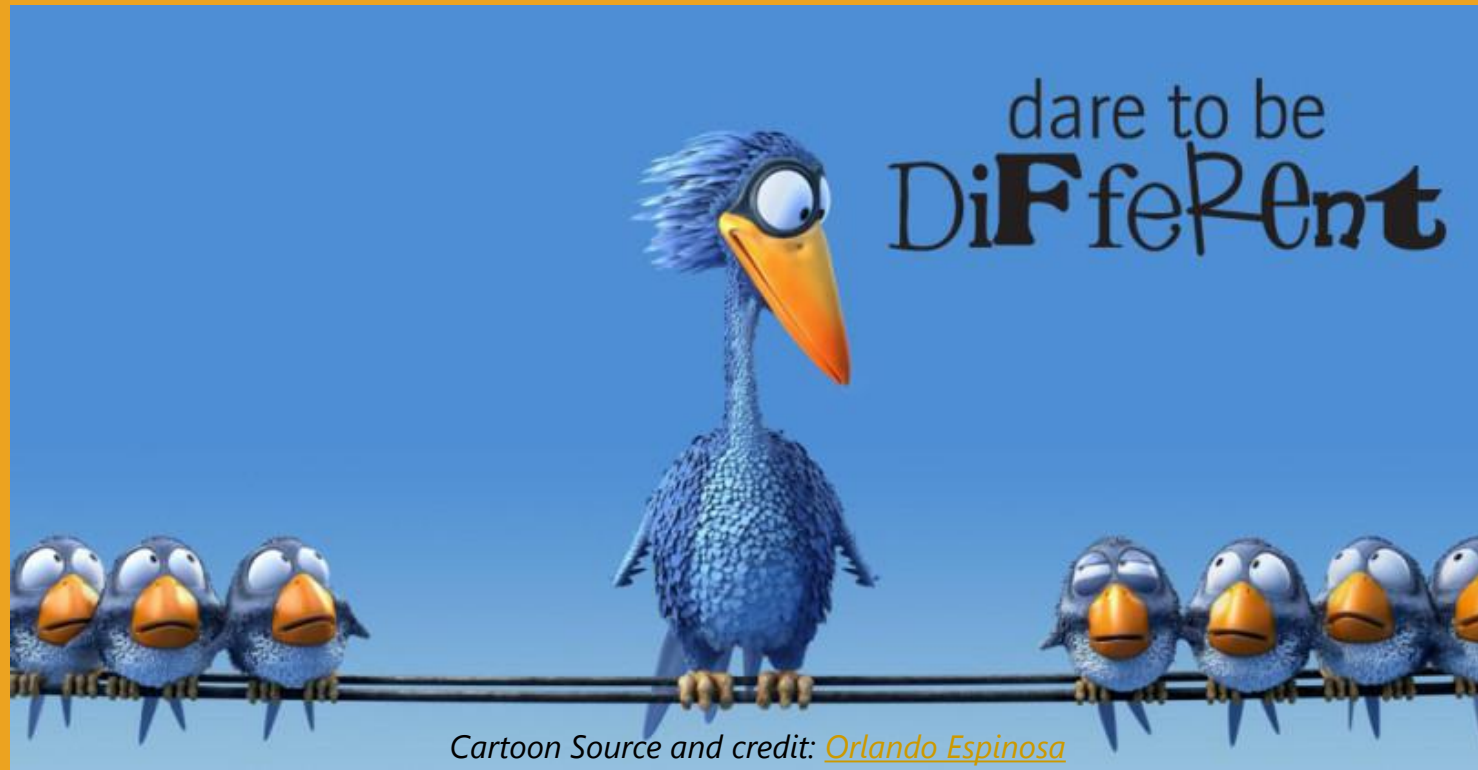


Eleonora Escalante, MBA - MEng

Strategic Corporate Advisory Services

Creating Corporate Integral Value (CIV)

Leg 6. Value Chain Analysis Annex: UNIQUENESS DRIVERS



Cartoon Source and credit: [Orlando Espinosa](#)

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OUTLINE Leg 6. Value Chain Analysis

