

BUSINESS STUDIES

How do effective operations strategies enable a business to sustain its competitive advantage?

A business must always work towards its goals and continuously strive to create a competitive advantage between itself and competitors. Effective operations strategies are one of the many ways that a business can achieve this advantage in the areas of performance objectives, outsourcing, quality management and global factors. Aldi, Muffin Break and Billabong are all companies that utilise these operational strategies to increase their own competitive advantage.

Performance objectives, which include quality, speed, flexibility, customisation and costs are an operational strategy that many business utilise to increase their competitive advantage. Firstly, Muffin break utilises the method of customisation, being the creation of individualised products for the needs of customers, to increases its competitive advantage in regards to his competitors such as Gloria Jeans by satisfying customers wants and needs, leadings to increased sales and revenue for the business. Muffin Break customises majority of their products to suit special orders of each customer including the customisation of every individual coffee made for their specific preferences such as half strength or skim milk, the introduction of gluten free and weight watchers muffins and the customisation of toasted sandwiches. This operation strategy of customisation leads to an increase in customer satisfaction and consequently, increased sales and market share for Muffin Break.

Moreover, Aldi utilises the performance objectives in the areas of speed, flexibility and cost to achieve a competitive advantage against its competitors like major supermarket brands. Aldi creates its edge through both speed (responding to market demand) and flexibility (how quickly operations can change with demand) through its utilisation of the Just-in-time method (JIT). JIT sees stock only arriving when needed which means that the changes in demand can be met quicker for its consumers, creating its competitive advantages through increased customer satisfaction, increasing their sales and therefore profit for the business. Furthermore, the JIT method is similarly utilised within the performance objective of cost. JIT minimises costs for the business by decreasing storage costs and minimises waste through less stock obsolescence, which along with their penetration pricing method of 30% less than their competitors, provides Aldi with an enormous competitive advantage against its competitors. Therefore, it can be seen that both Muffin Break and Aldi utilise the operational strategy of performance objectives to increase customer satisfaction and reduce costs that consequently lead to increased sales, increased market share and the minimisation of costs that contribute to their competitive advantage against competitors.

Outsourcing is another operational strategy that many businesses, including Billabong use to increase their competitive advantage. Billabong has been greatly effects by globalisation, and in attempt to sustain a competitive advantage against its competitors, 500 of the companies employees are now working offshore in areas such as manufacturing, with only high value work such as design and finance being done within Australia. This operational strategy gives Billabong a great competitive advantage as they reap the benefits of simplification of business activities, costs savings and an increase in production and quality capabilities. These benefits of outsourcing consequently give the business its competitive advantage through reduced costs leading to increased profits, increased efficiency through greater production capabilities and increased customer satisfaction in quality leading to increased sales and profits. Therefore, the operational strategy of outsourcing leads to a substantial competitive advantage for Billabong.

Quality management is another operational strategy utilised by businesses to sustain a competitive advantage against their competitors done by increasing quality, minimising waste and reducing warranty claims. Aldi values quality in their business, and uses it to provide them with a competitive advantage, implementing the method of quality improvement and the strategy total quality management. This strategy is a holistic approach that sees all employees and levels of Aldi

responsible for managing the quality of its products. Similarly, muffin break implements this same strategy, with all its employees having an obligation to ensure the best quality for its customers. Quality is checked throughout all processes of the preparation phase – during preparation, baking and plating of meals. Any meals that are not up to the quality of benchmark are unsatisfactory and are not served. Therefore, it can be seen that quality management is an operational strategy utilised by both Aldi and Muffin Break to increase the quality of their product, which consequently increases customer confidence and satisfaction, increasing sales and market share which increases their competitive advantage in relation to competitors.

Finally, global factors are an operational strategy that can also be utilised by businesses to gain an edge on their competitors. Scanning and learning and economies of scale are two strategies implemented by Aldi to increase their competitive advantage. Aldi uses the scanning and learning strategy, which involves scanning markets to identify the best products and strategies, in order to choose products and strategies that will increase efficiency and minimise costs, adding to their competitive advantage. Economies of scale is also utilised by Aldi as a major strategy for their competitive edge, which sees production and sourcing on a large scale. Aldi buys all their products in bulk from the suppliers, which leads to a lower price that is passed onto its customers in their prices. Therefore, global factors are a way in which Aldi sustains its competitive advantage against supermarket brands like Coles and Woolworths, by implementing scanning and learning and economies of scale to become more efficient and minimise costs, leading to reduced prices for their customers.

Therefore, it can be seen within the businesses of Aldi, Billabong and Muffin Break that the operational strategies of performance objectives, outsourcing, quality management and global factors contribute significantly to achieving a competitive advantage against competitors.