



**A Strategic Analysis of the company &  
of a possible penetration strategy  
for the United States**

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# 1 Management Summary

Strässle is a small company which is based in Switzerland. The production and sales are also coordinated from this location. The core competence of the company is producing and selling high quality and high price leather seating furniture. After having build up a well-known brand in the 80<sup>th</sup>, the brand awareness was going down since this time. This development is not going on with the produced products. These products has still an outstanding position. Although these products are on a high quality level, image and brand are also crucial for the customers. The big weaknesses of Strässle in this areas are the reason for the actual situation. To concentrate your resources on a clear market positioning is an important aspect, to bring Strässle back to the top positions in the relevant market.

In this case, internalization, especially going to the USA, will be an interesting option for the company. This could only be done by a low cost penetration method.

## 2 The company Strässle

### 2.1 The present situation of the company Strässle

Strässle AG is an 100% private owned stock company which was founded in the 19<sup>th</sup> century. It is based and it produces in Switzerland. The 30 employees working for an revenue of round about 8 Mio. Euros. The company had a unique market position until the 70<sup>th</sup> in Europe for high quality leather chairs. Strässle was a leading brand with outstanding flagships, famous for its sophisticated classical modern design and its quality.

At the moment, Strässle has no clear vision, no mission, even not at all any product or company promise for the customer. The result is no corporate identity. This aspect could easily be proofed by watching the websites of Strässle ([www.straessle.ch](http://www.straessle.ch)).

### 2.2 Offered Products

Strässle is a specialist producer for high quality seating leather furniture. They are producing chairs and sofas. The products are designed by own artists, mostly in with an modern classic design.



Illustration 1: Product Examples of Strässle

## 2.3 Customers of Strässle

The company is selling its products on the residential market and focused on well off-people. The outstanding products are targeting to persons with a sophisticated taste for furniture.

## 3 Analysis of Strategic Position in Home Market (Europe)

### 3.1 The business model of Strässle

The business model, Strässle practiced since the beginning included the whole value chain except for own stores.

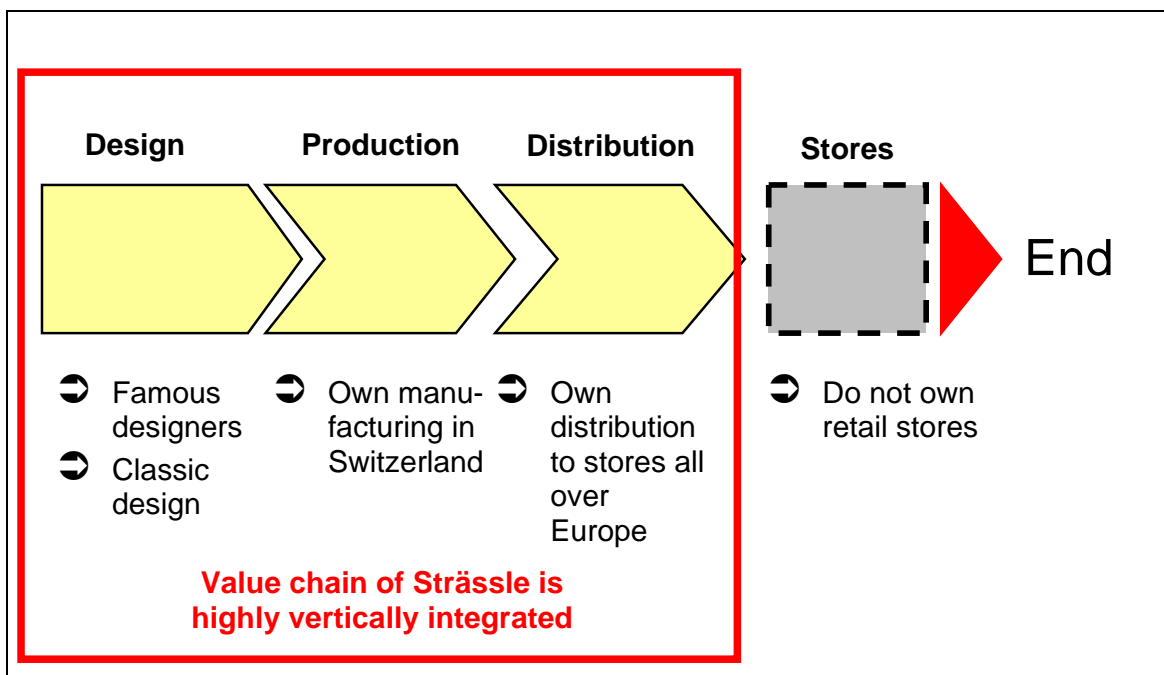
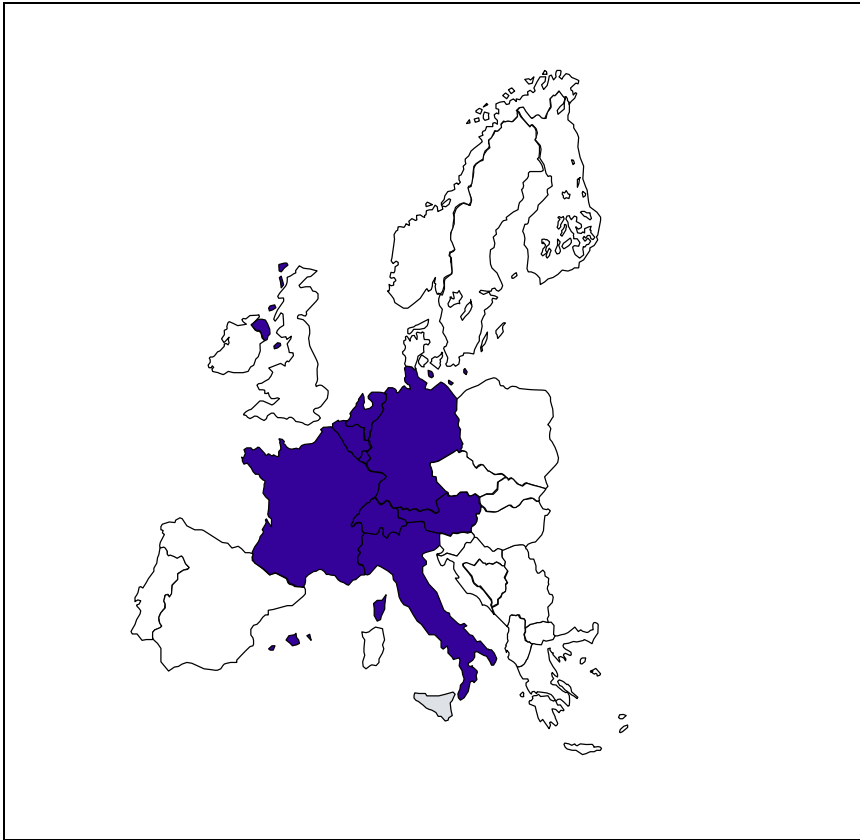


