

STRATEGY

Session 1 : What is strategy?



What happened to

- 88% of the Fortune 500 firms that existed in 1955 are gone



Founded in 1927, was the largest international air carrier in the United States. By over-investing in its existing business model and not investing in future, horizon 3, innovations, Pan Am filed for bankruptcy in 1991.



After 178 years of operation, the British tour operator Thomas Cook, one of the world's oldest travel brands, with 19 million annual customers, closed shop in 2019. The travel bookings business has increasingly moved online, but Cook's business largely did not.

What happened to



At its peak in 2004, Blockbuster employed 84,300 people worldwide and had 9,094 stores. Unable to transition towards a digital model, Blockbuster filed for bankruptcy in 2010.



With the benefit of hindsight, Toys "R" Us may have led to its own undoing when it signed a 10-year contract to be the exclusive vendor of toys on Amazon in 2000. As a result, Toys "R" Us missed the opportunity to develop its own e-commerce presence early on.

Business failures

54,600 business failures in France in 2018

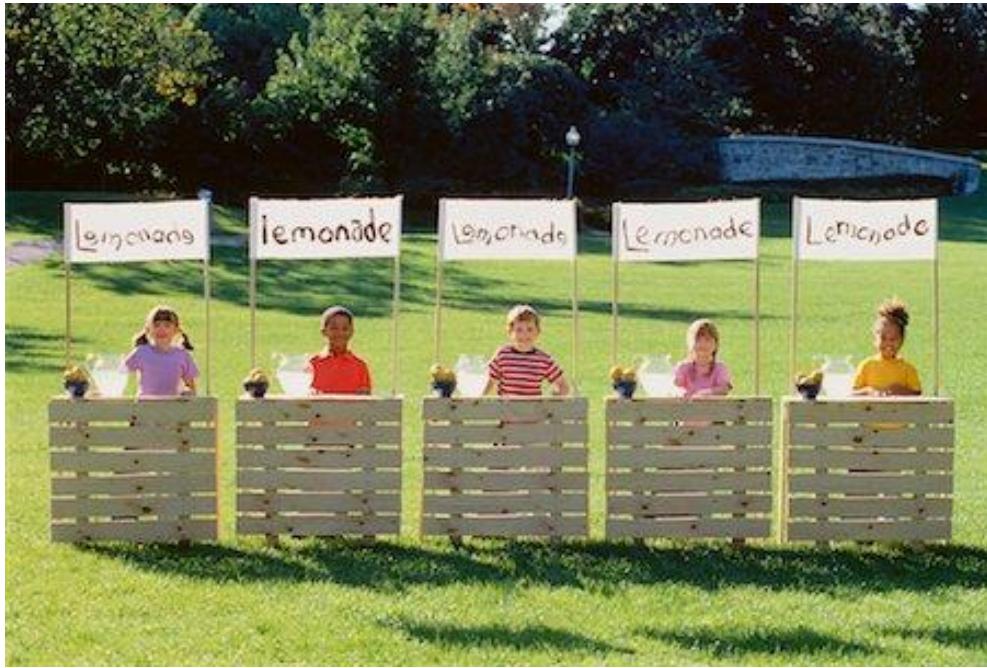
How do you win ?



Diners  Burger



Questions



Should I « play » ?

Can I enter the game and win?

What do I want ?

How can I offer value ?

How can I win customers ?

What makes me different?

Can I maintain my difference?

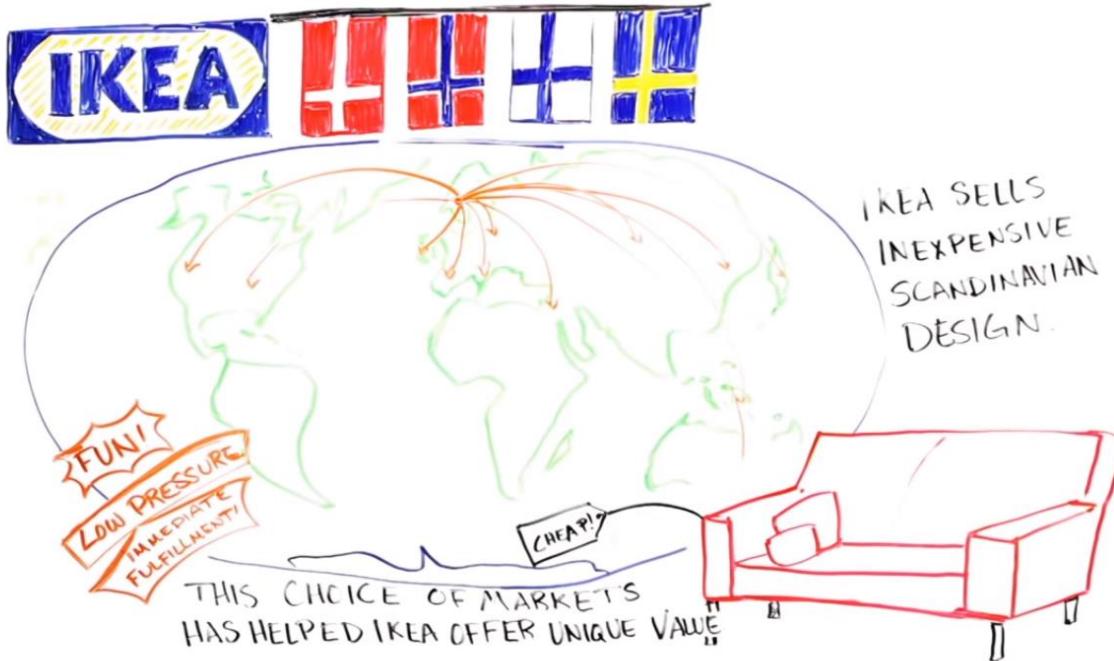
WHERE do I compete ?

WHAT unique value do I bring?

WHAT resources/capabilities do I use?

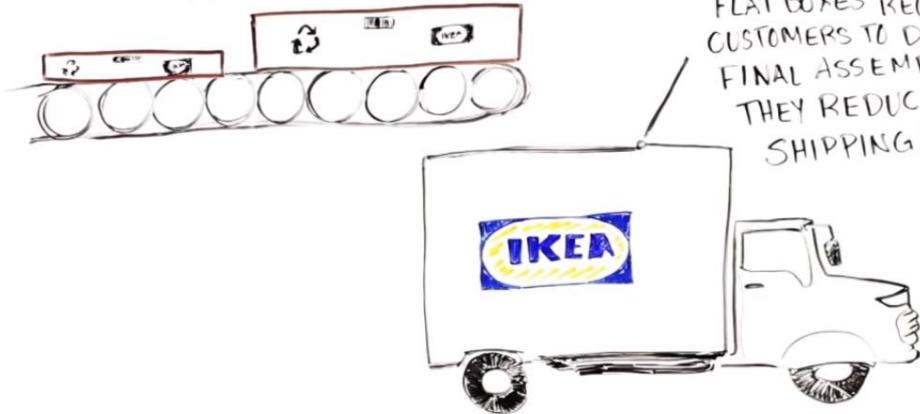
HOW do I sustain unique value?

IKEA



PRODUCTS ARE DESIGNED FOR MASS PRODUCTION.

FLAT BOXES REQUIRE
CUSTOMERS TO DO THE
FINAL ASSEMBLY, BUT
THEY REDUCE
SHIPPING COSTS

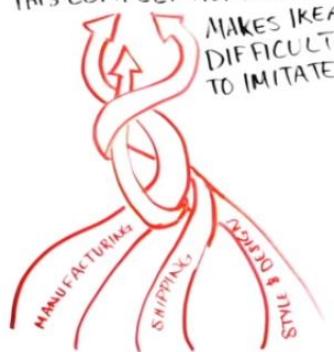


PRODUCTS ARE DESIGNED FOR MASS PRODUCTION.

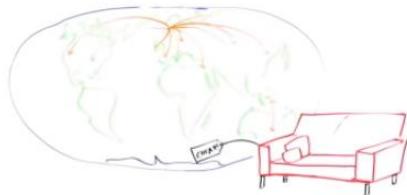
FLAT BOXES REQUIRE
CUSTOMERS TO DO THE
FINAL ASSEMBLY, BUT
THEY REDUCE
SHIPPING COSTS



THIS COMPLEX INTERDEPENDENCE
MAKES IKEA
DIFFICULT
TO IMITATE



COMPETITORS WOULD HAVE TO COMPLETELY
CHANGE HOW THEY DESIGN, MANUFACTURE,
AND SHIP THEIR FURNITURE



DOES

~~DOES NOT DO~~

- HIGHEND FURNITURE
- CUSTOM ORDERS
- SELF MANUFACTURE



Daniel EVANS

- Born in 1963
- Married, moved to France in 1993
- PhD in Economics (Finance/Strategy)
- Corporate training experience
- Previously EMLYON (Innovation, MBA)
- Areas of specialization:
 - Pedagogy, Learning and HRD
 - Strategy, Strategic Foresight, « Futuring »
 - Leadership, Organization (OB)
 - Front end innovation
- Travel
 - 30 States
 - 15 EU countries
 - 4 African countries
 - India, China, Japan, Korea, Singapore
 - Jamaica, Bahamas

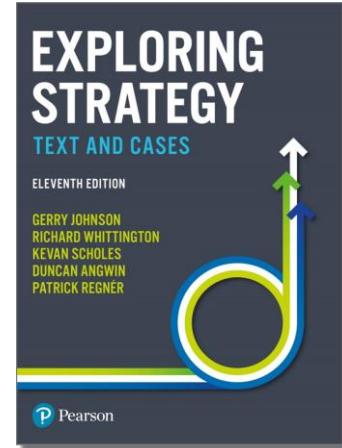


Course objectives

- Understand and master the concepts and tools used to manage organisations as a whole.
- Understand the details of the strategic decision process and analyse the different dimensions involved (Innovation/Organisation/CSR)
- Improve analytical ability in assessing strategies and policies that determine the long-term success of firms
- To understand why some firms succeed and others fail
- Develop ability to analyze internal organizational strengths and weaknesses and external environmental opportunities and threats
- To elaborate a viable business plan
- Opportunities to participate in relevant discussions of strategic issues.
- Develop and improve written and oral communication skills.

Course Learning Approach

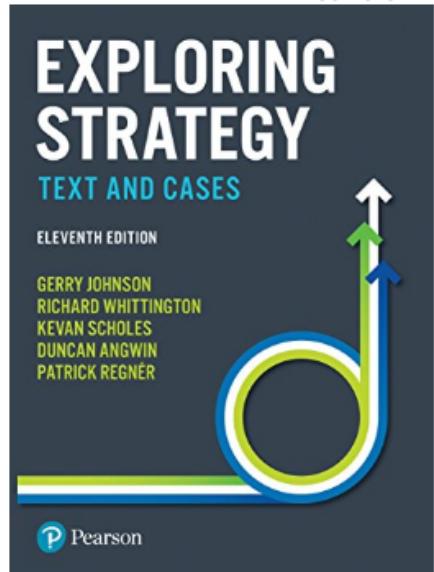
- Methods
 - Lecture: Presentation of theoretical concepts and methods.
 - Case studies: Case studies distributed in class or available on Blackboard
 - Empirical illustrations: Exemplification of concepts with various examples from the business world.
- Resources
 - Core text: Johnson, G., Scholes K. And Whittington, R. Angwin D. and Reigner, P., 11 edition. Exploring Strategy. Pearson.



Casework

- You will work in your project teams
- All work will be placed in the ONEDRIVE space provided for your team
- Please check your email for the link
- Access via web : <https://login.microsoftonline.com/>
- Use email from audencia

Textbook



Exploring Strategy: Text and Cases (New edition) (English Edition) 11th Edition, Format Kindle

de [Gerry Johnson](#) (Auteur), [Richard Whittington](#) (Auteur), [Patrick Regner](#) (Auteur), [Kevan Scholes](#) (Auteur), & 1 plus

★★★★★ 40 évaluations

[Voir les 2 formats et éditions](#)

Format Kindle
EUR 38,50

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54,97 € prime

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9 neufs à partir de 54,97 €

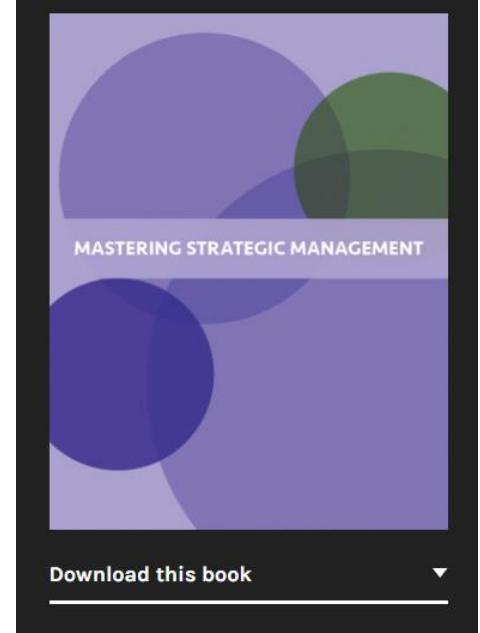
With over one million copies sold worldwide, Exploring Strategy has long been the essential strategy text for managers of today and tomorrow. From entrepreneurial start-ups to multinationals, charities to government agencies, this book raises the big questions about organisations- how they grow, how they innovate and how they change.

[En lire plus](#)

Alternative Open Text

Mastering Strategic Management

- Mastering Strategic Management (MSM)
 - Covers most of the subjects
 - May be read online (web format)
 - May be downloaded in many formats
 - Epub, PDF, OpenDocument
- <https://open.lib.umn.edu/strategicmanagement/>



Chapters

	Johnson et.al.	MSM
1 : Introduction	Ch 1	Ch 1
2. The Macro Environment	Ch 2	Ch 3
3. The Industrial Environment	Ch 3	Ch 3
4. Competitors and Markets	Ch 3 & Ch 5	Ch 3
5. Exploring and Exploiting Capabilities 1	Ch 4	Ch 4
6. Exploring and Exploiting Capabilities 2	Ch 6	Ch 4
7. Corporate Level Decisions	Ch 8 & Ch 11	Ch 8
8. International Strategy	Ch 9	Ch 7
9. Business Level Decisions 1	Ch 7	Ch 5
10. Business Level Decisions 2	Ch 10	Ch 2
11. Strategy Evaluation	Ch 12	
12. Strategy as Practice	Ch 13 & Ch 15	Ch 1, Ch 10
13. Strategy Implementation	Ch 13 & Ch 15	Ch 9

Online resources

- The Harvard Business Review
 - Topical articles in Strategic Management
 - Available on Business Source Complete (Check the Knowledge Hub website)
- DowJones Factiva
 - An international press database (eg. FT, Reuters, LesEchos...)
 - Available on the Knowledge Hub Website
- Euromonitor - Global Market Information Database (GMID)
 - Country statistics, consumer lifestyle reports, company profiles, industry profiles
 - Available on the Knowledge Hub Website



Learning requires effort

- Expect 1/3 effort in class (30 hours)
 - Participation in discussion
 - Minicase work (read, analyse and present in class)
 - Reflection on learning and your effort
- Expect 2/3 effort outside of class (60 hours)
 - Reading of materials
 - Preparing case studies
 - Preparing for exams
 - Group project

Evaluation

- Continuous assessment : 50%
 - Quiz (**session 9**) : 15% (20 questions / 20 minutes)
 - Project: 35%
 - +/2 points of your grade will depend on your participation in class
 - NB: Your grade can be lowered if you have too many absences (according to school policy)
- Final exam : 50%
 - 3 hour exam
 - Case study (3 or 4 questions) + quizz/questions

Project

Team assignment

TEAM 1

Sébastien CARDELLI
Lucie GUICHAOUA
Mohamed LABHAR
Geraldine RICHTER
Rodrigo mateus ZANATTO ROSA

TEAM 2

Hugo CHAMPIER
Baudry DE BRAY
Hyein KIM
Zhaoxiang LI
Younes NAIM
Christa SCHWINKE

TEAM 3

Issa DIARRA
Mathis DIJOLS
Xinyi LIU
Ankitha SRINIVAS
Anis TOUAMI

TEAM 4

Sébastien FERTIER
Tanguy LE LEM
Jiaqi LIANG
Luis NOBOA CARDENAS
Aicha SYLLA
Carlos TALAVERA FUENTES

TEAM 5

Alain ALTABACHE
Paulina NICINSKA
Thomas RODRIGUEZ
Olena TOMASH
Xiaohan ZHAO

TEAM 6

Partha KONWAR
Séverine LEMAIRE
Pierre PAILLISSON
Pascal VOGEL
Ranxi YANG

Project

- Produce a (approx.) **25 page report** to be submitted no later than **session 13 (Blackboard)**. Reports should be sent in .doc or docx formats (no other format will be accepted).
- Present orally your analysis and main conclusions. Each team will have **7 minutes** to present and then there will be a **7 minutes** Q/A session. Each team will have to use a slideshow during the oral presentation. The slideshow (PowerPoint presentation) should be emailed to the professor by **session 13** (only .ppt and .pptx format will be accepted). The oral presentation will take place on **session 14**.

Project

Grading

Areas the report should cover	SCALE	GRADE
1. Mission and objectives. Provide an overview of the objective(s) your proposal(s) is/are expected to achieve. This will represent the standard for comparison against the projects' proposed recommendations	2	
2 Present the context that surrounds the issue within the question. To do this, it is expected that students use internal and external diagnostic tools presented on the course. Students should not stop at analysis, but deduce clear implications about the context in which the issue is situated. (Sessions 2, 3, 4, 5, 6)	6	
3 Propose one or more potential solutions to the posed problem. Students should propose relevant and precise solutions to the issue posed? Is this response explicitly related to external and internal analyses? (Sessions 7, 8, 9, 10)	6	
4 Detail the resources needed and the required changes. Students must provide a detailed analysis of the resources required and the means of acquiring these resources so as to be able to implement the required changes relative to your proposals (Sessions 5, 6, 7, 8, 9, 10, 11, 12, 13)	2	
5 Quality of the presentation of the written report. The quality of the executive summary, the structure of the report, the presentation of the arguments, the writing style, evidence of literature search (using references in the appropriate standard) will be evaluated	2	
6 Quality of the oral presentation. Evaluation of the presentation will be based on the clarity of expression, respect of the time deadline and the adoption of a professional attitude by all group participants. The quality of the answers to the questions posed at the end of the presentation will be also evaluated.	2	
Final mark	20	

Category	Scoring Criteria	Total Points	Score
Organization 3 marks	Information is presented in a logical sequence. Presentation appropriately cites requisite references.		
Content 11 marks	Introduction is attention-getting, lays out the problem/issues well, and establishes a framework for the rest of the presentation.		
	Technical terms are well-defined		
	Presentation contains accurate up-to-date information.		
	Material included is relevant to the overall message/purpose.		
	Appropriate amount of material is prepared, and points made reflect well their relative importance.		
	There is an obvious conclusion summarizing the presentation.		
Presentation 6 marks	Speakers maintain good eye contact with the audience and are appropriately animated (e.g. gestures, moving around, etc.).		
	Delivery is poised, controlled, and smooth.		
	Visual aids are well prepared, informative, effective, and not distracting.		
	Length of presentation is within the assigned time limits.		
Score	Total Points	20	

Project

Peer feedback – marginal adjustments of team grade (+/- 2)

A. Meeting attendance:

- (1) Missed most meetings without explanations
- (2) Missed some meetings and not punctuated
- (3) Attended most meetings and had reasons for missing some
- (4) Attended all meetings but was late occasionally
- (5) Attended all meetings and punctuated all the time

B. Meeting preparedness:

- (1) No preparation for group meetings
- (2) Limited preparation for group meetings
- (3) Satisfactory preparation for group meetings
- (4) Good preparation for group meetings
- (5) Excellent preparation for group meetings

C. Assignment quality:

- (1) Turned in poor quality assignments and missed deadlines
- (2) Turned in low quality assignments or missed deadlines
- (3) Turned in average quality assignments on time
- (4) Turned in good quality assignments on time
- (5) Turned in excellent assignments on time

D. Overall Contribution

- (1) Well below average
- (2) Below average
- (3) Average
- (4) Above Average
- (5) Well above average

Group Number: _____

Your Name: _____

Peer Evaluations

Name of Other Members	A. Meeting attendance	B. Meeting preparedness	C. Assignment quality	D. Overall contribution	Total
Ex. Dan	3	2	3	2	10

Project

Team assignment

- Team 1: LVMH bought Tiffany and Co. for \$16.2 billion in November 2019. Was the acquisition of Tiffany's a good thing for LVMH or not? What possible recommendations could be made to maximize the competitive advantages of this acquisition?
- Team 2: Aldi supermarkets doubled the size of their presence in the U.S. between 2008 and 2018, and has announced that they will expand to a total of 2,500 stores in the country by 2022. Evaluate Aldi's strategy in the U.S. market and whether or not you think that strategy is sustainable over the long-term.
- Team 3: Camping is big business in France and numerous campsites exist throughout France – attracting customers from around the world. While this industry grows, there may be benefits from merging numerous actors into larger entities (horizontal mergers). What are the benefits of this potential move? What are some potential risks? What is the current state of affairs? Who benefit from such a market evolution? What is required internally?

Project

Team assignment

- Team 4: The Burger wars are on as Burger King, Five Guys, Steak & Shake and numerous others (including food trucks!) are invading the French market. But what can they expect? What are potential risks to be aware of? What makes this market so competitive? How can firms create power and keep customers? What is required of firms to make this happen? Is the market attractive? What are your recommendations to these new entrants?
- Team 5: Harley Davidson has announced the launch of a new electric motorcycle hoping to add a more energy efficient solution to its line-up of motorcycles. However, is this new offer coherent with Harley's value proposition and Key Success Factors? What are some critical factors Harley needs to monitor as they launch this new offer? What are the strengths and weaknesses of this new offer?
- Team 6: The highly competitive hardware market in France is undergoing change with large stores like Castorama, Leroy Merlin and others facing increased competition from online offers (ex. ManoMano). Kingfisher's Castorama is particularly facing challenges. With significant losses and dropping market share, Castorama is closing stores. Plagued with internal problems (IT issues, sales staff expertise, .) "Casto" is in trouble. What do you propose to fix this "fix-it" store? What is going on? Why is Castorama losing the battle and what can it do?

Critical rules to respect

- Respect others
 - Do not talk while others are talking
 - Be on time
 - No cell phones
- Take your learning seriously
 - Fix personal objectives and check them
 - Search out examples of strategy day-to-day
 - Use resources at your disposal
 - Learn with others

Calendar - February

MON 27	TUE 28	WED 29	THU 30	FRI 31	SAT Feb 1	SUN 2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
			Session 1			
17	18	19	20	21	22	23
	Session 2					
		Session 3				
24	25	26	27	28	29	Mar 1
	Session 4					
		Session 5				

Calendar - March

MON 24	TUE 25	WED 26	THU 27	FRI 28	SAT 29	SUN Mar 1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31	Apr 1	2	3	4	5

★ Quiz



- Session 6
- Session 7
- Session 8
- Session 9
- Session 10
- Session 11

Calendar - April

MON 30	TUE 31	WED Apr 1	THU 2	FRI 3	SAT 4	SUN 5
			Session 12			
6	7	8	9	10	11	12
			Session 13	Session 14		
			★	★		
13	14	15	16	17	18	19
20	21	22	23	24	25	26
			Session 15			
27	28	29	30	May 1	2	3

★ Submit project deliverables (Doc+ PPT+ Peer)

★ Project prez.

INTRODUCTION TO STRATEGY

What is strategy ?

- “Strategy is the determination of the basic long-term goals of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals” (Chandler, 1962: 13).
- “[Strategy is] concerned with the development of a viable match between the opportunities and risks present in the external environment and the organization's capabilities and resources for exploiting those opportunities” (Hofer, 1973: 3).
- Competitive strategy is about being different. It means deliberately choosing a different set of activities to deliver a unique mix of value....(Porter 1996)

Definition

- “Strategy is the **direction and scope of an organisation over the long term**, which **achieves advantage** in a changing environment through its configuration of resources and competences with the aim of fulfilling **stakeholder expectations**”

(Johnson, Scholes and Whittington, 2009: 3)

Strategic decisions

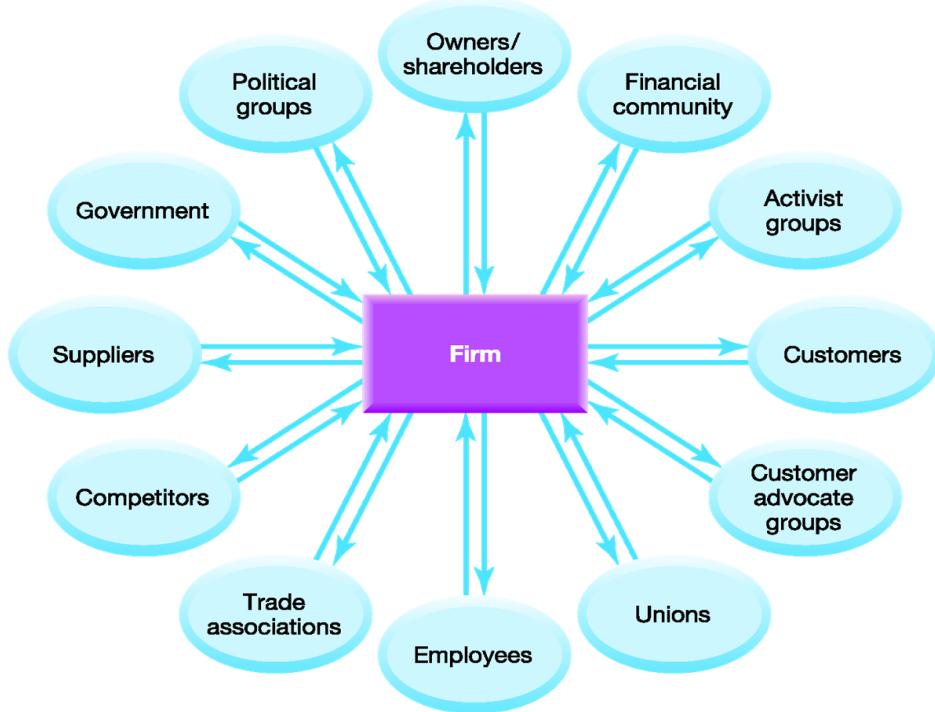
- Look at the **long-term direction**
- Have something to do with the **scope** of an organization's activities
- Are aimed to **gain advantage** over competitors (relative)
- Are aimed to achieve **strategic fit** with the business environment
- Must build on **organizational resources and competences** (capability)
- Must take into account **values and expectations of stakeholders**

Strategic decisions are often ...

- **complex** in nature
- made in situations of **uncertainty**
- having an affect operational decisions
- requiring an integrated approach (both inside and outside an organisation)
- involving considerable **change**

Numerous stakeholders

Most important?
Least important?



Source: From Freeman's *Strategic Management: A Stakeholder Approach*, Copyright 1984 by R. Edward Freeman.

Decision levels

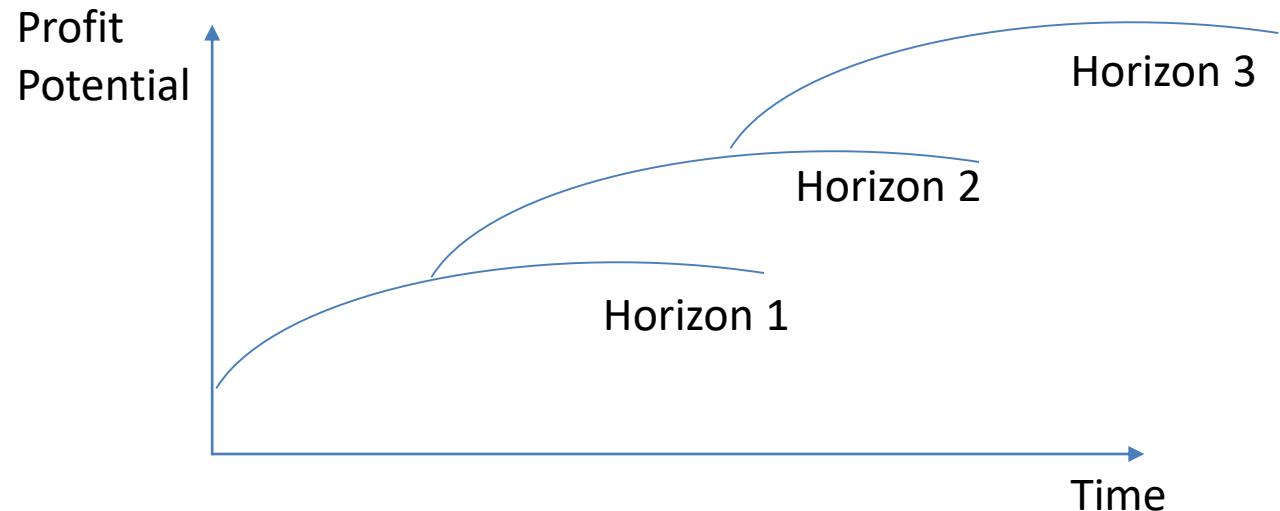


Horizons

Horizon 1 : defend and extend current business

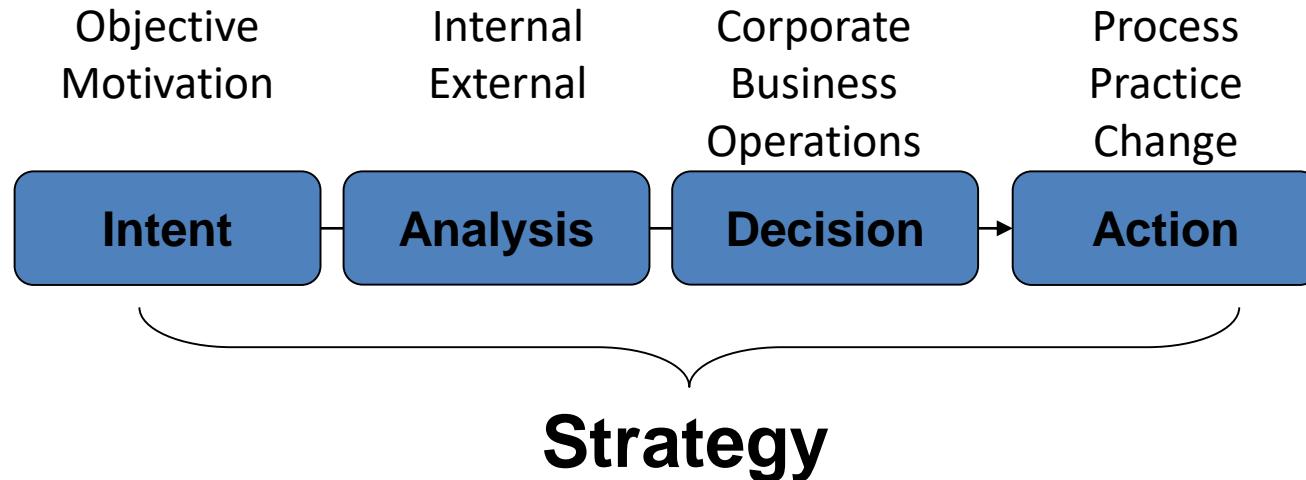
Horizon 2 : build emerging business activities

Horizon 3 : invest in options for future



The strategic process

Translate intent into action



Start with..

Strategy Statement

- Mission – clarity about what the organisation does and what people are there to do – what business are we in ?
- Vision – clarity about what the organisation wants to achieve – aspirations – in 20 years what will we have achieved ?
- Values – core principles
- Objectives – specific outcomes to achieve
- Scope – clarity on where we operate, who are customers are and what activities we integrate (normally in vertical chain)
- Advantage – how we achieve our objectives. Uniqueness.

Vision through Big Hairy Audacious Goals (BHAGs)

- Become the dominant player in commercial aircraft and bring the world into the jet age (Boeing, 1950)
- Crush Adidas (Nike, 1960s)
- Democratize the automobile (Ford Motor Company, early 1900s)
- Become the Harvard of the West (Stanford University, 1940s)

A vision is ***SEEN and FELT***

- Vision outlines what the organization wants to be, or how it wants the world in which it operates to be. It concentrates on the future. It is a source of inspiration.
- “The vision should describe how the organization will feel when the outcome is realized.”
- The purpose is to create a mental picture charged with emotion that can serve to energize, inspire and motivate the organizational members. So in order to accomplish this, it’s alright to take as much space as needed.

Strategic Management

- Leaders and Managers have to MANAGE the process
- Key activities
 - Understanding the **strategic position** of a organization,
 - Making **strategic choices** for the future,
 - Managing **strategy in action**.

Strategic Position

Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

- What are external threats & opportunities?
- How can we manage industry forces?
- How are stakeholders aligned to our purpose?
- What resources support the strategy?
- How does our culture fit with our strategy?



Strategic Choices

Sessions 7-10

Strategic choices involve understanding the underlying bases for future strategy at both the business unit and corporate levels and the options for developing strategy in terms of both the directions and methods of development.

- What business to include in portfolio?
- How do our businesses compete?
- How should we compete internationally?
- Are we innovating effectively?
- Is non-organic growth important?



Strategy in Action

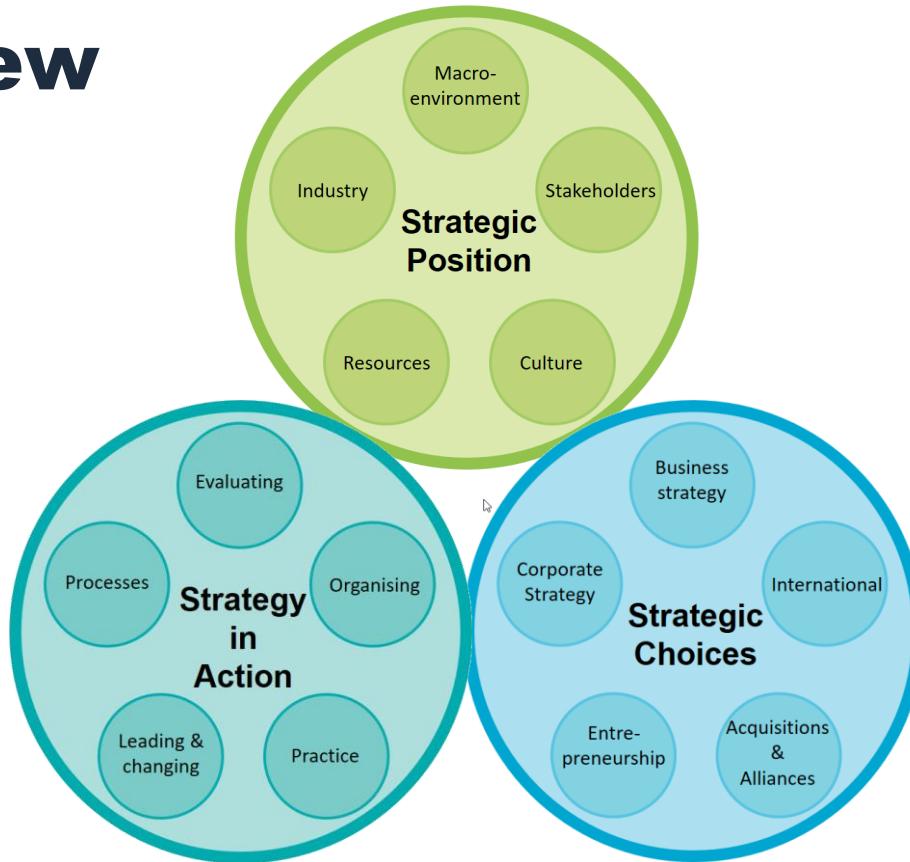
Sessions 11-13

Strategy in action is concerned with ensuring that strategies are working in practice.

