

# Critical analysis paper on pier 1 imports essay sample

[Business](#), [Company](#)



Pier 1 Imports has earned a place as one of the leading competitors in the home furnishing industry with a focus on their brick-and-mortar storefronts. Alex Smith, CEO, believes that shopping for home furnishings is a visual impulse buy and has concentrated on creating an in-store experience for customers with bold, colored textiles and tableware. Pier 1 excels in its strategy as a niche differentiator with the right product selection in the specialty segment of home furnishings. So, why did Pier 1 Imports decide to maintain its brick-and mortar strategy in the height of the e-commerce era? This paper will help us better understand this decision by employing four analytical frameworks.

We begin with the PEST analysis which helps us identify and understand global trends. Figure 1: PEST Analysis of Global Trends: 2010-2015

#### Political

Increased global communication and relationships

#### Economic

Inflation increasing globally

Increasing oil costs

Increasing commodity pricing

#### Social

Social Media

Decline in population

Demographics/Mobility

Technological

E-commerce

Mobile Applications/Shopping

Figure 1 presents a global trend analysis for the period 2010-2015 in four areas: political, economic, social, and technological. Both social and technological trends are key components. Technological advances have led to an e-commerce boom making shopping only a click away with online shopping and at consumer's fingertips with mobile applications. The social trend of Facebook, Twitter, YouTube, etc. present a platform for free advertising and word of mouth. Figure 2: Porter's Six Forces Analysis of the Home Furnishing Industry

Supplier Power - High

Necessity in life

Multiple rooms

Threat of Substitution-Low

None

Threat of Entry -Medium

Saturated industry

Fairly inexpensive to enter the online-only area of the industry Expensive to enter with brick-and-mortar strategy

Industry Rivalry-High

Specialty

Pier 1; Pottery Barn; IKEA; Crate & Barrel; HomeGoods; West Elm; Williams-

Sonoma; Usona;

Linens N'Things;

Bed, Bath & Beyond

Discount

Walmart; Target; Kmart

Industry Rivalry-(cont'd)

Department Stores

Bloomingdale's; Sears; JCPenney; Macy's; Belk; Nordstrom; Lord & Taylor

Online Only

Amazon; Overstock; Wayfair; Joss&Main; EBay; Etsy; Craigslist

Buyer Power - High

Price comparison

No Switching Costs

Loyalty can change at any given time

Complements

None

The Porter's Six Forces Analysis helps us to understand the home furnishing industry. The Supplier Power is high because home furnishings are essential to everyone around the world whether they own a home or rent an apartment and are required for multiple rooms. Most standard homes have at the least a kitchen, bathroom, living room, and a bedroom all needing furnishings in which the suppliers control the costs. Threat of entry is medium for two reasons; first the industry is saturated and expensive to enter with a brick-and-mortar strategy like Pier 1. Storefronts costs are much

higher with expenses such as rent, labor, utilities, and improvements necessary due to everyday wear and tear and design trends. On the other hand, it is fairly inexpensive to enter the online only segment of the home furnishings industry with low startup and labor costs.

Online only sites, such as Etsy and Ebay, allow the general population to sell their self-made home furnishings to buyers across the world. Industry Rivalry is extremely high in this industry with four main segments: specialty, discount, department, and online only. Pier 1 operates in the specialty segment with a focus on product design which makes rivalry high with broad cost leaders like Walmart and Target who focus on price. Specialty stores range from niche differentiators like Pier 1 and Pottery Barn to niche cost leaders like HomeGoods and IKEA.

Online only companies such as Amazon and Overstock are also broad cost leaders and attract customers with the variety of products and the ability to search for a specific item and have it shipped to almost any location. Buyer Power is high with a lack of brand loyalty due to consumer's ability to price compare online. Consumers are inundated with coupons and promotions which could sway them to purchase furnishings from a different store.

Amazon also offers a membership, Amazon Prime at \$99/year, which guarantees buyers 2-day shipping on all items marked Prime, and creates a buyer loyalty program for the company. Figure 3: SWOT Analysis on Pier 1 Imports

## Strengths

Visually stimulating store designs

Highly functioning supply chain

Excellent inventory and cost controls

Quality products and customer service

## Weaknesses

High operational costs

Prices are geared toward middle-class

## Opportunities

Expand e-commerce through advertisements through social media Create a virtual store for online sales with a design simulation and guide

## Threats

Increasing popularity of do-it-yourself (DIY) applications like Pinterest Future housing crisis

The SWOT analysis helps us understand the strengths, weaknesses, opportunities, and threats of Pier 1 Imports. A major strength of Pier 1 is its highly functioning supply chain which Smith had retooled along with consolidating their merchandising and inventory processes making the whole process visible and trackable. Another strength they possess is the experience they create for customers with visually stimulating stores filled with quality products and well-trained customer service associates which you cannot get when shopping online. While their focus on quality products is a strength, the price of their products serves as a weakness when competing with discount stores like Target who offer quality products for a low price.

A major opportunity for Pier 1 is their expansion online through social media and e-commerce sales. The introduction of a mobile site in late 2012 was a starting point which Pier 1 could build upon and create an online virtual store where customers can play a simulation which helps them design a room. The simulation can help the consumers visualize the products in their home which takes the shopping experience a step further. And finally, a potential threat to Pier 1 is the increasing popularity of mobile sites like Pinterest which promote do-it-yourself home decoration ideas and instructions. While this threat is extremely low, it could impact sales of furnishings and decorations. Figure 4: Force Field Analysis of Pier 1 creating an online virtual store with simulation Forces Propelling

#### Forces Restraining

Increase online sales

Gives the customer an experience similar to the in-store experience Allows customers to interact with a virtual design coach

Relatively low startup cost of upgrading website with simulation Potential decrease in sales at brick-and-mortar stores

The Force Field Analysis helps us to understand a situation Pier 1 faces and look at the propelling and restraining forces involved. The forces propelling Pier 1 to create an online virtual store are the potential increase in online sales with the relatively low startup cost of upgrading their website and mobile app with a design simulation. The restraining force is the potential loss of sales in the brick-and-mortar stores and if the increase in online sales outweighs this loss.

## Conclusion

Pier 1 Imports is a leader in the home furnishings industry and will continue to outpace the competition with the combination of their brick-and-mortar and the implementation of an online presence which they can do with a virtual design simulation. The frameworks provided us with the information to conclude that The PEST analysis shows us that the current social and technological trends play a large part with the increase in social media and mobile applications. The Porter's analysis shows us the industry is highly competitive with both strong buyer and supplier power. The SWOT analysis shows us Pier 1 has a strong inventory control and supply chain management which will aid in their opportunity of online expansion. Lastly, the Force Field Analysis shows us the propelling and restraining forces for the situation of Pier 1 investing in an online virtual store which will replicate the in-store shopping experience and increase e-commerce sales.

## References

Dishman, Lydia. " Why Pier 1 Is Choosing Bricks Over Clicks-And Winning."

Forbes, Forbes

Magazine, 12 Oct. 2012 Web 22 Sept. 2014

<http://www.forbes.com/sites/lydiadishman/2012/10/18/why-pier-1-is-choosing-bricks-over-clicks-and-winning/>