Illustration 2: Value chain of Strässle

Source: Own presentation

This concept prevented Strässle from putting too much money into building an expensive distribution system with its own stores. The company has resellers in different countries in Europe.



**Illustration 3: The presence of Strässle in Europe**

**Source: Public Information / Interview with Strässle's CEO**

The disadvantage of this organization is the low influence and control on the own brand.

### 3.2 The Furniture Market in Europe

The furniture market were evaluated for the year. The presentation is based on the data, given from the Statistisches Bundesamt in Germany. Out of these given data from the whole furniture market in Europe, the market potential for Strässle were calculated. The Overall market for all competitors was 56 Mrd. EUR (round about \$73 bill.) in 2003. These volume is segmented in the parts residential and commercial. Strässle is only in the market for sofas and chairs, which is about 20 Mrd. EUR (round about \$26 bill.). Because of the focus on high-quality and high-priced furniture, the relevant market potential for Strässle is about 4 Mrd. EUR (round about \$5,2 bill.). The revenues of the company were 8 Mio. EUR (round about \$10,4 mio.)

which represents a market share of round about 0,2 % in the relevant market. The segmentation is shown in the following illustration.

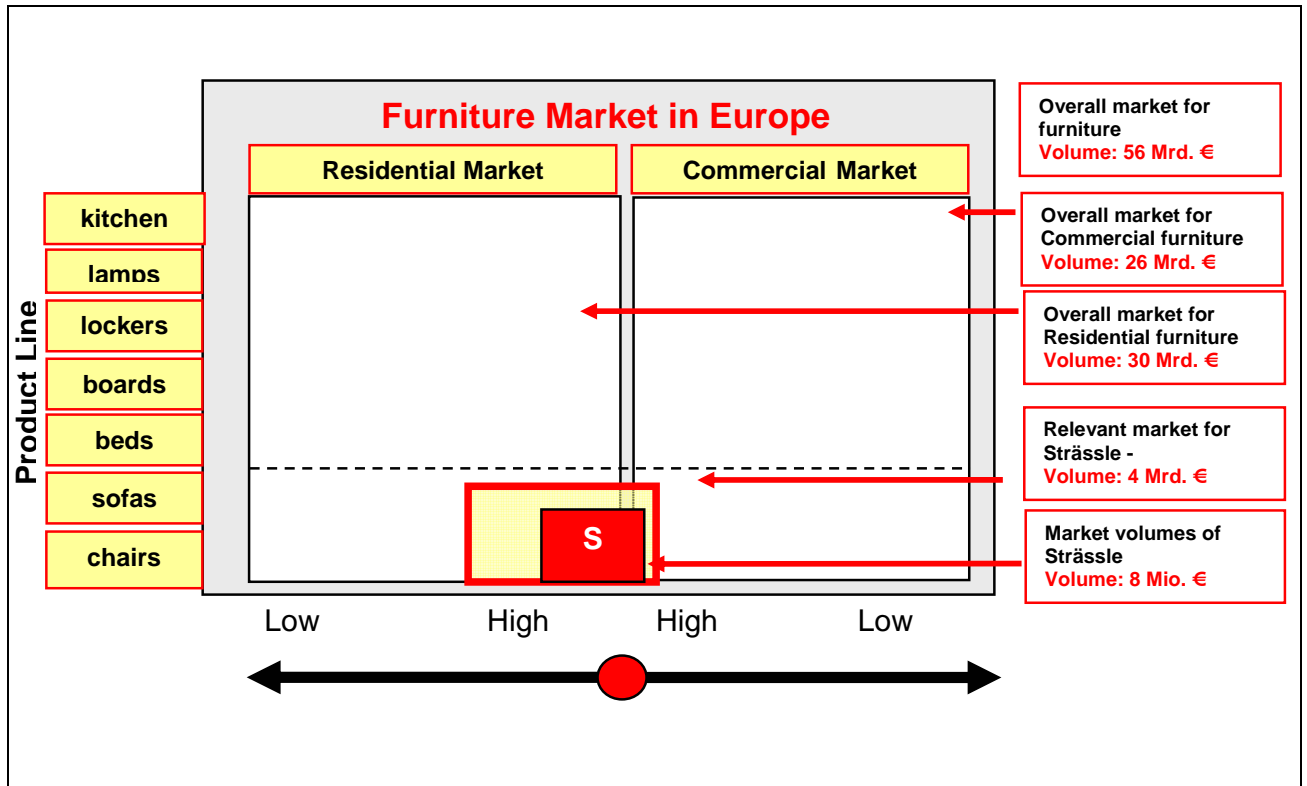


Illustration 4: Furniture Market in Europe for 2003

Source: Own presentation and calculation from data of the Statistisches Bundesamt, Germany

