

Analysis and development of retailer next



Next is a clothing retailer based in UK . It sells high quality & well designed clothing , footwear, accessories & home products . There are 3 main distribution channels of Next :

Next Retail chain which was incorporated in 1982 & consists of 500 stores in UK & Eire . It offers styling clothes , accessories for women , shoes , collection for men , children & home . To offer a consistent quality , style & value for money Next clothes are designed by the In-House design team.

Next directory which is a website & a home shopping catalogue with over 2 million active customers.

Next International is mainly for foreign nationals . It consists of over 180 stores & its strong online capability . [Next Plc]

Brief History in last 25 years [Next Plc]

Next Interiors range of soft furnishings for home were launched in August . The opening of first departmental store with menswear , interiors & womenswear in Regent street (London) . [1985]

J. Hepworth & Son changed its name to Next plc . A mail order company [Grattan plc was acquired by Next [1986]

Next launched childrenswear in the year [1987] .

To create the blueprint for catalogue retailing , Next Directory was launched with a hardback book consisting of 350 pages . This was a groundbreaking mail order operation . [1988]

The appointment of Lord Wolfson of Sunningdale as the chairman of Next plc . [1990]

The acquired Gratton was sold of to Otto Versand . [1991]

To bring together the common range of home shopping structure & Retail , Next announces the brand strategy of " One brand two ways of shopping " . [1993]

Next started Trading in 16 countries through 300 stores . [1994]

Next for the Home was successfully relaunched in 1995 .

The appointment of Sir Brian Pitman as the chairman . [1998]

Online shopping from Next Directory at (www. next. co. uk) was launched . [1999]

As a standard for orders placed before 5 pm , Next day delivery was introduced with the Next Directory in the year 2000 .

Appointment of Mr. Simon Wolfson as the Chief Executive & opening of many larger stores . [www. nextflowers. co. uk.] [2001]

Appointment of Mr. David Jones as the Chairman & introduction of Internet Speed disk . [2002]

Massively structured stores were opened in Dudley, Birmingham, Nottingham & Newcastle Gateshead along with a Mega store in Glasgow Braehead . [2003]

Opening of the first Scandinavian store in Denmark , selling womenswear , childrenswear & menswear . [2004]

Wedding List Service was launched by Next Home . [2005]

Appointment of Mr. John Barton as the Chairman . [www. nextelectric. co. uk] [2006]

Year 2007 was the Silver jubilee for Next . [2007]

Lipsy, the young women fashion Brand was acquired by Next in the year 2008 .

The Homewear & Official Supplier to the London 2012 Olympics & Paralympic games has been confirmed as Next . [2010]

Company Strategic Corporate Development History:

In the year 1999 Next closed 7 foreign stores including 5 U. S. stores after a short international expansion as its strategy on Brand expansion based on franchising from International Strategy . The franchises of Next are operates in about 20 international markets , especially in the Far East & Middle East . The Next Franchise expansion was curbed by the bad economic condition in Asian Market during late 1990's , as a result of which post building 43 franchised locations in 1998 , the company stepped in 1999 with only 35 franchise stores . Two basic activities complementing each other is what the operations of Next are categorized into : Catalogue sales & Retail stores . Next operated around 330 Retail stores throughout Ireland & England at the beginning of 1999 with retail sales space totaling upto 1. 35 million square feet . Next extended many of its small stores to multi-departmental stores with an average selling space of 14, 000 square feet . The Retail operations earned 821 million pounds for Next in 1998 which was over 2/3rd of its operating profit . As the Next Directory Catalog sales were dovetailed with the operations of the retail stores , both segments offered the same lines of products under the strategy ‘ One Brand Two Methods of Shopping ‘ , in the late 1990s . The shop-at-home concept offered by Next Directory with delivery times as quick as one-day . The Hardbound catalogue earned 270 million pounds in 1998 to the company . The major strategy of Next is that its sells exclusively designed clothes , accessories & other merchandise . Next focuses on middle-class people within the age range of 20-46 years . The basis of manufacturing at Next is on contract , which is also partly done by Next's office in Honk Kong . The third party operators of Next

handle the distribution to it's Retail stores & some customers of Next Directory .

Ventura earned Next 100 million pounds in 1998 .

Mr David Jones has been guiding Next Plc since 1998 as its Chief Executive Officer & it trades on the London Stock Exchange .

