

# ANALYSIS

## A new direction of travel

WHSmith's travel sales have now overtaken its high-street arm – but chief executive Stephen Clarke insists there won't be turbulence ahead. **Luke Tugby** reports

**W**HSmith's trading updates have become somewhat infamous in retail over the past few years for their sheer predictability.

Travel sales up. High street sales down. Solid cost control. Stable margins. Profit growth.

It is a recipe that may not be to everyone's taste, but one that has led to success for both the business and its shareholders.

Last week provided more evidence of that, with a step change that had been long in the offing: sales from its travel arm outstripped those made on the high street for the first time in WHSmith's 225-year history.

Its boss Stephen Clarke admits the sales lines between its high street and travel arms will "continue to diverge" as the latter division presses ahead with its expansion plan.

**The strategy in high street is not about driving top-line sales, it's about driving sustainable profit**  
**Stephen Clarke**

"You wouldn't have had to be a mathematical wizard to see that the lines were going to cross at some point," Clarke tells Retail Week.

"In terms of sales, they will continue to diverge because of the high growth levels we will see in travel. The strategy in high street is not about driving top-line sales, it's about driving sustainable profit.

"In travel, we do have lots of growth potential, both on a like-for-like basis in the UK, and on a new-space basis both in the UK and overseas."

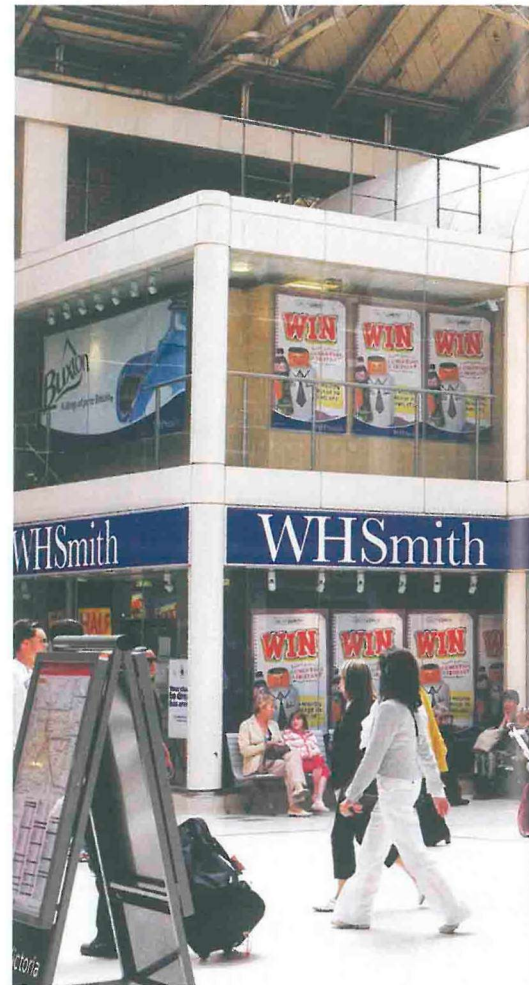
WHSmith now boasts 273 international stores across 45 airports and 25 countries. The 2016/17 financial year was its best yet for opening new stores internationally. It secured 40 units including shops at airports in Singapore, Rome, Düsseldorf, Malta and Malaysia.

### The future of the high street

But with Clarke insisting "there is loads more to go for" both in the UK and overseas as the travel growth vehicle continues to accelerate, will that leave its high street arm stalling?

Clarke insists not. Although high street sales dropped 5% on a total basis and 4% in like-for-like terms during the year to August 31, trading profit from the division remained flat at £62m.

"This time last year, we had record profit growth and record profit in the high street off



the back of adult colouring. We had really good sales in both books and stationery because of that," Clarke explains.

"We've equalled that this year which, given the current environment and all the inflationary pressures from the [national] living wage, the apprenticeship levy and so on, is a really strong performance from high street."

But Clarke admits the high street environment remains "challenging" and is taking measures to ensure WHSmith continues to hold its own amid the unforgiving trading landscape.

