Strategic Planning: Key Concepts

Steps in Planning
Market Segmentation
Attractiveness: 5 Forces
Generic Strategies
The Firm Value Chain
Industry and Segment Selection (Ch. 7)

• You can select a segment in which to compete
  *based on how profitable the structure should be in the long term.*

• You can decide how to compete
  *based on industry structure and the resources you have.*

• You can shape your firm so that you can execute on this strategy
  *with deliberation and efficiency.*
Indicators of Segment Profitability: “Five Forces” Model - M. Porter

Barriers to Entry

Barriers to Exit

Supplier Bargaining Power

Buyer Bargaining Power

Existing Rivalry

Availability of Substitutes

Attractiveness of an Industry or of a Segment is a function of these forces. Use them in selection of segments - and in defense of segments.
About the Five Forces (Ch. 1)

• The collective strength of the five competitive forces determines the ability of firms in an industry to earn high rates of return on their invested capital.
• The strength of the five forces varies from industry to industry, and can change over time.
• The five forces model can be applied to an entire industry, or to segments of an industry.
• The five forces determine industry profitability because they influence the prices, costs, and required investment of firms in an industry - the elements of return on investment.
Generic Competitive Strategies

- Positioning determines whether a firm's profitability is above or below the industry average.
- A firm can have many strengths or weaknesses relative to competitors, but:
- There are two basic types of competitive advantage: low cost, or differentiation.
- There are two scopes of activity: broad or focused.
- Achieving competitive advantage requires a firm to make a choice. Being "all things to all people" is a recipe for strategic mediocrity and below average performance, because it often means that a firm has no competitive advantage at all.