

Lecture 3 - Porter's Five Forces Competitive Analysis

(Researched Examples in blue)

Porter's 5 Forces Model is a good analysis of the current situation in determining the answer to where are we now? in the planning cycle

The 5 forces are:

- Existing Competitors
- Threats from New Entrants
- Threats of Substitutes
- Bargaining power of Suppliers
- Bargaining power of buyers

The strength of these forces ultimately affects the profitability of the industry and a firm's ROI (Return on investment).

A weak force is seen as an opportunity and allows the firm to dominate that area.

First the industry competitors need to be identified, their objectives, strategies, strengths and weaknesses, their potential reactions

Coca Cola's 5 Forces Model

Competitors: Moderate Strength

- Coca Cola is market leader at 64%

Substitutes: High Threat

- Any other beverage which may be cheaper and healthier or more accessible

New Entrants: Low Threat

- Good distribution
- Brand Identity
- Market Leader
- Capital Requirements

Supplier Power: Moderate

- Ingredients
- Packaging
- Distributors

Buyer Power: Low

- Sponsorship deals give exclusivity
- Brand loyalty
- Own many other soft drink brands Fanta and Sprite

Competitors can be placed in clusters of strategic groups, in order to identify and differentiate them. Kotler's Market Structure States there are Market Leaders, Market Challengers, Market Followers and Market Nichers

Market Leaders: Tesco

Challengers: ASDA Sainsburys

Followers: Morrisons

Nichers: Iceland

Servqual measures the scale of quality in services through 10 elements

1. Reliability
2. Responsiveness
3. Competence
4. Access
5. Courtesy
6. Communication
7. Credibility
8. Security
9. Understanding consumer
10. Tangibles

Service sector is fastest growing sector world wide

Operational Excellence

Is a way in which services can achieve strategic success. It is concerned with

1. **Streamlining**
2. **Cost Cutting**
3. **Creative Strategic Alliances**
4. **Internal culture creation and enhancement**

Cost Cutting tends to be a result of increasing competition, slow industry growth projections, increasing equality across providers and increasing levels of customer expectations

Metters and Vargas (2000) argue that for services to streamline and improve efficiencies, they must redesign the jobs of the personnel involved in the service delivery process

Available technology can help to cut costs while improving the service such as apps

However when technology is available management should consider decoupling service tasks to gain efficiency. By becoming a:

- Cost leader
- Cheap convenience
- Dedicated service
- Premium service

Creative strategic alliances involves partnering between different service providers in order to strengthen brands and cut costs.

This can be done by Brand sharing alliances or Asset sharing alliances or outsourcing

Internal employee culture creation and enhancement is to reduce employee turnover, keeping them happier and more productive. Make them feel valued and important

The service experience

Strategists must know the experience consumers want from the service

Five dimensions of quality are (Zeithaml et al 1990):

- Reliability
- Responsiveness
- Empathy
- Assurance
- Tangibles

- Online marketing

Integrated Marketing Communications (IMC) is the use of several of the marketing communications tool as a way of developing a comprehensive plan that uses all the added values each tool brings for strategic gain

Preview from Notesale.co.uk
Page 21 of 25

Lecture 11 - Implementation, Evaluation and Control

Implementation, Evaluation and Control

These occur in the final stages of the planning cycle:

Which is best way? and How can we ensure arrival?

Detailed marketing plans should include how the strategy is to be implemented

- who is to do what?
- within what timescale
- and utilising how much of budget

Internal marketing plays a role in implementation. It is the concept that staff are internal customers

Employees must buy in to strategy in order for consumers to buy in as the end goal

Internal marketing in practice involves

- Gaining an implementation champion
- identifying supporters, neutrals and opponents to implementation
- gain the support of key decision makers
- change the attitude and behaviour of front line personnel
- manage changes in culture

Control

The measuring, observation and reassessment of strategy

It is a process by which the desired end is achieved

Control can either be closed-looped where once commitment is made, adjustments cannot be made and then open-looped where errors can be corrected even after implementation has occurred.

The control process

- **Goal Setting** (*What do we want to achieve?*)
- **Performance Measuring** (*What is happening?*) - quantity, quality, costs, sales
- **Performance Diagnosis** (*Why is it happening?*)
- **Corrective action** (*What should we do about it?*) - In event of environmental changes or internal issues

Control Mechanisms

- Personal supervision
- Clear job descriptions
- Rules and procedures
- Performance appraisal
- Budgets
- Chain of command
- Incentive schemes
- Technology
- Expertise: buying in the skills necessary to get job done correctly
- Allocation of resources
- Social controls
- Audit
- Contingency planning