

Analysing case studies of mercedes benz tesco marketing essay



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INTRODUCTION

Extremely fierce and highly competitive globalised work environment has intensified the apprehensions of business organisations pertaining to the development and implementation of prudently designed business strategies that can ensure their long-term survival and enduring success in the market. It has been observed, that despite of designing smart strategic plans, many business organisations fail to maintain their survival in the market and this is only because of their inability to operationally devise and enact these strategic decisions (Mills, Platts, Bourne and Richards 2002, p. 112).

Operation management is strategically important for the business organisations as myriad day-to-day operational activities are responsible for determining the extent to which the key strategic objectives are executed and thereby, constituting long-term organisational success. It has been studied that operation management is all about defining, organising and directing organisational aims and objectives through strategically employed operational procedures concerning the organisation (Slack et al 2004, p. 67). Several constituting factors including price, quality, service, flexibility and tradeoffs are meant to develop the operational strategy (Slack and Lewis 2002, p. 221) and in order to improve quality, enhanced organisational receptiveness and cost-effectiveness, a wide-ranging operational paradigms have been emerged in recent times (Anderson 2006, p. 56).

Supply chain strategy is the crucial element of operation management through which the core operational processes including transportation, logistics and procurement activities are integrated by pulling materials in response to demand patterns and hence, demand uncertainty is avoided and

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supply chains, inventories and service levels are significantly improved (Slack and Lewis 2002, p. 226). Business organisations also utilise optimum resources and systemic managerial approaches to support quality and innovation in their products and services for which they integrate key operational, procedural and functional systems. Organisations can achieve total quality within their business operations when positive cultural shift is established by knitting strong relational bonds between human capitals and maintaining long-term partnerships with suppliers (Hayes, Pisano, Upton and Wheelwright 2005, p. 119). Operation management paradigm also encompasses the concept of capacity planning through which the organisational management exhibits its competency to foresee the unprecedented events and strategise in advance to circumvent the chances of protracted fiscal damages (Ferguson 2000, p. 65) whereas, the evaluating the extent of orders and thereby, monitoring and determining the required inventory levels and stock replenishment is covered by inventory management model (Anderson 2006, p. 59). The study is designed to illustrate these concepts in a report format by evaluating the comprehensive operation management paradigm.

1. 1 Aims & Objectives

Organisations can achieve enhanced fiscal benefits and customer satisfaction by triggering the process of transforming inputs into outputs with intent to add value to the organisational goals in terms of producing improved products and services (Giannakis and Croom 2004, p. 28). This not only enables in gaining control over systemic planning and management activities but also results in attaining sustainable competitive advantage by

maximising organisational productivity. The main objective of this study is to investigate the key concepts and theories of operation management which is considered as the core contributor to the long-term organisational success. The study aims to analyse the corporate and marketing strategies of one service-based and one manufacturing organisation i. e. Tesco and Mercedes by critically discussing the theoretical principles and frameworks covered in operation management paradigm. Moreover, the study also intends to evaluate the blend of theoretical concepts based on the case studies of each organisation in order to assess the relative impacts on their long-term competitiveness, innovation and sustainability.

1. 2 Rationale of the Study

Operation management is a multidisciplinary approach encompassing the decision making process pertaining to the design, planning and management of all the factors influencing the operational capacity of an organisation (Ferguson 2000, p. 68). Globalisation has shrunk the geographical boundaries and the consumer world has now been exposed to generous information and alternatives to the products and services which have made it extremely intricate for the business organisations to stand-out (Giannakis and Croom 2004, p. 30). The role of operation management becomes crucial in terms of creating, transforming and controlling the productive resources to generate saleable products or services. The scope of this study is to contribute some value to the existing literature pertaining to operation management as the theoretical underpinnings of the subject and the evaluation of case studies are designed to facilitate in developing advance understanding of managing the deployment of operational resources within

the incessantly changing globalised business environment to gain competitive advantage. The significance of studying operation management paradigm is equally beneficial to the academia, operations practitioners and contemporary business organisations.

