Strategic Mistakes:
Examples on How global
companies go wrong

DR. FIREND ALAN RASCH

DOI: <https://doi.org/10.5281/zenodo.5774667>

The entire book is available on Amazon [Click here](#)

DEDICATION

To my students worldwide, who were the real reason
for publishing this body of work.

References and citation as following;

Firend Al. R. (2019) *Strategic Mistakes: Examples on How global companies go wrong*. CreateSpace

ISBN: B07YHLXNSG

Table of Content

Thomas Cook	7
SEARS	20
Bed Bath & Beyond	24
Dunkin' Donuts in India	31
Jaguar and Land Rover	36
McDonald in Iceland	41
GAP	45
Walmart in Brazil	49
Nokia	53
Tesco in U.S.A.	58
Google in China	62
Mattel Toys	66
Best Buy in China	69
Ford in Belgium	72
Walmart	75
Wendy's Failure in Japan	78
Starbucks in Israel	81
Pepsi in the Fast Food Business	84
Starbucks in Australia	88
McDonald failing in Bolivia	93
Volkswagen and Diesel	97
Sony	100
Target failing in Canada	103
Cola Turka	108
TOYOTA Recalls	110
S.M. Entertainment	115
Roche Pharmaceutical	119
Ikea in Japan	123
Adidas	128
FIAT	132
GM Europe	136
Victoria Secret	140
About the Author	144
Other Books by the Author	145

Thomas Cook

Thomas Cook was the founder of the 178 years old travel company and a global brand name in the tourism industry went insolvent in September of 2019. Thomas Cook is a global brand in travel business, with sales of £9 billion annually. Their customers account for about 19 million a year and global staff comprising of 22,000 employees across 16 countries. To maintain operations and continue to be in business, Thomas Cook asked the UK government for £250 million from the UK government. The UK government turned them down and as such, they had to file for insolvency. The German subsidiary of Thomas Cook however, managed to get about 480 Euro, and managed to avoid getting out of business and massive layoffs.

This tell us something about the German management in charge of the German subsidiary of Thomas Cook.

With thousands of travelers stranded across the globe, the UK government was only able to assist British travelers back to home, which mounted to over 9,000 travelers. This was the largest repatriation attempt in the history of the British government. So, what went wrong?

Like the retail business, travel and tourism sector has been suffering slowly of changing consumer habits. With the availability of digital options such as booking platforms and applications, along with increasingly Internet savvy consumer, people started to avoid booking their vacations through agents such as Thomas Cook, and shift towards self-reservation and booking directly by planning and paying for their own vacations using low-cost airlines and online agents. The company management has been aware of the changing nature of their industry, yet failing to change their business model to a digital one, maintaining high operational

cost, high debt of £2bn, with numerous rescues attempts by shareholders, bad investments and unprofitable business units, and little actions to restructure the company into a lean operator, caused the company to collapse. Political factors such as Brexit, added a political angle to the company struggle, when travelers out of fear of economic consequence, delayed their travels. This is coupled with changing weather patterns in popular detonations in the Caribbean and Florida (a popular destination for British tourists, seriously hampered Thomas Cook ability to cope with long needed changes. The management of the company lost control of operations since 2011 when they stopped paying shareholders dividend. Management was accused of paying themselves however, handsome bonuses, months prior to the collapse of the company, something that caused shareholders and the UK government to question management ability to effectively govern the company.

References

BBC News: <https://www.bbc.com/news/business-46452374>

Brendon, P. (1991). *Thomas Cook: 150 years of popular tourism*. Secker (Martin) & Warburg Ltd

SEARS

Sears is an iconic American department store that was established 126 years ago. At one point, Sears was considered the largest department store in the United States. Recently however, Sears is closing down most of its outlets and on the verge of bankruptcy. So, what went wrong? Like many other large retailers, Sears has been declining steadily over the years. This is a primarily because of the success of online e-commerce platforms such as Amazon, eBay and Alibaba among many others. Amazon for instance, is counted for 50% of online retail sales in the United States. With busy lifestyle, efficiency, speed in delivery, and better prices, Amazon was able to drive many of the big retailers out of the market slowly. The trend is that people in

the United States prefer to use online shopping platforms like Amazon, rather than go out to shop.

