Part 2:

POWERING THROUGH

In part two of our Shawcast series, Alex Gale talks to Rob Davenport, CEO of Shawston about providing stability for customers during times of economic uncertainty.

he 2008 UK recession hit all businesses hard.

How did Shawston continue to evolve and adapt throughout those hard times?

Rob: It was tricky because we were in denial it was even occurring.

We sell products that are 'second fix'.

So as buildings are being constructed, our deliveries might happen three quarters of a year to a year after the fabric of the building has been erected.

DIGGING DEEP

Everyone talks about the

recession, I think it was November 2008 and our numbers were great for the following 9 months.

We were probably a bit young and innocent back then and we just thought "wow we're going great".

And then the lights went off pretty much in Autumn 2009.

It affected us late which meant we had to wait for almost another year before we saw the recovery.

It was a very, very tough time for everybody, but an interesting time too, on the one hand, on a bad day, you might prefer to be under the safety of a PLC but then on the other hand, PLC's would tend to announce redundancies SEE WHAT'S INSIDE...

Surviving the 2008 recession.

The creation of a "safe" Shawston.

Establishing the Shawston Way.

and cost cutting and they might panic.

At least having your own biz you're in control of your own destiny.

Our plan was to try and keep all the jobs safe – put some austerity in, reduce discretionary spend, but don't cut into the muscle of the business.



Encourage the people in the business and get ready to power out the other side when the recovery came.

THE IMPORTANCE OF PLANNING

Alex: And now we're faced with the big Brexit question.

What are you doing as an organisation to help mitigate the risks to your customers, suppliers and your business?

Rob: I believe you need a really clear long-term plan if there is potential for some political or economic uncertainty.

If you've not got a long-term plan you end up in a reactive state.

We invested heavily during the recession so we could power out of it.

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IF YOU'VE NOT GOT A LONG TERM PLAN YOU END UP IN A REACTIVE STATE that money from the bank. It was a pretty brave decision to take because everyone else had cut back.

A SAFE SHAWSTON

So, when it came to the first Brexit date, 31st March 2019, half a year in advance you read the papers and everyone is scurrying round.

Are you going to stock build? Are you going to cut back? What are you going to do?

Our job is to keep everybody safe. That means customers, employees, our employee's families and also our partner suppliers.

Alex: How do you ensure that? What are you doing to keep your employees safe?

Rob: The company runs what we call a 'fortress balance sheet'. We will keep the net worth of the business above the figure of "x".

It's taken us a long time to get a multi-million pound balance sheet, and we run the business to ensure we get 100 out of 100 credit scores.

This means we can pretty much



When I look back at what we did during the recession — we acquired a competitor in the recession, we opened another depot in the recession, and we expanded the product range in the recession — whilst everyone else was cutting back.

We invested about £5m over a 4 year period and we had to borrow

get unlimited insured credit limit for our key worldwide suppliers.

Keep the balance sheet very very strong, keep cash flow as strong as we can, and we've got rainy day funds and a fund to invest.

DEEP STOCKS

When we turn that into what we can do to keep everyone safe, Brexit was about making sure we had stock depth. We deepened stock and we had about 6 months stock on the first fake Brexit deadline.

There was a lot of panic wasn't there? What happens if lorries block at Calais or the docks? Or what if there are shortages? What will happen to the price?

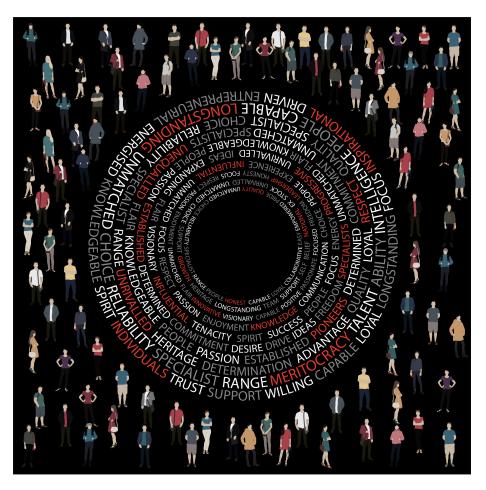
We had 6 months stock in 5 depots and we had a warehouse full of stock at Liverpool docks.

And we'd paid for it all in cash.

People might say so what? Why does that make us any different?

Well the people we compete against in the fire sprinkler market are typically one depot operators.

They do a good job regionally, but, they won't have our levels of stock depth, they might not



have the free cash flow and they might not have the supplier credit limits to boost stock.

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IF YOU NEED A PRODUCT AND THERE IS A PROBLEM WITH BREXIT THEN WE'LL HAVE IT ON THE SHELF

We were able to make commitments to our customers by saying "If you need a product and there is a problem with Brexit, then we'll have it on the shelf".

And that in turn means there would be limited business interruption if there were a hard Brexit.



Click here to listen to the full podcast.

This is part two of a five-part series of podcast interviews with CEO Rob Davenport. Find out next time in part 3 how Rob and his team strive to create a long lasting legacy and in turn a "Forever Shawston.

Follow Shawston on LinkedIn now to find out more about Shawston. A full version of the Shawcast can be downloaded from our Media Hive.



5 NATIONWIDE DEPOTS