

Rock of ages case study

Business



Specifically, ROAR has operated at a loss over the last several years, with 2008 being a transition year due to the discontinuation of the Retail division.

This case study serves to evaluate Roars strategic direction given both internal and external environmental factors using best-of-breed analysis tools. Table of Contents Executive Summary 2 2 Table of Contents

Introduction 3 Mission and Goals 4 Situation Analysis SOOT Analyst 10

Porter's Five Forces 12 Sustainable Competitive Advantage 13 Resources and Capabilities 14 Performance Measures 16 Strategic Integration 17

Bibliography 22

Introduction ROCK AT Ages Is In trouble. I en Toweling pages Illustrate ROARS excelling performance over the last five years in revenue while operational costs continue to rise.

Return on equity plummets while debt continues to climb. This diminishes shareholder value for ROAR, and impacts their long-term viability. The time for action is upon them. To evaluate the appropriate strategy to revivalist Roars business, we employ several analyses - essentially inspecting the company from separate facets as though it were a prism.

First, we analyze the current strategy and direction.

What does the organization already have in motion to change their fiscal landscape? Next, we perform situational analyses of ROAR by evaluating both internal and external factors which have shaped their current situation. These include: A financial analysis over the last five years, marking both long and short term trends. SOOT analysis to determine where ROAR shapes their future, and where the present situations are allowed to shape ROAR.

<https://assignbuster.com/rock-of-ages-case-study/>

Porter's Five Forces analysis to evaluate how well ROAR is positioned to respond to competitive pressures and which area of competition requires immediate response. A competitive advantage analysis appraises how ROAR differentiates them from the competition, and whether this advantage is sustainable.

After gathering the data from these analyses, it's used to create performance measures and mapped to strategic integration throughout the organization. The case study ends with recommendations based on the analyses for ROAR to regain market share and preserve brand equity.

Mission and Goals Founded in 1885, Rock of Ages (ROAR) is nearing its 125th birthday as a granite quarrying and manufacturing company. Priding themselves on lasting granite amortization, the company sells wholesale memorials to independent retailers in the US and Canada. Until January of 2008, ROAR operated three separate lines of business: Manufacturing, Quarrying, and Retail.

The Retail division has been discontinued, allowing the company to focus on the remaining two core business divisions.

ROAR's newly revised strategy now focuses on the following elements (ROAR, 2008): Strategic alliances With the Retail division's discontinuation, business partnerships with local and regional retailers, funeral directors, and cemetery owners is critical to ROAR's continued growth and success. Dealer sales AT private mausoleums Ana CIVIC memorials Local, state, and federal funding are available for creating and renovating civic memorials. One of the recent commissions for ROAR produced the world's largest statue of Pope John Paul
<https://assignbuster.com/rock-of-ages-case-study/>

It is over 30 feet tall. ROAR Civic, 2008) Personalization ROAR seeks to provide a product line with enough variability to meet the needs of anybody in search of a memorization solution.

Expansion of quarries and quarry business Until recently, ROAR focused the business on domestic quarries only; owning and operating ten quarry properties in the US and Canada. ROAR recently brokered a partnership with VISA, Ltd. , a Ukrainian quarrying company, to broaden their product offering and remain competitive with overseas competition.

Reduce overhead and streamline operations Having recently sold the Retail division, ROAR seeks to decrease redundant job functions and administrative office space costs. ROAR focuses on product differentiation through quality. The only company who offers a perpetual warranty (guaranteed forever), ROAR products set the standard for granite memorials.

Situation Analysis Roars situation is defined largely by recent financial. They have demonstrated year over year decline in revenue, profit, and net income since 2003 as demonstrated in Figure 1 (below). MS Money, 2008) Figure 1 Roars 2006 and 2007 financial have been resubmitted to accommodate for the discontinuation of the Retail organization, providing skewed trend lines. However, one will still note continued decline of net income between 2006 and 2007 in spite of a slight increase in both revenue and gross profit. This additional loss has been attributed to the costs of discontinued operations (Retail), and constitutes a \$5.

