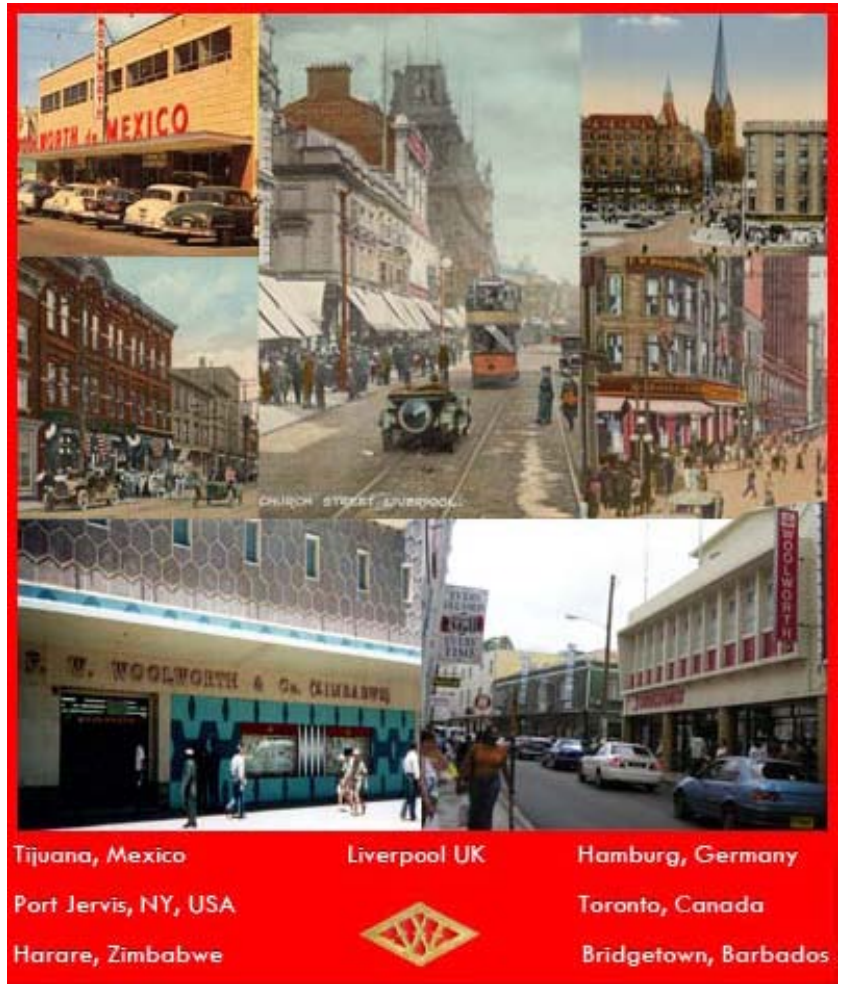


# A potted history of Woolworths stores

*F.W. Woolworth was the retail phenomenon of the twentieth century - a shop for masses that sold factory made goods at rock bottom prices. It was the first brand to go global, building to more than 3,000 near identical stores across the world. At its height it generated such fabulous riches that its founder was able to build the world's tallest building and pay for it in cash. Its shares were the gold standard of the exchanges in New York and London, paying dividends that others could only dream of. To become a Woolworth supplier was considered a licence to print money.*

*Part of its magic was an ability to adapt to fit into different local communities and to 'go native', without sacrificing its uniqueness. Shoppers in the UK considered 'Woolies' as British as fish and chips, while Americans continued to call the chain 'the five and ten' more than sixty years after it dropped its fixed price formula.*

*But, having risen like a meteor, all the way to the top, it faded in the 1990s into a peaceful retirement in the USA and Canada before falling like a stone in the UK in 2008. Woolworths UK went from normal trading in 800 stores to complete shutdown in just 41 days. In Germany the chain faced a similar fate a few months later. In both Countries the brand was soon revived on-line.*



*There can be little doubt that if Frank Woolworth was starting out today it would be on the Internet, with its low costs and mass reach. But that is cold comfort for those who loved and cherished the stores around the world. Today a few branches still prosper in Zimbabwe, Barbados and Mexico. But for most people that's a long way to walk for some pic'n'mix candy and a light bulb.*



Frank Winfield Woolworth was born in Rodman, New York on 13 April 1852. At the age of fifteen he gave up life on his father's farm to seek his fortune working in a shop in Watertown. Despite learning about commerce and book keeping at night school, his boss, William Moore found him useless as a Shop Assistant and instead put him in charge of display and stock management. One of his jobs was to set up a table of fixed price five cent goods, which proved such a hit that in 1879, with Moore's support, he branched out on his own, setting up one of America's first fixed price stores.

