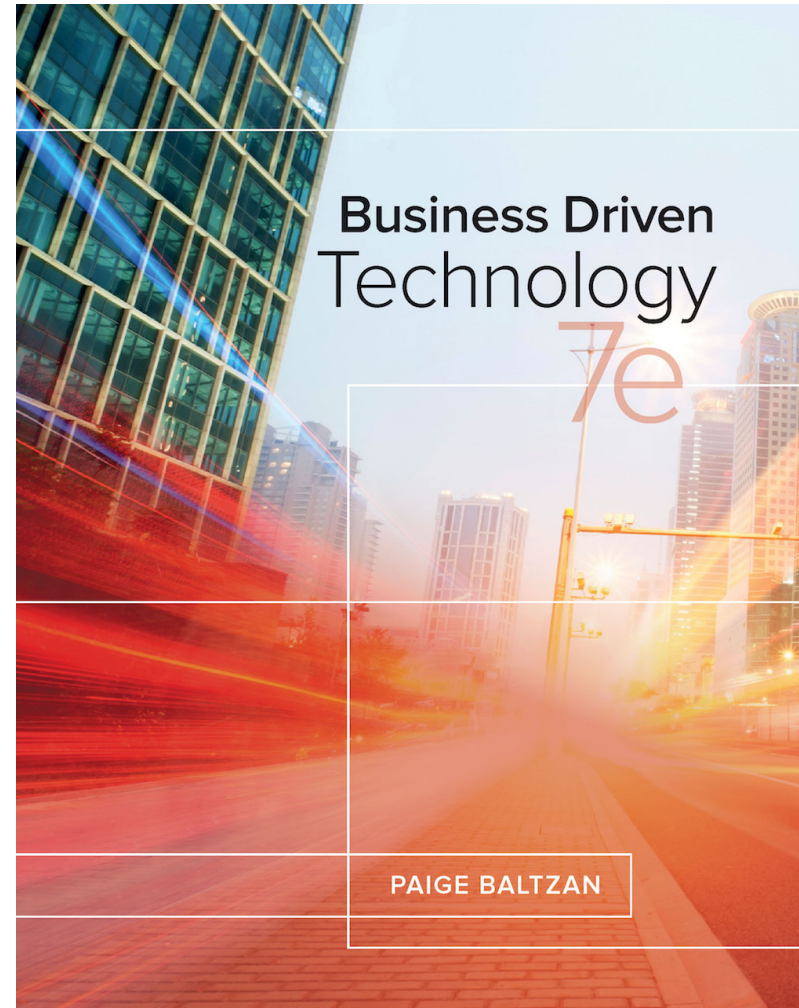


CHAPTER TWO

IDENTIFYING COMPETITIVE ADVANTAGES

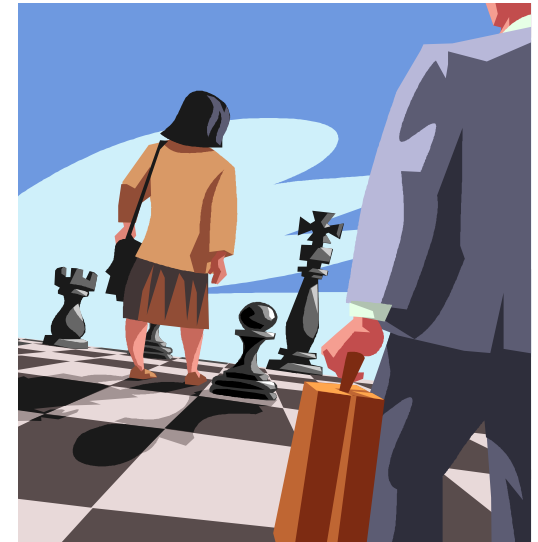


LEARNING OUTCOMES

1. Explain why competitive advantages are temporary along with y the four key areas of a SWOT analysis
2. Describe Porter's Five Forces Model and explain each of the five forces
3. Compare Porter's three generic strategies
4. Demonstrate how a company can add value by using Porter's value chain analysis

IDENTIFYING COMPETITIVE ADVANTAGES

- **Business strategy** – A leadership plan that achieves a specific set of goals or objectives such as
 - Developing new products or services
 - Entering new markets
 - Increasing customer loyalty
 - Attracting new customers
 - Increasing sales



