



Above: Claire Dawson, staff member and top WSET graduate; right: interior and exterior of Turnbridge Wells, St. Albans Store; Inset right: Tim How, CEO

THE HIGH END OF BRITAIN'S HIGH STREET

In a time when most UK high street retailers are shedding sales and profitability, Majestic is improving and expanding. Andrew Catchpole takes a closer look at why this particular company is doing so well, when all the others around it are suffering. He suggests it's their philosophy that makes them different.

Majestic Wine PLC's Annual Report and Accounts 2007 opens not with a summary of the enviable growth of the company, but a brief note of congratulations to five of its staff on being awarded WSET awards of excellence. One, Claire Dawson, is named as being the top Diploma graduate of the year. It's a small but significant insight into the philosophy that helps drive Britain's largest warehouse wine chain forward year-on-year. It holds a truly niche position in the market, combining off-high street sites, a minimum one mixed case sales proposition, backed by a knowledgeable, approachable staff and a keen eye for marketing and promotion of its fluid and undeniably well-sourced range of 800-odd wines. In other words, Majestic is a very individual multiple operator and one whose business model is clearly paying dividends.

Against a background of overall market stagnation and troubled high street operators, Majestic's figures make for impressive reading. The company is in its fourteenth consecutive year of growth, with the most recent year-on-year figures showing pre-tax profits up 14.1% to £16.2m (\$33m/€28m) and total group sales up 11% to £191.2m. The number of customers is also

up 7% to a footfall of over 400,000 individuals. Put another way, roughly 1% of British adults bought at least one case of wine in Majestic over the past 12 months and over 340,000 people, according to the company, are regularly 'active' in purchasing.

Customers prepared to spend

This increase in customers and sales can, of course, be in part attributed to the on-going roll out of new retail sites - currently at 136 with another eight planned for this financial year - but the real blow for the competition is revealed in the increase in customer spend. Average price paid per bottle is up 16p to £5.75, with Majestic's minimum buy mixed case of 12 policy pushing the average spend to £123 (\$252/€179), up from £118 over the previous financial year. It is no exaggerations to say that Majestic is currently the glowing success story of British wine retailing, succeeding both in attracting customers and moving them upmarket where others have been over-reliant on heavy discounting and big brand volume sales.

Growing multiple grocer dominance has, in a bizarre twist, played its part in boosting Majestic's fortunes. Supermarkets

RETAIL PROFILE

first sucked the life out of high street retailing with out of town super stores, then, as a finale, moved in to the high street with convenience stores of their own. Thresher's troubles and Oddbins lacklustre performance has played to Majestic's strengths as a multiple specialist wine retailer offering car parking, predominantly on accessible edge-of-town sites, with a wine portfolio clearly aimed at the mid-to-upper-mid market consumer. Consider these comments recently published in conjunction with Decanter's award to Majestic of High Street Retailer of the Year. "We thought long and hard about whether to give an award in this category this year, such is the decline of high street retailing in the face of the neglect at Oddbins, and the relentless chasing of promotions at Thresher's and the fact that many Majestic stores are not really high street at all". The editorial goes on to say that high street and supermarket categories will be amalgamated in next year's awards as: "No other [high street] retailers were of sufficient quality to be short listed".

Emphasis on service

Of course, Majestic's success is not purely down to the decline of high street retailing. Chief executive Tim How says that his main competitors are the likes of Waitrose, Sainsbury's and Tesco and stresses that Majestic has never operated in the traditional high street sector. However, against such heavyweight competition he remains confident that Majestic can grow further still. "Our primary strength is in having very talented, well-trained staff in store and an ever improving range," he says. "We have a level of customer service and wine knowledge that supermarkets will always find hard to match."

