

APPLIED PROJECT IN MARKETING (CAPSTONE)

LECTURE 1 – FREEDOM CLIENT BRIEF

THE FREEDOM STORY

- Freedom began in 1981 with a single showroom in St. Leonards selling affordable furniture and commenced local manufacturing → grew very quickly in 80s and 90s
- By 1992, the brand had spread quickly across Australia with an expanded range of homewares and were first movers in introducing an interior decorator service for the masses and a differentiated in-store experience with Café Freedom
- The brand quickly spread across Australia and in the 90's the brand was the place that Australians started their furniture and homewares decorating journeys with stores that inspired with complete room sets
- Today, Freedom has 49 stores in Australia and captures in excess of \$300 million in category spend
- The Freedom business retails furniture in the living, dining and bedroom categories along with associated category homewares
- Additionally, there are 16 stores in New Zealand
- Freedom is owned by Steinhoff Asia Pacific, a subsidiary of Steinhoff International (global retail conglomerate). Steinhoff International comprises of 30+ brands, over 12,000 stores and 130,000+ employees
- In Australia, the Steinhoff Asia Pacific business includes Fantastic Furniture, Plush, Snooze and Original Mattress Factory within the household goods business group
- The general merchandise business group includes Best & Less and Harris Scarfe

- Iconic furniture and homewares retailer → “Instagram of home decorating” – go into store to get inspiration
- Started as a vertically integrated retailer with their own manufacturing and logistic facilities and store expansion
- Disrupted market place → focused on good designs and great prices that customers could access to furnish their whole home – before this, it was about getting high quality furniture
- Retailers would come from around the world to see Freedom → introduced a new shopping experience – was an innovator through the 80s and 90s
 - Decorated rooms (like IKEA today) – all styles, all in the one place
 - Introduced cafes
 - Interior decorating services → access interior decorator who would go to their home would
- Since 2000 → lost its way and some relevance in the market place
- 3 main categories
 - Furniture
 - Bedroom
 - Homewares
- “All the styles, for all the rooms, all in one place”

CATEGORY CHALLENGES AND OPPORTUNITIES

- The furniture retailing category is estimated to be worth \$7.4 billion with annual growth of 1.3% for 2018 – 2023, to reach \$8.1 billion
- Category grows pretty slowly

OPPORTUNITIES

- Rising discretionary income
- Rise in household numbers will boost demand for essential furniture
- Increased demand for residential property construction is creating new demand (however, this is offset by oversupply of apartments in key CBDs)
- Expected growth in renovation activity due to the rising popularity of renovation programs such as The Block, and the numerous decoration communities on social media

- Continual growth in construction in the Australian marketplace – housing stop coming on → townhouses and units – change in the market and the sort of customers → how do you cater towards them
- Renovating, decorating and expressing yourself in the home → powered by The Block and House Rules – how you capture the millennials when decorating your home and how do you make sure you service them
- **ASSESSMENT** – home decorating competition for new home buyers, similar to The Block / House Rules → design a room with things from Freedom, enter online or through the concept stores, winner gets the furniture in their design / published on the webpage etc. – co-creation

THE STUDENT EXPERIENCE

THEN

- Good enough
- Grading
- Partial credit
- Semester timeline
- Being a client
- Self-interest
- Education

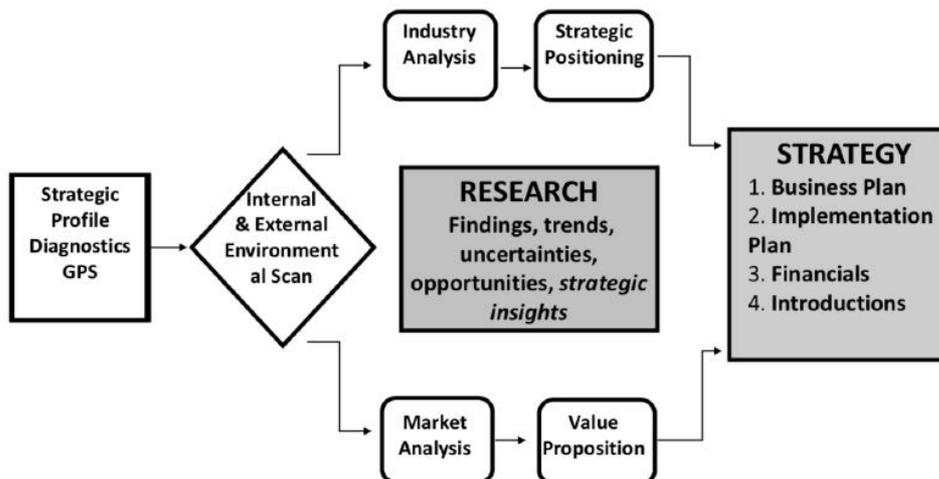
NOW

- Only two grades
- Assessment
- Business judgement
- Career perspective
- Service clients
- Aligned interests
- Applied, experiential learning

