Dollar general case memo marketing essay

Dollar General Company was incepted in 1939 as a retailer of dry goods. The company has remained to serve low income earners in the United States with local scope of business operations. Its Mission has been “ to serve others” (Shih, Kaufman and Mckillican 317). Precisely, this mission statement has been the guiding principle in the operation of its business functions which has in turn resulted to satisfaction of its customers.

This paper carries out a thorough analysis of the company to establish its strengths, weaknesses, opportunities and threats in its business environment. Both internal and external environment of the company is considered in the analysis. In relation to the analysis, it is evident that the company faces some stiff competitions from other players in the field of retailing. However, there are several opportunities open to the company. For example, internationalization provides a window for business activities for the company.

Introduction

Business entities operate in environments that are composed of both internal and external factors. Internal factors are at the disposal of the organization as it is able to regulate these factors to fit in its business operation requirements. On the other hand, external factors in the environment are beyond organization’s control and it is therefore necessary for the company to align itself in response to external environment in order to remain relevant in business. This is in line with notion that organization should regularly carry on business analysis in order to craft viable business strategic decisions to guarantee their viability in the market. To this end, the paper analyzes the company strategic objectives in line with business environment and looks for the best option for the company to adapt in order to revolutionize its business.

Dollar General Case Memo Strategy and Performance

Dollar General is a retail venture that has specialized in household consumable products that are of low cost. Most of the Dollar products are priced below $10. It has been the fastest growing retail channel throughout the United States over the passed decade (Shih, Kaufman and Mckillican 313). The company has been tremendously growing in its business activities. For example, the company grew in its revenue base to $9. 2 billion by the end of 2006 financial year which signified a 9% growth rate per annum.

Conventional business management literature holds that success and growth among business ventures is in most cases hinged on critical success factors. Basically, critical success factors (CSF) are the actions that must be performed well in order for the goals and objectives established by an organization to be achieved (Atkin and Adrian 112). In relation to Dollar General, it can be argued that its CSF revolved around a number of factors that enabled it to experience a high growth rate and to withstand fierce competition in the market.

For instance, good leadership and management of the company was part of its CSF. It was noted that with the entry of Purdue (the company’s new general manager) in the company in 2003, the business experienced massive expansion of its activities. For example, by early 2007, the company had experienced a rise of its stores to 8260 from 6273 in 2003 when Purdue entered the company. This can be attributed to better management and leadership styles that the new manager brought to business operation of Dollar General.

In addition, the company through its leadership also took some structural realignments of its business that was pertinent to its growth. For example, it shut down over 200 low potential stores and wrote off old inventory. These strategic alignments have been part of the company's CSF as it was able to concentrate more on most viable stores and new inventory which have propelled the company into effectiveness and efficiency in their business activities. Tellingly, this has resulted to growth of the company as the structural decision taken by the company was healthy to steer the company into posterity.

Moreover, Dollar General specialized in low, middle and fixed income families as their main clientele (Shih, Kaufman and Mckillican 313). This has been used as CSF as this group forms the biggest segment of the market. Although the purchasing power of this category is low compared to the higher segments in U. S. but their population mighty is a contributory factor for success of the company.

Furthermore, the company's future trends indicate tremendous growth in its business operations. For example, there is tremendous opportunity in the international market for the company to expand as there are only twelve out of top fifty global retailers that operate the discount format business style. Fortunately, the company has already recognized this as a business opportunity. The company therefore seeks to enter into this new international market by applying their skills on small box discount.

However, in any business operation, business entities cannot lack rivals in terms of competition. In relation to the Dollar General case, it can be argued that the company has not been operating in a monopoly-kind of market – it faces competition from very many quarters in its business environment. For example, Purdue noted that they are always in price competition with Wal-Mart (Dollar General's core competitor) as the two companies customers are always shrewd to price shifts (Shih, Kaufman and Mckillican 318). Because of the stiff competition with other players such Wal-Mart among others, product pricing at Dollar General has been adversely affected as sometimes the company is forced to price its prices lowly in order to maintain their market niche.

In addition, apart from external environment to the company, internal environment is quite important for business operations. For instance, Aswathappa puts it that internal environment consists of the elements that are within business organization and they are largely under organization's control (36). Some of these internal factors include company board of directors and employees among others. Internal environment is usually a key factor for business performance of any enterprise. Dollar General has unique internal environment that has enabled it to remain as a leading player in the market. These conditions include:

An auto-replenished inventory system that is connected to their points of sale system: the system is part of the company's strategy in improving its performance. This was an outstanding internal environmental factor that propelled the company in its growth and expansion rate. For example, it is noted that the system led to improving the company's stock percentage from 80% to 95% today (Shih, Kaufman and Mckillican 318). In relation to this, it is evident that the company realized that technology is a key factor in determining business destiny of any business venture. As such therefore, it adopted an efficient inventory system to help it in its business operations as detailed information was made available to all stakeholders including merchants, corporate clients and managers.

