

# Marketing management: morrison's

[Business](#), [Marketing](#)



The UK supermarket sector or most popularly known as retail grocery industry of UK is governed by high competition and major market players. Its nature is entirely oligopolistic where the big 'four' giants are consistently competing with each other and utilizing their resources most efficiently to lead the industry. Wm Morrisons supermarket Plc is one of Big Four in the supermarket chains of the UK acquiring the fourth place with a market share of 11.4% in 2008 which has slightly improved from the 2006 figure of 11.1%.

The other three big chains are Tesco, ASDA and Sainsbury. The supermarket company is also listed in the UK-FTSE 100 index of companies. The company was founded in 1899 by William Morrison in Bradford, West Yorkshire, England as an egg and butter merchant concentrating mainly in the north of England. From just a stall, the company has progressed to become a huge company being one of the modern success stories of the country.

The company went public in 1967 but still the Morrison's family owns a reputable share of 15.5% in the company being quite active in its running. The company expanded in the south of England in 2004 by acquiring Safeway making the total number of stores reach to 382 across UK and approximately 13000 people are currently working in different operations of the company. It has been estimated that at least 9million people visit Morrisons every week contributing to its ever increasing sales. The company has been backed by superior customer service and quality food with their extensive distribution network (Morrisons 2008).

Mission Statement Morrison's strength lies in the core values of the company along with the value of money, superior customer service and a pleasant

shopping experience they provide to their customers. Based on these core values and strengths, a mission statement has been formulated for the company (McDonald 2007). “ To become the UK’s food specialist for everyone and always deliver ‘ very best for less’ in quality and value with our strengths based on the core set of values and teamwork. ”

The core values of the company generally include the can do attitude, team built on trust and respect sharing a common goal, innovative ideas, enhanced service, training and learning of the employees, and setting standards to keep up with (IGD 2007). FINANCIAL SUMMARY According to the 2008 annual report issued by the company, the group turnover reported was 12. 5bn pounds in 2007 which was a 6% rise than the previous year. The financial information released in August of 2008 shows the results on a 26 week comparable basis.

The total turnover was up by 13. 5% (including fuel) as compared to the previous 26 week period. Like-for-like turnover was up by 7. 6% (excluding fuel) and this included 1. 6% contribution from the new stores. Such a good percentage in this period of economic downturn is a remarkable performance shown by the Morrisons. The company has challenged the economic climate and is consistently rising in the market when everybody else in the industry is showing declining profits and market share.

This has been possible because of the innovative thinking of the company planners who introduced strong price crunching activities and fresh offers which attracted a number of customers from other stores to Morrisons in order to take advantage of the offers in the growing environment of economic uncertainty. There was an increase of 18. 5% in profit before tax from 249mn

pounds to 295mn pounds while the operating margin remained 4. 4% which was commendable given the dilutive impact of low margin fuel sales. Both the cash flows and capital expenditures increased as the company started injecting into pension schemes and investment programs.

Another remarkable achievement was in the group's reduction of net debt from 566mm pounds to 458mn pounds. Also the Board decided to increase the dividend by 18. 5% to 0. 8p per share in order to target progressive dividend growth and bring the dividend cover to in line with other sectors of the company (Morrisons 2009). When we analyze the above information from the financial statements of the company, we get surprised and pleased to some extent after evaluating the condition of the UK economy. The consumer environment was worst in 2008 due to significant reduction in disposable incomes owing to the rising energy and commodity prices.

There was high food price inflation due to which sales of many supermarkets considerably dropped down. Facing this environment, Morrisons decided to focus on fresh food and stay competitive in the market by introducing price crunching deals and different promotional offers due to which a huge number of customers were attracted to the stores especially during the Christmas Eve. This was accompanied by the company's excellent availability of the stock which helped them to attract 2. 2mn extra customers. The total sales (excluding fuel) increased by 9.

4% where as that including fuel increase by 7. 7% in the six weeks to January 4, 2009. Similarly, like for like sales were up by 8. 2% excluding fuel and 6. 6% including fuel. The company has established a positive momentum due to which it will continue to maintain positive results in the difficult economic

times mainly because of providing value to benefit the customers in these difficult times. There was a heavy discount offered on normal retail prices which were accompanied by volume increases giving a unique advantage and competitive edge to the Morrisons.

The company did not pass the input cost pressures to the retail prices due to intense competition but adopted the strategy of promotional discounts in order to register strong growth in sales to make good profit (Morrisons 2009). The best part of the story is that Morrisons has been termed as the winner of the economic downturn and it has beaten Tesco in sales though the latter occupies first place in the UK grocery retail industry. The year 2008 was a lucky year for the Morrisons when Tesco reported their weakest sales and the former reported rise in sales over the latter.

The strategy of providing price crunch range had become popular among the consumers due to which the stores attracted millions of extra customers every week. This has all happened because of the ‘ fresh but cheap’ strategy adopted by the company towards its customers. MARKET OVERVIEW Morrisons operates in a highly competitive UK retail grocery industry dominated four major players where Tesco, ASDA and Sainsbury occupy the first three positions followed by Morrisons at the fourth place. The companies are involved not only in grocery items but also in non-grocery items to provide a one shop for all to the customers.

