

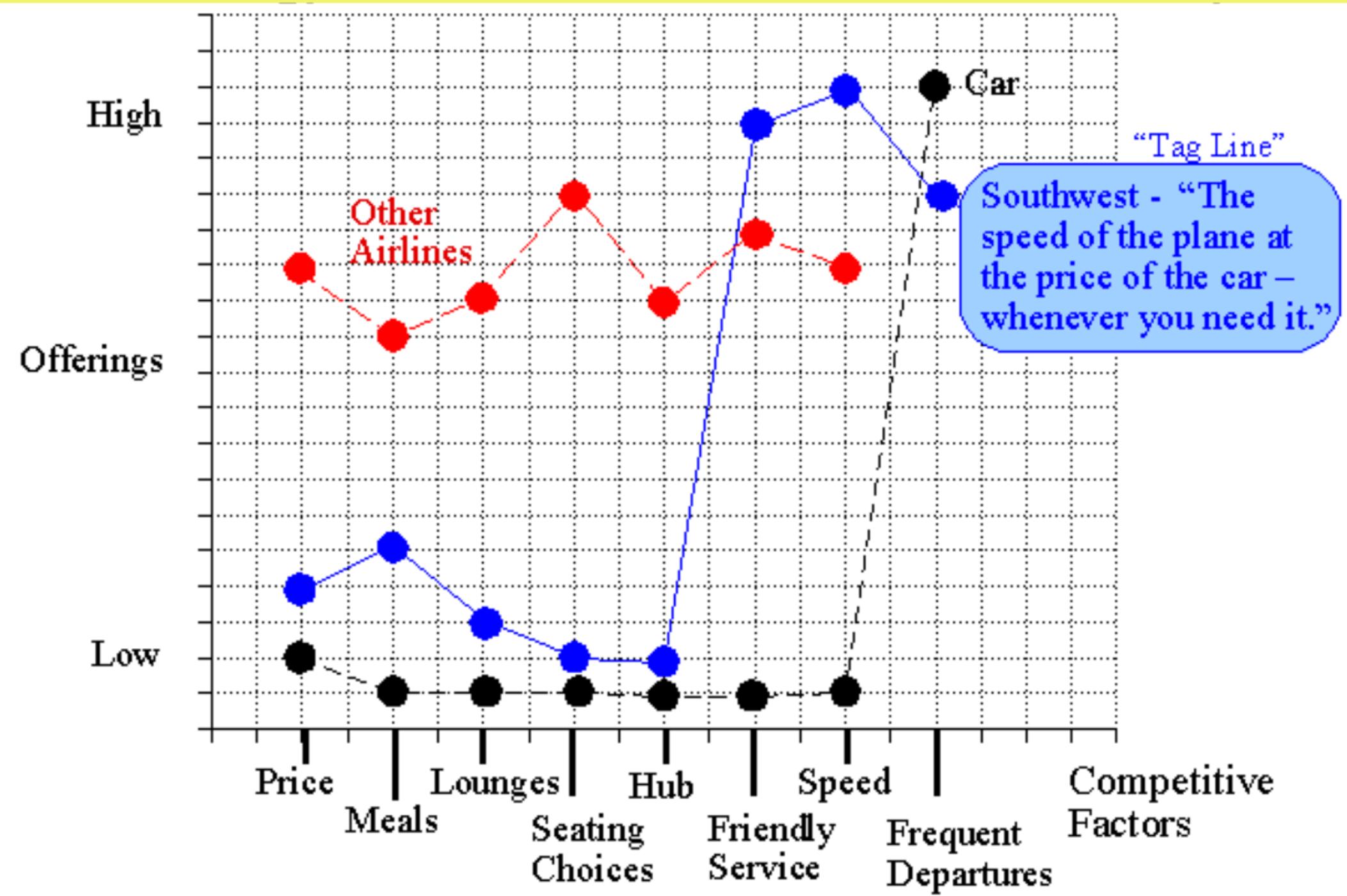
Managing Your Firm Strategically

The Elements of Strategy

Creating
Value

Capturing
Value

Managing
Value

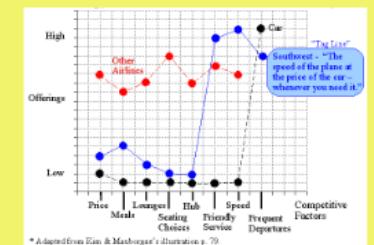


* Adapted from Kim & Mauborgne's illustration p. 79.

Creating Value in the Healthcare Industry

Marion Labs, Carter Wallace, Dr Reddys, Ranbaxy
Merck, Pfizer, Eli Lilly
Himalaya, Dabur, Zandu, Charak

