

Principles of marketing coursework



NOTES:

- Don't think ' product base' or ' consumer base' are actual terms, so have tried to change them
- Highlighted things: yellow = check/not sure about; orange = things I've changed
- Bit of a concern about the ' me too' products linking in to specialisation of competitors, but after reading it again and changing it a bit I think it might be ok. See what you think.
- Some quotes I found – not sure if we could get them in somewhere..
 - o Waterstones: “ targeting the academic and serious reader” WATERSTONES WAS SOLD BY WHSMITH IN 1998!!!
 - o “ Market nichers avoid direct competition with the big companies by specialising along market, customer, product or marketing-mix lines.” (POM p 45)

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Term 1 2009

2) Critically assess the key segments (both product and market) that the company is dealing in, and develop a product/service proposition for these segments.

WHSmith, as a brand, targets the mass market. Mass marketing aims at generally satisfying 87. 5% of the total market, “ acting on the assumption that the nature of most people's demand for the product is roughly similar”. (QUOTE AND REF) This is reflected in its neutral and functional store

presentation, acting as a blank canvas for its broad, undifferentiated product portfolio. The significantly large portfolio covers a wide range of various product categories, such as books (adults and children), stationery, cards, DVDs and CDs, PC and electronics, travel, and newsagent (e. g. lottery, newspapers, magazines, cigarettes and confectionary), satisfying a significant amount of basic consumer needs and demands.

Assessing the company's strengths, WHSmith's broad product portfolio creates a competitive advantage in terms of greater financial security in regards to the product life cycle model, as shown in Figure 1.

This business strategy ensures that different products are at various stages of the product life cycle, such as product growth or maturity, enabling the 'cash cows' and/or 'stars' to generate income to fuel further investment in 'question mark'/'problem child' products, development and extension strategies, seen in Figure 2. Explain further???

However, on reflection, it would appear that WHSmith have diversified too far. The product line depth, although allowing the company to target the mass market with a vast array of product categories, has a significant lack of product differentiation and unique selling points, reducing the competitiveness of the company. Such products, without distinctive presence in the market, are easily replicated, leading to a variety of "me too" products being sold on the British High Street. For example, Waterstones, "the leading Bookseller on the High Street and online" (www.waterstones.com) have excelled in the retail industry predominantly focusing on books, Clintons is the "largest specialist retailer of greetings

cards” (www.clintoncards.co.uk) and HMV is the self-proclaimed “leading specialist retailer of Music, DVD/Video, Computer Games and Related Products” in the UK and Ireland (www.hmv.com) (GRAPH) – not explaining “me too” products – exemplifying specialisation...??? need to give another example like Staples (me too) possibly... then make specialisation a different paragraph RESEARCH “ME TOO”?? OR IS IT OK REALLY...???

It appears that one significant reason for WHSmith’s problems is the increasing competitive forces it is subjected to in the market. Evidently, High Street competitors are specialising in one particular product segment, focusing on their core competences and thus gaining a reputation for expertise and consistency – a valuable intangible asset. Although WHSmith had monopoly power when it first opened in 1792, the emergence of new competitors, resulting in an oligopolistic market structure, makes product differentiation to gain a competitive advantage imperative.

WHSmith’s products are price elastic in demand, meaning that, in the current economic climate especially, cheaper substitutes are becoming more widely available in many other retail outlets, such as Supermarkets, as consumers are seeking value for money and low cost products. In recent news, the large chain Woolworths, another retailer of undifferentiated and diversified products, went bankrupt after a dramatic decrease in sales, catalysed by the economic downturn. WHSmith’s lack of product differentiation, in amongst a competitive market with specialised retailers and cheap supermarket substitutes, could result in decreased sales and reduced customer satisfaction if not addressed. PUT INTO QU. 1 POSSIBLY???

