

# The Grocer

## Iceland's Food Warehouse will complement old format, not replace it

11 May 2015 | Andrew Don



Iceland's plans for an aggressive stores acquisition programme for its embryonic The Food Warehouse proposition over the next five years looks like a smart move, and seems further proof the business continues to have an eye on the future.

As our exclusive news story this week reveals, further Iceland openings are off the agenda. It takes a brave business to call time on the expansion of a format that has been so successful.

But when you're an established retailer, it's easy to be lulled into a false sense of security with the same old thing every day, and the more astute – Iceland chief executive Malcom Walker among them – know that to stand still is to go backwards.

The Food Warehouse's development does not, however, mean curtains for the Iceland format. Iceland is a vibrant business which isn't going to run out of steam any time soon.

Growth of a format is not just about adding stores; it's about continuously revisiting the format, the products it sells and how it communicates its offer.

With 850 Iceland stores, it makes sense to launch another format that can take the group to the next level, explore a new angle, and add to the estate. The Food Warehouse will be a good incubator for any ideas and products that could work across both brands, and inject more excitement into the core estate.

Industry veterans will know that Iceland is no stranger to new formats and diversification, and it hasn't always got it right.

Remember The Food Factory? This was a bulk loose food format which seemed like a good idea at the time, but which Walker says in the self-penned *Best Served Cold, The Rise, Fall and Rise Again* of Malcolm Walker (which is a great read, by the way) "wasn't worth the effort".

The Food Warehouse, however, is doing what Iceland does best, but differently.

Iceland is strong on value-for-money frozen food and ambient grocery staples, but The Food Warehouse should bring more competitively priced, luxury products to the mix.

Richard Walker, The Food Warehouse's recently appointed managing director, says it's a format that will appeal to a broader church of people.

The first Warehouse launched on 2 September in Trent Vale, in Stoke, selling the likes of kangaroo steaks, crocodile burger, shark steaks and whole salmon, and there are now six of them. The exotic meat range first sold in The Food Warehouse is now available in the main Iceland estate.

I suggested to Walker Jr that a more sophisticated frozen food offer was a niche that had, up until now, been missing.

He agreed, but stressed the company had no definite strategy to go upmarket. The group wanted to offer the best value, innovation and products that were unavailable elsewhere as well as being the best at what it did, he said.

The Food Warehouse – Iceland wants 50 of them in the next five years – offers the group the chance to attract new customers and sell more luxury products that command higher prices, something from which it has previously shied away.

It will not want to make the mistakes Morrisons made with its Store of the Future programme, which was launched at the wrong time in the cycle and alienated many of its core audience.

Value for money is here to stay, and Iceland can offer that across both formats while using The Food Warehouse to sell products that reach a higher price ceiling but which still offer value for money and which provide a test for possible introduction into Iceland stores where deemed appropriate

The Food Warehouse has a trusted household name behind it and the Iceland team are a canny bunch who know what to source, how to source it and how to extract the best deal for its shoppers.

Only time will tell whether this is a new direction that propels Iceland on to further success, or whether the format goes the way of The Food Factory.

Place your bets.