01

**Key Concepts
Value Chain
Analysis**



02

**Value Chain
Methodology
Approach**



03

**Who Uses Value
Chain Analysis?**



04

**Advantages and
Disadvantages
Value Chain**



05

**Innovating
through Value
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06

**Summary and
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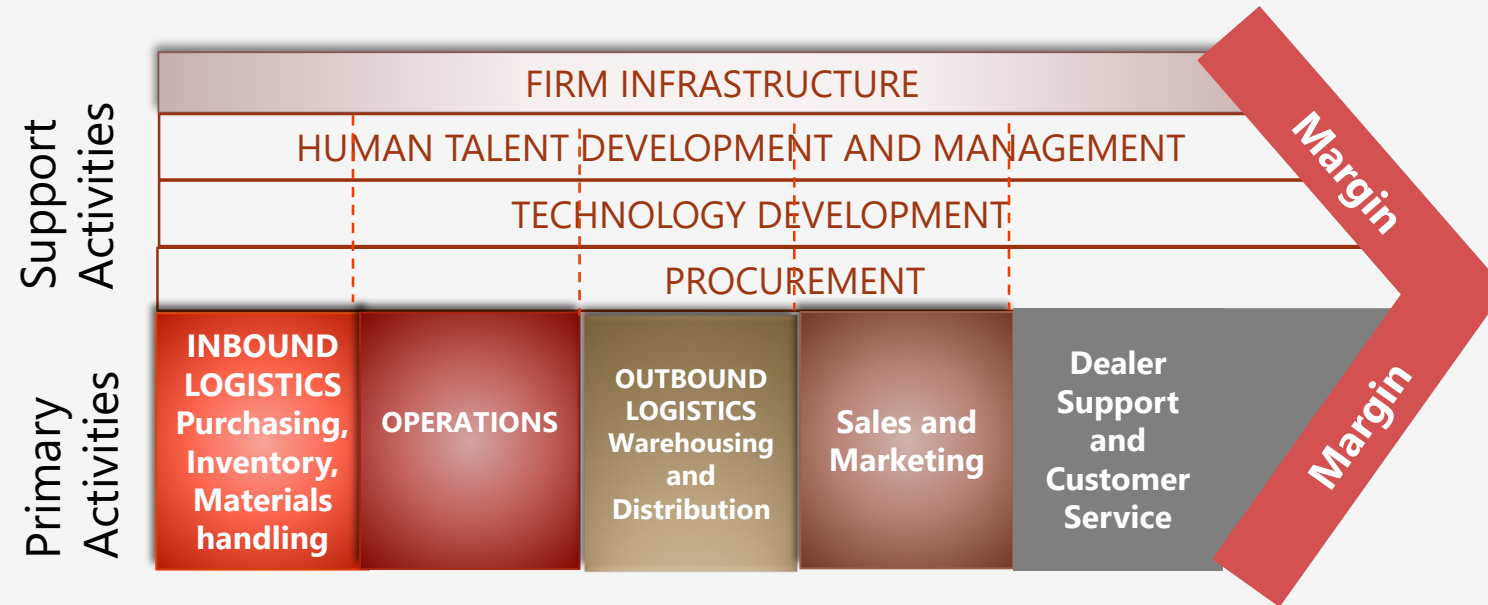
Uniqueness Drivers

Let's start to understand the major Uniqueness Drivers that help us to determine Competitive Positioning (differentiation) of value activities using the VCA.

02 Value Chain Methodology Approach



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Generic Value Chain.

What and how can we do different of my competitors in each of the value activities?

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Uniqueness Drivers

Diagnosing the drivers for Uniqueness of each value activity allows a firm to gain a sophisticated understanding of the sources of differentiation.

02 Value Chain Methodology Approach



We are
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↑
Maximize
Profit

$$\text{PROFIT} = \text{Price} - \text{Cost}$$

For the Firm,
we focus on
cost drivers

**1. Cost Analysis
and
Performance
Improvement**

**Value Chain
Analysis as a
tool for
Competitive
Advantage**

**2. Competitive
Differentiation
Analysis**

↑
Maximize
Value

$$\text{VALUE} = \text{Utility} - \text{Price}$$

For the Customer,
we focus in utility
drivers





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Uniqueness Drivers

Uniqueness drivers are the underlying reasons WHY a value activity is different. Porter has ordered them in terms of their prominence.

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Main Uniqueness Drivers

- Policy Choices
- Linkages
- Timing
- Location
- Interrelationships
- Learning and spillovers
- Integration
- Scale
- Institutional Factors





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Uniqueness Drivers

1. Policy Choices

- Each company has the right to make policy choices about what activities to perform and how to perform them
- Such policy choices are perhaps the single most prevalent uniqueness driver. That uniqueness is discretionary.
- Typical policy choices that lead to uniqueness include:
 1. Product features and performance offered
 2. Services provided (adjacencies)
 3. Intensity of an activity adopted (example: the amount of advertising spending)
 4. Content of an activity
 5. Technology employed in performing an activity (precision and model of machinery, digitalization of order processing)
 6. Quality of inputs procured for an activity
 7. Procedures governing the actions of personnel in an activity (services procedures, nature of sales activities, frequency of inspection, sampling)
 8. Skills and experience level of personnel employed in an activity and training provided
 9. Information employed to control an activity, temperature, pressure and variables used to control a chemical reaction...

