

The countrys largest supermarket chains marketing essay



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Introduction

Morrison is one of the country's largest supermarket chains, offering a range of goods including both branded and own label products. their aim is to provide all their customers with the very best value for money wherever they live and uniquely, Morrison has always charged the same prices in every one of their large stores.

They manage almost every aspect of their commercial operation in-house, including fresh fruit and vegetables, fresh food, meat processing and transport.

Morrisons Produce Limited buys packs and distributes all the fruit and vegetables sold in their stores. Fresh produce is delivered into their temperature controlled warehouses and packing plants both in the UK and abroad, ready for onward despatch to their stores nationwide.

Farmers Boy is their own purpose built fresh food factory, producing pizzas, pies, cooked meats and sausages, as well as packing cheese and bacon

They also own meat processing facilities where beef, pork and lamb are prepared and supplied direct to the butchers in our stores, as well as operating and maintaining our own transport fleet.

In 1967 it became a public limited company listed on the London Stock Exchange.

On 15 March 2007, Morrisons announced that it will ditch its traditional branding and strapline in favour of a more modern brand image. CEO Marc

Bolland announced: “ Reflecting our nationwide presence and our many new customers, we will be making Morrisons the food specialist for everyone”

The change will see the replacement of the current logo and the “ More reasons to shop at Morrisons” strapline, replaced with “ fresh for you everyday” or “ fresh choice for you” and “ Food specialist for everyone”. It will also involve the replacement of external signage, as well as changes to product packaging, point of sale, advertising, staff uniforms (replacing the old blue ties and bows to green ones) and distribution vehicles. The rationale behind the decision is the need for Morrisons to attract a wider national customer base.

On 23 July 2007, Morrisons officially launched their new look website as well as their new advertising campaign. Their first TV advertisement under the “ Fresh Choice for You” slogan appeared.

As of February 2008, according to TNS Worldpanel, Morrisons is the smallest of the ‘ Big Four’ supermarkets with a market share of 11. 6%. Whilst Tesco, Asda and Sainsbury’s saw increases in market share from July 2008, Morrison’s saw a similar sized decrease of 0. 2% in the same period.

Task 1

Background

The Company was founded by William Morrison in 1899, initially as an egg and butter merchant in Rawson Market, Bradford, England operating under the name of Wm Morrison (Provisions) Limited.

His son, Ken Morrison took over the company in 1952, aged 26. In 1958 it opened a small shop in the city centre. It was the first self-service store in Bradford, the first store to have prices on its products and it had three checkouts. The company opened its first supermarket " Victoria", in the Girdlington district of Bradford in 1961. This came with 5, 000 sq ft of selling space and car parking spaces for customers, the location only being chosen after Morrisons could not afford to build a supermarket closer to the city centre.

Morrisons also occupies the site in Idle, Bradford, where Jowett cars were once manufactured and where there is a wallfrieze denoting the origins of the site. The company also has a Jowett Bradford Van in Morrison's livery that promotes the company.

Present position

Morrison is the UK's fourth largest food retailer with 403 stores. Their business is mainly food and grocery - the weekly shop. Uniquely they source and process most of the fresh food that they sell through their own manufacturing facilities, giving them close control over provenance and quality; and they have more people preparing more food in store than any other retailer.

Every week nine million customers pass through their doors and 124, 000 colleagues across the business work hard each day to deliver great service to them. With competitive prices and hundreds of special offers, they are proud to save their customers money every day.

Mission

Morrisons are renowned for “ no nonsense” approach to retailing, shunning hype and gimmicks in favour of plain selling. Morrisons are consistent and reliable in offering honest good value. It is “ Morrisons Mission” to always deliver “ The Very Best For Less”.

Vision

The vision of Morrisons, the performance of present will help them to set vision for future growth of the organisation. The emphasis is on the supermarket chain by entering into other markets to enhance its share in terms of profits and customer base. Also to reduce threats of rivalry by its competitors, value for customers of its products and services is enhanced through delivery and integration of processes based on absorbing new strategies and ideas.

The key objective was to make sure that high standards of food safety were delivered throughout our normal operational cycle. Operating under the requirements of the Food Safety standard ensured that the strict systems guaranteed the safety of Morrisons’ food and delivered other benefits. The robust Food Safety Management System implemented has shown many benefits site wide.

“ The success could not have been achieved without the co-operation, enthusiasm, dedication and commitment of the whole management team and colleagues across the business. Everybody’s contribution is invaluable.

Present objectives/ goals

The main goals and objectives of Morrisons are as follows:

To maximize sales:

Morrisons tries to make as many sales as possible, because the survival of the business depends on being large. It will help to capture the large part of market share as well.

