

Business overview of sainsbury plc



Sainsbury PLC is considered as one of UK's leading food retailers. The Sainsbury history starts in 1869 and today it says ' We provide Healthy, Safe, Fresh and tasty food' (Sainsbury, 2011). Sainsbury brand has maintained goodwill for many years by providing it's customers with healthy safe and tasty food. No compromise on price and quality has been made as they go hand-in-hand. Groceries in Sainsbury was introduced in 1903. John James Sainsbury died in 1928 by that time there were 128 shops and his last words were to keep shops lit. (Sainsbury, 2011).

FROM FIELD TO FORK

IN

UNITED

KINGDOM

17, 000

Farmers & Grocers

2, 000+

Suppliers

22

Distribution Centres

800+

Supermarkets

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30, 000+

Products

150, 000+

Colleagues

19

Over million Customers

3) Evaluation of stake holders.

Anyone who can affect or be affected by the actions of the organization (Godson, 2008). The term stakeholder was first used by the Stanford Research Institute in 1963 to jointly describe consumers, shareholders, suppliers, employees, financial lenders, and society in general. (Reed, 2008). Relationship Marketing model developed by Gummesson's consists of four broad partnerships were exchange take place. They are applied in case of Sainsbury United Kingdom

Four Broad Partnerships of Relationship Marketing (Morgan and Hunt 1994)

Internal Partnerships-The research studies suggests the quality of relationship a company has with its customers largely depend on how the employees at the front line make customers. (Egan, 2008)

Being ' a great place to work' is rooted in Sainsbury's heritage and values. Sainsbury plays a vital role in achieving the corporate business goals with the help of it's colleagues working for them. 1, 50, 000 of the colleagues
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together make it successful in delivering great customer service every single day. These individuals by all sense are the face of the company. Delivering great food at fair price and surpassing the customer expectations. The employees are treated in a manner by which retention of employees takes place motivating them to work for Sainsbury's customers in the best manner. Sainsbury is proud to be awarded the 'peoples organisation' by the CBI in Human capital Awards 2009. It was awarded in recognition of HR & people management excellence. The first ever retailer who has been awarded a gold accreditation from 'Investors in people' for the commitment made to improve business through investment in our colleagues. Out of 168 categories Sainsbury was successful in 165. (J SainsburyPLC)

Supplier Partnerships- Two formal documents are held by Sainsbury which cover the commitments made to their suppliers and standard they expect in return. They take pride in having good supplier relations. They are the first supermarket to implement a voluntary code of conduct which went beyond the obligations in previous supermarket code of practice. They issue a supplier handbook to their suppliers which is legally binding code of commercial practice. (J SainsburyPLC). Sainsbury has thoroughly strengthened and widened grocery supply code of practice (GSCOP) which is in force from feb2010 following the competition commission report into the grocery market. Sainsbury's supplier have training thereby they can support the skills of suppliers to ensure they can operate efficiently to meet our requirements for quality and sustainability. They are the world's largest retailer Sainsbury is doing well in the retail sector. (J SainsburyPLC)

Buyer Partnerships- Sainsbury engages with the shoppers on a day to day basis by requesting their feedback. (J SainsburyPLC). Sainsbury communicates that it understands it ' s customers and their needs. Sainsbury customers are mailed a calendar which is their on their wall for twelve months with a new image and a new text or idea every month. (Jenkinson & Sain, 2003). Sainsbury does spend to genuinely understand their customers. Moreover it is vital in Integrated Marketing when it comes to big brands like Sainsbury having multiple customer communities. (Jenkinson & Sain, 2003) Relationship Marketing ladder of loyalty

External Partnerships- As Sainsbury's does engage with organisations like NGOs and government and agencies to understand issues and making better decisions. (J SainsburyPLC)

Stakeholders like

Normative groups

Diffuse groups

4. 1 Normative groups have authority to regulate or control the actions of an organization (Godson, 2008) These would include Regulatory bodies, Governments, Trade associations, Professional associations, shareholders and finances. The Sainsbury boss fears new VAT rise under new government (Kollewe, 2010).

