

Project: MD's Conference Speech

Client: The Tanning Shop

Agency: Promass

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TANNING SHOP CONFERENCE - OPENING ADDRESS

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Duration: based on a wpm rate of 120, 20 minutes

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Ladies and gentlemen, welcome to the Tanning Shop conference.

Over the next twenty minutes I'm going to cover those developments during the last 16 months which you may not know about. After that I shall outline, having established the context, developments in company policy which will affect us all. And, finally, I shall briefly outline the agenda for the day in an attempt to whet your appetites.

It is 16 months since we last met. There are a number of reasons for this, and I ought to tell you about them.

My primary motivation for switching to Valentines Day is that it's the ideal time for a pre-season briefing. So I have to disappoint our detractors here - that's anyone who was expecting a massacre.

That's the joke over. This is going to be a very serious day. It's not a pre-season friendly. Not a party. Because there's no cause for celebration. Maybe next year. But today I intend you to go away with every confidence in the product. With every confidence in what you are doing. And, what's more, I'm certain that you will!

We're going to look to the future. Having said that, last year was a grim one. I'm not going to recap on events. They've upset you and your staff. They've upset me. To the point where I've considered jacking it in. I don't need the hassles. But, I ask myself, why should I jack it in?

We have indeed paused to think. As no doubt you have. On a personal level I'm still convinced that this is a business with a bright future. Many bright futures. So, now, we've got a change of strategy. A change of direction. And a change of attitude.

18 months ago TSL was focused on building through franchising, through generating an income stream, through supporting franchises. We all know that such a partnership depends on mutual co-operation. Sadly that just didn't happen.

Between October 1996 and the season which followed we emerged from a financial year which saw us blighted by bad debts. We had franchisees who just weren't paying us. We had no option but to tighten up credit control, to force sales where necessary, to refinance. Whilst obviously having to ensure we stayed in business ourselves, there have been genuine efforts to help franchisees. Some adjustments in rents were made to effectively subsidise shops. Some seemed to be suffering as a result of their location. But, at the end of the day, businesses which weren't being run capably were repossessed. Some franchisees just weren't prepared to work. They weren't doing the job. They weren't following the guidelines. Their businesses weren't making money. And they weren't paying their debts. To sum up, their standards were pulling everyone down. So they had to go. They went.

Most people here would agree with me that there are absolutely no guarantees in the commercial world. There are no guarantees of profitability, certainly. And in the world of franchises even giants like McDonalds cannot guarantee

that operators will break even. But the fact is that the vast majority of those shops which we now run and were supposedly unviable have subsequently had their fortunes reversed. They're now in profit. That proves two things. One is that bad management was at the root of their problems. Two is that we have a recipe which can and does work. If you follow the guidelines and are prepared to work at it, it's a good business. So it's worth taking everything that you hear today on board.

To those who think life is easier as an independent I'd say this: there are advantages that banding together confers. Do not underestimate the power of branding. Do not underestimate the economies of scale. And do not underestimate the benefits that centrally-funded initiatives can bestow.

We believe that - after the rationalisation - what we're left with is, in the main, a core of essentially well-run franchises and centrally-controlled shops. From our perspective we are left with fewer problems with control and our cash-flow has improved. As a result our day-to-day operational requirements have changed, so that instead of focusing on wasteful conflict we can focus on gainfully growing our product and our business. And supporting those franchisees who have supported us.

I'm talking not just about poor hygiene and unpainted premises. I'm not just talking about shops opening at irregular hours. It's worse than that. I'm talking about lamps which were long overdue for changing and were thus incapable of giving a tan. I'm talking about exquisite incompetence. It doesn't take a management accountant to work out that the laws of diminishing returns apply here. If a customer pays several pounds for a tan and doesn't get one, they don't come back. And, like as not, they tell their mates. Then you've reduced your income stream and it's even harder to afford your lamps. And you're on a downward spiral.

There are several perspectives on this. The most important one as far as you are concerned is that every shop like this was hurting all of us. They were hurting you because they were hurting the brand. They were hurting you by association. They were tarring you with their brush.

That's why we took 60 shops back. I'd do the same tomorrow. And, if there have to be more taken back to resurrect this company and ensure its long-term future, they won't be the last.

From our perspective this has cost money. Lots of it. The buy-backs alone cost in excess of £ 1 million. And, coupled with the £ 400 K which we spent on refurbishments, we've incurred £ 1.4 million and rising.

Consider this, though. In those shops which we have regained control of, profitability has on average increased by 40% in just 3-6 months transition. In Liverpool it soared by 330%. And, of the 44 shops we're trading, all but 6 are show positive like-for-like growth.

All this demonstrates two things. It demonstrates our commitment to the business. And it demonstrates that this business works. It's a business we want you involved in, pulling with us. But, if you don't believe in it, step aside and watch.

