

Entrepreneurial Strategy

Session 2

Alexander Chekanov

a.chekanov@skoltech.ru



Agenda



- **Organizational Mission and Vision**
- Industry competitive analysis
- Next week assignment instructions

Organizational Mission and Vision



WHAT'S THE BIG
CAMPAIGN IDEA?



WE'RE GOING
DIGITAL



FACEBOOK



YOUTUBE



A MOBILE
APP



PINTEREST



WHAT ARE WE
GOING TO DO IN ALL
THOSE CHANNELS?



I DUNNO,
WE'LL FIGURE
IT OUT LATER



TOM
FISH
BURNE

Shareholders



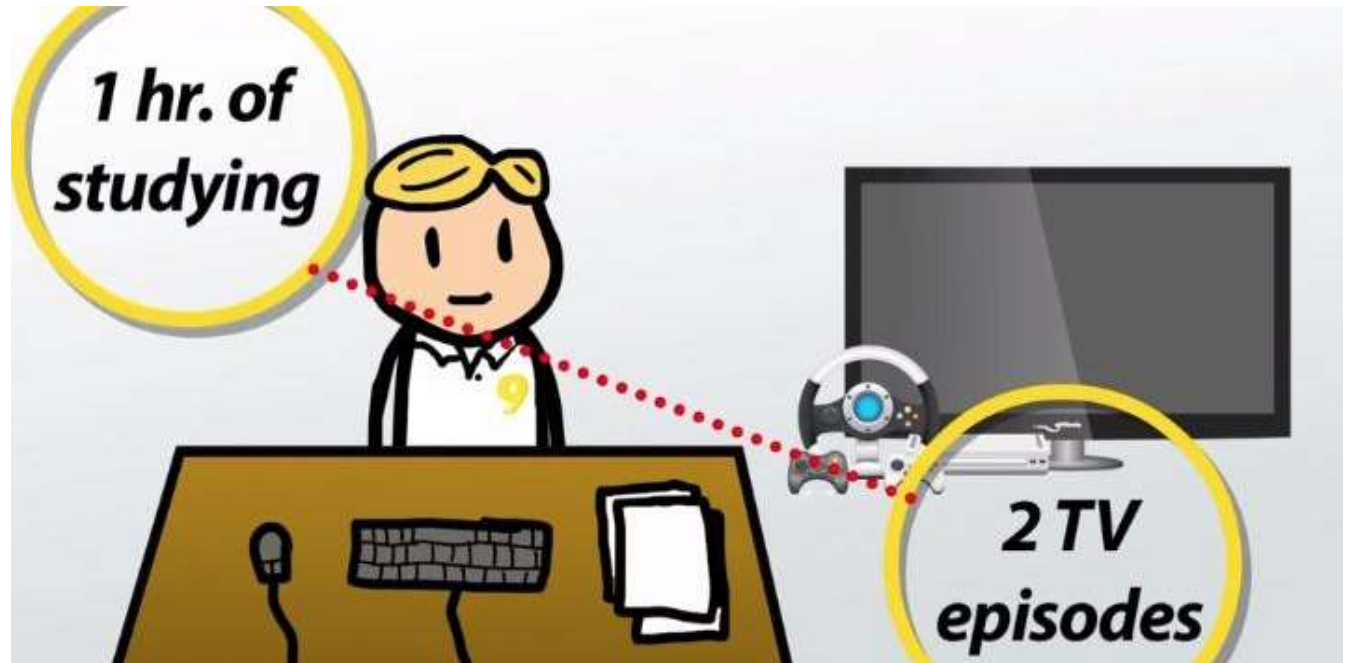
Discussion

You are about to invest 100k rubles out of your savings into a start-up.

- As an investor, what would be your expectations/goals?