YOU MAY STRUGGLE WITH

- Uncertainty
- The reality of a “live” client
- No place to hide
- Workload
- And yet, the vast majority report a “best in lifetime learning experience”

APPLIED PROJECT AT A GLANCE

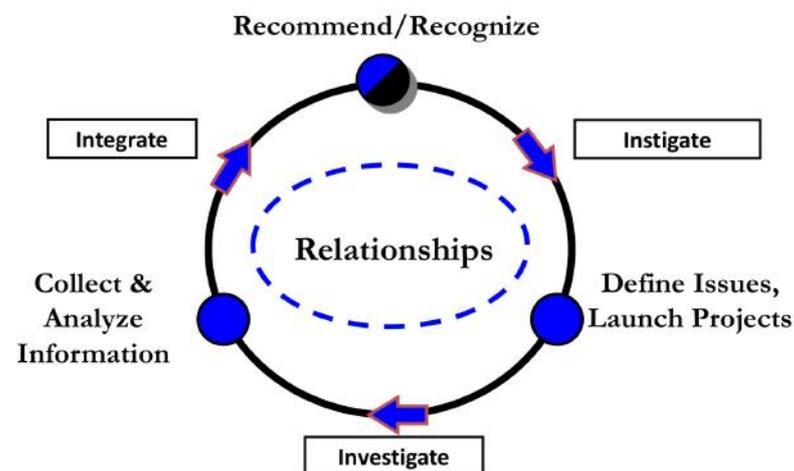


THE CLIENT EXPERIENCE

- Generally, love the experience
- Consistently rate us as “professional grade”
- Many become repeat customers
- Cautious at the beginning, want us to succeed
- Some become part of our advising team
- Our project managers, and their level of involvement, are one of the program’s most important competitive differentiators
- Your team will have real impacts

MANAGEMENT CONSULTING

CONSULTING PROCESS SPIRAL



MANAGING CONSULTANTS ADVISE AND FACILITATE

- Find and analyse data – to create information
 - o Markets, competitors, industries, sources of \$\$\$
 - o Cogent organisation, fresh perspective
- Provide special expertise
 - o Functional → strategy, marketing, MIS
 - o Industry-specific → product development
- Provide political support
- Locate and obtain resources
 - o Capital, people, strategic partners
 - o Implementation help

COMMUNICATION IS EVERYTHING

- No direct power, only influence → words, visuals and personality are all consultants have to facilitate change
- Consulting requires a full tool kit of communications skills → listening, writing, presenting, coaching, training, modelling
- Fundamental to all communication is extraordinary perceptiveness, clarity of thought and simplicity of structure

STRATEGIC CAPABILITY PROFILE

VALUE CHAIN ACTIVITIES

INTERNAL AREA	RESOURCE / COMPETENCE	EVALUATION
Intangibles	<ul style="list-style-type: none">– Strong corporate image in the market place– Well-established brand names	<ul style="list-style-type: none">– Significant strength (+5)– Significant strength (+4)
Inbound logistics / procurement	<ul style="list-style-type: none">– Over reliance on a limited number of suppliers	<ul style="list-style-type: none">– Significant weakness (-4)
Outbound logistics	<ul style="list-style-type: none">– Ineffective warehouse automation	<ul style="list-style-type: none">– Weakness (-3)
Human resource management	<ul style="list-style-type: none">– High levels of absenteeism / poor industrial relations record	<ul style="list-style-type: none">– Significant weakness (-4)

- Over reliance on a limited number of suppliers
 - 100 parts from 10 suppliers vs. 500 parts from 2 suppliers
 - May not necessarily be a weakness → economies of scale – can get a cheaper cost, maybe more a -1
 - Single source supplier → only them that makes that part – they go out of business, you're totally screwed and have to redesign their entire system
- Are there things upstream that they can do so that by the time it gets here it can increase the attractiveness to that segment – distribution chain will matter if its price sensitive
- Want to get what Gen Y / young independents are after
- Eg. **Leather** → people may want rich Italian leather, but after research it turns out the quality is the same as normal leather – people may care more about whether it is ethically sourced
 - Older generations were more concerned with quality, but this generation wants ethically sourced items

