

Lecture 11

Business Strategy & Operations Strategy

Section 1

The Theory

What is strategy?

- Origin: Greek word *strategos*
- A high-level plan to achieve goals
- The “art of the general”
- Strategy vs tactics
- Michael E. Porter. *What Is Strategy?*
Harvard Business Review,
November–December 1996



What is this?



What is this?



Elon Musk / Tesla's strategy

In short, the master plan is:

1. Build sports car
(Tesla Roadster US\$98K)
2. Use that money to build an affordable car
(Tesla Model S US\$70K)
3. Use that money to build an even more affordable car
(Tesla Model 3 US\$35K)
4. While doing above, also provide zero emission electric power generation options



Business strategy

1. Who are our *target customers*?
2. What *attributes* will we provide?
3. **Operations strategy**
How will we *deliver* these attributes?

Note: there are different definitions of the term “business strategy”, but this is the definition that we will be using for the course

Competitive dimensions

- Price
- Quality
- Delivery speed
- Branding
- Variety/customization
- etc

Order winners and order qualifiers

- *Order winners* are the reasons customers choose your company
- *Order qualifiers* are minimum levels of performance

Examples

Cherry buys an iPhone

Order qualifiers:

-
-

Order winners:

-

Jason buys a Tesla Model S

Order qualifiers:

-
-

Order winners:

-

Section 2

Case Study: Zara

Case Study: Zara



SUIT BLAZER
HKD 799.00



MIDI DRESS
HKD 599.00

The Zara flagship in Central, Hong Kong (2014)



The Founder: Amancio Ortega

The first Zara store was opened in 1975 in downtown A Coruña, Spain

Zara is the world's biggest fashion retailer

2,100 Zara stores located across 88 countries

([Wikipedia](#))



Ortega's net worth: \$74.8 B
([Forbes](#))

Zara's business strategy

- Target market: fashion-conscious consumers aged 0 to 45
- Fast fashion
- Moderate prices
- Large variety

