

“How to Face the Challenges of Today's Markets”

John Slattery



Good morning Ladies and Gentlemen. When I looked around the bar last night at 1.30 am and realised I was the only speaker still there I thought perhaps I shouldn't have given up chocolate, I should have given up something else.

Facing the challenges of today's market place, I have decided that gin is the answer, Tanqueray, Gordons, it doesn't matter which. Seriously I feel as a company that Slattery's do this quite well, but to understand how, you need to know how and why we have evolved as a business over the years. My father, the centre one in the photograph here, he worked for many bakers in his career and he always had a great passion for his craft and was always a simple baker was what he called himself. At the age of 44 along with my Mum they decided that their son, me, at the age of 14 was going to be totally unemployable. I think I must have been a 'Kevin' of my day really, and to solve the problem of my unemployability they opened their own bakery. It was a big step for them 39 years ago. They borrowed money from family initially because its what they needed to do and they always used to tell a story of how the first week when they were in business they didn't take enough money to pay the staff's wages, and thankfully that's improved over the years, and we've managed to build a business from there. It was a wonderful thing that they did and for the rest of us, if you like.

This was the first shop where the bakery still is and my Dad used to say its on the arse end of nowhere because it was just on the corner, you had to know where it is, nobody ever passes the door, nobody could ever find us. It was a typical small bakers shop, as baker's shops were 30 odd years ago. Everything from scones to wedding cakes. We are very close to a large hospital which always provided us with a very good lunch time trade, even many years ago; it was always a busy part of the

business. Quality was always the key. My father was a very firm believer in nothing went in the shop unless it was perfect. He insisted on that and instilled into me and he was a fantastic mentor in that way.

Over the next twenty years we built a reputation based on this quality. My sister joined the business bringing with her, her husband, who was also a baker she had met at college. The business continued to grow slowly and steadily but unfortunately not keeping pace with our expanding families and the demands for income upon it.

We toyed with the idea of opening more shops and expanding the bakery but I had a desire to do something totally different. So sixteen years ago I left the family business and started again from scratch. My plan was because I had had enough of getting up at 4.30 in the morning, I wanted to work office hours. If I planned the product mix carefully enough this could be achieved, or so I thought.

I opened the first shop in rented property but I chose the location very carefully. I'd learned from the secondary position that we were in in Crumsall that we needed to be on a main road, we needed to be very, very prominent so that we had a lot of people see us. And that was very important to me. So we rented a shop that was on the main road between Manchester and Bury, so it was a main artery road. It was also very close to the Junction 17 on the ring road around Manchester so potentially we could pull people quite quickly towards us and that was the idea.

We experienced some rapid growth and within two years we had outgrown the building. Partially I attribute this to the fact that we had picked the location correctly, but also had a slight advantage, I retained the name, I retained Slattery as the business name and our reputation had built a little bit although we weren't known very much in this area. So we had to move because we had outgrown the building. I didn't want to change the location so we found a run down shop which was 500 yards from where we were. It was in exceptionally bad condition and, you'll see a pattern developing here, the potential was that we could actually knock the buildings down behind it and build something. We did this and created a shop based on listening to our customers if you like, based upon things we had learned over the previous two years. One thing we learned was that we had to air condition the building if we wanted to work with chocolate in the summer.

The second thing was the fact that our customers demanded particular things from us. We created quite a smart shop from what was a poor buildings and that was part of our problem. Getting people over our doorstep, they perceived us to be expensive and we had to develop a plan to achieve this. Word of mouth as you know is one of

the best forms of advertising and me being, I think I perhaps had Scottish blood somewhere along the line, and I don't particularly like spending money on advertising, I find that word of mouth works for us exceptionally well. So we came up with an idea for evening demonstrations where we would invite people into our shop. We invited Mothers Unions, WI's, whatever ladies groups wanted to come to us for an evening and this itself worked very well. We had an hour where they enjoyed a demonstration and we had them for an hour where we could show them our product and sell to them. As Stephen said before this works exceptionally well. It worked well in the fact that we had to continue, we had to expand.

We bought the building next door and joined the two buildings together and so on. It was a continual building project. We were exceptionally customer led. We introduced new products and we were able to sell things well to our customers because we built the shop to be very flexible. I still believe today that we need to be able to move things around in our shop and change the displays, and create our own theatre in that way.

