

Introduction

WHS is a household name, well established and has a presence on 399 out of 400 High Streets in the U.K. The company has 542 high Street stores and 200 Travel stores.

It sells books, stationery, DVD's, magazines and newspapers and is operating in a crowded marketplace facing intense competition from both online retailers like Amazon, and offline retailers such as supermarkets, Woolworths, HMV, Virgin, Ottakers, Borders, Waterstones, Clintons, Staples and independent newsagents.

The question is why should people shop at WHS? What is its USP? How can the company differentiate itself from the competition and place itself 'top of mind' in a crowded and often specialist market place?

Consumers today are often time poor, cash rich and want their lives to be painless. They want products now not tomorrow and so range and depth of choice are important considerations. High Street locations are very handy when you can nip out at lunch time but can cause massive frustration if the store does not have what you need, which means a wasted journey and leads to customer dissatisfaction. (See figure 3.3 for SKU's)

The company's fortunes have been revived with the arrival of Kate Swann who quickly established that drastic action was needed to arrest the slide. Swann took difficult decisions quickly and decided to axe 250 roles from Head Office. She also concentrated on margin improvement across the range and rationalised the product proposition within stores. She maintained tight control of costs and improved inventory management, appointing a new IS Director.

Over the past two years the City have acknowledged Swann's expertise and the share price has risen from 342p in 05 to 461p in May,06. Last year turnover was slightly down but profits were up (see financial section later) indicating tight control on margins and better all round performance.

However, the challenges are still very real. Retail is a dynamic business environment and there are many predators swimming in the same pond as WHS.

Unless the company can articulate a strong value proposition and maintain a healthy trading environment they are vulnerable to a takeover bid and/or a rapid decline in fortunes as consumers make more online purchases, shop at supermarkets for convenience (one stop shop) and category killers such as Staples for sheer choice and range.

WHSmith

Values Fig 3 Very important – this has been the cornerstone of the turnaround strategy at WHS which is highly regarded as one of the most ethical companies in the U.K. They are a very generous giver to charity .Appendix 2 – CSR review – ‘Summer Read’ – great idea – if more kids read they will want to buy books - more business for WHS – related – highly creative. Literacy is a big agenda in Schools and society in general.

Turnaround

New CEO Kate Swann has carried out a strategic review of the business in 03/04. SWOT carried out. Hodder Headline sold off.

UK Travel – doing quite well – well positioned within the U.K.

Travel market – weaknesses – operational efficiency, partnerships with landlords, better productivity within space provided, improved service proposition to customer.

High Street Retail – weak retail market within the U.K. Main areas of focus were:-

- Stabilising the business from an operational angle
- Improving the culture and structure – simpler, less bureaucratic organisation
- Finding areas of growth for the long term health of the business

Performance is weak due to pressure on sales and margins. Customer behaviour changing - internet was taking customers away. (Amazon etc).

WHS was losing its authority on the High Street. Positioning is unclear.

Range of products is very wide. Costs were rising and operating performance was poor. Cost base was rising faster than sales in all key areas.

Central office costs were higher than other retailers. Initially, 250 roles were cut from Head Office, saving £8.5m. Also critical was supply chain management. Speed of getting goods in store, poor assessment of inventory, leading to stock outs and lost sales, lost customers. A new IS director was appointed. Retail tracking system (RETEK) was overhauled and IT management was outsourced to FUJITSU – contract worth £50m.

Fujitsu developed a UK wide intranet system and managed the service for WHS's High St. stores and H/O. This project saves £200k per year on savings from paper usage and distribution costs.

Fujitsu also introduced a comprehensive programme of server rebuilds and this service operates 24/7

Benefits

Of outsourcing

- The ability to focus on its core business
- Standardised office systems
- Reduced down time

- Increased customer service
- More accurate budgeting
- Reduced training costs
- Rapid access to technical expertise
- Strategic input of new ideas and access to latest technology

This outsourcing agreement has enabled WHS to move forward from a complex infrastructure to a more standardised set of systems. In retail industry information regarding sales inventory is crucial.

