

Adventureworks cycle case 1 - overall business strategy case study samples

[Business](#), [Company](#)



Porter's Five Forces Model

Five forces model is a framework provided by Michael Porter to understand the business scenario critically. It is used by the business houses to analyse the external environment. It helps to estimate the current competitive position of a firm and gives the idea of the position where the firm wants to move to (Kotler and Keller, 2006). The model provides five competitive forces that shapes the industry environment. Following are the five forces of Porter's competitive forces:

- Supplier Power: this means how powerful the suppliers are to cause an increase in the price of the product. This is understood by the number of suppliers available for inputs of the product. Lesser the number of suppliers more powerful they would be. It also depends on the uniqueness of the product or service provided by them (Kotler and Keller, 2006). Also, the strength of the supplier in terms of the switching cost for changing from one supplier to the other decides the suppliers' power.

- Buyer Power: this relates to the power which causes the price of the product to be reduced. Here also number of buyers becomes crucial for the determination of the buyer's strength. More the number of buyers less is their power. The switching cost of the buyers also determines their power to influence the price of the product. Low switching cost would create a price ceiling.

- Competitive Rivalry: this refers to number and capacity of rivals in the industry. This means how similar or different is the product offered by the competitors. In the case of similar product, the suppliers and buyers would have the other choice and would have more bargaining power (Kotler and

Keller, 2006). However, if the product offered is unique the company may have high power of bargaining in terms of price and cost.

- Threat of Substitution: these are the product which can satisfy the need of the consumers in some other way. If a substitution is easy, available and affordable, then the power of the company reduces.

- Threat of New Entry: this is referred as how easily other potential competitors can join the market. This can be checked by looking into an investment in the business, advertising expenses, government rules, economies of scale, technology patents, etc. all these provide the ease and difficulty of entering or leaving the market (Kotler and Keller, 2006).

Application of Five Forces model to the bicycle industry and the company

Adventure Works Cycles is a medium sized American manufacturing country. With the vision to increase market share, the company needs to look into the following aspect of the US bicycle industry.

Supplier Power : the supplier of the domestic manufacturers are there, but they have medium power. Often the components are imported for specialization. Hence, they are not in a position to dictate price.

Buyer Power: The buyer power in this industry is high. The population is huge, and the demands for bicycles have been increasing among the health conscious citizens. However, they have got a plethora of choice in terms of variety and price. Thus the switching cost is also less. The bargaining power of the buyer is high. Thus, the company needs to keep the price of the products competitive. (Industry Overview, 2012)

Competitive Rivalry: the competitive rivalry is considered to be high. The US

market of bicycles is dominated by the imported products. The imports are from China and Taiwan. The domestic manufacturing market is also much fragmented. About 100 brands are available and many do domestic manufacturing. The Chinese bicycle is more sophisticated with advanced technology at a lower price. (Industry Overview, 2012)

Threat of Substitutes: the threat of substitutes is high. The consumers can easily move to the Chinese product for getting more value. Moreover, the health conscious customers can resort to some other equipment for fitness.

Threat of New entry: The threat of entry is medium to high. The companies which achieve economies of scale are more profitable. The manufacturing of such amount of units would require capital investments. High advertisements would provide a greater advantage. Intensive distribution would be also profitable. (Industry Overview, 2012)

Adventure Work Cycles owns the biggest supplier. Hence, it would be an advantage for the firm. It, however, faces high threat of buyer power due to the ample choices to the consumers. Due to the foreign players in the market and the fragmented domestic industry, the company works in tremendous competitive rivalry. The consumers look for value for money, so Adventure Work Cycles have to provide the best deal to fight substitution.

Porter's three generic strategies and recommending tactics

The Company should adopt the Focus Strategy from Porter's 3 generic strategies. The three generic strategies provided by Michael Porter are the general strategies that the businesses use to maintain their competitive position. Focus strategy is a strategy where a firm concentrates its resources

to a narrow market segment. With the help of this strategy, a firm can better meet the needs of its customers. This can be achieved by product innovation and /or brand marketing rather than efficiency.

As the Importadores Neptuno became the sole manufacturer and distributor for the touring bicycle product group, it can set up a research and development unit in the related field to bring in product innovation. The company can excel its product for the touring bicycles. It is a narrow market segment and advanced products would be preferred by the bikers. This would also give the opportunity of premium pricing.

The company needs to launch a marketing campaign to elevate the image of the touring bicycles. The marketing efforts can be both online and offline.

The market segment needs to be defined precisely for a successful campaign.

Two tactics the company might use to begin your recommended strategy

For moving deeper into product innovation, the company can look at its different aspect. The innovation can be with respect to products, services, business processes, logistics and other improvements in the supply chain and the business model (Mackinnon, 2007). The company needs to understand the activities of the completion as this would provide the base of what they are doing and what we are not doing. This will help to find the specific area of innovation. The process innovation would also help in reducing the cost of the manufacturing. Thus, the management needs to innovate internally as well as externally to increase the market share of the firm.

The distribution channel helps to reach the customers. Thus, to make more sales the product should reach more customers. Bicycle sales are accomplished in this country through five primary and distinct channels of distribution — specialty bicycle retailers, mass merchants, full-line sporting goods stores, outdoor specialty stores, and " other," which is comprised of a mixture of retailers (including Internet sales). The company should look into the opportunities for distribution. The online market is increasing day by day; hence the company should design a website that would be reaching more consumers. The website can be linked to the popular social networking sites for quicker reach and brand building.

References

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