
BSS050-6 STRATEGIC MANAGEMENT

(Assignment 1)

Word Count: 2400

Reference style: Harvard

Student name:

Student ID:

Lecture name:

Executive Summary

The purpose of the report is to analyse the external and internal market and devise strategies to boost the attractiveness and distinctiveness features of British gas in a selected scenario.

The report discussed the organizational background, problems, and strategies that would be focused on in this market. The external analysis had been done with the help of PESTEL and Porter's five forces while the internal analysis had been briefed through resources, VRIO, value chain, and SWOT analysis respectively. The last section recommended some strategies to generate a good edge in the market.

The report found on the internal analysis that British gas possesses some temporary competitive edge in the market. However, the inner problems in communicating with the stakeholders had a negative side and this had affected some of its sales. The lower focus on cost leadership and more attention on differentiation had lowered its position in the market. While the external analysis showed that the market is less attractive as there is rising competition and the bargaining index of suppliers, as well as buyers, is quite high.

The report recommended using a cost leadership strategy, improving its smart meters, training the staff, and improving relations with its stakeholders to generate a better business in the current market.

Table of Contents

1. Introduction	3
1.1. Background	3
1.2. Problem statement	3
1.3. Strategies	4
2. Main body.....	5
2.1. External environmental analysis (Attractiveness).....	5
2.2. Internal environmental analysis (Distinctiveness)	6
2.3. Recommended strategy	8
3. Conclusion	8
References	10
Appendix.....	13
PESTEL.....	13
Porter's five forces	13
Resource-based value and capability	14
VRIO	14
Value Chain.....	15
SWOT.....	16

1. Introduction

1.1. Background

Company overview: British Gas is one of the Big Six suppliers in the UK and it shares one of the greatest shares in the market (Alves, 2021). The company had been performing at its epitome for a long time and it had been able to generate a better business in terms of gas delivery or boiler installations in the UK. It is working to cut carbon emissions through its services and helps its customers to lead a carbon-neutral life (British Gas, 2021). The company serves over 9 million homes across the country and has a distinctive force of about 7500 engineers (Centrica PLC, 2021). Through easy access to online services, a range of green energy tariffs, and smart meters, the company had been able to provide quality services (Centrica PLC, 2021).

Sector: Energy utility sector

Sectorial overview: The sector is quite competitive with a host of major players like Ovo, npower, and other prominent ones. This sector employs about 738000 people and supplies energy to 28 million homes and businesses (Higginbotham, 2022). The official structure of this sector is quite fragmented and so, there should be a good way to generate business. Some future trends in this sector state that 33% of new businesses would work on the traditional grid with the remaining ones opting for a renewable one (Higginbotham, 2022). As per the current forecasting, it is clear that in the future, several SMEs would come to this area that would address the demands of the customers and makes this sector a profitable one. There is going to be a huge dependency on new technology and the acceptance of talent strategies to ensure that the industry runs smoothly (Higginbotham, 2022). This showed that the market value of \$432.2bn in 2020 with a gradual decline of 8.7% in 2020 as compared with the previous year (Research and Markets, 2021).

Competitors: Ovo, SSE, EDF Energy, npower, Scottish Power and others (Sönnichsen, 2022).

Key drivers: Technology adaption, smart solutions, better recruitment strategy, and adaptable skills

1.2. Problem statement

British Gas Company serves over 9 million homes across the country and has a distinctive force of about 7500 engineers (Centrica PLC, 2021). Through its innovative solutions, it had been able to offer quality services to its customers. However, recent situations had generated a problem for the business to running smoothly. For instance, the pandemic had created several service disruptions and this affected the customer numbers by some 2% to 6.9 million last year (Ambrose, 2021). In addition, the prices had been affected badly due to changing external dynamics in the energy and utility market. As a result, it is seen that the company faced a £1.6bn impairment charge and a full-year pre-tax loss of £577m (Ambrose, 2021). This had made its market share price drop to o a record low of just over 32p a share last year (Ambrose, 2021). All these problems had been created due to a faulty smart meter where most of the customers were not been able to connect with their smart app and this made it hard to track their energy bills (Barker, 2022). Such situations lead to poor customer service which made the customers move towards some other alternatives like npower and others. Lastly, some of the people's complaints in the post-COVID period had increased greatly which gave a great warning signal for this company.

