

JOHN READINGS PTY LTD

Case Study Overview

Company History

John Readings Pty Ltd is an Australian retail company trading under the name Reads. Its primary business is general bookselling. It currently has 41 stores located in all Australian States and Territories.

This chain of traditional booksellers retails a broad range of fiction and non-fiction books, DVD's etc. and Read's main opposition comes from Borders, Angus & Robertson, Dymocks, Collins and the large department stores including Myers, David Jones, Kmart and Big W who sell some of their books and related products at below cost price.

John Reading who, prior to the war had been a business prodigy, started the company in 1956 when he returned from the Second World War to Melbourne and an unlikely inheritance. His second cousin, removed, whom he had never met and was only vaguely aware of, had died in England and left him with a substantial estate and a request to bring reading to the masses. Subsequently Reading, who knew little about books and even less about fiction but was an extremely savvy businessman, opened his first store in Collins Street Melbourne in late 1956 just in time to catch the Christmas trade. Fortunately, he married a gregarious reader and budding author Tilley Johnson who went on to write and publish the now famous Darkfire Trilogy – a fantasy series unsurpassed in modern fiction. Together they built the Reads empire and by 1970 it consisted of more than 50 stores across Australia.

In the mid '70's John and Tilley handed the business over to their daughter Zoe who like her mother had a talent for creating and, mentored by her father since she was small, she also had a good business head on her shoulders. Under Zoe's leadership the company grew to more than 250 stores and was investing in expanding into New Zealand and Asia.

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The recession of the early 1990's and the seeming pre-occupation with TV and videos caused the business to struggle to keep afloat for a couple of years until the public float of John Readings in 1998. This resulted in some structural and cultural changes, although Zoe continued on as CEO and as a consequence the company went into a period of high staff turnover, low morale and stagnancy. The company's shares floated at A\$2.10 but later fell as low as \$1.20 and then reached heights of \$4.70 just before the GFC.

With the change in structure the company decided to take a new direction to entice customers back into their shops and away from the TV, and they introduced coffee shops into all their high turnover stores. They also initiated a major move to online sales and the company invested \$6M in developing the online strategy and designed and developed the infrastructure to support it.

After an extensive review by PWC the company closed a number of non-profitable stores and re-opened others. The chain had always had a good range of fiction and was well known for its huge collection of fantasy and science fiction as well as its ability to source hard-to-find fiction for patrons. During the early 2000's, and not long after the coffee shops were introduced, management decided to promote the non-fiction collection, especially technical books, and to compete head on with the technical booksellers such as Melbourne University Press, Pearsons etc. Its largest and most successful store in Sydney has more than 180 employees and it now has more than 850 stores at locations all over Australia and New Zealand.

John Reads, along with many of its key competitors such as Borders, Angus & Robertson, Dymocks and many of the smaller booksellers, have experienced the impact of several changes in retail and the bookselling industry generally.

First off, they were hit very hard with the change in law that protected Australian writers but as a consequence, saw imported books which was a whopping 87% of the range penalised and become much dearer overnight. This meant that the average book purchase went from \$20 to \$35 almost immediately. Over the years of growth of the

company from a small business to a large retail book giant, the consumer has radically changed. Once upon a time all they wanted was a book, sure it was a challenge to keep up with reading patterns and keep abreast of modern authors however, with the new century has come new technology and consumers are wanting to experience this, so the advent of e-books and the domination of Amazon initially and then the many other online book stores has really battered the Australian bookseller so much so that two of Readings major competitors Borders and Angus & Robertson recently went into receivership. Along with this, the large department stores pushed up their stock of books and related products and sold them at below cost price implementing a deliberate strategy to increase traffic into their stores with lost leaders including books. All these changes in the market and the decline in store sales have seen staff confidence and morale plummet.

New Initiatives

Recently, the company signed a major deal with Apple Australia to provide them with an exclusively branded iPod that is also a reader. Along with its other features, it will directly compete with the Amazon Kindle and other cheaper readers in the market. The Apple reader is a top end product however, it provides users with a much higher quality reading experience and far exceeds the experience provided by Kindle (the current market leader). The company plans to extensively market this new product using its online site as the key (and critical channel to market).

