Business strategy

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The term "value chain" refers to the series of business activities and processes involved in the creation of a product or the delivery of a service. It encompasses various stages in the life cycle, starting from research and development, all the way to sales and beyond. The concept of the value chain was introduced by Michael Porter, a professor at Harvard Business School, in his book "The Competitive Advantage: Creating and Sustaining Superior Performance."

Components of a Value Chain

Primary activities are the core activities directly involved in the creation of a product or the execution of a service. They include:

1. Inbound logistics
2. Operations
3. Outbound logistics
4. Marketing and sales
5. After-sales services

Secondary activities support and enhance the efficiency of the primary activities, creating a competitive advantage. They include:

1. Procurement
2. Technological development
3. Human resources management
4. Infrastructure

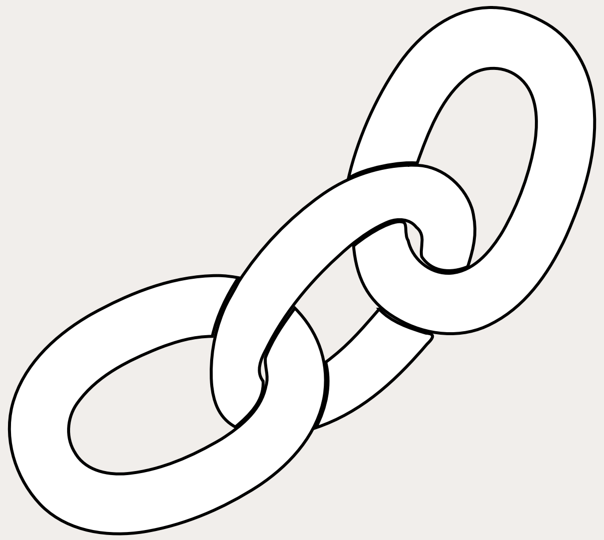
Conducting a Value Chain Analysis

- Identify Value Chain Activities

Start by identifying all the primary and secondary activities involved in the creation of your product or service. If your company offers multiple products or services, analyze each one separately

- Determine the Value and Cost of Activities

Evaluate the value added by each activity in the value chain. Consider how it enhances customer satisfaction and creates value for your company. Additionally, assess the costs associated with each activity to understand their impact on the overall process



