Strategy

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Overview of the next two days Core concepts in strategy

- Industry analysis
- Competitive positioning
- Competitive advantage
- Competitor analysis and competitive response
- Sustaining competitive advantage over time
- How to become a great strategist
 - ▶ Lessons from Bill Gates, Andy Grove, and Steve Jobs

Cases

- ► Cola Wars classic
 - ► American, but 80% of business ROW
 - ► B2C
- ► HTC
 - Asian
 - ► Hybrid B2B and B2C
- Nutrasweet vs. Holland Sweetner
 - ▶ US-Japanese vs. EU-Japanese
 - **▶** B2B

Cola Wars

- Basics of strategy
 - ▶ Strategy 101
 - ► Five Forces

Porter's Five Forces

Threat of New Entry

- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs

Bargaining Power

of Suppliers

• Differentiation of inputs

• Presence of substitute

• Supplier concentration

Cost relative to total

• Importance of volume to

• Impact of inputs on cost or

• Switching costs

inputs

supplier

purchases

integration

differentiation

Threat of forward

- Capital requirements
- Access to distribution
- Absolute cost advantages
- Government policy
- Expected retaliation

Rivalry Among Existing Competitors

- Industry growth
- Fixed costs / value added
- Overcapacity
- Product differences
- Brand identity

- Switching costs
- Concentration and balance
- Informational complexity
- Diversity of competitors
- Corporate stakes
- Exit barriers



Threat of Substitutes

- Relative price performance of substitutes
- Switching costs
- Buyer propensity to substitute

Bargaining Power of Customers

- Buyer concentration
- Buyer volume
- Buyer switching costs
- Buyer information
- Ability to integrate backward
- Substitute products
- Price / total purchases
- Product differences
- Brand identity
- Impact of quality / performance
- Buyer profits

Source: Porter, 1985

Cola Wars

- Quickly move into new concepts beyond Porter
- Today's discussion
 - ▶ \$25k in the IPO of Coke = ?? Today
 - ▶ 1938: Forbes article on Coke
 - ▶ "Several times every year a weight and serious investor looks with profound respect at Coca Cola's record, but comes regretfully to the conclusion he is too late. The spector of saturation and competition runs before him..."
 - "License to steal" and/or "license to print money"
 - Exhibit 3 Average ROE 1990s, recently?
 - ▶ Let's start with the product

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Summary

- How to use market power
 - Structure an industry
 - Structure the rules (inc gov't regulation)
 - Build for sustainability 120 years!
- Strategy starts with industry analysis
 - ▶ The entire value chain not just the firm creates the opportunity for above average returns
- Competitive advantage is always more than the product
 - Coke (and Pepsi) built their franchises around brand, supply chain management, and distribution - not the product alone
- How to be a smart competitor
 - Go to war (inevitable in most global business)
 - Make a fortune and kill the bystanders!