

ICT 700

Introduction To Business

Information Systems



LECTURE 2

Information Systems For Competitive Advantages

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Reading Chapters:

Chapter 1 – Stair & Reynolds (2020)

and

Chapter 2 - Baltzan (2019)



Learning Objectives

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



Competitive Advantages Are Temporary

1. Heading in the right direction.
2. Completing their goals and objectives.
3. Lacking leadership quickly.
4. Changing of a Business strategy.
5. Changing of Stakeholders' Interest.

Types Of Strategy

- I. Business Strategy
- II. IT Strategy

Different Types Of Stakeholder's Interest



Different Types of Competitive Advantages

1. Competitive advantage

A feature of a product or service on which customers place a greater value than they do on similar offerings from competitors.



Example

A historical example of the introduction of Apple's iPod along with iTunes offers a brilliant merger of technology, business, and entertainment.

Different Types of Competitive Advantages

2. First-Mover Advantage

It occurs when a company can significantly increase its market share by being first with a new competitive advantage.



Example

FedEx created a first-mover advantage by developing its customer self-service software, which allows people to request parcel pickups, print mailing slips, and track parcels online. Other parcel delivery companies quickly began creating their own online services. Today, online customer self-service is a standard feature for all companies.

Different Types of Competitive Advantages

3. Competitive Intelligence

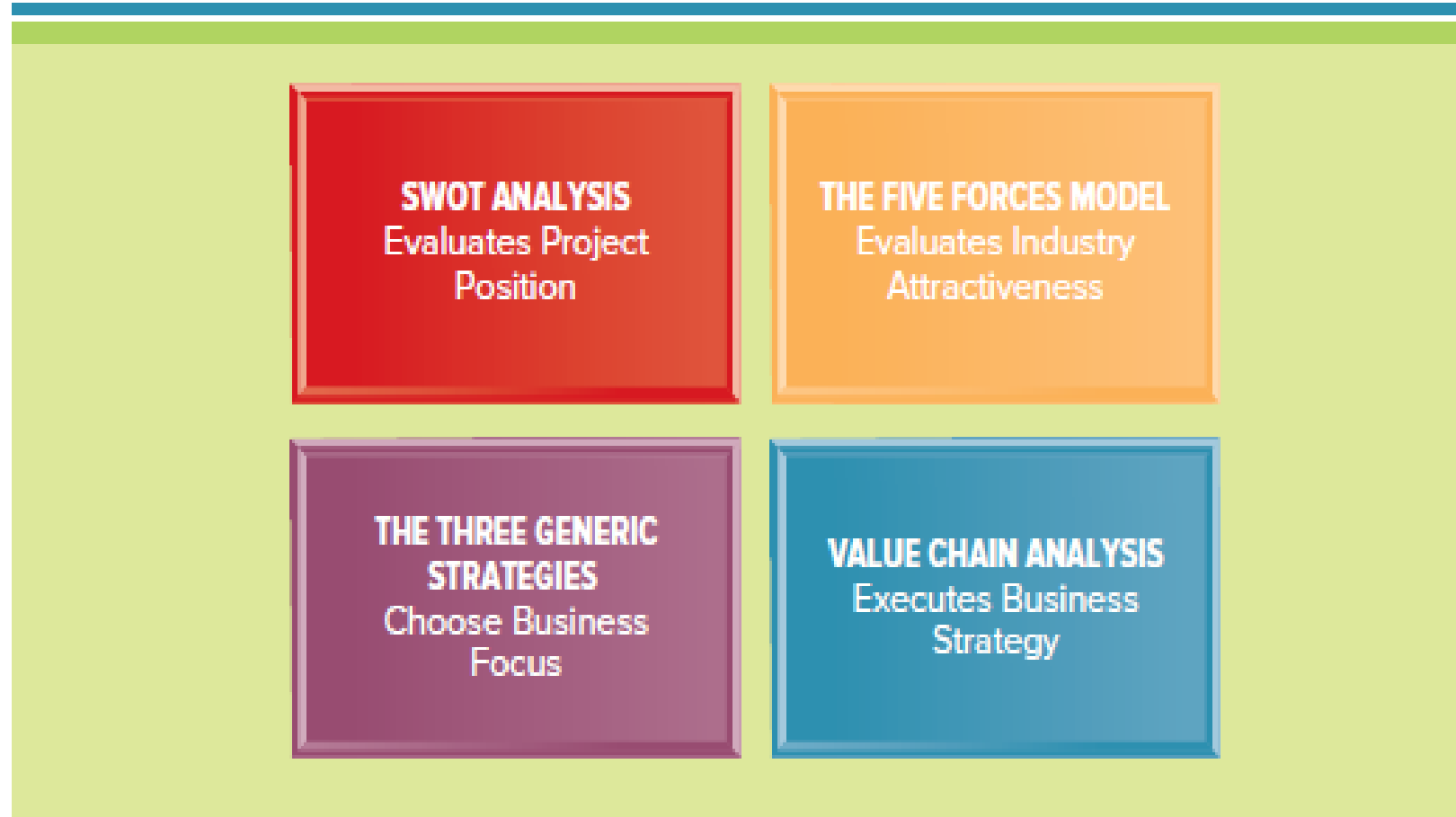
The process of gathering information about the competitive environment, including competitors' plans, activities, and products, to improve a company's ability to succeed. It means understanding and learning as much as possible, as soon as possible, about what is occurring outside the company in order to remain competitive.



