

# RATIO ANALYSIS: CASE OVERVIEW

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## Woof Junction

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- **Specialty retailer of fashionable clothes and accessories for dogs**
- **Most locations are in shopping malls and on “hip” shopping streets**
  - 1226 stores in US, Canada, and UK
  - Owns most of its stores; no franchisees
- **Strategy**
  - **Reputation as a fashion trend-setter in good quality clothes at reasonable prices**
    - Designers work two-years in advance to create a stylish but basic “look”
  - **Deep inventory of a limited number of items**
    - New collection of styles every two months; older stock is sold quickly by slashing prices
  - **Clothing is manufactured under “Woof Junction” label**
    - Over 450 suppliers; 38% U.S., rest in China and other countries
    - Strict quality standards and inspections
  - **Most inventory is maintained at regional distribution centers**
    - Point-of-sale scanners automatically re-order to re-stock retail stores

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- **Strong brand name**
  - Extensive advertising and promotional campaigns
  - Celebrity endorsements
  - Stores also have the same “look” with frequent rearranging of displays
- **Stable management team**
  - Most still around from founding of company
- **High growth in sales and earnings**
  - Despite struggles in industry, labeled as “nation’s hottest retailer” by a major business magazine
  - Most growth is due to new store openings
  - Stock price is \$55 with a price-earnings ratio of 32

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- **Threats of competition**
  - Major retailers and other specialty clothing chains have plans to introduce similar lines of dog clothing
- **Future goals and plans**
  - Maintain at least 30% ROE and 11% ROS
  - 20% sales growth
    - New store openings and enlargement of some existing stores
  - Capital expenditures of \$200 million per year
    - Expansion into Europe and Asia
  - Keep focus on core competencies in dog fashion
    - But studying possible expansion into cat and ferret markets
  - Consider launching its own credit card
    - Spur growth in sales and earn financing income

## Sources for pictures used in the video

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[https://commons.wikimedia.org/wiki/File:Poodle\(cropped\)snow-coat.jpg](https://commons.wikimedia.org/wiki/File:Poodle(cropped)snow-coat.jpg)



[https://commons.wikimedia.org/wiki/File:Yoga\\_dog\\_\(4045140609\).jpg](https://commons.wikimedia.org/wiki/File:Yoga_dog_(4045140609).jpg)



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