customer led, store focused and people centred. This is what I saw when I worked at Tesco, Iceland and Wal-Mart and this is what I want The Warehouse to be.

A discount mass-market merchant needs to provide a huge range, low prices, excitement and trust. Customers must have faith The Warehouse can provide all their essentials and they must feel the excitement of getting a bargain. Stores must also be clean, tidy and well merchandised. They must provide clear pricing and be staffed by a helpful and engaged team. One of my mantras is that store managers must see their stores through the eyes of their customers; they must wear ‘customer goggles’.

What are the key trends facing retailers here and overseas and how will The Warehouse respond?

International trends are highly relevant to the way we operate in New Zealand. What I see happening overseas in the retail industry is no different to what is happening here, although it is important that we ‘translate’ these trends into our kiwi context and not simplistically ‘import’ what's happening offshore.

In developed markets like New Zealand, large stores, either in big box developments or as anchor tenants in malls are increasingly the preferred destinations for shoppers over traditional street or strip shopping. Private labels are also increasingly being provided to give value alternatives to brands and as a means of capturing the retail dollar. Store sizes and ranges are adapted to best match the community demographic from which the store draws its customers. Visibly supporting the local community is also a strategy that customer's value and allows the brand to be taken beyond the store. More and more people are shopping online. Finally, environmental sustainability is becoming increasingly important to customers.

The Warehouse is well positioned to adapt and profit from these changes. For instance, we have a good profile in the community, our on-line business continues to go from strength to strength, we have one of the country's most recognisable brands and our stores are in the preferred destinations. It's in our interests to make the range, pricing, in-store experience and customer service more appealing so that we stay in-step with our customers.

What do you see as the key strengths of The Warehouse and how will you build on them?

Customers of the Red Sheds know they can rely on us to supply exciting products and services at bargain prices, but we also want them to trust us to provide all their essentials. Where everyone gets a bargain has incredible resonance with New Zealanders. We aim to build on this by becoming ‘the house of bargains’ and ‘the home of essentials’.

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Our strategy going forward has five key elements. We've developed a clear framework for our brand on pricing, products and promotion. We'll drive growth in product categories. We will radically improve the store experience through great execution. We will rejuvenate our store infrastructure. And finally, and perhaps most importantly, we will establish a clear way of working.

This has all been agreed with the Board and communicated to the management team and we're committed to making this happen.

Can you provide more detail?

Sure. Firstly, our brand and product price promotion framework. We're going to be true to our brand values and personality and drive hard on bargains and essentials. We will discount in a more focused and deeper way, shaping our advertising to constantly show customers our bargain prices and our extensive product range of essential items.

The second part of our strategy is around category growth. We've identified a number of categories where there's opportunity for us to grow, either because that category is growing in the broader market or because we don't currently have a big share of that business. For example, we see opportunities in jewellery and health & beauty products. Over the next few years we'll be expanding the category areas where we see the most promise. With the right framework in place, this can happen without compromising the areas where we are already leading.

The in-store experience is where the rubber hits the road. The Warehouse has sometimes struggled to deliver consistently in this area. Yet credibility with customers that we can deliver on the retail basics is essential if we are to successfully move into new categories. We have already put some changes in place. We have boosted front-line team numbers, improved support systems and we are training our team to wear 'customer goggles'. However, we recognise that it will take time for our customers to recognise the improvements. Our focus is on putting the things in place that will get us to where we want to be.

We need to rejuvenate our stores. The reality is that over half of our stores have had no significant investment over the last seven years and we need to catch up with our capital investment programme. During the next four years we will invest nearly \$250 million to improve the internal and external presentation of our stores. We've analysed our network to determine the optimum format for each store so that we can be sure we're spending money where it will be most effective. The short message is expect change.

The final element of the strategy is establishing a clear way of working. Getting this piece right will really underpin our entire strategy. All the products, systems and infrastructure in the world can't help if the people component isn't right. I see it as being my responsibility to make sure the entire team shares a common purpose that will drive the business forward.

You clearly regard this element of the strategy to be at the core of the group's future?

It's common sense that everyone in the company – no matter where they sit, needs to be paddling in the same direction. Consistency of purpose is key to keeping our team focused on delivering for customers and shareholders.

Behind every successful store manager is an engaged team. Collectively these teams combine to make a strong business model. We're working hard to ensure every team member – whether they be buyers, marketers, or those operating our checkouts – can see how they fit into the business and how their contribution helps the team pull together to succeed.

We've created a clear framework that provides a compass for decision-making. This gives us confidence our people will do the right thing for our customers and our business. Alongside this we are allowing them the freedom to run the stores so that they have the flexibility to see problems or opportunities and respond to them.

Change at the Blue Sheds - Warehouse Stationery - provides a blueprint for much of what will be done in the Red Sheds. Over the last two and a half years we've completely refreshed our existing stores, transformed the online business, successfully launched Bluebiz Rewards, a loyalty programme for our business account customers and we have established a comprehensive retail way of working.

At Blue these changes have delivered a solid financial turnaround without compromising engagement with our customers and staff. By way of example, Warehouse Stationery was recognised as the best large New Zealand workplace in the prestigious JRA Best Workplace Awards last November.

How will you judge success?

Operationally the mantra is growth in four key performance indicators (KPIs): sales, gross profit, earnings before interest and tax (EBIT) and team engagement as measured by the well known JRA employee engagement survey. There are many other measures, which provide insight into customer, productivity, working capital and business performance and others, such as return on funds employed (ROFE) and earnings per share (EPS) that provide an overall measures of return on investment. But operationally we must return to profitable same store sales growth achieved through a motivated team, hence the focus on the four KPI's.

When will shareholders see the benefits?

A year ago we announced a change to our dividend policy which increased the net surplus pay-out rate from 75% to 90%. As a result, The Warehouse Group's yield is in the top tier of stocks on the NZX. Our shareholders need to be rewarded for the investment they've made in our business and the increase in our pay-out rate is one way in which we are honouring that.

But that's just one part of the equation and what we're focused on is total shareholder return (TSR) as a measure of the value we create for our investors. Over the past 3 years TSR has compared very favourably to our cost of capital despite the slump in retail.

Our shareholders as well as our customer will be seeing changes in the way we do things but these won't be flashy, superficial changes. While this may be a back to basics approach, getting the detail right will lay the foundation for The Warehouse in the future.

The Warehouse has a special place in the hearts and minds of New Zealanders. We have an incredible heritage and an incredible team. While it might be fair to say we've lost a bit of our edge – I see my job as leading the team who's going to get it back and to make The Warehouse great again.

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