INTRODUCTION

The current report will critically examine the Bunning warehouse strategic management plans against its local competitor by employing various strategic tools. Before going into details of strategic analysis, the report will give a brief introduction of Bunning Warehouse.

Bunning warehouse is an Australian household hardware chain store. Established by two migrants from England in 1886, it started as a sawmilling store. With public company inception in 1952, the company extended to retail sector. Started from Perth the company expanded to other states such as Melbourne and opened first warehouse like store in 1994. Currently, they have more than 290 stores and 30, 000 employees (Bunnings.com.au., 2020).

Over the years, the Bunning Warehouse has followed acquisition strategy to expand the stores and increased market share. The current report will implement PESTLE analysis, SWOT analysis and PORTE’'s five force analysis to understand the company’s internal and external environmental factors that influence on company’s strategic moves.

PESTLE ANALYSIS

PESTLE analysis acronym stands for political, economic, socio-cultural, technological, legal and environmental factors that can affect the business of bunning warehouse. Each factor facilitates an insight into business environment or industry environment to understand how the factors can affect the company’s future strategy or affecting current strategy.

Political – From political point of view, despite change in government the company has been able to sail through odds. But the current pandemic situation may pose problem for the company. As evident from company’s 2019 annual report, they have expressed concerns over government taxes, exchange rates, investment allowances, invest rate, and workplace relations settings. The two issues that has been raised by the company was high corporate tax complemented by modest investment allowances. Since, there is a slump in economy due to the covid-19 effect, the government can further raise the tax to keep the economy stable. The increase in the tax rate may affect their lowest price tag and targeting the middle-class family of Australia. Apart from this issue, the company’s involvement with government in different forms such as adhering to government guidelines and compliances, meeting their needs and an ex-government leader in their director position. Thus, they might be affected by the political factors therefore need to revisit their alternative plans as far pricing and their motto is considered (Wesfarmer, 2019).

ECONOMIC – Economic factors has link with political factors too, where the economic policies, legislations and directions changes as per the political interest of the parties. The current economic fluctuations might affect their acquisition and take over strategies. Similarly, the countries might be more self-centric to revive the economy therefore the new economic guidelines may restrict the chain in expanding to foreign countries as it has done earlier. The price competition has resulted in lowering of the margin and in lieu of pandemic, reviving the internal economy and external factor balance will be difficult for the company. Lowering margin, job cut and reduce pay can impact on the company, as new economic policies can impact on the company’s flagship strategy of lower pricing and taking into account average or middle-class family (Wesfarmer, 2019).

SOCIO-CULTURAL – The socio-cultural factor implies the parameters that regulate a society or a population of particular culture. From the 2019 Wesfarmer’s annual report it was evident that, they actively support the art and culture of Australia. In recent years, they have funded minimum of 30 art organisations showcasing the culture of Australia. Supporting the indigenous art and culture for more than four decades, they have allowed the indigenous community to have active participation of the community. The cultural factors and their contribution towards the propagation, preservation and demonstration of local art and culture has built a unique customer relationship that will enhance their position in the market in difficult times too. To be precise, the chances of having loyal customers and reviving early is feasible and need to be capitalized. Similarly, from social point of view the company has introduced ethical sourcing from 20 different countries to improve their social and environmental practice. Their contribution to the community is near about $ 72 million where $ 20 million has been invested directly. The society and culture play an important role in shaping the organisation’s growth and strategy. The involvement of Bunning warehouse in the community activities is also extensive. In the financial year 2020, they have been part of 72,000 local communities with $ 42.9 million raised for the community. They do support the local communities including school, hospital and groups in different forms. Therefore, from socio-cultural point of view they are at the forefront in hardware retail chain (Bunnings.com.au., 2020).

TECHNOLOGY – The technology and its impact on business domain cannot be undermined. With paperless work, chat bots, robots and artificial intelligence based shopping and smart phone-based DIY services, companies are into innovations. Technologically, the threat is high since Amazon and Walmart are aggressively approaching the retail sector with incorporation of high-end technology. Similarly, investment in startups and new entrants by big giants to topple Bunning warehouse cannot be underestimated. Therefore, technologically the market is open and with the use of data science, and artificial intelligence smaller companies have the chance to channelise the customers towards them. Bunning warehouse has also utilized technology to improve the customer performance that includes power pass. With power pass card, the customers will have better options, pricing and other benefits. But the company considers technology as a risk factor that can be leveraged by rival companies (Wesfarmer, 2019).

LEGAL – The legal guidelines and compliance can impact on the business of any organisation. The company adheres to all legal guidelines, but the recent acquisition proposal to take over Adelaide tools has been observed closely by the Australian Competition and Consumer Commission. The group has raised questions over the acquisition since Adelaide tool was the only competitor of Bunning Warehouse that can match with the competition, innovation, pricing, range and service quality. Although, the delay in approval was not liked by the company. In future, it might be detrimental for company progress. For example, having no competition, lack of competition, or insignificant competition can lead to monopoly in market. Similarly, the qualitative improvements in all sectors might take a halt, since the competition is barely present in Australia. Secondly, with increase in environmental guidelines strictness, the company has to adhere to updated guidelines and in view of that has to adhere to such legal guidelines too (ACCC, 2020).

