

An investigation into the rise of Primark

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Executive summary

The research report illustrates the major development of the Primark, analyse on current products and locations of the stores, investigate and discuss the problems with suppliers and stakeholders. The research is based on different methods of analyse such as SWOT, PASTEL and STAKEHOLDERS ANALYSE DIAGRAM.

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1.0 Terms of reference

This report "*An investigation into the rise of Primark*" was required by Laura James for the module Problem Solving and Decision Making.

2.0 Procedure

Primark report was prepared, and research material was from, books, journal, newspapers and UWTSD Library.

3.0 Findings

3.1 Introduction

As the timeline shows, Primark was founded by Arthur Rayn he opened the first store in 1969 in Dublin in Ireland with the name of Penney's, later being successful in Ireland the company decide to expand to the United Kingdom in 1971 and Europe. Is one of the country's top retail destinations, has over 350 stores around the world, it has 68.000 employees who are providing service to millions of people every year, with an annual profit of £808 million in 2018. The store is best known for its low price and high value offering "Amazing fashion, amazing prices". Providing affordable, designer-inspired clothing for all ages, attracts customers who need clothing for quick and disposable use due to its low prices (Primark;2014)

The diagram shows the outline the major development the organisation has faced since its launch in 1969.



3.2 Overview of current problems and store locations.

Primark offers customers quality, up to the minute fashion at value-for-money price, have expansive product range including womenswear, lingerie, children wear, menswear, footwear, accessories, hosiery and homeware and in 2014 the store welcomed Sephora products, even vegan snacks from 2018. Primark does not have an online store, however, has extended its reach across Europe and overseas into the United States. (Jackson and Shaw;2009)

Primark operates in the following countries:

Country	Number of stores	First store opened
 United Kingdom	192	1973
 Spain	46	2006
 Ireland	37	1969
 Germany	29	2009
 Netherlands	20	2008
 France	15	2013
 Portugal	10	2009
 United States	9	2015
 Belgium	7	2009
 Austria	5	2012
 Italy	4	2014
 Slovenia	1	2019
 Poland	0	Opening 2020
 Czech Republic	0	Opening 2020
Total	374	

3.3 Planned, communicated, monitored and reviewed provisions attempted in problem solving.

Primark has planned to work with a large number of suppliers in different parts of the world, the organisation ensure that even if working throughout a numerous supply chain, the goods are being manufactured under best working environment and the employees are treated well, therefore, Primark provide training and financial support to its suppliers. The organisation brings together the employees, representatives of government, and workers to form programmes and policies. (Primark, 2014 website)

Primark Objective:

- Send the Primark brand global
- Create awareness and desire in new market
- Create Trust and eliminate scepticism in the mind's eye of new market
- Increase global market share
- Target mainly woman
- Appeal to those who live in countryside and suburbs
- Create an international feel to Primark brand- market it as a UK brand

Primark does very little advertising, is the way the organisation keep their prices low, combining good standards in the supply chain, the business does things different to other brands.

- Sale a lot of items, make them able to savings in buying in bulks to keep prices low
- Design clothes that offer the latest trends –with cheap hangers, tags and labels
- Transporting product from factories to stores at low cost

All these decisions mean savings at every stage of supplier's chain is how they keep prices low. Primark does not own factories, therefore they keep prices low, because can choose the right goods to the right price from the right place and are selective with the people working for Primark. Every factory is audited to check whether internationally recognised standards are being met before they become a Primark supplier. Monitored and reviewed provision attempts to resolve the problems with suppliers Primark ensure that Ethical Trade Team and Environmental Sustainability Team help factories to meet these standards, more than 80 experts in key sourcing countries. Communication is the key factor to ensure that standards and regulations are in place. They audit suppliers once a year so they can get detailed picture of the factory conditions.

Growth strategy

“we choose not to spend money on things that other retailers might” (Primark.com,2017)

Primark managed to growth by:

- Expanding in all Europe and globally
- Keep their prices low from the competition
- Diversity of products from all the categories
- Social media presence
- Ethics-respect for people and the planet

3.4 Analysis of Primark

However, beside the Primark success on the market, the organisation faced problems, from customer's needs, suppliers, reputation, employee's recruitment Brexit and stakeholders.

The nature of the current problems that Primark is facing is:

Strategic problems (long term with significant impact for the whole company)

Brexit it is one of the biggest problems that all the retail industry will face from December 2020, an increase in inflation, taxa, impact on the bottom line from tariffs, the fees will go up, more expensive clothes, paperwork and competitiveness with EU, the impact of Brexit will forced Primark to close some of the contracts which lead to unemployed people in the poor countries (Bangladesh, India, China, Turkey) and in increase prices in Primark production even delays in transportation, where it is known a *"Fast fashion industry"*.