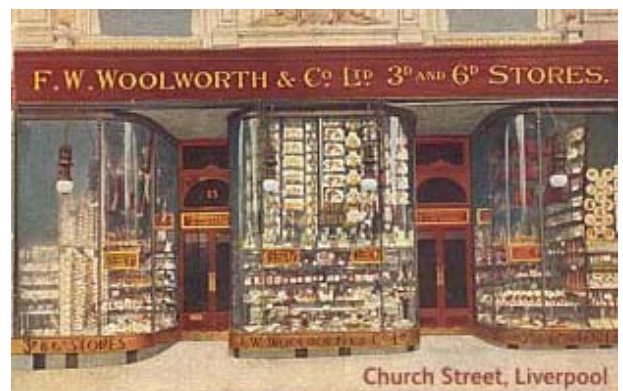
After a false start in Utica, New York, he relocated to the Armesh country of Lancaster, Pennsylvania, opening his Great Five Cent Store on 21 June 1879. It was a great success and later the same year his younger brother, Charles Sumner Woolworth, joined as Manager of a second store in nearby Harrisburg. When the Woolworth brothers added ten cent lines in 1881, the Five and Ten was born.

Over the next twenty years Frank encouraged other members of the family and former co-workers from Moore's to join him, establishing a syndicate of 'friendly rival' five and ten cent stores. The five chains operated independently but each stocked goods bought by Frank Woolworth. The formula proved a big hit with the public, allowing each of the pioneers to expand rapidly, opening stores across the USA and Canada. Each opening drew a huge crowd, drawn to the exceptionally low prices of the five and ten's mass produced goods. As his buying power grew, Woolworth started to track products back to source, offering cash payment if the factories dropped their prices and sold direct. From 1890 onwards the search for products took him to Europe, where industry and automation was more advanced.



By 1905 other five and ten chains provided competition to the Woolworth syndicate. Although these rivals were much smaller and less successful, each of the syndicate members decided to incorporate his company, selling shares to friends and managers. This was done defensively to protect themselves from a hostile takeover, but also generated huge riches for each of the pioneers. Instilled with new confidence the chains started to take over rivals from outside the syndicate, rapidly accelerating their growth. Frank Woolworth had cornered the market for many European 'luxuries', giving syndicate members an edge over their rivals.

The F. W. Woolworth & Co. Five and Ten Cent Store chain opened their first overseas branch in Church Street, Liverpool, England on 5 November 1909. The formula had been translated to become the Threepenny and Sixpenny stores. Woolworth considered Great Britain to be the mother country, claiming to be descended from the Pilgrim Fathers. He had mused about opening a British chain ever since 1890. His top management were against the idea, but he still persuaded four managers, including his cousin, Fred, to emigrate to launch the subsidiary.



To deal with resistance from the British press, Woolworth hired the Englishman, William Lawrence Stephenson, from a favoured supplier. The American Company set aside £50,000 as working capital for the British Company, the only parent company investment ever required by the new start.

By 1912 the British subsidiary had already grown to twelve stores. Their momentum was so great that they were already able to open stores without borrowing. Frank had already turned his attention to other projects.



Work was nearing completion on his grandest scheme the world's tallest building in Broadway Place, New York. He had commissioned the top architect Cas Gilbert, and had overseen the work personally, paying for it in cash. By the end of 1912, as the \$13.5 m tower topped out, it was already in profit. Businessmen had flocked to take floor space in the landmark Woolworth Building that dominated the Manhattan skyline.

Also in 1912, in a move engineered by Frank Woolworth, the five friendly rival Five and Ten Cent Store chains joined forces. The fascias of S.H. Knox & Co., F.M. Kirby & Co., E.P. Charlton & Co., C.S. Woolworth & Co. and W.H. Moore & Son all vanished from the Main Streets of the USA and Canada in the merger.

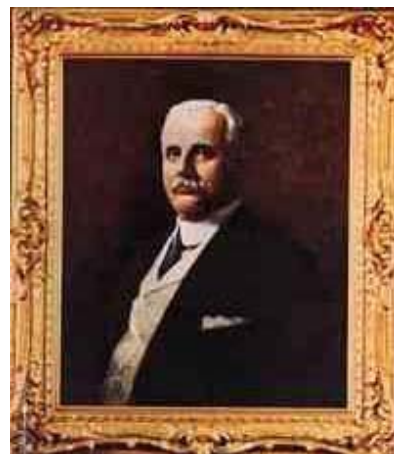
The five men shared a bounty of \$65m from the sale of shares. Each became a VP of the F. W. Woolworth Co. They elected Frank their first President.

By the outbreak of the Great War in Europe, the British chain had opened 44 stores with many more in the pipeline. The infant declined its parent's offer to send relief managers from the USA to replace the many staff who had volunteered for war service.

In 1917 the American company opened its thousandth store in palatial premises on New York's Fifth Avenue. In the same year the American President, Woodrow Wilson, invited Woolworth to take a Government role to raise funds after America joined the World War. The magnate launched a savings stamp scheme just weeks later, persuading rival dime stores to join him in selling them. He later funded victory parades for returning servicemen from his own pocket in many towns served by a Woolworth Five and Ten.

The final years of Frank Woolworth's life were filled with sadness. His beloved wife Jennie fell ill with 'the living death', which is called early onset Alzheimer's today. His eldest daughter Edna died in tragic circumstances. She had been trapped in a loveless marriage to the financier Franklyn Laws Hutton. Frank's granddaughter, Barbara, later dubbed the "poor little rich girl" made the gruesome discovery.

