

Strategic Decision Making of ABNFurnishing: Textile Firm in India

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Introduction:

ABN FURNISHING was established in 2004 by Mr Narender Gupta .It's an Indian furnishing company which deals in quality of curtain, cushion cover, sofa fabric (non-durable goods) .The Company's major advantage is its own manufacturing unit & its claim of making Indian fabric which help it to gain heart share amongst customers while operating in the highly competitive market. The company's decision to market its product in PAN India through wholesaler's retailers & even directly to consumers helped it to gain sustainable profit margin amidst the monopolistic highly competitive market. Company also deals in Window printed curtain fabric, Boutique sofa fabric, Window curtain fabric, Sofa chair fabric & many more. The managerial theory of the firm is to provide healthy competition to its competitors in field of product's grade at competitive effective cost structure.

Competitive Market

The firm has acquired belief & acknowledgement amongst its customers under the brand name ABN Furnishing and has become the symbol of customer satisfaction. Over the period of sixteen years company has possessed great operational knowledge and experience in terms of market product portfolio and competitive advantage. The firm has adapted policies that enable it to go through ever-expanding business in the field of curtain segment and has made its demand inelastic with a substantial gain of market power.

On the other front, strategic planning helped the firm to reduce its transportation cost, raw material cost of fabric, and plant and machinery cost under the category of explicit cost whereas their own manufacturing unit, their retail outlet efficiency increased under the implicit cost.

Company could have further reduced its average cost just by importing thecurtain cloth or just by contract-based working i.e., renting the machines & making their product but they choose to work only on their unit which incurred high price of their product despite which they sustained over a long period of time.

The success of the firm from the beginning was based on the basic principle of ensuring quality product and minimizing costs through total quality management (TQM) which helped it in terms of Customer loyalty, Cost savings, higher employee productivity, gain in profitability, improved processes, improved employee morale and resulted in positive work environment that further enhanced the productivity and efficiency of the firm.

Competitive Business Strategy

As the company fall under monopolistic competitive market and followed red ocean strategy hence, they could gain market share by differentiating its product to its customers.



In the era of 2006 company was into less competitive market with few sellers and huge investment in terms of raw materials, labours, and machines. Even advertisement elasticity was also not high.as they were not directly dealing with customers. The company due to close substitutes and high interdependence between competitors in the market had also faced price war for few of its products majorly curtains andsofa fabrics with manufactures and with the importers. The quantity demanded of curtains by an individual per timewas dependent on price per unit of curtains, income of consumer, price of related (other curtains of different fabric & different design) and consumer taste (vary from state to state). By use of these demand dependent factors company had also worked upon to increase the sales of its products over the years.

Sales Determinant Factors of ABN Furnishing



DemandPrediction

To retain in competitive market company need to keep on innovating & meet the customer demand.

Here it works upon demand forecasting. Majorly they worked on three facts:

- Customer retention- Provide high quality product at economical price which not only helps them to retain in market but also helps in maintaining more market share
- Acquisition cost of customer- Reduced its production cost, even in some cases if the wholesalers is connected to them from a very long-time company provide them with minimum charges on sample file (we can also call this as brand loyalty)
- Future Threats: The major competitors for ABN Furnishing are D Décor, Unlike Fabrics, Gem collection, Sujata, Newhome, Prachi Home art to maintain its market share the firm had to gain market share by overcoming its weakness and enhancing its market competitiveness.

