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The Decline of Al-Fatah: A Strategic Analysis

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Abstract

This case discusses the emergence and downfall of Al-Fatah departmental store in Sargodha, a limited period of existence, but failed to maintain its position because of very critical strategic, operational and market misalignments. Despite the fact that Al-Fatah was a known retail brand, its location in an outskirt part of the city hindered accessibility to local consumers, whose travel behaviour is very different compared to bigger and metropolitan cities. A long-term flyover construction project also caused inconvenience to the flow of customers and the franchisee service model of the store led to managerial loopholes and poor strategic management. The entry of a cheaper competitor in a central location later on boosted the downfall of the store. The case presents the main learnings of retailers moving to the mid-sized cities of Pakistan, focusing on the significance of aligning with the market, accessing it, positioning competitively, and leading in terms of operations.

Keywords: Retail business, strategic misalignment, market accessibility, competition, consumer behaviour

Subject: Strategic Management / Retail Marketing / Entrepreneurship

Difficulty Level: Intermediate Level: Undergraduate

Introduction / Background

Al-Fatah is an established store chain in Pakistan that is recognized due to having a diverse range of household products, groceries, personal care products and lifestyle products all in a single

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location under one roof. Having a good brand image in the key cities, the chain developed its reputation in offering a modern shopping experience of having a wide range of product lines. With this realization and the prospects of the potential of organized retail in urban centres of mid-size, Al-Fatah launched its outlet in Sargodha in 2020, with hopes of gaining untapped market and becoming one of the top departmental stores in the area.

Figure 1: Brand Logo

Figure 2: Al-Fatah opening advertisement

The store had a variety of product lines, including crockery, grocery, electronics, cosmetics, children's clothing, and toys. Below are the images showing the store interior and its diverse product line.

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Figure 3: Product line

The outlet was opened at a high cost, contemporary interior design, complete line of products and a vision to recreate the metropolitan shopping experience in Sargodha. Its location being in the city, but in a remote part of the city, was seen to be inconvenient to local consumers, who shop in conveniently located and conveniently accessible locations. The store, with its great brand name, however, began to perform poorly after a very short time, which indicated that there existed a gap between the strategic assumptions and the market realities of Sargodha. The store had initial structural and environmental obstacles which indicated that its positioning in the market was off track and the local consumers were not acting and thinking in ways that the outlet had anticipated.

Market Misalignment

The failure of al-Fatah in Sargodha was mainly due to the inability of the company to meet its strategic expectations with the realities of the local market. The remote location of the store at the far end of the city, a long time accessibility problem because of the construction surrounding the store, and the operation constraints due to its franchise-based operations were all limiting factors to its success in attracting and retaining customers. These fundamental problems left a consistent disconnect between the market positioning that the brand was meant to occupy and the consumer behaviors that were dominant in Sargodha and which constituted the main reason behind the ultimate downfall of the outlet.

Strategic Issues

The outcomes of Al-Fatah in Sargodha were contributed by a number of interconnected strategic and structural issues. Despite the outlet being located in an urban area, the place was located on a remote side of the city, which was considered inconveniencing to the locals who usually focus on the commercial center of the city. This view restricted the normal footfall right at the start and undermined the capacity of the store to build a viable customer base. This drawback was also enhanced by a long fly over development project around the store. The construction resulted in always having diversion, congestion, noises, and dust that made the place an undesirable family place to visit frequently. The effect of this unrelenting three environmental interference on the presence and availability of a store, which relies heavily on the flow of customers, was immensely detrimental.

Issues of Management Control

There were also operational constraints that hampered performance. As a franchise-based store, the store had less management control, reduced response on timely decisions and less room to vary strategies to respond to early warning signals. There was potential of these gaps limiting the outlet to align its operations with the needs of the local market. There was the additional challenge of competitive pressure.

Inability to cope with competition

A few years had passed, and a competitor, which was centrally located and cheaper, entered the market and attracted price-sensitive consumers fast. This customer preference change together with the current location and operational limitations of Al-Fatah increased the rate of decline of the store. All these factors combined, the location disadvantages, the environmental interference, the inflexibility in operations, and the increasing competition imposed progressive strategic demands on Al-Fatah, which did not allow the group to establish a sustainability in the marketing market in Sargodha.

The main causes of failure are summarized in Figure 4.

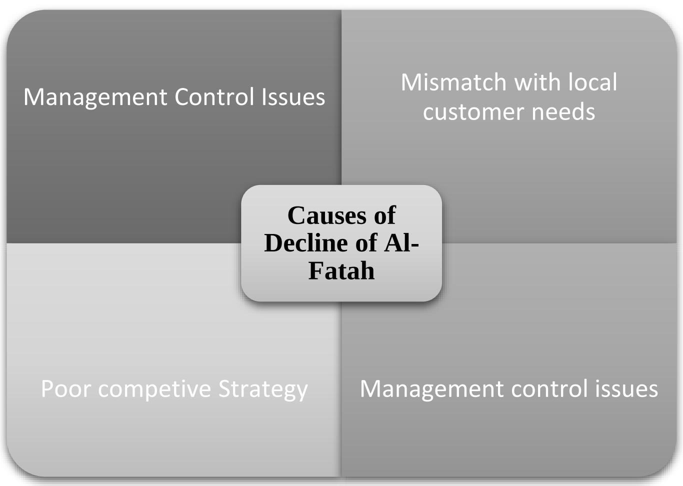

Figure 4: The causes of the decline of Al-Fatah

Lessons Learned

The Sargodha branch of Al-Fatah eventually went out of business due to its inability to surmount all its locational, environmental, and operational setbacks. Poor foot-traffic, persistent barriers to the accessibility of access, and slow strategic adaptations ensured that the store was not able to stabilize their performance once the initial areas of weakness were revealed. The result provides important lessons to retailers entering into the middle-sized markets. The issue of accessibility is also fundamental, especially when consumers are concerned with the convenience and the place of location. The external environmental factors (e.g., the major construction activity) should also be evaluated with caution since they also influence the customer traffic. Close operational supervision is also vital particularly in franchise model of operation which involves tight control to ensure uniformity and accountability. Lastly, the retailers need to align their strategies with city consumer behavior to make the market positioning right and long-term sustainable.

Case Questions

1. What are the strategic assumptions Al-Fatah made in their Sargodha market and how did they go against the local consumer behavior?

2. What was the impact of the location of the store in terms of accessibility and footfall?

3. How did the construction of the flyover affect the store performance and flow of customers?

4. What was the contribution of the franchise-run model to the weakening of operations?

5. What was the impact of the entry of a cheaper more centrally located competitor on the downfall of Al-Fatah?

6. What are the main lessons that retailers can have upon reaching the mid-sized cities such as Sargodha?