



## **DAVID SANDS - Leveraging Local Credentials**

**March 2010 (Amended 24.2.10)**

### **Slide 1-David Sands Introductory Slide**

Good morning ladies and gentlemen. I am delighted to be allowed an opportunity this morning to present to you on the one subject that consumes almost all my time, namely our company David Sands Ltd.

I am honoured to follow someone from Waitrose. Duncan is probably unaware but when I left university I applied for a graduate trainee position in Waitrose. I got through the first stage but at the assessment centre it became apparent that I wasn't going to get on well amongst such a clever bunch. It was felt that I perhaps did not have an aptitude for retailing!

Our business has grown over the years and we now operate 27 stores in Fife and Perthshire with a further three new stores planned to open over the next eighteen months - and we don't intend to stop there. This is a very exciting time in the life of David Sands. We are a key player in the Scottish convenience marketplace - and, I like to think, an innovator.

We are a long established business, indeed I am the fifth generation of the family to be involved in retailing. We are family owned and controlled and our stores are based in the Fife and Perthshire areas of Scotland. I joined the company in 1989 having spent some time with Sainsbury's in London.

We started out as grocers, our store in Kinross was a very successful small independent supermarket but we faced an enormous threat when Presto opened a new supermarket 300 meters from our existing store. Until this point in 1992 I am sure we believed that our future was in operating small supermarkets with a large grocery offering. We learned very quickly that we needed to be flexible in our approach. We were operating 3 smaller stores and we recognised that these were a less riskier proposition and provided a better return on our investment.

Our stores are serviced from a central warehouse and head office based in Kinross, which currently picks about 45,000 cases of ambient and chilled product per week.

This is rather unusual, we are not politically correct! We believe that this allows us to minimize back storage space in our stores and convert this space into retail selling space. We can deliver to stores daily. Our customers keep telling us how important availability is when choosing our stores. It's simply not possible to achieve good availability on two deliveries a week. We also believe we can improve our cost of goods!

We have been Nisa retail members since 1984. As a long standing Nisa retail member we have benefited considerably from the group's unique ability to combine the buying power of thousands of independent retailers for the better good. We fully support the Nisa promotional programme and make use of the Nisa consumer leaflet to inform our customers of our current promotions. We distribute over 75,000 leaflets every three weeks to our customers. We don't take their business for granted.

Services play a key part in our business. 18% of our customers use our services such as Lottery, Paypoint, Post offices and ATM's every time they visit our stores. Indeed services account for about 17% of our trading profits.

Our store sales average £26,000 per store per week. Over the past ten years our sales have risen from £10m to £39m.

We are extremely competitive and view trade competitions as motivation to improve our operation. We try and make a point of visiting and learning from other winners.

Aside from some background to our business and me personally I wanted to discuss just how we leverage our local credentials. A lot of chains, both large and small claim to be supporting local suppliers and communities but I can't help but think that simply emblazoning the exterior of your store with a St Andrews flag does not bind you to that community. To be honest we realized a few years ago that we were only paying lip service to our local credentials. It was only after spending some time with Edwin Booth that we realized what was possible.

We have always attempted to nurture our relationships with our suppliers – both national and local over the years. We are particularly proud of our special relationship with Stephens, the Dunfermline-based bakery firm that supplies a wide range of pies, rolls and other bakery products to each of our stores, seven days a week. As an example we sell over 110,00 Stephens hand made rolls each week. Like us, Stephens are an independent, family owned business that fully understands the local communities in which it operates.

We now work with over 30 local suppliers and our aim is to have a sales mix with over 30% of sales from Scottish suppliers.

We handle a lot of local chilled products through our chilled warehouse. What we have attempted to do is to create a hub where a lot of small drops can come in twice a week and be delivered to all stores shortly afterwards. This is cost effective both for our suppliers and manageable for our stores. Its important to realise that there is a cost in doing this and we do expect to achieve a handsome margin to offset these costs.

Perhaps my biggest criticism is that many suppliers, particularly of locally produced products, believe that their job is done once the product is on the shelf. They are passionate about their products, we are passionate about our business, but how can the customer share this passion? For real local brands to be successful – given that their marketing support budgets are initially very small – they must demonstrate at point of sale a credible, tangible and differentiated personality reflected through distinctive pack design, encouraging retailer interest and consumer trial.

I suppose it's easy for me to be passionate about our business, but what about the 600 other people who work along side me? Praise and recognition play a vital part in motivating staff. There's not a week goes by and we haven't handed out one award or another. Our aim is to have better trained staff than the multiple staff equivalent. Talking and listening to staff seems so obvious but we often need to remind ourselves to do it. Trust plays an important part. Encouraging criticism from your colleagues is often difficult. We meet with our store managers monthly and we truly value their opinions. As important we are small enough that we can change things very quickly. A huge advantage over our multiple competitors! Too often you can adopt a siege mentality when faced with staff issues, forgetting the many great people who work hard every day.

I believe we have great people in our stores but our suppliers often ignore them. Its too easy to talk to a buyer and leave it at that. Surely it makes sense to ensure store staff know about your great product?

