

President and CEO Matti Halmesmäki's answers to questions at Kesko's Q2/2012 media and analyst briefing on 25 July 2012

Juha Kaihlanen, Turun Sanomat / Väli-Suomen Media: So, the adjustment programme is starting in all divisions. What are its effects on the number of employees?

Matti Halmesmäki: The best situation is, of course, when there is growth. When new stores are opened, they need new employees, because we promise good service and we have to keep the promise. But it's also part of the problem that when a new store is opened in Russia, it employs a lot of people even before it's opened. However, there are three aspects that have to be taken care of. First, there is already a shortage of excellent employees, and our employer image and employer policies have to be such that we can get the best employees and keep them. The second aspect is working capacity and motivation. When there are major changes, there is always the risk that good employees go somewhere else. The third aspect is productivity tracking: how do our sales per person and sales margin per person develop? And customer service personnel will be the last to be affected by the adjustments, because we want to continue giving good service to our customers. The fact is, though, that there are many organizational levels especially in an old company like Kesko, and it's no longer the case that the boss knows everything. These days the objective is to move responsibility to the grass root level, do the job properly there, and reduce the layers in the organization. Our divisions are very different, and if you think about accounts in the building and home improvement trade, accounts in the food trade, accounts in Anttila, and accounts in the car trade, it's clear that we can't take a single model of adjustment and apply it to all divisions. But it's clear also that the measures concern all supporting functions as well. Of course, we are very much aware of the fact that Kesko employees are extremely hard-working, and many are doing overtime even now, but it's also a fact that with the current labour costs, our cost ratio has weakened from 18% to 19%, which means that costs have increased by €100 million in relation to sales.

As I said, adjustment applies to all costs. There are many areas where personnel expenses are very small. In logistics, we have already done a lot by developing our systems. It's very important to be able to utilise forecasting systems, automated orders, picking systems and so on. In store-specific issues, logistics plays, of course, a major role. Our competitiveness is also affected by the actions of K-retailers, their way of doing business. We encourage retailers to compete also with each other. Entrepreneurship is a strong generator every day. Of course, our tracking shows there is much variation between stores.