



99p Stores targets the supermarkets

The budget retailer is undergoing an overhaul and raising its ambitions, chief operating officer Tony Brown tells Tiffany Holland

Single-price retailer 99p Stores may be a discounter but, after launching a broadband service last week and introducing coffee and bakeries to its shops, it seems the value war is no longer just about price as the brand makes a play for the convenience market.

The family-run retailer has been undergoing a transformation after bringing chief operating officer Tony Brown on board in November last year.

His arrival signalled a bid to “professionalise” the business and move it on from the traditional ‘pile it high and sell it cheap’ ethos adopted by its discount rivals Poundland, Poundworld and Poundstretcher.

Value retailers have become a normal part of the shopping trip, and their mainstream popularity even led to Poundland and multi-price retailer B&M Bargains floating on the stock exchange this year. Now 99p Stores aims to jump ahead of its competitors and offer something more than the bargain goods it has traditionally stocked.

“It takes away the old image,” Brown tells *Retail Week*. “It’s that halo effect, smelling that freshly baked bread as you come into the store, knowing you can get a coffee on the way out or in.

“What we’re looking at in the brand is the overall customer experience and not necessarily those individual parts.

“The single-price industry has had the image in the past of being rough and ready. It was all about the price, not about service, quality and freshness. But now it is about ambience, range quality and freshness and, most importantly, it is about service.”

Fresh thinking

Brown has taken the reins at the retailer as its Lalani family owners begin to take a less hands-on role. Chief executive Nadir Lalani opened the first 99p Stores shop in 2001. He brought on board sons Faisal and Hussein – managing director and commercial director respectively – as he rapidly expanded the business, which opened the doors to its 250th shop (featuring the chain’s first in-store bakery) in August.

By 2012, 99p Stores generated £7.2m of profits on sales of £270m. Last year it posted a loss of £585,000 because of investment, although sales surged to £341m.

Such stratospheric growth does not come without its problems, and the family felt that it needed outside help to

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Tony Brown, 99p Stores



99p Stores’ new bakery offering, takeaway coffee and chilled food and drink ranges signal the intention of Tony Brown (top right) to steal convenience sales from the supermarkets

“99P STORES IS BECOMING MORE LIKE A SUPERMARKET”

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address them. “It’s a business that had grown very, very fast and the infrastructure had not grown at the same speed, so there were inefficiencies that were recognised and are now being put right,” Brown explains.

He says that the retailer has made a “big investment in time and money” to correct those inefficiencies.

The revamp is not all about coffee and croissants. Brown has drawn up a three-year “root and branch” plan to improve the look and feel of 99p Stores – optimising space and training staff, as well as overhauling IT systems and its warehouse – as the retailer aims to expand to 400 shops.

Upping its game

One of Brown’s first initiatives was to bolster the management team to help take the business forward.

The hires he has made since January include that of “blue chip” finance director Rob Deane, formerly of Focus DIY. 99p Stores has also created new roles, appointing former Homebase merchandising manager Sue Richards as head of merchandise, and ex-Tesco F&F store development manager Danielle Guy as head of range and space. Craig Atkinson, former Poundworld regional manager, has joined as head of retail operations.

It is a team that will help Brown to realise his big ambitions, which include 99p Stores stealing significant sales from the supermarkets convenience business.

His attempts to move on to the grocers’ territory is also a strategy being adopted by rivals such as Poundland, which have bolstered their food offers.

But Brown is confident. He says: “If customers have a choice of going into a Tesco Express or a 99p Stores, I want to be first choice because we’ve got the environment and because we’ve got the ranges.

“99p Stores is becoming more like a supermarket. You’ll see that in the layout, the branding, the navigation. The offer with chilled and bakery is the same as a Sainsbury’s Local.”

As part of this, Brown has replaced “the odd chiller dotted around” with more attractive banks of the units.

Meanwhile, the food range has been extended to take in cheese, butter and ham. And that is just the beginning.

Brown reveals: “We will develop a convenience fresh food offer that sits in our price point. What we’re fanatical about is getting the value for money.

“There is no point trying to sell two apples for 99p when Tesco next door will sell six. We’ve got to get the



◀ proposition right as well as the price.”

Brown says the new bakery works so well because it was engineered specifically for the retailer, which is selling two 18-inch French sticks for 99p.

But FMCG categories are where the biggest win lies for Brown.

“The supermarkets’ fresh product offer far beats us – we haven’t got the bandwidth for that – but our FMCG is as good as, if not better than, theirs,” he explains.

“And, pricing-wise, we knock the spots off them. It means that we can trade very effectively with those on the high street. I think that the overall single-price market, as it matures, will become mainstream.”

