

4 reasons you need value chain analysis in your life

[Business](#)



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Value chain analysis evaluates business activities and ensures it adds value to the final product or result. The activities are analyzed to reduce costs if possible. When you want to know the advantages or disadvantages of using particular resources, value chain is your analysis.

But it does more than that. You may want to incorporate value chain analysis into your life for these added benefits.

1. It helps you genuinely understand value

Not everything in business is valuable. What isn't valuable is a money suck, draining away funds and adding to expenses. It's easier to assume a resource or product is useful than to deal with the aftermath if it isn't. But that's only going to hurt your business in the end.

You may realize a specific material is valuable but not as valuable as others. Now it's time for action. Can you swap the material for an inexpensive replacement without sacrificing the quality customers have come to expect? Should you swap it out? Or can the amount be reduced instead?

Knowing what's valuable helps you focus on what matters. These are the strengths you need to improve to push the business to the next level.

2. Now you can zero in on your competitive strategy

A competitive advantage is what differentiates you from the competition.

That's all well and good, but it only matters when you enforce and use the edge.

Setting up a competition strategy helps. It outlines how to triumph over the other businesses in your industry, with a critical focus on marketing, distribution, and public relation.

But you can only get to this step when you understand your value. And your value is (maybe one of the many) competitive advantages you have.

3. You'll know how to spot weaknesses quickly

Weaknesses are precisely what it sounds: They're little holes in your business that cost you money. They have little benefit besides causing problems.

A weakness can prevent you from moving forward and can spell financial disaster or delay a critical project.

We tend to feel like weaknesses pop out of nowhere. We scramble to do damage control after they implode. But often, weaknesses exist long before that point. They're small, minuscule, and pose little threat initially. Then they get bigger and bigger until you can't ignore it.

Value chain analysis prompts you to identify value in:

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- Inbound logistics
- Operations
- Outbound logistics
- Marketing & sales
- Service

Each of these categories is crucial for the development, deployment, and advancement of your business success. Finding value roots out weaknesses. Just don't ignore them when they're discovered.

4. You can do it whenever you need

Your analysis doesn't have to be dozens of pages long — although being thorough is a smart strategy. But when you introduce a new project that's supposed to boost profits by 10% in six months, you need to know if it's cost-effective. Maybe it will be in the beginning, but the advantages may wither by month four.

If that's the case, it's time for another dose of value chain analysis. Compare the expectations versus the reality. Is the source of the cost worth the continuous spending?

And if it is, how can you exploit it for even better results? It all starts with the value chain analysis.

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