Example

Frito-Lay, a premier provider of snack foods such as Cracker Jacks and Cheetos, does not send its sales representatives into grocery stores just to stock shelves. With IoT devices, they scan and record product offerings, inventory, and even the product locations of competitors. Frito-Lay uses this information to gain competitive intelligence on everything from how well-competing products are selling, to the strategic placement of its own products.

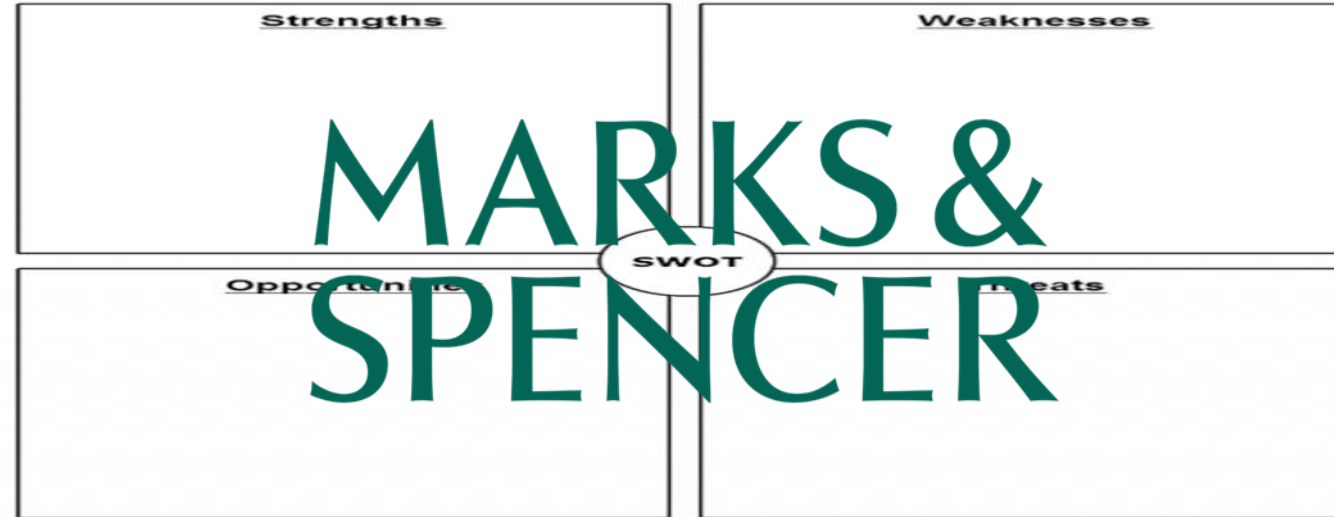
Business Tools For Analyzing Business Strategies