- Are strategies suitable, acceptable, feasible?
- What strategy-making process is needed?
- What type of organization do we need?
- How shall we manage change?
- Who does what?



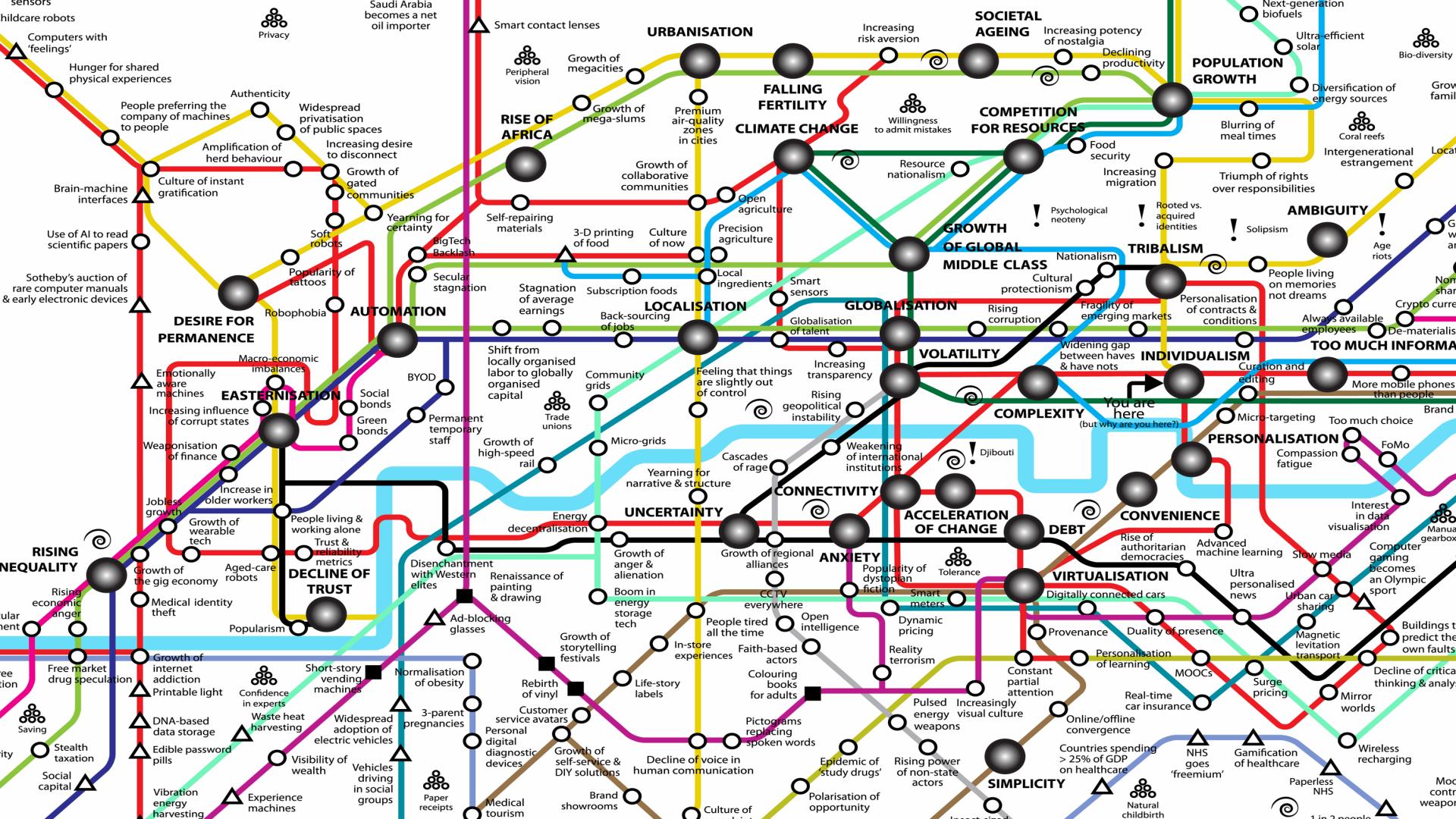
Overall view



Some driving forces

Realities of business today and tomorrow

- Increase in and application of technology (ICT)
- Liberalization of cross border trade and resource movements
- Increased global competition
- Changing political situations
- Expanded cross-national cooperation
- Cross-boundaries Collaboration (inside organizations)
- Sustainable development/Green Economy
- The move from consumers to prosumers- co-creators, citizen advocates



Conclusion

- Strategy is the direction and scope of an organisation over the long term. Strategic decisions are those which address this issue.
- Strategic decisions are made at multiple levels in an organisation
- Strategic position, strategic choices, and strategy in action are the major elements of strategic management

Case study in teams



Next session

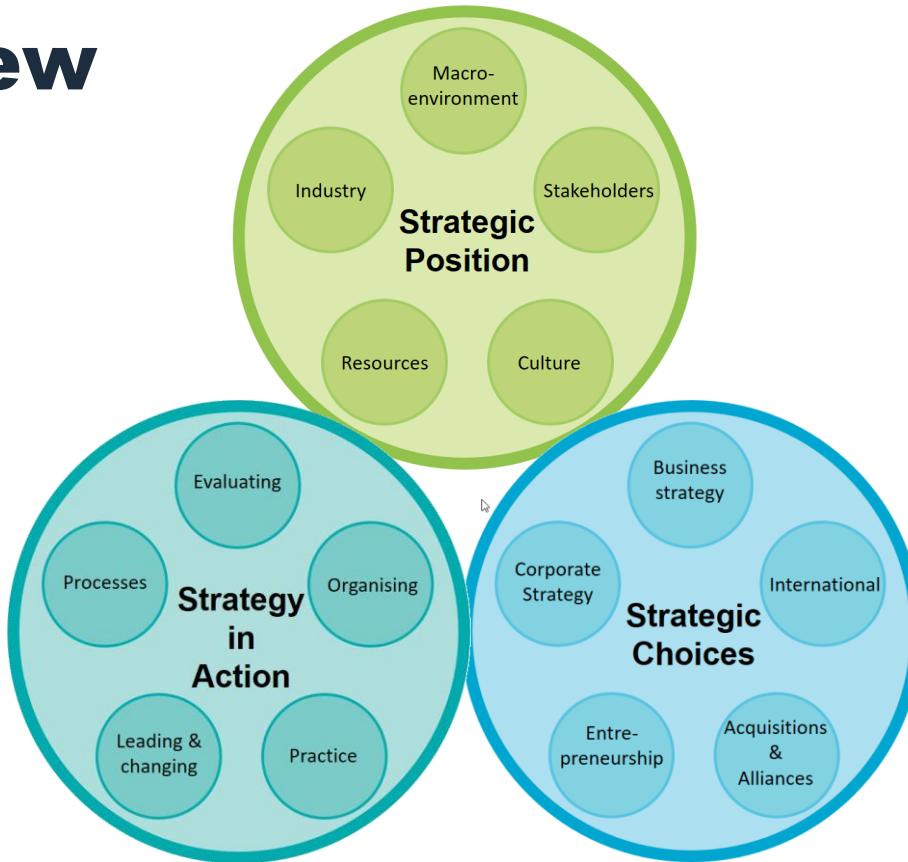
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12. Strategy as Practice	Ch 13 & Ch 15	Ch 1, Ch 10
13. Strategy Implementation	Ch 13 & Ch 15	Ch 9

STRATEGY

Session 2 : Macro-environmental Analysis



Overall view



Strategic Position

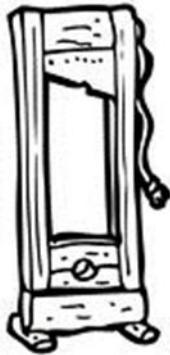
Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

To develop and manage a strategy companies need to analyze both the organization (internal) and the environment (external), i.e. all the external influences that affect the decisions and the performance of an organization.



Did the king see it coming ?



And the king said to the
prisoner

« You will be executed next week
between Monday and Friday and the
day of your execution will be a total
surprise ! »

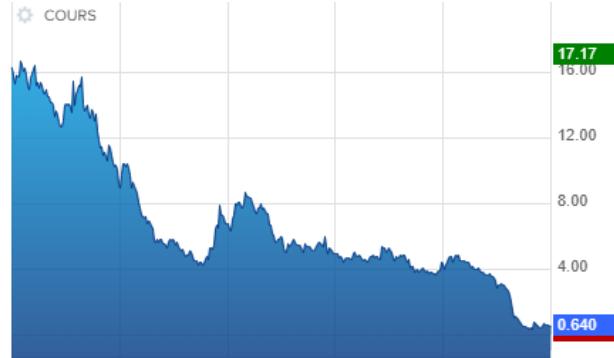
What about organisations ?

Did they see it coming ?



Toupargel

- Too dependent on a **sales model from the past**, teleprospecting by telephone, which still accounts for 88% of its orders, and long focused on the dying frozen food market (- 10% in three years, according to Kantar Worldpanel), the Toupargel group is going down.
- After **missing the Internet revolution**, the specialist in frozen food delivery finds itself in the ditch.
- 21,5 M€ loss in first semester 2019
- Toupargel was sold to Grand Frais



Surprise

- To what extent does your company anticipate an **increased level of business risk** in its markets and industries in the next two or three years ?



Academy of Competitive Intelligence (2002)

92% of companies say they were surprised in the previous 5 years

And yet.... they saw it coming

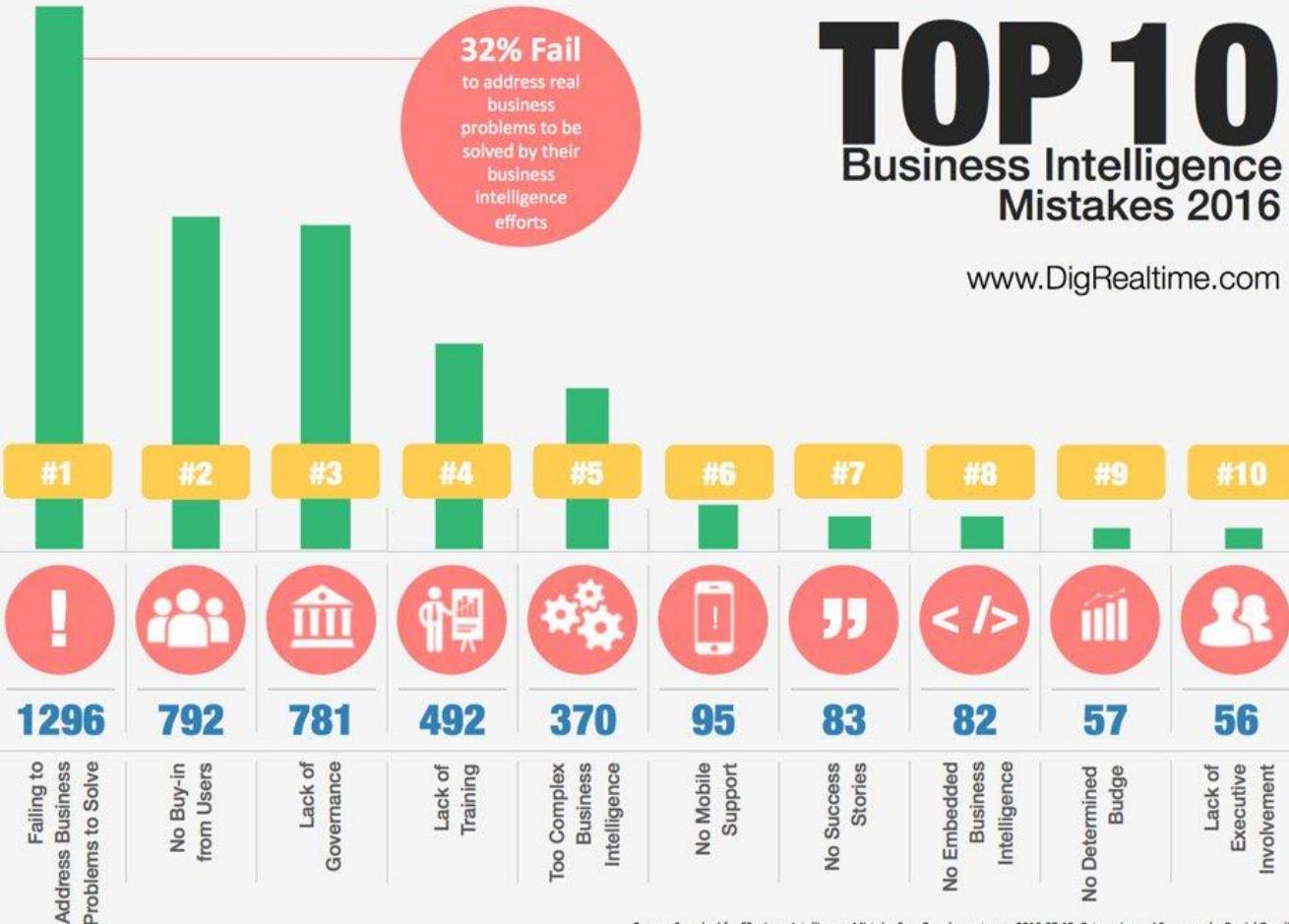
- To what extent does your company anticipate an **increased level of business risk** in its markets and industries in the next two or three years ?



- How many times would you say that your company was, in the past 5 years, surprised by events that had the potential for a significant impact on your long-term market position ?



Academy of Competitive Intelligence (2002)



Do companies see beyond their market?

Do companies see the « BIG PICTURE »?

External analysis

- **Identifies trends and future events**, opportunities and threats and strategic uncertainties;
 - Careful : **threat** awareness may come AFTER others have acted on an opportunity.
It is better to search for **opportunities** in “early signals”
- **Analyse the impacts** of these on organisations; and
- Ultimately suggests ways or strategies to cope with such impacts.

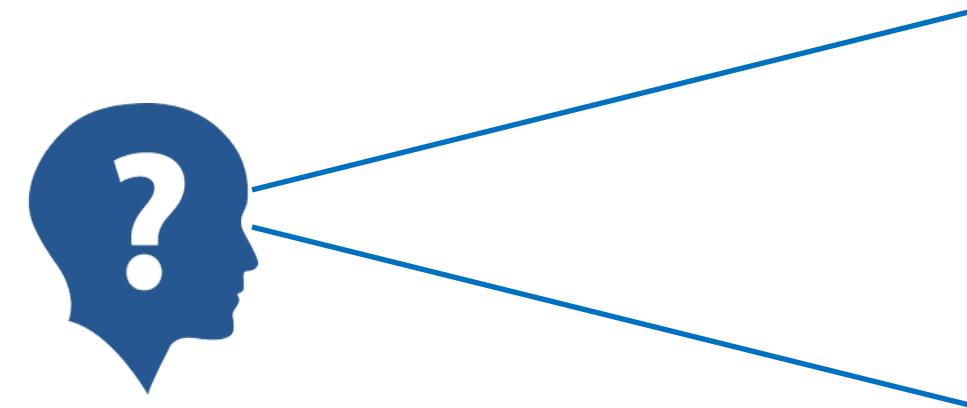
But how big should our scope of analysis be?

Ansoff's framework of Environmental Turbulence

	Stable	Reactive	Anticipatory	Exploring	Creative
Strategic Budget Intensity (%)	Low			→	High
Predictability	Most changes fully predictable			→	Frequent surprises
Frequency	Low			→	High
Response Time	Short			→	Long
Novelty (Does historic capability help?)	Capability Applies	Incremental adjustment	Incremental expansion	Novel combination of existing capabilities	Novel capabilities needed
Turbulence level (state of knowledge to respond)	Full Impact (7)	First Impact (6)	Outcome estimated (5)	Response (4) or impact determined (3)	Source identified (2) or sense of turbulence (1)
Applicable Forecasting Methods	Use of precedents	Management control	Extrapolation	Threat opportunity analysis or weak signal detection	Weak signal detection

Scope

For less turbulent environments, this may be OK

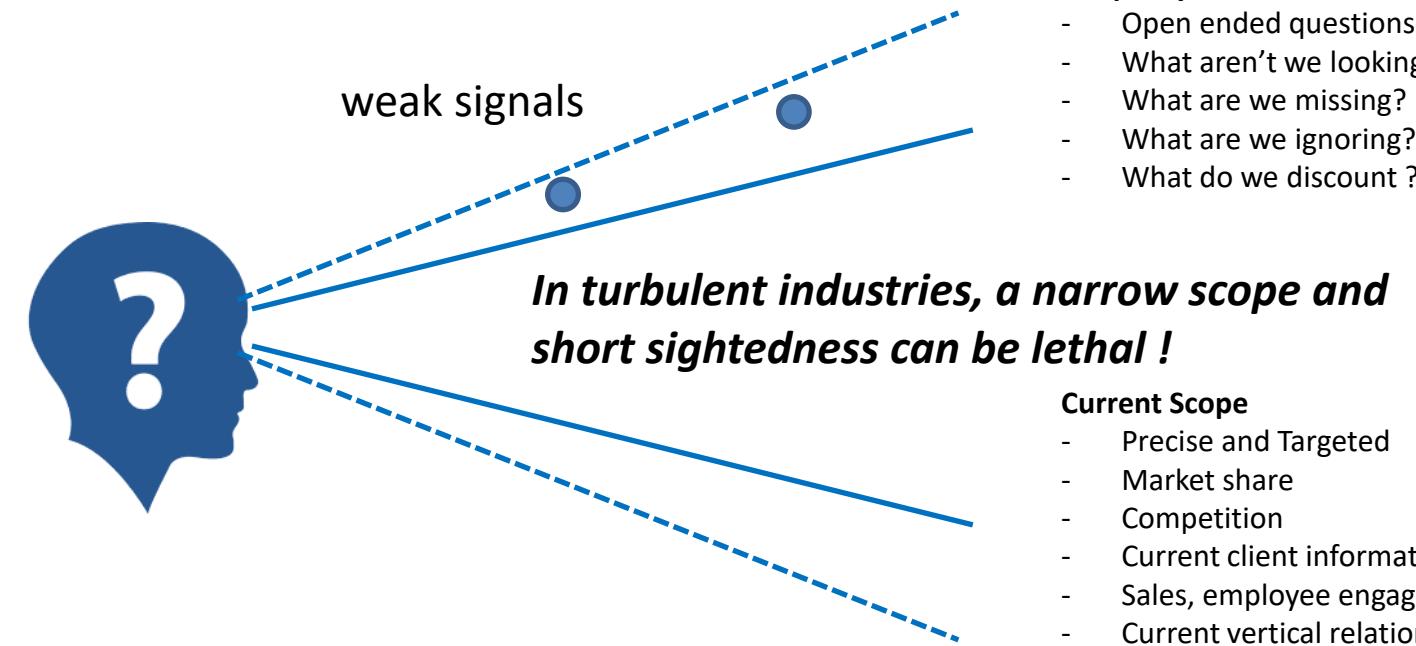


Current Scope

- Precise and Targeted
- Market share
- Competition
- Current client information
- Sales, employee engagement
- Current vertical relations

**NEAT
ORDERED
STRUCTURED
OBJECTIVE
FACT BASED
CONFIRMED
VALID**

Scope



Periphery

- Open ended questions
- What aren't we looking at?
- What are we missing?
- What are we ignoring?
- What do we discount ?

UNORDERED
UNSTRUCTURED
AMBIGUOUS
REQUIRES TOLERANCE
DELAYED JUDGEMENT
SUBJECTIVE
NOT CONFIRMED

Current Scope

- Precise and Targeted
- Market share
- Competition
- Current client information
- Sales, employee engagement
- Current vertical relations

NEAT
ORDERED
STRUCTURED
OBJECTIVE
FACT BASED
CONFIRMED
VALID

Warning !

Seeing threats and opportunities means nothing if you don't ACT on the information.

In a VUCA world, organisational agility is critical.



Vulnerable vs. Vigilant

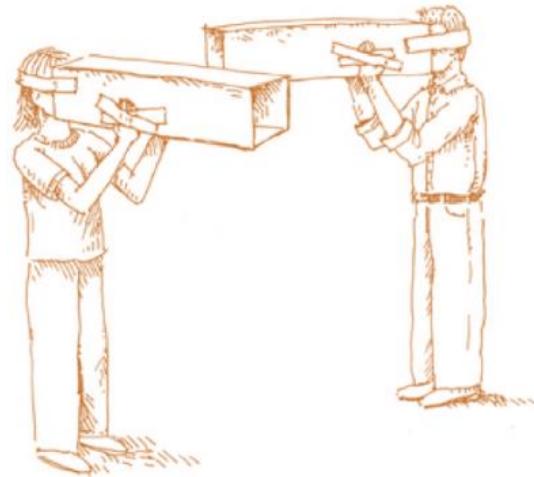
Organisational change is critical

	Vulnerable	Vigilant
Leadership	Narrow focus on current performance and competition	Focused on periphery <u>and</u> core
Strategy making	Rigid, static investments	Inquisitive, options oriented
Knowledge sharing	Focus on tracking pre-selected business data	Focus on gathering and sharing weak signals
Organization	Configured to look in	Configured to look out
Culture	Rigid and conformist (prone to « strategic drift »)	Flexible and curious

Day & Schoemaker, Peripheral Vision

Curiosity

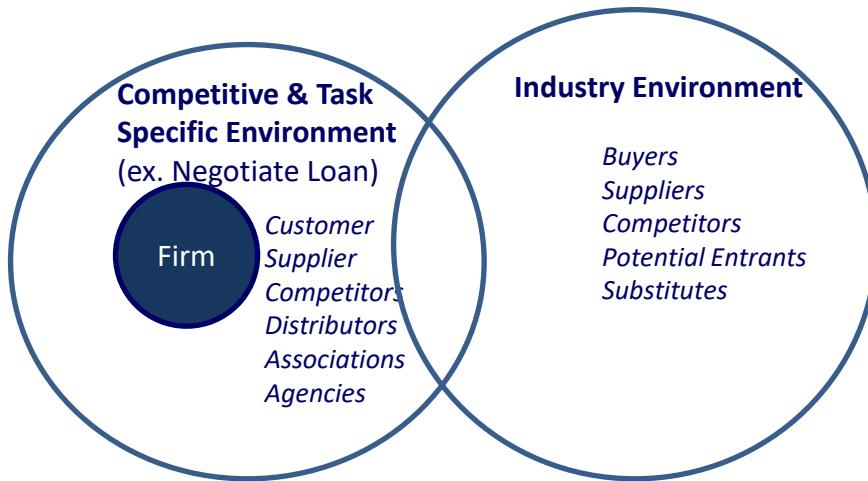
- 92% of employees surveyed credited curious people with bringing new ideas into teams and organizations and viewed curiosity as a catalyst for job satisfaction, motivation, innovation and high performance.
- **70%** said they **face barriers to asking more questions** at work
- Measures of curiosity **decline 20% 6 months after starting a new job.**



Levels of Environment

Macro Environment (Political Economy)

Relevant Environment (SCOPE defined here)



How should we analyse this large space?

- Research shows that we don't see many things – **we see what we want to see !**
- Our past, our business success, our individual cognitive biases, cognitive dissonance and many other things get in the way of **seeing the « non obvious »**
- We have numerous filters that blind us from seeing things.
- If we understand our own filters, we can start to manage them.

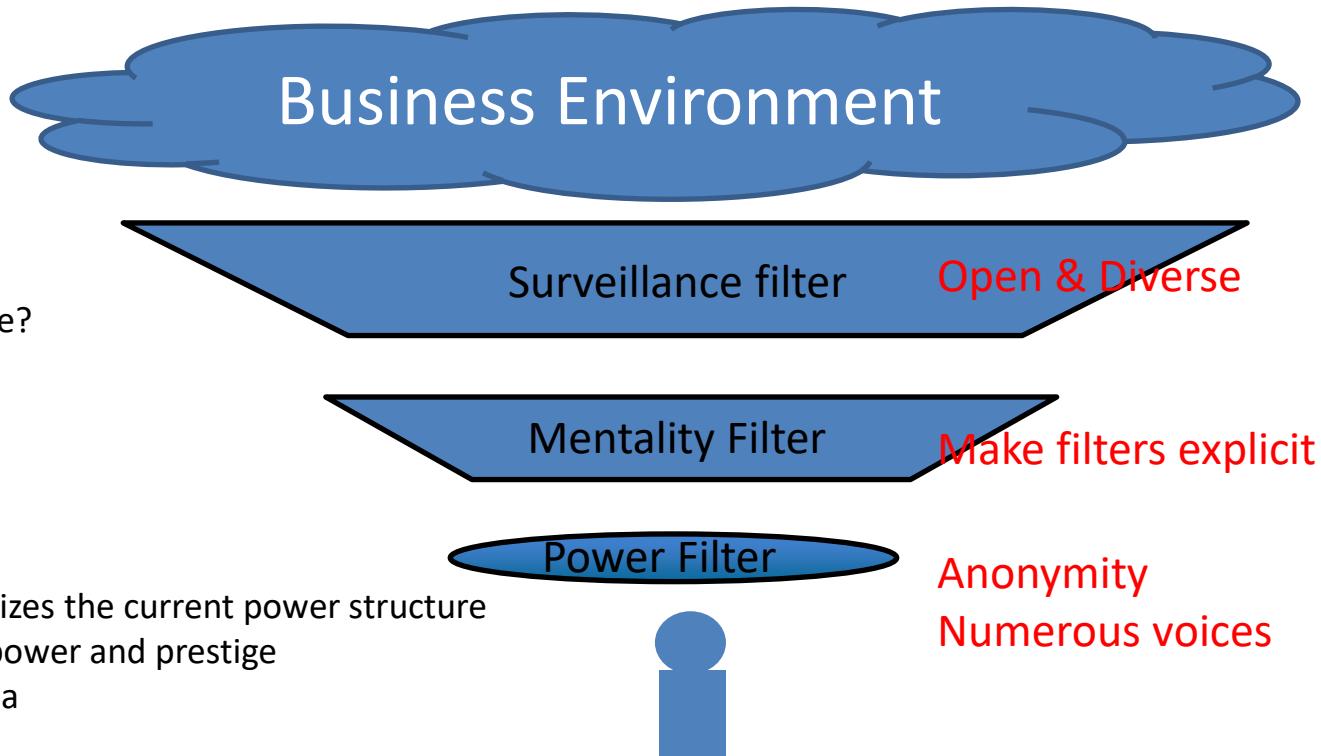
Be focused and flexible

<https://youtu.be/vJG698U2Mvo>

Filters to overcome

Igor Ansoff

- Where do we look?
 - **What do we look at?**
 - Sensemaking based on our collective past.
 - Where were we surprised before?
 - **Danger of « market » focus**
 - Reduce to a manageable size
 - **What is valueable ?**
 - Based on experience
-
- Neglect information that destabilizes the current power structure
 - Information may upset existing power and prestige
 - Example : Space Shuttle Columbia



Directed viewing is required (where)

Push minds away from what we want to see

- Force us to look at something from **multiple perspectives**
 - Positive/negative (ex. Lateral technique called PMI, 6 hats)
 - Short term/long term (ex. Consequence and Sequel)
 - PESTEL 6-factors approach
 - Political
 - Economic
 - Social
 - Technological
 - Ecological
 - Legal
- Market & nonmarket factors*
- 1. *Predict/forecast critical issues*
 - 2. *Detect threats and opportunities*
 - 3. *Test robustness of strategy using scenario planning*

Inside and outside experts (360°)

German construction industry

- **Internal experts** found by looking at value chain and org chart
- **External experts** (unions, suppliers, trade associations) also identified
- Asked to name important factors that would be expected to influence the company for the next five years
- 309 factors condensed to 42
- Assessed the impact and uncertainty levels (Wilson grid)

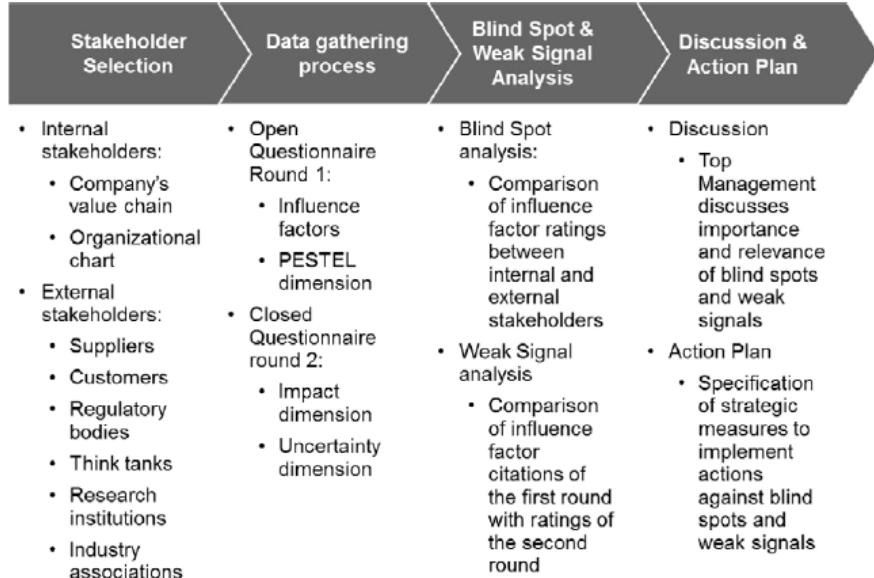


Fig. 1. Four-step process of the 360° Stakeholder Feedback.

Quantifying blind spots and weak signals in executive judgment: A structured integration of expert judgment into the scenario development process, Philip Meissner, Christian Brands, Torsten Wulf; International Journal of Forecasting 33 (2017) 244–253

The questionnaire Round 1

Scenario Planning for the German construction industry

1. Please name important POLITICAL FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

2. Please name important ECONOMIC FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

3. Please name important SOCIETAL FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

4. Please name important TECHNOLOGICAL FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

5. Please name important ECOLOGICAL FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

6. Please name important LEGAL FACTORS that will have crucial influence on the German construction industry within the next 5 years and think of indicators to measure the factors:

Influence factors	Indicators

What are important influence factors?

What are indicators to follow?

The Round 2 questionnaire

Scenario Planning for the German construction industry

Please rate the following factors from 1 (low/weak) to 10 (high/strong).

	IMPACT	UNCERTAINTY
POLITICAL FACTORS		
Prohibition of certain materials (e.g. Aluminum, PVC-U etc.)		
Development of public tender processes in surface construction projects		
Development of public investments in infrastructure projects		
Development of Private Public Partnerships (PPPs)		
State actions to increase the renovation rate of existing buildings		
Development of Germany's energy policy		
Regulation limiting glass areas of new surface construction projects		
Implementation of the European Energy Efficiency Buildings Act in all EU member states		
Development of climate rules for new buildings		
Further opening of the European job market for foreign workers		
Introduction of a housing tax for existing non-isolated buildings		
Introduction of a cap on rent increases		
ECONOMICAL FACTORS		
GDP development in Germany		
Development of raw material prices for building materials		
Development of competition in surface construction from Asia		
Development of demand for commercial properties		
Development of the ongoing consolidation of the German surface construction industry		
Development of rental prices in Germany		
Development of purchasing power of private German households		
Increasing investments in material assets		
SOCIAL FACTORS		
Development of ecological conscience in surface construction projects		
Development of urbanization		
Development of the German population		
Development of the trend towards renovation rather than building new		
Development of the number of individuals per household in Germany		
Development of individual expectations towards design and architecture		
Construction projects being performed by a general contractor without the influence of externals		
Development of security requirements of the German society in general		
Development of the lack of skilled workers in Germany		
TECHNOLOGICAL FACTORS		
Software developments for planning and simulating surface construction projects		
Development of new materials and processes for surface construction projects		
Development of intelligent building technology		
Usage of pre-build construction parts in surface construction projects		
Development of automation in surface construction projects		
ECOLOGICAL FACTORS		
Importance of ecologically-friendly surface construction		
Development of existing construction zones in Germany		
Usage of ecologically-friendly building materials and their labelling		
Development of energy savings through more efficient construction machines		
Development of climate change and its impact on surface construction in general		
LEGAL FACTORS		
Development of construction laws towards tighter ecological standards		
Development of warranty regulations for construction products		
Development of tax-savings achieved through surface construction projects		

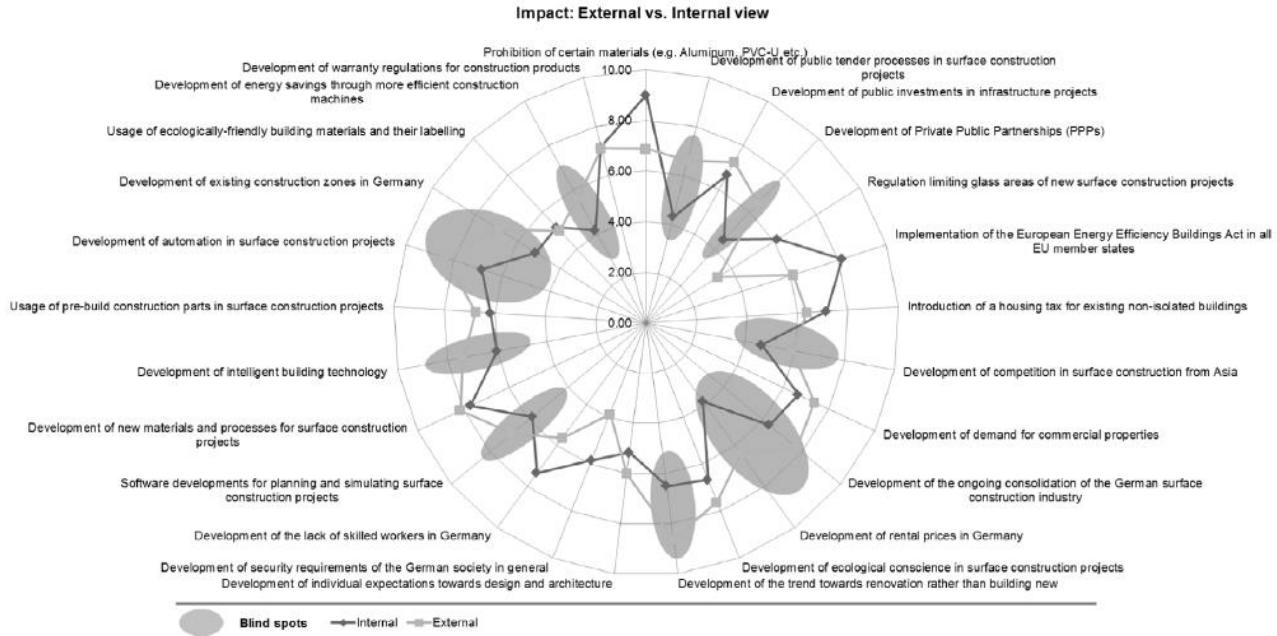
Rate the factors

- Uncertainty
- Impact

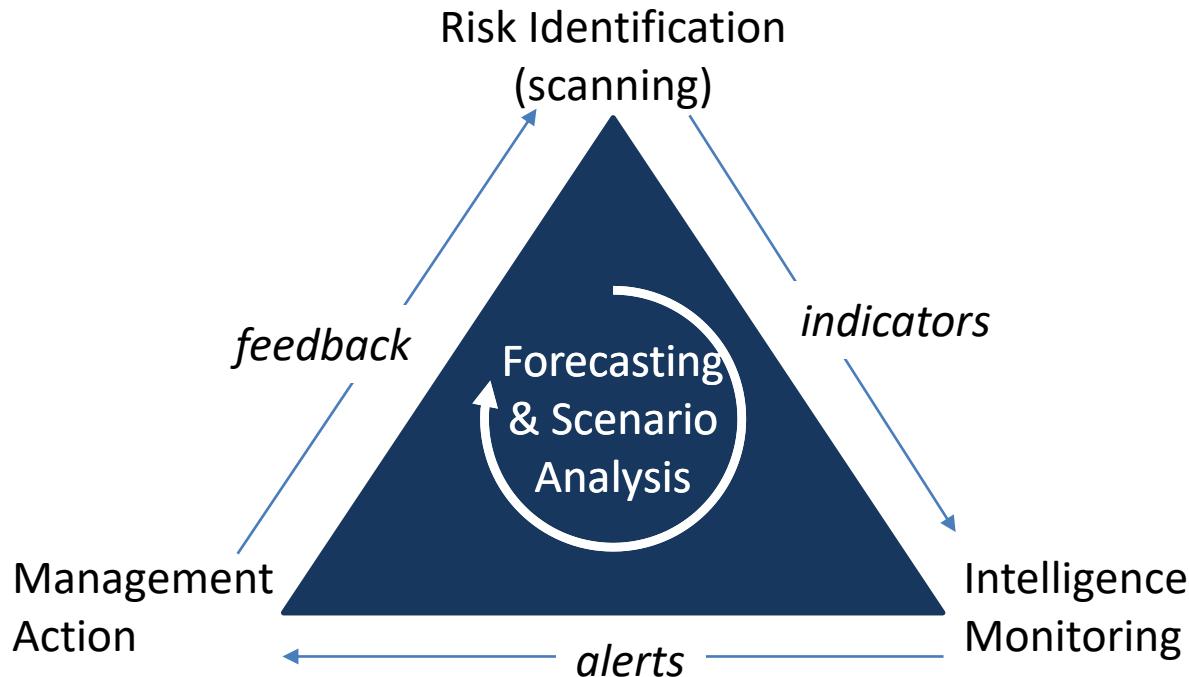
Internal and external vision

Blindspots

In addition, 2 items were only mentioned by less than 3 people and had high impact/uncertainty ratings – *weak signals*



Scanning vs Monitoring



But what are we looking for ?

