

Kingfisher chief Ian Cheshire has built the DIY chain back up again

As profits and sales rise, Kingfisher chief executive Ian Cheshire reveals his plans to turn the company into a global retailer.

Harry Wallop – The Telegraph
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It's the €5.90 sticker that gives it away. But there in front of us is a cheap screen-print of a red telephone box/black taxi cab/Big Ben montage. It's not high art, but a bit of fun to plonk on your wall. If it wasn't for the euro price, and the big banners shouting "Lancez Vous" and "Week-End Castouche" we could be in a B&Q in Littlehampton.

In fact we are in a Castorama in Lille, sister company to B&Q, a shining gem in the Kingfisher empire, one of the few British retailers to be increasing both profits and sales.

"It's an odd European trend," says Ian Cheshire, the chief executive, who is on one of his bi-monthly trips to Kingfisher's European base in Lille. "The design community decides what is on trend and then it takes off across Europe. Apparently Britain and Big Ben is very fashionable at the moment.

The first time I saw it, I thought the French store manager had rushed in some special products to impress their boss coming over from Britain. But I am assured it sells well."

It is a business (if not a fashion) trend that Cheshire is keen to encourage. Three decades after Kingfisher was put together as an international conglomerate business by Sir Geoff Mulcahy, Cheshire wants to see it turn into a global retailer – one where all the different companies talk to each other, use the same buyers and sell, more or less, the same products.

He admits that certain chains have been "at war with each other", fighting to achieve better terms with suppliers and completely disregarding the fact they have one group of shared shareholders.

To that end, Cheshire has set a target that within the next three years 50pc of the products sold in all of its stores – from a B&Q in Inverness to a Koctas in Izmir, Turkey – will be shared. At the moment it is just 1pc. The savings are expected to run into the "hundreds of millions" of pounds, if you can sell the same hammer, in the same packaging, to Turkish customers as well as British ones.

Though the move makes sense from a cost-cutting point of view, it flies in the face of received retailing wisdom that shops need to increasingly cater to local markets to succeed. Cheshire thinks differently. "A lot of this product, particularly decorative, is essentially global. You are talking about global design trends and globally sourced product. There are some touches that you can say are more English or more French, but it's true of fashion trends, too – what's on trend here is fashionable in Asia." He points out that Ikea, a company from which he has poached a number of senior executives, "has identical product around the world and its best sellers in Asia are best sellers in Europe. The iPad sells everywhere."

So far it is a strategy that has paid off. Last month, the company unveiled a 24pc rise in half-year profits to £439m, on a 3.8pc increase in sales, and the share price since Cheshire took the helm at the start of 2008 has climbed by 90pc.

Indeed, Kingfisher, in market capitalisation terms, is now the third-biggest retailer in the country, second only to Tesco and Wm Morrison, both supermarkets. Yes, our love of grouting, kitchen islands and dimmer switches has helped Kingfisher leave Marks & Spencer and J Sainsbury in its wake.

Cheshire bumped into both Justin King, Sainsburys' chief executive, and Marc Bolland, the head of M&S, just after Kingfisher had taken the third spot. Both are not exactly humble characters when it comes to backing their businesses. "It was hard not to gloat," Cheshire says. He is too diplomatic to say how the exchange went.

It could appear surprising that the elevation of Kingfisher into this lofty position comes about as home ownership, for the first time in decades, is falling and most consumers have reined in spending on big-ticket items as the economic gloom spreads.

"Well, it says two things about Kingfisher," Cheshire says. "It says we're 60pc not in the UK. If you look at all the retailers in the UK we are by far and away the most international. It also demonstrates that the gap between winners and losers in any particular sector is widening." France is now a bigger business than Britain, with its stores making £201m of half-year profits, up 26pc, compared with £182m, up 6pc, in the UK.

There are now more DIYers in France than in Britain, with recent research suggesting that 71pc said they would undertake a project in the next few months in France, compared with 53pc in Britain, the most property-obsessed country in Europe.

"It's a combination of a 35-hour week and lots of second homes," says Cheshire of France. "It's now even the number one preferred leisure activity in France for males. Number two is what they call, er, 'family life', which is obviously a cultural disaster for France." But while France motors ahead, not all the overseas operations are booming. The big question mark is now over the Chinese business. Kingfisher was one of the very first international businesses to set up shop in China, opening its first store in 1999. But it completely misunderstood the market. Yes, there was a Chinese property boom and millions more middle-class Chinese, but they did not want a traditional B&Q. "They have a completely

different mindset. There is no DIY in China. If you've got the money you need to show it's beneath you to do your own manual work."

