RECKITT BENCKISER'S TREASURER, MARTIN GRIES, TELLS **GRAHAM BUCK** THAT INNOVATION AND COST CONTROL ARE CONTINUING TO POWER STRONG SALES AND EARNINGS GROWTH.

Cleaning up

PHOTOGRAPHER: ROGER HARRIS

There can be few households in the developed world where the kitchen cupboards and bathroom cabinets are not stocked with brands produced by Reckitt Benckiser. The goods themselves may not be the most glamorous of household buys but the dishwasher tablets, cough relief and acne treatments sold by the company across the world have helped create one of the FTSE 100's most consistently successful companies.

Reckitt Benckiser, formed at the end of the 1990s when UK firm Reckitt & Colman merged with German group Benckiser, derives 62% of its £7bn annual net revenue from 17 "power brands". The 17 include Vanish fabric treatment, cleaner Cillit Bang, germ protectors Lysol and Dettol, the Finish dishwashing range, Strepsils lozenges, painkiller Nurofen and indigestion relief Gaviscon.

In the current downturn, many other companies must envy such a seemingly recession-proof range although group treasury director Martin Gries insists this is not the case and that "recession-resistant" is a more accurate description.

"We've managed to control our costs even when times are good economically and to focus on growing revenue and improving working capital," Gries explains. "This has stood us in good stead during more difficult times."

Reckitt Benckiser manages to generate as much cash as it does earnings. For 2008 the group reported operating profit in excess of £1.5bn, which means it can regard the post-credit crunch period as one of opportunity.

"If you're prepared to spend money you can secure much better value today and we're seeking to use it to grow our market share," says Gries. This includes taking advantage of favourable advertising rates; Reckitt Benckiser's media investment in 2008 was a whopping 12.4% of net revenue."Many companies are scaling down advertising at the moment; our view is that by continuing to invest we can now get better value."

Rather than being held in an office, our interview takes place in what is dubbed the Supermarket Room at the group's headquarters. As the name suggests, its shelves are lined not only with all of the group's product range but also some offerings from competitors so that designs and packaging can be compared.

The group's strategy is to target markets that offer "significant opportunity for growth", says Gries, and the best returns for shareholders. "We want to be leader in the markets we operate in, so we develop products where we believe there is growth potential. For example, we're not a global manufacturer of laundry detergent, where there is already market saturation. The dishwasher market, however, has huge growth potential; at only 60% saturation in the biggest markets there are plenty of opportunities for the Finish product range to continue to grow.

Reckitt Benckiser has operating companies in more than 60 countries and a total of 41 manufacturing plants. However, its ability to cross-sell from countries where it is represented into more remote regions means that its products reach around 180 countries in all.

"Thanks to the strength of Finish and Calgonit, the group was seen principally as a dishwasher products producer when I joined eight years ago," says Gries. "Household care products are still an important part of our business, but over-the-counter healthcare products have increased in importance in recent years. This expansion has been fuelled by a mixture of acquisitions and organic growth."

The former include the £1.93bn deal in late 2005 that saw Reckitt Benckiser win the auction for Boots Healthcare International against competition from GlaxoSmithKline, Novartis and Bayer, to add Nurofen, Strepsils and Clearasil to its power brands. And at the start of 2008, it picked up US group Adams Respiratory Therapeutics, best known for its cough relief Mucinex, for $2.3bn (£1.1bn at the exchange rate prevailing at the time of acquisition). The group's strong cash position and keenness to expand further in its core areas and into more countries mean further deals are likely.

"The group has a strong cash culture, and believes more than ever that cash is king," adds Gries. "We've managed the business in a way that gives us flexibility when times are hard and chief financial officer Colin Day is of the opinion that if we have debt, it's only for a specific purpose and we use our strong cashflow to pay it off quickly."

Reckitt Benckiser's treasurer says that the career path that led to his current post began with eight years as an A-level entrant at NatWest Bank from 1979.

"At that time banking offered a secure environment and a good career base," he recalls. "However, although I was making steady progress towards assistant manager grade it became evident that colleagues 10 years my senior were still doing much the same work as I was."

His first move, which took him to private bank Kleinwort Benson in the immediate post-Big Bang period, was representative of his career as a whole, he says. "Often I haven't been actively seeking to leave a company, but I've been lucky in that an opportunity has regularly come along unexpectedly."

Gries had been involved in corporate lending decisions at NatWest, and his new post was at Kleinwort's off-balance sheet (OBS) back-office, then based at Newbury. "In this accounting back-office role, I got to see the full range of OBS instruments," he says. After two

years, an opportunity arose at Bank of Scotland and he joined the group as a manager in its Reading operation."

"My new post was in receivables financing, so it was very much a client-facing role. I had a £20m lending portfolio, which while pretty modest by today's standards at that time represented a more significant amount," Gries recalls. "I enjoyed the role as it was outward-facing – something I'd missed at Kleinwort where my regular contact was with dealers and accountants. I was back working with customers once again."

