

Majority of uk clothing companies struggling for survival



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The major share of the UK Clothing market is Women's, girls' and children's making up 68% of the total market. The increase in working women might have been expected to cause an upsurge in demand for smart clothing, but a major feature of the market has been a trend towards short dressing. Which targets the 18 to 25 year old market, has accepted the trend and recently recorded a pre-tax profit margin almost four times that of the industry average.

Consumers are now tending towards the budget end of the market, which is targeted by companies such as Primark, Peacock's, Next, and Matalan, or the designer, premium-priced extreme (Fashion infomat, 25 May 2005).

Selection of Organisation:

This assignment completely deals with the changes in an organisation due to technology and what innovation has been made by the organisation to improve its profitability. Here information technology has taken as important tool of technology. This attempt aims to discuss the influence of IT systems that changes the organisation profitability and the whole structure.

In the U. K fashion industry, it is the necessity to identify the market trends and respond immediately to the trends (Fashion infomat, 25 May 2005).

Discount chains Next, Peacock's and Primark stores which are going to expand rapidly in this fashion trend accordingly. In the retail fashion industry like M & S, Next, Top shop, Matalan etc. through a long period when they have been able to rely solely on declining prices to drive sales upwards. However, with the falling pound value and rising overseas sourcing costs,

competing on price is going to become increasingly difficult for them (Fashion Retail Service, 21-May-2009).

Why Primark?

“ Look Good Pay Less”

The current credit crunch hit not only the UK Economy but the whole world Economy. If we look on the current UK clothing retail industry, we shall find out majority of companies are struggling for their survival. There is a few success stories in the current period of time regarding businesses, Primark is one of the company.

Associated British Foods the owner of Primark have revealed that sales at Primark rose 18% in the 16 weeks to January 3, 2009 which helped by an increase in selling space and “ very good” like-for-like sales growth.

Primark’s performance compares favourably with rival Marks & Spencer, which reported an 8. 9% fall in general sales for its third quarter. The business of Primark, which has 141 stores in UK whereas 200 in whole Europe, saw a £122 million rise in profits while like-for-like sales increased by 5%. The Primark retailer store is looking to open another seven stores during their second half of this year (Metro Thursday, January 15, 2010).

Associated British Foods, the owner of Primark, has beaten expectations with half-year profits of £275 million, which was helped by a leap in earnings of 10% at the discount clothing retailer. The results represent a 2% dip in profits for Associated British Foods. However, they were higher than the £262 million consensus estimate (Primark website, 10 August 2010).

EXECUTIVE SUMMARY

Innovation is essential for the life of an organization. The organisations who want to survive in this competitive era need to make innovation in response to the external environment as well as its internal environment.

According to Kotter “ no business can survive over the long term if it cannot reinvent itself” (Kotter, 2004).

It is an era of technology and information. The rapid development in technology has changed the attitude of the people and the nature of business as well.

In this technological era the process of change is very fast and rapid responsive. Technology boosts the process and made different type of innovation.

Primark is the one of the organization who understands the importance of technology and innovation process. Primark is the discount cloth retailer working from 41 years. Primark is the fast and affordable fashion idea. The changes has taken by Primark has significant impacts on company performance and profitability. Primark improves his ordering and logistic system which helps to cut down the over head cost. Primark introduce new operational strategy, the company reduces the timing of waiting customer in queues. These changes help to create the value services to customers. Product innovation and improvement, new design, and better customer services are the key points of customer retain and attract new customers are main focus of company.

To find out all the valuable information I go through with primary research. I arrange interviews with Primark management and arrange group discussions on Facebook. com and visit the Primark store as well. Academic literature is provided; company analysis, SWOT, recommendation, and conclusion are the key points of this assignment.

ACADEMIC LITERATURE

Why Innovation?

Innovation brings changes in the organisation structure and makes a rise in profitability. Primark is an organisation which deals with customers in the clothing industry and has a big set up to manage it. Product life cycle shows the Primark through its stages.

<http://www.quickmba.com/marketing/product/lifecycle/>

Product life cycle shows the four stages of the organisation, introduction, growth, maturity, and decline. The organisation was at the growth stage when the innovation is being done. Innovation brings changes in the whole set up of the organisation.

