

Baidu value chain analysis



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Definition: By exploiting its core competencies, a competitive firm creates value for its customers. Value is measured by a products performance characteristics and by its attributes for which customers are willing to pay. Companies with a competitive advantage offer value to customers that is superior to the value competitors can provide. Value is created by innovatively bundling and leveraging resources and capabilities.

A value chain analysis provides information relative to primary (inbound/outbound logistics, operations, marketing & sales, and service) and secondary (firm infrastructure, human resources mgmt, technological developments and procurement) activities. 1. Internet Users a. Most SME customers in China are not used to doing business online, therefore Baidu must spend significant energy and resources on user education. 2. Traffic Acquisition a.

Baidu has been able to acquire traffic for remarkably little between 2004 and 2007. However, if current trends continue, they will soon lose their advantage in total user acquisition (TOC). 3. R&D a. Familiarity with the Chinese market and Chinese culture, along with a search platform based on 2-byte technology, gives Baidu a significant competitive advantage. B A I D U | 7 BAIDU 4. Marketing a. First-mover advantage in China has been the primary driver behind their market share dominance.

However, they are a fraction of the size of Google, with a fraction of the resources, and their market share lead will shrink as Google invests heavily and marketing their services and learns how to do business in China. 5. Sales & Distribution a. Baidu has direct sales force of 3000 located in 7 major

cities. Further, they have a head start over Google and all other competitors with their deep penetration into the network of Chinese distributors. 6. A Paid Search Network a. All of these pieces add up to significant value and a dominant market share for Baidu in China.