Management Information Systems

Information Systems: Competitive Advantage and SIS

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(Adapted from Introduction to IS, Rainer and Turban)

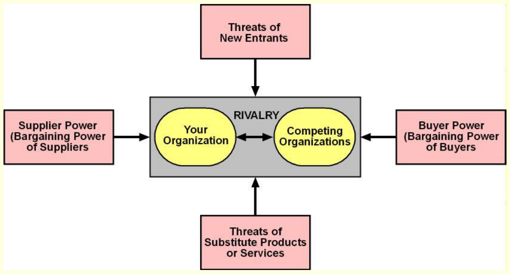
LEARNING OBJECTIVES

- Describe strategic information systems (SISs), and explain their advantages.
- Describe porter's competitive forces model and his value chain model, and explain how IT helps companies improve their competitive positions.
- Describe five strategies that companies can use to achieve competitive advantage in their industries.

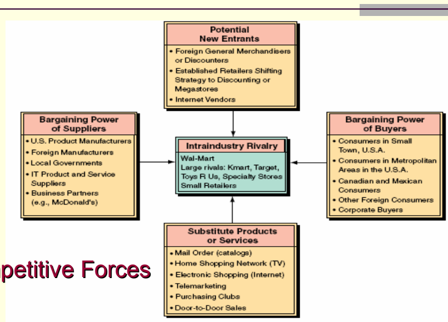
Competitive Advantage and Strategic Information Systems

- Competitive Advantage
  - An advantage over competitors in some measure such as cost, quality, or speed, leads to control of a market and to larger- than average profits.
- Strategic Information Systems (SIS)
  - provide a competitive advantage by helping an organization to implement its strategic goals and to increase its performance and productivity.

Porter's Competitive Forces Model



Porter's Competitive Forces Model Example: Walmart

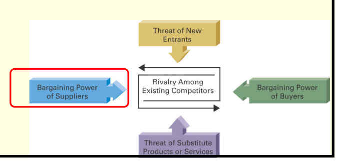


Competitive Forces

Bargaining power of suppliers

When your suppliers have power, your costs are higher

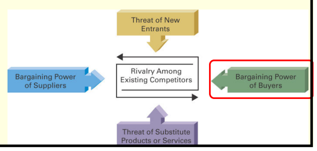
Some factors that increase supplier bargaining power



Bargaining power of buyers

When your buyers have power, you can't raise prices

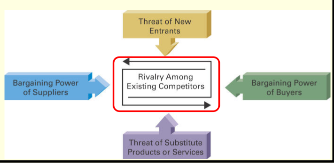
Some factors that increase buyer power



Intra-industry rivalry

Intra-industry rivalry decreases prices

Some factors that increase intra-industry rivalry

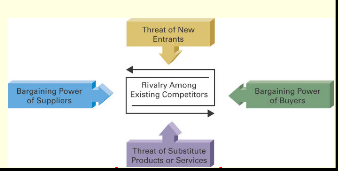


Threat of substitutes

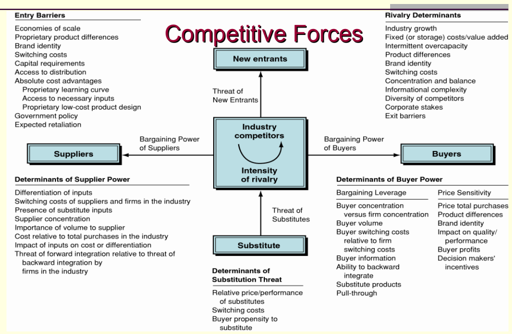
If prices in an industry rise, customers use substitutes

Similar to threat of entry, but from similar companies in neighboring industries rather than new ones in your industry

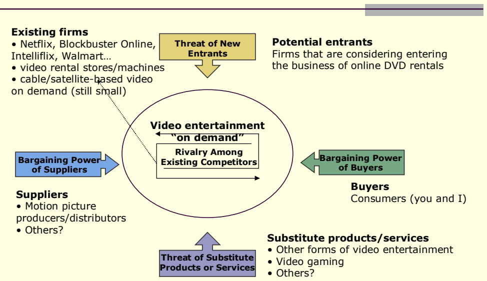
Some factors that make this threat important



