The applegreen case study business essay

Applegreen is a retail company established in 1992 as Petrogas and then created the Applegreen brand in 2005 [1], which sells convenience goods and discount fuel to the consumer market. Fuel sales make up for 80% of its core product offering, while fuel may account for the majority of their turnover in relation to sales they attribute their profit margins to the sale of convenience goods as there is little margin if any on fuel.

Their company motto “ Applegreen now that’s better” [1] applies to how they run their business by adopting a green approach to their business ranging from offering paper bags instead of plastic ones to not selling matches as they consume trees etc.

At the time of writing Applegreen had approximately 1400 group employees and 70 head office employees with a one billion euro turnover annually. They have 71 service stations in Ireland and 31 in the United Kingdom.

What is Applegreen’s strategic plan

Applegreen doesn’t conform to the conventional wisdom of creating a mission statement that summarises their strategic plan that most companies adopt. They have currently adopted the strategic plan of growth by organic means as they perceive it to be the cleaner way to expand their business and have had success with this approach.

Literature Review

The strategic management process is the characterization of organisational strategies by which management make selections based on a set of strategies for their organisations that will enable better performance, but also is a continuous process that appraises the business and industries they are connected with, appraises competitors both current and future and establishes goals to meet these challenges. The process itself consists of the following four steps [2]:

Environmental Scanning

Strategy Formulation

Strategy Implementation

Strategy Evaluation

Environmental scanning

Environmental scanning in an organisation refers to the ownership and utilisation of information gathered about possibilities, patterns, trends and relationships within an organisations internal and external environment. This analysis usually is compiled using S. W. O. T. analysis where internal factors are regarded as Weakness or Strengths while external factors are regarded as Opportunities or Threats. P. E. S. T. analysis is the preferred method by most managers for continuous scanning and enables quick actions to be taken. It is used for external analysis when conducting strategic analysis or market research. The P. E. S. T. acronym means Political, Economic, Social-cultural and Technological analysis [3].

According to Kasmi (2008) the management strategy entails three processes Analysis, decisions and actions [4] and using this approach to environmental scanning allows the managers to ask themselves a series of questions in order to establish where they need to take action as it uncovers their strengths and weaknesses both internally and externally from competitors. One such question might be how do we outperform our competitors?

There are three types of scanning

Ad-hoc Scanning – short term and usually used by organisation in a crises to determine if the problem is internal or external

Regular Scanning – done frequently e. g. twice yearly or more done by cautious organisations

Continuous Scanning – continuous collection and processing of a broad range of environmental factors [3]

The more frequent the scanning process the healthier the strategic management process and management plan of the organisation will be. The two methods of environmental scanning are:

Secondary data – books, magazines, etc readymade sources

Primary data – questionnaires, surveys, interviews, etc conducted by the organisation

The more focused on the strategic plan and continuous scanning of their environment the more successful the strategic plan and the market share that is captured by an organisation.

Strategy Formulation

Having completed environmental scanning managers follow the second step of this process, which entails deciding the best action to achieve the organisations objectives and organisational purpose and then formulate corporate, business and functional strategies. Research efforts are increasingly focused on this complex topic and examine variables including organizational structure, goal ambiguity and

networking (Boyne 2003; Boyne et al. 2006) [5].

Corporate strategy formulation is where organisations decide which business(es) they want to be engaged in and how they want to grow organically or through acquisitions whereas business / functional strategy formulation is when an organisation sets a framework of generic competitive strategies for achieving business success.

Generally business strategy acquires more precedence than corporate strategy, but both require market / industry analysis (step 1), planning, goal setting, commitment of resources / assets and monitoring.

R. Andrews, G. A. Boyne, J. Law and R. M. Walker (2009) Rational planning is characterized by analytical, formal and logical processes through which organizations scan the internal and external environment, and develop policy options which differ from the status quo [6].

At the planning stage the analysis discloses details of the paths that an organisation can take advantage of to increase its market share, improve their product / service offering through innovation, enter a new market etc, but once the organisation has decided which path(s) it will pursue in its strategy then it must set realistic and if required long term goals with the committed resources /assets accounted for to achieve this plan.

A good management strategy will focus equal if not more attention on internal performance to achieve its objectives and will monitor it closely as well as its competitors. Strategy formulation can be seen as akin to that of a game of chess in which the master carefully manoeuvres his chess pieces to achieve check mate sacrificing pawns in order to draw his competitor out.

Such strategies according to Porters Generic Strategies [7] are differentiation, cost leadership and focus and summarised below.

Differentiation – Organisation sets about distinguishing its product / service from those of its competitor

Cost Leadership – Organisation aggressively cuts costs, employs tighter controls than competitors etc

Focus – Concentrates on a specific region, market or segment group