

DAVIS SERVICE GROUP PLC: STRATEGY IN ACTION

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## Davis Service Group Plc: Strategy in Action

### Introduction

The Davis Service Group Plc has been successfully expanding its operations in most parts of Europe through acquisition and organic growth. Consequently, it has turned out to take leadership in the textile services industry throughout the continent. The company has identified an opportunity in the Australian market for its tool hire services and it intends to capitalize on this. The company intends to expand its operations in order to grow organically. However, as much as the business organization might be having particular strengths, such as a stable financial base and adequate skills in their business operations area, there are still some challenges to be encountered (Davis Service Group Plc, 2007). First, such challenges include the language distinctions that may prevent from effective communication in the course of business operations. Second, the difference in the currencies may make it difficult to project the costs and returns more effectively. Last, there are differences in the legal and administrative matters. Therefore, it is essential to examine these issues to overcome the obstacles coming with them.

The people to work in this region within this company should be familiar with the language and culture to achieve the organization's goal. Since the business currently uses a pound as its currency, it might not be difficult to link it to the Australian dollar to clear off the difficulty in making financial projections. The company intends to invest 50 million pounds, and it is expecting to grow at an annual rate of 25% (Davis Service Group Plc, 2007). Moreover, the management and other employees of the organization should make themselves familiar with the legal and administrative procedures followed

within this country.

### Key Issues

The main issues are that the company is financially stable and has adequate skills in carrying out the business operations in the tool hire field. The weaknesses include the language distinctions, the difference in currency, and in cultural, administrative, and legal procedures. However, there is an opportunity in the new geographical area of operation that cannot be missed by this company since this is not its first move towards spreading within different countries.

### Vision, Mission, and Corporate Objectives

The Davis Service Group Plc is a focused European textile maintenance company. Its core strategy is to set up market leading positions to acquire growth of revenue by making acquisitions and growing organically (Davis Service Group Plc, 2007). The operations are managed efficiently to bring sustainable growth of the profit, stable cash flow, and higher levels of return to the shareholders.

The company's vision is to become a business leader in textile maintenance, tool hire, and building systems. The mission of the company is to focus on its core business to be able to deliver higher levels of growth at better margins than those of its competitors. It is being performed through managing the company's operations efficiently and by availing resources to drive the growth strategies using the core areas of the organization's expertise (Davis Service Group Plc, 2007). This business organization intends to remain focused in order to capture the opportunities for organic growth. It also aims to keep innovating and improving customer service, shifting the focus from products supply to delivering service solutions. Moreover, it strives to

concentrate on the delivery of pricing that recovers the increases in the cost base, and make it possible to invest in order to support the growth that the customers expect. One of its objectives includes aiming to grow the revenues higher than the economic growth of the markets. Another objective is to target returns on investments at a higher rate than the cost of capital to the group. Increasing the organization's earnings in line with the inflation rate and managing the organization on a sound financial footing are also of great concern. The group targets stable free generation of cash flow to finance further investments in the business (Davis Service Group Plc, 2007). The organization seeks to maintain a progressive dividend policy.

### Situational Analysis

In the year 2001, the company expanded its operations through acquisition in the European Union region that was enlarged. Since the group was able to succeed in expanding its textile maintenance operations at that time, this provides the potential for the organization to be able to succeed in the current expansion. Since there is a strong potential for tool hire in the large market, the company has made a decision to increase the tool hire Strategic Business Unit (SBU) by entering the Australian market (*Growing a company by international acquisition*, no date). Organic growth refers to a situation where a company attempts to raise the turnover using only its available assets.

Some of the barriers that may hinder the expansion of business operations may include language dissimilarities that prevent from effective communication. Currency differences can be linked to variances in values, making business unable to forecast its costs and revenues. Moreover, cross-cultural differences and the way people behave and carry out their activities in various countries may also hinder the company's growth.

Another aspect to consider is legal and administrative differences that vary from one nation to another. The level of knowledge and skills among people may not be the same from one country to another. Thus, when aspiring to start a business in a different country, it should be done with caution in order to set it up in the area where people have needed skills and knowledge.

