Retailing in the 21st Century

An analysis of the emergence and effects of discount stores Primark and Action on the retail industry in the Netherlands in the past five years

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Date of completion: March 18, 2016

European Studies

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Executive summary

Nowadays, the final consumer has multiple channels to choose from to buy products. Shopping can be done offline as well as online. Although, multiple stores in the middle segment, such as V&D and Blokker, are in difficulty. More and more businesses are integrating online into their offline businesses, in order to stay on trend and be considered as a key player in the retail industry. However, discount stores such as Primark and Action do not own a web shop, but are very successful in their offline stores. Therefore, the main focus of this report is to analyse the impact of discount stores on the retail industry in the Netherlands.

In order to research to what extent the discount stores, such as Primark and Action, have influenced the practice of retailing in the Netherlands in the past five years, a central research question was formulated: **In what way have discount stores, such as Primark and Action, influenced the practice of retailing in the Netherlands in the past five years?**

The research has shown that the key factors to the successes of discount stores are low prices and a wide, fast changing assortment. The two largest discount stores in the Netherlands, Primark and Action, are examples of stores that apply that type of business model. Most importantly, the stores respond in an exceptional way to the changing consumer behaviour.

To conclude, the discount stores have had a considerable influence on the practice of the retailing industry in the Netherlands. Stores in the middle segment are barely coping with their low sales. However, the discount stores cannot solely be blamed for the problematic condition in which some stores in the middle segment find themselves. Other causes could be the aftermath of the financial crisis, the success of online shops, and stores in the middle segment not being able to compete with discount stores. The discount stores have simply taken advantage of the situation by offering the right products at the right time.

Discount stores that have not yet developed an online shop, are able to do without in the short run. Currently, the advantage of the discount stores lies with the remarkably low prices at which their products are offered. In the future, discount stores could use online shopping to attract even more consumers. Most likely, the stores in the middle segment will suffer the most from these developments.

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Glossary

Category killer	"A modern type of exceptionally aggressive discount stores that offer (brand) products with large discounts" (Armstrong & Kotler, 2012, p. 270).
Consumer behaviour	"The processes that occur when individuals or groups of people choose, buy, use or get rid of products, services, ideas or experiences to meet certain needs" (Bamossy & Solomon, 2008, p. 404)
Convenience goods	"Daily products that consumers need, whereby they perceive little risk and therefore buy those items routinely " (Weber, 2015, p. 357)
Discount store	"A store that offers standard products for low prices and earns low profit margins" (Armstrong & Kotler, 2012, p. 273)
Early adopter	"A type of consumer who tends to be the first to try new products or technologies " (Bamossy & Solomon, 2008, p. 404)
Showrooming	"The process of browsing through stores to look at products up close, but buy the products online" (Weber, 2015, p. 357)
Webrooming	"The process of browsing online, but buying the product in an offline store" (Weber, 2015, p. 358)

Preface

“Retailing includes all the activities involved in selling products or services directly to final consumers for their personal, nonbusiness use” (Armstrong, Kotler, Harker & Brennan, 2009, p. 355).

This thesis is the final piece of the course European Studies at the Hague University of Applied Sciences. It covers the subject of customer preference particularly regarding discount stores in the retail industry.

In the process of writing this dissertation, I have learned a lot about the subject and it was not possible for me to improve the dissertation without the valuable advice and tips of my supervisor, Mr. Harris. I am very grateful for the support that was given to me. I would also like to thank Sene Bolte and my parents for their enduring support. In conclusion, I would like to thank everyone that filled out the survey on consumer behaviour, and therefore contributed to my dissertation.

Chapter 1 Introduction

Consumer behaviour is changing. Never before did the consumer have such a wide range of channels to choose from in order to purchase goods. Due to a shift in consumer behaviour, the stores in the middle segment may suffer from this development in the retail industry. For instance, independent clothing stores must compete with fast fashion retailers such as Primark and H&M. In the middle segment of the retail industry, the absence of added value and emotional involvement leads to rational and well-considered buying behaviour. As a result, stores such as Primark and Action in the low segment, offer more with their fast fashion and response to emotion (Molenaar, 2015, p. 60). The main purpose of this research report is to find out to what extent the discount stores, such as Primark and Action, have influenced the practice of retailing in the Netherlands in the past five years. One of the aims is to increase the knowledge about the effect of discount stores on the retail industry that is available in society nowadays. Therefore, the central research question is as follows:

In what way have discount stores, such as Primark and Action, influenced the practice of retailing in the Netherlands in the past five years?

In order to answer the central research question, the following sub-questions are addressed:

- What is the current state of the retail industry?
- What factors have influenced the change in consumer behaviour?
- What are the causes behind the success of discount stores?

1.1 Dissertation structure

In order to answer the central research question, several research methods have been used. The research of this dissertation is mainly desk-research and includes literature and other background information. The dissertation is divided in seven chapters, of which a short introduction is provided below.

The first chapter of this dissertation provides an introduction to the subject and goes into the central research question in more detail. In the second chapter, the current status of the retail industry shall be discussed, as well as key factors to retail, such as discount stores and internet (online shops). The third chapter presents the factors that caused a change in consumer behaviour. Furthermore, a new type of consumer is introduced: ‘hybrid consumer’. In chapter four, the success of discount store Action is addressed. This chapter covers a general description of the company, as well as an internal and external analysis by using the SWOT model, the concept of the Confrontation Matrix and the Porter's Five Forces framework. Subsequently, chapter five is concerned with an analysis of discount store Primark. The first section of the chapter consists of main background information on Primark, followed by an analysis of internal and external factors using the SWOT scheme, the Confrontation Matrix model and the Porter's Five Forces framework. Chapter six analyses and evaluates the results of a conducted survey on consumer behaviour and discount stores, by using graphs and tables. In the seventh and final chapter of this dissertation, the main conclusions are drawn. In addition, recommendations are given to stimulate growth of discount stores in the future. The recommendations are based upon the research done for this report.

1.2 Methodology

The types of data used to research the influence of discount stores on the retail industry in the Netherlands in the past five years have been primary as well as secondary.

Primary data

The research method used in order to answer the research question is a survey among 71 people, and therefore of a quantitative nature. This research method was chosen in order to find out to what extent consumer behaviour is influenced by the appearance of discount stores and why a significant part of the population shops at discount stores.

Secondary data

The data used to answer the research and sub questions consist of academic and non-academic sources. Among the sources I used are retail experts Cor Molenaar and Paul Moers.

Chapter 2 The current state of the retail industry

In this chapter, the current state of the retail industry is dealt with. First, an introduction to the current state of the retail industry is provided. Secondly, three segments of the retail industry and the concept of discount stores will be addressed. Thirdly, the emergence of online shopping is discussed.

2.1 Introduction

According to a study of the Dutch Central Bureau of Statistics (CBS), and illustrated in Figure 1, non-food stores report a recovery of volume in the year of 2014 (CBS, 2014). However, reports of various newspapers in The Netherlands tell us a different story; the retail industry appears to be in a bad shape at the moment. The sales in offline stores are decreasing, while the sales of online shops are increasing each year. When visiting shopping malls in The Netherlands, one often encounters empty stores.

