
***Report for
Organisational Consultancy
Assignment 2
Liqun Supermarket
& Ansoff Matrix***



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1. Executive Summary

The group supermarket is a Chinese supermarket in Swansea, but for a variety of reasons, the sales revenue of Liqun Supermarket has gradually declined. In this article, the author will provide organizational consultation for Liqun Supermarket to improve the unfavorable status of its sales.

Firstly, the author conducted a preliminary investigation on the operation status of Liqun Supermarket. According to the sales revenue, it was determined that the Liqun Supermarket gradually deteriorated from September 2018 to February 2019.

Then, the author uses the PEST analysis model to analyze the external macro environment of Liqun Supermarket and determine the stability of the Liqun Supermarket in the external environment of politics, economy, society and technology. Meanwhile, the SWOT analysis model is used to analyze the internal environment of Liqun Supermarket.

After that, the author conducted a questionnaire survey on the consumers of Liqun Supermarket and summarized the data of the valid questionnaires. It was found that Liqun Supermarket had the disadvantages of poor sanitation, unreasonable internal layout, slow supply, less variety of products and slower website renewal.

In the end, based on the results of the questionnaire survey and the results of the PEST and SWOT analysis models, the author uses four strategies in the Ansoff Matrix to make recommendations for the operation of Liqun Supermarket. In the market penetration strategy, Liqun Supermarket needs to strengthen advertising, enrich promotion means, improve the level of hygiene and the layout of goods, and speed up the rate of website item updates. In the market development strategy, Liqun Supermarket can strengthen the promotion of non-student groups and reduce shopping concerns in non-Chinese consumer markets. In product development strategy, Liqun Supermarket should adjust small package products, add big brand goods and increase the sales of fresh seafood. In diversification strategy, Liqun Supermarket may choose to add local commodities' sales counters.

2. Introduction

2.1 Liqun Supermarket Overview

Liqun Supermarket is a Chinese supermarket located in Swansea, Wales, which operates commodities imported from Asian countries such as China, Japan and South Korea. Because of the largest number of Chinese merchandise sales, it is called Liqun China Supermarket or Liqun Supermarket by consumers.

Compared with Heronghang China Supermarket and Shunfa China Supermarket, Liqun Supermarket is an early Chinese supermarket with a relatively broad customer base and excellent brand reputation. These competitive advantages are still bringing convenience to the operation of Liqun Supermarket. However, the operation status of Liqun Supermarket is not ideal, especially since September 2018, after converting various costs, store rents and distribution costs, the sales of Liqun Supermarket are often at a loss, as shown in the figure 2-1

