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The CEO Magazine
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Providing Quality and Convenience

As part of Australia's largest retail networks, and with the support of two of Australia's biggest companies, Coles Express is changing the way people view the fuel-convenience sector.

Images by Estelle Judah Photography

Peter Short, General Manager of Coles Express, has had a prolific career in the fuel industry, working across a variety of roles here and overseas. "My career balances around two points," he says. "There's one whole career in the Shell company. After a rich variety of senior roles and experiences in Shell, I was then approached by Coles when the Shell retail business was purchased and put together in a transaction with the then Coles Myer in 2003.

"From my background working in Shell within retail and a range of other areas, I obtained the skills that gave me the opportunity with Coles when they wanted to set up their fuels retail business under the Coles banner. They needed somebody who knew what they were doing, so I was approached for that and took the opportunity to move into Coles. I've been running the Coles Express business ever since; it was really a new business on day one, and over the past 11 years, we've managed

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- Peter Short

to grow it year on year, which is why I'm still here."

When Peter stepped into the role in 2003, the company had taken over 579 service stations from Shell and has increased the network to 636. "When we took over the business in 2003, Shell had clearly been thinking about options around possible exits from its retail business. In any scenario where that occurs, there's a slowing down of spend prior to an eventual decision. When we took over in 2003, the properties were a bit tired and it took us quite some time to build up a plan and the resources to address that. I think Richard Coyder, the CEO of Wesfarmers, put it quite succinctly to me in 2007 when he said, 'Peter, the stores look tawdry'. We then had the mandate and support to address the issues, understanding where we were going with our customers and what we wanted to do.

"Fundamentally, we want to be a shop that Australians trust and which delivers quality service and

value. This is part of what is fundamental in Coles and reads directly across to us. At its highest level, that's what we want to be: you want to deliver it in an environment that is fit for purpose, and you also have to stay in touch with what the competitors are doing, understanding trends, customer needs, and, strategically, where the industry is moving.

"The first five years were very much around getting it fit for purpose, instilling processes, and presenting an offer to customers that was as good as anyone else in the industry. Wesfarmers bought out the old Coles Myer business in the second phase of Coles Express, and the turnaround of supermarkets began. That took it to a whole new level for me because my team and I became part of the world's biggest retail turnaround, albeit at the periphery, but certainly Coles Express was mandated by Ian McLeod to deliver new and exciting outcomes to customers." >





Coles Express has been refreshing its stores vigorously since 2007 through a number of programs. “We have one called ‘Right product, right place’, which is all about having the right convenience products for customers, where they want them; and then there’s a whole price and value piece under that. We’ve also had two campaigns on store and brand look and feel: one was ‘Revitalise’ and the other ‘Refresh’. You need these big halo names so that people can get behind the plan, and you can manage and deliver the time lines, the budgets, and the outcomes that you need.”

“Across our stores now, we have a very high standard of presentation and a very good handle on what goes into those stores. When you’re running a large small-format network, you have to really be able to do it on the basis of having standard templates and ways to approach things, otherwise it’s very difficult to manage the outcome in front of the customer as well as the costs that go with it.”

As part of the Coles brand, Coles Express aims to reconcile the differences in value between grocery lines and the products available at its convenience outlets. “Our approach was to relay all our stores, inject far more grocery, health, and beauty lines into them, and then put all the prices at a long-term, sustainable, everyday Coles price level.”

“Over the course of 2013, we relayed the majority of our stores to increase grocery, health, and beauty items, which required a significant amount of planning and coordination from the team. We introduced the most appropriate range we believed our customers would like across a small-basket spend in our top-up, run-and-go channel. We did all of that and relayed the stores, brought the products in, and then we had to settle all of that down before we went out and said to our customers, ‘We’ve got an offer that we think might excite you.’ How

we got that message across was by going above the line with a fair bit of advertising and an exciting introduction to our business.

“We introduced the big red hand, an iconic marketing tool around value that Coles created, which signifies to Coles Express customers that we’ve got a serious grocery, health, and beauty offer so they can do a top-up shop, that there’s value that they can trust, and that it is convenient. For us, this is a really big strategy around leveraging the relationship with Coles while differentiating ourselves significantly from our competitors in the fuel and convenience space. The outcome of that is we’ll have more and more satisfied customers, a differentiated proposition, and a compelling reason to choose us so the business will grow.”