Operational problems (medium to short term, involving resources to achieve objectives)

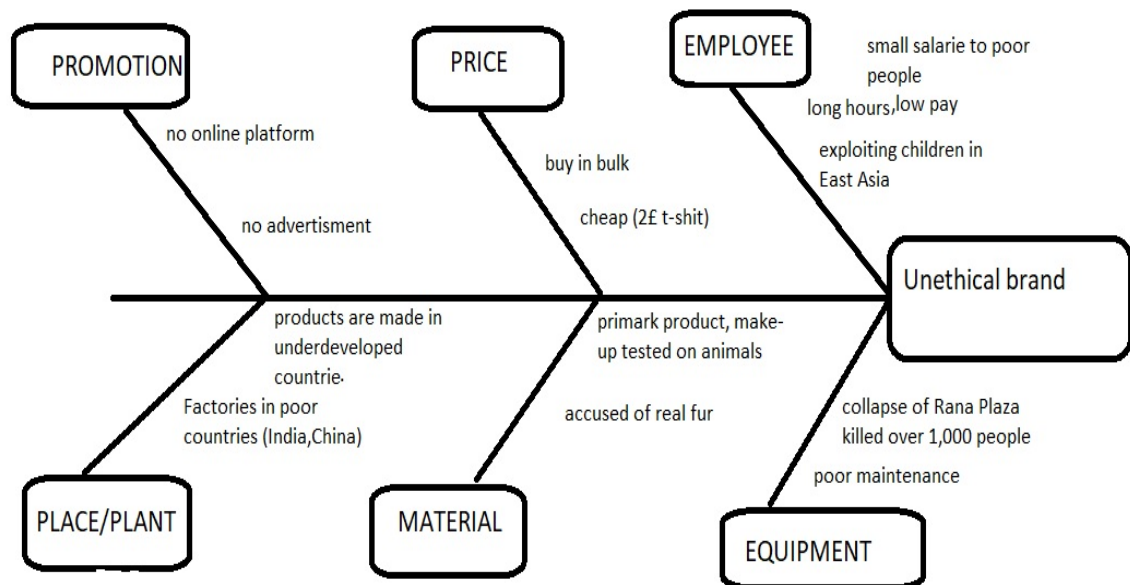
One of the Primark's problems that had been outlined was the concerns that Primark's cheap prices could be compromising its ethics. Some of the customers believe that low price products are not sustainable and certainly not ethically made. One of the problems with suppliers is communication throughout their website. Primark fails to have an online store, so it is unclear to know what type of clothes the store sells.

Selling products of 2£ very cheap, Primark had made a reputation of a business of long hours (low pay, poor working condition and often with tragic results (Rana Plaza; 2013). In Bangladesh, Rana Plaza, collapsed, more than 1.100 people were killed and more then 2.500 were injured. Primark offer to pay a long-term compensation to children who lost parents. Company is looking for places like Bangladesh to do business, because they are looking to lower their prices of their products, buy paying less to workforce. The tragedy had a huge impact on the organisation, market, customers, Code of Ethics, employees' rights and safety and on Primark profits, losing two factories inside the building, paying compensation to the employees' family, and Primark reputation had suffered as well.

Based on (Armstrong and Taylor; 2014) he suggested that an organisation had to follow the countries rules and regulation of that state, such as, minim wages, non-discriminatory working environment), those policies differ from country to country.

Primark supply chain is ethical, the company acknowledge he's mistake and makes up for the tragedy in Bangladesh by compensating all workers from Raza Plaza ,provide emergency food aids and financial support for three months, recruited fire safety specialist from 2014, the company donated large amount 7.000.000.Billion Dollars to the families.

Fishbone- (Ishkawa Diagram ;1969), the diagram explain the problems that Primark is facing, and the causes.



Administrative problems (short term due to the policies and procedures of the organisation).

An major impact on fashion industry is Globalisation, where companies had to opt for production overseas instead of local production, countries such as China, India, Bangladesh and Mexico are the most wanted as they offer a lowest cost of outsourcing, labour, materials, however a report shows that concerns had been rise on Primark cheap prices could be compromising on its ethics, the store had been accused as being unethical and exploiting children in East Asia to achieve their low prices, suffering for a bad reputation (cry for help message been sewn on the dress lable). The impact shows that, Primark has failed to meet the expectations of its various stakeholders primarily consumers and secondarily society and other stakeholders. In respond to the event that questioned Primark ethical practice, the organisation appointed a new Ethical Director to ensure that practices and regulations are implemented, in order to restore the reputation and achieve better management. (Mezzadri; 2012).