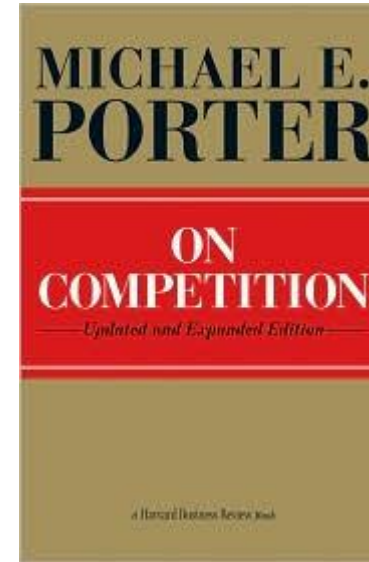
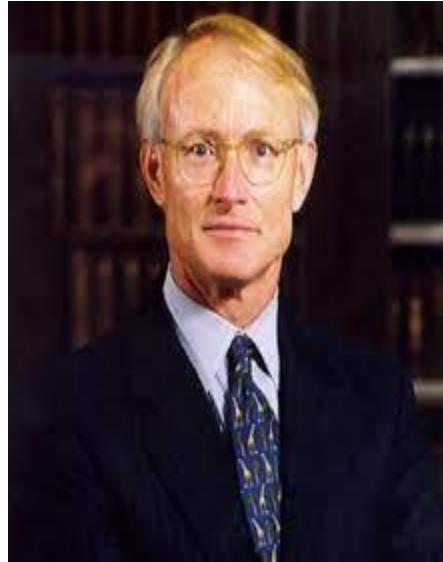
SWOT Analysis

1. **Strengths and weaknesses** originate inside an organization or internally.
2. **Opportunities and threats** originate outside an organization or externally and cannot always be anticipated or controlled.
3. **SWOT analysis:** Evaluates an organization's strengths, weaknesses, opportunities, and threats to identify significant influences that work for or against business strategies.