IDENTIFYING COMPETITIVE ADVANTAGES



IDENTIFYING COMPETITIVE ADVANTAGES

- **Competitive advantage** – A product or service that an organization's customers place a greater value on than similar offerings from a competitor
- **First-mover advantage** – Occurs when an organization can significantly impact its market share by being first to market with a competitive advantage



IDENTIFYING COMPETITIVE ADVANTAGES

SWOT ANALYSIS
Evaluates Project
Position

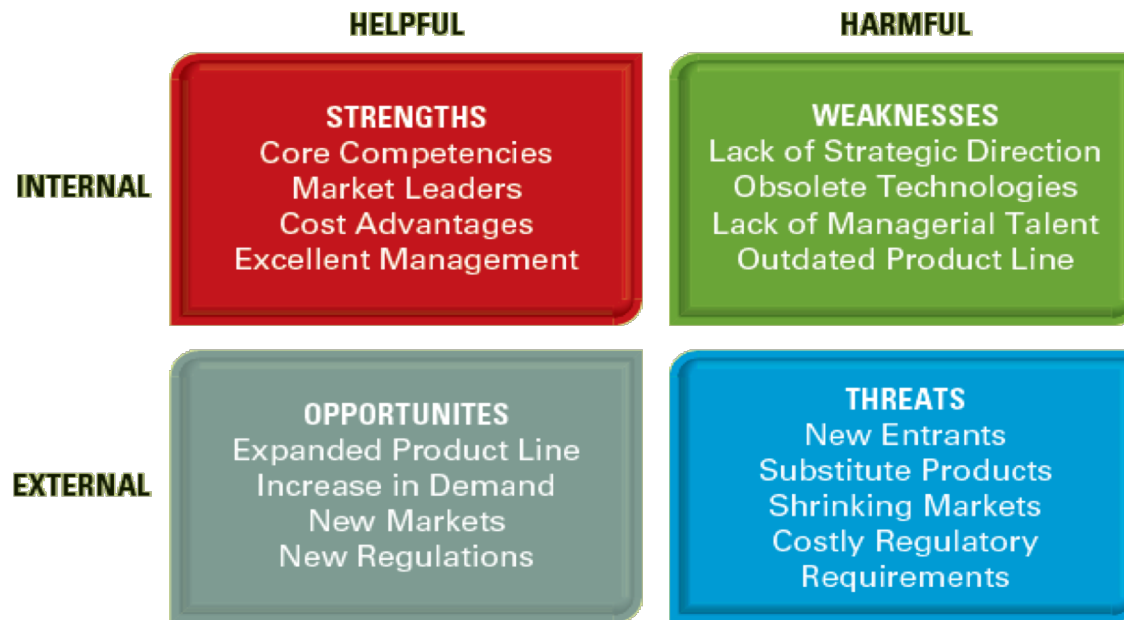
THE FIVE FORCES MODEL
Evaluates Industry
Attractiveness