The diagram show the main problems that Primark is currently facing:

Child Labour	Lack of education and poverty. Organisations improve profit by low pay.	Legal and policies related to children. Code of Ethical Trade (CET) and International Labour Organisation (ILO). Audit and checks every year. Build programme such as "SAVE" and <i>Worker education Group</i> ,to discuss issues in the workplace.
"fast-fashion" is not sustainable and ethically made	Primark buy products in bulk. Products are cheap	The organisation save money because: • No advert • No online platform which make people to go to the store • No expensive tags • Primark does not own factories
Animal testing and use of real fur.		Materials must be inspected and to ensure the animal welfare through the supply chain.
Stakeholders	Shareholders, they may Drawback their investment because of the reputation.	ABF Corporate Social Responsibility (CSR) Report- where Primark demonstrate ethical and behaviour to shareholders

As the table shows, Primark is trying to solve the major issues, and how the organisation is resolving them.

The organisation had communicated the retailer issues through social media, and writing reports. In 2008, **BBC Panorama** investigated and discovered that Primark factories employed child labour, long hours, under pay and discriminatory conditions of work. Primark respond and resolve these accusations, and after the episode of BBC being published, the company sacked three of its suppliers. Primark now opens and communicate to all suppliers and employees to use this new website www.primark.ethicaltrading.co.uk showing how they help people and how they try to defeat slavery.

These figures below include, production, manufacturing, packaging, advertising. Primark carries out regular meetings, audits, to make sure that suppliers are up to date with the current regulations and standards. Primark improve their ethical practice when it comes to workers, Primark are also a member of **Ethical trading initiative ETI** and have adopted their Code of Conduct (Ferrell and Fraedrich; 2014).

Business Ethics: Case study of Primark

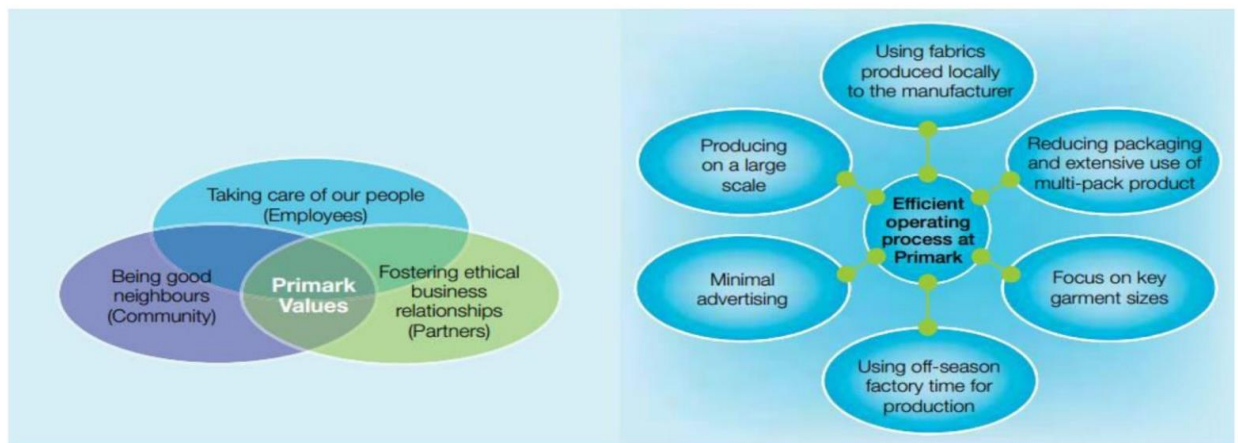


Figure 1: Primark Values
 Figure 1: Efficient operating process at Primark
 source: Primark website
<https://www.primark.com/~media/ourethics/unpacked/primark-edition-15-full.ashx>

3.4.1 SWOT Analysis

SWOT ANALYSIS is a tool for auditing an organisation and its environment based on internal and external factors (Morgan;2017)

Primark SWOT Analyse

STRENGTHS	Weaknesses	Opportunities	Threats
• Affordable • Beirut are very liberal • British brand • Popular holiday and business destinations • Politically stable • Lots of skilled labours • Organized business structure • Provide clothing for all ages and sexes. • Good location on High Street • Well known locally	• Most locals have no knowledge of Primark and need to promote heavily to create brand awareness. • Poor working conditions and violate workers' rights • No on-line presence • Damaged reputation	• Gap in the market • Corporate identity gives Primark reliability image • Can expand to neighbour cities or countries easily • Expand oversea services • International market • Give the opportunity cu customers to order online Click& Collect	• Unpredictable region • History of war and violence • Primark's unethical business may raise concerns • Economy depends entirely om tourism and banking which is vulnerable • Competitions from local stores and European retailers • Customers in terms of fashion and uniqueness • No advertising While their competitors do • Competitive online players

Primark,(2014) stated that they share the same value of other companies, taking care of people, looking after environment, being good neighbours and fostering ethical business relationships.

