

Competitive advantages of big bazaar india marketing essay



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Strategic Planning is the backbone of any organization. Failing to plan is equal to planning to fail. Strategic planning will lead the company into success and will make a company to be prepared for the future challenges. Organizations need to implement auditing systems to assess their performance. The Porter's Five Forces, STEEPLE analysis, and SWOT analysis helps a company to analyze its strengths and weaknesses. To outdo the competitors, it is highly important to have an effect marketing strategy. After creating a marketing strategy, companies must analyze its effectiveness by using techniques, such as Portfolio Analysis. This report analyses all these points in detail.

At a time when the very concept of supermarket and hypermarket were unheard in India, one man, Kishore Biyani, dreamt big and started Big Bazaar, the first true hyper market in India. Now there are 98 supermarkets in 71 cities around India. Big Bazaar is a part of the Future Group. Big Bazaar sells all most all the consumer items in a cost effective manner. Using price as the competitive edge, Big Bazaar operates successfully and profitably. The main advantages of Big Bazaar are the innovative sales and promotions, huge variety of products in every store locations, large number of stores around India, and cheap price. There are some disadvantages also. As their products are low priced, their stores are always crowded, the billing can take a long time, customer service and quality is variable.

Failing to plan is planning to fail. Whether a company is small, medium, or big, it needs a strategic plan for its growth and success. A strategic plan can be route map for a company. It helps the company to be in the right track and objective oriented. Therefore, strategic plans are future oriented. Masner
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defines strategic marketing planning as, “ A written statement of the marketing aims of a company, including a statement of the products, targets for sales, market shares and profits, promotional and advertising strategies, pricing policies, distribution channels etc. with precise specification of timescales, individual responsibilities etc”. (Masner, 1988). Any strategic plan will have several guiding principles or components, such as mission of the company, strategic objectives of the company, strategic audit, portfolio analysis, etc. Here, let us analysis the three key principles of strategic planning, such as mission, strategic objectives, and strategic audit.

3. 1

Mission of the Company

Mission is typically a statement that clearly expresses the purpose of an organization. Having vague mission statements may mislead the company. Therefore, it is very important to have a well thought mission. For example, the following is the mission statement of Big Bazaar:

“ We share the vision and belief that our customers and stakeholders shall be served only by creating and executing future scenarios in the consumption space leading to economic development.

We will be the trendsetters in evolving delivery formats, creating retail realty, making consumption affordable for all customer segments – for classes and for masses.

We shall infuse Indian brands with confidence and renewed ambition.

We shall be efficient, cost- conscious and committed to quality in whatever we do.

We shall ensure that our positive attitude, sincerity, humility and united determination shall be the driving force to make us successful.”

(Source: http://www.pantaloon.com/corporate_state.asp Accessed on 02/01/2010)

A good mission statement will contain what kind of business they are in, what their purpose is, who are the customers, and what is their responsibility to the stakeholders including social responsibility.

3. 2 Strategic Objectives of the Company

Strategic objectives of a company can be short term and long term. The short term objectives are the goals that a company plans to achieve in one or less than one year. The objectives can range from the products and services they offer to the management objectives such as enlarging the human capital or more investment, etc. The Long term objectives refer to the goals that a company wants to achieve in the long run, more than one year. The short term goals help the company to reach its long term objectives. Typically, long term objects lay out what a company wants to become. For example, Big Bazaar wants to become number one retailer of fast moving consumer goods. This is a long term business objective which can be achieved by achieving the short term objectives. When the market requirements and customer requirements change, companies review their objectives and change or update their business objective to suit the market and customer requirements.

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3.3

Strategic Audit

Every organization will have external influences. The external environment will affect the way a business operates. Sometimes, the external environment can offer opportunities and at other times it can pose threats. Therefore, it is extremely important for a company to analyze or audit the business strategies in order to be prepared for the threats and make use of the opportunities. There are some analytical tools available for strategic auditing, such as PESTLE analysis, Market map, FIVE FORCES analysis, and SWOT analysis. These auditing tools help an organization to know its strengths, weaknesses, market competition, opportunities, etc. Accordingly, companies can enhance their objectives and strategies. Let us examine the SWOT analysis here.

3.4 SWOT Analysis

SWOT is a short form of Strengths, Weakness, Opportunities, and Treats. By identifying these factors, an organization can better understand the market forces, the market competition, competitive companies, new opportunities, etc.

Strengths: The organization that applies the SWOT analysis must list all the strengths. Identifying the strengths is the first step. An organization may have hundreds of strengths, but it very important to skim them down to a small list with only important strengths. Big Bazaar's key strengths include wide range of products, many store locations, good promotions, and lowest price.