In the case of Sears, competing retailers are able to offer similar products at the cheaper prices such as the US largest retailer Walmart. Other competing retailers are becoming more specialized and offer better specialized and wide variety products to consumers. Sears at one point was the Amazon of today to the American consumer with shopping catalogue and ability to deliver to remote areas. Sears was able to sell everything you can think of, from pencil to an entire house. However, Sears failed to make the transition to the digital economy and capitalize on the trends of online shopping. As such, they lost their ability to compete with other big retailers such as Walmart and online shopping platforms like Amazon, that dominated the retail industry as it is evident today.

Sears lack of ability to evolve their business model, was a killer, in a market with savvy Internet consumers, efficient logistics, payment systems and mailing services.

References

Benoit, W. L. (1995). Sears' repair of its auto service image: Image restoration discourse in the corporate sector. *Communication Studies*, 46(1-2), 89-105.

Kirn, S. P., Rucci, A. J., Huselid, M. A., & Becker, B. E. (1999). Strategic human resource management at Sears. *Human Resource Management: Published in Cooperation with the School of Business Administration, The University of Michigan and in alliance with the Society of Human Resources Management*, 38(4), 329-335.

Bed Bath & Beyond

Since its inception in 1971, the company has expanded the number of outlets from 241 stores in the year 2000 to 1552 stores by 2018. In 1992 the company went public and outperformed all its rivals and their segment of the market. Unlike their competitors, each store manager was able to do their own purchasing to cater to their local community and market need. However, such approach to purchasing became a liability over time. While good return policy and coupons that offer a discount proved to be a big plus for their loyal customers. The company did have good returns for investors since their share was sold for \$1.20 in 1992 and reached US\$80 by 2017.

The shelves at Bed Bath & Beyond are cluttered with vacuum cleaners, kitchenware and other home appliances, which makes it confusing for customers to shop.

New investors, had forced the CEO to resign and accuse the company of being badly managed. The founders were also forced to retire in the eve of new management taking over. Management has made bad acquisitions and number of strategic miss steps that lead the company to his current position.

Although Bed bath and beyond was a favorite of people, known for good customer service and wide variety of items for shoppers, yet profits has been declining, by 2019 they lost \$130 billion USD. Such losses, prevented them and making the necessary investments and e-commerce platforms to keep up with competition from Amazon.

Amazon has been taking market share not only from Bed Bath & Beyond, but from all retailers. Walmart however and others has been attempting to capitalize on their brand name by going digital and reaching customers through their e-commerce platforms.

Bed Bath & Beyond did develop eventually there on e-commerce platform. However, it was inefficient and take too long to make a purchase in comparison to their rivals. Massive availability of product variety, cluttered isles and made it difficult to distinguish between Bed Bath & Beyond products, and those of cheaper products available online. Although coupons drove sales yet they contributed to decline of profits.

Operational costs have been rising since 2011 to reach 55% increase by 2018. Adding to this, Acquisition is made unnecessarily between 2002 and 2018 of ten different companies that included the purchases of online design service company, “bye bye BABY” (baby supply company), and beauty and healthcare company.

Currently, Bed Bath & Beyond is attempting to restructure its cost, eliminate 7% of its workforce, reduce the number of available products, simplify purchases and acquisition, and improve their e-

commerce platform in attempt to re-gain profit margins.

