

# teaching note

## *The Innovative Competitive Advantage: A case study of two pioneering companies*

### Summary

This case study examines the use of innovative strategies to create a competitive advantage by exploring two different restaurants. The restaurants differ in their methodology, one focusing on marketing promotions and the other focusing on operations management. However, the two concepts represent the range of potential innovative strategies. The Little Bay Restaurant in London ran a month long promotion during the height of the economic recession of 2009 in which customers set their own prices for the meals they bought. This promotional strategy allowed customers to decide the value of their meal, while the business was able to attract new customers even during hard economic times. The Eatsa restaurant in San Francisco took a different approach. It focused on an innovative operational process via advanced technology. With the increased costs of labor due to a raise in the local minimum wage, the owner of the new Eatsa concept decided to co-create value with the customer by eliminating front of the house employees using do-it-yourself procedures.

### Teaching and Learning Objectives

The objective of this case study is to provide examples of innovation within hospitality organizations and to have a discussion on the impact of these strategies on both organizations and customers. The choices companies make strategically affect not only the business, but also the consumers. The narratives within the case study provide opportunities for students to consider how innovations impact customers and to analyze the potential benefits and ramifications for the organization. The narratives also show that there are differences among customer preferences and reactions. This gives students an opportunity to compare and contrast various market segments. Through this case study, students have the opportunity to understand the integration of innovation, competitive advantage, value, and strategy and to measure and determine the value of different strategic approaches. By the end of this session, students should be able to:

- Understand different uses of innovation to create competitive advantages.
- Identify different areas within hospitality organizations for using innovative strategies.
- Recognize differences in customer perceptions and reactions to strategic implementations.
- Analyze how innovative strategies help create value for the consumer and for the organization.
- Evaluate the potential of using innovative strategies using Porter's 3 Generic Strategies theory.
- Assess how innovation brings value to the consumer and to the

organization.

- Propose alternate innovative strategies for hospitality organizations to create a competitive advantage.

### Target Audience

The case study aims to expand the knowledge and comprehensive skills of both undergraduate and graduate students. It can be used in a variety of hospitality and business subjects including strategic management, service operations, and marketing. This case study provides students with detailed information about existing restaurants which allows for a better understanding of the general concepts of competitive advantage and innovation. It is useful for training future hospitality leaders who will manage in diverse business climates and will need to make strategic decisions. This case will benefit students and potential industry managers in recognizing the significance of service and marketing innovation.

*Recommended discussion questions by class*

- Strategic management- 2, 3, 5, 7, 8, 12, 15
- Service operations- 4, 6, 8, 9, 12, 14
- Marketing- 1, 2, 5, 6, 7, 10, 11, 13

### Discussion Questions Analysis

#### *Little Bay Restaurant*

The discussion questions for the Little Bay Restaurant focus on the core basics of promotional strategies, segmentation, targeting, and positioning within the market, customer reactions, and pricing strategies. The three customers in the narrative represent various market segments and their potential reactions to the different strategic choices made by the organization. Even though innovative strategies have many possible benefits, the organization must be prepared for the consumers who are reluctant to accept new and different approaches to service products. An organization should consider promotional exit strategies in the case of an unsuccessful endeavor, which can only be done if the organization understands the potential pitfalls and advantages of the innovative strategies. It is important for organizational decision makers to consider not only the customers and the organization as a whole, but also the employees who will be impacted by these strategic decisions. Students should recognize that some choices may have unintended consequences, especially to those on the line level. There is a wide variety of research that shows how employees are crucial elements in the long term success of an organization, and the impact of the leadership's decisions should be considered.

## **Eatsa**

The discussion questions for Eatsa aim to help students evaluate the impact of the structural change in the fundamental service delivery design on customers' perceptions, customer evaluations, co-production, and consumption. With such an integrated shift from typical food operations, this kind of business may excite and attract certain segments of the market, but it has the potential to alienate other segments less familiar or comfortable with high tech solutions. Students should compare and contrast high touch and high tech operations considering what kinds of service models depend on high touch and may not be able to structurally change to a more high tech model. As this innovation is not only a marketing technique, but also a strategy for low-cost leadership, the students should examine the impacts of the shift in operations not only on customers, but also on the organization and its employees.

### **Questions for both Little Bay and Eatsa**

For the overall group discussion that collaborates both the price promotion differentiation strategy and the innovative technological service model low-cost leadership strategy, students should compare and contrast the different strategic techniques of the two restaurants. The students should illustrate the similarities and differences on brand equity, consumer perceptions, customer loyalty, organizational structure and size, and value creation between the two concepts. Additionally, students should be able to produce their own examples that integrate these important concepts into strategic decision making, service operations design, and marketing strategies.

