



1-1 Discussion: Business Strategy

Read the following Shapiro Library article: [Linking Compensation to Business Strategy](#).

Identify two companies, one that you believe pursues a lowest-cost strategy and another that pursues a differentiation strategy. Relying on personal knowledge or articles in newspapers or business periodicals, discuss these companies' competitive strategies.

To complete this assignment, review the [Discussion Rubric](#) document.

Rubrics

 [Discussion Rubric: Undergraduate](#)

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Discussion 1

Ellen Young posted Oct 27, 2020 10:38 AM [★ Subscribe](#)

The low-cost strategy company I chose is Dollar General. This company has grown when other companies have either lost money or stayed flat. The company history is very straightforward, they opened their first store in 1955 in a small town in Kentucky (Hanbury, 2019). They are a no frills, “no ups, no extras” retailer, they have a formula that works for them and they know it! Dollar General stores are usually located suburban or rural areas that are food deserts and have a “target” market, which is households with an income of less than \$40,000 per year.

They carry a limited number of items, which keeps cost low (they can buy in serious bulk) and allows customers to rely on the products that they carry. Stores are small and the space is rented, which is

cheaper than building a store from the ground up. This provides “mobility”, Dollar General can easily relocate stores that perform poorly and move them to an area that will have better sales.

Apple is the company I choose as an example of differentiation strategy. Apple has never had any interest or intention of being like everyone else! Apple’s ability to create unique products, introduce new products using creative marketing! Create a buzz every time it does something, keep a shroud of secrecy and mystery around new products allows them to keep prices higher position the company as market leaders. This strategy has pushed the company and its products to the forefront of their industry!

Tim Cook has continued with Steve Jobs’ vision and pillars to success:

1. Offer a small number of products
2. Focus on high end products
3. Profit is priority, market share will follow.
4. Create a “halo effect” around the company and products.

I realize that we are finally catching on as consumers, and Apple has seen its popularity start to wane. They did have to come up with a lower priced smartphone, however, it has held onto its “brand image”.

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Last post **yesterday at 10:13 AM** by Ellen Young

Business Strategy

Kelly Gallant posted Oct 28, 2020 10:37 AM [☆ Subscribe](#)

One company that I believe pursues a low-cost strategy is Walmart. Walmart is a US global retail organization that operates 11,484 supermarkets and discount stores across 27 countries. Its competitive advantage strategy is based on selling products at low costs, attracting the largest number of customers possible (A. (2020, August 14). Some ways Walmart accomplishes low costs are with automation, technology, paying low wages, working closely with suppliers, and cutting outsourcing costs.

One company that I believe uses the differentiation strategy is Apple. Apple has been selling the iPhone, iPad and iPod for about a decade. They make high quality items that their competition would find hard to copy and sell at a lower price for the same benefits that Apple offers (Abhishekmujumdar. (2016, May 02). What makes Apple stand out with their differentiation strategy is that they're a vertical intergration company. This means that the supply and demand is owned by the company. Apple is four thriving companies in one. It's a hardware company, a software company, a services company, and a retail company.

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Walmart and Apple

Rosemary Sladky posted Oct 27, 2020 9:25 AM [☆ Subscribe](#)

Hi everyone, it's nice to virtually meet all of you! I believe Walmart is a great example of a company that utilizes lowest cost strategy and that Apple is a great example of a company that utilizes differentiation. Walmart embodies their low cost strategy by keeping operation costs low and bargaining power high. In our text, we learned that lowest cost strategies require aggressive constructions of efficient scale facilities and vigorous pursuit of cost minimization. Walmart does this in many areas, for example they have large efficient warehouses that allow them to buy more products at a lower cost. The bargaining power directly contributes to the low cost strategy. Also they have their own internal delivery system between stores so they are not relying on paying another shipping company to move their product. Walmart is also known for an automated supply chain management system that increases efficiency and lower costs of operation by traditionally removing the human element of taking inventory and placing orders.

The other strategy described in our book is the differentiation strategy. Differentiation strategy builds brand loyalty which typically means consumers are less sensitive about price changes. A company can differentiate themselves many ways, they can provide the best customer service, or the highest quality product, emphasize a particular feature, use specialized technology, or offer a unique price to gain the competitive edge. Apple does a great job at differentiating their products and building brand loyalty. Apple focuses on exclusivity and brand image. Apple offers a limited amount of a product when it first debuts to create demand and support the higher price they attach to the item. The exclusivity provides the consumer prestige and grants Apple a competitive edge over other smart phone and smart device companies in the market.

