IES LONDON ASSIGNMENT COVER SHEET

Student Number: IB 61

THIS ASSIGNMENT HAS TO BE SUBMITTED INDIVIDUALLY.

Module: Strategic Management IB 320 (Spring 2019) – Final Exam

Word Count: 3,079
(Word count limit: 3,000 words +/- 10%. Points will be deducted for omissions of word count.)

Student Declaration: I confirm that this coursework is my own work, is not copied from any other work (published or unpublished), and has not been previously submitted for assessment. I confirm that I have not discussed this final exam with anyone.

Student Number: IB 61

Date: 02 April 2019

Instructions
➢ Please use this cover sheet as the first page of your assignment.
➢ The document should be typed at 1.5 spacing.
➢ Bibliography showing coverage of readings must be attached. The bibliography is not included in the word count limit.
➢ Submission deadline: week of 1st April 2019, in class.
➢ Late submissions will not be accepted or graded.
Question
In the Strategic Management course, we have covered eight cases. For EACH case, summarise the main learning outcomes of the case. Your paper should conclude with a section on your overall learning outcomes from this course. There is an overall word count limit of 3,000 words (+/-10%) for the entire submission.

Label each section as follows:
1. Lincoln Electric
2. Apple
3. Crown, Cork & Seal
4. Coke & Pepsi
5. Zara
6. Starbucks
7. Four Seasons
8. Zipcar
9. Overall Course Learning Outcomes
Lincoln Electric

Lincoln Electric, an American multinational and global manufacturer of welding products, had a focus of providing good employee incentives, stock options, merit awards, and other employee benefits to its staff. With its heavy emphasis on providing the best for individuals within the company, Lincoln Electric hoped that this would translate to employees providing high-end customer experience, which is where Lincoln Electric believed it had its “competitive advantage because of its highly trained technical sales force and the support of its welding research and development staff, which allowed it to assist the consumers of its products in optimizing their welding applications. As part of the sales process, Lincoln employees visited prospective customers, evaluating their welding requirements, and made specific product recommendations together with a return-on-investment projection" (Siegel, 2008, p. 5).

However, through Lincoln Electric’s global expansion, the learning outcome expressed was that companies can still gain a competitive edge in a new market if further study is conducted and an incentive system is generated to fit the cultural differences. Three specific examples that were addressed in the case were Japan, South Korea, and China. In Japan, “customers were reluctant to pay a price premium” because of the incompatibility between the product and the power supply in Japan. In South Korea, Lincoln Electric struggled with minimizing lead time, as products are shipped from Cleveland to South Korea. In China, the welding manufacturing company struggled with identifying well-suited managers and were constantly faced with a tough bureaucracy. Lincoln Electric was able to solve this issue by forming a joint venture with Kuang Tai, a Taiwanese welding wire manufacturer. Lincoln Electric chose Kuang Tai for “its established production plant and distribution network, its ability to locate experienced, bilingual operations managers, its reliability, its proven ability to deal effectively with an extensive Chinese bureaucracy, and the company’s concern with the complexities and uncertainties of alternatively partnering with a state-owned enterprise.” (Siegel, 2008, p. 8). With more time spent examining each market, Lincoln Electric would have picked up on these shortcomings and ultimately created a system that catered towards its consumers.
Apple

Apple, which is now known as one of the top technology companies in the world, was constantly trying to find different methods on how to generate profits during its early years. Apple was desperate in finding its cash cow. Using Porter's Five Forces, it was determined that the personal computer industry was an undesirable industry to invest in. Microsoft was already a powerhouse with its renowned operating system in every single PC on the market. In addition, Intel was providing the microprocessors that acted like the brains for computers. Consumers were also extremely price sensitive, as there were a ton of options for them to pick from. As a result of this analysis, it is determined that the PC industry was unattractive and a market to stay away from.

With the uninviting atmosphere that the PC industry posed on speculative companies, Apple still decided to enter the market. Throughout its initial startup phase, Apple looked like it made the wrong decision, as they had 15 different categories of products with had a high cost structure. Under Michael Spindler, the technology giant was more focused on the business end of the company rather than the innovation aspect of it. “Apple license[d] a handful of companies to make Mac clones” (Yoffie, 2012, p. 3), which lowered the price premium for Macintosh computers. Spindler also “slash[ed] costs, which included cutting 16% of Apple’s workforce” (Yoffie, 2012, p. 3). With no differentiation between Apple and its competitors, it was faced with the possibility of bankruptcy.