References

- Anthony, S. D., Viguerie, S. P., Schwartz, E. I., & Van Landeghem, J. (2018). 2018 Corporate Longevity Forecast: Creative Destruction is Accelerating. *Innosight*. <https://www.innosight.com/insight/creative-destruction>.
- Raviv, A., Thompson, T., Gresh, P., & Hennessy, S. (2017). Bed Bath & Beyond: The Capital Structure Decision. *Kellogg School of Management Cases*, 1-14.
- Panagopoulos, C., Green, D. P., Krasno, J., Schwam-Baird, M., Moore, E., & Endres, K. (2016, October). Risky Business: Does Corporate Political Giving Affect Consumer Behavior?. In *Annual Meeting of the American Political Science Association, Philadelphia, PA, Sept* (Vol. 1, No. 4).
- Mathews, S., & Lee, S. E. (2018). Use of Emoji as a Marketing Tool: An Exploratory Content Analysis. *Fashion, Industry and Education*, 16(1), 46-55.

Dunkin' Donuts in India

Dunkin' Donuts is one of the oldest Donald is making brands. With 12,600 outlets operating in 46 countries, Dunkin' Donuts mostly associated with breakfast.

In 2012, Dunkin' Donuts opened its first operations targeting Indians for early morning breakfast. Dunkin' Donuts was being perceived as the breakfast Place, which is the intention. However, by 2018, Dunkin' Donuts closed half of their outlets within two years' time frame.

The reasons for such losses are attributed to failing to adapt to the Indian breakfast culture, which is contrary to quick on-the-go Dunkin Donuts model.

The Indian consumer rather have breakfast with their family. Dunkin' Donuts menu did consist of a few localized items and mainly coffee as a beverage, which is not this is certainly an ideal drink for Indians. Beverages usually generate about 60% of income to Dunkin' Donuts. Donuts are reviewed by Indians as a dessert, a luxury item to have once in a long while, but not as a main staple to have for breakfast. As such, Dunkin' Donuts introduced burgers and a vegetarian items to appeal to locals. Although this increased traffic into their locations, yet the image of Dunkin' Donuts was tarnished by the idea of a burger joint. Amongst the mistakes that caused the decline of Dunkin' Donuts in India is the large size shops, high operational costs associated at with sales, competition from Krispy Kreme doughnuts, that offer is better product and operates in smaller outlets, and a consumer looking to avoid sugar and healthier options. This however, contradicts the reality that Baskin Robbins, the ice cream maker is expanding and thriving in India with 725 stores (CNBC). This makes them the largest ice cream brand in the

Indian subcontinent. So, while the Indian consumer is looking for ice cream, it seems that they are not very interested in donuts.

References

Lavoie, K. A. (2015). Instagram and Branding: A Case Study of "Dunkin'Donuts". *Elon Journal of Undergraduate Research in Communications*, 6(2).

Pradhan, S. (2018). McDonald's India—plotting a winning strategy. *Emerald Emerging Markets Case Studies*, 8(2), 1-25.

Lakshminarayanan, S., Maggio, E., & Best, S. (2017). Kofi or Coffee-Starbucks Enters the Indian Market. *Journal of Case Studies*, 35(2), 44-55.

Azarian, J., Kennedy, K., & Steele, C. (2016). US Coffee and Snack Shop Industry: A Comparative Analysis of Starbucks and Dunkin' Donuts. Business strategy.

CNBC News, **OCT 26, 2018:**

<https://www.cnn.com/2018/10/26/dunkin-india-coffee-donuts-restaurants-krispy-kreme-mad-over-donuts.html>

Jaguar and Land Rover

Both Jaguar and Land Rover are household brands with history dating to the British Empire making luxury products that was in demand worldwide. However, both brands had experienced decline in quality and reliability.

TATA the Indian conglomerate that manufactures everything from food to software to automobile, has acquired Jaguar and Land Rover right on the verge of financial crisis of 2008. TATA managed to revamp both brands in a way that no other owner of Jaguar Land Rover ever managed to do, by injection the investment needed to come up with a new design manufacturing and quality improvements to turn both brands into profit makers for TATA.

