

Question 1

Introduction

AdMart's initial positioning was to be a substitute of supermarkets and focused on packaged goods and groceries. Subsequently, it refocused its product strategy to include home and office furniture, household appliances and office suppliers. To evaluate if adMart's positioning strategies were appropriate or not, we must first understand who it served, what the targeted customer group's needs and how adMart satisfied customer needs by its core competencies.

In positioning its products, adMart must first identify possible competitive advantages on which to build the position. To gain competitive advantage, adMart must offer greater value to chosen target segments, either by charging lower prices than competitors do or by offering more benefits to justify higher prices. Thus effective positioning begins with actually differentiating the company's marketing offer so that it gives consumers more value than they are offered by the competition. The chosen values that adMart wants to deliver to target customers include offering competitive price, convenience and free delivery to customers. Once this desired position is chosen, adMart must take strong steps to deliver and communicate that position to target customers in order to attract the target customers buying its products. The

company's entire marketing program should also support the chosen positioning strategy. In the following paragraphs, we will examine adMart's positioning strategies on packaged goods and groceries, home and office furniture, household appliances and office suppliers to see if it can completely fulfill the customer needs.

Packaged goods and groceries

very good approach

These goods are convenience products which the customers, in general, need to purchase them frequently, immediately and they would prefer to buy low priced but differentiated products. Other than supermarkets, customers would also purchase this kind of goods at convenience stores, wet markets, small shops nearby since these channels could fit for their needs and purposes.

In Hong Kong, where nearly everyone lived within reach of a supermarket, wet market, small retail shops or 24 hour convenience store. Customers could easily buy the packaged goods and groceries through these channels that they do not need to purchase them from adMart and wait for delivery at a later time. In addition, the majority of customers making the buying decision are housewives and they would like to purchase these items at supermarket for their families where they could have more choices and comparison on different brand names, prices and quality. Some

customers wanted to touch and hold the goods they buy, and compare for the lowest possible price with different brands, qualities and ingredients. Further, shopping at supermarket becomes a hobby of many people, especially for the housewives or female. They may not decide what they are going to purchase at the time they entered into the shop until they see the physical products on the shelves, be stimulated to purchase the products if special promotion is held. Some elderly customers, they would purchase the above mentioned goods at the small retail stores or wet market nearby because they had dealt with the shops for many years and personal ties were there that led to long-term customer loyalty towards the small retailers, shops at wet market. At there, customers could have a chat with the retailers, bargain hunting and haggle for the lowest possible price with them. They could have a touch and hold the goods they buy and such habits would continue to present difficulties for adMart positioning strategy.

(low level of scales of economies? & why? standard product compete at cost??)

As we know, adMart is a direct marketing company, it sold groceries and packaged goods through Internet and fax, telephone orders, and offered free delivery service. This says that all of the orders must be placed via machinery where equipment like computer with Internet service is needed, telephone or fax machine is a must. Thus, the customer base is limited to the above conditions where the target segment in the

market is restricted by the requirement. People do not own or know how to operate computer, fax or telephone are unable to make an order. Thus, online transactions could not live up to expectations easily. Even the required machinery is available and orders are placed, customers need to wait for the delivery of the ordered groceries and packaged goods.

A product in fact can be viewed as a bundle of attributes. For instance, the attributes on packaged goods and groceries selling electronically include convenience, competitive price, free delivery etc. products are successful when their attributes match customer needs and they are priced appropriately. However, the variety of groceries and packaged goods offered by adMart is not wide enough in terms of brands, types, price etc where it offered far below 9,000 SKUs offered by a standard supermarket store and AdMart was plagued by product and service problems. As we know, different customers would have different needs and preference on the goods they purchase, some of them are sensitive to price, some of them would demand the best quality or services, some of them are loyal to a particular brand name. Though adMart offered a lower price to customers, they sold food products that had passed their expiry date, used of imitation labels on read wine and brandy, and lacked of proper expiry labels on instant noodles and canned meat. Missing order records and

incorrect stock inventory levels happened frequently. In brief, adMart is incapable of fulfilling the customer needs on these items.