Examples:



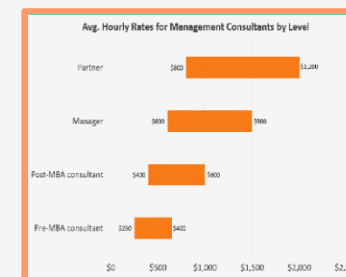
Product features and performance offered:

- Huawei Mate 10 vs Apple X



Quality of inputs procured for an activity

- Organic agricultural inputs vs non-organic inputs



Skills and experience level of personnel employed

- An Advisor Partner charges US\$ 1200/hour vs Junior Consultant US\$300/hour

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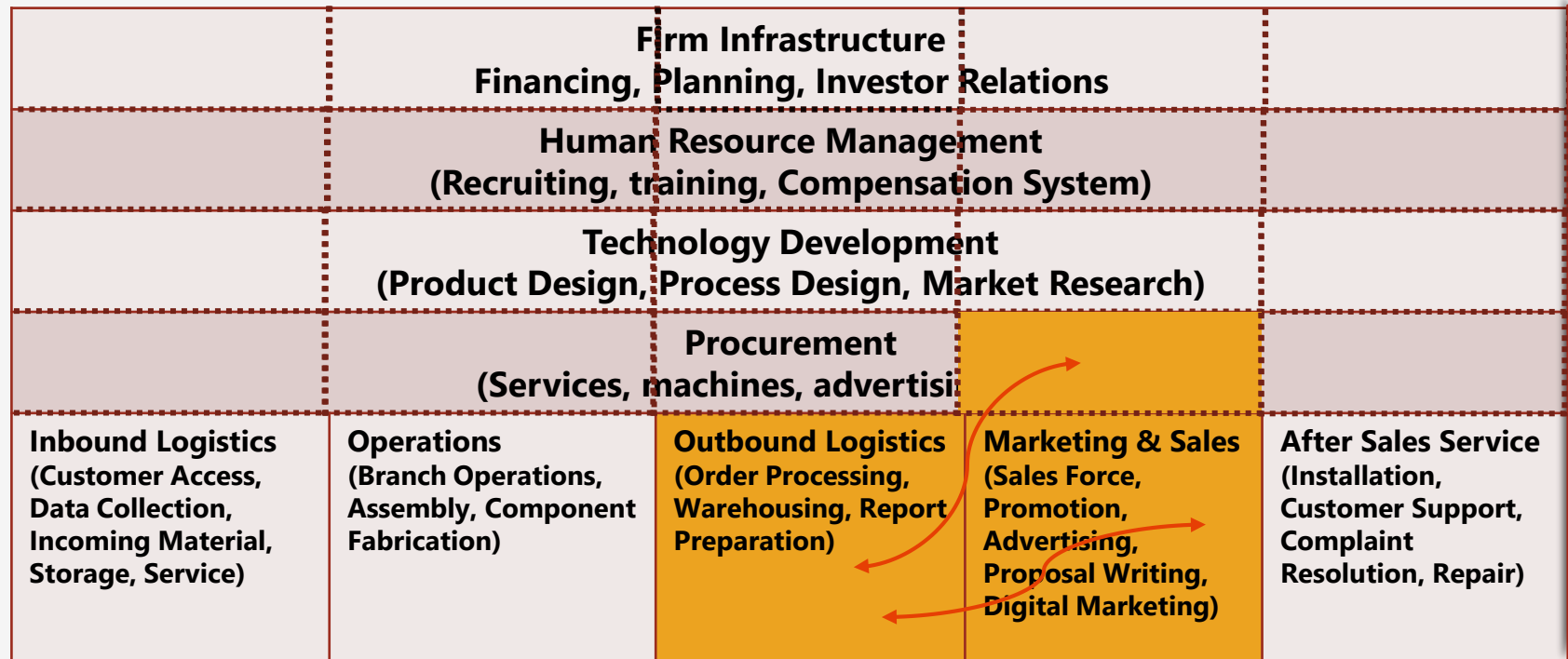
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Uniqueness Drivers

2. Linkages

- Uniqueness comes from linkages within value activities in its value chain, or with suppliers and channels that a firm has.
- Linkages within the Value Chain:** For example Order processing is linked to procurement services and the sales force calls to take orders: Three different value activities which are connected.



