

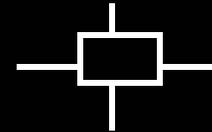
Strategic Planning: Key Concepts

Steps in Planning

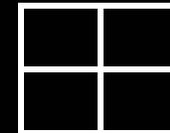


Market Segmentation

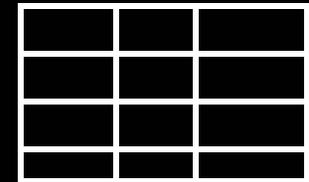
Attractiveness: 5 Forces



Generic Strategies



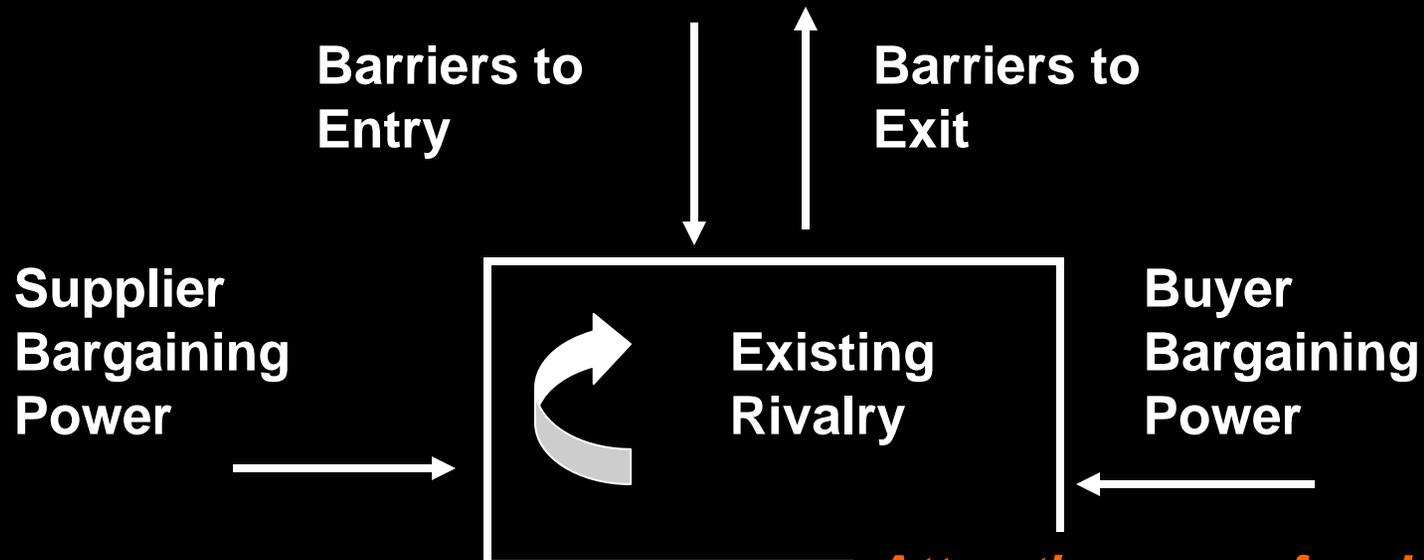
The Firm Value Chain



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



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**.