

Dixons group essay sample

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1. Introduction

Since 1980s, there is a fast growing technology in communications and internet, which favors the birth of a new model of the world's economy: borderless economy. The terminology refers to the existence of cross-nations or even cross-continent trade and commerce. In internet era where any type of business made available, companies should remember that Web is inherently global. It means that when a company launches a Web site, it is accessible by a worldwide audience. Therefore, matured telecommunications and internet technologies have tangible impact not only on businesses but also on overall society.

E-commerce and dotcom companies have changed the way businesses conducted in internet era. In 2000 alone, according to one report, the electronic commerce recorded the annual volume estimated to be between \$100 billion and \$200 billion (Litan 2000).

Concerning this issue, this paper will discuss the situation that a retailer named Dixons Group faces. Dixons Group is also known as DSG International plc that specializes in selling electrical goods through more than 1,450 stores and online stores. The analysis includes the internal analysis, analysis of the competitive environment, and many others.

1. Internal Analysis

II. 1 Strategic Planning

In addition to strategy definition, companies are common to conduct strategic planning that represents the way to identify and go towards desired

future condition (“ Strategic Planning”). This kind of planning is important for companies since it becomes a step to develop, implement, and achieve goals and objectives. Similar to the concept of strategy, the strategic planning also comes from military terminology. While in military, the planning called military strategy, in business it refers to strategic management.

There are three kinds of strategic planning: goals and objectives, mission statements, and vision statements. Below is the strategic planning analysis for Dixons Group (DSG International plc).

II. 1. 1 Goals and objectives

In business world, we often encounter any differences between current and the future states, which further become a gap. In order to minimize the gap, therefore, a company should define clear company’s objectives and goals.

In business world, the definition of goals is statements that are formulated and lack of specificity while objectives tend to come in exact form (“ Strategic Planning”). For example, a company’s goal might be stated like “ I want to achieve the sales target”. While this statement is wrong, the good one is “ I want to hit \$250 million of sales in 2006”.

In addition, if an organization composes of various departments, each should have different goals. In this situation, the company should be able to integrate the general goals to prevent any conflict in future.

Concerning the goals of Dixons Group, in the financial report and in the corporate website, there is no statement what are goals or objectives of

Dixons Group. Since the company does not specify the exact goals, below are the suggested goals for Dixons Group:

- Achieve 80% growth in online sales in 2006 (in 2005 the growth was 70%)
- 45% of sales are generated from international business in 2006 (in 2005 only 33%)

II. 1. 2 Mission Statements

The second type of strategic planning is a mission statement. This statement details what a company will do today to reach the company's goal, purpose, or mission (" Strategic Planning"). Therefore, the mission statement should not wordy since people might consider and implement it in different ways. For example, Ford Motor Company has a mission statement that is short but has a deep meaning. " Quality is Job 1" is the Ford's mission statement.

Like the situation in goals or objectives, in the financial report and in the corporate website, there are no clear statements about what are the mission statements of Dixons Group. However, in the website, there the intention statement from Dixons Group that can be considered as the company's mission as following:

- operating with honesty and integrity
- giving outstanding service to customers
- respecting our colleagues
- continually seeking ways to improve performance
- Working together to beat the competition

(DSG International plc, 2006c)

If the above statements become the company's mission statements, it can be said that they fulfill the criteria of mission statements since the statement is not wordy and has deep meaning. However, the statements lack of the description about who does the action whether whole entities in Dixons Group or only top managements.

II. 1. 3 Vision Statements

The third type of strategic planning is a vision statement, which often comes in the form of graphic. This statement describes what a company wants to be in the future (“ Strategic Planning”). The difference between mission and vision statements lies on the nature of statement. Vision statements usually come in abstract form while mission statements are likely that tend to be more concrete and proscriptive.

In other words, a vision statement is a picture of ideal future outcomes. Therefore, a good and en effective vision statement is one that provides clarity, description of the future, and driven by customer needs (“ Strategic Planning”).

Since Dixons lack of vision statements, therefore following sentences could be considered as the company vision as following “ To be the largest specialist retailer of consumer electronics in the World.”

