

Chapter 18: carmax, the used-car superstore: smooth ride or a rocky road

[Business](#), [Management](#)



CarMax, the Used-Car Superstore: Smooth Ride or a Rocky Road? al Part of 2 Case Study CarMax is currently a top store in used cars. It is has it's headquarter at Richmond. It is origin is traced back to Circuit City. By 2009 physical year it was selling 194, 081 whole sale cars with 345, and 465 in retail. CarMax has seen a steady growth since its birth. Today it gives the buy for consumers as it ensure both value and price that is customer friendly (Debra, 2010).

The company has well-structured value chain based on its huge economies of scale. Large store allows the company to spread its operation costs to reduce the impact of price strategies. The Company apart from use of price wars CarMax ensures that its products are of quality and valuable to its customers. As a result, it has strong competitive advantage with customer retention powers. CarMax acquire its products by ins. As a result it maintains a quality inventory. It ensures that customers are capable of reaching its outlets by constant expansion of its outlets (Debra, 2010).

CarMax has a well-managed inventory system as a competitive advantage. This allows for differentiated brands and different in pricing. It is no 'haggle' methods ensure that the customers experience high value of the products. SWOT analysis of CarMax indicates strength of quality products, no haggle pricing and customer satisfaction. The major Weakness of CarMax is its high prices. Several opportunities are seen in CarMax which includes wide expansion, backward supplier integration and better customer services. The major threats facing the organization are political situations, economical changes, high competition in the market and high overhead cost per created new store (Debra, 2010).

Part 2 of 2

Answer questions 1-4 using only the above information and reference provide at bottom

Discussion Questions

1. Describe the external forces for change that seem to be affecting CarMax. Several external forces affects the CarMax includes; political tensions such as September 11 terror attack. The result is shift on attention of people as well as financial system. Economic depression such as the one witnessed in 2007 -2009 period made changes in purchasing power as well as consumption power hence reduced sales of the company. The strikes of natural disasters as well affected the normal operations of the company and financial allocation. Finally, shifts in gas prices made lowered purchases since many could not afford to maintain their cars (Debra, 2010) .
2. Describe the internal forces for change that seem to be affecting CarMax. Several internal changes have been observed in the organization, these were mainly brought about by shift in economy. Lean economic times brought about reduction in car inventory to meet the customers demand. Attritions and scheduling were also resultants of recession. CarMax experienced changes in marketing volume as well as fund allocations.
3. Using force field analysis, explain CarMax's development as a business enterprise.

CarMax Five Forces

Threat to new entrants: This industry is characterized by high cost fixed inventories that new entrants find hard to achieve. Additionally CarMax has extensive supply and distribution channel that are hard to be broken by new

entrants. Finally, high economies of scale that this company holds make it hard for new entrants to operate in its field.

Competition Intensity: The Company has developed very stiff competitive strategies from both car dealers as well as individuals. In addition, it has retained its customers through price and value.

Suppliers bargaining powers: In this market, suppliers have strong bargaining powers since they can cut the channel directly to meet the customers with their products.

Buyers bargaining Powers: There is no switching cost in this market while customers are very price sensitive.

Threat of substitutes: Although there are alternative, product differentiation is small as all are cars.

4. Explain the development of CarMax from the perspectives of incremental, strategic, and transformational changes.

CarMax have several market play strategies to survive in the market. It is product are used modern cars which incrementally is expected to attract large number of customers. Apart from this, CarMax also plays price wars to ensure it gains market advantage. This is in addition to provision of quality products in the market (Debra, 2010).

Work Cited

Debra L & Campbell Q. (2010). Organizational Behavior: Science, The Real World, and You. 7th Edition (Kindle Locations 18246-18251). Cengage Learning. Kindle Edition.