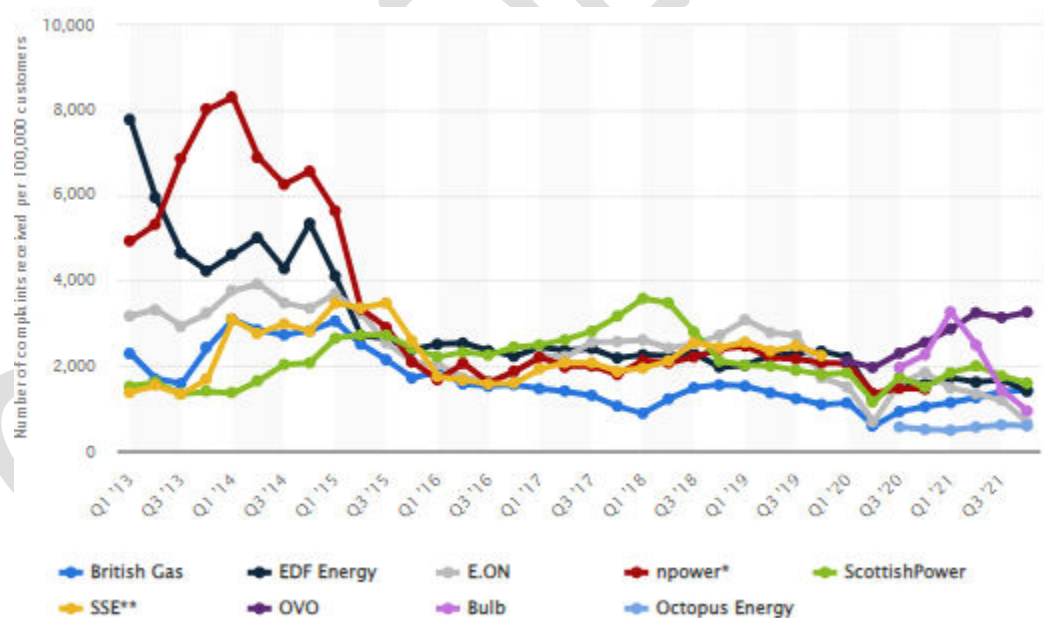


Figure 1: Rise of complaints in the post-COVID period

(Source: (Sönnichsen, 2022))

1.3.Strategies

The problems mentioned above are quite a big issue as the business model is completely customer-centric. However, with the downfall of quality services, the customers could move to alternative options and so, proper strategies need to be used. In this case, the external, as well as internal areas, had to be analysed so that there is a better way to solve the problem. The problems will be solved by using some tools like PESTEL, Porter's five forces, Resource based value, Capabilities, VRIO, Value Chain, and SWOT respectively. The insights obtained from this analysis will help to design some effective tactics that could lead to better success criteria for the chosen firm in the UK market.

2. Main body

2.1.External environmental analysis (Attractiveness)

The external environment gives a proper analysis of the market conditions as well as gives an idea if it would be successful in the particular market or not. British Gas is one of the Big Six suppliers in the UK and it shares one of the greatest shares in the market (Alves, 2021). The company serves over 9 million homes across the country and has a distinctive force of about 7500 engineers (Centrica PLC, 2021). All these facts showed a positive insight into the current utility market. Apart from these, we could sense that environmental challenges had made it hard to manage its business. Therefore, the external analysis would be done with the help of PESTEL and Porter's Five Forces.

