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Roger Burnley on Customer-Connected Strategies

Andy Murray: Hey Roger, it's great to see you today. How are you doing?

Roger Burnley: I'm good Andy, great to see you again, too, my friend.

Andy Murray: Yes. Well, thank you for taking some time out of what is a very busy role you have and schedule, at this time of year especially, to share with us some of your thoughts. And probably the best place to start is just to have you take us a little bit on a journey from where you thought about retail and decided to go down this path to where you are today.

Roger Burnley: Yeah, sure. Well, I'm a retail lifer. I started out a million years ago as a graduate trainee at B&Q, which is kind of Home Depot in the UK, and I then moved into food retail, into Asda actually, then I had 10 years on the board at Sainsbury's. Really proud to have been part of the team that made Sainsbury's great again, as we said at the time. And then I've been back here at Asda for four years, the last three as CEO.

Andy Murray: Wow, that's fantastic. And here, we have quite a few people that are tied to the Walton College of Business and retailing at the Retailing Center and such. And when you say retailing, a lot of students don't think retail, I mean, the first thing is, like, folding sweaters in a department store or something like that. But what most people don't realize, and I really realized it from six years at Walmart and Asda, is the diversity of skills and what's really involved. And not only that, it's the speed of the game. And so if you had a two-minute elevator pitch on why you should really think about a retail career, what would that be to students?

Roger Burnley: Yeah, you make a really good point and that will be that, as you say, marketing, logistics, supply, operations, merchandising, all those things, finance, all those things come under the umbrella of retail. And I'm a firm believer of the Peter Principle that we all get promoted to one level beyond our capability. I think that keeps you humble, with the right attitude. But if I look back on my career, one thing that has always stood me in good stead is to have done as many of those facets of retail as possible. So right when it might feel good to move upwards, instead move sideways into a new area that you haven't had experience in. So at a pretty young age, a long time ago now, I'd been in store management, I'd been in commercial, I'd been in logistics. And I would always advocate that to students, that it's a great grounding across so many areas.

Andy Murray: Well, the path to CEO, which you obviously have achieved, it's taken you through a number of different disciplines inside of retail. Was there any one that served you best to prepare for this particular job?

Roger Burnley: Yeah, undoubtedly, being a store manager back in the day. I think there's no substitute. I always say, in the end, however centralized you become as a retailer, the difference in a great store and a store with opportunities is the caliber of the store manager and the culture he or she engenders across the store. So that would be the one role that I'm really admiring of anyone who has done that role and then moved on into other disciplines of the organization in any retailer.

Andy Murray: And what's interesting, I think, about a store manager role, you can get into that role fairly early in your career versus it being a general manager-type role. And you are really a general manager and almost a mayor of the town in some ways. But, I mean, that's what's cool about it is you can get to that role, I don't know what the typical range of time, but five to seven years perhaps.

Roger Burnley: Yeah, absolutely. Yes. And I love the mix we have of extremely experienced store managers who've forgotten more than I know about Christmas and the things to make sure you've got in check, but the vibrancy and new thinking that we get from our younger store managers. And we have younger and younger store managers entering retail in general and certainly at Asda, and that's really healthy.

Andy Murray: Yeah. Well, quite a strong leadership team, I think, of store managers that I experienced and you really sense that they not only understand their store, but they understand their community and staying in the community. I would suppose perhaps with COVID that being connected to the community is more important than ever.

Roger Burnley: Yeah, definitely. I think in retail, in general terms, big business is seen as faceless and it's not too many, there are clearly exceptions, but many big businesses are seen as opposed to society in some respects. For supermarkets to be local and be in their community and be clearly wanting to contribute and give back in that community is really important. And customers look to that more and more, despite the increasingly digital world that we're in. So I think it's really, really important.

Andy Murray: I think if people... Those who have worked in the UK could relate to this, but I tell my mates here that I think the UK is probably about five years ahead in retailing, grocery retailing, and understanding the role it can play in the community. It's still a bit evolving here, and I think probably COVID is forcing a tighter and stronger look at the community, but maybe it's because of the competitive environment where you could be in a car park and see a Sainsbury's, a Morrisons, or an Asda in fairly close proximity. If you're not connecting to the customer in their local community, it gets to be really a tough, tough road from a competitive standpoint.

