M5L13. Porter's Competitive Value Chain – Primary Activities

Slide #1
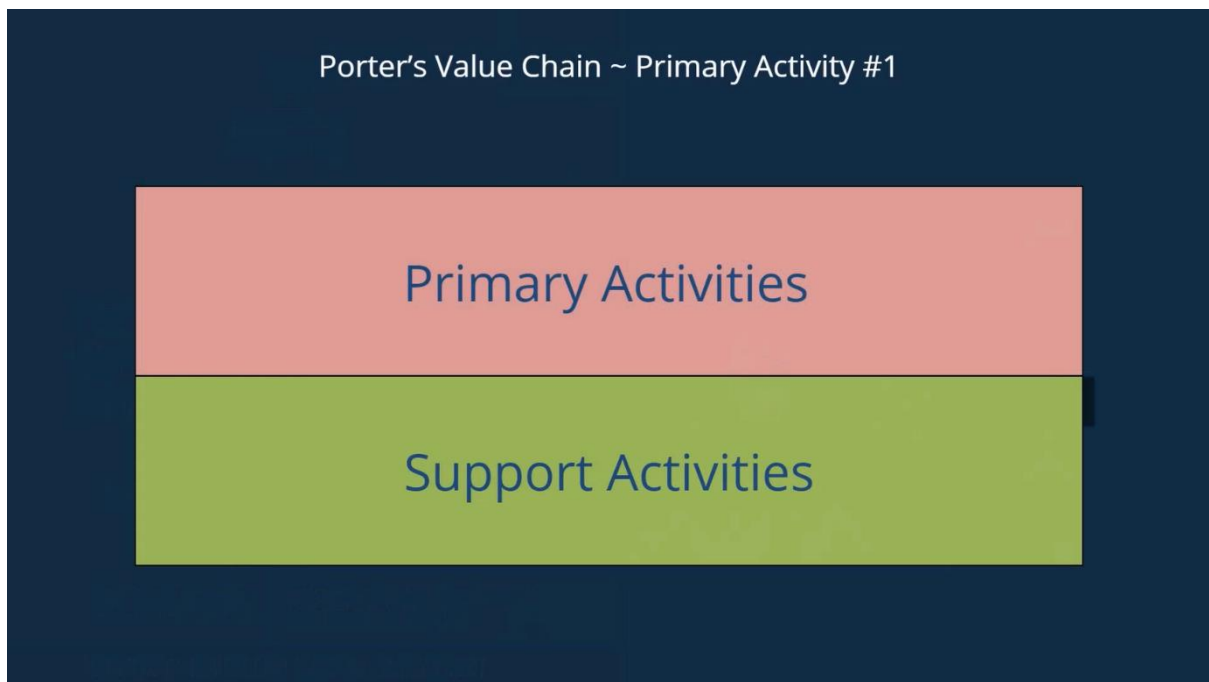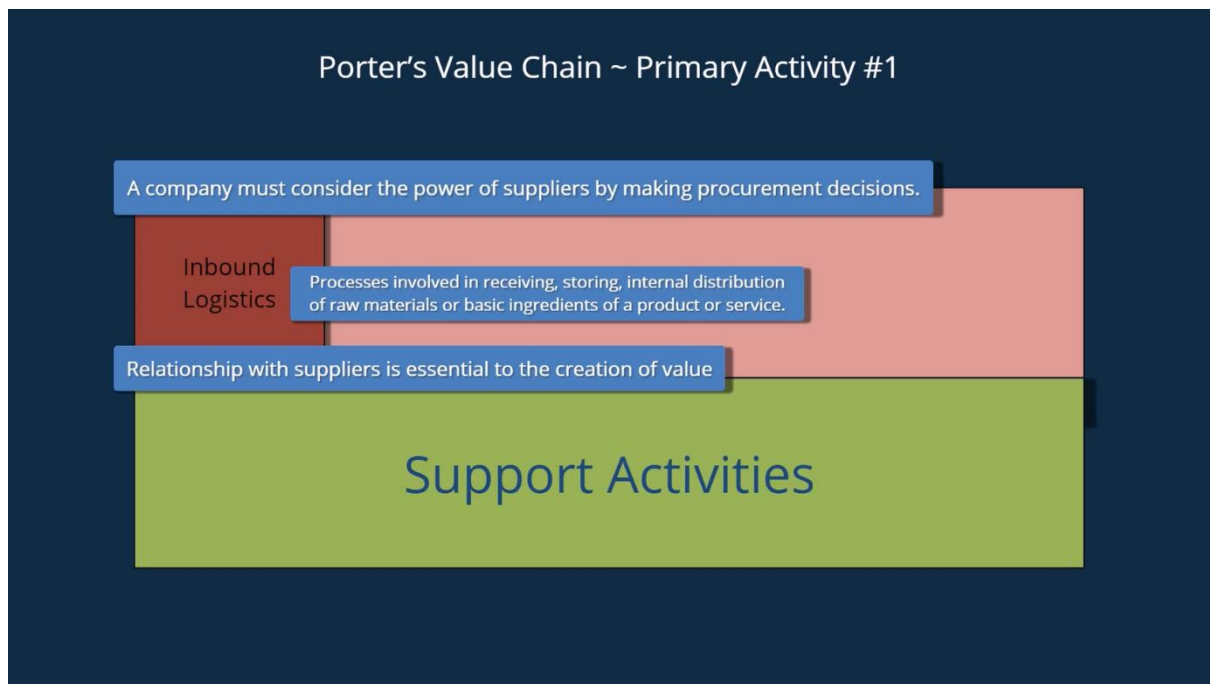

