

Analysis of Allbird's Strategy

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Producer of 'The world's most comfortable shoe', Allbirds has experienced a tremendous amount of success since being founded in 2014 (1). Currently valued at 1.4 billion dollars, Allbirds is a rapidly growing company that is becoming a formidable competitor in the footwear market (2). In this report, we will analyse Allbirds's strategies and activities to predict, future profitability, impending threats and current opportunities faced by the company and advise the company on how to reinforce its strengths and overcome its biggest challenges. This report foresees that the company Allbirds will continue to be profitable in the future, but they should act to improve the flexibility of their current strategy to ensure their continual success. This is because an adaptable strategy means they are more likely to overcome threats posed by macroeconomic factors and industry trends in the footwear market.

Allbirds's mission aims to prove that comfort, good design, and sustainability does not have to be mutually exclusive (The muse, 2019). To accomplish this mission, Allbirds employs a range of strategies at various levels, to support and promote this mission. A strategy observed at a corporate level is growth. This is observed to be the overall objective of the organisation. Of which Allbirds has implemented by, diversifying its shoe range and expanding its product availability into various countries (2). As a result of Allbirds's business level, implement strategies to direct the company towards the corporate mission, such as the focused differentiation method implemented by Allbirds. This is used to gain a competitive advantage in the footwear market which ensures Allbirds's profitability, through uniqueness and narrow market scope. This is identifiable by Allbirds's sustainable manufacturing process and the relatively specific target market of comfort seeking and environmentally conscious consumers (6)(3). In response to the corporate and business level strategies, functional strategies are made by various subunits of Allbirds. These are used to support higher-level strategies to ensure their successful implementation. An example of Allbirds's functional strategy could be observed as the use of celebrity and business endorsement, by the marketing subunit (2). This employs Allbirds's innovative position in the footwear industry, to positively influence consumer's perception of Allbirds's product.

Key activities which all bird have implemented to ensure the success of the company's strategies is reinforcing primary activities (activities which results in the most value being added to the company) and investing into support activities (activities which add supplementary value to the product). This is to reduce unit cost and allow the company to charge a higher price for its footwear by increasing the perceived value of the product. An example of a current primary activity undertaken by Allbirds is its investment into its service sector by offering a 30 day no question return policy (1). This generates more value for Allbirds, as this activity results in a greater likelihood of purchase. This is because customers are more likely to be more confident when purchasing Allbirds's footwear, as they know that Allbirds has customer support available to ensure purchase satisfaction (2). An example of a support activity used by Allbirds is its investment in technological development. This is observed by Allbirds's research into other forms of sustainable fabrics (eucalyptus), which ensures that the company is staying current with technological advances (2). This generates more value, by supplementing all bird's competitive advantage. Allbirds's investment into primary and support activities suggest that Allbirds is likely to continue to be successful, as they have tailored their activities to cohesively support their corporate strategy of growth. The combination of these actions results in additional value being added to Allbirds's product. This means the company's viability, is likely to be ensured by higher demand and lower production cost. To remain successful as Allbirds expands its enterprise, the company should continue building up its support activities as it differentiates them from other competitors who share similar strengths.

Allbirds is likely to continue to be profitable over the next 5-10 years, as they possess many strengths which align with long-term macro trends. Although, the company should be aware of their weaknesses in regards to industry factors, as they pose potential threats. Currently, Allbirds has a strong value chain which is primarily influenced by the Raw Material and Processing chains. This is because Allbirds's decision to use natural materials and sustainable processes resonates greatly with consumers (4). This value will likely continue growing as time progress. This is because sustainability appears to be a long-term trend, as consumers become more knowledgeable on the environmental impacts of unsustainable

