

David jones Ltd research paper example

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



David Jones Ltd

David Jones, an Australian company, is a successful retail store with many premium outlets in most parts of the country. David Jones founded the company in 1838 with a single aim “ To sell the best and most exclusive goods”. Later it converted into a public company after the failure of a partnership with Adelaide Steamship Company. The firm has been successful in the Australian retail industry over the centuries due because of carrying out certain activities. It is now the largest retail national company in Australia with a large number of outlets all over the country. The aim of this analysis is to examine industry, competition, strategies, strength, and weakness that spur or deter the success of the firm. The analysis will be the basis of recommendations and observations on how and what the company should undertake to improve or maintain its current market status.

Industry & Competitive Analysis

David Jones has its major focus in the retail industry. The Australian society offers a profitable environment for the retail industry. The demographic characteristics in addition to income distribution in the society give an advantage to retail operators in the industry. Larger percentages of the population are middle income-level earners or at least consider themselves to be. This perception boosts sales in departmental stores as they strive to make themselves comfortable.

An ageing population and a steadily rising number of working individuals, offers a good market of economically able customers in the society. By effectively targeting them, retailers are able to increase sales significantly as

well as expand their customer base. This demographic characteristic favors the David Jones Company, which targets the high income and middle-level income earners. The ageing population has disposable income in form pensions, grants, gifts, and retirement benefits. The working population has disposable income in the form of allowances salaries and commissions. They act as a good source of revenue in sales for the company, which deals with rather expensive but quality products. Low-income bracket and the unemployed would not form a better target for the company.

Some legal factors such as deregulation of trading hours are a major boost to the industry. This translates to a direct increase in gross sales as well as profits for retail traders such as David Jones. On the other hand, the policy adopted in Western Australia to prohibit retailing on Sundays is an example of legal regulations that affect negatively on the profitability of retailers in the country. Loosening the tough regulations on opening up and running of the retail trade improves the conditions and terms of trade in the industry. The world/global recession is an economic impact bearing effects on the retail industry. Reduction in wages and loss of employment during the 2008 to 2009 recession has had its fair share of negative impact on the retail industry. A reduction in consumer purchasing power and income due to low wages because of poor performance by firms and loss of jobs respectively, translates to a significant reduction in consumer spending and profits for retailers such as David and Jones. The firm recorded a reduction in gross sales during the recession period.

Adoption and advancements in technology is a major trend characteristic in the retail industry. Recently, many firms in the industry have experienced a

rise in IT investments in order to spur growth and keep up with the competition. Developments in the e-business technology have seen to it the introduction of on-line trading, on-line shopping, and electronic payment systems. Early this year David Jones Company increased their IT investment budget despite facing a significant drop in profits in the previous financial year. IT investments such as the enterprise resource planning systems, trading platforms, Customer relations management systems and electronic management systems

David Jones has a credit for being the dominant firm in the Australian retail industry for a long period with no threatening competitor. However, recent changes in business dynamics such as competition, technological advancements, consumer tastes, and economic environments call for a change in its strategies for it to stay in business and remain relevant as it has in the industry. Its closest rivals includes the Myer and Kmart retailers who have close but not similar market characteristics in terms of market share, location, asset capitalization and exclusive brands. The competitors have been unable to outdo David and Jones either because of a disadvantage in the above-mentioned areas or lack of proper strategies. An example is Myer, which did not focus on specific services as its area of specialization. Other competitors are, Big W and Target.

SWOT Analysis of David Jones

The firm owes its success to a number of factors it enjoys since its founding. These factors may as well be the source of its strength and stability amid the rising competition and threats. Its strategic location in the central business district of Sydney in the George Street was and still is a major boost to its

access to customers. The location and its Expansion to other strategic streets and areas in Sydney proved more advantageous in gaining access to their target segment. They are able to access the market of both high income and middle-income earners. This gives it a unique position in the market in that other competitors such as Myer do not have access to the high-income earners as well as they do.