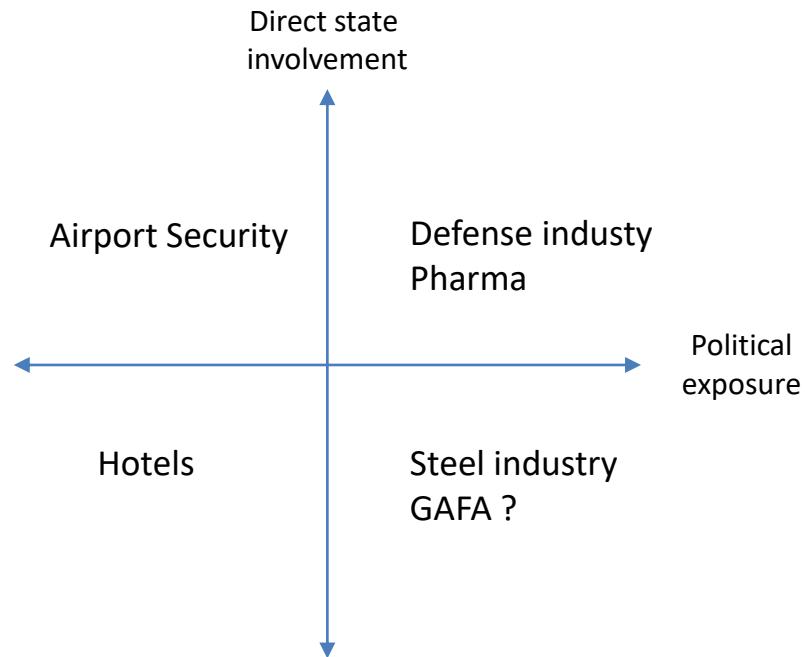
Or looking at (monitoring)

- **Key drivers and underlying forces**
- **Megatrends** - large scale movements that are slow to form but which have significant impact and are interdependent across PESTEL factors.
- **Weak signals** – advanced signals of future events. Outliers. Noise. Potential detection of serious « gamechanging » events
- **Uncertainties** – no apparent trend is clear
- **Trends & patterns** – clear trends and movements of variables or clusters
- **Inflexion points** – when trends shift direction
- **Tipping points** – rapid and dramatic change in behavior/ wide adoption
- **Confirm constants** – identification (following is less important)

Political factors

How important is this for you ?

- To what degree is the **state** directly involved as an actor in the sector?
 - Nationalised industries (state as owner)?
 - A key buyer?
 - A key supplier?
 - A shareholder?
 - A regulator?
- To what degree are civil society organisations involved?
 - Lobby groups
 - Unions
 - Activists
 - Interest groups



Political factors

How important is this for you ?

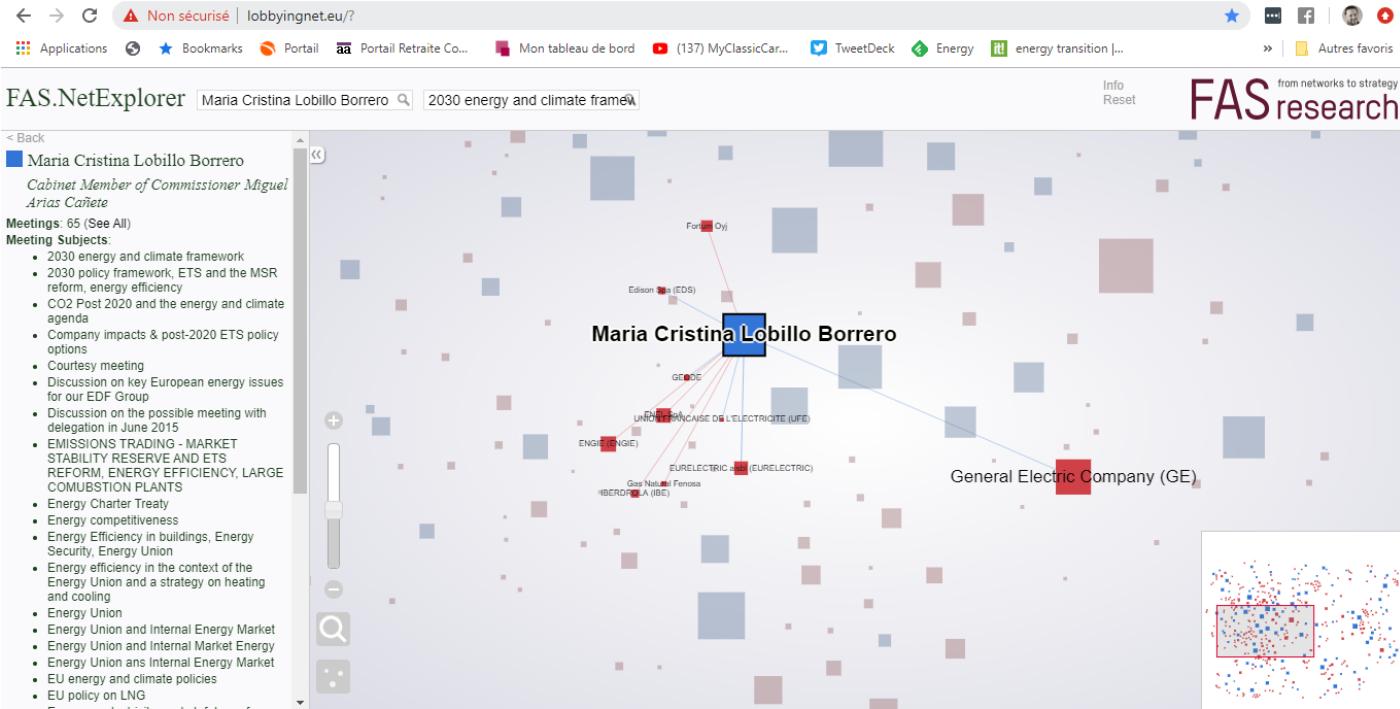
- Country level political risks (ex. COFACE)
- Industry/market or company level political risks (protection of infant industries or « strategic » sectors)
- **Internal market risks** – change of government position inside a country and its impact on local companies (ex. Change of president)
- **External risks** – changes in another country and its impact on our businesses (ex. Brexit, trade barriers)



Political factors

- Policies (multilevel)
 - taxation changes and foreign trade regulations,
 - carbon taxes / subsidies
 - political risk in foreign markets
 - policy level coherence and responsibility (city, country, ..)
 - support and investment in infrastructure/activities
 - utility rules and regulations
 - legitimating behaviors
 - political party alignment and influence
 - elections
 - policy processes changes and influence group/lobbies

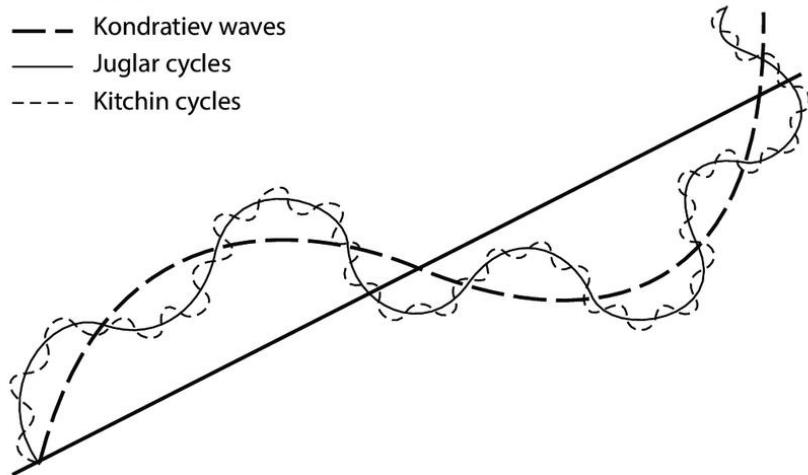
Political Lobbies



Economic

- GDP and its components
- Personal disposable income
- Consumption patterns (discretionary spending – can it be delayed?)
- Types of sales (online, offline, etc.)
- New orders, new equipment
- Financial markets
- VC financing, Market financing, loans, interest rates
- Productivity
- Inflation, exchange rates
- Monetary and fiscal policies
- Unemployment (structural, cyclical, frictional)
- Skills to advance in markets
- Job creation
- ...

— trend
— Kondratiev waves
— Juglar cycles
--- Kitchin cycles



Typical sources

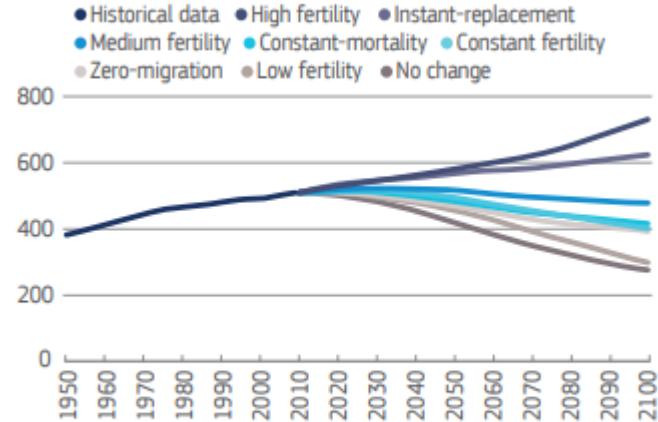
- Eurostat
- CIA worldfactbook
- INSEE
- OECD (<https://data.oecd.org/>)
- ECB (data warehouse : <http://sdw.ecb.europa.eu/>)
- Google Open Data <https://www.google.com/publicdata/directory>

Social

Demographics

- Population size and density
- Age structure
- Birth and death rates
- Geographical dispersion (urbanization, city concentration) and variance
- Income levels
- Household and « family » structure
- Poverty
- Health and quality of life
- Educational attainment
- Migratory flows

Historical and projected EU-28 population



Note: The figure shows past (1950–2010) and projected (2010–2100) total EU-28 population.

Source: European Environment Agency, 2015

Social

Lifestyles

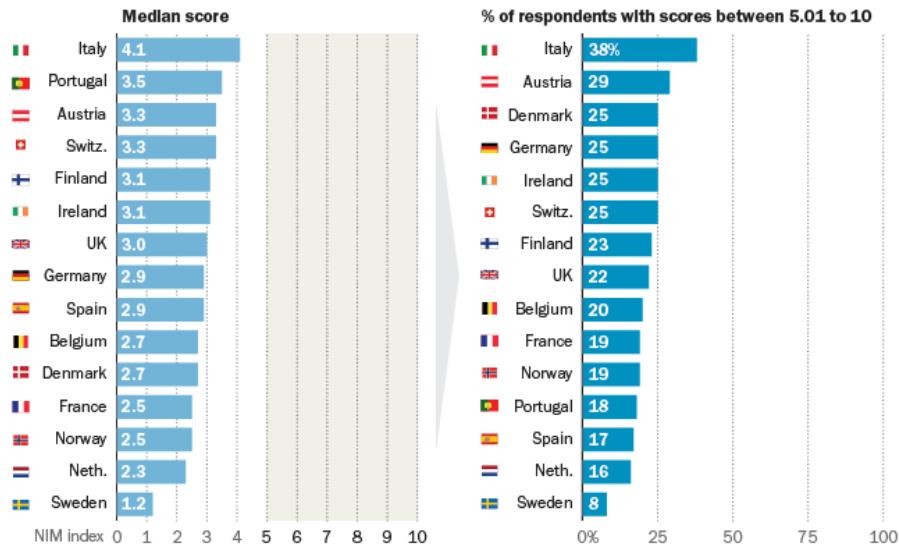
- New ways of living (co-living, « family », single,)
- Ways of working and learning
- Where and how we work and how we get to work
- Millenials, boomers, etc.
- Healthy lifestyle and well being
- How and what we consume
- Recycling, Waste
- Durable vs non-durable goods consumption
- Sharing society
- Services
- Buy or use service ?
- Consumer and producer
- Leisure time, Sports, Travel



Social Values

- Political values (greening?)
- Regulated society?
- Social orientation
- Value redistribution
- Future generations
- « Newer » values & « Older values »
- Values across countries and populations
- Ecology and ecological impact
- Stewardship
- Social responsibility
- Nationalism/populism
- Religion

Swedes score lowest on scale of nationalist, anti-immigrant, anti-religious minority attitudes (NIM); Italians the highest



Note: The NIM score combines answers to 22 individual questions measuring nationalist sentiment, anti-immigration attitudes and anti-religious minority sentiment.

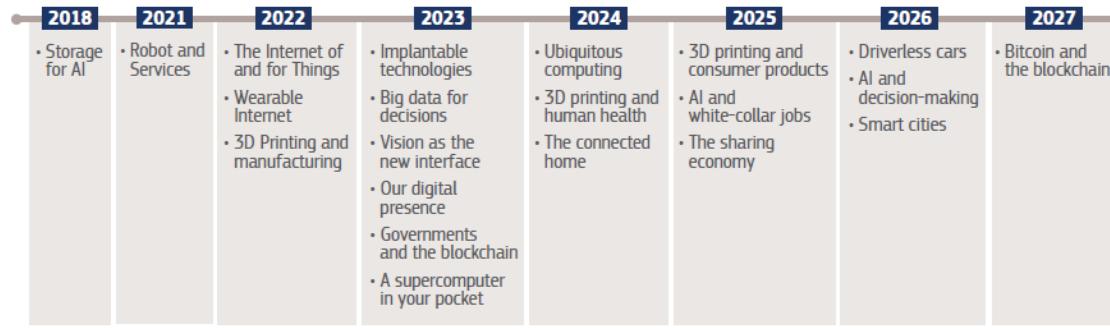
Source: Survey conducted April-August 2017 in 15 countries in Western Europe.
“Being Christian in Western Europe”

PEW RESEARCH CENTER

Technology

- R&D activities
- Patents
- Emerging technologies
- Technology roadmaps
- 5G
- AI
- Self driving cars
- blockchain

Technology tipping points



Note: Average year in which each tipping point is expected to occur according to a survey conducted to more than 800 ICT executives and experts

Source: World Economic Forum, 2015

Ecological

- Pollution and ecology laws
- Ecology values
- Product stewardship
- Sustainable development
- CSR

Legal

- Local, national and international laws
- Product regulations
- Labor laws
- Business law, antitrust/anticollusion
- Patent law
- Import/export and trade law
- Health and safety laws
- Consumer protection

TOOLS

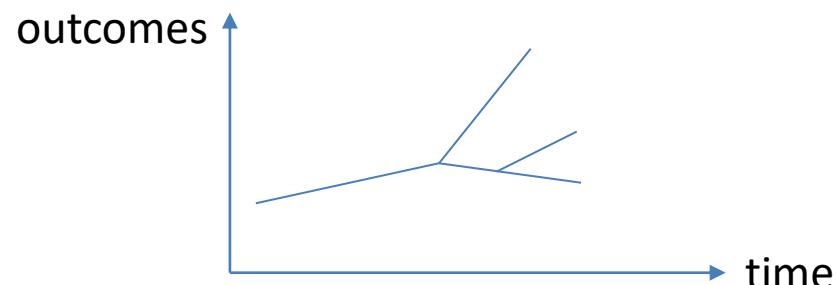
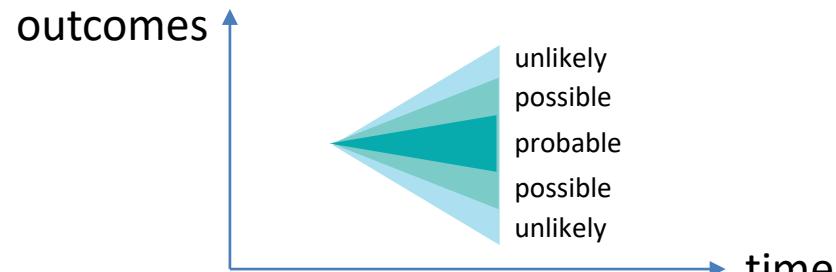
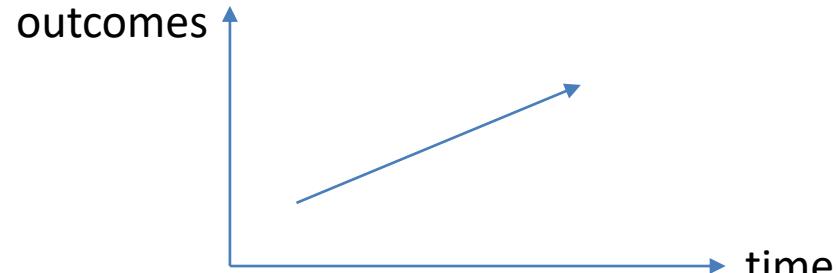
Some basic (free) tools

- Online sources (key trends and mega trends)
 - WEF strategic intelligence
 - www.nowandnext.com
 - ESPAS (European Strategy and Policy Analysis System)
<https://espas.secure.europarl.europa.eu/orbis/>
 - Economic data (Eurostat, World Bank, UN, OECD, ..)
- Free Tools
 - Advanced search engines (Google), non-biased search (duckduckgo) and TOR
 - Twitter and Twitonomy
 - Google alerts, Pagemonitor, Feedreaders (innoreader, netvibes), Newsletters
 - Scoop.it, Diigo to organize
 - Buffer to share
- Paid tools like Digimind

SCENARIOS

Forecasting

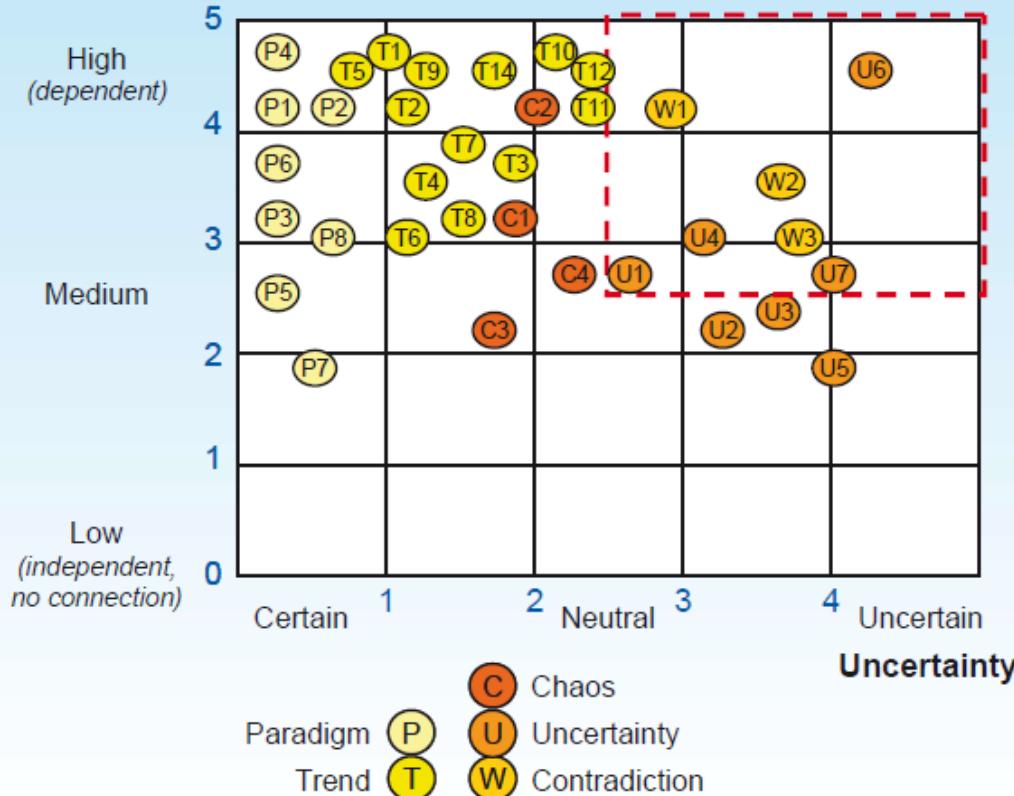
- **Single point**
(easy to forecast items)
(ex. population)
(low uncertainty)
- **Range forecasting**
(ex. economic cycle inflection)
- **Alternate futures**
(prospective analysis)
(high uncertainty) (after Brexit?)



Scenarios

Impact assessment

Impact on the Development of Television



Scenarios

Morphological analysis

Zwicky box used to analyse potential highly uncertain (and high impact) events.

	W1	W2	W3	U1	U4	U6	U7	Scenario
a	Complex technologies overburden and alienate TV consumers.	On the model of Wiki platforms, open-source TV will see a breakthrough.	Technological overload leads to rejection on the part of TV viewers. Media landscape variety is increasing.	IPTV offers a large variety of services that users are already familiar with (e.g. movies for downloading).	Television viewing is liberated from the constraints of the established program schemes.	Television develops increasingly into a secondary medium.	Internet and television square off in a battle for user attention.	Quo vadis, TV?
b	Users are looking for user-friendly means of operation in the high-tech world.	Triple Play (bundling of TV, cell phone and Internet) enables parallel media use.	Television reception is becoming more flexible (omnipresent television establishes itself).	IPTV enables interactive show formats (viewers can appear in programs).	New offers, business models and formats emerge. Newcomers from other industries enter the TV business.	Highly modern end devices offer users a cinema experience in their living rooms.	Traditional television still needs to establish itself as an interactive medium.	High performance TV
c	TV zapping and parallel watching increasingly establish themselves according to the new paradigm "experience more at the same time."	New household technologies as status symbols.	New formats, contents and distribution mechanisms enable new television experiences.	Viable business models for IPTV still have to be established.	The number of program offers for specific target groups is on the rise.	TV will soon become a channel of social networking; communities use TV to exchange information.	In terms of hours used, the Internet takes over the top spot among youths.	TV à la carte
d	Specialized programs are more important to users than means of transmission.	Digitalization leads to a tremendous increase in program and channel diversity.	The fragmentation of television use continues to increase.	IPTV offers greater variety and customized forms of use.	Consumers become "content creators" and can make content available.	All-round channels targeting mass audiences lose significance.	Television reinvents itself. New formats reach new audience groups.	Open TV

Steady Evolution

Renewable electricity generation maintains a steady pace of growth. This is due to steady improvements in the economy, and in the technologies which generate electricity. New household technologies help to make electricity consumers more energy aware. This increases energy efficiency in homes and businesses. Over time, electricity consumers gradually begin to make greater use of electric vehicles and heat pumps. This means that, over time, electricity powers a larger proportion of transportation and heating.



Onshore wind generation increases to approximately 5,200 MW by 2030



Ireland's 2030 emissions targets are met



New 700 MW interconnector to Europe is in place by 2025

Slow Change

The economy experiences very slow growth. Investment in new renewable generation is only in established, low risk technologies. Due to poor economic growth, new technologies that could increase the use of renewable generation at household and large scale levels are not adopted. Overall there is little change in the way electricity is generated when compared to today. Domestic consumers and commercial users are also avoiding risk and uncertainty. The only source of demand growth is the connection of new data centres but the level of investment slows down significantly after 2025.

Fossil fuel generation capacity remains over 5,000 MW by 2030



The total demand for electricity increases by 22% by 2030 compared to today



Ireland's 2030 emissions targets are missed

Low Carbon Living

The economy enjoys high economic growth. This encourages the creation and rollout of new technologies for low carbon electricity generation. There is strong public demand to reduce greenhouse gas emissions. In addition to high carbon prices and incentives for renewables, this creates a high level of renewable generation on the grid. This clean energy then combines with improvements to broadband and transport to drive growth in large data centres.



Coal generation is repowered to Gas and Peat generation is repowered to Biomass by 2025



The total demand for electricity increases by 53% by 2030 compared to today



Data Centre connections reach 1950 MVA in 2030 - most of these are based in Dublin

Consumer Action

A strong economy leads to high levels of consumer spending ability. The public want to reduce greenhouse gas emissions. Electricity consumers enthusiastically limit their energy use and generate their own energy. This results in a large number of community led energy projects and a rapid adoption of electric vehicles and heat pumps in the home.

There are almost 560,000 electric vehicles on the road by 2030



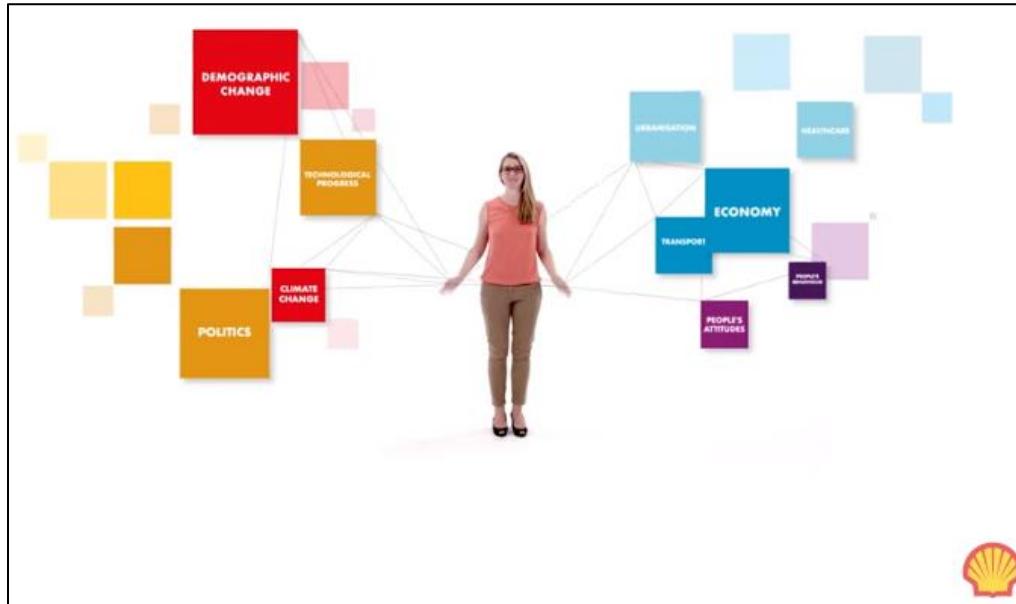
17% of residential houses are heated through heat pumps by 2030



Household batteries and Solar PV help to increase self-consumption of electricity

Shell scenarios

<https://youtu.be/nwub4Bhr-aM>



Case study : Cityscoot

	Case 4 - CitizenM	14/02/2020 22:52	Adobe Acrobat D...	414 Ko
	Case 5 - Groupon	15/02/2020 11:32	Document Micros...	17 Ko
	CitizenM Strategy Canvas Map	14/02/2020 22:57	Présentation Micr...	1 823 Ko
	Presentation Case Study Tesla	15/02/2020 11:15	Présentation Micr...	51 Ko
	Session 2 Cityscoot 10 items form	21/01/2020 14:46	Présentation Micr...	49 Ko
	Session 2 Cityscoot and the Strategic Ma...	30/01/2020 14:47	Document Micros...	137 Ko
	Session 3 - Industry Analysis Tables	09/02/2020 17:31	Présentation Micr...	1 837 Ko
	Session 5 - Groupon Vrio Grid	15/02/2020 11:36	Présentation Micr...	1 826 Ko

Next week we have 2 sessions back-to-back (Tuesday and Wednesday).

To be best prepared, I ask that you take time to do a few things.

- 2) For Tuesday, please read the Case on Cityscoot.
 - a) read the attached version in English. I have translated the text.
 - c) or watch the video in French about cityscoot here :
<https://www.youtube.com/watch?v=sIZhqHuTYts&feature=youtu.be>
 - d) or visit the web site of cityscoot : www.Cityscoot.eu

- 1) Read, listen (10 min)
- 2) Discuss and identify top 10 (10 min)
- 3) Analyse using a Lewin « T » force-field analysis (10 min)
- 4) Sharing of top items

Teams

Table 1

Sébastien CARDELLI
Lucie GUICHAOUA
Mohamed LABHAR
Geraldine RICHTER
Rodrigo mateus ZANATTO ROSA

Table 2

Hugo CHAMPIER
Baudry DE BRAY
Hyein KIM
Zhaoxiang LI
Younes NAIM

Table 3

Issa DIARRA
Mathis DIJOLS
Xinyi LIU
Ankitha SRINIVAS
Anis TOUAMI

Table 4

Sébastien FERTIER
Tanguy LE LEM
Jiaqi LIANG
Luis NOBOA CARDENAS
Aicha SYLLA

Table 5

Alain ALTABACHE
Paulina NICINSKA
Thomas RODRIGUEZ
Xiaohan ZHAO
Christa SCHWINKE

Table 6

Partha KONWAR
Séverine LEMAIRE
Pierre PAILLISSON
Pascal VOGEL
Ranxi YANG

Potential to influence laws and corner market

Early win. But opens market to comp.

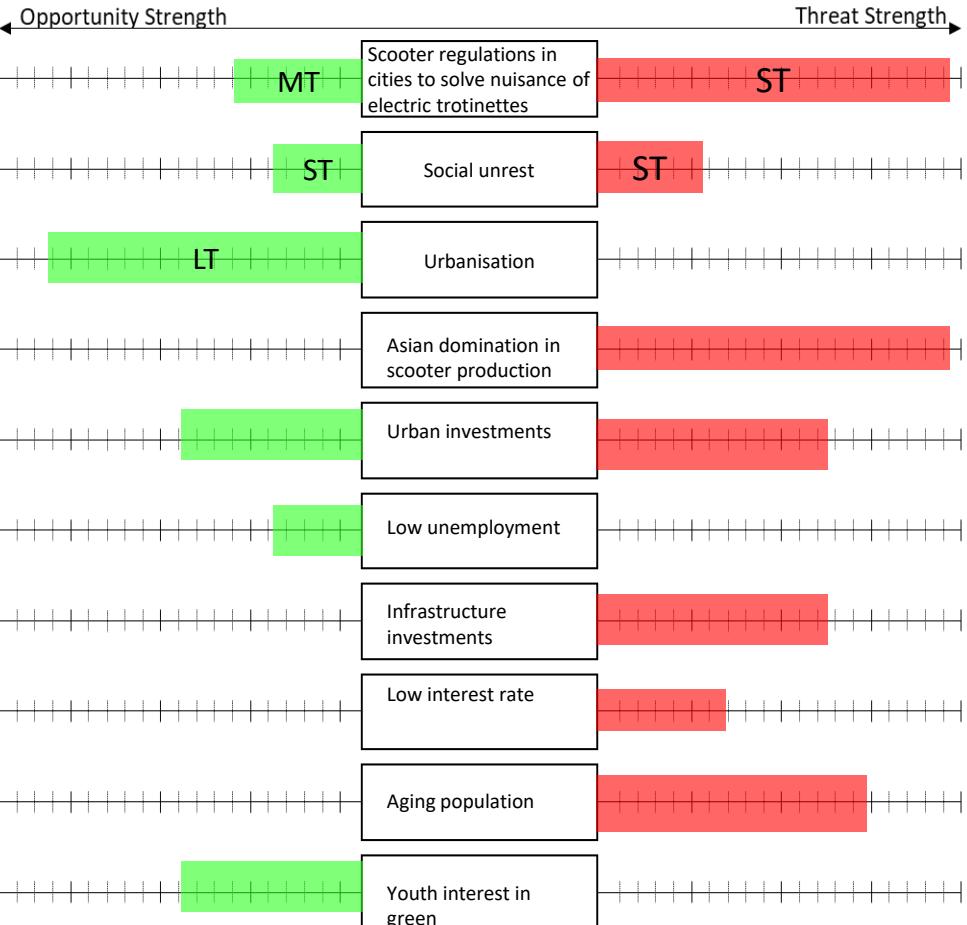
Buy/Rent decision impact. Low entry barrier.

There is no « right » answer.

It is important to understand uncertainties and analyze in both directions.

Key in PESTEL is « scope » of analysis and definition of uncertainty factors.

Buy/Rent decision impact. Low entry barrier.

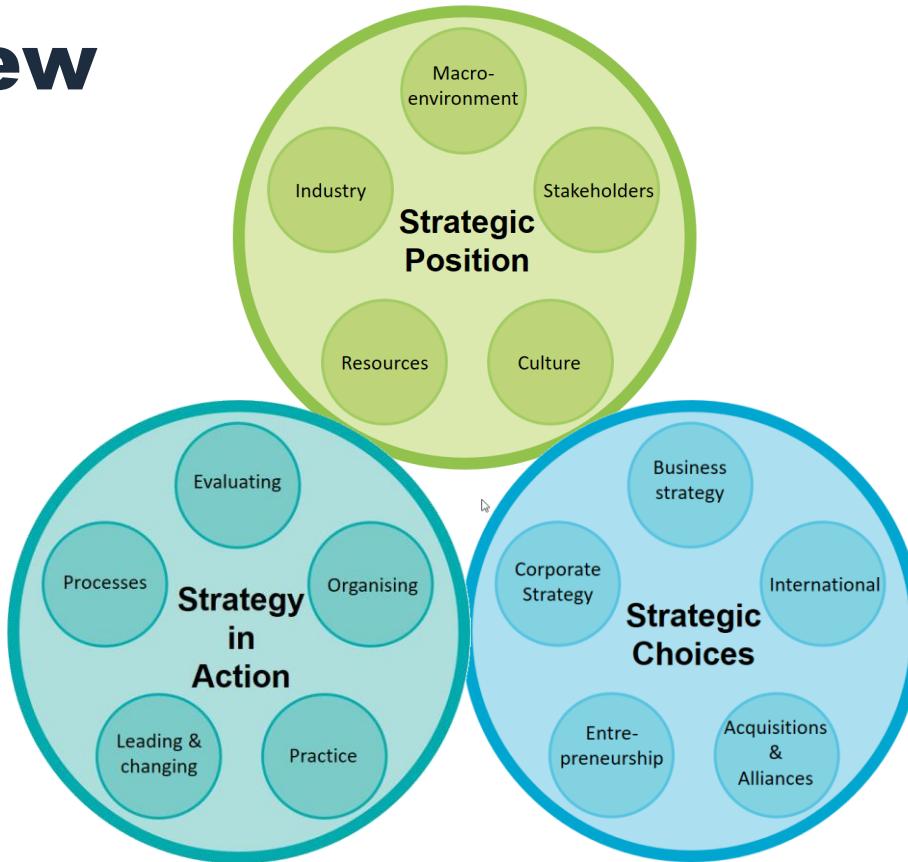


STRATEGY

Session 3 : Industry Analysis



Overall view



Strategic Position

Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

To develop and manage a strategy companies need to analyze both the organization (internal) and the environment (external), i.e. all the external influences that affect the decisions and the performance of an organization.