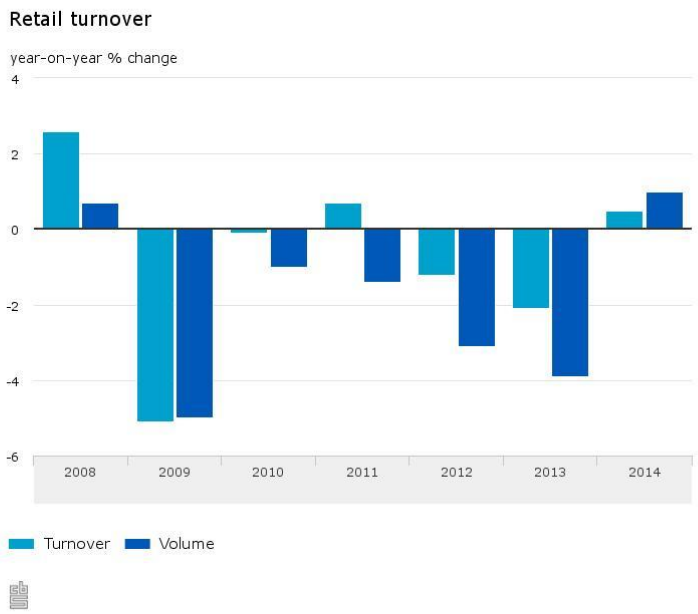


Figure 1. Total retail turnover of 2008 to 2014 (CBS, 2014)

In the past, people did their shopping at stores because there was no alternative. Nowadays, consumers can choose between a lot of offline stores, but in addition online shops have become a serious alternative to offline stores. According to Frank Quix, a retail expert and managing director of Q and A, a research and consultancy bureau in the Netherlands, there is simply too much store space in the Netherlands (as cited in Rijlaarsdam, 2014). This causes higher vacancy rates, which can make shopping centres unattractive to visit.

2.2 Segments in retail

In the retail industry there are three main categories into which retailers can be divided. These categories represent the stores that operate in a particular segment of the market and therefore focus on a specific target group. The categories that can be distinguished are the high segment, the middle segment and the low segment (Moers, p. 90).

2.2.1 High segment

The high segment is the category that primarily focuses on consumers that are capable of spending a lot of money, and aims to provide a luxurious shopping experience. Stores in the high segment often appeal to emotion and identification of the consumer with the store. An example of a store in the Netherlands that operates in the high segment is the department store the Bijenkorf. For many years this department store has had a successful annual sale of high-end brands for discounted prices, also called the ‘Three Crazy Days’. In October 2015 the last edition of the ‘Three Crazy Days’ was held. According to top executive Giovanni Colauto of the Bijenkorf, “the annual sale is no longer suitable for a high-end department store such as the Bijenkorf”. The store now aims to restricts itself to providing a premium experience, meaning offering luxurious brands and inspiration, and to serve the global shopper, the tourist that spends a lot of money (Meeus & Rijlaarsdam, 2013).

2.2.2 Middle segment

Currently, the middle segment is the problem area in the physical retail. It is a grey area in which stores do not have a distinctive supply, do not offer a distinctive store experience and do not have a clear focus. Therefore, the stores in the middle segment do not exert much appeal to the general public. Examples of stores in the middle segment are V&D, C&A and Hema. In a study conducted by ING, it is reported that in the retail industry “in 2025 there might not be a middle segment anymore.” Clothing and shoes will solely be sold either in the low segment or in the high segment instead.

2.2.3 Low segment

Stores that operate in the low segment are mainly focused on offering products for the lowest prices possible. These are the stores that are called ‘discount stores’. Stores that are dominant in this low segment of the retail industry are Primark, H&M, Action and Big Bazar. In addition, supermarkets in the Netherlands, UK and Belgium suffer heavy competition from Aldi and Lidl, which are the strongest discount supermarkets in these countries. In general, it can be argued that the lower part and upper part of the market hold better prospects for offline stores. In the middle segment, the internet is likely to play a more dominant role (Rabobank, 2015).

2.3 Discount stores

A discount store is a store that offers its products at lower price points than many other retailers. As mentioned, examples of discount stores in the Netherlands are H&M, Primark, Action, Big Bazar, Lidl and Aldi. In 1989, H&M introduced the concept of discount stores in The Netherlands. The motto of discount stores is ‘while stock lasts’. With prices that low, consumers find service to be less important when shopping (Molenaar, 2015, p. 58). This encourages a shift in consumer behaviour in the direction of discount stores. Discount stores are often located in B-locations, have low import costs and big volumes, which leads to low prices. These shops go for high turnovers with low profit margins. This results in a very efficient supply chain.

One of the main reasons why discount stores are getting more and more popular, is due to changing preferences in consumer behaviour. People want to spend as little as possible in buying necessity goods (clothes, shoes), that are used in everyday life. Moreover, social media channels such as Facebook are responsible for many online consumption communities where people share views and product recommendations (Solomon & Russell-Bennett, 2013, p. 2-3). According to Huib Lubbers, a retail expert of Retail Management Centre, “brands do not longer appeal to consumers as much as they used to do. Nowadays, the price of basic items is more important than the brand that the product is from” (RTLZ, 2015). The change in consumer behaviour is further researched in chapter 3 of this dissertation.

2.4 The emergence of online shopping

The internet plays a big role in today’s retail industry. Over the years, consumers have discovered that the internet is the platform to buy products, as well as to look for product information and reviews of other consumers on certain products. Subsequently, the need to visit an offline store is no longer a priority. At present day, consumers have the opportunity to buy products online without having to visit a physical store. As a result, offline stores are faced with decreasing sales and margins. As Molenaar describes in his book ‘Kijken, kijken… anders kopen’, “consumers have to be motivated to visit an offline store and buy products for prices that provide profit margins for the retailers, otherwise there is no future for physical stores” (p. 19).

Initially, the advantages of shopping online were mainly the convenience and ability to compare prices online to buy the product at the lowest price possible. Next to that, there is a great emphasis on social and emotional aspects of consumer behaviour. This has led to online shopping being used for two purposes: on the one hand goal oriented shopping, which aims at buying a product and is primarily based on knowledge, information or former experiences, and on the other hand the enjoyment of shopping online in its own right by using mobile media and free Wi-Fi in various public places (Molenaar, 2015, p. 56).

2.5 The mix of offline and online shopping

More and more shop owners try to combine the two ways of shopping. Offline stores are launching web shops, while online shops open up their first offline store. For instance, web shop Coolblue, opened its first offline store in 2003. Now it has seven stores and it appears to be successful. One of the main reasons to open an offline store as a web shop, is to offer more customer service. In the offline stores, the companies are able to meet their consumers face to face and provide even more service, such as advice on a certain product. In addition, consumers can 'smell' and 'feel' a product they may buy. According to Molenaar (2013), "offline stores will integrate more and more online applications in its stores in order to motivate customers to visit the offline stores in the future" (p. 71).