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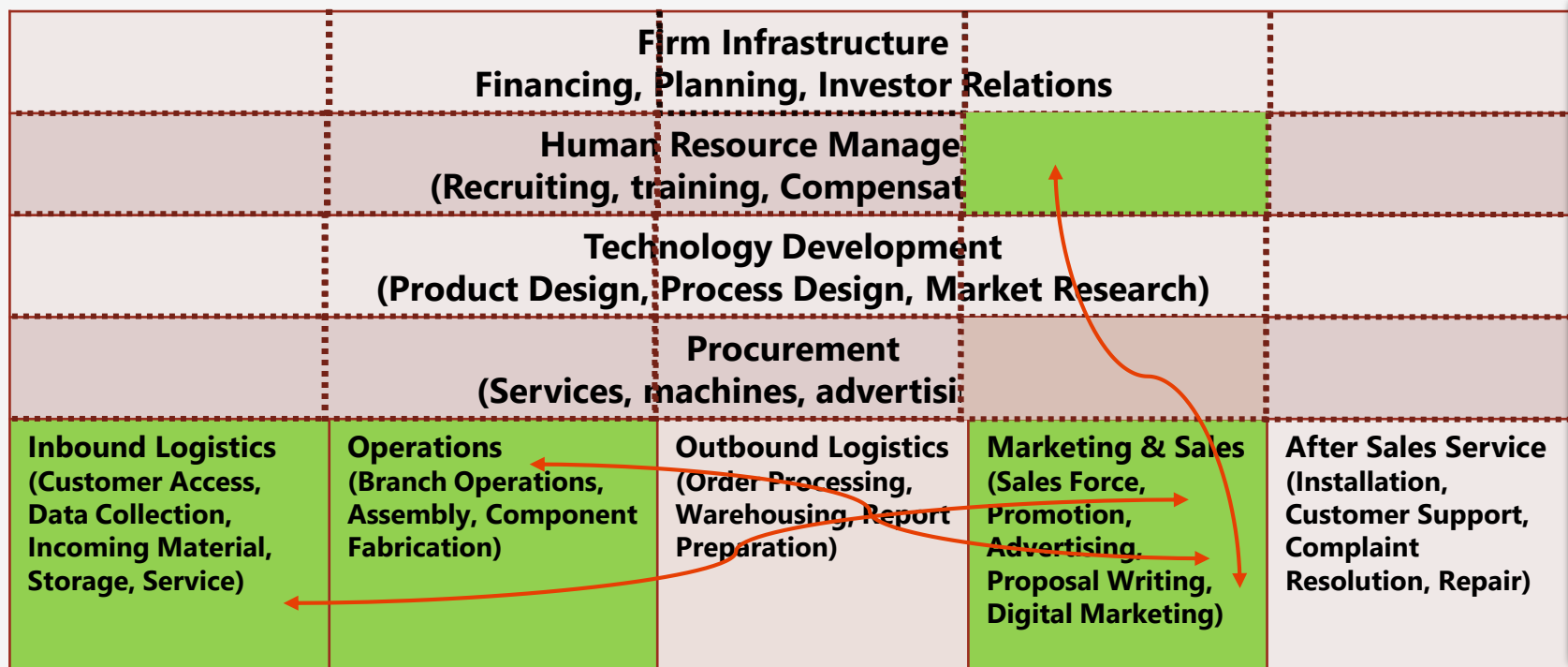
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Uniqueness Drivers

2. Linkages

Linkages within the Value Chain

- Similarly in the financial services value chain, coordination between the sales force, the service organization and operations can lead to a more responsive customer services. In addition training can become a unique driver for the sales force.



