

# Position analysis of pringle of scotland

Business



Devising from the PESTLE, Porter Five Forces and VRIN models, an analysis model is developed. This model indicates the current issues and challenges Pringle faces. Suggestions were then formulated based on the analysis model and other reference to relevant case studies and academia relating to Pringle. During this report the PESTLE analysis unearthed some interesting findings which shows fluctuations in the exchange rate due to crashing currency around the globe could create a financial problem in terms of PoS's import and export premiums.

This report finds that these factors as well as the well documented rise in the price of cotton (independent. co.

uk) and other 'luxury' materials has the potential to impact sales if PoS were forced into spreading the cost of this through their products and onto their customers to a level which was deemed unacceptable by its consumers. A report by Mintel, 2011 indicates that unemployment figures have dramatically risen as a result of the 2007 economic recession and reports that 51% of consumers are spending less on the purchasing of clothes.

This huge drop in % in spending creates a hostile environment for PoS and increases the difficulty for luxury brands as a whole to operate in. This report analysis Pringles past as well as its present it terms of strategies and issues the organisation faces. Furthermore it provides analysis on its findings suggesting options Pringle could implement to combat the issues covered.

An example being a strategy to create a new more affordable line, that remains classed as 'luxurious', thus just adjusting to the reduction in lower disposable incomes which sees customers being more inclined to spend less

<https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

on high end, pricier brands but instead settle for cheaper imitated designs found on websites like dropshop.

com orEbay. a breadth of additional analysis is recorded as well as several suggestions for organisational improvement within the political, economic, social, technological and legal environments it operates within. Introduction

For this assignment I will be conducting a position analysis on Pringle of Scotland. I will be using a series of academic models which include, PESTLE, Porters Five Forces, Vrin as well as other credible and relevant material. Using this analysis my aim is to then critically assess the current issues and challenges Pringle of Scotland face today and create a range suggestions as to how the company may address these issues in order to achieve a higher profitability potential and to become a more efficient operation overall.

Present Pringle analysis using PESTLE

It is important for Pringle of Scotland (PoS) to establish the macro-environment factors which have an impact on the industry in which it operates, in PoS's case the textile industry. PESTLE as a framework is clearly depicted by JSW core text, 9th edition and assists in determining the important areas which need to be considered when undertaking strategic planning. Diagram 1. 1 found in Appendix 1 identifies such areas for consideration. Areas most notably identified by PESTLE include the current weakened state of the economy, more specifically fluctuations in the exchange rate.

The UK has seen the pound crash as a result of the 2007 recession and this in turn may have an impact of future sales for Pringle if the company is forced to spread its costs through their products onto their consumers. Albeit it could be argued that due to Pringles status as a 'luxury' brand its clientele may be better placed to handle a rise in product cost as it could be assumed they have a greater disposable incomes available. Another issue that was unearthed by PESTLE is the well documented rise in the price of cotton (independent. co. k) as well as other high end materials. Product price is linked with the cost of manufacturing and therefore this again creates more pressure on Pringle to spread costs throughout products which, like exchange rate fluctuations may have the potential to negatively impact sales as customers reach a cut-off point between acceptable and unacceptable price increases.

Even those with higher disposable incomes have their limits. This 'limit' I feel would need to be researched by Pringle and strategies put in place to make sure it was never exhausted.

Hand in hand with a recession goes unemployment. Due to the severity of the slowdown the telegraph. com forecasted 100, 000 - 145, 000 jobs were lost in 2009 within the retail industry in Britain.

Using PESTLE highlights the need for retail organisations to implement increased scrutiny on employment law as the number of unfair dismissal cases being brought forward have risen. As reported in the Acas annual report 2009/2010: " The number of individual employment claims referred to Acas for conciliation rose by 13% to 87, 421 (up from 77, 478 in 2008/09).