**THE THREE GENERIC
STRATEGIES**
Chooses Business
Focus

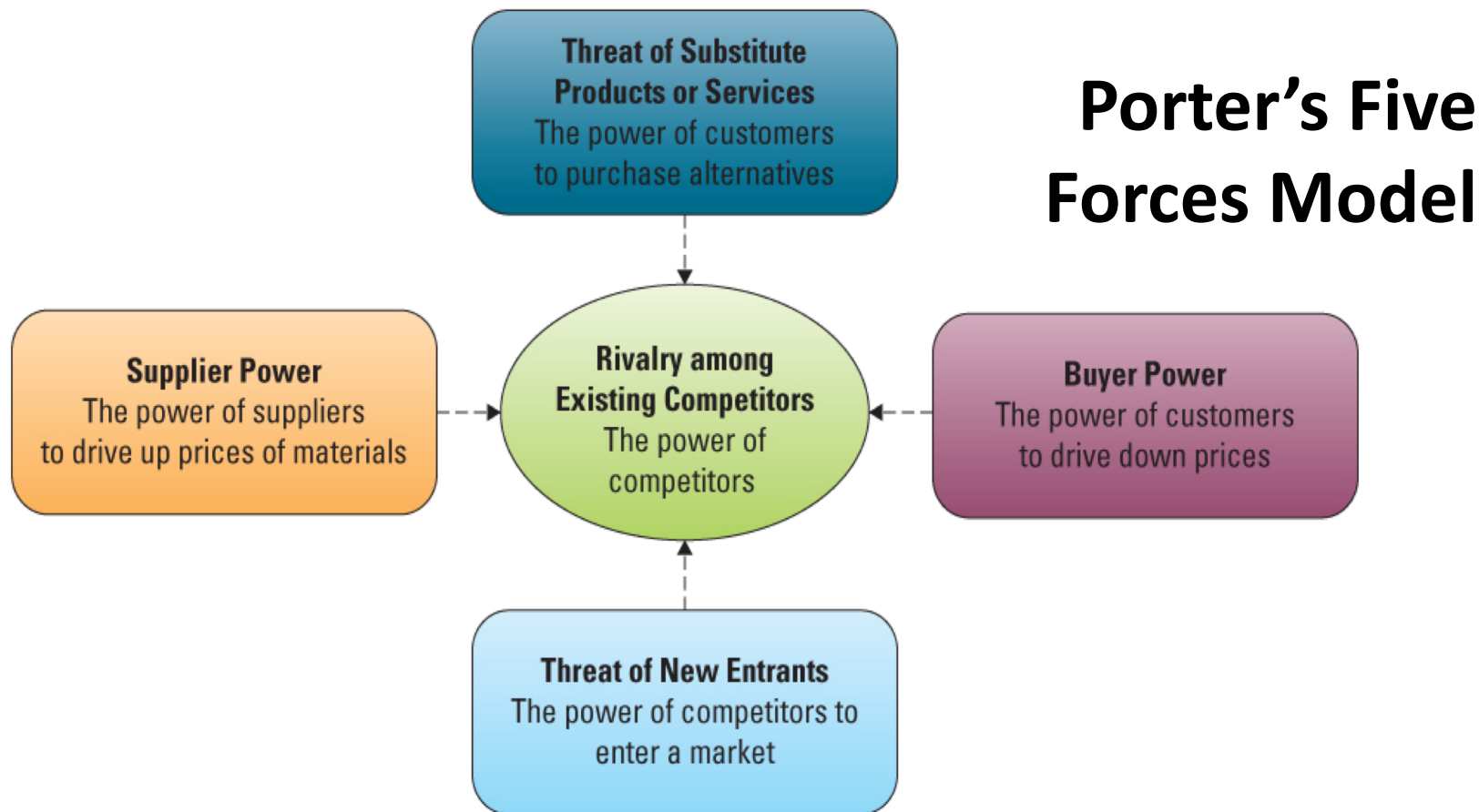
VALUE CHAIN ANALYSIS
Executes Business
Strategy

SWOT ANALYSIS

■ A **SWOT analysis** evaluates an organization's strengths, weaknesses, opportunities, and threats to identify significant influences that work for or against business strategies



THE FIVE FORCES MODEL – EVALUATING INDUSTRY ATTRACTIVENESS



BUYER POWER

- **Buyer power** – The ability of buyers to affect the price of an item
 - **Switching cost** – Manipulating costs that make customers reluctant to switch to another product
 - **Loyalty program** – Rewards customers based on the amount of business they do with a particular organization



SUPPLIER POWER

- **Supplier power** – The suppliers' ability to influence the prices they charge for supplies
- **Supply chain** – Consists of all parties involved in the procurement of a product or raw material



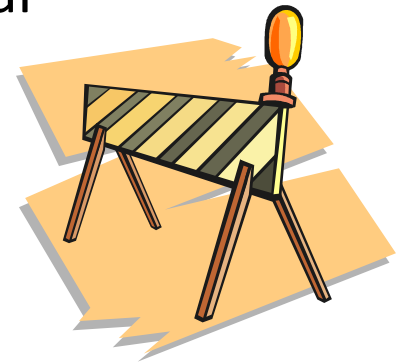
THREAT OF SUBSTITUTE PRODUCTS OR SERVICES

- **Threat of substitute products or services** – High when there are many alternatives to a product or service and low when there are few alternatives