The PESTEL analysis gave a detailed description of the external challenges affecting its business in the current market (Matovic, 2020). The first factor is political which states if there are barriers from admins or not. In the UK, British Gas had been facing several political interventions due to which it had to lose a profit of about 17% (Musaddique, 2018). This had made it hard for them to generate a good solution in the energy and utility market. In addition, the strict rules in the post-COVID scenario had made it hard to generate good business. This had come due to increased COVID cases and this had affected much of its operations, especially supply and distribution. After, this issue, there is an economic problem. It is seen that the UK's GDP came down by 0.3% for the second month which reflected the issues in the electricity market (Wearden, 2022). This could be seen from the fact that a faulty smart meter created by

the company led to a high charge which is very hard to be paid by some of the customers (Barker, 2022).

As most of the customers do not have a high income, so, the services were badly disrupted. The next factor is social where the attitude of the UK customers was seen. The social attitude of the UK customers is to pay a lowered rate but the high tariffs on the services had made it compulsory for them to shift to a cheaper one (Farmer, 2022). However, there were positive sides to the technology as well as the environmental side. On the technological side, the company had a plethora of online services, a range of green energy tariffs, and smart meters which made it provide quality services to its customers (Centrica PLC, 2021). In addition, British Gas is not facing an issue in this case as its solutions are quite a carbon neutral and there is a lower risk to the environment. This was a positive sign for the company in the UK market. However, legal issues and filings made it hard to convert into a permanent advantage for the company. The company had lost several legal battles against many customers which occurred due to illegal hikes in the bills (Pagnamenta, 2015).

The next model is Porter's five forces which define how the firm could attain a competitive edge in a particular industry by capitalizing on the five forces of the industry (Goyal, 2020). In this analysis, it is seen that the sector is quite competitive with a host of major players like Ovo, npower, and other prominent ones. In addition, in the few past months, the complaints related to bad services had increased greatly. However, companies could be successful if they could address the bargaining power of buyers and suppliers. Unfortunately, there is a high bargaining power of buyers due to which most of them shifted to a cheaper one (Farmer, 2022). In addition, the suppliers had high bargaining power, and the problem of offering low-quality services had made it such for British Gas (Sweney, 2022). This made it hard to serve the customers at a great stretch. The outcome is that its customer numbers get reduced by 2% to 6.9 million last year which lead to a huge loss in the current market (Ambrose, 2021). There is a high threat of new entrants as there is a policy in the UK where Ofgem, the regulatory body could allow any new entity to offer services if British Gas or other alternatives fail. In addition, the company could not be successful if it does not offer variety as there is a high threat of new substitutes for anyone who offers affordable and quality services in the UK market.

Thus, we could state that the market is less attractive as there is rising competition and the bargaining index of suppliers, as well as buyers, are quite high. In addition, the delivery of services is too low and this can affect the business very badly. Therefore, the company must work on some sides to make it competitive in the current market.

2.2.Internal environmental analysis (Distinctiveness)

The company must look into the internal environment as well because it is its resources and ability that could make them successful in any market. The analysis of the internal resources starts with their resources, competencies, and skills which are identified from the resource-based value. It is seen that its physical resources like smart meters, innovative tools, and direct mobile tracking to check the bills could create a good position in the market which faces the issue of checking carbon levels. Another good resource is human resources where the company had some excellent stakeholders that could help the company to get some good services in the future market. The next model is VRIO which indicates the quality of services in the current world (Miethlich and Oldenburg, 2019). It is seen that the services are highly valued due to their quality. Moreover, some of its services are quite rare and unique. In addition, there is innovation in the services offered by British Gas which could not be seen in any company. However, the company had one big issue the services are not so properly distributed to the customers. This gives the company a temporary competitive advantage. This should be made better in the current market due to rising competition in the market.

As we explore further in the market, we could sense that a good channel should be there so that the services could reach properly. However, it is seen that this rests completely on the procurement as well as other options. Therefore, a value chain analysis would be performed. From the value analysis, it is seen that the inbound logistics is medium as there is a crisis in getting electricity and it had been very hard to convert them due to a low outbound logistic service (Sweeney, 2022). Most of their operations were badly affected by the pandemic disruptions making it hard to reach the real market. However, its marketing efforts were increased greatly. Some evidence was given by the Marketing Society (2021) suggested that the company gained sufficient insights into the customers, developing new propositions like 'Cheapest Electricity in Britain', 'Energy Smart', and others were persuading the customers. The outcome is that the sales were boosted to some height. However, the medium service delivery

affected the customer satisfaction level. In addition, a high standard of firm infrastructure was required but the HRM practices were very low leading to a low-skilled workforce. This made the procurement quite mediocre but its high technological investment made it easy to generate better services. Lastly, the SWOT analysis showed that its branding and market share were helping it but the services and smart meters were losing their competitive edge in the market. In addition, renewable services could lead to better profit in the post-COVID world but the high bargaining power of buyers, suppliers, and competition were affecting its position in the UK market.

From this, we could see that the services offered by British gas had a temporary competitive edge and the inner problems in communicating with the stakeholders had a negative side and this had affected some of its sales. The lower focus on cost leadership and more attention on differentiation had lowered its position in the market. Thus, we could sense that the company's operations did not stand on distinctiveness and this affected their position in the UK.

2.3.Recommended strategy

The strategies that could be used to restore the position in the selected market are –

- Cost leadership should be given more focus as the UK market is quite sensitive and any small hike could lead to shifting in customer loyalty. Therefore, British gas should make its services affordable.
- Smart meters are faulty making it hard to read the exact reading (Pagnamenta, 2015). The company should make an active service team who could solve the problem whenever demanded.
- The company should work on HRM practices so that a good employee force is created.
- Good relationships with suppliers as well as governmental bodies should be created so that there is lower external pressure. This would help to combat both legal as well as political pressure that is high in the UK market.
- Lastly, the services should be delivered online as well as offline whenever required. It can integrate its excellent marketing team to generate better services in the current market.

3. Conclusion

The report showed that strategic planning is very important in the current scenario. This will help the business to grow in the current market. The UK market with turbulence and external dynamics had created a huge problem in the current environment. Apart from these issues, there are internal ones as well which could affect the customer as well as the company badly. The internal analysis showed that British gas possesses some temporary competitive edge in the market. However, the inner problems in communicating with the stakeholders had a negative side and this had affected some of its sales. The lower focus on cost leadership and more attention on differentiation had lowered its position in the market. While the external analysis showed that the market is less attractive as there is rising competition and the bargaining index of suppliers, as well as buyers, is quite high. In addition, the delivery of services is too low and this can affect the business very badly. In addition, to maintain the distinctiveness and attractiveness of the company in the market, it should use cost leadership, improve relations with its stakeholders, improve its products and train its staff to get better business profit in an uncertain environment operated by various issues.