4. 2 In Sainsbury they are committed in reducing the negative impact on the environment and aiming to be leaders in UK for environmental innovation. Climate change is affecting everyone so Sainsbury tries to reduce the

environmental footprint as all nature of business has direct or indirect impacts but in retail distinction is significant. They have been given an 'A rating' in the consumer Focus 'Green to the Core? In 2010 a five year partnership has been announced with Imperial College, London and Grantham Institute for Climate Change. Sainsbury won Green Retailer of the Year Award at Drinks Business Green Awards on March 8th 2011. (Sainsbury, 2011)

Customer Relationship Management

As Mass Media Advertising on decline marketers are focussing more on CRM adopting it as the best way to win, retain and grow business. (Handen, 2000). Most definitions of CRM is based around the collection and use of customer data for specific customer-focused activities. (Walton, 2008) CRM is "a buzzword that's really not so new" (Gateway for India, 2005). CRM previously did allow the neighbourhood grocer to keep a track over few of his customer's preferences. To recognise their needs and deliver them effectively. Technology has now allowed to go into future in this model. (Gateway for India, 2005). The CRM today brings the organization closer to the customers allowing the organization to understand and cater to their needs in a better manner. (Handen, 2000). Mass marketing done through advertising and effective campaigns may not reach customers so effectively as CRM can do today. (Handen, 2000)

Sainsbury selects Teradata warehouse replacing Oracle and getting CRM solution. This would enable in implementation of CRM and communicating well with the targeted customers and personalized communication and decision making. Sainsbury wanted to carry out a initiative in offering

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customers surpassing to their expectations (Sainsbury's selects Teradata Warehouse and CRM solutions, 2001)

Sainsbury developed customer relationship to win customers in 2011. As household budgets looked stretched further by tax increase and inflation. There are some elements which can be used to achieve focus on relationships to establish with the shoppers enabling them to win sales over their competitors. (News, 2011)

Focus on value- Retailers are trying to promote heavily to their customers with price guarantees and promotional innovation among the key weapons in their communication strategies. (News, 2011)

Trend one -Internet Internet is used widely to communicate across different channels. The sales is also recorded in conjunction the price message is also communicated properly. (News, 2011)

Trend two-Promotional mechanics-The retailers come up with innovative promotional schemes to attract the customers so that sales would increase, deals such as buy 1 get 1 free. During festivals or some occasions like Mother's Day, Valentine's Day and Easter the promotion schemes becomes more significant in the retail calendars. (News, 2011)

Loyalty cards and technology -Loyalty card scheme is been widely used by retailers. It has been gaining momentum helping the retailers to establish good customer relationship in future. To reward the shoppers indirectly encourages and tempts them to shop more which results in more sales. (News, 2011)

Non-Food

Alongside their strong food propositions Sainsbury approach to develop its hypermarket format and to utilize their extended space for general merchandize. (News, 2011)

Customer Service-Customers not only purchase the service but the experience offered by the service organisation. (Adebanjo, 2001).

Sainsbury's had tried a scheme in the early 2008 which would enable the company to build in the use of Nectar data. Some printed communication could include Money-off coupons, promotional offers, advertising messages and recipe ideas. It did combine customer relationship marketing(CRM) programme with colour printer technology. Moreover the it would help the suppliers to understand how the system can help. (Talking Retail-Hub for grocery retail, 2007).

Customer Satisfaction – At Sainsbury customers are delivered great service making it easy and enjoyable experience for the customers to shop.

(Sainsbury, 2011)(Hill, 1999)Customers are satisfied on meeting their expectations otherwise they are dissatisfied. (Adebanjo, Understanding Customer Satisfaction-Uk food industry Case study, 2001). Customer complaints helps to identify the weakness of customer service highlighting areas of improvement. The customers whose complaints are attended and resolved are more likely to remain loyal and share the experience with others. (Adebanjo, Understanding customer satisfaction-Uk food industry case study, 2001). This would enable in handling customer complaints and useful for service and process improvement. Customer focus and to understand customers is increasing among organizations and has become