2.6 Conclusions

The arguments in this chapter lead to the conclusion that the internet is of increasing importance for consumer behaviour. Overall, as demonstrated in Figure 2, from 2012 onwards the number of internet sales show a steady increase while the total sales do only show a minimal recovery in 2014 compared to the previous years. Subsequently, the internet has a great influence on the entire buying process of consumers nowadays. Without implementing the use of online facilities, offline shops in the so called middle segment have low prospects of surviving due to the changes in consumer behaviour.

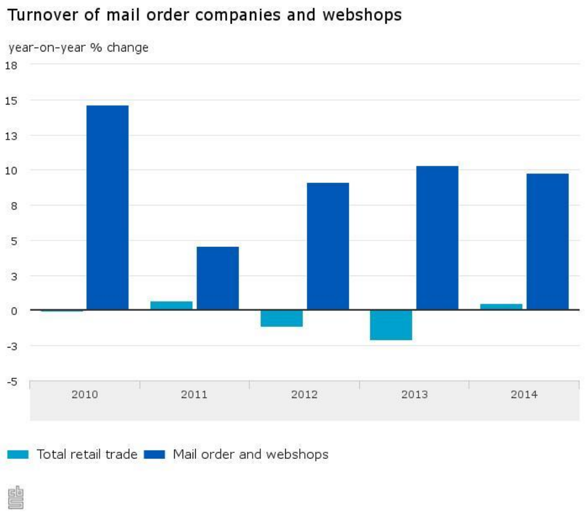


Figure 2. Turnover 2010-2014 (CBS, 2014)

Chapter 3 Consumer Behaviour

This chapter provides an answer to what aspects play a significant role in the concept of consumer buying behaviour. Furthermore, a new type of consumer is introduced. Lastly, the factors that influenced the change in consumer behaviour are addressed.

3.1 The process of consumer buying behaviour

Consumer behaviour has changed over the years. Nowadays, the consumer is well-informed and always online. In addition, the behaviour of consumers has changed as well. Molenaar (2013, p. 37) points out that the consumer of today is always ready to communicate, for example on social media, and wishes to get reliable service right away. In order to fully understand what factors influence the decision of choosing and buying a product by the consumer, the researchers Engel, Blackwell and Kollat developed a consumer buying decision process model in 1968.

Figure 3. Consumer buying decision process model (Armstrong & Kotler, 2009)

The model in Figure 3 is key to finding out what leads a consumer to buying a product. The first stage of the process is 'problem recognition', which is the most important stage of the model. Without a problem or need recognition, there will be no purchase (Armstrong & Kotler, 2009, p. 178). The second stage is 'information search', in which the consumer will seek information on the product. The information that the consumer seeks may be of previous experiences with the brand or product (internal), or of reviews from friends and family (external). After carefully considering all options, the consumer will make a decision to progress with the possible purchase. The third stage of the buying process is the 'evaluation of alternatives'. According to Armstrong & Kotler, during an alternative evaluation, "the consumer processes information to arrive at brand choices" (p. 179). The fourth stage of the process is the 'purchase decision'. In this stage, the consumer will use the internal and external information that he/she collected and make a purchase decision. The last stage, the post-purchase behaviour, means that the consumer will be satisfied or dissatisfied with the purchase. This has to do with the expectations of the consumer and the actual performance of the product. As cited by Armstrong & Kotler, "the larger the gap between expectations and performance, the greater the consumer's dissatisfaction" (p. 179).

3.2 Factors that influenced the change in consumer behaviour

The most important cause of the change in consumer behaviour is the emergence of the internet. Presently, the internet is not only used as a platform for orientation and information on products, but also to buy those products while browsing on the Web. The internet combined with the latest hardware, such as tablets and mobile phones, is the great force behind the changes in consumer behaviour. In addition, the consumer is even more cost-conscious due to a decline in the discretionary income, enforced by the aftermath of the economic crisis. As a result, stores in the low segment of retail, such as Action and Primark, are taking advantage of that development (Molenaar, 2015, p.18). Another possible cause for the change in consumer behaviour is the vacancy in shopping malls. These areas are not attractive for consumers to do their shopping. Moreover, vacancy attracts vacancy, which means that stores that are near those vacant places, are at high risk of closing down as well.

3.3 A new type of consumer: the ‘hybrid consumer’

The changes in consumer behaviour introduced a new type of consumer: the hybrid consumer (Molenaar, 2015, p. 56). The hybrid consumer purchases goods in the lower segment of the retail industry, keeping in mind that the prices are low. However, the same consumer also tends to buy the more expensive, premium goods. The consumer avoids the middle segment completely.

The hybrid consumer is well informed and uses the internet in the buying process. A concept that is used often by the hybrid consumer is ‘showrooming’; the consumer visits offline stores to look at certain products up close, to ultimately purchase the product online at the lowest price possible (Molenaar, 2015, p. 56). The opposite of ‘showrooming’ is ‘webrooming’, which implies that the consumer seeks information on the product online, but purchases the product in an offline store. Next to that, the consumers may also consult their mobile phones while browsing through the offline stores, to see if the product is cheaper online. This last concept is called ‘seamless shopping’.

Chapter 4 Analysis of discount store: Action

In this chapter the success of discount store Action is being addressed. In order to do so, an internal as well as an external analysis is given.

4.1. Company description

Action is a Dutch chain of discount stores and has become one of the leading discount stores in the low segment of the retail industry. Demonstrated in Figure 4, the discount chain has over 500 stores and operates in The Netherlands, Belgium, Germany, Austria, Luxembourg and France (Action B.V., 2014). Action sells products that are mostly non-food, such as cleaning products, stationery, toys and textiles. The store is known for its low prices and a great availability of new products, that vary from week to week. In July of 1993, the first Action store was opened in Enkhuizen, The Netherlands. Shortly after, Action had eight stores at the end of 1994. Furthermore, in 2015 Action was awarded Retailer of the Year Europe for the second year in a row.

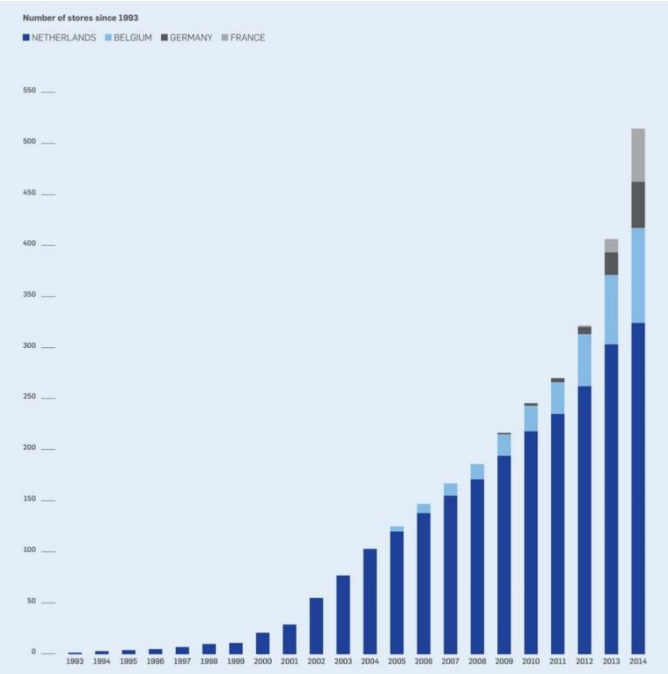


Figure 4: Number of Action stores since 1993. Source: Action

As clearly stated in Figure 4, starting in 2012 the sales of Action have increased each year. This makes it difficult for other stores to compete.

