

# The Value Chain

## ASSIGNMENT 2

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# Summary

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# Theoretical Contents

The value chain is a model developed by Michael Porter for all the activities that a company carries out in order to generate a product or service, and how they add value to the overall business.

Porter identified two types of business activities: primary activities and support activities. The objective of the activities is to increase the margin of the product, which is the difference between the value of a product (how much a customer is willing to pay for it) and the cost of creating this product.

The primary activities are those involved in the creation of a product or service, while the support activities are those that enable and facilitate the primary activities but that are not part of the productive process.

The primary activities are:

- Inbound logistics: The processes involved in sourcing, receiving, and storing raw materials and other inputs.
- Operations: The processes involved in the manufacture or obtaining of final products and services that will be supplied to the customers.
- Outbound logistics: The processes involved in storing, transporting, and delivering finished products to customers.
- Marketing and sales: The processes involved in promoting and selling products or services to customers.
- Service: The processes involved in providing after-sales service and support to customers.

The support activities are:

- Procurement: The processes involved in acquiring necessary inputs for the operation of the company.
- Technology development: The processes involved in creating, enhancing, or maintaining the technology used in the rest of the activities.
- Human resource management: The processes involved in recruiting, training, and developing the people who carry out the primary activities, as well as managing their payrolls, conflicts, social benefits...
- Firm Infrastructure: The activities and processes that support the organisation, such as management, legal, finance....

The value chain model suggests that a company's competitive advantage comes from how it performs these activities compared to its competitors. By optimizing each activity, a company can increase efficiency, reduce costs, and create a unique value proposition that sets it apart from the competition.

In summary, the Porter's value chain model is a powerful tool for companies looking to understand their internal operations and identify ways to create value and gain a competitive advantage.

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## Activities Involved In Creating The Product

There are many activities necessary to keep the company afloat while attempting to increase margin. The most obvious are the ones directly involved in the creation of the product: **Designing** and **developing backend and frontend** for both the **CampManager App** and, in the future, a **new product**.

During this development, there are also teams hard at work **researching** new or better ways to provide the service of the apps, maybe with **new WebApp technologies** or **new ways to communicate through the Internet**. For customers that require help with the product, a team will provide **customer support** to them.

However, these activities wouldn't be possible without the **procurement** of **office material**, **computers** for developers, **infrastructure** to deploy the applications on, **services** from providers, and **others**, or a team capable of **building** the infrastructure that we need to **deploy** our services. This team will also provide **technical support** to the developers.

Another team is dedicated to make our products reach the phones and computers of customers, either by creating and distributing **advertisements**, or by presenting the products **in person** to customers in congresses, talks, or organisations.

**Management** will oversee all the activities and keep the company on the right track, while **accounting** and **finance** will be in charge of making sure that value is increasing, and costs are decreasing. Also, the **legal** department will take care of all legal challenges such as investigations, acquisitions, or others.

Finally, the **HR** team has to manage the persons doing these activities, by managing **salaries and payrolls**, handling **workplace conflicts**, onboarding **new hires** or doing **year-end reviews**, among other activities.



# Classification Of Business Activities

In this table, activities are described and then classified into their business activity category defined in Porter's Value Chain model.

Activity	Description	Type
Backend Development For Camp Manager	Development of the backend of the CampManager app by completing issues.	Operations
Frontend Development For CampManager	Development of the frontend of the CampManager app by completing issues.	Operations
App Design For CampManager	Designing the CampManager app by creating and defining issues.	Operations
Backend Development For New Product	Development of the backend of a new product by completing issues.	Operations
Frontend Development For New Product	Development of the frontend of a new product by completing issues.	Operations
App Design For New Product	Designing a new product by creating and defining issues.	Operations
New Network Research	Researching new ways to provide communication between devices.	Technology Development
New Technologies Research	Researching new technologies to use to develop the products.	Technology Development
Advertising	Using Ads to make the products more well known among the general population.	Marketing & Sales
In-Person Marketing	Managing live demonstrations, webinars, congress visits or similar ways to expand knowledge on the product.	Marketing & Sales
Customer Support	Providing support to customers of the products.	Customer Service
Management	Supporting the operations of the company by planning, organizing, or other activities.	Firm Infrastructure
DevOps	Ensuring that the developed products can be reached by the customers by managing servers and hosting.	Outbound Logistics
Procurement of Cleaning Services	Procuring that the office environment is clean and promotes productivity and a good work environment.	Procurement