WHSmith's recognisable brand is obviously another company strength, reinforced by its prime position on UK leading High Streets all over the country. Although WHSmith sells mass market products, its consumer base lies predominantly in the middle market, aiming specifically at social classes A/B, targeting the higher managerial, administrative and professional demographically defined consumers. WHSmith's reputation for being a "trusted retailer" (www.whsmith.com) at affordable prices appeals to the middle market's consumer ethic, resulting in a degree of brand loyalty and repeat purchasing.

However, although it has credibility within this middle market, the established brand has failed to significantly update its image to attract a new, possibly younger market, as its competitors have successfully done so. For example, Borders have successfully integrated a small Starbucks cafe into their stores, creating an informal retail experience and appealing to the modern day 'coffee culture'. Although the plain designs of WHSmith's stores are functional and adequate for instant purchases, the retail environment is less than inviting for a new consumer, compared with the somewhat 'retail sanctuary' of Waterstones' warm and welcoming store presentation. A brand is augmented with added values which should be perceived by consumers as individual. Currently, WHSmith, as a brand, does not sufficiently evoke distinctive features to differentiate its products from competitors, unlike companies such as Paperchase, who are renowned for uniquely designed stationery and gifts.

In response to this, in order to increase WHSmith's competitiveness within the market, the company should use the growth strategy 'Market

Development’ from the Product/Market Expansion Grid, which aims to identify and develop “ new market segments for current company products.” (Principles of Marketing, chapter 3, p146) WHSmith should therefore rebrand to target an additional new market segment and use specialisation to minimise its broad product portfolio, modifying the existing strategy to ‘ Line Extension’, occurring when a company “ extends existing brand names to new forms... of an existing product” (Principles of Marketing, chapter 4, p530), to focus on its core competences, such as books, stationary and confectionary. Rebranding involves renewing the impression of a company and reintroducing it to the market in a new image. WHSmith should aim to target the affluent, younger generation (aged 22 to 30) with a high disposable income to spend on luxury products, i. e. new and upcoming business executives who demand quality and aesthetics. This has proved successful with market competitors such as Borders and Paperchase. The marketing mix provides a guideline to achieve this proposition:

HOW IS IT GOING TO BE DISTINCTIVE/DIFFERENT??

PRODUCT

Much like its successful competitors, WHSmith should concentrate its expertise on a smaller, more specific product portfolio, specifically following their consumers’ habits with sales of newer lines to attract a younger consumer segment and differentiate them from competition in the concentrated market. For example, unique, high quality stationary products, such as novelty office supplies aimed predominantly at the new target market, a range of adult non-fiction and best-selling novels, children’s books (to cater for young families) and the newsagent section which sells confectionary and newspapers/magazines for travelling customers. WHSmith

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has a reputation for reliability in these product segments – the company should therefore deter away from the competitive entertainment market due to the increase in digital music sales. NPD Vice President of Entertainment Industry Analysis Russ Crupnick claims, “ With digital music sales growing at 15 to 20% and CDs falling by an equal proportion, digital music sales will nearly equal CD sales by the end of 2010.” (www. foxmusic. com) Market orientation via market research will help to assess the exact demands of its consumers for particular products, allowing the company to target the market with increased accuracy – a major source of competitive advantage.

PRICE

By targeting the higher end of the market, the brand will gain a reputation for quality, a major intangible asset, leading to consumer loyalty. This brand association would allow WHSmith to charge premium prices which results in high profit margins.

PLACE

WHSmith’s somewhat dated and plain store concept could be revitalised to attract younger consumers, much like Borders. A more inviting purchasing environment would enhance the consumer’s retail experience and lead to repeat purchasing. The reduction in product line depth would allow the company to use its space more efficiently, allowing WHSmith to offer seating arrangements to give the consumer a pleasant browsing experience.

PROMOTION

To rebrand effectively, WHSmith should extensively promote its new image and products via advertising and sales promotion, “ to persuasively communicate customer value and rebuild customer relations” (Principles of <https://assignbuster.com/principles-of-marketing-coursework/>

Marketing.....), leading to “ word-of-mouth” advertising. Although advertising is expensive in the short run, especially on such a large scale, the investment will give high returns as WHSmith reinvents itself.