

Strategic Management Sustainability

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Introduction

This report evaluates the business activity of Sainsbury, focusing on their strategic management and making use of various tools of analysis and theoretical models.

Sainsbury background

The selected organisation to be analysed for this report is Sainsbury PLC. It is a British company under the formal name J Sainsbury PLC and is a leading player in the supermarket industry. The grocery chain has a long history, with the first store opened in 1869 which has registered growths and has managed to remain competitive through its great value food and services (Sainsbury, 2023). With a market share of more than 15% is the third largest supermarket in the United Kingdom, Sainsbury has always been preoccupied with offering “quality goods at affordable prices”, with great focus for store development over 600 supermarkets and over 800 convenience store or a strong online presence. Sainsbury had developed strong brands within the company such as Habitat, Tu, Nectar, Argos, Sainsbury’s Bank. Argos is one of the most visited retail website occupying a third position in the UK. Sainsbury is proud to acknowledge the contribution of their staff for their Sainsbury’s mission is to regain market share under “Making Sainsbury’s Great Again” whilst keeping in line with technological development and market development. Sainsbury has always adopted pioneering moves, known for the early adopter of self service, that has helped the company grow and become a known and trusted brand in the history of British business. The company has a diverse range of products from grocery products to clothing, electrical and and homewares (Sainsbury, 2023).

Sainsbury’s business strategies

Sainsbury’s focus is to offer best retailing services, whilst creating the best working place with high levels of performance. By simplifying their operations and implementing cost saving programmes and driven efficiency across their business operations, Sainsbury’s strategy is to invest in improving the quality of the food they provide (Sainsbury, 2023).

Porter’s generic strategy

Porter's Generic Strategies were developed by Porter (1985) and looks at “cost leadership” known as no frills, “differentiation” which focuses on the creation of unique products and services and

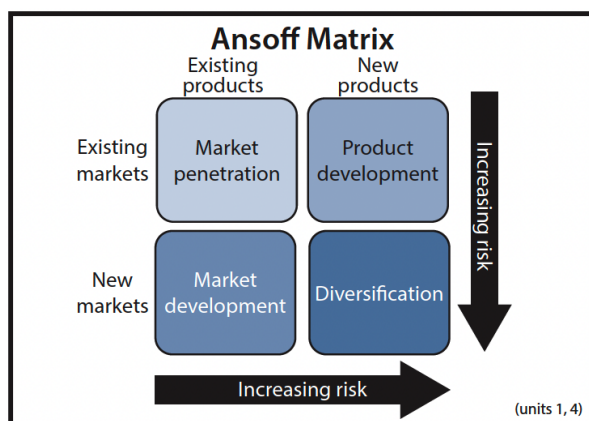
“focus” which refers to the offer of specialised products in a niche market. Therefore companies can look into offering low cost or into ensuring their products are differentiated from competition in order to add value dimensions or focusing on niche marketing and offering products to a selected market segment. Sainsbury has put great efforts in maintaining competitive advantage in a very competitive industry. As a multinational player it has achieved high recognition as a brand name by adopting a combination of cost leadership, product and service differentiation as well as implementing focus strategies on selected market segments (Andersen, Kheam, 1998).

The cost leadership strategy is used by Sainsbury in different consumer markets through efficient value chain management. The focus of the leadership is to pursue growth strategies and to expand the market share for targeting the middle class and cater for its needs. The pricing factor has then been the strategy adopted by Sainsbury where the affordability and easy access plays an important role. This has been realised by ensuring a lower production cost and by increasing the efficiency in the supply chain. Further that Sainsbury has been able to offer discounts to its customers in order to stay in line with the competition. The cost leadership strategy has enabled Sainsbury to expand the customer base as intended and has helped the organisation to gain quick brand recognition. Despite that Sainsbury’s annual reports have shown that the company is more interested in delivering quality and good value rather than compromising on cost, that is why technological innovation is required to achieve efficiency and reduce costs (Research Gate, 2022).

In order to ensure competitive advantage Sainsbury is also using the differentiation strategy and to achieve growth over unique products and services features. The company is very innovative in achieving differentiation and great efforts are put into addressing the health concerns of the population. This is realised by extending their product line and address the needs and concerns of their customers which creates loyalty. Their products are then standing out from available alternatives and this helps Sainsbury to reduce the pressure from other brands. The company allocates considerable amounts for marketing and celebrity endorsement to emphasis their differentiated products and brands. The company makes use of their strong brand name to differentiate themselves among competition.

