

Jd wetherspoon
strategic analysis
marketing essay



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The British pub chain JD Wetherspoon, started as a local pub in London by its Chairman Tim Martin in 1979. It has since grown and the company now owns over 700 pubs all over the United Kingdom. The chain which is based in Watford operates pubs that serve cask ale at low prices with long opening hours. The company also own and run a chain of hotels (known as “Wetherspoon Lodges” or “WetherLodges”, but now as Wetherspoon Hotels, following a rebranding exercise in September of 2009) in the UK. The purpose of this paper is to first point out the sustainability of JD Wetherspoon’s strategic position. And draw an analysis on key external drivers of change affecting the company through Porter’s Five Forces model and PESTEEL model.

Through all of the analysis, explore the key activities in JD Wetherspoon to identify its core competences and how the company is “value-added”. In addition, some relevant examples will be placed onto the models to further illiterate the point.

Model 1: From the Porter’s generic position model (1985) analysis, a clear picture of the strategy JD Weatherspoon emphasis is on differentiation and diversification. It insisted on retaining pubs that do not provide any form of entertainment except having a comfortable place to enjoy a conversation. For instance, Wetherspoon pioneered having smoke free areas in pubs to cater to the non-smoking customers. It started converting some of its pubs to become completely smoke free ones even before the legislation was passed down. And when Wetherspoon sees a strong growth in food sales and a decline in its bar sales, it dedicated on the development of food by having

an extended menu, with table service that offers customers a unique, comfortable and welcoming environment.

But with their newer chain of bars, the “ Lloyds No. 1” builds on the foundation of its success and diversified into providing patrons with contemporary music videos and in some cases a small dance floor.

Moreover, the organisation’s culture of JD Wetherspoon is one of being innovative and creative. Wetherspoon is the only large pub firm which opens all its pubs early in the morning, serving breakfast as well as other meals and drinks.

Relationships

Cost management

Satisfied customers

Change-ability

Differentiation focus

Differentiated product/service

JD WetherspoonIn another hand, Wetherspoons also own and run a chain of hotels through its position as a disciplined innovator. Its organisational culture is one of keeping innovative and creative that they aim to invest £250 million in 250 new pubs across the country over five years. They would continuously focus on the area of innovative products and service which differentiate them from other competitors (wiki. jd-wetherspoon. operations. com).

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Model 2: Like Porter's generic strategy, Bowman's strategy clock is also a suitable method to examine organization's competitive position by utilizing different kinds of options.

JD Wetherspoon is plotted between line 4 and line 5. This means it is somewhere between a differentiation strategy and a focused differentiation strategy. It is quite imperative for a pub to be different from other competitors in this company with such a high level of competition.

The key differentiation adopted by Wetherspoons to differ from its competitors is its long operating hours and the "feeling of home" environment of its outlets. The company is the first pub to introduce no-smoking areas, the first to ban smoking as well as serving food all day. The company features wine selections from some of the top wine-makers from around the world like the South African Bruce Jack. Picked from all of the wines available in the global market, they are chosen to compliment the food selection available at Wetherspoons outlets no matter the cost. In addition to the measures undertaken to ensure quality, the corporation's culture focuses on how to prepare an excellent environment with their extremely strict standards and great care, and improve the quality of living of people who make them grow. And each Wetherspoons employee is trained high skilled to make sure the customers can obtain knowledgeable service.

Model 3: The PESTEEL model is utilized to review an organization's strategic positioning, company direction or marketing proposition from the outside perspective and for examining the external environment in which it operates now and further.

The current global economic crisis is really a big issue affecting JD Wetherspoon. It has close dozen of outlets that are underperforming along with its staff as it feels the force of the recent recession. With lesser money in their pockets, customers will reconsider before they overspend in Wetherspoons due to the hike in other products. The ever increasing inflation coupled with the recent increase in VAT by the UK government make sales decline even more evident.

The socio-cultural aspects of life in the UK is slightly different, customers are not just going to pubs for beer, more and more are choosing to relax and talk in its premises. This has help the pubs attract more customers who are looking for a sense of home outside of home. And lately it seems, it has been fashionable for the younger crowd to hang out in its pub. Hence, Wetherspoons have launched several new pubs and hotels. It's not just drink but about cheap breakfasts and hospitality. (The Sun, 2005).

