

analysis INDEPENDENTS



Haldanes, Asco & Alworths: counting on counter-intuition

With three new chains – two supermarkets and a variety store – opening this month, what makes the owners think they'll work? **Rachel Barnes** reports

A new independent supermarket chain would be a risk at the best of times. But in the teeth of a recession, not one but two chains, Haldanes and Asco, are setting up shop – the first in 21 years – with ambitious plans to launch stores across the UK (see right), while a new variety store chain, Alworths, opened earlier this month seeking to recreate the magic of a Woolies, but with a new twist.

Alworths was first to open, with Didcot, launching on 5 November, being followed by four more by next week. Its eventual target is 100 stores from 4,000-6,000 sq ft.

Haldanes is equally ambitious. It opened an 8,000 sq ft store in Scotland on 18 November (see above), and aims to open 50 within four years, targeting a turnover of £100m.

And while Asco's first store, in Warrington – initially scheduled to open in October – is not expected to launch until early December, MD Dave Laney, who spent 15 years at WH Smith and was latterly area manager for 150-store bakery business Sayers, is "raring to go", with plans for 30 stores in three years.

But why have they chosen now – of all times – to launch? Alworths boss Andy Latham, a 25-year Woolworths veteran and former head of store and concessions development, says setting up during a recession means his business model has a low cost base and believes the recession is a "fabulous time to be doing this" as so many

NEW ARRIVALS

Asco

Target: 30 stores in three years
Store sizes: 18,000-100,00 sq ft
Positioning: Tesco and Booths
First store: Warrington, 11,000 sq ft
 Opening in early December

Haldanes

Target: 50 stores in four years
Store sizes: 3,000-15,000 sq ft
Positioning: fresh, local food
First store: Edinburgh, 8,000 sq ft
 Opened 18 November

Alworths

Target: 100 stores
Store sizes: 4,000-6,000 sq ft
Positioning: adults with kids
First store: Didcot, 8,800 sq ft.
 Opened 5 November

units are available. "If I could have opened six months ago, that would have been even better, as a number of perfect sites have already gone. But there are still many great locations across the UK that have been empty for six months."

Laney agrees. Landlords are offering "deals that wouldn't be available if we weren't in a recession. Now is definitely the right time to get going."

But although finding good sites, at the right price, remains key, it takes an audacious player to make a move when faced by so many heavyweights.

Just ask Chris Kiley, owner of CK Supermarkets. CK was the last supermarket start-up to open, in 1988. It now has 21 stores, all of them in Wales, with two more planned for next year. But if one of the big supermarkets opens nearby no-one stands a chance, he warns.

"We had one open next door to one of our shops and it took 25% of trade straight off. Other retailers simply don't have a prayer."

The vision

So how will Asco & Co differentiate themselves? Named after the middle name of executive chairman Arthur Harris, Haldanes is focusing on small supermarkets (from 3,000-15,000 sq ft) offering fresh and local food. Its policy is to source 35% of food and drink from local producers, at every store.

"Many multiples have tried to encourage local sourcing, but we believe none has managed it effectively," claims Harris. "Somerfield had a reputation for sourcing good-quality products and we want to replicate that. But we will go further, with more freshly grown, local products, as well as using local bakers and butchers as suppliers."

Harris also believes his senior team - comprising managing director Graham Emslie, finance director Chris Laud and non-exec Steve Back (the former CEO of Somerfield) - is experienced enough to negotiate margins at the same level, if not higher, than those achieved by Somerfield and The Co-operative Group.

Asco - a name suggested during "light-hearted banter" with suppliers - is positioning itself more squarely against the big multiples, with stores from 11,000-100,000 sq ft, under the strapline 'A real alternative'. "We won't be doing different for the sake of different, like crocodile or ostrich meat, but we will be stocking some products not available elsewhere," he claims.

Laney also promises no "gimmicks". "Instead of bogofs, we'll do link-sales across the store, such as getting free eggs with your bacon or free milk with your cereal."

And like Haldanes, Laney believes Asco can make sufficient margins.

"We won't take on the big supermarkets on price, but we'll look to get the same deals offered to other retailers," he says. "Some smaller suppliers are being very generous in their terms with us, as we can give them the prominent positions they wouldn't get in the bigger supermarkets. Some supermarkets haven't got great relationships with suppliers. We told them, if they're with us now, in three years' time we won't forget that."

Asco is also planning to offer regular discounts, including a pensioners' day on Wednesdays with

5% off everything except alcohol and tobacco, as well as a 2% discount at all times to service personnel and nurses and policemen.

Other plans include "non-food like TVs and clothing, as well as housing NHS dentists and opticians", Laney adds.

At Alworths, Latham is equally confident he has a point of difference. Concentrated around "smaller towns, such as Horsham or East Grinstead rather than Milton Keynes or Oxford Street", the new chain will stock the usual chocolate, crisps and drinks, as well as an old-fashioned sweetshop range.

But Latham has shifted the focus "from mums with kids, to all adults with kids in their lives". And to keep people coming in to the store outside the Christmas peak, the new-look business will also have a Pound Zone fixture, selling "distress purchase" household consumables such as toothpaste, washing-up liquid and toilet roll.

"These are meant to be top-up purchases people can get on the high street," explains Latham. "It's the same with our DIY offer. People will go to B&Q to get all their decorating materials, but they can come to us when they run out of white spirit or need another paintbrush."

Latham plans to have 22 stores open by August, targeting a turnover of more than £25m for the first full year, with a profit forecast by the end of next December.

Prospects

So what chances have these start-ups got? While none of the start-ups was prepared to talk about finance, RBS retail analyst Justin Scarborough is not likely to be first out with the chequebook.

"A focus on fresh and local food has been very high on the agenda of the multiples and link sale-type promotions such as 'feed your family for a fiver' have been common this year," he says.

"And with the new Woolworths, it's hard to see why consumers will suddenly start embracing an offer that's been around for 100 years, especially when consumer trends show people are picking up more and more non-food with their food shop."

Another analyst argues that a back-up plan would be advisable.

"Perhaps there is another strategy here: to grow into a sizeable chain operating on margins that aren't great, but then sell the business on to the big four somewhere down the line," he suggests. ■



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