

New Zealand needs a Walmart

I think I learnt most about things I didn't know this week then I had in the past weeks. The readings and lectures, and of course how we went about the simulation the past couple of weeks was really interesting, but some of the reading material especially had concepts I had a vague idea about. Being a BA student, this week's material on business models and strategic planning was different.

The reading I found most interesting was 'Why Business Models Matter' by Joan Magretta (2002). She states that 'a good business model remains essential to every successful organization, whether it's a new venture or an established player' (Magretta 2002). She gives interesting examples of these, and my personal favourite one was Walmart. I have been to the States a couple of times and I am obsessed with Walmart. Mostly with the small prices and the large variety of products all sold under one roof – it's like heaven on earth (spoken like a true shopaholic.) It was really interesting how Walmart's business model was taken from Kmart's business model, but because of better strategy, Walmart did so much better. This brings us to the understanding that 'a business model isn't the same thing as a strategy though many people use the terms interchangeably today' (Magretta 2002). Guilty! I am one of those people. I always thought a good business model meant having a good strategy and therefore success. When I first started with this reading, I was still set on that, especially with the example of EuroDisney. Since their business model was failing because they adapted the American one, they did some strategic planning to make it all better. But once I got to the Walmart example I learnt something new! Business models don't factor in competition, which is really important. That's where a good business strategy comes in. Walmart's strategy was targeting small towns where people have to travel far to get products sold at Kmart. This was really useful to know as we have our first rollover this week. We need to account for our competition in our 'world' as having an awesome business model just won't cut it if our strategy is weak. I would write more but I feel like we should be spilling our team's strategies on this forum!

Speaking of competition, the reading on the blue ocean strategy was interesting as well, especially with the Cirque Du Soleil example. I had no idea what blue ocean and red ocean strategies were before I read this and I'm glad I know now as this will help in our simulation heaps. Basically 'red oceans represent all the industries in existence today, the known market space' (W. C. & Mauborgne 2004) and companies try to do better than their rivals therefore increasing competition intensely. The red ocean is very crowded which means that prospects of growth and profit are very low. It was a little creepy how the name red ocean came about. The readings state 'products turn into commodities and increasing competition turns the water bloody' (W. C. & Mauborgne 2004). I totally imagined the Stickman from Pak n Save and Brett McGregor, the Countdown guy having a sword fight in the ocean and one of them dies and the water turns into blood. Wow moving on!

Blue Ocean is where it's at though! In blue ocean 'demand is created rather than fought over' (W. C. & Mauborgne 2004). A blue ocean is created from within a red ocean. Cirque did exactly this by changing the boundaries of the existing circus industry. Instead of separating circus and theatre, as traditionally done, they brought it in together therefore making a new profitable blue ocean from the red ocean. This is exactly what teams have to do to be successful in Mike's Bikes. There are 6 teams in my world including my team and we are all pretty much in a red ocean right now, depending on what type of bikes each team is going for. It's important to try to differentiate your product in order to make a blue ocean out of the red ocean to maximize profits. The last thing any team would want is to enter an over-crowded market and fall into perfect competition. This reading has a lot of interesting ideas that should be taken into consideration going further in the simulation.

I won't go into detail about the third reading 'Charting your Company's Future' as it was my least favourite and it was sort of similar to the 'Why Business Models Matter' reading. I did like the four steps of visualizing strategy. A good tool to use for the next couple of weeks!

I think I'll be able to reflect more on what I've learnt once I apply what I've learnt in the simulation the next couple of weeks.

Looking forward to seeing how my team goes this week and how I can use what I've learnt to improve next week!

REFERENCES

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Kim, W. C. & Mauborgne, R. (2004). *Blue ocean strategy*. *Harvard Business Review*, 82(10), 75--84
Magretta, J. (2002). *Why business models matter*. *Harvard Business Review*, 80(5), 86--92