

# Success factors for sainsburys plc



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This report has been intended for the module tutor. It has been asked to carry out research into the methods, purposes and cost effectiveness of marketing and advertising issues that have to be taken into account when critically evaluating and overviewing the key UK supermarket competitors. The aim of this report is to critically assess success factors for Sainsbury's PLC after commenting on the positioning of the key players and discussion of their overall segmentation and targeting strategies. It has also been asked to provide recommendations on Sainsbury's strategy. References are provided according to Harvard Referencing System.

## **2. Acknowledgements**

I express my gratitude to my tutor, advisor and mentor for his commitment. I also want to acknowledge ..... who contributed to the success of my report, helped and guided me through discussion. My special appreciation goes to him for positive criticism throughout the report. I am grateful for valuable co-operation and moral support.

### **3. Research Methodology**

Various data collection techniques and tools are considered. To obtain maximum information in less time, fast but cheap methods are applied. To minimize collection of irrelevant data and save time, specific but relevant research is focused upon. Market reports, journals and books are the backbone for the literature. Library catalogues and indexes are used to scan for secondary data. Journals and newspaper articles, books and magazines are searched online as well as in the library. It is ensured that the procedures adapted are relevant, systematic, justified and appropriate. The researcher also ensured that the research conclusion is viable and verifiable. The research findings are examined for reliability and validity.

### **4. Introduction**

UK retail market is dominated by large supermarket and convenience stores. These accounts for the third-fourth of the total sales revenue while traditional and other small retailers make the rest of the share (MINTEL, 2010). In the past few years, the convenience retail markets have been on rise in terms of revenue generated as well as sales revenue generation. Traditional retailers and corner shops are losing out as a result of this, thus leaving the UK market open for giant supermarkets. Competition among the large supermarket chains in UK is primarily based upon the prices and is really close. The supermarkets keep on looking for the opportunities to remain competitive and 'Product' & 'Process' innovation are the areas where the UK retailers have focused their attention. The supermarket chains carefully plan their strategies of positioning, target market and segmentation (KEYNOTE, 2009).

Sainsbury's is one of the 'Big 4' supermarket chains that dominate the UK retail market sector. It is engaged in grocery and related retailing throughout the UK. Its businesses comprise of supermarkets, convenience stores and a Bank (DATAMONITOR, 2009). The company's range of products besides food and groceries include alcohol and beverages, clothing, computer peripherals, books and gift items, kitchen and other appliances, fish and meat, fuel and petrol, pharmaceutical drugs and home ware. Sainsbury's segmentation strategy consists of segmenting by products, by area and by services. It targets the market by providing low cost high quality products and services. Sainsbury's strategies compared with its competitors, its key performance indicators and critical success factors are discussed and analysed in detail below.

## **5. Analysis**

Top supermarkets in the UK are battling for the minds and hearts of the British public. The strategies of each are interesting to analyse from both the business and marketing perspective. The UK has one of the most concentrated grocery retail sectors in Europe, as measured by the market share of the 4 largest firms (MINTEL, 2009). The worth of UK supermarket and grocery market estimated at April, 2010 is 128 billion pounds (MINTEL, 2010a). In 2008, all spending on food, drink and tobacco was £99 billion (excluding VAT) and almost £90 billion of that went through the food retailers and that in turn accounted for three quarters of food retailers' sales (KEYNOTE, 2008a). The market is highly competitive which comprises primarily of major chains with outlets nationwide. There are also smaller operations working alongside in addition to limited assortment discounters

which are operated by European firms and offer basic food products aimed at the lower end of the mass market. UK grocery retailing is dominated by large multiple supermarket chains (Ramsey and Wanger, 2009). Their size, visibility and influence have made them the focus of much attention and even controversy. Sainsbury's, Tesco, Asda and are the 'Big 4' supermarket chains (KEYNOTE, 2008b). These supermarkets often carry out large-scale store refit programmes, in addition to the expansion of outlet numbers. Smaller grocery stores and chains are also becoming more frequent, resulting in increased competition. The large supermarkets are expanding further into the convenience market to secure more customer loyalty. In such a competitive industry, where every customer gained or lost counts, supermarkets have long recognised the value of providing high quality products and services at lowest prices possible (Harvey, 2002). They all spend vast amounts of time and effort on making strategies to compete, target market, position itself and provide a vast variety of products and services.

The supermarket sector is characterised by self-service shopping with separate departments for produce, meat, bread and other grocery items all under one roof (Anand, 2009). IT is also characterised by discount pricing, large volume procurement and a centralised distribution system. Different supermarkets have targeted specific segments of the market, their concentration on preferred format and convenience. Small to medium size companies like Somerfield dominate 'top-up' segments (DEFRA, 2006). Companies such Lidl and Aldi are 'deep discounters' which focus on limited range of own brands products aimed at specific consumers in social classes.

