

# Swot analysis woolworths

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Strengths Strong focus on Australian food and liquor business boosting the company's top-line growth  
Woolworth has been keeping a strong focus on its Australian food and liquor business by launching new products, opening new stores and introducing marketing campaigns. In its Australian supermarkets business, the company introduced a number of new products including sweet Coolants tomatoes, sweet crunch lettuce and ripe stone fruit (peaches and nectarines). In PAYOFF, the company opened 11 meat services providing specialty fresh meat cuts and specialist advice; and 91 new carries to broaden its range in artisan style breads, patisserie and premium cakes. During the reporting period, the company had bakeries in 78% of its supermarkets. Woolworth is also trialing a new premium deli counter concept and has added 38 specialist cheese counters with the potential to roll this out to 250 stores.

During the reporting period, the company opened 34 Australian Supermarkets, a net increase of 25 stores, bringing the total to 897 stores. In its liquor business, Page 4 the company opened 16 (1 5 net) Dan Murphy and

38 (14 net) BBS stores during the reporting period. In PAYOFF, there were 1,355 liquor outlets. During PAYOFF, to strengthen its presence online, the company implemented 'click and collect' in all Dan Murphy's stores in Australia. The company has been introducing marketing campaigns to enhance its customer base. For instance, in May 2013, it launched 'More Savings Every Day' marketing campaign with several prices reduced on branded and own brand products.

Woolworth launched 'Extra Special' offers in June 2013 which, according to the company, provides savings of up to 50% on more than 1,000 lines exclusively to its Everyday Rewards loyalty program customers. The company has also reinvigorated its specials program targeted at families including buy one get one free, half price specials and 'Big Family Special'. The company's strong focus on Australian food and liquor business has helped increasing its comparable store sales by 2.7% in PAYOFF on a year-to-year basis. Also, it helps the company in deriving the majority of its revenues (which was about 68% in PAYOFF) from its largest business segment, Australian food and liquor.

Woolworth operates its retail business under various banners. Its supermarkets chain operates under Woolworth brand and operates 897 stores in Australia; and under the name of Thomas Dug, a specialty grocer, operating 11 supermarkets in the country. Woolworth offers liquor to its customers under different brand names such as Dan Murphy, BBS, Schoolmasters and Longboat. The company's BIG W segment, which provides its customers with everyday low prices, offers a range of well known

brands in Australia, including Apple, Bonds, Peter Morrissey and Mambo. BIG W also stocks a range of house brands including, Smart Value, AWAY, Dimples, Emerson and Vela.

Masters Home Improvement is the company's home improvement big box retail offer, whose each store stocks more than 35, 000 different product lines from outdoor furniture to a new bathroom with all the accessories. During the year in analysis, Woolworth' petrol retailing division had 613 canopies in Australia of which 131 were co-branded as Woolworth/Chalet. Multiple store formats enable Woolworth to cater to specific needs of a large audience. Also, the multi-format strategy ensures relative resilience. For instance, when consumers are trading down, discounters are the preferred choice and as the economy recovers, specialty retailers are expected to benefit. Therefore, a wide variety of store formats coupled with retail manners strengthen the company's brand image by addressing customer specific needs.

Efficient supply chain management Woolworth had transformed its supermarket supply chain through the implementation of various systems including Stockrooms (distribution center forecast based replenishment), Autocross (store forecast based replenishment), warehouse transferring this intellectual property across the Woolworth Group. Autocross has also been implemented across BIG W stores, New Zealand Supermarkets and the company's liquor stores. Additionally, the company is continuing to develop the next enervation replenishment Page 5 solution which will reduce day's

inventory as well as save costs in stores, distribution centers and transportation.

Woolworth completed the re-engineering of its National Distribution Centre (AND) located in Millrace. This enabled the AND to increase the order processing capacity and reduce costs. The company implemented various initiatives to strengthen its supply chain management and gain financial benefits. The company is applying its Project Refresh expertise across other businesses to improve operating efficiencies and generate cost savings. Project Refresh was launched in 1999 to improve business efficiency processes and business restructuring programs. The company is also working on the Huston Park distribution center, a shared service model for BIG W, Dick Smith and Home Improvement.

Woolworth is also expanding its global sourcing and international logistics capabilities. Thus, Woolworth' efficient business processes enable it to strengthen its profitability. This is a key advantage in the current economic conditions when revenue growth cannot be assumed and is tough.

Woolworth has built a strong portfolio of private labels. The demand for private label product range is increasing. The growth in private label products exceeds the company's overall sales growth, and endorses the quality and value for money that customers are able to associate with these brands. The private label products have also recorded good levels of repeat purchase.