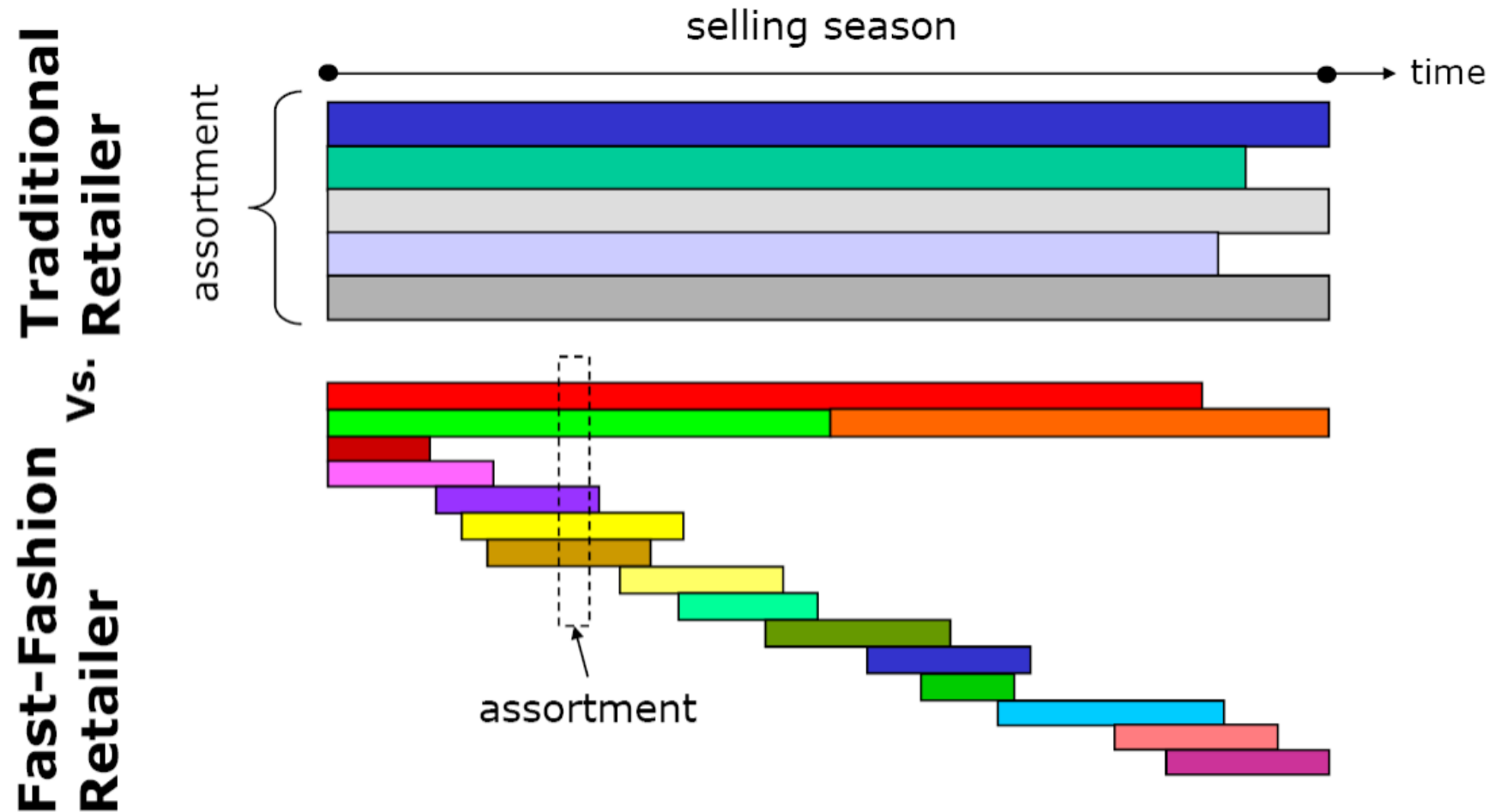
Comparison with competitors

Zara delivers Hugo Boss style at H&M prices

Approximate price of a suit:

Hugo Boss	HKD	5000
Zara	HKD	800
H&M	HKD	600

Assortment evolves continuously



[video] Zara: How a Spaniard Invented Fast Fashion



Advantages of small production runs

-

-

-



Zara's operations strategy

- Vertical integration
- Investment in logistics
- Multi-functional teams

Vertical Integration

Traditional Retailers

- Outsource production to Bangladesh/China
- Outsource logistics

Inditex / Zara

- Controls more than 100 companies involved in the design, manufacturing and distribution of clothing
- Invested in a state-of-the-art logistics system



IF YOU SPEND NINE MINUTES OF YOUR TIME TO SAVE A DOLLAR, YOU'RE WORKING FOR LESS THAN MINIMUM WAGE.



