



CASE STUDY

There are four Strategy-focused Case Studies available from which one can be selected for the Practice Exercise that is included in the Explaining Strategy course.

The Ice Factory

Food industry manufacturing + Distribution
B2B + B2C retail

Case Study #1



Short Description

This is a private company that owns two industrial-grade ice manufacturing plants and distributes its products (around 10t/day bags of ice cubes and flakes) to a national territory.

The company owns a fleet of freezer trucks and vans used for distribution. There are two different Value Propositions for each business line (B2B and B2C).

B2B: Ice cubes or flakes, packed in big bags (10 and 20 kg) are supplied to large restaurants and bars, and to cold-chain retail locations (like fish markets).

The ice orders delivered are based on a subscription or are occasional (from registered customers) and delivered promptly within 24h, or in the same day for zero-stock cases.

B2C: Ice cube bags (1 and 2 kg) are delivered to two kind of retailers: supermarket chains and gas station chains. In the later case, the company also installs at the retail locations big freezer boxes that it regularly supplies with ice cube bags and services them when needed. The stock is checked daily with the gas station personnel, to avoid zero-stock cases.

Suppliers & Costs

These are the main suppliers and the core cost structure:

1. Spring water suppliers – the ice is branded „Pure Ice”
2. Electric utility – electricity required by the two ice installations
3. Fuel for the fleet of freezer trucks and vans
4. Workforce salaries (the main fixed cost)
5. Spare parts inventory for the freezer boxes in gas station locations

Customers

B2B: The customers are targeted in dedicated market niches, including mainly large restaurants and bars, and to cold-chain retail locations (like fish markets).

They are approached by a small Direct Sales team and supported by a Customer Support market, doing mainly some occasional orders taking and complaints handling.

B2C: There is no direct relationship with the final buyers of ice cubes bags. In fact the company regards the supermarket chains and gas stations chains that order and stock/sell their ice bags as customers.

They are managed by the Direct Sales team, as well, focused on winning annual tenders for a 1-year retail contracts. This happens because these retail chains don't see any significant benefit in stocking ice from multiple vendors.

Competitors

The company faces two types of competition. First, there are 3-4 similar companies that manufacture ice and deliver it nation-wide.

They are the typical competitors in annual tenders organized by retail chains.

The other type of competition is represented by small companies, or even freelancers, that use small ice-making machines and produce small daily quantities of ice cubes, packed in 1kg bags that are sold directly to end-users that are beach bars and restaurants in vacationing locations. They use small mopeds and bicycles to do their deliveries.

Strategic Choices

Current Strategic Position, defined by the following Strategic Choices types:

B2B:

A1 – Niche Focus

Targeting typical users of ice in restaurant-bars business and other retail locations that require ice for their temperature-sensitive food products, like fish markets.

F2 – Differentiation

“Pure Ice”, ice made from spring water.

G1 – Customer Intimacy

Guaranteed “no out-of-stock” commitment and same-day delivery for out-of-stock situations.

B2C:

A2 – Market Edges

Targeting the commodity or convenience market, as most FMCG (fast Moving Consumer Goods)

F2 – Differentiation

“Pure Ice”, ice made of spring water

G1 – Customer Intimacy

Guaranteed “no out-of-stock” commitment and same-day delivery for out-of-stock situations

G2 – Added Value

Supply of freezer boxes to gas stations, including their maintenance)

H1 – Exclusive Channel

Mutual exclusion of competitors when 1-year supply tenders are won with certain retail chains

Value Propositions

Two Value Propositions (VP) for each business type:

B2B:

- “Pure Ice”, ice made of spring water
- “No out-of-stock” commitment and same-day delivery for out-of-stock situations
- Optimization of delivery routes
- Customer support for early detection of out-of-stock
- Large bags for cost efficient packaging (10-20kg)

B2C:

- "Pure Ice", ice made of spring water
- "No out-of-stock" commitment and same-day delivery for out-of-stock situations
- Serviced large freezer boxes for gas stations locations
- Optimization of delivery routes
- Customer support for early detection of out-of-stock
- Dual-size bags of ice cubes (1-2kg)

Core Capabilities

Cummulated B2B and B2C current Capabilities System:

KP – Key Partners

Spring water suppliers long-term relationships, good relationships with manufacturers of large freezer boxes

CH – Sales Channels

Direct Sales team, multiple Retail chains

CR – Customer Relations

Combined roles of the field team, Customer support for B2B customer and retail chains locations

KA – Key Activities

Industrial-grade spring water ice manufacturing, B2B customers & B2C retail locations distribution by freezer trucks & vans, Direct Sales, Account Management