Peter notes how promotional change occurs much more quickly in supermarkets. “In our stores, we tend to run through a promotional cycle that lasts for roughly four weeks. In those cycles, we concentrate on having exciting and value-focused products we know our customers want. Our strategy certainly includes having ‘Down Down’ lines, and one of the underlying promises of Down Down products is that prices are down and staying down for at least six months, so those product price points don’t chop and change and customers can trust what they expect to see when shopping with us.”

The red hand is a promotional campaign created by Coles supermarkets to let Australians know that the retailer was lowering prices on key items and keeping them down. This campaign was also taken up by Coles Express to show consistency across the Coles banner. “The challenge for us is to have our customers really understand the value of the offer there, because it’s quite difficult in the Australian fuel-convenience retail space to get people to take the time to actually shop, versus paying for their fuel and going. There is a perception in Australia >

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that service stations are just about drinks and snacks, and we need to find ways to help our customers understand that the reality is very different in our stores.

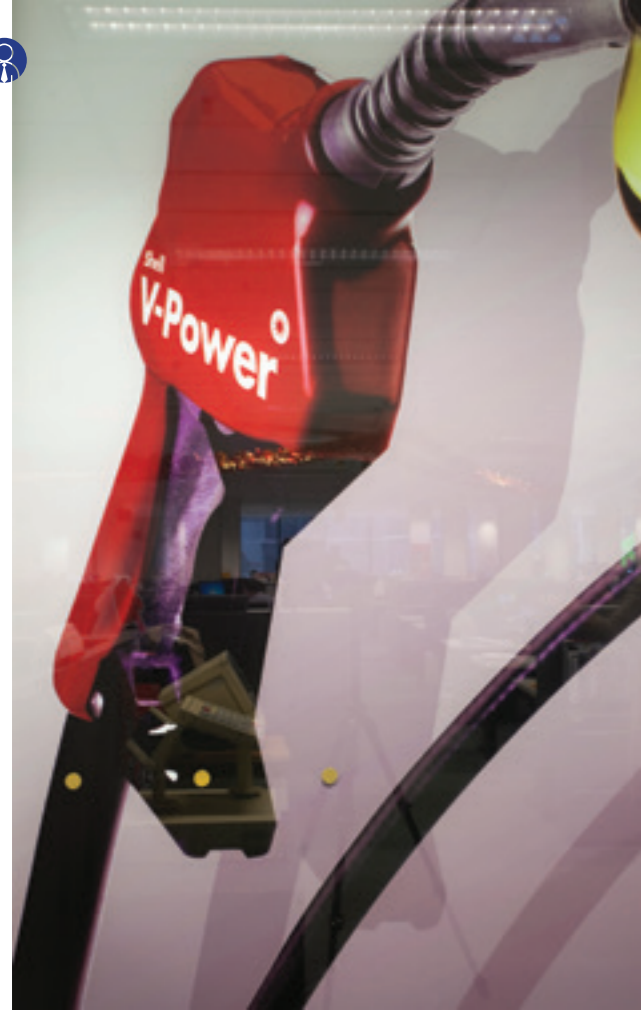
“In the past five years, as part of the Coles turnaround, one of the things that they’ve done is revitalise Fly Buys, which is now the most popular shopper loyalty program in this country. Coles Express is a partner with Fly Buys as well, so we’re able to tailor communications to suit the individual locations and needs of customers. Our customers also benefit, of course, by earning Fly Buys points when they shop with us. This is a great strength for the Coles Express business in terms of being able to work with and leverage our big-brother business, Coles. A fuel-and-convenience business by itself would find it difficult to have the scale of technology that goes into what Fly Buys is, so being able to partner with them is a powerful benefit for both our business and our customers.”

Peter prides himself on his involvement and understanding of the business by taking a hands-on approach to management. “I move my management team meetings around the country, which drives the management teams into different stores in different states. I have a fundamental belief that the answers are all out there and you need to start at the stores where the customers are, and understand what’s going on. You cannot spend enough time in stores.

