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Part 2: Strategic Actions: Strategy Formulation

In this exercise, your team will be identifying market segmentation strategies used by various companies. Remember that market segmentation "is a process used to cluster people with similar needs into individual and identifiable groups."

Part One

Your team should select an advertised and prominent brand. You may choose a business or consumer product. However, you should choose a brand that is widely known and widely advertised. Once you have chosen the brand, find and collect at least four instances of this brand being advertised in print or digital media. Find your four or more instances from different publications, if possible.

Part Two

Assemble a poster with the images you collected from your research. Be prepared to present your findings to the class as regards:

1. Why did you choose this brand?
2. Review each of the criteria discussed in Table 4.1 for either your consumer market or industrial market.

EXERCISE 2: HOW INDUSTRIES DIFFER IN THEIR BUSINESS-LEVEL STRATEGY

This assignment brings together elements from the previous chapters. Accordingly, you and your team will create a business-level strategy for a firm in the hotel industry. The instructor will assign you a strategy (from the list below) and you will create a strategy for entering that industry using one of the five potential business-level strategies below:

- Cost leadership
- Differentiation
- Focused cost leadership
- Focused differentiation
- Integrated cost leadership/differentiation

Part One

Research the hotel industry and describe the general environment and the forces in the industry. Using the dimensions of the general environment, identify some factors for each dimension that are influential for your industry. Next, describe the industry environment using the Five Forces model. Database services like Mint Global, Datamonitor, or IBIS World can be helpful in this regard. If those are not available to you, consult your local librarian for assistance. You should be able to clearly articulate the opportunities and the threats that exist.

Part Two

Create on a poster the business-level strategy assigned to your team. Be prepared to describe the following in class:

- Mission statement
- Description of your target customer
- Picture of your business. Where is it located (downtown, suburb, rural, etc.)?
- Describe trends that provide opportunities and threats for your intended strategy.
- List the resources, both tangible and intangible, required to compete successfully in this market.
- How will you go about creating a sustainable competitive advantage?

You will find it interesting to note the difference in the hotel industry between the various business level strategies and the way in which firms compete essentially in the same industry. Remember that your text authors describe business level strategy as "an integrated and coordinated set of commitments and actions the firm uses to gain a competitive advantage by exploiting core competencies in specific product markets. Business-level strategy indicates the choices the firm has made about how it intends to compete in individual product markets."

VIDEO CASE



DIFFERENTIATION STRATEGY IN TOUGH ECONOMIC TIMES

Howard Schultz/CEO/Starbucks

Starbucks, 17,000 stores strong worldwide, offers 70,000 different ways to order coffee. Unfortunately, Starbucks has announced the closing of 900 underperforming stores in the United States and will cut more than 1,000 jobs. Howard Schultz, Starbucks CEO, admits that Starbucks may have grown too big too fast given today's economy, and a business plan was not in place to deal with the severity of the economic downturn. During this time, competitors like Dunkin' Donuts are offering an upgraded coffee experience at a lower cost. However, Schultz maintains that

Starbucks will not cut corners but will reduce waste to save the company more than \$400 million and continue to sell more than a cup of coffee.

The 2012 annual report shows a turnaround for Starbucks, with global revenues reaching \$13.3 billion, a 14 percent increase. In the China and Asia Pacific region, through 2012 Starbucks posted 11 consecutive quarters of double-digit growth. With nearly 3,300 stores, plus hundreds more planned throughout Asia Pacific, Starbucks is transferring its core attributes and expertise, while respecting and reflecting regional customs.

Be prepared to discuss the following concepts and questions in class: