

The performance of waitrose against tesco



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In early 90's Tesco faced a stiff competition from various other retailers in the industry and thus its revenues showed a downfall. At that point Tesco could not differentiate itself from the other competitors. Later under the leadership of then CEO Ian Mac Laurin it went through an image makeover, and acquired other retailing outlets like William Low; with which it reached just up to the sustenance mark.

Later Terry took over as the CEO of the Company and aimed to make the company value driven.

Tesco in early 70's had acquired a lot of other retailer companies but faced a problem of integrating them, more over Tesco stores were small and ill equipped. The company only focused on price where as the goods available at the stores were perceived to be of mediocre quality, but with rising income customers looked forward to expensive and luxury merchandise.

Answering to this change Tesco closed some of its outlets to concentrate to give stores a better facility. It also started off the revamp of it's a product portfolio. It launched a price reduction campaigns so as to counter the threat from competitors. Also it centralized its distribution system and its own label for food products. Tesco developed its own brand labels targeted at different target sector. Tesco value for low income customers, Tesco brand for medium range products and Tesco finest for high end products. It also came up with special ranges like Tesco organics, Tesco whole foods and Tesco kids.

Waitrose is operating in the UK grocery market, which in 2001 was estimated at £103. 4bn. Food sales are the core business of the supermarkets and

spending on food in the UK has been growing year-on-year since 1990; The market has proved to be very recession proof. However non- food articles account for a growing share. The market is led by the ‘ big four’ – Tesco, Sainsbury’s, ASDA and Safeway. Together with Somerfield, Iceland and Waitrose these companies take by far the largest chunk of the market.

Waitrose, founded in 1904 and owned by the John Lewis Partnership, operates 137 stores, mainly in the south-east of the UK and currently employs more than 27. 000 staff. Stores are of small to medium size, conveniently located. The 2001 turnover amounted to £1. 98bn (+13%), pre-tax profits to 25. 7 million (-15. 7%, due to the purchase of 11 Kwik Save stores in 2000). Waitrose is recognized for its focused differentiation strategy targeting the up market with a wide range of quality and fresh products.

Customers put more emphasis on healthy eating and organic food and most are opposed to GM-food. Waitrose fully serves this trend with its fresh, quality foods and their ‘ Perfectly Balanced’ own label. Furthermore the public has become more environmentally aware. Waitrose is undertaking a range of activities to maintain their green image (e. g. ‘Bag For Life’) and publishes an Environmental Report. Along with other chains Waitrose is selling sandwiches and other ready meals that can be eaten on the go.

Internet technology has advanced and spread further, more people use and trust online shopping. Waitrose is making use of latest technology to offer good and cost efficient service. Waitrose Kingston offers the “ Quick Check” Scheme which, with the use of hand scanners, lets customers scan their own shopping, thus saving them queuing to pay.

STRATEGY OF TESCO:

The company floated on Stock Exchange in 1947 with share price 27 pence initially. Tesco has become the popular name on the High street of the U. K. Tesco strategy up to this time is encapsulated by the Cohen's biography which is " Pile it high and sell it cheap" but with the passage of time due to the high demand of customers and their influence has force the Tesco to change its approach and moved out of town stores with a more attractive interiors. Such refurbishment also carried onto the town store and with the onsets of selling petrol.

In 1980's Tesco has seen a continuation of growth rate and in 1985 Tesco has introduced its Healthy Eating Product with introduction of nutritional descriptions and advice on its branded products. In 1990s, the move to overtake the other stores continues and Tesco has started to think how to satisfy the customer's needs and get their loyalty more efficiently.

STRATEGY:

Tesco has continued to make strong progress with all four parts of its strategy

A strong UK core business ,

Non food

Retailing services

International

The objectives of this strategy are:

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To be a successful retailers in the world.

To grow the core UK business.

To be as strong in the non-food items as in food items.

To develop retailing services- such as Tesco personal Finance, Telecoms and Tesco. com.

To put the community in the heart whatever we do.

Tesco has taken considerable steps to attract customer with advent of Tesco Extra, Tesco Metro, Tesco Super stores and Tesco Express at town with filling stations. These stores provide all essentials food and non food items at very competitive prices. These stores give a direct challenge to other stores like ASDA, Sainsbury etc.

Tesco has introduced a loyalty club card. Customer gets points from every purchase they made and then they can use them in exchange of goods. It also gives a massive amount of information to Tesco about their customers like who has visited, what is customers buying behavior and how they respond to the sales promotions carried on in the store.

