THE ANDREW MARR SHOW

INTERVIEW:

SIR TERRY LEAHY

TESCO CHIEF EXECUTIVE 1997-2011

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ANDREW MARR:
The Eurozone remains on the brink, but are we listening closely enough to the real drivers of the economy in business? Well the former boss, Sir Terry Leahy, made Tesco’s the world’s third largest retailer, and at its peak the company took one in every seven pounds spent on the UK high street - though since it’s had troubles of its own. So what’s his assessment of the current turmoil? Welcome. A huge amount of worry about the economy in general, the high street in particular. Just give us your sort of headline thoughts on that to start with.

SIR TERRY LEAHY:
Well it’s been a very difficult period because there’s been a double whammy. The financial crisis itself would be very difficult to recover from on its own and you’re seeing the problems in Europe, but also beneath that there’s been an oil shock. The oil price since 2010 has nearly doubled. Now by some measures, that alone would knock 3 per cent off growth. So all Western economies are really struggling to manage both of these things happening at the same time.
ANDREW MARR:
And it’s very difficult for one economy to sort of break free, but if I was George Osborne what would you be telling me to do that I’m not doing?

SIR TERRY LEAHY:
I think that the broad plan is right. You’ve got to keep the confidence of the markets. Governments have been spending too much, trying to do too much. They’ve got to spend a little less. But I think beneath that, we’ve got to look at how economies grow and we need perhaps the private sector to do a little more, governments to do a little less; and also when governments spend, spend a little more on investment rather than current spending because that investment increases capacity for growth.

ANDREW MARR:
What about sort of employment and social mobility because you famously, as you made clear in the book and all the rest of it, started from the bottom. You literally I think got on a bike or a motorbike and you started packing … stacking shelves. Is that happening enough these days to the sort of 15 year old Terry Leahy’s out there?

SIR TERRY LEAHY:
It does happen and I see lots of young, bright kids working in businesses or starting businesses, but it doesn’t happen enough. And actually it may even be happening less now than when I was a young person. I had the great advantage of getting a scholarship to a grammar school that really catapulted me out into the big wide world, that’s harder to do now and I think that for the people from really poor backgrounds… I think they do need a leg up to get on and up in society

ANDREW MARR:
Yeah. Let’s talk a little bit about Tesco’s obviously, where you brought huge growth to Tesco’s, but some people think too successful for quite a long time… the ‘Tescoisation’ of the high street is a phrase you hear lots, and lots of family businesses you know also providing employment, a variety on the high street crowded out by the big supermarkets led by Tesco’s. What do you say to the likes of Mary Portas and that view?
SIR TERRY LEAHY:
Well it is controversial and it’s important to have a debate about how Tesco has been successful. The first thing to remember of course is Tesco wasn’t created by diktat or by legislation. Tesco grew because customers shopped there. And they do have a choice. Everybody has a choice of supermarkets or other shops. So if Tesco stops looking after the customer, stops creating benefit, then customers can and do go elsewhere, so there’s a natural balance there.

ANDREW MARR:
But do you feel in any sense queasy about what’s happened to so many of our high streets because you know they have been hollowed out - lots of charity shops, lots of traditional businesses closing.

SIR TERRY LEAHY:
It’s a problem because the high streets, some of them are medieval, some of them are Victorian. They were designed for a different world, a different consumer and a different economy. They have to change as the way people shop and spend their money and live their lives change. Just look at the internet. By some estimates, a third of non-food purchases will be on the internet in a year or two’s time. That’s going to affect the high street, but we can’t stop people shopping on the internet. What we’ve got to do instead is make high streets more attractive places to be and to spend time.

ANDREW MARR:
Right. Since you left, Tesco’s had a tough time - to say the least. First profits warning for a long, long time. Now some people say that you saw it coming and got out in time, and some people say that your successors have messed things up. Which is it?

SIR TERRY LEAHY:
Neither. Any business will show a little bit of wear and tear coming through a recession that’s been around since 2007. But remember Tesco is very strong, it’s profitable, it’s growing, it’s growing profits, it has very good market position, so it’s a British success story. What the new team are doing now is exactly right, I think. The recovery is coming and they’re investing ahead of the recovery to improve the customer offer.
ANDREW MARR:
So what would have … You would have done nothing different had you been staying on in terms of …?

SIR TERRY LEAHY:
It’s very hard to know from outside …

ANDREW MARR:
Yeah.

SIR TERRY LEAHY:
… but I suspect I’d have been doing the same thing. And remember too that this is a very competitive market …

ANDREW MARR:
Sure.

SIR TERRY LEAHY:
… and we’ve got some very good competitors out there, and they don’t sit around making it easy for Tesco.

ANDREW MARR:
About half of the employees I think are now outside the UK - a big, big expansion outside. Is that going to be the future for you know high street successes because one of the big questions seems to be what do we … how are we going to make our way in the world in this country? What are we going to be good at? You know if the city’s in trouble, what’s the next thing? Do you think that retail, the export of retailing ideas is an actual wealth maker, earner for this country?

SIR TERRY LEAHY:
I do yes, yeah. And going around the world, I can say that the British retail industry is probably the best in the world, and actually we’re one of the leaders on e-commerce now, the new industry and we should go out around the world and compete - find the
best in our industry and see if we can learn from them and take them on. And that really is the future for the British economy - to engage more in the growth markets like Asia and Latin America.

**ANDREW MARR:**
Yes. You’ve called your book *Management In Ten Words* and you go through a whole series of things that are important to you. If you were singling out one message for people to take away from the book that you’ve written, what would it be?

**SIR TERRY LEAHY:**
Truth, I think, because you’ve really got to find out what’s going on around you, really face up to the difficult questions. If you can do that, then - well as ever - the problem is half solved.

**ANDREW MARR:**
And what’s ahead for you? I mean do you just rest on your laurels or have you got a new career coming?

**SIR TERRY LEAHY:**
No I’m still in business, but what I do now is I invest in smaller start-up businesses, many of them British, help them to grow. And of course that’s what the economy needs: it needs more entrepreneurs.

**ANDREW MARR:**
Alright, thank you very much indeed for joining us, Sir Terry Leahy.

**SIR TERRY LEAHY:**
Thank you.

**INTERVIEW ENDS**