

Teaching resources for case studies

For each case, an outline of key themes and learning points is provided, as well as suggestions for how cases can be used in class, some ideas for discussion and sample answers to the case questions.

CASE 2.1 MARKET POSITIONING OF BOTTLED WATER

Case outline

Case 2.1 provides a simple illustration of some of the key issues that are discussed throughout Chapter 2. The case could be used during an initial class on operations strategy to introduce students to the process of understanding markets and get them thinking about how strategy must be developed and implemented across all functions. You could use an actual bottle of water as a prop during the discussion to help bring the session to life.

Guideline answers to case questions

1. Why would marketing place this customer in a 'beverage' or 'soft drinks' market segment?

From a marketing point of view, placing this customer in the soft drinks or beverage segment makes sense in that it is a recognized sector for which data is collected and information is provided. As a result, marketing can easily gather information on competitor products and locate potential customers. In essence:

- 'Soft drinks' reflects the essential nature of the product in terms of what customers purchase and consume
- It is easy to gather customer data
- It is easy to gather competitor data

In addition, you might encourage students to think about other ways in which the marketing function could target this sector, including:

- Attendance at trade shows.
- Technical developments within the sector will be reported and monitored.
- Advertising in trade journals and trade literature.
- Provision of in-house expertise to monitor technical developments and engage with their counterparts in their customers' businesses.

Sector data from government and other sources (such as national food and drink organizations like the Food and Drink Federation) would also be available, giving insights into trends in growth and other developments in this sector.

2. Why is operations' view of customers focused on qualifiers and order-winners such as price sensitivity, length of delivery lead-times and size of demand peaks?

Operations' strategic task is to meet those competitive criteria for which it is solely or jointly responsible. In this way it helps a business gain the first sale and also secure repeat orders. For operations, the relevant strategic insights into customers requirements, therefore, concerns understanding the order winners and qualifiers that win and keep a customer's business and for which it is solely or jointly responsible. These criteria (order-winners and qualifiers) will differ in terms of mix and emphasis depending on the service/product and/or customer, and so it is essential for the business as a whole to identify what these are and for functions such as operations to decide what action is required in order to compete on relevant criteria, such as delivery speed (length of delivery lead times), quality conformance (making to specification) and delivery reliability (delivering to promised dates).

As a result, dimensions beyond relevant order-winners and qualifiers are of little concern to operations. For example, in Case 2.1, the product to which the label will be attached is not relevant to operations' strategic task. Even where a label has to withstand unusual conditions (for example, frozen products), the required properties of the paper/board, inks and adhesive coatings will have been built into the design specification of the label.

3. How would you use both perspectives to arrive at an overall strategy?

The inputs from all functions are required when determining the order-winners and qualifiers and characteristics of particular service/product's customers and markets. A discussion of these characteristics (in which all functions participate) is the key step in determining the strategic tasks of the functions of a business. The simple illustration in Case 2.1 is provided to highlight the different views of two main functions that each contribute to this eventual understanding.

This question intends to get students thinking about how different functions' insights might be incorporated into an overall strategy. Students should think about what information the marketing function might gather on market requirements (some sources for their research are outlined in question 1 above) and how this research might contribute to a strategy – for example how labels look in that particular sector. This information then needs to be integrated with operations' insights – for example the current margins (which reflect the level of price sensitivity) and any opportunities to reduce cost; likely demand peaks and the impact that meeting these periods of high sales might have on operations; the length of customer lead times; and the need to deliver on time. Both marketing and operations' perspectives need to be taken on board so that informed decisions can be made about which customers a company should keep (and grow), which it should discourage (and shed).

CASE 2.2 CUSTOMER SEGMENTATION IN THE ELECTRICITY INDUSTRY

Case outline

This case is designed to show how critical it is for a business to look at its markets from as many perspectives as possible. It is the combination of these different views that provides the total picture and on which business strategy decisions need to be based.

Guideline answers to case questions

1. List side by side the market dimensions used above by marketing and operations

This is often best handled by developing a matrix similar to that below:

Function	View of markets	Preferred segments to target (in order of priority)
Marketing	Size of sales revenue	<ol style="list-style-type: none">1. Large businesses2. Small and medium sized enterprises (SMEs)3. Residential customers
Operations	Size of profit margin	<ol style="list-style-type: none">1. Small and medium sized enterprises (SMEs)2. Residential customers3. Large businesses

2. How would you use both perspectives to arrive at an operations strategy?

Sales revenue and project margins represent two important dimensions in growing a sound business. Identifying which segments to grow to meet sales revenue and profit growth targets can only be agreed once the essential data on revenue and margins is available from the marketing and operations functions. Students should think about how the different perspectives of marketing and operations would need to be integrated in a final strategy, and how to proceed if and when there is a conflict of interests between functions. For example, looking at the matrix above, from a sales perspective the most effective way to increase sales revenue is to grow the large business sector. However, from an operations perspective, the least effective way to increase profit is to grow the large business sector.

CASE 2.3 INTEGRATING MARKETING AND OPERATIONS AT ALDI

Case outline

This case complements Cases 2.1 and 2.2 by providing an illustration of how marketing and operations have co-operated to provide low costs in support of Aldi's 'price leadership strategy.'

Guideline answers to case questions

You could suggest that students conduct a review similar to the one below in order to demonstrate this cooperative effort, or orientate a class discussion around the themes outlined in the table. It may also be helpful for students to refer back to Figure 2.5 'Operations and marketing perspectives on key issues' during the discussion to show the movement by marketing from its classic stance, particularly on product range to one that helps enable operations to deliver low costs.

Function	Aspect	Approach
Marketing	Product range	<ul style="list-style-type: none"> • Limited range: <ul style="list-style-type: none"> - enhances volumes - reduces purchasing costs • Predominance of own-label products.
Operations	Layout	<ul style="list-style-type: none"> • Inexpensive lighting. • Basic display units reduce the cost of fixtures and fittings. • Using manufacturers' original packaging reduces staff costs (less time required to load shelves).
	Support staff	<ul style="list-style-type: none"> • Few support staff and less help/advice around – lower staffing costs.

CASE 2.4 OPERATIONS DEVELOPMENTS AT BENETTON

Case outline

This case provides a detailed outline of several aspects of Benetton's business strategy, and would be a good case to use to get students thinking about strategy in more detail as a follow on from earlier discussion. A good way to open a class discussion on this case would be to encourage students to establish that the company is competing in a fashion market and get students to outline the dimensions that would characterise a market of this type. At this point it is not necessary for students to review this case in writing. Instead, the purpose of initial discussion should be to get students to start thinking about what a fashion market entails.

After students have established Benetton's market, the next step is to get them to identify the order-winners and qualifiers that are relevant to this market. When undertaking this task it is sometimes much easier to postpone the debate about which factors are order-winners and which, qualifiers. This typically becomes more clear as the discussion progresses.

Guideline answers to case questions

1. What do you see as the order-winners and qualifiers in Benetton's markets?

From the text students should be able to identify the following competitive factors as key to Benetton's success (6,300 shops in over 120 countries with a sales revenue of €2,050 million in 2009). Factors can be grouped into five categories:

- Design
 - Modern designs reflecting current trends
- Product range
 - Five collections per year
 - Range of bright, unconventional colours

- Price - A qualifier resulting in high margins
- Time to market - Fast to market with new styles
- Delivery speed - Quick delivery in response to high sales of a product

2. Identify the key ways in which operations supports these market requirements.

Design	<ul style="list-style-type: none"> - Materials (including new materials such as 'very light cashmere') - Fast adaption to changes in fashion trends - Now five design collections per year
Product range	<ul style="list-style-type: none"> - Originally only two collections per year – operations now handles five collections per year - Continuous introduction of new designs
Price	<ul style="list-style-type: none"> - Lower costs by outsourcing labour-intensive tasks to low-cost countries - Process investment - e.g. Logistics centre at Castrette, Italy, which handles 120,000 incoming and outgoing boxes a day, operated by only 28 staff
Time to market	<ul style="list-style-type: none"> - Fast adaptation to changing market trends - One sequential chain from design to R&D to operations to sales - Four hubs, two for Asian and two for American markets - Integrated chain that maximises the speed of coordinated interconnections between the basic stages of the production and distribution process
Delivery speed	<ul style="list-style-type: none"> - More control and feedback on sales trends with the introduction of 'directly operated stores' - Lead-time related tasks (e.g. cutting, weaving and dyeing) kept in-house using own local factories (with 10 factories in Italy)

Teaching resources for study activities

Discussion questions

1. Why should all functions within a company, including operations, participate in business-level strategic planning?

It is useful here to refer back to the section of the chapter on levels of strategy, which deals with business unit and functional strategy. This section can be used to reinforce a class discussion and as a starting point for any issues raised.