II. 2 Corporate Strategy

Currently, the Dixons Group composes of several brands such as PC World, Currys and Dixons. co. uk in the UK and Ireland. This situation represents the company's strategy to operate a multi-channel approach to electrical retailing and provide customers with wide ranges of after sales services. In detail, four key strategies that contribute to the success of Dixons Group as following:

- Becoming the specialist in electrical retailing
- Operating mainly from big space trading a range of different retail brands
- Continuously expand into European markets in order to explore profitable opportunities and generate revenue from them
- Being the lowest cost operator in cost ratio terms in each of our markets”

(DSG International plc, 2006b)

In addition, the company mentions that the group strategy is supported by their purpose to excel in their services by conducting following initiatives:

- Serving customers with integrity
- Providing comprehensive and excellent services to customers
- Valuing colleagues
- Continually finding new method to improve performance
- Working together to wins the competition

(DSG International plc, 2006b)

Their strategy to provide comprehensive services to customers has driven Dixons Group to build both retail and e-tail brands throughout Europe. Their brands include PC World, Currys and Dixons. co. uk in the UK and Ireland, The Link in the UK, Elkjøp in the Nordic countries, UniEuro in Italy, Kotsovolos in Greece, Electro World in central Europe and PC City in France, Spain, Italy and Sweden.

II. 3 Functional Analysis

The Dixons Group serves over 100 million people every year. They want shopping in their stores and online to be a satisfying experience for every consumer. The Dixons Group's commitment to accumulate training, design and product information means their products and services are reachable to everyone. The Dixons Group buys globally and in great volumes to deliver the biggest range of new technologies at innovation prices.

To listening about what their customers really want, The Dixons Group introduces service innovations such as Collect @ Store at PC World, Curry's product support and online accounting for PC World Business customers. The Dixons Group are developing and delivering practical plans to help their customers and successively mystery-shopping programs to measure their progress. The Dixons Group want the customers feel that shopping online with them is safe and secure. The sites of The Dixons Group use industry-standard Secure Sockets Layer (SSL) technology to encrypt personal information.

The Dixons Group is committed to accomplishing high standards of environmental management. They accept as true that this point can be <https://assignbuster.com/dixons-group-essay-sample/>

accomplished by integrating their environmental policies into sound business processes. The Group performs this by increasing understanding of their general environmental effects by measurement, examination, and evaluation, improving responsiveness by following discussion with interested stakeholders including their customers, shareholders, suppliers, staff, NGOs and Governments, reducing effects throughout a practical program of environmental management.

Moreover, in order to strengthen the company values, Dixons Group also has standard channel presence. They can verify what products and services that can be sold at what price. The Dixons Group manages partly of the mass-produced distribution of PCs. They are using this massive market power to keep prices to consumers and have a domination place in the mass-produced. The Dixons Group is conducting aggressive competition in the market by striking anti-competitive deals with suppliers.

II. 3 Management: Structure, Systems, Culture, and Leadership

Organization Theory is the discipline that studies the structure and design of organizations. It describes how organizations are actually structured and offers suggestions on how they can be constructed to improve their effectiveness. A theory is an attempt to explain a segment of experience in the world (Hatch, M. J., 1997).

A theory consists of a set of concepts and the relationships that tie them together into an explanation of the phenomenon of interest. In short, the best and effective organization structure is one that provides cause-effect-relationship. In addition, the organization structure should also promote

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effective work effort and minimize complexity (Hatch, M. J., 1997). Below is the organization structure of Dixons Group.

Figure 1 Organization Structure of Dixons Group

Source: DSG International plc. 2006, ' Our Structure', Retrieved June 13, 2006 from <http://www.dsgiplc.com/layout.aspx?ID={9e0d6ca3-0ae3-4686-a528-475f6b8da102}&CatID={95aa4925-eb4c-496b-a814-ac5040cee9df}>

By seeing the organization of Dixons Group, it is clear that the company provides effective work effort in order to minimize complexity in which there are only three broad businesses in the Dixons Group.

- Analysis of the Competitive Environment

Any organizations especially one dealing with business environment must encounter an era where the success of their operation depends on both internal and external factors. Under such circumstances, it is useful to carry out an analysis that takes into account not only the company's internal factors, but also external factors such as activities of the company's competitors and current industry situation as well. Concerning the competitive analysis, this paper will discuss four types of business analyses: SWOT Analysis, Porter's Five Forces, Porter's Generic Strategies, and BCG Matrix.

III. 1 SWOT Analysis

As the name implies, SWOT analysis composes of strengths (S) and weakness (W) as internal factors while the external factors composes of opportunities (O) and Threats (T). SWOT analysis can be perceived as old <https://assignbuster.com/dixons-group-essay-sample/>

tools although some companies still use this analysis in order to find out their capability in the market. In addition, SWOT analysis also present information that is beneficial to match the companies' resources and capabilities to existing business environment in which the company competes.