Morrisons has a total market share of 11. 1% out of the total 75% occupied by the four major players according to the figures of Aug 2008 which shows a decline of 0. 2% from July 2008. There is a huge retail power concentration in the UK than any in other European state with the supermarket culture being

<https://assignbuster.com/marketing-management-morrisons/>

dominated by largely retailers. The buying power of the retailers is consistently increasing which remains a major driver for the industry. The supermarket giant Wal-Mart entered UK by acquiring ASDA in 1999 with the strategy of low prices and wide range of products besides food giving rise to a wave of aggressive competition in the sector.

Due to this reason, the major players also started focusing on non-grocery items in order to provide a complete range of products to their customers and attain a competitive edge. All the supermarkets in the industry have mainly focused on competitive prices, gaining customer loyalty and expanding the range of non-food items and services. This created a culture of 'one stop shop' in UK which enhanced the intense competition in the market from other sectors as well.

For example, pharmaceuticals and post offices started to appear at the super markets which was challenging for these sectors and further aggravated the competition in different sectors. New areas such as banking, insurance and internet shopping are being explored by the supermarkets which have challenged these sectors as well (RNCOS 2007). Another thing to be observed in the market is that each supermarket has its own consumer class. Tesco appears to attract the rich and wealthy class where as the Morrisons attract middle and lower middle class.

The fall in the disposable income of the wealthy class shifted them to Morrisons because of their lower priced and premium quality food. One research study has also found that there is intense price competition among the UK supermarkets due to which their profit margins are low impacting the growth of the industry. This study also concluded that one of the reasons

why supermarkets have incorporated non-food items in their range of products is because of their dwindling profits due to which they wanted to find new avenues for profits in order to remain competitive in the market.

For this reason, they have mainly focused their attention in the area of product and process innovation where they can be called as world leaders. The supermarkets have also attempted to reduce their costs by implementing information technology for the efficient management of inventory, logistics and warehousing. With the world becoming more info tech and globalized, the socio economic patterns and consumer behavior have also changed which has helped in shaping the future of the industry.

The development of the UK food retailing industry owes to the introduction of wide range of non-food products and services like CDs, DVDs, clothing, medicines, post offices etc making the industry highly competitive (Moore & Robson 2002). **SWOT ANALYSIS** In this section, we will explore the internal and external factors of the company in relation to that of the competitors. A SWOT analysis provides a description of the company's strengths and weaknesses in light of the competitors and opportunities and threats in the external environment. **STRENGTHS**

The strength of the Morrisons lies in their mission statement and core values which are deeply embedded in the company's culture. These have been discussed already in detail in the above sections. Morrisons' strategy where it commits itself as a food specialist for everyone differentiates the company from its competitors and offers competitive edge. The fresh, cheap and quality food that the stores have provided to their customers is remarkable

even during this economic downturn. This shows the company knows how to turn a major threat into a successful opportunity for itself.

The good availability and service at this time when all other competitors were short of stock can be clearly attributed to the deep sighted vision of the company planners who had planned everything for the foreseeable economic crunch. The corporate socialresponsibilityprograms initiated by the company has also helped in developing a positive image in the minds of the consumers who are concerned of the society well being. Morrisons feels that its biggest strength however, lies in being closer to source which is also a point of differentiation for the company and has always ensured good availability.

Morrisons take direct control of the supplying ventures and try their level best to provide value for money to their customers. The company also feels employee satisfactory at Morrisons provides them the strength to initiate new ventures, schemes and projects which are profitable for the company (Morrisons 2007). Weaknesses Morrisons acquires 4th place in UK chain of major supermarkets with Tesco, ASDA/Wal-Mart and Sainsbury at the above three places respectively. This is obviously due to certain weaknesses on the part of the company that it is still on the 4th place and not done anything substantial to be at the top.

This can be attributed to the lack of innovation in the company. Another reason why the other supermarkets are at the top of Morrisons is because of the differentiation strategy adopted by the company which is hindering its growth in a way. The other supermarkets are consistently seeking to expand their non-food credentials and with the increasing culture of one stop shop,



the customers prefer the other supermarkets. Morrisons is only focusing on food items in order to differentiate itself from its competitors while the customers are moving to places where they can purchase both food and non-food items.

Though this weakness is not substantial during this period of economic downturn but it will cause the company to lose its entire share in the market in the long-run (Datamonitor 2007). OPPORTUNITIES The biggest opportunity that awaits Morrisons in the market is to expand their non-food credentials in order to provide the increasingly preferring customers one stop shop. Unable to explore this opportunity has weakened the company's market share and its time that Morrisons should realize this opportunity before it's too late.