Govt. Hospital, St Johns, Apollo Hospital
Life spring, Cloud Nine

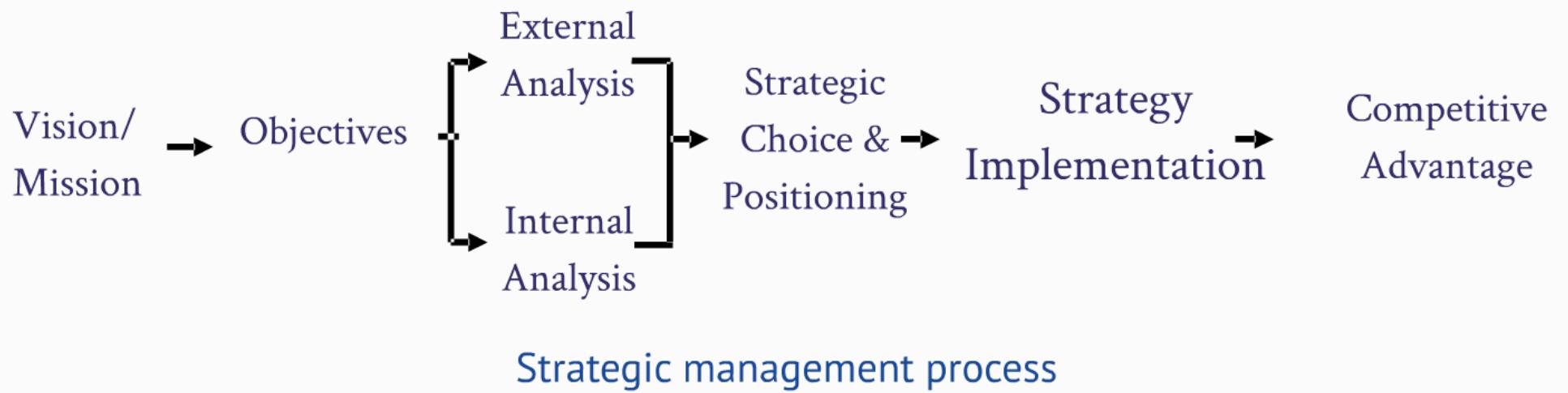


Creating
Value

Capturing
Value

Value Creation + Value Capture
+ Value Management

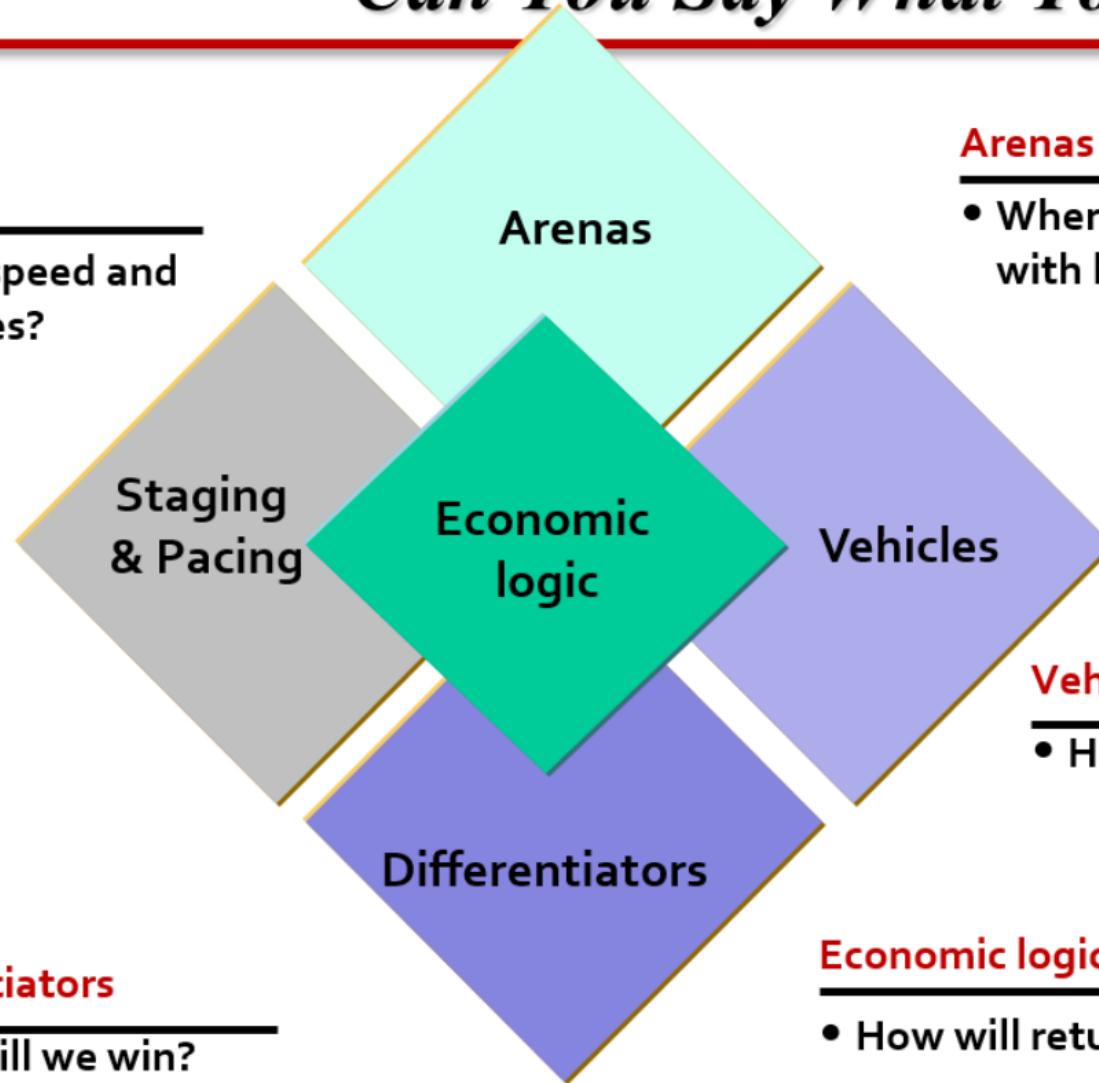
= Sustainable Competitive Advantage
Managing
Value



Can You Say What Your Strategy Is?

Staging

- What will be our speed and sequence of moves?



Differentiators

- How will we win?

Arenas

- Where will we compete? (and with how much emphasis?)

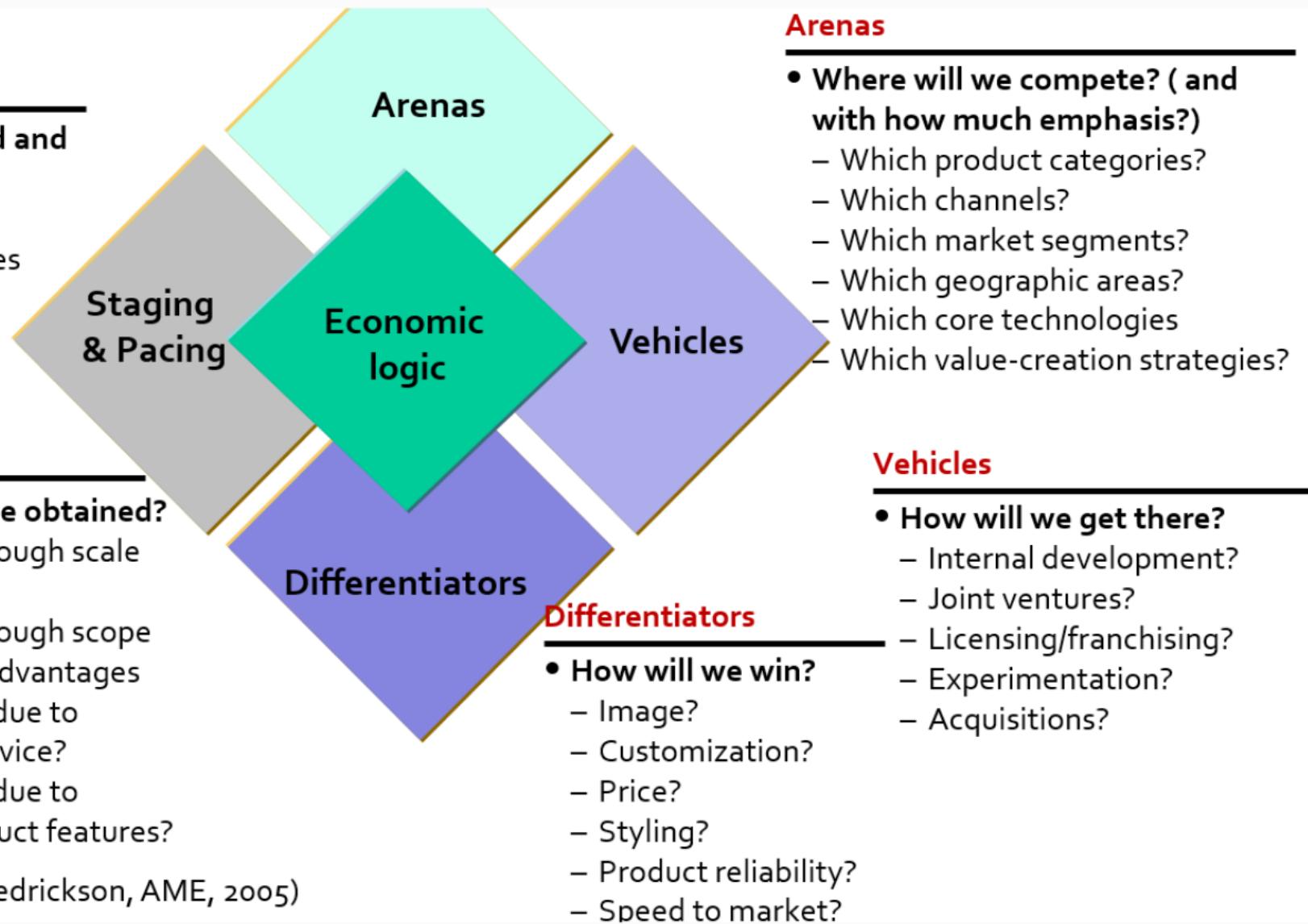
Vehicles

- How will we get there?

