



Superdrug hits its half-century in good health

Under the leadership of managing director Joey Wat, the health and beauty retailer has embarked on an ambitious revamp programme and is launching new store formats. Tiffany Holland reports

High street stalwart Superdrug celebrates its 50th birthday this year. But rather than being content to age gracefully, the retailer will showcase its eternal youth by testing three new formats in 2014.

"We are 50 years old but we are still young," says Superdrug boss Joey Wat.

Founded in 1964 by the Goldstein family who opened the first store on Putney High Street in 1966, the retailer has since grown to an 860-branch health and beauty giant.

Building on its established power-base, by May Superdrug intends to have tested its first pharmacy in a doctor's surgery in Tiverton in Devon, a healthcare format in Banbury, Oxfordshire, and a beauty format in Cardiff that will focus on services such as eyebrow threading, express manicures and blow-dries.

"We want to push beauty to the next level. We can see a real need on the high street for a quick fix," says Wat.

She says the bright stores and colours deployed in the beauty formats will be like nothing else on the high street at the moment and she is visibly excited about the project. "The idea is that it is like a candy store. It's so quirky it wouldn't really work anywhere else other than the UK," she adds.

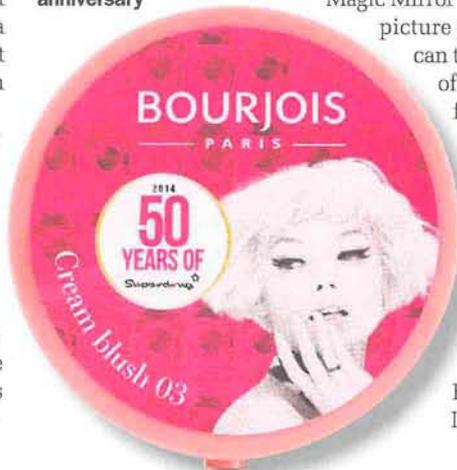
Although she is happy to try new ideas, the normally media-shy Wat had to get Superdrug in shape first.

Since taking up her present role at the beginning of 2012, China-born Wat has spearheaded a big store refit programme, initially revamping London shops to brighter, cleaner and more vibrant environments to take advantage of the 2012 Olympic Games. This scheme has continued across its estate.

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Joey Wat, Superdrug

A number of brands have changed their packaging to celebrate Superdrug's anniversary



Superdrug invested £20m on last year's refits and will do the same again this year, so by the end of 2014 all branches will have been made over.

Wat also rolled out fragrance counters to make Superdrug stronger in perfume, which was previously situated behind the main tills. The initiative helped the retailer to record double-digit growth across fragrance last year and offer more premium fragrances.

Strong brand offer

She has also driven product improvements, pulling new brands into stores and ensuring they give Superdrug a market differentiator from rival Boots.

Superdrug's close relationship with make-up and cosmetics brands is reflected in the fact that many have changed their packaging to promote the retailer's 50th birthday.

Wat has responded to the home-dyeing trend by expanding Superdrug's hair colour range, and she is rolling out Hair Shade Selector computers to 25 shops to help customers find the right product for their hair.

Wat is also considering introducing a 'Magic Mirror' computer that takes a picture of the customer, who can then change the colour of their hair on-screen to find the right shade.

Superdrug has also launched B, its own-brand make-up and cosmetics label, which celebrates its first anniversary this year and directly competes with Boots' own No7 brand. It is something Wat is



particularly proud of. "B is a fantastic product and growth is better than the comparable brand. Sales have gone from strength to strength," she says – but declines to say what the comparable brand might be. "We're not making a great margin on it because we put so much into it. There are so many ingredients."

Wat says Superdrug is still learning from the new brand, which it decided to launch without highlighting its link to the retailer, in order to give it its own identity.

"The UK customer is very smart. [B]



doesn't have any celebrity endorsements but they have confidence in it," she observes.

She is keen to work with smaller brands and bring them online or into stores. For example, she introduced the Manuka Doctor brand in-store after testing it first online, where it became the number-one product.

"Small suppliers tend to have high quality products and they have ethical appeal," she explains. "The price is good and the product is good and we are flexible and lean enough to work with them."

Wat appointed Steve Gray as the retailer's first healthcare director in 2012 as she sought to put more emphasis on a healthcare offer, installing in-store pharmacies and creating a new store layout to emphasise the department.

"The health sector is growing like crazy," she says. "We're not arrogant to think we can compete [on the same level] as Boots but think we can provide the customer some different choices."

"We have 200 pharmacies and not all customers know that, so we want

Under Joey Wat (top left) Superdrug has revamped its in-store offer

"WE ARE FLEXIBLE ENOUGH TO WORK WITH [SMALL SUPPLIERS]"
Joey Wat, Superdrug

to put some money into it and make it more visible in store. We will merchandise it and shout about it.

