Business Research: The Importance of Reports

Abstract

The following business research provides three student reports identified by and introduced by Jaynne Rivas, Assistant Professor, IU East School of Business and Economics. These reports are examples of the research business managers need for daily work to keep businesses responsive to the demands of the company, competitors, and consumers.

Keywords

company reports, decision making, business reports, managers, daily operations, strategic decision-making, value chain, company value, competitor

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The Importance of Reports: Introduction & Conclusion

Jaynne Rivas, Faculty Mentor

Introduction

What is the importance of business reports based on research? Why should students practice how to make this kind of report? The short answer is that these reports help managers to make better decisions. Making decisions is the fundamental responsibility of managers, and it keeps businesses running. Decisions about strategic directions are undoubtedly among the most important for firm performance and survival. These decisions represent a challenge for managers because they are complex as a result of the multiple factors involved and because managers usually make them under the pressure of the daily operation of the business. Therefore, having a well-done report supports managers' abilities to avoid bias, take the best possible course of action, and, of course, keep their jobs.

The business environment is one of the relevant factors affecting strategic decision-making. Understanding the external and internal environments demands a high quantity of information as well as good-quality information. For example, when analyzing the external business environment, Ed Davis identifies a fundamental competitor in the beer industry, Anheuser-Busch, in his report about the Boston Beer Company, while Kayetlyn Carter identifies some others, such as Bud Light Wheat, Bud Light Platinum, Blue Moon, and ShockTop. Similarly, when analyzing the internal business environment, Chris Boutcher identifies Avon's online sales system as one of the primary activities in the value chain that is causing a decrease in company value. Other important areas for strategic decisions include strategy design, generic and corporate strategies, and strategy implementation. The reports mentioned are examples of the kind of research a manager needs when making strategic decisions.

AVON: A Fight to Remain Viable In the Cosmetics Industry

Chris Boutcher

Company History

Avon was founded by David H. McConnell, a traveling salesman who gave fragrance samples to his women customers, in 1886 (Avon, 2020a). When he realized how well the fragrance samples were received, he recruited women to help in this new business model. Before the firm adopted its current name, in 1928, McConnell called it the California Perfume Company. Avon's most infamous sales strategy is the "Avon Lady," which started when Persis Foster Eames Albee recruited other women to help with perfumes' marketing and sales. Within 12 years, and with Albee heading marketing and sales, Avon had recruited more than 5,000 representatives.

By 1968, Avon was operating throughout the contiguous United States and Canada, providing many women an opportunity to earn an income (Avon, 2020b). Over the years, Avon continued to expand around the globe. Record sales were achieved during the Great Depression, when sales pricing was introduced, reaching over 70% of increase. One of the world's longest-used slogans, "Ding-Dong, Avon Calling," helped propel sales from the 1950s through the 1970s. Avon not only sold products for women, by women, but also created the Avon Foundation, which focuses primarily on women's issues such as breast cancer research and battling domestic violence. As of 2019, Avon boasted annual sales of $4.76 billion and was a global leader in cosmetics.

Challenges

Avon's main challenge is declining year-over-year revenue. Its revenues decreased steadily between 2011 and 2019, from $9.3 billion to $4.76 billion, respectively (Shahbandeh, 2020). The door-to-door sales strategy that gave Avon its famed "Avon Ladies" is struggling to compete with e-commerce retail giants such as Amazon, Target, and Sephora (Mourdoukoutas, 2016). With declining revenues and a rejected takeover offer in 2012 from Coty, when its shares were trading at $24.75, its stock price fell over the next three years, to $7 per share by 2015 (La Monica, 2015).

Not only has Avon seen declining revenues, a host of legal issues have also surrounded the company, such as accusations of bribing Chinese officials with merchandise such as Gucci purses, which resulted in the development of a compliance overhaul regulatory reform program that cost the firm more than $4 million (Dockery, 2016). These acts of bribery, which occurred in 2006, helped Avon gain a foothold in China, to clear regulatory hurdles, and to obtain direct-selling licenses; all of them provided Avon a clear upper-hand in the Chinese market. A $500 million federal bribery probe in the US also cost the company dearly.

Finally, a cultural shift has affected Avon, leading to lost sales. As women have gained access to more lucrative employment opportunities, their desire to work for the firm has waned (Trefis Team, 2019). This shift away from women staying at home to working outside the home has changed the door-to-door marketing strategy that helped Avon to thrive for so many years.