Activity	Description	Type
Legal Support	Handle legal challenges such as investigations or acquisitions, among others.	Firm Infrastructure
Accounting	Recording and reporting financial transactions of the company.	Firm Infrastructure
Finance	Planning and directing the financial transactions of the company.	Firm Infrastructure
Technical Support to Developers	Provide developers with help regarding technical problems.	Firm Infrastructure
Building And Maintaining Infrastructure	Assuring the functionality of the infrastructure necessary to develop and deploy the products.	Technology Development
Procurement of Office Material	Providing workers with the necessary office material.	Procurement
Procurement of informatic material	Providing workers with the necessary informatic material to do their job.	Procurement
Obtaining Services from Providers	Providing the company with the services of providers, physical or online.	Inbound Logistics
Managing New Hires	Researching, tracking, reaching out to, interviewing, and onboarding new hires.	Human Resources
Handling Conflicts	Solving any workplace conflicts that may appear.	Human Resources
Managing Year-End Reviews	Reviewing the yearly performance of workers.	Human Resources
Managing Salaries and Payrolls	Paying wages to employees.	Human Resources

# Characterization Of Business Activities

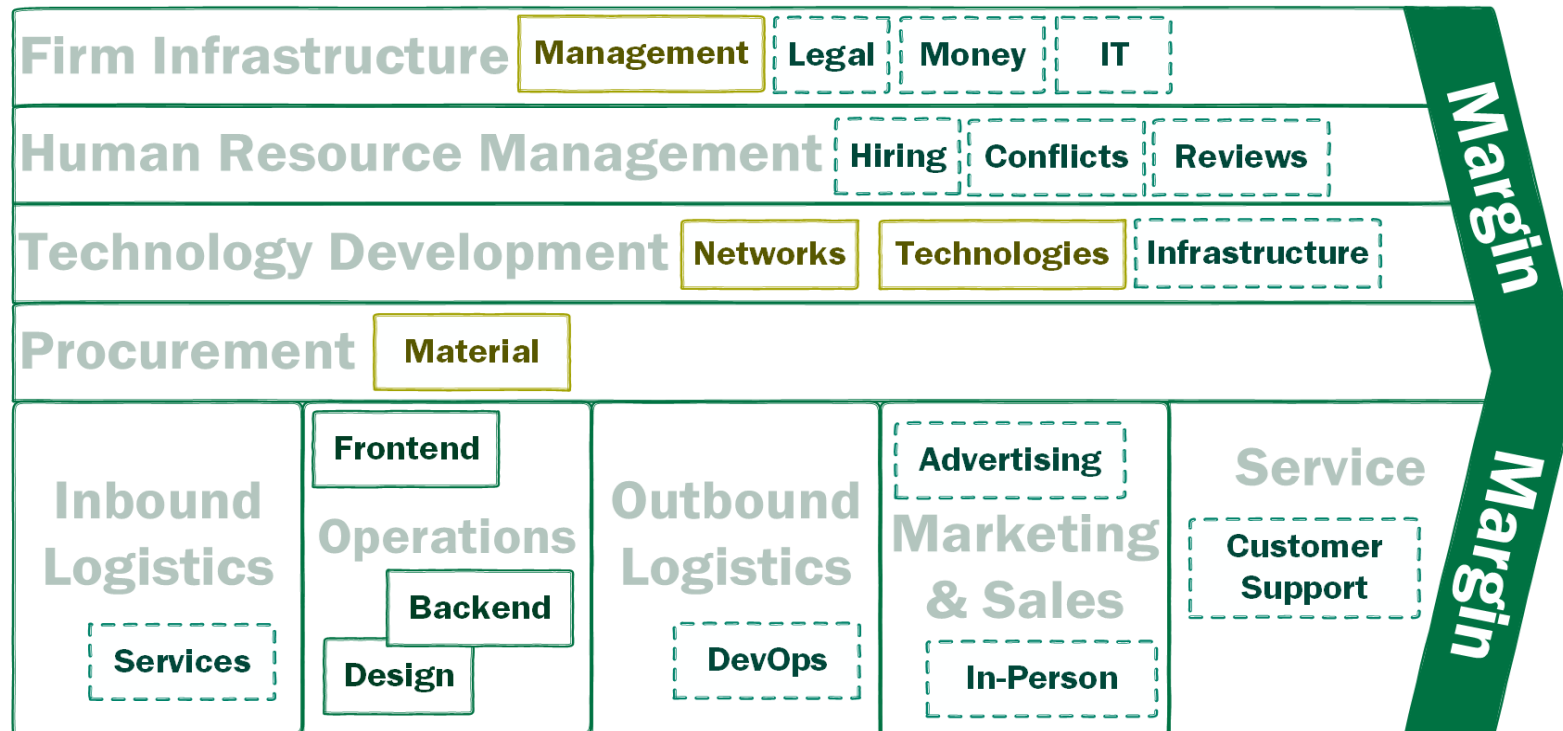
In this table, activities are analysed to determine their effect on the competitive advantage of the company, and a reasoning is provided on how to tackle this activity in the company.