Strength is the first component in internal analysis. The component shows any resources and capabilities that support a company to achieve its competitive advantage. Strengths include several items such as patents, excellent reputation, low cost structure and many more.

- Prospect of PC's market for the industry is getting more exciting from time to time
- This company owns the network of marketing, which have been available
- This company has the experienced resource in handling business of PC's market.

The second internal factor is *Weaknesses* . Weaknesses are the contract situation to strengths in which the absence of specific strength might be considered as the weaknesses of the company. Weaknesses include a lack of patent protection, high-cost structure and many more. Concerning the Dixons case, the weaknesses are as following:

- Service quality need to be enhanced
- The customer's services is not been managed better yet. Sometimes there is a lack of flexibility of customer's services system, and customer is services still not effective and focused yet.

- Product variant still has the character of general
- Dixons have exist in more than 13 countries in the Europe but the delivery, for customers who purchase online, must be delivered only to address in the U. K. (DSG Retail Limited, 2006).

However, any internal factor could be the strength or the weakness for a company. Consider many human resources. When a company could not employ and appoint them in the appropriate manner, they could the weakness for the company since it causes high-cost structure and ineffective business environment and vice versa.

Opportunities are the first external factor in SWOT analysis in which they represent specific opportunities that may help a company to gain more profit and achieve sustainable growth. Opportunities include unfulfilled customer need, new technologies, elimination of trade barriers and so on. Below are opportunities for Dixons Group:

- PC's market growth is prospective
- There is opportunity to serve the consumer by providing product with the special specification.

In addition, *Threats* describe any changes in the external factors that may put any company in unsafe position in the market. They include a change in consumer tastes, new substitute products, new regulations and many more.

- Bargain position of the consumer gain strength, marked by the existence of critical customer.

- There is possibility entry of highly competitive competitor where they own the excellence in flexibility of payment system, better customer's services, good company image, and very strong financial ability.
- Internet security can also prevent customers from dealing online. This is because the occurrence of online threats such as Phising, which is stealing identity and personal information via internet.

III. 2 Porter's Five Forces

At the heart of this analysis is the industry analyzing model known as Porter's five forces model which details the threat of new entrants, power of buyers, power of suppliers, rivalry among existing competitors, and the threat of substitute products for market place organizer or transaction service provider industry satisfy following diagram:

Figure 2 Diagram of Porter's Five Forces

Source: Porter, Michael. 1998, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, Free Press

II. 2. 1 Rivalry

Like in other market, competitive advantage plays a significant role in winning a competition. The reason is obvious, customers now use more their emotional to decide which products or services they want to use.

Technological leadership does not have to make a company to lead a market if the company cannot deploy it fully. Here, marketing strategy plays the role.

Retailing industry, including specialist retailing like Dixons competes, is known to have an intense atmosphere of competition. This is caused by the fact that, with the exception of purchasing buildings for its stores, the business generally does not require other production assets with large values, whether it is tangible or intangible. In short, the business has a comparatively ‘light’ capital structure.

III. 2. 2 Barriers to Entry

The threat of new entrants rises as the barrier to entry is reduced in a marketplace. As more firms enter a market, we will see rivalry increase, and profitability will fall (theoretically) to the point where there is no incentive for new firms to enter the industry. One of common barriers to enter a new market is brand loyalty or in terms of multinational business, the main barrier could be the nationalism.

According to Kotler (2000), brand is a name, sign, symbol, design, gesture or combination of all, which is intended to identify product or services from a seller or a group of sellers to differentiate it from competitor’s product.

Concerning the barrier to entry in specialist retailing industry, it is found that the industry also has no significant barrier that will prevent new competitors to enter the market in times of increasing market demands. Among others, these two factors describe the high possibility that retailers face very competitive environment in their daily operations.

III. 2. 3 Products Substitution

This is probably the most overlooked, and therefore most damaging, element of strategic decision-making. It's imperative that business owners (us) not only look at what the company's direct competitors are doing, but what other types of products people could buy instead.

In addition, the possible products substitution for specialist retailers is general retailers like Carrefour, Wal Mart, and Debenhams in which they also sell electronic gadgets in their hypermarkets in the world.