### 3.3 Competitors in the furniture market

Strässle have a few of competitors which had overtaken them in the last 20 years. These companies have bigger revenues and mostly a well-known brand and a better image.



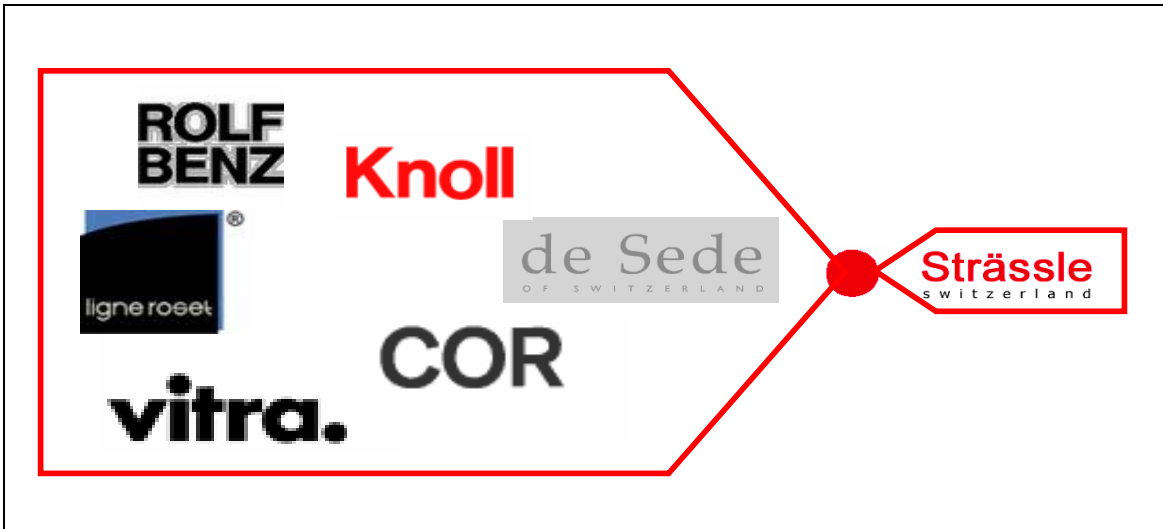


Illustration 5: Main competitors of Strässle

Source: Own Research

The better standing and position in the furniture market shows a comparison between the popularity of the different companies (and brands). Strässle is even not mentioned.

The big competitors in the high quality market (De Sede, COR, ligne roset etc.) are well-known even as relatively small companies.

