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1 Introduction

Marketing is the activity, set of institutions and processes for creating, communicating, delivering and exchanging offerings that have value for customers (AMA, 2017). In a volatile global economy characterised by a cost-of-living crisis and shifting social values, that value proposition is constantly renegotiated. Systematic environmental scanning, often structured through PESTEL analysis, enables firms to anticipate changes in economic conditions and social expectations and to align products, pricing and communications accordingly. This report examines Economic and Social (Cultural) actors through six pioneer–follower pairs, then evaluates their strategic responses using Porter’s generic strategies.

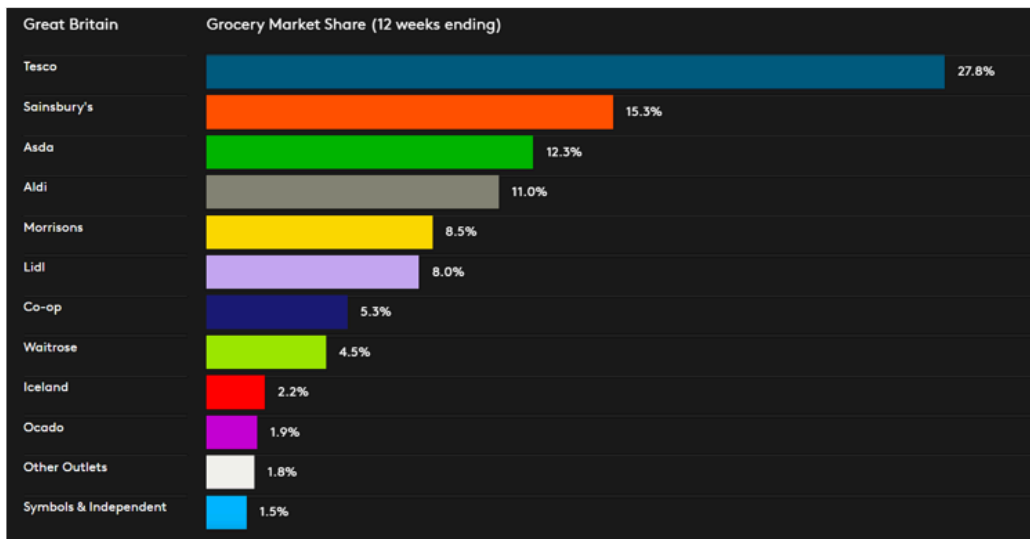
Task One: Critical analysis of the macro marketing environment

2.1 Economic actors

Economic actors—inflation, spending power, and income distribution—dictate affordability. High inflation erodes real income, as unequal distribution preserves premium markets. Firms must therefore balance value for budget-conscious consumers with exclusivity for resilient affluent segments (Kotler et al., 2020).

2.1.1 Inflation: Aldi (pioneer) and Tesco (follower)

UK grocery inflation peaked at around 17.3% in April 2023, leading to households buying fewer food items, and the cheapest line of grocery items grew by 46% in sales volume (year-over-year) according to Kantar (2023).



Kantar data over the 12 weeks to 20 April 2025

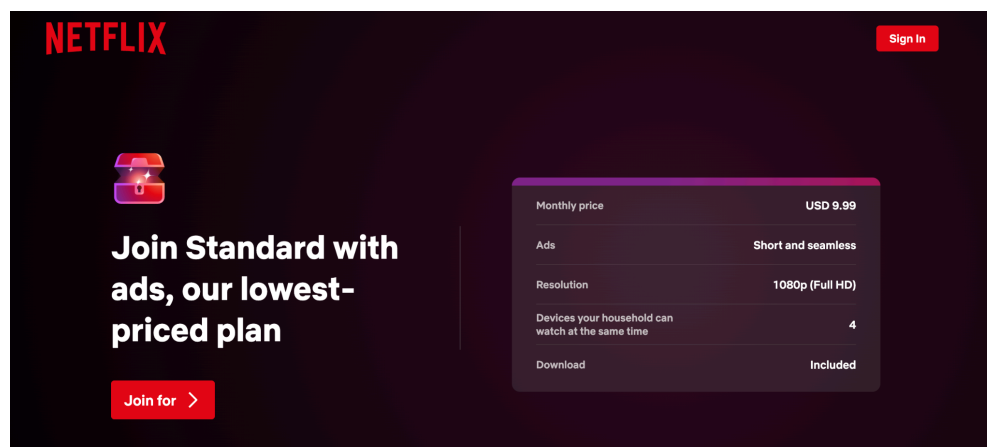
Source: Kantar (2025)

