

# Value chain analysis assignment

[Business](#), [Marketing](#)



COLLEGE OF TECHNOLOGY LONDON LONDON ASSIGNMENT 1 MANAGEMENT INFORMATION SYSTEM Submitted by, ALLWYN MATHEW BA BIT TERM 4 STUDENT ID- 070209-91 allwyn.[email protected]ctlondon. ac. uk

TABLE OF CONTENT

1. INTRODUCTION..... 2

2. DISCOVERING THE COURSE OF ACTION FOR VALUE CHAIN... 2

3. THE VALUE CHAIN ANALYSIS OF TESCO..... 3

A. PRIMARY ACTIVITIES (a) Inbound logistics..... 3 (b) Operations..... 4 (c) Outbound logistics..... 4 (d) Marketing and Sales..... 4

B. SUPPORTING ACTIVITIES (a) Company Infrastructure..... 4 (b) Human Resource Management..... 5 (c) Technology Development..... 5

4. THE INFORMATION SYSTEM MODEL..... 5

5. CONCLUSION..... 8

6. REFERENCES..... 9

INTRODUCTION In the present concept, in order to cope up with the rising competition involved in the business market, organizations adopt innovative and strategic IT systems so as to gain sustainable competitive advantage over their competitors.

By revising the business processes and integrating them with information systems and culture the business will be able to experience an increase in sales and minimization of costs. By selection of appropriate systems and technologies, uncalled-for systems are eradicated. ' The strategic information systems (SIS) are the category of systems that mastermind a

business division's competitive strategy. ' (Callon, 1996 and Neumann, 1994)

To keep up with the growing customer demands and for increasing the market share, many organizations are now turning to expansion.

But for this, it is essential that the right strategic information system is chosen. The systems used may vary from EIS, OIS, TPS, KMS- or any other systems which satisfies the objectives of the organization and in the process aid them in gaining a competitive advantage. " Information systems plays a vital role in the e-business and e-commerce operations, enterprise collaboration and management and strategic success of business that must operate in an internet networked environment. [Sachenko, 2010] The selection of a suitable strategy to get the most out of a highly rated and loyal brand tends to be profitable for business organizations. For understanding achieving and sustainable competitive advantage and in order to maintain the particular edge, it is essential to have a lucid understanding of the value chain and its impact on strategy of an organization in developing a sustainable competitive advantage over its competitors.

By any way, if the organization is able to excel in the business market by virtue of their product or service, it would turn out to be economically useful as it would enable high cost-cuts in terms of advertising while entering a particularly new business market thus providing on the spot integrity. The following paper tends to provide an insight on the information system model which is likely to have a strategic impact on specific activities in the business. In addition, the strategic information system will also be used to explain the value chain model of Tesco, the retail organization under study. .

**DISCOVERING THE COURSE OF ACTION FOR VALUE CHAIN** Before entering into the new market as a part of expansion, it is essential that the business organization makes a thorough study of the resemblance between the existing states of the market which can be achieved via cautious value chain analysis. By determining the value chain analysis, a business organization becomes in a better position to make up their minds on whether or not to enter the business market. " Value chain involves all of the activities that a company performs internally to create value for the buyers. " (Thompson et al. 2004, p. 69) Ventures made by entrepreneurs based on value chain analysis has produced significant results like in the case of Michael Jordan who made use of his success in the sporting world that inspired him to enter the retail industry and eventually takeover the athletic footwear and clothing industry. Another example involves that of L'Oreal who are market leaders in the cosmetic industry to takeover the Cosmair from Nestle followed by the acquiring of the Maybelline brand thus prompting the brand to merge their cosmetic and hair care businesses all under one roof.

The success behind both the brands can be attributed to the similarities in their existing activities of the value chain with that of the new market.

