5. MY STORE MYER

1955 was a significant year for Bails in a number of ways. Not only did he marry Sarah and set the foundations for his family, he also joined the board of the Myer Emporium, representing his family's stake in the company, which at the time was over 50 per cent.

Both the family and the board thought Bails was ready for this step up. By this time he had accumulated nearly five years continuous experience since returning from the USA, as well as his work in the shoe and receiving departments in his early adult years. There had also been school holiday jobs in the business. Indeed the Myer Emporium was the stuff of life for the family so he had lived and breathed the store from his earliest days and been surrounded by conversation about the business from the time he could understand the spoken word.

At the time the board was headed by Managing Director and Chairman Norman Myer, included elder brother Ken and company luminaries like A.H. "Harry" Tolley, Ken Steele and Stanley Hunt.

Ken had been on the board some years by the time Bails joined, and was well liked by staff and customers for his charisma and wit and respected for his drive and energy. He was different in temperament from his younger brother, being more volatile and subject to somewhat wild mood swings which could see him on a high or very down.

He was a powerful intellect with wide interests in technology and various cultural pursuits which at one point saw him serve as Chairman of the Australian Broadcasting Corporation.

Bails for his part adopted a more "steady as she goes" approach to life and had a good head for figures and investment as well as a strong facility for detail. "Retail is detail" he would say in later years.

As the two brothers grew older, their relationship developed, built on their different approaches and experiences. Bails had a more conservative and cautious approach that balanced Ken's brilliance and mercurial views and attitudes, and together they made for a powerful force.

"Ken was always the senior one in the relationship but between us we usually reached satisfactory decisions," Bails recalled.

Ken was also something of a visionary and, like Bails, he had been to the US. They both came to understand the importance and potential of two post-war phenomena: the move to the suburbs and the adoption of the motor car by everyday people.

This, the brothers believed, meant successful retailers needed to follow this migration to the suburbs to provide shopping centres that could be accessed by car. They put the idea to the Myer board, where it met with resistance so they commissioned private research.

This report demonstrated the logic of what they were pushing for and the board eventually came onside. The first step in this decentralisation was buying 30 acres of land at Chadstone in Melbourne's south-east, creating what would become the country's first significant suburban shopping centre.

When it opened in October 1960 it was much more than a Myer store in the suburbs; it was a shopping centre with a range of personal services and offerings that made it the forerunner of modern Australian retailing. It was also the leader in a new wave of Myer expansion that would make a shopping trip to the CBD superfluous for many. Today it remains the largest suburban shopping mall in the southern hemisphere.

Not much more than a year after Bails joined the board, Sir Norman Myer (as he had become late in life) died from cancer. It was an important transitional moment for the family and the company, as it represented the end of control by the founding Russian-born generations and the passing of the torch to Sidney's sons and senior management.

For Ken and Bails it also highlighted a fact that would haunt them for decades: Myer men didn't make it to 60. And there were not just a few, but an alarming number of examples. Their father Sidney died in his late 50s, his brother Jacob died in Russia in his 30s while his other brother Elcon had barely made the mark. Norman did not make 60, neither did Elcon's sons Raoul and Leslie, nor two of Norman's sons, Rodney and John. Ken had a son, David, who died in infancy and Neilma's first son, Vallejo, died in adolescence as a result of an accident.

Harry Tolley now became Chairman and Managing Director. Then from 1960 to 1966 Ken took the Managing Director and Deputy Chairman roles while Tolley remained as Chairman. Then from 1966 to 1976 Ken became Chairman with Ken Steele as Managing Director, a role he filled till 1978. He in turn was followed by Keith Rosenhain. These arrangements ensured that the family remained in control and involved in vital decision making while making use of the valuable skills and leadership experiences of seasoned executives.

Bails worked his way through a series of buying positions as the company grew through both acquisition and by developing suburban centres. By 1968 he was merchandise director for the business as a whole, and fashion was something he understood,

He told trainees, "There is fashion in everything … use every opportunity in displaying and promoting new fashion merchandise when it reaches your department … By doing so your department will develop a reputation of being first with the latest."