Aldi and Lidl reached record market shares in the United Kingdom, as consumers looked actively for discount options (Retail Gazette, 2025). Aldi pioneered the modern

hard-discount format in the UK, using low product choices, private-label brands and stores with simple design elements to lower its total operating costs — a cost reduction which becomes even stronger as consumer disposable incomes fall during a cost-of-living crisis. Tesco's response to Aldi's strategy has been follower-based — "Aldi Price Match" for hundreds of everyday grocery items, and its "Clubcard Prices" and "Low Everyday Prices." As shown in Tesco's financial reporting for 2022-2023, Tesco invested heavily into lowering prices for customers and matching the prices of over 600 items with Aldi — accepting lower margins in order to protect its market share. Although these actions have reduced the price gap between Tesco and Aldi, they have blurred the boundaries between Tesco's position in the marketplace as a mid-range grocer, and may lead to long-lasting price wars. Aldi's cost-based competitive advantage remains more stable than Tesco's, but Tesco still maintains greater product variety and access to customer data.

2.1.2 Consumer spending power: Netflix (pioneer) and Disney+ (follower)

The cost-of-living crisis has reduced discretionary spending by consumers, and globally, about 69% of consumers look for cheaper alternatives (PwC, 2023). In November 2022, Netflix introduced an advertising-supported tier to the service called "Standard with Ads," with prices ranging from \$6.99 to \$7.99 per month, or roughly half the price of its non-advertising-supported "standard" tier (AlphaROC, 2025).



Source: AlphaROC (2025)

The new tier has quickly grown to include over 40 million monthly active users by 2024 (Reuters, 2024), and represents one example of how creative pricing strategies can generate revenue from households with limited disposable incomes, without reducing a large portion of the company's higher-priced plans. Disney+ introduced an advertising-supported tier in December 2022, described by Disney as providing "more choice and flexibility" (The Walt Disney Company, 2022). Nevertheless, it is following a pioneer that has already made the display of advertisements normal in premium video services and has a much larger base of customers with which to use its advertising technology. Rising content costs and customer churn further challenge Disney+, whereas Netflix's first-mover position appears more secure.

2.1.3 Income distribution: LVMH (pioneer) and Burberry (follower)

As mass consumers face pressure to reduce spending, wealthy consumers seem to be somewhat protected from these pressures. LVMH reported more than \$80 billion in revenue and continues to see strong demand from wealthy clients (LVMH, 2024); the company reports a larger increase in demand in the U.S. and China from top-income segments (GAM Investments, 2024). Burberry is positioned at the aspirational level of the luxury goods market and has experienced a drop in demand from mid-income consumers as shown in its 2023/24 results showing flat revenue and a decrease in operating profit (Burberry, 2024; The Guardian, 2024). In order to raise its brand image and stay relevant in the current economic environment, Burberry must find a balance between raising its brand image and keeping some level of affordability, as mid-income consumers delay discretionary purchases. These examples show how different income levels create different outcomes across various tiers of the luxury goods market.

