Strategic Management

Business Level Strategies. (Chapter-9)

Let's first understand the theme of this chapter. Theme is super simple, there is a one man known as Micheal Porter, who has given us one of the most useful tool to analyse Competition and that is known as Micheal Porter five forces Model of Competitive analysis.

In this chapter we first learn ~~where~~ what are the forces that forms the Competition and what are the strategies through which we can minimise the pressure of those forces and ultimatily achieve our target or goal and that is Success.

~~For~~ After understanding the theme lets jump on to the topics :—

Now this chapter begins with saying that every organisation should focus its ~~Competitive~~ core Competencies to satisfy needs and wants of their customers to achieve their objective. They can do this through adopting business level strategies which is nothing but a course of action which helps in satisfying the need and wants of the customers at seperate business of an organisation

After we straight away jump into Michael Porter's Five Forces Model of Competitive analysis.

Every business is operating in a Competitive environment. ~~And~~ And Porter believes that basic Unit of analysis is group of Competitor that are Competing with each other in a same industry.

→ what is five forces Model. :

Five forces Model is a widely used tool for (2 thing)

→ Systematically diagonosing the significant Competitive pressures in a market

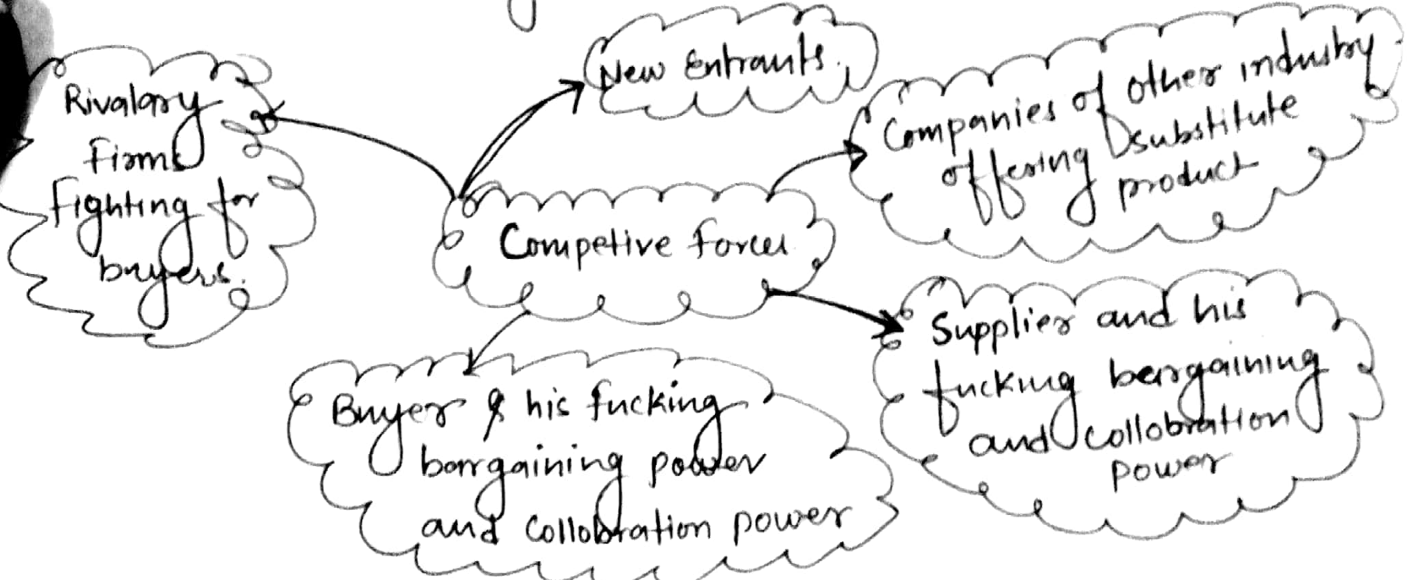
→ assessing the strength and importance of each of those of Competitive pressures

See, let me tell you one thing :- what this model or Porter believes is that :-

The Competitive environment is a Composition of these Five Competitive pressure or forces operating in a market → what I think is true or can be partially true.