However, when Steve Jobs came back to Apple, he revamped the company by focusing on innovation. Jobs “halt[ed] the Macintosh licensing program” and slashed “Apple’s 15 product lines to just four categories” (Yoffie, 2012, p. 3). Apple also launched its own website to promote direct sales to consumers. In addition, Jobs designed a “digital hub” that incorporated all of Apple’s products. Apple created an ecosystem that was difficult for consumers to exit, as sticky products, for example, the iPod, relied on other products to function seamlessly. The learning outcome from this case was to cannibalize one’s own product in order to remain a dominant force within one’s industry. With the development of the iPhone, it cannibalized the iPod, but continued generating profits for the company because of innovation. Jobs was ultimately focused on intellectual property, which was the catalyst that propelled Apple to success.
Crown, Cork & Seal

Crown, Cork & Seal displayed several key learning outcomes throughout its pursuit for international dominance. The metal can manufacturer displayed the advantages of being a second mover and the utilization of old assets to insinuate and establish growth.

Crown, Cork & Seal was never focused on being pioneers, as an executive stated that “[Crown, Cork & Seal’s] philosophy is not to spend a great deal of money for basic research” (Cavanaugh, 1993, p. 11). The company was not interested in research and development, as it believed that “there is a tremendous asset inherent in being second” (Cavanaugh, 1993, p. 11). With the industry everlastingly changing based on consumer preferences and other major factors, Crown passed on the responsibility to other competitors to discover and test out what the next best thing was. With many errors made by its competitors throughout the process, Crown learned from these mistakes and capitalized on the opportunity. The excess amount of capital that would have been used on research and development can be used to develop more product lines, which is where many of its competitors fell behind on. As a result, Crown was able to beat out its competitors in two-piece can production. “By 1976, Crown had 22 two-piece lines in production—more than any other competitor” (Cavanaugh, 1993, p. 11).

Crown’s ability to re-use old steel equipment in factories that were located overseas where the standards were less sophisticated compared to United States standards also allowed them to cut down on costs. “Between 1955 and 1960, Crown received what were called ‘pioneer rights’ from many foreign governments aiming to build up the industrial sectors of their countries. These ‘rights’ gave Crown first chance at any new can or closure business introduced into these developing countries” (Cavanaugh, 1993, p. 12). Since the nations that Crown, Cork & Seal were expanding to were emerging economies, “Crown’s older equipment met the needs of what was still a developing industry overseas” (Cavanaugh, 1993, p. 12). Crown’s ability to make use of old assets that were deemed impractical further established a foothold over its competitors. Therefore, “by 1988, Crown’s 62 foreign plants generated 44% of sales and 54% of operating profits” (Cavanaugh, 1993, p. 12).

With the effective methods of saving capital and cutting down on wasteful spending, Crown, Cork & Seal was ultimately able to come out on top and control a large stake in the metal can manufacturing industry.
Cola Wars: Coke vs Pepsi

The war between Coke and Pepsi explains how some industries have unbeatable sectors, where these sectors dominate with excessive and powerful spending on areas that would promote their products to the public. In the soft beverage industry, Coke and Pepsi dominated the concentrate production sector, as both companies, combined, claim a total of 76% of the market share. Concentrate production is relatively easy to get into since “a typical concentrate manufacturing plant cost approximately $25 million to $50 million to build, and one plant could serve the entire United States” (Yoffie, 2002, p. 2). Majority of concentrate producers also spend capital on product planning, market research, and advertising. “They invested heavily in their trademarks over time, with innovative and sophisticated marketing campaigns” (Yoffie, 2002, p. 2). By investing in themselves, they are able to expand its presence throughout the world, supporting the fact that Coke and Pepsi are powerhouses in the beverage industry.

