Minimising threat of downturn at mands

Select a retail sector with which you are familiar. What is the likely impact on the sector of a downturn in the growth of consumer spending- What strategies should a (named) retailer in the sector adopt to minimise the threat?

Following the financial and economic crisis in 2007, the reduction in consumer spending had a significant impact upon major high street fashion brands including Marks and Spencer, which saw sales and profitability fall significantly. In response to this, M&S adopted a strategy of contraction, which entailed the closure of a number of stores, particularly in the Simply Foods outlet sector. However, despite the fact that this ostensibly led to a reduction of costs, it can be argued that this approach also had an adverse effect upon the marketing mix and competitive advantage of the business. This was proven by the fact that M&S lost market share as a result of this strategy while other fashion stores, such as Primark and Zara maintained their growth pattern through this period.

It is considered that the strategy M&S should have adopted should have been based upon a more proactive approach. In this respect, there are two elements that the corporation needed to address. The first of these is to ensure that a policy of value chain management is re-enforced, which would reduce costs and therefore prices, while at the same time allowing the business to maintain its profitability levels. For example, had the marketing message for M&S been more focused upon delivering consumer savings rather than news of store closures, which forces additional cost on the consumer in terms of travelling to the store, it is likely that consumer loyalty would have been maintained at a higher level. Secondly, there was a need to ensure, through appropriate marketing research, that the products being offered met with the changing demands and needs of the consumer during this period. Similarly, it is likely that had the marketing focus for the business during this period been more directed towards lower cost elements and savings available to the consumer that this would have also contributed in maintaining its market share within the fashion sector. In other words, the corporation needed to adopt a proactive rather than reactive approach to marketing during the economic downturn.

There is strong movement amongst supermarkets to buy in consumer products which are not traditional supermarket lines (e. g., TV sets). The supermarkets do not carry a full range of these items and are not committed to carrying them all the time. What are the strategic reasons for this kind of activity? What are the risks?

Over recent decades, Supermarkets in the UK have continued to diversify the range and scope of the products and services they offer to their customers. This has included an expansion into non-food products, such as technology and entertainment goods, home furnishings and even the inclusion of service based products, such as banking and insurance offerings.

The strategic reason for this diversification has been driven by two factors. Firstly, there is the limitation being placed upon these corporations through competition legislation. For example, when Morrison’s recently purchased the Safeway chain, the competition regulator imposed a condition requiring the supermarket to invest in some of the stores in order to maintain the competitive equilibrium in the sector. The second factor that encouraged the incursion of supermarkets into new sectors is the fact that the UK retail grocery sector has reached saturation point within the industry life cycle. This means that further growth can only be achieved at the expense of other competitors. This tends to lead to the development of a more aggressive and retaliatory form of marketing, which can be damaging to the brand and its market share.

However, the development of a diversity strategy can attract risks for the brand and its management. In particular, these risks occur in two instances. Firstly, the business will be competing with dedicated competitors in the new sector, who are likely to have more expertise and knowledge about the targeted market, and are therefore able to provide effective competitive barriers to new entrants. Secondly, there is the need for the supermarket to allocate significant resources and capital to the new product or service sector. This resource allocation can have the effect of reducing those available to maintain its core business, in this case the grocery sector, which can result in the business losing share to other competing corporations. Both of these factors can reduce the profitability of the corporation, which can adversely affect the ‘ added-value’ it returns to shareholders. It is therefore important for the supermarket to conduct a full assessment of the internal and external business environment before considering such diversification.

Evaluate the benefits of ECR (Efficient Consumer Response) for retailers? Do you think the benefits are sufficient to ensure co-operation between suppliers and retailers? Your answer should be applied to a retail sector of your choice.

Efficient Customer Response (ECR) is a relatively new supply chain process, which is designed to ensure to eliminate the efficiencies that have previously been experienced within the supply chain. For example, the objective is to eliminate inventory wastage and, as a consequence, ensure that the products delivered to the end user satisfies their needs and demands. For example, in the retail fashion sector, ECR would be used not only to ascertain which products are proving most popular with the consumer but also to ensure that the quantity of supply, in terms of sizes etc, is being met.

One of the most innovative methods of ECR within the retail sector has resulted from RFID technology, a process that Marks and Spencer has rolled out through most of its UK stores. The benefit of this system is that it allows the corporation’s direct access to stock movements on the retail floor. For example, a footwear supplier to M&S using this system is not only able to monitor in-store inventory levels in specific locations but also identify those sizes that are proving to be most popular with consumers in this location. The immediacy of the access to this information allows the supplier to both adjust future production schedules to meet the size determinants demanded by consumers and ensure that differentials in location demands are factored into the distribution network. For M&S, the introduction of the RFID has had several benefits. These include a reduction in the cost of storage and wastage and an improvement in the level of satisfaction and quality of service provided to its customers. Both of these improvements have also service to reduce the level of capital required to service the corporation’s inventory requirements and improve its brand image, which has resulted in an increase in profitability for the corporation.