2 million cost in 2007. The resubmission of 2006 financial have repositioned 2006 as a bounce-back year for some key metrics.

<https://assignbuster.com/rock-of-ages-case-study/>

Figure 2 (below) illustrates improved fixed assets turnover and inventory turnover, with a minor decline in total asset turnover. Figure 2 Hogue Not all key metrics show positive gain since the 2006 resubmission due to the Retail discontinuation. Figure 3 (right) shows continued decline of return on equity following the same trend line as 2003-2004. This demonstrates poor performance for stockholders.

While return on equity falls, Roars debt ration continues to climb. Years 2006-2007 how this trend leveling off, and the current ratio in figure 5 has started to climb.

These ratios will need to significantly improve to increase the company's liquidity. Figures 4 & 5 While sales performance appears dismal, recent trends are largely due to the resubmission of the 2006 financial and the discontinuation of Retail. Sales revenue increased approximately 10% between 2006 and 2007 with the restated financial removing the Retail division. Figure 6 Figure 7 (below) evaluates the company's assets and liabilities over time.

This more clearly illustrates the benefit of selling the Retail organization, as the working capital once again approaches the current liabilities, and current assets are back on the rise.

Again, as ROAR reduces debt their market attractiveness will improve. Figure 7 Financial Summary While much of the fiscal landscape is in a period flux for ROAR due to the Localization AT ten Ret II Dustless line, much work is let to PU t teen on ten road to financial recovery. Based on the company's performance and analysts predictions, few investors would risk ROACH in <https://assignbuster.com/rock-of-ages-case-study/>

their portfolio. (MS Money, 2008) SOOT Analysis Highlights of the strengths, weaknesses, opportunities, and threats currently met by ROAR are illustrated in figure 8 (below).

Figure 8 (Chapman, 2008) Strengths ROAR has a long history of product quality.

Backed by the industry only perpetual warranty, ROAR stands behind their product for the customer and the customer's heirs forever. The quality begins with the type of stone quarried from the Earth, as many of Roars quarries yield granite composition among the best in the world. (Granite Museum, 2008) In addition to quality, ROAR also moves more quantity of granite than any other quarrying company in the US. (USGS, 1997) These factors have drawn and kept a talented workforce at ROAR, and provided a brand name well recognized in the rainier industry.

Weaknesses Although ROAR demonstrates generations of granite expertise, there are some modern day business challenges which impact Roars profitability. Distribution channels are in need of expansion to reach a broader and more diverse customer segment. While this must be driven through key business partnerships, better management of enhanced distribution partnerships will require investment in information technology systems to integrate the ROAR web presence with consumers, partners, and suppliers. ROAR suffers from limited R funding, relying on an industry as stable and solid as the product they sell.

With consumers growing increasingly demanding in terms of customization, ROAR needs to stay ahead of the curve in terms of innovation. Perhaps a

<https://assignbuster.com/rock-of-ages-case-study/>

prospective customer could upload a photo and see various types of stone to virtually carve it onto in an effort to facilitate better and faster sales.

Putting choice into the hand of the consumer will create another differentiating factor for ROAR to sustain their competitive advantage.

Opportunities & Threats Some of the external factors for ROAR present themselves as opportunities rather than threats.

For example, the rate of cremation is rising – currently ? 25% and expected to rise to ? 40% by 2010 (see figure 9 below). This presents an opportunity for the growing customer market that need an alternate method for memorializing these loved ones. A new product or deviation from the existing product line would be required to meet this need.

Figure 9 (CAN, 2006) *SHOW* summary This SOOT analysis reinforces Roars key strengths (branding, quality, labor force) which the company should continue to maintain.

More importantly, however, is the revelation of the weaknesses in the organization (distribution, R, strategic partnerships) and threats (overseas competition, labor unions) requiring a plan of action. This case study recommendations for that plan can be found in the Conclusion and Recommendation section. Porter's Five Forces Roars competition framework is illustrated in Figure 10 below. Porter's framework maps out the five competitive pressures for an industry.