<https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

As always, unfair dismissal was the most common type of claim and featured in 64, 878 cases referred to Acas, nearly 10, 000 more than last year. ”

([http://www.schofieldandassociates.co.](http://www.schofieldandassociates.co.uk/employment-levels-and-unfair-dismissal-claims-rise.aspx)

[uk/employment-levels-and-unfair-dismissal-claims-rise.aspx](http://www.schofieldandassociates.co.uk/employment-levels-and-unfair-dismissal-claims-rise.aspx)) It is crucial for Pringle to contemplate how changes in law and the increased potential of redundancy pay-outs will impact on their work force and costs. The current market PoS operate within is changing. [www.enotes.](http://www.enotes.com)

com reports recent times have seen an “ increased focus from competitors and consumers on the importance of ethical practice. The clothing industry has seen intense pressure put on it by social welfare groups, its own customers and competitors for all companies to step up to their corporate responsibilities and adhere to ethical practice within manufacturing, distribution, country and people exploitation and the carbon footprint they leave behind. This I feel will need to be an area Pringle focus on intensely as ‘ Rewarding Ethical Behaviour’ ([www.tsphr.com](http://www.tsphr.com)) argues that companies with a good reputation in ethical/environmentally friendly processes experience better sales figures and profitability potential.

PoS will need to factor in these concerns within their strategic planning and implementation if they wish to compete in the textile market place. Such ways will be suggested at the end of the report. Demographics were an interesting aspect of the PESTLE analysis. What perhaps stood out most was the awareness of ‘ The changing shape and size of women’. ([Independent.co](http://Independent.co).

uk) Women make up a large proportion of the PoS consumer base and therefore these changes will affect future design consideration and the materials required.

This needs to be reflected in both their design but also within their customer interaction where the consumer can actively try on garments to assess its practicality. As already mentioned above the recession has had a large impact within the retail sector with Mintel, 2011 reporting a 51% reduction in consumers spending on clothing. This huge drop in % for spending creates a hostile environment for PoS and increases the difficulty for luxury brands as a whole to operate in.

Due to the magnitude of this current recession I feel confident in assuming anyone not in the super rich league with a near limitless supply of cash will have witnessed a decrease in consumerism disposable income.

This in turn may pressure the customer to shop around more for their clothes. Large technological advances like the internet promote this activity and offer the customer an unprecedented amount of purchasing avenue. The result: customers are further inclined to spend less on high end, pricier brands but instead settle for cheaper imitated designs found on websites like dropshop. om or eBay. Thus creating a problem for Pringle. Suggestion: creation of a new more affordable line, that remains classed as ‘luxurious’, thus just adjusting to the lessened disposable income that the majority of the demographic are witnessing.

PESTLE analysis found in appendix 1 identifies the economic, social and technological aspects to be the ‘key drivers’ for Pringle of Scotland and for <https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

the future of their strategic planning and implementation. failure to realise certain risks presented within these fields could have savvier consequences for the organisation.

From the PESTEL, key drivers and possible scenario should be recognized but not used as predictions. The criticism on PESTLE are few as it is an important tool that all organisations could use, although if it is not used correctly it can produce too many problems and scenarios that can be overwhelming for managers. External/Macro environment The S. W.

O. T analysis (appendix 1) shows patches of rough and calm for Pringle over the years. It highlights its strength within its rich brand and heritage and modernization of classic designs from former creative director Claire waight-Keller.

A BBC article by Mangnus Benett (2011) seems to suggest that there is a demand for authenticity and provenance of brands and that Pringles idea of merging their ‘ unique heritage’ with the Uk’s ‘ freshest fashion talent’ at central Saint Martins is a ‘ nimble move’ with high payback potential. However the S. W.

O. T also identifies risk and threat in the form of strategic drift, losing customer focus and becoming outdated. A strikingly ‘ bad’ fact was the publication The Company’s collective losses totaling ? 24m over the past years. (www. drapersonline. com) The S.

