

Audit of internal
environment
woolworths limited
management essay



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An Organizations key task is to understand the environment in which it operates so as to understand the marketing environment and thus take management and marketing decisions accordingly. These decisions have to utilize the organizations capabilities to the maximum so as to satisfy the customer base to the fullest.

This report attempts to understand the external environment of an organization and how the organization has based its marketing plans and other initiatives on these factors and forces. Woolworths Limited is one of the largest retailers in Australia and New Zealand. By studying the internal, micro and macro environment in which Woolworths operates, we have attempted to understand the various initiatives it has taken in order to cater to these environmental forces.

The various influences to an organization are either controllable or non controllable. Micro environment and internal environment are the ones which are controllable and Woolworths has established various initiatives and plans to cater to the forces playing out in this zone.

The macro environmental forces like political, environmental, technological are changing every day and they are not under control of any organization. It is truly remarkable to see how Woolworths has established various policies and actions to cater to these as well.

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Introduction

An organization’s marketing and management decisions are affected by a lot of factors surrounding the organization. Its decisions depend upon how these factors behave. These factors could be inside the organization’s control purview or could fall outside of the same. A study of these factors is a must in order to identify the opportunities and threats which can impact the marketing environment of the company. These factors form the marketing

environment of an organization. These factors can be categorized into Internal Environment, Microenvironment and Macro environment (Kotler, 2009, p. 132).

Internal Environment consists of the factors that play within the organization. These include Employees, Policy and Regulations of the company, Assets, hierarchy/structure and the products and services offered by the organization. Internal Environment can be best understood by Five Ms which are Men, Money, Machinery, Materials and Markets.

Micro environment consists of individuals and organizations which have a direct impact on the customers of the organization. They are close to the organization and have a say on a daily basis. These would include the company itself, customers, suppliers, intermediaries, competitors and public which form the microenvironment impacting the stakeholders (Kotler, 2009, 134).

Macro environment is made up of political, economic, social, technological, legal and demographic factors which affect the organization from outside. These factors are pretty much beyond the control of the organization but impact the way organization functions, take decisions.

We can best understand the above factors and their impact on the marketing environment and management decisions of an organization is by studying an organization in this context. Woolworths Limited is a major retailer in Australia with interests in Supermarkets, liquor, hotels, and petrol stations. It has advertised itself through various brands like Woolworths for

Supermarkets and Petrol, Dan Murphy's is a liquor group, BIG W is store of <https://assignbuster.com/audit-of-internal-environment-woolworths-limited-management-essay/>

various brands and Masters home Improvement, a large retail furniture store. There are Hotels by the name of ALH group and also has a financial services firm by the name of Woolworths everyday money. (Official Website of Woolworth's, 2012)

By studying the internal, micro and macro environment in which Woolworths operates, we can understand the marketing and management decisions the company takes.

Woolworths Limited – A snapshot

Woolworth's strategy and objectives, though differ from each of its brand, but there are a few which are common to the whole business like maximizing shareholder value, building new growth businesses and ushering in a new era of growth.

The kind of business they are in, they know that it is an ever changing business. Customers are spoilt for choices and they seek greater value for the money they spend. Customers are driving the retail business and study of their behavior and other environmental factors have a say in the decisions the organization takes.

Woolworths is a company with strong ethics and belief in hard working culture. The company's top most executives started this company by being in the thick of the business and in the helm of affairs. Woolworths has 450,000 shareholders and is a very trusted company for investors.

Woolworths is very vigilant about the environment which surrounds its marketing management and they not only concentrate on their customer

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base and ways to bring them to their supermarkets but also are very keenly involved in the environmental factors so as to be able to prepare themselves for the changing business and strategize accordingly. They need to be acting according to these forces in order to brace themselves against the very increasing competition and increase in the customer's notion of value and money. (Official Website of Woolworth's, 2012)

Audit of Internal Environment – Woolworths Limited

Here, we audit the internal environment of Woolworths limited through the 5Ms as mentioned above – Men, Machinery, Money Materials and Markets.

Woolworths is a great place to work and the employees are the people who drive the business and provide great services to the customers. The staff is at the stores, distribution centres and support offices to cater to the needs of our customers. Woolworths believes in diversity at work and provides various career options to its employees. It also provides extensive training and apprenticeship so as to perfect the art of servicing the customers in whatever way. The focus on employees' benefits and rewards and recognitions leads to a satisfied workforce which in turn leads to our ultimate goal – customer satisfaction.