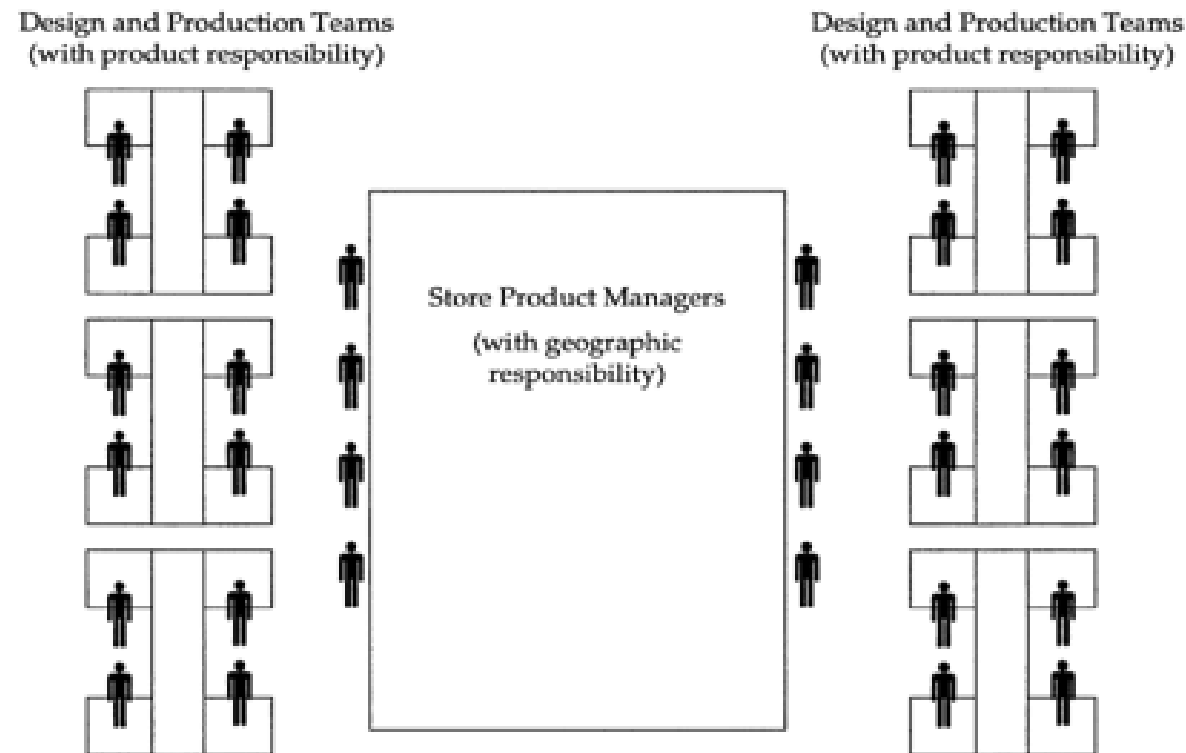
[video] Logistics at Zara

- Advanced inventory management system
- Frequency of deliveries
- Speed of deliveries

Multi-functional teams

Design and production teams consist of designers and product managers

They interact with store managers in their geographical region almost daily



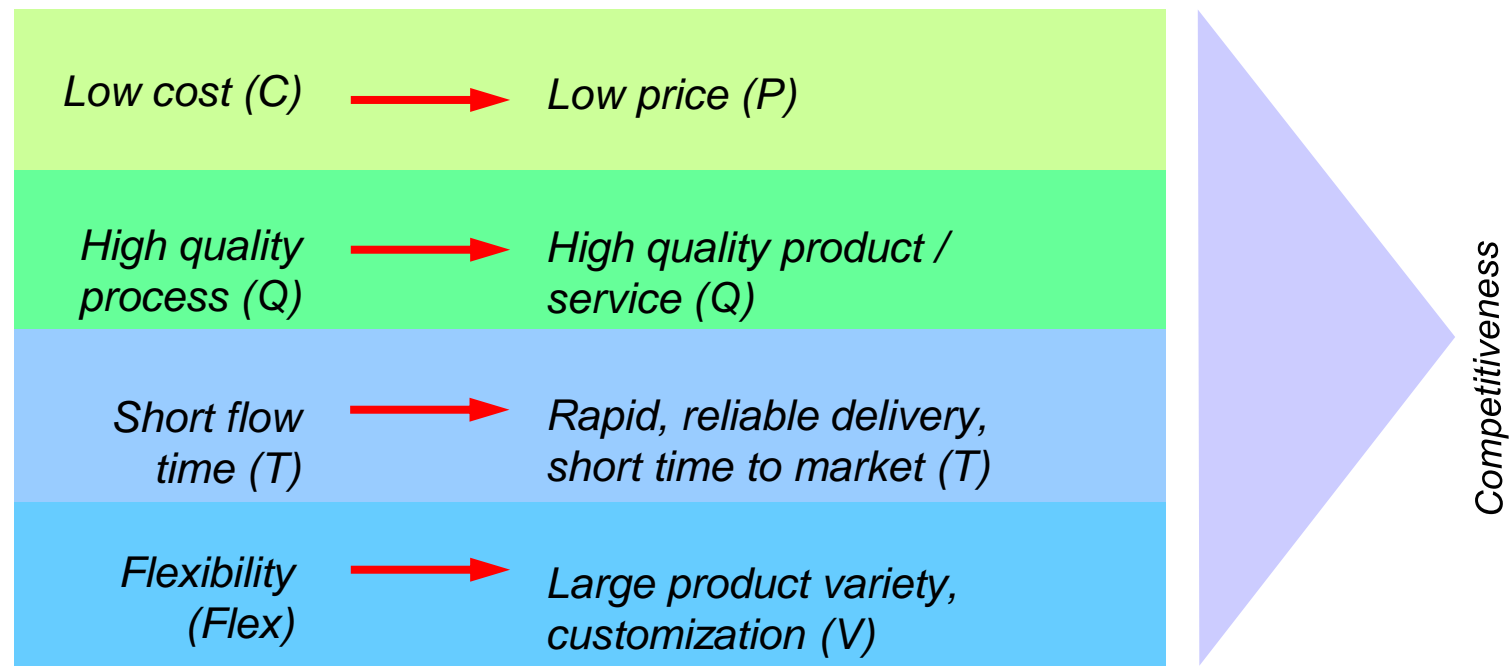
Business Strategy vs Operations Strategy