We will now discuss the primary activities in Porter's competitive value chain.

Slide #2

The primary activities include the following elements.
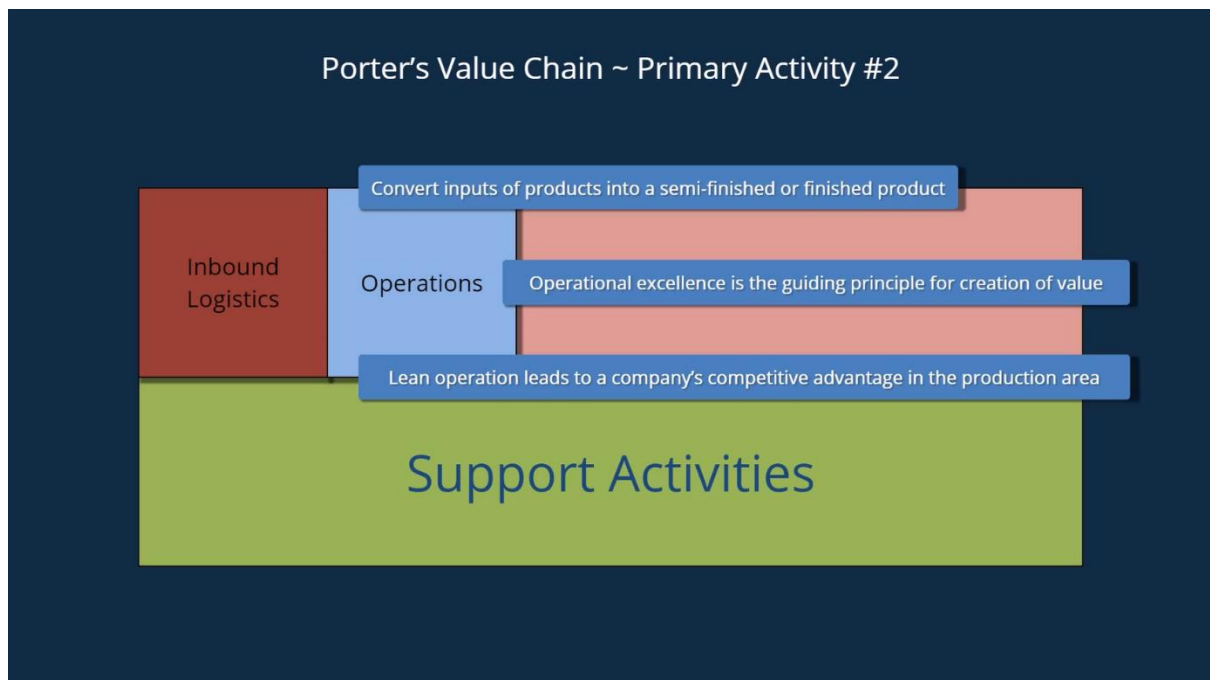
Slide #3

First, inbound logistics.

These are all processes that are involved in receiving, storing, and the internal distribution of raw materials or basic ingredients of a product or service.

Relationship with suppliers is essential to the creation of value.

A company must consider the power of suppliers by making procurement decisions.
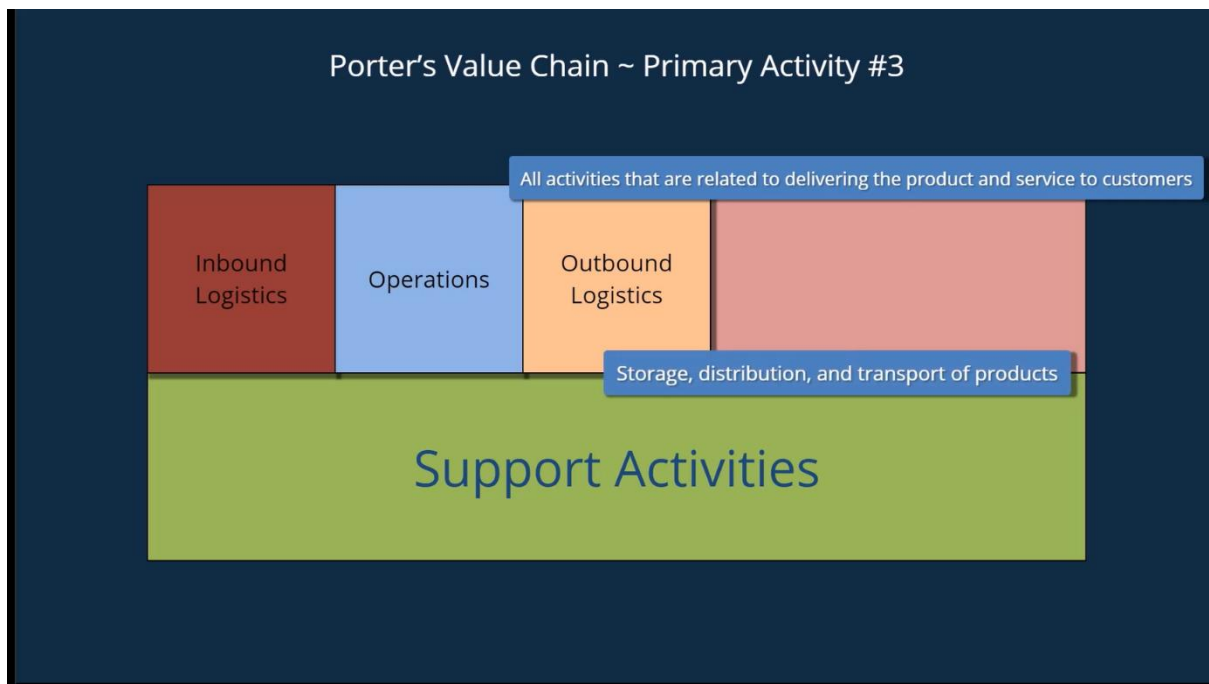
Slide #4

The second element is production.

These are all the activities that convert inputs of products into a semi-finished or finished product.

Operational excellence is the guiding principle for creation of value.

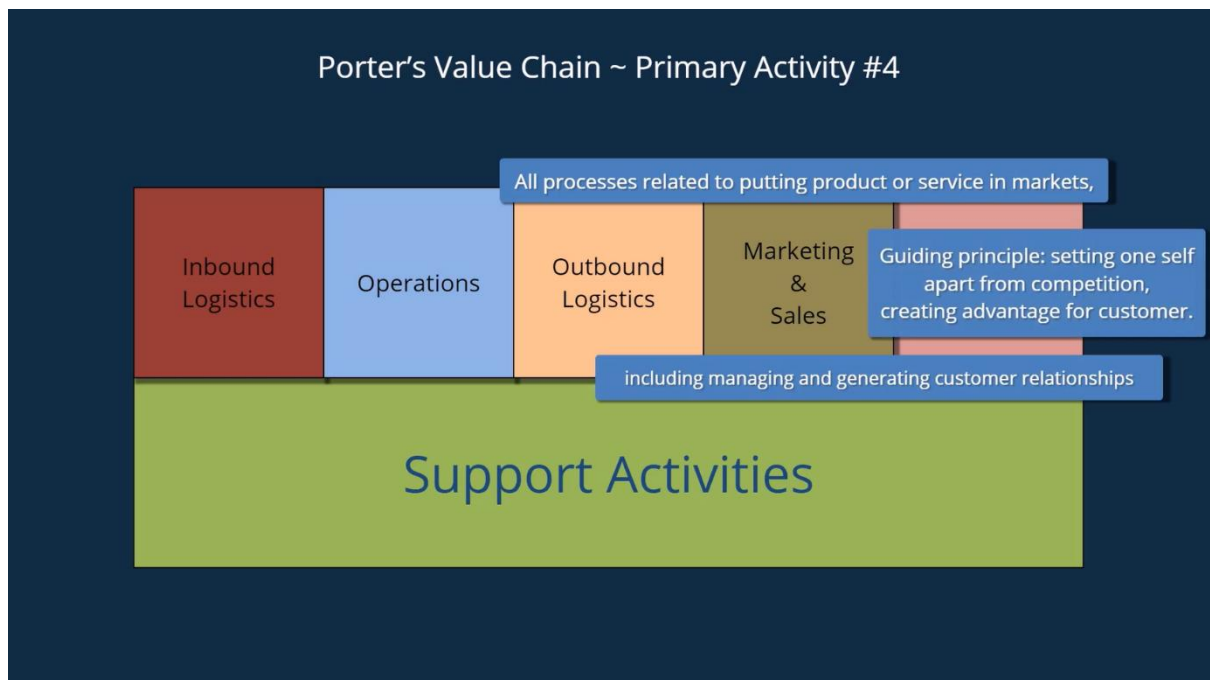Lean operation leads to a company's competitive advantage in the production area.

