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A Review on Strategic Analysis of Australian Supermarkets

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Abstract: ***In Australia, Coles and Woolworths are the two primary participants in the grocery sector. They split about 80% of the whole retail market for groceries. In Sydney, one of Australia's major cities, Woolworths launched new food kiosks in 1924, while Coles opened the country's first supermarket in 1960. Coles and Woolworths consistently share most of the market in the Australian supermarket industry, which is known as a "duopoly." Between Coles and Woolworths and its retailers, there has been an imbalance of market power for the last few decades (suppliers). Numerous studies indicate that Woolworths and Coles conduct business in 840 and 741 supermarkets, respectively, in Australia. However, regardless of the three variables, these essential players can only locate a suitable company in the competitive and non-competitive market. The factors are buying power, selling power, and retail chain. This duopoly, dominated by the two big business groups, can potentially serve each retail product, including ready-to-eat foods, fresh food, and other essential retail products. This short article is concerned with the strategic analysis of the two big players in the Australian market, irrespective of environment, socioeconomic, politics, various usable tools, techniques, rules, and regulations. Swot analysis, the Five force model, value, rarity, imitability, and organization (VRIO) have been reviewed and discussed for both the market leaders. The past, present, and future potentialities also have drawn in the article with the snaky diagram and analytical tables. In conclusion, profit margins are obtained due to successful differentiation, which enables the company to demand even higher prices. Additionally, it promotes customer loyalty, which contributes to the financial stability and growth of the business.***

Keywords: ***Australian Supermarkets, Marketing Strategy, Grocery Industry, Food Market, Global Retail Market.***

1. INTRODUCTION

Coles and Woolworths are the two key players in the supermarket industry in Australia. They share approximately 80% of the grocery cum total retail market. Coles started the first supermarket in 1960, while Woolworths began fresh food counters in 1924 in Sydney, one of the

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central cities of Australia. Coles and Woolworths always share maximum market focus in the Australian grocery that can be named a 'duopoly' (McRae,2018). Since the last few decades, there has been an imbalance of market power between Coles and Woolworths and their retailers (suppliers). Many surveys show that Woolworths and Coles operate their business among 840 and 741 supermarkets in Australia, respectively. However, these key players can only find a good company in the competitive and uncompetitive market, irrespective of three factors. (McRae,2018). According to 2018 research, 39.7% of shoppers in the worldwide grocery sector are hesitant to try new brands. The food market accounts for 23.4% of those buyers. Some employees are adjusting to the availability of pre-packaged meals, primarily outside of their offices. According to an individual's changing lifestyle and purchasing patterns, there is a real need for safe foods (Banerjee,2020).

Coles: Coles Supermarket, trading as Coles, is an Australian grocery cum supermarket retail-chain networking that Wesfarmers own. The group has more than 750 supermarkets with approximately 620 gas stations, 785 liquor stores, and many convenience stores (Coles Express). In 1914, George James Coles started the Smith St, Collingwood, Victoria store. In 1990, Coles adopted the latest technologies for various services, including logistics and inventory. Early in 1999, the company began the online shopping system (OSS), and in 2007, Wesfarmers acquired the group. Since then, Coles has continued with total quality, customer services, management, and a gradually developing network with suppliers.

Woolworths: The company started business in 1924, and since that time journey has been continuing. In 2005, the company acquired Foodland as one of the biggest companies in New Zealand to spread its business across 22 action areas. In 2006, DSE's joint venture in India with Woolworths opened the 1st Croma store in Mumbai. 2010: Macro Own Brand launches, 2011: First Masters Home Improvement Stores. There is a consistent journey from the stock exchange to business spread with a big basket of products for all Australian consumers.

1.1. Retail industry and supermarkets: Woolworths and Coles, both groups, are mainly holding and growing the retail market, focussing the essential food products like meat, milk, fruits cum vegetables, and meat milk. In addition to some vegan food, seafood is also captured with the export and import model attached to countries like Singapore, the Philippines, Indonesia, and India. In 2012-2015, an average market share showed that Woolworths contributed 43.3% and the Coles approximately 37.4%. A survey showed that in 2018, Woolworths got a better place than Coles in the Australian grocery market, although Coles was rushing behind them significantly (Mitchelson, 2020).