- Companies/organizations tend to split their total business activity into 'functions' in order to handle the complexity that comes with size. It is particularly crucial that all these parts are brought back together at the level of strategy and work as a 'whole' business.

- Identifying the current and future markets in which to compete is an essential strategic task in which all relevant functions need to be involved. The contributions of both marketing and operations in Case 2.1 were vital to provide a variety of viewpoints which would strengthen the overall strategy.
- Reinforce discussion by referring to Cases 2.1, 2.2 and 2.3
- The strategy making processes depicted in Figure 2.3 and Figure 2.4 can be compared with each other.
- Figure 2.6 can be used to provide a visualization of how markets should be at the centre of strategy developments and how major functions should link their strategies together and to markets.

2. In the early 1970s, when the Japanese entered the European colour television market, they took market share partly on the basis of providing higher levels of quality conformance. Explain how the improvement of this factor worked in terms of gaining sales. In the period of the early 1970s, was quality conformance an order-winner or a qualifier in the European colour television market? And which is it in today's market? Explain your reasoning.

In the early 1970s (and as with most markets), quality conformance would have been a qualifier in the European colour TV market in that competitors would have provided much the same level of conformance to the design specifications of their colour TV sets.

When the Japanese companies entered this market (as they also did in the car/automobile and other markets) they raised the bar on the dimension of quality by offering a much higher level of conformance (for example, fewer problems, less faults and so on) to the extent that they changed quality conformance from a qualifier (where existing companies provided a similar level) to an order-winner (where Japanese companies' level of conformance was markedly higher). As a result, customers started to choose Japanese-made colour TVs because they became seen as more reliable with fewer problems.

In today's market, non-Japanese manufacturers have been forced to improve their own levels of quality conformance to match that of their Japanese competitors such that this factor has reverted back to a qualifier. When customers wish to buy a colour TV today, a fault-free product is the expectation rather than being a selling point that differentiates a certain type of TV from its competitors.

3. Why would delivery reliability typically be designated an order-losing-sensitive qualifier (QQ) for a carton company supplying packaging to a food company?

A food packaging company would invariably use a high volume process such as line to package its products. As you can imagine, it would be very costly for the food company to stop mid-way through a production run as a result of not having cartons. Additionally, changing its schedule would not always be feasible or may result in supply problems to its own customers.

For these reasons, reliable delivery would be designated as a QQ to highlight the fact that failing to deliver on time would quickly lead to a loss of repeat orders from a customer.

4. Why are operations-related considerations becoming more important in formulating business strategy? Describe one example from both the manufacturing and the service sector (other than those given in this chapter) that illustrate how they have gained competitive advantage from operations.

The increasingly competitive nature of today’s markets brings additional pressures from customers. These pressures show themselves in a range of factors (many of which are provided by operations) as the examples below illustrate:

Order-winner or qualifier		Function with prime responsibility for provision
Price		Operations
Operations	Reliability	Operations
	Speed	Operations
Service or product range	Design	Services = Marketing Products = Research and Development
	Provision	Operations
Customer relationship		Marketing
Quality conformance		Operations
New services or products	Design	Services = Marketing Products = Research and Development
	Provision	Marketing or Research Development Operations

Students will obviously think of their own examples for this question but here are a couple of examples you could discuss in class to get them thinking about the topic:

- Services – a good example here is McDonalds’ dominance of the fast food sector with its low-priced products provided with short lead times (customers queue only for a short time) and high levels of quality conformance (products are made to the same specification and offering the same taste and consistency no matter which outlet you visit).
- Manufacturing – a good example here is in the car/automobile sector, where Japanese companies have entered established regions throughout the world (such as North America and Europe) and are now major players. For example in 2009 General Motors lost its position as the world’s number-one automobile company to Toyota.

4. Many companies fail to appreciate the fact that the most critical orders are the ones to which a company says ‘no’. Explain.

In many organizations, the importance placed on sales revenue growth coupled with declarations in the past that ‘the customer is always right’ or that ‘the customer is king’ has resulted in companies accepting orders no matter what. Sales revenue growth was (and often still is) the predominant (or even the only) measure of a business’s success.

What the phrase ‘the most critical orders are the ones to which a company says no’ seeks to highlight is the reality that not all business propositions are as good as others . This is illustrated

well by Case 2.2, where a large energy distribution company discovered that profit margins for its large business customers were, on average, more than 40 per cent lower than for its SME customers.

