

# Dyson

## Strategic Analysis

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dyson

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## Abstract

In the twenty first century, changes in the global economy are taking place on multiple fronts at an ever-increasing pace. Dyson is responding to those changes appropriately, by introducing new products and developing win strategies that seen it grow to the top in the industry: 20% to 30% of the vacuum market in Europe<sup>1</sup>.

To delve deep in understanding the operation of Dyson Ltd, this paper will perform a strategic analysis for the company.



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## Business goals

Dyson Ltd is a technology company, that focuses on designing and manufacturing vacuum cleaners, hand driers blade-less fans and heaters<sup>2</sup>. The company was founded in 1991 by Sir James Dyson and is Headquartered in the United kingdom.

As opposed to publicly traded companies aiming at maximizing shareholders' wealth, Dyson is a privately owned family business. As a result, its owner plans and concentrate its resources for long term growth. "Throughout this entire process, James Dyson and Dyson appliances concentrated on planning for the long term rather than giving in to the apparent attractions of short - termism"<sup>3</sup> .

Dyson's super ordinate goal is giving to the customers the most innovative and technological product on the market, that works better and make our everyday cleaning tasks easier<sup>4</sup>. As a private company, Dyson's workers do not worry about maximizing profits and pleasing investors. They will stay focused on designing the next decade's product<sup>5</sup>.

With its 20% market share, Dyson Ltd is the leader of vacuum cleaners in the Uk ( 2014), followed by VAX ltd and Hoover candy group with respective shares of 9% and 7% <sup>6</sup>. However, new players are emerging in this industry with the launch of new vacuum cleaner ranges such as Grey technology Ltd<sup>7</sup>. Dyson's sub-ordinate goals is therefore to stay competitive in a market, where competitors are innovating their products and gaining market shares.

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## External Environment Analysis

The analysis of the vacuum industry gives the company a full view about its impact in the market and its viability in the future.

According to a market research report, the household vacuum cleaners market is expected to reach 14.60 billion USD by 2018<sup>8</sup>. This growth is explained by an increasing awareness about the advantages of using vacuums, especially in the Asian market. "The vacuum grease market in the Asia-Pacific region is the fastest-growing market across the globe"<sup>9</sup>. As a result, the global market for household Vacuum Cleaners is forecast to reach 115.7 million units by 2020<sup>10</sup>.

Regarding the political environment, Sir James Dyson decided to decentralize the production line from its base in Malmesbury, to Malaysia for fiscal purposes(2003). Consequently, Dyson's production costs has decreased by 30%, and the firm has seen its profits doubling the year after. However, the transfer resulted in the loss of 800 jobs in the UK<sup>11</sup>.

Finally, the Porter's five forces model is very useful to identify and analyzes most of the important forces that determine the industry competitiveness<sup>12</sup>.

This framework consists on five main forces :

### **Bargaining power of buyers**

Dyson provides products that are different from their competitors (design and patented bagless technology). Due to the lack of comparable products for consumers to compare Dyson's products with, the bargaining power of buyers is low. However, buyers are more price sensitive and they can switch to another retailer if the products are not differentiated.

### **Bargaining power of Suppliers**

Suppliers have low bargaining power as the company is the industry leader (UK) and selling a large number of units. Dyson vacuum cleaners can not be substituted due to their patterns, making them unique in the market. Thus, suppliers are disadvantaged.

