

## TRADE PROFILE



### Overview

Founded in Leicester in 1930, Wilko is a general merchandise retailer operating 386 home and garden stores throughout England, Wales and Scotland. The retailer is one of the largest privately-held companies in the UK, employs nearly 22,000 staff, and is wholly controlled by the Wilkinson family.

The Wilko product range concentrates on household essentials, including homewares, textiles, DIY, cleaning products, health and beauty lines, stationery, confectionery, pet products and kitchen and bathroom goods. A large proportion of the range is made up of own-label products sold under the Wilko brand which accounted for around 45% of sales in 2011.

In 2005 the long-serving and popular previous Chairman Tony Wilkinson retired, handing over to the third generation of the family in the 75th year of the company's operation, in the form of joint Non-Executive Chairs. His niece, Karin Swann, and daughter, Lisa Wilkinson, carried on as Non-Executives until Karin Swann left the business in March 2014, leaving Lisa Wilkinson in place.

In 2013 the company commenced a re-branding exercise, replacing the Wilkinson name with Wilko, to reflect the nickname its customers have used for many years. The transactional website was relaunched as [www.wilko.com](http://www.wilko.com) and, in June 2014, the retailer officially changed its name from Wilkinson Hardwares Stores Ltd to Wilko Retail Ltd.

### Contact Information:

#### Wilko Retail Ltd

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### Key Personnel:

Lisa Wilkinson – Non Executive Director (founder's granddaughter)

Karin Swann – Non Executive Director (founder's granddaughter) (resigned 31st March 2014)

Aidan Connolly - Chief Financial Officer

Sean Toal - Chief Operating Officer

Robin Lassiter - Head of Retail

Frankie Adams - Head of Buying

Adam Kirk - Head of Multichannel

## Trading Strategy

Wilko has always had a strong reputation for controlling costs and operating tight control over buying and, in the early 1980s, began sourcing goods from China. Over time, prices in China began to rise, and the company found it necessary to find a new strategy to ensure that the savings associated with overseas sourcing were retained. To improve global sourcing of goods and develop strategic relationships with suppliers around the world, particularly from Asia, the retailer established Wilkinson Asia Ltd in Hong Kong, in June 2008. A small office was opened in India, in 2013, to manage the increasing number of suppliers in the region.

The company has maintained a strong focus on buying efficiencies and range improvement over the years. Stationery, pets, kitchen and housewares were targeted during 2008/2009; home, health and beauty in 2009/2010, and DIY and decorating in 2010/2011. More recently, Wilko confirmed that it had conducted a major category review programme during 2013 (home and household) and 2014 (decorating, DIY, health and beauty). In future, Wilko intends to keep its ranges up-to-date by conducting more frequent refreshes but on a smaller scale.

In 2009 Wilko embarked on a series of one-to-one meetings with suppliers in an attempt to review its trading terms. As part of these discussions, some suppliers were asked to fund the company's expansion plans by making an "unconditional payment" which would be looked upon favourably compared to those suppliers that did



## Trading Strategy Continued...

not. Although suppliers have historically seen Wilko as a hard negotiator, it had always been considered a company that “played straight”. The new strategy was far more aggressive than before and more in keeping with the larger multiples and supermarket chains.

### 2014

This was an eventful and challenging year for Wilko. After 85 years of running the business together the Wilkinson family split, with Karin Swann, the joint chairman and granddaughter of the founder, leaving the board to pursue other interests. Her family’s share of the business was bought by the rest of the family for £63million, leaving Lisa Wilkinson as the sole chairman.

Several senior staff changes also occurred during the year, including the appointments of Sean Toal as COO in July and Cath Fox as Head of HR. Strategic Marketing Director, Fiona Gunn, and Head of Supply Chain, Nick Walker, both left the business during the year and a large number of employees were placed into consultation in the last quarter.

The ‘Wilkinson to Wilko’ rebrand was completed during 2014, ensuring that customers are exposed to a ‘strong and consistent brand’, no matter which channel they use to shop.

Wilko also upgraded its technology platform during the year and revealed plans to replace its forecasting and replenishment systems during 2015.



The latest financial report indicated that the directors were developing a plan to ‘change the way we execute our proposition for customers’ and ‘provide the focus and

for the activities that need to be delivered over the next three years’. Wilko has yet to reveal any further details about the nature of the plan which was due to be put into practice during May 2015.

### Online

Despite growth in the number of customers purchasing from the Wilko website – particularly via mobile devices – the company has said that work needs to be done to improve profits as fulfilment costs are ‘far too high’.



### Advertising

Wilko’s first foray into national TV advertising saw the company adopt the strapline: ‘Where there’s a Wilko, there’s a way’. The campaign – which featured ship-proud pirates at sea as well as wandering the aisles of Wilko stores – launched during Easter 2014, but did not deliver the anticipated increase in customers.

