



CandeZent in Conversation

Leo Watling, Founder, Apples and Sage Organic Wholefoods, Melbourne, Australia with Alan Treadgold, Founding Partner, CandeZent Advisory

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Background to Apples and Sage:

Leo Watling and his wife Jenny founded Apples & Sage in Melbourne 8 years ago. Before Apples and Sage, Leo had spent a lifetime in retailing, including leadership roles with some of Australia's largest retailers. The journey to establishing Apples & Sage is a very personal one for Jenny and Leo. Today, Apples & Sage is an award-winning shop based and online retailer with a very strong customer base and an impressive track record of trading success.

Leo, What's the background to Apples and Sage?

My wife Jenny and I started the business about 8 years ago. We'd been eating organically for over 20 years. At the time of opening the shop we were frustrated organic customers. We were tired

of having to go to 5 or 6 shops to do our organic grocery shopping. The shops we were visiting just didn't have the range of products that we knew were available, so our shopping each week was a chore – a nice one, but a chore nevertheless. Our store is 220 sq.m. on the trading floor and has nearly 4500 SKUs. We think this is the biggest range of organic products available in Melbourne. Also, we wanted our shop to be a nice environment, not like the rather 'grungy' environments of traditional organic stores and also we didn't want to be like the corporate environment of a food supermarket. Putting our strategy together took about 12 months. Australia has the biggest land mass of certified organic farmers in the world so we knew that growth was going to come.



Who's your customer?

Dedicated organic food eaters who won't eat anything else are a big part of our customer base. A lot of our customers also have health issues and want to change their food intake. We also have a lot of younger customers who absolutely want to know where their food is coming from. Covid has accelerated this. We want to convert people to eating organically. There's still a huge perception in Australia that the price of organic produce is an issue even though we know that in our store we're very price competitive.

Probably 80% are doing all their grocery shopping with us and are wedded to eating certified organics. The other 20% shop with us for food quality and service. On price, the price of organics has dropped dramatically and still is reducing. We need to be price competitive to get people shopping with us regularly. Our margins are really tight and our volumes have to be high because our product is also very perishable of course.

Have you had any supply issues?

We have about 250 suppliers. What they want is big orders and to be paid on time! We think we're the best payers in the industry. We've also educated a lot of new first time suppliers coming into organics for the first time. We build relationships with our suppliers and we know that when there are shortages we will get supply.

We are also a certified store. We believe we're the only one in Melbourne. Inspectors come into our store, take our products away and test them to make sure that everything we sell complies with certified organic standards. Certification is still a major problem in Australia – many people claim they are selling organic produce when they're simply not and customers can get ill as a consequence. This is a matter of integrity, especially during the time of Covid.

What about Staffing?

It's an ongoing challenge for us and always has been. I always wanted to be a retailer, but our staff aren't like me. They're terrific, but so many really want to be doing something else. Finding passionate people is just very difficult. It's a stop-gap job before the next job. But we're able to keep our team members which we're really proud of. Our staff turnover is around 16% when the average in Australia is about 38%.

How does online figure in your business?

We launched online about 3 years ago. But we didn't launch the Apples and Sage brand online. Rather we launched online with a totally separate company called All About Organics. We felt we had to do it this way so that we could use a different pricing model online that better reflected the operating costs of our online operation. Also, we wanted to be able to offer same day delivery for all of our 4000 lines and we can only provide this with a different pricing model.

Online sales grew enormously during lockdowns in Melbourne. Before Covid, online sales were about 7% of our business. It's now about 30% of turnover and I expect it to stay around that. I can see it being the major growth vehicle for our business. It's also the reason why we haven't opened another store. Rolling out more stores isn't going to be the best model for our business. And online has also given us overnight a fabulous marketing database. We can be profitable with our online brand and deliver the service levels that we want to.

The difficulty I find with online is that you don't have the direct relationship with the customer that you do in store. Online, they are very brutal with their complaints and you lack that personal relationship to resolve them that you have with shoppers in store.

How has Covid impacted your business?

I don't want to sound at all smug when there's so many people who have lost their businesses and livelihoods, but the pandemic has been good for us because our online sales have grown so strongly and shoppers are much more concerned with their health and with having confidence in where their food is coming from.

The big challenge for retail in Australia is the ability of high streets to survive. High streets are declining dramatically because of unrealistic rents from landlords. To me, high streets are where innovation comes from where the next big chains will be created.