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Allbirds: A Strategic Analysis - Nicole Chan, Alpha Theory

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<https://www.thedailybeast.com/allbirds-releases-limited-edition-black-friday-colors-including-its-first-pattern>

Introduction

Allbirds (NASDAQ: BIRD), founded in 2016 by Tim Brown and Joey Zwillinger, is a footwear and apparel company based in San Francisco, California. As former professional athletes, Brown and Zwillinger recognized the need for sustainable and comfortable shoes in the market. Their shared passion for innovative design and sustainable practices led to the inception of Allbirds (*Our Story | Sustainable Shoes & Apparel*, n.d.)

Specializing in creating footwear and apparel using sustainable materials, such as merino wool, eucalyptus fibers, and proprietary foam made from sugar cane, Allbirds has revolutionized the industry. The company's offers 60 products which include a variety of stylish and eco-friendly shoes and apparel, targeting consumers who value both comfort and sustainability (Investor Overview, 2022).

Operating globally, Allbirds has a strong presence in over 35 countries which include key markets such as the United States, Europe, and Asia. The company has established a network of 55+ retail stores, complemented by its robust e-commerce platform, allowing it to reach customers across the globe (2021 Annual Report, 2021).

Since its establishment in 2016, Allbirds has experienced rapid growth, expanding its product offerings, retail footprint, and global market reach (2021 Annual Report, 2021). As of 2022, Allbirds had a net revenue of \$297.8 million (Allbirds Reports Fourth Quarter and Full Year 2022 Financial Results | Allbirds, Inc., n.d.). The driving force behind Allbirds' success lies in its commitment to sustainability, comfort, and innovation. By challenging the status quo of the footwear industry, Allbirds has tapped into the growing consumer demand for environmentally friendly products without compromising on style or quality.

Allbirds has strategically employed various tactics to achieve its overarching growth strategy. These include continuous material innovation, product range expansion, channel diversification, strategic partnerships, a global supply chain, brand marketing, and a customer-centric approach (2021 Annual Report, 2021).

Mission, Vision, Objectives

Mission:

Allbirds' mission is to create better things in a better way. They want to create well-designed, sustainable, and comfortable footwear and apparel products that don't harm the environment.

(Our Story | Sustainable Shoes & Apparel, n.d.)

Vision:

Allbirds' vision is to become the world's leading sustainable footwear and apparel company. They want to inspire others to make a positive impact on the planet by creating products that are environmentally friendly and socially responsible (2021 Annual Report 2021).

Social Objectives:

Allbirds has several social objectives that align with their mission and vision. Some of these objectives include:

1. *Sustainability*: Allbirds is committed to reducing their carbon footprint and using sustainable materials in their products. They use renewable resources, such as merino wool and eucalyptus, to create their footwear and apparel (2020 Sustainability Report, 2020).
2. *Comfort*: Allbirds wants to create products that are not only sustainable but also comfortable. They strive to create footwear and apparel that customers can wear all day without discomfort (*Our Story | Sustainable Shoes & Apparel, n.d.*).
3. *Ethical Practices*: Allbirds is committed to ethical manufacturing practices. They ensure that their suppliers meet certain standards for fair labor practices and environmental responsibility. (*How We Operate - Allbirds Code of Conduct, Factory Audits & Evaluations, n.d.*)
4. *Contributing to the Community*: Allbirds is a Certified B Corporation and is committed to giving back to the community. Allbirds has partnered with several organizations to give back and make a positive impact on the environment (*ESG Overview, n.d.*).

Allbirds has a strong commitment to corporate social responsibility (CSR) and ethical business practices. Here are some of their specific CSR projects:

1. *Sustainable Materials*: Allbirds prioritizes sustainability in their production process by utilizing eco-friendly materials such as wool, eucalyptus, and sugarcane as alternatives to petroleum-based synthetics. They are dedicated to innovating and developing sustainable materials that outperform traditional synthetic options. One of their innovative materials, TENCEL™ Lyocell made from tree fibers, uses 95% less water and significantly reduces their carbon footprint in comparison to conventional materials like cotton. (*Allbirds Materials - Tree | Our Natural & Sustainable Materials, n.d.*) Furthermore, they incorporate recycled materials in their packaging to reduce waste.
2. *Carbon Footprint Reduction*: Allbirds is dedicated to reducing their carbon footprint and has made a commitment to being carbon neutral in their operations and supply chain. They measure and offset their carbon emissions through projects focused on forest conservation and renewable energy. Allbirds has developed a strategic framework to help reverse climate change, which includes regenerative agriculture, renewable materials, and responsible energy. The company has been carbon neutral since 2019 and has set a goal to reduce their emissions by 50% by the end of 2025 and 95% by 2030. To support this goal, Allbirds has implemented a carbon tax, which is invested in projects that offset carbon emissions, such as clean energy and tree conservation (2020 Sustainability Report, 2020).

3. *Responsible Manufacturing*: Allbirds is committed to responsible manufacturing practices and works with suppliers who meet their high standards for environmentally sustainable manufacturing and safe labor conditions. Before a factory is approved to produce for Allbirds, it must pass a rigorous social and environmental audit. This audit includes confidential worker interviews, a review of documentation and records, and a visual inspection of safety conditions. Allbirds also audits their suppliers to ensure compliance with social, environmental, and governmental regulations outlined in their Supplier Code of Conduct (*How We Operate - Allbirds Code of Conduct, Factory Audits & Evaluations, n.d.*)
4. *Transparency*: Allbirds is transparent about their materials, manufacturing processes, and sustainability practices. They provide detailed information on their website and encourage customer feedback and questions. In 2020, Allbirds began labeling each product with its carbon footprint to hold themselves accountable for reducing their impact, and to help customers better understand the environmental impact of their purchases (2021 Annual Report, 2021).
5. *Giving Back*: Allbirds partners with organizations that align with their values and goals. For example, they have partnered with Soles4Souls to donate shoes to people in need, and with the Pensole Academy to launch a program for aspiring product designers to redefine sustainable footwear (*ESG Overview, 2023*).
6. *Employee Well-Being*: Allbirds places a high value on the well-being of their employees and strives to create a positive work environment that fosters diversity and inclusion. The company offers competitive benefits and has made a commitment to supporting the health and well-being of their workforce. As of December 31, 2021, people of color and women made up 48% and 53%, respectively, of the U.S. workforce at Allbirds. (2021 Annual Report, 2021) They support five employee resource groups: Ladybirds (our women's group), Queerbirds (our LGBTQ+ group), Birds of All Feathers (our multicultural group), Moms and Pops (our parents' group), and Everybird (in our UK office focused on racial and gender equality) (2020 Sustainability Report, 2020).

