

# Billabong case study

Education



Billabong International Limited (BBG) produces surf wear, sports apparel and accessories for the surf, skate and snowboard markets (Macquarie, 2012).

The firm recorded an 18.4% decrease in net profit to A\$119.1 million in 2011 (Billabong Shareholder Review 2010/2011). After intense acquisition efforts, which saw Billabong buying over 11 brands (Appendix A), the company was forced to undergo a major restructuring, closing 150 stores and cutting 400 jobs worldwide (AAP, Feb 2012).

The report will be analyzing the Billabong brand, specifically its surf wear in Australia, to identify the underlying crucial issues that must be addressed. Current opportunities and threats that Billabong can leverage on will be prioritized, then weighed against the firm's internal strengths and weaknesses in order to increase sales. Solutions in line with Billabong's mission of striving to set new benchmarks through youthful lifestyle brands and experiences will be explored. Situation Analysis & Problem Identification

To identify the key issues and opportunities that Billabong is facing, an analysis was conducted on the following five areas. Appendix B shows the consolidated list of issues Billabong faces. 1. Customers (Appendix C) The Customer Experience Cycle was used to identify key opportunities such as improving the Purchase context through greater interactivity with customers. Another opportunity was to promote an eco-friendly way to dispose of used products while gaining rewards. 2. Competitors and Context (Appendix D, E & F)

A PEST analysis of the Australian market reveals a demographic shift to the under -15s market (Euromonitor 2012), which was an opportunity for Billabong to target. Using Porter's Five Forces (Appendix E), a Positioning <https://assignbuster.com/billabong-case-study/>

Map and Competitor Threat Analysis (Appendix F) to analyse the boardsport industry confirmed that competition from a few big surf brands was high and that all had a strong brand following and highlighted the need to differentiate its products from them. 3. Company (Appendix G) The Balanced Scorecard was used to measure Billabong's performance.

They had high brand awareness of 86% in Australia but a lower conversion rate of 46% (Billabong 2012), which presents an opportunity to target those already aware of Billabong. 4. Collaborators (Appendix H) Billabong has yet to explore the opportunity to "unsource", allowing for customer collaborations in designing boardshorts. Another area to explore could be cooperation with surf brands to tackle problems which affect the surf wear industry. Through an opportunity and threat matrix, the consolidated lists of issues were prioritized.

Those with the highest probability of success and attractiveness in the Opportunity Matrix and those with highest probability of occurrence and seriousness in the Threat Matrix were taken into consideration as key issues. Those chosen were the most pressing issues that Billabong would be able to address with a good chance of success. Key Issues/Opportunities Key Objectives Undifferentiated surf wear products To produce a new product line that is among competitors not available by other surf wear brands by 2013. Low conversion rate despite high brand To increase conversion rate to 52% and awareness brand loyalty by 7% by 2014.

Surf wear is declining in popularity as a To revive the popularity of surf wear as form of casual apparel due to increasing casual wear and increase sales by 10% availability of cheaper alternatives from the 34% of Active Lifestyle

consumers. Australians are increasingly To create an environmentally friendly environmentally conscious product range by end of 2012. Shifting demographics to under 15s Create activities for consumers under 15s to garner 50% brand awareness by 2014. Solution Scenarios & Implications Solutions to the identified key issues/opportunities were gathered from the Active SWOT, ERRC Grid and CEC (Appendix I, J, C).

The What if analysis (Appendix K) was used to consolidate the solutions. Active SWOT Scenario 1 Building a new Billabong Customer Experience Key Issues Addressed With the main objective of increasing conversion rate by 6%, Billabong physical stores will be revamped to offer 1. Low conversion rate despite a new surf experience for customers. high brand awareness The Sense Value, from the CEC, is an important factor 2. Undifferentiated surf wear products among competitors 3. Shifting demographics to under 15s in the retail experience as stimulating the five senses causes it to be memorable and engaging.

This is urgent because Billabong's product line is the core of it's business; if it's products are not attractive, creating other strategies should be secondary. Furthermore, a Risk and Return Analysis (Appendix L) on the recommended solution shows that the returns are much higher than the risks involved. Surf wear brands look similar due to limited styles. Customers have low switching costs and can easily purchase another surf brand or fast fashion brand. However, with differentiated products such as reversible boardshorts, Billabong offers greater value at its existing price.