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Uniqueness Drivers

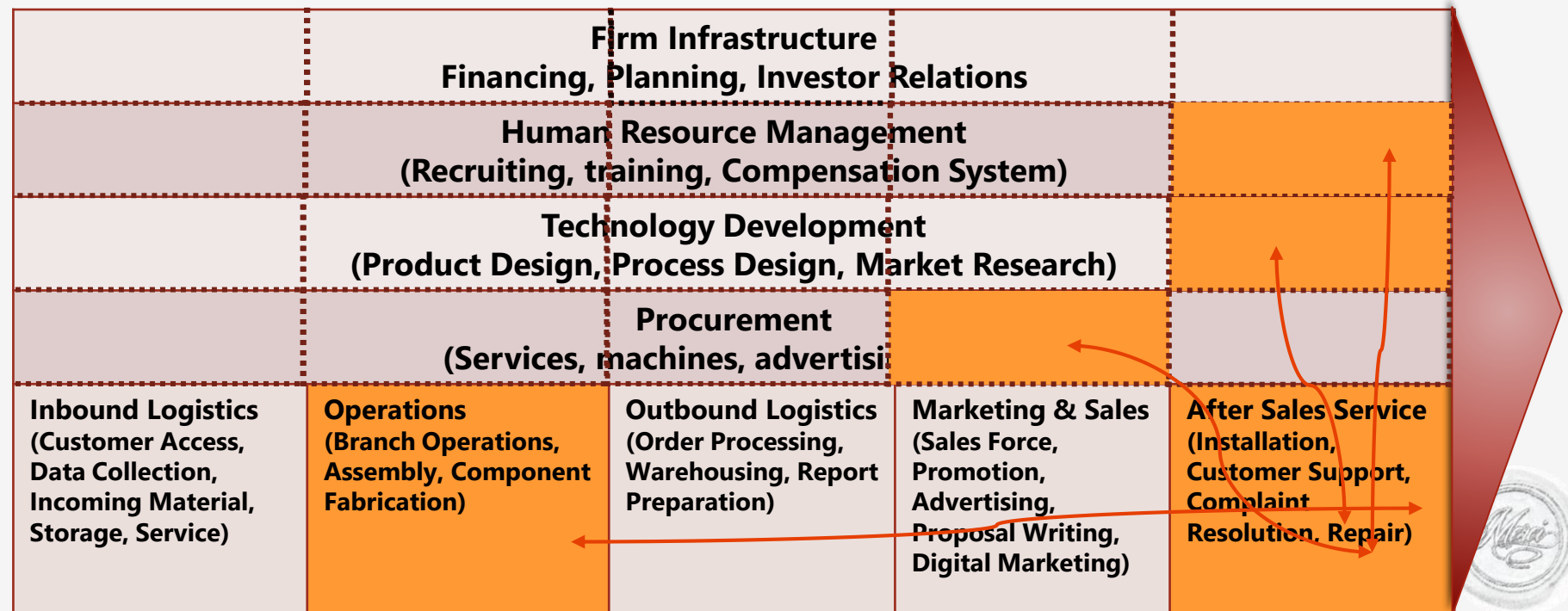
2. Linkages

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- **Linkages within the Value Chain.** For example in the case of a “software” industry, value activities such as After Sales Services, Operations, Technology Development, Procurement, Training have links in between which we can use to differentiate from the competition.



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Uniqueness Drivers

2. Linkages

- Channel Linkages



Training distribution channels in selling and other business practices



Joint Selling Efforts with channels



Subsidizing for channel investments in personnel, facilities and performance of additional activities.

- Supplier Linkages



Close coordination with suppliers can shorten new product development time



Sales efforts can also come from suppliers to our buyers



Data reliable information is a key supply for consulting companies. Close links from consultant to information companies is important

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Uniqueness Drivers

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3. Timing

- Uniqueness may result from being a pioneer. When a firm is the “first mover” in an industry, to use value activities to differentiate from the new competitors, helps a lot.
- In other industries, to be the “last” is also convenient. Moving late may allow a company to employ the most modern technology at lower prices, and thereby differentiate.

Video Walls for Education: What country will be the Pioneer for early educators?



From Smart Screens to Video Walls





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Uniqueness Drivers

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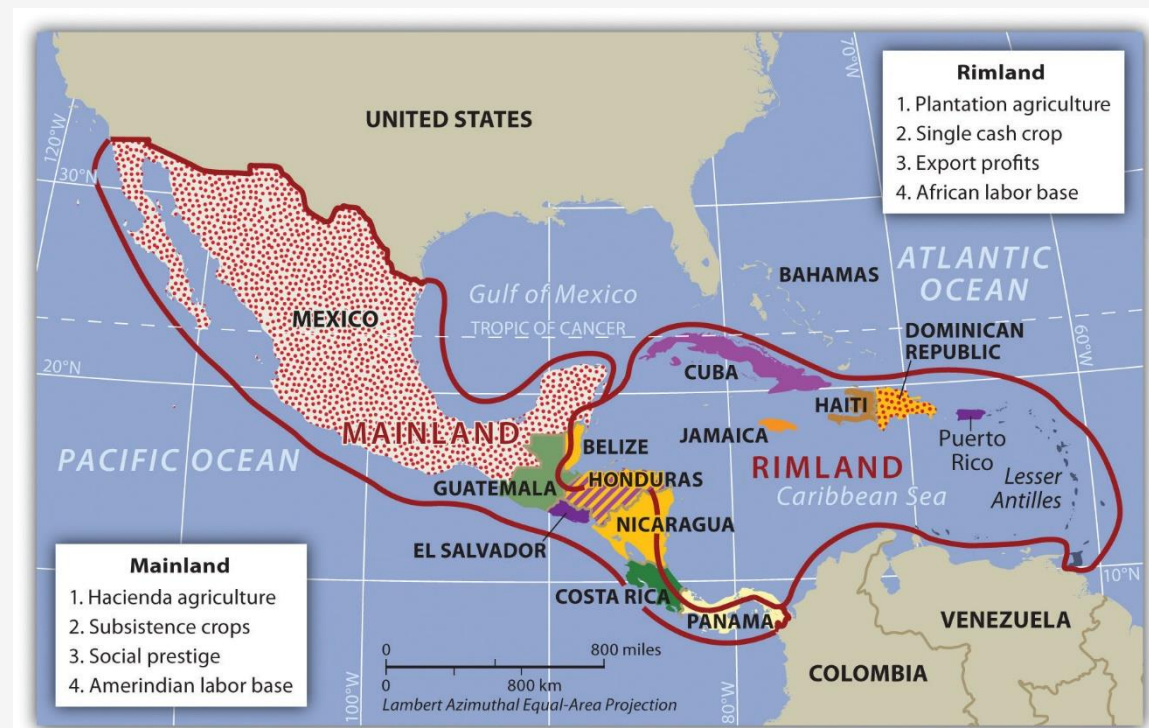
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4. Location

