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PROBLEM SOLVING AND INNOVATION AND BMSW4014

THE DECLINE OF THE RETAILER WILKO

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Introduction

This report is to summarize the decline of the retail Wilko, using the SWOT and PESTLE analysis to report the decline, the scope, nature, findings and the conclusion.

Wilko, also known as Wilkinson, is a British high street retailer known for selling homeware, household goods, With 400 stores across the UK, the chain is well-known for its affordable everyday items. Like many other retailers, Wilko has faced challenges in recent years due to changing consumer habits, increased competition, and economic factors. But in August 2023, the High Street stalwart collapsed into administration and put 12,500 jobs at risk.

Main Findings

The nature, scope, and impact of the problems faced by Wilko can be examined from various angles, including financial performance, market dynamics, and internal challenges.

Nature

Declining Revenue: Wilko experienced a decline in revenue due to factors such as reduced foot traffic in stores and decreased online sales.

Increased Competition: Wilko faces stiff competition from online retailers like Amazon as well as other low-priced stores such as Poundland, B&M, and discount supermarkets like Aldi and Lidl. These competitors offer similar products at competitive prices, making it challenging for Wilko to maintain its market share.

Changing Consumer Preferences: Consumer preferences have been evolving, with more people choosing to shop online for convenience and a wider range of options. This shift away from traditional high street shopping may have impacted foot traffic and sales at Wilko stores.

Competitive Pressure: Intense competition from both traditional retailers and online giants could erode Wilko's market share and limit its ability to attract customers.

Changing Consumer Behaviour: Shifts in consumer preferences towards online shopping, discount stores, or sustainable products could impact Wilko's relevance and demand for its offerings.

Economic Environment: Economic downturns, recessions, or changes in consumer spending habits due to external factors like inflation or unemployment rates can influence Wilko's sales performance.

Scope

Strategic Missteps: Poor strategic decisions, such as ineffective marketing campaigns, product assortments that don't resonate with customers, or expansion into unprofitable markets, could hinder Wilko's growth prospects.

Organizational Issues: Internal conflicts, leadership changes, or a lack of employee engagement and expertise could undermine the company's ability to execute its business strategy effectively.

Failure to Innovate: Retailers need to continuously innovate to stay relevant and attract customers. If Wilko has failed to keep up with changing consumer trends, introduce new product lines, or enhance its online presence, it could struggle to retain customers and drive sales.

Impact

Supply Chain Disruptions: Events like the COVID-19 pandemic and disruptions to global supply chains can have a significant impact on retailers' ability to source products and maintain inventory levels. If Wilko has faced challenges in this area, it could result in stock shortages and dissatisfied customers.

Financial Consequences: A decline in Wilko's performance can have significant financial consequences, including reduced shareholder value, credit rating downgrades, or even bankruptcy if the problems persist.

Employee Well-being: Job losses, wage freezes, or cuts in employee benefits resulting from cost-cutting measures or store closures can impact the well-being of Wilko's workforce.

SWOT analysis

Strengths:

Established Brand: Wilko has a well-known brand with a history of providing affordable homeware and household goods.

Wide Product Range: The company offers a diverse range of products, including home essentials, DIY supplies, gardening products, and seasonal items.

Value for Money: Wilko's focus on offering value for money products appeals to cost-conscious consumers.

Strong Customer Loyalty: The company has a loyal customer base built on its reputation for affordability and reliability.

Weaknesses:

Limited Online Presence: Wilko's online presence may not be as strong as competitors, limiting its ability to capture the growing e-commerce market.

Operational Challenges: The company may face operational inefficiencies, such as supply chain issues or outdated store layouts, impacting its ability to compete effectively.

Dependence on Foot Traffic: Wilko's reliance on foot traffic in physical stores makes it vulnerable to shifts in consumer shopping behaviour, particularly towards online channels.

Narrow Market Focus: The company's focus on homeware and household goods may limit its ability to diversify revenue streams or capture emerging consumer trends.

Financial Vulnerability: Declining revenue and profitability could weaken Wilko's financial position, limiting its ability to invest in growth initiatives or withstand economic downturns.

Opportunities:

E-commerce Expansion: Investing in online channels could help Wilko reach a broader audience and capture market share in the growing e-commerce space.

Product Innovation: Introducing new product lines or expanding into complementary categories could attract new customers and differentiate Wilko from competitors.

Store Optimization: Optimizing store layouts, enhancing in-store experiences, and improving operational efficiency could drive foot traffic and sales.

Sustainability Initiatives: Embracing sustainability practices, such as offering eco-friendly products or reducing packaging waste, could appeal to environmentally conscious consumers.

Geographic Expansion: Exploring opportunities to expand into new regions or international markets could drive growth and diversify revenue streams.

Threats:

Intense Competition: Wilko faces competition from a range of retailers, including online giants, discount stores, and supermarkets, which could erode its market share and profitability.

Changing Consumer Behavior: Shifts in consumer preferences towards online shopping, discount retailers, or premium brands may impact Wilko's relevance and demand for its offerings.

Economic Uncertainty: Economic downturns, inflation, or changes in consumer spending habits could affect Wilko's sales performance and financial stability.

Regulatory Challenges: Compliance with regulations related to product safety, labor practices, or environmental standards could increase costs and operational complexity for Wilko.

PESTLE analysis

Similar to the SWOT analysis – describe and discuss the PESTLE findings and impact within this part of the report and identify which parts in the Macro environment may help/hinder them to resolve the main problem

Political Factors:

Findings: Political factors such as government policies and Brexit uncertainty can impact Wilko's business environment.

Impact: Changes in regulations related to retail operations or trade agreements could affect Wilko's operations and profitability. Additionally, political instability resulting from Brexit may lead to economic uncertainty, impacting consumer confidence and spending.

Economic Factors:

Findings: Economic factors like economic downturns, inflation, and exchange rates can affect Wilko's performance.

Impact: Economic recessions or downturns can lead to reduced consumer spending, affecting Wilko's sales. Rising inflation rates may increase operating costs, while

fluctuations in exchange rates can impact the cost of imported goods, affecting pricing strategies and profitability.

Social Factors:

Findings: Changing consumer preferences and demographic shifts influence Wilko's market demand.

Impact: Shifts in consumer preferences towards online shopping or sustainable products may affect Wilko's sales and relevance. Demographic changes, such as aging populations, could also impact demand for certain product categories.

Technological Factors:

Findings: Technological advancements and e-commerce competition pose challenges for Wilko.

Impact: The growth of e-commerce platforms and technological disruptions could threaten Wilko's traditional brick-and-mortar business model if it fails to adapt. Investing in technology and enhancing its online presence may be necessary to remain competitive.

Legal Factors:

Findings: Legal compliance and legal challenges impact Wilko's operations and risk management.

Impact: Compliance with regulations related to product safety, labour practices, and environmental standards may increase costs and operational complexity for Wilko. Legal disputes or lawsuits could pose financial and reputational risks.

Environmental Factors:

Findings: Sustainability concerns and supply chain sustainability affect Wilko's operations.

Impact: Growing consumer awareness and concerns about environmental sustainability may influence purchasing decisions, impacting demand for Wilko's products. Risks associated with climate change or environmental disasters could disrupt Wilko's supply chain operations.

Macro Environment Impact:

Helping Factors: Economic stability, favourable government policies, and technological advancements could provide opportunities for Wilko to innovate, expand its market reach, and improve operational efficiency. Additionally, consumer trends towards sustainability could create demand for eco-friendly products, which Wilko could capitalize on by offering such products in its stores.

Hindering Factors: Economic downturns, political instability, regulatory challenges, and technological disruptions pose significant threats to Wilko's ability to overcome its main problem. These factors may increase costs, reduce consumer spending, disrupt supply chains, and intensify competition, making it more challenging for Wilko to reverse its decline.

Conclusion

Summary of main findings – no new information should be put in here

In conclusion, the SWOT analysis highlights both the strengths that Wilko possesses and the weaknesses, opportunities, and threats it faces in the current retail landscape. Wilko's established brand, wide product range, and strong customer loyalty are significant strengths that provide a foundation for its competitiveness. However, the company also faces challenges such as limited online presence, operational inefficiencies, and dependence on foot traffic, which contribute to declining revenue and profitability.

To address these challenges and capitalize on opportunities for growth, Wilko should consider strategic initiatives such as expanding its e-commerce presence, optimizing store operations, and innovating its product offerings. Embracing sustainability practices, exploring geographic expansion, and enhancing competitiveness in the face of intense competition and changing consumer behaviour are also crucial for securing Wilko's long-term success.

Overall, by leveraging its strengths, addressing weaknesses, capitalizing on opportunities, and mitigating threats, Wilko can navigate the complexities of the retail landscape and position itself for sustainable growth and profitability in the future. However, proactive and strategic decision-making will be essential for overcoming the challenges identified and driving the company's success in the years to come.

Appendices

SWOT analysis for Wilko

INTERNAL FACTORS

STRENGTHS +	WEAKNESSES –
Good location - High street stores Historical brand – well-known retail chain Budget retailer Wide variety of characteristic products	Too many large stores in too Cannot pay suppliers Not quality products, poor de

EXTERNAL FACTORS

OPPORTUNITIES +	THREATS –
Propose working in the group Collaborations Political or social clothing Increase suppliers Increase hourly wages to compare with Zara	Competition Zara has better benefits Increased pollution Increasing suppliers may d Increased recycling Technological difficulties o

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