

Debenhams plc: a critical review of strategies

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



Strategy has been defined as the long-term direction of a company (Johnson, Whittington and Scholes, n. d.). Therefore, taken in context, a company that intends to continue to trade profitably must become strategic throughout all aspects of its management and operational plans as it seeks to achieve its organizational goals. Deloitte, a multinational service network, evaluated the retail industry's direction and highlighted the trends of consumer spending for 2018. Deloitte recommended that retailers needed to invest in online activity, refresh core systems, and develop smarter, personalized offers in addition to rethinking the role of their stores (Deloitte United Kingdom, 2018). This report seeks to assess Debenhams reaction to the changes made in the industry and the suitability of the strategies implemented.

Company Background

Debenhams PLC Debenhams PLC was founded in 1778 by William Clark and later partnered with William Debenham to form Clark and Debenham. In referencing Debenhams website, over the period of two hundred years, Debenhams has broadened its scope to trade both nationally and internationally in two hundred and forty stores in twenty-seven countries. It has a top five market share in both men and women wear and a top ten market share in children's wear in the United Kingdom. Debenhams trades in various sectors in the retail market. Debenhams sells clothes for children, women and men, in addition to beauty products, home accessories, furniture, gifts, toys, electricals, insurance and real estate. Debenhams profitability can be linked to a strong business model, diversification and brand visibility. W. Chan Kim and Renée Mauborgne stated that head to head competition would result in all competing for the same goals or market share

making the environment harsh and volatile. (Chan Kim and Mauborgne, 2005). Seeking blue territory through acquisitions, alliances and partnerships, Debenhams sought to build relationships whilst adapting to the ever-changing market trends. Debenhams Annual Report 2017 reflects on the changes to procedures, markets, products and management approach. Creating a personalized shopping experience to cater to everyone's need, both online and in store, shows the company adding value to their service. Re-launching its loyalty scheme and adding status recognition (VIP) encourages return sales. Brand building in core sectors and new entry segments can open possibilities to a wider buying public. In house designers bring value, creativity, diversity and quality. Individuality would be Debenhams unique selling point. The merchandise mix will also be encompassing other high-end brands like Dolce & Gabbana, Emporio Armani, Tom Ford and Versace.

As Debenhams grows in online sales, data received will determine instore stocking. Debenhams streamlined its handling of stock, making it more cost effective. No longer sitting in warehouses awaiting shipment, stock is managed through a single view across channels and delivered directly to floors frequently, creating a faster turnover in sales. Enhanced Human Resource policies encouraged the retraining of staff to the new mode of operations. Equal opportunities, staff engagement, apprenticeships and a pension plan secure loyalty while unveiling the talent beneficial to Debenhams. The commitment to reduce their carbon foot print and provide support to a range of charities through the Debenhams Foundation reflects Debenhams corporate social responsibility in action. Desiring to make

Debenhams the premier destination for Social Shopping, Debenhams is heavily investing in digital expansion across all platforms. Mobile access is not limited to the UK, so the expectation of unlimited sales can be realized worldwide via strategic geographic partnerships with Amazon, ASOS and Zalando.

Vision and Mission

Through extraction of the available data, it can be surmised that Debenhams intends to 'bring value to its stakeholders' as it simultaneously reaches for another goal of being the 'nationwide destination' in social shopping (Media. corporate-ir. net, 2018 p. 11). The main issue is the vague dissemination to the organizations stakeholders. This can lead to confusion for both the internal and external customer which would be a deterrent to establishing the direction Debenhams is taking. It must be noted that adverse conditions, such as climate conditions and internal restructuring, can affect the vision and mission of any entity, but without a conveyance of the management goals, it makes the realization that much harder to achieve. Flexibility to market changes and timely adaptations are realistically the best option for survival but the strength of the core should remain the same to solidify the position that: Debenhams is here to stay.

