Business strategy – no frills

Business, Marketing

When assessing Kwik Save's situation both internal and external factors have to be taken into consideration:

Internal Factors:

Strengths:

* Their philosophy is to provide foods at a discounted price, and are known for " No Frills" range which are at very low price. So therefore they promote themselves with inexpensive goods but no compromise on quality.

* They have many stores around the UK, in 1997 they had 979 whereas the market leader Tesco had 575 outlets. Theses are also situated in the Central Business District which means they are accessible for consumers.

* They were one of the firsts to introduce EPOS to help with the efficiency of operation of the company. This is an expense in the short term but in the long term it is beneficial.

* Their gearing is low which is a good thing as they would not be highly effected by changes in interest rates.

* Their pricing strategy is just above the cost of production as they don't use any value added costs.

Marketing Strategy:

Products

They provide a variety of brands from " No Frills" to usual supermarket brands

Price

They provide low prices whic is to maximise sales rather than profit.

Place

They have many outlets compared to rivals and are situated in town centres

Promotion

They use " No Frills" and other cheap products to show their discounted prices. They also use the mission statements, and a good reputation

Weaknesses:

* With their discounted prices Kwik Save's social status is low and this means they only attract certain classes of people. Using the Socio Economic Levels this would be C, D, E.

* They are faced with the problem of having high rent costs being in the CBD and will be affected by increases in property more than out of town companies.

* There are also competitors like Tesco's who has the highest market share at 20. 3% which is near a monopoly at 25%.

* They show low " pulling power" compared to rivals and also have no customer loyalty as most people use it as a convenience stop. They also only offer a limited product range.

* Financially they are making a loss as they have a low profit margin and therefore do not have much retained profit to plough back into the company.

* As said before they still manage to give shareholders dividends but this is not healthy as they should be using to invest in the company.

External Factors:

PEST:

* Social factors would include people's perceptions of Kwik Save, TV programmes such as Watchdog along with people's lifestyles.

* Economical factors that could effect Kwik Save and the decisions could include:

* GDP per head: Income affects spending habits.

* Inflation: As this inflation increases, prices go up and demand goes down. Also wages and costs go up so there becomes a wage-price spiral.

* Real disposable income: As this increases consumers will spend more on luxury goods.

* Technological factors could include advances in EPOS and EFTPOS as well as technological advances in products pushing the price of popular technology down.

* Political factors include trading standards, statutory rights and food regulations. The single currency would also effect them as there would be price transparency and barriers of entry would decrease.

Opportunities:

* These options could be to expanding with technology.

* They could introduce a loyalty card like Tesco's and Sainsbury have.

* They could benefit from economies of scope by having a larger product range and by undertaking mergers and acquisitions.

* The war between inferior and normal goods needs to be taken into consideration. This is all dependent on the real disposable income, which is the income left after bills, rent and other expenses have been paid.

Threats:

* As this is a niche market, Kwik Save have done the initial work to break into the market, but others will pick up on this gap and join Kwik Save in the market and compete with them.

* Recession would effect them, as if the was a slump in the economy they may not be able to afford the high cost in the CBD.

* Price wars with rivals may get ridiculous as they may have to continue slashing prices until one company is run out of business.

Conclusion:

The main strategy should be to increase market share and improve market image. They could so this in various ways:

* They need to increase their profit margin so that they have capital to re-invest into the company to make improvements.

* I would suggest they regenerate the company life cycle as they have hit the maturity level. They need to keep up to date with the changing times and need some extension strategies.

To do this they would have undertake research by

* Product and service portfolio

* Analysis of trends

* Market gap analysis

* Market research

* Benchmarking

* Forecasts with extrapolation

* They need to attract new customers and keep them. A loyalty card could be introduced. This would mean that they would be able to monitor what people are buying and other information. This could prove to be very useful information for promotion, expansion and extension strategies.

* They could benefit from economies of scope, this means spreading the risk. They'd have product and service variety to attract customers. Such services could include online shopping, craches and financial services.

* They could undertake mergers and acquisitions. This would mean they would not need to build up good will in a company as it would already be there.

* They need to be aware of overseas competitors as they are in a niche market. Competitors will notice the gap and attempt to enter then market. They need a USP (Unique Selling Point).

* They should keep the value of money quality but try to increase the social status of the company as that is quite low in people's perception. This could be done by changing the layout or offering a wider product range.