Business Strategy Case Study Analysis

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I. Introduction

The objective of this academic paper is to study the business strategy of Aura Living, a furniture brand based in Saudi Arabia and critically analyse the business case using tools such as Diamond Strategy, SWOT Analysis, Porter's Five Forces. The endeavour is to make business strategy recommendations to Aura Living for future growth.

I.1 Aura Living

Aura is a furniture and home accessories brand that was founded by Noora Abdullah in 2014. The brand blends Middle Eastern taste with the best of global design, offering on-trend and affordable products to customers who value style and personality. The brand has a presence in the UAE, Saudi Arabia, Qatar, and Kuwait, with plans to expand to other markets in the region (Smith, N., & Meyer, A., 2015).

As outlined in the case, Aura living following the below outlined business first principles:

Market research and trend analysis: Aura Living researches and analyses Middle Eastern clients' preferences, and expectations. The company keeps itself up-to-date on furniture and home accessory trends.

Aura Living's creative designers and artisans create its products in-house. Modern classic, fashionable, contemporary, blended with Arabic traditions are collections that are available.

Quality and value: Aura Living uses premium materials and procedures to make its products last. The brand is competitively priced in the mid-segment market.

Aura Living focuses on delighting their customers throughout the buying journey. The brand is very active and highly followed on Instagram.

Brand recognition and loyalty: By collaborating with high-end wedding planners, Aura Living has gained prominence in premium publications and media. Its aesthetic, design, and in-store experience make it a premium brand attracting a small proportion of the luxury segment who are surprised by the mid-segment cost of the products.

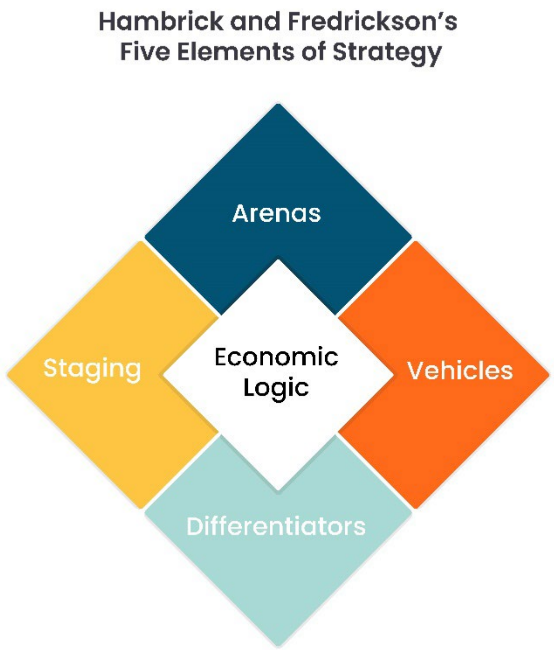
I.1 The Problem Statement

Was the company's "good problem" of high-end clientele the real problem?

Aura's high-status image may deter potential (and intended) buyers. Aura would lose sales by losing high-end customers. Pursuing two markets would be cost prohibitive and complex.

Going mid-market might cost Aura its high-end charm and media appeal. Would it grow if it remained high-end? Expansion beyond Saudi Arabia?

II. Diamond strategy



For the current case study, we have used the Diamond strategy tool to analyse Aura's strategy. The diamond strategy model is a framework for analysing and communicating a business strategy. It was developed by strategy researchers Don Hambrick and Jim Fredrickson in 2001. The model consists of five elements that form an integrated and coherent strategy: arenas, differentiators, vehicles, staging, and economic logic (Hambrick, D. C., & Fredrickson, J. W., 2005).

Aura's Diamond Strategy Analysis:

Arenas: The company is active in furniture and home accessories market, and its value proposition is to offer a full line of home fashion, including Dining, Living, Bedroom, Tableware, Home Accessories, and Lifestyle products, to help young, confident Saudis with sophisticated tastes but middle-income pockets create a personal look. It has retail outlets in Riyadh, Jeddah, and Doha, Qatar, mostly in Saudi Arabia. E-commerce will help it spread to other MENA nations.