WAITROSE

When Wallace Waite, Arthur Rose and David Taylor opened their first small grocery shop at 263 Acton Hill, West London in 1904, little did they know that within a century the company would have become one of the country's leading food retailers employing over 37, 000 people.

The John Lewis Partnership acquired the business in 1937, opening the first Waitrose supermarket in 1955. Today there are 185 branches, dedicated to offering quality, value and customer service.

There are Waitrose shops throughout England, Scotland and Wales.

Locations range from high streets to edge of town sites and vary in size from just 7, 000 square feet to approximately 56, 000 feet. The John Lewis Partnership as a whole employs nearly 68, 000 Partners and has a turnover in excess of £6 billion. As well as Waitrose, it runs 26 John Lewis department stores throughout the UK, several manufacturing concerns and a farm.

Waitrose aims to combine the convenience of a supermarket with the expertise and service of a specialist shop. We also offer you a Price Commitment to ensure you always get good value for money when shopping at Waitrose

WAITROSE STRATEGY

Waitrose believe in providing its customer good quality products that value for their money. Waitrose strongly believe in providing the best service to its customer so that they have a best time spending with the firm. Keeping quality standards high and strong relationship with trust between their customers is one of the major corporate strategies of Waitrose. The firms believe that good quality products sold with the best customer service strengthen the relationship and force customers to visit the brand again

RECESSION

Economy slides into recession when it experience two successive quarters of what is known as Negative Growth. For this to happen, the total amount of goods and services produced by the UK – known as gross domestic product (GDP) – would have to contract on a quarter by quarter basis for a total period of six months.

SIGNIFICANCE OF THE STUDY

The most important aspect of this research is to analyse the performance of M& S against Tesco, which organisation is performing better than other. What kind of strategies these organisations are using which results towards their success or failure. The research will help the researcher to study the financial situation of both of the organisations and will help to improve the concept of strategies and their use in the business. It will also help to understand the term recession and how does it affect the business and which strategy used by the above business is more likely to keep the business stable in the market.

AIMS AND OBJECTIVES

Identification of differentiation strategies of two leading retail businesses

Measure which is not successful recently

Which strategy is likely to be better in 2010/11

LITERATURE REVIEW

INDUSTRY ANALYSIS: PORTER'S FIVE FORCES

THREATS OF NEW ENTRANTS

The UK grocery market is primarily dominated by few competitors, including four major brands of Tesco, ASDA, Sainsbury's and chains of Somerfield, Waitrose and M&S.

Tesco stores possess strong barriers for new companies who want to enter the grocery market due to economies of scale and cost leadership. For instance it has become hard for new entrants to raise the sufficient capital because of large fixed costs and highly developed supply chains. Tesco had made a huge investment in advanced technology for checkouts and stock control system. Tesco has achieved a target of large economy of scale and differentiation in the provision of goods and services.

BARGAINING POWER OF SUPPLIERS

This force represents the powers of suppliers that can be influenced by major grocery chains and that fears of losing their businesses to the large businesses like Tesco. UK based suppliers are also threatened by the growing ability of large retailers to source their products from abroad at cheaper deals. Stores like Tesco and Asda negotiate their prices with suppliers and get a better price as compared to small food chains. The UK small food chains also threatened from this big supermarket as they get cheap goods from abroad for their promotional activities. So the relations with the suppliers can have affects on the freedom and margin of the company. These forces of competitive rivalry can reduce the profit margin of supermarket chains stores and suppliers.

BARGAINING POWER OF CUSTOMERS

Porter theorized that the more products that become standardized or undifferentiated, the lower the switching cost, and hence, more power is yielded to buyers Porter M. (1980). Tesco's famous loyalty card – Clubcard remains the most successful customer retention strategy that significantly increases the profitability of Tesco's business.

In meeting customer needs, customizing service, ensure low prices, better choices, constant flow of in-store promotions enables brands like Tesco to control and retain their customer base

THREATS OF SUBSTITUTES

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BARGAINING POWER OF THE COMPETITORS

The grocery environment has seen a very significant growth in the size and market dominance of the larger players, with greater store size, increased retailer concentration, and the utilization of a range of formats, which are now prominent characteristics of the sector.

