

## **Views from a new retailer**

**Speaker: Tom Davies, Trading director, Spar Landmark Ltd**  
**79th Conference - Belfry Hotel, 6th/7th November, 1995**

### **What is Spar?**

- Founded in Holland in 1932
- Independents in unity
- Buying power
- National marketing and advertising

### **Across the world**

- The world's largest retailer
- 22,000 stores
- 25 countries
- 200,000 employees
- £20bn worldwide sales

### **Spar in the UK**

- 7 independent wholesalers
- A strong independent central office
- 2,450 Spar stores
- 2,000 independent stores £1.3bn sales
- £275m own brand sales

### **The 1960s**

- The convenience revolution
- National growth continuing
- Very little competition
- Increasing store numbers

### **The 1970s**

- The spread of the superstores
- More power to the multiples
- Suppliers squeezed
- Investment taken from the independent sector to fuel the multiples' profit demands
- Independents tried to compete on range and price - and failed
- Wholesalers did not make money
- Thousands of independent stores closed
- Even with the support of Spar, the independent retailer could not take on the 'big boys' at their own game and win
- A USP was desperately needed

### **The 1980s**

- John Irish visited the States
- Convenience big in the US
- Convenience complemented the mass merchandisers
- Convenience was the missing USP

### **Convenience is...**

- Store site
- Being open
- The proper product range for distress and impulse purchases
- Fast and friendly service

### **8 till Late was born**

- First store in 1981
- 2,200 stores by 1991
- Long trading hours, 741 as a min up to 24 hours if possible

### **Changing product ranges**

- Ever decreasing grocery sales (superstore business)
- Rapid growth in distress and impulse product ranges

### **Distress purchases**

- Products that people will make a special trip for, eg:
  - bread
  - milk
  - cigarettes
  - plasters
  - batteries etc

### **Impulse purchases**

- Products people buy that are not on their shopping list, eg:
  - confectionery
  - crisps and snacks
  - cold soft drinks and beers

### **The 1980s**

- Back to growth
- Very profitable wholesalers
- Many Spar retailers become millionaires
- Convenience here to stay

### **Marketplace**

- Onset of the discounters conditions
- Superstore price war
- Price is back
- Trading is difficult

### **Total food sales 1994 (% change since 1989)**

Major multiples	55%	+6%
Independents	25%	-6%
Discounters	8%	+5%
Co-ops	8%	-1%
Other multiples	4%	-4%
Total: £60bn		

### **The way forward**

- 3 store formats
- Convenience not price
- Be better than our competitors
- Take more of the neighbourhood market

### **Formats for success**

- Express
- Neighbourhood
- Supermarket

### **Spar's market share**

	Sales	Shop nos.
Retail	0.9%	1.0%
Food	2.2%	1.7%
Neighbourhood	4.0%	1.8%
Independent grocery	21.8%	6.1%

### **Neighbourhood retailing 1994 (% change since 1989)**

CTNs	£11bn	+2%
Specialists	£8bn	-4%
Independent grocers	£5.5bn	-1%
Off licences	£3.5bn	+1%
Forecourts	£1.5bn	+2%
Total: £30bn		

## **Bakery is key**

- Bread is the ultimate distress purchase product
- It takes a disproportionate amount of our sales
- An area that we must get right

## **Recent history**

- The 19p loaf in the discounters - has been as low as 9p
- Tertiary loaves in the multiples at 29p
- Marginal costings
- Too high penetration of standard bread
- Spar joined in the stupidity
- We slashed our standard bread prices
- We ignored premium breads and morning goods
- We made more sales and less profit

## **We now have a sensible approach**

- A standard loaf at 39p
- Working with our suppliers we are pushing premium breads and morning goods with aggressive, well timed promotions
- Our growth in these profitable areas is now over 350% in real terms
- The whole fixture is now increasing in profit due to the business

partnerships we have with our suppliers

- We are now ready to address space allocation using shelf planograms and we have been promised further support from our suppliers in this area
- Spar has proved that this key convenience product group can be profitable even when sold at competitive prices
- It needed support and commitment from our suppliers for us to make it work

## **Bakers Corner**

- Tested in Northern Ireland
- Extended to the mainland in spring '94
- In-store bake-off operation using frozen raw materials
- Freshly baked bread
- Morning goods
- Hot pies and savories
- Pizza
- Hot chicken

De-skilled operation

Very little wastage

Flexibility to meet demand

Ideally complements our packaged bakery range

Increases footfall - eg huge demand for hot pies and pizza at lunchtime Lifts the overall shop sale

Can account for 15% of overall shop sales... at higher than average margins

Sales of premium and standard bread from Bakers Corner match the sales of standard bread

In more than 150 Spar shops now

Plans to extend throughout the UK - potentially into over 700 stores

### **A final thought**

- Bakers Corner clearly demonstrates the demand for premium crusty bread
- Currently there is no national source or brand
- An opportunity, maybe, for an ambitious bakery