



# Information System Strategies

# Information System Strategies for Dealing with Competitive Forces

- There are four generic strategies, each of which often is enabled by using information technology and systems:
  1. low-cost leadership
  2. product differentiation
  3. focus on market niche
  4. strengthening customer and supplier intimacy.

# 1. low-cost leadership



- Supermarkets and large retail stores such as Walmart use sales data captured at the checkout counter to determine which items have sold and need to be reordered. Walmart's continuous replenishment system transmits orders to restock directly to its suppliers.
- The system enables Walmart to keep costs low while fine-tuning its merchandise to meet customer demands.

# low-cost leadership

- Use information systems to achieve the lowest operational costs and the lowest prices.
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- How can you establish a competitive advantage in costs?
  - High asset utilization
  - Low direct & indirect operating costs
  - Value chain control

# activity

- Go through this web site and identify **the best real-world Cost Leadership examples** to help us understand the concept.
  - <https://mktoolboxsuite.com/cost-leadership-examples/>

## 2. Product differentiation

- Use information systems to enable new products and services or greatly change the customer convenience in using your existing products and services.
  - Eg: Google continuously introduces new and unique search services on its website, such as Google Maps.



# activity

- Visit this site and identify how to make differentiation in each and every industry
  - <https://mktoolboxsuite.com/differentiation-strategy-examples/>



### 3. Niche market

- A niche market is the subset of the market on which a specific product is focused.
- The market niche defines the product features aimed at satisfying
  - Price (luxury, moderate, discount)
  - Demographics (gender, age, income level, education level)
  - Level of quality (premium, handmade, economical)
  - Psychographics (values, interests, attitudes)
  - Geographics (residents of a certain country, city, or even neighborhood)
- It is also a small market segment

# Focus on Market Niche

- Use IS to enable a specific market focus and serve this narrow target market better than competitors.

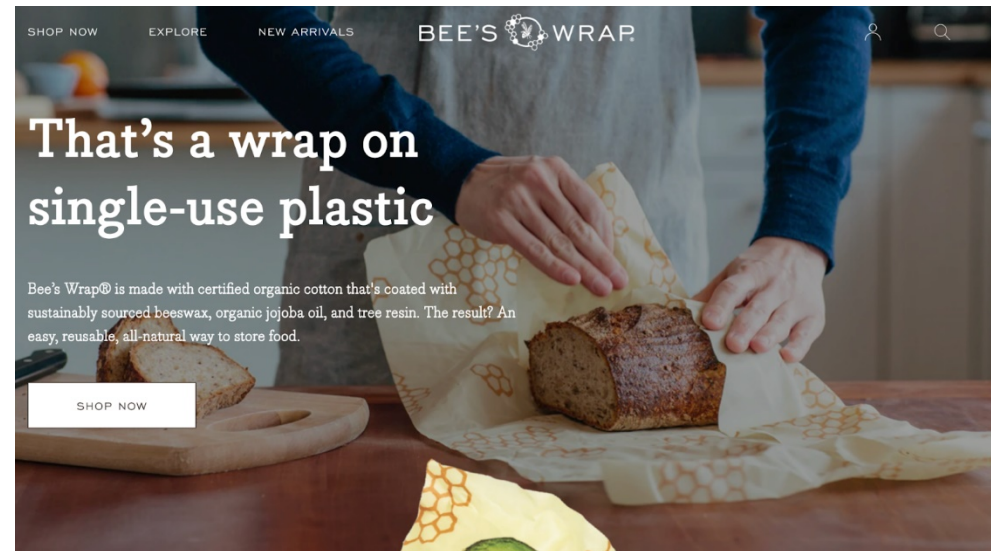
# niche markets and product idea

- Conscious consumers
  - consumers were willing to change their shopping habits to reduce environmental impact.
- The rise of the conscious consumer has paved the way for vegan, eco-friendly, and cruelty-free variations of conventional products.

# Bee's Wrap

- to replace plastic wrap with options made from beeswax. This natural alternative to food storage is not only environmentally friendly but also more cost effective for consumers because it's reusable.

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# Focus on Market Niche ..