Differentiators: The company differentiates itself from its competitors by offering on-trend (fashion-forward), affordable, and high-quality products that are inspired by fashion & design trends of the West, blended with Middle Eastern culture. It creates a distinctive brand identity and personality based on its style, design, heritage, craftsmanship, and creativity.

Vehicles: The company uses internal development as its main vehicle for growth and expansion. It designs and produces its own products and operates its own retail stores. It also uses collaborations with luxury brands and high-end wedding planners as a vehicle for enhancing its brand image and reach.

Staging: The company has a fast and aggressive staging strategy. It has opened several large and luxurious showrooms in cities of Saudi Arabia in a short period of time.

Economic logic: Aura has priced its products in the **mid-market segment**, although it **positions itself as exclusive** driven by great style and design and has brand alliances with luxury wedding planners as well as high-end media. Also, the store keeps its **price tags discreet** which is not in coherence with the **Economic Logic of a mid-segment brand**.

II. 1.1 Strategy coherence and strategy effectiveness

Strategic coherence means a company's strategies complement and strengthen one other. Aura's strategy doesn't match its strategy statement, target market segment, value proposition, growth ambitions, competitive advantage, or profit potential. Strategy gaps or conflicts include:

The trade-off between affordability and exclusivity: The company has positioned itself in the mid-segment market when it comes to its pricing, however, the vehicles used have positioned it as an exclusive brand which goes against its economic logic. The press coverage that the brand attracted in high-end luxury magazines has attracted the luxury audience to the store, who are fewer in number (leading to lower footfalls), although the brand boasts of high conversion rates, the overall revenue potential is hugely lacking. The brand’s primary audience is feeling prohibitive due to the ‘luxury and exclusive’ positioning of the brand which is cause for the brand to lose out on opportunities of economies of scale.

The trade-off between innovation and tradition: The company currently offers products that blend Middle Eastern taste and global design, but it may face difficulties in balancing innovation and tradition in its product development and marketing. It may also risk losing relevance or appeal if it fails to adapt to the changing customer needs or preferences or to the emerging market trends.

Strategic effectiveness aims to utilization the resources of the company in a way where it will help to accomplish the strategic plan for the company. The company's strategy has been ineffective and unsuccessful in achieving its goals, objectives, and expectations. Some of the indicators of its performance are:

Failed to attract primary target audience: Although it has grown rapidly since its inception in 2009, becoming one of the leading furniture and home accessories brands in Saudi Arabia, it has failed to attract its primary target segment – The mid-segment market which is a large and is unable to scale up to its potential.

Confuse positioning: It has received positive feedback and recognition from its customers, media outlets, industry experts, and awards, however, its positioning in the luxury as well as mid-segment market is not clear. It has collaborated with some of the most renowned luxury brands and wedding planners in the region, such as Virgil Abloh's Off-White, Sonos, Design Lab, W Hotel Doha, etc. which have created an alternative ‘aura’ for the brand, one different from its initial vision statement.

II. 1.2 Swot analysis

Strengths: Strong inclination towards market research and trend analysis. The company has a strong brand identity and reputation based on its agility, craftsmanship, design, and creativity. It has a loyal and satisfied customer base that values its style and personality. It has a wide and diverse product portfolio that caters to different customer segments and occasions. It has a fast and aggressive growth strategy that enables it to capture new markets and customers. It has a high-quality and high-margin business model that generates high returns.

Weakness: The company faces high competition from other furniture and home accessories brands in the region, both local and international. It may have difficulties in maintaining its quality, innovation, and exclusivity as it grows and expands. It may have challenges in balancing affordability and exclusivity, and innovation and tradition in its product development and marketing. It may have limited resources and capabilities to support its ambitious growth plans and projects.