Tailor to Trendy in the mid 1980s

Next operated around 130 stores for men by the end of the year 1985 . The expansion of Next in 1985 took place with a new Retail structure & product category with the launch of New Interiors concept . The Multidepartment stores were also incorporated with Next Interiors . A store opened in Regent street (London) in 1985 was the first to feature all the products of Next . In the same year a rival retailer in clothing was acquired by [J Hepworth & Son] which was replaced by the name Next in the same year . This was made official when a new company name as Next Plc was adopted in 1986 . Then it's first activity was the acquisition of Grattan Plc which was a mail order company after which Next was all set to make an entrance into the catalog sales channel & in the year 1988 the launch of Next Directory which was a great success . Next underwent an aggressive strategy of expansion which included the high boost in the number of retail locations & the companies revenues paced up over 1. 1 billion pounds in 1988 from 190 million pounds in 1986 . The Empire of Next not only encompassed Gratton mail order business , but Zales & Salsburys jewelry chains in 1987 . The jewelry chains were acquired via the parent company Combined English Stores Group . Some more acquisitions in the year 1987 were that of Dillons-Preedy to add newsstand operations & in the very same year Next also invested in British Sky Broadcasting . Next , the diversified company's profitability was adversely affected by increasing costs , competition & debts as a result of which it suffered a losses in the year 1989 .

Focused in the 1990s

Mr . George Davies had to resign from the position of Chief Executive Officer which was filled by Mr. David Jones who previously held the same position at Next's Grattan subunit . Streamlining operation was what Next was led through by Mr. Jones , to bring it back to the core clothing & home furnishing business in the early 1990s as a result of which the non-core operations including jewelry stores[1988] , Grattan mail order [1991] & British Sky Broadcasting Investment [1991] were sold & written off in the respective years mentioned in the brackets .

The process of streamlining happened to be very expensive for the Next . The company resuffered through a loss of 445 million pounds as its net figures . Along with shedding it's noncore operations , Next now initiated to streamline its remaining businesses . Previously it produced most of its products , whereas now it started shutting down its factories and replacing its manufacturing activities with outsourcing to the third parties . As a consequence of the process of restructuring Next came up with the strategy of store transformation in terms of location & size . The Next stores that did not generate sufficient money were closed & multi department stores were opened instead . This trimmed-down operation of Next with only 310 stores in the year 1992, generated reduced sales & the profit was merely 11 million pounds .

To strengthen its position Next adopted a new strategy of ' One Brand Two Methods of Shopping .' The two major divisions ; Next Retail store chain & Next Directory ' s revenue operations were combined & the company's customers were presented the same Next Brand products .

Thereafter , Next adopted new expansion strategies . Uk & Ireland were the only areas of focus until 1990s . Therefore Next now had the urge to reach overseas as a Brand for which several approaches were used . Partnering with local organizations , Next adopted the approach of Franchising to enter Eastern European , Asian & Middle Eastern Markets . To import the Next Brand in U. S. , Next adopted the strategy of Joint Venture , as a result of which in mid 1990s , it's first store was opened in Boston in 1993 , followed by another 4 stores . Lastly , by opening a company owned store in France , Next launched it's Brand in the European continent followed by the opening of another store in Belgium .

To operate the company's U. K. based chain of Bath & Body Works , Next entered into a joint venture with Intimate Brands in 1994 as it seeked to branch out from the Next Retail brand . Taking over the Ventura customer service & call center service provider , Next moved beyond retail as well . In 1995 Next made a net profit of 80 million pounds . The company was operating with around 300 retail stores and had got involved into the plan of shedding several small stores to immerse into the concept of multidepartment stores .

During the second half of 1990s , Next boasted a strong rise in it's revenues which was over 1. 1 billion pounds at the end of 1998 . However, in the same year Next's redundance in it's efforts of expansion in North America was not really successful . In April 1999, Next's 5 U. S. based stores & the stores based in Belgium & France , were shut down . While aiming at it's International expansion with Next Brand Franchise , it regrouped all around its UK based catalog sales & Retail operations . [FundingUniverse]

(SWOT-Analysis)

1 Strengths

The Brand of Next is an asset to it in terms of Quality , style, & Value for money . The reason for its success is that Next not only designs its products but also sells them with self label . They identify the changes in customer preferences & behavior under extensive market overview as they are one of the largest retailers . The self production & labeling enables Next to frequently adapt to the unpredictable market conditions which inturn also allows it to save time . Time saving & Adaptability is really necessary for a firm to succeed in such fast moving market of fashion industry where time plays a key role .