Opportunity cost

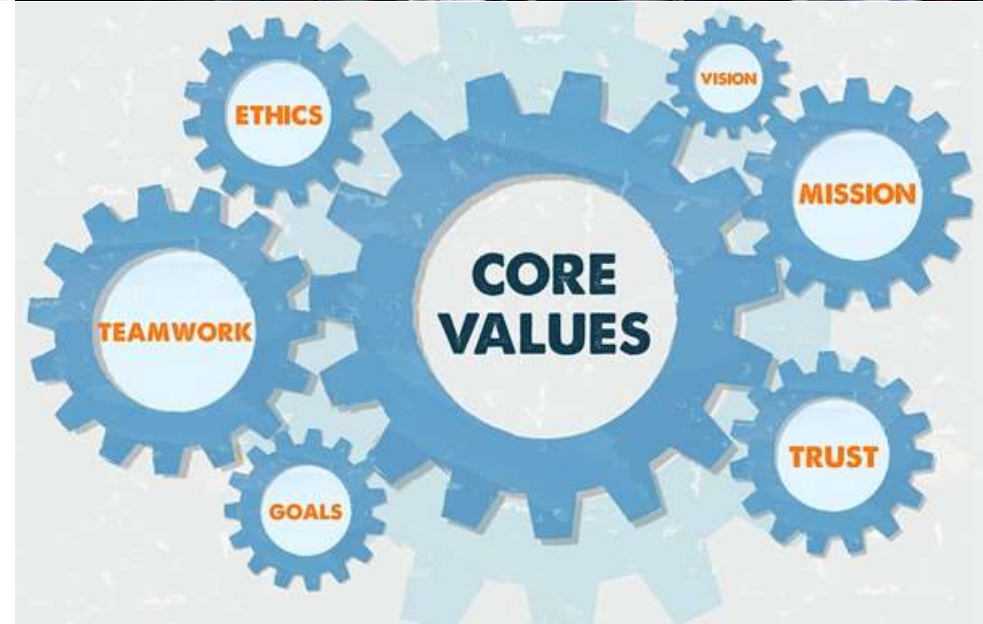


- The opportunity cost is the second-best option you would give up for your first option.



Shareholders motivation

- Financial
- Corporate mission/vision





ONLINE STORES 50.6%

\$163 B (NET SALES JUN 2019-2020)

This category includes product sales made on Amazon's eCommerce website.

COMPETITORS



AMAZON WEB SERVICES 12.4%

\$40 B

Amazon Web Services (AWS) offers hundreds of cloud-based services, including storage, analytics, and AI.

COMPETITORS



THIRD-PARTY SELLING SERVICES 19.7%

\$63 B

Third-party vendors can sell products through Amazon's online marketplace, and Amazon makes money by charging commission and shipping fees.

COMPETITORS



OTHER 5.3%

\$17 B

This category includes ad revenue and co-branded credit cards.

COMPETITORS



Footnote: Numbers have been rounded for clarity.
Source: Statista, Investopedia, TechCrunch

PHYSICAL STORES 5.3%

\$17 B

Amazon owns Whole Foods Market, but it also operates four other physical stores—Amazon Books, Amazon 4-star, Amazon Go, and Amazon Pop Up.

COMPETITORS



SUBSCRIPTION SERVICES 6.8%

\$22 B

Amazon has various subscription services. The most popular is Amazon Prime, which offers a bundle of digital services including Prime Video, Prime Music, and Prime Reading.

COMPETITORS



THE SUM OF ITS PARTS

A breakdown of Amazon's revenue model

Amazon has become the world's most valuable retailer, despite the fact it's projected to make up less than 5% of U.S. retail sales by the end of 2020.



While most people are familiar with Amazon's core business, there are a number of business segments fueling the company's growing revenue.

