

# Hillards Not for Sale

## “...Fisty Cuffs in the City”

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Pioneer of Self Service – Although not “...first to do anything.”



Welcome to

**HILLARDS**



# The Hillards Project

- Project supported by a BAM grant.
- Digitise the archive to a high quality (takeover material completed).
- Take oral histories of the remaining employees and hopefully some customers (interviews completed with P Hartley, one other director, Frank Dee).
- Secure the material in a regional or academic archive.
  - A perfect test case for building a rich digital archive.
  - The archive is rich and relatively large in size.
- Produce a website with details of the history of Hillards.
- Publish the digital archive online.

# Hillards hits at City after Tesco triumph

By David Green

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After Tesco's announcement that its offer had gone unconditional, he said he was disgusted with the attitude of certain large institutional shareholders who had sold their shares at enormous profits.

Singling out the Prudential Mr Hartley said: "Under its investment chief Mr Newmarsh the Pru accepted the offer for reasons of 'commercial logic.'

"This is another example of the selfish and irresponsible attitude adopted by City financiers who put money before jobs.

Mick Newmarsh refused to comment on the criticism, but confirmed the Prudential had assented its holding of about 4 p.c. to the Tesco offer.

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about 26 p.c. of the equity the supermarket giant knew from the start that it would have a difficult battle.

This led to an increased offer which on Tesco's price last night valued Hillards shares at 400p. Before the bid Hillards stood at 222p. Last night the shares closed 27p up at 392p.

When the bid closed purchases and acceptances totalled 56.6 p.c.

Tesco's chairman Ian MacLaurin said that he and his team would be at Hillards' Cleckheaton headquarters at 9 am on Monday morning.

"We have a full plan and we know exactly what we want to do. We shall be carrying out a refit of the grocery section of the 40 stores over the next 16 weeks and the first Tesco fascia will go up in four weeks."

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# Research Questions

1. Why was the the target of a take over?
  - a. Distinguish between failure and closure
2. How did the firm defend itself, and how successful was the defence?
3. What was the 'family' dimension to Hillards, and what were the implications for the defence and the takeover?
4. What does the case tell us about the history of supermarket retail in the 1980s?



# The Defence - an early derailment

- Peter Hartley (last chairman) attaches significance to the fact that they could not work with their normal merchant bank...
  - Tesco used the bank for some business just prior to the bid.
  - Hillards had to search around for another bank, ended up with Rothschilds.
  - Deliberate..?
  - Tesco were planning the takeover for months, almost a year.

# The Defence

Hillards defence in the face of a hostile takeover from Tesco was based around seeking to persuade shareholders that the takeover was not in their best interests

- Executives were not clear on what the strengths of the firm were
- Working with Rothschilds they gradually worked on the public defence documents which were to be sent to shareholders
- Majority of shareholders were institutional
- The defence documents and the campaign appeared targeted at smaller personal shareholders
- “Fisticuffs in the City”

# The Narrative of the Defence

Rothschild's sought to frame narrative for Hillard's defence, as to "emphasise the historical achievements of Hillards' management and set these out in the context of the cycle of food retailing [in order to] emphasise the need to look at the ten year picture to see how the investment/planning pays off in the future." This was to "stress that the benefits should go to the Hillard shareholder not Tesco."

On 27 March 1987 Hillards wrote to its shareholders, making the case to reject the Tesco bid:

*Hillards has been a successful, independent regional retailer for one hundred and one years. We have the strategy, we have the management team and we have made the investments to continue this success. An independent Hillards would, we believe, be in the interests of our shareholders, our employees and our customers.*

# Yorkshire!

"We regard it as a strength being a regional food retailer, particularly in an area which is economically and geographically very different from, say, SE England. Our regional emphasis enables us to make efficiencies in advertising and distribution and means of course that all management knows the market very well."

"It is well known that ASDA is not doing well in Yorkshire under pressure from competition from ourselves and WM Morrison."

"Yorkshire is very different from UK as a whole. Less prosperous than Tesco SE base. More stores per head of population. We think that in Yorkshire we actually have higher sales per sq. ft. than Tesco. AGB Survey (quoted by Yorkshire TV) says our market share over double that of Tesco's but our sales are nowhere near double. "

"Yorkshire has limited need for new hypermarkets. Our key focus is on medium-sized-towns where competition will never be as severe as a conurbation. In these towns, we can advertise cheaply and develop our distinctive brand image."

# Hillards are Better than Tesco Because....

We're tightly focused geographically (and will get better). Shorter chains of command and less unnecessary complexity. High levels of management and staff motivation. We focus on food and a restricted range of non-food lines. ... Tesco's development targets for out of town stores are for much larger stores. We've made some mistakes in non-food and want to stick to the things that we manage best. Tesco new store shelf space mix wouldn't really be appropriate for any of our stores. We've a wider range of food on sale in Yorkshire than Tesco. Our large stores are generally newer, particularly in Yorkshire. We have a higher proportion of in-store bakeries (44% vs 33%), delicatessens (97% vs 76%) and self service wines and spirits departments (95% vs 62%) than did Tesco at the end of the last financial year."

