

# [Dillards swot](https://assignbuster.com/dillards-swot/)

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Company Overview

Dillard’s, Inc. (Dillard’s or ‘ the company’) is one of the largest fashion apparel and home furnishing retailers in the US. The company primarily operates in the southwest, southeast and midwest regions of the US. It is headquar tered in Little Rock, Arkansas, and employed about 38, 900 people as of Januar y 28, 2012, of whom 8, 947 were par t-time employees. The company recorded revenues of $6, 399.

8 million in the financial year ended Januar y 2012 (FY2012), an increase of 2. 3% over FY2011. The operating profit of the company was $396. 7 million in FY2012, an increase of 47. 6% over FY2011.

The net profit was $463. 9 million in FY2012, compared to $179. 6 million in FY2011.

Head Office Dillard’s, Inc. 1600 Cantrell Road Little Rock Arkansas 72201 USA Phone 1 501 376 5200 Fax Web Address http://www. dillards. com Revenue / turnover 6, 399. 8 (USD Mn) Financial Year End Januar y Employees 38, 900 New York Ticker DDS Dillard’s, Inc. © MarketLine Page 3 Dillard’s, Inc.

SWOT Analysis

Dillard’s is one of the largest fashion apparel and home furnishing retailers in the US. Besides offering national brands at its stores, the company also offers private and exclusive brands. Its private and exclusive product range helps it to tap the growing value oriented customer base in the US. Moreover, the exclusivity element attached to the brands enhances the store’s perception as an upscale depar tment store and drives footfall. However, intense competition could lead to price wars and pressurize the company’s margins and cap its market share. Strengths Weaknesses Private and exclusive brands enhancing the exclusivity factor Various cost-controlling measures driving profitability

Threats Online retail channel to offer oppor tunities for growth Growing demand for footwear in the US The growing US REIT market Intense competition Discretionar y spending in the US Strengths Private and exclusive brands enhancing the exclusivity factor Besides offering national brands at its stores, Dillard’s offers private and exclusive brands. The company’s exclusive brand merchandise por tfolio comprises Antonio Melani, Gianni Bini, Roundtree ; Yorke and Daniel Cremieux. These exclusive brands are offered at lower price range compared to the national brands.

The demand for private label merchandise has gained strength in the US, as customers are increasingly seeking value for money. Though this trend emerged out of the pressurized disposable income in the hands of the customers, the trend is expected to continue even after the country recovers from the economic slowdown. Dillard’s private and exclusive product range helps it to tap the growing value oriented customer base in the US. Since these exclusive and private label brands carr y higher margins, the company’s overall profitability is also impacted positively. Moreover, the exclusivity element attached to the brands enhances the store’s perception as an upscale depar tment store and drives footfall. Various cost-controlling measures driving profitability Dillard’s, Inc.

© MarketLine Page 4 Dillard’s, Inc. SWOT Analysis Dillard’s has adopted various cost-controlling measures for sustenance in the difficult retail environment. Dillard’s has engaged in activities such as tight expense control and store rationalization.

The selling, general and administrative (SG) expenses as a percentage of sales have essentially remained flat in the last three years despite rising healthcare and other costs. The company repor ted SG expenses of $1, 630. 9 million in FY2012, $1, 625.

8 million in FY2011 and $1, 644. 1 million in FY2010. SG expenses as a percentage of sales was 26%, 26. 6%, and 27% in FY2012, FY2011 and FY2010, respectively. Dillard’s has also continued to cut costs and improve profitability by closing underperforming stores. During FY2012, the company closed four of its stores: a 190, 000 square feet store in Austin, Texas; a 128, 000 square feet store in Decatur, Alabama; a 159, 000 square feet store in Westminster, Colorado; and a 96, 000 square feet store in Glenn Allen, Virginia.

The improved operating efficiencies coupled with the closure of under performing stores have enhanced the productivity of the company’s retail operations and its profit margins. The company’s operating profit reached $396. 7 million in FY2012, an increase of 47. 6% over FY2011. Also, the net profit of Dillard’s reached $463. 9 million in FY2012, compared to $179.

6 million in FY2011. Improved profitability not only enhances shareholder’s confidence but also offers Dillard’s financial sources to fund its expansion plans. Weaknesses Lack of geographic scale and reach The company’s operations are limited to few states of the US market. Its competitors, however, have a diverse geographic presence. For example, Sears Holdings Cor poration operates in the US as well as in Canada. J. C.

