

Furniture purchase and dfs



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EXECUTIVE SUMMARY

Our chosen topic is about downfall in furniture purchase and DFS is the company of our study. Our hypothesis is that the number of returning customers has decreased. To achieve this first we've done the SWOT on furniture market. The strength for the business, what are its weaknesses, what are futures prospective for furniture market and lastly what are the possible threats it can in the future are covered.

After that we have pin pointed several points that have caused its loyal customers to get back from purchasing. These include people attitude towards green environment where customers think that use of wood in furniture should be avoided as by cutting down trees the furniture manufacturer is going against eco-friendly environment which is also one of the main reasons for bankruptcy of MFI, one of the leading furniture retailer. Then people love for animal has increased which has resulted in boycott of the products made from animal fur that they have seen how cruel it to get fur from animals is. Credit crunch is the biggest problem faced today; there are a lot of job cuts, forcing people to cut down on their expenses which will eventually end into less shopping in furniture sector as well. Downfall in house prices which is result of no new buyers in the market has also impact on furniture market as no new buyers means no new house purchase means no need for new furniture causing decline in furniture market. People are searching for furnished / unfurnished houses because of the credit situation. For furnished houses furniture is provided by the owner of the property and for unfurnished apartments, in most cases people are taking their old

furniture with them . There are increased competitors of furniture market so, the inner competition between retailers and manufacturers have increased causing customers to shatter between these different retailers. According to Maslow's Hierarchy of needs there is needed to understand about the behavior of the customers as well. The upper level of theory deals with the people who buy furniture very often and can afford luxurious furniture which they can get through DFA, IKEA or other big designer brands. While the customers at lower end of hierarchy are more involved in fulfilling their basic needs and they are looking for cheaper and durable furniture. Design is not a matter for them except for the price which is the best issue for them.

Then, at the end of the research there are some recommendations made and conclusion is drawn.

INTERNAL ENVIRONMENT ORGANISATION

DFS is a manufacturer of furniture items. The items range from normal wooden chairs to leather sofas. DFS stands for Direct Furniture Supplies.

Its Chairman Kirkham started his business as a boy who rented out a small room where he made furniture and sold directly in the market. DFS at that time supplied Northern Upholstery with raw material. When DFS ran into Bankruptcy, Kirkham purchased it and merged both of his brands into one i. e. DFS. Kirkham now holds share for up to 9. 97% for his family. Since then DFS has made his name as one of the biggest retailers in UK for furniture supplies.

It is human nature from the beginning to live in a well settled, good looking, attractive and well decorated house. To achieve this they need to put in some furniture to make it look more appealing.

Due to their Quality of service and an exceptional price range, they have become UK's one of the biggest furniture business.

PRODUCTS

DFS is the UK's largest manufacturer of sofas. DFS products are Leather Sofas, Fabric Sofas, Leather and fabric sofas, corner sofas and sofa beds. With 40 years experience in providing the highest quality sofas, cutting edge designs and excellent customers service.

FINANCIAL AND NON FINANCIAL RESULTS

Biggest ongoing debate is of credit crunch people don't have enough money to buy new furniture. There are so many job cuts. According to Alliance & Leicester, " The ongoing effects of the credit crunch have kept saving at the top of Brits' monetary agenda, according to a study by Alliance & Leicester. New research by the credit card provider suggests just under one in three (29 per cent) of respondents say they have reduced their spending and are making moves to save more." Before, Banks have been lenient in giving out credit to its customers. But when Banks realized that they are writing off a huge amount of money every month, they started tightening up the credit facilities to its customers. So, the only choice customers are left with is to cut down on their expenses. One of the biggest expenditure for people specially the home owners is buying new furniture every year.