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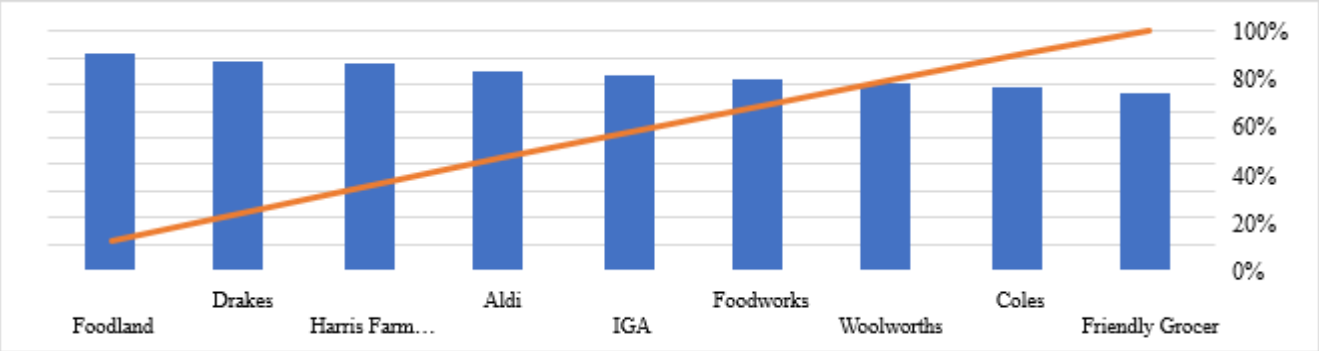

Fig.1. Companies sharing grocery markets in Australia (%)

Challenges: In 2011, the Coles group came into its dominance over Australian suppliers. The company management was not flexible in attending to the supplier's issues and grievances. They wished to negotiate and continue all the dealings at their self-management policies. A power imbalance created a mess in the market because suppliers were trying to deal with other retailers, i.e., Aldi, IGA, etc. In 2019, Woolworths and Coles faced criticism for alleged labor supply chain exploitation (Knight,2020).

1.2. Macro Environmental Analysis

Many external factors catalyze the various business, with a revision to legislation, the uncertain economic nature, modification of psychosocial behavior, consideration of current trends, and most importantly, industry 4.0 and its implications. In strategic management and marketing analysis, the PESTEL model always is the role model. Further, external environmental analysis is based on the application of Porter's Five Force model.
Macro environmental analysis is a part of the external environmental analysis that should be based on model-PESTEL. Here is a brief overview of the model:

Political: Political instability or disruption may tremendously affect complete logistic services that are supply chain and sales. Hence, the political factor is one of the most severe factors that government rules can influence regulations and policies affecting the total GDP (revenue). In 2019, the federal government agreed that grocery suppliers, including Woolworths, Coles, and Aldi, need stricter protections from giant retailers. The investigation, which began in March 2018, looked into whether the industry regulation governing supplier dealings with Woolworths, Coles, and Aldi needed to be revised. **Economic:** Economic growth is the ultimate objective for any country and community that enhances the customers' earnings and total prosperity. The financial status of an individual and entire nation progresses the consumers' buying power in response to selling power in any industry, mainly retail supermarkets. The fundamental objective of a business is to earn revenue, and they do it in various ways. Online sales increased by 64% to $1.3 billion across the board. Nearly 8% of the company's total supermarket sales are digital. Woolworths appears to outperform Coles in this channel, which reported 49% growth for 2020, a quarter with 5.5% of total sales.

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Social: In the retail industry, changes in consumer preferences have resulted from changes in modern lifestyles. Status may significantly affect supermarkets, a significant part of the elite and upper-middle classes. Overall, society is of utmost importance to accept and reject the product and producers in any industry, and that is because of quality products and committed services. The community will benefit more if production, transaction, logistic, staffing costs, and store costs remain within the capacity of Australia's ordinary people and impost cum export market. Social media analytics is essential in using various tools to evaluate the social factors of each company.
According to recent trends, the global market for convenience foods is predicted to increase at a compound annual growth rate of 4.4% by the end of 2025. India is also expected to contribute to other wealthy nations (Banerjee,2021).

Technology: The digitalization of technology has consistently increased the number of good quality products by newly-added competitors (small and upcoming companies) worldwide. Digitalization has taken the most crucial role in the last few decades in boosting the economy. Industry 4.0 is now contributing more with the help of better technologies like IoT and artificial intelligence for online shopping. The e-commerce facilities are becoming more popular to all online or offline consumers because industry 4.0 is the most significant digital revolution. The companies are increasing their rerail networking with the latest technologies, on-time delivery, services, and customer satisfaction.

Environment: In retail, staying socially and ecologically conscious is crucial. Packeting, waste removal, green energy, and plastic uses are just a few supermarket issues. The favorable environments have always proved better for growing business, generating business, and even starting new entrepreneurship.

Legal: The retail industry places a premium on remaining socially and environmentally conscious. The joint companies follow their well-accepted privacy policy, legal matters subject to enforcement and compliance activities, Product Safety, Credence claims, and food and grocery code of conduct. However, the food and grocery industry is more sensitive to protecting government laws regarding competition and consumer issues.

1.3. SWOT analysis

Strategic analysis is also called strength, weakness, opportunity, and threat. SWOT analyses can analyze an entire firm or organization and specific initiatives within a department. SWOT analyses are typically employed at the corporate level to determine how closely a company's growth paths and success standards are aligned.

Woolworths Five Force Model:
Management application: Promotion policy that isn't wholly low-cost but also not relatively high-end. The group has also contributed to an almost 55 percent increase in business in the middle-class group.

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Market assessments: Woolworth's grocery network began expanding into lower-priced categories based on its brands' values. Therefore currently, they are one of the top players in Australian supermarkets and retail chains.
Market dominance: The company holds almost 80 % of the market share, drastically reducing the threat of competition.
Employee welfare: Woolworths has always prioritized employee training and courtesy. To ensure employee happiness, the corporation pays incentives and perks every month in addition to income.
Consistent customer satisfaction and tracking: The goal is to achieve customer satisfaction and positive reviews to assess and understand quality. Second, keep tracking customers' buying costs and ensure their shelves are always filled with popular items.
Weakness: Besides the strengths, the disadvantages are sometimes more prominent and troublesome for big companies like Woolworth. The price war and consumer confusion about products, pricing, and manufacturing details. More critical is improper or hyper/hypo behavior that may affect the market in Australia and all other markets.

Coles Five Force Model:
Buyers' bargaining power: Customers' sensitivity to market pricing changes might put a company under pressure. Coles tries to market "Coles Home brand" products in addition to various other international brands. Another business strategy Coles uses is to attract more customers by offering high-quality products at a lesser price.
The threat of a new entity: The latest entry always means new pricing, whether cheaper or costlier, economic contribution, geographical coverage, transportation, and services parts with lower prices. These all may be barriers to a new entrant in the same market that Coles faced or newcomers facing with Coles.
Suppliers/retailers' bargaining power: Because distributors hike the prices, there is no alternative for the company to raise the prices of products. Even if one distributor walks the price, Coles groups are capable of continuing business with other distributors. At the same time, suppliers can bargain by considering the market prices to cope with their sustainable business. That is why they increase the costs sometimes.
Rivalry in the industry: The essential item to consider is rivalry from a competitor. The other two largest supermarkets in Australia, Woolworths, and ALDI, were devoured. Coles have a similar market share and product availability, so supermarket confronts severe competition from these retailers. In this context, price distribution, competitive advantage through innovation (IT support), company strategy, and the launch of new products and services are all elements to consider.
The threat of substitution: Price performance, ease of substitution, product quality, substitute availability, and other factors influence the chance of a client switching to another alternative product. Coles makes every effort to keep its customers happy. As a result, Coles won't have to worry about product substitutions.

1.4. Competitor analysis: Besides the key players, competitors like Foodland and Aldi satisfy Australian customers with reasonable pricing and better services. In the current

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situation, these three key players face competition from more companies: Drakes, Harris Farm Markets, IGA, Food works, Friendly Grocer, etc. (Rayan,2019)

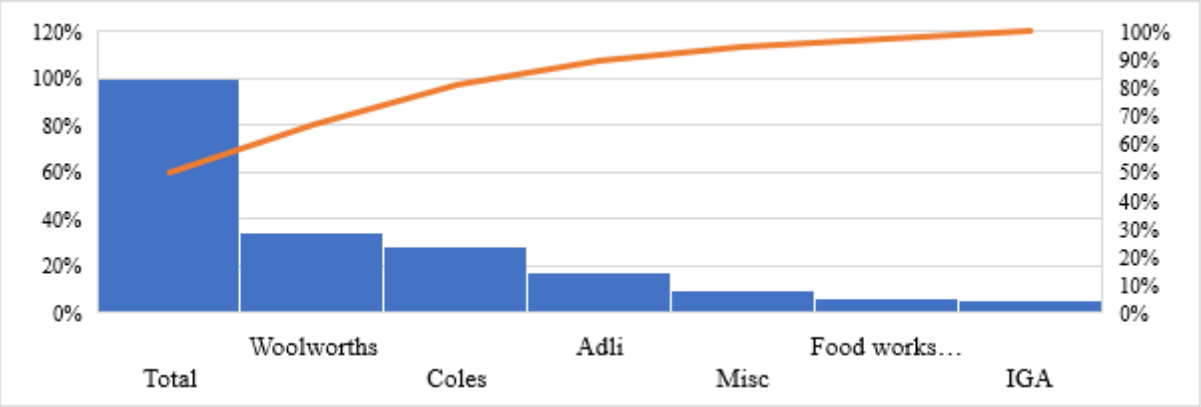

Fig.2. Key players in Australian retail markets with the best networking (source: https://www.choice.com.au/)

