

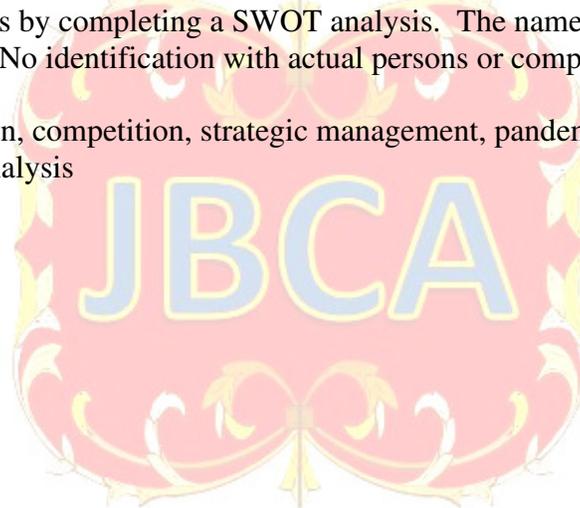
Van Life: the Road ahead for an Entrepreneur

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ABSTRACT

Van life: the road ahead for an entrepreneur is a case that allows students to assess the different competitive strategies small business owners use in the van conversion market. Students will be tasked to make decisions on competitive strategy and competitive analysis. Jamie is a world traveler and spent a year exploring the continental United States in a converted van. Her van included basic living necessities - such as a bed, a sink, and storage - and she found that she needed additional comforts to make her trips perfect through trial and error. From her experiences, she decided she wanted to start her own van conversion company. Students will be tasked to choose a competitive strategy for Jamie's business and design a company name, vision statement, and mission statement. Students will also assess the internal and external factors of a small business by completing a SWOT analysis. The names and companies in this case study are fictitious. No identification with actual persons or companies is intended.

Keywords: van conversion, competition, strategic management, pandemic, product differentiation, SWOT analysis



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INTRODUCTION

Jamie always knew she was going to be a traveler. Ever since she was a kid, she wanted to climb Annapurna in the Himalayas, dive between two tectonic plates in Iceland, and camp in the Sahara Desert. In college, she majored in anthropology as she wanted to study human behavior, linguistics, and culture. You could always find her nose in a travel book or on her phone, scanning her travel apps, planning her next adventures. By the time Jamie graduated college, she not only had the explorations she had dreamed of when she was a kid, but Jamie also discovered new ones. She traveled abroad in Croatia and studied tourism, advocated for women's rights and empowerment in India, and found a love for ecotourism in Thailand.

While her travels sounded exciting and euphoric, they all were not. In Spain, her bag was stolen at a bus stop, and she was without a phone and wallet for two days. She has also slept in more airports to save money on hotels than she cares to admit. She even backpacked for two days to visit the Old Forge pub in Scotland, known as the most remote pub in the world, only to find it closed on the day she arrived.

JAMIE'S VAN LIFE JOURNEY

Still, she did not let her missteps sour her love for travel. In 2018, Jamie decided she wanted to explore more of her home country. She desired to visit every state in the continental United States (U.S.) and sightsee at least one national park in each state. It was an enormous undertaking. Nonetheless, Jamie did what she knew best and meticulously planned. From her research, she knew the best mode of transportation would be by vehicle. She found an entire culture where people would travel the U.S. in vans modified in the interior to include simple necessities. Essentially, these vans had all the essential components, including a bed, sink, storage, and a toilet, as seen in Figure 1 (Appendix). These vans were smaller than a recreational vehicle (R.V.) bus but a step up to camping in a tent.

Once Jamie learned of this van life world, she found herself on Craigslist, an online classified advertisements website, searching for a van to fit her next adventure. She bought a 2015 Ford Transit 350 as seen in Figure 2 (Appendix) with 87,000 miles for \$30,000 from an older couple a few hours outside her hometown of Portland, Oregon. Her van, which would be her home for the next year, had a bed, a compostable toilet, a sink with a water tank, and clothing and food storage cabinets. It also had an extra battery to charge her phone, computer, camera batteries, or use small appliances.

Jamie's van was not perfect by any means. She found her van was missing other components that she knew would make her trip successful. For example, she increased the power and battery capacity to use a hot plate for cooking warm meals after a long trek through the snow. With her increased power and battery, Jamie added a 1.7 cubic foot freezer-less mini-fridge as a bonus. She replaced the water tank with a larger size to carry more water to remote locations. With the help of her mother, they built a separate storage box by the sliding side door of the van to place her muddy clothes and shoes.

In the summer of 2018, Jamie packed up her van, placed the rest of her belongings in storage, and left Portland. It was a wild year filled with enjoyment. Jamie experienced the natural sandstone arches in Arches National Park, Utah. Jamie even rock climbed in the Grand Teton National Park in Wyoming. She also studied the delicate coral reefs while scuba diving at the Biscayne National Park in the Florida Keys. All the while, she lived out of her van and

stayed at campsites throughout the journey. If she were on the road and were unable to find an available camp or rest stop nearby, Jamie would log on to Hipcamp, a website that allows private landowners to list their land or space as an offer for a unique outdoor stay for camping. If she were in a pinch, Jamie would try to find a safe but quiet parking lot, such as a Walmart or a BestBuy parking lot.

