

PESTEL ANALYSIS AND PORTER'S FIVE FORCES AS MARKETING TOOLS TO EVALUATE MORRISON'S PERFORMANCE AND STRATEGY

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Abstract

This research mainly focused on evaluating Morrison's performance and strategy by using PESTEL analysis and Porters' five forces. Company's financial reports and statements have used to achieve information regarding to their strategy in order to reveal whether PESTEL analysis and Porters' five forces can be applied for improving their performance or not and making comparison with its competitors. Sainsbury concerned as its competitor since, they have almost the same level of revenue and their activities are similar. The results show that this company can apply both methods to improve their performance. More information has been established in this research.

Keywords: *PESTEL Analysis, Porters' Five Forces, Strategic Management, Financial Performance, Strategy Clock.*

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1.Introduction

Porter's Five Forces is a model that identifies and analyses five competitive forces that shape every industry and helps determine an industry's weaknesses and strengths. Five Forces analysis is frequently used to identify an industry's structure to determine corporate strategy. Porter's model can be applied to any segment of the economy to understand the level of competition within the industry and enhance a company's long-term profitability (Rashi, 2017). The Five Forces model is named after Harvard Business School professor Michael E. Porter.

Organizations are composed of group of people working together for a common purpose to achieve desired goals (Rashid, 2018; Fatah & Sabir, 2023). Organizations are open systems with subsystems and therefore paradigm shift is necessary which focuses on interrelationships rather than cause-effects (Rashid, 2020; Budur et al., 2018). Organizational development efforts are designed to improve the performance of organizations for businesses profit is largely used to measure performance, while for non-profit organizations, performance is

measured in terms of relevance, effectiveness and efficiency (Rashid & Sabir Jaf, 2023; Budur, 2020). On the whole it's therefore important to examine how the external environment affects the organization's performance (Budur et al., 2023). What happens outside the organization's precincts without a doubt influences organizational behaviour. Consequently, organizational learning should constantly focus on the milieu to enable an organization to have the ability to develop effective strategies to improve performance.

The article critically examines one of the models used in organizational analysis abbreviated as PESTEL for political, economic, social, technological, environmental and legal dimension of the external environment. Each of the dimensions is presented to provide justification for the model. The macro environment analysed using the PESTEL is congruently important as the micro environment. This paper is critically evaluating how key factors within Morrison's business environment might have affected the development of the company's current strategy.

2. Literature review

PESTEL analysis serves two key purposes for businesses. The first is that it makes it possible to pinpoint the environment in which the business functions. The second fundamental purpose is that it offers data and information that will help the business anticipate future events and circumstances. Therefore, strategic management should employ PESTEL analysis as a precondition analysis (Yüksel, 2012). Although the current iteration of PESTEL analysis offers significant conceptual groundwork for the analysis of the macroenvironment, it has some measurement and evaluation flaws.

The lack of a quantitative method to measurement is the first issue with the PESTEL analysis's measurement and evaluation dimension. PESTEL factors typically have a qualitative framework, therefore measurement or other qualitative evaluation is not possible. Such an appraisal prevents the variables that make up the company's external environment from being objectively or logically assessed. As a result, the current technological PESTEL analysis framework has to be developed in terms of measurement and evaluation. Another problem is that while the conceptual dimension of PESTEL analysis recommends a holistic approach, the measurement and evaluation dimensions do not follow suit (Budur et al., 2023).

The parameters under analysis are typically measured and assessed independently. In actuality, though, it is unlikely that all aspects of the external environment will have an equivalent impact on business operations. While some of the characteristics have a big or crucial impact on how

well a firm does, others may only have a small one. As a result, the relative relevance of the factors and sub-factors in the PESTEL study may vary. This necessitates the adoption of a method that measures the relative weights of components and their sub-factors when assessing the macroenvironment of the business. The connections and interactions between PESTEL elements are another topic that should be considered from a holistic standpoint.

Each macro-environmental PESTEL element should be measured and evaluated independently to avoid misrepresenting the situation. It is impossible, for instance, to separate political circumstances from legal frameworks or economic situations. A political scenario may have effects on the economy and society, according to Song (2017). An approach based on the interdependence of the elements should be used in PESTEL analysis.

The aforementioned restrictions on the current PESTEL technique prevent a thorough and impartial investigation of the macroenvironment. Prior research using PESTEL analysis on the macroenvironment (Vojinović et al., 2022; Ortega et al., 2019; Pan et al., 2019) mostly focused on identifying and classifying the components. PESTEL's technical foundation does not support this technique, despite the fact that its conceptual structure and nature call for it. As it is, PESTEL analysis primarily gives a broad overview of the macroenvironment and circumstances around a corporation. To overcome these constraints, the study offers a measuring and evaluation technique.

