

Team Case Project on Adairs Limited

Report Writing Sample

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Introduction

This report is based on Adairs Limited, where the Board and Management team of Adairs are advised regarding the effectiveness of Adairs business strategy. In this regards the TOWS analysis, key capability analysis, major stakeholder analysis, generic business level strategy, and Corporate Balanced Scorecard (BSC) for Adairs have been performed. Adairs is a foremost exclusive retailer of apparel, kids wear, homewares and furnishings. Its business model is vertically integrated as it manufactures and retails its own kids wear, homewares and furnishings in its own 131 stores. Its stores are structured in five different formats, namely; Adairs Outlets, Adairs Homemaker, urban home republic, Adairs Kids, and Adairs. It provides a wide variety of homewares products such as towels, bedding products, bed linen, and cushions. The sales growth of the company was around 17% during the FY 2014, and it was around 22% during the first half of the FY2015. (Adairs, 2015a)

1. TOWS Analysis

The TOWS analysis has been performed to identify the potential treats and opportunities, as well as the weaknesses and strengths which Adairs holds. (Bhatia, 2008)

Table 1: TOWS analysis

<u>Threats</u>	<u>Opportunities</u>
<ul style="list-style-type: none">• The declining trend in the retail industry and worsen economic conditions in the macro environment can result in reduction of sales for Adairs.• Competition in the industry may increase or change and the market share of Adairs can be captured by the competitors such as Myers and David Jones.• Wrong judgment or interpretation of the fashion, trends and change in customer	<ul style="list-style-type: none">• The sales growth during the past and the present year indicates towards sales growth opportunities in the industry.• There is an opportunity to increase the existing market share of Adairs by capitalizing more of its brand image and differentiation strategy.• It can capture the market share of its competitors such as Myers and David Jones by product development and

<p>buying habits can adversely impact the sales of Adairs products.</p> <ul style="list-style-type: none"> • Inability of retaining or securing the key store sites. • Inability to refinance debt or arrange new debt on favorable terms. • Exchange rate may become adverse. 	<p>differentiation strategy.</p> <ul style="list-style-type: none"> • It can expand its business internationally. • It can expand its product sourcing market to diversifying its supplier, as presently it sources most of its products from China, so by sourcing its products from other countries like India, Bangladesh, Vietnam and Turkey it can diversify its suppliers.
<p style="text-align: center;"><u>Weaknesses</u></p> <ul style="list-style-type: none"> • It has to depend upon external sources to seek finance. • Cost of finance is higher due to its dependency on finance debt and it also limits its business expansion. • It sources its product mostly from one country, China. • As it uses product differentiation strategy therefore it is unable to achieve cost leadership in the industry. • The value for money pricing strategy prevents it from attracting price sensitive customers and hence limits it to expand its market share. 	<p style="text-align: center;"><u>Strengths</u></p> <ul style="list-style-type: none"> • Well renowned brand name and image in the homewares and furnishings industry in Australia. • It is vertically integrated due to which it does not have to rely on third party to source, design, manufacture, and distribute its products. • Specialized and differentiation products. • Company operated 131 stores across Australia and has continuously opening new stores from last five years in Australia. • A wide range of homewares, furnishings and kids wear specialized products.

(Kotler, 2009; Adairs, 2015a)

2. Key Capabilities that Adairs Possesses

The analysis of the two key capabilities for Adairs is provided in the following table. The assessment is provided to explain if each of the two capabilities is the core competency for Adairs.

Table 2: Key capability analysis for Adairs

Key capability for Adairs	Resources this capability utilises	Core competency assessment
<p>1. Vertically integrated model</p>	<ul style="list-style-type: none"> • End-to-end controlled and in-house sourcing, designing, manufacturing, and distribution process for its own products. • 90% of the products which Adairs sold in its stores are manufactured in-house. • Products are sourced from diversified markets namely, Chain, India, Bangladesh, Vietnam and Turkey. • It retail its products in its own 131 company operated stores across Australia. (Adairs, 2015a) 	<p>This vertically integrated model is a core competency for Adairs as it enables the company to develop a competitive advantage by providing specialized and differentiation products, which further helps in creating the exclusive and unique brand image of Adairs in the mind of the customers. Based on the following points the vertically integrated model of Adairs has been identified as a core competency.</p> <ul style="list-style-type: none"> • The sourcing, designing, manufacturing, and distribution process is end-to-end controlled and in-house operated therefore the threat of disruption in the product supply is minimized. • By sourcing it products from various markets (such as Chain, India, Bangladesh, Vietnam and Turkey) Adairs is able to diversify it supplier base and so the reliance on only market source and the bargaining power of its suppliers is reduced. • It retails its products in its own operated stores and so do not have

