

Primark and critical path analysis



Ian Marcousé presents a case study and practice exam questions to help you understand critical path analysis

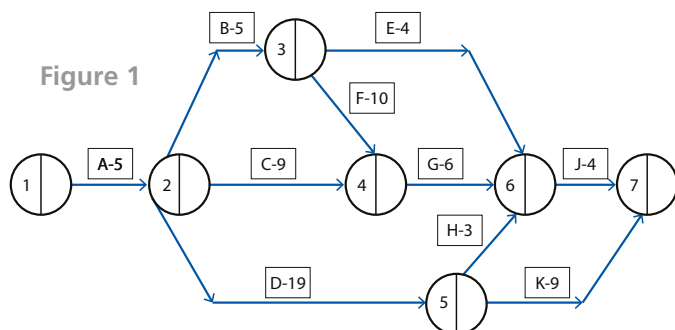
In 2014 Primark announced that it would not follow its rivals by opening an online e-commerce store. In 2016 the *Financial Times* pointed to this decision as a reason why sales were slowing in the UK. Then a report by *Internet Retailing* magazine showed that in March 2017 online sales of clothing and footwear in the UK were 26% up on 2016. Online sales now accounted for 15% of all sales in the sector. Senior executives at Primark decided it was time for a re-think.

Primark's chief executive set a new objective for senior managers: to build a new e-commerce platform to open in spring 2018, with the ability to sell and deliver to anywhere in the world. This must be profitable within 8 months and boost overall Primark profits from 2019 onwards.

While the marketing department started work on how best to advertise and promote the new website, operations managers started planning the steps needed to open it on time. Disagreements about how to put the

plan into action were settled when a graduate trainee set out the network diagram in Figure 1. She explained to the managers how the diagram would enable them to identify the critical path. More importantly it would be a way to manage the project, starting on 1 September 2017, so that the website would be ready to go online on 27 April 2018, 34 weeks later.

Primark's human resources (HR) department faced one of the hardest decisions. The chief executive had allocated a budget of £18 million to get the website up



Practice exam questions

50 marks, 60 minutes

- 1 Use Figure 1 to calculate the total length of the project and state the activities that form the critical path. (3 marks)
- 2 Calculate the total float available on:
 - a Activity E
 - b Activity F
 - c Activity H
 - d Activity K (4 marks)
- 3 Assess the value of network (critical path) analysis in managing a project such as this. (9 marks)
- 4 Assess whether opening an e-commerce site is likely to boost Primark's profits. (16 marks)

and running, of which £2 million was for HR. This meant choosing between two options:

- hiring a small team of new, expert staff to work on the website
- recruiting the brightest staff available from the existing store workforce

With relatively tight timelines, the decision on HR strategy needed to be made soon.

Answers

1 The workings in Figure 2 aren't needed for the marks, but will help you understand the answers.

Project length: 33 weeks

Critical path: A, D, K

- 2 a $29 - 4 - 10 = 15$
 b $23 - 10 - 10 = 3$
 c $29 - 3 - 24 = 2$
 d Activity K is on the critical path, therefore float is zero.
- 3 The value of critical path analysis (CPA) is that it clarifies the planning process, breaking a project down into its individual activities, then identifying what follows what, and what can be done simultaneously. In this way, everyone knows from the start what the deadlines are, ensuring that timings are treated seriously. As long as professionals have been employed who can do a good job within the given timings, the project should be a success — and completed on time.

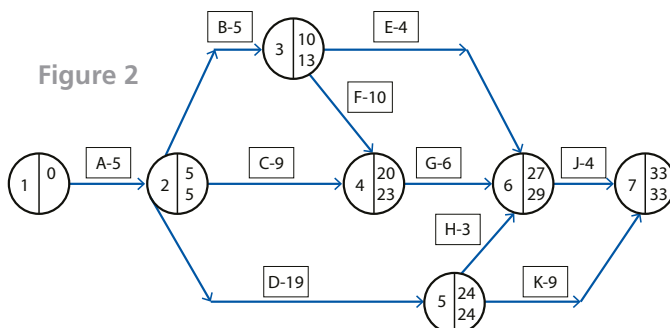
On the other hand, the key to success in this case is to focus on getting the website right. It should be quick and easy to use for someone who simply wants another pair of blue jeans, but it also needs to reproduce the high street benefit of being able to browse what's new. The risk with a project such as

this is that the person in charge will focus more on the deadline than the quality of the site. As far as anyone can tell, the deadline of 27 April is arbitrary, and should therefore be treated as secondary to the quality of the website. The use of CPA may make the project leader obsess about dates. Primark customers will probably be keen to use the first Primark e-commerce site — it would be a huge mistake if it's dull, tricky to navigate, or glitchy.

- 4 In the short term, an e-commerce site will surely boost Primark's profit. There must be plenty of potential Primark customers in the country who can't get to a retail store often and would therefore be thrilled to get online access to clothes they want and can afford. There are also many tourists who buy in London and other Primark stores, and would buy more in future if they could access Primark online from overseas. To protect its profit margins Primark might have to charge for delivery, but many customers would accept that for the convenience of online purchasing.

So why has the business not done it yet? The answer must lie in its own analysis of how its profits are made. In recent years John Lewis department stores have seen a huge growth in online sales, but largely at the expense of store sales. As a result, overall profit margins have been weak. The same might happen at Primark. If online sales drain customers from the stores, Primark would find itself with the same huge fixed overheads, but fewer customers to bear the costs. This would push up the fixed cost per pound of sales, possibly making the whole business less profitable in the medium to long term.

On balance, Primark has probably been clever to hold off building an online presence until now, but the figures given in the text make it sound probable that the company's long-term profitability will benefit from a successful web presence.



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