



**The 2019 Northern Ireland Business
Challenge for Schools in association with
Queen's Management School, BDO (NI)
and Henderson Group**

Tomorrow Matters

1.0 INTRODUCTION – HISTORY OF HENDERSON GROUP

1.1 History of Henderson Group

Mr John Henderson, a well-known community figure who frequently acted as a judge of cheese and butter at the annual Balmoral Show, founded Henderson's in 1897. The business began in the retail grocery trade, selling butter, cheese and eggs from premises on the Old Lodge Road in Belfast. Subsequently, John switched from retail to wholesale, initially operating from premises at 46 Royal Avenue in Belfast before relocating to larger premises in St George's Market in Belfast, a traditional covered market with lock-up premises for wholesale traders. In 1923 the business was incorporated, with the company achieving sales of £99,000 in its first year of trading.

In 1929, William Agnew, who had worked in a variety of travel and public transport-related businesses after selling the family farm in Randalstown, married Margaret, the daughter of John and Maggie Henderson. Some years later, when in his late 70's, and with two daughters not interested in running the Henderson business, John decided to prepare for his retirement. Consequently, his son-in-law William joined the company as a salesman in 1940, taking a controlling interest upon John's retirement in 1943. Four years later, John Henderson died at the age of 82.

Under William's control, the business continued to progress. Despite food rationing during the war years, he expanded the range of products sold, importing canned and packaged goods from countries as far afield as Australia. This earned the company the catchphrase '*Henderson's have it all*'. Sustained growth necessitated further expansion of the premises at St George's Market, followed by the acquisition of an additional warehouse at Dawson Street, off the Antrim Road.

A key event in Henderson's development was the purchase of Andrew Millar & Company, who occupied a 50,000 square foot warehouse at Ravenhill Avenue in Belfast, in 1956. Formed in 1873, while this jam manufacturing business had once produced a market-leading product in the Province, *Millar Jam*, mass-produced jam by national organisations after the second world war made it difficult for Andrew Millar & Company to compete and jam production ceased 2-3 years later.

William Agnew had a son John and two daughters Margaret and Dorothy. John Agnew CBE, joined Henderson Group in 1957 after spending time in Wales as part of his management training from

1955 to 1957 at Capper & Co (Newport) Ltd, which held a SPAR franchise in Wales. From that time John Agnew and later his two sons, Geoffrey Agnew and Martin Agnew have acted as stewards for the business and its assets on its growth journey.

Today the organisation has grown to sixth position in the Ulster Business Top 100 companies in Northern Ireland and has achieved 87th place in the 2018 Sunday Times HSBC Top Track 100 league table of the UK's private companies. Operating out of its head office in Mallusk, the Group, which owns the SPAR, EUROSPAR, VIVO and VIVOXTRA franchises in Northern Ireland, employs 3,657 employees across Northern Ireland and comprises the following core trading entities:

- *Henderson Wholesale Limited*, which has been distributing food and grocery-related products to the convenience retail sector for over 120 years, is the largest operator of its kind in the country. The Group is committed to sourcing fresh foods from farmers, growers and suppliers, with over 75% of fresh products sourced on the island of Ireland.
- *Henderson Retail Limited*, which owns and operates 87 SPAR and EUROSPAR stores in Northern Ireland.
- *Henderson Foodservice Limited*, a market leading supplier to the catering industry, provides a wide range of products to hotels, schools and restaurants across Ireland.
- *Henderson Group Property Limited*, which owns retail properties that are leased mainly to Henderson Retail Limited.

These companies have received a number of awards, with recent accolades including Community Retailer of the Year and Forecourt Retailer of the Year 2018, Grocer Gold Employer of the Year 2018, Best Use of Technology (NI Chamber Business Awards 2017), Deloitte Best Managed Company Gold Standard and Investors in People Gold Accreditation.

1.2 Core Values of the Business

Henderson Group has a strong belief in reinvesting in its business and continually giving back to the Northern Ireland community. The company's Corporate Social Responsibility (CSR) strategy, *Tomorrow Matters*, seeks to continue the development of the business in a way which benefits its customers, employees, the environment and wider society.

2.0 TOMORROW MATTERS

Henderson Group seeks to consider the needs of its stakeholders, both internal and external, together with the impact on the environment, in everything that it does.

While *Tomorrow Matters* is led by a forum of individuals from across the Group, its success depends upon the ongoing commitment of staff to support the numerous projects planned throughout the year. Its aims are encapsulated in much of the work that Henderson Group and its staff undertake across areas such as charity involvement, community work, employee training and development and the environment.

