Fresh thinking: What can leaders learn from Greggs’ new strategy?
Raising agent

When Roger Whiteside took over as chief executive of Greggs, like-for-like sales were falling fast. Two years on, both its produce and fortunes are looking healthier — so how has he got Greggs on a roll?

The truth is that we lost our way a bit during the recession and we lost market share because we were confused as to whether we were still competing in the bakery take-home food sector or the fast-growing food-on-the-go sector,’ says Whiteside. ‘So our sales were under pressure and we had one of our worst years in 2012. According to Whiteside, the key measure of a retailer’s success is its like-for-like sales in existing stores. In 2012, Greggs fell 7.2 per cent.

A new plan was needed. So, Whiteside – the former head of Marks and Spencer’s food business — moved from the Greggs board to become chief executive in February 2013. He immediately instigated a business review and commissioned the board some tough decisions were needed (see Leading questions text). The company needed to become a ‘winning brand in the food-on-the-go market, but to get to that point, it had to cut costs and diversify into other products that customers wanted: As part of Whiteside’s five-year plan, the 79 in-store bakeries all had to close and 400 jobs were lost, attracting restructuring costs of £6.5 million in 2014. Food production was consolidated to new regional bakeries, two distribution hubs and two centres of excellence. Yet in 2014, like-for-like sales grew 4.3 per cent and the company share price has tripled (see Key facts). So how has Whiteside and his team done it?

The plan was built around four pillars: raising agent, fresh food; a great shopping experience; having simple and efficient operations; and improvement through change. ‘We’re reflecting how consumers are changing their shopping habits,’ says Whiteside. ‘When we talk to our customers now, the vast majority are coming to us because they need something to eat there and then, and they like what we sell to eat there and then.’

This is not just pies and pasties, but coffee and healthier, lower-calorie foods, which is why Greggs launched its Balanced Choice range. The range includes a variety of sandwiches, salads, etc., that are all less than 400 calories. As a result of these healthier additions to the range, sandwiches were the fastest-growing food item in 2014. Greggs has also been ensuring it is in the places that people want it, when they want it. This has meant closing some high street shops in favour of locations near places of work or leisure — office, retail and industrial complexes, as well as travel places. Also, by focusing on becoming more efficient, Greggs saved £2.2 million in 2014 — £1 million more than expected. In future, a £25 million investment in an enterprise-resource-planning IT system from SAP is expected to save £5 million per year of the programme. In taking these steps, however, Whiteside also wanted to retain the ‘culture of the family-style business’ as ‘we’re here for the long run and it’s much more about doing the right thing as a result’.

This means investing time and effort into making Greggs a great place to work, as well as a good neighbour to the communities in which we operate. Keeping our values at the heart of the business, at all times, is what makes Greggs different.

To this end, Greggs shares 10 per cent of its profits with staff and continues to support the Greggs Foundation — set up in 1977 to support people in need in its communities (see page 4 for more). So is Whiteside confident the business is now on a more secure footing and able to anticipate the next big thing after coffee? ‘One of my mantras is “we’ll never stand still”,’ he says. ‘Nothing is ever good enough, ever. Greggs has been through change ever since it started and will continue changing. We do not and will not stand still.’

Key facts:

- Greggs began trading in 1939
- At 2015, Greggs had more than 15,500 employees and over 1,650 stores
- 2014 sales of £1.2 billion
- 2014 operating profit up 9.5 per cent to £38.3 million
- 2014, operating margins 7.2 per cent — up from 6.4 per cent in 2013
- 2014, new regional bakeries
- Will open £60 million in 2015, 345 million in 2016, opening 60-70 new shops and relocating up to 100

About

Future Leaders has been launched this year by HouseMark with the ambition of challenging the next generation of housing leaders to unearth new ways of working. The programme brings together one cohort of housing professionals who, over a period of six months, undertake three visits to companies such as Greggs, John Lewis and Hilton Group. Greggs is an iconic high street food retailer, with more than 10,500 employees and over 1,650 stores. It implemented a new business strategy in 2013. This publication reports on the learnings from a HouseMark Future Leaders’ visit to Greggs Headquarters in Newcastle in June 2015.
Tasty tweets

Greggs reaches up to 3.4 million people a month on Facebook and Twitter. Here is how it mixes visual jokes and an approachable tone to serve up commercial success.