Now, Drum Rolling Let's introduce those five forces or pressure :-

If I make it in a simple way first without Using the Book word then Competitive forces are related to 5 area of market and what are they :-



Now, I know I had used some of the abusive language but its important to put the above fucking information into your small head. oops sorry again ☺

<u>Now</u> write it down to the bookish language which is very much easy :-

("Dono ka matlab Sangharsh")

- Competitive pressures → associated with → market manoeuvring and jockeying that goes on → buyer patronage for among → rivalary firm
- Competitive pressure associate with the threat of new entrant in the market
- Competitive pressure Coming from the attempt of Companies of other industry to win the buyer by offering substitute product
- Competitive pressure stemming from supplier's bargaining power and Supplier-seller collaboration

mpetitive pressure stemming from buyer bargaining power and buyer seller collaboration

<u>finally</u>!!! fucking ~~to~~ bookish language overs ☺.

After telling about the above five forces they told us steps involve to use this model to determine the competitive landscape.

If I tell you in a reality they are just the copy of the use of the tool of this model which we have already seen in the 1st page, fucking stupid people but what we can do let's see those 3 steps :-

(2) <u>Evaluate the strength of pressure comprising each of 5 forces.</u>

Steps to use the five force model

(1) <u>Identify the competitive pressure associated with each of the five forces.</u>

(3) <u>Determine wheather the collective strength of the five competitive force is conducive to earning attractive profits.</u>

In short → Identify
→ Evaluate.
→ Determine.

Line which I love the most while reading the book is that :-

["The interrelationship between these 5 forces, gives each industry's, its own particular environment" → Love the most mm.]

Now After getting understood all these stuff what next we have to do is to get into deep of all the five forces.

<u>Lets start with New entrants.</u> :-

It was fun to read about them because this provided me new insight that how the new entrants increases the competition of any industry.

Now question comes in my mind that what these new entrants are not or how they are inveasing the competition. So let see what Book is saying. -

New entrants → Can reduce the Profitability of industry bec[ause] they add up new production capacity, leading to increase in new supply of product, sometime even at lower price.

Powerful Source of Competition

→ And Can substially erode (Destroy) the market share of existing firm.

OK OK now in my words or chart two ~~key~~ thing these new entrant do which cause them to be hated by others. and that is :-

Destroy MARKET SHARE ← New Entrants (fucking guy thinking that they are awesome) → REDUCE fucking PROFITABILITY

"ye purane walo ki bhi mar lete hai" | "ye saale gidd hai" | "Sala inn haramiyo ko bhi chahiye ab"

Till now we got the main idea what this fucking new entrant do but some more impertant thing we need to understand and that is in book language is :-

→ The bigger the new entrant, the more severe the Competitive effect

OK now things are getting terrific but one question coming in mind is that what actually do they do to reduce to profitability and hopefully the answer given by book. and that is

→ New entrant place a <u>price limit</u> and affect the profitability of existing player and which is known as price war.