Throughout the year, Jamie learned what worked for her and what did not. She needed a bucket and a clothing line for when she had to hand wash laundry. Jamie also bought a portable, outdoor camping shower and a popup curtain when there was no one available, although she found this system to be a pain to set up and break down each use. Her portable shower system was also not the best or favorable in cold weather, and Jamie had to resort to baby wipes in dire instances.

RETURN TO HOME

Jamie returned home to Portland in the summer of 2019. She shared her best and worst stories with her parents and her friends. She organized her photos and saved her favorites to decorate her walls as a mini art gallery in her next apartment. As for her van, Jamie kept it at her parent's house and used it for weekend trips throughout Oregon, Washington, California, and Idaho. Once, she even brought her parents on a camping trip in the Humboldt Redwoods State Park in California. Her parents stayed in the van to experience van life, and they bought an extra tent and sleeping bag for Jamie. Jamie did not mind the tent. Instead, she enjoyed seeing her parents gradually love van life as much as she did.

However, in March 2020, the coronavirus was starting to reach the U.S., and it eventually turned into a global pandemic. Travel and tourism completely stopped as the country was quarantining. During this time, Jamie missed traveling. She decided that instead of waiting for the coronavirus to pass, she would create her own business to sell converted vans.

Jamie now must come up with a business plan. She must decide what products to offer for her van conversion business. However, she needs first to study the van conversion industry. She needs to also look at her competition. Then, Jamie must decide which strategy would be best to start a business: a low-cost strategy, a differentiation strategy, or a hybrid strategy.

VAN CONVERSION INDUSTRY

There are three types of van conversion companies. First, some companies have fully-customized conversions. The companies will supply the van and the different fittings for the interior. The customer can decide which van they want and what features they need. For example, the customer may choose a higher-end van model and requires the interior to have a bed, shower, toilet, television, sink, and a surfboard rack. The companies will discuss the design features with the customers, modify the van's interior, and provide a van that the customer may use immediately.

The second type of van conversion company will have semi-custom conversions. In other words, the companies modify the interior of the van only. Namely, the customer may or may not supply their van to the company, and the company will work with the customer to add specific pre-designed module features that the customer needs. For instance, a customer may own a minivan but would like to add a twin-sized bed and storage to replace the minivan's seats. The companies will take measurements, create mock designs, and discuss the details with the

customer. Once the customer is happy with the arrangement, the company will build the modifications and add them to the customer's van.

The last type of van conversion company will consult with customers and provide design specifications for modifications. In other words, these van conversion companies act like consultants and experts. The company will meet with the customer, and the customer will describe what they want and need. The company will then measure the van's interior and create different designs. Once the customer approves a specific plan, the company will then provide instructions and measurements on modifying the van themselves. With this method, customers are satisfied with building the van with the safeguard that the build will go according to plan.

Some companies may be a combination of more than one type to create a better strategic position. For example, a van conversion company may supply the van and build the van for the customer or be a consultant for the customer.

COMPETITION

Jamie researched her competition in Portland. Her area already has a few van conversion companies, and she may have trouble entering the market. Jamie's most significant competition would be the Overhaul Van Concept. This company offers fully-custom and semi-custom vans and provides consulting services for customers to build their vans. Overhaul Van Concept has a broad differentiation competitive strategy where they aim to offer products that will appeal to the most customers. A sample pricing for their fully-customed vans is listed in Table 1 (Appendix). A fully-customized van build takes approximately 12 weeks, while a semi-custom van build takes six to eight weeks. Their website offers a gallery of their van projects, describes the process in simplified terms, and includes a contact page. The company also has a Facebook page, Instagram account, Pinterest project, and a YouTube channel to show and advertise its products.

Another company that Jamie would be competing with is Special Van Conversion. This company offers different interior modules for specific van models. For example, Special Van Conversion will provide appliances, audio packages, bed systems, electrical packages, fridges, water systems, heating, and cooling systems, lighting, seating, and windows. Special Van Conversions has a focused low-cost competitive strategy. They create a select number of modules for a chosen number of van models, thereby reaching a narrow customer segment. A sample pricing list is listed in Table 2 (Appendix). The company also offers installation of the parts for a semi-custom van conversion. The website has a basic price list for visibility, an extensive image gallery to show its products, and a few YouTube videos on the company.