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## Threat of substitutes

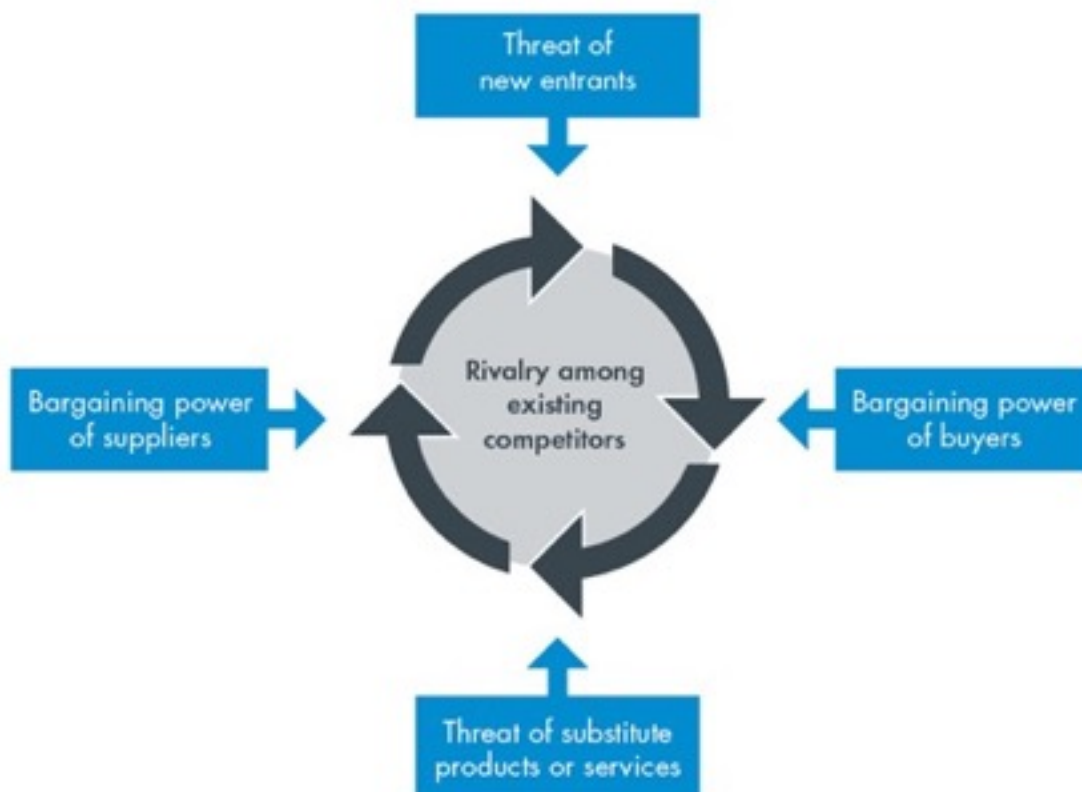
Competitors are trying to imitative their products, for example the USA tunnel vacuums and Miele swivel-head vacuums. However, Dyson believes in patents to protect its differentiated products. For example, within the vacuums cleaners there is a “patented ball technology for improved maneuverability”<sup>13</sup>. The fact that Dyson has patented its products and won several patent suits( hoover in 2000)<sup>14</sup>, makes it strategically positioned in the market to continue dominating it, thus ending in a moderate substitution of their products.

## The threat of new entrants

Being competitive in a market where firms such as Dyson have been investing for a while in R&D<sup>15</sup>, requires high initial capitals and competencies. However, a new UK player called Grey Technology has introduced a revolutionary new product to the market which has the same competencies as Dyson but less expensive<sup>16</sup>.

## Industry Rivalry

As a result, Dyson is the leader in vacuums cleaners in the UK (20% of market share). It has done a good job by providing technical support and enhancing their customer loyalty in their market<sup>17</sup>. However, in a more global scale, the industry rivalry is high, as Dyson is ranked 4th out of 5 companies from the same industry, in terms of global turnovers<sup>18</sup>.



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## Internal Resources

Dyson's products are a combination of design and engineering, protected through patents, making them inimitable. For example, The use of root cyclone and ball technology makes their vacuums : energy efficient, easy to use, and finally technologically superior over competitors<sup>19</sup>.

Dyson globally distributes to 50 countries, and manufactures its products in strategic countries like Malaysia. The main advantage of producing overseas are the labour low costs. Furthermore, Malaysia has the 3rd largest economy in Southeast Asia, and has an extensive system of ports which provides Dyson a relatively cheap and easy access to other countries in Asia<sup>20</sup>, where the market is subject to a significant growth.

Products can be accessed from traditional market place such as merchants and retailers. However, in the recent years the company has extended its placement strategy and introduced the online purchasing option, which allow them to sell products to a wider range of customers<sup>21</sup>.

Their promotions strategy consists on emphasizing the new and innovative steps they have made, which allows consumers feel as though they are receiving a very special product.

