Strategy Management

Name: Steve Mashabane

Student Number: 29530105

Name of Company: Steinhoff International Holdings (Steinhoff)

Industry: Retail (Diversified)

Steinhoff's business strategy has been about mergers and acquisitions. Steinhoff engaged in conglomerate mergers and acquisitions and vertical integration mergers to achieve integrated end-to-end customer solutions. Conglomerate mergers and acquisitions involve businesses operating in different but related product markets. The products are sold in the same set of customers. Vertical mergers involve businesses that operate in different but complementary levels in a value chain of the same product.

The conglomerate acquisitions and vertical mergers strengthened Steinhoff's market position. The business has been able to gain access and compete in different markets in different geographic locations.

Their product range has diversified and captured a wide range set of customers. In certain markets, products can be complementary. For example, a customer buying a frame can be offered to purchase a mattress as a complementary package. This compels the customer to consider the combined price of both frame and mattress, rather than individual prices.

From a supply chain point of view; there are seamless cost-effective synergies that have been achieved through the value chain. For example, the acquisition of inputs, forestry, furniture manufacturers, transport companies allowed Steinhoff to increase its upstream and downstream capabilities in all aspects of the value chain. The acquisitions leveraged the movement of its products manufactured by its subsidiaries, for example, timber produced by Timbercity and particle boards produced by PG Bison cost-effectively. These acquisitions gave Steinhoff a competitive advantage in the market through cost efficiencies and economies of scale, however, in the process stifled competition.