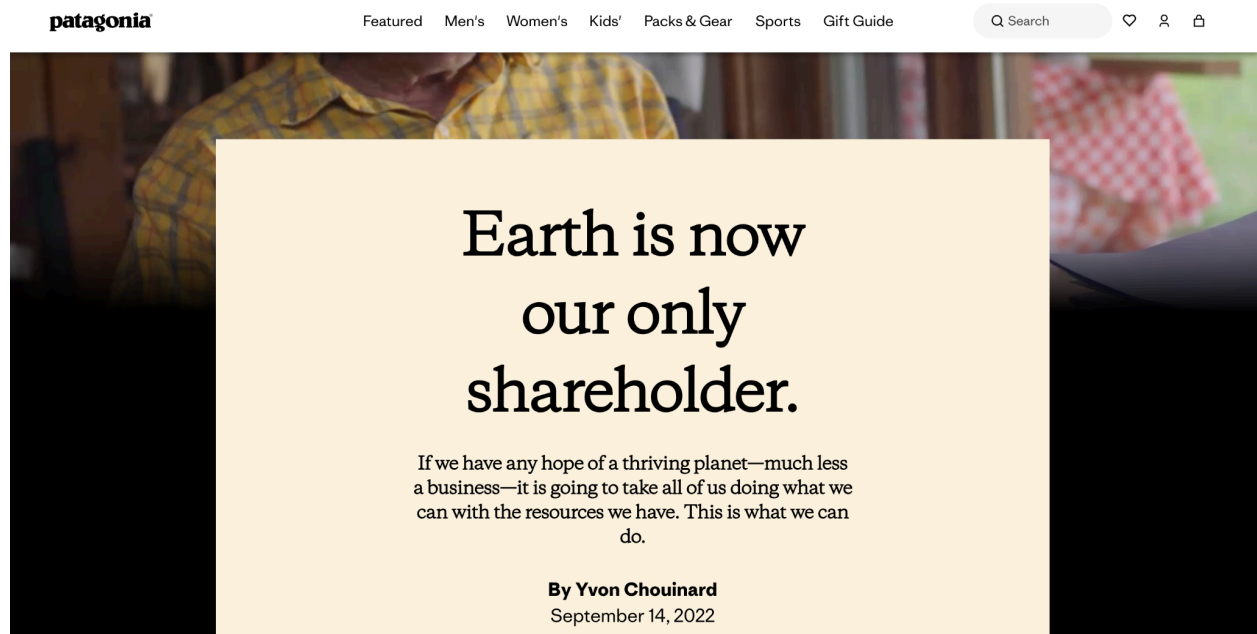
2.2 Social (Cultural) actors

Social (Cultural) actors reflect shifting values, beliefs and norms. Growing emphasis on sustainability, wellness and diversity—especially among younger consumers—is reshaping expectations (Euromonitor International, 2023; Marketing Week, 2023).

Brands that authentically align with these values strengthen loyalty, as those seen as opportunistic or exclusionary risk reputational damage.

2.2.1 Values & beliefs (sustainability): Patagonia (pioneer) and H&M (follower)

Patagonia has long led environmental activism, donated a portion of profits to environmental efforts since the 1980s, and in 2022 transferred ownership so that "Earth" is its only shareholder, therefore, they are committed to use all extra profit to support climate action (Patagonia, 2022).



Source: Patagonia, 2022

Therefore, Patagonia embedded sustainability into its core purpose rather than just using it as a marketing tool. Patagonia creates strong loyalty with customers who care about ethical issues and is able to maintain higher prices due to the current economic climate. In comparison, H&M uses a fast-fashion business model that relies on large volumes of production and quick trend cycles, which naturally causes negative environmental impacts. as H&M does offer a line called "Conscious Choice," which

focuses on attracting customers interested in sustainability; H&M has been accused of greenwashing with several high-profile cases, including one class action lawsuit regarding H&M's misleading environmental scores and false claims about the sustainability of their products (Sustainable Fashion Forum, 2022). Regardless of the lawsuit's outcome, H&M will continue to face significant reputational damage. Thus, as sustainability values act as a clear differentiator and competitive strength for Patagonia, they put pressure on H&M to improve actual business practices rather than rely on marketing claims.

