

Foods market segmentation and brand positioning marketing essay



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Executive Summary

Grocery Market Overview

Market Structure

The UK grocery market is mainly dominated by the big fours who have acquired almost 64% of the market share and of which Tesco is holding the 30% of the market share (Mintel 2009) and it also shows the oligopolistic nature of the market. The grocery market players have divided their customers into two groups: primary shoppers and top-up shoppers , and according to Mintel (2009) the primary shopping is dominated by big fours (Tesco, Sainsbury's, Asda and Morrisons) plus Waitrose who are sharing 80% of the market share.

The UK is through its worst ever recession which has also affected the grocery retailers and lead to change their strategies. According to Keynote (2009) the ' hard discount' strategy was adopted by most retailers in last two years which was quite successful. Another strategy adopted by the supermarket retailers is to diversify their chains in rural areas in form of convenience stores in order to targets people who have a little access to supermarkets (Mintel 2009).

The Co-Operative Group

This is UK base co-operative established in 1863 and it is quite diversified organization which mainly operates through its two divisions: trading and financial services. The Co-Operative group is well known for its ethical nature and fair trade principles which reflects within its organisation and differentiates it from its competitors.

The Co-Operative Foods

The Co-OP food operated in UK through its 2223 food stores which can be found in two formats: convenience stores and small/ medium sized supermarkets. The Co-Op food lies on the 5th place in grocery retail market with 8% shares, thanks to its merger with Somerfield in July 2008 (Mintel 2008). The Co-Op used to be the UK's largest grocery retailer in 1960s and through Somerfield acquisition it will be able gain this position again in neighbourhood market.

According to Just Food. com (2008) Peter Marks, chief executive of the Co-op said that:

” the move from the “ big four” UK retailers – Tesco, Asda, Sainsbury’s and Morrisons- to a “ big five” including the Co-op will further boost competition for UK consumers”.

The Co-Op targets its consumers through its ethical and fair trade approach which is the main emphasis of the Co-Op group as stated above. The key strategy adopted by Co-Op is ‘ be local act local’ but in recent years they are having intense competition from Tesco and Sainsbury’s who are extending their business in convenience sector and grow rapidly.

Segmentation

According to Jobber (2004) the ways in which individuals and organisations with similar characteristics were put together that have significant implications for the determination of market strategy is called market segmentation.

Market Segmentation

Each buyer can act as a potential separate market due to its unique demands and needs (Kotler 2005). It depends on companies to either follow this approach or not, companies can practise no segmentation (mass marketing), complete segmentation (micromarketing) or something in between (niche marketing) according to Kotler (2005)

The Co-Op food is following the micromarketing approach rather mass marketing which has its own drawbacks. Kotler (2005) says that the micromarketing is a way of tailoring products to suit individuals according to their taste and needs.

Through these criteria (Co-Op) it is targeting the local market by keeping them in convenient locations and addressing the key ethical issues. Although with the merger with Somerfield in July 2008 (Mintel 2008) they got some medium sized super market in their camp but the main focus is still the 'c-store' format.

Consumer Market Segmentation

As Kotler (2005) said consumer market can be segmented into three groups

:

- Behavioural Segmentation
- Psychographic Segmentation
- Geographic Segmentation
- Demographic Segmentation

Target Marketing

Choosing a specific segment to serve in a market is called target marketing (Jobber 2004), also firms need to segment the market and target that segment in order to work effectively.

Co-Op's Target Market

The segmentation strategy is been adopted by the Co-Op Food in order to remain competitive in the market.

The Co-Op's target market is given below:

- Neighbourhood market
- Ethical market
- Fair trade market
- Top-up shoppers

These above mentioned areas are the key segments targeted by the Co-Op, as it mainly operates in c-store format and it emphasis on providing fresh food products by targeting the local market and by keeping its ethical dilemma and fairtrade principles in mind. There is another important segment it targets is top-up shopping market, through this area Co-Op gets the opportunity to gain customer and introduce them to their ethical principles.

Brand Positioning

Marketing Mix (4P's)

Co-Op's brand positioning

According to Mintel (2009) the key rule followed by the Co-Op is getting into the market with bigger brand prospective which we've seen by the

acquisition of Somerfield. Through this merger, Co-Op's gone bigger but still they've opted to remain in the heart of local community by acting as local convenience store. And this message is conveyed by the Somerfield's brand message ' Britain's favourite local grocer'.

Co-Op's Brand Strategy

The Co-operative Group has very strong ethical credentials, focussing strongly on the environment, local sourcing and Fairtrade. This is underlined by Mintel's consumer research, with the Co-op's customers the most likely to buy locally sourced and Fairtrade items.

At the start of 2008, the company launched its Food Ethical policy of sustainable development, as a result of responses from around 250, 000 of its members. The policy was developed in order to underline its position as a responsible retailer. The policy's impact led to changes such as the switching of all own brand premium ranges of pork, bacon and sausage to the RSPCA Freedom-food label. Such moves also help to justify higher prices than those found at the major multiples.

The push for value in the current climate also encouraged the replacement of the Co-op's Everyday range with the former Somerfield brand, Simply Value in 2008.

Conclusion

Although Co-Op operates through its large number of small stores by targeting different location and consumer groups but the average foot fall in some of stores is relatively less (Mintel 2008). As it is facing intense pressure from supermarkets in order keep the prices at a competitive level which is

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quite difficult as it is operating on such a large scale and operating cost are high.

The main problem is that Co-Op is not seen as a shopping destination for majority of consumers and they treat it as top-up store which nearby and available most of the time. A recent study by Mintel shows that only a significant percentage of people take ethical issues seriously while they shop. For them fairtrade and organic food are just another premium line on the shelf and the price factor restrict them from buying.

Mintel (2009) shows an improvement in fairtrade sale but it seems organic products are struggling to keep up sales target during recession.

It is clear that Co-Op is facing intense pressure from its rivals but it has improved a lot through merger and rebranding strategy. Its profits are record high as compared to last 10 years. More and more people are getting awareness of ethical approach adopted by Co-Op and it shows the significance of Co-operative food in the intense market environment.

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