Furthermore, differentiated products would lead to an increased conversion rate among customers once they see the value in purchasing Billabong's

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products over others. Costs incurred to manufacture such boardshorts are high; a budget of \$1.5 million was allocated. Several factors that Billabong has to consider are the specialised equipments, hygiene (i. e. shorts must be safe and clean to be worn on both sides in the same day) and materials used. In addition, Billabong will introduce customization services at its boutique stores and ecommerce platform to appeal to customers' individuality.

By being able to customize their surf wear, customers would find greater value in their purchase versus off-the-rack. To ensure Billabong apparels are trendsetters, quantity per collection will be limited to 500 pieces per design. With that, Billabong can introduce more collections per year aligning with current trends. By limiting quantity, it ensures Billabong inventory moves quickly before the season changes. This reduces the risk of selling excess inventory through heavy discounting (Walters 2012) and obsolete products.

Billabong will introduce a new product line by 2013, the limited edition collection, which will be available for sale in Billabong's boutiques only. These collections feature collaborations with fashion designers and pro surfers. Quantity will be limited to 300 pieces throughout Australia to ensure exclusivity. Such collaborations are likely to cost Billabong \$3.5 million. However, the returns are much higher as the limited quantity encourages customers to make purchases faster. To facilitate customer participation, Billabong can introduce a platform to collect customers feedback on what they would like to see in the upcoming collections.

By keeping its mission statement in mind of continuously setting a new standard in board sports through youthful lifestyle brands and experiences,

the brand will be able to increase sales by selling the right product and offering the best experience. (2096 words) Appendix Appendix A: Sub Brands under Billabong International Sub Brand Description Element A line of shoes for technical skate footwear and for girls. Von Zipper Eyewear, accessories and premium apparel targeting the boardsports and general action sports sectors. Kustom Surf inspired footwear brand.

Palmer's Surf Surf hardware brand specialized in the manufacturing of surfboard wax and surfing accessories, including deck grip and leashes. It also offers an apparel range of t-shirts, boardshorts and walkshorts, as well as workwear. Honolua Surf Inspired by the iconic Hawaiian waterman and has a strong presence Company in Hawaii. Nixon Offers watches and accessories. Xcel Offers specialty wetsuits and a sun protective product line. Tigerlily Markets swimwear and apparel products in Australia. Sector 9 Skateboard brand specializing in skate longboards. Dakine Engages in the design and development of technical bags and accessories for the surf, skate, snowboard, ski, mountain bike, windsurf and kite disciplines.

RVCA Lifestyle brand offering apparel in the action sports category. Appendix B: Consolidated table of issues/opportunities identified Opportunity Customer Increase consumers' sensory experience by creating a Billabong Surf Village. Increase relational and self-expansion value by hiring surf enthusiasts to impart knowledge to customers and increase sense of belonging. Encourage a personalised experience by introducing a CRM system which caters to individual customer preferences. Introduce a simulated surf machine into selected retail outlets to increase element of fun and adventure; entertainment value. Raise status value of Billabong products by increasing

exclusivity; create limited edition items. Threat Emphasize customers' individual identities through customization of boardshorts. Create an incentive for customers to dispose of their Billabong products in an environmentally friendly manner.

Launch a tradein program where customers may exchange their old boardshorts for a discount on a new pair. Context Value add Billabong's products Lower buyer confidence and their surfer experience on affects discretionary spending other avenues beyond price reating price conscious differentiation. consumer New market of customers under- Demographic shift decreases 15s the usual 15-39 years old sports consumption age group. Increasing convergence of surf Increasing convergence of wear and casual clothing leads surf wear and casual clothing to opportunities for greater leads to threat of substitute differentiation among surf brands Body size shift and high Surfwear is decreasing in concerns of Body Image leads to popularity and fashionability a trend towards end-user (due to moving trend) customization and innovative shapewear.

Growing environmental Government support, GST tax onsciousness among reprieve, stronger Australian Australians and the growth of eco dollar and better network and ethical clothing brands infrastructure give rise to more e-tailer competitors who offer lower prices and the ability to do price comparison. Innovations in green surf weartechnologyand creation of sustainable materials Growth of m-commerce and proliferation of smartphones leads to new retail formats A real driver for growth in the Australian luxury goods market from ordinary middle-class Australians shows an opportunity for collaboration with luxury fashion brands. Competitors

Little differentiations between products leads to low switching cost and lower brand loyalty. Little differentiations between surfer experience provided by Billabong, Quiksilver and Hurley Surfwear and other offshore e-tailers poses a strong threat as online buying becomes more popular with Australian customers.