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Home and office furniture

As the initial position is not successful, adMart refocused its product strategy by the inclusion of home and office furniture, household appliances and office supplies in an attempt to increase sales and market share as the prices and profit margins of these new items are higher than only offering packaged goods and groceries. This need to reposition is the result in response to competitive pressures or opportunities presented in the external environment. We must understand that customers like to minimize cost and maximize benefits. The costs of acquiring home and office furniture include monetary cost, time cost, space taken up, physical and mental effort, and psychological costs such as anxiety. Benefits include monetary gain and savings, savings in time and effort (i.e. convenience), and other less tangible benefits such as status, psychological experience, etc¹. For buying home and office furniture, customers include families and offices, they usually undertake complex buying behavior customers which they are highly involved in a purchase and perceive significant differences among brands. They will gather information on each brand and compare their features and advantages against the price prior purchasing one.

Thus, customers would prefer making purchase in a physical store because they could have more choices at the location, they could see and have a touch on all the products that are available. Since size, styles, colour, design are more important to customers, at physical shops, customers could take measurement on them, see the design and look into every details and compare various sizes, prices, materials between different options from different locations. In addition, customers could have direct interaction with the sales assistant and ask for their assistance and professional advice.

only make summary of past assignment
I suggest you also evaluate why to advert select to enter the mkt!

However, the home and office furniture offered by adMart is limited in styles, brand names or colour etc. Customers could only have limited choice and for the time being, people do not trust the quality and services provided by adMart. To customers, price is not the major consideration when making purchase on home and

office furniture, however, it is the competitive advantage that adMart is offering.

↑ inventory cost? ↑ delivery cost? ↑ higher potential for purchasing?

Household appliances and office suppliers

Usually these items are specialty products. They have unique characteristics or brand identification for which a significant group of buyers is willing to make a special purchase effort. When buying these products, consumers spend much time and effort in gathering information and making comparisons since these products are

less frequently purchased, thus customer compare carefully on suitability, quality, price, and style. Besides, safety is their most important consideration when buying home appliances.

Unfortunately in the case, we note that adMart was forced to recall 30000 electric rice cookers after it warned that the appliances could overheat easily. Many customers lost confidence in such products and the low price strategy used. Further, in the summer of 1999, adMart offered a 10% discount on school ^{Trust} textbooks under an arrangement with a bookstore. Since the major publishers distributed books later than expected, customers were forced to buy from other sources. All of these illustrated that adMart was incapable to fulfill the customer needs on these products where they cannot deliver the safety products to customers, desired books on time.

Other than these, there were fake shower gel, flammable mattresses, the selling of Sony PlayStation 2 without approval, incompetence in meeting customer order, problems of product shortage and allegations that adMart did not fulfill its promise of a guaranteed 'full-refund within 30 days of purchase'. As a result, the Consumer Council gave the company an 'administrative misconduct' black mark.

How about office supply?
Not kable for office address? 4

Recommendation and Conclusion

The majority of adMart shoppers indicated that the convenient and free delivery service were the key perceived benefits of using the service. However, they had little confidence in food quality offered by adMart, and their major purchases were restricted to non-food items. Customers quickly started to lose their confidence and trust in the company's product quality and service promise as adMart was always plagued by product and service problems. AdMart was hampered by a lack of quality products and was forced to parallel import goods that offered little quality assurance as suppliers stopped providing goods. The Consumer Council also gave the company an 'administrative misconduct' black mark.

In conclusion, adMart's positioning strategies are inappropriate since it is unable to satisfy the customer needs by its competitive advantages. Thus, adMart's competitive advantages cannot be sustained by its resources, capabilities and core competencies. Further, the minimal profit made on goods was unable to cover deliver costs. In this connection, it was suggested that adMart should improve its products attributes like quality and safety, distribution and delivery system, enhance the customer services, conduct coherent public relations campaign to sustain a good customer relationship and build up services images and brand loyalty.