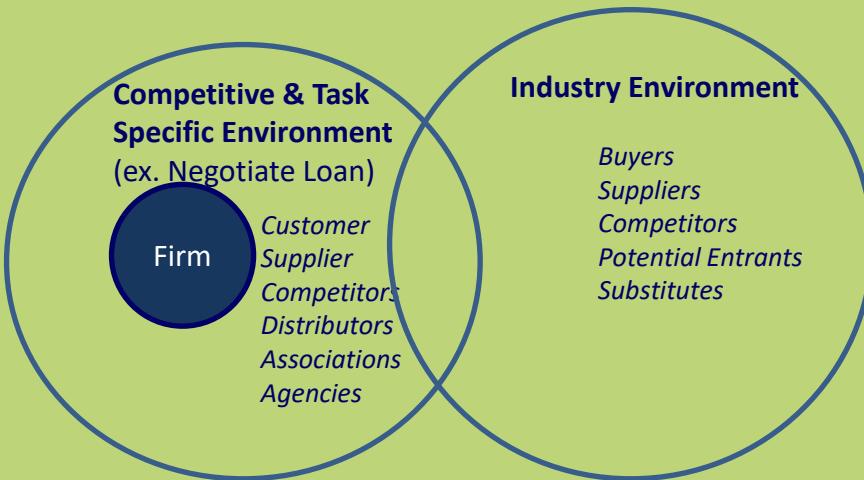


Levels of Environment

Macro Environment (Political Economy)

Relevant Environment (SCOPE defined here)

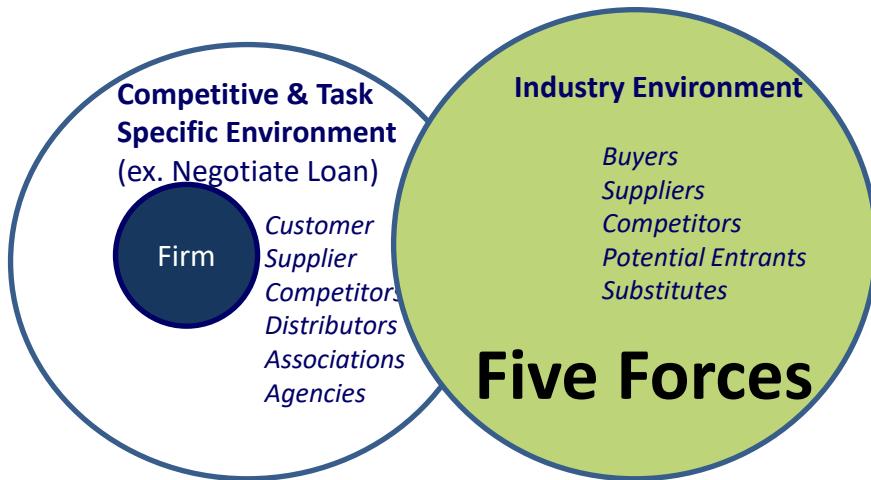
PESTEL



Levels of Environment

Macro Environment (Political Economy)

Relevant Environment (SCOPE defined here)



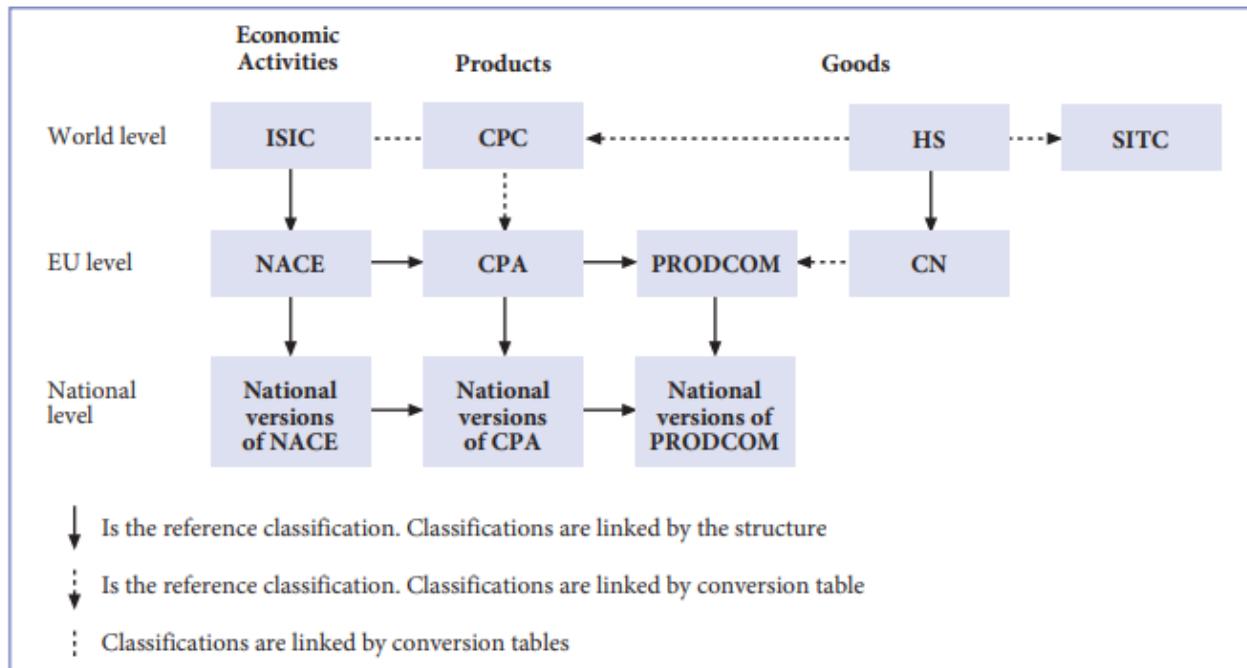
Some definitions

- Industry : a group of firms producing products and services that are essentially the same
- Sector : a group of organisations providing the same kind of service
- The boundaries of an industry consist of 2 dimensions
 - Scope of products and services
 - Geographical scope

Data

NACE : Nomenclature générale des Activités Economiques

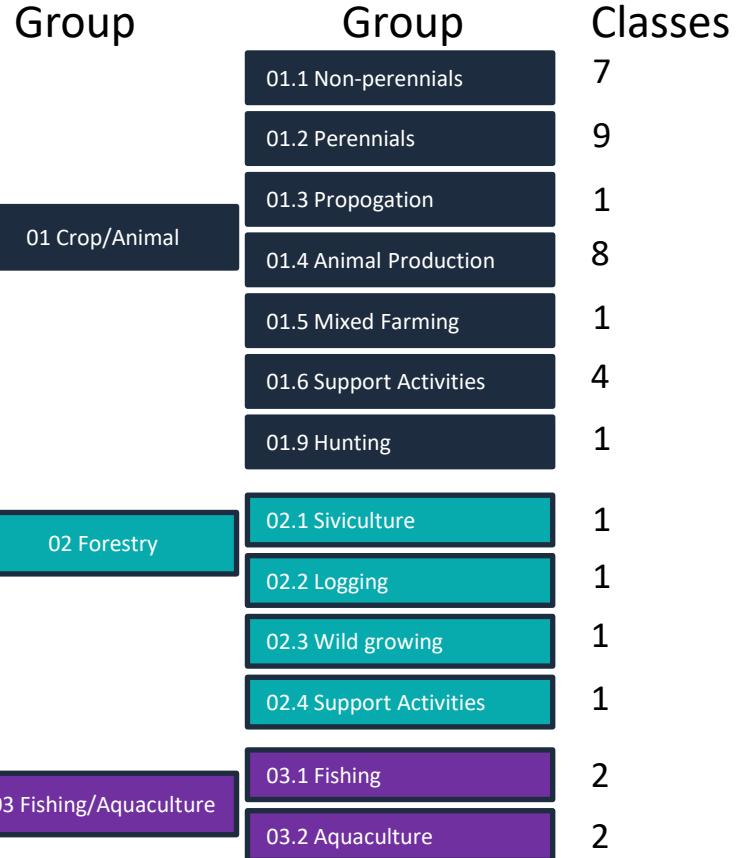
- ISIC : United Nations (Intl Standard Industrial Classification)
- In United States: SIC (Standard Industrial Clasification)



NACE V2.0

Section	Title	Divisions
A	Agriculture, forestry and fishing	01 – 03
B	Mining and quarrying	05 – 09
C	Manufacturing	10 – 33
D	Electricity, gas, steam and air conditioning supply	35
E	Water supply; sewerage, waste management and remediation activities	36 – 39
F	Construction	41 – 43
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	45 – 47
H	Transportation and storage	49 – 53
I	Accommodation and food service activities	55 – 56
J	Information and communication	58 – 63
K	Financial and insurance activities	64 – 66
L	Real estate activities	68
M	Professional, scientific and technical activities	69 – 75
N	Administrative and support service activities	77 – 82
O	Public administration and defence; compulsory social security	84
P	Education	85
Q	Human health and social work activities	86 – 88
R	Arts, entertainment and recreation	90 – 93
S	Other service activities	94 – 96
T	Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	97 – 98
U	Activities of extraterritorial organisations and bodies	99

Group



NACE 2.0

Section G – Wholesale and retail trade; repair of motor vehicles and motorcycles

This section includes wholesale and retail sale (i.e. sale without transformation) of any type of goods, and rendering services incidental to the sale of merchandise. Wholesaling and retailing are the final steps in the distribution of merchandise. Also included in this section are the repair of motor vehicles and motorcycles.

47 Retail trade, except of motor vehicles and motorcycles

This division includes the resale (sale without transformation) of new and used goods mainly to the general public for personal or household consumption or utilisation, by shops, department stores, stalls, mail-order houses, door-to-door sales persons, hawkers, consumer cooperatives etc.

Retail trade is classified first by type of sale outlet (retail trade in stores: groups 47.1 to 47.7; retail trade not in stores: groups 47.8 and 47.9). Retail trade in stores includes the retail sale of used goods (class 47.79). For retail sale in stores, there exists a further distinction between specialised retail sale (groups 47.2 to 47.7) and non-specialised retail sale (group 47.1). The above groups are further subdivided by the range of products sold. Sale not via stores is subdivided according to the forms of trade, such as retail sale via stalls and markets (group 47.8) and other non-store retail sale, e.g. mail order, door-to-door, by vending machines etc. (group 47.9).

47.7 Retail sale of other goods in specialised stores

This group includes the sale in specialised stores carrying a particular line of products not included in other parts of the classification, such as clothing, footwear and leather articles, pharmaceutical and medical goods, watches, souvenirs, cleaning materials, weapons, flowers and pets and others. Also included is the retail sale of used goods in specialised stores.

47.71 Retail sale of clothing in specialised stores

This class includes:

- retail sale of articles of clothing
- retail sale of articles of fur
- retail sale of clothing accessories such as gloves, ties, braces etc.

This class excludes:

- retail sale of textiles, see 47.51

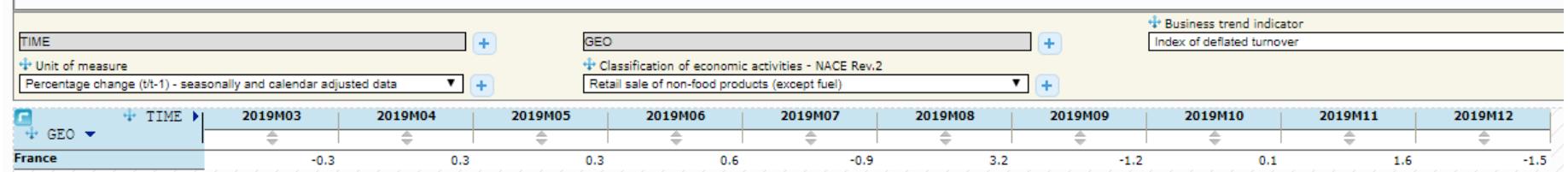
Eurostat to collect data

 Explanatory texts (metadata)  Information  Download  Preview  Bookmark  Print

Retail trade - monthly data - growth rates (NACE Rev. 2)

Last update: 07-02-2020

Table Customization [show](#) -



Why collect data ?

- Benchmark
- Industry Analysis
 - A/S ratios
 - Degree of concentration

Schonfeld & Associates, Inc.

2018 Advertising-to-Sales Ratios

Industry Name	SIC Code	Ad as % Sales	Ad as % Margin	Annual ad growth %
ABRASIVE,ASBESTOS,MISC MINRL	3290	16.6	52.3	12.6
ACCIDENT & HEALTH INSURANCE	6321	1.0	4.9	1.1
ACCOUNT,AUDIT,BOOKKEEP SVCS	8721	1.1	2.0	-2.2
ADVERTISING	7310	2.4	4.5	2.5
AGRICULTURAL CHEMICALS	2870	4.9	13.6	-9.9
AGRICULTURE PRODUCTION-CROPS	100	0.4	1.0	-7.3
AIR COURIER SERVICES	4513	0.7	2.2	5.0
AIR TRANSPORT, SCHEDULED	4512	0.7	2.7	4.5
AIR-COND,HEATING,REFRIG EQ	3585	0.8	2.1	-1.0
AMUSEMENT & RECREATION SVCS	7900	4.1	15.9	6.2
AMUSEMENT PARKS	7996	6.2	13.3	1.3
APPAREL & OTHER FINISHED PDS	2300	4.7	9.3	7.3
APPAREL AND ACCESSORY STORES	5600	3.0	7.7	2.3
AUTO AND HOME SUPPLY STORES	5531	1.0	2.0	1.0
AUTO DEALERS, GAS STATIONS	5500	0.7	4.5	6.0
AUTO RENT & LEASE,NO DRIVERS	7510	1.3	3.2	-5.7
BAKERY PRODUCTS	2050	0.8	2.4	0.0
BEVERAGES	2080	3.8	6.6	1.4
BIOLOGICAL PDS,EX DIAGNSTICS	2836	2.2	3.1	12.5
BLANKBOOKS,BINDERS,BOOKBIND	2780	4.5	8.6	-2.5

Basic Industry Types

	Perfect Competition	Monopoly	Oligopoly	Monopolistic Competition
# of firms	Many	One	2 or more	Many
Average size of firms	Small	Very large	Large	Small to medium
Nature of product	Same	Unique	Identical/ differentiated	Differentiated
Barriers to entry	None	Significant	Significant	Few
Government intervention	No	Yes	Some	No
Output decisions	No output restriction	Most output restriction	Output restricted	Output restricted
Interdependence	Each firm is independent	No competitors	Interdependent decisions	Each firm is independent
Profit making possibility	Low	High	High	Medium

Most market are « imperfect competition » - close to monopolistic competition with Differentiated offers and some market power.

Other :

Hypercompetition
Contestable Markets
Natural Monopolies
Duopolies

IS AN INDUSTRY ATTRACTIVE ?

Industry attractiveness

- For an incumbent ...can I earn sustained profit over time ?
- For an entrant ... if I can enter, should I ?
- How can I make the industry LESS attractive to enter ?

PORTER'S 5 FORCES

Before the analysis...

Ex. Camping

- What is the industry ?
 - Vertical scope
 - Upstream (service providers, transportation, cleaning, mobilehome leasing, ...)
 - Downstream (Direct customer, agencies?)
 - Geographic scope
 - Of service
 - Of customer
 - Product / service scope
 - Family camping?
 - Tent and mobilehome?
 - Hotel?
 - Full service?

L'HÔTELLEURIE DE PLEIN AIR EN FRANCE ET EN RÉGIONS

Essoufflement de la croissance, désintermédiation, réveil des villages vacances : quelles perspectives pour les marges des campings et le jeu concurrentiel ?

LES POINTS FORTS DE L'ÉTUDE :

- Le scénario prévisionnel exclusif de Xerfi sur le chiffre d'affaires et les marges des campings d'ici 2020
- Le comparatif des principaux ratios financiers des campings selon leur taille
- Les performances des campings dans 6 régions clés
- L'analyse des leviers de croissance des acteurs illustrés par des études de cas concrets
- Le panorama détaillé des acteurs et les fiches d'identité de 14 acteurs clés

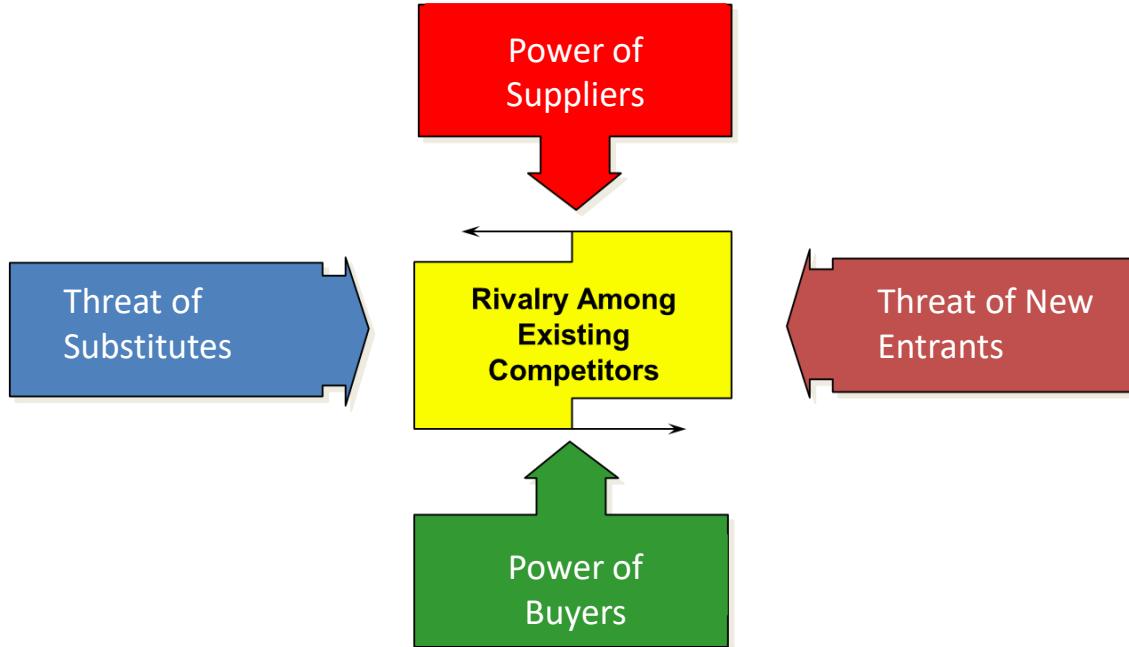


Comités
Entreprise

Individuals
Families

Youth

Porter's Five Forces model



Porter's Five Forces model

Rivalry Among
Existing
Competitors

- **Competitive rivals** are organisations
 - with similar products and services,
 - with the same customer group and
 - are direct competitors in the same industry/market (distinct from substitutes).
- An industry is attractive when rivalry is low.

Porter's Five Forces model

Rivalry Among
Existing
Competitors

Consequences of competitive rivalry are:

- Price discounting
- New product introduction or service improvement
- Aggressive advertising campaigns
- Limits the profitability of an industry

Porter's Five Forces model

Rivalry Among
Existing
Competitors

The degree of rivalry is high when:

- Competitors are **numerous**
- Industry growth is **slow**
- Fixed costs are **high**
- Competitors have **equal size**
- Products are **undifferentiated**
- Brand loyalty is **insignificant**
- Consumer **switching costs are low**
- Competitors have **equal market share**
- There are high **exit barriers**
- There is **excess production capacity**

Porter's Five Forces model

Threat of New Entrants

- **Barriers to entry** are the factors that need to be overcome by new entrants if they are to compete.
- **The threat of entry** depends on the height of the barriers to entry.
- An industry is **attractive** when the threat of entry is low (because barriers to entry are high).

NOTE : PERCEIVED threat of entry
is really all that is needed

Porter's Five Forces model

Threat of New Entrants

Consequences of new entrants:

- **New entrants** to an industry bring new capacity and a desire to gain market share.
- **New entrants** put pressure on prices, costs and the rate of investment necessary to compete (e.g. *Apple in the music distribution*, *Microsoft in the video game industry*).
- When the **threat is high**, incumbents must hold down their prices or boost investment to deter new competitors (e.g. *Starbucks in the specialty coffee*).

Porter's Five Forces model

Does incumbent have an advantage ?

The **threat of entry** is high when

- **No experience** of learning is required
- **Expected retaliation** from incumbents is low
- Profitability does not require economies of scale
- Products are **undifferentiated**
- Products are **not tied** to non accessible markets/products
- **Brand names are not well-known**
- Initial capital investment is **low**
- Consumer switching costs are **low**
- Accessing distribution and supply channels is **easy** (ex. Incumbent has not **foreclosed** markets)
- **Location** is not important
- No proprietary technology or materials are being used (patents, ..)
- No legal or governmental barriers in place (licensing, infant industry protection, ...)

Porter's Five Forces model

Threat of
Substitutes

Substitutes

- offer similar benefit to an industry's products or services,
- but have a different nature
- they are from outside the industry

An industry is attractive if the threat of substitutes is low.

Porter's Five Forces model

Threat of
Substitutes

Threat of substitutes depends on

Performance (e.g. carbon is more expensive than steel but it offers higher performance for boat hulls)

Technological change/ innovation (e.g. new binding systems in skis).

Customer behaviour (e.g. joggers use now their phones to listen to music instead of portable music devices)

Porter's Five Forces model

Threat of
Substitutes

Same or a similar function but by a different means

- Video-conferencing versus business travel
- Snowboard instead of skiing
- Walkman versus MP3 Player versus Mobil phone to listen to music

When the threat is high, industry profitability suffers:

- A substitute offers attractive trade-off (e.g. phone versus Skype)
- A substitute creates a **price ceiling** if the buyer's cost of switching to the substitute is low (e.g. branded drugs versus generics)

Porter's Five Forces model

Threat of
Substitutes

Threat of substitutes is high if

- Consumer **switching costs** are low
- **Substitute product is less expensive** than industry product
- Substitute product quality is **superior** to industry product quality
- Substitute performance is superior to industry product performance
- There **are** substitutes

Porter's Five Forces model

- **Suppliers** are those who supply what organisations need to produce the product or service.
- **Powerful suppliers**
 - can reduce an organisation's profits,
 - capture more of the value for themselves by:
 - charging higher prices,
 - limitating quality or services, or
 - shifting costs to industry participants
- An industry is attractive if the bargaining power of suppliers is low.

Power of
Suppliers

Porter's Five Forces model

Suppliers' bargaining power is higher when

- Concentrated suppliers
- Buyer **switching costs are high**
- Buyer is **not price sensitive**
- **Threat of forward integration is high** (ex. Airlines integrated into ticketing/travel agency business)
- Buyer purchases product in **low** volume (high volume gives negotiation power)
- Product is highly differentiated (or even customized)
- Buyer purchases comprise small portion of supplier sales
- Substitutes are unavailable
- Buyer is uneducated about the product

Porter's Five Forces model



Power of
Buyers

- ***Powerful buyers*** (B2B or B2C) can capture more value by
 - forcing down prices,
 - demanding better quality or more service and
 - generally playing industry participants off against one another.
- An industry is attractive if the bargaining power of buyers is low.

Porter's Five Forces model



Power of
Buyers

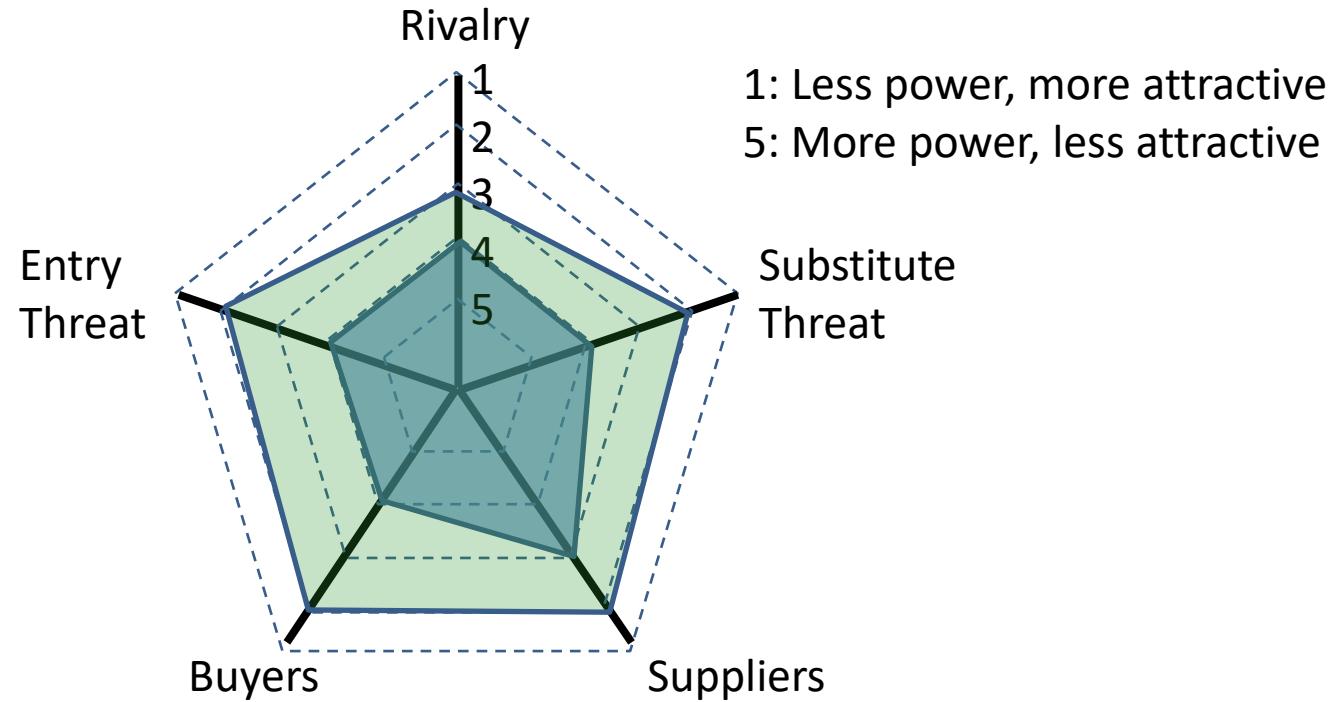
- **Bargaining power** is high when
 - Buyers are more **concentrated** than sellers
 - Buyer switching costs are **low**
 - Threat of backward integration is high
 - Buyer is **price sensitive**
 - Buyer is well-educated regarding the product
 - Undifferentiated product
 - Buyer purchases product in high volume
 - Substitutes are available
 - Buyer purchases comprise large portion of seller sales

DOING THE ANALYSIS

Steps

1. Define industry
2. Identify actors
3. Determine forces
4. Assess overall attractiveness (attention – not a simple sum, one BAD element may make it all BAD)
5. Assess changes in industry forces
6. Position your offer and define tactics

Typical radar plot



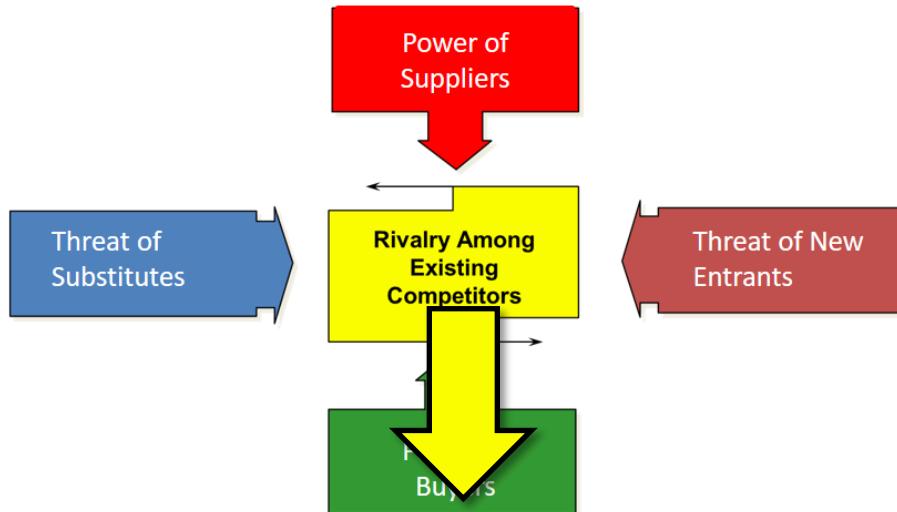
SO WHAT ?

Impact on strategic tactics

- Pricing policies
- Creation of entry barriers
- Vertical integration and intermediation strategies
- Vertical restraints (**careful of competition laws !**
 - Exclusive dealing (only seller of product X in Nantes)
 - Tying contracts (ex. service contracts)
 - Resale price maintenance (ex. min price of books, pharmaceuticals,...)
- Lobby/push government to protect industry
- Entry or not? How to define the industry.

Vertical integration

Downstream integration (forward integration)



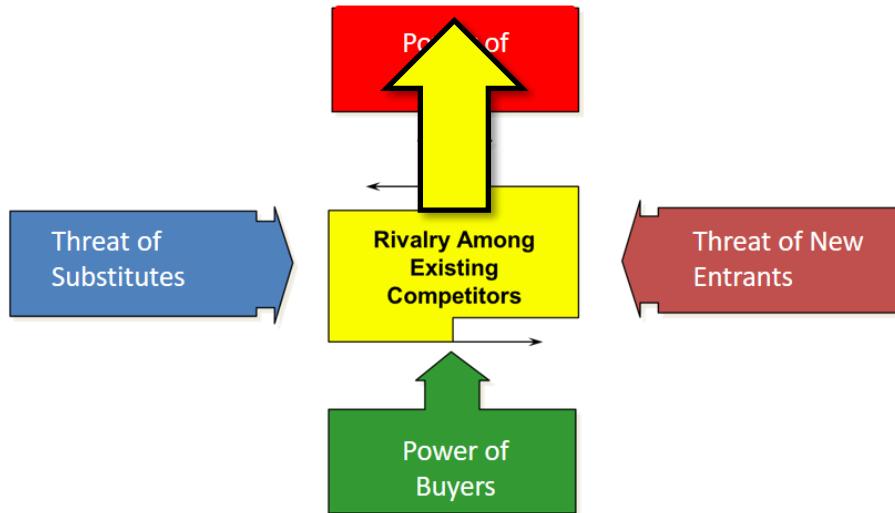
Shoe manufacturer sells own brand of shoes in retail outlets

Airlines sell tickets directly to customer

Film production companies own cinemas

Vertical integration

Upstream integration (backward integration)



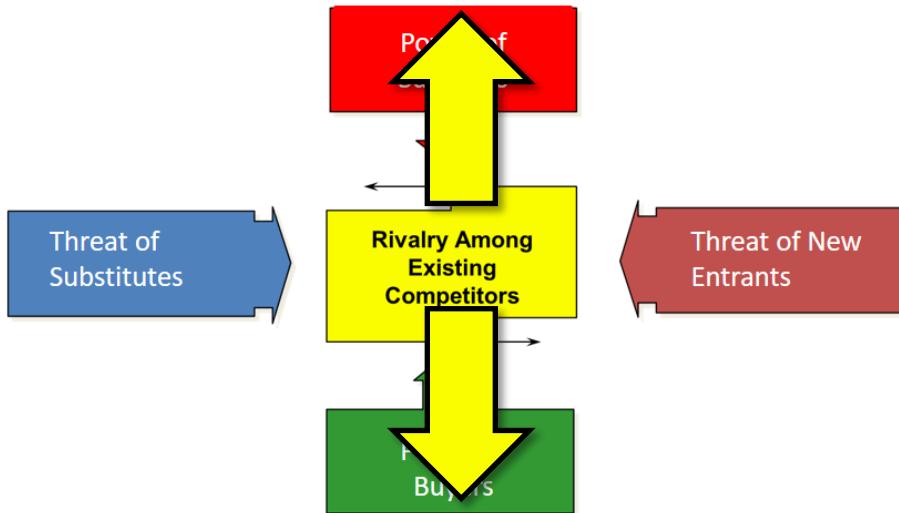
Amazon manufactures its own products (amazon label)

Store brand products

Netflix produces its own series

Vertical integration

Market Foreclosure



Entry requires acting at all levels

- Be your own supplier
- Be your own distributor

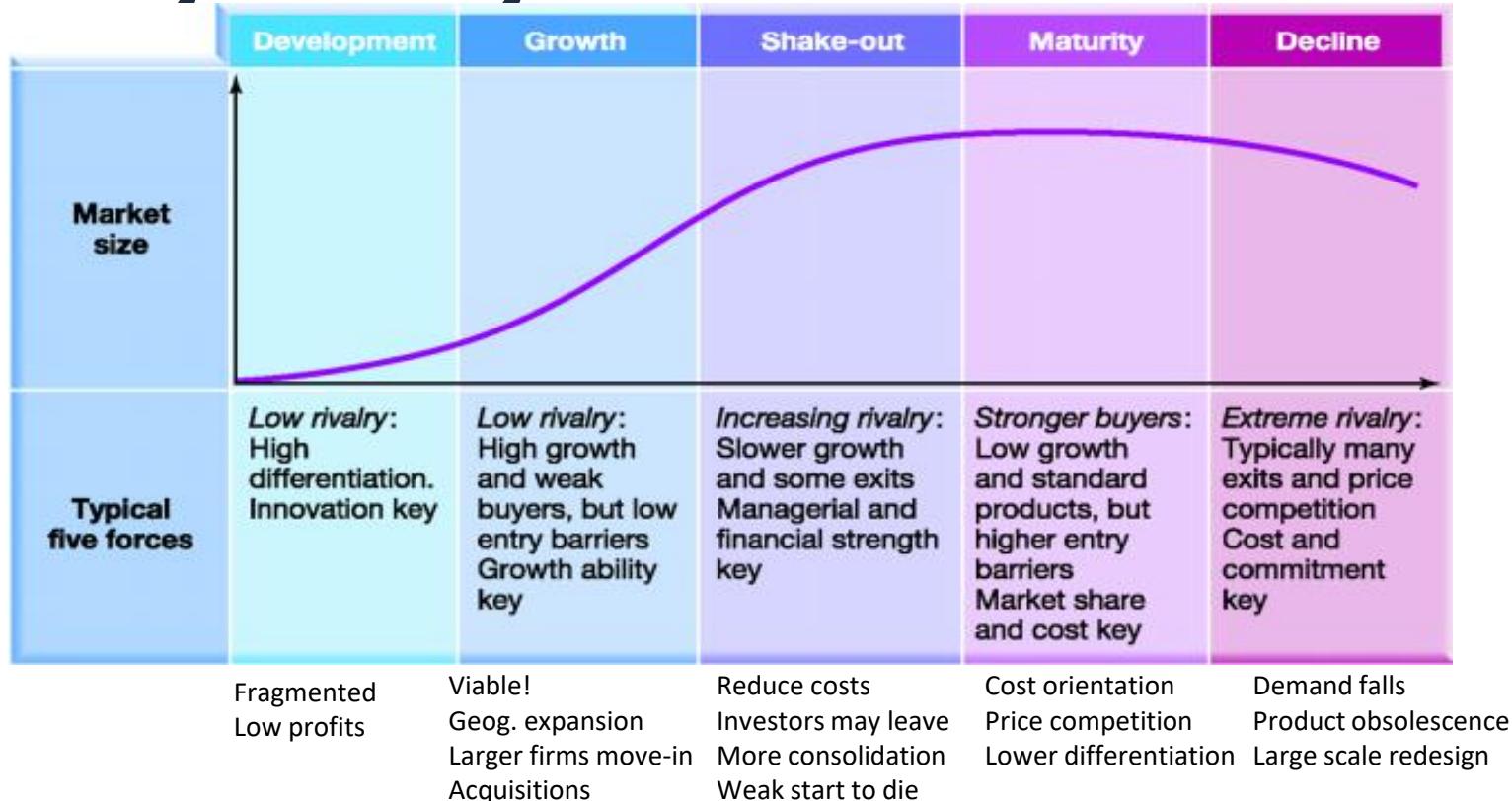
Disintermediation to reintermediation



The 5 forces model

- Pros
 - Good to identify industry stakeholders
 - Good for structuring the analysis
 - Good for identify key success factors
- Cons
 - Some forces interrelated – messy analysis
 - Where is government?
 - Does not include **complementors** and network effects
 - Industry not company focus

Industry Life Cycle



CASE STUDY

Snacking food industry

Sandwiches, etc.

