

A MERCHANT'S TALE

MICHAEL WARD LEARNT THE LOVE OF RETAILING TO BECOME BOSS OF HARRODS. **RICHARD YOUNG** FINDS OUT HOW HE DID IT



Some brands simply transcend run-of-the-mill marketing analysis. How do you value a name like Harrods, for example, the very acme of shopping experiences? At a mundane level, of course, it's quite easy. Qatar Holdings paid former owner Mohamed Al Fayed a reported £1.5bn for the store back in May 2010. But Michael Ward, the man who continues to run Harrods – as he has done for more than five years – insists this business is about much more than numbers.

'Moving into general management is a difficult transition,' says Ward. 'It's best if you leave quite a lot of your training behind – otherwise you become over-analytical. We're close to the figures here, we follow them very carefully. But this is a business about taste and style, it relies on the natural instinct of the merchants. It's

quite difficult to work that into analytical models.'

Don't assume Ward isn't a passionate accountant, however. He knew it was the profession for him from his school days and says his old-fashioned training in a broad-based practice was an essential grounding for his whole career.

'It's about awareness of, and instinct for, numbers, not just seeing figures,' he explains. 'One of the reasons I could move out [of pure accounting] was the understanding my training had given me on how you interpret numbers.'

A stint in the Netherlands with PwC (he's a Dutch speaker, naturally) broadened his mind. The need to adapt to a new country boosted his self-confidence, too. And by the end of his two years abroad, he knew



Harrods: the giant of Knightsbridge is a cornerstone of the UK retail market

he wanted to be in business. So after a year with Arthur Andersen, he went to set up a strategic planning group for confectionery group Basset Foods.

By 30, he was finance director – although he found time to do a masters degree as well. ‘I don’t think an MBA really teaches you anything,’ Ward admits. ‘But it does give you a toolkit to help you interpret other disciplines. As FD, you need to understand products rather than just relying on the stories that come though marketing.’

FROM DRINK TO DRUGS

After selling Basset to Cadbury – its offer was quite simply too huge to turn down – Ward moved to UK cider company Bulmer. It was a role littered with interesting episodes. He had to coordinate the recall of 100m litres of Perrier, for example, and helped smash the tied estates system (which conscribed pub lessees to set rents and alcohol prices), enabling Bulmer to access more pubs.

But once things were running smoothly – like a sewing machine, he calls it – Ward got bored. ‘I can’t operate in an environment where I don’t learn,’ he says. ‘Unless you are stretched, you’re ineffective.’

Hearing him recount stories from his time as FD, then CEO, of Lloyds Pharmacy, his next move was anything but dull. ‘Allen Lloyd was a mercurial character,’ Ward says. ‘I had some interesting and very difficult conversations with him because he’d not really invested in the business.’ So Ward helped him sell up.

Lloyds was taken over by German pharma business Celesio. ‘We combined the two companies’ retail estates and embarked on a strategy of rolling it out across Europe,’ says Ward. ‘In the end, we had 1,860 stores in six countries. We were buying or opening dozens of stores some weeks for three or four years.’

But once Ward had nailed the process, his attention wandered. ‘After a while I knew exactly what was going to happen with every new country that we did,’ he explains. ‘Then Apax rang and asked whether

I’d like to be a VC [venture capitalist]. I thought I just didn’t have the skill set. But they pointed out we’d been very good at buying and selling companies. For example, Allen bought Holland & Barrett for stock, just £5.6m, as part of a deal. We transformed it and I sold it for £120m four years later.’

Ward glosses over his two years as a VC. But Apax is a huge player in the private equity world, and his two major deals – Somerfield and Travelx – were massive by anyone’s standards. So it must have been pretty successful. And yet, he says, he missed the cut and thrust of business. Which brings us to Harrods.

Ward loves the fact that Harrods has replicated Tesco’s success with loyalty cards – over 70% of transactions are recorded on them

HANG ON A MO

Ward is careful about discussing any aspect of his relationship with his former boss, Mohamed Al Fayed. We know that his interview was ‘very short’ and Ward is happy to confirm that ‘chairman Mo’ is an unusual and striking character.

‘There’s no angle,’ Ward insists. ‘Mohamed has a way of assessing people, and he’s very good at it. He puts people in positions of responsibility and expects them to deliver. He asked “Can you do this job?” I said “Yes”. And he replied “If you don’t you’ll be out”.’

In which case, Ward must have been delivering pretty well. And he’s not the only member of staff in the current regime to have survived where others had failed.

