

Don't be afraid of Walmart: Terry Leahy

By [Evan Pickworth](#)

3 Sep 2012

Don't be afraid of Walmart, was the message Sir Terry Leahy, the former Tesco supermarket turnaround specialist, had for local companies threatened by the retail giant's entry onto their turf. Tesco, he said, managed to outperform Walmart after it entered the UK in the late nineties by not trying to copy it, but rather by developing its own broad, bold growth strategies and learning from competitors.

Tesco grew faster than Walmart in the five years after Walmart's entry into the UK.

Leahy said Tesco was worried - like SA supermarkets are now - about Walmart, but moves into new service areas like insurance and banking, having an online strategy, becoming as strong in non-food as in food retailing and striving to become a leader in global retailing ensured its ultimate success.

Speculation has been circling that Tesco is looking to buy SA's embattled Pick n Pay, though this has been denied by the local company.

Instead of becoming a casualty of the cheap retail options flowing in to the UK at the time, Tesco rose to become the number one retailer, boasting consistent annual growth rates of 10% compared with an industry average of 2%.

So what's the secret that SA supermarkets, now under pressure from Walmart's cheaper goods and other aggressive retailers looking to buy them out or compete in lock-step with them in Africa, can learn?

Well, having an audacious goal could be a good place to start.

"We had to be in many more countries and so since 1997 we have built a bigger business outside of the UK than in the UK. This inspired tremendous confidence and drive in the business," said Leahy.

Overlooked "soft skills" were critical in the turnaround.

"Vision and confidence matter more. The real quality of a business is in the trust and confidence of the people who work there," said Leahy.

Defying industry logic is another useful strategy that can be employed. So instead of following the idea that the bigger the store the better, thousands of express stores were launched.

He said that sometimes driving fixed financial measures too hard may see other measures like customers, staff, community or product measures not getting enough attention.

Leahy recommended leaders find the "currents of consumer demand" as these keep changing.

Growth of 8% in retail sales and access to growing markets have fed into high valuations for SA retail counters.

Increased competition from Massmart's Cambridge Food stores and Food Lover's Market have been cited as major concerns for a retailer like Pick n Pay, the country's second biggest. Its recent earnings dropped 15% amid attempts at a restructuring plan, while the resignation of CEO Nick Badminton did not help sentiment, though the founding family remains via chairman Gareth Ackerman. Pick n Pay recently sold Franklins, its struggling Australian business.

In 1992 Tesco's market capitalisation was less than half the size of Sainbury and Marks and Spencer. Yet after 20 years the latter two's value had hardly changed, whereas Tesco grew at ten times their rate.

For more, visit: <https://www.bizcommunity.com>