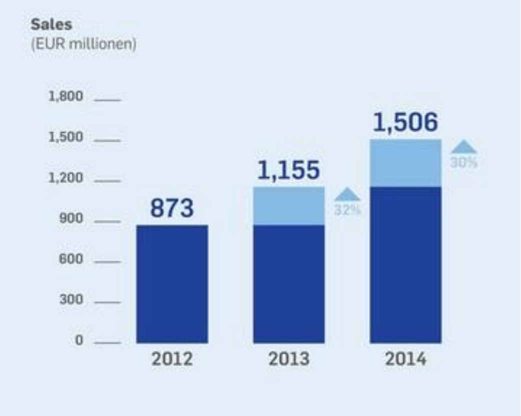


Figure 5: Total sales from 2012 to 2014. Source: Action

4.1.1 Mission and vision statement

As stated on the corporate web site of Action, the aim of the discount store is "to be the most successful and most popular non-food discount chain with an amazingly inexpensive and always surprising range, to employ people who are proud to work for us, and to occupy a central position in society" (Action, 2015).

4.2 Internal Analysis

In this section, an internal analysis is given in which the strengths and weaknesses of Action are discussed. Furthermore, the strengths and weaknesses will be linked in order to provide a clear view of what the company can undertake to stimulate growth.

4.2.1 Strengths of Action

S1: Offer a wide assortment of products at low prices

As stated in 4.1, the wide assortment of products that Action offers varies each week. Every time that the consumer visits Action, there are new products to look at and to buy. This makes the shopping experience enjoyable with each visit. As a result, this often leads to 'bulk buying', which means that consumers buy more than they actually came for. Subsequently, once a consumer has spent a low amount of money for a lot of products, it is not likely that the consumer will buy the same products at a different store and pay more.

S2: Successful expansion into Europe

Action is not only successful in the Netherlands. In other European countries, such as Belgium, Germany and France, the business model of Action catches on. Most likely, the aftermath of the financial crisis of 2008 and the change in consumer behaviour has made it possible for Action to expand in a short period of time and take advantage of that situation.

S3: Retailer of the Year Europe for the second year in a row

In 2015, Action has been awarded Retailer of the Year Europe for the second year in a row. Since the award is a prize that is formed by the votes of the consumers, it is clear that consumers enjoy shopping at Action and appreciate the low prices.

4.2.2 Weaknesses of Action

W1: Stores are mostly located at B-locations

One of the weaknesses of Action is that the stores are often located at so called B-locations. This makes it less easier for consumers to visit the stores and buy the products, and easier for competitors such as Big Bazar to take advantage of that situation.

W2: Small amount of distribution centres

In order to keep up with the increasing number of sales, it is necessary that the distribution centres are expanded further into Europe. Currently, the largest distribution centre is established at the head office of Action in Zwaagdijk-Oost, the Netherlands. There is a second distribution centre that is located in Limburg, in order to stimulate further international growth. Situated near the borders this is the distribution centre that supplies to Belgium, Germany, France, Luxembourg, Austria and the southern part of the Netherlands. Opening a third distribution centre may be more efficient and stimulate even more growth.

W3: No online shop

Currently, Action only operates on an offline level and does not have an online shop. This may be interpreted so far as a missed opportunity in terms of sales.

4.2.3 Conclusion of internal analysis

In order to find out what Action can undertake to stimulate growth, the strengths and weaknesses are linked together by using the concept of the confrontation matrix model.

Action offers a wide assortment of products at low prices, which makes it an attractive store for consumers. It has been successful in the Netherlands for quite some time, and is expanding further into Europe. In marketing terms, Action could be called a category killer: a modern type of exceptional aggressive discount stores that offer (brand) products with large discounts (Armstrong & Kotler, 2012, p. 270).

An opportunity for growth would be to expand even further into France, since there is very little competition of other discount stores in that country. Action is mostly located in B-locations. Nevertheless, because it is a well-known store, customers still tend to look for Action and go to the B-location anyway. Although Action is located in numerous countries in Europe, it has very few distribution centres. In order to expand successfully, it is necessary to set up more distribution centres to supply the stores.

Action is mostly located in B-locations. This can give Big Bazaar a competitive advantage, since it offers similar products at similarly low price points. In addition, the small amount of distribution centres abroad may result in not being successful in more European countries in the near future.

4.3 External Analysis

In this part, various external factors will be elaborated. First, Porter's Five Forces Framework will be discussed. Secondly, the opportunities and threats of Action will be elaborated. Thirdly, a conclusion is given on the external analysis of Action.

4.3.1 Porter's Five Force Framework

Competitive rivalry

The competitive rivalry is very high. Stores such as Big Bazar and Op = Op Voordeelshop are similar discount stores that offer the same type of products as Action. These competitors are focused on trying to become the market leader of the low segment of the retail industry. Action has to maintain its low prices and continue to meet het customer's needs. According to the model there are four factors that influence competitive rivalry: bargaining power of suppliers, bargaining power of customers, threat of new entrants and threat of substitute products. In the next sections, these four are elaborated upon as far as the Action store is concerned.

Bargaining power of suppliers

According to the corporate web site of Action, "over 95 per cent of the suppliers is located in the Netherlands or another European country" (Action, 2015). This means that Action does not rely on one supplier, but on multiple suppliers in several European countries. As a result, the bargaining power of suppliers can be considered to be low.

Bargaining power of customers

Due to the decline in the discretionary income, customers are seeking ways to save money. Discretionary income is the income consumers have available when the necessary cost of living have been met. Customers buy their products at Action because the prices are low and the assortment varies from week to week. It is unlikely that the customer will buy at another store, once he/she has bought the same products at Action for less money. Action is a category killer in the low segment of the retail industry. Therefore, the bargaining power of customers is high.

Threat of new entrants

The threat of new entrants can be considered low. Action has a dominant position in the low segment of the retail industry, which makes it very difficult for new entrants to emerge and dominate the market.

Threat of substitution

Lastly, the threat of substitution is high, because there are several discount stores that offer the same products for competitive prices. Consumers have a wide variety of discount stores to choose from, specialised in non-food. An example of a competitor is Big Bazar, which is part of Blokker Holding.

4.3.2 Opportunities of Action

O1: Expansion of activities regarding Corporate Social Responsibility

On the corporate website of Action, it is stated that Action takes part in Corporate Social Responsibility. According to Moers (2015, p. 58), Action is not very active in taking care in CSR. As a result, consumers may address this to Action. This can possibly have negative consequences for the image of Action.

O2: Expand further into Europe with the discount business model

With the current business model, Action is very successful in European countries. To expand even further into Europe, it should do so with the original business model, while keeping the possible market differences in mind.