Brown admits that the popularity of grocery discounters Aldi and Lidl has helped value retailers, opening the way for consumers across all social demographics to visit their shops without misgivings and bag a bargain.

If 99p Stores opens near an Aldi or a Lidl, its sales are boosted by customers popping in to pick up the branded goods that aren’t stocked by the German discounters. And Brown says the shop refits have even been catching the eye of Marks & Spencer customers when 99p Stores is located in the same retail park.

With less than a year at the retailer under his belt, Brown has made a strong start at tackling the stores, including launching the 99p Plus format – which features a mix of the core 99p offer and products from the retailer’s multi-price Family Bargains fascia – across larger outlets.

New attitude

By mid-November, 60 stores will have been refitted to display a light, airy, well-merchandised and tidy look.

They are a far cry from the dark and dingy, uninspiring pound shops of old, which were often off-putting to many shoppers.

And to bolster its convenience credentials further, 99p Stores is looking at opening stores on sites with a smaller footprint. Brown has also been overhauling staff engagement and training to tackle the retailer’s retention rate, which last year was significantly above the industry average.

One of the biggest shifts in strategy on that front has been to move from a six-day working week to five days, in line with rivals.

Brown admits: “[The six-day working week] was forcing a high level of turnover and stunting our ability to attract workers from our competitors who all work five-day weeks. The move has been a big morale boost and the staff



Tony Brown describes himself as “addicted” to retail.

Following roles at Asda, Somerfield and BHS, where he was retail director, working with Arcadia owner Sir Philip Green, as well as department store Beales, where he was chief executive, the 99p Stores chief operating officer said he was ready to wind down a little.

But after a stint as interim managing director at fashion retailer Peacocks, Brown found himself surprisingly hooked on the 99p

TONY BROWN PROFILE

Stores story. He says: “When I started in retail, I never considered the single-price market at all. It wasn’t on my horizon.

“When I left Beales, I wanted to be an interim manager and not work so hard.

“I did the interim role at Peacocks and Jane Norman. Then I found 99p Stores and, as I looked around the stores, had to take a sharp intake of breath. But after I had done a bit of due diligence in the market, I could see there were opportunities if it was managed differently.”

Brown hasn’t looked back, even though his isn’t the quiet role he was searching for.

But he enjoys a challenge. When he went to Beales as chief executive, he was faced with a number of profit warnings, a slump in like-for-like sales and two store closures – a significant number for a retailer with just 11 shops. Brown soon improved the department chain’s profitability and in 2011

Beales returned to pre-tax profit, although store closures and restructuring costs have since hit results once again.

Brown believes 99p Stores’ biggest selling point is its products. “I could see 99p was miles ahead of anybody else on product, and value for money was off the Richter scale, but it was understated because the store environment was not good. It was poor,” he says.

“Knowing that the piece of work was around store environment and not product made it easier.”

Because of the entrepreneurial nature of value retailers, Brown believes they are able to attract top talent as they become more mainstream.

He says: “I think that in the past, the bigger multiples didn’t view store managers at Poundland or 99p Stores as having the same calibre as their own managers. But this will change and they will be sought after.”

now have more time to spend with their families.”

He says the new structure has meant a lot of work to upskill deputy and trainee managers to ensure that everything runs smoothly when the manager is out of the store. Salaries are also now in line with 99p Stores’ competitors.

Brown reveals: “Retention was a real problem but now it is just above the industry average. As that improves, training improves because people are staying longer.”

He hopes that happier staff will have a knock-on effect on customer service: an area in which pound shops are often seen to be lacking.

Brown says 99p Stores is now in its fifth period of using mystery shoppers

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after introducing them a year ago. He describes the first few as a “white-knuckle ride” but results are gradually improving.

“It’s a paradigm shift for the store managers to go from filling shelves and not worrying about anything else when now it’s about customer experience,” he says.

All change

99p Stores is also holding its first store managers conference this month to prepare them for the retailer’s biggest revenue generators: Halloween and Christmas.

With so much happening, why has the retailer launched a broadband service? Brown says it is in reaction to customer behaviour. It is another way for 99p Stores to provide for its customers at a time when the majority of households want home broadband.

The initiative seems strange for a retailer that doesn’t yet have a transactional website, but Brown assures that an ecommerce site is expected to go live before Christmas.

The broadband value may even lead the way towards other services, such as insurance.

“We are redefining the single-price-point market,” Brown says. “We are creating a new breed of convenience.”

Could it by the end of the pound shop as consumers have come to know it?

Nadir Lalani (centre), with sons Faisal (left) and Hussein (right), opened the first store in 2001