Large supermarket companies namely Sainsbury's, Asda, Tesco and Morrisons focus upon full range of products along with related services at one place. Companies like Boots and Waitrose are retailers classed as edge of town stores, and the up-market retailers. Some of these companies are broadening their demographic base, such as Tesco's success in appealing to both 'downgraders' and 'up-graders'. The distinctions between supermarkets are getting less marked as the companies such as 'Big 4' companies move aggressively into non-food sales such as electronic items and clothing, and into home meal replacements (KEYNOTE, 2007). Small street retailers face fierce competition as large chains are expanding into different area segments, often targeting far away consumer base or setting up small retail outlet like Tesco express by Tesco or Sainsbury's Local by Sainsbury's. Some street retailers such as Boots and the Kingfisher group are struggling against the rapid move by giant superstores into core areas such as pharmacy, opticians, clothing, and financial services. This growth of non-food is redefining the word 'supermarket' (Fox and Vorley, 2004).

Positioning strategies of the retailers often differs from each other. Example include geographic concentration as companies like Sainsbury's and Waitrose have a strong presence in south of England while Asda and Morrisons have strong presence in the north of the country. Large supermarkets also go foreign and set up chains overseas like Tesco whose 20% revenue comes from abroad (MINTEL, 2010b). Sophisticated sales information, distribution and stock control systems have helped large companies to manage supply chain effectively. Grocery retailers are competing within a relatively mature market which has driven retailers to compete for market share through price, range and service, diversify into

non-grocery products and services, shift to premium products, enlarge existing stores and open high-street convenience stores (MINTEL, 2009). Companies know the importance of market share as success measure which can allow economies of scale. Tesco is the market leader and has almost 32% of the market share of the non-convenience UK grocery market (Mintel, 2010a). The other market leaders are Sainsbury's, Asda and Morrison (KEYNOTE, 2009). The combined market share (excluding convenience retailing) of the largest four retailers in figure below increased to 74.2 % in 2006, up from 74.1 % a year before (Competition Commission, 2007).

The large supermarket chains compete fiercely and have begun to compete strongly in the convenience retailing sector e. g. Tesco Express or Sainsbury's Local. They are increasing market share by opening new stores and providing better service within those stores. Well sited, attractive and well stocked convenience stores are ideally placed to develop economies of scales, acquire the best quality sites and meet consumer needs. IGD forecast convenience's share of the total grocery retail market to increase from 20% to nearly 24% by 2010 (IGD, 2005).

In advertising Asda is the largest spender while Sainsbury's has fallen back. Morrison also lost its enthusiasm for advertising (HRLeader, 2010). TV and Press dominate the media while other media are tiny in comparison. Tesco spent more on main media advertising than any other supermarket company, although its expenditure was less than that by Marks & Spencer. Of Tesco's total expenditure of £62.9m, 39.2% was for its product range (KEYNOTE, 2008a). ASDA's main media advertising expenditure of £38.5m in the year ending June 2007 concentrated on the brand itself (KEYNOTE, <https://assignbuster.com/success-factors-for-sainsburys-plc/>

2008a). 46. 3% of Sainsbury's main media advertising expenditure was on its product range. Morrisons £26m spend on main media advertising was mainly for the brand (KEYNOTE, 2008a).

Analysis released by Competition Commission in 2007 (Competition Commission, 2007) reported that between 2000 and 2006, UK grocery sales has increased by almost 17% in real terms to £123. 5bn and that the real price of food fell by nearly 7%. Sales through supermarkets rose by 26%, compared with 19% for convenience stores, but sales from independent shops increased by just 1%. Between 2001 and 2006, the total number of stores of the 'big four' (Tesco, ASDA, Sainsbury's and Morrisons) increased by 126. 1%, from 1, 472 to 3, 328. However, the total number of supermarkets fell by 2%, convenience stores were 8% down and specialist independent stores declined by 7%. Tesco has more than 3000 stores including 1988 in UK (MINTEL, 2101b). Its UK store formats include: Express local neighbourhood food stores; Metro city-centre stores; Superstores offering everything for the weekly shop; and Extra stores, where, in addition to food and the usual non-food items available in supermarkets. ASDA had 356 stores at the end of December 2008 (KEYNOTE, 2009). Its main store formats are made up of the following models: ASDA/Wal-Mart Supercentres, ASDA Superstores and ASDA Living stores. Sainsbury's food retail segment serves customers through a network of 792 stores including 298 convenience stores (Sainsbury's Local) and 502 supermarkets (KEYNOTE, 2009). Unlike Tesco and ASDA The supermarket chain operates three main store formats; regular Sainsbury's stores ('Main Mission'), Sainsbury's Local and Sainsbury's Central (convenience stores and smaller supermarkets in



urban locations – ‘Mixed Mission’) and Sainsbury’s ‘Main Plus’ (hypermarket) stores.

#### Bottom of Form

In the field of the product innovation, the UK supermarkets are the world leaders. The implementation of the information technology has helped the Supermarkets in efficient management of inventory, logistics and warehousing thus bringing the overall costs down (DEFRA, 2006). Changing socioeconomic trends and consumer behaviour has been the key industry driver and this research sees a major role played by socio economic patterns in shaping the future of the industry. New technology has allowed retailers to reap further scale economies in logistics, distribution, warehousing and purchasing (KEYNOTE, 2008a).