Opportunities: The company can leverage its strong brand equity and customer loyalty to launch new products, services, or categories that can enhance its value proposition and differentiation. It can capitalize on the growing demand for furniture and home accessories in the MENA region, especially in Saudi Arabia, which is undergoing economic diversification and social transformation. It can exploit the potential of e-commerce to reach more customers in the region and beyond. It can benefit from the increasing awareness and appreciation of Middle Eastern culture and design in the global market. The company can launch a new line of sustainable products for the ever-growing 'conscious' consumer market segment.

Threats: The company may face regulatory or political uncertainties or instabilities in the region that may affect its operations or expansion plans. It may face changing customer preferences or behaviours that may reduce its appeal or relevance. It may face emerging market trends or technologies that may disrupt or challenge its business model or strategy. It may face ethical or environmental issues or concerns that may damage its reputation or image.

III. Competitors analysis – porter’s 5 forces

The competitive canvas is governed by Porter’s 5 forces. The low-status competitors focus on volume size and not ticket size. By using this analysis, we can determine why low-status competitors do not move “up market” where the margin is typically higher (Porter's Five Forces, 2019).

a. Lack of resources and capabilities:

Moving up-market requires significant investments in research and development, marketing, branding, distribution, and customer service. Low-status competitors may not have the financial, human, or technological resources and capabilities to make such investments and compete effectively with the established players in the high-end market.

b. Risk of alienation:

They may alienate their loyal customers by changing their brand image, positioning, or identity and moving away from their core values and mission.

c. Lack of differentiation and credibility:

Moving upmarket demands a unique and compelling value proposition to attract sophisticated and demanding high-end clients. Low-status rivals may struggle to distinguish their goods and services from the competition and persuade consumers of their quality, dependability, and value.

d. Barriers to entry and competition:

Moving up-market may entail facing various barriers to entry and competition that may hinder the success and profitability of the low-status competitors. These barriers may include legal, regulatory, technological, cultural, or social factors that may favour the incumbent players or create entry costs or challenges for the new entrants.

The same model describes why high-end competitors do not “scoop” the market with their cost advantages:

a. Lack of incentive of motivation:

High-status rivals may be content with their position and performance in the high-end market, making scooping the market unattractive and unprofitable. They may not have the incentive or drive to join the low-end market, where margins are weaker, demand is price-sensitive, and competition is strong.

b. Entering the red ocean:

Scooping the market may entail facing various barriers to entry and fierce competition that may prevent or limit the success and profitability of high-status competitors.

c. Lack of flexibility and adaptability:

Product design, manufacturing, marketing, distribution, and customer service must alter to capture the market. They may not be able to adjust to the demands and tastes of low-end clients. Organisational inertia and resistance hinder diversification.

d. Risk of dilution and backlash:

Scooping the market may damage high-status rivals' brands, reputations, and values. Offering cheaper alternatives that don't satisfy their requirements may dilute their product quality, dependability, and uniqueness.

An example of high-status brands endeavouring to move below to scoop the market and their results are outlined below.:

Apple's premium design, and innovation make it a **high-status smartphone** competitor.

Apple released the iPhone 5C in 2013 to compete with low-cost Android phones in emerging economies. Apple's iPhone 5C didn't sell well because it was too pricey for low-end consumers and too inferior for high-end users. Apple discontinued the iPhone 5C in 2016 and returned to its core devices and categories. (New York Post, 2014, February 20).

IV. Brand extension and product differentiation

Scale helps high-volume low-margin strategies succeed. Suppliers of goods achieve economies of scale by spreading their fixed costs over a greater number of units and offering higher discounts for high volume purchases, mostly to avoid inventory risk.