2 Weaknesses

The incomplete product range of Next , unfortunately , sometimes affects its regular customers who then happen to purchase from its competitors . An example of that would be that Next does't sell sports wear which consequently forces its customers to buy them from those who sell them . This adds to the disadvantage of Next Plc .

An added disadvantage could be mentioned as an example . Eg. A customer interested to buy Next's sports wear [if they had it] might have been interested in buying some gift at the same time because of the presence of sufficient variety , which could have made it extra revenues . However as they don't have sports wear , they are loosing on a good opportunity for revenue .

3 Opportunities

For Next Plc in order to make profit , it should consider social rethinking as majority of people are getting conscious for nature's significance nowadays . TO aim for Long Term success , Next could earn a reputation as a socially conscious firm by producing with the use of environment friendly raw materials & natural fibres .

The key to success is uniqueness or individuality . According to the recent researches people are on an average are getting heavier & taller [Alridge]. What now can convince people to realize the presence of mind of Next is its Adaptability .

4 Threats

The big supermarkets or Discounters , despite of not being present in the same market are potential threat to Next Plc as they sell similar products . These products are offered by them for short duration i. e. at a really cheap price for a couple of weeks . Many people advertently buy these low priced products instead of going for a good quality . This strategy of Hit & run adversely affects the businesses of companies like Next .

Political, Economic, Social, Technology (PEST-Analysis)

1 Political

Long term decisions are based on stable political surrounding . UK is also a member of European Union , as a result of which the government has to operate to live up to the standards of European Union ‘ s structure , hence, ensuring Next a greater scope of economic executions . The open transfer of goods & products is another advantage of European Union making the sales operations of Next easier in European counties as there are no barriers to trade to aggravate its sales revenues .

2 Economic

British pound is still stronger as compared to the Euro which is why Foreign investments for Next are relatively cheaper but expensive for the other foreign organizations willing to initiate in the UK. This is also a reason that several countries are not willing to trade .

3 Social

Presently , the population in Uk is 61. 11 million which in 2025 is expected to reach to 65 million . This brings in good news to Next as many more customers will be added to its current list , however the population is ageing . [True Knowledgege /population]

Secondly there is a dramatic change in the social structure . Medical service’s progress & awareness of living increases life expectancy . Sex education’s development & increase in the number of professional or working women has led to a decrease in the rate of Birth which are the factors that have been accounting for falling revenues for an experienced company such as Next .

4 Technological

New Media's reception & an age old internet bring in a evaluated potential opportunities to Next Plc to grow its profits . Some U. S. based organizations are offering online orders wherein people can mention their measurements & preferences which are sent to the production facilities & after 2 days customes receive their orders . This was simply another example of possibilities by the use of which firms can actually respond to the ever changing preferences in clothing .

6. Competitive Analysis

Michael Porter's Five Forces Model.

The five forces are:

1. Threat of new Entrants
2. Threat of Substitutes
3. Bargaining power of customers
4. Bargaining power of suppliers
5. Competitive Rivalry

6. 1. Threat of new Entrants

Entering into a New Market needs huge finances to purchase necessary raw machineries , develop new products , hire staves , selling-rooms & to build an organized systematic network . Organisations such as Calvin Klein , Tommy Hilfiger & Hugo Boss can very easily enter into new markets as the monetary risk for banks are very elevated to assist smaller firms & also that they do not have the potential to respond to the defencive attacks of existing firms . Like Next , local firms cannot access the wide market overview & consequently are unable to recognize the changes within the market spontaneously .

Brand Loyalty is no more a threat to new firms , presently , thus making it a threat to Next Plc . Customers use advanced technology to evaluate & compare several offers during a short span of time & are willing to purchase the cheapest possible product . These Generation X or technology savvy people have been a huge segment targeted by Next , which can be alarming for it .

6. 2. Threat of Substitutes

Product substitution & Replacement of Firm need to be distinguished while discussing substitution . The decision of a customer to purchase an item & then a change in his decision to have another is referred to as Substitution of Product . i. e. A customer might probably buy a jumper if he merely does not like the design of a Next jacket . However , this had no impact to the revenue of Next .

Substitution of Next for its competitor is referred to as company replacement . In the example mentioned previously the customer would have bought a new jacket from the competitors of Next . Now this affects the firms revenues .

6. 3. The Bargaining power of the buyers

There are several factors on which the power of buyer depends . Unlimited demand is met by countless suppliers in the U. K. Retail market . Therefore if the customers are not satisfied they can switch from one company to the other . Because of advanced technical knowledge & their age group , the segment of people targeted by Next have adequate earning power . To specify changing demand & buyer trends their pattern of spending should be carefully analysed .