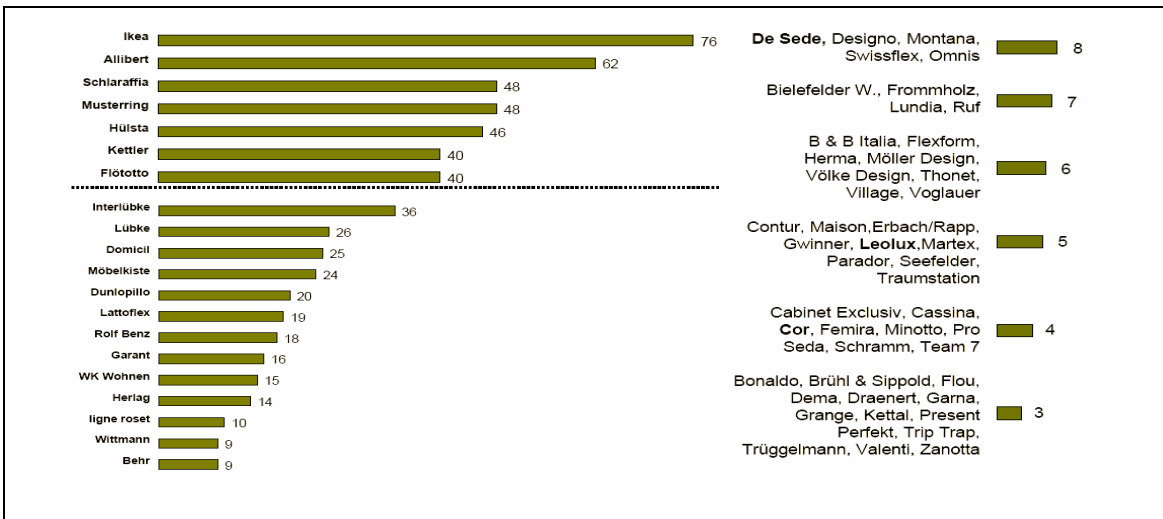
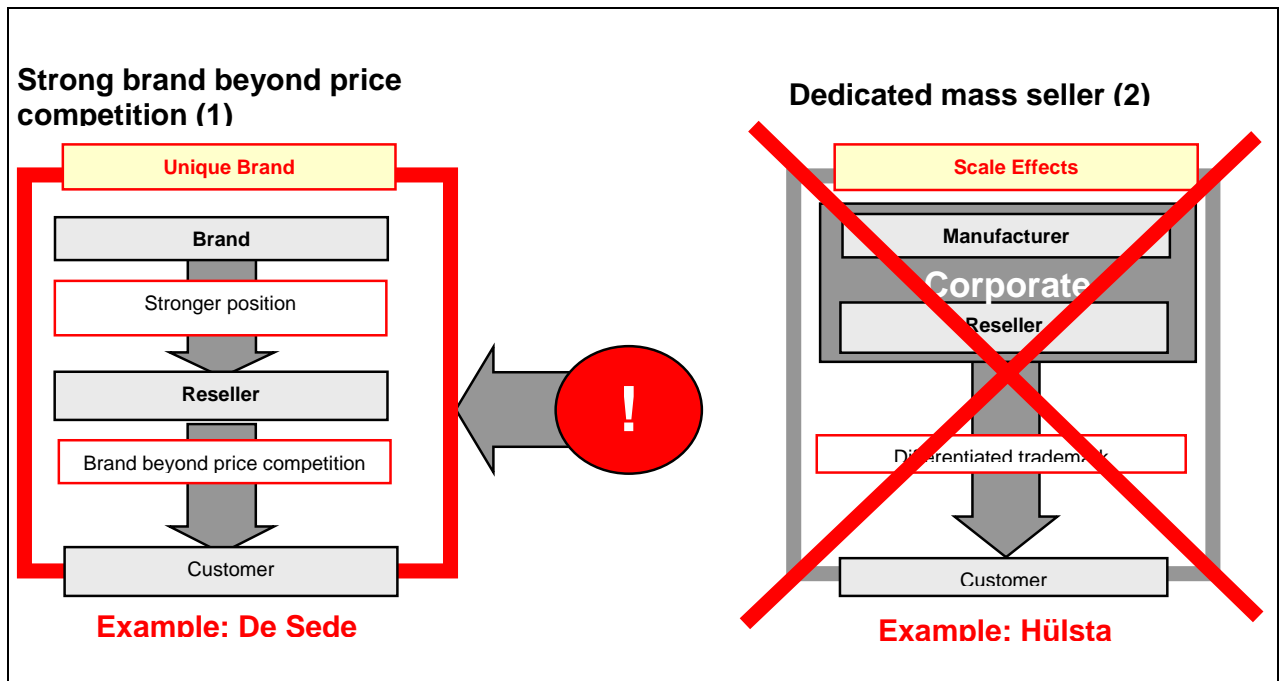


Illustration 6: Popularity of furniture brands in %

But what a the possibilities for Strässle in this non-comfortable situation?

In all markets are two main strategies for the different companies, which could be chosen. The options are shown in the illustration:

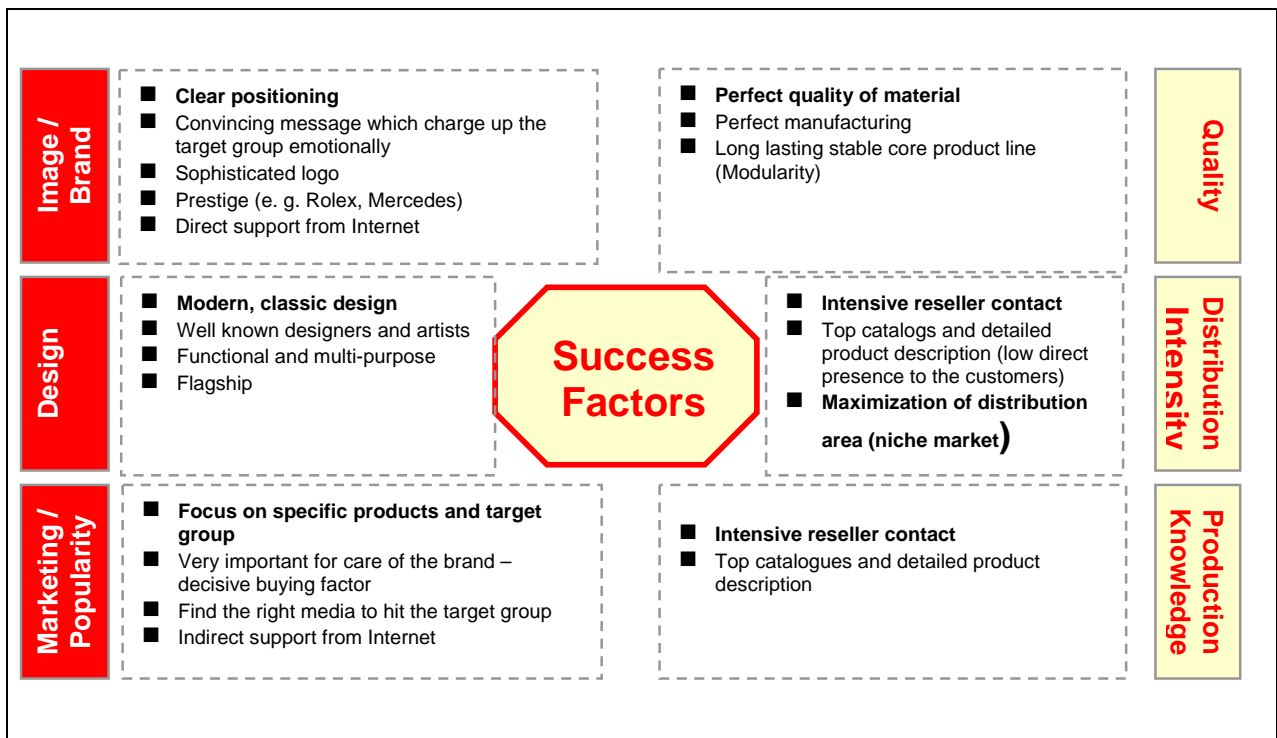


**Illustration 7: The two basic market strategies to act in a market**

**Source: Own presentation**

Strässle has only the possibility to get a famous and important brand beyond price competition. The reasons for that are based on the small market shares, the low financial resources and low competence and resources in mass production.

To evaluate the strategic options resulting out of this basic strategy, the key success factors in the high quality/high price furniture market had to be found.



**Illustration 8: Evaluation of the Key Success Factors in the high-quality/high-price Furniture Market**

**Source: Own presentation**

There are different factors which could be important in the target-market. The most important for Strässle might be, to focus on few of these to save resources and move the positioning in an most-efficient way. Strässle have to focus on building up a well of brand and outstanding image. They also had to design their furniture in a modern and classic way and offer these products to special target group of customers.

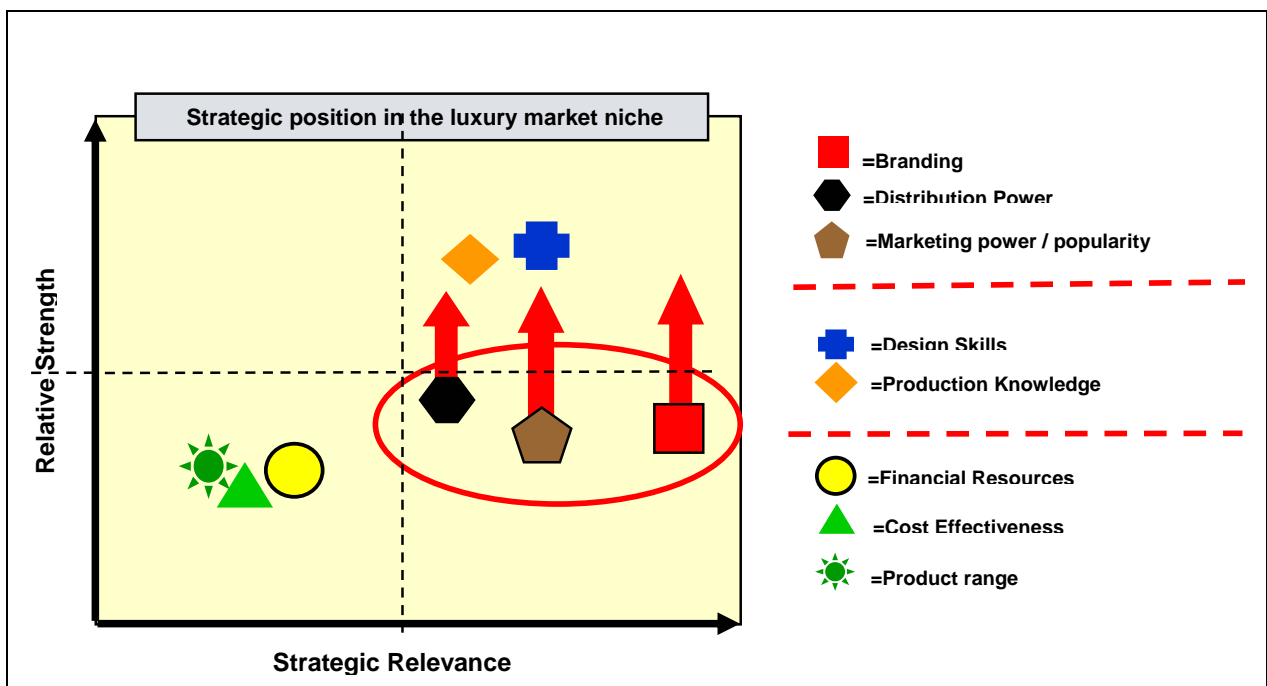
What are the concrete recommendations out of these part of the analysis?

First, Strässle has to strengthen their brand by defining a clear an specific product promise, which is valid for your whole product range to charge up the customers emotionally. Second, they have to enhance their marketing power by increasing the marketing budget to strengthen the brand and to gain the price leadership and focus on a few outstanding products. At the last point, they have to improve their distribution by focusing all efforts on these products, which are unique, popular and representative for the whole product range.

According to these recommendations, Strässle has to act in the following way:

First step would be to define a clear vision and mission for the company. This would employees and customers help, to understand the business way of Strässle. This

includes an appropriate slogan. The next step is, to find the representative and product and focus your marketing resources on it. The “King Chair” would be an example for such a product. Strässle has also focus on the target customers which are well-off people with an sophisticated taste for furniture. To build an outstanding image, a representative catalogue is necessary, to give a good overview of the offered product line. The core products (and the others) must be presented in the internet, too. To improve the distribution system specialty shops has to be contacted and integrated in the distribution system by delivering them with catalogues an representative furniture.



**Illustration 9: Strategic position of the success factors in the luxury market niche**

Source: Own presentation

Like the illustration shows, shifting to a mass manufacturer is not a choice in regard to the relative strength of Strässle. The only possibility is to shift to a unique and well-branded company.