The focus strategy is used for specific targeted segments of the market, whilst maintaining low cost and product differentiation. The focus strategy looks at elements such as product design, taste and size. Sainsbury is looking at specialising in a small market with least competition and after that expanding in larger ones. By making use of the online shopping Sainsbury can reach an larger audience and can satisfy various requirements (Wrigley, 2000).

Ansoff growth matrix Figure 1



This theoretical model is used to analyse the growth strategies for a company (Figure 1). Sainsbury has focused on market penetration as part of their growth strategies in order to gain market share and Sainsbury has been open to strengthen their position in different markets, by opening more stores and by developing a strong infrastructure for online shopping. Sainsbury has adopted competitive pricing and has reduced the cost of their products to match the prices from other competitors such as Tesco or Asda. For that purpose it has also put in place offers and has strengthen their loyalty programme (CFI, 2023).

Sainsbury is also concerned with product development strategies by launching new products or by creating new flavours or new design to existing products. An example of this actions is the introduction of “Sainsbury Central” format for small towns, which has reduced the distance of travelling for their customers.

Sainsbury is also pursuing growth strategies through Market Development by entering new markets and considers emerging markets such as Europe and Asia. Further that Sainsbury could expand their banking services also (Sanusi, 2014).

The Diversification strategy involves more risks as it involves new products or services in new markets. This could be beneficial for Sainsbury as it can make use of their brand which is a name with tradition and high levels of credibility and it has an important amount of resources. Currently Sainsbury has a diverse offer of products and services, taking in consideration that the business first started as a grocery store (Wrigley, 2000).

SWOT analysis

Strengths

An important strength of Sainsbury is the capabilities regarding the strong marketing. The company allocates large amount of resources towards marketing, assigning high importance to it. That is why Sainsbury is concerned in having a good marketing strategy, it is involved in various programmes and projects and sponsors large events such as the Paralympics. It also collaborates with celebrities such as David Beckham or Jamie Oliver as the organisation's ambassadors.

Another strength of Sainsbury is the large number of operations and a long tradition of more than 150 years. It has a high number of supermarkets and convenience stores and has managed to attract an important consumer base (Sainsbury, 2023).

Being listed on London Stock Exchange is another strength of the business as it benefits the business to attract investors, to generate funds, to sell shares and maintain a good cash flow.

Weaknesses

Sainsbury can struggle with maximising profits, due to high competition and by having low price strategy and differentiated products of high quality and value. In the past Sainsbury has failed to generate profits in order to keep up with competition and the low prices strategies.

Another weakness is the low international expansion preferring to be more active in the domestic market. Also the high cost of operations is another weakness for the organisation.

Opportunities

Sainsbury has great opportunities is expanding abroad in international markets and gain international recognition. Another opportunity for the company is to explore the rural areas in the UK, as it has been observed that part of population has moved to rural areas due to high cost of life or family oriented customers. An opportunity for Sainsbury is to pursue growth strategies through mergers and acquisitions (Vrontis, Sharp, 2003).

Threats

The Covid-19 pandemic has proven to be a major threat to a multitude of industries, including the supermarket industry. During COVID-19, Sainsbury's observed a loss of \$304.4 million. Sainsbury had encountered difficulties in sourcing products, reduced workforce and suppliers and distribution problems. The rise of global inflation is a threat for Sainsbury as the power of expenditure has decreased and that has lead to fewer customers (Sainsbury, 2023).

Value chain analysis

This model of analysis has been developed by Porter (1985) and distinguishes the primary activities and the support activities of an organisation, as it is considered that the resources and capabilities are the source of the organisation's competitive advantage.

The primary activities in Sainsbury refer to inbound logistics, operations, outbound logistics, marketing and sales. Sainsbury collaborates with various suppliers making sure they obtain the desired quality for their products at the required quantity for the business needs. Sainsbury buys in bulk to achieve reduced cost and in line with the business levels. Sainsbury's operations include transforming raw material in end product such as packing, assembling, machining, testing. The outbound logistics refer to the collection, storage and distribution activities. Sainsbury has ensured efficiency through various decision making for deliveries, administration and transportation logistics. The marketing strategies of Sainsbury emphasises the quality of their products and for that purpose it invest in advertising, promotional activities, right salesforce, pricing offers.

The support activities refer to infrastructure, human resource management, technology. Sainsbury had to allocate high number of resources towards infrastructure as it is vital for the industry it activates. From quality assurance to finances, Sainsbury is continuing to develop its infrastructure to support the business. The Human Resource Management is very important in Sainsbury which is a large organisation with a high number of employees. Sainsbury is focusing on motivating their staff to achieve high levels of performance. The technological innovation is important for the organisation to satisfy the customers expectations, to ensure efficiency in operations for product and process technology development activities (Vrontis, Sharp, 2003).