THREAT OF NEW ENTRANTS

- **Threat of new entrants** – High when it is easy for new competitors to enter a market and low when there are significant entry barriers
 - **Entry barrier** – A feature of a product or service that customers have come to expect and entering competitors must offer the same for survival



RIVALRY AMONG EXISTING COMPETITORS

▪ **Rivalry among existing competitors** – High when competition is fierce in a market and low when competitors are more complacent

- **Product differentiation** – Occurs when a company develops unique differences in its products or services with the intent to influence demand



ANALYZING THE AIRLINE INDUSTRY

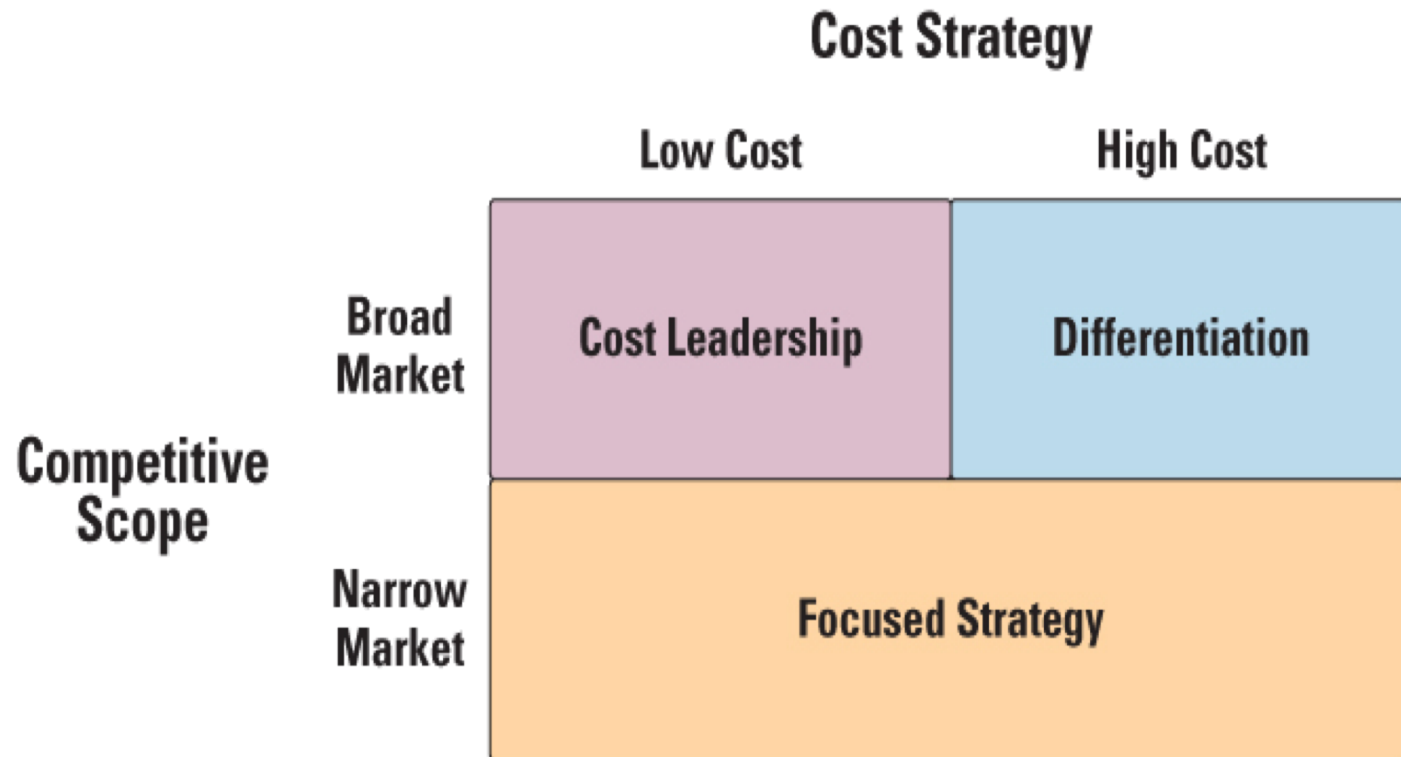
■ Perform a Porter's Five Forces analysis of each of the following for a company entering the commercial airline industry

