

# MORRISONS

Embattled grocer Morrisons has appointed former Tesco Asia boss David Potts as its new chief executive. **Luke Tugby** profiles the new boss and looks at what his priorities are

## Why Morrisons called

**F**rom the moment Dalton Philips' departure was revealed in January, David Potts' name was firmly in the frame for the top job at Morrisons.

Analysts were quick to point to Potts as someone who would fit the bill following his 39 years of service to rival supermarket giant Tesco.

After fellow contender Ian McLeod opted to become president and chief executive of US grocery giant Bi-Lo Holdings last month, and ex-Monsoon Accessorize boss John Browett apparently ruled himself out of the running, the door was wide open for Potts.

Last Wednesday he duly walked through it and will start at Morrisons later this month. But what will Potts bring to the food business?

### Grocery experience

The most obvious answer to that question is experience in food retail – a trait that was surely a 'must-have' attribute for the Morrisons board when reaching their decision amid near-unprecedented change in grocery.

Potts is also well known to the man who headed the recruitment process, Morrisons chairman Andrew Higginson, who himself worked for Tesco from 1997 to 2012.

For those two reasons alone, Potts always looked as if he was the likely choice, and he could prove to be the perfect fit. The 57-year-old joined Tesco in 1973 as a shelf stacker, but his hard work and his retail brain enabled him to rise through the ranks to ultimately head Tesco's Asia operations.

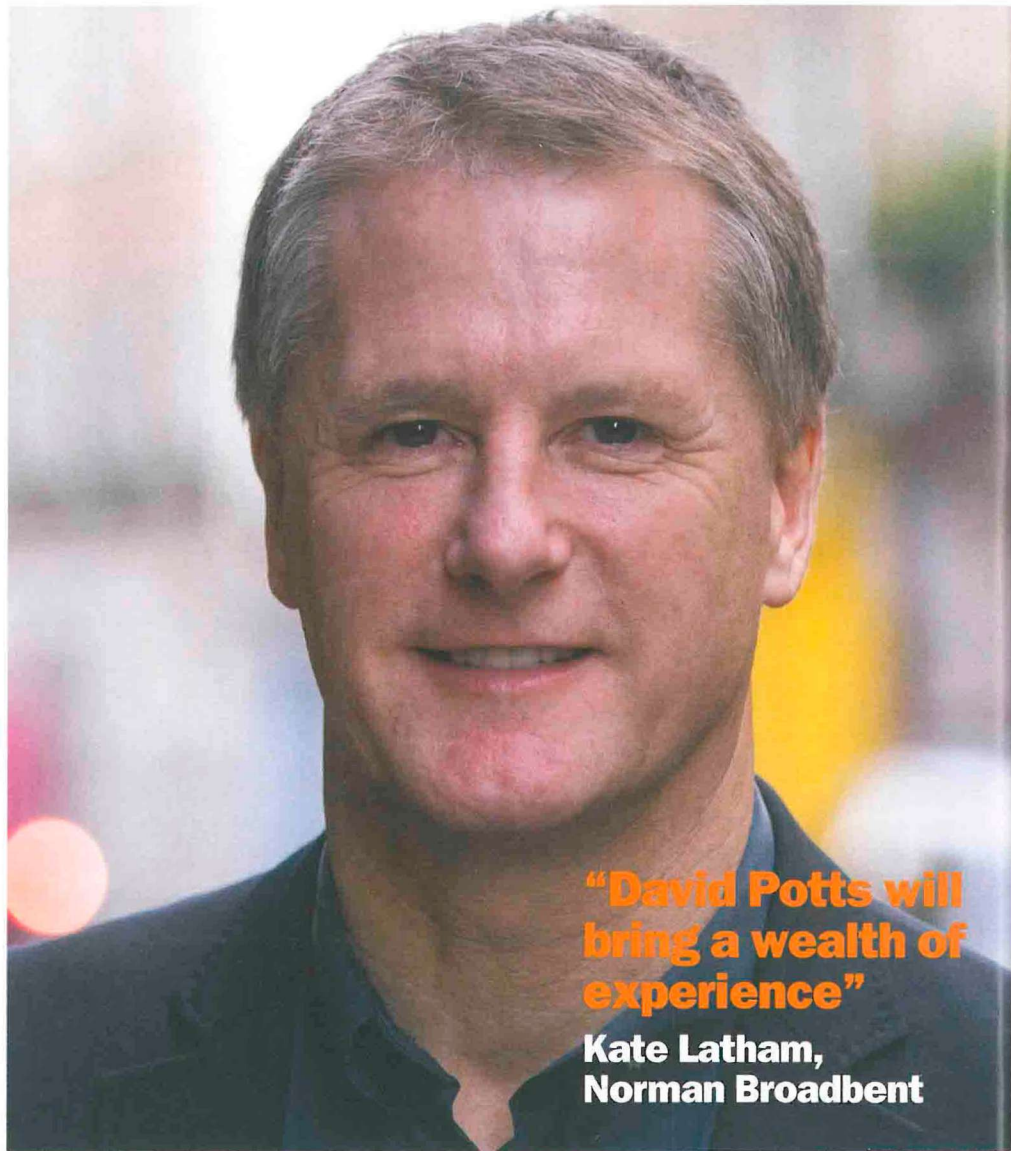
Having held a number of in-store and head office positions, Potts had also directed the integration of Tesco's businesses in Northern Ireland and the Republic of Ireland from 1997 and was appointed to the grocer's board in 1998 as retail and logistics director.