Economic logic

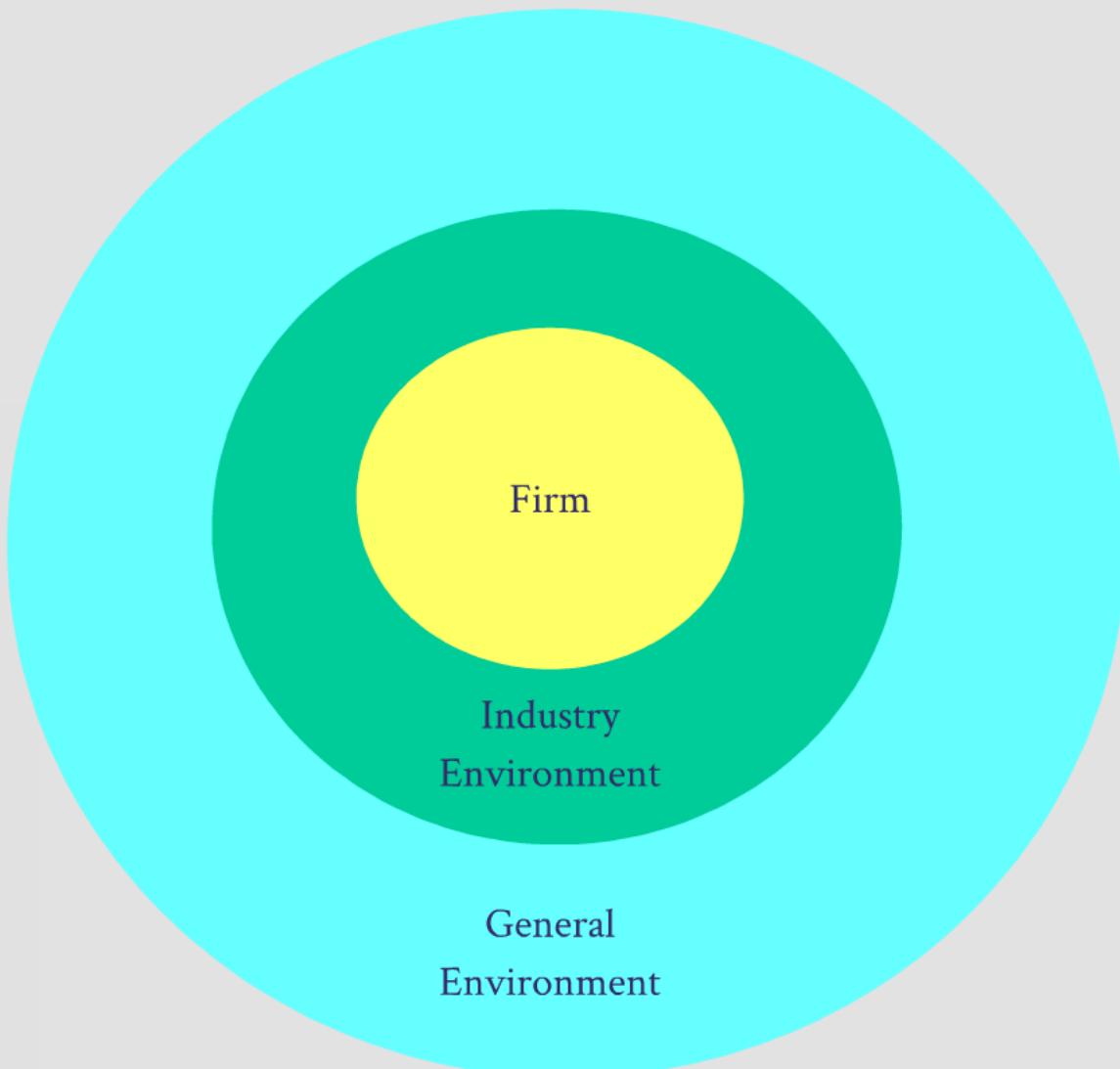
- How will returns be obtained?

(Source: [Hambrick & Fredrickson, AME, 2005](#))



(Source: Hambrick & Fredrickson, AME, 2005)