BUSINESS MODEL CANVAS (BMC)

- Osterwalder's work propose a single reference model, called business model canvas based on the similarities of a wide range of business model conceptualisations
- It is a popular used framework for describing the elements of business models
- With this business model design template, an enterprise can easily describe their business model
- Aspects of the template are → infrastructure, offering, customers, finances, etc.
- Canvas → single document to go over

VIDEO → BUSINESS MODEL CANVAS

- Need to map them out in the pre-structured canvas – helps design and invent new business models
- Customer segments → people and organisations who create value
- Each segment has a specific value proposition
- Channels → touch points when you interact with customers and deliver value
- Customer relationships → outline type of relationship you want to establish
- Revenue streams → pricing methods
- Infrastructure → show which assets are indispensable
- Key activities → what do you need to perform well
- Partners → which help leverage your business model
- Eg. NetJets → fractional ownership

9 BASIC BUILDING BLOCKS

- Key partners
- Key activities
- Value proposition
- Customer relationships
- Customer segments
- Key resources
- Channels
- Cost structure
- Revenue streams

FREEDOM

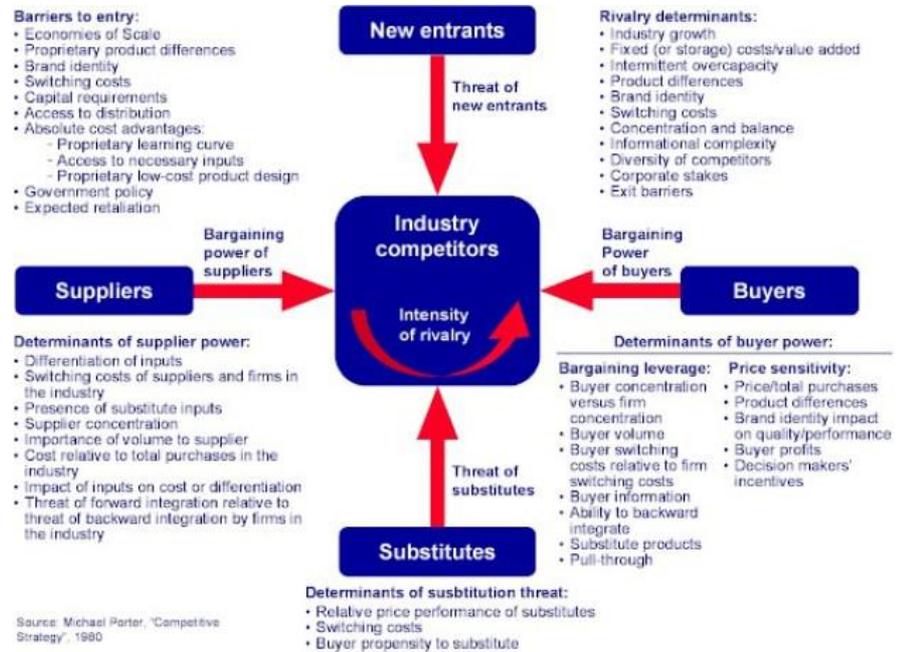
- Retailer location **ASSESSMENT** → want to reach Gen Y but want to bulletproof the wealthy families
 - Targeting Gen Y but making sure they don't lose money from one segment
 - Want to physically inspect the product → want percentage of Gen Y own a car? Is it high relative to previous generations – actually have gone down
 - If you have to get to the retailer physically → how would Gen Y get to that retailer – if it is difficult to get to the retailer, then the retailer location becomes more important
 - IKEA → making smaller stores that can be in a Westfield vs. Costco model where you refuse to go to a shopping centre – should Freedom be in a shopping centre?
 - If it's a product where you have to experience the product before you buy it → retailer location matters big time – does it have to be near transport?