Business strategy is

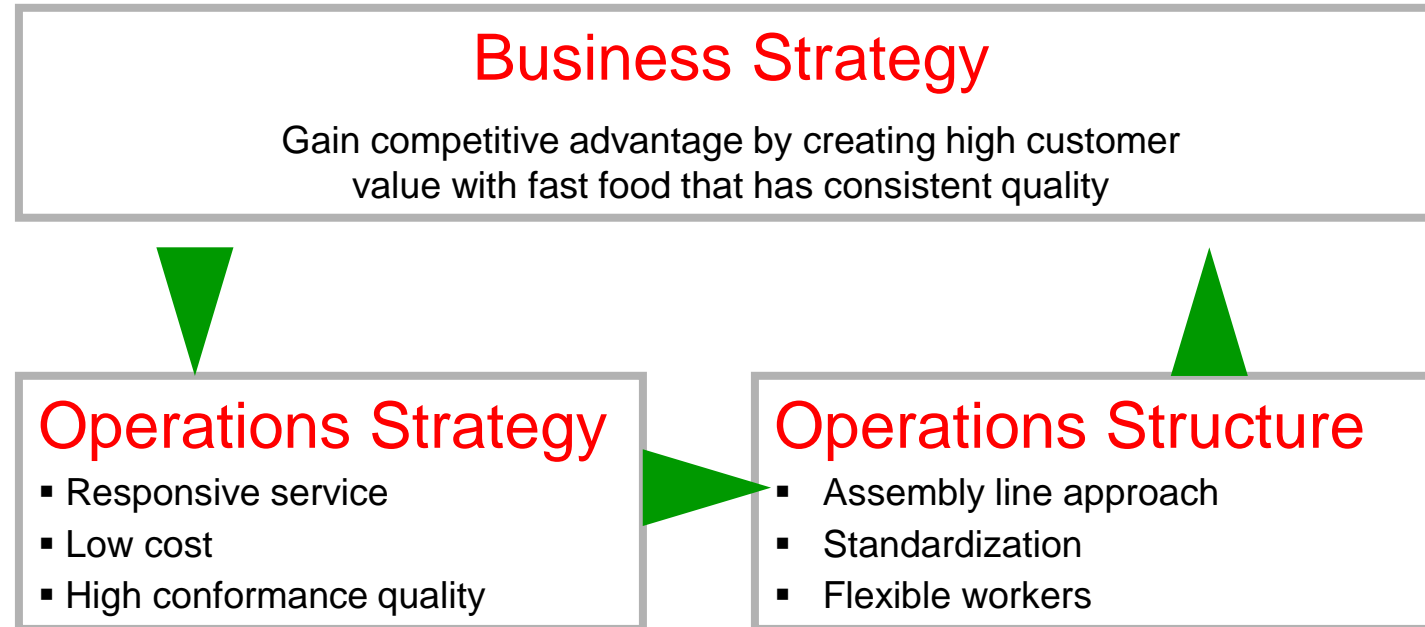
Operations strategy is

Operations Strategy

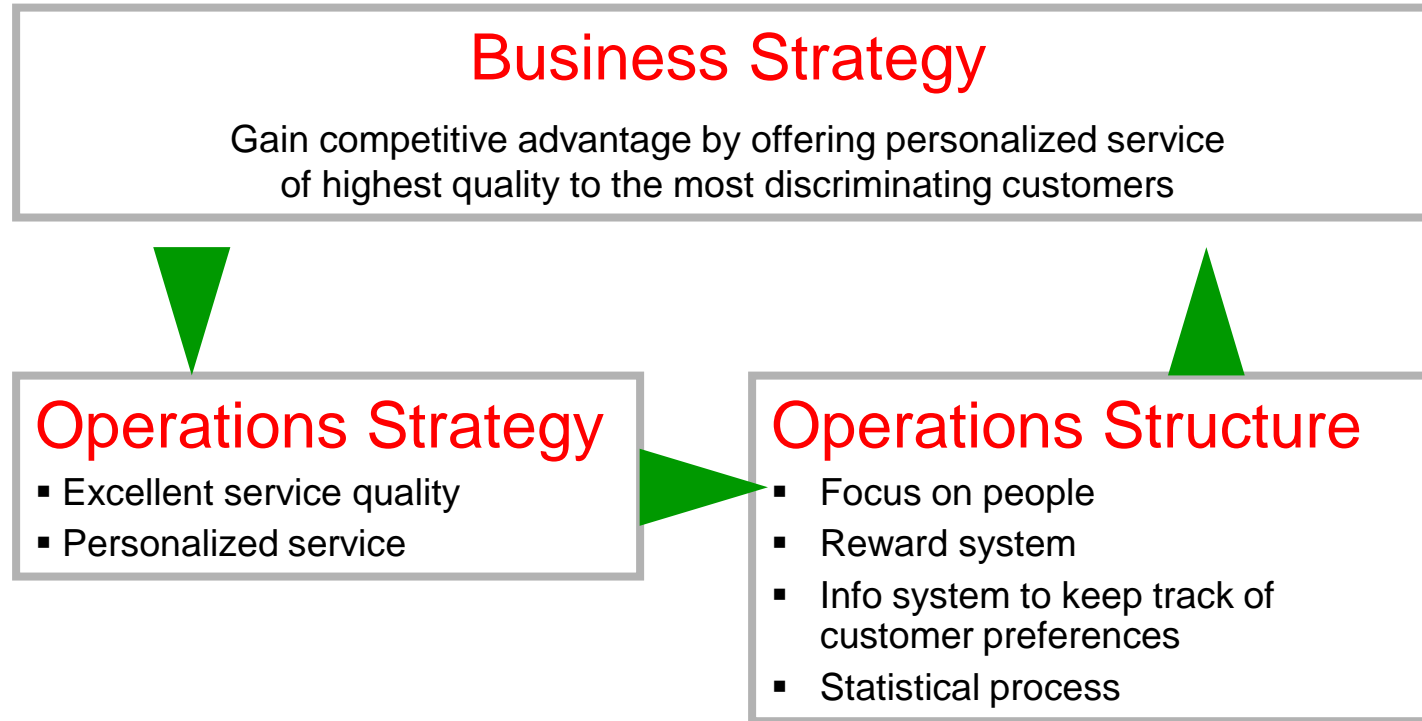
- Empowering Business Strategy



Example: McDonald's



Example: Ritz Carlton



