

Can Boots boss **Richard Baker** turn round the fortunes of its optical chain? He tells **David Challinor** that recovery is already taking place

We meet in Boots' flagship Oxford Street store, where Richard Baker greets me jacketless, in the business-like style adopted by politicians who want to talk tough.

For Boots Opticians, this year has certainly proved to be a tough one. However, Baker is upbeat about Boots Opticians' prospects – granted, after a period of what he admits has been 'turbulent' reorganisation – and claims the 300-outlet multiple is now a better run business, with optical professionals leading the recovery. This is against a background of a first half of 2005-06



Richard Baker: Our people know they've seen a better performance in the last couple of months

The fabulous Baker boy?

where sales were down 10.5 per cent and on a like-for-like basis 10.9 per cent at £82.9m (2004-05: £92.7m). Losses for the period totalled £5m.

This followed the high-profile disposal of the laser eye surgery and dental business in October 2004, aimed at improving performance of the core business. What it did – in the short term at least – was to convince some Boots customers the company was pulling out of the optical sector altogether.

Then there was the internal reorganisation of practice managers which took place in the spring. With all this going on one could be forgiven for thinking that Boots Opticians' catalogue of difficulties might well continue into the New Year.

Not a bit of it, says Baker. 'Our people know that they've seen a better performance in the last couple of months,' he reveals, confident of a turnaround. He hints the financial improvement has been 'significant', driven by internal changes which he admits caused the alarming figures from earlier this year.

'Part of the reason why our profits were down in the first half was because we invested in IT and things behind the scenes,' he says. 'We've made a lot of changes, to be honest. And in a business which is very much dominated by people, when you've got change going on you have staff inevitably spending time

getting themselves re-orientated.

'However, I think we're through that time of turbulence now,' Baker states, 'and I've been quite encouraged by how things have changed in the last couple of months. So we've taken a bit of pain, and now we're moving through that period and the practices are now pretty much fully serviced [and run] by professional people.

'So, compared to a few months ago it's a vastly different picture,' he enthuses, 'and you can see that coming through in our sales performance.'

TRUST IN RECOVERY

The City, and the profession, will take a great interest in Boots' next significant set of financial figures due next May. But for now they and we have it on Baker's say-so, Boots Opticians is firmly in recovery mode.

'As we said when we went into this year we expected the second quarter to be quite tough because we were going to make a lot of changes,' he admits. 'We knew there would be a period of disruption to the business and that was planned for. Now we have a different structure, increased our advertising spend and have different product coming through. All of this has improved things quite significantly.'

He is proud of the alterations he has helped make to the chain, and reinforces his prediction of better times ahead.

'If anything, we've made the business more professionally focused in the last 12 months,' he says.

'It's a professionals-led business – if you've got people who really understand the service they have provided, and are closer to their customers, then that is a better match to the Boots brand than simply trying to sell spectacles in high volumes at low prices regardless of need.'

Baker is no stranger to optics – he was a director at Asda when the supermarket launched its optometry offer – and speaks of his professional staff with a high regard.

Though it is too early to say what opportunities Boots Opticians staff will have in future, Baker points to the much reported £7bn merger bid with Alliance UniChem as proof that Boots plc is moving in the direction of 'creating a leading international health care group'.

So where will Boots' optical interests figure in this new scenario, if the deal goes ahead? And will Boots Opticians be mentioned at board room meetings if the merger goes through?

'Yes,' he says unequivocally, seemingly unhappy that the question should be asked at all. 'All important parts of the business will be reviewed as they were in yesterday's (November 24) meeting.'

'It's a big business, Boots Opticians, and what we clearly have said is that we are going to form a leading international health care group, and for me opticians is synonymous with that.'

Later, he says that given the merger's go-ahead he expects Boots to take the lead in any important discussions about the UK optical chain.

'They'll [UniChem] be very much led by our view on what we need to do,' he says. 'I've made it very clear that we've been through a period of re-investment in Boots Opticians – certainly in the first half – for a better performance in the second half and beyond.'

One area Baker is keen to discuss is the success of Boots Opticians franchising project, first announced in 2003. There are just eight of them at the moment, but Baker hints the total might climb in the near future.

'After a sufficient period of time to "bed-in", they've generated a strong performance.'

He would not commit to rolling out the idea to more practices, but is confident that if he did there would be 'many of our people sticking their hands up in the hope of becoming a franchisee'.

The potential to take on a franchise is one reason why optometrists and other optical professionals should join Boots Opticians, he says, with training and good equipment among the others. Training

remains core to Boots Opticians and extra revenue has been earmarked to boost it further.

AN EYE ON THE RIVALS

What does he think of the competition and the other well known optical names in the high street?

'You have to admire Specsavers' success story,' he says. 'It's a powerful brand name, very thought-through. I also like the look and feel of Vision Express – the layout and appearance – and they have a real sense of expertise, and they carry out their business in a fresh, modern way.'

Speaking of the high street, one question which comes up repeatedly regarding Boots Opticians is whether the multiple should have as many stand-alone practices as it does, or would it benefit by having more practices inside Boots The Chemists outlets.

Baker's view is that where there is sufficient floor space the latter does appeal, but in some locations this is not possible and he would look to a stand-alone practice.

'If you look at what we've done in Oxford Street – the pharmacy and opticians are literally next to each other – there's a real sense of a small high street health centre and that's something that we're trying to create.'

He reveals that Boots' biggest spending

consumers are often also patients with Boots Opticians, so it makes sense that the company fosters the cross over between pharmacy and spending on eyewear.

But aside from the group's biggest spenders, how does Boots' retail philosophy – defined by Baker as 'a high quality service and product, provided by an expert person at a high value price' – sit in the high street of 2005, where consumers are driven by the search for cut-price deals on nearly every item?

Baker shrugs this off and claims that Boots' heritage has also been ready for this challenge. 'There's always been a very strong emphasis on value for money – which is a good quality product sold at a fair price.'

The 'quality product sold at a fair price' phrase is a mantra he repeats during the interview.

Our slot is nearly over, and Baker now has another appointment which is already running late. One last question or two to ask the 43-year-old chief executive. Does he wear eye correction? 'No, not yet.'

But when the time comes, where will he go? 'I know that a regular eye exam is important, not just for spectacles, so every two years I'll book an appointment at Boots Opticians.'

Whatever 2006 holds for Boots Opticians, the plc's boss has no doubts as to its place and potential success in the years to come.

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