

New look is privately owned fashion retail company marketing essay



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For this Report it was requested to analyze the company “ New Look”. To recognise the key issues those have an influence on the company to perform to its best, and to make recommendations for these. As a group tasks were divided; each person was assigned to analyze an influential issue and make recommendations for the information it had gathered.

For the recommendations to be pleasing and realistic research had to be done. Resources such as: the internet, the company’s website, website electronic resources, books, magazines, and general knowledge. For proof measures references were added for realistic purposes and avoid plagiarism.

After finding the key issue an in-depth analysis of internal and external environment were conducted in which the New Look was operating. On doing the analysis next step was to decide the strategy options for resolving the issue faced by New Look.

The major findings found in this case study based on the questions were: the standardised approach New Look as a company uses and whether it worked well. This research was carried out by analyzing reports and articles based on the strategy. It was found that the strategy worked well so far.

Other factors are like the acceptance of New Look into developing countries such as India and the reason behind the frequent targeting from Non-tariff barriers. The organization is lacking knowledge on recognizing the number and nature of competitors in the fashion retail industry which could affect, directly or indirectly, business in the future in the form of decrease in revenues and closure of outlets. Research was done to understand adaptation of Polycentric approach in emerging economies.

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In the report success was achieved by finding the issue, analysing it and then giving the recommendations on it. All the findings and research conducted has been put in systematically in this report.

INTRODUCTION

Background

New Look is a privately owned UK based Fashion retail company, and offers clothing, footwear, and accessories for men & women. The company started its operation in 1969, and opened its first store in Taunton, UK and in 1988 it's also spread its wings and entered French market and in 1995 opened its first store in Scotland. New Look was purchased – and taken private – by a private equity consortium in 2004 for GBP 700 million. In 2000 New look sold its French stores to French company Mim in return for 51% stake in company and then in 2003 it acquired remaining 49% share. Now it operates over 650 stores in U. K and has subsidiaries in France. Its manufacturing took place in over 1000 factories in 45 countries which include Europe & Asia. Now in 2006 company have opened number of trial stores in Belgium and now looking forward to expand in Netherlands, Luxembourg, Eastern Europe, Middle-East and Asian Markets ([www. newlook. com](http://www.newlook.com)).

Nature, Size, and Structure of the Market

According to google news, New look is the UK's third largest women's retailer store. It is increasing range of its menswear to cope with the competition.

According to Wrigley, New look is worth now between £1 billion and £1. 5 billion. Company is keeping on penetrating its business in the UK. It has purchased 34 stores from the Littlewoods chain owned by retail group

Associated British Foods. New Look is looking to boost its retail space to 2. 4 million square feet by March 2006 from 1. 6 million square feet last year.

Market Segment, Nature of Competition

New Look faces intense competition in the UK market. Because of its investment in design technology and low prices it keeps them ahead of competitors. Company is now focussing on menswear and children wear. By the end of 2005, New Look plans to extend its menswear ranges from 14 to 30 stores and is also planning to extend its fashion ranges to cater for children under nine ([www. newlook. com](http://www.newlook.com)).

New look have strong working relationships with its suppliers and they are treated like their partners and even share the same values on Trust, ethics, quality, speed and & ambition. Company deals with most up to date international fashion trends for both Men & Women at low prices.

KEY ISSUE FACING COMPANY

Main Key Issue

As a research on New Look proceeds, the group unanimously agreed that the global expansion can be the key issue for New Look Group. This was later confirmed with the course tutor.

Explanation

The decision was made on the basis of comparison of profits with major rivals (e. g. Gap Inc), slow growth in profits, emerging economies of India and China, and the boom in online shopping. Graph below shows the slow increase in profits to the year 2005.

As many companies are rapidly going globally and making India and China their primary targets, it is urging New Look to react to this trend. According to the history of new look, they do have ambition to go global and they have started opening stores in France from 1988 but that strategy fails. In the report, we will analyse internal and external environment of new look and how they can manage to enter in different market segments globally with low risk of failure.

Methodology

After doing all our research, I found out that the major issue the company is facing to expand globally in order to cope with intensely increasing competition in the UK which is reducing profits. Its time now for New Look to think about expanding globally in order to increase sales and profits. To make it effective, we need to analyse the tangible and intangible resources which ensures expansion is feasible. It makes no difference whether they target their neighbour markets or the foreign market as New Look can't afford to fail in any of their global markets due to the fact that New Look is not a public limited company (PLC) so it's got no shareholders to invest in them. New Look might consider other options such as outsourcing etc to reduce capital investment.