Despite the leading roles of Coles and Woolworths in the Australian retail market, Foodland is more proactive when talking about customer satisfaction. Aldi is another company that has shown a drastic development in the retail market with its affordable pricing of products and better logistics services, as per several surveys in Australia. Harris Farm Markets' overall satisfaction rating has dropped, as did ratings for the volume and availability of specials, discounts, and stock turnover. Here is a table of the top five companies that operate supermarkets in Australia (Logan,2019).

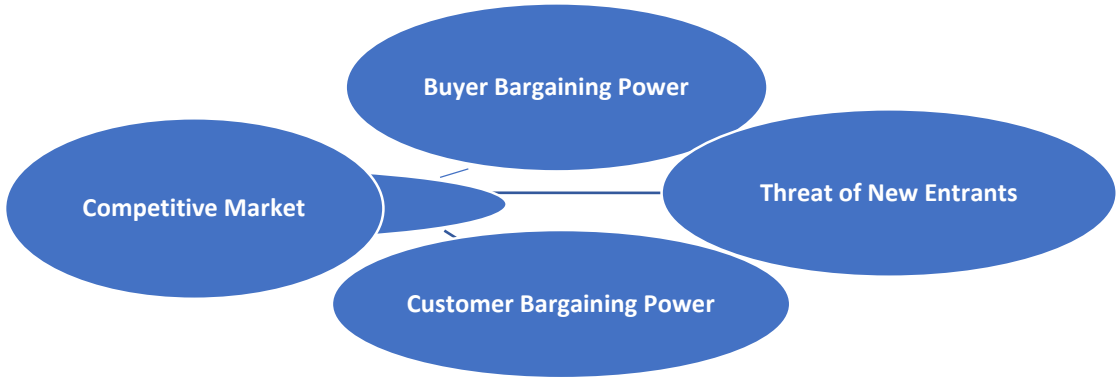

Fig.3. The factors involved in the competitive market

Table.1. The top 5 companies in retail sectors with the performance rating
Source: www.owler.com

Name of the Company	Nos. of employees	Funding	Revenue generation	Overall Rating (out of 100)

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Amazon	648,000	$56M	$443B	75
Walmart	2,20,000	$6M	$566B	66
Woolworths	75,000	-	$32B	82
Coles	118000	-	$26B	79
Kroger	4,53000	-	$132B	73

1.5. Strategy analysis:

Product innovation, price approach, promotion planning, and other marketing methods are a few examples. Price, Product, Place, and Promotion are all part of the marketing mix framework.

Woolworths Strategy:

Products: Woolworths' products range from bags, jewelry, furniture, bedding, housewares, and apparel and accessories to clothing and other essential commodities.

Pricing: Woolworths strives to maintain pricing comparable to or slightly higher than those in the market.

People: The company puts high dignity and value on its employees. As per the latest market reports, they have employed 200,000 people.

Process: The company's main objective is to use methods to drive personnel and technologies. Woolworths has 1100 locations in Australia. Supermarkets account for 96% of the total, while convenience stores account for the remaining 5%.

Advertising and promotion: A well-designed promotional channel helps a corporation reach its target market and generate profits. After the company rebuilt its website as an eCommerce online platform, customers may shop online and deliver their purchases to their homes.

Table.2. Various markets, products' performance, and roles of top players

Companies in the Australian Grocery market	Products with the best performance	Vegan market	Seafood
Woolworths	All fresh fruits and vegetables, meat, deli, and other foods	Tofurkey and MyLife, and various macro brand	More than 7% of the food market is exported to South Asian countries.
Coles	All fresh fruits and vegetables, meat, deli, and other foods and Beyond Meat Burger	Various macro brand	Almost similar food
Kaufland	Similar foods	Similar foods	Similar food

Coles Strategy:

Pricing and product: Coles gives customers lower costs while maintaining good product quality. Coles strives to keep the price of a weekly basket of products down, even though the cost of living in Australia remains high, giving it a competitive advantage.
Workforce and Distribution: Coles' distribution plan is to improve its store network, with an

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annual increase of 2-3 percent in supermarket net space. Coles Online is a 24/7 online supermarket where users may shop and order Cole products. *Advertising:* Coles' marketing strategy and advertising rely on the supermarket's lower prices.