Section 3

The Strategy Blueprint

Innovation



The Creative Aspect

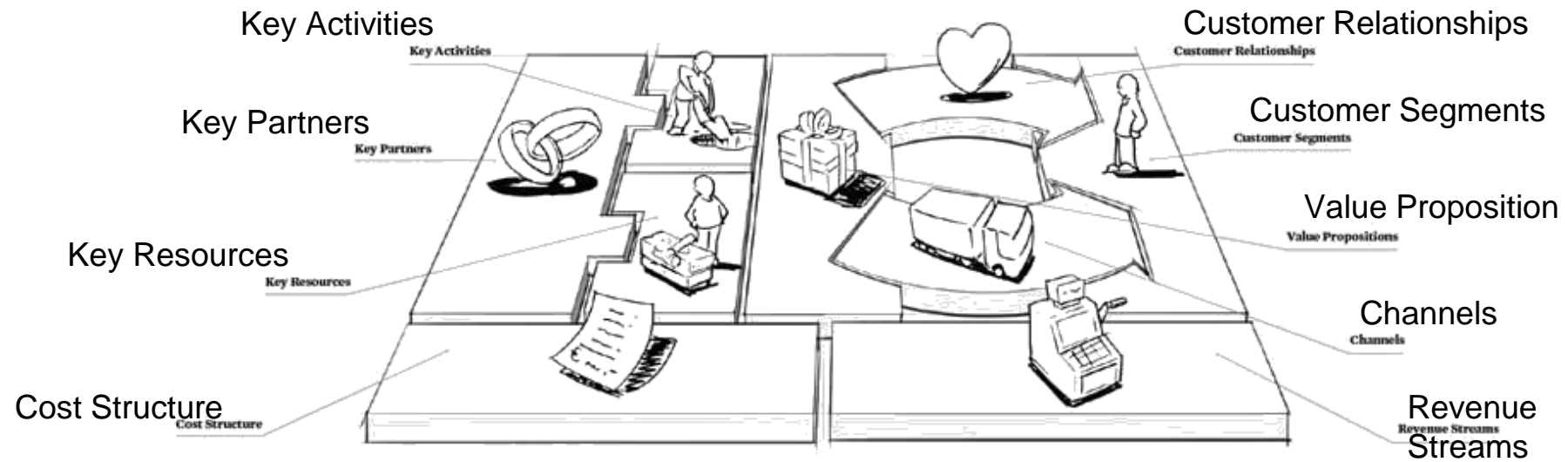


The Practical Aspect



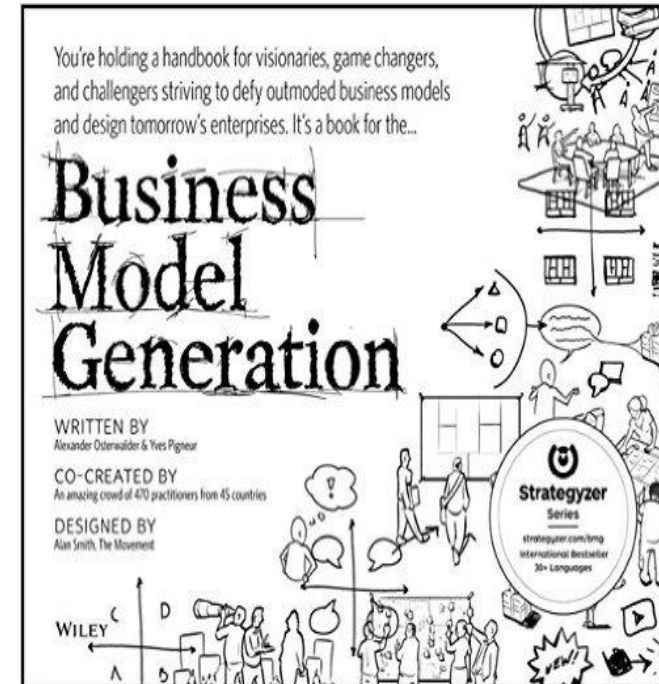
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Business