### **Recommended Teaching Approach & Strategy**

Prior to discussing the case study, students should understand and review competitive advantages overall and Porter's (1998) three strategies for competitive advantage specifically. For more information about Porter's (1998) three generic strategies, please see the additional reading material. Once this foundation is created, begin the discussion with a brainstorm of innovations the students have seen through their different experiences. The instructor may ask a question similar to the following, "Think back to your own experiences as a customer or employee within a hospitality setting. Can you think of organizations that had innovative strategies for competitive advantages? What were those innovations, and how productive were those strategies?" Through brainstorming, the students will have the opportunity to be more invested in hearing about organizations that have had successful innovative strategies.

Next, the students should be split into two groups. The first group should read the narrative and description of the Little Bay Restaurant, and the second group should read the narrative and description of Eatsa. After reading their part, the groups should be tasked with sharing the story they read and their thoughts about the innovative strategy

with the other group. As an entire class, the instructor should then ask comprehensive and thought provoking questions such as those found in the case study discussion questions section. In order to promote insightful discussions in the classroom, the questions should be open ended with many different potential answers and solutions. Examples of thought provoking questions include, "Which example provided in the case study do you believe has a greater chance to promote long term success of the organization?"; "How can value be interpreted from the point of view of both the organization and the customers?"; and "Why do you believe the customers had different reactions to the innovative strategies and how can you manage those reactions as an organization?" The questions should incorporate the theories discussed in the case study- value creation and Porter's Generic Strategies. Additionally, by including theories discussed in the case study in conjunction with the focus on the course, students will have the opportunity to not only incorporate the theories introduced within this case, but they will also have the opportunity to integrate other theories taught through the progression of the semester.

Once the class has completed a thorough discussion of the two innovative strategies in conjunction with the theoretical foundations for the strategic decision making, the instructor can conclude the class by asking individuals or small groups to create their own innovative strategy for a hospitality organization. By brainstorming and creating their own innovative ideas, the students will progress into the higher levels of learning within Bloom's Taxonomy, including evaluation and synthesis.

Additionally, to further higher levels of learning for graduate level classes, the discussion should include more research based aspects. For example, during the discussion about the Little Bay Restaurant, graduate students should consider how ownership can track profit overall and by specific market segment. In the case of an unprofitable segment of the market, how could management create profitability or divorce the customers in order to continue the promotion? In the case of Eatsa, graduate students could investigate how the integration of technology into operations might alienate certain segments of the market such as older generations. Could Eatsa consider those who are not comfortable with technology as a possible target market? How could they manage customer inabilities with the fundamental structural change of the operations? Graduate students should also evaluate and analyze the theories on a deeper level such as the difference between "low-cost" and "low-price" leadership, and also incorporate other theories that are not expressly mentioned in the text. One example could include an investigation into the types of relationship bonds- financial, social, structural- into innovation, value, and competitive advantages by comparing and contrasting the bonds in the narratives provided as well as external examples provided by the graduate students. For more information on relationship bonding theory, see Shammout et al (2007).

## Conclusion

In conclusion, students can enhance their thinking skills and attain a holistic perspective of service operations by using the suggested teaching strategies. Moreover, students will be able to examine different examples related to innovative strategies in the hospitality setting, considering external and internal variables that could impact the service operations and marketing strategies of an organization. The application of this case study to a variety of different hospitality and business related classes would enhance the student's knowledge, critical thinking, and understanding about service operations, marketing, and innovative competitive advantages.

## Additional Reading Material

- Anderson, L. W., Krathwohl, D. R., & Bloom, B. S. (2001). *A taxonomy for learning, teaching, and assessing: A revision of Bloom's taxonomy of educational objectives*. Allyn & Bacon.
- Berry, L.L., & Parasuraman, A. (1991). *Marketing Services: Competing Through Quality*. New York: The Free Press.
- Fitzsimmons, J. A., & Fitzsimmons, M. J. (2006). *Service management: operations, strategy, and information technology*. Irwin/McGraw-Hill.
- Hinterhuber, A., & Liozu, S.M. (2014). Is Innovation in Pricing Your Next Source of Competitive Advantage? *Business Horizons*, 57, 413-423.
- Oh, Haemoon. (2000). The Effect of Brand Class, Brand Awareness, and Price on Customer Value and Behavioral Intentions. *Journal of Hospitality & Tourism Research*, 24(2), 136-162.
- Porter, M.E. (1998). *Competitive Strategy: Techniques for Analyzing Industries and Competitors*. New York: The Free Press.
- Shammout, A. B., Polonsky, M., & Edwardson, M. (2007, January). Relational bonds and loyalty: the bonds that tie. In *ANZMAC 2007: 3Rs, reputation responsibility relevance* (pp. 3359-3365). University of Otago, School of Business, Dept. of Marketing.