# The Second Defence Document (21 April 1987)

Hillards strategy is designed to ensure continuing growth into the 1990s. Tesco has not questioned our strategy. In fact, it has endorsed it. The Tesco bid is no more than an opportunist attempt to buy, on the cheap, a significant sales presence in parts of the country where it has remained weak. And with little to contribute on strategy, Tesco is now trying to construct a case on the erroneous assumption that significant growth in food retailing is only achievable by large 'national organizations'.

## The Problem: a juicy target

In the second defence document, one page is devoted to "Tesco Needs Hillards". It quotes The Times and the Yorkshire Post, as follows:

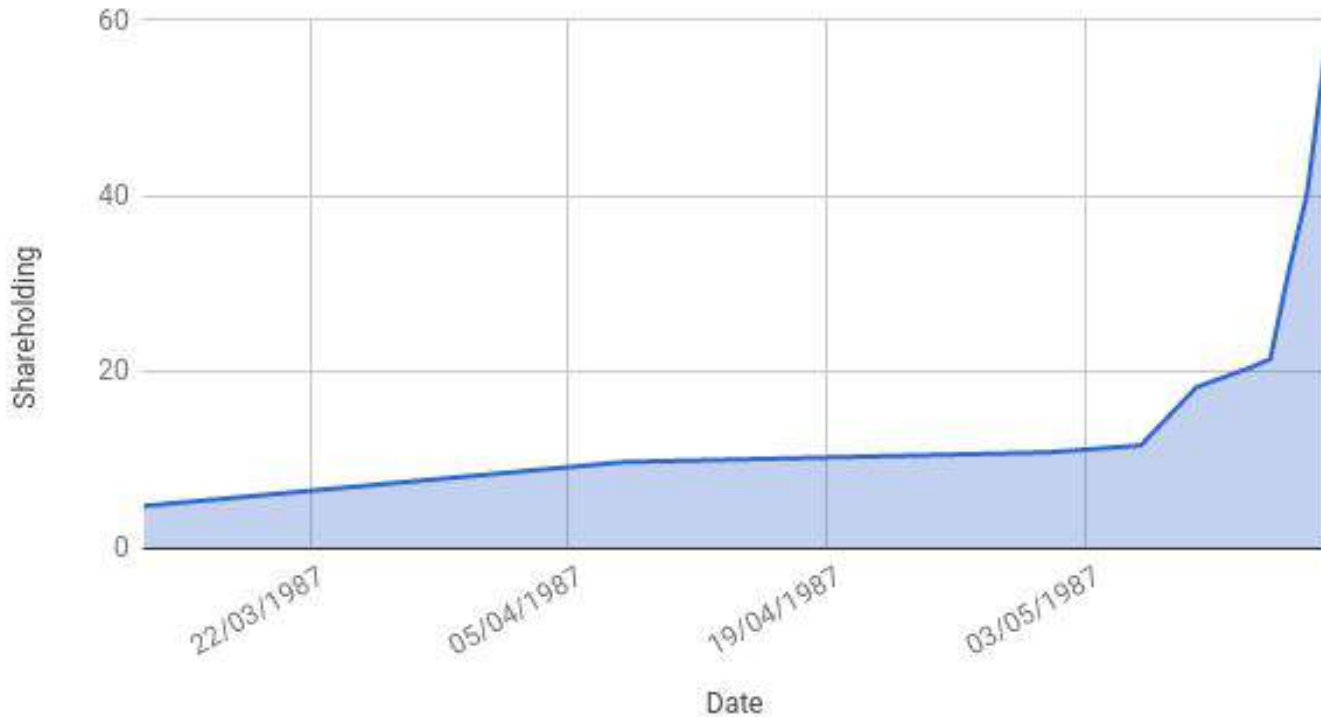
"It would take Tesco a great deal of time and expertise to build up such a share of an important regional market from its present Yorkshire base, which is half the size of Hillards. There is a hefty premium to be paid for these regional and strategic benefits." (Times)

"It is understandable that Tesco should have made the move. Hillards is a juicy target. At a stroke, the London carpet-baggers would leap ahead in the Yorkshire retailing stakes." (Yorkshire Post)



# “But do you need Tesco?”

**Tesco Shareholding vs Date**



# Defence tactics

- Very much a local campaign
  - They didn't think the institutions would sell...
  - Focused on encouraging the small shareholders not to sell.
- However they did explore other options:
  - Tried to get local MPs to back them
  - Tried to get the regulator to step in to stop the takeover
  - Adverts in the press and on the London Underground:
    - Hillards not for sale!

# Share Price

- 178p in early February
- 465p when the firm was taken over
- The shareholders did well
- Was the defence successful? No and yes:
- In 90 days in the summer of 1987 Hillard's demonstrated that they were worth £136 million more than the pre-takeover market capitalisation

# Ian MacLaurin (Chairman of Tesco)

“If it wasn’t Tesco, then somebody else would have come in and done it. There was no way... in the way that the trade was going, and the way people had money to spend, and out of town stores getting permission. All that sort of thing.”

Tesco expanded into a region in which it did not have a substantial market share

# Historiographical Contributions

1. Evidence for the strategy process of a firm under threat of a hostile takeover
  - Includes the role of Rothschilds as an organizational sense-maker, helping Hillards to understand their strengths
2. Corporate governance - weakness of family 'managed' firms as targets; but the family aspect was used as a strategic resource in projecting the identity of the firm in its regional and social context
3. Even in its demise, Hillards secured a victory of sorts, in bidding-up the price and returning additional value to the shareholders