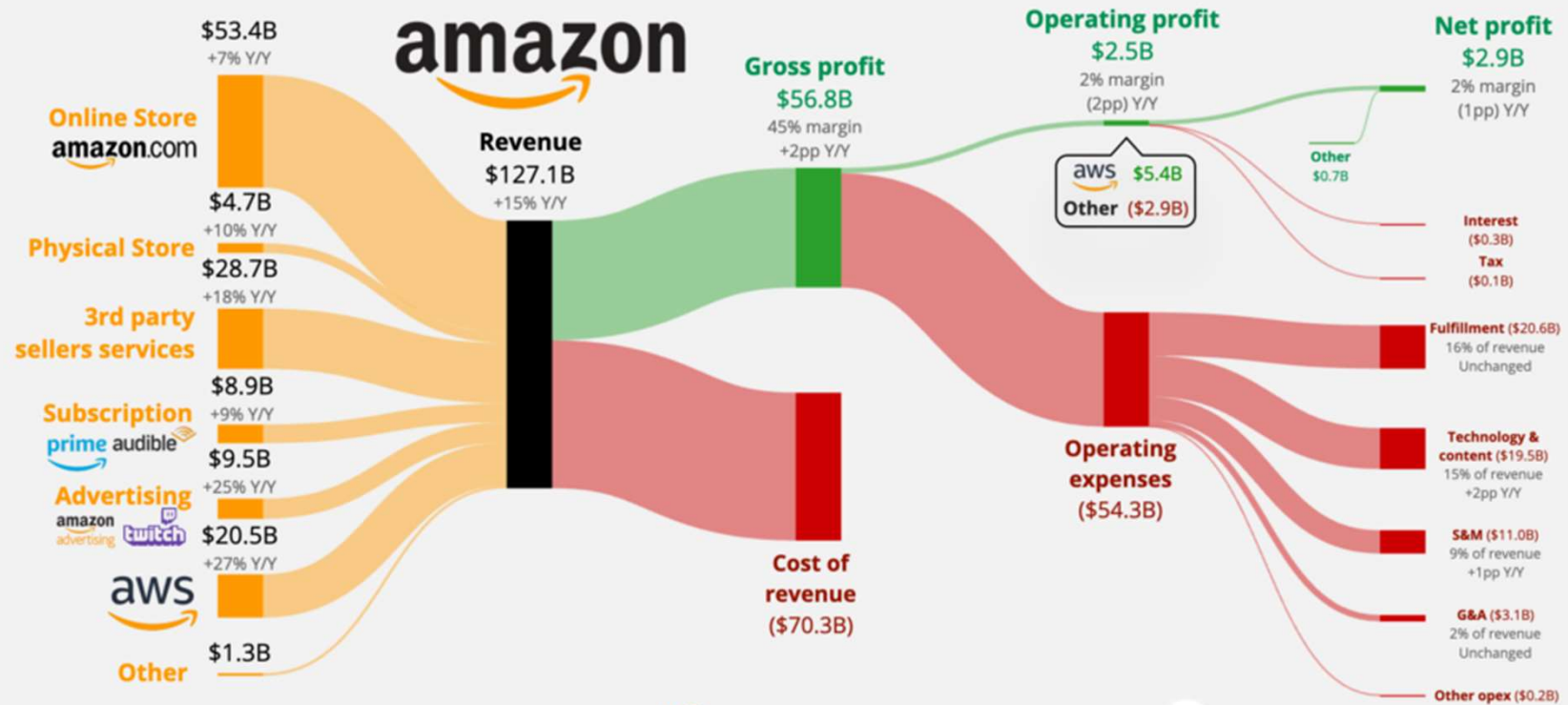


amazon

Amazon Revenue Streams: Q4 FY22



Amazon Q3 FY22 Income Statement



Source: Quarterly results

@EconomyApp

APP ECONOMY INSIGHTS

Jeff Bezos,
Amazon's
CEO, talks
about
strategy...



https://drive.google.com/file/d/1F_jwgndd6BkKzDBjM9idoRx4-IgyQ2Na
<https://www.youtube.com/watch?v=tSzjJd5BHK>



Discussion


Highlight briefly ONE key message from Jeff Bezos's during his interview.

- How would you relate it with Amazon's strategy?

Organization's mission

- A declaration of an organization's 'reason for being'.





Organization's vision

- How the organization will (should) look like, accomplishing its mission.



Discussion

Why organizations have mission/vision statements and how can you relate the success of a company to its mission/vision statement?



Examples mission statements



To challenge the status quo.
To think differently.



To refresh the world and inspire
moments of optimism and happiness.

facebook.

To give people the power to build
community so that we can bring
the world closer together.



To empower every person and organization
on the planet to achieve more.



To fulfill dreams of personal,
All-american freedom.