PORTER'S FIVE FORCES INDUSTRY ANALYSIS

- “Structure-conduct-performance (aka SCP) model” → an industry’s attractiveness will determine an organisation’s conduct, which subsequently determines its performance (profitability)

FURNITURE INDUSTRY

- Slow growth rate
- Freedom → getting by but not making tons of money
- Scale of industry is large
- Barriers to entry
 - High barriers to entry eg. significant financial cost
 - Most retailers in the market have been there for ages – when was the newest addition to the market? Amart?
- **ASSESSMENT** → talk about **bedding!!!**
 - Biggest costs → physical footprint and labour eg. **Koala bedding** – none of these costs
 - Physical footprint costs → can be 43% of costs
 - NEED Porter’s 5 forces
 - No substitutes to the product itself but there can be changes in the distribution channel
 - Competition is strong



OBJECTIVES

- Helps you understand an industry and participants
- Intensity of competition and profitability among companies can vary widely across industries
- Key → identify an industry’s profit potential or attractiveness
- Provides the formulation for bridging the gap between your firm’s external environment and internal resources

HOW TO DO IT

- Step 1 → Collect information
 - Identify your industry
 - Look at existing supply and demand for specific products and services using ASIC codes
 - Delphi study of industry experts
 - Published sources
 - Where are main sources of competitive pressure?
- Step 2 → Assess and evaluate
 - In light of five forces, use a weighting system to depict strength → high / medium / low
- Step 3 → Develop a strategy
 - Analyse long-term industry trends
 - Relate trends back to your PESTEL analysis to complement five forces
 - Integrate long-term trends within broader context of corporate strategy to find the best fit between your company’s resources and external environment
 - Remember, industry structure fundamentally affects strategic choice

COMPETITIVE ENVIRONMENT

FACTOR	IMPACT OF FACTOR	POTENTIAL OPPORTUNITY OR THREAT
Competition	Intense rivalry in industry / marketplace	Critical threat (-5)
Buyers	Convergence of customer requirements worldwide	Significant opportunity (+5)
Suppliers	Few suppliers dominate the industry	Critical threat (-5)
Threat of new entrants	Industry barriers to entry low	Threat (-3)

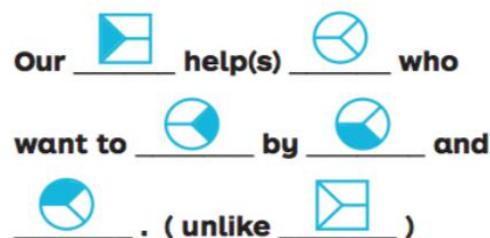
10 CHARACTERISTICS OF GREAT VALUE PROPOSITIONS

1. Are imbedded in great business models
2. Focus on the jobs, pains and gains that matter most to customers
3. Focus on unsatisfied jobs, unresolved pains and unrealised gains
4. Target few jobs, pains and gains, but do so extremely well
5. Go beyond functional jobs and address emotional and social jobs
6. Align with how customers measure success
7. Focus on jobs, pains and gains that a lot of people have or that some will pay a lot of money for
8. Differentiate from competition on jobs, pains and gains that customers care about
9. Outperform competition substantially on at least one dimension
10. Are difficult to copy

- **Survey** → living at home vs. living alone
 - Look at percentages of who lives alone, lives with flatmates etc.
- Strategy and recommendations → need to back up what you're talking about

WHAT IS PROTOTYPING?

- Use of the activity of making quick and rough study models of your idea to explore alternatives, shape your value proposition and find the best opportunities
- Prototyping is common in the design professions for physical artifacts
- We apply it to the concept of value propositions to rapidly explore possibilities before testing and building real products and services
- **Prototyping** → the practice of building quick, inexpensive and rough study models to learn about the desirability, feasibility and viability of alternative value propositions and business models
- Quickly explore radically different directions for the same idea with the following prototyping techniques before refining one in particular eg. napkin sketches → make alternatives tangible with napkin sketches. Use a single sketch for every potential direction your idea could take
- **Napkin sketches** → make alternatives tangible with napkin sketches
 - use a single sketch for every potential direction your idea could take
- **Ad libs** → pinpoint how different alternatives create value by filling in the blanks in short ad-libs
- Once they're in the store, the probability of them buying something increases



MAKE IDEAS VISIBLE WITH NAPKIN SKETCHES

- Objective → quickly visualise ideas for value propositions
- Outcome → alternative prototypes in the form of napkin sketches
- **Napkin sketches** → a rough representation of a value proposition or business model and highlight only the core idea, not how it works. They are rough enough to fit on the back of a napkin and still communicate the idea. Use them early in your prototyping process to explore and discuss alternatives

WHAT IS A NAPKIN SKETCH?

