Memorandum

#### TO: Mr. Hal Donovan, President, Hal's Hardware, Inc. (HHI) FROM: Michael Fetick, Coleman University Student 84270 DATE: August 7, 2014 SUBJECT: SWOT Analysis of Hal's Hardware, Inc (HHI)

**T**hese are the findings of the SWOT analysis of HHI's business case for a system request to expand the HHI Web site to include online shopping. The analysis was based on the information in the case narrative, my personal knowledge of the retail hardware industry, and information obtained by independent searches of the Web. Please refer to the diagram in table 1 for a summary of the results. This report concludes with the summary and recommendation.

Table 1 – Summary of the results of the SWOT analysis of HHI's business case

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| --- | --- |
| Strengths  + Good Upper Management Direction  + Good Company Image  + Qualified Salespeople  + Properly Handles the Customer Base  + Well Managed Stores  + Fulfills Customers’ Needs  + Good Supply Management  + Established Internet Presence  + Efficient Inventory Management System | Weaknesses  - Less Competitive  - No Experience Merchandising Online  - No Experience Filling Orders  - No Existing Partnerships with Freighters  - Higher Product Prices |
| Opportunities  + Increased Sales  + Enhanced Customer Experience  + The ‘never-done’ Job-Project Feature | Threats  - Strong Competition  - Supplier’s Cancellations |

**R**eport of the SWOT analysis of HHI's business case

Strengths

+ Good Upper Management Direction. Upper management has good ideas to add value to the HHI customer experience and has correctly identified ‘online shopping’ on the web, as a good business solution. One study shows, in the 30 days preceding an early January 2013 survey [[1]](#endnote-1) (the final weeks of the holiday gift-giving season):

 28% of cell owners used their phone while inside a store to ***look up reviews*** of a product to help decide if they should purchase it or not.

 27% of cell owners used their phone while inside a store to ***look up the price*** of a product, to see if they could get a better price elsewhere.

An explosion in C2B eCommerce, namely online shopping, is due to the capability to shop online and purchase instantly, practically anywhere, anytime. This phenomenon is due to the advent of Cellular Data service[[2]](#footnote-1), delivered by mobile service providers and the boom of consumers' increasing use of smart phones.[[3]](#endnote-2)

+ Good Company Image. The company image has an excellent reputation as a chain of friendly neighborhood stores, which affords the opportunity for new ways to build relationships with customers.

+ Qualified Salespeople. The salespeople have trade-skills experience and go through a comprehensive training program of product knowledge and customer-service skills which builds the customer’s trust.

+ Properly Handles the Customer Base. HHI smartly directs the stores to properly handle the customer base of both, weekday contractors and weekend customers of do-it-yourself (DIY) projects. The weekday contractors of electricians, plumbers, remodelers, and construction contractors, represent a huge market that buy large amounts of materials and products, and move quickly through the store, requiring less assistance. The weekend customers buy in smaller quantities, move slowly, and may want to be assisted by a store associate. HHI stores offer classes and workshops for the homeowner and hobbyist three evenings each month

+ Well Managed Stores. The stores are well managed to draw-in and cater to the needs of the weekday contractors by offering them free coffee at 6:00 a.m., maintaining a bulletin board next to the coffee urn in the contractors' area for contractors to post help wanted or job wanted notices, and ads to buy and sell used equipment. Many of HHI's regular customers obtained their current jobs through those bulletin boards. HHI stores regularly schedule seminars for professional customers on weekday mornings.

+ Fulfills Customers’ Needs. Many of the workshops and seminars are underwritten and taught by manufacturers to promote their products, but an increasing number are being created by HHI staff members to provide a service that fulfills the customers’ needs.

+ Good Supply Management[[4]](#footnote-2) [[5]](#endnote-3). HHI is smart to buy most of its inventory directly from the manufacturers to save costs and buys some items from distributors to ensure availability of the products. HHI is also smart to have most items shipped to the warehouses but have some items shipped directly to the store locations.

+ Established Internet Presence. Existence of the current website indicates the company’s Internet domain name has been secured and basic business information is organized on a sitemap of the website.

+ Efficient Inventory Management System. HHI has a new companywide inventory control system that monitors inventory in real time. Product is efficiently identified by bar code and tracked from receiving, to stocking, store distribution, shelf, and finally to the point-of-sale.

