

Strategic Management and Sustainability

Morrisons PLC

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Introduction

The supermarket industry has registered major growth before the pandemic and continued to register growth post pandemic. Consumer prefer to buy their food from one location, rather than browsing multiple shops. The supermarket leaders are exploiting and addressing consumers needs by having a large and diverse range of products, with distinguished features and at high quality. Morrisons PLC is one of the leaders in the supermarket industry in the United Kingdom. This report will look into Morrison's business activity in order to evaluate company's strategic management. For that purpose it will be used specific tools of analysis and application of theoretical models.

Company background

Morrisons has started as a market stall in Bradford. The first store was opened in 1958, being considered a novelty for the area. The founder of the business William Morrison has been in the trading industry for a long time and the company has expanded becoming a public company in 1967. The continuous growth of the company has placed Morrisons as one of the top leaders competing with supermarket giants such as Tesco, Sainsbury, Asda. Morrisons has various operations, but their main ones relate to the sale of food and groceries. The company is concerned with sourcing fresh food and process it internally with the help of trained professionals at their facilities (Morrisons, 2024).

Morrisons PLC also offers services such as cafeteria, flower shop, garden center, pharmacy, petrol station, dry cleaning, car parking, photo printing, glass hire and recycling. Morrisons has managed to maintain its position through various changes of the business environment such as pandemic, the popularity of online shopping through various strategies such as partnering with Amazon, Ocado, Deliveroo. This has enabled the organisation to increase capabilities and be able to deliver a unique online shopping experience. Same day services and deliveries in an important number of large cities has secured them a risen share of the online food market (The Guardian, 2019).

Key Business and Corporate Strategies of Morrisons

According to Johnson et al (2020) strategy is defined as "the direction and scope of an organisation over the long-term: which achieves advantage for the organisation through its configuration of resources within a challenging environment, to meet the needs of markets and to fulfil stakeholder expectations".

Porter's Generic Strategies

Cost leadership refers to the strategy where organisations lower the cost in order to obtain competitive advantage. Morrisons uses the cost leadership strategy to have competitive pricing and create value for their customers. This strategy helps Morrisons preserve its position in the market and is realised by an efficient organisation of resources and value chain management. This strategy helps the supermarket have a large segment of the market represented by the middle class. The pricing factor is an important factor in the current environment when the cost of life has increased to high levels. Maximising supply chain, manufacturing and processing products in-house allows Morrisons to maintain lower production cost and to charge low prices. Aspects such as cost leadership known as “no frills” is the strategy where cost of products and services is kept at a minimum for a good price offer. Morrisons has developed its own products Morrisons Savers products and includes hundreds of lines for their customers food and non-food, in order to offer affordable options without compromising on quality (Linch, 2018). In 2023 the organisation has introduced the Savers products in 500 Morrisons Daily Stores maintaining the same prices as in the supermarket. Morrisons partners have also agreed to stock the Savers products due to the increased cost of living. According to Morrisons (2023a) the organisation has invested in reducing the prices of more than 15000 products through “Prices Locked Low” strategy.

Alongside with the cost leadership strategy, Morrison's also uses the differentiation strategy in order to distinguish its brand and value creation. Morrisons uses a combination of cost leadership and differentiation to gain competitive advantage.

The differentiation strategy refers to the distinguished elements provided by the organisation and the emphasis is on the unique product features. Morrisons is focusing on ensuring innovation and to fulfil customers requirements such as health trends, fashion trends and so on. Morrisons has different lines of products to address consumers changing interests. According to Morrisons (2023) the organisation has continued to provide healthy choices for customers with health diets and for healthy eating oriented customers. It is stated that “have removed 14.11 billion calories, 398 tonnes of sugar and 59 tonnes of salt through recipe changes and improvements across own-brand ranges” (Morrisons, 2023a).

Ansoff's matrix

Ansoff's matrix is a theoretical model which can be used by organisations to pursue business growth (Ansoff, 1957). The model is set out on four strategies diversification, market penetration, market development, product development. Morrisons has registered growth,

but because is a large company the growth paths has been different in some regions based on internal and external factors.