Structure of the Report

This segment is designed to explicate the structure of the report that is primarily based on comparing and contrasting the theoretical approaches of operation management by prudently evaluating the corporate and marketing strategies based on case studies of two selected organisations. The report is creatively structured and divided into five distinct segments. Initial segment of the report is the introductory part that is meant to develop the foundational grounds of the study by explaining the key objectives and scope of conducting the research. Second segment of the report begins with presentation of company profiles of two selected organisations i. e. Tesco and Mercedes by critically evaluating core operational and transformational processes to assess the adequacy of their strategically devised corporate and marketing initiatives for gaining competitive advantage in the market. Theoretical concepts and frameworks of operation management including supply chain management, capacity planning, inventory management and total quality management are appraised in the third segment of the report which intends to justify the arguments by linking the theoretical underpinning with the information extracted from case studies. Fourth segment assesses the application of theoretical concepts on the case studies of selected organisations, in order to investigate relative impacts on the organisational competitiveness, innovation and sustainability in a longer run.

The report is terminated in the fifth segment which is designed to logically conclude the overall arguments in a consistent manner.

OPERATIONAL & TRANSFORMATIONAL PRACTICES

Contemporary organisations ought to adapt with the consistently changing trends of the trade world and globalised economies as consumer's buying behaviours are gravely affected by the modern operational and transformational procedures. Today, the entrenchment of innovativeness, technology and advance quality of products and services have become crucially significant to the operation management process for gaining competitive advantage in the market (Anderson 2006, p. 57).

2. 1 Case Study I: Mercedes Benz

The strategic alliance of Daimler-Benz with Chrysler in 1998 lead to establish DaimlerChrysler AG, which is now recognised as one of the leading and most promising automobile companies across the globe. The luxury German car manufacturing company enjoys its humungous presence by operating in 104 countries whilst selling its products in approximately 200 countries through more than 13, 000 sales outlets within the globalised economic arena (Mercedes 2011). Mercedes is primarily engaged in the manufacturing, distribution and sales activities related to its wide range of uniquely designed and technologically advanced automotive products including passenger cars and commercial vehicles and on the other hand, the company also offers financing solutions (Mercedes 2011). In accordance with the key statistics as illustrated in its Annual Report (2002), the company has generated revenues of £130. 80 billion and employs more than 365, 600 employees worldwide

(Mercedes 2011). The world renowned BMW, Lexus, Toyota, Volkswagen and General Motors are amongst its core competitors.

2. 1. 2 Analysing the Corporate & Marketing Strategies

The corporate strategy of Mercedes Benz is focussed on enhanced quality and reliability of its products and services by stressing on “ The best or nothing” strategy (Mercedes 2011). Presently, the company has been observed to raise its profile in fleet car sales by 17% in 2010 and further 11% by 2011 with intent to prevail over every operational segment unlike its premium rivals that are focussed on tax-cutting low CO2 models within market that is tightly up just under 2% (Mercedes Annual Report 2008). Studies suggest that the operations tasks can be articulated by identifying five operations performance objectives as for instance, lowering the pricing strategy necessitates substantial reduction in operational costs or speedy customer services require swift operational procedures and; as improving product quality demands for advancement in the areas concerning innovation, design and technology (Slack et al 2004, p. 119). Mercedes have been experiencing quality control problems due to its batteries, alternators and brakes integrated in its several models made since 2001, that were quiet obvious especially after the biggest product recalls in 2005, indicating that the company is exceedingly losing its loyal consumer base (BBC 2006). The company has introduced technologically sophisticated gadgetry in its S-class cars range in parallel to its pledge for being the market leader in terms of quality and reliability however; several business analysts have identified the electronic gremlins might further impair company’s image by alienating its existing consumer base (Mercedes Annual Report 2007). With respect to

its marketing strategy, Mercedes is focussed on “Ambition to lead” by particularly emphasising on 6P’s of marketing i. e. product, price, promotion, place, people and process. Massive improvements have been observed in its product designs and technologies especially in E and S class ranges by introducing higher-rate springs, stabiliser audio, navigation, trip computer and telephone consoled steering wheels (Bilich and Neto 2000, p. 9). Pricing has also been revised to attract people from middle class and the strategy is complimented by moving its manufacturing and operational units in Asian countries to reduce the production and distribution costs. Aggressive promotional strategy has been embraced by the company whilst targeting wide-ranging consumer base through effective marketing campaigns that are focussed on product features including CLS or Blue-Efficiency campaigns and on the other hand, marketing campaigns are exceedingly supported by comprehensive print, TV, online and media communications (Holweg, Disney, Hines, Naim 2005, p. 514).