Roger Burnley: Yeah, you're right. Uber competitive. And many would see, while we inside the industry know the differences between the different retailers in the UK, if you've landed from Mars, as it were, you would think that Tesco and Sainsbury's and Morrisons and Asda are very close together in terms of proposition. That's probably because we're quite good at it and we've all reached the sort of status quo of balancing everything to give a great proposition to customers. But you're dead right. Increasingly, things like range in price can become hygiene factors that people take for granted. And it's how you show up for customers, the extra things you do, be that service, be that in the community, that can make the difference.

Andy Murray: Many of the retailers in the UK have this idea of a customer division or such to get close to the customer. And I think the big eye-opener, and that's not as common in the US, and the big eye-opener for me from having the opportunity to work for you and be in that role was to see actually how much the CEO has to be that voice and connecting point to the customer. And I was blown away by how many letters you get. People still see the CEO as the face of a brand in a very visceral way. So maybe it'd be helpful to hear your perspective on what it means to be connected to customers and how does that show up to you as the CEO?

Roger Burnley: Yeah, it's a great point and it's certainly been a learning for me, so I think we've all, in executive positions, we've all gotten used to receiving some inbound directly from customers and members of the public.

When I became CEO three years ago, I would maybe get 25, 30, emails a day, bearing in mind my email address isn't officially out there, it's people deducing it or finding it on the web. That had stepped up to a couple of hundred. So for example, by last December, I was getting maybe 25 a day about plastics, often from school children, often from young people. Then through COVID, that reached well over 1,000, up to 2,000 emails a day from customers, which to your point Andy, it just shows that where customers have questions, have anxiety, have angst, the CEO is the brand.

But of course, for me, that gives a fantastic rich vein of feedback to know how you're doing. And I've long been a believer that in a business this size, something can happen once or twice, inevitably, maybe four or five times, but if something's happened 10 times, then you have to assume it's everywhere and you have to go fix it. Well, I've had that rich vein of feedback this year, so I've often looked to myself as to, is it a good use of my time to read all these emails? And of course, I speed read them and scan them, but I do exactly that every day, I make a little time every day to speed read and scan all those emails because it is the best feedback I will ever get.

And I deliberately get involved in answering a handful of them myself every day, at least a couple every day myself, and I get involved in what I want the answer to be if there's a theme. So to your point, it would surprise some people that the CEO of a large organization will get involved. But on the 23rd of December at midnight, I was finding a PlayStation 5 for a customer where something had gone wrong

and I knew we'd kept a few in reserve and we got that PlayStation to that customer the next morning. And she probably didn't realize that I'd done that in person, but I had, and that's good because you see the angst that we've caused and you see what we need to do to fix it.

Andy Murray: Well, it really puts you so close to real customer insight, really. I mean, I know from being as part of your team, it's easy to look at customer data and say, "Well, that's not a trend," but there's nothing as visceral in real time as getting real customer letters and interacting with customers, whether it's in stores or what you're getting in emails. I mean, that is kind of the truth. It's at least truth for them.

Roger Burnley: Yeah. And I think you and I were very like-minded in, first of all, spotting things and fixing things at a granular level to stop them becoming a trend, or to assume that they probably are a trend from the out of 20 million customers a week in Asda, that's only a few thousand finding the capacity to write to me. And so I think it's really important and it keeps you grounded and it is also a rich vein of positive feedback as well, so it isn't all about the opportunities. It is really encouraging you when, as a brand and an organization, we're getting things right. And as individuals and individual stores, we're getting things right. So it's great to have that opportunity to celebrate as well.

Andy Murray: Well, I can't imagine what happened with your inbox with COVID, which brings me up to a question I wanted to ask because fortunately, or unfortunately, March 20th is when I left the UK, really before the lockdown really happened, but I've been dying to ask you, what did it feel like? And take me to that moment when you realized as CEO that everything's changed, and this is a real situation, and you've got 120,000 - 130,000 essential workers. And what did that moment feel like? And is there any specific moment where it kind of all dawned on you that you're in a different place?