Resources development

Morrisons is highly visible, well respected and profitable organisation in the retailing sector. This reputation can attract more investors to invest in Morrisons to help them to achieve strategic objectives

To provide goods/services at affordable prices

The main goal of Morrison is to provide goods and services at affordable prices at right place

Meeting stakeholders needs

Morrisons has a variety of stake holders those can affect or be affected by the activities of the Morrison. This is primary goal to meet the need of different stakeholders

Present strategies

Open small super markets

Morrisons has purchase 35 stores from co-operative to open small super markets as it aim to have a store within 15 minutes of every UK home.

Own label products

Morrisons current strategy is offering a range of products including both branded and own label products. There is increase in demand of Morrisons product will bring profit to the company

Charge same price

The important strategy of Morrisons is to provide all customers with the very best value for money, wherever they live and always charge the same price in every store.

Creating jobs

During the recession where big companies have redundant thousands of employees. Morrisons made strategies to create jobs for the community and recruit employees at every level with equal opportunities.

Task 2

PESLTE Analysis

Political Factors

For employment legislations, the government encourages retailers to provide a mix of job opportunities from flexible, lower-paid and locally-based jobs to highly-skilled, higher-paid and centrally-located jobs (Balchin, 1994). Also to meet the demand from population categories such as students, working parents and senior citizens. Morrisons understands that retailing has a great impact on jobs and people factors, being an inherently local and labour-intensive sector. Morrisons

employs large numbers of; student, disabled and elderly workers, often paying them lower rates. In an industry with a typically high staff turnover, these workers offer a higher level of loyalty and therefore represent desirable employees.

Economical Factors

Economic factors are of concern to Morrisons, because they are likely to influence demand, costs, prices and profits. One of the most influential factors on the economy is high unemployment levels, which decreases the effective demand for many goods, adversely affecting the demand required to produce such goods.

These economic factors are largely outside the control of the company, but their effects on performance and the marketing mix can be profound. The company is still highly dependent on the UK market. Hence, Morrisons would be badly affected by any slowdown in the UK food market and are exposed to market concentration risks.

Social/Cultural Factors

Current trends indicate that British customers have moved towards 'one-stop' and 'bulk' shopping, which is due to a variety of social changes. Morrisons, therefore, increased the amount of non-food items available for sale.

Demographic changes such as the aging population, an increase in female workers and a decline in home meal preparation mean that UK retailers are also focusing on added-value products and services. In addition, the focus is

now towards; the own-label share of the business mix, the supply chain and other operational improvements, which can drive costs out of the business. National retailers are increasingly reticent to take on new suppliers (Clarke, Bennison and Guy, 1994; Datamonitor Report, 2003).

The type of goods and services demanded by consumers is a function of their social conditioning and their consequent attitudes and beliefs.

Consumers are becoming more and more aware of health issues, and their attitudes towards food are constantly changing. One example of Morrisons adapting its product mix is to accommodate an increased demand for organic products. The company was also allowing customers to pay in cheques and cash at the checkout.

Technological Factors

Technology is a major macro-environmental variable which has influenced the development of many of the Morrisons products. The new technologies benefit both customers and the company. Customer satisfaction rises because goods are readily available, services can become more personalised and shopping more convenient. The launch of the Efficient Consumer Response (ECR) initiative provided the shift that is now apparent in the management of food supply chains (Datamonitor Report, 2003). Morrisons stores utilise the following technologies:

Wireless devices

Intelligent scale

Electronic shelf labelling

Self check-out machine

Radio Frequency Identification (RFID).

The adoption of Electronic Point of Sale (Epos), Electronic Funds Transfer Systems (EFTPoS) and electronic scanners have greatly improved the efficiency of distribution and stocking activities, with needs being communicated almost in real time to the supplier (Finch, 2004).

Environmental Factors

In 2003, there has been increased pressure on many companies and managers to acknowledge their responsibility to society, and act in a way which benefits society overall (Lindgreen and Hingley, 2003). The major societal issue threatening food retailers has been environmental issues, a key area for companies to act in a socially responsible way. Hence, by recognizing this trend within the broad ethical stance, Morrisons's corporate social responsibility is concerned with the ways in which an organization exceeds the minimum obligations to stakeholders specified through regulation and corporate governance. (Johnson and Scholes, 2003)

In 2003 the government has intended to launch a new strategy for sustainable consumption and production to cut waste, reduce consumption of resources and minimise environmental damage. The latest legislation created a new tax on advertising highly processed and fatty foods. The so-called ' fat tax' directly affected the Morrisons product ranges that have subsequently been adapted, affecting relationships with both suppliers and customers

