

## Introduction

The business I have chosen is *Woolworths Group Plc*. I have chosen this company mainly because of its very active performance over the past decade. The English branch of the originally Pennsylvania founded Woolworths stores, F W Woolworth & Co, Ltd was founded by Frank Woolworth in Liverpool, England in 1909. The British branch of the Woolworths chain started with two men; Frank Woolworth who traveled to England from America in 1890. Frank himself claimed he had traced his family back to the 'Wooley' family of Cambridgeshire. Frank fell in love with England and its culture and soon aspired to bring the Woolworths name to Europe. When at a Stoke on Trent train station, Frank Woolworth met a young freight clerk, William Lawrence Stephenson who deeply impressed Frank with his 'can-do' attitude. Frank invited William several years later to be the director of his company in which he accepted. Frank and William started of the business with one store which was situated in Liverpool, because of its trading routes with the US and it being the second largest city in the British Empire.

During the 1980s, management rationalized the offer into clearly defined categories: entertainment, home, kids (toys and clothing) and confectionery. Woolworths Group plc began trading as a listed company on the London Stock Exchange on 28 August 2001 after its demerger from Kingfisher plc.

Woolworths has developed from one large store in Liverpool to having 762 branches throughout the country.

The main emphasis of the business is to supply families cheaply with anything from entertainment (Music, Films) to clothing and necessities. This massive emphasis on families is reflected by its LadyBird children's clothing ranges, Chad Valley toys and the recent WorthIt! Value ranges. In recent years, the brand has also moved into the entertainment and electronics aspects of retail after its acquisition of the company, Entertainment UK. The stores now house the larger 20/20 format which means more space and more customer attraction.

Woolworths claim to have 26,000 retail employees within the UK which operate in the UK and Ireland.

### **Woolworths Group Plc financial status**

Woolworths are currently generating an annual turnover in excess of £1.1 billion (taken from 2006 financial year report).

Woolworths Group Plc gross profit from the last five years after taxation;

- 2006 gross profit = £696.0m
- 2005 gross profit = £738.7m
- 2004 gross profit = £778.8m
- 2003 gross profit = £756.3m
- 2002 gross profit = £731.0m

Woolworths are currently performing poorly. Their adjusted profit fell from £57.7m to £21.8m between the 3<sup>rd</sup> February 2007 and 28<sup>th</sup> March 2007. Woolworths other brands including Entertainment UK and Streets-Online have been yielding high profits and doing very successfully. Woolworths are struggling in the retail environment and are finding the current ending year challenging.

Woolworths makes around two thirds of its sales in the run-up to the festive season. It has usually been the main contender in the battle between other shops for sales at Christmas, and one our first ports of call for Christmas shopping. Until recently that is. Tesco's have opened up to a wider range of products including houseware, electronics and toys which may be sold as gifts. Argos is another major competitor which is known for quick and easy shopping, without shuffling through a store in search of your required product. Argos also has a popular catalog which can be found in almost every household in Britain. Woolworths have tried to make shopping easier with the introduction of their *Woolworths General Store*, which should sell anything you're looking for.

Woolworth's main weakness is their massive competition.

Woolworths are under enormous pressure this year, with major competition using more efficient strategies and producing more profit. Woolworths blame "a tougher market" as like-for-like sales fell 8.3% in 2007. A poor Christmas will result in a tough proceeding year for the business, which can cause doom for the retail chain.

December 2006 was a very bad month for Woolworths, especially at such a time where profit is vital. "Woolworths is no stranger to profits warnings, but to issue one so early in the Christmas season suggests a deepening crisis at the embattled retailer," said Nick Gladding, a senior retail analyst at Verdict Research.

Woolworths are struggling in the retail market, but are destined to succeed this Christmas with massive opening of many successful stores.

Woolworths do retain the role of the main high street, cheap department store and have opened a new online order service. This new online service is competing against other brands but doesn't require such expensive locations and premises and doesn't generate much loss.

### **Competition**

Woolworths' current retail rivals include:

- BHS – British home stores
- Tesco
- Argos
- Debenhams