- How to create uniqueness value activities from an unbeatable location?
- Examples:
 - A Retailer may have the most convenient branch to attract customers
 - A central location hub for airlines between Europe and the USA.
 - Central America has a unique and **unsurpassable** location between the North and the South which can be used for "good" purposes such as services hub for many industries in the world. This is well known by Europeans since the Colonial Era.



Mainland and Rimland Characteristics of Central America Based on Colonial-Era Economic Activities. The Rimland was more accessible to European ships, and the mainland was more isolated from European activity. Our location is unbeatable for setting services hubs in many industries. Source: Flatworldknowledge.

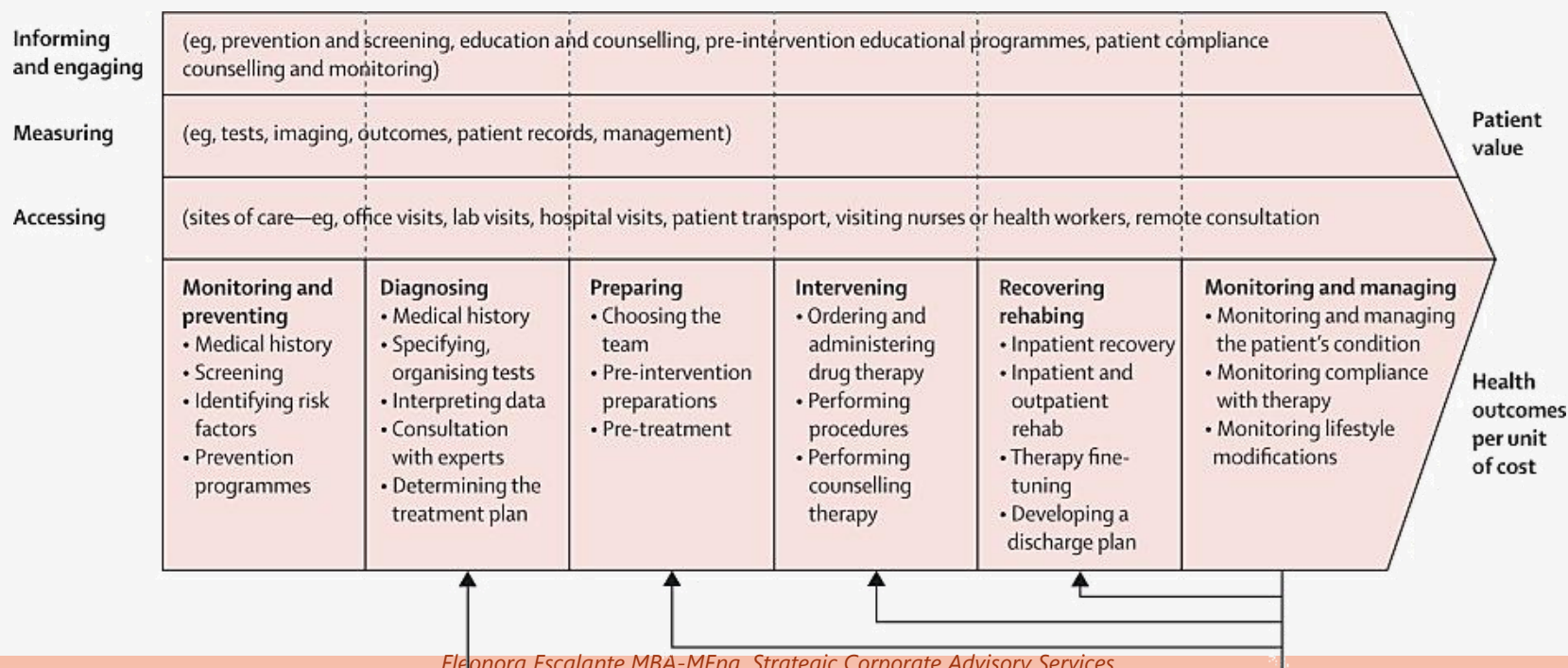


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Uniqueness Drivers

5. Interrelationships.

- The uniqueness of a value activity may happen because of sharing it with other business units.
- Sharing a sales force for both insurance and other financial products, may allow a One-Stop Shopping experience
- In the Prevention Care Delivery, the interrelationship between value activities are sources of excellent uniqueness.



