

CASE STUDY #2

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Yuji Shimojo

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Instructor: Prof. Brandon L. Cohen

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Introduction

This paper mainly discusses current business analysis of Rest Assured, consideration of four acceptable alternatives to solve the problems which Rest Assured has, and suggestion of one recommended solution to achieve the business objectives. Before considering alternatives, I organized the given information to analyze current business environment which Rest Assured is facing by using Marketing Mix and 3C's model (Boone, L. E. & Kurtz, D., 2012) as shown by Figure 1 below.

Figure 1: Rest Assured's Current Business Environment

Customer	<p>The town has 8,000 people.</p> <p>It swells to double that size in the summer when families and retirees make their way to the coast to enjoy the beautiful Pacific Ocean for a week or two.</p> <p>Tourists pulled back on their beach vacations and retirees opted to stay at home for a while until the economy became more stable.</p> <p>The past few months have shown some evidence of increased visitors to the town and to the mall, though potential customers don't seem to be visiting Rest Assured as they have in the past.</p>	
Competitor	<p>The new store specializes in discounted house wares including discounted bedding materials.</p> <p>The store largely relies on synthetic bedding materials made by Chinese workers</p> <p>It offers its products at significantly lower prices than the products offered by Rest Assured.</p>	
Corporation	Product/Service	<p>Rest Assured is a small retail business specializing in bedding and bedroom accessories: mattresses, comforters, blankets, pillows, sleep ware, and small decorator gift items for the bedroom.</p> <p>The store's goose down materials and high quality synthetic fabrics, along with its clear focus on customer service, have made the store a successful enterprise...until recently.</p> <p>The store is owned by a husband and wife. It employs three full-time people, and the store owner and his wife fill in when employees are ill or off on vacation. One of the store employees has been with the store since it opened; one was hired five years ago; the third came on board as a replacement hire for a person who left the store two years ago.</p>
	Price	<p>The objectives are:</p> <ol style="list-style-type: none"> 1. To achieve and sustain a profit level in the business that will help the owners fund their current lifestyles and prepare for their future retirement plans. 2. To provide fair and equitable treatment of employees by offering competitive pay and reasonable benefits in order to attract and retain the highest quality customer service employees for the store. 3. To offer Made-in-the-USA products as a way to express support for the country and its workers. 4. To demonstrate respect and appreciation of customers by seeking to understand their needs, offer products at reasonable cost that meet those needs, and interact with them in ways that ensure their long-term satisfaction and loyalty as customers.
	Promotion	<p>The store is advertised through the mall's regular advertising programs. The owners of Rest Assured also purchase an ongoing ad that is run in the local movie theater in advance of the movies.</p>
	Place	<p>The store opened eight years ago within the only shopping mall located in a small coastal town in the Northwest.</p> <p>The company leases space in a rear corridor of the local shopping mall, back from the area that gets the most mall traffic.</p> <p>An advantage to their leased space is its large size that enables the store to display more of its product line than it would have if it leased one of the smaller spaces in a higher traffic area in the mall. It also costs less than spaces closer to the high traffic area.</p>
	Management	<p>About a year ago, sales began dropping off, and expenses began outpacing revenues. Even the Christmas season, which is usually a tremendous boost to store sales, wasn't enough to make up for the losses last year.</p> <p>Rest Assured was dealt a major blow when the national economy slumped.</p>

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From the situation above, I defined the solving problem is how Rest Assured successfully recover from slumping business with achievement of its business objectives.

Alternatives

A famous American business school professor Porter, M. E. (1998) advocated generic competitive strategies in which he pointed out four analytical framework for understanding industries and competitors, and formulating an overall competitive strategies: cost leadership, differentiation, cost focus, and differentiation focus. I adopted his strategies to Rest Assured and broke each alternative down by elements of the marketing mix.