‘We used to have high labour turnover, but never measured it,’ he says. ‘If you measure something you can manage it, and now labour turnover is half what it was five years ago. That brings a host of opportunities

to develop and grow your personnel, to focus on talent. But you need the process to manage it.'

So the accountant in him lives on, alongside the retailer. Ward actually sums it up best when we ask what his brief was after being appointed MD. 'It's simple. This is a special store and the role is to continue to make it special, but also in a way that makes it more profitable than it ever was,' he explains. 'Part of that was a vigour to put in numbers and systems.'

In a mark of faith in the previous running of the business, the Qataris not only left the management structure unchanged but also invested record amounts during the recession to ensure better service than ever. (We photograph him in the relatively new 7,000 sq ft wine shop where you can browse millions of pounds worth of working capital sitting in bottles.)

A year since the sale, and Ward is very positive about the transition period. 'Our new owners' attitude from the beginning has been to respect the heritage of a fantastic British icon and develop and enhance it in new ways. Our current refurbishment is ambitious, but we're all working together to ensure the spirit of Harrods is kept very much in mind.'

A STORE FOR ALL?

There's an egalitarian streak running through his approach, too. Ward loves the fact that Harrods has replicated Tesco's success with loyalty cards – over 70% of transactions are recorded on them. 'If you understand your customers and give them what they want, you will be a very successful retailer,' he says simply. 'If we ever start to think we know what they want, we'll lose sight of that holy grail.'

And he rejects the notion that he's running 'the top people's store', pointing out that its price matches to high street retailers on cosmetics and pretty much every other standard branded product. That said, there aren't many high street stores that will sell you a zebra or gift-wrap a helicopter.

So what about expansion? There's been talk of new outlets opening up to service other markets – like China. Ward goes back to analytical mode. 'Anything is technically possible,' he says. 'But if we went into a marketplace, we would need to have authority in all of the categories in which we operate. So our minimum floor plan would be around 350,000 sq ft. To put that in context, that would require us to take in about £350m to £400m a year.' (Harrods recently announced £1bn annual sales.)

'Transfer that into New York, and you're taking a huge amount of the luxury market,' he continues. 'In Turkey, you'd be taking the entire luxury market of the country. And bear in mind, all of those customers are already being served by someone. It's not like putting a mid-market variety store as an anchor tenant in Westfield [the high-end shopping mall in London's White City district].'

It's hard not to feel he's being a little coy. 'It's something we continue to look at,' he admits. And his scepticism is targeted at 'mature markets' – which suggests there may be possibilities in some of the fast-growing economies elsewhere in the world.

Harrods certainly has the clout to make it work if it chooses. Apart from that incredible brand name, owner Qatari Holdings has deep pockets. And, if nothing else, the challenge of pushing Harrods into new areas might be the ideal project to keep Michael Ward from getting bored.



CV

- **Who:** Michael Ward
- **Born:** 1956, Kingston upon Hull
- **Qualifications:** MA Business Administration, FCA
- **Work:** Managing director, Harrods, 2005-present; retail partner, Apax Partnership,
- 2003; retail director, Celesio AG 1996; MD, Lloyds Chemists plc 1994; FD, HP Bulmer Holdings; Group FD, Bassett Foods, 1986
- **Life:** Married with three children; cookery, classic cars, art and art deco glass
- **iPod:** Soul music

WARD'S CAREER LESSONS

FROM AUDITING: 'I worked in the Hull office of Whinney Murray – later part of Ernst & Young. What people miss today is the breadth of training in a firm like that. We could be on Hanson Trust one week, and the next you'd be confronted with a farmer's brown paper bag. It taught me a huge amount.'

BEING FD AT BASSETT: 'When we relaunched Liquorice Allsorts, the marketing team had the idea of putting a Bertie Bassett toy in every pack as a promotion. But when we analysed growth periods in the brand's history, what people remembered was freshness. Our shelf-life was too long – so we destocked, focused on freshness and it worked.'

BEING FD AT BULMER: 'We turned the cider market from decline into growth. But after five years, the business was operating like a sewing machine, doing very well, and I got bored.'

BEING CEO AT LLOYDS CHEMISTS: 'We had to put solid infrastructure in place. And that meant going to the City and saying we're not going to meet our profit forecasts. [Chairman] Allen Lloyd didn't want to do that so I said, "You're going to have to sell the business".'

BEING A VC AT APAX PARTNERS: 'It wasn't my skill-set. And the lure of the Monday morning figures is something else again.'