Legislative Factors

Various government legislations and policies have a direct impact on the performance of Morrisons. For instance, the Food Retailing Commission (FRC) suggested an enforceable Code of Practice should be set up banning many of the current practices, such as demanding payments from suppliers and changing agreed prices retrospectively or without notice (Intel Report, 2004). The presence of powerful competitors with established brands creates a threat of intense price wars and strong requirements for product differentiation. The government's policies for monopoly controls and reduction of buyers' power can limit entry to this sector with such controls as license requirements and limits on access to raw materials (Intel Report, 2004; Myers, 2004). In order to implement politically correct pricing policies, Tesco offers consumers a price reduction on fuel purchases based on the amount spent on groceries at its stores. While prices are lowered on promoted goods, prices elsewhere in the store are raised to compensate.

PORTER'S FIVE FORCES ANALYSIS

The Five Forces model of Porter is an 'outside looking in' business unit strategy tool that is used to make an analysis of the attractiveness or value of an industry structure. This analysis can use as tool to analyse the present position of Morrisons. Five Forces Analysis assumes that there are five important forces that determine competitive power in a situation.

<http://www.mindtools.com/media/Diagrams/Porter>. GIF

Threat of New Entrants

The UK grocery market is primarily dominated by few competitors, including four major brands of Tesco, Asda, Sainsbury's and Morrisons that possess a market share of 70% and small chains of Somerfield, Waitrose and Budgens with a further 10%. Over the last 30 years, according to Ritz (2008), the grocery market has been transformed into the supermarket-dominated business. Majority of large chains have built their power due to operating efficiency, one-stop shopping and major marketing-mix expenditure. This powerful force had a great impact on the small traditional shops, such as butchers, bakers and etc. Hence, nowadays it possesses a strong barrier for new companies who desire to enter the grocery market. For instance, it becomes rather difficult for new entrants to raise sufficient capital because of large fixed costs and highly developed supply chains. This is also evident in huge investments done by large chains, such as Morrisons, in advanced technology for checkouts and stock control systems that impact new entrants and the existing ones. Other barriers include economies of scale and differentiation achieved by Morrisons, Tesco and Asda seen in their aggressive operational tactics in product development, promotional activity and better distribution.

Bargaining Power of Suppliers

This force represents the power of suppliers that can be influenced by major grocery chains and that fear of losing their business to the large supermarkets. Therefore, this consolidates further leading positions of stores like Morrisons, Tesco and Asda in negotiating better promotional prices from suppliers that small individual chains are unable to match Ritz (2008). In

return, UK based suppliers are also threatened by the growing ability of large retailers to source their products from abroad at cheaper deals. The relationship with sellers can have similar effects in constraining the strategic freedom of the company and in influencing its margins. The forces of competitive rivalry have reduced the profit margins for supermarket chains and suppliers.

Bargaining Power of Customers

In recent years a crucial change in food retailing has occurred due to a large demand of consumers doing the majority of their shopping in supermarkets that shows a greater need for supermarkets to sell non-food items. It has also provided supermarkets with a new strategic expansion into new markets of banking, pharmacies, etc. Consumers also have become more aware of the issues surrounding fairer trade and the influence of western consumers on the expectations and aspirations of Third World producers. Ecologically benign and ethically sound production of consumer produce such as tea, coffee and cocoa is viable, and such products are now widely available at the majority of large chains.

Threat of Substitutes

General substitution is able to reduce demand for a particular product, as there is a threat of consumers switching to the alternatives Porter M. (1980). In the grocery industry this can be seen in the form of product-for-product or the substitute of need and is further weakened by new trends, such as the way small chains of convenience stores are emerging in the industry. In this case Morrison, Tesco, Asda and Sainsbury's are trying to acquire existing small-scale operations and opening Metro and Express stores in local towns <https://assignbuster.com/the-countrys-largest-supermarket-chains-marketing-essay/>

and city centres Ritz (2008). (Morrisons purchased 35 stores from the combined group, mostly trading under the Somerfield fascia. These new stores are the first of more than 100 identified by Morrisons for expansion into smaller supermarkets as it aims to have a store within 15 minutes of every UK home).

Bargaining Power of 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 utilisation of a range of formats, which are now prominent characteristics of the sector. This highly competitive market has fostered an accelerated level of development, resulting in a situation in which UK grocery retailers have had to be innovative to maintain and build market share. Such innovation can be seen in the development of a range of trading formats, in response to changes in consumer behaviour. The dominant market leaders have responded by refocusing on price and value, whilst reinforcing the added value elements of their service.