[Cavanaugh, 2009] " The prominent focus upon operational and control activities of an organization compared to its planning and marketing counterparts has resulted in emergence of sophisticated systems for the purpose of gathering, processing and distributing the internally generated information such as costs, inventories, and personal data; while relatively unsophisticated systems suffice for coping with crucial externally generated environmental information system. (King; Cleland, 1974) 3. THE VALUE

CHAIN ANALYSIS OF TESCO “ An organization’s value chain is part of a large stream of activities called the value system. ” [Scribd, 2010] Tesco is an international retailer making core business in the U. K giving prime importance to the business value such that earning customer loyalty is the main agenda which accounts for the tremendous success enjoyed by them over the years. The value chain serves as an efficient tool in retail decision making. On analyzing the value chain of Tesco, it can be seen that as far as primary activities are concerned, (A) PRIMARY ACTIVITIES a) Inbound Logistics They have ample significance in terms of value chain conception since they provide the initial chance for value generation. As a result of relation between elements of Tesco with the logistics it adds a positive means in terms of maintaining and enhancing in-store consumer level of choice. The distribution system requires further upgrading. On this basis, Tesco has the potential to add value to the quality control system of the company so that the customers are not levied with any kind of cost of losses whatsoever. b) Operations In terms of operation level, the central part of operations is service focused and principally includes opening and closing the store, stocking up with the stock. (c) Outbound Logistics This stage mainly focus upon the distributing the product to the customer, the customer service that is made available to them. In addition to that, the execution of the trolley service that shall be expedient for the customer. (d) Marketing and Sales The Tesco Clubcard offers concession and develops loyalty among customers.

Moreover, focusing upon the selling of healthy and environmentally friendly products is another value for the company in terms of gaining customer

loyalty. What's more, the current ads and the latest policies on using the recycled products in the process of aiding Tesco's to become carbon free by 2050 adds a whole lot more value to the company in a positive manner.

[Tesco, 2009] (B) SUPPORTING ACTIVITIES (a) Company Infrastructure Planning, control functions and profit protection are the main agenda for controlling cost of company operations.

Moreover, the company has augmented their assets in terms of number of staff who are engaged in advancing the software for anti-fraud (infrastructure/technology interdependence) along with the installation of innovative security systems with an aim to shrink the occurrence of internal security theft, a price the customer will have to bear through their purchase of Tesco products. (b) Human Resource Management Tesco tends to augment the number of training system and further improve its recruitment curriculum so as to provide excellent service to their customers with well trained staff at no additional cost.

They are investing in their customer service with pay hike involved in the training undertaken thereby motivating the staff to gain knowledge of the standards expected from them, thus improving their quality of service towards the customers. [Ivory research, 2010] (c) Technology Development Technology has played a big part in aiding the company to get to the top and most recently to beat the credit crunch as well and has contributed to soaring profits. Opening of the web sales operation, turned out to be a huge success.

In order to cope up with the Christmas peak sales Tesco has undertaken the “ implementation of ExpeTune performance management software from Macro 4 to manage its mainframe servers. Besides, it has an ongoing efficiency programme known as Step Change and involves IT improvements as well as general process efficiencies. ” [King 2008] 4. INFORMATION SYSTEM MODEL “ An information system uses the resources of people, hardware, software, data, and networks to perform input, processing, output storage, and control activities that convert data resources into information products.

Data are first collected and converted to a form that is suitable for processing (input). Then the data are manipulated and converted into information (processing), stored for future use (storage), or communicated to their ultimate user (output) according to correct processing procedures (control)” [Sachenko, 2010] Information system involves a stream of strategic, managerial and operational activities which includes ‘ processing, storing, distributing and using’ the collected data along with the technological information.

Another application of information system involves “ creating interorganizational information systems to create or sustain competitive advantage include establishing consortia- electronic exchanges for suppliers and buyers. ” [Scribd, 2010] Out of the various information systems available, information technology is the most pivotal one. In terms of business strategy formulation, the integration of IT systems that serve the

purpose of stock control, recording all the stocks and deliveries and keeping a record of the same along with analyzing business transactions.