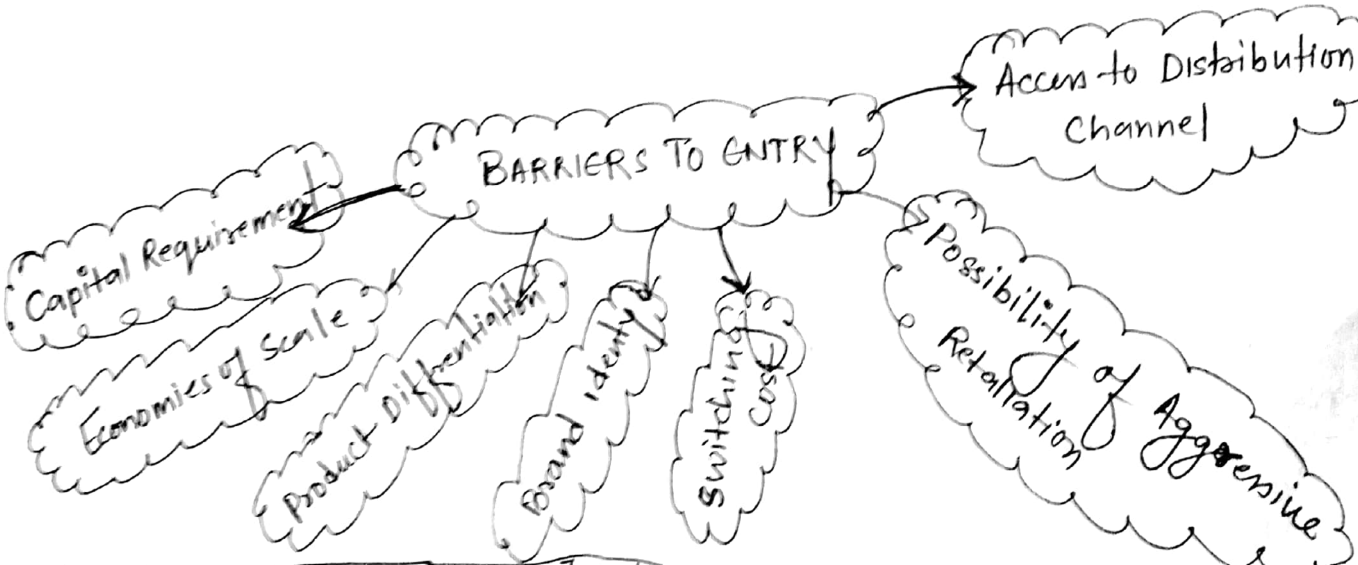
what is this fucking price limit → it means offering product at lower price then that of the existing player, now I understood everything about them.

, what Coming in my mind now is that how I can whoop their ass up and I think book has given us a way. what book says is

→ To discourage the new entrants, existing firms can raise the BARRIERS TO ENTRY.

↳ Barrier to entry is a economic forces or hurdles that slow down or impede the entry of new firm.

Sometime I feel proud when I am reading this book. Book says whoop ass up by bringing the obstacles, means be "Harami" Now again question Coming in my mind is that what kind of Barriers to entry and they are as follows and very simple.



Double quote means my word | in these 7 points

OK finally I have Shown my creativity, I know, I know its rediculous but bare it. So these are the way through which we can use to fuck the new entrants. Now I will write the key points of all these barriers to entry. Here Comes the first one :-

① Capital Requirement → "what happens when large Capital required"

↳ when large Capital Required → from lacking fund effectively barred from the industry.

"give example of pharmaceutical"

② Economies of scale → "what is economies of scale" → decline in per unit cost of production due to high volume production

↳ existing firm enjoy this

↳ discourage new entrant having higher cost of production.

(3) Production differentiation :- "what is product differentiation" → Physical, perceptual differentiation or enhancement that make product unique or special in the eyes of customers.

↳ cost of creating genuine product differentiation may be too high for new entrant.

(4) Brand identity → "when this is important" → Brand Identity is particularly important for infrequent purchase of product that carry high per unit cost for the buyer.

↳ New entrant face significant difficulties in building brand identity because for that they have to commit substantial reasources → for a longer period of time.

(5) Switching Cost → "how new entrant can succeed in industry"

↳ To make a switch buyer has to incur cost, make adjustments and which is known as switching cost

↳ By persuading the customers of existing companies to switch to its product.

→ when switching cost high it make reluctant to the buyer to switch.

↳ best example Microsoft window.

(6) Access to Distribution Channel :- "how it can be a barrier" → The unavailability of distribution channel.

↳ Existing firms control the physical distribution channels to create barriers to entry. They have significant influence over these channels.

Best example ↓ HUL, P&G, Godrej.

(7) Possibility of Aggressive Retaliation :- ("Band Bajane ki dhamki hi kafi hoti hai"

↳ Sometime mere threat of aggressive retaliation from existing firm can be great barrier to entry and can deter the new entrant.

↳ Example HUL.

Finally Done !!! Now I think we should take a break just kidding. So we have thourough understanding of new entrant, now lets talk about bargaining power of Buyers.

BARGAINING POWER OF BUYERS :-

In my words bargaining power of buyer means the ability to influence the seller to reduce price, offer quality product etc. This is what I think. Now Question coming in my mind and book will answer it.

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~~ion~~ 1 :- When the possibility of bargaining power increases or it become haevier

Ans from book :- The forcece become heavier depending on the possibility of buyer form groups or cartels. They came together formally or informally.