4.3.3 Threats of Action

T1: Competitors in the low segment

Although the position of Action in the current market is favourable, competitors such as Big Bazar are trying to become just as successful as Action.

T2: Not being successful in every European country

It is possible that the business model of Action may not be successful in other European countries. Not in every European country do discount stores have the upper hand in the retail industry.

4.3.4 Conclusion of external analysis

Action has to maintain its competitive advantage over Big Bazar by keeping its prices low and quality high. Although competitive rivalry is high, the threat of new entrants may be considered low, as Action holds a dominant position in the low segment, in order to retain its position in the consumer market in the face of these competitors. However, it is possible that Action is not successful in every European country. Therefore, it has to analyse the market of every country separately, in order to find out whether it is a suitable country for Action to operate.

Chapter 5 Analysis of discount store: Primark

In this chapter, the discount store Primark is being addressed. First a company description will clarify the background of the company. Secondly, an internal analysis will give a clear view on the strengths and weaknesses of Primark. Thirdly, an external analysis will provide an overview of the competitive environment and the opportunities and threats of Primark. All of these elements combined will be discussed in the conclusion.

5.1 Company description

Primark is an Irish clothing retailer, founded in 1969 in the Republic of Ireland where the retailer is known as Penneys. It is part of the Associated British Foods (ABF), which is a British retailing and food processing multinational. Primark has nearly 300 stores and operates in the UK, Republic of Ireland, Spain, Portugal, Germany, the Netherlands, Belgium, Austria, France and the USA. In 2008, Primark opened its first store in The Netherlands, in Rotterdam Alexandrium. In the table below, the store expansion of Primark is presented by region.

Primark is a great example of a fast fashion retailer. It offers new and cheap fashion almost every week and anticipates very quickly on the demand of customers, creating high speed sales and a replacement demand with its customers. This helps keeping the production costs low (Molenaar, 2013, p. 116).

Store expansion by region

	Year ended 12 September 2015		Year ended 13 September 2014	
	# of stores	sq ft 000	# of stores	sq ft 000
UK	164	6,083	164	6,039
Spain	40	1,369	40	1,338
Germany	19	1,194	13	829
Republic of Ireland	36	1,028	37	1,035
Netherlands	12	547	8	346
Portugal	8	267	7	232
France	5	231	5	231
Austria	4	193	3	142
Belgium	4	166	1	34
USA	1	77	–	–
	293	**11,155**	**278**	**10,226**

Figure 6. Primark store expansion per country (Associated British Food, 2015, p. 42)

5.1.1 Mission

Primark's mission statement is "to supply quality clothing at prices perceived to offer real value" (Brownjohn, 2015). The retail industry is developing into a 'value retail industry', which means offering high value products at low prices (Moers, 2015, p. 90)

5.1.2 Vision

The vision statement of Primark is providing quality products and services to their customer through price strategies. This means that Primark will continue to use its low prices to compete with other big fashion retailers, such as H&M and Zara (Primark, 2011).

5.2 Internal analysis

In this chapter, the strengths and weaknesses of Primark are further elaborated. In addition, the strengths and weaknesses will be linked in order to provide a clear view of what the company can do to stimulate growth.

5.2.1 Strengths of Primark

S1: Sell trendy, fast fashion at low prices to its target group

One of the key strengths of Primark is to sell high valued fashion for low prices. This fast fashion, also called disposable fashion, is of the latest trends and are often worn for a short period of time. This way, the consumer is able to respond to trends very quickly at a low price.

S2: Offer a wide range of products

Primark offers a wide range of products, such as womenswear, menswear, children's wear, accessories and home wear. This gives Primark a competitive advantage, because no other fast fashion discounter has such a broad range of products at such low prices.

S3: Low costs

Primark mainly focuses on women under 35 years old with a low budget. It has created a popular image and is a magnet for the entire shopping area. Outsourcing most of the manufacturing to other countries such as Bangladesh, India and China, makes it possible to keep costs low.

S3: Member of ETI (Ethical Trading Initiative), and supports charities such as Solidaridad

Primark is a member of the Ethical Trading Initiative, which has become even more necessary after the collapse of the factory in Bangladesh that was a supplier of clothing and other products of Primark.

5.2.2 Weaknesses of Primark

W1: Does not advertise

Primark does not advertise outside its stores and relies solely on marketing buzz. This can lead to a decrease in sales and it may have unfavourable consequences for the image of the chain.

W2: Has had a negative image

Due to accusations on possible child labour and poor work ethics in its factories in the past, Primark has acquired a negative image. Another story on the collapse of a factory where products of Primark are manufactured, will be destructive for the image of Primark.

W3: Does not have an online shop

At the present day, Primark does not have an online shop. It is possible that without the facility of an online shop the sales in offline stores might suffer in the coming years.

W4: Products can have poor quality

The products of Primark are characterised as disposable fashion and are therefore available at low prices. It can be argued that the clothing that Primark offers is not expected to last very long.

5.2.3 Conclusion of internal analysis

Primark has a wide range of products at very low prices. Research has shown that Primark is successful in multiple European countries, and expanding to the US could be a successful (Reagan, 2015). In addition, because of its loyal customer base, it is estimated that Primark could benefit from launching an online shop for its customers. Due to the fact that Primark is a very well-known brand, it is not necessarily a bad thing that Primark does not advertise. In general, the marketing buzz regarding Primark has been positive. Except a few years ago, when Primark was accused of child labour and poor work ethics in its factories. Nevertheless, it has done a lot to improve its image by, for example, becoming a member of the Ethical Trading Initiative and supporting charities such as Solidaridad.

5.3 External analysis

In this part, various external factors will be elaborated. First, Porter's Five Forces Framework will be discussed. Secondly, the opportunities and threats of Primark will be elaborated. Thirdly, a conclusion is given on the external analysis of Primark.

5.3.1 Five forces of Michael Porter

Competitive rivalry

Primark's competitive rivalry is high. There are numerous competitors which offer the same products and want to be the market leader in the fast fashion industry, such as Forever 21 and H&M. It is important that Primark keeps its position as market leader.

Bargaining power of suppliers

Primark seeks to outsource nearly 90% of the manufacturing to countries such as India, Bangladesh, and China. This means that Primark has more than one supplier from several countries. As a result, the bargaining power of suppliers is low.

Bargaining power of customers

Since the discretionary income has declined, consumers have less money to spend on products. Discount stores offer a great solution to customers who want to buy products at low prices. The prices of the products of Primark are lower than those of competitors. Thus, the bargaining power of consumers is high.

Threat of new entrants

Primark is dominant in the European market. It will be very difficult for new discount stores to compete with Primark. The threat of new entry is therefore low.

Threat of substitute products

Consumers have many discount stores to choose from. These stores offer the same products for similar prices. Hence, the threat of substitutes is considered high.

5.3.2 Opportunities of Primark

O1: Further expansion in Europe and overseas (US)

A great opportunity for Primark is to expand further into Europe and overseas, meaning the United States. In the US discount stores such as Wal Mart are very popular, which can mean that Primark could be successful there too.

