

The furniture  
company spark  
furniture marketing  
essay



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## **Introduction**

This report is based on the furniture company “ Spark Furniture”. This report helps us to assess the current strategy of our enterprise using internal and external analysis. External analysis of spark furniture will identify major factors affecting the industry in which it is operating and to relate its opportunities and capabilities. PESTEL, Michael Porter’s Five Forces framework and SWOT helps to examine the strategy of spark furniture.

## **Company overview**

Spark furniture emerged by taking over a small enterprise dealing with furniture groups operating from couple of years. It went with a unique strategy of cost leadership. Its products are Bed, Sofa, Dining table, and Coffee table. It has the third highest market share in overall market segment. The company is well s and known for its lower unit cost and offers lower price than competitors.

## **Strategy**

Strategic management is defined as “ The art and science of formulating, Implementing, and Evaluating cross functional decisions that enable an organization to achieve objectives. (Fred, 1999)

“ The strategic position is concerned with the impact on strategy of the external environment, an organization’s strategic capability (resources and competences) and the expectations and influence of stakeholders” (Johnson et al., 2008).

“ Strategy is the pattern or plan that integrates an Organization’s major goals, Policies, and action sequence into cohesive whole” (Henry et al., 2003).

Goals: States what is to be achieved and when results are to be accomplished, But they do not state how the result are to be achieved. Major goals those that effect the entity’s overall direction and viability are called strategic goals (Henry et al., 2003).

Policies: policies are rules that express the limit within which organization action should occur. These rules always take the form of contingent decisions for resolving conflicts among specific objective. (Henry et al., 2003)

The strong strategic position is an indicator of high profitability and growth. The strategic position of Spark Furniture can be understood by carrying out different analysis on its external and internal environmental factors, and understanding its capabilities.

## **External environmental analysis**

The different layers of environment that affect the market trends can be classified as macro-environment, Industry, competitors and markets. The analysis of these layers will give a better understanding of factors affecting the performance of Spark Furniture. (Refer Appendix A)

## **PESTEL**

In analyzing the macro-environment, it is important to identify the factors that might affect a number of essential variables that are likely to influence

the organization's supply and demand levels and its costs. (Henry et al., 2003)

The Pestle Analysis is used to analyze the factors prevailing in macro-environment which may or may not influence the business, but knowing them and understanding them will help in overcoming uncertainty. (Refer Appendix B)

### **Political Factors:**

Government regulations like taxation, labor policy, and excise duties issues may be a threat, as these policies will change with the change in government.

Recently increase in VAT by 20% led our sales to decrease we are trying to cut down prices and provide customers with their requirements with a reasonable and effective fair price keeping in mind both companies and customer interest. This would help Spark furniture to increase its sale.

Recession also affected the company's market share. It reduced peoples earning and spending capacity.

### **Environmental Factors:**

Furniture industry has a number of environmental impacts that are caused by humans. The emergence of environmental concern as one of the critical factors in strategic business planning indicates the growth of environmental movement in the market place (Menon et al., 1999). Spark furniture focuses on furniture reuse, Environmental disposal green transport and recycling the

products which cannot be repaired. This becomes advantage to some extent as it is able to reach the people easily with eco-friendly sense.

### **Social Factors:**

These refer to what is taking place socially in the markets in which it operate or expect to operate like cultural norms, Population growth rate, Age distribution, Global warming(Due to cutting down of trees). The changes in life style of the people and attitudes to work and leisure also persuade market share. Sometimes strikes affect the market share. In Spark furniture there was a transport strike as the labour union and the employers have not reached a new collective labour agreement. For this reason during 6th period only 70% of goods are delivered and during 7th period no goods are delivered because of which company has to suffer a share loss of -0. 17%.

(Refer Appendix C)

### **Technical Factors:**

Change in trend throws a challenge in providing customers with latest trend in the market. But on the other hand this gives an opportunity to be a leader in the market if the trend is grabbed by using latest technology and brought it to customers. These factors can affect the cost, Quality and may lead to innovation. For example, development of online shopping is well established in the market and upgrading the manufacturing process will yield to high quality products.