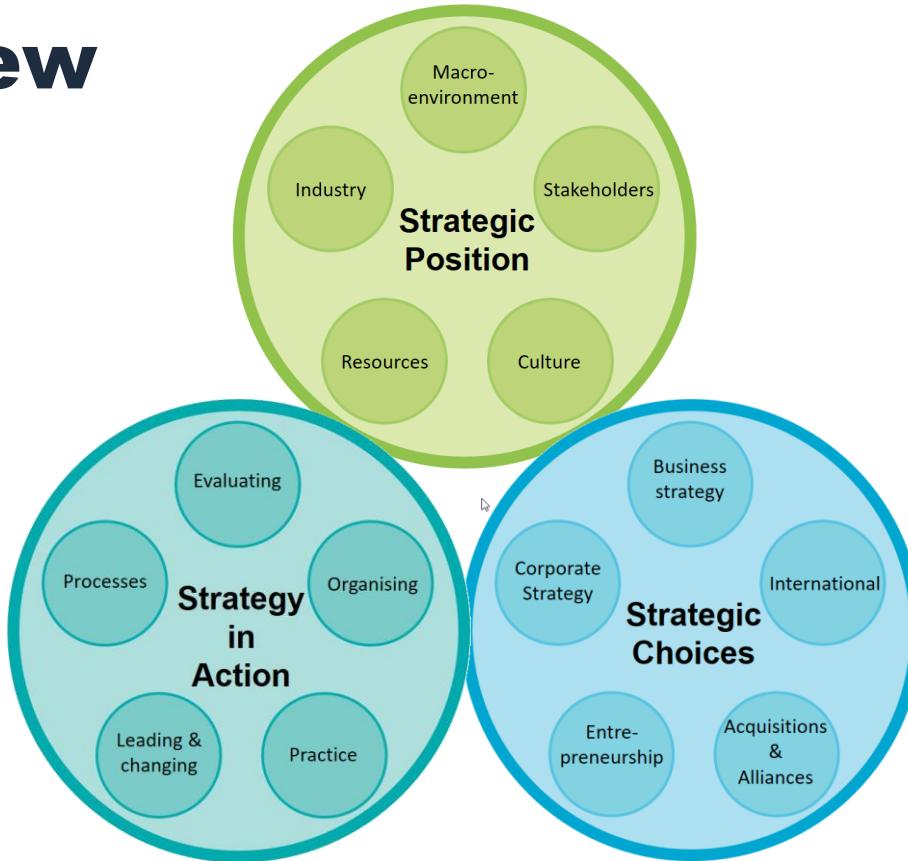
- Read the text
- Complete the analysis of the 5 forces of the industry
- Be ready to explain if you believe it is an attractive industry or not.

STRATEGY

Session 4 : Competitors and Markets



Overall view



Strategic Position

Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

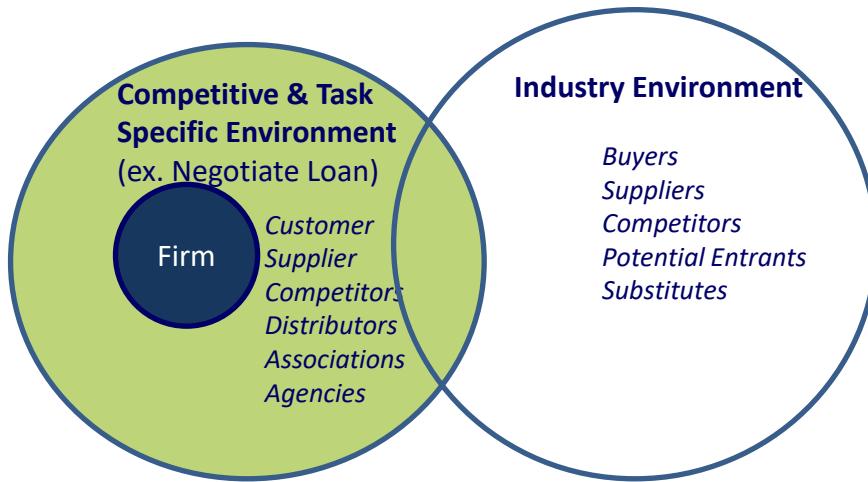
To develop and manage a strategy companies need to analyze both the organization (internal) and the environment (external), i.e. all the external influences that affect the decisions and the performance of an organization.



Levels of Environment

Macro Environment (Political Economy)

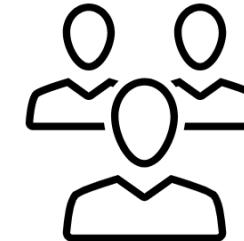
Relevant Environment (SCOPE defined here)



Strategic Groups and Market Segments



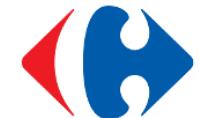
Strategic Groups



Market Segments

Strategic Groups

Strategic groups are organisations within an industry or sector with similar strategic characteristics, following similar strategies or competing on similar bases.



Carrefour

Intermarché
HYPER



Carrefour
market

Intermarché
contact



Carrefour
city

Intermarché
EXPRESS

Characteristics of groups

To what extent are organisations similar/different with respect to...

- Scope of activities
 - Extent of product or service diversity
 - Extent of geographical coverage
 - Number of market (customer) segments served
 - Distribution channels used
- Resource commitment
 - Number of brands
 - Marketing effort (advertising spread, size of salesforce)
 - Extent of vertical integration
 - Product or service quality
 - Technological leadership (or followership)
 - Size of organisation

Presentation

Often compare using 2 criteria

- May want to start with high performers and see what they have in common to determine 2 axes.



Why do this ?

- Better understand your « direct » competitors and what sets YOU apart
- Better identify opportunities
 - Where are the attractive spaces to play?
 - Any « white space » ? Or « black holes »
- Identify mobility barriers
 - How easy is it to enter a different group



transavia



HOP!

Customer and Market segments

- A **market segment** is a group of customers who have similar needs that are different from customer needs in other parts of the market.
- A **niche** is a very small market segment.
- Segments help to best understand
 - Customer needs
 - Ex. Types of buyers or industry of buyers
 - Buyer behaviors (online, in store, direct, indirect)
 - Purchasing behaviors (in bulk, small units, high frequency, low frequency)
 - Specialisation
 - Specialisation for a niche builds long term relations, cost advantages, brand, ..
 - Attention – moving out of niche can be tough.

Some criteria

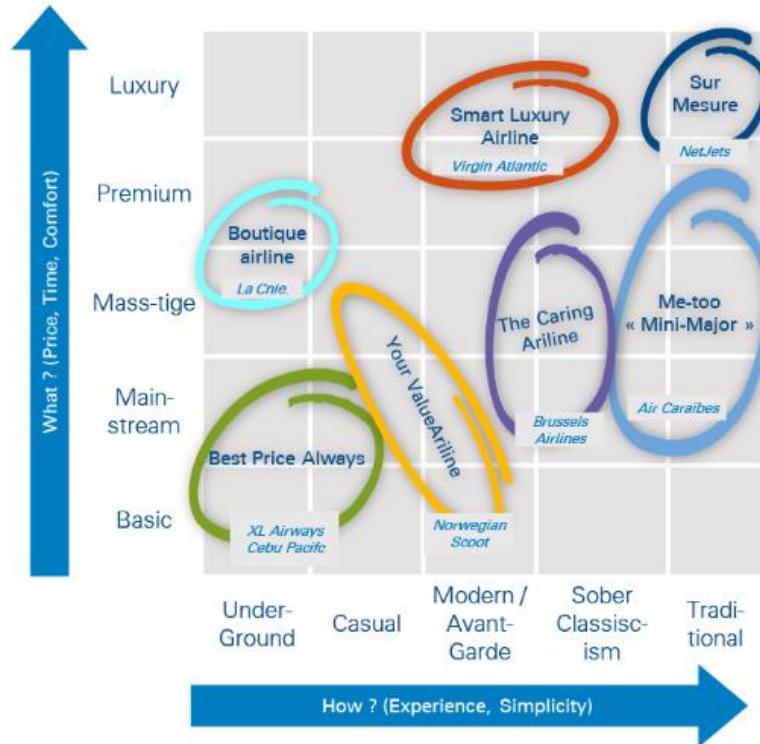
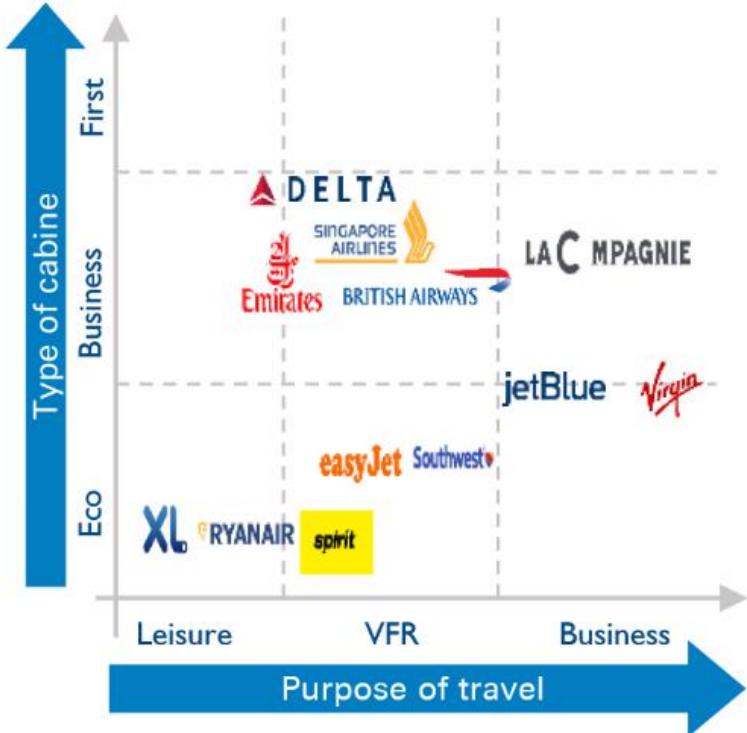
Type of Factor	Consumer Markets	B2B Markets
Characteristics of people/organisations	Age, gender, ethnicity Income Family size Location Lifestyle	Industry (SIC code) Location Size Management Profitability
Purchase/use situation	Size of purchases Brand loyalty Purpose of use Purchasing behavior Importance of purchase Choice criteria	Importance of purchase Volume Bidding process Distribution channel Frequency
Users needs and preferences	Product similarity Price Brand Features Quality	Performance needs Assistance from suppliers Desired features Quality Service requirements

Errors

- Segmentation criteria can evolve as customers evolve
- Errors can easily appear as boundaries become fuzzy
 - Ex. Why do some travellers mix first, economy and even low cost travel?
 - Ex. Increased similarities of « online » shoppers than by national culture.

Customer segments

Traditional airlines vs new airlines



Key Success factors

- Service
- Price
- Offer range
- etc...

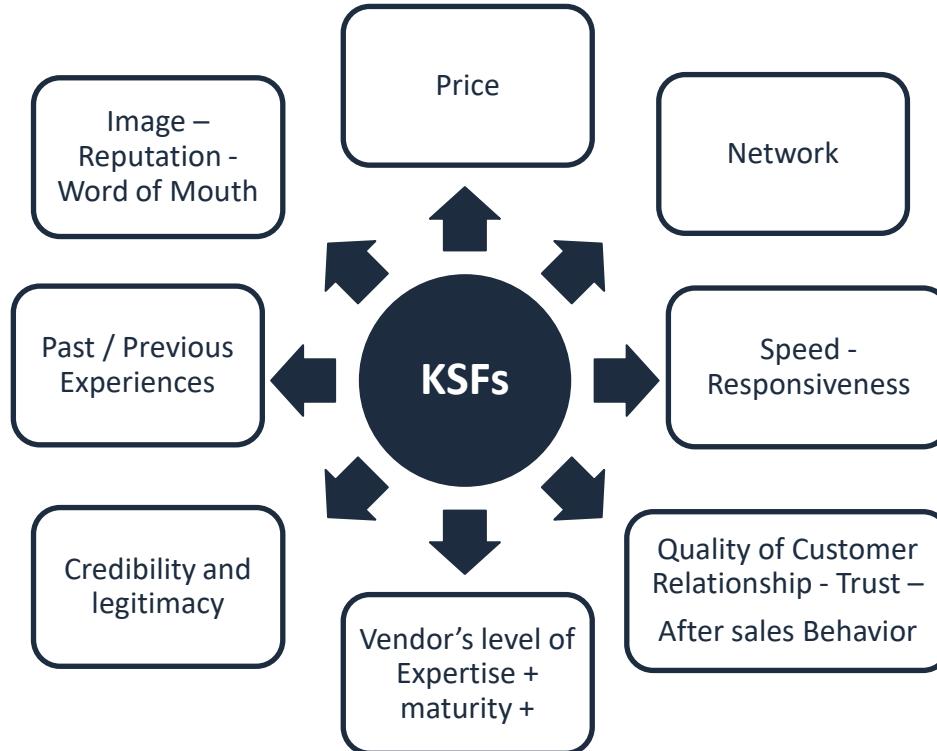
*Characteristics of the company's
offer that carry
real value for the customer*



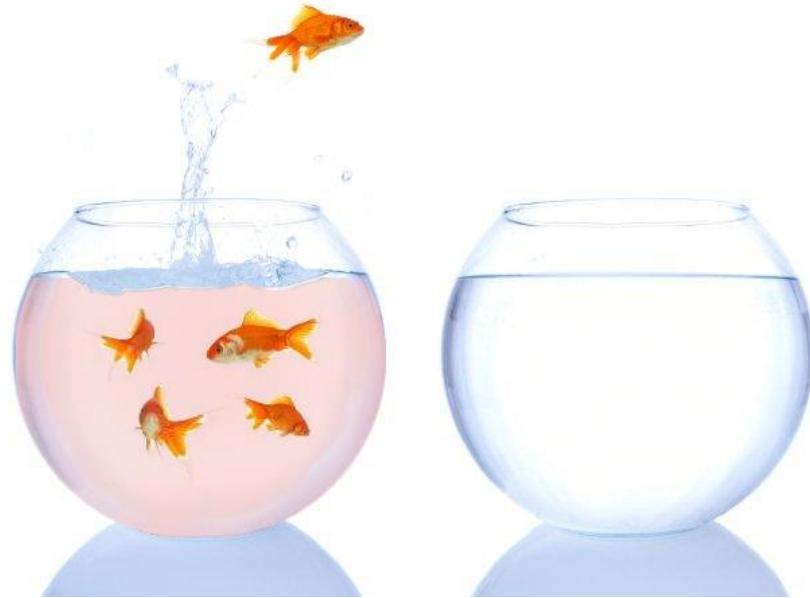
Critical Success Factors

- What do customers want ?
- What does a firm need to do to survive competition?
(these give me a potential cost advantage)

Example: a consulting firm



Changing the rules



Wines

- High price

Cabernet Sauvignon Reserve : \$135/bottle

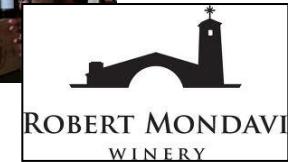
- Range

- High level communication

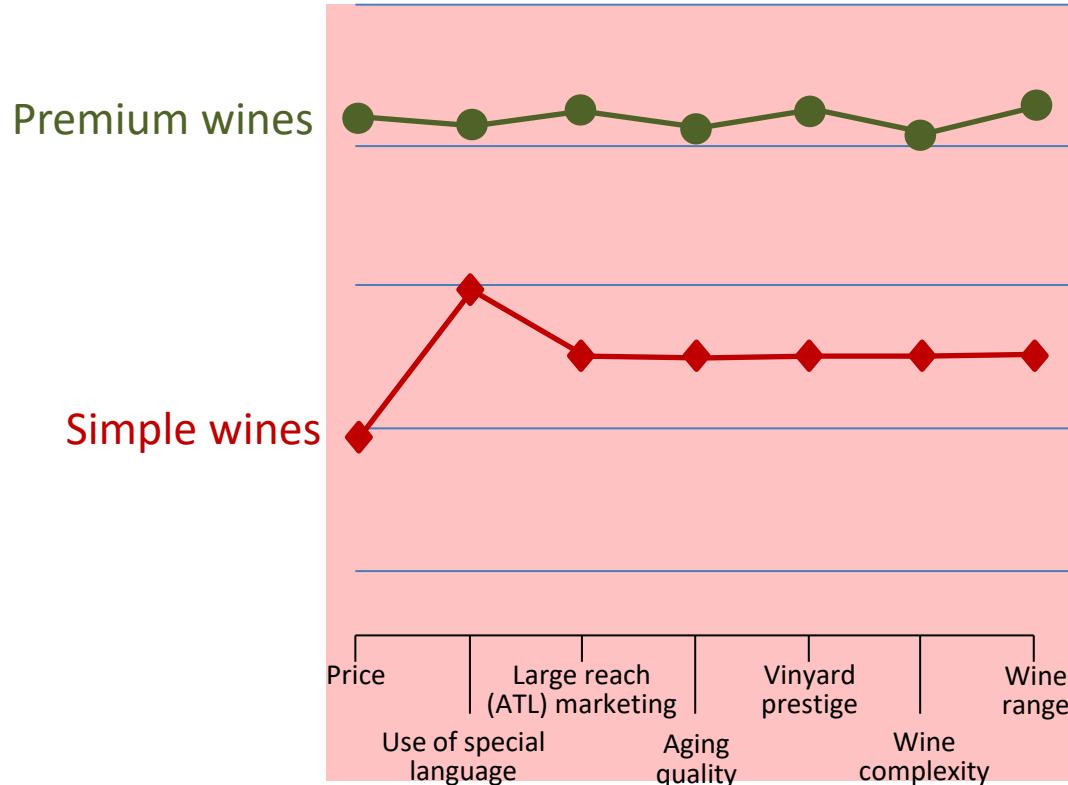
A profusion of **aromas** - crème de cassis, black cherry coulis, anise, violet, black olive, fresh herb and smoke - spill out of the glass and scent the room. Profoundly deep, complex flavors echo the aroma with firm, well-integrated tannins, vibrant acidity and a long, cocoa-mineral finish.

- Complex production

"The ultimate expression of terroir". Hand-selected fruit from the finest blocks within our vineyards and handled with the greatest care in our dedicated reserve fermentation cellar, these wines combine elegant complexity with density and structure, and demonstrate the "art" of winemaking.



The Strategy Canvas – Red Ocean



Changing the rules of the game

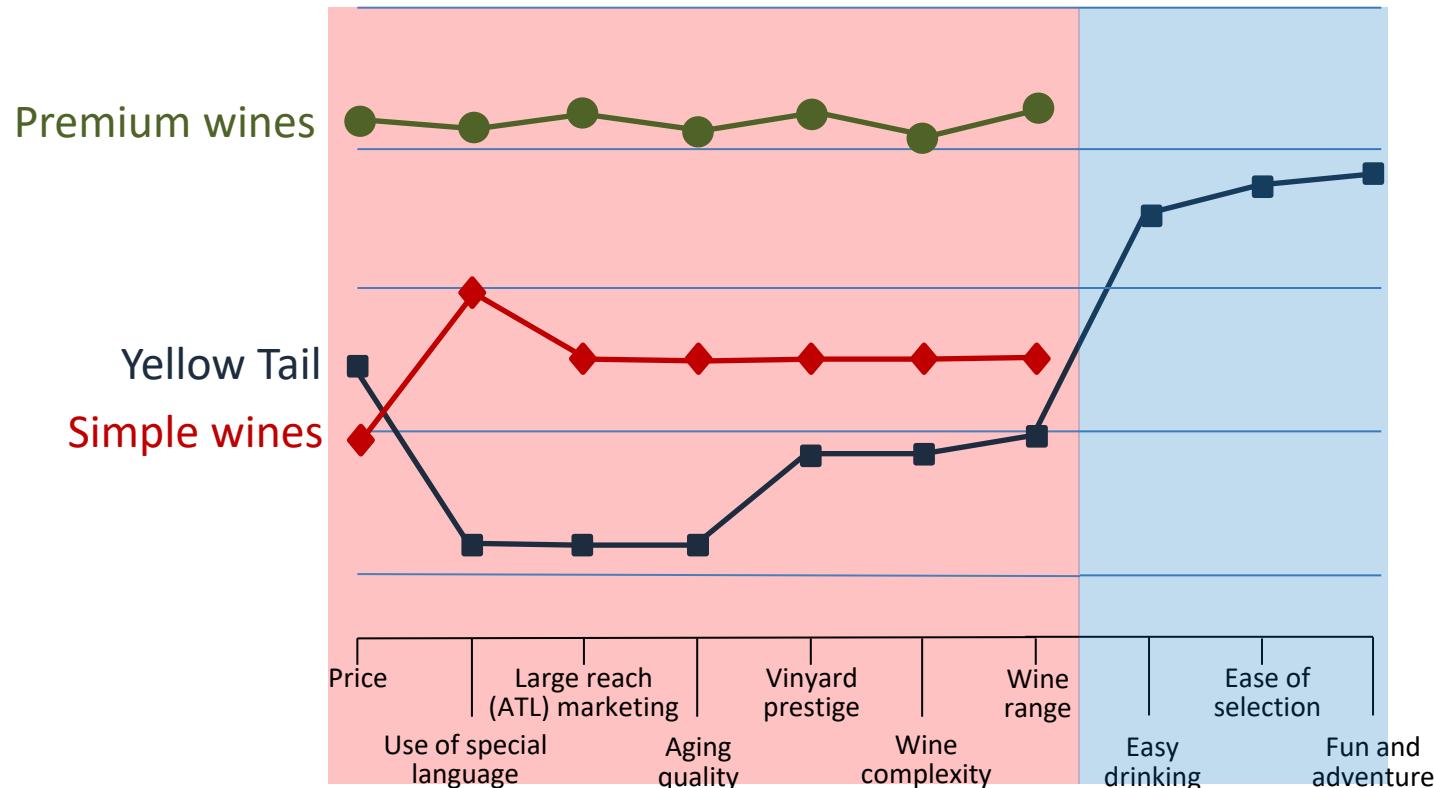
Value innovation



Yellow Tail

<https://www.youtube.com/watch?v=Ae3n1jdsuaA>

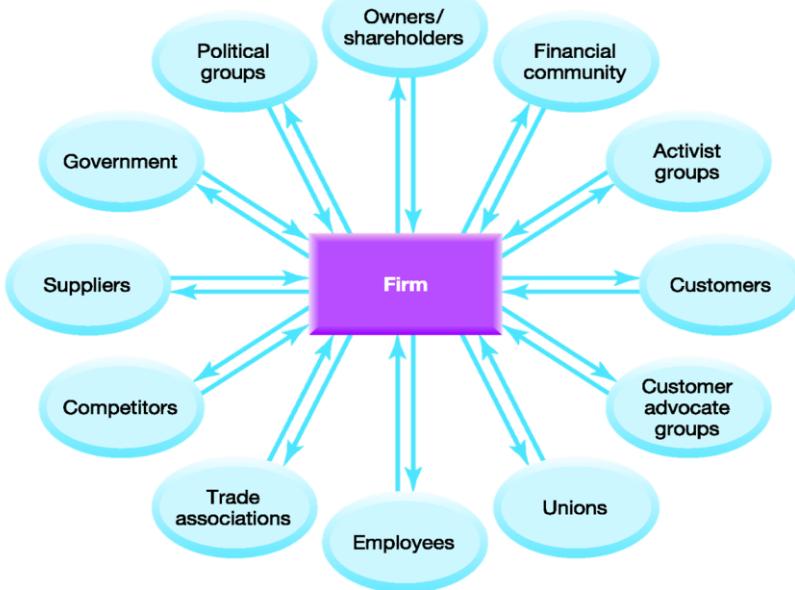
The Strategy Canvas – Blue Ocean



STAKEHOLDERS

Who are stakeholders?

- **Stakeholders** are those individuals or groups that depend on an organisation to fulfill their own goals and on whom, in turn, the organisation depends.
- “All the people that affect or are affected by the activity of the organization”
(Freeman, 1984)



Source: From Freeman's *Strategic Management: A Stakeholder Approach*, Copyright 1984 by R. Edward Freeman.

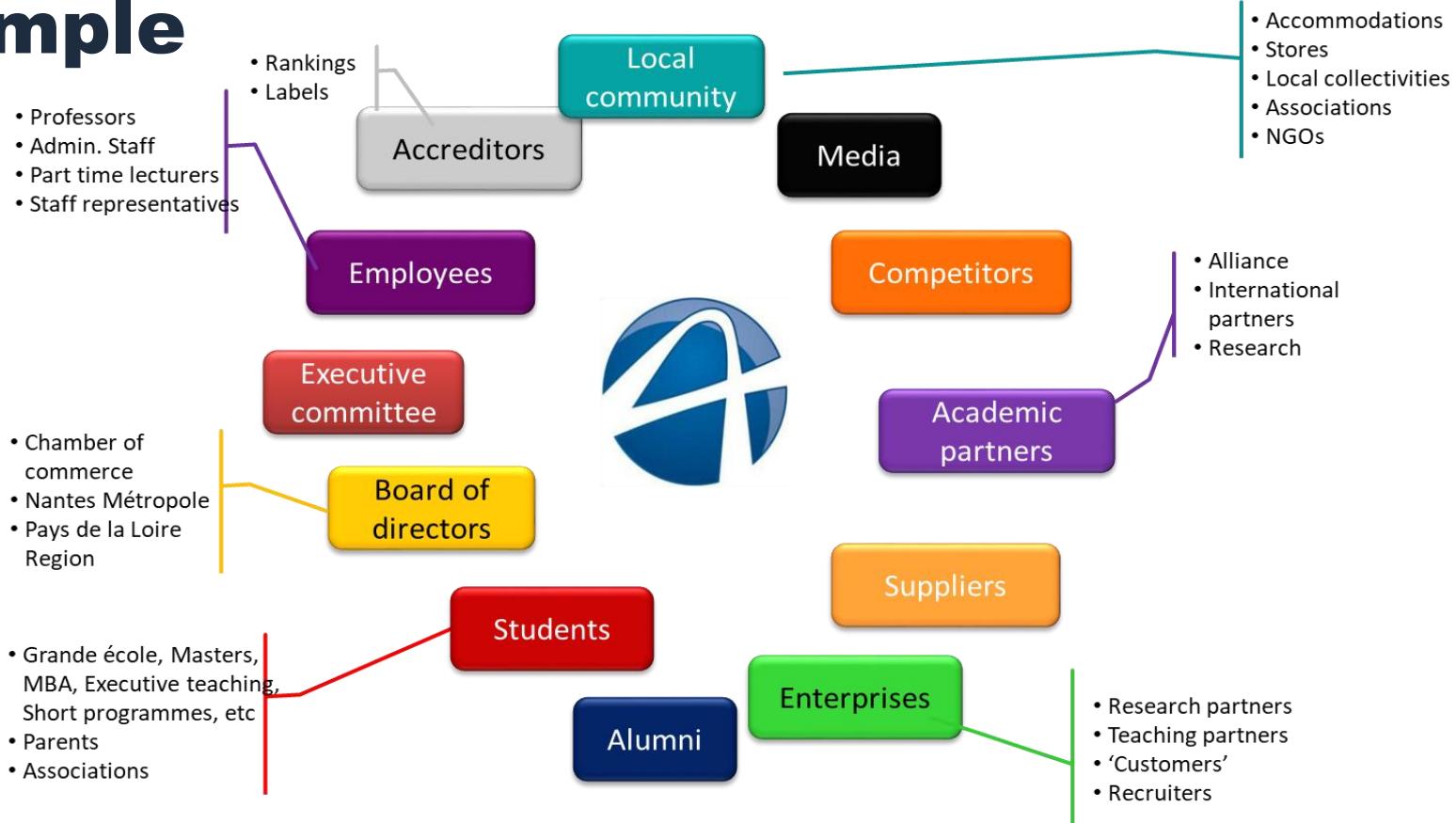
Typical groups

- Economic stakeholders
 - Suppliers, customers, distributors, creditors, ...
- Social/Political stakeholders
 - Policy makers, regulators, agencies, interest groups
- Technological stakeholders
 - Standards agencies,
- Community stakeholders
 - Local citizens
- Internal stakeholders
 - Employees, staff, ..

But also

- People that are dead
- People that have not yet been born

Example



Managing stakeholder interests

- **Stakeholder mapping** identifies stakeholder power and attention in order to understand political priorities
- Power / Level of Interest typically mapped
- Power comes from
 - Legitimate power (hierarchy)
 - Reward power (ability to reward/compensate) (resource based)
 - Coercive power (ability to threaten) (resource based)
 - Expert power (expertise)
 - Referent power (personality)
 - Network centrality
 - Substitutability / replacable
- Interest (criticality, access to information channels, cognitive capacity)

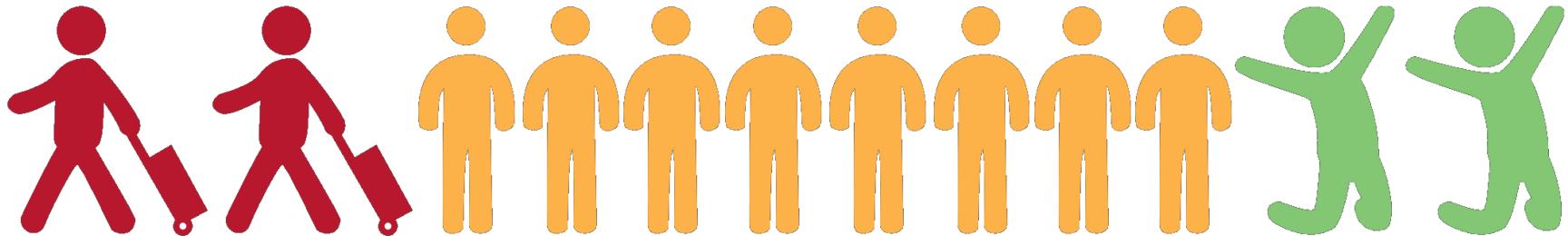
Mapping

	Low interest	High Interest
Low power	Minimal effort	Keep informed
High power	Keep Satisfied	Key players

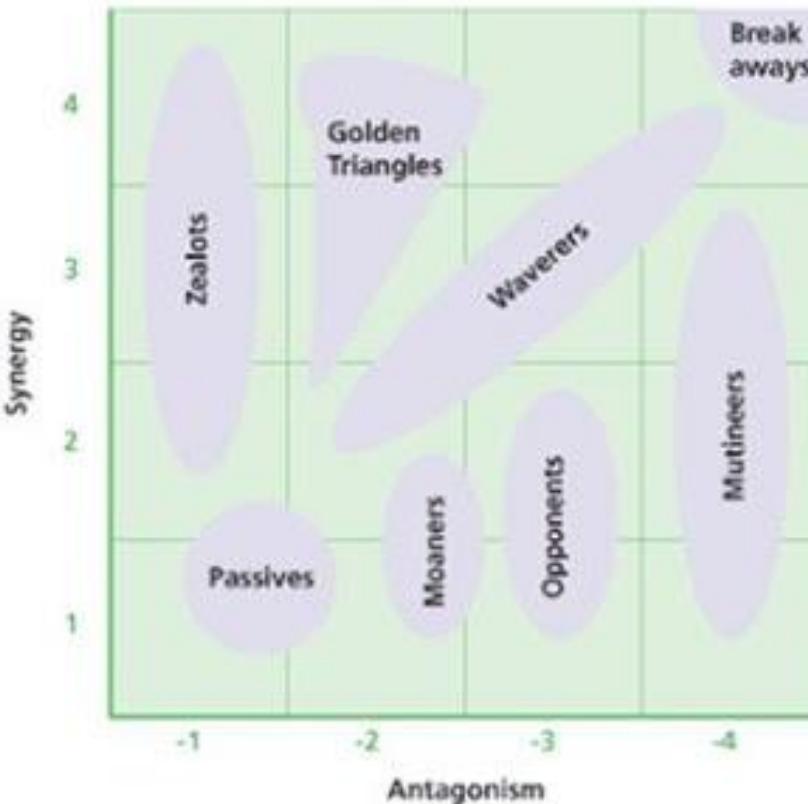
Position

Promoters, Detractors (blockers) and Passives

Where do you focus energy ?