The customers of Next Plc are mainly based in Britain . If Next turns unsuccessful in the British Market , it cannot compensate it by the revenues in the other markets

Profits in geographical destination:

U K 1, 379. 9

Rest of Europe 29. 6

Middle East 8. 0

North America 0. 0

Australasia 4. 8

Asia 3. 1

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1425. 4

6. 4. Bargaining power of Suppliers

Labor costs are high for Uk in comparison with that in Eastern Europe , Asia & North Africa which is why that several firms have decided to outsource . Therefore there is a pressure on Next to produce high quality products without cutting its costs , however getting the production outsourced can be of great help as cheap labor can be appointed .

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6. 5. Competitive Rivalry

An increasing number of foreign retail chains zero in on UK as a starting point to make it big in Europe . Example Giordano , a Hong Kong based clothing retailer is very successful & plans to open & operate stores in UK for its European expansion . Marks & Spencer , Arcadia group & Debenhams are the top existing competitors of Next . Next has been facing the counter-attack by Debenhams in the recent past . Debenhams & Marks & Spencer have spend a lot of money for the development of their online operations . Every possible measure to earn profits should be seeked in an Industry as this where so many firms produce the name products & are only identified by their marked labels .

Strategic Situation

Next Plc operates in the hypercompetitive fashion retail industry . So far Next has been one of the best players of the industry . Brand Loyalty is also an asset of Next . the quality & design of its products are an obvious reason to add to its performance & to establish it as one of the best in the fashion retail market . The main issues that Next has is its smaller variety of products . Being successful in Uk where Next is based is an important

advantage to it as there is a lot of immigration . This means new customers .
However Next happens to be one of the best when it comes to price ,
performance & Quality of its products .

Strategic Choice

Ansoff's Matrix can be used to to opt for the strategic choice for a firm .

Existing Products

New Products

Existing Markets

Market Penetration

Product Development

New Markets

Market Development

Diversification

' Product development' would be an ideal strategic choice for Next Plc . Next has a short range of products , however it has a massive market to serve to . The Product range development with launch of New products like sportswear in the existing market can prove to be really profitable for Next in the short & long term . Availability of new products at the multi department stores of Next will provide it with an extra edge over its competitors as the Quality of its products & design has managed to procure Brand loyalty . This will help

Next not to lose on any of its existing customers by providing them options in terms of variety at its stores . This would be a step toward customization , which every customer loves . Product range , which was one of Next's biggest weaknesses can now be converted to its opportunity by extending it through the production & development of some additional products . This will definitely increase the revenues & profits of Next Plc .

Market development is not applicable as if now because it already has a huge market to serve to & diversifying by introducing new products into new foreign markets will be very risky .

Strategic Direction

For future , the aforementioned strategic choice has to be evaluated & analysed in terms of suitability , acceptability & feasibility . Suitability specifies whether or not the strategy of product development will suffice Next's strategic situation . As mentioned earlier we know that Next has a very wide market especially in the UK . It has been successful since decades . The only weakness it has is lack of variety of product offerings in its current market . Using Product Development as its strategic choice will enable Next Plc to produce additional products to cover a wider segment from its existing market . As Next is reputed Brand , the additional products like sportswear will be equally popular .

Acceptability or the outcomes of Product Development strategy is another aspect that needs to be measured . If Next adopts the strategy of Product development it will be avoiding the risk of losing its market share . This will increase the value of shareholder's assets .

Feasibility ,. Now we need to evaluate the relativity of Product Development strategy with the organizational capabilities & its resources . Using its present capabilities all Next is supposed to do is to increase its line of products from its production houses . Current capabilities & resources will serve he purpose .

Next being an experienced player can easily access the broad market overview and adapt to the changes in consumer behavior & preferences . This can be a method to add to the benefits of Next in the short & long run . Use of natural fibres can help it differentiate from its competitors & add to its reputation .

To cut costs Next can rely more & more steps towards outsourcing its production in underdeveloped or developing Nations without compromising on the Quality of its products . Online participation of Next on a large scale will add advantage to it over its competitors as a huge segment of customers served by Next are technology savvy . The promotion of Quality of Next through Internet can make a difference when it comes to saving its revenues being lost to the mail discounters or cheap supermarket clothing .

Uk's membership in the European Union is an advantage to Next as it provides an easy format of operation for European companies .

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