"Coming from outside the UK, the NHS is pretty amazing and it is not something we should take for granted. We can offer simple services so doctors can focus on [more serious illnesses]."

Wat has also been pushing Superdrug's multichannel offer, introducing click-and-collect before Christmas and investing in warehouses to support online growth.

Retail Week Knowledge Bank estimates Superdrug's online sales hit



£15m in 2012, comprising 1.5% of the group total. Wat says online sales surged 50% last year.

“Order and collect has really taken off and it hasn’t been a cannibalisation of beauty. It’s actually bringing people to the stores,” Wat points out.

Superdrug also launched an online doctor service last July, and it is now the second most popular such offer behind that of Lloydspharmacy. Wat says it has been particularly popular among young people who have been too embarrassed to visit their GP or tell their parents about particular illnesses.

‘One-off’ loss

Despite all the work, Superdrug made a £1.4m operating loss in the year to December 29, 2012, from a £10.8m operating profit the previous year. The figures were hit by an exceptional charge of £15.1m relating to its store estate. Sales slipped 2.6% to £1.02bn, which the retailer blamed on a decline in footfall across the high street.

Wat insists the charge was a one-off and that the 2013 results will show a return to profit and like-for-like growth “although it was a tough year”, she admits.

Despite Wat’s faith in the high street she says store performances are variable and there is a definite “north-south divide” in the UK.

“High streets in the North are difficult, if we can stay and keep staff jobs we will, but if that store is losing money unfortunately we will need to get out.

“We will consolidate stores in the North where they are losing money. But we are still a national chain,” she says.

Before taking the role at Superdrug Wat helped to transform its loss-making sister, value beauty retailer Savers.

Savers recorded a £45.8m pre-tax loss in 2007 but became profitable



Superdrug is selling special 50th birthday editions of some products

within five years. It made its first pre-tax profit since 2005 in 2012 (£6.9m) and sales surged 13.4% to £214m.

“When I took it on, nine stores were profitable and the rest were not. Now nine stores are unprofitable [out of 253 stores]. We saved 4,000 jobs and that’s something that’s not to be forgotten,” she says.

Wat made the most of Savers’ value offer to take advantage of price-conscious customers following the recession in 2008. The value retailer is still part of her remit and she now plans to increase the store estate by 58 this year.

Savers will never be as big as Superdrug, she says, but notes: “It is a brand that can be more nimble and flexible than Superdrug.”

While Wat is busy with the new Superdrug store formats, there could be even bigger change afoot if Hutchison Whampoa, parent company of Superdrug’s owner AS Watson, decides to go ahead with its much-speculated joint float in London and Hong Kong.

It has been reported that AS Watson, which also owns The Perfume Shop, may be seeking a London head office to strengthen its float plans, which could be valued at £15bn.

Wat will not comment on that. Right now, she is preparing for Superdrug’s big birthday bash in April and is determined to ensure the retailer is in good shape for the next 50 years.



JOEY WAT’S JOURNEY



“HIGH STREETS IN THE NORTH ARE DIFFICULT, IF WE CAN STAY AND KEEP STAFF JOBS WE WILL.”

Joey Wat, Superdrug

Wat’s journey to become the boss of a £1bn business is impressive.

Born near Fuzhou in southeast China, Wat didn’t start school until she was seven years old because her parents couldn’t afford it. But the late start to her education has not proven to be a problem.

She graduated with first-class honours from the University of Hong Kong, where she

studied Third World development, then moved to the US to take her MBA at Kellogg Graduate School of Management, Northwestern University, specialising in marketing and finance.

After graduating she joined business advisor McKinsey & Company and in 2004 began her career with AS Watson in strategic planning and business development.

In 2008 she became the first Asian person to be sent by AS Watson to the UK to run a business unit when she was appointed managing director of Savers before being promoted to chief operating officer of AS Watson Health & Beauty (UK) with responsibility for Superdrug and Savers. In 2012 she became managing director of Superdrug and Savers.

SUPERDRUG TIMELINE



1966 The first Superdrug store opens on Putney High Street under the ownership of the Goldstein Family



2000 Hutchison Whampoa acquires value beauty chain Savers



2002 Hutchison Whampoa acquires Kruidvat and Superdrug is controlled by Hutchison Whampoa’s AS Watson Health and Beauty UK arm

2012 Joey Wat is appointed AS Watson managing director for UK health and beauty

1981 Trading from 100 stores

1987 Kingfisher, then known as Woolworths, buys the business and two other drugstore chains, Tip Top and Share, which were later merged into Superdrug

2001 Woolworths (Kingfisher) sells Superdrug to Dutch pharmacy operator Kruidvat

2006 Superdrug and Savers are incorporated into a health and beauty UK division

2014 Superdrug turns 50