

# Blue Sheds Brand Report

## Blue Sheds

Warehouse Stationery focuses on both the domestic small-office/home-office market and the small-to-medium commercial business market. The company's exciting growth continued throughout 2002/03 with sales up 32.3 percent to \$164.5 million and operating profit up 121.7 percent.

Warehouse Stationery recorded an operating margin of 5.7 percent compared with 3.4 percent a year earlier. Higher operating margins and improved sales per square metre are largely attributable to sales growth from stores opened in 2001-02, improved range, merchandising and store layouts together with efficiencies gained within the B2B channel in its first full year of operation.

Store numbers rose to 39 from 36 a year earlier. A further five new or replacement stores will be opened in F04.

## One company, two choices

Warehouse Stationery launched the business-to-business (B2B) strategy in October 2001. This has enabled the company to access the small-to-medium size enterprise market (SME) via the internet, a call centre or a Warehouse Stationery sales representative; a true multi-channel offering when combined with the retail operation. The store network also allows B2B customers to visit the stores and access product, such as office furniture, that is more easily viewed in store than in a catalogue.

B2B sales rose by nearly \$13 million to \$16 million for the year while the operating loss was reduced from \$4.1 million to \$2.9 million. B2B is expected to break even by July 2004.

B2B market share gains were achieved through significant expansion of the business machines category, and customer acquisition from both on-line channels and through expanded telemarketing. The B2B channel achieved a milestone of ten thousand customers in the small-office/home-office and SME markets.

## Growth Drivers

	F03	F02	Change
Same store sales	18.0%	21.6%	-360bp
Sales per square metre (\$)	3,352	3,096	8.3%
Store footprint (m <sup>2</sup> )	45,918	40,406	13.6%

## Business-to-Business Position

Customer numbers	10,000	3,500	+185%
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<i>Warehouse Stationery</i>	<i>2003</i>	<i>2002</i>
Sales (\$m)	164.5	124.4
Operating profit (\$m)	9.4	4.2
Operating margin (%)	5.7%	3.4%
Adjusted operating margin (%) (excluding the business to business operation.)	8.2%	6.9%
Stores	39	36
Retail space (m <sup>2</sup> )	45,918	40,406
Operating assets (\$m)	56.6	36.7

## What is the strategy?

Leverage a multi-channel approach to develop a world-class one stop shopping experience.

### Strategy

- Grow same store sales through increased marketing and merchandise category development.
- Strengthen relationships with key brand owners.
- Increased emphasis on marketing the current merchandise range and continuing to leverage relationships with key brand owners.
- Ensure the store format is appropriate to future category development.
- Increase store numbers to 60 stores by F07.
- Up to five new stores are planned in F04, two in new locations (Thames and Papanui) and three replacement stores (Wanganui, Whangarei and Masterton).

### Progress in F03

- Same store sales fell slightly in F03, however all categories achieved significant sales growth.
- Sales intensity increased 8.3% in F03 driven by initiatives such as the Compaq Presario computer deal.
- Several new brands added to the merchandise range in F03 including Hewlett Packard.
- Store numbers rose from 36 to 39 stores.
- Achieved significant improvements and standardisation of store layout.
- During F03 the B2B operation extended its selling coverage into the central North Island. B2B offer is available from Kaitaia to Taupo.
- B2B achieved a milestone of 10,000 customers in F03.
- New business development team strengthened.

- Grow B2B business nationally.
- Customer acquisition.

Warehouse Stationery's recently refitted Wairau Road (North Shore) store is one of the largest in the country. In the picture, right, team member Kiran Bhairraju discusses a customer's needs in the store's business machines precinct (shown left). Business machines is the company's fastest-growing category.

