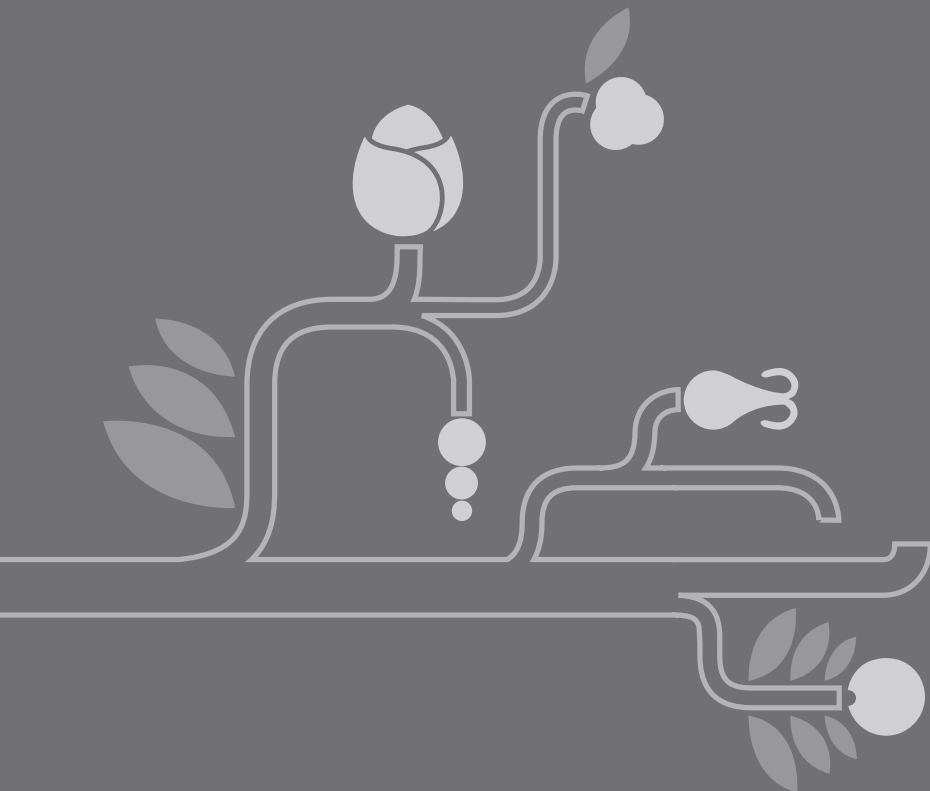


Winner

Specsavers

“More than meets the eye”





Specsavers

Winner

J.P. Morgan IFB Family Business Honours 2009



Brief description : Founded in 1984 as a regional optician, Specsavers now operates 1,000 stores globally and enjoys an annual turnover of nearly £900 million. The business covers the UK, Channel Islands, Ireland, Netherlands, Spain and Scandinavian territories, and has recently expanded into Australia.

Industry sector: Healthcare

Founding year: 1984

Founders: Doug and Dame Mary Perkins

**No. of employees
in 2008:** 21,485 (UK & Ireland)

**No. of family
shareholders:** 2: Doug and Dame Mary Perkins (100%)

Generation: Founders and their three children all work in the business

Sales in 2008: £879 million

First impressions

Upon arrival at Specsavers' head office in Guernsey, the first thing you notice is the array of national flags outside the building, representing each of the countries served by the business and serving as a reminder of its scope and rapidly expanding footprint. A chart hanging on the wall in the foyer lists the five elements of the Annual Plan for 2008/09 as follows:

- Grow the business;
- Professionalism and service;
- Focus on the team;
- Improve profit;
- Manage risk.

“Our goal is to create something that is sustainable in an impermanent world.”

Doug Perkins, Chairman & Joint Marketing Director

The seemingly endless rows of awards lining the walls bear witness to the company's success in previous years. As Dame Mary guides us through the head office building, we are introduced to each subdivision of the business in turn. From the Retail Operations team, who describe themselves as the 'Air Traffic Controllers' of the business, to the Marketing team, the only such

department to win awards for campaigns produced exclusively in-house, what is most striking is a shared sense of optimism and enthusiasm. This atmosphere persists into the Staff Meeting, demonstrating the benefits of senior management's 'open-door' policy and justifying the company's lofty position in lists of the best UK firms to work for.