Porter's Five Forces

When analyzing Avon's performance in light of Porter's Five Forces, both the threat of new entrants and the threat of substitute products become clear. Considering the low cost of entry into the beauty market, many players are primed for success. Avon's success came from having someone arrive at consumers' doors and allowing them to sample their products. With the advent of retailers such as Ulta and Sephora, however, consumers can now easily test many similar products simultaneously (Kestenbaum, 2018). Since the costs associated with entering the market are low, there are many substitute products for Avon cosmetics. This problem is amplified with the ease of obtaining these products from retailers such as Amazon,

Target, Sephora, or Ulta. When customers have many options and see little differences among the products, it is easy to see how Avon's products end up being pushed aside for other similar ones.

Value Chain Analysis

Avon's value chain analysis, as it pertains to its firm infrastructure, has been marked by the numerous CEOs who have come and go through the years, especially more recently. One pitfall that Avon failed to recognize was the potential of e-commerce. As a result, Avon failed to implement a robust online ordering capability until after its competitors had already done so. This lag in technology implementation was costly. When it comes to marketing and sales, Avon had been successful for more than 100 years, but more recent legal troubles and global expansion efforts have hampered these successes. "Ding Dong, Avon Calling" was one of the longest-running advertising slogans in history, but is now a relic of the past.

Generic Strategy

Avon uses a differentiation strategy by gaining and maintaining customer loyalty by offering superior products. Avon has achieved this strategy using a direct-sales model and by keeping costs low, while providing customers with the personal touch that is lacking from online retailers such as Amazon and big-box stores like Target. Avon's differentiation strategy, however, has been accompanied by many pitfalls. The unique nature of Avon's products has not been something its customers considered valuable. Its Sustainable Packaging Initiative for Cosmetics is one example of an effort that seems underappreciated (Avon, 2018). Another pitfall of Avon's success has been the imitable nature of its products. With the boom of the cosmetics industry over the past two decades, many new players have entered the market with little resistance, taking advantage of soaring demand (Yahoo Finance, 2020).

Current State of Avon

Natura agreed to buy Avon in May 2019 ("Natura agrees to buy Avon," 2019). Avon's declining business, from revenues of $9 billion in 2011 to a valuation of just $1.4 billion at the time of the deal, meant that Avon needed a rescue boat. Avon's most promising market was in the emerging market of Brazil, which has protected the door-to-door sales strategy that Avon uses. Natura was Avon's most significant competitor in this market. With this deal, Natura could expect an annual savings of $200 million. Avon and Natura are not yet out of trouble, but this acquisition makes the new firm one of the largest cosmetics producers in the world. With e-commerce thriving, it will be imperative for these companies to perfect their products and to add products that customers need. The threat of substitutes remains extraordinarily high, and both Avon and Natura must produce high-quality products. All the problems detailed above remain for the company, and its corporate strategy must adjust if Natura and Avon hope to remain viable in the cosmetics industry.

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Boston Beer: A Company With A Sustainable Competative Advantage

Kayetlyn Carter

The Boston Beer Company brews more than 60 styles of Samuel Adams beer and other alcoholic beverages, including Twisted Tea and Angry Orchard Hard Cider. The mission of this company is to "seek long-term profitable growth by offering the highest quality product to the U.S. beer drinker" (Boston Beer Company, 2020a). As of the close of trading on April 13, 2020, the stock price of the Boston Beer Company was $386.34, a change of -2.6%, yet significantly higher than the 52-week low of $258.34, while below the 52-week high of $444.65 (Boston Beer Company, 2020b).

Porter's Five Forces can be used to infer a lot of information about Boston Beer, including its strengths and weaknesses. There is always a threat of new entrants joining the market. These include wines, craft beers, and premium beers. At present, there are many substitution threats for Boston Beer's products, including Bud Light Wheat, Bud Light Platinum, Blue Moon, ShockTop, and home brewing options. In addition to product substitutions, there are competitors, such as MillerCoors, Heineken, and Sierra Nevada. One element in Boston Beer's favor is its size-based bargaining power. The company has an annual output of 6 million barrels of beer. However, given its size, the firm is at risk of losing its status as a "craft brewery" (Dess et al., 2019). The year 2019 was a successful one for Boston Beer; it shipped more than 5.3 million barrels (Duprey, 2020). If sales for 2020 match 2019 levels, it would account for more than 6 million barrels, which would cause the company to lose its craft brewery status. The increasing number of premium beer drinkers is good for Boston Beer's finances. Though many companies offer similar premium products, Boston Beer has, to date, retained its bargaining power over its suppliers (Dess et al., 2019).

Boston Beer's value chain framework includes a great deal of important information for anyone interested in working with or against the company. Its inbound logistics include contract brewing, reliable suppliers, Class A stock, its "Freshest Beer" program, and production planning (Dess et al., 2019).