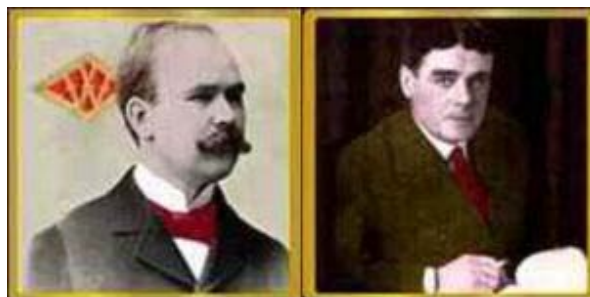
Woolworth suffered poor health as he got older. He was given to violent mood swings and often had to take to his bed for weeks on end. Nonetheless his death came as a great shock across the retail world. He passed away just three days after complaining of a head cold as he left his desk in New York. He died from septic poisoning from an untreated tooth infection on 8 April 1919. He was 66 and had been preparing for the fortieth anniversary celebrations for his 1,200 strong chain. His brother, Charles Sumner Woolworth, became Chairman a post he held with distinction until 1944, while FD Hubert Parson took day to day charge as President.



Frank would have been pleased by one obituary reading: "He made his money not by selling a little for a lot, but by selling a lot for a little." He would also have been touched by arch rival Sebastian S. Kresge's decision to close all of his stores for the funeral as a mark of respect.

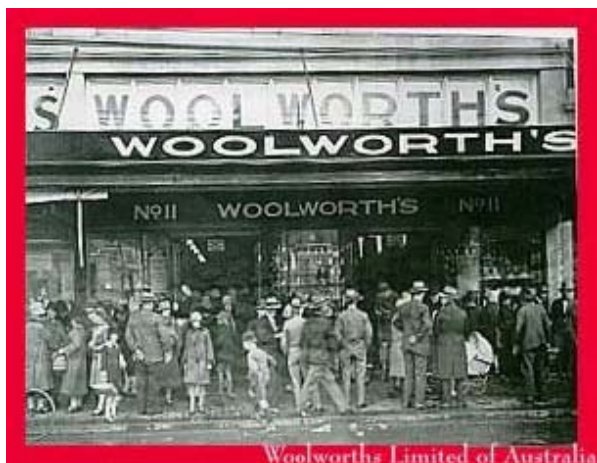


In 1923 the firm was rocked by another death, as Frank's cousin Fred, MD of the British subsidiary, passed away at the age of just fifty two. He had overseen the opening of 150 highly profitable stores. He had a reputation for being firm but fair, setting high standards but also treating the staff generously, with paid holidays and outings to the seaside. A lively and active man, he suffered a stroke on a trip home to the USA and never fully recovered. He succumbed to a second attack six months later.



His successor was the Yorkshireman William Stephenson who (in his own words) "joined on the ground floor" before the first British Woolworth store opened.

In 1924 a canny group of Australian entrepreneurs led by Mr. H. G. Christmas were looking for a name for their new 'stupendous bargain basement'. They cheekily applied to register the name F. W. Woolworth & Co. Ltd. 3D and 6D Stores, keen to cash in on the brand's pulling power, even though they were completely unrelated.



In fighting between the British and American companies meant that neither raised their objections in time, allowing the venture to go ahead. Bitter legal battles in the High Court followed in the 1930s, after the Anitopodean namesake opened a London Buying Office just yards from the 'real' British HQ. The Aussies had the last laugh. Unlike the Poms, they had the resolve to see through a move into food retailing in the Sixties, going on to become the market leading supermarket down under. Their former subsidiary now operates independently in New Zealand.

By the mid 1920s growth in the USA was slowing down. Rival dime stores had adapted to price inflation and higher household incomes, adding fifteen cent lines to their mix. But the Woolworth Board was reticent to shake their proven formula, until they saw the early results from their new subsidiary in the Weimar Republic of Germany in 1927.



They had translated the formula to become the 25 and 50 Pfennig stores, roughly 10 and 20 cents, allowing a much broader range. The stores grew so rapidly that they were self sustaining by the time Hitler introduced legislation making it hard for foreign companies to operate in Germany.



Buoyed by the German news, a 15 cent line was added after fiftieth birthday celebrations in North America in 1929. This gave the chain much needed new momentum after the share price collapsed as one of the biggest fallers in the Wall Street Crash. Many investors were all but wiped out by the sudden, unexpected fall. It is said that the severity of the Woolworth collapse was prompted by news that the poor little rich girl's father Edwin had sold the entire Hutton holding at the top of the market. Whatever his faults, the canny financier knew his stuff!

To help investors recoup their losses, the Vice President Byron Miller, who had been a founder member of the British company before taking on international operations in New York, hatched a scheme to float a 47.3% stake in the British subsidiary. This had the added benefit of rewarding the 3d and 6d stores for contributing the lion's share of group profits, giving them a measure of independence. The shares floated in 1931 and were oversubscribed. This funded an exceptional dividend of \$1.50 on each 25¢ share in the USA, saving those investors who had kept faith. Miller was rewarded with the Presidency of F. W. Woolworth Co.

1934 marked two very different milestones in Britain and America. The UK firm was enjoying an unrivalled period of prosperity, opening a store every five days outside the Christmas season. A major celebration marked the opening of the 600th 'Woolies', which was a new build London suburban store in Wallington, Surrey. Sales and profits had never been better.