As Dame Mary explains, company profits are shared out at the end of the year. Employees are banded and can watch the performance of the share "bonus" on a graph on the wall; unsurprisingly, the business is currently well on course to beat the 2008/09 target.

“To passionately provide affordable eyecare to everyone – simply, clearly and consistently”

Specsavers mission statement

A brief history of Specsavers

1967

Doug and Dame Mary Perkins found Bebbington and Perkins Opticians, Bristol.

1980

Bebbington & Perkins group sold (23 stores).

1984

Specsavers Optical Group founded in Guernsey. Stores open in Bristol, Bath and Plymouth.

Late 1990s

Opened Contact Lens Centres in Plymouth, Birmingham & Glasgow. Opened stores in Holland.

1999

Opened 350th store in UK and flagship store in Tottenham Court Road.

2002

Expanded into hearing, opening first Specsavers Hearing Centres. Specsavers voted Most Trusted Brand of Opticians by Readers Digest (an accolade won every year since).

2004-05

Expanded into Sweden, Norway and Denmark.

2006

Opened first stores in Spain.

2007-08

Opened 100 stores in 100 days in Australia.

2008

Celebrated record turnover of £879 million. Opened 1,000th store globally and 600th UK optical store. Opened first stores in New Zealand.

“This Award, in our silver jubilee year, would help to show our people what an amazing contribution they have made to our business.”

Doug and Dame Mary Perkins
Founders
Specsavers



Doug and Dame Mary Perkins met at Cardiff College in 1962 where they were both studying ophthalmic optics. It was literally love at first sight and they went on to form a joint venture partnership that would revolutionise the optical industry. They founded Specsavers in 1984 and it is now the world's largest private optical retailer with 1,400 stores in 10 countries.

Business model

A winning formula

Specsavers is the world's largest privately owned optician group and the third biggest overall. Domestically, the business has grown its market share steadily over the past decade to occupy 33% of the UK market, overtaking the combined share of independent opticians in 2008 for the first time. Specsavers is moving quickly towards market leadership in the Netherlands, Sweden, Norway and Denmark, while its Hearcare business is developing at a similar pace. In the UK, the most established market for the Group, Specsavers has been voted Most Trusted Brand status by Readers Digest for each of the last seven years and also included as a Retail Superbrand by the Superbrands Council, consisting in the UK of twelve industry experts and practitioners.

Partnership business model

A key feature of the Specsavers business, and a major component of its competitive advantage, is its partnership model. Each individual Specsavers business, each store and almost every manufacturing and warehousing facility is part-owned and operated by a joint venture partner. The partners in the stores are typically trained optometrists who have decided to work

with Specsavers rather than setting up in independent practice. This model creates strong alignment of interest between store managers and shareholders. It reduces the amount of capital which the company needs to invest in its growth and has created a vigorous, entrepreneurial culture.

“We aim for a service level that is a lot better than that of the best independent store.”

Doug Perkins, Chairman & Joint Marketing Director

Focus on innovation

Specsavers' leadership is about more than market share. The company has continually brought innovation into the UK optical market, and has been responsible for numerous revolutionary ideas, including: offering complete price spectacles; providing high quality Pentax lenses as standard; delivering contact lenses direct to homes under its Lensmail programme; paying for contact lenses by direct debit; offering 2 for 1 glasses; and implementing a 'Kids Go Free' scheme. The business also recently introduced a hard, scratch-resistant coating on all its lenses as standard. Specsavers were also the first opticians to introduce 'magic

mirrors' in stores and to offer a digital online version that enables customers to try on frames at home.

More fundamentally, because each individual Specsavers business is effectively owned and operated by a joint venture partner, new ideas and innovation are constantly recommended on the basis that, if implemented, partners will benefit from the outcome in their stores. Employees are encouraged to email the Managing Director directly whenever they need to raise an issue. In addition, in 2008 the business held over 1,500 workshops with joint venture partners and their teams.