Roger Burnley: Yeah, it's a really good question Andy. I think two things. First of all, right at a very busy, uncertain time with new challenges every hour, nevermind every day, we entered our home offices. And so, you will recall, we daren't even do that on a sleepy Tuesday in February in case we messed up the business. And suddenly, at the busiest time, we entered all our home offices and were remote working and with no real end in sight as to when we'd be back.

And secondly, when in the moment, I realized that the safety and wellbeing of our colleagues needed to be the very first thing we thought about every day, closely followed by the safety of our customers, followed then by our customers' needs.

And that was quite a moment to know that it was that serious, that we had to balance this, doing the right thing for our customers and being a commercial going concern still, but doing the right thing for our colleagues, right front and center. And we've lost 39 colleagues between April and December this year to COVID. And after every single one of those, you'd need to go for a walk and think about the decisions you're making, I'm making, and that balance of looking after our colleagues equally. I think, in the scheme of things through that time, we've always had our colleagues' safety front and center.

Andy Murray: I'm curious on what you learned from a leadership perspective about... Because clearly, there's amazing things that you guys were doing, I kept track of the new ways you were wanting to serve customers differently, "happy to chat" buttons and such with drivers that I thought was just really so spot on. But were there any leadership lessons that came out of how you lead teams, how you lead the organization, how you set priorities, or so, that you might take forward as just came to light as a way of doing business over the last nine or 10 months?

Roger Burnley: Yeah. I think, firstly, it sounds like management textbook stuff but never has there been a more real example of the fact that you just cannot give any sort of certainty to colleagues. But you can give clarity and reassurance that we're doing the right thing, this is what we're doing. Can I tell you what next month is going to look like? Absolutely not. But we're doing the right thing, and you're doing the right thing, and together we'll look after our customers and we'll get through this. So managing through uncertainty, wow, I think we've all learned so much this year.

And secondly, you raised the point earlier, but back to the importance in the community. So, loneliness has been such a tragic side effect of COVID, hasn't it? The very people that we normally want to make sure we look after and touch, physically touch, and spend time with are the people we have needed to leave isolated. And so, we felt that very much. And that's where things like the "happy to chat" badge came from. And we quickly realized that online drivers might be the only person, literally, a customer was going to see or speak to in a day or in a week. And that feedback came from the colleagues themselves, as so many good ideas invariably do. So, just one example.

Andy Murray: Well, on that example, I would suppose that perhaps pre-COVID, there might be a financial discussion, "what's the ROI of that?" perhaps. I mean, you are slowing down drivers maybe, but did that kind of ROI analysis and all of that factor into the decision-making, or you said, "No, this is the right thing to do, let's just go do it?"

Roger Burnley: Yeah, no, "This is the right thing to do, let's just go do it." And there are two kinds of models of online in the UK and I think in the world, which is the store pick model and the dark store model. And we're very much in the store pick model. Predominantly, but not exclusively, the UK is. And that paid dividends, so while online was already relatively mature in the UK in comparison to most other countries, but still only 7% market penetration, that moved... It had taken 13 years to get to 7% market penetration, that doubled overnight, that doubled in three weeks to be exact, to 14%.

And therefore, we knew that we could afford to do that well and do it right. And the drivers and the personal touch have definitely been part of that. And it's also been part of the store being the center of the community because now, we have some stores where 40% of their throughput now is online groceries, but that's a customer deciding how they want to interact with their store and their community by click and collect, by having deliveries, or by coming and shopping in person. So it reinforces the store in the community.

Andy Murray: I see, I get it. It would be easy, I would think, in an operational emergency, survival-type mode, to ditch some priorities, that might be invent the future as you're focused on Friday's payroll, but you haven't. And I'm just curious on your decision-making around... Like Stevenage, which is still getting written up as some of the best new technology. I think it's been recently awarded in the Middleton store for sustainability. Somehow, you've been able to keep a bit of pressure on both skis of inventing the future, because these are really forward-looking things, at a time when you could have all the excuses in the world to not do that and just deliver. And so, what was in your thinking that caused you to say, "I'm going to keep pressure on both skis?"