The Stakeholder

The key stakeholder in the transactional relationship is the consumer. The seller must capture and satisfy the consumer's needs for repeat business to occur. With many retailers peddling the same or similar products the need to be different is supremely important. This market in which the trade equation

becomes a reality can be volatile and extremely competitive, considerably more so, in a saturated market. The difference can only be realized via the application of the components of the marketing mix (See Appendix A).

Debenhams marketing mix utilizes the strategies presented with the intent to be easily distinguishable from the company's peer retailers. To have a successful strategy the customer's needs must be known. KPMG Annual Survey also reported findings concerning consumer buying and trends (Home. kpmg. com, 2018). From this survey, the indication is that the retailer has limited, if any, power beyond its internal policies. The consumer has taken control of the buyer/seller relationship due to the vast array and availability of similar goods and services.

The needs and conditions of sale for the consumers are demands that the retailer must meet in the competitive market (See Appendix B). Debenhams has met some of the customer's requirements represented by an increase of digital sales but struggles to do so in store. Global integration of all races and cultures can affect the change of items for sale. Diversification into medium to high end ethnic goods in regional area can entice the customer through the doors. Another area unrepresented is the teen. Social media continues to be the catalytic agent of main forms of communication for this demographic. Debenhams has the software, now is the time for opportunity to meet demand as teens do 'click and play' to stay engaged. Also, Debenhams should place greater focus on the senior customer as this group has stronger buying power and more predictable tastes.

Debenhams Strategy

Debenhams business strategy is to offer quality merchandise across multiple product categories via multi-channels. This would include other brands and services to offer a wider range to choose from. Debenhams outlines the strategy as such: Delivering a compelling customer proposition Increasing availability and choice through multi-channels Focusing on UK retail Expanding the brand internationally Investing on operational and organizational effectiveness. (Debenhams Sustainability, 2018) Debenhams vision to deliver growth, efficiency and value for the shareholders framed the changes to be made. In 2017, the new CEO developed a new strategy to capitalize on an emerging trend: Social Shopping via mobile or direct interaction. Surviving in the retail industry means strategy changes as the market changes backed by the available resources at hand. Debenhams sought growth through mergers, acquisitions and franchising via Maisons du Monde, Compass Group UK and Blow.

Debenhams is a multinational company, therefore what works in Australia may not necessarily work in another socio-geographic location as Saudi Arabia. Recognizing that “adding value” would have a different meaning worldwide, Debenhams places emphasis on its customers in their strategic framework. Debenhams embarked on a mission to get to know their customers buying tastes, cultural needs, social desires and spending habits. Putting people first can transition the view of Debenhams. Rather than being reactive, Debenhams desires to become proactive in feeding the needs of its customers via the application of the marketing strategy. The drive now is to ensure that all components are aligned. Debenhams internal restructuring of

its customer service department changed as the customers became vocal. Changing from face to face, to self-service kiosks and back to face to face, showed that Debenhams was losing touch with the basic need of every shopper – to be heard. Sales channels had evolved but the value of the customer's opinion had not. Adapting to this would mean a growing pool of human resources and higher labour costs.

Alternatively, internet interaction would require less but the human touch is greatly diminished. Finding a medium can be a struggle to maintain a valued relationship. In analysing Debenhams current position, the following analytical tools were used PESTLE, Porter's Value Chain and the SAFE framework. The PESTLE analysis revealed that there were previous market forces that evolved within the past three years that was not accounted for. For example, the UK's decision to leave BREXIT and the effect it would have on spending, labour and inflation. Porter's Value Chain highlighted the value of each layer in achieving the desired outcome. Within the SAFE framework, the analysis showed the weaknesses in Debenhams strategy (See Appendix C). Goal alignment should be key to an expected outcome. Here the company should listen to the market and adjust accordingly.

