

Competitive strategies: uk supermarkets



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Research background

UK retail supermarkets employ some competitive approaches in their business, this study emphasizes mostly on these marketing techniques. This study describes future of business strategies used by chief retail supermarkets in the United Kingdom.

Retail strategy can be explained as the general proposal which is taken in action by retailers for gaining achievements in the competition of supermarkets. (Barmen, B. & Evans, J. 2006). Recently extraordinary competition originated in the environment of retail supermarkets. Huge investment in infrastructure done by major supermarkets such as Asda, Tesco, Morrison and Sainsbury increased their product quality. Advancement in technology, increase in the range of products, quality and pace resulted vast advancement in supermarket industry of the United Kingdom. (Harvey, 2000).

According to the market shares owned by major supermarkets in the United Kingdom according to the statistics of 2006 March 9th, first four supermarkets in the United Kingdom own 74. 4% of the overall market. Among the four Tesco is at the first position with a marketing share of 30. 4% in the United Kingdom. Main competitors of Tesco in the United Kingdom market are Morrison, Sainsbury and Asda. Asda has a marketing share of 16. 6% while Sainsbury & Morrison hold marketing shares of 16. 2 % and 11. 2% correspondingly. In UK competition among retail supermarkets are tougher but Tesco is most successful among all supermarket chains in United Kingdom. (Source: BBC news, 9 March 2006). The above mentioned four supermarket giants dominate UK's retailing markets.

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Currently Tesco, Sainsbury's, Asda are the top retail supermarkets in grocery retailing in the UK. The industry construction is characterized by many attributes such as greater store size, lowering prices of goods and adopting different formats to satisfy the consumers' expectation. (Andrew Holingworth, 2004).

Research question

The first and foremost question focused on this research is:

How effective is the competitive strategy employed by giant supermarket in UK?

With these competitive strategy how these giant supermarket each other withstand in this current competitive market?

How the competitive strategy helps in maintaining customer relationship management and the sales of the supermarket?

Also, To identify the overall performance of these supermarkets.

Literature review

Review of literature is a body of content that aims to reconsider the vital points of existing knowledge on a specific topic. This literature review is done to recognize the existing knowledge in the section of competitive strategy employed by giant supermarkets..

According to Porter ME, 1980 competitive strategy can be defined as the “ plan for how a firm will compete, formulated after evaluating how its strengths and weaknesses compare to those of its competitors. For example, a small meatpacking firm may decide to concentrate on a special niche
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product offered in limited areas after determining it cannot compete on price with major competitors.”

Competitive strategy consists of the actions which are taken to attract customers, to withstand the competitive pressures of the market and also to help and strengthen the firm's market position. The main objective of the competitive strategy is to earn a competitive benefit or advantage and to cultivate a clientele of loyal customers and knock the sock off the rivals ethically and honorably.(Philip Kotler, 2001)

Tesco holds the largest market share which is of 31.6% for which the Tesco is controlling the large sector of the current retail market and also they have 50% of grocery market where as Sainsbury's has about 22% of the current market share. Tesco sells a very huge variety of product range and also they do buy the products in a massive volume and sell those goods cheap, as considered to Sainsbury's they only purchase goods of popular brand name and sell their own brand products in the super market. The Tesco has the super power to have their super market which is at the main location, it has the largest acquisition which enable Tesco to acquire nearly about 1/3rd of the retail market but concerned as Sainsbury they do not have the power to acquire land.(Julian finch, the Guardian)

To sell every product, every where and everyone target which includes in the national and overseas, success level has been achieved by Tesco. With introduction of this strategy Sainsbury's should have to work hard, and will have a hard time keeping up the Sainsbury's giant retail market. The giant supermarket Tesco put effort to attract the people from all level of peoples

or customers where as Sainsbury's tries to attract customers with the middle , average class people by their middle class value or price. Tesco put more efforts to reduce the price and attract the customers where as Sainsbury keeps concentration in particularly in food, i. e. the quality of food they provide to the customers.