“I’ve been very lucky because of the tenure I’ve had in this role, which is probably quite unusual in a senior role in a business this size, but, because of it, I have probably been to every store two or three times at least. I’m also very familiar with large numbers of the store teams. There’s a real familiarity in our business, which has been partly led by me being a constant; but we talk about Coles Express’s culture a little differently compared to the Coles culture in the sense that we have a family-business approach.” >



“Calgraphics is pleased to work with Coles Express. We drive each other to consider innovative ways of delivering superior results for mutual benefit. This partnership approach has ensured one aspect of multifaceted projects is delivered seamlessly on time and on budget.” - Andrew Bennett, Managing Director, Calgraphics



As Peter has been with the organisation since its inception, he has been instrumental in setting Coles Express's direction and mission. "Our vision is to be a store that customers trust to deliver quality service and value, as is the case for Coles. Underneath that is a complex set of headline strategies. Another part of our business that is crucial is safety, both for customers and for team members, and then there's growth and innovation. In terms of how you galvanise 5,500 people around that mission, it all comes down to communication from top to bottom. It comes down to doing it in a way that is personal and resonates with people."

To drive this focus on quality service and value, Coles Express has a host of initiatives to encourage communication and performance. "We have an initiative going in Coles at the moment, which we are involved with as Coles Express, and is called Inspiring the Magic. This is really a

process and way of working that is trying to encourage people who work in the business to tell their stories, listen, support, and challenge a bit harder. Communication is important. There are meeting structures that we put in place from top to bottom, and then there are programs that we put together.

"We have a global program with Shell called Passionate Experts. This is a program where all of our team members have a series of measures—and measures are important to the business because if they hit those measures, then they will drive better outcomes in the stores and that is better for the customer. Winners in this program get to be judged against the best Shell retailers globally every year. We also have a program called Customer of the Day. We want customers to have a great experience, so Customer of the Day is a simple program where a team member from every store fills a car or wipes a window while

chatting to our customers, and they do that for three or four customers a day. If you think through the mathematics of that, there are 636 or so stores, three or four customers a day; it adds up to thousands and thousands of customers having a great and different experience in my stores every year."

Coles Express also has an annual forum that runs across four different states. "We have it as a celebration of what we've achieved, to look forward to what we're expecting, and educate store managers on how we're going to get there. That's a full day and an evening with our store managers and the broader team in which we also have a significant reward-and-recognition component which is always the highlight. All of these things are constructs about how a

disparate group of people can be brought together and galvanised around some common objectives.

"We also have a message to the team by voice every Tuesday morning. I'm able to record a message that I keep at no more than two minutes, so a really short and crisp message to store managers generally around inspiration and motivation for the week ahead or sometimes a helpful tip. That goes out on an automatic system, and by lunchtime on Tuesday, all the store managers would have picked up the phone, hit the right codes, and they'll have two minutes of information generally delivered in a fun way that is poignant for that week."

These programs and initiatives are centred on Coles Express's people. "It's about hiring the right people

"We've a very small company, so it comes back to how you communicate to the team, how you inspire, and how you keep the messages consistent. Above stores, we are about 160 people, so this is just a big family business."

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and bringing them in with great programs. We have an induction program called Getting Started, which is a combination of online learning, buddying up, and peer coaching, which brings people into the store team well equipped to be confident with their new job and with serving our customers. And then we have a program for team members who want to go up and become assistant store managers or store managers, and that's called Fuelling Future Leaders. There's a whole structure around upskilling them so they can advance if they want to when the opportunity arises.

"We've a very small company, so it comes back to how you communicate to the team, how you inspire, and how you keep the messages consistent. Above stores, we are about 160 people, so this is just a big family business. In terms of opportunities within Coles Express, from stores to my job, we encourage people to think about their own career progression and

"We operate in a fierce market, and building effective partnerships enabling the best products, services, and value provides a competitive edge. Mondelēz International and Coles Express have created a strategic and collaborative relationship that will fuel our growth." - Nick Stoikos, Head of Non Corporates, Mondelēz International

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think about the broader opportunities that might present in the Coles businesses, the liquor businesses, or the broader Wesfarmers businesses.

“We even encourage people to look outside and see what’s on offer. We’ve got a very healthy culture of wanting people to progress, and we have to be real about it. The worst thing that you can do for the team is inspire them around false hopes, so we’re very clear about what the opportunities for progression are—and there are some great ones—but it’s very much up to the people.”

