

Background

With a backdrop of falling sales and rising property costs, Littlewoods' owners took the strategic decision to reposition the brand as a purely online retailer with the formation of the Littlewoods Shop Direct group. However, the business was at that time operating 120 department stores throughout Britain. The bricks and mortar stores were sold to Associated British Foods plc (ABF), owner of value fashion chain Primark and high end department store group Selfridges, for a total consideration of £409 million. ABF's main aim in acquiring the Littlewoods stores was to convert many of them to its Primark fascia and to lease the balance of the stores to New Look. However, ABF's management understood that the process of closing stores over a prolonged and preprogrammed period of time and reopening them under a new fascia was something that was outside the operational experience of the Primark management team.

Hilco's Role

ABF approached Hilco Capital and asked that Hilco develop a robust process to deliver this outcome in accordance with a precise timetable and with the maximum cash generation from the process. In addition, ABF required that Hilco manage every aspect of the closure, not only of the Littlewoods stores but the entire business itself.

Hilco presented a unique operating plan to ABF that would maximise the returns from the business' assets and maintain the integrity of the stores while managing the solvent wind down of Littlewoods and the subsequent transition of stores to various retail purchasers. Hilco underwrote the net cash outcome of the process.

Results

ABF appointed Hilco to manage all aspects of the Littlewoods retail business throughout a 26 week closure process. Accordingly, a senior Hilco team was installed at the retailer's Liverpool headquarters to handle all aspects of store operations, financial management and supplier negotiation including liaison with trade unions on all employee matters.

A group of 45 retail consultants was put in place to manage operations in the field with particular emphasis placed on the smooth handover of stores to ABF's Primark fascia and other retailers.

In what became the major step change in the growth of both the Primark business and that of New Look, Hilco delivered each store exactly on schedule and exceeded all cash targets, even after all contract termination costs and employee redundancies, where required.



Key Facts

- › Littlewoods originated as a mail order company in 1923, expanding into high street stores in 1937
- › 120 stores and **£200 million** turnover in 2005
- › Primark was the fastest-growing major retailer in the UK High Street

Results

- › The alliance with Hilco enabled Primark to establish itself as a truly national retailer with little downside risk
- › Hilco delivered the programme exactly on-schedule and ahead of all cash targets