

CAA

CHARTERED
ACCOUNTANTS
ACADEMY



STRATEGY

What do you understand by Strategy

Corporate Strategy - Objectives

- What is strategy?
- Determining strategic position
- Strategic direction
- Assessing a particular strategy
- Recommending a corporate strategy?

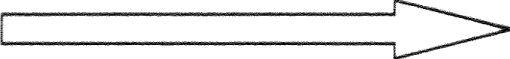
What is strategy?

- Strategy is the firm's theory of how to create competitive advantage.
- Strategy can be thought of as a comprehensive approach that guides major actions, designed to accomplish long-term objectives.
 - Strategic or institutional management is the conduct of drafting, implementing and evaluating cross-functional decisions that will enable an organization to achieve its long-term objectives.
 - A strategy of a company aimed at increasing its competitiveness. It can be offensive or defensive.
- Hamel and Prahalad refer to strategic intent as the leveraging of a firm's internal resources, capabilities and competencies to accomplish goals in the face of the competitive forces facing it.
- Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value.

(Porter, 1996)

Strategy

STEP 1: SWOT ANALYSIS

INTERNAL  STRENGTHS AND WEAKNESSES OF THE COMPANY

EXTERNAL  OPPORTUNITIES AND THREATS

REMOTE ENVIRONMENT

- Political Environment
- Economic Environment
- Socio-political Environment
- Technological Environment
- Legal Issues
- Environmental Issues

OPERATING ENVIRONMENT

PORTERS FIVE FORCES

- Buyers bargaining power
- Suppliers bargaining power
- Threat of new entrants
- Threat of substitutes
- Industry Competition

X- Factor Holdings Ltd

X- Factor Holdings Ltd (XFH) is a holding company of a group based in South Africa and is listed on the Johannesburg Stock Exchange (JSE). The group operates 150 chain of retail clothing stores in South Africa mostly in the CBDs, offering a range of clothing, shoes and accessories, mainly under its own brand name called “X-Factor”.

XFH started as a small fashion outlet in the early 1930’s in Cape Town. From its small beginnings, the company gradually expanded to its present state; its success mainly attributed to a consistent company focus: To provide customers with superior quality merchandise, at reasonable prices.

- New accounts opened 1.0 million
- 2 new labels were introduced
- Introduced more customer touchpoints, including social media platforms.
- Introduced a new X Factor app that can be downloadable from most handsets where new fashion is exhibited
- Continued to innovate in customer service.
- Opened 214 stores in the current year
- Ranked best for quality fashion in South Africa.
- Being investigated by the Tarrif commission for uncompetitive behavior
- The gap between X Factor and their competitors on customer satisfaction score is closing. (X Factor is ahead as ahead)
- X-Factor lost their top customer satisfaction lead in Cape town.
- Network outage in South Africa on 30 June 2011.
- Delays in opening 5 stores.
- There was a system crash during the year
- The effects were minimal due to consistent backups

X- Factor Holdings Ltd

Updated strategy

Not being immune to change, however, XFH is interested in altering its lifelong strategic focus by expanding its product offerings. The group is considering the introduction of food and grocery items, with the emphasis on packaged food offerings and groceries that are of high quality, which are healthy, and preferably organic. These would include fresh fruit and vegetables, basic everyday groceries (such as bread, milk, sugar, tea and coffee), as well as some pre-packed and easy to prepare nutritious meals.

If the new strategy is implemented, the food and grocery items would first have an initial roll-out at some of its larger stores. If successful, it would then be rolled out to all group stores throughout the country. Later, the offering could be expanded by providing customers with the option of purchasing the food online and having it delivered directly to their homes. The directors believe this to be the ideal solution, not only for single individuals, but also for the modern family. In the end, the purpose of the updated strategy would be to make life more convenient for their customers.

X Factor

- Discuss the factors X Factor should consider in deciding on whether they should alter their strategy by expanding their brand to include food and grocery products. Incorporate general knowledge of the relevant industries in your answer.
- What are some of the risk associated with the decision to expand their brand

Risk Management

- You need to expect a question on risk management
- Three types of risk that can earn you marks
 - Transaction specific risk – risk that comes through getting into contracts e.g a special order
 - Business Risk – Risks inherent in the nature of our business
 - General (external) risk – which can come from the economy

- Family Bank Limited ('Family Bank') is a publicly owned holding company listed in the financial services sector on the main board of the ZSE Limited. The company operates solely within the Zimbabwean unsecured credit environment underwriting unsecured credit risk through the provision of credit to the formally employed emerging market. No transactional or savings services are offered. Family Bank was incorporated in 1999 with a focus on the micro finance segment and grew quickly through the acquisition of a number of businesses operating in this market. Family Bank is registered as a bank under the Banking Act (Chapter 24:01). Major competitors in the unsecured lending market in Zimbabwe include CBZ Bank Holdings, NMB Bank Limited, Barclays Bank Limited, Kingdom Bank Limited, MBCA and Stanbic Bank. Unsecured lending includes credit cards and personal loans.