To organize the world's information and
make it universally accessible and useful.



To create happiness for people
of all ages, everywhere.



To accelerate the world's transition
to sustainable energy.



To inspire and nurture the human spirit
– one person and one cup at a time.

Examples
vision
statements



To bring inspiration and innovation to every athlete in the world.



Be the destination for customers to save money, no matter how they want to shop.



To be the best way to pay and be paid, for everyone, everywhere.



To become the world's most loved, most flown, and most profitable airline.



To provide access to the world's information in one click.



To be the world's leading producer and provider of entertainment and information.



To create the most compelling electric car company of the 21st century.



To be the world's best quick service restaurant experience.



To establish Starbucks as the premier purveyor of the finest coffee in the world.

Teamwork

- Select 5 companies from Russian Stock Market
- Put on 5 slides the mission statements, and the vision statements of each company (1 per slide, don't forget to include company logo, and link)
- Add team slide with names of all teammates
- Submit to canvas/discussion S2:Mission-Vision
- Discuss with the team, what mission statements and vision statements look good, and which ones not



Why mission and vision are important (1/2)

- To ensure unanimity of purpose within the organization.
- To provide a basis, or standard, for allocating organizational resources.
- To establish a general tone or organizational climate.



Why mission and vision are important (2/2)

- To serve as a focal point for individuals to identify with the organization's purpose and direction; and to deter those who cannot from participating further in the organization's activities.
- To facilitate the translation of objectives into a work structure involving the assignment of tasks to responsible elements within the organization.
- To specify organizational purposes and the translation of these purposes into objectives in such a way that cost, time, and performance parameters can be assessed and controlled.



Individually, prepare and upload 2 slides (PDF)

DEADLINE: November the 1st 23:59h

➤ Slide 1:

➤ Who you are:

- Name, Surname, Cool Photo
- Tell about your background
- Main skills
- Hobbies

➤ Slide 2:

- Project/Challenge you would like to solve by creating a winning strategy.
- Present what problem are you willing to solve
 - Tell who is the end customer
 - Include picture(s)

• Filename of the uploaded file should be:

- ✓ Section-Surname-Name.pdf



Agenda



- Organizational Mission and Vision
- **Industry competitive analysis**
- Next week assignment instructions

Industry competitive analysis





What would we need to consider to open a shawarma place on Noviy Arbat?

Entry Barriers?

Suppliers?

Buyers?

Substitutes?

Rivals?