Case Study



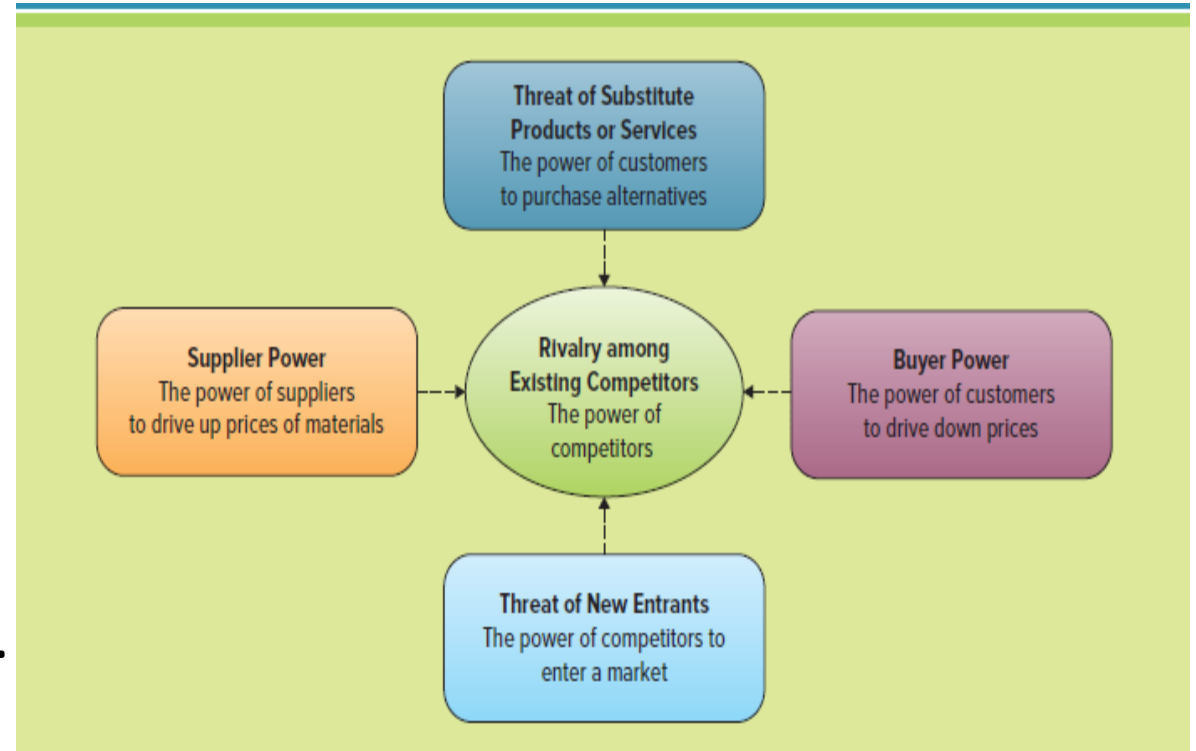
Michael Porter



Michael Porter is a Bishop William Lawrence University Emeritus Professor at Harvard Business School.

Porter's Five Forces Model And explain each of the five forces.

1. Buyer power.
2. Supplier power.
3. Threat of substitute products or services.
4. Threat of new entrants.
5. Rivalry among existing competitors.



Source from <https://medium.com/indrastra/14-point-criteria-for-defining-the-value-of-information-voi-5d26bfbfa74f>