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Last post **yesterday at 12:11 PM** by Kelly Gallant

Compensation strategy

Lori Sobolesky posted Oct 26, 2020 6:46 PM [★ Subscribe](#)

So I have looked at several companies to find one that I feel is using the differentiation strategy. It appears that Zappos.com uses this formula. While they do not have the highest pay, they used different sorts of benefits as part of their compensation plan. Another similar example is google or yahoo. They use free lunches and discount on site barbers or comfy couches for creativity. It seems to have worked. They have these amazing things to offer that cost the company almost nothing other than the idea of it. Employees like the experiences as much, if not more than the compensation.

This is so different than from Intel where employees have a lost cost pay compensation and are always under threat of lay offs or having third parties come in and do their jobs. It is great compensation for some company out of India but for local employees, they have to live and work in these expensive communities with bare minimum compensation. Living in Beaverton Oregon, I saw both styles and I can tell you the better place to work would have been Zappos or Yahoo or Google compared to IBM or Intel. Those employees always seems stressed and tired while the other companies seems energized and full of ideas.

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Last post **yesterday at 12:22 PM** by Kelly Gallant

Business Strategy

Tyanna Scott posted Oct 28, 2020 1:27 PM [★ Subscribe](#)

Two company I feel use a low-cost strategy is Walmart and Fashion Nova both of these companies I feel will cut cost to expand their customer base. I personally shop at both of these places and I know that with almost all of their products I am getting a good deal from their electronics, house supplies or jeans and dress with Fashion Nova if i went somewhere their is definitely a noticeable price jump.

Two places i believe uses the differentiation strategy is Nike and the Ritz's hotel. These two companies know what they offer and often supply a product that only they can or it makes you appear like that. With the Ritz from the time you walk into their hotel you can tell it appears to be more upscale, and from each person that greets or waits on you they are selling this experience. They want to sale a experience that says, you can only get this at the Ritz. With Nike, this company is the leading company in shoes, they then expanded their shoe brand to clothes, water bottles, heads bands etc. They are known to be the first in releasing the newest basketball shoes and known for their higher prices because it is sold through commercials and ads that you get the best shoes when you shop Nike.

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Discussion 1-1: Business Strategy

Latanya Banks posted Oct 28, 2020 5:57 PM [☆ Subscribe](#)

Hello, Everyone!

The two companies I have chosen are Dollar Tree and Southwest Airlines. I chose Dollar Tree for low-cost strategy because they offer a variety of products to stimulate demand and gain. They have chosen to offer many different types of products from household goods to personal care items at \$1 per item. I chose Southwest Airlines because they choose to offer national and international flights. Even though they may be considered one of the least expensive airlines, their prices have skyrocketed over the years as with their growth and popularity. With Dollar Tree, I sell dinners, at least 150 one week a month. I can go there and three carryout bowls for \$1. I usually buy 50 packs of different sized bowls that come out to \$50 plus tax. Considering that each container yields \$8, depending solely on the cost of the

food, I make roughly \$700 for that week in the sale of dinners alone. There are two Dollar Trees that I frequent and they both know what I am in need of when I come there. I have also purchased cleaning supplies, housewares such as dishes, glasses, placemats, etc., for when I have parties or cater. With Southwest, I have purchased tickets that I probably could have found cheaper but chose this particular airline because, if there is a layover, it isn't for too long and I can usually get seated first. I have flown other airlines. Earlier this year, I went home to Baltimore to cater a wedding. It was pretty much last minute but the couple paid for my flight with Delta. I ended up having a layover in Dallas for two and a half hours. When returning home, the flight was straight through, no layover, but the roundtrip cost was almost \$750. Southwest attempts to differentiate themselves from other airlines by offering lower-priced flights, less layover times, and stellar service to their customers. At any rate, these are two totally different types of business. However, for both businesses their higher bottom line is their end goal.

Your classmate,

Toni Banks

<https://thelawdictionary.org/low-cost-strategy/>

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Mod 1: Strategy

Judith Barringer-Jenkins posted Oct 28, 2020 7:40 PM  [Subscribe](#)

Hello,

The lowest cost company I chose is McDonalds. This company has an efficient process that enables them to keep costs low, their product costs low. Everyone can remember when they launched the \$1 menu. They can also hire workers with less experience, saving money in salary payouts (Business Strategies, 2017).

The differentiation company chosen is Amazon. Amazon has differentiated itself as a logistics guru. The shipping company has mastered the science and art of warehouse organizing, revolutionizing customer expectation of package delivery. My oldest son currently works at a fulfillment center and he has communicated how efficient the lines are organized. He also has communicated how the line supervisors/managers have the flexibility to move people around to keep the boxes moving.