To follow this way, few strategic options has to be proofed. These five strategic options are discussed in the following chapter.

## 4 Strategic Options for Action

Like mentioned in the last chapter, regarding to the analyses there are few strategic options for Strässle to act in the near future. Five founded in this case, three for going in nearby markets, two for moving in the actual market.

### 4.1 Strategic Options for reaching new market segments

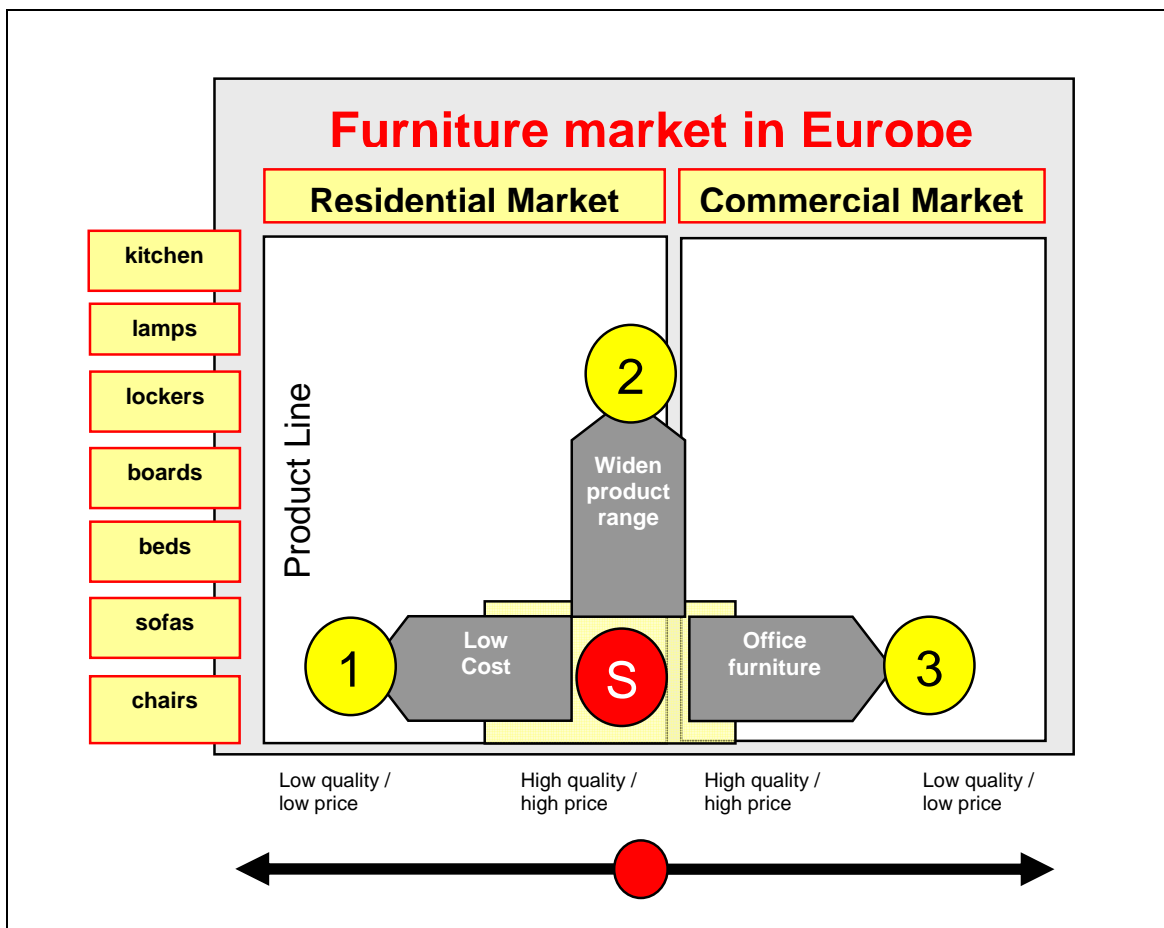


Illustration 10: Three strategic options for going in nearby markets

The first three options are based on reaching new market segments. The first possibility is, moving in the low cost segment (mass market) for chairs and sofas, the second, widen the product range with other products like boards, beds etc., the third option is shifting the product lines more into the commercial market by producing and selling office furniture.

## 4.2 Strategic options for staying in the present market segment

There are still another possibilities for Strässle (two further strategic options), which enable Strässle staying in the present market segment. These options are shown in the following illustration:

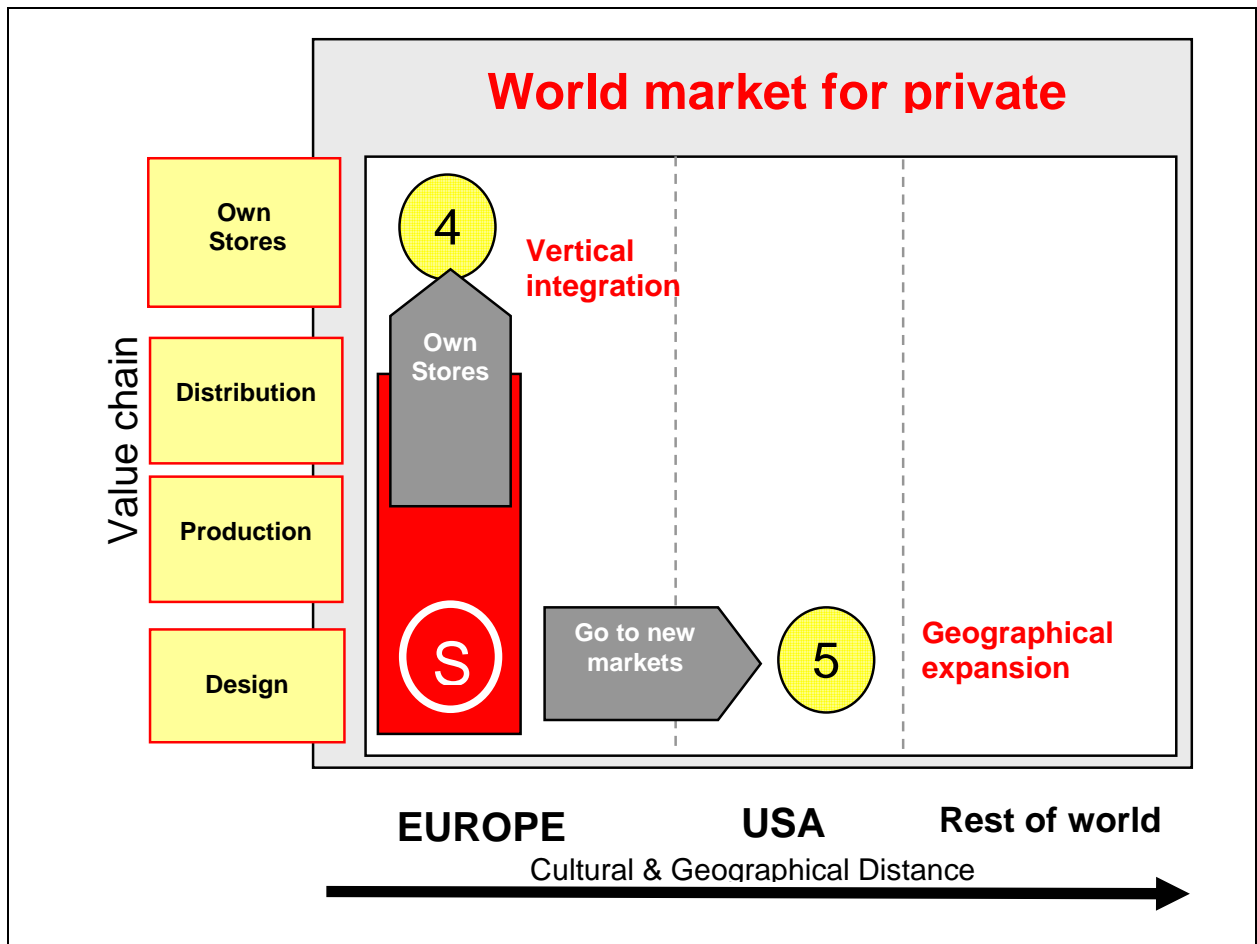


Illustration 11: Two strategic options for staying in the actual market

The first option for staying in the market segment is to make your value chain longer. This could be only done by building up own stores. The rest of the value chain is already done by the company. The last option is the geographical expansion, e.g. to the United States of America.

Which one of these options should Strässle choose, to hunt their targets?

This comparison is done in the next paragraph.

### 4.3 Comparison of the showed strategic options

The presented different possibilities for Strässle (five options) should now be watched in a deeper way. Strengths and weaknesses of the company should be evaluated and related with the Strategic relevance in the market.

This is done in a diagrammatic way, where the x-axis shows the strategic relevance, the y-axis, the relative strength of the company in comparison to the competition.

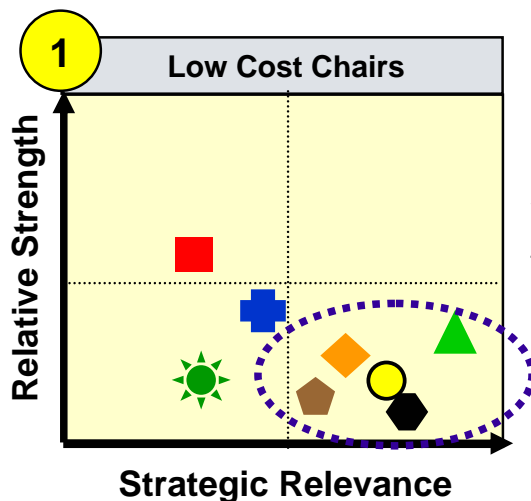
To understand the following illustrations, the legend is presented before starting the analysis of the different portfolios.



The legend shows all evaluated success factors with an individual symbol. These symbols get the corresponding position in the following graphics of the strategic options.

Illustration 12: Legend of success factors

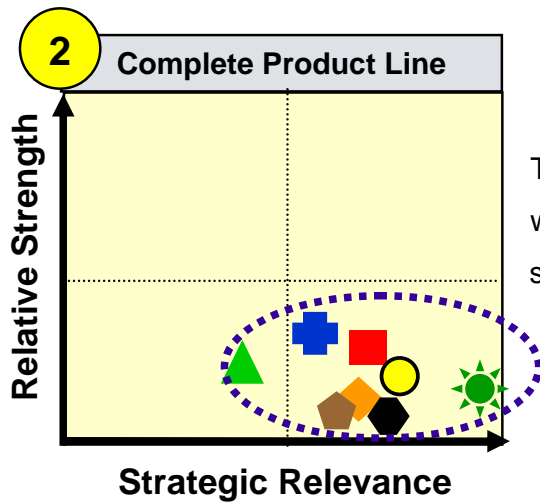
Source: Own analysis and presentation



The first option is to move in the low cost segment for chairs and sofas. The company would get a mass seller for these products. But there are no competences of the company, which would be important in this market.