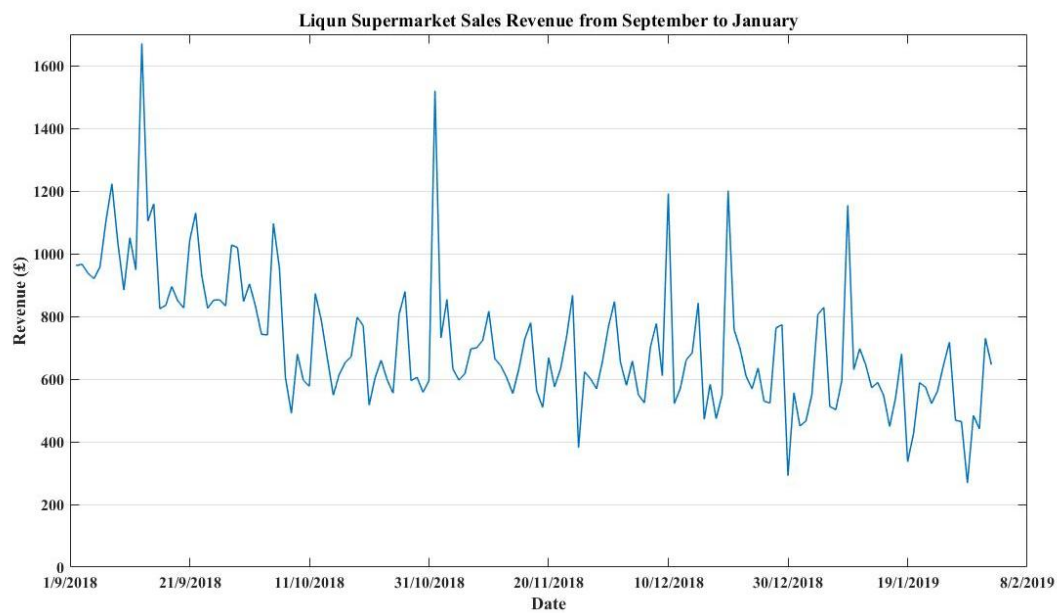


Figure 2-1 Liqun Supermarket Sales Revenue from September to January

This situation is very different from the previous business situation of Liqun Supermarket. Therefore, it can be concluded that there are certain loopholes in the operation mode or market strategy of Liqun Supermarket, which needs to be discovered and corrected in time.

2.2 PEST Analysis

PEST analysis is a method used by strategic consultants to help companies review their external macro environment. It refers to the analysis of the macro environment, that is, analyzes all the macro forces that affect industries and enterprises (Abhishek, 2013). According to their own characteristics and business needs, the content of analysis by different industries and enterprises will be different. However, the main external environmental factors affecting enterprises are generally analyzed in four categories: political, economic, social and technological. In simple terms, it is called PEST analysis (Stephen, 2018), which is shown in the figure 2-2

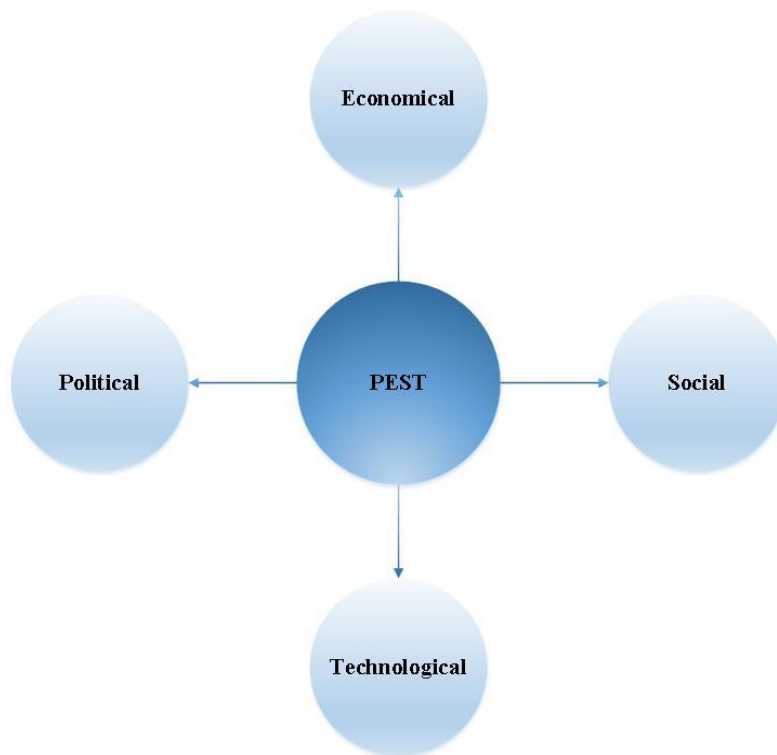


Figure 2-2 PEST Analysis Model Diagram

2.3 SWOT Analysis

SWOT analysis is a method used by strategic consultants to help companies review their internal micro environment. Specifically, it refers to enumerating the internal strengths, internal weaknesses, external opportunities and external threats of the research objects (Han, 2017), which is shown in figure 2-3.