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Business Strategy

Ruth Deangelo posted Oct 28, 2020 7:43 PM  [Subscribe](#)

Hi Everyone,

Lowest-cost Strategy

A low-cost strategy depends on a company's ability to charge the lowest price, invest more in marketing to reach more customers, and continually evaluate cost to ensure customers keep coming back. Southwest airlines' low-cost strategy helps the company maintain a competitive edge. Southwest added more planes with more seating making the cost of operating more efficient. Southwest's business

model is built around its lowest pricing, extremely efficient operations, and innovative logistics solutions (Investopedia, 2020)

Differentiation Strategy

When I think of innovative companies that rule their marketplace, Apple Inc. comes to mind first. Apple's customers are loyal and cannot wait for the next generation of its product lines. The company spends a lot of money on research and development, marketing, and packaging. Apple is tuned into customers' needs and expectations. Apple meets those needs and expectations by improving product design while enhancing its experience through first to market innovation.

Best regards,

Ruth

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Investopedia. (2020, May 22). *How is Southwest Different From Other Airlines?*

<https://www.investopedia.com/articles/investing/061015/how-southwest-different-other-airlines.asp>

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Wal-Mart - Whirlpool

Leann Barnett posted Oct 28, 2020 9:38 PM  [Subscribe](#)

Hello All,

The two companies, that I chose are 2 that I know well. One I use and the other I cannot stand but am forced to use.

Lowest-cost strategy: Walmart

Walmart is a store that I use as I live in a small town and Walmart is all that we have for several miles. Walmart employs a pricing strategy that offers low prices and in return will help to stimulate demand for the products they offer and will then gain market share. '90% of Americans live within 15 miles of a Walmart store.' (Hyde 2018)

Differentiation strategy: Whirlpool

Whirlpool is a company that I trust and that I use almost daily in my life to maintain the needs of my family. Maytag has Developed and offers a unique variety of products. In 2006 Whirlpool bought Maytag to expand their base. It is show in the variety of brands that are under the Whirlpool umbrella. Unlike Walmart the enticement to buy Whirlpool is the knowledge of the products they offer and the value that you are getting from the products, not a low-cost enticement like Walmart has.

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1-1 Discussion

Celia Moodenbaugh posted Oct 28, 2020 11:01 PM [★ Subscribe](#)

Hi Class!

The two companies that I chose to review are Spirit Airlines and Happy Socks.

If any of you have flown Spirit Air, you know exactly what I am talking about when I relate the company to utilizing a low-cost strategy. In all honesty-flying Spirit Air for the first time-was a bit terrifying (and I am not talking about my personal fear of flying). When I booked my first ticket to Las Vegas via Spirit Air, I specifically chose it based on the price of the ticket. It was at least \$100.00 cheaper than any of the other airlines that I compared it to-being a bit on the cost savvy side, I was excited! Once I purchased my ticket, I received an email with flight specifics. Taking a bag bigger than the size of a backpack-there was a cost. My husband who is well over 6 feet tall getting a seat that he could fit his legs into-there was a cost. More than one bag (remember-Vegas usually required many outfit changes)-there was a cost! In the end, the flight really wasn't much cheaper than the other airlines, and not complaining at all (so miss traveling), but I would describe the seats/flight as being as basic as you can get. Market Realist helps to describe Spirit Air's low-cost strategy: "Spirit Airlines believes that passengers should pay only for the services they use and shouldn't subsidize other passengers' services. The airline believes that its lower fares will stimulate air travel demand by attracting travelers who would have otherwise rented cars, carpooled, or traveled by train and bus. Spirit relies on higher passenger volume to grow its revenues, which also brings in more revenue from ancillary services." (Matthews, 2020) And I feel that I should say-I would fly Spirit again, I would just make sure that adding in any 'extras' would still make the ticket cost effective.

The company that I chose for utilizing a differentiation strategy is Happy Socks. "Happy Socks saw the opportunity to convert a simple everyday garment that people didn't care much about to a **fashion trend**. Nowadays, you see many people proudly wearing extra colourful and over-the-top socks as a part of their outfit, in the most visible way possible (and it's awesome!)" (11 Amazing Differentiation Strategy Examples (in 2020) - mktoolboxsuite.com, 2020) Such a basic necessity and not one we always actively think about, Happy Socks has taken something we use every day and made it fun and special! The company not only makes a regular product into a fun product-they also have a unique advertising approach which is in the form of story-telling.

Wishing you all a wonderful week!

-Celia

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Assessment



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