Back in July, he restructured the retailer's management team to sharpen its strategic focus, promoting Carl Cowling from managing director of its travel division to take up the same position at the helm of its high street business.

Many saw the move as an indication that WHSmith was ready to transplant some of its successful travel approaches to the high street.

The retailer is trialling introducing coffee shops into stores in "smaller, regional" train stations, standalone bookshops in airports and a larger footprint store at Gatwick South Terminal that will allow for "better category segmentation and customer flow through the stores".

Yet WHSmith is experimenting with its high street portfolio in other ways. It is dedicating more space to its popular stationery offer

Keep up to date on all the latest news  
and analysis about WHSmith  
[Retail-Week.com/WHSmith](http://Retail-Week.com/WHSmith)



## The retailer is trialling introducing coffee shops into stores in 'smaller, regional' train stations, standalone bookshops in airports and a larger footprint store at Gatwick

– which posted like-for-like growth of 3% during the year – and in-store Post Offices, 58 of which launched during the 12-month period.

It is testing “lower cost” stores on high streets in Kingston, Richmond and Bath to gauge whether it can maintain similar earnings from a slimmer bricks-and-mortar investment.

And the business has taken a “major step forward” in store design with pilots in Reading and Holborn – both of which are a far cry from the images regularly posted on the @WHS\_Carpet parody Twitter account.

Clarke says early results of the low-cost and new-format shops have been “good” and hopes to roll them out to more locations if trading holds up through the crucial Christmas period. But he admits “there is still lots more to do” within its high-street arm.

WHSmith’s travel arm may have taken off, but its high-street stores are certainly not grounded just yet. **rw**

## High street hopes

WHSmith’s new high street boss Carl Cowling insists that the future of the high street is bright for those who innovate as he meets Retail Week at one of his new-format stores in Reading.

Cowling, who took over WHSmith’s high street business last month after three years at the helm of its travel division, says giving customers new reasons to visit the stalwart’s 600 high street stores will be key to its success.

“I think the high street is coming to life with new fashion retailers and brands,” he says. “The physical book market is also strong again, as is stationery, and people are buying these things from physical shops.

“Although we’re 225 years old, we move quite fast. It’s what makes the business great. We’re constantly optimising our space, looking at different ranges, making sure that new trends and fashions are put in front of our customers – ideally at a faster rate than our competitors. That’s almost our business as usual now.”

With this in mind, staying on trend is a priority for Cowling. Jumping on crazes, such as adult colouring books, has proven profitable for WHSmith in recent years.

The retailer is revamping its stores to better showcase products. Reading, which follows on from the Holborn shop revamp, puts its digital offer at the front of the store, and gives much more room to fashion stationery. The customer journey is simplified with clear signage and the Reading store is artfully decorated and features an Instagram pillar.

Although the new-format locations are unlikely to be rolled out across its vast estate, Cowling insists that WHSmith stores are receiving some TLC.

“I can’t see us suddenly rolling out this concept everywhere, but we’re constantly thinking about how to display our fashion ranges better and looking at rural stores to try and make them a bit nicer and inviting to people.”

The retailer has also dived head-first into the world of social media by tying up with a number of influencers.

It launched its Zoella young adult book club and kids’ book club with former McFly member Tom Fletcher, who has more than 1.5 million followers on Instagram.

But, as well as focusing on the future, Cowling is proud of the chain’s heritage. “I feel very proud to be at the head of the oldest chain of stores in the world – I used to buy my comics from here and pens when I was a boy,” he admits.

“You can’t help but love WHSmith a little bit. Nothing nasty is going to happen to you in a WHSmith store. It’s a family brand where people feel comfortable and we sell a lot of products that make people happy.”

Although no-one can be certain what the UK high street will look like in another 225 years’ time, or even the next 20 years, Cowling is “very optimistic” about its future.

“The way people shop on the high street will always evolve, and certainly the way they pay, but I think people will always want to touch and feel products in shops. The world’s not going to be a very bright place if people just sit at home.”

**EMILY HARDY**



Carl Cowling