Marketing strategies

WHS monitors the effectiveness of its marketing strategies.

Retail

WHS – strong performance in stationery and books but weaker in other categories.

WHS – doing better on cards but well behind Clinton.

Figure 4

Only bright spot is books , especially children's, newspapers/magazines. All other categories – failing to make an impact against specialists.

Figure 5

Indicates that WHS is still doing well in stationery but this has marginally declined. As more supermarkets stock these products , the company is being squeezed between these low cost suppliers and specialists.

Figure 6

Interesting set of figures regarding buyer behaviour and also WHS consumer profile.

Other key findings were:-

- Local independents dominate for newspapers – 70% vs WHS at 7%
- Local independents dominate for magazines – 40% vs WHS at 20%
- Tesco have 10% share of this market- poses a real threat – 24/7 opening, plus petrol stations
- Adult books – strong rivalry – WHS – 18% and Waterstone's – 19%
- WHS do not perform as well as Waterstone's at Xmas (Xmas only stores experiment)
- Children's books – WHS – 18% , Waterstone's – 7% during the Xmas period
- WHS – not doing at all well in CD's and videos
- WHS – first choice for stationery – 19%, Asda and Staples- 8%, Woolworths – 7%
- Clinton – Xmas cards and card purchase in general -22% Local newsagents -17%, WHS –

3%

- Cards and gift wrap – Clinton -15%, WHS – 11%, tying with Woolworths
- WHS received good publicity for its cause related marketing for Xmas cards
- Games and jigsaws – Woolies -24%, WHS and Asda – 7%
- Lottery tickets – local newsagents -53%, supermarkets – 6%, WHS -2%
- Figure 7 – WHS fare badly in a consumer survey regarding customer delight/satisfaction
- Same goes for the propensity of WHS customers likely to recommend them

Advertising strategies

T.V. ads have been quite effective

WHS media spend is much smaller than many of its competitors

WHS tends to use mono colour which is not so effective for gift products, cards and wrap, or children's books

WHS uses leaflet drops – have been quite successful but more clarity on pricing needed and more stationery offers need to be depicted

Xmas Clubcard generated £2m in incremental profits. Scope to tie in with the Nectar card,

Children's reading clubs on a Sunday – good idea.

Bookworm and friends – good recall, distinctive and different but lacked warmth. Bookworm – generally liked so has some potential for development.

WHS withdrew from radio advertising – why? Lack of impact?

Summary

Company has turned round its fortunes thanks to dynamic intervention of Kate Swann. WHS is a major player on the High Street and has excellent exposure within the travel network in the UK. However, growing competition from online providers – most retailers have a web presence.

WHS also faces stiff competition from specialists such as HMV for CD's and DVD's and the supermarkets for cheaper books (net book agreement) magazines and stationery. Company has responded by offering customers gift vouchers, such as music downloads. Main challenges – store layout, product offerings and ranges, brand image and the continuing growth of internet

shopping.

Appendices

Appendix 1

OFT proposals could seriously damage WHS who have enjoyed exclusive distribution rights for many years. OFT say that the existing system contravenes European competition laws. Industry analysts believe that the OFT draft ruling, if adopted, would benefit large Supermarkets and any organisation with ambitions for a national network,

There is a serious threat that up to 20,000 independent retailers could fold as a result of the ruling.

In 2000 large supermarkets tried to muscle in on WHS wholesalers dominant position. It remains a constant threat to WHS.

Terry Leahy – Tesco CEO – is this the most dangerous man in Britain?

WHS recovery – from a £135m loss in 04 to a profit of £64m in 05.

Kate Swann is largely attributed with the success of the turnaround and she said ‘Our plan was not based on sales growth, it was on getting the cost base of the business in good shape and changing the mix of products’.

WHS stopped competing with supermarkets on price as this was unprofitable.

WHS extends Tiscali deal.- exclusive offers to WHS customers.