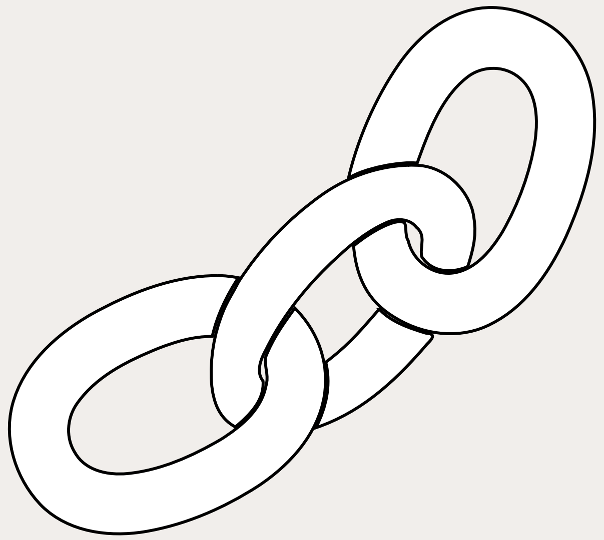
Conducting a Value Chain Analysis

- Identify Opportunities for Competitive Advantage

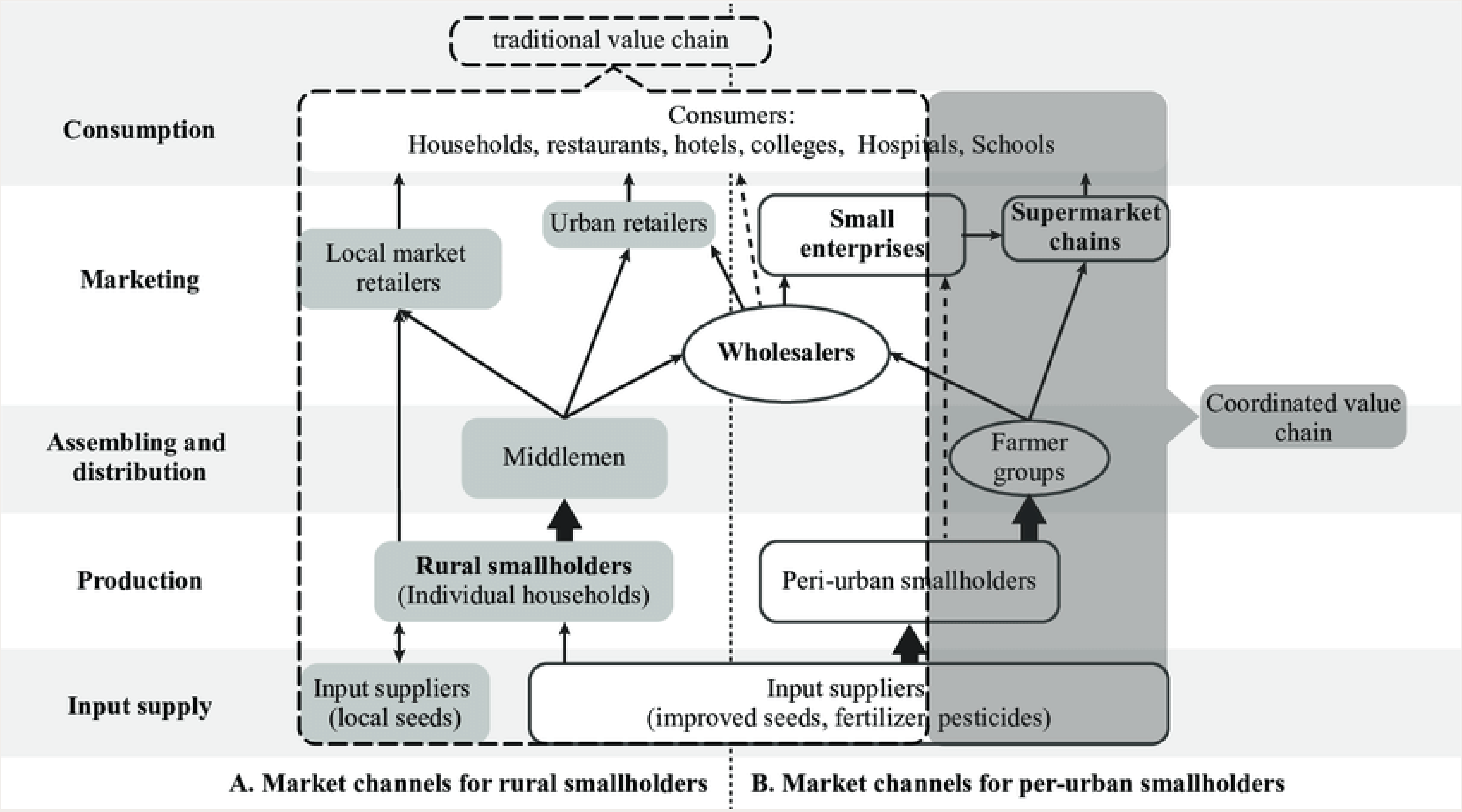
Analyze your value chain to identify potential opportunities for competitive advantage. Align your analysis with the specific objectives you aim to achieve

- Prioritize and Implement Improvements

After identifying opportunities for improvement, prioritize them based on effort and potential return on investment. Start with changes that require minimal effort but offer significant benefits



Conducting a Value Chain Analysis



Source: https://www.researchgate.net/figure/Value-chain-map-for-AIVs_fig1_332631297

