

Swot analysis of next plc

[Finance](#), [Financial Analysis](#)



Abstract

This report will analyse the corporate activities and position of Next plc, focusing on clothing, which is the company's main product area. The report firstly provides an overview of the history and background of the company as well as mentioned the state of the clothing retail market. Following the introduction the report then goes into deep analysis of Next, beginning with identifying the company's key strengths and opportunities for future success, before going on to explore certain dangers with the corporate decisions and its market structure.

1. Introduction

Founded by Joseph Hepworth in 1864 as a tailoring business, and still holds clothing retail at the core of its products. For this reason this report will focus on Next's clothing products as they are the company's main product lines. Next Has grown from a small tailor to now being a constituent of the FTSE 100 index and bringing in ? 550 million profit in 2011 alone (Next Corporate 2011.) To accomplish this outstanding feat the company has a unique set of attributes that contribute to its success, which show both a strong current market position as well as an optimistic future. However, the industry Next operates in is fraught with uncertainty, as Key note publications (2000) saw that many clothing retailers have had to rethink their strategy, due to the “declining real prices and soft demand patterns.” Therefore Next also faces certain threats to the company's future success.

2. Analysis of Next plc

2. 1. Strengths and Opportunities

A key strength held by Next is the company's adaptability, which is crucial in the ever evolving retail market according to Morganosky (1997.) Examples of this can be seen by the company's steps in next day delivery services and home shopping networks (Next Corporate 2011.) Next has identified the growing demand for online purchasing (More than ? 50 billion is expected to change hands online according to Tong (2010.)) Next has also ensured that the new business initiatives centre around key themes such as quality customer service, for instance there is a standard next day deliver for orders placed before 9: 00 p. m (Next Corporate 2011.) Actions such as this have helped the company create a trusting atmosphere with their online service, which is seen by Miyazaki and Fernandez (2001) as one of the biggest difficulties in online retailing. Harris and Goode (2004) found that establishing an atmosphere of trust will help ensure further customer loyalty and sales.

Next's creative and responsive approach to retailing envisions an ambitious future, as the company's financial statements show increased turnover from eight out of the last nine years (Next Corporate 2011.) As economic performance is a significant factor for clothing retailers (Investopedia, Date unknown) Next's success implies a bright future. Besides from its practical approach to purchasing in stores and via online methods, Next's stance on corporate responsibility also deserves some of the credit for this future, as the company produces annual corporate responsibility reports outlining its "social, environmental and ethical performance" as well as setting clear

priority areas such as a 4% energy reduction in the 2011 report. (Next Corporate 2011.) Whilst Verschoor (2009) found that 22% of employees said the recession has negatively impacted the ethical culture within their company, Next keeps its actions in line with Toor and Ofori's (2009) belief that ethical management will mediate corporate culture, increasing the company's reputation for the general public and for the company employees. The company's attitude towards providing an environment where "employees are supported and respected" is believed to help motivate the workforce to better results (Wolinski and Coates 2005.)

2. 2. Weaknesses and Threats

Whilst Next plc has been largely successful in the retail business the biggest threat to the company is its highly competitive market. Key Note publications (2000) cites that the discount clothing brands in particular "still has considerable opportunities to take sales away from the standard clothing market." As people still feel the country is in a recession, many will be more selective with how they spend their disposable income, for instance Gold (2011) mentioned that 70% of people have had either a pay cut or pay freeze. Certainly luxury products like the clothes Next offers are still in danger of substitute products, as seen by Porter (1985) as one of the five key threats to a company's competitive advantage. This threat is more so in the case of Next as the products they produce are fairly standardised and so are replicated by competitors such as Topman and River Island. Porter (2008) cited how strategy "rests in unique activities" and so the issue the company faces is that with low priced clothing manufacturing available globally, how can it make its products unique to ensure future sales. As the

clothing retail market is based primarily on price competition, any aspect of customer loyalty to a store or brand is severely diminished. Next's reliance on its competitor's prices showcases a kinked demand curve scenario, which was identified by Maskin et al (1988) as problematic for companies as their power over their own profit margins is reduced. It could be argued therefore that Next has little power to change its own profits as the company cannot control either the price or demand for their products. In addition, Padmanabhan (1997) acknowledged that retail clothing is a particularly uncertain market, due to the disposable income people spend on such products and the seasonal cyclical implications (for instance breaking news (2011) found that the snowy winter of 2010/11 significantly affected Next's high street sales as people were not venturing out to buy clothes.)

3. Conclusion

To conclude, Next plc is currently a tremendously successful organization, as shown by both its financial successes and its innovative stance on new aspects of clothing retail, such as online shopping. Next's biggest strength is clearly in the company adaptability, which is crucial in the ever changing clothing retail market. In regards to the company's future successes, Next has appeared to succeed in increasing its sales despite the recent economic recession. The company's adaptive approach in addition to its strict stance on corporate responsibility puts future sales growth as a strong possibility. However it is also clear that Next operates in a very turbulent market. Certain academics point towards a shrinking demand for luxury products due to economic circumstances. This threat is intensified by the company's lack of a unique selling point in its products and an unconsolidated market power,

which indicates that the company's future successes even if significant are out of its own control. Therefore the ideal recommendation implied is for Next plc to create a more unique appeal for its clothing lines to ensure its future successes.

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