		<p>to rely on third parties to sell its products.</p> <p>(Adairs, 2015a)</p>
<p>2. Product differentiation strategy</p>	<ul style="list-style-type: none"> • Exclusive, specialized and differentiation products. • A wide range of apparel, kids wear, homewares and furnishings product which are designed and manufactured exclusively for Adairs. • The product team, product development and design team, and merchandising planning team enable Adairs to execute the differentiation strategy. <p>(Adairs, 2015a)</p>	<p>This product differentiation strategy of Adairs is also a core competency for Adairs as it enables it Adairs to achieve competitive advantage over its rivals. The following are the points based on which the product differentiation strategy of Adairs has been identified as a core competency.</p> <ul style="list-style-type: none"> • The product team, product development and design team, and merchandising planning team enable Adairs to develop exclusive, specialized and differentiation products. • The product team of Adairs comprised of experienced and skilled home textile designers and product managers. • The product team travel internationally and utilizes social and mainstream media to identify the new trends and seek inspirational designs. <p>(Adairs, 2015a)</p>

3. Stakeholder Analysis

Table 3: Major stakeholder analysis for Adairs

Adairs' stakeholder group	Specific interests of this group	Assessment of Shareholder value alignment
1. Customers	The typical customers of Adairs are female who are home owners and have family. The specific interest of these stakeholders is to get the exclusive, specialized, differentiation and fashionable apparel, kids wear, homewares and furnishings products. It includes a wide range of differentiated products. (Adairs, 2015a)	The specific interest of customer stakeholder group is generally aligned with the generation of shareholder value because providing differentiated products is the core competency of Adairs. Therefore Adairs can increase its sales and profitability by addressing the specific interests of the customer group, meanwhile the increasing sales and profitability will maximize its shareholder's value. (Adairs, 2015a)
2. Suppliers	The specific interest of suppliers group is to receive regular purchase orders and payments from Adairs for the products they supply. (Adairs, 2015a)	This specific interest of the suppliers group is in line with the generation of shareholder value because if the suppliers will provide get the orders and payments for the orders then they will be in a position to provide the products which Adairs sells to its customers to earn profit for the shareholders. (Adairs, 2015a)
3. Employees	The specific interest of employees group is to receive good pay, have job security, growth and development opportunities. (Adairs, 2015a)	The specific interest of employees group is generally aligned with the generation of shareholder value because if the company will earn more profit and increase sales then the employees

		would be able to receive good pay, have job security, growth and development opportunities. (Adairs, 2015a)
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(Blythman, 2013)

4. Adairs Generic Business Level Strategy

Porter's generic strategies model have been used to identify the generic business level strategy that Adairs is pursuing. Using following table based on Porter's generic strategies the generic business level strategy of Adairs has been identified. (Porter, 1980)

Table 4: Porter's Generic Strategies Model for Adairs

		Source of Competitive Advantage	
		Cost	Uniqueness
Breath of Competitive Scope	Broad Target Market	Cost Leadership	Differentiation (Adairs)
	Narrow Target Market	Focused Low Cost	Focused Differentiation

(Porter, 1980)

Based on the Porter's Generic Strategies Model it has been identified that the generic business level strategy that Adairs is pursuing is differentiation strategy. It is because the focus of Adairs business strategy is on uniqueness more than the cost, and it tends to target broad market rather than targeting the narrower niche market, which is evident from the above table. (Adairs, 2015a)

5. Review of the two Key Strategies Identified by Adairs' Board and Management

5.1 Selected Strategy One - Continued product and range differentiation to drive above-market like-for-like (LFL) sales growth

The above selected strategy is reviewed based on the following four criteria.

a) The suitability and feasibility of the strategy in context with the TOWS analysis above

In context with the TOWS analysis given above the selected strategy seems to be suitable and feasible for Adairs. It is because it would enable Adairs to minimize the potential threat of increased competition in the market as competitive advantage would be developed by means of continued product and range differentiation. Moreover this strategy utilizes the existing strength of Adairs which is to provide specialized and differentiation products. (Adairs, 2015a)

b) Its acceptability to the major stakeholders analysed above

The strategy would be acceptable to the major stakeholders identified above (namely; customers, suppliers, and employees) because it would secure their specific interests. The customers' interest is to get the exclusive, specialized, differentiation and fashionable apparel, kids wear, homewares and furnishings products. While suppliers' interest is to receive regular purchase orders and payments from Adairs for the products they supply. However the employees' interest was to receive good pay, have job security, growth and development opportunities. All of these interests can be fulfilled by this strategy as by using this strategy Adairs could provide continued product and range differentiation which would enable it to increase sales and profits, which in-turn would create business for the suppliers and good pay and growth opportunities for the employees. (Adairs, 2015a)