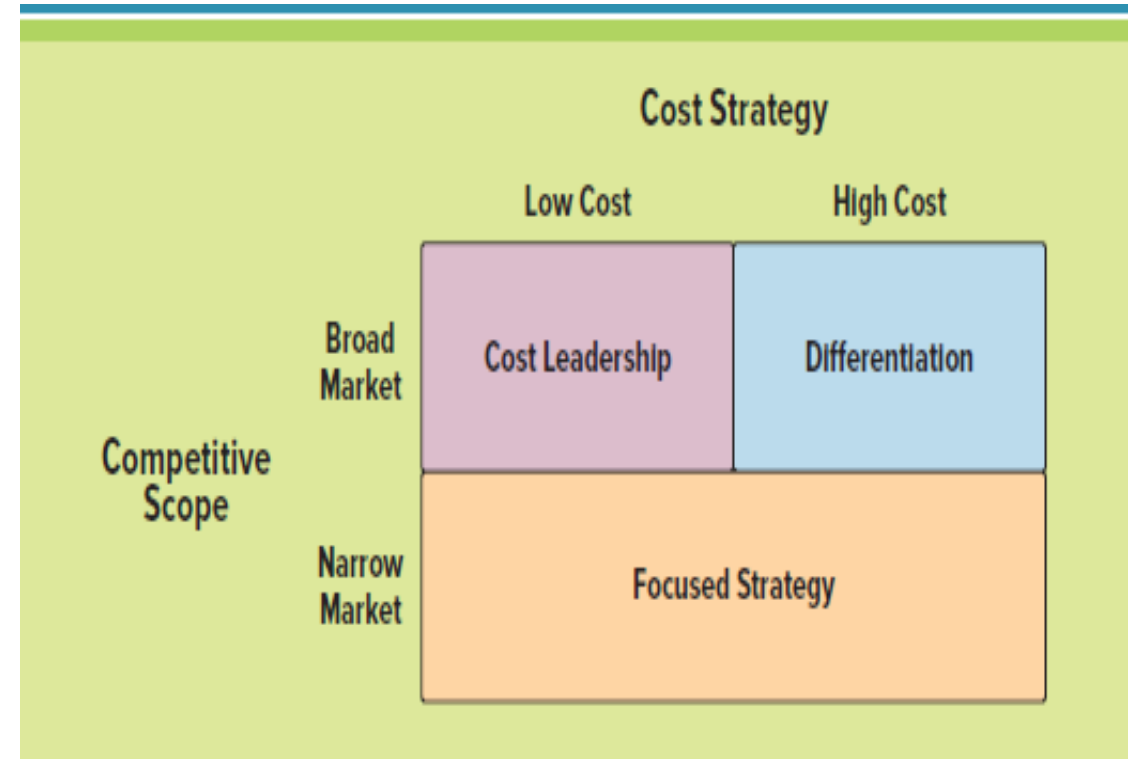
Porter's Five Forces Model Explanation

1. **Buyer power:** The ability of buyers to affect the price they must pay for an item.
2. **Supplier power:** The suppliers' ability to influence the prices they charge for supplies (including materials, labor, and services).
3. **Threat of substitute products or services:** High when there are many alternatives to a product or service and low when there are few alternatives from which to choose.
4. **Threat of new entrants:** High when it is easy for new competitors to enter a market and low when there are significant entry barriers to joining a market.
5. **Rivalry among existing competitors:** High when competition is fierce in a market, and low when competitors are more complacent.

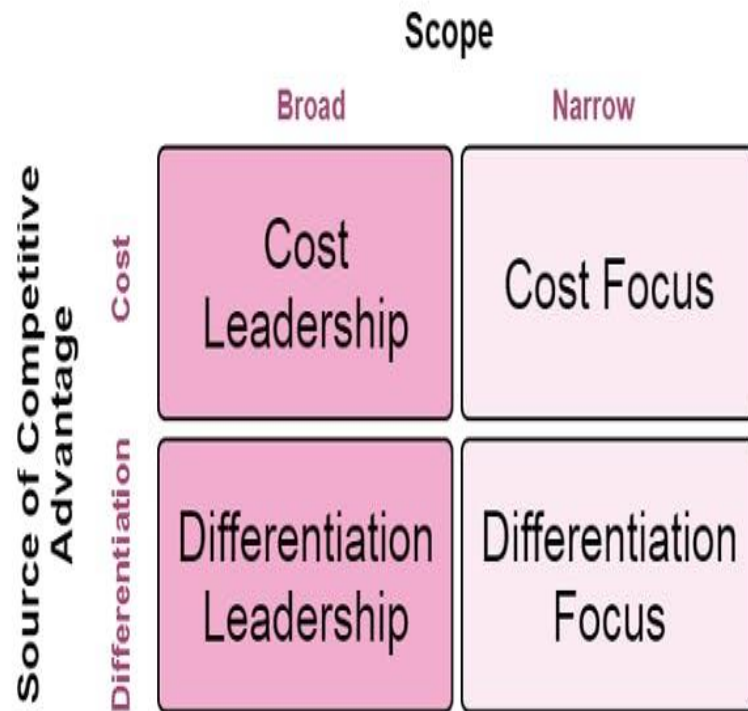
Compare Porter's Three Generic Strategies









Three generic business strategies for entering a new market:

1. **Broad Cost Leadership**
2. **Broad differentiation**
3. **Focused strategy**