In the report I aim to analyse the environment under which company is operating and look up for the strategies which will help them to overcome any potential threats in the global markets. After critical analysis of environment, we will be able to identify company's major strength and weaknesses and the potential opportunities and threats globally.

Because of the nature of the business, I will have to look each market individually and provide options for mode of entry in each market. Initially, for each given option for the target market, I would advise company to test the option prior to make final decision. However, I will provide analysis evaluation for each given option in this report with the use of latest material available.

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AIMS AND OBJECTIVES

The aim of this essay is to investigate the internal & external strategies of the business environment for NEW LOOK group.

To achieve this aim I have planned to use Porters five forces and the PESTEL tools to analysis the intensity of the external environment and financial ratios to calculate whether or not the strategies are successful.

Finally I will use a SWOT analysis to be specific and critical in our conclusion.

ANALYSIS OF EXTERNAL ENVIRONMENT

The external environment is often referred to as the macro environment.

The external environment is often out of a businesses control none the less businesses use tools to achieve their goals.

The external environment is divided into three major areas: the general, industry, and competitor environments as shown in figure below:

GENERAL ENVIRONMENT

PEST Analysis

Political factors

Government sometimes have direct control or influences to greater or lesser extent over legislation and regulations, this covers laws that influence employment, consumer's protection, health and safety at work, contract and trading, trades unions. (Business Strategy, David Campbell).

Chip & PIN is the new, more secure way to pay with credit or debit cards in the UK.

Instead of customers using their signature to verify payments, they will be asked to enter a four-digit Personal Identification Number (PIN) known only to them. Chip & PIN is the biggest change to the way we pay since decimalisation. It is part of a global programme to tackle the soaring levels of plastic card fraud (BBC News).

Economical Factors

Governments usually set policy concerning these of taxation and expenditure in the country. With an increase of the grey market who have more disposable income due to the fact that there is a boom in the housing market a lot of these elder generation are now selling out from 3 to 4 bedroom houses in to smaller houses as a lot of there kids have grown up and moved out. There for this market has more disposable income then before, therefor new look should give more emphasis on this market then they have done previously

Social Cultural Factors

The cultures of countries in which a business operates can be of particular importance. The culture of a country consists of the values, attitudes and beliefs of its people. These in turn, will affect the way individual act and behave when dealing with certain product and services. In order for new look to go global they would have to consider the religious and cultural issues that will differ In different country such as Saudi Arabia were the grater number of the population would be offended by seeing a female in a mini skirt so there for new look should also conceder making different styles of clothing for different countries e. g. for Saudi Arabia less reviling clothes

Technological Factors

With the introduction of the internet and the success of it uses new look should provide a bigger emphasis on providing the merchandise on the internet such as ordering, reserving and selling on the internet., in order to increase there market share and compete with other online retailers. With the introduction to new and better technology's British fashion chain New Look is investing in new technology to help combat potential theft and the possible loss of stock worth £4 million, according to a media report.

New look is aware of the technological influence that involve developing and understanding that effects changes in their company. For new look technology is vital for competitive advantage, this is a major drive of globalisation for their company. New look produce good quality cloths and the best at a reasonable price, because technology has improved new looks production processes and deliver their service through its catalogue and via

the Internet this has developed their information and communication technology.

Industry Environment

PORTERS FIVE FORCES

To analyse New Look external environment, a business tool known as Porter's five forces will be used. Porter's Five Forces helps the marketer to contrast a competitive environment.

These forces can be neatly brought together in a diagram like the one below:

Porters five forces in accordance with New Look

The Threat of new entry

New Look has been established for almost a 37 years and has a considerable amount finance should the worst happen. At the moment they face competition from already established competitors for e. g., Debenhams, H&M (datamonitor. com).

For a new entrant to be a threat they would need to offer something different apart from trendy clothing and newer technology.

New Look also face competition from new fashion stores being opened and to have the advantage over New Look would need to have better location and a wider selection of clothing including accessorise.

Threat of Substitute Products

New Look branch out in to five main areas these are women wear, menswear, children wear, footwear and accessorise. This means they are

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active in five different markets and to reduce the pressure of competition allow other companies to franchise there products or services allowing them to have a substantial amount of control.

Threats from already established competitors come from Debenhams, H&M, Top- Man, M&S, Next and Claire's.

Bargaining Power of Buyers

Generally the bargaining power of Buyers is low because the customers understand that they are paying Reasonable prices for up to date fashion clothes and services.

However for the fashion retail market they have a considerable amount of choice so it's important for New Look to get the service right to keep loyal customers and attract new ones.