Another



CONCLUSION

SWOT

	Helpful	Harmful
Internal	STRENGTHS S	WEAKNESSES W
External	OPPORTUNITIES O	THREATS T

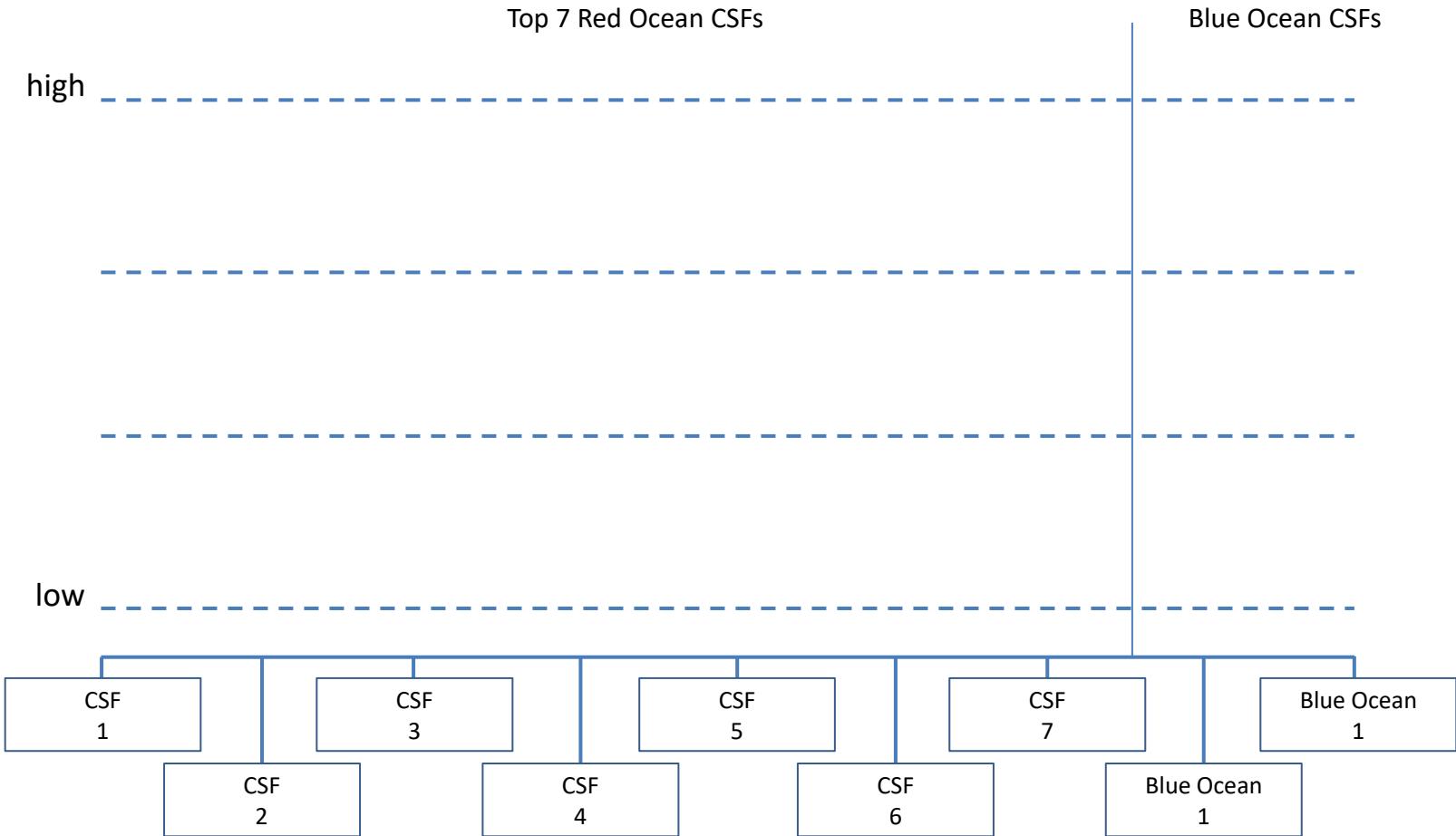
SWOT

	Helpful	Harmful
Internal	STRENGTHS S	WEAKNESSES W
External	OPPORTUNITIES	PESTEL
	O	SCENARIOS
	5 FORCES	T
	SEGMENTATION & GROUPS	
	STAKEHOLDER MAPPING	

CASE STUDY

CitizenM

Hotel Strategy Canvas

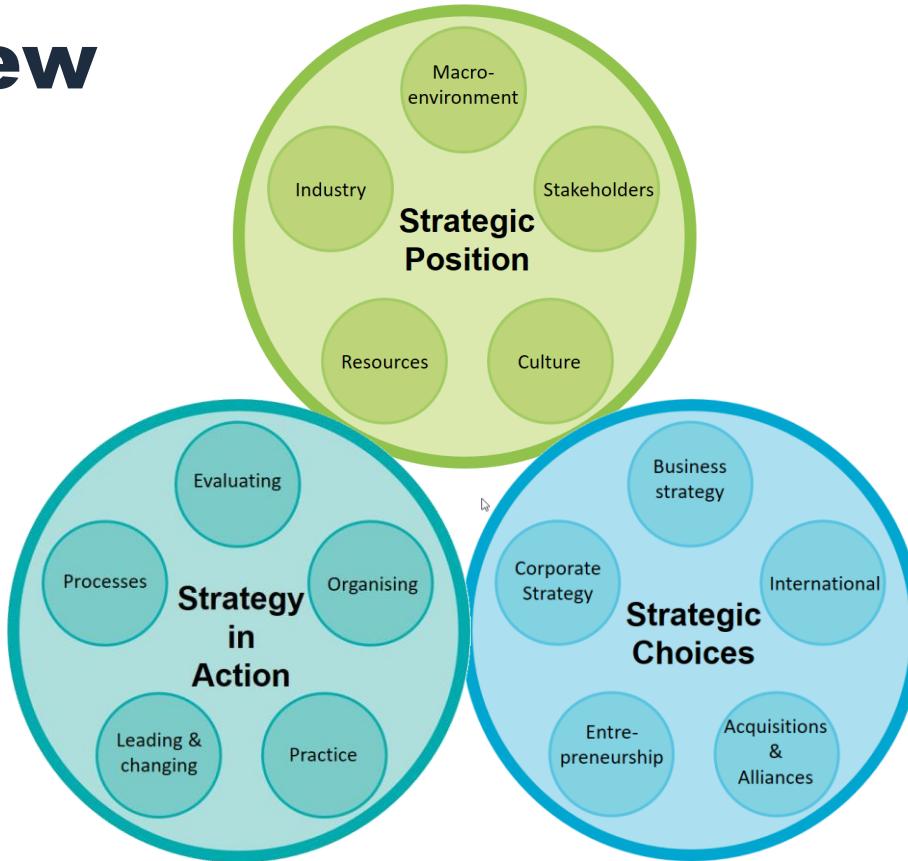


STRATEGY

Session 5 : Resources and Value Decomposition



Overall view



Strategic Position

Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

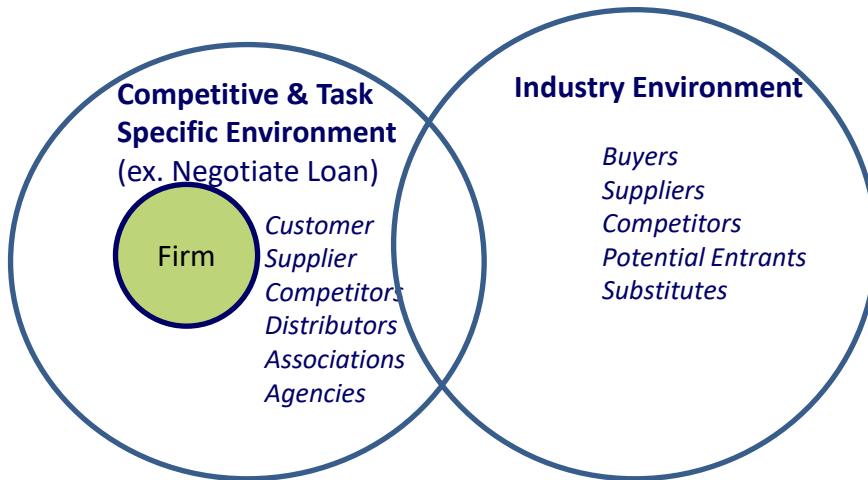
To develop and manage a strategy companies need to analyze both the organization (internal) and the environment (external), i.e. all the external influences that affect the decisions and the performance of an organization.



Levels of Environment

Macro Environment (Political Economy)

Relevant Environment (SCOPE defined here)



Creating and Sustaining Value

The « killer » lemonade stand



What resources do I have to create value for customers ?

- Sugar, water, lemons
- Unique branding
- Special recipe that evolves with tastes (is that really water ???)
- Nice people
- Financial backers (parents)
- Sales and Production staff

What are we capable of doing really well ?

- Mix ingredients and follow an exact family recipe
- Design a stand that attracts people
- Produce efficiently (2 people)
- Extract an unlimited flow of money from unsuspecting parents
- Charm customers
- Learn and adapt

How can we combine all of that to create sustainable value ?

- Management
- Link Purchasing to Production and Sales in Just-in-Time fashion (ice melts!)

The Resource Based View (RBV)

- Competitive advantage and superior performance of an organisation are explained by the **distinctiveness of its capabilities** (what it can do).
- It is sometimes also called the ‘capabilities view’.

Resources and Capabilities

- **Resources** are the assets that organisations have or can call upon (e.g. from partners or suppliers), that is ‘**what we have**’ or ‘**what we own**’ (or sometimes ‘**what we can use**’)
- **Capabilities** are the ways those assets are used or deployed effectively, that is ‘**what we do well**’ .

Resources: what we have (nouns), e.g.		Capabilities: what we do well (verbs), e.g.
Machines, buildings, raw materials, patents, databases, computer systems	Physical	Ways of achieving utilisation of plant, efficiency, productivity, flexibility, marketing
Balance sheet, cash flow, suppliers of funds	Financial	Ability to raise funds and manage cash flows, debtors, creditors, etc.
Managers, employees, partners, suppliers, customers	Human	How people gain and use experience, skills, knowledge, build relationships, motivate others and innovate

Types of capabilities

- Redundant
- Dynamic
- Threshold
- Distinctive

Types of capabilities

- **Redundant**
- **Dynamic**
- **Threshold**
- **Distinctive**

Capabilities, however effective in the past, can **become less relevant** as industries evolve and change.

Such ‘capabilities’ can become ‘**rigidities**’ that inhibit change and become a weakness.

Types of capabilities

- Redundant
- **Dynamic**
- Threshold
- Distinctive

Ability to **renew and recreate** its strategic capabilities to meet the needs of changing environments.

Distinct from ordinary capabilities that may be necessary to operate efficiently now but that may not be sufficient to sustain superior performance in the future. (competitors will learn)

Sensing (aware)
constantly scanning and exploring new opportunities across markets and technologies (Strategic Intelligence, Monitoring)

Seizing
addressing opportunities through new products, processes and activities (ex. Lean Startup, Fail Fast)

Reconfiguring
new products and processes may require renewal and re-configuration of capabilities and investment in new technologies

Types of capabilities

- Redundant
 - Dynamic
 - **Threshold**
 - Distinctive
- Needed to meet the **necessary requirements** to compete in a given market and achieve parity with competitors in that market – ‘**qualifiers**’.
- These are required to compete and are **easily copied or obtained**.

Types of capabilities

- Redundant
 - Dynamic
 - Threshold
 - **Distinctive**
- required to **achieve competitive advantage** because they are of value to customers and which competitors find **difficult to imitate** – ‘winners’.
- Not** easily acquired or copied or imitated
- These will be **critical** in building competitive advantage

Distinctive Resources & Capabilities

Building Competitive Advantage

- Key criteria to assess capabilities in terms of providing a basis for sustainable competitive advantage.

V

Value : Do resources and capabilities exist that are **valued** by customers **and** enable the organisation to respond to environmental opportunities or threats in an **efficient** manner?

R

Rarity : Do resources and capabilities exist that no (or few) competitors possess ? (Attention it may be temporary! – ex. patent life)

I

Inimitability : Are resources and capabilities difficult and costly for competitors to obtain and imitate? (ex. capability of combining resources in a unique way)

O

Organisational Support : Is the organisation appropriately organised to exploit the resources and capabilities?

A few words about inimitability

- Complexity
 - Internal linkages
 - External linkages
 - Causal ambiguity
 - Difficult to discern the causes and effects
 - Can't be explicitly described
 - Culture and history
 - Taken for granted activities
 - Path dependency (how we got here)
- Organizational knowledge, collective intelligence and organisational competence*
- Sometimes difficult to make « explicit »*
- This « tacit » knowledge is often a source of lasting value.*

VRIO Analysis

Is the resource or capability...					Implication
Valuable	Rare	Inimitable	Supported by the organisation		
NO	-	-	NO		Competitive Disadvantage
YES	NO	-			Competitive Parity
YES	YES	NO			Temporary Competitive Advantage
YES	YES	YES	YES		Sustained Competitive Advantage

Starbucks

Resources & capabilities

- **Strong brand image** – Starbucks has a strong brand image that rests on three important pillars – ethics, product quality and customer service.
- **Special flavours and quality of coffee** – The brand is known best for its quality and various flavours of coffee it serves; main attraction for most customers.
- **Customer service** – Another important factor well known about Starbucks Coffee is its customer service.
- **Store environment** – The customer friendly environment of the Starbucks stores is also a distinct feature of the brand which works to attract and retain customers.
- **Supply chain** – A well managed supply chain allows Starbucks to source the best Cocoa from around the world. Also, its main enabler of great quality.
- **Global presence** – Another important strength of the brand is its global presence. Starbucks has more than 24000 stores in 70 countries.

Grid

Resource	Valuable (Yes/No)	Rare (Yes/No)	Inimitable (Yes/No)	Organized (Yes/No)	<u>RELATIVE</u> Strength/Weakness
Strong brand image					
Special flavours and quality of coffee					
Customer service					
Store environment					
Supply chain					
Global presence					

Grid

Resource	Valuable (Yes/No)	Rare (Yes/No)	Inimitable (Yes/No)	Organized (Yes/No)	Strength/Weakness
Strong brand image					
Special flavours and quality of coffee					
Customer service					
Store environment					
Supply chain					
Global presence					

VALUE DECOMPOSITION

From Competitive Advantage to Value

- A **competitive advantage** is a combination of characteristics of the firm's offer – its value proposition – which generates a value to customers superior to that of the relevant competitors. *It can be analyzed as a combination of critical success factors (CSF) that the firm controls better than its benchmark competitors.*
- This control is based on an efficient combination of the firm's **resources and capabilities**, it's value chain. The value chain and other approaches provide **Sources of Competitive Advantage (SCA)** – allowing the firm to generate such a value proposition.
- **A firm's business model describes its specific combination of strategic positioning, value proposition and sources of competitive advantage.**

Value decomposition

- What are key activities and how do they impact cost and value creation
 - Value Chain
 - Value Shop
 - Value Network

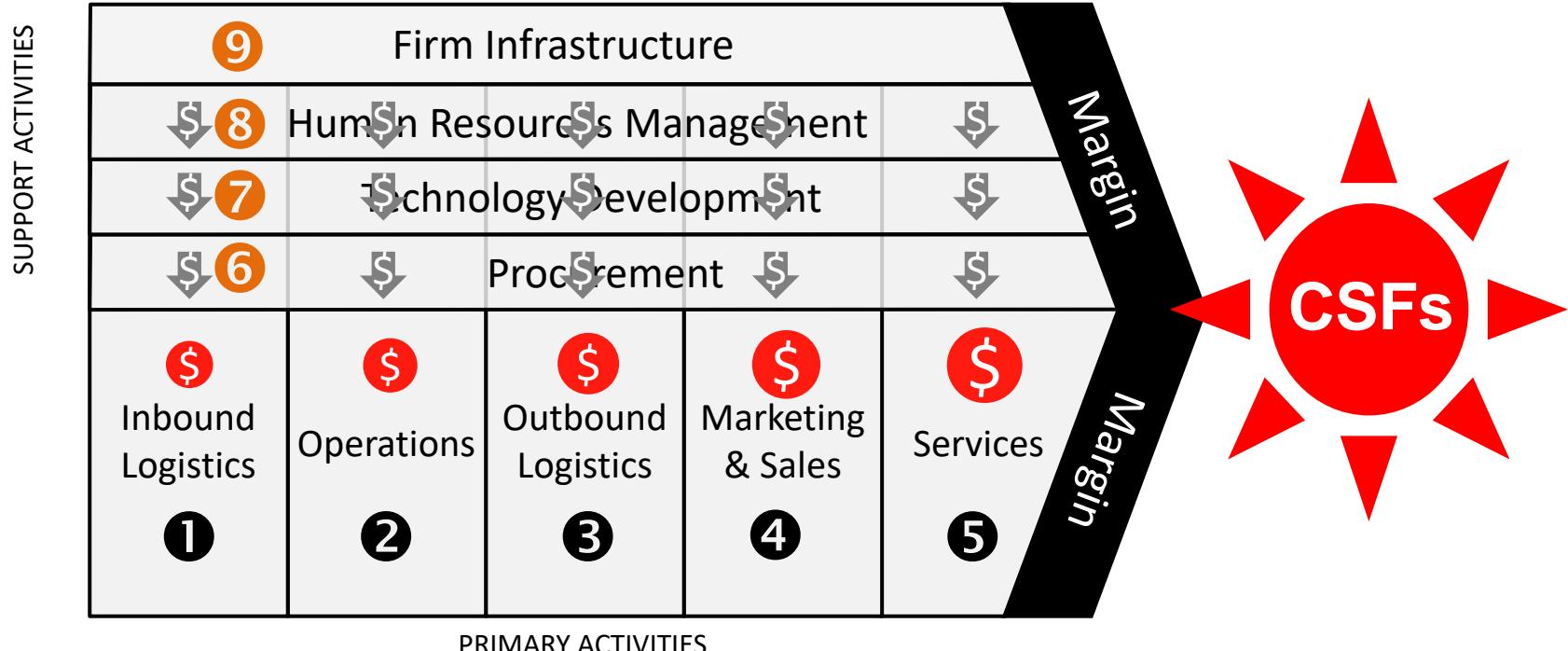
Why decompose value?

- A generic description of ***strategically important activities***.
- Understanding how the discrete activities (or clusters of linked activities) ***contribute to consumer benefit***.
- Understanding their ***impact*** on cost and value.
- ***Identifying activities*** where the organisation has particular ***strengths or weaknesses***.
 - **Careful – value may be in linking skills or overall connecting of system !**

The Value Chain model

- The value chain describes the ***categories of activities*** within an organisation which, together, create a product or service.
- The value chain consists of
 - ***primary activities*** (directly concerned with the creation or delivery of a product or service)
 - and ***support activities*** (help to improve the effectiveness or efficiency of primary activities).
- ***Competitive advantage*** can be analysed in any of these activities.

Delivering the CSFs that create value through the value chain



Starbucks

Inbound logistics



- The green or unroasted beans are procured directly from the farms by the Starbucks buyers in **Latin America, Africa and Asia**.
- These are transported to the storage sites after which the beans are roasted and packaged.
- **Central distribution centers** (owned and operated) make more than 70,000 deliveries per week to Starbucks 10635 stores located in 65 countries.
- The **company does not outsource its procurement** to ensure high quality standards right from the point of selection of coffee beans. Specifically, since 2013 Starbucks has its first own 240-hectar coffee farm in Costa Rica
- Simple, global organization

Starbucks

Operations

- Starbucks operates in 65 countries either in the form of direct stores operated by the company (50%) or as licensed stores (50%).
- Starbucks has more than 21,000 stores According to its annual report, the company generated **79% of the total revenue during fiscal year 2013 from its company operated stores** while the licensed stores accounted for 9% of the revenue.



Starbucks

Outbound Logistics

- There is very little or no presence of intermediaries in product selling.
- Majority of the products are sold in their own or licensed stores only.
- As a new venture, the company has launched a new range of single-origin coffees which will be sold through some leading retailers in the U.S.; these are Guatemala Laguna de Ayarza, Rwanda Rift Valley and Timor Mount Ramelau
- Online sales.



Starbucks

Marketing

- Starbucks initially focused on **superior quality products** and **high level of customer services than** aggressive marketing – **Word of mouth**
- Need based marketing activities are carried out by the company during new products launches in the form of sampling in areas around the stores.
- An increasing budget is invested into various elements of print and media advertising, sales promotions, events and experiences, public relations and direct marketing.



Starbucks

Service

- Starbucks aims at building customer loyalty through high level of customer service at its stores.
- Starbucks **baristas** are always genially polite and greet regular customers by their names.
- Starbucks is never rushed –match speed expectations or clients
- The retail objective of Starbucks is, as it says in its annual report, “to be the leading retailer and brand of coffee in each of our target markets by selling the finest quality coffee and related products, and by providing each customer a **unique Starbucks Experience**.”



Starbucks

Infrastructure

- This includes all departments like management, finance, legal, etc which are required to keep the company's stores operational.
- Starbucks well designed and pleasing stores are complemented with good customer service provided by the dedicated team of employees in green aprons.

Starbucks

HR

- A committed workforce
- Starbucks employees are motivated through generous **benefits and incentives.**
- Taking care of its workforce.
- Starbucks is at an astounding 65 percent vs 150-400 for other fast food.
- There are many training programs
- Relaxed dress code, employees are referred to as “partners”



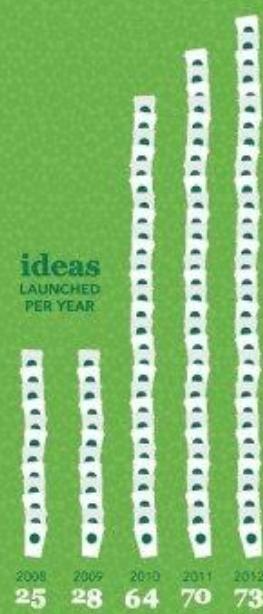
Starbucks

Technology Development

- Starbucks is very well known for use of technology not only for coffee related processes (to ensure consistency in taste and quality along with cost savings) but to connect to its customers.
- Many customers use Starbucks stores as make a shift office or meeting place because of the free and unlimited **wifi** availability. The 3rd place experience
- The company in the year 2008 also launched **mystarbucksidea.force.com** as a platform where customers can ask questions, give suggestions and openly express opinions and share experiences.

277 ideas

BROUGHT TO LIFE



More than
150,000
ideas submitted over
the past five years



2,000,000

votes have been cast on
My Starbucks Idea - more
than the last mayoral
election in Chicago



Idea #3
Free Wi-Fi



7,500

Starbucks in the
U.S. and Canada have
Wi-Fi that can be
accessed with just
one click and no cost

New Flavors



Idea #144

Mocha
Coconut
Frappuccino



Idea #275

Hazelnut
Machiatto



Idea #233

Pumpkin Spice
Latte VIA

Idea #34
Happy Hour



San Fernando, California is
the happiest city with the most
Frappuccinos created during
Frappuccino Happy Hour

Idea #202
**Mobile Payment
Through Drive Thrus**

Now you can just roll
down your window and
use your phone to enjoy
your favorite cup of coffee



Idea #128
Cake Pops



More than
5,800,000

cake pop treats enjoyed
each year; with Friday
being the most popular day

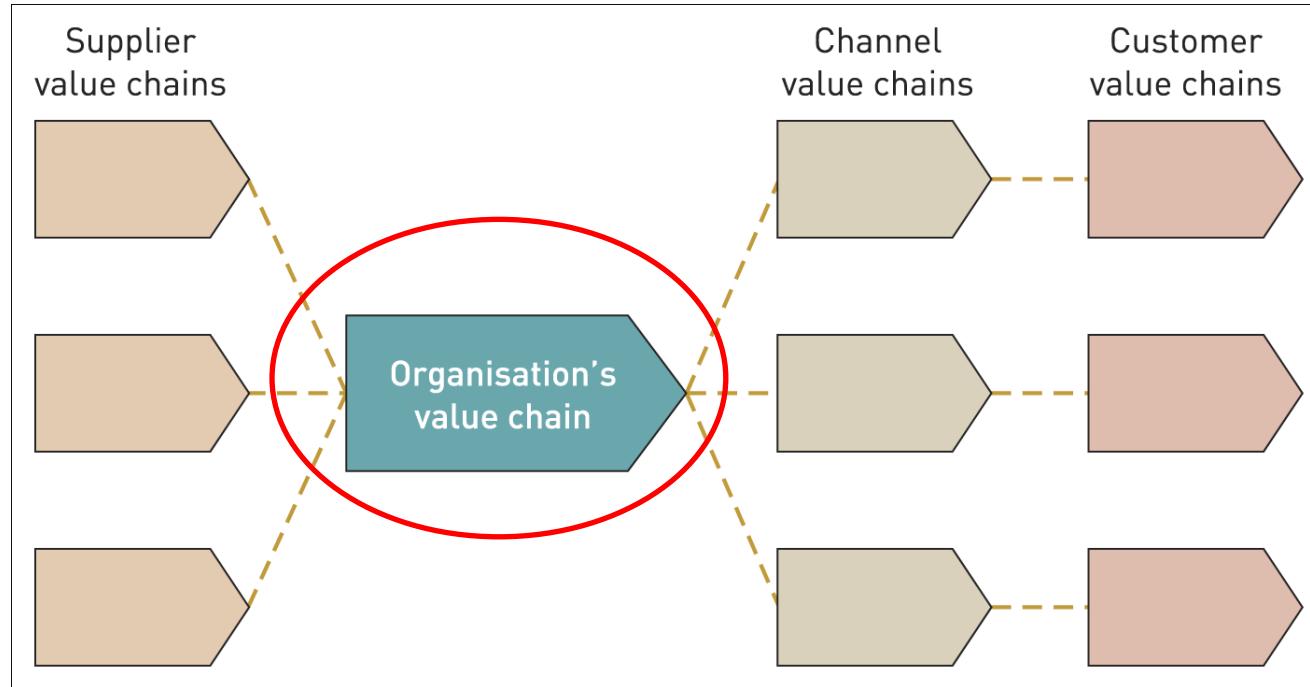
More is happening every day. **17 ideas launched so far this year!** Keep the ideas coming.

Starbucks

Procurement

- This involves procuring the raw material for the final product.
- The company agents travel to Asia, Latin America and Africa for the procurement of high grade raw material to bring the finest coffee to its customers.
- The agents establish strategic relationship and partnership with a supplier which is built up after reconnaissance and communication about the company standards.
- High quality standards are maintained with direct involvement of the company right from the base level of selecting the finest raw material which is coffee beans in case of Starbucks.

The Value Chain is embedded in a Value System

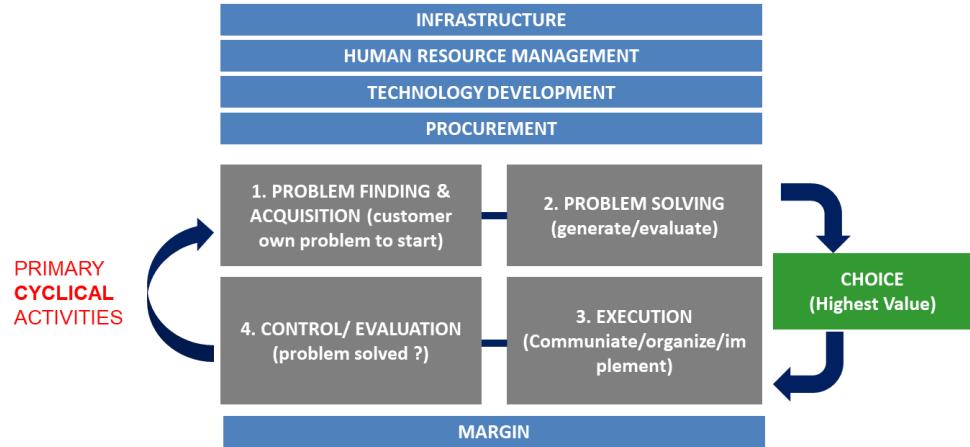


Source: Adapted with the permission of The Free Press, a Division of Simon & Schuster, Inc., from *Competitive Advantage: Creating and Sustaining Superior Performance* by Michael E. Porter. Copyright © 1985, 1998 by Michael E. Porter. All rights reserved.

The Value Shop model

Banks, consulting, physicians, accountants, ...

- **primary activities** (directly concerned with the solving the **customer's problem**)
- **support activities** (help to improve the effectiveness or efficiency of primary activities)
- **Intensive technology** (hardware, software, knowledge) applied to sole a specific customer demand or problem (type of demand determines intensity of shop activities)
- **asymmetry of information** often exists between business and customer.
 - Often deals with **unique cases** (customized)



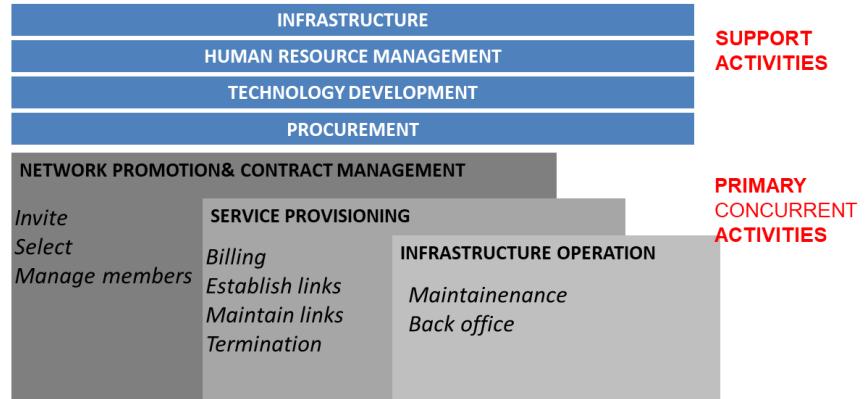
- *resolve a particular customer problem.*
- *cyclical model / iterative process*
- *pricing depends on reputation of a firm.*

Source: 1998, Stabell & Fjeldstad

The Value Network model

Hospitals, event agencies, sports leagues, schools, temp agencies

- Model for organisations that create value by **facilitating a network relationship** between their customers using a mediating technology (platform to connect)
- **primary activities** (directly concerned with linking customers using a mediating technology (facilitate exchange)) (impossible to create value without bringing people together)
- **support activities** (help to improve the effectiveness or efficiency of primary activities)
- **Value** is driven by the existence and the qualities of the network
 - Relationship depth
 - Breadth



- **Subscription fees (Linkedin Premium)**
- **Freemiums**
- **Pay as you go fees (Air BnB)**

Source: 1998, Stabell & Fjeldstad

Benchmarking

- A means of understanding how an organisation compares with others – typically competitors
- Two approaches
 - Industry/sector benchmarking – compare against others in same industry on a set of performance indicators
 - Best-in-class benchmarking- comparing value adding activities (capabilities) with the best-in-class, wherever they may be

SWOT TO TOWS

SWOT

	Helpful	Harmful
Internal	STRENGTHS S	WEAKNESSES W
External	OPPORTUNITIES O	THREATS T

SWOT

Relative SW
to others

Relevant items
only

		Helpful	Harmful	
Internal	External	STRENGTHS	VRIO	WEAKNESSES
		S VALUE DECOMPOSITION		W
		S VALUE SYSTEM		W
		BENCHMARKING		
External		OPPORTUNITIES	PESTEL	THREATS
		O SCENARIOS		T
		5 FORCES		
		SEGMENTATION & GROUPS		
		STAKEHOLDER MAPPING		

Careful

- Avoid just listing stuff – you need to prioritize
- Make sure you analyse and support your opinions
- SWOT is not the analysis – it is the reporting mechanism for the other underlying methods
- SWOT is not a strategy...it is not the END

Now build strategic options

Remember, this is a relative assessment

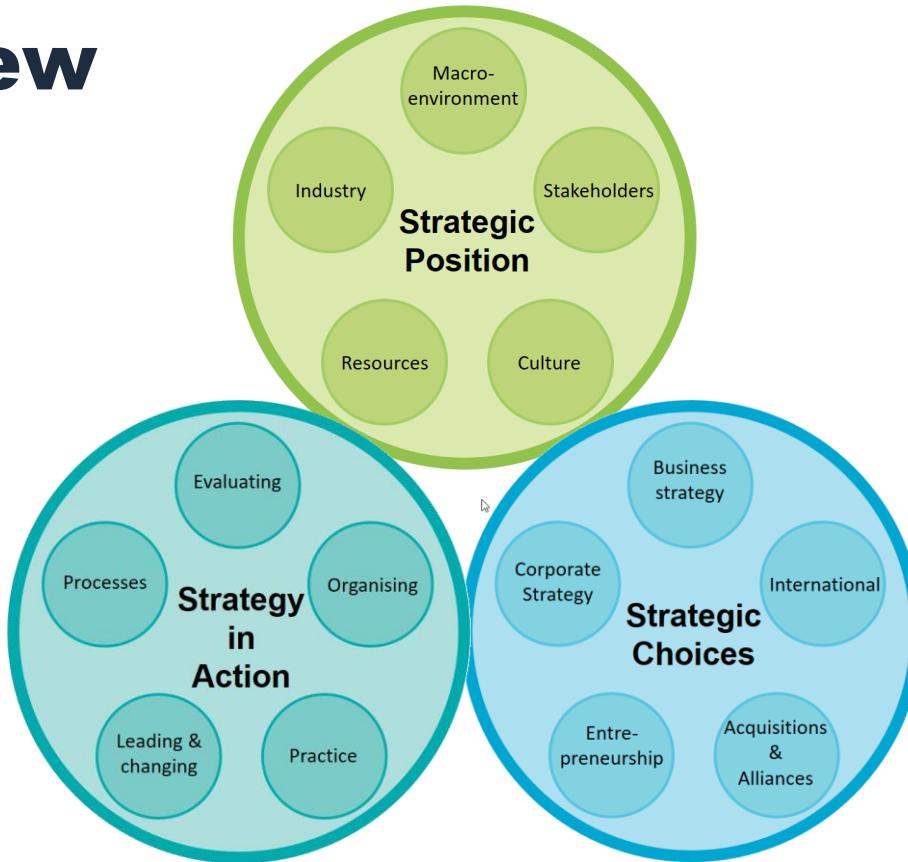
		Internal factors	
		Strengths (S)	Weaknesses (W)
External factors	Opportunities (O)	SO Strategic options Generate options here that use strengths to take advantage of opportunities	WO Strategic options Generate options here that take advantage of opportunities by overcoming weaknesses
	Threats (T)	ST Strategic options Generate options here that use strengths to avoid threats	WT Strategic options Generate options here that minimise weaknesses and avoid threats

STRATEGY

Session 6 : History & Culture



Overall view



Strategic Position

Session 1-6

Strategic position is concerned with the impact on strategy of the external environment, an organisation's strategic capability and the expectations and influence of stakeholders.

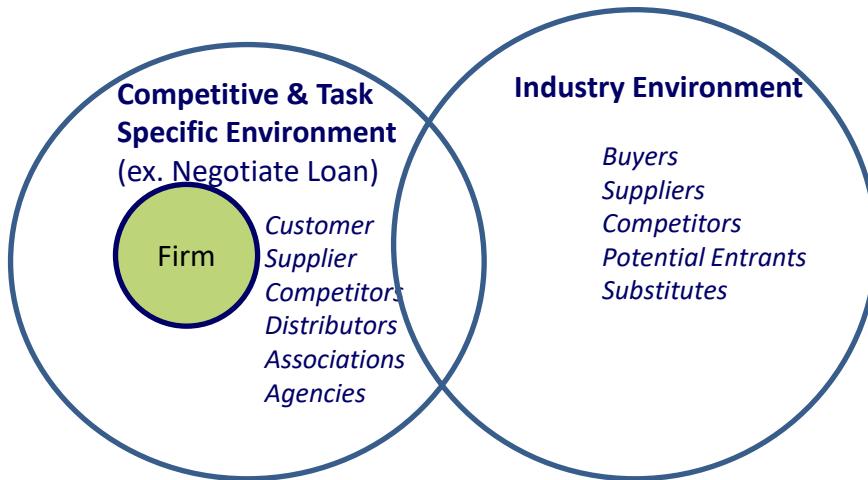
To develop and manage a strategy companies need to analyze both the organization (internal) and the environment (external), i.e. all the external influences that affect the decisions and the performance of an organization.