A year later Bails convinced the board that Myer needed to expand beyond its department store base. The idea was taken up and Bails moved on from merchandising director to become director of retail diversification.

The business had expanded its traditional business through acquisition and construction into all states, and was booming. But Bails saw a significant new opportunity during a trip to the US in pursuit of the potential of retail diversification: “I went to the US to study discount retailing.”

It was a prophetic move. His first port of call was the giant mail order group Sears Roebuck but that, although interesting, was not a match. He visited a number of other discount retailers, but they did not fit the bill either. Interestingly one that he saw, Kmart, was soon brought to Australia through the Coles group. Bails would become intimately involved with it from the mid-1980s. The thing that did catch his eye was the Dayton group, which had started its Target discount retailing group with a store in Minneapolis, Minnesota then spread the concept across the country.

Bails thought it could work in Australia as a standalone adjunct to Myer so, with the board, he negotiated a working agreement with the Dayton Family. Myer would use the Target name in Australia with no fee and have the right to draw on the group’s knowhow. Bails became close to the Dayton family through his friendship with Ken and Bruce Dayton and their wives.

The Target name was first rolled out through the Lindsey and McKenzie discount group Myer had bought in Victoria and was developed with an eye to rival Coles’ similar move through its tie-up with US retailer Kmart.

Another possibility explored but not taken up by the Myer board at this time was the opportunity to make a tie-up with the 7/11 convenience store chain based in the US state of Texas. It was owned by the Ito Yokada group of Tokyo, Japan, and the company was introduced to Myer by a good friend of Bails', the Chairman and Founder Mr Masatoshi Ito.

Soon Target became a successful brand in its own right and was spread across the market. Initially Target included discount food outlets in its offer. "I formed a view that Myer should get into food," Bails later recalled. "Australians spend the same on food as on the rest of retailing, so Myer had only a half share in that potential business."

So three supermarkets were opened in South Australia under the Target brand, "but we couldn't compete with the big two," (Coles and Woolworths) Bails recalled.

By 1972 Bails was feeling somewhat stymied in his career at Myer. "I had nowhere to go; I was 48 and Ken, five years my senior, was Chairman and I assumed he'd be there for another ten years. So I retired from my executive position but remained a non-executive director representing (the family company) Barclay Investments which had about a 30 per cent shareholding," Bails recalled.

However by 1978 the company decided it needed more of his expertise and he was appointed chairman, with lawyer John Dahlsen serving as Deputy Chairman. By that time the company was turning over $1 billion and had around 30,000 shareholders and 29,500 employees.

Ascending to the chair allowed Bails to renew his exploration of ways of getting Myer to diversify into the food business by teaming up with one of "the big two".

From 1980 a range of diversification measures were pursued. These included a move into property on the back of its ownership of suburban shopping centres. Eventually the move saw it become one of the country's largest property owners, with a portfolio of $3.5 billion.

The company also moved into services buying a one-third interest in Traveland, a travel agency. That was followed by moves into telecommunications research, then by the purchase of the Country Road women's fashion business. These moves were quickly followed by the purchase of Red Rooster cooked chicken stores and the San Remo liquor retailing business.

In September 1982 Bails was rocked by the death of his mother, Dame Merlyn. She had been sick for a time but had maintained her interest in the store and the family. As recently as 1980 she had attended a party in her honour for 700 people in the Myer Mural Hall who had a collective 24,500 years of service between them. She had described herself as "the mother of the store" and said it had become the love of her life, the thing that kept her going.

The loss of his mother had a deep effect on Bails. His mother and he had maintained a very close relationship, as she had with his other three siblings. "She relied on and worked with all her four children all her life," Bails recalled.

But because Bails had married last and stayed at home the longest, their connection was particularly strong.