Question 2 :- why they form such group ?

Ans from book :- To exert pressure on the produces, ~~[illegible]~~

Question 3 :- where this phenomenon can be seen ?

Ans from book :- in industrial product.

Question 4 :- what is bargaining power official definition ?

Ans from book :- The bargaining power of the buyers influence not only the prices that producer can charge but also influences costs and investments of the producers. This is because powerful buyer usually bargain for better service.

Question 5 :- when the bargaining power of buyer increases ?

Ans from book :- Reasons

1. Buyer have full knowledge of sources of products and their substitutes.
2. they spend lot of money on the industry's product i.e, ~~[illegible]~~ they are big buyers.
3. The industry's product is not percieved as critical to the buyer's need. and they can easily substitute ~~[illegible]~~ available.

Just answering the above Questions which are also logical can give useful insights about the above topic, Now lets move to the next force.

BARGAINING POWER OF Suppliers :-

Let me tell you one thing what I understood while reading about this is that it also influence or reduce the profitability of industry, why because of them cost ~~[illegible]~~ raw material is affected and ultimately profitability. So now some Question are Coming such as what increases there bargaining power and what can its bargaining power affect the most.

Question 1 :- when there bargaining power is greater ?

Ans from book → The more specialised the offering from the Supplier, greater may be its clout (power). Further, when the supplier's are limited in number

Question 2 :- what their power determines.

Ans from book → The bargaining power of suppliers determines the cost of raw materials and other inputs of the industry

AND

therefore, an industry's attractiveness and profitability.

Question 3 :- when they can command their power over the firm. ?

Ans from book → (1) product are crucial and no substitute.

(2) when ensure high switching cost

(3) Less suppliers more buyer ("when less in number")

So just 3 simple Question about these fucking supplier's bargaining power can help us to fully understand about this topic. Now its time to see new Force, next force and what I think is important is, hold your bredth.

NATURE OF RIVALRY IN THE INDUSTRY [Existing Competitors]

Before getting into this topic, let me tell you what I have learnt is that Rivalry means Competition. WHAT, WHAT TH F... . Sorry Just for fun but I have seen that rivalry between existing firm has significant influence over the industry profitability. And I found one of the most useful relationship and that is there is Indirect relationship between Rivalary and profitability of industry. High Competition low profitability, Low Competition, High profitability.

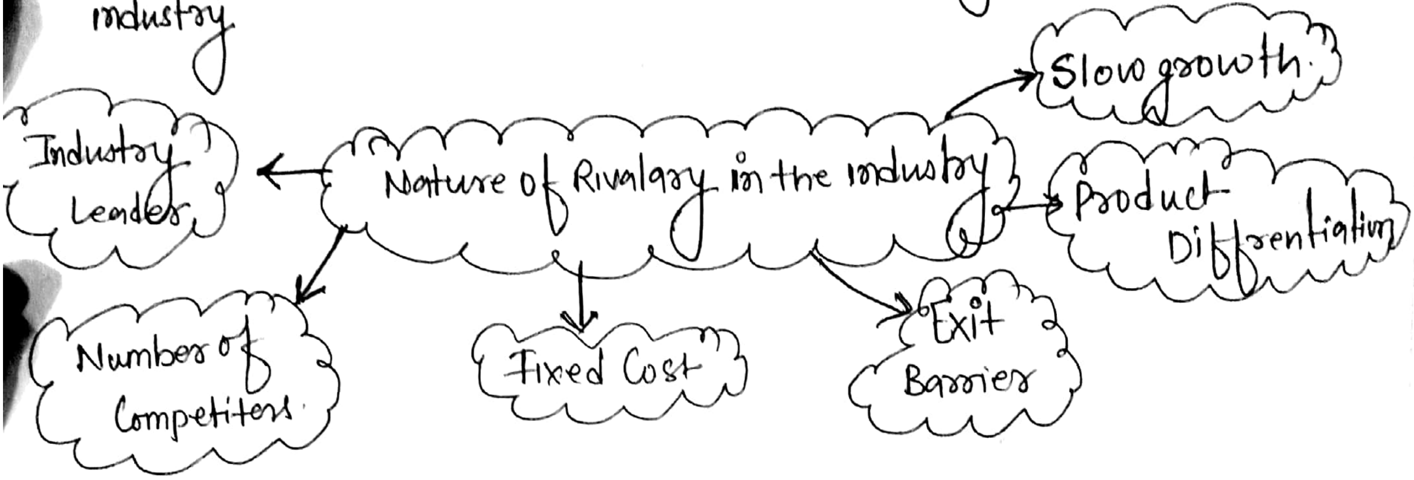
Some of the key point in the book language :-