So what on earth is B&Q still doing in China? Cheshire is adamant that since he took the helm and shut down a third of the stores, annual losses of £62m at their peak in 2009 have been reduced to £8m last year, with the business due to break even. "We're no longer haemorrhaging cash; there is not a pressure to make a quick decision."

The other worry is the UK business. Sales are ticking along nicely, but consumers' disposable income is being squeezed like never before.

Cheshire, however, points out that the housing market fell off the edge of the cliff long before Lehman Brothers collapsed, and homeowners had been paying off their mortgages – rather than taking on new credit – even before that.

"I've been in recession for six years. It [credit-fuelled spending] got to unsustainable levels. The danger is when you're in a boom you think it is normal." But he admits the next few months are worrying and George Osborne is under a lot of pressure to come up with a pre-Budget report that boosts consumer confidence.

For Cheshire, a reduction in VAT, which could slice thousands of pounds off an expensive home renovation project, isn't the answer. "It's a tricky act because he [the Chancellor] has to say he's committed to lowering the deficit, because if you lose track of that you could end up blowing the economy up."

The answer is a "National Insurance [NI] holiday", an idea that is gaining credence in Whitehall. This would spare employers from paying their element of NI to any new member of staff for, say, six months or a year. In theory it would encourage job creation, and in turn bolster confidence.

"The danger is you potentially have people sitting on cash on balance sheets and not feeling confident enough to invest and create jobs. Employment is the key issue," Cheshire says. As the main non-executive at the Department for Work and Pensions there is a strong chance Cheshire's idea could take root.

He isn't your archetypal retailer. The current fashion – certainly in the boardroom of Tesco and other large chains – is that you need to have left school at 16 to stack shelves in order to have the drive and vision to make millions of pounds on the high street. Never seen in a tie, Cheshire is educated, urbane and has the air of the boss of a publishing company, more comfortable in business class on Eurostar than dealing with a builder looking for a bend-socket soil pipe at a Screwfix store in Nuneaton.

He's an economics and law graduate from Cambridge University who went straight into a glamour job at Boston Consulting, before working his way up at two of the biggest names of the 1980s corporate world: Guinness (where he was Ernest Saunders' executive assistant) and Sears, before joining Kingfisher as strategy director in 1998.

He admits that the last time he did any DIY himself was changing a fuse in a plug – "strictly light repairs stuff, no heavy-duty projects". "I'm very keen on the home, but my wife just wouldn't let me near anything that required a judgment on taste."

But though he's not a roll-up-your-sleeves retailer, many analysts say he has demonstrated both the rigour and bite to reshape the Kingfisher empire, without the buccaneering deal-making that typified the Mulcahy era. As well as the downsizing the Chinese business, he has sold off Italy (too small), and concentrated far more heavily on technology. This is likely to move up a notch with the hiring of the head of Apple Europe, Pascal Cagni, to the board. "It's crazy that customers now come into our stores with better technology in their hands than we have inside those stores. Our till system was built in the 1970s."

In Castorama, customers can now use their smartphones to scan QR codes, the black and white boxes on the edge of shelves, which then automatically launches a video explaining how to lay some floor tiles or fit a wardrobe, a move that will be replicated in Britain.

"It just makes complete sense," says Cheshire. Though whether a video is needed to explain the charm of Big Ben remains to be seen.

Ian Cheshire CV

Age 53

Education King's, Canterbury; Christ's College, Cambridge

Family married with three children in their 20s

Lives Wandsworth, south London

Not a lot of people know that... he was airlifted, as a six year-old, out of the Biafran War (his father was a Shell director in Africa)

Facts

856

number of Kingfisher stores worldwide

80,000

employees globally

£6.14bn

market cap, making it third-biggest retailer in FTSE 100

£10.5bn

total sales in 2010/11

£671m

pre-tax profit

Owns the following chains

B&Q in UK and China

Screwfix UK

Castorama France, Poland and Russia

Brico Depot France, Poland and Spain

Koctas Turkey

Hornback 21pc stake in Germany