Market penetration strategy in Morrisons is to reach more customers in the existing market through an increased capacity, more products, larger stores, more stores. Maintaining a competitive price can attract consumers and generate more sale. The market penetration can also be done by Morrisons through investment in marketing and advertising. The organisation can get involved in different campaigns which appeal to the consumers and align with their values and then increase market penetration. Also creating an engaging design of the products and targeted marketing communication can attract more consumers. Morrisons can look into improving the distribution of its products. It has improved its presence in online shopping, but it can explore new channels of distribution 3. Market development refers to the strategy when existing products and services are placed in new markets. Morrisons has a good position in the local market and has gained the trust of the British public, but it can also look into entering new markets and expand internationally. It can start initially in countries with British communities where the brand is known and trusted and consumers are familiar and develop from there or it can introduce themselves internationally upon complex research as it is essential to understand the cultural differences and market expectations. Morrisons can invest in research and development and then address to new markets and new consumer segments. It can also expand in different regions which have not been explored before where again cultural differences must be taken into account (Market Line, 2024).

Product development strategy ensures business growth through new development of new products or services in an existing market (Kipley and Lewis, 2011). Morrisons can increase the quality of their products and promote their new and improved products as more appealing. Morrisons can look into developing new services such as banking services, insurance services, funeral services and so on. Morrisons can develop new products by modifying existing products or by coming up with entirely new products. For example it can launch a make-up and skincare line of products. This means that the organisation will have to allocate resources towards research and development towards various departments and functions. Developing innovation and focusing on creativity can create competitive advantage for the company. Towards this strategy, Morrisons can enter strategic partnerships for benefits such as financial investment, set of skills, knowledge, infrastructure and so on (Linch, 2018).

The diversification strategy is a strategy that involves new products in new markets. This strategy requires a high number of resources and can be realised vertically with similar

features for the products or horizontally with new features and new products (Moussetis, 2011). Morrisons can also engage in different business areas such as developing new services like insurance services, funeral services or other new business ideas in new markets. The supermarket can enter new business through partnering with other companies, it can merge with other companies or it can acquire other business not from the supermarket industry.

Analysing Resources and Capabilities

Morrisons resources and capabilities

Financial resources of Morrisons, based on their Annual Report (2023) showed a total group revenue of £18,358m which was down £121m in comparison with the previous year. This was due to lower prices for fuel and lower sales. The acquisition of McColl's has impacted the business activity of the organisation. Morrisons profit before tax for the previous fiscal year was £51m which was smaller in comparison to the previous year. The new ownership Market Bidco has help the organisation to reduce the amount of borrowing which was repaid through loan from the parent company.

Physical resources of Morrisons are in quite large number. Morrisons is an organisation which invest in tangible assets and in 2021-2022 only has allocated an amount of more than £400m to invest in tangible and intangible assets for opening new stores and sites, for updating existing stores, for technology development and for the conversion of the new acquisitions McColl's into Morrisons Daily (Morrisons, 2023 a).

Human capital is very important for Morrisons and for that purpose the organisation aims to keep them satisfied and motivated to perform. To help with the cost of living crisis the organisation has give 15% employee discount and three 20% discount events. The organisation is interested in employee feedback and for that purpose has made available. Morrisons offers continuous training for their staff in order to have ensure efficiency and quality customer service. Morrisons has experienced managers for their physical store and for their distribution centres, but they also work with transportation companies such as GXO which helps them with their operations in their distribution centres. They also work with recruitment agency which supplies temporary staff for busy periods of the year (Morrisons, 2023 a).

Morrison's allocation of resources

Morrisons allocates resources for production, the company proudly continues its heritage of Market Street with offer of fresh produces, it offers value ranges, clothing ranges and

branded products. It allocates resources for research to create innovative products. It also invests in having a more sustainable activity (Market Line, 2023).