Model Canvas



Business Model Generation

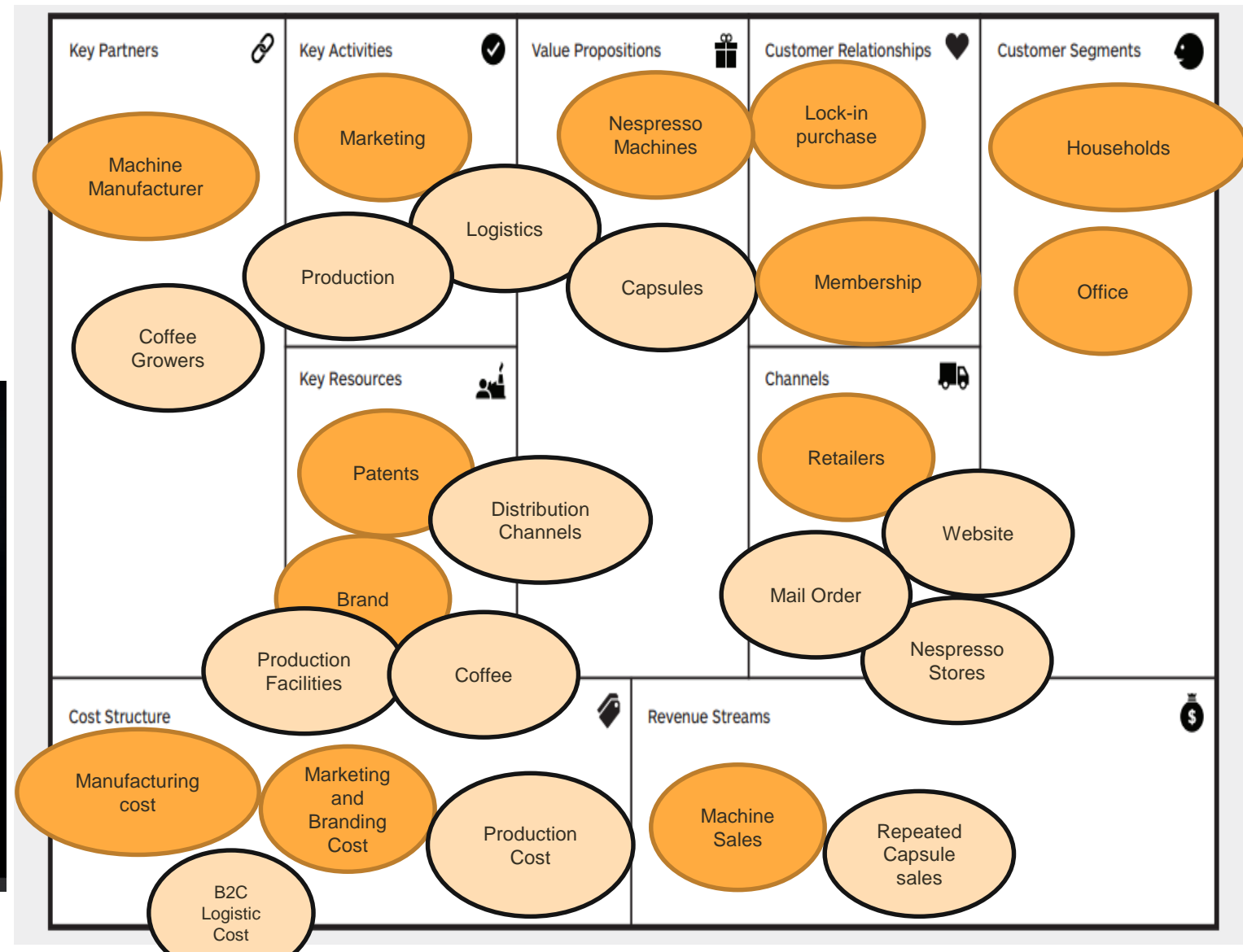
- Published in 2010
- Written by Alexander Osterwalder and Yves Pigneur
- Co-created by 470 practitioners