Figure 10 For Roars quarrying and manufacturing divisions, the larger threats stem from buyer power and substitution.

Buyer power is a significant force as ROAR maintains high pricing in comparison to the competition. ROAR seeks to differentiate their product offering through quality and their perpetual warranty, charging a premium for these services. Buyer power is also emphasized by the growing number of alternative solutions available for memorization. Lower cost bronze markers are common for cremation memorials, as well as spending alternatives for the urn.

In these instances, the granite products ROAR is known for are losing market demand, and as a result consumers have a higher bargaining power.

Another of the forces in need of attention is industry rivalry. In conference calls with Norwich MBA students, ROAR representatives have stated overseas competition is the fastest growing threat. "A granite company in China can quarry, manufacture, ship and resell a product for less cost] than it takes [ROAR] to create a finished product." (Brock, 2007) While ROAR contends these overseas monuments are inferior quality, this source for price competition creates diminished profit margins for ROAR.

Summary Similar to our SOOT analysis, we're seeing a common theme for ROAR to focus on specific areas of the business: Overseas competition Price Dwindling market segment Need for strategic partnerships (distribution, retail) Focusing on these factors will stabilize the company and provide a basis for sustained competitive advantage. Sustainable Competitive Advantage Roars competitive advantage is based on quality in raw materials, quality in manufacturing, and the industry only perpetual warranty.

While these differentiating factors allow dominance over a portion of the target consumer market, the remaining consumers are less discerning on quality and more driven by price. To meet the needs of this consumer segment, ROAR will need to offer a lower priced alternative product line. This can be accomplished through overseas partnerships, similar to the VISA partnership in the Ukraine. Limiting themselves to the premier segment off diminishing market will spell Roars doom.

To protect the ROAR brand's escalation to quality, ten lower-Ana product marketing could separate business name.

De done unaware a The following table lists the resources and capacities for ROAR. Resources and Capabilities Table 1 Importance Relative Strength Comments RESOURCES RI . Finance 9 ROAR has shown steady decline year over year. RE.

Technology 5 ROAR has not made significant investments in technology to enable the business RE. Plant & Equipment 8 These facilities are key components to Roars continued success RE. Location 4 ROAR operates in Vermont - in close proximity to their quarries RE. Distribution dealership network) 6 With sale of the retail division, the distribution network is critical. RE.

Brands 7 ROAR has a strong brand in the industry CAPABILITIES CLC . Product Development ROAR must develop new products to meet changing market needs CO. Purchasing ROAR needs to perform a cost benefit analysis for overseas procurement of raw and semi-finished product CO. Engineering

ROAR has a strong skilled labor force CO. Manufacturing Additional cost-saving measures may be available through partnerships.

CO. Financial Management Though the Retail division has now been discontinued, the company has suffered uncial losses year over year. CO. R No real R investment CO. Marketing & Sales Limited web presence, lack of integrated CRM CO.

Government Relations Much of the Civic Memorial business is dependent on this business line. CO. Strategic Management Discontinuing Retail was a sound decision, but was it too late? The company needs to get a few profitable quarters to satisfy shareholder concerns. Figure 11 Several key strengths and weaknesses are evident based on this evaluation. Of particular note is RI- Roars financial.

This has been an area of weakness due, in large part, to the Retail organization. By discontinuing Retail, ROAR has stepped onto the road to financial recovery, yet there are still additional steps needed to ensure that recovery takes place.

These are addressed in other key weaknesses, such as partnership management, market incentives for distribution dealers, and contraction of operational expenses. Focusing on Roars strengths, engineering and manufacturing remain core assets to the company. The government relations ROAR has been making are also strong assets for the organization, allowing growth in the civic memorial business where federal funding is required.

Performance Measures | Norton ten woo |, Porters Have, Ana Resource Ana capableness matrixes, we nave identified several strategic areas within ROAR which are core to the growth and business success.