Value Chain and Value System analysis

Porter's Value Chain

The primary activities in Morrisons are grocery retailing activities, manufacturing and distribution of fresh food. The inbound logistics in Morrisons refer to the transformation of raw material to the finished product. Morrisons has invested in developing its capabilities to prepare and process fresh food and for that purpose it has invested in facilities and in employing skilled employees. Morrisons is ready to receive the raw supplies, process it, package it and making it available to the customer. For that purpose it has the required equipment to assemble, test, packing, but also to repair and for maintenance. The manufacturing and the service operations are inbound logistics of Morrisons and their analysis can help the company improve productivity and ensure high levels of efficiency.

The outbound logistics refer to Morrisons activities that relate to the product delivery such as material handling, warehousing, scheduling, order processing, transporting and delivering to the destination. Morrisons has large distribution centers, strategically positioned geographically from where it can have a good coverage in a timely manner. This helps the company to ensure high levels of customer satisfaction and maintain optimised outbound logistics at controlled cost (Barney and Hesterly, 2019).

Morrisons marketing and sales helps the company to promote their products and services through sales force, advertising, promotional activities, pricing, channel selection, quoting and building relations with channel members. Coordination of between departments and other value chains activities is essential to mirror Morrisons promises for value.

Morrisons has great focus on the service provision, pre-sale and post-sale. It understands the importance of quality in service provision and it building loyalty (Morrisons, 2024).

The secondary activities support the primary activities and Morrisons has put in place pillars that help the business activity. Morrisons has a hierarchical infrastructure with levels of management and shared responsibility. Activities such as financials, human resources, accounting, quality management, CSR contribute to Morrisons value chain and helps the company informed and with a stronger market position. Morrisons relies on skilled workforce to ensure productivity and service provision. That is why HR is an important part of the company, to manage the people and look after them, to motivate and retain talent. Morrisons needs to align with latest technology development to increase efficiency and reduce, but

also increase customer satisfaction cost such as automation software, product design, data analytics (Market Line, 2023).

VRIO analysis

The VRIO analysis the resources of an organisation and is based on the Value of the resource, Rareness of the resource, Imitation Risk, and Organisational Competence.

The value of resources: Morrisons has built on a strong and trusted brand name which has allowed the supermarket to grow. Further that the company has developed a CSR strategy which is defined and transparent and stakeholders can access the public annual reports and updates on their website. CSR strategies are integrated in the broader aims and objectives of Morrisons. Also the supermarket chain has developed strong relationships with their suppliers and the local communities. Morrisons follows high standards and strict policies in regards to their suppliers. In the highly competitive industry of supermarkets, Morrisons has understood that it has to be innovative in order to remain competitive. Innovation is a valuable resource also for keeping the operations effective and efficient, it can help achieve economy of scale and keep lower cost (Morrisons, 2023a).

Rareness of the resources in nature is not something that many companies have, but it can help develop competitive advantage. Morrisons organisational culture for problem solving and high quality service fosters teamwork and high levels of performance. Innovation is also a rare value, which allows Morrisons to remain competitive in the long run.

The imitation risk is high in general in retailing and especially in the supermarket industry. It has been observed that supermarket practice matching prices, similar offers and discounts. That is why it can be difficult to build on resources and competencies that can not be imitated by the competition. Offering high quality for services and products is a strategy of Morrisons aimed to help them grow and create loyalty. Being consistent in service delivery and in high quality products attracts customers and build on the brand image (Market Line, 2023).

Organisational competence can only be used by Morrisons such as financial strength which can be used for growth strategies and consistent operations. Technological integration and advancement allows the company to have effective operations and a smooth management of their operations. Morrisons has in house trainings, especially for their distribution centres where there is a lot of equipment to be used. As an organisation Morrisons has focused on developing a mix of distribution channels and is considered to be an importance resource of the company (Vargas-Hernández and Garcia, 2019).

SAF framework strategy

According to Marketing Generators (2024) SAF framework strategy “ensures the application of a strategy determination for your organisation”. Suitability refers to the degree of suitability, feasibility refers to the degree of feasibility and acceptability refers to the degree of acceptability. It can be concluded that Morrisons has a suitable and a strong position in the domestic market and a strong strategy for growth. The supermarket’s brand image has been built consistently and through innovation. However, it is recommended that Morrisons to expand internationally for a more secure position in the market.