References

- Alves, B. (2021). *Centrica and British Gas*. [online] Statista. Available at: <https://www.statista.com/topics/4033/centrica-and-british-gas/#dossierKeyfigures> [Accessed 19 Jun. 2022].
- Ambrose, J. (2021). *British Gas owner plans new turnaround effort as profits hit record low*. [online] The Guardian. Available at: <https://www.theguardian.com/business/2021/feb/25/british-gas-owner-centrica-plans-new-turnaround-effort-as-profits-hit-record-low> [Accessed 19 Jun. 2022].
- Barker, S. (2022). *British Gas smart meter errors explained as customer bills surge to £2,400 a day*. [online] mirror. Available at: <https://www.mirror.co.uk/money/british-gas-smart-meter-errors-26686146> [Accessed 19 Jun. 2022].
- British Gas (2021). *About us - British Gas*. [online] www.britishgas.co.uk. Available at: <https://www.britishgas.co.uk/about-us.html> [Accessed 19 Jun. 2022].
- Centrica PLC (2021). *British Gas*. [online] www.centrica.com. Available at: <https://www.centrica.com/our-businesses/british-gas/> [Accessed 19 Jun. 2022].
- Farmer, M. (2022). *Fixing the UK's broken energy market*. [online] Power Technology. Available at: <https://www.power-technology.com/analysis/uk-energy-market-bankruptcies-utilities-gas-power-ofgem/> [Accessed 19 Jun. 2022].
- Goyal, A. (2020). A Critical Analysis of Porter's 5 Forces Model of Competitive Advantage. *Journal of Emerging Technologies and Innovative Research (JETIR)*, [online] 7(7), pp.149–152. Available at: <https://www.jetir.org/papers/JETIR2007313.pdf> [Accessed 19 Jun. 2022].
- Higginbotham, D. (2022). *Overview of the UK's energy and utilities sector | Prospects.ac.uk*. [online] www.prospects.ac.uk. Available at: <https://www.prospects.ac.uk/jobs-and-work-experience/job-sectors/energy-and-utilities/overview-of-the-uks-energy-and-utilities-sector> [Accessed 19 Jun. 2022].

Marketing Society (2021). *MARKETING EXCELLENCE: British Gas Getting back to great.* [online] Marketing Society. Available at: <https://www.marketingsociety.com/sites/default/files/thelibrary/marketing%20excellence%20%20British%20Gas%20case%20study.pdf> [Accessed 19 Jun. 2022].

Matovic, I. (2020). PESTEL Analysis of External Environment as a Success Factor of Startup Business. *CONSCIENS CONFERENCE ON SCIENCE AND SOCIETY*, [online] pp.96–102.

Miethlich, B. and Oldenburg, A.G. (2019). The Employment of Persons with Disabilities as a Strategic Asset: A Resource-Based-View using the Value-Rarity-Imitability-Organization (VRIO) Framework. *Journal of Eastern Europe Research in Business and Economics*, [online] 2019, pp.1–13.

Musaddique, S. (2018). *British Gas owner Centrica are cutting 4,000 jobs after blaming political intervention.* [online] The Independent. Available at: <https://www.independent.co.uk/news/business/news/centrica-job-losses-british-gas-cut-workers-political-intervention-a8222651.html> [Accessed 19 Jun. 2022].

Pagnamenta, R. (2015). Smart meter minnow takes British Gas to High Court. *www.thetimes.co.uk*. [online] Available at: <https://www.thetimes.co.uk/article/smart-meter-minnow-takes-british-gas-to-high-court-tjzcrtc58r3> [Accessed 19 Jun. 2022].

Research and Markets (2021). *Utilities in the United Kingdom (UK) - Market Summary, Competitive Analysis and Forecast to 2025.* [online] www.researchandmarkets.com. Available at: <https://www.researchandmarkets.com/reports/5322629/utilities-in-the-united-kingdom-uk-market#:~:text=What%20is%20the%20estimated%20value> [Accessed 19 Jun. 2022].

Sönnichsen, N. (2022). *Complaints received by large utilities in Great Britain 2013-2021, by company.* [online] Statista. Available at: <https://www.statista.com/statistics/429551/big-six-complaints-received-per-100000-customers-uk/> [Accessed 19 Jun. 2022].

Sweney, M. (2022). *British Gas to protect almost £300m in customers' cash in event of market shocks.* [online] The Guardian. Available at:

<https://www.theguardian.com/business/2022/feb/17/british-gas-protect-customers-cash-market-shocks-direct-debits-credit-uk-energy> [Accessed 19 Jun. 2022].

Wearden, G. (2022). *UK GDP falls for second month running; stocks and pound slump amid recession fears – as it happened.* [online] the Guardian. Available at: <https://www.theguardian.com/business/live/2022/jun/13/uk-gdp-report-for-april-released-as-recession-fears-grow-business-live> [Accessed 19 Jun. 2022].

