

CASE STUDY: EDINBURGH WOOLLEN MILL



Retail Returns

When Rutland acquired Edinburgh Woollen Mills (EWM) in 2001 retail was an unfashionable sector for financial buyers and no more so than clothing for the over 50s. As an unloved subsidiary of Grampain Holdings with a poor recent trading record this made EWM, despite its established niched, a very difficult sale to most PE houses but fit Rutland's investment criteria perfectly.

Retail is in the detail

On the surface EWM was poorly managed with a proliferation of brands and facias, a cut price mentality, poor merchandising, own manufacture and multiple distribution warehouses. However, by examining the business it was clear to Rutland that EWM was servicing an exanpding and increasingy wealthy demographic (55+ years), had a reputation for quality, enjoyed high customer loyalty, was in prime locations in the right towns but needed a return to core retail disciplines to capitalise on its position. Rutland worked with an established retail contact, Philip Day, who joined EWM as CEO and, alongside Rutland, he led the turnaround of the business.

Redesigning the product

Rutland provided Philip with the support required for him to re-engineer the EWM business so that the loyal and expanding customer base could find more of what they wanted in store. The management team was overhauled, the number of brands reduced and 'EWM pure classics' dveloped. In addition all the stores were rebranded EWM, with a consistent in store experience, merchandising was improved, pricing strategy shifted away from discounting to consistent value, manufacturing was divested and a central distribution site developed enabling all other warehouses to be exited.

Great product attracts buyers

Under Rutland's ownership the business went from strength to strength. Inside two years EBIT had increased by 45% from improved gross margins and positive like-for-like sales. After only 10 months Rutland had refinanced EWM, the business was looking good and there was investor interest again. Rutland decided to sell EWM after only 16 months to a financial buyer doubling its investment and generating an 82% IRR.