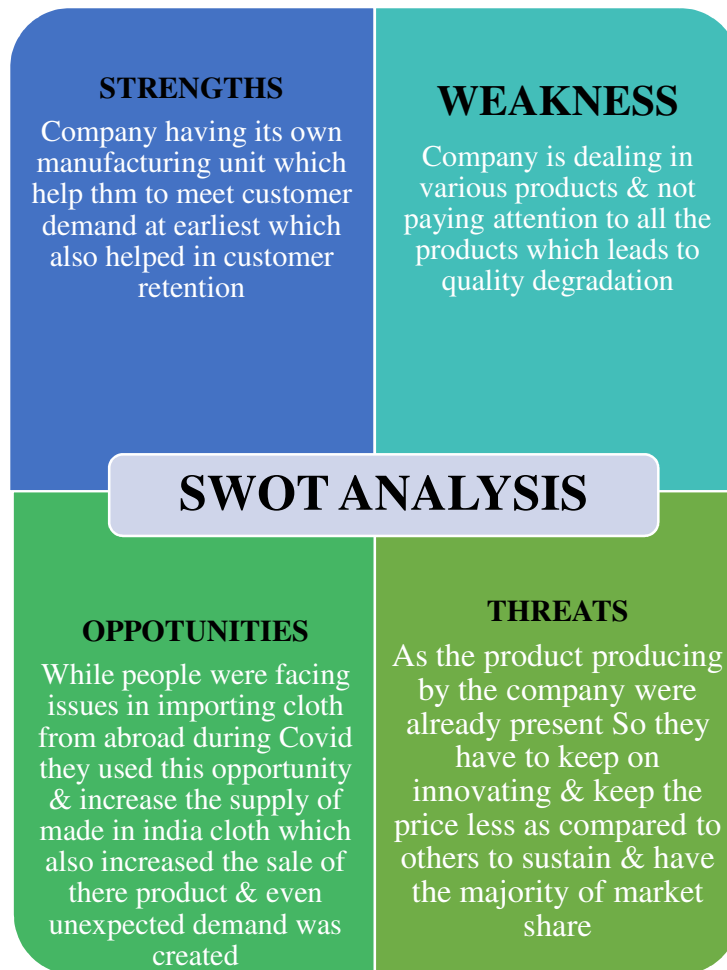
While competing with these players company took care of the Porter's forces model.

The five forces identified by Porter are divided into:

- Horizontal forces: Threat of substitutes, threat of new entrants, competitive rivalry
- Vertical forces: Bargaining power of buyers and bargaining power of customers.
- Competitive rivalry – Company is having many competitors for the same product i.e., curtains & sofas majorly. Due to which any decrease in quality or any increase in price as compared to others majorly affect the sales.
- Threat of new entrants- It is low as it requires a huge amount of investment but if someone come up with something new the market fluctuates
- Threat of substitutes- It also affects the sales as there are various substitutes of a cloth, so the quality & demand of the customer must be valued
- Bargaining power of buyer- It also provides an impact as if someone is buying in quantity so the person will undergo for bargaining & if he or she will not get the expected price they will shift to another manufacture this is only in case if the product is common in market & readily available
- Bargaining power of supplier- There is usually a need to maintain strong steady relationships with suppliers. Depending on the industry dynamics, suppliers may be in the position to dictate terms, set prices and determine availability timelines

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SWOT Analysis of ABN Furnishing in Indian Market



2016 Sales Crash and Effective Decision Making

The company worked upon the effective decision-making process strategically to overcome 2016 sales crash. Firstly, they identified the problem that they were not producing varieties in their products due to which their sales were diminishing then they determined the objective and identified the possible solutions as to how they could vary their products from others and what changes they should come up with to sustain in the market.

From possible solution they picked out the best possible solution. They decided to manufacture their own Belgium (cloth which is hard while stretching) instead of Shanil (in case of sofa fabric only) which they were producing from the beginning. So, they implemented the decision and started producing Belgium but that decision backfired and because of its tough quality the fabric was not able to sustain in the market and the company faced huge losses from 2016-2020.

As a result, the company followed innovation theory of profit i.e. profit is the reward for the introduction of a successful innovation if the company does not keep on innovating in terms of product quality, its design, its textures, its colors they may incur a loss in terms of profit & market share..

Company innovated in terms of quality of fabric used in curtains & sofas, designs (whether it should be geometrical, animal print, flower print etc.), price segment (imported feel fabric was available at economical rates)

Company majorly worked on product innovation than process innovation which involved continuous small improvements in products rather than a breakthrough.