2. 2 Case Study II: Tesco Plc.

Deeply penetrated within the competitive retailing sector in UK, Tesco celebrates its substantial existence by covering approximately 90% of UK market alone with an annual turnover of more than \$1 billion which makes it the largest online grocer across the globe (Palmer 2005, p. 25). In accordance with the Nielsen/Netrating audience panel for September (2007), that investigated 25, 000 demographically representative households in the UK for the top supermarkets, Tesco leads the online market share by holding 27. 1% followed by Asda, Sainsbury and Waitrose holding 10. 1%, 6. 9% and 4. 2% shares respectively (Nielsen/Netrating 2007). On the other hand,

Tesco was again spotted at the top position with 30.9% offline market share followed by Asda and Sainsbury having 16.9% and 16.4% shares respectively (Nielsen/Netrating 2007). The company principally deals with food and grocery items and has also diversified into non-food ranges including clothing, books, electronics, dieting clubs, flights and holidays, music downloads, gas and electricity (Palmer 2005, p. 27). Asda, Sainsbury and Waitrose are the core competitors of the company.

2.1 Analysing the Corporate & Marketing Strategies

Unlike others in UK, Tesco is the only retailer that has successfully managed to survive and expand in the contemporary globalised economies by maintaining its corporate strategy closely knitted by a six dimensional approach for enhanced growth in worldwide market (Data monitor 2003). Tesco embraces the strategy of designing its products by carefully analysing the local market needs and remain increasingly adaptive to the environment of indigenous markets. Tesco believes in highly focussed and long-term strategies with multi-format approach and shared knowledge structure. The most crucial aspect of its corporate strategy is the deployment of time and patience to build the brand image without being distracted by its growth pattern in its primary market. Followed by its corporate strategy of aggressively expanding in the international market, Tesco became the first UK retailer to break through the £2 billion profit barrier (Data monitor 2004). The marketing strategy of Tesco is highly innovative in terms of introducing reward points to the customers during shopping which can be later exchanged by valued products. In addition to this, the company has significantly acknowledged the need for integrating e-technologies within its

marketing campaigns and thereby, launched Tesco applications that has made its products instantly accessible to the targeted consumer base through mobile phones and also keep them updated with new deals and discounted offers (Data monitor 2004). Tesco diet is another interactive web page which is meant to educate the consumers about healthy eating and thereby, unconsciously persuading them to buy the food items offered by the company. Tesco also improved its out-bound logistics by hiring cheerful and highly cooperative staff for online delivery orders, which serve as the face of the company and are also trained to market their products and new offers in a cataleptic manner (Kotler, Armstrong, Saunders and Wong 2001, p. 169). The company also employs print and electronic media for the marketing of its products and also utilises social networking websites and blogging as integral tools of promotions in the contemporary business world. The most significant aspect of Tesco's marketing mix strategy is its personalisation strategy as the company has maintained a separate online marketing department that is meant to send personalised messages via emails and sms to ensure that their customers never miss their latest offers and new products (Palmer 2005, p. 33).

THEORETICAL JUSTIFICATIONS BASED ON CASE STUDIES

Operation management is all about interlinking a wide-range of processes and procedures including manufacturing, distribution, marketing and all other significant methods to maximise sales and achieve core organisational objectives. Size and nature of business operations are extremely significant in terms of determining the operational, functional and transformational

capacity (Handfield and Bechtel 2002, p. 371). This segment of the report is aimed to critically analyse the theories and concepts pertaining to operation management paradigm whilst analysing the capacity planning, supply chains, inventory control and total quality management in each of the selected organisations.