2.2.2 Lifestyles (wellness): Peloton (pioneer) and Echelon (follower)

The pandemic accelerated home-fitness adoption, positioning Peloton at the forefront, and developed a complete ecosystem of high-end hardware, subscription content, and community motivation to become a leading wellness brand (Harvard Business School, 2022). Once restrictions were lifted and demand stabilized, Peloton had to deal with excess inventory and the shift from being a status symbol during the pandemic to a long-term home fitness routine. Echelon was established as a follower competitor to Peloton by offering similar connected bike technology and live classes at a lower price. In reviews of Echelon products, reviewers describe Echelon as a more affordable option with similar features (Garage Gym Reviews, 2024). The post-pandemic lifestyle has resulted in a split in the home fitness market where some consumers return to gyms even though others continue at-home routines. Peloton has a strong pioneer advantage, but its premium pricing and association with the pandemic create weaknesses that Echelon takes advantage of through value-based positioning.

2.2.3 Diversity: Fenty Beauty (pioneer) and Victoria's Secret (follower)

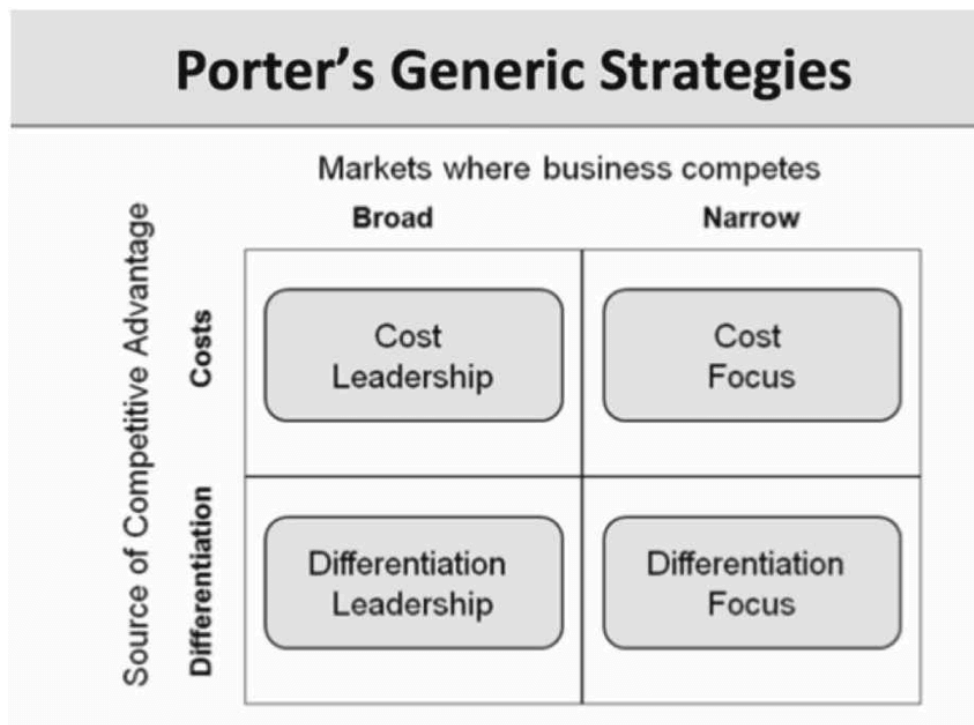
Fenty Beauty's 2017 product launch, which included over 40 shades of foundation representing people of color, changed how beauty companies think about diversity and inclusion. Diversity became both a social statement and a business advantage, forcing incumbents to expand shade ranges and rethink messaging. Historically, Victoria's Secret was known for its narrow view of beauty through its "Angels" and suffered from

declining sales and public perception when consumer expectations for diversity and inclusion changed (CMSWire, 2023). Victoria's Secret attempted to rebrand by adding more diverse models to their runway shows and redesigning the fashion show but still faced skepticism about how much they had truly changed. Fenty's pioneering inclusivity has made diversity a standard expectation, even though Victoria's Secret continues to face follower challenges in rebuilding credibility.

