Analysis of Dynamics Competitiveness by Using Strategic Groups Maps: Case of Furniture Industry

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ABSTRACT

This chapter describes how in today’s competitive world, the survival of businesses is highly dependent on satisfying the customers and responding to their demands. The furniture industry is one of the markets that consists high level of competition and customers in different groups. The industry has a rapid growth by improving the economic conditions and quality of life in the world. However, the capability and competitiveness of suppliers and retailers for domestic and imported products are a big challenge. This brings the importance of the strategic analysis approach to the industry. The aim of this article is to implement strategic group maps to understand the dynamics of the furniture market in a selected case study. The used method is the first in the furniture industry and the market analysis is based on the both suppliers/retailers and customers’ viewpoints. The outputs show the furniture industry can be categorized in the five groups with specific required demand and strategy in each group.

KEYWORDS

Competition, Customers, Furniture Industry, Strategic Groups Map

INTRODUCTION

Competition is one of the important challenges of today’s businesses. Competition should achieve an increase in the number of customers by improving quality and reducing costs over time. In a rational competition, costs are reduced and the quality of the products and services is increased (Porter, 1986). Studies show that the demand for products in the furniture industry has increased since the early 1990s due to changes in the patterns of human life and the society’s increased inclination to consume (Amiri, 2008). Currently, more than 500 thousand small and large producers of wood and furniture products are working around the world. The extensiveness of this industry with an annual turnover of about 99 billion dollars only in the US (2015) and covering related businesses from fabrics and paint to Woodturning and woodcarving shows that this industry is one of the profitable industries in the US and the world (Statista, 2015). Therefore, the number of suppliers and customers shows the challenges of competition in the furniture industry.

In recent years, the concept of strategic groups has been proposed by Michael Porter in response to identifying the dynamics of competition in an industry (Porter, 1980). Using this concept shows all players in an industry are not necessarily their competitors. Porter defines the concept of strategic
groups as a set of companies, which have a similar business model or a similar strategy. He also argues that each company by itself can be a different strategic group. Using the concept of strategic groups and mapping it, a company’s status in a given sector of activity or market can be determined and a powerful tool for analyzing the status of competitors can be obtained (Porter, 1980).

This study aims to use the strategic group map in the furniture industry in a selected case study. Due to the competition level of the furniture industry, the case study is Iran (More than 50 thousand producers from domestic and international suppliers). The trend of furniture imports and exports from and to other countries indicates that the industry faces different problems from production, quality, marketing, after sales services, and the export system (Tajdini, Tavakkoli, Latibari, Roohnia, & Tayeb, 2013).

Therefore, the current research is to identify the key drivers and strategic groups of the furniture industry in the country. Then, competitive dynamics in the furniture industry of the country are analyzed by using strategic groups map. Finally, the main factors contributing to the success and competitiveness are introduced. The novelty of current work can be categorized from two points. First, there is not any research to categorize the competition in the furniture market based on the strategic analysis of the word. Second, normally data for creating most of the strategic group maps come from one side of the market. However, this research is based on the both suppliers and consumers responses.

**LITERATURE REVIEW**

The challenge of competitiveness is one of the main concerns of business and activity in today’s dynamic and environment (Dastaviz, 2016). Having appropriate strategy to enhance the position of business competitiveness is one of the today needs (Wan, Lähtinen, & Toppinen, 2015). According to competitive advantage model presented by Porter (1985), a competitive strategy takes offensive or defensive measures to create a suitable position in the industry to be successful in the competition of its business environment and thus to make faster the return on investment and to raise the rate of return (Jitpaiboon, Gu, & Patel, 2015). According to Porter’s model, there are two basic competitive advantages, namely cost leadership and differentiation in products and services, which the third dimension of focus can be added to it by a closer consideration.

**The Concept of Competitive Dynamics**

Today, competition between the companies to attract and retain customers has turned into one of the most important issues in the field of sales and marketing and has been the company’s main agenda as an important and necessary subject (Smith, 2013). In any industry, over time the competition should result in the increase of the value for the customer by improving the quality and reducing costs (Porter, 1986). In a healthy competition, costs are reduced and the quality of products and services supplied is increased (Zhu, Zu, Zhu, & Ma. 2015). Companies and organizations, which don’t participate in this competition and don’t have enough information about the strengths and weaknesses of their competitors and are not able to categorize them, will be inevitably excluded from the business arena (Nag, Han, & Yao, 2014; Bihl, Young II, & Weckman, 2016). Michael Porter considers five factors (competitors, substitute products, new arrivals, customers, and suppliers) as necessary in the analysis of an industry. The impact of these five factors on each other specifies the nature and intensity of competition in an industry (Porter, 2008).

The process of globalization, the establishment of the World Trade Organization and integration of global markets, rapid and fundamental advances in technology, rapid changes in consumption and demand patterns, conservation of energy resources, the control of environmental pollution, lack of resources and their high costs, the presence of many competitors, commercialization of scientific products and ideas and satisfying the needs of customers who are very aware through the media and the internet, all are challenges which different enterprises and industries face them in the arena of trade and economic activities and their survival is subject to proper and timely decision-making in
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