Figure 2: Rest Assured's Alternatives by Marketing Mix

Alternatives/4P	Products/Service	Price	Promotion	Place	Management
Cost Leadership Strategy	Focus on core marketable products that are hot-selling and highly profitable to reduce procurement cost by sourcing optimization with narrowing down suppliers Provide products made in a third country including China	Offer low-end products targeting people in local town, tourists on vacation, and retirees	Create a Facebook Page and put out the information on it to reach the targets in outside of the town	Do nothing (same as before)	Control employees' salaries and working time for cutting cost
Differentiation Strategy	Offer custom-made service by taking advantage of high quality customer service by experienced employees Offer delivery service	Offer middle-end products targeting people in local town, tourists on vacation, and retirees	Create a Facebook Page and put out the information on it to reach the targets in outside of the town	Do nothing (same as before)	Control employees' salaries to prevent from cost increases
Cost Focus Strategy	Focus on core group of marketable products that are hot-selling and highly profitable to reduce procurement cost by sourcing optimization with narrowing down suppliers	Offer low to middle-end products targeting people in local town	Do nothing (same as before)	Move to a smaller space in a higher traffic area in the mall because there is no more large space for product line	Do nothing (same as before)
Differentiation Focus Strategy	Focus on high quality products Offer custom-made service by taking advantage of high quality customer service by experienced employees Offer delivery service and after-sales service	Offer high-end products targeting people in local town	Create a membership website to increase customer loyalty by issuing coupons and distributing e-mail magazines	Move to a smaller space in a higher traffic area in the mall to catch people's attention more	Improve employees' satisfaction by paying them what he or she is worth to enhance customer service

In Figure 3 below, I also describe each of potential risks.

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Figure 3: Rest Assured's Alternatives by Potential Risks

Alternatives/Risks	Potential Risks
Cost Leadership Strategy	Technology changes or external environmental changes The store may give an opposite impression of current brand image to existing customers
Differentiation Strategy	Competitors' imitation Employees' satisfaction will keep or decline; however, if an employee leaves, the store won't be able to offer high quality customer service, which is one of the biggest differentiators
Cost Focus Strategy	Demand in the target segment disappear The focus strategy is imitated
Differentiation Focus Strategy	Demand in the target segment disappear Broadly-targeted competitors overwhelm the segment

Consequences

I assumed consequences along the business objectives by each case of strategy, and calculated contributions to overall desirability by making a risk profile, shown in Chapter 8 in Hammond et. al. (1999).

Figure 4: Risk Profile for Rest Assured's Competitive Strategy

Consequences /Alternatives	Cost Leadership			Differentiation			Cost Focus			Differentiation Focus		
	Chance	Desirability	Contribution	Chance	Desirability	Contribution	Chance	Desirability	Contribution	Chance	Desirability	Contribution
Business is broadly successful	15%	90	13.5	15%	90	13.5	0%	90	0	0%	90	0
Business is locally successful	30%	70	21	40%	70	28	70%	70	49	60%	70	42
Employee satisfaction is improving	0%	60	0	5%	60	3	30%	60	18	60%	60	36
Contribution to the country is achieving	0%	20	0	100%	20	20	100%	20	20	100%	20	20
Customer satisfaction is improving	30%	40	12	70%	40	28	40%	40	16	70%	40	28
Contribution to overall desirability	46.5			92.5			103			126		

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Recommended Alternatives

Figure 4 above shows, differentiation focus is the highest risk tolerance. In addition, I made a decision matrix by reference to Chapter 6 in Hammond et. al. (1999) shown by Figure 5 and 6 below.

Figure 5: Unweight Assessment of Ranking Alternatives

Consequences/Alternatives	Cost Leadership	Differentiation	Cost Focus	Differentiation Focus
Success of Business	1	2	4	3
Employee Satisfaction	1	2	3	4
Contribution to the Country	1	4	4	4
Customer Satisfaction	1	4 (tie)	2	4 (tie)
Total	4	12	13	15

Figure 6: Weighted Assessment of Ranking Alternatives

Consequences/Alternatives	Cost Leadership	Differentiation	Cost Focus	Differentiation Focus	Weights
Success of Business	4	8	16	12	4
Employee Satisfaction	3	6	9	12	3
Contribution to the Country	1	4	4	4	1
Customer Satisfaction	2	8 (tie)	4	8 (tie)	2
Total	10	26	33	36	

As a result, Differentiation focus resulted in maximum number as well.

Change Management Considerations

Rest Assured's stakeholders are identified as the owner and his wife, three employees, customers, and community in the town. Among them, employees perhaps resist to change. Therefore, employer has to see the link to the old way of doing things as Rogers, E. mentioned (as cited in Maurer, R., 2010). For example, even if the number of products is reduced by the focus strategy, employees can recommend custom-made service to customers instead of a variety

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of products as before. And another thing the owner should be careful is changes of external environment such as new technologies and new entrants, even the new strategy eventually runs its course. For such threats, they have to keep doing Time to Move On in the cycle of change (Maurer, R., 2010).

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References

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