Though it caused big source of revenue for furniture companies but people were going down deep into credit. After Banks being tough in giving out
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loans, customers have to stop their spending nature. The main problem lies within the pricing factor of furniture sector. Either furniture is available for very high prices like at MFI, DFS or IKEA or it is available for very cheap at small furniture shops which is very cheap in quality as well. DFS is trying its best to tackle this problem but still it is not able to solve this problem. DFS is doing half price sales but still the prices at DFS are so high that it is not feasible for a middle class family to buy any furniture from DFS.

CHANNELS

DFS use Channels for marketing are Electronic Channels and Print media Channel. In electronic channels they advertise their products on TV, By Telephone, By Fax. DFS use Print Media Channels through Magazine, website, news papers etc .

EXTERNAL ENVIRONMENT MARKETS

A market exists where buyers wishing to buy a good or service come into contact with sellers wishing to sell that good or service, so that transactions occur. For DFS they have their own stores, they participate in biddings whenever they want to get rid of any stagnate product. Their current market is the United Kingdom, and the Target Market Segment is middle and upper middle class families

COMPETITIVE ENVIRONMENT

DFS have few major competitors such as John Lewis, IKEA, Harvey's furniture. There is a tendency to conflate competitiveness with economic growth or performance. In other words, the question of whether environmental regulation harms competitiveness is seen as the same as

whether environmental regulation harms economic growth. The growth of a particular market depends on the competitiveness in that market.

ECONOMIC ENVIRONMENT

If we talk about recent recession that we are facing it effects DFS business a lot the graph of its sales showing a downward shift that's the link of DFS with its economic environment. And due to recession buying power of DFS customers is not that much powerful with the comparison of sales a year before.

DEMOCRATIC ENVIRONMENT

Demographic environment has a crucial role in businesses. Changes in demographic factors affect the sales. For example a woman with children comes to DFS and wants to buy a sofa so we have to convince her with that specific type of sofa which is suitable for her family as compare to a married woman without children. So choice of product reflects by the type of demographic factors.

SOCIAL AND CULTURAL ENVIRONMENTS

In DFS employees ratio has increased which will effect the costs for DFS who are committed to pension payments for their employees because their staff are living longer. That's the reason DFS have started to recruit older employees to tap into this growing labor pool.

PEST

POLITICAL AND LEGAL ENVIRONMENTS

Recently DFS behavior has witnessed some changes. The introduction of age discrimination and disability discrimination legislation, an increase in the minimum wage and greater requirements for firms to recycle are examples
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of relatively recent laws that affect an organization's actions. Legal changes can affect a firm's costs and demand.

TECHNOLOGICAL ENVIRONMENT

DFS has good technological environment such as they have fastest computers which operate fastest manufactures machines , DFS have online website where customers order there requirements. Online shopping, bar coding and computer aided design are all improvements to the way DFS do business as a result of better technology.

SWOT ANALYSIS

SWOT STRENGTHS

For the strength of furniture market, it is with the customers who are always shifting from one place to another or who are renovating their houses after some periodic interval. Especially most targeted ones are first time home buyers.

Quality of product produced by DFS is of high standard. It's Leather and Fabric Sofas and other items are made with quality and control. Items from DFS are considered some of the best and highly quality controlled items available in the market. Also other furniture shops use quality standards as defined by law but still the quality maintained by DFS is far older and better than ordinary furniture shops.

WEAKNESSES

There are people coming from all over the World to UK. DFS does not provide full range of furniture for all sorts of customers. Even products exported from DFS to certain countries where they have their own unique test might not

accept the product and this will result in lesser sales. For example, in countries like Saudi Arabia, the people over there prefer to have bad set made up of very heavy wood. But western taste is very different to that whereas people in western countries want to have light weight furniture. DFS is not creating anything that would be making good business in such countries.

There is no raw material market for DFS locally inside United Kingdom. Since, there issues of echo friendly environment manufacturing companies are not allowed to cut the trees. So, they have to import wood from other parts of the World. The price of their product thus increases in this way.

OPPORTUNITIES

Foreign investment is the biggest opportunity for DFS and other furniture supermarkets. As the economy of UK is very good and also furniture market is doing very well as lot of countries are exporting ready-made furniture from UK, so it creates an attraction for foreign investment.