Understanding Porter's Three Generic Strategies



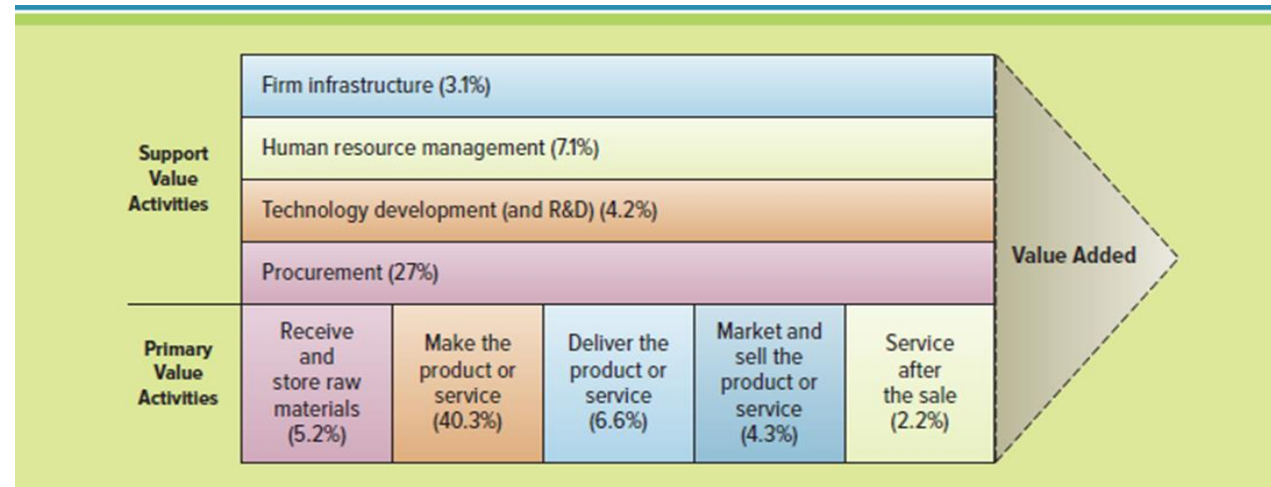
Target / Market Scope	Advantage	
	Low Cost	Product/Service Uniqueness
Broad	  Cost Leadership 	  Differentiation
Narrow / Niche Market	 Cost Focus Leadership	  Focus

Examples of Porter's Three Generic Strategies

1. **Broad market and low cost:** Walmart competes by offering a broad range of products at low prices. Its business strategy is to be the low-cost provider of goods for the cost-conscious consumer.
2. **Broad market and high cost:** Neiman Marcus competes by offering a broad range of differentiated products at high prices. Its business strategy is to offer a variety of specialty and upscale products to affluent consumers.
3. **Narrow market and low cost:** Payless competes by offering a specific product, shoes, at low prices. Its business strategy is to be the low-cost provider of shoes. Payless competes with Walmart, which also sells low-cost shoes, by offering a far bigger selection of sizes and styles.
4. **Narrow market and high cost:** Tiffany & Co. competes by offering a differentiated product, jewelry, at high prices. Its business strategy allows it to be a high-cost provider of premier designer jewelry to affluent consumers.

Demonstrate How A Company Can Add Value By Using Porter's Value Chain Analysis

1. **Business process:** A standardized set of activities that accomplish a specific task, such as processing a customer's order.
2. **Value chain analysis:** Views a firm as a series of business processes, each of which adds value to the product or service.



Primary Value Chain Activities

1. Inbound logistics acquires raw materials and resources and distributes to manufacturing as required.
2. Operations transforms raw materials or inputs into goods and services.
3. Outbound logistics distributes goods and services to customers.
4. Marketing and sales promotes, prices, and sells products to customers.
5. Service provides customer support after the sale of goods and services.

Support Value Activities

Firm infrastructure includes the company format or departmental structures, environment, and systems.

1. Human resource management provides employee training, hiring, and compensation.
2. Technology development applies MIS to processes to add value.
3. Procurement purchases inputs such as raw materials, resources, equipment, and supplies.

Case Study

Starbucks With Five Forces



Case Study

Starbucks Value Chain



Activity

1. How did Starbucks apply five forces?
2. What are the value chain activities in Starbucks?

Extra Topic: Referencing

1. What is referencing?
2. Why is it important?

Any Questions?

Thank You for listening . . =)

