

## Chairman's speech for AGM on 11th June 2018

Ladies and Gentlemen

A very warm welcome to the AGM. This is your opportunity to meet with us, to hear about the year The Society has had and to answer your questions. And of course, the regulars amongst you know that we have a few wines for you to taste after this formal part of the meeting.

I'm asked to let you know about fire alarms. In the unlikely event that the alarm goes off, please make your way to the nearest exit. Our staff are here to show you the way and to give you a hand if you need it.

We've introduced a few changes to the AGM this year to try to give you a better feel for The Society and to lighten and brighten this meeting. Things like the slide show. More changes to come in the future I hope and as always I would love to have your feedback.

The first formal change is that I'm not going to ask you to approve the minutes of last year's meeting. We don't need you to do it - and frankly, who can remember a year ago what was said. Anyone who was at last year's meeting was sent a draft of the minutes and asked for their comments and those have been taken on board.

I'll move straight on, therefore, to talk about the year. I hope that you've all had a chance to see the Annual Report which will give you more detail of what I will cover here and of our financial performance.

Overall it was a satisfactory year financially with a strong inflow of new members and regular sales up by 5% compared with last year. We saw the same pattern this year as we've seen in the last couple of years with a very slight downturn in the average cases per member but an upturn in the average case price. Taken together, and with a growing membership, our overall sales rose.

After last year's good performance on costs, we were disappointed that we weren't able to carry it on this year. Cost of sales was hit by both inflationary rises and exchange rates, reducing our gross profit year on year.

Other fixed and variable costs were impacted by a rise in headcount and additional costs relating to space saving and storage of wine as our own warehouses are at capacity. The rising cost of wine, insurance, transport, packaging - everything in fact - bothers us and we've had to put some of our prices

up as a result. One member wrote to me complaining how few lower priced wines we now offer. I had to agree with him. But the fact is that the only way to keep our prices lower would be to compromise on the quality of the wine and to get something cheaper. But frankly, what's the point of us being here if we are just going to offer you run of the mill wine. A glass of quality wine is a joyful thing - our job is to find it for you.

Having found the wine for you, we need to get it to you. Twenty years ago we were one of few home delivery companies around. Today, everybody is at it and expectations of delivery are going up and up and up. We're too small to compete with the biggest companies who offer free next day or timed delivery slots. In fact, if you're ordering a case or two of wine, do you really need it to arrive the next day? Probably not. But convenience of delivery is important as is having choice of when it will arrive. To help, this year we introduced the option for you to collect wine from a shop near to you. So far, it seems to be going well; it is proving convenient for you and is cost effective for us.

We have recently started working with a new courier who advise a one hour delivery slot on the morning of delivery. In addition we hope soon to introduce new route planning software for our own vans to make our deliveries still more efficient and provide better tracking so that you've got a clearer idea of when your wine is going to arrive.

Technology of course is a great enabler and opens up all sorts of doors for us. This year we've used technology to connect members through the Community on the website. It gives you the chance to chat with other members, exchange views, share ideas, ask questions. A recent conversation on the Community was what advice to give to new members. One response was to "make sure your deliveries are from a Society driver and van", and ( I quote)

*Secondly, and much more important, take time to talk to the Society driver. I first met our driver at 07:30 in the morning. As he handed over the (undamaged) boxes, he commented on the contents most of which he knew first hand and recommended some alternatives to try .... Since that first delivery, I've tried those recommendations and they have been that good that I look forward to the wine tutorial on the doorstep....*

There aren't many firm who could say that of their delivery drivers.

Occasionally we have to intervene on conversations on the Community where it looks as though misunderstandings or lack of full information are causing members to get concerned. After we sent out the Annual review there was a thread - and I have to say quite a lot of disquiet - about the deficit on the pension scheme and speculation of what might or might not have

gone wrong. Pensions are extremely complex and the complexity of ours has been made worse by events in 2010 as we reported last year. Last year's accounts gave full explanations and I won't repeat them here because it would take up a big chunk of this meeting. I would be happy to talk with anyone afterwards if you have specific questions and concerns - come and see me at the end. Happily our Community users were satisfied with the answer we provided and it seemed to allay their concerns.