- Rivalary between existing player is quite obvious
- Competitors influence strategic decisions at diffrent strategic levels.
- The impact is more at functional level, like price being charged, more aggresive advertising etc.

Intensity of rivalary → Significant determinant → industry attractiveness and profitability.

- The more intensity the rivalary, the less attractive is the industry.

Now Question arises what increases the ~~profitability~~ Rivalary of a industry



Now lets talk about them one by one because its important just writting the points with logic which is enough.

① **Industry Leader** :→ Discourage price war → because of its greater financial resources.
industry leader can easily outsmart smaller rivals in price war.

② **Number of Competitors** :– Leader ability decreases → with increase number of rivalary firms.
as communication between player become difficult.

③ **Fixed Cost** :– when there is high fixed cost → firm motivated to utilize their capacity
therefore inclined to drop prices → which leads to price war
which ultimately reduces the profitability.

④ **Exit Barrier** :– If some firm leave the industry → it increases the profitability
But because of powerful exit barrier
↳ Exit barrier can be in any form → for example Specialised Asset
Hard to Sell → when it is difficult for firm to exit → It compete for its survival and increases intensity of competition.

(5) Product differentiation → Product diffrentiation insulate (prot.. firm from Price war → industry with undifferen.. Commodities

↳ BEST EXAMPLE
ONGC & Indian Oil

Usually involve high Competition & price war.

(6) Slow Growth → Slow growth industry → Face more intense rivalary
BECAUSE
Rivalary from fight harder to sustain and grow their market share
Increase Rivalary
Reduce Profitability.

Ok finally above six topics are over but let me tell you one thing that those were very much logical and I loved them reading. Simple trick to rember is to stick with logic. Anyways, we finally arrived at our last fucking force and that is

THREAT OF SUBSTITUTES ("BAHAR WALO KA DARR")

Again it was fun reading about them, because the same I have encountered again is that these Substitutes can also reduce profitability of industry and ultimately reduces attractiveness of industry. Now let see Some of the Bookish language points about this and Complete this.

- Substitutes are hidden but can be major source of Competition.
- "Question arises in my mind that what kind of substitutes can whoop up our ass" → Ans in book language :– Substitute product that offer a price advantage (OR) Performance improvement to the Consumer can drastically alter the Competitive character of an industry.
- "what increases the threat to substitute" :– Significant investment in R&D
- "what Michael Porter said about this final force" :– It influence industry profitability.
Also to predict pressure from this source of Competion.
From must search for the product that can perform the same or nearly the same, functionalities.

Example → Common Stock → Substitutes → Bonds
→ Real estate
→ Gold
→ Crypto.
→ Film Camera → digital Filmless Cameras
→ Existing Education → Digital / online Education.

OK Finally Done with the All the Forces of Competitive Model

Feeling cherished, and finally I can take a bredth.

Now we will talk about Business level strategies. :-

Actually after reading the book I come to know that Business level strategies is a separate and small topic and basically its a wider thing. After Business level strategies we have Michael Porter's generic strategies which is the main part of this chapter. But Before entering into the Generic strategies, let's first complete the Business level strategies.

BUSINESS LEVEL STRATEGIES

So, as when we have started this chapter we have discussed that satisfying customer need is upmost important and basically the whole idea of this business level strategies is one this only. Through Business level strategies only business can focus its core competencies and through which it can satisfy the needs of customer and can achieve objective. Now some Bookish language about the this topic. :-

- Business level strategies details out action to be taken to

Provide value to Customers — AND — Gain Competitive advantage

- Business level strategies is Concerned with a Firm position in an industry in relation to

its Competitors — AND — Five forces of Competition