With declining demand in China for both brands and Europe, is threatening the brands. Land Rover as high-end SUV is being rivalled by all other luxury brands and SUV makers, the company lost over \$4.35 billion USD in 2018. In January 2019, the company has laid off 4.5 thousand jobs mounting to 10% off its work force. Such declining profits and over \$4 billion of losses deeply affected the mother company TATA. In five years, TATA lost 63% of their stock price value. Britain leaving the EU “Brexit” is also affecting the car manufacturer as 40% of their parts comes from Europe. TATA is attempting to revamp the company again by increasing efficiency and design to improve profit margins. With changes in the automotive industry landscape, TATA is considering the sale of Jaguar, or Land Rover to the French “Groupe PSA” auto maker, a conglomerate, in an effort to cut losses and devaluation of their stocks.

References

- Crawford, M. J. (2016). An Analysis of Operating Environment & Strategy: A Case Study of Tata Motor.
- Su, A., Young, C., & Zierke, S. (2016). Aligning corporate brand identity elements with heritage-How the Ford Motor Company and the Tata Group have managed Jaguar. *LBMG Strategic Brand Management-Masters Paper Series*.
- Mukherjee, D. (2016). Case analysis: Tata Motors' acquisition of Jaguar Land Rover. *The Business & Management Review*, 8(3), 48.
- Mithas, S., & Arora, R. (2015). Lessons from Tata's corporate innovation strategy. *IT Professional*, 17(2), 2-6.
- Pathak, A. A. (2016). Tata Motors' successful cross-border acquisition of Jaguar Land Rover: key take-aways. *Strategic Direction*, 32(9), 15-18.

McDonald in Iceland

McDonald's tried for over 15 years to penetrate the market in Iceland. McDonald's open its first branch in Iceland in 1993 at a time when the country was opening up to become more globalized. The opening of McDonald's branch witnessed prime minister David Oddsson having the first bite on national media.

The opening in 1993 attracted huge crowd attempting to try the McDonald's taste for a day with long lines. This short-lived phenomenon was seen as a sign of globalization to Icelanders.

However, the 2008 financial crisis wiped out peoples savings, the collapse of the currency and loss of half his value, and higher import tariffs that made all imports more expensive for local Icelanders. With a population of little over 300,000 people, and higher important tariffs, a kilo of onions was Costa and McDonald almost the same price as a bottle of whiskey (Hafsteinsson). This caused 20% hike in price of BigMac to jump to \$6.36, to make it the most expensive BigMac anywhere in the world at that time.

As such, it was too expensive to continue operations, because of the high operational cost to, and thus, McDonald had to close their three outlets in 2009 in Iceland. Although by the time they close down their restaurants in Iceland, McDonald was so popular by the locals, yet they could not compete with local burger joints who Procure their ingredients locally.

The way McDonald Iceland was managed had a lot to do with its lack of survival. Because of accumulated high debt, high cost of imported ingredients, and higher prices cause them to terminate operations. McDonald's sold their locations to a brand called Metro, where they outsource their ingredients locally and maintain lower-cost product prices. Metro is still in operation today.

Pizza Hut also had similar experience to McDonald's and left Iceland. However, KFC managed to survive the economic crisis as they outsourced their ingredients locally and maintained their business operations successfully.

Reference

Hafsteinsson, Arni S. Center for retail studies, Iceland

Larsen, F., & Smyczek, S. (2017). Branding electricity in a newly liberalised market-evidence from the Polish and Icelandic markets. *Prace Naukowe/Uniwersytet Ekonomiczny w Katowicach*, 139-163.

Karlsson, L., & Dolnicar, S. (2016). Does eco certification sell tourism services? Evidence from a quasi-experimental observation study in Iceland. *Journal of Sustainable Tourism*, 24(5), 694-714.

