

Eck of a ride for Coles Myer exile

EXCLUSIVE

The CEO departed to revive a US company and make millions

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When Dennis Eck was drummed out of Coles Myer in 2001 it was met with a mix of cheers and jeers, depending on which side of the cash register you stood. The softly spoken American flew away with more than \$8 million in pay and a swag of free shares following a hit-and-miss performance as the company's chief executive.

The size of his salary at the time generated the loudest cries of protest, especially his \$US600,000-a-year retainer from Coles Myer as part of his termination. It overshadowed his time at the supermarket and department store group that saw it almost double its market share and, for the first time, pose a serious challenge to the then-dominant Woolworths.

Although he left Coles Myer almost 20 years ago — he caught a plane home two days before the September 11 terrorist attacks on New York — he still pops into a Coles supermarket, typically when he and his wife are in Melbourne for the Australian Open tennis.

"I go back every year, have been back every year to Australia, every year, since I left. I go to the Australian Open, I am a big tennis fan," Eck tells *The Weekend Australian*.

"I bought the tickets when I first got to Australia from my personal funds. You always want to have tickets, particularly for an event like that which may be the best tennis tournament in the world. My wife and I go back and we spend three weeks in Australia ... we are big Roger Federer fans.

"And I often go to Coles Express on my way to the tennis. It was developed when I was there, although it's a little different now."

These days, Eck, who lives in California, laughs off all fuss about his remuneration, especially as the money he pocketed from Coles Myer was tiny compared with the more than \$200m he appears to have made at his next corporate gig turning around US Midwest chain Ulta Beauty.

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Dennis Eck enjoys the tennis in Melbourne on one of his return visits to Australia

was originally hired as a consultant by Coles Myer in the mid 1990s to construct a plan for the revival of its poor performing supermarkets and would soon replace its then CEO Peter Bartels.

Now he is back. Eck has returned to Australia as a newly minted director of ASX-listed micro-cap biotech company Cellmid. It is a \$26m life sciences company with a bulging portfolio of lead programs in multiple disease indications but also with a strong focus on anti-ageing beauty products such as hair loss.

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BUSINESS EXECUTIVE

amount of money? You only get one Ulta in your life, so I guess if I wanted another I needed to think differently."

Wesfarmers' \$20bn plan to demerge Coles, which will see it emerge as an independent retailer for the first time in 30 years, has prompted Eck to think about his rather short four years at the helm. It was characterised by a revitalised supermarket arm but a failure for Myer to fire.

"When I came to Coles, if you go back to look at the figures, I think we were in the 20s in terms of market share and the year I left I think we were at 37 per cent. You know how history has a tendency to make those things disappear.

"But I found back then that Coles was very fixable. If you recall (the stablemate chain) Bi-Lo at that point was going away. We took Bi-Lo, I think, from a billion and a half in revenue to around \$45bn when I left. So the amount

and came back to life, just like Ulta did. I was also asking to be paid during that time in shares. I believed that if you are going work with a company you ought to have shares in it."

His view of retail hasn't changed. What worked then is still effective, he argues.

"If you think about all that's happening everywhere in the world there has been such change in food and general merchandise. The food segment has had a pretty tough go. Once again supermarkets are being hit from a whole bunch of places that it never thought it would be hit from, like the internet, Amazon.

"I've been around and helped fix a lot of businesses. You know that any in form of business people have to focus on what is it I can do for my customer better than somebody else, and how do I exploit that?"

"Ulta were in a situation somewhat similar to what Coles Myer was when I joined. They did not know how to go forward. I did a five-year business plan, gave it to them and said they could do it one of two ways; they could take the plan and do it themselves or second was for me to be the plan," he says.

"All I wanted to be paid in was share of stock not money. They were going bankrupt, so I ended up with a lot of shares. I got shares that were issued at about \$US1.65 or \$US1.85 each — It was a long time ago so don't hold me to it.

"When we did an IPO I had about 662,000 shares; now the stock is trading at about \$US245 each."

There is a pattern here. Eck

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He paid \$1m late last year for a roughly 5 per cent stake in Cellmid (the shares have risen more than 20 per cent since). He says his other main investments in Australia are in CSL and Cochlear.

Why dabble in risky biotech? Eck explains in a matter-of-fact way that he was unlikely to repeat the massive personal financial success of Ulta. He also was attracted to how Cellmid straddles both biotech research for diseases such as cancer but also has a direct-to-consumer division.

"The way that I thought about this is: what is the next way a person can make a meaningful

took Bi-Lo, I think, from a billion and a half in revenue to around \$4.5bn when I left. So the answer to could Coles be fixed? Yes.

"Did that satisfy the market? No, otherwise I wouldn't have been unemployed in 2001," Eck says.

Coles Myer would later fall apart under the watch of his replacement, John Fletcher, and eventually be broken up with Coles sold to Wesfarmers, and Eck defends his time at the conglomerate trying to get both sides of the business firing at the same time.

"I don't want to make it sound like I'm being cheeky. But it might have been one of the success stories of the 1990s for a company that was sort of given up for dead

do for my customer better than somebody else, and how do I exploit that?

"Some supermarkets are taking the path of hard price matching, some are taking the path of being really great at fresh food, and others at really great loyalty programs. At the end of the day, what really makes up a supermarket is basically that it is a conduit between the supplier who produces something and the agent that sells it and the person who buys it.

"When I went to Coles I did a study for them that started my work for them. Coles was not in synch with the suppliers, the customers and their employees and the only thing I take any pride in is that we 'synched up' the interests of all of those people and something really good happened."