O2: Launch an online shop, which will attract more consumers and increase sales

For the long term, an online shop might be great way to attract even more consumers and increase sales.

5.3.3 Threats of Primark

T1: Competitors in the same branch

Stores such as H&M, Zara and Forever 21 are competitors of Primark that offer high quality products at similar or lower prices.

T2: Competitors that do invest in promotional campaigns might have an advantage

Due to the fact that Primark solely relies on marketing buzz, competitors that do advertise in order to attract more consumers, may have an advantage.

T3: Negative marketing buzz amongst consumers

Since Primark does not advertise outside of the Web site, it is possible that negative marketing buzz may circulate amongst consumers

5.3.4 Conclusion of external analysis

By comparing the opportunities with the threats, it can be stated that pricewise, Primark still has a competitive advantage over H&M and Zara. However, the main competitors of Primark do have an online shop, where Primark still does not have one. This gives them a competitive advantage over Primark.

As stated earlier, the products of Primark can be of poor quality. This may result in customers buying their items at competitors such as H&M and Zara, which, in general, offer higher quality products all be it higher prices. Moreover, since Primark does not advertise, competitors that do have a competitive advantage over Primark.

Chapter 6 Analysis of consumer behaviour and discount stores

In this chapter the outcomes of a conducted survey on 'Consumer behaviour and discount stores' will be analysed. The survey consisted of 10 questions and was conducted among 71 respondents. The main objective of this research is to give an indication on the key success factors of discount stores in general. The number of 71 respondents is therefore considered sufficient for drawing valid and reliable conclusions from the data.

The survey was conducted via www.surveymonkey.com, a web site that offers the possibility to conduct free online surveys.

6.1 Demographics

The first two questions of the survey were to determine the gender and age of the participants. As stated above, 71 respondents have filled out the survey. Out of those 71 respondents, 29.6 % were males and 70.4 % were females. Most of the participants were in the age category of 20-25 years old, covering a percentage of 36.6%.

Characteristics of Respondents

Gender	Number of participants	Percentage
Male	21	29,58%
Female	50	70,42%
Age		
<20	7	9,86%
20-25	26	36,62%
26-35	12	16,90%
36-45	4	5,63%
46-55	9	12,68%
56-65	11	15,49%
>65	2	2,82%

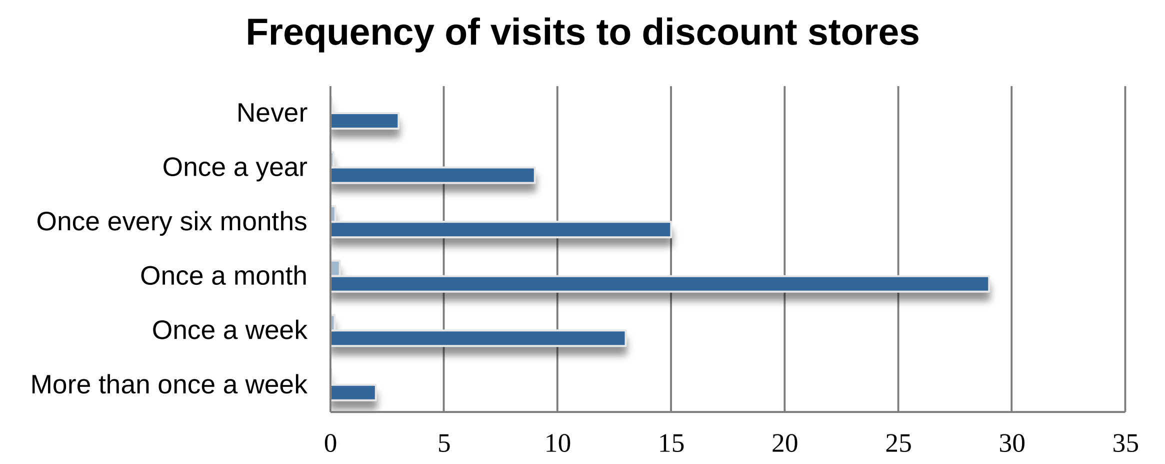
Figure 7. Demographics

6.2 Results regarding survey on consumer behaviour and discount stores

In this section, all primary data collected by the survey will be analysed per question. In addition, the outcomes will be linked to research findings to integrate into preceding theory.

Question 3: Frequency of visits to a discount store such as Primark and/or Action

The purpose of the third question was to find out how often the participants visit a discount store to do their shopping. The majority of the respondents answered ‘once a month’, which is 40.85% of the total number of respondents. Earlier in this report, the clothing of the Primark brand can sometimes be seen as ‘throwaway fashion’ (Poulter, 2008). It can be suggested that customers come back every month to buy new fashion and replace their old clothes that are no longer wearable.

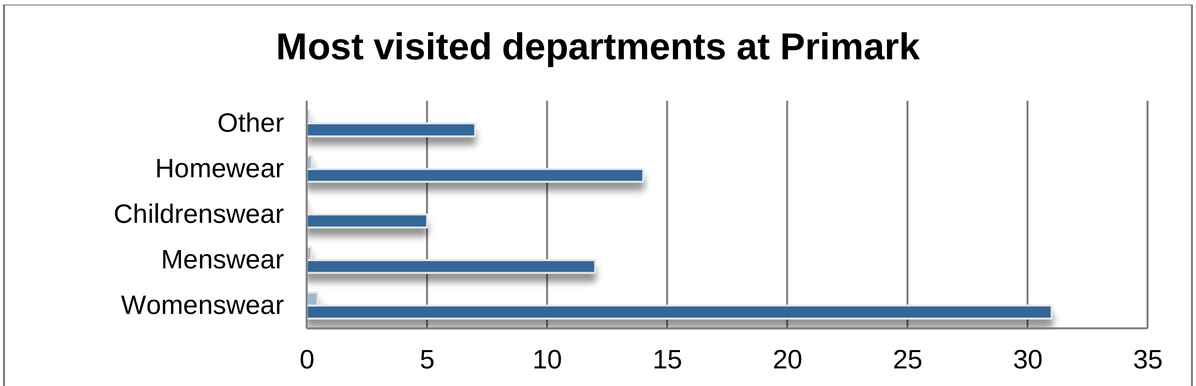


	More than once a week	Once a week	Once a month	Once every six months	Once a year	Never
Percentage	2,82%	18,31%	40,85%	21,13%	12,68%	4,23%
Number of participants	2	13	29	15	9	3

Figure 8. Frequency of visits to discount stores

Question 4: The most visited departments at Primark by the participants

According to Fig. 2, the majority of the respondents purchase items at the women’s department. This can be explained by the fact that the survey was filled out by 50 women, which is 70% of the total number of respondents of the survey. In addition, Primark’s target group consists mostly of “young, fashion-conscious under 35s, offering them high quality, fashion basics at value for money prices” (Armstrong, Kotler, Harker & Brennan, 2009, p 297).