Generic Strategy

Allbirds' has a focus-differentiation strategy, and its distinctive competencies can be identified using the VIRO framework. They differentiate themselves from their competitors by creating sustainable and eco-friendly products made from natural materials such as merino wool, eucalyptus, and sugar cane. This commitment to sustainability and the use of unique materials adds value to the brand. Allbirds' focus on sustainability is rare in the footwear industry, setting it apart from competitors. The company's emphasis on research and development and its ability to innovate with new materials and production methods make it difficult for competitors to imitate. Additionally, Allbirds has established a strong brand reputation through effective marketing and branding strategies, contributing to its distinctiveness (2021 Annual Report, 2021).

Allbirds' strategic approach aligns with the analyzer typology, as the company combines elements of both defenders and prospectors (Parnell, 2014). It maintains a stable core product line while also pursuing new opportunities for growth and innovation. The success of the analyzer approach will depend on how well Allbirds balances its focus on differentiation and innovation with its commitment to sustainability and minimalist design. By maintaining a strong focus on its core competencies while strategically pursuing new opportunities, Allbirds can continue to differentiate itself in the market and achieve long-term success.

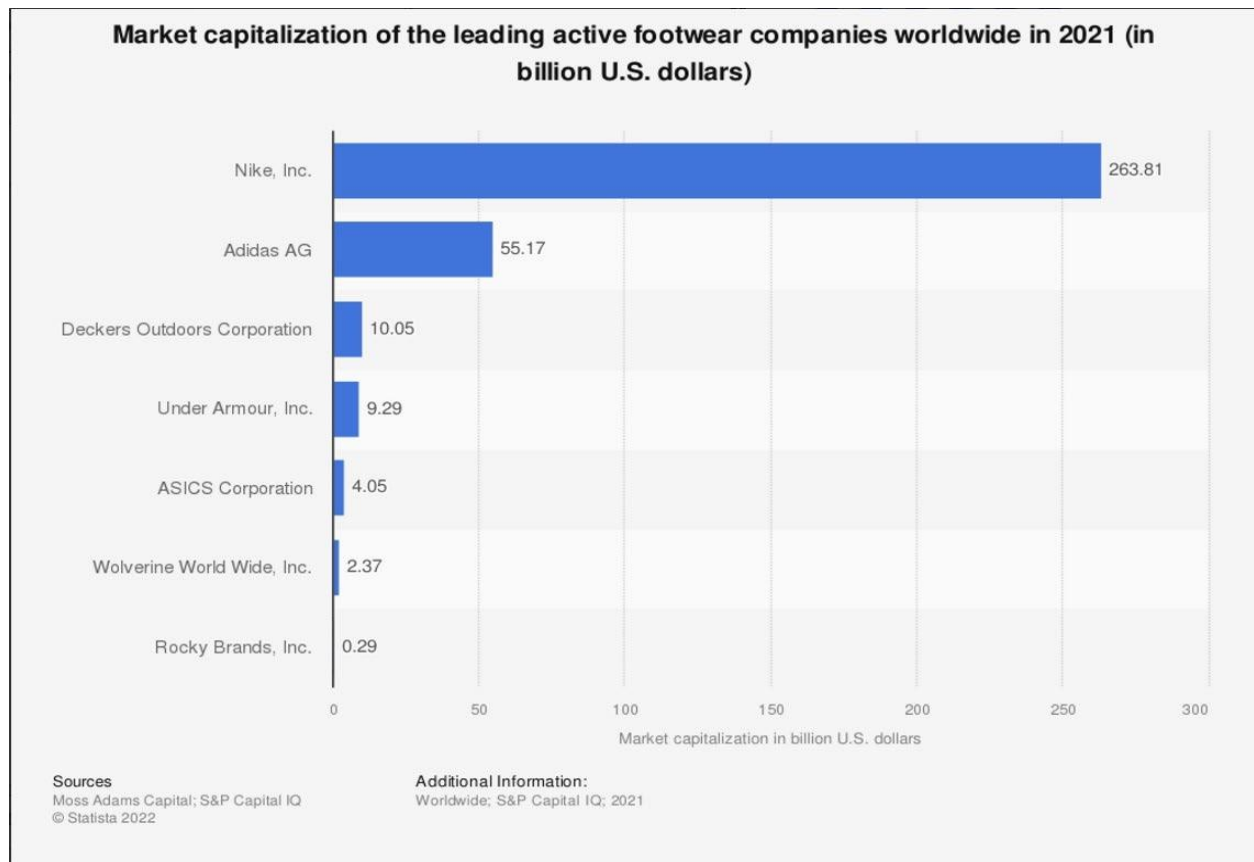


<https://theatlasheart.com/allbirds-tree-runners-review/>

External Analyses

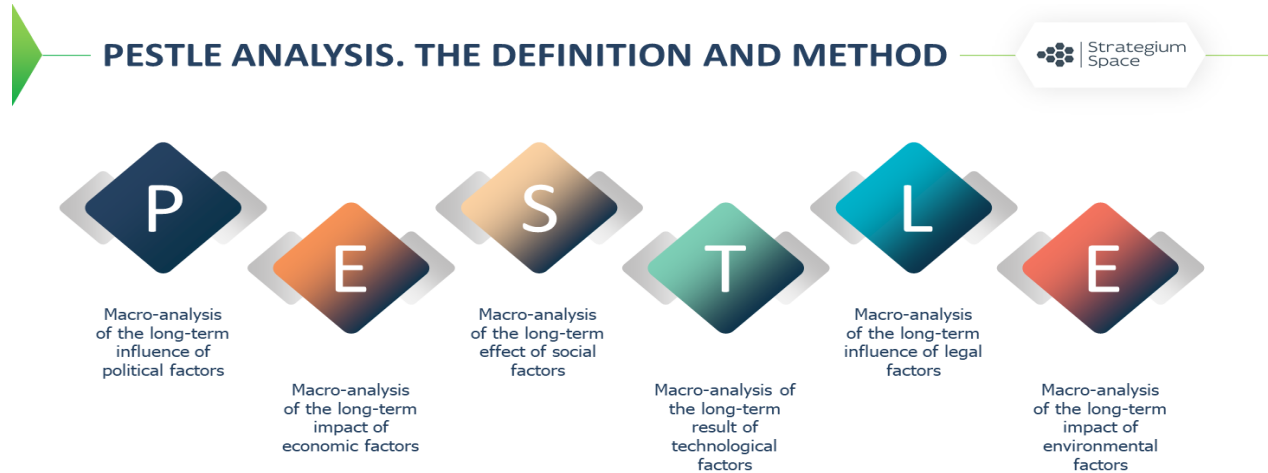
The footwear market is currently estimated to grow annually by 2.65% (CAGR 2017-2027). $CAGR = (\$508.2 \text{ billion} / \$388.1 \text{ billion})^{(1/10)} - 1 = 0.0265$ or 2.65% (Statista, 2022). While this is not a high growth rate, it still represents a steady growth trend.