Power of suppliers

Suppliers are also essential for the success of an organisation. Raw materials are needed to complete the finish product of the organisation. Suppliers do have power. This power comes from:

If they are the only supplier or one of few suppliers who supply that particular raw material for this point the power of the supplier is low because there are several other suppliers that will sell to them.

If it costly for the organization to move from one supplier to another also known as switching cost. Again on this point New Look has the upper hand because there are many suppliers that will want to sell there good to them.

This means that the powers that the suppliers have over New Look and other major fashion producers around the world are under constant pressure to supply at lower prices in order not to lose a major client.

Competitive Rivalry

New Look group face intense competition from other well known fashion brands producers such as Debenhams, H&M, Top-Man, and M&S and NEXT; therefore compete through price wars in order to attract customers.

Debenhams is a competitor because they make high levels of fashionable clothing selling different types of brands such as, John Rocha, John Richmond, and variety of accessories including gifts, home accessories, electrical appliances. Also another competitive rivalry for New Look is Top Man. The reason it is competitive rivalry is because they are similar to New Look as they also offer fashionable up to date clothing at reasonable prices. They also sell their own brand of clothing like New Look.

The barriers that affect this market to new entrance are having the money to set up the business in terms of human resources, machinery and location. Finding a supplier for fashionable clothing won't be difficult for new business.

Almost half of sales are in Women wear. A quarter of sales are dedicated to Menswear and Children wear, with other items constituting the remaining sales..

COMPETITOR ANALYSIS

Competitor analysis focuses on each company against which a firm directly competes.

Four dimensions given below helps the firm prepare an anticipated response profile for each competitor.

According to datamonitor. com, The New Look's top competitors are Associated British Foods plc, Debenhams PLC, Marks and Spencer Group PLC, Matalan PLC, NEXT PLC, Arcadia Group Limited. Some of the above mentioned competitors have already strong presence in some of the Global Markets. They are described below:

Primark Stores Ltd is a subsidiary of Associated British Foods plc (ABF) Primark targets young, fashion-conscious under 35's, offering them high quality, fashion basics at value for money prices. Almost half of sales are in Women wear. A quarter of sales is dedicated to Menswear and Children wear, with other items constituting the remaining sales.

Debenhams is a leading department stores group. Debenhams has a strong presence in key product categories including women wear, menswear, home wares, health and beauty, accessories, lingerie and children wear. A unique mix of exclusive own brands, including Designers at Debenhams, and third-party brands helps differentiate Debenhams from its competitors. In addition Debenhams has 30 international franchise stores in 14 countries outside the UK and Ireland, with a further 15 franchises scheduled to open by the end of the 2008 financial year. Debenhams is also extending its customer reach by making direct sales through its internet website.

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Marks and Spencer is a UK retailer of clothing, foods and home ware. It operates through both wholly owned stores and franchise stores. It has over 450 stores in the UK. The company is structured into four main operating divisions: food, clothing, home and international. The clothing division offers women's wear, men's wear, lingerie and children's wear and footwear. The international division operates eight wholly-owned stores in Hong Kong as well as 198 franchise stores in 30 territories around the world.

Matalan is a retailer of discount fashion and home wares. Matalan sells name-brand and private-label apparel for men, women and children, as well as some household products, at discount prices. The company operates primarily in the UK. Matalan sells discount fashion and home wares through its network of out of town UK stores. Matalan's product range includes home ware, ladies', men's and children's clothing, and footwear.

Arcadia Group is a clothing retailer that operates approximately 2, 000 stores throughout the UK, mainly in urban areas. It also controls over 200 franchised stores in about 30 countries worldwide. Arcadia operates eight store banners: Burton, Dorothy Perkins, Top Shop, Top Man, Evans, Miss Selfridge, Wallis and Outfit. Each brand targets a distinct market. As well as its eight shopping banners, the company also operates a complementary catalogue and online shopping business through its Dial Home Shopping unit.

All the competitors have strong intentions to expand in the UK market as well as globally. As described above, they are targeting new markets and entering some the markets through acquisitions. It is affecting New Look

because expansion is increasing their profit potential and they are making prices more competitive in the UK markets..

However New Look does hold an advantage over its competitors. According to Mintel's consumer research the average age of the New Look customer is slightly older than at most specialist chains, but Next and Gap also record above average penetration figures in the 35-44 age band. For New Look this reflects its move to become more of a family fashion destination in its bigger stores. Price points are pitched low to attract young, less affluent women who want fashion but are restricted by tight budgets. New Look's combination of low prices and fashionable merchandise pitched at the younger end of the market is absolutely right in current conditions. The company has invested heavily in design facilities and producing a distinctive and unique handwriting is what is setting it apart from competitors this investment has made it a competitive edge on its competitors. And the retailer is moving towards being a distinctive fashion brand- with an attractive price tag attached to it.

