

Lose touch with the customer and you will perish – former Tesco chief

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“Stay close to the customer. Don’t lose touch with him. Otherwise you will perish.” This was the simple message from Lord Ian MacLaurin, former CEO and Chairman of Tesco, the UK retail chain, who was recently in Sri Lanka for the cricket test series between England and the home side.

Lord MacLaurin, currently serving on the directorates of several companies and is Chairman of England & Wales Cricket Board, was addressing the Institute of Directors at a breakfast meeting at the Taj Samudra recently when he spoke of his experiences in transforming Tesco into one of the world’s largest retailers.

Having joined Tesco as a management trainee, he held several senior appointments and by the time he took over as CEO the retail chain was losing market share. It had lost touch with the customers and was giving the customer what the company thought they should have, not what the customer wanted. The result was a drop in business with customers looking at alternatives. What did Lord MacLaurin’s team do? They knew they had to look round the market to see what was wrong with them. A research study was launched to know exactly what the customer wanted. They soon realised that the customers were not interested in the promotional offers Tesco were making. It was also revealed that customers of the right age should be targeted.

They also looked round and found Marks & Spencers were doing well in the marketplace. They had many schemes which were popular with the customers. “We just copied what they did unashamedly,” Lord MacLaurin said. “Don’t feel shy to copy if you see something good even it is from your competitors”, he advised. He quoted the Japanese car manufacturers as a good example of ‘successful copiers’. They looked at the Western car manufacturers, copied what they were doing and improved on them. Today they are right on top.

Having looked at the marketplace, Tesco closed down 500 out of a thousand stores. In place of small city retail stores, large out of town stores were opened. A planned programme of staff training was undertaken. Moving with the times, checkouts were computerised. Advertising campaigns were launched featuring the changes in the stores network. They concentrated on cost effective advertising and worked hand in hand with the advertising agency who also had a very close understanding of the Tesco problems.

Lord MacLaurin is a great believer in delegation. “This is vital. Let them decide and do what they think is best. But you should monitor the progress,” he advises. Retailing has everything to do with understanding people. So the staff had to move closely with the customers. Goods on display should be what the customers want. In order to keep in close touch with the customers, Tesco set up Customer Panels.

The directors did not stay aloof from the staff. They visited the retail stores regularly and spoke to both the staff and customers. They could then make on the spot decisions and

plan out things to meet consumer needs. "Listen to the staff and the customers," Lord MacLaurin advised. "Have a clear goal shared by the management and staff.. Never stop trying to improve."

Having served on the Board of Directors of Tesco from 1970, he was appointed Managing Director, Deputy Chairman and finally as Chairman in 1985. When he was nearing sixty, he decided he should retire at sixty. "It's very important that one should know when to go", he said. "The marketplace is changing the whole time. New ideas crop up. New products are developed. New techniques are introduced. One should keep pace with all these. Even if one is able to grasp some of them, younger people will be able to do that better. So the seniors should move out giving way to new young people". He related how when he told the chairman of Marks & Spencer that he had decided to retire when he reaches 60, he too had said he would do the same. Both were of the same age. "Six months before we were due to go, he rang me one day and said he had decided to stay because he had nowhere else to go. It was his wish and his decision. I gave way to a younger set and quit. Tesco just took off and is today among the top five retail chains in the world and employing 180,000 people. Marks & Spencer has had a slow downturn".

"Plan your departure. Get the succession plans going," was his advice.

Lord MacLaurin has made use of his vast experience in the business sector to streamline the affairs of the English Cricket Board. When he took over reins as Chairman (it was then known as Test & County Cricket Board), he found it unwieldy. There were 70 members on the Board. The administration was virtually in shambles. There was no contact between the Board and the players which he described as "absolutely disastrous". Using his experience in the business sector, he soon set about restructuring the Board. The name itself was changed to England & Wales Cricket Board and the number of members was reduced to 20.

What is the position four years after restructuring? "Things have changed considerably. There is tremendous interest in cricket once again. Three and a half million children are playing cricket in UK. These include 500,000 girls", he said. As for the English team, he said things are now getting better and he described the English side as "the shop window" of the country. He said he has a huge admiration for the coach, Duncan Fletcher and the captain, Nasser Hussein.

"Cricket itself is starting to get the act together. Anti-corruption laws are being put in place. Umpiring situation has to be looked at and more professionals should be made available", he observed. "The family of cricket is getting stronger", he stressed.