

## **Corporate Strategy**

### **Class 15 assignment**

**Q1. What are the key factors for success in the industry? Be careful to define the industry well.**

The key factor for success in the industry is the ability to innovate. This is the ability to know “where” and “how” to take advantage in a specific industry. In other words, it is to know and understand whether to take our business to the cross-the-board or selective segment of the industry and whether to play in the same game as the leaders of the industry do or write a new rule in a new game.

For the example of plain paper copier industry.

Before, the copier machine was big and used centrally in the office. Most offices had only one or a few of them. Those machines printed very fast with high quality ink. But a company saw some loopholes in this way of working and came up with a new method of providing their products and services. They brought a new smaller copier into place with cheaper price. This attracted many offices as they can use individually anywhere in the office. Even though the ink quality is lower compared with the other companies', but it worked for personal and office use. Apart from that, the office had no problem with leasing. Sooner after many companies try to follow this new trend. This is an example of a new-game strategy applied in selective segment of the plain paper copier industry.

**Q2. Referring to the reading on New Game Strategies, what has Wal-Mart Stores used as a new game strategy to change the way competition is conducted in the discount retailing industry? Consider what resources, capabilities and assets were used to develop and support the new strategy and where in the industry these were most effective in providing a competitive advantage? Any limitations?**

Wal-Wart Stores applied the new-game strategies in the across-board discount retailing industry. Here is the part-by-part analysis.

#### **1) Purchasing and distribution**

Wal-Mart used the in-store terminals to pull merchandise requests to their central computer. This was very innovative at the time because in order to sell products at 10%-20% lower prices than other competitors in the same industry, it is inevitable to deal with the turnover fast and fill up the stock just in time. As we can see that, at the end of 1985, their net income was \$327 million and net sales of \$8,451 million. This shows that out of

a dollar made in net sales, their net income is \$0.038, which is very satisfactory in terms of the fast discount retail industry.

Furthermore, their five distribution centers were in strategic locations. Their truck can deliver goods both ways as they go out and get back. This effectively cuts down the delivery cost.

## 2) Store Operations

Wal-Wart can improve their productivity very well by adopting electronic scanning of the Uniform Product Code (UPC) at the cashier. This can inform the inventory department in real time which leads to quick and accurate inventory management.

## 3) Marketing

Wal-Mart follows an across-board new-game strategy by hugely advertising themselves on spot TV to take advantage as the main player in the industry.

In conclusion, the most effective adoption of an across-board new-game strategy to gain a competitive advantage lies in the ability to innovate in the purchasing system, distribution, operation, inventory and marketing. However, some limitations may lie in the management process and human resource management, which should be carefully and closely taken into consideration.