

An Analytical Study On Strategic Management Of Stylo

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Abstract: Today in Pakistan different companies are fulfilling the needs of its customers including men's-footwear, women's-footwear and children's-footwear. In Pakistan, the footwear industry has provided many employment opportunities to minority sections of society. This paper highlights the problems faced by the Stylo when they step in footwear industry in 1974 and identified the opportunity of becoming an entrepreneur. The study indicates that for Stylo there exists a potential for higher growth in the industry which will become a source of earning through exports. The study suggests that Stylo have to face increasing cost of doing business in Pakistan due to fast pace changing economic and technological environment.

Keywords: Stylo shoes, need of the customers, focus strategy, PEST (Political, Economic, Social and Technological); SWOT (Strength, Weaknesses, Opportunities and Threats)

1. Introduction of Stylo:

1.1 Company Profile

Stylo is the Pakistani leading brand that deals in ladies footwear which aims to provide quality footwear and ladies accessories. Stylo is not just about selling quality footwear; but the company wants to get identified by providing ultimate shopping experience to its customers. Stylo, as the name depicts the main focus of the company is to grab the attention of its customers through innovative styles. The main purpose behind establishing Stylo is to provide trendy, creative durable and cutting edge ladies shoes.

1.2 Company History

Stylo started its journey from a "Phatta (a stall)" occupying a space of 10'x12' square foot in 1974, by Mr. Muhammad Azhar Siddiqui who was a salesman in Anarkali, Lahore who dreamt of starting in his own business in Lahore. He took an initiative and started his business with just 174 Pakistani rupees in his hands. He opened his shop with the name of "Bano Chappal Store" in Anarkali, Lahore. Then, his eldest son Mr. Mazhar Hussain Siddiqui, currently working as Director of Stylo, joined his business to make the both ends meet. They wanted to be self-sufficient and worked as an Entrepreneur. In 1984, they changed the name of the shop from "Bano Chappal Store" to Stylo where his younger brother Mr. Javed Hussain Siddiqui (COO Stylo) joined the business in 1986, in order to take the business to newer heights, in comparison to their rivals including Ehsan Chappal Store (ECS), Bata & Service. By seeing the marketing activity at Liberty market a shop was opened in the center of the Liberty market which gave a blow to the business.

1.3 Research Objective

This research study's aim is to find out the strategic issues that have been faced by the "Stylo Shoes" in 41 years in order to become "the number one choice of women folk of Pakistan".

1.4 Market segments by products

Stylo is all about blending the exotic and colorful appealing designs competing with the international shoe standards. The

varieties of modish shoes which are available at Stylo are not restricted to a particular segment of the Pakistani consumers. However Stylo is also presenting:

- Bridal Footwear (Insignia)
- Ladies Accessories (Hand bags, jewelry)
- Casual fabric named "FABRIZIO"
- Kids footwear
- Shajar School

2. Stylo's Business Strategies

2.1 Stylo's Strategies

The business of Stylo shoes has evolved from related to unrelated diversification in the last four decades. Since its inception in 1974, Stylo has catered the local market of female shoes and bags and has excelled in settling a distribution network throughout Pakistan. Later it went for a related diversification and extended a line in kids' shoes under the name of Stylo Kidz. Stylo shoes went under an unrelated diversification with the introduction of jewelry and accessories in 2003 and later with the launch of ladies casual and formal clothing brand with the name of Fabrizio in 2012. Shajar School of modern and Islamic education is another endeavor in unrelated diversification.

2.2 Stylo's Generic Strategies:

The generic strategies of Stylo vary from differentiation to focused differentiation. It launches several designs of shoes each year pertaining to different occasions and seasons. Its focused differentiation came up with the launch of a premium brand Insignia in 2011 that passes all the international standards of quality and its target market is elite class women who can enjoy a premium brand with premium price. Stylo should further enhance its focused differentiation strategy by exporting its high end products (Shoes/Bags) and choose a geographical region that should be targeted first (Middle East/Europe or America).

3. Strategic Issues

3.1 Unrelated Diversification

It is evident that Stylo shoes has successfully entered the related diversification of shoes and bags, be it related to the brands of Stylo Shoes, Insignia or Stylo Kidz, but the unrelated diversification in apparels and education institutes are faced by several challenges and needs immediate remedial measures to compete the rivals.

