

MIS Organization

Assignment #2



By

Mr. WARIS DAMKHAM 6388014

Mr. THANAWATH HUAYHONGTHONG 6388016

Miss PATTANAN KORKIATTRAKOOL 6388022

Mr. NAPHAT SOOKJITSUMRAN 6388059

A Report Submitted in Partial Fulfillment of
the Requirements for
ITCS361 Management Information Systems
Faculty of Information and Communication Technology
Mahidol University
2021

Table of Contents

Porter's Competitive Forces Model	3
Value Chain Model	5
Value Chain Analysis.....	6
McDonald's Value Chain Analysis	6
Starbucks's Value Chain Analysis	9
Nike's Value Chain Analysis	11
Reference.....	13

Porter's Competitive Forces Model

Main ideas

Porter's competitive forces A company's model is the factors and analysis that threaten a company's profitability and prevent its growth. The competitive forces model consists of four forces, which are new market entrants, substitute products, suppliers, and customers.

1. New market entrants: In a marketplace, there are always new companies entering. New companies are very difficult to enter into the marketplace because a company's power is also affected by the force of new entrants into its market. Profitability is eroded as a result of new competitors entering the profitable market. Hence, profitability will decrease to a competitive rate. Unless holders have a strong and durable obstacle to entry into the marketplace, so they can take advantage of it.
2. Substitute products: This is an opportunity for customers to find different products which could be both cheaper and better. This could be threatening to the company because customers find products that can be replaced. This can cause the company to lose huge profits and revenues. On the other hand, companies that can produce irreplaceable products will benefit from this and will be able to increase their profits and power. For example, butter and margarine, as you can see from the following product, consumers frequently use the following products interchangeably because they either think they are almost identical or because the price of one product goes up.
3. Supplier: Supplier power in Porter's five forces refers to the influence suppliers can have over businesses by increasing prices, deteriorating quality, or limiting availability of their products. The capacity of suppliers to negotiate with customers impacts the buyers' ability to compete and make a profit. By increasing costs, lowering product quality, and restricting product availability, powerful suppliers may put pressure on purchasers. These are the buyer's

expenses. Strong suppliers can also increase industry competition and lower buyers' prospective profit margins.

4. **Customer:** Customers' capacity to push prices down or their amount of power is one. The consumer's capacity to push the price lower or higher is influenced by the quantity of buyers or customer base the firm has, as well as the cost of the company to recruit new customers or markets for outcomes. However, because the customer base is smaller but more efficient, each consumer has the capacity to bargain for a better offer in exchange for a cheaper price. and businesses with a large number of independent clients, which implies they will charge greater rates in order to boost earnings.
5. **Competitive Rivalry:** Measuring the extent of competition in the middle of the marketplace and existing firms, which refers to the number of competitors and their ability to undercut a company. The larger the number of competitors with the number of products and services they have, the lesser the power of the company. Although market trading occurs all the time, buyers are always looking for new companies. If the company can offer them better deals and lower prices, So, the company has the decision and power to charge higher prices and to achieve higher sales and profits. This situation makes a high market competitive.



Porter's Competitive Forces Model

Value Chain Model

From the import of raw materials to the production of finished products, how organizations can create value for customers is a concept used for understanding each department within the organization. The value chain divides the value-creating activities into two groups: the main activities and the supporting activities. The reason for the so-called value chain is that all activities are related to each other like a chain.

Primary Activities - value chains are activities related to the direct production and sale of goods to customer

- Inbound Logistics - inbound logistics activities
- Operations - activities related to production and operations
- Outbound Logistics - outbound logistics activities
- Marketing and sales - marketing and sales activities
- Services - after sales service

Support Activities - value chains are activities that are complementary to all parts of the organization.

- Procurement - procurement of raw materials to produce goods.
- Technology Development - activities related to research and product development sometimes called Research and Development or R&D
- Human Resource Management - human resource management within the organization.
- Firm Infrastructure - basic organizational activities such as administration finance, accounting.

For value chain outcomes, it is something that is measured by customer satisfaction, which is how much consumers are willing to pay for goods or services. The origin of the value chain theory is an idea from Michael E. Porter's book Competitive Advantage from Harvard University, which is the owner of the strategic management theory that many people know well, like the Five Forces Model.

Value Chain Analysis

An analysis in which the analyst must explain what each of the nine activities the organization does and how it can create value from them. And how much value can you create? As a result, creating good value should also consider the business's customer group; what groups of customers do businesses have and what they want; and what customers think and want.