Activity	Effect on Competitive Advantage	Reasoning
Backend Development For Camp Manager	More Value	Developing more or better features will provide more reasons to buy the product to the customer.
Frontend Development For CampManager	More Value	Developing more or better features will provide more reasons to buy the product to the customer.
App Design For CampManager	More Value	A good design of the app will make it more appealing to the customer and thus they will be willing to pay more.
Backend Development For New Product	More Value	Developing more or better features will provide more reasons to buy the product to the customer.
Frontend Development For New Product	More Value	Developing more or better features will provide more reasons to buy the product to the customer.
App Design For New Product	More Value	A good design of the app will make it more appealing to the customer and thus they will be willing to pay more.
New Network Research	None	Research itself won't provide value to a product; the value will be provided once the research results are implemented on the product.
New Technologies Research	None	Research itself won't provide value to a product; the value will be provided once the research results are implemented on the product.
Advertising	Better Differentiation	Advertising will make the product more known and familiar, but it won't provide more value to it. It can be outsourced.
In-Person Marketing	Better Differentiation	Marketing will make the product more known and familiar, but it won't provide more value to it. It can also be outsourced.
Customer Support	Maintaining Customer Satisfaction	Customer support will be useful to keep customers satisfied, but it won't affect the value of the product, and can be outsourced.
Management	None	Management does not directly affect the value of the product, but it is necessary to coordinate all activities in the company.
DevOps	None	It is necessary to have a team in charge of deploying and managing the app online, but this team does not directly affect the value of the product.
Procurement of Cleaning Services	None	It is necessary to have clean workspaces, but the cleaning itself does not provide value and can easily be outsourced.

Activity	Effect on Competitive Advantage	Reasoning
Legal Support	None	Same as the cleaning, it is necessary but does not provide value and can be outsourced to a consulting firm.
Accounting	Less Costly	Accounting can provide margin by detecting where costs can be reduced, but it can also be outsourced to an accounting firm.
Finance	Less Costly	Finance can also be outsourced, and it will continue providing ways to use money efficiently and reduce costs.
Technical Support to Developers	None	Technical Support to Developers is necessary to be able to work even though it does not provide value itself, but it can be outsourced along with the rest of the IT department.
Building And Maintaining Infrastructure	None	As part of the IT department, this activity can be outsourced since it's necessary but does not provide value.
Procurement of Office Material	None	This activity does not provide value itself, but it's necessary to work.
Procurement of informatic material	None	This activity does not provide value itself, but informatic material is necessary to develop an app. The activity can be outsourced as part of the IT department.
Obtaining Services from Providers	None	This activity can also be outsourced to the IT and Finance/Accounting departments, managing services such as subscriptions to software.
Managing New Hires	None	As an HR activity, it is necessary but does not provide value. It can be outsourced.
Handling Conflicts	None	As an HR activity, it is necessary but does not provide value. It can be outsourced.
Managing Year-End Reviews	None	As an HR activity, it is necessary but does not provide value. It can be outsourced.
Managing Salaries and Payrolls	None	As an HR activity, it is necessary but does not provide value. It can be outsourced.



# The Value Chain



Necessary and provides Advantage

Necessary but does not provide advantage

Necessary, does not provide advantage, outsourced

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## Executive Summary

An executive summary is a short summary of the content of a document, written with the intention of sharing the document with individuals who may not have time to review the entire document. The executive summary provides an overview of the main points of the report and is usually at the start of the document. However, in this case, it has been put in the end to highlight the fact that the executive summary must summarize the entire document, not be an introduction.

The executive summary of this document would be:

This document aims to analyse the Value Chain of the CampManager company. In the value chain, it is defined which activities (primary and support) are performed and how they are performed in a company to increase the margin and boost competitive advantage.

In the document, the company's environment is explored to detect the activities that can be done, which are then classified and characterized. After this process, it is identified that the company can supercharge its competitive advantage by outsourcing most of its primary activities, such as logistics or marketing, and many administrative tasks, such as HR, Accounting/Finances, and IT, to focus on Operations and development of innovative features that increase value.

## Conclusions

It has been a great exercise to analyse all the activities that we thought needed to be done in a company, to identify which are the ones that really provide value to our products and to realise how a lot of them can be outsourced or performed in a more efficient way.

It was interesting to see that, in cases like ours where the products offered are websites, apps, or products that are offered online with no physical product, the focus of the value is solely on the Operations of the Value Chain, with barely any activities needed for Inbound & Outbound logistics, since our company does not need to deal with physical raw materials to get delivered and be stored, or physical finished products that need to be also stored and then shipped out.

It was also curious to realise that a large amount of the necessary activities that a company requires in order to gain competitive advantage can be outsourced, since they are necessary to function properly but do not provide any direct value to the product.