ENVIRONMENTAL – Often the companies overlook their environmental guideline adherence. But the Bunning Warehouse is rightly following the environmental compliance rate and slowly moving towards zero emission, and reduction in dependence on traditional energy sources. The company’s target to resource 100% renewable source of energy by 2025. The company also increasing their dependence on solar power and currently 70% of their energy needs are getting fulfilled by the solar power cells installed on their physical stores. From environmental point of view, waste reduction, product stewardship, responsible sourcing and water usage the company is maintaining good standards implicating they are keeping up to date with the new environmental guidelines. Thus, in future Bunning Warehouse could play a leadership role in this section (Wesfarmer, 2019).

Thus, based on the above analysis it is evident that, the company is excelling in certain sections such as socio-cultural, political and environmental factors. But the areas that act as risk as well as opportunity includes – environmental, legal and economic factors. Based on the above factors the following risk and opportunities can be categorised for Bunning Warehouse.

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| **RISKS**  | **LOW** | **MEDIUM** | **HIGH** |  |  | **HIGH** | **MEDIUM** | **LOW** | **OPPURTUNITY** |
| Political party inclination and New taxes  |  |  |  |  |  |  |  |  | Environmental leader  |
| New technology and New entrants  |  |  |  |  |  |  |  |  | Socio-cultural leader  |
| Covid-19 driven economic sanctions  |  |  |  |  |  |  |  |  | Technological development  |
| Legal Issues  |  |  |  |  |  |  |  |  | Political adjustments  |

PORTERS FIVE FORCES

Porter five forces can be considered as the internal industry analysis and compare how the Bunning warehouse compare with the competitors. The five forces taken into consideration in this industry includes supplier power, buyer power, competitive rivalry, threat of new entrants and threat of substitution.

Competitive Rivalry- Currently, the competition map of Bunning Ware house implicates, the competition is low. Since, Bunning warehouse has followed acquisition strategy, in recent years it has acquired number of rivalry companies and looking at the past strategic moves, it can be concluded that in recent future there is no immediate threat. Similarly, if the employees, store numbers and revenue is considered the Bunning Warehouse is way ahead of the competition from Home, Masters & MITRE 10. Therefore, in future there is no immediate competition from the rivalries and competitors.

Supplier Power – The supplier power is less in context of Bunning warehouse resourcing of materials. Considering both the government and non-government suppliers, the Bunning warehouse has the upper hand. For example, the electricity supply is a matter of government holding and private companies. But targeting to increase the renewal source of energy and more use of solar power is reducing the dependence on other companies. Similarly, the raw materials are fetched from 20 countries in an ethical and moral way implicating, Bunning Warehouse has host of suppliers both nationally and internationally. Therefore, in that sense it is not going to have any issue as far as supplier is considered (Wesfarmer, 2019).

Buyer Power – In recent times, the price competition in house-based hardware retail has increased severely in Australian market. If the Bunning Warehouse slogan is to be considered, it emphasizes on low pricing and claims it is just the beginning. Therefore, it implicates the buyer power to lower the price is high. In current situation, where the targeted customer section of Bunning warehouse that is the middle-class families are fighting pay cuts and job cuts, the demand for lowering the price might see an increase. Similarly, the current situation can be leveraged by the company to gain market share and increase market hold. In this way, they may address the deficiency needs and reduce the price. Although, the margin will lower but increase market share, already higher position and driving more customers towards Bunning Ware house will give the company an upper hand (McPhee, 2020).

Threat of Entrants- The threat of new entrants is like a probability factor. The Bunning warehouse is known as a category killer in house improvement hardware section. But, the threat of entrants is very low since startups cannot compete with Bunning Warehouse massive investment portfolio. Recently, Master’s home improvement opened a huge retail store that was unparalleled among the home improvement competitors, but very soon they were shut down as they failed to adapt to the changing landscape. Therefore, the chance of new entrants is very less and that places Bunning warehouse at safe position now (Kohen, 2016).

Threat of Substitution – The threat of substitution can be termed as moderate as far as Bunning Warehouse is considered. The home improvement market is very big and Bunning Warehouse share is only 18%. Therefore, no single company can be considered as the leading market share holder. In future, if super markets will enter into this section with any disruptive innovation technology or new business idea then it may pose a threat for the Bunning Warehouse. Although, like Bunnings no single competitor can pose a threat to substitution but merger between the competitors can create problems for Bunnings (Hardwarejournal.com.au., 2020).

Thus, from the Porters five force analysis it is evident that Bunning Warehouse does not have much factors to worry about as far as the external factors are considered. But, the threat of substitution looms large on Bunning Warehouse. The buyer power cannot be ignored since the price competition is high and in future it might increase. Therefore, Bunning Warehouse should consider these external factors if they need to increase their market share.

CONCLUSION

Based on the above analysis, Bunning warehouse may look for implementing digital technologies to streamline the process. The home improvement industry is very big; therefore, Bunning Warehouse need to find out opportunities how to leverage such opportunities. The political and economic factors must be incorporated in their strategic management. Thus, strategic management goals and steps must be aligning with guidelines and compliance. The strengths identified from the analysis should be capitalized to improve their market share.

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