Weaknesses: If a company knows its weaknesses, it can take corrective actions to convert those weaknesses into strengths. The competitors can use your weaknesses to their advantage. In this step, list all the key weaknesses and analyze the weaknesses and find out the ways to overcome these weaknesses. Big Bazaar's key weaknesses include slow billing, poor customer service, and too much crowd in stores.

Opportunities: Opportunities can be defined as the specific internal and external condition that may help in the growth of the company. An organization must be aware of its opportunities and take advantage of those opportunities to improve its competitive edge. Big Bazaar's opportunities include availability of a huge middle class in India with sufficient purchasing power and there are many emerging locations where there are no hypermarkets.

Threats: When an organization doesn't know its external and internal threats, it may fail sooner or later. An organization's threats are its competitor's advantage. Threats can be from a competitor, from a product, from a legislation passed by the government, etc. It is highly necessary for the companies to minimize the threats and increase the strengths. Big Bazaar's threats include new hypermarkets with huge investments, such as More, Reliance Fresh, Tata Hypermarket, etc.

4 1 (b)

4. 1 Porter's Five Forces Model

Porter's Five Forces is an analytical method used for developing effective business strategies. In 1979, Michael E. Porter developed Five Forces theory.

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He advocated that there are some forces that act for and against the profitability of an organization. Porter's Five Forces model is often used to assess a company's competitiveness and strategic position.

Threat of New Companies in the Market: If a business is profitable, many companies will enter that business. Such a market will attract multiple competitors. This will increase the competitiveness among the companies and at the same time the profitability will fall down. In the retail sector in India, there are many large companies, such as Reliance Fresh, More, Tata Hypermarket, Best Buy, etc. These companies pose a competitive threat to Big Bazaar.

Threat of Substitute Products: When many companies produce similar products, there will be tough competition and the fixing price will be difficult. The market controls the price of the products. If the substitute products or services are better than the main product, the consumers will choose the substitute products. Big Bazaar also sells its own brands, such as Pantaloon, DJ&G, etc. As competitors offer a variety of other substitute brands for cheaper price, Big Bazaar also introduced multi brands in all their store in an attempt to keep the customers happy.

Consumer's Bargaining Power: The bargaining power of the consumers can put pressure on the company to reduce the price or to improve the quality. When there are many choices for the consumers, the brand loyalty will be low.

Supplier's Bargaining Power: Suppliers can also influence the decisions in a company. Some decisions from the supplier's side, such as price increase, low supply, etc can put pressure on the company.

Tough Competition and competitive rivalry: Tight competition among the existing companies will affect the price, profit, and availability of products and services. When the companies produce similar goods and have similar business objectives, the competition will be very high.

4. 2 STEEPLE Analysis

STEEPLE Analysis is a method to analyze how various factors influences the way a business functions. The STEEPLE analysis examines the Social, Technological, Environmental, Economical, Political, Legal, and Ethical factors that will affect an organization.

Social: In social analysis, an organization must examine the demographics, distribution of income among people, living conditions of the people, cultural beliefs of the people, etc.

Technological: Technological analysis will examine the technological advancement that will affect the business, new technological discoveries, etc.

Environmental: It is very important to consider the environmental factors before doing any business. Environmental analysis examines the factors related to the environmental issues, such as carbon emissions, global warming, etc.

Economical: Economic analysis examines the global economy, local economic factors, government Tax policy, inflation, exchange rates, etc.

Political: The political environment of a country will influence the businesses done in that country. For example, a socialist country will limit the power of corporate world and will control the way the companies function.

Legal: Any company, whether local or multinational, must abide by the law of the land, especially company laws. Examining the laws and abiding by the law will help the company to function without legal problems.

Ethical: Ethical analysis refers to business ethics and company ethics, such as equal opportunity, women safety, harassment free environment, etc. The business ethics will help the management to build confidence of the employees and will help the company to get the goodwill of the customers.

5 1 (C)

The term Marketing Mix was first used by Neil Borden in 1953. Marketing mix is also called 4 Ps – the 4 Ps are product, price, place, and promotion.

Product: The term product refers to anything that is mass produced with a business purpose. It can be a product or a service. For example, Big Bazaar sells various products such as camera, TVs, Shirts, Pants, vegetables, etc. Big Bazaar has a huge variety of products that they sell in all their stores.

