

Family dollar case study

Business



The company also provides apparel and accessories consisting of men's and women's clothing products, boys' and girls' clothing products, infants' clothing products, shoes, and fashion accessories; and seasonal and electronic products, such as toys, stationery and school supplies, and seasonal goods, as well as personal electronics, including pre-paid cellular phones and services.

As of April 10, 2013, it operated approximately 7,600 stores in 45 states.

The company was founded in 1959 and is based in Matthews, North Carolina. History Family Dollar Stores, Inc., hereinafter referred to as Family Dollar, is a discount store in 43 states, mostly based in the northeastern, southeastern, southwestern and northwestern areas of the United States. The founder, Leon Levine, opened his first store in Charlotte, North Carolina in 1959. Family Dollar had fantastic growth with record sales in the early 1980s.

But by the mid-1980s, there were some challenges in the textiles, tobacco, and furniture industries which were hit hard with financial evaluation. However, by the end of the 1980s, they were still able to acquire 400 additional stores through a company called Save Stop.

In 1991, an additional 400 stores were added to the 400 they already had in the southern states. By the 1990s, they were slowly improving the company by adjusting some of their weaknesses. In addition, they were also able to open an additional 36 stores ahead of their original plan.

Marketing Strategy Leon Olivine's marketing strategy was to sub-divide the market into distinct subsets, also known as market segmentation (Chapter 8. Market Segmentation). His market segment was to offer products to lower middle income families that needed quality clothing and shoes.

Family Dollar offers a variety of products that are mostly under \$10 and range from food products to housewives to linens to apparel. They are able to offer these products at such a low price because they purchase from companies who have over stocked inventories.

Another way they were able to offer these products at a significantly reduced price was from buying over-run quantities from manufacturers. One major reason for their low prices is their distribution center which was large enough to handle getting larger quantities at discounted rates. Additionally, they were able to make bulk deliveries to their stores in a timely manner. Family Dollar Growing When Family Dollar decided to expand geographically, they were financially able to do so due to the fact that the company had no long term debt.

This allowed them to expand without negatively affecting their long-term debt too much. They were able to expand into Alabama, Tennessee, Florida, Kentucky, Mississippi, Michigan, Texas, Virginia and West Virginia. By the mid-1970's, there was a total of 1, 107 stores in 23 different states or nearly half of the United States. Battle of Walter and Family Dollar At the same time Family Dollar was expanding, so was Wall-Mart. Wall-Mart had moved into Family Dollar's market segment in the south offering products at a low price.

This caused some issues for Family Dollar as Wall-Mart used its' buying power to also reduce their prices while Family Dollar was spending their profits to open more stores. With the competition of Wall-Mart, Family Dollar was reducing their prices even more to be able to compete. Mr.. Levine felt that reducing their prices as the right thing to do to compete with Wall-Mart, but that was not the case for Lewis Levine. Lewis Levine was Leon's first cousin, as well as the president and chief operating officer.

Lewis felt Leon was not responding fast enough to Wall-Mart's coming into Family Dollars' market segment.

This disagreement caused Lewis to ask for more control which was rejected by the board. In addition, the board also asked for Lewis' resignation, and Lewis resigned his position. Re-engineering After Lewis Olivine's forced resignation, Family Dollar searched for a new President and CEO. Leon found Ralph Dillon who was the head of Coast American Corporation.

Once Dillon was appointed to the position, he started making changes to Family Dollar. His strategic plan was to re-engineer (Chapter 7 Re-engineering) Family Dollar Dye recalling prices even more Ana any product over SSL woo a nave to De approved by top management.

This strategic plan included going back to the basics, which had made Family Dollar what is was prior to all the changes. This also meant that he was now going to stock overruns, closeouts, their own labeled brand products, as well as stock irregular name-brand apparel. By implementing these new strategic management processes, Family Dollar was able to make it through the

economic downfall. In the early sass's, they were able to open 150 new stores mostly in New England.

Inventory Control To help better control their inventory, a new point-of-sale system was installed.

This allowed them to keep track of what was selling well in each store as well as keep track of the competition on certain products. As Family Dollar continued to open more stores and further compete with Wall-Mart, they made sure to stay closer to the shoppers' homes and stay smaller in size. So even though the products may be a little higher than the Wall-Mart product, customers are willing to spend it because of the store's location and convenience. **Strategy Evaluation** During the sass's, Peter Hayes became the new President and he also had some ideas on how to improve Family Dollar even more.

Since 45 percent of stock was apparel, Hayes would look for factories that had downtime and would contract them to manufacture more merchandise for them. Hayes felt Family Dollar should also increase its' distribution center, so they built one in Memphis, Arkansas. Between the distribution center in Arkansas and North Carolina, they had a total of 1. Million square feet of space that was fully automated. In the mid-sass's, Family Dollar did a strategy evaluation. A strategy evaluation (Chapter 9 Strategy Evaluation) examines the company's strategy, compares results and takes corrective action.