Figure 1. Initial Theoretical Model For Strategic Information System, [Owens, et al. , 1995] As the above figure suggests, for achieving the corporate/company objectives, it is essential that a strategic information system needs to be followed. By understanding the market, before expanding their business, it provides an ideal platform for the organization to make a decision regarding whether or not to make a move to the next level.

The most important application of employing information systems include the impact it can bring upon includes the “ operations support system, such as transaction processing systems and management support systems such as management information systems, decision support system, executive support system, strategic information system and functional business system. [Sachenko, 2010] In the earlier case of Tesco, the Extranet system adopted put them in an advantage in terms of creating proprietary and customized information between company and the partners involved and in the process bringing up more “ suppleness, scalability, extensibility and integration” across allocation channels. Other examples of IT integration in the company involve the “ wireless devices, intelligent scales, electronic shelf labeling, self check-out machines and radio-frequency identification systems. RFIS) Altogether the information systems model tends to provide a market-oriented and pioneering contribution to Tesco such that there evolves an augmentation in product/service volume while controlling costs as well. [Ivory research, 2010] So for effective functioning of organization



activities and in achieving organization objectives of expanding the company, it is essential that the organization follows an outright plan such that it can achieve its goals. . CONCLUSION Based on the above facts, it can be inferred that, in a business organization that is thinking of expansion, it is necessary to integrate an information system into it as it holds up the various business activities and strategic decision making in an organization. The selection of a suitable strategy to get the most out of a highly rated and loyal brand tends to be profitable for business organizations.

For understanding achieving and sustainable competitive advantage and in order to maintain the particular edge, it is essential to have a lucid understanding of the value chain and its impact on strategy of an organization in developing a sustainable competitive advantage over its competitors. By any way, if the organization is able to do extremely well in the business market by means of their offerings in the form of product or service, it would turn out to be economically useful while entering a particularly new business market thus providing on the spot uprightness.

By improving the business processes and integrating them with information systems and culture the business will be able to acknowledge an enhancement in sales and reduction of costs. Thus on the whole, the paper has done its fair share in determining the impact of information system in the business activities of an organization and simultaneously 6. REFERENCES

1. Callon, J. D, (1996), “ Competitive Advantage Through Information Technology”, Second edition, McGraw Hill, New York. 2.

Neumann, S, (1994), “ Strategic Information Systems- Competition Through Information Technologies”, Third edition, Macmillan, New York. 3. King, Cleland, (1974), “ Environmental Information Systems For Strategic Marketing Planning”, Journal of Marketing, Vol. 38, No: 4, pp. 35-40. 4. Thompson, Jr. , John. E. Gamble, Strickland, (2004), “ Crafting and executing strategy”, Fourteenth edition, McGraw-Hill, p. 69. 5. Cavanaugh, [2009], “ Two Strong Brand Names: Expanding Horizons Through Related Business Strategies”, [Online], Available at: [http://strategic-business-planning-suite101.com/article.cfm/value\\_chain\\_analysis](http://strategic-business-planning-suite101.com/article.cfm/value_chain_analysis) (accessed on 17-08-10) 6. Tesco, [2009], “ Tesco’s Corporate Strategy”, [Online], Available at: <http://www.docstoc.com/docs/26288615/TESCO-Corporate-strategy> (accessed on 18-08-10) 7. Ivory research, [2010], “ Strategic Management of Tesco” [Online], Available at: <http://www.ivoryresearch.com/sample5.php> (accessed on 18-08-10) at: 8. King, [2008], “ Technology helps Tesco beat credit crunch”, [Online], Available at: <http://www.io.co.uk/news/3204/technology-helps-tesco-beat-crunch/> (accessed on 18-07-10) 9. Scibd, [2010], “ Strategic Information System For Competitive Advantage”, [Online], Available at: <http://www.scribd.com/doc/7047213/MIS-Chapter-03-Strategic-Information-Systems-for-Competitive-Advantage> (accessed on 18-08-10) 10. Sachenko, [2010], “ Foundation of Information Systems in Business”, [Online], Available at: <http://www.scribd.com/doc/396076/Foundations-of-Information-Systems-in-Busine>