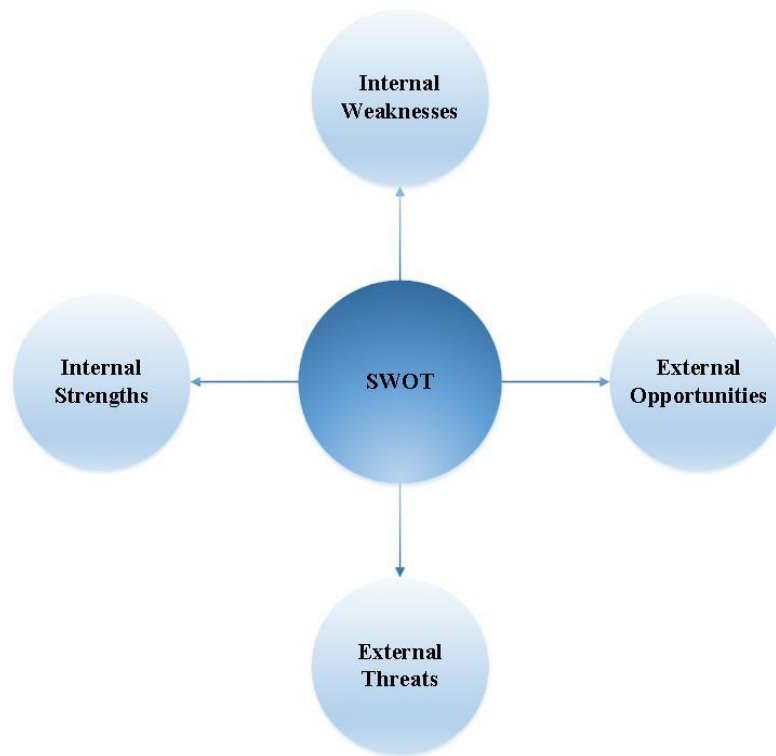


Figure 2-3 SWOT Analysis Model Diagram

Then use the idea of system analysis to draw a series of corresponding conclusions from the analysis results, and the conclusions usually have certain decision-making. Using this method, companies can conduct comprehensive, systematic and accurate research on the scenarios in which the research objects are located, and formulate corresponding development strategies and plans based on the research results. SWOT analysis is often used to develop corporate development strategies and analyze competitors. It is one of the most commonly used methods in strategic analysis (Bull, 2016).

2.4 Ansoff Matrix

Dr. Ansoff, the father of strategic management, proposed the Ansoff matrix in 1975. Taking product and market as the two basic orientations, the four product/market combinations and corresponding marketing strategies are distinguished. They are market penetration, market development, product development and diversification (Ecobici, 2017). The Ansoff Matrix is one of the most widely used marketing analysis tools, which is shown in figure 2-4



Figure 2-4 Ansoff Matrix Model Diagram

- Market penetration is a corporate growth strategy that combines existing products with existing markets.
- Market development is a corporate growth strategy that combines existing products with new markets.
- Product development refers to a growth strategy that expands sales and market share by launching new products, improving products, or adding different specifications to existing markets.
- Diversification is a business growth strategy that combines new products and new markets. It enables companies to grow by launching new products and developing new business areas in new markets that have not been involved.

The purpose of using the Ansoff matrix is that companies can choose from four different growth strategies to increase their income (Mwangi, 2017).

3. Main Body

3.1 Pre-analysis

3.1.1 PEST Analysis of the External Environment of Liqun Supermarket

➤ Political (P)

The UK treats foreign brands equally with British brands (Tang, 2012). Liqun Supermarket is a Chinese-run supermarket. It is not easy to develop in the UK. However, the British government's equal treatment ensures the stability of the Liqun Supermarket business environment. In addition, the political stability of the UK also brings benefits to the development of Liqun Supermarket.

➤ Economical (E)

For Liqun Supermarket, the proportion of Chinese consumers is significantly higher than that of British consumers. Therefore, the consumption habits of Chinese consumers largely determine the sales of Liqun Supermarkets. According to the data of the Chinese Bureau of Statistics (2018), from 2014 to 2017, Chinese overseas consumption per person has increased year by year. Meanwhile, annual household expenditure per person in the UK has been decreasing year by year according to data from World Bank (2018). The data is shown in table 3-1.

Table 3-1 Statistic Table of Chinese Annual Overseas Consumption per Person and British Annual Household Expenditure per Person from 2014 to 2017

Year	Chinese Annual Overseas Consumption Per Person(US\$)	British Annual Household Expenditure Per Person (US\$)
2014	13270	19111
2015	14596	17606
2016	14748	15533
2017	16182	15182

Although the annual household expenditure of British consumers has decreased, the increase in overseas consumption of Chinese consumers, who are the main consumer group for Liqun Supermarket, is bound to bring benefits to the sales of Liqun Supermarket to a certain extent.

➤ **Social (S)**

With the improvement of living standards, people's requirements for consumer experience are getting higher and higher. For consumers, the importance of the price factor is gradually decreasing, and people turn their attention to the customer experience, that is, the supermarket needs to satisfy the consumer's consumption experience. This requires Liqun Supermarket to improve the product quality and shopping environment (Tang, 2012).