Nike is the biggest key player in the footwear industry generating 263.81 billion USD in revenue worldwide in 2021, followed by Adidas, Deckers Outdoors Corporation (Moss Adams Capital, 2022).



Moss Adams Capital. (March 3, 2022). Leading active footwear companies worldwide in 2021, by sales (in million U.S. dollars) [Graph]. In *Statista* . Retrieved February 05, 2023, from <https://www-statistacom.remote.baruch.cuny.edu/statistics/1173928/leading-active-footwear-companies-by-sales-worldwide/>

PLEST Analysis (Political, Legal, Economic, Social, Technological)



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Political

Political instability in major markets:

- Industry: Political instability or conflicts in those countries could affect the ability to conduct business (Parnell, 2014) and potentially disrupt supply chains. (**Threat**)
- Allbirds: Allbirds has retail locations in the US, UK, Europe, New Zealand, China, Japan, and South Korea, and sells to 35 countries through its e-commerce platform (Allbirds, 2021). Conflicts in those countries could affect its ability to conduct business and potentially disrupt its supply chain. (**Threat**)

Global trade agreements:

- Industry: China, India, Vietnam, and Indonesia are the world's leading producers of footwear, with over 75% of footwear production worldwide as of 2021 (World Footwear, 2022). Changes in trade policies and tariffs can impact the cost and availability of imported footwear, as well as exports of domestic products. In the US, where 99% of all shoes sold are imported (World Footwear, 2022), footwear tariffs are already some of the highest on any consumer good, averaging 11%, but reaching upwards of 48% and 67.5% on certain footwear types (Footwear Distributors and Retailers of America, 2018). (**Threat**)
- Allbirds: Allbirds footwear is assembled in South Korea and China. Allbirds sources materials from different countries like New Zealand for wool, South Africa for tree fiber, and Brazil for sugarcane (2021 Annual Report, 2021). Changes in trade policy, tariffs, or regulations could increase the cost of imports, affect the availability of materials, or disrupt supply chains. (**Threat**)

Legal

More Stringent Employment Laws:

- Industry: Rising minimum wages can increase costs and reduce competitiveness for companies in the footwear industry, while also prompting changes in production and labor practices (Parnell, 2014). (Both)
- Allbirds: As a company that relies on labor to manufacture its products, changes in labor laws or regulations such as minimum wage laws or employee benefits could increase labor costs and reduce profitability. Allbirds is committed to fair labor practices and requires its suppliers to adhere to a code of conduct that mandates paying workers “at least the minimum wage required by law or the prevailing industry wage, whichever is higher.” (Allbirds, 2022) (Both)

Intellectual Property Laws:

- Industry: Laws governing patents, trademarks, and copyrights can impact the competitiveness of companies in the industry and the protection of their brands and products. (Opportunity)
- Allbirds: With its unique design, style, and sustainable materials, Allbirds has a competitive edge that could be threatened by imitation, counterfeiting, or other intellectual property infringements. (Threat)

Increasing Regulations Around Consumer Safety:

- Industry: More regulations regarding standards can mean higher expenses and lower profits for the industry (Parnell, 2014), as many of the companies in this sector will have to increase their research and development expenses. These regulations include product safety regulations, substance restrictions, labeling and testing requirements, consumer guarantees, advertising and marketing regulations, and consumer product recalls (Shen, 2022). (Threat)
- Allbirds is subject to all the aforementioned regulations in the countries where it sells its products. (Threat)

Economic

According to my research using IBIS World, Bureau of Labor Statistics Consumer Price Index, and other sources:

Fluctuations in consumer demand during economic uncertainty:

- Industry: Footwear is considered a discretionary item and is affected by the state of the economy. Increases in inflation, interest rates, unemployment, and the cost of food and energy, as well as decreases in income growth, can lead to consumers spending less on discretionary items. "Growth in per capita disposable income affects demand for shoes. When disposable income levels are high, consumers have more discretionary power to purchase items" (Thomas, 2021). (Threat)
- Allbirds: Allbirds' products are positioned as a premium and sustainable option in the market, which makes them sensitive to changes in consumer spending. Economic downturns or changes in consumer preferences could impact sales and revenue. Allbirds shoes range from \$100 to \$170, which is a higher range compared to brands like Amazon and Skechers that offer shoes below \$100. (Threat)

Inflation and currency exchange rate fluctuations:

- Industry: Inflation and currency exchange rate fluctuations can increase the cost of raw materials, manufacturing, labor, and distribution, which could affect pricing and consumer demand. "In 2021, higher rubber and leather prices pushed up shoe prices by 2.6% in the year. An increase in the price of

shoes typically has a positive effect on industry revenue. Operators are able to pass the costs down to the consumer, earning more per sale" (Thomas, 2021). (Opportunity)

- Allbirds: Allbirds focuses on using sustainable materials, which could drive up their cost of revenue. When the materials do not meet their sustainability standards, Allbirds research and develop their own. Allbirds sources its materials from different countries and manufactures its products globally as well. Inflation and currency exchange rate fluctuations could increase the cost of production and affect the pricing of Allbirds' products. (Both)

Social

Changes in Demographics:

- Industry: The largest adult cohort worldwide is now millennials (World Economic Forum, 2021). As millennials gain more earning power, their preferences, behaviors, and values will influence many industries, including the footwear industry. In addition, the aging population is a demographic trend to keep in mind; there are more people over 64 years old than children under the age of 5 (Ritchie, 2021). (Opportunity)
- Allbirds: With products that appeal to both men and women of different ages, Allbirds' target demographic is relatively broad (*Investor Overview*, 2022). As demographic trends shift, Allbirds may need to adapt its marketing and product strategies to remain relevant to its target audience. (Opportunity)

Shift Towards Sustainability:

- Industry: Consumers are increasingly conscious of their impact on the environment and are opting for choices that reduce their carbon footprint, which is driving a shift towards more sustainable and responsible production practices in the footwear industry. The Global Sustainability Study 2021 reports that 85% of people indicate that they have shifted their purchase behavior towards being more sustainable in the past five years, and 60% rate sustainability as an important purchase criterion (Business Wire, 2021). In the U.S. State of Consumer Trends Report, 41% of millennials and 50% of Gen Zers say companies should take a stance on social issues, with 42% of respondents stating climate change as one of the top issues to be addressed (HubSpot, 2022). As Gen-Z gains more purchasing power, companies should keep this in mind. (Opportunity)
- Allbirds: Sustainability is the core value proposition of Allbirds. Their mission is to provide footwear that is comfortable, well-made, and sustainable. Their ESG strategy involves regenerative agriculture, renewable materials, and responsible energy, which aligns with the United Nations' Sustainable Development Goals (Allbirds, 2022). Allbirds' sustainability efforts have been recognized, and the growing importance of environmental sustainability among consumers could drive demand for its products. (Opportunity)

Increased Focus on Health and Wellness:

- Industry: According to a survey, 80% of consumers intend to maintain or increase their spend on areas related to health and fitness (Accenture, 2021). The rising instances of lifestyle-related health issues, such as stress and obesity, are pushing an increasing number of people to engage in sports and fitness activities, fueling the demand for comfortable and stylish footwear. (Opportunity)
- Allbirds: Allbirds' focus on comfortable and versatile footwear could resonate with consumers who prioritize health and wellness. As people become more health-conscious and seek products that support their active lifestyles, Allbirds' products could be seen as a viable option. (Opportunity)

Technological

Material, design, and production advancements:

- Industry: The footwear industry is constantly evolving due to technological advancements in materials, production methods, and design technologies (Blue Bite, 2021). These advancements can have a major impact on the industry by allowing companies to improve the quality and sustainability of their products, and potentially creating new sales channels. (Opportunity)
- Allbirds: Allbirds' products are already made from innovative materials such as merino wool, Tencel, and recycled polyester (Allbirds, n.d.). As technology advances, new materials and manufacturing processes may become available, which could allow Allbirds to further improve its products. (Opportunity)

Adoption of Artificial Intelligence:

- Industry: The adoption of artificial intelligence (AI) can help companies better understand customer preferences, improve operations, and make more informed business decisions by leveraging data analytics (Yili, 2022). (Opportunity)
- Allbirds: With the adoption of artificial intelligence, Allbirds has the opportunity to gain a deeper understanding of customer behavior and preferences, which can inform product development and marketing strategies. AI can also optimize supply chain operations, reducing waste and increasing efficiency. Moreover, AI can facilitate product customization and personalization, allowing Allbirds to provide a more tailored experience to its customers. (Opportunity)

Growth of e-commerce:

- Industry: The COVID-19 pandemic has accelerated the growth of e-commerce (The Future of Jobs Report, 2020), transforming the way shoes are bought and sold. This has created new sales channels and greater convenience and accessibility for consumers. (Opportunity)

Allbirds: Allbirds is well positioned to take advantage of the growing popularity of online shopping as the company started as an e-commerce platform (Allbirds, 2021). However, to remain competitive, the company may need to continue investing in its online platforms and logistics. Allbirds has already established a strong presence on digital and social media platforms, which could help drive brand awareness and sales. As younger generations continue to drive digital innovation in retail, Allbirds' digital and social media campaigns may be particularly effective in targeting this demographic. (Opportunity)

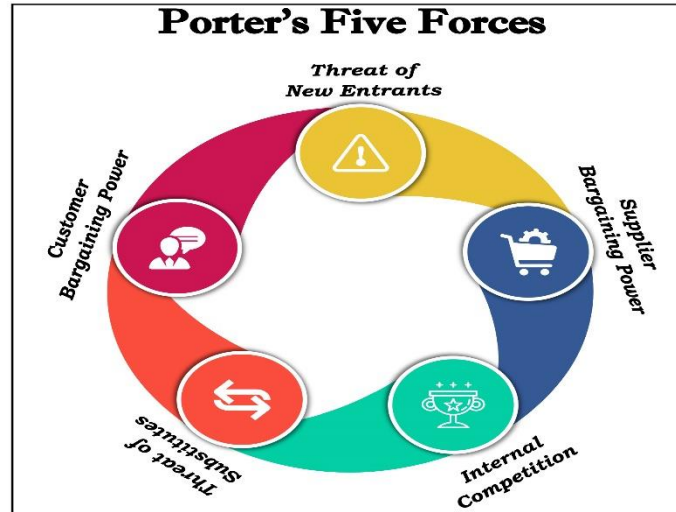
Allbirds can mitigate the threat of political instability and potential supply chain disruptions in the countries where it has retail locations by diversifying its manufacturing and sourcing operations to minimize reliance on any one country or region.

Allbirds can offset the potential threat of rising labor costs due to more stringent employment laws by continuing to prioritize fair labor practices and invest in automation or other technologies to improve efficiency and reduce labor costs.

To offset the threat of fluctuating consumer demand, Allbirds can continue to position its products as a premium and sustainable option while also diversifying its product portfolio to appeal to a broader range of consumers.

Allbirds could integrate predictive analytics into its operations to increase personalized offers to target consumers, and reach them through the channels they desire. Not only that but AI can help make their retail operations more sustainable (Yili, 2023).

Industry Analysis - Five Forces Model (Porter, 1980)



Threat of New entrants: Moderate to low.

The footwear industry has a moderate to low threat of new entrants. While there are some barriers to entry such as economies of scale, brand recognition, and the need for significant capital investments, the industry is relatively accessible to new players. However, established players have a significant advantage in terms of distribution networks and brand recognition, making it difficult for new entrants to compete effectively (2021 Annual Report, 2021). Access to offshore manufacturing and the growth of digital have made it easier for new companies to enter the markets.