Lastly, Jamie would be in direct competition with Outdoor Adventure. Outdoor Adventure has two conversion options. First, the customer may start with its Outdoor Adventure Interior System, a simple and barebone interior system. Installation for the system takes approximately five weeks. Or, customers may select the fully-customed conversion option. With the fully-custom option, designing the interior takes four weeks, while building takes ten weeks. Moreover, the company also offers van accessories on their shop page where customers may buy products such as battery trays, outdoor popup fire pit kits, and bed equipment kits. Outdoor Adventure has a broad, low-cost competitive strategy as they aim to provide low-cost products that attract the most customers. A sample pricing list is listed in Table 3 (Appendix). The company staff also posts regular blogs on the website, sharing company updates, testimonials, and personal van conversion stories.

TARGET POPULATION

Van conversions are for anyone. They provide the ultimate road trip for all generations. Vans are modified to fit the customer's wants and needs. For example, some vans may have space designated for mountain and road bike storage. Others may have the camping essentials that make camping feel like glamping, in other words, "glamorous camping" with amenities. Some vans have a designated pet area with a bed and feeding station. Others focus on a high-tech kitchen with a sink, stovetop range, mini-refrigerator, and dishwasher. There are also vans with space for kayaks and surfboard storage.

Depending on the layout, converted vans can sleep up to four people. For a young family, this may be the most economical way to spend a family vacation. Travelers can drive their temporary home to watch the sunrise on Cape Cod or visit remote locations to see the Milky Way. Van life targets all populations and is all-inclusive.

THE VAN CONVERSION INDUSTRY AND THE CORONAVIRUS

By the summer of 2020, travel was at a standstill in the U.S. Local authorities mandated shelter-in-place restrictions. For example, people could only visit the grocery store and exercise outside for one hour per day. As a result, domestic travel spending in the U.S. drastically dropped, as seen in Table 4 (Appendix).

Van life travel was almost a perfect substitute for travel during this time. Van life allowed for the flexibility and freedom to escape from quarantining at home and still qualify as a socially distant activity provided people kept six feet apart from one another. People could take their vans to the wilderness and get a taste of what it was like to travel again without putting their health at risk.

However, the coronavirus pandemic was a threat to the van conversion industry for a few reasons. First, van conversions are a luxury good, meaning not everyone has expendable income to purchase a van and convert it. If income decreases, the demand for luxury goods decreases. While unemployment rates soared in 2020, as seen in Table 5 (Appendix), demand for new vehicles such as vans fell, as seen in Table 6 (Appendix). Moreover, if consumers have expendable income, then they may only buy one van. Hence, the turnover for van demand is low. Lastly, the demand for van conversions may decrease after the coronavirus pandemic is over and travel returns back to pre-pandemic levels. Therefore, Jamie not only has a tough market to enter, but she must also figure out a way to stay relevant and competitive during and after the coronavirus pandemic.

APPENDIX

Figure 1
Example of the interior of a converted van



(Gadgetsin, 2016)

Figure 2
2015 Ford Transit 350



(Autoblog, 2021)

Table 1
Overhaul Van Concept Pricing

Model Name	Interior Features	Price
The Van Halen	<ul style="list-style-type: none"> • Custom hand-finished interior • LED lighting throughout • 200 Ah lithium battery • 300 watts of solar • Two-way roof fan with remote • Energy-efficient 3.0 cubic ft. refrigerator • Energy-efficient microwave • 40-gallon water tank and kitchen sink • Upper and lower galley cabinets for storage 	<p>The base price, including the van, starts at \$70,000</p> <p>Base price not including the van starts at \$38,000</p>

	<ul style="list-style-type: none"> • Built-in conduction burner • Wood table • Camper queen bed with an 8” foam mattress that converts into a seating area • Roll down curtains • Gear trunk • Shower attachment in the rear • Compostable toilet • Storage cubbies • Outdoor awning • Eco-friendly insulation • 30” television • Hidden safe for valuables • Fire extinguisher • Carbon monoxide and smoke detector 	
<p>The Van Morrison</p>	<ul style="list-style-type: none"> • Custom hand-finished interior • LED lighting throughout • 200 Ah lithium battery • 300 watts of solar • Two-way roof fan • Energy-efficient 3.0 cubic ft. refrigerator • 30-gallon water tank and kitchen sink • Upper and lower galley cabinets for storage • Conduction burner • Carbon fiber table • Camper queen bed with a 6” foam mattress that converts into a seating area • Attachable Velcro curtains • Gear trunk • Compostable toilet • Extra-large storage cubbies • Eco-friendly insulation • Hidden safe for valuables • Fire extinguisher • Carbon monoxide and smoke detector 	<p>The base price, including the van, starts at \$65,250</p> <p>Base price not including the van starts at \$33,250</p>
<p>The Van Diesel</p>	<ul style="list-style-type: none"> • Custom hand-finished interior • LED lighting throughout • 200 Ah lithium battery • 300 watts of solar • Two-way roof fan • 30-gallon water tank and kitchen sink 	<p>The base price, including the van, starts at \$62,750</p> <p>Base price not including the van starts at \$30,750</p>