Based on the strategy evaluation, they decided to take control and cut out their low margin items like tools, paints, and motor oils and replace them

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with items that would have a higher profit margin such as toys and electronics. They also changed their pricing policy to allow items up to \$25 versus the previous where they had to get permission from upper management to have items that were \$15. With the increased amount of bankruptcies around the Family Dollar discount chain, they took the opportunity to expand more by adding an additional 165 stores.

As their company continued to grow, they decided to open up another distribution center in Virginia, as well as add an additional facility that went online in Oklahoma. In 2001, they opened their 4,100th store and only 2 years later added an additional 1000 stores.

Family Dollar's Code of Conduct As far as the Family Dollar's Code of Conduct, they will only work with businesses which comply to all the local laws for work environment. The business partners must promote internal training and awareness programs to all employees for health and safety standards. Family Dollar will not work with businesses who use child labor or forced labor.

Family Dollar believes in disciplinary action that still treats the employees with local respect at all times. It is an equal opportunity employer and any discrimination or discriminatory behavior will not be tolerated.

" Business partners are encouraged to develop internal programs, policies and procedures that clearly define their business practices and provide employees with a viable means of managing conflict and resolving disputes. " (Family Dollar Corporate, 2008) Family Dollar does not expect employees

to work more than what they want and expect the business partners to abide by the local laws.

They expect that the business partners pay their employees the wages and benefits that comply with the local laws. “ Family Dollar will not knowingly work with business partners who use deceptive trade practices to deliberately misrepresent country of origin in order to evade quota or other import restrictions or duties on any product(s) that will be sold in our stores. ” (Family Dollar Corporate, 2008) They finally will not work with businesses that do not meet the standards for environmental regulations. SOOT Analysis Family Dollar possesses many strengths, weaknesses, opportunities and threats.

Doing a S. W. O. T analysis is very important when you are re-engineering any company to understand what you are good at and what you need to work on (Chapter 6. SOOT Matrix).

One of the strengths of Family Dollar is it is able to fit into urban store spaces and is virtually debt free. They also offer convenience for the customers by located themselves close to neighborhoods. Family Dollar keeps a solid stock supply in their distribution centers as well as in their stores. Since their market segment is for low to middle class consumers, the products they offer are at very low prices.

Another strength they have is their low operating costs as well as their continual focus on how they can improve themselves for their customers. Family Dollar realized that it had some weaknesses, so they decided to

analyze their own operation in order to determine what corrective action(s) could be taken.

They realized they needed to change their marketing strategy. They were geared towards low to middle class. However, they found that when the economy is tough, they have a chance to gain more market share by advertising to all economic classes. Another weakness they had was in inventory control.

As Family Dollar kept expanding, they were having a hard time keeping track of their entire inventory due to the expansions of their distribution centers.

They installed a point of sale system which allowed them to now track and give detailed information on the products. Family Dollar's researched may not be the top of the line, so it may turn off some of the higher class income. Therefore, they are trying to figure out how to improve their merchandising, as well as how to geographically diversify itself. They have just opened their first overseas store in 2010.

There is a huge market out there for stores that are designed for low income consumers. Legal proceedings are another facet they have against them right now, as some states' believe that store managers should be non-exempt employees.

This can lead to lengthy proceedings which would add significant cost to the company. Product recalls is yet another weakness for any company as it reduces the consumers view on the seller of those products. Even though it

is not the sellers fault, consumers may believe that it is the store's responsibility to know about the products.

Because Family Dollar buys in such bulk when the product gets recalled, they tend to lose money since they will not have the quantity anemia to replace ten recalled amount. Family Dollar has many opportunities as they continue to grow including expanding overseas.

Only 30% of the goods that they currently sell are from manufactures overseas. They have the opportunity to strengthen the supply chain by going globally. By going globally they also have the opportunity to improve the quality of their current products. Expanding globally would be a great opportunity considering Family Dollar focuses on low income consumers.

This would limit global issues (Chapter 11 Globalization) that they may have expanding and they would probably excel in under developed countries.

Through advertising they can increase awareness of their brand name products. So many companies are selling their own brand named products to help gain profitability. If they renovate the stores they could possibly appeal to more nonusers which would give them the opportunity for greater profits. With the greater profits, they would be able to expand even more. These opportunities all go hand in hand.

Family Dollar's threats consist of competitive forces, increased capital expenditures, increasing labor costs, and government legislations. Some of Family Dollars competitive forces would be Wall-Mart, Target, Dollar General, and Dollar Tree. Dollar General and Dollar offer products closely related to

what Family Dollar offers. Wall-Mart and Target are changing their strategies to also offer products at a lower price such as these Dollar stores. The only difference is that Wall-Mart and Target have a larger supply chain and more leverage of their products because of their size, quantities purchased and the variety they order.

A lot of suppliers give bigger price cuts to larger quantities.

Being a smaller company, Family Dollar is faced with a threat of pay raises and increased expenditures. Larger companies can cushion themselves a little bit more through some of their other high end products. With Family Dollar it is harder since they don't have the size needed to cushion increased expenses such as pay raises. Government legislations can also impact stores. Changes in federal or state wage requirements, employee rights, healthcare, social welfare as well as other entitlement programs can impact a companies' process of how they do business.