W. O.

T diagram shows that PoS operates in a niche market which is hugely competitive with “ only 12% purchasing from designer and high street retailers and a further 51% of consumers aged 25-65 across all social groups cutting back on expenditure”. (Mintel, 2011). A case study by sagepub.

com does remind you however that Pringle went ‘ stale and obsolete’ in the 20th century and lost its customer focus. The case goes onto say that PoS found it hard to shake this image off, however did suggest it had made great design changes which focused more on its heritage and ‘ classic’ style in order to re-connect with its customer base as discussed above.

From conducting the S. W. O. T I commend PoS belief that re-establishing of itself is needed.

I would agree that the current fusion of fresh vs. old heritage and classic design is a bold, potentially effective strategic decision and would urge the company to keep this focus a priority if it seeks to remain a top competitor to fellow textile giants Burberry and Benetton as well as continuing to be remembered as a luxurious historical Scottish knitwear company. Failure here i. e too much or too little in the design may trigger another strategic drift which may cast Pringle back into fashion oblivion.

It is worth mentioning this will not be an easy strategy to plan and implement as even its larger competitors Burberry and Benetton with their larger budgets and capital capabilities have still come across their own market challenges, despite healthy sales statistics. For PoS, I feel improved online and high street presence may be a good starting point to achieve this strategic change as according to ‘ store information’ on the Pringle home <https://assignbuster.com/position-analysis-of-pringle-of-scotland/>



website there seems to be a distinct lack of retail outlet presence within the UK.

(Pringle stores-PringleScotland. com). In terms of opportunity It seems the S. W. O.

T suggests a lot of scope for the over 45's market demographic.

With over 45's being deemed ' the drop off point' in a fashion sense this could be a potentially untapped resource. Designing a collection of suitable products that fit this demographic may turn out to be a clever move as it is this older generation who both aspire to young peoples fashion sense and have the potential for a higher disposable income-having been more likely to have bought a house and to have had a job for a number of years thus minimising the risk of other financial barriers to consumerism disposable income. Porters Five Forces

The framework for Porters five forces is set out in appendix 1, diagram 1. 2. This concept has a primary function of working out how attractive an industry is. Too high a threat of entry may result in organizations struggling to compete successfully.

Conversely however, " in the face of adversity lies opportunity". (Einstein). You could argue that a high threat of entry creates an attractive industry for those already established within it. New companies trying to penetrate would find it increasingly difficult to do so due to the ongoing challenge to source high quality base materials at affordable prices (to protect profit margins).

Reputation is also key within this industry. The majority of the competitors, if not all of them have well established, high-end brands with a rich heritage.

Pringle is no exception. High entry costs from infrastructure and tangible assets increase the difficulties already faced in achieving t penetration into this niche market. I feel it is worth noting that other companies may import imitations of the Pringle brand and not have manufacturing bases at all therefore massively reducing costs already.

But to combat this threat Pringle uses its heritage and manufacturing USP effectively by creating a ' behind the scenes' video of product cycle within the Pringle brand. ([http://www.Youtube.com/watch?v=OoiW5-uA3\\_E](http://www.Youtube.com/watch?v=OoiW5-uA3_E)). This adds to the USP of the goods produced and therefore makes them more admirable and sought after. Effectively showing imitations for what they are...

. just an imitation. A good example of online media strategy. As well as the above barriers to entry, there is the reality of budget capabilities.

This particular industry houses some of the biggest names in clothing such as Chanel, Burberry, Benetton, Prada and Louis Vuitton with large advertising budgets to match.

In comparison, it could be argued that PoS may not have been able to completely match their larger competitor's huge budgetary capabilities but they did, however, manage to attain recognition among celebrities with clever sponsoring tactics in the sportswear sector (Nick Faldo, Colin Montgomery) and by using big household names like Tilda and Madonna.

<https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

They also continue to this day to boast a rich historical background in the production of high-end and luxurious goods.

The power of buyers that factors within this framework can impact the profit margins of PoS. Due to PoS operating in a niche market sector they potentially face higher bargaining power by its customers. For sellers in particular this can make the industry less appealing and gives the consumer more manoeuvrability on service enhancements and price reduction of Pringle goods. Internal/micro analysis The resource-based view (RBV) has become one of the most influential and cited theories in the history of management theorizing.