III. 2. 4 Buyer Power

There are some factors affecting buyer power: size of buyer (larger buyers will have more power over suppliers), number of buyers (when there are a small number of buyers, they will tend to have more power over suppliers), and purchase quantity (When a customer purchases a large quantity of a suppliers output, it will exercise more power over the supplier).

In retailer business, buyer power is powerful since they sell product in large volume so that they can ask producer to give the retailer the best price, which in turn enable the retailer to give discount to customers.

Another fact that buyer power is strong lies on the fact that Dixons Group require every supplier to exclude child labor, guarantee acceptable working hours, and a safe and healthy workplace (Dixons Group plc, s 2005). It means that if supplier cannot fulfill the requirement, the retailer would easily terminate the contract while keeping the retailers business in a good flow since the retailer works with hundreds of suppliers.

III. 2. 5 Supplier Power

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The power of suppliers plays a significant role in the retailing industry since Dixons need to display various kinds of products in their stores. Therefore, Dixons should work hand-in-hand with various suppliers to provide excellent solution for their clients.

In this situation, it is found that suppliers are powerful in retail business since they can provide different prices to different retailers based on the volume or payment type. For example, Dixons will pay different price per item if they buy 1, 000 or 5, 000 electrical sockets. Currently, Dixons works with more than 100 suppliers from Asia (Dixons Group plc, s 2005).

III. 3 Porter's Generic Strategies

Concerning the business analysis of Dixons Group, the use of Porter's Generic Strategies aims at seeing the company's strength from two points of views -cost advantage and differentiation- and apply these strengths in either broad or narrow scope. The outcomes of the combination are three generic strategies that Michael Porter says it as " Porter's Generic Strategies". The strategies are cost leadership, differentiation, and focus.

III. 3. 1 Cost Leadership Strategies

Cost leadership strategies mean that a company is to produce a product or service with a given level of quality. The objective of employing this strategy is to generate more profit or by selling products below the average prices in retail industry in order to sell it at large volume while gaining higher market share.

Figure 3 Porter's Generic Strategies

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Source: Porter, Michael. (1998). *Competitive Strategy: Techniques for Analyzing Industries and Competitors* . Free Press

In the Annual Report 2005, it is found that Dixons Group conducts cost leadership through avoiding unnecessary costs. This is done so by creating scale (building many stores), which in turn helps the company to create opportunities for efficiencies in several activities including supply chain, store operations, and other areas. The efficiencies also enable Dixons Group to improve service to customers (Dixons Group plc, 2005).

In addition, to squeeze the cost, Dixons management also decides to integrate with Currys in order to enable the Dixons Group to reduce costs, leverage shared expertise and align the two companies' promotional strategies (Dixons Group plc, s 2005).

III. 3. 2 Differentiation Strategies

This strategies exhibit the ability of a corporation to obtain unrivaled competitive advantage by producing particular goods or services. These strategies are beneficial for the company especially when facing diverse customers' preferences and/or requirements, which in turn help the company to perform following initiatives.

- Put a premium price on their products and/or
- Increase unit sales and/or
- Gain buyer loyalty to their brands.

(Porter, 1998)

Concerning the Dixons Group, it is found that the key differentiation strategy of Dixons Group is the company decision to be a specialist electrical retailer. By doing so, Dixons Group can build many brands but they still focus on selling electrical products, which in turn will create strong brands and consumers' awareness of the benefits of Dixons Group including Currys, Dixons, UniEuro that all sell electrical products (Dixons Group plc, 2005).

V. 1. 3 Focus Strategies

Focus strategies exhibit the way a company concentrate on a narrow segment to achieve either cost advantage or differentiation (Porter, 1998). It means that the company who conduct this kind of strategy will be a marketing-oriented person.

By definition, marketing oriented as condition where customers' wants and needs drive all firms' strategic decisions. In this manner, the firms are automatically fostering the commitment to create customer value ('Marketing Orientation', 2005).

The underlying reasons behind the development of marketing oriented concepts are the facts that the more a company understands their consumers' needs, the more likely the company has happy customers who will come back to buy in the future or at least the customers will recommend their friends to buy the same product from the firms.

In case of Dixons, it is obvious that the decision of Dixons to become the specialist retailer has given the company with increased brand awareness. Once, the brand of Dixons is immersed in the customers' mind, the

customers will keep coming to Dixons Group if they need electrical products instead of going to Debenhams or other general retailers.

