

Sainsbury's competitive advantage

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During this assignment we will be trying to find out the ways in which Sainsbury's has gained, kept or lost competitive advantage. Competitive advantage is something that makes a business, like Sainsbury's, better than its competitors such as Tesco or Asda. The ways in which Sainsbury's may have gained, kept or lost competitive advantage is through innovation, reputation and relationships; therefore these are the three factors we will be looking into to discover whether or not they have been able to have competitive advantage within their company.

The innovation within the company will come from the introduction of new products and finding new ways of doing things within the company however, it also involves being innovative throughout the whole company and looking at how the employees think. Reputation and relationships come from the company being innovative, for example, if a company introduces new products better than other companies can then they will develop a reputation but they can also develop a reputation by keeping their prices low and appealing to a range of consumers. If a company is able to appeal to a wide range of consumers they are able to gain good relationships with customers, which is what a business needs to be successful.

A good company also needs a close relationship with employees and suppliers as without these people a company would find it difficult to be able to run. However it is not only these three aspects that we will be looking at but also how Sainsbury's may add added value, the profit they make and their market research. We will be deciding whether or not Sainsbury's has gained, kept or lost its competitive advantage by undertaking a number of methods to successfully decide how the company has performed. These

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methods will include primary research, which will involve an interview or questionnaires, and secondary research such as the Sainsbury's website, newspaper articles or company accounts. I feel that Sainsbury's will have lost competitive advantage however by using the research we undertake we will be able to find the answer to our question.

Research Findings

Competitive advantage is gained through good innovation, a good reputation and good relationships. Since doing research on Sainsbury's we have discovered that they are losing their touch and customers because of mistakes they have made when it comes to innovation. However, through primary research in the form of an interview an employee of Sainsbury's feels that they are still pleasing customers.

What innovative products have Sainsbury's introduced?

- Nectar Card
- Using Accenture
- Internet Shopping

How do you keep a strong relationship with customers?

All customers who are signed up to Nectar Card and other clubs receive regular newsletters and money-off coupons to show them we care about their custom.

How does Sainsbury's feel they add value to their products?

- Quality Service
- Quality Food

What market research does Sainsbury's undertake to keep giving people what they want?

Customers are regularly subject to in store questionnaires that they can fill out to tell us what they want. This helps Sainsbury's know how to please customers and to think how we can achieve this.

How do you cope with competition?

Sainsbury's satisfies customers because we know what they want which is due to good market research. We also keep our prices competitively low and make sure that everything we do is of a high standard.

How are shareholders taking the slump in share prices?

Any shareholders of Sainsbury's receive quality service from us and all of them are happy and proud to be associated with the Sainsbury's brand.

Sainsbury's decided to outsource their IT capability to Accenture¹ believing that they would benefit from huge cost savings giving them competitive advantage on their rivals. However, four years later Sainsbury's are losing a large percentage of their market share to rivals like Tesco¹. When Accenture was first announced to be taking over Sainsbury's IT, Sir Peter Davis, who was Chief Executive at the time, said he felt that Accenture would 'help us achieve real competitive advantage and efficiencies quickly and cost effectively.'² However all this new system has done has send Sainsbury's into a slow deterioration failing to get goods onto shelves, which in turn has meant customers are unable to buy the goods they require.

This problem is affecting the impact that Sainsbury's has on the market but they have tried to improve the situation with the introduction of the 'Nectar

Card', which is a card that customers can use to collect points when they purchase goods and in turn the points can be used to buy goods. Internet shopping has also been introduced by Sainsbury's where customers can buy all goods on the net and have them delivered to their door, however this is also an idea favored by Tesco, Waitrose and Asda. Tesco is market leader at the present moment with Asda following closely behind meaning that Sainsbury's is slowly slipping and are making their first ever loss this year³.

Sainsbury's is now trying to regain the faith of customers by making sure that any relationship they build is a good and stable one. Sainsbury's aim to ensure that all colleagues have opportunities to develop their abilities and are well rewarded for their contribution to the success of the business. The company feels that if they meet their customers needs effectively by providing the best quality and choice to meet everyday shoppers needs they will thereby be providing shareholders with good, sustainable financial returns.

The tactics that Sainsbury's has used to gain, keep or lose competitive advantage have all been discussed above and using this research we now have to decide whether or not the company has been successful in the ways it has used.

Discussion

Shareholders of Sainsbury's should be disappointed this year as it is the first time they have made a loss which in turn means that all stakeholders will lose out if they decided to sell their shares. It could also have a long term effect on the company because if shareholders decided to sell shares quickly

before prices slumped anymore they would be unable to sell them on because people are not going to buy shares of a failing company or any company who has had financial problems in recent years.

However if we were to look at the primary research undertaken we would see that an employee of Sainsbury's feels that any stakeholders of Sainsbury's, including shareholders, is happy to be with the company despite it losing money and no longer being market leader. The question asked about market share was passed by the employee but through secondary research we can see that Tesco is market leader and Sainsbury's isn't even in second place showing the rapid decline in peoples faith in the Sainsbury's brand.