Product differentiation is the way a firm can compete in multiple quality-based segments to take advantage of economies of scale. Product differentiation entails developing and selling goods with distinct characteristics or advantages that appeal to diverse client categories. By doing so, a business may raise its pricing and profit margins while lowering competition from comparable or lower-quality competitors. To avoid brand dilution, the brand may launch brand extensions. (Investopedia, 2003, November 23).

V. Growth hack proposal

The Diamond Strategy has been employed to propose recommendations to accelerate Aura growth.

Arenas: Introduce brand extensions, one for the luxury clientele, one for the primary mid-segment market; complemented with different stores (design) and loyalty program for each of the segments. Finally, a third brand extension to address the ever-growing conscious consumer.

Aura Lux Club:

Aspirational, invitation-only club. A pop-up event at SoHo or Bulgari Hotel will improve positioning and capitalise on the partner brand's upscale clientele. Product customization for club members lets buyers pick fabrics, finishes, and sizes. Offer interior design and members-only look-books.

Aura for All:

Primary Mid-segment Market, confident Saudis who have sophisticated tastes but middle-income pockets.

Aura Earth:

Launching a Triple Bottom Line sustainable product line for the rising "conscious" consumer market. A study of consumers in the six Gulf Cooperation Council (GCC) nations indicated strong awareness of the mounting hazards global warming presents to their families and future generations and more than 80% were eager to adopt more sustainable lifestyles (Boston Consulting Group, 2021). The product line may be composed of sustainable raw materials such as Bamboo, FSC-Certified Wood and Recycled Plastic. Manufacturing, supply chain and logistics must focus on principles of circularity from the use renewable energy and energy-efficient processes to water conservation and zero waste designs. Aura should train and hire local communities to contribute to their sustainable development. Supplier Selection, Route and Load Optimization & using electric mobility are circular strategies that the brand may adopt (Frota Neto & Barbosa-Póvoa, 2016).

Aura could use its unique positioning by promoting its eco-friendly design on its website and social media. Aura may also assist brilliant young women in interior and furniture design via Saudi social enterprises to establish itself as a socially responsible firm by collaborating with:

- The Dubai Foundation for Women and Children (DFWAC).
- The Arab Women Organization of Jordan (AWO).
- The Center of Arab Women for Training and Research (CAWTAR).

Differentiators: Customization, personalising, and loyalty programmes backed by design thinking and innovation will act as primary differentiators.

Vehicles: The company can consider using more vehicles for growth and expansion, such as acquisitions, alliances (local Saudi Influencers), licensing, or franchising. It can also consider partnering with other luxury brands or event planners to create more exposure and reach for its brand. The company should consider launching its e-commerce platform, particularly for its primary target audience, the mid-segments.

Influencer Marketing Campaign: aims to increase the followers in the relevant mid-segment audience:

Selection criteria: Aura Furniture will choose influencers that fit its target demographic, love interior design, and have an extensive following. Storytellers and audience-engagers will be preferred. They must describe their experience buying high-end, attractive furniture at an affordable price to demonstrate Aura Living's incredible value.

Staging: Prioritising or sequencing activities and actions based on feasibility, desire, and appropriateness may help the organisation adapt its staging approach. Based on its resources and capabilities, it may also halt or speed up its development.

Economic logic: The company can consider optimizing its economic logic by reducing its costs, increasing its prices, or improving its margins. It can also consider diversifying its revenue streams by offering more services or subscriptions to its customers as mentioned in Arena.

VI. Conclusion

The inferences we draw from this case are plenty. Offering differentiated products (& services) to meet client demands may help a business compete in both mid-segment and premium markets. BMW, Mercedes-Benz, and Audi offer mass-market vehicles priced below $80,000 that preserve their luxury image and quality (McKinsey & Company, 2022, July 8). Gucci, Burberry, and Armani offer lower-priced lines that target younger or more price-sensitive customers while maintaining their premium character and exclusivity (Bain, 2021, December 20). These businesses separate their mid-segment and premium goods via diverse marketing, distribution, and customer experiences to minimise brand equity loss.

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