“A Critical Assessment of the Strategic Position of Melcom within the Retail Industry in Ghana”

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Abstract

Strategic positioning is very important in this 21st century era, where the marketplace is overcrowded with intense competition and me-too products. Firms are expected to strategically position themselves to achieve competitive advantage. Any firm that lacks a clear strategy can end up in a muddle and confusion.

This study provides a critical assessment of the strategic position of the Melcom chain of shops within the Ghanaian retail industry. A review of literature on the factors that strategically position a company above its competitors is conducted. This is followed by a summary of Melcom positioning and customer expectation. The study reviews the external environment in which Melcom operates and finds opportunities such as increasing demand for its products, but also uncovers threats such as competition from foreign investors. The report considers how the external environment influences Melcom’s strategic position and identifies the company’s generic strategies of differentiation and cost leadership.

Using a case study method, the paper derives qualitative data on the retail industry in Ghana using Porter’s five forces. It achieves this by analysing the industry and evaluating its effect on Melcom. The report also reviews Melcom’s competencies and resources, and identifies the sources of the company’s competitive advantage. The report concludes with a series of strategic recommendations for Melcom. The aim of these is to help improve Melcom’s market share and sales.

Keywords: Strategic management; Generic strategies; Differentiation; Cost leadership; Resource based-view; Competitive advantage; Melcom

Introduction

Strategic Positioning of a firm is one of the hottest concepts in all industries. Driven by pressures such as increased competition, the need to improve quality products and services, the need for innovation [1] firms are increasingly investing on the positioning strategies with the aim of developing competitive advantage over their competitors. This 21st century has seen more services and products increasingly becoming competitive and similar in terms of product features, capabilities and prices [2]. This has brought about overcrowding in the marketplace and customers’ preference has drastically changed. Besides that, the traditional approach of advertising do not work properly as it used to be. The reason being that customers in this 21st century do not buy what they hear but rather they are willing to buy a satisfactory brand in a product category.

Numerous scholars have shown that positioning a firm is very important as it contributes to organizational performance if well managed. However, only few firms place much emphasizes on the positioning strategies of their companies [3]. Argue that competition in any field is a reference point for positioning. Therefore, firms need to formulate and execute effective strategic positioning to develop competitive advantage over its competitors. Strategic position of a firm creates a long term superior value by developing strategies to adapt to the micro and macro environment of the industry [4]. Melcom can position itself by first identifying the competitive brands before going to position their brands.

Background information about Melcom can place the report’s critical assessment into context. Melcom Limited began life in 1989 by Indian Magnate Bhagwai Khubchandani and consists of 28 outlets across Ghana, West Africa. It is one of the largest retail shops in the country and has the biggest shops situated in the two major cities, Accra and Kumasi (Oxford Business Group 2011). Melcom boast of being the only brand with a focused on customer demand quality, value-for-money and lower cost [5].

The company specializes in selling electrical gadgets, food and drinks, household goods, home appliances and clothes. According to its own figures, Melcom provides customers with more than 40,000 low-cost products in each outlet and aims to offer everything people need to furnish and maintain a home, business or school [5,6]. Melcom since its establishment has attained a remarkable great in profit as a result of promotions, aggressive marketing, cost cutting, and widespread in refurbishment However, a fire in one shop and the structural collapse of another have recently dented Malcom’s positive brand image [7].

Purpose of Study

The purpose of the research is to critically assess the strategic position of Melcom within the retail industry in Ghana.
Research Objectives

It is belief that no one would like to do research unless there are some motivating factors. In view of that, the researcher outlines three important motivating factors to the benefits of himself and his readers. To review the external environment in which Melcom operates and finds opportunities such as increasing demand for its products and to uncover threats such as competition from foreign investors. To add to a body of academic knowledge in the area of strategy and strategic management, performance management, marketing management and Management in general. To get joy of doing some creative thinking and recognition.