The charity that began at home

The state-of-the-art bakery at Greggs’ Newcastle HQ runs continuously, six days a week, and is manned by loyal staff who take their sausage rolls seriously.

Key learning points

Greggs staffs its social media channels from 8am-6pm, and is manned by loyal staff who take their sausage rolls seriously.

FOOD FOR THOUGHT: WHAT ATTENDEES WANTED TO TAKE FROM THE VISIT

Charlotte Spalding Head of Finance, East Kent Housing

I’m on this programme mainly because I’m interested in how other organisations deal with developing their culture. We are a large public body which is only four years old, so I’m trying to get some ideas from this process.

Ian and Jane Gregg

used to sit at the kitchen table, read every single one of the letters and support a number of charities.

Because so much of my job is firefighting, taking myself out to try and see where I want to go or where the team going is really valuable.

Amit Patel Assistant director of corporate services, Asra Housing Group

I really want to learn, through networking with other attendees, what other organisations at Future Leaders are doing. I also want to learn from different companies in terms of how we can innovate within our own.

Lee Charnock Housing leader, Southway Housing Trust

For me, the six months of Future Leaders was really about taking more initiative. Because so much of my job is firefighting, taking myself out to try and see where I want to go or where the team going is really valuable.

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Roll call

- Greggs bakers and other production colleagues have been awarded accreditation from the British Retail Consortium.
- Each sausage roll has its own identity.
- Greggs' staff have become more efficient, but if there is any resistance to change over that time.
- There's a lot I'm interested in how other organisations deal with developing their culture.
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He effective use of social media has been integral in helping Greggs to communicate with its customers. Simon Smyth, marketing and communications manager at Greggs, says the company is focused on Twitter and Facebook as its main channels in an attempt to build a more ‘emotional connection’ among customers with Greggs and its products (see Key learning points). To isolate his Smyth says Greggs has conducted extensive market research to determine its main market segments. This has identified six segments and the core three are: weight and wellness; young free and social; and work-life balancers. The main brand research has been carried out in by Greggs, providing a tasty range of Greggs products available on-the-go.

4.5 per cent growth last year. That means sales are up 3.9 per cent in 2014 to 7.5 million when Greggs' social reach of 3.4 million people. This rose 718,000 ‘likes’ on Facebook and 3,000 likes, 884 shares and 907 comments on their smartphone – was launched in 2014 and already has 45K likes, 884 shares and 907 comments. As a result, Ian Greggs and his wife were receiving an increasing number of calls and letters from charities to help with their particular cause. Ian and Jane used to take delivery of Greggs Foundation. They used to sit at the kitchen table, read every single one of the letters and support a number of charities. Ian Greggs established the Greggs Foundation in 1987 to put this on a firmer footing, and its funds have been bolstered by 1 per cent of Greggs profit every year. In 2014, dividends from shares, Greggs profit and fundraising by Greggs’ staff of more than £450,000 mean the charity raised £7.5 million. Combie says the Foundation has four programmes, two of which focus on Greggs’ origins in the North-East and two which are national. Of the latter two, perhaps the most relevant for housing professionals are the Breakfast Clubs, for which Greggs raised £88,000 in 2014. These now run in more than 300 schools across the country and ensure more than 19,000 children receive a nutritious breakfast each school day. Forty-two of the clubs are run in partnership with housing associations and if any of the Future Leaders attendees are keen to help increase this number, Combie says she would certainly not stand in their way.

I have been here for a few years now and Greggs really does have family values and does live these. The conditions and benefits are good and staff are very loyal.

Sue Harrison  Director of business planning, Bromford Housing Group

I've been in the housing sector for 23 years and been looking outside housing and we're expected to become more commercial - particularly larger housing groups. There's a lot I'm interested in how other organisations deal with developing their culture.

