

ANALYSIS

Firefighting in the Steinhoff blaze

Harveys and Bensons for Beds boss Stuart Machin is fighting fires on two fronts: a very difficult furniture market and major problems at his parent company. **Emily Hardy** reports

When Stuart Machin took the top job at Steinhoff-owned Bensons for Beds and Harveys last August, he knew he had his work cut out.

With consumer uncertainty pervading the market and currency fluctuations battering bottom lines, some furniture retailers were already beginning to crack. Even strong and steady DFS issued a profit warning.

Ultimately, the pressure proved too great for some. Sofa specialist Multiyork and its stablemate beds retailer Feather & Black both collapsed into administration late last year.

Unperturbed, Stuart Machin – a grocery and fashion veteran and former boss of Australian department store Target – promptly set about re-upholstering the two furniture brands.

What he did not know, however, was what else lay just around the corner – an accounting scandal at Steinhoff that would further pull the rug out from under Machin's feet.

Steinhoff crash

"It's been a challenging couple of months," Machin admits to Retail Week at the retailers' new concept stores in Wednesbury.

As well as the firms' credit insurance being cut and suppliers getting cold feet, the Steinhoff headlines have deterred some shoppers – particularly those browsing made-to-order items with a long lead time.

"To be candid," Machin says, "the Bensons business has been tracking OK, but the last three weeks in Harveys, which was showing some green shoots of improvements, have been particularly challenging."

The uncertain future of the retailers' owner has also inevitably led to some distraction on the shopfloor.

But Machin has admirably stifled the flames during this unexpected outbreak, reassuring staff and focusing on his new strategy.

"I'd be naive to say everything is business as usual, but I'm feeling really optimistic," he says. "I've learnt in the past few years that you just worry about the business and the people you're accountable for."

The new furniture boss has even found opportunities in the Steinhoff fog. He says, for instance, that the crisis has given the business "a real cost conscience and laser focus".

He also notes the "tremendous personal support and leadership" from the boss of Pepkor Europe, Poundland's owner, Andy Bond, as well as the "upbeat attitude and loyalty" of Harveys' and Bensons' employees.

Furnishing the accounts

Earlier this month a lifeline was flung Harveys' and Bensons' way in the form of funding from US investment firm Davidson Kempner.

Although the scandal very much rumbles on in the background, Machin regards the £180m loan – to be divvied up between five Steinhoff-owned firms – as a positive step, representing financial freedom from the beleaguered parent while its fate is decided.

It has not yet been decided how large a slice Bensons and Harveys will receive, but the deal has enabled Machin to assuage the concerns of "most" of its suppliers.

"We are now in a strong position and we continue to work with the credit insurers to reinstate cover, and suppliers on returning to business as usual," he says.

It has also restored the company's "confidence in the marketplace" and "lifted the spirits again".



Stuart Machin

Of course, the situation that caused Steinhoff's share price to crash 85% cannot be entirely forgotten about.

But, for Machin, the very real possibility of the furniture businesses being sold is "not on his agenda", he claims, despite Steinhoff being under pressure to shed \$1bn worth of assets.

"We have not yet had any discussions about selling the business," Machin insists.

Instead, he has kickstarted his turnaround plan for the furniture firms. "We're very focused on cracking on and delivering a multi-year transformation at Harveys," which he admits is "not doing as well as it should".

"There's quite a bit to be done at Bensons too," he adds.