I will confirm, however, that we closed the defined benefit pension scheme to new accruals on 30 April last year and the accounts record the benefit. I'm sorry that I'm not able to tell you any more at this stage about progress that we have made in relation to the wrong legal advice that we believe that we received relating to the scheme in 2010.

Staying on official matters, you can't have missed that the news has been full recently of GDPR, the new Europe wide data protection rules.

These seem to have spawned a huge industry and every company that I've had dealings with seem to have interpreted it in a different way. The legal advice that we got was that as shareholders in The Society, it was right for us to hold your data and to use it to market to you in the way that we always have. We therefore haven't gone through the hoops of asking you to confirm to us that you are happy for us to hold your data.

While writing this speech a couple of weeks ago, I saw that a question had been asked on the Community pages of how we use your data to send you offers. How much choice is there for you to opt in or opt out of different offers and mailings.

We do do some segmentation and send you emails and mailings that we think are more appropriate to you. Many companies will be send you only what you have asked for. We could do that. But, if we do, to borrow a well known phrase "if you do what you've always done, you'll get what you've always got" In other words, if we only send you information that you ask for or about wines that you've tried before, you'll never try anything new !

We believe that so much of the joy of wine lies in new discoveries - either new to the wine world or just new to you !! We're proud of the wines and the new growers that we find and want to share our excitement with you.

Over the next year or two we will need to be renewing and upgrading our IT systems to make them more agile and efficient. I envisage that it will also allow you to find your way around the wines that we offer in whatever way you find easiest - by colour, grape, style, occasion, genre, vintage, star rating, food matches, grower, price or country.

As I'm on the subject of how we put together our wine offers, it's only a short step for me to update you on how we got on last year experimenting with the tone and design of those offers and how we plan to broaden our appeal to a new generation of wine lover. The first step was to gather data from last year's sales and to see which offers you liked and which you didn't like; which tempted you to buy from us and which didn't. As an aside, I should say that our objective in making our offers and material more attractive is to try to encourage you - in a very Wine Society sort of way - to spend more with us. We don't seek to growth or profit maximise but that doesn't mean that we don't want more of - or better still all of - your wine wallet share.

The more wine we can sell and deliver to you, the more efficient we can be. The cost to serve per member or per delivery comes down and we become a more cost effective business. If this means our profits go up, we will cut our margins - and our prices - to return those profits to you. A win win situation.

So, please don't think that because we are a mutual we don't care where you spend your money. We do care and we want you to buy all of your wine from us ! But we are not going to use 'strong arm tactics' or play clever pricing and discounting games to persuade you to buy from us. We're not going to cut the quality of our wines or services to make more profit. We're going to offer you great quality wines, at fair prices backed up by great service. That is what we mean by **passion before profit**

And then we are going to present the wines to you in a way that is exciting, fresh, relevant, up to date and firmly based in the 21st Century - which brings me back to the tone and look of our offers.

We've taken what we learned last year and are pulling together new design guidelines for our offers. As I hope you will already have seen, we are evolving our 'tone of voice' to be rather less 'corporate' and rather more human, to be less intimidating but to be more approachable, to be less exclusive but to be more inclusive, to be less old fashioned but to be more modern, to be less sober but to be more.....passionate.

Then we're finding ways to reach out to younger wine drinkers, through social media, publications that they are more likely to read, new formatted wine tastings and using our existing network of younger members. It's going to take time to raise our profile with a younger generation but our focus is clear.

We've got work to do on the demographic of the membership and of new members. The average age of a member is about 58 while the average age of a new member is about 48. We would like this to come down, probably to early or mid 40s but don't expect it to come down dramatically. Only about

20% of members and new members are women. That's a piece that we really want to change - the gender split should be much more balanced.

Changing our tone of voice aims to make us more accessible to and give us a broader appeal with women and younger people while at the same time continuing to appeal to our existing hugely loyal members.

We don't have a target size or target number of members. We need to grow faster than the rate of inflation if we are to continue to thrive. Our growth comes from the number of active members, the number of bottles that they buy and the price that they pay so it's a question of balance. Though the number of new members does seem huge - about 16,000 this year - because of natural attrition, the number of active members only increased by about 3,000. More important than the actual numbers coming in, is the speed of growth; we want slow steady growth that we can manage and serve to a high standard.