VRIO analysis

The VRIO analysis refers to Value of the resource, Rareness of the resource, Imitation Risk, and Organizational Competence. This tool of analysis is used to assess the resources of an organisations which are very important for building competitive advantage. The value of resources in the supermarket industry is influenced by the competition. The supermarket industry in the UK is very competitive and in order to stay ahead Sainsbury needs to hold rare resources and be competitive. The risk of imitation is quite high in the supermarket industry, strategies such as matching the price of competitors are easy to replicate. That is why organisations need to have a sustained competitive advantage by ensuring their resources are difficult to imitate. Sainsbury is realising that by keeping high levels of innovation for their products, their services, the service delivery. Sainsbury is also concerned with having skilled and trained staff, keeping them motivated to perform and loyal to the organisation. Sainsbury also makes use of patents for some of their products. The distribution

network is another important resource for Sainsbury which helps the organisation to reach a high number of customers. The cost structure is an element that the organisation needs to work on as it has been observed an impact on the overall profit. It is also recommended to improve research and development to develop new products or improve existing ones. A rare resource for Sainsbury is the strong position in the market and the financial capabilities (Vrontis, Sharp, 2003).

Supermarket Industry

The supermarket industry in the UK is very competitive and has continued to register despite the disruptions during Covid-19 pandemic. Post pandemic the consumer behaviour has seen a preference for large format stores for the UK grocery market and a shift for online shopping. According to Mintel (2023) the supermarkets have almost 50% of total sales form the UK grocery industry and is predicted to remain positive and continue to grow for the next 5 years.

PESTLE analysis

Political factors

UK has a stable political environment and is working on surpassing major changes such as Brexit and its implications. For the supermarket industry which was relying on the important of food products the political tensions has put pressure on the business and created uncertainty.

Economic factors

The increase in the cost of life has impacted the industry and has resulted in a decrease in the number of customers. Inflation and risen unemployment has also reduce the power of purchase . Brexit has impacted the sterling pound and the economy as well as negotiating trading deals with other countries. The Russian and Ukrainian war has also impacted the economies worldwide due to the negative impacts regarding gas and energy supply.

Social factors

Society has felt pressure to prioritise expenditures due to the increase of energy costs and the cost of food and the overall cost of products and services. Pandemic has also impacted the value system of the population. Inflation and lack of employment has created different consumer behaviour. Another aspect to look into is the health oriented trends who are more conscious about the product choices.

Technological factors

Post pandemic the importance of digitalisation has increased among business of all sorts and also in the supermarket industry. Sainsbury has allocated great number of resources to incorporate digital technology in its business activity. The increase of online shopping has determined change in the supermarket business to address the customer needs. Technology has also been incorporated by

Sainsbury in their production, distribution and other operations in order to increase efficiency and reduce costs.

Legal factors

The legislation in the UK regarding the supermarket industry refers to different aspects such as advertisement, taxes on various products such as the “sugar tax” to limit the sugar consumption of the population. There is complex legislation on employment and discrimination, as well as intellectual property.

Environmental factors

The growing concerns of the society towards environmental problems are pushing the organisations to become more sustainable and to adopt new practices and policies such as wastage reduction, plastic reduction, energy reduction, fuel reduction, recycling, helping communities (Research Gate, 2023).

Porters Five Forces

This theoretical model analyses the effectiveness of an organisation and looks at the threat of new entrants, threat of substitutes, power of buyers, power of suppliers and competition.

Threat of new entrants

The supermarket industry requires high number of resources for the large format stores and there is a low threat for new entrants. The industry is controlled by few major players and Sainsbury is counting as one of the leaders.

Threat of substitutes

The threat of substitutes is high because the competition is fierce and because of the nature of the products. By providing cheaper food substitutes or non-food products, Sainsbury needs to continue to identify most efficient strategies to remain competitive.

Power of buyers

The power of buyers is high for the supermarket industry and customers can easily swift to different supermarkets and can be price sensitive. Retailers such as Aldi and Lidl, although they do not offer a diverse range of products have gained market share lately due to their pricing strategies.

Power of suppliers

The power of suppliers is low because the supermarkets are capable to buy large amounts which they depend on. The high number of suppliers also enables the supermarkets to change their suppliers if needed.

Competitive rivalry

The supermarket industry is very competitive in the UK and Sainsbury needs to put great efforts in remaining competitive by being innovative and by delivering good value for their customers (Vrontis, Sharp, 2003).

Conclusion

In conclusion Sainsbury has a strong strategy which has contributed to its growth and brand recognition. It is recommended to expand more internationally and pursue the risen opportunities of emerging markets.

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