Limitations

The strategic positioning of Malcom and suggested recommendations are very important for academics and students for studying. The paper would provide scope for further research and practitioners would get directions for better positioning in future. The study suffers from numerous shortfall. One of these limitations is based on the context of the study. The context is based on the retail industry in Ghana. Though the majority of the literature review is based on the Western context, it was carefully selected to suite the Ghanaian retail environment. Hence, it might not work properly for other countries. The suggested recommendations might not be also applicable for other organizations.

Literature Review

Numerous scholars have defined strategic positioning in various ways. Strategy according to Michael Porter (1996) is the ability to make an informed decision on how, where and when to target a group of customers, set objectives and facilitate resources. Positioning on the other-side is defined by [8]. As the process of maintaining and establishing a distinctive place in the market for a firm like Melcom and its individual product offerings. Putting the two words together, it can be defined as the positioning of a firm (unit) in the future, while taking into consideration the changing micro and macro environment and the systematic realization of the positioning.

Scholars like [9], among others view strategic positioning as the act of designing and establishing a company’s image and offer; by communicating the key distinctive benefits of the products to consumers in the market. This proves the company’s eagerness to be seen and perceived by the stakeholders in relation with the market place and the competition [10,11], believe that strategic positioning is an important for every successful business so far as competitive advantage is concerned. He continues that it acts as a support for competitive advantage.

According to the [12] strategic positioning which include pricing strategy, advertising and sales promotional strategy, distribution strategy, product strategy, sales force strategy, internet and direct marketing strategy shows “how and why” the product line, mix and brand is to be positioned in the target market segment. To them, effective positioning and targeting of the company’s products are core dimensions of market driven strategy. These are essentials in gaining and sustaining superior performance. In the words of [13] it is an attempt to modify the intangible perceptions of a marketable offering and the tangible characteristics in relation to the competition [3]. Assessed that positioning decision is the most important strategic decision for every company as it is highly vital for customer’s perception decisions. According to the [14], retail position involves decision and implementation of a retail mix. They argued that it helps to create an image of the retailer in the customer’s mind related to its competitors. Drucker opine that strategic positioning of company is a process which consist of analysing business environment, market competitive and other business factors the company. He continue that identifying the opportunities and threats, business units of the company, and forecasting future trends in business areas of interest enable retail shops like Melcom to position itself above its competitors. Drucker further argue that participating in setting objectives and formulating corporate business units strategies helps to position a company well [15], on the other hand developed a four-factor model on the subject matter. They proposed that positioning strategy descriptors such as the products, the store format and environment, customer service, and customer communication. They argue that for a company like Melcom to position itself well, it must have the following positioning strategy descriptors. Figure 1 below shows the details of the descriptors suggested by the author to guide Melcom to strategically position itself within the retail industry in Ghana.

Baker and Funaro came up with a strategic positioning definition to evaluate the effectiveness of strategic position of a company. They proposed that positioning of a Mall like Melcom depends on the number of households and the catchment size area along with the demographics of the household. Casazza believes that as population grows, a shopping mall like Melcom can attract customers from the competition if the positioning of the company is good. This will allow even customers outside the catchment areas to visit the mall [16], added that the image of a retail shop can pull customers for the company. This means that the store’s image, customer psychographies and lifstyle are very important in strategic positioning of a company.

Research Methodology

In an attempt to assess the strategic position of melcom within the retail industry in Ghana-West Africa, the works of eight (8) prominent authors who are highly involved in strategic management research and practice were consulted. The eight (8) renowned Authors maintain the roles as Professors, Doctors and Consultants of institutions and organisations of varying sizes dealing with strategic plan implementation issues. The Table1 Below shows the names and the books of these celebrated authors in the field of strategic management.

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### Table 1: A list of key authors in the field of strategic management.