A few years ago I wrote a book and it's sold to date 16,000 copies. There were two spin offs from this book – one was the fact that we had a demand for product and equipment that was used in the book. People wanted to purchase that and buy it from us and we added this to the website and were able to sell by mail order and so on. And the second spin off comes from the fact that with any cookery book that people buy they tend not to read it, they look at the pictures and have a go at doing the things that are in there. My phone number is in the back of that book and when it doesn't work out 100% we get a few phone calls. And it used to be the ending paragraph and the end of the conversation used to be, could you not show me how to do that. This is how our chocolate teaching and chocolate courses were born.

This added another dimension to what we had to offer but it was limited by space, or lack of it again. And over the twelve years that we were in this property, the second property we grew to 30 members of staff.

When I reached the age of 50, we had a very sound and solvent business. My two daughters had joined the business bringing very different skills but again we had outgrown our building and we were struggling for space. We had a family conference and had a discussion about what we were going to do. I was quite happy to coast along if the girls weren't going to carry the business forward. They said they were interested, wanted to be part of it, so therefore it was Dad go to the bank and see how much money you can borrow.

A local landmark property had come on the market. It was in a perfect location, it was exactly opposite to where we were on the other side of the road. However it wasn't large enough to create the business that we could envisage. It was in an exceptionally run down state and a very, very bad state of repair. So we needed to do a lot to this building – so we took on the challenge.

It was 100 years old this building. It has four floors and when we took it over you can see it had been a pub. Unfortunately we haven't left the bar in, and it's got 7000 sq ft in the original building. The pigeons had taken over the top floor. The vandals had smashed the windows and thrashed the interior. At the rear of the building there were twelve stables, all derelict and rotting. Architect, planning and decision making – it all happened quite fast and several events out of our control followed. The principal one being that our main contractor had a nervous breakdown. He gave back word on his contract when he originally started work, one week later. The quickest way to get back on track was for me to become the Project Manager, Site Supervisor, breaking up the job in small pieces and employing many other different companies to complete the work. I learnt a lot about builders and building.

We had one of the wettest few weeks on record, it was unbelievable. It took more than seven weeks to actually get out of the ground to build the extension. We built on the back of the building an extension to two floors, including a lift shaft to service all four floors. In total we build an extra 6,000 sq ft on the rear of the building. We managed to keep it in the same style and the same look as the original building. You can see here as we moved through just how the work progressed.

On the day we opened which was 30 June 2004, 36 years to the day that the original Crumsall business had opened, we didn't know that until a few weeks later, but it just happened to co-incide. There's a couple of shots here showing you the interior of the shop, sales counters, wedding cake showroom, and you can see that we kept out work area open plan. It was very important to us that we did this. The confectionery production area is one of the main elements that stayed the same as before. Before the move our customers always commented on how they liked to see the cakes and chocolates being made and this is part of our 'no secrets' policy if you like.

On the first floor we have a dining room. It has 100 covers, its modern, sympathetic décor is in keeping with the age of the building, the grand piano, the large decorative mirrors add a touch of elegance. If we have good weather, we have a terrace that leads from the diningroom with another 40 seats out there.

We have a conference facility at the rear of our building in the new extension and this can accommodate up to 40 people. One of the new additions to the business, again from customer request which has proved to be a brilliant tool for getting customers through our doors. It's a good Location for business people and we offer a daily delegate rate. You can hire by the hour, we are very flexible. It's been a very popular choice with businesses. We also offer good food which I think is a good selling point. We can do breakfast and lunch and we built business on that.

The top floor of our building which used to be the living accommodation the pigeons had claimed, has now become our school. We offer Vocational and non-Vocational classes both in chocolate, sugar modelling and sugar skills. We have a chef on board now who teaches cookery and other different skills. The non-Vocational classes have taken a new turn, again leading from our customers at their request. We now produce a voucher which can be bought as a gift and this is sold through our shop but it is also sold on the Buy A Gift website and also through another couple of outlets as well and this gives people a three and a half hour hands on chocolate experience. It's meant to be fun, and it is fun. It's surprising how fast this has grown.

The Vocational classes that we offer again appeal to a very wide range of people. Sometimes people who just want to further their skills and need a small amount of knowledge. Sometimes just to hone up on modern techniques or it might be a chef who wants to learn some chocolate skills to be able to do more patisserie items in their restaurant. People come from all sorts of walks of life. We have a lot of people who now come from overseas. We have had a lady from South Africa and several people from Latvia. Latvia is an unusual country in wanting to learn new skills, skills they haven't got over there.