After overseeing operations in Ireland, Potts returned to the UK in that same role in 2000 and took up the Asia role in March 2010.

But he held that role for just nine months before revealing in December 2010 that he would step down from the grocer in June 2011 "to fulfil long-held personal ambitions".

### An inspiration

Then-Tesco chief executive Philip Clarke said at the time: "David has been an incredible servant to the company and an inspiration to thousands of our leaders, whose own careers



**"David Potts will bring a wealth of experience"**

**Kate Latham,  
Norman Broadbent**

are flourishing because he played his part in developing many of the programmes that made the Tesco retail team among the most admired in the world."

That ability to inspire and galvanise those around him was one characteristic that has caught the eye of some analysts and headhunters.

Kate Latham, managing director for retail, leisure and consumer at Norman Broadbent, said: "David Potts, who was considered an inspirational leader at Tesco, known and respected by every store manager, will bring a wealth of experience to the table.

"David was also on the Tesco board when its market value tripled and helped move the business internationally and online.

"As well as being admired for being a great example of how hard work can lead to success, David has a strong track record of investing, nurturing and promoting talent. At a time when Morrisons' employees may be feeling a little unsure, David will motivate and galvanise a large group of people and in turn earn their trust."

Potts was decorated by the Queen in March 2013, when he was appointed a CBE for



Read more about the change of leadership at Morrisons  
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# in David Potts

## Industry reaction

"There are very few pure retailers that are better than David. I think he'll be immensely successful. He'll keep it really straightforward and focus on execution. He's a great coach and has a passion for customers, colleagues and the business."

**Laurie McIlwee, former Tesco finance director**

"We believe that Potts' expertise on the UK market made him the prime candidate for the role and it is not a surprise to our minds that he has been appointed. We believe that he will bring focus and pace to Morrisons, a business where in tandem with Higginson and [finance director Trevor] Strain, we view the current strategy as being correct but the execution in particular needs correction."

**Clive Black, Shore Capital**

"We believe the retail experience of Potts puts Morrisons in a good position. The new chief executive will need to manage underlying costs when top-line industry sales are expected to remain under pressure in 2015. We expect a decline in sales of around £400m this year to £13bn. If average item prices keep falling by 2% to 3% year on year, Morrisons might need to reassess the use of a loyalty card."

**Mike Dennis, Cantor Fitzgerald**

"Clearly, Higginson knows Potts well and is getting a known quantity. Although Potts does not have experience as a chief executive of a listed company, he does have chief executive experience within Tesco. It is a sensible appointment."

**David Stoddart,**

**Edison Investment Research**

his services to employment, skills and apprenticeships in retail.

Having been talked about as a potential successor to Clarke as Tesco boss in April last year, things had been quieter for Potts since then ahead of last week's announcement.

But having had two-and-a-half years serving as a retail consultant to several international advisory and private equity businesses, Potts has now stepped out of the background and onto the frontline of the grocery battleground. For Morrisons, much will rest upon his success.



## Five priorities for Potts

### 1. Reinvigorate stores

Morrisons chairman Andy Higginson made no bones about the fact that Potts will seek to do this as part of his strategy. Following Potts' appointment, Higginson told *Retail Week* there would be a focus "on the core supermarkets" in a bid to "get some trading momentum back into those".

The grocer already has a programme in place to simplify store operations to make them cheaper to operate and simpler to shop in. Analysts at industry body IGD observed that Potts will have "a fine balancing act to achieve these aims" to make sure the stores become "compelling retail destinations". They added that Potts could further trim the store estate in order to "concentrate investments in stores that will deliver the best returns".

### 2. Restore Morrisons' reputation for low prices

Morrisons still has two years left to go on a three-year plan to invest £1bn in prices as it bids to reestablish its reputation for value. The grocer suffered more than any of its other big four rivals following the rise of the discounters and its investment in price comes at a time when price resets are taking place across the sector.

The IGD said Morrisons' price cuts should provide "trading momentum". But the body believes Potts will seek to simplify the grocer's Match & More card to make more of the loyalty scheme.

### 3. Leverage a vertically integrated supply chain

As well as the obvious challenge from discounters in terms of price, Morrisons also needs to fend off Aldi and

Lidl when it comes to quality. Morrisons' fresh offer, which benefits from being produced through a vertically integrated supply chain, is well regarded but more needs to be done to make its own brand a competitive advantage, according to the IGD.

Morrisons was the only big four grocer not to be hit by the horse meat scandal, but its efforts to highlight provenance have failed to hit home with customers.

### 4. Reassess online

Morrisons' joint ecommerce venture with Ocado provided the grocer with an immediate route to market. But Shore Capital head of research Clive Black suggests Potts could reassess the partnership between the two retailers.

The Ocado infrastructure has allowed Morrisons to enter the market quickly, having been slow to launch an online offer.

But as the IGD points out, Morrisons' online platform will require "significant investment" this year in order to reach more households.

### 5. Push further into the convenience market

While Morrisons was slow to launch an ecommerce platform, it also entered the convenience market much later than its big rivals. Morrisons started to roll out its M Local stores at pace, but that has slowed recently and some stores have even closed.

Potts will have to make some key decisions as Morrisons seeks to catch up with Tesco and Sainsbury's, which both had a clear head start in the convenience sector.