### *Macroeconomic Analysis*

Since the business is to be launched in Australia, the political, economic, social, legal, and environmental conditions in this country need to be compared to those in the United Kingdom. As per the economic situation, the service sector is the dominant as far as the country's economy is concerned. However, both the mining and agricultural sectors earn highest revenue for the country. From the 1980s, the country has undertaken important reforms meant to restructure the economy (*Growing a company by international acquisition*, no date). Moreover, there has happened a transformation from an inward looking and highly protected marketplace to an open, globally competitive, and export-oriented one.

The main reforms that have been carried out involve the following:

- reducing unilaterally high tariffs among other barriers to free trade;
- floating the local dollar;
- liberalizing the foreign banks;
- rising flexibility within the labor market;
- bringing down duplication;
- increasing efficiency between the two branches of the government;
- reforming the tax systems among other.

All these factors favor the Davis Service Group Plc in extending its operations into this country market.

Political stability within the country supports business activities. Furthermore, there are diverse groups of people settling in this country bringing about various cultures fusion. Therefore, setting up a business or extending business operations to this country should not be faced by intense negative social issues. Moreover, the level of technology development within this country is high, therefore favoring the business operations to be performed using the advanced technology level.

### *Industry Analysis*

The economic forces and long-term social trends largely determine an industry's formation. However, the consequence on the business administration is instantaneous since it settles on the competitive rules and the applicable approaches. According to Ehmke *et al.* (no date), Porter came up with five forces applied to the evaluation of the industry composition. In this analysis, considering the bargaining power of the suppliers, it is noted that the company attempts to grow organically, and since it is already established as a market leader in Europe, there can be no negative influence originating from the suppliers (Davis Service Group Plc, 2007). Among the buyers, there would be a particular percentage that might not be familiar with the products offered to them. Therefore, the company will have to make them aware of the product it offers.

Besides, there is a potential for new entries of other companies since Australia has a free market economy. This will possibly occur when others realize high profit potential in this business area. The company will have to ensure that it quickly learns more about the market. It will also have to determine the ways to demonstrate that it

maintains market leadership through utilizing its resources to offer high quality services to the customers at minimal costs possible. The potential to have substitutes should not be a major threat since the company offers a wide range of tools and equipment for hire (Sandhusen, 2000). Among other things, it will have to learn the trends in the new market to adjust accordingly and win a competitive edge.

### *Marketing Analysis*

This analysis has identified that there is a potential for a large market in Australia for tool hire and equipment. Considering a stable political and economic situation, the growth within this market is also promising. There is also enough work force on the labor market. Moreover, the company is already familiar with its core business and has a stable financial base (Sandhusen, 2000). It will find it easier to identify the opportunities in this new market and to be able to grow within a relatively short time.

### *Internal Analysis*

The internal analysis consists of the investigation of weaknesses and strengths for studying the company's advantages and disadvantages as compared to its competitors. The expected outcome of internal analysis is company's improved ability to meet the needs of the target market. On the one hand, the company's evaluation should focus on the situation in the market or the customers' needs, since meeting the clients' needs is the only way to business success. On the other hand, it is necessary to consider weaknesses and whatever limitations encountered by a business organization in coming up or carrying out the implementation of a strategy (Sandhusen, 2000). Weaknesses from the customer's perspective are also to be examined since they show the weak points that might not be seen by the business organization.

The company under analysis has internal strengths since it is already established in several other countries. It is intending to grow organically whereby it means it will not get involved in new business operations but will expand on the present activities intending to rise its turnover. The internal weakness is the potential lack of knowledge in the area. However, this could be easily pulled through based on the experience the business organization has acquired through carrying out similar operations within several countries.

#### *Summary of the Current Situation*

Currently, the company is a market leader in its operations within Europe and has a stable financial base. It has gained this stability through acquisition and organic growth. This is not the first time the group is extending its business operations to different geographical regions. It has been doing this before, and it has always been successful. Its intention to extend to Australia is a positive move aimed at enlarging its financial base.