UK is member of EU which makes it relatively easy to export to free market with its high standard and quality acceptable to both EU and non-EU countries.

Olympics 2012 ahead, furniture market will be considering a boom in recent years as new furniture is to be expected in new hotels or guest houses.

Especially in manufacture of Stadium a lot of furniture will be used. Also, new shopping Malls opening in UK will boost the sales for furniture market.

THREATS

Labor cost is always the biggest problem for manufacturing industries. UK faces the same problem with minimum wage set to 5.73 per hour. Furniture made with this much high labor cost will not be easy to compete with the foreign market. Especially the countries with cheap labor when sell its product for cheap UK has to sort something out to stand still in this competitive environment. But as the products exported from UK are of high standard and high quality price matter can be compromised.

In the queue are the price of raw material and governmental rules and regulations. UK has its own regulations and EU has its own rules and regulation. For furniture industry it has to meet with both UK and EU regulations. One of the examples is that cutting trees is not allowed. So, furniture manufacturers have to import wood from other countries which will also increase the cost of raw material for furniture industries.

The factors that involve the customers from restrictive shopping of furniture are as follows:

Green Environment

Everybody is curious about going green. A lot of people buy furniture one time and change it only when there is need to. This is because they have started caring about the environment. They know that the furniture is made using the wood even if it is furniture made up of leather or fabric but still the base used is of wood. But this problem is gradually solving as furniture made up of glass and steel are in the market.

This is a supply and demand graph. It shows how a business is affected by customers thinking of going green. First the price of the product is P and quantity is Q. It has a big market share. But as people moved towards green environment attitude the new price P' with quantity Q' is attained. Now the business accommodates the customer area of 1, 3 and 5 where as substitute for furniture market accommodates the group of customers at 1, 2 and 4? Although it is not huge amount to cause big harm to the business but still it is big enough to cause at least some harm to the business.

Animal Protectionism Rights

Furniture made up of fur or leather that is related to animals, is also offended by few people. Customers who are against the use of animal skin are not in greater number but still they are enough to affect the business. Some of the prominent names that do not like furniture made after killing animals are Amy, Ana Nicole, Bill Maher, David Cross and many more.

Credit Crunch

Biggest ongoing debate is of credit crunch people don't have enough money to buy new furniture. There are so many job cuts. According to Alliance & Leicester, " The ongoing effects of the credit crunch have kept saving at the top of Brits' monetary agenda, according to a study by Alliance & Leicester.

New research by the credit card provider suggests just under one in three (29 per cent) of respondents say they have reduced their spending and are making moves to save more." Before, Banks have been lenient in giving out credit to its customers. But when Banks realized that they are writing off a huge amount of money every month, they started tightening up the credit

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facilities to its customers. So, the only choice customers are left with is to cut down on their expenses. One of the biggest expenditure for people specially the home owners is buying new furniture every year. Though it caused big source of revenue for furniture companies but people were going down deep into credit. After Banks being tough in giving out loans, customers have to stop their spending nature.

Search for Furnished and unfurnished Houses:

According to surveys carried out it has been found through Halifax that there is sheer fall in customers looking for houses to buy. On the other hand, it has been confirmed through other property agents that people are looking of rental properties more. Fact can be verified by the house prices going down and the rent of properties has almost increased by two-third of its actual rent that was a year ago. Secondly, people are not in mood of spending money. They are searching for furnished property. Before credit crunch people even finding property to rent, they searched for unfurnished property but now as to cut down on their expenses people are looking for furnished property and even people looking for unfurnished property are taking their old furniture with them.

MARKETING OBJECTIVES

Marketing Objectives refer to sales, market shares, market standing, customer satisfaction, customer awareness, customer retention, distribution penetration and product launches.

DFS promoted their half price sale at many times on different occasions in order to gain these marketing objectives through media and newspapers.