Merlyn was a remarkable woman who had inspired, guided and supported Bails throughout his life. "When Sidney had died in 1934 she had been left with four children under fourteen. It was a huge responsibility," Bails recalled.

As well as her family and philanthropic interests, Merlyn was intimately involved with the store. "We kept her full informed about what was going on in the business and she understood many, if not all, of the issues," Bails recalled.

The early 1980s was a difficult time in Australia with a heavy recession hitting the country. Unemployment skyrocketed and consumer spending dried up. This threw the company into crisis, recording its first loss when earnings fell 62 per cent in 1982.

Then Managing Director Keith Rosenhain retired after long and successful service with the group. Bails stepped up to the plate, being appointed executive chairman for a time and a new structure was put in place. Tony Roberts became the CEO in 1984 with Bails continuing as chairman. The business improved as the economy left recession and the new structures showed their value.

Bails continued his drive to find a way to gain a significant stake in the food market. So early in 1985 Bails and the board decided to approach Woolworths to talk about the prospects of a merger. The approach was made to Woolworths Chairman, Sir Eric McClintock, whose son Paul would later be Chairman of Myer.

"We said a merger between Myer and Woolworths would make sense," Bails recalled. "The opportunity did register with Woolworths but the company's board was not interested in pursuing it at the time. I was disappointed as they had (discount retailer) Big W and we had Target. There were synergies that could have been developed."

Nonetheless, a merger with a food giant would come very soon in the form of major competitor in the discount retail business, Coles Group, which was identified as a good merger fit.

So Bails and Tony Roberts made an approach to Coles through Chairman Bevan Bradbury and CEO Brian Quinn. "The estate of Sidney Myer had a big stake in Coles and the two companies had been close," Bails recalled.

"We turned to Coles and they turned to us. Tactically we felt it was better to receive than to make a bid," he recalled. Negotiations resulted in a deal which was presented as a $1.07 billion merger with Myer by Coles.

When the deal was done in August 1985, 84 years of Myer independence under the loose control of the Myer family was ended and the days of a massive new merged entity had begun. Coles Myer would have 1305 stores, 126,600 staff, $10 billion in sales and $142.7 million in profits. It stood at number seven in Australia's top ten companies with only the major banks and mining houses outgunning it.

Bails became Deputy Chairman of Coles Myer, joining the new board along with brother Ken, at the time Chair of the ABC and Tony Roberts. Two other former Myer board members, Solomon Lew and Westfield shopping centres creator Frank Lowy, also joined the new board immediately.

Lew, a retailer and clothing manufacturer, had a 12.6 per cent stake in Myer and was on the new board by dint of that. Lowy's Westfield was there because its shopping centre interests housed many Myer stores and it had a 12 per cent stake. The Myer family, with 22.6 per cent of Myer, had dealt themselves into the merger deal handsomely.

Under the structure of the deal, the Myer family emerged with13.6 per cent of the merged group worth around $244 million and a $72.8 million cash payment. Solomon Lew had now a 6.1 per cent stake and a $39.6 million payout while Frank Lowy's Westfield had 5.5 per cent of Coles Myer and a $35.9 per cent cash payment.

Kmart Corporation, which had been Coles' largest shareholder following the deal that brought it to Australia, retained a 20 per cent stake in the merged company. But the combined holdings of the Myer, Lew and Lowy interests were slightly larger.

The merger did not turn out to be a good move for the two companies and nor was it a rewarding experience for Bails. "The logic was that we would have a business with an exposure to food, which accounted for half the retail turnover in Australia. But it didn't work because the cultures of the two groups were so different," Bails recalled.

"There were 22 around the board table, and big boards don't work. In this case big is not beautiful and as organisations grow they become much, much harder to manage," Bails recalled. "Some of our best people left (the board), including Sir Rod Carnegie and John Dahlsen," Bails recalled.

The leadership of the Coles Myer board initially consisted of Bevan Bradbury as Chairman, Bails as Deputy Chairman and Brian Quinn, former Coles CEO, as CEO of the merged company.