New Look faces some very competitive times. But it is well-established, has an excellent brand name and a considerable following. It should be one of the survivors. New Look's combination of low prices and fashionable merchandise pitched at the younger end of the market are the major plus point for the company. Delivering product with current market fashion with low price tag keeps New Look strong. Competitors are strong in online stores. Although a selection of products and their prices are featured on the New look's website, it is not transactional and customers are urged to visit their nearest store and see the full range.

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Before analyzing internal environment of New Look, the serious intention was given to context of Internal Analysis which is Global Economy, Global Mind-Set, and Analysis outcome.

Analysis of Internal Environment

The internal environment is divided into several stages as shown in figure below:

Resources

According to google news, New Look is a developed brand name and the group itself is a 3rd largest retail clothing company in the UK. It manufactures its products in 1000 manufacturing plants in 45 countries all over the globe which contributed to a large portion of company's physical resources.

They have developed their organizational resources to manage, plan, and control their stores and manufacturing plants effectively.

They own all of their stores in the UK and their subsidiaries in France which are their main fixed assets. It owns technological resources in the form of registered trademark, copyrighted designs.

New Look has a reputation in producing latest design by the use of latest technology. It is investing in new technology to help combat potential theft and the possible loss of stock worth £4 million, according to a media report. They have high calibre staffs which are the valuable assets of the company. They have focussed deeply on customer services by operating most of their women wear, menswear, and children wear stores separately. It is keen on

employing key people in its board of members' to increase the value of intangible human resources e. g. Phil Wrigley, Richard Lapthorne.

By the combination of all above resources they are becoming more innovative in developing new designs and bringing new ideas to attract more customers e. g. in 2005, their first national brand campaign ' New Look, The New Now' was launched nationwide in-store with product, signage, POS and window displays. Customers are invited to become part of the New Look window display with the launch of the ultimate window shopping experience; customers will have their picture taken through the store window by a simple press of a button and their face then becomes the face for the mannequin.

By making the effective use of all resources New Look can able to produce high quality and durable products.

Capabilities

New Look is effectively allocates and schedule for all its time and resources. They have very highly competitive human resource system which makes sure they select best people they want. It can be varied from store staff to the high management people.

Because of their target market among the teens with unique fashion design with economical prices with effective marketing policy leads to brand promotion, high quality customer services and innovation merchandising.

Core Competencies

The company manufactures its products in 45 countries which increase rivalry among its suppliers which can act as a source of competitive advantage as they will produce durable products on cheap prices.

They have developed a unique transport system which connects all 1000 factories which deliver all the manufactured garments to the company on time. This system is difficult to imitate for competitors and they can use it as a source of competitive advantage in order to operate globally.

As far as outbound logistics concerned, they have developed such a system inside their business that it has to become one of their core points. They apply strict rules and regulations on outbound logistics and give good rates to the outsource company so that it becomes vital point for their business to deliver the product on time.

New Look supply chain starts from the getting of raw materials and finished at the end products available for the customers in their stores. They have experts from buying raw materials and despatching them to warehouses where it goes through the manufacture processing and where quality control is assured. Then the finished product despatched to the market and the way its market is completely unique.

They have expertise designers from very high reputative and innovative people which are meant to be made for designing. New Look have their designers from Turkish company called Saide which has a high reputation in giving new designs with a good quality product.

They have unique style of marketing their product through prints, electronic, store promotion and through various schemes which attract lot of customers. In September 2005, New Look launched its first national brand campaign, 'New Look', 'The New Now'. 'The New Now' is designed to amplify New Look's ability to release affordable 'of the moment' fashion onto the high street with most products hitting the stores within six weeks of the initial vision.

Key Success Factors

New Look target value-conscious customers who are aged 15-24 and tend to come from lower socio-economic groups. New Look set up its own sourcing arm in Turkey as a joint venture with Global Textiles, part of the Saide Group, in order to speed up its fast fashion even more. As well as economical cost, they highly focussed on innovative designs which make their products successful. The company has doubled the number of designers working on new ranges to 22 and has also strengthened its buying and merchandising team. Effective marketing strategy is one of the key factors which make them successful in the UK.

SWOT ANALYSIS

Strengths

New look is a powerful retail brand. It has a reputation for value for money, convenience and a wide range of products all in one store.