Levels of Environment

Macro Environment (Political Economy)

Relevant Environment (SCOPE defined here)



Corporate Culture ...

The culture is not for me...

- Lack of vision or plan
- Too much bureaucracy
- Politics rewarded vs performance
- People afraid to speak up
- Good ideas not listened to

*Three quarters (74%) of professionals said that they felt **demotivated** when working for an organisation where they were **a poor cultural fit***

Robert Walters, UK

Culture and performance

Symbolism

- **Intuit Labs** (software) has the kitchen table where Scott Cook and his wife first came up with the idea for the company in its innovation center.
- **Nike** founder Phil Knight would take a motorhome to track meets to talk with athletes, show them products, and get their feedback. Now, the motorhome serves as its top secret Sports Research Lab.



Culture and performance

Symbols at Spanx

- Sara Blakely's **lucky red backpack**. "I took it to Neimanmarcus when I first pitched my product. It was with me on every sales call, every press interview, and was even my go to bag when I launched Spanx Internationally. I've had the backpack since college and truly believe it's lucky. For the past 18 years I've been handing out "lucky" red backpacks to the women and girls I've been able to help along the way. The backpack is a symbol: Believe you are lucky, believe you already have all you need to pursue your dreams. I started Spanx with \$5,000 and my lucky red backpack, that's it. My backpack now hangs on the wall at Spanx and every time I pass it, I smile.



- \$5000 startup in 2010
- Spanx generates \$400million /year
- Blakely is worth \$1billion

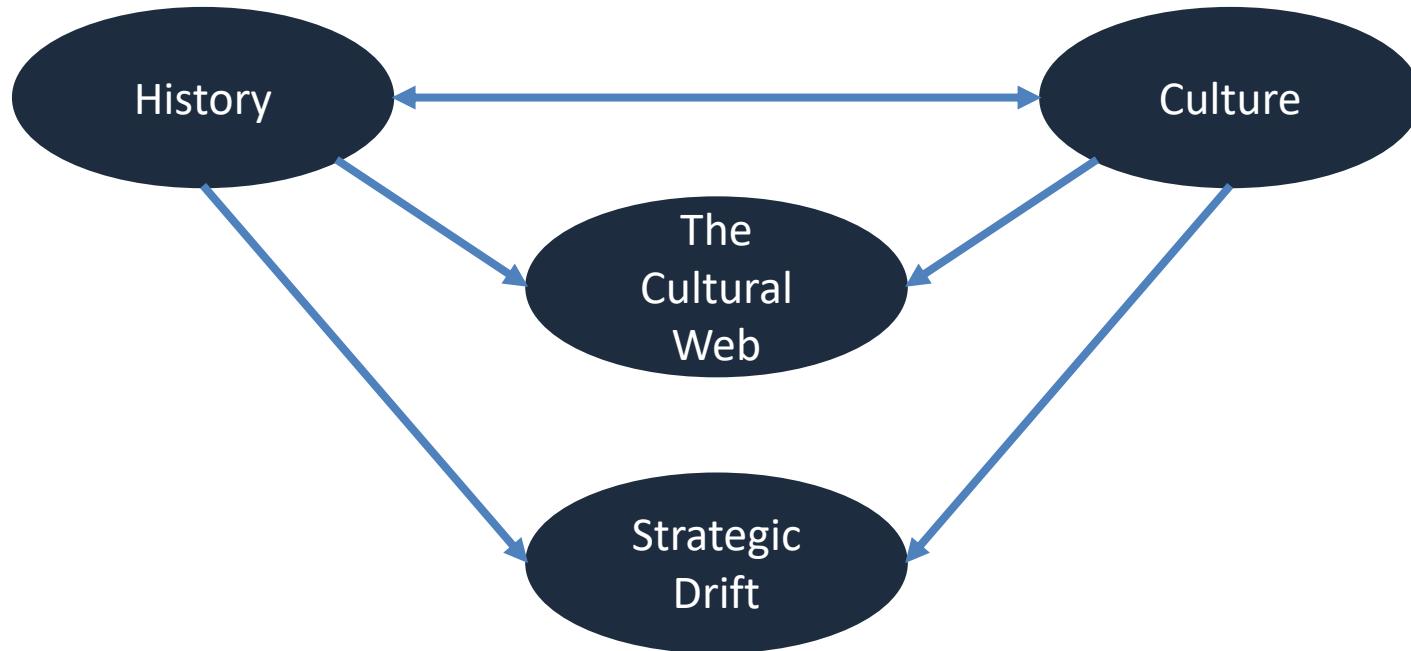
Culture and performance

Stories that are passed on

- The story of then 37 year-old Sheryl Sandberg's (now COO at Facebook) million-dollar mistake continues to drive the innovation culture at Google as the story is told and retold.
- She was responsible for online sales of Google's advertising and publishing products.
- She made a mistake that cost several millions of dollars. When she told Larry Page, he explained ...“I’m so glad you made this mistake...if we don’t have any these mistakes , we’re just not taking enough risks”



Impact of history & culture



HISTORY

History as a stakeholder

- Stella Artois 1366 (Belgium)
- Banca carige 1483 (Italy)
- Barker' Farm 1642 (USA)
- St. Gobain 1665 (France)
- Lloyds of London 1688 (UK)
- Mitsubishi 1678 (Japan)
- Colgate 1802 (USA)
- Daimler 1890 (Germany)



Boeing founder's wall

Founders, Accor Hotel Chain

Ray Kroc plaque inside McDonalds

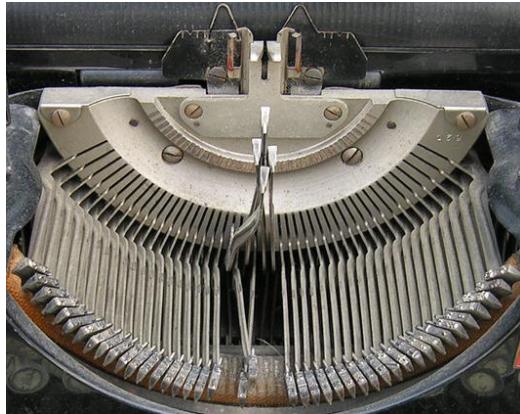
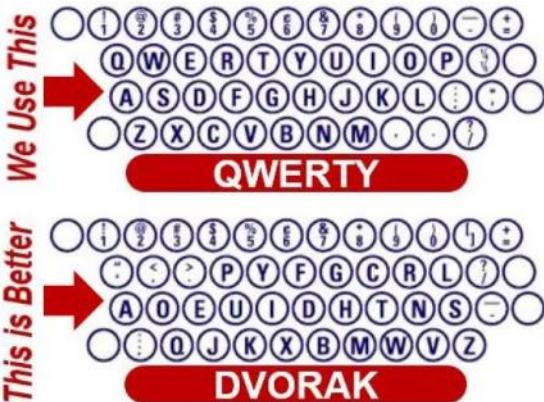
Bill Hewlett & Dave Packard 1950s office Palo Alto

History

- History is primarily seen as an explanation of inertia or path dependencies (Ericson, 2006)
- Organizations get stuck in historical development paths, limiting the range of strategic options that is open for them.
 - Resource configurations and culture linked to past
- Past success factor may limit future success and change
 - Organizations do not tolerate change that is disruptive in relation to their basic identity
- Historically embedded paradigms prevent change from occurring (Johnson, 1987)
- But history can also be a critical lever in change and evolution – “using” history

Path dependency

- Early events and decisions establish ‘policy paths’ that have **lasting effects** on subsequent events and decisions
 - . Example : QWERTY
- **Locked in** – switching costs are very high. Technology is embedded in many things (services, products, training, rules, ...)
 - . Ex. Airline mechanisms (yoke vs sidestick)
 - . Ex. Accounting practices
 - . Ex. NTSC color format (vs PAL)
 - . Ex. Drive on left side
- **Lock-in** can create « persistent discrepancies » (source of innovation) (ex. grocery bagging)



Path dependency and strategy

- Change requires changing many things (ex. yoke vs sidestick) – comprehensive change
 - Training, etc.
- Conservatism
 - Don't change for a small benefit. Cost of comprehensive change is high
- Path creation
 - Early choices **lock you in**



History as a resource

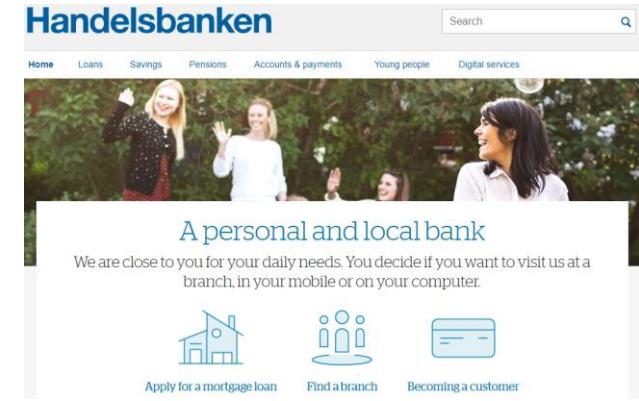
Benefits of the past

- Learning from the past
 - Study past moves of competitors
 - Study past market evolutions
- Building capabilities
 - Combine knowledge into new value propositions
 - History of ideas (ex. Each year about 3000 patent are issued to 3M)
- Legitimacy
 - Framing the future to fit with history can legitimize actions

Example : Internet at Handelsbanken

Framing change as « aligned » with history = legitimacy

- Handelsbanken founded in 1871 (major Swedish bank)
- Local branches as critical since early 1970s (proximity, core profit centers) – decentralized branch-centered banking
- Internet arrives !!
 - *There was resistance and hesitation towards the internet. Instinctively, a feeling that the internet was our enemy rather than something we could use and that is part of the explanation as to why we were late (Lars O Grönstedt, Managing Director, interview 2002).*
- Each of the more than 500 branches got its own web site.
 - branches had the possibility to individualize their site with information on local activities and offers



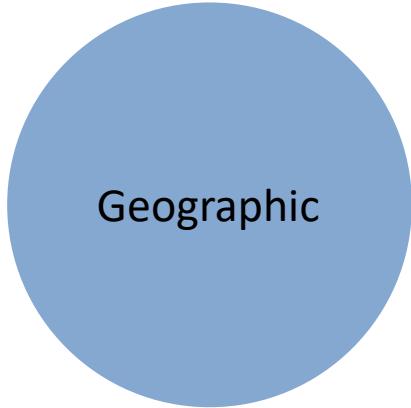
Analysing history

- Chronological analysis
 - Evaluate how organisation has changed with markets
 - This may help promote change if used correctly
- Cyclical influences
 - Show how business cycles exist and how strategy responds
- Key events and decisions
 - Key strategic events (merger, expansion, new products,...)
- Stories from the past
 - What stories are told internally? How do « we » see our own past? What do we want to keep « alive » ?

CULTURE

Culture

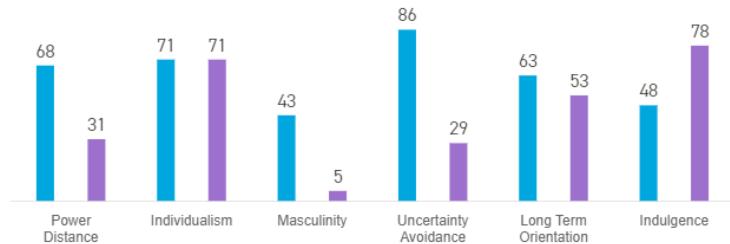
3 aspects



Hofstede's cultural analysis

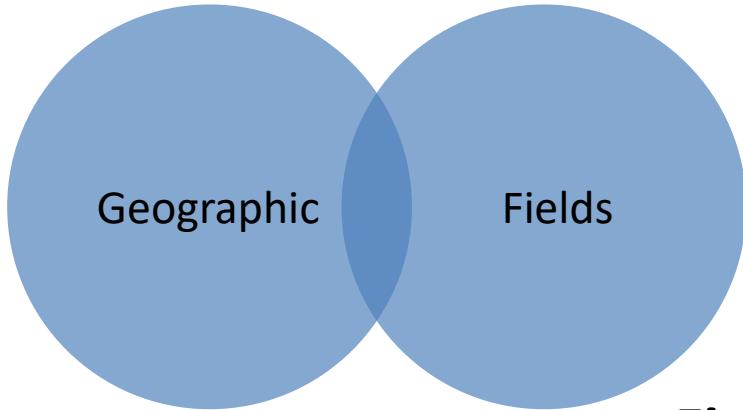
- Power distance
- Individualism/Collectivism
- Long-term orientation
- Uncertainty avoidance

France x Sweden x



Culture

3 aspects

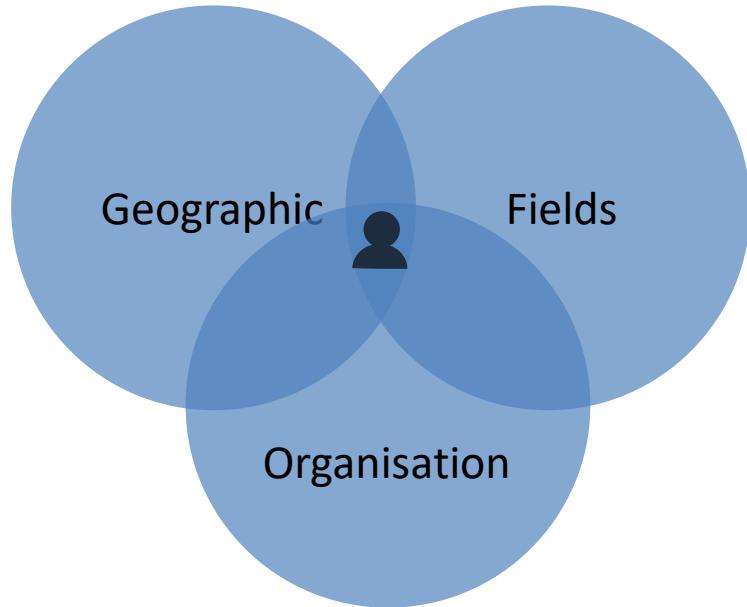


Fields (ex. researcher)

- Categorisation (of research)
- Recipes (testing, publishing, ...)
- Legitimacy (expectations)

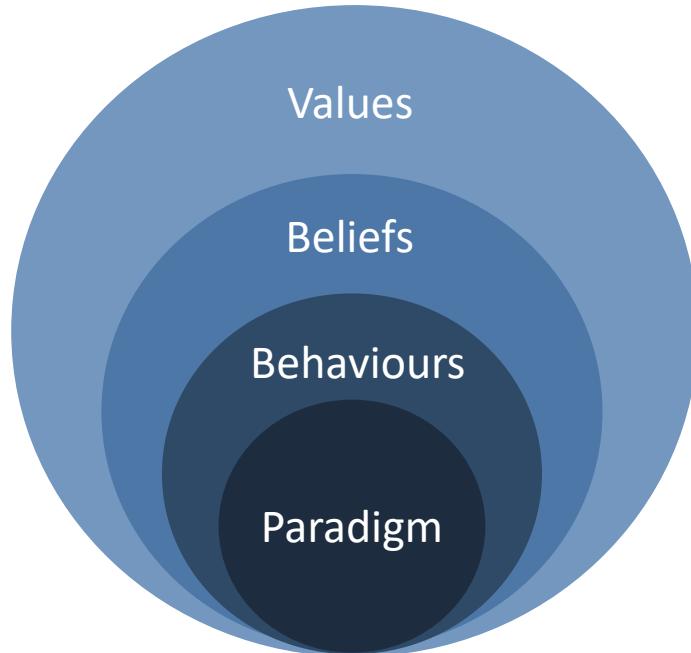
Culture

3 aspects



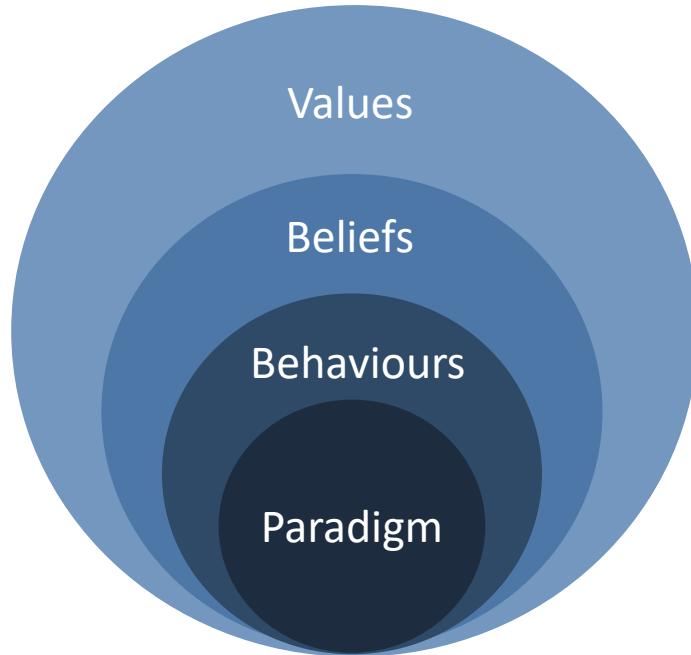
Organisational culture

- Values
 - core assumptions and values (not just those that are « espoused »)
 - Goodness
 - Example : loyalty, courage, respect compassion



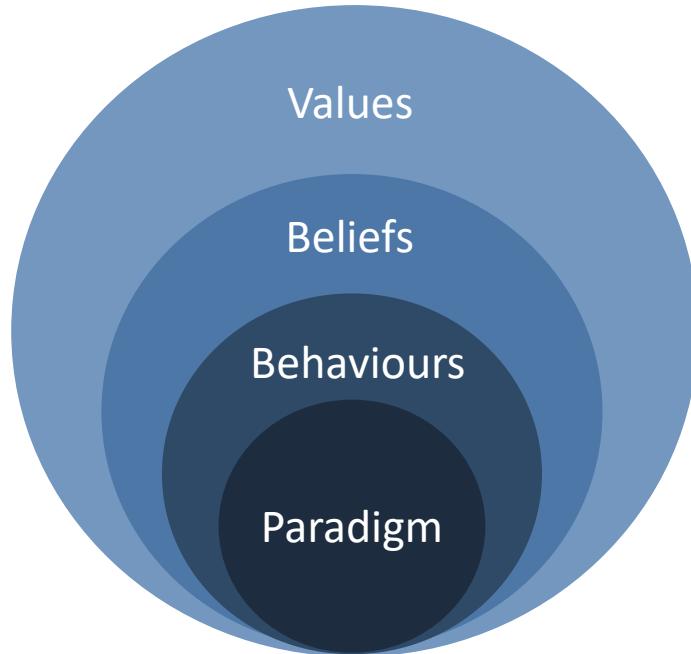
Organisational culture

- Beliefs :
 - More specific
 - ideas that are accepted as true without any facts
 - Convictions, things we hold to be « true »
 - Ex. I believe in the American Dream under this belief are values about wealth, individuality,



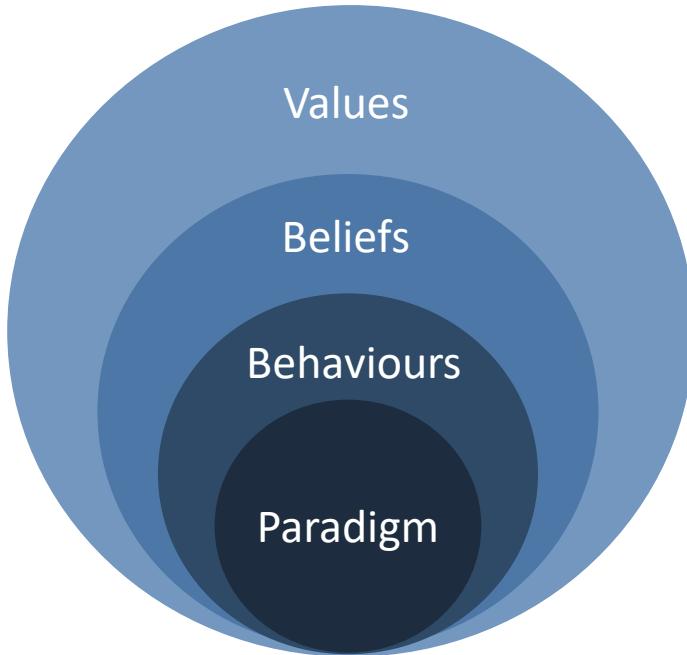
Organisational culture

- Behaviours :
 - Things that are done in the organisation from day-to-day
 - Seen internally and externally
 - Routines, structures, controls

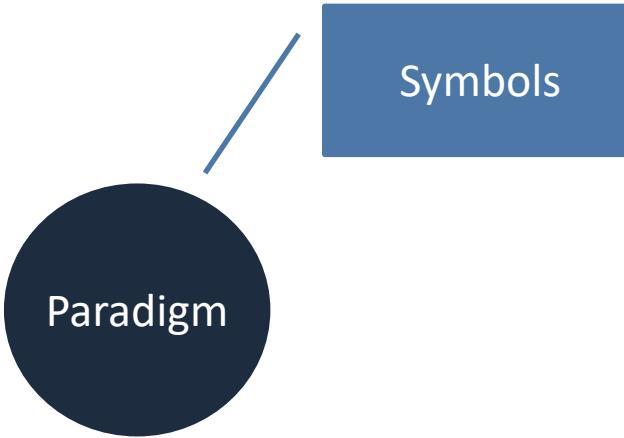


Organisational culture

- Paradigm :
 - Taken for granted assumptions held in common
 - Collective experience
 - Common understanding
 - Guide us about how to view and respond to situations.
 - How we hire people
 - How we treat customers
 - How we manage meetings
 - How we treat employees



Describing and Analysing Culture

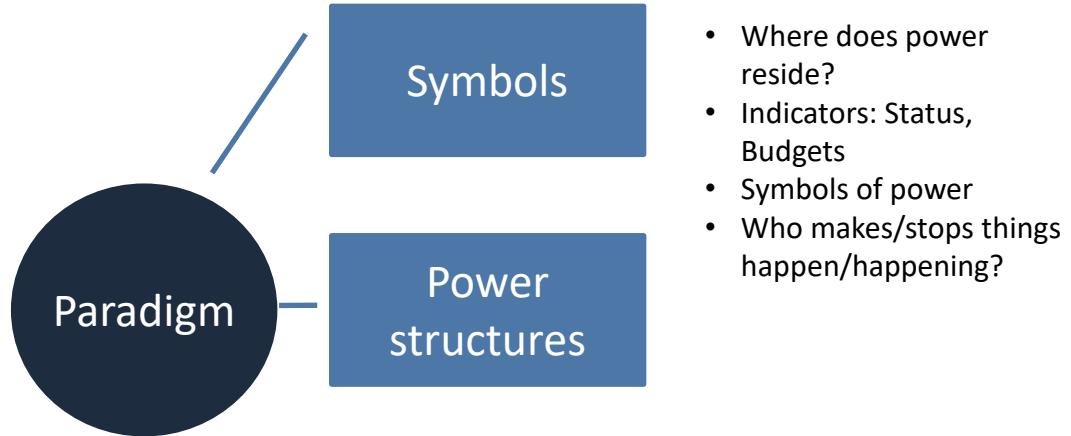


Symbols

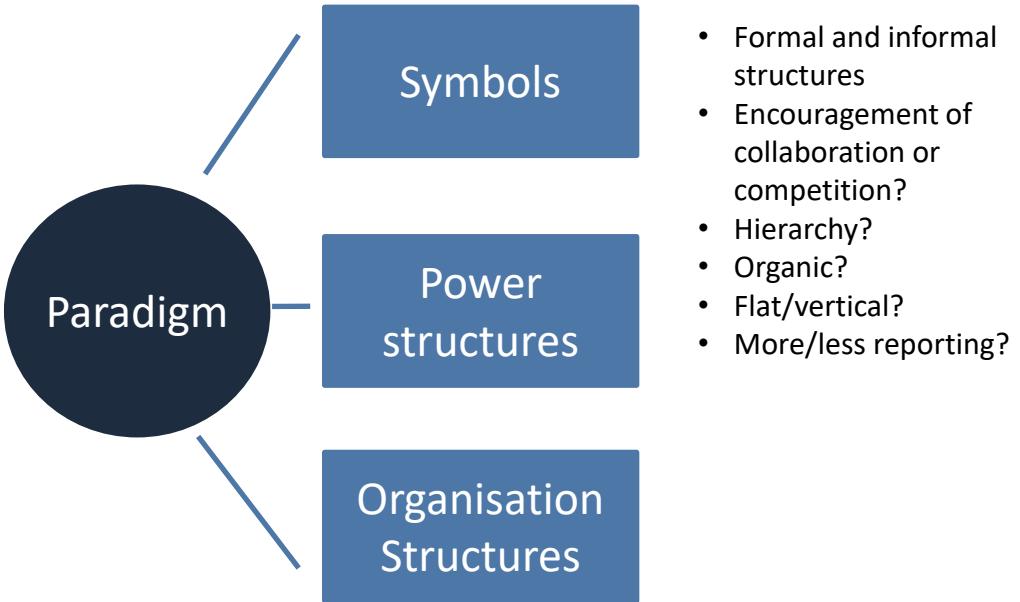
Objects, events, acts or people that convey, maintain or **create the meaning** over and above their functional purpose

- Offices
- Job titles
- Jargon/Language (customer/user)
- Perks

Describing and Analysing Culture

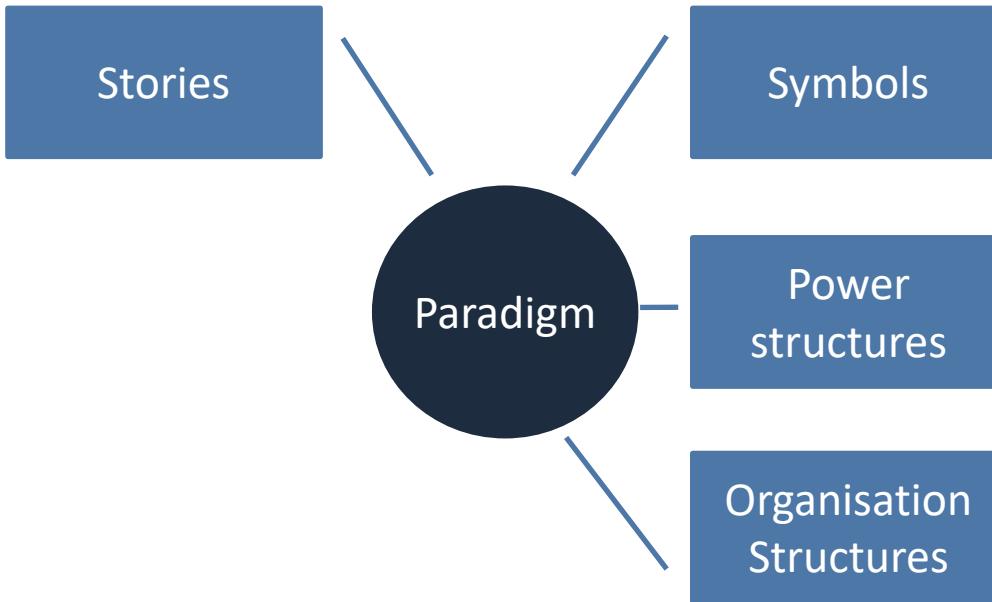


Describing and Analysing Culture



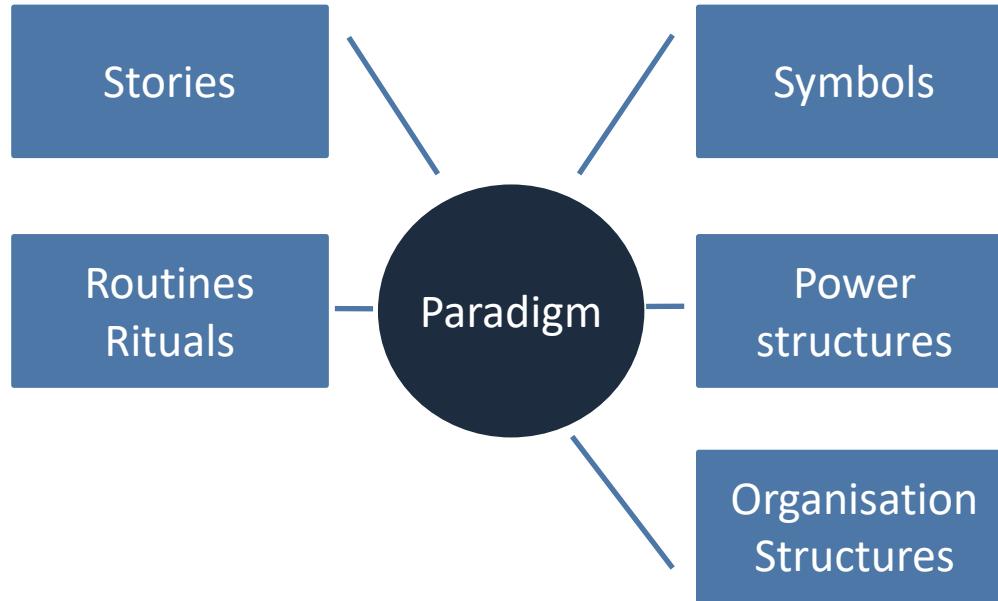
Describing and Analysing Culture

- What stories are commonly told?
- How do they reflect core assumptions/beliefs?
- Who the “heroes” ?
- Who are the “villains” ?
- What norms do ‘mavericks` deviate from



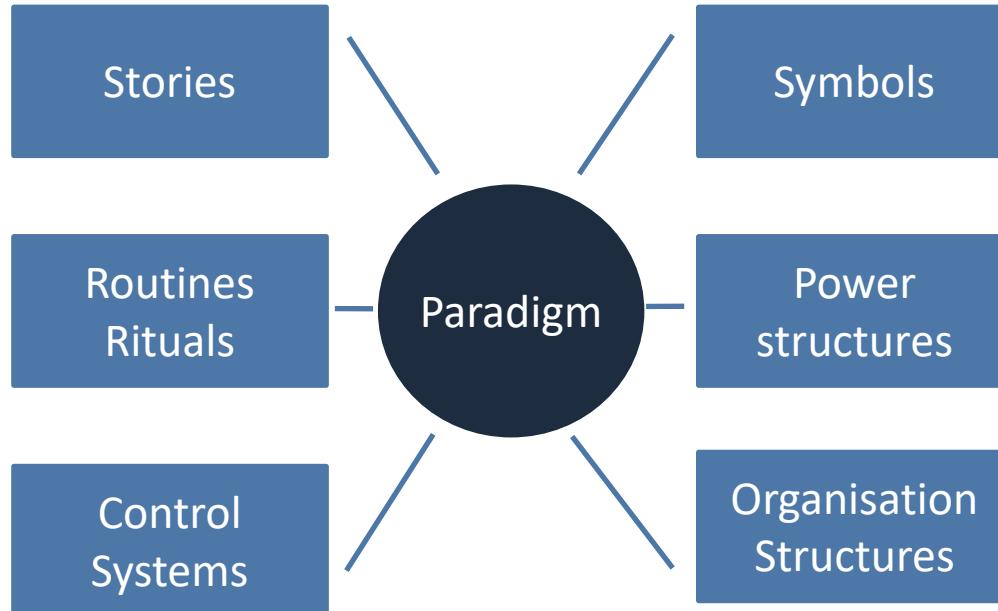
Describing and Analysing Culture

- The way we do things.
- Activities and special events that emphasize, highlight or reinforce what is important in the culture
- Special events



Describing and Analysing Culture

- What is most closely monitored/controlled?
- Is emphasis on **reward** or punishment?
- Bonus sytems
- Number/type of control



Culture

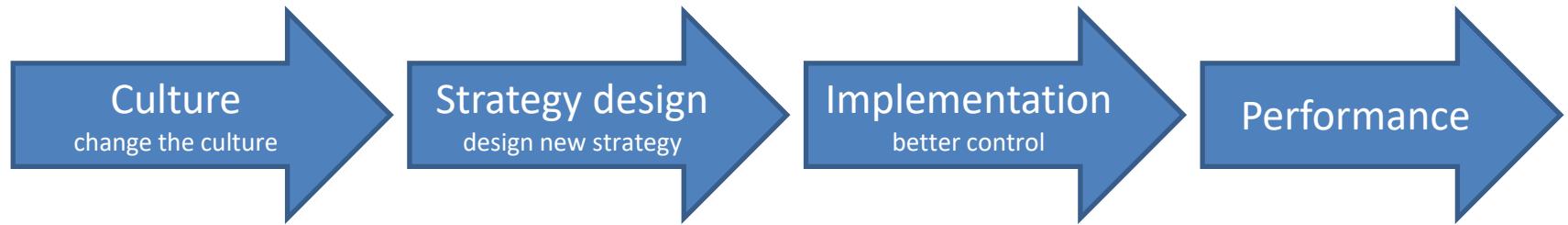
- Helps simplify information processing (tacit understanding)
- Complements formal controls (self regulation to fit)
- Facilitates collaboration/cooperation (les negotiation & transaction costs as we know what others want and value)
- Helps attract potential employees if visible and clear
- Can driven employee engagement

So...

- Managing culture is difficult because it's difficult to observe, identify and control
- Culture is a core driver of strategy and in most cases, strategy is often defined within the framework of existing culture
- Cultural change is **VERY** difficult

Organizational culture

- Impacts general performance
- Has an enduring impact on strategy



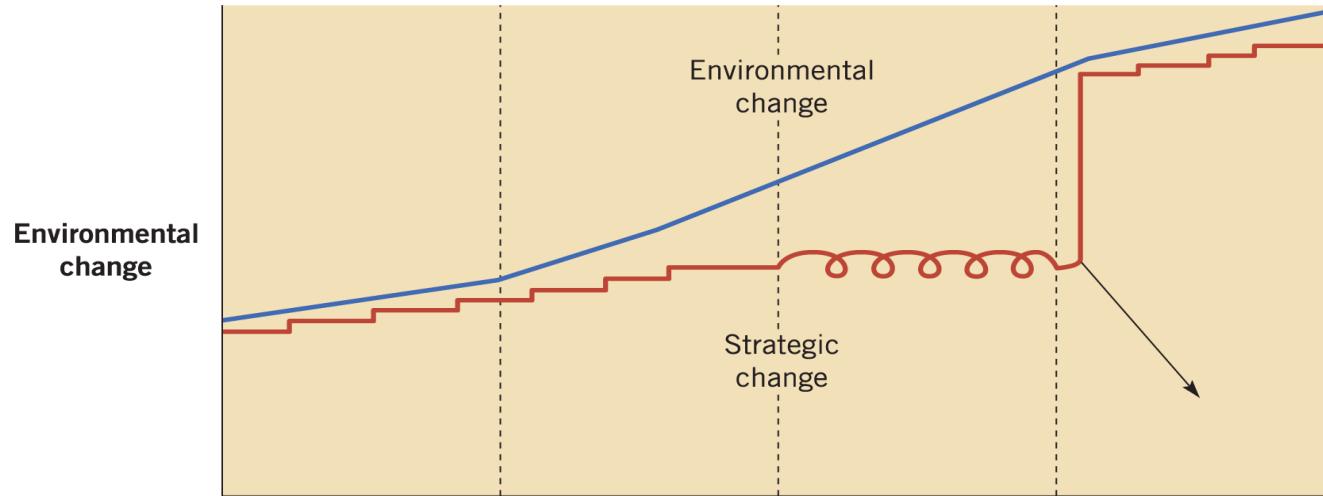
STRATEGIC DRIFT

The challenge of Strategic Drift

The tendency for strategies to develop incrementally ***on the basis of historical and cultural influences***, but fail to keep pace with a changing environment.