#### Marketing Objectives

Marketing objectives should give direction towards sales and should be clear, measurable, realistic, and have a specific period. For instance, this business organization should set objectives, such as increasing the product awareness in the new market by 30% within a period of one year. Another objective should be informing the customers in the target market about the benefits of the products offered to them. Knowing about the competitive advantage of this product should lead to 10% rise in the sale from the current sales within a period of one year (*The extended marketing mix*, no date). In addition, the firm should manage to convince the clients to buy newly

manufactured products for boosting sales towards the targeted 25% (Capozzi, no date). In setting the objectives, the company will have to ensure that they do not conflict with one another. Moreover, there should be a way to make sure that the set objectives are supported by the rest sections of the marketing plan. These include an action program, a budget, controls and measures, and a marketing strategy.

### Marketing Strategy

Marketing strategy gives room for an organization to focus on its limited resources for increasing total sales and acquiring a sustainable competitive advantage. This strategy is centralized around the satisfaction of the customer as the main objective. This section gives an outline of the game plan to achieve the objectives of the organization. It is further divided into small sections such as available products and their prices in the market. These are generally referred to as the seven Ps of marketing.

The business organization will have to determine the best strategies to win a competitive advantage. It will have to aim at rising above the competitors by offering the best possible services to the customers. For instance, it can be achieved through enabling the customers to access the products in a most convenient way. Therefore, the company will have to ensure that there is a range of products in order to meet the diverse customer needs.

### Implementation

The marketing mix involves seven Ps that include price, place, promotion, product, processes, people, and physical evidence. It comprises the modern marketing mix that is particularly more relevant in the service industry. However, it can also be appropriate in any other form of a business organization in which the priority is directed

towards customer satisfaction.

### *Product*

The service to enter the Australian market is the tool hire (HSS). It has been quite successful, including certain parts of Europe and even the USA. The organization is original and offers solutions for its clients. Some of the tools and equipment the company deals with include air conditioners, climate control units, coolers, cooling fans, ladders, floor sanders, carpet cleaners, concrete mixers, access towers, lawn mowers, trimmers, pruners, pressure washers, mini diggers, and excavators. This wide range ensures diversity in order for the company to meet the various customer needs and be able to widen its base and realize its objective of becoming a market leader.

### *Place*

Tool hire is to be introduced in Australia just the way The Davis Service Group Plc did it on the market by opening a shop HSS Rental Stores in Florida (Davis Service Group Plc, 2007). They did it before looking for any opportunities for expansion. The company will have to do the same in Australia in less than a year. In addition, it will have to identify more opportunities and operate in most parts of Australia.

### *Pricing*

Reasonable prices will have to be charged considering the present economic situation. The prices will have to be determined in the face of competition and the forces of demand and supply on the market. The discounts offered to the customers will have to be on the same basis as the existing ones in the current area of operation with a discount online reservation. However, customers cannot use the discounts when buying equipment and consumables.

### *Promotion*

The company will have to keep an outstanding level of customer service. Professional and friendly techniques directed towards each customer's inquiry emerge as the company's direct value. There will be a continual "one-way" hire service in order to keep on providing facility for equipment for return in a more convenient way through taking it to any of the nationwide branches. This will save the customer's time without need to return it to the original place (Sandhusen, 2000). Adequate advertising has to be done in order to make sure that the customers in the new market are aware of the company's product.

### *People*

To implement effective and efficient service delivery, the staff to serve in this new region will have to acquire adequate training in order to deliver effective promotion of the product. They will also need to carry out an effective personal selling among other services that should ensure the company's realization of its goals (*The extended marketing mix*, no date).

### *Processes*

The firm will pursue its traditional practice of extending training programs to its staff to instill advanced knowledge to them as well as enable them to meet customer needs. Moreover, the company's customer service guarantee should state that there would be no charges if the customer needs are not met.

### *Physical Evidence*

The operating safety guides will have to be attached to all the products for hire to ensure the safety of the customer. In addition, the equipment to be hired should be

examined before it is given out to the customer. On being returned, the equipment should also be checked to ensure it is safe for future use.

### Budgetary Requirements

In the processes of organic growth through the extension of operations to Australia, the starting amount to be invested will have to count 50 million pounds, and even more money will be invested afterwards. Each year, there will be a 25% increase in the capital base in order to spread it through the whole region. This has to happen during a 5-year period.

### Control, Milestones, and Corrective Actions

There will be a close monitoring of the business progress in this region once set up. Control will have to be exercised and evaluation to be carried out every after two months. It is needed in case there are any deviations from the intended targets so that the corrective measures are taken without any delays.

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