- Information systems support this strategy by producing and analyzing data for finely tuned sales and marketing techniques.
- Information systems enable companies to analyze
  - customer buying patterns
  - Tastes
  - preferences closely

# Focus on Market Niche ..

- efficiently pitch advertising and marketing campaigns to smaller and smaller target markets.
- The data come from a range of sources
  - credit card transactions,
  - demographic data
  - purchase data from checkout counter scanners at supermarkets and retail stores
  - data collected when people access and interact with web sites.
- Sophisticated software tools find patterns in these large pools of data and infer rules from them to guide decision making.
- Analysis of such data drives one-to-one marketing that creates personal messages based on individualized preferences.








**Daz wants to be friends with you**

Become friends with Daz to be the first one to know about exclusive deals and discounts.






Not Interested **Be Friends**

















14,245 products

19,915 products



1,000 products









## Categories

|  |  |  |  |  |  |  |  |
|--|--|--|--|--|--|--|--|
| <br>Air Pumps & Accessories | <br>Shrink Wrap | <br>Groceries     | <br>Blocks          | <br>Cooked Meat                | <br>Lightweight Jackets | <br>Pizza Maker       | <br>Canned Fish |
| <br>Backpacks               | <br>Labels      | <br>Electric Pans | <br>Top-Handle Bags | <br>Underwater Digital Cameras | <br>Suit Jackets        | <br>Mobiles & Tablets | <br>Binoculars  |

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Sold

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## 4. Strengthen Customer and Supplier Intimacy

- A business can also use information systems to apply the strategy of strengthening customer and supplier intimacy.
- This strategy creates strong linkage between the company and their suppliers and/or customers.
- It also increases loyalty to a business and creates stronger relationships.
- Customers and suppliers will feel more valued by the company as well.

# example



- .Toyota, along with other automobile companies, allows their suppliers access to production schedules.
- This makes it easier for suppliers to know when to ship parts and supplies without having to communicate back and forth about fulfilling orders.
- This strategy makes the production process run smoother and faster because the supplier can produce the goods they need and ship them to Toyota just in time for their production of the vehicles.

# Amazon employs the customer intimacy strategy

- Amazon tracks their account users preferences and recommends certain products that customer may like based on their recent searches and purchases.
- Amazon also recommends products based on if another customer bought the same or a similar product to the user and what the other customer purchased with it.





**TABLE 3.4 FOUR BASIC COMPETITIVE STRATEGIES**

| STRATEGY                       | DESCRIPTION   | EXAMPLE                    |
|--------------------------------|---|----------------------------|
| Low-cost leadership            | Use information systems to produce products and services at a lower price than competitors while enhancing quality and level of service | Walmart                    |
| Product differentiation        | Use information systems to differentiate products, and enable new services and products   | Uber, Nike, Apple          |
| Focus on market niche          | Use information systems to enable a focused <b>strategy</b> on a single market niche; specialize  | Hilton Hotels, Harrah's    |
| Customer and supplier intimacy | Use information systems to develop strong ties and loyalty with customers and suppliers   | Toyota Corporation, Amazon |



# STRATEGIC PLANNING PROCESS

# What is Strategic Planning Process

- the method used by organizations to develop plans to achieve overall, long-term goals.
- it helps you create a roadmap for which strategic goals you should make an effort to achieve, and which initiatives are less useful to the business.
- Helping you understand your internal and external strategy.



The process of strategic planning is the steps you take as an organization to determine:

- Your organization's management (Vision)
- What and for whom are you going to do (Mission)
- How to measure and guide your strategy towards where you want to be (Objectives)

# Why?

- To get your team on the same page and align with the vision, mission, and goals of your organization;
- It is maximizing your organization's resources to avoid wasting time and money on unimportant projects or activities;
- To understand the trends and scenarios in the industry that might affect your organization in the coming years;
- To Develop an action schedule for keeping you and your staff on track and to be responsible for the outcomes

# 5 steps

- Step 1: Clarify Your Strategic Position
  - Considering both internal and external sources, get the right stakeholders involved right from the start.
  - Identify main competitive issues by talking to the company's managers, collecting input from clients, and gathering business and consumer data to get a better view of the market and customer role.

# SWOT Analysis of Apple

## STRENGTH

- Most Valuable Brand
- Globally Iconic
- Top Technology
- Proficient Research
- Expansion in Services



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## WEAKNESS

- Product Cost
- Limited Promotions
- Entering non-competency area
- Limitations with other software



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## OPPORTUNITIES

- Qualified Professionals
- Lack of Green Technology
- Smart Wearable Tech
- Utilize AI



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## THREATS

- Counterfeits
- Increasing Competition
- Market Penetration
- Different Lawsuits



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## 2. Prioritize Your Objectives

- After the current market position has been established, objectives that will help meet expectations. Specific objectives will be in accordance with the mission and direction of the organization

## Step 3: Formulate A Strategy

- This phase involves identifying the strategies required to accomplish the goals and mapping out a schedule and effective communication of responsibilities.