Despite all the problems facing retail and bookselling, in particular John Readings has managed to grow with annual projections well above the average for the sector and Damian Black, the current CEO, puts this down to visionary leadership, the staff of John Readings and the exemplary customer service they provide. "Everyone in the organisation is focused entirely on customer service and making sure every customer is satisfied" he says. "We go out of our way to give our customer an exceptional shopping experience where they can come into the store and relax in our beautiful environment, especially designed to relax and calm the senses, they can sit and have time out with a coffee and a doughnut and they can browse through our stock. If customers want to shop online instead we have a fantastic and highly interactive website with a delivery service that guarantees delivery within 48 hours (which certainly beats our international

competitors)! We have worked really hard to make it a real experience so that customers want to come back because it is just so damn relaxing and pleasurable, and of course once they're in this state they always purchase."

Damian Black was appointed CEO in 2007 when Zoe retired. He came to the helm with excellent formal business qualifications and extensive managerial experience at senior levels in the retail industry but with no hands-on experience in bookselling. One of the first things he did when he took the helm was to review efficiencies.

Damian has reduced costs through the use of cutting edge IT systems, to better predict sales and more effectively manage inventory and he has streamlined the customer service counters in all the stores offering customers the option of self-serve. Instead of having so many staff processing sales, he has what he calls advisors who wander the store offering advice to customers who can't find, or don't know, what they're looking for and he has spent the marketing budget promoting the online store. "Our figures for the last year have shown that since we started with the advisors the average buy per customer has gone up from 1.5 items to an amazing 3.8" says Damian. It seems our customers are very happy to receive help as then they will buy twice as much as what they may have come in for, and our online traffic has also grown dramatically – the online sales have increased 50% and we have reduced our salary bill by nearly one third as we no longer need so many staff in the stores. Where we used to average 10 check-out staff per store (as an example) we now only need two or maybe three advisors as our customers seem really happy to use the self-serve checkout service."

Damian also wanted to take a much more strategic approach to managing the company and mapping Reads future and, as part of this approach he engaged a management consultant to independently assess the company's strengths and weaknesses. Damian believes that together with well thought out strategies and objectives, the quality and performance of staff will be a key to the future success of Reads.

So, the consultant's evaluation of the company commenced with the HR function.

Human Resources Management at Reads

Marg Jessop, the HR Director at Reads for more than 20 years, says:

"In general, we have been very strong in our employee relations. Our employees tend to stay with us long term. We have been fortunate in that sense. It's not something that we say, but what we have done for the employees that make them feel that we do care for them. There are a lot of things that we've done in the past. We have shown them that if they are capable, even if they are beyond the retirement age, we'll still want them to stay with us. I think that once employees know that the employer really means what they say, it makes a lot of difference to them, we already have people who are in their 70's. I have one employee who is 75 in one store. So, in that sense, we are in the forerun of HR practices. And we value our staff and their talents; they are an asset to us."

Staff at Readings have always been paid above the average and they work a 32-hour week with the option to work overtime and take a day in lieu. "We don't like to pay overtime but we're very happy to let staff work flexibly as long as they organise their shifts and let us know in plenty of time. We trust our staff to do the right thing" Jessop says.

Jessop feels, beyond this, employee communication has played a pivotal role all along. "When we have good times, we share with the employees and we listen to them. For instance, if I were to implement a change in a scheme that may affect the employees, I would set up focus groups with participation from different level of employees. We listen to them, give them a chance to participate in the whole process, so eventually when we roll out the system or policies, it's easier for them to accept as they feel they have been a part of it. They have been consulted. It's not something that only management is involved in. They feel they are respected, they have a voice in the organisation."

In addition, the HR team leader conducts surveys, and its senior management team walks the stores every week and has direct access to employees, she shares.

However, she confides that she is a bit concerned with the change in direction with the new CEO and the ideas suggested in the consultant's report. She feels that the

company is in danger of moving away from people as its biggest asset to technology instead. “Many of our long-term staff have confided in me that they’re worried about the shift from what they see as customer service to self-serve and the focus and celebration around financial savings made as a result.” She says, “I just hope they know what they’re doing!”

Appendix

There are a number of documents that support this document/case study.

They include:

- Future Business Expansion,
- John Reads Organisational Chart (with EFT numbers),
- Current HRM Projects.