Roger Burnley: Yeah. A couple of things, really. Firstly, I don't think, certainly through a lot of this year, there has been no end in sight. Now, thank goodness, there is. So, the Oxford AstraZeneca vaccine in the UK was given approval this morning, which should mean 100 million vaccines for 60 million people in the UK, that we get to a better place in 2021. But we all know we'll never go back to normal, and certainly through most of last year, it became the new normal, didn't it? So life had to carry on.

And secondly, what mattered to customers still mattered to customers. So I said earlier, before all this, last year, I was getting maybe 25 emails a day about plastic. At the start of COVID, for two months, I didn't get one single email about plastic. Just for a moment, that felt like a first world problem. But then it came back with a vengeance and it is back with a vengeance, and I think it's something even more around our customers just not wanting to mess up things, the planet, anymore. And so it's been important to still plow on with those things that are still on customers' minds, even if they were secondary for a limited period of time.

And secondly, on the tech and innovation front, and Stevenage store specifically, on the one hand, the big weekly shop has taken us back 20 years. But things like online have pushed us forward 20 years. And definitely, progress arguably has been accelerated. And equally, all the headwinds that we face aren't going away as an industry. And therefore, it's been important to still be on it. So yeah, I'm really pleased with a lot of the innovation that we've continued to push at Stevenage.

Andy Murray: Well, it's very customer-centric, from what I can see. And I'm curious if you're seeing any trends or have a crystal ball about how customer shopping is going to change, or do you think it'll go back the way it was? Or how much of it do you think's going to be sticky in going forward?

Roger Burnley: Yeah, it's the million-dollar question, isn't it? But in my experience, when the imperative that has changed behavior ebbs away, customers rarely unlearn new habits. So we saw it in the financial crisis in 2008, where customers very quickly started to waste less, shop more little and often, be savvier. And they didn't unlearn that. They didn't at the end of the financial crisis say, "Great, let's start wasting one more thing a day in the fridge." And similarly, this time, I think online will be sticky, to a degree. And we know, we can see, that people are shopping online for the very first time this year in the UK. And lots of our customers are shopping online for the very first time. But equally, we can see that customers

engage with us shopping groceries online [inaudible 00:23:20] more as well. Perhaps counter-intuitive, but they'll spend more in store and visit the store more frequently because they're shopping online and because they're engaging with the brand.

So I expect online to ebb away a little, I expect click and collect to drop back considerably in the fullness of time. But that's all relative. Click and collect's been up maybe 400% year-on-year this year. But we can see that when customers click on the website looking to make a delivery, the first place they go is delivery, if they can't get a slot, they then go to click and collect. So we can see in the data that only some 7 or 8% of customers are actually choosing click and collect, the rest are choosing it as a second choice. And therefore, it's that group that we'll need to work out how to equalize again for online grocery, whether their preferred route is deliberate. But online undoubtedly the biggest thing. I do think customers have rediscovered the large weekly shop as well, Andy.

Andy Murray: Okay. I didn't know that.

Roger Burnley: And Asda brands. I need to always make sure that isn't wishful thinking, but I do think customers have discovered the large weekly shop and the brands that the big supermarkets offer. And we need to make that a self-fulfilling prophecy as well going forward, that that behavior sticks.

Andy Murray: Well, one of the things that I picked up from talking to a senior exec at Pepsi was his projection that there'll be a golden era of creativity, as he would say, coming because there's going to be a demand for new, and not new that's just another variant, but something really new because the SKU count's been reduced. I think Pepsi dropped about 20% of the SKUs and it only hit 2% of the sales, so it's not like they were really performing loads of volume behind those SKUs and COVID forced that. But then when that's been re-established, the logistics and things behind that, what are we going to do with the new space?

You could refill it back with dog-type brands that may not have performed well, or you could really get closer to the customer and try to find out things that really have meaningful value to customers. Because they've been quite happy with fewer flavors of this through the COVID experience. And so, do you see a sense that it's going to take looking at the space that's out there and what's coming, and most R&D work has been put on hold for a lot of the supplier community. How are you thinking about how there's going to be a demand for new once we get past all of this and logistics and supply lines stabilize?

Roger Burnley: Yeah. That's a great point and I think all retailers, we're probably on a journey of range, of SKU rationalization. It was certainly, and remains, our strategy to quite aggressively do that. Why? A, because with the data at our disposal, we can do that more effectively than ever before in truly understanding what line, however fast its rate of sale, it is unique and needs to be in the range and what lines are duplication. And of course, the worst duplication is the proliferation of pack sizes.