MS – Management Systems

CRM System for sales & customer support, ERP and production planning, Route planning system

TI – Tools & Instruments

Cool-chain diagrams for freezer trucks & vans, Spring water quality analysis for ice food-grade compliance

OR – Organizational Resources

Two industrial-grade ice manufacturing installations, own fleet of freezer trucks and vans, Customer Contact Center

KI – Knowledge & Information

Ice manufacturing know-how, Routes and real-time location of freezer trucks & vans, Retail locations stock monitoring, B2B customer market data

AB – Attitudes & Behaviors

Performance-focus on distribution and customer support, multiple-roles integration for the field team

Additional Details

- Management focuses on the retention of retail "customers" given their annual retail contracts renewal habit.
- For covering the fixed costs during low-season (winter), the company uses operational loans that are repaid during the summer high-season.

Initial Challenges

The strong seasonality of the business. Business growth solutions.

The Language School

Business Services delivered over the Internet
B2B dual-sided business platform



Case Study #2

Short Description

This private company, family-managed, is supplying B2B services to multinational companies' local branches within a national territory. The services include language training courses, delivered in live sessions to corporate customers' employees, and employment candidates' language assessment, as a combination of live and offline sessions.

Both types of services are delivered through the Internet. Currently, the company can deliver these services in 21 languages and can be adaptive as language level can be changed dynamically, based on class's skill level evolution.

The company operates based on a dual-sided business model, because the tutors delivering the services are independent freelancers, not company employees. An online language courses & assessment platform is operated by the company, facilitating its services delivery.

A Direct sales team plays a dual role, upselling or cross-selling to the corporate customers, as account managers, and providing single point of contact customer support. Such customer support function includes courses format customization (number of training sessions, language level gap, scheduling, etc.) and troubleshooting any complaint incidents. A separate team manages the network of language tutors.

Suppliers & Costs

These are the main suppliers and the core cost structure:

1. Tutors and their per-hour fees (the major cost component)
2. Internet infrastructure (video virtual rooms), delivery platform, with subscription & per-use costs
3. Operational teams salaries (the main fix cost)
4. Marketing Communication (advertising, PR, events)
5. Software applications development

Customers

The customers are multinational companies' local branches that use a different language than the local language in their offices. Usually the language depends on the country where the company's headquarters are located.

The company owns the majority market share, due to an early mover advantage. The services' quality is based on using the most skilled tutors available locally. This is a USP, as the company does not compete based on low prices.

Competitors

The competitors that try to reduce company's market share are (a) similar companies, but smaller and delivering services mainly with tutors employed and delivering lower quality services in fewer languages.

These companies compete mostly on price.

The other types of competitors are non-live training services, based on recorded courses.

Strategic Choices

Current Strategic Position, defined by the following Strategic Choices types:

A1 – Niche Focus

Targeting multinational companies' local branches and language training & assessment needs of their employees or employment candidates.

B1 – Proximity

Delivery of services via the Internet

F2 – Differentiation

Live training sessions, Internet delivery, High quality of tutors, 21 languages.

G1 – Customer Intimacy

Customization of courses, account management, single-point of contact for service upselling & customer support.

G2 – Added Value

Candidates language assessment, complementary to training employees)

H2 – Dominant Exchange

Dual-sided business model with independent freelance tutors)

Value Propositions

Two Value Propositions (VP) for each business type:

- High quality tutors in 21 languages
- Added value of language skills assessment to language training courses
- Full Internet delivery of services
- Flexibility of courses customization (number of training sessions, language level gap, scheduling, etc.)
- Own web applications for courses and assessment services delivery
- Large network of tutors available
- Account management & customer support through a single point of contact

Core Capabilities

Cumulated B2B and B2C current Capabilities System:

KP – Key Partners

Long-term relations with a managed large network of language tutors

CH – Sales Channels

Direct Sales team

CR – Customer Relations

Combined roles of the account managers providing also customer support, as single point of contact

KA – Key Activities

Direct sales, marketing, PR, and events, managing the tutors network, delivery of training courses and skill level assessment, upgrade of web-based applications

MS – Management Systems

CRM System for sales & customer support, Tutors management system, Courses and assessment sessions scheduler

TI – Tools & Instruments

Software application for the management of the dual-sided network for services

OR – Organizational Resources

IT infrastructure for the delivery of services over the Internet and tutors network management

KI – Knowledge & Information

Multinational companies market information, language courses and assessment interview scripts, Freelance tutors network information

AB – Attitudes & Behaviors

Customer focus for best managing the corporate customers' experience, high quality focus for best services delivery

Additional Details

The company has experimented working with AI avatars for interviewing candidates, with offline assessment

Initial Challenges

The threat of replacement of tutors by fully-interactive AI avatars. Business growth solutions.

