1. Summarise the ways in which the global economy influences the five competitive forces.

What are competitive forces?

Porter’s 5 forces, named after Michael Porter, is a model that used to identify and analyze every industry with their weaknesses and strengths.

These forces are:

1. competition in the industry;
2. Potential of new entrants into the industry;
3. Power of suppliers;
4. Power of customers;
5. Threat of substitute products;

In summary, competitive advantage can be achieved by either providing customers more value than competitors in measurable, like lower cost, or performing activities for cutting cost in unique ways that create more value to customers than competitors. Winning either by being cheaper or by being different, there are no other ways. (Hindle, 2008) Porter’s 5 forces decide an enterprise’s competitive situation and its profitability. The ability of increasing prices and cost management of a small company is affected by the bargaining power of its buyers and suppliers respectively. For example, if several suppliers can supply the same product, then buyers have more bargaining power over all suppliers. However, if for certain component, there is only one supplier, then that supplier has bargaining power over customers. On the other hand, low threshold entrance may attract new competition, while high threshold market is not easy. For example, opening a grocery is simple, but starting a manufacturing company is more difficult.

Importance: Diamond Model

Government policies can influence the components of the diamond model. For example, some economists suggest that lower income taxes stimulate consumer demand, which leads to higher sales and profits. Countries that invest in education have a skilled workforce, which helps companies engage in research and development. The presence of supporting industries in close proximity to manufacturing companies can reduce input costs and increase profits. Supporting industries include raw materials suppliers and component manufacturers. A competitive industry structure is also important because companies that can survive tough competition at home are usually able to withstand even tougher competition in a global business environment.

1. Explain how size and complexity change the cost of competitive strategy. Do governments have a role?

For decades, there has been an obvious evidence that people agree on that globalization could bring about more jobs, higher wages and lower prices, not only for the developed countries, but also for the developing ones. However, many people, including politicians, are letting out the sound towards the situations like jobs being taken by machines, old industries disappearing and waves of migration disordered the society stability. The New Zealand government has announced the changes to the residence program with concerning over immigration, The Brexit referendum likewise. US Republican presidential candidate Donald Trump has brought back the protectionism in the US and there have been lots of protest in Europe over international trade deals. What’s behind this collide? And what a role should governments play to overcome this backlash?

1. Describe what the size of the global economy means to differentiation.
2. Explain what types of information technology systems companies can use to be competitive. How do these systems help?

C2M & Go Cloud

In the industrial economy era, B2C (Business to Customer) is a business model that is manufacture-oriented, producing homogenized products massively, broadcasting mass-marketing to those passive consumers. For example, running a business in chain is an embody of industrial standardized producing; Foods giant companies selling the ideas of how to eat healthily to customers by mass media. However, coming to the internet economy era, there are two prominent changes in the business world: demand side, customers are enable by the overwhelming information to reverse the dominancy; supply side, as the information transparency, trade costs are dramatically decline and resources have been allocated swiftly according to the market feedbacks. Eventually, suppliers are driven by customers, C2B, or C2B2M have emerged in terms of tailored and customized production.

What’s C2M? C2M (Customer to Manufacture) is the evolution of C2B, which means customized product and consume. By the spending power become stronger and stronger, people desire the products become more personality and higher quality as well. This produce-by-demand, no-storage pattern definitely will be a new trend. For example, if a customer wants to buy a ring for proposal, he could directly go to e-commercial platform and select suitable manufacturer, and according to his require to design a creative and personal ring. C2M not only cater to customers’ tailored requirements, but also enable manufacture interact with users to promote its brand values, meanwhile this model solve the traditional problem in manufacture: storage, and essentially promote economic performance. Of cause, this model has strict demands for manufacture, especially calling for the supports coming from the big data support and cloud computing backend to enable flexible producing. C2M require manufactures to set data as a center and connect up every section and every business, from procurement to distribution, production lines to works, channels to services, factories to sites, every node will produce data. So that we need a platform where data can accommodate and generate a wise decision for the managers. Only by digitalize, companies will become more efficiency. This is the change that companies have to face to. (difference between B2C C2B C2M, 2016)

Go Cloud

There was a time when Google provided the concept of Cloud Computing, many people seen this as a speculation like old wine in new bottle. However, nowadays, Information Technology industry has totally already accepted it and watched the huge influence towards economy and society. So what’s Cloud Computing and how it affects current and afterwards industry, economy and society?

By the economy recession as the Internet bubble crashed in 2002, Google representing a series of Internet Companies quickly ascended, meanwhile, the burden of challenging Microsoft’s business model had fallen on it. Instead of providing simple service as before, Google was seeking different ways to replace client-applications to online-services. By merging Keyhole, Google successfully moved original client-side 3D earth service to online, afterwards, this became very the famous Google Earth. By merging Picasa, Google replaced the client-side picture editing products like Photoshop with online service as well. Surely, by the advent of Google Docs, Google changed the users’ docs editing habits from Office to online. Since then, without Office, Photoshop, users can truly rely on the online services to do daily tasks. But what’s Cloud Computing, we can shed light on the three companies Google, IBM and Amazon, which proposed this concept initially. For IBM, its business model is “IaaS”, Infrastructure as a service, that means to sell computing infrastructure like virtual machines and other resources as a service to subscribers. For Amazon, besides its e-commercial website, it provides the services like Web Hosting to cater to the needs of sellers’ websites hosting, even for someone else who wants to setup personal website. It’s called “PaaS” Platform as a service. PaaS offers a development environment to application developers, like toolkit and databases, etc. As the concept of Amazon is different from IBM’s, but there is no confliction, which means IBM can be a server vendor to Amazon if the price is reasonable. On the other hand, Google is also the earliest company developing Cloud Computing, its original goal is to enlarge the search engine’s capability for itself. However, by the business being scaled up and competition against Microsoft becoming more and more fierce, Google gradually moved the local client-side applications to online. This can be referred to as “SaaS”, Software as a Service, also can be known as “on-demand software”. In this model, users access the software from cloud clients and all data can be stored in cloud and can be shared any place where there is network available. First, Cloud enable users or anyone else easily share or access to their data. Second, Cloud Computing allow user to utilize a great deal of computing resources including CPU, driver and memory instead of purchasing the devices by themselves which reduce users’ cost on infrastructures. Third, Cloud computing can facilitate software developer and system operators swiftly develop and deploy software, which makes software delivery more quickly and cuts down operation and maintenance costs.

In the WinTel(Windows+Intel) era, as so many client-side application running standalone on PC, any software vendors put the support of the most used Operation System as the first priority. But in Cloud era, all data and applications can be running on server-side, terminal devices can be various according to customers’ preferences, like smart phone, tablet or MackBook and without being bothered by compatibility. If we say Web 2.0 is an evolution, then Cloud computing can be seen as a completely revolution, a colossal technology development wave. Once upon a time, people believed the dominancy of Microsoft and Intel in PC era was unshakeable, no matter in terms of technology or law. However, by the advent and prevalence of Cloud Computing, the WinTel even shakes by itself. Of course, even though Cloud Computing still needs further improvement, what’s more, it calls for an appropriate legislative framework.