Concentrate producers also have the most bargaining power when it comes to the bottling market because it of the intellectual property that concentrate producers have, for example, the formula to make Cola. Oversaturation of bottlers in the market is not helping with bargaining power, so concentrate producers can jump around between bottlers to get what they desire. “Bottlers’ gross profits often exceeded 40%, but operating margins were razor thin” (Yoffie, 2002, p. 3) while gross profit for a concentrate producer is 83% and pretax profit was 35%, significantly greater than the bottlers’ income. Because of the intellectual property power that concentrate producers have, Coke and Pepsi are able to take advantage by alleviating costs to bottlers. Within the secret blend that concentrate producers make, it does not include the high fructose corn syrup or sugar that is used to make the carbonated soft beverages sweet. The sweetener is the most expensive part of the drink; thus, Coke and Pepsi pushed this responsibility onto bottlers. This reinforces the statement that bottlers have no control in the beverage department and that concentrate producers have all the power.
Zara: Fast Fashion

Zara, a company that came to fruition in a poor town in Spain, took years to become the multinational behemoth that it is today, providing key learning objectives along the way. In the case, an article by three McKinsey consultants is referenced, where it describes five ways for retailers to expand across borders: “choosing a “sliver” of value instead of competing across the entire value chain; emphasizing partnering; investing in brands; minimizing (tangible) investments; and arbitraging international factor price differences” (Nueno, 2003, p. 4). However, Zara did not utilize this tip that the McKinsey consultants gave and still became the successful apparel retail giant that they are today, which is the main point that was taught in this case.

The first point addressed about choosing a “sliver” of value was rebuked when Zara decided to compete across the value chain by producing a wide range of merchandise, where its “product lines were segmented into women’s, men’s, and children’s, with further segmentation of the women’s line, considered the strongest, into three sets of offerings that varied in terms of their prices, fashion content, and age targets” (Nueno, 2003, p. 13). Zara also did not place a heavy emphasis on partnerships, as they owned most of its stores in the various regions it expanded into. On Inditex’s balance sheet, it stated that the value of the property was roughly “about 400 million euros, but some analysts estimated that the market value of these store properties might be four or five times that amount” (Nueno, 2003, p. 14). The fashion conglomerate also did not minimize its tangible investments, since Zara created and implemented its own information technology called the “quick-response capability” to compete with rivals. The international factor price arbitrage was also debunked by Zara when it decided to produce many of its high value items in Spain, where the labor cost was $7 an hour, compared to other countries like China and India that only cost $0.40 an hour to make apparel (Nueno, 2003, p. 21). Ultimately, the learning outcome from the case is that companies do not need to satisfy the five main points that the McKinsey consultants highlighted in order to be successful when expanding to other regions throughout the globe.
Starbucks: Delivering Customer Service

Starbucks’s ability to utilize data that is collected from its customers to back up proposals to management and decision making allows it to focus on the big picture. When Starbucks implemented its stored-value card, the company is able to “collect all kinds of customer-transaction data, data that [Starbucks] haven’t even begun to do anything with yet” (Quelch, 2003, p. 9). As a result, Starbucks’ market research team discovered several key areas that contradicted what they believed Starbucks represented. Two areas that make Starbucks a huge player in the coffee industry today is the brand image and production differentiation it had with other smaller coffee chains. Before the data was collected, there was no difference in the minds of specialty coffeehouse customers (Quelch, 2003, p. 10). The team also “discovered that Starbucks’ brand image has some rough edges” (Quelch, 2003, p. 10). Over the years, many respondents agreed with the statement that Starbucks’ main focus was to primarily earn a profit. With the collection of data, Starbucks was ultimately able to transition from a revenue-focused brand to a trademark that placed a heavy emphasis on providing the best experience for customers.

The second point that the Starbucks case addresses is the importance of a strong customer service. Customer intimacy was at the top of the list when it came to priority. Jim Alling, Starbucks’ senior vice president of North American retail stated that “our goal is to create an uplifting experience every time you walk through the door” (Quelch, 2003, p. 3). He also realizes that Starbucks’ “most loyal customers visit [Starbucks] as often as 18 times a month” (Quelch, 2003, p. 3), thus by capitalizing on the opportunity to make the customer’s experience memorable, it draws in the average customer to stop by more frequently for not only rich coffee, but also the welcoming ambience.
Four Seasons Goes to Paris

In the Four Seasons case study, the main takeaway from the article is that having intangible qualities can also provide a competitive edge for companies. With its concentration on providing customers with the best experience during their stay at Four Seasons, the luxury hotel company was able to receive “32% higher [revenue per room] than that of its primary U.S. competitors and 27% higher than that of its European competitors” (Hallowell, 2002, p. 1). With an established system called the “Service Culture Standards” that employees are expected to follow at all times, it provided a benchmark for the quality of service that staff must maintain. With the authenticity and enthusiasm that concierges show to guests, Four Seasons has its customers leaving with a positive perspective of the hotel. To reinforce the “Service Culture Standards”, the hotel company invites both external and internal auditors to check that standards are constantly being met and provided constructive feedback to employees.