3. PESTEL Analysis vs Porter's Five Forces Analysis

3.1. PESTEL Analysis

A-Political refers to the role of government. There are rules and legislations that entities can use to comply with. As much as Morrison wanted to provide wealth for its shareholders, it has to do the same for society. Hence, complying with concepts such as CSR (corporate social responsibility), which involves listed companies to take responsibility about environmental, social, employment issues, for example, by reducing the use of petrol to decrease the pollution as well as costs, accordingly reducing the cost might help Morrison to move towards hybrid as it mentioned before, because they want to provide their product/service in cheaper price. Morrison can be affected by the political issues, such as tensions which have been existed very recently about importing petrol from Iran (Ivory, et al, 2012).

B-Economic highlights the macro-economic factors: exchange rate, business cycles and differential economic growth rates around the world. Economic factors can have big effects on the strategy of Morrison. In 2008 for example, they decided not to pass on increasing global prices to consumers because this will undermine their purchasing abilities, and instead reduce their own costs. Although, in 2009 the government's decrease in interest rates assisted to minimise further growth in unemployment. This led to increasing the spending power of consumers, because they were sure about their financial situation (Ivory, et al, 2012; Budur et al., 2023). This might have an impact at that time on Morrison to be at route 2 because customers care more about price and they sell product/service in a low price.

C-Social effects contain changing cultures and demographic for instance, aging populations. There are a great number of elderly in the society. Elderly tends to eat less which may have influence on the sales growth. They are unlikely to go shopping in supermarkets compared with the younger generation. Morrison should make the shopping more interesting and developing online shopping (Ivory, et al, 2012; Noori & Rashid, 2017). This can have implication for its strategy. Increasing demand for organic food has been accommodated by Morrison to mirror the demand change. This may be a reason why Morrison says we are different and they want to be different to go into hybrid.

D-Technological effects relate to innovations: internet, nanotechnology. The use of the Internet through online grocery retailing influences on the operation of supermarkets, which shows a slightly growth. Online retail shopping has achieved a huge popularity owing to the increased access to broadband internet in the UK (Ivory, et al, 2012; Rashid & Noori, 2017). Thus, online shopping could be the big factor for improvement in the future and this could have implication on its current and future strategy to be different. Consequently, they are more likely to move on hybrid.

E-Environmental influence: pollution and waste. It has been found that by the Office for National Statistics (2010) the percentages of customers using recyclable bags have increased from 71% to 74% and those who attempting to reduce the number of plastic bags that they get from the markets and shops have risen from 65% to 68%. This helps in decreasing the overall cost and is better for Morrison corporate social responsibility image. Helping the environment means, they are looked at as a fair business which is responsible, but they still have to do a lot which could have implication on its strategy. Already as a reply to CSR they had invested in assets which use less energy and fuel to reduce emissions (Ivory, et al, 2012; Rashid, 2019).

Therefore, strategy can be changed when the world rules and regulation change and when the business environment changes and it can mention that previous factors have had a considerable effect on Morrison's strategy.

F-Legal holds legislative constraints or changes: health and safety legislation. It has been estimated that VAT would have to increase by 20% since the Government has to finance a considerable budget shortage (Ivory, et al, 2012; Rashid, 2020). This will influence the non-food sectors of Morrison and hence its strategy to continue selling non-food items.

3.2. Porter's Five Forces Analysis

1-Threat of entry of new competitors

The threat of new competitors' entry is low into the food retail industry because, it needs big capital investments to be competitive and to make a brand name. Main brands like Tesco, Asda, Sainsbury's and Morrison have already taken the food retail market and they account for 80% of all shopping in the UK. Thus, new entrant has to create something at an extremely low price and/or high quality to found their market value. Achieving permission plan takes a huge amount of time from local government and resources to find new markets and this will be a huge barrier to new entrants (Ivory, et al, 2012).

2-Threat of substitute products and services

Substitution threat in the market of grocery retail is medium to high for non-food items and considerably low for food items. In the market of food retail, a main food retailers' substitution of convenience stores are small chains, organic shops will not be seen as a threat to supermarkets, for instance Morrison which offers a production in a high quality with extremely lower prices. Although, the threat to substitute non-food items, for example store products, is high. As long as the economic recession succeeds, customers will incline to discounted prices, therefore Morrison is a threat to the speciality shops (Ivory, et al, 2012).

3-Power of buyers

The negotiating power of buyers is properly high. In situation where there are slight differences between products, when the changing cost is low the buyers can easily go from one brand to another. Low price attracts customers and with the online retail shopping availability (Ivory, et al, 2012; Rashid, 2023).

4-Power of suppliers

The negotiating power of suppliers is low. Suppliers are motivated to main food and grocery retailers and feared missing their business contracts with huge supermarkets. Therefore, the rank of the retailers like, Asda, Tesco's and Sainsbury's is extra strengthened and negotiations are positive to gain the lowest probable price from the suppliers (Ivory, et al, 2012).

5-Intensity of competitive rivalry

The intensity of competitive rivalry for both grocery retail business and food is considerably high. Morrison faces more competition from its direct competitors, like Asda, Sainsbury's, Tesco and Waitrose, which are competing with each other on quality, price, and products (Ivory, et al, 2012).

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