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# Core Competence & Diversification in Apparel Retailing - the case of Next Plc



Stephen M. Wigley

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next

# Introduction

- Purpose & context.
- Why Next?
- Literature & conceptual background.
- Next – competence and diversification in apparel retailing.
- Conclusions.

next

# Background & context

- What is the determinant of success/failure?
- What must a fashion retailer 'be good at'?
  - Subjective interpretations of 'good'.
  - Opinions tainted by personal & professional bias.
- How can a fashion retailer be competitive and grow in a sustainable manner?

next

# Background & Context

- Many area/discipline-specific accounts:
  - Product design, development and manufacturing;
  - Corporate structure & distribution management;
  - Financial planning & management;
  - Marketing capabilities and branding;
  - Retail format & channel development;
  - Market development & Internationalisation.
- Few comprehensive accounts:
  - Lewis & Hawksley (1990).

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# Diversification

- Ansoff (1957) – products and markets.
- Reed & Luffman (1986) – naive interpretation?
- Later literature acknowledges diversification is founded on leveraging key assets, capabilities and specialisations inherent to the business.
- Connection between diversification & sources of competitive advantage (Porter 1985).

next

# Diversification

Diversification  
1

- Rijamampianina et al (2017) recommend diversification based on identifying a key competence or asset and extending that competence to all growth activities.

Diversification  
4

Core  
Competence

Diversification  
2

- Will analysis of one company's diversifications allow identification of that company's core competence?

Diversification  
3

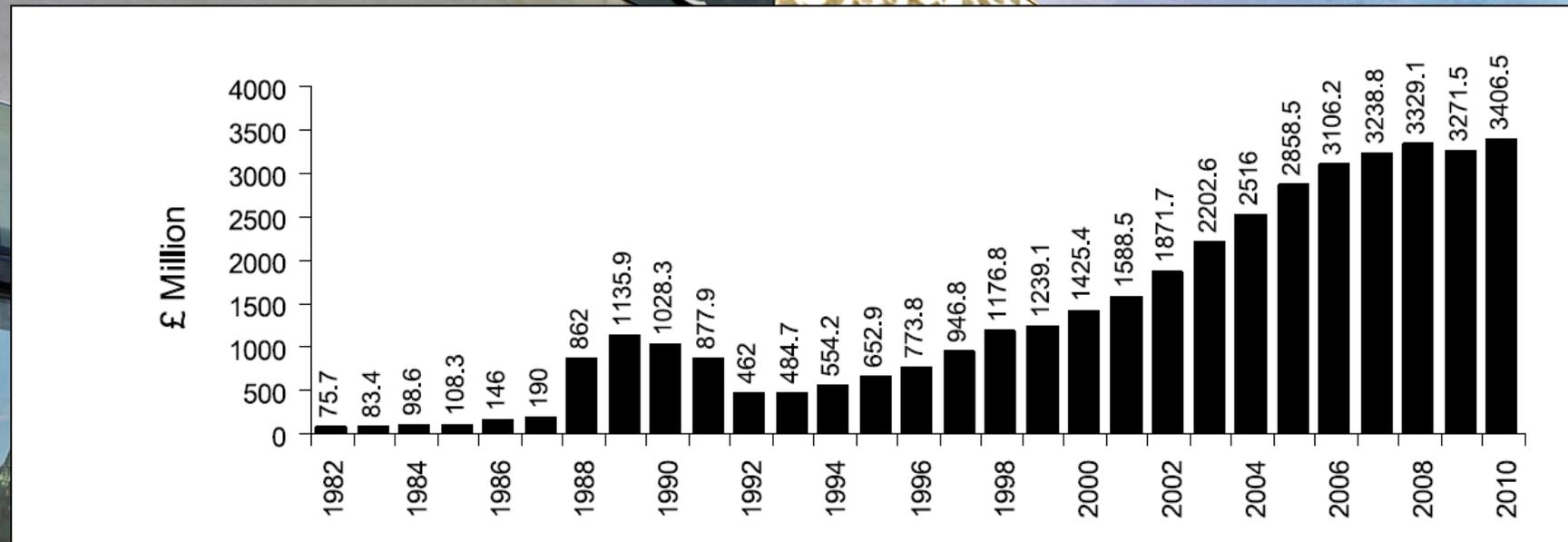
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# Why Next?

- Speed, scale and scope of growth.
- Historical – and historic – success.
- Instances of crisis and recovery.
- Variety of specific means of diversification.
- Accessibility of research materials.
- Mid-market position minimises variables.