Morrison’s strategies

Successes

According to Morrisons Annual Report the organisation has successfully integrated the McColl’s business and continues its strategy to converse them into Morrisons Daily. That is contributing to the growth of the business and being more accessible (Morrisons, 2023b).

Challenges

The integration McColl’s shops has been a great risk for the organisation as it has invested a large amount of capital. According to BBC (2022) a number of 132 McColl’s have been closed as it has been established that had no realistic prospect and were making loss to the company.

Sustainability in Morrisons

Through their “Sustain” programme, their efforts for a sustainable activity goes towards the environment, the community and the British agriculture. Integrated parts of these three pillars the organisation has seven main goals such as waste, human rights, agriculture, plastic, climate, charity, healthy and sustainable diets. Morrisons states that they have great focus to minimise the food waste in their organisation claiming to have reduced operational food waste by 5000 tones and that their target is to reduce it by 50%. In order to reduce the carbon footprint the organisation has targets to “reach net zero GHG emissions by 2035 and to reduce our value chain emissions for own-brand products by 30% by 2030” (Morrisons, 2023c). Regarding the climate, the organisation states that is aligned with the Paris Agreement and is reporting under UK climate. Their sites have reduced energy equipment and lighting capabilities and a number 85 sites have solar panels. Morrisons Foundation is concerned to offer financial help to various charities in the UK. The foundation donates large amounts of money in grants and in the annual report for 2020/2021 it was reported more than £40m in grants since its launch (Morrisons, 2024).

Conclusion

Morrisons interest to build the brand name through high quality customer service and the diverse range of products at great value has made the company a popular choice among consumers. Also the high number of supermarkets has created an easy access for the consumers. Morrisons strategic position is realised through complex efforts related to operations and sustainability.

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Appendix

Porter's five forces

The theoretical model developed by Porter (1985) analysis five main forces related to internal competition, power of suppliers, power of consumers, new entrants and the availability of substitutes. The competition in the supermarket industry is very high. Morrisons main competitors are Tesco, Sainsbury, Asda but also currently Aldi and Lidl have gained massive share of the market, therefore the threat of rivalry is very high.

Threat of New Entry is considered to be high because international companies access the local market such as Lidl and Aldi, but also Walmart through the acquisition of Asda. Other supermarket chains from the local market such as Coop or Waitrose are expanding, opening more shops.

The buyer power can be considered high because in the current economic environment, buyers are price sensitive due to the increased cost of life. Consumers will compare prices across supermarkets and will look for value. Morrisons strategy is to create good value for their customers through their products and services. The supermarket has special offers, discount rates such as reduced to clear, half price offers, buy one get one free deals (Witcher, Chau, 2010).

The threat of substitution is medium because budget focus stores can challenge the market such as franchise groceries stores which are smaller and are more accessible for local buyers, but do not have a extensive range of products and can not maintain the same quality at the price offer by Morrisons. A cheaper prices usually will have lower quality and buyers will not choose that on the long term. Morrisons is able to offer high quality of products and keep their customers satisfied through economy of scale and manufacturing and processing when possible own products.

The supplier power can be low because Morrisons is focused on developing good relationships with its suppliers and it has the capability to buy high volumes which is at the interest of the suppliers. Also having a complex infrastructure is able to switch on suppliers as it not depends on a specific area.

SWOT analysis

Strengths: Morrisons has a strong supply chain, vertically integrated that enables the organisation to have a higher level of control towards essential parts of the business, product

quality, stock availability and cost which means that it can ensure customer value at competitive pricing (Market Line, 2024).

Another strength of Morrisons is its offer of fresh food, high quality and excellent customer service. The supermarket has own butchers, fishmongers, bakers, florists who have the knowledge and skills to deliver high quality at great value (Morrisons Corporate, 2024).

Morrisons has an array of products, but it also works with private labels and the desired branded products in the market. Morrisons own products have a great importance for the company as it improve customer loyalty and are a contributing to the profit margins (Morrisons, 2024).