CONFIDENTIAL

Appendix

PESTEL

Factors	Description
Political	British Gas had been facing several political interventions due to which it had to lose a profit of about 17% (Musaddique, 2018). In addition, the strict rules in the post-COVID scenario had made it hard to generate good business.
Economic	A faulty smart meter created by the company led to a high charge which is very hard to be paid by some of the customers (Barker, 2022).
Social	The social attitude of the UK customers is to pay a lowered rate but the high tariffs on the services had made it compulsory for them to shift to a cheaper one (Farmer, 2022).
Technological	The company had a plethora of online services, a range of green energy tariffs, and smart meters which made it provide quality services to its customers (Centrica PLC, 2021).
Environmental	British Gas is not facing an issue in this case as its solutions are quite a carbon neutral and there is a lower risk to the environment.
Legal	The company had lost several legal battles against many customers which occurred due to illegal hikes in the bills (Pagnamenta, 2015).

Table 1: PESTEL analysis

(Source: Created by the learner)

Porter's five forces

Forces	Description
Competitive rivalry	The sector is quite competitive with a host of major players like Ovo, npower, and other prominent ones.
Bargaining power of buyers	There is the high bargaining power of buyers due to which most of them shifted to a cheaper one (Farmer, 2022).
Bargaining power of suppliers	The suppliers had a high bargaining power and the problem of

	offering low-quality services had made it such for British Gas (Sweeney, 2022).
The threat of new entrants	There is a high threat of new entrants as there is a policy in the UK where Ofgem, the regulatory body could allow any new entity to offer services if British Gas or other alternatives fail.
The threat of new substitutes	There is a high threat of new substitutes for anyone who offers affordable and quality services.

Table 2: Porter's five forces

(Source: Created by the learner)

Resource-based value and capability

Resource-based value could be defined as the distinctive nature of the resources held by the firm. In this case, we could see that the company had a variety of resources that could give it a good position in the market. The analysis is as follows –

Resources	Type	Competences
Smart meters, innovative tools, and direct mobile tracking.	Physical	Way to attain a good position in the market which faces the issue of checking carbon levels.
Stakeholders	Human	Can help the company to get some good services in the future market.

Table 3: Resource-based value and capability

(Source: Created by the learner)

VRIO

Value	Rarity	Imitability	Organized	Net value
--------------	---------------	--------------------	------------------	------------------

V	R	I	O	Competitive implications
Services are highly valued due to their quality.	Services are quite rare and unique.	There is innovation in the services offered by British Gas.	The services are not so properly distributed to the customers	Temporary competitive advantage

Table 4: VRIO analysis

(Source: Created by the learner)

Value Chain

Primary activities					Support activities			
Inbound logistics	Operations	Outbound logistics	Marketing and sales	Service	Firm infrastructure	HRM	Technology	Procurement
There is a slight problem in procuring the required sources	The operations are getting affected badly.	A lower supplier base is creating problems in supplying the resource.	The marketing and sales are quite good and this had enhance its sales.	The service delivery is mediocre.	High firm infrastructure is there due to its branding.	The HRM practices are low due to which there is a low service.	Higher technology incorporation is seen with the help of smart meters and renewable solution	A low supplier base is affecting the supply chain.

							s.	
--	--	--	--	--	--	--	----	--

Table 5: Value chain analysis

(Source: Created by the learner)

SWOT

Strengths	Weaknesses	Opportunities	Threats
S	W	O	T
Good brand Good workforce The higher range of service variety. Good grasp of the utility market	Low skilled workforce Services are patchy. The smart meters are faulty.	Smart meters could transform UK households. Renewable services can be used in the future. The services could attract better profits in the post-COVID scenario.	High competition Higher bargaining power of buyers and suppliers. Pandemic challenges Political and regulatory interventions

Table 6: SWOT analysis

(Source: Created by the learner)