3. 1 Evaluating Supply Chains of Mercedes & Tesco

Closely knitted web of manufacturing, distribution and other production activities forms the supply chain of an organisation with intent to obtain the manufactured materials, modify them into finished products and distribute them in the targeted market in order to meet the consumer's demand (Holweg, Disney, Hines and Naim 2005, p. 512). Literature suggests that business organisations can significantly benefit by creating four dimensional values in their supply chains including customers, planning and performances, processes and intangible resources (Kaplan and Norton 2004, p. 102). Whilst catering condense market segment, Mercedes has been focussed on creating value in its supply chain, primarily by embracing three main supply chain strategies including just-in-time, lean manufacturing and built-to-order strategy for a larger consumer base that is unwilling to wait for two to 3 weeks delivery time thereby, enhancing customer satisfaction (Holweg et al 2005, p. 512). On the other hand, the company has also adopted a plan for catering lower-income customers by producing affordable car ranges and espousing cost-effective manufacturing process. Tesco has also been vigilantly focussing on creating value in their supply chains by low-cost leadership, synchronisation and lean thinking, employee-empowerment initiatives and customer-centric approach (Griffith 2002).

Capacity Planning by Mercedes & Tesco

The continuously evolving business trends of contemporary globalised economies have made it extremely significant for the business organisations to improve their aptitudes for capacity planning. Through capacity planning, organisations gather, maintain and analyse the optimum information regarding the utilisation of its tangible and intangible resources to meet and exceed their core organisational objectives (Anderson 2006, p. 93). However, it is crucially important to determine the investment required for capacity planning (Gox 2002, p. 62), as it has been studied that underinvestment in capacity can substantially reduce revenues whereas, an overinvestment might result in excess capacity which may produce serious consequential effects on the fixed costs (Henderson and Cool 2003, p. 397). Mercedes has successfully employed capacity planning initiatives by investigating North American region for the feasibility of producing luxury sports utility vehicle which significantly minimised combined labor, shipping, and components cost and further reduced the penalties associated with currency fluctuations (Holweg, Disney, Hines, Naim, 2005, p. 518). On the other hand, Tesco expanded its order-processing capacity by foreseeing its rapidly growing online sales and integrated BizTalk system that process 5, 000 orders per hour which remarkably increased performance efficiency without the need to expand hardware configuration and also reduced system maintenance costs (Norris 2007).

Mercedes & Tesco's TQM Strategies

Quality has been recognised as the most critical element of the operation management and is considered to be a macro function of organisations that

has to be entrenched within the decision making process, allocation of resources, definition of priorities and most importantly within service delivery (Bilich and Neto 2000, p. 5). It has also been studied, that survival of the organisations in the contemporary business world necessitates total quality management established at all levels (Djerdjour and Patel 2000, p. 26). Mercedes core organisational values heavily rely upon quality, safety and reliability however; the company's image was seriously threatened when its position dropped to 26th spot in quality segment of auto manufacturing (Business Week 2003). It has been observed that the Mercedes significantly deviated from its core strategies and was more inclined towards innovation and technology which has tremendously shaken its loyal consumer base indicating the unfavourable implications of undervaluing quality management approaches. The TQM strategy of Tesco is primarily focussed on two main areas including: (i) process improvement by systemic approach and; (ii) development and standardisation of management systems for functional activities throughout the organisation (Delaney-Klinger, Boyer and Frohlich 2003, p. 187). By analysing the TQM strategy of both the organisations it can be instituted that the benefits of TQM can be maximised by entrenching it within the internal and external organisational processes, resources and facilities (Djerdjour and Patel 2000, p. 34).

Mercedes & Tesco's Approach towards Inventory Control

The role of inventory management is extremely significant as lower inventory levels can increase the transportation outlays followed by smaller and irregular loads. Business organisations can effectively reduce the costs to logistics through supply chain optimisation by planning to meet the

demands of consumer base. It has been studied that ineffective routing and scheduling of orders can adversely influence transport costs (Cooke 2000). In accordance with its inventory management approach, Mercedes identified approximately 100 sites in 35 state of US which is closer to its primary market and since major part of its products were intended to export therefore, the company chose the sites near seaports, rail lines, and major highways to control the costs for transportation (Holweg, Disney, Hines, Naim 2005, p. 523). Studies suggest that transportation is the single most prominent cost category in logistics which can dramatically facilitate in cost saving (Giblin 2001). On the other hand, Tesco being market leader of retail business in UK, necessitates embracing technological advancements in terms of maintaining its position within the extremely concentrate market. Therefore, Tesco has embraced smart shelf technology by adopting RFID system which enables the staff to locate the items in real-time and also improve the on-shelf availability by timely replenishments thereby, saving time and costs for additional staff (Thomas 2003).