➤ **Technological (T)**

The convenient shopping method of online shopping is a shopping method that is more and more popular among people. Consumers can purchase various products in the supermarket without leaving the house (Zhao et al., 2017).

3.1.2 SWOT Analysis of the Internal Environment of Liqun Supermarket

➤ **Internal Strengths (S)**

- ◆ **Excellent location:** Liqun Supermarket is only 10 minutes from Swansea city centre, and the west side of the supermarket is the Swansea University singleton campus.
- ◆ **Many consumers:** Swansea University and University of Wales Trinity Saint David, which are both near Liqun Supermarket, have a large number of Asian students, which can bring great consumer resources to Liqun Supermarket.
- ◆ **Good reputation:** Thanks to its long business history, Liqun Supermarket has a good reputation. The loyal and stable customer base has brought a sustainable profit source to the supermarket (Wu, 2017).

➤ **Internal Weaknesses (W)**

- ◆ **Old shop:** Due to the long period of operation, Liqun Supermarkets are relatively old, which let some customers down.

- ♦ **Shortage of commodities:** Since the main commodities are imported goods from Asia, the various goods of Liqun Supermarket have a long purchase cycle, which is prone to the shortage of commodities and affects the customer's consumption experience;
- ♦ **Lack of management experience:** the owner is taking over the Liqun Supermarket in the middle of the road. The lack of experience in supermarket management and operation has brought certain obstacles to the operation of the supermarket (Luo, 2018).

➤ **External Opportunities (O)**

- ♦ **Higher consumption level of Chinese:** Chinese students, as the main consumers of Liqun Supermarkets, have increased their consumption levels in the recent years, which can bring higher operating benefits to supermarkets.
- ♦ **Other industry commodity demand:** There are many Chinese restaurants around Liqun Supermarket. The ingredients of them always originate from China. The products of Liqun Supermarket are just right for their needs.

➤ **External Threats (T)**

- ♦ **Competition in other Chinese supermarkets:** There are two Chinese supermarkets of similar size near Liqun Supermarket. Although the opening is relatively late, some of the consumers have been taken away because of the new storefront (Wu & Sun, 2017).
- ♦ **The increase in operating costs of supermarkets:** The rise in Chinese prices has led to an increase in the cost of goods purchased by Liqun Supermarkets. Meanwhile, inflation in the UK has led to an increase in store rents and labor costs, which has led to an increase in operating costs.

3.2 Questionnaire and Data Summary

In order to better understand the consumer psychology and habits of the customers, the author spent three days conducting a questionnaire survey on customers who went to Liqun Supermarket shopping. The questionnaire covers the consumer history of Liqun Supermarkets and their understanding of Liqun Supermarket operations. The

questionnaire is the primary research in this article. The following is the summary of the survey results and description.

3.2.1 Extract Valid Questionnaires

After a three-day questionnaire survey, the author retrieved 93 questionnaires, some of which were incorrect or vacant. These questionnaires were called invalid questionnaires (Lv, 2014). After removing these questionnaires, the author took back a total of 75 valid questionnaires.

3.2.2 Summary of Questionnaire Data

For the 75 valid questionnaires, the author separately summarized each question and obtained the data as shown in the table 3-2.

Table 3-2 Valid Questionnaire Data Summary

Gender	Male	Female		
	35	40		
Age	15-20	20-30	30-40	>40
	2	53	14	6
Monthly necessities expenses(Pound)	<100	100-200	200-300	>300
	27	35	9	4
Monthly shopping frequency in Liqun (Times)	1-2	3-6	>7	<1
	33	25	12	5
Shopping time in Liqun	11:00-13:00	13:00-15:00	15:00-18:00	18:00-21:00
	13	7	31	24
Complete product range in Liqun	Complete	Basically complete	Not quite complete	Incomplete
	1	26	45	3
Reasonable internal layout in Liqun	Reasonable	Basically reasonable	Unreasonable	Do not care
	8	52	10	5
Health level in Liqun	Good	General	Bad	Do not care
	4	66	3	2
Swansea best Chinese supermarket	Yes	Almost	No	
	25	41	9	
Online shopping frequency in Liqun (Times)	1-2	3-6	>7	0
	25	17	4	39
Main purchase product in Liqun	Kitchen supplies	Snacks & drinks	Entertainment supplies	Other
	59	15	3	8

From the summary data, it is not difficult to draw the following conclusions.

