

Case Study Introductions

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Module One: Crocs Case Introduction

Since its inception in 2002, Crocs (NASDAQ: CROX) has sold more than 300 million pairs of shoes in more than 90 countries around the world. The company considers itself a world leader in innovative casual. By 2012, the trendy shoe brand was at the height of popularity (Max, 2013). The company was pursuing an aggressive retailing strategy, offering over 300 different designs at nearly 600 retail stores worldwide, with 315 normal stores, 157 outlet stores, and 122 kiosks. From this perspective, things looked bright for this quirky, proprietary footwear manufacturer.

Then in 2013, the company’s performance began to publicly unravel. Although the company saw a rise of 11.2% in sales revenue, it had also grown its store count by almost 20%. A closer look at the company’s financials revealed that annual comparable store sales actually fell in the Americas by 8.3% and in Japan by 16.3%. Internet sales were also lackluster, falling 4.8% year-over-year (Green, 2013). By the summer of 2018, Crocs had just 398 locations. Moreover, fans were stunned to hear Crocs announce that the company was closing its last manufacturing facility. According to Footwearnews.com (2017), “Crocs challenges undoubtedly come at a time when retail, in general, is under tremendous pressures and store closures, layoffs and even bankruptcy have become par for the course.”

It hasn’t been all bad news for Crocs management: Its efforts over the past several years to turn around consumer interest in its quirky lightweight clogs may finally be working. After three years of declining sales revenue and net losses to cash flows, the company saw its first profitable quarter in 2018 (Manarriz, 2018). It remains unclear if management can continue to improve Crocs’s performance given the challenging retailing environment the footwear industry faces. Your case analysis will look to suggest important considerations of Crocs’s situation and recommend at least one course of action to improve the company’s global competitiveness.

As you approach this first strategic case analysis of this course, keep these basic questions in mind as you research Crocs’s situation:

- Why has Crocs’s performance always been inconsistent?
- How important are global markets to the firm?
- How well has Crocs managed its product line?
- What is changing about the global footwear industry?
- What is the sustainability of Crocs’s capabilities in the industry?

Module Three: Wayfair Case Introduction

Founded in 2002 in Boston, Massachusetts, Wayfair Inc. (NYSE:W) engages in e-commerce business in the United States, Europe, and internationally. The company leverages over 10,000 suppliers to offer approximately 10 million products for the home sector under various brands, including wayfair.com, Joss & Main, AllModern, DwellStudio, and Birchlane. The company operates in Ireland, the British Virgin Islands, Australia, the United Kingdom, the United States, and Germany, which represents about 13% of gross revenues.

Wayfair had a highly successful IPO in 2014 on the New York Stock Exchange and its market capitalization continues to rise, as investors have driven share values from \$36 to \$149 from 2016 to Q3 2018. Wayfair has aggressively focused its corporate strategic policy on growing its customer base and product line breadth, increasing revenue nearly 40 percent between 2017 and 2016 (Forbes, 2018). However, to achieve that growth the company has incurred protracted losses and negative cash flow. Presently, Wayfair is experiencing intensifying competitive attention from online and offline rivals with equally unique business models and distinctive competencies along the global industry value chain, such as Ikea, Amazon, Walmart, Overstock.com, Ethan Allen, and others.

Some analysts are beginning to wonder how long any business model or firm should be allowed to operate without being profitable. “Wayfair’s rise to prominence is indicative of the newer crop of tech companies—it still loses money every year, yet it has achieved its massive valuation largely because investors currently value growth over profitability” (Bizjournals.com, 2018)

In your case analysis preparation, determine just how competitive Wayfair’s strategic policy and competencies are within the industry at the domestic and global levels. Where should their resources and competencies be further developed along the industry value chain to achieve profitability? Can Wayfair get out of its own way to become profitable? How?

Module Five: Alibaba Case Introduction

Jack Ma, the founder of Alibaba Group Hldg Ltd. (NYSE:BABA), has always been cautious about competing head-to-head with the world’s largest corporations. Speaking of eBay, he said “eBay is a shark in the ocean. We are a crocodile in the Yangtze River. If we fight in the ocean, we will lose. But if we fight in the river, we will win.” This cautious attitude now seems to have given way to a realization that if Ma sustains the near-continuous 40% growth rate of his \$300 billion empire, which centers on a marketplace connecting brands with buyers, globalization is unavoidable (Forbes, 2018).

Alibaba has up-and-down performance around its governance and executive leadership. Broad-scale supplier integrity issues and negative publicity surrounding the accuracy of its financial statements forced Ma to take the company private and return as Alibaba’s CEO in 2012, a position he still holds today. Although Alibaba continues to see revenue growth, its reach is certainly less-than-global in scope and demonstrates only cyclical operational performance success.

Facing new Chinese competition within several of its main business units, and increasing global pressures from retail giants like Walmart and Amazon (Forbes, 2018), Ma spent 2017

jetting to dozens of countries, meeting with government and industry leaders to spread his latest vision for Alibaba, which involves global small businesses trading freely and securely on Alibaba's platform. Ma's strategic plan shared during these meetings included the formation of the Electronic World Trade Platform (eWTP), Ma's version of the World Trade Organization and a web-based approach to lowering trade barriers for small businesses in the region, but it has not gained the widespread enthusiasm he had hoped for.

