

Ebusiness systems and strategy marketing essay



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Holland Barrett are one of the leading companies in the UK with regards to the manufacture and retail of food products, joint care, toiletries, health supplements and herbal products of various kinds. They currently have stores in all regions of the UK including the Republic of Ireland, as well as global stores in South Africa, Malta and Singapore. Holland and Barrett provide more than 1000 different kinds of health foods, vitamins and minerals - as well as additional supplements. In 2003 they acquired detuinen. nl which is a health and beauty chain in Holland and now boast over 600 stores and outlets.

In 2009 Holland and Barrett also acquired Julian Graves, which was declared by the Competition Commission. It had to be declared by the Competition Commission as:

Under the Enterprise Act 2002 (the Enterprise Act), the OFT can investigate whether there is a realistic prospect that a merger will lead to a substantial lessening of competition (SLC) in a UK market.[i]

Holland and Barrett provide an intense and thorough training program for each of their staff members so that they have the most up to date and precise knowledge to advise their consumers when making purchases or general enquiries regarding any of their products.[ii]

MyProtein.

MyProtein is a B2C online retailer based within the UK which manufactures and sells solely its own product. Their products include whey protein,

nutritional supplements and sports / recovery supplements, training aides and clothing to mention but a few.

MyProtein was founded in 2004 using a £500 overdraft and has since risen to become an online market leader within the UK, boasting a £16M turnover whilst provided over 250 products and employing over 50 staff. It has sites over several European Countries including UK, France, Germany, Ireland, Italy and Spain. It is also has the ISO9001 accreditation which may suggest superior financial performance. MyProtein is the only sports supplement company to have acquired this. As MyProtein operates with a B2C model, all their retail margins are retained. They manufacture their own product as well as packaging and distributing the product to the customer. By not using a 'middle man' they can offer their customers lower prices to fend off competition. As they supply such a vast range of high quality, independently tested products they have managed to keep 89% of their customers to return for further purchases.

Due to its success, MyProtein was bought by 'The Hut' in 2011. Its new sales figures have not yet been released but are estimated at £25M.

Please note – since starting this report, MyProtein has now been dissolved (13/11/12)

Matrix Nutrition.

Matrix Nutrition are a dot. com based company who produces a range of products, including Whey protein and weight gain but its range also includes vitamins, essential minerals and herbs – they offer large quantities of high,

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but not premium quality supplements. The company was founded in 2009 as founder Adam Latham was not impressed with the current supplement market so took it upon himself to exploit a potential gap. Since its commencement it has noted as one of the fastest growing UK sport supplement companies in 2010 and 2011.

Currently Matrix Nutrition only has a site within the UK but has a distribution service and contacts in over 20 countries. Matrix Nutrition manufactures its own product, packages and distributes direct to customers as well as B2B. The company puts its emphasis on its 'affordable' and 'honest' product. "From its inception, the focus of Matrix Nutrition has always been honesty. I honestly believed that world-beating quality supplements can be sourced, manufactured and distributed in the UK at an affordable price." [iii]

Matrix has demonstrated a strong position within the UK supplement industry. Its ethos of honesty has since resulted in the largest sales within the company's short history (June 2012). [iv]

Following the profiles I shall now evaluate the organizations business strategies. I will identify any factors that may cause the businesses to perform inadequately using strategic environment analysis and capability analysis.

Business Strategies.

MyProtein.

Strategic Environment Analysis

As MyProtein manufacture, package and distribute their product directly to their customers it would be appropriate to use a Porters Five Forces analysis to analyse their strategy.

Rivalry between existing competitors. HIGH.

MyProtein despite being a UK market leader is in competition from not only other UK based companies but due to it being dot. com, faces competition from huge Worldwide organisations such as GNC (General Nutrition Company) who are actually the biggest in the World, with a turnover well in excess of \$1. 5bn & Bodybuilding. com who receive over 300, 000 unique visitors every day.[v]

As well as this there are a large number of similar companies who have a huge reputation and large advertising budgets. In comparison with companies such as Holland & Barrett who advertise nationwide on TV and radio using sports celebrities, MyProtein simply cannot promote their product in such a way and fall behind in consumer awareness. Thankfully for their customers, the fact that they have an 89% customer return record and their USP of manufacturing, packaging and distributing of their product allows them to remain in the competition.

Threat of New Entrants. LOW.

Despite the increase of dietary and herbal supplements across the world[vi], there is limited scope for a new company to emerge and establish itself with

the market leaders. Reputation plays a big part in the industry with consumers opting for tried and tested products with which they can have peace of mind when consuming / using. People may feel that an established brand meets all the legal requirements with regards to its content, with harmful chemicals and unregulated additives excluded.[vii]

Customer Bargaining Power. HIGH.