The Freshest Beer program is a tremendous asset to Boston Beer. It works by requiring distributors of Boston Beer's products to store all beers in a chilled warehouse for no more than one to two weeks. When the beer is no longer fresh, Boston Beer buys back what has not been used, and it is sent to a beer recycling facility (Samuel Adams, 2020). The firm's outbound logistics include having power over independent breweries and the Freshest Beer program. The Program is part of Boston Beer's outbound logistics because it makes it possible to produce better "on-time" service and promotes cooperation with distributors.

Boston Beer uses alchemy and science operations to yield better beer ingredients and brewing methods. As a requirement for marketing and selling Boston Beer's products, each salesperson must be knowledgeable regarding the brewing process and its benefits and engage in drinker education. Boston Beer also makes more than beer. Its product line includes craft beers, premium beers, seasonal beers, flavored beers, twisted tea, and HardCore Cider (Dess et al., 2019).

The resource-based view of the firm is a strategic framework that evaluates internal resources in terms of key characteristics, valuable, rare, inimitable and non-substitutable (VRIN); therefore, it is crucial to use when evaluating Boston Beer. One of Boston Beer's vulnerabilities is that Samuel Adams Boston Lager was voted "Best Beer in America" the first year it was introduced. This has forced Boston Beer to maintain a certain quality level, as it would seem that something was wrong if the company did not continue to be voted the best. Boston Beer has also been voted one of the top brewing companies in the US, which is also a vulnerability similar to being voted "Best Beer in America." By contrast, Boston Beer enjoys a sustainable competitive advantage, since new breweries have a small chance of being voted "Best Beer in America" in their first year. Samuel Adams Boston Lager's recipe has been passed down from generation to generation, and Boston Beer's craft beers have been compared to premium beers (Dess et al., 2019) This recipe is valuable to Boston Beer, due to its connection to the founders of the company, and because it cannot be duplicated by competitors. Samuel Adams Boston Lager's recipe is rare, imperfectly imitable, and non-substitutable, which sets Boston Beer apart from its competitors. These are rare occurrences when it comes to the beer industry. It would be costly for a new brewery to imitate what Boston Beer does, given that it has specific, proprietary brewing methods.

Boston Beer has been highly successful in the past few years, with 2019 being its best year to date (Duprey, 2020). Based on the analysis and theoretical framework, it is no surprise that Boston Beer is continuing to grow and anticipates surpassing the expectations set by society and its competitors. Even though there are multiple competitors and substitutions for Boston Beer and its products, the company has a sustainable competitive advantage due to its past accomplishments, rare beer recipe, and variety of offerings. Customers, competitors, and investors should expect to see more from Boston Beer in 2020.

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Boston Beer Company Strategic Analysis

Ed Davis

The Boston Beer Company is the second-largest craft brewery in the United States (Kaduk, 2020), but its growth has been stagnant for the past three years, as the industry has been facing a crisis in beer sales (Dess et al., 2019). In 1984, Jim Koch, Harry Rubin, and Lorenzo Lamadrid started the Boston Beer Company. In the early years of the company, their beer, Sam Adams, won several awards for quality, including "Best Beer in America" and the distinction of becoming the first American beer to be sold in Germany (Sam Adams, 2015). As the company grew, it limited its sales to retain the "craft beer" title, which restricts brewers to sales of no more than 6 million barrels per year (Brewers Association, 2020). Sam Adams' main challenge has been trying to grow with the expanding craft beer market, instead of shrinking alongside the traditional beer market (Dess et al., 2019). As American beer drinkers have increasingly begun to turn to craft beers over those produced by large companies, Boston Beer Co. has worked to maintain its foot in the craft beer market, but without much success.

When looking at the case of the Boston Beer Co., we see that it is in a competitive market positioned between two tiers of the industry, yet not truly fitting into either level. Given the limitations of the craft beer requirements, the company is limited in its overall production, but because it is so large, the brewer is often not regarded by many consumers as a craft beer. At a time when craft beer sales are growing and many other types of beer are experiencing a decline, the Boston Beer Co. is stranded between being too large to be seen as a desirable craft beer, yet too small to be viewed as a big player in the beer industry.

When we examine the Boston Beer Co. in the context of Porter's Five Forces, it is clear that the firm is facing threats of new entries, substitution, competition, and buyer power. With deficient barriers to entry and high buying power, new craft breweries are constantly opening across the nation, increasing competition. While none of these breweries alone can take a significant market percentage away from the Boston Beer Co., combined, they create a many substitutes and areas of competition that cause Boston Beer Co. to lose market share. In addition, large brewers, such as Anheuser-

Busch, maintain the largest share of the market and use tactics to try to stifle competition by putting pressure on distributors. Finally, the Boston Beer Co. faces competition from liquor and wine suppliers selling substitute goods. As beer drinkers are commonly willing to switch between brands or styles of beer, or even types of alcohol, the Boston Beer Co. has no shortage of threats from competitors and substitute goods.

