

Case Brief : Primark

I. Strategic positioning and value proposition of Primark

- A. Primark's **objective** is to make decent quality fashionable clothing accessible to everyone in the world by using the **cost-based strategy**. They established customer centric focus.
- B. Primark's **scope** is fashion-conscious customers under the age of 35 years.
- C. Their **advantage** is adhering to their strategy DNA in all they do, which they achieved by —
 - 1. High-efficiency activities, such as limited advertising and a no e-retailing philosophy.
 - 2. Primark's efficiency was superior than that of its peers. Primark sold \$6,882 worth of clothing per square metre, whereas H&M sold \$4,415 worth.
- D. It's this combination of low price and an overwhelming variety of fashion goods that makes up their **value proposition**, and there is a high degree of internal and external alignment on the company's approach to generating revenue and creating value for its customers.
- E. Primark set a clear **trade-off** by valuing "in-store" experience over e-retailing, complimenting their low-cost strategy since moving their business online meant increase in operational costs and decrease in profitability, resulting in their **sustainable advantage**.
- F. According to the **NPS** model, this value proposition matches the wants and desires of a certain consumer category and because it differentiates them from their competition, it is externally aligned. Because Primark's purchasing, stock management and shop design are all synchronized, the "in-store" experience is seamless and hence, internally aligned.

II. Resource Analysis to Identify Competitive Advantage & Sustainability

A. **Tangible Resources** —

- 1. Outsourcing to small production firms in Asia for low labor rates, strengthening their **supplier bargain** through long-term relationships, driving up switching costs.
- 2. Downsized physical stores 53,000 to 35,000 square feet to improve profitability.
- 3. Sharing supplier details on their website to attract investors.
- 4. Patient in expanding stores, focus on low pricing, low rent locations, saved \$195m annually by avoiding advertising, no e-retail policy — solves the **threat from new entrants and threat of existing rivalry**.

B. **Intangible Resources** —

1. **Bargaining power of buyers** is negligible because of low-cost model compared to rivals, unique and refurbished in-store experience with Wi-Fi and seating, constantly keeping up with trends on social media to produce right clothes; which maintains fit.
2. Understood culture and market of countries very well by meaningful relationships and stocking clothing based on consumer needs of that country.
3. Sustainable activities initiated to enhance customer engagement, which safeguarded the company from **viable substitutes**.

C. **Physical Assets** — As of FY2019, Primark had 377 physical outlets in 12 countries boasting 103% year-over-year growth rate and sales of \$9.875 billion, setting them apart from competitors, such as H&M and Zara, who preferred e-retailing more.

D. **Human Resources** — Training the workforce on how to grow sustainable cotton for their products, which uses 24.7% less chemical fertilizer, 50.3% less chemical pesticides, and 4% less water.

E. Due to the rarity and value Primark adds by combining its activities and keeping "fit" with its competitive advantage, future entrants and existing rivals will find it more difficult to imitate the model successfully.

III. **Sustainability and Ethics**

- A. Primark encouraged recycling to respond to the throw-away fashion culture. They switched to sustainable cotton for most of their products.
- B. Changed to paper packaging rather than plastic. Water fountains instead of plastic water bottles. Recycling bins placed to deposit old clothes.
- C. These initiatives however, resulted in the increase of cost of sales from \$2.32b in 2015 to \$2.71b in 2018, which potentially affects their cost-based model, keeping their profits almost stagnant from 2015-2018 (~\$0.23b in profit).
- D. Enhancing transparency with suppliers, paying its workers a livable wage with acceptable working hours, remove child labour and improving factory safety are all things that Primark can do to position themselves better and eradicate the bad reputation among consumers.

Activity Map