McDonald's Value Chain Analysis

McDonald's is one of the most successful restaurant businesses today. Starting from hot dog stands to today's 30,000+ restaurants across the world, McDonald's has thousands of loyal consumers. To convert a company's thoughts into products, a dedicated firm has to engage itself in numerous internal activities. In this article, we will do a value chain analysis for McDonald's.

Primary Activities

- **Inbound Logistics:** McDonald's has its own pre-defined, fixed suppliers. The company purchases the raw vegetables and other necessary raw materials only from them. McDonald's uses backward vertical integration, which helps the company cut costs and ensure the quality of its products. McDonald's products include milk and meat from their own farms and local grocery shops for their supply of fresh vegetables. Other important raw materials, like sugar, yeast, wheat, and so on, are also provided by the permanent suppliers.
- **Operations:** Instead of a lot of stations and different equipment, McDonald's kitchens include some basic tools, which help them in a speedy response. Here are the basic tools that McDonald's kitchens have.
 - A large grill: the grill is so large that a single person can cook several burgers on it at the same time.
 - A fryer: French fries are one of the most popular items in McDonald's restaurants. The restaurants include a fryer where a person can make French fries.

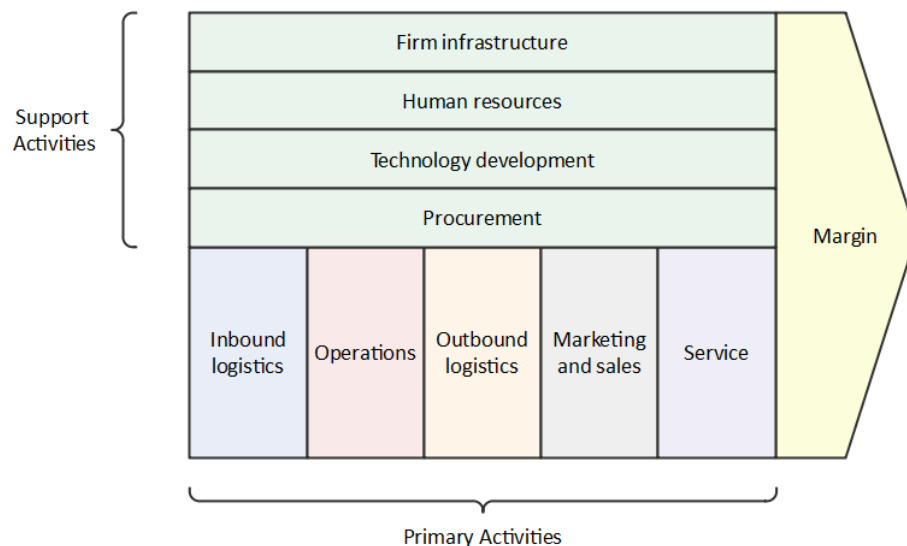
- A dressing station: Some people keep adding the same condiments to all burgers here.
- Beverage machine: For dessert items and beverages, McDonald's includes a milkshake machine and a soda fountain.
- Counters: Customers place their orders at these counters and receive them from the same place.

McDonald's warehouses contain vast quantities of all the items required for each location. It is also stated that this chain is automated, meaning that computers keep track of what each restaurant has and should have. The distribution department then routinely sends the appropriate materials.

- **Outbound Logistics:** The restaurant firm continually strives for a better atmosphere, a successful business, and other goals. They do this while maintaining a friendly, clean, and high-quality atmosphere. Customers can easily get the nutrition information they need and make a choice based on that information.
- **Marketing and Sales:** McDonald's restaurants are now available in over 100 countries and territories, 119 to be exact, with over 31,000 restaurants, which employ over 1.5 million people. The company uses extensive advertising campaigns, as well as its usual media coverage that includes television, newspaper, radio, and other social media.
- **Service:** McDonald's is one of the best food corporations of all time, and it's not only the food that makes it famous; it also provides a vast array of supplementary services.
 - Free Wi-Fi: McDonald's meals now come with Wi-Fi, ensuring a better connection with your friends and family. McDonald's has over 11,500 restaurants with Wi-Fi connections in them.
 - Gift Card: McDonald's offers pre-paid cards, which allow the customers a convenient and quick way to pay. These can also be used as perfect gifts.
 - Play Places: McDonald's is ready to throw parties for your children. You can bring your kids and give them an enjoyable time of their lifetime, while remaining stress-free yourself.