Driver's Seat

Industrial auto components manufacturing
B2B business, branch of an international group



Case Study #3

Short Description

This company is wholly owned by a large international group of companies, publicly traded. The group manufactures and supplies car components to the large car manufacturers in the automotive industry, like Volkswagen, Daimler Benz, Renault, and Toyota.

The group owns several other manufacturing companies (factories) located in other countries. The local company (our Case Study) manufactures car seats and interior car upholstery.

They are not the only ones manufacturing this type of car components in the group. This means that there is an internal competition between different group companies manufacturing the same or similar car components.

Company's suppliers (fabric, plastic and metal components) are located locally and internationally (the largest majority), making it dependent on relatively long supply chains.

The company is focused on activities that include car seats research and design, the partially-automated assembling, outbound delivery using third party transporters, sales and marketing, and supplier management.

The company competes for new orders from large car manufacturers and is often in competition with other companies of the group. Typically, a new car model requires a new model of car seats & upholstery, that is manufactured based on a long-term contract, usually for the lifetime of that car model.

Suppliers & Costs

These are the main suppliers and the core cost structure:

1. Materials and sub-components provided by international & local suppliers (the major cost component)
2. Utilities to operate the factory and associated energy costs
3. Workforce salaries (the main fix cost)
4. Research & Development, new materials and new manufacturing technology adoption
5. Maintenance of factory equipment

Customers

The customers are multinational cars and trucks manufacturers, like Volkswagen, Daimler Benz, Renault, and Toyota.

These customers usually organize tenders for every new car or truck model to be launched, requiring from manufacturing companies car seats & upholstery prototypes and commercial bids.

The company proposes the best suited car & interior prototypes, including advanced technology like car seats sensors, light or flexible frame seats, seats including actuators, heating units, back massage devices, etc.

The tenders are usually won based on a combination of price, features, and quality

Competitors

The main competitors are some other car seats manufacturing companies that are part of the same international group, but located in other countries.

Such competitors located in countries with low-cost workforce are typically competing on price, as the car seats assembly is partially manual labor.

There is also competition outside the group, from companies that mostly part of competing international car components manufacturing groups.

The new technology R&D (materials & manufacturing technology) is divided between the group (central R&D) and companies' own R&D.

Strategic Choices

Current Strategic Position, defined by the following Strategic Choices types:

A1 – Niche Focus

Advanced specialization on car seats and car interior upholstery.

F2 – Differentiation

New technologies incorporation in car seats ... sensors, actuators, heaters, etc.

G1 – Customer Intimacy

Account management for customer co-design of new car seats models.

G2 – Added Value

Early incorporation of new technology, new designs, and new materials research, design to assembly integration, etc.

I1 – Proprietary Ecosystem

Suppliers co-development and common research programs for new materials & sub-component designs,

Value Propositions

Two Value Propositions (VP) for each business type:

- Advanced design incorporating new technologies, new materials, new designs
- Early prototyping of car seats and car interior in the design phase of new car models
- Customization of car seats & car interior, integrated with the car assembly lines production scheduler
- Mixed local & international suppliers, to avoid supply chain disruptions
- Advanced integration of custom design and manufacturing line customization (batches of one)

Core Capabilities

The current Capabilities System:

KP – Key Partners

Long-term relations with both local and international suppliers

CH – Sales Channels

Direct Sales team

CR – Customer Relations

Integrated co-development and research with both customers and suppliers

KA – Key Activities

Advanced custom-based design and integration with the manufacturing line, R&D and adoption of new materials and manufacturing technologies.

MS – Management Systems

Integrated system between customer production planning, production launch & operation

TI – Tools & Instruments

Manufacturing planning, order management and batch customization system, ERP

OR – Organizational Resources

R&D, pre-launch and manufacturing facility

KI – Knowledge & Information

New technologies and new materials knowledge

AB – Attitudes & Behaviors

Innovation and high-quality focus, operational performance focus

Additional Details

The company has focused on developing long term relations with many of the Car Manufacturers customers for being preferred during future tenders that they will organize for their future car models. This has happened by investing into R&D for proposing new car seat technologies for being used in those new car models to be launched in the future.

For example, a new car seats technology uses leather fabrics with small holes and an air ventilator inside the seat, producing a discrete flow of air that cools off the driver or passengers inside cars that are used in warmer climate, reducing the cooling exclusive reliance on traditional car air conditioning methods.