Customers have a lot of power over companies due to the vast amounts of similar products and retailers that are available online. Even though MyProtein products are only available through their website, similar products with matching nutritional values may be available from other websites. It is essential MyProtein are aware of the competition prices and adjust their accordingly.

Supplier Bargaining Power. LOW.

As MyProtein keeps their business in house, it reduces the risk that other companies could potentially be exposed to by their suppliers. This in turn helps keep their costs steady which they can then pass on to their customers, encouraging them to return. Despite their limited dealings with suppliers, they still have to source the materials to manufacture their products. Due to increase fuels costs and the newly added 20% VAT on whey protein[viii], it would be impossible for MyProtein to keep the costs as low as they would have 12 months ago.

Threat of Substitute Products or Services. MEDIUM.

As we are concerned with dietary supplements, and in particular whey protein, the substitute is the food substance. Whey is a by product of cheese and casein and can be manufactured 'easily' yet not on such a large scale to a high (trade) standard. It is my understanding that the current market should not be affected by substitute products due to a lack of evidence that the product is legitimate, coupled with factors such as eating habits, lactose intolerance, allergies and fear of contamination – salmonella.

Capability Analysis.

MyProtein has a distinctive business model unlike other 'similar' organisations. Due to this I will be using a Unique Selling Proposition Capability Analysis. They are able to offer products at low prices due to their sourcing, manufacturing, packaging and distributing their product themselves. They also offer free delivery for every order over £50 and offer a price beater, where if you can find an item of similar nutritional value and purpose – they will beat the opposition price by 5%.^[ix]

Holland & Barrett.

Strategic Environment Analysis.

As Holland & Barrett are a European wide organisation, they could potentially have greater issues forced by Environmental & Economic variables. By using PESTLE we may be able to determine the position of the organisation more accurately with regards to its competitors and factors which it may have no control over.

Economic Issues:

Increase in fuel / transportation costs.

Returns / Product recall

Competition from other organisations

Competition from International market leaders

Inflation

Cultural Issues:

Health Awareness

Health Education

' Going green' and changing carbon footprint

Research on products providing evidence to consumers of benefits

Legal:

European Directive on Traditional Herbal Medicinal Products 2004

Competition Commission

Enterprise Act 2002

Technological:

More secure transaction methods

Potential malicious attacks

Environmental:

Weather / Disaster Impacts

Biological hazard

Capability Analysis.

As a multinational company and market leader it would be fair to apply the Resource Analysis Technique (below) to discover its inimitable areas so it may continue to lead the way.

Matrix Nutrition

Strategic Analysis

Despite Matrix Nutrition's success story, it is still a relatively small company in comparison to market leaders. Due to this it would be more beneficial to measure its performance ability by use of the Porters Five Forces.

Rivalry amongst Existing Competitors. HIGH.

As with the analysis of MyProtein, Matrix Nutrition faces huge competition from UK based and worldwide organisations with similar products.

Even though they are a smaller company, their ambitions are large and they are competing with and selling similar products as MyProtein and Holland & Barrett. As they sell direct to customer as well as wholesale to other businesses, they are exploiting an area of the market which MyProtein has not taken advantage of.

Also unlike the larger companies, they do not have a great advertisement fund. Matrix Nutrition has recently attended an expo where they appeared with a number of bodybuilders to promote their products.

Threat of New Entrants. MEDIUM.

Threats to Matrix Nutrition are possible to it being a developing organisation. Its first few years have seen substantial growth due to its marketing, its honesty and in-house manufacturing. They aim to keep product costs down despite their costs increasing; this could potentially affect growth and allow a new rival to emerge.

Customer Bargaining Power. LOW.

Due to the exceptionally low prices of Matrix products, it is unlikely that a novice consumer would look elsewhere at the higher priced alternatives. As Matrix sell both B2C and B2B, in the event that a company they wholesale to charge less than on the Matrix Nutrition website, they have still made a profit from the B2B sale.

Supplier Bargaining Power. LOW.

As with MyProtein, the only dealings with suppliers are raw ingredients. It is possible that the prices may increase although Matrix Nutrition are determined to keep their prices as cheap as possible.

Threat of Substitute Products or Services. MEDIUM.

As well as MyProtein, the threat of substitute products is relatively low.

However, the threat of substitute services is a possibility in the form of

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MyProtein. Both organisations manufacturer, package and distribute their own products. Where they differ is that MyProtein sell only B2C, whereas Matrix sell B2b & B2C. Should the larger company decide to sell B2B also may cause more competition in the market and put strain on Matrix.

Capability Analysis.

Matrix Nutrition is similar to MyProtein although smaller with the advantage of offering B2B sales. As it operates in this way I feel a Unique Selling Proposition Capability Analysis is required.

Competition in the Marketplace.

Having reviewed my chosen companies business strategies it is evident that all three strategies differ although still compete within the same market / industry. This is demonstrated within the Ansoff Matrix (below), which also indicates that the three companies target different market areas determined by their current place within the market.

