No bells, no whistles: the simple case of Primark

In the wake of the economic crisis, low prices have taken precedence over perceived quality. In the U.K. and Ireland, this is known as "the Primark effect," so named after the bargain retailer there. A case study by Julián Villanueva, José Luis Nueno and Julie Ziskind analyzes how Primark changed brand attitudes, and the challenges that lie ahead.



September 15, 2011

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The "fast fashion" retail model pioneered by companies such as Zara and H&M has been taken a step farther by Primark, the U.K. and Irish retailer offering clothes at rock-bottom prices. IESE's Julián Villanueva, José Luis Nueno and Julie Ziskind examine the secrets of Primark's success in a new case study.

Consumer habits have changed significantly since the onset of the financial crisis in 2007. "Value" takes priority over snobby attitudes about labels and brands. This development has been termed "the Primark effect," in honor of the company that has earned a nationwide reputation for bargain shopping.

The ability of the chain to sell jeans for £3 or flip-flops for £1 is due to the store's "no bells, no whistles" business model, built around three cores.

1. Efficient Supply Chain, Rapid Turnover

Like many of their competitors, Primark's strategy is heavily rooted in using private labels.

However, unlike Zara's focus on style, or H&M's general affordability, Primark's niche is its rock-bottom prices. Costs are kept low by making cheap garments from man-made materials, using cheap production processes.

There is also limited reordering of products, as they operate on a "when it's gone, it's gone" basis.

This results in frequent visits from customers, as the average store turnover is six weeks.

2. Limited Operating Costs

As Primark's main selling point is price, the company must forgo expensive advertising almost completely, instead relying on "big bags and big savings" to convey their message. They also place their cheapest items at the front of the store, attracting passing trade and word of mouth.

Primark stores tend to be in shopping malls outside of downtown, further reducing costs through lower rents.

Finally, staff service is focused primarily on managing checkout lines and managing showroom inventory. Quality of service may suffer, but the low costs are enough to satisfy a certain breed of consumer.

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3. Large Stores

Since 2001, when it built a 100,000-square-foot store in Manchester, Primark has focused primarily on large stores to encourage volume shopping. Floor space has tripled in the past decade, resulting in higher sales densities.

Faced with the task of organizing these larger stores, Primark has hired interior designers to outfit them with innovative floor layouts and color plans to facilitate efficient shopping.

Future Challenges

To consolidate and expand its presence on Main Street, Primark must address three major challenges.

1. **International Expansion.** Primark's impact on the retail scene is undeniable. Yet its expansion strategy outside the United Kingdom and Ireland has been surprisingly prudent. Admittedly, European stores have experienced problems when moving outside their domestic markets, particularly due to subtle differences in culture and shopping patterns.That said, Primark does have 20 stores in Spain and a growing presence in Germany — a country that one report claims could support at least 110 stores.
2. **Model Modification.** The ongoing impact of the financial crisis and the changing status of shopping as entertainment could see changes in Primark's strategy. Smaller stores in city centers aimed at impulse buyers may be profitable options worth pursuing.The company must also consider whether to enter online retailing, as the prevalence of this option among their rivals may threaten their future profitability.
3. **Corporate Responsibility.** Primark's supply chain has come under scrutiny ever since an activist group revealed that Primark goods sourced from Bangladesh did not comply with child labor laws. Although Primark immediately apologized and cut ties with those suppliers, it has continued to draw fire over its supply-chain practices. Analysts say that Primark's low gross margins prove that it is Primark taking the brunt of the low prices, not the suppliers. Yet, despite attempts to address the problem, the story continues to provoke occasional bad press.

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