The following will be our marketing objectives.

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We project our marketing plan to achieve the above shown results in percentage

MARKETING STRATEGIES

Ansoff's matrix

We can clearly see that there is a relationship between products and the markets where they are being sold. In our case we have chosen market penetration and market development strategy.

TARGET MARKET

Our strategy is based on Ansoff's product-market matrix. Penetrating the current market with vigorous marketing of the products and identifying new Target Markets. Clearly the range of products currently is feasible for upper middle class, but for increasing sale they should broaden their market, they should come up with cheap items for students or office goers, where profit margin is much higher.

Acquisition or a merger in the EU will be another great idea as it will open a huge market as there are 27 member countries with at least 500 million customers on its doorstep.

PRODUCT STRATEGIES

For the customer have changed their attitude towards going green, the furniture made should not be made of wood. Substitutes for wood available like furniture made of leather, fabric or even steel and glass. If natural look is desired it can be brought artificially by painting the steel into color of wood. Fake fur should be used instead of original fur to get your business safe from member of the group who hate killing animals just for fur.

Credit crunch is something that cannot be stopped by company effort as it is the macro environmental factor and should for a year or two to pass it away.

Best way to get around what people like best is to go through Maslow's hierarchy of needs. Different people have different taste. People at lower end of the Maslow's hierarchy will not be focused towards high valued and attractive furniture. What they will be looking at is the furniture that is enough to fulfill their daily needs. While the people at upper level will be much more interested in furniture that is attractive, appealing and makes their home look like heaven.

PRICING STRATEGIES

The main problem lies within the pricing factor of furniture sector. Either furniture is available for very high prices like at MFI, DFS or IKEA or it is available for very cheap at small furniture shops which is very cheap in quality as well. DFS is trying its best to tackle this problem but still it is not able to solve this problem. DFS is doing half price sales but still the prices at DFS are so high that it is not feasible for a middle class family to buy any furniture from DFS. They should give seasonal discounts as other companies are doing now.

DISTRIBUTION STRATEGIES

It takes a long time for an order to complete and arrive to the customer. So, customer before going to buy new furniture item mostly Sofas they have to wait for three to four months for their order to arrive. First you go to the shop and select your model and make from displayed items or from catalogue then you place your order. It will take around three months for your order to be delivered. For the time being they give you a free sofa and they will take <https://assignbuster.com/furniture-purchase-and-dfs/>

it away when you receive your order. That is happening with the newest models. This thing creates tension for lots of people to wait for a product and by the time product reaches there are new more beautiful products out there. Joining their hands with any delivery agency can be a key, vertical integrating with UPS or DHL will ensure better service and will reduce much hassle.

PROMOTION STRATEGIES

Rigorous Advertisement on the internet, identification of business customers and offering better deals will help in customer retention. Like the Landlords that rent their property mostly try to buy cheap furniture and most of them buy second hand furniture items. Landlord uses the cheapest available furniture and uses it till it breaks down and there is need for new furniture. According to a survey almost 65% of UK population lives on rent, 15% lives in council houses and the remaining have their own houses. So, 80% of the population relies on the furniture that is long lasting and only replaces when it is fully broken. Pawning old furnitures and offering deals will not only help retain customers but will draw more customers and help recycle the stuff reducing the cost of input and help prevent pollution.

CONCLUSION

After going through SWOT for furniture market and getting through some of relevant Porter's Five Forces, we realise there is always solution to a problem. Sometimes, it takes bit longer to solve a problem and sometimes it is solved with blink of the eye. Things like going green and use of fur in furniture can be modified as the company can change accordingly. But something that is out of control of management of company cannot be

controlled by company. But still the approach used by DFS is a very good approaches that to provide any furniture at half price and buy now pay later after a year. And if you are still not able to pay after a year you can do four year lease. The strategies suggested along with the current practice will open doors for new markets and help better reach the target customers. According to analysts after a year recession is going to end and market will grow again.

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