Strategic position

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5 forces shaping strategy

- Substitutes
- Industry competitors
- Suppliers
- Buyers
- New entrants
Substitutes

- What are the existing alternatives?
- How direct is the substitution?
- How quickly could substitutes penetrate our market?

Remember, *inertia* should probably be considered a substitute
5 forces shaping strategy

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Industry competitors

- Who is the 800-pound gorilla?
- Betamax vs. VHS; Palm OS vs. Windows
- How is differentiation achieved?
- How open is competitive “warfare?”
5 forces shaping strategy

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Power of suppliers

- How many suppliers are there?
- What deals do they already have with your competitors?
- Can you rely on externals, or do you need critical components “in house?”
- How much of your cost is tied up in supplies?
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Power of buyers

- How concentrated is the customer base?
- How satisfied is it, generally?
- How fast is overall demand growing?
- How price-sensitive are the buyers?
- What are the switching costs?
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New entrants

- Barriers to entry
  - Can you raise them?
  - What tends to lower them?
- Who are the possibles?
- How long will they leave us alone?
Barriers to entry (Repeat!)

- Patents and trademarks
- Proprietary technology
- Substantial expertise required
- Engineering/manufacturing problems
- Restrictive regulation
- Lack of suppliers or distributors
- High start-up costs

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Kinds of strategic positions

- Customer perception factors
- Market segment approached
- Market share captured
- Operational/technical advantages
- Proprietary technology
- Access to sales channels
Customer Perceptions

- Price (but never the low-price leader)
- Quality
- Features not available elsewhere
- Customer service
- Convenience
- Social responsibility
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The market niche

- Geographic location
- Age, income, interests, of consumers
- Size (especially) of companies in industry served (in B to B)
- Specialized needs of customers
Kinds of strategic positions

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- Market segment approached
- Market share captured
- Operational/technical advantages
- Proprietary technology
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Specific advantages

- A better process
- Proprietary assets or relationships
- First-mover advantages
  - Capturing a market
  - Securing strategic partners
  - Attracting the best employees
  - Gaining media attention
  - Better financial backing
- Branding
Identifying risks

- Especially those that relate to your claimed strategic advantages
- Market and product risk
- Technology risks
- Money through time
- SWOT analysis