One of the growth areas that we didn't anticipate and again has been very much customer led is Fast Track Training. People want skills and they want them quickly and to that end they can write a brief. We match that brief to tutors and they might have one or two people working with them for a day or two days and they go away with those additional skills, and it has taken us down a different route altogether.

Team building is another thing that we offer and Corporate Reward Days where people can bring their staff for lunch and then have a little hands on experience of chocolate in the afternoon. This works very well, people do seem to like it.

The Slattery belief - Adaptability to change, Customer focus, Excellence, Honesty and Fairness and Passion. If it doesn't work cut your losses, change. Listen to our

customer. Use the information. More important is to use the information that comes from the customer. Drive for Excellence. Be Best. Nobody is perfect but we do believe we are right more times than we are wrong and we go with that. Go with your instincts, I believe very much in gut feel. We need to follow our instincts. If you make a mistake – own up. Be 100% honest. Always offer a fair deal. Customers will always pay as long as they feel they are getting value for money, both in goods and service. Always exceed the customer's expectation. Let the passion show, be proud. Customers and staff love being part of a success story.

We spend very little on advertising. Everyone will agree 'word of mouth' is the best. We are lucky enough to have created a unique kind of business that gets people talking. We go out of our way to keep customers informed and up to date with any news that we have. They then take that piece of information and share it with friends and family. They are increasing our customer base.

I told you earlier about the evenings that we had to create to get people over our doorstep. Those evenings were a victim of their own success in some ways because people used to have to book up to two years in advance to get on one of those evenings and we were running them every week through a year. We stopped them at the ten year point because we felt they had run their course. But we still have requests from people to do it. But now we have resurrected the same idea but it is on our terms, within our working time. We charge the right price for it. Again people feel they are having an enjoyable afternoon out while we look at it from the view that we have a captive audience for one hour in which we can sell ourselves. We follow with a talk about the history and products and whatever promotions we are doing at the time, whatever season it might be, we show them a little bit of something that's coming in the shop soon, and we follow that with afternoon tea and our customers go away and relay our story to other potential customers. Of course after having partaken in a little retail therapy on the way out.

Website – it's important as all our speakers have said today. The website is there, it's expected. Often it will be the first view somebody has of the business to decide whether they wish to use you. It's an extension to our selling space. We mainly use ours as a catalogue for our products and services which encourages sales from people who live outside our local area. This is a very big potential growth area for us. We foresee quite a lot of uses that we can put our website to as people do already.

Just a little bit of information about us - Our diningroom is the biggest growth area in our new building. It now makes up 33% of our total sales compared to 18% before we moved. This partly is down to the fact that we have more seats, it's also

we have created an ambience in the diningroom and it seems to be being enjoyed which I think also contributes to this.

The training facility is growing and after only twenty months of it being in operation now contributes 8% which I think is very good.

Our shop sales, I think here I can really illustrate more of how we are facing the challenges of today's market place – by displaying more product, by creating product with flair and offering more gift orientated items we have added a whole new dimension to the shop. The chocolate sales and the gift items new to the shop, make up 23% of our total retail sales, which is quite high. You can see that celebration cake and wedding cake is still there, it's still exceptionally important, it still forms more than half of what we do.

Simple marketing ideas such as making more items 'pick up' in the shop or self-service. I think a mind set that people have got into from supermarket shopping – its increased our sales, particularly for small cakes and other items, you can see the cake sales have gone up to 11% which previously was 6%, simply by making them 'pick up and take away'.

The course 'add on sales' – some of this is sold through the website and telephone mail order, the rest is through the shop. It's an example of a brand new area of sales that never previously existed. This has come by creating add on sales to existing customers who have taken part in a course, and its ingredients, equipment and so on.

As we all know it's cheaper to sell additional items to an existing customer than it is to attract new buyers.

Sometimes addressing a challenge can be to our advantage. The diningroom at lunchtime and in the afternoon is very busy. We take bookings but we also have tables for walk-ins. This can mean that sometimes as many as 20 – 30 people can be waiting for tables. By introducing an electronic pager system we can let people wander about the shop, browsing at the good, watching the production and potentially spotting things that they might want to buy on the way out.