Michael Porter



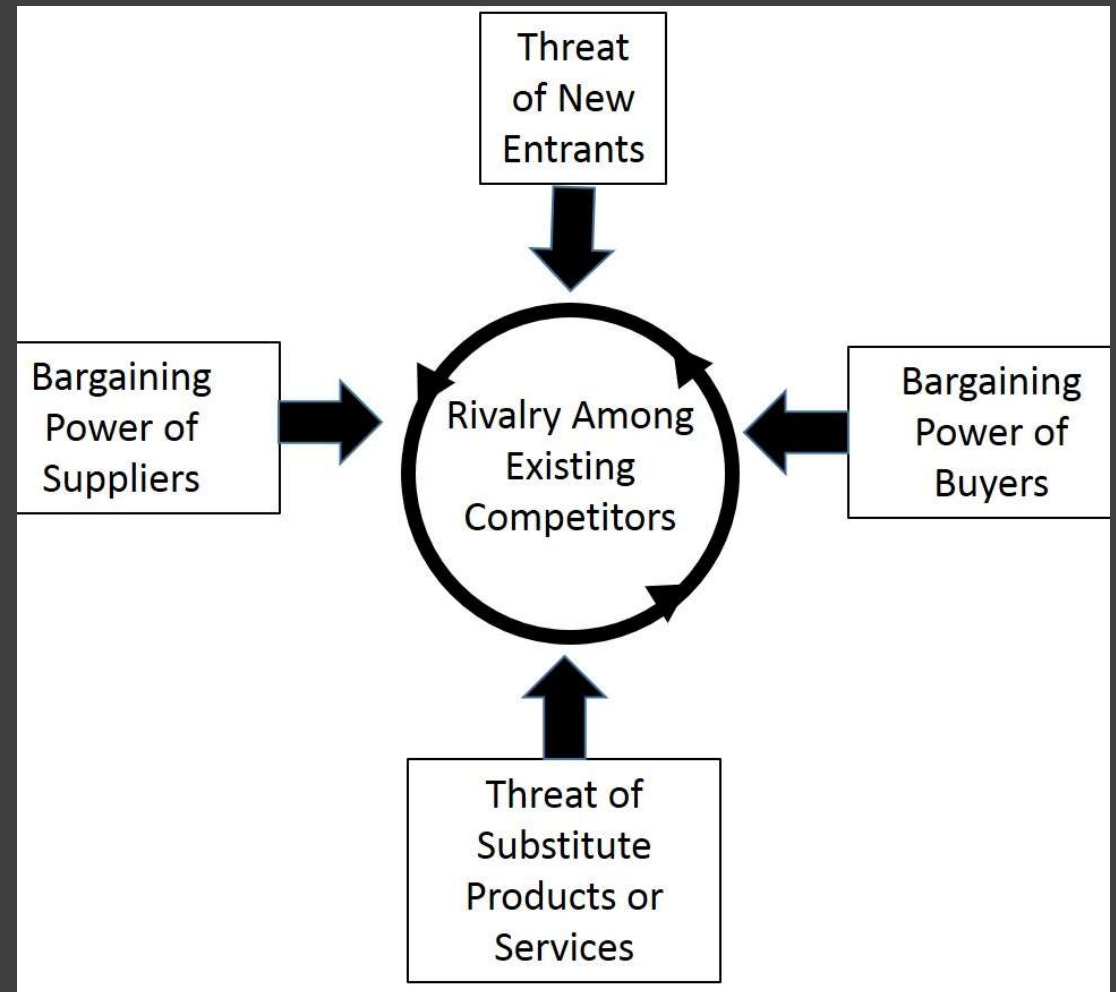
HARVARD
BUSINESS SCHOOL

Michael E. Porter

- **Born in 1947.**
- **Professors in Harvard Business School.**
- **Introduced Porter's 5 Forces Model.**
- **Written 18 books & over 125 Articles.**



Porter's 5 Forces Framework





Threat of new entrants

Entry barriers are high if:

- **Capital requirements**

- R&D, technology, up-front marketing and advertising

- **Economies of scale**

- Exist, forcing new entrants to invest in large scale or accept a cost disadvantage

- Scale economies can exist in areas other than production: R&D, marketing, service)

- **Learning curve effects**

- Not available to new entrants (patents, superior asset utilization through acquired knowledge, culture, history)

- **Product differentiation**

- Strong brands and reputation already exist in the industry

- **Access to distribution channels** is restricted

- **Legislation**

- Environmental, price, etc laws and enforced standards make entry expensive or slow



Power of suppliers

Supplier are powerful if:

- **Supplier concentration**

- They are dominated by a few players and are more concentrated than the industry they sell to.

- **Supplier volume**

- The industry is not an important customer of the supplier groups.

- **Product differentiation/switching costs**

- Their products are unique or have created switching costs (costs buyers face in changing suppliers).

- **Threat of forward integration**

- They pose a credible threat of integrating forward into the industry's business.



Power of buyers

Buyers are powerful if:

Buyer concentration/volume

– They are dominated by a few players and are more concentrated than the industry they buy from.

• Buyer information

– They have a lot of knowledge about the industry they buy from.

• Product differentiation/switching costs

– The industry products are standard and there are no significant switching costs.

• Importance of quality to own product

– The industry's product is unimportant to the quality of the buyers' products or services.

• Threat of backward integration

– They pose a credible threat of integrating backward into the industry's business.



Substitution threat

Threat of substitution is high if:

- **Number of alternatives and cost effectiveness**

- There are several equally cost-effective ways of meeting the same customer need.

- **Switching costs**

- The customer faces few switching costs in moving to the substitute product.

- **Doing without**

- Not buying is an option.

- **Price sensitivity**

- The customer demonstrates high price sensitivity, and the substitute is priced low.