Innovation:

Innovation is a breakthrough approach or idea that can be completely new or an enhancement to something that already exists, it is a perspective that will challenge many who just cannot see beyond what their own experience is telling them to think or do. Ettlie J., (2006)

According to Tidd, J, (2009) innovation is something new that adds value; creativity is something new.

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Innovation is a change in the thought process for doing something, or the useful application of new inventions or discoveries. <http://en.wikipedia.org/wiki/Innovation>

According to Michael Neito Lewin has three stages model of change theory, first stage is unfreezing that is the organization away from its current position. Once employee recognize and accept it the second stage where changing can begin. The third stage where change is established in organization, its mean refreezing takes place. Employees' tasks and structure and socio technical theory a more frequent (Michael. Neito, 2006).

The need for Innovation/Change in the UK clothing industry is a given fact that goes hand in hand with the need for improvement and innovation[1] (Barrie. L, 2001).

Benefits of Innovation

There are many benefits of innovation to the organization. The innovation must increase value of the organisation and customer value. The goal of innovation is positive change, to make someone or something better.

Innovation leads to rise in production which means increase in profit.

Following are the main benefits of innovation.

Creates new industries

Maximize productivity and economic growth

Fuels wealth creation and profits

Generates high-value, higher-paying jobs

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Raises standard of living

3. Types of innovation

Types of Innovation can be classified as under

Product and services: the innovation that applied to products and services or market related activities are called products and services innovation.

Operational: Innovation that improves the effectiveness and efficiency of core processes and functions of the organisation is called operational innovation.

Business model: Innovation that basically transforms the business upwards and provides a better way to work or derives revenue up is called business model innovation.

Partnership innovation: Partner innovation mean two businesses or firms get together to make innovation. There may be Government and private partnership innovation for favour of public. Link, (2006)

Portfolio innovation: The key to choosing products that contributes to profitability lies in changing the business focus of portfolio management from financial matter to customer value. Mello, et al (2006)

Primark has selected operational innovation to up grade the whole infrastructure of the organisation for the favour of organisation and for the favour of its valuable customer. The organisation selects the operational innovation to avoid customers standing long time in queue and for better customer services.

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Role of Manager in Innovation

Managers are either incapable of or somehow exempt from, innovation. Role of manager in the process of innovation is very important. Manager should consider all the aspects regarding innovation in the organisation. According to Roger Bean and Russell Radford there are several points that related to nurturing and fostering innovation that are worthy of more attention to manager. Following are the points that a manager must capable.

Personal understanding of the process of innovation

Continuous learning and study

Curiosity

Openness

Leadership

Focus on strategic issues rather than operational tasks

(Roger Bean and Russell Radford, 2002)

System development and organizational change:

Jon Turner & Kenneth Laudon claiming that information system is an opportunistic component. Largely IT systems provided faster and accuracy results in the process of communication. It took the firms to gain competitive advantage in the firm's value chain and opportunities (Jon. Turner & Kenneth. Laudon, 1988).

Information technology can promote various important organizational change, ranging from incremental to far, reaching like structural organization change that are enabled by information technology: 1) Automation 2) Rationalization 3) Reengineering 4) Paradigm shifts (Kenneth. Laudon and Jane. Laudon, 2009).

Innovative Organisation:

The organisation need to take certain steps to become innovative organisation. Some important steps that should take the organisation are following. (Ettlie, J. 2006)

Create strategic vision

Create organisation structures that promote collaboration

Establish processes to convert ideas into innovations

Allocate resources

Train workforce on creativity tools

Measure and communicate results

Recognise creative behaviour

Reward innovation results

Operations Management:

Every time businesses are looking for new and improve methods to improve the efficiency of their operations to achieve higher profitability. Information

systems and technologies are some of the most important methods available to managers for achieving high levels of efficiency and productivity (Jane. Laudon and Kenneth. Laudon, 2008).

The concept of off shore business and outsourcing has taken a huge advantage for firms to play globally irrespective of its place consideration (Kshetri. Nir, 2007).

