

RATIO ANALYSIS: CASE OVERVIEW

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Woof Junction

- **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

Woof Junction

- **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

Woof Junction

- **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



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



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