Question 2(a)

Should adMart be selling standard branded goods or differentiated, novel or niche goods?

Introduction

There were more than two million Internet users in Hong Kong and this figure was expected to reach three million by 2004. No longer bound by time or geography, customers could shop in cyberspace around the clock. Online shopping was not becoming as common and convenient as ordering by telephone or fax and provided ease and convenience of shopping from home. In the traditional retailing, when want to buy the above goods, we need to visit physical shops. Very often, we may not be able to buy the best product in the market because we can visit only a few shops near our home or our office. With e-tailer, shopping can be done at any time by using our 'fingertips' instead of our 'feet'. According to the survey, Internet users had shown a growing interest in e-shopping, creating millions of sales a year. Given to this trend, I believe that the mission of adMart to become a successful e-tailer is realistic and achievable. To achieve towards the mission, it is recommended that adMart should be selling differentiated goods to customers. Reasons and justifications are given below.

Go direct during exam

Reasons and justifications of offering differentiated products

Differentiation strategy involves somehow making the product different in one or more aspect that is of importance or significance to the consumers. That difference might come from the physical aspects of the product such as colour or product features – physical differences. Or it could come from psychological aspects such as premium price, image, branding and reputation – perceived differences. This is especially the case for products in the maturity stage of the Product Life Cycle where physical differentiation is often not possible. These differences result in competitive advantage.

Because a differentiated product can satisfy customers' unique needs, adMart following the differentiation strategy are able to charge premium prices. For customers to be willing to pay a premium price, adMart must truly be unique at something or be perceived as unique. *How to?* The ability to sell a good or service at a price that substantially exceeds the cost of creating its differentiated features allows adMart to outperform rivals like Park'n shops, other retailers or e-tailers and earn above average returns.

AdMart can offer differentiated products by many dimensions such as unusual features, design support, image, price, speed, responsive customer service, different tastes, quality etc by which value creation can be found in related services/parts of the value chain. AdMart has to identify features that create value for the target customers and then seek to satisfy customers' unique needs better than its competitors can. Also, the uniqueness of differentiated goods or services reduces customers' sensitivity to price increases. One reason that some buyers are willing to pay a premium price for the firm's items is that, for these buyers, other products do not offer a comparable combination of features and cost. In this case, adMart could earn higher margins while customer loyalty and the need to overcome the uniqueness of a differentiated product present substantial entry barriers to potential entrants as they need to invest significant resources and be patient to seek customers' loyalty from adMart². On the other hand, with loyal customers, adMart could be positioned effectively against product substitutes. It is because their customers would not be able to switch to other substitutes.

Evaluate in greater detail

Test yes, but I would suggest you also tell "how" to achieve your suggestions

Disadvantages or risk of offering differentiated products

This strategy requires a relatively high level of investment, in promotion to support brand images, new product development to provide the latest product feature or

human resources to support customer service. In addition, if adMart offered the customers differentiated features that exceed target customers' needs. Customers found the price gap between adMart and its competitor is so large that it could not be justified. The firm then becomes vulnerable to competitors. In addition, experience can narrow customers' perception of the value of a product's differentiated features. ~~Customers might not be willing to pay the premium price any longer.~~

LOA less customer base.

Conclusion

Among selling standard branded goods or differentiated, novel or niche goods, offering differentiated goods is recommended as this strategy could help adMart to achieve a competitive position which it could satisfy different needs of different customers so as to capture a larger market share with a bigger market segment, the chance of success is increased. Meanwhile, we should note that the market of niche goods must be of sufficient size to be potentially profitable, have growth potential but of negligible interest to the major players. It seems that adMart would find difficulty to identify such niche market. Also, it is believed that if adMart, focus on e-tailing but only offering a niche or novel products to customers, would not be able to succeed easily as which customer base is limited, market size is smaller, target segment is smaller where sufficient sales might not be generated. In addition, adMart must best

utilize the skills and resources of the company since specialization is at the core of effective niche strategies. Meanwhile, adMart would become extremely vulnerable to changes in the external environment, consumer preferences and the efforts of competitors as this strategy allows little flexibility to accommodate changes in the micro and macro environment.