- Buyer power
- Supplier power
- Threat of substitute products/services
- Threat of new entrants
- Rivalry among competitors



THE THREE GENERIC STRATEGIES

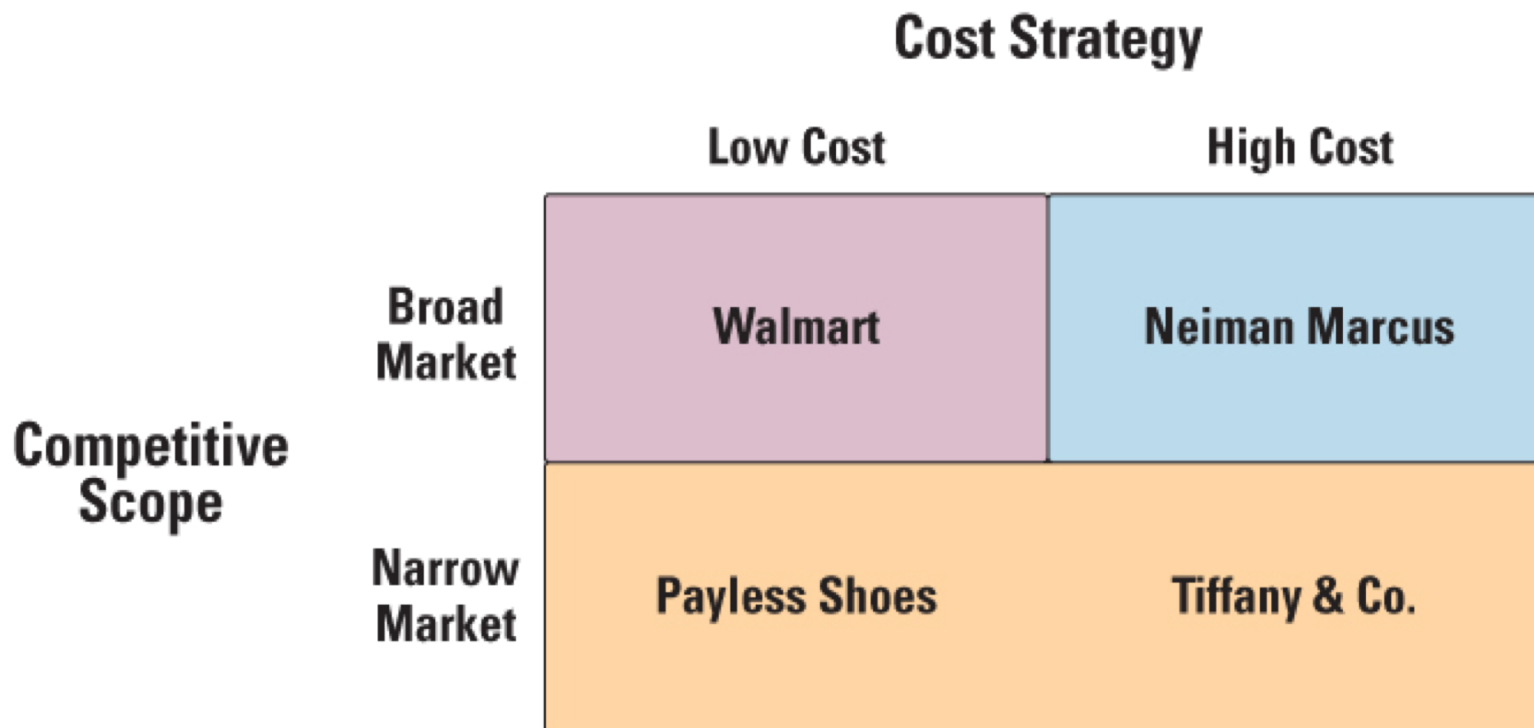
CHOOSING A BUSINESS FOCUS



Porter's Three Generic Strategies

THE THREE GENERIC STRATEGIES

CHOOSING A BUSINESS FOCUS



Porter's Three Generic Strategies

VALUE CHAIN ANALYSIS

EXECUTING BUSINESS STRATEGIES

- **Business process** – A standardized set of activities that accomplish a specific task, such as a specific process
- **Value chain analysis** – Views a firm as a series of business processes that each add value to the product or service