Task Two: Strategic responses using Porter's generic strategies

Porter's generic strategies classify competitive advantage into cost leadership, differentiation and focus. In the context of the cost-of-living crisis and changing social values, pioneers in this analysis primarily pursue differentiation – often at a premium price – even though followers tend to apply cost leadership or cost-focus and adapt features of the pioneer model.

3.1 Differentiation strategies of pioneers



3.1.1 Cost-based and Value-driven Differentiation: Aldi and Netflix

Aldi presents cost-based differentiation that is disciplined rather than just based on discounting. Aldi's small number of products, large private-label range, and efficient operations allow for low-priced products without the use of loyalty programs and promotional campaigns that are typical of most full-line grocery stores (Retail Gazette,

2025). Over 60% of today's consumers are currently focusing on price (Marketing Week, 2023) and therefore Aldi's consistently clear value proposition is appealing to "budgeteers" who value predictability and consistency over short-term deals (Euromonitor International, 2023). This clarity supports growth even as competitors copy features such as price-matching. Netflix similarly combines value-driven differentiation with flexible pricing. Although the company has a large subscriber base due to the variety of its content library, personalized algorithms, and global brand reputation, the recent introduction of a new ad-supported tier provides a new way for the company to earn money from its differentiated content offerings. Instead of being the lowest-priced subscription service, Netflix can now use its large user base to offer a credible lower-cost alternative to its premium service (AlphaROC, 2025; Reuters, 2024). The new tier gives a low-cost option for price-conscious consumers whilst keeping its high-end offerings, allowing Netflix to respond to current economic conditions whilst protecting its long-term strategic position.

3.1.2 Premium and Mission-driven Differentiation: LVMH and Patagonia

LVMH, the parent company of Louis Vuitton, represents a prime example of premium differentiation and the ability of luxury brands to command premium prices for their products. These attributes reduce price sensitivity, meaning income distributions favouring the ultra-rich strengthen LVMH's position (LVMH, 2024; GAM Investments, 2024). Continued investment in flagship stores and high-impact marketing reinforces symbolic value, with diversification across maisons helping to offset volatility when aspirational consumers pull back. Patagonia represents a prime example of mission-driven differentiation, where the brand positions itself as a socially responsible enterprise that directs a portion of its profits toward environmental initiatives, and describes the planet as its sole owner (Patagonia, 2022). The alignment of governance, product design, and marketing with the brand's commitment to sustainability creates significant barriers to entry for competitors attempting to emulate this form of differentiation, as few companies can match Patagonia's level of commitment to its social responsibility mission.

3.1.3 Experiential and Inclusive Differentiation: Peloton and Fenty Beauty

Peloton is an example of a company that differentiates itself through the creation of an experiential fitness ecosystem, which includes a variety of live classes, charismatic instructors, and a seamless integration of hardware and software. Post-pandemic demand challenges have prompted adaptations—such as app-only tiers and gym partnerships—whilst preserving the brand’s experiential core. Fenty Beauty also uses inclusive differentiation to create value for customers (Brand Vision, 2023). Specifically, Fenty Beauty incorporates diverse shade ranges and culturally relevant imagery into its branding and marketing efforts, and partners with influential celebrities to promote its products. Because inclusivity is integrated into product design and communication, competitors cannot replicate its authenticity simply by expanding shade lines.

Across these pioneers, differentiation strategies use macro actors as leverage. Inflation and income inequality underline the need for convincing value propositions; pioneers respond by offering either superior affordability through structural cost advantage (Aldi) or superior symbolic, experiential or ethical value that justifies a premium (LVMH, Patagonia, Peloton, Fenty, Netflix).