MyProtein stronghold is mainly down to the expansion into mainland Europe of its existing product. It maintains its place amongst the leading manufacturer / supplier in the UK which is managing to both hold on to its home consumers as well as overlay into the new European market.

The position Matrix Nutrition finds them self in is due to their promotional and development abilities. They offer a ' bargain basement' protein and back up their product by demonstrations of sponsored body builders and power lifters at expo's and tournaments. The introduction of the bargain supplements appeals to novice athletes or users that just require the

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additional mental edge. Matrix has a very simple mission plan: To provide effective sport supplements at an affordable price'.[x]

Holland & Barrett standing within the market is such due to a number of factors. The decision to acquire High Street rivals ' Julian Graves' allowed them to become more dominant over the market. Their advertising of products for ' 1p' by International Sports athletes is also a large attraction for consumers.

An important factor is also the knowledge base which is provided to the staff. This allows staff members to become personal sellers when advising customers which can drive their own careers which is rewarding for the company, themselves and the consumers.

A potential stumbling block for Matrix Nutrition is the lack of financial backing from other sources. As MyProtein have s large parent company in ' The Hut' and despite being a large entity itself even Holland & Barrett have backing from giants Tesco, it seems that Matrix only have their ethos.

Service Evaluation.

To give a fair evaluation of the service that the companies provide I sourced various evaluation checklists that were available and selected a number of questions from each to combine into one large evaluation form. I will using the University of Michigan ' point scoring system' to assess each of the websites with 1= positive and 0= negative. This should provide us with a true reflection of the companies services.

Legal and Ethical Standards Evaluation.

Using a similar method and format as the Service Evaluation form, I have also constructed a form for Legal and Ethical standards.

Comparative Analysis.

Having evaluated the organisations through this report, it has occurred to me that the more traditional bricks and mortar business would not be able to survive when in competition with dot. com companies and brick companies with dot. com. Unless there were to be an investment in the company from a large multinational organisation, realistically the 'brick' establishment would have very little hope of making an impact on the market within the UK high street.

Furthermore to this, could it be a sign that Holland & Barrett are pushing further into the European and further afield high street market as the UK market for supplements are becoming saturated or dominated by dot. com enterprises? This may indicate that there is little room for expansion within the marketplace at present.

'Potentially' the reason that consumers do not purchase supplements from the High Street is due to lack of knowledge. This could be lack of knowledge on their part, lack of knowledge from the organisations staff or both. There is usually far more information available on line. However, Holland & Barrett have taken this into regard and have not only educated but qualified their staff members with the equivalent of 'A' levels, investing a staggering £13M on its staff over 700 stores over the past 5 years[xi] which will give consumers far more confidence when making a purchase.

It appears that without a unique selling proposition combined with an effective business model and backing from a larger organisation its progress will be hindered. Comparing MyProtein to Matrix Nutrition, where MyProtein have 'The Hut' as their corporate backing group. Both companies are making progress, although MyProtein is a much larger and profitable organisation. Potentially Matrix Nutrition could enhance their company profile with the use of TV advertisements and sponsors. We can see from our service evaluation from that MyProtein have 823 other sites that link to them whereas Matrix Nutrition have but 164.

During my research I have come to realise that partnerships can assist with the sustainability of smaller organisations eg - MyProtein & The Hut. Despite Matrix Nutrition having a successful company, their principles of keeping their prices low and their ingredients honest I feel would not be appealing to a parent company who would want to maximise profits. Unless they alter their business strategy one would imagine that there will be no corporate backing in the near future. However I feel that they will continue to manufacture and trade in their low cost product and steadily grow in stature.

As well as the companies, there is also progression with legislations that assist with legality and therefore consumer confidence when making purchases from dot. com companies. The Electronic Commerce Regulations Act 2002[xii] was set up to allow the 'safe' trading across many countries so to encourage company growth / consumer purchases. However there have also been legislations which hamper growth such as the European Directive of Traditional Herbal Medicinal Products 2004[xiii] which controls the type of

products certain companies are permitted to sell. This restricts consumer choice and forces them to buy from other European or Global companies.

I feel that to effectively manage an E-Business, potential entrepreneurs should make note of MyProtein's strategy.

Using a ' Price Beater' to guarantee lowest prices for equal products - demonstrates customer service.

Manufacture your own product to a high standard, having total control of what ingredients go in.

Website security certification allows the customer to feel assured their details will not be stolen.

ISO 9001 certified demonstrates a great deal of pride and professionalism.

Adaptive payment methods to give the customer the option of how they would like to pay.

Offers of free items or free delivery add incentive.

Free advice via telephone.

Any or all of the pre mentioned points would assist an organisation, but also confidence in your own product is key. MyProtein state that they are the ' UK's No1 online sports nutrition company'[xiv]emphasising the belief and pride in what they do.