Illustration 13: Strategic option 1

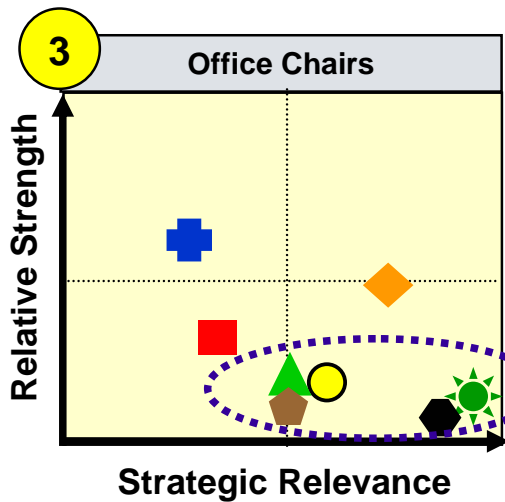
Source: Own presentation



To complete the product line with other products with are not in the original market of Strässle shows no strength in relation to a big strategic relevance for the most skills and resources.

Illustration 14: Strategic option 2

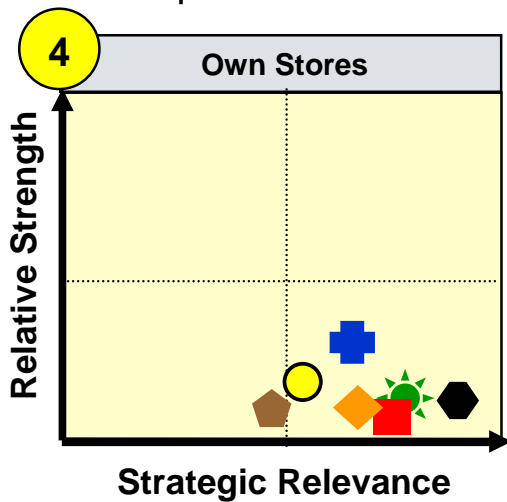
Source: Own presentation



The next option means, move more in the commercial segment for chairs and deliver companies with adopted seating furniture. But these is segment is completely new for Strässle and the companies biggest strength (Design Skills) is not as possible as in the Residential Market.

Illustration 15: Strategic option 3

Source: Own presentation

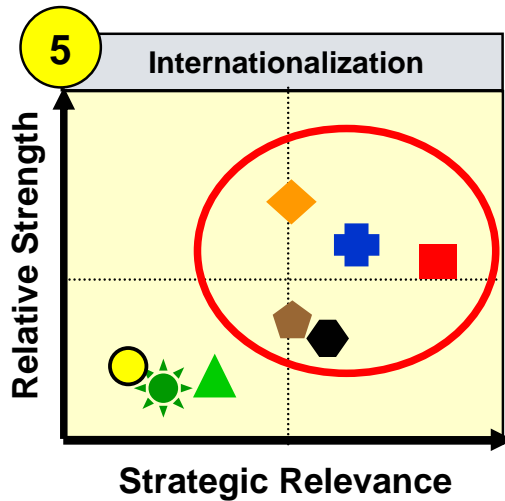


Building up own stores all over the penetrated market was evaluated as an option, too. Like it seems clear in the illustration, Strässle has no financial resources, not the product range and at the moment even not the brand to go this way.

Illustration 16: Strategic option 4

Source: Own presentation





Last but not least the strategic option 5 seems to be an acceptable way for Strässle to act in the near future. In this option some of the relative strength of Strässle are really relevant in a strategic way. This is the option, which should be chosen and on which it will be worked on the rest of the paper. (Internationalization is focused on going to USA.)

**Illustration 17: Strategic option 5**

**Source: Own presentation**

By comparing the different strategic options for Strässle, the fifth option (Internationalization/Geographical expansion) might be the most interesting way to go. In this paper we decided to choose USA as the target - country for going abroad. In the following chapter, we will have a look at the situation in the furniture market in the United States of America. These information enables Strässle in finding a better decision.

## **5 Analysis of the Internalization to USA Market**

July und Christy Abschnitt einpassen!

## 6 Conclusion

Summarizing the different kind of analysis leads to an core strategy and a growth strategy for the company.

In the first part, there have to be defined a clear and specific product and company promise, which is valid for the whole product range and which touches the customers on the emotional way. To strengthen the brand (target is the price leadership), the marketing budget have to be increased. Marketing as well as distribution have to be focused on the core products and competences to build up an outstanding image. According to the growth strategy, internationalization seems to be the most attractive option for Strässle to get bigger. Because of the lower liquidity and capital resources a low cost penetration strategy has to be chosen. This way may force Strässle, to cooperate with other distributors. In this distribution channel, few attractive stores in target areas has to be chosen, where the potential customer may be clustered.

Summarizing all in a vision, a mission and a slogan, the messages should sound like this:

Vision:

- We will become the Rolex of the high-quality seating furniture market
- Everybody knows us, but not all can afford us

Mission:

- Swiss made high-quality furniture
- Outstanding quality
- Long lasting design

Resulting out of this vision an mission, the (new) slogan of Strässle is

*When your furniture lives longer than you!*

*When the design lives longer than your grandchild!*