As a result," Dyson Ltd" brand name is well known across the world, and is synonym of innovation and high quality products<sup>22</sup>.

Moreover, Dyson creates patents for all the inventions they make whilst producing a machine. For example, not less than 14 new inventions were made during one of their first product : the DC03<sup>23</sup> (1998).

However, Dyson patentable technologies requires robust investments in laboratories. As a result , in 2014 the company has created a £5 million tech laboratory with Imperial college London. The creation of such a HUB is aiming to co-develop and create robotic cleaners with new features such as " vision based capabilities"<sup>24</sup>.

Finally, Dyson 's engineers and designers —1000 in Malmesbury— are considered as a strategic capability, as they use their skills and knowledge to make new innovations. During the development process, engineers work in good conditions, and they are encouraged by the company to find new wacky and innovative ideas<sup>25</sup>.

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Therefore, at Dyson, the activities are perfectly aligned to live up to the company success formula. From drawing the machine designs, to rigorous process of testing by their skilled engineers, the company production activities are organized in such a manner that the company is able to tap competitive advantage in its internal environment and provide products which are :

### **V**aluable

Sir James Dyson provides innovative and well designed machines. They offer a practical use that makes them valuable to the consumers.

### **R**are

It is not the patentable technologies that makes Dyson's products rare, but the ideas generated by its innovative engineers. The combination of design, engineering and technologies result on wacky and rare ideas on how to make our cleaning tasks easier.

### **I**nimitable

Dyson's focus on innovation revolves around them being the only firm around to actually try to modify the way the vacuum or other product is designed.

Moreover, Every invention made during the development of products is secured by patents<sup>26</sup>, which makes it hard to copy, thus inimitable in the market.

### **N**on- Sustainable

Dyson's competencies can be substituted by competitors, but not their innovative features( patentable technologies). Moreover, Dyson's brand name is strong enough in the vacuums market, to ensure the non-sustainability of their products.

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## Strategies

In order to change everyday products that don't work well into innovative products that work better, Dyson's engineers aim to ensure every details in the production line.

The main strategies implemented by the company to achieve their goals consists on :

First of all, Dyson believes in reinvesting a large part of its profits into R&D as a successful strategy<sup>27</sup>. Indeed, the company aims to design a revolutionary product that work efficiently. In order to achieve such goals, Dyson needs to invest a lot of funds and time in researching, testing and developing prototypes that answers perfectly to the consumers needs.

For example, the Dyson "desk fan" took 4 years and involved every discipline within the company to be produced, and finally has 11 patent separate applications<sup>28</sup>.

Sir James Dyson believes that Innovating through technology is the best strategy to achieve their goals and create a long term competitive advantage<sup>29</sup>. As a matter of fact, the firm has announced in 2014 an investment of £1 Bn in R&D, with the aim of launching 100 new products before 2018<sup>30</sup>.

This long term investment perspective allows the company to grow its range of products, and technologies.

Moreover, The mix of design and engineering skills in the product's conception as a strategy, results on innovative and well designed machines<sup>31</sup> (- bright colors) and therefore attractive for customers.

These innovative ideas are the result of design/engineering skills that transform ideas into innovative machines. As a matter of fact, recruiting knowledgeable workers enhances the development process and improves the firm's ability to find new innovations, and features for their range of products.



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## Strategies Evaluation

Investing in R&D has fairly managed to increase the range of innovative machines produced by Dyson, and also their profits<sup>32</sup>. To illustrate, the launch of the 'DC58' hand held vacuum cleaner: result of patentable technologies such as the cyclone technology- captures dirt and microscopic dust in the bin- makes this product one of the most powerful handheld vacuums in the market<sup>33</sup>.

In that year, the increase in popularity of its handheld vacuums-sales were up 64% in 2014- allowed Dyson's profit increase by 13% per cent from the previous year, hitting £367 Million in 2014<sup>34</sup>.

Patentable technologies resulting from R&D investments, makes it hard for Competitors to take their ideas and put them into their products. However, some firms have infringed Dyson patents by imitating their technologies. As a result, in 2000, Hoover was brought to court, and was obligated to withdraw some of its machines from the market<sup>35</sup>.