Andy Murray: Exactly.

Roger Burnley: And we don't need 20 variants of the same thing, and to your point, that isn't innovation, is it? That's proliferation. So we're all on that journey. We then have the needs of working really well with the supply base to say, "Gosh, okay, if you can channel all your demand through just those four SKUs instead of those 10, if that's what works for you to still provide to the suppliers, please do."

And we all learned at both ends of the supply chain, that would work. I think those two things now come together, and what does that mean? First of all, the suppliers, I think, are walking towards us with the efficiencies that can bring. And secondly, shelf space and SKU count will be at such a premium that *suppliers will only get that shelf space with genuine new innovation*. And so I think those two things will create the perfect storm, if you like, that we'll really see innovation again.:

And certainly from my perspective, we will happily give space to partners, to people, who we think can bring innovation and reason to visit and theater that we're not operating ourselves, rather than more duplication. So the pressure's really on because we're giving suppliers another competitor, if you like, which is giving our space to a completely different partner if necessary. So yeah, I think we'll see loads of innovation. And as I say, back to the green space in our Middleton store where we've got lots of innovation around customers bringing your own and we're proud to work with the brands. The brands have been fantastic with us in a big way of the fill-your-own-container, really removing plastic and non-recyclable packaging. I think this will all leave space and innovation for that agenda, too.

Andy Murray: Well, there probably have been some category disruptions in terms of moving online faster, essentials, you think of certain categories that could be more easily shopped online, which in my mind, this is probably one of the few times there's been a macro space disruption in a pretty condensed period. And I know macro space is very difficult to relay out and think about, on any kind of short timeline, because of the capital required.

But one of the things I've noticed is you are doing store pilots and looking at that space. And as any disruption that goes through, those that are at least testing and learning new ideas have a better shot at leveraging uncertainty than those that weren't. And you think about restaurants that weren't exploring with takeout really were caught versus restaurants that had a takeout or a delivery service. And so, I mean, do you see more pressure on macro thinking on space because of these changes?

Roger Burnley: Yeah, absolutely. And I think the rate of SKU reduction in many stores and superstores means that you have to face into the macro reduction. So you increasingly compromise if you only look at the space of a category, rather than reinventing the whole store. You're bang on. And so next year, the rubber hits the road for us with really having those major relays, which the SKU count necessitates, but actually give the opportunity for. You can bluntly, as a retailer, you can fix things that you know haven't quite been right for years. That crisp aisle has never quite been big enough, but to move it all the way around the shop has been a step too hard, well you can do it now.

Andy Murray: You can do it now.

Roger Burnley: More refrigeration in that space, well you can do it now. So it forces you to that point. But you're dead right. You have to have that big thinking in your thinking or you'll always be suboptimal in that new world.

Andy Murray: It does put a pressure on a certain type of leader or the leadership you have, or any retailer has, to think about new things. I mean, you're talking about now coming up with ideas you may not have tried before. And there's a certain kind of a left-brain leader that can get things done and repeat and scale and achieve based on the patterns they've seen, but then coming up with new ideas that you've not seen is a lot more difficult. And so what kind of leadership do you think it's going to take to lead in this new space going forward?

Roger Burnley: Yeah, it is people who are prepared to, first of all, do the groundwork to understand... Not many of us sit there and come up with great ideas in isolation, in a vacuum. Most of us get ideas that we either see and blatantly copy, or see and evolve, or just by being across the supply base, the competition, listening to customers. And therefore, I think all that groundwork about being open to all those ideas and open to what might have seemed riskier in the past more than ever before. And being open. I think the benefit of supermarkets, while it's felt like a really testing year, wow, in the grocery food industry, we have been blessed in having a going concern, haven't we? And therefore, in that environment, it does allow us to reinvent. We've got the oxygen to do that.