“ Windows shoppers” who are online shoppers who try products in physical shop with the intention to buy from an offshore e-tailer. To introduce customer customisation and more innovative surf wear technology into product range. Collaborator Customer collaboration through “ Unsourcing” allowing peer-to-peer support among user or through design collaboration (The Economist 2012) Supplier Collaboration through collaboration with green supplier for new sustainable materials and green technology like ecosupreme suede to be incorporated into Billabong products. Competitor Collaboration to tackle problems which affects the surf wear industry in general - to increase overall interest in the surfing culture or environmental issues. Company High brand awareness, low conversion rate. Convert remaining 54% of those already aware of Billabong into customers. Cut down on number of designs, Designs not catering to focus on those popular with consumers needs customers.

Re-evaluate which designs are favoured by market. Cut down number of suppliers in order to achieve economies of scale. Appendix C: Customer Experience Cycle The Customer Experience Cycle (CEC) explains Billabong's current value proposition and the proposed improvements. Fig 1: Customer Experience Cycle Billabong's existing value proposition (red dots): Search Context ? Functional Value: When searching for information about Billabong,



customers would desire a website that provides all that they need in one place, so as to achieve their objective easily. Billabong provides a comprehensive website that fulfills this. Sense Value: Customers would like an interactive experience when searching for information as it would make things more interesting and break the monotony. ? Linking Value: Customers would appreciate having a place that connects them to other people who may provide information to them. Billabong currently has platforms such as Facebook which facilitate this. ? Entertainment Value: Since Billabong is sells apparel, customers who search are likely to be searching leisurely, and not for urgent purposes. As such, they would enjoy having a fun website which provides information while also being engaging.

Billabong uploads videos of their team of surfers, which engages the customers. ? Convenience Value: Information about Billabong is easily obtained online through its website or at any retail outlet in Australia. Purchase Context ? Functional Value: Billabong's retail outlets and its e-commerce platform provide customers with the features needed to purchase their products, which achieves the desired outcome of buying new products from Billabong. ? Confidence Value: W hen purchasing Billabong products online, customers desire for it to be safe and reliable, without the risk of having their credit card details stolen.

Billabong certifies its e-commerce platforms to be safe, using online security programs McAfee Secure and Norton Secured to protect consumers. ? Convenience Value: It is important for customers to be able to purchase Billabong's products quickly and easily. For it to be convenient, a store selling their products should be easily accessible. Billabong owns 287 stores

in Australasia (Billabong 2012), even if 50% were in Australia alone, that would be 143 stores, not including its wholesale outlet. This indicates that it should be easy for a consumer to find a store selling Billabong products near to where they are.

Purchasing online makes it even more convenient to purchase Billabong products. Use Context ? Functional Value: Billabong's products must be able to fulfill the basic purpose that the consumer bought it for. An example would be that boardshorts should be lasting and comfortable to wear, as expected of surf wear. Billabong has been known for its high quality products (Billabong 2012), which indicates that customers are satisfied with the function of their products. ? Linking Value: Billabong customers want to be associated and be part of the Billabong's community which brings surfers together.

Billabong does this well through various surf events such as Billabong Pipe Masters and Australian Open of Surfing (Billabong 2012). Their Facebook page is also a platform for customers to network with each other. ? Confidence Value: Billabong customers desire to have apparel that can withstand the rough water and weather conditions; reliable surf wear that can be worn repeatedly. As mentioned, Billabong has been known for its high quality products which satisfy customers. Billabong's proposed value proposition (blue dots) Search Context ?

Relational Value: In order to increase a sense of belongingness when customers begin to search for Billabong products, they could start a customer collaboration. Unsourcing: An online forum controlled by Billabong, with contributions by customers. They could share about their experience

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with Billabong products and recommend what to buy (The Economist 2012). Billabong could also hold contests where customers design boardshorts, with the winning design being produced and sold in retail outlets. Customers would feel a part of the Billabong family as they contribute towards the brand. It also helps Billabong to understand what customers want.