VALUE CHAIN ANALYSIS

EXECUTING BUSINESS STRATEGIES

■ Primary value activities

- **Inbound logistics** - Acquires raw materials and resources, and distributes
- **Operations** - Transforms raw materials or inputs into goods and services
- **Outbound logistics** - Distributes goods and services to customers
- **Marketing and sales** - Promotes, prices, and sells products to customers
- **Service** - Provides customer support

VALUE CHAIN ANALYSIS

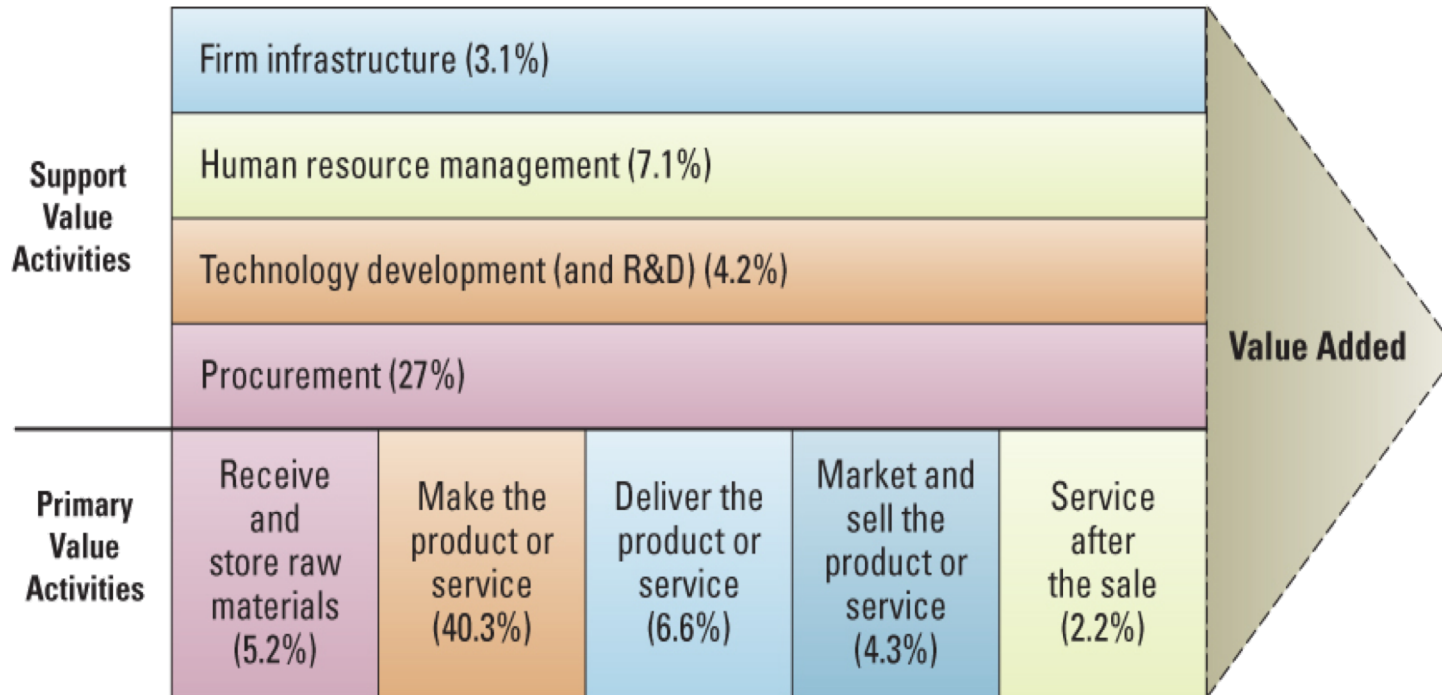
EXECUTING BUSINESS STRATEGIES

▪ Support value activities

- **Firm infrastructure** – Includes the company format or departmental structures, environment, and systems
- **Human resource management** – Provides employee training, hiring, and compensation
- **Technology development** – Applies MIS to processes to add value
- **Procurement** – Purchases inputs such as raw materials, resources, equipment, and supplies

