

BBC RADIO 5 LIVE
“WAKE UP TO MONEY”
05:30 Thursday, 20th October, 2005

Transcript:-

<p>Presenter:</p>	<p>Morrisons’ half-year results are out later this morning and the City is braced for some bad news. The Supermarket chain is suffering a painful bout of indigestion after swallowing its bigger rivals Safeway for £3 billion 18 months ago. The Founder and Chairman, Sir Ken Morrison, has repeatedly warned profits will fall short of City hopes. In fact, this year alone he has done that at least 3 times and Analysts are tentatively predicting profits of just £25 million. That’s below the range Morrisons is predicting and well down from £126 million a year ago. Even if Morrisons beats the gloomy predictions, 2005 will be a year best forgotten by Sir Ken.</p>
	<p>Interval (Dialogue & Song: Bad Day by Daniel Powter)</p>
<p>Presenter:</p>	<p>Ian Gray is a Fellow of the Society of Turnaround Professionals. He joins us here in the Studio.</p> <p>Ian – should we be really talking about turning around Morrisons? Is it a business that’s really hit the rocks or is it just a question of waiting patiently for a recovery here?</p>
<p>Ian:</p>	<p>I have seen much worse cases and it’s a business which needs to sort out its integration and stabilise its business and it needs to overcome those problems. I think what we have seen, with Morrisons, is a business that is not used to acquiring anything else and I think that’s what they have stumbled with but I think there is a profit improvement thing to go ahead and there are a lot of costs to be incurred whilst they do that.</p>

Presenter:	To use a word that's popular in Supermarket circles, they have grown organically haven't they? They have not grown by acquisition.
Ian:	Yes, historically they have grown organically and this is their first acquisition.
Presenter:	...and do you think most of their problems are down to the difficulties they have been having integrating Safeway? Is it exclusively that?
Ian:	From what I can read in the papers and what's in the public domain – yes.
Presenter:	But it seems extraordinary that you pay £3 billion pounds for a rival Supermarket chain and you don't really have a clue about your integration policy afterwards?
Ian:	I think that's a very good question. I think, you know, if you're used to doing mergers and acquisitions then you would, as part of your process in acquiring the Company, then you would work out how you were going to integrate it and you would look at your IT systems and you would look at your common Suppliers. You would look at your overlappers of stores and you would integrate/start that policy very quickly.
Presenter:	Now, Sir Ken did survive an attempt to get him out of the Board earlier this year. Supposing, hypothetically, that you were parachuted in there now – what would be the first thing that you would want to look at to try and improve matters for Shareholders?
Ian:	I think if I was parachuted in there today, and let's assume that it would be when the first problems occurred, the first thing I would look at is that you would want to get hold of the cash. You would want to make sure that you had a real understanding of the cash and where the

	<p>problems were lying. You would want to look at what surplus assets you had so that you could get rid of/generate some cash quickly and you would look at your first step of easy wins for cost reduction.</p>
Presenter:	<p>When this deal was first done, there was a lot of argy-bargue about the North/South divide and I think, just reading this text here which seems to just somehow..... It's from Granville would you believe:- "I would drive for miles to get a good power shop. It's Morrisons for me. I am not a weak pesto-sucking South-Easterner. We are real men up North". I mean that seems to be the idea that people have got in their heads, that Morrisons was a good cheap Northern company producing the goods and Safeway was just one of those ponsey South-East jobs that, you know, produced a bit of pasta and this, that and the other. I mean, is that a real problem for the business?</p>
Ian:	<p>I would not have thought so. I mean there is a public perception but you could overcome that. I mean, people will go where there is good value.</p>
Presenter:	<p>You must have been in situations, as well, where Companies have wanted to turn themselves around and wanted to close things down to cut costs and so on. I mean, Morrisons have been wanting to close down Distribution Centres and they have had a lot of trouble with the Unions there. How would you set about trying to overcome that, because they seem to have promised them no compulsory redundancies. That's going to make cost cutting even harder, isn't it?</p>
Ian:	<p>With any business, especially one of that size, you would get a natural staff turnover. People will be retiring, leaving, moving on so with any of these cost cuttings there is a natural evolution. There is also voluntary redundancies but</p>

	with these large cost cuttings, where you are involving people, you have got to get the Unions involved at an early stage and you have got to inform your employees as to what the future is and you have to make them part of the process.
Presenter:	Do you think there is a long term possibility of damage to the Morrisons' identity and the fact that they have not been able to make that transition, not to convert as many Safeway stores as they should have done?
Ian:	I think they will overcome the problems. I think they have got a good brand and I think they have now got a good Management team that will get them through it.
Presenter:	I mean, if you look at a rival like Sainsbury for example, which actually posted a loss. Let's not forget that they now look to have started to turn themselves around. Maybe you could argue that the shares in Morrisons now are a bit of a recovery play and you could get in there.
Ian:	Yes, but you have got a situation where they are making money. They have sold assets, they have got rid of stores, they are generating cash, they are converting stores to their own format and I am sure they will get there.
Presenter:	OK, Ian Gray, thanks very much for that. We will find out just exactly how well or poorly Morrisons have done just after 7 o'clock when they come out with their results.