As a result, it is essential that companies analyse customers and/or markets in terms of factors such as profit margins and the demands customers make (for example, schedule changes and short leads times) to provide a fuller assessment of which customers/markets it is in their best interests to grow.

The decision to say 'no', therefore, can only be made where a company knows which customers it wishes to grow (i.e. to which to say 'yes'). The significance of saying 'no' means that a company understands where it wishes to grow and where it wishes not to grow (i.e. that it has formulated a coherent business strategy).

Assignments

1. Identify the order-winners and qualifiers for the following enterprises:

- A private hospital company
- A company hiring cars for business or leisure
- A pharmaceutical company
- A furniture removal company

The list in the table below can be supplemented, but the purpose here is to provide an example of how you might ask students to structure their answers, and what the end result would look like.

You may also wish to get the students to weight the order-winners and to provide detail similar to that in Figure 2.13.

Enterprise	Order-winners and qualifiers					
	Price	Delivery		Quality conformance	Expertise – product or staff	
		reliability	speed			
Private hospital company	Q	Q	OW	QQ	OW	
Hire car company	Business	Q	QQ	OW	QQ	--
	Leisure	OW	Q	--	Q	--
Pharmaceutical company	Generic	OW	Q	--	QQ	--
	Patented	Q	Q	--	QQ	OW
Furniture removal company	OW	QQ	--	Q	Q	

Notes

1. Remind students that 'long lists' signal poor strategy. Therefore, it is essential to keep the list of order-winners and qualifiers short.
2. Product expertise for a pharmaceutical company refers to patented products that yield very high margins.
3. OW = order-winner; Q = qualifier; QQ = order-losing-sensitive qualifier.

What would constitute the operations strategy for the four organizations reviewed?

- Private hospital company

Patients (or customers) would typically select a private hospital on three counts – the lead time between request and appointment, the location of the hospital and the quality of the environment in terms of patient care, space, privacy and cleanliness. In this market, price would be a qualifier, matching the price for treatment or consultation elsewhere but resulting in high margins. The success/failure of surgery or treatment would be order-losing in nature, as would the standard of the environment and the level of patient care. The operations task here is to maintain a high level of expert staff providing the sufficient capacity throughout to meet patients' needs. With price a qualifier, keeping costs within the budget rather than cutting costs would be the task.

- Hire car company

The two different segments of this market are reflected in the mix of order-winners and qualifiers:

- Business sector – having appropriate cars available in line with the short lead times that are often required would typically be the order-winner. Price is a qualifier while failure to have the car required there (delivery reliability) or to meeting all aspects of the service from speed of the pre-hire processing to the cleanliness of the car would be the order-losing sensitive.]
- Leisure sector – car reservations would typically be arranged well before the holiday break. The key factor here would be price.

The operations task in this case is to meet these different sets of needs. Often this is accomplished by having 'preferred customer' status for business hire, where queues are shorter and the paperwork processing often completed ahead of time.

- Pharmaceutical company

When a pharmaceutical company first markets a drug, it is usually under a patent that allows only the company that developed the drug to make and sell it. At the end of the patent period, the drug can be made by any company and is then classed as a generic product. The principal result, as you will see from the table, is the change in the role of price from a qualifier to an order-winner.

The much higher margins of patented products generates the cash necessary to fund the large R and D budget required to develop and trial new products – which are the life blood of most pharmaceutical companies. Typically, generic products are made by a company in different manufacturing facilities from those used to make its patented drugs.

With generic products the role of operation is to keep costs as low as possible in order to improve margins.

- Furniture removal company

Families moving house would typically search out the lowest price for the service (removals paid for by a person's employer would probably differ in this respect). The fixed nature of moving home would allow long lead times but the need for the removal company to be there at the appointed time would be critical in terms of repeat business or would lead to a reputation of failing to meet delivery promises that would harm future business.

2. Search the Internet to find a European company with operations in China. What is the stated rationale for this decision? Do you think any other factors are involved?

Students should be encouraged to provide a range of insights into why the chosen company decided to establish an operations unit in China. The issue of price would typically be at the forefront of a company's rationale but similarly high on the list might be the need for companies to establish themselves in this vast market.

Some useful background material for a discussion on this assignment can be found in the sections entitled 'Strategic Partnering' and 'Supply clusters' in the 'Make or Buy' and 'Managing the Supply Chain' chapters of Hill and Hill, *Manufacturing Operations Strategy*, 3rd edition, Palgrave Macmillan, 2009, pages 281-5 also provide some useful background to a discussion on this assignment.