	<ul style="list-style-type: none"> • Upper and lower galley cabinets for storage • Conduction burner • Carbon fiber table • Camper queen bed with a 6” foam platform mattress • Roll down curtains • Gear trunk • Interior bike storage • Compostable toilet • Storage cubbies • Eco-friendly insulation • Fire extinguisher • Carbon monoxide and smoke detector 	
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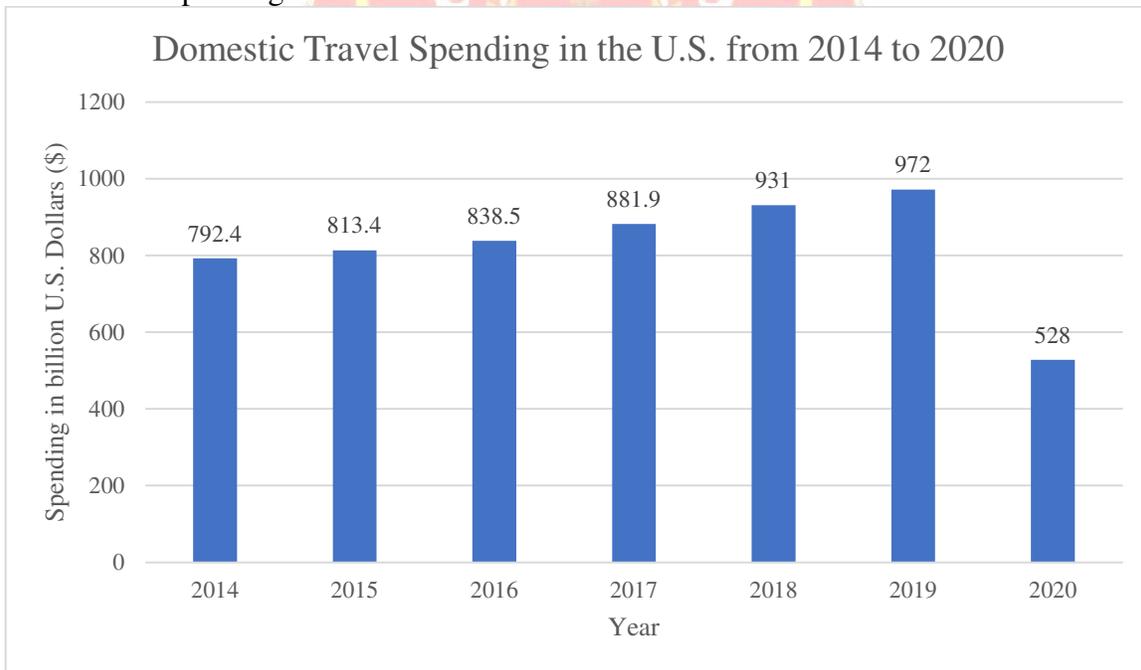
Table 2
Special Van Conversion Pricing

Package (For Ford, Ram, and Chevrolet Vans Only)	Price
Battery tray with wiring bundle	\$595.00
Stowaway bed, bamboo base	\$3,100.00
Platform bed, bamboo base	\$2,950.00
Platform bed, metal base	\$2,850.00
Bed installation kit	\$495.00
Storage lockers, set of 3	\$400.00
Storage lockers, set of 5	\$595.00
Van heater and cooling system	\$1,795.00
Surround stereo package	\$300.00
30 cubic ft. energy-efficient mini-refrigerator and wiring	\$450.00
Kitchen sink package and plumbing	\$415.00
40-gallon water tank and plumbing	\$210.00
50-gallon water tank and plumbing	\$225.00
Waterless, non-electric compostable toilet	\$995.00
LED lighting package	\$175.00
Swivel passenger seat adaptor	\$239.00
Tinted window package	\$150.00
Installation fee	\$65.00/hour