Support Activities

- **Infrastructure:** McDonald's infrastructure is complex, using cutting-edge IT while assuring eco-friendly practices. The firm strives to deliver eco-friendly restaurants and workplaces for its consumers and staff. The whole procedure matches the organization's sustainability objectives.
- **Human Resource Management:** McDonald's has maintained its exceptional Human Resource management with enticing possibilities. While working at McDonald's, one may enjoy flexible hours and participate in additional activities. McDonald's is readily staffed by those with fewer employment options elsewhere.
- **Technology Development:** McDonald's is working on upgrading its outlets and expanding its menu in terms of technological advancement. McDonald's progress in technology is shown by the fact that they signed a five-year IT support contract with Fujitsu.
- **Procurement:** E-Procurement is a significant factor in McDonald's excellent supply chain management. The solution is very effective and a tremendous asset to the company's supply chain management. The procurement website facilitates and accelerates the procedure for franchisees. In addition, it enables other company owners to purchase materials and supplies at lower rates, thus cutting McDonald's expenditures.



McDonald's Value Chain Analysis

Starbucks's Value Chain Analysis

A Starbucks (SBUX) study may further highlight and clarify the value chain notion. The Starbucks adventure started in 1971 with a single location in Seattle. It evolved from there to become one of the most well-known brands in the world. According to the company's website, Starbucks' aim is to inspire and nourish the human spirit, one person, one cup, and one community at a time.

Primary Activities

- **Inbound Logistics:** Starbucks' inbound logistics include company-designated coffee buyers purchasing the highest quality coffee beans from Latin America, Africa, and Asia. Starbucks' customers get green or unroasted beans straight from the growers. The beans are then roasted and packed after being delivered to storage locations. Starbucks' patented roasting and packaging techniques enhance the value of the beans, which increases their resale value.
- **Operations:** Starbucks operates in over 80 markets, either through company-owned locations or licensed locations. Starbucks does not adhere to conventional franchise agreements. The firm has more than 32,000 locations worldwide. It also owns other brands, such as Teavana, Seattle's Best Coffee, and Evolution Fresh. According to the company's financial records, 81% of its net sales during the first half of its 2020 fiscal year came from company-run shops, while 11% came from licensed retailers.
- **Outbound Logistics:** Starbucks sells its products with little or no involvement from middlemen. The bulk of items are offered through retail locations. Nonetheless, retail distribution and storage are essential.
- **Marketing and Sales:** Starbucks invests more in superior quality products and a high level of customer service than in aggressive marketing. But when a new product comes out, the company does need-based marketing in the form of free samples in the area around the stores.

- **Service:** Through its in-store customer service, Starbucks seeks to increase customer loyalty. Starbucks' primary retail mission has always been to give consumers a distinctive Starbucks experience. Service training is an integral component of the value chain that contributes to the distinctiveness of its products. When baristas produce beverages for consumers, a large quantity of value is generated.

Support Activities

- **Infrastructure:** This covers departments such as management, finance, and legal that are essential to keep the company's operations running. At its corporate headquarters, Starbucks employs business managers. It also employs store managers who supervise shops that are well-designed and aesthetically beautiful and whose staff deliver excellent customer service while wearing green aprons.
- **Human Resource Management:** In terms of the company's performance and development throughout the years, the devoted employees are seen as a crucial factor. Employees at Starbucks are motivated by substantial perks and incentives. The low employee turnover rate is a sign that the company does a good job of managing its human resources. A big reason for this is that the company has a reputation for caring about its employees. Numerous training programs are undertaken for workers within a work culture that maintains a team engaged and productive.
- **Technology Development:** Due to the free and unrestricted Wi-Fi, many consumers utilize Starbucks as a temporary office or meeting location. Starbucks also utilizes Apple's iBeacon technology, allowing users to order a drink using the Starbucks mobile app and get a notice when it is ready. Technology assists the organization in implementing this input, particularly in the incentives program.
- **Procurement:** The procurement process is interwoven across the supply chain's numerous components. Porter describes procurement as a supporting function. Numerous businesses will set broad terms, criteria, and standards for all procurement transactions. Nevertheless, procurement arrangements are often diverse. Starbucks says that buying its own coffee beans is one of the things that gives it a competitive edge.