c) Its consistency with the generic business level strategy identified above

The generic business level strategy of Adairs was identified as differentiation strategy. This continued product and range differentiation to drive above-market like-for-like (LFL) sales growth is in line with the differentiation strategy. It is because under differentiation strategy the

uniqueness is the source of the competitive advantage and the breath of competitive scope is focused on target market. The selected strategy is also focused on continued product and range differentiation. (Adairs, 2015a)

d) Shareholder value implications of the strategy for Adairs

The strategy is focused to achieve continued product and range differentiation to drive above-market like-for-like (LFL) sales growth. When the sales will increase it would likely to increase the profits and hence the shareholder value would also be increased by implementing this strategy. (Adairs, 2015a)

5.2 Selected Strategy Two - Continued store roll-out in Australia

The above selected second strategy of Adairs is also reviewed based on the following four criteria.

a) The suitability and feasibility of the strategy in context with the TOWS analysis above

In relation with the TOWS analysis above the selected strategy of continued store roll-out in Australia is suitable and feasible strategy. This strategy would enable Adairs to seize the opportunity to increase the existing market share and expand its market share. From last 5 years the company is continuously opening new stores in Australia which has been identified as one of the strengths of Adairs. (Adairs, 2015a)

b) Its acceptability to the major stakeholders analysed above

The strategy should be acceptable for the major stakeholders as it would enable them to achieve their specific interests if the strategy is implemented. The continued store roll-out in Australia would result in opening of new stores and so the customers would have more access to the specialized and differentiated products. Moreover the new stores would also create growth and new job opportunities for the employees. Furthermore this strategy would also increase production and hence supplies from the suppliers. (Adairs, 2015a)

c) Its consistency with the generic business level strategy identified above

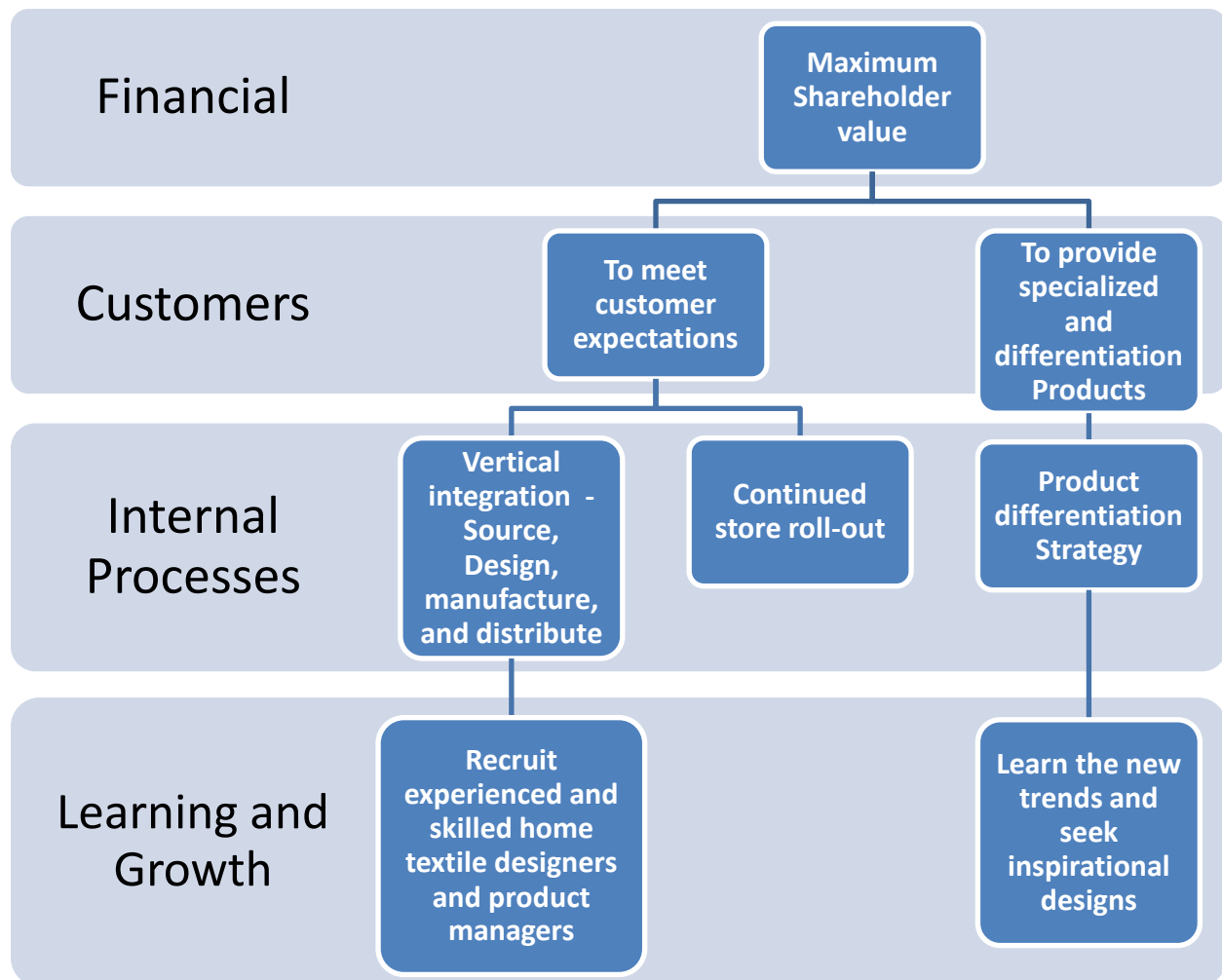
The continued store roll-out in Australia is consistency with the generic business level strategy because the new stores of Adairs are specialized and are based on differentiation, so as the generic business level strategy of Adairs which also focused on uniqueness and target market. (Adairs, 2015a)