✓
Tom Hargrave

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Question 2(b)

Enhancement of customer relationship management and customer loyalty

AdMart's relationships with its customers are strengthened when it is committed to offering them superior value. Receiving superior value enhances customers' loyalty to firm that provides it. Currently, the quality of products provided by adMart are not satisfactory, there was a lack of a coherent public relations campaign to sustain a good customer relationship and build up its service image. Customers complained that they unable to connect the phone hotline service. Once they were able to place an order, the problems of product shortage and inability to deliver on time were very serious.

To rectify the situations, adMart could outlay additional fund to sponsor activities like charity walk for Community Chest to show its social commitment. Further, it could install more telephone hotlines and use customer relationship management software programs to develop profiles of their customers. To fully integrate customer communications with back-office activities, such as billing and accounting. It could help adMart to better communicate with customers. For instance, quickly check on the status of a customer account to ensure the timely delivery of the ordered items.

In addition, adMart could collect customer information, analyse and implement it.

AdMart could start to gather information from the moment the customer accesses the site until the moment he exits, regardless of whether he makes a purchase or not.

AdMart then collects this information either actively (customer declared data) or passively (behavioural or purchasing data) which enable the company to learn about each customer. This information starts to build the customer relationship.³

Moreover, a list of the customer's previous purchases could be kept, including brand, pack size and quantity purchased. By such, they learn the customer's unique preference and behaviors. And they could use this data to specifically target advertising and promotions, treating demographically identical neighbours differently.

AdMart would then no longer treats customers as segments but as unique individuals.

Furthermore, AdMart could develop reward programmes and purchase incentives. It could offer discount to first time buyers and send e-coupons to customers when reaching a sale of a certain amount. AdMart could also send a special promotional offer or give a free gift to valued customers who have not recently purchased.

Further, adMart should, from time to time, closely monitor its' competitors offers to ensure that its customers would be offered a better service or products than its

competitors do.

As an e-tailer, AdMart must pay particular attention to the website architectures, security of transactions, IT support, customer support etc. AdMart must alert that if customer experience is not very pleasant, he will not come back to you. Thus, adMart should provide channels for customer giving feedback or lodging complaint. If the internet store is constantly innovating and offering new values to the customer, there is no reason for him to shift, he will become a repeat customer. However, all of the above programmes and activities require AdMart to invest continuously in the personnel training, promotion campaigns and more operating cost would be incurred so as to establish a competitive advantage through its relationship with customers along the dimensions of reach, richness, and affiliation. By such, AdMart could retain old customers and attract new customers.

~~to~~ capturing customer information
(CRM - selling?)

9.5

Question 2(c)

Use of alliance and partnership

By the use of the alliance and partnerships, firms could share technology, resources, marketing or distribution, financial risks and allowing them access to new markets faster so as to reduce costs and gain competitive advantages. These cooperative strategies are about linkages between companies to pursue a common goal where one company alone cannot fill the gap in serving the needs of the marketplace.