Meanwhile Stateside competition was hotting up. The Directors had to give in to the inevitable, facing up to a decision that had been postponed for too long. Rather than match the new 25¢ lines of their rivals, they opted to abandon the upper limit completely. They announced that Woolworth would remain a value store, but freed their Buyers to choose more aspirational products.



Founding Director Charles Sumner Woolworth told his biographer, company man J.K. Winkler, that he had chosen to abstain in the vote, unable to say 'yes' in honour of his brother's memory, unwilling to say 'no' as a stockholder and a businessman. Fortunately the sky did not fall, even if perhaps Frank stirred and turned in his elaborate mausoleum.



The British company went to lengths to maintain its sixpenny limit in the run up to World War II, asserting its buying power to make its suppliers accept lower margins during the price inflation of 1938 and 1939. The outbreak of war forced a rethink as prices rocketed and cheap goods became hard to find. Officially the upper limit was dropped temporarily.

As Britain and Canada went to war, the USA enjoyed a period of prosperity. New York recalled their American Directors from the British and German Boards, but all refused to leave. In order to show neutrality the Corporation gave donations to war relief in both Great Britain and Germany, funding an orphanage near London and ambulances for Berlin.

In 1940 British staff raised 202,680 sixpences to buy a Spitfire to help the RAF win the Battle of Britain, matched penny for penny and plane for plane by their four Directors. Lord Beaverbrook sent a thank you letter and a plaque to mark their generosity, also allowing the staff to name the planes Nix Over Six Primus and Secundus the first national assets ever to carry a corporate sponsorship.

Also in 1940, Germany invaded the Channel Islands of Jersey and Guernsey. The two F.W. Woolworth stores there traded independently during the occupation.

America joined the war after Pearl Harbour, sending a big troop surge in the run up to D Day. Many British colleagues met their American Woolworth cousins for the first time, providing a 'home from home' for men 3,000 miles from a five and ten. A number of Woolies stores provided billets for soldiers waiting for the big day.

As the Allies marched into Germany in 1944, Company Chairman Charles Sumner Woolworth announced that his failing health meant he would be stepping down from active duty. He had opened his first Woolworth Bros. store in 1880 and made it the first Five and Ten. From 1885 to 1912 he led his own chain, C. S. Woolworth & Co., before joining forces with four 'friendly rivals' to form F. W. Woolworth Co. in the \$65m merger. After his brother's death he had been appointed Chairman. He held the role with great distinction for 35 years. Despite his retirement he continued to be an active member of the company. On his death in 1947 he had served the chain for a staggering 67 years, and yet today nobody know his name going to prove that it's worth having your name on the fascia!

On 25 Nov 1944 tragedy struck the British company, as a German V2 rocket destroyed the large store in New Cross, London, causing the worst civilian casualties of any enemy action in the whole conflict. 168 people died.

In 1945, following the Allied Victory, the English Chairman William Stephenson reflected on the sacrifices of the World War. He paid tribute to the 342 Woolies Managers and 1,963 other staff who had served King and Country in Uniform. In the final reckoning 136 of them had been killed with 9 more missing, presumed dead. He also praised the dedication of those who had kept the stores trading on the Home Front, fire watching through nights of bombardment, and picking up the pieces when the worst happened. 26 stores had been destroyed and 326 badly damaged out of a chain of 767 branches. He paid special tribute to 'Store 362' and to the 168 colleagues and customers who had fallen at its counters without knowing the reason why. The losses at New Cross were higher than across the whole of the rest of the company, including men under arms.



The German F. W. Woolworth GMBH had also suffered in the final years of the war, with many branches flattened, along with the parent company's state of the art warehouse facility in Sonneberg, which had appropriately been annihilated by the Bomber Command of the USAF.

Stephenson (who was also a Director of the US parent) said that now the Corporation must rebuild for the future, declaring that he was excited about the opportunities that lay ahead. The 'English Mr Woolworth' had kept working well into his Sixties because of the war, and was keen to retire. He handed over the reins in 1948, continuing to advise in the US and UK into the Fifties.



By 1950 every pre-war Buyer and Director had retired both in the United States and in Great Britain. Without the upper price limit it fell to a new generation to redefine the brand and to try to maintain the uniqueness that had taken Woolworth to the top of the market. The approach was very different on either side of the Atlantic.

The Americans faced stiff competition and major changes in shopping habits. The cash rich company responded with a massive investment programme, relocating many of the stores to Malls and converting them to self service operation. These had new counter layouts and much more merchandise, including high priced items like electrical appliances. Prices and margins were reduced, passing the savings from self service on to the customer. New overseas stores were opened in Havana (Cuba), and, for a short time, in Palestine.

In Britain it was a different story. Post war government austerity measures favoured Woolies. Unlike rivals they were able to import goods freely from overseas. Restrictions were based on quantities rather than prices, allowing the firm to buy high priced items instead of sixpenny ones.

Without serious competition profits raced ahead. The Board became very conservative, refusing to embrace self-service and opting to double or triple store sizes in situ rather than relocate. A proportion of profits was retained for a mass opening programme, which saw 250 new stores during the decade. But, ominously, controls weakened and stock levels spiralled upwards.



With plenty of money in the bank the British company went on a spending spree, upgrading the lighting across their mainland stores, adding small supermarkets in extra space and extending into emerging markets like Do It Yourself. They also started a wave of Commonwealth openings in the former British colonies, starting in Kingston, Jamaica in 1954 and spreading to Trinidad and Tobago, Barbados and the West Indies .