# Step 4: Implement and Manage The Strategy

- Effective implementation of the strategy is key to the growth of the business enterprise. This phase is the action stage for the strategic management process. In case the cumulative strategy does not work with the existing operations of the business, a new structure and strategy should be installed at the beginning of this phase.

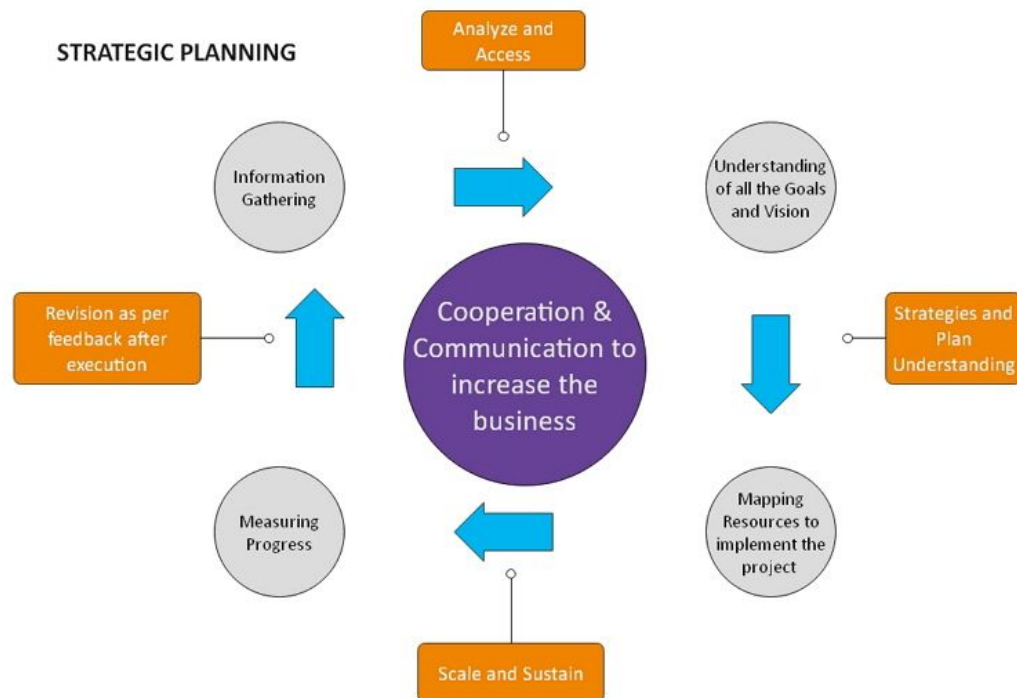


# Step 5: Monitor and Evaluate Strategy

- The strategic plans and priorities will be checked and revised once a year to incorporate with new business adjustments, and ensure targets are based on the organization's constantly-changing environment.
- Strategy assessment and control actions include performance measurements, consistent review of internal and external issues and, where necessary, corrective actions. Any successful strategic evaluation starts with the definition of the parameters to be measured.

# Examples of Strategic Planning Process

- This strategic planning diagram shows the procedure from understanding the goals and missions to analyze the strategic plan.



**TABLE 3.5** IMPACT OF THE INTERNET ON COMPETITIVE FORCES AND INDUSTRY STRUCTURE

| COMPETITIVE FORCE                                  | IMPACT OF THE INTERNET  |
|--|---|
| Substitute products or services                    | Enables new substitutes to emerge with new approaches to meeting needs and performing functions   |
| Customers' bargaining power                        | Availability of global price and product information shifts bargaining power to customers   |
| Suppliers' bargaining power                        | Procurement over the Internet tends to raise bargaining power over suppliers; suppliers can also benefit from reduced barriers to entry and from the elimination of distributors and other intermediaries standing between them and their users |
| Threat of new entrants                             | Internet reduces barriers to entry, such as the need for a sales force, access to channels, and physical assets; it provides a technology for driving business processes that makes other things easier to do                                   |
| Positioning and rivalry among existing competitors | Widens the geographic market, increasing the number of competitors and reducing differences among competitors; makes it more difficult to sustain operational advantages; puts pressure to compete on price                                     |



**END**