

Coles and woolworths case study essay



**ASSIGN
BUSTER**

1. The key to Woolworths' faster growth than Coles Myers may be attributed to several reasons, one of them being its emphasis on diversification which saw it enter markets such as petrol.

Woolworths offered everyday low price (EDLP) on established brands, a strategy akin to Wal-Mart in the United States which presents a competitive advantage against Coles Myers' Kmart and Target divisions which maintained a 'high-low' pricing strategy. Woolworths CEO Roger Corbett who had prior experience with the management of Wal-Mart chain in the US, implemented 'Project Refresh' in 1999 to restructure the company's supply chain, and to introduce new technology and the EDLP structure to its supermarkets. Furthermore, Woolworths' success in entering the petrol-retailing sector resulted in its ability to capture valuable market share six years before Coles Myers responsive entry into the segment. Woolworths' managed to present itself as The Fresh Food People which typified an esprit de corps, providing marketing triumph over Coles which were already behind as reflected by its 'second mover' status. Woolworths' ability to retaliate to competitive actions consistently positions the company in direct competition. In order to maintain market commonality, under high likelihood of attack, Woolworths acquired Dan Murphy's chain of liquor stalls in response to Coles Myers acquisition of Theo's liquor chain in 2003.

In addition, Woolworths is able to maintain a competitive edge as its implementation of the EDLP strategy forced Coles Myer to cut its prices as a competitive necessity. However, Woolworth's ability to minimise its supply chain costs as a result of 'Project Refresh' enabled the company to maintain greater margins in the price war. Woolworths' ability to retaliate to

competition by Coles Myers move into the petrol market is further elaborated in the equity joint venture with Caltex. Woolworths' constant bid at differentiation from Coles Myers as observed from Corbett's innovative plan to integrate fully stocked pharmacies in supermarkets is another asset which facilitates Woolworths' growth rate over Coles Myers. 2. Yes, however it depends not only on Coles Myers ability to respond to Woolworths' competitive actions.

But also its ability to innovate ahead of competition; to shed its 'second mover' status. While this may seem like a daunting task given Woolworths' earlier realisation of success from 'Project Refresh', market commonality and resource similarity of the food and general merchandise sector ensure competition may be levelled out with less difficulty, in addition to this, Coles Myers had an advantage in terms of resource similarity against Woolworths in that the company's new Source credit card could differentiate itself from Woolworths by offering full credit card capability along with a long-standing and valued rewards program. Furthermore, Fletcher has already begun the shift towards the reduction in costs incurred with logistics and supply chain solutions by the enforcement of just-in-time (JIT) production upon its 65000 suppliers, reduction of distribution centres from 41 to 24, implements improved technology, and streamline deliveries to stores. In detail, Fletcher unveiled plans directed at long term growth with the strategies designed to pressure suppliers into adopting the same IT systems that Coles Myers uses in its warehouses and stores so that it can build a more efficient e-trading platform. Fletcher expects to invest approximately \$800 million over the next years in order to successfully implement this cost-cutting strategy. This

resulted in some success as reflected by its sales which at \$27 billion was marginally ahead of Woolworths'.

Share price rose 29 percent by August 2003 after competitive responses were implemented; this would provide Coles Myers with additional resources for growth and instil greater consumer confidence in the company already present in its' competitor's image of The Fresh Food People. . The key differences between New Zealand and Australian retail markets would be the size, likelihood of attack and response to market entrants, of which Australia maintains a history of retaliation against newcomers. A competitor analysis show that both Australian and New Zealand markets are somewhat related in terms of technologies used or core competencies needed to develop a competitive advantage.

For example, The Warehouse's strategy of under pricing competitors is similar to Woolworths' EDLP strategy; this presents itself as a factor of market commonality. In terms of suppliers, political differences play a role as observed from the New Zealand legislation allowing parallel importing which contributed to the success of The Warehouse in its ability to import branded goods from international suppliers at prices cheaper than local brand distributors. This privilege may not be exploited in Australian market where both legislative barriers and customers avoid imported products in favour of local goods in a highly protectionist environment. The differences in terms of competitive dynamics is exemplified in Australia, which is seen as a standard-cycle market, due to the duopolistic nature of Coles Myers and Woolworths, and the constant need to issue competitive attacks and responses to stay ahead. While The Warehouse had a dominant position in <https://assignbuster.com/coles-and-woolworths-case-study-essay/>

the New Zealand market giving it a monopoly over retail and thus conditioning it to react as if it were a slow-cycle market in the sense that the firm's competitive advantage are shielded from imitation for long periods of time and imitation is costly. Australian companies have prior knowledge of the market and therefore have an understanding of competitor's awareness, motivation, and ability.

In conjunction with market commonality and resource similarity. The difference in competitive rivalry as a result of the duopolistic structure in Australia as opposed to the monopolistic background of The Warehouse would mean that Australian firms would be more able to issue competitive response due to the frequent need to fend off competitor's competitive actions. 4. In addition one may argue that because of the lack of competition within the New Zealand domestic market, The Warehouse may be experiencing a slow-cycle market where the firm's competitive advantage are shielded from imitation for extended periods.

Thus these competitive advantages sustained in a slow cycle market may not hold on long in the standard-cycle Australian market where Woolworths and Coles Myers have already built brand name, customer loyalty and consistency among local Australians in advance to The Warehouse entry. This presents a case of actor's reputation where The Warehouse may not have as strong a fanfare as it enjoys in its home country. Nevertheless, there are low switching costs for customers and the eventual advantage Australian companies enjoy as a result of reputation may be gradually eroded. Another factor which would prevent The Warehouse group from matching its success in New Zealand is the likelihood of attack, Woolworths' and Coles Myers

enjoy first mover incentives within the Australian market, even so, first mover advantages are never absolute, and being the late mover in the mature Australian retail market has its advantages of observation.

While The Warehouse group may be a big company in New Zealand, Australia presents a wholly different scale as observed from the combined sales of Woolworths and Coles Myers at A\$55 billion. This difference in organisational size means that smaller firms like The Warehouse are more likely to be nimble and flexible competitors which rely on speed and surprise to develop competitive actions. However, large Australian firms are likely to initiate more frequent competitive actions within set periods. This would place The Warehouse at a disadvantage due to its comparatively limited available resources. While the biggest impact for customers of The Warehouse had been on prices, therefore enabling the company to enjoy profiting from discount variety stalls which are filling the gap as Australian companies lose mass-market appeal as a result of up scaling target markets.

Ultimately, given the duopoly status of Woolworths and Coles Myers in Australia, it would be a great challenge for The Warehouse to match its success in New Zealand any time soon as activities such as the recent acquisition of Clint-Solly will prevent immediate returns as observed from figures in the case.