The Sources of Advantage



Firm

Industry
Environment

General
Environment

Industry Structure (Porters Five Forces) Analysis

Government

Potential Entrants

Adjacent Sectors

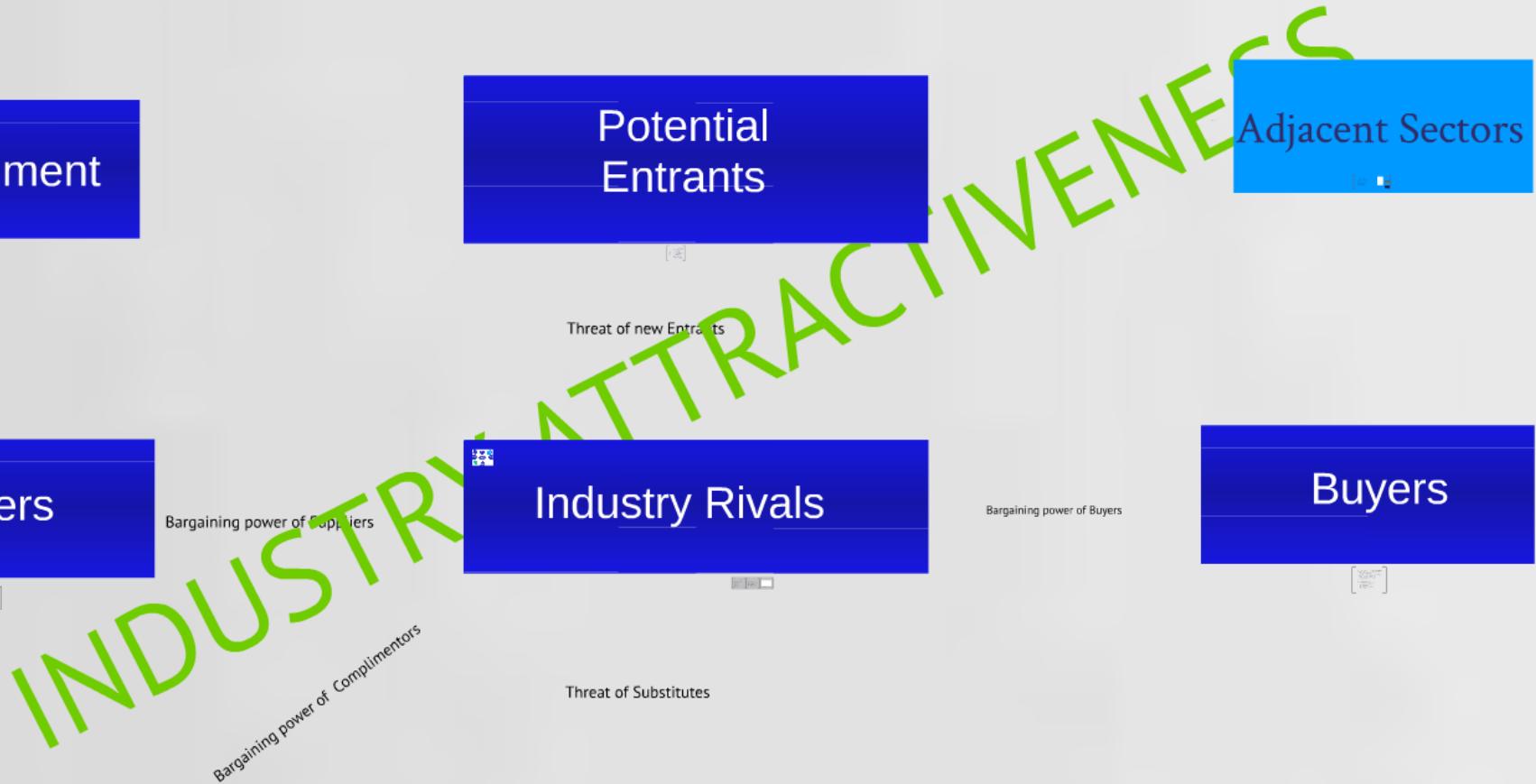
Suppliers

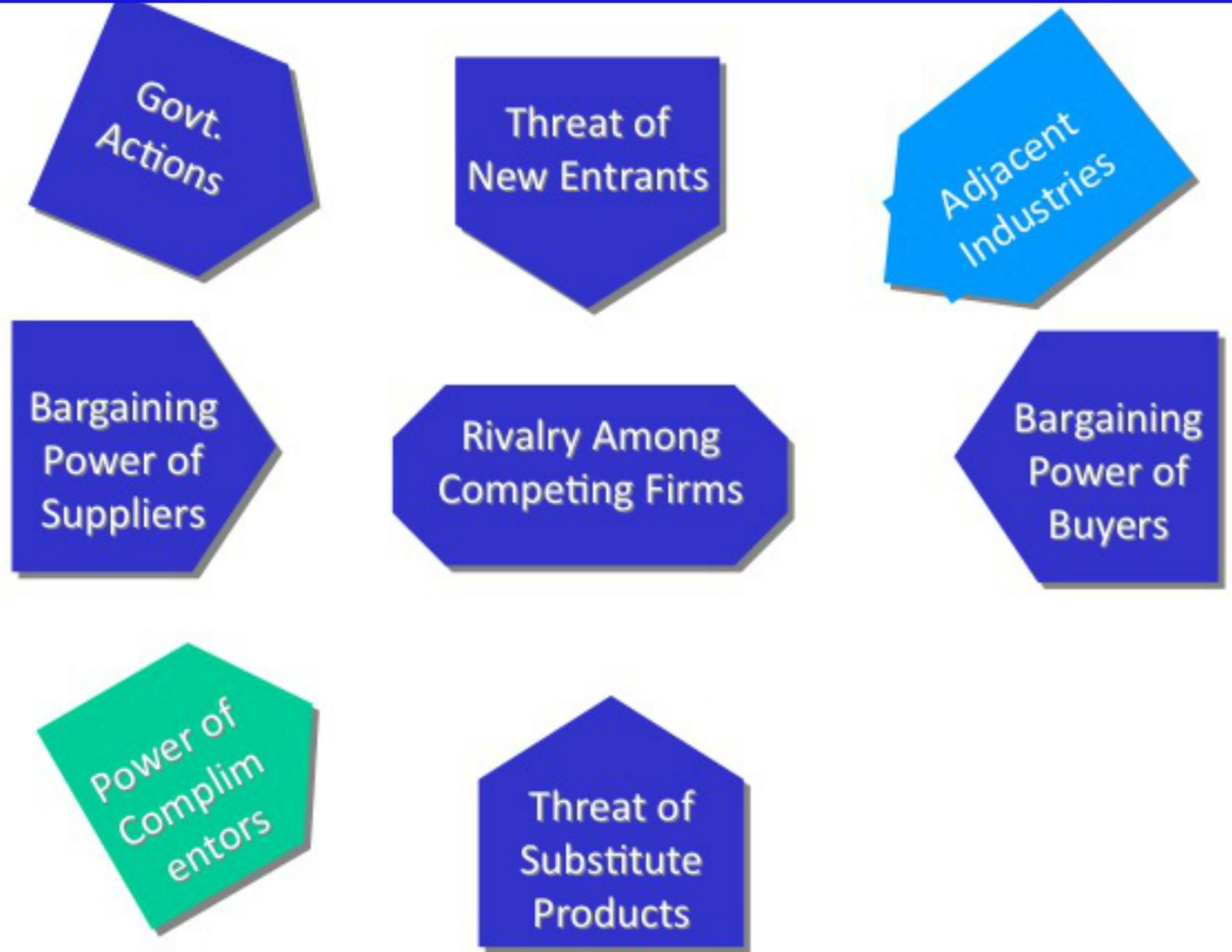
Industry Rivals

Buyers

Complements

Producers of Substitutes





Determinants of Rivalry

Will increase if ...

- Large # of competitors (Low Concentration Ratio)
- Slow industry growth rate
- High ratio of Fixed (or storage) costs/value added
- Intermittent over capacity exists
- Low product differences
- Weak brand identity
- Easy for buyers switch betn rivals products
- Non-homogenous competitors
- High Corporate stakes
- Terms of sale are secret
- Low Informational complexity
- High Exit barriers

Intrinsic Leverage Will increase if . Bargaining Power of Buyers

- High buyer concentration vis-a-vis firm concentration
- Buyer purchases high volumes
- Low switching costs for buyer relative to firm's switching costs
- High levels buyer information/ expertise
- Buyer has high ability to integrate backward
- Several substitute products

Price sensitivity will increase if ...

- Price /Total purchases is high for buyer
- Product differences are small
- Brand identity is weak
- Impact on quality / performance is low
- Buyer profitability is low

Bargaining Power of Suppliers

Increases
When

- High supplier concentration relative to industry
- Highly differentiated inputs
- Strong impact of inputs on cost/differentiation
- Low switching costs for suppliers but high for industry firms
- Absence of substitute inputs
- Importance of volume to supplier low
- Cost relative to total purchases in the industry: low
- Supplier input important (price/quality) to Industry
- Suppliers threat of forward integration high relative to industry's threat of backward integration

Barriers to Entry

Will increase if ...

Threat of New Entrants

- High Economies of scale
- Strong Proprietary product differences
- Strong Brand identity
- High Switching costs
- High Capital requirements
- Difficult to access distribution channels
- High absolute cost advantages
 - Proprietary learning curve
 - Access to necessary inputs
 - Proprietary (low-cost) product design
- High level of Expected retaliation
- Supportive Govt. / High Govt. Protection

Threat of Substitute Products

Substitutes limit
the prices firms
can charge

Determinants of Substitution Threat

- High price performance of substitutes
- Low switching costs for buyers
- High buyer propensity to substitute
- High Profitability of Producers of substitutes



