TIM 80C, Lecture 8 (4/24/14)

Agenda

1) Porter's Five Forces (Lecture 7)

2) Competitive Strategy (Business Strategy)

3) Homework 2: Problem 2

4) Project
   - Phase I Feedback
   - Phase II Assignment

5) Return graded Homework 1
2) Business Strategy (Competitive Strategy)

Step 3: Define a competitive strategy for the start-up within the Industry/Market landscape.

Competitive Strategy has 2 dimensions:

1) Product Dimension: What is the source of the company's competitive advantage.

- Uniqueness of the product as perceived by the customer
  - Quality
  - Features
  - Reliability

2) Market Dimension: What is the company's target market.

- Market-wide
- Particular Segment
  (Target the entire market)
Example: Tablet computer Industry (2014)

Source of Competitive Advantage

Unique Product

Differentiated

Apple

Samsung

Low Cost Product

Cost Leadership

HP

Focus

Microsoft

Apple

Samsung

Porter's claim is that for a company to be successful (profit, growth), it must adopt one of these strategies:

1. Differentiated strategy: unique product for everyone
2. Cost leadership strategy: low cost product for everyone
3. Focus strategy: unique product for a particular segment of the market
4. Struggle in the middle
3. Homework 2: Problem 2

New Entrants
- GoPro
- Leico

Supplies
- Lenses (Sony, Zeiss, Canon, Nikon)
- Sensors (CCD, CMOS, Sony, Canon)
- Memory (Flash Memory, SanDisk, Samsung, Intel)

Competitors
- Canon
- Nikon
- Sony
- Kodak
- Samsung
- Fuji
- Pentax
- Olympus

Buyers
- Students
- Families
- Professionals
- Travel
- Sports

Substitutes
- Smartphones
  - Tablets
- Laptops
  - Wearable Tech (GoPro)
<table>
<thead>
<tr>
<th>Force</th>
<th>Intensity</th>
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<tbody>
<tr>
<td><strong>F1: Rivalry between Competitors</strong></td>
<td>High</td>
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<tr>
<td></td>
<td>(Concentrated, brand identity, declining market, exit barrier)</td>
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<tr>
<td><strong>F2: Threat of New Entrants</strong></td>
<td>Low</td>
</tr>
<tr>
<td></td>
<td>(Brand identity, declining capital requirements)</td>
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<tr>
<td><strong>F3: Threat of Substitutes</strong></td>
<td>High</td>
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<tr>
<td></td>
<td>(Smart phones)</td>
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<td><strong>F4: Buyer Power</strong></td>
<td>Medium</td>
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<td>(lots of choices, for certain cameras there is a high switching cost)</td>
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<tr>
<td><strong>F5: Supplier Power</strong></td>
<td>High</td>
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<td></td>
<td>(few suppliers for many critical parts (sensors), vertical integration)</td>
</tr>
</tbody>
</table>
Digital Camera Industry (2014)

Source of Competitive Advantage

Unique Product

Lytro

Pentax

Canon (Nikon, Sony)

Low Cost Product

Fuji

Kodak

Samsung

GoPro
4. Project

Phase I: Overall the work on Phase I was very good

Good ← Excellent

General Comments:
- Separate Function and Form for your new product
- Don't try to "reinvent the wheel" use product dissection to borrow key functions from existing products
- Your design should be detailed 3-5 sub-functions → 10-15 sub-function
- Use your lecture notes! (Product Design Process)

Phase II: two parts

1) Complete the product design for your product

2) Preliminary Market and Business Strategies
Overall the work on Homework 1 was good.

Overall Comments

- Make sure your solutions are detailed.
  1-2 pages → Needs More Detail
  >10 pages → Too Much Detail

- Use Structured Problem Solving
  You: help you solve the problem
  Reader (Grader): get inside your head

- Product Dissection can only be applied to real (not abstract) products
  Laptop → MacBook Pro
Learning from mistakes

Homework corrections due 1 week from the homework was returned.

Get 60% of the points that you lost back.

Final Score = Original Score + (Corrections - Original) \times 0.6

8 = 5 + (10 - 5) \times 0.6

5 + 5 \times 0.6