Coles Express has a variety of different suppliers that help keep the business running seamlessly. “Each service station is its own little city that you’ve got to keep going. To do that, we have a number of service providers, and we tend to deal with them based on three-year contracts. It’s a high-volume, low-margin business, so costs are critical in terms of running it. We go through a tender

process from time to time as contracts expire and we seek out the required service providers, but we are always open to having longer-term relationships. We have found there are less learnings and there are real benefits in terms of companies understanding your business closely which comes from longer-term relationships.

“From there, Coles Express also deals with our product suppliers that provide the great things our customers come to us for. They are generally the big-brand suppliers like Coca-Cola Amatil, Mondelez, Frucor, Lion Dairy, Smiths Snack Food, Mars, Unilever, Peters, Red Bull, and Patties. Now, it’s becoming more of the grocery side of things as well.

“There are relationships that my merchandise team have with the various companies and their teams, and we want to work closely with them because we must continue to strive for better ways to give customers great outcomes, be that in new products, promotions, or

great prices of those products within those promotions. There is always a healthy, robust, and respectful discussion around volume, prices, and margins because everyone is in business to delight customers, look after the shareholder, work safely, and make money.

“I encourage our team to be fair and challenging with all suppliers to get great outcomes for both of us. At the end of the day, a supplier has no different objectives at its highest order than I do since we both want to sell more products to customers. Beneath that, there are always some different views and ideas, but the overarching principle is that we all want to delight and win customers, sell more, and run great businesses.”

As a partner with Shell, Coles Express receives a great deal of support from the fuel company. “Shell is the landlord, the provider of the fuels, brand, and maintainer of the fuel infrastructure. We rent >

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the premises from them; we have a commercial arrangement for paying them for fuel; and then the shop is ours to do what we want with. Our responsibility is to run that whole property properly. Coles and Shell are both huge brands in their own rights, and they are huge companies with a very proud heritage around their brand and their capabilities.

“Coles Express sits in the middle, and has brought together an iconic Australian brand in supermarket retailing with an iconic global brand in terms of petroleum, so Coles Express is the meniscus between these two great companies where we create our own little company. We do that with Shell in a way that has to be very considered, respectful, and with a long-term view because we’re in a long-term relationship. It’s a fascinating relationship in itself which we depict as an alliance and therefore slightly different to a normal FMCG supplier.”

The coming together of Coles and Shell took place during a time when Shell retail in Australia was struggling and Coles was looking to diversify. At the time, Coles was looking for a new dynamic and to be innovative in the marketplace. Coles decided to up their game and change the lens on what they were doing. “In those days, Coles was under John Fletcher, who put that deal together. It was a win for Shell because they weren’t too sure that they wanted to run retail operations, and it was a win for Coles because they could step change the offering around fuel and convenience combined with a grocery relationship. That got going and was hugely successful.”

When the new entity was formed, Peter seemed like an obvious choice for running Coles Express. “Part of the reason I was offered the job in the first place was because I came out of a senior role in Shell and had a deep understanding of their culture and how they do business, plus Coles had no real knowledge of the fuel-convenience industry. Over the first few years, that was quite important because I was able

to bridge some of the issues that otherwise may have become difficult for two big companies not fully understanding each other’s drivers.”

Nowadays, Peter puts a lot of work into managing Coles Express and bringing the company forward. “There are daily interfaces between people in my team and people in Shell. Just recently, I was with three or four Shell people launching the new V-Power initiative, which is the best premium fuel in the country. It is in both our interests that V-Power is recognised as the number-one premium fuel brand in the country, which it is. But the Shell marketing team put together the whole launch of that as the fuel’s marketer, so they did that on behalf of Coles Express, who sells V-Power.

“We have very close relationships, and they get tested from time to time. Occasionally, there are fuel discontinuities and supply interruptions. I’m a retailer, I want to sell petrol and convenience items to my customers, and I want my customers happy. Can you imagine the chaos that occurs if a service station doesn’t have petrol—the challenge that creates for the team members? So there are some tense moments, but we get through those and end up better for it from the learnings.