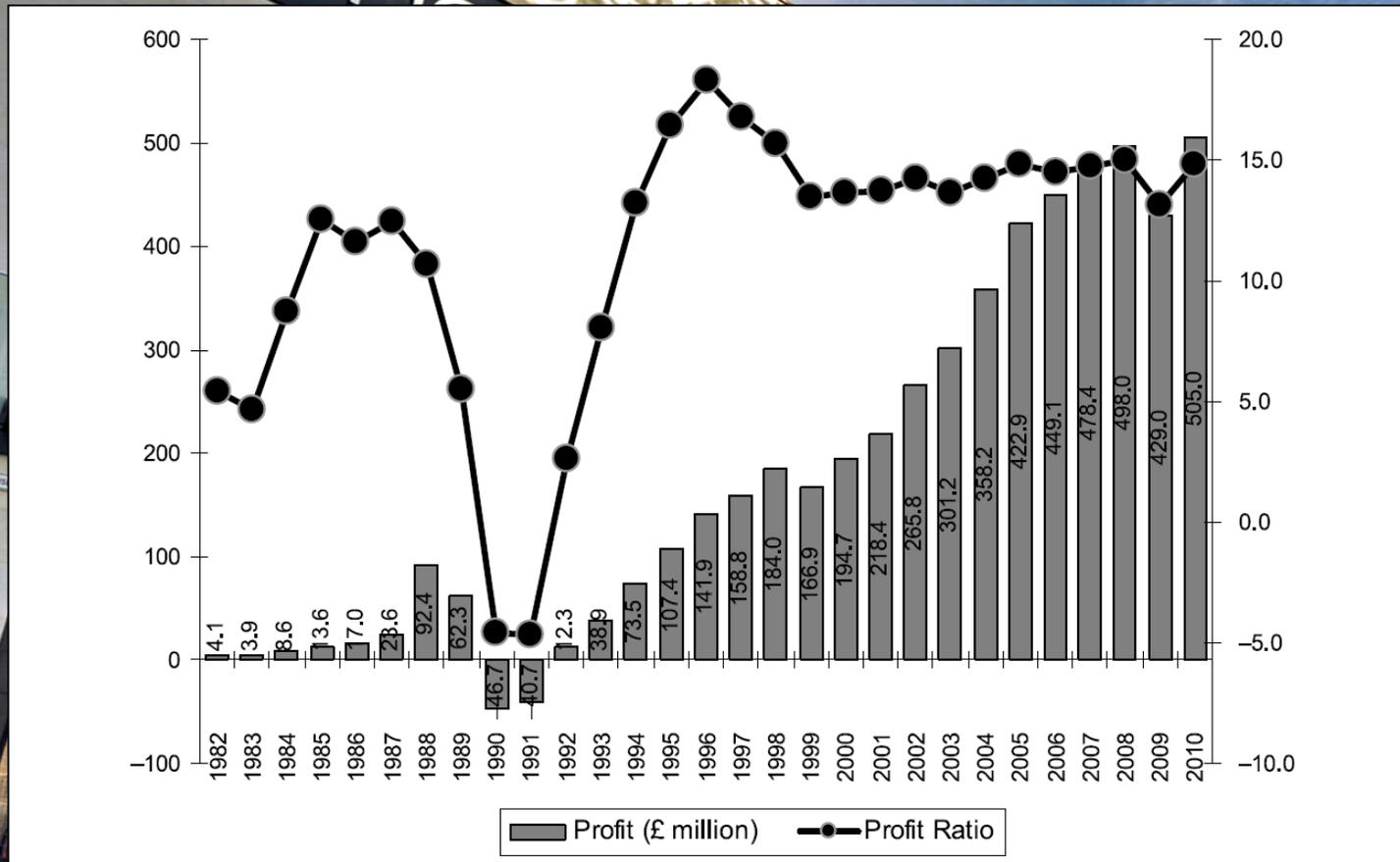
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# Why Next? *Sales performance.*