Soon Bradbury retired leaving a difficult situation. Bails did not put himself forward to replace Bradbury as Quinn was a man he found little common ground with. "It would possibly have been better for the company if I had become chairman and provided wise counsel to CEO Brian Quinn," Bails recalled. "It didn't happen largely because there was no chemistry between Brian Quinn and myself. We weren't compatible. But when Quinn became both Chairman and CEO, it was a situation that ultimately gave him too much personal power," Bails recalled.

Ken also had misgivings about the new situation. "He understood the difficulty of the cultural differences between the two companies and understood that a good CEO didn't necessarily make a good chairman and vice versa," Bails recalled.

Bails developed a strategy of trying to influence Quinn and put together an advisory committee to the Chairman. It included Bails, Solomon Lew, Frank Lowy and trucking magnate Lyndsay Fox. "The move worked to an extent," Bails recalled.

The concerns of the two Myer brothers were proved right ultimately. In 1997 Brian Quinn was jailed for fraud after using $4.5 million of company money without board approval to renovate his home. All the money was later returned.

Bails later observed he and Ken were never comfortable on the Coles Myer board. They joined for the benefit of Myer staff, shareholders and customers. "But in hindsight those benefits were minimal," Bails later observed.

The Coles Myer board room turned out to be a hostile environment for Myer interests and the task of managing the merged behemoth in an efficient and effective way was extremely difficult.

Eventually Ken left the board in 1989 and was tragically killed with his second wife, the Japanese-born Yasuko, in 1992 when a light plane they were travelling in hit a mountain in Alaska.

The loss of Ken was a harsh blow for Bails. They had worked together since the end of World War Two in family companies, in the Myer Emporium, in the Myer Foundation, the Victorian Arts Centre building committee and other organisations. Each had been the closest personal advisor to the other over those years and Bails felt the loss keenly. “I have done ever since,” he said at the time of writing.

Bails stayed on the Coles Myer board as deputy Chairman till 1994 when he stood down and pursued his other business and cultural interests.

Following Bails’ departure from the Coles Myer board, controversy erupted over the emergence of a transaction known as Yannon, which had occurred in 1990. It involved Coles Myer underwriting a share transaction relating to Premier Investments, a company controlled by Solomon Lew and had cost Coles Myer some $18 million.

The transaction was legal, Mr Lew said he hadn’t known of it, and around $12 million was eventually recovered by Coles Myer. However, in 2002 Mr Lew stood down from his position as Coles Myer Executive Chairman under pressure from shareholders, including the Myer family.

Despite the controversy Bails retained a positive view of Lew’s relationship with the retail group. “Solomon Lew made a great contribution to the Myer board and in my view to the Coles Myer board,” Bails recalled later.

Myer never really prospered in the Coles stable and it was widely viewed that the merged group did not devote the necessary management time and capital to allow the department store chain to achieve its potential.

Eventually the board decided to excise Myer from its operations. It called for expressions of interest in Myer in 2005 in a move that saw Myer sold in 2006 to US private equity group Newbridge capital. The Myer family retained a 5 per cent stake in the new entity, which had been bought for $1.4 billion.

In 2007 the Myer family, along with Colonial First State and Singaporean group Real Estate, bought the iconic Myer Bourke

Street store in the Melboure CBD. They renovated the store significantly and then the Myer family divested its one-third interest in 2016 to a third party.

In September 2009 Myer was refloated on the Australian Securities Exchange at a valuation of $4.10 a share, or $2 billion for the whole company. That move triggered a historic divestment with the Myer family selling off almost all of their stake, ending a 100-year relationship with the retail business established by Bails' father Sidney.

Bails later said he did not regret the move. "The Myer family started selling down its interest in the company when my father gave 40 per cent to the public in a stock market listing. The family policy was to continue selling down when appropriate and now has less than 1.5 per cent," he observed.

Selling out of the business also proved a good move. At the time of writing Myer Holdings was trading at 86c.