Charlotte Spendley  Head of finance, East Kent Housing

I'm on this programme mainly because I'm really interested in how other organisations deal with developing their culture. We are a large public body which is only four years old, so I'm trying to get some ideas from this process.

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People first
Greggs places a huge emphasis on staff engagement – it’s an approach that has been vital amid the tough decisions of the past two years, says people director Rosin Currie.

Key learning points
- Greggs value commitment to be enthusiastic and supportive in all that we do, which is another key part of its culture.
- It is a core value of the organisation, with a commitment to quality and service.
- Central to this were ideas from staff about what they would like to see happen at the company.
- As a result of a very thorough consultation process, Currie says, Greggs was able to find out what people wanted.
- The company’s strategy is focused on its values and ensuring that, when, in 2014, the company had to restructure and make large numbers of redundancies as a result.
- Initially we were looking at about 500 people being made redundant,” says Currie. “We’d never done anything like that on that scale as a business, yet every discussion that we had as a board, we discussed our values and ensured that, while this was a tough decision that the business had to take, we would do it in the right way. It made us think about how we would communicate, engage and involve our people throughout the process.
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Changing man
A key pillar of Greggs’ new strategy is to ‘improve the business through change’. The man at the heart of delivering this, Damien Mayne, explains how the plan covers everything from developing new products to working out the best stores to sell them in.

Key learning points
- Damien Mayne, product category manager of Greggs, has led some interesting job titles in his time at the company.
- He has been category manager for exotic savouries – overseeing new product development – and is now one of the senior team on ‘Project Sunrise’.
- He has led the category management initiative for Greggs, which has been vital amid the tough decisions.
- Mayne says that, although Greggs may have been one of the first to implement the SAP ‘plug-and-play’ technology, which he describes as ‘really exciting’, the business has not sat around waiting for it to arrive. Sticking to his mantra, the 20-year retail veteran says more of this time in the past 16 months, since Greggs embarked on its new strategy, to become a leading food-on-the-go retailer.
- Mayne has also been working with an external consultancy on a ‘big data’ project to better understand the trading patterns of individual stores. This has provided nine different store segments, such as ‘bus stop shops’, with the hope that new products can be targeted at stores where they will be more likely to succeed.
- The company’s biggest challenge is attracting and retaining talented people. The best ideas make the difference in this business from the people at the coalface, she says. As a result, in 2014 Currie launched the ‘Your Ideas Matter’ initiative, which is a feedback process open to all staff and attracted 100 ideas last year – all of which were included in Currie’s monthly board reports.
- Greggs staff are also incentivised through rewards for shops that score highly in monthly customer experience surveys. Perhaps most impressive, however, is the fact that Greggs was able to achieve 10 per cent of its profit each year to share with staff.
- Mayne on project management: ‘Always conduct stakeholder interviews right at the outset so you can find out what people want and manage expectations accordingly – including ruling out certain avenues for the particular project if need be in order to remain focused.’
- Mayne says that, although Greggs is a food-on-the-go retailer, has been spent working with colleagues throughout the business to refine what they do and why (see Key learning points).
HouseMark is the leading provider of integrated data and analysis, insightful knowledge transfer, high-quality consultancy support and, via Procurement for Housing, cost-effective procurement services to the social housing sector. More than 950 housing organisations are HouseMark members, and we are jointly owned by the Chartered Institute of Housing and the National Housing Federation – two social housing sector not-for-profit organisations that reinvest their surpluses into the sector.

HouseMark’s Future Leaders promises to inspire, educate and equip the next generation of leaders, decision-makers and influencers in housing. Our unique programme takes delegates behind the scenes of well-known commercial organisations to hear candid accounts from successful leaders who have ‘been there and done it’. The programme is combined with insight sessions and tailored coaching which will enable delegates to explore and develop their own leadership style and ensure they are equipped to apply what they have learnt in their own organisation. For more information, please contact manveer.hundal@housemark.co.uk or call 024 7646 0500.

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