The third element is outbound logistics.

These are all activities that are related to delivering the product and service to the customers.

This includes, for instance, storage, distribution, and the transport of products.
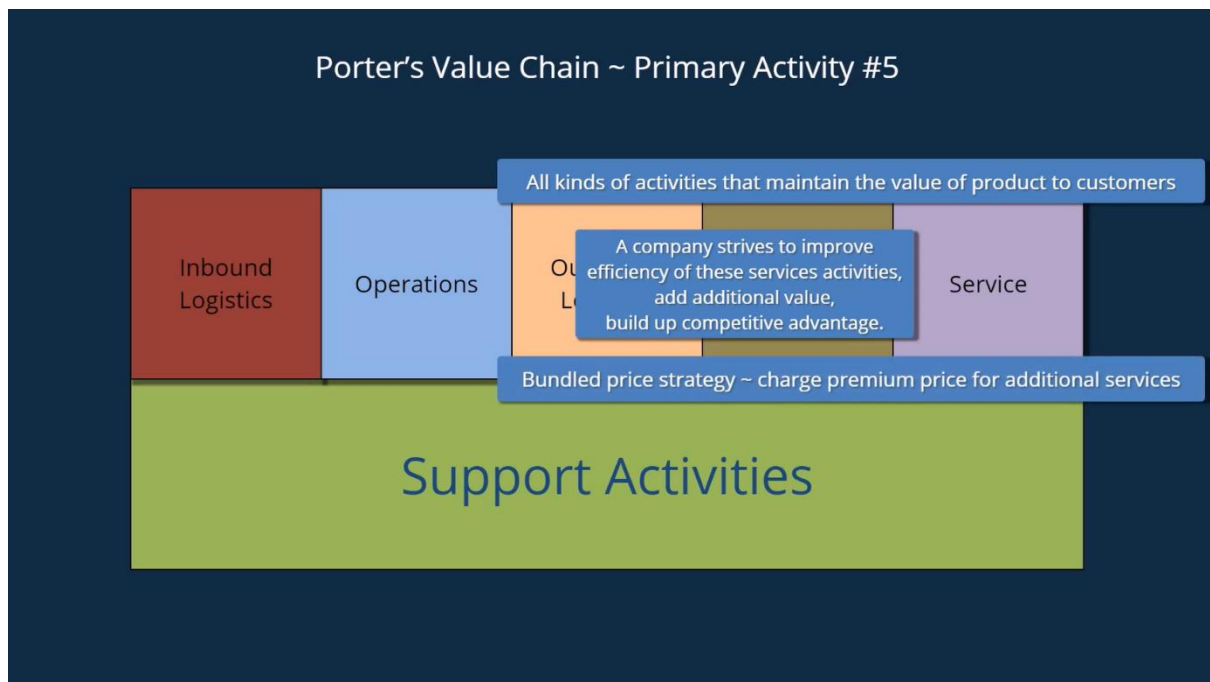
Slide #6

Marketing and the sales activities are also important to the company's profitability.

Marketing and sales are all processes related to putting the markets and services in the markets, including managing and generating customer relationships.

The guiding principle is setting oneself apart from competition and creating advantage for the customer.

Service is the last element of Porter's competitive value chain.

Service includes all kinds of activities that maintain the value of products to customers.

A company strives to improve the efficiency of these service activities to add additional value and build up competitive advantage.

In the last lecture, we talked about bundled pricing strategy.

A company may be able to charge a premium price for additional services that they provide to their customers.