- The main consumer group of Liqun Supermarket is the group of students aged 20-30.
- The peak consumption of Liqun Supermarkets is from 3 pm to 9 pm.
- The customer is not satisfied with the commodity types, sanitation level and internal commodity layout of Liqun Supermarket.
- The online shopping promotion of Liqun Supermarket is not enough, and the frequency of customer application Internet shopping is not high.
- The main products customers purchase at Liqun Supermarket are kitchen supplies and snack drinks.

On the last open question of the questionnaire, some customers think that

- Although there are many types of commodities in Liqun Supermarket, some big brand commodities are often out of stock, affecting the shopping experience.
- Although Liqun Supermarket has an online shopping platform, the website commodities' update rate is slow, and there are frequent out-of-stock situations.
- Add independent small package products. Customers have a desire to buy certain products, but because the packaging is too large to be used in time and give up buying.

But it is worth noting that Liqun Supermarket has a certain customer base, and many old customers will choose to buy goods at Liqun Supermarket. This is one of the advantages of Liqun Supermarket.

3.3 Provide Organization Consultation with Ansoff Matrix

The difficulties of the four strategies in Ansoff Matrix are different, so in accordance with the principle of diminishing difficulty, the order of use of the Ansoff matrix is Market penetration, market development, product development and diversification in general (Tang, 2011).

3.3.1 Market Penetration

The first step is to consider whether existing products can still gain more market share

in the existing market.

- **Strengthen advertising.** In the supermarket propaganda level, the author believes that Lique Supermarket needs to advertise more, so that more consumers can understand Lique Supermarket. Lique Supermarkets can consider the use of posters to enhance publicity among student groups. At the same time, for online promotion, Lique Supermarket can improve the content of the website and publish supermarket information on social media such as Facebook or WeChat.
- **Enrich promotion means.** At present, the promotion methods of Lique Supermarket are only the purchase of free shipping and half-price sales of temporary goods. The author believes that more promotion methods are needed to increase sales of goods. Lique Supermarkets can follow the example of Iceland to promote specific products on specific dates. For customers with a large amount of shopping, they can return the voucher, which can retain the old customers and increase sales.
- **Improve the level of hygiene and the layout of goods.** In the questionnaire, more than 70% of the customers were not satisfied with the hygiene level and product layout of Lique Supermarket. This will affect the consumer's consumption experience, which in turn will affect consumer spending to a certain extent. It is not difficult to improve the level of hygiene and the layout of goods. Therefore, these two problems need to be solved urgently.
- **Speed up the rate of website item updates.** At the end of the questionnaire, several customers pointed out that Lique Supermarket's online product update was slow and the products that customers need are out of stock frequently. This requires the supermarket manager to update the website in time according to the sales situation of the supermarket goods, in order to prevent the situation that 'the goods have been sold out and still sold on the website'.

3.3.2 Market Development

The second step is to consider whether some new markets can be developed for existing products.

- **Strengthen the promotion of non-student groups.** The data in section 3.2 shows that the main consumer groups of Liquun Supermarket are students, accounting for nearly 70% of the total consumers, and the remaining 30% are consumers who work and live in Swansea. In the conversation with the supermarket manager, the author realises that the total consumption of these 30% non-student groups is very large, and their total consumption can even exceed the total consumption of the 70% student group. It can be seen that this part of consumers has a high consumption potential. If it increases the publicity of non-student group market and gains more attention from consumers in this market, Liquun Supermarket can use existing products to obtain higher sales.
- **Reduce shopping concerns in non-Chinese consumer markets.** Liquun Supermarket manager said that another characteristic of supermarket consumers is that the number of non-Chinese consumers is small, and more than 80% of consumers are Chinese. The main reason is that the main products sold at Liquun Supermarket are Chinese ingredients, and most non-Chinese consumers are very familiar with these ingredients, and little is known about their taste and use. The author believes that for non-Chinese consumer markets, supermarkets should refine the description of the goods. For example, in the case of better-selling tofu, many British locals like tofu, but they don't know how to cook tofu. Liquun Supermarkets can list the cooking methods of tofu near the shelves to ensure that non-Chinese consumers know how to cook. It is also important to reduce concerns about commodities in non-Chinese consumer markets.