<table>
<thead>
<tr>
<th>References</th>
<th>Book Title</th>
</tr>
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<tbody>
<tr>
<td>[16]</td>
<td>“Strategic Market Management: Global Perspectives”. Chichester: John Wiley and Sons Ltd.</td>
</tr>
</tbody>
</table>

### Table 2: Shows the major competitors of Melcom within the retail industry in Ghana.

<table>
<thead>
<tr>
<th>Competitor</th>
<th>Description</th>
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<tbody>
<tr>
<td>Melcom</td>
<td>28 outlets across Ghana. Melcom specializes in selling electrical gadgets, food and drinks, household goods, home appliances and clothes</td>
</tr>
<tr>
<td>A and Mall</td>
<td>30 shops within the store with area size of 600m square. But it has only one location and it is located at East Legon, Accra</td>
</tr>
<tr>
<td>Marina Mall</td>
<td>It is located at airport city and has an area size of 12,250 m square.</td>
</tr>
<tr>
<td>Shoprite</td>
<td>Located only in Accra</td>
</tr>
<tr>
<td>West Hills Mall</td>
<td>Located at Dunkoma near Weija and Kasoa on the Cape Coast Road</td>
</tr>
<tr>
<td>Junction Shopping Centre</td>
<td>Located at Nungua Barrier, Accra.</td>
</tr>
<tr>
<td>Accra Mall</td>
<td>65 shops within the store with area size of 25,500 m square but only located at the Tetteh Quashie Interchange, Accra.</td>
</tr>
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Carefully study shows that Melcom has really positioned itself well when it comes to branches across the country. However, Melcom should know that all the above malls are providing and producing customers with similar products as melcom provides to its customers. Ghanaian customers are becoming selective in their choice of mall for shopping. Customers make their selections based on the image, product, service and personal differentiation of the shopping mall. Several studies have reveal that majority of these shopping malls in Ghana are providing similar retail mix in terms of food, entertainment and household accessories. However, Melcom’s image of having 28 outlets across the country is a plus in their positioning strategy. The Figure 2 below shows the expectancy model suggested by the researcher to guide Melcom management to position itself well within the retail industry in Ghana.
The expectancy model shows that each one needs the other. However, due to competitiveness in the market, Melcom should strengthen its strategic position by giving impressive service, personal attention and considers each customer as important and be more friendly. According to [25] customer satisfaction in shopping is affected by the physical environment of the store, the various operations and procedures, personal and the core offer of the company. This is true because many customers make their selection based on the image and the environment of the store. A study carried out by Kim and Kang reveals that customers consider money, convenience, time, pleasure and merchandise when it comes to selection of retail shop to embark on shopping.

Contrary to above assessment [26] came up with new positioning strategy. According to them, retail companies can redefine the positioning strategy by focusing on industry competitors in lieu of traditional focus on customer. These scholars argued that retail companies must follow positioning concept for their orientation towards the chaotic marketplace and focusing on competitors is a way to position a brand or product.

A Critical analysis of the business environment

Michael Porter [27] posits that, in an attempt to understand industry competition and profitability, a thorough research should be conducted on the structure of the industry. In this case, an analysis of the Ghanaian retail industry can help to establish the strategic position Melcom occupies with it. Porter’s Five Forces model is a useful tool in this regard. It shows how key elements have shaped the competition in the industry [28].

The risk of entry by potential competitors: This risk is high in Ghana since most Ghanaians buy their goods from markets and street traders. This means that Ghanaians spent a lot of time shopping to find everything they need from either street traders or market centres. This has proved popular that anybody with the interest of entering into business can enter into Ghanaian market. Research has revealed that many companies including international companies like the world’s largest retailer, Wal-Mart, are entering into the Ghanaian market [29,30].

Besides that, Ghana is attractive to foreign retail investors because the country has a positive business environment, increasing affluence, a tolerance of different cultures and a stable political system. Ghana is also seen as a gateway to the 250 million consumers of West Africa. Such optimism is supported by the 14 per cent growth in the Ghanaian retail sector between 2006 and 2011 [31]. However, international companies do not have Melcom’s advantage of local knowledge about business systems, distribution, and Finance and consumer preferences. Thus, the lack of knowledge in the Ghanaian market specifically for foreign investors serve as a barrier to new entrant. Moreover, the West African market may not be as easily accessible from Ghana as some international companies appear to believe Political systems and economic stability vary greatly in the region. Infrastructures also lack consistency. Even so, opportunities for growth may exist.