Our senior team has grown. Ewen Chisholm joined us last year from HIM as Chief Operating Officer. We have also added a Financial Controller and an experienced police officer to look after our security issues. The challenge for any family business is knowing when to let go. Our growth strategy must be balanced with getting the right people to fuel this growth.

And more so, if I have learned anything over the years it is simply that you have to have the right kind of people managing your stores. Personality and attitude are everything! One of our biggest challenges is to ensure we have a stream of people ready to take over the managing of our new stores. We firmly believe in promotion from within as our best means of securing future store managers. The vast majority of our store managers have been promoted from within. We recently introduced a Trainee Manager programme which has proved extremely popular. As well as a personal development plan for each trainee, courses both internally and externally are provided.

Our trainees have their own mentor from our senior team. This lets us use our experience in a structured and meaningful way.

When we open a store we have been holding prospective staff open days. I always attend and introduce these. Many people can't believe there is a David Sands! This seems to work well and makes our company seem real and friendly. We have also held a number of Meet the Buyer days organised through Scotland Food and Drink and these have successfully introduced a number of new Scottish suppliers to our stores.

Terry Leahy commented last year on the state of our education system. This is something I can readily identify with. I noticed in one of our stores recently a recruitment poster looking for “part time assassins”. No one seemed to notice and we had a few mean looking applicants. There’s worse, a mother handed in a sick note on behalf of her son – “he’s no well the day, please execute him”.

I’m not comfortable with the price image that often attaches itself to convenience stores. We spend a lot of time focussing on value. Indeed we probably run more promotions than any other convenience store chain. Our customers have noticed this and they like it. Over the past year we have introduced half price gondola ends, £1 toiletries and non foods and £1 frozen foods. The challenge is to ensure you have great promotions but also that you are flagging these up in store.

Recent research published by the Grocer magazine tells us that whilst many of our customers are looking for good food, often locally sourced, they were not prepared to pay more for it. It appears that, whilst there is an appetite for local, it must be priced on a par with comparable products.

The challenge for all of us is to make shoppers understand that local does not have to mean expensive.

Our recent introduction of an upsell programme whereby every customer being served is asked whether they would be interested in the deal of the week has been enormously successful. Some recent figures indicate just how well this has worked. In one week we sold just under 4,000 Tunnocks Teacakes! By doing this we are creating a culture of selling.

It became apparent to us from store visits to Ireland and also in particular Morrisons that there was huge appeal in having freshly prepared instore products. We ruled out being able to do this in all our stores individually but a few months ago we opened a central kitchen. This kitchen currently supplies sandwiches, wraps, salad and fruit bowls as well as pizzas. We work in a closely defined geographic area and as a result we are able to deliver these products direct to stores six days a week. In other words our sandwiches are made and sold on the same day. We want to be famous for our sandwiches! We want to be famous for our freshly prepared foods.

Many convenience stores suffer from a poor fresh foods image. We believe our customers judge our fresh foods by the quality of produce on display. For this reason we have been very hard on our stores, to ensure good quality product is always available, and the more locally produced product the better.

Many suppliers fail to grasp the opportunity to deal with regional multiples such as ourselves. With full EPOS and limitless reporting capability we are an ideal route to allow experimentation and the introduction of new lines.

Over the past few years supplier members of HIM Ltd's Convenience Tracking programme voted our company as Best Retailer as Voted by Suppliers. And yet, when I look at the list of attendees at this conference there are a number of key suppliers who have failed to grasp our trading opportunity.

We have introduced a Marketing Pack that details just how you as a supplier can get involved with our business. Full details are on our website.

We should be good at listening to our customers, after all we are closer to our customers? The truth is that many independent retailers fail to listen to their customers and are surprised and indignant when they lose them to newly opened multiple stores.

Sometimes of course you get more than you bargained for when listening to customers. Whilst we welcome the many positive suggestions and criticisms, some recent submissions to our website created a bit of a stir:-

- credit for all DSS recipients!
- introduce a delivery service and could you arrange for the blond girl on till 1 to deliver my groceries!
- \*\*\*\* off English Tory bastards – I was really upset at being called English!

So why is it that we at David Sands Ltd are so passionately committed to remaining an independent retailer in the face of an increasingly competitive convenience market?

We believe that the entry of the major multiples into our market has raised some aspects of the game, but we are confident of our place in that world because we see things so very differently to them.

At the heart of everything we do is an understanding that trust is hard to earn and easy to lose- and we base our business on earning the trust of our customers, our staff, our suppliers and the communities we serve.

Fun days, charity events, dressing up, kids competitions and lots more besides create theatre and are fun for both staff and customers.

Last year we raised over £11,000 for Macmillan, supporting their coffee morning.

We are firmly focussed on expanding our business profitably, through constant improvement and innovation.

I believe strongly that there is far too much gloom in our sector. There are a great many opportunities out there to make money and yet too much time is spent poring over the activities of our multiple competitors.

I should conclude by simply telling that you that my name is above each of our store's entrances and that for me makes it personal.

Thank you ladies and gentlemen!