

2011

# **[CO-OPERATIVE GROUP – BUSINESS STRATEGY]**

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## **Executive Summary:**

The report below tends to discuss and analyze the business strategy of Co-Operative Group which is one of the leading retailers in UK. After a short introduction and overview about the company, the overall business strategy of Co-Operative Group is discussed. It is observed that in as compared to the past few years, the recent business and strategic decisions of the group have been very bold and productive. This can be noted from the facts that recently, the Somerfield was acquired by Co-Operative. Moreover, the company has also designed and implemented various business and operational models and strategies that are meant to ensure the positive and constant growth in future. Currently, the company is also noticed to be focusing on its social responsibilities, ecological responsibilities and its value deliverance approaches. These all make the Co-Operative very responsive and result oriented.

## **Introduction:**

The Co-Operative Group was established by Rochdale Pioneers Society in the year of 1844. Since the company was formed, it has been very efficient and responsible to serve its customers with premium quality of products and services. The eight 'Rochdale Rules' enabled the company to be focused in achieving all the organizational goals and targets (Co-operative, 2011).

Currently the Co-operative Group is known as one of the key players in UK's retail industry dealing in food, pharmacy, travel, funeral care, legal, financial, insurance, investment and banking services, and asset management. The Co-operative group has more than 5,000 retail stores across the UK to serve the c customers of more than 20 million per week. The average total per anum turnover is recorded as £14 billion and this clearly explains the performance of the group (Co-Op, 2011).

Since the group is increasing its market shares, sales and profitability, it has also taken some major strategic steps in recent years. In the year of 2009, the Co-operative Group has acquired the Somerfield Supermarket chain which made the Group the fifth largest food retailer in UK industry. A part from this, the Group is also known as largest Funeral

Service Provider, third largest pharmacy chain and leading retailer in UK market. It is all because of the corporate and business strategies of the group.

Below the report tends to discuss the strategy models that has been adopted and implemented by the Group to come this far and become the tip market leaders. This will enable to identify and assess the current successful strategy factors of how the Group has been very efficient and effective in achieving all the targets and goals. Based on the assessment, the report will indentify and examine the role of strategic resources and capabilities that are enabling the company to produce the outcomes.

### **The Co-Operative Group:**

The vision of the Co-Operative Group is defined as “To build a better society by excelling in everything we do”. In order to be on the right track to achieve the vision, the Group has aimed to become the successful commercial business player, to understand the need and requirements of the customers and act accordingly, understand the expectations of the shareholders and share the profit, become ethical and responsible corporate player and inspire the other through co-operations.

The defined vision and aims have enabled the company to become the responsible corporate player, designed the strategies that can keep the group on the right track and act accordingly to satisfy all the stakeholders as per their needs and requirements (Co-op, 2011).

### **The Current Business Strategy:**

The vision of the Co-Operative group is to become the leading market player and in order to pursuit this, the group has defined its business strategy based on three key components; commercial success, competitive advantages and social goals. These three components are set out in Balance Scorecard to ensure that all the aspects of the strategy are measured through proper channel and all the results can be obtained as defined initially (Corede, Meyer, 2005).



Source: Co-Operative, 2011

The Co-Operative group's main focus is to ensure that all the above three components in business strategy are dealt properly because these are the main areas of the strategy that have enabled the group to target the right market and act accordingly.

The senior team members clearly understand that due to current financial and economical conditions, the current retail industry in UK has been badly affected and in order to sustain in the current market conditions, the group will have to perform extraordinary as this is the only option remain to ensure long term sustainability in the market.