The company also operates a quarterly bonus structure for staff at its La Villiaze headquarters and an annual profit share scheme which are used to reward innovation and creative working within teams.

Retaining talent

Such is the scale of the business that of the 600 optometrists who qualify each year in the UK, two in three end up at Specsavers. One key factor in the company's success has been its ability to recognise talent and nurture the development of these employees; to this end, senior management have established a programme of learning and development which was recognised in the 2007 Guernsey Awards to Industry for

its pre-eminence. The programme offers fundamental skills, junior and more senior management training and culminates in The Leadership Challenge, where future leaders of the organisation are given the opportunity to learn higher order skills, as well as apply their learning to business imperatives through individual and team projects. In addition, the company's Finance Professional Development Programme offers individuals the opportunity to join a three-year training scheme giving exposure to a wide variety of departments within Finance, as well as study towards professional qualifications.

“Since its inception, Specsavers has demonstrated a remarkable capacity for growth and terrific marketing.”

Family Business Honours Evaluation Committee

Moreover, the company's Graduate Choice Programme offers a small number of high-flying graduates the opportunity to experience a variety of work placements throughout the entire Specsavers business, in Guernsey, the UK and further afield. These placements include time in retail stores as well as a wide range of head office functions.

The business operates a scheme known as SWAP (Specsavers Workplace Advancement Programme), offering workshops at which all Guernsey and UK support staff are given the opportunity to

make suggestions for improvements to their working environment.

Setting demanding goals

Globally, the company plans to double in size by 2011, moving from 1,000 to 2,000 stores (and from £1bn to £2bn turnover). This target would represent a retail presence in 15 countries based around Europe, North America and Asia.

Domestically, the aim is to achieve a 50% market share in the UK (currently 39%). Having doubled in size over the past four years the company aims to double again over the next four-year period, a target that senior management recognise will be harder this time around. In a climate where competitors have been forced to make drastic staff cuts, the aim is to defend the value-for-money side of the business while continuing to capture market share from competitors.

“We’ve never closed a store.”

John Perkins, Joint Managing Director

The rapid expansion in Australasia has already seen eight stores open in New Zealand and the business aims to have 30 stores there by next Easter. Senior management predicts they will be the market leader in New Zealand before Australia where they have 155 stores. Over the past year, Doug Perkins has been in Australia meeting every partner as the company looks to build momentum and

improve its market share from 12 to 20% by the end of 2009.

At the heart of these ambitious objectives lies not a desire for profit or market share but the same target which motivated Mary and Doug to start their business: the desire to bring affordable eyecare to the world.

Social Responsibility

A commitment to charity

Specsavers has a long history of supporting eye- and hearing-related charities, and every two years selects one national optical and one hearing charity. Additionally, the company supports charities which give help overseas, such as Vision Aid Overseas and Sound Seekers, so ensuring a 'home and away' strategy for giving. Stores are encouraged to support local charities, while in Guernsey there is an annual plan for community fundraising and sponsorship. Dame Mary also supports many charities privately.

The business prides itself on the service it provides to local communities. This is fundamental to the joint venture philosophy: that each store is owned and run by its partners, who have a vested interest in providing the best possible service to customers. As such, stores are strongly encouraged to engage actively in their local community as well as supporting wider initiatives to give something back. This concerted approach has led to great success in making a real difference to a huge range of charities, to the extent that the Board comfortably used up the company's charitable budget in 2008.

A wide-ranging programme of support

Notable charities that have benefited from Specsavers initiatives in recent years include:

- Guide Dogs (Specsavers national charity 2004/2006), for whom the business has raised enough money to pay for the training of 40 new Guide Dog puppies, donated £1 per eye test from all UK stores for one month and raised £175,000.
- Diabetes UK (Specsavers national charity 2007/2008), for whom the business raised funds to assist with research into retinopathy and blindness in young people, donated £1 from sight examinations during June and raised more than £300,000.
- Vision Aid Overseas, for whom the business has already raised £126,000 and is currently raising a further £250,000 to build an eyecare clinic and training centre in Zambia. Company optometrists volunteer their holiday time to fly out and work on the ground.
- Sight Savers International, for which the business has raised £150,000. Dame Mary continues to be an ambassador.