Staff turnover is low for the sector, with a strong graduate recruitment programme and WSET training, along with incentives such as tutored tastings and occasional trips to meet winemakers all contributing to morale. Graduate trainees are pushed through their WSET Advanced Certificate within six months and Majestic has 140 staff either studying for, or having passed, their Diploma in 2007. Staff appear, pictured, throughout the price list, adding their own quotes and thoughts on the wines, and a similar flexibility allows staff to highlight personal choices for promotion and tasting in-store. Head office, too, is staffed with many people drawn from the shop floors and internal promotion where possible is embedded in the company's philosophy. This, in part, is down to a strong 'family' ethos imbued by John Apthorp, former chairman of Wizard Wines and the man who oversaw the amalgamation of Majestic and

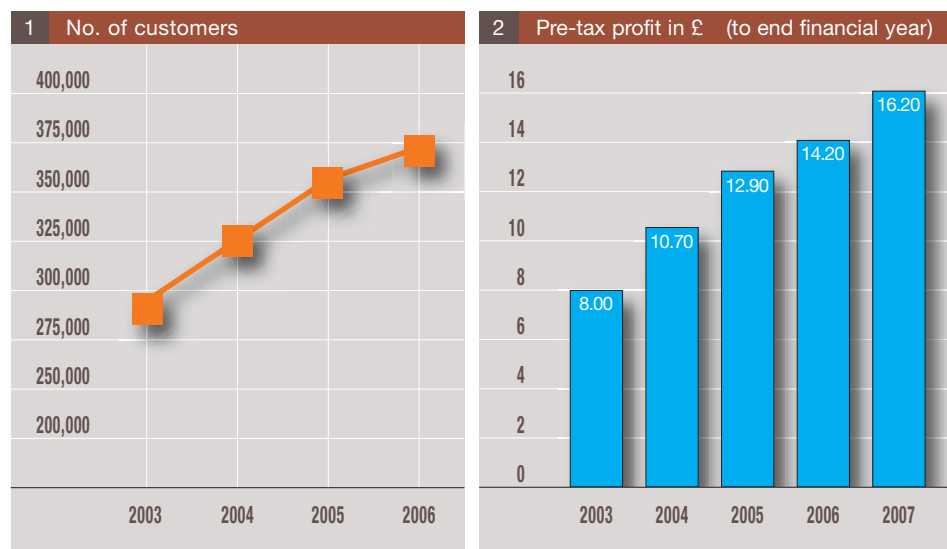
Wizard in 1991-1992 after a convoluted early beginning for Majestic (see inset).

More growth ahead

Apthorp, who was known as 'The Chairman' among Majestic staff until his retirement in 2005, was joined by How as managing director and the then trading director Tony Mason in a team that expanded the company from 38 stores to 120 in 2005, raising extra capital along the way through an AIM (Alternative Investment Market) shares issue in 1996. Mason also left in 2005, but the Majestic openings continued apace under the direction of How.

"We are very clear on how far we can go and believe there is the potential for 200 stores, which means another five or six years of growth at around 10 stores a year, also with the potential to grow our fine wine outlets to 40 stores," says How. "A limiting factor is finding the sort of eclectic buildings we operate in." Car parking is essential, as is the typically carefully researched prospect of an under-served, ABC1 customer base of potential Majestic wine buyers.

The company still has a large concentration of stores in the south east where it has historically grown but over the past decade the geographical spread of its outlets has significantly altered. Recent openings have been spread between North and South, East and West, with Bicester, Leamington Spa, Huddersfield, Cheam, Colchester and Sonning typical of sites chosen over the past couple of years. It is, however, fair to say that all of these locations have significant pockets of middle class wealth either residing in the town or living nearby. On an anecdotal note, having a Majestic open nearby - as with Starbucks or Waitrose - is a sign to property owners and prospective buyers that the area is either desirable in itself or, as likely, on an upward curve due to ongoing gentrification. Such is the image of the company, but one rooted in an expansion based on exacting demographic research.



Majestic is clearly in a growth phase, with both numbers of customers and profits soaring. This is particularly impressive given the moribund state of other high street retailers in the UK.