For adMart, it could consider forming partnership or alliance with the following parties:-

a) Credit Card companies: to offer AdMart customers discount if payment is settled by the designated credit card. In addition, monthly instalment could be offered to customers to encourage them buy more. Further, promotional materials could be sent to credit card customers or vice versa via the companies' newsletters.

b) Logistic company: As adMart is offering free delivery service to customers, it will be more cost effectiveness and efficient to form partnership or alliance with outside logistic company. It allows more flexibility in the design on the logistic

arrangement to accommodate changes on demand or when it expands to overseas market in future.

c) Supplier: if adMart can join forces with a brand leader, it can generate immediate credibility for the company. Customers would have greater confidence on the quality of the products offered. Even if the partnership does not offer direct financial remuneration, adMart could leverage its formal association with the brand leader in the advertising and marketing for the company.⁴ Also, partnership with other suppliers could ascertain regular and constant supply of products and joint promotion campaigns could be held with the suppliers to enhance customer loyalty.

d) IT company: as adMart is an e-tailer, most of the transactions are taken place on-line, IT support must be strong and forming partnership with other companies could get a competitive advantage by offering a secure, stable and reliable on-line environment. In addition, internet service is a must for customers to place on-line orders with adMart, thus it can invite its partner to offer target customers a lower market price for using the internet service.

e) search engines: many online shoppers use a search engine when they are trying to find something on the Internet. Thus, adMart can form partnership with different search engines company such as Yahoo etc.

✓
A distribution

f) Other e-tailers or websites: As customers will have different needs and preferences on different products, it is certain that a company could not satisfy all of their needs. In this case, adMart could form partnerships with other e-tailers/websites and affiliate programs for their online stores could be built. This program involves paying owners of other websites a commission for referring customers to other online store. In other words, AdMart would reward other Websites for sending new customers to them and vice versa. Thus, it can be extremely powerful because they allow adMart to increase revenues by having its brand name displayed on dozens of complementary websites.

✓-gd

In conclusion, adMart could use the nonequity strategic alliance with the above mentioned parties since it does not need to establish a separate independent company and therefore don't take equity positions. This type of alliance also demand fewer partner commitments than joint ventures and equity strategic alliances.

✓
(A.J)

Question 2(d)

Potential of synergy between adMart and Jimmy Lai's other business, i.e. Giordano and Next Media

Positive synergy could be achieved when the group is able to exploit some commonality between its different business units or operations, such as channel or sales force, brand name or image, unique combination of products that provide value to customers. By such, costs are reduced and capabilities are enhanced. For adMart, Next Media, Giordano, the potential synergies are as follows:-

- a) Sales synergy: the companies could use common sales administration, distribution channels, advertising, sales promotion in order to build up a customer loyalty. As we know, Appledaily has hundred thousands of readers in Hong Kong, free e-reading is also available on-line where local and overseas readers could see the newspapers at the website. In addition to this, Next Magazine has a lot of readers as well which provide a good customer base and provide a good channel for adMart to operate the sales promotion and advertising more effectively and efficiently than its competitors do. For example, discounts could be given to the Next Media readers, promotional campaigns such as

establishment of members club jointly where sales administration and distribution channels could be shared within the group so that costs can be reduced. Further, Giordano is a successful retailer, particular in PRC, where its private label of jeans and casual clothing possess with a very strong brand name and customer base. In such case, adMart could also promote and sell Giordano products sale on-line via adMart to build up a customer loyalty and expand the market to PRC to generate more sales and capture the market share.

b) Operating synergy: the companies could share the resources like IT technology, equipment, logistic arrangement that the facilities and personnel could be highly utilized, overhead could be spread and companies could share the common inputs and enjoy the common learning curves. Cost could be reduced.

c) Investment synergy: the companies could jointly use the plant, machinery or equipment. In addition, they could negotiate better terms with banks to secure investment funds as the results of the strong brand name of the group.

d) Management synergy: the companies could carryover of managerial ability in strategic, organizational, and operational problems. Usually, brainstorming

sessions across different business units could have more creative thinking on predicting opportunities and threats.

Conclusion

However, realizing potential synergy is usually more difficult than expected because of conflict of interest and roles, cultural and bureaucratic barriers between departments and divisions. All of these will form negative synergy. For this reason, the top management of the companies must institutionalize mechanisms like meetings, reward systems, etc that encourage divisions to share experience and work together.

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