RISK MANAGEMENT FOR A RETAIL INDUSTRY

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Abstract - Retail Industry (RI) was facing an increased global competition, technological innovation, cultural risk (R)s, new customers' needs and desires and (R)s in much more besides. The aim of this research is thus to identify and assess those (R)s that affected (RI)'s since 2018 and to examine the generic techniques adopted by (RI) since ever. Further, an attempt was made to examine the (R) MGT tools that (RI) has followed, and the (R)s of organisational culture were also identified and analysed. This research utilises an inductive approach. The core of this approach centres on the use of a survey which itself is based on findings from exploratory interviews. At the end of this research, some recommendations were advised regarding (RI) future and (R) MGT.

Keywords - Retail industry, Risk Management, Risk tools.

I. INTRODUCTION

In a changing world the only constant is change (Carnall 2009, p.143). Retail Industry (RI) was facing an increased global competition, technological innovation, cultural (R)s, new customers' needs and desires and (R)s in much more besides. Consequently, (RI) faced complex and challenging threats and opportunities. To investigate how (RI) was affected by those (R)s and how it responded to them from 2018 to 2023, utilising a conceptual and applied approach to strategic MGT is used.

The aim of this research is thus to identify and assess those (R)s that contributed to (RI)'s decline since 2018 and to examine the generic techniques adopted by (RI) since ever. Further, an attempt was made to examine the strategic directions that (RI) has followed, and the (R)s of organisational culture were also identified and analysed. At the end of this research, some recommendations were advised regarding (RI) strategic future.

II. LITERATURE REVIEW

In 2018, industry's reputation for value was suffering which led to unfortunate perception of quality, reducing brand loyalty, and falling (Market Share) (MS). In 2021, unexpectedly, (RI) halted its expansion programme in Europe and America (this programme began in early 2000), and announced 23% decline in first-half profits, causing its share to fall drastically. This warning sign brought (RI) position and techniques into question.

In a time when business environment is changing rapidly all MGTs, not just those in trouble, are paying more attention to technique. Yet (RI) was far from this maxim and the traditional MGT was busy of operational plans. However, the external environment comprises forces operating at two levels: the general and competitive environments. Here is the key market (R)s that led (RI) to this position. In 2020, retailing descended into a sudden recession. This recession has increased customer requirements of value for money (Anstee 2011, p.4). In turn, (MS) of the whole retailing sector has declined. (RI)'s difficulties were compounded by currency fluctuations and the on-going collapse of some of the Far Eastern economies. For instance, the Korean financial crisis was considered the main culprit in the near demise of (RI) in Korea (Frederick 2010). The additional costs incurred, together with the strengthening dollar, was forcing (RI) to position itself much further up-market overseas than its middle-market positioning. Further, despite some European and Asian countries were costly (the expansion cost was $ 130 m yearly) and difficult to expand in; (RI) had been pursuing a series of rapid expansion initiatives.

In 2000, Middle Eastern retail market was witnessing an intensive competition among retailers; this competition was eroded (MS) from both the top end and bottom end of the retail market. Such competition was intensive because (RI) and its competitors were both roughly at the same size and operating in mature market. As a result, (RI) was not able to achieve its continuous (MS) effectively; in particular, its competitors were offering not only similar products with lower prices but also new designs and up-to-date fashion.

Lifestyle, per capita income, physiological and psychological characteristics of customers are all affecting their behaviours and needs (Burgher 1979). Yet, (RI) has not responded well to new needs and desires. Meanwhile, (RI) has stocked generic clothing ranges with no fitting rooms until 2000s. In addition, when almost every retailer has loyalty card and Internet shopping activities, (RI) has not until late 2000s. Also, when women were the large proportion of customers and much of the merchandise was womenswear, top MGT were hugely dominated by men.

III. RESEARCH METHODOLOGY

The purpose of a research design is to reduce the possibility of getting the research results wrong. Generally, there are two approaches to research philosophy: Positivism and Phenomenology. Given the research questions, it is difficult to develop specific hypothesises particularly as there is a lack of established theories. Because of these problems, this research utilises both quantitative and qualitative analysis. Such a mix of approaches has been advocated, inter alia, by Saunders, Lewis et al. (1997:73).

Both deductive and inductive research approaches are widely employed in business studies. The research approach employed here falls more closely into the inductive category. Research using the inductive approach is particularly concerned with the context in which events have taken place. Creswell (1998) suggests that inductive approaches should be applied to specific contexts: Accordingly, for this research, the inductive approach has been thought of as being more appropriate than the deductive approaches.