In the meantime, Alibaba has attempted to execute an aggressive internationalization strategic policy using mergers and acquisitions, acquiring foreign companies in cloud computing, digital advertising, artificial intelligence, and mobile payment technologies. One of its most ambitious moves, a proposed \$1.2 billion acquisition of global payment service MoneyGram, was blocked by the U.S. government in early 2018. Moreover, recent tariffs imposed by the United States and China on one another have cast further uncertainty about Ma's visions for the eWTP (Business Insider, 2018).

In the fall of 2018, Ma made a surprise announcement that he would be leaving Alibaba entirely by 2020, and the CEO's chair by September 2019, marking Alibaba's 20th anniversary. Some analysts reviewing the company after Ma's announcement note that while Ma may have picked a great time to leave personally, the company itself offers no real future strategy. Others assert that Ma's retirement is just a formality. Is Alibaba ready to go global or not, without Mr. Ma?

Module Seven: Uber Case Introduction

The rise of the sharing economy challenges every industry where there are underutilized assets and the need for cost sharing. Although sharing economies have been around for thousands of years, advances in communication and information sharing technologies have enabled new business models based on asset sharing to spread easily and rapidly. However, the sharing economy introduces a dynamic friction between the traditional understanding of profitability along an industry's value chain and the new valuation placed on its products and services by newly empowered consumers.

At inception, Uber first introduced a patented technology platform to allow consumers to easily share access to a wide variety of vehicles and other mobility devices, while simultaneously giving asset owners an additional source of income. Originally, Uber consumers paid a premium for the service, but over time business units also targeted low-price alternatives, which allowed the company to lead the US ride-sharing markets at all price points. The company responded by opening its strategic policy to pursue becoming a leader in other areas of the sharing economy as well, such as health care (UberHealth) and elder care (UberAssist).

U.S. firms looking to bring sharing-economy business models, like Uber, have encountered intermittent large-scale success, especially on foreign soil. It seems that sharing economies work well at smaller scales, but introducing them to regional or global markets introduced institutional and industry barriers unique to each market. Uber's success also attracted competitors both in the United States and in major foreign markets such as the EU, China, and India. As Uber grew, so did industry resistance to its unique advantages over foreign companies who felt unfairly constrained by industry regulations, unionized labor, and other structural challenges limiting their pricing and flexibility. Moreover, Uber found that many foreign-market consumers were less open to the premise of the sharing economy. While Uber may have been very clear on its business model, competencies, and strategic approach in the United

States, it struggles to understand the benefits and challenges of extending the sharing economy internationally. Can you help them?

Module Eight: General Electric Case Introduction

General Electric (GE), an industrial conglomerate founded by Thomas Edison 125 years ago, is in trouble (The Economist, 2017). In 2017, GE unexpectedly replaced Jeffrey Immelt, its chairman and CEO of 16 years, with John Flannery. Flannery's only priority was to determine what went wrong at one of America's best-known and oldest companies.

After the announcement of Jeffrey Immelt's departure, GE market capitalization rose briefly. However, it continued to spiral downward, losing half its value in 2017 and another 25% through Q3 of 2018 as details of the gravity of GE's situation continued to emerge. On June 26, 2017, General Electric (NYSE: GE) was formally removed from the Dow Jones Industrial Average, severing its 110-year membership in the elite index.

In assessing the company's situation in 2017, Flannery noted "The review of the company has been, and continues to be, exhaustive . . . We are evaluating our businesses, processes, [the] corporate [function], our culture, how decisions are made, how we think about goals and accountability, how we incentivize people, how we prioritize investments in the segments . . . global research, digital, and additive [manufacturing]. We have also reviewed our operating processes, our team, capital allocation, and how we communicate to investors. Everything is on the table . . . Things will not stay the same at GE . . ."

Flannery has even voiced the unthinkable, that GE might be more valuable in pieces, meaning that upper management didn't contribute additional value, something GE prided itself on.

While Flannery kept digging into GE situation, most analysts thought he had a good shot at becoming famous within the lore of strategic management textbooks, as the man who saved GE or the man who broke it up. In late 2017, Flannery began to propose fundamental changes in GE's strategic policy and began divesting subsidiaries that didn't meet GE's self-definition as a digitally driven industrial company. During Q3 of 2018, GE shares fell after the company said it would take an \$11 billion charge in the fourth quarter for tax changes and losses within its remaining insurance portfolio. The firm also announced that its GE Power business would take a \$23 billion noncash charge, and that GE Power would fall short of its previous guidance for 2018 free cash flow and EPS.

Shortly after these revelations, General Electric unexpectedly announced other change in leadership, naming Lawrence Culp, former head of tech firm Danaher Corp. to replace CEO John Flannery. GE's share price jumped 15% on the announcement, indicating Wall Street's view that Flannery's leadership was not providing enough value, and that the market expects Culp, a company outsider, to be better suited for the top position (Snider, 2018). What can Culp do to turn GE around that isn't already being done?

Resources for Case Study Introductions

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