

# Strategy

Business



## COST-ADVANTAGE STRATEGY WM MORRISON SUPER MARKET Introduction

Wm Morrison Supermarket sells different kinds of retail products to its clients, located in many places across the U. K. The retail industry, which the supermarket exists is often characterized by much competition from new companies joining the industry to exploit the opportunities existing in the changing customer shopping preferences and lifestyles for clients. So far, the company has been enjoying a good run in its business operations since hitting ground in the consumer industry (Felsted 2014, 8).

However, the changing customer preferences and the business environment have resulted in increased competition from other companies joining the industry like Lidl and Aldi. This development has prompted the company to develop a competitive strategy that can help it create competitive advantages and a sustainable market position (Low & Arain 2010, 15).

One of the important approaches towards increasing efficiency in business activities is the use of strategies that reduce a company's operational costs. This is important since companies can take advantage of the reduction in costs to maximize on the returns from the services and products they sell. Across various businesses in different industries, competitive advantages have often been achieved when firms attain high levels of profits from the activities they engage in.

It is important to point out that particular industry structures play a crucial role in determining the amount of profits that business get from their operations (Plunkett & Research, 2010, 47). This is because; the particular forces shaping the industry and the same ones that determine the profits those firms derive from their operations.

In the retail industry, like other industries, the particular forces affecting

company and business performance include competition, like that which Wm Morrison is facing currently, the bargaining muscle in sellers and buyers of goods and services, as well as availability of complements and substitutes in the products and services being offered in the market (Worthington & Britton 2006, 13).

#### Porter's Five Analysis of Wm Morrison's Competitive Strategy

The Porter's five model is used in making an analysis of the viability of business towards making competitive advantages and market position (Sadler 2003, 32; Grant 2008, 51). Businesses that want to grow and expand are expected to make an environmental planning and analysis in order to align their strategies accordingly.

#### Bargaining power of suppliers

According to the Porter's five model, Wm Morrison has not received any major threats with the entry of new suppliers in the market. This can be attributed to the company's policy in the process of in-house sourcing for majority of its products. The company's expansion approaches especially geographically have necessitated the search of new suppliers. In this case, the bargaining power of the new suppliers cannot be easily predicted. Wm Morrison expects to rely on its economies of scale in the process of subduing the suppliers.

#### Bargaining power of buyers

Buyers make up the customers of Wm Morrison supermarket. Because many alternatives exist, the bargaining power of these customers is always very high. When the buyers feel that their needs are not being effectively addressed. They often change their choices and preferences for where they are going for shopping. Because of the hyped information and awareness

about market dynamics, most of the company's customers are fully aware of the real market prices for goods and services offered.

#### Threat of substitutes

In this case, substitute products can be seen to be the individual groceries, special outlets and off licenses and among other store chains. Currently, most of the threats posed by substitute products have been subdued.

However, it is important to realize that the idea of store chains that are small and franchised are progressively becoming popular. In this case, they are poised to become major threats in the coming future.

#### Industry Competitors

It is important to realize that the retailing industry is one of the most competitive in the UK and other countries. Four major players, Asda Tesco, Morrison and Sainsbury, have so far dominated the industry. Among the four players, Tesco is the leading, being followed closely by Asda, which is the retail giant in the United States. These two companies pose real competition to Wm Morrison because of their particular sizes, cost efficiencies and financial economies. On the other hand, Sainsbury does not pose a major threat to Wm Morrison, possibly because of its inefficient operations and financial challenges it is facing.

.

#### Bibliography

Felsted A. 2014. Wm Morrison sees progress despite sales drop. Viewed 8 November 2014 < <http://www.ft.com/cms/s/0/4a91f87c-6586-11e4-a454-00144feabdc0.html#axzz3ITfpXxru> > Grant, R. 2008. Contemporary

strategy analysis (6th Ed). Blackwell Pub, Malden, MA.

Low, S., & Arain, F. 2010. Competitive advantage in the contracting business. <https://assignbuster.com/strategy-essay-samples-3/>

Nova Science, Hauppauge, NY.

Plunkett, J., & Research, L. (2010). Plunketts retail industry almanac 2011 the only comprehensive guide to the retail industry (12th Ed). Plunkett Research, Houston, Tex.

Sadler, P. 2003. Strategic management (2nd Ed). Kogan Page, London

Worthington, I., & Britton, C. 2006. The business environment (5th Ed).

Financial Times Prentice Hall, Harlow.