The bargaining power of buyers: Historically, the bargaining power of buyers in Ghana has been strong. It has been a cultural tradition to negotiate prices with market traders or to barter with goods rather than money [32]. Melcom has taken a different approach and makes a point in its mission statement of saying that it offers uniform prices for goods across all of its shops (see Appendix 8.1). This strategy appears to work; but as competition increases, retailers should expect the bargaining power of buyers to increase because of the availability of alternative retail outlets.

The bargaining power of suppliers: The expectations of Ghanaian consumers have risen in the past twenty years. They wish to have more products at affordable prices. China can supply such products and is encouraging Ghanaian entrepreneurs to visit the country and engage in more trade [33]. This potentially gives Chinese suppliers significant bargaining power over prices.

The intensity of rivalry among competitors: The intensity of rivalry among competitors in the retail industry in Ghana is very high. Melcom has severe competition from its direct competitors. They are competing among themselves over products, promotions and price
every now and then. Companies such as Melcom, Koala, Game and Massmart compete to provide Ghanaian consumers with a retail experience comparable to international standards [29]. All these companies are intent on establishing their brand identities in a growing market. In this way, they can assure their long-term growth and profitability. Rivalry is therefore high and is likely to increase as foreign investors enter the Ghanaian retail sector.

The threat of substitute products: The threat to retailers of alternative products and prices within Ghana is growing. To avert the threat, Melcom strives to deliver a one-stop shopping service catering for all income levels (see Appendix 8.2). But other local retailers such as Mobile Marts, A-Life, Koala are copying this business model. International retailers such as Wal-Mart also have significant experience using a similar model. The Figure 3 summarises the analysis of the business environment of Melcom chain of shops in Ghana-West Africa.

Figure 3: This diagram summaries the analysis of the business environment. Source: Elvis A [1].

**Findings and Discussions**

**Discussion #1:** How the business environment influences the strategic position of Melcom.

The above analysis of the competitive forces reveals opportunities for Melcom to improve profitability. But there are also threats that are influencing the company's strategic position [34].

**Opportunities:** Growth in the Ghanaian retail sector provides opportunities for Melcom to sell its products. Melcom can also use its knowledge as a local company run by a third-generation Ghanaian family to ensure it meets customer needs. Furthermore, a stable political system and positive business environment help the company to expand without adverse restrictions, although the recent fire in a Melcom shop and the structural collapse of another suggest that health and safety issues for construction and maintenance should be reviewed.

**Threats:** The main threat to Melcom is the desire among local and international companies to gain a sustainable share of the developing Ghanaian retail sector. This threat of rivalry is compounded by the potential problems of sourcing products that consumers want in a sustainable cost-effective way. For example, Melcom could struggle to match the worldwide buying power and logistical experience of an international competitor such as Wal-Mart, Sainsbury and Tesco.

Notwithstanding that, the recent collapse of the company's store in Accra, might lead to a fall in Melcom's goodwill. This unprecedented collapse of the building may lead to a situation in which customers lose their confidence on the company's ability to meet its safety obligations. More so, the competition in the Ghanaian retail industry is becoming fierce. This is due to the intense rivalry from both local and foreign competitors such as Wal-Mart, Koala, and Accra Mall which are gaining market share.

**Discussion #2:** Resources based view of Melcom

The internal generic strategies the company has adopted in the face of such opportunities and threats are differentiation and cost leadership [35]. Melcom differentiates its retail service from competitors by offering a one-stop service. It also aims to offer low-
cost, and quality products to its customers (see Appendices 8.1 and 8.2). Notwithstanding, the company has discovered a way to differentiate what create value for Ghanaian consumers and cannot be copied by its competitors. Such a dual strategic approach, however, can be difficult to manage in the long-term and in the face of increasing competition [36].

For example, the logistics of Melcom providing 40,000 items under one roof is costly and can drive up prices. However, the dual approach has so far brought Melcom success largely, thanks to the company’s resources.