3.2 Product life cycle

The fashion industry relies on trends that are of short span comprising seasons or occasions. The traditional products of Stylo are shoes and bags that have a limited life because of the season or copying of the designs by other competitors (Direct/Indirect). In order to safeguard its position as a brand having good and wide range of designs, Stylo shoes has enabled its design section to manage this challenge.

3.3 Pricing Strategy:

Stylo shoes initially targeted the middle and upper middle class but later with the launch of Insignia, elite class of Pakistan was targeted that went as a success for revenue growth.

4 External Analysis

4.1 PEST Analysis

Although the economy is still facing a lot of political, economic, socio, technological, legal, and environmental and infrastructure problems but it has a great potential of growth. Since 2013 the footwear industry of Pakistan is one of the sectors that have shown noticeable growth both in production and exports. This sector is playing its important part both on large scale and SME's level in providing jobs, satisfying the local consumption needs and earning foreign exchange for the country. The population of Pakistan is expected to be 185 million in 2015 and keeping this growth in view with all other odds, the growth of footwear industry can also be anticipated. Leather and non-leather material along with other accessories is used in the production of shoes and the manufactures use both the local material as well as the imported material as per need. It is also estimated that about 60% of world footwear consumption is of non-leather material and only 40% of the footwear consumption comprises Leather material (upper portion only). The Pakistani manufacturers of footwear are going through a number of challenges in reaching a final product in the form of shoes and marketing and selling it nationally and internationally. The biggest problem that is being faced by the industry is the rise in the energy and material prices that leads to increase in the total production cost. Another problem is lack of proper training institutes to provide skilled labor and advance machinery to produce quality products. Non availability of raw material, inadequate utility and transport facilities also cause hindrance in the growth of this sector. There are some other factors that should be kept in view before taking any strategic by the manufacturers of footwear industry as they could affect the performance of the industry. These factors are explained as follows.

a) The Impact of Political Factors on the Footwear Industry of Pakistan

As Pakistan always being on the verge of difficult times and facing political instability, be it related to external or internal terrorism, foreign invasions or democratic or dictator government failures. In light of the defined scenario it is very important for the manufacturers and the traders in general and of footwear industry in particular to take any decision in keeping with the political environment of the country and the country they are interested in trading, be it related to sourcing the raw material or exporting the final goods. The political instability has caused a great damage as a whole and in particular to the economy of this country. No political government has succeeded in taking the country towards progress as a succession to the last preceding government but has always come up with a blame game. The policies fluctuate with the arrival of every new government that increases the number of problems for the traders and the manufactures of footwear industry. Other factors that should be taken in to consideration before taking decisions are analyzing tax policies, investment policies, social laws, environmental protection laws, employment laws and import and export policies etc.

b) The Impact of Economic Factors on the Footwear Industry Pakistan:

As the political environment is not stable, so is the case with the economic environment. The inflation rate with each passing day has seriously dented the lifestyle of the majority of the people belonging to the lower and the lower middle class and this has made them look for cheaper alternatives for general use products and footwear in particular. The middle, upper middle class and the elite is still far better in selecting the products of their choice. For the traders and the manufacturers the operational costs and the rising labor, falling profitability and the inflationary environment are causing a huge stress. Some other important factors that need attention are tax rates, interest rates, local currency exchange rates, import and export duties, local economic environment in different markets, and any subsidiary by the government. The Pakistan Footwear Manufacturers Association is endeavoring to safeguard and protect their interests by all means and taking the petition to the government to address the issues.

c) The Impact of Social Factors on the Footwear Industry Pakistan

The socio-cultural environment of Pakistan is also changing in many aspects and especially with respect to the fashion industry. With the exposure to foreign media, fashion market and emerging local and foreign brands, the new breed has adopted a new life style. This trend reflects in the footwear industry too. Males, females or kids have the opportunity to buys shoes of their choice preferring both local and foreign brands. The family patterns are changing, and in the urban areas, both males and females are doing jobs and this makes them earn enough to spend on their fashion needs. The new generation in the metropolitans is more prone towards material life style and they really want to follow the fashion trends by all means. This is an opportunity for the footwear industry of Pakistan to provide the potential buyers with the opportunity proximity to outlets, variety in designs and material, comfort, and economical rates so that they can buy a number of pairs in one visit.

d) The Impact of Technological Factors on the Footwear Industry Pakistan

As a developing country that is facing a lot of other problems, technology is another factor that is not being given proper attention. In the footwear industry, if we talk about the large scale manufacturers, there are many who employ new techniques for design, raw material generation, production, management and marketing that improve the business but if we look at the SME's and some other manufacturers, they lack the advance machinery and proper technical training of their labor. The inadequacy of new technology has led our manufacturers of footwear industry to face incompetence of their international competitors. Our industry is facing high competition from china locally as well as on international levels and they are far better in technology than our manufacturers or traders. (The figure is given in appendix 1).

4.2 Porter's Five Forces Analysis

The firm's strategic competitiveness is affected directly by the industry environment which in turn brings revenue. The industry's profit making capacity and the competition in the industry is based on five forces of competition including the threat of new entrants, the threat of existing competitors, threats of substitute products, bargaining of power suppliers and bargaining power of customer as suggested by Hitt, M., Ireland, R. D., & Hoskisson, R. (2012).

a) Threat of new entrants

In a growing market Stylo is exhibiting solid earnings and revenue figures which demonstrate that the footwear industry lies in growth stage where no technology is required to make the product. Thus the Supply chain can be handled easily because of the outsourcing which has minimized the risk of failure in production. In this industry the threat of new entrant is high. Keeping in view the current situation of industry, the new entrants should differentiate their products by investing on advertisement campaigns and customer services.

b) The threat of existing competitors

Those industries which deals in ladies footwear industry there exists a high rivalry. There are Several Competitors such as Metro, ECS, Soul Collection, Heels, Olives and Starlet Shoes. There exists an intense competition between these companies as they are dealing in short life cycle products. The target market for Stylo is the same as all the competitors have adopted the similar strategies in footwear industry and it is not that much difficult to read the intentions of the customers. The growth rate of this industry is beginning to stabilize, over the past few years. However, the products can be differentiated from its competitors by utilizing different advertising and marketing techniques to have a greater share than the competitors. Thus it is inferred that competitive rivalry for Stylo is high.

c) Threat of substitute product

At present shoes are being made by hands by trained artisans and craftsmen. However shoes can also be produced by any new entrant on an automated plant. Moreover the life span of modish and stylish shoes is very short due to fast pace changing fashion trends. It is not only difficult for shoe manufacturers but also for the substitutes to change it at such a high velocity. Thus the threat of substitute is low.

d) Bargaining power of supplier

For Stylo there exist various suppliers in the market. These suppliers are located in Muridke, Lahore, Gujranwala, Sahiwal, Faisalabad, Rawalpindi and Karachi. As compared to buyers the suppliers are large in number. This large ratio of suppliers provide cushion to the buyers to select the product of their own choice. This provides the opportunity to choose and work with that supplier with whom they want and this also provides them the right to reject any suppliers, when their orders are being met. Thus the bargaining power of supplier is low for shoe industry in which the Stylo is operating.

e) Bargaining power of customer

The products are homogenous in shoe industry. Shoes manufactured for ladies cannot be differentiated much if talk about the quality of its styles and designs. Here, in this industry due to the switching cost, the buyers hold the strong position on the basis of freedom of selection. The buyers can easily switch to other brands where they can find the same varieties with a minor difference. Thus it depicts that the bargaining power of customer is high for footwear industry. (The figure is given in appendix 2).

5 Internal Analysis

5.1 SWOT Analysis

It is an instrument which helps to analyze a company's Internal and external environment. Thus on the basis of internal strengths and weaknesses and external threats and opportunities are identified. The SWOT analysis gives rise to a shared vision that helps in accomplishment of goal. According to Hill, T., & Westbrook, R. (1997) with the help of SWOT analysis the company will be able to adopt that line of action that assures its performance and advantage on its potential competitors.

Strengths:

Market Leader: Stylo being the leader in the ladies footwear industry, have ability to dictate market with the help of that strong name, as they are the early entrants in the market.
Innovation Advantage: They have experienced management and have their own Retail supply chain software.
Service Quality: Stylo possesses excellent staff who are well trained and customer attentive. They have very strong relationships with suppliers/vendors.
Expansion of Business: Stylo is expanding the business on cash basis; they haven't acquired any loan from any bank in order to do the business.

Opportunities:

A growing segment of the market focus on accessories and ladies wear would provide an opportunity to Stylo to expand its business. By exploring the international markets the business of Stylo can be expanded. Company can also target male footwear's.

Threats:

Energy Crisis in the country and deteriorating law and order situation of the country is affecting all business including Stylo. Brands including Metro, Soul Collection, Servis and Urban Soul are relying on imports. Stylo is facing an intense competition in the market due to constantly changing fashion trends and consumer preferences.