1.6. VRIO analysis (value, rarity, imitability, and organization)

The VRIO, i.e., Valuable, Rare, Inimitable, Non-substitutable/organization, evaluates its ability to utilize its resources for growth and competitiveness. This structure is strongly tied to non-substitutability, which was present in the previous business model and elaborated on the unique resources that provided it an advantage over competitors. As per Matthew Harvey in Apr-08-2020, here is an analysis of Coles and Woolworth based on a few critical market analyses (Van Kampen,2019).

Table.3 VRIO analysis and assessments of Woolworths

Assessment parameters of Woolworths	**VRIO analysis Gr 57**	**Totals**
Negative; Gr=16	16	16
Neutral; Gr=17	17	17
Positive; Gr=15	15	15

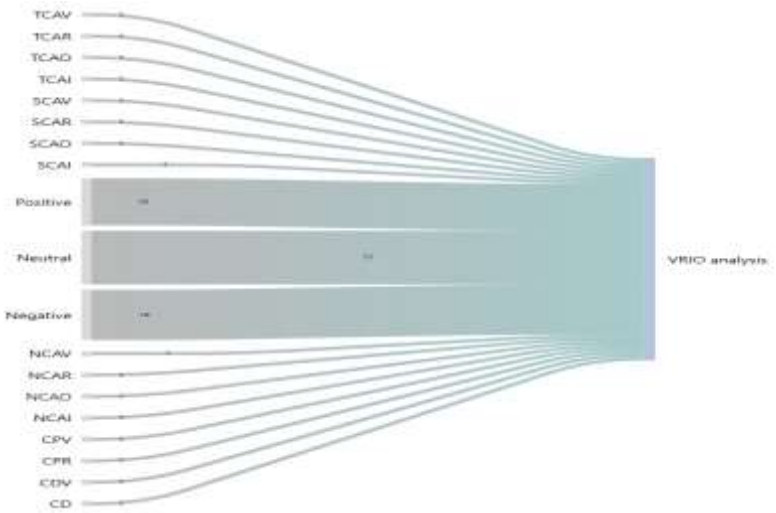

Fig.4. VRIO Analysis of Woolworth - Sanky diagram

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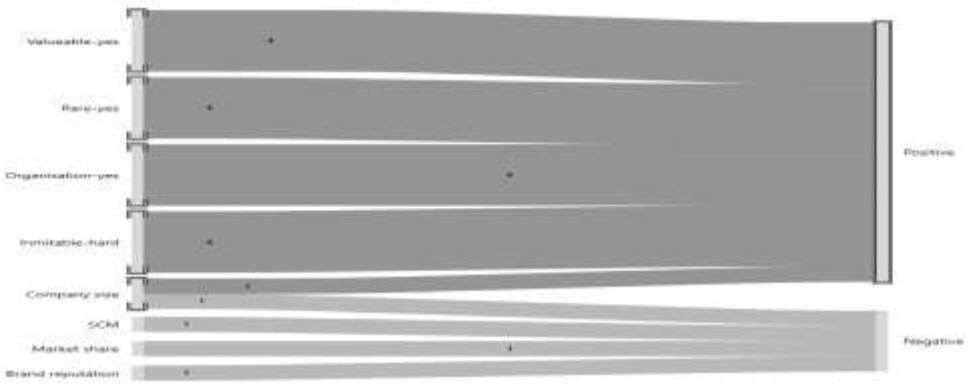

Fig. 5. Coles -Sanky diagram

Table. 4. VRIO analysis and assessments of Coles

Assessment parameters of Coles	**Negative Gr=4**	**Positive Gr=4**
Brand reputation Gr=1	1	0
Company size Gr=1	1	1
Inimitable-hard Gr=4	0	4
Market share Gr=1	1	0
Negative Gr=4	0	0
Organisation-yes Gr=4	0	4
Positive Gr=4	0	0
Rare-yes Gr=4	0	4
SCM Gr=1	1	0
Valuable-yes Gr=4	0	4

2. CONCLUSIONS:

Woolworths' current key issues include fierce competition from Coles (industry rivalry) and the threat of fast-growing supermarket Aldi (threat of new entrants). Woolworths must avoid utilizing the "copycat" techniques that have typified the industry's competitiveness to solve these problems and take the top spot in Australia's supermarkets. The strategy aids a company in comprehending the market's dynamics and the distinct needs of its clients. As a result, the

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organization can provide market-specific products. This apprehensive consumer's demands are satisfied in a unique fashion, which helps to build customer loyalty. This strategy has several benefits. Successful differentiation allows the company to demand even higher prices, resulting in better profit margins. Second, adequate difference fosters client loyalty, which aids in the company's financial stability.

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