### **Economic Factors:**

Economic factors affect industries are Access to credit, Demand for goods, and Technological advancement. The main economic threat would be

existing competitors in the market. Company had a loan of £150, 000. 00. Interest rate may go up due to inflation in the market this could affect the supply chain due to shift in the cash flows. Spark furniture has successfully sold its entire inventory from last 6 periods at the cheapest price possible apart from its competitors.

### **Legal factors:**

Spark furniture follows the rules and maintains the specific standards set by the law, so that there is no difference of interest. These factors can affect how a company operates, its costs, and the demand for its products. Also, as it is taken over an existing business, all the legal documentation must be verified thoroughly.

### Limitations of Pestle Analysis:

As the external environment is changing constantly, PESTLE analysis should be done on the current market situations (Cambell et al., 2002).

It is also essential to analyze the level to which PESTEL is applied. When considering companies such as Apple, Samsung, PepsiCo, Volvo and Disney it is important to consider that they have many different parts to their overall business – they include many different divisions and in some cases many different brands.

### **Porter's five forces model**

Porter's five forces is a framework for the industry analysis and business strategy development developed by Michael E. Porter in 1979. It draws upon

economics of industries to derive five forces that determine the competitive intensity and therefore attractiveness of a market. (Refer Appendix D)

## **SWOT analysis**

An analysis of strengths & weakness and opportunities & threats has been drawn for Spark Furniture. (Refer Appendix E)

SWOT analysis of Spark indicates where the company is good at and the areas of improvement. It helps as a planning tool to evaluate its strategic position and to relate it to its competitors (Basu, 2009).

## **Stakeholder Mapping**

Stakeholder Map shows relationship of stakeholder individuals and groups to one another and finds out the role which each entity is playing. It also shows how an organisational environment must be navigated for successful implementation of change (Berkhout, 2002). Stakeholder Map of Spark Furniture is shown in Appendix F.

## **Strategic group analysis**

Strategic groups are organisations within an industry with similar strategic characteristics, following similar strategies or competing on similar bases (Johnson et al., 2009).

Strategic group analysis can be useful for the following:

Understanding competition

Deciding a Strategy

In the Furniture sales world there exist many companies that try to be the market leaders by maximising their profits and expanding their market share. Spark Furniture is accompanied by other competitors like Leaf furnishing and Green furnishing. The identical strategies like cost leadership, differentiation, focus or stuck in the middle could be followed by these companies because most of the furniture companies deal in common products like the Bed, Sofa, Dining table and Coffee table.

Entry of new competitors in the market increases the competition.

Availability of more attractive and cheaper versions of products and services will always makes Spark Furniture to upgrade the technology which could increase the research cost. Down fall in the economy could result in the decrease of demand for furniture goods which could affect the overall demand and market share.

### **Strategic capabilities**

According to Johnson & Scholes (2009) strategic capability can be defined as the resources and competences of an organization needed for it to survive and prosper.

These capabilities differ from organisation to organisation. Examples of capabilities are logistics, frugal systems etc. Having these capabilities differentiates them from others in achieving a better market share.

Strategic capabilities are combination of Threshold resources, threshold competences, unique resources and core competences.



**Threshold resources:**

Threshold resources of Spark Furniture are its ability to provide a wide range of choices and offers to consumers at a low price than its competitors backed up by its product quality.

**Threshold competences:**

Threshold competences are the processes to be followed, to meet the requirements of customers. For Spark Furniture their aim is to provide products at a low price while keeping the standard quality.

**Unique resources:**

The unique resources are unique techniques that help in knowing the drivers of competitive advantage. The unique prices and exhibition of products by Spark Furniture help them to reach a wide range of customers like people who could not spare more money for shopping.

**Core competence:**

Core competence for Spark Furniture is its growth strategy of “ Cost Leadership” which helps in offering unique attributes valued by customers for a low price, and perceived to be better than that of competitors. This allows the enterprise to achieve leadership in market and long term sustainability.

