

Nick Bubb's verdict: Kingfisher's changing of the guard

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A change of chief executive has tended to be seen as a sign of bad news in retailing lately, so why has Kingfisher's share price risen today?

Kingfisher's interims were overshadowed by the shock news that the highly respected chief executive Sir Ian Cheshire is to retire at year-end and be replaced by a relatively unknown Frenchwoman, Veronique Laury, who only recently took over as head of the Castorama business.

Share prices tell you things and given the recent history of chief executive changes in the industry, notably at Tesco, the City might have been expected to react badly to the Kingfisher news, fearing that a weak legacy has been passed on and that a sea of red ink will soon wash over the P&L account.

However, the Kingfisher share price has risen thanks to the reassuring noises about trading in August in France and the outlook for B&Q.

When Ian Cheshire took over as group chief executive from Gerry Murphy in January 2008 the group was in a bad way.

The fabled synergies from the merger with Castorama still not coming through and the share price was down to around 140p.

The recovery in Kingfisher's share price over the last six or seven years shows that the group has raised its game in broad terms.

But so far this year the shares have not performed well, with the market sensing that the group's exposure to the weak French economy was not helpful and that B&Q was struggling to hold on to and exploit its UK market leadership.

Sir Ian Cheshire is one of the nice guys in retailing. But he's had to acquire a ruthless streak to succeed in the world of corporate politics at Kingfisher and whip it into shape.

Some talented retailers, such as former international director Peter Hogsted, have been squeezed out the boardroom as a result.

Sir Ian is perfectly entitled to think that it's now time to have an easier life and pass the baton on to a younger generation to drive through the next five years of synergies and group development. In profit terms, France is a bit bigger than the UK for the group so the decision to appoint a French chief executive makes sense, particularly with the Mr Bricolage acquisition to see through.

Veronique Laury is very experienced in the French DIY market, having worked for many years at Castorama's great rival Leroy Merlin before joining Kingfisher 11 years ago.

It is, however, rapid promotion for somebody who only took over the top role at Castorama from the even more experienced Philippe Tible a few months ago.

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She spoke well at the beginning of the Kingfisher analysts meeting today and is clearly steeped in the potential of home improvement to help people's lives. She joked that her nickname is 'Madame Bricolage'.

Ironically, it was one of her internal rivals for the chief exec's job, Kevin O'Byrne, the former group finance director and the current head of B&Q, who otherwise played the starring role in today's results presentation when he explained his thoughts on the improved first-half performance of the business and its future strategy.

Better/clearer pricing, improved marketing and a greater focus on store productivity has helped push volume growth back into the B&Q business this year and shake out operating costs.

There is more to do on those fronts and more detail is likely at the strategy briefing on October 21. But, despite O'Byrne's breezy assurance that B&Q's like-for-like sales performance is "broadly" in line with the market, the suspicion remains that the new discounters are nibbling away at its market share and that B&Q still has too much retail space.

It was disappointing therefore to hear that the B&Q property downsizing plan is behind schedule and that only eight of the mooted 18 schemes are likely to go ahead - because of local planning problems - which will result in a space reduction of just 2%.

Given an average store lease length of eight years it's not easy to see what else B&Q can do in the short-term, but it claims to have done a detailed catchment analysis and that a mixture of store closures, further downsizes and targeted reinvestment is now on the cards for next year.

At least the UK housing market has picked up, in contrast to the position in France.

And through its Screwfix operation Kingfisher is getting its share of the growth of the small tradesman.

France is more of a struggle, particularly for the trade-focused Brico Depot chain but Kingfisher was able to report that, after a worrying dip in June/July, August saw trading conditions improve a bit. So the share price spike today was more to do with the French August trading news than the changing of the guard at CEO level (or *le changement de la garde* as they say in France).

With a mature business in the UK and a difficult market in France, Veronique Laury will need all her political skills (and some luck with the group's new ventures in new markets) to make her mark as chief executive.

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