Sainsbury's are trying to keep competitive advantage through innovation, reputation and relationships but during my primary research we can see that they feel they have introduced innovative products in Internet shopping, Accenture and the Nectar Card. However, many other supermarkets favour Internet shopping which means they are not a monopoly in this market and are far from leading it by looking at their overall market share. Accenture is a system they introduced but has so far failed to work and is causing problems within stores, which means that because goods are failing to get onto shelves customers are deciding to do their shopping somewhere else.

Not only has Accenture not been innovative but it has also destroyed relationships with stakeholders of Sainsbury's because they don't have faith in the company when it comes to stocking the goods they want and need. Research shows that Sainsbury's reputation is falling because it seems that

Sainsbury's no longer holds a high stake of market share and has been overtaken as market leader. We can also see that the Sainsbury's employee feels relationships with all stakeholders in great with customers receiving regular newsletters and in store questionnaires. This is showing customers that they care but they are still losing custom because of mistakes and newsletters won't stop customers from going elsewhere if they think they'll get a better quality of service, food and value for money.

One thing that Sainsbury's does well is appeal to all markets: those with children, single people, the elderly and married couples. The way they are able to do this is because the products sold in the stores are items that everybody needs but then they also have 'clubs' that are open to different types of people, some of the examples of the clubs are Little Ones Club and Drinks Club.

They use their innovative Nectar Card to appeal to everyone and because you can use them in different stores they appeal to a wider variety of people rather than if they were just for use at Sainsbury's. To appeal to the public Sainsbury's also uses celebrity chef, Jamie Oliver, to advertise its goods, which is a way of bringing in a good reputation and appealing to all markets. If customers think that a celebrity is involved with a brand name they are more likely to use it because a celebrity involved often makes the public think that a place is worthwhile.

Sainsbury's is faced with a lot of competition and although they are not market leader at the present they feel they are trying to regain a large chunk of the market share and win customers back. As we discovered during

research, Sainsbury's are making their first ever loss this year which means that competitors are able to push further ahead in order to win over customers and make themselves market leader with a huge market share. During the interview with the Sainsbury's employee we can see that they feel the way they feel that Sainsbury's add value is through quality service and food. However through secondary research we found that service was poor due to Accenture as Sainsbury's were unable to get products on shelves as they ran out.

This was due to Accenture being a failure to the company and losing them huge money. As the company's service was poor if customers weren't able to get the products they required it is most likely they would have gone to a competitor supermarket, which is why Sainsbury's are no longer market leader.

Market research is often carried out in Sainsbury's according to the interview that was undertaken with the employee. They stated that customers of the company are often subject to in store questionnaires and asked what they want, how they feel and what changes they would like to see being made. However if we were to then look at secondary research it seems unlikely that any comments made by customers are actually taken into consideration as food is still unable to get on shelves and once again this shows by the fact that Sainsbury's are making their first ever loss this year. The employee stated that Sainsbury's care about their customers because they say that newsletters are regularly sent out however, we cannot see that what customers think is taken into account as Sainsbury's still seem to be running in the same poor quality way.

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Conclusion

This assignment was to discover whether or not Sainsbury's have gained, kept or lost competitive advantage. To do this we had to do a mixture of primary and secondary research into the way Sainsbury's is run and the way the company is performing at the present moment. Once research was carried out we then discussed it and decided that there were a large number of factors that interconnected to what is felt has lost Sainsbury's competitive advantage.

Looking at the discussion where we have analysed the research that was conducted we can see that Sainsbury's are a slowly failing company and this decline has been mostly since the introduction of Accenture. The innovation that Sainsbury's has had, has either been very poor for example Accenture, or has also been favoured by other companies including the current market leader, meaning that Sainsbury's has no competitive edge on other companies. We also saw that Sainsbury's felt that they added value to the company by quality of service and products but as we also saw in the discussion that led nowhere.

To read this assignment and the research that was carried out to go with it you would automatically feel that this company was a failing establishment that was going nowhere and was sinking. It is possible that Sainsbury's could turn their misfortune around with help from experts who could help them appeal more to the public and reconstruct the way their stores work for example, once the contract with Accenture has run out do not renew it but until then improve all the other problems associated with failing. Sainsbury's will not become market leader for long time, if at all, if they do make the <https://assignbuster.com/sainsburys-competitive-advantage/>

changes that are needed but to be able to be thought of as a 'good' supermarket they need to change.

Overall, to answer the title question it is evident that Sainsbury's have lost competitive advantage by ways that have been spoken about during research and the discussion and as read above we can see how it is possible for Sainsbury's to change themselves.

Appendix

During researching into Sainsbury's competitive advantage a telephone call was made to their head office in order for primary research to be carried out. We were transferred to their Corporate Communications Department and when they were asked about the competitive advantage they felt Sainsbury's had gained, kept or lost, we were informed that no information could be given at this time and were directed to the Internet to look for our own research.