Strategic Management
Paper Project
Paper Project

- Objective: study and analyze the strategic positioning and competitive (dis)advantage of a company of your choice
- Apply insights and frameworks from this class
Final Paper:
The idea is to study a company’s current strategy in place and how this relates to this firm’s competitive advantage or possible disadvantage. The paper needs to cover:

- A brief historical background (~1-2 page)
- A definition and analysis/assessment of the profitability of the industry this company is in (~4 pages)
- A discussion of how the company is positioned within this industry vis-à-vis its key competitors (~2 pages)
- A description of the activity choices made by the firm that help the firm carry out the positioning theme (~4 pages) + a discussion of how these choices fit together and reinforce one another (provide examples)
- Visualization of the activity system (activity map) (THIS IS VERY IMPORTANT)
- Overall evaluation based on the information above, whether the company has a competitive advantage or disadvantage (provide quantifiable evidence and other logical arguments/evidence) (~3 pages)
- Discussion of key insights and 3-4 “generalizable” findings (how may this inform managers in other companies/industries?) (~4 pages)

Formatting comments:

- Font: Times New Roman Size 12
- Spacing: 2 and 1 inch margins
- Page limit: 25 (excluding references and figures).
1. Introduction (incl. thesis/research question)

2. Historical background

3. Industry Analysis (in general)

4. Positioning within this industry (of your company)

5. Activity System (what choices allowed for this positioning?)

6. Assessment of competitive (dis)advantage during this time period

7. Discussion and Lessons learned (what patterns did emerge across all time periods. What lessons do we learn which go beyond your company?)
Industry Analysis

1. Define the industry!

2. What is inside and what is outside of this industry?

3. You define the scope you are interested in!

4. This may change across time periods – explain why!
Industry Analysis

Adapted from Porter (2008)

**Rivalry Among Existing Competitors**
- Number of competitors (or few players equal in size and power)
- Lack of differentiation or switching costs
- Slow industry growth
- High fixed cost
- Perishable product
- High exit barriers

**Threat of New Entrants**
- Economies of scale
- Brand power
- Access to distribution
- Switching costs
- Capital Requirements
- Incumbency Advantage
- Government Policies
- Expected Retaliation

**Bargaining Power of Suppliers**
- Concentrated groups
- Suppliers are differentiated
- The supplier’s product is an important
- Suppliers can forward integrate

**Bargaining Power of Buyers**
- If they have negotiating leverage
- When they are price sensitive

**Threat of Substitutes**
- High if: They offer an attractive price-performance trade-off to the industry product
- Buyer’s switching cost are low
Industry Analysis

Assess each force (+complementors)

Evaluate the industry as a whole!

Important: Provide evidence for why a force is high or low.

E.g., what could you provide in evidence to show the degree of rivalry?

- Market share (concentration)
- Number of players
- Return on Equity or Invested Capital for this industry
- Growth rates
- Average profit margins of the top players
- Price development
- Marketing expenditures
- Etc.
What’s the generic positioning and its origin? e.g., **differentiator** with variety based origin? Or **low cost** with access based origin?

• Discuss why you choose those axes
• Discuss closest competitors and how they are (?) different
• Typically one axis should be internal (e.g., cost) and one external (e.g., WTP)
• This may change over time as well – show how the positioning has evolved!!

• **Compare Financial Figures!**
Discuss the **set of activities/choices** that your company had in place during this time period and which ones were added or deleted!!

**What choices** did they make? E.g., Trader Joe’s decided not to offer loyalty programs, focus on a limited set of products, operate only small stores etc.…

Discuss the most important **fit/interdependencies** among activities. Why are they reinforcing?

E.g., Trader Joe’s decision to offer only a **limited number of products** (4000 SKUs) made the choice of operating **small stores** more valuable because a small assortment would not make much sense in large stores. Also, having small stores makes the choice to restrict the offer to a limited number of products more valuable because an increase in the number would lead quickly to storage problems.
Primary Activities

Support Activities

Firm MGMT

Human Resource Management (HR)

Technology Development (IT)

Purchasing

Inbound Logistics

Operations

Outbound Logistics

Marketing & Sales

After-Sales Service

Inbound logistics

Operations

Purchasing

Human Resource Management (HR)

Technology Development (IT)

Firm MGMT
Discuss the most important fit/interdependencies among activities. Why are they reinforcing?

E.g., Trader Joe’s decision to offer only a limited number of products (4000 SKUs) made the choice of operating small stores more valuable because a small assortment would not make much sense in large stores. Also, having small stores makes the choice to restrict the offer to a limited number of products more valuable because an increase in the number would lead quickly to storage problems.
Dynamic Product mix (opportunistic buying)

- Vendor secrecy
- Global sourcing
- Purchase direct from manufacturer
- No wholesalers or distributors
- Dense distribution
- Restocking during day
- Large volumes
- No slotting fees
- Limited SKUs
- No strict planogram
- 80% Private labels
- 40% of stores in CA
- Strip malls
- Small stores

EDLP Strategy

- Friendly & knowledgable service
- No TV ads
- No self-checkout
- No flat-screen TVs
- No TV ads
- No TV ads

- Owned by Aldi
- Very private, no public relations agency
- No loyalty program
- No coupons
- Product sampling
- Treasure hunt experience
- No TV ads

- 10% discount (staff)
- Generalist not specialist
- 10 days of training (new hires)
- Well-paid staff
- Small parking lot
- No strict planogram
- 40% of stores in CA
- Small stores
Activity System Southwest Airlines (Porter, 1996)

- **Limited passenger service**
  - No meals
  - No seat assignments
  - No baggage transfers
  - No connections with other airlines

- **Lean, highly productive ground and gate crews**
  - Frequent, reliable departures
  - High compensation of employees
  - 15-minute gate turnarounds

- **High aircraft utilization**
  - Limited use of travel agents
  - Automatic ticketing machines
  - Standardized fleet of 737 aircraft
  - Very low ticket prices

- **Short-haul, point-to-point routes between midsize cities and secondary airports**
  - "Southwest, the low-fare airline"
Evaluate the competitive (dis)advantage

Briefly discuss/summarize why this was a time period leading to a competitive (dis)advantage, e.g., because of important trade-off choices to be different from competitors and be protected from imitation (explain why!)

Provide Financial Figures/Proof: Market share growth relative to competitors or overall industry growth. Did your company outperform the market?

Provide costs and Profit margins etc
Discussion/Lessons learned (after all time periods)

How does this relate to your research question/thesis?

What are two or three more general lessons learned that shed light on competitive advantage? To which extent is this applicable to other companies? Do you have examples?

This section distinguishes an excellent paper from a good paper!
Sources, figures, tables, etc.

Use a variety of credible sources (10K reports, news reports, industry reports, articles, journal articles, books etc.)

Cite when you build on ideas and thoughts of others (including Porter etc)

The more high quality sources the better! Citing sources provides evidence that you did your research!

Provide Figures and Tables that help to deliver a point, not just a repetition of a 10K financial statement!

Visualize numbers using graphs (e.g., to show the R&D spendings as a % of sales across competitors)