GAP

Gap is a well-known brand that started as one single store in San Francisco in 1969 defining liberal baby boomers' consumer choices

Capitalizing on the casual appearance of people in the 1970's. In 1975, they carried other brands beside the Gap brand to operate 180 stores across the US. Donald Fisher and his wife expanded their stores to define fashion among the young and middle-aged consumers in the 1980s and 1990s.

Later, as the company went public in the late 1970s, and after the appointment of a new CEO of the company experienced growth when segmenting the market by Gap Kids, baby Gap, Gap outlet

and acquiring other brands to become an umbrella for other brands such as Old Navy, Banana Republic and Athleta.

Right before the financial crisis of 2007 2008, Gap store sales and Banana republic were declining. This is primarily because of the loss of appeal of the original gap brand that was very successful in the 1990s and her competition from other competing brands. Old Navy and Athleta, were lifting company sales because of consistent profitability and appeal in the marketplace.

The segmentation of market into three tears as in the case of Banana Republic for the upper income, Old Navy for the lower income, and the Gap brand for everyone in between. Old Navy took off as a brand to an over 1 billion USD in sales, along with the high sales of jeans and the brand going global.

Sluggish growth of the gap brand because the CEO Drexler to retire. Banana Republic and Old Navy and Athleta were the only brands cutting the company in terms of sales. Change in consumer

appearance and taste for clothing caused the good brand sales to diminish as trends in the apparel industry changed. Competition from H&M Zara and other brands, were other reasons in the reshaping of the apparel industry and the diminishing Gap brand.

References

Ko, E., Phau, I., & Aiello, G. (2016). Luxury brand strategies and customer experiences: Contributions to theory and practice. *Journal of Business Research*, 69(12), 5749-5752.

Heding, T., Knudtzen, C. F., & Bjerre, M. (2015). *Brand management: Research, theory and practice*. Routledge.

Hajli, N., Shanmugam, M., Papagiannidis, S., Zahay, D., & Richard, M. O. (2017). Branding co-creation with members of online brand communities. *Journal of Business Research*, 70, 136-144.

Walmart in Brazil

Walmart is the world largest retailer with 27,000 retail shops in 27 countries. With experience in operating stores worldwide, Walmart did not make it in Brazil. As the Brazilian economy experienced liberation and growth, Walmart entered Brazil in 1996, by the year 2000, they operated 16 stores.

In 2004, Walmart acquired a local Brazilian retailer “Bompreco” adding 118 stores, for \$500 million USD. In 2005, Walmart acquired additional 140 stores of “Sonai” for \$757 million USD. Walmart

by then was operating 295 stores across Brazil, in an attempt to asset their position as a national retail brand, while learning about the Brazilian consumer. By 2013, Walmart operated 558 retail stores under their own Walmart brand, along with brands such as Sam's Club, Bompreco, and Maxi.

By 2018, Walmart closed 120 stores across Brazil, this is because of their 7th consecutive year of losses, and lack of profitability (Reuters).

Among the reasons for their losses was labor relation issues, rapid expansion, inadequate stores locations, inefficient operations, competition from other retailers, lack of adaptation to local consumer needs. Brazilian consumer was not interested in Walmart's every day low prices slogan and the one stop shop concept. Brazilian consumer did not see the value in the everyday low prices concept, yet they are receptive to promotions.

Accordingly, the everyday low prices did not seem as a promotional value to the Brazilian consumer. People in Brazil would shop at multiple locations including cash-and-carry, which is the most popular

place for price sensitive Brazilian shoppers. Online shopping on the other hand is not something a consumer in Brazil are prone to do.

References

KATIUSCIA MORENO GALHERA, S. B., & VEIGA, J. P. C. (2018). WALMART IN BRAZIL: FROM GLOBAL DIFFUSION TO NATIONAL INSTITUTIONAL EMBEDDEDNESS. *Walmart in the Global South: Workplace Culture, Labor Politics, and Supply Chains*, 29.