In 1959 they invested the huge sum of £1m to open an enormous air conditioned store in Harare, Zimbabwe (then known as Salisbury, Southern Rhodesia). They did not attempt to adapt the formula, instead exporting British goods and modelling the African layout on the store in the leafy Surrey town of Guildford, back in the UK.

The British company celebrated its Golden Jubilee 1959 with record profits. Despite being 52.7% American owned Woolworth was still the second largest stock on the London Exchange, outmatched only by ICI. An exceptional dividend was paid as a celebratory investor thank you.

The chain had opened its thousandth branch in Portslade, West Sussex on 22 May 1958, and boasted a shop in virtually every parade across the British Isles and the Republic of Ireland. Despite the bright and shiny appearance and the loyal customer following, they had changed very little over the previous fifteen years, save for stocking many more expensive items.



Marking the Jubilee, the dynamic American CEO Robert C. Kirkwood, who had made it all the way from the stockroom to the boardroom, thanked the British for their contribution, but warned of tough times ahead, urging them to adapt and change quickly. No one listened.



The CEO found himself embroiled in controversy back home in 1960, when civil rights protestors gathered at the firm's store in Greensboro, North Carolina. In keeping with local custom, the chain's lunch counter operated a 'whites only' policy, refusing to serve African Americans. Four students from the North Carolina Agricultural and Technical College (an all-black institution) took exception. David Richmond, Joseph McNeil, Franklin McCain and Ezell J. Blair (now known as Jibreel Kazaan) launched a sit in. A local merchant, Ralph Johns, helped them to compose a letter to the Woolworth Chief Executive demanding equal treatment.

In the end Kirkwood told his Store Manager to relent. The Greensboro Times reported 'They came as individuals and they were served as individuals. The sky did not fall.' The store has been preserved to mark a long overdue recognition that all men are born equal. At last the everyday store really was for everyone.

It was clear that Kirkwood was the corporation's strongest leader since Frank Woolworth. He believed passionately that the chain must embrace big changes in order to survive. He forced through a series of major initiatives that reshaped the Company. Some have helped to sustain the brand into the 21st century, continuing to pay dividends to shareholders. Others later contributed to the disintegration of the Woolworth store chains on both sides of the Atlantic.



The CEO had already overseen the migration of many of Woolworth's Main Street stores into Malls. The next step was even bolder huge department stores out of town, offering one stop shopping with plenty of car parking. The first Woolco stores opened in Columbus, Ohio, USA and Hamilton, Ontario, Canada in 1962. Kirkwood held faith with the format despite mediocre results. He built the North American chain to 150 outlets by the end the decade. It is said the costly initiative was partly a response to S.S. Kresge's K-mart, which opened the same year. It was funded by 21 year back-loaded mortgages. The CEO believed that the format would gel and become profitable before the loans fell due for repayment in the 1980s.



In another radical move, he started to diversify, buying businesses that he believed would complement the new Woolco Division. In 1963 the first acquisition was the nationwide shoe giant G.R. Kinney, which became Kinney Corporation. It was hoped that their manufacturing division would provide Woolco and Woolworth stores with a cheap, reliable source of footwear and apparel.



It was also hoped that the injection of new management would revitalise Woolworth, which lacked external perspective and resisted new ideas. In 1969 he added Richman Brothers, a fashion chain most famous for selling off the peg suits and formalwear.

The UK board tried to ignore the many suggestions from the CEO. They considered Woolco inappropriate, citing different market conditions. Britain had lower car ownership and no shops out of town. Instead they enlarged existing stores in situ. But by 1963, with British profits falling, Kirkwood insisted. They must embrace Woolco.



He also demanded that they launch a low price own label to replace a multitude of surrogate brands. Less controversially he also asked them to buy a computer and set up a new central accounting office and distribution centre, following a pattern established in Chicago, Illinois.

Planning barriers meant that the first Woolco in Oadby, Leicester did not open until 1967. The own label was branded Winfield, the Founder's middle name, and first hit the shelves in 1964. The Central Accounting Office and Distribution Centre was commissioned in Castleton, Rochdale and opened two years later.

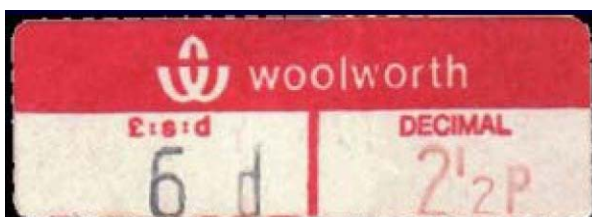


Under Kirkwood Woolworth was confident and dynamic, but many of his ideas did not prove successful. The Woolco formula did not make sufficient profits to fund the investment to build the stores. To reduce costs Main Street leases were not renewed in locations that had an out of town Woolco, and many of the traditional

F. W. Woolworth fronted stores began to look outdated and run down. A new Spanish subsidiary, opened in 1965 closed down a decade later, while Fidel Castro soon put paid to the branch in Havana. But a chain in Mexico prospered.