- Cancer Research UK, for whom the business has raised over £370,000 in Guernsey alone.

In addition, Specsavers has raised significant funds for several other established charities including Kidscape, Brake, UK Transplant, Fight for Sight, Deafness Research UK, Sound Seekers, Hearing Dogs, Age Concern, Help the Aged, Breakthrough Breast Cancer and Macmillan Cancer support. The business has also raised six-figure sums for the Tsunami Appeal and Children in Need, while a group of employees even managed to scale South-East Asia's highest mountain as part of the Prince's Trust Borneo Challenge, raising more than £50,000 to support the work of the Trust.

“One of our current goals is to eradicate cataracts in Africa.”

Dame Mary Perkins, Public Relations Director

Specsavers' strong ethos of integrity, corporate and personal social responsibility is manifested in the company's commitment to the Guernsey community. Staff in Guernsey select their own local charities to support through fortnightly charity mufti days

and are given time off where necessary to fulfil charitable endeavours. The business has made a point of using its prominent position in Guernsey to support charitable causes on the island; among the most notable of these is the Specsavers Children's Charitable Foundation, which was formed in 2000 to help needy and disadvantaged children living in Guernsey and has donated more than £120,000 to various local causes and individuals. In addition, Specsavers retains an affiliation to at least another forty charitable entities in Guernsey and beyond.

“It is a core philosophy of the business never to cut down on training people.”

John Perkins
Joint Managing Director
Specsavers



John Perkins joined the family business in 1998, after five years working as an audit supervisor for Deloitte and Touche. A chartered accountant with an honours degree in economics and accounting and an MBA in retailing, John was made Joint Managing Director of Specsavers in 2007 after three years as Finance Director in the family business. John lives in Guernsey with his wife Marika and four sons, all aged under 10.

Specsavers philosophy and culture

Company values

The business is driven by a powerful set of values which is derived from the Perkins family themselves and communicated to employees through road shows and communication sessions, especially at the launch stage in new markets. The six essential values of Specsavers are as follows:

- Keep it simple. Get it done. Deliver on our promises
- Treat people as we would like to be treated ourselves
- Value for money
- Long term / led by opticians
- Develop and train our people
- Community participation

Communicating the values of the business to its joint venture partners must be carefully handled; there are 635 individual businesses run by a mixture of opticians and retailers, and each region (Scotland, Yorkshire etc.) has its own personality. Senior management appreciate that meetings must be approached differently in order to move the business forward, and make a point of visiting each store every six weeks. In addition, there is a management meeting six times per year, and talks are regularly given to junior staff

about the values of the business. The diverse range of territories and partners has forced senior management to become highly sensitive to recruiting the right people.

“The important thing is we treat people as we would like to be treated.”

Doug Perkins, Chairman & Joint Marketing Director

The familial nature of the business means that joint venture partners are free to disagree with senior management and voice their opinions; it is a two-way relationship, which contrasts with the culture at a major plc where one board member previously worked. Another important difference is that, because the joint ventures are themselves self-contained family businesses, Specsavers partners know that any extra profit in their stores will go to them, a huge motivating factor.

Family values

It is relatively easy to communicate values to staff in Guernsey, which is a close-knit community with a family atmosphere. The behaviour of senior management

is based on that of the family, who are free from 'airs and graces'; indeed, Dame Mary Perkins often goes swimming in the public pool with her grandchildren. As one employee observes, "Walking down the street in Guernsey you see so many people from work that you all have to act like one happy family".

"The best thing to do is to have regional people running their own business – the ultimate motivation."

Doug Perkins, Chairman & Joint Marketing Director

To indicate how dedicated the family are to maintaining the well-being of the business, Dame Mary's own desk is in an open-plan office. She knows everyone's birthdays (and suppliers' too) and sends them all a card, while Doug Perkins regularly wanders around the floor talking to employees. John Perkins has a particularly good rapport with staff; he was extremely well received at the review meeting we attended and is clearly regarded by everyone at the company as the natural successor to his parents.