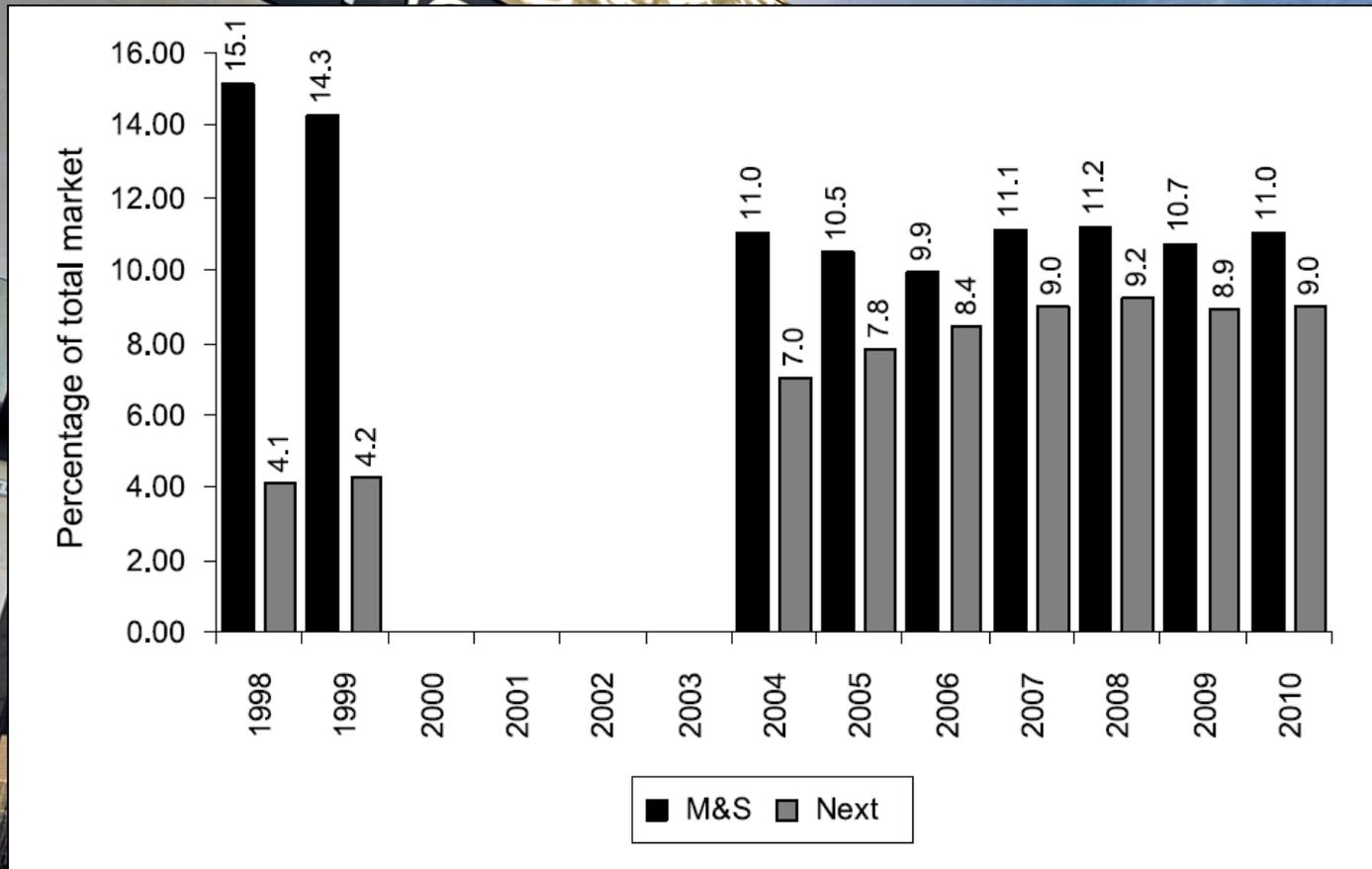
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# Why Next? *Profit & profit ratio.*



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# Why Next? *Mkt share vs. M&S*



next

# Next - Diversification

## Six means of diversification evident:

1. Brand diversification.
2. Product & service diversification.
3. Channel diversification.
4. Format diversification.
5. Foreign market diversification.
6. Business support diversification.

next

# Brand diversification

- 1984 – Next for Men
- 1987 – NBG
- More or Less
- Next Too
- Next Originals
- 1987 – 37 distinct sub-brands...
- 1988 – “One Brand”
- Next to Nothing
- 2005 – Next Luxury
- 2005 – Lime
- 2008 – Lipsy
- 2008 – Brand refresh and refocus...

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# Product & service diversification

- 1985 – Interiors.
- Jewellery.
- Holidays.
- Healthcare.
- Newsagents.
- 1988 – focus on fashion ranges.
- 1995 – Interiors relaunch.
- Fragrances & beauty.
- Flowers & electronics.
- 3<sup>rd</sup> party products.

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# Channel & format diversification

## Channel

- 1986 – Grattan
- 1988 – Next Directory
- 1999 – next.co.uk

## Format

- 1980s – fractured.
- 1989 – 500 closures.
- 1999 – larger stores.
- 2001 – out-of-town.
- 2003 – Home-only stores.