It aspires to explain the internal sources of a firm's sustained competitive advantage. (jcsponder.com) Textbook JSW, 9th edition studies The resource based view theory and describes its ability to consider the competitive advantages of organisations via their "competences and resources". These headings, the textbook continues can also be sub headed further into "threshold and distinctive strategic capabilities". For organisations such as Pringle of Scotland to continue to experience success within its market it is important that their strategic capabilities are adaptable to high levels of competitiveness and keep pace with "fluctuating environments".

Teece, Pisano and Shuen (1997).

If these rules are achieved it means the organisations capabilities are "dynamic" and reduce the risk of becoming "tired and out-dated". PoS as argued above, perhaps doesn't possess similar threshold resources as its competitors Burberry, Benetton and Gucci however that doesn't mean it is <https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

incompetent or any less effective in brand awareness, design and exposure. However as the case study by sagpub. com reveals, PoS have come unstuck with strategic drift in the past.

The case examines the mid-20th century of Pringles history and reports that it was enjoying a successful period due to identifying clearly its direction and focusing on tartan designs which were proving to be popular. They also utilised their recourse thresholds to expand into the sportswear market by sponsoring successful golfer Nick Faldo and Colin Montgomery. During this period PoS still related to its rich heritage within its designs, including the Argyle pattern. However the constantly changing fashion world shifted course and PoS overlooked this. Their once popular designs that were rich in Scottish eritage now found themselves “ struggling to find a place in the fashion world-becoming stale and obsolete”. (Sagpub.

com) Hong-Kong based textile giants Fang brothers holdings ltd took Pringle over and began implementing fresh recourse threshold injections, notably an 11million bailout/development package in 2011. (www. vogue. co. uk)

Vogue. com shows how PoS are learning from their past mistakes and have employed a new team of top designers to encapsulate their signature Twin-sets, Argyle pattern, heritage and implied industry knowledge to achieve their new distinctive range of goods that are in keeping with the current environment.

As discussed previously. It is too early to tell what will happen as the resource packages employed and design lines have not seen any sound quantative results yet. A suggestion however would be to maintain high

levels of focus on their distinctive capabilities so that their competitors cannot easily imitate their competences. Using material from class lectures and the readings of JSW, 9th edition I think it is appropriate to use the VRIN framework within this position analysis of Pringle because it allows us to assess PoS's capabilities and highlights which capabilities provide a clear cut advantage over its competition.

The VRIN framework According to Barney.

J (1991), 'VRIN' comprises of 4 observational indicators that highlight the potential a firm has in terms of resources that can generate a competitive edge or advantage. The VRIN model can be found in Appendix 1, diagram 1. 4 JSW, 9th edition stresses how important it is for company managers and decision makers to consider, assess and, where necessary implement strategic capabilities to create and or maintain their competitive advantages.

Touching upon the aspect of 'rarity', this report has already argued the level of competition in regards to brand, budget and heritage within the textile industry and therefore we can use this aspect and apply it to Pringle to assess their angle of advantage from a rarity point of view. One could argue that PoS's rich heritage and history as well as a long documented reputation for the production of luxury knitwear could be classed as an aspect of rarity as it is not something you can buy and takes a long time to achieve.

Pringle's ability to attract and use A list celebrities to model their designs brings a huge competitive advantage.

Such celebrities include Madonna, David Beckham and Tilda. Pringles large marketing budget see's the production of a very competent website which (personally) attracts potential buyers and offer a stress-free experience. With technology so prevalent in today's society and the masses of people who do the majority of their shopping online, it is crucial that a company's website is to a high, satisfactory standard. In terms of limitability, Pringle have strong patterns in place which protect the re-production or copying of their famous design the ' Argyle pattern'.

These legal measures are solid lengths to go to which ensure their competitors cannot ' rip off Pringles design and therefore maintains the companies competitive edge.

