

One of the uks leading retail brands marketing essay



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Sainsbury's is one of the UK's leading retail brands, which at present has been maintaining a solid third in the sector. The popularity of the brand and current successful performance has been tested over the years extensively (Sainsbury, 2010). The company has undergone through a period of transformation and re-branding which has gradually refined Sainsbury's business strategy (Sainsbury, 2010). At present the company has experienced a downfall of its revenue on previous years – revenue has been reduced to £ 289 m in 2009, compared to £ 329 in 2008 and £ 324 in 2007 (The Food and Grocery Expert, 2010; Thomson Reuters, 2010). However, the company is recognised to be one of the most popular UK retailers based on its high quality, affordably priced and diverse products (Verdict Research, 2009c).

1. 1 Marketing Mix

One of the most essential elements in Sainsbury's marketing mix is the company's Products. Sainsbury's provide an extensive range of 50 000 products (Sainsbury, 2010). The company relies on diverse suppliers and maintains some 20% of own-label brands (Verdict Research, 2009b).

Moreover, the distributed products can be divided into various product lines, which aim at targeting different consumer segments. In this respect, some distinctive product lines, which can be recognised, are low-calorie products; products for kids; fair trade; organic; super naturals; ready meals, just to name a few (Sainsbury, 2010). In this respect, it can be suggested that Sainsbury's maintain a solid focus on continuous diversification to attract greater segments through providing innovative products and unique propositions (Grout et al., 2003).

The Pricing strategy of the company can be recognised to vary with respect to the different product lines. For example, Sainsbury's has been marketing its brand as a provider of high-quality products at affordable prices (CIO, 2010). However, the company still applies a flexible strategy of setting prices on different product ranges and thus responding to specific consumer segments, which may be interested in purchasing a particular product (Wood, 2010).

Promotion is another key element in the company's marketing mix.

Sainsbury's has been maintaining a strategy of continuous promotions and deals, such as buy one get one free or two for the price of one (Sainsbury, 2010). However, the promotional capabilities of the company do not span to store deals but are further enhanced by the retailer's Nectar loyalty scheme (Thomas, 2010b). The Nectar card provides consumers with points at every purchase and as a result, consumers can benefit from discounts in future purchases. This is a significant promoter of customer loyalty and brand recognition (Brassington and Pettit, 2007; Brennan, 2009; Gramley, 2008; Verdict Research, 2010).

Sainsbury's has also developed a strategic Place for positioning in the market. The company is operating through convenience stores as other retailers in the industry but has divided its stores in central and local; the central stores are up to 20 000 sq ft, whereas the local ones are up to 6 000 sq ft in size (Sainsbury, 2010). The type of Sainsbury's store depends on the location and responds to different consumer buying behaviour (e. g. bulk sales vs. small impulsive sales) (Verdict, 2009a). This is the reason why, the product ranges vary in the stores.

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Apart from these essential elements, the company has also focused on utilising its service-side marketing mix components. For example, Sainsbury's has introduced internal Processes to facilitate buying transactions and eliminate costs, such as the self-service checkout (King, 2009; Krajewski et al., 2007). These technological solutions reduce supply-chain costs of labour but still limit cashiers-customers interactivity, which can result in depersonalisation of the brand as employees are those who best deploy brand values (Harrison and Hoek, 2008; Hawkins, 2009; Perner, 2008).

As already identified, Sainsbury's is a brand which focuses on product quality, although it may vary depending on different product lines. In this respect, the company stimulates Physicality through the provision of high-quality brands, such as Fair Trade and Organic products (Sainsbury, 2010). However, this cannot be recognised as an order winner for Sainsbury's as all other leading retailers are providing these brands but it is still important order qualifier to attract customers (Dawson et al., 2006; Finch, 2010; Peter and Olson, 2007; Wood, 2010a).

People management is another key feature in the marketing mix of leading business companies (Constantinides, 2006), and therefore Sainsbury's pays significant attention to utilising it through training and development and high-levels of customer service (Sainsbury, 2010).

1. 2 Operations Strategy

As it can be recognised, the operations strategy of the company is a combination of diversification and niche focus. Although the company has

been promoting high-quality product at comparatively affordable prices, cost leadership cannot be suggested to be the leading strategic path to organisational prosperity. Contrary to that, Sainsbury's has been utilising a number of product lines to meet diverse number of segments. This not only would provide greater market share but a portfolio of products that promotes risk reduction as well-performing product lines may diminish the negative impact of low-performing ones (Gramley, 2008; Groucutt et al., 2004) .

The company has also focused on brand loyalty and recognition (Thomas, 2010b). The introduction of the Nectar loyalty scheme has been a distinctive approach to attracting and retaining customers. It is not an order winner but a distinctive order qualifier in a highly intensive and competitive retailing environment (Verdict Research, 2010).

