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Introduction

In national scope, globalization has made many companies to change strategies for the new competitive force. One of the great contribution to the strategy-making is Michael Porter’s work and his five competitive forces, this essay reviews the relationship between global economy and the five competitive forces and how they interact. Moreover, it informs what factors affect cost of competitive strategy and governments’ influence. Finally, the document distinguishes what types of information technology systems companies can use to be competitive and how these systems help.

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:

Competition in the industry;

Potential of new entrants into the industry;

Power of suppliers;

Power of customers;

Threat of substitute products;

Generally, 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. For the global marketer, Porter describes some attributes in selecting country as factor and demand conditions. For example, factor conditions such as human resource is a critical factor in the decision-making process especially in developing countries where low-wage labor is widely available while technology workers are scarce. Besides that, other infrastructures such as a nation’s banking and taxation system are important factors. (Aube, 2013) One of most important strategy for a company’s developing, positioning and selling products across the border is global market segmentation. Additionally, it enables global marketer to optimize the value of the customers and the organization. For decades, economic globalization is the one of the most power to shape this world. Particularly, international trade has become more important in the last 50 years. Reducing the costs of transportation and communication and lower policy barriers to trade and investment are the two major reasons for economic globalization, which increases the number of competitors in the economy. Not only does this reduce distortionary price due to monopoly in the market; it also can reduce distortionary company power in the political arena. Most importantly, there has been believed that openness can take a permanent effect on a country’s rate of growth, not just the level of GDP. Intensive economic interaction with the rest of the word will speed up the absorption of cutting-edge technologies and management best practices, stimulate innovation and reduce costs, and competes away monopoly. (Globalization of the economy, 2000) When one country’s economy goes down, the government will play a significant role to regulate its domestic economy.

The quality of regulation of a government imposed will affect regulatory outcomes, which in turn can be expected to impact on economic growth. Especially, the government can play a role of moderator between brokerage companies and consumers. Too much regulation may result in suppression of innovation and drive up costs, while too little may lead to corruption and mismanagement. This finally lead to a regulation dilemma where a government find it difficult to determine the exact policy. However the impact coming from the regulation is far-reaching and long-lasting to some extent. (Jalilian, 2006)

Differentiation

According to basic economic theory, arbitrage is describe as an activity that buying product in a place with a lower price and selling the same product in some place with higher price and this activity should drive prices into equality. The explanation for this why its failure to do so perfectly is that the commodities in question is not exactly identical. If no other reason than matters of warranty, service, etc. Brand name matters. BMW is not Lexus, and it sold in Germany is not the same as the one sold in US(different air pollution policy). It suggest that price differentials for certain goods are much larger beyond the country borders than they sold within countries. (Globalization of the economy, 2000) Product can be defined as a collection of physical, psychological, service and symbolic attributes that yield values to a buyer or a user from the marketing’s point of view. Products can be international, local and global. International products are offered in different nations or reginal markets while a national product is offered in a single national market. Finally, the global products are those truly found in every region throughout of the world. Product differentiation is easy to observe but difficult to measure. Theoretically, elasticities of substitution in terms of prices reveal the extent of product differentiation in a certain market (Forstner, 1990). However, a global brand cannot be confuse by a global product. Nowadays, Brand differentiation is very important in competitive market where nearly every day new entrants are coming into the market with their new ideas about differentiation themselves from others. Nicholson (Nicholson, 2010), defines a strong global brand as one that exceeds its cultural origins to develop strong relationships with consumers across different countries and cultures. Nicholson argues that only a few brands like Google, Nokia, Colgate, Coca-Cola and McDonald’s can be cited as globally recognized brand name (Aube, International Trade: Porter's Five Forces Model at the Rescue of Global Marketers, 2013).

C2M & Go Cloud

According to Luffman et al. (Luffman, 1996) the power of Industry competitor is seen as the most important force of the model. Industry is in a place where it can dominantly change to every firm which wants to success and looks for opportunities to achieve it. Obviously, not all decisions lead to getting advantages some remain failure. There are many issues which influence the competition between companies as size of the company, industry structure and concentration, product differentiation and variety of rivals. Competitive rivalry is also determined by numbers and qualities of competitors. In situation of many companies in the industry which sell nearly equal product, the firm has a low level of power. Conversely if company's product is unique, it is an enormous strength. (Johnson, 2005) Furthermore, innovation in business model allows companies to get a leg up on the competition besides the product itself. 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)

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.

Conclusion

We have learnt that the Porter’s five forces model is a tool to measure the threat of new entrants, the threat of substitutes, the bargaining power of buyers and suppliers, and the competition among the existing competitors. Global marketers have to understand the potential markets including the various barriers to entry for each country. Furthermore, the new business model relying on technology suggests that a company to survive in a more and more furious global marketing competition, innovation and technology are critical.

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