The reconstruction efforts by the World Bank went hand in hand with business objectives of firms established during the period after the Second World War. This saw to it that many business ventures established in the period achieved the necessary environment for growth and development in various countries. David Jones Company happened to be among the companies that enjoyed favorable environment and in the process; it achieved immense growth and success. As result of staying long in business, the company has accumulated a huge capital asset base. This gives it an upper hand over its competitors. In fact, one would say that while Adelaide steamship sunk, its huge capital assets saved it from liquidation when the partnership failed.

As a public company, David Jones has an ability to raise capital easily through floating of share to the public. Proceeds from sale of shares helps in improving the firm's liquidity and acquiring of capital assets. The firm has high profile employees who prove to be an asset to the company. The Investment in high profile employees who are result oriented has so far enabled the firm to realize a big return on its investment. Employment of Mark McLane in 2005 saw the ailing firm turn around into a profit making organization with increasing returns on investments for shareholders. Paul

Zahra with other high profile employees currently oversees the profitable running of the firm.

Value proposition is also a major strength that the firm has. This is what a firm has to offer to the public in exchange for the value of their money.

David Jones centers its value proposition on delivering the needs of the customer by providing exclusive products. The proposition aims at delivering ambience, range, good communication, and quality service when dealing with each customer. David Jones offers a variety of international and local designer clothes in their outlets countrywide. Customers prefer such a wide range of products.

Good customer relations and loyalty come from the good communication and quality service. This market positioning and identification with quality and branded products is what makes David and Jones unique. It is what differentiates it from other retailers in the industry and therefore serves as strength to the company. It goes hand in hand with delivering self-esteem and ego needs as stipulated in Maslow's hierarchy of needs. They serve each individual tastes and preferences.

Among the weakness of the company is the inability to diversify outside the differentiated market segments. The company was unable to actualize other diversification initiatives earlier introduced into the company such as food chain and the David Jones online. With the increased competition and dynamic changes in the market, failure in the targeted segment would mean the end of the business. The company has not made any efforts to gain access to other market segments previously not targeted such as the low-income earners.

Threats and opportunities also exist to the firm. Competitions from other retailers such as Myer pose a threat to David Jones' market share and profitability. Recent moves by the Myer to specialize and focus on specific market segment rather than dealing in many ranges of products has significantly improved its performance over the past few years. If the trend continues, David Jones should be wary of its future existence and market dominance. On the other hand, David Jones has an opportunity to expand their market segment by venturing into the competitors segment. This will increase and expand the capital base. Capital investments in IT ventures such as e-business is an opportunity to keep the competitors at an arm's length as well as improve firm's rate of growth. Electronic business significantly reduces the costs of doing business, improves efficiency, which in turn improves customer delivery. This will create good customer relations and loyalty.

Current Generic Strategy

Management through strategies is the careful examination and evaluation of both internal and external forces that influence a firm in order to establish a premise for re-evaluating the currently existing Management practices. A good strategy will ensure an agreement between corporate policies and corporate objectives. The activities carried in the organization should aim towards fulfilling organizational policies and the overall goals. Strategic management or proper guidance in the setting and execution of the policies would ensure that the firm achieves its objectives efficiently and resourcefully without incurring any major losses. Current Generic strategies evident in David Jones include differentiation, market leadership in cost,

Focus and brand positioning.

Product differentiation is a major strategy used by David Jones in outdoing competition. It deals with designer clothes and fashions that aim at delivering quality and affordability to the customer. Availing a wide variety of clothes in the stores, which are unique, is strength to the company. The strategy is well stated among in the company's statement " turning out something customers perceive as unique-brand whose quality, design, brand name and reputation for service commands higher-than-average prices".

Communication of the uniqueness and differentiating itself from other retailers is what makes David and Jones successful. Differentiation is also evident in the structures, processes, and people in the company. It operates in a way that is unique to other retailers. Customers associate it with luxury and quality in the market and this is what makes it clique.