Analysing Competitive Advantage: The Battle for HD standards



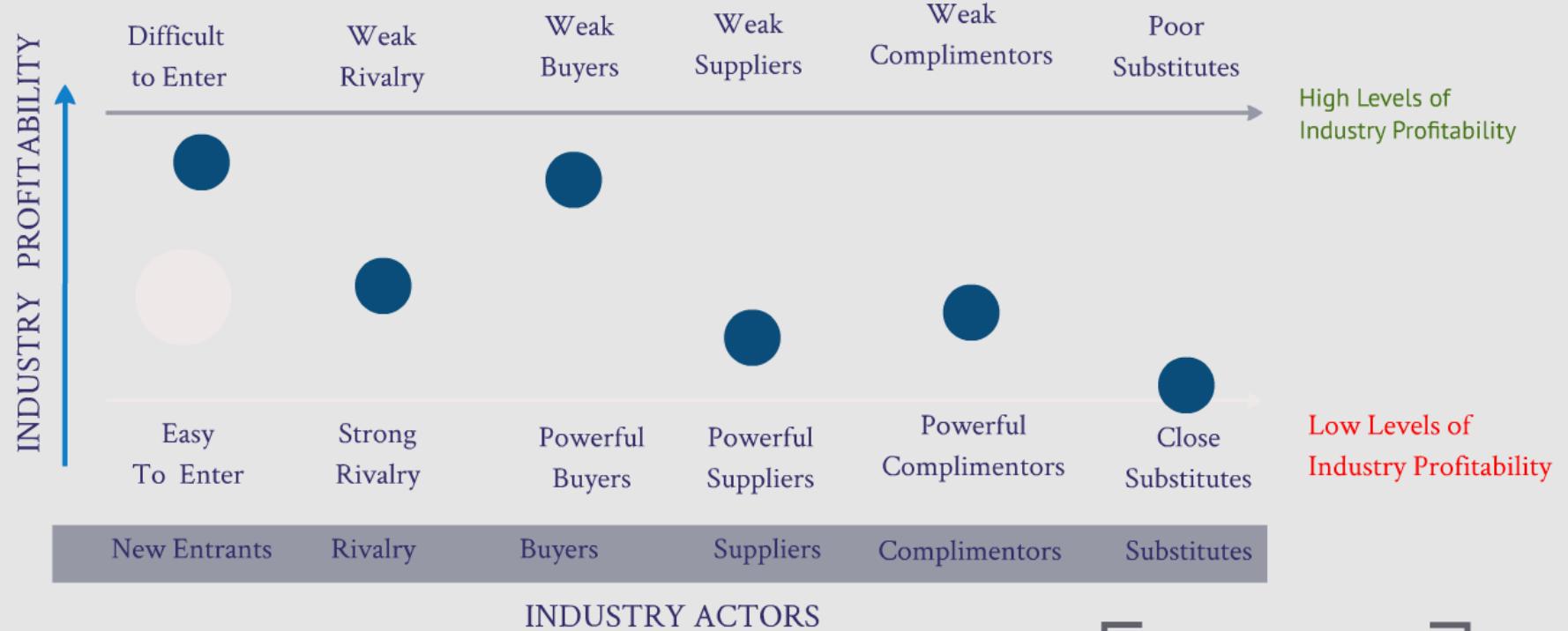
Complementor Power

Will increase if ...

- Relative buyer-power or switching costs influenced more by complimentor
- Relative concentration: Few complementors and your industry is fragmented
- Asymmetric integration threats: Complementor can easily invade your turf but you cannot
- Ease of unbundling: Customers can purchase and use the complement independent of your product
- Difference in pull-through: Complementor drives customer choice in purchasing bundle
- Slow market growth rate

ler





Profitability of selected US Industries (1990-2000)



THE FIVE COMPETITIVE FORCES THAT SHAPE STRATEGY

by Michael E. Porter

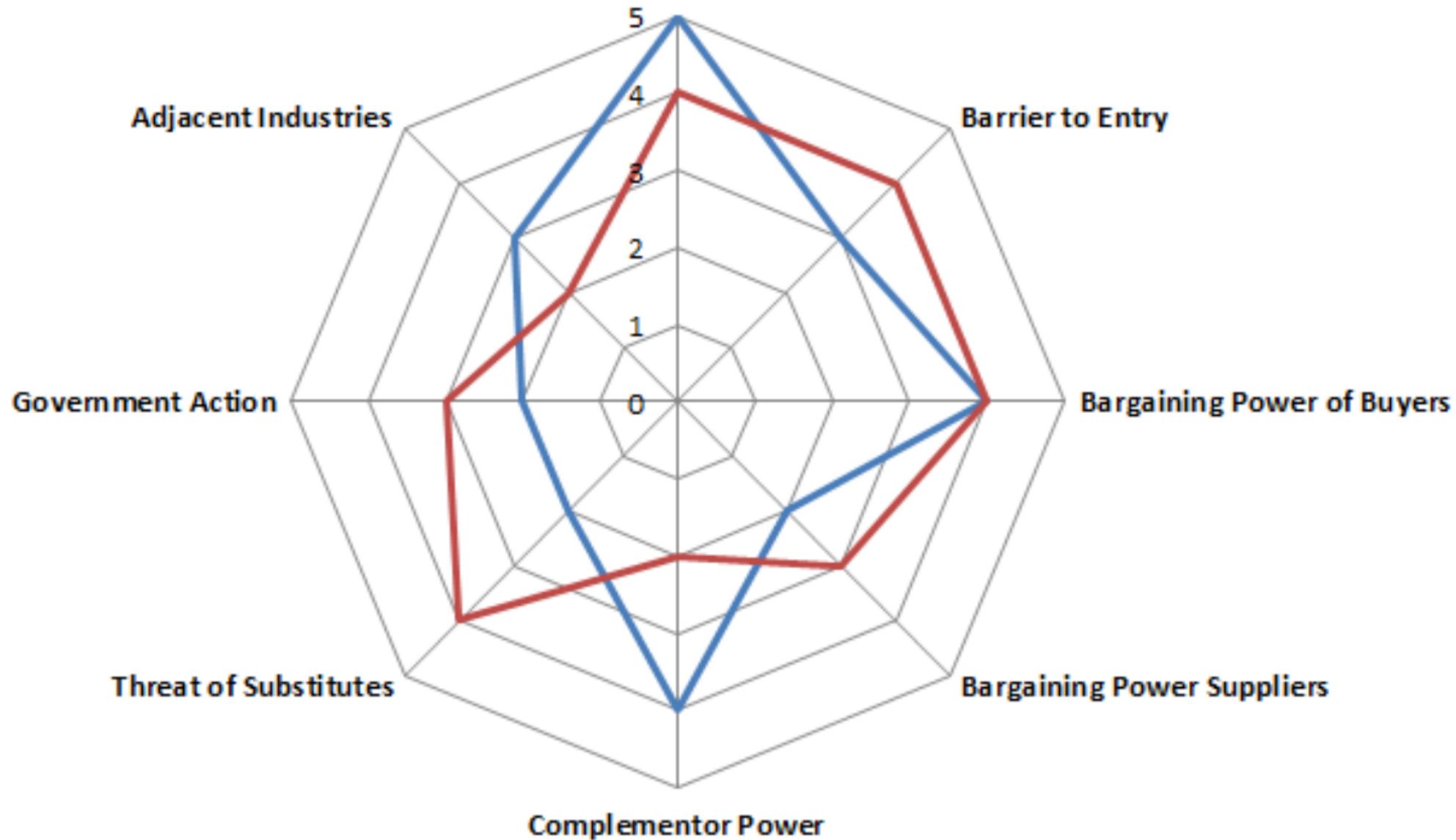
Editor's Note: In 1979, *Harvard Business Review* published "How Competitive Forces Shape Strategy" by a young economist and associate professor, Michael E. Porter. It was his first HBR article, and it started a revolution in the strategy field. In subsequent decades, Porter has brought his signature economic rigor to the study of competitive strategy for corporations, regions, nations, and, more recently, health care and philanthropy. "Porter's five forces" have shaped a generation of academic research and business practice. With prodding and assistance from Harvard Business School Professor Jan Rivkin and longtime colleague Joan Magretta, Porter here reaffirms, updates, and extends the classic work. He also addresses common misunderstandings, provides practical guidance for users of the framework, and offers a deeper view of its implications for strategy today.