I mention our success with turnarounds whilst well aware that there are no easy turnaround solutions. Sometimes one has to admit that there are no quick fixes and that - even if this is an easy business to run well - it still requires hard work.

What have we done in our company-owned shops to turn them around as we have? Well, we've improved the facilities - especially the lamps - and recruited better staff whom we've trained. But we've not stopped there, because we've

also recruited 4 field managers. And trained up local area managers as well as administrative staff. We've also sought technological solutions. Like smart cards for company-owned shops, which confer several operational advantages. Like stopping fraud. Because unsupervised staff can't pocket the money for sessions.

So the approach is intelligent. It's back to basics.

It's been a difficult time. A lot of hard work. We've used these 16 months constructively. It's not all been fire-fighting. Because we've developed a new strategy. And now I'm going to tell you more precisely what we've been doing and how it will shape our futures.

The most significant development is the new machinery. Our modification to the hex cubicle is your USP for this next year. And for a few years to come, we hope. It *guarantees* fast, hygienic, clean and - importantly - *effective* tanning. We've sunk about £ 50K into developing it. That's because it cost that much to come up with a system of ducting and fans which ensures all of the lamps run at the temperature it needs to run at to ensure a strong yet even tan. It's been impossible to achieve up to now on vertical tanners because heat rises and the lamp heated unevenly as a result.

What this new system does in a nutshell is this. It recycles the air, which is now trapped behind a perspex panel. Before it used to spill out of the metal grilles. Now it's retained and whisked round, keeping the lamps at the optimum temperature along their whole lengths. So it's the same lamp but the cubicle is modified. The result is unbelievably better. And the best bit is that it's our idea and ours alone. It'll put us streets ahead.

There'll always be sceptics. What we're doing is offering a free session if anybody who uses a patch whilst they're tanning can't see their tan coming up after the patch is removed. There won't be any takers. It's that good.

We really needed this product - X New Generation - to spearhead our renaissance too, so the successful development of it has been pivotal in our decision-making process. Retrofits cost £ 400 each, but that will be quickly recouped when word gets around about its effectiveness. And because 14 minutes is the maximum exposure-time, operators have a fast turnaround time. Turnover will rise, but so will your margins. Some of you have seen X New Generation in operation. They'll tell the rest of you, I'm sure, that we're on to a good thing.



One of the other advantages of an organisation this big is that it can do market research. It shows us when we're losing customers. And tells us why that's so.

It seems that 17% of them prefer to lie down. And that's why we're now introducing quick no-sweat wrap-around beds.

There's a logic to this. We were the first into uprights. We went wholesale into that. Our rivals developed a policy of choice, though. They offered both uprights and beds. Now we've lost out by being too focused. Obviously we have to redress the balance, whatever the arguments for uprights. Because we want these customers. And bed technology has improved considerably. So we'll be using it where there's space and encourage you to do likewise.

It's a product choice which reflects technological advance and commercial acumen. We aim to recapture those 17% of customers who would otherwise go down the road. We aim to recapture that 17% of custom which can make the difference between your profit and loss. And we aim to recapture the 17% of custom which might well be - taken in conjunction with the other improvements we're making - the last nail in the coffins of competitors on your doorsteps.

Next I'll address marketing. The public will get to hear about the changes we're implementing not simply through word of mouth but because we'll tell them.

We've recruited a new National Marketing Executive. Keith Harris will tell them. The fund he manages will have a budget of £ 60 K a year. We're going to match franchisees' contributions pound-for-pound. That £ 120 K will be targeted on strengthening the brand. And generating business for all of us.

I can also report that the Better Business Group has worked well, proving itself to be a useful marketing communications tool for franchisee feedback. If you're not happy, they'll pass on your comments. As a result of that feedback, our policy will be to actually expand franchise support.

Our strategic policy-making includes several other departures. Let's look at them.

Policy! We're going to be offering 2 ranges of lotions - the top 2 in the world: CalTan and Swedish Beauty.

Policy! We're investing heavily in stock, and guaranteeing rapid delivery. All the products you need, you'll get. The best next-day service there is.

Policy! We're going to continue to invest in lotions with an aim of securing £ 1.90 per session in lotion sales. That's not much. We've shown ourselves that over £ 3 can be achieved.

Policy! We're going to be initiating another franchise - for slimming centres - which market intelligence suggests is likely to be a moneyspinner. So, for those of you with the space, that's another prospect to relish. I should also mention that we've been testing SlenderTone, and it's done so well that we're going to be introducing that to you too.

Policy! I'll confirm that Bodycare International will continue to build customer awareness through direct advertising. We're committed to it.

Policy! We will continue to take a hard line on credit control. Don't underestimate our resolve! We respect and reward the work ethic. But we cannot afford - and will not - to tolerate freeloaders.

