

The demise of woolworths



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Research Proposal Title: The Demise of Woolworths**Abstract:**

This report focuses on the reasons for the downfall of nearly century old retail Woolworths. This report will deal with the financial aspects of this company which led to such a tragic end. The financial aspects of Woolworths will be evaluated with the help of Key Financial Indicators and Ratios which will be taken into consideration while arriving at a conclusion. The introduction to Key Financial Indicators and Ratios and their calculations respectively, will be demonstrated as the research progresses. Methodology and Analysis of this research will depend on these Key Financial Indicators and Ratios of Woolworths and then the conclusion of this report will be reached.

Introduction:

An introduction to Key Financial Indicators and Ratios. Below are a few Indicators and ratios on which any company's finances are evaluated to conclude how healthy a business or a company is.

Balance Sheet:

' It is a financial statement that lists the assets, liabilities and equity of a company at a specific point in time and is used to calculate the net worth of a business.' (Source: <http://www.entrepreneur.com/encyclopedia/term/82186.html>)

Profit & Loss Statement:

' The purpose of the Profit & Loss Statement is to present the income and expense items for a business, grouped according to the nature of the

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transaction, in a manner that allows the user to easily review the income, expenditure and profitability of the business.' (Source: <http://www.sasb.wa.gov.au>)

Key financial indicators and ratio are determined through the information contained in both Balance sheet and Profit & Loss account.

The Key Financial Indicators are:

- Net Turnover: This is the Net turnover against investment.
- Net Operating Profit or Loss, as a percentage of net turnover
- Profit or Loss before Taxes as a percentage of net turnover
- Return on Equity
- Return on assets
- Equity to assets
- Return on Investment
- Return on Capital Equity
- Net Gearing & Gearing Ratios

(Source: <http://www.rahoitustarkastus>)

Background:

An Introduction to Woolworths:

Frank Woolworths started a retail store in Britain 99 years ago i. e, in 1909 and called his store F. W Woolworths. He was an American retailer, who <https://assignbuster.com/the-demise-of-woolworths/>

started his retailing career in 1879 in America. First retail outlet of Woolworths in Britain was on Church Street in Liverpool. The very concept of Woolworths was clear right from the beginning; it sold everything from merchandise to household from three pence onwards to six pence. The idea behind the Woolworths pricing was to introduce a low cost retail store, where people can buy almost everything under one roof for as low as six pence. Woolworths was already a strong competitor to the existing retail stores in Britain.

The Evolution of Woolworths then took place and this retail store was an instant hit in Britain, after a decade there was a new store opening every 17 days. The other speciality of Woolworths was the concept of pick ' n' mix which was a completely new concept to British high streets, this was also a result to Woolworths becoming an instant hit in Britain. It was the first retail chain in Britain , and so it did keep the pace with the rapidly growing consumer demand. It also constantly kept updating its fashion products, merchandise, and entertainment. From its first inception till the very recent times, it had undergone numerous ups and downs in its business.

In Late 90's Woolworths started to slip from its position in the London Stock Exchange, and the share prices were decreasing constantly, giving a chance to its competitors in this new generation to build a strong position in the market of retail chain. After this Woolworths failed to meet the changing customer demands and hence its market was taken over by a number of new competitors in the market. Woolworths is still familiar and fondly remembered as a 99 year old retail chain but, as the customer demands changed which proved that Woolworths couldn't keep the pace with the

changing customer needs and finally ended itself in an unrecoverable position. This impact was even more intense because of the credit crunch.

Aims:

- To investigate if business operations of Woolworths led to its demise.
- To investigate if the financial condition of Woolworths, led to its demise

Objectives:

- To identify if there was an operational failure, that led to Woolworth's demise
- To identify if the financial condition of Woolworths, led to its demise.

Research Questions:

- To what extent business operations of Woolworths influence its demise?
- Was the demise of Woolworths predictable from the company's financial situation before its demise?

Methodology:

The data will be collected from different sources like newspapers, journals, reports of the financial status of the company before the downfall.

Company's Balance sheets will be collected to identify if there were any short comings in the company's finances that led to its demise. Key Financial Indicators and Ratios will be explained in brief and the formulae for calculating the ratios will be explained as they are in the theories. Also the articles on the same will be collected. The data collected will be purely financial data or the data which indicate the financial status of the company. Reports, journals and articles will be collected to understand how

Woolworths failed as a business after 99 years of its first inception. Different views of the authors, writers and public will be taken into consideration while evaluating the data.

Data will be collected to focus on the operations of Woolworths and its effects on Woolworth's demise. Data will be collected to analyse how Woolworths operated before the demise and nearing its demise. The overall aspects of operations that will be focussed are marketing, sales, business strategy as a whole group in order to analyse the operations of Woolworths.

Analysis:

After the data has been collected from the above mentioned sources, it will be evaluated by comparing it with the concepts like Key Financial Indicators and Ratios in theories, textbooks and other journals, and then a conclusion will be reached. The analysis of the company's balance sheets of last three years will be put through this rigorous comparison against the ideal financial situation described in theories and textbooks and will be then evaluated to reach to a conclusion. The data from the reports and journals will be evaluated through different key business strategies and other aspects of business like Marketing etc to reach to a conclusion whether or not Woolworths could change itself to the changing needs to the consumers. The other reports from various authors will help us to investigate whether there were one or more reasons for its downfall. This will also help the argument in the case of Woolworth's downfall by authors and writers in different sources.

The operations of Woolworths will be gauged in terms of business planning, customer service, marketing, competition, various sales techniques and

overall business strategy. Definitions and the theories of the above mentioned topics by authors and textbooks will be used as the reference to evaluate the efficiency levels in operations of Woolworths. Woolworth's operations will be studied in detail from the data sources and will be compared to the business operations theories by authors to evaluate the efficiency in operations of Woolworths and then a conclusion will be reached.

Conclusion:

To be Obtained.

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