To date, little statistics on retailing, thus, it is impossible to obtain published timely data on retailing. In this research a survey approach has been used to obtain primary data. To reduce the (R) of inaccuracies, both interviews and a questionnaire survey were employed in this research. Interviews were held with members of the Amman Stock Exchange in Feb 2024. The results of the interviews were recorded by note taking, and subsequently typed into a PC. Each interview required more than one hour. The results of interview were considered when drafting the questionnaire.

The 9 semi-structured interviews highlighted several important issues and variables related to the research questions. Those variables were subsequently integrated in the design of the questionnaire. Prior to distributing the questionnaire, a pilot test was conducted. The questionnaire was pre-tested with retailing experts Initially, respondents were asked to comment on the suitability of the questions. After that, they were encouraged to make suggestions on the structure of the questionnaire. The pilot testing led to several amendments as well as a shortening of the questionnaire.

After pilot testing, a formalised questionnaire of 8 pages (A4 size) in length, structured into three parts was created. Part one, to be answered by all respondents, comprised sections which addressed the nature of the (RI), Part two sought to identify factors which affected the (RI) and (R) MGT activities. Part three focused on (RI) issues. To facilitate the analysis, most questions were coded as a five-point Likert scale. 281 retailers, mainly departmental managers or directors were sent a questionnaire. Following the first communications with these firms, 56 addresses were excluded because of the potential respondents could not be reached. Eventually, a total usable sample population consisting of 128 practitioners working for 49 firms were identified.



In the analysis of responses, SPSS was employed. The objective of factor analysis in this research was to reduce many observed variables to a smaller set of underlying factors that preserve the essential nature of the original variables. Kolmogorov-Smirnov Test, on the other hand, is used to test the significance of differences. In this research, Multiple Regression Analysis MRA was used to investigate relationships such as the (MS) and (R). Judgments about the quality of such models can be based on several statistical tests. Thus, the R2adj is a rough guide for the fit of a model. It is suggested that the Kruskal-Wallis test is more efficient than the extension of the median test because it utilises more of the information in the observations, converting the scores into ranks rather than simply dichotomising them as above or below the median. The Kruskal-Wallis analysis test is also thought to be very useful for testing three or more independent samples (Siegel and Castellan, 1988).

IV. FINDINGS

As a result, (RI) lost a large proportion of its customers. This lack of communication between customers and the senior managers has also caused poor buying decisions. For instance, in 2009, the cost of unsold winter stock was $150 m (Christopher and Martin 2011). This ignorance was continued even after 2009s, that when home shopping was the most noticeable trend in retailing, the group's home shopping activities was accounted for only a tiny proportion of its business.

Thus, the quality, which was the core competitive advantages (Wildeman 2010), was not able to compensate (RI)'s lack of meeting its customers' new needs and desires. The (RI)'s reliance on the China as a supply base coupled with the strength of dollar was benefited its competitors but disadvantaged (RI) by making its product less attractive abroad. Besides, suppliers were struggling to remain price-competitive; therefore, some had opted to supply (RI)'s orders from overseas facilities. To comply with sourcing requirements, the garments, for instance,

were shipped to the Asia for finishing. Some of the consignment would then be returned to the region of origin for sale. The round-trip lengthened the delay before goods appeared in the shops. In truth, (RI) has recovered successfully by a technique of focusing on customer and market. Since 2010, (RI) has followed many generic techniques to develop and maintain competitive advantage.

(RI) achieved lower cost than its competitors across abroad range of market segments. This leadership was achieved through the value chain process by both obtaining benefits of economies of scale ((RI)'s production accounts for 25% of the entire textiles industry), and by obtaining low-cost material from suppliers. Interestingly, in 2010, (RI) disclosed its plan to offer cloths of a discounted price of 30 % in factory outlet Malls. (RI) by adopting such price-based technique could adversely affect the perceived quality by customers.

However, cost reduction has generated savings of $ 6m in 2012. Further, this technique was very hard to be imitated or beaten by competitors because (RI) has both higher level of experience and more efficient distribution channels (Christopher and Martin 2011). But competitors or newcomers could imitate such a technique if they could invest in state-of-the-art facilities.

(RI) concentrated on the uniqueness and improvements of its products. In turn, its products were perceived as high quality, reasonable prices, and refundable. In 2009, (RI) established an organisation-wide marketing department to demonstrate that it is better than its competitors by having better sense and respond to customers' needs. (RI) created a Customer Insight Unit after reviewing with customers the perceptions of the (RI) brands. Further, it devised a large-scale promotional campaign to restore its image as an innovative retailer offering unique quality products.

By pursuing this technique, (RI) succeeded of both providing products different from its competitors and retaining buyer loyalty that "customers are coming back, buying more and telling others". But differentiation is not always good, because buyers could sacrifice services or image for large cost savings. However, differentiation technique enabled (RI) to achieve higher (MS). This success was due to a high-profile corporate reputation for quality and innovation, motivated sales teams, and establishing a good product development team.

