

# THE BIG STORY

## Rowe's roadmap

After nearly two years in the job, M&S chief executive Steve Rowe discusses his 'marathon' turnaround task in an exclusive interview with **Becky Waller-Davies**

**O**n Saturday April 2, 2016, Steve Rowe returned to the Croydon store he had worked at as a 15-year-old Saturday boy to begin his first day as Marks & Spencer chief executive.

"I got there at 7.45am, which is the time we used to start," he recounts. "I was on men's knitwear and shirts. In those days, we had our own counters and a little key for them attached to our belts."

The counters were long gone by 2016, but 15 members of staff remained the same. When Rowe walked through the door, he was greeted by a squeal as one of them, who had worked in the store for 30 years, threw her arms around him.

It's a nice story, but it also brings home that Rowe's time with the business is both a blessing and a challenge. He has taken the reins at a time in M&S' history when, in order for it to survive long term, he needs to turn much of the established way of doing things on its head as the retailer adopts a digital-first strategy.

### Tough decisions

M&S is not the easiest business at which to do that, even without a shared history.

The retailer has achieved near-mythic status on the high street, becoming part of the furniture of British life, with many consumers feeling a sense of personal ownership, even if their loyalty may have ebbed over the years.

Rowe – who will take to the stage at Retail Week Live next week – acknowledges that, but says sentimentality won't stand in his way.

"M&S is a retailer like no other," he says. "Our customers wish us to do well. That is a tremendous asset. And we are seen as a barometer of the UK even though there are much bigger businesses than us. But one of the things I think I have demonstrated in the last

18 months is that I am not scared of making tough decisions."

He reels them off: 500 jobs cut; under-performing stores closed; downsizing head office premises; exiting 10 international markets; selling its Hong Kong business; acquiring new customers in clothing and home for the first time in seven years; cutting 14 Sales to six; reducing prices of 2,500 lines by 17%; and, of course, not discounting.

So far, the results of these is mixed at best – profit before tax and adjusted items was down 5.3% at its last half while like-for-likes fell 0.3%, although full-price clothing and home sales were up 5.3% – but Rowe is bullish.

"I think we've done quite a lot," he concludes. It's a fitting stance for somebody who has managed to earn the nickname 'Nails' – as in, hard as – while working his way up.

Rowe disputes that this nickname is commonly used but does acknowledge he has had a few over the years and that "most do refer to the fact I have a sharp edge to me".

Two years in the job have "confirmed" that he is pretty resilient, he insists when asked what he has learned about himself over the course of his tenure.

"Candidly speaking, there are times when the job of a chief executive is a lonely job," he adds. "But I prepared myself for that.

"I have seen that the job is all-consuming. *All-consuming*. But I love it. I wouldn't have it any other way."

### Change of direction

Of course, part of Rowe's most recent history includes serving under former chief executive Marc Bolland, who took over the role in 2010. Many industry observers believe that Bolland squandered the opportunity handed to him by his predecessor, Stuart Rose.

Looking back at a Retail Week interview that Rowe gave at the time, it's easy to see why.

"The early 2000s were dark days," he said back then. "We have taken the business from the edge of an abyss into one that is in good shape. What's good is that Marc Bolland can have conversations about how to grow the business, not about recovery."

That's not how things played out, however. Instead, Rowe is firmly focused on recovering a business with a much-diminished top line, reining in projects such as a Paris flagship.

However, Rowe does not want to criticise Bolland. "It's dangerous to judge individuals," Rowe says. "I think what you can say is that Marc really did care about this business.

"I think he did lots of really good things and there were things that were too slow and cost too much money, he would admit that. But let's be clear, there was a team around Marc, you can't point to one individual."

Rowe has been busy building his own team over the past two years.

"I am a big believer that structure follows strategy," he states. "Decide how you operate and then choose the right people.

"Two years ago, I outlined a strategy of having two business units where P&L accounts sit with the business leaders. Therefore I want business people with clear track records of running businesses at the helm."

He refers to the appointment of former Halfords boss Jill McDonald as head of its clothing and home business – a hiring which surprised some observers because she had never run a clothing business before.

"That's why I chose Jill – I don't care if she doesn't understand blouses," Rose explains. "I want an end-to-end business person who knows how to take customer sentiment and turn it into profit."

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**Steve Rowe**

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Steve Rowe in the Croydon store where he started as a Saturday boy



M&S Stratford City, London



Another recent arrival at M&S is that of Archie Norman, who replaced Robert Swannell as chairman last autumn. Norman is well known as being a very hands-on operator and so there has been interest about how the dynamic between him and Rowe is working out.

Rowe says they are “two sides of the same coin”. “Archie and I spent a lot of time together before he joined the business. We agree on 85% of things. 10% we don’t agree on and 5% we’ll never agree on. That’s good, that’s healthy and we have a good debate.”

You sense that Norman has strengthened Rowe’s faith in his strategy.

“He has allowed me to go faster,” he says. “Because he is a retailer he has the confidence that we are doing the right things and I think it was quite difficult before to necessarily see that. Now, we are really clear about what needs to change.”

## More work to do

That to-do list includes getting food back on track, growing sales across clothing and home for more than one quarter and somehow engineering a reversal in its long-term profit decline.

Holding market share in clothing for the first time in seven years is a start, as is getting off the discounting drug and slashing the number

of Sales. But Rowe accepts that he has barely scratched the surface.

“This is not a job finished, this is a job just started,” he admits. “We have a lot of work to do and it is going to be a hard slog. If this a marathon, you have to understand we are on mile three or four, that is it. We still have 20-odd miles to go.”

Future projects may include a highly anticipated online food offer, which M&S began to pilot last summer.

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“The big thing, and the reason we have not gone online before, is that our average basket size is not as big as the big four by a country mile,” Rowe says.

“And the economics of online delivery have largely been around can you get the basket big enough?”

He is tight-lipped about progress, but the outlook seems positive.

“At this stage, we are pleased with the basket size online and so that’s a big tick for us. We are also pleased with the customer uptake of the service offer.

“We have learned about how the customer thinks about meals versus full-line shops. And we are learning about our cannibalisation rates, which in London are not very high. I would describe that as encouraging.”

Rowe is hungry for success and there is a lot riding on his tenure, but he is humble about his own role.

“I am a caretaker, for a small moment in time,” he says. “There is no glory-hunting.”

“I am genuinely privileged to have an opportunity to run, and hopefully lay the foundations for a business that will go on for another hundred and something years beyond me. And that’s what I intend to do.” **RW**

Don’t miss Steve Rowe at Retail Week Live on March 8, when he will be interviewed on ‘Making M&S special again’. For tickets visit [Live.Retail-Week.com](http://Live.Retail-Week.com)