Wilko states that the strapline represents the company’s new ‘purpose’, advising that its intention is to help customers complete their tasks as well as representing how the company expects its staff to approach their day to day activities. In a recent report, former CFO Ian Ellis said Wilko was ‘very pleased with the way that the purpose has started to resonate with our customers and team members’.

## Stores & Employees

### Redundancies:

In October 2013 it was reported that Wilko was conducting a restructure, with a particular focus on department and category managers based and at its head office. The consultation was believed to have involved around one hundred members of staff and resulted in ten redundancies, although Wilko did not publicly confirm numbers. A spokesperson was reported as having said that the changes were “not a cost-cutting exercise”, adding:

“The business remains robust and profitable and the changes will empower senior management teams throughout the business to work together more efficiently towards greater success in the future.”

“The board’s priority is to fully align structure behind strategy: to place the right leadership in the right teams at the centre of a new highly responsive structure capable of maintaining Wilko’s unique place in the ever-changing retail environment.”

Just a year later, in October 2014, over 170 head office staff - across a number of departments and at all levels - were placed into consultation. Wilko declined to comment on how many redundancies were actually made, citing the number as ‘significant’ and stating: “This ongoing programme is essential to maintaining Wilko’s unique place as a modern, national retailer. We have to ensure we have the right people in the right places to keep the business moving forward.

“New technologies, processes and ways of working have led us to identify certain posts which are no longer appropriate to our focus on variety, value, choice, quality and customer service.”

“Like all businesses, Wilko continually reviews its resources in order to ensure it has the right business structure in the changing retail landscape. The proposed changes will allow it to react quickly in the fast-moving retail environment by ensuring its structures and cost base are in line with its trading performance and the market place.”



### Stores:

During the year to February 1st 2014 Wilko opened just two new stores - Hereford and Fulham - and ‘reinvented shopping space’ in two more - Wood Green and Castleford. Additional sites were considered during the financial year but the locations were not considered to be of suitable quality.

Wilko’s latest financial report states that the company plans to open at least 10 stores during 2015 and 15 to 20 in 2016. The previous report stated that Wilko was looking to open approximately 100 new stores over the next five years, however, competition for mid-sized stores is strong across the country, particularly in and around London where Wilko is trying to gain a foothold and expand its six-strong store portfolio.

Year	Store Numbers	Employee Numbers
2011	350	23,063
2012	366	23,229
2013	372	22,897
2014	374	21,648
2015	380 (est)	24,243

## Financials

Year	Turnover £000's	Operating Profit £000's	Operating Margin %	Pre-tax Profit £000's	Turnover Growth %	Notes
2011	1,559,384	57,767	3.7	57,767	0.2	Year ending 28-01-2011
2012	1,565,400	19,260	1.2	22,736	0.4	Year ending 27-01-2012
2013	1,529,668	25,300	1.7	27,512	(2.3)	Year ending 02-02-2013
2014	1,462,843	24,872	0.6	27,612	(4.4)	Year ending 01-02-2014
2015	1,444,536	2,224	0.2	5,496	(1.2)	Year ending 31-01-2015

Wilko's next set of accounts, made up to 31 January 2016, are due to be filed at Companies House by 31st October 2016.

### Latest Trading Update:

Wilko's latest accounts for the year ending 31st January 2015 show that pre-tax profit fell to just £5.5million, compared with over £27million in the previous year. The retailer admitted to losing market share and cited changing customer shopping habits, a decline in customer visits and significant investment in the company's first TV advertising campaign as reasons for this, as well as high online fulfilment costs in comparison with profits.

The retailer also advised that price cuts by supermarkets and discount chains such as Aldi, Lidl, B&M and Poundland had impacted upon performance, stating: "We have seen the effect of this in those categories where we compete with the grocers such as household cleaning."

The downturn was partially mitigated by the opening of new stores in retail parks in Rotherham and Tottenham Hale.

Former CFO, Ian Ellis said of the 2014-2015 results: "We expected the year to be tough and planned accordingly but we were very disappointed with the continuing sales decline of 1.2% and that this decline was not dampened by the significant investment in our first TV campaign.

"The decline in sales did reduce during the second half of the year with a particularly good performance in the last weeks before Christmas and into January. We recorded a pre-tax profit of £5.5 million being a significant reduction year-on-year driven by the investment in the advertising programme along with the costs invested in the shops to get them ready for the programme, the continuing pressure on price and the sales decline. This is significantly below our expectation at the start of the year but the drivers of the performance are clear."



## Latest News

3rd February 2016 -

**Wilko staff likely to lose Sunday and bank holiday pay premium**

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12th January 2016 -

**Wilko to open new store in Birmingham**

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16th December 2015 -

**Wilko opens new store on Kensington High Street, London**

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13th October 2015 -

**Wilko and In Kind Direct announce strategic partnership**

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6th October 2015 -

**Wilko to support WRAP with carrier bag charge**

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19th July 2015 -

**Wilkinson family bank £63m in sale of their share**

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