d) Shareholder value implications of the strategy for Adairs

The strategy which is focused to achieve continued store roll-out in Australia may create a value for its shareholders. When the new stores will be opened on continued basis then if the sales will increase then it is likely to increase the profitability of Adairs and hence the shareholder value. However continued store roll-out in Australia would require Adairs to make investments, raise finance and if it would not result in increased sales then it could negatively result on shareholder value. Therefore this strategy may or may not result in shareholder value creation. (Adairs, 2015a)

6. Corporate Balanced Scorecard (BSC) for Adairs, which aligns with the generic business level strategy and the strategies analysed in the previous part

Strategy Map with clear linkages between strategic objectives across the four BSC perspectives



(Kaplan & Norton, 2015; Adairs, 2015a)

The above strategy map depicts a clear linkage between the strategic objectives across the four BSC perspectives.

A Balanced Scorecard containing strategic objectives, performance measures, targets and initiatives

- The strategic objective of Adairs regarding the financial performance perspective is to increase its sales growth. The performance measure and target for the financial performance is to increase its sales growth by 22%. The initiative in this regards is to continuously opening new stores in Australia and source, design, manufacture, and distribute its products by using product differentiation. (Kaplan & Norton, 2006; Adairs, 2015a)

- The strategic objective of Adairs regarding its internal business process is to achieve vertical integration. The performance measure for the internal business process is to source, design, manufacture, and distribute products. Presently 90% of the products are vertical integrated and manufactured in-house, so the target of the internal business process perspective is to increase the percentage of vertical integrated products. Moreover the initiative in this regards is to diversify the source market and open new company operated stores in Australia. (Kaplan & Norton, 2006; Adairs, 2015a)
- The strategic objective of Adairs regarding the learning and growth perspective is to have product team, product development and design team, and merchandising planning team who can enable Adairs to develop exclusive, specialized and differentiation products. The performance measure for the learning and growth of Adaris is to acquire the product team comprised of experienced and skilled home textile designers and product managers. The target of the learning and growth perspective is to identify the new trends and seek inspirational designs. The initiative in this regards is to travel internationally and utilizes social and mainstream media to identify the new trends and seek inspirational designs. (Kaplan & Norton, 2006; Adairs, 2015a, Adairs, 2015b)
- The strategic objective of Adairs regarding the customer perspective is to meet customer expectation by providing range of exclusive, specialized and differentiation products. The performance measure for the customer perspective is to increase the existing market share of Adairs. The target for the customer perspective would be to capture the market share of its competitors such as Myers and David Jones. Moreover the initiative in this regards would be to offer a wide range of apparel, kids wear, homewares and furnishings product which are designed and manufactured exclusively for and by Adairs. (Kaplan & Norton, 2015; Adairs, 2015b)

Conclusion

Based on the report Adairs Limited is advised that by utilizing the existing strengths and achieving the strategic objectives of product differentiation and integration it would be possible for Adairs to improve its financial performance, increase sale growth and create value for its shareholders.

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