APPLICATION & EVALUATION OF OM THEORIES ON STRATEGIC MIX

This part of the report is aimed to highlight the strategic mix pertaining to the concepts and theoretical frameworks of operation management as applied on the competitiveness, innovation and sustainability of selected organisations. The effectiveness of operation management strategies is usually determined by evaluating the key factors like cost, quality, delivery and flexibility (Mills, Platts, Bourne and Richards 2002, p. 130) however, it is important to note that the contemporary business world that has now

liberated from the limitations of geographical boundaries needs the integration of advanced technological solutions to stand-out in the global markets (Khamalah and Lingaraj 2007, p. 976).

4. 1 Competitiveness

Mercedes manufactures high-valued and technically advanced cars by particularly focussing on the development of car engines and producing wide-ranging transport facilities from cars to jeeps and other commercial vehicles which enables the company to cater almost every segment of the market. Merger of European and American companies makes Mercedes well acquainted by the consumer markets belonging to two different tastes and culture (Elvin, Hendricks and Singhal 2001, p. 274). The company continues its competitiveness by its remarkable supply change management as it maintains close ties with its key suppliers for instance, during the worldwide fiscal turmoil in early nineties when organisations were obligated to negotiate pricing strategy, it was quiet obvious that both the company and its suppliers shared equivalent dependability on each other (Hayes, Pisano, Upton and Wheelwright 2005, p. 133). Despite of operating in a highly concentrated market, Tesco has achieved a leading position as the company has radically improved its operation management strategies by adopting lower pricing and absolute quality control through compensating full costs of the product, if found damaged (Tesco 2010). The company also maintains its competitiveness by proffering secure transaction opportunities in case of online shopping, timely delivery of products at the door-step and efficient staff that is adequately trained to offer excellent customer services.

4. 1 Innovation

Mercedes allocates a humungous investment of more than \$47billion on its research and development which substantiates its organisational objectives to meet and exceed the consumer's expectations pertaining to advanced technology and innovative solutions. The company is also exhibiting keen interest in developing contemporary designs within competitive price whilst maintaining its assertive and risk-taking behaviour which indicates its thirst for improved quality in its products and services (Kaynak 2003, p. 426). The innovativeness of products characterised by radio frequency identification system of tagging its products or advanced data processing system; Tesco exhibits its commitment to enhance the consumer buying experience through innovation (Norris 2007). By introducing highly interactive and advantageous innovations like Tesco club cards, Tesco applications, talking Tesco and Tesco diet; the company has notably penetrated within diversified consumer's market segments.

4. 3 Sustainability

The strong market presence characterised by more than 25-30 dealerships in each of its operational territories, Mercedes ensures that it's within the consumer's reach (Bilich and Neto 2000, p. 7). In addition to this, a luxurious brand image of Mercedes along with its quality standards, enhanced security and tremendous reliability for many years has established a loyal consumer base. The company principally operates in economies of scale and as the level of sales rises the unit cost decreases which substantially circumvent the threats of new entrants in the market thereby, accentuating its long-term sustainability (Bilich and Neto 2000, p. 13). On the other hand, Tesco has not

refrained from diversifying into non-food categories and has expanded its operations into other market segments including clothing, electronics, financing and others which determines that the company has the aptitude to take risk and maintain its survival on long-term basis. Tesco maintains a strong brand value which has been indicated by its tremendous rise in profitability by 78% through successful operations in Europe, Asia and Ireland (Usunier 2000, p. 177).

CONCLUDING REMARKS

The report has critically appraised on the theoretical frameworks pertaining to operation management by explicating its key components including inventory control, supply chains, capacity planning and total quality management. Case studies of one manufacturing company i. e. Mercedes and one service-based company i. e. Tesco; have been profoundly investigated to evaluate the impacts of operation management theories and application; on the innovation, competitiveness and sustainability of these organisations. To conclude, it can be stated that both Mercedes and Tesco are market leaders within their territories and the analytical report suggests that their success lies within their strategic deployment of operational and functional processes.