Finally, the company has developed a network of stores to fit different consumer needs, such as Sainsbury's Central and Sainsbury's Local, where product ranges vary respectively (Sainsbury, 2010).

1. 3 Competitiveness

The competitive positioning of the company has been based on the ability of Sainsbury's to generate and enhance its market share (Verdict, 2009b). The provision of diverse range of products attracts various consumer segments and therefore the company is capable of gaining greater share (Brennan, 2009; CIO, 2010; Finch, 2010).

On the other hand, the company's competitiveness is based on a balanced portfolio of value and quality products, which again attract diverse range of consumer segments and meet extensive number of consumer needs
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(Dawson et al., 2006). The company has been promoting quality products through organic and Fair Trade products, which is an important order qualifier in the present FMCG intensity (Sainsbury, 2010).

Sainsbury's has been also promoting its loyalty scheme, which not only enhances customer loyalty but also is important source of research on customer behaviour and characteristics. This can be used for the development and introduction of customised promotions (Thomas, 2010b).

Finally, the company has not only been recognised with the provision of food, beverages and merchandise but has also introduced its banking service as another distinctive feature to promote ongoing competitiveness (Sainsbury, 2010). Sainsbury's Bank in association with Lloyds Banking Group has been providing customers with insurance, accounts and credit financing to greater integrate consumers within the Sainsbury's brand (Sainsbury, 2010).

2. Introduction to Lidl

Lidl is a German retailer, which has focused on the provision of food, beverages and merchandise. The company has been distributing its range of products through an extensive network of 8000 international stores (Retail Forward, 2005). Lidl has incorporated a strategy of selling low-cost products as a distinctive competitive characteristic (Reed, 2007). The company had generated stable growth over the last several years but gradually began losing its market share accumulation (Smithers, 2007).

2. 1 Marketing Mix

The marketing mix of the company can be divided into seven essential elements, such as product, price, promotion, place, people, physicality and promotion (Constantinides, 2004). This is an extended version of the standard marketing mix of 4Ps, which can provide a more comprehensive analysis not only on the marketing capabilities of the organisation but also on the strategic characteristics of the brand (Groucutt et al., 2004).

In this respect, the marketing mix of Lidl has been managed to comply with the low-cost strategy of the organisation. The Place where product items are distributed has basic and simple features (Retail Forward, 2005). This underlines the organisational vision, which emphasises on cheap products rather than customer experience. Moreover, Lidl stores often lack a clear division of product categories and aisle for customers but rather arrange their interior as an open-space environment.

On the other hand, People management as another important element of a company's marketing mix has not been well utilised. Consumers usually do not receive any customer service or buying interaction with staff (Smithers, 2007).

In terms of the Products, Lidl has focused primarily on distributing own-branded ranges of products. This is with full compliance with the low-cost strategy of the organisation as Lidl can generate greater margins through distribution of low-cost items (Verdict Research 2008). Moreover, the distribution of own-labelled products is more cost efficient than managing external suppliers and premium brands not only due to the opportunity for

greater profit margins but with respect to sustaining effective communication (Thompson, 2009).

The Promotional strategy of the company can be recognised to be comparatively more conservative than the one employed by other retailers. Lidl has not been promoting new brands as the company is primarily distributing own-labelled brands and product diversity has been usually kept to a minimum (Retail Forward, 2005).

Another important element of a marketing mix is the internal processes, which accompany the distribution of products. In this respect, the company has neglected the utilisation of the Process element. The in-store environment is simple and employee levels are kept at minimum. This is a way for Lidl to increase cost efficiency but it has negative impacts on brand awareness and customer loyalty (Reed, 2007).

Physicality is a component of the marketing mix, which provides customers with physical evidence for quality of a particular service. Nowadays, retailers are not only providing products but also focus on a number of services, such as customer interactivity; loyalty schemes; home delivery; rewards and promotions (Hawkins, 2009). However, in the context of Lidl, the company can be recognised to have neglected this element as not any distinctive customer experience or in-store characteristics have been developed to differentiate and inspire buying behaviour.

Finally, the most important components of the company's marketing mix are the Price. Lidl has adopted distinctive cost leadership strategy, which focuses on own-branded products and low-prices (Reed, 2007). Although price is a <https://assignbuster.com/one-of-the-uks-leading-retail-brands-marketing-essay/>

significant order winner for many consumer segments, consumer behaviour is constantly changing and the need of greater innovativeness in the services and products provided is of substantial importance (Gramley, 2008). This is the reason why, hard discounters have been observed to lose their competitive positioning and market share (Blau, 2010; Thomas, 2010a).