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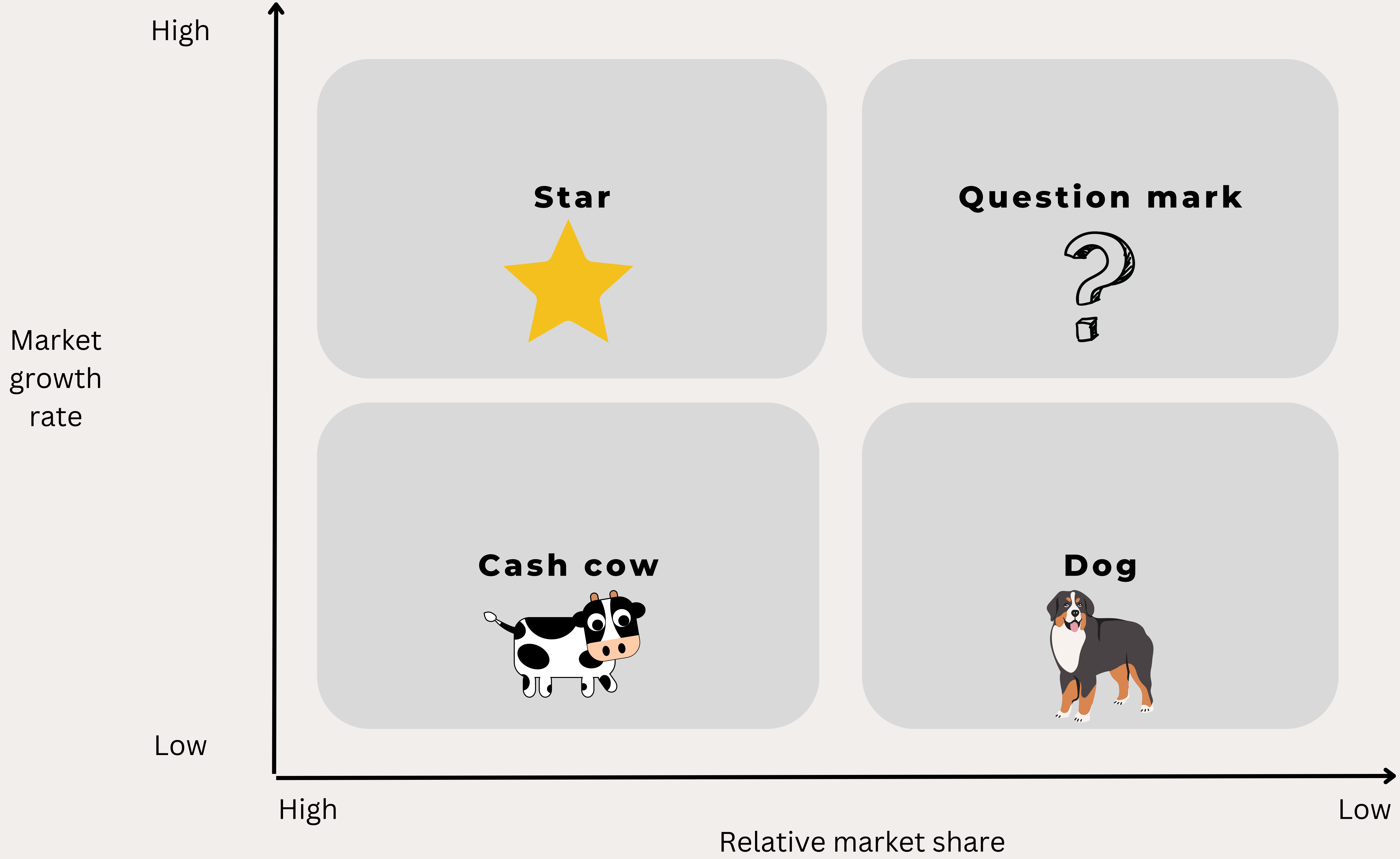
The BCG Growth-Share Matrix, developed by the Boston Consulting Group (BCG), is a strategic framework that classifies products based on their growth potential. It provides a passive approach to understanding what can be expected from each product in your portfolio

Goal: Evaluate the profitability and strength of different product lines

The BCG Growth-Share Matrix



Economies of scope and **economies of scale** are two concepts that shed light on why larger companies often enjoy lower costs. Economies of scope focus on the average total cost of producing a range of goods, while economies of scale center around the cost advantage achieved through higher levels of production for a single good

Economies of Scope: expanding Product Variety for Cost Advantage

The concept of economies of scope suggests that the average total cost of production for a company decreases as it produces a wider variety of goods. This phenomenon grants a cost advantage to companies that create a complementary range of products while focusing on their core competencies

An example of economies of scope can be seen in a manufacturing company that produces both bicycles and bicycle accessories. By diversifying its product range and producing complementary goods, the company can benefit from economies of scope

Economies of Scale: expanding Product Variety for Cost Advantage

Economies of scale refer to the cost advantages that a company can achieve as it increases the scale of its production or operations. As the volume of goods or services produced increases, the average cost per unit decreases, leading to greater efficiency and cost savings

A typical example of economies of scale can be observed in manufacturing industries. When a company increases its production output, it can spread fixed costs, such as machinery, equipment, and infrastructure, over a larger number of units. This results in lower fixed costs per unit, reducing the overall production cost

For instance, a car manufacturer that produces 100,000 vehicles can distribute the fixed costs associated with production, such as factory maintenance and machinery depreciation, across a larger number of units compared to a manufacturer producing only 10,000 vehicles. This allows the larger-scale manufacturer to achieve a lower average cost per vehicle, giving them a competitive advantage in the market

Thank you for your attention!