Best of all is steady growth in the number of active members and steady growth in cases per member.

Lots to do !!

Moving on to other matters...

We recently reported that Robin McMillan, former CEO, had left The Society and that Liz Cerotti had stepped in as interim CEO. I want to thank Liz for the outstanding job that she is doing while at the same time continuing to oversee her day job of Head of Service and member experience.

We are well advanced in the process of finding a new CEO and are delighted in the quality of candidates that have come forward.

There are more changes in the Committee as well and tonight we say 'farewell' or perhaps i should say '*au revoir*' to Guy de Froment who retires from the Committee at the end of this meeting. Guy has been tireless in his focus on the commercial aspects of The Society working closely with the finance team and operating as a key liaison between them and the Committee. With the co-optation of Ken and Michael to the Committee last year, Guy feels that financial and commercial matters are in good hands and that he can now retire. Guy thank you for all you have done for us, your humour, diligence and attention to detail. We will miss you.

Interest from members in joining the Committee remains high and we held a number of meetings during the year to get to know them. I'm delighted that from those meetings we have found two younger members with very relevant backgrounds to join us. Thomas Foster joined us as a co-optee in January this year and I'll introduce him more formally in a moment under item 3 - committee co-options. Eleanor de Kanter also sits firmly into the category of a 'younger member' and will be joining us as a co-optee later this month. . She runs her own digital marketing company which specialises in helping clients embrace the digital world - experience that is directly relevant to The Society - and I am sure she will have a lot to add to our own thinking. I'll ask you formally to approve her co-option this time next year

OK that's quite enough from me. In light of ever increasing competition The Society is doing well. The quality of our wines is second to none, our prices are competitive, our service is outstanding and we have wonderful loyal members. Long may that continue.

Let's take your questions.

Q&A's

**Seek approval for the accounts**

## **Item 2**

### **Committee remuneration**

Item 2 is for the members at the AGM to consider the remuneration of the Committee. Those of you who have been to previous AGMs will know that this is something

that you, the members, set. It usually seems to help if we suggest an amount to you, though of course you're not bound by this.

The paper on your seats sets out the current position and what we are suggesting for the Officers and elected members of the Committee for the year ended 31 January 2019. We are suggesting an increase of 3.2% which is broadly in line with inflation and in line with this year's staff pay award. For elected members, the new rate equates to about £7,500 per member for the year if they attended all the meetings; pro rated down if they are not able to attend all meetings.

Co-opted Members (other than the Chief Executive), are paid at the same rate per meeting as Elected Members.

Please could I have your approval for this proposal.

### **Item 3 : Election**

Guy's retirement from the Committee creates a vacancy and we have asked Ken Brown to stand for election. I'm delighted that he has said yes.

Ken Brown was co-opted in September 2016. He is chartered accountant and spent more than ten years in a leading accounting firm before moving into investment banking where he has spent 20 years advising companies on financial and commercial matters. He has recently stepped down from his executive role which means that he will have rather more time to give us.

The other member retiring this year is Mike Thompson whom many of you will know. Mike is delighted to stand for re election and we are pleased to have him.

In the event that no one else has put themselves forward for election and, in accordance with Rule 25.1 I can declare that Ken and Mike are elected.

### **Item 4: Co-options**

The last formal piece of the agenda is to ask you to approve, retrospectively, co-options to the Committee. There are three this year:

Ken Brown, Michael Findlay and Thomas Foster.

You've just heard about Ken and there's no need to repeat his cv so I'll move on to the others.

Michael Findlay was first co-opted in January 2017 and his co-option extend this year . He spent 27 years in investment banking, where he was responsible for advising the boards of many leading UK companies on a wide range of strategic, financing and governance issues. He is also an experienced non-executive director having sat on the board of the logistics group UK Mail Group PLC for 7 years and is currently non-executive Chairman of Morgan Sindall Group PLC. Michael is also a member of the finance sub committee.

Thomas Foster spent a number of years at BT where he lead a number of digital and change projects. He is now director of acquisitions at the RAC where he leads the way in recruiting new members. Thomas of course - and as you can see - fits firmly into the demographic of member who we want to recruit and his insights will prove invaluable.

Please could I have your approval for those co-options