Operation Productivity:

Many retailers have improved their operations productivity through computerisation checkouts, the electronic point of sale system and scanning formats. They use this system to process transactions and monitor inventory efficiently. Computerised registers instantly record and display sales provide detailed receipts and store inventory data. This system lowers costs by reducing transaction time, employee training and the need for item pricing (Barry. Berman and Joel. Evans, 2006).

Firms increased its productivity and flexibility with use of IT. But increased cost in installations and maintenance resulted (Olson. Margrethe, 1993).

Supply Chain Management:

The supply chain consists of all parties involved, directly or indirectly, to fulfil the requirement of customer. These supply chain includes not only the manufacturers and suppliers but also the transporters, warehouses, retailers and even customers themselves, the supply chain includes all functions involved in receiving and full filling the customer request (Sunil. Chopra and Peter. Meindl, 2007).

It is clear that it is very important for some level of co-ordination for some level of activities and processes within and between the organisations in the supply chain that extends beyond logistics and this is called Supply chain management (Cooper. C., Lambert. D, and Pagh. D, 1997).

The management of upstream and downstream relationship with suppliers and customers to deliver superior customer value at less cost to the supply chain as the whole (Douglas. Lambert, 2008).

Total Quality Management:

Total quality management mean continuous improvement in the business, it is a philosophy for running a business, manage the business right way, total people empowerment, mainly a focus on the customer, a commitment to quality and investment in knowledge (Cali, J. F, 1992).

Total Quality Management is considered to be more incremental than business process re-engineering. TQM typically focuses on continuous improve and change rather than stay just in one change (Kenneth. L and Jane. L, 2006).

How information systems support quality improvements?

By Mithas, Krishnan, Fornell, the Service industries are performed better with customers than manufacturing industries. Information affects the products quality and its value. With that the research outlined market value of firms are increased for the firms using IT in its core business operations (Fornell. S, and Mithas. S, 2005).

The study found that the new theory evolved in fashion industry due to IT in place. It changed the force of influence and fashion dimension in respect to the type of business (Lee. Jintae and Collar. Emilio, 2002).

New Products:

The products are serviced is the principle component of marketing as it provides revenue without which commercial activity could not take place.

The following are the products used in marketing:

Innovative products are completely new to the market.

Replacement products might include renowned items with a new design and functions.

Imitative products are common and are termed as “ Me Too” products.

Re-Launched products occurs when an original product had been declined but the company expects sufficient potential sale if product is altered through manipulating the marketing mix (Geoff. Lancaster and Paul. Reynolds, 2004).

New Product success: most established companies focus on incremental innovation can allow companies to enter new markets by adapting existing market offerings for new customers. Seven notion of innovation:

See the future through the eyes of yours customer

Intellectual property and brand power are key assets.

Use digital technology to create tools for customers.

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Build a championship team, not a group of championship.

Innovation is a state of mind

Speed is critical so push your organisation

Partner up if you are not the best in something

(Philip. Kotler, 2009)

Technological change and new product development:

There are important aspects regarding the impact of the pace of technological change and new product development. The first one in many industries life cycle is shortening. This then creates vicious circle in as much as the marketer must increasingly be looking for new products to replace the outdated ones. Second consequence of the increased pace of technological change is that there is now a premium on being able to develop and launch new products quickly (Geoff. Lancaster., Lester. Massingham & Ruth. Ashfor, 2002).

Lot of new concepts of business like e-commerce introduced and benefited to firms. It varied firm's performance and keeping more available options to function and to develop its operations (Koellinger. P, 2008).

ORGANIZATIONAL ANALYSIS

By primary research

In terms of find out that's what changes has been made in Primark organization, I go through with primary research . I go through with managerial interviews from the Primark FALG SHIP store at oxford street

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London. I arrange group discussions on www.facebook.com to get the customer view that, are the customer are getting the results in the result of the company efforts. I met the store manager INA RANKIN and Dept. store manager MIA RAJ to find out recent innovation made by the company that influenced by technology. I done long time interview to collect valuable information and then elaborate in this assignment.

(See appendices 1 for detail inerview)

In the result of the interview we found some of the very significant changes that made by Primark and we point out below.

New ordering and distribution system:

Quality improvement.