In cost leadership, David Jones offers the most competitive prices for luxurious goods. The company is undertaking steps to maintain cost leadership through effective cost and price management strategy. In terms of price, mid-level income earners feel that they are able to afford the products. The firm has been able to sale the idea of " affordable luxury" to consumers. Consumers know that they offer the best prices for high quality products even if this may not be the case. David Jones has a huge capital base and infrastructure in terms of assets. Its listing in the securities exchange improves its liquidity and therefore the ability to operate cost effectively as opposed to its competitors.

The company makes decisions based on a strategy to focus on particular market segments. David Jones concentrates on the high income earning and

the mid-level income earning segments of the population. There is no plan to change the core brand positioning in the company. It considers them as a high yield set of the demography and who are capable of affording the assorted brands that they supply. The company is above its competitors in these set of the market segment. The strategy aims at improving what the company is already good at instead of venturing into unknown territories. The plan now is to maintain the status quo and secure the company's future interests

The performance of the company over the last two years has been good. A significant rise in sales volume has occurred with high sales attributed to differentiation and brand positioning in the market. The market share has consistently gained in the average value over the period. This indicates a good performance and increase in net profits due to good cost effective management practices. Capital expenditures on IT, infrastructure and opening up of new departmental stores have increased the overall costs of the firm over the years. The plan to adopt online shopping and e-business has increased the capital investment expenditure during the recent period.

Recommendations

Maximum returns on shares and dividend yield has room for expanding if the firm takes advantage of the other market segments. While it maintains its position of retaining the existing focus, its rivals such as Myer are struggling to access into their market segments. Myer carries out strong promotional programs and deals with other companies to be able to have access to the high income segment of the demography. There is a risk of failure if it does not accessing the segment it (Tay, 2005 Pg. 11).

The company should consider diversifying its portfolio beyond its original undertaking. Even though retailing and financial services have proved profitable so far, an investment into other ventures could further improve the profitability of the company. Its recent move to add more financial services is good in increasing its revenue. The company should consider revising its previously started ideas such as the food chain and online stores. It should carry out a thorough research and investigation into the possible causes of failure by the projects. They should then revamp the projects and take the necessary steps and precautions to avoid repeating the mistakes.

Diversification of investment will improve the portfolio outlook and increase the chances of survival in case of losses or failure in some of the projects undertaken.

Good capital management should go into the administration and management of the firm. Strategies such as controlled capital expenditure will improve the capital standing and profitability of the firm. The company should cut down spending on acquisition of assets that do not add value to the company. Disposal of low-income assets will earn revenue to the firm while reducing maintenance costs at the same time.

Issuing of rights issue to the shareholders will go a long way in improving the company's liquidity. Insolvency issues will not arise since the firm will have enough capital and float at their disposal. A rights issue is a better choice of raising capital as opposed to other forms of debt financing such as bank loans that carry huge interest rates (Bita, 2011 Pg. 1). The high costs of capital financing cut the profits of the firm. It also places a burden on the shareholders.

Another strategy is to retain the shareholder rewards and slash back on the discounts given to them. This will ensure that enough capital is available for future investments and profitability of the company. Returns on investments should be the key driving factor when evaluating the projects to undertake. The company should carry out an evaluation and abandon projects with low returns on investments since they do not deliver value to the shareholders. David Jones Company faces a dynamic and constantly changing retail industry in Australia. It not only requires carrying out activities that will boost customer loyalty but it also needs to ensure that it remains relevant and competitive in the industry as well.

Right now consumers prefer convenient shopping in the comfort of their homes or working place. This saves them time and increases customer satisfaction. The company can only realize this through online trading. It should expand its e-business capability to handle online shopping and purchases. These together with the financial services it offers by cards will significantly improve its profits and returns. It will also keep up with competition from its rivals who are already engaged in it. The company should also re-evaluate its strategic plans and constantly revise it to eliminate plans that no longer hold given the current situation. These will save the company a lot in coming up with new plans after a failure in implementation of a plan that is no longer relevant.

In conclusion, David Jones owes its success to proper product differentiation, focused marketing, proper cost management and effective cost leadership. From the analysis, it is also evident that it does not face a stagnant environment and the dynamic factors keep on changing. It requires a

constant examination of its formulas and carrying out of necessary actions to update them.

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