- A cheap way to make your ideas more tangible and shareable
- They avoid going into the details of how an idea works to steer clear of getting hung up with implementation issues

WHAT IS IT USED FOR?

- Use napkin sketches to quickly share and evaluate ideas during the early value proposition design process
- Their roughness is deliberate so you can throw ideas away without regret and explore alternatives
- You may also use them to gather early feedback from customers

CAVEAT

- Make sure people understand that napkin sketches are an exploratory tool
- You will kill or transform many of the sketched out ideas during the prototyping and testing process

THE BEST NAPKIN SKETCHES

- Contain only one core idea or direction – ideas can be merged later
- Explain what an idea is about, now how it will work – no processes or business models yet
- Keep things simple enough to get it in a glance – details are for more refined prototypes later on
- Can be pitched in 10 to 30 seconds

TUTORIAL 5

GROUP ASSESSMENT

MARKET ANALYSIS

- Search for reliable sources of furniture market eg. IBISWorld, Passport (Euromonitor)
- Need to know
 - Size of market and trends
 - Market breakdown
 - By product category eg. lounge, dining, kitchen, outdoor
 - By channel eg. online vs. retail (subsections – full service, self service)
 - By price point – discounting, how do these prices vary by category
 - By company and brand
- Detail is important in terms of positioning and repositioning → can gather weaknesses or areas to move into – what products are we going to use to reposition?

COMPETITOR ANALYSIS

- Determine who your competitors are eg. from furniture market reports, retailer websites
- Search for
 - Media articles – financial, business etc.
 - Furniture trade journal articles
 - Competitor websites, media releases
 - Company Annual Reports
 - Furniture market reports etc.
- Select two major companies
 - Discuss their size, goals, market share, product range, quality, pricing, marketing strategies, weaknesses etc.

MARKET SEGMENTATION

- Segment the market in which Freedom competes
 - Segment on basis of customer criteria (buyer) → who are they / where are they located? What are their needs? Why do they buy? How do they use? frequency of purchasing? Price paid? How influenced?
 - Estimate the size of segments and potential profitability
 - “Criteria grid” useful but note it requires explanation and discussion
 - VITAL for later well-directed targeting and positioning strategy development
- Steps in segmentation process
 - Needs based segmentation → group customers into segments based on similar needs and benefits sought
 - Segment identification → for each needs-based segment determine which demographics and usage behaviours make the segment distinct and actionable
 - Segment attractiveness → using pre-determined criteria eg. size, competitive intensity, accessibility to determine the overall attractiveness of each segment
 - Segment profitability → calculate profitability based on sales, pricing, profit margins

MARKET SEGMENTS CRITERIA GRID

Age	Income	Where living	Status	Needs	Channel	Price	Brand	Size \$m
20-35 M/F	Lower-middle	Inner/near city suburbs	Partner, flat-mates	Versatility/image-conscious	Online, self-service	Low	IKEA, Domayne	?
60+ M/F	Middle	City, regional centres, coastal	Kids left home	Quality, Reliability	Full service furniture store	Medium	Freedom, Harvey Norman	?
35-55 M/F	Upper	City, wealthy suburbs	Family/kids	Style, quality, comfort	Designer store, furniture specialist	Premium	Fanuli, Coco Republic	?
35-45 M/F	Middle	Suburbs	Family/kids	Value	Online, self + full service	Medium	Freedom, Super AMart, IKEA	?
							Total % of market	?

LECTURE 8 – ISSUES, OBJECTIVES AND STRATEGIES

FREEDOM

- Click and collect – possible opportunity ?
- Homewares – have \$20 / \$30 options to compete with Kmart
- Those in the market visit Freedom 2 – 3 times → comparing products to different stores – is there a way to change customer experience so they know they have the best product and won't go to different stores
- Summer / spring and winter / fall range → summer – more outdoor furniture
- Increase market share of gen y → objective
- Issue → how do we do this?
- Strategies → what we do to do this – pricing, how you put this into practice etc.
- Can Freedom use AfterPay?
- Freedom → layout issues – furniture scattered around everywhere, can't visualise the room
 - Homewares are what draws people in
- Redesign website / store layout → takes a lot of time / money

FURNITURE INDUSTRY NEWS

- Kmart introduced AfterPay
- Myer → lost \$500 million
- Freedom → high and low pricing – always bouncing the price around but didn't work, now do every day value pricing