Table 3
Outdoor Adventure Pricing

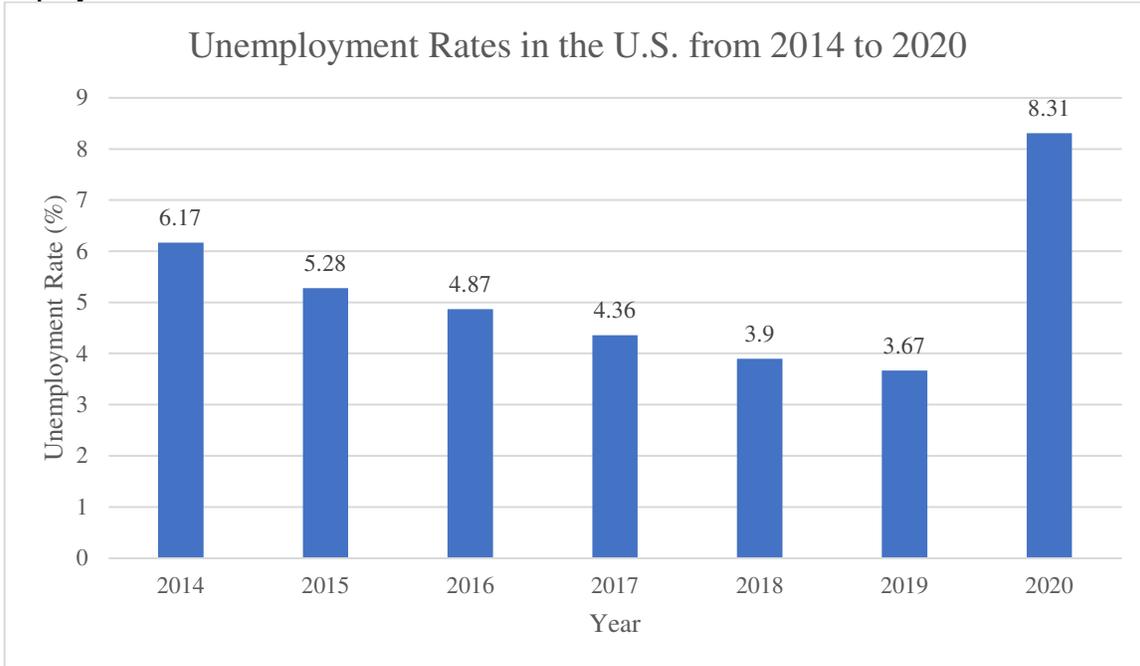
Package	Price
Outdoor Adventure Interior System: <ul style="list-style-type: none"> • Queen bed with an 8” foam mattress that converts into a table and seating area • Heating and cooling system • LED lighting package • Tinted window package • 60” x 48” x 36” counter and storage 	<ul style="list-style-type: none"> • The total cost is \$9,950.00. <ul style="list-style-type: none"> ○ Price includes parts and installation.
Customized van conversion	<ul style="list-style-type: none"> • Free one-hour consultation included. • The design fee is \$98.00 per hour. • The installation fee is \$70.00 per hour. • Prices for parts vary.

Table 4
Domestic travel spending in the U.S. from 2014 to 2020



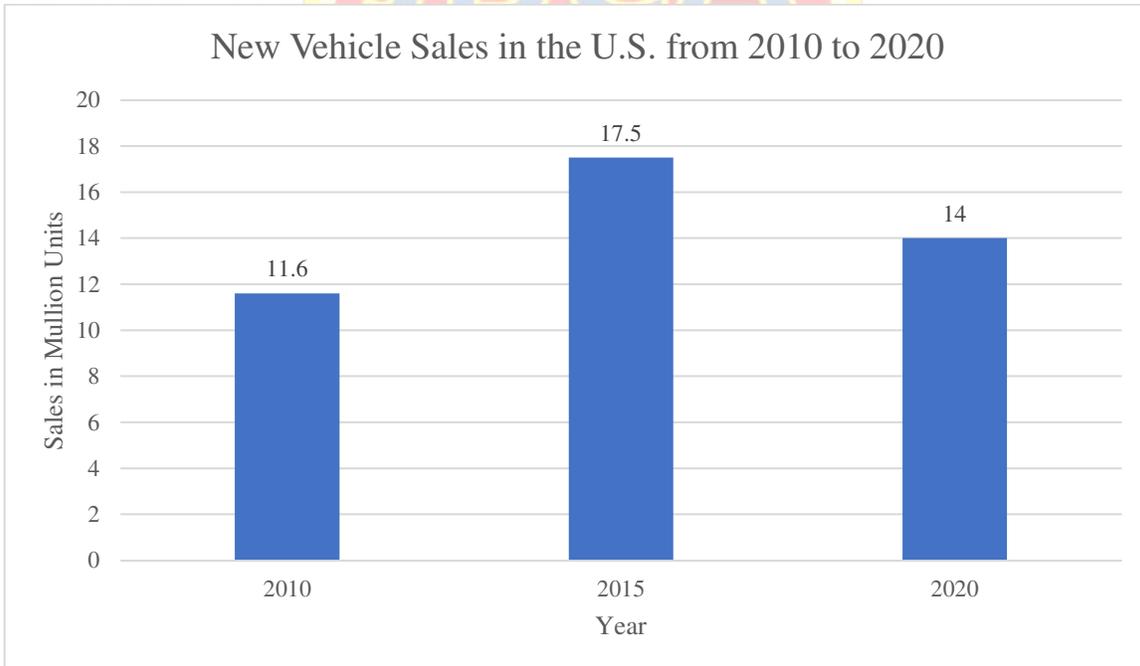
(Statista, 2021a)

Table 5
Unemployment Rates in the U.S. from 2014 to 2020



(Statista, 2021c)

Table 6
New vehicle sales in the U.S. from 2010 to 2020



(Statista, 2021b)

TEACHING NOTE**Van life: the road ahead for an entrepreneur**

COURSE TITLES: Introduction to Business, Introduction to Business Administration, Business Management

COURSE LEVEL: Undergraduate (freshman/sophomore)

MANAGEMENT TOPIC: Generic Competitive Strategies

SYNOPSIS

Jamie always loved to travel. She would dream of places she wanted to go when she was a kid. So much so that Jamie devoted any savings she had into a travel fund. However, it was not until Jamie was in college that her travel career started. She visited all the places she planned to go to when she was a kid. For example, she climbed Annapurna in the Himalayas, dived between two tectonic plates in Iceland, and camped in the Sahara Desert. Jamie studied anthropology as her major as she loved learning about human behavior, linguistics, and culture. Most of Jamie's travels were about learning from the experience. For example, she completed a semester abroad in Croatia to study tourism, volunteered in India for a women's rights group, and volunteered at an elephant sanctuary in Thailand. Clearly, her passion was traveling, and she wanted to spend her life devoted to it.

In 2018, Jamie took on a new adventure. She decided she wanted to travel across the continental U.S. and visit every state and at least one national park in each state that had one. Jamie knew that the best way to achieve her goal was to drive across the country. From her research, Jamie bought a van that had its interior modified to include all the necessary living essentials. Her van had a bed, a compostable toilet, a sink with a water tank, and clothing and food storage cabinets. Jamie learned she needed to add a few more items to her van to make her van comfortable to travel in full time from trial and error. For example, she increased the power and battery capacity to use a hot plate for cooking warm meals, added a 1.7 cubic feet freezer-less mini-fridge, and increased the water tank capacity. Jamie also built more storage, added a clothing line, and bought a portable, outdoor camping shower. From her experiences in her van, she knew the advantages and disadvantages of her van's setup.

When Jamie returned home to Portland, Oregon, in the summer of 2019, she was looking for her next adventure. However, the coronavirus pandemic reached the U.S. in March 2020, which altered her trajectory. Jamie decided to take the lessons learned from her van life and start a van conversion business. However, she was not sure where to begin. As a starting point, she studied the van conversion industry and her competition in the Portland area. Jamie must now decide what competitive strategy she should use to start her business.

OBJECTIVES

1. The student will be able to apply the concepts of generic competitive strategies.
2. The student will determine the best competitive strategy for Jamie's business and develop vision and mission statements.

3. The student will determine the internal strengths and weaknesses, market opportunities, and external threats for Jamie's new business.

DISCUSSION QUESTIONS AND ANSWERS

1. What kind of competitive strategy should Jamie have for her business and why? What product(s) should Jamie offer?

Jamie should create a van conversion business with a focused low-cost strategy. Jamie has extensive knowledge as a solo female traveler and knows what it is like to live in a converted van for a year. As she does not have experience converting a van from scratch, she could consult with customers and provide design specifications for modifications. Her target market could be solo female travelers, gap year van travelers, and domestic van travelers within the U.S. She should offer her consulting services at a rate lower than Outdoor Adventure's design fee to serve the niche market at a lower price. She could also provide a complimentary 15-minute consultation with potential clients to see if they are a good fit to work together.

2. Create a company name, vision statement, and mission statement for Jamie's business.

Jamie could name her company "The Vanner Planner" as a play on words for how she is a planner and aims to help customers plan the layouts of their vans.

The vision statement tells customers the future direction of the company and where it is headed. As for her vision statement, a vision statement needs to be graphic, forward-looking, focused, feasible, directional, and memorable. An example of a vision statement for Jamie's business would be:

- The vision at The Vanner Planner is to help plan your van for your next jammed-packed adventure, no matter the van or plan.

A mission statement identifies the company's current business and purpose. Mission statements typically have nine components: products or services, technology, philosophy, concern for public image, customers, employees, markets, concern for survival and profitability, and distinctive competence. An example of a mission statement for Jamie's business would be:

- The mission at The Vanner Planner is to help solo van travelers organize and design their vans to fit all their future adventures on the open road or in the vast wilderness. Our experienced, van-savvy employees can help customers design the best van interior with the latest technology while exceeding expectations. Our low fees will ensure the customer gets the most value while saving money for their next trip. We believe with proper planning, van travelers can have safe travels for years to come.

The following identifies the components of the mission statement within the suggested mission statement:

- The mission at The Vanner Planner is to help solo van travelers (customers) organize and design their vans (products) to fit all their future adventures on the open road or in the vast wilderness (markets). Our experienced, van-savvy employees (employees) can help customers design the best van interior (distinctive competence) with the latest technology (technology) while exceeding expectations (public image). Our low fees will ensure the

customer gets the most value while saving money for their next trip (survival and profitability). We believe with proper planning, van travelers can have safe travels for years to come (philosophy).

3. Who would be Jamie's most significant competitor, and why?

Jamie's most significant competitor is Outdoor Adventure. Outdoor Adventure has a broad, low-cost competitive strategy that may overlap with Jamie's customer base if Jamie decides to have a low-cost strategy. Outdoor Adventure has a company-designed Interior System, which is a barebone interior system. Customers may choose the Outdoor Adventure Interior System and then make additional upgrades and modifications themselves instead of consulting with Jamie.