In 2011, (RI) announced major (R)s to its techniques. It aimed at focusing on developing retail market and restoring the trust and confidence of its core customers (Boddy 2012, p.155). In mature market, such as that of Europe, focusing on customer service is workable as a consolidation (Boddy 2012). Thus, in February 2010 (RI) promised an extra staff who would operate on the shop floor to serve and help customers. Further, (RI) tried to consolidate through increasing marketing expenditures by launching large-scale promotional campaign.

Because consolidation technique has been prompted by falling profits since 2008, (RI) was in retrenchment situation. Therefore, its cost reductions policy has involved the sale and leaseback of huge firms. By the end of 2012, (RI) has increasing sales up by 9.2 %; such a direction was successful because (RI) did not utilise this direction as a substitute for quality. To maintain a successful technique of consolidation, (RI) firms established (CIU) to perform in-depth customer's research.

It was clear that (RI) had many difficulties in operating abroad; also, it was unable to achieve the competence levels of the leaders in the market especially in Europe. Thus, in Mar 2011, several huge (RI) firms had withdrawn from Europe and America. Brooks Brothers was put up for sale and Hong Kong stores were sold to franchises (Johnson & Scholes 2012). This direction not only released some resources and competence for concentrating on clothing, but also it achieved better return than using these resources elsewhere. The benefits to trading profit from this choice were about $ 56 m in a full year. These measures gave rise to exceptional charges. Some two thirds of such charges were cash items covering closure costs and future trading losses. To increase (MS) and restore its image as an innovative retailer offering high quality products, (RI) has increased marketing expenditure in 2008 (TV advertising for food and IT expenditure).

In 2010, another attempt was made to increase (MS) by offering different items at a discounted price in factory outlet Malls. This could bear bad effect on loyal customers that the same products were being sold cheaper, but (RI) solved this problem by selling the same products with stated discount but without its trading mark label. However, in 2012, (RI) has moved from securing, to sustaining the recovery. Product development may be preferred because firms have core competences related to R&D. Since 2008, (RI) was following the changing needs of its customers by a continuing policy of introducing new product lines. In 2009, (RI) split the firm into developing retail business, overseas business, and financial services; this could produce new financial lines and new products. While at the end of 2009, it splats the firm into several units: womenswear, menswear, children's wear, lingerie, food.

Therefore, it conducted in-depth customer research which eventually caused the new fashion products. In April 2009, (RI) launched new products ranges.

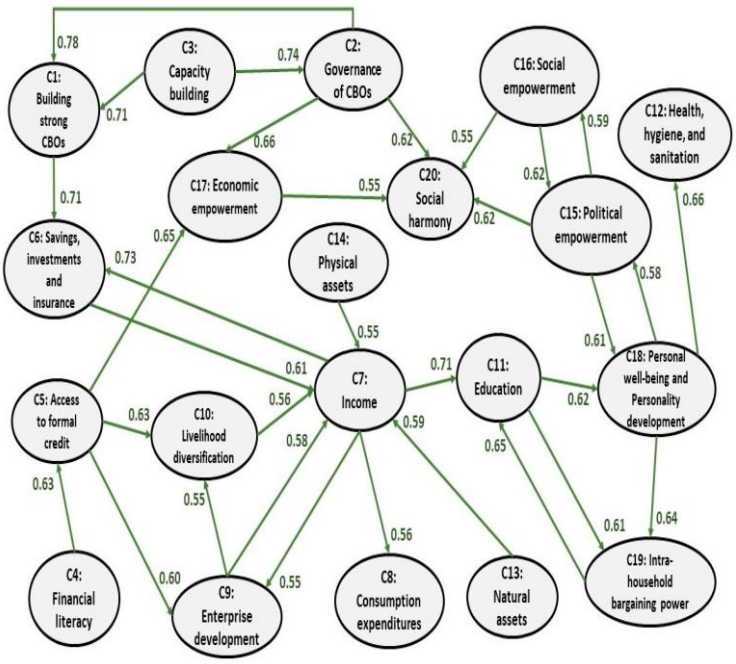
Hiring experts, to design a new range of products. Developing new product to suit customers from different countries after they found that more than half of customers are not “fit size”. Developing premium-priced ready meals and is constantly developing new lines of ready-prepared foods to keep its offer fresh.

For food business, (RI) maintained its (MS) in a competitive environment. In general, customers reacted positively to the improvements in product appeal, quality and fit. All areas of adult products achieved double digits sales increases in particular ladies’ products and men’s products. In women products, this was helped by the (R)s made to product segmentation, ranging from targeting younger customers, through the perfect ranges, to the classic shops for the more traditional customer. This success was due to that (RI) has core competence related to a Customer Insight Unit (CIU).