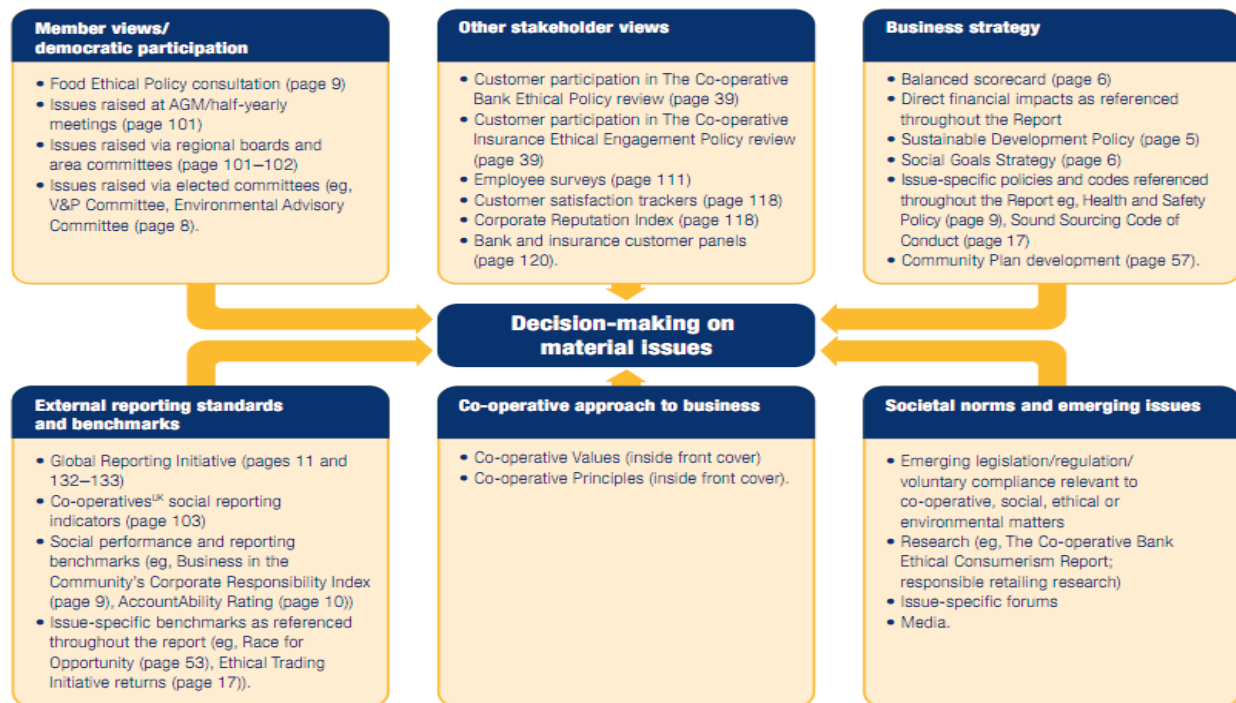
In order to achieve the commercial success, create competitive advantages and achieve the social goals the business strategy of the Co-Operative Group has been designed accordingly. To achieve the these three goals, the group has been mainly been focusing on the below areas;

- Business Growth
- Enhance Profit
- Create and manage long term relationship with the colleagues
- Grow the reputation of the Group
- Enhance customers' loyalty
- Grow and engage memberships

In order to remain competitive in the market, increase the market shares and enhance the odds, the main key activity that has been carried out by the group is to rebuild the brands. This has enabled the group to attract the most potential customer with most appropriate attitude. On the other side, the marketing campaign of £10 million was launched in the February 2009 to ensure that all the customers are aware of the group's products and services. By doing so the group enabled to increase its market shares and enhance the odds.