Nike's Value Chain Analysis

Analysis of the value chain may assist a business in determining which activities or services provide the most value in order to maximize profits. The primary objective of the company is to raise the value of doing business by surpassing operating expenses. A look at Nike's value chain shows, for example, that the company makes the most money it can by having a good supply chain, inbound logistics, marketing, and operations.

Primary Activities

- **Inbound Logistics:** Nike's supply chain includes suppliers, transit, internal delivery, and quality control to ensure the delivery of high-quality products and services. There are 567 facilities in 42 countries worldwide that manufacture Nike items. The majority of Nike's goods are produced by independent contractors. After going through a strict quality check, the goods are sold through a network of regional offices and distribution centers.
- **Operations:** The examination of Nike's value chain demonstrates the significance of operational operations in creating value and establishing a competitive edge in the market. Operations include product manufacture, assembly, packaging, and testing, as well as equipment maintenance and repair. In operations analysis, the goal is to improve productivity, efficiency, and the creation of value so that costs are less than income.
- **Outbound Logistics:** Nike items are produced in around 567 facilities in 42 countries. The items are subsequently sent to regional offices and distribution hubs for retail distribution. The network of regional distribution channels makes sure that buyers can get the items as soon as they come out.
- **Marketing and Sales:** The marketing and sales efforts of Nike are dependent on their salesforce, promotional activities, advertising, price, and channel selection. Nike's marketing operations are successful and intelligently integrated across all marketing platforms, including television, physical marketing, print, and social media. Nike is a Master of Marketing because it uses sensitive and moving stories, talks to customers, and links its products to famous people.

- **Service:** Pre-sale and post-sale services are crucial to client retention and enhancing the consumer experience. Nike operates several initiatives to maintain client engagement. In 2017, Nike's loyalty program had more than 100 million enrolled consumers. These regular clients spent three times as much on the website as newcomers.

Support Activities

- **Infrastructure:** Infrastructure is a wide group of operations that include quality control, the handling of legal affairs, funding, accounting, planning, and strategic management. In the Nike value chain, infrastructure operations enable the corporation to optimize the whole chain. These tasks improve efficiency, cut down on costs, and keep the system as a whole in good shape.
- **Human Resource Management:** Nike is a multinational corporation with production sites, distribution hubs, and retail shops located across the globe. Human resource management is a crucial activity in the study of Nike's value chain. Nike employs more than 70,000 people worldwide in various roles. The organization works to make the workplace a healthy place to be and helps employees connect with its culture of diversity and inclusion.
- **Technology Development:** Because Nike portrays itself as the leader in innovative sportswear, technology advancement and product quality play a crucial part in the Nike value chain study. Nike has prioritized the use of research and technology in its equipment, machinery, production procedures, and waste management.
- **Procurement:** In the Nike value chain analysis, procurement refers to the activities and practices involved in acquiring the raw materials, equipment, packaging materials, machinery, and other items required to create goods and operate the system. The Global Procurement team at Nike oversees the procurement process. They choose suppliers who offer the best materials at the best prices and who share their commitment to sustainability and protecting the environment.

Reference

- [1] Content team, Mind Tools. "Porter's Five Forces - The Framework Explained: A Guide to Analyzing Competitiveness Using Michael Porter's Strategic Model." *Porter's Five Forces - From MindTools.Com*, www.mindtools.com, 0 0 2015, https://www.mindtools.com/pages/article/newTMC_08.htm.
- [2] BAJPAI, PRABLEEN. "Analyzing Starbucks' Value Chain." *Investopedia*, www.investopedia.com, 14 Feb. 2022, <https://www.investopedia.com/articles/investing/103114/starbucks-example-value-chain-model.asp>.
- [3] Online, EdrawMax. "Nike Value Chain Analysis | EdrawMax Online." *Edrawsoft*, www.edrawmax.com, 0 0 2021, <https://www.edrawmax.com/article/nike-value-chain-analysis.html>.
- [4] Online, EdrawMax. "McDonald's Value Chain Analysis | EdrawMax Online." *Edrawsoft*, www.edrawmax.com, 0 0 2021, <https://www.edrawmax.com/article/mcdonald-value-chain-analysis.html>.
- [5] Pair, K. "Value Chain คืออะไร? หวังโซ่คุณค่า มีอะไรบ้าง - GreedisGoods." GreedisGoods, greedisgoods.com, 13 Jan. 2018, <https://greedisgoods.com/value-chain-%E0%B8%84%E0%B8%B7%E0%B8%AD/>.