Back to Market

The curtains

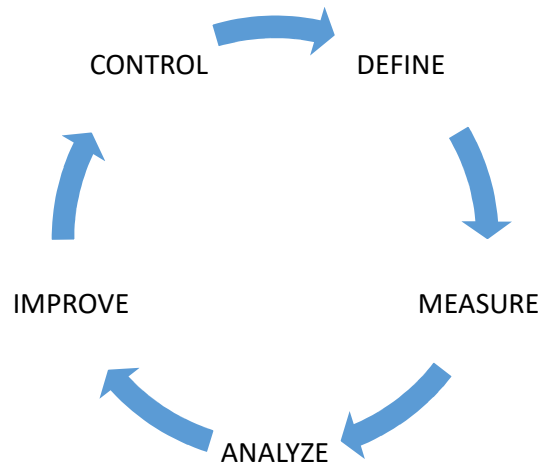
& sofa fabric that the company was manufacturing were not different from others & also costlier than others that contributed more to sales decline.

Substitutes available for the curtains & sofa fabric that were not made by the company were window blinds, digital print for curtains, glow velvet foil, Window Printed Curtain Fabric, Designer Printed Curtain Fabric, Iris Floral Sofa Fabric, upholstery cushion fabric velvet, sweat velvet which are now being prepared by the company itself at economical prices.

After huge losses by the company they used 5 DMAIC steps to regain its market power

- Define – What exactly they are doing? Why are the sales declining despite innovations?
- Measure –
How are they doing? What exactly is affecting the sales? Is there an environmental factor, financial factor, or any other thing?
- Analyze – Identified the problem about their product & started working on that
- Improve –
Worked on product quality improved in terms of texture smoothness & various other factors
- Control – Got an overview of their product by their agent (sales executive) about how well the product

5 DMAIC STEPS



Sustainable Strategic Framework

The company sells its products through their agents only. They do not advertise through TV, radios, newspaper, or any other means. They majorly work on B2B model while dealing in other states than Delhi i.e. they sell products to other wholesalers & retailers hence their product demand is advertisement inelastic, and it helps firm to save its advertisement cost. Within Delhi company has opted for Direct Business Model i.e. they directly deal with consumer thus eliminating the time & cost of third-party distribution. The major supply of the company is based upon the taste of people in different states. The choice of color, its texture, pattern etc. are the various parameters which play an important role in sales of the company. For example it's not necessary that the fabric which is used in Gujarat will also be used in Mumbai. People in different states require different design (geometrical, flower print etc.), texture (rough or soft) etc. which leads to variation in almost every product of the firm.

Various policies for which company opted to increase its sales are

- Customer retention- It played an important role as it is too tough to retain a customer now days. Slight change in price or quality easily motivates the customer to shift to another brand.
- Quality Maintenance- It's a major factor as any compromise with quality directly affects the sales of individual
- Cost effective Pricing- Despite price being the most important parameter of demand but it should also not affect the quality of the product.
- Timely scheduled deliveries- Their own manufacturing unit helps the firm to meet the customer demand on time
- Professional & ethics practiced by the firm makes their demand brand inelastic for its customers.

- Upgradation of business processes substantially helped the firm to reduce its operational cost.
- Performance management is also considered as an important concept by the company as their subordinates & executive have been retained in an organization from a long time (with enriched experience in the industry) has helped it to provide superior competitive performance in the market.
- The firm has also considered Virtual Integration as an important part, i.e. blurring of traditional boundaries and roles between the manufacturer & its suppliers on one hand and between manufacturer and customers on the other hand (treating suppliers and customers as part of company) which eliminates the need for inventory management to the firm.

Conclusion

ABN Furnishing is working on open innovation model which involves commercialization of both a company's own ideas & innovations as well as innovation of other firms. Company is exploring the opportunities to utilize external technologies to fill gaps in its business and to encourage other firms to use its own technology through legal agreements, joint setups & other arrangements. It has also opted for the benchmarking technique for improving productivity and quality at a large number especially in case of curtains. While other people were importing fabric for the base of curtains the company worked upon how they could match the same quality and provide best results. Company even entered the monopolistic markets which lead to short term gain increase in market power and even inelastic price segment.

Major Key practices followed by ABN Furnishing for its accomplishment are continuous innovation, economical price & product accessibility. The firm is working on these factors to sustain in a competitive environment. Since it has many competitors for the same product i.e., curtains & sofas due to which any decrease in quality or any increase in price as compared to other competitors may adversely affect the sales. Hence for long term sustainability the firm must adopt innovative practices and reduce its product demand and supply gap in the market.