2. 2 Operations Strategy

The operations strategy of the company can be recognised to be interdependent to the marketing mix elements, which Lidl sustains. In other words, the company has been sustaining a cost leadership strategy, which has been supported through the management of simplistic operations and a limited range of products. The company does not maintain capabilities for extensive product diversification, as this is likely to increase their costs and enhance the complexity of supply-chain co-ordination (Harrison and Hoek, 2008). This is the reason why, Lidl lacks distinctive innovative proposition and the companies unique selling point is based on low-priced items, which is may be controversial in terms of the level of uniqueness of which this strategy is comprised.

2. 3 Competitiveness

The financial crisis and subsequent economic downturn had extensive impact on consumer behaviour (Brennanm, 2009; Euromonitor International, 2008; Mintel Oxygen, 2008). Consumers were recognised to be driven by price sensitivity and low-cost purchasing. This is the reason why, Lidl's strategy proved to be the best fit for the particular conditions. This could be recognised in the results of the company, increased revenue and market

share (Verdict Research, 2008). However, recently the company has started to lose competitiveness and maintain static performance (Blau, 2010).

On the other hand, high-street retailers have gained confidence as their sales improved because of changes in consumers' behaviour. Consumers have become more attracted to high-quality items and have shown interest in spending more on items, which were neglected during the zenith of the economic downturn (Wood, 2010).

This is the reason why, Lidl would be facing greater challenges in maintaining high performance as buying behaviour seems to be allocating focus to retailers, such as Tesco, Sainsbury's and Asda, at least in the short-term.

3. Comparison of strategic performance

The comparison of Sainsbury's and Lidl can be associated with the effort of comparing two different worlds and ideologies. The strategic vision of Lidl is to focus on price leadership and thus gain competitiveness by this powerful selling proposition. Although Lidl has generated significant market share over the past couple of years, the company is currently challenged by the emergence of new consumer behaviour characteristics (Smithers, 2007; Thomas, 2010a). One of the greatest weaknesses of the company is that it relies solely on low-priced goods as competitive proposition and tailoring its operations to revive around this business model.

On the other hand, Sainsbury's can be recognised to have been employing a diverse range of strategies and operations (Verdict Research, 2009c). The company has been focusing on the distribution of diverse product lines of <https://assignbuster.com/one-of-the-uks-leading-retail-brands-marketing-essay/>

high quality and affordable products (Sainsbury, 2010). This provide Sainsbury's with the opportunity to meet an extensive range of consumer needs and also produce a balanced portfolio of products, and thus eliminate market risks (Hawkins, 2009).

Moreover, Sainsbury's has different store environment and product brands, which focus on outlining the business Physicality. The company has also focused on improving operational efficiency through introducing self-service checkouts. This is an approach to eliminate labour costs and the possibility of human error (King, 2009).

Sainsbury's has also introduced one of the UK's most distinctive loyalty schemes, which not only do generate greater customer loyalty but also is a tool for the company to measure performance and analyse customer behaviour (Thomas, 2010b). This is an approach, which have been implemented by other retailers, such as Tesco, and would transform into a leading order qualifier in the long-term (Verdict Research, 2010).

Finally, Sainsbury's has been diversifying its presence on the market through the introduction of Sainsbury's Bank which provides insurance and financial service to customers (Turner, 2009); an approach that is likely to generate greater customer loyalty and provide better insight on customer buying behaviour features (Iacobucci and Calder, 2003).

4. Long-term growth opportunities and threats

There are a great number of long-term opportunities and threats with which the operations of these two retailers can be associated. For Lidl, the greatest threat is the current change in consumer behaviour – hard discounters have <https://assignbuster.com/one-of-the-uks-leading-retail-brands-marketing-essay/>

been losing market share, as their selling proposition seems to lack uniqueness (Blau, 2010).

Nowadays, leading brands as Sainsbury's and Tesco has been developing a diverse range of products, loyalty programmes and services to attract greater number of consumers and sustain a balanced portfolio of propositions and thus reduce operational risks (Verdict Research, 2010). This is the reason why, Lidl needs to accompany its existing business model with any other business proposition, which can enhance the competitive edge of the company in a highly dynamic retailing industry.

On the other hand, Sainsbury's would face a number of long-term threats with respect to the growing competitiveness of the FMCG sector. For example, Tesco will be penetrating the banking sector with Tesco Bank and thus challenge Sainsbury's distinctive advantage (Turner, 2009). Moreover, the present analysis reveals that Sainsbury's has more order qualifiers than order winners. The company shares common characteristics with other leading retailers and therefore it needs to focus on further innovation.

At present Sainsbury's as Tesco, Asda, Morrison's and Somerfield, focused on product diversity and comparatively affordable pricing. Price cutting has been one of the primary strategies for these retailers to compete among each other (Verdict Research, 2009b). This results in supply-chain pressure and lower margin performance (Harrison and Hoek, 2008). This is the reason why, Sainsbury's needs to develop innovative propositions, which can challenge the market context and distinctively outline itself as a leader not only as a capable order qualifier.