Most firms have developed in ways which have resulted in limited coverage of the market by their products. (RI) extended into developing market which are not served stores. Boddy (2012, p.173) stated that market development could be achieved by targeting new market segments (new groups of customers, by age, profession, lifestyle, or interest).

It can be argued that by splitting (RI) into different segments, it was diversifying its activities but it still within the broad confines of the retailing. As diversification should build on core competencies rather than detract from them, the original core business of (RI) is product retailing, and the keys skilled are supply MGT, value-for-money, and branding. (RI) pursued vertical integration by introducing in-store bakeries and butchers rather than buy them from elsewhere. By the end of 2012, (RI) increased the unrelated diversification such as luggage, beauty products, life assurance, pensions, credit cards, loans, and Individual Savings Accounts.

The assumption, which constitutes the paradigm, reflects the customer perception in the Middle Eastern countries that (RI) as a firm provides high quality products. In truth, this was a source of real competitive advantage. But after 2008, its core assumption was in question. To explain these (R)s, cognitive map is shown below.



For most of its history, customers took for granted that (RI) products are the best quality. This took from, for instance, in routines of no-quibble refund of products. But this routine caused products to remain in the stores all years round. The change proceeding 2008 was come to emphasis the importance of providing customer with good services. For instance, in 2010, (RI) promised an extra staff who would operate on the shop floor to serve and help customers. While training programs (Be Free and Best Fit), appraisals, staff meetings (consultations) had enhanced (RI) overall performance. In short, despite that several products have received damaging publicity following a decision to move production overseas, the products bought-in margin has achieved a further improvement.

During 2018, the stories were around the financial difficulties that (RI) were facing. After 2018, (RI)’s stories were around the failure of recovering and the take-over as reported by Financial Times. By the end of 2020, failure stories turned into success stories when a arise in operating profit. Such success stories

had positive impact on (RI)'s performance that it was the best performing share in the FTSE 100.

Implementing another MGT structure to be more customer focused was received as a success. In May 2021, (RI) firms have split into five operating divisions, and within developing retail division seven customers business units were established. To ensure customer focus, each unit would have dedicated buying and selling teams. This approach had focused more on different functions including HRM, marketing, food, clothing, beauty, home, and finance. Furthermore, staffs have been encouraged to highlight any problem areas they feel are present within future ranges. Sales have increased because, inter-alia, staff was also to be rewarded by pay bonuses according to their sales performance.

Until Nov 2021, (RI) stores were identical with traditional products. Such an attitude had a worse effect on the customers than (RI) had predicted. Later, stores, uniforms, packaging, and carrier bags have been completely developed. On the other hand, brands were relegated to inside products labels as a symbol of quality and trust. This change has removed the confusion about brands. Customers can notice the difference in the stores and products positively. However, restructuring took place by moving away from (RI)'s bureaucratic culture. (RI) has decentralised the control of its stores, providing them with more choice in stock and allowing them to react to local demand. This change from control hierarchy to a flatter structure, not only has increased the power for decision-making purposes but also increased the responsibility for sales advisors and introduced better customer orientation.

In 2022, (RI) had turned its main attention toward customers needs, and to fit control system with this shift, executives were appointed at just below board level to head the units, reporting directly to B.o.D. Further, several MGTs established selling and buying teams within developing retail markets to ensure customers focus approach. Control systems 'measurement and reward systems emphasis what is important to monitor in the firm. Rewards (remuneration package, bonuses, staff discount, free shares, pensions, family care polices), punishment (disciplinary procedure) and measurements (store targets, annual report, absence %), were set up to support the good quality products according to customers' needs and desires.

It is believed that the turnaround was relatively swift because of the strong values and qualities that customers traditionally associated with (RI) brand.

V. CONCLUSION AND RECOMMENDATIONS

(RI) succeeded and regained its leadership in market. That the pre-tax profits for the last two years have been increased. This was the first time since 2009. Interestingly, (RI)'s back to basics approach of refocusing on customers, employees and market was workable and seems to be so for good future. Further, it was clear that (RI)'s brand values of consumer, trust, and reliability were not enough to provide a sustainable competitive advantage. Thus, in this changing marketplace, surveying customers' needs and desires is crucial to sustain the success.

In truth, maintaining a good quality as a core competence for (RI) is the most workable maxim, because markets are becoming more and more sensitive to quality. In this context, developing sub-brands aiming at specific market segments should be fruitful. Despite (RI) have many options for markets and products on a global basis, yet expanding globally must meet feasibility and acceptability standards both in terms of fit with values and financial performance. Besides, expanding into Arab World, for instance, seems to be very dangerous because of the common boycotts against foreign products (RI).

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