A critique on the applicability of VRIN within organisations. An article by Miller (2003) suggests that the resources required by a firm to create a competitive advantage are, in fact, the exact resources that prove difficult to acquire in the first place. The article appears to be saying that it is only those firms who have already established VRIN resources and can access them are able to then able to " apply additional resources".

Otherwise, Miller goes onto say, " competitors would acquire them with equal ease". Suitably in terms of Pringle, Miller highlights the ' implicit path dependency within the RBV' claiming that every company past dictates its present and future performance.

A ' Journal of Management 2010' by J. C Spencer offers some relief for the RBV method. Essentially the report argues that the RBV approach, when

used not to trace back to the ‘ultimate root resources’ of an organisations competitive advantage does not appear to be overly problematic.

Furthermore the author feels that if the RBV’s scope considers the entrepreneurs who make up the firm and includes their unique resources and capabilities the this method could and should be applicable to not just old, well established firms but new, penetrating ones as well. Due to the word limitations of this report, I cannot go into as much detail on the inside out approach and the outside in approach as I would like. I do however feel they are still very relevant within the position analysis of Pringle.

Stated below are key aspects and strategies Pringle have used and have access to in maintaining their current share of the luxurious knitwear and textiles market: Penetration of international markets as well as maintaining position: Achieved by establishing brand positioning. (use of A-list celebrity models, social media, videos, catwalks, fashion shows. \*See also second bullet) Consistent market presence and competitiveness within it: A rich heritage attached to the brand coupled with a healthy reputation for producing top end garments and a very efficient customer service teams.

An ability to implement a highly intense and extensive training system has enabled Pringle to demand the best from their staff-this has the effect of creating a dynamic work force capable of adapting to change. This has been a notable strength in a time of growth for the company. Quality of staff: Pringle has an extensive past and present list of top designers who have contributed to the brand.

A very influential name is Kim Winser, who used to head the design sector of Marks and Spencer's women's wear collection.

Having the ability to attract such large, credible and competent names gives PoS great advantage in creating distinctively current designs. The above points are both desirable to other companies and limit the ability of the competitors to steal market share away from Pringle of Scotland. I recently watched a collection of short films on youtube. com which covered the international expansion of Pringle.

The presenter explained how the expansion over abroad could prove to be a double edged sword: “ International expansion is a huge leap for any company.

Companies who have worked so hard establishing brand awareness in one country may become shell shocked if they realise their current material requires complete manipulation to satisfy the taste, needs and requirements overseas”. This outlines a potential problem for Pringle: reoccurring strategic drift. They run the risk of moving away from their ‘ core competences’ which they have both relied on and utilised since the beginning of the company in 1815. As explained previously in the report they have in the past lost consumer focus and that has been a long road of recovery which still sees them publishing annual profit loss.

I feel it paramount for the future success of Pringle to continue to Implement a rich blend of heritage, yester year-classic design with the freshness of the ever changing fashion environment in order to stay current and maintain competitive edge.

<https://assignbuster.com/position-analysis-of-pringle-of-scotland/>



There is no reason why Pringle cannot be a major success overseas and in America as brands steeped in history and reputation are desirable anywhere you go. Suggested options: Pringle is an interesting company. They have a unique blend of style, reputation and heritage yet are riddled with strategic mistakes and economic setback which has led to annual profit loss over the past 5 years and a bailout package of ? 11 million in 2011 by its parent company, Fang brothers corporation. (independent. co.

uk). Simple economics dictates that a lack of profit will be the end of a company. Even though Pringle is fortunate enough in having strong financial backing, eventually the money will dry. Therefore generating annual profit is a necessity. From conducting this report and beginning to understand Pringles position within the market I have created a series of strategic based suggestions which, I feel will help maintain and achieve both profitability and competitive edge for the company.

This report has highlighted (PESTLE section) the increased focus from competitors and consumers on the importance of ethical practice.

This report has highlighted just how little and limited information is publically available on Pringle, thus customers do not recognise the brand as an ambassador for correct ethical behaviour and furthermore their competitors could use this against them in speculative jibes both of which could damage profitability.