Weaknesses:

The innovative designs introduced by the company can easily be copied by local manufacturers. The less effective pricing strategy of Stylo is also affecting the business. Retaining the sales staff has a negative impact on the business.

5.2 BCG Matrix

The product portfolio of Stylo ranges from a spectrum of Stylo shoes, Insignia and Fabrizio. These product portfolio ranges are related to unrelated diversification. Stylo Shoes and Insignia brand, associated with related diversification are successful and comes under the category of Cashing cow and Star, generating the maximum profit. The Fabrizio brand being an unrelated diversification comes under the category of question mark and it needs heavy cash flow for a good market share. There is no brand that is considered as a dog or needs to be diluted. (The figure demonstrating the BCG Matrix is given in appendix 3).

6 Strategy Formulation

Different brands adopt different strategies to position its product in the market. Stylo should consider the following strategic choices:

- I. Stylo should start up a strategic alliance with overseas shoe manufacturers or retailers to expand the business internationally.
- II. Provide quality products to its customers at low cost or reasonable price to gain competitive advantage over other ladies shoe manufacturers, by taking the help of regional expertise available in Malaysia and China to fabricate rubber based shoes and artificial leather shoes.
- III. Stylo should also cater the needs of athletes and patients by manufacturing casual sports and medical shoes and thus provide footwear for the entire family.
- IV. Disposal of unrelated diversified products including ladies handbags and Shajar schools.
- V. The company should open accessible outlets in different parts of the country especially in Small Towns.

6.1 The Strategic Plan

Vision of Stylo:

“The vision of the Stylo is to become a first Islamic and Pakistani brand which causes stir across the globe.”

Mission of Stylo:

“The basic purpose behind this hard work is to achieve its mission of becoming a seven (7) billion company with 130 outlets and three International existences with highly competitive and motivated human resource.”

7 Strategy Evaluation and Formulation

The results of evaluation of strategic choices for Stylo are that the five strategic choices are presented and suggestions about these choices are discussed in the following table:

No.	Strategic Choices	Suggestion of Process
	Stylo should start up a strategic alliance with overseas shoe manufacturers or retailers to expand the business internationally.	Make alliances with Middle East brands such as Shoe Mart, Chalhoub, Call it spring and sell the products by sharing the market.
	Provide quality products to its customers at low cost or reasonable price to gain	Quality raw material should be purchased at low cost to reduce the price of the

	competitive advantage over other ladies shoe manufacturers, by taking the help of regional expertise available in Malaysia and China to fabricate rubber based shoes and artificial leather shoes.	finished product, in comparison to its competitors. Stylo being established Brand offers value for money as it has developed trust in the mind of its customers.
	Stylo should also cater the needs of athletes and patients by manufacturing casual sports and medical shoes and thus provide footwear for the entire family.	Trendy shoes should be manufactured to cater the needs of its customers.
	Disposal of unrelated diversified products including ladies handbags and Shajar schools.	By disposing these business units will decrease the cash flow and increase the profits generated by selling related diversified products.
	The company should open accessible outlets in different parts of the country especially in Small Towns.	More investment is needed to spread the outlets in other parts of the country.

8. Conclusions & Recommendations**8.1 Conclusion**

The future directions for the Stylo entails that more focus should be given on providing modish, classy and trendy product in the market by electing market penetration strategies. On the basis of this strategy Stylo has acquired 23% of market share according to the All Pakistan Footwear Manufacturing Association. Stylo being the leader of the ladies footwear industry is satisfying the needs of 51% of the total population i.e. the women folk of Pakistan. Moreover by analyzing the unrelated diversified products including Ladies hand bags and Shajar School are drawing more cash from the business, which clearly depicts that this diversification is eating up the share of those products which are generating cash through related diversification and capturing the market by their surged demand. In order to maintain the current position in the market, Stylo should concentrate on bringing new motifs and varieties.