- Do what we did last year – it worked
- This year's budget is just last year's budget but “adapted”

Strategic drift over time



- | | | | |
|--|--|---|--|
| Phase 1
Incremental change | Phase 2
Strategic drift | Phase 3
Flux | Phase 4
Transformational change or death |
| <ul style="list-style-type: none">• Slow external change• Incremental internal change | <ul style="list-style-type: none">• External change outpaces internal change | <ul style="list-style-type: none">• Panic• Reverse?• Continue?• No direction | <ul style="list-style-type: none">• Take the leap or die |

Why does it happen

- ***Steady as you go*** – reluctance to accept that change may require *moving away from strategies that have been successful*.
- ***Building on the familiar*** – uncertainty of change is met with a tendency to *stick to the familiar*.
- ***Core rigidities*** – capabilities that are taken for granted and deeply embedded are *difficult to change*.
- ***Relationships become hurdles*** – organisations are reluctant to disturb relationships with customers, suppliers or the workforce.
- ***Lagged performance effects*** – the financial performance of the organisation may hold up initially (e.g. due to loyal customers or cost cutting) masking the need for change.
- ***Cultural mismatch*** – the paradigm limits our vision
- ***Power*** - Powerful people see change as “loss of power”

Behaviors related to strategic drift

- Strategic change, but in ***no clear direction***
- Top management ***conflict*** and managerial ***changes***
- Internal ***disagreement*** on the ‘right’ strategies
- Declining ***performance*** and ***morale***
- Customers becoming ***alienated***

What to do?

- Change management is critical
- Leadership is critical (vision, direction, ...)
- Education and awareness that is **learned** (not « told »)
- Build on core values if possible
- Incremental change if possible



EXERCISE

Vanguard

- Read the provided materials
- In teams identify potential indicators of the cultural web at Vanguard

STRATEGY

Session 7 : Business Strategy



Subjects and chapters

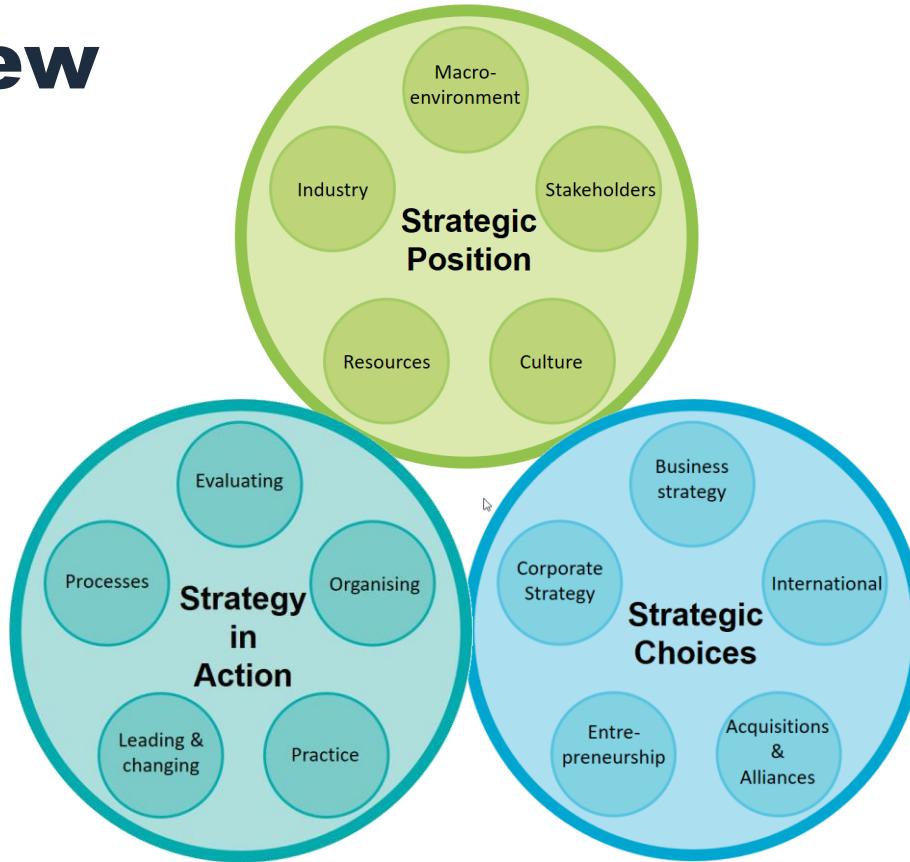
	Johnson et.al.	MSM
1 : Introduction	Ch 1	Ch 1
2. The Macro Environment	Ch 2	Ch 3
3. The Industrial Environment	Ch 3	Ch 3
4. Competitors and Markets	Ch 3 & Ch 5	Ch 3
5. Exploring and Exploiting Capabilities 1	Ch 4	Ch 4
6. Exploring and Exploiting Capabilities 2	Ch 6	Ch 4
7. Corporate Level Decisions	Ch 8 & Ch 11	Ch 8
8. International Strategy	Ch 9	Ch 7
9. Business Level Decisions 1	Ch 7	Ch 5
10. Business Level Decisions 2	Ch 10	Ch 2
11. Strategy Evaluation	Ch 12	
12. Strategy as Practice	Ch 13 & Ch 15	Ch 1, Ch 10
13. Strategy Implementation	Ch 13 & Ch 15	Ch 9



Subjects and chapters

	Johnson et.al.	MSM
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11. Strategy Evaluation	Ch 12	
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Overall view



Strategic Choices

Sessions 7-10

Strategic choices involve understanding the underlying bases for future strategy at both the business unit and corporate levels and the options for developing strategy in terms of both the directions and methods of development.

- What business to include in portfolio?
- How do our businesses compete?
- How should we compete internationally?
- Are we innovating effectively?
- Is non-organic growth important?



Strategic Choices

Sessions 7-10

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BUSINESS STRATEGY

Levels of strategy

happen at many levels



Strategic Business Units

- At the corporate level, companies need to decide in which areas they wish to compete.



- An SBU supplies goods and services for a **distinct activity**.
(note : in French, we often refer to a DAS – Domain d'Activité Stratégique)
 - Defined by market (channels, customers,) or capabilities

Key questions

- How will we compete ? – our competitive strategy
- How will we « capture value » ? – our business model

Competitive strategy

- Concerned with HOW a company (or organisation) achieves a **competitive advantage** (over its rivals) in its domain of activity.
- **Competitive advantage**
 - « Competitive » - we can effectively compete by creating perceived **captured** value that is greater than our costs.
 - « Advantage » - we have a perceived value that is greater than our rivals.
- When two or more firms compete over the same market, one firm has a **(sustainable) competitive advantage** over its rivals when it earns (or has the potential to earn) a persistently higher rate of profit / level of performance

Competitive Advantage



- Low cost (cost advantage)
 - Careful – this refers to the costs of production.
 - Ex. we are THE low cost provider (attention : you must be the LOWEST)
- Differentiation
 - We offer something different
 - Differentiation allows us to have higher prices
 - Ex. We have a high quality product – this increases costs – but we can sell for a higher final price as the value from high quality is perceived by the customer



Competitive Scope



- Broad targets
 - Example : Kroger is the largest supermarket chain in USA (5th in world) with locations and large product range (Base in Cincinnati, Ohio – USA)
- Narrow targets
 - Example : geographic scope, customer segments (youth), etc.
 - Small local grocery stores like West Point Market or Jungle Jim's (Cincinnati, USA)



Jungle Jim's

Speciality foods

- 180,000 items, about 60,000 of which are international items, and over 300,000 square feet (6½ acres or 26,000 square meters) of floorspace.
 - 1400 cheeses
- Jungle Jim's is notable for one of the largest wine collections in the United States, live seafood tanks, and an in-store cooking school. Each week, the store is visited by approximately 82,000 shoppers (foodies).
- Many of the specialty foods in the store's Asian and European departments are difficult to find elsewhere in the Greater Cincinnati area, and customers have been known to drive from other cities for the store's wide variety of food.



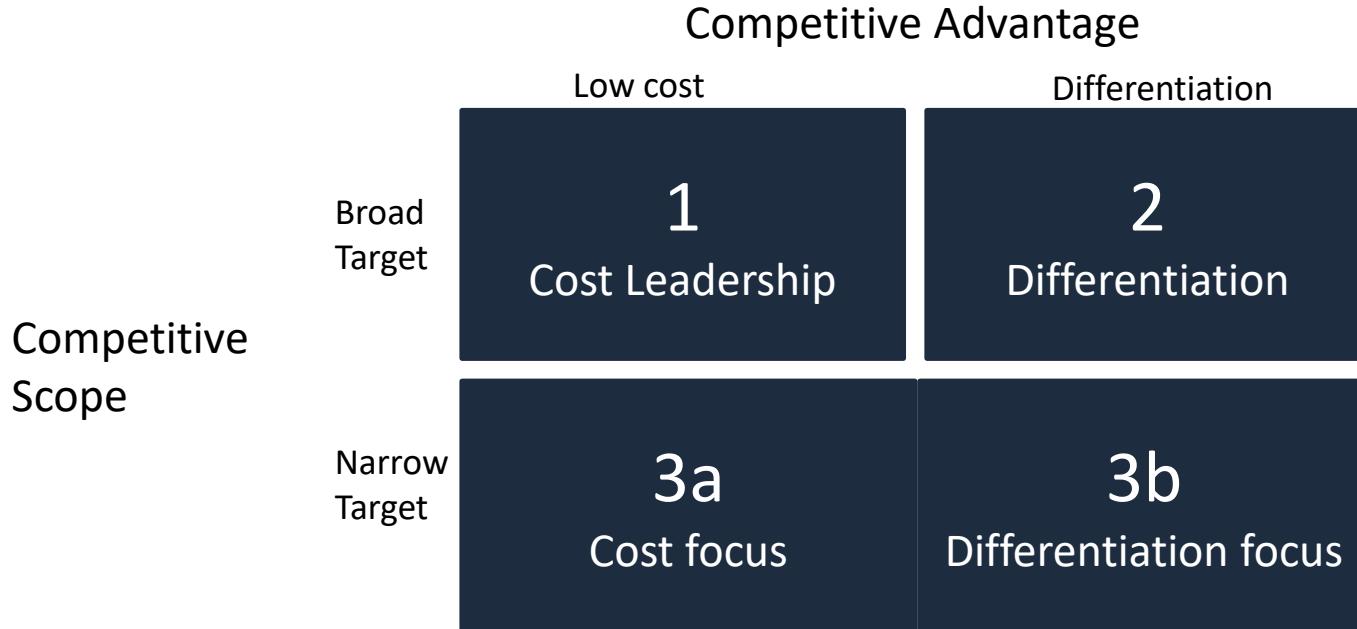
West Point

Specialty foods

- Catered to high income families in local area
- HIGH service quality
- International products, wines, etc.
- We are a Specialty Foods Store with house made chef's case items, bakery, wine, imported chocolates and specialty foods.
- West Point wine director Bill Krauss said the store couldn't remain viable as a single-store operation amid increased competition in the specialty/gourmet food retailing business.



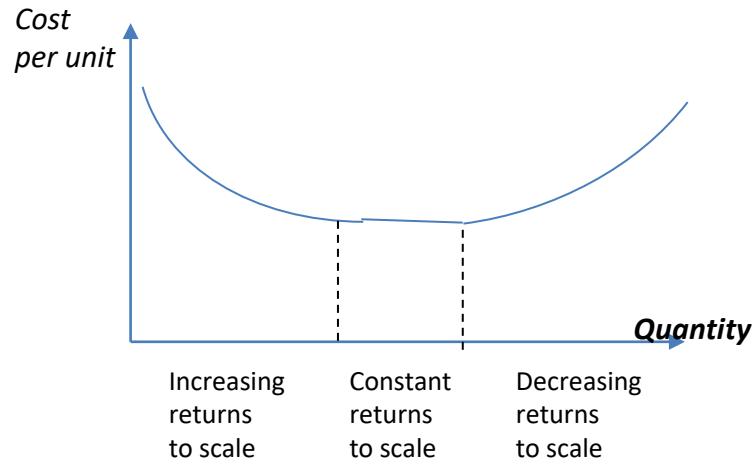
Generic Strategies



Cost Leadership

Scale (*Economies of Scale*)

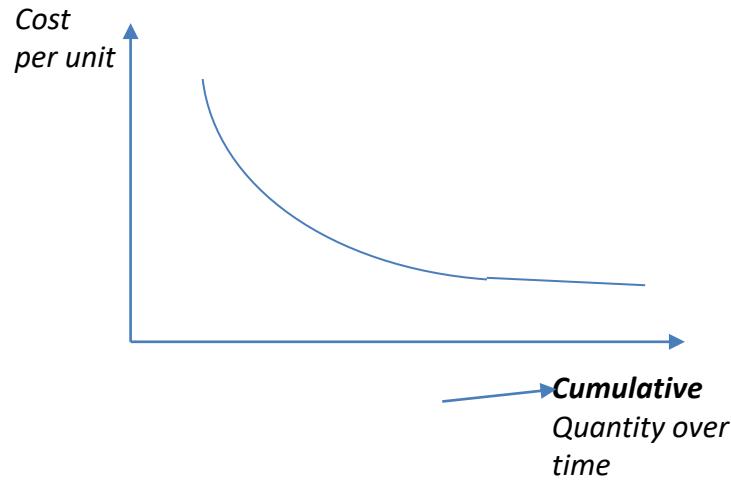
- Size differences and economies of scale
 - Volume and **size of machines**
 - Volume and **cost of plant and equipment**
 - Employee specialization
 - Volume and overhead cost (per unit)
- Diseconomies of scale are possible !
 - Physical limitations
(cement kilns can only be so big)
 - Managerial diseconomies
 - Worker demotivation
 - Distance (centralized production means increase transport costs)



Cost Leadership

Experience and Learning

- As we produce more over time we get better at what we do
- We improve our work methods
- Note : to increase over time, market share may need to grow – this could be costly (advertising, marketing mix)



Cost Leadership

Other factors

- Differential low-cost access to factors of production
 - Ex. access to low cost fuel sources
 - Ex. Access to know how and trained people (build company in Silicon Valley)
- Technological advantages not linked to scale
 - Ex. use the latest technologies
- Product Design and whole life costs

Note : are there first-mover advantages to cost leadership?

Learning – is experience required? Can others easily learn from your mistakes?

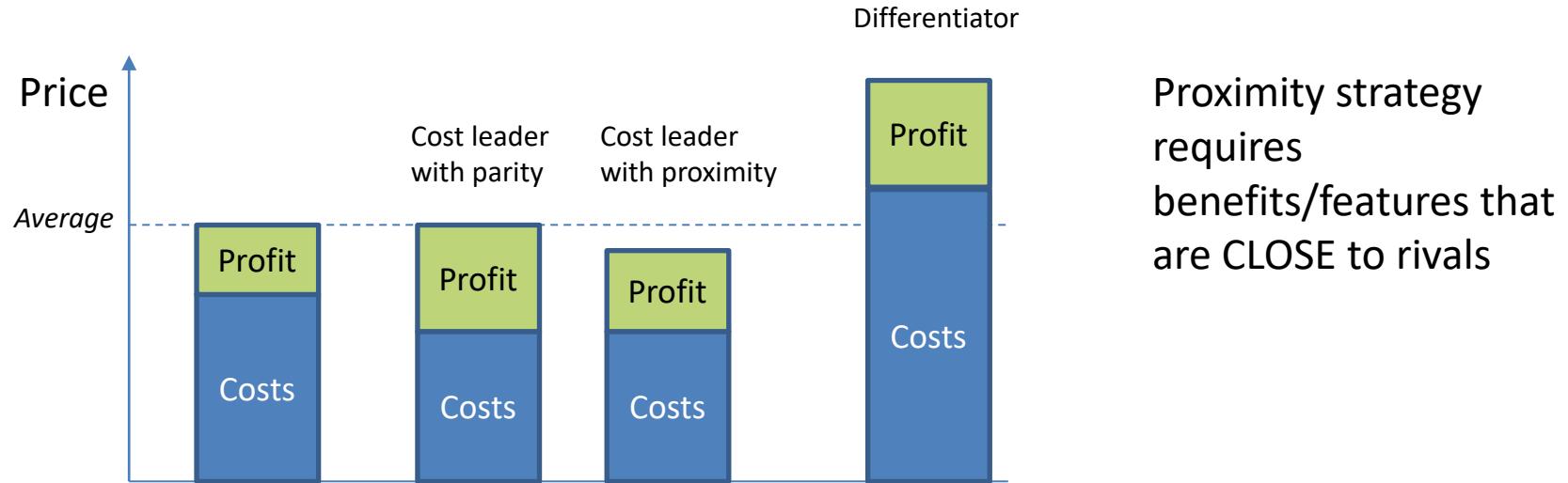
Technology – move later and get better technologies? First mover is limited by old tech.

Cost Leadership and VRIO

- More likely to be **rare**
 - Learning curve economies (especially in emerging industries)
 - Differential access to low-cost factors of production
 - Some technologies (protected)
- More likely to be **inimitable**
 - Differential access to low-cost factors of production
 - Protected or « complex » technologies
 - Learning (if history is required for learning)

Exploiting Low Costs

What do you do with low cost?



Differentiation

- Uniqueness (perceived) along some dimension that is sufficiently valued by customers to allow a **price premium**
 - Product features or attributes or performance (note : perceived!)
 - Linking value chain components (product + service)
 - Perceived or real 1st mover advantage – set the standard, « oldest »,...
 - Location
 - Links with other firms (complex offer that involves other value chains)
 - Product mix & variety (one stop shopping)
 - Brand reputation
 - Product complexity or customization (go beyond the « core » or « expected » product)

Differentiation and VRIO

- Inimitability is **possible** for
 - Product/service complexity (links across functions, with partners, etc) - complements
 - Reputation
 - Location
 - First mover
 - Unique access to supply/distribution channels
 - Unique resources used to create unique product features
 - Customization & customer relationships (responsive, good service,..)

Focus

- Dedicated (hard to evolve)
- Serving target better than others that are covering a broad scope
 - Broad scope may be a cost disadvantage – produce many products
ex. frozen foods only
 - **Specialized knowledge** for a focused offer helps differentiate
- Success based on
 - Distinct segment needs (clear lines of demarcation)
 - Distinct segment value chains (especially if cost focused)
 - Viable segment economics

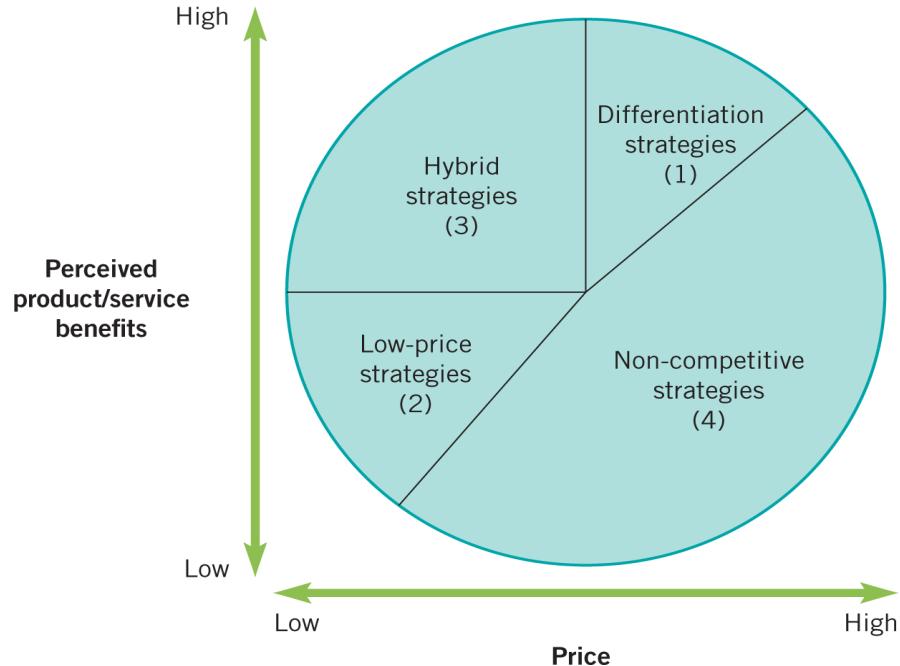
Can you do BOTH ?

Cost + Differentiation ??

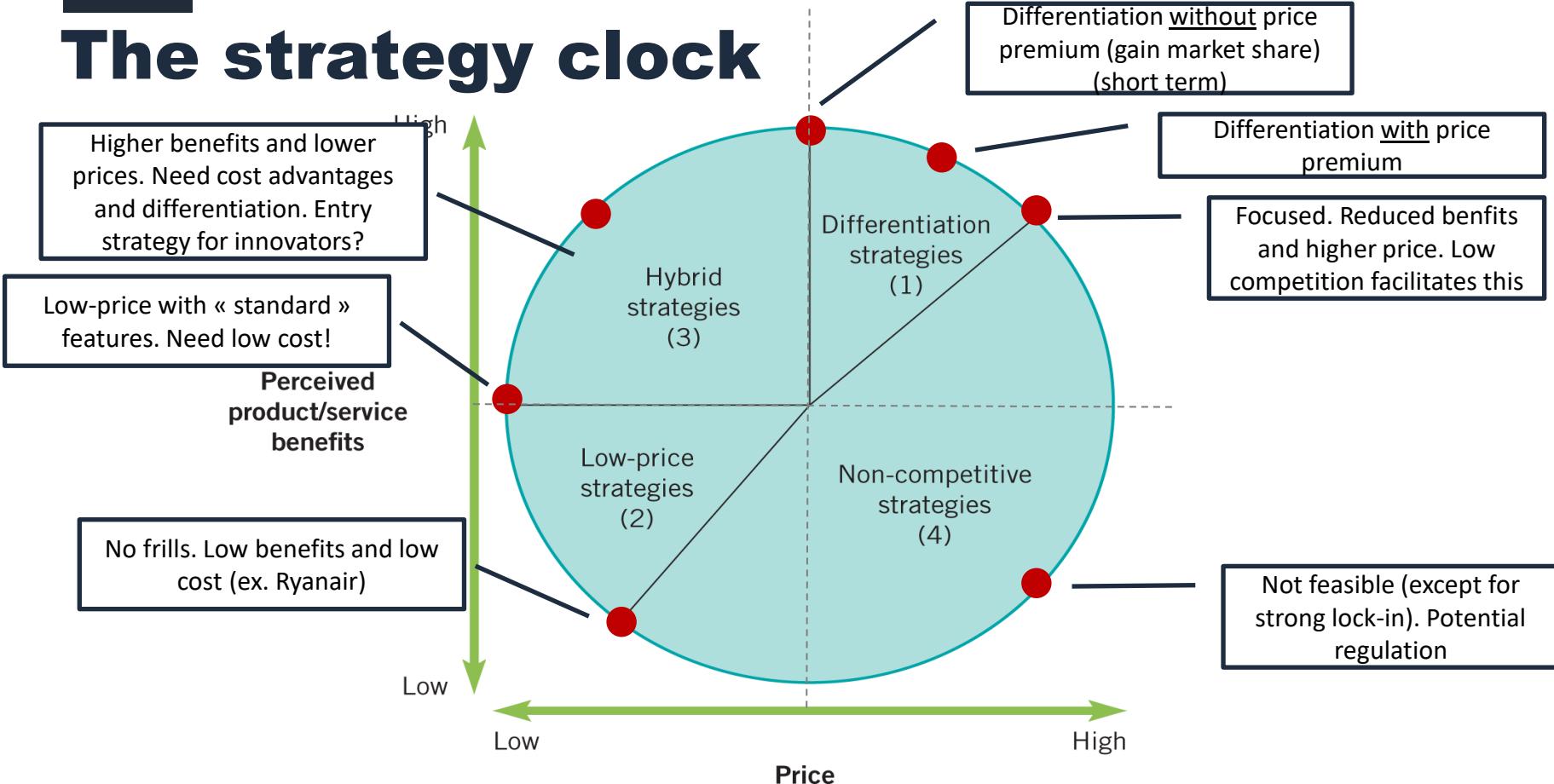
- Can you do both effectively ? Risks ?
 - Maybe possible if separate business units (ex. Air France + Transavia)
 - Innovations that allow cost and quality improvements simultaneously
 - Competitive failures (other are also in the middle)
- Be careful as the two are hard to combine

The strategy clock

- Looks at potential hybrid strategies
- Uses PRICE (not cost)
- Incremental vs discrete choices available.



The strategy clock



COOPERATION

Cooperation

- Competition can be bad for all rivals
- Collaborate with some to « beat » others or fend off entrants
 - Formal (ex. cartels – illegal)
 - Informal (tacit collusion) (high barriers needed, similar offers, few competitors)
- Collaborate to increase power over suppliers
 - Ex. Standardized specifications for parts
- Collaborate to increase power over buyers
 - Ex. Keep prices high
 - Ex. Standardized features (helps lower « use » or « consumption » costs)

Examples of Cartels caught in France

And what it cost!

- Le cartel des produits laitiers (2015) — 192,7 M€ d'amendes
- Le cartel franco-allemand de la farine(2012) — 242,4 M€
- Le cartel du lino (2017) — 302 M€ (Forbo, Gerflor et Tarkett)
- Le cartel des lessives (2011) — 367,9 M€ (Unilever, Procter & Gamble, Henkel et Colgate Palmolive)
- Le cartel des banques (2010) — 384,9 M€ (une commission interbancaire de 4,3 centimes d'euros sur 80 % des chèques échangés en France)
- Le cartel de la téléphonie mobile (2005) — 534 millions d'euros (Orange, SFR, Bouygues)
- Le cartel des transporteurs de colis (2015) — 672,3 M€
- Le cartel des produits d'entretien et d'hygiène (2014) — 951,2 M€ (Colgate-Palmolive, SC Johnson, .)
- Europe : MAN, Volvo/Renault, Daimler, Iveco, and DAF broke EU antitrust rules (2016)

Game theory

- Consider competitors' likely moves and what they imply for strategy.
 - Responses analyzed
 - Signals analyzed
- Important when there is **interdependance** – outcomes of choices depend on choices made by the other 'player'.
 - Ask yourself « what will my competitor do? »
 - Think forward and reason backward.

Prisoner's dilemma payoff matrix

Cut prices ??

		Boeing	
		Hold prices	Cut prices
Airbus	Hold prices	500	700
	Cut prices	100	300

Hypothetical data constructed for illustration purposes only

Boeing reflects

« If Airbus holds price, what is my best strategy to maximize MY payoff? »

« If Airbus cuts price, what is my best strategy to maximize MY payoff? »

Cooperation

Possible ?

- Importance of repeated « rounds »
 - Signal by responding quickly to deter future moves
 - Commit to a strategy
-
- Some unilateral tactics exist to enforce cooperation

LOWEST PRICE GUARANTEE

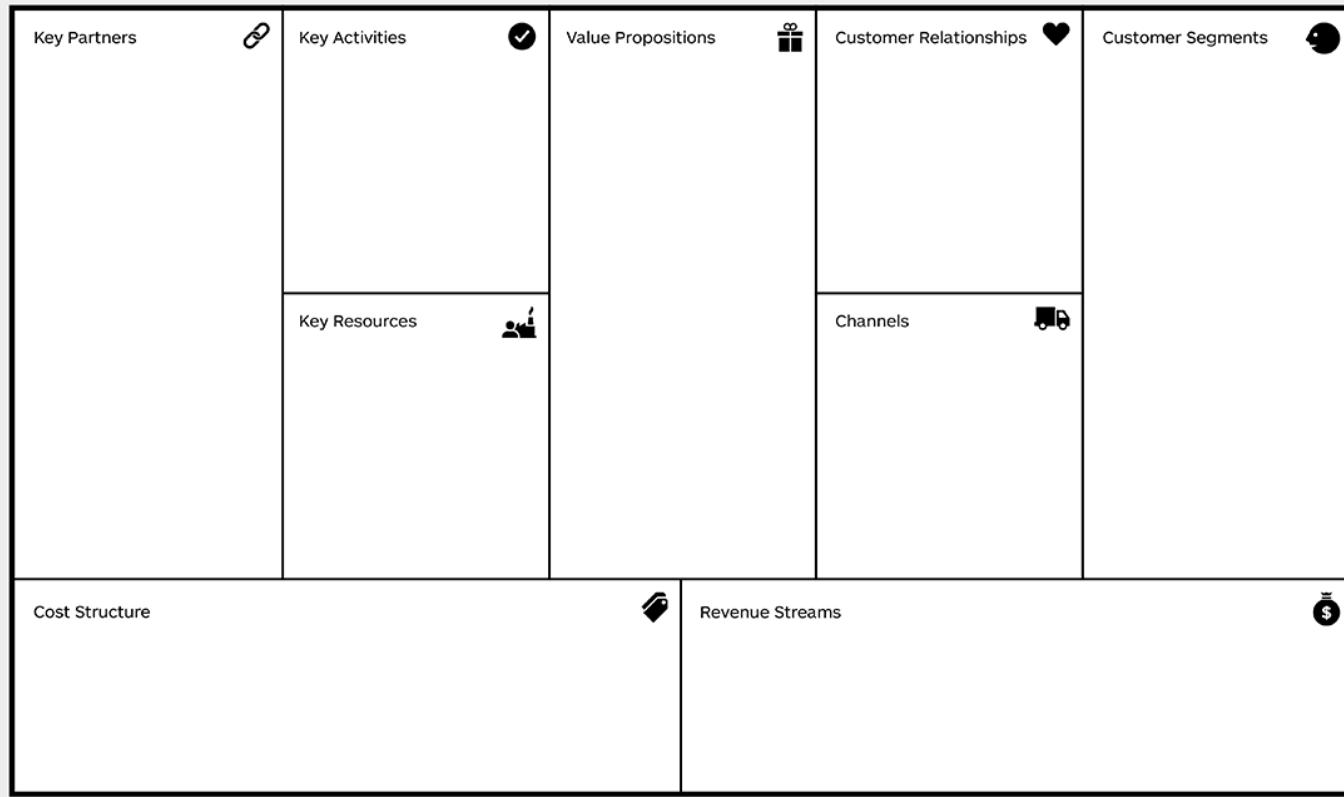
We will
Meet or Beat
Our Competitor's Quotes



Business Model

- Describes the value proposition for customer and other participants, an arrangement of activities that produce value, and associated revenue and cost structures
 - Value creation – what is offered, how and to who
 - Value configuration – how resources and activities are combined to create value
 - Value capture – cost and revenue streams and how value is recuperated (ex.pricing models)

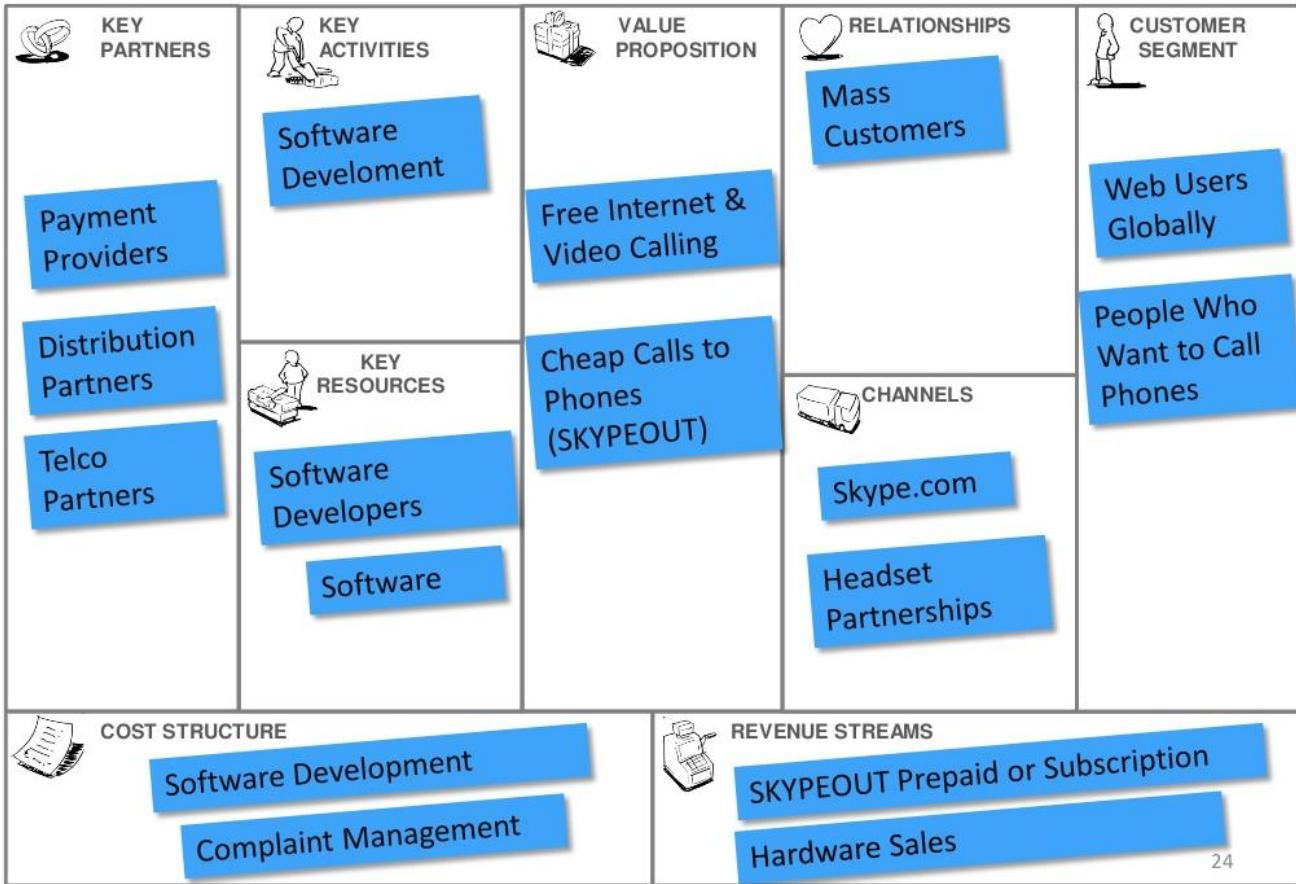
Business Model Canvas



Skype

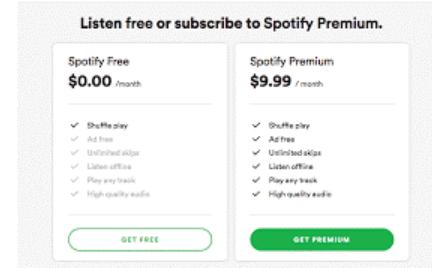


Skype



Typical patterns

- Razor and blade
 - Low price razor, high price blade
 - Free phone, high price to call
 - Low price printer high price ink
 - Low price coffee machine high price coffee capsules
- Freemium
 - Basic version is free
 - Skype, Spotify, ...
- Multi-sided platforms
 - Interdependence in value creation
 - Video game platforms
 - Google (advertisers + users)



CASE STUDY

Exercise

- Take 20 minutes to discuss the French Bee example
- Define success critiera using French Bee and other experiences you may have for a low cost airline
- Be ready to evaluate a proposal from a new entrant
 - Would you recommend investing in the new entrant or not?
- Video
- Decision
 - 10 minutes – yes/no and why.