Bargaining Power of Suppliers: Moderate

While some suppliers may have a degree of bargaining power, the industry is highly competitive, and companies are likely to have multiple sources of supply to reduce their dependence on any one supplier. (Footwear Suppliers, n.d.)

Bargaining power of buyers: Moderate to high

Consumers are increasingly demanding, with high expectations for quality, comfort, and design, and are able to easily compare products and prices online. When considering purchases, consumers consider price more important than brand loyalty (Delesline, 2022).

Threat of Substitute Products: Moderate

While there are alternatives such as barefoot running, sandals, or flip-flops, footwear is an essential item for most people and is unlikely to be replaced by other products. Switching costs are low.

Intensity of Competitive Rivalry: High

There are a large number of players in the industry, and competition is intense, with companies competing for market share, customers, and distribution channels. Companies must differentiate their products and offer unique features and benefits to win market share and compete effectively. (Moss Adams Capital, 2022).

Summary: The footwear industry is characterized by moderate to high levels of competition, with companies facing challenges from new entrants, substitute products, bargaining power of suppliers and buyers, and intense rivalry among existing competitors. Companies in the industry must be innovative and responsive to changing consumer demands to remain competitive and grow their business.

Internal Analyses

Functional Areas

BUSINESS FUNCTIONS

Business Function of Organization Cont.



<https://www.sketchbubble.com/en/presentation-business-functions.html>

Allbirds' average score for the five major functional areas is 7.92. This indicates that the firm is functionally strong overall, with strengths in areas such as financial reporting and compliance, product design and development, and continuous innovation through research and development.

Marketing

Allbirds focuses on product uniqueness, value-based pricing, promotion through various channels, and distribution primarily through their website and retail stores. However, they have a limited product portfolio, pricing may be perceived as high by some customers, lack focus on certain target markets, and have limited international distribution.

Allbirds has been successful in building a strong brand and loyal customer base. They emphasize their commitment to sustainability and use of eco-friendly materials in their products, which appeals to consumers

who are increasingly concerned about the environmental impact of their purchases. Allbirds has also been successful in leveraging social media and influencer marketing to increase brand awareness.(2021 Annual Report, 2021).

Technology

Allbirds excels in research and development with custom-built technology stacks, as well as sophisticated data infrastructure and tools for informed decision-making and data security. However, they may have over-reliance on existing technology and vulnerability to cyber attacks and data breaches. (2021 Annual Report, 2021)

Human Resources Management

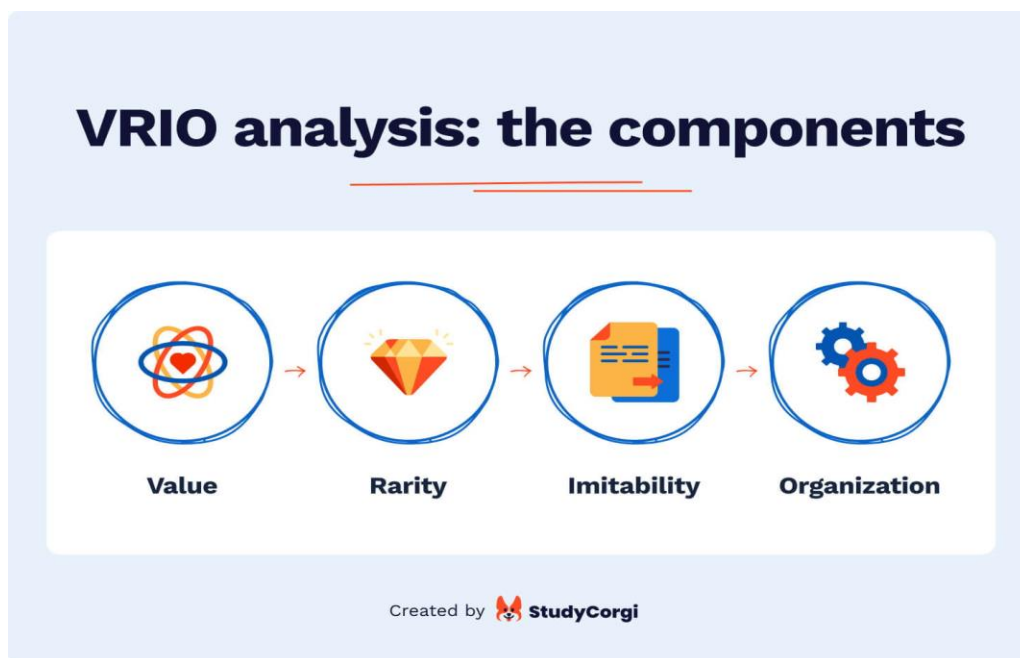
Allbirds emphasizes diversity and inclusion, employee training and development, performance management, and comprehensive compensation and benefits. However, there may be challenges in achieving workforce diversity, providing career advancement opportunities, motivating and retaining employees in a competitive job market, and ensuring pay equity and transparency. (2021 Annual Report, 2021)

General Management and Production and Operations Management

Allbirds focuses on strategic planning, quality management, supply chain management, inventory management, process improvement and innovation, health and safety, and environmental sustainability. However, they may face challenges in flexibility of operations, ensuring product quality while maintaining sustainability, supply chain disruptions, excess inventory or stock shortages, resistance to change, and potential workplace hazards or accidents.

Allbirds has established a vertically integrated supply chain, which allows them to control the production process and ensure high-quality standards. They also prioritize ethical manufacturing practices and have established partnerships with factories that meet their standards.(2021 Annual Report, 2021)

VIRO Analysis: Core Competences



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Valuable:

- E-commerce platform and technology: Allbirds' e-commerce platform and technology is a valuable resource as it allows the company to reach a wider audience and sell its products directly to consumers.
- Design and innovation capabilities: Allbirds' design and innovation capabilities are valuable resources as they allow the company to differentiate itself from competitors and create unique products that appeal to consumers.
- Sustainable materials sourcing and procurement: Allbirds' commitment to sustainable materials sourcing and procurement is a valuable resource as it aligns with consumer demand for environmentally friendly products and helps the company maintain a positive brand image.

Rare:

- Footwear and fashion design and product development: Allbirds' expertise in footwear and fashion design and product development is a rare resource as it allows the company to create innovative and unique products that stand out in the market.