3.2 Cost-focus and adaptive strategies of followers

3.2.1 Hybrid Cost-Focus Adaptation: Tesco and Disney+

Tesco responds to the increased inflationary environment with a hybrid cost focus strategy. Its Aldi Price Match, Clubcard discounts and everyday low-price initiatives target value-seeking shoppers while maintaining a broader range and service level than hard discounters. Nevertheless, Tesco's broader product offerings and customer services represent a significant trade-off to pursue a cost-leader strategy at the expense of operational complexity and reduced profit margins. Therefore, Tesco utilizes loyalty programs and data analytics to personalize promotions to its customers and limit commodity pricing through targeted value. Disney+, like Netflix, has followed the trend into ad-supported tiers with its new lower-priced streaming options. The lower-cost

options allow Disney+ to preserve household penetration among cost-conscious consumers while leveraging its strong franchise portfolio to differentiate itself from other providers (The Walt Disney Company, 2022). As a result, Disney+ has successfully blended cost accessibility with premium bundles for superfans, which have allowed it to protect its volume share while defending its brand image. However, as a follower in this space, Disney+ faces a challenge in executing this strategy since it does not possess the same amount of advertising data scale or established ad-tech infrastructure as Netflix.

3.2.2 Mid-Market and Ethical Adaptation: Burberry and H&M

Burberry's experience in a polarised income distribution shows the fragility of mid-tier luxury. Its response combines brand elevation—highlighting British heritage—with accessible product lines and outlets to retain volume (Burberry, 2024). This avoids a race to the bottom while staying affordable for aspirational consumers, but risks “strategic blur”: neither as exclusive as LVMH maisons nor as price-aggressive as premium high-street competitors (The Guardian, 2024). H&M continues pursuing fast-fashion cost leadership while incorporating sustainability messaging through its Conscious Choice line. This represents adaptive imitation of ethical pioneers, yet accusations of misleading sustainability claims expose the risks of presenting environmental credentials without deep operational change (Sustainable Fashion Forum, 2022). For cost leaders, real sustainability integration must accompany affordability, or greenwashing concerns will undermine consumer trust.

3.2.3 Value-Focused and Cultural Adaptation: Echelon and Victoria's Secret

The new competitor, Echelon, has launched an aggressive price-based attack against Peloton by promoting their products as “more affordable” and using bundles and third-party promotional marketing (Garage Gym Reviews, 2024). The consumer is offered a product with comparable function but at a lower price point compared to the aspirational lifestyle promoted through Peloton's high-end pricing strategy. In response to cultural changes regarding diversity, Victoria's Secret is changing and adapting their

branding strategy. They have retired the "Angels," introduced campaigns that are more inclusive of all consumers and changed their annual fashion show into a different format (CMSWire, 2023). Success of this approach will depend on how authentic it appears, as if it appears to be more opportunistic than a genuine transformation to be more inclusive of all types of consumers, the consumer will likely reject the brand's new direction.

Followers, such as Echelon, Tesco and Disney+, can achieve success by targeting specific segments and offering the lowest price point for each product they offer. Each follower has shown that they can take market share from the leader in specific areas, however, there are limits to each follower's potential for success as the leader (in many cases) has a sustainable cost advantage due to scale (Aldi), a strong asset base (Fenty, Patagonia, LVMH) and/or a strong brand image. Therefore, followers need to develop clear strategic options and focus on delivering a consistent level of quality and service, while also avoiding superficially mimicking the values associated with pioneering brands.

4. Conclusion

Economic pressures and Social (Cultural) value shifts interact powerfully to reshape marketing strategy. Inflation and constrained spending power intensify the search for value, rewarding pioneers like Aldi and Netflix that redesign business models and pricing architectures, while leaving followers to juggle cost-focus and profitability. At the same time, changes in sustainability expectations, wellness lifestyles and diversity norms privilege brands such as Patagonia, Peloton and Fenty Beauty that embed purpose and inclusivity deeply into their propositions. Followers including H&M and Victoria's Secret face the harder task of re-earning trust. Effective strategic marketing increasingly depends on aligning cost, value and values simultaneously.

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