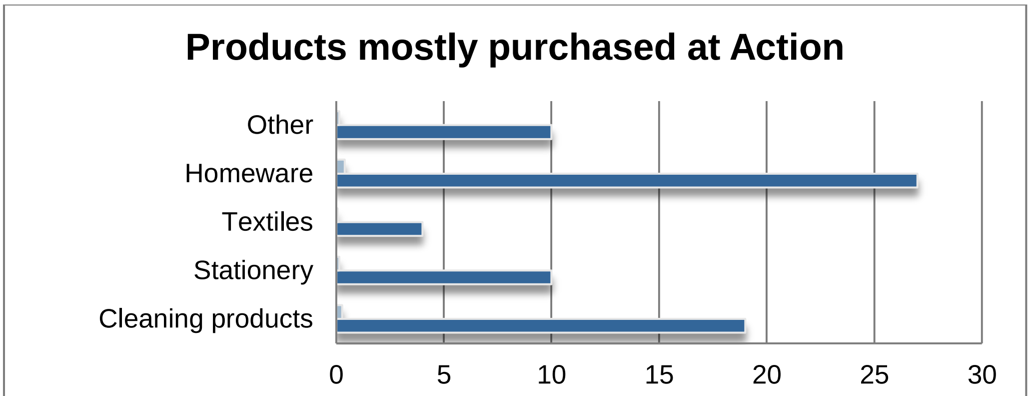
	Womenswear	Menswear	Childrenswear	Homewear	Other
Percentage	44,93%	17,39%	7,25%	20,29%	10,14%
Number of participants	31	12	5	14	7

Figure 9. Most visited departments at Primark store

Question 5: The products that are mostly purchased at Action

Fig. 8 shows which products are mostly purchased by the participants of the survey. The largest part selected ‘Homeware’ as the department where they buy most of their items, which covers nearly 40% of the total respondents. The second largest part, which is nearly 30% of the participants, buys mostly cleaning products at Action.

A few respondents answered ‘Other’, this gave them the possibility to give a different answer than the answers already provided to choose from. The majority of these respondents answered ‘Electronics’ as the products that they buy the most frequent at Action.

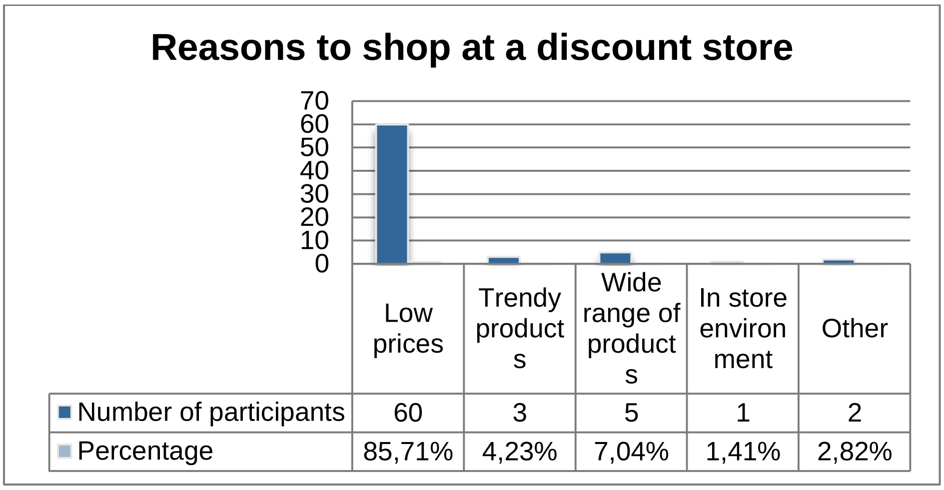


	Cleaning products	Stationery	Textiles	Homeware	Other
Percentage	27,14%	14,29%	5,71%	38,57%	14,29%
Number of participants	19	10	4	27	10

Figure 10. Products mostly purchased at Action

Question 6: Reasons to shop at a discount store

Question 6 was asked to determine what the main reason is that the respondents would shop at a discount store. Fig. 9 clearly shows, that ‘Low prices’ is the most frequently chosen reason to shop at a discount store. A few respondents thought ‘Trendy products’ and ‘Wide range of products’ was more important to them than the low prices.



	Low prices	Trendy products	Wide range of products	In store environment	Other
Number of participants	60	3	5	1	2
Percentage	85,71%	4,23%	7,04%	1,41%	2,82%

Figure 11. Reasons to shop at a discount store

Question 7: Bulk buying at discount stores

Bulk buying is basically buying more than what you initially planned on buying. At stores like Action and Primark, it can be very tempting to buy more than you need, simply because of its low price. Therefore, it could be interesting to ask the respondents if they ever bulk buy at a discount store.

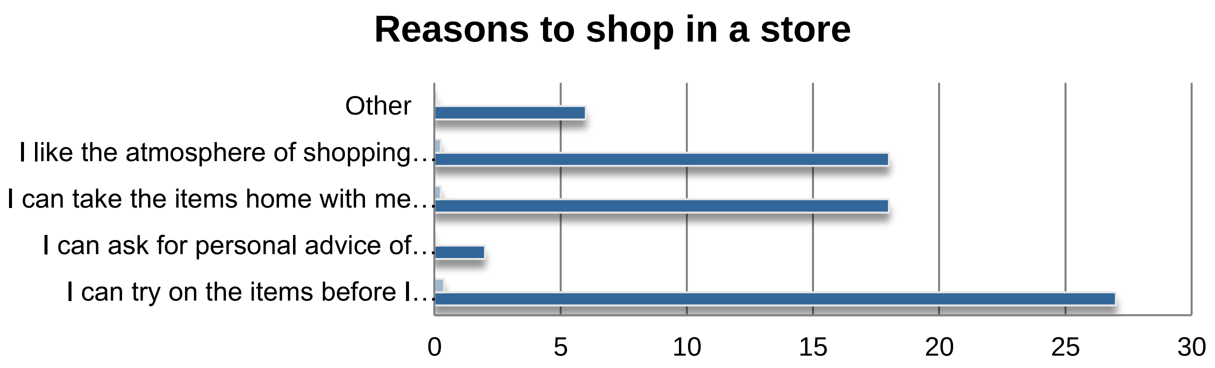
According to the collected primary data, more than 50% of the respondents admits to sometimes buying more than they planned on buying when visiting a discount store. Only seven of the respondents state that they never are tempted to bulk buy.

	Yes, always	Yes, sometimes	Rarely	Never
Percentage	21,13%	50,70%	18,31%	9,86%
Number of participants	15	36	13	7

Figure 12. Bulk buying at discount stores

Question 8: Reasons to shop in a store

In order to find out what is the most important reason for the participants to shop in a store, question 8 was included. The majority of the respondents find it most important to being able to try on items before a purchase. The second and third most important reason to shop in a store is for 25% of the participants to being able to take the purchased items home immediately, while the other 25% likes the atmosphere of shopping in a store rather than a web shop.