Along with the passion employees have, the flexibility and adaptability that Four Seasons concierges have separates the company from its competitors. A manager at Four Seasons stated that “in all our research around the world, we have never seen anything that led us to believe that ‘just for you’ customized service was not the most important element of our success” (Hallowell, 2002, p. 4). With the “just for you” mindset, concierges are willing to go the extra mile to provide customers with the extraordinary service, like bringing a client to the hospital and staying overnight with that person. Four Seasons has also been labeled as a cultural chameleon, as the hospitality company decorated the F.S. George V with “a single urn [that] contained 1,000 roses” (Hallowell, 2002, p. 13), which well represented the French culture. Le Calvez explained that “Paris is a city of fashion and culture, artistic and innovative” (Hallowell, 2002, p. 13) which is the primary reason having a bouquet of flowers was suitable at a hotel like the F.S. George V. Ultimately, having the intangible traits of intelligence, enthusiastic, and anticipatory drove Four Seasons to outperform many of its competitors.
Zipcar

Zipcar, an idea-driven business created by two entrepreneurs, explains how it is necessary to have the right individuals spearheading an organization. Both founders, Robin Chase and Antje Danielson, are not experienced in the industry of car rentals. “Danielson’s car experience and her connections with Ford” (Stevens, 2003, p. 3) were the only two qualities that was relevant, which was not enough to persuade the plethora of investors that they pitched the project to. As a result, the two entrepreneurs interviewed and hired an experienced individual in the hopes of establishing credibility to the team. However, the plan quickly fell apart, as the newly hired individual’s lifestyle did not mesh well with the environment of a start-up. Danielson’s commitment on the venture also raised a red flag, as she spent most of her days working at Harvard University and taking care of her child. It even came to the point where Chase questioned whether or not Danielson will be able to commit fill time to Zipcar.

The unforeseeable changes in cost structure that is imposed by outside forces also hindered Zipcar from becoming profitable, as it had to change up its financial plan within a couple months to accommodate for the charges that the city of Boston put on Zipcar to have its cars on the street. By conducting a risk analysis on Zipcar, it is obvious that the company does not have control of the cost of its inputs. As the company grows, more cars will be needed to satisfy the demand of its consumers. Thus, Zipcar need to lease more cars from Volkswagen, and eventually it will come to a point where the amount of risk from the number of drivers driving its cars will be too high for Volkswagen to manage. In order to hedge this risk, Volkswagen will either refuse to fulfill Zipcar’s demands or even increase the price to lease these cars to a point where Zipcar will no longer make a profit.

In Sahlman’s article, How to Write a Great Business Plan, he indicates that a venture needs qualified people, an opportunity, context, and a risk and reward evaluation in order to develop a strong proposal. Zipcar is missing more than half of the listed items, as the co-founders who are at the forefront of the company are far from experienced in the automobile industry and completely missed the potential risks that are involved in running a company with high variable costs.
Overall Course Learning Outcomes

Throughout the twelve weeks spent dissecting the various cases that highlighted different strategies that companies took to successfully manage themselves, competitive advantage and innovation are two key areas that an entity must have in order to be prosperous. From cases like Four Seasons, where it excelled in providing an outstanding customer service to clients, to Zara, where its tightened supply chain allowed it to develop into one of the largest apparel conglomerates in the world, indicated that establishing a competitive advantage over competitors is essential. Innovation, which is displayed by Apple, also reinforces how cannibalizing one’s products is needed for the overall success and well-being of the company’s future. Apple knew that the iPod will soon be outdated, and it kept its intellectual property a secret, as the introduction of the iPhone sent a shockwave throughout society.
Bibliography