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essential for business success. (Adebanjo, Understanding customer satisfaction-Uk food industry case study, 2001). Being prompt and effective in responding to customer concerns and complaints. Complaints are dealt in the store wherever possible by the store duty manager. A team is formed in sainsbury to know customer insights and individuals working together to study trends and needs of customer. They undertake surveys each month. The stores are not aware when they are conducted as it is done secretly when the check is been made unless the stores are informed regarding their performance and scope of improvement. Several steps and initiatives are taken sothat customers can easily locate the products on shelves. New approach to reduce queiuing times at check outs. The ambition of Sainsbury is ' 1 in front' at all check outs in our store Self service check outs are introduced by them and hand hold scanner for customers in 34 stores are introduced. (J SainsburyPLC)

Loyalty- Loyalty is a positive feeling that consumers may exhibit towards brands, services, stores, product, catgories, and activities. (Godson, Customer loyalty and Inovlement, 2008).

Geniuine Loyalty and Repeat-buying behaviour-To distinguish between genuine loyalty and repeat-buying behaviour as organizations sometimes mistake that they have loyal customers but sometimes they may be repeat purchaser in the outlets. There are some reasons to support these (Godson, Customer loyalty and Inovlement, 2008)

Lack of Choice- Some cases customers lack choice of options to use some services eg. Bus as a particular company bus may be operating through a

particular route and no other companies would have introduced in the same route. Thus the individual may avail the same bus service not because of loyalty but because of convenience even though it may be expensive compared to its competitors but this company bus has monopoly in that bus route.

Convenience-A customer may purchase from the nearby grocery outlet not due to loyalty but it being convenient for the individual.

Lack of information or ignorance-Sometimes an individual shopping in one outlet like Sainsbury eg Chicken meat Slices of 400gm for one pound may purchase from Sainsbury itself with other items. Reason may be he is not aware about Netto offering Chicken meat slice of 410gm at the same price and more tasty. In such a situation the person is not informed about the alternative and would end up purchasing from the same store not because of loyalty.

Customer Loyalty- To develop and maintain customer loyalty which represents a major contributing factor in a firm's profitability. (Fulford, 2005). Some studies are of the opinion that customer loyalty positively influences and reduces on market cost and increases sales per customer.(Berry 1995).

Loyalty and retailing-Earlier research shows retailing area concentrated mainly on behavioural aspects. However some studies shows little association between loyalty and socio economic status of the household.

Customer Identification & loyalty programs- Customers should be identified as an individual so that they can be reached directly and relationship can be

established. Sainsbury in June 2002 introduced Reward for customers the Nectar Card. (East et al 1995, Mason, 1991) Since then it has helped the company to know their customers and benefitting both the parties customer and the company. (Fulford, 2005). Loyalty schemes and programs are been introduced to increase frequency of sales and usage of products and secondly to retain customers base given expense of recruiting new customers and relatively profitability of loyal customers.(Uncles et al; 2003). This manner customer loyalty could be increased and interest of using loyalty cards have taken place.

Nectar Card introduced by Sainsbury- It was introduced on September 10, 2002. In grocery stores of Sainsbury this was a revolution brought in the loyalty programme. UK's four best known companies Sainsbury, Barclaycard, Debenhams and BP together created Nectar Card UK's most comprehensive reward programme. Extensive advertising on TV on all major channels was accompanied with press and outdoor advertising campaign. As per the extensive research conducted to cater consumer needs there are some features of Nectar programme listed. (Sainsbury, 2011)

Choice- The nectar Card could be used to collect points not just for flights but to purchase groceries, in restaurants and for many other purposes.

Speed-Nectar points could be earned by shopping at more than 1800 as participating outlets wherever individual shops does not make an individual wait for long number of years to collect enough points so as to claim their rewards.

Simplicity-It is simple to use as one card, one points currency. Moreover this same card could be used in other stores like Barclays and customer's purse would not bulge with number of loyalty cards and all the points collected would be in one card only.

Ease-It is easy to use . The procedure is not complicated. Depending on what one individual wants to use points for...

Exchange points for Nectar voucher.

Call Nectar direct or have points automatically deducted as and when the card is swiped.

Huge Investment in Customer Loyalty since Launch of Nectar- On September 28, 2009 Sainsbury had huge investment in customer loyalty since launch of Nectar.