Price: Price is an important factor in the demand of supply of the product. It is the amount that the customer is willing to pay. The price varies based on the cost, price of the substitute products, price of the complementary

products, income, etc. Generally, if the price is low, the demand will be high. Big Bazaar's motto is low price. All the products sold at Big Bazaar are lowest priced than the market price.

Place: Place refers to the location a product or service is being sold. The sales can vary based on the location. If a store is in an area where there are lots of residences, then the sales will increase. Big Bazaar has its stores in all the main areas of the major cities. It offers easy access to the customers. This is an advantage that Big Bazaar has over the competitors.

Promotions: Promotion refers to the marketing communications which is done to increasing the sales. Big Bazaar uses both electronic and print media. Big Bazaar advertises their promotions in all the weekends in TV channels and in Newspapers. This helps them attract the weekend shoppers to their stores.

6 2 (a)

6. 1 Competitive Advantages of Big Bazaar, India

6. 1. 1 Variety of Products

The main competitors for Big Bazaar are Tata Hypermarket, More, and Reliance Fresh. Big Bazaar sells almost everything in the retail sector. From Big Bazaar, you can buy packed food, vegetables, fish, apparels, toys, footwear to hi-tech electronic goods such as TVs, cameras, iPods, etc. They even have entertainment zones and hotels inside their stores. This offers the family a comfortable place to do shopping and to spend time. When Big Bazaar offers every thing under a single store, its main competitors offer

only specialized products. For example, Reliance Fresh mainly sells vegetables and food items. Tata Hypermarket sells mainly apparels.

6. 1. 2 Large Chain of Stores

Big Bazaar has 98 stores in 71 locations in India. This offers great accessibility for customers. As they have many stores, they purchase product in bulk for cheap price from the suppliers. This enables Big Bazaar to sell their products for low price.

6. 1. 3 Apt Locations

Big Bazaar has its stores in 71 cities in India. Their store locations are either city centers or huge residential areas. This gives Big Bazaar a great advantage over its competitors. Instead of making the customers come to their store by travel, Big Bazaar established their stores in easily accessible locations.

6. 1. 4 Low Price

All the products sold in Big Bazaar are priced lower when compared with its competitors. In India, the price is the main factor that attracts customers. With a right mix of marketing and procuring the products, Big Bazaar is offering the products and services for the lowest price.

7 2 (b)

7. 1 Portfolio Analysis Technique

Portfolio in business sense means the collection of business activities or the products that a company produces. Business portfolio strengthens the company's opportunities and its competitiveness. Portfolio analysis helps the

company to analyze its current products and services and understand which of these investments brings maximum return. This way the company can decide where to invest more money. Also, Portfolio analysis helps the company develop new business strategies and get into new product development.

The most famous Portfolio analysis is McKinsey/GE Matrix. It was developed during 1969-1972 by McKinsey, BCG, and A. D. Little (Robert M. Grant, 2005 p478). This matrix helps the companies in strategic planning in the following four areas:

Allocating Resources: Here, the matrix is used to examine the company's two sources of profitability – Industry attractiveness and competitive advantage.

Develop Business Strategy: This helps the company to develop a suitable business strategy to invest in the products or projects that bring the maximum return on investment.

Overall Portfolio Picture: The portfolio analysis shows the business activities in a simple diagram. This enables the management team to take better business investment decisions.

Performance Improvement: The portfolio analysis helps the company to prepare performance targets and improve their performance year by year.

McKinsey Matrix

There are two axes in the McKinsey Matrix: Industry Attractiveness and Competitive Advantage. The business attractiveness is calculated by analyzing the market size, the rate of profit over a period, overseas markets, etc. On the other hand, the Competitive Advantage is calculated on the basis of position of the market, how competitive is the market, and return on sale.

Market Size: The market size for Big Bazaar is huge. India has one of the largest consumer base in the world. The sales opportunity for fast moving consumer goods market is very bright. As the concept of hypermarket is new in India, the business opportunity is very huge for Big Bazaar.

Profit Rate: For the past 5 years, Big Bazaar has been making good profit. As Big Bazaar sells almost every items in the fast moving consumer goods category and the demand for such goods is constantly increasing in India, Big Bazaar's profit constantly increases year by year.

Market Position: The Indian hypermarket industry is in the emerging position of the life cycle. It will take some more years to enter into the growth market position as more and more companies enter this sector. As of now, the hypermarket industry is booming and making good profit.

Market Competitiveness: Even though there are only a few huge players in the Indian hypermarket sector, the competition among them is very high. Some of the competitors for Big Bazaar include More., Reliance, Tata, and Wal-mart (known as Best Price in India).