Sainsbury’s is one of the ‘Big 4’ supermarket chains that dominate the UK retail market sector. Like other giant retailers, it is engaged in grocery and related retailing throughout the UK (DATAMONITOR, 2009). Its businesses comprise of supermarkets, convenience stores as well as a Bank. The company’s range of products besides food and groceries include alcohol and beverages, clothing, computer peripherals, books and gift items, kitchen and other appliances, fish and meat, fuel and petrol, pharmaceutical drugs and home ware. Its success is based upon many factors which include its wide range of products and services that it provides to customers as everything is available under one roof. Multi-retailing helped the company to achieve economies of scale and, along with efficient management of inventory, logistics and warehousing, it helped the company to bring the costs down

and deal with suppliers on cost effective terms. Other important success factors include Sainsbury's segmentation by products, area and services (KEYNOTE, 2009). It targets the market by providing low cost high quality products and services. Sainsbury's strategies compared with its competitors are not so much different as all compete for market share and dominance by providing high quality low cost products and services (MINTEL, 2010a).

Sainsbury's lies in ' Bargain Brands' section as it serves high quality products and services at relatively low prices.

<http://tutor2u.net/business/images/perceptual%20map.gif>

Sainsbury's competitive strategy is cost leadership as the company provides services at lower cost at its each and every outlet.

Competitive Strategies Matrix

Sainsbury's will survive and thrive in the fierce competitive environment.

[http://web.me.](http://web.me.com/grahamecox/whatsmarketingallaboutthen/MBA_assignment/MBA_assignment_files/sc0076e8c6.jpg)

[com/grahamecox/whatsmarketingallaboutthen/MBA\\_assignment/MBA\\_assignment\\_files/sc0076e8c6.jpg](http://web.me.com/grahamecox/whatsmarketingallaboutthen/MBA_assignment/MBA_assignment_files/sc0076e8c6.jpg)

### **Recommendation:**

For Sainsbury's critical success factors are the essential areas of activity to be performed effectively in order to achieve the mission and overall objectives. Strategies are designed accordingly and operations can be carried out differently from the current scenario. There are four main sources of CSFs for Sainsbury's: the industry, competitive strategy and industry

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position, environmental factors and temporal factors (KEYNOTE, 2009). UK grocery retailers face huge challenges as they struggle cope with a sudden deterioration in consumer spending. The credit crunch is having a profound impact on consumer confidence that forced retailers to adapt their strategies and make accurate and reliable forecasts essential (KEYNOTE, 2007).

Sainsbury's has no doubt a significant market presence in the industry with good brand portfolio and one of the best price architecture. It provides a range of services and can expand into other areas of business like Tesco did by expanding into other pharmacy and optician service sector. Sainsbury (Sainsbury) is a UK based food retailer with business interests in financial services. It is one of the largest and the oldest UK supermarkets with a market share of around 16% and serves over 18 million customers a week (DATAMONITOR, 2009). Strong presence in the UK would not only enhance the bargaining power of the company but also strengthen its brand image. Like other supermarket chains, Sainsbury's have targeted specific segments of the market and concentrated on preferred format and convenience. It has strong presence in the south of England with opportunity to expand further into other reachable areas via superstores or setting up corner shops like Sainsbury's local (DATAMONTTOR, 2009). Other opportunities available for Sainsbury's include taking over small retailers, even merging if required as grocery retailers are competing within a relatively mature market which has driven retailers to compete for market share through price, range and service. It can also diversify into non-grocery products and services or enlarge existing stores or open different high-street convenience stores. Well sited, attractive and well stocked convenience stores can be ideally placed to develop economies of scales, acquire the best quality sites and meet

consumer needs. The company decision to operate through 169 ' internet based home delivery shopping service' stores can also help to generate more revenue, compete aggressively and can also help in overall growth. IGD forecast convenience's share of the total grocery retail market to increase from 20% to nearly 24% by 2010 of which Sainsbury's probably have a contribution (IGD, 2005). Sainsbury's main media advertising expenditure was on its product range which can be diversified on other activities like charities. Sainsbury's can take advantage by implementing latest information technology for efficient management of inventory, logistics and warehousing to bringing the overall costs down. It can use its available resources to cope with the changing socioeconomic trends and consumer behavior which shapes the future of the industry.

### **Conclusion:**

Sainsbury's has geared itself in the past couple of years and focused intensively on the revival of UK supermarkets, having streamlined its business and announced the introduction of a price-cutting policy. Such activity would be company's necessity to meet the challenges presented by the aggressive discounting strategies of the UK's leading supermarket chains. It has developed its marketing strategies according to the environment and current requirements. Sainsbury's more aggressive approach to growing sales and its new, streamlined structure, which makes it more flexible and better adapted to the demands of the modern market are expected to underpin sales growth. For Sainsbury's critical success factors are the essential areas of activity to be performed effectively in order to achieve the mission and overall objectives.