Indeed, staff we met appeared deeply impressed with the family-oriented culture at Specsavers; one female employee described gratefully the flexibility of senior management in allowing her to restructure her working week to spend more time with her children.

Just as critical to senior management as excellent relations with its staff is maintaining excellent customer service. In order to get a real customer experience Dame Mary famously adopts a variety of disguises to visit stores. In 2004, Dame Mary played a video based on her experiences to partner-entrepreneurs – an experience they have never forgotten.

Specsavers is unusual in that each child of the founders is heavily involved in the business, and has a deep grounding in the values of the company. Since the departure of Doug to oversee the Australian expansion, Joint Managing Director John Perkins has run the UK division, a development described by senior management as a 'perfect accident'.

John swapped a mainland based career in Chartered Accountancy to return to Guernsey and join the business. He then experienced work in different departments over a ten-year period including leading the company's expansion into the Nordic countries, which shaped him for his current role.

Elder daughter Cathy acts as Group Technical Audit Manager, while younger daughter Julie is in charge of all operations in the Netherlands. Julie has been involved in the Netherlands from the beginning; she also runs start-up training

in all new markets, ensuring that all local teams understand the culture and beliefs of Specsavers and enabling the brand to be delivered in a consistent manner, despite the various geographies in which it operates.

Nowhere better illustrates how the Perkins family ensures its own values are transmitted throughout the business. Furthermore, with Cathy Perkins' husband Nick James acting as Director of Group Services following 16 years with the business, there seems little doubt that the values of the family and the business will remain intertwined for at least the next generation.

“Everyone accepts the roles our children will play as they all have special skills.”

Doug Perkins, Chairman & Joint Marketing Director

Governance

Family governance and succession

As a second-generation business, Specsavers has thus far not employed a formalised family constitution model, since the third generation are currently all too young to work in the business. Nevertheless, Doug and Dame Mary recognise the importance of providing for the future; the family has long engaged with London-based succession specialists, with John Perkins bearing the responsibility for establishing plans appropriate for the Channel Islands. Doug and Dame Mary spend considerable time attending conferences and workshops to educate themselves about succession, acknowledging that each of their children brings something unique to the business and will inherit an equal share.

Corporate governance

There are in essence, two Board structures in place at Specsavers. First, the Governance (Main) Board, which oversees Group activity and ensures that the development of the organisation is appropriate: basically, a listed company-style board. There is also a series of operational boards, focused on the key operational units of the business, including UK, International and Hearing.

The shareholders are directly represented on the main board (as members) and attend this meeting.

No preference is given to family members ahead of other candidates in making appointments; the intention is always to ensure that the business recruits the best quality people for each individual role. This is achieved by constantly examining the structure of the team and the requirements to deliver the objectives of the organisation, and reviewing this against the available talent in the organisation and in the external market.

“There is no difference within the organisation between family and non-family members. The same high standards are, naturally, expected from either.”

Specsavers Senior Management

A full selection process is undertaken, with the involvement of a number of key Board members, dependent upon the specifics of the role being filled. Because the business is highly complex, and the corporate environment of Guernsey differs from that of the mainland, senior management have

taken particular care in making outside appointments, preferring individuals with extensive experience in leading organisations. Group Marketing Director Richard Holmes, who spent 13 years at Unilever and 10 years at Boots, is a prime

example. The business currently has no Non-Executive Directors as an external perspective has been provided by a series of senior managers recruited from outside; however, senior management are open to the idea in principle.

Challenges going forward

For a business that has always grown quickly, and plans to continue doing so, it is vital to ensure that expansion can be achieved in a controlled manner. Senior management see the most crucial part of this process as 'getting the right people on the bus', developing them when they are on it, and protecting the values of the business through the expansion.

With supermarkets gradually entering the optical market, the competitive threat is always present. In light of this, the business must continue to deliver, every day, in every store and with every customer, the unbeatable price and quality proposition of Specsavers.

“As the business continues to grow, we must ensure that the pure Specsavers concept is delivered throughout our markets.”

Dame Mary Perkins, Public Relations Director