A new 'modern' corporate identity was introduced in North America as Woolworth prepared for its ninetieth anniversary in 1969. The red front was replaced by a new light blue logotype for new and refurbished stores. It was not well received, and in the end the firm relented, retaining the logo but once again colouring it red.

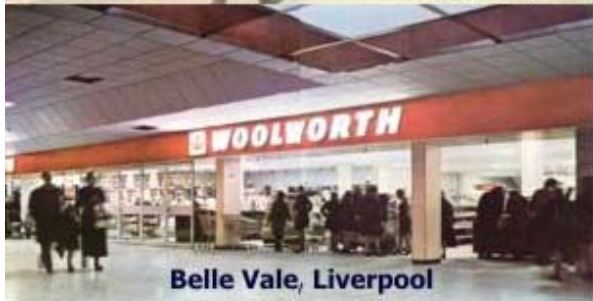
Britain had more pressing problems. The government announced in 1969 that the country would decimalise the currency in 1971. Woolworth had to choose between converting more than 10,000 personal service cash registers or finally biting the bullet and belatedly converting to self-service.



The switch took six years and was only completed in 1975. It consumed virtually every penny the firm had. During the same period hyper-inflation and industrial unrest hit profits hard, forcing the firm to make their first ever closures to raise funds to invest in other initiatives.



Carmarthen



Belle Vale, Liverpool



Cwmbran

Before conversion to self-service, many Woolworth stores looked quaint and old fashioned. Even when a store was updated much of its range remained unchanged. In the 1970s sales were maintained by advertising on television and cutting prices.

The British management looked increasingly inept during the 1970s. Progress with Woolco openings was slow. As first mover they had to evangelise the idea of out of town shopping. But when councils raised refused applications they gave up, too respectful to appeal. As a result Woolco UK never reached critical mass, even though its stores outperformed those in Canada and the USA.

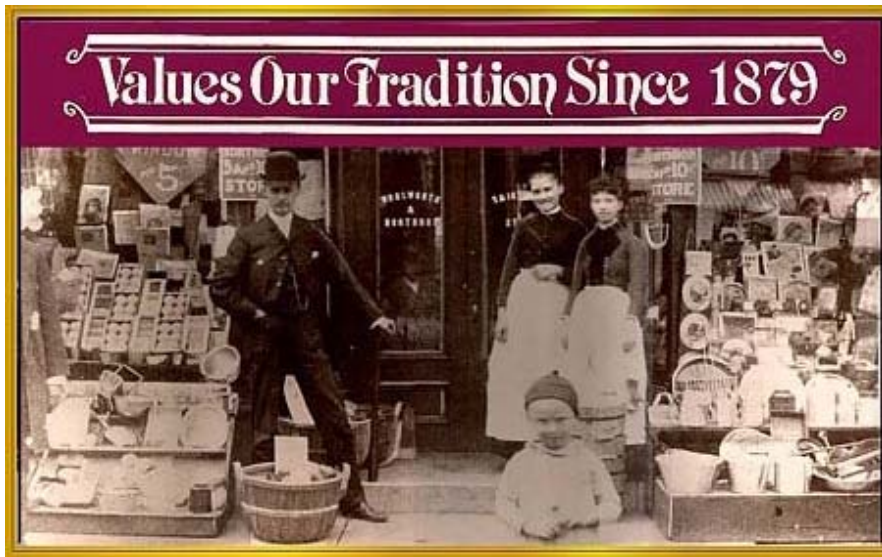
The Board also seemed ambivalent about selling groceries, flip-flopping between rolling out a supermarket format and scaling it back. Their confusion seems to have stemmed from whether the goal was sales (extend food) or profit (withdraw it).

By 1978 Store Managers suspected that top bosses had lost faith in the Woolworth formula, because of a series of new initiatives. As well as Woolco, there were Shoppers World Catalogue Shops, a Burger Bar format and Footlocker shoes, a new US acquisition from 1975. There was even a new subsidiary in Cyprus.

The Board's competence was brought into sharp focus by a series of disasters. In 1971 a whole season's stock was lost when the four year old distribution centre burnt to the ground. Its sprinklers were not working. In 1972 the store in Belfast burnt down in the Northern Ireland troubles. It had no contingency plan. In 1973 the large superstore in Colchester also burnt down. Fortunately no one was hurt, but no remedial action appears to have resulted from these events.

Disaster struck on 8 May 1979 when one of the largest stores, Manchester, burned down. Tragically eight customers and a member of staff died in the incident, which played out live on national television. The coverage showed that fire exits were locked and staff did not appear to have been trained. It took a number of years and a change of owner to recover the damage to the brand's reputation.

The parent company celebrated its centenary in 1979. The celebrations were marred by an unexpected hostile takeover bid from Canada's Brascan Corporation. It highlighted the steady F.W. Woolworth's decline in trading results and returns over a twenty year period.



The management mounted a vigorous defence, denying claims that they were running out of money, and assuring investors of good long term prospects. The Board unanimously rejected the \$35 a share offer. The bid failed to secure majority approval from stockholders, although in retrospect they might have been wise to accept it. The debacle revealed that, despite being the largest store chain in the world, Woolworth had become vulnerable. It prompted big changes during the Eighties.