Machinery here would be the great infrastructure they have built in terms of their stores, large furniture stores etc. These stores are the USP of Woolworths.

Money wise, Woolworths is growing thanks to our ever increasing base of shareholders. Their financial performance has been at par with its competitors, in fact better than them.

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Materials here refer to the material they use to bring forth their products which would include raw materials, fresh farm produce they grow in collaboration with farmers. Markets are the customer markets they serve.

Micro Environment

Internal Environment is also considered to be a part of Micro environment only. The other forces which are a part of the Microenvironment are the suppliers, intermediaries, customers and other markets where the products and services are sold, competitors and public which are basically direct or indirect stakeholders of the company like media, government etc.

If we talk about Woolworths and their suppliers' relation, Woolworths is into committed partnerships with its suppliers in order to develop a long term and committed relationship with them. These partnerships are beneficial not only to Woolworths but also to the suppliers and thus are mutually beneficial. Acting on this further, they have even introduced a speak up service where trade partners can report fraud, corruption, people or product safety risk, secret commissions, breach of law etc. All this leads to a value delivery to the customer in terms of services and products. (Official Website of Woolworth's, 2012)

The relationship with other marketing channels like resellers, supply chain and logistics chain in between suppliers and customers is also driven by the above values of Woolworths. Woolworths has strong collaboration with Australia's leading farmers in order to deliver fresh quality food which their sole mantra.

Woolworths products are directly sourced from these farms which ensure that they remain fresh. There are various success stories which highlight Woolworths commitment to this.

The above two factors - Suppliers and other market intermediaries are very important because they directly impact the way business works. Woolworths motto is to provide fresh produce to its customers, in fact they have even come up with a practice which is free if not fresh. This clearly states their belief in these two factors and how they have made the chain so efficient by acting upon them. They know that this is the key to provide good products timely. Close supplier relationships are the key to survive in such a business.

Customers are the main focus of any organization since this is how they run the business. Woolworths is no different in this regard but the methods they have adopted in order to respond to the changing customer needs are truly remarkable. Woolworths customer base is around 24 million every week. They serve these many customers across all its brands. To retain such a huge base requires a lot of hard work to earn the loyalty of customers. There is a program called everyday reward program which is a very popular loyalty program with customers. The information collected on this loyalty program is studied extensively to understand how customers shop, what products are needed the most, where to place them etc.

Woolworths responds to customers feedbacks and takes the feedback very seriously. They give a lot of time to research in order to learn what can be done in a better way in order to bring the customer back and satisfy it. This feedback is taken into consideration, in fact as the main focus point when

making decisions. There is a new initiative by Woolworths called as Customer talkback where there are customer focus groups held across the country. The store team takes the feedback directly and these things go a long way in making our stores the best.

These initiatives for customers and their feedback given so much importance has made Woolworths a worth example of taking marketing decisions by giving full weight age to the environment it works in.

By the way of above strategies, Woolworths has very effectively left its competitors behind.

Macroeconomic Environment – A key focus of Woolworths Limited

Factors which make up the macro-economic environment operate externally to the organization. They are not about a specific organization and organizations cannot control them. They need to modify their marketing and management strategies in order to deal with these factors and the changes which occur in these factors time to time. These factors /forces are political/legal, natural, technological, cultural, economic and demographic in nature (Mcarthy, 2006, p. 67-69).

If we study these factors in light of Woolworths strategies, we will see how they have shaped up their marketing and management in wake of these factors.

Political – Legal Forces: Corporate Governance

Legal or Political forces are very strong in any business environment and proper adherence to the law is a must. Organizations operations aspects are controlled through legal ways. It is important to have legal framework in place for any organization to conduct business hassle free. Political factors create opportunities for organizations by way of various market rules but also obligate them to a certain level.

Woolworth has a proper constitution in place which outlines the rules and policies of the organization. It also has a code of conduct, securities dealing policy, shareholders communication policy etc. These policies ensure that people associated with Woolworths comply with the law.

Woolworths large business in Australia and New Zealand has been made possible due to the Australia – New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). The political stability brought about this agreement helps in Woolworths business operations and also its shareholders.