Operating in a mature, flat market where growth is difficult (a driver of the diversification into non-food areas), and consumers are increasingly demanding and sophisticated, large chains as Tesco are accruing large amounts of consumer information that can be used to communicate with the consumer Ritz (2005).

PORTERS GENERIC STRATEGIES

Every organization has its own way of to compete with others in the market. The competence of the organization depends on its capabilities, resources and other factors. Michael porter has a good name in strategy related name. He describes the strategies in a different way. According to him there are three generic strategies in order to get a competitive advantage. The three strategies are these.

Cost leadership strategy

Differentiation strategy

Focus strategy

COST LEADERSHIP STRATEGY:

Cost leadership is a important part of the Tesco strategy. Tesco always keep its prices low in the market in order to attract more and more customers and making them to buy more.

It has a strong relation with its supplier. It always buys in bulk at a lower price as compared to the market. so it can manage to keep its prices low and with a reasonable profit margin.

On the other hand Waitrose always put more attention on the quality and it target a specific class in the market to buy its products. As most of the population is middles class so Tesco is in a better position to have a competitive advantage in the market.

DIFFERENTIATION STRATEGY:

Waitrose has a differentiation strategy of selling quality products and services to its customers which are bit expensive but customers are willing to pay for it. Selling quality goods and services to its customers is the prime agenda of the Waitrose. Waitrose targets a specific class of the customers who don't mind paying extra for quality goods and services.

FOCUS STRATEGY

“ Focus strategy is aimed at a segment of the market for a product or service rather than the whole market or many markets.” Campbell et al 2002 pp 166.

Tesco has opened many express stores which are installed on all the busy place like high road, small town which has really given an competitive edge over other organizations in the market.

As a focus strategy Waitrose has also introduce many small outlets at different place throughout UK.

RESEARCH METHODOLOGY

RESEARCH TYPE:

We will use quantitative research in order to complete this report. The main purpose of this research will be to explain the data and characteristics which

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we will go to study. This type of research is accurate to certain extent but it does not explain the reason about the situation. Quantitative type of research is mainly used to get the information about the performance of certain things or operations conducted by companies and this type of research involves the general public.

POPULATION AND SAMPLE SIZE:

First session will be calculating all the Tesco and Waitrose store in United Kingdom and to whether these two are providing all the goods and services in accordance to their strategy.

The intended population is defined as retail customers in UK. Snow ball sampling method will use to acquire samples from different background until the desired number of feedback will be achieved. (typepad, 2009)

SURVEY

It is an act to look or see or observe the quantitative information about items in the general public. The procedure involve the survey explain the overall aspect of the research which determine changes over time.

Statement of the problem

Identification of the problem

Procedure

Design of procedure for information collection

Collection of information

Analysis of information

Generalization and/or predictions

DATA COLLECTION

Primary data: Structured questionnaire

Secondary data: online data base, journals, surveys

PRIMARY RESEARCH

The primary data source will be generated from interviews and anonymous questionnaires from the general public who are the customers of Tesco and Waitrose in UK. The primary data frequently gives the detailed definitions of terms and statistical units used in the study. These are usually classified into different segments.

SECONDARY RESEARCH

In order to complete a research project, for this purpose the information gathered is called secondary data. There are many types of secondary information sources which a research uses to gather the data on a Retail sector or any other market sector. Secondary data for this research will used as literature review and analyzing the customer's behavior towards these two outlet.

FOCUS GROUP INTERVIEWS

Interview is a commonly used method of collecting information from people. It involves the interaction between two or more individuals face to face with a specific purpose in their mind (kumar R. 2005). We will go to different

stores and arrange interview with the managers or owner of the business regarding the strategies used in the businesses.

QUESTIONNAIRE:

This is mainly used to collect data or getting people's views and ideas. A questionnaire is a set of questions, the answer to which is recorded by respondents. A questionnaire should be developed in an interactive style. This means respondents should feel as if someone is talking to them. (kumar R. 2005). There are different types of questionnaires they are interview, telephone, postal, delivery and collection, online. In this assignment the quantitative data will be collect from business owners, general public about the effectiveness of internet banking in their day to day transactions.

DATA ANALYSIS AND INTERPRETATION

There is world of difference between truth and facts. Facts can obscure the truth. It includes the working on finding the patterns and trends in the extracted data.

CONCLUSION

This chapter of conclusion summarize the whole process of the research. Starting from the introduction, literature review, methodology , findings and results of the whole process will be concluded here.

It will reveals that which organization is doing well in respect to its strategies.