Pound multi million investment over 5 years

Over 1 billion money saving coupons in store

Staple everyday basics to help customers through economic downturn

This major financial investment in a coupon scheme was to benefit 18. 5 million customers retailers serve every week. The customer receive reward at the till with money-off coupons to make further purchase of branded and Sainsbury own brand products. (Sainsbury, 2011)

Nectar Card took top spot in race for customers loyalty- More customers use Nectar card in comparison to other loyalty cards. The number of people

using nectar card increased over 1million in making Nectar card scheme to be widely used across the country making it popular among customers. The reason being Nectar card widely been used by customers and the attraction for them to use it is because it has number of partners it is associated with. Recent growth in 2010 usage of Nectar card was driven by savvy shoppers who were wanting more of their money during recession. As said by Gwyn Burr, Sainsbury's Customer Direct. There customers appreciate and have around 1million new card holders who have signed to take advantage of benefits. (J SainsburyPLC)

Easy Jet joined Nectar- Recently on March13 2011 Easy jet joined Nectar loyalty programme. This new partnership created between UK's largest loyalty programme and UK's biggest airlines. This partnership enables Nectar collectors to exchange their nectar points for any easy jet flights in 550 destinations in 30 countries with no restrictions.

An article published in The Sunday Times says Sainsbury Chief Justin King- Loyalty cards provide advantage as without loyalty schemes supermarkets are forced to make promotions for their customers as “ those without data” are been drawn into more promotion as they lack sophisticated database. As in Sainsbury “ coupon at till” scheme customers are specially targeted money-off vouchers (Robert, 2010).

Internal and External Relationships marketing

Internal Relationship Marketing- The vital role played by employees in customer satisfaction has become distinct clear. (Godson, Background and theory, 2008)According to Gummesson E. 2002, creating relationships

between the management and employee and functions is the aim of internal marketing within relationship marketing. The employees should be given training so that they can serve customers in a manner which would increase the goodwill of the company and consequently develop in having external contacts and tools for external marketing. The employees when treated well this would motivate them to serve the customers. Sainsbury employees are recruited and the staff are treated without any discrimination. Focus to deal with candidates with Equality and Diversity policy at all times. Sainsbury attach Human Resource development to cope up with environment changes not only including the training cost but also investment cost. The policies for Sainsbury disabled people are such that which does not discriminate them from other employees rather gives them an edge and treats them with equality.

External Relationship Marketing-

- Communication Tools- Traditional communication tools like to sell by attracting attention, promote and persuade prior of making sales. There are two aspects like Asking-To elicit from consumers and buyers to understand their need of the product . Telling-To inform them all the aspects of the product making them aware helping to decide, persuade for acceptance and prompt purchase action.(i. e selling the product to increase level of business and accelerate diffusion of process) (J. Varey, 2002)

Example of Marketing Communication

PERSONAL

IMPERSONAL

Formal

Market Research focus group

Market dominated advertising.

Informal

Consumer dominates face-to-face conversion.

Internet ‘ chat room’

Other tools of Communication-

Advertising- Making customers aware and delays affect on sales due to learning curve of customers. Sainsbury does extensive advertsing. Sainsbury target shoppers while they are in buying mode. It has effective communication with it’s customers through advertisments

Publicity-Contionous effort made to make other communications credible.

Campaigns of Sainsbury does include proof of posting and research available. They capture both point of sale and point of purchase opportunity.

Personal selling- Immediate effect on sales.

Sales Promotion

E-marketing

Direct Marketing- Sainsbury does more of direct marketing to reach it’s target customers. The channel used to reach it’s customers is through website (Sainsbury. co. uk), advertising through the stores which are

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widespread across UK. The promotion tool used by them is Nectar Card to reward its loyal customers for the purchases made by them.

Recommendations-

Sainsbury should concentrate on how to lower the price compared to its competitor which wins more of the customers is due to maintain equilibrium between price and quality.

Sainsbury concentrates more on food for the food lovers. As consumers nowadays have many options available like cheap tasty take-aways and restaurants offering them excellent ambience these would be a threat for Sainsbury's food business. Therefore they should develop their array of product options more to offer customers.

Sainsbury should do wider research so that it is successful in understanding its consumers.

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