As the recession of the early 1990s kicked in, BoS cut jobs. Gries says he used redundancy as an opportunity to question whether he wished to remain in the banking sector. As a result, he took the opportunity to transfer to the corporate world, joining Memorex Telex – at that time a major storage company involved in the now outmoded technology of installing tape libraries for banks.

"The company was the UK subsidiary of a US group. Memorex had been spun off by Unisys in the 1980s and acted as a white knight when it merged with Telex. This merger involved $1.5bn of debt, which was then a significant transaction.

"The company had a small treasury function, but it wasn't fully developed or organised. It needed an individual to manage and beef up its forecasting ability and I was able to change procedures and manage liquidity properly."

This work took up "three very enjoyable years" but, as the unit was a subsidiary treasury operation, didn't involve key decision-making. By contrast, Gries' next position at networking group 3Com saw him as one half of its European treasury division.

"The payments system was antiquated, so I was able to design and develop operations pretty much from scratch," he says. "This was in the pre-euro era, so we were still dealing with multiple currencies. I was able to build up the treasury role as the treasury manager, who was more involved in business areas, left things very much to me."

Gries has fond memories of his period at 3Com, during which time the treasury team of two increased to five. "There was a can-do ethos, which allowed considerable scope in a young and growing business environment," he recalls. "The one drawback was that the role became increasingly familiar, to the point where it no longer represented a challenge, so the only option for progressing was to move over to the US operation or to move on."

A more challenging role followed at another US company, Micro Warehouse, a volume-driven reseller of computer equipment, where Gries took the post of assistant treasurer with responsibility for European business. It was to prove short-lived, though, as the group suddenly announced that its overseas infrastructure was proving too costly and it was pulling back to become a US-managed operation.

Fortunately, a lengthy handover period enabled Gries to immediately find his next job, as director of international treasury at US telecoms firm MCI WorldCom. He joined in 1998, just as MCI accepted a $40bn takeover bid from WorldCom.

"Of course, WorldCom's problem had yet to become evident," says Gries. "Instead, it was a boom period and the London-based operation was growing rapidly. Initially, the group had no European treasury division, but I was able to build up its cash management and liquidity structure. So it developed pretty much from scratch to a team of three. The company had total debt in excess of $40bn, but this was managed out of the US."

He missed the storm that was later to break over WorldCom by moving to Reckitt Benckiser as assistant treasurer in February 2001. One of the group's main attractions for Gries is that: "It makes products that people genuinely want and use that perform specific functions – and devising them involves innovation and technology. Reckitt Benckiser allows you room to breathe and the ability to run with your ideas. It is proactive in encouraging innovation in all areas of the business."

Promoted to group treasury director in 2003, Gries heads a centralised treasury team of just six people at Reckitt Benckiser's Slough head office, where operations include a full in-house bank.

"As a large organisation that functions with only a small team, each member has the opportunity to do a lot of different things that quite likely wouldn't be open to them within another organisation," says Gries. "The key factor is ownership. I own and run treasury, so the buck stops with me and I know from one end to the other what happens within my department.

"My staff can run their own role within overall company policy, procedures and governance. This enables people to think outside the box – for example, by managing liquidity or constructing forex deals in different ways if they think that will deliver savings."

While the group's culture of innovation requires employees to be adaptable and ready for change, Gries says it has always regarded its treasury policies as robust and has not changed them although they are reviewed on an annual basis.

"We ensure that risk is spread as much as possible and don't take unnecessary chances with the group's money, so the credit crunch has not had that much effect on us, although we get asked about its effects much more regularly these days. But it hasn't caused us problems to date."

This even applies to the sharp fluctuations in commodity costs in recent years. Reckitt Benckiser has always actively managed its purchasing methods and regularly reviewed its exposures.

"If you set up your policy right and run it correctly, there's no need to do things any differently. The right business model will work in most scenarios," says Gries. "Treasury does a lot towards supporting the business and ensuring that things work, such as banking in a new country, managing forex exposures or ensuring that cash gets from A to B. We play an active role in the business, which we try to develop as much as possible."

The treasury team is, however, prepared for a lengthy recession and Gries is sceptical of reports that conditions are easing: "We'll obviously be happy if it ends soon, but I don't really see it right now." So the team will maintain its focus on counterparty risk, which has been checked and signed off on a daily basis over the past five years.

"But clearly nobody really knows for certain, so your mindset must always be to ensure that the consumer gets what he or she wants. We continue to innovate and market well and this should help the business to remain successful."

After eight years at the group, Gries says he still enjoys the job every bit as much as he did from the outset.

"It's an excellent cultural environment, although this doesn't mean it's an easy one," he adds. "It suits those people who want to have a say in determining their own destiny, who have a real drive to make their mark. We're not heavily laden with a committee-type mentality; the decision-making chain is a short one, so you can be confident of securing a definite yes or no and moving forward quickly.

"We think in an entrepreneurial way, rather than waiting for things to happen. The three main behaviours we recognise and promote are ownership, entrepreneurship and achievement, supported by a strong team spirit. You get to meet with interesting – and very smart – people. There are some 40 different nationalities in this building alone. Both the right people and the right ideas come from all areas."

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