Photo: Charles D.

IN ESSENCE, the job of the strategist is to understand and cope with competition. Often, however, managers define competition too narrowly, as if it occurred only among today's direct competitors. Yet competition for profits goes beyond established industry rivals to include four other competitive forces as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five forces defines an industry's structure and shapes the nature of competitive interaction within an industry.

As different from one another as industries might appear on the surface, the underlying drivers of profitability are the same. The global auto industry, for instance, appears to have nothing in common with the worldwide market for art masterpieces or the heavily regulated health-care

Rivalry among Competitors



Key Success Factors



Key Factors for Competitive Success

KSF: Competitive elements most affecting every industry member's ability to prosper

- On what basis do customers choose between competing brands of sellers?
- What resources & capabilities does a seller need to have to be successful?
- What does it take for sellers to achieve a sustainable competitive advantage?
- Technology
- Manufacturing
- Distribution
- Marketing
- Skill related
- Orgl. capability
- Others

Exercise: Identify KSF in Your Industry

From where would
we get the data ?

- Technology
- Manufacturing
- Distribution
- Marketing
- Skill related
- Orgl. capability
- Others

Common Types of Key Success Factors

Technology-related	Scientific research expertise Product innovation capability Expertise in a given technology
Manufacturing-related	Low-cost production efficiency High use of fixed assets Low-cost plant locations High labor productivity Low-cost product design Flexibility to make a range of products
Distribution-related	Strong network of wholesale distributors/dealers Gaining ample space on retailer shelves Having company-owned retail outlets Low distribution costs Fast delivery

Common Types of Key Success Factors

Marketing-related	Excellent technical assistance/ customer service Breadth of product line Merchandising skills, Attractive styling; Effective advertising
Skills-related	Superior workforce talent Quality control know-how Design expertise Expertise in a particular technology Ability to develop innovative products Ability to get new products to market quickly
Organizational capability	Superior information systems Ability to respond quickly to shifting market conditions More experience & managerial know-how
Other types	Favorable image/reputation with buyers Overall low-cost; Convenient locations, courteous employees; Access to financial capital; Patent protection

The Photography Industry

Who Killed Kodak?





Worth 1000.com



Kodak
Remington

Nokia
Sony ???



Stop Mosquitos Free

Version: 1.0
Platforms: Java
Categories: Healthcare & Medicine
Upload date: 12 Mar 12
Developer:
License: **Freeware**
Downloads: 4004

File Size: **56 Kb**



Rating: **2.7/5** (Total votes: 78)

[Download](#)

Mosquitos Free - How many times have been bitten by a mosquito this summer? Annoying mosquito bites can itch for ages - this is going to end!!! The AntiMosquito application will protect you! It emits high frequency sounds that will discourage mosquitoes from moving close to you.



powered by

Advanced Mosquito Hunter

Run for

Time left: 30:00

inf. 5 min 15 min **30 min** 60 min

Frequency

16k 18k **20k** 22k 24k

Impact of Substitutes, Complimentors and Adjacent Industries

Nokia Follows Google Down Free-GPS Route In Drive Against TomTom

Comments (0)

Text Size: A A

+ Share | Email | Print (P)

Ingrid Lunden

Jan 21, 2010 8:09 AM ET



Photo: Alamy

11
tweets

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retweet

Nokia ([NYSE: NOK](#)) may have spent €8 billion (\$11.2 billion) acquiring Navteq in 2007, but today the handset maker announced it's making its GPS navigation features available for **free** to all users.

Turn-by-turn navigation and traffic updates had respectively cost around €1.59 (\$2) and €0.69 (\$0.97) a day. But now the service will come pre-loaded on selected Nokia smartphones; those who already own devices can download the app.

The free service will help keep Nokia's handsets, by way of services, more competitive with the rest of the smartphone market. It puts Nokia in competition on a services level against the likes of Google ([NSDQ: GOOG](#)), which offers a free navigation service for Android devices, and Apple ([NSDQ: AAPL](#)), whose store boasts dozens of mapping apps, such as Tom Tom's own app.

But to be clear, this remains at heart a device play: "This will help Nokia to boost our smartphone sales," said Anssi Vanjoki, executive VP for Nokia, at the [press conference](#) in London.

Tom Tom, one of the most downloaded iPhone applications, is one of the companies that saw its share price dip trading today in the wake of the Microsoft deal.

To know what Nokia is doing

Nokia's handset business bought by Microsoft for €5.44bn

Microsoft has swooped in to buy the handset business of Finland's Nokia, an audacious move that confirms the Redmond software company's intention to compete with Apple and Google head-on as a "devices and services" business.

The deal, for €5.44bn (£4.6bn), gives Microsoft a company which used to dominate the mobile and smartphone market in 2006 but has been overshadowed by the rise of Apple and, latterly, Samsung and other companies using Google's [Android](#) software.

For Nokia, it means that a decades-long heritage as one of the world's leading mobile phone makers - which had been a source of huge pride in Finland - is over.