Technological advances have allowed Wetherspoon to develop various innovative beer brewing equipments with a higher performance compared to before. Technological changes can also create new processes which help to reduce costs, improve quality and lead to innovations which in turn benefit its consumers as well as the organizations as a whole. Taking its recent approach to utilise e-learning, JD Wetherspoon has adopted a new innovative way of training staff that is unheard of in the industry. And their bars play corresponding music videos that are displayed on wall televisions. These technology advances had created a leisure and comfort place for loyal customers to relax after work which improves Wetherspoon customer's service.

When talking about environmental forces such as global warming and pollution, people might think about the failed attempt by JD Wetherspoon. Its use of eco-friendly technology at its first green pub, the “ Kettleby Cross”, missed its energy saving targets by a country mile. However, after six months it managed to achieve energy savings of 8%, significantly lower than originally planned (caterer search. com). This helped the company gain more reputation and build a healthier brand image. It has also adopted a recycling program for its waste materials which focus on energy conservation. (Wetherspoon. com). By creating a single large drop of point for its recyclable material, the vans which do the deliveries pick them up at the end of each delivery run. Also Wetherspoons begin to implement new operational alternatives to reduce their water usage in all of their outlets.

Model 4: Since Porter’s (1980) outlined the Five Forces model which impacts a company’s competitiveness, this has become another significant method to analyze the industry structure of an organization.

Potential entrants

Seeing the success of JD Wetherspoon and other. pub operating chains, many new entrants will want to have a piece of the pie. But it is not easy to step into an already established market as cost of start-up is just one of many. And with the diversification of business the company has undertaken by spreading into the budget hotel industry as well as running pubs that previously not of JD Wetherspoons style and ambience, it is not financially or logically feasible for a new entrant to attack all fronts at the same go. JD Wetherspoon have managed to through the years not just refine their core business but also manage to spread out to different areas with some kind of <https://assignbuster.com/jd-wetherspoon-strategic-analysis-marketing-essay/>

success, take the dining side of its business, it has over time climb up in terms of contributing to the profit margin of the company. The company also priced out most new operators. By adopting a “ low profit margin” way of running its business most new pub operators could not financially compete as they could not the generate the same amount of turnover JD Wetherspoon manage to that makes this kind of approach successful. With exception to a few specialty pubs, JD Wetherspoon manage to have strong foothold in the market. Meaning it has a high immunity towards this “ force”

Threat of substitutes

The treat of a substitute emerging is fairly low as it serves basic food and beverages. From its beer retailing perspective, the market is already saturated with many other big players as well as smaller bars and pubs and also beer will not be easily replaced as there are no natural substitutes for beer. The only threat here is that other outlets manage to offer what its pubs offer and at a lower price.

Suppliers’ bargaining power

As with all hospitality lines, if you lose the capabilities to provide the service or product you are meant to be dealing with, your business is done. If the suppliers were to rally together and hold the company for ransom over ingredients or product pricing, the whole of JD Wetherspoon will come to a stop.

The power of supplier bargaining represents a high threat to the operations of JD Wetherspoon. Its core business is dealing with patrons who either come in for food or alcohol. With that in mind, both “ wants” are either freshly

made or brewed in a brewery. If the supplier in charge of a particular ingredient is to hold up the goods, the business will be in a standstill as food ingredients once the stockpile runs out unless there is an alternate supplier which has supplies what is needed. And when it comes to that the other supplier might charge an exorbitant fee as there might not be anyone else with stocking that particular ingredient. It's the same for the beer ingredients, if the supply-chain for the ingredients for brewing the special ale that JD Wetherspoon serves is broken the business will be badly affected.

As a huge client, issues like the ones highlighted above are rare. Priority treatment might even be received as the amount that changes hands day to day is significant. The only thing that might happen is industrial sabotage where bigger pub chains who share a supplier try to coercion them into not supplying to you or increase prices.