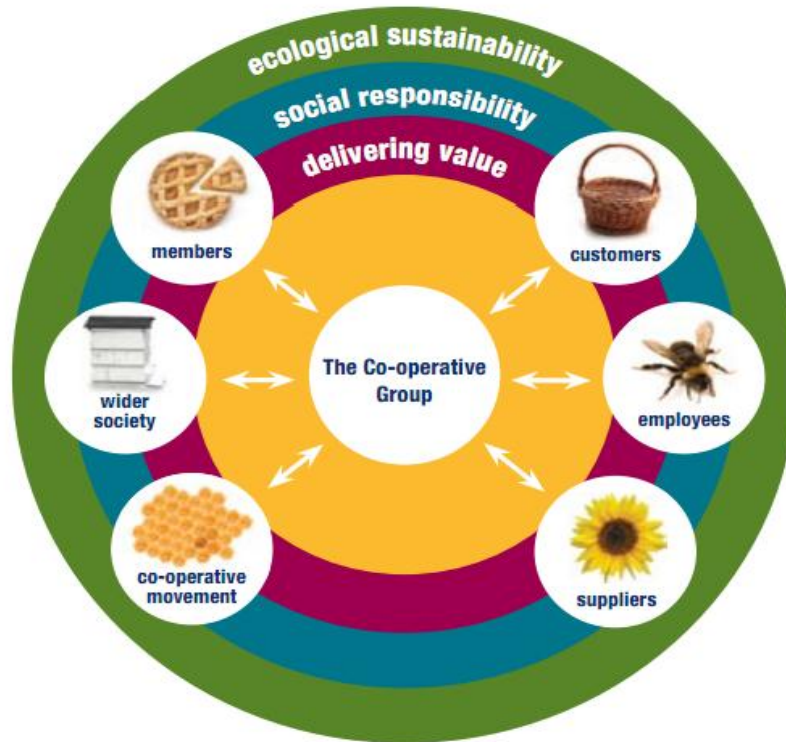
It has been noted from the last few years that as compared to past, the Co-Operative group have been more aggressive in the recent years. More investments have been made to capture the market shares through acquiring businesses like Somerfield. Since the UK retail market has become competitive, the group has no other option but to adopt the changes, use all the resources and improve the outcomes and results. To achieve those targets, the group has mainly been focusing on the issues that restricted it to grow faster.

There are many issues that influence the materiality decision of the group and in order to deal with those issues and bring the positive outcomes from all the efforts, below the structure has been defined the Co-Operative Group;



The above model has enabled the Co-operative group to understand the intensity of all the issues and design the strategies accordingly. Since the above model has been adopted and implemented within the organization, the results and outcomes have been improved. It is because that all the issues are divided into different categories. This allows the company to understand the issues individually and plan to deal with them accordingly (Johnson, Scholes & Whittington, 2008).

In order to ensure that all the efforts, time and cost have been invested into the right direction the group has been focusing on all the key areas and it is defined the business strategy of the Co-Operative Group (Mintzberg, Lampel, Quinn and Ghoshal, 2003);



### Social Responsibility:

Socially the Group has been acting very responsibly to deal with all the issues. In order to deal with the social responsibilities the group has defined the specific godliness, values and principles. This has become the key component of the Group's strategy to deal with the society, attract the most potential customers and produce the positive outcomes within the best interest of all the stakeholders. In today's competitive environment, the co-operative clearly understands that without taking the societies and communities along with the business, there is no chance to become the market leaders. Therefore the group has also defined its customers the owners of the entire group rather than the shareholders and investors (Kay, 1993).

In order to become the social responsible corporate player, all the activities within the organizations are therefore being carried out accordingly. The co-operative group is ensuring at every stage that all the actions are up to the highest standards and people who are connected to the group are not offended in any way. And this component of the business strategy has produced the best possible outcomes so far.



### **Ecological Sustainability:**

A part from the corporate social responsibility, the co-operative group has also been focusing on the ecological sustainability. Since the group has increased its market shares by taking some key strategic decisions, there are many environmental impacts from the co-operative activities. In order to ensure that none of its activity produces the results against the climate and environment, the group has also been dealing with the climate change, biodiversity, waste disposal and toxic chemicals etc. These environmental and ecological issues have become the key priorities for the group to deal with.

In order to cope up with these issues, in the year of 2008, the co-operative group announced its food ethical policy. The top level management team members understood that in order to create competitive advantages and win the hearts of the customers, the group will have to act ecologically responsible. The group has therefore today putting all the possible efforts to act responsibly and increase awareness through many campaigns and activities that are currently being carried out at the retail stores and online channels. This has also enabled the group to ensure its customers that the group is not only working towards the benefits of the shareholders and investors and the efforts are also towards the betterment of the societies and environment.

### **Delivering Values:**

In order to ensure that the group grows at higher speed than ever before and sustain in long run, the co-operative group has also many actions to deliver the values to its customers, shareholders and all other stakeholders. The group understands that to deliver the values in today's competitive environment is not an easy task as it seems therefore it has to be more responsible than ever before.

The co-operative group has therefore designed its business strategies to ensure that all the profits are balanced and optimized. This enables the group to ensure that all the investors, shareholders and lenders enjoy their benefits as promised and agreed initially. It is not wrong saying that enhancing the profits and serving the stakeholders has become a key issue in today's economical and financial environment and while acting within the boundaries, this is not possible at all. Therefore the recent strategic

decision of acquiring the Somerfield seemed to be very appropriate because after acquiring the Somerfield the co-operative group has become the more stronger and aggressive in its operational strategies (Co-Op, 2009).