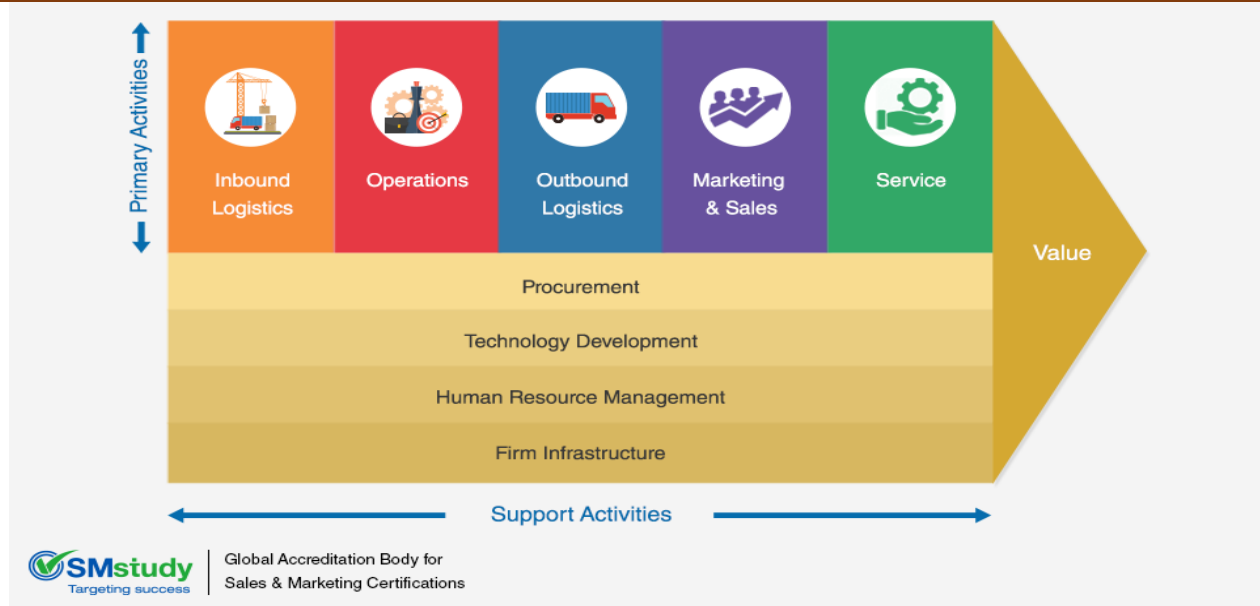
Inimitable:

- Company culture and values: Allbirds' company culture and values are inimitable resources as they reflect the unique identity and vision of the company, which is difficult for competitors to replicate.
- Brand reputation and recognition: Allbirds' brand reputation and recognition are inimitable resources as they have been built over time through the company's commitment to sustainability, quality, and innovation.
- Supply chain and logistics management: Allbirds' supply chain and logistics management is an inimitable resource as it involves complex processes and relationships with suppliers and manufacturers, which are difficult for competitors to replicate.
- Retail stores, offices, and warehouses: Allbirds' retail stores, offices, and warehouses are inimitable resources as they represent physical spaces that have been designed to reflect the company's values and identity.

Organizational support:

- Manufacturing equipment and machinery: Allbirds' manufacturing equipment and machinery are organizational support resources as they support the company's production processes and ensure high-quality products.
- Inventory of finished products and accessories: Allbirds' inventory of finished products and accessories is an organizational support resource as it supports the company's sales and distribution processes.
- Cash and cash equivalents: Allbirds' cash and cash equivalents are organizational support resources as they support the company's financial stability and provide resources for future investments and growth.
- Social media presence and following: Allbirds' social media presence and following are organizational support resources as they support the company's marketing and brand-building efforts.

Value Chain Analysis (Porter, 1980)



<https://www.smstudy.com/article/what-is-value-chain-analysis>

Inbound Logistics:

- Allbirds' procurement function ensures the timely and efficient delivery of sustainable raw materials to the production site.
- The procurement team coordinates with suppliers to ensure high-quality materials that meet sustainability standards.
- They work with the inbound logistics team to transport materials to the production site effectively.

Operations:

- Allbirds' manufacturing facilities and expertise in product design and development ensure high-quality footwear.
- The company's operations align with its sustainable values and focus on innovative and eco-friendly materials.
- Design and innovation capabilities differentiate Allbirds' products in terms of comfort, quality, and sustainability.

Outbound Logistics:

- Allbirds' distribution and delivery processes ensure timely product distribution to retail stores, wholesale partners, and customers.
- The company's vertical supply chain and logistics management competences support efficient delivery.
- Sustainability practices and focus on customer experience contribute to a seamless and convenient shopping experience.

Marketing & Sales:

- Allbirds' marketing team promotes the brand through various channels, emphasizing sustainability and unique design features.

- Retail stores, e-commerce platform, and social media presence contribute to brand awareness and customer engagement.
- After-sales service, including customer support and a shoe recycling program, reinforces sustainability and customer loyalty.

After Sales Service:

- Allbirds' customer service team provides support, handles inquiries, returns, and exchanges.
- The company focuses on providing excellent customer service to build strong customer relationships.
- Allbirds' commitment to sustainability is reflected in their after-sales service, promoting product lifecycle responsibility.

Support Activities:

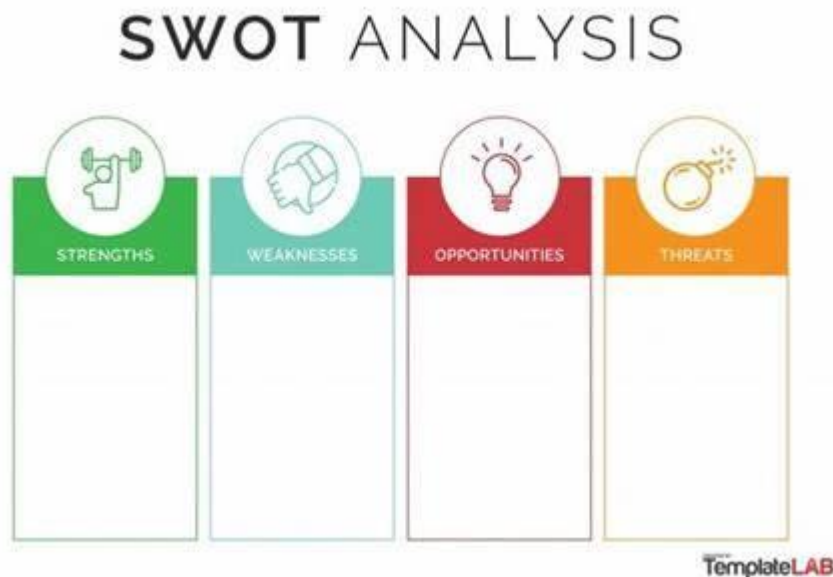
- Firm Infrastructure: Allbirds' sustainable materials sourcing, manufacturing equipment, and distribution centers support efficient operations.
- Technology Development: Enables innovation, sustainability tracking, personalized marketing, and efficient customer support.
- Human Resource Management: Ensures employee skills and training align with sustainable procurement, operations, marketing, and customer service.
- Procurement: Coordinates with suppliers to ensure high-quality and sustainable raw materials for production.