**Diagnosing strategic capability**

The strengths and weakness of organisation can be identified by analysing their strategic capability:

**Strengths:**

Spark offer benefits to valued customers. As a Furniture company, the unique marketing techniques backed up by the inbound and outbound logistics helps them to maintain the uninterrupted supply of products to the customers thus helps in providing qualitative services and products at affordable cost.

**Weaknesses:**

Targeting only a particular market segment of people by providing products at low prices could slow down the growth of the company from emerging markets.

**Evaluation of current strategies of Spark Furniture**

The strategy adopted by Spark Furniture is based on the generic strategies of Porter and that of Growth Strategy (Ansoff). That is the Cost Leadership and Market Penetration Strategies. The following analysis shows how the decisions undertaken affect the market share of Spark Furniture and its impact on its income and growth. (Refer appendix G)

**Cost Leadership:**

The strategy of Cost Leadership helps the way Spark Furniture operate as they tend to target to provide their customers with a good quality products at a very low price than its competitors which helps them to perceive better than their competitors.

## **Market Penetration:**

This strategy of growth has been adopted by the company to introduce existing products in existing markets in an attempt to leverage the company's brand name. This could enable the company to create a broader customer base.

The impact of the above decisions can be known by looking at the market share they are able to take part of the competitors market share and by finding new customers or by getting current customers to use more products. It is considered a low risk method to grow business.

## **Strategic clock**

The model of strategic clock has been adapted from Cliff Bowman. Strategic clock shows the different positions in a given market where customers have various needs in terms of price (Johnson et al., 2009). By using this model we can study the competitive advantage of Spark Furniture. Bowman's strategy helps us to find out the company's competitive status by using some strategic options. These options are the No Frills, Low Price, Hybrid, Focus and differentiation. Of the various strategic options Spark Furniture had opted for Low Price that is where " the company seeks to achieve a lower price than its competitors at the same time providing similar benefits and quality as their competitors". (Refer Appendix H)

The reason for the company to adapt a strategy like " Low Price" is that it could target the people that are most interested in Low price products. As result of the above strategy the concept of " Cost Leadership" will also be

achieved so that control over the price elasticity of the goods sold can be achieved.

## **Competitive advantage**

The main competition for Spark Furniture is from Leaf Furnishing and Green Furnishing for the leadership in market share and growth. This is making the market segment competition more severe. As a result of the “ Cost Leadership” strategy adopted by Spark Furniture, they are enjoying a healthy market share which is reflected in the rising growth of their market share considerably and as a result the inventory turnover is good and which in turn increased their income. (Refer Appendix I)

## **Sustainability of spark furniture**

Sustainability of Spark furniture can be explained by analysing the key areas in its organisational growth. The main strategic decision of “ Cost Leadership” helps the company to retain their own customer base which in turn helps in achieving a steady share in market for a long time. Its policy is to provide good quality goods at an affordable price due to its innovative price strategy. This helps the company to maintain its aim of providing products at lower prices than its competitors and thus increasing its brand value.

The main costs that could occur for Spark could be, in its education level in order to build up its innovation areas to provide more quality products and still been able to maintain low price. It also needs to spend a bit on Human Resource areas in order to keeps its staff happy and retain their loyalty for a

better future as the loyalty of employees is not looking great at the moment which could affect the quality.(Refer Appendix G)

From customers perspective Spark Furniture could sustain in the future as long as it can give customers the quality products at a lower prices than its competitors and by doing so it can maintain its brand value and image which could help the company to grow more heights.

The other factors that could threaten Spark Furniture sustainability like their slow growth in innovations which could bring down quality of products and thus affecting its market share and need to improve its HR area in order to be more affective in their customer service. Though the company is having a consistent income there is a need to increase its income growth by increasing the sales income of the income which at the moment is bit low. (Refer Appendix G)

## **Conclusion**

By examining the strategies implemented by spark furniture it seems like they adopted a strategy which suits them. However, they need to be aware of the internal and external environment which changes continuously and the company needs to be ready to adopt a different kind of strategy that could be appropriate for the situation for retaining and increasing their market share.

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