

Executive Summary

Kenny Apa is currently studying environmental science and he is looking for a part-time job to supplement his student loan. He is considering working at The Warehouse. **Kenny wants to work at a firm that practices ethical business and values the sustainability of a firm, especially in terms of environmental preservation and green technology.**

This is a report to analyse the financial statements and other employment-related issues to help Kenny gain a comprehensive understanding of The Warehouse so that he can make a decision about whether or not to work at WHS.

The Warehouse Group Limited comprises core businesses of: department store (known as the red sheds, 92 stores), stationary (Warehouse Stationary, 61 stores), electrical appliances (Noel Leeming, 75 stores), and outdoor gear shop (Torpedo Seven) and several online businesses. The company is the country's biggest retailer and has a turnover of \$2.2 billion in FY13. It employs over 10,000 people.

I will conclude this report with a recommendation that Kenny does apply for a part-time position at The Warehouse.

Profitability

The Warehouse Group has had an immense growth in revenue from \$1,732.1m in 2012 to \$2,239.5m in 2013, a 29.3% increase. The net profit for 2013 is \$145,328,000, shown on the income statement, a remarkable increase of 64.52%.

The growth is mostly contributed by WHS red sheds, with sales of \$1,591.1m (an increase of 4.4%), which can be validated by the comment from the Group Chief Executive Officer Mark Powell, "It was a solid result with 10 quarters of positive same store sales and the introduction of a number of leading international technology and appliance brands. Operating profit for the year went up 5.3% to \$85.2m, which indicates we are starting to head in the right direction. We will continue to invest in store refits and our people in FY14."

By analysing the annual report, we see the maintenance and improvement that the WHS made to attract customers and gain sales. The WHS's major driver is as the 'house of bargains' and the 'home of essentials'. Following this fundamental outline they are focused on ensuring the product quality is fit for purpose at each of their pricing point levels in the framework of 'basic, better, best' for the customers. In terms of different ways of purchasing, multi-channels and direct customer engagement are well developed.

Further information about profitability has been omitted from this exemplar.

This year saw another five stores open to meet the steady rise of demand for WHS stock. **Kenny will definitely enjoy the benefits of the expansion of shops in terms of new job creation so he will have a wider variety of job opportunities in the future.**

Further information about sales and factors contributing to sales has been omitted from this exemplar.

Based on what the annual report shows of the rapid growth in sales and increase in store numbers, Kenny can be reassured that WHS is a profitable and prosperous business entity with a sustainable and bright future with more and more sales channels opening up. Therefore a job offer from WHS will be secure with little risk of being laid off through redundancy which cannot be said about all industries or retailers. It could also be relatively easy to get promotion if he gets a job at a new developed store. This is because Kenny will be furthering his education and could be considered by management to have leadership potential. Even as a part-time worker he might have the opportunity to become a team leader or, if he works there full-time, a manager. This will increase Kenny's pay rate.

The ratio of employee expenses against revenue decreased compared to last year, from 0.1664% to 0.1588%. But this is not because pay rates went down. During the year the WHS unveiled plans for a higher pay and training plan. "To attract more talented staff, wages will be hiked for team members who have achieved a certain level of skills-based training and work with the WHS team for over three years", according to the report. Powell said that this new policy will cause an extra cost of \$2m-\$2.5m in each FY14 and FY15. However, it can be balanced out by an improvement of the team management, lower team turnover and improved sales and higher productivity. The details have not been finalised, but the plan will carry out during FY14 and FY15.

92% of New Zealanders live within a 30 minute drive to a WHS store. Kenny will therefore have a wide range of locations to work at. There will be no need to try hard to figure out which the fastest transportation or the shortest distance is to get to his workplace. This will save him a huge amount of time spent on travel and make both his life and his work more efficient.

As can be seen from the income statement, the employee expenses is \$355.6m which is 23.34% higher compared to the FY13 (\$288.3m). So Kenny does not need to worry about wages. As a matter of fact, the longer he chooses to stay with the WHS team, the higher wage he will be able to get. There is one important part of the employee expenses called performance incentive payments of \$11.3m which indicates that Kenny will be able to receive an additional incentive if he works extra hard or creates outstanding achievement. This could be very motivational for Kenny.

G F Evans, the Chairman of WHS, earned \$160,000 for FY13. Deputy Chairman K R Smith earned fees of \$115,000. There are also a lot of other high positions such as departmental managers earning great salaries working for WHS. **Kenny may start as a salesperson, keep working hard and strive for innovation and improvement for the WHS and end up becoming a high level manager and earning hundreds of thousands of dollars. Although he is studying environmental science, there could be an opportunity to work within head office on the WHS Group's environmental and sustainability initiatives.**

Cash management and liquidity information, not affecting the student's grade has been omitted from this exemplar.

Ethics and environment

In my opinion the WHS is a fairly ethical business group. There is a high standard for the control of sources, a strict supervision for the processing and logistics are thoroughly executed, especially the food supply. An integral part of this quality assurance is how they do business with their domestic and international suppliers. As is shown on the annual report, they have a long-held commitment to robust ethical sourcing process. A solid bond is created between the customers and the WHS team, which can be proved by the increase of 4.4% or \$67.0 million in the number of sales compared to last year. Same-store growth increased 2%. With the insistence on quality, WHS has gained a massive number of loyal customers who place WHS as their first choice for purchasing. This trend will continue with the future operating which indicates that they persist with the great management and make a sustainable development in the future. Thus the company needs more employees to meet the steady increase in demand, so Kenny can benefit from the stability of the company in terms of being offered a secure job.

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Extract from annual report omitted from this exemplar.

The WHS is very ethical in terms of charity work as well ... Content about charity support omitted from this exemplar. As the WHS team declared, 'clean and green is more than a slogan for us'. When it comes to the environment, they took pride in the fact that they have underpinned their commitment to preserve the resources and keep the future development sustainable. This meets the expectations of one of Kenny's considerations well as he has a strong environmental conservation spirit and values the eco-friendly business and the sustainability of it. This is shown by ... [detail omitted]

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Recommendation

Overall, the WHS is an excellently managed and profitable business entity with a rapid and sustainable growth. Kenny will benefit from increasing demand for employees to meet the growing number of new stores. He will probably have the option of working at a range of stores or even at head office. The Warehouse stresses the importance of innovation and new technology, as well as environmental conservation, ethical and charity work. This sits perfectly with the aspirations and values held by Kenny: supporting green technological innovation and being an ethical business. Therefore I recommend The Warehouse as an ideal workplace for Kenny.

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Limitation

My main two sources of information for the report was The Warehouse Group's annual report and another report from their website, their interim report. Because these were written by The Warehouse, I had to be careful that they weren't being biased towards themselves and I had to take a neutral position when writing my report. However, I am able to trust the financial parts of their reports as they have been audited to ensure their statements represent a true and fair view.

All sources cited and a bibliography provided.