In addition, the company prioritized quality as a plan to improve its performance in the company's ranks of management. For example, in recruitment of store managers, the company literally moved from its traditional way of recruiting people who could throw more freight to hiring of people who had qualification and the ability in solving problems. This change of internal environment was quite healthy in providing good human resource for the company that eventually saw Dollar General business operations improve since quality of services was experienced from the entire company staff.

However, internal environment is also required to provide for value chain where by the organization can diagnose some competitive advantage in their environment and devise ways to create and sustain the advantage over their competitors. For example, the company adopted debit and credit card transaction technology in their transactions from 2004. This provided good internal environment for business operations as the company was able to have a competitive edge over its competitors in the business environment.

This in addition, acted as a value chain for the company as most of its competitors were still using traditional methods in their transactions.

However, in the analysis of any business entity, it is important to carry out analysis based on its strengths, weaknesses, opportunities and threats or what is commonly known as a SWOT analysis (Joyce and Adrian 45). Strengths of a business entity can be termed as assets which the business bank on in order to survive in the business environment and to have a competitive advantage over its competitors. Good management and leadership structure that was present in Dollar General is an example of a key strength that the company possessed against its competitors who were at times in management crisis.

Despite business ventures having strengths in its business operations, weaknesses are always present. If these weaknesses are not properly checked, they become building blocks which competitors capitalize on in order to present stiff competition (Joyce & Adrian, 2002). In relation to Dollar General, it can be argued that its major weaknesses resulted from its small geographical span of operations as it was purely a local player with no presence on the international market. This was at the peril of the company as some of its competitors such as Aldi have international presence hence wider scope for their business activities.

On the part of opportunities, it is arguable that they are normally present to an organization through its environment which can be external or internal to the organization. For example, the Dollar General management saw the need to expand its services to include check cashing and wire transfer. This was a business opportunity that presented itself to the company as a bigger percentage of income earners in United States did not have a bank account. In addition, the company has an international expansion opportunity as discounting was much more accepted in other parts of the world, an idea that was one of the trading strategy for Dollar General.

However, there is no business entity that operates without threats to its survival. In relation to Dollar General, its major threat to its business survival was the adoption of discounting techniques by its competitors such as Aldi. This technique was supposed to be a competition weapon for Dollar General but with the adoption of the same pricing mechanism, the company faced a survival threat to its business activities.

Problems in Achieving Company’s Strategic Objectives

Dollar General Company faces some problems in achieving its strategic objectives. The core objective of the company was to serve the low income segment of the United States’ population. This group formed the bulk of the company’s clientele. However, the company faced major problems in achieving this objective since other competitors in the field such as Wal-Mart also zeroed in for the same segment of clientele in the market. This was a setback in their business operations as any company objective should be able to drive it to posterity. This became an uphill task for the company as competition became stiffer given that a number of players targeted the same segment.

In addition, it was a strategic objective of Dollar General to price its products lowly for its customers. For example, majority of its products were priced at

$10 or less (Shih, Kaufman and Mckillican 318). However, the problem arose when other players in the market also started pricing their products low than the $10 that Dollar General was offering its customers. This has in turn led to price wars with its fierce competitors such as Wal-Mart as they constantly struggle to have price parity. Although price wars are beneficial to customers, it is not healthy for business posterity.

Available Options Given the Company's Situation

However, given the company's situation, there are a number of options available to it that can help it revolutionize further its business operations. Some of the options include expansion into new untapped frontiers. This is a viable option for the company since it has localized its operation in the United States; it is advisable that the company seek new unexploited markets beyond their borders. This will increase their market niche as they will have international presence. However, this option needs extra expenditure in order to establish these international branches.

Moreover, the company should also seek to diversify their market by venturing into new market segment of the upper income class. Since their competitors have diverted their attention to the low income segment of the population, Dollar General should counteract by incorporating the upper class into their market niche. However, this option will require that the company devise different pricing mix for these different market segments which may not augur well with some group of customers in the market.

Recommendations

Following challenges and problems facing Dollar General Company, the paper recommends several steps to be taken in order to revolutionize the company's operations. First and foremost, the company should turn to internationalization. This step will provide new unexploited ventures that the company can bank on for its posterity as its expansion agenda will be guaranteed.

Secondly, the company should tap into the higher caste of its population in the United States in order to diversify its market niche. Since it is now a trend in the market that all players are targeting low income earners in their services, Dollar General Company should do it differently by incorporating the higher segment in their clientele base by designing products and services that suits their needs.

Conclusion

This paper has thoroughly analyzed Dollar General and succeeded in establishing its strengths, weaknesses, opportunities and threats. To this end, it has established that, the company suffers from stiff competition from its closest rivals in the form of scramble for the local clients and price wars. Even so, the company has some phenomenal strength such as the sound management and leadership as well as a sound payment service (check cashing and wire transfer). The paper has recommended that the company should consider expanding its business operations to new international markets as well as taping on higher caste clientele within the United States.