Morrisons has develop its infrastructure to be an important player in the online shopping also. The company has increased its online presence through partnerships such as Ocado, Deliveroo, Amazon. This has helped the company to provide larger volume and efficient delivery for example same day delivery. Morrisons has proved a strategic player regarding the growing trend of online shopping and has been proactively growing its customer base (Deliveroo, 2024).

Morrisons has a great focus towards supporting communities and works with local suppliers making the business more sustainable. The company allocates a great number of resources to have a more sustainable activity, such as reducing waste and promoting animal welfare and these actions have helped Morrisons to has strengthen its reputation among customers. Morrisons offers the“ Morrisons More” loyalty program which provides benefits to its customers, discounts and offers that encourage repeat purchases (Morrisons, 2024).

Weaknesses

One of the main weaknesses of Morrisons is that it has a limited international presence in comparison with other competitors. Morrisons operates mainly in the UK and although it has a strong presence it lacks a more diverse geographical coverage. This make the company more vulnerable to the changes in the domestic market, economic fluctuations and dynamic of the competition.

Along with the rise of the discount retailers such as Aldi and Lidl, Morrisons has registered a decline in market share and has made it more difficult for the company to maintain competitive advantage. The organisation needs to adapt to the current market and put efforts into innovative services and products.

Missing opportunities regarding the e-commerce and online shopping is a weakness of Morrisons in comparison with other companies who were more advanced. Similar to that maintaining same format of the physical stores in comparison with the competition can lead to missing opportunities in responding to changing customers behaviour and preferences.

Although Morrisons is known for the fresh products and the Market Street concept, its own brand products are not that popular as competitors ones. Morrisons brand perception is not as strong as other premium competitors (Market Line, 2024).

Opportunities

Morrisons can explore growth strategies on international markets through organic growth or acquisitions. This will reduce the dependence on the UK market and the risk associated with the local economy. Morrisons can also explore collaborations with local players to increase operations and register growth in the local market and reach new market segments. Morrisons can take advantage of the growing trend of e-commerce and can expand its activity. It should invest in enhancing the user experience, building a more attractive and easy to use online platform, it can reduce the time for delivery and it can offer more options for the customers.

The company should look into diversifying its store format and be more accessible to the local communities. Opening convenience stores and smaller shops for the local communities can increase the number of customers.

Another opportunity for Morrisons is to strengthen the perception of the own brands products and diversify the range of products. Similarly it can diversify the range of branded products and offer of high quality products.

CSR is a great opportunity to increase the brand image, to attract customers who are conscious of environmental and social issues, as well as retaining talent within the company and gaining the trust of their employees of having responsible business practices (Morrisons Corporate, 2023).

The increased interest towards health and wellness of the society is an opportunity that can be explored by Morrisons through various ranges of products that address these needs such as organic food, healthy food, specific dietary needs.

Threats

The increased competition in the supermarket industry is a threat for Morrisons and it requires continuous focus into being innovative and create competitive advantage. The growth of discount retailers and the risen cost of life has determined a shift in the consumers buying behaviour. Customers are more price-sensitive than ever and that means Morrisons needs to adapt its pricing strategies to be in line with discount retailers. The continuous changes in the consumers behaviour and its needs and preferences can be a threat for the company if it does not adapt and maintains customer loyalty.

The rapid growth of online shopping can be a threat for Morrisons if it does not keep up with the technology development and the digitalisation. Morrisons needs to ensure a strong e-commerce presence in order to remain competitive.

The changes in the regulations and policies can be a threat for Morrisons if it does not implement efficiently. Political changes can also lead to supply chain disruptions as observed with Brexit. Morrisons has a vertically integrated supply system which benefits the company, but it also makes it vulnerable to extreme weather events, geopolitical tensions, or pandemics. These changes and disruptions can make the company vulnerable and have an impact on its operations and ultimately on the brand image. Also the economic fluctuations can be a major threat for Morrisons which can reduce the power of expenditure of buyers and the spending patterns (The Guardian, 2020).