Weaknesses

- Less Competitive. HHI is less competitive than its competitors’ lower prices, larger market shares, and more inventories available. The competition is already offering online shopping and **HHI may not have any choice but to also do so**, if just for the sake of presenting the appearance of being competitive.

- No Experience Merchandising Online ii. HHI is experienced in traditional commerce but **HHI must be able to transfer their merchandising skills to the Web for their Web site to be successful.** It will have to venture into a new business process that they are not familiar with.

- No Experience Filling Orders. HHI must hire logistics staff and implement the logistics of filling orders for customers shopping online. It will have to venture into another new business process that they are not familiar with.

- No Existing Partnerships with Freighters. If online-sales are offered, then HHI will have to contend with the additional expense of freight shipping. To keep costs down, shipping would require the service of a reputable shipper that has the experience and resources, namely, packaging and trucking. The shipper would pick up the orders at the warehouses.

- Higher Product Prices. The prices of HHI goods are already undercut by some of the competition. If online-sales are offered, then HHI will have the following additions to the operational cost from the logistics of the shipping process:

* The customer can only be charged for the customary cost of shipping and handling.
* The capital expense of setting up the shipping process would cut into the sales revenue directly until the payoff reaches a break-even point.
* Reoccurring cost associated with the service of a middle-man, the shipper.
* Reoccurring cost associated with the order-filling process. HHI would still need to gather the products to fill the orders from a picking list then stage the orders for the shipper to pickup. HHI will need to hire logistics personnel to do the order-filling process.

Opportunities

+ Increased Sales. If the HHI website provided online selling, then customers might find the Web site to be a useful way to order items, see whether items are in stock at the nearest store, and comparison shop among different brands of a particular item. The website could reach customers who are not located near an HHI store and would expand the market to a larger area. The information technology to do online selling is already established because the inventory-tracking system is accessible through a Web browser and can be connected to a Web site. HHI could sell inventory from its existing warehouses and stores through the Web. Many of the items sold at HHI are small and have high value-to-weight ratios, so they have good delivery service shipping profiles.

+ Enhanced Customer Experience. The HHI website would be enhanced to offer how-to-do-a-project guides to assists customers. The website would credit the trained salespeople that provide customer-assistance with their experience of: trade skills, tools, product-knowledge and customer-service skills. The web site could provide digital-download of the small booklets of hints for using tools and low-cost instructional videotapes and DVDs.

+ The never-done Job-Project Feature. HHI’s excellent reputation with customers affords HHI to try something ‘new – never done before’ on the website that will make HHI standout, above, all the competition. The HHI website could assist customers to be better organized and more like the weekday contractors: knowing what products they want, moving more quickly to do their shopping thus allowing more time for additional shopping or to be just in-and-out, reducing the crowds in the store.

Threats

- Strong Competition. HHI's stores all face serious competition from national hardware chains such as Home Depot and Lowe's. These national chains have opened many new stores during the past few years, and they are larger, carry more items, and offer lower prices on some items. They also operate with more revenue so the advertising budget is larger and more widespread. HHI also faces competition from companies such as Harbor Freight Tools, My Tool Store, Outlet Tool Supply, and Tool Crib, which sells through the Amazon.com Web site.

- Supplier’s Cancellations. HHI's major suppliers of tools may start selling directly to customers on their Web sites, cutting out the sales by HHI, and cancelling deliveries.

**Summary**

**I**n summary, based on the SWOT analysis, the following assumptions are made:

* There is great potential to increase sales though the boom of ‘instant purchasing’ online. HHI has the great strength of a good company image and community good will. The company relates to the customer’s needs with a quality-trained sales force. Their skills in customer relations must be additionally transferred to the website.
* The threat of competition plays against the weaknesses of higher prices, smaller market share, and less inventory available. Also, they are already offering online shopping, so HHI may not have any choice but to also do so, if for just the sake of presenting the appearance of staying competitive.
* HHI is well suited to do online shopping because their merchandise includes commodity items, many small items with a good shipping profile, and in-store pickup of other items.
* Online shopping will require startup capital, more personnel for the order-fill process, and new partnerships with shippers. A combination of revenue-drop (lower profits) and price increases will have to result, for a determined period, to break-even.