Policy! We are aiming for loyalty and a uniformity of standards which says to the public "it doesn't matter which shop you go into, they're all uniformly good". We'd like to think that you as franchisees will volunteer to endorse this,

but at the end of the day we may have to impose standards for the common good.

And we'll be strict. Like bringing UV meters into shops to test the effectiveness of your lamps. So, if you go away and remember anything you've heard today, it's got to be 'replace your lamps regularly'. And, since we're on that topic, I'd prefer it if you bought them from me. Yes, I'm aware that some don't. But consider this: every lamp you buy from a rival is adding to their cash-stream. It fuels their expansion on your doorstep. And it's inherently stupid, a false economy, an own-goal. If being strict means that disenchanted franchisees will be shown the door, so be it.

Policy! We want to retain a sizeable proportion of independent franchises. Existing franchisees will not be obstructed if they wish to hand existing shops over to approved new owners. And we're more than happy to support you. If it's in our power to be franchise-friendly, we will be. But it has to cut both ways.

Policy! The market isn't saturated. That's why we will continue to open new shops for the company to run and manage. We want it to be said of us that we're

not asking anybody to do what we cannot do ourselves. At the same time, we are not - definitely not - seeking new locations for independent franchises.

Our agenda today is going to reflect these policy changes - these strategic decisions. And we will be going into each of these in more detail.

One. The agenda will accommodate the new retrofits and lamps, and it will incorporate the new smart cards too.

Two. We will cover the forthcoming marketing activities and promotions.

Three. We will examine support from lotion manufacturers and our expectations of that segment of the business this year.

Four. We will discuss the effects of new group look, the ambience, on marketing matters.

Five. We'll look at product choice for the forthcoming season.

Today is a day to chart where this company's going. To tell you plenty that'll excite you. To illustrate precisely why we're committed to this business. On

future occasions we may have time for a social event, a celebration perhaps of what we're going to start achieving today. But, right now, we need to concentrate on the issues in hand. On our business. Because we need to seriously address what has to be done there. And give it the shake-up it needs and deserves.

I still firmly believe in this business. My business. Your business. our business. I will pull with you but not for you. If we all pull together we'll all benefit. If you're not prepared to pull with us, push off. Those of us who want to are on target to enjoy a bright and successful commercial future.

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## TANNING SHOP CONFERENCE - CLOSING ADDRESS

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Duration: based on a wpm rate of 120, 7 minutes

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Ladies and gentlemen, I'm glad you came. And I trust you are too.

I shall not speak for so long on this occasion, since by now I'm sure that you're all tired from what has been a fairly concentrated day.

I opened my speech this morning by dwelling for a while on the unfortunate aspects of the recent past. I shall not now be revisiting them. But what I would like to do is to draw a line under them. Unless you're a lawyer or a soldier, and - contrary to belief in some circles - I'm neither, there's little commercial advantage to be gained from division and conflict. Indeed, I believe that in the Bible we're told that a house divided against itself will surely fall. That is why today's events should be seen as the commencement of a renaissance. The future beckons, and there is little point in raking over old coals.

Without covering all of the ground that I did this morning, without reiterating the substance of the entire day's conference, I'd like to remind you of what we've done here today.

We've introduced you to a number of policy changes - strategic initiatives - which have been made with the benefit of observation. We know precisely what was going wrong in the failed franchises. We know because we asked the right questions of erstwhile customers. And took pictures and kept records. I'd hope that everybody here can appreciate the wisdom of my appeal to you to avoid repeating the mistakes which brought about their downfall.

Those initiatives are bringing you new products in which you can rightly have confidence. They've been tried and tested so that you can purchase in confidence, and recommend in confidence. We're talking not just about tanning equipment - which is nothing short of inspirational in my book - but lotions too. Everything with our seal of approval has been carefully scrutinised. Go with it.

As you've seen, marketing efforts are being carefully planned and orchestrated to achieve maximum bangs for our bucks. There's a considerable spend there, and it's intelligently targeted with the intention of getting customers in through your doors.



What you're looking at, what you're listening to, is a company on the up. It cannot promise prosperity to all, but it's moving closer and closer to perfecting what you might consider to be a recipe for success. Taste it!

Over the next year I believe that it will become increasingly clear that I, and the team who I draw on for inspiration and support, will be vindicated for the sometimes harsh strategic decisions which we have made in the past.

It is my earnest wish though, that as the mood of the company lifts - as it surely will - it will also become increasingly unnecessary for us to take that kind of decision. Events, profit margins, will prove us to be more than adequate to the challenges with which we're currently engaged.

It is important that you leave here not only entirely aware of what we are offering you, but also aware of what we expect in return. In essence it is corporate compliance. In practice it boils down not to appeasing me but to satisfying the customer. It's the surest way to make money, to make fortunes. And, ladies and gentlemen, it's up to you.