Jamie may also be competing with Overhaul Van Concept. Overhaul Van Concept provides consulting services for customers to build their vans, a similar business model that Jamie might have. Overhaul Van Concept has a broad differentiation competitive strategy where they aim to offer products that will appeal to the most customers. However, with a broad differentiation strategy, Overhaul Van Concept may not market and attract the same customers as Jamie's company.

4. What recommendations would you suggest for Jamie to stay competitive after the coronavirus pandemic is over?

Jamie is a world traveler. She is also an expert planner and has learned lessons from her travels. Jamie should consider offering travel guides based on her experiences. She can also provide customized travel plans and serve as a travel agent.

Jamie should also create an online presence to reach a larger audience for her part-time travel agency. She should make a company Instagram account, Facebook page, and Twitter page to engage her potential and current customers. She could also post videos of her trips or tutorials on solving common travel problems, like changing a flat tire on a van or finding a cost-efficient campsite on short notice. Moreover, if Jamie builds her business online, she may hire remote employees to help her plan van travels outside the U.S. or to parts of the U.S. she has not been to yet.

KEY TERMS: mission statement, vision statement, competition, strategic management, product differentiation, SWOT analysis

KEY THEORIES/MODELS

- Generic competitive strategies: Students will analyze the van conversion competition in Jamie's area and determine a competitive strategy for Jamie's company.
- Strategic Vision: Students will review the information in the case study to create a vision statement for Jamie's company.
- Mission Statement: Students will construct a mission statement with the nine components of a complete mission statement for Jamie's company.

- SWOT Analysis: Students will use the information in the case and may look to outside resources to complete an internal strengths and weaknesses, market opportunities, and external threats (SWOT) analysis.
- Cost-benefit Analysis: Students will use a cost-benefit analysis to assess the competitive strategy chosen for Jamie’s business. The cost-benefit analysis will support the student’s understanding of the strategy and the advantages and disadvantages of
- the other generic competitive strategies.

ACTIVITIES

1. Create a strengths, weaknesses, opportunities, and threats (SWOT) analysis for Jamie’s company. Identify at least five points for each category.

Internal Strengths	Internal Weaknesses
<ul style="list-style-type: none"> • Jamie has ample research and experience in traveling the world • Jamie has one year of experience traveling the U.S. in a converted van • If Jamie uses a focused low-cost strategy, her business would have cost advantages over the competition • Jamie can cover a global target population with an online business • Jamie can target a niche population of solo female travelers, gap year van travelers, and domestic van travelers within the U.S. 	<ul style="list-style-type: none"> • Jamie does not have any experience building a converted van herself • Jamie does not have the knowledgebase to know how to install parts in a converted van, such as install electrical wiring or plumbing • Her product line offerings may be too narrow compared to the competition • Jamie does not have the experience or formal education to run a business • Her business does not have a brand image or reputation • If her costs are too low, she may be undervaluing her services and may not achieve profit maximization
Market Opportunities	External Threats
<ul style="list-style-type: none"> • Some new innovations and technologies allow increased efficiencies in van designs • Jamie can form a partnership with other van conversion companies in her area or partner with other van conversion consultants globally • Jamie can learn how to convert vans to expand her business and enter new markets • Jamie can grow her business by consulting online and reaching new geographic areas • Jamie can target other customer groups, such as different generations 	<ul style="list-style-type: none"> • The coronavirus pandemic may cause fewer customers to have the expendable income to purchase a luxury good • Once the coronavirus pandemic is over, there may be a shift in customer preferences away from van travel • Rising prices from the coronavirus pandemic may increase prices for the market • A disruptive technology could undermine Jamie’s business • New entrants may increase competition

2. Create a cost-benefit analysis on the competitive strategy chosen for Jamie’s company. List at least five costs (disadvantages) and five benefits (advantages).

Competitive Strategy: Focused, Low-Cost	
Costs	Benefits
<ul style="list-style-type: none"> • The customers base is more price-sensitive and has bargaining power • Customers easily switch to another producer if prices are lower • Products among producers are usually identical • There is high price competition among producers • Demand may be lower in a niche market, which would impact product sales 	<ul style="list-style-type: none"> • The strategy works best when price competition is robust • The customer base is not sensitive to product differentiation • A focused strategy targets a niche market where producers can interact with the target customer base • A focused strategy allows the producers to be an expert in the goods or services sold • A low-cost strategy cuts operational costs for the producer

QUIZ QUESTIONS

1. Which of the following is not a type of competitive strategy discussed in the case study?
 - a. Market niche strategy
 - b. Focus strategy
 - c. Differentiation strategy
 - d. Cost leadership strategy

Answer: d

Explanation: A cost leadership strategy was not discussed in the case study. A cost leadership strategy is a strategy that companies use to decrease production and operation costs while increasing efficiencies compared to the industry standards. Companies with a cost leadership strategy must reduce costs at every production level and use tactics like economies of scale. In the cast study under the Competition section, the Overhaul Van Concept had a broad differentiation strategy, Specialty Van Conversion had a focused low-cost strategy, and Outdoor Adventure had a broad, low-cost strategy.