Financial Performance

Leading into the 2017 – 2018 period, Debenhams suffered severe losses due to harsh weather conditions and poor customer turnout. To prevent aging stock on hand, huge discounts were given to combat this. Debenhams saw a decrease in local sales and share price. Also marked was a rise in international and digital sales. Debenhams also continued to see a fall in

profit from 2010 – 2017 as operational cost rose, expansions continued, and the customer in-store sales lessened (See Appendix D). Despite market hostility for the same period, group revenue has had incremental increases (See Appendix E). As Debenhams continued to see share prices drop and field questions about cash flow, a new chief financial officer (CFO) came on board. This could mean new ideas with a fresh take on finances and keener projections. It should be noted, Debenhams has changed approximately five chief financial officers in the period 2010 – 2018 leading to speculation as to poor financial planning and instability within.

Magasin Du Nord Denmark, a subsidiary of Debenhams has been placed for sale as insurers coverage was reduced, meaning less working capital available to cover day to day trade. This sale could raise upwards of two hundred and fifty million pounds. Debenhams vulnerability emerged as market forces saw Debenhams struggling to maintain its global position. Cash and debt strapped, to continue Debenhams must secure funding before tapping further into reserves (See Appendix F). Debenhams tightened its fiscal policy and adjusted by closing unprofitable branches and launching new ones. After issuing its third profit warning, Debenhams look to cut jobs in a bid to cut costs. Debenhams reaction is as those of its competitors. Morrisons, Tesco, and Sainsbury have all reacted similarly Blow would refuse to commit to any new spending with Debenhams due to its unsteady financial position. In August 2018, Debenhams entering redundancy talks in a bid to further cut labour costs in the management department. However, Debenhams issued a statement outlining its current strategy, ‘ Our work to create a simplified and consistent structure across these units, reducing

complexity and driving efficiency in order to deliver our Debenhams Redesigned strategy, is continuing' (Stevens, 2018).

Corporate Governance

Debenhams evaluation by an external facilitator reflects their adherence to the UK Corporate Governance Code and is published for ethical transparency. Shareholder engagement is maintained through meetings, published reports and conveyance of the current corporate strategy. Non-executive directors are required to receive approval from the Chairman for activities in conflict with their roles. The congruence of corporate and shareholder long term goals can be realized with this governing framework. Debenhams should continue to strengthen the adherence to the UK Code for structure and transparency whilst building brand trust.

Risk Management

Risk management is controlled the board who identifies and implements timeframes and authority levels and protocols to diffuse it. Transparency and anti-fraud reporting is encouraged across the company. These procedures do not eliminate risk but are used to manage the risk as it occurs. According to the 2017 Annual Report, Debenhams faces the risk of adverse economic condition, the fluctuation of the English pound, systems failures and down time due to this. It could be said, Debenhams over-reached in its redesigning activities and became vulnerable by slowly reacting to the economic conditions. The outcome threatened the shrinking operating capital which then exaggerated the risks outlined in the report. Debenhams closure of its stores and staff reduction are reactive measures indicative of an idealistic

management's sluggish response to the realistic environment it operates in. The company should become more financially prudent and evaluative of all risks management measures.

Conclusion

Debenham has been and will continue to be a strong player in the international arena. The company's greatest assets are the strengths of brand quality, brand visibility and financial reserves to weather the current market. The company's current strategy of restructuring and redesigning the face of Debenhams is critical to survival. Recommendations from my previous analysis still hold true. Debenhams should still be wary of overreaching in the company's activities. With an economic downturn, increasing salary demands, loss of sales due to social conditions and counterfeiting, Debenhams should take incremental steps rather than bold ones.

Alliances, especially with Amazon, should continue to bolster and maximize their global presence. Debenham should still look to blue territory with a look to invest in both the teen and senior segment. Debenhams should keep seeking avenues to provide value to shareholders and customers, value in processes, procedures and the relationships formed. The company's operational effectiveness can be realized by building infrastructure that is sustainable through a multi-year investment programme in systems and implementing automation throughout all its stores. Referring to Debenhams current strategy, with a few modifications in size, operations and financial planning, can realize its goal of being The Social Shopping destination.