The Care Delivery Value Chain (or Prevention Delivery) Value Chain Source:
<http://groundwork.mit.edu/>

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Uniqueness Drivers

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6. Learning and Spillovers

- Again, here by searching sources of uniqueness we must ask ourselves:
- How can we learn better in order to perform better?
- Learning badly has no value for any value activity. Learning faster without understanding the basics, is a loss of time and resources.
- We must learn because we want to do things better. **That is the key!**
- Examples:
 - Achieving consistent quality in manufacturing processes is a learning source of differentiation.
 - Proprietary learning leads to sustainable differentiation.

Example: Amazon Value Chain has evolved so much since 1995. Amazon has learnt over and over and over again, to become a “logistics” innovative company . Without any doubt Amazon has followed a source of uniqueness by learning.

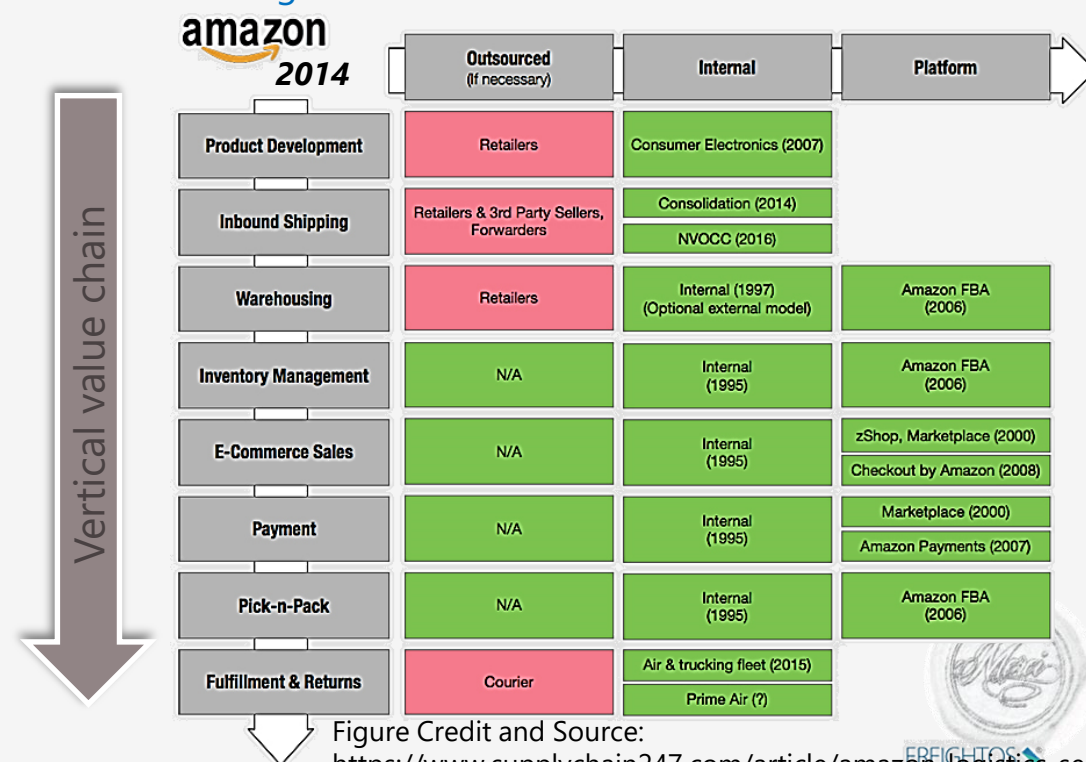


Figure Credit and Source:
https://www.supplychain247.com/article/amazon_logistics_services_the_future_of_logistics



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Uniqueness Drivers

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7. Integration.