3.4.2 PASTEL Analysis

The use of PASTEL Analyse in Primark is to identify the factors that affect the organisation from outside, external factors with the tools and technique for "Scanning the Business Environment" (Francis J Aguilar; 1967)

ENVIRONMENTAL SUSTAINABILITY

The activities of a business affect the environment of the society, special the resources available in the society are being exploited by the company, an example is the employees in the company. Recently the carbon print and the greenhouse have increased in the importance, and both governmental and non-governmental organisations have an impact on how businesses operate in the society. (Trevino and Nelson; 2010).

Primark engage since April 2013 in partnerships with **Cotton Connect** and **Green space** to implement sustainable cotton programs in China and India and now work together with small holder cotton farmers by doing so, Primark hope to improve the life hood of small holders, workers and their families. Not only is beneficial for the cotton farmers, in these areas is also produce more Environemtal's friendly.

Rise of ethically and environmentally conscious consumers leading to new trends like use of organic cotton and recyclable materials. Primark comply with the environment policies of UK/EU/and oversea, use of environment friendly materials.

Economic

Instability of the market Following Brexit vote, inflation rates, the pound sterling plunged to its lowest against the dollar for 31 years as financial put pressure on UK status, if current rates continue, there will be a translation benefit for Primark and other clothing retailers for the remainder of 2016. Government and EU subsidy, increase in taxation and transportation of the goods and services in Europ and oversea.

Social

Increase in obesity level is a big gap in the market for Primark in plus-size customers, the aging in UK also present an opportunity for the organisation to serve the market. Primark are targeting to employee people under the age of 35 and mainly females.

Primark has come clean about its supply chain and work together with greenspace and the institute for environment affairs to publish online data from.

According to an investigation of (ETI) Ethical Trading the Primark clothing are responsible produced, Primark provide training for buyers and vendors, and increased numbers of audit in developed countries from 500 in 2014 to 1.080 in 2010, it had been concluded that Primark supply chain in Ethical.

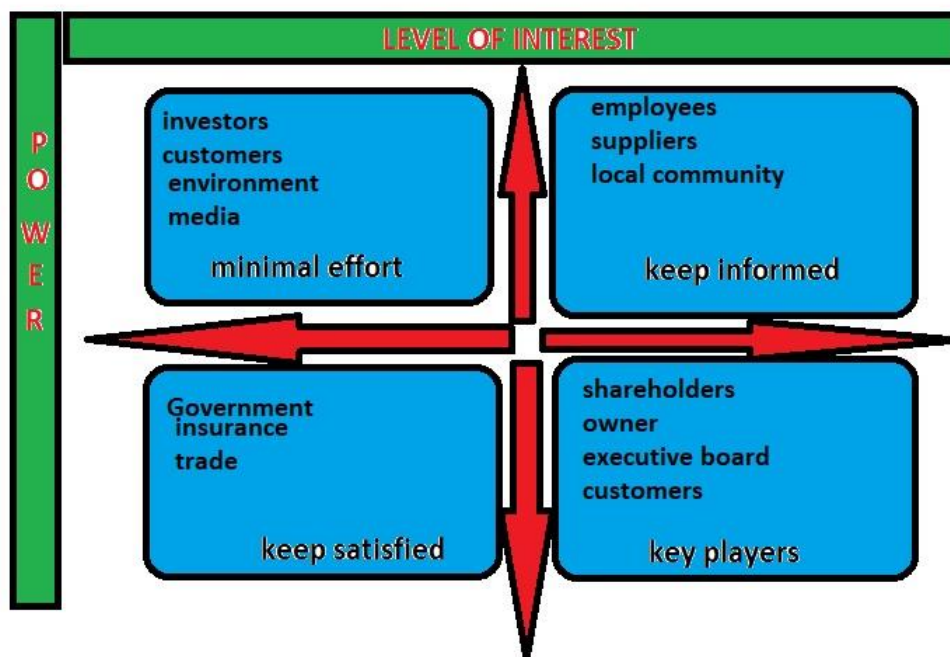
3.4.3 Stakeholders Analysis

Stakeholders

Based on (Freemans; 1984) theory, stakeholders are groups or individuals that affect or are affected by the actions of an organisation, that have an interest in the decisions of a business.