Buyers' bargaining power

One of the key selling points of JD Wetherspoons premises is that although it has grown in size, it retains its customer orientated approach. Even with the ever growing number of specialty pubs popping up and regular pubs and hotels upgrading the food and/or drinks they serve, the customer loyalty built up over the years is still there. Since the company listens to its customers and conducts regular quality checks on its own premises, it has provided customers with no reason to move on to other specialty bars like Bath bars or the Aldgate bar. The company sells by differentiation so it caters to its own niche crowds.

Rivalry between competitors:

Competition may take the form of price competition, advertising and promotion, innovation, or service during and after sale. With any business entity, unless it holds a monopoly on the market, it will have to deal with the threat of rivals. In the case of JD Wetherspoons, the major threat comes from another pub chain, Punch Tavern PLC. It is UK's biggest pub chain operator with a portfolio of over 6000 outlets. And with the company's diversification, came along a multitude of other threats associated with them.

The company seems to get through this problem by cross advertising and through running promotions or reducing cost of product to bring the crowds back in. By doing so you might win the hearts of your customers and they will come back to you whenever there is an urge to drink.

With the core business being consumption of alcohol and the amount of pubs around each town, it has to rely on its strategy of lowering cost to stay competitive in the market.

Model 5: This model presents an overview of the core competencies of JD Wetherspoon.

Brand reputation

Employee management and training

Advanced skills of making innovative products

Well trianed employees

High-tech equipment

Large amount of chain pubs in UK

Large sales volume

Innovative research team

Logistics

Supplier

Low level technicians

Knowledge of business

General customer service

Skills of making beer

Resources which every production requires, is a valuable asset to any firm.

Be it supplies in its kitchen like raw ingredients behind the bar are each carefully picked. With the large network of outlets throughout the country, they have to have a very well maintain logistic system to ensure all outlets needs are taken care of. This is something the company excelled in and even managed to incorporate its green plan into driver.

Its key competency that drives its business on is its human resource management and training. The company invest in new training equipment to improve the skills of the staff. The chairman of the company also conducts

checks on its outlets. It will provide first-hand knowledge on how the outlet is running and picks up faults for the store manager to iron out before a customer complaint about the matter. This strengthens the brand reputation as well as staff relationship in the company.

Model 6: This model comprehensively analyzes the value added element of JD Wetherspoon and links the primary and support activities together to give a broader view of its strategies.

Value Chain

Infrastructure

Size of the company scope of the operation

HRM

Support activities Unique ability to motivate people

High-quality training and development

Technology Development

used to improve training; create new ways to reduce cost; develop new innovative products

Procurement

Margin close relationship with suppliers to ensure long-term contract; carefully selecting by professional groups

Inbound Logistics

Little dependence on supplies

Operations

Heavily automated for cost savings;

High quality production

Outbound Logistics

Shopping online

Marketing & Sales

Advertise

Services

Other related product

Primary activities

Primary operation is to provide certain value added of the company, such as making beer and food with an extreme strict standard using their own equipment specifically. Wetherspoon has created a very dynamic value chain. The close relationship with the suppliers which ensures the long-term supply of high quality spelt is the initial part in the whole process. Human Resource Management is of particular importance here, because the employee who provide the great services can help the company gain value added. And Wetherspoon has recognised that their employees in one of the most important factors for their success. It provides great working environment to the staff, and treat all employee equally to ensure they may feel themselves valued by company and would continue providing great service. Even outbound logistics, such as making contracts for supplying of various commodities, depend on support activities such as HR because it all

depends on the negotiation power of the person in charge to make healthy deals. (International Survey of Zero Waste Initiatives, 2006) Marketing, which includes advertising and acquisition of funds by creating awareness about the project worldwide, is directly related with support activities such as usage of internet for making awareness, asking for funds and making people aware about recent additions to the company itself. According to the analysis, we can see that JD Wetherspoon primary activities and supportive activities of Wetherspoons have provide an outstanding competitive advantage

In concluded, it is critical for JD Wetherspoon to initiate in social involvement and keep its current strategies directed towards positive views on the organisation as a whole. Carrying out future endeavours should consist of internalization and the constant development of the company as a whole; concerning with performance, relations, innovation, and the constant look at their external environment. The most important threat for JD Wetherspoon is new brand pubs chain. As Wetherspoon is in a highly competitive pub, they have to be aware of the threats in their specific situation, and continue searching new approaches to take full advantage of their opportunities and minimize their threats.

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