New look is a global fashion brand built upon a reputation for fine products and services. It has 650 stores in the UK and over 50 stores in France.

A focused strategy is in place for human resource management and development. People are key to new looks business and it invests time and money in training people, and retaining a developing them.

Weaknesses

The organisation is dependant on a main competitive advantage, the retail of cloths. This could make them slow to diversify into other sectors should the need arise.

Since new look sell products across many sectors (such as cloths, shoes and accessories), it may not have the flexibility of some of its more focused competitors.

New looks logo has a very feminine look to it such as the use of the colour of the logo witch is in pink and the style of the logo which does discourage a lot of the single male to go and shop because they think it is only for the female shoppers

Opportunities

New look is becoming global and they are taking there trades to other countries such as India, where the younger generation are adopting a more of a westernise fashion and we see a lot of this in Indian bollywood films.

With the introduction of the internet a wide access of the internet new look should think to sell more of there products over the internet witch would reduce more costs as thee will not need as many more employees.

New products and services that can be retailed in their shops, such as Fair Trade products.

New Look has the opportunity to expand its global operations. New markets for fashion retail such as India.

Co-branding with other manufacturers of fashion, and brand franchising to manufacturers of other goods and services both have potential.

New locations and store types offer new look opportunities to exploit market development.

Threats

New Look being one of the biggest fashion retailer means that they are a target for competitors to improve on.

New look being a global retailer means that they are exposed to political problems in the countries that they operate in.

New Look is exposed to the international nature of trade. It buys and sells in different currencies and so costs and margins are not stable over long periods of time. Such an exposure could mean that New Look may be selling at a loss. This is an issue that faces all global brands.

Online retailers are a threat as they are often able to sell at a cheaper price than shops

WHAT I FOUND AFTER ASSESSING METHODOLOGY?

After assessing the methodology, it was found that New Look should expand its business globally. New Look has to be very cautious and careful while expanding its business and keeping in mind all the pros and cons which are vital in any expansion of the business. Therefore, they must follow reasonable set of rules before stepping into new market. The methodology discussed in section 3 is one of the courses of actions available to the company. If the company follow this as explained in section 4, 5 and 6 they can make successful expansion across the globe because of the opportunities available in the global market. Although there are some threats of new rivals, cultural and geographical differences but keeping in mind the big picture in a strategic long run business plan expansion can become one of the strongest strength of the company.

LIST OF POTENTIAL OPTIONS

After analysing the external and internal environment of New Look Group I am able to make some suitable options. As the clothing industry has intense competition all over the globe, I have to split options according to each segment. They are outlined below:

Option 1) The best mode of entry in India and Middle East is through Franchising because of Government regulations and competitive market. Many companies have entered through franchising and they were been successful.

Option 2) As the New Look lacks the investment of shareholders, they should make cautious approach to North American market as they will face high competition but early returns on investments are implausible. Presence through e-commerce is moderately attractive but this will have positive effect on overall image of the company.

Option 3) Openings of stores in Far East is attractive but geographical locations needs to be given importance as access to logistics will be limited.

Option 4) According to the findings I have made, we conclude that New Look has high profit potentials in European Markets and they need to invest more in new stores throughout Europe.

ANALYSIS OF POTENTIAL OPTIONS

Strategic Options Analysis Evaluation

Consistency

Suitability

Validity

Feasibility

Business Risk

Appeal to Shareholders

Option 1

f-

f-

f-

Option 2

f-

f-

f-

f-

Option 3

f-

f-

f-

f-

Option 4

f-

f-

f-

f-

EVALUATION

Evaluation of the project report

After initial test been done, company should launch full expansion in the target market/country. Evaluation and maintenance of sales revenue needs

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to be done and if the expansion is successful than they should target 2nd attractive market and so on.

Future recommendations

Technology

New Look can use the latest technology available in mechatronics to make products more cost effectively to compete in global markets.

E-commerce

They need to introduce online shopping as much of their rivals already have a strong online presence. Going online with their sales will also cut down on money spent on shops, distribution, transportation, staff and other sundries. The customer when buying something online also pay money for shipping so there is added cost to the company. It is expected in the next 15 yrs 70% of all retail businesses will be done online so implementing this is not only beneficial but very necessary. E sale will help them to move from only high street presence to thousands of customer homes.

Stock market

In order for New Look to expand globally, they need a strong investment in the company. The best way to have this is by allowing investors to invest in the company. To make it attractive they need to register on the stock exchange. When their growing profits they can expect to command a good price for their stock. Doing this