In 1980 the British Woolworth made its first acquisition, buying the B&Q Do-It-Yourself superstore chain. Analysts at the time believed that the management paid too much, while Store Managers were highly critical of the decision to fund the purchase by closing two major stores in London and selling their freeholds.

The Board went on a PR offensive, attempting to restore their damaged reputation. It is believed that the campaign and the B&Q purchase drew attention to the fact that the Woolworth UK was undervalued and prompted a bid.



Despite the assurances given in the bid battle with Brascan, cash was tight in the USA, forcing a major restructuring. As a result the board entered secret negotiations with a consortium that had approached them with an offer for the 'golden share' in the British subsidiary. This was done over the heads of the British board. It is said that some members of the Executive in New York mistook the description 'management buy-in' to mean that they were selling their interest to their own local management. They accepted the £310m offer on 1 Oct 1982, selling a controlling interest to a group of former British Sugar Directors.

Weeks later there was another bombshell as the Board announced the closure of all their Woolco stores in the USA. The chain embarked on a giant clearance sale in January 1983. It was suggested that the shutdown stemmed from poor trading in the recession, glossing over the lacklustre results ever since opening and the mortgages on the real estate that would soon have fallen due. Woolco Canada, which was much more profitable, was unaffected by the withdrawal in the USA.

The closure of Woolco presented a big problem for the Woolworth branded Main Street stores. There were now large areas without a store at all, and a crucial part of the infrastructure that helped make the distribution of goods economic had been lost. Many of the Woolco stores were later re opened by Wal\*mart. It soon became clear that Sam Walton could magic white elephants into cash cows!



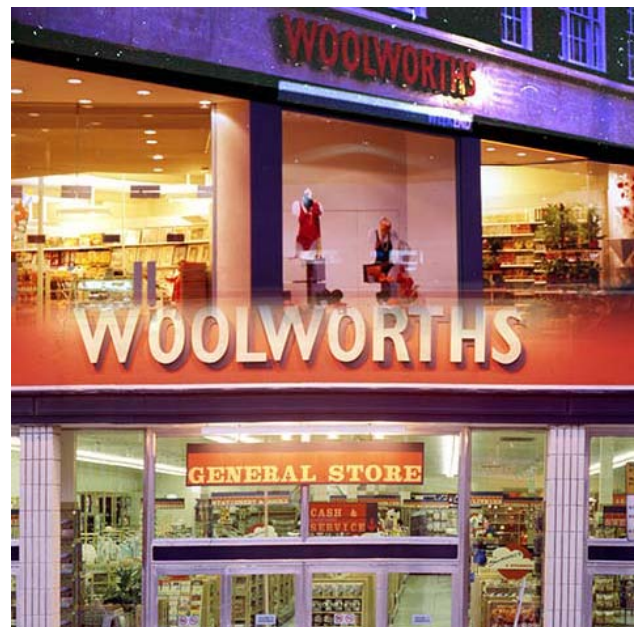
The new British owners initiated their own radical shakeup. The 250 most valuable freehold buildings were sold, including most City Centre branches and the Woolco Chain and, most controversially, all of the stores in the Republic of Ireland. Commonwealth stores were sold cheaply to the local management.

After paying off their loans, the surplus money was used to develop the B&Q out of town DIY subsidiary very rapidly and to acquire other UK businesses, including the Comet discount electrical chain and the Superdrug discount drugstore.

A new formula was applied to the surviving 750 High Street stores. The range was trimmed back to six areas where the chain had strong shares Sweets, Toys and Stationery, Kids Clothes, Entertainment, Home and Garden and Fashion Accessories.

Branches were given one of two bright new looks, the first for major towns and the second for local High Streets. By 1997 the chain was back in fashion and generating profits of £100m a year, allowing it to re-open in some of the locations that had been lost in the Eighties.

The buyout consortium had invested wisely to become Kingfisher, a respected Group owning retail brands in Britain and around the world.

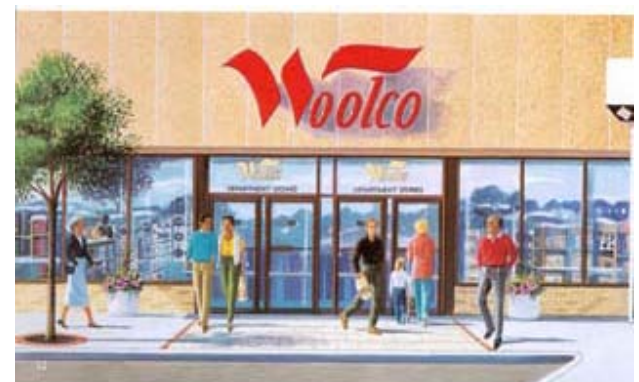


The picture was not so rosy in the USA, where Woolworth fell into steep decline after the closure of Woolco. As leases fell due stores were generally closed, with refurbishment activity kept to a minimum. In an attempt to revive the chain, 900 stores were closed in 1992, and another 1,000 in 1993. Richman Brothers stores were also closed after the management failed to find a buyer.



The goal of the restructuring was to release funds to restore the remaining branches which were in metropolitan locations, principally in New York State, Pennsylvania and Florida where the chain still had critical mass and could perhaps be saved.