Campos, D. F., Lima Jr, J. T. D. A., Silva, A. B. D., & Fernandes, A. J. (2019). Professional competencies in supply chain management in the mid-sized supermarket sector in Brazil. *Supply Chain Management: An International Journal*, 24(3), 405-416.

Reuters, JUNE 4, 2018. Walmart sells majority of Brazil unit, takes \$4.5 billion charge. Nandita Bose, Tatiana Bautzer.

Nokia

The fallen giant of their industry

At its heights, Nokia's significance to the Finnish economy was about 4% and counted for 20% of Finland's export. Nokia is a great example of a company that lost their dominance in the cell phone business, only to find for itself a new business

niche. When Nokia dominated the cell phone industry during 2008, Apple has just introduced its iPhone. Nokia did not think much of the Apple, who's position in the market is insignificant as far as cell phones market is concerned. While both Apple and Android based cell phone manufacturers slowly, but surely taking large market share from Nokia and cementing their position as a dominant platform, Nokia's top manager did realize that their operating system (Symbian) is no match to the emerging platforms of Android and Apple.

The consumer was naturally Driven towards new application based so phones that is user-friendly and contrary to that of Nokia's. Although Nokia's cell phones did play music, took pictures, can play radio channels amongst other basic functions, yet usability and functionality is no match to their rivals.

Developers were reluctant to right applications for Nokia because of lack of user-friendliness. As more developers and programmers started to switch to Apple and Android platforms to develop

applications, Nokia started to lose its dominance in the market, while Apple and android started to assert their dominance by gaining dominance as platforms in cell phone market segment.

The system manager at Nokia by the name of Selas, wrote constant memos to the CEO, board members and other VIPs at Nokia, urging them to switch operating systems to Android, to maintain what left of their market share and improve their competitive position against emerging arrivals. Yet all attempts filled or ignored by Nokia top management.

Nokia's management failed to see the need to make essential changes, so they teamed up with Microsoft, to introduce Microsoft based cell phones, which did not do well. The end result was that Nokia had to sell off the mobile business. They then bought Lucent in joint venture with Siemens. Lucent was on its way to decline anyway during that time of merger and take over.

Nokia attempted to deliver end-to-end solutions for large mobile operators. The old Nokia perished and ended up a smaller company, while a new Nokia emerged that provide services to including the cabling and software to cellular network operators. As 5G technology looms in the horizon, Will Nokia manage to learn from their past and take advantage emerging market nation that they can have a new dominant at. It seems like it.

References

- Braun, M., Latham, S., & Cannatelli, B. (2019). Strategy and business models: why winning companies need both. *Journal of Business Strategy*.
- Hsieh, Y. J., & Wu, Y. J. (2019). Entrepreneurship through the platform strategy in the digital era: Insights and research opportunities. *Computers in Human Behavior*, 95, 315-323.
- Lee, S. H., Kwon, Y., Lee, J. H., & Park, Y. I. (2016). Creative Imitation as Catch-up Strategy: A Business Model. *Asian Journal of Innovation & Policy*, 5(1).
- Vuori, T. O., & Huy, Q. N. (2016). Distributed attention and shared emotions in the innovation process: How Nokia lost the smartphone battle. *Administrative Science Quarterly*, 61(1), 9-51.
- Quy Huy, September 22, 2015. Who Killed Nokia? Nokia Did <https://knowledge.insead.edu/strategy/who-killed-nokia-nokia-did-4268>
-

Other books by the author:

- 2019, **Basic Economic Principles, the short guide**, AMI
- 2018, **Business Model: Simplified with examples**, IJBMR
- 2017, **Critical Success factors in PM**, CreateSpace
- 2017, **Employability and learning**, IJBMR
- 2016, **Asian Case Studies**, CreateSpace

Copyright © 2019 Firend Al. R.
All rights reserved.
ISBN: B07YHLXNSG