3.3.3 Product Development

The third step is to consider whether it is possible to develop a number of new products with potential benefits for the existing market of Liquun Supermarket.

- **Adjust small package products.** Some customers think that some products in Liquun Supermarket only have large packaging, lacking small packaging products, such as boxed soy milk, jelly and so on. The large-package sales of these goods can indeed increase sales, but they cannot meet the consumption needs of some consumers who only need a small amount of goods. The author believes that Liquun Supermarket can appropriately adjust the size of the product packaging to meet the different consumer

needs of existing customers. At the same time, the appropriate increase in the price of small packages will also bring additional benefits to the total sales of the supermarket.

- **Add big brand goods.** Some customers have suggested that there is a serious shortage of large branded goods in supermarket sales. For example, Haitian is the most famous soy sauce brand in China, however, only Lee Kum Kee, which is a small brand compared with Haitian in China, is sold at Liquan Supermarket. The author believes that supplementing large brand products can not only meet the consumption needs of existing consumer groups, but also attract some new customers to Liquan Supermarkets.
- **Increase the sales of fresh seafood.** Liquan Supermarkets have a large number of seafood in the catalogue, such as squid, octopus, etc., but all seafood is frozen. Although freezing can play a role in preserving freshness, it is slightly different from fresh seafood. In contrast, Shunfa China Supermarket, which is not far from Liquan Supermarket, many customers choose to go to Shunfa Supermarket to purchase goods due to the sale of fresh seafood, which makes Liquan Supermarket reduce the number of customers. It can be seen that fresh seafood still has a certain sales market among the existing customers. However, the implementation of this strategy is more difficult, and the investment in fresh seafood is relatively large. Liquan Supermarket managers need to consider the actual situation.

3.3.4 Diversification

The fourth step is to consider whether it is possible to take advantage of Liquan Supermarket's products, technology and market, and provide new products to new markets according to the direction of material flow. However, many scholars have proved that only when enterprises can reasonably coordinate the advantages of products, technologies and markets, diversification can be successful, otherwise the probability of failure of diversification is high (Fang, 2016). Therefore, the author only provides one diversified business strategy for Liquan Supermarket to avoid unnecessary losses.

- **Add local commodities' sales counters.** Located in the Liqun Supermarket in Swansea, the main consumer groups should be mainly locals in the UK. However, according to the Liqun Supermarket manager, few local consumers go to Liqun Supermarket to shop. The author believes that due to the lack of local commodities' sales, local consumers have low enthusiasm for shopping in Liqun Supermarket, resulting in the loss of some consumer markets. Therefore, adding local commodities' sales counters can attract new consumers. Meanwhile, in the process of consumption, local consumers will also know about the existing products of Liqun Supermarket, which is a two-pronged strategy

4. Conclusion

This paper uses the Ansoff matrix to provide organizational consultancy for Liqun Supermarkets.

In the first step, the author conducts a preliminary investigation on the operation of Liqun Supermarket and determines that the current operation of Liqun Supermarket was in a state of decreasing sales.

In the second step, the author uses PEST analysis and SWOT analysis to analyze the external environment and internal environment of Liqun Supermarket respectively. The former determines that Liqun Supermarket will not encounter big problems in the macro environment. In the micro-environment, the existence of problems such as unfavorable management and competition in other supermarkets has led to a decline in sales of Liqun Supermarkets. However, the excellent brand reputation and customer base still help the operation of Liqun Supermarket.

In the third step, the author conducts a questionnaire survey on the customers of Liqun Supermarket and extracts valid questionnaires for data aggregation. Then, using the data determines the consumer's consumption habits, consumption objects and opinions. In this way, from the perspective of consumers, it is easy to discover the operational advantages and existing problems of Liqun Supermarket, which provides data support for the submission of reasonable opinions.

In the fourth part, the author uses the Ansoff matrix, combined with the data extracted from the questionnaire survey, to provide organizational consultancy for Liqun Supermarkets from the four perspectives of market penetration, market development, product development and diversification. The author believes that these opinions can change the unfavorable status of Liqun Supermarket operations.

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