Penny, though operates only in the US, has a wider presence compared to Dillard’s. J. C. Penny operated 1, 102 stores in 49 US states and Puer to Rico in the financial year ended January 2012 while Dillard’s operated 304 stores in 29 US states during FY2012. Lack of geographic diversity exposes the company’s revenue stream to slowdown in the regional economy.

Opportunities Online retail channel to offer oppor tunities for growthThe use of online retail channel as a means of making purchases has been growing among the customers in the US. According to the US Depar tment of Commerce, online retail sales in the US increased from $144. 6 billion in 2009 to $193. 7 billion in 2011, at a compound annual growth rate of 15. 7%. e-commerce sales accounted for 4.

7% of the total retail sales in the US in 2011. Fur thermore, in the second quar ter of 2012, the online retail sales reached $54. 8 billion, an increase of 3. 3% from the first quar ter of 2012. Besides the brick and mor tar stores, Dillard’s offers its merchandise for sales online at its website, www. illards. com. This website also features ser vices such as on-line gift registries, among others.

Dillard’s, Inc. © MarketLine Page 5 Dillard’s, Inc. SWOT Analysis Dillard’s can leverage its online retailing business to tap the increasing popularity of online retail channel. Growing demand for footwear in the US The market for fashion footwear has shown strong growth in a scenario where spending on discretionary items has been pressurized. According to MarketLine, the footwear market in the US grew by 3% in 2011 to reach a value of $67. 7 billion. By 2016, this market is expected to reach a value of $81. 6 billion, an increase of 20.

6% from 2011. Footwear is one of the key offerings at Dillard’s retail outlets. The categor y accounted for 16% of the company’s revenue in FY2012, 15% in FY2011, and 14% in FY2010. The growing demand for fashion footwear in the US will lead to more customer traffic at Dillard’s retail outlets and drive revenues from the product category. The growing US REIT market Dillard’s entered the real estate investment trust (REIT) market by forming a wholly owned subsidiary in January 2011. This subsidiary will operate the company’s REIT as well as a wholly-owned captive insurance subsidiary. REITs have been performing well in the US market.

According to industr y estimates, the strong performance in the REIT industry in 2011 was that of the self-storage REITs (with a total return of 35. 2%), followed by apar tments (15. 1%), health care (13. 6%) and retail (12. 2%).

Amid macroeconomic concerns such as sovereign debt, rising energy costs, and fears of a double-dip recession, the US REITs have been able to outperform the market due to increased inflow of funds from institutional investors. The US law requires REITs to distribute 90% of their annual taxable income in the form of dividends to shareholders. Thus, huge dividend payouts have been attracting more customers to invest in the US REITs. Dillard’s entry in the REITs market will enhance the company’s ability to access debt or preferred stock and thereby improve its liquidity. The funds raised from the REITs can then be channelized towards fur ther expansion of the company’s retail stores in the US and internationally.

Threats Intense competitionDillard’s operates in a highly competitive retailing industry. Although the company is one of the leading apparel and home furnishing retailers in the US, it has a number of competitors at the national as well as at the local level. Its competitors also include specialty, off-price, discount and internet retailers. Competition is characterized by many factors, including location, reputation, fashion, merchandise assor tment, adver tising, price, quality, ser vice and credit availability. Some of the key competitors of Dillard’s are J.

C. Penney, Macy’s and Saks. Some of these competitors may have substantially larger marketing budgets, providing them with a competitive advantage over Dillard’s.

Dillard’s, Inc. © MarketLine Page 6 Dillard’s, Inc. SWOT Analysis Intense competition in the industry could lead to price wars and pressurize Dillard’s margins and cap its market share. Discretionary spending in the US High unemployment rates and slow economic growth prospects have kept the consumer confidence low in recent times. According to industry exper ts, the US consumer confidence index decreased and reached 60. 6 in August 2012, compared with 65. in July 2012.

The consumer confidence index was above 100 in the first half of 2007. Americans continue to remain cautious about spending, one of the reasons why the pace of the recover y is estimated to be more subdued than in the past. High unemployment rate is expected to keep consumers relatively cautious. The annual average unemployment rate in the US was at 8. 9% in 2011. High unemployment rate reduces consumer spending as customers feel uncer tain about their future earnings. As a result, consumers tend to save more. Dillard’s generates 100% of its revenues from the US.

Therefore, the company’s financial performance is sensitive to changes in the overall economic conditions that affect consumer spending and mall traffic. A fur ther decline in consumer discretionary spending could adversely impact the company’s top line growth. Dillard’s, Inc.

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