PART 1 Read and analyze the case study that follows, which you have already seen in TMA 01. Take into account your tutor’s feedback on TMA 01 when writing this analysis. Task Using a SWOT analysis, critically examine the internal and external environment of Boots, a health and beauty retailer and pharmacy chain in the UK, as described in the case study below. Finish your analysis by providing recommendations to Boots about the important issues it needs to address and the actions it needs to take for business success. This part of the TMA is intended to assess your ability to analyse a business case study by applying the SWOT framework. You are also required to demonstrate how you have applied your tutor’s feedback on TMA 01 to this second assignment. Part 1 of your assignment should be 900 words in length and you should keep to within 10 per cent above or below this limit. Any figures, diagrams and tables should be included in the body of the main text and will form part of the total word count. However, the reference list does not contribute to the word limit. Case study: Boots Will Boots fall prey to private equity – again? Billionaire Italian owners hoist the 'for sale' sign over 172-year-old High St stalwart Ever since the Italian billionaire Stefano Pessina took over Boots, there have been worries about the future of the well-loved chain, which comes second only to Marks & Spencer in the affections of Britain’s shoppers. The 80-year-old tycoon has hired Goldman Sachs to look at a sale of the High Street chemist almost 15 years after he took the business off the stock market in a £10 billion deal. At that time, it was the UK’s biggest ever debt-driven buyout, backed by US private equity firm KKR. Boots’ beauty and pharmacy stores have since become part of Walgreens Boots Alliance (WBA), a £30 billion international business, following a £16 billion deal in 2014. Although WBA is listed on the US stock market, it is still controlled with an iron grip by Pessina and his partner of 36 years, Ornella Barra, 68. A sale of Boots – founded by John Boot in 1849, but transformed by his son, Jesse, the 1st Baron Trent – is not yet a certainty. Show descriptionPushing Boots: Jesse Boot, who transformed the firm The chain could be floated on the UK stock market as an independent business or conceivably kept on as part of WBA. But if it does go up for auction, private equity firms would certainly be among the bidders, and indeed will be circling now to see if they can swoop on Boots at a bargain price. A private equity bid would ramp up the controversy over pandemic predators to a whole new level. The buyout barons have already pounced on household names including supermarket chain Morrisons and mutual savings company LV in a spree the like of which has not been seen since 2007, when Boots first fell to private equity. That rampage was brought to an abrupt halt by the financial crisis, but has fired up again during Covid-19. A private equity deal would certainly have been anathema to the devout Methodist family who founded Boots in their home town of Nottingham. Analysts have suggested Boots could be valued at as much as £10 billion. Potential buyers, however, may want to pitch in significantly below that level. An attempted takeover is likely to prove even more acrimonious than the rows to date, not only because of its status as a High Street stalwart but also because of its extensive network of pharmacies and their importance to the nation’s health. This has been underlined in the pandemic when Boots has also administered more than 3.7m Covid tests. By the 1920s the Boots name was everywhere. The physical stores have not recovered to pre-pandemic levels. Show descriptionBy the 1920s the Boots name was everywhere. The physical stores have not recovered to pre-pandemic levels. Investment manager Justin Urquhart Stewart said: ‘Boots has lost its style and presence on the High Street and could end up yet another British brand consigned to history. ‘But the Government might want to look at economic security in the pandemic, as its branches could be a key element in testing and vaccinations for new Covid variants. ‘Rather than private equity I would like to see a UK stock market float, where customers could buy shares.’ Under its Old Etonian boss Sebastian James, the company has been trying to make the main three strands of the business – beauty, pharmacy and wellbeing – work better together. There has been a big push into digital healthcare, including online doctors for those struggling to see a GP in person. James, 55, the former chief executive of Dixons Carphone, took over in 2018 but a store refurbishment programme has been slow in some locations and many shops are still scruffy and down-at-heel. Meanwhile, Pessina, who lives in the tax-haven of Monaco, is often caricatured as an asset stripper after he bought Boots with private equity support in 2007. The reality is rather different. He and Barra – who occupies a very senior position in WBA, where she is chief operating officer of the international business, including Boots – are empire builders. His takeover of Boots was not a typical private equity transaction, but a case of using KKR as a means to his own end of creating a gigantic multi-national business. That said, Boots has not lived up to its promise during the Pessina years. One of the great hopes was that its best-selling No 7 brand would also be a hit in the US. But the serums and potions, which are cult products in Britain where it is the number one skincare brand, have not caught light in the same way overseas. Boots made a small profit of £131 million in the year to August 2020, having been hit by COVID-19. Yet its problems cannot entirely be attributed to the virus. It had already been battling against online competition, heavy business rates and big corporation tax bills – a familiar cocktail of High Street woes. Around 6,500 jobs have been lost, and private equity ownership would almost certainly bring more. Politicians have not intervened in previous private equity transactions involving retailers. However, in a world scarred by the pandemic, they may feel uneasy at the prospect of Boots being embroiled in a debt-laden buyout. Fretting about the fate of No 7 anti-wrinkle creams or whether the popular ‘three-for-two’ offers would still be available under private equity is one thing. Worries about people receiving their medicines are quite another. Plastic-free deliveries for Christmas Boots may be about to go up for sale – but at least it is celebrating a green Christmas, with online deliveries that are free of plastic packaging. The company had aimed to purge plastic from delivery packaging by the end of the year, but hit the target a month early. Boots.com is now packing all but a negligible fraction of its wares in sustainable cardboard boxes and envelopes, certified by the Forest Stewardship Council (FSC). The company has even moved to eco-friendly ink, made from natural dyes, to print the Boots logo on parcels. Plastic-free delivery is a major milestone. As recently as three years ago, more than 60% of Boots.com orders were bagged up in plastic. It has switched to paper-based tape to secure parcels, saving an annual 6m yards of plastic tape a year. It has also avoided using 12.8m plastic bubble wrap bags this year by substituting special paper with pockets of air to protect fragile items. The tiny remainder – 0.02% – of orders on Boots.com that are not packed in card are delivered in bioplastic, a compostable starch-based material that is sustainably created. Online orders made on the firm’s website are processed at an ecommerce facility in Burton upon Trent. State-of-the-art packaging technology cuts cardboard to the exact size needed, reducing the amount of fresh air being driven around Britain. ‘We’ve all had the experience of products being delivered in a box the size of a coffin,’ says Alan Penhale, Boots’s supply chain director. (Source: Sutherland, 2021)