- Suppliers
- Trade unions (representing the workforce)
- Customers (give important feedback)
- Governments (countries where factories and stores are located)
- Shareholders (investment on the company depending on the reputation)
- Workers and communities (countries where the clothes are manufactured)
- Non-government organisations (bring solutions to workers issues)

Matrix (Mendelow; 1991)



Stakeholders Analyse

The diagram is explaining the position of each stakeholder and the problems that are facing now in Primark.

<i>Employees</i>	• Low pay and long hours. • Lots of young woman earn £17 a month working up to 16 hr a day and they don't get breaks of free time. Primark check that workers
<i>Customers</i>	• Buy from Primark because is cheap products • Are questioning products quality and workforce (BBC interview and tag save note)
<i>Competitors</i>	• Pay workers a decent wage, therefore prices are slightly higher. • Preserve the brand name and reputation of quality raw materials and high in price.
<i>Government</i>	• Insist to pay proper wage to workers • Provide a Safe environment for employees • Code of Ethical • Tax for transportation • To not employee children
<i>Suppliers</i>	• Across all over the world- Turkey, China, India
<i>Management</i>	• Regular audit and checks to the factories • Provided woman support and hygiene training • Pay for the disaster Rasa Plaza and pay compensation to the employees' family • Low prices because Primark does not compromise in social standards or ethics • Little advertising and buying in bulks • Primark do not own any factories • Comply with EU and UK standards
<i>Environment</i>	• Use of raw materials- cotton where it is grown in worm countries (India, china,). Cotton make a wide range of Primark

	products therefore in 2013 the organisation crates a sustainable program. This program is aimed to train Indian woman grown more cotton. • Energy and recycling • Strict management chemical policy
<i>Shareholders</i>	• Shareholders expect Primark to improve ethical business with all stakeholders to raise the values of the company • ABF Corporate Social Responsibility (CSR) Report- where Primark demonstrate ethical and behaviour to shareholders • Upholding Primark's reputation- if Primark fail to do so shareholders can drawback their capital, this depend on profit, employees job security, conditions and job satisfaction.

4.0 Conclusion

Primark is one of the biggest retail industries, launched in Ireland in 1969 under the name of *PENNY* with over 100 stores all over the world, been recognised as “*Fast-Fashion*” at affordable price, with innovative and up to trend clothes, has become legendary among its customers and competitors. Primark had been accused of unethical organisation, child labour, under wage, factories in low develop countries (Plasa Raza) all these aspects had a big impact in Primark reputation.

Based on the above findings, Primark apply new rules and regulations, the organisation was the first retailers to sign the ACCORD ON FIRE AND BUILDING SAFETY IN BANGLADESH, increase program of surveys in India. Related to child exploitation, Primark develop a program to trained and educate children's Rights, people working for Primark, the organisation pays the minim wage of each countries they have factories.

The latest news on Primark, 17th January 2019 show in increased in sales by 4 percent compared to the last year, their market share and operating profit highly increase as result of the nature, scope, impact of Primark problems and how the organisation resolve them.

5. Recommendations:

Based on the findings above we came up with the follow Solution to solve the organisation problems:

1. The more effective approach would be to sell clothes online, or at least to shows images of their ranges so people can clearly understand what Primark sells, to build and online platform especially to those who have never been into one of their stores.
3. Keep up with ever-changing customer expectations, offering a low price, it is important to keep up for the customers loyalty. By ensuring the safety and improve the working conditions of the workforce, help the organisation to increase their productivity and reduces employee's turnover, in addition can save the firm a major amount of money in terms of compensation. (DesJardins and McCall; 2014). If employees engage in unethical practices can bring the company to a decline in sales and leads to fail in profit and brings a bad reputation to the organisation, therefore employees are the main stakeholders in the business successful. To ensure that Rana Plaza disaster won't happen again and to protect the supply chain, the organisation form more meetings, audit, checks on site and Primark was the first retail to sign the Accord of Fire and Building Safety in Bangladesh.
4. In order to prevent child labour in the Primark manufacturing product is recommended to ensure that standards are meet, Primark need to make sure that Workers must not be forced or involuntary labour in the factories, must be avoided abuse, Physical or verbal, Avoiding long working hours, Strictly prohibited to hires a worker under the age of 15, Standard wage, to meet the regulations of the country.
5. Most businesses face Brexit in 2020 therefore it is important to have a good understanding of trade in EU and oversea. Most organisations are up to date with the Code of ethics that is shared throughout the organisation and is followed by management and employees in conducting business activities and become the foundation of corporate culture of the organisation. It is expected from the firms that its not compromise while trying to achieve their business goal. (Ferrell and Fraedrich, 2014).

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