“We also do things with Shell, like we have a health check every two years, so we have a formal review where everybody inputs through a website and then we go over the results. We check our relationships and what we think about each other against global benchmarks and against the history of what we’ve done in the past. All these things are designed to drive a sustainable, growing, robust, and long-term relationship. I am pleased to say we consistently outperform global benchmark norms.”

Coles Express’s network of 636 stores means the company is ingrained in numerous areas across the country. As a result, Peter notes the value of supporting local and



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national causes, promoting good corporate social responsibility. “The Cancer Council is a really interesting one. It somewhat defines my career and the leader that I am today because Coles has always been a greater supporter of Daffodil Day and raised more than \$15 million for the Cancer Council over a series of years. Since Coles Express is a small-box retailer, we chose for a number of years to not get caught up in fundraising so we could focus on the business and the main drivers. But it’s important to play your role in local communities as best you can.

“Just after Wesfarmers bought out Coles, I was diagnosed with oesophageal cancer. It’s a great cancer to get because you either get better or you don’t; you don’t have to keep going back to surgery numerous times. Coles and Wesfarmers as well as my team were fantastic at the time >

“Coles Express are a collaborative category partner of Peters who are proactive and willing to challenge the status quo. They are accessible with a dedicated team that delivers best-in-class execution and are also passionate about delivering shared business objectives.” - Robert Guardabascio, Customer Business Manager, Peters Ice Cream



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supporting me through that process, and I largely kept working even though it was pretty wobbly for about six months. Out of the back end of that, I was inspired by being a cancer survivor to see what we could do.

“The beauty of Daffodil Day is that as nearly everyone gets touched in some way by cancer and there are so many sorts, the question becomes: how can you galvanise the whole team around something. If you support breast cancer or bowel cancer, lots of people get it; no-one is going to join in on oesophageal cancer, so it gets a little more difficult. Daffodil Day allows you to have people getting behind the fundraising for cancer generally, and it is personal at numerous levels for many. You can achieve extraordinary outcomes because everyone signs on to it.

“I realised that as Coles was supporting this, we should

leverage off that and start doing it ourselves. Three years ago, I got in touch with the Cancer Council, and we’ve recently done our third year of Daffodil Day. The nature of retail and my nature is to always take it up a level, so we said to them at the start that when we did this we would aim to raise a million dollars in the year, in three years. In 2013, we made \$824,000, so we will make a million dollars this year, one year late! For me, it’s very special because I can link something to my personal experience and could leverage off something Coles was already doing and their philosophy of supporting communities, and I could galvanise our team around it. It’s one of the fun things you get to do when you run a business.”

Combining quality, value, and convenience is the Coles Express mantra that places the company in good stead for the future. “The future is only limited by the

“The future of Coles Express will be about bringing in new products, improving the quality and standards of our stores, and relentlessly driving the outcomes that customers trust.”

- Peter Short

imagination of the people in the team and our supplier companies. And they have great imaginations, so I don’t think the future is limited. I spoke about how we really want to drive convenience in a different space from our competitors, and we’ve embarked on the start of that journey. So where can we take grocery top-up shopping in our business, food on-the-go, coffee, ATMs, formats, offers, and technology?

“The use of loyalty schemes, understanding our customers better, and all those things that go into that Fly Buys space that we’re a part of means we should be able to build far more compelling propositions for customers and loyalty links with the aim of building a stronger relationship and outcome for us both in the years ahead.

“We’re hooked up with the number-one fuel brand in the world, and they have a unique relationship with Ferrari where they test and develop leading-edge fuels. As I said, we recently launched new V-Power, which has friction-modified technology in it, which no other premium fuel in Australia has. Essentially, that means less energy is used by the engine in friction, it burns cleaner, and it keeps deposits away from your engine. The outcome of that is a better response in your car, and the engine health of your car improves. Our advertising billboard that says ‘Extra Vroom’ says it all. This is important for car owners because the second-biggest asset most people have is their car.

“In terms of where do we go with our team, how do we take them on journeys to the next level? How do we inspire them to be greater as individuals and greater as teams? All of that flows out in front of the customer, which is why we’re all here. The future of Coles Express will be about bringing in new products, improving the quality and standards of our stores, and relentlessly driving the outcomes that customers trust. This is just going to be a never-ending journey.”