There are three strands to *Tomorrow Matters*: People, Place and Planet.



People: Henderson Group actively implements programmes focused on developing the skills of retailers, managers and employees to deliver outstanding service.



Place: Henderson Group is part of the local community and strives to play an active role in supporting its local areas.



Planet: Henderson Group actively seeks to minimise its impact on the environment by reducing its carbon footprint and focusing on sustainability in all aspects of its supply chain.

Each of these strands is now discussed further.

2.1 People

2.1.1 People Development

The goals of *Tomorrow Matters* begin with a focus on people and working with employees to create a positive work place. It aims to ensure employees: feel valued; can provide feedback and suggestions; have opportunities to fulfil their potential and develop careers; and are recognised and rewarded for hard work, dedication and achievements.

2.1.2 Health and Wellbeing

Health and wellbeing are important for both employees and customers and Henderson Group believes it has an important role to play in helping and encouraging employees and customers to eat well and lead healthy, active lifestyles. Henderson Group is committed to considering different ways of working that help its employees achieve a healthy work-life balance and providing information that aids its customers to maintain a healthy, balanced and nutritional diet.

2.1.3 Tackling Employability

Henderson Group engages with various external organisations to target the workless or long-term unemployed, with the aim of returning them to full or part-time employment through training, work experience and placement initiatives directly in its stores and Head Office departments.

2.1.4 Inclusion

Henderson Group recognises the importance of employee involvement in creating a working environment where employees have an impact on decisions affecting the business. The more information is shared within the organisation, the more employees are involved and committed to contributing to continuous improvement and ongoing success at work.

2.2 Place

Research by *Business in the Community* (see www.bitc.org) indicates that the public believes businesses should play their part in the community, particularly through the power of their brands and products to support charities and good causes. Henderson Group is committed to encouraging its employees and customers to use their skills to support their local community and it aims to lead the sector in raising money for charity.

2.2.1 Educational Partnerships

Henderson Group actively works with local primary and secondary schools and further education colleges to support the development of young people. This can be through mentoring, the development of employability programmes and apprenticeship schemes, career promotion and offering work placements across the Group.

2.2.2 Charitable Giving

Henderson Group believes in contributing to the well-being of the communities in which it operates. It operates a programme which *inter alia*: selects a charity and, with support from retail partners, makes regular donations to that charity; encourages teams within the Group to run charitable events, either for the Group charity or for other causes that are important to those involved; and offers support to employees to undertake sponsored activities. Employees also have the opportunity to donate regularly to a charity of their choice through the payroll Give As You Earn scheme.

2.2.3 Community Retailer

Henderson Group has the resources to support local communities. Whether this is by building charity partnerships, donating money, supporting local charity events, placement of almost 220 public access automated external defibrillators outside its stores across Northern Ireland or selling products with part of the profit being given to charity, Henderson Group aims to contribute to a better community.

In recent years there has been increased interest by employees to help others in need. This is not only in the form of financial assistance support but also through active and personal involvement. Henderson Group promotes volunteering and supports employees who wish to leave the workplace during working hours to help the community.

2.3 Planet

2.3.1 Water Consumption

While water consumption is not a major environmental aspect of the business, Henderson Group has implemented several initiatives during the planning and design stages when developing new warehouses to help reduce water usage. For example, smart technologies have been employed in staff facilities to regulate the amount of water for hand washing and the refrigeration plant for the chilled and frozen warehouses operates on a closed-loop system with water being supplied from an on-site borehole.

2.3.2 Energy Consumption

Energy consumption is one of the key environmental areas where Henderson Group focuses its attention in order to achieve continued reductions in its CO2 footprint. As its large fleet of heavy goods vehicles is a high contributor to its CO2 footprint, the Group has adopted a two-pronged approach to reducing its environmental impact: (i) continual investment in new vehicles to ensure the fleet comprises generation-six vehicles; and (ii) driver training and transport management monitoring to ensure the driving team is aware of how individual driving styles impinge on the Group's environmental targets.

2.3.3 Construction

Given the global emphasis on sustainable construction in order to reduce the CO2 footprint, Henderson Group has implemented a number of environmental initiatives during the design and construction phases when redeveloping office and warehousing space at its Head Office site. These include smart lighting, with sensors built into the roof to detect the level of natural light and alter the amount of electric-powered lighting accordingly.