After several years of decline in market, Sainsbury's have emerged with independent ideas in stabilizing the current competitive environment. In the year of 2004 chief executive of Sainsbury's Mr. Justin King introduced new recovery programs to attract the customers and to retain them using competitive strategy method and this had increased their market shares from 15. 8%. customer relationship management is introduced as a new discipline which can create and nourish the sales and profitability(Julia Finch, The Guardian).

During the period 1999 asda was owned by the US corporation company Wal-mart, it is the only one supermarket in United Kingdom which has the potential to be a thorn for the Tesco as currently Asda in the world is eight times biggest company in the world , compared to annual sales against Tesco's.

Despite of the very tough trading competition environment Asda has grew up its total sales in a ' high single digits' which is excluding the petrol for a period upto September 30th. A figure which was published by the TNS shows that Asda is growing in UK market twice in speed. Even at the time when customer are price conscious supermarket Asda still continues with quality goods in cheap price agenda

At a time when customers are increasingly price conscious, ASDA continues to drive its low cost agenda enabling it to fund lower prices for customers. As a result it has further strengthened its price advantage over its competitors.

ASDA's profit grew ahead of target with good cost control despite rising energy costs. The delivery of ASDA's sustainability programme has contributed to lowering operating costs as well as reducing its carbon footprint.

Methodology

The technique for examination taken for this research proposal is qualitative research to obtain descriptive and qualitative understanding about the competitive strategy followed in giant supermarket. Errors occurred can be found in eloquent way with quantitative examination of information.

Qualitative analysis/examination is defined as “ the data collected in relates to the demographic or the behavioral of the respondent under the study” by Kothari (1990).

This study is conducted to acquire qualitative as well as expressive understanding of causes and means which are connected to the complete approach with Tesco, Sainsbury's and Tesco. Competitive strategy includes many processes like technology, innovation, process and combining people. Supermarket giants use this technique; in this method consultation has been conducted to disclose outlooks, philosophies, primary inspiration and emotional state on competitive approach engaged in major hypermarkets on client correlation.

Data collection

The data collected for analysis is from both primary and secondary data.

Primary data is the data directly collected by the researcher himself. Primary data is original in nature and is directly from the first hand experience.

Secondary data is collected from some other sources which were collected for some other purpose. Secondary data collection is cost effective and time effective.

In-depth interview and direct observation would be done. They are cost effective and take less time. Face to face interview will be conducted with the staffs and employees of Tesco, Asda and Sainsbury's and also a keen direct observation will be made to know the satisfaction of the customers and sales effectiveness, also the strategy method used in customer relationship management strategy and the other strategy followed is observed to know what attract the customers and retain customers.

Data's are also collected from secondary sources like books, journals, newspaper archives, internet etc.

The data collected for the research is through non probability convenience sampling method. Convenience sampling as word suggests is the sample selected by the investigator by his personal and convenient interest. It helps in focusing into new insights and ideas into the research problem.

Convenience sampling method takes less time and is cost effective

Data analysis

Data analysis is the most important section of the research. Data analysis enables to understand and obtain the exact result of the research. Here data

is analyzed through SWOT and PESTEL analysis. The data that is collected from direct observation, interviews, questionnaires and other sources is evaluated and examined to understand the strength, weakness, opportunity and external threats and also evaluates macro factors like political, economical, social, technological, ecological and legal.

Enhancement in research techniques

Research impact

Time scale

Activities	Nov 09				Dec 09				Jan 10				Feb 10			
	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4	W1	W2	W3	W4
Topic selection	x															
Read journals and magazines	x	x														
Analysis on the topic			x	x												
Data collection					x	x	X									
Preparation of proposal									x	x						
Proposal submission											x					
Feedback															x	
Preparation for data collection											x	x	x			
Data Analysis											X			x		

Further literature review	x
Submission of draft	x
Draft revising	x
Print	x
Submission	X