When we look at the value chain for the Boston Beer Co., we find that it is mainly dependent on foreign farms for raw materials, which makes the firm susceptible to market disruptions in several ways, from increased tariffs to droughts. In response, it established the "Alchemy and Science," division to help mitigate these risks. Boston Beer Co. is also reliant on distributors to ship their goods to retailers, due to federal laws regulating the beer industry (Dess et al., 2019). As a result, larger breweries can use their clout to push distributors to stop shipping goods from smaller brewers, such as Boston Beer Co., or limit the numbers and availability of shipments. Finally, Boston Beer Co. faces a threat from more educated and discerning consumers who want to drink craft beers and to help local businesses. In response to these threats, Boston Beer Co. has limited its production to maintain its craft beer title, yet it is not seen as a craft beer of choice by many consumers. The firm has also built a 300-member sales force to work in significant areas and educate consumers on the brand and the benefits of craft beers.

The VRIN (or Valuable, Rare, Imperfectly Imitable, and Non-substitutable) analysis is not very favorable to the Boston Beer Co. While its products is priced high, alongside premium beers, slipping sales figures show that consumers do not find the beer's value to match its pricing. In light of the recent explosive growth of craft beer breweries in the US, Boston Beer Co.'s products is not considered rare; in fact, they are becoming increasingly easy to obtain. The firm also faces a lot of competition because, while every beer may be unique and slightly different, there are growing numbers of options in all categories of beer. One beer is easily substitutable by many other types of beer, or by wine, liquor, and other beverage options. As a result of the unfavorable VRIN framework, the Boston Beer Co. relies on its Alchemy and Science group to help find opportunities in the industry, increase its products' quality, and stabilize its supply chains. The firm also has an abundance of educated employees who can work efficiently and train new employees to the company's standards.

The Boston Beer Co. uses a general differentiation strategy to appeal to a broad audience as a unique product that is worth the higher cost. Despite recent attempts to reduce overhead, however, its products are still primarily priced at the premium beer level, instead of the lower craft beer level, where they are trying to compete. Even though production is limited due to the craft beer title, Boston Beer Co. remains able to sell to a broad range of customers, unlike many other craft breweries.

Since the publication of this case study, one significant change the Boston Beer Co. has made was to replace its CEO, Martin Roper, with Dave Burwick (Armental, 2018). This had the effect of raising the stock price by 16% over the past year. One big change that Burwick implemented was a $300 million deal to acquire another craft brewer, Dogfish Head (Maloney, 2019). Previously, Boston Beer Co. had focused on lower overhead costs, lean processes, and investing in its own equipment. This acquisition signaled a new direction in corporate finances by focusing on growth instead of overhead. The acquisition also indicates a possible coming consolidation of the craft beer industry.

While it will be a long time before any significant consolidation occurs in the craft beer industry, the Boston Beer Co. has made an excellent first step with its recent acquisition of a competitor. The move has helped to decrease competition while heightening the name recognition of the Boston Beer brand and increasing market share. This move may also signal a change in strategy from general differentiation to a cost leadership approach. Such a change would help sales, given that Boston Beer Co.'s products are priced higher than many competitors and substitute goods. By replacing the CEO, the firm has also signaled that it recognizes the competition and pressure of the industry. The replacement is an acknowledgment of the fact that the firm needs to change its focus.

Boston Beer Company has traditionally used a broad differentiation strategy to appeal to a large market in the craft beer industry. This strategy has been moderately successful; however, a change in strategy or pricing would allow for increased market share and the growth of a more loyal customer base. In a competitive environment, such as the craft beer industry, it is critical to maintain a competitive edge over the increasing number of competitors and substitute products.

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Conclusion

Business reports help managers to make decisions, and business reports based on research help managers to make better decisions. The sources of information play a key role in guaranteeing the quality of the report; they can be recognized newspapers (e.g., The Wall Street Journal), business magazines (e.g., Forbes), business associations (e.g., the Brewers Association), or companies' websites. A good example of the type of decisions managers can make based on business reports can be seen in the last paragraphs of the reports. For example, Chris Boutcher recommends to Avon keeping a differentiation strategy based on the "good quality of products" because of "the high threat of substitutes." Similarly, Ed Davis suggests to Boston Beer considering a low-cost strategy to fight the high competition in the industry, while Kayetlyn Carter emphasizes the importance of the company resources. Recommendations based on facts gathered from deep, quality research will facilitate managers' decision-making and contribute to firm performance and survival.