New Product Line.

Cut the cost of packing.

Improvement of store operations.

Return and exchange policy.

Digital administration system[2].

Reduction in customers queue[3]

Treat in Primark ethical trading managed with IT[4].

Now I will have a look on each change in a little bit detail

Quality improvement:

Company constantly improving his quality of product and fitting to give the customer real satisfaction and value for money and the company always introduce new and improve technology in the manufacturing process.

New Product Line:

Primark introducing hundreds of new product lines every week to deliver up to date fashion regarding the customer needs and demand, when a new fashion introduce in the market its only take six weeks to come in company stores and it because of the advance and improve technological innovation. Primark introduced new product range as well like Denim Co, Butler and Webb range, Rebel, Early days and Backswing.

Cut the cost of packing:

Primark believes to deliver good quality products on affordable price, so company always try to find out new ways to minimize the price. In these days company made a strategy that to cut the cost of packing.

Improvement of store operations:

All the stores of Primark having a huge amount of customers every time and the pressure on the tilling was too much excessive, to reduce the customer check out time in long queues Primark installing more tills in every store, it helps the Primark to improve customer services and profitability as well.

Return and Exchange Policy:

Primark recently change its return and exchange policy. Prior if you want to return or exchange a product you could do only in same country with in 14

days but now you can return or exchange within 28 days and whichever country you want where company stores exist.

Digital administration system:

The Digital Administrative Management system (DAD) with Business Collaborator's management solution providers has introduced to control of large information at one time and eliminated paper plans decreased admin costs by 50 percent as well as reduced confusion with overloading emails. Specifically it is supported to new store development functions. Good communication flow has been taking place with the system to control the information in an efficient way.

Reduction in customers queue:

An electronic call forward system is adopted to improve customer transaction times and minimise queuing at Primark.

Treat in Primark ethical trading managed with IT

In the past years, Primark is largely criticised in its gap in ethical trading systems with suppliers who are employing illegal migrant workers. Now new software having a tool Entropy will look the global suppliers to check the mandatory code of conduct of suppliers. Entropy is a web based supply chain audit systems, the remedial actions and quality of working environments can be checked. This is entirely a global system has its visibility and tools of greater control.

Business Methodology of Primark

Primark is the one of the largest company in UK related to ready mad garments, following are the business points of business methodology.

Push urgency up: push up all the resources and skills for enhancement of quality in the field of garments industry using the high skilled and motivated team.

Adaptation of new technology for control management process and ETI are significant practical way of getting in, with new information technology as Laudon and laudon 2008.

New ordering system is a good example of JIT and Supply chain management.

Primark all the time follow high moral and ethic values to serve customers and all member of organization. It's possible when customers happy and beneficial parallel with company in the industry.

Interdicting new product lines, improvement of products quality, improving of operations management all are very relevant to TQM and Retail management theories.

Primark has philosophy to provide facility of margin, benefits regarding price vice, quality vice, designing services and as well as with employees satisfaction, production, sale, logistic management and innovation for reducing cost and better management.

Recommendations

Primark should introduce online trading/purchasing. These will help them to increase their revenues, generate more profits and create customer value. It will also help them to become number one Retail firm in the UK.

Primark should try to eliminate the perception of low quality from the Customers mind by introducing new products and offering a better quality and keeping the same price range.

Primark should expand their business in developing countries.

Primark should concentrate on Ethical trading where suppliers are employing unskilled labours to manufacture the clothing and are also offering them low pay scale which in turn is affecting the reputation of the Company.

Primark should serve customers of all age groups and not just youngsters.

Conclusion

In this current credit crunch period where most of the companies are going to close down and some of them are struggling for their survival, Primark is the only organisation who is doing considerably well in this recession time.

The only reason is that they are doing well is because they have understood the concept of innovation and change management. Innovation is very important for the organisation but people are scared to adapt and put themselves in innovation process as they don't know whether innovation will be good or bad for them or for their organisation. Primark has adapted to change and innovation has introduced various systems to operate their work efficiently and effectively. They are also opening new stores which are more

spacious than before. The reason for their success is innovation. Innovation in Technology management and organisation plays a very important role in today's world of science.

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