8.2 Recommendations

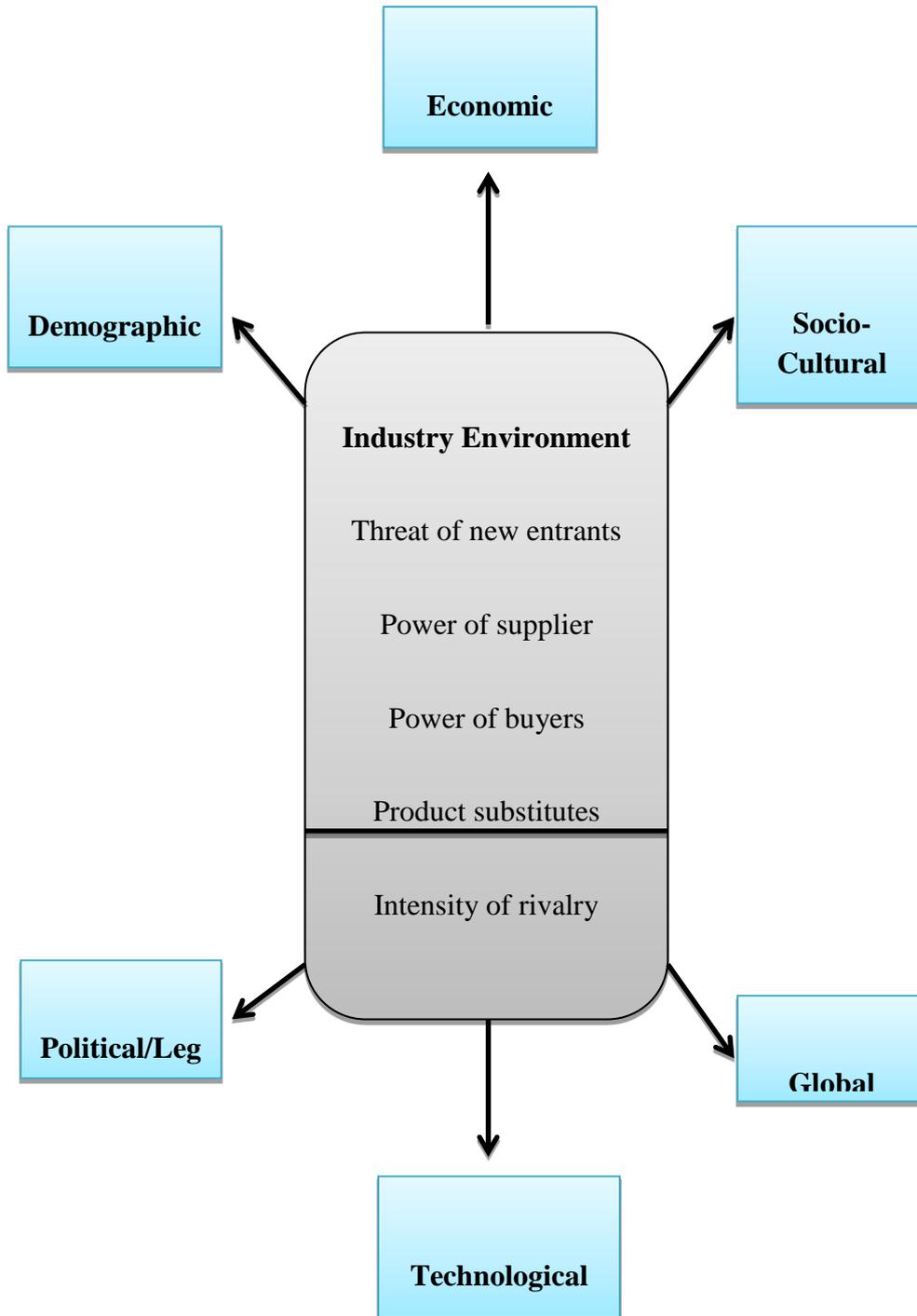
Stylo should export its products (Shoes/Bags) and choose a geographical region that should be targeted first (Middle East). The company can choose product focus strategy and launch a premium brand like Insignia that passes all the international standards. Stylo should adopt a strategy where the focus is shifted from the product to the consumer. Stylo keeping in view the importance of its customers should establish long lasting relations with its customers. The company should ensure that innovative and trendy shoes are satisfying the needs of its customers providing the product according to their perceptions and preferences.

References:

- [1] Hill, T., & Westbrook, R. SWOT analysis: it's time for a product recall. Long range planning. 1997.
- [2] Hitt, M. A., Ireland, R. D., & Hoskisson, R. E. Strategic management cases: competitiveness and globalization. Cengage Learning. 2012.

Appendices:

Appendix 1: PEST Analysis



Appendix 2: Porter's Five Forces Analysis



Source Appendix 1 & 2: www.google.com

Appendix 3: BCG Matrix of Stylo