**Recommendation**

**T**he recommendation is for HHI to proceed with implementing online shopping on the following conditions:

* Conduct a feasibility study during initial planning which evaluates the critical factors.
* There may be the possibility to partner (company merger) with a competitor that shares the same business case, one to consider is Dixieline Lumber and Home Centers.[[6]](#endnote-4)
* Begin by identifying the tasks and resources for transferring the merchandising skills of HHI’s traditional commerce experience, to their Website.
* Early on, establish trading partnerships with freight shippers.
* Analyze, design, and implement the logistics of the order-filling process.
* Evaluate and approve the proposal to the system request to add online shopping to the website, with a clear understanding that technologies only enable the business process ii. The cost for the software is $42,000, including installation and configuration.
* Evaluate and approve the proposal for a new idea called the “Job Package” and vigorously promote it. This would add about $10,000 to the cost of the software.

Proposed Information System. The overall success of the online shopping will depend on the whole customer-experience that spans from the initial website browsing, customer project ‘how-to’ tips (freebies), online shopping, order payment and shipping, order packaging, customer receipt, and feedback. The development of the system involves the analysis, design, and implementation of the information technology of the Web and the design of the webpages. The following architecture is recommended:

The Job Package Recommendation. This would add about $10,000 to the cost of the software.

When a customer shops for materials (in-store or online), it is likely they want to do some of the project planning and would appreciate any guidance before a purchase. They are also interested in services like it delivery and setup, tool rental, and contracted labor (e.g. gutter installation).

The Job Package would be a web-based, customer survey that interfaces to a database of choices. It facilitates the complete planning of the project, beginning with the customer defining the project top-down to the specific tasks with alternate options for DIY or contracted work, choices of materials through shopping selection and expert recommendations, with real-time status of product availability, cost calculations and real-time work scheduling, and with reasonable cautions that result actual contractual expectations of work performed. Feedback with customer’s likes, dislikes, questions and recommendations are also posted and responded to.

The recommended materials and goods (or other brands) would be put into the online shopping cart, any contracted work would get scheduled, and the products can be delivered or gathered for picked up. The customer can leave feedback for process improvement and the store ‘buyer’ can use the sales data to buy in-bulk, the best and most popular products.

Also, since the following events and conditions already exists:

* HHI stores offer classes and workshops for trade-skills training (i.e. simple DIY projects not requiring electricians, plumbers, remodelers, and construction contractors)
* Day-Laborers are available for work at the outskirts of the stores.

The classes and workshops could present a certificate of completion, a card, and a sign. The card would have a sticker with a Quick Response (QR) Code. When a customer needs a Day-Laborer, he could use a smart phone to scan the QR Code on the card of a Day-Laborer and know what training he has attended and judge if he is capable to do the work. The Day-Laborers can hold up the sign that says “Job Package Trained.” Please don’t LOL.

1. # References:

   # In-store Mobile Commerce During the 2012 Holiday Shopping Season, by Aaron Smith, Pew Research Internet Project, downloaded from <http://www.pewinternet.org/2013/01/31/in-store-mobile-commerce-during-the-2012-holiday-shopping-season>

   [↑](#endnote-ref-1)
2. Cell phone users can pay for a subscription to the technology of Cellular Data service, which provides an Internet connection to the Web without requiring the setup of Wi-Fi connectivity to a router. ﻿ [↑](#footnote-ref-1)
3. What’s the Difference Between Wi-Fi Data and Cellular Data?, written by an author contracted by Verizon Insider’s Guide, downloaded from <http://www.verizonwireless.com/insiders-guide/tech-smarts/wifi-vs-data-plan-verizon-wireless/> [↑](#endnote-ref-2)
4. Supply Management, also called procurement, are departments devoted to negotiating purchase transactions with suppliers of inventory products. [↑](#footnote-ref-2)
5. Electronic Commerce, Seventh Annual Edition, by Gary Schneider, Copyright©2007 Thomson Course Technology [↑](#endnote-ref-3)
6. Dixieline Lumber and Home Centers, website downloaded from <http://www.dixieline.com/>. [↑](#endnote-ref-4)