2.3.4 Energy

Energy usage has a significant impact on the environment in terms of greenhouse gasses. Consequently, Henderson Group has implemented several initiatives in order to reduce its overall energy usage. Initiatives include a new smart charging system for manual handling equipment in its new Hydepark warehouse. The Group plans to roll this system out across its other warehouses at the head office site. Electric charging points have also been installed in one employee car park, with plans to introduce at least four stations in all car parks, to encourage employees to make the

transition to electric/hybrid methods of travelling to and from work. In addition, a fully electric vehicle, the first within the Group, has been purchased for the head office maintenance team and there are plans to roll out electric vehicles for delivery vans within the Henderson Retail stores.

2.3.5 Recycling

Recycling is a significant operational issue across the head office site. Initiatives designed to increase the volume of material recycled and reduce the amount of waste that cannot be recycled have been introduced, with 100% of cardboard, plastic and metal waste now being recycled. Through the construction of the new ambient warehouse, a repackaging machine has been introduced, enabling damaged goods to be reused and therefore reducing food waste. The Group has also commenced a new partnership with a local waste company, ISL, to further reduce waste across the head office site. As ISL partners with several local food charities, it is hoped that this relationship can be developed to further reduce food waste.

3.0 MONITORING AND EVALUATING PERFORMANCE

Failure to monitor and evaluate an organisation's strategic vision, including its values, aims and objectives, can have detrimental consequences for its chances of success. Some traditional key performance indicators (KPIs) for Henderson Group are provided in Table 1 below.

Table 1: John Henderson Holdings Limited – KPIs						
	2017	2016	2015	2014	2013	2012
Turnover £'000	759,067	699,321	659,119	663,634	642,762	620,389
Gross Margin	17.1%	16.6%	16.0%	15.4%	14.9%	14.9%
Operating Profit £'000	26,194	23,794	21,457	21,124	18,624	16,209

4.0 CONCLUSION

Strategies are the means to an end and are defined in terms of vision, mission and objectives; they define the purpose and direction for the organisation. Whilst profit maximisation will be the goal at the heart of many commercial organisations, other objectives may be fundamental to the ethos of the business.

REQUIREMENT

You are a team of consultants employed by the Board of Directors of Henderson Group and you have been asked to prepare a 15-minute presentation for delivery to the Directors which addresses the matters outlined below.

- (a) Why should Henderson Group continue to develop and implement Corporate Social Responsibility (CSR) policies?
- (b) How effectively do you believe Henderson Group communicates and engages with its stakeholders in pursuit of its CSR principles?
- (c) Many organisations, particularly within the grocery sector, generate considerable waste, much of which is recyclable materials. Packaging, including corrugated cardboard and shrink-wrap, together with food waste, can often be efficiently reduced and recycled.

Advise the Board of Directors of Henderson Group how to develop and operate a waste management and disposal strategy, focusing particularly on how Henderson Group can influence its supply chain, from supplier to customer, to reduce the use of plastic.

- (d) The Board of Directors of Henderson Group is considering further investment in new technology that will reduce operating costs through increasing energy efficiency and decreasing water usage. The new technology will cost £900,000 and have a four-year life, at the end of which it will have a scrap value of £20,000. A licence fee of £208,000 for using the new technology is payable at the end of the first year. This licence fee will increase by 4% per annum in each subsequent year.

It is expected that the new technology will reduce operating costs by £5.80 per kilowatt hour (kWh) in current price terms. This reduction in operating costs is before taking account of expected inflation of 5% per year.

Forecast power usage in kilowatt hours over the life of the new technology are expected to be as follows:

	Year 1	Year 2	Year 3	Year 4
Kilowatt hours per year	60,000 kWhs	75,000 kWhs	95,000 kWhs	80,000 kWhs

If Henderson Group acquires the new technology, it will finance the purchase through a four-year loan paying interest at 8% per annum. Henderson Group has a weighted average cost of capital of 11% per year.

Advise the Board of Directors of Henderson Group on the quantitative and qualitative factors to be considered when deciding whether to proceed with the proposed investment. (Ignore taxation)

Notes:

- (i) In preparing for the presentation to the Board of Directors of Henderson Group, you may draw on information from a range of sources.
- (ii) Please provide a printed copy of your presentation for the Board of Directors of Henderson Group on the day.
- (iii) When addressing part (d) of the Requirement in your presentation to the Board of Directors of Henderson Group, while it is unnecessary to explain your detailed calculations, these should be included in the printed copy of your presentation provided to the Board of Directors of Henderson Group on the day (see above).