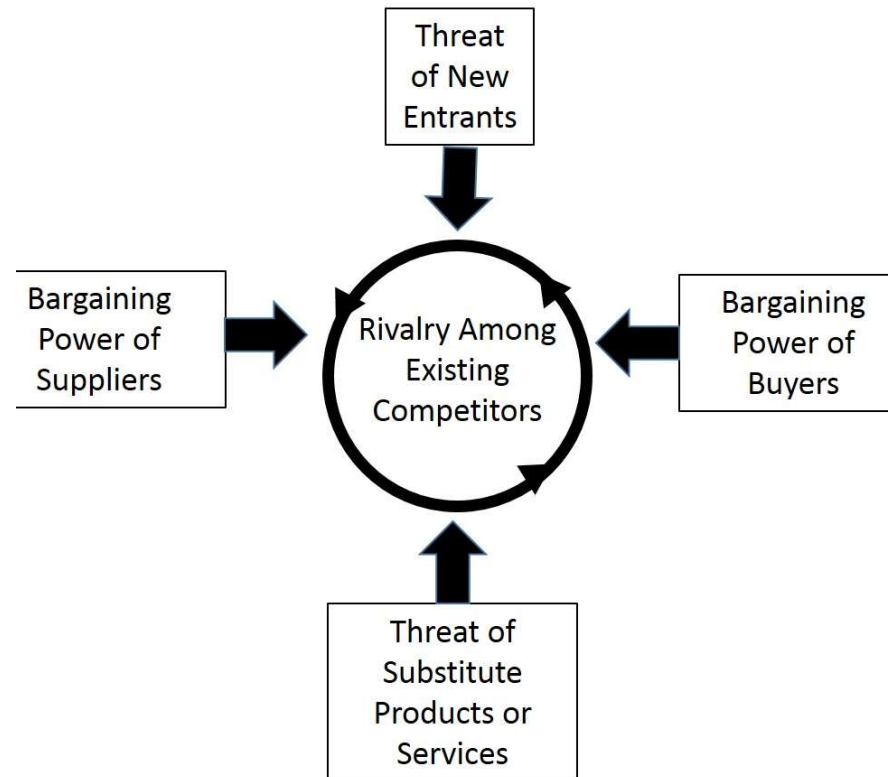


Rivalry

Rivalry is high if:

- **Number of competitors/ equal in size and power**
 - Lots of competitors and no clear industry leader.
- **Market growth is slow or in decline**
- **There is price competition**
- **Product differentiation and switching costs**
 - The product or service lacks differentiation or switching costs to tying customers.
- **Over-capacity and exit barriers**
 - There is excess capacity in the industry and exit is not an easy option.
- **Unpredictable competitors**
 - Rivals do not follow the “industry rules” and compete on different terms.

Porter's 5 Forces Framework



Agenda




- Organizational Mission and Vision
- Industry competitive analysis
- **Next week assignment instructions**

Prepare your
project
proposal



Assignment:
prepare and
submit your
team project
proposal by
Wednesday,
November the
8th, 21:00h



- Form a team between 2 and 6 people
- Create nice team/project cover
- Next, prepare a 5-pages project proposal answering the following key questions:
 - **Page 1:** describe the problem you are willing to solve (provide at least 3 links confirming that the problem exists).
 - **Page 2:** explain how does the project solve the described problem, and what is the innovativeness of the approach.
 - **Page 3:** write an introduction describing main technological and market trends in the industry you are willing to enter (provide at least 3 links confirming that the trend exists)
 - **Page 4:** for the industry you plan to enter, perform an industry competitive analysis using Porter's 5 Forces. Write at least one paragraph for each force arguing why it's "low, medium or high", and assess the rivalry among existing competitors.
 - **Page 5:** Include all team members (Name, Surname, email, photo, role inside the team).

Lifehack:
Use the booklet to learn
more about your classmates
and write/call/zoom with
them to team up



Next week schedule



- Wednesday, 8th of November, you work with your team
- No class attendance check
- You will miss attendance if you don't have a team
- All team will miss attendance if you miss submission deadline

See you next
class!