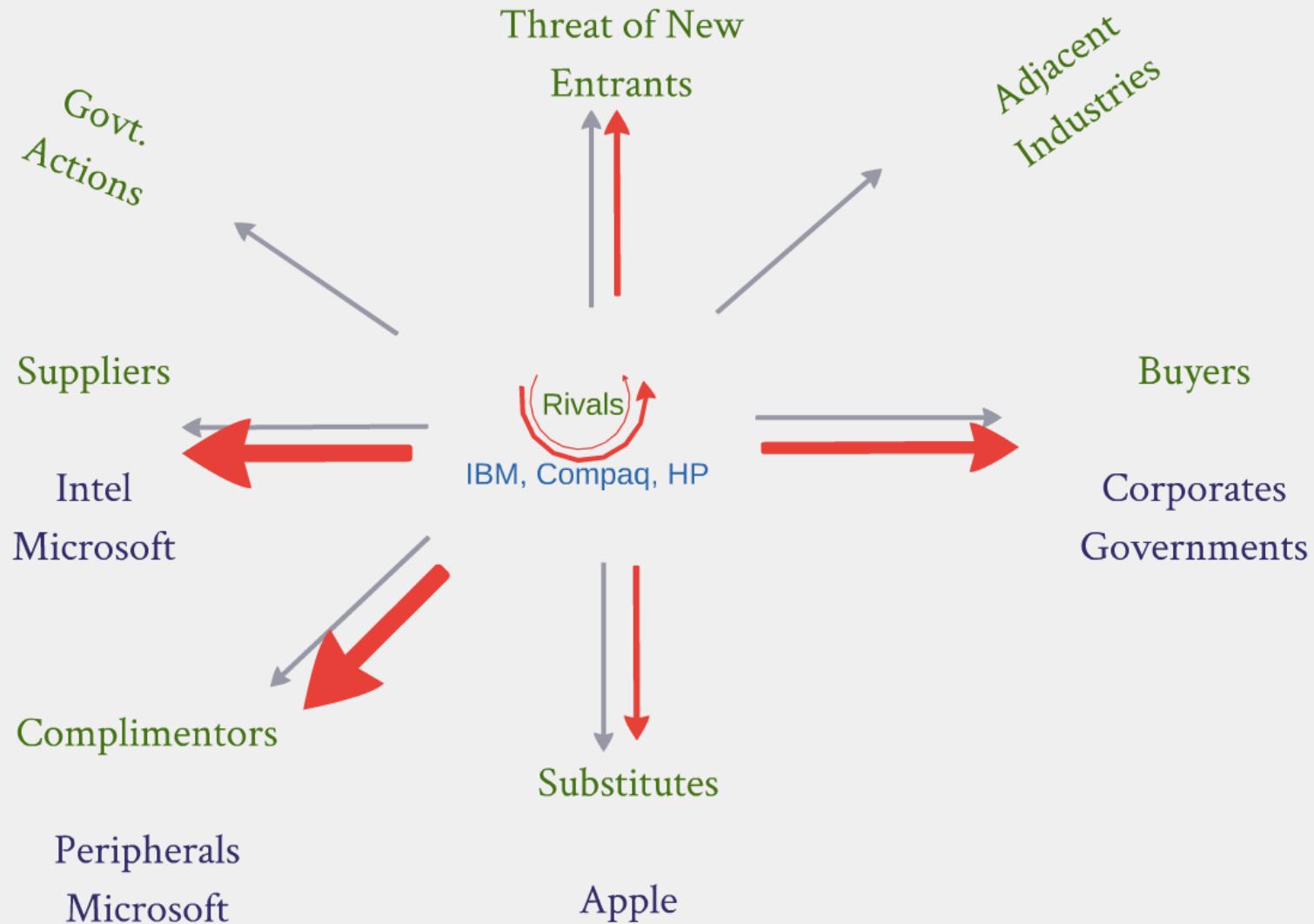


[Read full story](#)

Nokia has had to make several cuts in its effort to secure a comeback in top of the smartphone and consumer markets. The presence of Google's entry, Samsung, HTC and Motorola - all based on the Android platform - each comes with a unique Android offering, including Samsung's Galaxy S series, Motorola's Droid and Atrix, and HTC's EVO, Desire and One series. Other Android-based phones include the Kindle Fire and Kindle Fire HD.

It costs \$100 million to develop a new smartphone model, so it's no surprise why Nokia chose to partner with Google. It could have immediately become Google's biggest partner, but Google, a company that has taken over Nokia's stronghold spot as the world's largest cell phone maker, instead, it chose Microsoft.

IBM in the PC Industry: 1982-1985



Confluence of Substitutes, Complements & Adjacents

Impact of Substitutes, Complimentors and Adjacent Industries

Gadgetwise
Getting Smart About Personal Technology

March 5, 2009, 6:25 PM

E-Book Seller Fictionwise Bought by Barnes & Noble

By DANIELLE BELOPOTOSKY

Barnes & Noble today acquired [Fictionwise](#), the online electronic book retailer, for \$15.7 million in cash. The move positions Barnes & Noble to enter the e-book market and compete with Amazon.com as a distributor of digital content.



THE
HUFFINGTON
POST

JANUARY 6, 2011



E-Books Outsell Paper Books On Barnes & Noble's Online Store

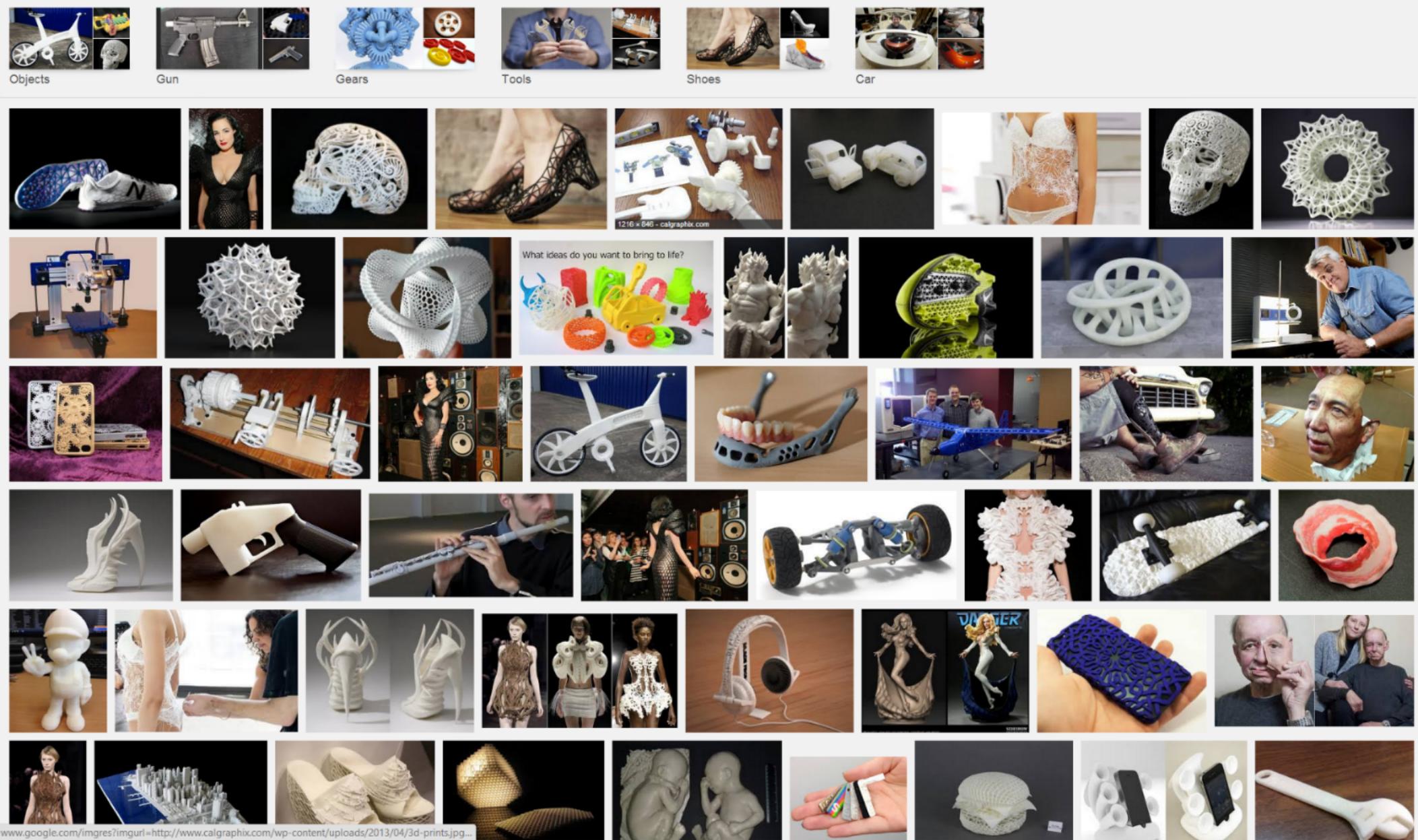
AP/The Huffington Post First Posted: 12-30-10 06:13 PM | Updated: 12-30-10 06:28 PM



NEW YORK (AP) -- Bookseller Barnes & Noble Inc. on Thursday said its line of Nook e-reading devices are the biggest-selling items in its history, and added it sold nearly 1 million e-books on Christmas Day.