Return on Sale: In fact, the demand for fast moving consumer goods in India exceeds the supply. Therefore, the sales in Big Bazaar keep on increasing

year ob year. As Big Bazaar source their products from inside India, they get things very cheap. Therefore the return on sale is huge.

8 3 (a)

8. 1 Globalization and Big Bazaar

Globalization has brought in fundamental changes in the Indian market.

Globalization had both advantages and disadvantages on the Indian companies. With the arrival of multinationals in India, Indian companies had to compete with foreign companies on all fronts such as technological, managerial, quality of service, price, etc. This made the companies very competitive and increased their quality. On the other hand, globalization also took many Indian industries by surprise and demolished many small scale industries in India. The following are some of the changes brought in by globalization in Big Bazaar.

8. 1. 1 Changing Demography

Globalization changed the demography of Indian consumers. It created a large number of middleclass with great purchasing power. This new group of consumers was demanding and educated. Also, they were aware of the value of money they are spending on each item. Big Bazaar understood this new demography very well and utilized it to its advantage. The main target market for Big Bazaar is this new middle class created largely as a result of globalization. Big Bazaar supplied quality goods for cheap prices to its demanding customers.

8. 1. 2 Urbanized Consumers

The retail sector in India was unorganized till recently. As more and more markets in India opened to foreign competition, the Indian consumers were mainly urbanized and the business concentrated on urbanized centers. When the village consumers didn't had the purchasing power to buy items from supermarkets, the urban population was rich and ready to spend much on items from supermarkets. This proved a boon for Big Bazaar as they already had a consumer base in urban centers. Now, Big Bazaar has its branches in almost all the cities and towns in India.

8. 1. 3 High Income Levels

The globalization process many changes in the Indian market, as a result effectiveness, efficiency, and productivity increased among the Indian companies. This created more jobs and which in tern created more wealth for the people. As a result of increased income, Indian consumers were willing to spend more on purchases. This paved the way for several investors to invest in supermarkets, such Big Bazaar, More, and Reliance.

8. 1. 4 Technology Changes

One of the major results of globalization was the changes in the technological front. As Indian companies needed to compete with their foreign counterparts, they adopted latest technology. Big Bazaar uses latest product tracking systems, hi-tech inventory, computerized billing, CCTV, etc.

8. 1. 5 Entry of Foreign Companies

As the Indian consumer market is very attractive, it attracts many foreign companies to invest in India. So far, India has not allowed direct entry of

foreign companies into the Indian retail sector for the fear that it may affect the Indian companies and the large unorganized Indian retail sector.

However, foreign companies have started entering in the Indian retail market through partnerships. The Wal-Mart has entered India with a different name, Best Price. It will pose a high competition to Indian retailers such as Big Bazaar.

9 3 (b)

9. 1 Recommendations/Conclusion

Big Bazaar faces stiff competition from its competitors who are also selling their products for cheaper price. As most of the retail chains in India are supported by rich investors, this sector will see huge expansion and huge investment. In addition, with the entry of foreign companies into India, Big Bazaar need to take varies steps to stay competitive and increase its profit.

The following are some of the recommendations to increase the competitiveness of Big Bazaar and to turn the changing environment into its advantage:

1. Big Bazaar stores are always congested and crowded. This will keep some customers away. Also, the customers will have poor buying experience and as a result they will have bad review about Big Bazaar. To avoid this, Big Bazaar must expand the space in all its stores. For example, the Bangalore branch of Big Bazaar was crowded and it had so many small sections. To solve this issue, they built several more floors to the existing building, providing more store space. Similarly, Big Bazaar must invest in the space expansion of its stores.

2. Poor Customer service will turn the customers away from a brand.

Globalization has increased the bargaining power of the customers. Indian customers are now demanding. Also, the multinational companies use better customer services as a unique selling point. Therefore, it is extremely important for Big Bazaar to improve its customer relations. Most of its stores do not even have a customer relations officer. Having customer relations officer or customer service person will definitely improve Big Bazaar's image and brand.

3. Price is not always a competitive advantage. Big Bazaar considers that providing products for cheaper price to win over its competitors. However, the competitors also started selling their products for cheaper price. Therefore, in the Indian retail market, price play an important role, but it is not the only factor. Big Bazaar must start offering varied products, customized products and services, new offers, etc.

4. Cater to the taste of Indian population. Indian customers usually prefer to buy everything after touching it, especially vegetables, rice, and pulses. Therefore selling packed items may not always work with the Indian customers. It would be better if Big Bazaar also sells the food items in loose.