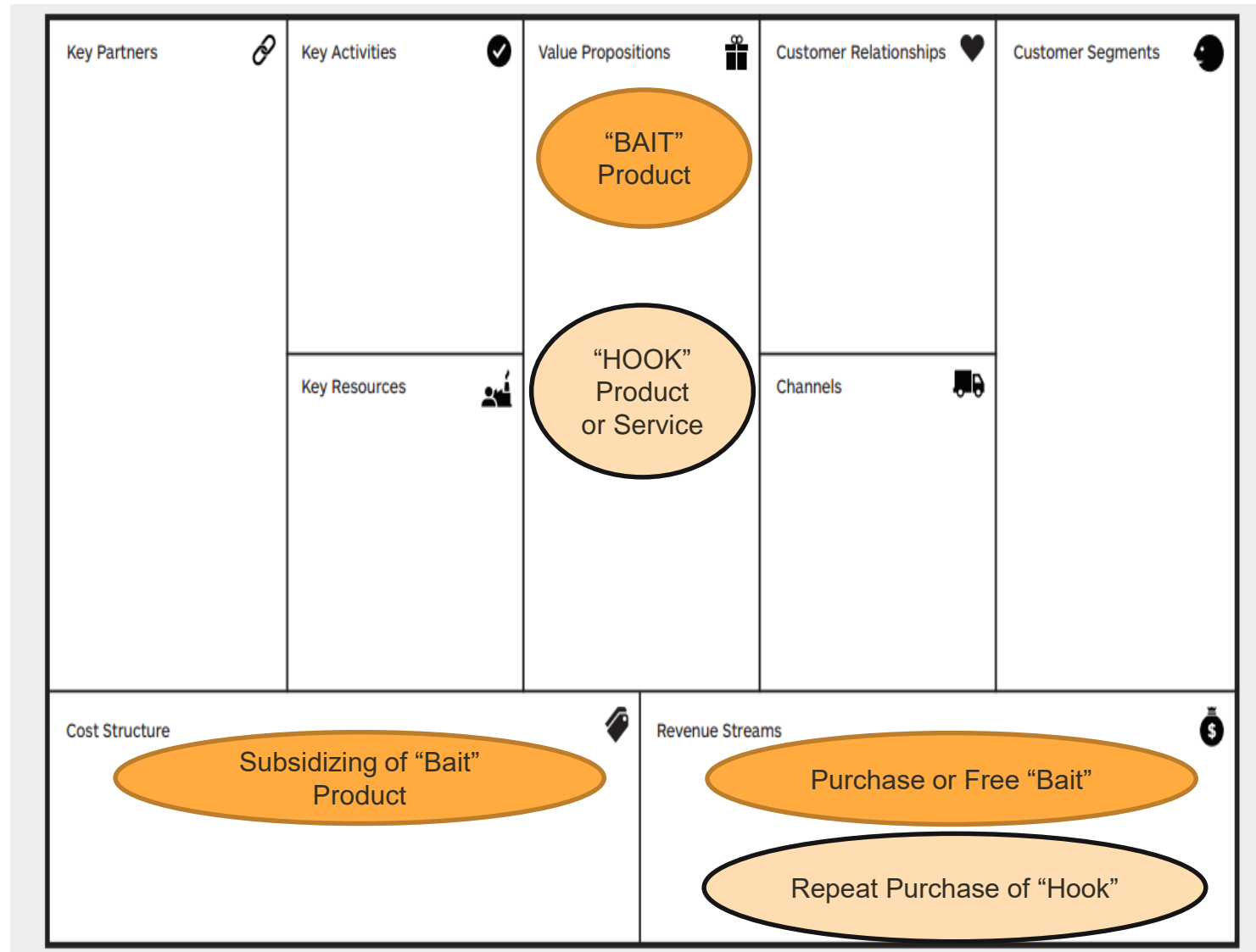
Nespresso



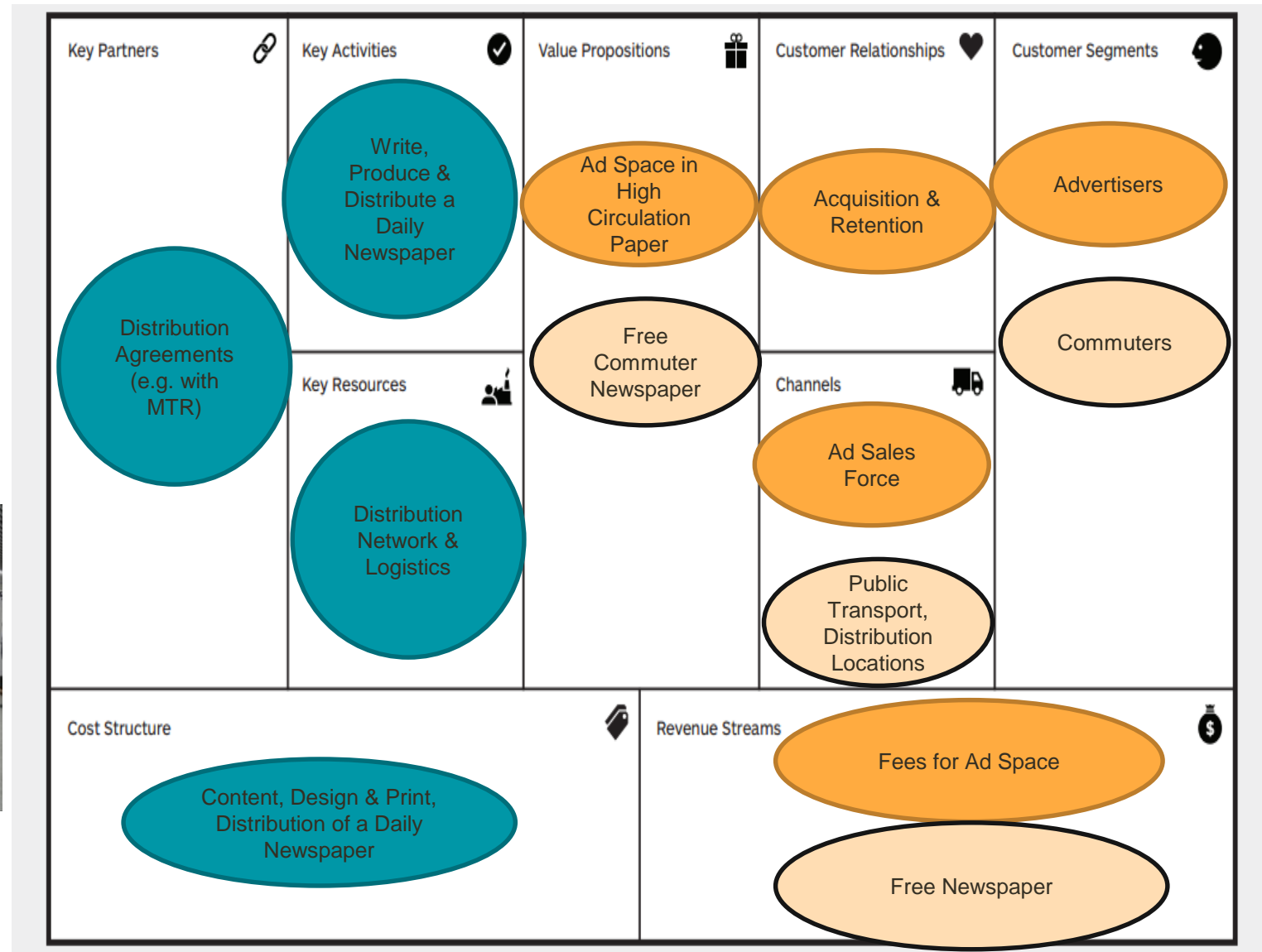
Good
Coffee
At
Home



Bait & Hook



Metro Newspaper



Multi-Sided Platform