In 1994 120 of 160 Woolco Canada stores were sold to Wal\*mart in 1994 and the other forty were closed. At the same time the remaining Canadian Woolworth stores closing their doors. Many later re opened as branches of The Bargain!Shop.



Between 1995 and 1997 the parent, ominously renamed Venator Corporation tested a number of new formats in Delaware, with good results. But in 1997 the parent company reluctantly called time. They had decided that a dignified retirement was the best option, having found that they could get a safer and higher return from their newer fashion and shoe formats. Some of the remaining Woolworth stores converted to Footlocker, while others still stand empty and crumbling thirteen or more years after closing their doors for the last time.



To complete the American exit from variety store retailing, the successful subsidiary Woolworth chains in Germany and Mexico were sold to their local management for nominal sums in 1997.

By 1999 the UK Woolworths parent Kingfisher had developed a strong reputation. The CEO was believed to have the Midas touch as he had built a huge empire which had pushed the share price up. Investors overwhelmingly endorsed his proposed 'merger of value champions', in which the group would join forces with the UK's third largest supermarket chain. Detailed plans were published showing the benefits, particularly to Woolworths and sister company Superdrug, and to Asda. Unfortunately just as the deal was due to complete Asda withdrew, accepting a better offer from the world's largest retailer, Wal\*mart.



Commentators and major investors were angry with the CEO, finding fault with many aspects of Group performance, and demanding a major shake-up. In the end the firm capitulated, putting Woolworths and Superdrug up for sale. The chemist was sold to a Dutch company, while Woolworths was demerged as a separate stock market listed company. To make money on the deal all of its properties were sold and the new company started life with £200m of debt.

The long, drawn out demerger process saw a series of Boardroom bust ups. By the time the new Group demerged it had a new management team, brought in from outside with little value retail experience. New CEO Trevor Bish Jones wooed the City to a plan to move the firm upmarket, also expanding the chain's music publishing and distribution division. He decided to focus his attention on improving the chain's largest stores, which were actually the least profitable, while leaving the smaller branches for a later date.

The new formula centred on children, with larger displays of Toys and Clothes, music and DVD replacing some of the traditional home ranges. The firm's offer of sweets and pic'n'mix candy were trimmed back. Prices went up across the board as the firm sold better products.



Between 2002 and 2007 weekly customer numbers fell steeply from 7m to 4½m, as some loyal shoppers without children were driven away. The problem was compounded by intense competition from the major supermarkets, who diversified into traditional Woolworths ranges and undercut the firm on price.



A series of acquisitions, paid for in cash, made the Group even more dependent on music and video products, at a time when that market was in meltdown. Investors were assured that the wholesale division and publishing arms were both "world class businesses", to balance the recovery story at Woolworths.

An attempt to stop the rot by launching a big book catalogue and expanding the chain's presence on the Internet was costly. Despite building sales to £100m a year and winning a 'best in world' award in 2006, the new venture would need time to take hold and become profitable.

Profits fell each year, with Woolworths making its first loss in 97 years in 2005/6, although the other divisions helped the wider group to stay narrowly in the black.

A new value initiative in 2007 saw improved shopper numbers and appeared to be turning the situation around. A consortium of international bankers was happy to refinance the chain, using the rare Asset Based Lending model in the spring of 2008. Shortly after it was signed Woolworths Group sacked its CEO of 6½ years and announced a change in direction. The banks were furious.

As a global slowdown turned into the credit crunch, insurers withdrew their cover for Woolworths purchases, fearing that the Group's wholesale operation was over exposed to a downturn in the fortunes of their clients. This led to cash-flow difficulties. When the backers were asked for additional funds they declined, also refusing a restructuring plan, forcing the chain into Administration. Just 41 days later, after 99 years and two months at the heart of the High Street, the stores closed their doors for the last time. With the exception of the bankers and the Administrator, everyone else, including many suppliers and all of the staff lost heavily in the collapse, which came to symbolise the credit crunch in the UK.



Two weeks after the last store had closed, the Administrator announced that it had managed to save the brand. The Woolworths name had been sold to highly respected Shop Direct Group and would be transferring on line. The new woolworths.co.uk launched in the summer of 2009 and prospered for a while, before being retired in favour of the owner's popular very.co.uk site. Today you can buy the latest Ladybird Clothing, once a Woolworth favourite, from Very or from its sister site Littlewoods.co.uk.



Sadly news of the debts and losses in the UK undermined confidence in the independent German Woolworth company, forcing it into Administration. But it survived, repositioned and prospers as a chain of medium-sized department stores.

At the time of writing there is also an F. W. Woolworth trading in Bridgetown, Barbados, while the store in Harare, Zimbabwe still trades as Woolworths from its original premises as part of the larger but unrelated chain of the same name in South Africa. Woolworths also trades profitably in Mexico as part of a larger convenience store business.

The original parent company, now known as Footlocker Inc., continues to trade successfully. It is the largest athletic shoe company in the world with more than 3,000 shops across the world. In the UK there are a handful of locations, like Brixton, South London, where Footlocker operates from the same premises that were once home to a Woolworth store. The Eighties and Nineties UK parent company, Kingfisher, remains the market leader in Do-It-Yourself retailing in the United Kingdom and France, with many interests around the world.

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<http://www.woolworthsmuseum.co.uk/aboutwoolies.html>

From the Woolworths Museum

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