VALUE CHAIN ANALYSIS

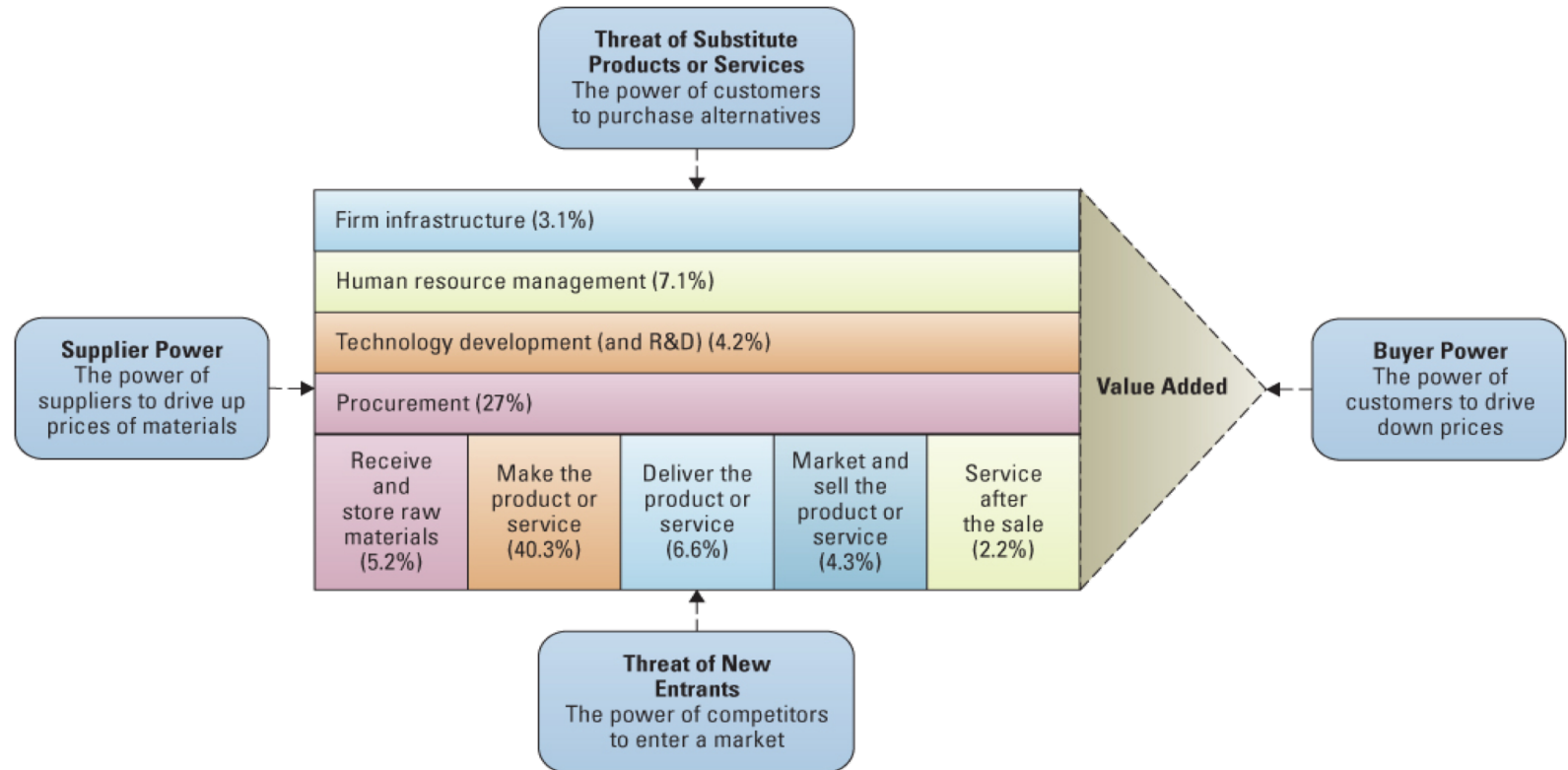
EXECUTING BUSINESS STRATEGIES



Porter's Value Chain

VALUE CHAIN ANALYSIS

EXECUTING BUSINESS STRATEGIES



Value Chain and Porter's Five Forces Model

LEARNING OUTCOME REVIEW

- Now that you have finished the chapter please review the learning outcomes in your text