For a retailer with which you are familiar explain how the image of the company is related to its positioning and how this is reflected in the management of the retail mix. Is the company managing these elements well?

The objective of brand image is to achieve the objective of firmly position the organisation as a leading competitor within the target market in a manner that will attract consumers in this segment. Within the retail sector, this means that the corporation needs to pay attention to what has become commonly known as the 7r's, which include the following:

- Product offering
- Service offering
- Retail pricing
- Location
- Visual atmosphere
- Localised marketing
- Quality of customer service

It is the effective management of this mix that will determine both the effectiveness of the brand's management and impact upon its competitive advantage within its chosen market sectors.

Marks and Spencer Plc is a UK high street retailer which focuses upon three main retailing sectors, these being quality fashion, foods and home-ware products. In the early 2000s, prior to the abortive takeover attempt by Philip Green, it was noted that M&S were experiencing failings in several areas of the retailing mix. For example, in terms of the fashion product offering, the corporation’s products were failing to delivery new and innovative designs that were aimed at satisfying the needs and expectation of the target consumers, particularly those within the younger target audience. Consequently, the corporation’s market share in this area was rapidly been lost to new and innovative brands such as Next and Gap. Similarly, in both its fashion and food products it was failing to deliver to consumer expectations for quality at the right price, thereby failing to address the inroads that other retailers, particular the low-price supermarkets and fashion retailers were making into these sectors.

Furthermore, the location and atmosphere of the M&S stores were also causing a problem. In this respect, it was considered the brand image had become tired and uninviting. This situation was not helped by the adverse impact of the failures in the corporate strategy was having on employees, which meant that the quality of customer service was also was also reducing. It took a change of management in 2004 to address these retail mix problems and revive the M&S fortunes in a positive manner, as evidenced by the fact that in 2008 it returned its first £billion profit since 1998.

How can service enhance the management of the retail mix? Illustrate your answer with examples from retailers with which you are familiar.

In retailing, service is perhaps the most important factor in determining the success or failure of a brand. In this respect, the term services applies to both the quality of the product in terms of the extent to which is satisfies consumer demands and expectation and the quality of service that is provided by the retailers employees, particularly those on the front line, namely those who have direct contact with the customer. Failures in these areas of the retail mix will result in the loss of the retailer’s competitive advantage and, more importantly, the migration of its core consumer base to other retailers within the same retail market sector.

In the early part of the last decade (2000s), Marks and Spencer, one of the most renowned UK high street retailers, was suffering from service failure in both of the areas described. Its products, particularly those in the fashion sector, were failing to meet with the changing demands of the consumer. In other words, it was failing to deliver new fashion products that would appeal to the consumers at a price that was expected. Similarly, due to a lack of investment in human resource programmes and initiatives, the standard of quality service delivered to the customer by employees was becoming a deterrent to customer loyalty.

Following a change of management in 2004, M&S reinvented its brand image. This was noticeable in its marketing campaigns which, from the fashion aspect, introduced a new range of innovative and exciting products aimed at a wider target audience in terms of age, using celebrities such as Twiggy to enhance its appeal. The ‘ Your M&S’ slogan was also extended to the M&S food sector, which has resulted in improvements in the market share attracted to this target segment of the corporation’s consumers. Similarly, investment in HR policies that have increased employee involvement has also resulted in a noticeable improvement in the quality of service being delivered in-store to the customer.

Recommend an internet strategy for a retailer with which you are familiar. Indicate how this strategy fits with their mainstream strategy

With online retailing in the UK expected to double within the next five years , it is not surprising to find that the four main brands in the UK grocery sector, Tesco, Asda, Sainsbury and Morrison, have sought to expand their brand presence within this medium in a manner that augments their mainstream marketing approach through the TV and print media. To compete successfully with these low-cost brands, this means smaller competitors such as Waitrose, have to fully suit .

In essence, to achieve this competitive position and maximise its growth potential in this media, Waitrose would need to adopt a multichannel online strategy. In addition to a corporate website, which Waitrose has already developed, this means that Waitrose needs also to develop other online marketing channels through which to communicate their message to the online retail consumer. These will include the use of social networks, where the business will be able to communicate directly with consumers and address their concerns and also the direct online promotional opportunities available, such as banner and display advertising available on search engines and other internet sites.

Providing the online marketing strategy adopted by Waitrose presents the same characteristics as its in-store experience, this approach will enhance and complement its offline strategy. In this respect, in terms of the website it means that there should be ease of access and navigation , security of payment, sufficient depth in the range of products being offered and a high level of quality service being offered to the consumer. If these issues are appropriately addressed then it will result not only in attracting and retaining online customers, with the resultant increase of revenue generated from this source, but will also improve awareness of the brand when the online consumer is making purchasing decisions in the high street retailing environment. In other words, it is apparent that both the online and offline strategy would complement each other and result in improved the performance of the Waitrose brand as well as the loyalty of the consumer.

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