In other words, the company has focused on enhancing the customer experience, to compensate for the lower-cost competition.

Initial Challenges

The threat of lower-cost competition, primarily from other car seat manufacturing companies inside their group, companies located in countries with lower-cost workforce.

Energy Monitor

Business Services for Utility companies
B2B business model

Case Study #4

Short Description

This private company is operating on a national territory, having as customers several large Utility companies that distribute power and/or natural gas to residential and business customers.

Their services are the reading and transmission of power and/or gas meters installed at the consumption locations. To do that, the company uses a large field team that move door-to-door through the territory and performs the visual or proximity reading of the meters.

Once the consumption (indexes) readings are collected, they are uploaded onto utility companies' billing systems and used in generating the monthly power and/or gas invoices to the residential and business end-customers.



The company has started its business by employing the whole meter reading department workforce of a large Utility company.

A Direct Sales team is acting as account managers and handles these large B2B customers with the utmost care, since losing any of them to competition can have a major negative impact.

The main competitors are companies incorporated by Utility companies' workers' unions, trying to turn into suppliers to their employers.

The power and gas meters are owned by the utility companies. However, the company has started to increase the field operations' effectiveness by acquiring and installing proximity (WiFi) meters that can eliminate the need for door-to-door visual reading.

Suppliers & Costs

These are the main suppliers and the core cost structure:

1. Field team wages (salaries)
2. Fuel consumption of field vehicles
3. Maintenance of own proximity reader equipment
4. IT costs related to interfacing with customer billing systems
5. Acquisition and replacement of old meters owned by the utility companies with company's own more modern proximity read units, supplied by international modern meters manufacturers. These costs are partially financed by long-term bank loans.

Customers

The customers are several large Utility companies that distribute power and/or natural gas within a certain region to residential and business end consumers.

For many years, the power and gas distribution was performed based on regional licenses administered by the national government.

Since several years ago, the market has been liberalized, allowing any authorised distributor to sign supply contracts with residential and business end consumers anywhere in the country.

This has lead to a high fragmentation of the power and gas distribution market, which grew over several years from a dozen Utility companies to over 100.

Competitors

The competition is represented by similar companies, but also by companies owned by workers unions of large Utility companies. They are a major competitive threat, due to the influence that they have on those companies' management

The competitive offerings tend to differentiate through lowe prices, usually based on lower wages paid to the field workers who perform the visual meters reading.

Strategic Choices

Current Strategic Position, defined by the following Strategic Choices types:

A1 – Niche Focus

Targeting only Utility companies that don't have their own meter reading functions).

E1 – Trend Markets

Remote/proximity reading of power and gas meters

F2 – Differentiation

Direct loading of reading data into the Utility companies' billing systems.

G2 – Added Value

Installation of its own proximity meters for reading modernization

I2 – Unique Enablers

The availability of a large field team allows the company to do combined power & gas meter reading

J1 – Disruptive Innovation

The use of proximity meters replacing the visual meters as new technology

Value Propositions

Two Value Propositions (VP) for each business type:

- Reading of power and natural gas meters, nation-wide
- The direct uploading of reading data into customer's billing system
- The replacement of old visual reading meters with proximity/remote meters
- Making its own investment into the modern technology proximity/remote meters
- Availability of its own fleet of field vehicles

Core Capabilities

The current Capabilities System:

KP – Key Partners

Long-term relations with the international supplier of remote / proximity meters

CH – Sales Channels

Direct Sales team

CR – Customer Relations

Combined roles of the account managers providing also customer support, as single point of contact

KA – Key Activities

Direct sales, field operations of car fleet, collection of meter reading (indexes) and uploading to customers' billing systems, installation and maintenance of remote/proximity meters, new meters certification, large worforce management

MS – Management Systems

CRM System for sales & customer support, Route management systemTI – Tools & Instruments – Software application for route management, remote/proximity readers (WiFi), data upload system to customers billing systems

OR – Organizational Resources

Direct sales team, Car fleet, IT & Telecom system

KI – Knowledge & Information

Meters locations database, Data uploading to billin systems know-how, Remote / proximity meters reading know-how

AB – Attitudes & Behaviors

Time Management, performance-focus, Customer-focus for the direc sales team

Additional Details

The company has been created by taking over, as employees, the meter reading department team of a large power distribution Utility company. Then, the company has acquired other similar customers, allowing them to outsource the meter reading activity. Later on, the company has started reading natural gas meters, using the same field team.

Initial Challenges

The wage increase expectations of field worker employees. The Utility customer demand to reduce the prices of the services offered.