Secondly, as mentioned in the market overview there is an increasing culture towards information technology and services being provided in the supermarkets which can provide considerable strength to the company in attracting customers (Icon Group Ltd 2000). THREATS Morrisons has been very successful in turning the threat of economic downturn into a good opportunity that helped them to increase their sales and profits substantially by offering a price crunch range of food items.

However, as the commodity prices are declining internationally, soon this opportunity will be seized by the bigger competitors shifting the customer base once again. This is a threat for the company and Morrisons should plan this change of behavior by introducing innovative schemes and programs. The special discounts and offers can only help temporarily therefore, the company needs to think long-term and plan something that can increase sales and profits in the long-run (Seth ; Randall 2000). ASSUMPTIONS

The marketing strategies and objectives highlighted in this paper mostly refer to their strategy after 2007 which has changed due to the economic crunch prevailing globally. **MARKETING OBJECTIVES AND STRATEGIES** The previous slogans under which Morrisons' products were marketed were "More reasons to shop at Morrisons" and "Quality and Value". However, a strategic review was conducted in which the company decided to replace the more reasons slogans with "fresh choice for you" and "food specialist for everyone" which is the current strategy being pursued by Morrisons.

There will be a complete change in the marketing and branding of products in their signage, packaging, labeling, point of sale, staff uniforms and distribution uniforms in order to reflect the company's nationwide presence and growing number of customers as well as the acquisition of Safeway. A more aggressive internal advertising campaign has been adopted by the company in the face of competitors the prices of competitors are compared with that of the Morrisons on boards so that the customers can develop a favorable impression of the Morrisons price levels (Morrisons 2008).

The strategy that is being pursued by the company since 2007 is to position Morrisons as food specialist for everyone supported by the historic strengths and core values of the company. The company has a differentiation strategy in two areas: firstly, it is consistently expanding its range of food items and providing special offers on them while the competitors are focusing on non-food credentials; secondly, the company states that they are closer to the source than any other competitor due to which they always have good availability and excellent customer service.

Moreover the company's strength also lies in its unique manufacturing and packing facilities, extensive amount of food preparation, deep understanding of food and specialist butchers, fishmongers and bakers as compared to the competitors. The company's strategy is built on providing best value for money to customers by offering quality products at lower prices than that of the competitors. Morrisons feel that their strategy has been highly successful in delivering higher profits and promising long term growth for the company.

Morrisons emphasizes own production and packaging rather than outsourcing due to which they can offer affordable prices and this is what the customers like about the company according to the strategic review conducted by the company. The good availability, superior customer service and great fresh food are highly recognized due to which more and more customers are being attracted towards the company (Morrisons 2008). In an overview, Morrisons have a strategy of providing quality food items at affordable prices accompanied by good availability owing to their own production processes.

The marketing objectives for the coming year are to increase sales and profits on a consistent basis and provide the best value and products to their customers. ? BIBLIOGRAPHY Datamonitor (2007). Wm Morrison Supermarkets PLC - SWOT Analysis. Datamonitor. Icon Group Ltd. (2000). WM. MORRISON SUPERMARKETS PLC: International Competitive Benchmarks and Financial Gap Analysis. Icon Group International, Inc. IGD. (2007). Retailer Profile: Morrisons. Available: <http://www.scottishfoodanddrink.com/uploads/18860/Morrisons%20profile.pdf>. Last accessed 25 Feb 2008. McDonald, M (2007).

Marketing Plans, Sixth Edition: How to prepare them, how to use them. 6th ed. Butterworth-Heinemann. Moore, G ; Robson, A. (2002). The UK supermarket industry: an analysis of corporate social and financial performance. Business Ethics: A European Review. 11 (1), 25-39. MORRISONS. (2008). Half-yearly financial report 2008-09. Available: <http://www.morrisons.co.uk/Documents/Morrisons%2024pp.pdf>. Last accessed 25 Feb 2009. MORRISONS. (2009). News Release: Pre close statement and Christmas sales update. Available: [http://www.morrisons.co.uk/Documents/Morrisons\\_pre-close\\_and\\_Christmas\\_sales\\_update\\_22.01.09.pdf](http://www.morrisons.co.uk/Documents/Morrisons_pre-close_and_Christmas_sales_update_22.01.09.pdf).

Last accessed 25 Feb 2008. MORRISONS. (2007). Morrisons Is Customer Service Champion For Third Year Running And Is Top For Product Availability. Available: <http://www.morrisons.co.uk/Corporate/Press-office/Corporate-releases/Morrisons-Is-Customer-Service-Champion-For-Third-Year-Running-And-Is-Top-For-Product-Availability/>. Last accessed 25 Feb 2008. RNCOS. (2007). UK Supermarket Analysis (2007-2010) . Available: [http://www.researchandmarkets.com/reports/466097/uk\\_supermarket\\_analysis\\_2007\\_2010](http://www.researchandmarkets.com/reports/466097/uk_supermarket_analysis_2007_2010). Last accessed 25 Feb 2008. Seth, A ; Randall, G (2000). The Grocers: The Rise and Rise of the Supermarket Chains. 6th ed. Kogan Page.