

Successful management report examples

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A marketplace where companies run their operations and sell products and services is very competitive. Michael Porter was among the first ones to study how to build a competitive advantage. Porter claims that “fundamental basis of above-average performance in the long run is sustainable competitive advantage.” (Porter, 1985) Within this framework he identified three primary strategies for achieving competitive advantage: cost leadership, differentiation and focus. (Pearlson&Saunders, 2010) Choosing at least one of these will draw more customers to a company or an organization. To analyze how the generic strategies model works in real life I have selected three retail companies: IKEA, Wal-Mart and Mary Kay Cosmetics Inc.

Founded in 1943, IKEA’s mission is to offer a wide range of home furniture items at affordable prices. In order to maintain cost leadership, suppliers of the company are located in low-cost countries with cheaper labor. I believe that IKEA’s model suits all three strategies; however the main emphasis is on cost leadership. Costs are held to the minimum also due to assembling of furniture, which has to be done by customers IKEA doesn’t have own manufacturing facilities. Another key concept is that all pieces of furniture are packed in flat standardized boxes. Such way of storage reduces warehouse expenses and logistics costs. IKEA has more than 300 stores in 35 countries and ever since their first opening it kept the promise to deliver high quality products to majority of customers. In 2011 their turnover reached 26 billion euro and it proved that the business idea works and it’s successful.

Another example of low-cost strategy is Wal-Mart, one of the largest US companies. Using economies of scale, mass distribution to generate operating efficiencies, Wal-Mart epitomizes the cost-leadership strategy. (Pearlson&Saunders, 2010) Wal-Mart has achieved a very substantial cost and pricing advantage over rival supermarket chains both by revamping portions of the grocery retailing value chain and by outmanaging its rivals in efficiently performing various value chain activities. (Thompson et al.) According to the official reports and the Fortune 500 list, Wal-Mart's revenue for 2011 was more than \$400 thousand and such figure placed the company to the first place for the second year in a row. Since Wal-Mart is such a large retailer, it has the possibility to discount its product to maximize sales. Wal-Mart's strategy is not differentiated, because its range of products includes major departments from grocery to electronics.

Mary Kay is a privately owned company that sells cosmetics and skin care products. Mary Kay Cosmetics Inc. uses market niche strategy based on differentiation. According to Pearlson and Saunders (2010) companies that choose this strategy distinguish their products within the segment and usually have less market share. Despite this fact, Mary Kay Cosmetics Inc. has quite competitive positions with reported global wholesale sales of \$2. 5 billion in 2011. Mary Kay offers more expensive cosmetics to older woman, and it has revitalizing effect on skin. The company emphasizes on its highest standards of quality, innovative products, thorough researches done by dermatologists and elimination of animal testing. The official statistics on the website informs that more, than 39 000 woman are involved in direct sales of Mary Kay cosmetics products, which proves success.

Before entering market companies need to create own competitive advantage, based on low price, unique feature or focused production. Three companies described in this assignment are from the retail industry. While Swedish IKEA and Wal-Mart sell products at low prices, Mary Kay is not afraid to set them high and capitalize on high quality and limited market share. Every strategy from the above has own advantages and disadvantages, that's why it is essential to analyze company's strategy and define the most suitable one.

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