These types of initiatives are the remit of Ian Sanders, Head of Commercial development, who is tasked with finding innovative ways of differentiating WHS and working jointly with companies to drive sales and profits. Give examples.

Retail web sites are getting more and more hits. Online retailing is showing significant growth year on year and WHS need to pay a lot of attention to this and also winning products. What are the best sellers each year? Find out early and make sure they are in stock so you can drive

as many sales as possible. Sales forecasting is key, as is good buying and merchandising techniques.

Internet sales are growing fast whilst High Street sales remain fairly flat.
Good internet retailers display the ISIS logo to reassure novice online shoppers that it is a safe transaction.

Appendix 2

CSR review

WHS take CSR seriously and are involved in a variety of initiatives, such as the Reading is Fundamental Summer Read project to improve literacy levels in young children.

One of the best newsworthy events was the Children in Need Xmas cards which when sold at £4.99 –all the money went to the charity – this gave the company great publicity and makes people regard it as trusted and socially responsible.

Targets for 05/06

Work in partnership with WHS Trust to deliver two significant education and literacy projects.

What should they be?

Establish a scheme to recognise and reward staff for outstanding work in the community and to share best practice. **Explain how this scheme should work.**

Increase the range of products we sell which support charities. **Ideas?**

WHS is an ethical company as evidenced by its supplier code of conduct regarding sweatshops etc. and its stance on ethical trading (ETI)

Environmentally the company is strong on forest management and only using material for their products that come from known, legal and well managed, certified forests.

Customer service levels are very important for all retailers and WHS is no exception. Mystery shipper initiatives and reduction of customer complaints are the stock in trade of all major

retailers.

Targets for 05/06 include

Ethical trading and forest sourcing to be written in to job specifications for buyers

Appoint a specialist team in the Asian sourcing operation to strengthen suppliers' labour standards and industry issues

Work with 2 key Far East suppliers to improve HR and H & S

Hold workshops for 15 key UK own brand suppliers to raise awareness of WHS ethical trading stance

Pilot at least 3 lines of recycled stationery to test the commercial opportunities

Workplace

Embedding WHS values within the business culture.

Raising awareness, VIP scheme, improvement of internal communication and feedback.

Training and development doubled in 04/05 What was the base point?

Establishment of an intranet site to showcase training opportunities – good idea.

Career Development Framework for high Street staff to support succession planning – how realistic is this scheme?

Development of 360 degree feedback for top 100 leaders. Does this work?

Good initiatives regarding valuing diversity include

Having 50% of all store manager vacancies filled by internal candidates.

Setting up a Diversity Working Group – politically correct.

Health and safety – initiatives are being taken to reduce the number of accidents in the workplace – all Retail companies are doing this.

Environment

In line with Kate Swann's drive to cut costs within the business there is a clear focus on reducing costs in energy used in stores, fuel used to distribute products, and disposal of packaging and waste. The company is working closely with suppliers to reduce transit packaging and also is encouraging customers to recycle products after use (e.g. Xmas cards).

Appendix 3

Fig 3.1

US Travel Retail and ASPAC now discontinued. Inconsistent and erratic performance. 05 figures are much better – have they turned the corner?

Increasingly difficult trading environment in the UK. WHS is not currently positioned in the minds of the consumer. Threats from other specialist retailers like Ottakers, Borders, HMV, Virgin, Staples, and Clinton, plus the supermarkets, led by Tesco (huge buying power and muscle) as well as online retailers such as Amazon. The outlook is bleak unless A clear differentiating strategy is needed. Joint ventures, strategic alliances. Excellent online facility needed.

Fig 3.2

Underlying profit performance is poor but 05 was a good year.

Fig 3.3

Top 200 stationery SKU's

A large number of stores are smaller High Street stores which do not have the depth of range to give a good service so will probably lose out to Staples and other category killers, as well as online retailers.

2,045 stores and 945 stores have 107 SKU's or less.

Fig 3.4

Display space density – 77% in relation to competition. This will drive customers away because of lack of depth in range.