Difficulty Level: Low difficulty

2. A SWOT analysis assesses which of the following:
 - a. A market’s strengths, weaknesses, opportunities, and threats
 - b. A company’s internal situation and wellness, and external opportunities and threats
 - c. A company’s internal strengths and weaknesses, market opportunities, and external threats
 - d. An industry’s internal strengths and weaknesses, market opportunities, and external threats

Answer: c

Explanation: SWOT is an acronym that stands for Strengths, Weaknesses, Opportunities, and Threats. It is an analysis used to assess a company’s position in the market.

Difficulty Level: Low difficulty

3. If a company had midrange products with medium-quality sold at below-average prices, the company is said to have a _____ competitive strategy.

- a. Hybrid
- b. Low-cost
- c. Product differentiation
- d. Mid-cost

Answer: a

Explanation: Companies with hybrid strategies attract value-conscious customers. Hybrid strategies allow companies to compete in the middle of the market. These companies may have high-quality products or services at an average price or medium-quality products or services at below-average prices.

Difficulty Level: Low difficulty

4. Which of the following is an example of a company with a focused differentiation strategy?

- a. A van conversion company that sells van accessories
- b. A van conversion company that specializes in van conversions for mountain bike enthusiasts
- c. A van conversion company that sells second-hand van conversions and second-hand van parts
- d. A van conversion company that builds fully-customized vans and offers low-cost van accessories

Answer: b

Explanation: A focused differentiation strategy is a competitive strategy companies use to offer customized products or services to a niche customer. Option b is the only company specializing in a niche market, the mountain bike market. Option a is an example of a broad differentiation strategy. Option c is an example of a low-cost strategy. Option d is an example of a hybrid strategy.

Difficulty Level: Moderate difficulty

5. If Jamie wanted to convert mini school busses instead of vans for her business, this would be an example of a _____.

- a. Substitute good
- b. Inferior good
- c. Complementary good
- d. Normal good

Answer: a

Explanation: Substitute goods are two goods that may be similar. They satisfy similar needs for the consumer. In other words, substitute goods are goods that are used for the same purposes. A mini school bus is approximately the same size and has the same purpose as a van. Therefore, a mini school bus and a van are substitutes.

Difficulty Level: Moderate difficulty

6. If Overhaul Van Concept wanted to directly compete with Special Van Conversion, what price should Overhaul Van Concept charge for an installation fee.

- a. \$62.00 per hour
- b. \$64.50 per hour
- c. \$65.00 per hour
- d. \$67.50 per hour

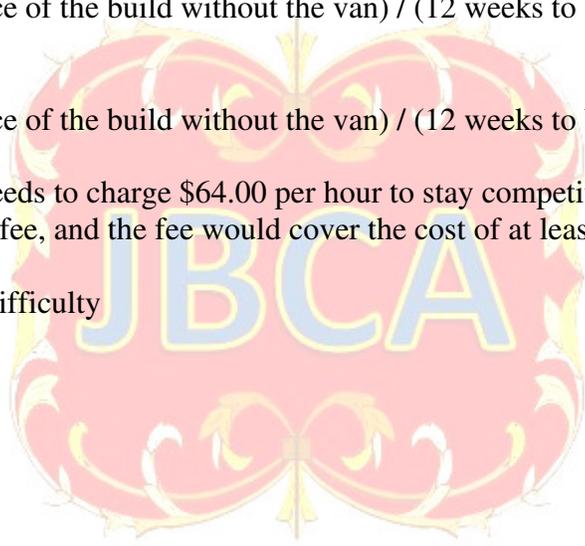
Answer: b

Explanation: Special Van Conversion uses a low-cost strategy and has an installation fee of \$65.00 per hour. Overhaul Van Concept would need to charge an installation fee of \$65.00 or less to compete with Special Van Conversions directly. However, Overhaul Van Concept still needs to cover the costs of their fully-customized vans. Therefore, students need to calculate the cost per hour of Overhaul Van Concept's fully-customized van products with the following calculations:

- The Van Halen
 - $\$38,000$ (base price of the build without the van) / (12 weeks to build x 40 hours) = \$79.17 per hour
- The Van Morrison
 - $\$33,250$ (base price of the build without the van) / (12 weeks to build x 40 hours) = \$69.27 per hour
- The Van Diesel
 - $\$30,750$ (base price of the build without the van) / (12 weeks to build x 40 hours) = \$64.06 per hour

Overhaul Van Concept needs to charge \$64.00 per hour to stay competitive with Special Van Conversion's installation fee, and the fee would cover the cost of at least the installation fee for The Van Diesel.

Difficulty Level: High difficulty



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