Revitalising Bensons and Harveys

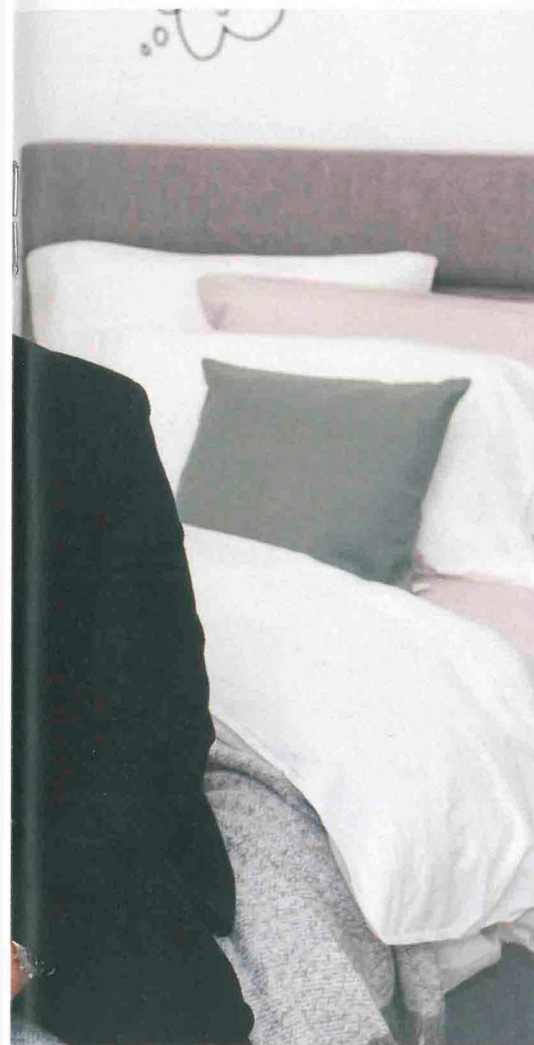
Machin makes clear that he has not scaled back his ambitions to revitalise the businesses.

"The real retailer disruptors are the value operators, businesses with a very strong ecommerce strategy and those that can get product to you really quickly – giving shoppers instant gratification," he says. "So we've got to invest in great all-year-round value, our ecommerce business and reducing lead times."

Machin, who started his retail career on the shopfloor in Sainsbury's aged 16, has already



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Bensons for Beds and
Harveys (below) in Wednesbury



Our plan was to spend where we needed to spend, and we will still invest in the areas where we can get a good return

Stuart Machin

begun simplifying the Bensons and Harveys pricing models.

He has introduced all-year-round low prices and is deliberately steering the firms away from “chaotic promotional activity, gimmicks and value destroyers”.

“What’s been encouraging is how well we’ve done on our new every-day low pricing,” he says. He explains that the Harveys team has already reduced the number of price points on its Occasional range from 29 to eight, while the Bensons team removed 13,000 product options that have never been purchased.

The flip side, he explains, is that every-day low prices don’t come with the same urgency to buy and excitement of a typical 50%-off

furniture Boxing Day Sale, and what was a new-found strength before Christmas meant that the retailer “didn’t quite get the Boxing Day [it] wanted”.

But Machin is confident that the new strategy will bring “more consistent” sales and “big cost savings”.

“And we’re no longer blocking the windows with red and white banners,” he adds.

Stores not showrooms

On the instant gratification front, Machin says he is eager to satisfy the younger shopper it is targeting by cutting lead times.

He hopes to do this by bringing more manufacturing to the UK and Europe and making better use of ample store space. This includes holding more stock and ‘take-away-today’ items, as well as accessories.

“We’ve got lots of space so we need to utilise it,” Machin admits. “We need to treat shops more like retail stores than showrooms. There’s an opportunity in Bensons to become famous for all things bedroom, including furniture and accessories, not just beds and mattresses.”

This change of direction and its new pick-up lines have broadened the retailer’s competition, which now includes Argos, Next Home and Dunelm.

Playing catch-up online

After experiencing the outmoded Bensons online shopping process first hand, Machin is determined to fix this part of the business. “I ordered my bed online and it really wasn’t the best experience,” he says.

While a lot of work has been done to rectify its ecommerce proposition, there is more to come.

“We’re just finalising the development to allow shoppers to select their delivery day and, from February, we will be offering weekend deliveries,” he says.

But despite the online push, Machin insists he has no plans to radically overhaul the store estate, which consists of 261 Bensons for Beds stores and 153 Harveys.

“We’re not rapidly closing. I’ve closed a few shops and we will close a few more.

“Do I want more stores? No. But we’ve got good stores in good sites, and they are not too big, so we’re fortunate.”

Admitting that there’s still “a big job to do” to transform the economics of the businesses and increase profitability, Machin reaffirms that his sole focus is on that, and that alone.

The Steinhoff crisis may still be blazing, but Machin is making headway in extinguishing the flames at its UK furniture firms. **RW**