Stakeholders impact analysis

Morrison has a number of stakeholders, those can effect and be affected by the activities of the organisation. Stakeholder impact analysis will give an idea, what are expectation and power and they help in establishing priorities. (see stakeholders impact analysis in appendices)

There are two types of stakeholders.

Primary stakeholders

Those that have direct affect in the company and without whom it would be difficult to operate. These are, shareholders, suppliers and customers.

Shareholders has high level of interest and high level of power, suppliers and customers have high interest and low power to effect on the Morrisons activities.

Secondary stakeholders

Those that have limited direct influence on the organisation and without whom the company would survive. These are government, competitors, media, and pressure groups.

Government has high power and high interest to influence the Morrisons activities. Competitors have also high interest on Morrisons activities so they can change their strategies to compete in the market.

Strategic Objectives and Stakeholders Impact Analysis

Key future strategies of the organisation

Increasing competition in retail industry, Morrisons has planned to start new business in new area. Diversification is based on the idea of ' spreading the risk' and the total risk should be reduced as the portfolio of diversified business gets larger. Overall risks can be reduced by diversifying into operations in different areas. Morrisons strategic objectives are

Enter into banking sector

Provide insurance services

Franchises

The benefits of engagement with key player stakeholders (high impact, high interest)

Stakeholder I – Shareholders

Morrisons will need to justify their requirements for extra capital to implement the strategy of diversification

It will be easy for directors to obtain shareholders agreement to implement the new strategy

Shareholders will feel as part of new changes in the origination.

It would also prevent future problems if the strategy of diversification is not successful

Stakeholder II – Government Authorities

Morrisons can also get grants from government to open new business in the best of public interest

Morrisons can obtain information from the government authorities to starting up new businesses (by issuing licenses or permits, planning permission).

The company may obtain information about possible new taxation laws etc which would prevent it from making a profit in the new businesses.

The risk of non engagement with Key Player Stakeholders (High Impact, High Interest)

Stakeholder I – Shareholders

Shareholder will not trust on directors and they can withdraw their investment from origination

Lack of extra capital will pose difficulties to expand operations of the business

Any strategy of diversification cannot be possible due to non availability of funds

In the extreme cases company's existence may be in threat if no funding is available from shareholders

Stakeholder II – Government Authorities

If permission is not granted by the Government to open a store in a specific area then may be possible that market share is affected. This will especially be the case if there is already a competitor's store operating near-by.

Government can impose fine to Morrison if they start business without permission or license. This can cause bad reputation of Morrisons in the market.

The company may obtain information about possible new taxation laws etc which would prevent it from making a profit in the new businesses.

Task 3

Core Competence

Superior performance, according to Johnson and Scholes (2003), has to be determined by the way in which company's resources are deployed to create competence in the organisational activities. Core competencies are activities or processes that critically underpin the company's competitive advantage. The primary target for the company is to recognize that competition between businesses is as much a race for competence as it is for market position and market power. Therefore, the goal for Morrisons management is to focus the attention on competencies that really affect competitive advantage.

There are following core competences of Morrisons.

Provide potential access to a wide variety of markets

Enables the creation of new products and services. For instance, Morrisons has established a good reputation in food retailing industry. The core competence that enabled Morrisons to enter retailing of food and non-food products was a clear distinctive brand proposition that had a focus on a properly define market segment. Morrisons is recognized as the company, providing the most customized and efficient service, based on a good customer relationship management.

Makes a significant contribution to the perceived customer benefits of the outcome

Delivers a fundamental customer benefit. In order to identify core competences in a particular market, the question is, why is the customer willing to pay more or less for one product or service than another needs to be addressed. For example, Morrisons have been very successful in

capturing the strong image name of the retailing market. This shows that Morrisons designs and implements effective supply systems and deliver an efficient “ customer interface”.

Difficult for competitors to imitate

It highlights the need for a core competence to be competitively unique. This indicated the importance of product differentiation. For example, for many years up to 2009 Morrisons has a very strong position within the retailing industry. It has a different approach to the service concept, providing good corporate reputation and introducing new premium quality products (MarketWatch, 2009).

Threshold competences

Threshold competences are the skills and expertise necessary to deploy resources effectively in a market. Examples of such competences would include design skills, competitive prices, good customer services, and marketing skills.

Competitive prices

There is tough competition in retail industry. Morrisons provides goods and services at competitive prices to compete in the market and attract more customers because of competitive prices.

Quality customer services

Key to retention and attract more customers delivering the drivers of customer satisfaction as satisfaction drives loyalty and loyalty drives

profitability. In a competitive market customers will go those places where they can get quality customers services.