The New York company said its Nookcolor e-reader, which launched eight weeks before Christmas, was its top-selling gift of the holiday season.





Analyzing the General Environment

Critical External Factors Analysis: (MARKET FACTORS)

MARKET FACTORS

MARKET FACTORS

Market Size
Market Growth Rate
Cyclical
Price Sensitivity
Seasonality
Captive Markets
Industry Profitability
Any Other

ECONOMIC FACTORS

Inflation
Foreign Exchange Impact
Legislation (protection)
Regulation
Taxation
Government Support
Any Other

SOCIAL FACTORS

SOCIAL FACTORS

Ecological Impacts
Consumer protection
Demographic Changes
Any Other

TECHNOLOGICAL FACTORS

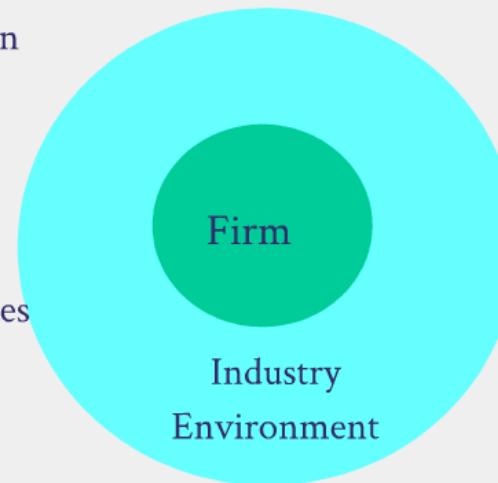
Maturity and Volatility
Complexity
Patents
Product/Process R&D Req
Any Other

TECHNOLOGICAL FACTORS

Components of the General Environment

Global Factors

- Competitive Intensity
- Degree of Concentration
- Barriers to Entry
- Barriers to Exit
- Share Volatility
- Degree of Integration
- Availability of Substitutes
- Capacity Utilisation



Market/Competitive Factors

- Market Size
- Market GR
- Cyclical/Seasonality
- Industry Profitability
- Captive Markets
- Prod Differentiation

Technological Factors

- Maturity & Volatility
- Complexity
- Patents
- Product R&D requirements
- Process R&D Requirements

Sociocultural Factors

- Ecological Impact
- Work Ethic
- Consumer protection
- Demographic changes
- Degree of Unionisation
- Personnel Adaptability to Int Mkts.

Economic & Govt Factors

- Inflation
- Wage level
- Foreign Exchange Impact
- Manpower Supply
- Legislation/Protection
- Regulation
- Taxation



8 | Wednesday, October 2, 2013

IN DEPTH

THE WALL STREET JOURNAL.

Europe's Car Makers Face Aging Society, Attitude Shift

By VANESSA HEDDERMAN

Sergio Felice embodies a woeful present for European auto makers. He may also reflect a dim future.

Growing up in Italy, the 43-year-old had considered buying a "second-hand investment to have a nice car." Now living in Barcelona, he had been saving up to buy an Audi TT. "Today I would never consider it," he says, him to reorganize his financial priorities, and owning a car is no longer one of them.

The Italian, who commutes by train, says he probably won't buy a car until he is in his 60s. He uses public transportation, a moped and delivery services, he says, and "I prefer to pay less money and don't spend on a car is a refreshment plan."

In Europe, where drivers with driving habits like Felice's are few, car makers face a challenge with a hard prospect: Whatever the Continent's trends hold, its debt crisis means its car market will grow slowly.

Europe's largely unprofitable auto sector already is among the biggest industrial losers of the crisis. New-car registrations in Europe have fallen to nearly a two-decade low. Most international car makers are

losing money on the Continent. Moody's Investors Service Inc. estimates that PSA Peugeot Citroën, the French Motor Co.'s rival, Fiat and Ford Motor Co. will lose a combined €4.9 billion (\$6.6 billion) in the region this year.

Analysts and consultants warn that Europe's economic crisis isn't just sparking a temporary downturn in car sales. It is accelerating a more fundamental decline in consumer appetite for cars—a decline that may surpass more than a decade ago.

A combination of factors—rising fuel prices, more-durable vehicles, the car's declining status as a status symbol and fewer youths getting licenses, among others—has made buying new cars less of a priority for Europeans.

While some of these factors are playing out in the U.S., where auto sales have rebounded back to pre-slow levels, there is still hope. America's driving-age population is still growing, while the number of driving-age Europeans is projected to shrink.

"Europe is alone in the sense that

Downhill Drive

Passenger car sales in the European Union, plus Ireland, Norway and Switzerland



oped markets, he says, autos have become less relevant among younger Europeans because of smartphones and other products that connect people.

Mitsubishi Motors Corp. says passenger-car sales will climb to 14.7 million units in 2020, 8% short of their 2007 peak, from an estimated 13.5 million this year.

Some car makers are a bit more sanguine, arguing that sales have fallen so far in six years that Europeans will fuel a modest recovery when they replace aging cars. The average car age in Europe is 10.7 years; it has climbed to 8.7 years in the last two to three years in 2009, according to the Roland Berger Strategy Consultants.

"It is likely that the demand is building," says Ellen Hudson-Costello,

Ford's chief economist, and "that will be long-term feature going forward."

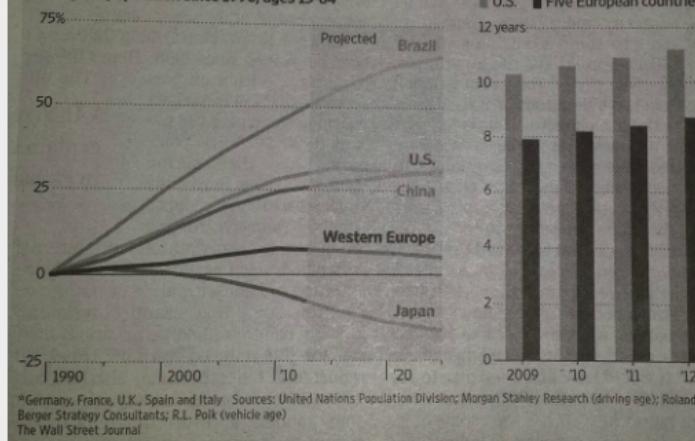
Executive-level carmakers such as Peugeot and Daimler AG have said they see signs the market is stabilizing and could improve next year.

And it is in some areas.

Slow Lane

The number of Europeans of driving age is set to shrink, and those who are still on the road are holding onto their cars longer.

Change in population since 1990, ages 15-64



*Germany, France, U.K., Spain and Italy Sources: United Nations Population Division; Morgan Stanley Research (driving age); Roland Berger Strategy Consultants; R.L. Polk (vehicle age)

The Wall Street Journal

Industry Structural Change

- Long Run Change in Demand Growth
- Learning (Buyers/technology/Competition)
- Increasing Market and Firm Size
- Innovations: Changing Structural Elements
 - Technology/Business Models/Substitution
- Relative changes in Input Costs/Substitution
- Changes in Structure of Adjacent Industries
- Governmental & Social Influences
- Entry of Established Firms from Other Mkts.

The Fundamental Question

Why are some firms more successful than others?

Industrial Organization Perspective:

Profits = f (industry structure)

Resource-Based View:

Profits = f (firm's resources & capabilities)