THREE LEVELS OF PLANNING



PERFORM SITUATION ANALYSIS

- Conduct internal analysis
- Conduct external analysis
- SWOT / TOWS

ISSUES

- Derive issues from SWOT / TOWS
- Three issues

SET MARKETING OBJECTIVES

- Develop three objectives / three issues
- Freedom → closed the Galleries store because it was too expensive
 - They own most of their other properties – asset

SMART OBJECTIVES

- Specific → details exactly what needs to be done
- Measurable → achievement or progress can be measured
- Achievable → objective is accepted by those responsible for achieving it
- Realistic → objective is possible to attain – important for motivational effect
- Timed → time period for achievement is clearly stated
- Eg. reach gen y → increase sales to the gen y segment by 15% in the next three years

WRITTEN COMMUNICATION

- Critical to get your ideas across in a written format
- Identify who is the audience
- Decide what information should be included and what should be omitted
- Organise the materials to make it easy for the reader to follow
- Clearly ensure that you explain the five Ws → who, what, where, when and why
- Keep it simple
- Be specific
- Revise and proofread

ATTRIBUTES OF GOOD WRITING

- Structure and flow
- Use headings and subheadings
- Style of writing / ease of reading
- Support and evidence for points are made
- Relevance to the purpose of the report
- Editing and proofreading
- Proper referencing and bibliography

HOW CLIENTS SHOULD EVALUATE RESEARCH REPORTS

- When faced with a research report, you should ask yourself – does it explain the following
 - o Origin → what is behind the research
 - o Design → the concept and the plan
 - o Execution → data collection and handling
 - o Stability → sample size or suitability
 - o Applicability → generalising the findings
 - o Meaning → interpretations and conclusions
 - o Candor → open reporting and disclosure

TUTORIAL 8

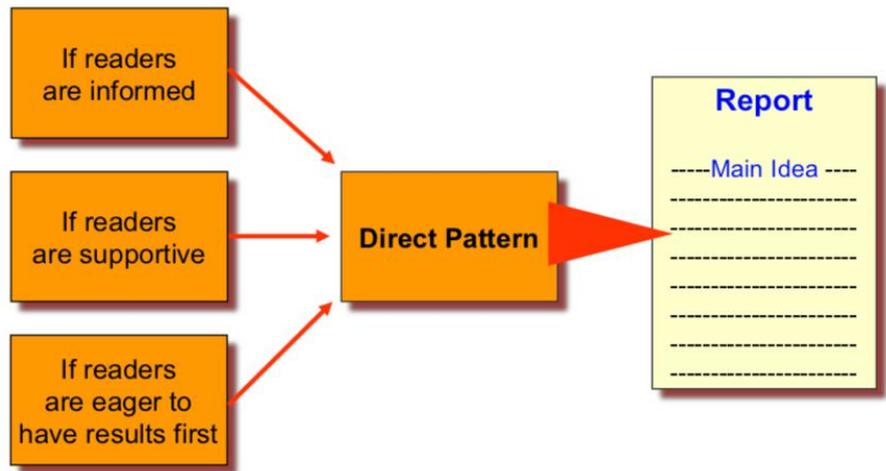
GROUP REPORTS – FINAL CHECK

- Do a thorough edit
- Check references → all facts require the source to be cited in the text, matched with the full reference in the reference list – alphabetical please
- Number the pages
- Do not exceed the 18 page text limit
- Include cover page with group number, group member names, tutor's name and a second page with table of contents – neither to be included in the page count
- Formatting → 12pt font, 1.5 spacing, 2.5cm margins
- Include reference list and appendix
- Appendix → all exhibits specifically referred to in text eg. BMC diagram, selected tables, charts, diagrams etc.
 - o All analytical data resulting from survey, interview summaries
- Include a brief summary of the 'mechanics' of the research conducted (one paragraph only) outlining
 - o Purpose, how it was conducted
 - o Primary research → with whom, how many were interviewed, survey sample size etc.
 - o Limitations

GROUP REPORT 2(A) SUBMISSIONS

- One group member only to submit
- Tutor's name → John Penn
- Group Number
- Include all attachments, appendices and exhibits
- Must submit on Turnitin by 5pm Wednesday 26 September

AUDIENCE ANALYSIS AND REPORT ORGANISATION



TIPS FOR PROOFREADING

- Print a copy of the report
- Use a ruler
- Read the report aloud
- Limit proofreading to one section at a time
- Proofread when you are fresh
- Proofread when you have peace and quiet