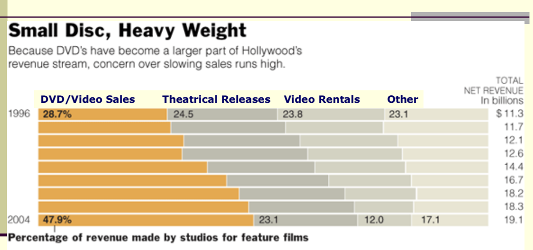
Porter's Competitive Forces Model



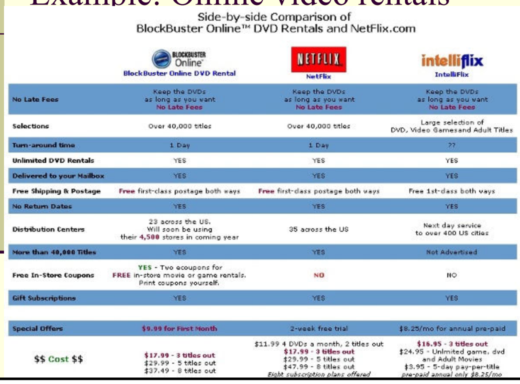
Example: Online video rentals



Example: Online video rentals



Example: Online video rentals



Side-by-side Comparison of
BlockBuster Online™ DVD Rentals and NetFlix.com

	BlockBuster Online DVD Rental	NetFlix	IntelliFlix
No Late Fees	Keep the DVDs as long as you want No Late Fees	Keep the DVDs as long as you want No Late Fees	Keep the DVDs as long as you want No Late Fees
Selections	Over 40,000 titles	Over 40,000 titles	Large selection of DVD, Video Gamesand Adult Titles
Turn-around time	1 Day	1 Day	??
Unlimited DVD Rentals	YES	YES	YES
Delivered to your Mailbox	YES	YES	YES
Free Shipping & Postage	Free first-class postage both ways	Free first-class postage both ways	Free 1st-class both ways
No Return Dates	YES	YES	YES
Distribution Centers	23 across the US. Will soon be using their 4,500 stores in coming year	35 across the US	Next day service to over 400 US cities
More than 40,000 Titles	YES	YES	Not Advertised
Free In-Store Coupons	YES - Two ecoupons for FREE in-store movie or game rentals. Print coupons yourself.	NO	NO
Gift Subscriptions	YES	YES	YES
Special Offers	$9.99 for First Month	2-week free trial	$8.25/mo for annual pre-paid
$$ Cost $$	$17.99 - 3 titles out $29.99 - 5 titles out $37.49 - 8 titles out	$11.99 4 DVDs a month, 2 titles out $17.99 - 3 titles out $29.99 - 5 titles out $47.99 - 8 titles out *Eight subscription plans offered*	$16.95 - 3 titles out $24.95 - Unlmited game, dvd and Adult Movies $3.95 - 5-day pay-per-title *pre-paid annual only $8.25/mo*

Example: Online video rentals

1. Characterizing the competitive forces

- **Supplier power**
- **Buyer power**
- **Threat of new entrants**
- **Rivalry among existing competitors**

Example: Online video rentals

2. Key technological changes since 1998

Example: Online video rentals

3. Will video-on-demand transform the industry?

How does digital VOD affect competitiveness?

Supplier power

1998 **2005** **2015**

Intra-industry rivalry

1998 **2005** **2015**

How does digital VOD affect competitiveness?

Threat of entry

1998 **2005** **2015**

Buyer power

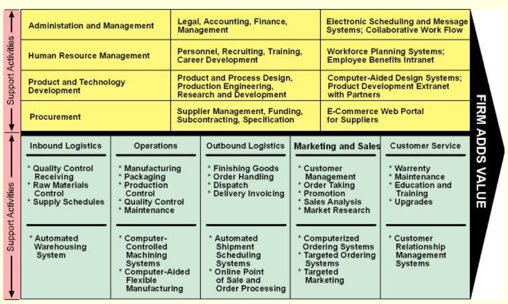
1998 **2005** **2015**

Porter’s Value Chain Model

This model identifies specific activities where organizations can use competitive strategies for greatest impact.

- Primary activities
- Support activities

Porter’s Value Chain Model



Strategies for Competitive Advantage

- Cost Leadership
- Differentiation
- Innovation
- Operational Effectiveness
- Customer-orientation