Sales of Home Brand continue to increase as customers opt for more budget-friendly products. Other brands such as Select, Freedom, Nature and

Organics have also gained strong customer acceptance. The launch of the Macro Wholesome Market range in Supermarkets in PAYOFF also led to strong sales and positive customer feedback. In PAYOFF, Woolworth purchased a 25% stake in Gage Roads Brewery; this move improved the company's presence in the private label market for beer. The company expanded its Macro Wholesome Market range and continued the development of its Select and Home Brand products. Consumers increasingly prefer to shop private label brands as they are cheaper than the national brands and they are looking for value.

This behavior has been observed in Australia with shoppers increasing their store repertoire. Woolworth has positioned with a strong portfolio of private label brands to increase revenues and profitability. Woolworth is significantly dependent on its domestic market, Australia, for most of its revenues. In PAYOFF, the company generated 92.1% of its total revenues from Australia. Although the company has its presence in New Zealand, it generated a meager 7.9% of its total revenues from the country during the year in analysis. Page 6 Dependency on Australia could make the company's business and operations vulnerable to country-specific trends.

Such geographic concentration increases the risk that, should any adverse economic, regulatory, environmental or other developments occur in Australia, the company's business and financial condition will be affected. Woolworth may be substantially affected by the political or cultural changes that occur due to the geographical concentration in Australia. Increasing focus on retail data and big data analytics could help Woolworth strengthen

its Australian supermarkets business Woolworth has been concentrating on taking customers' insights which may likely help it in strengthening its Australian supermarkets business. For instance, in April 2013, the company acquired a 50% stake in Quantum, Australia's data-driven strategy business with capabilities in retail data and big data analytics.

Woolworth Lana to increase its customer analytics team size and will use Quantum's data, analytical, media and software services to leverage its 'Everyday Rewards' data to deliver insights and better decisions across pricing, ranging and promotions. The company's 'Everyday Rewards' has already reinforced its position as Australia's leading retail loyalty program with membership up by 11% to more than seven million members and card scan rates increasing following the introduction of 'Extra Special' offers. Also, in PAYOFF, Woolworth rolled out the 'Net Promoter Score' customer satisfaction program to stores, which involves asking customers for dieback on their most recent shopping experience.

Strategic initiatives may strengthen the company's online retail presence and enhance customer base Woolworth has been focusing on the online retailing to increase its sales. It has been investing in development of divisional websites to enhance customer usability. For instance, it launched BIG W online site in 2010. As of PAYOFF, the BIG W transactional app was downloaded more than 500, 000 times and used monthly by more than 80, 000 customers. In January 2013, Big W introduced apparel online with its 'Back to School range' and in May 2013, it added industrial wear. Going further, ore than 13% of the company's online sales come from mobile

devices. To further strengthen this business, in September 2013, BIG W launched a new website to enable its customers to download eBooks to their mobile devices.

Such strategic initiatives are likely to strengthen the company's online retail presence and enhance customer base. Launching new home improvement stores in Australia page 7 Masters Home Improvement (Masters), a joint venture between Woolworth and Lowest (a US-based home improvement retailer), has opened 45 stores in Australia in just over two years, representing an investment of over A\$1.5 billion (approximately 1.5 billion). Most recently in April 2014, Masters announced its plans to build 11 stores in South Australia over the next six years. Masters opened its seventh store in Western Australia at Brighton in April 2014. The new store offers a range of more than 35,000 products in Australia at 'Best Price Guarantee'.

Masters store at Brighton will offer a variety of big brand appliances, kitchens, paints, and garden range. Masters also provides 'click and collect' home delivery services on a range of products to its customers. New home improvement stores are likely to help Woolworth in strengthening its business in Australia. Intense competition in Australia and New Zealand In its domestic market, Woolworth faces an intense competition from its arch rival, Coles, a subsidiary of Westerners. Woolworth offers little differentiation compared to Coles, which makes it very difficult to sustain a competitive advantage. Both the companies enjoy similar quality store locations, with neither having better/worse store locations.



Also, both Woolworth and Coles have been engaged in a price war since a long time. Woolworth's 'More Savings Every Day' marketing campaign faces stiff competition from Coles' marketing programs such as 'Down Down'. In January 2013, Coles introduced another 100 'Down Down' price cuts, including lowering the prices. In New Zealand, Woolworth experiences competitive pressures from Foodstuffs, New Zealand's largest retail grocery organization. Foodstuffs has more than 700 owner-operated full service supermarkets, retail food warehouses, grocery and small convenience stores, large and small format liquor stores and fuel sites operating under several key banner groups such as New World, Write Price and Passive.

Foodstuffs follows owner operator business model and these retailers enjoy relationships with the local community and on average are more likely to be passionate and heavily involved in the business compared to a salaried store manager in case of Woolworth. Intense competition in Australia and New Zealand could affect Woolworth's market share. Low consumer confidence in Australia may have a negative impact on the company's retail business. Australia has been witnessing low consumer confidence. According to industry sources, consumer confidence in Australia averaged 101.92 from 1974 until 2014. In May 2014, Australian government disclosed a spending cuts and new taxes in a 2014/15 federal budget.