An RBV (resource-based view) is an internal analysis that reviews these resources and identifies how Melcom has ensured profitability and performance [37,38]. In this regard, the strongest resources of Melcom are its local knowledge of the Ghanaian retail sector, its mission and vision statements, and its experience of steady growth. The company’s weakest resource is its failure to guarantee a safe environment for shoppers as evidenced by the fire in one shop and the structural collapse of another.

Melcom may also be too city-centric. In other words, it may not have the long-term ability to supply a wide range of affordable globally-sourced goods in the face of competition from international retailers. None the less, Melcom’s resources are the basis of its current core competencies, which are local knowledge, a one-stop shopping experience and low prices.

The following diagrams (Figures 4 and 5) show how the resources and capabilities of a firm can be evaluated to aid in developing a competitive strategy.

Findings: An evaluation of the firm’s competitive advantage.

Furthermore, foreign investors may challenge Melcom’s local knowledge by purchasing retail chains in Ghana and using the existing management and staff expertise rather than setting up new shops from scratch. At the moment, though, Melcom’s competitive position within the Ghanaian retail industry appears to be strong. Its business strategy, based on its core competencies, is holding up. The company’s competitive scope embraces a great many products as well as customers of different income groups although the scope is limited to the Ghanaian consumer [22].

However, Melcom’s value proposition, based on quality products at affordable prices, supports its emphasis on the target market and has led to profitability and growth [41]. The concept of value proposition has helped Melcom to define its competitive scope. “Competitive Scope” is another important variable strategy adopted by Melcom to address its broad Ghanaian market segment. But the future for Melcom contains opportunities and threats that it must address to ensure long-term survival in a changing external environment.

Strategic Recommendations

The following strategic recommendations should allow Melcom to take advantage of opportunities and avert threats. Each one is specific, measurable and realistic [42]. However, the recommendations must be agreed and incorporated into a timed strategic plan.

Melcom should focus on one generic strategy. Competing on price with Wal-Mart, for example, may prove hard. In view of Melcom’s local knowledge and status, it may be best to concentrate on differentiation. This could stress the company’s unique Ghanaian identity and create brand loyalty among customers, thereby creating a distinct competitive advantage [23].

Melcom should launch a strategy of continuous improvement and innovation [24]. This can provide a new competitive advantage to enable Melcom to help meet the threat from foreign investors in the Ghanaian retail sector. Improvement and innovation are generally well-received by consumers and reinforce brand loyalty. One aspect of
this initiative could be to encourage customers to provide feedback and ideas about the service Melcom provides.

Melcom should adopt a health and safety strategy to ensure there is no repeat of the two 2012 disasters involving a fire and the collapse of a building. Further incidents could ruin any hope of building brand loyalty. Melcom should commission research into the possibility of expanding into various districts capitals in all the ten regions in Ghana and adjacent West African nations. Foreign investors are already looking into this possibility. Melcom could use its local knowledge to act first and increase profitability if such expansion is viable. In view of internal competition and external threats from foreign investors, Melcom should audit its sourcing strategy and distribution infrastructure. Even if it does not pursue a strategy of cost leadership in the future, the company must none the less reduce its costs and increase the range of its goods to stay competitive. An audit can help achieve these goals. Melcom should give the customers a reasonable price for products, value for money and affordability. Also durability, warranty, safety and reliability should be one of their priorities. Melcom can use aesthetic designs to make their stores very attractive, cool and elegant. The company should have high principles regarding discrimination and selectivity. Spacious car parks should be made available for customers to have convenience in their shopping trip.

Melcom Mission Statement

To be the preferred shopping destination for its customers with the largest variety of goods under one roof. To offer quality products at affordable prices. To have conveniently located outlets in all regions and to bring shopping to your doorstep. To ensure a conducive and friendly shopping environment. To provide the best customer service and after-sales support. To guarantee uniform pricing throughout Ghana, catering to all levels of income earners [42].

Melcom Vision Statement

Melcom shall deliver Everything, Everywhere, Every time for Every consumer in the most Economical manner [42].

References