Allbirds has implemented several systems and methods to control its operations over its value chain, which includes everything from sourcing raw materials to manufacturing, distribution, and sales. Here are a few examples:

1. Direct-to-Consumer Model: Allbirds sells its products directly to consumers through its website, retail stores, and some wholesale partnerships. (2021 Annual Report, 2021). This allows the company to have greater control over its operations and the entire value chain, from design to delivery. By cutting out intermediaries, Allbirds can maintain quality standards and better control costs. (Parnell, 2014).
2. Sustainability Standards: Allbirds places a strong emphasis on sustainability and has implemented strict standards throughout its value chain to ensure that its products have a minimal impact on the environment. The company works closely with suppliers to source materials that meet these standards, and it audits them regularly to ensure compliance. (*How We Operate - Allbirds Code of Conduct, Factory Audits & Evaluations*, n.d.-b)
3. Lean Manufacturing: Allbirds uses a lean manufacturing approach, which emphasizes efficiency and continuous improvement (Saylor Academy, n.d.-b). This helps to reduce waste and costs while maintaining quality standards. The company has also implemented automation and other technologies to streamline its manufacturing processes. (*Allbirds Reports Second Quarter 2022 Financial Results / Allbirds, Inc.*, 2022)
4. Supply Chain Transparency: Allbirds places a high value on supply chain transparency, and it works closely with suppliers to ensure that they adhere to ethical and sustainable practices. The company publishes a detailed sustainability report that provides information on its suppliers and the materials used in its products. (2021 Sustainability Report, 2021)

5. **Product Lifecycle Management:** Allbirds has implemented a product lifecycle management system that tracks its products from conception to disposal. This helps the company to manage inventory levels, reduce waste, and improve sustainability. (*ALLBIRDS PRODUCT CARBON FOOTPRINT METHODOLOGY*, 2023)

These systems and methods allow Allbirds to maintain control over its operations and value chain while ensuring that its products are sustainable, high-quality, and cost-effective. By implementing strict standards and working closely with suppliers, the company can maintain its reputation for environmental responsibility and ethical practices.



<https://www.pinterest.com/pin/26-powerful-swot-analysis-templates-examples--629589222926249275/>

Strengths:

1. **Innovative and sustainable products:** Allbirds is continually delivering new and differentiated products through material and product innovation (2021 Allbirds Annual Report, 2021).
2. **Strong brand image:** Allbirds has established a strong brand image as an eco-friendly and socially responsible company, which resonates with consumers who value sustainability. (*Investor Overview*, n.d.)
3. **Good mix of skilled leadership team:** Joseph Zwillinger and Timothy Brown, the CoChief Executive Officers and co-founders of Allbirds, have previous experience in biotechnology and brand consulting, respectively. Michael Bufano, the Chief Financial Officer, has experience in finance and accounting from his time at Panera Bread Company. Joe Vernachio, the Chief Operating Officer, has experience in the outdoor products industry, and Benny Joseph, the Chief Technology and Culture Officer, has experience in both engineering and venture capital. Kate Ridley, the Chief Brand and Product Officer, also brings a wealth of experience in strategic marketing and brand positioning from her time at Adidas North America. (*Leadership | Allbirds, Inc.*, n.d.)
4. **Positive employee outlook:** According to Glassdoor, Allbirds has an overall rating of 4.1 out of 5 , based on over 125 reviews left anonymously by employees. 73% of employees would recommend

working at Allbirds to a friend and 56% have a positive outlook for the business. This rating has decreased by -8% over the last 12 months. According to reviews on Glassdoor, employees commonly mention the pros of working at Allbirds to be career development, culture, benefits. (*Allbirds Reviews: What Is It Like to Work at Allbirds?*, n.d.)

5. **Omnichannel presence:** Allbirds evolved from a digital platform to a digital platform complemented by physical stores and wholesale partnerships (Morgan Stanley Global Consumer & Retail Conference Transcript, 2022). They combine their digital offerings with their physical stores so they can meet customers where they are (2021 Annual Report, 2021).

Weakness:

1. **Limited product assortment.** While Allbirds has introduced apparel and accessories, these categories currently make up a small portion of their revenue (2021 Annual Report, 2021).
2. **Premium Pricing:** Allbirds' products are relatively expensive compared to some of its competitors, which may discourage price-sensitive consumers.
3. **Limited brand awareness:** As of Q1 2021, only 11% of the U.S. population know of Allbirds. (*Investor Overview*, n.d.)

The firm's strengths significantly outweigh its weaknesses, giving Allbirds a strong competitive position. While Allbirds has limited product assortment and a premium pricing strategy, these weaknesses are outweighed by their strengths. Allbirds' limited product assortment may hinder their revenue growth, but the company has been successful in introducing new products that resonate with their customers as noted by their 24% growth in net revenue in the second quarter of 2022 due to their introduction of the performance category (*Allbirds Reports Second Quarter 2022 Financial Results*, 2022). Additionally, Allbirds' premium pricing strategy may turn off some price-sensitive consumers, but it also enables them to maintain their sustainability standards and product quality which are important to differentiate its products. Finally, while Allbirds has limited brand awareness, they have successfully leveraged social media and influencer marketing to reach new audiences and build brand awareness (2021 Annual Report, 2021).

