TIMROC Lecture #8 (4/23/15)

Agenda

1) Finish Porter's Five Forces (Lecture 7)
2) Competitive 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 4: Define a competitive strategy for the company (start-up) within the industry/market.

Competitive strategy has two dimensions:

1) Product Dimensions: What is the source of the company’s competitive advantage?

- Uniqueness of the product (as perceived by the customer)
  - Features
  - Reliable

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

- Market-wide (target the entire market)
- Particular segment
Example: Smartwatch Industry (2015)

Source of Competitive Advantage

Unique Product  Low Cost Product

Market Wide

1. Fitbit
2. Microsoft
Pebble

Particular Segment

Apple
Samsung
Garmin
Nike

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

1. Differentiation Strategy: unique product for everyone (market-wide)

2. Cost Leadership: Low cost product for everyone

3. Focus Strategy: unique product for a particular segment of the market

4. Stuck in the Middle
Homework 2: Problem 2

New Entrants
- GoPro
- Lytro

Suppliers
- Lenses (Cros, Glass)
- Zeiss, Corning
- Hoya, Canon, Lenses
- Sensors (CMOS, CCD)
- Sony, Canon
- Memory (RAM, Flash)
- Sandisk, Samsung
- Intel

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

Buyers
- Sports
- Entertainment
- Casual
- Professionals
- Travel
- Blogging

Substitutes
- Smart Phone
- Laptop
- Film Camera
- Tablet
- Wearable Tech
- Painting (?)
<table>
<thead>
<tr>
<th>Force</th>
<th>Intensity</th>
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<tbody>
<tr>
<td><strong>F1: Rivalry between Competitors</strong></td>
<td><strong>High</strong></td>
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<td></td>
<td>(Concentrated, brand identity, declining market, exit barriers)</td>
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<td><strong>F2: Threat of New Entrants</strong></td>
<td><strong>Low</strong></td>
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<td>(Declining market, brand identity, capital requirement)</td>
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<td><strong>F3: Threat of Substitutes</strong></td>
<td><strong>Very High</strong></td>
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<td>(Smart phone)</td>
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<td><strong>F4: Buyer Power</strong></td>
<td><strong>Medium</strong></td>
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<td>(Lots of choices)</td>
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<td>For certain cameras (DSLRs)</td>
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<td>There is a high switching cost</td>
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<td><strong>F5: Supplier Power</strong></td>
<td><strong>High</strong></td>
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<td>(Few suppliers for critical components (sensors), vertical integration)</td>
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Source of Competitive Advantage

Unique Product

Low Cost Product

Market Wide

Target Market

Particular Segment

Canon

Nikon

Sony

Fujii

Olympus

Kodak

Samsung

GoPro

Lytro
Project

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

Good ← Good ← Excellent

General Comments:
- Separating Function and Form for your new product (Explore alternatives)
- Don't try to "reinvent the wheel"
- Product dissection to "borrow" key functions and solution principles from similar/related products
- Your design should be detailed:
  - 3-5 subfunctions → 10-15 sub-functions
  - Use your lecture notes (Product Design Process)

Phase II: two parts

1) Complete the product design for the product

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

Comments for Improvement:

- Make sure your solutions are sufficiently
  
  1-2 pages \(\rightarrow\) Needs more detail
  
  >10 pages \(\rightarrow\) too much detail

- Use Structured Problem-Solving
  
  Reader (Grader): get inside your head

- Product Dissection: can only be applied to real products, not types of products
  
  Laptop \(\rightarrow\) Macbook Pro
  
  Reason: different laptops have different solution principles
Learning from Mistakes

Homework 1 corrections due 1 week from when the Homework was returned.

Get up to 60% of the points that you lost back.

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

Example: HW1

Original: 5/10  Corrections: 10/10

Final Score: $5 + (10 - 5) \times 0.6$

= 8/10