practices (Global Reporting Initiative, 2015). Additionally, as the demographic shifts from Baby-boomers to millennials, the footwear market will be significantly influenced by the millennial demographic as their purchasing power and populace ratio increases (Global Reporting Initiative, 2015). Because innovation is a trait that millennials value and celebrate, Allbirds should retain a strong position in this demographic as this is a crucial part of Allbirds's product (5). Opportunities which arise from Allbirds strengths are the potential to move into the growing athletic apparel industry, as this would increase profitability and solidify the company's viability (2). Although, a threat caused by Allbirds's strength is the potential for a large proportion of the company's market share to be lost. This is because if Allbirds does not continue to innovate and differentiate itself from competitors, millennials will quickly interest in the company (Goldman Sachs Global Investment Research, 2017). Prominent industry factors that pose a threat to Allbirds's profitability are industry competitors and suppliers. Allbirds's product, whilst currently unique due to its patented fabric, will likely face industry competitors in the near future. This is because Allbirds's success will mean competing companies will be attracted to developing sustainable footwear, which has been observed by Steve Madden's replica in 2017 (2). This will likely result in a decrease in sales for Allbirds, as consumers may purchase alternative footwear from other companies (Goldman Sachs Global Investment Research, 2017). Additionally, Allbirds has relatively weak bargaining power against suppliers, which means that if the price of wool was to suddenly increase, Allbirds may lose profit. This is due to a greater proportion of revenue being required to cover raw material expenses (2). Therefore to ensure profitability, Allbirds needs to adapt its existing strategy to control these weaknesses to mitigate potential threats and reinforce its strengths.

The biggest challenge created by Allbirds's current strategy is that it is too narrowly conceived. As a result, the company is less likely to be able to adapt to changes in the market. This has been caused by Allbirds's perspective of its industry and focuses on its corporate target for growth (2). We can observe this from the company's concentration on related diversification, as Allbirds's continues to expand their footwear range, but has not invested into other modes of diversification (2). This strategy whilst currently successful may hinder Allbirds's success in the future. As

Allbirds may become unable to respond to negative changes in the footwear market, which will affect the company's viability. This is because they do not have other sources of income, other than their existing range of footwear (2). Additionally, Allbirds's current appeal is centralised around its sustainable manufacturing process and materials (5). These are relatively feasible strengths for competing firms to adopt, thus the current focused differentiation method used by Allbirds may become destabilised. Especially if other firms begin venturing into Allbirds's target market, as Allbirds's footwear would lose its unique quality. To overcome these challenges, Allbirds should consider extending their perception of their strategy into the long-term. This is achievable by using scenario planning to identify critical uncertainties, develop plausible scenarios and strategise different plans for future paths. This is important as the footwear industry is uncertain and often has a range of futures (Malani, 2014). A potential way to ensure the viability of Allbirds, is by overcoming the challenges of their current strategy is to enter a strategic alliance with a complementary brand. For example, a partnership with a sportswear company would extend Allbirds's reach in the growing athletic apparel industry (Market insider, 2017). This could ensure the viability and profitability of Allbirds if the footwear industry becomes unstable, by providing an alternative venture to generate profit. Another method is to explore unrelated diversification strategies. If the footwear industry begins to become unprofitable, Allbirds could also consider entering a different industry. One option would be to enter the textile industry by supplying its patented sustainable fabric (2). This would again ensure Allbirds would remain profitable if they begin losing market shares to competitors who begin to replicate Allbird's footwear.

Our findings suggest that all bird has strong strategies, that are effectively structured and supported by various primary and support activities, that work together to add value to the Allbirds brand. Although the company need to be aware that, whilst they are currently in a strong position, they need to ensure they continue to reinforce their strengths and broaden their perspective to overcome future challenges. This is because their current method of operation is too narrowly conceive and as a result, the company is overlooking potential opportunities to increase Allbirds's profitability. This may effect Allbirds's viability in the future and thus impact the company's

success. Therefore, it is imperative Allbirds begins to diversify their brand, as to overcome the challenges of their current strategy, which would allow them to mitigate impending threats in the market. Overall, this would aid in solidifying Allbirds's position in the market and ensure their continual success.

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