Resources

If an organisation does not have sufficient resources to carry out its plans to achieve long-term success and competitive advantages. There are two types of resources where an organisation can get competitive advantaged in the market.

Unique Resources

These are resources which are distinct to an organisation and which no other organisation possesses.

Top management

Top management is unique resources of Morrisons. They make strategies how to compete in the market and which necessary steps can be taken to expand their business into different market.

Brand name

Keep on introducing more brand of better quality than competitor and plan to keep alive the brands. Own label products are the unique resources of Morrisons. Morrisons is selling different products their own name (The Best, Eat smart, Free From). These products give confidence to customers that they are using quality products.

Threshold Resources.

The notion of threshold resources is based on the idea that in most cases there is a minimum level of resources which an organisation must possess

simply in order to survive in the industry, or to pursue a given competitive strategy within it.

Finance

Finance is like a blood for any business. They need finance to deal their customer and suppliers and invest into new businesses. Share holders have full confidence on Morrisons and Morrisons is also profitable organisation so there will not be any problem to collect finance.

Good relationship with and suppliers

Good relationship with suppliers give confidence to Morrisons those suppliers will provide all products on time.

Trained staff

Without the trained staff all resources and competencies will not give benefit to an organisation. Trained staff will be able to understand the objective and put efforts to achieve those objectives efficiently.

SWOT Analysis of Morrisons

SWOT stands for Strengths, Weaknesses, Opportunities and Threats, and is an important tool often used to highlight where a business or organisation is, and where it could be in the future. It looks at internal factors, the strengths and weaknesses of a business, and external factors, the opportunities and threats facing the business. The process can give you on overview of where the business, and the environment it operates in, is strategically. This is an important, yet to simple to understand, tool used by many students, businesses and organisations for analysis.

The following SWOT analysis looks at Morrisons which is operating in retail industry. The analysis shows Morrisons's Strengths, Weaknesses, Opportunities and Threats. The SWOT analysis will give you a clear picture of the business environment Morrisons is operating in at the present time.

Strengths:

The strengths of a business or organisation are positive elements, something they do well and are under their control. The strengths of a company or group and value to it, and can be what gives it the edge in some areas over the competitors. The following section will outline main strengths of Morrisons

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Having alliances with other strong and popular businesses is a major plus point for Morrisons as it helps bring in new customers and make business more effective.

Competitive pricing is a vital element of Morrisons's overall success, as this keeps them in line with their rivals, if not above them.

Keeping costs lower than their competitors and keeping the cost advantages helps Morrisons pass on some of the benefits to consumers.

Being financially strong helps Morrisons deal with any problems, ride any dip in profits and out perform their rivals.

A strong brand is an essential strength of Morrisons as it is recognised and respected.

Supplier relationships are strong at Morrisons, which can only be seen as strength in their overall performance.

Weaknesses:

Weaknesses of a company or organisation are things that need to be improved or perform better, which are under their control. Weaknesses are also things that place you behind competitors, or stop you being able to meet objectives. This section will present main weaknesses of Morrisons

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Reputation is important, and a damaged one like Morrisons's is a major weakness as consumers will not trust the firm enough to spend money with them.

Morrisons's R&D work is low and insignificant, which is a major weakness in retail as it is constantly creating new products.

Morrisons's lack of innovation limits its success, as there is no forward thinking.

Online presence is vital for success these days, and lack of one is a limitation for Morrisons.

Opportunities:

Opportunities are external changes, trends or needs that could enhance the business or organisation's strategic position, or which could be of a benefit to them. This section will outline opportunities that Morrisons is currently facing.

Morrisons could benefit from Governmental support, in the form of grants, allowances, training etc.

Changes in technology could give Morrisons an opportunity to bolster future success.

New market opportunities could be a way to push Morrisons forward.

As the economic climate improves, so do the opportunities for Morrisons.

Expanding into other markets could be a possibility for Morrisons.

Structural changes in the industry open other doors and opportunities for Morrisons.

Threats:

Threats are factors which may restrict damage or put areas of the business or organisation at risk. They are factors which are outside of the company's control. Being aware of the threats and being able to prepare for them makes this section valuable when considering contingency plans and strategies. This section will outline main threats Morrisons is currently facing.

Tax increases placing additional financial burdens on Morrisons could be a threat.

Change in demographics could threaten Morrisons.

The actions of a competitor could be a major threat against Morrisons, for instance, if they bring in new technology or increase their workforce to meet demand.

Price wars between competitors, price cuts and so on could damage profits for Morrisons.

Morrisons could be threatened by the growing power customers have to set the price of their products/services.

Morrisons could be threatened by the growing power their suppliers have to set their prices.

Substitute products available on the market present a major threat to Morrisons.