	I can try on the items before I purchase them	I can ask for personal advice of the personnel on the items	I can take the items home with me almost immediately	I like the atmosphere of shopping in a store rather than online	Other
Percentage	38,03%	2,82%	25,35%	25,35%	8,45%
Number of participants	27	2	18	18	6

Figure 13. Reasons to shop in an offline store

Question 9: Reasons to shop online

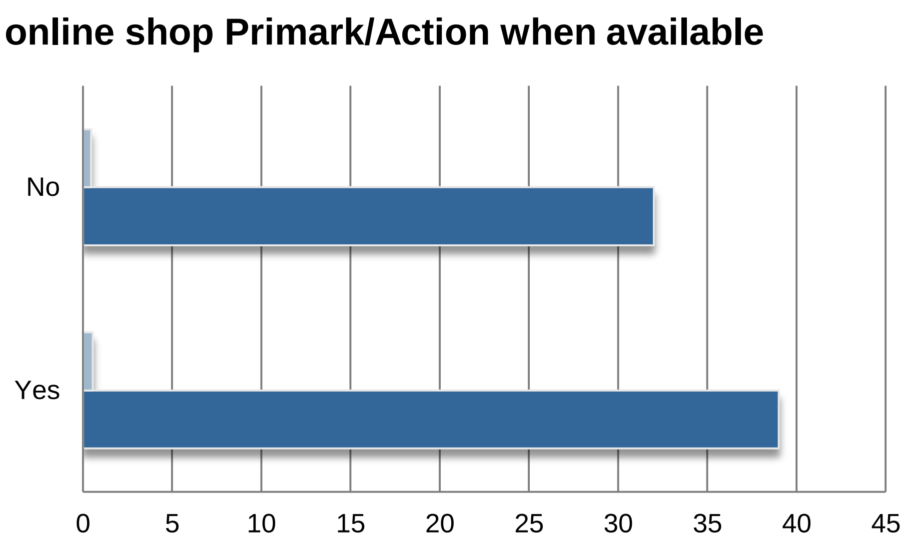
Many people choose to shop online rather than in an offline store. To find out why, the respondents were asked what the most important reason is for them to shop online. According to fig. 12, the main reason why the respondents shop online, is because they can do their shopping whenever they want, and do not have to rely on opening hours of offline stores. Another important reason why is the ability to compare prices and items from various web shops, in order to determine where the customer wants to buy the product.

	I can do my shopping at home, in my own environment	I can do my shopping whenever I want	I can choose items from a larger assortment	I can compare prices and items from different online shops	I can have the items delivered at home	Other
Percentage	14,08%	35,21%	12,68%	18,31%	16,90%	2,82%
Number of participants	10	25	9	13	12	2

Figure 14. Reasons to shop online

Question 10: Visit online shop Primark/Action when available

At the moment, Primark and Action do not offer their products on a web shop. The respondents were asked to answer if they would visit a web shop of Primark and/or Action when available. The majority of the respondents answered 'yes', covering 55% of the total number of participants of the survey.



	Yes	No
Percentage	54,93%	45,07%
Number of participants	39	32

Figure 15. Visit online shop Primark/Action when available

Chapter 7 Conclusions and recommendations

The main purpose of this research report is to find out to what extent the discount stores, such as Primark and Action, have influenced the practice of retailing in the Netherlands in the past five years. The main causes of the success of discount stores are the change in consumer behaviour and the emergence of online shopping. In addition, as a result of the aftermath of the financial crisis of 2008, the discretionary income has declined. This has led to consumers buying their products at discount stores.

Offline stores in the middle segment suffer from heavy competition from discount stores in the lower segment, as people tend to buy clothing and shoes and so on for everyday use at the lowest prices possible. Offline stores in the middle segment that do not offer an online facility have a double disadvantage in that they suffer from competition from the offline discount stores as well as from the online shops that offer the same products. It seems that discount stores that have not yet developed an online shop can do without in the short run because their advantage lies with the very low prices at which the products are offered. Discount stores could also use online shopping to their advantage to attract even more consumers. The stores that are most likely to suffer heavily from these developments are the offline stores in the middle segment that do not distinguish themselves enough in pricing and quality of products compared to the offline discount stores and the online stores that have already acquired a market position.

Above all, offering goods at a low price and fast delivery remain the necessary conditions for discount stores to attract customers. It seems therefore, imperative for discount stores that want to maintain their presence in the shopping malls and be successful, to incorporate online shopping into their business model. The potential customer can glance at the goods on offer by visiting the website. Then, if he or she feels the need, he can visit to have a proper look and feel, and to try it on and ask for personal advice.

Another advantage of the offline store is that the customer can take the goods with him and doesn't have to wait for postal delivery. On top of that, a visit to a shopping mall is also a social outing that the online shop does not offer. The discount stores in the shopping malls must exploit these advantages to the full, in order to remain a viable alternative to the online shop. This, however, comes at a price, for the discount store must keep a sufficient amount of goods in stock, to supply the customer with the particular size or colour he wants.

The alternative might be that discount stores maintain their presence in the shopping malls by offering a variety of goods in small quantities to apply to the customer's need for a look and feel of the goods, and in addition, guaranteeing a fast delivery of the goods chosen at the home of the customer. This alternative could provide a way out for the discount store, combining their presence in the shopping malls with the advantages of online shopping and fast delivery.

However, it remains to be seen whether the customer in general will opt for this alternative, or in contrast will give even more preference to online shopping than he has done already. If the latter will be the case, then that could well mean the end of the presence of a considerable number of discount stores in the shopping malls.

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Appendices

Appendix I: Survey

Survey on discount stores and consumer behaviour

What is your gender?

◊ Male

◊ Female

What is your age category?

◊ <20

◊ 20-25

◊ 26-35

◊ 36-45

◊ 46-55

◊ 56-65

◊ 65>

◊ Other

How often do you visit a discount store, such as Primark and/or Action?

◊ More than once a week

◊ Once a week

◊ Once a month

◊ Once every six months

◊ Once a year

◊ Never

When shopping at Primark, at what department do you normally purchase items?

◊ Womenswear

◊ Menswear

◊ Childrenswear

◊ Homeware

◊ Other

When shopping at Action, what kind of products do you purchase?

◊ Cleaning products

◊ Stationery

◊ Textiles

◊ Homeware

◊ Other

What do you like most about shopping at a discount store?

◊ Low prices

◊ Trendy products

◊ Wide range of products

◊ In store environment

◊ Other

When shopping in Primark and/or Action, do you get tempted to bulk buy (buy more than what you came for)?

◊ Yes, always

◊ Yes, sometimes

◊ Rarely

◊ Never

What do you like most about shopping in stores?

◊ I can try on the items before I purchase them

◊ I can ask for personal advice of the personnel on the items

◊ I can take the items home with me almost immediately

◊ I like the atmosphere of shopping in a store rather than online

◊ Other

What do you like most about shopping online?

◊ I can do my shopping at home, in my own environment

◊ I can do my shopping whenever I want, and don’t have to rely on opening hours of stores

◊ I can choose items from a larger assortment than what is in the actual store

◊ I can compare prices and items from different online shops

◊ I can have the items delivered at home

◊ Other

At the moment, Primark and Action do not offer an online shop for customers to buy their products. Would you visit an online shop of Primark and/or Action when available?

◊ Yes

◊ No