The Fire Officer is also very happy because we are not causing congestion at the top of our stairs. The staff don't feel as pressured by seeing a long queue of people and people feel like they've not waited quite as long because they are wandering round rather than just sitting there looking at their watches. When the table becomes available the waiting staff activate the pager and call the customer back to the diningroom. We have Albert to thank for that because it was his suggestion.

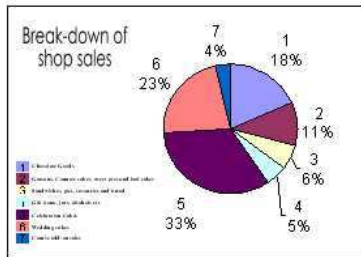
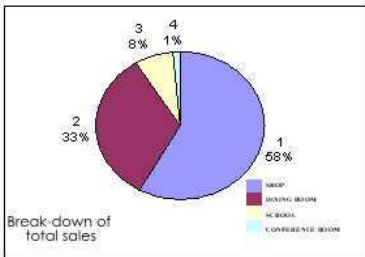
We are 95% retail; the 5% wholesale is made up of chocolate goods to other small shops, mostly seasonal. Our average sale in the shop is £13.73; the average sale in the diningroom is £20.29. Turnover at last audited accounts to November 2005, £1.8 million and projected turnover up to November this year is £2.1 million, not quite achieving 20% but we are working on it. We have 25 full time staff, and 28 part time staff and 13 Saturday staff.

Thank you very much for listening and thank you for inviting me.









FACTS AND FIGURES	
• 95%	Retail and Dining
• 5%	Wholesale (seasonal chocolates)
• Average sale in SHOP	- £13.73
• Average sale in DINING ROOM	- £20.29
• TURNOVER (Year 08 - Year 09)	- £1.8 million
• PROJECTED TURNOVER (Year 09 - Year 10)	- £2.1 million
• Full time staff	25
• Part time	28
• Sunday staff	13



Sessional Chairman

Thank you John and when you remember the picture of how the building looked, that tells the whole story I think. Questions from the floor for John.

Question: Paul Matthews, Shipton Under Wychwood

Excellent story John, there's hope for all our Kevins yet. Looking at that picture there from the original picture which would obviously seem to be a very run down building, but one would presume a run down street as well, how has it affected the area?

Answer: It's helped the area; people tell us it's helped the area. It's not particularly a run down street. It was a public house that had fallen - around our area there's a lot of public houses and I suppose it's the same in every other area, that are now being sold off. This one in its heyday was a fantastic pub; I used to go in there from being the age of 15. It was a good building, but as years had gone by it had fallen and had been refurbished and turned into a fun pub and this, that and the other and it was a place that created awful trouble when the pub emptied at night. The police didn't like it, they put pressure on the brewery and so on and it really just went down and the decline of it was terrible and it just closed completely and fell into disrepair, which was quite sad. Around the area there are about five other pubs which have now become offices, shops and different things.

What has happened is, because of what we've done there, other shops have followed us and opened up around us and hopefully we are helping, initially we pulled in a few more people and this has been mirrored around the area and it has done some good, yes.

Paul Matthews

Are your daughters still in the business?

Answer: Yes, they certainly are, which is why I can be here.

Question: Andy Pollard, East Yorkshire

John, I was privileged enough to have known and met your father and actually sold to your father on several occasions. What on earth do you think he would say about this wonderful achievement?

Answer: I wouldn't like to use the words that he would use. I think he would be quite proud now, but I think he would have called me all sorts of names when I was doing it.

Question: Paul Brown, Nottingham

Did you manage to work office hours?

Answer: No – it was a dream. The product mix that we put together initially was based around sweet items, celebration cakes, birthday cakes of any type, wedding cake. With that we put gateaux, desserts, small cream cakes, dry cakes and hand made chocolates and ice cream. The product mix was designed to take away the peaks and troughs of seasonal fluctuations and that worked exceptionally well. The idea being we had no breads, no savouries, we didn't have to do the early start because we could work in advance. To a certain extent that has worked. We now start work at 7.00 in the morning rather than 9.00. We didn't quite achieve what we were out to do but we did try.

Question:

John, what's the main catchment area for people who attend your courses. Is it nationwide, or mainly local? Do you find yourself having to book people in overnight?

Answer: Yes we certainly do. It is nationwide, people travel to us from a long way and we use the Travelodge down the road and another local hotel and we do have people book and stay with us a long time.