III. 4 BCG Matrix

The idea of Boston Consulting Group (BCG) Matrix is that to recognize the various Strategic Business Units (SBUs) in a company portfolio. By definition, an SBU is a unit in a company that has its own mission and objectives. In the case of Dixons, the SBUs can be Dixons' company division or subsidiaries, a product line or even individual brands (' Boston Consulting Box', 2005). The figure below describes the BCG Matrix:

Figure 4. BCG Matrix

Source: ' Boston Consulting Box', Tutor2U [Online] Available at: http://www.tutor2u.net/business/strategy/bcg_box.htm

Based on the above description, Dixons business units or product line can be divided into following criteria:

- Stars - Stars are business units that have high growth or have strong position in the market (' Boston Consulting Box', 2005). In Dixons Group, the starts are Currys since the retailer, in 2005, experienced an increase of revenue by 6 percent into £1, 852 million compared to the same period the year before (Dixons Group plc, 2005).
- Cash Cows - Cash Cows are business units that show slow growth or they have a relatively high market share (' Boston Consulting Box', 2005). In Dixons Group, the Cash Cows could be Dixons since the

retailer that serves UK market shows negative growth in 2005 (-14%). The revenue in 2005 was £687. 5 million while in 2004 the revenue was £797. 8 million (Dixons Group plc, 2005).

- Question marks - Question marks are business units that exhibit low market share but operate in higher growth markets (' Boston Consulting Box', 2005). In Dixons Groups, there are no business units that can be classified into the ' question marks' area. This is because the electrical retailing business still experience strong growth. In 2005 alone, international sales experienced an increase of 23 percent into £2, 164 million (Dixons Group plc, 2005).
- Dogs - Dogs means that business units have low relative market share in unattractive, low-growth markets (' Boston Consulting Box', 2005). In Dixons Groups, there are no Dogs since all subsidiaries or business units play in the same business (Dixons Group plc, s2005).

1. Discussion of Major Critical Issues

The Dixons Group has a large e-commerce Web site. They have trouble to handle heavy traffic. Usually, every group from high-tech companies supporting complex software to local commissions answering questions about authorize and regulations has to deliver fast, accurate answers.

Diverse aspects of improving the performance and penetration and depth and range of what can be delivered on the website are also growing quite quickly. That is because understanding how a website achieves on the user end is significant to a website's success. A large e-commerce site such as The Dixons Group is a popular target for all types of attacks. When designing

such a system, they have to presume that they will be attacked and build with security in mind, at the application level as well as the machine level.

1. Recommendation

The Dixons Group specializes in the trade of high technology consumer electronics, personal computers, domestic appliances, photographic equipment, communication products and related financial and after sales services. The Dixons Group has a large e-commerce Web site. They have trouble to handle heavy traffic. They need application server vendors. It will insist that they need a packaged all-in-one solution for the software.

Hardware vendors will tell The Dixons Group that they need the top-of-the-line mega-machines to run a large site. It is important to know how they built a large e-commerce site using mainly open-source software and commodity hardware.

The Dixons Group should extensively reduce its technical support costs, minimize downtime, and improve generally business performance, by empowering employees this way. There is a new solution with best products of program software. These new offerings enable online merchants to integrate many of The Dixons Group's important offline systems with their online operations, streamlining the processes and reducing the costs associated with growing their online sales channels.

With the intention of be successful online, retailers must replace existing disconnected shopping cart software with new e-commerce platforms that integrate their shopping carts seamlessly with other critical back office systems. By offering integrations that allow merchants to synchronize their

online and offline processes, including order details, inventory, product, customer information, and many providers are included in addressing this demand.

VII. Conclusion

The continual development of information technology has help business to offer and sell products to customers effectively and efficiently. However, since not all customers are technologically savvy customers who buy products at online stores, therefore, the existence of traditional stores is still needed.

The strategy to provide both traditional stores and online stores is well performed by Dixons Group, a UK-based retailer that has served more than 13 countries throughout Europe. In addition, Dixons Group also possesses the ability to conduct business effectively. According to Wharton professors, Pierre Omidyar's, retailers' success depends on the ability to create a business model that does not require carrying any inventory but gets a cut of every transaction.

To become a successful specialist retailer, Dixons Group should perform several items as followings

- operating with honesty and integrity
- giving outstanding service to customers
- respecting our colleagues
- continually seeking ways to improve performance
- Working together to beat the scompetition

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