PoS will need to factor in these concerns within their strategic planning and implementation if they wish to compete in the textile market place. Such ways could be quarterly reviews of manufacturing practice and or consistent <https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

staff training days which highlight acceptable ethical practice. Upon making sure these measures are implemented and adhered to I would suggest publishing a statement to show how the company is making extra efforts to be a more ethical organisation and how they are taking action on their carbon footprint.

Consumers love 'green' companies as they feel less guilty buying from them and almost have a sense of giving something back.

This could be a shrewd move in generating more custom. Analysis also gathered by the PESTLE model uncovered the growing awareness of how the women's body has changed over the years. Women are a large demographic focus for Pringle and therefore this large emphasis and increased awareness of the changes in female anatomy should not be overlooked. These changes should affect design consideration and the materials required for Pringles future designs.

This needs to be reflected in both their design but also within their customer interaction where the consumer can actively try on garments to assess its practicality.

I feel improved online and high street presence may be a good starting point to achieve this strategic change as from looking on their website there seems to be a distinct lack of retail outlet presence within the UK. Here the would-be consumer has the chance to interact with the brand it might be purchasing by trying different products available.

Even if the customer didn't buy the product they could still leave feedback, which would be valuable when trying to achieve continuous improvement of a brand. Lower disposable incomes as a result of the 2007 recession (even on those with a high disposable income to begin with) coupled with Large technological advances like the internet which offers the customer an unprecedented amount of purchasing avenue may result in customers being more inclined to spend less on high end, pricier brands but instead settle for cheaper imitated designs found on websites like dropshop. om or eBay.

Thus creating a problem for Pringle. In order to combat this, Pringle may wish to venture in a project aimed at designing and creating a new more affordable line, that remains classed as 'luxurious', thus just adjusting to the lessened disposable income that the majority of the demographic are witnessing. But again, you could argue this might be a futile move as those with high disposable incomes that are able to afford the high end products Pringle have to offer enjoy social status.

If Pringle were to bring out a range of 'affordable luxury' I feel it could ruffle a few feathers with the snobbery demographic, leading them to leave for a different brand. essentially you would need to attract more consumer spendage by the lower disposable income demographic to outweigh the amount lost by leaving customers. Plenty of market research would be required here, and then some.

From conducting the S. W. O. T I would re-enforce PoS belief that re-establishing of itself is needed. And I would agree that the current fusion of

fresh vs. Id heritage ‘ classic’ is a bold, potentially effective strategic decision.

I would urge them to continue in keeping this focus a priority if it seeks to remain both a top competitor to fellow textile giants Burberry and Benetton and continue being remembered as a luxurious historical Scottish knitwear company. This strategy might avoid another strategic drift which may cast it back into fashion oblivion. Perhaps even using fashion consultancy every quarter to refresh the designs and get a new perspective on the ideas and direction the company is moving in could be another idea to consider.

In conclusion I feel what this position analysis reports highlights is that Pringle is primarily a very large player in the textile industry. Their ability to soak up multi million pound losses shows gravitas on just how much financial backing they have. Even more promising is the introduction of new top designers to incorporate Pringle’s clear view of mixing the old with the new.

Capitalising on their core competences (heritage) fusing it with current trends in the market appears a clever move. It certainly shows learning from previous mistakes, where they lost consumer focus due to concentrating on heritage too much.

These changes are still very much in development and the new designs which show off this new strategy have only recently been shown to the public and at prestigious cat walks/fashion shows. It is perhaps therefore too early to tell. My thoughts are that if a company like Pringle who has a very rich reputation and loyal fan base can soak up pressure and annual profit loss-think what they might achieve if their new strategies come good and the <https://assignbuster.com/position-analysis-of-pringle-of-scotland/>

company begin to see annual profitability. My answer: Burberry and Gucci have a major threat on their hands.

If Pringle can maintain their luxurious status, market share and achieve growth internationally with cleverly designed pieces that supply the demand then I wouldn't be surprised to see a + on the bottom of their balance sheet next to profitability within the next couple of years.