Since the group has acquired the Somerfield, the sales and profit have also been increased and this has enabled the group to attract more customers, produce and enhance the outcomes and odds and serve the stakeholders as per their expectations (Lynch, 2006).

A part from this, the co-operative also understands that without interacting with the employees and customers, it will not be possible for the organization to achieve its defined targets and goals. Therefore the group also focuses on the customers and employees as well and acts as per their needs and requirements too. This is to only way the group can drive smoothly and achieve its financial and operational goals and targets (Co-Op, 2009).

### **Assessment of Business Strategy:**

After discussing the above business strategy and the key components, it has been noted that areas that are covered by the co-operative group are very key and all of them are enabling the group to become the market leader. It is very much important to note here is that the UK's retail industry has become very competitive and saturated and the organizations that are currently present in the market have to be very active from all the prospective.

When looked at the Co-operative business strategy, it has been clearly been noted that the group has been focusing on all the key areas. Although, it may took some time to understand the current situations and design the strategies to implement and win the market shares but once the group has re-formed its strategies, it has taken many serious and key steps in the corporate world (Grant, 2002).

The group clearly understands that without increasing the market shares, the success will be very difficult especially in the industry where giants like Tesco Plc and Sainsbury's etc are capturing the large number of market shares. Therefore the co-

operative group has acquired the Somerfield as this was one the best opportunity for the group to enhance the market shares and increase the sales and profitability ratio.

It is for sure that the business strategy that has been designed and implemented by the co-operative group has been producing the positive results and outcomes. It is because of many reasons. First of the main reasons is that the leadership of the co-operative group has been very positive and strong. Because of the leadership the group has managed to come this far in competitive environment and increased the market shares. Today, all the organizations need the leaders rather than the managers. Leaders understand the market conditions, analyze all the aspects and create opportunities to move forward rather than the waiting for the opportunities. There it can be said that the leadership of the group has played key roles in the success of the current strategy and increased the market shares and profit etc (Mintzberg, Ahlstrand, and Lampel, 1998).

A part from this, the co-operative group has also managed to produce the enough amount of capital to acquire the Somerfield. Especially in today's toughest ever global economical and financial crisis, it is very difficult for any of the business player to generate the huge amount of capital to take risks. But somehow the co-operative group has managed to do this and acquired the Somerfield. This has enabled the co-operative group to re-shape its food sector and attract the customers with new strategies. And so far it has been noted that the Co-operative group has done really well and the strategy seems to be very successful and positive.

One the main and key winning point is also noted that the Group has managed to create and managed the many competitive advantages. Today, the group has been acting as the top play in funeral services, banking and insurance and many more. A part from this, the quality of services is always up to the premium quality and this has kept the customers loyal with the co-operative group. It also seems that the team members are also very motivated at every level of the management because without team members none of the organization can achieve what it plans for.

All the above factors enabled the company to drive faster than ever before and achieve all the defined goals and targets. Especially in the recent years, the group has managed

to improve its organizational skills and expertise and taking all the possible steps towards the improvement and enhancement.

## **Conclusion:**

While constructing the above report it has been noted that the UK retail market is very competitive, especially in recent years when the global economical and financial crisis have affected all the business players in every sector and industry. The retail industry in UK has also been badly affected in order to become the market leader and win the market shares all the players in the retail industry have been adopting various techniques and approaches.

The Co-operative group in UK has also been performing very well especially since last few years. The recent strategic decision about acquiring the Somerfield has created many opportunities for the Group to become the market and create competitive advantages to sustain in long run.

While looking at the case of Co-operative group it has clearly been noted that the business strategy defined and implemented by the group is very efficient and effective. The current adopted business strategy has enabled the group to grow faster than ever before, create competitive advantages, increase the market shares and enhance the profit and sales. It seems that the group has been acting responsibly while dealing with all the aspects of the business and taking all the possible steps and decisions that can only produce the positive outcomes for the group but also all the stakeholders can also be benefited from the outcomes.

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