To this end, Dyson maintains a competitive advantage in the market thanks to its patentable technologies, making it the leader in the vacuum cleaners market(UK) with 20% of volume share( 2014)<sup>36</sup>.

Apart of the investments in R&D, Patentable technologies are also the result of skilled engineers and designers, who enhances Dyson performances by their work.<sup>37</sup>.

Specialists in fields, such as design, mechanics and electronics work together in the development of prototypes for household, and seek to provide a twist to the basic machines people usually use.

For instance, the 'Dyson Cool' (air multiplier), performs the same function as common air fan but in a radically different way : up to 75% quieter than the previous generation — engineers have reduced turbulence by channeling the airflow in a more efficient way — consumes low power and finally got a remote control for several settings. As a result, it is the best smaller heater fan available in the market, but also the most expensive one, as it costs £400<sup>38</sup>.

Products high pricing seems to be Dyson's main weakness. To illustrate, Dyson and Hoover provide a similar cordless vacuum in the market, however, the hoover one is cheaper by 270\$ e.g. Dyson V6 and Hoover air cordless 2 in 1<sup>39</sup>. In this case, Consumers of Dyson's products can easily obtain the similar function products by its competitors in a lower price.

For all that, engineers make in sort to avoid any extra expenses for the customer after purchasing Dyson's products, by repairing machines if broken, providing spare parts and

help them with advices via helplines<sup>40</sup>. This is part of the firm's philosophy in treating its customers well, and one of the reason why buying one of their products is seen as an investment<sup>41</sup>.

To evaluate how Dyson's strategies pursues competitive advantage across the global market in spite of their high prices, the porter's generic strategies is relevant using.

On the first hand, Dyson is applying a differentiation strategy by providing unique and high quality products in the market.

On the other hand, by outsourcing its production tasks to Malaysia, and reducing its operating costs, Dyson was able to invest more in their R&D area (focus).

As a result, Dyson creates highly innovative and stylish products, which permits them to be competitive in the market, despite their high prices.



Nonetheless, the strategies applied might be exposed to potential threats in the coming years. Indeed, according to the Royal academy of engineering, more than a million new engineers will be needed by 2020<sup>42</sup>. This shortage is explained by the low number of engineering graduates and could cost the UK economy up to £27 Bn a year — if companies fail to hire 182,000 engineers annually until 2022<sup>43</sup> —.

This shortage represents a barrier to growth at Dyson, as the firm is expanding its site in Malmesbury and will need 3000 extra engineers<sup>44</sup> in the coming years.

To this end, a partnership with Imperial College London have been made, to create the 'Dyson School of Design Engineering', which will play a key role in training the next engineers needed by Dyson and the UK<sup>45</sup>.

The household vacuum cleaners' growing market in Asia, is seen as an opportunity for Dyson to strengthen their operations, hence the partnerships made with universities and the expansion of their research area.

In effect, during the first quarter of 2015, Dyson sold a record number of cordless machines in China — already half the number sold in the whole of 2014<sup>46</sup>—.

The strategies applied by Dyson, made the firm market leader — by value and volume — in Japan, Singapore and Hong Kong, where customers are into robotics and innovative products. As a matter of fact, floor care market volumes in Asia are up by 141% (2015), while Taiwanese sales are up almost 250 per cent in January due to the launch of the Dyson V6 vacuum, ahead of the Chinese New Year. Dyson has also doubled its business in South Korea in 2014 and "will be going for double again" in 2015<sup>47</sup>.

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To this day, innovation continues to build competitive advantage for Dyson. This success story rings true with Porter's theory of sticking to one generic strategy for creating advantage. In this case, being different by offering unique quality products consistently has enabled Dyson to gain an edge in its market place.

The company success does not just stop at the generic strategies and market forces. Along the way, the company has made cost saving 'inside the firm' by moving production to cheaper alternative overseas. This allowed for the money saved to be plowed back into research and development, once again maintaining the focus on innovation.

This additional research and development spend, combined with high skilled workforce has added to the continued success of the company. The strengthening of its internal activities is a greater example of how to convert strategic thinking into development process into very real competitive advantage for the company.

World Count: 2570

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