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# Foreign mkt & business support diversification

## Foreign market:

- 1993 – USA J.V.
- Europe – self-owned.
- Asia/M.E. – franchise.
- 1999 – withdrawal.
- 2004 – Scandinavia.
- 2008 – East Europe.

## Business Support:

- 1985 – Club 24
- 1994 – Ventura.
- 2002 – inhouse manufacturing.
- 2004 - £60m invested in distribution system.

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# Findings

## Key findings:

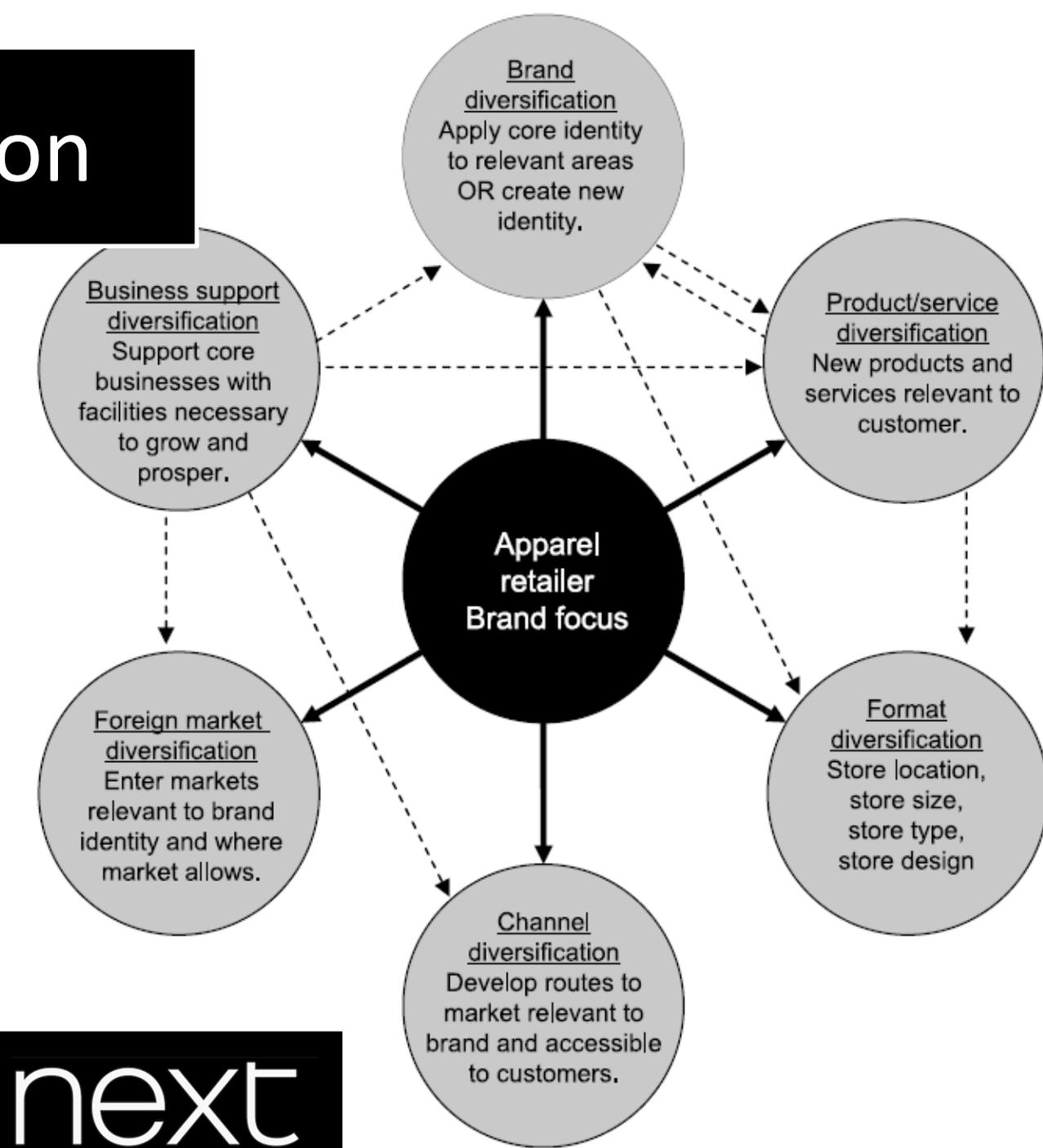
- Diversification has been unsuccessful when brand focus has been lost.
- Diversification has been successful when brand focus has been retained.

## Hypotheses:

- Apparel retailers diversify in 6 dimensions.
- Dimensions are linked & mutually supporting.
- Diversification success predicated on effective brand management.

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# Conclusion



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