Opportunities:

1. **Changing Consumer Preferences:** Consumer preferences and trends may change (2021 Annual Report, 2021), and Allbirds needs to be agile to adapt to these changes and stay relevant in the market. Current examples of changing consumer preferences include a shift towards sustainability and increased focus on health and wellness. The Global Sustainability Study 2021 reports that 85% of people indicate that they have shifted their purchase behavior towards being more sustainable in the past five years, and 60% rate sustainability as an important purchase criterion (Business Wire, 2021). Additionally according to a survey, 80% of consumers intend to maintain or increase their spend on areas related to health and fitness (Accenture, 2021).
2. **Material, design, and production advancements:** The footwear industry is constantly evolving due to technological advancements in materials, production methods, and design technologies (Blue Bite, 2021). New technology advances could allow Allbirds to further improve its products.
3. **Growth of e-commerce:** The COVID-19 pandemic has accelerated the growth of ecommerce (The Future of Jobs Report, 2020), transforming the way shoes are bought and sold. This has created new sales channels and greater convenience and accessibility for consumers. Allbirds is well positioned to take advantage of the growing popularity of online shopping as the company started as an e-commerce platform (2021 Annual Report, 2021).

Threats:

1. **Intense Competition:** Allbirds faces competition from other eco-friendly shoe brands like Veja and Rothy's (Burkhardt, 2023b) as well as traditional shoe companies that are also introducing sustainable products like Nike and Adidas (Gibbons, 2022).
2. **Economic Uncertainty:** Footwear is considered a discretionary item and is affected by the state of the economy (Thomas, 2021). Increases in inflation, interest rates, unemployment, the cost of food and energy, and currency exchange fluctuations could increase the cost of production and affect pricing of Allbirds' products and consumer spending, which could impact Allbirds' sales and revenue (2021 Annual Report, 2021)
3. **Changes in trade policy, tariffs, or regulations** could increase the cost of imports, affect the availability of materials, or disrupt supply chains (Parnell, 2014)

While there are significant threats to Allbirds' success, the company's opportunities seem to have more potential for growth and positive impact. The changing consumer preferences towards sustainability and health and wellness provide a significant opportunity for Allbirds to expand its market share and improve its products. Additionally, advancements in material, design, and production can also lead to the development of better products. Allbirds' strong brand identity and commitment to sustainability, as well as its e-commerce presence, also position it well to take advantage of the growth of online shopping and reach new customers. On the other hand, intense competition from other eco-friendly shoe brands and traditional shoe companies, economic uncertainty, and changes in trade policy, tariffs, or regulations are all threats that can impact Allbirds' sales and revenue. However, Allbirds' strong brand identity, commitment to sustainability, and innovative products may help the company stay competitive and relevant in the market. Additionally, Allbirds' omnichannel presence and positive employee outlook can also help the company adapt to changes in the market and navigate potential threats. This indicates that the market growth for Allbirds is rapid.

Plotting the SWOT analysis results on the Grand Strategy Matrix, Allbirds falls under Quadrant 1, indicating that the company has a strong competitive position and rapid market growth. In this quadrant, Allbirds can consider pursuing a market development or product development strategy, market penetration, backward and forward integration, and concentric diversification. (Introduction to the Grand Strategy Matrix | Lucidity, n.d.-b).



FIGURE 6-13
The Grand Strategy Matrix

Source: Based on Roland Christensen, Norman Berg, and Malcolm Salter, *Policy Formulation and Administration* (Homewood, IL: Richard D. Irwin, 1976), 16–18.

Recommendations

Allbirds can consider the following suggestions to leverage its strengths, overcome weaknesses and threats, and capitalize on opportunities:

1. *Expand Product Assortment:*
 - Immediate Action: Allbirds should focus on diversifying its product lines beyond footwear and into apparel and accessories. This will help broaden its offering and appeal to a wider customer base.
 - Longer-Term Action: Conduct market research to identify potential gaps or emerging trends in sustainable fashion and develop innovative products to meet those needs. This can include exploring new materials, designs, and functionalities.
2. *Adjust Pricing Strategy:*
 - Immediate Action: Allbirds should evaluate its pricing strategy and consider introducing products at different price points to cater to a broader range of customers. This can include offering more affordable options without compromising on sustainability and quality.
 - Longer-Term Action: Continuously monitor market dynamics and consumer preferences to ensure that Allbirds' pricing strategy remains competitive and aligned with its mission of accessibility.
3. *Enhance Brand Awareness:*
 - Immediate Action: Increase marketing efforts and brand awareness campaigns to reach a larger audience. Leverage social media platforms, influencer marketing, and collaborations to amplify the brand's visibility.

- Longer-Term Action: Invest in strategic partnerships with like-minded organizations, celebrities, and influencers to further enhance brand recognition and increase Allbirds' reach in target markets.
- 4. *Strengthen International Expansion:*
 - Immediate Action: Identify key international markets with high growth potential and establish a localized presence through partnerships, wholesale agreements, or brick-and-mortar stores.
 - Longer-Term Action: Invest in market research and localization efforts to understand and cater to the specific needs and preferences of each international market. Adapt marketing strategies and product offerings accordingly.
- 5. *Enhance R&D and Sustainability Efforts:*
 - Immediate Action: Allocate resources to research and development to drive continuous product innovation, particularly in terms of sustainability, materials, and manufacturing processes.
 - Longer-Term Action: Strengthen partnerships with sustainability-focused organizations and invest in initiatives that promote transparency, ethical sourcing, and reduced environmental impact throughout the supply chain. Communicate these efforts to consumers to reinforce the brand's commitment to sustainability.
- 6. *Foster Employee Engagement and Development:*
 - Immediate Action: Continue prioritizing employee well-being and development, providing opportunities for growth and fostering a culture of innovation and collaboration.
 - Longer-Term Action: Implement initiatives to involve employees in sustainability initiatives and encourage their contributions to sustainable practices and product innovation. This can include employee-driven sustainability projects and cross functional collaboration.

Priorities:

- The immediate priority should be expanding the product assortment to offer a more diverse range of sustainable products and adjusting the pricing strategy to enhance accessibility.
- Simultaneously, efforts to increase brand awareness and strengthen international expansion should be prioritized to tap into new markets and attract a broader customer base.
- Investing in R&D and sustainability efforts should be an ongoing priority to maintain a competitive edge and ensure the brand's long-term sustainability.

Summary

By implementing these immediate and longer-term actions, Allbirds can realign its mission, strategy, and market to overcome weaknesses and threats, leverage its strengths, and capitalize on opportunities. Regular evaluation of market trends, consumer preferences, and internal operations will be crucial to ensure the ongoing success and growth of the company.

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