- A firm level of integration may make it unique.
- The company can control the performance of value activities and integrate them with other value activities. This integration provide sources of differentiation.
- Integration (vertical or horizontal) may allow a firm to be able to offer a service in a unique way compared with competitors.
- Example: Apple's new watch comes with unique health features. Paired with AI-based software, it can predict high blood pressure and sleep apnea. By connecting value activities of one watch to other buyer activities, this product can differentiate itself from the competition.



Apple Watch can become a Personal Physician





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Uniqueness Drivers

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8. Scale

- Again we have to visit Scale.
- Larger Scale can allow a value activity to be done in a different way that is not possible at smaller volumes.
- Observe the type of Scale in what value activity?
- Scale can sometimes reduce the flexibility and work against the uniqueness of the activity. For example: Fashion designers.
- Many acquisition decisions are made using the VCA differentiation analysis, such as AMEX Global Business Travel interest to buy Hogg Robinson Group.

Example of Scale:

Last week, American Express Global Business Travel announced that will acquire Hogg Robinson Group's travel management division, HRG, for up to \$575 million (£411 million).

How?

"The complementary geographical footprints of each company will improve the global scale and reach of our business, enabling us to achieve efficiencies across a best-in-class platform and accelerate growth," said Doug Anderson, chief executive of American Express GBT.





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Uniqueness Drivers

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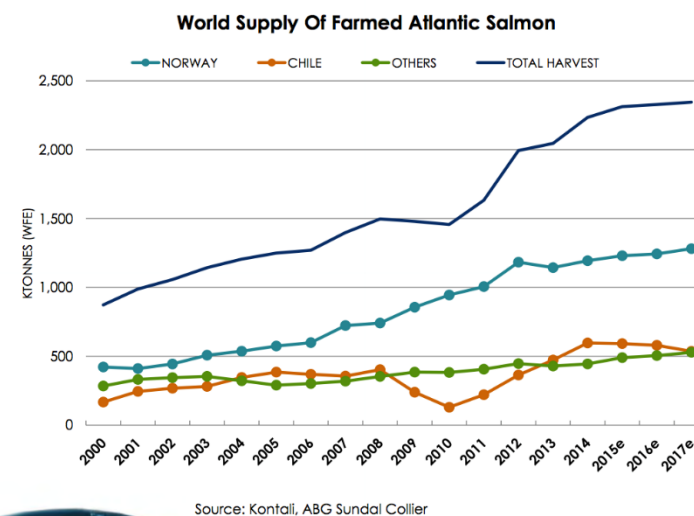
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9. Institutional Factors

- Institutional factors help in allowing a firm to be unique.
- For example: the Salmon companies in Chile.
- Since 1986 The Salmon Industry Association A. G. – **SalmonChile** – has brought together the main producers to meet the health, environmental, regulatory, social and economic challenges faced by the industry, both nationally and internationally.
- Adding Value to different value activities through institutional factors has permitted to the Salmon Industry to become the second largest salmon producer in the world, after Norway.

<http://www.salmonchile.cl/en/cca.php>

Projected 2016-2017 Atlantic supply





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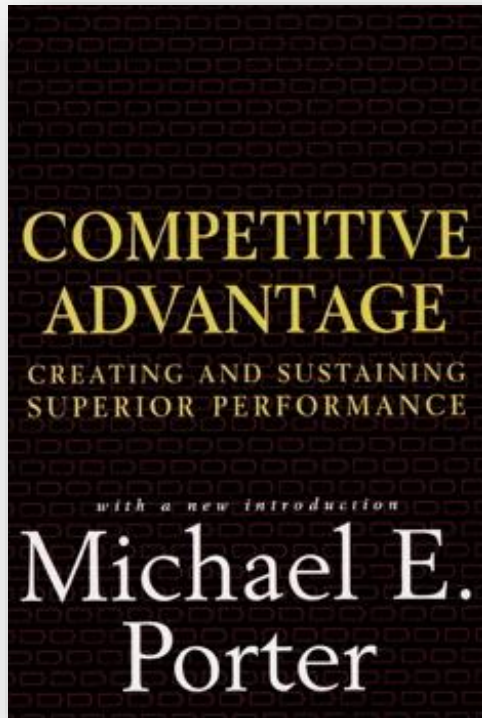
Uniqueness Drivers

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All the material shared today is from the book "*Competitive Advantage, Creating and sustaining Superior Performance*", From Michael Porter.



Thank you!