But, you know well, Andy, just having a customer exec, have a strategy exec, as most businesses do, but that strategy and strategic thinking has to permeate all the leadership and quickly be taken on. So partnerships will be a great example. We'd start that within the strategy team of what would be a good partner, what areas might we look to in the store where others can do a better job than us, and we should welcome them into our space. But now, that thought process is out amongst the leaders. And just when it might feel like turkeys voting for Christmas to give up some of my space to a partner who I'm saying might do this better than I would, people can now see that that brings additional reasons to visit, additional theater, additional benchmarking for our own proposition as well.

Andy Murray: Yeah, and a much faster way to learn. I mean, you pick up learning so much faster by that partnering idea and I think that's a great way to reduce... You're de-risking your own innovation, right? Because you can see and maybe not do the things they're not doing well and pick out some of your own paths on that space. So I think that's brilliant.

Roger, one of the things that I see a lot and get a chance to talk to a lot are students that are just entering the workforce, or they will be in May. I would say probably a little bit of discouragement out there in terms of, what does the world hold? What path are they going to go down? Am I going to get the right job or no job? But yet also, it creates a great time of opportunity. And so, probably the last

question, what would you say to people in that category, whether their first job or just leaving university, what gives you hope? What gives you hope with that as you look at the future?

Roger Burnley: Yeah. And gosh, my heart goes out to that generation, Andy, of people who've worked so hard for their education, just starting out in life, not only is their social life being pretty hammered over here to be almost non-existent, that their ambitions and hopes and the jobs and careers and learning they thought were there might have seemed to evaporate. But first of all, I'd say, a level of normality, clearly it will never be the normal we knew, a level of normality will return.

Secondly, although this sounds brutal, COVID has accelerated the demise of some jobs, of some industries, of some businesses, that it's accelerated the demise that was probably going to happen anyway. So it's made things happen faster.

So stay cool, things will get a lot better, but also look around to the businesses that have prevailed, done well, in this time. See the opportunities that are there, the businesses that are expanding and doing well, and get close to those opportunities and those businesses. I firmly believe that applies just as much if you're just out of school as it does if you're a chief exec or an exec looking at where the opportunities are. But it will get better and lots of opportunities will come from this.

Andy Murray: Well, I've spoken to quite a few senior leaders, Roger, that tell me that there's been a culling a bit of leadership that COVID has brought and it's really shown them where the really great leaders are, maybe a little bit more separating the pack a bit. If you could, what are some of the attributes of the leaders that have really shined through this and you saw some attributes there, because I think those would be good to hear about?

Roger Burnley: Yeah, yeah. I think it's a real ability to flex your style. So certainly in the early days of COVID, I think we needed, as leaders, to be a little bit more top-down, tell and do, no messing, than many of us might have previously felt was good or would see as progressive leadership. But that was really important, A, when there were no right answers, so somebody needed to decide, "Right, that's what we're going to do," and B, when things were changing by the hour. And that returns on a daily or weekly basis, potentially, in the UK. Right before this call, I was listening to the new restrictions being put in place. We have a tier system, tiers one to four, in the UK, and different areas have just gone into new tiers. It's kind of like the US condensed, that we've got so many different scenarios.

And so there's a bit of tell-and-do straight away on what we'll need to do. But then to quickly be able to pivot to a shepherd-style leadership, to a reassurance, to letting people make decisions which they can make better locally in a scenario. So I think it's that style flex of knowing when on a daily, hourly, weekly basis to employ what leadership style. And the opposite to that sort of quite centralized fast style has been, for example, the need this year to empower store managers locally on the ground, probably like

we haven't done for many years, because they are the best person to know how many customers exactly they can safely have in their store, for example.

Andy Murray: Yeah. That's a great example because there's probably a lot of good reasons why you wouldn't do that empowerment at scale in a normal operating environment because you're trying to get some efficiencies and best practice learnings. But in this case, it's the ability to flex style to do that, so that's great.

Well, Roger, I think very few people understand the pressures and role that you have to carry in that role because not only is it one of the UK's largest employers, but you're feeding people food. I mean, this is life. And so just to commend you on a great job of holding that line and doing that job as a real role model for a lot of people, including myself. And again, I don't think you probably have a lot of people that have the full empathy of what all those pieces connect and what they do, but it's important.

And so thank you for taking just a few minutes and sharing your insights because they really have been hard-won insights.

Roger Burnley: Yeah, thank you. I've enjoyed catching up. Great to see you.