Fig 3.5

Similar picture – 62% of competitors' SKU density. This will drive customers to the competition. Solutions – innovative use of space, space modelling, relocation to bigger stores in the high Street, rationalisation of store portfolio, sell off smaller unprofitable stores.

Fig 3.6

Largest 100 WHS stores will do well
Next 100 WHS stores will do quite well
Smallest 300 WHS stores are up against it.

Appendix 4 – Market research and marketing spend

Fig 4.1 / Fig 4.2

Contradictions regarding staff – some customers say that they are friendly, others say that they are unhelpful. Solution – work hard with those stores that are underperforming to improve customer service performance.

Contradictions throughout.- limited ranges, difficult to find items, 'pile it high' syndrome, versus layout of store is better, better displays, layout has improved.

With such a diverse number of Stores, it is more difficult to maintain standards across the country hence the divergence of opinion.

Solution – overhaul each poorly performing store and ensure 'that standards are uniform across the U.K. as well as Store manager performance – Operational issues.

Fig 4.3 – Advertising strategy

Currently targets all adults. This is the difficulty. Where is the targeting, positioning of the brand? The creative spark is lame.

Fig 4.4 – Media spend

Refer to Figure 10.

WHS spends below the industry average and spends less than half the average time on air. Comments?

Fig 4.5 - Media delivery by WHS products

04 – spent less money to obtain better results which is encouraging. This is a smarter use of money and media effectiveness, reflecting the CEO's cost reduction strategy. More of the same is needed in future years.

Commentary – Inside track

Future initiatives?

ATM installations outside selected stores. Will receive yearly rental fee from the Banks and volume rebates. This will create footfall as customers will take their money out and pop inside to buy products, newspaper, magazine, card etc.

WHS will focus on more exclusive ranges, such as Laura Ashley stationery range. More tactical marketing activity. All sales will be analysed to ensure margins are in line with expectations.

Books – strong relationships with publishers and with celebrities, for example, Trini and Susanne.

Gift pack range review. Gifts vouchers that are being prepared include a red letter day- Ferrari driving, Odeon cinema tickets – birthdays, a month's free DVD rental.

Post Office – Joint Venture – selected stores – going to be piloted. Post office counters are going to feature at the back of stores in dead areas to create pull through and impulse purchasing form target audiences. Very close fit. Also because Post offices are now very big on foreign currency, all socio economic groups are covered.

Books – More availability for top 100 titles.

Plans to reduce entertainment because DVD's are not profitable.

V.I.P scheme – process is that staff are nominated and the Board decides the overall winner in the company on a monthly basis. The winner gets 3 days additional paid holiday, a month's free coffee at Starbucks, free car parking, etc.

Selected nominated charities this year include NSPCC and Cancer Research. Staff within the company are asked to nominate their preferred choice and the Stationery team decide.

Media spend – Xmas is the peak season. Xmas 05 the company opted for shorter bursts of

30seconds rather than a minute and therefore were punchier and doubled the opportunity to see. Celebrities like Ruby Wax made the adverts more memorable and therefore the ad spend was successful.

Other initiatives include concessions in store, P.O.S to advertise online services such as flower delivery and online DVD rental.

Possible Questions

- 1. What branding strategy should WHS adopt to maximise sales and profitability?**
- 2 Prepare a communications plan which will increase sales and profitability for WHS across all its target markets.**
- 3 What branding and positioning strategy should WHS adopt to improve its appeal to online customers?**
- 4 Devise a marketing plan to make WHS a leading player in the mid sized market in Europe.**
- 5 Prepare a relationship marketing campaign which will effectively increase WHS customer loyalty and their lifetime value .**
- 6 WHS is at the crossroads in its development and growth. Prepare a strategic marketing plan which will ensure increased revenue from its High Street and online operations and negate the marketing strategies of domestic and European predators.**

- 7 Prepare a Corporate Social Responsibility charter for WHS in the light of changing legislation regarding the ethical sourcing of products and environmental impacts.**