Adapting to Technological Forces

Achieving business success through increased efficiency which is achievable though innovative applications introduced by modern technology is a key focus of any organization. Technological forces enable instantaneous responses. This enables fast transfer of information between the various stakeholders at various points of backward and forward in the value chain. This has been noted well by Woolworths and they have introduced various special innovative applications in there store as well as outside to tap this feature. Woolworths introduced self check out machines which enabled

customers to do everything on their own (Palmer, 2008, p. 218-19). They also applied software which monitored the business activities closely and reduced the bottle necks where ever possible. (Foo, 2008, p. 178) In 2011, they have also introduced Visa's Paywave to shorten the waiting time of their customers (Budmar, 2011, p. 45).

Woolworths understand that the future of shopping is in the palm, literally. Customers prefer to shop whenever they want and however they want. Mobile technology is the key to this way of shopping and this has been taken care by Woolworth's rapid expansion into all the modes of shopping, be it online, brick mortar or mobile apps.

Environmental Friendly

During the past few decades, environmental concerns have become really prominent. Impact of Production, Levels of packaging and supplier practices are seen as key factors towards environmental concerns. Timing of products reaching the customers also has their own environmental issues (Smith, 2001, p. 163-166).

Woolworth has taken the onus of influencing the retail supply chain to become more sustainable and reduce its carbon footprints. Their Strategy of " Doing the Right thing" towards environmental concerns is truly remarkable. They have set goals up to 2015 which range from ethical and sustainable sourcing to zero food waste to reduce the water usage etc. Woolworth was the first to build green stores which are like ordinary stores but have eco friendly ways of lighting, refrigeration which helps in reducing the carbon emission in line with their goals. Woolworths has collaborated with various

food relief organizations like Food Bank and Oz Harvest to donate left over products. Woolworths is also an inaugural partner of the Love Food Hate Waste Campaign.

Woolworth has also a great level of control over packaging and works in collaboration with its suppliers to deliver eco friendly products in an eco friendly manner.

Economic Factors

Australia's economic factors play a great role in Retail sector and thus for Woolworth's business. Woolworth operates in a sound economy of Australia and thus is free from any problems. It does take its capital budgeting decisions on the basis of interest rates, exchange rates and other economic factors which are of key importance in Australia. Economical factors also play a great role since they determine the customer's purchasing power and thus the whole premise of business lies on them. Australian economy is doing good as of now, though a few jitters do came during global financial crisis. This has not been able to affect much of the retail business of Woolworths and Woolworth has been quick to provide as much value as possible to its customers.

Cultural Factors – Australia's Fresh Food People

Socio- Cultural factors constantly change, thus bringing about the change in beliefs and actions of a company. By associating itself to various technological innovations and environmental initiatives, Woolworths has responded well to such changes (Sheth, Gardner and Garrett, 2007, p. 95).

Woolworth is proudly associated with bringing fresh produce to its customers by way of various fresh food initiatives such as speeding up the delivery of fresh food from farm to store, expanding into new areas such as in store kitchens to cater to increasing diverse tastes. This is tackled by the distribution centre at Perth which achieves Quality and Freshness by facing various logistical challenges.

Woolworths has established itself as a safe place to shop and work by its aspiration of Destination Zero, which means zero harm to the people shopping and working there.

Demographic Factors

Demographic factors such as size, density, location, age, sex, race occupation etc related to human population play a key role in marketing decisions because all these factors are related to people and people are why businesses are run. Woolworths initiatives at all levels are targeted towards people. They try to innovate in fresh farming, in local produce in order to be able to tap this demographic change which is occurring phenomenally across the world. Generational Marketing is a way forward which basically involves different ways of marketing in order to tap the various generations resulting due to demographic shift (Kotler, 2009, p. 136).

The above discussion brings us to the conclusion that Woolworths success as the largest retailer of Australia can be attributed to its awareness to the marketing environment around it and basing its various strategies, decisions and initiatives on the same. Woolworths active participation in community services and corporate responsibility shows the seriousness of the

organization towards the society. Woolworths systematic environmental scanning has brought about so many changes in the way it functions over the years. Studying the various forces affecting and impacting the organization, Woolworths has strived to provide the best value bargain for shoppers. Woolworths philosophy of earning its customers trust by acting responsibly inside and outside is similar to the internal and external environmental factors.